Illustrative Impact of Climate Change
(Deviations from control; x-axis in years)

Direct Effects without Government Response
- Negative productivity and population shock
- Plus country risk-premium shock

Effect of Government Response
- Rapid fiscal response
- Gradual fiscal response

Combined Effects
- Combined effects with rapid fiscal response
- Combined effects with gradual fiscal response

GDP (percent)

Current Account/GDP (percentage points)

Real Effective Exchange Rate (percent)

Source: IMF staff calculations.

1 A positive value represents an appreciation relative to the baseline.