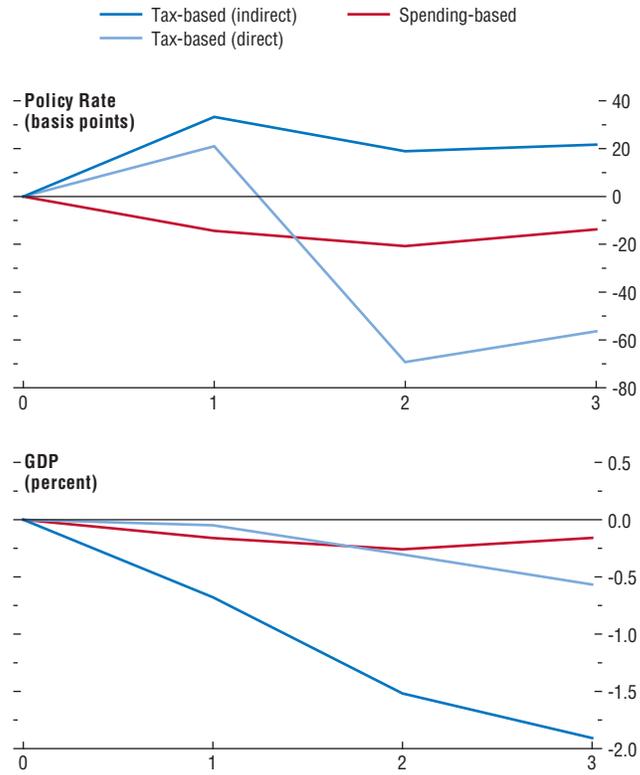


Figure 3.7. Composition and Monetary Conditions: Impact of a 1 Percent of GDP Fiscal Consolidation

The policy rate usually rises on impact for episodes of tax-based consolidation, particularly when they include some indirect tax hikes. In the case of indirect tax hikes, the output costs are particularly high.



Source: IMF staff calculations.
Note: $t = 1$ denotes the year of consolidation.