Figure 4.16. Impact of Prior Choice on Average Impulse Responses
(Percentage points)

Baseline specification: AR(1) prior, $\rho = 0.8$
Alternative specification: white-noise prior

1. U.S. GDP Growth Shock
2. U.S. Treasury Bond Rate Shock
3. EMBI Spread Shock
4. Terms-of-Trade Growth Shock

Source: IMF staff calculations.
Note: AR(1) = first-order autoregression; EMBI = J.P. Morgan Emerging Markets Bond Index. Shocks are normalized to a 1 percentage point increase. X-axis units are quarters; $t=0$ denotes the quarter of the shock.