

GLOSSARY

Automatic stabilizers Revenue and some expenditure items that adjust automatically to cyclical changes in the economy—for example, as output falls, revenue collections decline and unemployment benefits increase, which “automatically” provides demand support.

Contingent liabilities Obligations that are not explicitly recorded on government balance sheets and that arise only in the event of a particular discrete situation, such as a crisis.

Countercyclical fiscal policy Active changes in expenditure and tax policies to smooth the economic cycle (by contrast with the operation of automatic stabilizers); for instance, by cutting taxes or raising expenditures during an economic downturn.

Coverage of public benefits Share of individuals or households of a particular socioeconomic group who receive a public benefit.

Cyclically adjusted balance (CAB) Difference between the overall balance and the automatic stabilizers; equivalently, an estimate of the fiscal balance that would apply under current policies if output were equal to potential.

Cyclically adjusted primary balance (CAPB) Cyclically adjusted balance excluding net interest payments (interest expenditure minus interest revenue).

Fiscal buffer Fiscal space created by saving budgetary resources and reducing public debt in good times.

Fiscal multiplier Measures the short-term impact of discretionary fiscal policy on output. Usually defined as the ratio of a change in output to an exogenous change in the fiscal deficit with respect to their respective baselines.

Fiscal space The room to raise spending or lower taxes relative to a preexisting baseline, without endangering market access and debt sustainability.

Fiscal stabilization Contribution of fiscal policy to output stability through its impact on aggregate demand.

Fiscal stabilization coefficient (FISCO) FISCO measures how much a country’s overall budget balance changes in response to a change in economic slack (as measured by the output gap). If FISCO is equal to 1, it means that when output falls below potential by 1 percent of GDP, the overall balance worsens by the same percentage of GDP. The higher the FISCO, the more countercyclical the conduct of fiscal policy. Technical details on FISCO estimation are in Annex 2.1 of the April 2015 *Fiscal Monitor* and Furceri and Jalles (2018).

General government All government units and all nonmarket, nonprofit institutions that are controlled and mainly financed by government units comprising the central, state, and local governments; includes social security funds and does not include public corporations or quasicorporations.

Gini index Measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of 0 represents perfect equality, while an index of 1 implies perfect inequality.

Gross debt All liabilities that require future payment of interest and/or principal by the debtor to the creditor. This includes debt liabilities in the form of special drawing rights, currency, and deposits; debt securities; loans; insurance, pension, and standardized guarantee programs; and other accounts payable. (See the IMF’s 2001 *Government Finance Statistics Manual* and *Public Sector Debt Statistics Manual*.) The term “public debt” is used in the *Fiscal Monitor*, for simplicity, as synonymous with gross debt of the general government, unless specified otherwise. (Strictly speaking, public debt refers to the debt of the public sector as a whole, which includes financial and nonfinancial public enterprises and the central bank.)

Income insurance Publicly provided income-support mechanisms and individual schemes to insure oneself against negative income shocks.

Leakage in public income-support programs Individuals who receive public income-support programs for which they are not eligible.

Net debt Gross debt minus financial assets corresponding to debt instruments. These financial assets are monetary gold and special drawing rights; currency and deposits; debt securities; loans, insurance, pensions, and standardized guarantee programs; and other accounts receivable. In some countries, the reported net debt can deviate from this definition based on available information and national fiscal accounting practices.

Nonfinancial public sector General government plus nonfinancial public corporations.

Output gap Deviation of actual from potential GDP, in percent of potential GDP.

Overall fiscal balance (also “headline” fiscal balance) Net lending and borrowing, defined as the difference between revenue and total expenditure, using the IMF’s 2001 *Government Finance Statistics Manual* (GFSM 2001). Does not include policy lending. For some countries, the overall balance is still based on the GFSM 1986, which defines it as total revenue and grants minus total expenditure and net lending.

Permanent establishment A fixed place of business where the business of an enterprise is wholly or partly carried out.

Potential output Estimate of the level of GDP that can be reached if the economy’s resources are fully employed.

Primary balance Overall balance excluding net interest payment (interest expenditure minus interest revenue).

Procyclical fiscal policy Fiscal policy is said to be “procyclical” when it amplifies the economic cycle, for instance by raising taxes or cutting expenditures during an economic downturn.

Progressive (or regressive) taxes Taxes that feature an average tax rate that rises (or falls) with income.

Public debt See *gross debt*.

Structural fiscal balance Extension of the cyclically adjusted balance that also corrects for other nonrecurrent effects that go beyond the cycle, such as one-off operations and other factors whose cyclical fluctuations do not coincide with the output cycle (for instance, asset and commodity prices and output composition effects).

Take-up of public income-support programs Eligible population of individuals who receive public income-support programs.