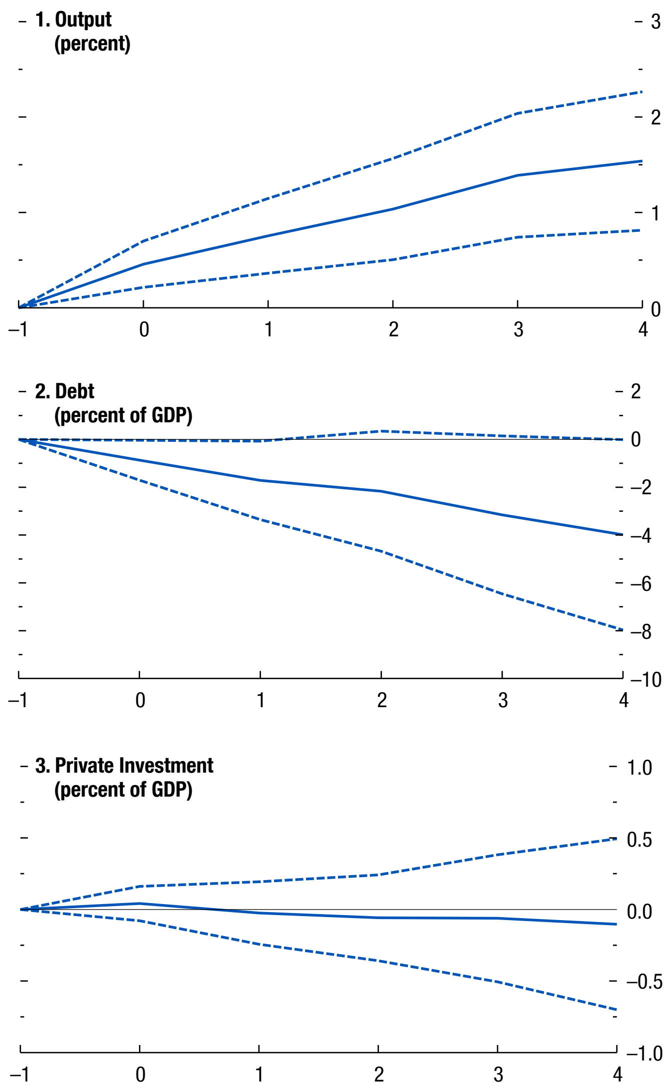
Figure 3.5. Effect of Public Investment in Advanced Economies

(Years on x-axis)

Public investment shocks have a statistically significant and long-lasting effect on output. They also typically reduce the debt-to-GDP ratio, though the decline in debt is statistically significant only in the short term. The level of private investment rises in tandem with GDP.



Source: IMF staff calculations.
Note: $t = 0$ is the year of the shock; dashed lines denote 90 percent confidence bands. Shock represents an exogenous 1 percentage point of GDP increase in public investment spending.