Table 1. Forecast Error Variance Decomposition in the Smets-Wouters (2007) Model

Horizon	Type of Shock	Each Shock's Percent Contribution to Variance of		
		Output	Hours	Inflation
4 Quarters	1-Monetary shock	9.1	11.1	4.6
	2-Productivity shock	26.1	8.1	5.1
	3-Investment shock	25.1	26.8	3.3
	4-Risk premium shock	9.9	12.8	0.7
	5-Exogenous spending shock	15.2	20.9	0.5
	6-Price markup shock	26.1	8.1	5.1
	7-Wage markup shock	6.5	12.9	42.9
	All shocks	100.0	100.0	100.0
	Shocks 4−7	39.6	53.9	86.9
10 Quarters	1-Monetary shock	5.9	8.0	5.3
	2-Productivity shock	31.6	4.1	4.5
	3-Investment shock	18.5	18.7	3.6
	4-Risk premium shock	4.2	6.3	0.7
	5-Exogenous spending shock	8.2	13.8	0.7
	6-Price markup shock	11.1	11.4	34.0
	7-Wage markup shock	20.5	37.7	51.1
	All shocks	100.0	100.0	100.0
	Shocks 4−7	44.0	69.2	86.5
1,000 Quarters	1-Monetary shock	2.3	3.4	4.6
	2-Productivity shock	29.5	2.0	4.0
	3-Investment shock	7.9	8.6	3.4
	4-Risk premium shock	1.6	2.6	0.6
	5-Exogenous spending shock	4.2	10.5	1.0
	6-Price markup shock	6.4	6.2	28.6
	7-Wage markup shock	48.2	66.7	57.8
	All shocks	100.0	100.0	100.0
	Shocks 4−7	60.3	86.0	88.0

Note: Output and hours are logged and detrended but not differenced.