Figure 1.7. Monetary and Fiscal Policies

Policy rates are expected to stay on hold for a prolonged period in advanced economies. Fiscal policy is projected to continue tightening in 2012 but at broadly the same pace as in 2011: more in advanced economies but much less in emerging and developing economies. Public debt is projected to reach a very high level in advanced economies in 2017 but to stay low in emerging and developing economies.

Sources: Bloomberg Financial Markets; and IMF staff estimates.

1. Policy Rate Expectations
   (percent; months on x-axis; dashed lines are from the Sept. 2011 WEO)

2. Fiscal Impulse
   (change in structural balance in percent of GDP)

3. Fiscal Balance
   (percent of GDP)

4. Public Debt
   (percent of GDP)

Sources: Bloomberg Financial Markets; and IMF staff estimates.

1Expectations are based on the federal funds rate for the United States, the sterling overnight interbank average rate for the United Kingdom, and the euro interbank offered forward rates for Europe; updated April 3, 2012.

2G7 comprises Canada, France, Germany, Italy, Japan, United Kingdom, and United States.