

November 2010 Fiscal Monitor

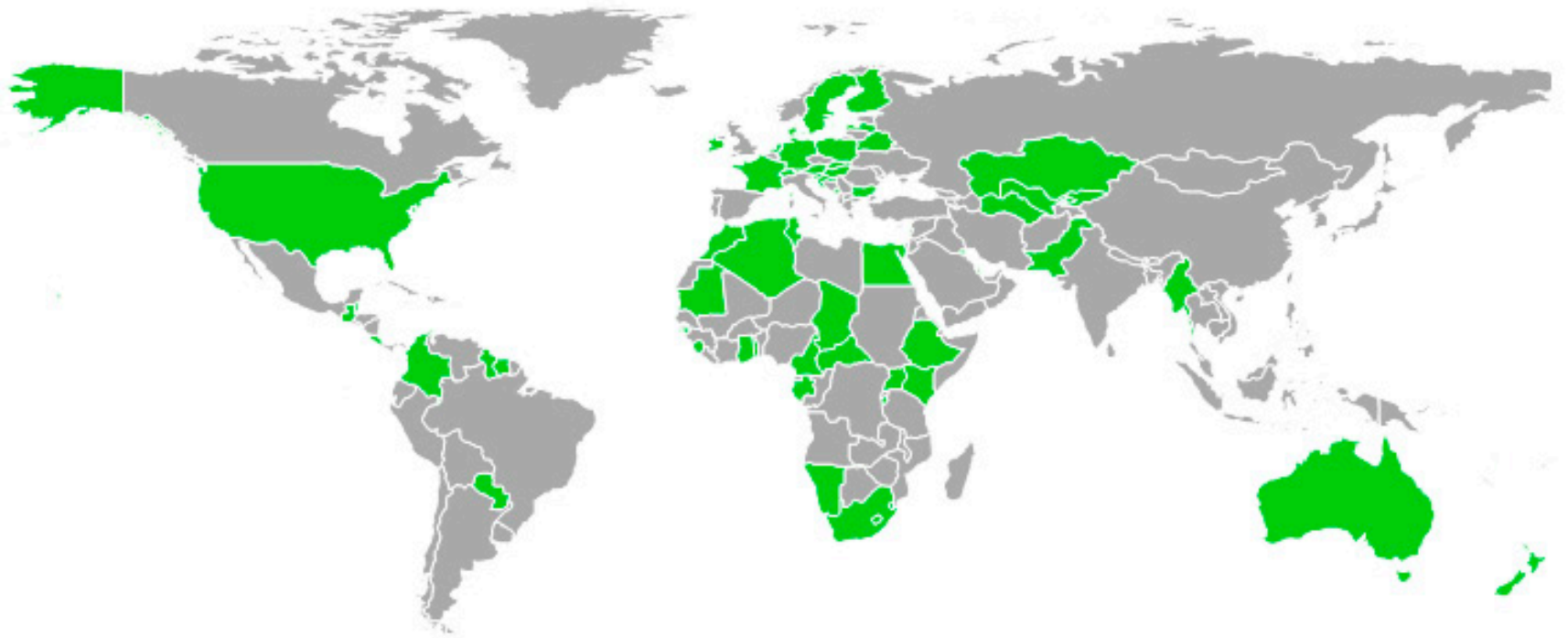
Fiscal Exit: From Strategy to Implementation



Carlo Cottarelli
Director, Fiscal Affairs Department

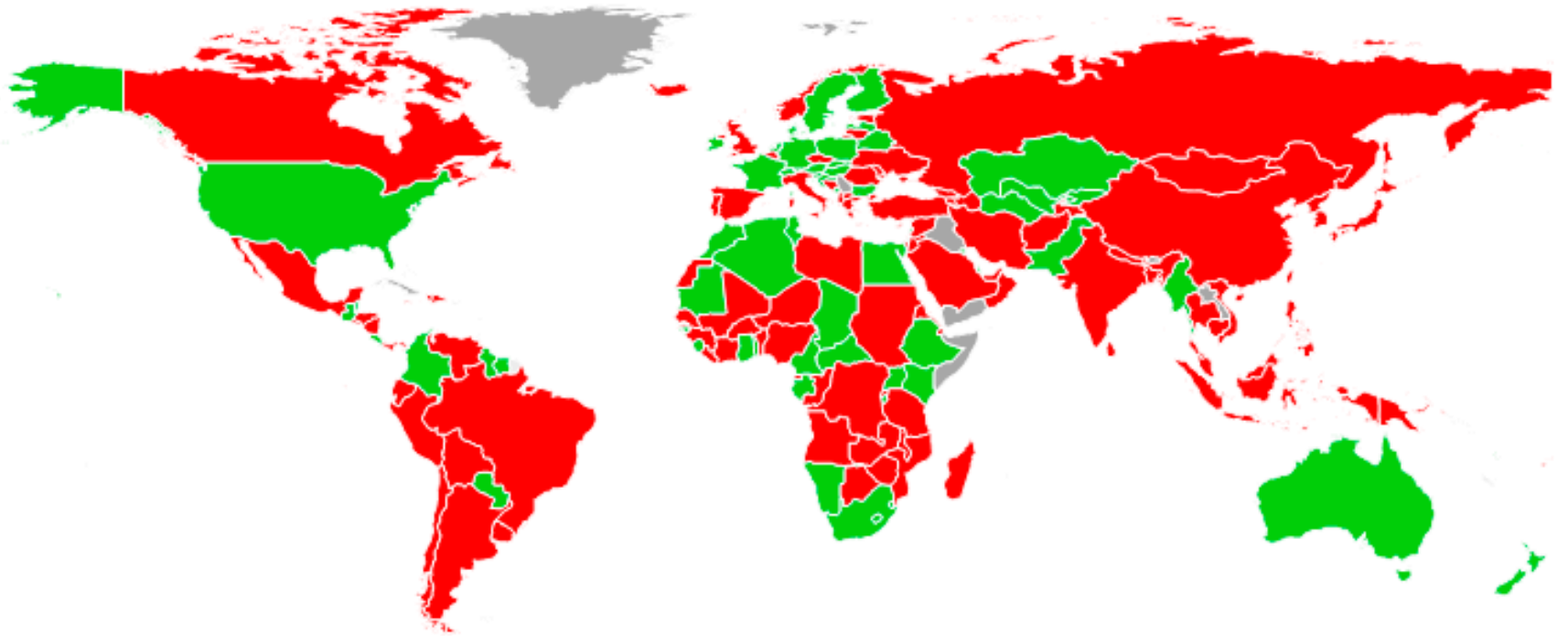
November 4, 2010

Change in the Overall Balance in 2010



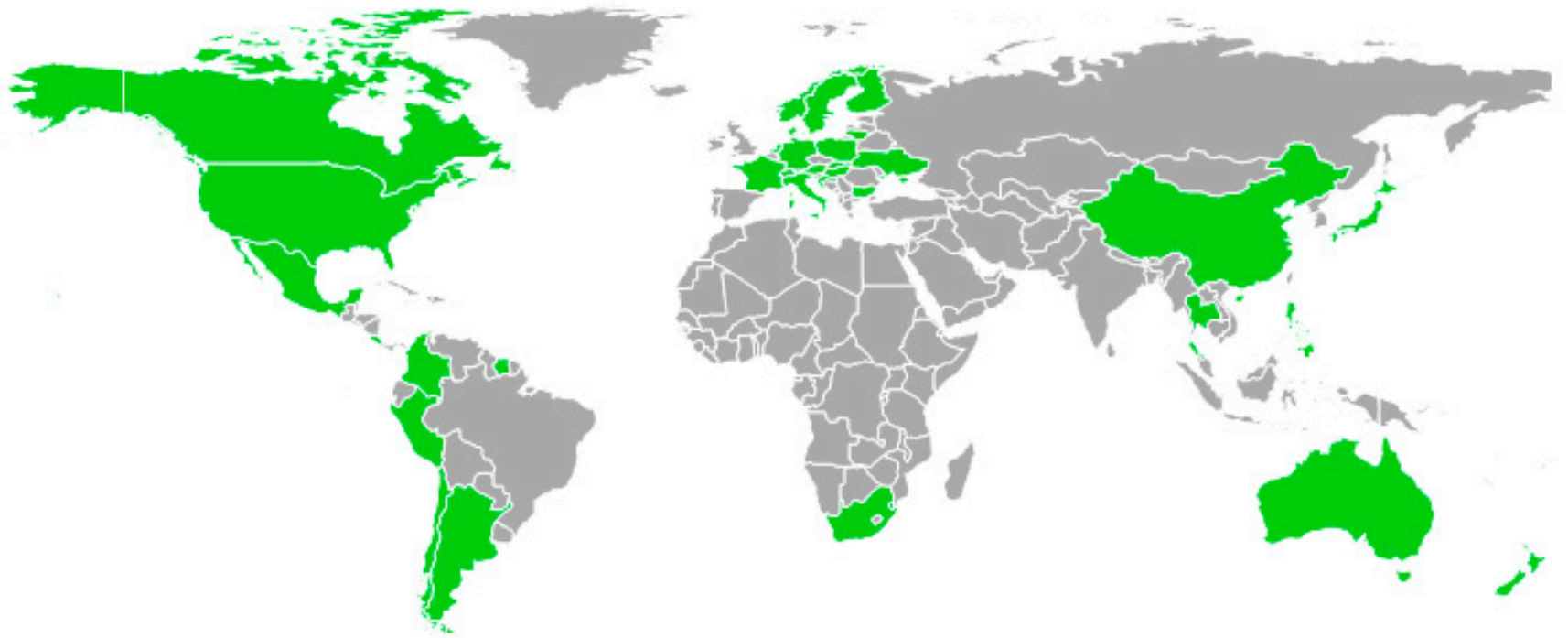
■ Loosening

Change in the Overall Balance in 2010



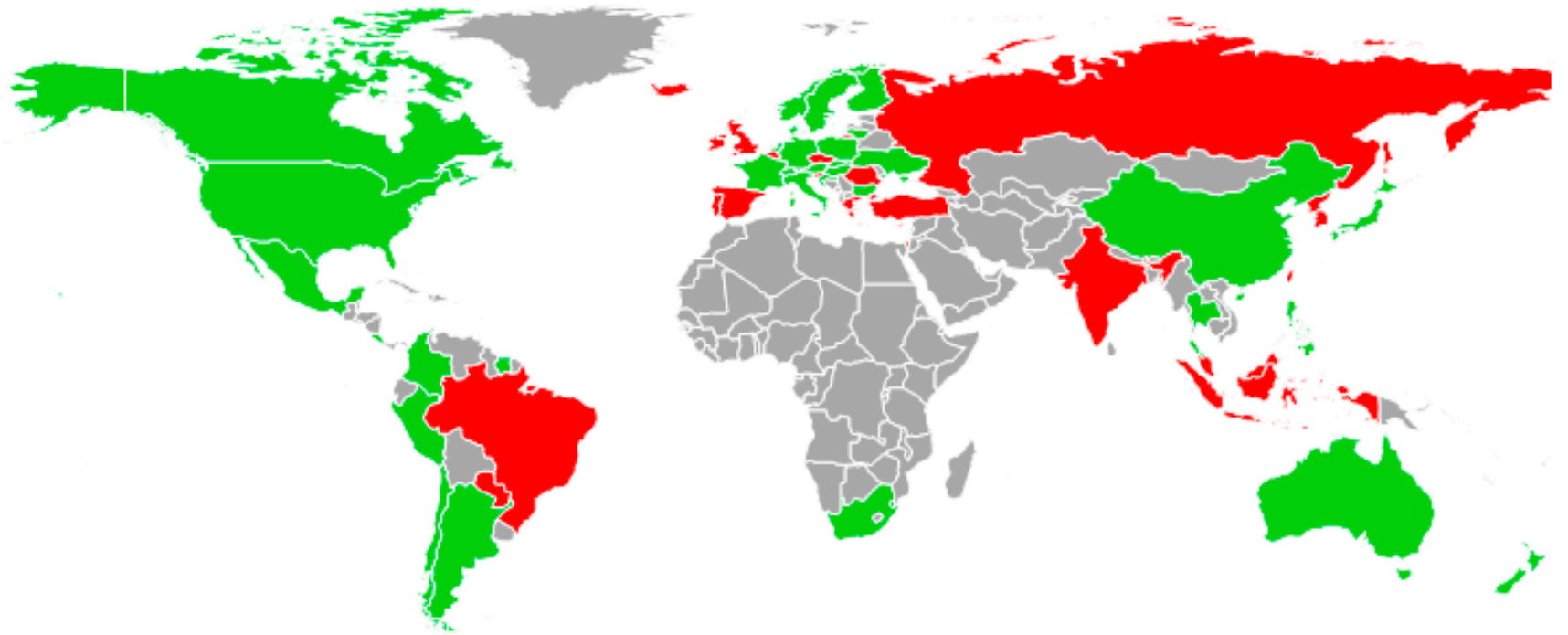
- Loosening
- Tightening

Change in the Cyclically Adjusted Balance in 2010



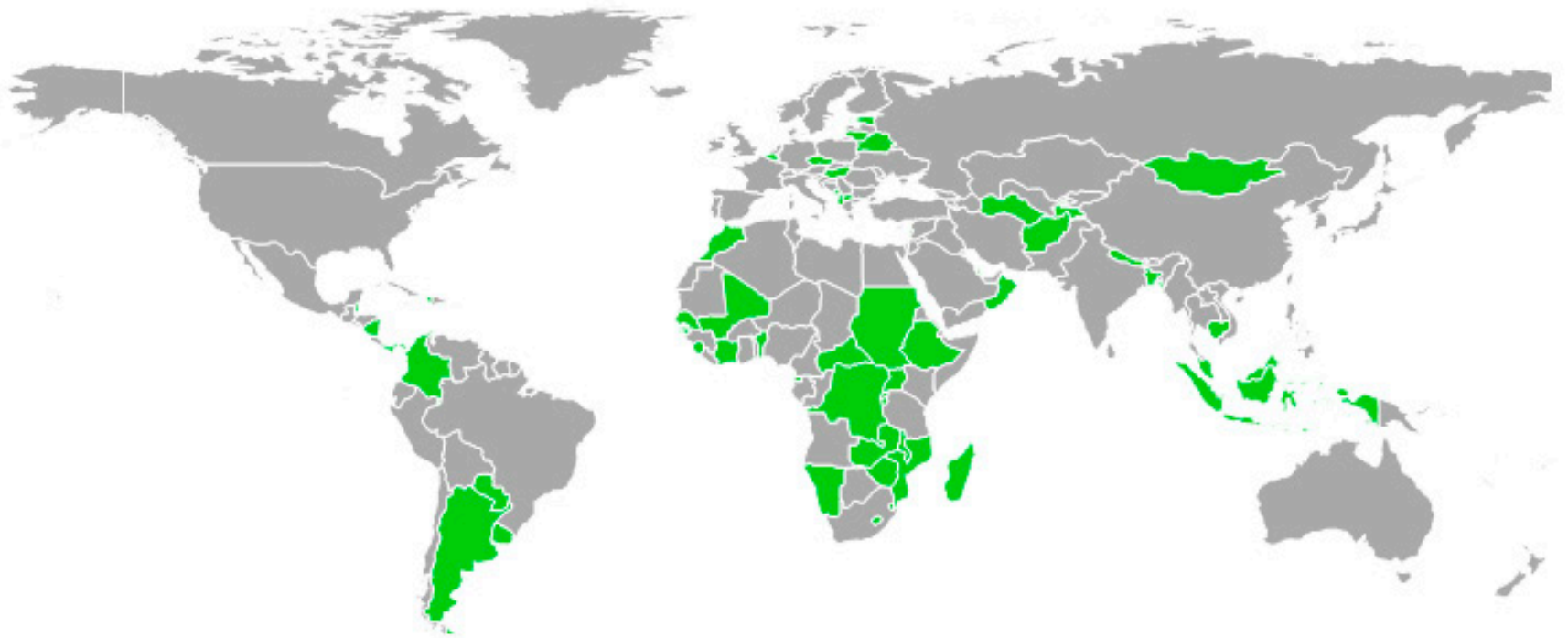
■ Loosening

Change in the Cyclically Adjusted Balance in 2010



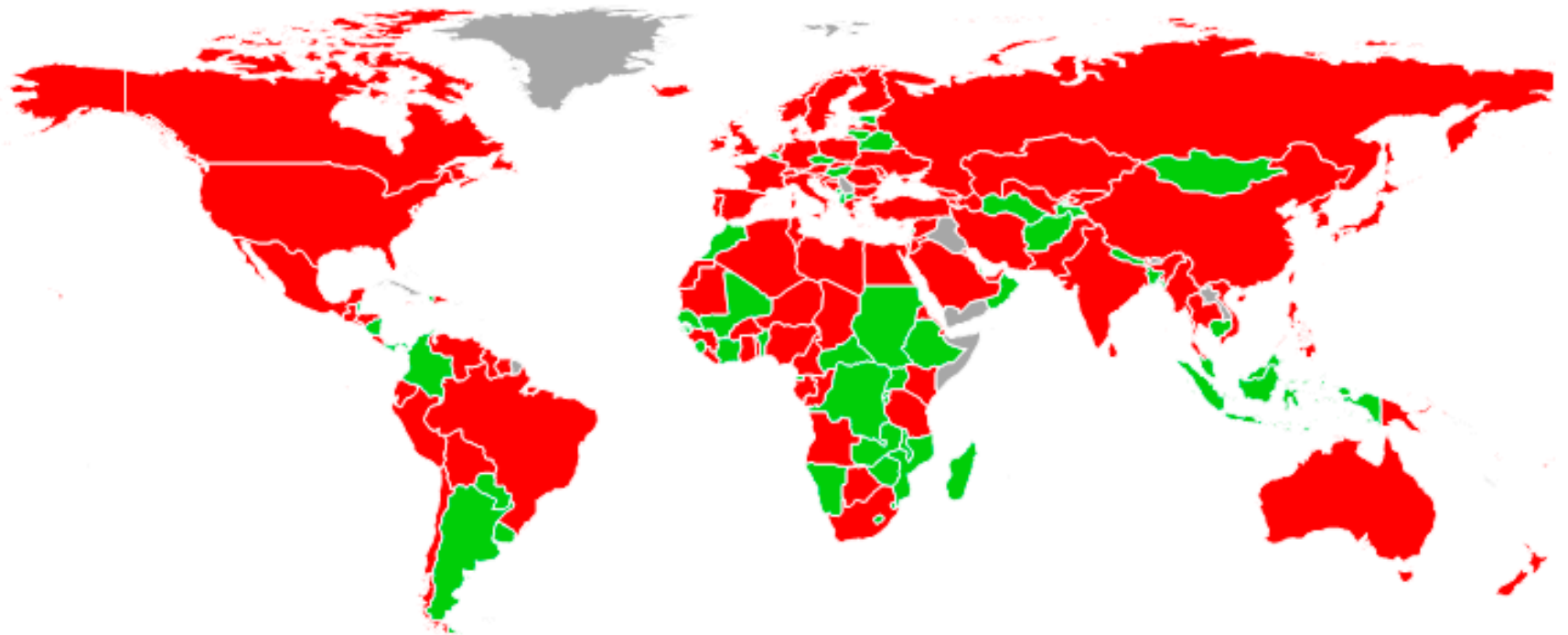
- Loosening
- Tightening

Change in the Overall Balance in 2011



■ Loosening

Change in the Overall Balance in 2011



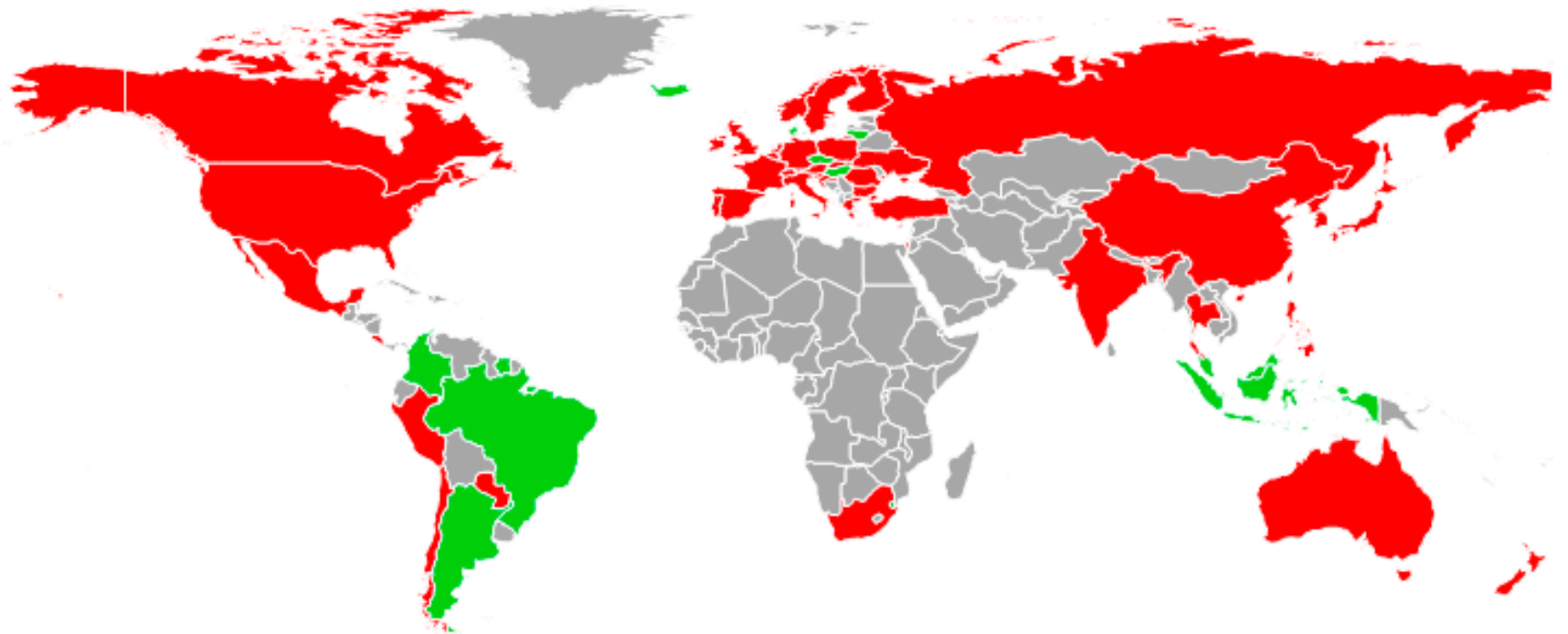
- Loosening
- Tightening

Change in the Cyclically Adjusted Balance in 2011



■ Loosening

Change in the Cyclically Adjusted Balance in 2011

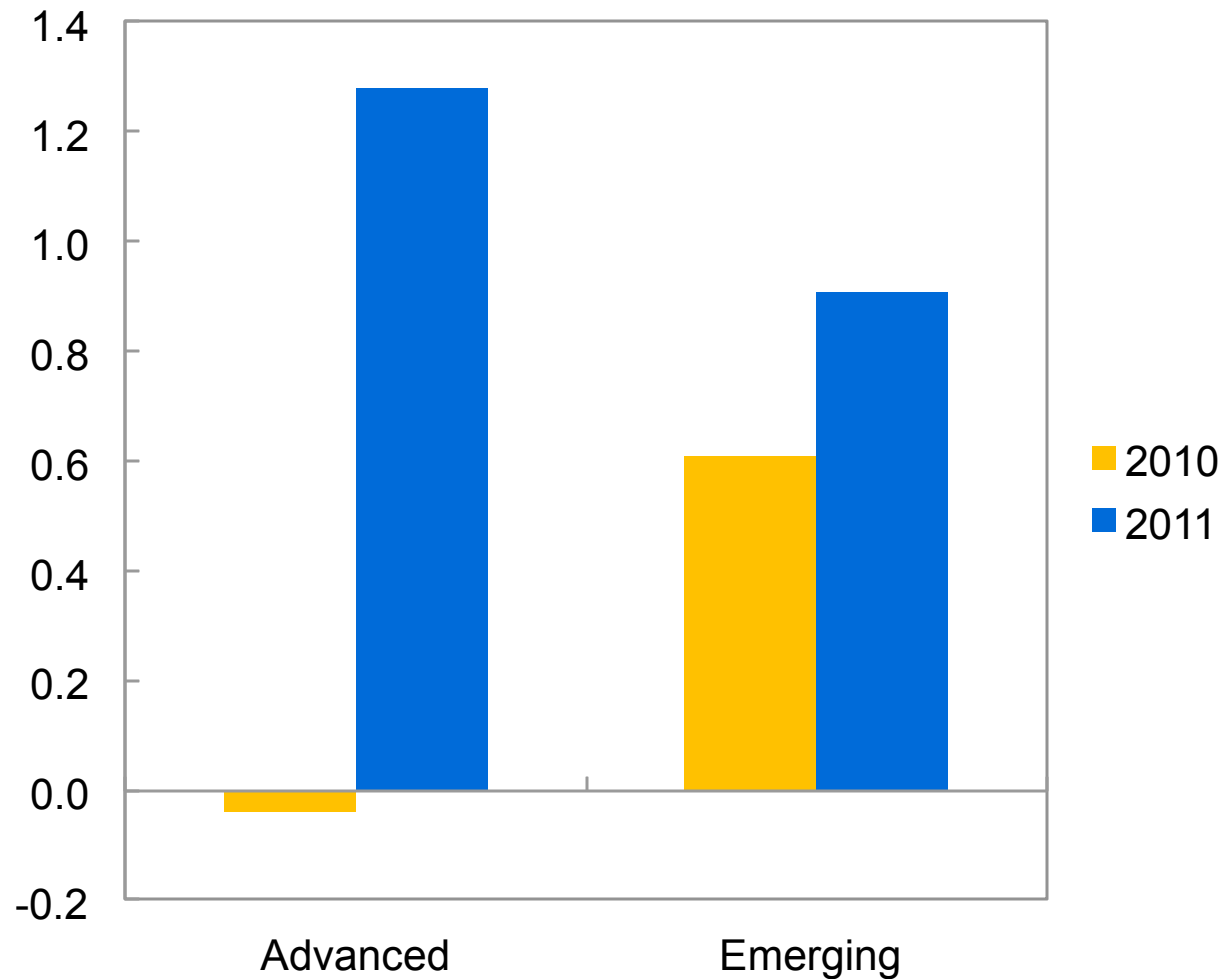


- Loosening
- Tightening

Closer look at the Fiscal Balance



Strengthening in the Overall Balance 2010 and 2011

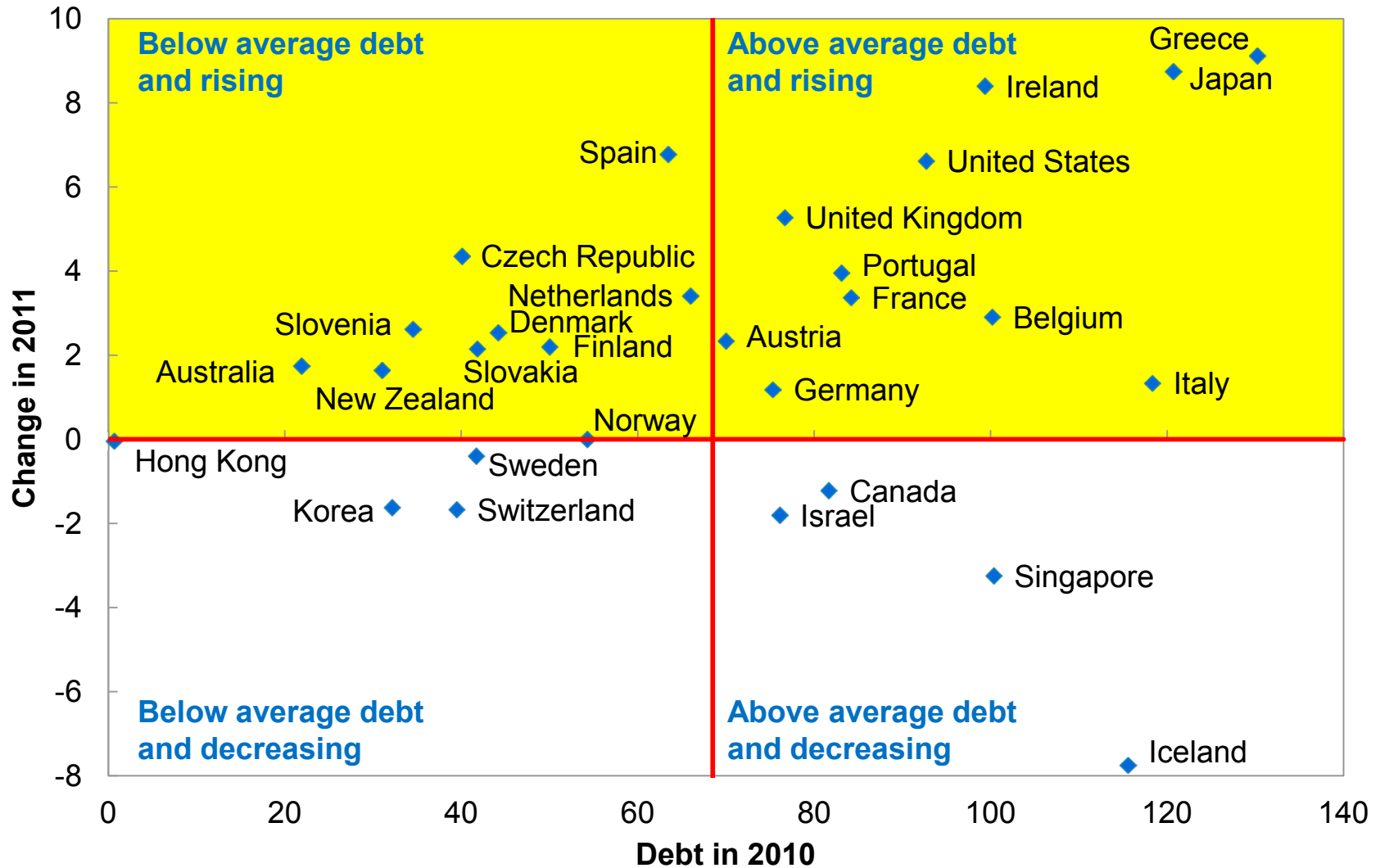


Note: Overall Balance net of financial sector support.

Debt in Advanced Economies



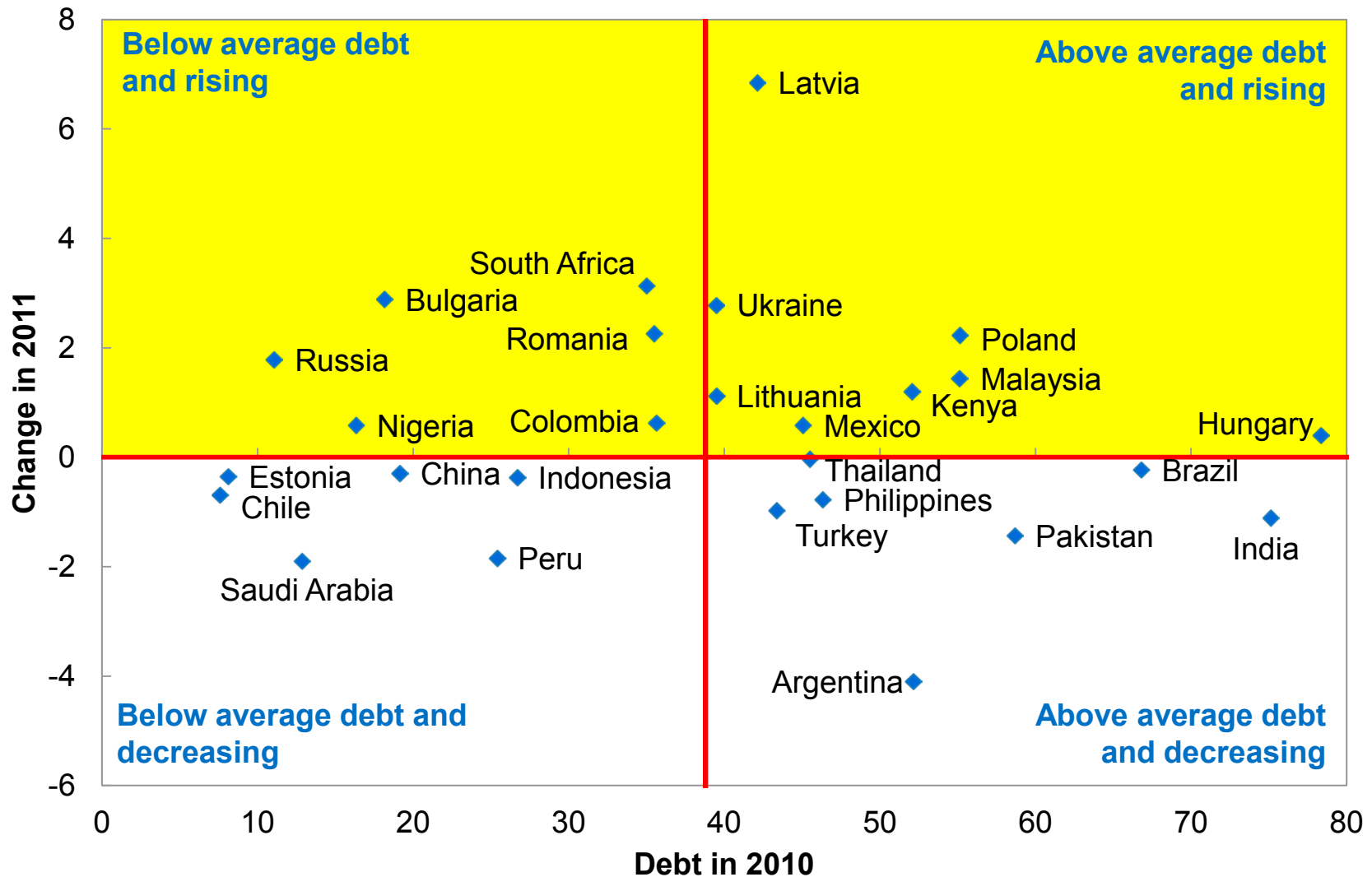
General Government Debt, percent of GDP



Debt in Emerging Economies



General Government Debt, percent of GDP



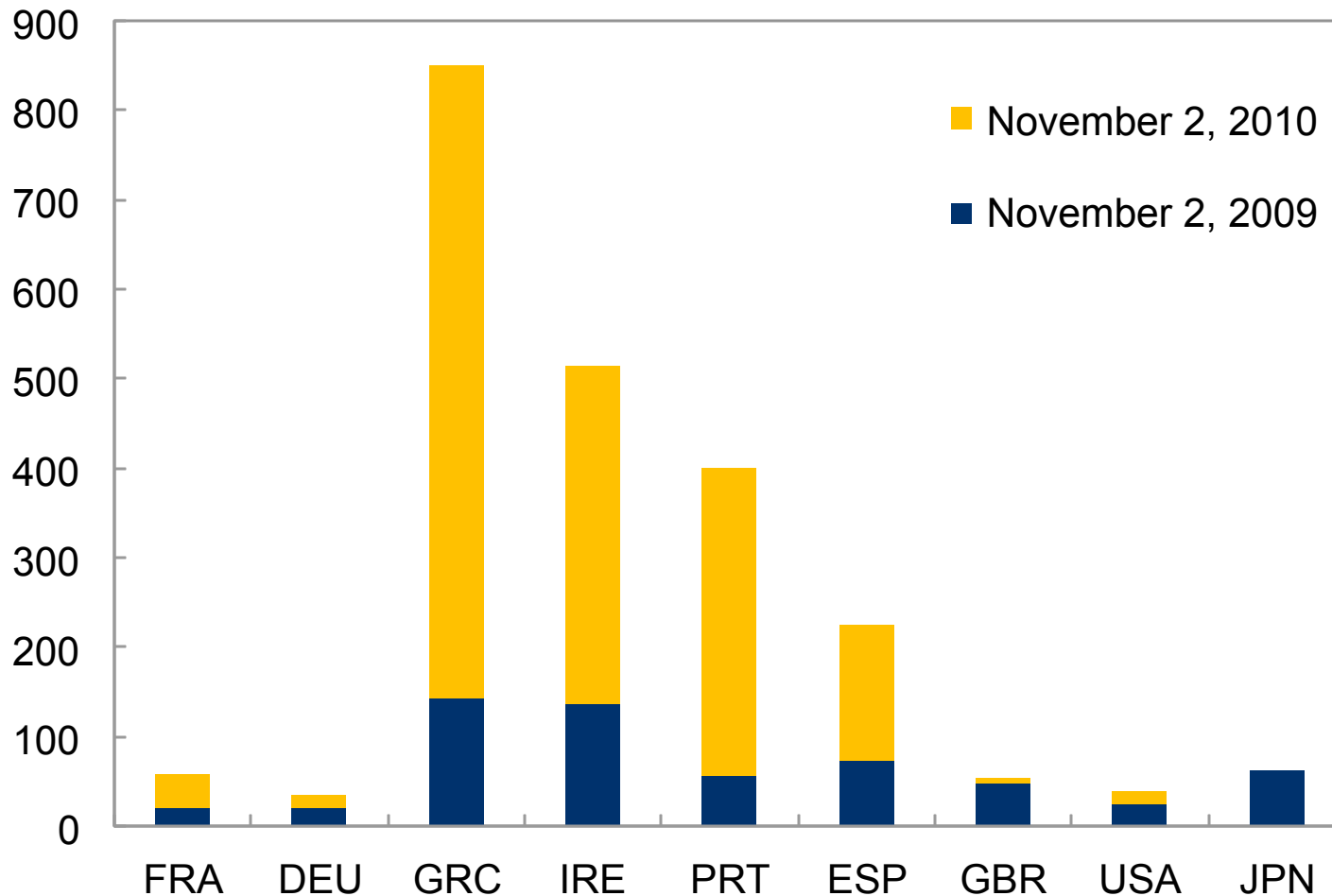


How worried should we be about the further rise in debt ratios in advanced countries?

Market Views Can Change Easily



Credit Default Swap Spreads for Selected Advanced Economies, basis points



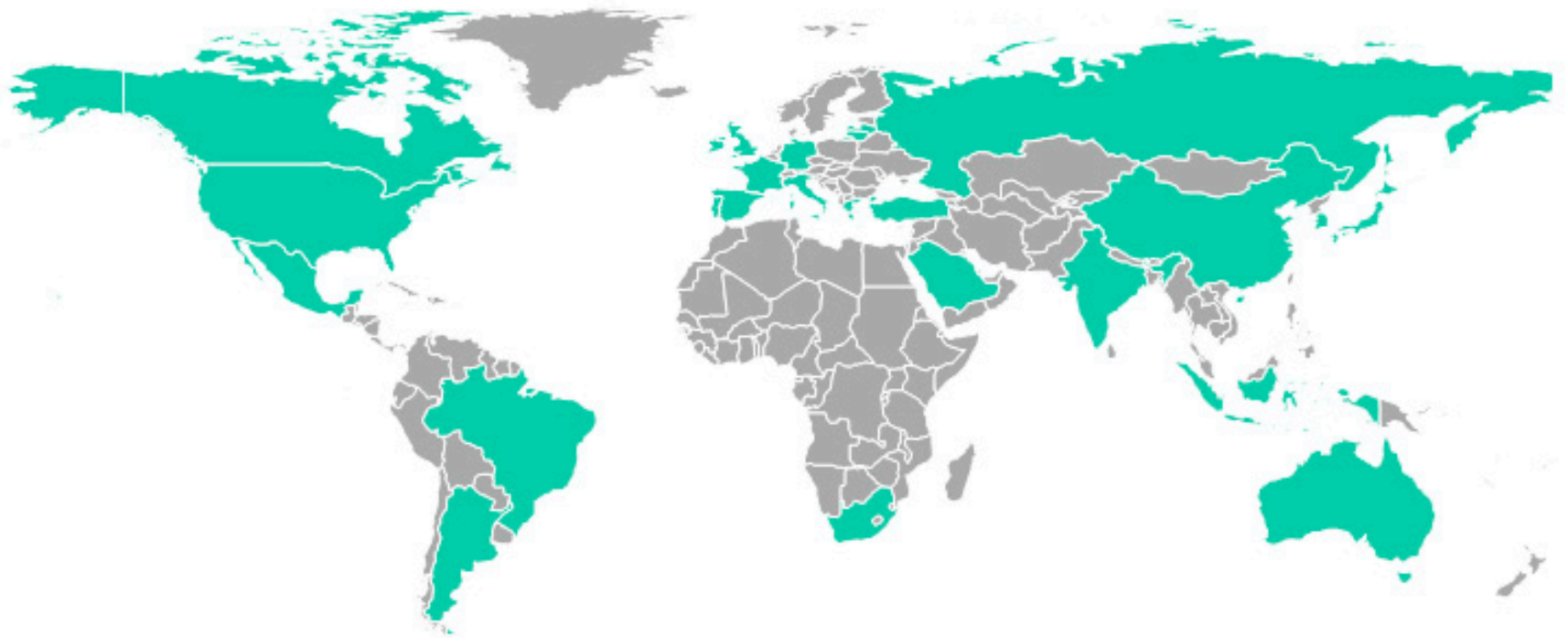


- Most countries have published plans involving fiscal adjustment

Fiscal Consolidation Over the Medium-Term: G-20

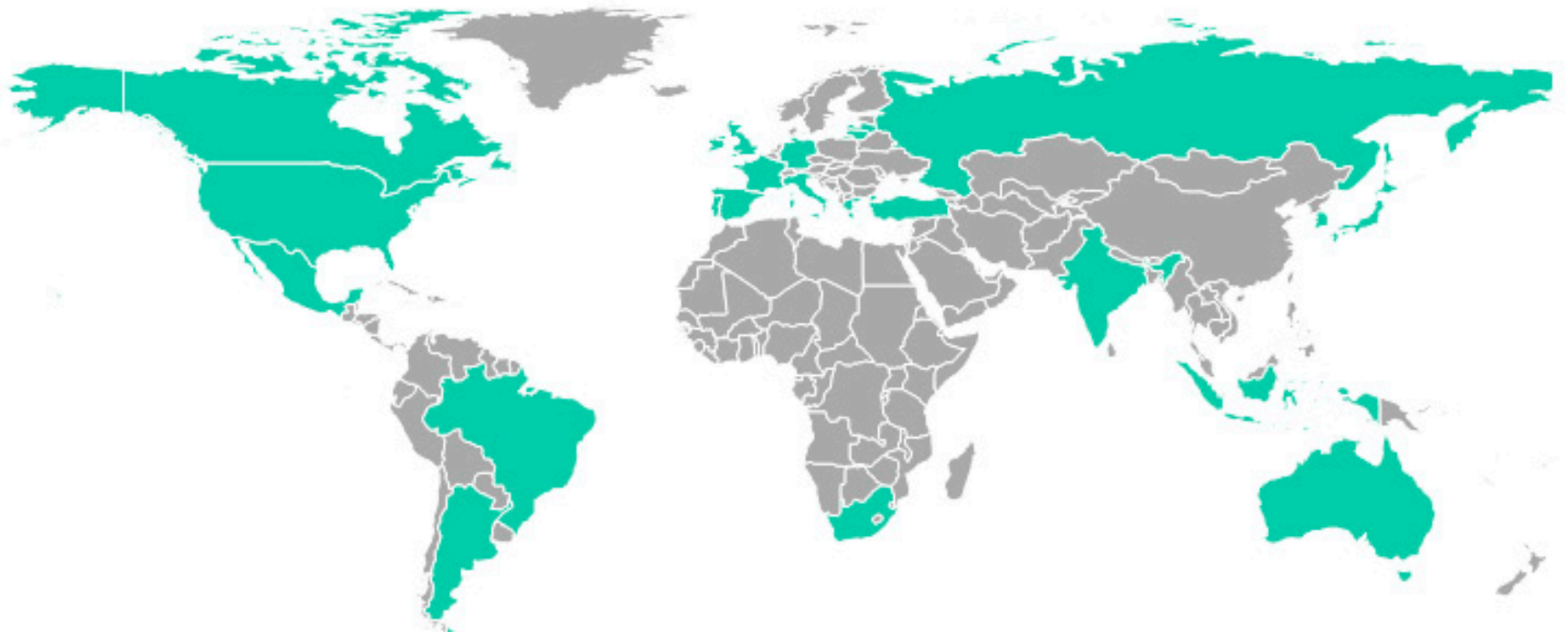


G-20 and Selected Economies with an Adjustment Plan



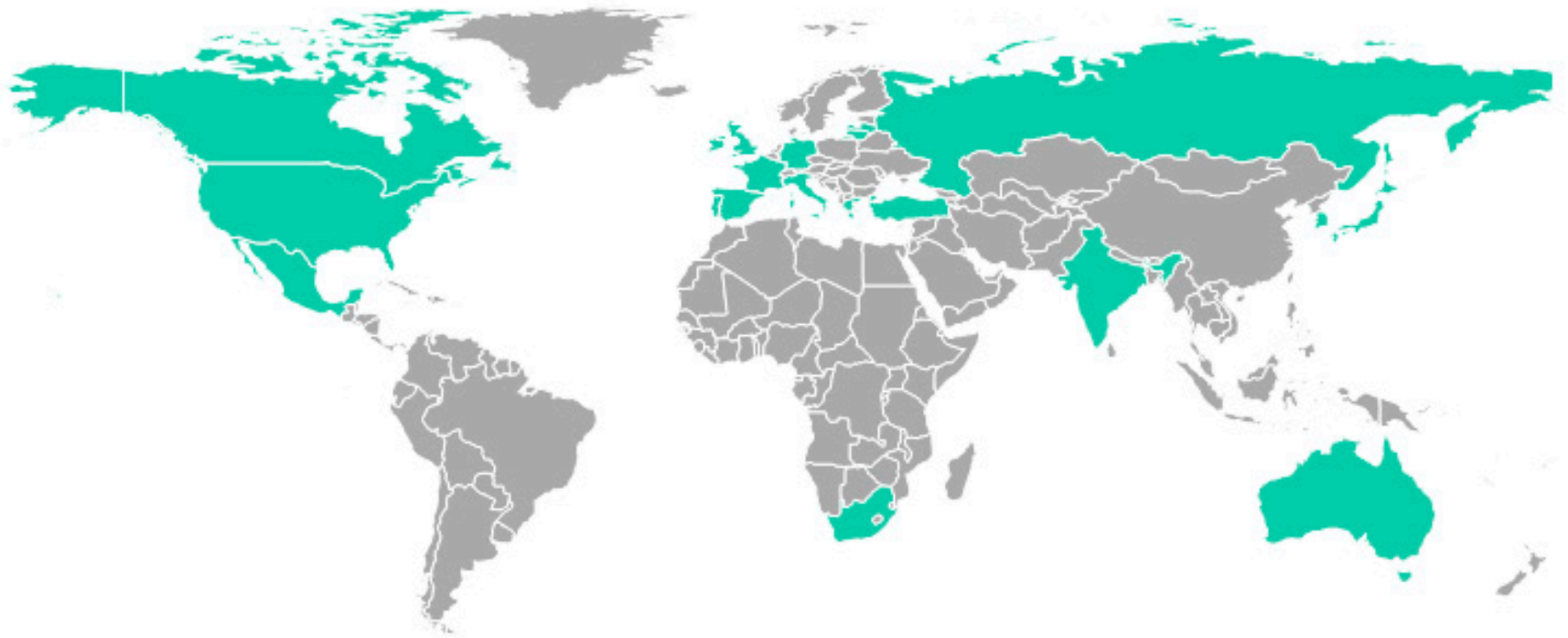
■ Country sample

G-20 and Selected Economies with an Adjustment Plan



■ Economies with published plans

G-20 and Selected Economies with an Adjustment Plan

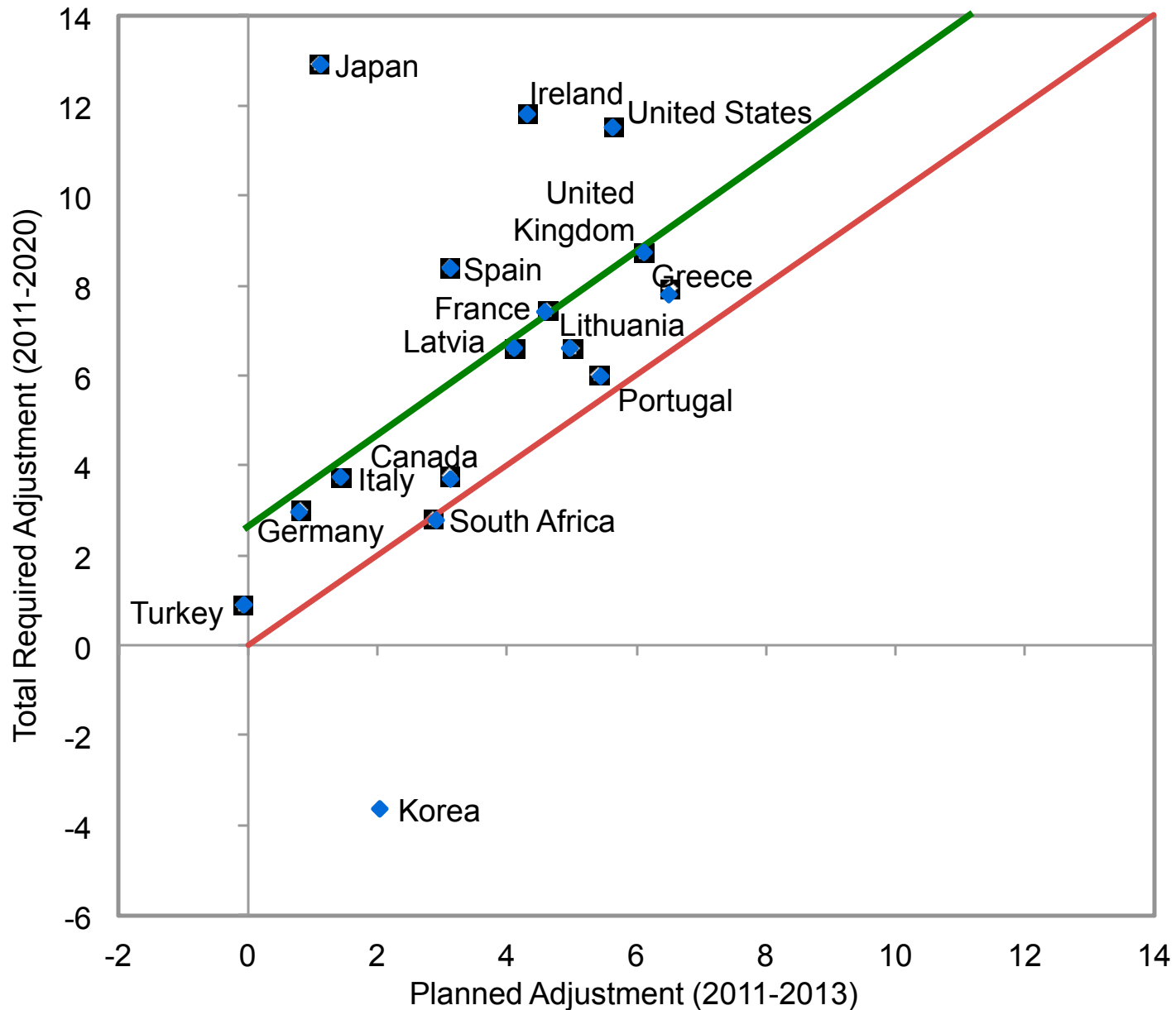


■ Economies with published plans involving fiscal adjustment



- Most countries have published plans involving fiscal adjustment
- Pace of the adjustment is about right

Planned Adjustment vs. Required Adjustment



Fiscal Consolidation Over the Medium-Term: G-20



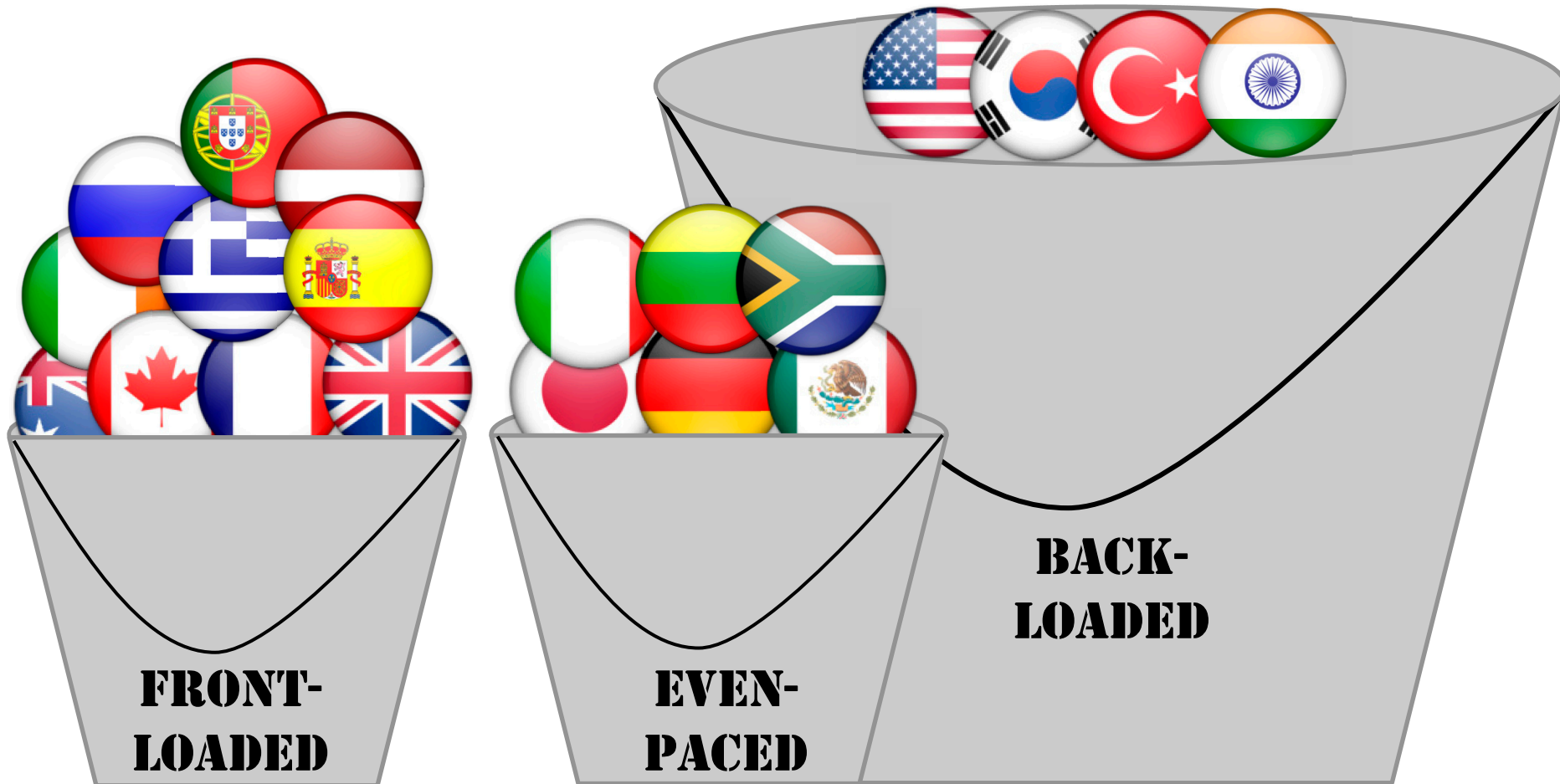
Is Adjustment Front Loaded?



Fiscal Consolidation Over the Medium-Term: G-20



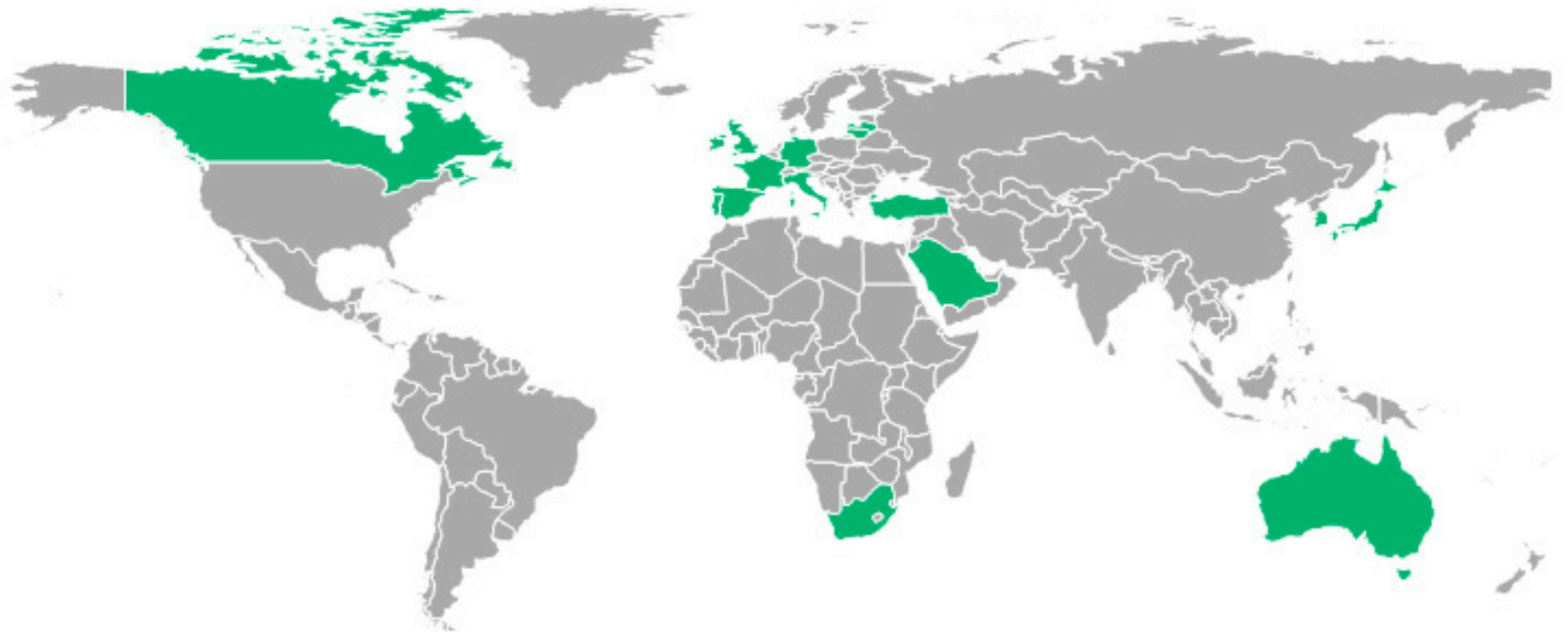
Is Adjustment Front Loaded?





- Most countries have published plans involving fiscal adjustment
- Pace of the adjustment is about right
- Emphasis on expenditure cuts

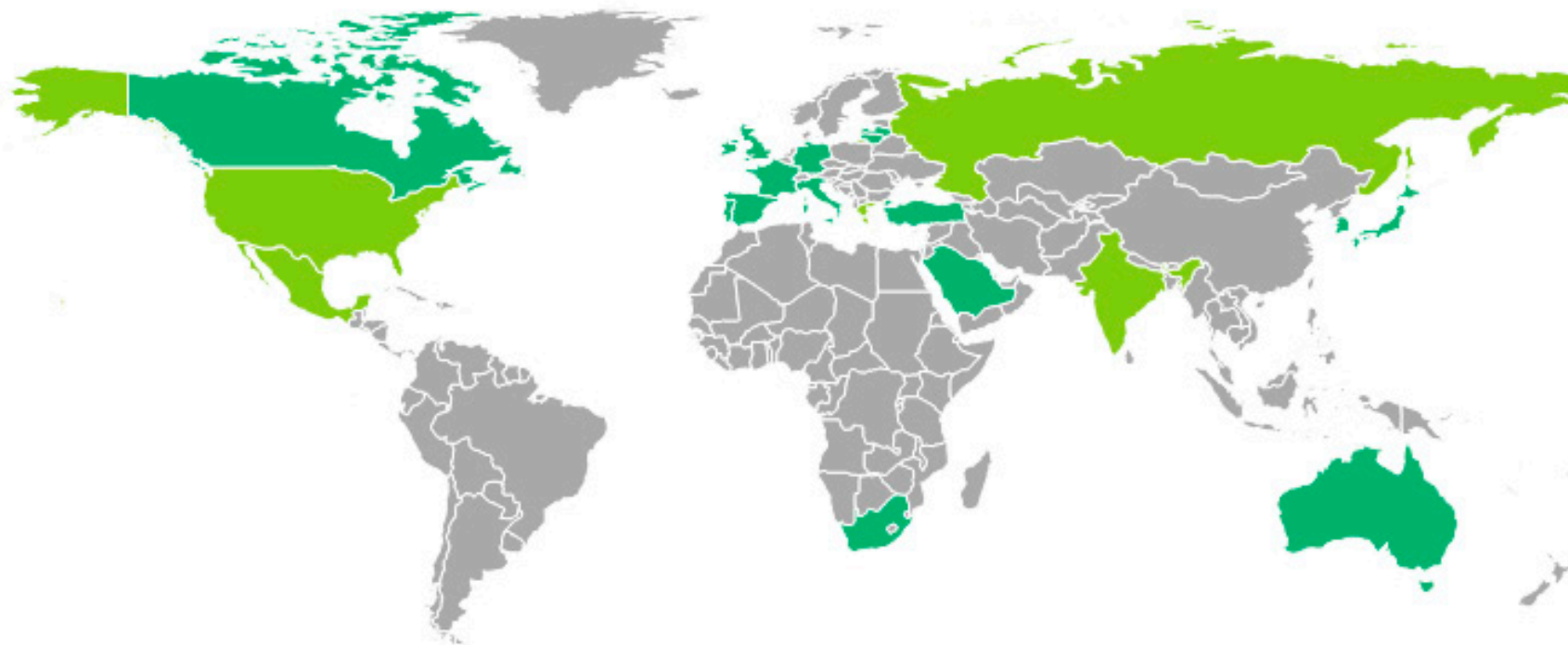
Type of Adjustment



■ Expenditure Based

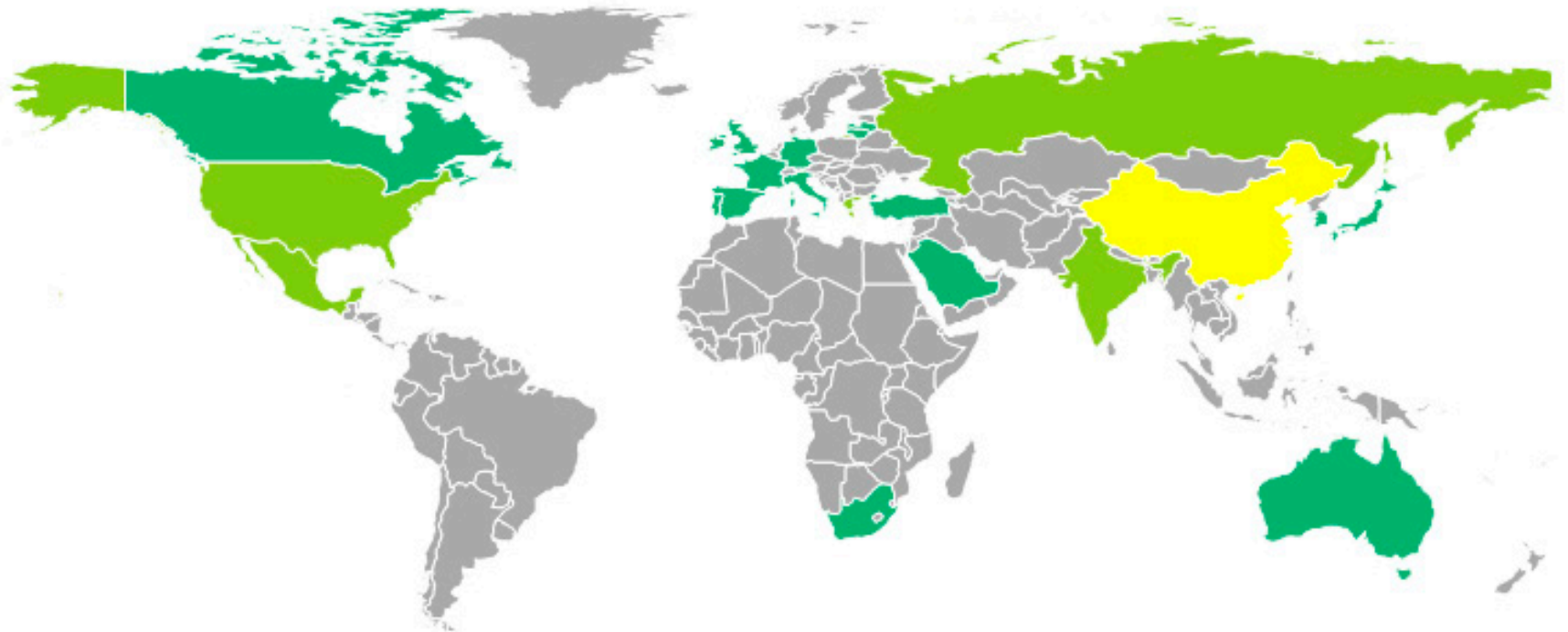





Type of Adjustment



- Expenditure Based
- Mixed

Type of Adjustment



-  Expenditure Based
-  Mixed
-  Revenue Based

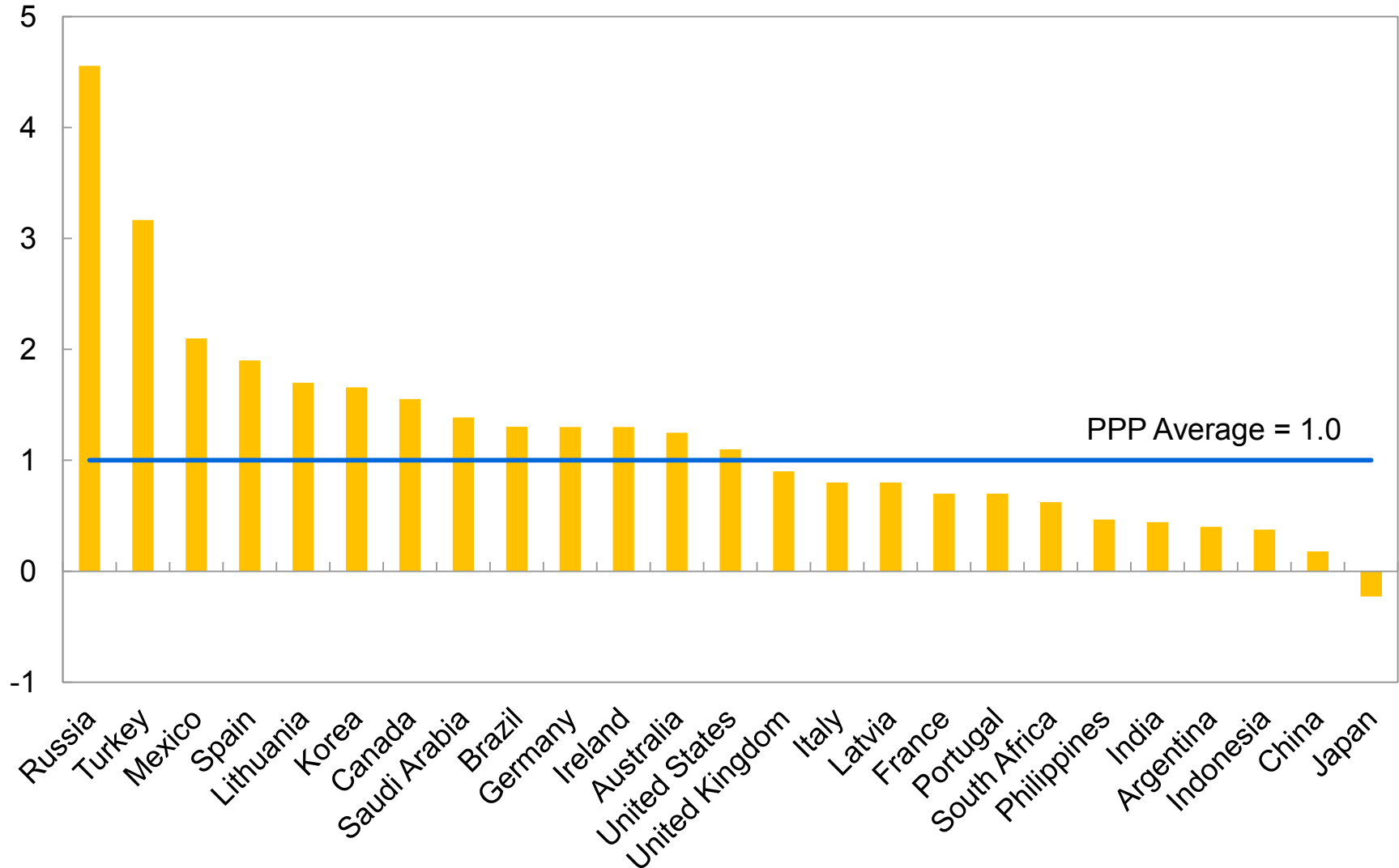


- Many measures yet to be specified
- No clear long-term debt target
- Not much progress on long-term spending trends

Pension Spending is Projected to Rise



Projected Increase in Pension Spending (2011-2030)



Pension Reforms

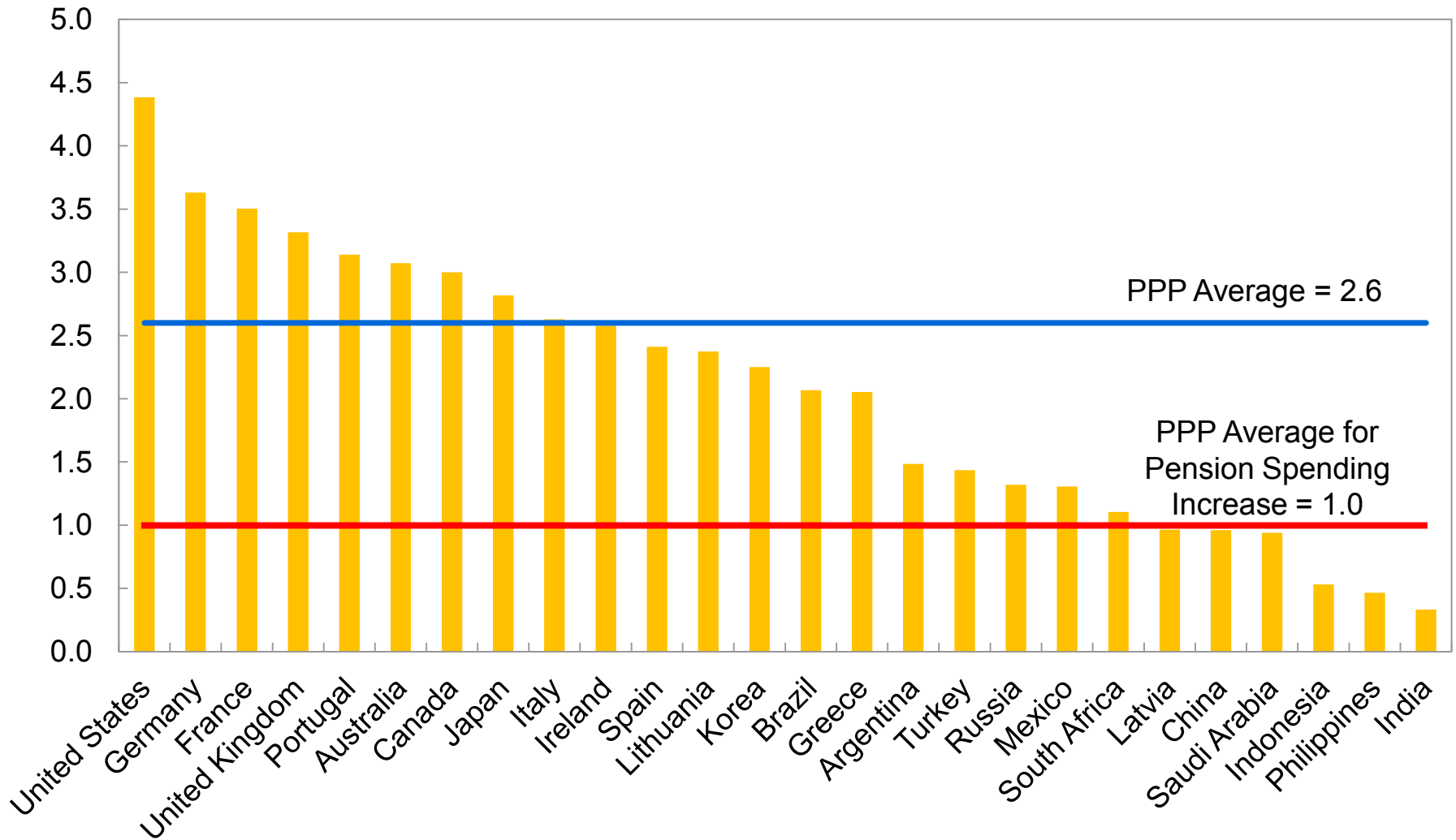


■ Reforms underway

Health Care Spending is Projected to Rise



Projected Increase in Health Care Spending (2011-2030)



Health Care Reforms



■ Reforms underway



Thank you!