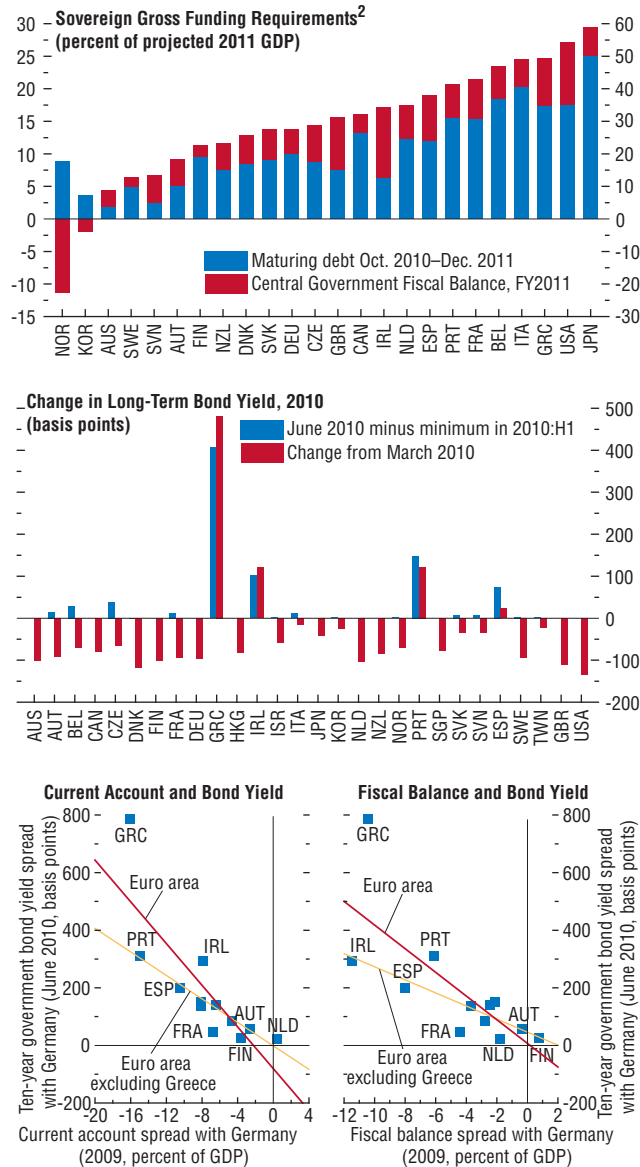


Figure 1.6. Public Sector Financing¹

Public sector financing needs are very large in many economies. However, demand for sovereign debt has remained strong because of high risk aversion. Accordingly, long-term government bond rates of most advanced economies have declined since March 2010 as concerns about the recovery rose. Also, even during the most turbulent times in June, only a few governments experienced a major widening of spreads. In the euro area, widening spreads correlate negatively with strong current account or fiscal balances.



Source: IMF staff estimates.
¹AUS: Australia; AUT: Austria; BEL: Belgium; CAN: Canada; CZE: Czech Republic; DNK: Denmark; FIN: Finland; FRA: France; DEU: Germany; GRC: Greece; HKG: Hong Kong SAR; ISL: Iceland; IRL: Ireland; ISR: Israel; ITA: Italy; JPN: Japan; KOR: Korea; NLD: Netherlands; NZL: New Zealand; NOR: Norway; PRT: Portugal; SGP: Singapore; SVK: Slovak Republic; SVN: Slovenia; ESP: Spain; SWE: Sweden; TWN: Taiwan Province of China; GBR: United Kingdom; USA: United States.
²All left scale except Japan; Japan right scale.