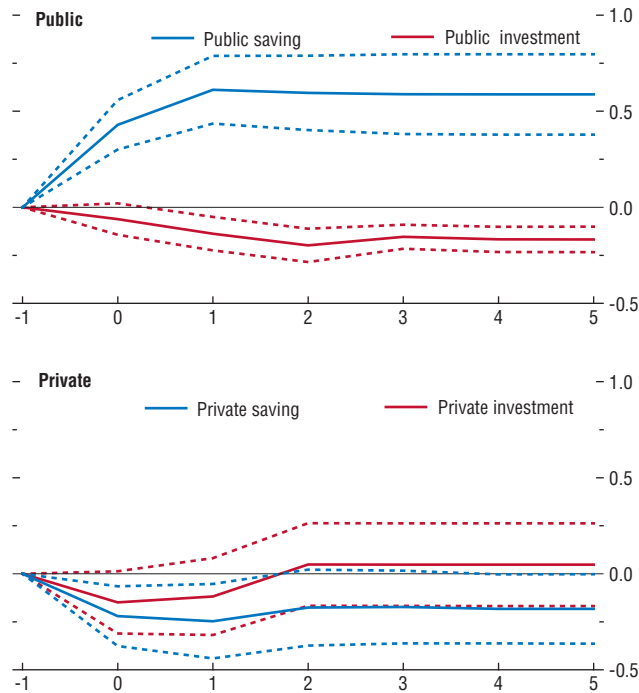


Figure 4.5. Effects on the Composition of Saving and Investment of a 1 Percent of GDP Fiscal Consolidation
(Percent of GDP)

Fiscal consolidation is associated with a rise in public saving and a fall in public investment. The response of private saving and investment to fiscal policy changes is relatively muted.



Source: IMF staff calculations.

Note: X-axis units are years, where $t = 0$ denotes the year of consolidation. Dashed lines indicate the 90 percent confidence interval around the point estimate. Fiscal policy changes are action-based. The effect of a fiscal expansion would be the reverse of the response to a consolidation.