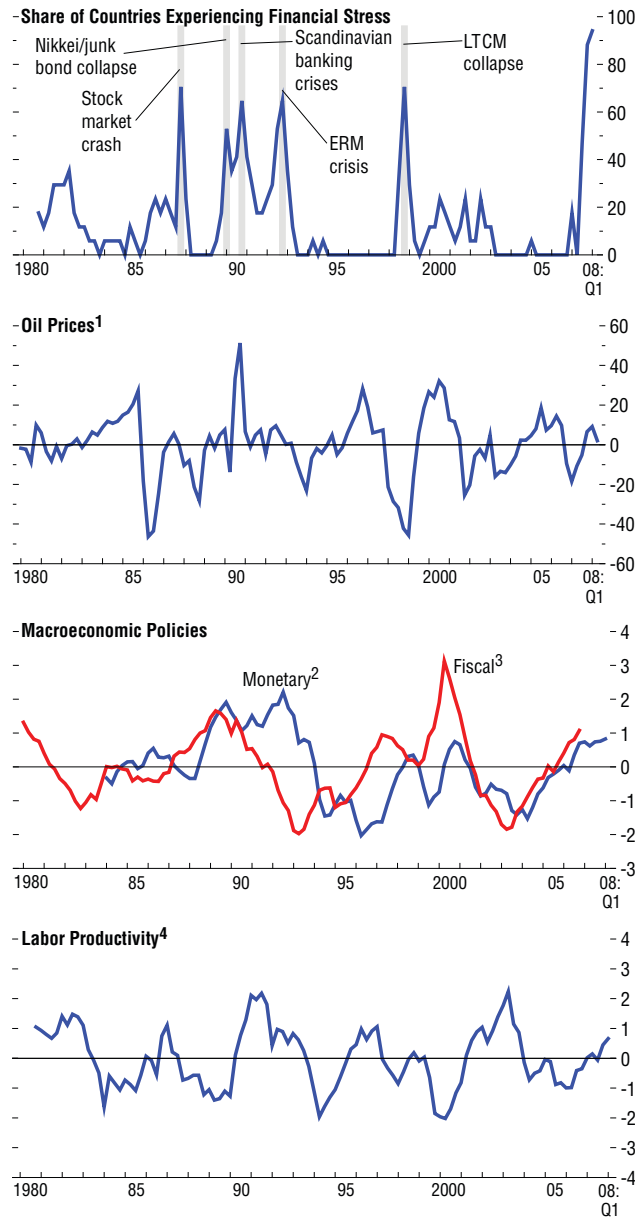


Figure 4.3. Financial Stress and Shocks

Financial stress episodes tend to be synchronized around systemic events, as shown by their clustering in a few peaks. Episodes of financial stress generally correspond to cases of monetary policy shocks, but they don't correlate well with other shocks.



Sources: Haver Analytics; IMF, Commodity Price System database; OECD, Analytic Database; OECD, *Economic Outlook* (2008); and IMF staff calculations.

Note: ERM = exchange rate mechanism; LTCM = Long-Term Capital Management.

¹Oil prices are scaled by U.S. inflation (CPI) and represent deviations from Hodrick-Prescott (HP) trend.

²Monetary policy is measured using the inverse term spread's deviations from HP trend.

³Fiscal policy is measured using government net lending's deviations from HP trend.

⁴Labor productivity of the total economy is measured as the ratio of real GDP and total employment and represents deviations from HP trend. Data are not available for Austria, Belgium, Denmark, Spain, and Switzerland.