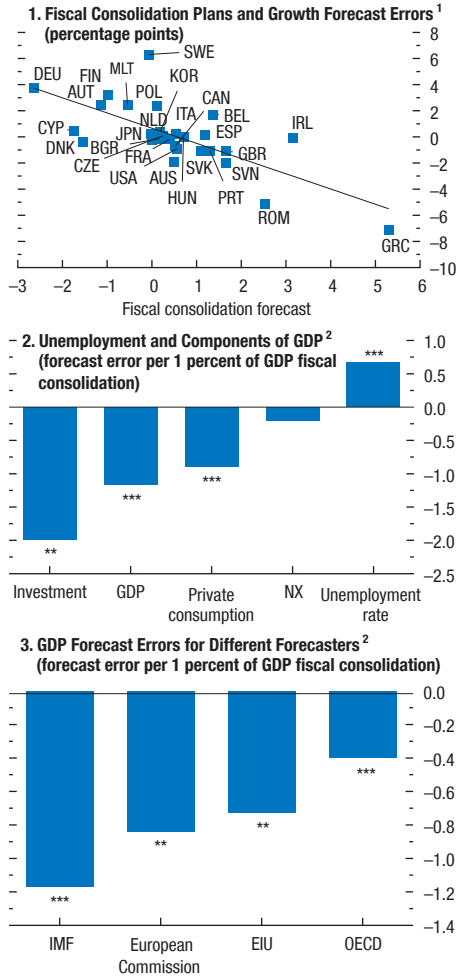


### Figure 1.1.1. Growth Forecast Errors and Fiscal Consolidation Plans

Activity over the past few years has disappointed more in economies with more aggressive fiscal consolidation plans, suggesting that fiscal multipliers used in making growth forecasts have been systematically too low. This relationship holds for different components of GDP, the unemployment rate, and forecasts made by different institutions.



Source: IMF staff estimates.  
 Note: Figure identifies economies based on World Bank ISO three-letter codes (<http://data.worldbank.org/node/18>). NX = net exports contribution to growth. EIU = Economist Intelligence Unit.  
<sup>1</sup>Vertical axis displays WEO forecast error for real GDP growth in 2010 and 2011 (actual forecast made in April 2010); horizontal axis displays WEO forecast of change in structural-fiscal-balance-to-GDP ratio in 2010 and 2011 (forecast made in April 2010).  
<sup>2</sup> \*, \*\*, and \*\*\* denote significance at the 10 percent, 5 percent, and 1 percent levels, respectively.