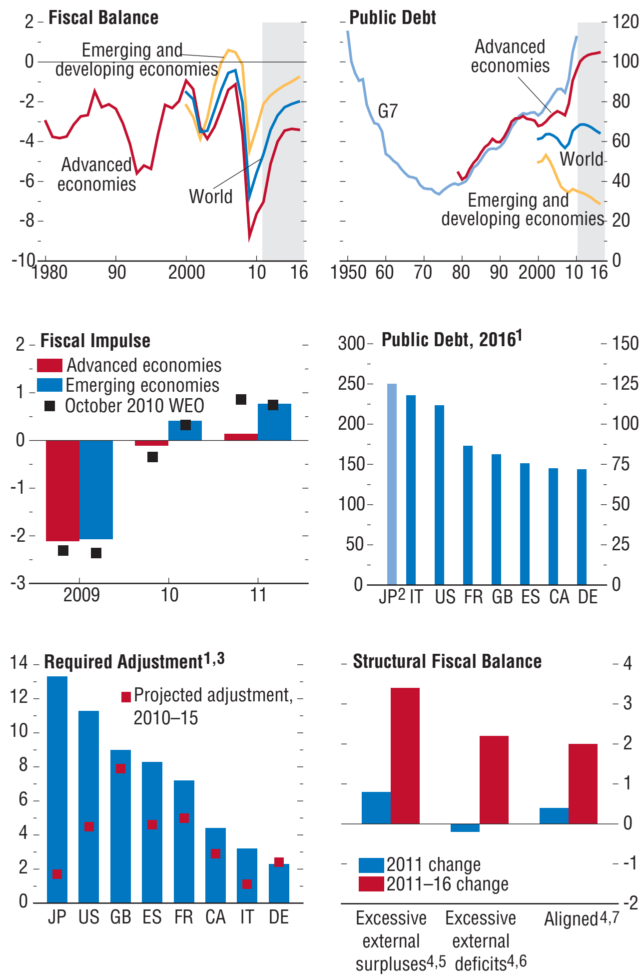
Figure 1.12. General Government Fiscal Balances and Public Debt

(Percent of GDP unless noted otherwise)

Fiscal deficits and public debt are very high in many advanced economies. Although policy became much less stimulatory in 2010, real GDP growth picked up, suggesting a handoff from public to private demand. For 2011, fiscal consolidation is expected to be modest in advanced economies. As a result, the adjustment required to achieve prudent debt levels by 2030 remains very large. Fiscal adjustment will be larger in economies with high external surpluses than in economies with high deficits, which is consistent with widening global imbalances.



Sources: IMF, *Fiscal Monitor;* and IMF staff calculations.

[1]CA: Canada, DE: Germany, ES: Spain, FR: France, GB: United Kingdom, IT: Italy, JP: Japan, US: United States.

[2]Left scale for Japan.

[3]Cyclically adjusted primary balance adjustment needed to bring the debt ratio to 60 percent by 2030. For Japan, the scenario assumes a reduction in net debt to 80 percent of GDP; this corresponds to a gross debt target of about 200 percent of GDP.

[4]Based on the IMF staff's Consultative Group on Exchange Rate Issues (CGER). CGER economies include Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Czech Republic, euro area, Hungary, India, Indonesia, Israel, Japan, Korea, Malaysia, Mexico, Pakistan, Poland, Russia, South Africa, Sweden, Switzerland, Thailand, Turkey, United Kingdom, and United States. For a detailed discussion of the methodology for the calculation of exchange rates' over- or undervaluation, see Lee and others (2008).

[5]These economies account for 18.5 percent of global GDP.

[6]These economies account for 27.4 percent of global GDP.

[7]These economies account for 39.2 percent of global GDP.