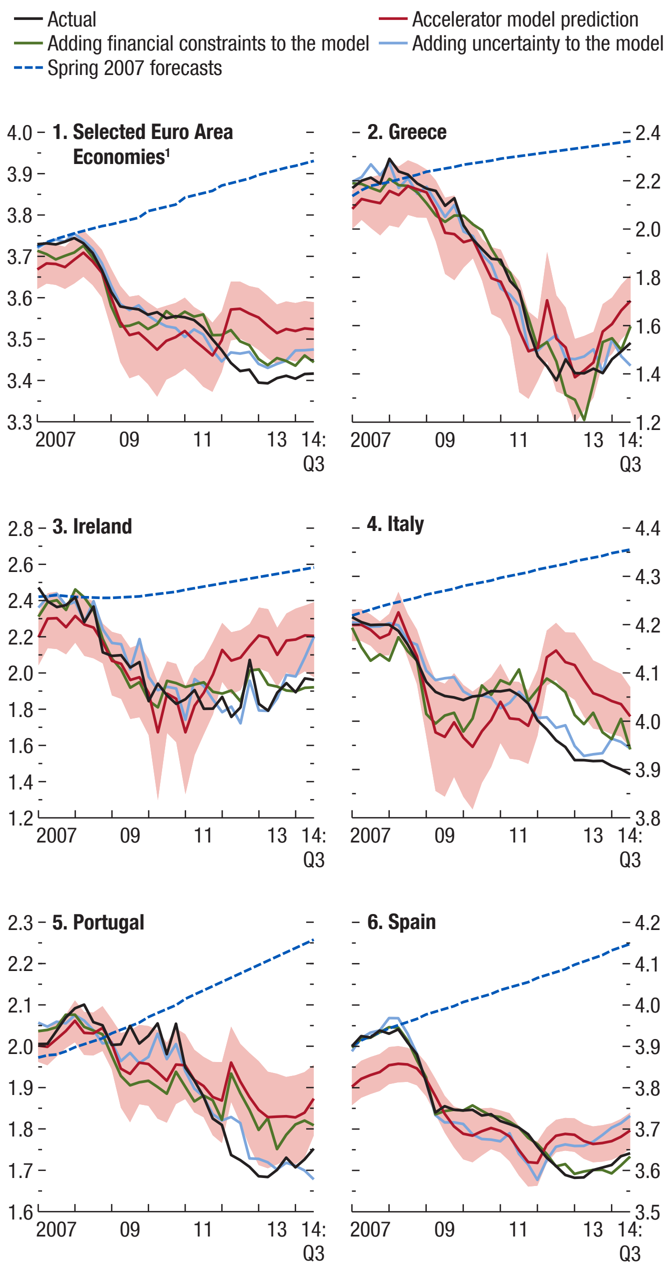
Figure 4.10. Selected Euro Area Economies: Accelerator Model—Role of Financial Constraints and Policy Uncertainty

(Log index)

For some euro area economies, there are cases of unexplained investment weakness during 2011–14, with evidence of financial constraints and policy uncertainty playing a role beyond output in impeding investment. Earlier in the crisis, investment was above the level predicted for these economies.



Sources: Consensus Economics; Haver Analytics; national authorities; and IMF staff estimates.
Note: Fitted values for investment are obtained by multiplying fitted values for the investment rate by the lagged capital stock. Shaded areas denote 90 percent confidence intervals, based on the Newey-West estimator.
[1]Euro area economies (Greece, Ireland, Italy, Portugal, Spain) with high borrowing spreads during the 2010–11 sovereign debt crisis.