Figure 3.11. Model Simulations: Effect of Public Investment in Advanced Economies and Emerging Markets

The response of output to public investment shocks is smaller in emerging market economies, because the lack of slack implies an immediate monetary policy response, and because public investment efficiency is relatively lower.

Source: IMF staff estimates.
Note: Economy groups are defined in Appendix 3.1. Shock represents an exogenous 1 percentage point of GDP increase in public investment spending.