Figure 4.4. Impulse Responses to External Financing Shock
(Percentage points)

A higher risk premium on emerging market economies' sovereign debt reduces their growth.

1. Domestic Real GDP Growth Response
   (1 standard deviation = 0.54 percentage point)
   - Average response
   - 25th–75th percentile range

2. Domestic Short-Term Interest Rate Response
   (1 standard deviation = 0.54 percentage point)
   - Average response
   - 25th–75th percentile range

3. Domestic Real Exchange Rate Response
   (1 standard deviation = 0.54 percentage point)
   - Average response
   - 25th–75th percentile range

4. Domestic Real GDP Growth Response
   (normalized to a 1 percentage point rise in the EMBI yield)
   - Cumulated response of EMBI yield to its own shock at the end of second year (left scale)
   - Growth effect on impact (right scale)
   - Cumulated effect on output at end of second year (left scale)

Sources: Federal Reserve Economic Data; Haver Analytics; IMF, International Financial Statistics database; Thomson Reuters Datastream; and IMF staff calculations.

Note: X-axis units in panels 1–3 are quarters; t = 0 denotes the quarter of the shock. X-axis in panel 4 uses International Organization for Standardization (ISO) country codes. EMBI = J.P. Morgan Emerging Markets Bond Index.

1 Average for all sample economies except Argentina, Russia, and Venezuela.