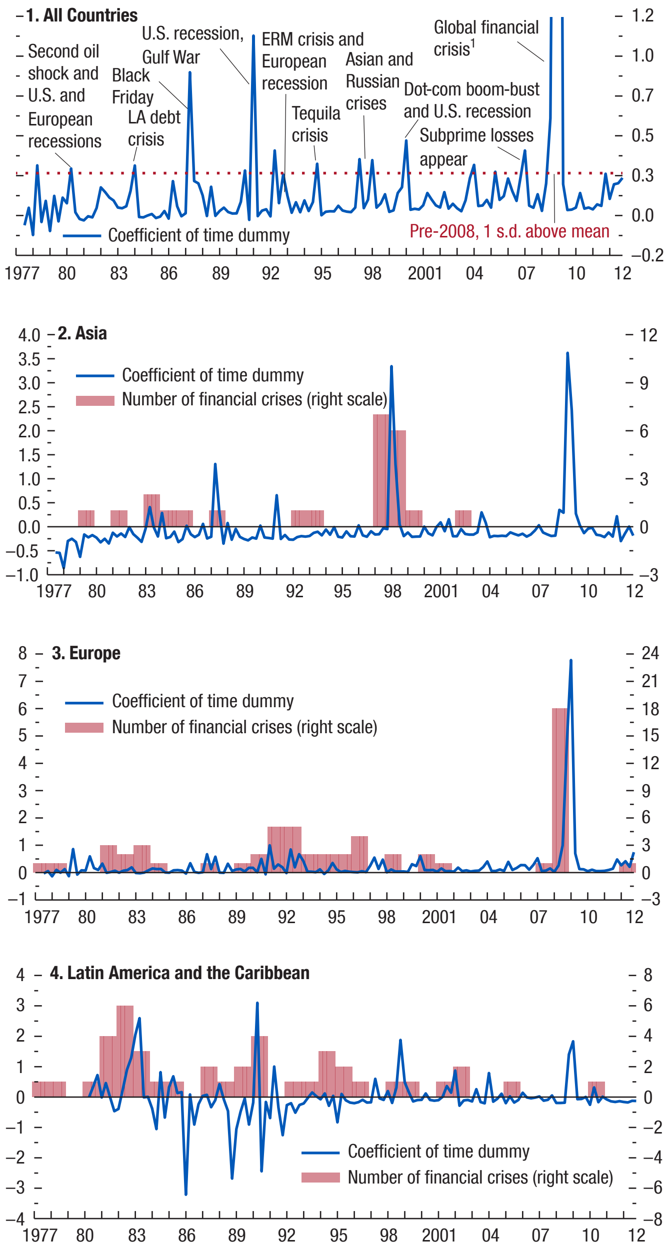
Figure 3.4. What's behind "Common Shocks"?

Spikes in global comovement correspond to well-documented global events such as oil shocks, financial shocks, and recessions in major advanced economies. Regional output comovements confirm the importance of financial crises in increasing output synchronization.



Sources: Laeven and Valencia (2012); and IMF staff calculations.
Note: s.d. = standard deviation; LA = Latin America; ERM = exchange rate mechanism. The blue lines plot the time dummies from a regression of instantaneous quasicorrelations on country-pair and time dummies. U.S. and euro area recessions are from the National Bureau of Economic Research and Center for Economic and Policy Research, respectively. Financial crises include currency, debt, and systemic banking crises and are taken from Laeven and Valencia (2012); if a country has more than one type of crisis in a given year (e.g., twin currency and banking crises) they are counted as one crisis.
[1]Time-fixed effect rises above 5 in 2008:Q4 and 2009:Q1.