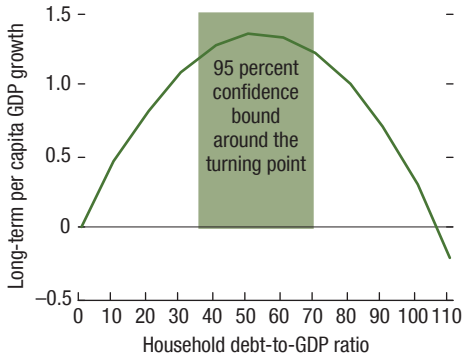
Figure 2.1.1. Long-Term per Capita GDP Growth and Household Debt

1. Effect of Household Debt on per Capita GDP Growth (Percent)



2. Panel Regression of per Capita GDP Growth and Household Debt, 1970–2010[1]

Variables	(1) Per Capita GDP Growth	(2) Per Capita GDP Growth	(3) Per Capita GDP Growth
HHD	0.051*	0.007	0.021
	(1.726)	(0.346)	(0.762)
HHD^2	–0.048**	–0.024	–0.051**
	(–1.980)	(–1.494)	(–2.057)
Crisis		–0.017***	–0.015***
		(–6.319)	(–4.688)
EME × HHD			–0.000
			(–0.015)
Education	0.028	0.018*	0.017
	(1.117)	(1.818)	(1.576)
Initial per capita GDP	–0.012**	–0.004	–0.000
	(–1.973)	(–1.227)	(–0.078)
Constant	–0.035	–0.038	–0.066
	(–0.353)	(–0.933)	(–1.507)
Observations	278	278	278
Number of countries	73	73	73
AR^2	0.0186	0.137	0.185
Hansen	0.253	0.797	0.361
Instruments	55	73	68

Source: IMF staff calculations.
Note: Figure shows nonlinear effect of household debt on long-term per capita GDP growth at various levels of household debt, based on a long-term panel regression. It uses the Arellano-Bover general method of moments estimator of five-year average per capita GDP growth (shown in panel 2) on household debt to GDP (HHD), the squared ratio of household debt to GDP (HHD^2), initial per capita GDP, secondary education enrollment, dummies for banking crises (Crisis), and emerging market economies' household debt-to-GDP ratio (EME × HHD).
*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.
[1] *Z*-statistics in parentheses.