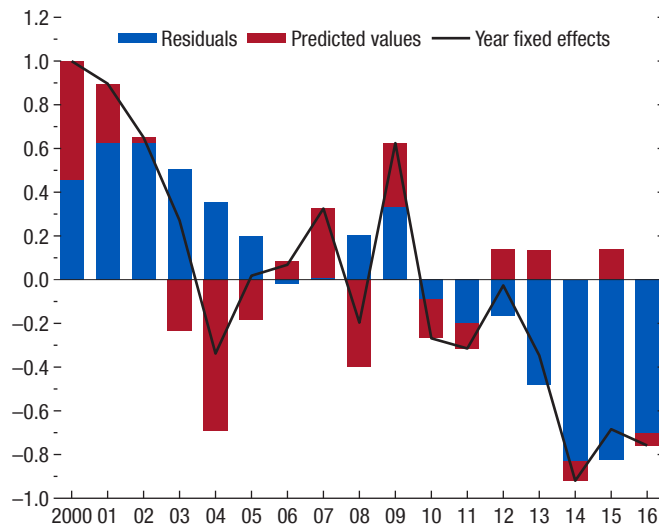


Figure 2.13. Year Fixed Effects and Common Drivers, 2000–16
(Index)

The estimated year fixed effects tend to be correlated with advanced economy averages of lagged inflation, trend productivity growth, unemployment, and involuntary part-time employment. However, even beyond these factors, there is a negative residual after 2009, and especially during 2014–16. This could be picking up the effects of increased integration as well as downward pressure on wage demands as a result of synchronized recessions.



Source: IMF staff calculations.

Note: Year fixed effects are based on the panel ordinary least squares regression in column (1) of Annex Table 2.3.3. Residuals are from a regression of these year fixed effects on advanced economy averages of the drivers shown in Figure 2.12 and a constant. Year fixed effects and predicted values are subsequently renormalized such that year fixed effects over 2000–16 average to zero.