Online-Appendix

„Economic Policy Uncertainty and Investment: Cross-Country Evidence"

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7. Appendix A: Variable Descriptions

Table A.1:

Variable Definitions and Data Sources

Variable	Definition/Formula	Source
CAPEX_ lead{t+l}	Capital expenditures, calculated as the period-on-period change in Property, Plant, and Equipment (PPE) plus depreciation, amortization, and depletion, scaled by beginning-of-period total assets, measured over one to four period leads.	LSEG Worldscope Fundamentals via WRDS
EPU_log	Natural logarithm of the Economic Policy Uncertainty index, aggregated to quarterly or annual frequency using the arithmetic mean.	Baker et al. (2016)
TobinQ	Tobin's Q, calculated as (market capitalization + total liabilities) / total assets.	LSEG Worldscope Fundamentals via WRDS
OCF	Operating cash flow, calculated as net income + depreciation, amortization, and depletion - period-on-period change in working capital, scaled by beginning-of-period total assets.	LSEG Worldscope Fundamentals via WRDS
dSales	Year-on-year sales growth, calculated as a decimal.	LSEG Worldscope Fundamentals via WRDS
dGDP_Q/Y	Real period-on-period GDP growth, expressed as a decimal.	OECD Data Explorer
CCI	Consumer Confidence Index, aggregated to quarterly or annual frequency from monthly data using the arithmetic mean.	OECD Data Explorer; Canadian CCI from FRED
Stock_ sd_log	Log-transformed cross-sectional standard deviation of period-on-period stock return growth, calculated by country using only companies with over 80 quarters/20 years of observations.	LSEG Worldscope Fundamentals via WRDS
Profit_ sd_log	Log-transformed cross-sectional standard deviation of period-on-period profit margin growth, calculated by country using only companies with over 80 quarters/20 years of observations.	LSEG Worldscope Fundamentals via WRDS
PPE_ratio	Investment irreversibility proxy, calculated as Property, Plant, and Equipment (PPE) / total assets.	LSEG Worldscope Fundamentals via WRDS
HDI	Arithmetic mean of the Human Development Index from 1990 to 2023, with values > 0.8 classified as industrial markets, per United Nations Development Program (2020).	United Nations

8. Appendix B: Supplementary Results

Table B.1:

Correlation Matrix: EPU across Countries – Panel B

	AUS	BEL	BRA	CAN	CHL	CHN	COL	DNK	FRA	DEU	GRC	IND	IRL	ITA	JPN	KOR	MEX	NLD	NZL	POL	ESP	SWE	TUR	GBR	USA
AUS	1	0.77	0.38	0.82	0.42	0.6	0.24	0.74	0.61	0.76	0.25	0.46	0.65	0.73	0.79	0.78	0.10	0.56	0.34	0.60	0.74	0.53	0.43	0.65	0.82
BEL	0.77	1	0.37	0.68	0.51	0.65	0.25	0.64	0.55	0.69	-0.08	0.57	0.67	0.48	0.64	0.60	-0.05	0.71	0.39	0.58	0.79	0.49	0.45	0.45	0.67
BRA	0.34	0.28	1	0.71	0.76	0.78	0.85	0.68	0.84	0.74	0.08	-0.25	0.80	0.30	0.20	0.58	-0.17	-0.01	-0.02	0.69	0.70	0.52	-0.35	0.75	0.53
CAN	0.86	0.72	0.61	1	0.66	0.81	0.79	0.63	0.75	0.77	0.80	-0.60	0.68	0.71	0.59	0.71	-0.49	0.36	-0.25	0.69	0.89	0.63	0.05	0.94	0.64
CHL	0.51	0.59	0.62	0.69	1	0.73	0.89	0.69	0.72	0.80	-0.19	0.10	0.73	0.40	0.30	0.66	0.070	0.11	0.31	0.74	0.71	0.78	-0.07	0.58	0.65
CHN	0.58	0.65	0.69	0.84	0.78	1	0.76	0.78	0.92	0.87	-0.03	0.09	0.94	0.51	0.38	0.86	0.02	0.16	0.15	0.94	0.86	0.59	-0.03	0.89	0.79
COL	0.34	0.31	0.73	0.80	0.90	0.84	1	0.73	0.79	0.86	-0.42	0.03	0.79	0.13	0.09	0.70	0.26	-0.32	0.40	0.83	0.52	0.74	-0.13	0.56	0.56
DNK	0.73	0.68	0.63	0.65	0.81	0.83	0.78	1	0.68	0.78	0.24	0.21	0.74	0.55	0.48	0.77	-0.13	0.30	0.12	0.82	0.80	0.50	-0.08	0.81	0.74
FRA	0.59	0.55	0.78	0.77	0.69	0.83	0.80	0.68	1	0.86	0.15	0.06	0.92	0.53	0.40	0.82	-0.20	0.09	-0.02	0.82	0.88	0.43	-0.13	0.93	0.77
DEU	0.70	0.71	0.69	0.80	0.89	0.88	0.91	0.86	0.81	1	0.08	0.03	0.87	0.63	0.52	0.86	-0.10	0.14	0.23	0.88	0.90	0.52	0.03	0.87	0.90
GRC	0.20	-0.22	0.04	0.83	-0.41	-0.22	-0.40	0.03	0.15	-0.17	1	-0.21	0.01	0.29	0.23	0.00	-0.22	0.19	-0.45	-0.33	0.14	0.20	-0.05	0.28	0.03
IND	0.35	0.34	-0.27	-0.47	-0.13	-0.34	-0.32	0.15	-0.07	-0.18	0.01	1	0.24	0.75	0.46	0.10	-0.19	0.82	-0.15	0.07	0.40	-0.02	0.23	-0.17	-0.1
IRL	0.69	0.75	0.73	0.73	0.83	0.91	0.86	0.78	0.89	0.92	-0.10	-0.04	1	0.54	0.43	0.82	-0.15	0.14	0.10	0.88	0.86	0.43	-0.01	0.88	0.81
ITA	0.72	0.56	0.23	0.74	0.46	0.45	0.34	0.59	0.52	0.54	0.25	0.61	0.54	1	0.57	0.53	-0.02	0.50	0.03	0.47	0.70	0.55	0.21	0.60	0.69
JPN	0.8	0.65	0.14	0.56	0.35	0.31	0.17	0.46	0.28	0.40	0.26	0.14	0.36	0.55	1	0.59	0.09	0.47	0.41	0.55	0.37	0.54	0.11	0.50	0.64
KOR	0.78	0.58	0.57	0.75	0.69	0.79	0.76	0.72	0.77	0.81	-0.02	-0.23	0.82	0.55	0.56	1	0.27	0.15	0.39	0.88	0.77	0.56	0.16	0.78	0.83
MEX	0.00	-0.08	-0.28	-0.38	0.03	-0.14	0.28	-0.15	-0.36	-0.16	-0.07	-0.26	-0.16	0.06	-0.01	0.16	1	-0.09	0.69	0.36	-0.22	-0.26	0.22	-0.18	0.17
NLD	0.59	0.71	-0.15	0.54	0.14	0.21	-0.08	0.32	0.25	0.24	0.30	0.94	0.35	0.64	0.44	0.25	-0.10	1	0.04	0.16	0.49	0.04	0.71	0.05	0.27
NZL	0.38	0.49	-0.02	-0.15	0.40	0.27	0.40	0.30	-0.06	0.31	-0.39	-0.27	0.2	0.09	0.47	0.35	0.50	-0.08	1	0.62	0.02	0.19	0.22	-0.03	0.39
POL	0.55	0.62	0.57	0.62	0.85	0.89	0.89	0.84	0.66	0.89	-0.49	-0.21	0.85	0.49	0.43	0.81	0.40	0.13	0.68	1	0.67	0.64	-0.05	0.70	0.85
ESP	0.72	0.76	0.63	0.85	0.72	0.82	0.58	0.81	0.91	0.83	0.06	0.34	0.88	0.67	0.32	0.78	-0.28	0.53	0.01	0.66	1	0.58	0.26	0.80	0.81
SWE	0.61	0.53	0.48	0.66	0.76	0.65	0.81	0.53	0.43	0.59	0.23	-0.21	0.51	0.58	0.59	0.53	-0.23	0.26	0.17	0.61	0.57	1	-0.44	0.69	0.39
TUR	0.31	0.34	-0.49	-0.03	0.00	0.04	-0.15	-0.09	-0.11	-0.02	-0.18	0.24	0.00	0.10	-0.04	0.12	0.31	0.49	0.20	-0.03	0.16	-0.17	1	-0.27	0.19
GBR	0.67	0.48	0.74	0.94	0.57	0.85	0.67	0.74	0.93	0.78	0.23	-0.27	0.87	0.56	0.42	0.79	-0.29	0.25	0.01	0.59	0.86	0.70	-0.19	1	0.79
USA	0.86	0.74	0.53	0.71	0.67	0.78	0.63	0.81	0.72	0.83	-0.04	0.01	0.82	0.72	0.60	0.81	0.14	0.40	0.45	0.79	0.79	0.49	0.10	0.74	1

Notes: Pairwise Pearson (lower triangle) and Spearman (upper triangle) correlations of log transformed EPU indices (Baker et al. 2016), computed on annual averages over the 1991–2023 panel. All values were winsorized at the 1st and 99th percentiles.

Table B.2:

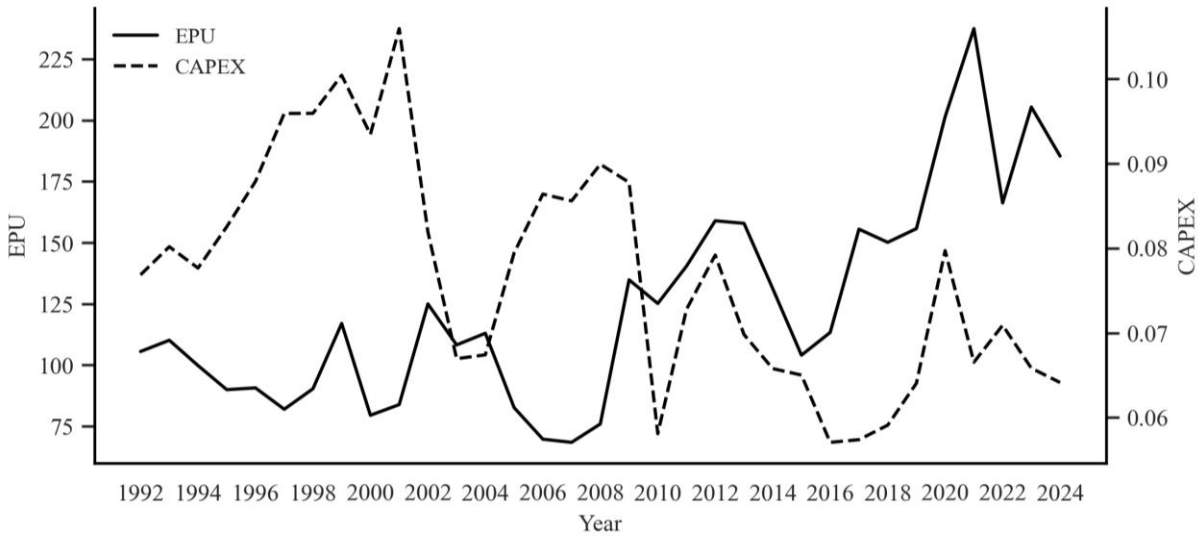
Correlation Matrix: Variables – Annual Panel

	EPU_ log	TobinQ	OCF	dSales	dGDP_ Y	CCI	stock_ sd_log	profit_ sd_log	PPE_ ratio
EPU_log	1	0.015	-0.011	-0.043	-0.215	-0.288	-0.080	0.044	-0.063
TobinQ	-0.001	1	-0.038	0.115	-0.004	0.112	0.429	0.504	-0.122
OCF	0.005	-0.392	1	0.073	0.020	0.005	-0.073	-0.058	0.213
dSales	-0.029	0.124	-0.205	1	0.160	0.075	0.026	0.077	-0.044
dGDP_Y	-0.184	-0.048	0.004	0.061	1	0.348	0.130	0.182	0.037
CCI	-0.206	0.069	-0.03	0.038	0.287	1	0.072	0.045	-0.004
stock_sd_log	-0.122	0.284	-0.135	0.061	0.057	0.042	1	0.602	-0.042
profit_sd_log	0.000	0.298	-0.164	0.125	0.134	0.024	0.503	1	-0.070
PPE_ratio	-0.066	-0.128	0.153	-0.023	0.029	0.000	-0.016	0.009	1

Notes: Pairwise Pearson (lower triangle) and Spearman (upper triangle) correlations between all independent variables in panel B. All variables are winsorized at the 1st and 99th percentiles. See variable definitions in Appendix A.

Figure B.1:

Time Series of Annual EPU and CAPEX



Notes: This figure displays the average EPU index from Baker et al. (2016) and the average capital expenditures by lagged total assets (dotted) per year in panel B. This graph includes data for 2024