Figure 3.12. Impact of a 1 Percent of GDP Fiscal Consolidation: GIMF Simulations\(^1\)

- GDP (percent)
- Real Effective Exchange Rate (percent; + = appreciation)
- Trade Balance (percentage points of GDP)
- Short-Term Interest Rate (basis points)

Source: IMF staff calculations.

Note: \( t = 1 \) denotes the year of consolidation. Simulations are based on the GIMF calibrated for Canada and the rest of the world. The zero interest rate floor is assumed to hold for two years for reasons explained in the text.

\(^1\)GIMF = Global Integrated Monetary and Fiscal Model.