

The macroeconomic effect of the global risk: evidence from VIX and GEPU

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In recent years, the global risk caused by the economic policy uncertainty of the main countries and the asset bubbles has gradually increased, which are widely considered as a major threat to all of the global economies. This paper provides empirical evidence about the macroeconomic effects of the global risk shocks of the global financial market and the economic policies in ten main countries by employing a VAR framework during the period from 1997:01 to 2019:08. The main findings are as follows. Firstly, we found wide existence of the recessionary effect of the global risk both on macroeconomic variables, including the industrial production, the employment, and the employment rate, and on the financial market variables including the long-term interest rate and the stock index. Reactions to the global risk shock of the exchange rate, the CPI, and the trade balance differentiate by country due to different economic conditions. The empirical results, therefore, point to a quantitatively important relationship between the global risk and the real activity for all the sample countries.