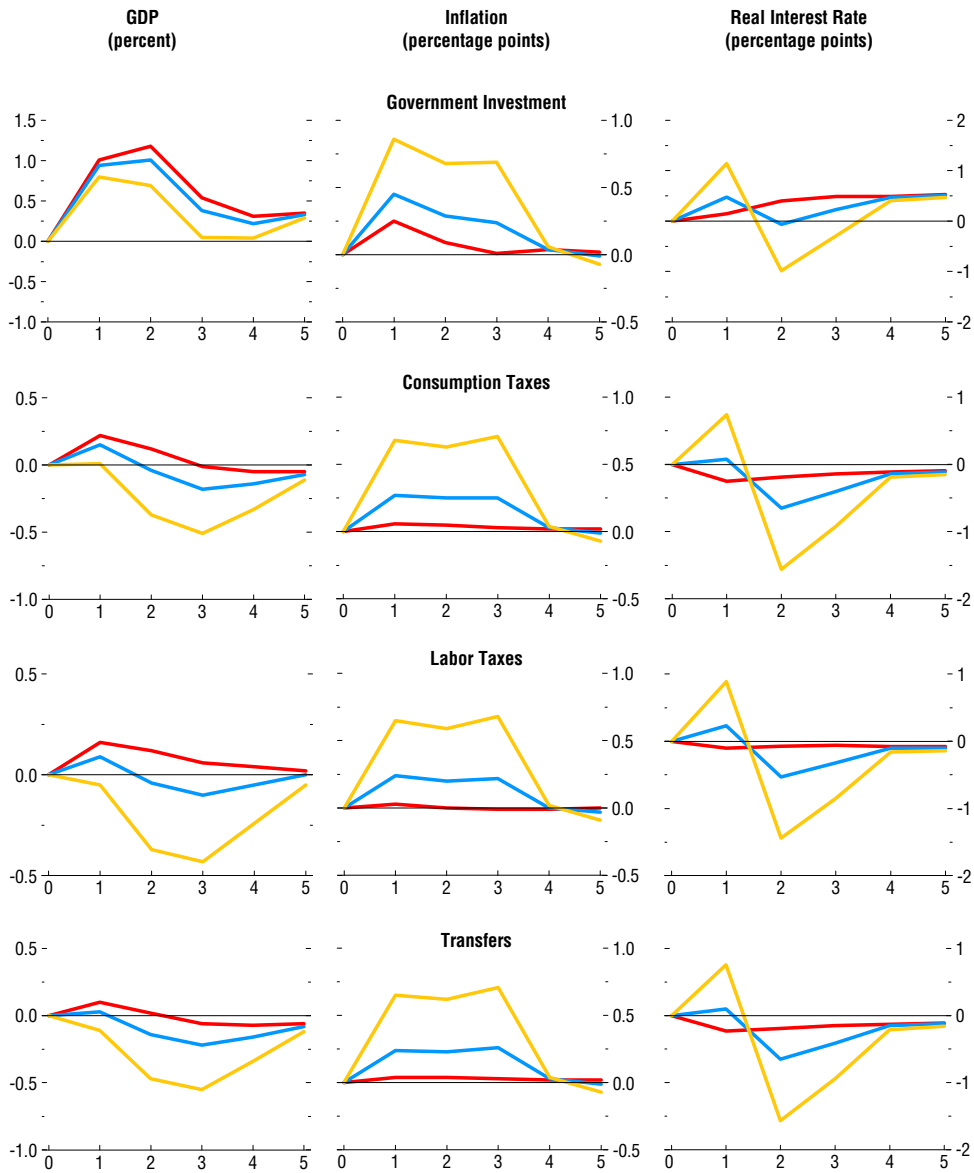


Figure 5.12. Effect of Fiscal Expansion in a Small Economy with Market-Risk-Premium Reaction

(Deviation from baseline; years on x-axis; shock occurs in year 0)

Impulse responses to 1 percent increase in deficit in year 1 and 0.5 percent increase in year 2.

— Fiscal expansion — Fiscal expansion with small market reaction — Fiscal expansion with large market reaction



Source: IMF staff calculations.