



Fiscal Rules – Quo Vadis?

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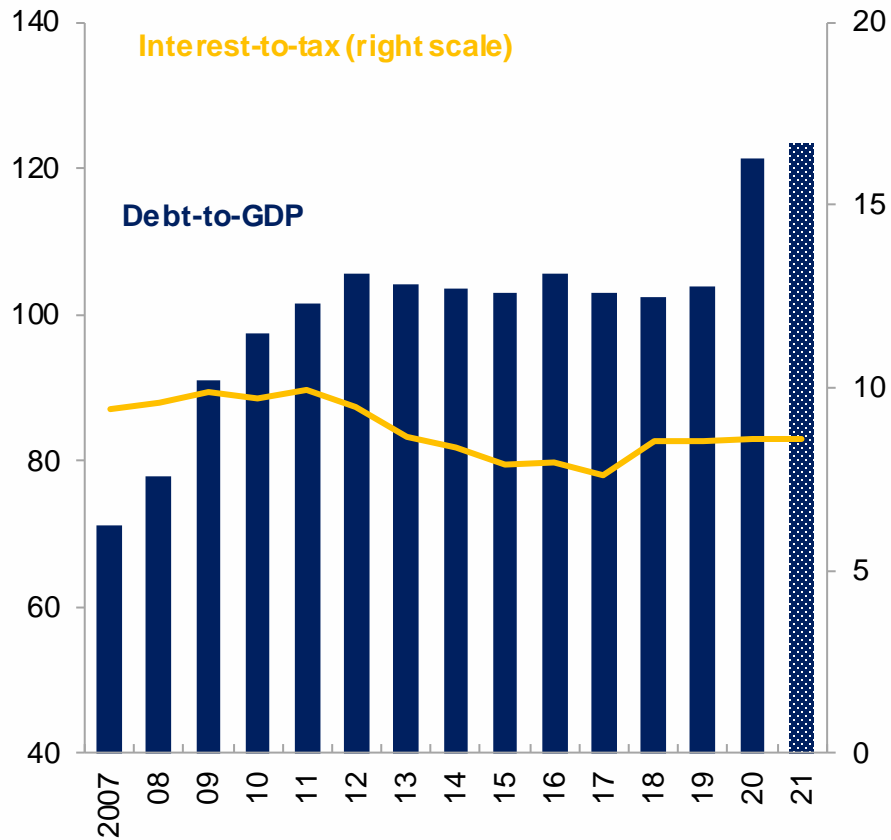
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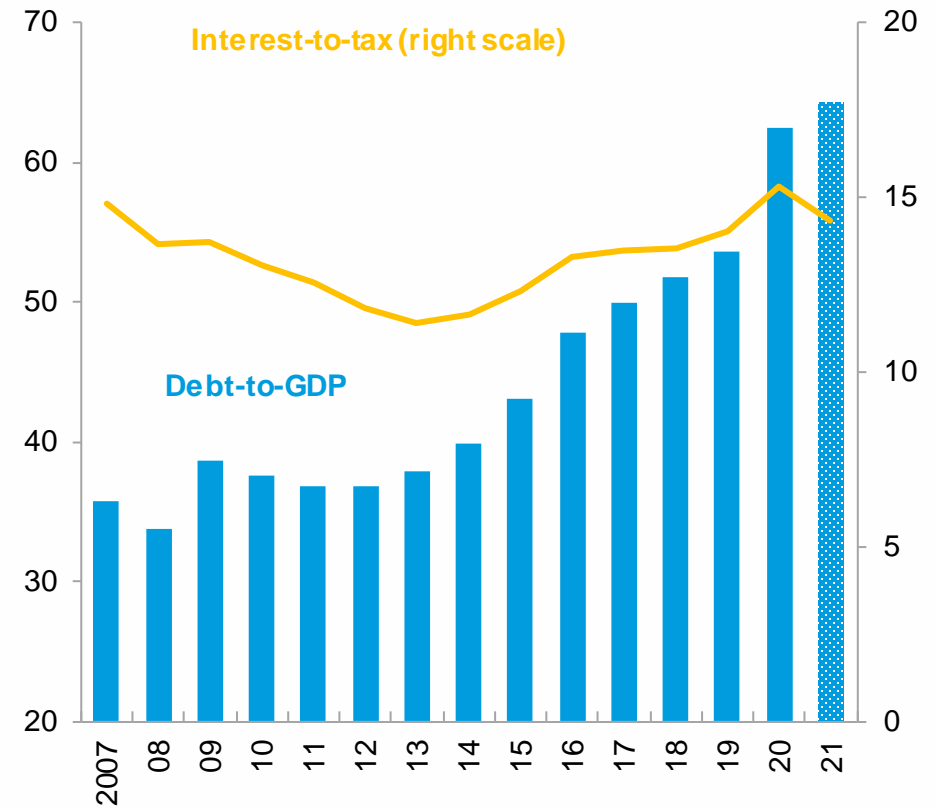
Presentation at the Joint Vienna Institute

Promote economic recovery as fiscal constraints intensify

Advanced Economies (percent)



Emerging Markets and Middle-Income Economies (percent)



Sources: IMF, World Economic Outlook database.

Swift return to fiscal rules could be disruptive

- ❑ High uncertainty around the pandemic; economic recovery
- ❑ Premature withdrawing of support measures

A medium-term transition path contingent on economic developments

- ❑ Path depends on degree of scarring, debt levels, borrowing costs
- ❑ If *credible*, it can anchor expectations and increase fiscal space now to respond to crisis
- ❑ *Agile, flexible* policies: contingent on state of economy (labor market; output gap?)

Role of fiscal councils

Large shock

- ❑ Anchor may no longer be credible; re-calibrate targets
- ❑ Global environment (e.g., low interest rates)

Fiscal risks and fiscal rules

- ❑ Mechanisms to manage shocks (buffers)
- ❑ Large scale and diversity of risks (loans, guarantees, equity positions in firms; other contingent liabilities)
- ❑ How to better incorporate in fiscal rules?