Comment: The Global Financial Crisis: Explaining Cross Country Differences in the Output Impact

Abhijit Sen Gupta

Associate Professor,
Centre for International Trade and Development,
Jawaharlal Nehru University

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1. Main Highlights

2. Comments
Outline

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Use revisions of consensus forecast and WEO projections for GDP growth to measure the impact of the crisis.

Focuses on alternative transmission mechanisms viz. trade, financial, policy framework and inherent vulnerabilities and the financial structure.

Uses both graphical and regression analysis to capture the key determinants of impact of the crisis.
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- Graphical representation indicates that financial linkages, financial vulnerabilities, current account deficit, primary deficit and exchange rate rigidity are associated with a greater impact.

- Baseline regressions indicate that leverage and credit growth explain a large part of variation in growth revisions.

- EU accession and exchange rate rigidity seems to have exacerbated the impact while a strong fiscal position mitigated it.

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- Is the conclusion on exchange rate peg dummy driven by the sample of countries used in the analysis.

  - Includes a number of East European countries that are either a part of ERM II or are potential entrants.
  - Most of the floaters tend to be the OECD countries, which are out of the purview of this study. Nevertheless, a number of these countries have been hit hard.
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Thank You!!!
Growth Revisions

The diagram shows the frequency of absolute differences in growth rates. The x-axis represents the absolute difference in growth rates, while the y-axis shows the frequency.
### Impact of Crisis: Latin America

<table>
<thead>
<tr>
<th>Country</th>
<th>Impact</th>
<th>Exchange Rate Regime</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>-9.6</td>
<td>Independently Floating</td>
</tr>
<tr>
<td>Paraguay</td>
<td>-9.0</td>
<td>Managed Float</td>
</tr>
<tr>
<td>Argentina</td>
<td>-7.0</td>
<td>Other Conventional FixedPeg</td>
</tr>
<tr>
<td>Chile</td>
<td>-6.2</td>
<td>Independently Floating</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>-5.5</td>
<td>Crawling Band</td>
</tr>
<tr>
<td>Panama</td>
<td>-5.4</td>
<td>Exchange Arrangement with No Separate Legal Tender</td>
</tr>
<tr>
<td>Ecuador</td>
<td>-5.1</td>
<td>Exchange Arrangement with No Separate Legal Tender</td>
</tr>
<tr>
<td>Colombia</td>
<td>-4.8</td>
<td>Managed Float</td>
</tr>
<tr>
<td>Peru</td>
<td>-4.5</td>
<td>Managed Float</td>
</tr>
<tr>
<td>Brazil</td>
<td>-4.3</td>
<td>Independently Floating</td>
</tr>
<tr>
<td>Uruguay</td>
<td>-3.4</td>
<td>Managed Float</td>
</tr>
<tr>
<td>Bolivia</td>
<td>-2.2</td>
<td>Crawling Peg</td>
</tr>
</tbody>
</table>
The spillover has been amplified by Asia's product mix, because the region is specialized in sectors in particular, motor vehicles, electronic goods, and capital machinery (Figure 1.5). These sectors have been hit so hard by the crisis, and examines the developments in Asia, analyzes the reasons why Asia has been hit so hard. Why has Asia been hit so hard? In broad terms, Why Has Asia Been So Hard Hit?

The Other Side of Integration: The Trade Channel

Why Has Asia Been So Hard Hit?

This chapter reviews recent economic growth has gradually become stronger (Figure 1.4). Indeed, the correlation between U.S. economies has actually increased over time (Figure 1.3). The rapid import growth and Asian intraregional export growth has decoupled from the business cycle of advanced economies. In reality, a large fraction of trade within the region reflects intra-industry processing and capital machinery (Figure 1.5). Regional aggregates are simple averages of the total exposure of consituent economies.

Sources: Guimarães-Filho and others, 2008; and IMF, Direction of Trade Statistics database; and staff calculations.

1 Includes indirect exposure through exports of intermediate and capital goods via intra-regional trade. Regional aggregates are simple averages of the total exposure of consituent economies.

Sources: Haver Analytics; and IMF, Direction of Trade Statistics database.

1 Includes China, Hong Kong SAR, Korea, Singapore, Indonesia, Malaysia, the Philippines, and Thailand.