Change in the Overall Balance in 2010

Loosening
Change in the Overall Balance in 2010

- **Loosening**
- **Tightening**
Change in the Cyclically Adjusted Balance in 2010

Loosening
Change in the Cyclically Adjusted Balance in 2010

- **Loosening**
- **Tightening**
Change in the Overall Balance in 2011

Loosening
Change in the Overall Balance in 2011

Loosening
Tightening
Change in the Cyclically Adjusted Balance in 2011

Loosening
Change in the Cyclically Adjusted Balance in 2011

- **Loosening**
- **Tightening**
Closer look at the Fiscal Balance

Strengthening in the Overall Balance 2010 and 2011

Note: Overall Balance net of financial sector support.
Debt in Advanced Economies

General Government Debt, percent of GDP

Below average debt and rising
- Australia
- Austria
- Belgium
- Canada
- Czech Republic
- Denmark
- Finland
- Greece
- Hong Kong
- Iceland
- Ireland
- Japan
- Korea
- Netherlands
- New Zealand
- Norway
- Portugal
- Slovakia
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States
- United States
- Venezuela

Below average debt and decreasing
- Canada
- China
- Denmark
- Finland
- France
- Germany
- Greece
- Hong Kong
- Iceland
- Ireland
- Israel
- Italy
- Japan
- Korea
- Netherlands
- New Zealand
- Norway
- Portugal
- Slovakia
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States
- Venezuela

Above average debt and rising
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- Switzerland
- United Kingdom
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Above average debt and decreasing
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- Netherlands
- New Zealand
- Norway
- Portugal
- Slovakia
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States
- Venezuela
How worried should we be about the further rise in debt ratios in advanced countries?
Market Views Can Change Easily

Credit Default Swap Spreads for Selected Advanced Economies, basis points

November 2, 2010
November 2, 2009
Most countries have published plans involving fiscal adjustment
Fiscal Consolidation Over the Medium-Term: G-20

G-20 and Selected Economies with an Adjustment Plan

Country sample
Fiscal Consolidation Over the Medium-Term: G-20

G-20 and Selected Economies with an Adjustment Plan

- Economies with published plans
Fiscal Consolidation Over the Medium-Term: G-20

G-20 and Selected Economies with an Adjustment Plan

- Economies with published plans involving fiscal adjustment
Most countries have published plans involving fiscal adjustment

Pace of the adjustment is about right
Planned Adjustment vs. Required Adjustment

- Greece
- Ireland
- United Kingdom
- Spain
- Portugal
- Latvia
- Lithuania
- Canada
- France
- Japan
- Italy
- Turkey
- Korea
- United States
- Germany
- South Africa

Total Required Adjustment (2011-2020)

Planned Adjustment (2011-2013)
Fiscal Consolidation Over the Medium-Term: G-20

Is Adjustment Front Loaded?
Fiscal Consolidation Over the Medium-Term: G-20

Is Adjustment Front Loaded?

Front-Loaded

Even-Paced

Back-Loaded
Most countries have published plans involving fiscal adjustment

Pace of the adjustment is about right

Emphasis on expenditure cuts
Type of Adjustment

- Expenditure Based
Type of Adjustment

- Expenditure Based
- Mixed
Type of Adjustment

- Expenditure Based
- Mixed
- Revenue Based
The *Bad* News

- Many measures yet to be specified
- No clear long-term debt target
- Not much progress on long-term spending trends
Pension Spending is Projected to Rise

Projected Increase in Pension Spending (2011-2030)
Fiscal Consolidation Over the Medium-Term: G-20

Pension Reforms

- Reforms underway
Health Care Spending is Projected to Rise

Projected Increase in Health Care Spending (2011-2030)

PPP Average = 2.6
PPP Average for Pension Spending Increase = 1.0
Health Care Reforms

Reforms underway
Thank you!