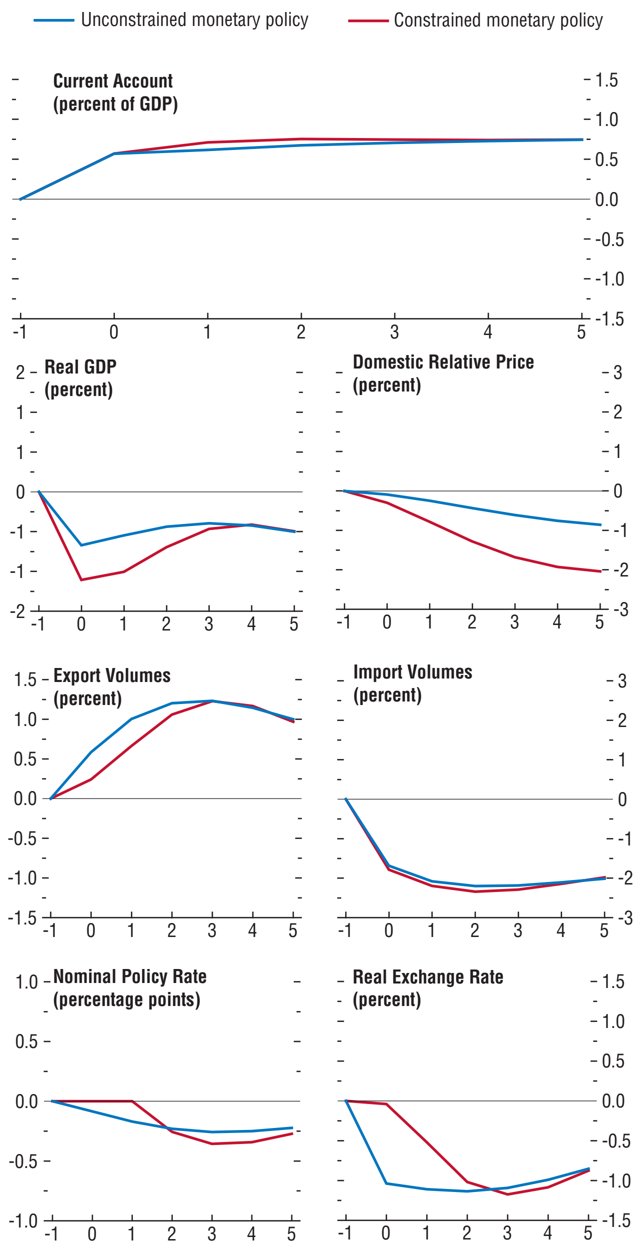
Figure 4.9. Effects of a 1 Percent of GDP Fiscal Consolidation under Constrained Monetary Policy: GIMF Simulations

When the scope for monetary easing is constrained, the current account adjustment is just as large. In the short term, it is associated with a larger fall in economic activity and smaller real exchange rate depreciation.



Source: IMF staff calculations.
Note: X-axis units are years, where $t = 0$ denotes the year of a 1 percent of GDP fiscal consolidation. The responses in the figures are model simulations for Canada from the IMF's Global Integrated Monetary and Fiscal Model (GIMF).