An appreciable fraction of fluctuations in countries’ financial conditions is attributable to global financial conditions.

Source: IMF staff estimates.

Note: The figure displays the share of countries’ FCI attributable to global factors based on a one- or three-factor model—specifically, the $R^2$-squared from panel regression models in which countries’ FCIs are regressed on measures of global financial conditions based on the one- or three-factor model. Simple averages are used. FCI = financial conditions index.