CHAPTER 1

# RECENT FISCAL DEVELOPMENTS AND OUTLOOK

## Advanced Economies: A Slowdown, Not a Pause, in Fiscal Consolidation

### In Advanced Economies, the Fiscal Drag Is Waning as Average Gross Debt Stabilizes

In 2013, a faster pace of fiscal consolidation in several advanced economies helped stabilize the public debt ratio and reduce the average overall fiscal deficit to 5 percent of GDP—almost half its 2009 peak (Figures 1.1–1.2; Tables 1.1–1.2). The large adjustments in the *United Kingdom* and the *United States*[1] reflected a combination of both higher revenues, in part buoyed by growth,[2] and lower spending (including through sequestration for the United States). Fiscal adjustment was also sizable in some countries with IMF-supported programs and other *euro area* economies. Notably, preliminary estimates suggest that *Greece* met its primary surplus target with a substantial margin, and *Ireland* exited its economic program with a headline deficit expected to be slightly below the excessive deficit procedure ceiling of 7½ percent of GDP for 2013.

Fiscal consolidation efforts varied across other advanced economies. The cyclically adjusted balance improved by close to 1 percent of GDP in *France*, mainly from tax measures and, to a lesser extent, reductions in structural spending, and about ½ percent of GDP in *Italy*, despite the cancellation of the planned property tax. *Germany* posted a balanced budget in 2013, and the fiscal stance remained broadly neutral compared with 2012. *Japan* did not advance fiscal adjustment in 2013, and the cyclically adjusted deficit remained at 7¾ percent of GDP.

In 2014, the average pace of fiscal consolidation, as measured by the change in the cyclically adjusted balance, is projected to ease to 0.4 percent of GDP, from 1¼ percent of GDP in 2013. In the United States, fiscal tightening in 2014 is projected to be one-fifth of that in 2013, largely reflecting the waning impact of higher tax revenues and, to a smaller extent, the rolling back of the automatic spending cuts (sequester), including through the partial relief provided by the December 2013 bipartisan budget deal. In much of the euro area, the pace of adjustment is also projected to moderate in 2014, as most of the adjustment required to reach medium-term targets has been achieved and the focus is shifting to supporting the recovery, in line with EU-agreed medium-term objectives. Nevertheless, in a few countries the adjustment will remain sizable (notably, Ireland and *Portugal*).[3]

In some countries, the fiscal stance is projected to tighten in 2014. Japan is expected to step up its fiscal consolidation efforts this year with the first stage of the consumption tax rate increase and the withdrawal of some of the previous stimulus and earthquake-related reconstruction spending measures. However, these will be partly offset by a new fiscal stimulus package announced in October 2013 (amounting to about 1 percent of GDP, with ¾ percent of GDP in measures expected to be implemented in 2014). The package, which includes transfers to low-income households, increases in public investment, and a reduction in the corporate income tax rate, is designed to maximize positive growth effects and cushion the short-term macroeconomic impact of the tax hikes. Japan's cyclically adjusted overall balance is projected to improve by 1 percent of GDP in 2014. In *Canada*, fiscal consolidation is projected to continue at a gradual pace, with the federal government largely on track to achieve its budget balance objective by 2015. In *Korea,* a broadly neutral stance is projected this year after the stimulus in 2013.

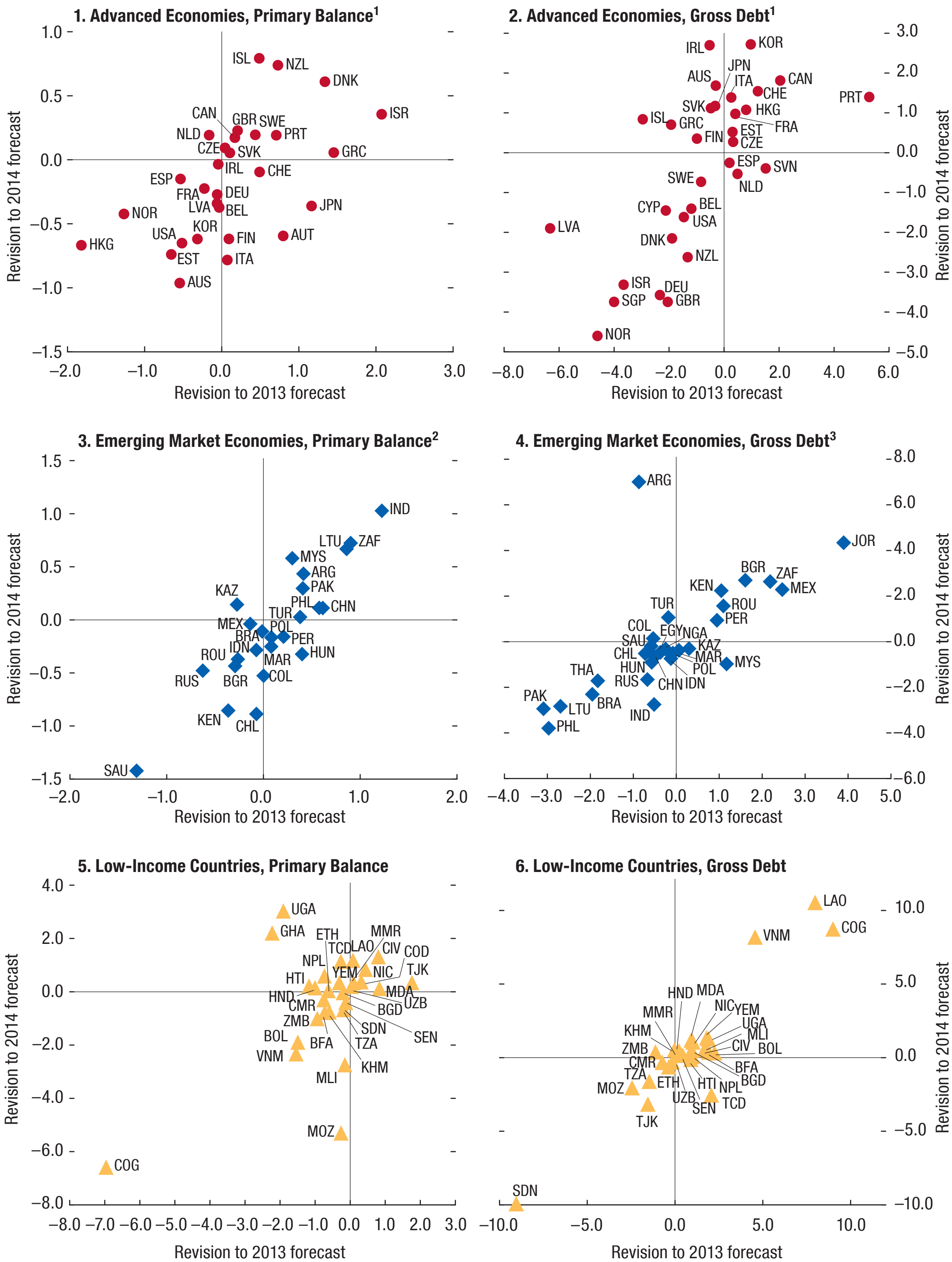
Although budget plans for 2015 have not yet been adopted, fiscal consolidation is envisaged to continue next year. As a result, debt-to-GDP ratios will start declining in about half of the highly indebted advanced economies by 2015 (by end-2013, only a few had reached that turnaround). Nevertheless, on current

[1] Because of accounting changes, the fiscal deficit in the United States is larger than reported in previous issues of the *Fiscal Monitor*. Box 1.1 discusses the rationale for and impact of these changes.

[2] In the United States, the expiration of various tax cuts also played a role.

[3] The size of consolidation for Portugal is measured by the change in the structural balance to exclude the effects of one-off transactions in 2013 and 2014.

**Figure 1.1. Revisions to Primary Balance and Debt-to-GDP Forecasts since the Last *Fiscal Monitor***
*(Percent of GDP)*




Source: IMF staff estimates and projections.

Note: "Revision to 2014 (2013) forecast" refers to the difference between the fiscal projections for 2014 (2013) in the April 2014 *Fiscal Monitor* and those for 2014 (2013) in the October 2013 *Fiscal Monitor*.

[1] Data for the United States have been revised significantly following the Bureau of Economic Analysis's recent comprehensive revision of the National Income and Product Accounts (NIPA) along the lines of the 2008 System of National Accounts (SNA). As a result of these methodological changes, the deficit includes several expenditure items not counted as expenditure in other countries which have not yet adopted the 2008 SNA. See Box 1.1 for more details.

[2] For South Africa, revisions reflect in part a technical improvement resulting from the inclusion of extraordinary receipts and payments in the definition of the budget deficit (in line with GFSM 2001). For fiscal years 2013/14 and 2014/15, net extraordinary receipts are estimated to improve the budget balance by 0.3 and 0.1 percent of GDP, respectively.

[3] For Brazil, gross debt refers to the nonfinancial public sector, excluding Eletrobras and Petrobras, and includes sovereign debt held on the balance sheet of the central bank.

## Table 1.1. Fiscal Balances, 2008–15

| | | | | | | | Projections | | Difference from October 2013 *Fiscal Monitor* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 | 2015 |
| **Overall Balance (percent of GDP)** | | | | | | | | | | | |
| World | –2.5 | –7.8 | –6.3 | –4.8 | –4.4 | –3.8 | –3.5 | –3.0 | –0.2 | –0.4 | –0.4 |
| Advanced Economies | –3.9 | –9.5 | –8.3 | –6.9 | –6.2 | –4.9 | –4.3 | –3.6 | –0.4 | –0.7 | –0.7 |
| Euro Area | –2.1 | –6.4 | –6.2 | –4.2 | –3.7 | –3.0 | –2.6 | –2.0 | 0.1 | –0.1 | 0.1 |
| France | –3.3 | –7.6 | –7.1 | –5.3 | –4.8 | –4.2 | –3.7 | –3.0 | –0.2 | –0.2 | –0.2 |
| Germany | –0.1 | –3.1 | –4.2 | –0.8 | 0.1 | 0.0 | 0.0 | –0.1 | 0.4 | 0.2 | –0.1 |
| Greece | –9.9 | –15.6 | –10.8 | –9.6 | –6.3 | –2.6 | –2.7 | –1.9 | 1.5 | 0.6 | 0.2 |
| Ireland[1] | –7.3 | –13.8 | –30.5 | –13.1 | –8.2 | –7.4 | –5.1 | –3.0 | 0.2 | –0.2 | 0.0 |
| Italy | –2.7 | –5.4 | –4.4 | –3.7 | –2.9 | –3.0 | –2.7 | –1.8 | 0.2 | –0.6 | 0.0 |
| Portugal | –3.7 | –10.2 | –9.9 | –4.3 | –6.5 | –4.9 | –4.0 | –2.5 | 0.6 | 0.0 | 0.0 |
| Spain[1] | –4.5 | –11.1 | –9.6 | –9.6 | –10.6 | –7.2 | –5.9 | –4.9 | –0.5 | –0.1 | 0.1 |
| Japan | –4.1 | –10.4 | –9.3 | –9.8 | –8.7 | –8.4 | –7.2 | –6.4 | 1.1 | –0.4 | –0.7 |
| United Kingdom | –5.0 | –11.3 | –10.0 | –7.8 | –8.0 | –5.8 | –5.3 | –4.1 | 0.3 | 0.5 | 0.8 |
| Others | 2.5 | –0.9 | –0.2 | 0.4 | 0.5 | 0.2 | 0.4 | 0.6 | –0.1 | –0.3 | –0.5 |
| *2008 System of National Accounts (SNA)* | | | | | | | | | | | |
| Canada | –0.3 | –4.5 | –4.9 | –3.7 | –3.4 | –3.0 | –2.5 | –2.0 | 0.3 | 0.4 | 0.4 |
| United States[2] | –7.8 | –14.7 | –12.5 | –11.0 | –9.7 | –7.3 | –6.4 | –5.6 | –1.6 | –1.8 | –1.7 |
| Emerging Market Economies | –0.1 | –4.6 | –3.2 | –1.7 | –2.1 | –2.4 | –2.5 | –2.2 | 0.3 | 0.1 | 0.0 |
| Asia | –2.4 | –4.3 | –2.9 | –2.4 | –3.0 | –2.6 | –2.8 | –2.4 | 0.7 | 0.3 | 0.2 |
| China | –0.7 | –3.1 | –1.5 | –1.3 | –2.2 | –1.9 | –2.0 | –1.6 | 0.6 | 0.1 | –0.1 |
| India | –10.0 | –9.8 | –8.4 | –8.0 | –7.4 | –7.3 | –7.2 | –7.0 | 1.2 | 1.3 | 1.3 |
| Europe | 0.6 | –6.1 | –4.2 | 0.0 | –0.8 | –1.6 | –1.3 | –1.3 | –0.1 | –0.2 | –0.1 |
| Russia | 4.9 | –6.3 | –3.4 | 1.5 | 0.4 | –1.3 | –0.7 | –0.8 | –0.5 | –0.4 | –0.1 |
| Turkey | –2.7 | –6.0 | –3.4 | –0.7 | –1.8 | –1.5 | –2.4 | –2.3 | 0.8 | –0.1 | 0.0 |
| Latin America | –0.8 | –3.7 | –2.9 | –2.4 | –2.5 | –2.9 | –3.2 | –2.6 | –0.1 | –0.2 | –0.3 |
| Brazil | –1.6 | –3.3 | –2.8 | –2.6 | –2.8 | –3.3 | –3.3 | –2.5 | –0.3 | –0.1 | –0.2 |
| Mexico | –1.0 | –5.1 | –4.3 | –3.3 | –3.7 | –3.8 | –4.1 | –3.6 | –0.1 | 0.0 | –0.1 |
| MENAP | –5.7 | –5.3 | –6.6 | –8.0 | –9.1 | –9.9 | –7.6 | –7.8 | 0.7 | 1.1 | 1.0 |
| South Africa | –0.5 | –4.9 | –4.9 | –4.0 | –4.3 | –4.3 | –4.4 | –4.5 | 0.6 | 0.3 | –0.4 |
| Low-Income Countries | –0.9 | –3.9 | –2.1 | –1.7 | –2.8 | –3.9 | –3.9 | –3.6 | –0.8 | –0.8 | –0.9 |
| Oil Producers | 7.6 | –2.4 | –0.2 | 3.0 | 2.7 | 0.8 | 0.5 | 0.0 | –0.4 | –0.4 | –0.2 |
| **Cyclically Adjusted Balance (percent of potential GDP)** | | | | | | | | | | | |
| Advanced Economies | –4.0 | –6.5 | –6.9 | –5.8 | –5.0 | –3.8 | –3.4 | –3.0 | –0.3 | –0.8 | –0.8 |
| Euro Area | –3.3 | –4.8 | –5.1 | –3.8 | –2.8 | –1.5 | –1.4 | –1.1 | 0.1 | –0.2 | 0.0 |
| France | –3.9 | –5.9 | –5.9 | –4.8 | –3.9 | –3.0 | –2.5 | –2.1 | –0.3 | –0.2 | –0.2 |
| Germany | –1.4 | –1.2 | –3.5 | –1.2 | –0.1 | 0.3 | 0.2 | –0.1 | 0.5 | 0.2 | –0.2 |
| Greece | –14.3 | –19.1 | –12.3 | –8.3 | –2.3 | 2.1 | 1.5 | 1.1 | 1.6 | 0.5 | 0.2 |
| Ireland[3] | –11.9 | –9.9 | –8.3 | –7.0 | –6.1 | –5.0 | –4.0 | –2.3 | 0.1 | –0.5 | –0.1 |
| Italy | –3.7 | –3.6 | –3.6 | –3.1 | –1.5 | –0.8 | –0.8 | –0.5 | –0.1 | –0.9 | –0.4 |
| Portugal | –4.3 | –9.4 | –9.7 | –3.7 | –4.7 | –2.8 | –2.7 | –1.7 | 0.5 | –0.4 | –0.4 |
| Spain[3] | –5.6 | –10.0 | –8.4 | –8.0 | –5.2 | –4.7 | –4.4 | –3.7 | –0.1 | –0.3 | –0.2 |
| Japan | –3.5 | –7.4 | –7.8 | –8.3 | –7.6 | –7.8 | –6.9 | –6.1 | 1.5 | –0.2 | –0.5 |
| United Kingdom[3] | –6.7 | –10.2 | –8.4 | –5.9 | –5.7 | –3.7 | –3.8 | –3.1 | 0.3 | 0.1 | 0.1 |
| Others | –0.1 | –1.9 | –1.5 | –1.2 | –1.1 | –1.0 | –0.9 | –0.7 | 0.0 | –0.1 | –0.4 |
| *2008 System of National Accounts (SNA)* | | | | | | | | | | | |
| Canada | –0.6 | –2.9 | –4.0 | –3.1 | –2.7 | –2.4 | –2.1 | –1.7 | 0.4 | 0.3 | 0.2 |
| United States[2,3] | –5.7 | –8.8 | –10.0 | –8.7 | –7.7 | –5.4 | –5.0 | –4.6 | –1.5 | –1.8 | –1.9 |
| Emerging Market Economies | –1.5 | –3.8 | –3.0 | –2.2 | –2.3 | –2.3 | –2.3 | –2.0 | 0.0 | –0.1 | –0.1 |
| Asia | –2.2 | –3.8 | –2.6 | –2.1 | –2.5 | –2.0 | –2.1 | –1.8 | 0.4 | 0.2 | 0.1 |
| China | –0.5 | –2.6 | –1.0 | –0.7 | –1.4 | –1.0 | –1.1 | –0.8 | 0.2 | –0.1 | –0.3 |
| India | –9.5 | –9.5 | –8.9 | –8.5 | –7.6 | –7.1 | –7.0 | –6.9 | 1.1 | 1.1 | 1.2 |
| Europe | –0.1 | –4.8 | –3.8 | –0.9 | –1.2 | –1.9 | –1.4 | –1.4 | –0.5 | –0.4 | –0.2 |
| Russia | 4.5 | –5.1 | –2.9 | 1.6 | 0.1 | –1.4 | –0.6 | –0.7 | –0.9 | –0.5 | –0.2 |
| Turkey | –3.0 | –3.5 | –2.8 | –1.4 | –2.0 | –1.9 | –2.3 | –2.1 | 0.5 | –0.2 | 0.0 |
| Latin America | –1.6 | –3.0 | –3.2 | –3.0 | –2.6 | –3.0 | –3.2 | –2.5 | –0.4 | –0.4 | –0.5 |
| Brazil | –2.2 | –2.4 | –3.3 | –3.0 | –2.7 | –3.3 | –3.2 | –2.4 | –0.3 | 0.0 | –0.1 |
| Mexico | –1.2 | –4.5 | –4.1 | –3.4 | –3.8 | –3.7 | –4.0 | –3.5 | –1.0 | –1.0 | –1.0 |
| South Africa | –0.8 | –3.2 | –3.7 | –3.8 | –4.2 | –4.0 | –4.1 | –4.2 | 0.3 | 0.1 | –0.3 |
| **Memorandum Items:** | | | | | | | | | | | |
| *World Growth (percent)* | *2.7* | *–0.4* | *5.2* | *3.9* | *3.2* | *3.0* | *3.6* | *3.9* | *0.1* | *0.0* | *–0.1* |

Source: IMF staff estimates and projections.

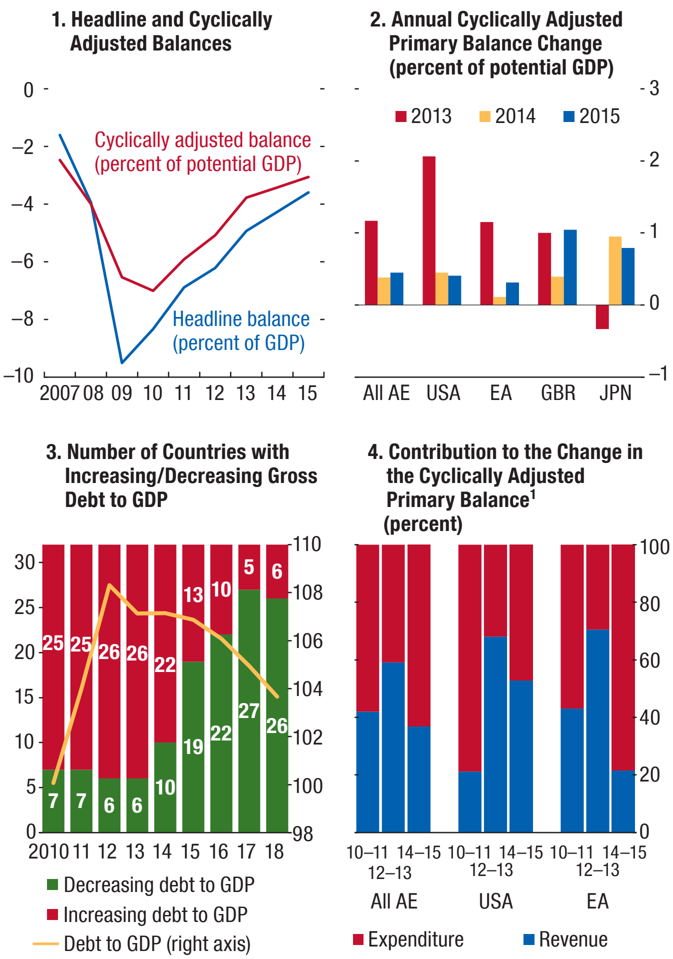
Note: All fiscal data country averages are weighted by nominal GDP converted to U.S. dollars at average market exchange rates in the years indicated and based on data availability. Projections are based on IMF staff assessments of current policies. Data for 2013 correspond to IMF staff estimates in countries where the outturn is not yet available at the time of finalizing the *Fiscal Monitor* database. For country-specific details, see Data and Conventions and Tables A, B, and C in the Statistical and Methodological Appendix. MENAP = Middle East and North Africa and Pakistan.

[1] Including financial sector support.

[2] Data for the United States have been revised significantly following the Bureau of Economic Analysis's recent comprehensive revision of the National Income and Product Accounts (NIPA) along the lines of the 2008 System of National Accounts (SNA). As a result of these methodological changes, the deficit includes several expenditure items not counted as expenditure in other countries which have not yet adopted the 2008 SNA. In 2012, the overall balance adjusted for 2008 SNA imputed expenditure would be –8.6 percent of GDP. See Box 1.1 for more details.

[3] Excluding financial sector support.

### Figure 1.2. Fiscal Trends in Advanced Economies




Source: IMF staff estimates and projections.
Note: For country-specific details, see Data and Conventions in the Statistical and Methodological Appendix. All AE = all advanced economies; EA = euro area.
[1]Fiscal adjustment in 2010–11 refers to the change in the cyclically adjusted primary balance (CAPB) in 2011 compared to 2009; 2012–13 refers to the change in 2013 compared to 2011; and 2014–15 refers to the change in 2015 compared to 2013.

plans, debt ratios will remain high (more than 100 percent of GDP, on average, and more than 80 percent of GDP in no fewer than 14 advanced economies) by the end of the decade. Additional adjustment efforts will be needed to bring debt ratios to safer levels in advanced economies (Statistical Appendix Tables 13a and 13b).[4]

## The Composition of Fiscal Adjustment Is Beginning to Shift toward Expenditure Measures

The composition of fiscal consolidation to date has been roughly equally shared between revenue-raising and expenditure-reduction measures. The adjustment is expected to shift more toward expenditure-reduction measures in 2014–15, as spending cuts take the forefront (especially in the euro area):

- In France, adjustment during 2014–16 is expected to rely on reducing spending growth to ¼ percent a year, on average, from 1.4 percent during 2012–13. The 2014 budget envisages broad-based expenditure containment.
- In Italy, an expenditure review is under way to identify savings of 32 billion euros over a three-year period.
- In Ireland, post-program consolidation efforts will be guided by the upcoming comprehensive review of public expenditure, including capital investment, which is to be completed ahead of the 2015 budget, as well as the recently published Public Service Reform Plan 2014–16.
- In contrast, in Germany, where deficit goals have been reached, the new economic program provides for increased spending of 1–1½ percent of GDP spread over 2014–17, with a focus on pensions, education, and infrastructure.

Nevertheless, taxation continues to figure on the policy agenda in several countries. In Japan, the second stage of the consumption tax increase is expected in October 2015. In *Spain*, a comprehensive review of taxation is planned this year; in Greece, amendments to the income tax and tax procedures codes and a new property tax have been legislated; and in the United Kingdom, reductions in recurrent property taxes for businesses and a clampdown on tax evasion have been announced. In the United States, the fiscal year 2015 budget, presented in early March, called for new tax measures (besides the American Taxpayer Relief Act[5] and the already announced expiration of some tax credits).

## Policy Uncertainty in Japan and the United States and Low Inflation in the Euro Area Raise Risks to the Fiscal Outlook

Underlying fiscal vulnerabilities remain elevated in many advanced economies, reflecting high debt ratios and insufficient medium-term plans to address age-related spending pressures (Tables 1.3 and 1.4).[6] There are,

[4]See *Fiscal Monitor,* April 2013, for a discussion of debt consolidation paths.

[5]The American Taxpayer Relief Act, signed into law in January 2013, increased the top ordinary income tax rate and the tax rate on capital gains and dividends, phased out personal exemptions, and limited itemized deductions for upper-income taxpayers.

[6]The methodology used to assess fiscal vulnerability to shocks has been revised. Measures of a country's vulnerability to shocks to growth, interest rates, and contingent liabilities now focus more specifically on their impact on the government debt-to-GDP ratios. See Table 1.4 for details.

## Table 1.2. General Government Debt, 2008–15

*(Percent of GDP)*

| | | | | | | | Projections | | Difference from October 2013 *Fiscal Monitor* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 | 2015 |
| **Gross Debt** | | | | | | | | | | | |
| World | 64.9 | 74.9 | 78.6 | 79.0 | 80.6 | 78.6 | 78.2 | 77.5 | –1.1 | –1.4 | –1.0 |
| Advanced Economies | 80.0 | 93.5 | 100.1 | 104.0 | 108.3 | 107.1 | 107.1 | 106.9 | –0.9 | –0.8 | –0.5 |
| United States[1] | 72.8 | 86.1 | 94.8 | 99.0 | 102.4 | 104.5 | 105.7 | 105.7 | –1.5 | –1.6 | –1.2 |
| Euro Area | 70.3 | 80.1 | 85.7 | 88.1 | 92.8 | 95.2 | 95.6 | 94.5 | –0.5 | –0.5 | –0.9 |
| France | 68.2 | 79.2 | 82.4 | 85.8 | 90.2 | 93.9 | 95.8 | 96.1 | 0.4 | 1.0 | 1.3 |
| Germany | 66.8 | 74.5 | 82.5 | 80.0 | 81.0 | 78.1 | 74.6 | 70.8 | –2.3 | –3.6 | –4.5 |
| Greece | 112.9 | 129.7 | 148.3 | 170.3 | 157.2 | 173.8 | 174.7 | 171.3 | –1.9 | 0.7 | 2.6 |
| Ireland | 44.2 | 64.4 | 91.2 | 104.1 | 117.4 | 122.8 | 123.7 | 122.7 | –0.5 | 2.7 | 4.5 |
| Italy | 106.1 | 116.4 | 119.3 | 120.7 | 127.0 | 132.5 | 134.5 | 133.1 | 0.3 | 1.4 | 1.3 |
| Portugal | 71.7 | 83.7 | 94.0 | 108.2 | 124.1 | 128.8 | 126.7 | 124.8 | 5.3 | 1.4 | 0.6 |
| Spain | 40.2 | 54.0 | 61.7 | 70.5 | 85.9 | 93.9 | 98.8 | 102.0 | 0.2 | –0.3 | –0.6 |
| Japan | 191.8 | 210.2 | 216.0 | 229.8 | 237.3 | 243.2 | 243.5 | 245.1 | –0.3 | 1.2 | 2.7 |
| United Kingdom | 51.9 | 67.1 | 78.5 | 84.3 | 88.6 | 90.1 | 91.5 | 92.7 | –2.0 | –3.7 | –5.2 |
| Canada[1] | 71.3 | 81.3 | 83.1 | 83.5 | 88.1 | 89.1 | 87.4 | 86.6 | 2.0 | 1.8 | 1.7 |
| Emerging Market Economies | 33.5 | 36.0 | 40.3 | 37.8 | 36.5 | 34.9 | 33.7 | 33.0 | –0.5 | –0.7 | –0.7 |
| *Excluding China* | 40.2 | 45.0 | 43.5 | 42.4 | 42.4 | 42.6 | 42.8 | 43.0 | –0.4 | –0.7 | –0.8 |
| Asia | 30.6 | 30.9 | 40.4 | 36.3 | 33.9 | 31.0 | 29.0 | 27.6 | –0.5 | –1.1 | –1.2 |
| China[2] | 17.0 | 17.7 | 33.5 | 28.7 | 26.1 | 22.4 | 20.2 | 18.7 | –0.5 | –0.7 | –0.6 |
| India | 74.5 | 72.5 | 67.5 | 66.8 | 66.6 | 66.7 | 65.3 | 64.0 | –0.5 | –2.8 | –3.7 |
| Europe | 23.7 | 29.5 | 29.0 | 27.7 | 27.0 | 27.7 | 26.1 | 26.5 | –0.4 | –0.7 | –0.7 |
| Russia | 7.9 | 11.0 | 11.0 | 11.7 | 12.7 | 13.4 | 13.0 | 12.8 | –0.7 | –1.7 | –2.3 |
| Turkey | 40.0 | 46.1 | 42.3 | 39.1 | 36.2 | 35.8 | 35.9 | 36.0 | –0.2 | 1.1 | 2.4 |
| Latin America | 50.4 | 53.2 | 51.6 | 51.4 | 52.0 | 51.4 | 52.5 | 52.6 | –0.4 | 0.2 | 0.4 |
| Brazil[3] | 63.5 | 66.8 | 65.0 | 64.7 | 68.2 | 66.3 | 66.7 | 66.4 | –2.0 | –2.3 | –2.4 |
| Mexico | 42.8 | 43.9 | 42.2 | 43.3 | 43.3 | 46.5 | 48.1 | 48.4 | 2.5 | 2.3 | 1.8 |
| MENAP | 60.6 | 62.8 | 64.9 | 66.2 | 70.5 | 75.1 | 76.6 | 77.5 | –1.1 | –1.1 | –0.9 |
| South Africa | 27.2 | 31.6 | 35.3 | 38.8 | 42.1 | 45.2 | 47.3 | 49.6 | 2.2 | 2.6 | 3.4 |
| Low-Income Countries | 41.0 | 42.8 | 41.4 | 40.8 | 41.8 | 42.6 | 42.9 | 43.3 | 0.6 | 1.2 | 1.6 |
| Oil Producers | 21.3 | 24.2 | 23.1 | 21.3 | 21.8 | 22.8 | 22.9 | 23.2 | –0.3 | –0.8 | –1.2 |
| **Net Debt** | | | | | | | | | | | |
| World | 44.7 | 53.6 | 57.2 | 60.5 | 63.0 | 63.0 | 64.1 | 64.4 | –3.1 | –2.9 | –2.5 |
| Advanced Economies | 50.5 | 60.0 | 65.1 | 70.0 | 73.3 | 73.5 | 74.7 | 75.1 | –3.8 | –3.6 | –3.2 |
| United States[1] | 50.4 | 62.1 | 69.7 | 76.2 | 80.1 | 81.3 | 82.3 | 82.7 | –6.0 | –6.0 | –5.0 |
| Euro Area | 54.1 | 60.2 | 64.3 | 66.5 | 70.2 | 72.4 | 73.2 | 72.6 | –2.4 | –2.3 | –2.8 |
| France | 62.3 | 72.0 | 76.1 | 78.6 | 84.0 | 87.6 | 89.5 | 89.8 | 0.4 | 1.0 | 1.3 |
| Germany | 50.0 | 56.5 | 58.2 | 56.5 | 58.1 | 55.7 | 52.9 | 49.9 | –0.5 | –1.6 | –3.2 |
| Greece | 112.9 | 129.7 | 148.3 | 170.3 | 153.5 | 168.5 | 169.3 | 166.9 | –4.1 | –3.3 | 1.4 |
| Ireland | 21.2 | 38.6 | 70.4 | 85.1 | 92.8 | 100.3 | 103.5 | 103.4 | –5.2 | –4.3 | –3.5 |
| Italy | 89.3 | 97.9 | 100.0 | 102.5 | 106.1 | 110.7 | 112.4 | 111.2 | 0.2 | 1.2 | 1.1 |
| Portugal | 67.5 | 79.7 | 89.6 | 97.8 | 114.0 | 118.4 | 119.9 | 119.2 | 0.9 | 0.6 | 0.8 |
| Spain | 30.8 | 24.7 | 33.2 | 39.7 | 52.7 | 60.4 | 65.7 | 69.4 | –20.3 | –20.1 | –19.5 |
| Japan | 95.3 | 106.2 | 113.1 | 127.3 | 129.5 | 134.1 | 137.1 | 140.0 | –5.8 | –4.7 | –4.0 |
| United Kingdom | 48.0 | 62.4 | 72.2 | 76.8 | 81.4 | 83.1 | 84.4 | 85.7 | –1.7 | –3.5 | –4.9 |
| Canada[1] | 22.4 | 27.6 | 29.7 | 32.4 | 36.7 | 38.5 | 39.5 | 39.9 | 2.0 | 1.5 | 1.2 |
| Emerging Market Economies | 23.0 | 27.8 | 27.9 | 26.5 | 24.9 | 24.9 | 23.9 | 24.2 | 0.6 | 0.8 | 0.9 |
| Europe | 22.1 | 27.9 | 28.9 | 27.8 | 25.7 | 25.9 | 21.6 | 21.9 | –0.3 | –0.3 | 0.3 |
| Latin America | 31.0 | 34.7 | 33.8 | 32.2 | 31.0 | 30.9 | 31.4 | 31.2 | 0.3 | 0.0 | –0.1 |
| MENAP | 53.0 | 55.3 | 57.7 | 59.6 | 64.2 | 69.2 | 71.4 | 72.7 | –1.4 | –1.3 | –1.1 |
| Low-Income Countries | 30.1 | 34.4 | 37.1 | 35.2 | 37.6 | 41.2 | 43.8 | 45.0 | 3.6 | 5.5 | 6.4 |

Source: IMF staff estimates and projections.

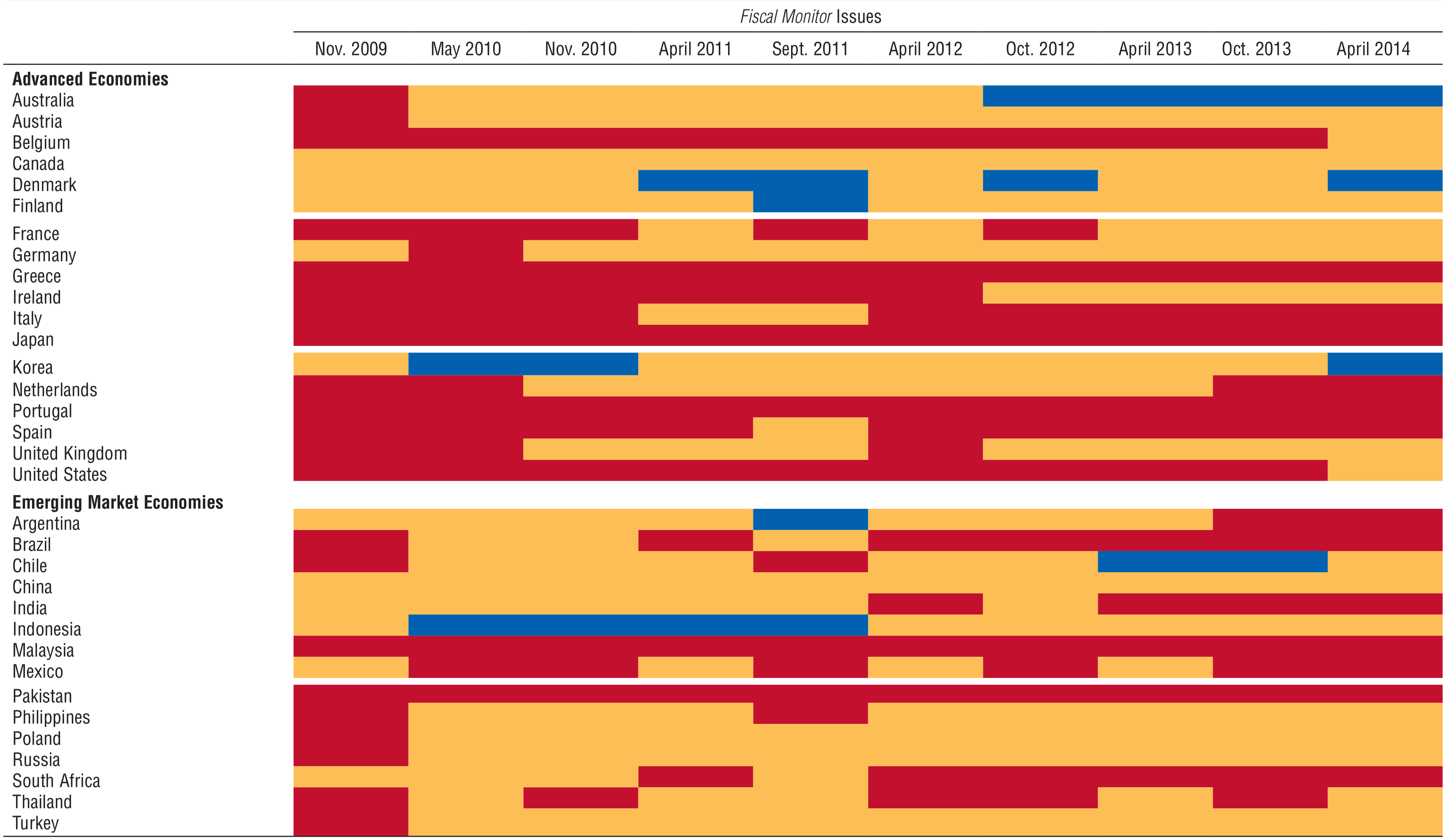
Note: All fiscal data country averages are weighted by nominal GDP converted to U.S. dollars at average market exchange rates in the years indicated and based on data availability. Projections are based on IMF staff assessments of current policies. Data for 2013 correspond to IMF staff estimates in countries where the outturn is not yet available at the time of finalizing the *Fiscal Monitor* database. For country-specific details, see Data and Conventions and Tables A, B, and C in the Statistical and Methodological Appendix. MENAP = Middle East and North Africa and Pakistan.

[1] For cross-country comparability, gross and net debt levels reported by national statistical agencies for countries that have adopted the 2008 System of National Accounts (Australia, Canada, United States) are adjusted to exclude unfunded pension liabilities of government employees' defined benefit pension plans. See Box 1.1 for more details.

[2] Up to 2009, public debt data include only central government debt as reported by the Ministry of Finance. For 2010, debt data include subnational debt identified in the 2011 *National Audit Report*. Staff estimated in the 2013 Article IV Staff Report that the augmented debt—expanding the perimeter of government to include local government financing vehicles and other off-budget activity—was around 46.2 percent of GDP as of end-2012.

[3] Gross debt refers to the nonfinancial public sector, excluding Eletrobras and Petrobras, and includes sovereign debt held on the balance sheet of the central bank.

## Table 1.3. Assessment of Underlying Fiscal Vulnerabilities over Time




Sources: Bloomberg L.P.; Consensus Economics; Thomson Reuters Datastream; Haver Analytics; and IMF staff estimates and projections.

Note: To allow for cross-country comparability, a uniform methodology is used to assess vulnerability. In-depth assessment of individual countries would require case-by-case analysis using a broader set of tools, which can be found in the debt sustainability analyses contained in IMF Staff Reports. As country-specific factors are not taken into account in the cross-country analysis, the results should be interpreted with caution. Based on fiscal vulnerability indicators presented in Table 1.4, red (yellow, blue) implies high (medium, moderate) levels of fiscal vulnerability. The methodologies used to assess vulnerability to shocks to growth, interest rates, and contingent liabilities now focus more specifically on their impact on the government debt-to-GDP ratios.

## Table 1.4. Assessment of Underlying Fiscal Vulnerabilities, April 2014

| | Baseline Fiscal Assumptions[1] | | | | | Shocks Affecting the Baseline | | |
|---|---|---|---|---|---|---|---|---|
| | Gross Financing Needs[2] | Interest Rate–Growth Differential[3] | Cyclically Adjusted Primary Deficit[4] | Gross Debt[5] | Increase in Health and Pension Spending, 2014–30[6] | Growth[7] | Interest Rate[8] | Contingent Liabilities[9] |
| **Advanced Economies** | | | | | | | | |
| Australia | | ↗ | ↗ | | | ↗ | | |
| Austria | | | | | | | ↗ | |
| Belgium | ↘ | | | | | | | |
| Canada | | | ↘ | | | | | |
| Denmark | | | | | | ↘ | ↘ | |
| Finland | | ↗ | | | | ↘ | | |
| France | ↘ | | | | | | | |
| Germany | | ↘ | | | | | | |
| Greece | ↘ | | | | | | | |
| Ireland | | | | | | | | |
| Italy | | | | | | ↘ | | |
| Japan | | | | | | | | |
| Korea | | | | | | | | |
| Netherlands | ↗ | | | | | ↗ | | |
| Portugal | | | | | | | | |
| Spain | | | | | | ↘ | | |
| United Kingdom | | | | | | | | |
| United States[10] | | | | | | | ↓ | |
| **Emerging Market Economies** | | | | | | | | |
| Argentina | | | | | | | | |
| Brazil | | | | | | ↘ | | |
| Chile | | | ↗ | | | | | |
| China | | | ↗ | | | | ↗ | |
| India | | ↘ | | | | ↑ | ↗ | |
| Indonesia | | | | | | | | |
| Malaysia | | ↘ | | | | ↘ | ↗ | |
| Mexico | | | | | | ↘ | ↗ | |
| Pakistan | | | | | | | | |
| Philippines | | | | | | ↗ | | |
| Poland | | | | | | ↗ | | |
| Russia | | | | | | | | |
| South Africa | | | | | ↘ | | | |
| Thailand | | ↗ | ↘ | | | ↗ | | |
| Turkey | | | | | | | | |

Sources: Bloomberg L.P.; Consensus Economics; Thomson Reuters Datastream; Haver Analytics; and IMF staff estimates and projections.

Note: To allow for cross-country comparability, a uniform methodology is used for each vulnerability indicator. In-depth assessment of individual countries would require case-by-case analysis using a broader set of tools, which can be found in the debt sustainability analyses contained in IMF Staff Reports. As country-specific factors are not taken into account in the cross-country analysis, the results should be interpreted with caution. Fiscal data correspond to IMF staff forecasts for 2014 for the general government. Market data used for the *Growth, Interest rate,* and *Contingent liabilities* indicators are as of February 2014. A blank cell indicates that data are not available. Directional arrows indicate a change in fiscal vulnerabilities since the previous issue of the *Fiscal Monitor.* (↑) indicates an increase; (↗) indicates a moderate increase; (↘) indicates a moderate reduction; and (↓) indicates a reduction. No arrow indicates that the fiscal vulnerability has not changed since the previous issue of the *Fiscal Monitor.*

[1] Red (yellow, blue) implies that the indicator is above (less than one standard deviation below, more than one standard deviation below) the corresponding threshold. Thresholds are from Baldacci, McHugh, and Petrova (2011) for all indicators except the increase in health and pension spending, which is benchmarked against the corresponding historical country group average.

[2] For advanced economies, gross financing needs above 17.2 percent of GDP are shown in red, those between 11.6 and 17.2 percent of GDP are shown in yellow, and those below 11.6 percent of GDP are shown in blue. For emerging market economies, gross financing needs above 20.6 percent of GDP are shown in red, those between 19.8 and 20.6 percent of GDP are shown in yellow, and those below 19.8 percent of GDP are shown in blue.

[3] For advanced economies, interest rate–growth differentials above 3.6 percent are shown in red, those between 0.1 and 3.6 percent are shown in yellow, and those below 0.1 percent are shown in blue. For emerging market economies, interest rate–growth differentials above 1.1 percent of GDP are shown in red, those between –4.0 and 1.1 percent of GDP are shown in yellow, and those below –4.1 percent of GDP are shown in blue.

[4] For advanced economies, cyclically adjusted deficits above 4.2 percent of GDP are shown in red, those between 2.0 and 4.2 percent of GDP are shown in yellow, and those below 2.0 percent of GDP are shown in blue. For emerging market economies, cyclically adjusted deficits above 0.5 percent of GDP are shown in red, those between –1.4 and 0.5 percent of GDP are shown in yellow, and those below –1.3 percent of GDP are shown in blue.

[5] For advanced economies, gross debt above 72.2 percent of GDP is shown in red, that between 55.7 and 72.2 percent of GDP is shown in yellow, and that below 55.7 percent of GDP is shown in blue. For emerging market economies, gross debt above 42.8 percent of GDP is shown in red, that between 29.5 and 42.8 percent of GDP is shown in yellow, and that below 29.5 percent of GDP is shown in blue. Figures refer to gross government debt, except in cases of Australia, Canada, and Japan, for which net debt ratios are used.

[6] For advanced economies, increases in spending above 3 percent of GDP are shown in red, those between 0.6 and 3 percent of GDP are shown in yellow, and those below 0.6 percent of GDP are shown in blue. For emerging market economies, increases in health and pension spending above 2 percent of GDP are shown in red, those between 0.3 and 2 percent of GDP are shown in yellow, and those below 0.3 percent of GDP are shown in blue. In some countries, risks from the projected pension spending increases are mitigated by the positive net asset position of the pension funds.

[7] Risk to real GDP growth is measured as the difference between IMF staff projected growth and the average of market analysts' projections below that estimate. The impact of this shock on the public debt level is estimated using spending and revenue elasticities (0 and 1 when unavailable) as well as debt maturity structure. Cells are shown in red if the debt increases by 0.5 percent of GDP or more, in yellow if it increases by an amount between 0.2 and 0.5 percent of GDP, and in blue if it increases by less than 0.2 percent of GDP. The shock affects debt projections for 2014 and 2015.

[8] Risks to the financing cost underpinning the fiscal projection are measured as the increase in interest payments in 2014 resulting from a change in interest rate, calculated as the 12-month standard deviation of the market most appropriate sovereign bond yields available. Cells are shown in red if the interest payments are increasing by more than 0.065 percent of GDP, in yellow if they are increasing by an amount between 0.024 and 0.065 percent of GDP, and in blue if they are increasing by less than 0.024 percent of GDP.

[9] Fiscal contingent liabilities are approximated by calculating the expected value of losses, given default of the banking sector using individual bank data on credit default swaps (CDS) spreads and calculating the 1 year ahead put value, assuming that the government will assume the losses in the case of default. These put values are summed by country and then scaled by the total assets-to-GDP ratio in the entire economy. For some economies, a more precise measure would cover contingent liabilities in other sectors, such as public utility companies. Cells are shown in red if expected losses exceed 1 percent of GDP, in yellow if they are between 0.5 and 1 percent of GDP, and in blue if they amount to less than 0.5 percent of GDP. For details on methodology, see Gray, Merton, and Bodie (2008).

[10] Data for the United States have been revised significantly following the Bureau of Economic Analysis's recent comprehensive revision of the National Income and Product Accounts (NIPA) along the lines of the 2008 System of National Accounts (SNA). As a result of these methodological changes, the deficit includes several expenditure items not counted as expenditure in other countries which have not yet adopted the 2008 SNA. See Box 1.1 for more details.

**Table 1.5. Selected Advanced Economies: Gross Financing Needs, 2014–16**
*(Percent of GDP)*

| | 2014 | | | 2015 | | | 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Maturing Debt | Budget Deficit | Total Financing Need | Maturing Debt[1] | Budget Deficit | Total Financing Need | Maturing Debt[1] | Budget Deficit | Total Financing Need |
| Japan | 50.7 | 7.2 | 57.9 | 49.9 | 6.4 | 56.3 | 43.4 | 5.4 | 48.9 |
| Italy | 25.7 | 2.7 | 28.4 | 27.2 | 1.8 | 29.0 | 23.1 | 0.8 | 23.9 |
| United States | 18.0 | 6.4 | 24.4 | 17.2 | 5.6 | 22.8 | 16.0 | 5.6 | 21.6 |
| Portugal | 16.7 | 4.0 | 20.7 | 16.2 | 2.5 | 18.7 | 15.4 | 2.0 | 17.4 |
| Spain | 14.8 | 5.9 | 20.7 | 15.4 | 4.9 | 20.3 | 15.9 | 3.9 | 19.8 |
| France | 13.2 | 3.7 | 16.9 | 14.6 | 3.0 | 17.6 | 13.7 | 2.1 | 15.9 |
| Slovenia | 11.1 | 5.5 | 16.6 | 8.8 | 4.1 | 12.9 | 15.7 | 4.0 | 19.7 |
| Canada | 13.5 | 2.5 | 16.0 | 13.4 | 2.0 | 15.4 | 11.8 | 1.5 | 13.4 |
| Greece[2] | 13.8 | 1.9 | 15.8 | 8.8 | 1.4 | 10.2 | 3.7 | 0.8 | 4.5 |
| Belgium | 12.7 | 2.4 | 15.2 | 15.6 | 2.1 | 17.7 | 15.0 | 1.5 | 16.5 |
| Netherlands | 11.3 | 3.0 | 14.3 | 14.5 | 2.0 | 16.5 | 10.0 | 1.7 | 11.8 |
| United Kingdom | 6.3 | 5.3 | 11.6 | 6.2 | 4.1 | 10.2 | 5.9 | 2.9 | 8.7 |
| Austria | 8.5 | 3.0 | 11.5 | 5.3 | 1.5 | 6.8 | 5.2 | 1.3 | 6.5 |
| Slovak Republic | 5.8 | 3.8 | 11.1 | 5.6 | 3.8 | 9.4 | 6.2 | 3.8 | 9.9 |
| Czech Republic | 6.5 | 2.8 | 9.3 | 6.5 | 2.5 | 9.0 | 6.9 | 2.3 | 9.2 |
| Ireland[3] | 2.7 | 6.0 | 8.7 | 3.2 | 3.5 | 6.6 | 6.7 | 1.5 | 8.2 |
| Sweden | 6.9 | 1.3 | 8.1 | 5.9 | 0.5 | 6.4 | 4.1 | 0.0 | 4.2 |
| Finland | 5.4 | 2.6 | 8.0 | 5.5 | 1.9 | 7.5 | 6.4 | 1.7 | 8.1 |
| Denmark | 6.3 | 1.4 | 7.7 | 7.3 | 2.7 | 10.0 | 4.5 | 2.2 | 6.7 |
| Germany | 6.9 | 0.0 | 6.8 | 6.9 | 0.1 | 7.0 | 5.5 | –0.2 | 5.3 |
| Australia | 2.1 | 3.4 | 5.5 | 2.4 | 1.9 | 4.3 | 1.7 | 1.0 | 2.8 |
| Iceland | 3.9 | 0.2 | 4.1 | 2.4 | 0.0 | 2.4 | 9.8 | –0.4 | 9.4 |
| Switzerland | 3.2 | 0.2 | 3.3 | 2.7 | –0.4 | 2.4 | 3.5 | –0.7 | 2.8 |
| Korea | 3.7 | –1.2 | 2.5 | 3.6 | –1.2 | 2.4 | 3.3 | –1.6 | 1.6 |
| New Zealand | 1.8 | –0.3 | 1.5 | 6.4 | –1.1 | 5.4 | 2.2 | –1.7 | 0.5 |
| Average | 17.6 | 4.6 | 22.2 | 17.4 | 3.8 | 21.2 | 15.6 | 3.4 | 18.9 |

Sources: Bloomberg L.P.; and IMF staff estimates and projections.
Note: For most countries, data on maturing debt refer to central government securities. For some countries, general government deficits are reported on an accrual basis. For country-specific details, see Table A in the Methodological and Statistical Appendix.
[1] Assumes that short-term debt outstanding in 2014 and 2015 will be refinanced with new short-term debt that will mature in 2015 and 2016, respectively. Countries that are projected to have budget deficits in 2014 or 2015 are assumed to issue new debt based on the maturity structure of debt outstanding at the end of 2013.
[2] Maturing debt and budget deficit refer to state government. The deficit is on cash basis while figures in Table 1.1 and Statistical Table 1 are on an accrual basis and for general government.
[3] Ireland's cash deficit includes exchequer deficit and other government cash needs and may differ from official numbers because of a different treatment of short-term debt in the forecast.

however, signs of improvement: in several European countries, including *Belgium*, Ireland, and Portugal, gross financing needs have declined and financial pressures are abating, lowering underlying vulnerabilities (Table 1.5). A few advanced economies introduced pension reforms in 2013 to improve the sustainability of their pension systems. In Spain, the phased retirement age increase began to take effect, and other important measures were implemented to ensure the sustainability of the pension system.[7] Elsewhere, reforms included raising contribution rates to superannuation funds (*Australia*) and increasing retirement ages (*Slovenia*).

Short-term risks remain, however, largely related to policy uncertainty. In Japan, uncertainty persists regarding approval of the second stage of the consumption tax rate increase next year and the medium-term fiscal strategy beyond 2015. In the United States, the bipartisan budget agreement substantially reduced near-term uncertainties, but a comprehensive and medium-term plan to place the debt and public finances on a sustainable basis is still lacking. In the euro area, despite significant progress, fiscal risks related to the banking sector

[7] Specifically, the gradual retirement age increase from 65 to 67 and the extension (from 15 to 25 years) of the wage-averaging period to calculate the starting pension in 2013. The delinking of the annual increase in pensions from inflation and the adjustment of the initial pension for life expectancy were approved in 2013.

**Table 1.6. Selected Advanced Economies: Financial Sector Support**
*(Percent of 2013 GDP, except where otherwise indicated)*

| | Impact on Gross Public Debt and Other Support | Recovery to Date | Impact on Gross Public Debt and Other Support after Recovery |
|---|---|---|---|
| Belgium | 7.5 | 3.2 | 4.3 |
| Cyprus | 10.9 | 0.0 | 10.9 |
| Germany[1] | 12.5 | 1.9 | 10.5 |
| Greece[2] | 30.9 | 6.8 | 24.1 |
| Ireland[3] | 40.1 | 6.9 | 33.2 |
| Netherlands | 18.7 | 14.2 | 4.5 |
| Slovenia[4] | 12.0 | 0.0 | 12.0 |
| Spain[5] | 7.7 | 3.1 | 4.6 |
| United Kingdom[6] | 10.3 | 2.1 | 8.3 |
| United States | 4.5 | 4.8 | –0.3 |
| Average | 7.4 | 4.3 | 3.0 |
| $US billions | 1,932 | 1,127 | 804 |

Sources: National authorities; and IMF staff estimates.
Note: Table shows fiscal outlays of the central government, except in the cases of Germany and Belgium, for which financial sector support by subnational governments is also included. Data are cumulative since the beginning of the global financial crisis—latest available data up to January 2014. Data do not include forthcoming support.
[1] Support includes here the estimated impact on public debt of liabilities transferred to newly created government sector entities (about 11 percent of GDP), taking into account operations from the central and subnational governments. As public debt is a gross concept, this neglects the simultaneous increase in government assets. With this effect taken into account, the net debt effect up to 2012 amounted to just 1.6 percent of GDP, which was recorded as a deficit.
[2] Support includes the disbursements from the Hellenic Financial Stability Fund (HFSF), but excludes the undisbursed amount of the financial sector envelope. The change from the October 2013 *Fiscal Monitor* is largely due to the broadening of the coverage to include the HFSF's disbursements for funding gap payments.
[3] The impact of the direct support measures is mainly on net debt, as significant recapitalization expenses were met from public assets. Direct support does not include asset purchases by the National Asset Management Agency (NAMA), as these are not financed directly through the general government but with government-guaranteed bonds.
[4] Support provided by the general government.
[5] Direct support includes total capital injections by the Fondo de Reestructuración Ordenada Bancaria (FROB) and liquidity support.
[6] The change from the October 2013 *Fiscal Monitor* is mainly due to the broadening of the coverage to include the gross liabilities of Bradford and Bingley and Northern Rock Asset Management that the central government has inherited.

have not been completely eliminated. For example, in Slovenia several banks are being closed down or have been recapitalized at a total cost to the public sector of 10.3 percent of GDP in 2013 (Table 1.6).[8] For the euro area as a whole, the ongoing asset-quality review and stress tests could point to the need for further public support in some countries (see the April 2014 *Global Financial Stability Report*). In addition, persistent low inflation would make debt reduction more challenging given nominal rigidities in public spending (e.g., entitlements) and potentially adverse debt dynamics.

## Fiscal Consolidation Should Focus on Supporting Long-Term Growth

Current fiscal plans to moderate the pace of consolidation to support the recovery, reduce reliance on revenue measures where tax ratios are high, and move away from indiscriminate spending cuts are broadly appropriate. Nonetheless, the recovery still remains uneven and subject to downside risks (see the April 2014 *World Economic Outlook*). The formulation of a longer-term, growth-friendly fiscal strategy remains a priority for many highly indebted countries, most notably Japan and the United States, to dispel policy uncertainty and support a durable rebound in growth.

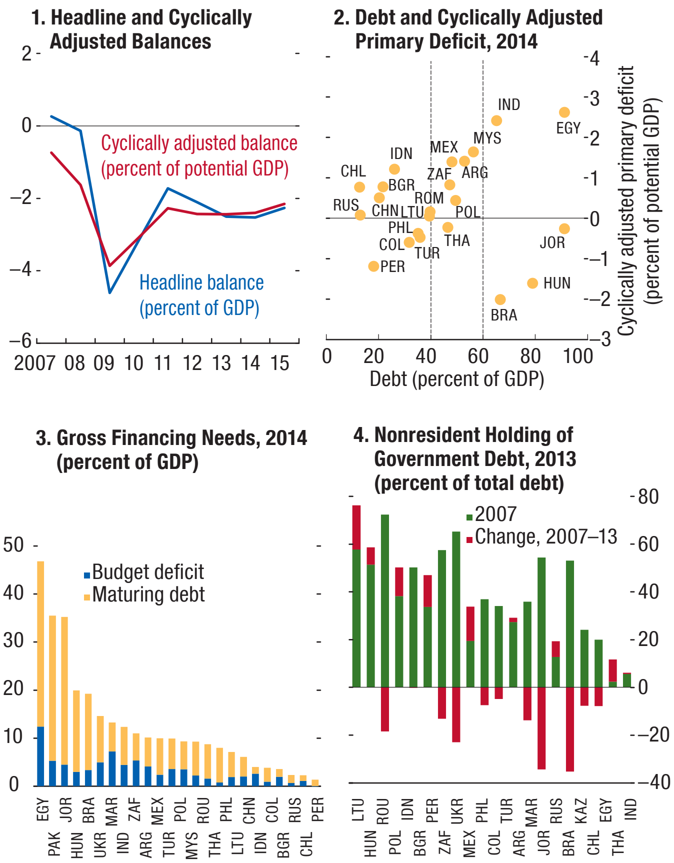
In the event that downside risks to the recovery materialize and financing conditions permit, automatic stabilizers should be allowed to play. If growth were to remain at subpar levels for a protracted period, more ambitious measures aimed at raising growth potential—including, when relevant, higher public investment—should be considered, with due regard for existing fiscal frameworks and long-term fiscal sustainability. If, however, growth were to surprise upward, saving budget gains and further rebuilding policy room will be important.

The design of future fiscal packages should focus on supporting long-term growth potential, which requires striking a delicate balance between tax policy and expenditure reforms, taking equity concerns into account.[9] Although the scope for raising substantially more revenue is limited in many advanced econo-

[8] For Slovenia, the figure includes a broader coverage of the public sector than the general government, whereas the rest of the fiscal statistics for Slovenia in the *Fiscal Monitor,* including Table 1.6, covers the general government.

[9] See Berg and Ostry (2011) for a discussion of links and trade-offs between equity and sustainable growth.

**Figure 1.3. Fiscal Trends in Emerging Market Economies**




Sources: Joint External Debt Hub, Quarterly External Debt Statistics; and IMF staff estimates and projections.
Note: For country-specific details, see Data and Conventions in the Statistical and Methodological Appendix.

mies because of already high tax burdens (see the October 2013 *Fiscal Monitor*), tax reforms can still play an important role. Removing disincentives to labor participation and investment, and reducing or eliminating unproductive exemptions, can boost output and employment and promote equity. However, the focus is increasingly shifting to expenditure reforms, especially in countries where consolidation needs are large. Chapter 2 elaborates on these themes.

## Emerging Market Economies: Rising Vulnerabilities—A Call for Policy Action

### In Emerging Market Economies, Current Fiscal Plans Continue to Postpone Consolidation

The fiscal stance (in cyclically adjusted terms) for the group of emerging market economies as a whole remained broadly neutral in 2013 (Tables 1.1–1.2, Figure 1.3). A few high-deficit countries (*Jordan, Morocco*, and *Pakistan*) strengthened their primary fiscal positions in 2013, largely by cutting expenditures. *China* and *India* recorded moderate improvements in the cyclically adjusted deficit, supported by higher revenues and spending cuts, respectively. However, most countries continued to postpone consolidation and some saw their fiscal deficits deteriorate (*Egypt, Hungary, Nigeria*, and *Russia*).

A broadly neutral stance is expected to continue in 2014, followed by a modest improvement in 2015 (of ¼ percentage point in cyclically adjusted terms), although there is significant heterogeneity across countries. Many (including Hungary, *Argentina* and *Indonesia)* plan to maintain a relatively loose fiscal stance. A number of high-deficit or high-debt countries, including *Malaysia*, have begun fiscal consolidation, though significant uncertainties remain. In all, the average overall balance in emerging market economies is projected to hover at about 3 percentage points of GDP below precrisis (2007) levels.

### Although the Average Debt Level in Emerging Market Economies Is Relatively Low, Important Pockets of Vulnerability Remain

Average gross debt in emerging market economies, excluding China, increased slightly in 2013. In most cases, debt ratios remain well above precrisis levels, despite broadly supportive cyclical conditions (and, in some cases, still favorable interest rate–growth rate differentials). Gross debt ratios in the oil importers in the Middle East and North Africa region, averaging almost 80 percent of GDP, are uncomfortably high and are expected to keep increasing in the absence of further consolidation measures. Debt ratios are declining in India and are expected to decline in the short term in Hungary and Pakistan—all from relatively high levels.

In some countries, recorded debt statistics mask important vulnerabilities given that contingent liabilities are sizable. In China, the National Audit Office released its survey of government debt in December. The results are consistent with staff estimates reported in the 2013 Article IV consultation, which suggest that the "augmented" debt, including subnational debt and contingent liabilities, reached about 46 percent of GDP as of end-2012, significantly higher than recorded gross debt and the debt level in the previous national audit. The Chinese authorities have committed to reducing local government borrowing, including by placing tighter controls on local governments and by scaling back inefficient investment.

**Table 1.7. Selected Emerging Market Economies: Gross Financing Needs, 2014–15**
*(Percent of GDP)*

| | 2014 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Maturing Debt | Budget Deficit | Total Financing Need | Maturing Debt | Budget Deficit | Total Financing Need |
| Egypt | 34.4 | 12.4 | 46.8 | 35.2 | 13.3 | 48.5 |
| Pakistan | 30.2 | 5.3 | 35.5 | 29.4 | 4.2 | 33.6 |
| Jordan | 30.8 | 4.4 | 35.2 | 28.3 | 4.1 | 32.4 |
| Hungary | 17.0 | 2.9 | 19.9 | 13.6 | 2.9 | 16.6 |
| Brazil | 15.9 | 3.3 | 19.2 | 15.8 | 2.5 | 18.3 |
| Morocco | 9.7 | 4.9 | 14.6 | 9.5 | 4.3 | 13.8 |
| India | 6.0 | 7.2 | 13.2 | 5.7 | 7.0 | 12.7 |
| South Africa | 7.9 | 4.4 | 12.3 | 7.3 | 4.5 | 11.8 |
| Argentina | 5.7 | 5.3 | 11.0 | 4.6 | 4.2 | 8.8 |
| Mexico | 6.0 | 4.1 | 10.1 | 5.2 | 3.6 | 8.8 |
| Turkey | 7.6 | 2.4 | 9.9 | 5.5 | 2.3 | 7.8 |
| Poland | 6.4 | 3.5 | 9.9 | 7.2 | 3.0 | 10.2 |
| Malaysia | 5.8 | 3.5 | 9.3 | 6.4 | 2.5 | 8.9 |
| Romania | 7.1 | 2.2 | 9.3 | 7.4 | 1.4 | 8.8 |
| Thailand | 7.1 | 1.6 | 8.7 | 7.0 | 1.5 | 8.5 |
| Philippines | 7.2 | 0.8 | 8.0 | 7.0 | 0.8 | 7.8 |
| China | 4.1 | 2.0 | 6.1 | 3.2 | 1.6 | 4.7 |
| Lithuania | 2.7 | 1.9 | 4.6 | 6.1 | 1.8 | 7.9 |
| Indonesia | 1.4 | 2.5 | 4.0 | 1.2 | 2.4 | 3.6 |
| Colombia | 2.9 | 0.9 | 3.8 | 2.8 | 0.7 | 3.5 |
| Bulgaria | 1.6 | 1.9 | 3.5 | 2.8 | 1.7 | 4.4 |
| Russia | 1.6 | 0.7 | 2.3 | 2.0 | 0.8 | 2.8 |
| Chile | 1.2 | 1.1 | 2.2 | 1.1 | 0.9 | 2.0 |
| Peru | 1.3 | –0.1 | 1.2 | 0.9 | –0.2 | 0.7 |
| Average | 6.2 | 2.9 | 9.1 | 5.7 | 2.5 | 8.2 |

Source: IMF staff estimates and projections.
Note: Data in the table refer to general government. For some countries, general government deficits are reported on an accrual basis. For country-specific details, see Table B in the Methodological and Statistical Appendix.

## Higher Volatility in Global Financing Conditions and the Electoral Cycle in Some Economies Introduce Risks to the Fiscal Outlook

Underlying fiscal vulnerabilities, although overall still moderate, have increased in emerging market economies during the past year. Even though the recent bouts of market turmoil were not directly triggered by fiscal imbalances, increased risk aversion and tighter financing conditions may worsen public debt dynamics in most countries. In addition, the large increase in nonresident debt holdings in recent years strengthens the pass-through of global demand swings into domestic sovereign debt markets and could contribute to increased volatility (Box 1.2). Countries with high gross financing needs (Table 1.7) or nonresident holdings of government debt (or both) are particularly vulnerable to refinancing risks. Even in the absence of adverse market reactions, public debt dynamics could worsen in most emerging market economies as the result of a combination of higher financing costs and more subdued growth. As an illustration, should effective interest rates paid on government debt return to the level observed before the global financial crisis and growth fail to pick up as envisaged after 2014, the average debt ratio in emerging market economies (excluding China) would not stabilize and by 2019 would be 4½ percentage points of GDP higher relative to the current baseline projection.

Contingent risks to public finances are also on the rise in many emerging market economies, particularly in those countries that have previously experienced high growth in banking credit to the private sector (such as Brazil and China) or sharp increases in external banking sector funding (Hungary*, Romania,* and *Turkey*). In addition, fiscal vulnerabilities have built up at the subnational level in several large emerging economies (notably Brazil and China, but also *Mexico* and Pakistan). Subdued commodity prices could intensify headwinds in commodity exporters, with adverse budgetary implications directly through lower commodity revenue and indirectly through weaker economic activity. Last, but not least, upcoming elections could create additional pressures on public spending in a number of emerging market economies this year, including in the Middle East and North Africa region, as well as in Brazil, Indonesia, Romania, *South Africa*, and Turkey.

### Decisive Fiscal Consolidation Is Needed in Some Emerging Market Economies to Reduce Vulnerabilities

In many emerging market economies, the continued erosion of fiscal space, coupled with market volatility, puts greater urgency on fiscal consolidation. Countries with large debt and refinancing needs should take decisive measures to rein in deficits. Where debt ratios are still manageable but have been rising during the past few years, fiscal policy action is needed to shore up credibility and reduce fiscal vulnerabilities to possible market jitters. Otherwise, if the external environment were to deteriorate markedly, countries under market pressures could be forced to resort to procyclical budget tightening. Higher scrutiny of public contingent liabilities is also called for, to limit the risks of a future large fiscal shock. More broadly, fiscal reforms can help strengthen safety nets, raise potential growth, and boost domestic saving where it has eroded.

Continued demands to increase and improve the delivery of public services, including—but not limited to—growth-enhancing investment in infrastructure, and the need to contain age-related spending, will raise pressures on the public finances of emerging market economies in the medium term. Addressing these needs in a sustainable manner will require both the mobilization of additional revenue resources and better spending prioritization. Some emerging market economies have recently embarked on reforming tax systems (*Chile*, China, Malaysia, and Mexico) and entitlement spending (*Bulgaria*, Hungary, Turkey, and *Ukraine*), but many countries have yet to start on this path.

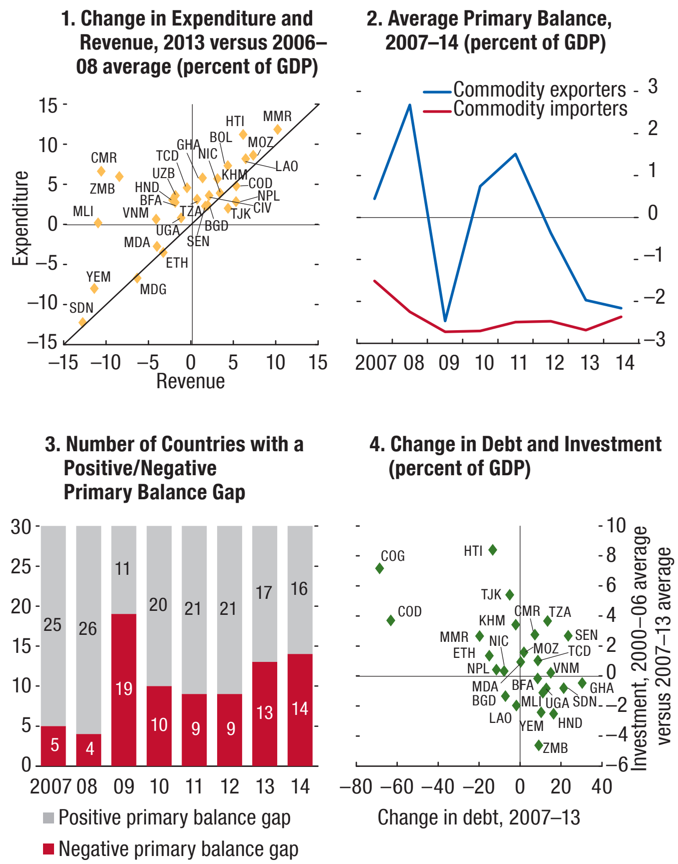
## Low-Income Countries: Resilient, Yet Fiscally Vulnerable

### Fiscal Space Has Also Declined in Low-Income Countries as Fast Spending Growth Has Not Been Matched by Increased Revenue Mobilization

Fiscal deficits continued to widen in 2013 in many low-income countries as government spending persistently outpaced economic growth and revenue mobilization (Figure 1.4; Statistical Appendix Table 9). As a result, the average fiscal deficit widened to close to 4 percent of GDP, about the same level as in 2009. The deterioration of fiscal positions in 2013 was sizable in *Zambia,* driven by large increases in fuel and agricultural subsidies and in public wages; *Lao P.D.R.*, driven by large increases in public wages; *Honduras*, driven by election-related spending; and *Chad,* because of revenue shortfalls.

Developments on the revenue side were mixed. In some countries (*Bolivia,* Lao P.D.R.), higher-than-expected revenues partially offset the increase in spending. In other countries, lower-than-expected revenues exacerbated the deterioration of public finances—in *Tanzania* and *Uganda* because of delays in the implementation of planned tax measures; and in *Chad, Sudan,* and *Yemen* as the result of lower oil production and revenue. In *Ghana*, revenue shortfalls, combined with overruns in the wage bill and rising interest costs, raised the 2013 deficit to well above the government's target of 9 percent of GDP.

**Figure 1.4. Fiscal Trends in Low-Income Countries**




Source: IMF staff estimates and projections.
Note: For country-specific details, see Data and Conventions in the Statistical and Methodological Appendix.

Under current policy plans, the average fiscal deficit in low-income countries is projected to remain unchanged in 2014, before gradually declining in the medium term. Near-term stances vary, however. Some countries with high deficits plan to start or continue fiscal consolidation this year (Honduras and *Senegal*), and a few (*Côte d'Ivoire*, Ghana, Sudan, Yemen, and Zambia) have initiated subsidy reform. In others, an expansionary fiscal stance is expected, partly driven by capital spending (*Mozambique*). Overall, debt ratios are projected to increase during the coming two years—although, in most countries, at a relatively moderate pace—to an average of 43½ percent of GDP. In about half of the low-income country sample, debt ratios are forecast to continue increasing steadily through the end of the decade, warranting fiscal adjustment in the medium term.

### Reduced Access to Foreign Aid and Commodity Price Volatility Are Key Risks

High revenue volatility and spending rigidities remain key underlying vulnerabilities in low-income countries. The Pacific Island Countries epitomize these challenges (Box 1.3). In the context of possible declines in commodity prices and aid flows and increased market volatility, some commodity exporters (*Republic of Congo,* Yemen, and Zambia), aid-dependent countries (*Haiti* and Mozambique), and market-access countries (Ghana, Honduras, Tanzania, *Vietnam,* and Zambia) may experience stronger fiscal headwinds. Furthermore, spending rigidities caused by rising wage bills (Ghana, Lao P.D.R., and Mozambique) and subsidies (Zambia) compound budget weaknesses. Government spending arrears or contingent liabilities (e.g., government guarantees, including those related to public-private partnerships) are sizable in some countries (*Cambodia,* Ghana, Mozambique, and Tanzania).

### Increasing Revenue Mobilization and Spending Efficiency, Including through Reform of Subsidies, Remain Key Priorities

The main challenge for low-income countries is to take advantage of relatively favorable external conditions to strengthen buffers against shocks and advance policies to sustain more inclusive growth in the longer term. Concerns about the quality of spending, especially in countries where, in recent years, large increases in debt have not been associated with higher capital spending (Ghana, Honduras, Sudan, and Zambia), highlight the need to strengthen institutional capacity (Figure 1.4, panel 4). Several low-income countries have embarked on public financial management reforms, including enhancing the processes for appraisal, selection, implementation, and audit of investment projects; improving ministerial coordination in the budgeting process; promoting fiscal transparency; and strengthening the medium-term orientation of their fiscal policy frameworks, but the pace of the reforms is generally slow. In this context, increased compliance with Extractive Industries Transparency Initiative standards (*Cameroon*) is welcome. More timely and transparent fiscal reporting and close monitoring of contingent liabilities are also necessary to strengthen public finances in many other low-income countries.

Where fiscal adjustment is warranted, it should safeguard social safety nets and growth-friendly investment as infrastructure gaps remain large. Mobilization of additional revenues is critical in this regard, especially in resource-rich countries with low nonresource revenues and in aid-dependent countries with low domestic revenues. Eliminating costly energy subsidies can provide additional fiscal space while reducing budgetary shocks.

## Box 1.1. Moment of Truth: Unfunded Pension Liabilities and Public Debt Statistics

In July 2013, the United States implemented a new methodology for its national accounts (including the financial accounts) along the lines of the 2008 System of National Accounts (SNA). One of the major conceptual changes concerns the accounting treatment of defined-benefit pension funds (DBPFs), including those funds that cover government employees. Although these funds are not part of the government sector (they are in the financial business sector), the change has implications for the government accounts: it results in a significant increase in recorded general government liabilities (the government debt) and expenditure, and thus the government deficit. The accounting change does not affect the general pay-as-you-go Social Security system.

Under the previous methodology, DBPFs did not record as liabilities the accrued entitlements of their beneficiaries. They recorded as revenue the actual employer and employee paid-in contributions and income from their investments, and recorded actual benefits paid out as expenses. Under the new standard, the present value of the beneficiaries' accrued entitlements (measured on an actuarial basis) is recognized as a liability of the DBPF. The difference between the fund's liabilities and assets (the underfunding) is recorded as a claim on the employer and, in the balance sheet of the employer, as a liability to the DBPF.[1] As a result, the financial accounts (formerly flow of funds) now show "pension entitlements" as an asset of the household sector and as a liability of the pension fund sector. The difference between pension entitlements and pension fund assets (underfunding or overfunding) is now shown as "claims of pension fund on sponsor," which is an asset of the pension funds and a liability of the sponsors of the funds (e.g., state and local governments, the federal government, and corporations, as applicable). In particular, government liabilities are now increased by the extent of underfunding of DBPFs of government employees (Figure 1.1.1).

The government accounts also now record additional expenditures. In addition to actual contributions paid to DBPFs by the government as employer, imputed contributions corresponding to the present value of newly accrued employee entitlements (less any contributions actually paid) are included in "labor costs." Finally, interest expenditure is augmented by the imputed interest on the recorded government liabilities to DBPFs.

Few countries have adopted the 2008 SNA to date. Australia, Canada, and the United States implemented the most important changes (employers' pension schemes, and capitalization of research and development and some military expenditure) between 2009 and 2013. European Union countries aim for 2014[2] and Japan for 2015. In the countries that have adopted the new standard, the unfunded pension liabilities of the general government are substantial, at more than 20 percent of GDP. In addition, the two newly reported expenditure items (mainly the imputed interest) widened the reported overall deficit of the United States by an annual average of 1.2 percent of GDP during 2009–12 (1.1 percent of GDP in 2012 as in Table 1.1.1).

### Table 1.1.1. United States: General Government Balance Adjusted for Imputed Expenditure under the 2008 System of National Accounts (SNA)

*(Percent of GDP)*

| | 2010 | 2011 | 2012 |
|---|---|---|---|
| General government overall balance (Current 2008 SNA methodology) | –12.5 | –11.0 | –9.7 |
| Imputed expenditure under 2008 SNA | 1.2 | 1.1 | 1.1 |
| Imputed employer contributions | 0.1 | 0.0 | 0.0 |
| Imputed interest on unfunded pension liabilities | 1.1 | 1.1 | 1.1 |
| General government overall balance, adjusted for imputed expenditure under the 2008 SNA | –11.3 | –10.0 | –8.6 |

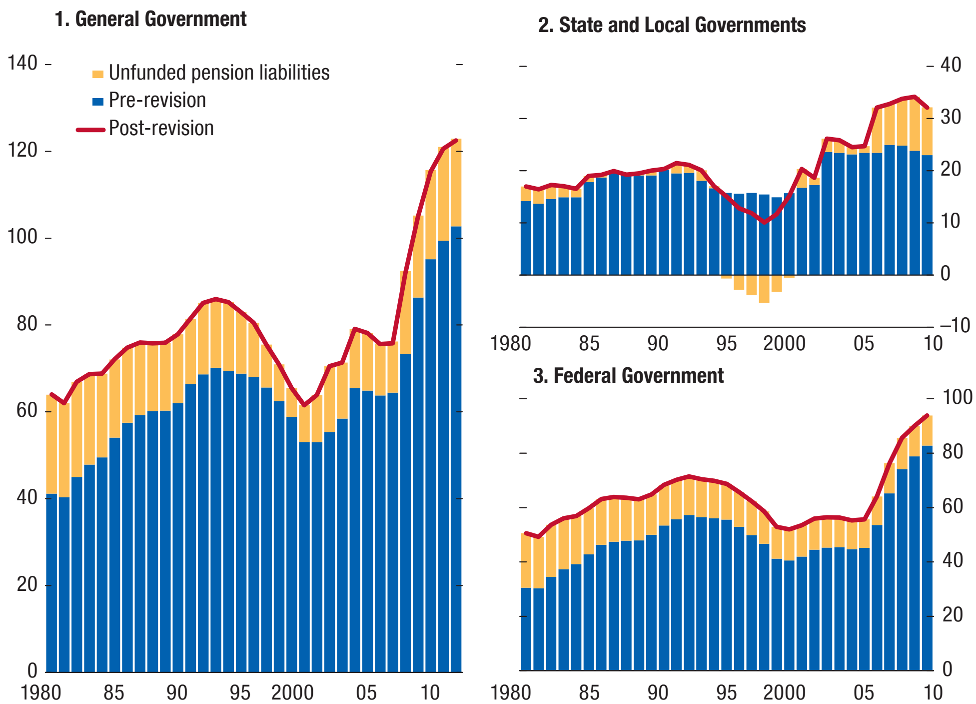
Sources: Bureau of Economic Analysis; and IMF staff estimates.
Note: The GDP used is not adjusted and is based on the 2008 SNA methodology. Figures for 2013 are not yet available.

[1] Under the 1993 SNA, funded pension schemes have an identifiable, segregated fund with assets built up by paid-in contributions. They receive actual contributions paid by employers and employees, receive property income from their investments, pay out benefits to households, and hold assets. For a defined-contribution scheme, this is correct and complete because the eventual payment of benefits depends only on the amount set aside. For a defined-benefit scheme, however, there is no guarantee that the amount set aside will exactly match the promises made by the pension sponsor. Hence, the possibility is that underfunding or overfunding may arise.

[2] European Union countries have adopted the new standards in the framework of the European System of Accounts 2010, which is to be implemented in the second half of 2014.

## Box 1.1 *(concluded)*

**Figure 1.1.1. United States: Revisions to Government Gross Liabilities**
*(Percent of GDP)*




Sources: Federal Reserve Flow of Funds; Bureau of Economic Analysis; and IMF staff estimates.

The explicit recognition of unfunded pension liabilities of DBPFs and related costs is a welcome development in fiscal reporting: it improves transparency and should better inform economic decisions. However, the asynchronous implementation of the 2008 SNA may impair cross-country comparability of fiscal data. Government debt ratios, in particular, are typically significantly higher under the new standard. In practice, the gross debt figures in the *Government Finance Statistics Yearbook (GFSY)* database, for example, include unfunded pension liabilities for Australia, Canada, and the United States (and for Hong Kong, Iceland, and New Zealand, which recognize these liabilities in their reporting, although they have not yet adopted the 2008 SNA). By contrast, the World Economic Outlook and Fiscal Monitor databases exclude unfunded pension liabilities from gross debt for cross-country comparability (Table 1.1.2).

Cross-country analyses may also need to take into account differences in the institutional setup for providing pensions to government employees. Australia, Canada, and the United States provide pensions to government employees mainly through DBPFs, whereas most European Union countries and Japan do so primarily through general, pay-as-you-go social security schemes. The possible underfunding of the latter schemes is not explicitly recognized as government debt under the 2008 SNA.

**Table 1.1.2. Comparison of Debt-to-GDP Ratios**

| | *Fiscal Monitor* | *GFSY*[1] | Year |
|---|---|---|---|
| Australia | 24.3 | 47.4 | 2011 |
| Canada | 83.5 | 107.1 | 2011 |
| United States | 102.4 | 122.6 | 2012 |

Sources: IMF, *Government Finance Statistics;* and IMF staff estimates and projections.
Note: *GFSY = Government Finance Statistics Yearbook.*
[1] Based on 2008 System of National Accounts; includes unfunded pension liabilities.

## Box 1.2. Nonresident Holdings of Emerging Market Economy Debt

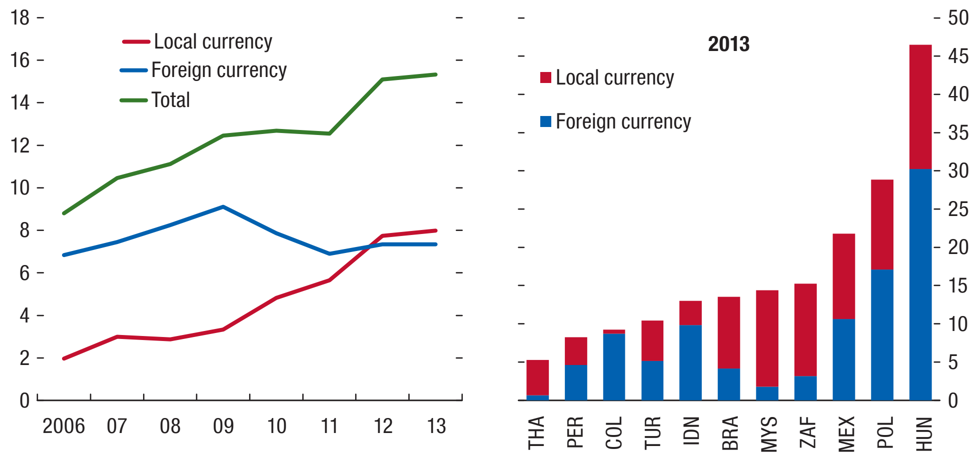
Nonresident investors constitute a significant source of government financing in many emerging market economies. On average, nonresidents hold about one-third of total emerging economy government debt (in a sample of 11 emerging markets; see Figure 1.2.1 and Statistical Table 12b). Until 2009, most nonresident financing took place in foreign-currency-denominated government securities. Since 2009, however, local currency debt held by nonresidents has more than doubled as a percentage of GDP, driving the increase in externally held government debt. During the same period, foreign-currency-denominated debt has declined from 9 to 7½ percent of GDP, a level similar to that of nonresident holdings of local currency debt.

The shift in the currency denomination of nonresident debt holdings has both advantages and shortcomings.[1] Increased nonresident participation in the local government bond market contributes to domestic market deepening and financial development. Lower foreign currency government liabilities imply reduced currency risk for the government and, coupled with flexible exchange rates, allow for better management of refinancing risk. Nevertheless, large nonresident holdings of local currency bonds strengthens the transmission of swings in global demand for emerging market assets into domestic markets and makes nonresident demand for government bonds more sensitive to domestic conditions, such as inflation.

From the standpoint of public debt sustainability, the growing participation of nonresidents in domestic debt markets has medium-term fiscal policy implications. Historically, many emerging market economies have been able to maintain broadly stable debt ratios despite large primary deficits because of very low (often negative) real interest rates on domestic debt (Escolano, Shabunina, and Woo, 2011). In turn, these rates were possible primarily as a result of relatively closed, captive domestic markets for government debt. As domestic debt markets become more integrated in global financial markets, many emerging economies will need to adjust their medium-term fiscal targets to offset the increase in funding costs caused by the loss of pricing power. Real interest rates in many emerging economies have recently started to rise, and countries with higher nonresident holdings may see sharper increases as liquidity conditions in advanced economies tighten.

[1] See the April 2014 *Global Financial Stability Report* for a detailed discussion of the financial implications of changes in the investor base.

**Figure 1.2.1. Currency Composition of Nonresident Government Debt Holdings**
*(Percent of GDP)*




Sources: Joint External Debt Hub, Quarterly External Debt Statistics; and IMF staff estimates and projections.

## Box 1.3. Fiscal Challenges in the Pacific Island Countries

The unique characteristics of the Pacific Island Countries make fiscal management more challenging than in other countries, including other small states. The budgets of these countries are subject to several sources of volatility stemming from large fluctuations in GDP, terms of trade, and aid, among other factors. Spending rigidity caused by the indivisibility of public goods and a large share of current expenditure is also an issue. As a result, fiscal policy has been procyclical at times, thereby amplifying the business cycle (Cabezon, Wu, and Tumbarello, 2013).

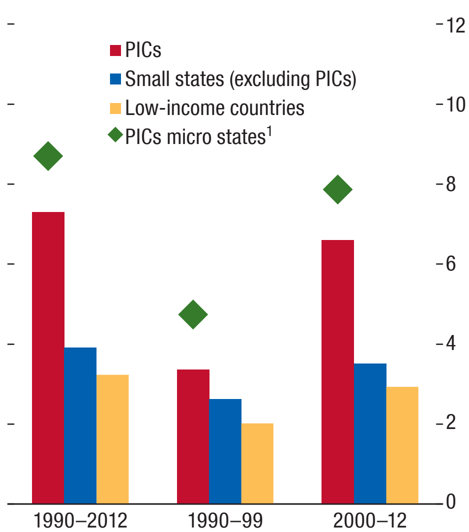
Revenue volatility in Pacific Island Countries is larger than in other small states (Figure 1.3.1). The revenue base is narrow and subject to exogenous shocks, including natural disasters, terms of trade, tourism, remittances, and aid. In micro states, lumpy nontax revenues, particularly fishing license fees, further increase revenue volatility.

This box is based on Baldacci, Cabezon, and Tumbarello (forthcoming). The Pacific Island Countries are Fiji, Kiribati, the Marshall Islands, Micronesia, Palau, Samoa, the Solomon Islands, Tonga, Tuvalu, Vanuatu, and Papua New Guinea.

High dependence on foreign aid is a source of fiscal vulnerability. In the past decade, approximately 40 percent of Pacific Island Countries' total fiscal receipts consisted of foreign grants (Figure 1.3.2). Aid flows were more volatile than tax revenues. Another severe future fiscal challenge is the 2023–24 scheduled expiration of U.S. aid flows—a significant share of the budget in the Marshall Islands, Micronesia, and Palau, under the "compact grants" scheme.

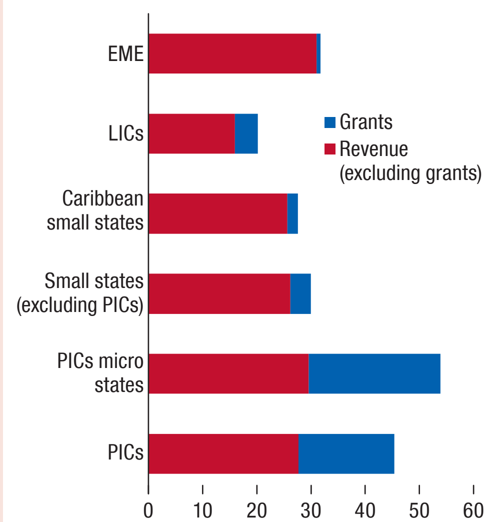
Government expenditure, especially current spending, is large in the Pacific Island Countries relative to their peers (Figure 1.3.3). The high current spending share occurs because the public sector is typically the main employer and provider of goods and services. Public spending in these countries amounted to about 50 percent of GDP in recent years, and to more than 58 percent in micro states, well above the average for other small states (32 percent). Pacific Island Countries' small populations, remoteness, low connectivity, and extreme dispersion make the cost of public services higher than in other countries because some public services must be provided regardless of population size (Figure 1.3.4). Distance from key markets raises import transportation costs.

**Figure 1.3.1. Pacific Island Countries: Volatility of Revenue (excluding grants)**
*(Percent of GDP; standard deviation of revenue)*




Source: IMF staff estimates and projections.
Note: PICs = Pacific Island Countries.
[1] Includes PICs with a population of fewer than 200,000 inhabitants.

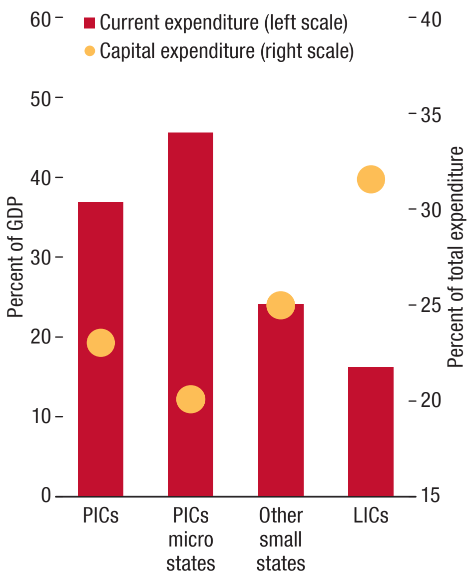
**Figure 1.3.2. Pacific Island Countries: Revenue and Grants, 2003–13**
*(Percent of GDP)*




Source: IMF staff estimates and projections.
Note: EME = emerging market economies; LICs = low-income countries; PICs = Pacific Island Countries.

## Box 1.3 *(continued)*

**Figure 1.3.3. Pacific Island Countries: Government Expenditure, 2003–13**

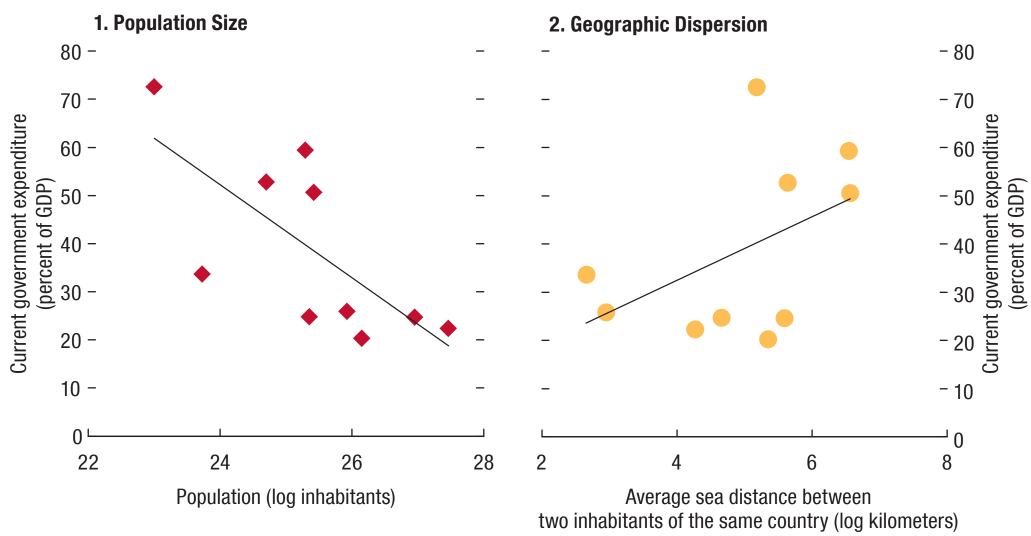



Source: IMF staff estimates and projections.
Note: PICs = Pacific Island Countries; LICs = low-income countries.

Capital spending accounted for only 22 percent of total spending in the past decade. Public investment is low relative to low-income countries and largely financed by foreign grants, and spending effectiveness is weak. Although a large share of total spending (current and capital) as a percentage of GDP is allocated to health and education, the rate of return on this spending is poor as measured by human development indicators, including life expectancy and school enrollment.

Pacific Island Countries' vulnerability to shocks suggests they need to strengthen their fiscal frameworks and continue building fiscal buffers to foster resilience to shocks and create fiscal space for spending on infrastructure, health, and education. Such spending will lift their long-term potential growth and reduce poverty in the region. Thus, key policy objectives include minimizing budget revenue volatility and building rainy-day funds, strengthening the medium-term orientation of fiscal policy, creating room for progrowth spending programs, improving the quality and efficiency of spending through public financial management reforms, and ensuring medium-term fiscal sustainability.

**Figure 1.3.4. Pacific Island Countries: Current Government Expenditure[1], 2000–12**




Source: IMF staff estimates and projections.
[1] Excludes Papua New Guinea.

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