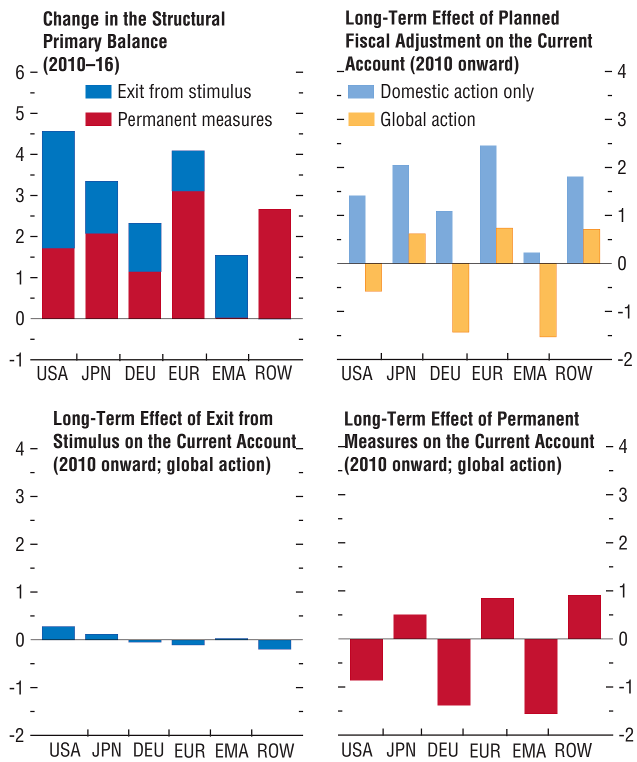
Figure 4.11. Planned Fiscal Adjustment and Its Current Account Impact: GIMF Simulations

(Percent of GDP)

The differing magnitudes of fiscal adjustment plans across economies imply lower imbalances within the euro area, smaller external surpluses in emerging Asia, and a larger U.S. current account deficit.



Source: IMF staff calculations.

Note: The current account impacts are model simulations from the IMF's Global Integrated Monetary and Fiscal Model, using the planned fiscal adjustment for each region, which show the long-term effect of the planned fiscal adjustment on the current account relative to 2010. When the long-term effects are weighted by their region's share of world GDP, they sum to zero, as required by the global balance-of-payments identity. The shares of each region in world GDP are Germany (6%); emerging Asia (13%); euro area (16%); Japan (8%); rest of the World (32%); United States (25%). The stylized compositions of the fiscal instruments used within each region are United States (30% government consumption, 40% labor taxes, 20% targeted transfers, 10% general transfers); euro area (40% government consumption, 30% labor taxes, 20% targeted transfers, 10% general transfers); all other regions (35% government consumption, 35% labor taxes, 20% targeted transfers, 10% general transfers). DEU: Germany; EMA: emerging Asia; EUR: euro area excluding Germany; JPN: Japan; ROW: rest of the world; USA: United States.