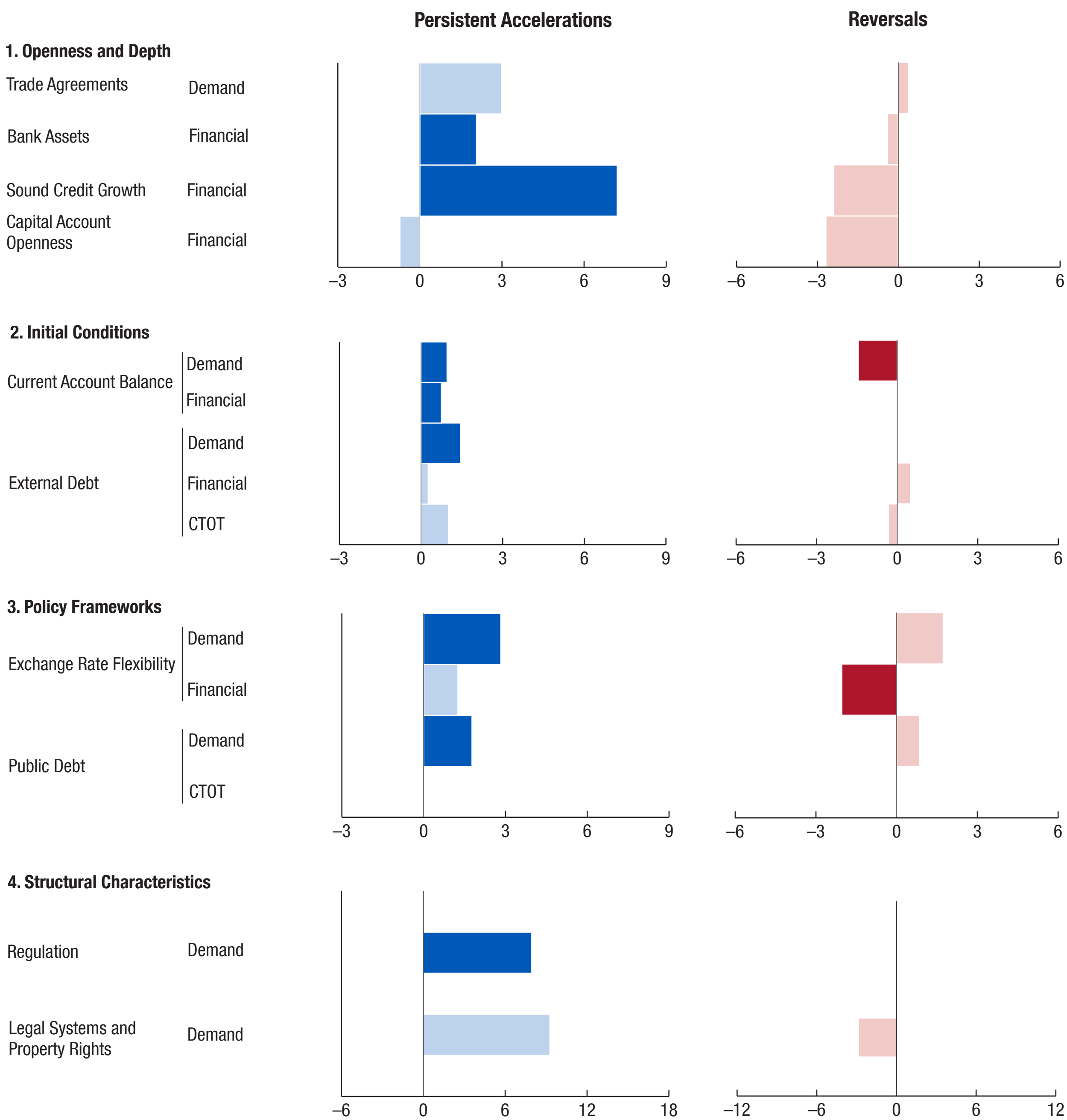
Figure 2.19. Change in Marginal Effect of External Conditions When Domestic Attributes Improve

(Percentage points)

The impact of external conditions on the likelihood of growth outcomes is significantly affected by domestic attributes. A mix of policies that protect trade integration, permit exchange rate flexibility, and reduce vulnerabilities associated with external imbalances and high levels of debt can help emerging market and developing economies extract the most out of external conditions.



Source: IMF staff calculations.
Note: The figure shows the change in the marginal effect of each external condition when the domestic attribute variable is evaluated at the 75th versus at the 25th percentile of its distribution (while holding the external condition variable at its median value). Estimation results have been transformed such that the 75th percentile represents more openness, lower levels of external and public debt, and higher exchange rate flexibility. A favorable effect from the change in the domestic attribute is represented by a positive (negative) value in the case of persistent acceleration (reversal) episodes. Solid bars denote difference in marginal effects significant at the 10 percent level. CTOT = commodity terms of trade.