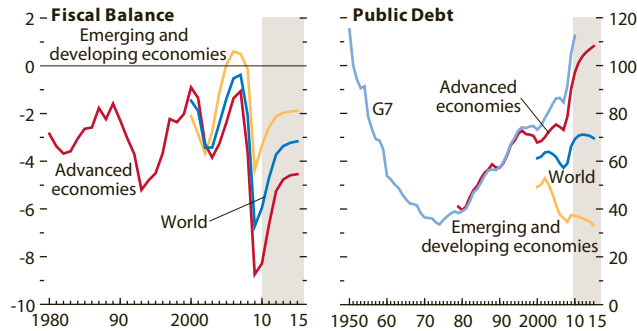


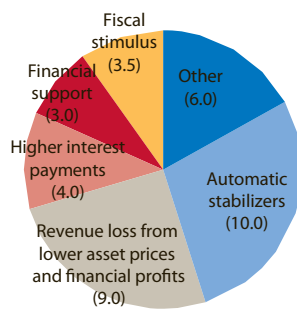
Figure 1.7. General Government Fiscal Balances and Public Debt

(Percent of GDP unless noted otherwise)

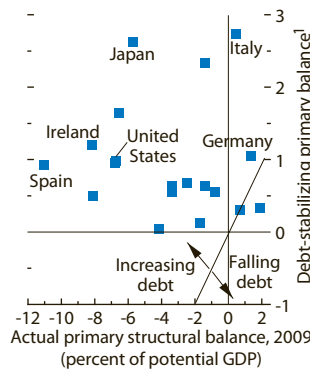
Fiscal balances have deteriorated, mainly because of falling revenue resulting from decreased real and financial activity. Fiscal stimulus has played a major role in stabilizing output but has contributed little to increases in public debt, which are especially large in advanced economies. Most advanced economies need to lower their deficits substantially to stabilize their debt-to-GDP ratios; some are experiencing growing financial market pressure to do so soon. However, all countries need to make significant progress over the coming decade: spending on aging populations will only make matters worse.



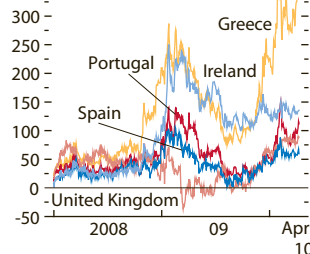
Decomposition of Government Debt Increase, 2007–14 (total debt increase: 35.5 percent of GDP)



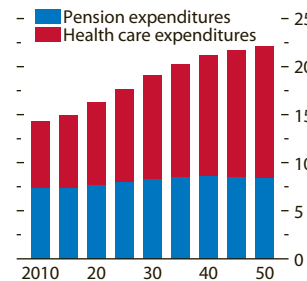
Actual and Debt-Stabilizing Primary Balances



European Bond Yields vis-à-vis German Bond Yield (ten year; basis points)



Aging-Related Spending in G20 Advanced Economies



Sources: Country authorities; Datastream; European Commission (2009); Fiscal Monitor Database; Organization for Economic Cooperation and Development; and IMF staff estimates.

¹Based on real GDP growth projected for 2008–14.