Policy frameworks in these economies have improved in the 2000s as more adopted nonpegged exchange rates, inflation targeting, and countercyclical fiscal policy. Policy space also improved: more economies enjoyed single-digit inflation, current account and fiscal surpluses, lower external and public debt, and higher international reserves.

Figure 4.11. Policy Frameworks and Policy Space in Emerging Market and Developing Economies (Percent unless noted otherwise)

Policy frameworks in these economies have improved in the 2000s as more adopted nonpegged exchange rates, inflation targeting, and countercyclical fiscal policy. Policy space also improved: more economies enjoyed single-digit inflation, current account and fiscal surpluses, lower external and public debt, and higher international reserves.

Source: IMF staff calculations.
Note: EMDE = emerging market and developing economy.

1The cyclical behavior of fiscal policy is measured as the correlation between the cyclical components of real government expenditure and real GDP (Kaminsky, Reinhart, and Végh, 2004). A negative correlation denotes countercyclical fiscal policy.