

Fiscal stabilization in the euro area

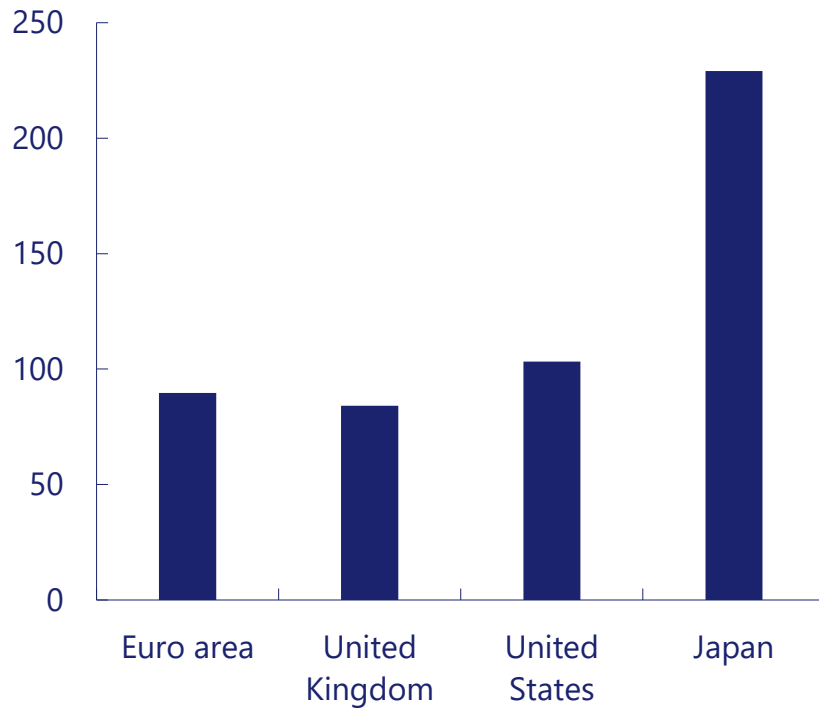


Mahmood Pradhan
Deputy Director, European Department

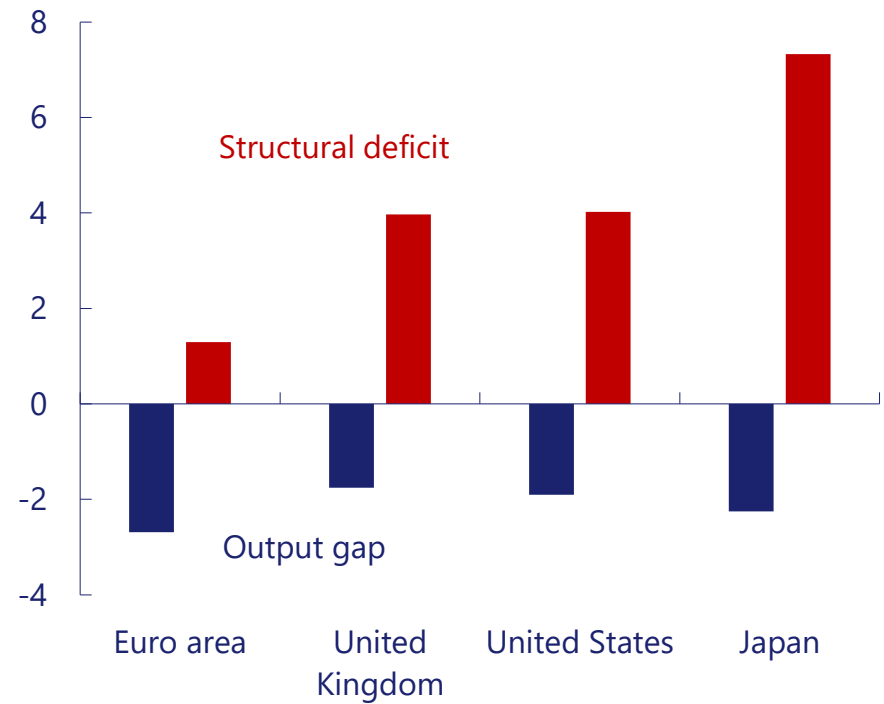
OCED-France Stratégie workshop
February 5, 2019

Euro Area Policy Stance

Gross Public Debt, 2012
(Percent of GDP)



Output Gap and Structural Deficit, 2013
(Percent of potential GDP)



Source: World Economic Outlook.

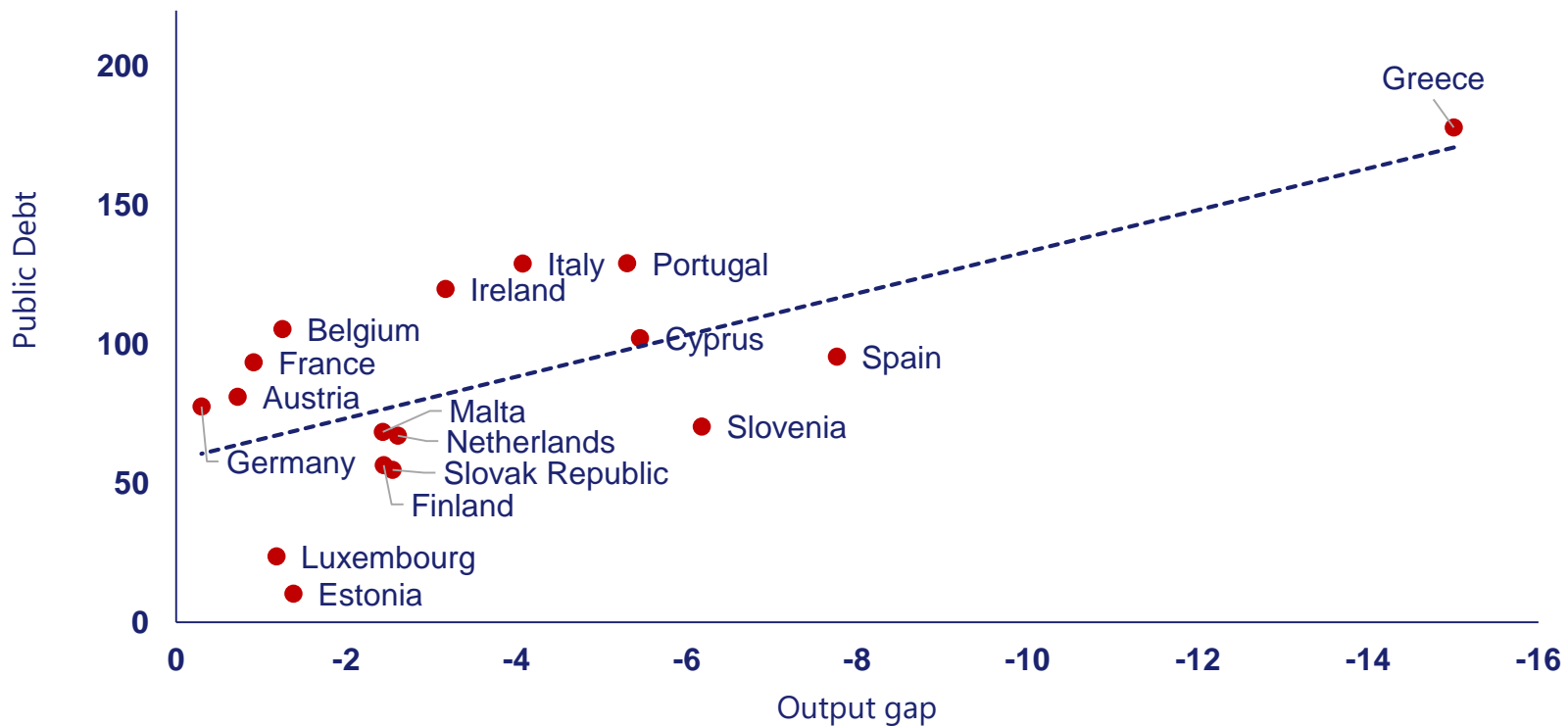
Few Euro Area Countries Have Fiscal Space

Fiscal Space Assessment (2017)

	ITA	PRT	ESP	FRA	DEU	NLD
Availability of financing						
Have sovereign bond spreads breached benchmarks in the last 3 months?	Green	Green	Green	Green	Green	Green
Do debt profile indicators breach benchmarks?	Yellow	Yellow	Yellow	Red	Red	Red
Share of public debt held by non-residents	Yellow	Yellow	Yellow	Red	Red	Red
Change in share of short-term debt	Green	Green	Green	Green	Green	Green
External financing requirements (percent of GDP)	Red	Red	Red	Green	Green	Green
State of debt burden indicators						
Does debt level breach the benchmark during projection period?	Red	Red	Red	Red	Green	Green
Do gross financing needs breach the benchmark during projection period?	Red	Green	Green	Green	Green	Green
Desk Bottom-Line	Red	Red	Red	Red	Green	Green

Countries With Large Output Gaps Had High Debt

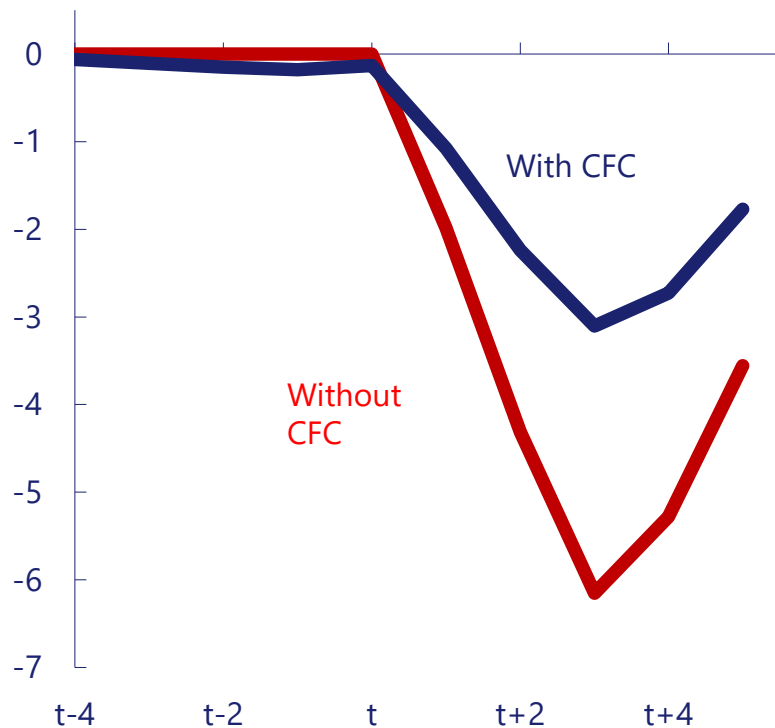
Public Debt and Output Gap, 2013
(Percent of GDP)



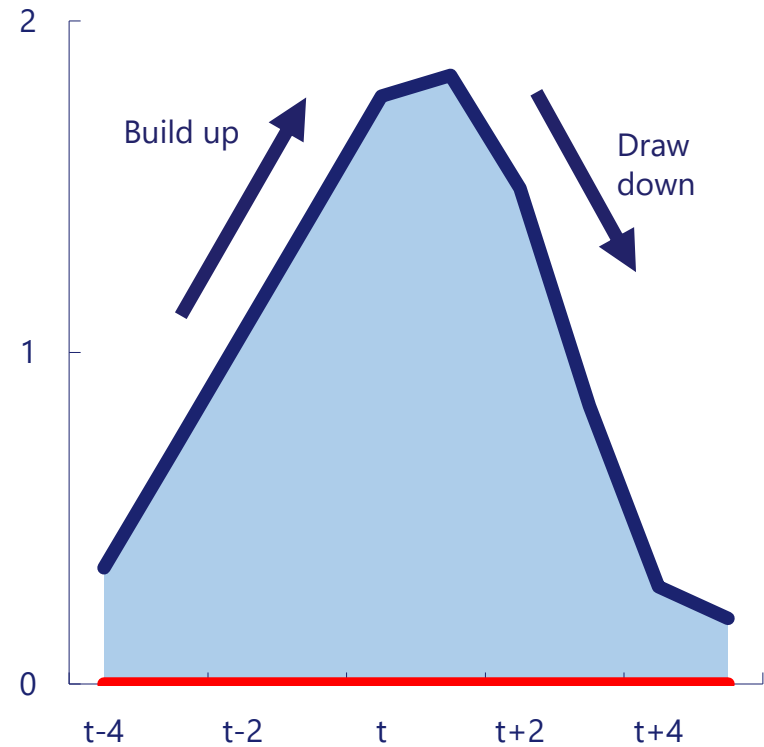
Source: World Economic Outlook.

A Moderately Sized CFC Can Provide Meaningful Stabilization

Impact of Large Shock on Output Gap
(Percent of GDP)



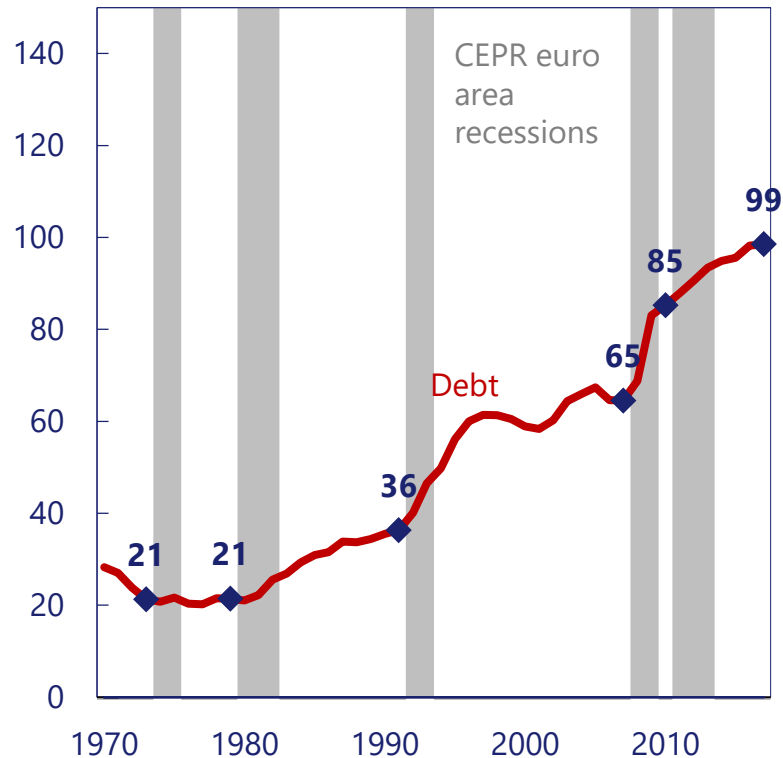
Size of Fund
(Percent of GDP)



Not Enough Debt Reduction In Good Times

Government debt (percent of GDP)

France



Italy

