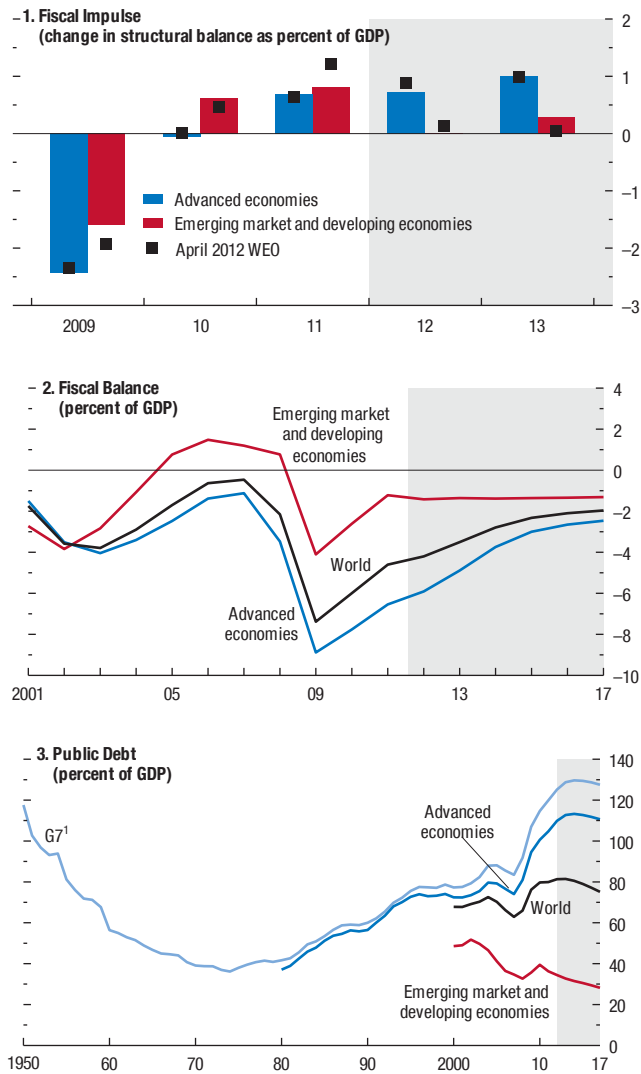


Figure 1.4. Fiscal Policies

In 2012, fiscal policy became more contractionary in the advanced economies. It became much less contractionary in the emerging market and developing economies, where the fiscal deficit is expected to be about 1½ percent of GDP—much lower than the 6 percent of GDP level projected for the advanced economies. However, before the crisis, emerging market and developing economies were running surpluses. Over the medium term, many should strengthen their fiscal positions to rebuild room for policy maneuvering. The main challenges with respect to deficit reduction lie, however, in the advanced economies, where public debt is in excess of 100 percent of GDP and rising.



Source: IMF staff estimates.
¹G7 comprises Canada, France, Germany, Italy, Japan, United Kingdom, and United States.