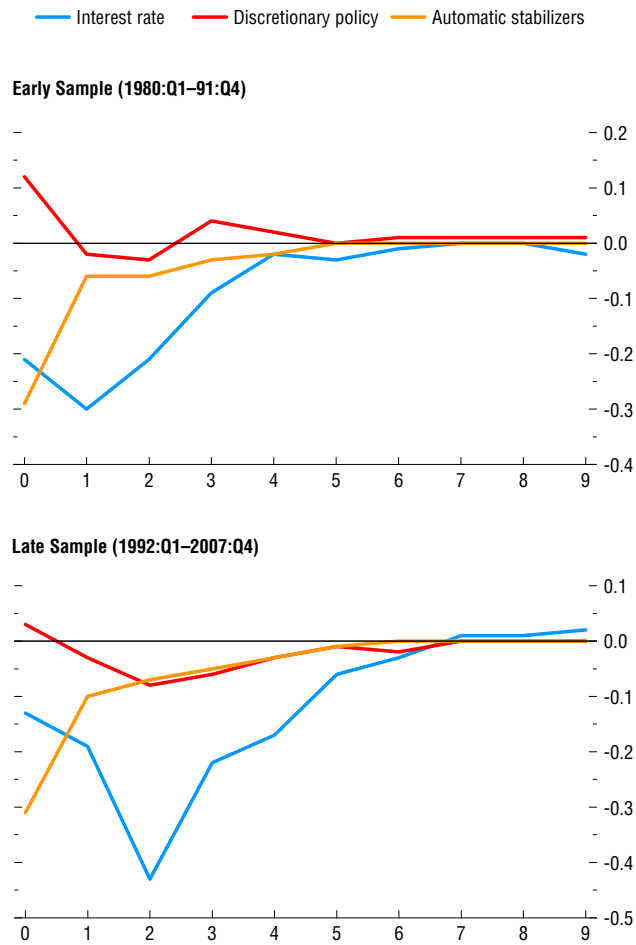


Figure 5.2. How Strong Was the Fiscal Policy Response in G7 Economies?

(Percentage point deviation; quarters on x-axis; shock occurs in period zero)

Following an unexpected 1 percentage point fall in growth below potential, interest rates and the automatic component of the fiscal balance ease on impact; discretionary fiscal stimulus takes longer to arrive. In recent years, discretionary fiscal policy has become more countercyclical.



Source: IMF staff calculations.