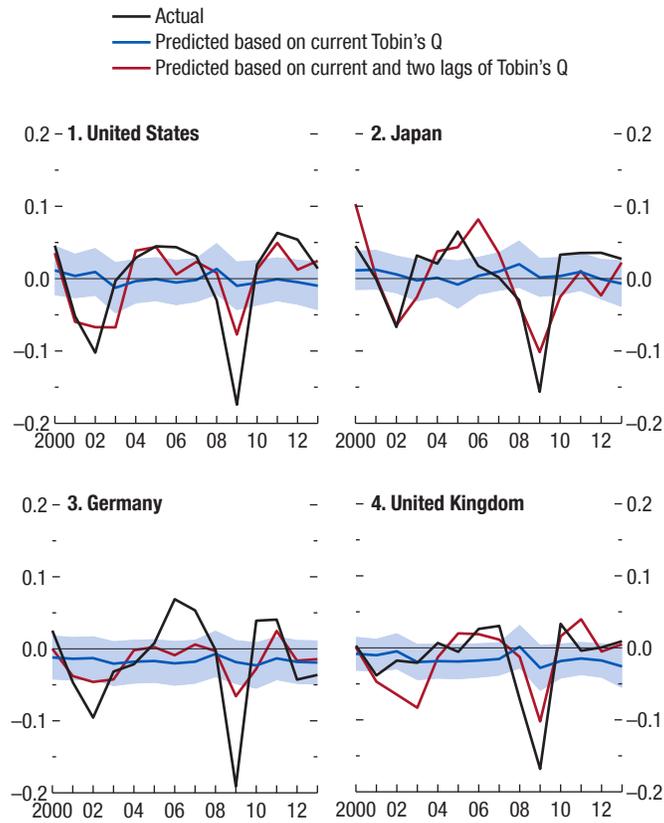


Figure 4.14. Investment: Actual and Predicted Based on Tobin's Q
(Percentage points)

Historically, Tobin's Q is only weakly related to investment in the current year. Tobin's Q has more explanatory power for predicting future investment.



Sources: Haver Analytics; national authorities; and IMF staff calculations.

Note: The figure reports the predicted and actual values for the change in the log of the investment-to-capital ratio. Shaded areas denote 90 percent confidence intervals.