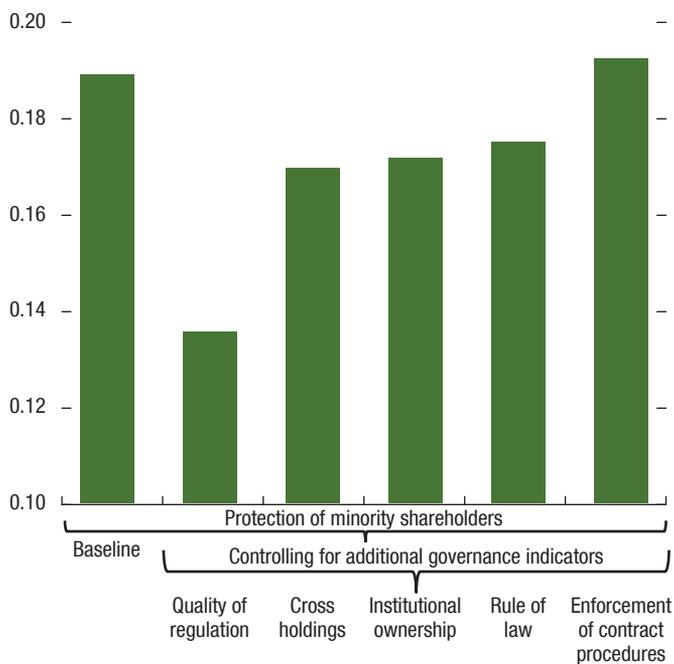


Figure 3.9. Corporate Governance and Market Liquidity
(Percent)

Better corporate governance helps improve market liquidity.



Sources: Brandão-Marques (forthcoming); FactSet database; IMF, International Financial Statistics database and World Economic Outlook database; Thomson Reuters Datastream; World Economic Forum, Global Competitiveness Indicators (GCI) database; World Bank, Worldwide Governance Indicators database; and IMF staff calculations.

Note: The figure shows the sensitivity of market liquidity to minority shareholder protection (GCI), with and without additional governance controls. The empirical analysis also controls for market capitalization, equity price volatility, GDP growth, inflation, country fixed effects, and country-time trends.