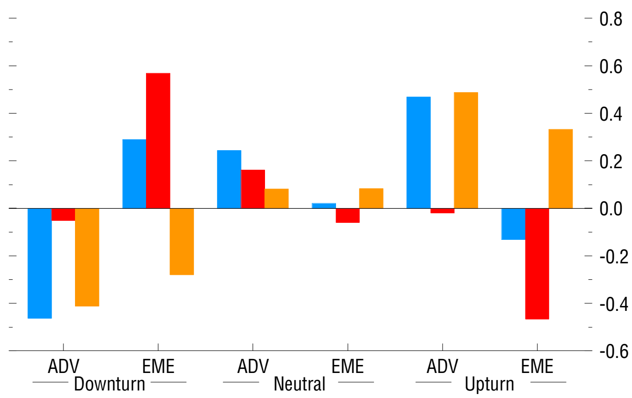
Figure 5.7. Fiscal Policy Responses in Downturns and Upturns

(Average change, percent of GDP)

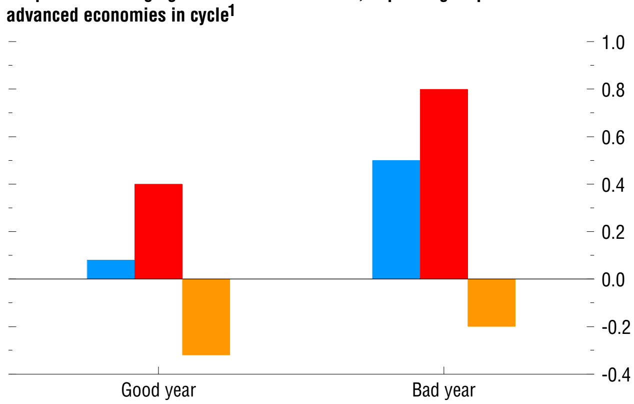
The upper bar chart shows average fiscal policy responses for advanced (ADV) and emerging economies (EME) in (left to right) GDP downturn episodes, neutral episodes, and upturn episodes. A negative number indicates fiscal stimulus. Discretionary fiscal policy is associated with the cyclically adjusted primary balance. The lower bar chart shows average fiscal policy responses in emerging economies when advanced economies are in upturns and downturns. In both charts, the average change in the balance is scaled by the standard deviations of changes in the output gap.

Change in primary balance
Change in cyclical balance
Change in cyclically adjusted primary balance

Responses of advanced and emerging economies, depending on position in cycle



Response of emerging economies to downturn, depending on position of advanced economies in cycle[1]



Source: IMF staff calculations.

[1] Average change in the balance scaled by the standard deviations of changes in output gap. A good year is defined as a year in which the GDP-weighted average gap of advanced economies is below the median GDP-weighted average gap of advanced economies across all years.