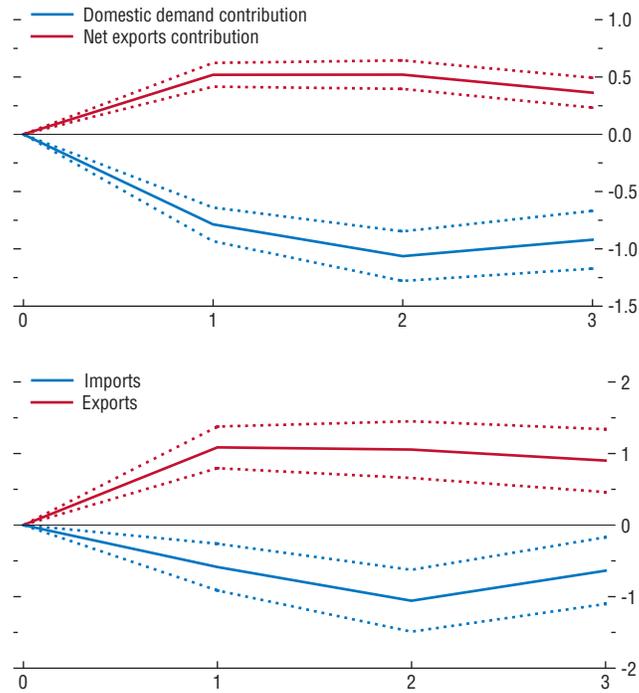


Figure 3.4. Impact of a 1 Percent of GDP Fiscal Consolidation on GDP Components
(Percent)

Net exports typically expand in response to fiscal consolidation, providing a key cushion for GDP. In contrast, domestic demand contracts. The boom in net exports reflects both an increase in exports in response to the real exchange rate depreciation and a decline in imports reflecting the fall in income.



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