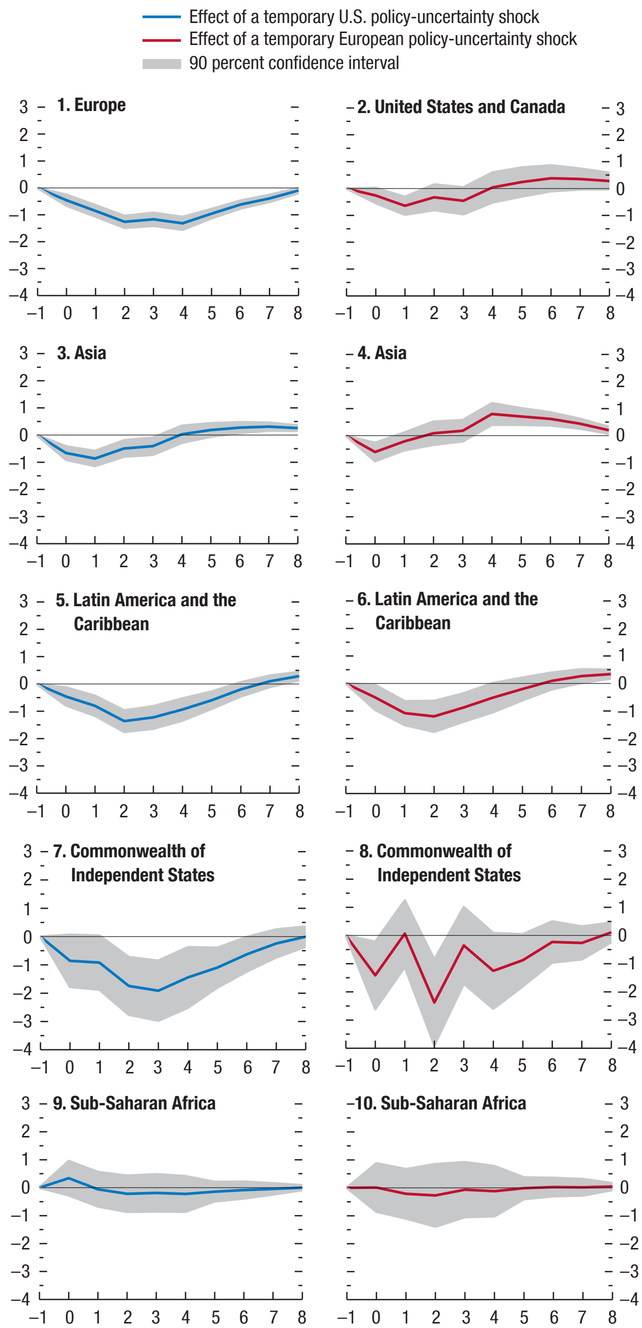
Figure 2.SF.5. Effect of a U.S. or European Policy-Uncertainty Shock on Real Investment in Other Regions

(Quarters on x-axis, percent change in real investment on y-axis)

One way policy-uncertainty shocks in the United States and Europe affect real activity in other regions is through declining investment. As with output, the magnitude, persistence, and statistical significance of the effects differ across regions. The effect of U.S. policy-uncertainty shocks tends to be slightly bigger and more persistent than that of European policy-uncertainty shocks, and U.S. shocks affect Europe more than vice versa.



Source: IMF staff calculations.
Note: Policy-uncertainty shocks are defined as periods during which detrended uncertainty is more than 1.65 standard deviations above its mean. If only South Africa is used in the SSA sample (that is, if Botswana is excluded), the decline in investment is larger.