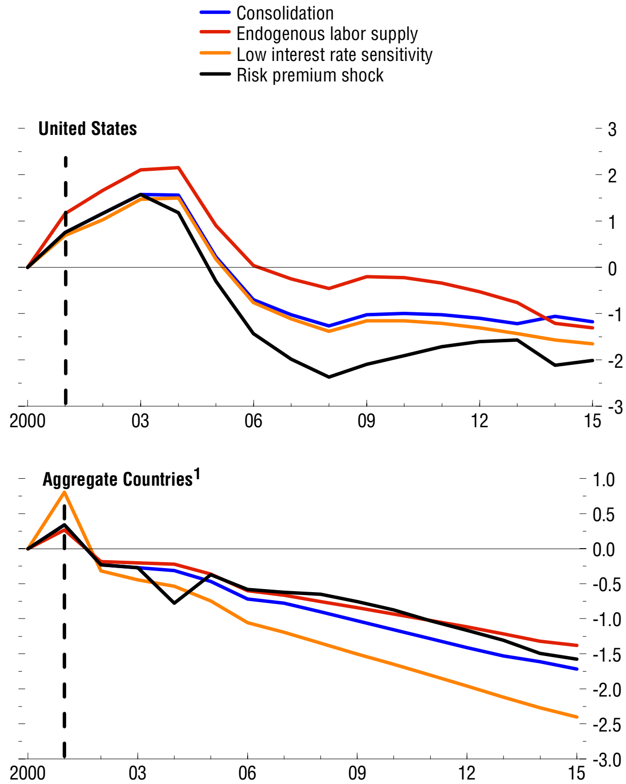
Figure 2.5. GDP in Alternative Scenarios

(Percent deviation from baseline)

Higher tax sensitivity of labor supply mitigates the impact of the fiscal shock on the United States, but not on the rest of the world. Lower interest rate sensitivity of consumption worsens prospects for all, while a risk premium shock is particularly penalizing for the United States.



Source: IMF MULTIMOD simulations.

[1]Industrial countries include France, Germany, Italy, Japan, United Kingdom, and small industrial countries.