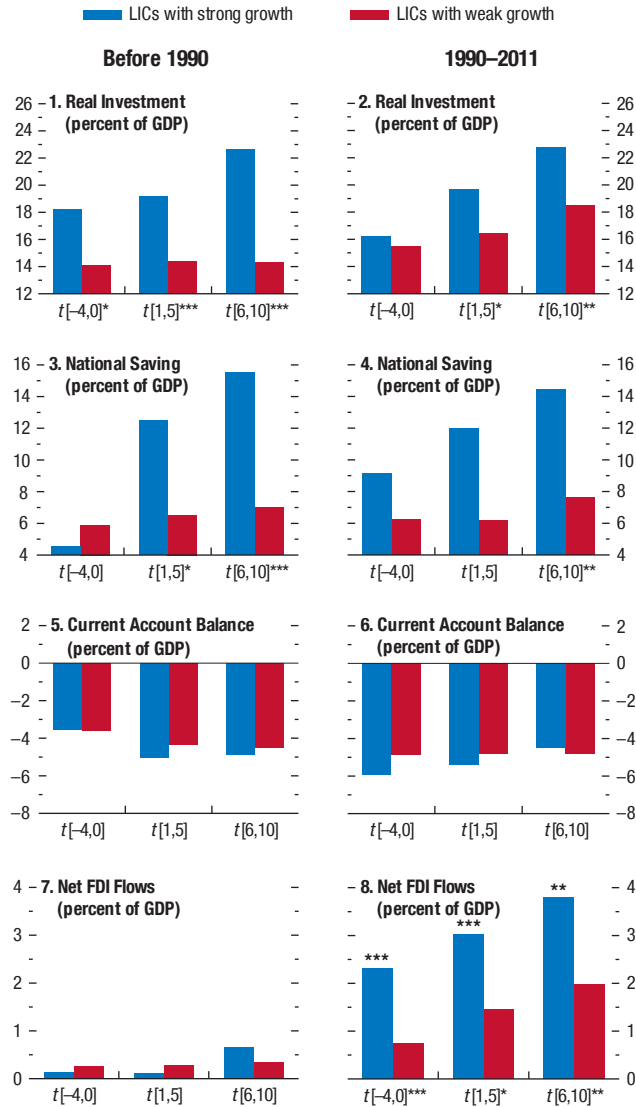


Figure 4.6. Investment and Financing in Low-Income Countries
(Median economy; t = 1 in the first year of a strong or weak growth episode)

Dynamic low-income countries (LICs) from both generations tended to experience sharp increases in investment and saving rates during and after takeoffs. However, the current generation of dynamic LICs has tended to finance its current account deficits with a significantly higher share of foreign direct investment (FDI) flows than the weaker LICs and the previous generation of dynamic LICs.



Sources: IMF, Balance of Payments Statistics database; IMF, World Economic Outlook database (October 2012); Penn World Table 7.1; World Bank, World Development Indicators database (2012); and IMF staff calculations.

Note: Economy groups and indicators are defined in Appendix 4.1. LICs exclude countries experiencing or recovering from a serious external or internal conflict at the start of their takeoffs. See the text for definitions of strong and weak growth episodes (takeoffs are strong growth episodes). See Appendix 4.1 for the definition of conflict and the source of the conflict data. *, **, and *** denote statistically significant difference in distributions (based on the Kolmogorov-Smirnov test) at the 10 percent, 5 percent, and 1 percent levels, respectively. Significance tests on the x-axis are for the difference in the distributions between the groups of strong and weak growth. Significance tests on the blue bars are for the difference in the distributions across 1990-2011 and before 1990 (not shown for red bars). A constant composition sample underlies each of the panels to ensure comparability within the group of strong and weak growth episodes across time for that panel.