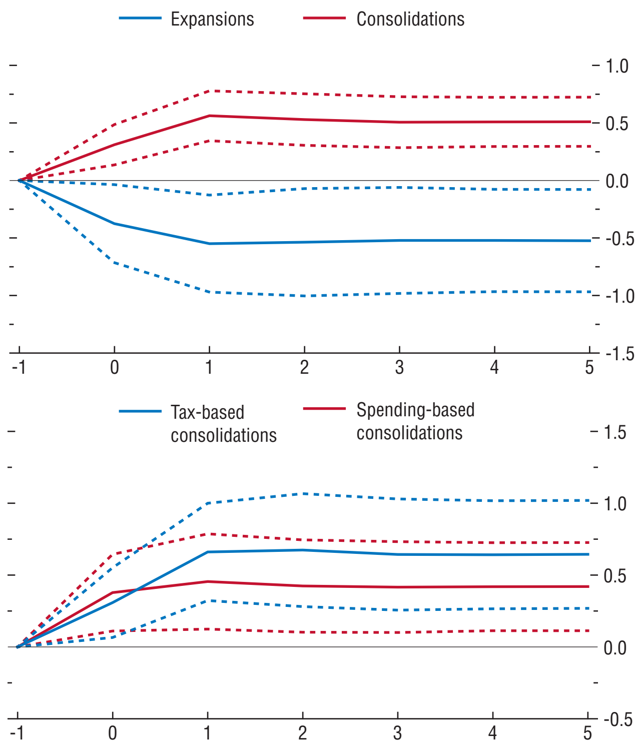
Figure 4.13. Effects on the Current Account of a 1 Percent of GDP Fiscal Policy Change

(Percent of GDP)

Fiscal consolidations and expansions have roughly symmetric effects on the current account. Tax-based fiscal policy changes have a larger effect on the current account than spending-based changes, although the difference is not statistically significant.



Source: IMF staff calculations.
Note: X-axis units are years, where $t = 0$ denotes the year of consolidation. The thought experiment is a fiscal policy change equal to 1 percent of GDP. Dashed lines indicate the 90 percent confidence interval around the point estimate. Fiscal policy changes are action-based. The effect of a fiscal expansion would be the reverse of the response to a consolidation.