For some euro area economies, there are cases of unexplained investment weakness during 2011–14, with evidence of financial constraints and policy uncertainty playing a role beyond output in impeding investment. Earlier in the crisis, investment was above the level predicted for these economies.

Sources: Consensus Economics; Haver Analytics; national authorities; and IMF staff estimates.

Note: Fitted values for investment are obtained by multiplying fitted values for the investment rate by the lagged capital stock. Shaded areas denote 90 percent confidence intervals, based on the Newey-West estimator.

Euro area economies (Greece, Ireland, Italy, Portugal, Spain) with high borrowing spreads during the 2010–11 sovereign debt crisis.