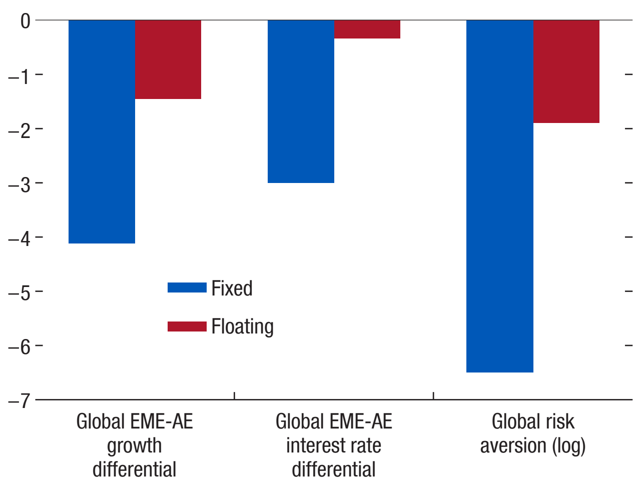
Figure 2.21. Differences in the Contribution of Global Factors between More and Less Flexible Exchange Rate Regimes
(Percent of GDP)

Exchange rate flexibility also weakens the link between key global factors (such as aggregate growth differentials, short-term interest rate differentials, and global risk aversion) and gross capital inflows.



Source: IMF staff calculations.
Note: The figure shows the effect of a 0.75 percentage point decrease in the growth and interest rate differentials, respectively, and an increase of 3 in the Chicago Board Options Exchange Standard & Poor's 100 Volatility Index (VXO), based on coefficients reported in Annex Table 2.3.6, column 3. See Annex 2.1 for a description of the sample, Annex 2.2 for a detailed description of included variables and sources, and Annex 2.3 for details on the methodology. AE = advanced economy; EME = emerging market economy.