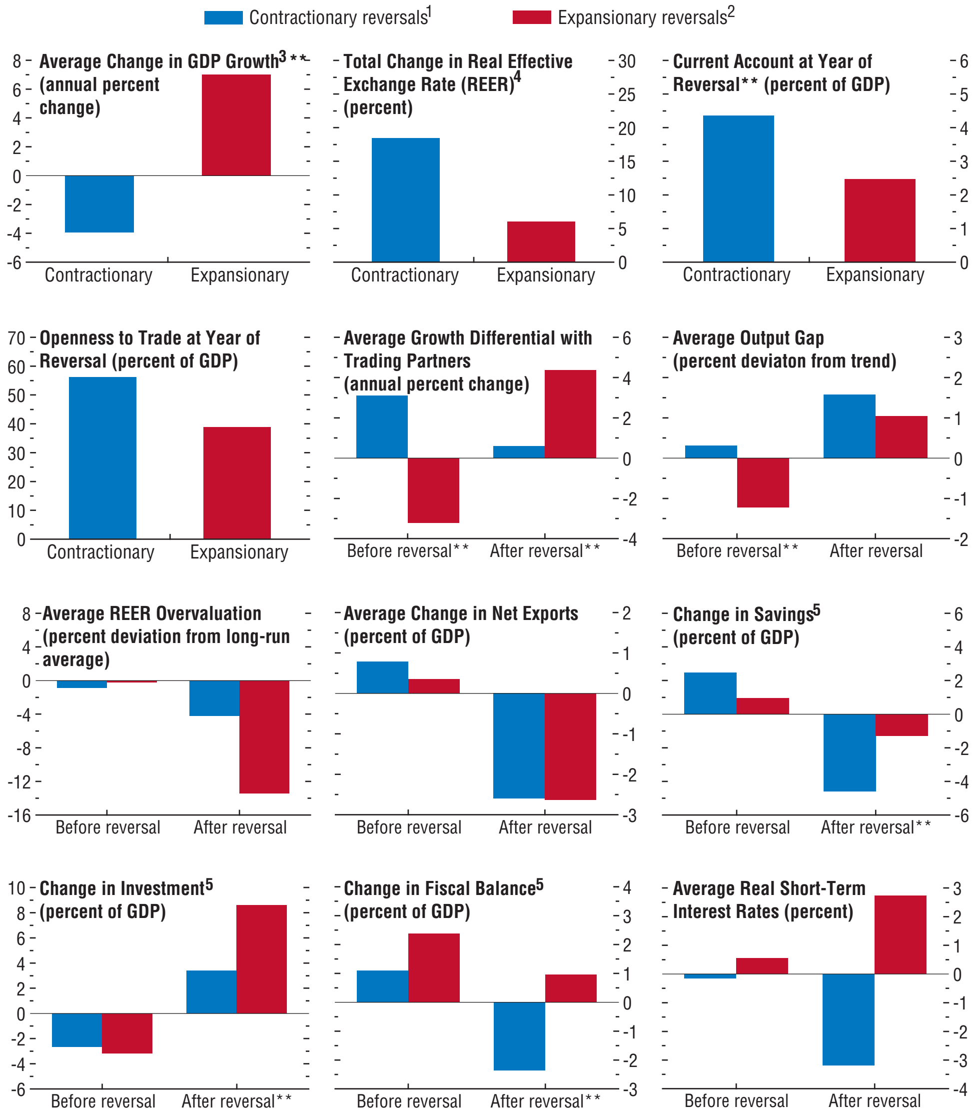
Figure 3.7. Surplus Reversals in Emerging Markets: Episode Characteristics by Average Change in GDP Growth

(Medians across the two groups of episodes; asterisks show that the difference between the medians in the contractionary and expansionary surplus reversals is statistically significant at the 10 percent confidence level)

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.

[1]Contractionary 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).

[2]Expansionary 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).

[3]Average 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).

[4]Maximum 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.

[5]"Before reversal" is the change in the variable between –*T* and 0. "After reversal" is the change in the variable between 0 and *T*.