

The Role of Fiscal Policy in Mitigating the COVID-19 Crisis

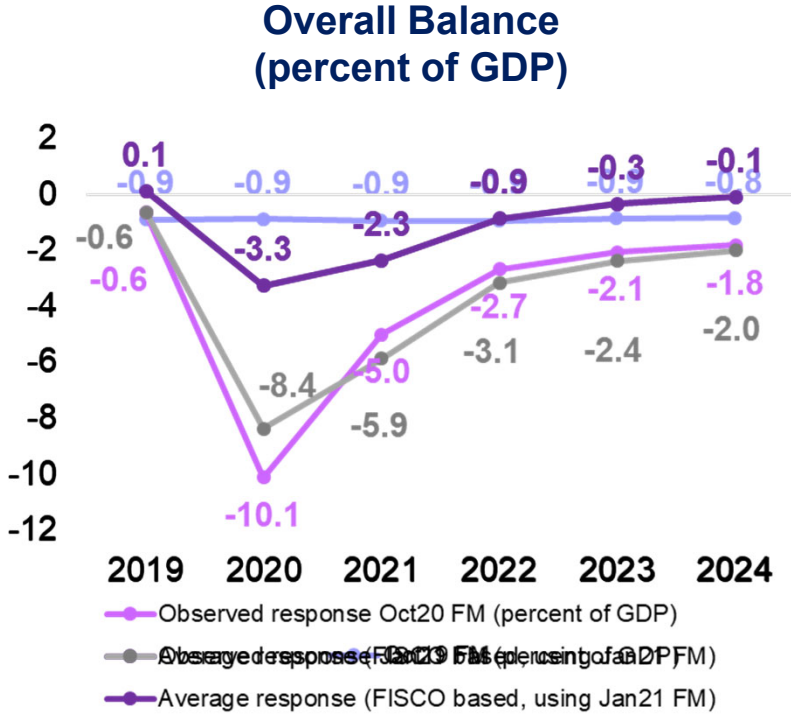
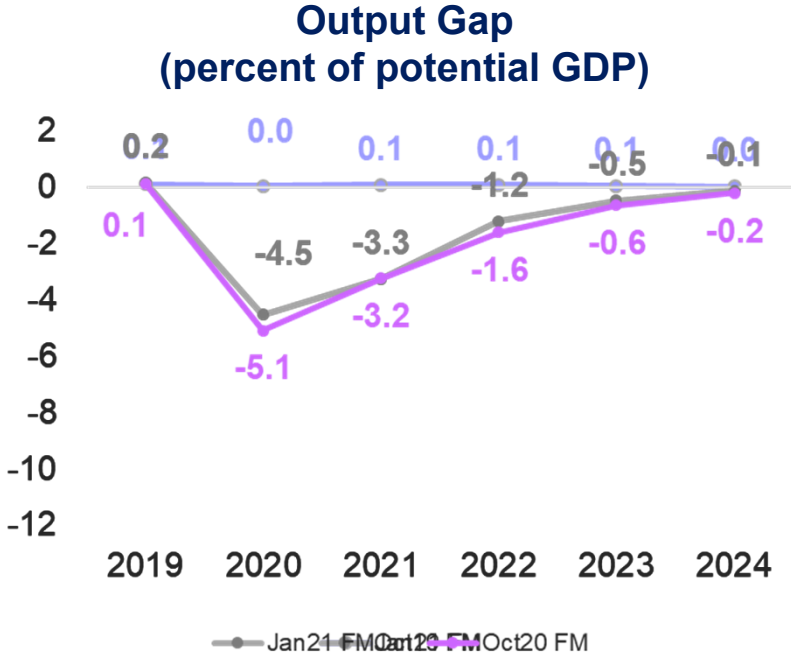
DG ECFIN - European Commission

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Fiscal Response to COVID19 in the Euro Area

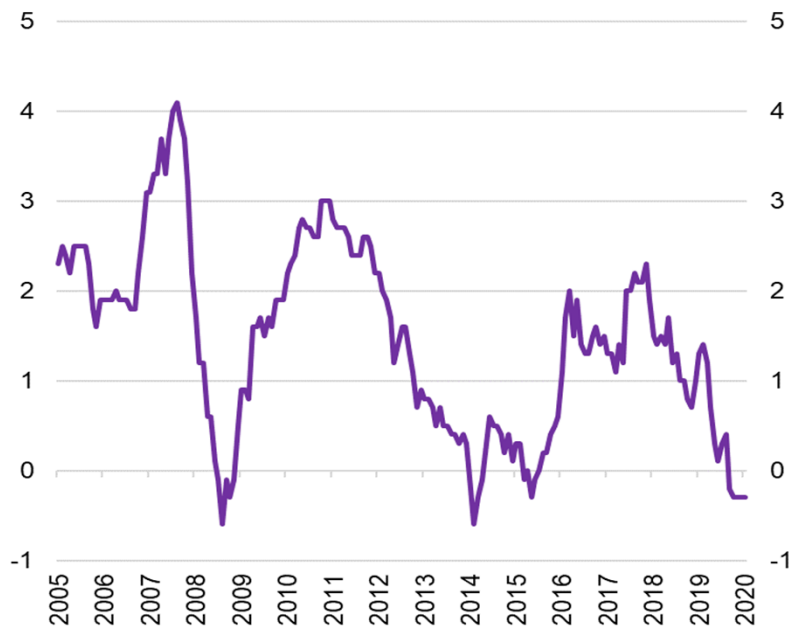


Source: IMF Fiscal Monitor Vintages Apr 2015, Oct 2019, Oct 2020 & Jan 2021 Fiscal Monitor Update; IMF Staff Calculations.

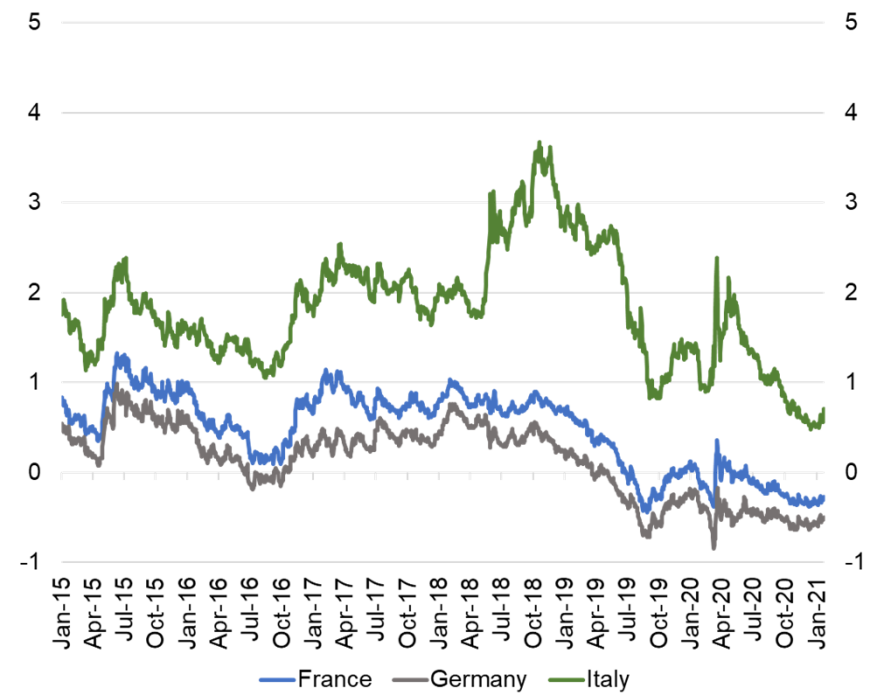
Note: FISCO refers to the fiscal stabilization coefficient for the Euro Area and is available in the IMF Fiscal Monitor April 2015 publication. The FISCO is equal to 0.72 and is multiplied with the projected output gap in the January 2021 Fiscal Monitor update to get the average expected fiscal response.

Euro Area Inflation

HICP - inflation rate for EA19
(y-o-y percentage change, monthly frequency)



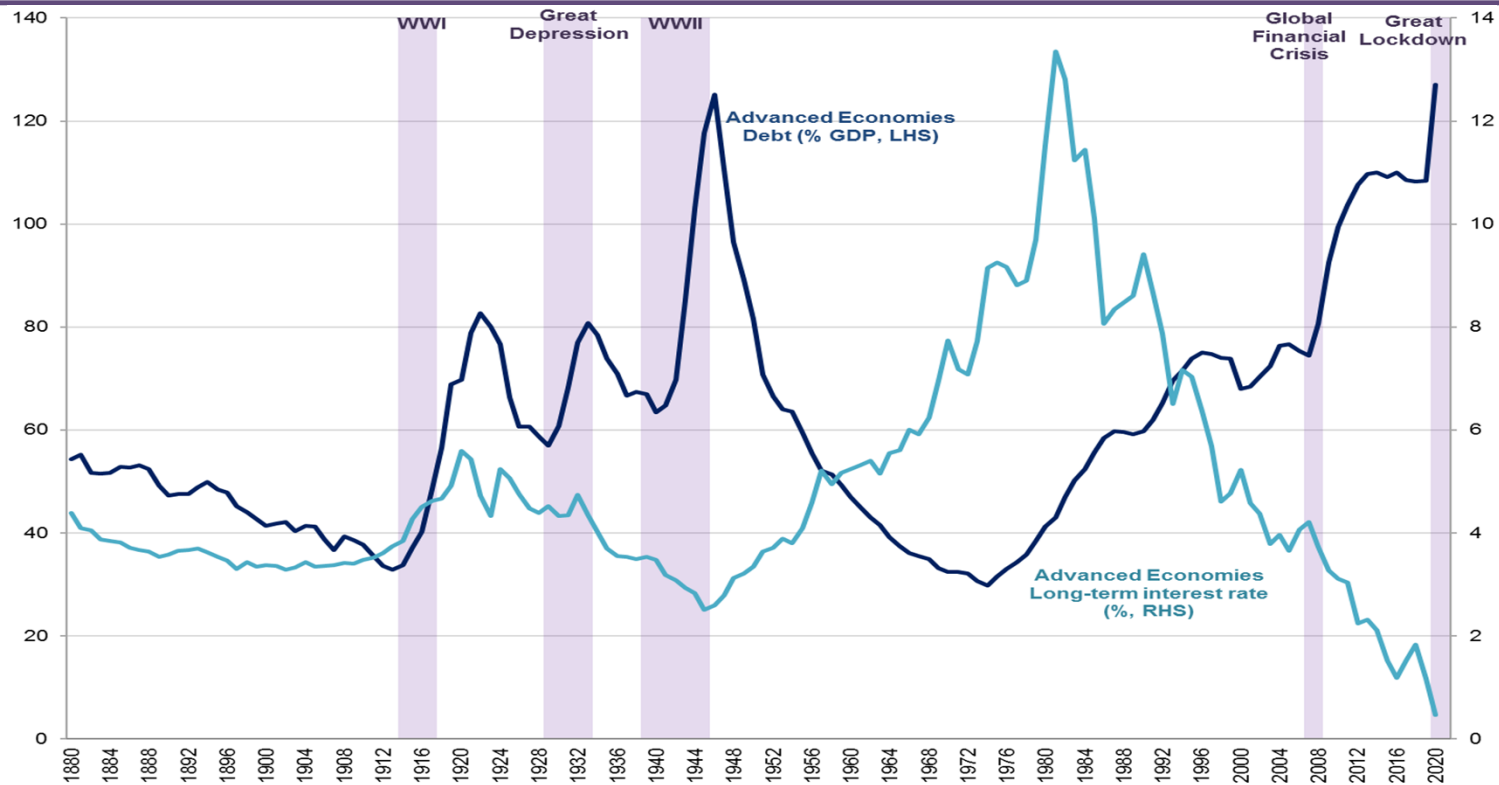
10-year government bond yields in Major EA countries (% annum)



Source: Eurostat, Thomson Reuters Datastream & IMF Staff Estimates



Public debt and bond yields in historical perspective



Source: IMF, Historical Public Debt Database; IMF WEO; JST Macro-History database; Maddison Database Project; Thomson Reuters Datastream, Global Financial Data and IMF staff calculations.

Note: The aggregate public-debt-to-GDP and long-term interest rates series for advanced economies are based on a constant sample of 20 countries, weighted by GDP in PPP terms. Interest-rates for missing values for Spain in 1937-39 & Germany in 1944-45 are interpolated using the aggregate trend. The Prussia 3.5% Consolidated Loan is used for internal bond prices and yields during the German hyperinflation from January 1919 to December 1925. In 1923, the hyperinflation made the yield on the bonds virtually meaningless. After the hyperinflation ended and the Mark was converted into Rentenmark and interest payments on Mark bonds were paid at 1/1000th of the original value, hence a 1000 Mark bond was worth 1 Mark. The chart uses these restructured interest payments. The sample covers 89% of the WEO advanced economy GDP & 38% of the global economy in PPP terms. Long-term interest rates are typically annual averages of 10-year bonds except in some historical cases where the closest maturity is considered. The data spans across the period 1880-2020.