

## GLOSSARY

**Cyclical balance** Cyclical component of the overall fiscal balance, computed as the difference between cyclical revenues and cyclical expenditures. The latter are typically computed using country-specific elasticities of aggregate revenue and expenditure series with respect to the output gap. Where unavailable, standard elasticities (0,1) are assumed for expenditure and revenue, respectively.

**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.

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

**Fiscal space** Extent to which a government can allocate resources for a given purpose without prejudice of liquidity or long-term public debt sustainability.

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

**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.

**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.)

**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.

**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).

**Public debt** See *gross debt*.

**Public sector** The general government sector plus government-controlled entities, known as public corporations, whose primary activity is to engage in commercial activities.

**Structural fiscal balance** Difference between the cyclically adjusted balance and 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).