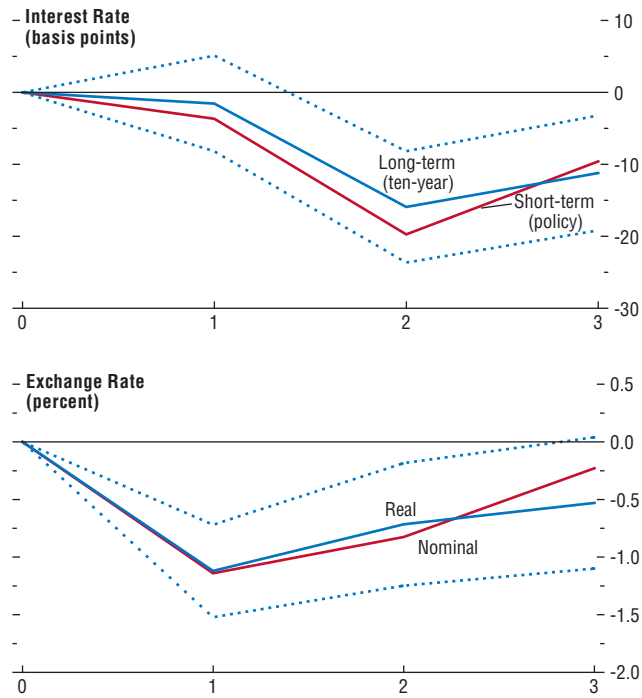


Figure 3.3. Response of Monetary Conditions to a 1 Percent of GDP Fiscal Consolidation

Interest rate cuts and a decline in the value of the domestic currency usually play a key supportive role during episodes of fiscal consolidation.



Source: IMF staff calculations.
 Note: $t = 1$ denotes the year of consolidation. Dotted lines equal one standard error bands.