Reversals of current account surpluses were characterized by an increase in investment in the expansionary reversals and an increase in consumption (decrease in savings) in the contractionary reversals.

Sources: IMF, International Financial Statistics; OECD, Economic Outlook (2006); World Bank, World Development Indicators (2006); and IMF staff calculations.

1Contractionary surplus reversals are the 13 surplus reversals with the largest average decline in GDP growth (the bottom quartile in the sample ordered by the change in growth).

2Expansionary surplus reversals are the 12 surplus reversals with the smallest average decline in GDP growth (the top quartile in the sample ordered by the change in growth).

3Average of GDP annual growth rates in the period after the reversal (1 . . . T) less average annual growth rates in the period before the reversal (–T . . . –1).

4Maximum change in REER within the period surrounding the reversal (–T . . . T). An increase represents a real appreciation of a country’s currency relative to its trading partners.

5Before reversal is the change in the variable between –T and 0. “After reversal” is the change in the variable between 0 and T.