

particular, while the PR approach highlights the *average impact* across a group of countries, the VAR focuses on *individual* country dynamics.

For our analysis, we use unbalanced panel data, covering a set of emerging and advanced economies for the period from the first quarter of 1999 to the first quarter of 2011. The sample period reflects data availability for global liquidity aggregates. The countries include the following:

- **“G4” economies**, including: Japan, the United States, United Kingdom and the euro area, collectively referred as G4 in the paper;
- **Other European countries**, including Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Iceland, Israel, Latvia, Lithuania, Norway, Poland, Romania, Russia Switzerland, and Sweden;
- **Other Asian economies**, including Australia, China, Hong Kong SAR, India, Indonesia, Korea, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Thailand and Vietnam;
- **Other Western Hemisphere countries**, Argentina, Brazil, Canada, Chile, Colombia, Mexico, and Peru;
- **“Other” economies**, including Nigeria, Saudi Arabia, South Africa, and Turkey.

The key results of the PR regressions are presented in Table 2, with a range of robustness tests presented in Tables 3–4. The VAR results associated with demand and supply shocks on core liquidity are presented in Figures 12 and 13, while Figures 14 and 15 illustrate the GDP response from demand and supply shocks on noncore liquidity.

Our analysis sheds light on a number of stylized facts regarding the feedback effects between global liquidity and real GDP growth. Overall, we find that the types of funding shocks—whether through core (bank based) or noncore (collateral based), and more specifically, whether they are supply- or demand-driven, matter. And, our results suggest that the financial crisis may have altered the dynamics between liquidity shocks on growth.

- **The results show that demand shocks to liquidity have stronger effects on real GDP than supply shocks.** This is particularly striking in the case of demand shock to noncore liquidity, which has not only the largest negative impact within the G4 economies, but also the largest spillover to other advanced markets (Figure 15).²¹ In particular, the average impact of a one standard deviation shock rises to

²¹It is also the case with the largest number of countries for which the confidence interval does not include zero.