World Economic and Financial Surveys

FISCAL MONITOR
April 2014

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International Monetary Fund

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PREFACE

The projections included in this issue of the *Fiscal Monitor* are based on the same database used for the April 2014 *World Economic Outlook* (WEO) and the *Global Financial Stability Report* (GFSR); they are referred to as "IMF staff projections." Fiscal projections refer to the general government unless otherwise indicated. Short-term projections are based on officially announced budgets, adjusted for differences between the national authorities and the IMF staff regarding macroeconomic assumptions. The medium-term fiscal projections incorporate policy measures that are judged by the IMF staff as likely to be implemented. For countries supported by an IMF arrangement, the medium-term projections are those under the arrangement. In cases in which the IMF staff has insufficient information to assess the authorities' budget intentions and prospects for policy implementation, an unchanged cyclically adjusted primary balance is assumed, unless indicated otherwise. Country-specific assumptions are detailed in the Methodological and Statistical Appendix.

The *Fiscal Monitor* is prepared by the IMF Fiscal Affairs Department under the supervision of Sanjeev Gupta, Acting Director of the Department, and Martine Guerguil, Deputy Director. The team is led by Julio Escolano and Marta Ruiz-Arranz. Principal contributors include Ethan Alt, Nathalie Carcenac, Aiko Mineshima, Priscilla Muthoora, and Anna Shabunina. In addition, contributions were received from Miguel Alves, Ezequiel Cabezon, Xavier Debrun, Ryan Espiritu, Luc Eyraud, Stefania Fabrizio, Csaba Feher, Lorenzo Forni, Robert Gillingham, Deniz Igan, Tidiane Kinda, Samah Mazraani, Carlos Mulas-Granados, Manabu Nose, Natalija Novta, Masahiro Nozaki, Isabel Rial, Louis Sears, Baoping Shang, Mauricio Soto, Jules Tapsoba, Patrizia Tumbarello, and Anke Weber. Nadia Malikyar and Jeffrey Pichocki provided excellent administrative and editorial assistance. From the IMF Communications Department, Nancy Morrison, Sherrie Brown, and Cathy Gagnet edited the issue, and Cathy Gagnet and Michael Harrup managed its production.

Inputs, comments, and suggestions were received from other departments in the IMF, including area departments—namely, the African Department, Asia and Pacific Department, European Department, Middle East and Central Asia Department, and Western Hemisphere Department—as well as the Communications Department, Finance Department, the Institute for Capacity Development, Monetary and Capital Markets Department, Research Department, Secretary's Department, Statistics Department, and Strategy, Policy, and Review Department. Projections and policy considerations are those of the IMF staff and should not be attributed to Executive Directors or to their national authorities.

The following symbols have been used throughout this publication:

. . .	to indicate that data are not available
—	to indicate that the figure is zero or less than half the final digit shown, or that the item does not exist
–	between years or months (for example, 2008–09 or January–June) to indicate the years or months covered, including the beginning and ending years or months
/	between years (for example, 2008/09) to indicate a fiscal or financial year

"Billion" means a thousand million; "trillion" means a thousand billion.

"Basis points" refer to hundredths of 1 percentage point (for example, 25 basis points are equivalent to ¼ of 1 percentage point).

"n.a." means "not applicable."

Minor discrepancies between sums of constituent figures and totals are due to rounding.

As used in this publication, the term "country" does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.

EXECUTIVE SUMMARY

Recent Fiscal Developments and Outlook

Fiscal risks are abating somewhat but remain elevated. In advanced economies, recent policy moves have broadly stabilized public debt ratios, but medium-term prospects are still uncertain, and debt remains at historic highs. Fiscal vulnerabilities are rising in both emerging market economies and low-income countries, although in most cases from relatively moderate levels. Across country groups, fiscal policy should aim at rebuilding policy space while supporting the recovery and long-term growth prospects.

In most advanced economies, the pace of fiscal consolidation will slow in 2014 as average gross debt stabilizes and the focus shifts appropriately toward ensuring that the composition of adjustment supports the still uneven recovery. The main exception is Japan, where fiscal consolidation measures are projected to start this year. In most countries, persistently high debt ratios continue to cast shadows over the medium term, and risks to fiscal forecasts remain mostly on the downside, reflecting weak growth prospects, medium-term policy uncertainty, and persistent deflationary concerns with potentially deleterious impacts on debt dynamics and budget outturns. Against this background, the top priority remains the design and implementation of credible medium-term consolidation plans to lower debt ratios to safer levels, while carefully balancing equity and efficiency goals.

Among emerging market economies, deficits remain significantly above precrisis levels as most countries opted to postpone fiscal adjustment in 2014. In countries more closely integrated with international capital markets, the normalization of global liquidity conditions has begun to raise borrowing costs and financial volatility, giving yet greater urgency to fiscal consolidation, particularly where deficits and public debt have remained stubbornly high. More broadly, well-designed fiscal reform can help strengthen safety nets, boost potential growth, and prop up domestic saving where it has eroded.

Fiscal space is shrinking in many low-income countries as revenue mobilization has lagged behind fast spending growth. Reduced availability of aid resources and commodity price volatility remain key risks for these economies, calling for renewed efforts to step up the mobilization of domestic revenue, as well as for reforms to increase spending efficiency, including through the streamlining of subsidies. Although growth has been resilient so far, fiscal positions may deteriorate as the result of spillovers from a potential emerging market economy slowdown or from weak growth in advanced economies.

Expenditure Reform—Making Difficult Choices

Ensuring the sustainability of public finances requires difficult choices on both sides of the budget. While tax reform can help boost potential growth through the removal of distortions, spending reforms have a key role to play in strengthening public service delivery. This will be no easy task, however: even though country preferences about the size and functions of government do vary, as countries become richer, both the demand for public goods and services ("Wagner's law") and the cost of providing them ("Baumol's cost disease") increase relative to other goods and services produced in the economy. Coupled with the projected increase in age-related expenditures resulting from an aging population, pressures on government spending in the future can only go up.

Meaningful expenditure reform strategies essentially boil down to three main elements: ensuring the sustainability of social spending and the public wage bill—the main items in most governments' budgets; achieving efficiency gains while paying due regard to equity; and establishing institutions that promote spending control. Within these parameters, countries have substantial space to choose the desired level of provision of public services and spending priorities.

A focus on social spending and the government wage bill is warranted since these two items have been the main contributors to the trend increase in government expenditure in most countries. Past episodes of successful fiscal adjustments also suggest that reductions in these items have been the most durable and

growth friendly. Containing the growth of the wage bill in a lasting way would require replacing the across-the-board wage and hiring freezes implemented in several countries since 2009 with deeper, efficiency-enhancing structural reforms. In those emerging market and developing economies where an expansion of public services is needed to boost potential growth, the associated increase in the public wage bill should be commensurate with the increased provision of services and a parallel increase in revenue.

Ensuring the long-term sustainability of public pension and health care systems—or increasing their coverage, where appropriate—involves careful prioritization. For pensions, raising the retirement age and adjusting contributions and benefits are the key options. Among these, gradually raising the retirement age while protecting the vulnerable seems to be the most attractive option. For public health care systems, evidence suggests that most countries have room to improve efficiency through greater competition and better regulation, among other measures. Improving efficiency would help contain the growth of health spending in advanced economies and generate savings to expand coverage in emerging market and developing economies.

Potential gains are also large from improving the efficiency of spending in the provision of education and in public investment, although the gains would vary across country groups. Containing the growth of per pupil spending by, for example, adjusting class sizes and rationalizing the education wage bill is crucial to accommodating the increased demand for education spending. In emerging market and developing economies, improving the efficiency of public investment processes could make it easier to meet infrastructure demands. In advanced economies, where inefficiencies in public investment are more limited, greater public investment or greater involvement of the private sector will be necessary to arrest the trend decline in the stock of public capital and to support growth.

Finally, the success of expenditure reforms will depend in large part on the institutional framework within which they will be implemented. Two aspects have been found to be particularly important. First, public financial management systems can help mitigate incentives to overspend and misallocate public funds. In particular, fiscal rules, including expenditure rules, can impose binding commitments and constraints on the path of public spending. Second, a well-designed fiscal decentralization framework could foster the effective implementation of spending reforms, while ensuring the adequate provision of public services, although the degree of decentralization ultimately remains a country-specific political choice. In addition, expenditure reforms are more likely to be successful and long-lasting if supported by extensive political consensus building and a broad communications strategy.

RECENT FISCAL DEVELOPMENTS AND OUTLOOK

Advanced Economies: A Slowdown, Not a Pause, in Fiscal Consolidation

In Advanced Economies, the Fiscal Drag Is Waning as Average Gross Debt Stabilizes

In 2013, a faster pace of fiscal consolidation in several advanced economies helped stabilize the public debt ratio and reduce the average overall fiscal deficit to 5 percent of GDP—almost half its 2009 peak (Figures 1.1–1.2; Tables 1.1–1.2). The large adjustments in the *United Kingdom* and the *United States*[1] reflected a combination of both higher revenues, in part buoyed by growth,[2] and lower spending (including through sequestration for the United States). Fiscal adjustment was also sizable in some countries with IMF-supported programs and other *euro area* economies. Notably, preliminary estimates suggest that *Greece* met its primary surplus target with a substantial margin, and *Ireland* exited its economic program with a headline deficit expected to be slightly below the excessive deficit procedure ceiling of 7½ percent of GDP for 2013.

 Fiscal consolidation efforts varied across other advanced economies. The cyclically adjusted balance improved by close to 1 percent of GDP in *France*, mainly from tax measures and, to a lesser extent, reductions in structural spending, and about ½ percent of GDP in *Italy*, despite the cancellation of the planned property tax. *Germany* posted a balanced budget in 2013, and the fiscal stance remained broadly neutral compared with 2012. *Japan* did not advance fiscal adjustment in 2013, and the cyclically adjusted deficit remained at 7¾ percent of GDP.

 In 2014, the average pace of fiscal consolidation, as measured by the change in the cyclically adjusted balance, is projected to ease to 0.4 percent of GDP, from 1¼ percent of GDP in 2013. In the United States, fiscal tightening in 2014 is projected to be one-fifth

of that in 2013, largely reflecting the waning impact of higher tax revenues and, to a smaller extent, the rolling back of the automatic spending cuts (sequester), including through the partial relief provided by the December 2013 bipartisan budget deal. In much of the euro area, the pace of adjustment is also projected to moderate in 2014, as most of the adjustment required to reach medium-term targets has been achieved and the focus is shifting to supporting the recovery, in line with EU-agreed medium-term objectives. Nevertheless, in a few countries the adjustment will remain sizable (notably, Ireland and *Portugal*).[3]

 In some countries, the fiscal stance is projected to tighten in 2014. Japan is expected to step up its fiscal consolidation efforts this year with the first stage of the consumption tax rate increase and the withdrawal of some of the previous stimulus and earthquake-related reconstruction spending measures. However, these will be partly offset by a new fiscal stimulus package announced in October 2013 (amounting to about 1 percent of GDP, with ¾ percent of GDP in measures expected to be implemented in 2014). The package, which includes transfers to low-income households, increases in public investment, and a reduction in the corporate income tax rate, is designed to maximize positive growth effects and cushion the short-term macroeconomic impact of the tax hikes. Japan's cyclically adjusted overall balance is projected to improve by 1 percent of GDP in 2014. In *Canada*, fiscal consolidation is projected to continue at a gradual pace, with the federal government largely on track to achieve its budget balance objective by 2015. In *Korea,* a broadly neutral stance is projected this year after the stimulus in 2013.

 Although budget plans for 2015 have not yet been adopted, fiscal consolidation is envisaged to continue next year. As a result, debt-to-GDP ratios will start declining in about half of the highly indebted advanced economies by 2015 (by end-2013, only a few had reached that turnaround). Nevertheless, on current

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[1] Because of accounting changes, the fiscal deficit in the United States is larger than reported in previous issues of the *Fiscal Monitor*. Box 1.1 discusses the rationale for and impact of these changes.

[2] In the United States, the expiration of various tax cuts also played a role.

[3] The size of consolidation for Portugal is measured by the change in the structural balance to exclude the effects of one-off transactions in 2013 and 2014.

Figure 1.1. Revisions to Primary Balance and Debt-to-GDP Forecasts since the Last *Fiscal Monitor*
(Percent of GDP)

1. Advanced Economies, Primary Balance[1]

2. Advanced Economies, Gross Debt[1]

3. Emerging Market Economies, Primary Balance[2]

4. Emerging Market Economies, Gross Debt[3]

5. Low-Income Countries, Primary Balance

6. Low-Income Countries, Gross Debt
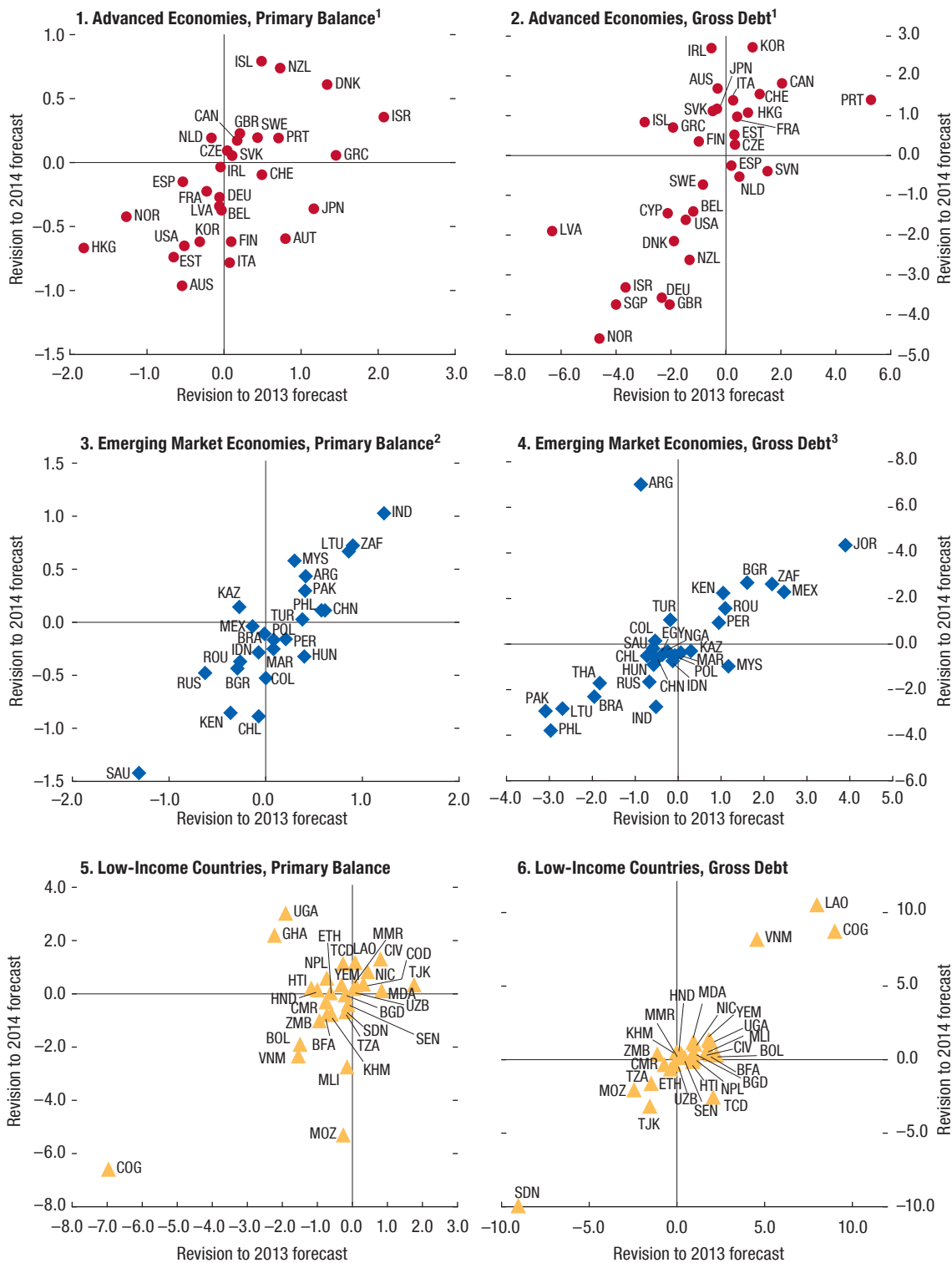
Source: IMF staff estimates and projections.
Note: "Revision to 2014 (2013) forecast" refers to the difference between the fiscal projections for 2014 (2013) in the April 2014 *Fiscal Monitor* and those for 2014 (2013) in the October 2013 *Fiscal Monitor*.
[1] Data for the United States have been revised significantly following the Bureau of Economic Analysis's recent comprehensive revision of the National Income and Product Accounts (NIPA) along the lines of the 2008 System of National Accounts (SNA). As a result of these methodological changes, the deficit includes several expenditure items not counted as expenditure in other countries which have not yet adopted the 2008 SNA. See Box 1.1 for more details.
[2] For South Africa, revisions reflect in part a technical improvement resulting from the inclusion of extraordinary receipts and payments in the definition of the budget deficit (in line with GFSM 2001). For fiscal years 2013/14 and 2014/15, net extraordinary receipts are estimated to improve the budget balance by 0.3 and 0.1 percent of GDP, respectively.
[3] For Brazil, gross debt refers to the nonfinancial public sector, excluding Eletrobras and Petrobras, and includes sovereign debt held on the balance sheet of the central bank.

Table 1.1. Fiscal Balances, 2008–15

	2008	2009	2010	2011	2012	2013	Projections 2014	Projections 2015	Difference from October 2013 Fiscal Monitor 2013	2014	2015
Overall Balance (percent of GDP)											
World	−2.5	−7.8	−6.3	−4.8	−4.4	−3.8	−3.5	−3.0	−0.2	−0.4	−0.4
Advanced Economies	−3.9	−9.5	−8.3	−6.9	−6.2	−4.9	−4.3	−3.6	−0.4	−0.7	−0.7
Euro Area	−2.1	−6.4	−6.2	−4.2	−3.7	−3.0	−2.6	−2.0	0.1	−0.1	0.1
France	−3.3	−7.6	−7.1	−5.3	−4.8	−4.2	−3.7	−3.0	−0.2	−0.2	−0.2
Germany	−0.1	−3.1	−4.2	−0.8	0.1	0.0	0.0	−0.1	0.4	0.2	−0.1
Greece	−9.9	−15.6	−10.8	−9.6	−6.3	−2.6	−2.7	−1.9	1.5	0.6	0.2
Ireland[1]	−7.3	−13.8	−30.5	−13.1	−8.2	−7.4	−5.1	−3.0	0.2	−0.2	0.0
Italy	−2.7	−5.4	−4.4	−3.7	−2.9	−3.0	−2.7	−1.8	0.2	−0.6	0.0
Portugal	−3.7	−10.2	−9.9	−4.3	−6.5	−4.9	−4.0	−2.5	0.6	0.0	0.0
Spain[1]	−4.5	−11.1	−9.6	−9.6	−10.6	−7.2	−5.9	−4.9	−0.5	−0.1	0.1
Japan	−4.1	−10.4	−9.3	−9.8	−8.7	−8.4	−7.2	−6.4	1.1	−0.4	−0.7
United Kingdom	−5.0	−11.3	−10.0	−7.8	−8.0	−5.8	−5.3	−4.1	0.3	0.5	0.8
Others	2.5	−0.9	−0.2	0.4	0.5	0.2	0.4	0.6	−0.1	−0.3	−0.5
2008 System of National Accounts (SNA)											
Canada	−0.3	−4.5	−4.9	−3.7	−3.4	−3.0	−2.5	−2.0	0.3	0.4	0.4
United States[2]	−7.8	−14.7	−12.5	−11.0	−9.7	−7.3	−6.4	−5.6	−1.6	−1.8	−1.7
Emerging Market Economies	−0.1	−4.6	−3.2	−1.7	−2.1	−2.4	−2.5	−2.2	0.3	0.1	0.0
Asia	−2.4	−4.3	−2.9	−2.4	−3.0	−2.6	−2.8	−2.4	0.7	0.3	0.2
China	−0.7	−3.1	−1.5	−1.3	−2.2	−1.9	−2.0	−1.6	0.6	0.1	−0.1
India	−10.0	−9.8	−8.4	−8.0	−7.4	−7.3	−7.2	−7.0	1.2	1.3	1.3
Europe	0.6	−6.1	−4.2	0.0	−0.8	−1.6	−1.3	−1.3	−0.1	−0.2	−0.1
Russia	4.9	−6.3	−3.4	1.5	0.4	−1.3	−0.7	−0.8	−0.5	−0.4	−0.1
Turkey	−2.7	−6.0	−3.4	−0.7	−1.8	−1.5	−2.4	−2.3	0.8	−0.1	0.0
Latin America	−0.8	−3.7	−2.9	−2.4	−2.5	−2.9	−3.2	−2.6	−0.1	−0.2	−0.3
Brazil	−1.6	−3.3	−2.8	−2.6	−2.8	−3.3	−3.3	−2.5	−0.3	−0.1	−0.2
Mexico	−1.0	−5.1	−4.3	−3.3	−3.7	−3.8	−4.1	−3.6	−0.1	0.0	−0.1
MENAP	−5.7	−5.3	−6.6	−8.0	−9.1	−9.9	−7.6	−7.8	0.7	1.1	1.0
South Africa	−0.5	−4.9	−4.9	−4.0	−4.3	−4.3	−4.4	−4.5	0.6	0.3	−0.4
Low-Income Countries	−0.9	−3.9	−2.1	−1.7	−2.8	−3.9	−3.9	−3.6	−0.8	−0.8	−0.9
Oil Producers	7.6	−2.4	−0.2	3.0	2.7	0.8	0.5	0.0	−0.4	−0.4	−0.2
Cyclically Adjusted Balance (percent of potential GDP)											
Advanced Economies	−4.0	−6.5	−6.9	−5.8	−5.0	−3.8	−3.4	−3.0	−0.3	−0.8	−0.8
Euro Area	−3.3	−4.8	−5.1	−3.8	−2.8	−1.5	−1.4	−1.1	0.1	−0.2	0.0
France	−3.9	−5.9	−5.9	−4.8	−3.9	−3.0	−2.5	−2.1	−0.3	−0.2	−0.2
Germany	−1.4	−1.2	−3.5	−1.2	−0.1	0.3	0.2	−0.1	0.5	0.2	−0.2
Greece	−14.3	−19.1	−12.3	−8.3	−2.3	2.1	1.5	1.1	1.6	0.5	0.2
Ireland[3]	−11.9	−9.9	−8.3	−7.0	−6.1	−5.0	−4.0	−2.3	0.1	−0.5	−0.1
Italy	−3.7	−3.6	−3.6	−3.1	−1.5	−0.8	−0.8	−0.5	−0.1	−0.9	−0.4
Portugal	−4.3	−9.4	−9.7	−3.7	−4.7	−2.8	−2.7	−1.7	0.5	−0.4	−0.4
Spain[3]	−5.6	−10.0	−8.4	−8.0	−5.2	−4.7	−4.4	−3.7	−0.1	−0.3	−0.2
Japan	−3.5	−7.4	−7.8	−8.3	−7.6	−7.8	−6.9	−6.1	1.5	−0.2	−0.5
United Kingdom[3]	−6.7	−10.2	−8.4	−5.9	−5.7	−3.7	−3.8	−3.1	0.3	0.1	0.1
Others	−0.1	−1.9	−1.5	−1.2	−1.1	−1.0	−0.9	−0.7	0.0	−0.1	−0.4
2008 System of National Accounts (SNA)											
Canada	−0.6	−2.9	−4.0	−3.1	−2.7	−2.4	−2.1	−1.7	0.4	0.3	0.2
United States[2,3]	−5.7	−8.8	−10.0	−8.7	−7.7	−5.4	−5.0	−4.6	−1.5	−1.8	−1.9
Emerging Market Economies	−1.5	−3.8	−3.0	−2.2	−2.3	−2.3	−2.3	−2.0	0.0	−0.1	−0.1
Asia	−2.2	−3.8	−2.6	−2.1	−2.5	−2.0	−2.1	−1.8	0.4	0.2	0.1
China	−0.5	−2.6	−1.0	−0.7	−1.4	−1.0	−1.1	−0.8	0.2	−0.1	−0.3
India	−9.5	−9.5	−8.9	−8.5	−7.6	−7.1	−7.0	−6.9	1.1	1.1	1.2
Europe	−0.1	−4.8	−3.8	−0.9	−1.2	−1.9	−1.4	−1.4	−0.5	−0.4	−0.2
Russia	4.5	−5.1	−2.9	1.6	0.1	−1.4	−0.6	−0.7	−0.9	−0.5	−0.2
Turkey	−3.0	−3.5	−2.8	−1.4	−2.0	−1.9	−2.3	−2.1	0.5	−0.2	0.0
Latin America	−1.6	−3.0	−3.2	−3.0	−2.6	−3.0	−3.2	−2.5	−0.4	−0.4	−0.5
Brazil	−2.2	−2.4	−3.3	−3.0	−2.7	−3.3	−3.2	−2.4	−0.3	0.0	−0.1
Mexico	−1.2	−4.5	−4.1	−3.4	−3.8	−3.7	−4.0	−3.5	−1.0	−1.0	−1.0
South Africa	−0.8	−3.2	−3.7	−3.8	−4.2	−4.0	−4.1	−4.2	0.3	0.1	−0.3
Memorandum Items:											
World Growth (percent)	2.7	−0.4	5.2	3.9	3.2	3.0	3.6	3.9	0.1	0.0	−0.1

Source: IMF staff estimates and projections.

Note: All fiscal data country averages are weighted by nominal GDP converted to U.S. dollars at average market exchange rates in the years indicated and based on data availability. Projections are based on IMF staff assessments of current policies. Data for 2013 correspond to IMF staff estimates in countries where the outturn is not yet available at the time of finalizing the *Fiscal Monitor* database. For country-specific details, see Data and Conventions and Tables A, B, and C in the Statistical and Methodological Appendix. MENAP = Middle East and North Africa and Pakistan.

[1] Including financial sector support.

[2] Data for the United States have been revised significantly following the Bureau of Economic Analysis's recent comprehensive revision of the National Income and Product Accounts (NIPA) along the lines of the 2008 System of National Accounts (SNA). As a result of these methodological changes, the deficit includes several expenditure items not counted as expenditure in other countries which have not yet adopted the 2008 SNA. In 2012, the overall balance adjusted for 2008 SNA imputed expenditure would be −8.6 percent of GDP. See Box 1.1 for more details.

[3] Excluding financial sector support.

Figure 1.2. Fiscal Trends in Advanced Economies

1. Headline and Cyclically Adjusted Balances

2. Annual Cyclically Adjusted Primary Balance Change (percent of potential GDP)

3. Number of Countries with Increasing/Decreasing Gross Debt to GDP

4. Contribution to the Change in the Cyclically Adjusted Primary Balance[1] (percent)

Source: IMF staff estimates and projections.
Note: For country-specific details, see Data and Conventions in the Statistical and Methodological Appendix. All AE = all advanced economies; EA = euro area.
[1]Fiscal adjustment in 2010–11 refers to the change in the cyclically adjusted primary balance (CAPB) in 2011 compared to 2009; 2012–13 refers to the change in 2013 compared to 2011; and 2014–15 refers to the change in 2015 compared to 2013.

plans, debt ratios will remain high (more than 100 percent of GDP, on average, and more than 80 percent of GDP in no fewer than 14 advanced economies) by the end of the decade. Additional adjustment efforts will be needed to bring debt ratios to safer levels in advanced economies (Statistical Appendix Tables 13a and 13b).[4]

The Composition of Fiscal Adjustment Is Beginning to Shift toward Expenditure Measures

The composition of fiscal consolidation to date has been roughly equally shared between revenue-raising and expenditure-reduction measures. The adjustment

[4] See *Fiscal Monitor,* April 2013, for a discussion of debt consolidation paths.

is expected to shift more toward expenditure-reduction measures in 2014–15, as spending cuts take the forefront (especially in the euro area):

- In France, adjustment during 2014–16 is expected to rely on reducing spending growth to ¼ percent a year, on average, from 1.4 percent during 2012–13. The 2014 budget envisages broad-based expenditure containment.
- In Italy, an expenditure review is under way to identify savings of 32 billion euros over a three-year period.
- In Ireland, post-program consolidation efforts will be guided by the upcoming comprehensive review of public expenditure, including capital investment, which is to be completed ahead of the 2015 budget, as well as the recently published Public Service Reform Plan 2014–16.
- In contrast, in Germany, where deficit goals have been reached, the new economic program provides for increased spending of 1–1½ percent of GDP spread over 2014–17, with a focus on pensions, education, and infrastructure.

Nevertheless, taxation continues to figure on the policy agenda in several countries. In Japan, the second stage of the consumption tax increase is expected in October 2015. In *Spain*, a comprehensive review of taxation is planned this year; in Greece, amendments to the income tax and tax procedures codes and a new property tax have been legislated; and in the United Kingdom, reductions in recurrent property taxes for businesses and a clampdown on tax evasion have been announced. In the United States, the fiscal year 2015 budget, presented in early March, called for new tax measures (besides the American Taxpayer Relief Act[5] and the already announced expiration of some tax credits).

Policy Uncertainty in Japan and the United States and Low Inflation in the Euro Area Raise Risks to the Fiscal Outlook

Underlying fiscal vulnerabilities remain elevated in many advanced economies, reflecting high debt ratios and insufficient medium-term plans to address age-related spending pressures (Tables 1.3 and 1.4).[6] There are,

[5] The American Taxpayer Relief Act, signed into law in January 2013, increased the top ordinary income tax rate and the tax rate on capital gains and dividends, phased out personal exemptions, and limited itemized deductions for upper-income taxpayers.
[6] The methodology used to assess fiscal vulnerability to shocks has been revised. Measures of a country's vulnerability to shocks to growth, interest rates, and contingent liabilities now focus more specifically on their impact on the government debt-to-GDP ratios. See Table 1.4 for details.

Table 1.2. General Government Debt, 2008–15
(Percent of GDP)

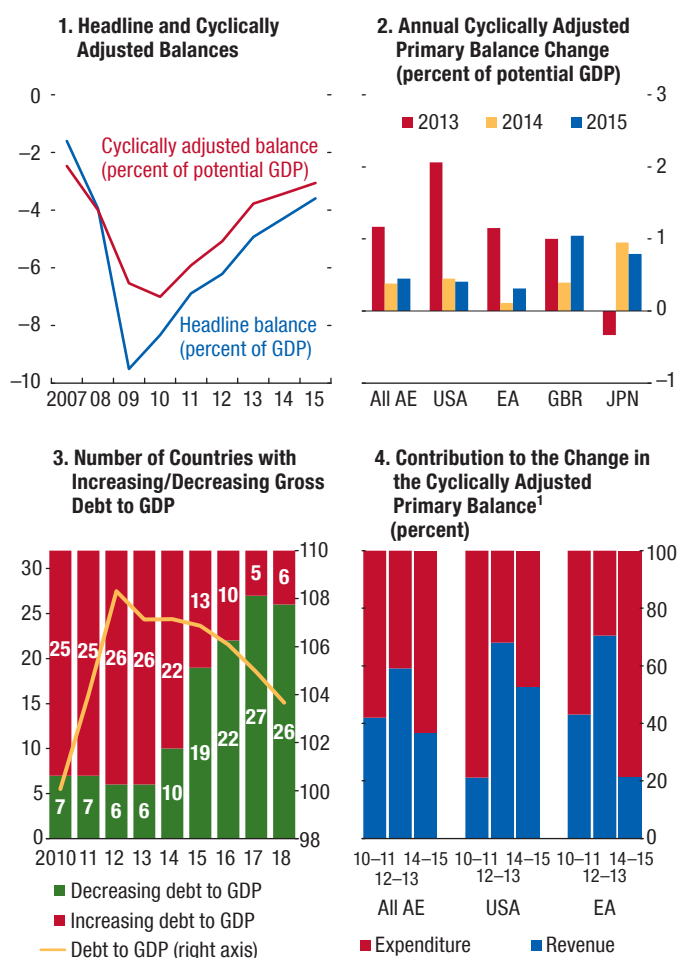|	2008	2009	2010	2011	2012	2013	Projections 2014	Projections 2015	Difference from October 2013 Fiscal Monitor 2013	Difference from October 2013 Fiscal Monitor 2014	Difference from October 2013 Fiscal Monitor 2015
Gross Debt											
World	64.9	74.9	78.6	79.0	80.6	78.6	78.2	77.5	−1.1	−1.4	−1.0
Advanced Economies	80.0	93.5	100.1	104.0	108.3	107.1	107.1	106.9	−0.9	−0.8	−0.5
United States[1]	72.8	86.1	94.8	99.0	102.4	104.5	105.7	105.7	−1.5	−1.6	−1.2
Euro Area	70.3	80.1	85.7	88.1	92.8	95.2	95.6	94.5	−0.5	−0.5	−0.9
France	68.2	79.2	82.4	85.8	90.2	93.9	95.8	96.1	0.4	1.0	1.3
Germany	66.8	74.5	82.5	80.0	81.0	78.1	74.6	70.8	−2.3	−3.6	−4.5
Greece	112.9	129.7	148.3	170.3	157.2	173.8	174.7	171.3	−1.9	0.7	2.6
Ireland	44.2	64.4	91.2	104.1	117.4	122.8	123.7	122.7	−0.5	2.7	4.5
Italy	106.1	116.4	119.3	120.7	127.0	132.5	134.5	133.1	0.3	1.4	1.3
Portugal	71.7	83.7	94.0	108.2	124.1	128.8	126.7	124.8	5.3	1.4	0.6
Spain	40.2	54.0	61.7	70.5	85.9	93.9	98.8	102.0	0.2	−0.3	−0.6
Japan	191.8	210.2	216.0	229.8	237.3	243.2	243.5	245.1	−0.3	1.2	2.7
United Kingdom	51.9	67.1	78.5	84.3	88.6	90.1	91.5	92.7	−2.0	−3.7	−5.2
Canada[1]	71.3	81.3	83.1	83.5	88.1	89.1	87.4	86.6	2.0	1.8	1.7
Emerging Market Economies	33.5	36.0	40.3	37.8	36.5	34.9	33.7	33.0	−0.5	−0.7	−0.7
Excluding China	40.2	45.0	43.5	42.4	42.4	42.6	42.8	43.0	−0.4	−0.7	−0.8
Asia	30.6	30.9	40.4	36.3	33.9	31.0	29.0	27.6	−0.5	−1.1	−1.2
China[2]	17.0	17.7	33.5	28.7	26.1	22.4	20.2	18.7	−0.5	−0.7	−0.6
India	74.5	72.5	67.5	66.8	66.6	66.7	65.3	64.0	−0.5	−2.8	−3.7
Europe	23.7	29.5	29.0	27.7	27.0	27.7	26.1	26.5	−0.4	−0.7	−0.7
Russia	7.9	11.0	11.0	11.7	12.7	13.4	13.0	12.8	−0.7	−1.7	−2.3
Turkey	40.0	46.1	42.3	39.1	36.2	35.8	35.9	36.0	−0.2	1.1	2.4
Latin America	50.4	53.2	51.6	51.4	52.0	51.4	52.5	52.6	−0.4	0.2	0.4
Brazil[3]	63.5	66.8	65.0	64.7	68.2	66.3	66.7	66.4	−2.0	−2.3	−2.4
Mexico	42.8	43.9	42.2	43.3	43.3	46.5	48.1	48.4	2.5	2.3	1.8
MENAP	60.6	62.8	64.9	66.2	70.5	75.1	76.6	77.5	−1.1	−1.1	−0.9
South Africa	27.2	31.6	35.3	38.8	42.1	45.2	47.3	49.6	2.2	2.6	3.4
Low-Income Countries	41.0	42.8	41.4	40.8	41.8	42.6	42.9	43.3	0.6	1.2	1.6
Oil Producers	21.3	24.2	23.1	21.3	21.8	22.8	22.9	23.2	−0.3	−0.8	−1.2
Net Debt											
World	44.7	53.6	57.2	60.5	63.0	63.0	64.1	64.4	−3.1	−2.9	−2.5
Advanced Economies	50.5	60.0	65.1	70.0	73.3	73.5	74.7	75.1	−3.8	−3.6	−3.2
United States[1]	50.4	62.1	69.7	76.2	80.1	81.3	82.3	82.7	−6.0	−6.0	−5.0
Euro Area	54.1	60.2	64.3	66.5	70.2	72.4	73.2	72.6	−2.4	−2.3	−2.8
France	62.3	72.0	76.1	78.6	84.0	87.6	89.5	89.8	0.4	1.0	1.3
Germany	50.0	56.5	58.2	56.5	58.1	55.7	52.9	49.9	−0.5	−1.6	−3.2
Greece	112.9	129.7	148.3	170.3	153.5	168.5	169.3	166.9	−4.1	−3.3	1.4
Ireland	21.2	38.6	70.4	85.1	92.8	100.3	103.5	103.4	−5.2	−4.3	−3.5
Italy	89.3	97.9	100.0	102.5	106.1	110.7	112.4	111.2	0.2	1.2	1.1
Portugal	67.5	79.7	89.6	97.8	114.0	118.4	119.9	119.2	0.9	0.6	0.8
Spain	30.8	24.7	33.2	39.7	52.7	60.4	65.7	69.4	−20.3	−20.1	−19.5
Japan	95.3	106.2	113.1	127.3	129.5	134.1	137.1	140.0	−5.8	−4.7	−4.0
United Kingdom	48.0	62.4	72.2	76.8	81.4	83.1	84.4	85.7	−1.7	−3.5	−4.9
Canada[1]	22.4	27.6	29.7	32.4	36.7	38.5	39.5	39.9	2.0	1.5	1.2
Emerging Market Economies	23.0	27.8	27.9	26.5	24.9	24.9	23.9	24.2	0.6	0.8	0.9
Europe	22.1	27.9	28.9	27.8	25.7	25.9	21.6	21.9	−0.3	−0.3	0.3
Latin America	31.0	34.7	33.8	32.2	31.0	30.9	31.4	31.2	0.3	0.0	−0.1
MENAP	53.0	55.3	57.7	59.6	64.2	69.2	71.4	72.7	−1.4	−1.3	−1.1
Low-Income Countries	30.1	34.4	37.1	35.2	37.6	41.2	43.8	45.0	3.6	5.5	6.4

Source: IMF staff estimates and projections.
Note: All fiscal data country averages are weighted by nominal GDP converted to U.S. dollars at average market exchange rates in the years indicated and based on data availability. Projections are based on IMF staff assessments of current policies. Data for 2013 correspond to IMF staff estimates in countries where the outturn is not yet available at the time of finalizing the *Fiscal Monitor* database. For country-specific details, see Data and Conventions and Tables A, B, and C in the Statistical and Methodological Appendix. MENAP = Middle East and North Africa and Pakistan.
[1] For cross-country comparability, gross and net debt levels reported by national statistical agencies for countries that have adopted the 2008 System of National Accounts (Australia, Canada, United States) are adjusted to exclude unfunded pension liabilities of government employees' defined benefit pension plans. See Box 1.1 for more details.
[2] Up to 2009, public debt data include only central government debt as reported by the Ministry of Finance. For 2010, debt data include subnational debt identified in the 2011 *National Audit Report*. Staff estimated in the 2013 Article IV Staff Report that the augmented debt—expanding the perimeter of government to include local government financing vehicles and other off-budget activity—was around 46.2 percent of GDP as of end-2012.
[3] Gross debt refers to the nonfinancial public sector, excluding Eletrobras and Petrobras, and includes sovereign debt held on the balance sheet of the central bank.

Table 1.3. Assessment of Underlying Fiscal Vulnerabilities over Time
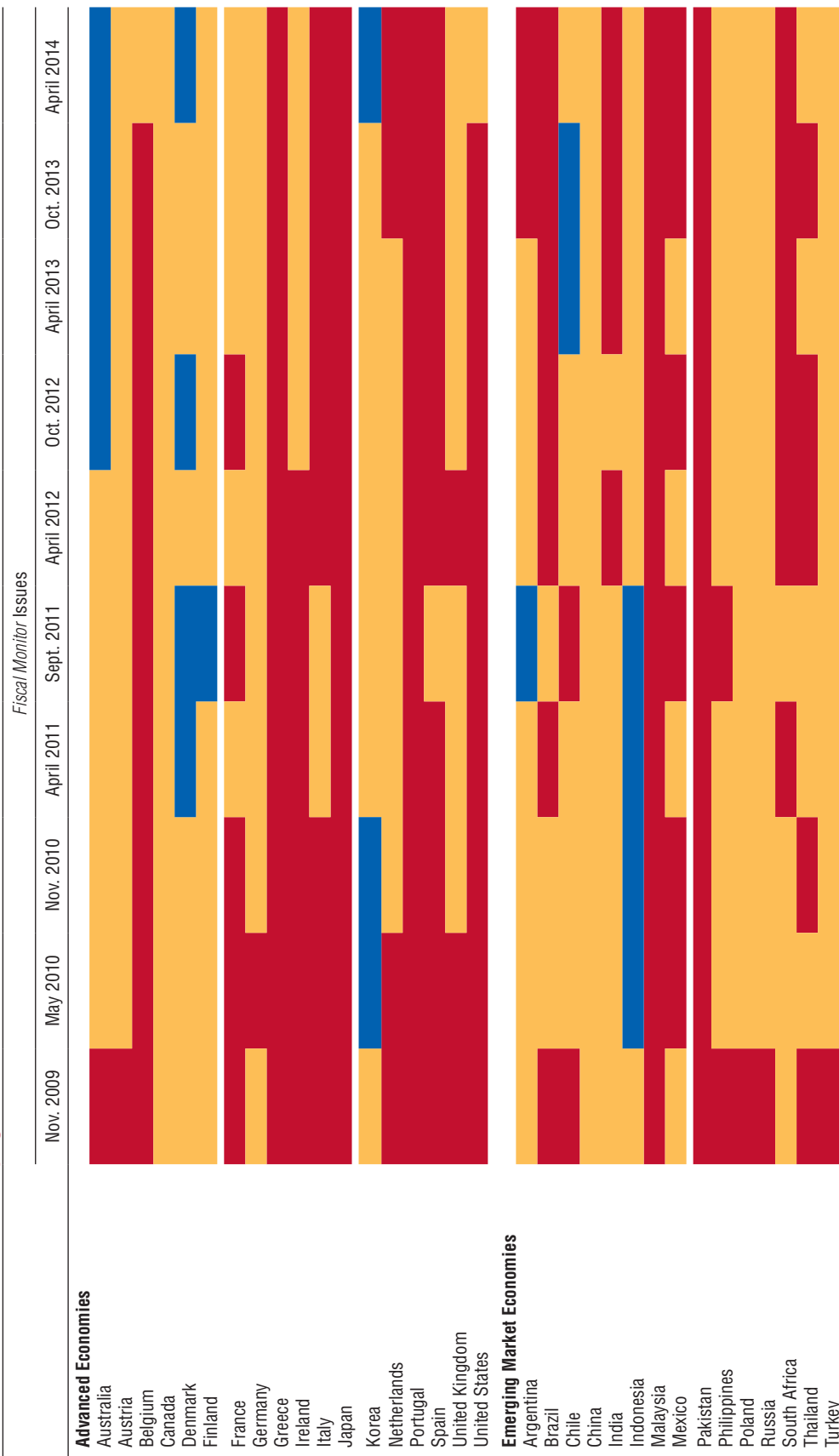
Fiscal Monitor Issues

	Nov. 2009	May 2010	Nov. 2010	April 2011	Sept. 2011	April 2012	Oct. 2012	April 2013	Oct. 2013	April 2014

Advanced Economies
Australia
Austria
Belgium
Canada
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Japan
Korea
Netherlands
Portugal
Spain
United Kingdom
United States

Emerging Market Economies
Argentina
Brazil
Chile
China
India
Indonesia
Malaysia
Mexico
Pakistan
Philippines
Poland
Russia
South Africa
Thailand
Turkey

Sources: Bloomberg L.P.; Consensus Economics; Thomson Reuters Datastream; Haver Analytics; and IMF staff estimates and projections.
Note: To allow for cross-country comparability, a uniform methodology is used to assess vulnerability. In-depth assessment of individual countries would require case-by-case analysis using a broader set of tools, which can be found in the debt sustainability analyses contained in IMF Staff Reports. As country-specific factors are not taken into account in the cross-country analysis, the results should be interpreted with caution. Based on fiscal vulnerability indicators presented in Table 1.4, red (yellow, blue) implies high (medium, moderate) levels of fiscal vulnerability. The methodologies used to assess vulnerability to shocks to growth, interest rates, and contingent liabilities now focus more specifically on their impact on the government debt-to-GDP ratios.

Table 1.4. Assessment of Underlying Fiscal Vulnerabilities, April 2014

	Baseline Fiscal Assumptions[1]					Shocks Affecting the Baseline		
	Gross Financing Needs[2]	Interest Rate–Growth Differential[3]	Cyclically Adjusted Primary Deficit[4]	Gross Debt[5]	Increase in Health and Pension Spending, 2014–30[6]	Growth[7]	Interest Rate[8]	Contingent Liabilities[9]
Advanced Economies								
Australia		↗	↗			↗		
Austria							↗	
Belgium	↘							
Canada			↘					
Denmark						↘	↘	
Finland		↗				↘		
France	↘							
Germany		↘						
Greece	↘							
Ireland								
Italy						↘		
Japan								
Korea								
Netherlands	↗					↗		
Portugal								
Spain						↘		
United Kingdom								
United States[10]							↓	
Emerging Market Economies								
Argentina								
Brazil						↘		
Chile			↗					
China			↗				↗	
India		↘				↑	↗	
Indonesia								
Malaysia		↘				↘	↗	
Mexico						↘	↗	
Pakistan								
Philippines						↗		
Poland						↗		
Russia								
South Africa					↘			
Thailand	↗	↘				↗		
Turkey								

Sources: Bloomberg L.P.; Consensus Economics; Thomson Reuters Datastream; Haver Analytics; and IMF staff estimates and projections.

Note: To allow for cross-country comparability, a uniform methodology is used for each vulnerability indicator. In-depth assessment of individual countries would require case-by-case analysis using a broader set of tools, which can be found in the debt sustainability analyses contained in IMF Staff Reports. As country-specific factors are not taken into account in the cross-country analysis, the results should be interpreted with caution. Fiscal data correspond to IMF staff forecasts for 2014 for the general government. Market data used for the *Growth, Interest rate,* and *Contingent liabilities* indicators are as of February 2014. A blank cell indicates that data are not available. Directional arrows indicate a change in fiscal vulnerabilities since the previous issue of the *Fiscal Monitor.* (↑) indicates an increase; (↗) indicates a moderate increase; (↘) indicates a moderate reduction; and (↓) indicates a reduction. No arrow indicates that the fiscal vulnerability has not changed since the previous issue of the *Fiscal Monitor.*

[1] Red (yellow, blue) implies that the indicator is above (less than one standard deviation below, more than one standard deviation below) the corresponding threshold. Thresholds are from Baldacci, McHugh, and Petrova (2011) for all indicators except the increase in health and pension spending, which is benchmarked against the corresponding historical country group average.

[2] For advanced economies, gross financing needs above 17.2 percent of GDP are shown in red, those between 11.6 and 17.2 percent of GDP are shown in yellow, and those below 11.6 percent of GDP are shown in blue. For emerging market economies, gross financing needs above 20.6 percent of GDP are shown in red, those between 19.8 and 20.6 percent of GDP are shown in yellow, and those below 19.8 percent of GDP are shown in blue.

[3] For advanced economies, interest rate–growth differentials above 3.6 percent are shown in red, those between 0.1 and 3.6 percent are shown in yellow, and those below 0.1 percent are shown in blue. For emerging market economies, interest rate–growth differentials above 1.1 percent of GDP are shown in red, those between –4.0 and 1.1 percent of GDP are shown in yellow, and those below –4.1 percent of GDP are shown in blue.

[4] For advanced economies, cyclically adjusted deficits above 4.2 percent of GDP are shown in red, those between 2.0 and 4.2 percent of GDP are shown in yellow, and those below 2.0 percent of GDP are shown in blue. For emerging market economies, cyclically adjusted deficits above 0.5 percent of GDP are shown in red, those between –1.4 and 0.5 percent of GDP are shown in yellow, and those below –1.3 percent of GDP are shown in blue.

[5] For advanced economies, gross debt above 72.2 percent of GDP is shown in red, that between 55.7 and 72.2 percent of GDP is shown in yellow, and that below 55.7 percent of GDP is shown in blue. For emerging market economies, gross debt above 42.8 percent of GDP is shown in red, that between 29.5 and 42.8 percent of GDP is shown in yellow, and that below 29.5 percent of GDP is shown in blue. Figures refer to gross government debt, except in cases of Australia, Canada, and Japan, for which net debt ratios are used.

[6] For advanced economies, increases in spending above 3 percent of GDP are shown in red, those between 0.6 and 3 percent of GDP are shown in yellow, and those below 0.6 percent of GDP are shown in blue. For emerging market economies, increases in health and pension spending above 2 percent of GDP are shown in red, those between 0.3 and 2 percent of GDP are shown in yellow, and those below 0.3 percent of GDP are shown in blue. In some countries, risks from the projected pension spending increases are mitigated by the positive net asset position of the pension funds.

[7] Risk to real GDP growth is measured as the difference between IMF staff projected growth and the average of market analysts' projections below that estimate. The impact of this shock on the public debt level is estimated using spending and revenue elasticities (0 and 1 when unavailable) as well as debt maturity structure. Cells are shown in red if the debt increases by 0.5 percent of GDP or more, in yellow if it increases by an amount between 0.2 and 0.5 percent of GDP, and in blue if it increases by less than 0.2 percent of GDP. The shock affects debt projections for 2014 and 2015.

[8] Risks to the financing cost underpinning the fiscal projection are measured as the increase in interest payments in 2014 resulting from a change in interest rate, calculated as the 12-month standard deviation of the market most appropriate sovereign bond yields available. Cells are shown in red if the interest payments are increasing by more than 0.065 percent of GDP, in yellow if they are increasing by an amount between 0.024 and 0.065 percent of GDP, and in blue if they are increasing by less than 0.024 percent of GDP.

[9] Fiscal contingent liabilities are approximated by calculating the expected value of losses, given default of the banking sector using individual bank data on credit default swaps (CDS) spreads and calculating the 1 year ahead put value, assuming that the government will assume the losses in the case of default. These put values are summed by country and then scaled by the total assets-to-GDP ratio in the entire economy. For some economies, a more precise measure would cover contingent liabilities in other sectors, such as public utility companies. Cells are shown in red if expected losses exceed 1 percent of GDP, in yellow if they are between 0.5 and 1 percent of GDP, and in blue if they amount to less than 0.5 percent of GDP. For details on methodology, see Gray, Merton, and Bodie (2008).

[10] Data for the United States have been revised significantly following the Bureau of Economic Analysis's recent comprehensive revision of the National Income and Product Accounts (NIPA) along the lines of the 2008 System of National Accounts (SNA). As a result of these methodological changes, the deficit includes several expenditure items not counted as expenditure in other countries which have not yet adopted the 2008 SNA. See Box 1.1 for more details.

Table 1.5. Selected Advanced Economies: Gross Financing Needs, 2014–16
(Percent of GDP)

	2014			2015			2016		
	Maturing Debt	Budget Deficit	Total Financing Need	Maturing Debt[1]	Budget Deficit	Total Financing Need	Maturing Debt[1]	Budget Deficit	Total Financing Need
Japan	50.7	7.2	57.9	49.9	6.4	56.3	43.4	5.4	48.9
Italy	25.7	2.7	28.4	27.2	1.8	29.0	23.1	0.8	23.9
United States	18.0	6.4	24.4	17.2	5.6	22.8	16.0	5.6	21.6
Portugal	16.7	4.0	20.7	16.2	2.5	18.7	15.4	2.0	17.4
Spain	14.8	5.9	20.7	15.4	4.9	20.3	15.9	3.9	19.8
France	13.2	3.7	16.9	14.6	3.0	17.6	13.7	2.1	15.9
Slovenia	11.1	5.5	16.6	8.8	4.1	12.9	15.7	4.0	19.7
Canada	13.5	2.5	16.0	13.4	2.0	15.4	11.8	1.5	13.4
Greece[2]	13.8	1.9	15.8	8.8	1.4	10.2	3.7	0.8	4.5
Belgium	12.7	2.4	15.2	15.6	2.1	17.7	15.0	1.5	16.5
Netherlands	11.3	3.0	14.3	14.5	2.0	16.5	10.0	1.7	11.8
United Kingdom	6.3	5.3	11.6	6.2	4.1	10.2	5.9	2.9	8.7
Austria	8.5	3.0	11.5	5.3	1.5	6.8	5.2	1.3	6.5
Slovak Republic	5.8	3.8	11.1	5.6	3.8	9.4	6.2	3.8	9.9
Czech Republic	6.5	2.8	9.3	6.5	2.5	9.0	6.9	2.3	9.2
Ireland[3]	2.7	6.0	8.7	3.2	3.5	6.6	6.7	1.5	8.2
Sweden	6.9	1.3	8.1	5.9	0.5	6.4	4.1	0.0	4.2
Finland	5.4	2.6	8.0	5.5	1.9	7.5	6.4	1.7	8.1
Denmark	6.3	1.4	7.7	7.3	2.7	10.0	4.5	2.2	6.7
Germany	6.9	0.0	6.8	6.9	0.1	7.0	5.5	−0.2	5.3
Australia	2.1	3.4	5.5	2.4	1.9	4.3	1.7	1.0	2.8
Iceland	3.9	0.2	4.1	2.4	0.0	2.4	9.8	−0.4	9.4
Switzerland	3.2	0.2	3.3	2.7	−0.4	2.4	3.5	−0.7	2.8
Korea	3.7	−1.2	2.5	3.6	−1.2	2.4	3.3	−1.6	1.6
New Zealand	1.8	−0.3	1.5	6.4	−1.1	5.4	2.2	−1.7	0.5
Average	17.6	4.6	22.2	17.4	3.8	21.2	15.6	3.4	18.9

Sources: Bloomberg L.P.; and IMF staff estimates and projections.
Note: For most countries, data on maturing debt refer to central government securities. For some countries, general government deficits are reported on an accrual basis. For country-specific details, see Table A in the Methodological and Statistical Appendix.
[1] Assumes that short-term debt outstanding in 2014 and 2015 will be refinanced with new short-term debt that will mature in 2015 and 2016, respectively. Countries that are projected to have budget deficits in 2014 or 2015 are assumed to issue new debt based on the maturity structure of debt outstanding at the end of 2013.
[2] Maturing debt and budget deficit refer to state government. The deficit is on cash basis while figures in Table 1.1 and Statistical Table 1 are on an accrual basis and for general government.
[3] Ireland's cash deficit includes exchequer deficit and other government cash needs and may differ from official numbers because of a different treatment of short-term debt in the forecast.

however, signs of improvement: in several European countries, including *Belgium*, Ireland, and Portugal, gross financing needs have declined and financial pressures are abating, lowering underlying vulnerabilities (Table 1.5). A few advanced economies introduced pension reforms in 2013 to improve the sustainability of their pension systems. In Spain, the phased retirement age increase began to take effect, and other important measures were implemented to ensure the sustainability of the pension system.[7] Elsewhere, reforms included

raising contribution rates to superannuation funds (*Australia*) and increasing retirement ages (*Slovenia*).

Short-term risks remain, however, largely related to policy uncertainty. In Japan, uncertainty persists regarding approval of the second stage of the consumption tax rate increase next year and the medium-term fiscal strategy beyond 2015. In the United States, the bipartisan budget agreement substantially reduced near-term uncertainties, but a comprehensive and medium-term plan to place the debt and public finances on a sustainable basis is still lacking. In the euro area, despite significant progress, fiscal risks related to the banking sector

[7] Specifically, the gradual retirement age increase from 65 to 67 and the extension (from 15 to 25 years) of the wage-averaging period to calculate the starting pension in 2013. The delinking of the

annual increase in pensions from inflation and the adjustment of the initial pension for life expectancy were approved in 2013.

Table 1.6. Selected Advanced Economies: Financial Sector Support
(Percent of 2013 GDP, except where otherwise indicated)

	Impact on Gross Public Debt and Other Support	Recovery to Date	Impact on Gross Public Debt and Other Support after Recovery
Belgium	7.5	3.2	4.3
Cyprus	10.9	0.0	10.9
Germany[1]	12.5	1.9	10.5
Greece[2]	30.9	6.8	24.1
Ireland[3]	40.1	6.9	33.2
Netherlands	18.7	14.2	4.5
Slovenia[4]	12.0	0.0	12.0
Spain[5]	7.7	3.1	4.6
United Kingdom[6]	10.3	2.1	8.3
United States	4.5	4.8	−0.3
Average	7.4	4.3	3.0
$US billions	1,932	1,127	804

Sources: National authorities; and IMF staff estimates.

Note: Table shows fiscal outlays of the central government, except in the cases of Germany and Belgium, for which financial sector support by subnational governments is also included. Data are cumulative since the beginning of the global financial crisis—latest available data up to January 2014. Data do not include forthcoming support.

[1] Support includes here the estimated impact on public debt of liabilities transferred to newly created government sector entities (about 11 percent of GDP), taking into account operations from the central and subnational governments. As public debt is a gross concept, this neglects the simultaneous increase in government assets. With this effect taken into account, the net debt effect up to 2012 amounted to just 1.6 percent of GDP, which was recorded as a deficit.

[2] Support includes the disbursements from the Hellenic Financial Stability Fund (HFSF), but excludes the undisbursed amount of the financial sector envelope. The change from the October 2013 *Fiscal Monitor* is largely due to the broadening of the coverage to include the HFSF's disbursements for funding gap payments.

[3] The impact of the direct support measures is mainly on net debt, as significant recapitalization expenses were met from public assets. Direct support does not include asset purchases by the National Asset Management Agency (NAMA), as these are not financed directly through the general government but with government-guaranteed bonds.

[4] Support provided by the general government.

[5] Direct support includes total capital injections by the Fondo de Reestructuración Ordenada Bancaria (FROB) and liquidity support.

[6] The change from the October 2013 *Fiscal Monitor* is mainly due to the broadening of the coverage to include the gross liabilities of Bradford and Bingley and Northern Rock Asset Management that the central government has inherited.

have not been completely eliminated. For example, in Slovenia several banks are being closed down or have been recapitalized at a total cost to the public sector of 10.3 percent of GDP in 2013 (Table 1.6).[8] For the euro area as a whole, the ongoing asset-quality review and stress tests could point to the need for further public support in some countries (see the April 2014 *Global Financial Stability Report*). In addition, persistent low inflation would make debt reduction more challenging given nominal rigidities in public spending (e.g., entitlements) and potentially adverse debt dynamics.

Fiscal Consolidation Should Focus on Supporting Long-Term Growth

Current fiscal plans to moderate the pace of consolidation to support the recovery, reduce reliance on revenue measures where tax ratios are high, and move away from indiscriminate spending cuts are broadly appropriate. Nonetheless, the recovery still remains

uneven and subject to downside risks (see the April 2014 *World Economic Outlook*). The formulation of a longer-term, growth-friendly fiscal strategy remains a priority for many highly indebted countries, most notably Japan and the United States, to dispel policy uncertainty and support a durable rebound in growth.

In the event that downside risks to the recovery materialize and financing conditions permit, automatic stabilizers should be allowed to play. If growth were to remain at subpar levels for a protracted period, more ambitious measures aimed at raising growth potential—including, when relevant, higher public investment—should be considered, with due regard for existing fiscal frameworks and long-term fiscal sustainability. If, however, growth were to surprise upward, saving budget gains and further rebuilding policy room will be important.

The design of future fiscal packages should focus on supporting long-term growth potential, which requires striking a delicate balance between tax policy and expenditure reforms, taking equity concerns into account.[9] Although the scope for raising substantially more revenue is limited in many advanced econo-

[8] For Slovenia, the figure includes a broader coverage of the public sector than the general government, whereas the rest of the fiscal statistics for Slovenia in the *Fiscal Monitor,* including Table 1.6, covers the general government.

[9] See Berg and Ostry (2011) for a discussion of links and trade-offs between equity and sustainable growth.

Figure 1.3. Fiscal Trends in Emerging Market Economies
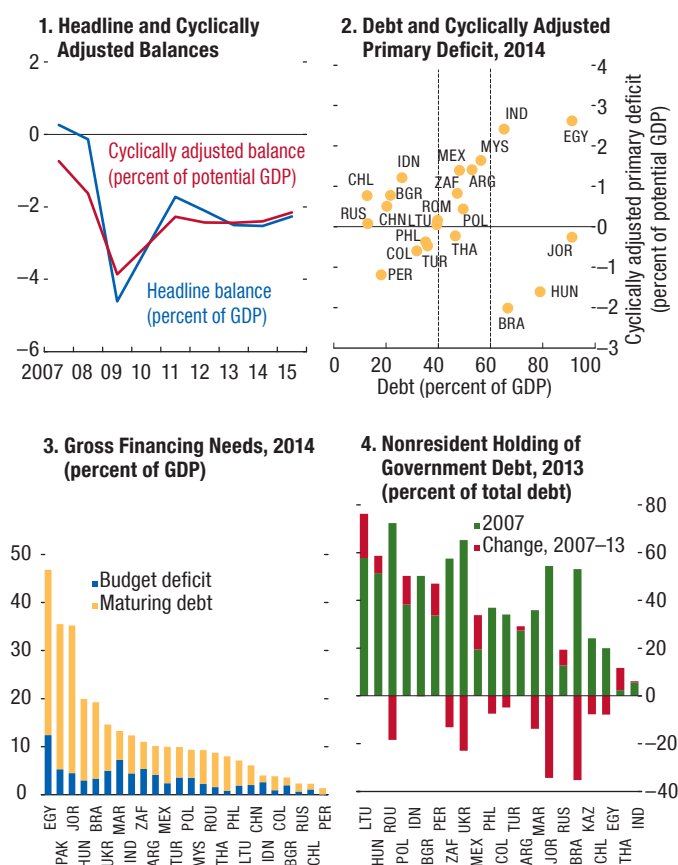
1. Headline and Cyclically Adjusted Balances

Cyclically adjusted balance (percent of potential GDP)

Headline balance (percent of GDP)

2. Debt and Cyclically Adjusted Primary Deficit, 2014

Cyclically adjusted primary deficit (percent of potential GDP)

Debt (percent of GDP)

3. Gross Financing Needs, 2014 (percent of GDP)

Budget deficit
Maturing debt

4. Nonresident Holding of Government Debt, 2013 (percent of total debt)

2007
Change, 2007–13

Sources: Joint External Debt Hub, Quarterly External Debt Statistics; and IMF staff estimates and projections.
Note: For country-specific details, see Data and Conventions in the Statistical and Methodological Appendix.

mies because of already high tax burdens (see the October 2013 *Fiscal Monitor*), tax reforms can still play an important role. Removing disincentives to labor participation and investment, and reducing or eliminating unproductive exemptions, can boost output and employment and promote equity. However, the focus is increasingly shifting to expenditure reforms, especially in countries where consolidation needs are large. Chapter 2 elaborates on these themes.

Emerging Market Economies: Rising Vulnerabilities—A Call for Policy Action

In Emerging Market Economies, Current Fiscal Plans Continue to Postpone Consolidation

The fiscal stance (in cyclically adjusted terms) for the group of emerging market economies as a whole remained broadly neutral in 2013 (Tables 1.1–1.2, Figure

1.3). A few high-deficit countries (*Jordan, Morocco*, and *Pakistan*) strengthened their primary fiscal positions in 2013, largely by cutting expenditures. *China* and *India* recorded moderate improvements in the cyclically adjusted deficit, supported by higher revenues and spending cuts, respectively. However, most countries continued to postpone consolidation and some saw their fiscal deficits deteriorate (*Egypt, Hungary, Nigeria*, and *Russia*).

A broadly neutral stance is expected to continue in 2014, followed by a modest improvement in 2015 (of ¼ percentage point in cyclically adjusted terms), although there is significant heterogeneity across countries. Many (including Hungary, *Argentina* and *Indonesia*) plan to maintain a relatively loose fiscal stance. A number of high-deficit or high-debt countries, including *Malaysia*, have begun fiscal consolidation, though significant uncertainties remain. In all, the average overall balance in emerging market economies is projected to hover at about 3 percentage points of GDP below precrisis (2007) levels.

Although the Average Debt Level in Emerging Market Economies Is Relatively Low, Important Pockets of Vulnerability Remain

Average gross debt in emerging market economies, excluding China, increased slightly in 2013. In most cases, debt ratios remain well above precrisis levels, despite broadly supportive cyclical conditions (and, in some cases, still favorable interest rate–growth rate differentials). Gross debt ratios in the oil importers in the Middle East and North Africa region, averaging almost 80 percent of GDP, are uncomfortably high and are expected to keep increasing in the absence of further consolidation measures. Debt ratios are declining in India and are expected to decline in the short term in Hungary and Pakistan—all from relatively high levels.

In some countries, recorded debt statistics mask important vulnerabilities given that contingent liabilities are sizable. In China, the National Audit Office released its survey of government debt in December. The results are consistent with staff estimates reported in the 2013 Article IV consultation, which suggest that the "augmented" debt, including subnational debt and contingent liabilities, reached about 46 percent of GDP as of end-2012, significantly higher than recorded gross debt and the debt level in the previous national audit. The Chinese authorities have committed to reducing local government borrowing, including by placing tighter controls on local governments and by scaling back inefficient investment.

Table 1.7. Selected Emerging Market Economies: Gross Financing Needs, 2014–15
(Percent of GDP)

	2014			2015		
	Maturing Debt	Budget Deficit	Total Financing Need	Maturing Debt	Budget Deficit	Total Financing Need
Egypt	34.4	12.4	46.8	35.2	13.3	48.5
Pakistan	30.2	5.3	35.5	29.4	4.2	33.6
Jordan	30.8	4.4	35.2	28.3	4.1	32.4
Hungary	17.0	2.9	19.9	13.6	2.9	16.6
Brazil	15.9	3.3	19.2	15.8	2.5	18.3
Morocco	9.7	4.9	14.6	9.5	4.3	13.8
India	6.0	7.2	13.2	5.7	7.0	12.7
South Africa	7.9	4.4	12.3	7.3	4.5	11.8
Argentina	5.7	5.3	11.0	4.6	4.2	8.8
Mexico	6.0	4.1	10.1	5.2	3.6	8.8
Turkey	7.6	2.4	9.9	5.5	2.3	7.8
Poland	6.4	3.5	9.9	7.2	3.0	10.2
Malaysia	5.8	3.5	9.3	6.4	2.5	8.9
Romania	7.1	2.2	9.3	7.4	1.4	8.8
Thailand	7.1	1.6	8.7	7.0	1.5	8.5
Philippines	7.2	0.8	8.0	7.0	0.8	7.8
China	4.1	2.0	6.1	3.2	1.6	4.7
Lithuania	2.7	1.9	4.6	6.1	1.8	7.9
Indonesia	1.4	2.5	4.0	1.2	2.4	3.6
Colombia	2.9	0.9	3.8	2.8	0.7	3.5
Bulgaria	1.6	1.9	3.5	2.8	1.7	4.4
Russia	1.6	0.7	2.3	2.0	0.8	2.8
Chile	1.2	1.1	2.2	1.1	0.9	2.0
Peru	1.3	−0.1	1.2	0.9	−0.2	0.7
Average	6.2	2.9	9.1	5.7	2.5	8.2

Source: IMF staff estimates and projections.
Note: Data in the table refer to general government. For some countries, general government deficits are reported on an accrual basis. For country-specific details, see Table B in the Methodological and Statistical Appendix.

Higher Volatility in Global Financing Conditions and the Electoral Cycle in Some Economies Introduce Risks to the Fiscal Outlook

Underlying fiscal vulnerabilities, although overall still moderate, have increased in emerging market economies during the past year. Even though the recent bouts of market turmoil were not directly triggered by fiscal imbalances, increased risk aversion and tighter financing conditions may worsen public debt dynamics in most countries. In addition, the large increase in nonresident debt holdings in recent years strengthens the pass-through of global demand swings into domestic sovereign debt markets and could contribute to increased volatility (Box 1.2). Countries with high gross financing needs (Table 1.7) or nonresident holdings of government debt (or both) are particularly vulnerable to refinancing risks. Even in the absence of adverse market reactions, public debt dynamics could worsen in most emerging market economies as the result of a combination of higher financing costs and more subdued growth. As an illustration, should

effective interest rates paid on government debt return to the level observed before the global financial crisis and growth fail to pick up as envisaged after 2014, the average debt ratio in emerging market economies (excluding China) would not stabilize and by 2019 would be 4½ percentage points of GDP higher relative to the current baseline projection.

Contingent risks to public finances are also on the rise in many emerging market economies, particularly in those countries that have previously experienced high growth in banking credit to the private sector (such as Brazil and China) or sharp increases in external banking sector funding (Hungary, *Romania,* and *Turkey*). In addition, fiscal vulnerabilities have built up at the subnational level in several large emerging economies (notably Brazil and China, but also *Mexico* and Pakistan). Subdued commodity prices could intensify headwinds in commodity exporters, with adverse budgetary implications directly through lower commodity revenue and indirectly through weaker economic activity. Last, but not least, upcoming elections could create additional pressures on public spending in a number

of emerging market economies this year, including in the Middle East and North Africa region, as well as in Brazil, Indonesia, Romania, *South Africa*, and Turkey.

Decisive Fiscal Consolidation Is Needed in Some Emerging Market Economies to Reduce Vulnerabilities

In many emerging market economies, the continued erosion of fiscal space, coupled with market volatility, puts greater urgency on fiscal consolidation. Countries with large debt and refinancing needs should take decisive measures to rein in deficits. Where debt ratios are still manageable but have been rising during the past few years, fiscal policy action is needed to shore up credibility and reduce fiscal vulnerabilities to possible market jitters. Otherwise, if the external environment were to deteriorate markedly, countries under market pressures could be forced to resort to procyclical budget tightening. Higher scrutiny of public contingent liabilities is also called for, to limit the risks of a future large fiscal shock. More broadly, fiscal reforms can help strengthen safety nets, raise potential growth, and boost domestic saving where it has eroded.

Continued demands to increase and improve the delivery of public services, including—but not limited to—growth-enhancing investment in infrastructure, and the need to contain age-related spending, will raise pressures on the public finances of emerging market economies in the medium term. Addressing these needs in a sustainable manner will require both the mobilization of additional revenue resources and better spending prioritization. Some emerging market economies have recently embarked on reforming tax systems (*Chile*, China, Malaysia, and Mexico) and entitlement spending (*Bulgaria*, Hungary, Turkey, and *Ukraine*), but many countries have yet to start on this path.

Low-Income Countries: Resilient, Yet Fiscally Vulnerable

Fiscal Space Has Also Declined in Low-Income Countries as Fast Spending Growth Has Not Been Matched by Increased Revenue Mobilization

Fiscal deficits continued to widen in 2013 in many low-income countries as government spending persistently outpaced economic growth and revenue mobilization (Figure 1.4; Statistical Appendix Table 9). As a result, the average fiscal deficit widened to close to 4 percent of GDP, about the same level as in

Figure 1.4. Fiscal Trends in Low-Income Countries
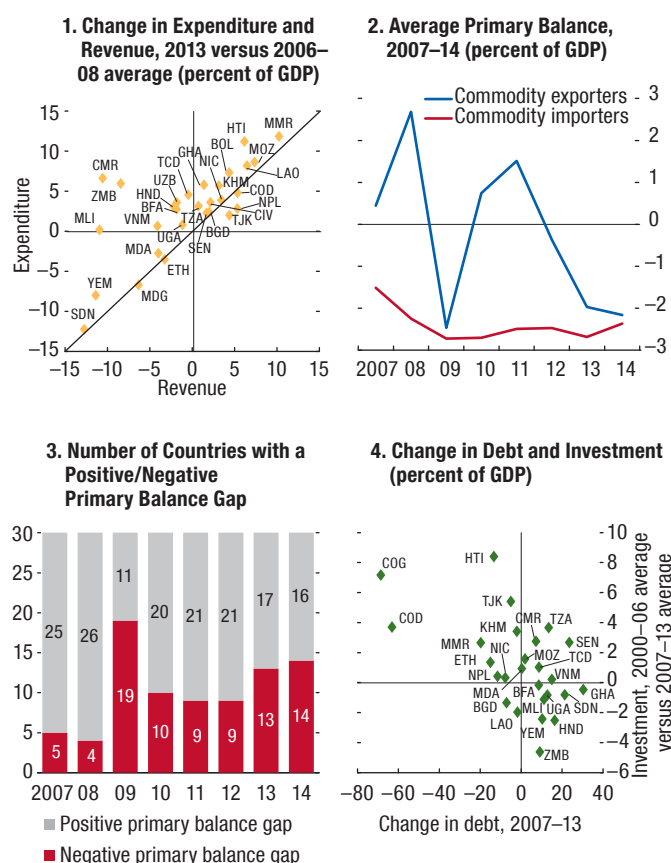
1. Change in Expenditure and Revenue, 2013 versus 2006–08 average (percent of GDP)

2. Average Primary Balance, 2007–14 (percent of GDP)

3. Number of Countries with a Positive/Negative Primary Balance Gap

4. Change in Debt and Investment (percent of GDP)

Source: IMF staff estimates and projections.
Note: For country-specific details, see Data and Conventions in the Statistical and Methodological Appendix.

2009. The deterioration of fiscal positions in 2013 was sizable in *Zambia,* driven by large increases in fuel and agricultural subsidies and in public wages; *Lao P.D.R.*, driven by large increases in public wages; *Honduras,* driven by election-related spending; and *Chad,* because of revenue shortfalls.

Developments on the revenue side were mixed. In some countries (*Bolivia,* Lao P.D.R.), higher-than-expected revenues partially offset the increase in spending. In other countries, lower-than-expected revenues exacerbated the deterioration of public finances—in *Tanzania* and *Uganda* because of delays in the implementation of planned tax measures; and in *Chad, Sudan,* and *Yemen* as the result of lower oil production and revenue. In *Ghana*, revenue shortfalls, combined with overruns in the wage bill and rising interest costs, raised the 2013 deficit to well above the government's target of 9 percent of GDP.

Under current policy plans, the average fiscal deficit in low-income countries is projected to remain unchanged in 2014, before gradually declining in the medium term. Near-term stances vary, however. Some countries with high deficits plan to start or continue fiscal consolidation this year (Honduras and *Senegal*), and a few (*Côte d'Ivoire*, Ghana, Sudan, Yemen, and Zambia) have initiated subsidy reform. In others, an expansionary fiscal stance is expected, partly driven by capital spending (*Mozambique*). Overall, debt ratios are projected to increase during the coming two years—although, in most countries, at a relatively moderate pace—to an average of 43½ percent of GDP. In about half of the low-income country sample, debt ratios are forecast to continue increasing steadily through the end of the decade, warranting fiscal adjustment in the medium term.

Reduced Access to Foreign Aid and Commodity Price Volatility Are Key Risks

High revenue volatility and spending rigidities remain key underlying vulnerabilities in low-income countries. The Pacific Island Countries epitomize these challenges (Box 1.3). In the context of possible declines in commodity prices and aid flows and increased market volatility, some commodity exporters (*Republic of Congo,* Yemen, and Zambia), aid-dependent countries (*Haiti* and Mozambique), and market-access countries (Ghana, Honduras, Tanzania, *Vietnam,* and Zambia) may experience stronger fiscal headwinds. Furthermore, spending rigidities caused by rising wage bills (Ghana, Lao P.D.R., and Mozambique) and subsidies (Zambia) compound budget weaknesses. Government spending arrears or contingent liabilities (e.g., government guarantees, including those related to public-private partnerships) are sizable in some countries (*Cambodia,* Ghana, Mozambique, and Tanzania).

Increasing Revenue Mobilization and Spending Efficiency, Including through Reform of Subsidies, Remain Key Priorities

The main challenge for low-income countries is to take advantage of relatively favorable external conditions to strengthen buffers against shocks and advance policies to sustain more inclusive growth in the longer term. Concerns about the quality of spending, especially in countries where, in recent years, large increases in debt have not been associated with higher capital spending (Ghana, Honduras, Sudan, and Zambia), highlight the need to strengthen institutional capacity (Figure 1.4, panel 4). Several low-income countries have embarked on public financial management reforms, including enhancing the processes for appraisal, selection, implementation, and audit of investment projects; improving ministerial coordination in the budgeting process; promoting fiscal transparency; and strengthening the medium-term orientation of their fiscal policy frameworks, but the pace of the reforms is generally slow. In this context, increased compliance with Extractive Industries Transparency Initiative standards (*Cameroon*) is welcome. More timely and transparent fiscal reporting and close monitoring of contingent liabilities are also necessary to strengthen public finances in many other low-income countries.

Where fiscal adjustment is warranted, it should safeguard social safety nets and growth-friendly investment as infrastructure gaps remain large. Mobilization of additional revenues is critical in this regard, especially in resource-rich countries with low nonresource revenues and in aid-dependent countries with low domestic revenues. Eliminating costly energy subsidies can provide additional fiscal space while reducing budgetary shocks.

Box 1.1. Moment of Truth: Unfunded Pension Liabilities and Public Debt Statistics

In July 2013, the United States implemented a new methodology for its national accounts (including the financial accounts) along the lines of the 2008 System of National Accounts (SNA). One of the major conceptual changes concerns the accounting treatment of defined-benefit pension funds (DBPFs), including those funds that cover government employees. Although these funds are not part of the government sector (they are in the financial business sector), the change has implications for the government accounts: it results in a significant increase in recorded general government liabilities (the government debt) and expenditure, and thus the government deficit. The accounting change does not affect the general pay-as-you-go Social Security system.

Under the previous methodology, DBPFs did not record as liabilities the accrued entitlements of their beneficiaries. They recorded as revenue the actual employer and employee paid-in contributions and income from their investments, and recorded actual benefits paid out as expenses. Under the new standard, the present value of the beneficiaries' accrued entitlements (measured on an actuarial basis) is recognized as a liability of the DBPF. The difference between the fund's liabilities and assets (the underfunding) is recorded as a claim on the employer and, in the balance sheet of the employer, as a liability to the DBPF.[1] As a result, the financial accounts (formerly flow of funds) now show "pension entitlements" as an asset of the household sector and as a liability of the pension fund sector. The difference between pension entitlements and pension fund

assets (underfunding or overfunding) is now shown as "claims of pension fund on sponsor," which is an asset of the pension funds and a liability of the sponsors of the funds (e.g., state and local governments, the federal government, and corporations, as applicable). In particular, government liabilities are now increased by the extent of underfunding of DBPFs of government employees (Figure 1.1.1).

The government accounts also now record additional expenditures. In addition to actual contributions paid to DBPFs by the government as employer, imputed contributions corresponding to the present value of newly accrued employee entitlements (less any contributions actually paid) are included in "labor costs." Finally, interest expenditure is augmented by the imputed interest on the recorded government liabilities to DBPFs.

Few countries have adopted the 2008 SNA to date. Australia, Canada, and the United States implemented the most important changes (employers' pension schemes, and capitalization of research and development and some military expenditure) between 2009 and 2013. European Union countries aim for 2014[2] and Japan for 2015. In the countries that have adopted the new standard, the unfunded pension liabilities of the general government are substantial, at more than 20 percent of GDP. In addition, the two newly reported expenditure items (mainly the imputed interest) widened the reported overall deficit of the United States by an annual average of 1.2 percent of GDP during 2009–12 (1.1 percent of GDP in 2012 as in Table 1.1.1).

Table 1.1.1. United States: General Government Balance Adjusted for Imputed Expenditure under the 2008 System of National Accounts (SNA)
(Percent of GDP)

	2010	2011	2012
General government overall balance (Current 2008 SNA methodology)	−12.5	−11.0	−9.7
Imputed expenditure under 2008 SNA	1.2	1.1	1.1
Imputed employer contributions	0.1	0.0	0.0
Imputed interest on unfunded pension liabilities	1.1	1.1	1.1
General government overall balance, adjusted for imputed expenditure under the 2008 SNA	−11.3	−10.0	−8.6

Sources: Bureau of Economic Analysis; and IMF staff estimates.
Note: The GDP used is not adjusted and is based on the 2008 SNA methodology. Figures for 2013 are not yet available.

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[1] Under the 1993 SNA, funded pension schemes have an identifiable, segregated fund with assets built up by paid-in contributions. They receive actual contributions paid by employers and employees, receive property income from their investments, pay out benefits to households, and hold assets. For a defined-contribution scheme, this is correct and complete because the eventual payment of benefits depends only on the

amount set aside. For a defined-benefit scheme, however, there is no guarantee that the amount set aside will exactly match the promises made by the pension sponsor. Hence, the possibility is that underfunding or overfunding may arise.

[2] European Union countries have adopted the new standards in the framework of the European System of Accounts 2010, which is to be implemented in the second half of 2014.

Box 1.1 *(concluded)*

Figure 1.1.1. United States: Revisions to Government Gross Liabilities
(Percent of GDP)

1. General Government

Legend:
- Unfunded pension liabilities
- Pre-revision
- Post-revision

2. State and Local Governments

3. Federal Government
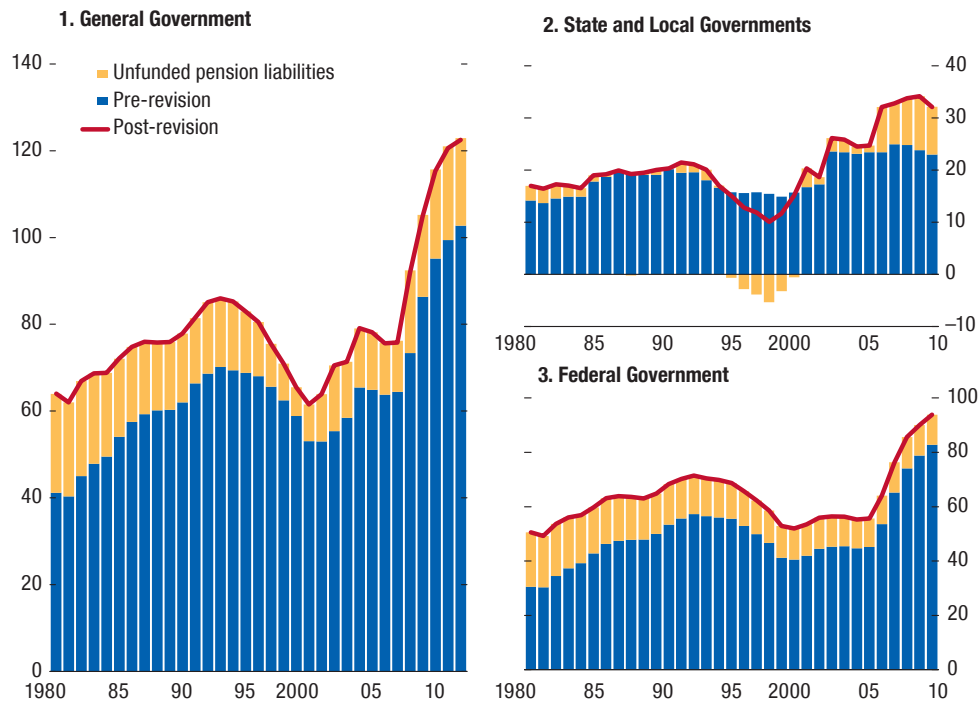
Sources: Federal Reserve Flow of Funds; Bureau of Economic Analysis; and IMF staff estimates.

The explicit recognition of unfunded pension liabilities of DBPFs and related costs is a welcome development in fiscal reporting: it improves transparency and should better inform economic decisions. However, the asynchronous implementation of the 2008 SNA may impair cross-country comparability of fiscal data. Government debt ratios, in particular, are typically significantly higher under the new standard. In practice, the gross debt figures in the *Government Finance Statistics Yearbook (GFSY)* database, for example, include unfunded pension liabilities for Australia, Canada, and the United States (and for Hong Kong, Iceland, and New Zealand, which recognize these liabilities in their reporting, although they have not yet adopted the 2008 SNA). By contrast, the World Economic Outlook and Fiscal Monitor databases exclude unfunded pension liabilities from gross debt for cross-country comparability (Table 1.1.2).

Cross-country analyses may also need to take into account differences in the institutional setup for pro-

Table 1.1.2. Comparison of Debt-to-GDP Ratios

	Fiscal Monitor	*GFSY*[1]	Year
Australia	24.3	47.4	2011
Canada	83.5	107.1	2011
United States	102.4	122.6	2012

Sources: IMF, *Government Finance Statistics;* and IMF staff estimates and projections.
Note: *GFSY = Government Finance Statistics Yearbook.*
[1] Based on 2008 System of National Accounts; includes unfunded pension liabilities.

viding pensions to government employees. Australia, Canada, and the United States provide pensions to government employees mainly through DBPFs, whereas most European Union countries and Japan do so primarily through general, pay-as-you-go social security schemes. The possible underfunding of the latter schemes is not explicitly recognized as government debt under the 2008 SNA.

Box 1.2. Nonresident Holdings of Emerging Market Economy Debt

Nonresident investors constitute a significant source of government financing in many emerging market economies. On average, nonresidents hold about one-third of total emerging economy government debt (in a sample of 11 emerging markets; see Figure 1.2.1 and Statistical Table 12b). Until 2009, most nonresident financing took place in foreign-currency-denominated government securities. Since 2009, however, local currency debt held by nonresidents has more than doubled as a percentage of GDP, driving the increase in externally held government debt. During the same period, foreign-currency-denominated debt has declined from 9 to 7½ percent of GDP, a level similar to that of nonresident holdings of local currency debt.

The shift in the currency denomination of nonresident debt holdings has both advantages and shortcomings.[1] Increased nonresident participation in the local government bond market contributes to domestic market deepening and financial development. Lower foreign currency government liabilities imply reduced currency risk for the government and, coupled with

flexible exchange rates, allow for better management of refinancing risk. Nevertheless, large nonresident holdings of local currency bonds strengthens the transmission of swings in global demand for emerging market assets into domestic markets and makes nonresident demand for government bonds more sensitive to domestic conditions, such as inflation.

From the standpoint of public debt sustainability, the growing participation of nonresidents in domestic debt markets has medium-term fiscal policy implications. Historically, many emerging market economies have been able to maintain broadly stable debt ratios despite large primary deficits because of very low (often negative) real interest rates on domestic debt (Escolano, Shabunina, and Woo, 2011). In turn, these rates were possible primarily as a result of relatively closed, captive domestic markets for government debt. As domestic debt markets become more integrated in global financial markets, many emerging economies will need to adjust their medium-term fiscal targets to offset the increase in funding costs caused by the loss of pricing power. Real interest rates in many emerging economies have recently started to rise, and countries with higher nonresident holdings may see sharper increases as liquidity conditions in advanced economies tighten.

[1] See the April 2014 *Global Financial Stability Report* for a detailed discussion of the financial implications of changes in the investor base.

Figure 1.2.1. Currency Composition of Nonresident Government Debt Holdings
(Percent of GDP)
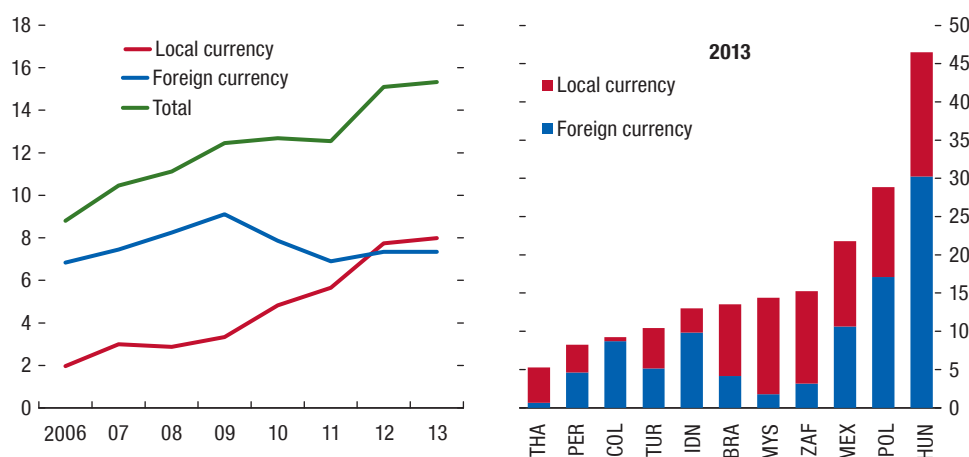
Sources: Joint External Debt Hub, Quarterly External Debt Statistics; and IMF staff estimates and projections.

Box 1.3. Fiscal Challenges in the Pacific Island Countries

The unique characteristics of the Pacific Island Countries make fiscal management more challenging than in other countries, including other small states. The budgets of these countries are subject to several sources of volatility stemming from large fluctuations in GDP, terms of trade, and aid, among other factors. Spending rigidity caused by the indivisibility of public goods and a large share of current expenditure is also an issue. As a result, fiscal policy has been procyclical at times, thereby amplifying the business cycle (Cabezon, Wu, and Tumbarello, 2013).

Revenue volatility in Pacific Island Countries is larger than in other small states (Figure 1.3.1). The revenue base is narrow and subject to exogenous shocks, including natural disasters, terms of trade, tourism, remittances, and aid. In micro states, lumpy nontax revenues, particularly fishing license fees, further increase revenue volatility.

This box is based on Baldacci, Cabezon, and Tumbarello (forthcoming). The Pacific Island Countries are Fiji, Kiribati, the Marshall Islands, Micronesia, Palau, Samoa, the Solomon Islands, Tonga, Tuvalu, Vanuatu, and Papua New Guinea.

High dependence on foreign aid is a source of fiscal vulnerability. In the past decade, approximately 40 percent of Pacific Island Countries' total fiscal receipts consisted of foreign grants (Figure 1.3.2). Aid flows were more volatile than tax revenues. Another severe future fiscal challenge is the 2023–24 scheduled expiration of U.S. aid flows—a significant share of the budget in the Marshall Islands, Micronesia, and Palau, under the "compact grants" scheme.

Government expenditure, especially current spending, is large in the Pacific Island Countries relative to their peers (Figure 1.3.3). The high current spending share occurs because the public sector is typically the main employer and provider of goods and services. Public spending in these countries amounted to about 50 percent of GDP in recent years, and to more than 58 percent in micro states, well above the average for other small states (32 percent). Pacific Island Countries' small populations, remoteness, low connectivity, and extreme dispersion make the cost of public services higher than in other countries because some public services must be provided regardless of population size (Figure 1.3.4). Distance from key markets raises import transportation costs.

Figure 1.3.1. Pacific Island Countries: Volatility of Revenue (excluding grants)
(Percent of GDP; standard deviation of revenue)
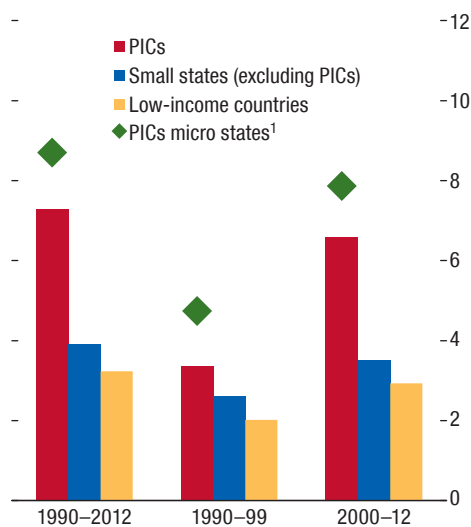
Source: IMF staff estimates and projections.
Note: PICs = Pacific Island Countries.
[1] Includes PICs with a population of fewer than 200,000 inhabitants.

Figure 1.3.2. Pacific Island Countries: Revenue and Grants, 2003–13
(Percent of GDP)
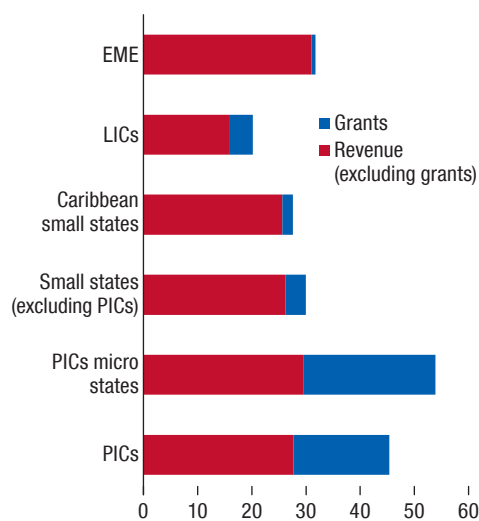
Source: IMF staff estimates and projections.
Note: EME = emerging market economies; LICs = low-income countries; PICs = Pacific Island Countries.

Box 1.3 *(continued)*

Figure 1.3.3. Pacific Island Countries: Government Expenditure, 2003–13
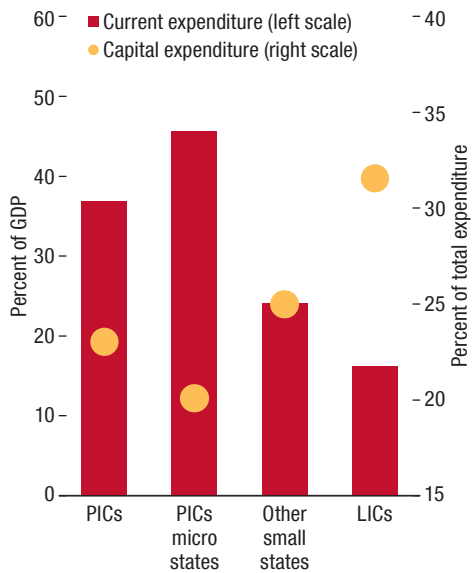
Source: IMF staff estimates and projections.
Note: PICs = Pacific Island Countries; LICs = low-income countries.

Capital spending accounted for only 22 percent of total spending in the past decade. Public investment is low relative to low-income countries and largely financed by foreign grants, and spending effectiveness is weak. Although a large share of total spending (current and capital) as a percentage of GDP is allocated to health and education, the rate of return on this spending is poor as measured by human development indicators, including life expectancy and school enrollment.

Pacific Island Countries' vulnerability to shocks suggests they need to strengthen their fiscal frameworks and continue building fiscal buffers to foster resilience to shocks and create fiscal space for spending on infrastructure, health, and education. Such spending will lift their long-term potential growth and reduce poverty in the region. Thus, key policy objectives include minimizing budget revenue volatility and building rainy-day funds, strengthening the medium-term orientation of fiscal policy, creating room for progrowth spending programs, improving the quality and efficiency of spending through public financial management reforms, and ensuring medium-term fiscal sustainability.

Figure 1.3.4. Pacific Island Countries: Current Government Expenditure[1], 2000–12
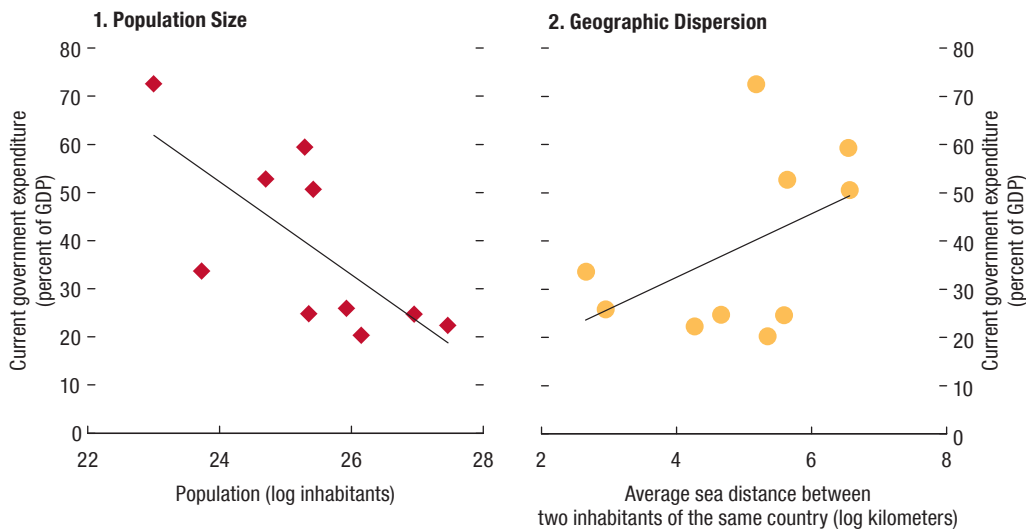
Source: IMF staff estimates and projections.
[1] Excludes Papua New Guinea.

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Public spending reform has come to the forefront of the policy agenda in advanced and developing economies alike, although the terms of the debate are different in each:

- In many advanced economies where the tax burden is already high, meeting the authorities' medium-term consolidation objectives, reducing public debt to safe levels, and addressing age-related expenditure pressures will necessarily require reining in public spending. Indeed, in many advanced economies, the composition of fiscal adjustment is beginning to shift toward expenditure measures.

- In emerging market and developing economies, the focus is on responding to the growing demand for public services, including education, health care, and infrastructure, which, in many countries, will require a combination of revenue mobilization and careful prioritization of spending.

Despite the different circumstances, the common denominator across these country groups is the need to balance the provision of needed public services with the goals of ensuring long-term fiscal sustainability and maintaining a tax burden that does not harm growth. Within these parameters, countries have significant leeway to choose the desirable level of public services provision and spending priorities.

Drawing from theory and experience, this chapter examines options for prioritizing and streamlining public expenditure. The analysis takes into account the redistributive and growth-enhancing dimensions of public spending and the need to maximize efficiency. It also discusses how fiscal institutions can support expenditure reform. It does not address the broader issue of the optimal size and role of the state; that issue largely reflects social preferences that extend beyond the scope of the *Fiscal Monitor*.

Past and Expected Spending Trends

Government spending has expanded in most countries around the world since the 1960s, and a number of fac-tors may continue to fuel spending pressures, particularly in developing economies.

Government spending has been on a long-term upward trend in most countries, fueled in large part by rising social spending.[1] In advanced economies, government spending outpaced nominal GDP growth from the 1960s to the mid-1980s, but then tended to level off (Figure 2.1). Social spending, in particular on public health care and pensions, has driven up the government's share of the economy to more than 40 percent, on average, and to more than 50 percent of GDP in a quarter or more of the advanced world. Following the 2008 global financial crisis, countercyclical fiscal policies and outlays to support the financial sector[2] resulted in a massive increase in government debt. During the past few years, consolidation efforts have reversed the trend in most countries, with cuts falling mostly on wages and public investment (Chapter 1; Figure 2.2).

In developing economies, government spending has also risen during the past few decades, and now represents about 30 percent of GDP in emerging market economies and 25 percent in low-income countries. In many emerging market economies, the increase since the mid-1990s has been driven by expanding social spending and, to a lesser extent, public investment, and has been made possible by the space created by significant improvements in fiscal management and tax capacity. In low-income countries, public investment and the wage bill—in some cases linked to health and education spending—have increased the most. Since 2010, spending behavior has varied widely across emerging market economies, but has maintained its upward trend in most low-income countries.

At first glance, pressures to increase public spending may seem uncontrollable:

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[1] Social spending includes social protection, education, and health care.

[2] For the size of the fiscal cost of financial sector support associated with the 2008 global financial crisis, see Table 1.6 of Chapter 1; Laeven and Valencia (2013); and IMF (2009a).

Figure 2.1. General Government Expenditure
(Percent of GDP)

1. Select Advanced Economies, 1950–2013

2. Emerging Market Economies and Low-Income Countries, 1996–2013
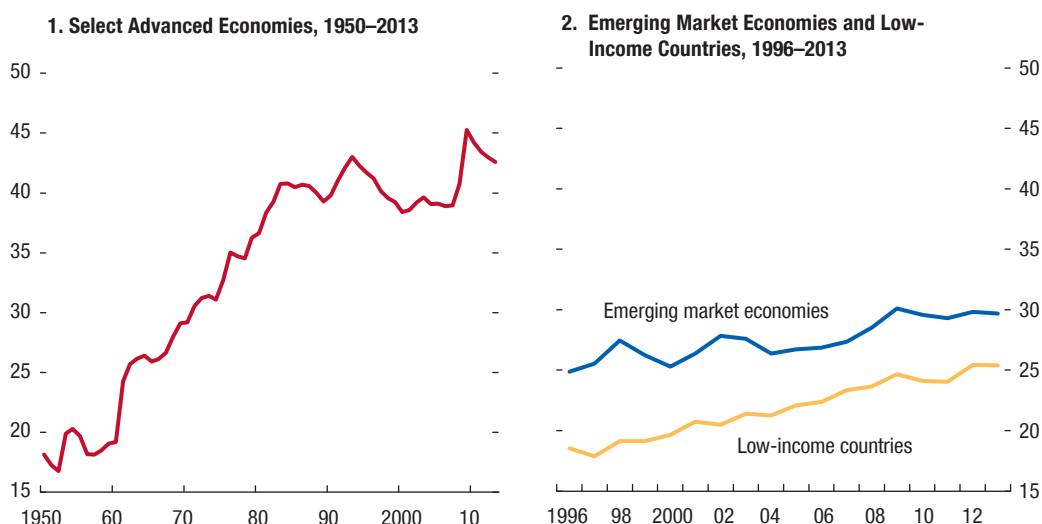
Sources: Mauro and others (2013); and IMF staff estimates.

- *Economic theory* suggests that government expenditure in emerging market economies and low-income countries will be on the rise for some time, particularly where social spending is low and infrastructure gaps are high. Higher per capita income has been associated with a higher demand for public services (Wagner's law). Since the mid-1980s, however, this effect appears to have waned in advanced economies—partly as the result of public expenditure reforms and, perhaps, because the demand for public services stabilizes once a certain level of development is reached. Another point is that the price of government services is expected to rise faster than the price of private goods and services, thus increasing the government's share in the economy even if the government keeps its share of goods and services constant (Baumol's cost disease). Box 2.1 discusses the Wagner and Baumol effects in more detail.

- *Demographic trends* in both advanced and developing economies will put pressure on age-related expenditures (health care and pensions) and, in some cases, on education spending. In many developing countries, coverage expansion of health and pension benefits and the projected increase in school enrollment will further contribute to rising expenditures.

- *As fiscal consolidation efforts continue* in advanced economies, upward pressures on spending could reemerge even as output gaps close and deficits narrow. With stocks of public debt still large, the normalization of interest rates will increase interest payments. Sharp, continued cuts in public investment may need to be reversed to avoid a depletion of public capital stocks and potentially adverse effects on long-term growth, particularly when private sector investment is also on the decline. And rising inequality is already fueling demands for greater redistributive spending (IMF, 2014).

However, these pressures run against an inescapable fact: the fiscal space to accommodate spending increases is sharply constrained, as discussed in Chapter 1 and in the October 2013 *Fiscal Monitor*. Expenditure reform is thus necessary in both advanced and developing economies to contain, or accommodate where warranted, some of the pressures described above. In addition, greater involvement of the private sector in the provision of public services (through the outsourcing of noncore functions, public-private partnerships, concessions, and so forth) could further attenuate some of the pressure on the public accounts.

Options for Spending Reforms

The scope and timing of spending reforms should be in tune with each country's circumstances, but generally, reform

efforts should stay clear of across-the-board cuts; tackle major spending items such as the public wage bill and social protection programs; seek gains from better targeting and efficiency-enhancing rationalization; arrest the trend decline in public capital stocks; and mobilize appropriate institutional and political support.

The precise shape of an expenditure strategy will depend on country-specific circumstances, including sociopolitical preferences about the role of the government and the ability of the government to raise taxes. Nevertheless, meaningful expenditure reform strategies essentially consist of three main elements: ensuring the sustainability of social spending and the public wage bill—the main items in most governments' budgets; achieving efficiency gains while paying due regard to equity; and establishing institutions that promote spending control and enhance its effectiveness. Past experience suggests some general guidelines for action across these three dimensions:

- In those countries where fiscal realities call for inevitable reductions in spending, *across-the-board cuts should be avoided*. This approach may seem expedient, but it is neither efficient nor welfare enhancing, and can affect the economy's long-term growth potential, in addition to hurting low-income population groups. Fiscal adjustments are more durable when attained through reforms that reflect well-thought-out strategic choices that protect programs with high marginal social benefit.

- *Reforms to public sector wages and employment can generate substantial savings and bolster long-term growth*, particularly where public sector wages are higher than those prevailing in the private sector—adjusted for differences in human capital—or the size of public employment is disproportionate to the services provided to the economy. Past episodes of successful adjustments suggest that reforms to the public wage bill have been the most long-lasting and growth friendly (Gupta and others, 2005; Hauptmeier, Heipertz, and Schuknecht, 2006; Kumar, Leigh, and Plekhanov, 2007). However, a closer look at successful reform cases suggests that design matters. Wage and employment freezes can be effective in the short term but cannot substitute for deeper reforms that address genuine staffing needs and efficiency in the civil service.

- *Scrutinizing social expenditure programs* can, in many cases, generate substantial savings and improve efficiency, while preserving equity. Both advanced

Figure 2.2. Change in Primary Expenditure Items, 2009–13
(Percent of potential GDP)

1. Most Indebted Advanced Economies[1]

2. Emerging Market Economies

3. Low-Income Countries

- ● Total primary expenditure
- ■ Social benefits (green)
- ■ Compensation of employees (gray)
- ■ Capital expenditure (blue)
- ■ Other (yellow)
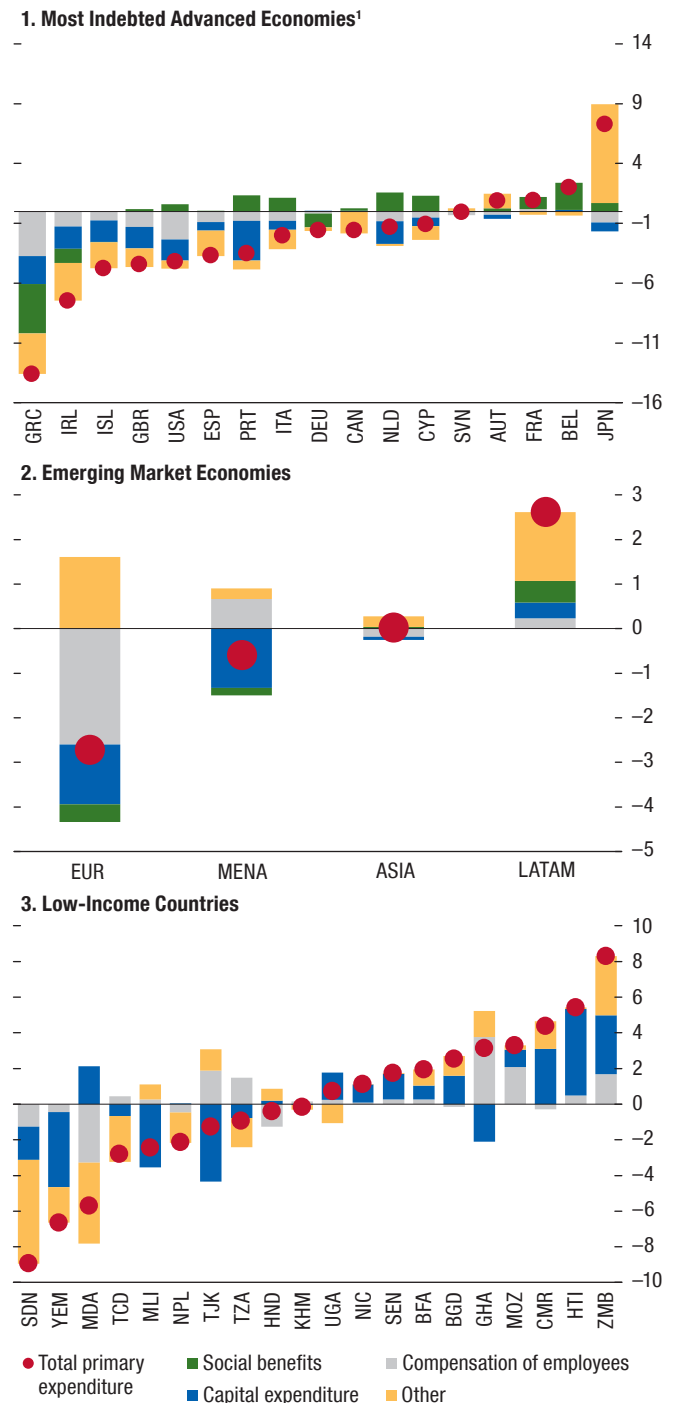
Source: European Commission; and IMF staff estimates and projections.
Note: For the United Kingdom, capital expenditure excludes capital transfers to the private sector. For low-income countries, the yellow bars refer to social benefits and others. EUR = Europe; LATAM = Latin America; MENA = Middle East and North Africa.
[1]Consists of advanced economies whose debt is greater than 70 percent of GDP.

and developing economies have scope to rationalize programs to adapt to changing demographic trends and needs of the economy. For example, in some countries where school enrollment is high, reorienting education spending toward age-related spending may be justified. In addition, replacing generalized transfers (e.g., price subsidies) with targeted income or in-kind transfers can be both cost-effective and equity-enhancing.

- *Gains from improving efficiency are potentially large*, and could prevent spending restraint from affecting the quantity or quality of the services delivered. In health and education in particular, greater competition and adoption of practices currently used by the private sector have the potential to address cost pressures and, at the same time, generate savings so that coverage can be expanded where needed.

- *A trend decline in public capital stock in advanced and emerging market economies will need to be gradually arrested* to avoid adverse effects on long-term growth and welfare. Slowing this decline would require more-productive public investment or increased private sector participation, including through public-private partnerships with appropriate safeguards and changes in the regulatory framework for private participation. In emerging market economies and low-income countries, where infrastructure gaps remain large, in addition to raising investment, improving the efficiency of public investment is crucial to help meet infrastructure demands.

- Expenditure reform is more effective when accompanied by *supportive fiscal institutions*. Two particular components are critical for spending reform: well-designed expenditure rules and effective decentralization frameworks. In addition, expenditure reforms are more likely to be successful and long-lasting if supported by extensive political consensus building and a broad communications strategy, particularly at times of political uncertainty and rising social pressures (IMF, forthcoming; Clements and others, 2013).

The sections that follow provide a more detailed analysis of these issues and a menu of reform options available to policymakers. Ultimately, the policy choices and priorities, including the pace and sequencing of the implementation of expenditure reforms, will depend on country circumstances and preferences, including starting conditions, institutional settings, and debt sustainability considerations.

Reforms to Public Employment and Compensation

Public wage bill reforms should target structural changes that strengthen the link between pay and productivity, improve hiring processes, and ultimately raise efficiency in the provision of public services. They should also be coordinated with reforms in other areas, especially in the labor-intensive health and education sectors, to ensure objectives are aligned. In emerging market and developing economies, further increases in the wage bill should be commensurate with the provision of services and growth of the fiscal space.

The government wage bill is a key input in the production of government goods and services. It represents about 30 percent and 60 percent of government spending in health and education, respectively, in advanced economies, and is always a major item in the budget (about 10 percent of GDP, on average, in advanced economies and between 5 percent and10 percent of GDP in emerging market economies and low-income countries) (Figure 2.3). Reforms to government employment and compensation are thus unavoidable elements of spending reforms.

Reforms in public employment and compensation have taken place in economies at all income levels. During the 1980s and 1990s a number of emerging market and developing economies initiated comprehensive civil service reforms with mixed success. Many of these reforms were initiated in response to fiscal imbalances, but they also sought to improve accountability and the quantity and quality of public services provided.[3] Three main lessons emerge from these early reforms. First, emergency measures, such as temporary wage and hiring freezes, tend to have only short-term effects, if any. Second, long-term reforms that might yield substantial results typically are politically difficult to implement (World Bank and IMF, 2002; Clements and others, 2010). Some successful reform efforts included targeting on the basis of skills and age along with compensation packages that assisted with the reallocation of the affected government workers. These reforms were accompanied by productivity gains in certain areas, including tax administration and public enterprises, but tended to be financially costly (Haltiwanger and Singh, 1999). Third, reforms in the wage bill should be

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[3] See Nunberg and Nellis (1995) and World Bank and IMF (2002) for a discussion of civil service reform programs in many low-income countries with World Bank and IMF programs.

Figure 2.3. Key Facts About the General Government Wage Bill, Employment, and Average Wage, 2010[1]
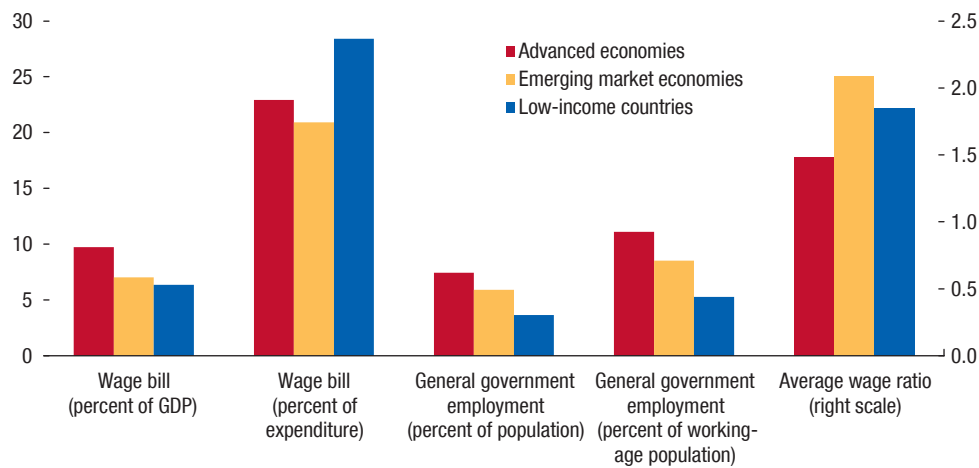
Sources: International Labour Organization; Eurostat; and IMF staff estimates.
Note: Average wage ratio is defined as the average wage of the general government sector divided by that of the entire economy.
[1] Figures for general government employment refer to 2008 data.

coordinated with reform in other areas, especially in labor-intensive health and education. Early in the first decade of the 2000s, the use of "wage bill ceilings" in the absence of effective payroll management systems in some low-income countries may have impeded the hiring of adequate workers in these social sectors (Fedelino, Schwartz, and Verhoeven, 2006).

The government wage bill has also typically been a major target during recent fiscal consolidation efforts in advanced economies, partly because of its sheer size in the budget and rigidities in other expenditure items. Since 2009, more than 20 countries with high consolidation needs have introduced measures to curb the government wage bill. Many of them were in Europe, where the existence of a positive government wage premium relative to the private sector[4] and, in some cases, the large increase in the wage bill in the run-up to the crisis, were important contributing factors.

A comparison of these recent wage bill consolidation episodes with previous efforts in advanced economies shows that the two sets share many characteristics (Figure 2.4).[5] In both historical and recent episodes,

wage measures were more common than measures to reduce public employment. All episodes included some short-term measures—such as wage or hiring freezes, or both—that would typically expire within a few years. In both the historical and recent episodes, about 40 percent of countries introduced some structural measures aimed at reforming the public wage formation or the hiring process, or both, or reorganizing the government (Box 2.2). Some of the historical episodes were part of macroeconomic stabilization plans, often in connection with disinflation, but some were primarily driven by the need to reduce fiscal deficits, as is currently the case.

Three conclusions from this analysis and the recent literature stand out:

- The reduction of the government wage bill has been larger and more durable when the adjustment included structural measures, as such measures often permanently improved the efficiency of the wage formation and hiring processes or the range of services provided, or both. Social dialogue and public support for reform has also been an important factor for success, allowing policymakers to introduce more fundamental reforms or sustain temporary measures over a longer period (Figure 2.5).[6] Alternatively,

[4] For evidence on the public sector wage premium in the euro area, see Giordano and others (2011); and more broadly on European countries, see de Castro, Salto, and Steiner (2013).
[5] Historical episodes are taken from Devries and others (2011).

[6] For example, in Austria in 1996–97, the authorities consulted social partners extensively at each stage of the reform process and

Figure 2.4. Comparison of Recent (2009–13) and Historical (1979–2009) Wage Bill Consolidation Episodes[1]
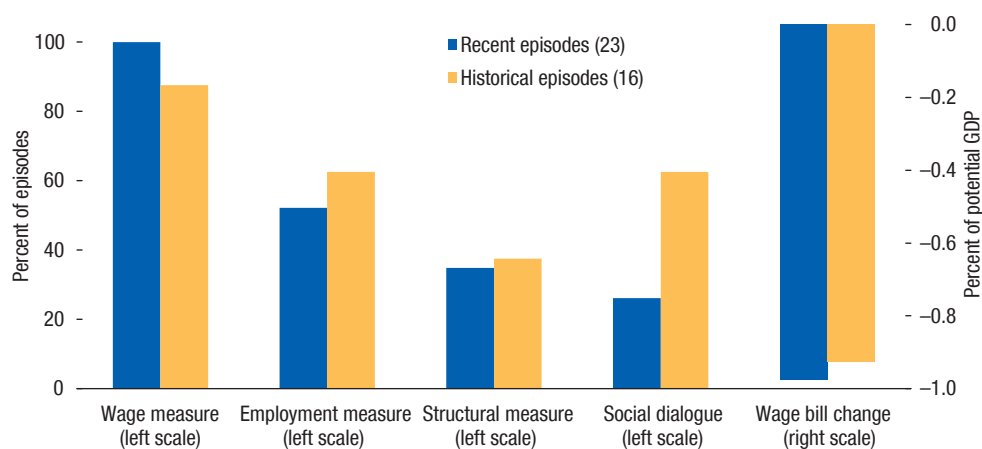
Sources: For historical episodes, Devries and others (2011); IMF Staff Reports for Article IV consultations for various countries and years. For recent episodes, Organisation for Economic Co-operation and Development (Public Sector Compensation in Times of Austerity, 2012); IMF Country teams; and IMF Staff Reports for Article IV consultations.
Note: For examples of structural measures and social dialogue, see Box 2.2. Wage bill reduction is calculated over five years, following the first year of reform for the historical episodes; it is calculated as the change from 2009–2012 for the recent episodes. We use potential GDP whenever available, otherwise nominal GDP.
[1] Historical episodes are: Austria (1996–97), Belgium (1982), Belgium (1992, 1994), Canada (1991–92), Italy (1993–95), Portugal (2005–07), United Kingdom (1994), Denmark (1983–84), Germany (1983–84), Germany (1995– 2000), Ireland (1982), Ireland (1987–88), the Netherlands (1984–86), the Netherlands (2005), Portugal (2000–03), Spain (1997). Recent ones (from 2009) include: Bosnia, Bulgaria, Croatia, Cyprus, the Czech Republic, France, Greece, Hungary, Ireland, Italy, Japan, Latvia, FYR Macedonia, Netherlands, Poland, Portugal, Romania, Serbia, the Slovak Republic, Spain, the United Kingdom, and the United States.

reforms with little social dialogue may well unravel after a few years. To be sure, these results may also apply to other spending reforms.

- Downsizing that is part of a reorganization of government services and that targets specific positions and functions is likely to be more successful in achieving permanent reductions in employment than an untargeted, across-the-board cut in employment. The literature on civil service reform also suggests that voluntary departure schemes have not been very effective, as they suffer from adverse selection problems (Haltiwanger and Singh, 1999; OECD, 2011; Holzman and others, 2011).

- Reforms to public sector wages and employment can generate substantial savings and bolster long-

term growth, particularly where public sector wages (adjusted for differences in human capital) are higher than those prevailing in the private sector, or the size of public employment is disproportionate to the services provided to the economy. An overblown and poorly managed public sector can result in sizable inefficiencies and crowd out private sector employment (Algan, Cahuc, and Zylberberg, 2002; Behar and Mok, 2013). Whether reforms should focus on wage levels and their dispersion or on employment depends on a country's starting point. Countries with high public wage premiums vis-à-vis the private sector might want to correct wages first, and countries with large (and maybe relatively poorly paid) staffs might consider reorganizing and streamlining the provision of services.

In many emerging market and developing economies, an increase in public employment may be necessary as the coverage of public services, particularly health care and education, expands. Nevertheless, this increase should be commensurate with the provision of services and the growth of the fiscal space, and should

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secured a lasting agreement, in contrast to failed attempts in 1995. Canada, after introducing measures to explicitly contain the wage bill at the beginning of the 1990s, consolidated the effort with a comprehensive review of federal spending for a "long-lasting structural change in what the government does" and a "fundamental change in how the government delivers programs and services" (1995 Budget).

not occur at the expense of other productive spending. Eliminating "ghost workers" and reducing absenteeism can be the first step toward boosting efficiency. Using increases in public wages as a short-term stimulus, as occurred recently in some Arab Countries in Transition[7] should be avoided because such increases are difficult to reverse.

Regardless of whether the immediate goal is to contain the growth of the wage bill or to create the fiscal space to accommodate a larger one, an important challenge is to attract the necessary staff to ensure that public services are provided in an efficient manner. Increasing the link between pay increases and employee or team performance and periodically reassessing employment levels in line with the functions of the government should ensure retention of skills while improving efficiency.

Ensure the Sustainability of Public Pension and Health Care Systems

Reforms are needed to ensure the long-term sustainability of public pension and health care systems, or to increase their coverage where appropriate. For pensions, raising the retirement age and adjusting contributions and benefits are the key options. Among these, gradually raising the retirement age, while protecting the vulnerable and expanding access when needed, seems to be the most attractive choice. For public health care systems, most countries have room to improve efficiency through greater competition and better regulation, and to contain the growth of health spending or to generate savings to expand its coverage. The government has a critical role in setting the overall policy framework for public and private health care provision and balancing service quality, coverage, efficiency, and cost-effectiveness considerations.

Age-related spending for public pensions and health care is often the largest item in government budgets, accounting for 40 percent of primary spending (16½ percent of GDP in 2013) in advanced economies and 30 percent (9 percent of GDP in 2013) in emerging market economies, on average. Absent further reforms, expenditure in pensions and health care is projected to increase by 3 percentage points and 2 percentage points of GDP in these two country groups, respectively, during the next two decades. Expanding cover-

[7] Egypt, Jordan, Libya, Morocco, Tunisia, and Yemen.

Figure 2.5. Cumulative Change in the Public Wage Bill Ten Years after the First Year of Measures
(Percent of GDP)

1. Structural versus Non-Structural Measures

2. Social Dialogue versus Little Social Dialogue
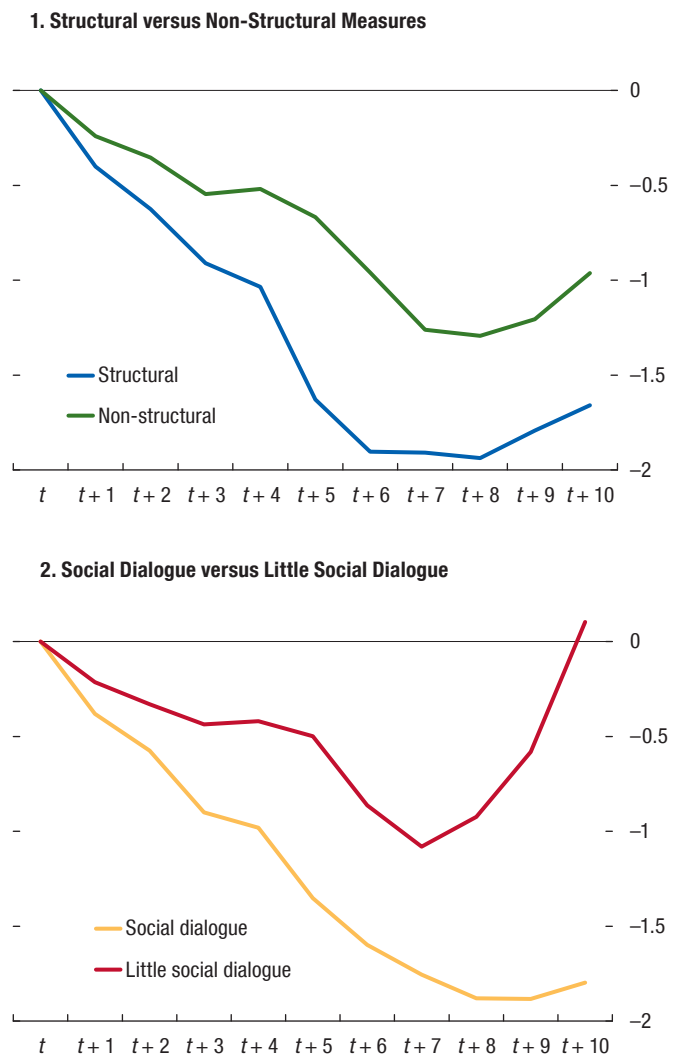
Sources: Eurostat; and IMF staff estimates and calculations.
Note: *t* indicates the year of introduction of the wage bill measure. Episodes with structural measures are: Austria (1996–97), Belgium (1982), Canada (1991–92), Italy (1993), Portugal (2005–07), the United Kingdom (1994). Those without are: Belgium (1992, 1994), Denmark (1983–84), Germany (1983–84), Germany (1995, 1997, 2000), Ireland (1982), Ireland (1987–88), the Netherlands (1984–86), the Netherlands (2005), Portugal (2000, 2003), Spain (1997). Episodes with social dialogue are: Austria (1996–97), Belgium (1982), Canada (1991–92), Denmark (1983–84), Germany (1983–84), Germany (1995, 1997, 2000), Ireland (1987–88), Italy (1993), the Netherlands (1984–86), Spain (1997). Those with little social dialogue are: Belgium (1992, 1994), Ireland (1982), the Netherlands (2005), Portugal (2000, 2003), Portugal (2005–07), the United Kingdom (1994).

age where needed would add to these costs.[8] Although the optimal level of age-related spending will always reflect country-specific circumstances and sociopolitical preferences, all countries can refer to some general principles to strengthen the sustainability of their public pension and health care systems.

Pensions

Pension reform has to balance three objectives: cost control, to ensure long-term sustainability; protection against old-age poverty; and redistributing contributors' lifetime savings in a fair manner. Squaring these three dimensions is particularly challenging at a time when increases in life expectancy weaken the link between the benefits collected and their actuarial equivalent. Countries will opt for different combinations along these three axes, reflecting different social and political preferences.

In advanced economies and in emerging Europe, where pension coverage is generally high, the main challenge is to improve the long-term sustainability of pension systems without undermining the ability of these systems to alleviate old-age poverty. Many of these economies have started to introduce reforms to that end. As a result, pension expenditure seems to have stabilized as a share of GDP, and medium-term pressures seem to have abated in a number of countries in Europe.[9] Reforms have included tightening pension eligibility rules (including by raising the contributory period required for full pension entitlement), reducing benefits for future pensioners, and raising the retirement age (more than 30 countries have increased the statutory retirement age to 65 or older in the past five years). Countries facing more severe financial pressures had to reduce benefits for existing retirees, usually by reducing supplementary payments and applying nominal cuts to high pensions.

In other emerging market and developing economies, the main task is to increase pension coverage and address old-age inequities in a fiscally sustainable manner. Some countries have extended pension coverage to private sector employees, or enabled voluntary participation of groups thus far excluded from contributory arrangements; expanded noncontributory basic pensions (either means-tested or conditioned solely on age and residence criteria); or introduced new, universal noncontributory benefits to augment contributory schemes with partial coverage.

These are steps in the right direction, but further efforts are needed.

- In advanced economies, long-term pension sustainability can be ensured through increases in the statutory retirement age, reductions in benefits, or increases in contributions (or a combination of these measures). Figure 2.6 illustrates this trifecta. To offset the projected increase in the ratio of pension spending to GDP from now to 2030, advanced economies would need to either raise the average statutory retirement age by about 2½ years, cut benefits across the board by 15 percent, or increase the average payroll tax rate by 3¼ percentage points. Among these options, gradually raising retirement ages seems the most attractive option because it would both contain increases in pension spending and lift employment levels and economic growth, while avoiding even larger cuts in replacement rates

Figure 2.6. Reform Options to Stabilize Pension Spending in Advanced Economies, 2013–30
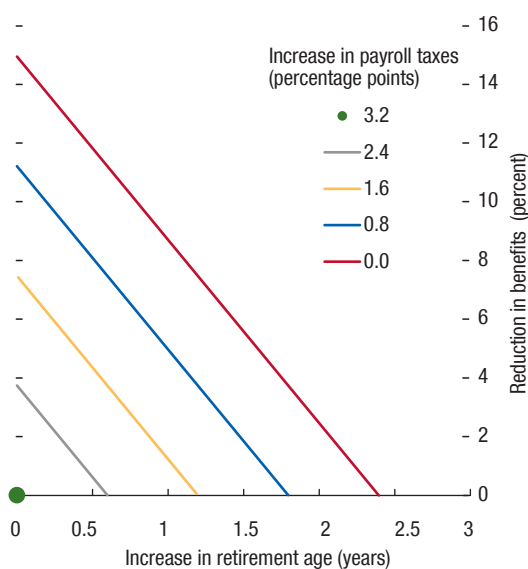
Sources: European Commission; International Labour Organization; Organisation for Economic Co-operation and Development; United Nations; and IMF staff estimates.

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[8] Estimates of future spending pressures are usually less than 1.5 percent of GDP for those regions with relatively low coverage.

[9] The projected pension spending increase in Europe for 2015–30 fell from 1.5 percentage points of GDP in 2009 (European Commission, 2009) to 1 percentage point of GDP in 2012 (European Commission and Economic Policy Committee, 2012) largely because of reforms in Greece, Italy, Portugal, and Spain.

than already legislated (October 2013 *Fiscal Monitor*). Raising the retirement age might need to be combined with provisions that mitigate its potentially adverse impact on contributors with shorter life expectancy—typically the poor.

- In many emerging market and developing economies, demographic pressures will increase the cost of coverage expansion. For example, the cost of providing a universal pension in Latin America would increase from about ½ percent of GDP in 2010 to nearly 2 percent of GDP in 2050 (Bosh, Melguizo, and Pages, 2013). Given resource constraints, increasing pension coverage in emerging market and developing economies may require reforms to existing public sector schemes that cover only the formal sector. This could help free up resources for the provision of social pensions to the wider population. To contain fiscal costs, social pension schemes should target only the needy, and the retirement age should be increased in line with developments in life expectancy. In addition, benefit levels should be set at a level sufficient to alleviate poverty but low enough to minimize incentives to remain outside of the formal pension system.

- Putting existing public pension schemes on a sound financial footing is a priority. In particular, countries that have redirected contributions and assets from the mandatory privately funded pensions to public pay-as-you-go systems (e.g., Argentina and many countries in emerging Europe) would need to review the main pension parameters to contain expenditure pressures.

Pension reforms can contribute to alleviating poverty and addressing income inequalities. As mentioned, emerging market and developing economies with low pension coverage could consider expanding noncontributory pensions as a way to increase the redistributive impact of public pension spending, although the associated cost would have to be absorbed through higher revenue mobilization or expenditure reallocation. The adverse impact of increases in retirement ages on those with shorter life expectancy—typically the poor—can be mitigated by linking pension eligibility to contribution years instead of to statutory retirement ages, by enhancing labor regulations protecting older workers, and by strengthening disability and social assistance programs for those approaching retirement age. Reductions in pensions can be progressive to avoid increases in poverty among the elderly, while minimizing disincentives to contribute to formal pension systems. Where benefit

cuts for lower-income groups are unavoidable, these groups should be provided access to other social benefits to prevent them from falling into poverty. On the tax side, pension income should be incorporated into the standard progressive income tax system to reduce the net fiscal cost of pensions while protecting lower-income groups and lowering inequality.[10]

Health care

Despite the recent slowdown in its growth rate, public health expenditure will likely continue to put pressure on government budgets in many economies in the coming decades. Advanced and developing economies face different challenges, largely mirroring those encountered with pension reform. In advanced economies, public health expenditure averages about 6¾ percentage points of GDP, and the main objective is to stabilize the ratio of public health spending to GDP without adversely affecting health outcomes. Progress so far has been limited, compared with pension reform. In emerging market and developing economies, public health expenditure is much lower (Figure 2.7), and the goal is to improve health outcomes through fiscally sustainable coverage expansion. Some countries, including China, India, Indonesia, Ghana, Kenya, Mexico, and Tunisia, have taken important steps toward universal coverage in recent years.

In both advanced and developing economies, tackling health system inefficiencies holds great potential for addressing these challenges and for increasing life expectancy (WHO, 2010; Joumard, Andre, and Nicq, 2010; Grigoli and Kapsoli, 2013; see also Box 2.3). However, the potential gains from efficiency-enhancing reforms are clouded by large uncertainties about the magnitude of those potential gains, and realizing them has often been difficult in practice. Nonetheless, country experience and the literature point to a few key areas for reform:

- *Foster competition and choice.* This includes allowing competition among insurers and service providers and disclosing information on the price and quality of health services. The reform introduced in the United Kingdom in 2006 to promote competition and choice in the hospital sector has been shown to improve health outcomes without raising costs (Gaynor, Propper, and Seiler, 2012; Gaynor, Moreno-Serra, and Propper, 2013). The extent to

[10] See October 2012 *Fiscal Monitor*, Box 5.

Figure 2.7. Health Expenditure by Country Group
(Percent of GDP)
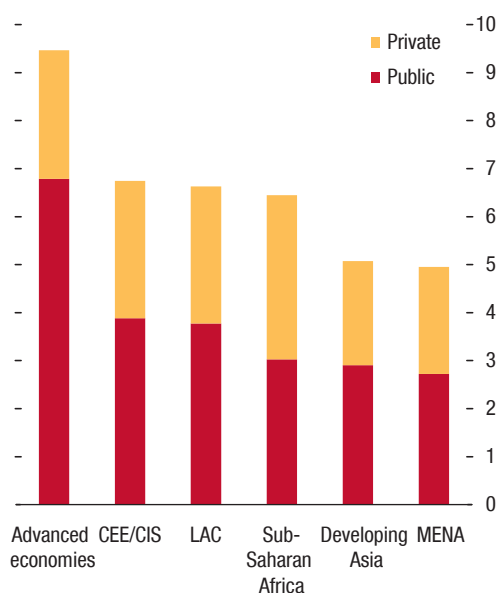
Sources: World Health Organization; and IMF staff estimates.
Note: CEE/CIS = Central and Eastern Europe and the Commonwealth of Independent States; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa.

which competition and choice are used in health systems varies considerably across economies, leaving scope for significant benefits from implementation of such reforms (Joumard, Andre, and Nicq, 2010; Gaynor, Moreno-Serra, and Propper, 2013; Clements, Coady, and Gupta, 2012). However, imperfections in the functioning of health care markets, such as asymmetric information, adverse selection, and moral hazard, do impose limits on potential gains from competition, putting an onus on the government to continue to play an important role in the provision of health care and in service regulation.

- *Emphasize primary and preventive care:* Primary and preventive care is usually most cost-effective, but it is often underprovided and underutilized. Governments, therefore, could play an important role by supporting research and development, public provision, regulation, or tax measures. For example, public health programs providing vaccinations have made remarkable strides in promoting health in many countries. Smoking bans in public places have been effective in reducing smoking. Tobacco excise taxation has also contributed to the decline of smoking in many coun-

tries and can help raise additional revenues. There is also room in many countries to raise taxes on alcohol and unhealthy foods such as sugar-sweetened beverages (U.S. CBO, 2012; Jamison and others, 2013).

- *Improve provider payment systems:* Shifting from fee-for-service payments to case-based payments can help reduce the incentives to provide unnecessary treatment. However, to prevent undertreatment by providers, strong clinical guidelines and monitoring are needed. For example, while many health systems in both advanced and developing economies have adopted or are considering case-based methods such as diagnosis-related groups, the extent of their use still varies significantly across economies (Clements, Coady, and Gupta, 2012; Busse and others, 2011; Mathauer and Wittenbecher, 2013).

- *Adopt health information technology:* Health information technology (encompassing new software and hardware systems to collect, store, and exchange patient data) has the potential to help improve health outcomes and reduce costs although the evidence on its benefits is still unfolding. Case studies of Australia, Canada, the Netherlands, Spain, Sweden, and the United States illustrate the potential benefits of its adoption (OECD, 2010).

Improving access to health care for the poor can help improve equity, although again, the additional cost would have to be absorbed through higher taxation or spending reallocation. Although public health spending in advanced economies tends to be progressive, health outcomes of the poor still lag well behind those of the rich (Paulus, Sutherland, and Tsakloglou, 2010). In many developing economies, public health spending benefits the rich more than the poor, reflecting lack of access to key health care services (Davoodi and others, 2010; IMF, forthcoming-a). Reductions in or elimination of user charges for low-income households would help enhance their access to a basket of essential health care services. In addition, steps need to be taken to address the supply-side barriers in less developed areas, such as the shortage of health care facilities and professionals in remote rural areas.

Align Education Spending to Evolving Needs

The key to accommodating increased demand for education without jeopardizing educational outcomes is to enhance the efficiency of education spending by containing the growth of per pupil spending. Adjusting class sizes to demographic trends, rationalizing the education wage bill,

Figure 2.8. Decomposition of Changes in Education Spending
(Percent of GDP)
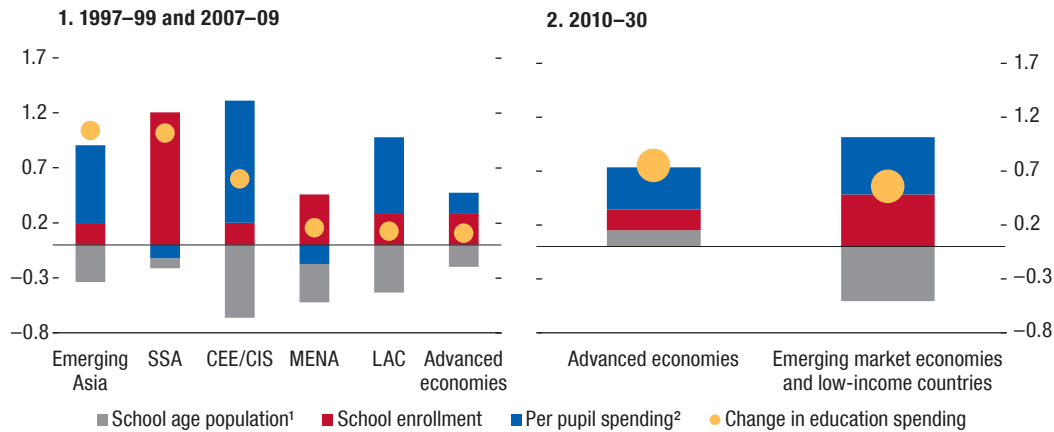
Sources: Clements, Gupta, and Nozaki (2013); World Bank; United Nations (2013); and IMF staff estimates and calculations. Note: CEE/CIS = Central and Eastern Europe and the Commonwealth of Independent States; SSA = Sub-Saharan Africa; LAC = Latin America and the Caribbean; and MENA = Middle East and North Africa. Enrollment rates are assumed to increase up to 95 percent for primary education, and by 5 and 10 percentage points for post-primary education in advanced and developing economies respectively.
[1]School age population is measured as a percent of total working-age population and is based on United Nations (2013).
[2]Per pupil spending, measured as a percent of GDP per worker, is assumed to increase at a median rate realized from 1997–99 to 2007–09, with the median rate estimated separately between advanced and developing countries.

and increasing information on alternative educational outcomes, as well as fostering competition among providers, can help achieve this goal, although the government should maintain a key presence as provider and regulator of education services.

Countries around the world devote substantial resources to public education (about 5 percent of GDP in advanced economies and the Middle East and North Africa, and 3½–4½ percent of GDP in other regions). Spending on education has increased continuously since the late 1990s, largely reflecting increases in per pupil spending and improvements in school enrollment. Interestingly, growing spending on education in many economies has coincided with a declining share of the school-age population relative to the working-age population. Furthermore, improvements in educational outputs (e.g., standardized test scores) have not been commensurate with the increase in spending (Bruns, Filmer, and Patrinos, 2011). This result signals inefficiencies that, absent reforms, may exert budget pressures in the decades to come. In advanced economies, where the cost of education per pupil is rising quickly, these pressures are already evident. In developing economies, where school enrollment remains suboptimal, they exacerbate spending demands.

The public-education-spending-to-GDP ratio can be decomposed into three components (Figure 2.8):[11] school-age population, which reflects demographic factors and is largely exogenous; school enrollment, whose upward trend is desirable; and per pupil public spending on education (as a percentage of GDP per worker), which is driven by education policy. These components are expected to exert different future pressures on overall education spending.

- *School-age population:* Declining fertility will continue to shrink the ratio of the school-age population (to working-age population) in developing economies through 2030. In contrast, the school-age population ratio in advanced economies will increase slightly, reflecting a projected moderate increase in fertility rates in many of them, partly related to immigration.[12]

- *School enrollment:* In developing economies, the potential fiscal savings from demographics will be

[11] $$\frac{\text{Education spending}}{\text{GDP}} = \frac{\text{School-age population}}{\text{Working-age population}}$$

$$\times \frac{\text{No. of students}}{\text{School-age population}} \times \frac{\dfrac{\text{Education spending}}{\text{No. of students}}}{\dfrac{\text{GDP}}{\text{Working-age population}}}$$

[12] Projections are based on United Nations (2013).

largely offset if school enrollment rates are effectively raised. In advanced economies, continued expansion of secondary and tertiary education will add to education spending.

- *Per pupil spending:* Average per pupil spending as a percentage of GDP per worker has increased since the late 1990s and contributed to increases in education spending in both advanced and developing economies.[13] Two factors underlie the increase in per pupil spending: the Baumol cost disease effect (discussed in Box 2.1)—teachers' salaries increase in line with wages in the overall economy despite lower productivity gains in the education sector; and, in many advanced economies, a falling student-to-teacher ratio given that the number of teachers has not declined in tandem with the decline in the number of school-age children.

Education reform should seek to raise the social return to education spending. Assuming school enrollment rates and spending per pupil continue to increase, and taking into account the projected school-age population, education spending would increase by 0.7 percentage point of GDP in advanced economies and 0.6 percentage point in developing economies through 2030.[14] Given these demographic factors and enrollment rate goals, education reform should focus on enhancing the efficiency of education spending, that is, contain per pupil spending without jeopardizing education outcomes. This should be feasible: the correlation between education spending and standardized test scores, after controlling for income levels, is weak (Bruns, Filmer, and Patrinos, 2011). Preventing an undue increase in the teacher-to-pupil ratio and rationalizing class sizes in advanced economies would yield potential fiscal savings. The Netherlands provides a good example, where a per student financing formula is used to budget education outlays. In addition, a rationalization of the wage bill could generate savings that could

be used to enhance the quality of school infrastructure and teaching materials. For example, teachers' salaries may be well above the level required to retain high-quality teachers, or average teaching hours could be relatively short. Measures to rationalize the education wage bill have already been introduced in several advanced economies in Europe (EC and EPC, 2012).

Structural reform of the education system can also improve educational outputs by enhancing incentives for educational institutions. No "one-size-fits-all" set of policies exists, but options include (1) providing students with a wider choice of schools and promoting competition among schools; (2) further decentralizing the formulation and implementation of education policy (e.g., granting decision-making authority to local schools), although sufficient institutional capacity is needed to implement this policy effectively; and (3) increasing transparency and accountability, for instance, by making performance indicators for individual schools (e.g., results of standardized exams) available to the public. These policies have been implemented in several economies (school-based management in Australia, El Salvador, and the United Kingdom, for instance). Studies have found that these structural reforms improve students' learning outcomes if implemented appropriately (Bruns, Filmer and Patrinos, 2011; Hanushek and Woessmann, 2011).

Investing more in lower levels of education and increasing private financing of tertiary education could help enhance the distributional impact of education spending. In many economies, education spending benefits higher-income groups disproportionally. In developing economies, this regressivity reflects lower access by low-income groups to higher levels of education (including upper secondary and tertiary education). In advanced economies, although education spending as a whole is progressive, tertiary education spending tends to be regressive.

[13] There is substantial disparity across countries in the levels and the trend of per pupil spending. For example, the median and the standard deviation of the rate of increase in the ratio of per pupil spending to GDP per worker between 1997–99 and 2007–09, on an annual basis, were 0.4 percent and 1.5 percent for advanced economies, respectively, and 0.6 percent and 3.2 percent for developing economies, respectively.

[14] These projections are illustrative, and are based on the median rate of increase in per pupil spending across countries during the past decade. In addition, it is assumed that the primary enrollment rate would reach 95 percent, in line with the Millennium Development Goals, and the secondary and tertiary enrollment rate would increase by 10 percent in emerging market and developing economies and 5 percent in advanced economies.

Reform Nonpension Social Protection for Effective Fiscal Redistribution

Rationalizing social protection programs holds the potential both to generate fiscal savings and to improve equity in all country groups. Key reform options include improving targeting through greater use of means testing and poor households' characteristics, replacing generalized price subsidies with safety nets targeted to low-income households, and linking benefits to labor force participation.

Figure 2.9. Redistributive Impact of Fiscal Policy in Advanced Economies, Mid–2000s
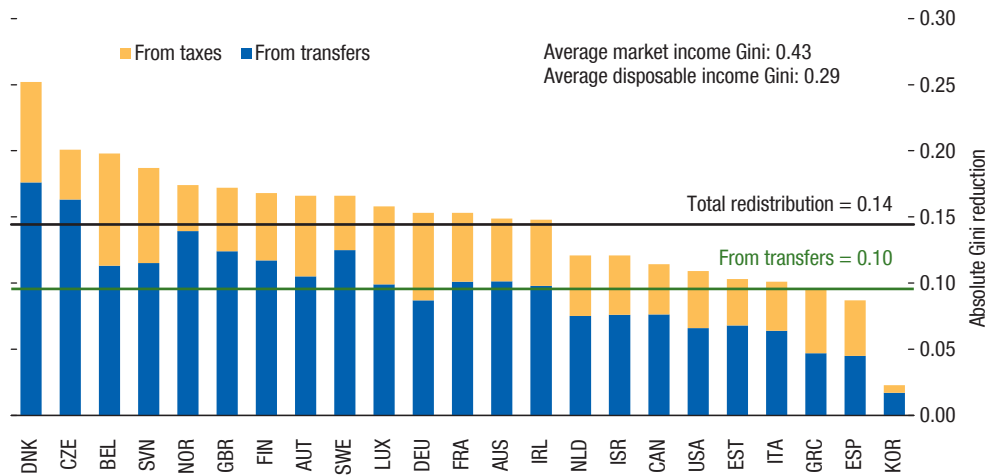
Sources: Paulus, Figari, Hegedus, and others (2009), except for Australia, Canada, the Czech Republic, Korea, Norway, Israel, and the United States, for which data are from Caminada and others (2012).

Spending decisions should take into account the redistributive impact of fiscal policy, particularly in light of rising income inequality and growing public support for redistribution (IMF, 2014; Ostry, Berg, and Tsangarides, 2014).[15] Historically, fiscal policy has offset about one-third of the increase in market income inequality in advanced economies during the past two decades, with most of this effort being achieved on the expenditure side through transfers (Figure 2.9). In most developing economies, the level of taxes and social spending (public spending for social insurance and assistance, education, and health care) remains low compared with such spending in advanced economies (Figure 2.10), severely restricting the potential for fiscal redistribution. Although spending containment could potentially have adverse impacts on inequality, careful reform choices can mitigate this effect. Indeed, evidence from recent fiscal adjustments in Europe suggests that spending (and tax) measures have been largely progressive (Box 2.4).

Social spending in general needs to be carefully designed to balance distributional and efficiency objectives. Redistributive aspects of public spending on pensions, education, and health care were discussed in other sections, so the focus of this section is on how to improve the effectiveness of social protection spending

[15] See the October 2013 *Fiscal Monitor* for a discussion of the redistributive aspects of tax systems and reforms.

while mitigating disincentives to work and containing spending pressures.

- In advanced economies, social protection spending can be made more efficient by greater use of means testing and by strengthening incentives to return to work. These economies spend about 2.2 percent of GDP, on average, on family benefits (e.g., paid maternal and paternal leave, child allowances, and child-care benefits). Of this total, 1.8 percentage points (more than four-fifths) is spent without means testing (Figure 2.11). Some countries have shown a strong preference for providing universal benefits and have the capacity to raise sufficient revenues to that end. In others, means testing family benefits could potentially generate fiscal savings and reduce income inequality at the same time. In turn, work disincentives inherent in social protection schemes can be mitigated by linking benefits to labor force participation, encouraging beneficiaries to sign up for active labor market programs, and introducing in-work benefits. These policies may require higher short-term funding, but they are expected to lower unemployment and other social demands in the medium and long term.

- In developing economies, social assistance programs suffer from low coverage of lower-income population segments as well as leakages of benefits to high-income groups. On average, only half of the poorest 40 percent of the population have access to social

Figure 2.10. Tax Revenues and Social Spending, 2011[1]
(Percent of GDP)
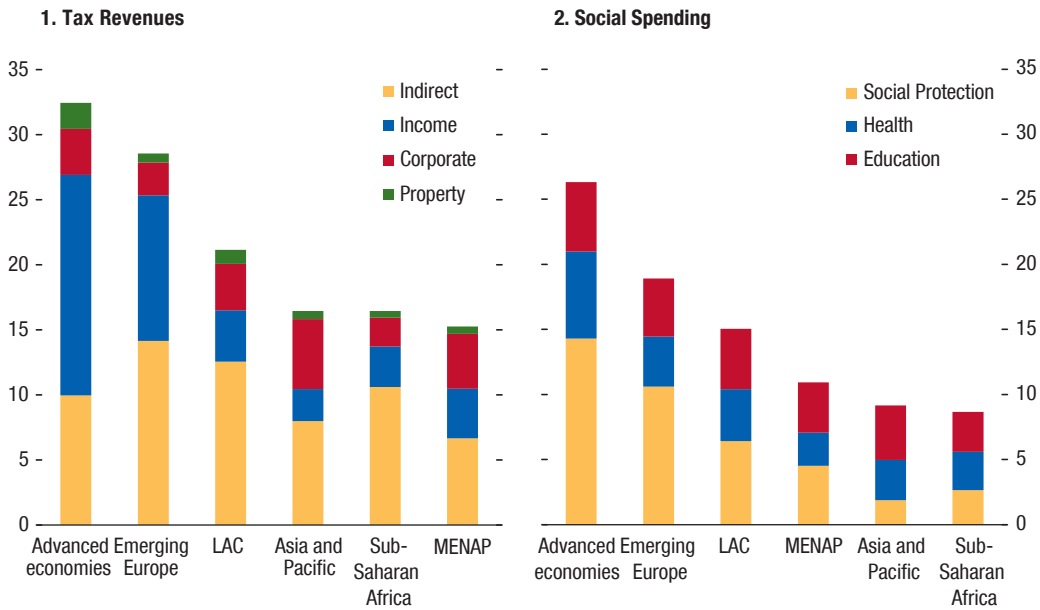
Sources: Asian Development Bank; CEPALSTAT; Eurostat; Organisation for Economic Co-operation and Development;
United Nations; World Health Organization; World Bank; and IMF staff estimates.
Note: LAC = Latin America and the Caribbean; MENAP = Middle East and North Africa and Pakistan.
[1] Or most recent year.

Figure 2.11. Means-Tested and Non-Means-Tested Family Benefits, 2010
(Percent of GDP)
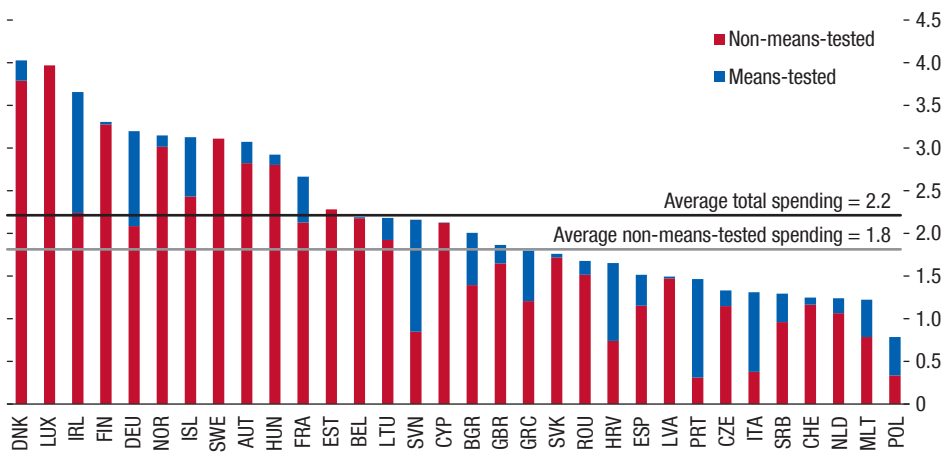
Sources: Eurostat; and IMF staff estimates.

assistance programs, and they capture less than 20 percent of the benefits provided (Figure 2.12). Consolidating fragmented and overlapping benefits into a smaller number of programs with clearly established objectives would improve efficiency and lower costs. Replacing weak targeting approaches—based on criteria that are not well correlated with poverty—with better targeted transfers would enhance the poverty-reducing impact of social assistance. Savings from these reforms could be used to expand coverage and increase benefits per recipient. However, effective means testing requires costly administrative capabilities and can invite rent seeking in countries with poor governance. As administrative capacity improves, countries can consider introducing means-tested conditional cash transfer programs, which link family benefits to the number of children and condition continued eligibility on attendance of children at health clinics and schools.[16]

- Reforming consumer price subsidies could generate fiscal savings in many developing economies. In sub-Saharan Africa, for example, spending on energy subsidies in 2011, on a posttax basis, equaled 3½ percent of GDP, and in the Middle East and North Africa region, 14½ percent of GDP (Clements and others, 2013).[17] The largest share of the subsidy benefits is captured by upper-income groups, which means that reforming them while appropriately compensating the poor could generate fiscal savings without worsening income inequality.

Safeguard Growth by Protecting Public Investment

Fiscal consolidation in some cases and pressures to increase current spending in others (e.g., Arab Countries in Transition) have exacerbated a trend decline in the stock of public capital. Countering this trend and closing infrastructure gaps will require a combination of higher public investment spending and higher participation by the

[16] The largest conditional cash transfer programs are in Brazil (Bolsa Familia) and Mexico (Oportunidades), which in 2012 cost 0.5 percent of GDP and 0.8 percent of GDP and covered one-quarter and one-fifth of the population, respectively. These programs have had substantial impacts on poverty and inequality, as well as on education and health outcomes (Fiszbein and Schady, 2009). For instance, it is estimated that the direct impact of such transfers accounts for one-fifth of the decrease registered in the Gini index between 1995 and 2004 in Brazil and Mexico (Soares and others, 2007).

[17] Posttax subsidies are also substantial in advanced economies. Of the global total of US$2.0 trillion in 2011, advanced economies account for about a third (Clements and others, 2013).

Figure 2.12. Social Assistance Coverage and Targeting in Developing Economies, Mid–2000s
(Percent)
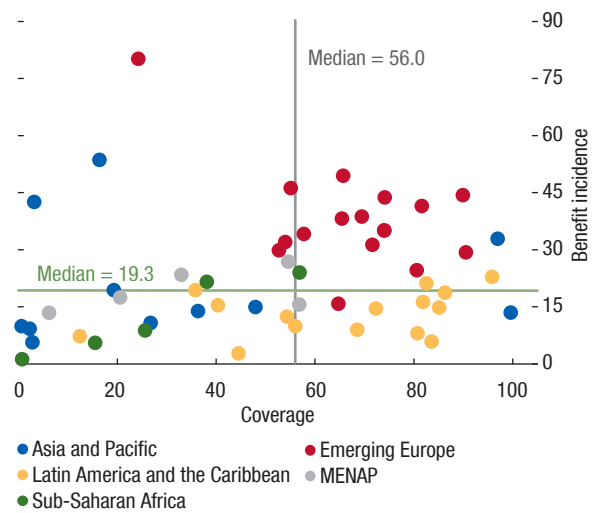
Sources: World Bank; and IMF staff estimates.
Note: Coverage indicates the share of the poorest 40 percent of households that receive a social protection transfer. Benefit incidence indicates the share of total social protection transfers received by the poorest 40 percent of households. MENAP = Middle East and North Africa and Pakistan.

private sector. At the same time, improving the efficiency of public investment spending is a paramount priority, especially—though by no means only—in emerging market and developing economies.

The global financial crisis prompted cuts in government investment in many advanced economies and some developing economies. With private investment also falling in many economies, cutbacks in government investment may hinder medium- and long-term growth.

A large body of theoretical and empirical literature has found a positive relationship between public capital and growth, although the estimated productivity of public capital varies widely across studies, depending on methodological frameworks, country samples, the nature of financing, and other constraints.[18] Gupta and others (2014) argue that in countries with weak public investment management processes, public investment spending is unlikely to translate fully into productive

[18] See, for example, Aschauer (1989, 1998); Munnell (1990a, 1990b, 1992); Lynde and Richmond (1993); Sturm, Kuper, and de Haan (1998); Romp and de Haan (2007); Bom and Ligthart (2010); Gupta and others (2011).

Figure 2.13. General Government Investment
(Percent of GDP)
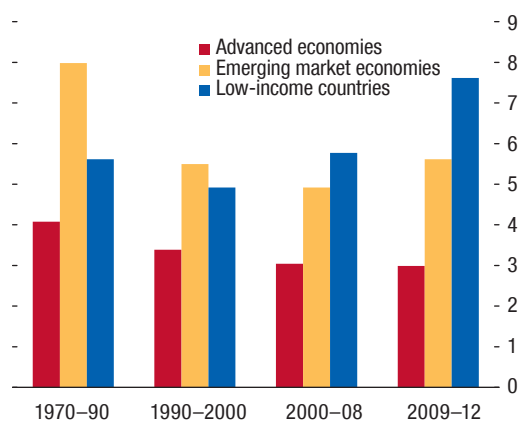
Sources: Center for International Comparisons (2013);
Organisation for Economic Co-operation and Development;
and IMF staff estimates.

capital assets. Using "efficiency-adjusted" public capital stocks, they find that the level of public capital in developing economies has been grossly overestimated and its productivity underestimated in previous studies. This result highlights the importance of focusing not only on the quantity of public investment, but also on its quality.

What has been the experience of advanced and developing economies since 2008 with regard to government investment and capital?

- In advanced economies, the global crisis reinforced a declining trend of government investment, to somewhat less than 3 percent of GDP during 2009–12. This reduction was more pronounced in the countries hit hard by the crisis, such as Greece, Iceland, Ireland, and Portugal. In contrast, investment continued to increase in many emerging market economies and low-income countries, reaching almost 6 percent of GDP and 7.6 percent of GDP, respectively, during 2009–12 (Figure 2.13).[19]
- As a result, government capital stock has declined in advanced economies (Figure 2.14). The use of PPPs only marginally offset the decline in public capital stock.[20] Despite higher investment ratios, capital

[19] The data refer to the general government and excludes state-owned enterprises; they thus do not capture the effects of privatization in a number of countries since the 1980s. The sample of countries corresponds to the *Fiscal Monitor* country groups and is the same across periods.

[20] The capital stock in PPPs represents less than 1 percent of GDP in most advanced economies, except in Greece, Ireland, Portugal,

stock has also been on a declining trend in emerging market economies and low-income countries, reflecting inefficiencies. Very rough estimates suggest that, on average, only half of the increase in government investment in those countries translated into productive capital during 1980–2012. Inefficiencies reflect the poor quality of the projects selected and the weakness of public investment management processes such as procurement and auditing. Unlike in emerging market economies and low-income countries, inefficiencies in advanced economies are estimated to be relatively more contained.[21]

Reducing inefficiencies would help close the infrastructure gap in developing economies.[22] More specifically, reducing all inefficiencies by 2030 would provide the same boost to capital stock as increasing government investment by 5 percentage points of GDP in emerging economies and by 14 percentage points of GDP in low-income countries. In advanced economies, gains from reducing inefficiencies are limited, and reversing the declining trend in government capital would require an increase in investment spending. A rough estimate is that government investment would have to increase by almost 2 percentage points of GDP through 2030 just to stabilize the stock of government capital in advanced economies (Figure 2.15).

Spain, and the United Kingdom, where it ranges from 1.5 to 7.6 percent of GDP.

[21] Public capital stock series were constructed using the perpetual inventory method (Collier, Hoeffler, and Pattillo, 2001; Kamps, 2006; Arslanalp and others, 2010). These series were then adjusted for the efficiency of public investment processes in each country, using the World Economic Forum's *Global Competitiveness Report's* "quality of roads" index as a proxy for efficiency. This analysis uses two different proxies for robustness checks, following Gupta and others (2014), the Public Investment Management Index (Dabla-Norris and others, 2012), and the International Country Risk Guide investment profile scores. They all yield similar estimates. The estimates of capital stock in this analysis are in line with those in the literature, including Gupta and others (2014); Kamps (2005, 2006) and Barbiero and Darvas (2014).

[22] Infrastructure needs in emerging market economies and low-income countries, particularly for roads and railroads, are significant. According to the Infrastructure Consortium for Africa (2008) and Briceno-Garmendia and others (2008), the continent faces an infrastructure gap of $35 billion per year. The United Nations Commission for Latin America and the Caribbean (2011) estimates that investment equivalent to 7.9 percent of GDP per year is necessary to raise infrastructure in the region to the standard of developed East Asian countries. Commission on Growth and Development (2008) also concluded that enduring growth requires high levels of public investment.

Figure 2.14. General Government Capital Stock Ratio
(Percent of GDP)
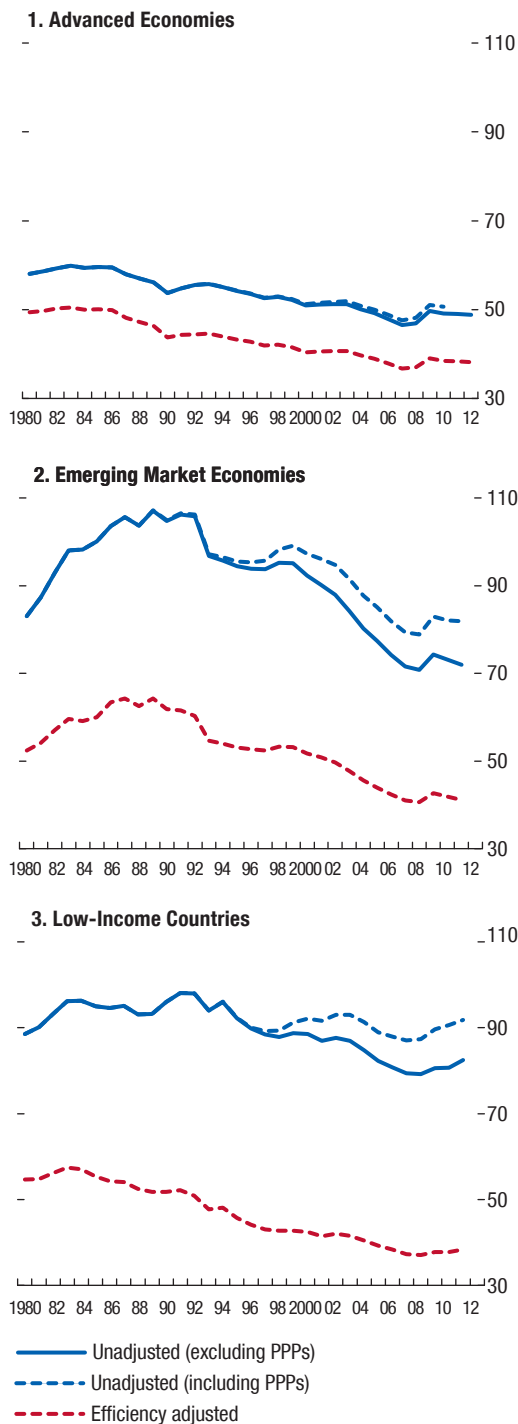
1. Advanced Economies

2. Emerging Market Economies

3. Low-Income Countries

Unadjusted (excluding PPPs)
Unadjusted (including PPPs)
Efficiency adjusted

Sources: Center for International Comparisons (2013); Organisation for Economic Co-operation and Development; and IMF staff estimates.
Note: The efficiency-adjusted series is estimated following Gupta and others (2011) using the quality of roads as a proxy for efficiency. PPP = public-private partnerships.

In practice, three considerations can guide public investment decisions:

- Increases in public capital stock can come from either higher public spending or stepped up involvement of the private sector in the provision of infrastructure services, including through PPPs, or a combination of the two. The decision will often be influenced by a country's public finances, but it is first and foremost a matter of public choice. The impact of higher public investment on debt sustainability will depend on the rate of return of the selected projects, which underscores the need for careful selection and implementation processes.

- When public investment projects are executed in cooperation with the private sector, countries should maintain maximum standards of fiscal transparency and performance accountability. Although PPPs may, for example, be sometimes more efficient than traditional public procurement, they also entail fiscal risks. Four actions can help mitigate these fiscal risks: strengthening the legal provisions affecting PPPs, strengthening the management and oversight frameworks, achieving full and transparent disclosure of all fiscal risks, and fully integrating the accounting for and reporting of PPPs in the medium-term budget process.

- Fiscal space to address investment needs can also be created by investing in the investment process, particularly in emerging market economies and low-income countries. Project appraisal and project evaluation are important stages at which the efficiency of public investment can be improved in emerging market economies. For low-income countries, project selection and project implementation are more important. To improve project appraisal, the formulation of sector strategies, transparent standards, and independent reviews are key factors. For better project selection, the existence of a medium-term planning framework and the integration of recurrent investment expenditures into the budget are the most important elements (Gupta and others, 2014; Dabla-Norris and others, 2012). Increased prioritization and scrutiny will be needed in most advanced economies given scarce resources.

Supportive Institutional Arrangements

The design, pace, and ultimately the success of expenditure reform relies in large part on the institutional

Figure 2.15. General Government Investment and Capital Stock–Three Quality Scenarios[1]
(Percent of GDP)
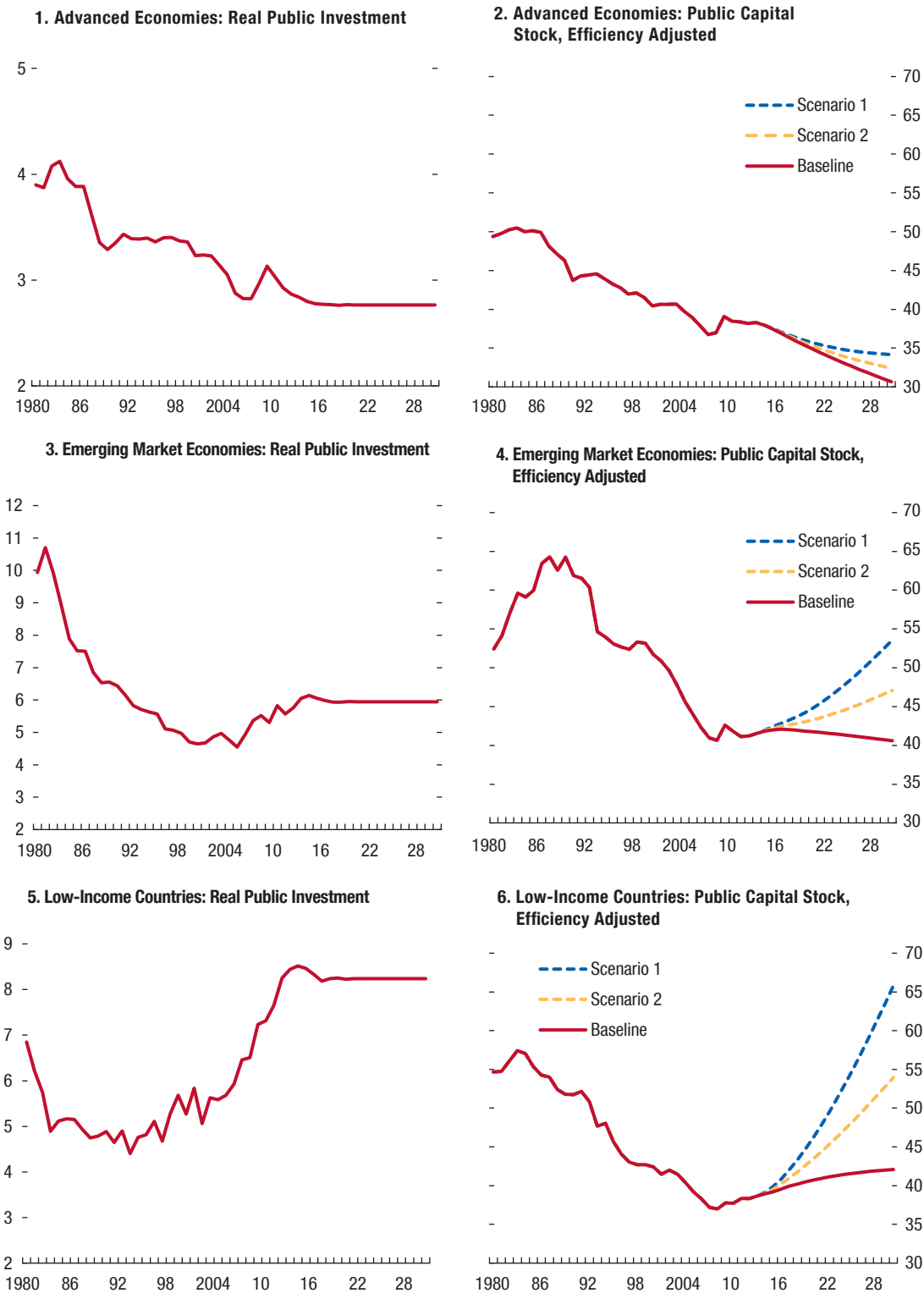
1. Advanced Economies: Real Public Investment

2. Advanced Economies: Public Capital Stock, Efficiency Adjusted

3. Emerging Market Economies: Real Public Investment

4. Emerging Market Economies: Public Capital Stock, Efficiency Adjusted

5. Low-Income Countries: Real Public Investment

6. Low-Income Countries: Public Capital Stock, Efficiency Adjusted

Sources: Center for International Comparisons (2013); Organisation for Economic Co-operation and Development; Global Competitiveness Report; and IMF staff estimates and projections.
Note: The efficiency-adjusted series is estimated following Gupta and others (2011) using the quality of roads as a proxy for efficiency.
[1] All three scenarios assume that public investment-to-GDP grows at the WEO rate during 2013–18, and at the average of the last 3 years during 2019–30. Under the baseline scenario, each country's efficiency normalized rank stays fixed. Under Scenario 1, all countries' inefficiencies are gradually eliminated by 2030, while under Scenario 2, half the existing inefficiencies are gradually eliminated by 2030.

framework within which the reform will be implemented. Although the quality of the entire framework is important, two elements have a direct bearing on spending reforms: expenditure rules, as binding commitments and constraints on the path of public spending; and the degree and methods of expenditure decentralization, given that a significant share of public spending takes place at subnational levels.

Are Expenditure Rules Good or Bad for Reforms?

Expenditure rules can catalyze expenditure reforms, as they have direct spillovers on reform incentives. The presence of expenditure rules, often in combination with other fiscal rules, seems consistent with durable expenditure containment.

A good institutional framework for budgeting rests in the first instance on sound public financial management (PFM).[23] PFM systems ensure that the annual budget properly reflects long-term social objectives, effectively guides policy actions in the medium term, and fits into financing constraints. Key components of effective PFM systems include solid forecasting capacity to avoid an optimistic bias in estimating available resources; a framework that helps assess the costs and impacts of policies over several years (leading to better planning and prioritization); strict procedures to mitigate the common pool problem; and good budget execution procedures, especially commitment controls, arrears monitoring, and cash management. In addition, fostering fiscal transparency is essential to ensure accountability (IMF, 2012), indicating a need for comprehensive, reliable, and timely reporting; effective audit procedures; and external monitoring, possibly by a nonpartisan public body, such as a fiscal council (IMF, 2013).

Although well-designed budget procedures reduce incentives to overspend and misallocate public funds, many countries have also tried to promote sound fiscal policies through fiscal rules (Kopits and Symansky, 1998; IMF, 2009b).[24] A fiscal rule puts a durable constraint on fiscal policy by combining numerical limits on key indicators—most often the deficit, the public debt, or both—with provisions making deviations from the limits costly for policymakers.

Rules constraining total spending levels or its growth have received considerable recent attention.[25] These expenditure rules exhibit a number of attractive features. First, they are directly aimed at mitigating the pressures at the origin of excessive deficits. In combination with budget balance or debt rules, they can ensure that annual budgets remain consistent with sustainable medium-term trajectories for public debt. Second, expenditure rules can be made simple and easy to monitor;[26] for example, a cap can be set on total nominal expenditure growth. Caps are the most common type of rule. Third, expenditure rules fully accommodate cyclical revenue fluctuations, making them growth friendly in the short term (Ayuso i Casals, 2012). This countercyclical property also makes expenditure rules particularly attractive for countries where structural budget balances are challenging to estimate, including most developing economies. Fourth, an expenditure rule maps directly into the formulation of the annual budget, thus contributing to its enforceability. Last, a well-designed expenditure rule,[27] like other fiscal rules, can usefully anchor medium-term budget frameworks.

Although expenditure rules, often combined with other rules, are not aimed primarily at catalyzing expenditure reforms, they can directly spill over onto reform incentives by promoting containment, efficiency, and prioritization.

- Durable, binding caps on broad spending aggregates can encourage policymakers to adopt measures

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[23] See Cangiano, Curristine, and Lazare (2013) for a comprehensive analysis of modern PFM models and practices.

[24] Fiscal rules primarily aim to constrain policymakers' discretion in a way that mitigates short-term pressures to spend beyond available resources and sustainable financing levels. These pressures typically emanate from competing interest groups' claiming government resources for themselves—the "common pool" problem—or inefficiencies in collective decision making, such as policymakers' myopia or career concerns. Absent constraints on discretion, the result is excessive deficits; procyclicality (spending revenue windfalls in good times instead of saving them for rainy days); and inadequate prioritization of programs with a longer-term orientation, such as education or investment.

[25] Including in the European Union, where national expenditure rules have been reinforced through the inclusion in the "Six-Pack" of an expenditure benchmark to reinforce the preventive arm of the Stability and Growth Pact. Under the expenditure benchmark rule, public spending is not allowed to increase faster than medium-term potential GDP growth, unless it is matched by adequate revenues.

[26] This is not always the case. Some expenditure rules place multiple ceilings on a variety of categories. In addition to being more complex, such rules constrain policymakers' ability to prioritize over the medium term or to respond to short-term shocks.

[27] Design includes, among other elements, the relevant expenditure aggregate to be covered by the rule. It is beyond the scope of the *Fiscal Monitor* to provide a discussion of the pros and cons of alternative expenditure aggregates. Key issues can be found in Ayuso i Casals (2012). IMF (2009b) discusses issues in choosing between expenditure rules and other types of fiscal rule.

aimed at taming the main sources of pressure and at seeking lasting efficiency gains where possible.

- To the extent that expenditure rules are envisaged as a mechanism to limit deficits while preserving short- to medium-term flexibility, they also shelter policymakers from the need to enact the emergency, and often low-quality, spending cuts dictated by simple headline budget balance caps.
- More generally, by insulating spending from such short-term shocks, expenditure rules can facilitate the implementation of a genuine medium-term budget framework. Their introduction could also foster complementary PFM reforms that have a direct bearing on the quality of planning and execution of programs with a longer-term orientation, such as infrastructure investment or education. A stronger medium-term orientation to budgeting, in turn, allows for better prioritization of scarce public resources.

However, the potential complementarity between expenditure rules and expenditure reforms hinges on one fundamental precondition: the genuine commitment of policymakers to sound and high-quality public finances. Absent such commitment, expenditure rules can have adverse side effects. For instance, when faced with a spending limit, policymakers could preserve some low-quality pet projects at the expense of higher-quality programs with long-term benefits, or shift the adjustment burden to lower levels of government—if the coverage of the rule is narrow—or simply develop extra-budgetary and quasi-fiscal activities.

IMF staff analysis reported in Appendix 2.1 suggests that expenditure rules can foster expenditure reforms. As these rules are generally used in conjunction with budget balance or debt rules, it may be difficult to disentangle their specific impact. Keeping that caveat in mind, the empirical evidence reveals a number of stylized facts and conditional correlations:

- The presence of expenditure rules seems consistent with durable expenditure containment. In particular, the primary balance—after taking into account conventional determinants—is higher in countries operating under spending rules, on average.
- The likelihood of compliance with an expenditure rule is greater than with budget balance rules, particularly if the rule includes features enhancing its binding nature (a medium-term expenditure framework) or raising the cost of deviations (monitoring by an independent agency).

- There are indications that expenditure containment could be due, in part, to relative efficiency gains in capital expenditure—related to better planning and prioritization—after introducing the expenditure rule.
- Finally, fiscal policy appears to be more countercyclical when a spending rule is in place, which reduces the likelihood of forced low-quality cuts in bad times.

However, there is also some evidence of undesirable side effects, possibly associated with imperfect commitment and more pervasive institutional gaps. In particular, the presence of expenditure rules often coincides with lower levels of public investment. This effect is most striking in emerging economies, where weaker PFM systems may be less effective in preventing policymakers from deferring high-quality discretionary spending for the sake of formally complying with the rule.

Decentralization Can Support Spending Rationalization under Certain Conditions

Given a country's decentralization level choices, key elements of its decentralization framework could support the effective implementation of spending reforms, including, in particular, the distribution of taxing and spending responsibilities, rules governing transfers to subnational governments, and the quality of local public financial management.

Fiscal decentralization is relevant for expenditure rationalization for at least four reasons.[28] First, a large part of public expenditure is incurred by regions and municipalities. Currently, about one-third of public expenditure programs are carried out at the subnational level, on average (Figure 2.16). This share has trended upward in all country groups, although since the onset of the Great Recession it has leveled off in many advanced economies, mostly as a result of the large increases in countercyclical expenditure carried out by central governments.

Second, the involvement of subnational entities is essential to rationalizing and improving the quality of public services. Darby, Muscatelli, and Roy (2005) show that since the 1970s most consolidation episodes

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[28] This section examines the benefits and costs of spending decentralization within a country. The assignment of expenditure functions within a federation or a group of countries such as the European Union is driven by other considerations (see, for instance, Allard and others, 2013).

Figure 2.16. Indicators of Expenditure Decentralization

1. Decentralization Ratios
(percent; 2011 or latest available data)

2. Average Decentralization Ratios, 1990–2011
(percent; unweighted average)
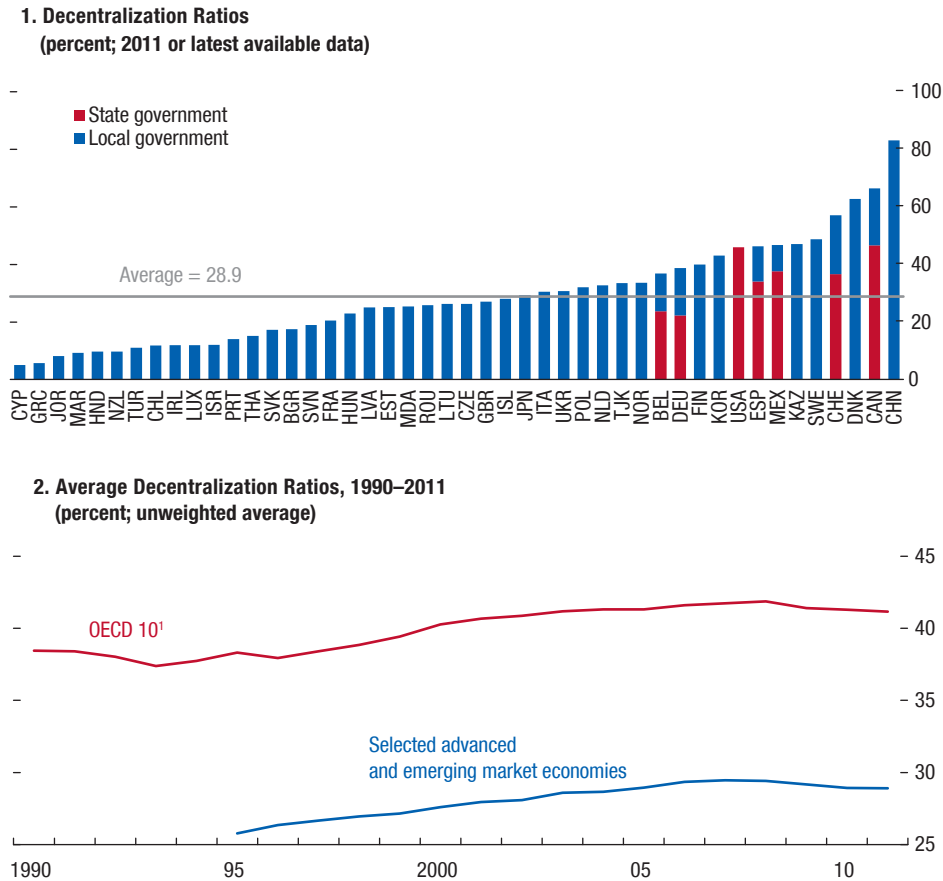
Sources: Goerl and Seiferling (forthcoming); Organisation for Economic Co-operation and Development (OECD); and IMF staff estimates.
Note: Expenditure decentralization is defined as local and state government spending as a percent of total spending.
[1] Includes Belgium, Canada, Denmark, Finland, Italy, Luxembourg, the Netherlands, Switzerland, the United Kingdom, and the United States.

in advanced economies have included shared efforts across tiers of government, and the involvement of subnational entities has been crucial in achieving lasting cuts in public expenditure, particularly the wage bill. In emerging market economies and low-income countries, subnational governments are on the front line in meeting growing demand for public services.

Third, decentralization itself, if properly designed, can help contain public sector growth and improve spending efficiency. Decentralization creates closer proximity between taxpayers and policymakers, thereby enhancing the information available to both parties: taxpayers are in a better position to identify decision makers and sanction their performance, making them more accountable, while local politicians can better

tailor policies to the preferences of their constituents. Furthermore, the competition among jurisdictions may encourage cost-efficient delivery of public goods: if the taxpayers are not satisfied with the tax-benefit mix proposed by the local authorities, they can move to another jurisdiction or use the electoral system to pressure local officials.

Finally, reforms that seek to reduce waste generated by duplication and overlap of functions are particularly warranted and beneficial in decentralized settings, where the division of responsibilities among government levels are not always well defined, and where some of the responsibilities transferred to the subnational government may continue to be carried out by the central government. Eyraud and Moreno Badia

(2013) find that in advanced European economies, half of the increase in subnational spending is additional to, and not a substitute for, national spending, on average. Therefore, expenditure assignments across government levels are a prime candidate for expenditure rationalization reforms.

A decentralized setting may, however, increase risks to the success of spending reforms, or for that matter to stronger public finances (Oates, 2006). For instance, when local governments finance expenditure from a common pool of intergovernmental transfers, they may fail to internalize the cost of expenditure and thus overspend. And the central government may find it difficult to press spending containment on local governments when—as often is the case—the local level delivers politically sensitive public services such as education, social housing, and waste management (Figure 2.17).

Empirical evidence suggests that certain key aspects of decentralized arrangements matter for spending control (IMF, 2009c). Although each framework is country specific, four main elements stand out:

- *First, the distribution of spending responsibilities across government levels should be assigned to maximize service delivery efficiency.* The challenge is to find the right balance between delegating responsibilities to

subnational entities to benefit from the efficiency gains of decentralization while avoiding duplicating functions and dissipating limited resources. Specific programs may need to be recentralized when agency problems, negative externalities, coordination difficulties, and loss of economies of scale are too pronounced. In this regard, it is interesting to note the trend toward recentralization of health spending in several European countries (Saltman, 2008). Alternatively, countries have attempted to address these issues through a gradual increase in the average size of municipalities (either by reducing their number, or by encouraging mergers) and the creation of intermunicipal associations to jointly provide certain services.

- *Second, the degree of revenue autonomy of subnational governments should be optimized.* Empirical evidence shows that giving sufficient revenue autonomy to subnational governments is a critical condition for the success of expenditure containment efforts. The reason is simple: subnational governments are encouraged to spend and reform efficiently when they have to tax their citizens and be accountable to them. Local tax powers generate tax competition between jurisdictions, which may foster expenditure control. Eyraud and Lusinyan (2013) show that in OECD members, the general government fiscal balance improves, on average, by 1 percent of GDP for each 10 percentage point reduction in vertical fiscal imbalance (VFI)[29]—that is, when financing equivalent to one-tenth of subnational expenditure shifts from transfers or subnational borrowing to subnational taxes (Figure 2.18).[30] This result is confirmed by Aldasoro and Seiferling (forthcoming) in a broader sample including emerging market economies and low-income countries. In practice, reducing VFIs may be challenging, as it requires identifying tax bases well suited for local management—some have suggested raising property taxes or introducing personal income tax surcharges (Norregaard, 1997,

Figure 2.17. Subnational Government Expenditure by Function

(Percent of general government total spending)
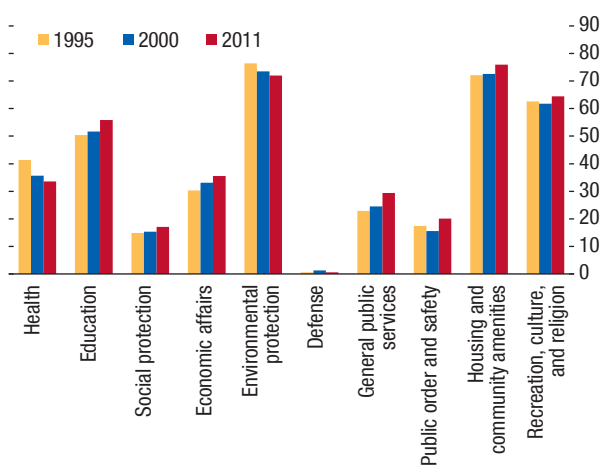
Sources: Organisation for Economic Co-operation and Development; and IMF staff estimates.
Note: Simple average includes the data for Belgium, the Czech Republic, Denmark, Finland, France, Greece, Hungary, Iceland, Ireland, Israel, Italy, Korea, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, and Switzerland.

[29] The VFI indicator is defined as the share of subnational spending not financed through taxes and fees. It measures the reliance of subnational governments on transfers from the center. Admittedly, it is an imperfect indicator of the fiscal autonomy granted to subnational governments when they are given only restricted discretion over their tax rates and bases.

[30] The negative effect of the VFI on general government spending and its interaction with spending decentralization are found in several empirical papers, including Jin and Zou (2002); Rodden (2003); and Fornasari, Webb, and Zou (2000).

Figure 2.18. Vertical Fiscal Imbalance and Fiscal Performance, 2008
(Percent)
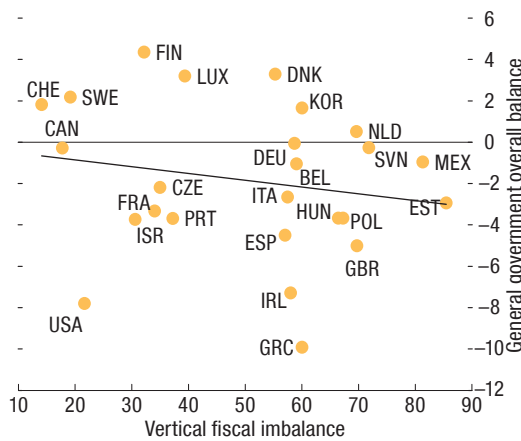
Sources: Organisation for Economic Co-operation and Development (OECD); and IMF staff estimates.
Note: The vertical fiscal imbalance is defined as the share of subnational own spending not financed through taxes and fees under the control of subnational governments (that is, financed through transfers, net borrowing, and shared taxes). 2008 is the latest data available from the OECD on shared taxes.

2013)—and addressing many practical difficulties, including tax base mobility, higher administrative costs at the local level, and horizontal disparities in revenue-raising capacity.

- *Third, improving the design of the transfer system also matters for successful spending reforms.* Well-designed transfers are generally based on objective criteria, such as geographic or demographic indicators, that are out of the control of governments as far as possible. This minimizes the risk of manipulation provided that allocation formulas are simple and transparent. Output-based transfers, linking grant finance to service delivery performance, may help improve program monitoring, reporting, and management, thereby enhancing accountability for results (Boadway and Shah, 2007).

- *Finally, sound budget management and well-designed fiscal governance frameworks at the subnational level are necessary* (IMF, 2009c). In many countries, subnational PFM frameworks do not meet minimum adequacy standards, hindering the drive for reform. There is significant room for improvement in this area, including preparing realistic budgets, introducing effective means for audit and control, better disclosing fiscal risks, and improving transparency and reporting.

Appendix 2.1. Expenditure Rules: Effective Tools for Sound Fiscal Policy

This appendix provides new evidence about the effectiveness of expenditure rules.[31] Whereas existing studies focus on European countries (Debrun and others, 2008; Wierts, 2008; Holm-Hadulla, Hauptmeier, and Rother, 2010), this analysis covers a more representative sample of advanced, emerging market, and developing economies. It is based on a unique data set covering all countries with national and supranational fiscal rules, including more than 30 expenditure rules, between 1985 and 2013.[32] It provides a novel assessment of compliance with fiscal rules and of the potential role of expenditure rules, in particular regarding long-term sustainability. It also analyzes whether expenditure rules are associated with changes in public investment and its efficiency.

Expenditure rules as defined in this appendix include both specific numerical targets fixed in legislation and expenditure ceilings that are binding for a minimum of three years. The rules typically take the form of a cap on nominal or real spending growth in the medium term and are present in 26 countries (equally split between advanced and emerging market economies and between member states of the European Union and others).

Establishing causation between expenditure rules and policy outcomes is challenging. For instance, it could be that expenditure rules are primarily adopted by countries with intrinsically strong commitments to fiscal discipline, good public expenditure management practices, or good institutions. In addition, the relatively small sample suggests that results could be affected by outliers. Therefore, the results reported here need to be interpreted with caution.

Expenditure Rules, Compliance, and Long-Term Sustainability

Overall, expenditure rules seem to have a better record of compliance than do budget balance and debt rules (Figure 2.19). The results are consistent with the fact that expenditure rules are easy to monitor and are most directly connected to instruments within the control of policymakers. In emerging market economies, however, compliance with debt rules is the highest. This result

[31] Based on Cordes and others (forthcoming).
[32] See Schaechter and others (2012). The data set and a companion background paper can be accessed at http://www.imf.org/external/datamapper/FiscalRules/map/map.htm.

Figure 2.19. Compliance with Fiscal Rules, 1985–2012
(Percent compliance)
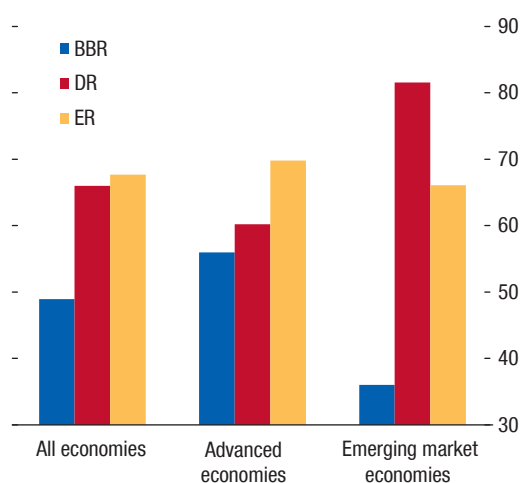
Sources: IMF, Fiscal Rules Database; and IMF staff estimates.
Note: The y axis measures the average compliance rate with Balance Budget Rules (BBR), Expenditure Rules (ER), and Debt Rules (DR) in all years in which an assessment could be made. BBRs and DRs include both national and supranational rules.

Figure 2.20. Compliance with Expenditure Rules and the Macroeconomic Environment
(Percent compliance)

Sources: IMF, Fiscal Rules Database; and IMF staff estimates.
Note: Bad times are defined as years in which the change in the output gap is negative.

could be attributed to the favorable impact of financial repression on debt dynamics (Escolano, Shabunina, and Woo, 2011) and the nonbinding nature of debt rules in some of these countries.

Compliance is generally better in "good economic times," defined as a year of above-potential GDP growth, suggesting that expenditure rules may help alleviate spending pressures that arise during times of strong revenue performance (Figure 2.20). Two caveats are in order. First, the short lifetime of expenditure rules (on average 10 years) could mean that their resilience to difficult macroeconomic environments or tail events may not have been fully tested yet. Second, in many instances of "bad times," countries relax the constraints imposed by their expenditure rules (for example, in Japan after the 2011 earthquake).[33]

Countries that use expenditure rules as a complement to other rules exhibit higher primary balances, on average (Figure 2.21).[34] In addition, event studies,

which normalize the implementation date of each country's expenditure rule to year *t*, show that fiscal policy was countercyclical following the introduction of an expenditure rule.[35] In emerging markets, this countercyclicality sharply contrasts with the years preceding the introduction of a rule, when fiscal policy was procyclical, on average (Figure 2.22).

Expenditure Rules and Public Investment

Policymakers may seek to achieve compliance with expenditure rules by compressing high-quality discretionary items, such as public investment (Blanchard and Giavazzi, 2004). Although this may be an argument for excluding public investment from the rule's coverage, there are potential drawbacks to doing so because it weakens the link with debt sustainability and opens the door to reclassification of spending items.

Investment spending fell across countries following the implementation of expenditure rules (Figure 2.23, panel 1). However, the result only passes the test of a panel regression for emerging economies (Figure 2.23, panel 2). The presence of well-designed medium-term

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[33]Assessments of compliance include instances in which a rule is satisfied because the constraint is temporarily relaxed. However, such instances are few for the sample period under consideration and do not distort the conclusions about compliance with expenditure rules.

[34]Figure 2.21 shows "adjusted primary balances," that is, the predicted value of the primary balance after controlling for its standard determinants, such as lagged primary balances, the output gap, debt, and the presence of other fiscal rules. The difference between the

adjusted primary balances of countries with expenditure rules and those without are found to be statistically significant.

[35]Procyclical impulses are measured by the improvement in the primary balance during bad times (when growth is below potential) and the deterioration in the primary balance during good times (when growth is above potential).

**Figure 2.21. Presence of Expenditure Rules
and Adjusted Primary Balance**
(Percent of GDP)
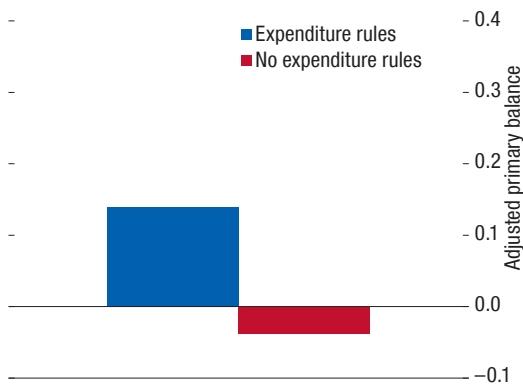
Sources: IMF, Fiscal Rules Database; and IMF staff calculations.
Note: The adjusted primary balance controls for other
determinants of the primary balance, such as the lagged primary
balance, the output gap, the debt level, and the presence of
other fiscal rules.

Figure 2.22. Fiscal Impulse
(Percent of GDP)
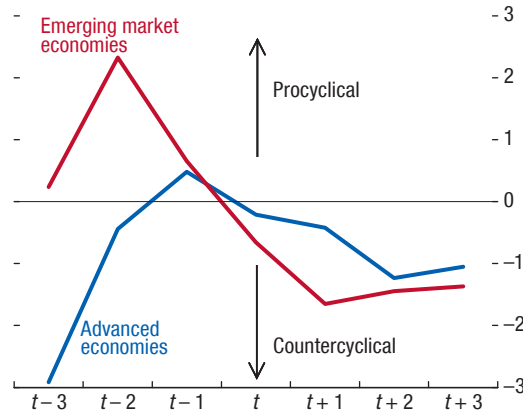
Sources: IMF, Fiscal Rules Database; and IMF staff calculations.
Note: *t* indicates the year the rule was introduced.

**Figure 2.23. Expenditure Rules and Spending
Composition**

1. Investment Spending[1]
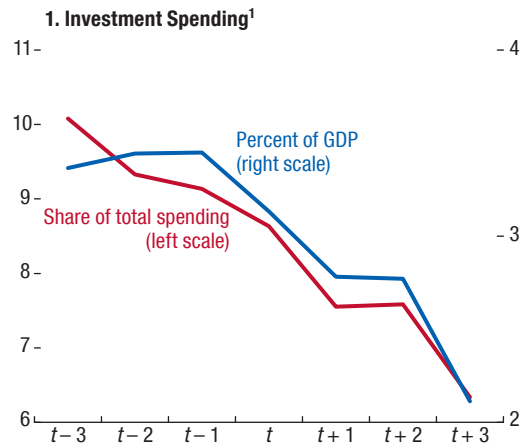
**2. Panel Regression with Investment Spending as
Dependent Variable[2]**
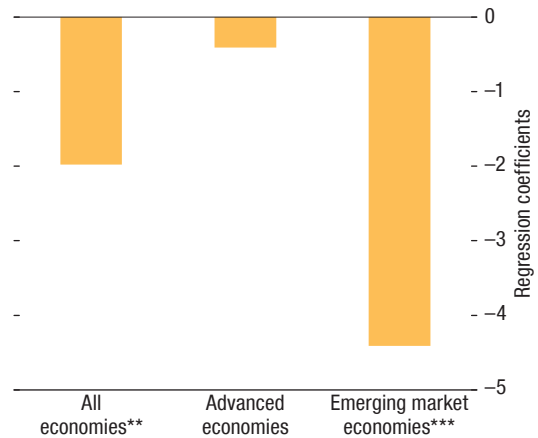
Sources: IMF, Fiscal Rules Database; and IMF staff calculations.
[1] *t* is for the first year of implementation of rule. Figure shows
an average across countries with expenditure rules in place.
[2] ** and *** denote significance at the 5 and 1 percent levels,
respectively. The chart shows coefficients from panel
regressions of the investment share of spending on an
expenditure rule dummy and other control variables, which
include political variables from the World Bank database.

budgetary frameworks, which may be more common
in advanced countries, could be a mitigating factor
that ensures that capital spending is not cut merely to
comply with expenditure ceilings.

Implications for Government Size and Efficiency

Event studies indicate that the size of government
becomes smaller with the introduction of expenditure

rules both in advanced and emerging market econo-
mies (Figure 2.24, panel 1). The volatility of govern-
ment spending is also found to decrease after the
introduction of an expenditure rule.[36] Lower volatility

[36] Following Grigoli and others (2012), spending volatility is
calculated as the absolute value of the percentage change in the
deviation of expenditure from its trend as calculated by the Hodrick-
Prescott filter.

improves the predictability of policy and directly contributes to macroeconomic stability.

Investigating the effect of expenditure rules on spending efficiency is constrained by data availability. The only evidence is Dabla-Norris and others' (2012) public investment efficiency index,[37] which is higher in countries that do have expenditure rules compared with those that do not (Figure 2.24, panel 2). This result could be due to investment projects being prioritized more carefully relative to the case with no binding constraint on spending, but this conclusion is tentative at best.

Figure 2.24. Expenditure Rules, Efficiency, and Government Size

1. Government Size and Spending Volatility[1]

2. Public Investment Efficiency Index[2]
(scale 0–4)
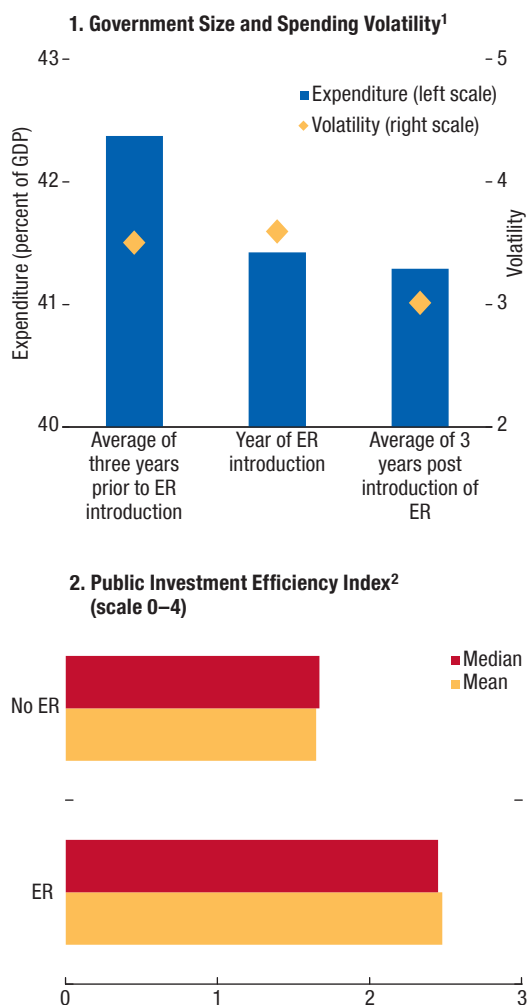
Sources: Dabla-Norris and others (2012); IMF, Fiscal Rules Database; and IMF staff calculations.
Note: ER=expenditure rule.
[1]Volatility is calculated as the absolute value of the percentage change in the deviation of expenditure from its trend as calculated by the Hodrick-Prescott filter.
[2]The public investment efficiency index covers 71 emerging and low-income countries and captures the institutional environment underpinning public investment management across four different stages: project appraisal, selection, implementation, and evaluation. Scores range from 0 to 4, and higher scores indicate better public investment management performance.

[37]This is a composite index, covering 71 countries, that measures the efficiency of public investment using a quantitative assessment of the investment process across four consecutive stages: project appraisal, selection, implementation, and evaluation.

Box 2.1. The Future of the State: Testing the Wagner and Baumol Hypotheses

The substantial upward trend in public spending in advanced economies during the past century, coupled with the observation that many emerging market economies are now reaching per capita income levels similar to those of advanced economies after World War II, begs the questions: will the size of government continue to increase in the coming decades? What are the key factors driving it?

According to the nineteenth century German economist Adolph Wagner, increasing government spending is a natural and inevitable consequence of economic growth, at least in the early and middle stages of development.[1] Richer urban populations demand more social, regulatory, and redistributive services from the state. This is, however, only part of the story. The cost of provision of government services has increased significantly since the 1960s. The economic phenomenon known as Baumol's cost disease could explain this rise. Baumol (1967) observed that musicians' salaries increased with wages in the overall economy even though productivity in that sector did not increase. Accordingly, Summers (2012) argued that government spending as a share of the economy will increase merely to maintain the same level of public services, because the prices of government services grow faster than the average price level in the economy.[2]

There is evidence that in most advanced economies the higher share of government consumption in the economy largely reflects faster growth in the price of services provided by the government compared with the private sector. In contrast, in most emerging market economies, the increase in the government consumption share of GDP has been predominantly driven by growth in the volume of goods and services provided (Figures 2.1.1 and 2.1.2). Disentangling the impact of volume growth from that of price increases is only feasible for government consumption—the second largest contributor to rising government spending—and investment for which deflators are available. The exercise, therefore, excludes social benefit transfers.

[1] For empirical investigations of Wagner's law, see Akitoby and others (2006) for emerging market economies, and Lamartina and Zaghini (2011) for OECD countries. Kuckuck (2014) finds evidence that the demand for government services stabilizes after a certain level of income. Results in this box are consistent with this literature.

[2] Nordhaus (2008) estimates the impact of Baumol's cost disease for the U.S. economy; Hartwig (2008) for the health sector in OECD countries; and Medeiros and Schwierz (2013) for the health sector in the European Union.

Figure 2.1.1. Government Spending Trends

1. Select Advanced Economies: Cumulative Change in Government Spending, 1980–2011

2a. Emerging Market Economies: Government Consumption, 1960–2011

2b. Advanced Economies: Government Consumption, 1960–2011
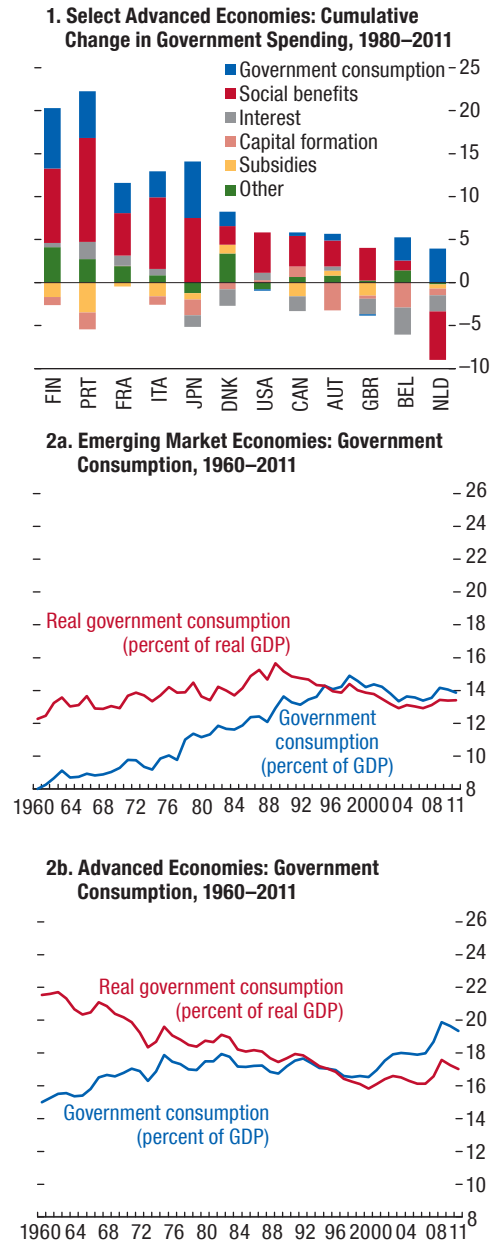
Sources: European Commission; national sources; World Bank; and IMF staff estimates.

Econometric analysis provides evidence supporting both Wagner's law and Baumol's cost disease for government consumption, but not for public investment (Table 2.1.1). An estimation of government consumption in real per capita terms (as a function

Box 2.1 *(continued)*

Figure 2.1.2. Government Consumption Growth, 1960–2011
(Percent of GDP)

1. Select Advanced Economies   2. Select Emerging Market Economies

Cross effect ■   Relative price effect ■   Relative volume effect ■   Change in spending ●
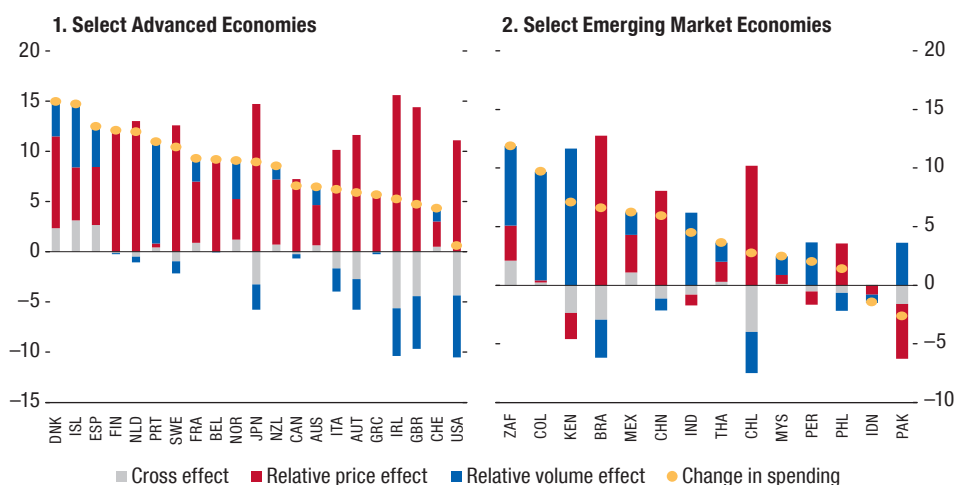
Sources: European Commission; national sources; World Bank; and IMF staff estimates.
Note: A standard decomposition formula was used:

$$\Delta \frac{C}{Y} = \left[\frac{P_T^G}{P_T^Y} - \frac{P_0^G}{P_0^Y}\right]\frac{c_0}{y_0} + \left[\frac{c_T}{y_T} - \frac{c_0}{y_0}\right] * \frac{P_0^G}{P_0^Y} + \left[\frac{c_T}{y_T} - \frac{c_0}{y_0}\right]\left[\frac{P_T^G}{P_T^Y} - \frac{P_0^G}{P_0^Y}\right]$$

where C = nominal government consumption; Y = nominal GDP; P^G = government consumption deflator; P^Y = GDP deflator; c = real government consumption; y = real GDP; T = time; and 0 = initial time.

Table 2.1.1 Long-Run Elasticities for Government Consumption and Gross Fixed Capital Formation

	Government Consumption			Gross Fixed Capital Formation		
	All	Advanced Economies	Emerging Market Economies	All	Advanced Economies	Emerging Market Economies
Demand Side						
Spending to Income	1.067***	1.273***	1.037***	0.892***	0.876***	0.958***
Elasticity	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)	(0.009)
Spending to Relative Price	−0.384***	−0.939***	−0.154***	0.093***	0.036***	0.136***
Elasticity	(0.004)	(0.005)	(0.014)	(0.007)	(0.008)	(0.024)
Supply Side						
Relative Prices	0.390***	0.462***	0.310***	−0.220***	−0.250***	0.079
	(0.038)	(0.039)	(0.033)	(0.047)	(0.048)	(0.072)

Source: Alt, Shabunina, and Tapsoba (forthcoming).
Note: *** indicates that the parameter is significant at the 1 percent level.

of real income per capita and the price of government services relative to the overall price level) suggests that the demand for government services increases as countries become richer. Unlike consumption, government

investment is a normal good and increases at a slower pace than income.

The fact that the relative price of government consumption is positively associated with productiv-

Box 2.1 *(concluded)*

ity growth of the overall economy validates Baumol's hypothesis—even with an unchanged volume of services, government consumption as a percentage of GDP would increase because its costs exceed productivity gains. To be sure, the impact could be mitigated by measures raising the efficiency of government spending—arguably a factor behind the stabilization of the share of government spending in GDP in advanced economies since the mid-1980s. In contrast, the Baumol effect is absent for government investment.

These findings imply that upward pressure on government consumption will continue, though possibly at a slower pace as income and productivity growth level off.

Based on these results, in the absence of spending reforms, government consumption in emerging market economies can be projected to increase through 2050 by 3 percentage points of GDP (based on the elasticity found for emerging economies) or 6 percentage points of GDP (based on the elasticity for advanced economies).[3] By far the largest share of the increase in the ratio of government consumption to GDP is explained by the increase in relative prices in the government sector resulting from Baumol's cost disease (Figure 2.1.3). Since wages of public employees are the core of Baumol's cost disease, the above projections imply continuous growth in the wage bill as a share of GDP, even if public employment growth is contained.

In contrast, investment in emerging market economies is projected to remain broadly stable as a percentage of GDP or even to decrease (depending on

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[3] Based on long-term population forecasts by the United Nations and *World Economic Outlook* growth projections (assuming that output gaps close within five years). Productivity growth is assumed to slow (from 5 percent to about 2 percent per year) in emerging market economies but increase (to 5 percent annually) in low-income countries in line with the historical experience of advanced economies.

Figure 2.1.3. Emerging Market Economies: Government Consumption, 1995–2040
(Percent of GDP)
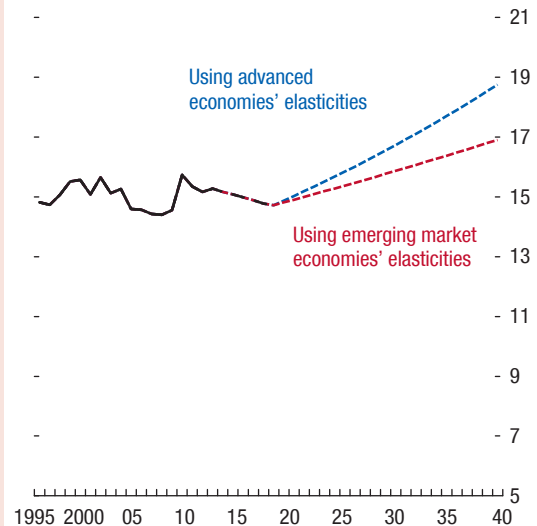
Source: Alt, Shabunina, and Tapsoba (forthcoming).

the elasticity used). However, based on past trends, the relative price of investment in emerging market economies is likely to decline, which should allow them to expand their public capital stock even while maintaining a constant share of investment spending.

Nevertheless, these projections need to be treated with caution. As indicated, they are passive simulations that assume that cost pressures are accommodated. In addition, this exercise does not allow for nonlinear effects. The trends of the past decades in advanced economies suggest that public spending levels off once per capita GDP reaches a certain threshold (Kuckuck, 2014, finds evidence in this direction).

Box 2.2. Structural Measures and Social Dialogue

Examples of structural measures on public wage formation and hiring include the following:

- *Reassessing employment level adequacy* might require increasing working hours (Portugal, 2009–13; Spain, 2011) or reducing overtime, depending on needs (Greece, Ireland, 2009–12); closing certain government agencies (Greece, 2009–12); or reallocating positions across departments.

- *Outsourcing noncore functions* may be investigated as these functions in certain areas can be provided more efficiently by the private sector (United Kingdom, 1994). Noncore functions such as transport, mail, cleaning, and maintenance are potential candidates for outsourcing.

- *Tightening the link between pay and performance* can help connect wage increases to individual and organizational performance and create incentives to improve efficiency and productivity (Ireland, 2011).[1] Linking pay to performance might also require simplifying and decompressing the salary structure (Latvia, 2008–10).

- *Spending reviews* are organizational audits of the functions of government agencies that attempt to determine the optimal organizational arrangement for government tasks. They provide the basis for defining specific measures to be implemented and can identify areas of duplication and overlap. Such reviews have been used in Canada in 1991, the United Kingdom in 1994, 2010, and 2013, and Portugal in 2013, among others.

Different vehicles have been used to foster social dialogue:

- *Public information campaigns* are a useful tool for informing employees early on of the detailed administrative and financial aspects of the reform. The public should also be made aware of the objectives of reforms to defuse opposition while securing the support of opinion leaders (Canada, 1991–92).

- *Consultation within the public administration* should allow staff from different parts of the administration to be involved in the reform effort (Portugal, 2013).

- *Negotiations with unions* can help the government and social partners reach agreement on comprehensive reforms (Austria, 1996–97; Italy, 1993–95; the Netherlands, 1984–86; Ireland, 2010).[2]

[1] For a discussion of strengths and weaknesses of performance related to pay in the public sector, see OECD (2005).

[2] See Blanchard, Jaumotte, and Loungani (2013) for a discussion of the critical role of trust between the unions and the government in recent labor market reforms, and how it has affected the success of these reforms.

Box 2.3. Health System Inefficiencies

A stochastic frontier analysis of health system inefficiencies indicates that the average loss in health-adjusted life expectancy (HALE) from inefficiencies is, on average, more than two years (panel 1 of Figure 2.3.1), which is similar to the findings of Joumard, Andre, and Nicq (2010) and Grigoli and Kapsoli (2013). This loss is substantial, given that increasing health spending by 50 percent would extend life expectancy by only about one year, on average. The HALE loss ranges from 1¾ years in Developing Asia to 2¾ years in Central and Eastern Europe/Common-wealth of Independent States (CEE/CIS), suggesting there is scope for improvements in all country groups. The potential gains from reducing health system inefficiencies are large; for example, reducing health system inefficiencies by 10 percent (holding all inputs constant) could, on average, result in the same gains in HALE as increasing total health spending (holding other inputs constant) by about 0.7 percent of GDP (or public health spending by 0.4 percent of GDP, assuming its share in total health spending stays the same) (panel 2 of Figure 2.3.1).

Figure 2.3.1 Estimates of Health System Inefficiencies

1. Health-Adjusted Life Expectancy Loss Due to Inefficiencies (years)

2. Increases in Health Spending Equivalent to Reducing Inefficiencies by 10 Percent (percent of GDP)
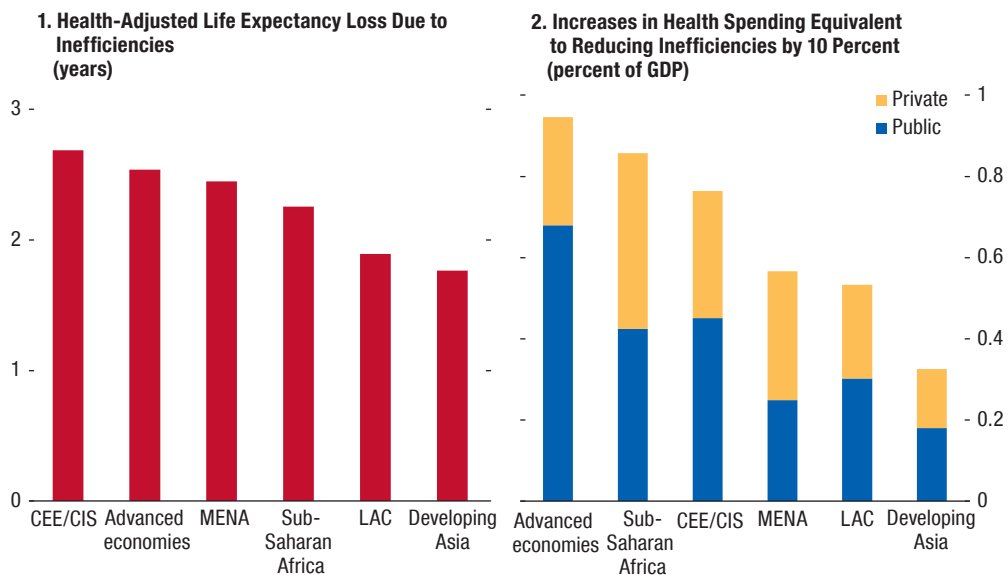
Source: IMF staff estimates.
Note: The analysis uses a similar approach to Grigoli and Kapsoli (2013); please refer to it for a detailed discussion of methodology and model specification. It should be noted that the efficiency estimates from this methodology only capture the extent to which health inputs contribute to health outcomes as measured by health-adjusted life expectancy (HALE) data. The population may also benefit from health inputs in dimensions that are valued by patients and their families, but are not captured by HALE. CEE/CIS = Central and Eastern Europe and the Commonwealth of Independent States; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa.

Box 2.4. Fiscal Consolidations with Progressive Measures

The large fiscal consolidations under way in a number of economies have raised concerns about the potential impact on inequality. Evidence from recent fiscal consolidation episodes in Europe suggests that both revenue and spending measures can be designed in ways that reduce their relative burden on lower-income groups (Avram and others, 2013), although they may still lead to reduced income in the short term. Simulating the effects of fiscal consolidation measures on the Gini index for disposable income suggests that in seven out of nine economies, progressive adjustment measures helped offset the adverse effects of consolidation on inequality (Figure 2.4.1).

- Public sector wage reductions were progressive, as public sector employees were mostly skilled and educated workers, largely belonging to the middle-

to upper-income groups, and because the cuts were generally structured to have a greater impact on higher-income workers.

- Cuts in untargeted benefits were largely progressive, whereas cuts to means-tested benefits were regressive.
- Proportional reductions in pensions across all beneficiaries proved to be strongly regressive as pensioners in the lower- to middle-income groups lost a greater share of their total income. In economies in which pension freezes or cuts were targeted to high pensions, the overall effect of these measures was progressive.
- Increases in income tax and social contributions proved to be mostly progressive, while increases in value-added tax rates were generally regressive.

Figure 2.4.1. Simulated Impact of Fiscal Consolidation Measures on Gini Coefficient, 2012
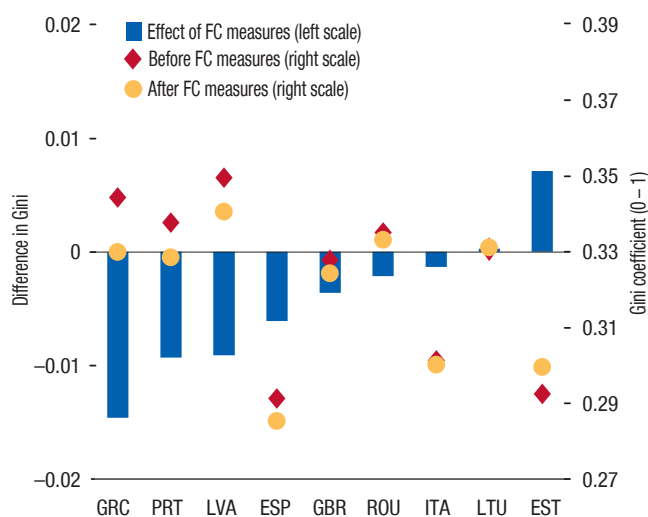
Source: Avram and others (2013).
Note: The effect of fiscal consolidation measures equals the difference between Gini coefficients before and after the fiscal consolidation measures. FC = Fiscal consolidation.

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METHODOLOGICAL AND STATISTICAL APPENDIX

This appendix comprises five sections: Data and Conventions provides a general description of the data and of the conventions used for calculating economy group composites. Fiscal Policy Assumptions summarizes the country-specific assumptions underlying the estimates and projections for 2013–19. Definition and Coverage of Fiscal Data provides details on the coverage and accounting practices underlying each country's *Fiscal Monitor* data. Economy Groupings summarizes the classification of countries in the various groups presented in the *Fiscal Monitor.* Statistical Tables on key fiscal variables complete the appendix. Data in these tables have been compiled on the basis of information available through April 2014.

Data and Conventions

Country-specific data and projections for key fiscal variables are based on the April 2014 World Economic Outlook database, unless indicated otherwise, and compiled by the IMF staff. Historical data and projections are based on the information gathered by IMF country desk officers in the context of their missions and through their ongoing analysis of the evolving situation in each country. They are updated on a continual basis as more information becomes available. Structural breaks in data may be adjusted to produce smooth series through splicing and other techniques. IMF staff estimates serve as proxies when complete information is unavailable. As a result, *Fiscal Monitor* data can differ from official data in other sources, including the IMF's *International Financial Statistics*.

Sources for fiscal data and projections not covered by the World Economic Outlook database are listed in the respective tables and figures.

The samples of advanced economies, emerging market economies, and low-income countries have been modified. See Economy Groupings for more details. Each income group comprises about 30 countries selected based on the size of economy measured by GDP to maximize the coverage in the global economy while balancing regional representation.

All fiscal data refer to the general government, where available, and to calendar years, except for Bangladesh,

Côte d'Ivoire, Egypt, Hong Kong Special Administrative Region, India, Lao P.D.R., Pakistan, Singapore, and Thailand, for which they refer to the fiscal year.

Composite data for country groups are weighted averages of individual-country data, unless otherwise specified. Data are weighted by annual nominal GDP converted to U.S. dollars at average market exchange rates as a share of the group GDP.

For the purpose of data reporting in the *Fiscal Monitor*, the G20 member aggregate refers to the 19 country members and does not include the European Union.

For most countries, fiscal data follow the IMF's *Government Finance Statistics Manual* (*GFSM*) *2001.* The overall fiscal balance refers to net lending (+)/borrowing (–) of the general government. In some cases, however, the overall balance refers to total revenue and grants minus total expenditure and net lending.

As used in the *Fiscal Monitor*, the term "country" does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.

Argentina. Total expenditure and the overall balance account for cash interest and the IMF staff's estimate of accrued interest payments. The data for Argentina are officially reported data. The IMF has, however, issued a declaration of censure and called on Argentina to adopt remedial measures to address the quality of the official data. Alternative data sources have shown significantly lower real growth than the official data since 2008. In this context, the IMF is also using alternative estimates of GDP growth for the surveillance of macroeconomic developments in Argentina. Consumer price data from January 2014 onwards reflect the new national CPI (IPCNu), which differs substantively from the preceding CPI (the CPI for the Greater Buenos Aires Area, CPI-GBA). Because of the differences in geographical coverage, weights, sampling, and methodology, the IPCNu data cannot be directly compared to the earlier CPI-GBA data. Because of this structural break in the data, staff forecasts for CPI inflation are not reported in the April 2014 *Fiscal Monitor*. Following a declaration of censure by the

IMF on February 1, 2013, the public release of a new national CPI by end-March 2014 was one of the specified actions in the IMF Executive Board's December 2013 decision calling on Argentina to address the quality of its official CPI data. The Executive Board will review this issue again as per the calendar specified in December 2013 and in line with the procedures set forth in the Fund's legal framework.

Bangladesh. Data are on a fiscal year basis.

Brazil. Gross debt refers to the nonfinancial public sector, excluding Eletrobras and Petrobras, and includes sovereign debt held on the balance sheet of the central bank.

Chile. Cyclically adjusted balances include adjustments for commodity price developments.

China. Fiscal data exclude allocations to the rainy-day fund. Up to 2009, public debt data include only central government debt as reported by the Ministry of Finance. For 2010, debt data include subnational debt identified in the 2011 *National Audit Report*. IMF staff estimated in the 2013 Article IV Staff Report that the augmented debt—expanding the perimeter of government to include local government financing vehicles and other off-budget activity—was around 46.2 percent of GDP as of end-2012. Deficit numbers do not include some expenditure items, mostly infrastructure investment financed off the budget through land sales and local-government financing vehicles.

Colombia. Gross public debt refers to the combined public sector, including Ecopetrol and excluding Banco de la República's outstanding external debt.

Côte d'Ivoire. Data are on a fiscal year basis.

Egypt. Data are on a fiscal year basis.

Greece. General government gross debt includes short-term debt and loans of state-owned enterprises.

Hong Kong SAR. Data are on a fiscal year basis. Cyclically adjusted balances include adjustments for land revenue and investment income. Government debt also includes "insurance technical reserves," following the *GFSM 2001* definition.

Hungary. The cyclically adjusted and cyclically adjusted primary balances for 2011 exclude one-time revenues from asset transfers to the general government resulting from changes to the pension system.

India. Data are on a fiscal year basis.

Ireland. The general government balances between 2009 and 2016 reflect the impact of banking sector support. The fiscal balance estimates excluding these measures are –11.3 percent of GDP for 2009; –10.5 percent of GDP for 2010; –8.9 percent of GDP for 2011; –8.2 percent of GDP for 2012; –7.4 percent of GDP for 2013 (including exchequer outlays for guarantees paid out under the Eligibility Liabilities Guarantee scheme in the context of the liquidation of the Irish Bank Resolution Corporation); –5.1 percent of GDP for 2014; –2.9 percent of GDP for 2015; and –2.3 percent of GDP for 2016. Cyclically adjusted balances reported in Statistical Table 2 exclude financial sector support, and correct for real output, equity, house prices, and unemployment.

Jordan. General government balances and general government revenues include grants.

Lao P.D.R. Data are on a fiscal year basis.

Latvia. The fiscal deficit includes bank restructuring costs and thus is higher than the deficit in official statistics.

Mexico. General government refers to central government, social security, public enterprises, development banks, the national insurance corporation, and the National Infrastructure Fund, but excludes subnational governments.

Norway. Cyclically adjusted balances correspond to the cyclically adjusted non-oil overall or primary balance. These variables are in percent of non-oil potential GDP.

Pakistan. Data are on a fiscal year basis.

Peru. Cyclically adjusted balances include adjustments for commodity price developments.

Singapore. Data are on a fiscal year basis. Historical fiscal data have been revised to reflect the migration to *GFSM 2001*, which entailed some classification changes.

South Africa. Primary balance reflects, in part, a technical improvement resulting from the inclusion of extraordinary receipts and payments in the definition of the budget deficit (in line with *GFSM 2001*). For fiscal years 2013/14 and 2014/15, net extraordinary receipts are estimated to improve the budget balance by 0.3 and 0.1 percent of GDP, respectively.

Spain. Overall and primary balances include financial sector support measures estimated to be 0.04 percent of GDP for 2010; 0.5 percent of GDP for 2011; 3.8 percent of GDP for 2012; and 0.5 percent of GDP for 2013.

Sudan. Data for 2011 exclude South Sudan after July 9. Data for 2012 and onward pertain to the current Sudan.

Sweden. Cyclically adjusted balances take into account output and employment gaps.

Switzerland. Data submissions at the cantonal and commune level are received with a long and variable lag and are subject to sizable revisions. Cyclically

adjusted balances include adjustments for extraordinary operations related to the banking sector.

Thailand. Data are on a fiscal year basis.

Turkey. Information on the general government balance, primary balance, and cyclically adjusted primary balance differs from that in the authorities' official statistics or country reports, which include net lending and privatization receipts.

United States. Cyclically adjusted balances exclude financial sector support estimated at 2.4 percent of GDP for 2009; 0.3 percent of GDP for 2010; 0.2 percent of GDP for 2011; and 0.1 percent of GDP for 2012. Data have been revised significantly following the Bureau of Economic Analysis's recent comprehensive revision of the National Income and Product Accounts (NIPA) along the lines of the 2008 System of National Accounts (SNA). As a result of these methodological changes, the deficit includes several expenditure items not counted as expenditure in other countries which have not yet adopted the 2008 SNA. For cross-country comparability, gross and net debt levels reported by national statistical agencies for countries that have adopted the 2008 SNA (Australia, Canada, United States) are adjusted to exclude unfunded pension liabilities of government employees' defined benefit pension plans. See Box 1.1 for more details.

Fiscal Policy Assumptions

Historical data and projections of key fiscal aggregates are in line with those of the April 2014 *World Economic Outlook*, unless highlighted. For underlying assumptions other than on fiscal policy, see the April 2014 *World Economic Outlook*.

Short-term fiscal policy assumptions are based on officially announced budgets adjusted for differences between the national authorities and the IMF staff regarding macroeconomic assumptions and projected fiscal outturns. Medium-term fiscal projections incorporate policy measures that are judged likely to be implemented. When the IMF staff has insufficient information to assess the authorities' budget intentions and prospects for policy implementation, an unchanged structural primary balance is assumed, unless indicated otherwise.

Argentina. The 2012 estimates are based on data on outturns and IMF staff estimates. For the outer years, the fiscal balance is projected to remain roughly at the current level.

Australia. Fiscal projections are based on the 2013–14 Mid-Year Economic and Fiscal Outlook, Australian Bureau of Statistics, and IMF staff projections.

Austria. Projections take into account the authorities' medium-term fiscal framework, as well as associated further implementation needs and risks. For 2014, the creation of a defeasance structure for Hypo Alpe Adria is assumed to increase the general government debt-to-GDP ratio by 5½ percentage points and the deficit by 1.2 percentage points.

Belgium. IMF staff projections for 2014 and beyond are based on unchanged policies.

Brazil. For 2013, preliminary outturn estimates are based on the information available as of January 2014. Projections for 2014 take into account the latest adjustments to the original budget, as per Presidential Decree of February 2014. In outer years, the IMF staff assumes adherence to the announced primary target.

Burkina Faso. Estimates are based on discussions with the authorities, past trends, and the impact of ongoing structural reforms.

Cambodia. Historical data are from the Cambodian authorities. Projections are based on the IMF staff's assumptions following discussions with the authorities.

Canada. Projections use the baseline forecasts in the Economic Action Plan 2014, (the fiscal year 2014/15 budget) and 2014 provincial budgets. The IMF staff makes adjustments to this forecast for differences in macroeconomic projections. IMF staff forecasts also incorporate the most recent data releases from Statistics Canada's Canadian System of National Economic Accounts, including federal, provincial, and territorial budgetary outturns through the end of the fourth quarter of 2013.

Chile. Projections are based on the authorities' budget projections and include adjustments to reflect the IMF staff's projections for GDP and copper prices.

China. The pace of fiscal consolidation is likely to be more gradual, reflecting reforms to strengthen social safety nets and the social security system announced at the Third Plenum reform agenda.

Cyprus. Projections are on a cash basis based on the latest budget information, adjusted for the Third Review of the IMF program with Cyprus.

Czech Republic. Projections are based on the authorities' budget forecast for 2012–13, with adjustments for macroeconomic projections. Projections for 2014 onward are based on unchanged policies.

Denmark. Projections for 2013–15 are aligned with the latest official budget estimates and the underlying economic projections, adjusted where appropriate for the IMF staff's macroeconomic assumptions. For 2016–19, the projections incorporate key features

of the medium-term fiscal plan as embodied in the authorities' 2013 Convergence Program submitted to the European Union.

Egypt. Fiscal projections are based mainly on budget sector operations.

Estonia. The forecast, which is cash and not accrual based, incorporates the authorities' 2014 budget, adjusted for newly available information and for the IMF staff's macroeconomic scenario.

Finland. Estimates are based on announced policies by the authorities, adjusted for the IMF staff's macro-economic scenario.

France. Projections for 2014 reflect the budget law. For 2015–17 they are based on the 2013–17 multi-year budget, April 2013 stability plan, medium-term projection annexed to the 2014 budget adjusted for differences in assumptions on macro and financial variables, and revenue projections. The fiscal data for 2011 were revised following a May 15, 2013, revision by the statistical institute of both national accounts and fiscal accounts. Fiscal data for 2012 reflect preliminary outturns published by the statistical institute in May 2013. Estimates for 2013 reflect discussions with the authorities on monthly developments on spending and revenue.

Germany. The estimates for 2013 are preliminary estimates from the Federal Statistical Office. The IMF staff's projections for 2014 and beyond reflect the authorities' adopted core federal government budget plan adjusted for the differences in the IMF staff's macroeconomic framework and assumptions about fiscal developments in state and local governments, the social insurance system, and special funds. The estimate of gross debt includes portfolios of impaired assets and noncore business transferred to institutions that are winding up, as well as other financial sector and EU support operations.

Greece. Fiscal projections for 2013 and the medium term are consistent with the policies discussed between the IMF staff and the authorities in the context of the Extended Fund Facility.

Hong Kong SAR. Projections are based on the authorities' medium-term fiscal projections on expenditures. The FY2015/2016 balance is adjusted to include HK$50 billion for health care reform expenditure.

Hungary. Fiscal projections include IMF staff projections of the macroeconomic framework and of the impact of existing legislated measures, as well as fiscal policy plans in the 2014 budget.

India. Historical data are based on budgetary execution data. Projections are based on available information on the authorities' fiscal plans, with adjustments for IMF staff assumptions. Subnational data are incorporated with a lag of up to two years; general government data are thus finalized well after central government data. IMF and Indian presentations differ, particularly regarding divestment and license auction proceeds, net versus gross recording of revenues in certain minor categories, and some public sector lending.

Indonesia. IMF staff projections for 2013–18 are based on a gradual increase in administrative fuel prices, introduction in 2014 of new social protections, and moderate tax policy and administration reforms.

Ireland. Fiscal projections are based on the 2014 budget. The fiscal projections are adjusted for differences between the IMF staff's macroeconomic projections and those of the Irish authorities.

Israel. Historical data are based on government finance statistics submitted by the Central Bureau of Statistics. The historical data, together with the announced fiscal consolidation plan by the authorities, form the basis for the IMF staff's medium-term fiscal projections.

Italy. Fiscal projections incorporate the government's announced fiscal policy as outlined in the 2014 Budgetary Plan, adjusted for different growth outlooks and estimated impact of measures. Estimates of the cyclically adjusted balance include the expenditure to clear capital arrears in 2013. After 2014, the IMF staff projects convergence to a structural balance in line with Italy's fiscal rule, which implies corrective measures in some years, as yet unidentified. Fiscal proposals by the new government were announced after the finalization of the WEO projections and are not included in the figures.

Japan. Projections are based on fiscal measures already announced by the government, including consumption tax increases, earthquake reconstruction spending, and the stimulus packages.

Kazakhstan. Fiscal projections are based on budget numbers, discussions with the authorities, and IMF staff projections.

Korea. The medium-term forecast reflects both the government's announced medium-term consolidation path and IMF staff's judgment.

Lithuania. Fiscal projections for 2013 and 2014 are based on the authorities' budget after adjusting for differences in macroeconomic assumptions, and performance so far. Projections for 2015 onward are passive

projections because measures to underpin the authorities' public commitment to further consolidation have not yet been specified.

Malaysia. Fiscal year 2013 projections are based on preliminary outturn for 2013:Q1–Q3 and IMF staff projections taking into account the original and supplemental budget numbers. For the remainder of the projection period, the IMF staff assumes that the authorities undertake a gradual subsidy reform starting in 2013 and the introduction of a goods and services tax in 2015.

Mali. Estimates reflect approved budget and agreed-upon program budget for the current year, authorities' medium-term fiscal framework, and IMF staff estimates for outer years.

Mexico. Fiscal projections for 2014 are in line with the approved budget; projections for 2015 onward assume compliance with the rules established in the Fiscal Responsibility Law.

Moldova. Fiscal projections are based on the 2014 budget, discussions with the authorities, and IMF staff projections.

Mozambique. Fiscal projections assume a moderate increase in revenue as a percentage of GDP and a commensurate increase in domestic primary spending. They account for a lower aid flow, with the grants contribution declining.

Myanmar. Fiscal projections are based on budget numbers, discussions with the authorities, and IMF staff adjustments.

Netherlands. Fiscal projections for 2012–18 are based on the authorities' Bureau for Economic Policy Analysis budget projections, after adjustments for differences in macroeconomic assumptions.

New Zealand. Fiscal projections are based on the authorities' 2013 Half Year Economic and Fiscal Update and IMF staff estimates.

Nigeria. Estimates reflect historical data series, the annual budget, and the medium-term expenditure framework at the general government level, and additional data from the authorities.

Norway. Fiscal projections are based on the authorities' 2014 amended budget.

Philippines. Fiscal projections assume that the authorities' fiscal deficit target will be achieved in 2014 and beyond. Revenue projections reflect the IMF staff's macroeconomic assumptions and incorporate anticipated improvements in tax administration. Expenditure projections are based on budgeted figures,

institutional arrangements, and fiscal space in each year.

Poland. Data are on a European System of Accounts (ESA-95) accrual basis. Projections are based on the 2014 budget and its execution up to the third quarter of 2013. The projections also take into account the effects of pension reform announced in early September 2013.

Portugal. Projections reflect the authorities' commitments under the EU/IMF–supported program for 2013–14 and the IMF staff's projections thereafter.

Romania. The 2014 cash deficit projection is based on the promulgated budget for 2014. The 2015 cash deficit projection is consistent with the authorities' EU commitments.

Russia. Projections for 2013–19 are based on the oil-price-based fiscal rule introduced in December 2012, with adjustments by the IMF staff.

Saudi Arabia. The authorities base their budget on a conservative assumption for oil prices, with adjustments to expenditure allocations considered in the event that revenues exceed budgeted amounts. IMF staff projections of oil revenues are based on World Economic Outlook baseline oil prices. On the expenditure side, wage bill estimates incorporate the 13th-month pay awards every three years in accordance with the lunar calendar; capital spending estimates over the medium term are in line with the authorities' priorities established in the National Development Plans.

Senegal. Estimates are based on program targets for 2013–14 and mostly debt sustainability analysis considerations thereafter. Fiscal accounts are shown in accordance with the *GFSM 2001* methodology.

Singapore. Projections are based on budget numbers for fiscal year 2013/14, and unchanged policies thereafter.

Slovak Republic. Estimates are based on the IMF staff's revenue projections and on expenditures in the 2012–15 budget, including unbudgeted expenditures in 2012. Projections for 2013 are based on the authorities' plans to reduce the overall deficit to 2.9 percent of GDP.

South Africa. Fiscal projections are based on the authorities' Medium Term Budget Policy Statement, released October 23, 2013.

Spain. For 2013 and beyond, fiscal projections are based on the measures specified in the Stability Program Update 2013–16, the revised fiscal policy recommendations by the European Council in June 2013,

the 2014 budget plan issued in October 2013, and the 2014 budget approved in December 2013.

Sweden. Fiscal projections are broadly in line with the authorities' projections based on the 2014 Budget Bill. The impact of cyclical developments on the fiscal accounts is calculated using the Organisation for Economic Co-operation and Development's latest semi-elasticity.

Switzerland. Projections for 2012–18 are based on IMF staff calculations, which incorporate measures to restore balance in the federal accounts and strengthen social security finances.

Thailand. IMF staff projections do not assume implementation of the planned infrastructure investment programs.

Turkey. Fiscal projections assume that both current expenditures and capital spending will be above the authorities' 2013–15 Medium-Term Program, based on current trends and policies.

United Kingdom. Fiscal projections are based on the Treasury's 2014 budget, published in March 2014. However, on the revenue side, the authorities' projections are adjusted for differences between IMF staff forecasts of macroeconomic variables (such as GDP growth) and the forecasts of these variables assumed in the authorities' fiscal projections. In addition, IMF staff's projections exclude the temporary effects of financial sector interventions and the effect on public sector net investment during 2012–13 of transferring assets from the Royal Mail Pension Plan to the public sector. Transfers of profits from the Bank of England's Asset Purchase Facility affect general government net interest payments. The timing of these payments can create differences between fiscal year primary balances published by the authorities and calendar year balances shown in the *Fiscal Monitor*.

United States. Fiscal projections are based on the February 2014 Congressional Budget Office baseline adjusted for the IMF staff's policy and macroeconomic assumptions. The baseline incorporates the key provisions of the Bipartisan Budget Act of 2013, including a partial rollback of the sequester spending cuts in fiscal years 2014 and 2015. The rollback is fully offset by savings elsewhere in the budget. In fiscal years 2016 through 2021, the IMF staff assumes that the sequester cuts will continue to be partially replaced, in portions similar to those in fiscal years 2014 and 2015, with back-loaded measures generating savings in mandatory programs and additional revenues. Over the medium term, the IMF staff assumes that Congress will continue to make regular adjustments to Medicare payments (DocFix) and will extend certain traditional programs (such as the research and development tax credit). Fiscal projections are adjusted to reflect the IMF staff's forecasts of key macroeconomic and financial variables and different accounting treatment of financial sector support and are converted to a general government basis. Historical data start at 2001 for most series because data compiled according to *GFSM 2001* may not be available for the earlier years.

Vietnam. Revenues and financing projections reflect the information and measures in the approved budget and the IMF staff's macro framework assumptions.

Table A. Advanced Economies: Definition and Coverage of *Fiscal Monitor* Data

Country	Overall Fiscal Balance[1]			Cyclically Adjusted Balance			Gross Debt		
	Coverage		Accounting Practice	Coverage		Accounting Practice	Coverage		Accounting Practice
	Aggregate	Subsectors		Aggregate	Subsectors		Aggregate	Subsectors	
Australia	GG	CG, LG, SG	A	GG	CG, LG, SG	A	GG	CG, LG, SG	A
Austria	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A
Belgium	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A
Canada	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A
Cyprus	GG	CG, LG	A	—	—	—	GG	CG, LG	A
Czech Republic	GG	CG, LG, SS	A	GG	CG, LG, SS	A	GG	CG, LG, SS	A
Denmark	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A
Estonia	GG	CG, LG, SS	C	—	—	—	GG	CG, LG, SS	C
Finland	GG	CG, LG, SS	A	GG	CG, LG, SS	A	GG	CG, LG, SS	A
France	GG	CG, LG, SS	A	GG	CG, LG, SS	A	GG	CG, LG, SS	A
Germany	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A
Greece	GG	CG, LG, SS	A	GG	CG, LG, SS	A	GG	CG, LG, SS	A
Hong Kong SAR	CG	CG	C	CG	CG	C	CG	CG	C
Iceland	GG	CG, LG, SS	A	GG	CG, LG, SS	A	GG	CG, LG, SS	A
Ireland	GG	CG, LG, SS	A	GG	CG, LG, SS	A	GG	CG, LG, SS	A
Israel	GG	CG, SS	A	GG	CG, SS	A	GG	CG, SS	A
Italy	GG	CG, LG, SS	A	GG	CG, LG, SS	A	GG	CG, LG, SS	A
Japan	GG	CG, LG, SS	A	GG	CG, LG, SS	A	GG	CG, LG, SS	A
Korea	CG	CG	C	CG	CG	C	CG	CG	C
Latvia	GG	CG, LG, SS, NFC	C	GG	CG, LG, SS, NFC	C	GG	CG, LG, SS, NFC	C
Netherlands	GG	CG, LG, SS	A	GG	CG, LG, SS	A	GG	CG, LG, SS	A
New Zealand	CG	CG	A	CG	CG	A	CG	CG	A
Norway	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A
Portugal	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A
Singapore	CG	CG	C	CG	CG	C	CG	CG	C
Slovak Republic	GG	CG, LG, SS	A	GG	CG, LG, SS	A	GG	CG, LG, SS	A
Slovenia	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C
Spain	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A
Sweden	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A
Switzerland	GG	CG, SS	A	GG	CG, SS	A	GG	CG, SS	A
United Kingdom	GG	CG, LG	A	GG	CG, LG	A	GG	CG, LG	A
United States	GG	CG, LG, SG	A	GG	CG, LG, SG	A	GG	CG, LG, SG	A

Note: Coverage: BA = budgetary central government, CG = central government, EA = extrabudgetary units, FC = financial public corporations, GG = general government, LG = local governments, NFC = nonfinancial public corporations, NFPS = nonfinancial public sector, PS = public sector, SG = state governments, SS = social security funds. Accounting standard: A = accrual, C = cash.

[1] For most countries, fiscal data follow the IMF's *Government Finance Statistics Manual (GFSM)* 2001. The concept of overall fiscal balance refers to net lending (+) / borrowing (−) of the general government. In some cases, however, the overall balance refers to total revenue and grants minus total expenditure and net lending.

Table B. Emerging Market Economies: Definition and Coverage of *Fiscal Monitor* Data

Country	Overall Fiscal Balance[1] Coverage Aggregate	Overall Fiscal Balance[1] Coverage Subsectors	Overall Fiscal Balance[1] Accounting Practice	Cyclically Adjusted Balance Coverage Aggregate	Cyclically Adjusted Balance Coverage Subsectors	Cyclically Adjusted Balance Accounting Practice	Gross Debt Coverage Aggregate	Gross Debt Coverage Subsectors	Gross Debt Accounting Practice
Argentina[2]	GG	CG, SG, LG, SS	C	CG	CG	C	GG	CG, SG, LG, SS	C
Brazil[3]	NFPS	CG, SG, LG, SS, NFC	C	NFPS	CG, SG, LG, SS, NFC	C	NFPS	CG, SG, LG, SS, NFC	C
Bulgaria	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C
Chile	GG	CG, SG, LG, SS	A	CG	CG	A	GG	CG, SG, LG, SS	A
China	GG	CG, SG, LG	C	GG	CG, SG, LG	C	GG	CG, SG, LG	C
Colombia[4]	NFPS	CG, SG, LG, NFC	C/A	NFPS	CG, SG, LG, NFC	C/A	NFPS	CG, SG, LG, NFC	C/A
Egypt	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C
Hungary	NFPS	CG, LG, SS, NFC	A	NFPS	CG, LG, SS, NFC	A	NFPS	CG, LG, SS, NFC	A
India	GG	CG, SG	A	GG	CG, SG	A	GG	CG, SG	A
Indonesia	GG	CG, LG	C	GG	CG, LG	C	GG	CG, LG	C
Jordan	CG	CG	C	CG	CG	C	PS	CG, LG, NFC	C
Kazakhstan	GG	CG, LG	A	–	–	–	GG	CG, LG	A
Kenya	CG	CG	C	–	–	–	CG	CG	C
Lithuania	GG	SG, EA, SS, LG	A	GG	SG, EA, SS, LG	A	GG	SG, EA, SS, LG	A
Malaysia	GG	CG, SG, LG	C	GG	CG	C	GG	CG, SG, LG	C
Mexico	PS	CG, SS, NFC, FC	C	CG	CG	C	PS	CG, SS, NFC, FC	C
Morocco	CG	CG	A	–	–	–	CG	CG	A
Nigeria	GG	GG	C	–	–	–	GG	GG	C
Pakistan	GG	CG, LG, SG	C	–	–	–	GG	CG, LG, SG	C
Peru	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C
Philippines	GG	CG, LG, SS	C	CG	CG	C	GG	CG, LG, SS	C
Poland	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A	GG	CG, SG, LG, SS	A
Romania	GG	CG, SS, SG, LG	C	GG	CG, SS, SG, LG	C	GG	CG, SS, SG, LG	C
Russia	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C
Saudi Arabia	GG	CG, Other	C	–	–	–	GG	CG, Other	C
South Africa	GG	CG, SG, SS	C	GG	CG, SG, SS	C	GG	CG, SG, SS	C
Thailand	GG	CG, LG	A	GG	CG, LG	A	GG	CG, LG	A
Turkey	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C
Ukraine	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C	GG	CG, SG, LG, SS	C

Note: Coverage: BA = budgetary central government, CG = central government, EA = extrabudgetary units, FC = financial public corporations, GG = general government, LG = local governments, NFC = nonfinancial public corporations, NFPS = nonfinancial public sector, PS = public sector, SG = state governments, SS = social security funds. Accounting standard: A = accrual, C = cash.

[1] For most countries, fiscal data follow the IMF's *Government Finance Statistics Manual (GFSM)* 2001. The concept of overall fiscal balance refers to net lending (+) / borrowing (–) of the general government. In some cases, however, the overall balance refers to total revenue and grants minus total expenditure and net lending.

[2] Total expenditure and the overall balance account for cash interest and the IMF staff's estimate of accrued interest payments.

[3] Gross debt refers to the nonfinancial public sector, excluding Eletrobras and Petrobras, and includes sovereign debt held on the balance sheet of the central bank.

[4] Revenue is recorded on a cash basis and expenditure on an accrual basis.

Table C. Low-Income Countries: Definition and Coverage of *Fiscal Monitor* Data

Country	Overall Fiscal Balance[1] Coverage Aggregate	Subsectors	Accounting Practice	Cyclically Adjusted Balance Coverage Aggregate	Subsectors	Accounting Practice	Gross Debt Coverage Aggregate	Subsectors	Accounting Practice
Bangladesh	CG	CG	C	CG	CG	C	CG	CG	C
Bolivia	NFPS	CG, LG, SS, NFC	C	NFPS	CG, LG, SS, NFC	C	NFPS	CG, LG, SS, NFC	C
Burkina Faso	CG	CG	C	–	–	–	CG	CG	C
Cambodia	GG	CG, LG	C	GG	CG, LG	C	GG	CG, LG	C
Cameroon	NFPS	CG, NFC	C	–	–	–	NFPS	CG, NFC	C
Chad	NFPS	CG, NFC	C	–	–	–	NFPS	CG, NFC	C
Congo, Dem. Rep. of the	CG	CG	C	–	–	–	CG	CG	C
Congo, Rep. of	CG	CG	C	–	–	–	CG	CG	C
Côte d'Ivoire	CG	CG	A	–	–	–	CG	CG	A
Ethiopia	CG	CG	C	–	–	–	CG	CG	C
Ghana	CG	CG	C	–	–	–	CG	CG	C
Haiti	CG	CG	C	CG	CG	C	CG	CG	C
Honduras	NFPS	CG, LG, SS, NFC	A	NFPS	CG, LG, SS, NFC	A	NFPS	CG, LG, SS, NFC	A
Lao P.D.R.[2]	CG	CG	C	CG	CG	C	CG	CG	C
Madagascar	CG	CG	C	–	–	–	–	–	–
Mali	CG	CG	C/A	–	–	–	CG	CG	C/A
Moldova	GG	CG, LG	C	GG	CG, LG	C	GG	CG, LG	C
Mozambique	CG	CG	C	CG	CG	C	CG	CG	C
Myanmar	NFPS	NFPS	C	–	–	–	NFPS	NFPS	C
Nepal	CG	CG	C	CG	CG	C	CG	CG	C
Nicaragua	NFPS	CG, SG, LG, SS, NFC	C	NFPS	CG, SG, LG, SS, NFC	C	NFPS	CG, SG, LG, SS, NFC	C
Senegal	CG	CG	C	–	–	–	CG	CG	C
Sudan	CG	CG	A	–	–	–	CG	CG	A
Tajikistan	GG	CG, LG, SS	C	–	–	–	GG	CG, LG, SS	C
Tanzania	CG	CG	C	–	–	–	CG	CG	C
Uganda	CG	CG	C	–	–	–	CG	CG	C
Uzbekistan[3]	GG	CG, SG, LG, SS, FC	C	GG	CG, SG, LG, SS, FC	C	GG	CG, SG, LG, SS, FC	C
Vietnam	GG	CG, SG, LG, FC	C	GG	CG, SG, LG, FC	C	GG	CG, SG, LG, FC	C
Yemen	GG	CG, LG	C	GG	CG, LG	C	GG	CG, LG	C
Zambia	CG	CG	C	–	–	–	CG	CG	C

Note: Coverage: BA = budgetary central government, CG = central government, EA = extrabudgetary units, FC = financial public corporations, GG = general government, LG = local governments, NFC = nonfinancial public corporations, NFPS = nonfinancial public sector, PS = public sector, SG = state governments, SS = social security funds. Accounting standard: A = accrual, C = cash.

[1] For most countries, fiscal data follow the IMF's *Government Finance Statistics Manual (GFSM)* 2001. The concept of overall fiscal balance refers to net lending (+) / borrowing (−) of the general government. In some cases, however, the overall balance refers to total revenue and grants minus total expenditure and net lending.

[2] Lao P.D.R.'s fiscal spending includes capital spending by local governments financed by loans provided by the central bank.

[3] Includes the Fund for Reconstruction and Development.

Definition and coverage of fiscal data

Economy groupings

The following groupings of economies are used in the *Fiscal Monitor*.

Advanced Economies	Emerging Market Economies	Low-Income Countries	G7	G20[1]	Advanced G20[1]	Emerging G20
Australia	Argentina	Bangladesh	Canada	Argentina	Australia	Argentina
Austria	Brazil	Bolivia	France	Australia	Canada	Brazil
Belgium	Bulgaria	Burkina Faso	Germany	Brazil	France	China
Canada	Chile	Cambodia	Italy	Canada	Germany	India
Cyprus	China	Cameroon	Japan	China	Italy	Indonesia
Czech Republic	Colombia	Chad	United Kingdom	France	Japan	Mexico
Denmark	Egypt	Congo, Dem. Rep. of the	United States	Germany	Korea	Russia
Estonia	Hungary	Congo, Rep. of		India	United Kingdom	Saudi Arabia
Finland	India	Côte d'Ivoire		Indonesia	United States	South Africa
France	Indonesia	Ethiopia		Italy		Turkey
Germany	Jordan	Ghana		Japan		
Greece	Kazakhstan	Haiti		Korea		
Hong Kong SAR	Kenya	Honduras		Mexico		
Iceland	Lithuania	Lao P.D.R.		Russia		
Ireland	Malaysia	Madagascar		Saudi Arabia		
Israel	Mexico	Mali		South Africa		
Italy	Morocco	Moldova		Turkey		
Japan	Nigeria	Mozambique		United Kingdom		
Korea	Pakistan	Myanmar		United States		
Latvia	Peru	Nepal				
Netherlands	Philippines	Nicaragua				
New Zealand	Poland	Senegal				
Norway	Romania	Sudan				
Portugal	Russia	Tajikistan				
Singapore	Saudi Arabia	Tanzania				
Slovak Republic	South Africa	Uganda				
Slovenia	Thailand	Uzbekistan				
Spain	Turkey	Vietnam				
Sweden	Ukraine	Yemen				
Switzerland		Zambia				
United Kingdom						
United States						

[1]Does not include European Union aggregate.

Economy groupings *(continued)*

Euro Area	Emerging Asia	Emerging Europe	Emerging Latin America	Emerging Middle East and North Africa	Low-Income Asia	Low-Income Latin America
Austria	China	Bulgaria	Argentina	Egypt	Bangladesh	Bolivia
Belgium	India	Hungary	Brazil	Jordan	Cambodia	Haiti
Cyprus	Indonesia	Kazakhstan	Chile	Morocco	Lao P.D.R.	Honduras
Estonia	Malaysia	Lithuania	Colombia	Pakistan	Myanmar	Nicaragua
Finland	Philippines	Poland	Mexico		Nepal	
France	Thailand	Romania	Peru		Vietnam	
Germany		Russia				
Greece		Turkey				
Ireland		Ukraine				
Italy						
Latvia						
Luxembourg						
Malta						
Netherlands						
Portugal						
Slovak Republic						
Slovenia						
Spain						

Low-Income Sub-Saharan Africa	Low-Income Others	Low-Income Oil Producers	Oil Producers
Burkina Faso	Moldova	Cameroon	Algeria
Cameroon	Sudan	Chad	Angola
Chad	Tajikistan	Congo, Rep. of	Azerbaijan
Congo, Dem. Rep.	Uzbekistan	Sudan	Bahrain
of the	Yemen	Vietnam	Brunei Darussalam
Congo, Rep. of		Yemen	Cameroon
Côte d'Ivoire			Chad
Ethiopia			Congo, Rep. of
Ghana			Ecuador
Madagascar			Equatorial Guinea
Mali			Gabon
Mozambique			Indonesia
Senegal			Iran
Tanzania			Kazakhstan
Uganda			Kuwait
Zambia			Libya
			Mexico
			Nigeria
			Norway
			Oman
			Qatar
			Saudi Arabia
			Sudan
			Syria
			Timor-Leste
			Trinidad and Tobago
			United Arab Emirates
			Venezuela
			Vietnam
			Yemen

Statistical Table 1. Advanced Economies: General Government Overall Balance and Primary Balance
(Percent of GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Overall Balance														
Australia	1.8	1.5	−1.1	−4.6	−5.1	−4.4	−3.7	−3.7	−3.4	−1.9	−1.0	−1.4	−1.9	−1.7
Austria	−1.7	−1.0	−1.0	−4.1	−4.5	−2.5	−2.5	−1.8	−3.0	−1.5	−1.3	−1.1	−1.0	−1.0
Belgium	0.3	−0.1	−1.1	−5.6	−3.9	−3.9	−4.1	−2.8	−2.4	−2.1	−1.5	−0.9	−0.2	0.5
Canada	1.8	1.5	−0.3	−4.5	−4.9	−3.7	−3.4	−3.0	−2.5	−2.0	−1.5	−1.1	−0.9	−0.6
Cyprus	−1.2	3.5	0.9	−6.1	−5.3	−6.3	−6.4	−4.7	−5.2	−5.2	−2.0	−1.0	−0.2	−0.5
Czech Republic	−2.4	−0.7	−2.2	−5.8	−4.8	−3.3	−4.4	−2.9	−2.8	−2.5	−2.3	−2.3	−2.2	−1.9
Denmark	5.0	4.8	3.3	−2.8	−2.7	−2.0	−3.9	−0.4	−1.4	−2.7	−2.2	−1.1	−0.7	−0.4
Estonia	2.5	2.4	−2.9	−2.0	0.2	1.2	−0.2	−0.4	−0.4	0.2	0.6	0.8	1.1	1.3
Finland	4.1	5.3	4.3	−2.7	−2.8	−1.0	−2.2	−2.6	−2.6	−1.9	−1.7	−1.6	−1.6	−1.5
France	−2.4	−2.8	−3.3	−7.6	−7.1	−5.3	−4.8	−4.2	−3.7	−3.0	−2.1	−1.3	−0.4	0.0
Germany	−1.7	0.2	−0.1	−3.1	−4.2	−0.8	0.1	0.0	0.0	−0.1	0.2	0.4	0.4	0.4
Greece	−6.0	−6.8	−9.9	−15.6	−10.8	−9.6	−6.3	−2.6	−2.7	−1.9	−0.7	−0.7	−0.9	−0.7
Hong Kong SAR	3.9	7.7	0.1	1.5	4.2	3.9	3.2	0.8	2.6	0.5	2.3	2.4	2.9	2.4
Iceland	6.3	5.4	−13.5	−10.9	−10.3	−6.2	−3.8	−1.9	−0.2	0.0	0.4	0.7	1.0	1.4
Ireland[1]	2.9	0.1	−7.3	−13.8	−30.5	−13.1	−8.2	−7.4	−5.1	−3.0	−2.4	−1.7	−1.2	−0.7
Israel	−2.6	−1.5	−3.7	−6.3	−4.6	−4.2	−3.9	−3.2	−2.9	−2.5	−2.0	−2.0	−2.0	−1.5
Italy	−3.4	−1.6	−2.7	−5.4	−4.4	−3.7	−2.9	−3.0	−2.7	−1.8	−0.8	−0.4	−0.2	−0.2
Japan	−3.7	−2.1	−4.1	−10.4	−9.3	−9.8	−8.7	−8.4	−7.2	−6.4	−5.4	−5.2	−5.2	−5.4
Korea	1.1	2.3	1.6	0.0	1.7	1.8	1.8	1.0	1.2	1.2	1.6	1.9	2.2	2.4
Latvia	−0.5	0.6	−7.5	−7.8	−7.3	−3.2	0.1	−1.3	−1.1	1.3	−1.6	−0.3	−0.5	−0.6
Netherlands	0.5	0.2	0.5	−5.6	−5.1	−4.3	−4.0	−3.1	−3.0	−2.0	−1.7	−1.4	−1.0	−0.6
New Zealand	4.3	3.4	1.5	−1.5	−5.1	−4.9	−1.6	−0.6	0.3	1.1	1.7	2.6	3.1	3.1
Norway	18.3	17.3	18.8	10.5	11.1	13.6	13.9	11.1	11.2	9.9	8.9	8.0	7.2	6.5
Portugal	−3.8	−3.2	−3.7	−10.2	−9.9	−4.3	−6.5	−4.9	−4.0	−2.5	−2.0	−1.6	−1.4	−1.2
Singapore	7.1	11.9	6.5	−0.5	7.3	9.3	8.7	6.9	6.0	5.4	5.1	4.9	4.9	4.9
Slovak Republic	−2.6	−1.6	−2.0	−8.0	−7.7	−5.1	−4.5	−3.0	−3.8	−3.8	−3.8	−3.7	−3.6	−3.6
Slovenia	−0.8	0.3	−0.3	−5.5	−5.4	−5.6	−3.2	−14.2	−5.5	−4.1	−4.0	−3.6	−3.3	−3.0
Spain[1]	2.4	2.0	−4.5	−11.1	−9.6	−9.6	−10.6	−7.2	−5.9	−4.9	−3.9	−2.9	−2.0	−1.0
Sweden	2.2	3.5	2.2	−1.0	0.0	0.0	−0.7	−1.0	−1.3	−0.5	0.0	0.4	0.8	1.1
Switzerland	0.9	1.3	1.8	0.5	0.1	0.3	0.0	0.0	−0.2	0.4	0.7	0.9	0.9	0.9
United Kingdom	−2.8	−2.9	−5.0	−11.3	−10.0	−7.8	−8.0	−5.8	−5.3	−4.1	−2.9	−1.5	−0.4	−0.2
United States	−3.4	−4.0	−7.8	−14.7	−12.5	−11.0	−9.7	−7.3	−6.4	−5.6	−5.6	−5.4	−5.4	−5.7
Average	−1.9	−1.6	−3.9	−9.5	−8.3	−6.9	−6.2	−4.9	−4.3	−3.6	−3.1	−2.8	−2.6	−2.6
Euro area	−1.3	−0.7	−2.1	−6.4	−6.2	−4.2	−3.7	−3.0	−2.6	−2.0	−1.4	−0.9	−0.5	−0.3
G7	−2.9	−2.7	−5.1	−10.8	−9.6	−8.2	−7.3	−5.9	−5.1	−4.4	−4.0	−3.6	−3.4	−3.5
G20 advanced	−2.7	−2.4	−4.8	−10.4	−9.1	−7.7	−6.9	−5.5	−4.8	−4.1	−3.6	−3.3	−3.2	−3.2
Primary Balance														
Australia	1.5	1.3	−1.1	−4.5	−4.8	−3.9	−3.0	−3.0	−2.6	−1.1	−0.2	−0.5	−0.8	−0.4
Austria	0.5	1.0	1.1	−1.9	−2.3	−0.3	−0.3	0.2	−1.0	0.6	0.8	1.0	1.0	1.1
Belgium	4.1	3.6	2.5	−2.2	−0.6	−0.6	−0.7	0.4	0.6	0.8	1.4	1.9	2.5	3.3
Canada	2.4	2.0	−0.2	−3.7	−4.3	−3.3	−2.8	−2.6	−2.2	−1.6	−1.2	−0.9	−0.7	−0.5
Cyprus	1.5	5.9	3.4	−3.9	−3.6	−4.5	−3.6	−1.7	−2.0	−2.1	1.2	3.0	4.0	4.0
Czech Republic	−1.7	0.0	−1.5	−4.8	−3.6	−2.0	−3.1	−1.5	−1.4	−1.0	−0.7	−0.6	−0.5	−0.2
Denmark	5.8	5.3	3.4	−2.4	−2.2	−1.5	−3.5	0.0	−1.2	−2.2	−1.8	−0.9	−0.5	−0.2
Estonia	2.2	2.1	−3.4	−2.2	0.1	1.1	−0.2	−0.4	−0.4	0.2	0.6	0.9	1.2	1.3
Finland	3.7	4.7	3.4	−3.3	−3.0	−1.3	−2.2	−2.6	−2.7	−2.1	−1.9	−1.9	−1.7	−1.6
France	0.0	−0.3	−0.7	−5.4	−4.8	−2.8	−2.4	−2.2	−1.7	−1.0	−0.2	0.6	1.5	1.9
Germany	0.8	2.7	2.3	−0.8	−2.0	1.1	1.9	1.7	1.6	1.4	1.7	1.9	1.9	1.9
Greece	−1.3	−2.0	−4.8	−10.5	−4.9	−2.4	−1.3	1.5	1.5	3.0	4.5	4.5	4.2	4.2
Hong Kong SAR	3.6	7.4	−0.3	1.3	4.0	3.7	3.0	0.6	2.4	0.3	2.2	2.3	2.8	2.2
Iceland	6.7	5.7	−13.5	−8.8	−6.6	−1.9	0.2	1.6	3.0	3.4	3.7	3.5	3.8	4.2
Ireland[1]	3.7	0.7	−6.6	−12.4	−27.9	−10.4	−5.2	−3.4	−0.7	1.6	2.4	3.0	3.4	3.8
Israel	2.7	3.2	0.5	−2.4	−0.6	−0.3	−1.5	−0.3	−0.1	−0.2	0.1	0.0	0.0	0.2
Italy	1.0	3.1	2.2	−1.0	−0.1	0.9	2.3	2.0	2.3	3.3	4.5	4.9	5.2	5.2
Japan	−3.7	−2.1	−3.8	−9.9	−8.6	−9.0	−7.8	−7.6	−6.4	−5.5	−4.4	−4.0	−3.7	−3.4
Korea	2.5	1.5	1.2	−0.7	0.9	1.0	1.0	0.2	0.5	0.7	1.0	1.6	1.8	1.9
Latvia	−0.1	0.9	−7.4	−7.2	−6.5	−2.2	1.3	−0.1	0.4	2.2	−0.6	0.7	0.5	0.5
Netherlands	2.1	1.8	2.1	−4.1	−3.8	−3.0	−2.9	−1.9	−1.8	−0.8	−0.6	−0.3	0.1	0.5
New Zealand	3.9	3.1	1.2	−2.0	−5.4	−4.8	−1.4	−0.6	0.3	1.1	1.7	2.6	3.1	3.1
Norway	16.1	14.4	15.8	8.1	9.0	11.5	12.0	9.2	9.2	7.9	6.9	5.9	5.1	4.4
Portugal	−1.3	−0.6	−1.0	−7.5	−7.1	−0.5	−2.6	−0.7	0.3	1.9	2.4	2.8	3.1	3.3
Singapore	5.7	10.5	5.0	−1.9	5.8	7.8	7.2	5.5	4.5	3.9	3.7	3.5	3.4	3.4
Slovak Republic	−1.8	−0.7	−1.2	−6.9	−6.5	−3.7	−2.9	−1.2	−2.0	−2.0	−1.9	−1.7	−1.6	−1.6
Slovenia	0.3	1.2	0.5	−4.7	−4.1	−4.3	−1.5	−11.9	−2.0	−0.5	−0.1	0.5	1.0	1.3
Spain[1]	3.7	3.1	−3.4	−9.9	−8.2	−7.6	−8.1	−4.2	−2.8	−1.7	−0.6	0.4	1.4	2.9
Sweden	3.0	4.2	2.7	−0.7	0.2	0.3	−0.7	−0.8	−1.2	−0.5	0.0	0.4	0.7	1.1
Switzerland	1.9	2.1	2.4	1.1	0.7	0.8	1.1	1.1	0.9	1.5	1.8	1.9	1.9	1.8
United Kingdom	−1.3	−1.3	−3.5	−9.8	−7.4	−5.0	−5.6	−4.5	−3.5	−1.9	−0.2	1.4	2.5	2.8
United States	−0.7	−1.2	−5.0	−11.6	−9.3	−7.6	−6.3	−4.1	−3.2	−2.4	−2.2	−1.9	−1.7	−1.8
Average	0.1	0.3	−2.0	−7.4	−6.2	−4.6	−3.9	−2.8	−2.1	−1.4	−0.8	−0.4	−0.1	0.0
Euro area	1.2	1.9	0.5	−3.9	−3.7	−1.5	−1.0	−0.4	−0.1	0.5	1.2	1.7	2.1	2.4
G7	−0.7	−0.4	−2.8	−8.4	−7.1	−5.6	−4.7	−3.4	−2.7	−1.9	−1.3	−0.8	−0.5	−0.4
G20 advanced	−0.6	−0.3	−2.6	−8.1	−6.8	−5.3	−4.5	−3.3	−2.6	−1.8	−1.2	−0.7	−0.4	−0.3

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: Primary balance is defined as the overall balance excluding net interest payments. For country–specific details, see Data and Conventions in text, and Table A.

[1] Including financial sector support, estimated for Spain at 0.04 percent of GDP for 2010, 0.5 percent of GDP for 2011, 3.8 percent of GDP for 2012, and 0.5 percent of GDP in 2013.

Statistical Table 2. Advanced Economies: General Government Cyclically Adjusted Balance and Cyclically Adjusted Primary Balance
(Percent of potential GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cyclically Adjusted Balance														
Australia	1.7	1.2	−1.3	−4.5	−4.9	−4.4	−3.8	−3.4	−3.0	−1.8	−1.0	−1.4	−1.9	−1.7
Austria	−2.4	−2.7	−2.7	−3.2	−3.8	−2.5	−2.3	−1.2	−2.6	−1.3	−1.2	−1.1	−1.0	−1.0
Belgium	−0.3	−1.4	−2.1	−4.8	−3.6	−3.9	−3.7	−2.0	−1.7	−1.4	−0.9	−0.4	0.1	0.7
Canada	0.9	0.7	−0.6	−2.9	−4.0	−3.1	−2.7	−2.4	−2.1	−1.7	−1.4	−1.1	−0.9	−0.6
Cyprus[1]	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	−4.0	−3.1	−4.5	−5.7	−4.9	−3.4	−3.7	−1.5	−1.7	−1.6	−1.7	−1.9	−2.2	−2.3
Denmark	3.4	3.1	1.8	−1.1	−1.4	−0.7	−2.0	0.6	0.1	−1.3	−1.1	−0.9	−0.3	−0.2
Estonia	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Finland	2.3	2.1	1.8	0.4	−1.3	−1.0	−1.5	−0.8	−0.6	−0.4	−0.5	−0.7	−0.8	−1.0
France	−3.2	−4.0	−3.9	−5.9	−5.9	−4.8	−3.9	−3.0	−2.5	−2.1	−1.5	−0.9	−0.2	0.0
Germany	−2.2	−1.1	−1.4	−1.2	−3.5	−1.2	−0.1	0.3	0.2	−0.1	0.2	0.4	0.4	0.4
Greece	−8.7	−10.8	−14.3	−19.1	−12.3	−8.3	−2.3	2.1	1.5	1.1	1.1	0.4	−0.5	−0.6
Hong Kong SAR[2]	1.6	3.9	−0.6	−0.9	0.9	1.3	0.8	−1.0	0.5	−1.0	1.0	1.3	1.6	1.0
Iceland	4.9	3.2	−17.9	−9.7	−7.5	−4.9	−3.3	−2.4	−2.0	−1.6	0.0	−0.2	0.1	1.4
Ireland[2]	−4.2	−8.7	−11.9	−9.9	−8.3	−7.0	−6.1	−5.0	−4.0	−2.3	−2.2	−1.6	−1.2	−0.7
Israel	−0.5	−2.0	−4.4	−5.8	−4.7	−4.6	−4.1	−3.3	−2.8	−2.4	−1.9	−1.9	−2.0	−1.5
Italy	−4.9	−3.5	−3.7	−3.6	−3.6	−3.1	−1.5	−0.8	−0.8	−0.5	0.0	0.0	0.1	0.1
Japan	−3.5	−2.2	−3.5	−7.4	−7.8	−8.3	−7.6	−7.8	−6.9	−6.1	−5.3	−5.1	−5.2	−5.4
Korea	1.1	2.3	1.8	0.7	1.7	1.8	1.8	1.1	1.3	1.2	1.6	1.9	2.2	2.4
Latvia	...	−1.0	−8.9	−3.3	−3.2	−1.3	0.8	−1.1	−0.9	1.3	−1.6	−0.3	−0.5	−0.6
Netherlands	−0.1	−1.4	−1.0	−4.8	−4.4	−3.7	−2.3	−0.2	0.0	0.5	0.3	0.1	0.1	0.1
New Zealand	3.1	2.6	1.3	−0.9	−4.5	−4.4	−1.4	−0.4	0.2	1.0	1.6	2.6	3.1	3.0
Norway[2]	−3.5	−3.3	−3.5	−5.5	−5.4	−4.7	−5.2	−5.5	−6.0	−5.9	−5.8	−5.8	−5.7	−5.7
Portugal[2]	−3.8	−4.1	−4.3	−9.4	−9.7	−3.7	−4.7	−2.8	−2.7	−1.7	−1.6	−1.5	−1.6	−1.7
Singapore	7.1	11.6	6.6	1.0	6.7	8.8	8.7	6.6	5.8	5.2	5.0	4.8	4.8	4.6
Slovak Republic	−2.5	−2.6	−3.0	−6.6	−7.3	−4.7	−3.8	−1.8	−2.5	−2.8	−3.0	−3.2	−3.4	−3.6
Slovenia	−2.0	−2.5	−3.4	−4.4	−4.7	−3.9	−2.1	−1.9	−2.4	−2.7	−3.1	−3.1	−3.1	−3.0
Spain[2]	1.3	0.6	−5.6	−10.0	−8.4	−8.0	−5.2	−4.7	−4.4	−3.7	−3.0	−2.3	−1.6	−0.8
Sweden[2]	1.3	1.6	1.0	−0.1	0.6	−0.1	−0.7	−0.8	−1.2	−0.6	−0.2	0.3	0.5	0.9
Switzerland[2]	1.1	1.0	1.5	1.2	0.3	0.5	0.7	0.5	0.4	0.3	0.8	0.9	0.9	0.9
United Kingdom[2]	−4.6	−5.3	−6.7	−10.2	−8.4	−5.9	−5.7	−3.7	−3.8	−3.1	−2.2	−1.0	−0.2	−0.1
United States[2]	−3.3	−3.6	−5.7	−8.8	−10.0	−8.7	−7.7	−5.4	−5.0	−4.6	−5.0	−5.1	−5.4	−5.7
Average	−2.6	−2.5	−4.0	−6.5	−6.9	−5.8	−5.0	−3.8	−3.4	−3.0	−2.8	−2.7	−2.7	−2.7
Euro area	−2.3	−2.3	−3.3	−4.8	−5.1	−3.8	−2.8	−1.5	−1.4	−1.1	−0.7	−0.5	−0.2	−0.1
G7	−3.3	−3.1	−4.5	−7.0	−7.8	−6.7	−5.9	−4.4	−4.0	−3.6	−3.5	−3.4	−3.3	−3.5
G20 advanced	−3.0	−2.8	−4.2	−6.7	−7.4	−6.3	−5.5	−4.2	−3.8	−3.4	−3.2	−3.1	−3.1	−3.2
Cyclically Adjusted Primary Balance														
Australia	1.4	1.0	−1.4	−4.4	−4.6	−3.8	−3.1	−2.7	−2.3	−1.0	−0.2	−0.5	−0.8	−0.4
Austria	−0.2	−0.6	−0.6	−1.0	−1.6	−0.3	−0.2	0.7	−0.6	0.8	0.9	1.0	1.1	1.0
Belgium	3.5	2.4	1.5	−1.4	−0.3	−0.7	−0.4	1.1	1.3	1.4	1.9	2.3	2.9	3.6
Canada	1.5	1.3	−0.6	−2.0	−3.4	−2.7	−2.2	−2.0	−1.7	−1.4	−1.1	−0.8	−0.7	−0.5
Cyprus[1]	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	−3.3	−2.3	−3.7	−4.7	−3.7	−2.2	−2.5	−0.1	−0.3	−0.2	−0.1	−0.3	−0.5	−0.6
Denmark	4.1	3.6	1.9	−0.7	−0.9	−0.1	−1.6	1.0	0.3	−0.8	−0.7	−0.7	−0.1	0.0
Estonia	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Finland	1.9	1.4	0.9	−0.2	−1.5	−1.3	−1.5	−0.8	−0.7	−0.6	−0.7	−0.9	−1.0	−1.2
France	−0.8	−1.4	−1.2	−3.8	−3.7	−2.4	−1.6	−1.1	−0.6	−0.1	0.4	1.0	1.7	1.9
Germany	0.3	1.4	1.1	1.0	−1.4	0.7	1.7	1.9	1.7	1.4	1.7	1.8	1.9	1.9
Greece	−3.7	−5.6	−8.6	−13.6	−6.2	−1.3	2.3	5.8	5.3	5.6	6.1	5.5	4.6	4.3
Hong Kong SAR[2]	1.3	3.7	−1.0	−1.0	0.8	1.1	0.6	−1.1	0.4	−1.1	0.8	1.1	1.5	0.9
Iceland	5.3	3.6	−17.9	−7.7	−4.0	−0.7	0.7	1.1	1.2	1.8	3.3	2.6	2.8	4.3
Ireland[2]	−3.4	−8.0	−11.1	−8.5	−5.8	−4.3	−3.2	−1.0	0.3	2.3	2.5	3.1	3.4	3.8
Israel	4.6	2.8	−0.1	−1.9	−0.8	−0.7	−1.7	−0.4	0.0	−0.2	0.2	0.1	0.0	0.2
Italy	−0.3	1.4	1.2	0.6	0.6	1.5	3.6	4.1	4.0	4.5	5.3	5.3	5.5	5.4
Japan	−3.6	−2.2	−3.2	−6.9	−7.2	−7.5	−6.7	−7.0	−6.1	−5.3	−4.2	−3.9	−3.6	−3.4
Korea	2.5	1.5	1.4	0.0	1.0	1.0	1.1	0.3	0.6	0.7	1.0	1.6	1.8	1.9
Lativa	...	−0.7	−8.8	−2.7	−2.5	−0.5	2.0	0.1	0.6	2.3	−0.7	0.6	0.5	0.5
Netherlands	1.5	0.3	0.6	−3.3	−3.0	−2.4	−1.1	0.9	1.1	1.7	1.4	1.2	1.1	1.2
New Zealand	2.7	2.3	1.0	−1.4	−4.8	−4.3	−1.2	−0.4	0.2	1.1	1.6	2.5	3.0	2.9
Norway[2]	−6.4	−7.2	−7.7	−8.5	−8.1	−7.5	−7.7	−8.0	−8.6	−8.4	−8.3	−8.3	−8.2	−8.2
Portugal[2]	−1.3	−1.4	−1.6	−6.8	−7.0	0.1	−1.0	1.3	1.5	2.6	2.8	2.9	2.9	2.9
Singapore	5.6	10.1	5.1	−0.4	5.2	7.2	7.1	5.1	4.3	3.7	3.5	3.3	3.3	3.2
Slovak Republic	−1.8	−1.7	−2.1	−5.5	−6.2	−3.3	−2.2	0.0	−0.8	−1.0	−1.2	−1.3	−1.5	−1.6
Slovenia	−0.9	−1.5	−2.6	−3.5	−3.5	−2.6	−0.4	0.3	0.9	0.9	0.8	1.0	1.1	1.3
Spain[2]	2.7	1.7	−4.5	−8.7	−7.0	−6.1	−2.8	−1.9	−1.4	−0.6	0.2	1.0	1.8	3.1
Sweden[2]	2.1	2.4	1.5	0.1	0.8	0.2	−0.7	−0.7	−1.1	−0.5	−0.2	0.3	0.5	0.8
Switzerland[2]	2.1	1.8	2.2	1.9	1.0	1.1	1.9	1.7	1.6	1.5	2.0	2.1	2.0	2.0
United Kingdom[2]	−3.1	−3.7	−5.1	−8.8	−5.9	−3.2	−3.4	−2.4	−2.0	−1.0	0.4	1.8	2.8	2.8
United States[2]	−0.6	−0.8	−3.0	−5.9	−7.0	−5.5	−4.4	−2.3	−1.9	−1.5	−1.7	−1.6	−1.7	−1.8
Average	−0.6	−0.5	−2.0	−4.5	−4.9	−3.7	−2.9	−1.7	−1.3	−0.9	−0.6	−0.3	−0.1	−0.1
Euro area	0.3	0.4	−0.6	−2.4	−2.6	−1.2	−0.2	1.0	1.1	1.4	1.8	2.1	2.3	2.5
G7	−1.1	−0.8	−2.2	−4.7	−5.5	−4.2	−3.3	−2.1	−1.6	−1.2	−0.9	−0.6	−0.4	−0.4
G20 advanced	−0.9	−0.7	−2.1	−4.6	−5.2	−4.0	−3.2	−2.0	−1.6	−1.1	−0.8	−0.5	−0.4	−0.3

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: Cyclically adjusted primary balance is defined as the cyclically adjusted balance excluding net interest payments.

[1] Owing to the unusually larger macroeconomic uncertainty, historical values and projections are not available.

[2] Including adjustments beyond the output cycle. For country-specific details, see Data, and Conventions in text, and Table A.

Statistical Table 3. Advanced Economies: General Government Revenue and Expenditure
(Percent of GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue														
Australia	36.4	35.8	34.0	33.4	32.0	32.2	33.1	33.6	34.0	34.4	34.8	35.2	35.5	35.9
Austria	47.5	47.6	48.3	48.5	48.3	48.3	49.1	50.0	49.3	49.5	49.5	49.5	49.6	49.6
Belgium	48.8	48.1	48.7	48.1	48.7	49.6	51.0	51.5	51.4	51.6	52.1	52.3	52.5	52.8
Canada	44.0	43.6	42.4	42.7	42.4	42.1	41.5	41.5	41.7	41.9	42.2	42.4	42.5	42.7
Cyprus	42.1	45.0	43.1	40.1	40.9	39.7	39.6	41.7	41.5	40.3	40.7	41.4	42.1	42.3
Czech Republic	39.6	40.3	38.9	38.9	39.1	40.0	40.1	40.5	40.2	40.2	40.1	40.0	40.0	40.2
Denmark	56.8	55.7	54.9	55.2	54.8	55.5	55.3	57.3	56.2	53.8	54.0	54.3	54.3	54.3
Estonia	36.1	36.4	36.7	42.8	40.7	38.8	39.3	38.1	38.0	37.8	37.4	36.8	36.3	35.9
Finland	53.3	52.7	53.6	53.4	53.0	54.1	54.4	56.0	56.1	56.2	56.4	56.5	56.5	56.5
France	50.6	49.9	49.9	49.2	49.5	50.6	51.8	52.9	53.1	53.1	53.1	53.1	53.1	52.7
Germany	43.7	43.7	44.0	45.1	43.6	44.3	44.8	44.7	44.6	44.6	44.6	44.6	44.6	44.6
Greece	39.2	40.7	40.7	38.3	40.6	42.4	44.2	44.8	43.7	42.4	41.4	41.4	41.4	41.4
Hong Kong SAR	19.0	22.2	17.8	18.0	21.1	23.0	21.7	20.9	20.8	21.1	20.9	20.7	20.9	21.0
Iceland	48.0	47.7	44.1	41.0	41.5	41.8	43.6	44.1	45.2	44.8	44.3	44.3	44.1	44.0
Ireland	37.3	36.7	35.4	34.5	34.9	34.1	34.5	35.7	36.0	36.1	35.8	35.6	35.5	35.3
Israel	43.1	42.4	39.5	36.7	37.6	37.7	36.4	37.2	37.4	37.6	37.8	37.7	37.7	37.8
Italy	45.0	46.0	45.9	46.5	46.1	46.1	47.6	47.8	48.0	48.1	48.2	48.3	48.3	48.4
Japan	30.8	31.2	31.6	29.6	29.6	30.8	31.2	31.7	32.9	33.6	34.8	35.2	35.6	35.9
Korea	22.7	24.2	24.0	23.0	22.7	23.3	24.2	23.6	23.6	23.6	23.7	23.8	23.9	23.9
Latvia	36.1	36.3	35.6	36.2	36.0	35.6	37.0	35.9	35.3	35.1	31.7	31.5	30.7	30.7
Netherlands	46.1	45.4	46.7	45.2	45.8	45.3	46.1	47.6	47.3	47.9	47.8	47.7	47.6	47.5
New Zealand	38.8	37.3	36.9	35.5	34.9	34.9	34.8	35.1	34.6	34.7	34.8	35.1	35.2	35.2
Norway	58.2	57.5	58.4	56.5	56.0	57.2	56.9	55.1	55.0	54.5	54.1	53.9	53.7	53.6
Portugal	40.6	41.1	41.1	39.6	41.6	45.0	40.9	43.3	42.8	42.8	42.6	42.2	41.7	41.2
Singapore	20.0	24.0	24.3	17.5	21.4	23.5	22.8	22.3	22.5	22.4	22.4	22.2	22.1	22.1
Slovak Republic	27.0	28.9	31.6	33.5	32.3	33.3	33.2	33.6	33.8	32.4	32.3	32.3	32.1	32.0
Slovenia	41.7	40.5	41.2	40.7	41.7	41.4	42.5	41.7	43.6	43.5	43.5	43.5	43.5	43.5
Spain	40.7	41.1	36.9	35.1	36.7	36.2	37.1	37.9	38.6	38.6	38.8	38.9	39.1	39.1
Sweden	54.9	54.5	53.9	54.0	52.3	51.5	51.4	51.9	51.2	51.1	50.9	51.0	51.0	51.0
Switzerland	35.4	34.7	33.1	33.7	32.9	33.5	33.1	33.1	32.8	33.0	33.1	33.1	33.1	33.1
United Kingdom	37.3	37.0	37.4	35.6	36.2	36.9	36.8	37.7	37.1	37.3	37.3	37.4	37.5	37.6
United States	31.5	31.7	30.2	28.4	28.8	29.0	29.0	30.7	31.0	31.7	31.8	31.7	31.6	31.6
Average	36.9	37.3	36.8	35.4	35.3	35.9	35.8	36.9	37.1	37.5	37.6	37.7	37.7	37.7
Euro area	45.3	45.3	45.0	44.9	44.8	45.3	46.3	46.9	46.9	47.0	47.0	47.0	47.0	46.9
G7	36.1	36.4	36.0	34.5	34.4	35.0	35.0	36.2	36.5	37.0	37.2	37.3	37.3	37.3
G20 advanced	35.7	36.0	35.6	34.2	34.0	34.6	34.6	35.7	36.0	36.5	36.6	36.7	36.7	36.7
Expenditure														
Australia	34.7	34.4	35.1	38.0	37.1	36.6	36.8	37.3	37.3	36.3	35.9	36.6	37.4	37.6
Austria	49.1	48.6	49.3	52.6	52.8	50.7	51.7	51.9	52.3	51.0	50.7	50.6	50.6	50.5
Belgium	48.5	48.2	49.8	53.7	52.6	53.5	55.0	54.4	53.9	53.8	53.5	53.2	52.8	52.3
Canada	42.2	42.1	42.7	47.2	47.3	45.8	44.8	44.5	44.2	43.9	43.7	43.5	43.4	43.3
Cyprus	43.3	41.5	42.1	46.2	46.2	46.0	45.9	46.4	46.7	45.5	42.8	42.4	42.3	42.8
Czech Republic	42.0	41.0	41.1	44.7	43.8	43.2	44.5	43.4	43.0	42.7	42.4	42.3	42.2	42.1
Denmark	51.7	50.9	51.6	58.0	57.5	57.5	59.2	57.7	57.6	56.5	56.2	55.5	55.0	54.8
Estonia	33.6	34.0	39.7	44.8	40.6	37.6	39.5	38.4	38.4	37.6	36.8	36.0	35.2	34.6
Finland	49.2	47.4	49.2	56.1	55.8	55.1	56.6	58.6	58.7	58.1	58.2	58.1	58.0	57.9
France	53.0	52.6	53.3	56.8	56.6	55.9	56.6	57.1	56.7	56.0	55.2	54.4	53.5	52.7
Germany	45.3	43.5	44.1	48.2	47.7	45.0	44.7	44.7	44.6	44.7	44.4	44.2	44.2	44.2
Greece	45.3	47.5	50.6	54.0	51.4	52.0	50.5	47.7	46.4	44.3	42.0	42.1	42.3	42.1
Hong Kong SAR	15.1	14.6	17.7	16.5	16.9	19.1	18.5	20.2	18.2	20.6	18.6	18.3	18.0	18.7
Iceland	41.6	42.3	57.7	51.9	51.8	48.0	47.4	46.0	45.3	44.8	43.9	43.6	43.1	42.6
Ireland	34.4	36.7	42.7	48.3	65.4	47.2	42.7	43.1	41.1	39.1	38.1	37.2	36.6	36.0
Israel	45.7	44.0	43.2	43.1	42.2	41.9	40.3	40.4	40.3	40.1	39.8	39.7	39.7	39.3
Italy	48.5	47.6	48.6	51.9	50.5	49.8	50.5	50.8	50.6	49.8	49.0	48.7	48.5	48.6
Japan	34.5	33.3	35.7	40.0	38.9	40.6	39.9	40.0	40.1	39.9	40.2	40.4	40.8	41.3
Korea	21.5	21.9	22.4	23.0	21.0	21.4	22.4	22.6	22.5	22.4	22.1	21.9	21.7	21.5
Latvia	36.6	35.7	43.1	44.1	43.4	38.8	36.9	37.3	36.3	33.8	33.3	31.8	31.2	31.3
Netherlands	45.5	45.3	46.2	50.8	50.9	49.6	50.2	50.7	50.3	49.9	49.6	49.1	48.6	48.1
New Zealand	34.4	33.9	35.4	37.1	40.0	39.7	36.4	35.7	34.3	33.6	33.2	32.5	32.1	32.1
Norway	39.9	40.2	39.6	45.9	44.9	43.6	43.0	44.0	43.8	44.6	45.2	45.9	46.5	47.0
Portugal	44.3	44.4	44.8	49.8	51.5	49.3	47.4	48.2	46.9	45.3	44.6	43.8	43.1	42.4
Singapore	12.9	12.1	17.7	18.0	14.1	14.2	14.1	15.4	16.5	17.1	17.2	17.3	17.3	17.2
Slovak Republic	29.5	30.5	33.6	41.6	40.0	38.4	37.8	36.6	37.6	36.2	36.1	36.0	35.8	35.6
Slovenia	42.5	40.2	41.5	46.2	47.0	47.1	45.7	55.9	49.1	47.7	47.5	47.1	46.8	46.5
Spain	38.3	39.2	41.4	46.2	46.3	45.7	47.8	45.1	44.5	43.5	42.7	41.9	41.1	40.1
Sweden	52.7	51.0	51.7	54.9	52.3	51.5	52.1	52.9	52.5	51.6	51.0	50.6	50.2	49.9
Switzerland	34.4	33.4	31.3	33.2	32.8	33.2	33.2	33.3	33.0	32.6	32.3	32.2	32.2	32.2
United Kingdom	40.1	39.8	42.4	46.8	46.2	44.7	44.8	43.5	42.4	41.4	40.2	39.0	38.0	37.8
United States	35.0	35.7	38.0	43.1	41.3	40.1	38.7	38.0	37.4	37.4	37.3	37.1	37.1	37.3
Average	38.8	38.9	40.8	44.9	43.6	42.8	42.0	41.8	41.4	41.1	40.8	40.5	40.3	40.3
Euro area	46.6	46.0	47.2	51.2	51.0	49.5	50.0	49.9	49.5	49.0	48.4	47.9	47.5	47.2
G7	39.0	39.1	41.0	45.3	44.0	43.2	42.3	42.0	41.6	41.4	41.2	40.9	40.7	40.8
G20 advanced	38.3	38.4	40.3	44.6	43.1	42.3	41.5	41.2	40.8	40.6	40.3	40.0	39.9	39.9

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).
Note: For country-specific details, see Data and Conventions in text, and Table A.

Statistical Table 4. Advanced Economies: General Government Gross Debt and Net Debt
(Percent of GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross Debt														
Australia[1]	10.0	9.7	11.7	16.7	20.5	24.3	27.2	28.8	30.8	31.8	31.6	31.4	31.4	31.1
Austria	62.3	60.2	63.8	69.2	72.3	72.8	74.1	74.2	79.1	78.2	77.5	76.1	74.8	73.7
Belgium	87.9	84.0	89.2	95.7	95.7	98.0	99.8	99.7	99.8	99.6	98.6	96.9	94.5	91.4
Canada[1]	70.3	66.5	71.3	81.3	83.1	83.5	88.1	89.1	87.4	86.6	85.4	84.2	83.1	81.9
Cyprus	65.4	58.8	48.9	58.5	61.3	71.1	85.5	112.0	121.5	125.8	122.5	116.1	111.6	107.9
Czech Republic	28.3	27.9	28.7	34.2	37.9	41.0	45.7	47.9	49.2	49.9	50.3	50.5	50.9	49.9
Denmark	32.1	27.1	33.4	40.7	42.8	46.4	45.6	45.2	45.6	46.9	47.5	47.0	46.1	44.9
Estonia	4.4	3.7	4.5	7.1	6.7	6.1	9.8	11.3	10.9	10.3	9.6	8.9	8.2	7.6
Finland	39.6	35.2	33.9	43.5	48.7	49.2	53.6	57.0	60.2	62.1	62.0	61.9	62.1	62.1
France	64.1	64.2	68.2	79.2	82.4	85.8	90.2	93.9	95.8	96.1	95.3	93.6	90.8	87.7
Germany	68.0	65.2	66.8	74.5	82.5	80.0	81.0	78.1	74.6	70.8	67.0	63.8	61.2	58.7
Greece	107.5	107.2	112.9	129.7	148.3	170.3	157.2	173.8	174.7	171.3	162.5	153.7	146.1	137.8
Hong Kong SAR[2]	31.0	30.8	28.7	31.2	35.5	34.8	34.2	33.8	33.1	32.4	31.8	31.2	30.6	30.0
Iceland	30.1	28.5	70.4	88.0	90.6	100.9	97.2	90.2	91.7	89.6	81.1	78.7	75.4	66.7
Ireland	24.6	24.9	44.2	64.4	91.2	104.1	117.4	122.8	123.7	122.7	119.6	116.8	113.1	109.1
Israel	81.6	74.6	72.9	75.3	71.5	69.7	68.2	66.7	66.3	65.1	63.7	62.3	61.2	59.5
Italy	106.3	103.3	106.1	116.4	119.3	120.7	127.0	132.5	134.5	133.1	130.5	127.6	124.7	121.7
Japan	186.0	183.0	191.8	210.2	216.0	229.8	237.3	243.2	243.5	245.1	246.7	246.1	245.4	245.0
Korea	31.1	30.7	30.1	33.8	33.4	34.2	35.0	36.7	38.0	38.8	38.8	38.3	37.3	36.1
Latvia	9.9	7.8	17.2	32.9	39.7	37.5	36.4	32.1	32.7	29.3	31.3	30.5	28.4	27.3
Netherlands	47.4	45.3	58.5	60.8	63.4	65.7	71.3	74.9	75.0	74.4	74.1	73.2	71.9	70.1
New Zealand	19.3	17.2	20.1	25.7	31.9	37.0	37.5	35.9	33.3	32.1	32.6	31.2	27.3	23.0
Norway	53.7	50.5	48.6	43.3	43.3	29.0	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5
Portugal	63.7	68.4	71.7	83.7	94.0	108.2	124.1	128.8	126.7	124.8	122.6	119.1	116.6	113.8
Singapore	86.1	85.5	96.3	100.7	98.5	102.2	107.9	103.8	102.4	100.0	98.0	96.0	94.0	95.4
Slovak Republic	30.5	29.4	27.9	35.6	41.0	43.4	52.4	54.9	58.6	59.8	60.4	60.8	61.1	61.4
Slovenia	26.4	23.1	22.0	35.1	38.7	46.9	54.3	73.0	74.9	77.9	80.0	81.5	82.4	83.0
Spain	39.7	36.3	40.2	54.0	61.7	70.5	85.9	93.9	98.8	102.0	103.7	104.3	103.9	102.4
Sweden	45.3	40.2	38.8	42.6	39.4	38.6	38.3	41.4	41.5	40.0	38.0	35.7	33.2	30.5
Switzerland	62.4	55.6	50.4	49.7	48.5	49.1	50.1	49.4	48.1	47.3	45.4	44.3	42.2	40.2
United Kingdom	42.7	43.7	51.9	67.1	78.5	84.3	88.6	90.1	91.5	92.7	92.5	90.7	88.0	84.6
United States[1]	63.6	64.0	72.8	86.1	94.8	99.0	102.4	104.5	105.7	105.7	105.6	105.6	105.8	106.7
Average	75.7	73.1	80.0	93.5	100.1	104.0	108.3	107.1	107.1	106.9	106.1	104.9	103.7	102.6
Euro area	68.7	66.4	70.3	80.1	85.7	88.1	92.8	95.2	95.6	94.5	92.6	90.4	88.1	85.5
G7	83.7	81.7	90.0	104.9	113.0	118.0	122.2	120.4	119.9	119.4	118.6	117.4	116.3	115.4
G20 advanced	80.2	78.0	86.0	100.4	107.3	111.6	115.6	113.9	113.8	113.4	112.6	111.5	110.3	109.3
Net Debt														
Australia[1]	−6.3	−7.3	−5.3	−0.6	3.9	8.1	11.3	13.5	16.1	17.7	18.3	18.8	19.4	19.7
Austria	43.1	40.9	42.0	49.2	52.8	52.2	53.3	53.4	58.3	57.4	56.7	55.3	54.0	52.9
Belgium	77.0	73.1	73.3	79.4	79.7	81.2	81.8	82.0	82.5	82.7	82.2	80.9	78.9	76.2
Canada[1]	26.3	22.9	22.4	27.6	29.7	32.4	36.7	38.5	39.5	39.9	39.8	39.2	38.6	37.6
Cyprus	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Denmark	1.9	−3.8	−6.1	−4.6	−1.6	2.6	7.5	7.7	8.9	11.4	13.2	13.9	14.1	14.0
Estonia	−8.8	−8.6	−5.7	−6.9	−5.6	−3.8	−0.3	−0.8	−0.4	−0.5	−1.1	−1.8	−2.8	−3.9
Finland	−69.4	−72.5	−52.3	−62.8	−65.6	−54.3	−55.4	−52.5	−48.6	−45.5	−42.3	−39.2	−36.2	−33.5
France	59.6	59.6	62.3	72.0	76.1	78.6	84.0	87.6	89.5	89.8	89.0	87.3	84.5	81.4
Germany	52.8	50.0	50.0	56.5	58.2	56.5	58.1	55.7	52.9	49.9	46.8	44.2	42.2	40.2
Greece	107.5	107.2	112.9	129.7	148.3	170.3	153.5	168.5	169.3	166.9	159.6	151.3	142.8	132.1
Hong Kong SAR	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Iceland	7.8	10.8	41.8	55.7	59.9	66.8	68.2	65.3	64.8	61.9	59.1	55.9	52.4	46.2
Ireland	11.5	10.5	21.2	38.6	70.4	85.1	92.8	100.3	103.5	103.4	101.5	99.4	96.4	93.0
Israel	74.8	69.2	69.1	70.8	69.1	68.0	67.4	64.9	65.1	63.9	62.5	61.2	60.2	58.6
Italy	89.6	87.1	89.3	97.9	100.0	102.5	106.1	110.7	112.4	111.2	109.0	106.6	104.2	101.7
Japan	81.0	80.5	95.3	106.2	113.1	127.3	129.5	134.1	137.1	140.0	142.4	143.2	143.5	143.8
Korea	29.4	28.7	28.8	32.3	32.1	33.0	33.0	36.0	37.4	38.2	38.2	37.7	36.8	35.6
Latvia	7.5	4.7	11.3	21.5	28.2	29.9	29.2	28.9	28.5	25.3	25.2	23.9	22.8	21.9
Netherlands	24.5	21.6	20.6	22.8	26.1	28.4	32.4	35.3	37.8	38.8	39.4	39.7	39.4	38.7
New Zealand	8.8	6.5	7.4	11.6	16.9	22.1	25.3	26.0	25.3	24.9	23.8	21.9	18.9	15.0
Norway	−137.6	−144.0	−129.4	−159.3	−168.7	−162.9	−172.4	−201.9	−205.2	−210.6	−213.6	−214.6	−214.0	−212.4
Portugal	58.6	63.7	67.5	79.7	89.6	97.8	114.0	118.4	119.9	119.2	117.2	113.9	111.5	109.0
Singapore	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Slovak Republic	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Slovenia	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Spain	30.7	26.7	30.8	24.7	33.2	39.7	52.7	60.4	65.7	69.4	71.9	73.2	73.5	72.7
Sweden	−13.8	−17.4	−12.5	−19.5	−20.7	−18.2	−21.2	−19.7	−17.8	−16.6	−15.7	−15.5	−15.6	−16.0
Switzerland	39.7	32.0	29.4	28.6	27.7	28.0	28.6	28.2	27.4	26.9	25.9	25.2	24.1	22.9
United Kingdom	37.9	38.3	48.0	62.4	72.2	76.8	81.4	83.1	84.4	85.7	85.4	83.6	81.0	77.6
United States[1]	44.8	44.5	50.4	62.1	69.7	76.2	80.1	81.3	82.3	82.7	82.9	83.1	83.5	84.5
Average	46.7	44.9	50.5	60.0	65.1	70.0	73.3	73.5	74.7	75.1	74.9	74.4	73.7	73.0
Euro area	54.2	51.9	54.1	60.2	64.3	66.5	70.2	72.4	73.2	72.6	71.3	69.6	67.7	65.5
G7	53.6	52.7	59.3	70.4	76.5	82.6	86.0	86.3	87.0	87.2	87.0	86.3	85.6	85.2
G20 advanced	51.4	50.2	56.5	67.3	72.6	78.0	81.3	81.7	82.7	83.0	82.7	82.1	81.4	80.9

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: For country-specific details, see Data and Conventions in text and Table A.

[1] For cross-country comparability, gross and net debt levels reported by national statistical agencies for countries that have adopted the 2008 System of National Accounts (Australia, Canada, United States) are adjusted to exclude unfunded pension liabilities of government employees' defined benefit pension plans. See Box 1.1 for more details.

[2] Government debt includes "insurance technical reserves," following the *GFSM 2001* definition.

Statistical Table 5. Emerging Market Economies: General Government Overall Balance and Primary Balance
(Percent of GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Overall Balance														
Argentina	−1.1	−2.1	−0.9	−3.6	−1.4	−3.5	−4.0	−3.5	−5.3	−4.2	−3.9	−3.7	−3.5	−3.4
Brazil	−3.6	−2.8	−1.6	−3.3	−2.8	−2.6	−2.8	−3.3	−3.3	−2.5	−2.6	−2.6	−2.6	−2.5
Bulgaria	3.3	3.3	2.9	−0.9	−4.0	−2.0	−0.5	−1.9	−1.9	−1.7	−1.4	−1.0	−0.5	0.0
Chile	7.4	7.9	4.1	−4.1	−0.4	1.4	0.7	−0.7	−1.1	−0.9	−0.5	−0.2	−0.2	−0.2
China	−0.7	0.9	−0.7	−3.1	−1.5	−1.3	−2.2	−1.9	−2.0	−1.6	−1.3	−1.0	−0.8	−0.6
Colombia	−1.0	−0.8	−0.3	−2.8	−3.3	−2.0	0.1	−1.0	−0.9	−0.7	−0.7	−0.8	−0.7	−0.6
Egypt	−9.2	−7.5	−8.0	−6.9	−8.3	−9.8	−10.5	−14.1	−11.1	−12.2	−12.1	−12.4	−12.1	−11.1
Hungary	−9.4	−5.1	−3.7	−4.6	−4.4	4.2	−2.0	−2.4	−2.9	−2.9	−2.9	−2.8	−2.7	−2.7
India	−6.2	−4.4	−10.0	−9.8	−8.4	−8.0	−7.4	−7.3	−7.2	−7.0	−6.8	−6.7	−6.6	−6.4
Indonesia	0.2	−1.0	0.0	−1.8	−1.2	−0.6	−1.7	−2.1	−2.5	−2.4	−1.9	−1.6	−1.3	−1.3
Jordan	−4.0	−4.7	−4.3	−8.5	−5.6	−6.8	−8.2	−5.3	−4.4	−4.1	−2.6	−2.2	−1.9	−1.9
Kazakhstan	7.7	5.1	1.2	−1.3	1.5	6.0	4.5	5.0	4.3	3.9	3.8	4.0	3.7	3.5
Kenya	−2.7	−3.1	−4.1	−5.3	−5.4	−5.0	−6.2	−6.2	−5.5	−5.2	−4.6	−4.1	−3.8	−3.6
Lithuania	−0.4	−1.0	−3.3	−9.4	−7.2	−5.5	−3.3	−2.1	−1.9	−1.8	−1.8	−1.7	−1.6	−1.5
Malaysia	−2.7	−2.7	−3.6	−6.7	−4.7	−3.8	−3.6	−4.6	−3.5	−2.5	−2.1	−2.4	−2.8	−3.3
Mexico	−1.0	−1.2	−1.0	−5.1	−4.3	−3.3	−3.7	−3.8	−4.1	−3.6	−3.0	−2.5	−2.5	−2.5
Morocco	−2.0	−0.1	0.7	−1.8	−4.4	−6.7	−7.3	−5.4	−4.9	−4.3	−3.5	−3.0	−3.0	−2.7
Nigeria	8.9	1.6	6.3	−9.4	−6.7	0.9	0.0	−4.9	−1.8	−1.7	−2.4	−3.5	−3.9	−5.0
Pakistan	−3.4	−5.1	−7.1	−5.0	−5.9	−6.9	−8.4	−7.8	−5.3	−4.2	−3.3	−3.2	−3.2	−3.2
Peru	1.9	3.2	2.6	−1.5	−0.1	2.0	2.1	0.5	0.1	0.2	0.0	0.1	0.2	0.0
Philippines	0.0	−0.3	0.0	−2.6	−2.4	−0.4	−0.7	−0.1	−0.8	−0.8	−0.8	−0.7	−0.7	−0.8
Poland	−3.6	−1.9	−3.7	−7.4	−7.9	−5.0	−3.9	−4.5	−3.5	−3.0	−2.2	−2.3	−2.0	−1.8
Romania	−1.4	−3.1	−4.8	−7.3	−6.4	−4.3	−2.5	−2.5	−2.2	−1.4	−1.4	−1.3	−1.4	−1.5
Russia	8.3	6.8	4.9	−6.3	−3.4	1.5	0.4	−1.3	−0.7	−0.8	−0.5	−1.4	−1.6	−1.5
Saudi Arabia	24.4	15.0	31.6	−4.1	2.1	12.0	14.6	8.3	7.1	4.0	2.3	0.8	−1.3	−2.2
South Africa	0.7	1.3	−0.5	−4.9	−4.9	−4.0	−4.3	−4.3	−4.4	−4.5	−4.4	−4.3	−4.3	−4.3
Thailand	2.2	0.2	0.1	−3.2	−0.8	−0.6	−1.8	−0.2	−1.6	−1.5	−1.5	−1.4	−1.3	−1.2
Turkey	−0.7	−1.9	−2.7	−6.0	−3.4	−0.7	−1.8	−1.5	−2.4	−2.3	−2.3	−2.4	−2.7	−3.1
Ukraine[1]	−1.4	−2.0	−3.2	−6.3	−5.8	−2.8	−4.5	−4.5	. . .	. . .	. . .	. . .	. . .	. . .
Average	0.3	0.3	−0.1	−4.6	−3.2	−1.7	−2.1	−2.4	−2.5	−2.2	−2.1	−2.0	−2.0	−2.0
Asia	−1.7	−0.6	−2.4	−4.3	−2.9	−2.4	−3.0	−2.6	−2.8	−2.4	−2.1	−1.9	−1.7	−1.6
Europe	2.6	1.9	0.6	−6.1	−4.2	0.0	−0.8	−1.6	−1.3	−1.3	−1.0	−1.4	−1.6	−1.6
Latin America	−1.5	−1.3	−0.8	−3.7	−2.9	−2.4	−2.5	−2.9	−3.2	−2.6	−2.4	−2.2	−2.2	−2.1
MENAP	−5.1	−4.9	−5.7	−5.3	−6.6	−8.0	−9.1	−9.9	−7.6	−7.8	−7.3	−7.4	−7.3	−6.9
G20 emerging	0.5	0.5	0.2	−4.5	−2.9	−1.6	−2.0	−2.3	−2.4	−2.2	−2.0	−2.0	−1.9	−1.9
Primary Balance														
Argentina	4.0	2.5	2.7	0.2	1.6	−0.5	−0.6	−0.9	−0.9	−0.9	−0.9	−0.9	−0.9	−0.9
Brazil	3.2	3.3	3.9	2.0	2.4	3.1	2.1	1.9	1.9	3.1	3.1	3.1	3.1	3.1
Bulgaria	4.3	3.9	2.8	−0.6	−3.7	−1.7	−0.1	−1.4	−1.5	−1.1	−0.9	−0.5	0.0	0.6
Chile	7.6	7.7	3.8	−4.3	−0.3	1.5	0.8	−0.6	−0.9	−0.6	−0.2	0.2	0.2	0.2
China	−0.2	1.3	−0.3	−2.7	−1.2	−0.4	−1.4	−1.1	−1.4	−1.0	−0.8	−0.5	−0.4	−0.2
Colombia	1.7	1.8	1.9	−1.1	−1.6	−0.1	1.8	0.7	0.6	1.0	0.9	0.9	1.0	1.0
Egypt	−4.2	−3.0	−3.9	−3.7	−3.8	−4.7	−5.1	−6.6	−3.0	−4.3	−4.1	−4.2	−4.0	−3.3
Hungary	−5.7	−1.2	0.0	−0.5	−0.5	8.0	2.0	1.6	0.8	0.8	0.9	1.1	1.3	1.2
India	−1.3	0.4	−5.3	−5.2	−4.2	−3.7	−3.1	−2.6	−2.6	−2.3	−2.2	−2.2	−2.2	−2.1
Indonesia	2.6	1.0	1.8	−0.1	0.1	0.6	−0.4	−0.9	−1.2	−1.0	−0.5	−0.2	0.1	0.0
Jordan	−1.2	−1.8	−2.0	−6.3	−3.5	−4.7	−5.6	−1.9	−0.1	0.1	1.6	1.9	2.5	2.3
Kazakhstan	7.2	4.2	1.5	−1.4	1.8	5.8	3.9	4.6	4.0	3.6	3.5	3.7	3.4	3.2
Kenya	−0.4	−0.9	−1.9	−3.2	−3.1	−2.7	−3.6	−3.4	−2.9	−2.8	−2.4	−2.1	−1.9	−1.9
Lithuania	0.1	−0.5	−2.8	−8.3	−5.5	−3.7	−1.4	−0.1	0.0	0.1	0.0	0.1	0.2	0.3
Malaysia	−1.7	−2.0	−2.1	−5.1	−3.0	−2.1	−1.8	−2.7	−1.6	−0.8	−0.3	−0.7	−1.1	−1.5
Mexico	1.8	1.5	1.5	−2.4	−1.7	−1.0	−1.1	−1.3	−1.5	−0.9	−0.3	0.4	0.6	0.8
Morocco	1.2	3.0	3.3	0.6	−2.1	−4.4	−4.9	−2.9	−2.3	−1.6	−0.9	−0.4	−0.4	−0.2
Nigeria	10.0	2.6	7.3	−8.2	−5.7	2.4	1.7	−3.1	−0.2	0.0	−0.7	−2.0	−2.4	−3.1
Pakistan	−0.5	−1.1	−2.5	−0.1	−1.6	−3.1	−4.0	−3.5	−0.6	0.5	0.6	0.4	0.2	0.1
Peru	3.7	4.9	3.9	−0.4	0.9	3.0	3.0	1.3	0.9	0.9	0.7	0.9	0.9	0.7
Philippines	4.8	3.4	3.4	0.7	0.7	2.2	2.0	2.4	1.8	1.6	1.5	1.4	1.3	1.1
Poland	−1.0	0.4	−1.5	−4.8	−5.2	−2.3	−1.1	−1.8	−1.2	−0.8	0.0	0.0	0.1	0.4
Romania	−0.7	−2.6	−4.2	−6.2	−5.1	−2.8	−0.7	−0.8	−0.6	0.3	0.3	0.2	0.2	0.1
Russia	8.9	6.8	5.1	−6.0	−3.1	1.9	0.8	−0.8	−0.2	−0.3	0.0	−0.8	−1.0	−0.8
Saudi Arabia	25.3	14.8	31.0	−3.9	2.5	12.1	14.5	8.0	6.8	3.7	2.0	0.5	−1.6	−2.5
South Africa	3.7	3.9	2.1	−2.5	−2.3	−1.3	−1.4	−1.2	−1.1	−1.0	−0.7	−0.4	−0.1	0.2
Thailand	3.5	1.2	1.0	−2.4	0.1	0.3	−0.9	0.6	−0.7	−0.7	−0.7	−0.6	−0.5	−0.4
Turkey	4.4	2.9	1.7	−1.5	0.2	2.0	1.0	1.1	0.4	0.4	0.3	−0.1	−0.3	−0.3
Ukraine[1]	−0.7	−1.5	−2.6	−5.1	−4.1	−0.8	−2.6	−2.0	. . .	. . .	. . .	. . .	. . .	. . .
Average	2.8	2.5	1.8	−2.6	−1.2	0.4	−0.2	−0.6	−0.6	−0.4	−0.2	−0.2	−0.2	−0.2
Asia	0.0	1.0	−1.0	−2.9	−1.6	−0.9	−1.5	−1.3	−1.5	−1.1	−0.9	−0.7	−0.6	−0.5
Europe	4.6	3.5	2.1	−4.3	−2.5	1.3	0.6	−0.3	0.0	0.1	0.3	−0.2	−0.3	−0.2
Latin America	2.9	2.8	2.9	0.0	0.8	1.5	1.0	0.5	0.4	1.2	1.4	1.6	1.7	1.8
MENAP	−1.4	−1.0	−1.8	−1.7	−2.7	−4.1	−4.7	−4.6	−1.9	−2.0	−1.7	−1.8	−1.8	−1.5
G20 emerging	3.2	2.9	2.3	−2.4	−0.9	0.5	−0.1	−0.5	−0.6	−0.4	−0.3	−0.2	−0.2	−0.1

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: Primary balance is defined as the overall balance excluding net interest payments. For country-specific details, see Data and Conventions in text, and Table B. MENAP= Middle East and North Africa and Pakistan.

[1] Projections for Ukraine are excluded due to the ongoing crisis.

Statistical Table 6. Emerging Market Economies: General Government Cyclically Adjusted Balance and Cyclically Adjusted Primary Balance
(Percent of potential GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cyclically Adjusted Balance														
Argentina	−1.4	−2.8	−1.5	−2.2	−1.1	−4.6	−4.3	−4.2	−5.9	−4.6	−4.3	−4.0	−3.7	−3.4
Brazil	−3.3	−3.0	−2.2	−2.4	−3.3	−3.0	−2.7	−3.3	−3.2	−2.4	−2.6	−2.6	−2.6	−2.5
Bulgaria	2.1	1.5	0.8	0.2	−2.8	−1.1	0.2	−1.0	−1.2	−1.3	−1.4	−1.0	−0.5	0.0
Chile[1]	1.1	0.7	−1.5	−4.7	−2.7	−1.1	−0.4	−0.8	−1.0	−0.7	−0.5	−0.2	−0.2	−0.2
China	0.0	1.0	−0.5	−2.6	−1.0	−0.7	−1.4	−1.0	−1.1	−0.8	−0.8	−0.7	−0.7	−0.6
Colombia	−1.1	−1.6	−0.7	−2.4	−2.8	−2.2	0.0	−1.0	−0.9	−0.7	−0.7	−0.7	−0.7	−0.6
Egypt	−9.2	−7.6	−8.3	−7.0	−8.2	−9.4	−10.0	−13.4	−10.4	−11.8	−11.9	−12.4	−12.1	−10.4
Hungary[1]	−11.5	−6.7	−5.5	−2.9	−3.3	−6.6	−0.9	−1.4	−2.1	−2.7	−2.7	−2.8	−2.7	−2.7
India	−6.3	−4.8	−9.5	−9.5	−8.9	−8.5	−7.6	−7.1	−7.0	−6.9	−6.7	−6.7	−6.6	−6.4
Indonesia	0.3	−1.1	−0.1	−1.7	−1.2	−0.6	−1.7	−2.2	−2.6	−2.4	−1.9	−1.6	−1.3	−1.3
Jordan	−3.5	−6.4	−7.7	−10.8	−6.6	−6.8	−6.2	−5.1	−4.1	−3.3	−2.7	−2.4	−2.2	−2.2
Kazakhstan	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Kenya	−2.6	−3.2	−3.8	−5.0	−5.2	−4.8	−5.8	−5.9	−5.5	−5.3	−4.7	−4.2	−3.8	−3.6
Lithuania	−2.0	−3.9	−6.3	−5.9	−4.6	−4.4	−2.9	−2.1	−1.9	−1.7	−1.8	−1.7	−1.6	−1.5
Malaysia	−3.0	−3.3	−3.7	−5.9	−4.5	−3.2	−3.8	−4.6	−3.5	−2.6	−2.1	−2.4	−2.8	−3.2
Mexico	−1.2	−1.4	−1.2	−4.5	−4.1	−3.4	−3.8	−3.7	−4.0	−3.5	−3.0	−2.5	−2.5	−2.5
Morocco	−2.5	−1.3	−0.3	−1.6	−4.2	−6.6	−7.1	−5.9	−6.0	−5.3	−4.5	−4.0	−3.2	−2.9
Nigeria	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Pakistan	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Peru[1]	0.2	1.5	0.9	−0.5	−0.7	0.9	1.4	0.5	0.4	0.5	0.3	0.3	0.5	0.0
Philippines	−1.4	−2.1	−1.7	−3.4	−3.6	−1.9	−2.4	−1.6	−2.3	−2.3	−2.3	−2.2	−2.1	−2.1
Poland	−3.4	−2.1	−4.1	−6.7	−7.7	−5.4	−3.8	−3.4	−2.7	−2.7	−2.1	−2.3	−2.0	−1.8
Romania	−2.7	−5.4	−8.9	−7.9	−5.8	−3.8	−1.7	−2.1	−1.8	−0.9	−1.1	−1.3	−1.6	−2.0
Russia	8.2	6.1	4.5	−5.1	−2.9	1.6	0.1	−1.4	−0.6	−0.7	−1.0	−1.4	−1.7	−1.5
Saudi Arabia	…	…	…	…	…	…	…	…	…	…	…	…	…	…
South Africa	1.6	1.0	−0.8	−3.2	−3.7	−3.8	−4.2	−4.0	−4.1	−4.2	−4.3	−4.3	−4.3	−4.3
Thailand	2.0	−0.1	−0.6	−2.1	−1.0	−0.7	−1.0	0.0	−0.6	−0.3	−0.1	−0.1	0.2	0.4
Turkey	−1.8	−3.3	−3.0	−3.5	−2.8	−1.4	−2.0	−1.9	−2.3	−2.1	−2.2	−2.4	−2.7	−3.2
Ukraine[2]	−2.7	−4.3	−4.0	−2.3	−3.9	−3.2	−4.6	−4.0	…	…	…	…	…	…
Average	−0.7	−0.7	−1.5	−3.8	−3.0	−2.2	−2.3	−2.3	−2.3	−2.0	−1.9	−1.9	−1.9	−1.8
Asia	−1.3	−0.7	−2.2	−3.8	−2.7	−2.1	−2.5	−2.0	−2.1	−1.9	−1.8	−1.7	−1.7	−1.6
Europe	1.8	0.8	−0.2	−4.8	−3.8	−0.9	−1.2	−1.9	−1.4	−1.4	−1.5	−1.8	−2.0	−2.0
Latin America	−1.9	−2.0	−1.6	−3.0	−3.2	−3.0	−2.6	−3.0	−3.2	−2.5	−2.4	−2.2	−2.2	−2.1
G20 emerging	−0.4	−0.3	−1.2	−3.8	−2.9	−2.0	−2.4	−2.3	−2.3	−2.0	−2.0	−1.9	−1.9	−1.9
Cyclically Adjusted Primary Balance														
Argentina	3.7	1.8	2.2	1.4	1.8	−1.5	−0.8	−1.7	−1.4	−1.3	−1.3	−1.2	−1.0	−0.9
Brazil	3.5	3.1	3.4	2.7	1.9	2.7	2.1	1.9	2.0	3.2	3.1	3.1	3.1	3.1
Bulgaria	3.1	2.2	0.7	0.5	−2.5	−0.8	0.5	−0.6	−0.8	−0.7	−0.9	−0.5	0.0	0.6
Chile[1]	1.2	0.6	−1.8	−4.9	−2.6	−1.0	−0.3	−0.7	−0.8	−0.5	−0.2	0.1	0.1	0.2
China	0.5	1.4	−0.1	−2.2	−0.7	0.1	−0.7	−0.3	−0.5	−0.3	−0.3	−0.3	−0.2	−0.2
Colombia	1.5	1.1	1.5	−0.7	−1.1	−0.3	1.7	0.7	0.6	1.0	1.0	0.9	1.0	1.0
Egypt	−4.2	−3.1	−4.2	−3.8	−3.7	−4.4	−4.8	−6.1	−2.6	−4.0	−4.0	−4.2	−4.0	−2.7
Hungary[1]	−7.7	−2.7	−1.7	1.1	0.5	−2.8	3.0	2.5	1.6	1.1	1.1	1.2	1.3	1.2
India	−1.4	0.0	−4.9	−5.0	−4.6	−4.2	−3.2	−2.5	−2.4	−2.2	−2.1	−2.2	−2.2	−2.1
Indonesia	2.6	0.9	1.7	0.0	0.2	0.6	−0.5	−1.0	−1.2	−1.0	−0.5	−0.2	0.1	0.0
Jordan	−1.0	−3.8	−5.2	−8.6	−4.5	−4.7	−3.6	−1.7	0.3	0.9	1.5	1.7	2.2	2.2
Kazakhstan	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Kenya	−0.2	−1.0	−1.6	−2.9	−2.9	−2.4	−3.1	−3.2	−3.0	−2.9	−2.6	−2.2	−2.0	−1.9
Lithuania	−1.4	−3.4	−5.8	−4.9	−2.9	−2.7	−0.9	−0.1	−0.1	0.2	0.0	0.1	0.2	0.3
Malaysia	−2.0	−2.6	−2.3	−4.3	−2.9	−1.6	−2.0	−2.7	−1.7	−0.8	−0.4	−0.7	−1.0	−1.4
Mexico	1.6	1.3	1.4	−1.9	−1.6	−1.0	−1.3	−1.2	−1.4	−0.9	−0.3	0.4	0.6	0.8
Morocco	0.7	1.9	2.4	0.7	−1.9	−4.3	−4.7	−3.4	−3.3	−2.6	−1.8	−1.4	−0.6	−0.3
Nigeria	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Pakistan	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Peru[1]	2.0	3.3	2.3	0.5	0.3	1.9	2.2	1.3	1.2	1.2	1.0	1.1	1.2	1.0
Philippines	3.4	1.8	1.7	−0.1	−0.6	0.6	0.2	0.9	0.4	0.2	0.0	0.0	−0.1	−0.2
Poland	−1.0	0.3	−1.8	−4.1	−5.0	−2.7	−1.0	−0.8	−0.4	−0.5	0.1	0.0	0.1	0.4
Romania	−2.0	−4.9	−8.2	−6.8	−4.6	−2.4	0.1	−0.4	−0.2	0.7	0.6	0.3	0.0	−0.3
Russia	8.7	6.1	4.7	−4.7	−2.6	1.9	0.5	−0.9	−0.1	−0.2	−0.5	−0.9	−1.1	−0.8
Saudi Arabia	…	…	…	…	…	…	…	…	…	…	…	…	…	…
South Africa	4.5	3.7	1.8	−0.9	−1.0	−1.0	−1.3	−0.9	−0.8	−0.7	−0.6	−0.4	−0.1	0.2
Thailand	3.3	0.8	0.3	−1.4	−0.1	0.2	−0.1	0.8	0.2	0.5	0.7	0.7	1.0	1.2
Turkey	3.5	1.8	1.3	0.7	0.8	1.3	0.8	0.7	0.5	0.6	0.4	0.0	−0.3	−0.4
Ukraine[2]	−2.0	−3.8	−3.5	−1.2	−2.3	−1.2	−2.7	−1.6	…	…	…	…	…	…
Average	1.9	1.7	0.5	−1.8	−1.1	0.0	−0.4	−0.4	−0.4	−0.1	−0.1	−0.1	−0.1	0.0
Asia	0.4	0.9	−0.8	−2.5	−1.4	−0.6	−1.1	−0.7	−0.8	−0.6	−0.5	−0.5	−0.5	−0.5
Europe	3.9	2.6	1.4	−3.1	−2.1	0.6	0.3	−0.4	0.0	0.0	−0.1	−0.4	−0.5	−0.4
Latin America	2.5	2.1	2.2	0.7	0.5	1.0	0.8	0.4	0.5	1.3	1.4	1.6	1.7	1.8
G20 emerging	2.3	2.1	1.0	−1.7	−0.8	0.2	−0.4	−0.4	−0.4	−0.2	−0.1	−0.1	−0.1	−0.1

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: Cyclically adjusted primary balance is defined as the cyclically adjusted balance excluding net interest payments.

[1] Including adjustments beyond the output cycle; for details, see Data and Conventions in text, and Table B.

[2] Projections for Ukraine are excluded due to the ongoing crisis.

Statistical Table 7. Emerging Market Economies: General Government Revenue and Expenditure
(Percent of GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue														
Argentina	29.8	31.5	33.4	34.3	37.2	37.4	40.3	42.6	42.6	42.6	42.6	42.6	42.6	42.6
Brazil	34.4	35.6	36.7	34.8	37.1	36.6	37.7	37.2	37.1	37.1	37.2	37.5	37.5	37.5
Bulgaria	37.0	38.2	38.0	35.3	32.7	32.4	34.0	35.5	36.3	37.0	37.2	37.3	37.5	37.9
Chile	26.2	27.3	25.8	20.6	23.5	24.7	24.4	23.0	22.6	22.6	22.5	22.5	22.5	22.5
China	18.2	19.8	19.7	20.2	21.3	22.6	22.6	22.9	22.4	22.6	22.6	22.6	22.6	22.6
Colombia	27.3	27.2	26.4	26.7	26.1	26.7	28.4	27.7	27.3	27.0	26.8	26.7	26.7	26.7
Egypt	28.6	27.7	28.0	27.7	25.1	22.0	22.1	23.0	26.7	23.8	23.2	22.8	22.2	21.7
Hungary	42.8	45.6	45.5	46.9	45.6	54.3	46.9	47.9	48.0	48.5	46.5	46.9	47.9	48.6
India	20.3	22.0	19.7	18.5	18.8	18.7	19.5	20.0	19.7	19.7	19.7	19.8	19.9	20.0
Indonesia	20.3	19.3	21.3	16.5	17.0	17.8	18.1	17.9	17.8	17.8	17.7	17.5	17.4	17.3
Jordan	32.4	32.3	30.1	26.5	24.9	26.4	23.0	25.3	27.4	27.6	29.1	29.5	30.1	30.1
Kazakhstan	27.5	28.8	28.3	22.1	23.9	27.7	26.9	26.2	26.4	26.2	25.7	25.1	24.7	24.2
Kenya	21.9	22.9	22.8	22.7	24.6	23.8	23.7	24.8	25.3	25.2	25.3	25.4	25.6	25.7
Lithuania	33.3	33.8	34.1	34.7	34.4	32.7	32.3	32.4	32.5	32.4	32.1	32.0	32.0	32.1
Malaysia	24.1	24.4	24.6	25.6	23.1	24.7	25.9	25.0	24.3	24.3	23.8	23.6	23.4	23.2
Mexico	21.6	21.7	24.7	22.1	22.4	22.9	23.5	23.3	23.4	23.2	22.8	23.0	23.1	23.4
Morocco	27.4	29.9	32.5	29.3	27.5	27.8	28.7	28.0	27.5	28.1	28.2	28.2	27.6	27.6
Nigeria	32.3	26.9	32.0	17.8	20.0	29.9	25.3	18.9	22.1	22.3	20.2	18.5	17.9	17.1
Pakistan	13.6	14.4	14.4	14.2	14.3	12.6	13.1	13.2	14.9	15.0	15.4	15.4	15.3	15.3
Peru	20.1	20.9	21.3	19.0	20.2	21.3	21.7	21.5	21.1	21.4	21.8	22.2	22.3	22.3
Philippines	19.0	18.7	18.7	17.5	16.8	17.6	18.2	18.6	18.9	18.9	19.0	19.1	19.1	19.0
Poland	40.2	40.3	39.5	37.2	37.6	38.4	38.4	37.4	37.8	38.0	38.6	38.4	38.8	39.0
Romania	32.3	32.3	32.2	31.2	32.2	32.6	32.9	31.7	32.6	32.7	32.6	32.4	32.2	32.0
Russia	39.5	39.9	39.2	35.0	34.6	37.5	37.9	35.8	36.9	36.8	37.3	36.2	35.8	35.2
Saudi Arabia	53.7	46.6	60.5	36.0	41.6	47.5	50.3	44.4	42.6	40.2	38.0	36.3	34.6	33.0
South Africa	28.9	29.7	29.6	28.1	27.5	27.9	28.3	28.9	29.0	28.9	28.9	28.9	28.9	29.0
Thailand	22.3	21.5	21.4	20.8	22.4	22.6	23.1	24.1	22.0	22.0	22.0	22.1	22.2	22.3
Turkey	32.8	31.6	31.8	32.6	33.3	34.6	34.5	36.1	35.3	34.8	34.5	34.3	34.2	34.2
Ukraine[1]	43.2	41.8	44.3	42.3	43.2	42.9	44.5	43.7	. . .	. . .	. . .	. . .	. . .	. . .
Average	27.2	27.6	28.4	25.5	26.4	27.6	27.7	27.3	26.8	26.6	26.4	26.1	25.9	25.8
Asia	19.3	20.4	20.0	19.7	20.5	21.5	21.8	22.2	21.7	21.9	21.9	21.9	21.9	21.8
Europe	37.5	37.6	37.4	34.9	34.9	37.0	37.0	36.0	36.2	36.1	36.2	35.6	35.4	35.1
Latin America	28.0	29.2	31.0	29.5	31.4	31.5	32.3	31.9	31.6	31.4	31.2	31.3	31.4	31.4
MENAP	22.2	22.9	23.8	23.1	21.8	19.8	19.9	20.3	22.7	21.8	21.8	21.6	21.3	21.0
G20 emerging	26.6	27.1	28.0	25.1	26.3	27.5	27.7	27.4	26.8	26.6	26.4	26.2	26.0	25.9
Expenditure														
Argentina	30.9	33.6	34.3	37.9	38.5	40.9	44.3	46.0	47.9	46.7	46.4	46.2	46.1	46.0
Brazil	38.0	38.4	38.3	38.1	39.9	39.2	40.4	40.5	40.5	39.6	39.8	40.1	40.1	40.0
Bulgaria	33.6	34.9	35.2	36.2	36.7	34.4	34.4	37.4	38.2	38.6	38.5	38.3	38.0	37.9
Chile	18.7	19.4	21.7	24.7	23.9	23.2	23.7	23.6	23.7	23.5	23.0	22.7	22.7	22.7
China	18.9	18.9	20.4	23.2	22.8	23.9	24.8	24.8	24.4	24.2	23.9	23.7	23.5	23.3
Colombia	28.3	28.0	26.6	29.5	29.4	28.6	28.3	28.7	28.2	27.7	27.5	27.4	27.4	27.3
Egypt	37.8	35.3	36.0	34.6	33.4	31.8	32.7	37.1	37.8	36.0	35.3	35.2	34.3	32.7
Hungary	52.2	50.6	49.2	51.4	49.9	50.0	48.9	50.2	50.9	51.4	49.4	49.7	50.6	51.3
India	26.5	26.4	29.7	28.3	27.2	26.7	26.9	27.3	26.9	26.7	26.5	26.5	26.5	26.4
Indonesia	20.1	20.3	21.3	18.3	18.2	18.5	19.7	20.0	20.3	20.2	19.6	19.1	18.6	18.5
Jordan	36.4	37.0	34.4	35.0	30.4	33.2	31.2	30.6	31.8	31.7	31.7	31.6	32.0	32.1
Kazakhstan	19.8	23.7	27.1	23.5	22.5	21.8	22.4	21.3	22.2	22.3	21.9	21.1	21.0	20.7
Kenya	24.6	25.9	26.9	28.0	30.0	28.8	29.9	30.9	30.8	30.3	29.9	29.5	29.3	29.3
Lithuania	33.7	34.8	37.4	44.1	41.6	38.2	35.6	34.5	34.3	34.2	33.9	33.7	33.6	33.5
Malaysia	26.8	27.1	28.2	32.4	27.8	28.4	29.5	29.6	27.8	26.8	25.9	26.0	26.2	26.4
Mexico	22.6	22.8	25.6	27.2	26.7	26.3	27.2	27.2	27.5	26.8	25.8	25.5	25.7	26.0
Morocco	29.4	30.1	31.8	31.1	31.9	34.5	36.1	33.4	32.4	32.4	31.7	31.2	30.7	30.4
Nigeria	23.3	25.3	25.7	27.2	26.8	29.0	25.3	23.8	23.9	23.9	22.5	22.1	21.8	22.1
Pakistan	17.1	19.5	21.4	19.2	20.2	19.5	21.5	21.0	20.2	19.3	18.7	18.6	18.6	18.5
Peru	18.2	17.7	18.8	20.5	20.3	19.3	19.6	21.0	21.0	21.2	21.8	22.1	22.1	22.3
Philippines	19.1	19.0	18.6	20.1	19.2	18.0	18.9	18.7	19.7	19.7	19.7	19.8	19.8	19.8
Poland	43.9	42.2	43.2	44.6	45.4	43.4	42.3	42.0	41.3	41.0	40.8	40.7	40.8	40.8
Romania	33.7	35.4	37.0	38.5	38.6	36.8	35.4	34.2	34.8	34.0	34.0	33.7	33.6	33.5
Russia	31.1	33.1	34.3	41.4	38.0	35.9	37.5	37.1	37.5	37.6	37.8	37.6	37.4	36.7
Saudi Arabia	29.3	31.6	29.0	40.0	39.5	35.5	35.7	36.1	35.5	36.2	35.7	35.5	35.9	35.2
South Africa	28.2	28.4	30.1	33.0	32.4	31.9	32.6	33.2	33.4	33.4	33.3	33.2	33.2	33.2
Thailand	20.1	21.3	21.2	24.0	23.2	23.2	24.9	24.3	23.5	23.5	23.6	23.5	23.6	23.6
Turkey	33.5	33.6	34.5	38.6	36.7	35.3	36.3	37.6	37.7	37.1	36.8	36.7	36.9	37.3
Ukraine[1]	44.6	43.8	47.4	48.6	49.0	45.6	49.0	48.2	. . .	. . .	. . .	. . .	. . .	. . .
Average	26.9	27.4	28.5	30.1	29.6	29.2	29.8	29.7	29.2	28.8	28.4	28.2	28.0	27.8
Asia	20.9	21.0	22.3	24.0	23.4	23.9	24.8	24.8	24.5	24.3	24.0	23.8	23.6	23.5
Europe	35.0	35.6	36.8	41.1	39.0	37.0	37.8	37.7	37.5	37.4	37.2	37.0	37.0	36.7
Latin America	29.5	30.4	31.8	33.2	34.2	34.0	34.7	34.9	34.8	34.0	33.7	33.6	33.5	33.5
MENAP	27.3	27.9	29.5	28.4	28.4	27.8	29.0	30.3	30.3	29.5	29.1	29.0	28.6	27.9
G20 emerging	26.1	26.6	27.8	29.6	29.2	29.0	29.7	29.7	29.2	28.8	28.4	28.1	27.9	27.7

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: For country-specific details, see Data and Conventions in text, and Table B. MENAP = Middle East and North Africa and Pakistan.

[1] Projections for Ukraine are excluded due to the ongoing crisis.

Statistical Table 8. Emerging Market Economies: General Government Gross Debt and Net Debt
(Percent of GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross Debt														
Argentina	76.4	67.4	58.5	58.7	49.2	44.9	47.7	46.9	52.9	58.2	55.3	55.8	54.7	54.2
Brazil[1]	67.0	65.2	63.5	66.8	65.0	64.7	68.2	66.3	66.7	66.4	66.2	65.8	65.2	64.7
Bulgaria	23.4	18.6	15.5	15.6	14.9	15.4	17.5	17.6	21.7	21.1	22.8	20.2	19.8	19.4
Chile	5.0	3.9	4.9	5.8	8.6	11.1	12.0	12.2	12.6	13.5	13.9	14.0	14.1	14.2
China[2]	16.2	19.6	17.0	17.7	33.5	28.7	26.1	22.4	20.2	18.7	17.6	16.5	15.4	14.4
Colombia	36.6	32.9	30.5	36.0	36.4	35.2	32.4	31.8	31.7	30.4	29.0	27.6	26.4	24.8
Egypt	90.3	80.2	70.2	73.0	73.2	76.6	78.9	89.2	91.3	92.7	92.8	93.1	92.9	91.7
Hungary	65.9	67.0	73.0	79.8	82.1	82.1	79.8	79.2	79.1	79.2	79.1	78.9	78.7	78.4
India	77.1	74.0	74.5	72.5	67.5	66.8	66.6	66.7	65.3	64.0	62.7	61.8	60.9	59.9
Indonesia	39.0	35.1	33.2	28.6	26.1	24.4	24.0	26.1	26.0	25.9	25.4	24.5	23.4	22.4
Jordan	76.3	73.8	60.2	64.8	67.1	70.7	80.2	87.7	91.3	93.0	91.3	88.2	85.0	82.1
Kazakhstan	6.7	5.9	6.8	10.2	10.7	10.4	12.4	13.5	13.3	13.7	14.4	15.2	16.1	17.0
Kenya	50.5	45.0	48.9	49.7	55.1	52.6	50.5	50.4	51.1	50.6	50.0	49.1	48.4	47.3
Lithuania	17.9	16.8	15.5	29.5	38.3	39.2	41.0	39.3	39.5	39.1	38.6	37.8	37.0	36.1
Malaysia	41.5	41.2	41.2	52.8	53.5	54.3	56.0	58.2	56.3	54.3	52.3	51.0	50.2	49.8
Mexico	37.8	37.6	42.8	43.9	42.2	43.3	43.3	46.5	48.1	48.4	48.4	47.9	47.6	47.8
Morocco	59.4	54.6	48.2	48.0	51.3	54.4	60.2	61.9	62.7	62.5	61.5	60.1	58.6	57.3
Nigeria	11.8	12.8	11.6	15.2	15.5	17.2	18.4	19.4	20.0	20.5	20.8	21.4	22.0	25.1
Pakistan	54.4	52.6	57.9	59.1	61.5	59.5	63.8	63.1	63.7	62.4	61.0	58.9	56.4	54.3
Peru	33.1	30.4	26.8	27.1	24.4	22.4	20.5	19.6	18.1	16.6	15.2	13.9	12.7	11.0
Philippines	51.6	44.6	44.2	44.3	43.5	41.4	40.6	38.3	35.2	32.8	30.9	29.2	27.6	26.2
Poland	47.7	45.0	47.1	50.9	54.8	56.2	55.6	57.5	49.5	50.1	49.9	48.7	47.4	45.7
Romania	12.6	12.7	13.6	23.8	31.1	34.3	38.2	39.3	39.7	39.0	38.3	37.4	36.7	36.1
Russia	9.0	8.5	7.9	11.0	11.0	11.7	12.7	13.4	13.0	12.8	12.4	12.8	13.5	13.9
Saudi Arabia	25.8	17.1	12.1	14.0	8.4	5.4	3.6	2.7	2.6	2.5	2.5	2.4	2.2	2.1
South Africa	31.0	28.3	27.2	31.6	35.3	38.8	42.1	45.2	47.3	49.6	52.6	55.7	58.6	61.4
Thailand	42.0	38.3	37.3	45.2	42.6	42.1	45.4	45.3	46.6	46.7	46.7	46.2	46.0	45.7
Turkey	46.5	39.9	40.0	46.1	42.3	39.1	36.2	35.8	35.9	36.0	35.9	36.0	36.3	36.7
Ukraine[3]	14.8	12.3	20.5	35.4	40.5	36.8	37.4	41.0	. . .	. . .	. . .	. . .	. . .	. . .
Average	36.9	35.6	33.5	36.0	40.3	37.8	36.5	34.9	33.7	33.0	32.3	31.6	30.9	30.4
Asia	33.9	34.6	30.6	30.9	40.4	36.3	33.9	31.0	29.0	27.6	26.5	25.4	24.4	23.6
Europe	26.5	23.6	23.7	29.5	29.0	27.7	27.0	27.7	26.1	26.5	26.3	26.5	26.8	26.9
Latin America	50.6	49.6	50.4	53.2	51.6	51.4	52.0	51.4	52.5	52.6	52.0	51.5	50.8	50.3
MENAP	68.3	63.6	60.6	62.8	64.9	66.2	70.5	75.1	76.6	77.5	77.1	76.4	75.4	74.2
G20 emerging	36.5	35.6	32.9	34.6	39.8	36.8	35.1	33.0	31.8	31.0	30.2	29.5	28.7	28.2
Net Debt														
Argentina	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Brazil	47.3	45.1	38.0	41.5	39.1	36.4	35.3	33.6	33.3	32.9	32.5	32.5	32.1	31.5
Bulgaria	−10.4	−10.2	−13.6	−13.9	−13.6	−11.3	−10.3	−8.9	−7.0	−5.9	−5.3	−5.2	−5.5	−6.2
Chile	−6.6	−13.0	−19.3	−10.6	−7.0	−8.6	−6.8	−6.7	−5.9	−4.7	−3.9	−3.4	−3.0	−2.5
China	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Colombia	26.1	22.9	20.6	27.0	28.4	26.8	25.1	25.1	25.2	24.3	23.4	22.4	21.6	20.3
Egypt	71.4	64.5	55.6	58.7	60.0	64.3	67.8	78.2	81.6	84.3	85.5	86.8	87.5	87.0
Hungary	63.3	64.5	64.8	73.9	76.7	75.7	73.5	73.5	73.6	73.8	74.0	74.0	74.0	73.9
India	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Indonesia	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Jordan	68.9	67.6	54.8	57.1	61.1	65.4	75.5	83.5	87.4	89.3	87.9	85.0	82.0	79.2
Kazakhstan	−10.9	−13.8	−13.9	−11.0	−10.2	−13.0	−16.2	−18.8	−26.1	−28.0	−29.0	−32.0	−33.7	−35.1
Kenya	45.8	40.6	45.0	47.2	52.3	49.6	46.8	46.0	46.7	46.2	45.6	44.7	44.0	42.9
Lithuania	11.0	11.1	12.7	23.4	31.0	34.8	34.7	33.3	33.8	33.7	33.5	33.1	32.6	31.9
Malaysia	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Mexico	29.8	29.1	33.2	36.3	36.2	37.5	37.8	40.4	42.2	42.6	42.5	42.1	41.7	41.9
Morocco	56.8	53.1	47.5	47.3	50.8	54.0	59.6	61.4	62.2	62.0	61.0	59.6	58.1	56.7
Nigeria	5.3	5.1	1.0	10.5	14.3	14.9	25.3	19.2	20.0	18.0	16.8	17.7	16.3	18.6
Pakistan	50.6	47.9	53.2	55.5	57.9	56.2	60.5	60.3	61.2	60.2	59.0	57.2	54.8	52.9
Peru	22.8	16.0	12.5	11.7	9.9	6.9	4.2	3.5	3.2	2.8	2.6	2.3	1.9	1.8
Philippines	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Poland	15.0	10.2	9.9	14.9	20.5	26.2	27.6	28.8	21.8	23.4	24.2	24.0	23.6	23.0
Romania	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Russia	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Saudi Arabia	1.2	−16.5	−42.4	−45.0	−43.4	−43.2	−52.9	−57.2	−62.3	−64.9	−65.2	−63.4	−59.3	−54.3
South Africa	26.9	23.9	22.8	26.4	29.3	32.3	36.1	38.7	41.5	44.5	47.9	51.3	54.5	57.5
Thailand	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Turkey	39.0	32.7	32.5	37.5	34.7	31.1	27.5	27.3	27.2	27.4	27.4	27.6	28.0	28.6
Ukraine[3]	11.7	10.1	18.3	31.9	38.4	34.5	35.2	38.8						
Average	30.5	26.9	23.0	27.8	27.9	26.5	24.9	24.9	23.9	24.2	24.4	24.8	25.1	25.6
Europe	26.9	22.3	22.1	27.9	28.9	27.8	25.7	25.9	21.6	21.9	21.7	21.3	21.0	20.6
Latin America	34.7	33.2	31.0	34.7	33.8	32.2	31.0	30.9	31.4	31.2	30.9	30.6	30.1	29.7
MENAP	59.5	55.6	53.0	55.3	57.7	59.6	64.2	69.2	71.4	72.7	72.8	72.7	72.1	71.3
G20 emerging	33.6	30.1	25.1	28.9	28.1	25.9	22.6	22.1	21.4	21.6	21.9	22.4	23.1	23.9

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: For country-specific details, see Data and Conventions in text, and Table B. MENAP= Middle East and North Africa and Pakistan.

[1] Gross debt refers to the nonfinancial public sector, excluding Eletrobras and Petrobras, and includes sovereign debt held on the balance sheet of the central bank.

[2] Up to 2009, public debt data include emely central government debt as reported by the Ministry of Finance. For 2010, debt data include subnational debt identified in the 2011 *National Audit Report*. Staff estimated in the 2013 Article IV Staff Report that the augmented debt—expanding the perimeter of government to include local government financing vehicles and other off-budget activity—was around 46.2 percent of GDP as of end-2012.

[3] Projections for Ukraine are excluded due to the ongoing crisis.

Statistical Table 9. Low-Income Countries: General Government Overall Balance and Primary Balance
(Percent of GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Overall Balance														
Bangladesh	−3.0	−2.6	−4.6	−3.7	−3.1	−4.1	−3.4	−4.0	−3.8	−3.6	−3.3	−2.8	−2.3	−1.9
Bolivia	4.5	1.7	3.6	0.0	1.7	0.8	1.8	0.1	−0.4	−0.5	−0.9	−1.3	−1.4	−1.5
Burkina Faso	16.1	−6.7	−4.3	−5.3	−4.6	−2.4	−3.2	−3.0	−3.9	−3.7	−3.7	−3.8	−3.6	−3.5
Cambodia	−0.2	−0.7	0.3	−4.2	−2.8	−4.1	−3.8	−3.0	−2.8	−1.7	−1.1	−0.8	−0.4	−0.5
Cameroon	32.8	4.7	2.2	−0.1	−1.1	−2.7	−1.7	−4.2	−3.8	−4.1	−4.3	−4.6	−4.7	−4.6
Chad	2.2	2.5	3.6	−9.2	−4.2	2.4	0.5	−2.4	0.3	0.9	0.0	−0.7	−2.3	−2.9
Congo, Dem. Rep. of the	−2.2	−2.3	−1.6	−1.6	3.7	−1.2	0.5	−1.7	−2.1	−1.6	−1.5	−2.9	−3.5	−3.0
Congo, Rep. of	16.6	9.4	23.4	4.8	16.1	16.5	6.4	6.7	8.3	10.3	9.2	9.0	7.6	5.1
Côte d'Ivoire	−1.5	−0.5	−0.4	−1.5	−2.0	−5.7	−3.4	−2.5	−2.2	−2.8	−2.8	−2.8	−2.9	−2.9
Ethiopia	−3.9	−3.6	−2.9	−0.9	−1.3	−1.6	−1.2	−3.4	−3.0	−2.7	−2.5	−2.3	−2.4	−2.6
Ghana	−4.7	−5.4	−8.4	−7.0	−9.4	−6.5	−12.1	−10.8	−7.5	−7.3	−7.6	−5.3	−4.6	−4.3
Haiti	−1.7	0.2	−2.8	−4.6	2.2	−3.6	−4.8	−6.7	−6.7	−6.5	−6.4	−6.2	−5.9	−5.6
Honduras	−2.7	−1.6	−1.7	−4.5	−2.8	−2.8	−4.2	−7.4	−6.3	−6.0	−5.7	−5.8	−5.9	−6.2
Lao P.D.R.	−3.2	−2.4	−2.6	−5.3	−4.7	−3.0	−1.4	−4.7	−3.8	−5.5	−4.4	−3.8	−3.3	−3.3
Madagascar	−0.5	−2.7	−1.9	−2.5	−0.9	−1.7	−1.3	−1.5	−2.1	−2.5	−0.8	−2.0	−0.2	−1.3
Mali	31.3	−3.2	−2.2	−4.2	−2.9	−4.1	−1.1	−2.7	−5.7	−3.1	−2.9	−2.7	−2.3	−2.1
Moldova	−0.3	0.3	−0.9	−6.3	−2.5	−2.4	−2.2	−1.8	−2.5	−3.3	−3.2	−3.2	−3.2	−3.2
Mozambique	−4.1	−2.9	−2.5	−5.5	−4.3	−5.1	−4.0	−4.6	−12.4	−8.1	−7.9	−6.8	−6.0	−5.8
Myanmar	−3.6	−3.3	−2.4	−4.9	−5.4	−4.6	−3.8	−4.9	−4.5	−5.7	−4.7	−4.5	−4.5	−4.5
Nepal	0.3	−0.8	−0.4	−2.6	−0.8	−1.0	−0.6	2.0	0.3	0.2	0.2	0.1	0.0	−0.4
Nicaragua	0.5	0.8	−0.7	−2.1	−0.8	0.7	0.1	−0.5	−0.1	0.0	−0.5	0.0	0.3	0.3
Senegal	−5.4	−3.8	−4.7	−4.9	−5.2	−6.3	−5.6	−5.4	−4.9	−3.9	−3.7	−3.5	−3.2	−3.2
Sudan	−1.4	−3.5	0.6	−5.1	0.3	0.2	−3.8	−2.1	−1.3	−1.3	−0.6	−0.1	0.0	0.0
Tajikistan	1.7	−5.5	−5.1	−5.2	−3.0	−2.1	0.6	−0.8	−0.9	−0.9	−1.4	−2.0	−2.2	−2.5
Tanzania	−4.5	−1.9	−2.6	−6.0	−6.5	−5.0	−5.1	−5.6	−5.1	−4.5	−4.0	−4.0	−4.0	−4.0
Uganda	−0.8	−1.1	−2.7	−2.3	−6.7	−3.1	−3.5	−3.7	−2.9	−2.6	−1.8	−1.5	−1.2	−1.3
Uzbekistan	5.4	5.2	10.2	2.8	4.9	8.8	8.5	1.3	0.8	0.7	0.8	0.7	0.7	0.7
Vietnam	0.3	−2.0	−0.5	−6.0	−2.8	−1.1	−4.8	−5.7	−6.7	−6.0	−5.9	−5.4	−4.7	−4.1
Yemen	1.2	−7.2	−4.5	−10.2	−4.0	−4.5	−6.4	−7.1	−6.7	−6.6	−6.7	−6.6	−6.5	−6.5
Zambia	20.2	−1.3	−0.8	−2.5	−3.0	−2.2	−3.9	−8.6	−8.0	−6.9	−6.5	−6.1	−5.6	−4.7
Average	1.6	−1.7	−0.9	−3.9	−2.1	−1.7	−2.8	−3.9	−3.9	−3.6	−3.4	−3.1	−2.9	−2.8
Oil producers	6.5	−0.8	1.2	−5.4	−1.7	−0.4	−3.8	−4.9	−5.3	−4.7	−4.8	−4.4	−4.2	−4.0
Asia	−1.4	−2.3	−2.2	−4.8	−3.3	−2.8	−3.9	−4.5	−4.9	−4.7	−4.4	−3.9	−3.4	−3.1
Latin America	0.5	0.3	0.3	−2.4	−0.1	−0.8	−1.0	−2.9	−2.7	−2.6	−2.7	−2.7	−2.7	−2.7
Sub-Saharan Africa	5.1	−1.3	−1.1	−3.1	−2.7	−2.4	−3.3	−4.3	−3.9	−3.3	−3.2	−3.1	−3.1	−3.1
Others	0.9	−2.2	1.4	−4.0	0.4	1.5	−0.2	−2.1	−1.9	−1.9	−1.6	−1.5	−1.4	−1.4
Primary Balance														
Bangladesh	−1.2	−0.7	−2.2	−1.2	−0.9	−2.2	−1.2	−1.7	−1.6	−1.5	−1.3	−0.8	−0.4	−0.1
Bolivia	7.0	4.3	5.5	1.7	3.1	2.1	2.8	1.1	0.5	0.2	−0.2	−0.7	−0.8	−0.9
Burkina Faso	16.7	−6.3	−3.9	−4.9	−4.2	−1.9	−2.5	−2.5	−3.4	−3.1	−3.0	−3.1	−3.0	−2.8
Cambodia	0.0	−0.5	0.5	−4.0	−2.5	−3.8	−3.3	−2.6	−2.4	−1.4	−0.8	−0.4	0.0	−0.2
Cameroon	33.8	5.2	2.5	0.3	−0.8	−2.3	−1.3	−3.7	−3.3	−3.5	−3.7	−3.9	−4.0	−3.9
Chad	2.6	2.8	3.8	−8.8	−3.6	3.0	0.9	−2.1	1.0	1.3	0.4	−0.3	−1.8	−2.2
Congo, Dem. Rep. of the	0.6	0.9	1.3	1.8	5.1	0.6	2.0	−0.4	−1.0	−0.5	−0.5	−2.0	−2.6	−2.2
Congo, Rep. of	21.1	11.9	25.8	6.1	17.0	16.5	6.5	7.0	8.4	10.3	9.2	9.1	7.6	5.1
Côte d'Ivoire	0.2	1.3	1.4	0.1	−0.3	−3.1	−1.6	−0.9	−0.9	−1.4	−1.3	−1.3	−1.4	−1.3
Ethiopia	−3.0	−2.9	−2.5	−0.6	−0.9	−1.2	−0.9	−3.1	−2.6	−2.2	−2.0	−1.7	−1.6	−1.7
Ghana	−2.6	−3.5	−6.2	−4.2	−6.2	−3.8	−8.8	−5.7	−1.1	−1.3	−1.9	0.6	1.1	1.0
Haiti	−1.2	1.3	−2.1	−3.8	2.8	−3.2	−4.4	−6.2	−6.3	−5.9	−5.7	−5.5	−5.2	−4.8
Honduras	−3.1	−2.2	−2.7	−5.4	−3.4	−3.0	−4.3	−6.9	−5.3	−4.6	−3.8	−3.7	−3.6	−3.6
Lao P.D.R.	−2.5	−1.9	−2.1	−4.9	−4.3	−2.5	−0.7	−3.5	−2.9	−4.2	−3.1	−2.3	−1.9	−1.9
Madagascar	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Mali	31.8	−2.8	−1.9	−3.9	−2.5	−3.4	−0.5	−2.1	−5.2	−2.6	−2.3	−2.1	−1.7	−1.5
Moldova	0.7	1.4	0.2	−5.0	−1.7	−1.6	−1.4	−1.2	−1.8	−2.6	−2.5	−2.3	−2.3	−2.3
Mozambique	−3.3	−2.3	−2.0	−5.0	−3.5	−4.1	−3.0	−3.7	−11.2	−6.8	−6.4	−5.2	−4.3	−4.0
Myanmar	−3.0	−2.7	−1.9	−4.2	−4.5	−3.5	−2.4	−3.4	−2.9	−4.2	−3.4	−3.3	−3.2	−3.2
Nepal	0.9	−0.1	0.3	−1.9	0.0	−0.1	0.2	2.7	1.2	1.1	1.0	1.0	0.9	0.5
Nicaragua	2.0	1.7	0.2	−1.0	0.4	1.8	1.1	0.7	1.0	1.0	0.5	1.0	1.3	1.2
Senegal	−4.5	−3.2	−4.0	−4.2	−4.3	−4.7	−4.1	−3.8	−3.3	−2.0	−1.7	−1.5	−1.2	−1.2
Sudan	−0.2	−2.5	1.5	−4.1	1.4	1.4	−2.3	−0.8	−0.2	0.1	0.8	1.4	1.7	1.6
Tajikistan	2.2	−5.1	−4.8	−4.7	−2.5	−1.6	1.1	0.1	−0.4	−0.4	−0.9	−1.5	−1.7	−2.0
Tanzania	−3.3	−0.7	−1.6	−5.1	−5.5	−4.0	−3.8	−4.0	−3.4	−2.9	−2.6	−2.6	−2.6	−2.5
Uganda	0.4	0.1	−1.5	−1.2	−5.7	−2.0	−2.0	−2.1	−1.3	−0.9	0.0	0.3	0.6	0.4
Uzbekistan	5.6	5.3	10.3	2.9	5.0	8.9	8.5	1.3	0.9	0.7	0.8	0.7	0.7	0.7
Vietnam	1.0	−1.0	0.5	−4.9	−1.6	0.0	−3.4	−4.3	−5.2	−4.6	−4.4	−3.8	−3.1	−2.4
Yemen	3.5	−4.9	−2.1	−7.7	−1.7	−0.2	−0.9	−1.5	−1.1	−1.1	−1.4	−1.4	−1.6	−1.8
Zambia	22.1	0.4	0.9	−0.9	−1.3	−1.0	−2.3	−6.7	−5.2	−3.6	−3.1	−2.5	−1.8	−1.0
Average	2.9	−0.5	0.3	−2.6	−0.9	−0.4	−1.4	−2.4	−2.3	−2.0	−1.9	−1.5	−1.3	−1.2
Oil producers	7.8	0.3	2.4	−4.2	−0.4	1.0	−2.1	−3.2	−3.4	−2.9	−3.0	−2.6	−2.4	−2.2
Asia	−0.3	−1.0	−0.8	−3.3	−1.9	−1.5	−2.3	−2.9	−3.3	−3.1	−2.8	−2.3	−1.8	−1.5
Latin America	1.6	1.3	1.0	−1.8	0.6	−0.2	−0.4	−2.1	−1.8	−1.6	−1.7	−1.7	−1.6	−1.6
Sub-Saharan Africa	6.8	0.0	0.2	−1.9	−1.5	−1.2	−2.1	−2.9	−2.3	−1.7	−1.7	−1.4	−1.4	−1.4
Others	2.1	−1.2	2.4	−3.0	1.4	3.0	1.6	−0.3	−0.2	−0.1	0.0	0.2	0.3	0.2

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: Primary balance is defined as the overall balance excluding net interest payments. For country-specific details, see Data and Conventions in text, and Table C.

Statistical Table 10. Low-Income Countries: General Government Revenue and Expenditure
(Percent of GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue														
Bangladesh	11.1	10.8	11.3	10.8	11.5	11.9	12.9	12.9	13.0	13.3	13.5	14.3	15.0	15.4
Bolivia	34.3	34.4	38.9	35.8	33.2	36.2	37.9	40.0	38.9	37.6	36.7	35.8	34.8	34.2
Burkina Faso	40.8	20.1	16.9	19.6	19.8	21.2	22.7	23.9	23.3	22.7	22.6	22.4	22.6	22.6
Cambodia	12.8	13.7	15.9	15.8	17.0	15.6	16.9	17.1	17.4	18.0	18.2	18.6	18.9	18.8
Cameroon	47.4	20.3	20.8	18.4	17.4	18.7	18.8	18.8	19.8	19.5	19.3	19.1	19.0	18.9
Chad	16.2	19.7	22.5	15.0	20.2	24.8	23.4	18.8	20.7	21.4	20.8	20.3	19.4	18.9
Congo, Dem. Rep. of the	12.0	10.4	13.1	14.9	21.1	18.0	20.1	17.0	17.2	17.9	18.9	18.9	18.7	18.5
Congo, Rep. of	44.4	39.3	47.0	29.5	37.5	42.5	42.6	49.3	48.0	43.3	42.1	39.2	37.8	36.6
Côte d'Ivoire	19.0	19.7	20.6	19.5	19.7	20.3	20.8	21.8	22.2	21.9	22.1	22.5	22.5	23.1
Ethiopia	18.6	17.3	16.2	16.5	17.5	16.9	15.7	13.9	13.0	13.5	13.5	13.6	13.7	14.0
Ghana	17.1	17.5	15.9	16.4	16.7	19.1	19.1	18.0	20.8	20.8	21.0	23.4	24.0	23.9
Haiti	13.5	15.8	15.1	17.8	23.9	21.9	23.4	20.8	20.6	20.5	20.5	20.5	20.6	20.7
Honduras	23.3	24.5	26.4	24.4	24.1	23.1	22.5	22.4	24.6	24.7	25.6	25.8	25.9	25.9
Lao P.D.R.	14.5	15.6	15.9	17.1	18.3	18.3	19.6	21.6	20.6	21.2	21.1	20.9	20.7	20.7
Madagascar	21.0	16.0	15.5	11.5	12.2	12.3	11.6	11.0	11.9	12.1	12.4	12.7	13.0	13.3
Mali	56.2	21.3	19.0	21.7	20.1	20.8	17.4	21.1	21.0	21.4	21.6	21.9	22.1	22.3
Moldova	39.9	42.9	40.6	38.9	38.3	36.6	37.9	36.9	37.4	36.3	35.6	35.7	35.6	35.6
Mozambique	22.9	25.2	25.3	27.1	28.6	28.6	28.6	31.7	27.5	27.6	27.5	27.7	27.4	27.3
Myanmar	12.8	12.3	11.6	10.7	11.4	12.0	23.3	22.3	24.1	23.0	23.3	23.5	23.8	23.9
Nepal	13.0	14.2	14.9	16.8	18.0	17.6	18.6	19.2	20.9	21.0	21.3	21.3	21.4	21.3
Nicaragua	24.9	25.4	24.8	25.5	25.7	28.5	28.0	28.3	28.1	28.9	29.1	29.3	29.4	29.4
Senegal	21.2	23.6	21.6	21.6	21.8	22.4	23.3	23.7	23.6	23.7	23.8	23.8	23.7	23.7
Sudan	22.4	21.9	24.0	15.5	19.3	18.0	9.8	9.9	11.7	12.0	12.2	12.6	12.9	13.0
Tajikistan	23.6	22.5	22.1	23.4	23.2	24.9	25.1	26.9	26.4	26.7	27.3	27.2	27.6	28.0
Tanzania	18.8	21.3	21.9	21.0	21.0	21.9	21.1	21.2	22.3	22.8	22.8	22.6	22.6	22.7
Uganda	16.7	16.0	15.0	14.8	15.5	16.8	15.6	14.6	15.6	15.7	15.9	16.2	16.3	16.3
Uzbekistan	34.4	35.6	40.7	36.7	37.0	40.2	41.5	34.9	35.4	35.3	35.1	35.0	35.0	34.9
Vietnam	26.3	26.1	26.6	25.6	27.3	25.9	22.9	22.1	19.5	19.4	19.1	19.2	19.2	19.3
Yemen	38.6	33.2	36.7	25.0	26.0	25.0	30.2	24.6	25.1	24.4	23.3	22.8	23.1	22.9
Zambia	43.6	23.0	23.0	18.9	19.6	21.7	23.2	21.3	21.6	21.9	22.3	23.0	23.8	24.5
Average	23.6	21.1	22.1	19.8	21.0	21.5	21.7	20.8	20.9	20.9	20.8	21.0	21.1	21.2
Oil producers	32.0	26.8	28.5	24.2	26.1	26.0	24.6	23.3	21.8	21.4	20.9	20.8	20.7	20.5
Asia	17.7	17.6	18.1	17.3	18.2	18.1	19.3	18.8	17.9	17.9	17.8	18.2	18.5	18.7
Latin America	26.0	26.7	29.1	27.9	27.9	29.2	30.0	30.9	31.2	30.9	30.8	30.6	30.3	30.1
Sub–Saharan Africa	26.0	19.8	20.1	18.5	19.9	21.0	20.7	20.2	20.6	20.6	20.7	21.0	21.0	21.0
Others	29.8	28.5	31.5	24.6	26.3	26.9	26.0	22.8	24.6	24.6	24.5	24.6	24.8	24.7
Expenditure														
Bangladesh	14.1	13.4	15.9	14.5	14.6	16.0	16.3	16.9	16.8	16.9	16.8	17.1	17.2	17.4
Bolivia	29.8	32.7	35.3	35.8	31.5	35.4	36.1	40.0	39.3	38.2	37.6	37.1	36.2	35.7
Burkina Faso	24.6	26.8	21.1	24.9	24.4	23.6	25.9	26.9	27.2	26.4	26.2	26.2	26.2	26.1
Cambodia	13.0	14.5	15.6	20.0	19.9	19.6	20.7	20.1	20.2	19.7	19.3	19.4	19.3	19.3
Cameroon	14.6	15.6	18.6	18.5	18.6	21.4	20.4	22.9	23.6	23.6	23.6	23.6	23.7	23.5
Chad	14.0	17.1	18.9	24.2	24.4	22.4	23.0	21.3	20.4	20.5	20.8	21.0	21.8	21.8
Congo, Dem. Rep. of the	14.2	12.7	14.7	16.5	17.5	19.1	19.6	18.7	19.3	19.5	20.5	21.8	22.1	21.4
Congo, Rep. of	27.8	29.9	23.6	24.7	21.4	26.1	36.2	42.6	39.7	33.0	32.9	30.1	30.3	31.5
Côte d'Ivoire	20.6	20.2	21.0	21.0	21.7	25.9	24.2	24.2	24.4	24.7	24.9	25.3	25.4	26.0
Ethiopia	22.5	20.9	19.1	17.4	18.8	18.5	16.9	17.3	16.1	16.2	16.1	15.9	16.1	16.5
Ghana	21.8	22.9	24.4	23.5	26.1	25.6	31.2	28.8	28.3	28.2	28.7	28.7	28.6	28.2
Haiti	15.2	15.6	17.9	22.4	21.7	25.5	28.2	27.5	27.3	27.0	26.8	26.7	26.5	26.3
Honduras	26.0	26.1	28.1	28.9	27.0	25.9	26.6	29.8	30.9	30.7	31.3	31.6	31.8	32.1
Lao P.D.R.	17.7	18.0	18.6	22.4	23.0	21.3	21.0	26.3	24.5	26.7	25.5	24.7	23.9	23.9
Madagascar	21.5	18.7	17.4	14.1	13.1	14.0	12.8	12.5	14.1	14.6	13.2	14.7	13.2	14.6
Mali	24.9	24.5	21.2	25.9	23.0	24.9	18.5	23.7	26.7	24.5	24.5	24.6	24.3	24.4
Moldova	40.2	42.6	41.6	45.3	40.8	39.0	40.1	38.7	39.9	39.5	38.9	38.9	38.7	38.8
Mozambique	27.0	28.1	27.8	32.6	32.9	33.7	32.6	36.3	39.8	35.7	35.4	34.4	33.4	33.1
Myanmar	16.4	15.5	14.0	15.6	16.9	16.6	27.2	27.2	28.6	28.8	28.0	28.0	28.3	28.4
Nepal	12.7	15.0	15.4	19.4	18.8	18.5	19.2	17.2	20.7	20.9	21.1	21.2	21.4	21.6
Nicaragua	24.4	24.6	25.5	27.6	26.5	27.8	28.0	28.8	28.2	28.9	29.7	29.2	29.1	29.1
Senegal	26.6	27.5	26.3	26.5	27.0	28.6	28.9	29.1	28.6	27.6	27.5	27.3	26.9	26.8
Sudan	23.8	25.4	23.5	20.6	19.0	17.8	13.6	12.0	12.9	13.2	12.8	12.7	12.8	13.0
Tajikistan	21.9	28.0	27.2	28.6	26.1	27.0	24.6	27.7	27.3	27.7	28.8	29.2	29.9	30.5
Tanzania	23.2	23.1	24.5	27.0	27.5	26.9	26.3	26.8	27.4	27.3	26.9	26.6	26.6	26.6
Uganda	17.5	17.1	17.7	17.1	22.2	19.9	19.1	18.3	18.4	18.3	17.8	17.7	17.5	17.6
Uzbekistan	29.0	30.4	30.5	33.9	32.1	31.4	33.0	33.6	34.6	34.5	34.4	34.4	34.3	34.2
Vietnam	26.1	28.1	27.1	31.6	30.0	26.9	27.6	27.8	26.2	25.4	25.0	24.6	24.0	23.4
Yemen	37.4	40.3	41.2	35.2	30.1	29.5	36.6	31.7	31.8	31.1	30.0	29.4	29.6	29.4
Zambia	23.5	24.3	23.8	21.3	22.6	23.9	27.1	29.9	29.7	28.7	28.8	29.1	29.3	29.1
Average	22.0	22.8	23.0	23.7	23.2	23.3	24.6	24.7	24.8	24.5	24.2	24.2	24.1	24.0
Oil producers	25.5	27.6	27.4	29.6	27.8	26.4	28.4	28.3	27.1	26.1	25.7	25.2	24.9	24.5
Asia	19.1	19.8	20.2	22.1	21.5	20.9	23.2	23.3	22.8	22.6	22.2	22.1	21.9	21.7
Latin America	25.5	26.4	28.9	30.3	28.0	30.0	31.1	33.8	33.8	33.4	33.5	33.3	33.0	32.8
Sub–Saharan Africa	20.9	21.1	21.2	21.6	22.5	23.4	24.0	24.5	24.6	23.9	24.0	24.1	24.1	24.1
Others	28.9	30.7	30.1	28.7	26.0	25.4	26.2	26.2	24.8	26.4	26.5	26.2	26.1	26.1

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: For country-specific details, see Data and Conventions in text, and Table C.

Statistical Table 11. Low-Income Countries: General Government Gross Debt and Net Debt
(Percent of GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross Debt														
Bangladesh	49.9	47.2	47.0	45.1	41.0	42.2	41.8	39.7	38.7	39.0	38.4	37.3	35.9	34.4
Bolivia	55.2	40.5	37.2	40.0	38.5	34.7	33.4	33.1	29.5	27.1	25.0	24.1	23.3	22.6
Burkina Faso	22.6	25.4	25.2	28.6	29.3	29.7	27.3	33.3	32.1	33.9	35.0	35.2	35.4	35.5
Cambodia	32.7	30.6	27.5	28.9	29.1	28.5	28.8	28.1	28.9	28.7	28.3	27.7	27.3	27.0
Cameroon	15.9	12.0	9.5	10.6	12.1	13.8	16.1	18.6	21.6	24.4	27.1	29.9	32.6	35.0
Chad	26.2	22.2	20.0	23.1	25.6	31.1	28.0	30.2	23.7	21.5	21.6	21.8	22.9	24.0
Congo, Dem. Rep. of the	100.0	83.4	87.0	89.8	27.1	23.3	21.0	21.6	23.4	23.7	23.9	25.0	25.2	25.5
Congo, Rep. of	98.8	98.0	68.1	61.6	22.9	35.1	35.8	30.8	30.4	29.1	27.7	24.2	23.7	24.4
Côte d'Ivoire	81.4	76.0	73.3	67.7	68.4	98.3	49.2	43.2	40.4	39.9	39.7	39.4	39.2	39.5
Ethiopia	39.4	37.2	30.8	25.3	27.9	26.2	21.2	22.2	23.5	24.2	24.7	25.0	25.5	25.9
Ghana	26.2	31.0	33.6	36.2	46.3	43.7	51.2	60.1	66.5	69.2	69.7	65.5	62.5	61.3
Haiti	59.0	34.8	38.3	28.0	17.5	12.0	16.4	21.3	24.4	29.4	34.1	38.8	42.7	46.1
Honduras	40.3	24.7	23.0	24.7	29.8	32.1	34.4	40.2	44.9	48.6	52.0	55.5	59.2	62.8
Lao P.D.R.	71.9	64.2	60.3	63.2	62.1	55.9	61.5	62.0	63.6	63.5	63.2	59.1	54.4	51.8
Madagascar	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Mali	20.4	21.1	22.6	24.7	28.7	29.1	29.4	31.5	31.3	32.6	33.8	35.0	35.5	36.3
Moldova	30.9	24.6	19.3	29.1	26.9	24.1	24.5	24.4	24.5	25.4	26.3	27.5	28.9	31.2
Mozambique	53.6	41.9	42.1	45.6	45.8	39.6	41.9	43.3	47.0	50.0	52.6	53.6	53.7	53.6
Myanmar	90.3	62.3	53.0	55.0	49.5	49.2	47.3	42.7	43.2	44.3	44.1	43.6	43.2	43.1
Nepal	49.5	42.8	41.2	39.3	35.4	33.0	34.1	31.0	29.9	29.2	28.1	27.3	26.7	26.4
Nicaragua	73.5	50.3	47.0	50.2	50.1	45.4	43.2	42.4	40.6	39.7	39.3	38.6	38.0	37.3
Senegal	21.8	23.5	23.9	34.0	35.5	40.5	43.4	45.9	47.4	48.1	48.4	48.4	48.2	48.1
Sudan	75.0	70.7	68.8	72.1	73.1	70.5	94.5	90.9	89.3	85.9	81.9	78.2	74.0	71.4
Tajikistan	35.3	34.6	30.0	36.2	36.3	35.4	32.3	29.2	28.2	28.0	28.5	29.6	30.8	30.5
Tanzania	42.6	28.4	29.2	32.6	37.1	40.2	40.4	41.0	42.0	42.2	42.4	42.7	42.9	42.2
Uganda	35.5	21.9	21.4	21.4	26.8	29.3	31.1	33.9	36.0	38.1	39.1	38.8	38.3	40.1
Uzbekistan	21.3	15.8	12.7	11.0	10.0	9.1	8.6	8.6	8.6	8.7	8.9	9.1	9.3	9.6
Vietnam	38.4	40.9	39.4	46.9	51.6	47.6	50.0	55.0	58.7	59.8	61.9	63.1	62.9	62.5
Yemen	40.8	40.4	36.4	49.8	42.2	45.2	48.0	49.9	51.4	53.4	55.7	57.7	59.7	61.2
Zambia	29.8	26.7	23.5	24.6	23.6	25.4	30.9	35.1	39.3	41.7	43.7	45.3	46.5	47.1
Average	48.3	43.3	41.0	42.8	41.4	40.8	41.8	42.6	42.9	43.3	43.5	43.3	42.9	42.6
Oil producers	38.6	38.8	35.6	42.1	42.1	41.6	44.2	47.9	50.4	51.5	53.4	54.4	54.9	55.3
Asia	49.0	45.9	43.9	46.7	46.2	44.8	45.6	46.3	47.6	48.3	48.7	48.4	47.5	46.5
Latin America	54.7	36.5	34.8	35.3	35.0	32.8	33.2	35.1	34.7	34.9	35.0	35.5	36.0	36.3
Sub-Saharan Africa	44.8	39.5	37.5	37.6	33.9	35.7	33.5	35.4	36.3	37.3	38.0	38.1	38.3	38.8
Others	51.6	48.1	44.3	47.4	46.6	44.3	51.8	50.8	47.7	46.5	45.3	44.4	43.4	43.1
Net Debt														
Bangladesh	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Bolivia	41.9	27.3	20.6	23.1	18.4	14.4	11.1	10.2	8.6	7.7	7.1	8.2	9.7	11.4
Burkina Faso	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Cambodia	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Cameroon	15.9	12.0	9.5	10.6	12.1	13.8	16.1	18.6	21.6	24.4	27.1	29.9	32.6	35.0
Chad	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Congo, Dem. Rep. of the	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Congo, Rep. of	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Côte d'Ivoire	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Ethiopia	29.5	29.2	25.8	21.3	23.7	20.7	17.9	19.5	21.2	22.3	23.0	23.5	24.2	24.8
Ghana	21.9	23.3	30.1	32.7	43.0	39.9	49.1	57.5	64.2	67.1	67.9	62.7	58.8	56.8
Haiti	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Honduras	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Lao P.D.R.	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Madagascar	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Mali	14.9	15.2	16.7	15.5	18.5	20.3	24.3	25.0	27.7	29.6	31.3	32.5	33.2	34.0
Moldova	30.9	24.6	19.3	29.1	26.9	24.1	24.5	24.4	24.5	25.4	26.3	27.5	28.9	31.2
Mozambique	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Myanmar	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Nepal	49.5	42.8	41.2	39.3	35.4	33.0	34.1	31.0	29.9	29.2	28.1	27.3	26.7	26.4
Nicaragua	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Senegal	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Sudan	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Tajikistan	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Tanzania	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Uganda	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Uzbekistan	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .	. . .
Vietnam	38.4	40.9	39.4	46.9	51.6	47.6	50.0	55.0	58.7	59.8	61.9	63.1	62.9	62.5
Yemen	33.0	35.2	31.4	43.6	38.1	41.8	46.0	48.4	50.1	52.2	54.7	56.8	58.8	60.5
Zambia	25.8	21.4	19.9	19.7	20.0	20.1	24.2	30.5	35.0	37.9	40.3	42.4	43.8	44.4
Average	32.1	31.3	30.1	34.4	37.1	35.2	37.6	41.2	43.8	45.0	46.3	46.9	47.1	47.2
Oil producers	33.5	34.9	33.2	41.0	43.8	42.1	45.3	49.6	52.9	54.4	56.6	58.0	58.5	58.6
Asia	39.7	41.1	39.6	46.0	49.6	45.7	48.2	52.5	56.1	57.1	58.9	59.9	59.7	59.2
Sub–Saharan Africa	22.0	20.9	21.6	21.1	26.0	25.1	28.0	32.3	34.5	36.4	37.6	37.8	38.0	38.4
Others	32.7	33.4	29.2	41.1	36.3	38.7	42.3	44.4	46.0	47.9	49.9	51.7	53.6	55.3

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: For country-specific details, see Data and Conventions in text, and Table C.

Statistical Table 12a. Advanced Economies: Structural Fiscal Indicators
(Percent of GDP, except where otherwise indicated)

	Pension spending change, 2014–30[1]	Net present value of pension spending change, 2014–50[1,2]	Health care spending change, 2014–30	Net present value of health care spending change, 2014–50[2]	Gross financing needs, 2014[3]	Average term to maturity, 2014 (years)[4]	Debt-to-average maturity, 2014	Projected interest rate-growth differential, 2014–19 (percent)	Precrisis overall balance, 2000–07	Projected overall balance, 2014–19	Nonresident holding of general government debt, 2013 (percent of total)[5]
Australia	0.7	22.1	1.9	62.3	5.5	6.2	5.0	0.2	1.1	-1.9	46.3
Austria	2.2	47.2	1.4	48.6	11.5	7.8	10.1	0.0	-1.7	-1.5	87.4
Belgium	3.8	99.4	2.4	82.2	15.2	7.5	13.3	0.6	-0.3	-1.1	62.6
Canada	1.1	27.1	1.9	59.6	16.0	6.0	14.7	-0.4	1.2	-1.4	22.4
Czech Republic	0.0	12.3	0.5	14.9	9.3	5.4	9.1	-0.2	-3.9	-2.3	30.9
Denmark	0.3	1.8	1.1	30.2	7.7	8.0	5.7	0.7	2.5	-1.4	43.3
Estonia	-0.2	-11.8	0.4	13.1	...	11.7	0.9	-5.8	1.2	0.6	71.2
Finland	2.9	61.2	1.1	31.0	8.0	6.1	9.8	-0.5	4.1	-1.8	83.5
France	0.4	9.7	0.6	23.0	16.9	6.7	14.2	-0.8	-2.8	-1.7	63.8
Germany	1.2	35.4	0.8	26.4	6.8	6.5	11.5	-0.2	-2.3	0.2	61.1
Greece	0.5	20.8	0.8	39.9	15.8	20.0	8.7	-0.5	-5.6	-1.3	85.9
Hong Kong SAR	...	...	...	...	...	...	...	-6.6	0.2	2.2	1.4
Iceland	0.3	5.7	1.1	40.0	4.1	15.2	6.0	-0.2	1.5	0.6	...
Ireland	0.7	34.8	0.6	20.1	8.7	12.4	10.0	0.7	1.5	-2.3	65.3
Israel	...	...	0.3	10.1	...	5.6	11.9	-0.8	-5.0	-2.2	14.4
Italy	-0.5	0.0	0.6	20.5	28.4	6.3	21.3	1.8	-3.0	-1.0	36.7
Japan	-0.3	3.2	1.8	45.2	57.9	6.5	37.4	-1.1	-5.7	-5.8	7.9
Korea	1.8	62.9	2.9	106.8	2.5	6.1	6.3	-1.7	2.1	1.7	12.6
Latvia	-2.3	-59.8	0.7	24.8	...	4.4	7.4	-2.0	-1.4	-0.5	93.0
Netherlands	2.3	65.7	3.9	139.7	14.3	6.7	11.1	-0.5	-0.6	-1.6	55.9
New Zealand	2.2	63.1	3.1	101.8	1.5	5.7	5.8	-0.4	3.0	2.0	...
Norway	2.3	64.2	1.8	56.4	...	3.8	7.7	-1.5	13.4	8.6	46.3
Portugal	0.3	10.4	0.8	42.5	20.7	5.2	24.4	0.6	-4.1	2.1	63.6
Singapore[6]	...	...	...	...	...	3.2	31.7	-4.7	7.1	5.2	...
Slovak Republic	1.3	47.4	0.7	23.0	11.1	6.5	9.1	-1.4	-3.6	-3.7	54.2
Slovenia	1.7	75.7	0.7	22.3	16.6	5.5	13.6	2.2	-1.0	-3.9	49.8
Spain	-0.2	21.8	1.1	48.8	20.7	5.7	17.5	1.8	0.4	-3.4	40.0
Sweden	0.5	10.8	0.2	4.4	8.1	5.1	8.1	-1.7	1.3	0.1	47.3
Switzerland	1.6	42.4	3.3	115.0	3.3	8.4	5.7	-0.6	0.2	0.6	10.6
United Kingdom	0.3	8.2	1.8	67.8	11.6	14.6	6.3	-0.4	-1.8	-2.4	29.7
United States	1.6	36.6	4.7	159.4	24.4	5.5	19.2	-0.5	-4.4	-5.7	32.4
Average	1.0	28.5	2.7	91.7	22.3	6.6	17.3	-0.4	-2.6	-3.2	36.1
G7	1.0	25.0	3.0	98.7	25.2	6.6	19.3	-0.4	-3.6	-4.0	34.2
G20 advanced	1.0	26.4	2.9	97.7	23.7	6.6	18.3	-0.4	-3.3	-3.7	34.0

Sources: Bloomberg L.P.; Haver Analytics; Joint External Debt Hub, Quarterly External Debt Statistics; national authorities; and IMF staff estimates and projections.

Note: All country averages are weighted by nominal GDP converted to U.S. dollars at average market exchange rates in the years indicated and based on data availability.

[1] Pension projections are based on Clements, Coady, Eich, and others (2013). Projections rely on authorities' estimates when these are available.

[2] For net present value calculations, a discount rate of 1 percent a year is used in excess of GDP growth for each country.

[3] Gross financing needs are defined as the projected overall deficit and maturing government debt in 2014; for more details on the assumptions, see note 1 in Table 1.5. Data are from Bloomberg L.P. and IMF staff projections.

[4] For most countries, average term to maturity data refer to central government securities; source is Bloomberg L.P.

[5] Nonresident holding of general government debt data are for 2013:Q3 or latest available from the Joint External Debt Hub (JEDH), Quarterly External Debt Statistics, which include marketable and nonmarketable debt. For some countries, tradable instruments in the JEDH are reported at market value. External debt in U.S. dollars is converted to local currency, then taken as a percentage of 2013 gross general government debt.

[6] Singapore's general government debt is covered by financial assets and issued to develop the bond market.

Statistical Table 12b. Emerging Market Economies: Structural Fiscal Indicators
(Percent of GDP, except where otherwise indicated)

	Pension spending change, 2014–30[1]	Net present value of pension spending change, 2014–50[1,2]	Health care spending change, 2014–30	Net present value of health care spending change, 2014–50[2]	Gross financing needs, 2014[3]	Average term to maturity, 2014 (years)[4]	Debt-to-average maturity, 2014	Projected interest rate–growth differential, 2014–19 (percent)	Precrisis overall balance, 2000–07	Projected overall balance, 2014–19	Nonresident holding of general government debt, 2013 (percent of total)[5]
Argentina	0.9	40.4	1.4	49.3	11.0	14.0	3.8	–15.4	–4.7	–4.0	29.5
Brazil	1.3	75.2	1.8	63.3	19.2	4.9	13.5	4.3	–3.6	–2.7	19.4
Bulgaria	0.0	5.8	0.9	31.8	3.5	3.5	6.3	0.4	1.1	–1.1	44.4
Chile	–1.5	–33.6	1.5	49.7	2.2	8.7	1.5	0.1	2.4	–0.5	17.8
China	2.4	72.5	1.2	41.2	6.1	7.8	2.6	–6.1	–1.8	–1.2	...
Colombia	–0.7	–29.9	2.1	73.5	3.8	7.3	4.3	1.4	–1.9	–0.7	29.2
Egypt	3.3	63.9	0.5	18.9	46.8	2.0	46.7	1.4	–9.0	–11.8	12.1
Hungary	–0.6	2.4	1.3	44.0	19.9	4.1	19.2	1.2	–6.6	–2.8	58.7
India	0.0	–2.0	0.4	13.4	13.2	8.9	7.3	–4.1	–7.9	–6.8	6.2
Indonesia	0.4	11.6	0.3	12.0	4.0	10.9	2.4	–4.8	–1.0	–1.8	50.0
Jordan	2.4	84.2	1.9	70.6	35.2	2.0	45.4	–1.8	–3.5	–2.9	19.9
Kazakhstan	...	...	0.6	20.8	...	7.6	1.7	–6.4	4.5	3.9	16.4
Kenya	...	...	0.4	15.1	...	5.5	9.3	–6.6	–1.8	–4.4	...
Lithuania	0.2	18.4	1.2	43.1	4.6	4.2	9.4	–0.7	–1.8	–1.7	76.3
Malaysia	1.3	48.1	0.6	22.0	9.3	5.7	9.9	–3.6	–4.1	–2.8	26.3
Mexico	1.1	10.8	1.1	40.8	10.1	8.3	5.8	–0.1	–2.0	–3.1	47.0
Morocco	...	...	0.7	25.9	14.6	5.4	11.7	–2.7	–3.5	–3.6	22.6
Nigeria	...	...	0.3	11.8	...	3.0	6.7	–2.1	3.9	–3.0	...
Pakistan	0.1	5.0	0.2	6.7	35.5	2.2	29.2	–4.0	–2.9	–3.7	...
Peru	...	...	0.9	34.7	1.2	14.4	1.3	–1.9	–0.4	0.1	42.3
Philippines	0.6	20.7	0.4	13.6	8.0	10.5	3.3	–2.3	–2.4	–0.7	...
Poland	–0.8	–36.4	1.7	57.9	9.9	5.0	9.8	–0.9	–4.3	–2.5	50.3
Romania	0.7	31.2	1.2	45.3	9.3	4.0	9.8	–1.1	–2.6	–1.5	54.0
Russia	2.0	70.6	1.0	31.4	2.3	7.4	1.8	–1.5	4.6	–1.1	22.1
Saudi Arabia	1.2	56.7	1.1	42.6	...	11.5	0.2	0.2	10.7	1.8	...
South Africa	0.3	10.5	1.0	36.7	12.3	10.6	4.5	–0.5	–0.7	–4.4	33.9
Thailand	0.7	21.2	1.5	52.9	8.7	8.0	5.8	–3.2	–0.4	–1.4	11.7
Turkey	4.4	100.3	2.0	72.0	9.9	5.7	6.3	–0.4	–5.5	–2.5	29.2
Average	1.6	50.9	1.1	38.8	9.1	7.7	5.5	–3.3	–1.8	–2.2	26.7
G20 emerging	2.1	68.7	1.2	42.5	7.7	7.7	4.2	–3.9	–0.9	–1.4	27.0

Sources: Bloomberg L.P.; Joint External Debt Hub, Quarterly External Debt Statistics; national authorities; and IMF staff estimates and projections.

Note: All country averages are weighted by nominal GDP converted to U.S. dollars at average market exchange rates in the years indicated and based on data availability.

[1] Pension projections are based on Clements, Coady, Eich, and others (2013). Projections rely on authorities' estimates when these are available.

[2] For net present value calculations, a discount rate of 1 percent a year is used in excess of GDP growth for each country.

[3] Gross financing needs are defined as the projected overall balance and maturing government debt in 2014. Data are from IMF staff projections. See Table 1.7.

[4] Average term to maturity data refer to government securities; source is Bloomberg L.P.

[5] Nonresident holding of general government debt data are 2013:Q3 or latest available from the Joint External Debt Hub (JEDH), Quarterly External Debt Statistics, which include marketable and nonmarketable debt. For some countries, tradable instruments in the JEDH are reported at market value. External debt in U.S. dollars is converted to local currency, then taken as a percentage of 2013 gross general government debt.

Statistical Table 13a. Advanced Economies: Illustrative Adjustment Needs Based on Long–Term Debt Targets
(Percent of GDP)

	2014		Age–Related spending, 2014–30[3]	Illustrative Fiscal Adjustment Strategy to Achieve Debt Target in 2030		
	Gross debt[1]	CAPB[2]		CAPB in 2020–30[4]	Required adjustment between 2014 and 2020	Required Adjustment and age–related spending, 2014–30
	(1)	(2)	(3)	(4)	(4) − (2)	(4) + (3) − (2)
Australia	16.1	−2.3	2.6	0.8	3.0	5.6
Austria	79.1	−0.2	2.1	2.1	2.3	6.0
Belgium	99.8	1.5	6.2	3.7	2.2	8.4
Canada	39.5	−1.8	3.0	0.6	2.4	5.4
Czech Republic	49.2	−0.1	0.5	0.4	0.5	1.0
Denmark	45.6	1.8	1.4	0.3	−1.5	−0.1
Finland	60.2	0.8	4.0	0.6	−0.1	3.8
France	95.8	−0.5	1.0	3.0	3.4	4.4
Germany	74.6	2.2	2.0	1.1	−1.1	0.9
Iceland	91.7	2.4	1.4	2.1	−0.3	1.1
Ireland	123.7	0.8	1.4	5.7	4.9	6.3
Israel	66.3	0.7	. . .	0.4	−0.3	. . .
Italy	134.5	4.3	0.1	7.0	2.7	2.8
Japan	137.1	−6.2	1.5	5.8	11.9	13.4
Korea	38.0	2.6	4.7	−0.5	−3.1	1.6
Netherlands	75.0	1.7	6.2	1.5	−0.1	6.1
New Zealand	25.3	0.2	5.2	0.1	−0.1	5.1
Portugal	126.7	1.6	1.1	5.7	4.1	5.2
Slovak Republic	58.6	−0.8	2.0	0.4	1.2	3.2
Slovenia	74.9	1.1	2.4	2.4	1.3	3.7
Spain	98.8	−0.9	0.9	4.8	5.7	6.6
Sweden	41.5	−0.2	0.7	−0.1	0.0	0.8
Switzerland	48.1	1.4	4.9	−0.2	−1.6	3.2
United Kingdom	91.5	−0.9	2.1	3.2	4.1	6.2
United States	105.7	−1.4	6.3	3.9	5.3	11.7
Average	94.5	−0.9	3.7	3.3	4.2	8.0
G20 advanced	97.7	−1.1	3.9	3.5	4.6	8.5

Source: IMF staff estimates and projections.

Note: The cyclically adjusted primary balance (CAPB) required to reduce debt and its comparison to the 2014 CAPB is a standardized calculation, and policy recommendations for individual countries would require a case–by–case assessment. The adjustment is calculated with respect to the projected 2014 levels for countries' fiscal deficits, age–related spending, and debt. As such, announced or legislated policies that are expected to come into effect after 2014 are not taken into account in the calculations.

[1] Gross general government debt, except in the cases of Australia, Canada, Japan, and New Zealand, for which net debt ratios are used.

[2] CAPB is reported in percent of nominal GDP (in contrast to the conventional definition in percent of potential GDP). CAPB is defined as cyclically adjusted balance (CAB) plus gross interest expenditure (this differs from the definition in Statistical Table 2), except in the cases of Australia, Canada, Japan, and New Zealand, for which CAPB is defined as CAB plus net interest payments (as in Statistical Table 2). Structural balances are used instead of CAB for Sweden and the United States. In countries where the 2008 System of National Accounts (SNA) has been adopted (Australia, Canada, and United States), the CAPB may be partially capturing the age–related spending pressure from defined–benefit pension plans for government employees that are accounted on an accrual basis. Thus, the projected increase in health care and pension spending may be overestimated by the component of liabilities corresponding to these plans—this component is typically small relative to total pension liabilities. For details, see Data and Conventions in text.

[3] See Statistical Table 12a.

[4] Indicates the CAPB needed to bring the debt ratio down to 60 percent in 2030, or to stabilize debt at the end–2014 level by 2030, if the respective debt–to–GDP ratio is less than 60 percent. For Japan, a net debt target of 80 percent of GDP is assumed, which corresponds to a target of 200 percent of GDP for gross debt. The CAPB is assumed to change in line with Fiscal Monitor projections until 2015 and adjust gradually from 2016 until 2020. Thereafter it is maintained constant until 2030. These calculations assume that the initial country–specific interest rate–growth differentials (based on Fiscal Monitor projections) converge over time to model–based country–specific levels.

Statistical Table 13b. Advanced Economies: Illustrative Adjustment Needs Based on Medium-Term Structural Balance Targets
(Percent of GDP)

	2014			Illustrative Fiscal Adjustment Strategy		2030
	Gross Debt	Structural Balance	Structural Balance Target	Primary Balance Adjustment 2014–20	Average Primary Balance 2021–30	Gross Debt
	(1)	(2)	(3)	(4)	(5)	(6)
Australia	16.1	−3.0	0.5	3.1	0.4	4.7
Austria	79.1	−1.5	−0.5	1.2	2.3	53.2
Belgium	99.8	−2.0	0.8	2.8	4.0	54.7
Canada	39.5	−2.0	0.0	0.1	−1.5	22.1
Czech Republic	49.2	−1.7	1.0	2.8	2.5	18.9
Denmark	45.6	−0.3	0.0	0.2	1.5	26.4
Finland	60.2	−0.7	−0.5	0.5	1.5	43.0
France	95.8	−2.0	0.0	2.2	3.2	56.7
Germany	74.6	0.2	−0.5	−0.5	1.9	48.8
Iceland	91.7	−2.6	0.0	2.6	3.6	43.0
Ireland	123.7	−4.1	0.0	4.3	5.0	64.8
Israel	66.3	−2.9	0.0	1.9	2.6	30.7
Italy	134.5	−0.8	0.0	1.0	4.4	87.1
Japan	137.1	−6.9	−2.0	6.0	1.9	120.8
Korea	38.0	1.3	0.0	−1.3	1.4	14.1
Netherlands	75.0	0.0	−0.5	−0.4	2.0	48.9
New Zealand	25.3	0.7	0.5	−0.7	−0.3	6.3
Portugal	126.7	−2.7	−0.5	2.4	3.7	81.1
Slovak Republic	58.6	−2.8	−0.5	2.6	2.0	34.3
Slovenia	74.9	−2.5	0.3	2.9	3.1	46.0
Spain	98.8	−4.5	0.0	4.9	3.6	72.1
Sweden	41.5	−1.2	−1.0	0.3	0.7	31.1
Switzerland	48.1	0.3	0.0	−0.2	1.6	27.5
United Kingdom	91.5	−3.9	0.0	4.8	3.6	52.0
United States	105.7	−5.1	−3.5	2.0	1.4	95.9
Average	94.5	−3.5	−1.6	2.2	1.9	73.8
G20 advanced	97.7	−3.8	−1.9	2.3	1.8	78.1

Sources: European Commission (2013); and IMF staff estimates and projections.

Note: Structural Balance targets are country-specific and based on medium-term budgetary objectives. For countries with no clearly defined medium-term objectives, a structural balance target consistent with the IMF's policy advice is assumed. In many cases, this corresponds to a target of 0. Thus, targets range from a surplus of 1percent of GDP to a deficit of 3.5 percent of GDP.

Figures reported in column (1) and (6) refer to general government gross debt except in the cases of Australia, Canada, Japan and New Zealand, for which net debt is reported. Figures reported in columns (4) and (5) refer to primary balances based on gross interests except in the cases of Australia, Canada, Japan, and New Zealand, which are based on net interests.

Statistical Table 14. Emerging Market Economies: Illustrative Adjustment Needs Based on Long-Term Debt Targets
(Percent of GDP)

	2014		Age-Related Spending, 2014–30[2]	Illustrative Fiscal Adjustment Strategy to Achieve Debt Target in 2030		
	Gross Debt	CAPB[1]		CAPB in 2020–30[3]	Required Adjustment Between 2014 and 2020	Required Adjustment and Age-Related Spending, 2014–30
	(1)	(2)	(3)	(4)	(4) − (2)	(4) + (3) − (2)
Argentina	52.9	−1.4	2.3	−0.5	0.9	3.2
Brazil[4]	66.7	4.2	3.1	2.6	−1.6	1.5
Bulgaria	21.7	−0.3	0.9	0.4	0.7	1.6
Chile	12.6	−0.1	−0.1	0.2	0.4	0.3
China	20.2	−0.5	3.6	−0.4	0.1	3.7
Colombia	31.7	1.5	1.4	0.1	−1.4	0.0
Egypt	91.3	−2.3	3.9	4.8	7.1	10.9
Hungary	79.1	1.8	0.7	3.6	1.8	2.5
India	65.3	−2.3	0.4	2.1	4.4	4.7
Indonesia	26.0	−1.2	0.7	0.2	1.4	2.1
Jordan	91.3	0.3	4.2	4.2	3.9	8.1
Kenya	51.1	−2.6	. . .	0.0	2.6	. . .
Lithuania	39.5	0.1	1.4	0.4	0.3	1.7
Malaysia	56.3	−1.3	1.9	1.1	2.4	4.3
Mexico	48.1	−1.4	2.2	1.3	2.7	4.9
Morocco	62.7	−3.3	. . .	2.3	5.6	. . .
Nigeria	20.0	0.1	. . .	−0.2	−0.3	. . .
Pakistan	63.7	−0.6	0.3	1.8	2.4	2.7
Peru	18.1	1.3	. . .	−0.2	−1.6	. . .
Philippines	35.2	0.4	1.0	−0.3	−0.7	0.3
Poland	49.5	−0.4	0.9	1.3	1.7	2.7
Romania	39.7	−0.1	2.0	0.2	0.3	2.3
Russia	13.0	0.1	2.9	−0.1	−0.2	2.7
South Africa	47.3	−0.8	1.3	1.4	2.2	3.5
Thailand	46.6	0.6	2.2	1.0	0.4	2.7
Turkey	35.9	1.0	6.4	0.2	−0.8	5.6
Average	34.9	−0.2	2.8	0.5	0.7	3.5
G20 emerging	32.9	−0.2	3.0	0.4	0.6	3.5

Source: IMF staff estimates and projections.

Note: CAPB = cyclically adjusted primary balance. The CAPB required to reduce debt and its comparison to the 2014 CAPB is a standardized calculation, and policy recommendations for individual countries would require a case-by-case assessment. The adjustment is calculated with respect to the projected 2014 levels for countries' fiscal deficits, age-related spending and debt. As such, announced or legislated policies which are expected to come into effect after 2014 are not taken into account in the calculations.

[1] CAPB is reported in percent of nominal GDP (in contrast to the conventional definition in percent of potential GDP). CAPB is defined as cyclically adjusted balance (CAB) plus gross interest expenditure (this differs from the definition in Statistical Table 6). Structural balances are used instead of CAB for Chile and Peru. For countries not reporting CAB in Statistical Table 6, a Hodrick–Prescott filter is used to estimate potential output, and the CAB is estimated assuming growth elasticities of one and zero for revenues and expenditure, respectively. For details, see Data and Conventions in text.

[2] See Statistical Table 12b.

[3] Indicates the CAPB needed to bring the debt ratio down to 40 percent in 2030, or to stabilize debt at the end-2014 level by 2030 if the respective debt-to-GDP ratio is less than 40 percent. The CAPB is assumed to change in line with *Fiscal Monitor* projections until 2015 and adjust gradually from 2016 until 2020; thereafter it is maintained constant until 2030. The analysis makes some simplifying assumptions: in particular, country-specific interest rate-growth differentials are assumed to increase linearly from their 2014 level (from *Fiscal Monitor* projections) to 1 by 2028. Thereafter, the differential is maintained at 1 percentage point, regardless of country-specific circumstances. The speed of convergence to 1 is determined by the gap between the 2014 level and this long-run differential. For large commodity-producing countries, even larger fiscal balances might be called for in the medium term than shown in the illustrative scenario, given the high volatility of revenues and the exhaustibility of natural resources.

[4] Gross public debt refers to the non-financial public sector, excluding Eletrobras and Petrobras, and includes sovereign debt held on the balance sheet of the central bank.

IMF EXECUTIVE BOARD DISCUSSION SUMMARY

The following remarks were made by the Acting Chair at the conclusion of the Executive Board's discussion of the World Economic Outlook, Global Financial Stability Report, *and* Fiscal Monitor *on March 21, 2014.*

Executive Directors welcomed the strengthening of global activity in the second half 2013. They observed that much of the impetus has come from advanced economies, but inflation in these economies continues to undershoot projections, reflecting still-large output gaps. While remaining fairly robust, growth activity in emerging market and developing economies slowed in 2013, in an environment of increased capital flow volatility and worsening external financing conditions. Directors underscored that, despite improved growth prospects, the global recovery is still fragile and significant downside risks, including geopolitical, remain.

Directors agreed that global growth will continue to improve this year and next, on the back of slower fiscal tightening and still highly accommodative monetary conditions in advanced economies. In emerging market and developing economies, growth will pick up gradually, with stronger external demand being partly offset by the dampening impact of tighter financial conditions.

Directors acknowledged that successfully transitioning from liquidity-driven to growth-driven markets will require overcoming key challenges, including strengthening policy coordination. In advanced economies, a sustained rise in corporate investment and continued efforts to strengthen bank balance sheets will be necessary, especially in the euro area. Risks to emerging market economies have increased with rising public and corporate sector leverage and greater foreign borrowing. Directors noted that the recent increase in financial volatility likely reflected renewed market concern about fundamentals, against the backdrop of early steps toward monetary policy normalization in some advanced economies. In view of possible capital flow reversals from emerging markets, Directors considered the risks related to sizable external funding needs and disorderly currency depreciations and welcomed the recent tightening of macroeconomic policies, which

appears to have shored up confidence. Regarding the financial sector, Directors noted that, despite the progress made in reducing global financial vulnerabilities, the too-important-to-fail issue still remains largely unresolved.

Most Directors recommended closer monitoring of the risks to activity associated with low inflation in advanced economies, especially in the euro area. Longer-term inflation expectations could drift down, leading to higher real interest rates, an increase in private and public debt burdens, and a further slowdown in demand and output. Directors noted, however, that continued low nominal interest rates in advanced economies could also pose financial stability risks and have already led to pockets of increased leverage, sometimes accompanied by a weakening of underwriting standards.

Against this backdrop, Directors called for more policy efforts to fully restore confidence, lower downside risks, and ensure robust and sustainable global growth. In an environment of continued fiscal consolidation, still-large output gaps, and very low inflation, monetary policy should remain accommodative. Many Directors argued that in the euro area, further monetary easing, including unconventional measures, would help to sustain activity and limit the risk of very low inflation or deflation. A number of Directors thought that current monetary conditions in the euro area are already accommodative and further easing would not be justified. Some Directors also called for a more comprehensive analysis of exchange rates and global imbalances in the *World Economic Outlook*.

Directors recommended designing and implementing clear and credible medium-term fiscal consolidation plans to help mitigate fiscal risks and address the debt overhang in advanced economies, including the United States and Japan. They welcomed the expected shift from tax to expenditure consolidation measures, particularly in those advanced economies where rais-

ing tax burdens could hamper growth. Moreover, they agreed that a new impulse to structural reforms is needed to lift investment and growth prospects in advanced economies.

Directors welcomed the progress made in strengthening the banking sector in the euro area, but noted that more needs to be done to address financial fragmentation, repair bank and corporate sector balance sheets following a credible comprehensive assessment, and recapitalize weak banks in order to enhance confidence and revive credit. While acknowledging the EU Council's recent agreement on a Single Resolution Mechanism (SRM), Directors underscored the importance of completing the banking union, including through functional independence of the SRM with the capacity to undertake timely bank resolution and common backstops to sever the link between sovereigns and banks.

Directors noted that the appropriate policy measures will differ across emerging market economies, but observed that there are some common priorities. Exchange rates should be allowed to respond to changing fundamentals and facilitate external adjustment. Where international reserves are adequate, foreign exchange interventions can be used to smooth volatility and avoid financial disruption. In economies where inflationary pressures are still high, further monetary policy tightening may be necessary. If warranted, macroprudential measures can help contain the growth of corporate leverage, particularly in foreign currency. Strengthening the transparency and consistency of policy frameworks would contribute to building policy credibility.

Directors underscored the need for emerging market and low-income economies to rebuild fiscal buffers and rein in fiscal deficits (including by containing public sector contingent liabilities), particularly in the context of elevated public debt and financing vulnerabilities. Fiscal consolidation plans should be country specific and properly calibrated between tax and expenditure measures to support equitable, sustained growth. Priority social spending should be safeguarded, and the efficiency of public spending improved, through better targeting of social expenditures, rationalizing the public sector wage bill, and enhancing public investment project appraisal, selection, and audit processes.

Directors agreed that emerging market economies could enhance their resilience to global financial shocks through a deepening of their domestic financial markets and the development of a local investor base. They supported tightening prudential and regulatory oversight, including over nonbank institutions in China, removing implicit guarantees, and enhancing the role of market forces in the nonbank sector in order to mitigate financial stability risks and any negative cross-border spillovers.

Directors concurred that many emerging market and developing economies should implement other key structural reforms, designed to boost employment and prospects for diversified and sustained growth, while also promoting global rebalancing. Reforms should, among other things, encompass the removal of barriers to entry in product and services markets, improve the business climate and address key supply-side bottlenecks, and in China, support sustainable and balanced growth, including the shift from investment toward consumption.

ACRONYMS

AE	advanced economies
CAPB	cyclically adjusted primary balance
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States (*World Economic Outlook* classification)
DBPFs	defined-benefit pension funds
EU	European Union
GDP	gross domestic product
GFS	Government Finance Statistics
GFSM	*Government Finance Statistics Manual*
GFSY	*Government Finance Statistics Yearbook*
LAC	Latin America and the Caribbean
LIC	low-income country
MENA	Middle East and North Africa
MENAP	Middle East and North Africa and Pakistan
OECD	Organisation for Economic Co-operation and Development
PFM	public financial management
PPPs	public-private partnerships
SNA	System of National Accounts
SSA	sub-Saharan Africa
VFI	vertical fiscal imbalance

COUNTRY ABBREVIATIONS

Code	Country name
AFG	Afghanistan
AGO	Angola
ALB	Albania
ARE	United Arab Emirates
ARG	Argentina
ARM	Armenia
ATG	Antigua and Barbuda
AUS	Australia
AUT	Austria
AZE	Azerbaijan
BDI	Burundi
BEL	Belgium
BEN	Benin
BFA	Burkina Faso
BGD	Bangladesh
BGR	Bulgaria
BHR	Bahrain
BHS	Bahamas, The
BIH	Bosnia and Herzegovina
BLR	Belarus
BLZ	Belize
BOL	Bolivia
BRA	Brazil
BRB	Barbados
BRN	Brunei Darussalam
BTN	Bhutan
BWA	Botswana
CAF	Central African Republic
CAN	Canada
CHE	Switzerland
CHL	Chile
CHN	China
CIV	Côte d'Ivoire
CMR	Cameroon
COD	Congo, Democratic Republic of the
COG	Congo, Republic of
COL	Colombia
COM	Comoros
CPV	Cabo Verde
CRI	Costa Rica
CYP	Cyprus
CZE	Czech Republic
DEU	Germany
DJI	Djibouti
DMA	Dominica
DNK	Denmark

Code	Country name
DOM	Dominican Republic
DZA	Algeria
ECU	Ecuador
EGY	Egypt
ERI	Eritrea
ESP	Spain
EST	Estonia
ETH	Ethiopia
FIN	Finland
FJI	Fiji
FRA	France
FSM	Micronesia, Federated States of
GAB	Gabon
GBR	United Kingdom
GEO	Georgia
GHA	Ghana
GIN	Guinea
GMB	Gambia, The
GNB	Guinea-Bissau
GNQ	Equatorial Guinea
GRC	Greece
GRD	Grenada
GTM	Guatemala
GUY	Guyana
HKG	Hong Kong SAR
HND	Honduras
HRV	Croatia
HTI	Haiti
HUN	Hungary
IDN	Indonesia
IND	India
IRL	Ireland
IRN	Iran
IRQ	Iraq
ISL	Iceland
ISR	Israel
ITA	Italy
JAM	Jamaica
JOR	Jordan
JPN	Japan
KAZ	Kazakhstan
KEN	Kenya
KGZ	Kyrgyz Republic
KHM	Cambodia
KIR	Kiribati
KNA	Saint Kitts and Nevis

Code	Country name
KOR	Korea
KWT	Kuwait
LAO	Lao P.D.R.
LBN	Lebanon
LBR	Liberia
LBY	Libya
LCA	Saint Lucia
LKA	Sri Lanka
LSO	Lesotho
LTU	Lithuania
LUX	Luxembourg
LVA	Latvia
MAR	Morocco
MDA	Moldova
MDG	Madagascar
MDV	Maldives
MEX	Mexico
MHL	Marshall Islands
MKD	Macedonia, former Yugoslav Republic of
MLI	Mali
MLT	Malta
MMR	Myanmar
MNE	Montenegro
MNG	Mongolia
MOZ	Mozambique
MRT	Mauritania
MUS	Mauritius
MWI	Malawi
MYS	Malaysia
NAM	Namibia
NER	Niger
NGA	Nigeria
NIC	Nicaragua
NLD	Netherlands
NOR	Norway
NPL	Nepal
NZL	New Zealand
OMN	Oman
PAK	Pakistan
PAN	Panama
PER	Peru
PHL	Philippines
PLW	Palau
PNG	Papua New Guinea
POL	Poland
PRT	Portugal
PRY	Paraguay
QAT	Qatar

Code	Country name
ROU	Romania
RUS	Russia
RWA	Rwanda
SAU	Saudi Arabia
SDN	Sudan
SEN	Senegal
SGP	Singapore
SLB	Solomon Islands
SLE	Sierra Leone
SLV	El Salvador
SMR	San Marino
SOM	Somalia
SRB	Serbia
STP	São Tomé and Príncipe
SUR	Suriname
SVK	Slovak Republic
SVN	Slovenia
SWE	Sweden
SWZ	Swaziland
SYC	Seychelles
SYR	Syria
TCD	Chad
TGO	Togo
THA	Thailand
TJK	Tajikistan
TKM	Turkmenistan
TLS	Timor-Leste
TON	Tonga
TTO	Trinidad and Tobago
TUN	Tunisia
TUR	Turkey
TUV	Tuvalu
TWN	Taiwan Province of China
TZA	Tanzania
UGA	Uganda
UKR	Ukraine
URY	Uruguay
USA	United States
UZB	Uzbekistan
VCT	Saint Vincent and the Grenadines
VEN	Venezuela
VNM	Vietnam
VUT	Vanuatu
WSM	Samoa
YEM	Yemen
ZAF	South Africa
ZMB	Zambia
ZWE	Zimbabwe

GLOSSARY

Term	Definition
Automatic stabilizers	Budgetary measures that dampen fluctuation in real GDP, automatically triggered by the tax code and by spending rules.
Contingent liabilities	Obligations of a government, the timing and magnitude of which depend on the occurrence of some uncertain future event outside the government's control. Can be explicit (obligations based on contracts, laws, or clear policy commitments) or implicit (political or moral obligations) and sometime arise from expectations that government will intervene in the event of a crisis or a disaster, or when the opportunity cost of not intervening is considered to be unacceptable.
Cyclical balance	Cyclical component of the overall fiscal balance, computed as the difference between cyclical revenues and cyclical expenditures. The latter are typically computed using country-specific elasticities of aggregate revenue and expenditure series with respect to the output gap. Where unavailable, standard elasticities (0,1) are assumed for expenditure and revenue, respectively.
Cyclically adjusted balance (CAB)	Difference between the overall balance and the automatic stabilizers; equivalently, an estimate of the fiscal balance that would apply under current policies if output were equal to potential.
Cyclically adjusted (CA) expenditure and revenue	Revenue and expenditure adjusted for temporary effects associated with the deviation of actual from potential output (i.e., net of automatic stabilizers).
Cyclically adjusted primary balance (CAPB)	Cyclically adjusted balance excluding net interest payments.
Fiscal devaluation	A revenue-neutral shift from employers' social contributions toward value-added tax.
Expenditure elasticity	Elasticity of expenditure with respect to the output gap.
Fiscal multiplier	The ratio of a change in output to an exogenous and temporary change in the fiscal deficit with respect to their respective baselines.
Fiscal stimulus	Discretionary fiscal policy actions (including revenue reductions and spending increases) adopted in response to a financial crisis.
General government	All government units and all nonmarket, nonprofit institutions that are controlled and mainly financed by government units comprising the central, state, and local governments; includes social security funds, and does not include public corporations or quasi-corporations.
Gross debt	All liabilities that require future payment of interest and/or principal by the debtor to the creditor. This includes debt liabilities in the form of special drawing rights, currency, and deposits; debt securities; loans; insurance, pension, and standardized guarantee schemes; and other accounts payable. (See the 2001 edition of the IMF's *Government Finance Statistics Manual* and *Public Sector Debt Statistics Manual*). The term "public debt" is used

Term	Definition
	in the *Fiscal Monitor,* for simplicity, as synonymous with gross debt of the general government, unless otherwise specified. (Strictly speaking, the term "public debt" refers to the debt of the public sector as a whole, which includes financial and nonfinancial public enterprises and the central bank.)
Gross financing needs (also gross financing requirements)	Overall new borrowing requirement plus debt maturing during the year.
Interest rate–growth differential	Effective interest rate (r, defined as the ratio of interest payments to the debt of the preceding period) minus nominal GDP growth (g), divided by 1 plus nominal GDP growth: $(r - g)/(1 + g)$.
Net debt	Gross debt minus financial assets corresponding to debt instruments. These financial assets are: monetary gold and SDRs, currency and deposits, debt securities, loans, insurance, pension, and standardized guarantee schemes, and other accounts receivable. In some countries the reported net debt can deviate from this definition on the basis of available information and national fiscal accounting practices.
Nonfinancial public sector	General government plus nonfinancial public corporations.
Output gap	Deviation of actual from potential GDP, in percent of potential GDP.
Overall fiscal balance (also "headline" fiscal balance)	Net lending/borrowing, defined as the difference between revenue and total expenditure, using the 2001 edition of the IMF's *Government Finance Statistics Manual (GFSM 2001).* Does not include policy lending. For some countries, the overall balance continues to be based on *GFSM 1986,* which is defined as total revenue and grants minus total expenditure and net lending.
Policy lending	Transactions in financial assets that are deemed to be for public policy purposes but are not part of the overall balance.
Primary balance	Overall balance excluding net interest payment (interest expenditure minus interest revenue).
Public debt	See *Gross debt.*
Public sector	The general government sector plus government-controlled entities, known as public corporations, whose primary activity is to engage in commercial activities.
Revenue elasticity	Elasticity of revenue with respect to the output gap.
Stock-flow adjustment	Change in the gross debt explained by factors other than the overall fiscal balance (for example, valuation changes).
Structural fiscal balance	Difference between the cyclically adjusted balance and other nonrecurrent effects that go beyond the cycle, such as one-off operations and other factors whose cyclical fluctuations do not coincide with the output cycle (for instance, asset and commodity prices and output composition effects).