

# SPILLOVER

# REPORT

# 2013



**Higher growth  
Low vulnerabilities**

**Fiscal cliff**

**EA  
stress**

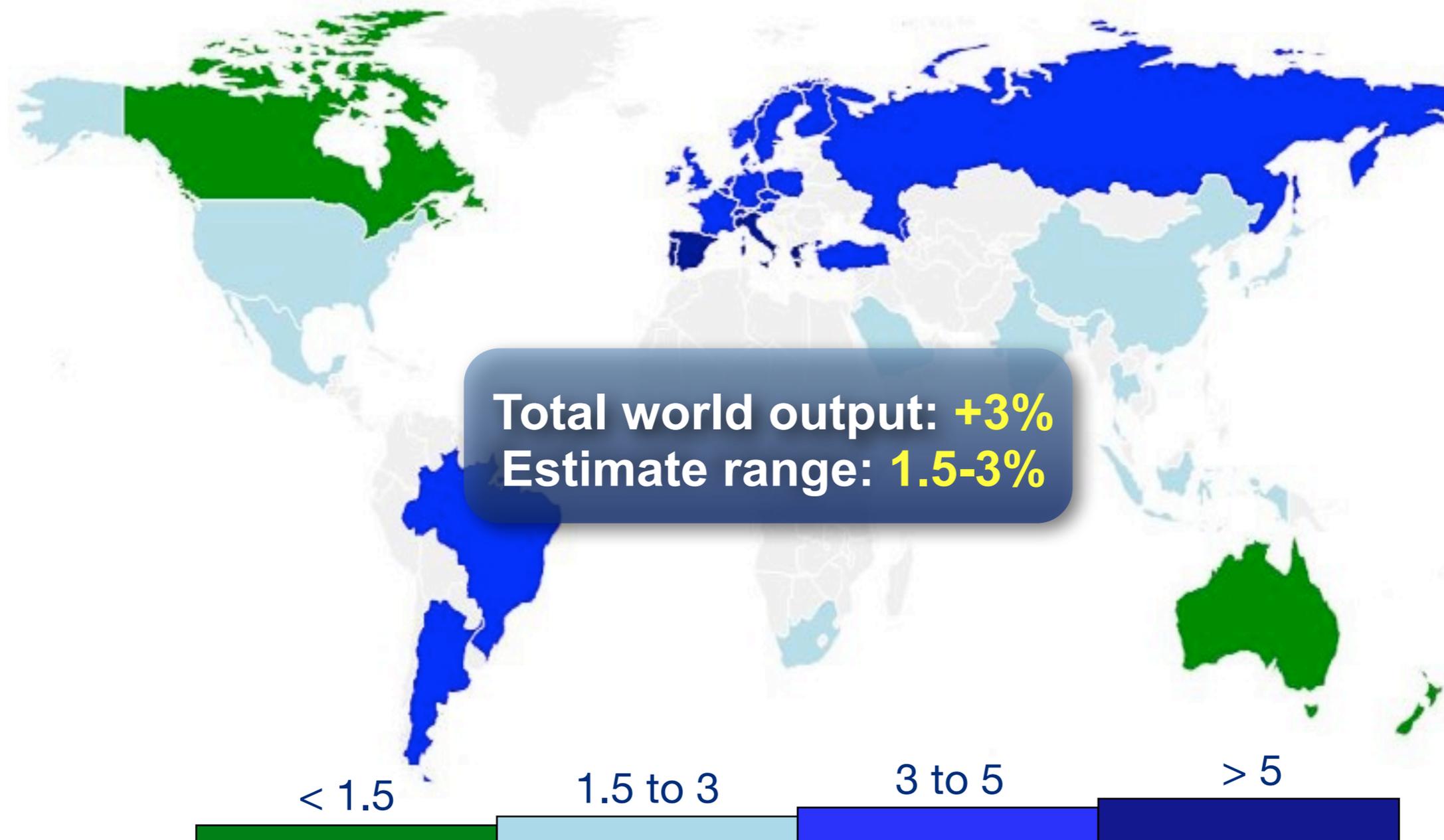
2012



# EA Stress Avoided



Spillovers from stabilization measures and reduced stress

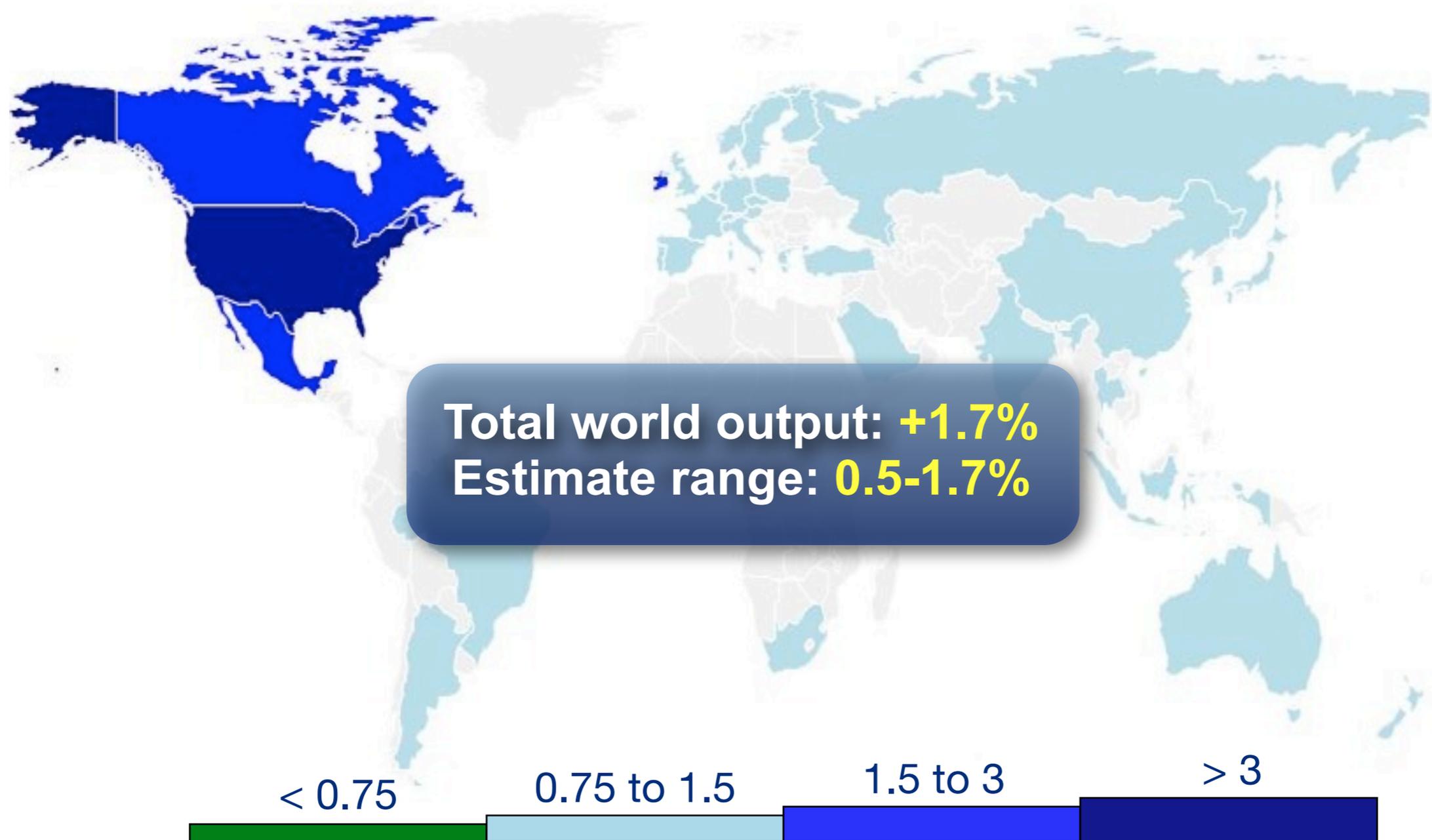


Percent deviation of output over June 2012 to end 2013 from a baseline of protracted high stress

# US Fiscal Cliff



## Spillovers from fiscal measures and market reaction

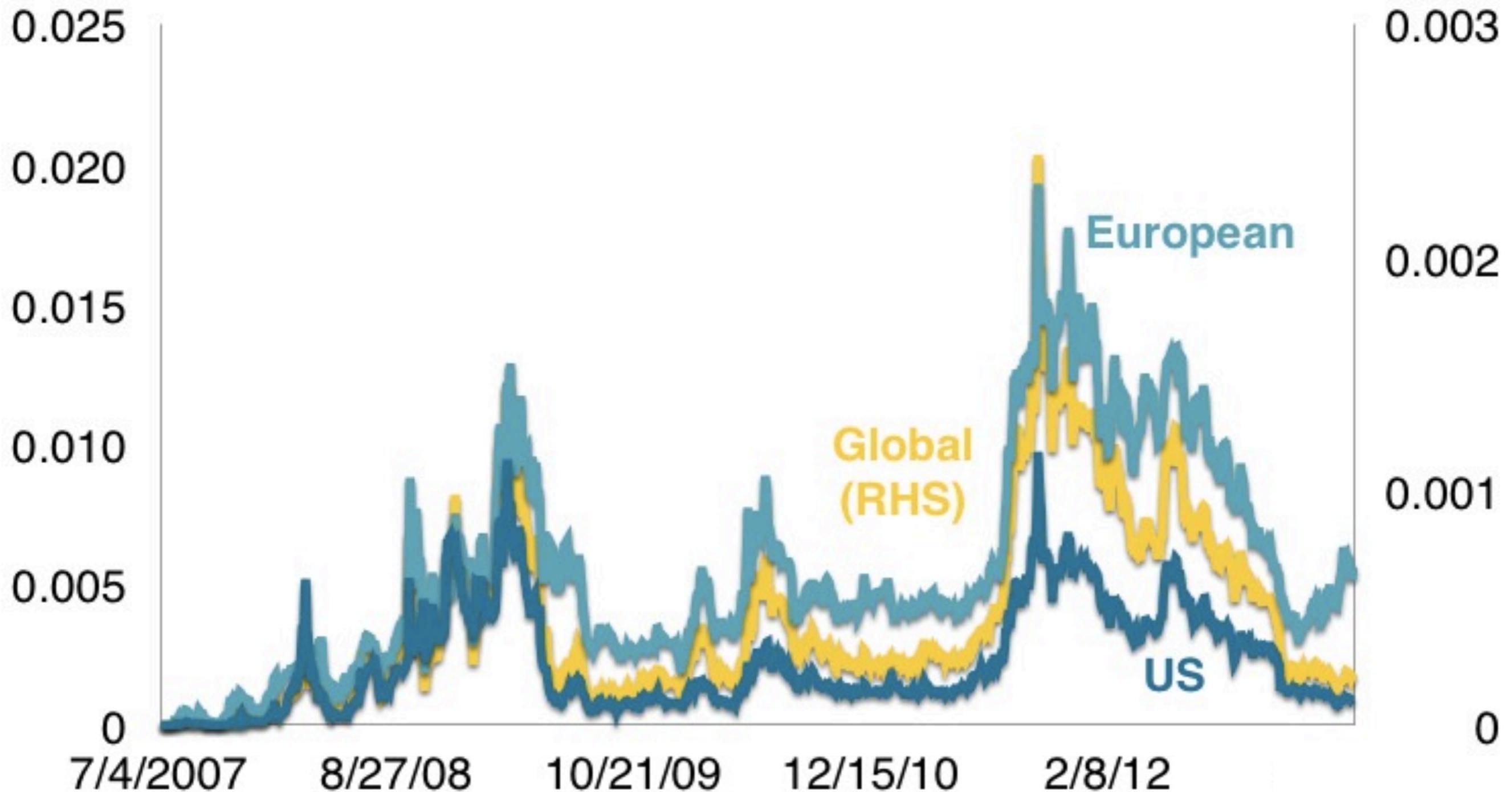


Percent deviation of output from fiscal cliff scenario in 2013

# Lower Global Financial Stress



## Joint Probability of Default in all SIBs

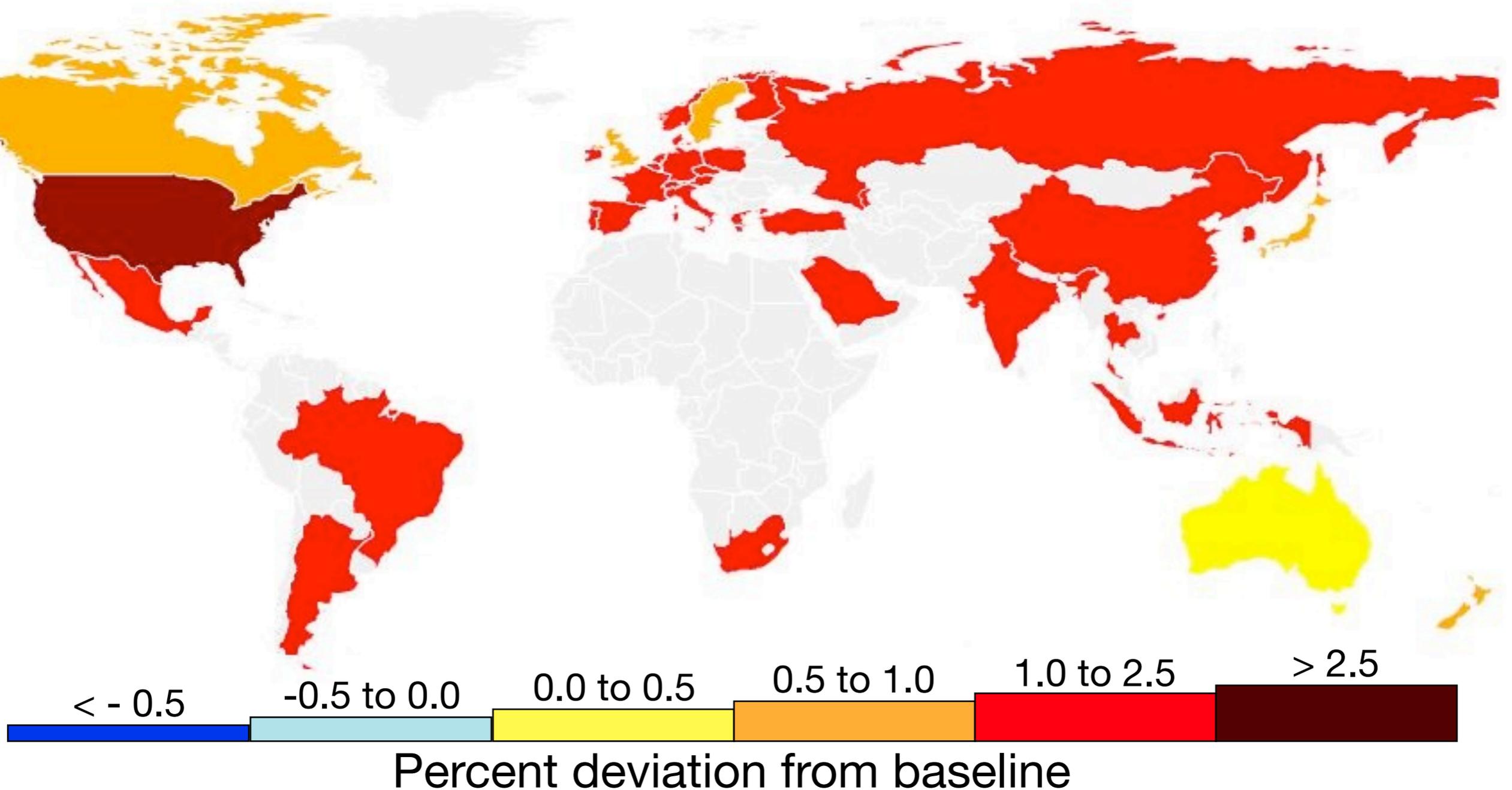


# 1B

## Unconventional Monetary Policy



Large output gains

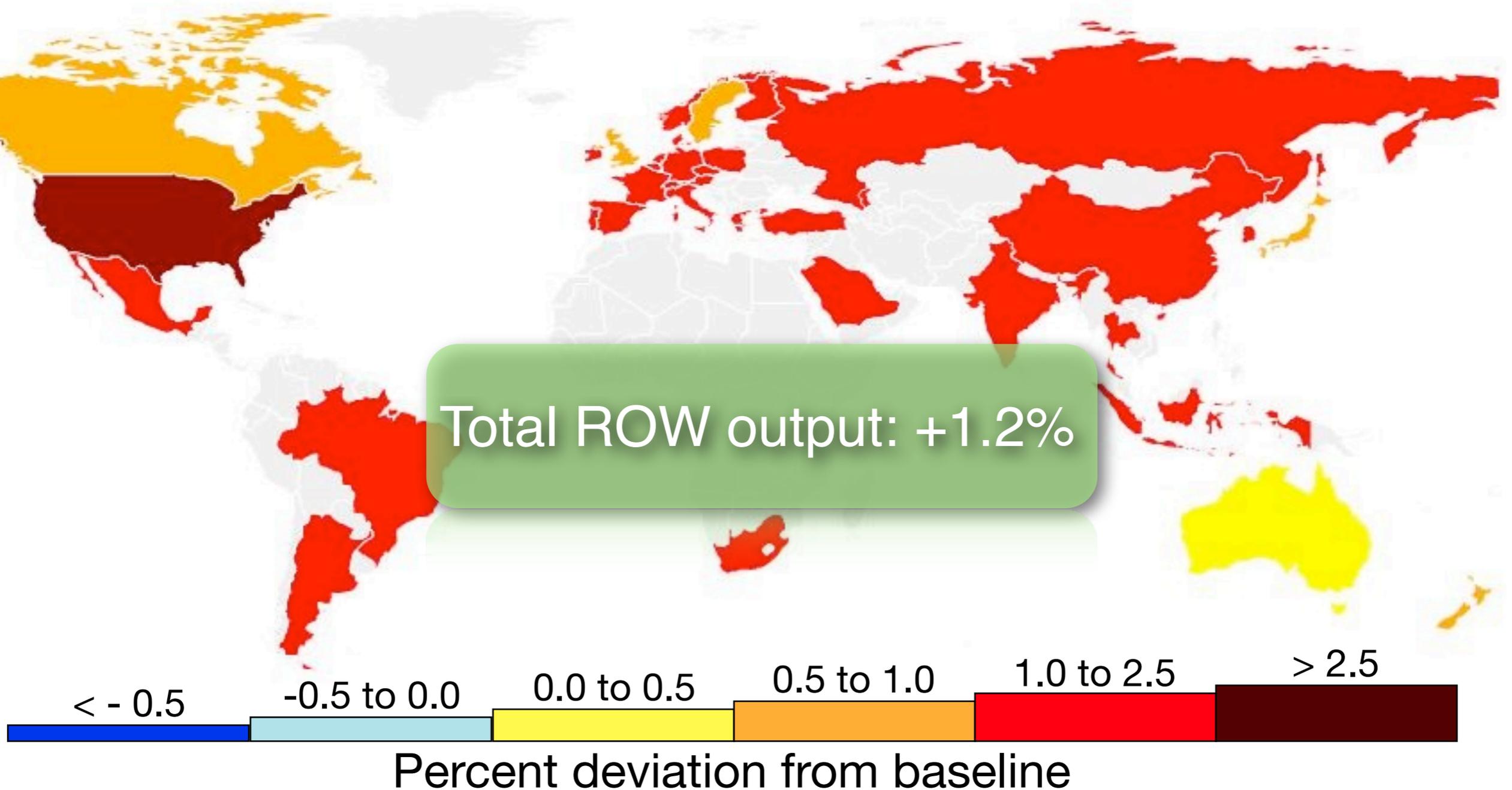


# 1B

## Unconventional Monetary Policy



Large output gains



**Higher growth  
Low vulnerabilities**



2013

**Higher growth  
Low vulnerabilities**



**UMP exit**

2013

# Spillovers from continued UMP



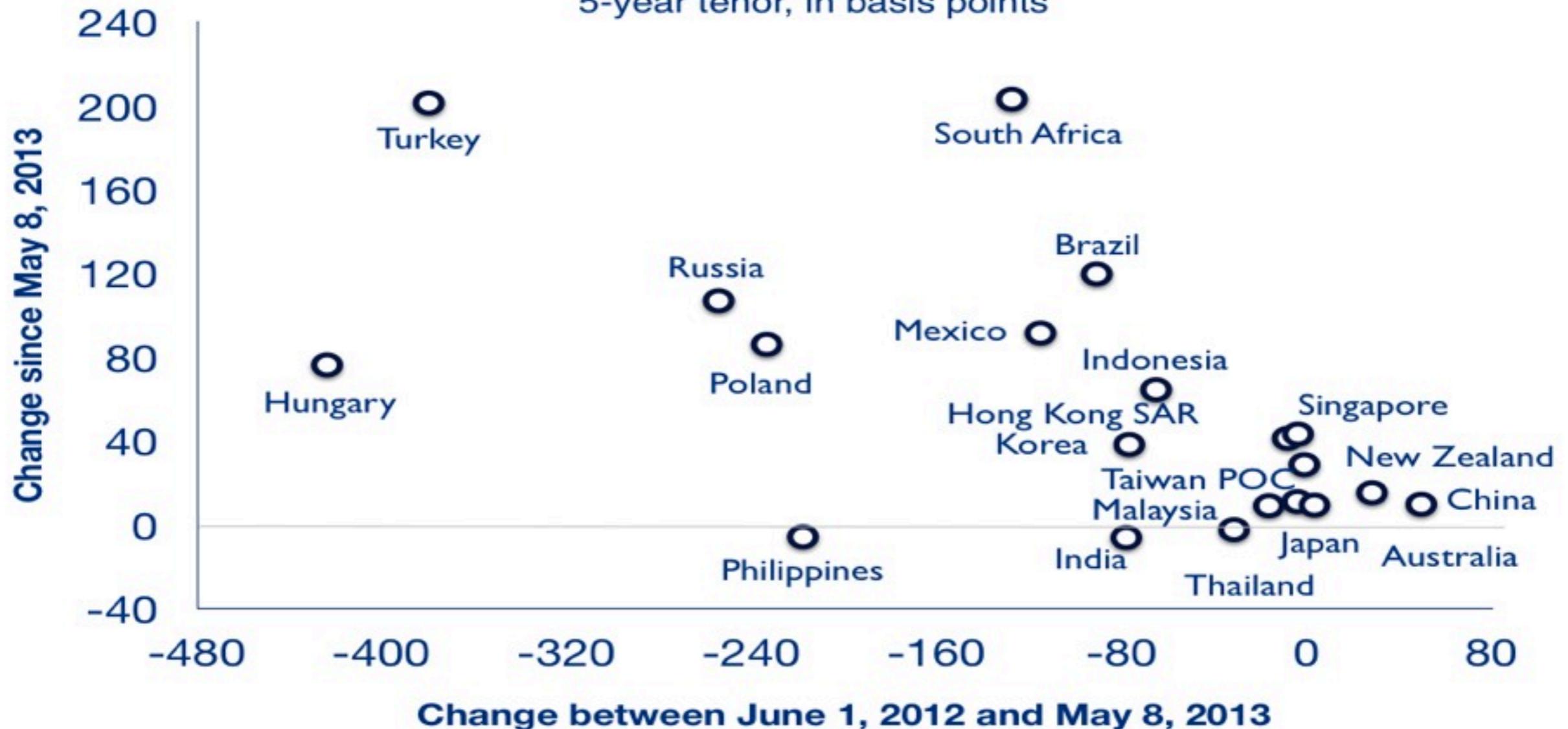
- **“Excessive” capital inflows**
- **Signs of underpricing of risk**
- **Risk of policy complacency**

# Tapering talk impact



## Mean Reversion in Local-Currency Government Bond Yields

5-year tenor, in basis points



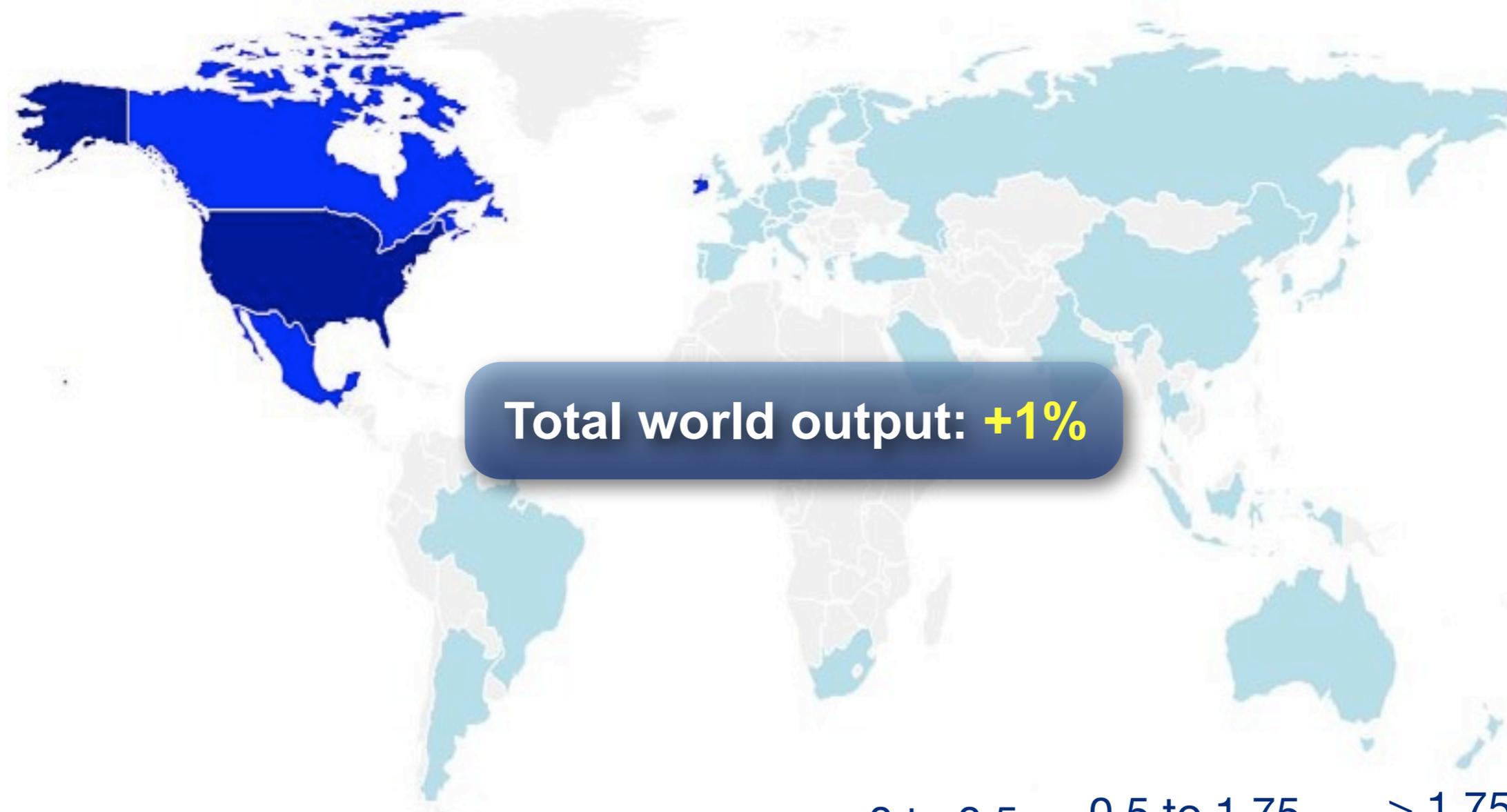
# Spillovers from US UMP Exit



# Spillovers from US UMP Exit



## Smooth exit



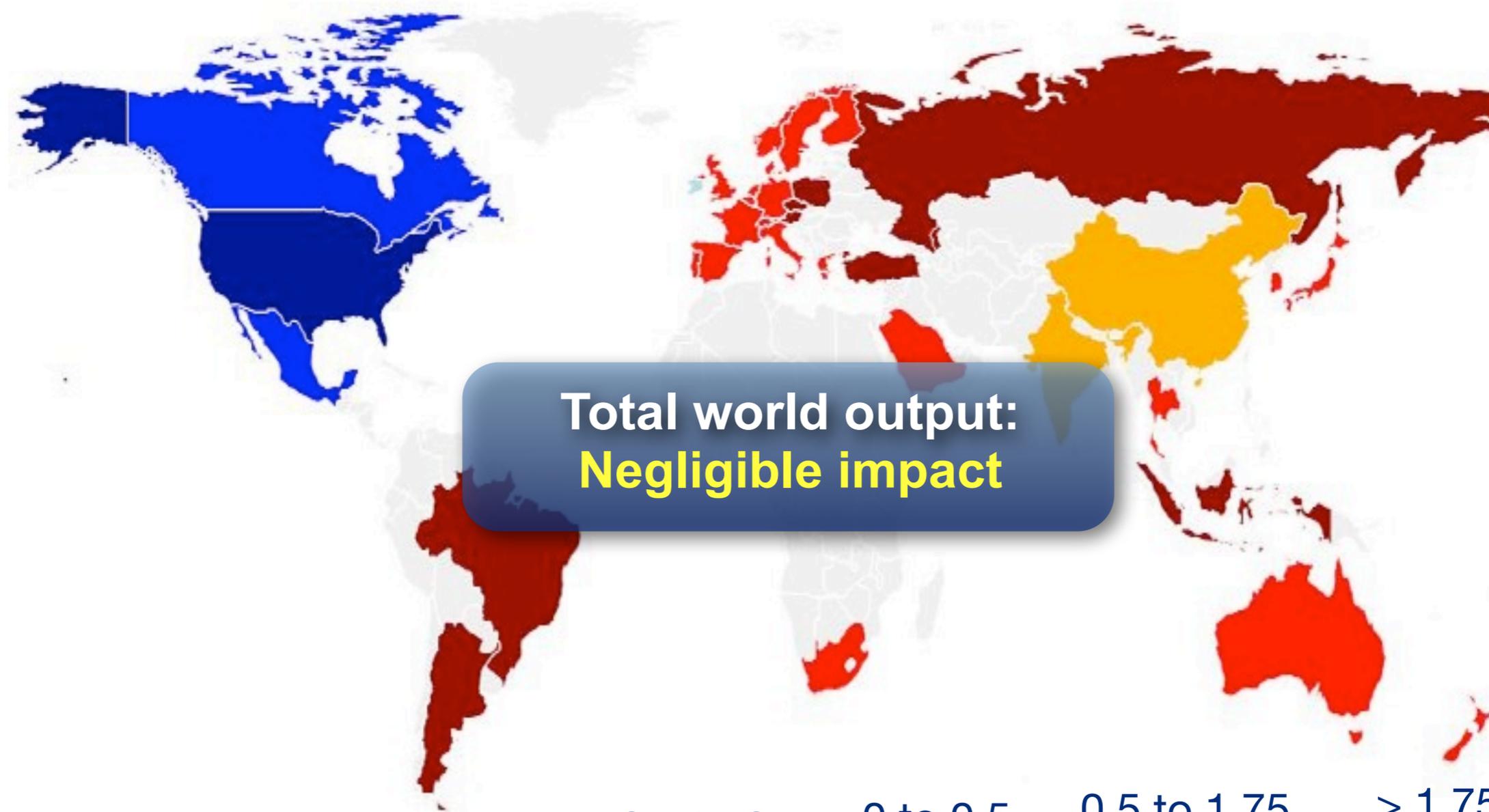
< - 1.25   -1.25 to -0.5   -0.5 to 0   0 to 0.5   0.5 to 1.75   > 1.75

Percent deviation of output from baseline in 2015 (G35-S)

# Spillovers from US UMP Exit



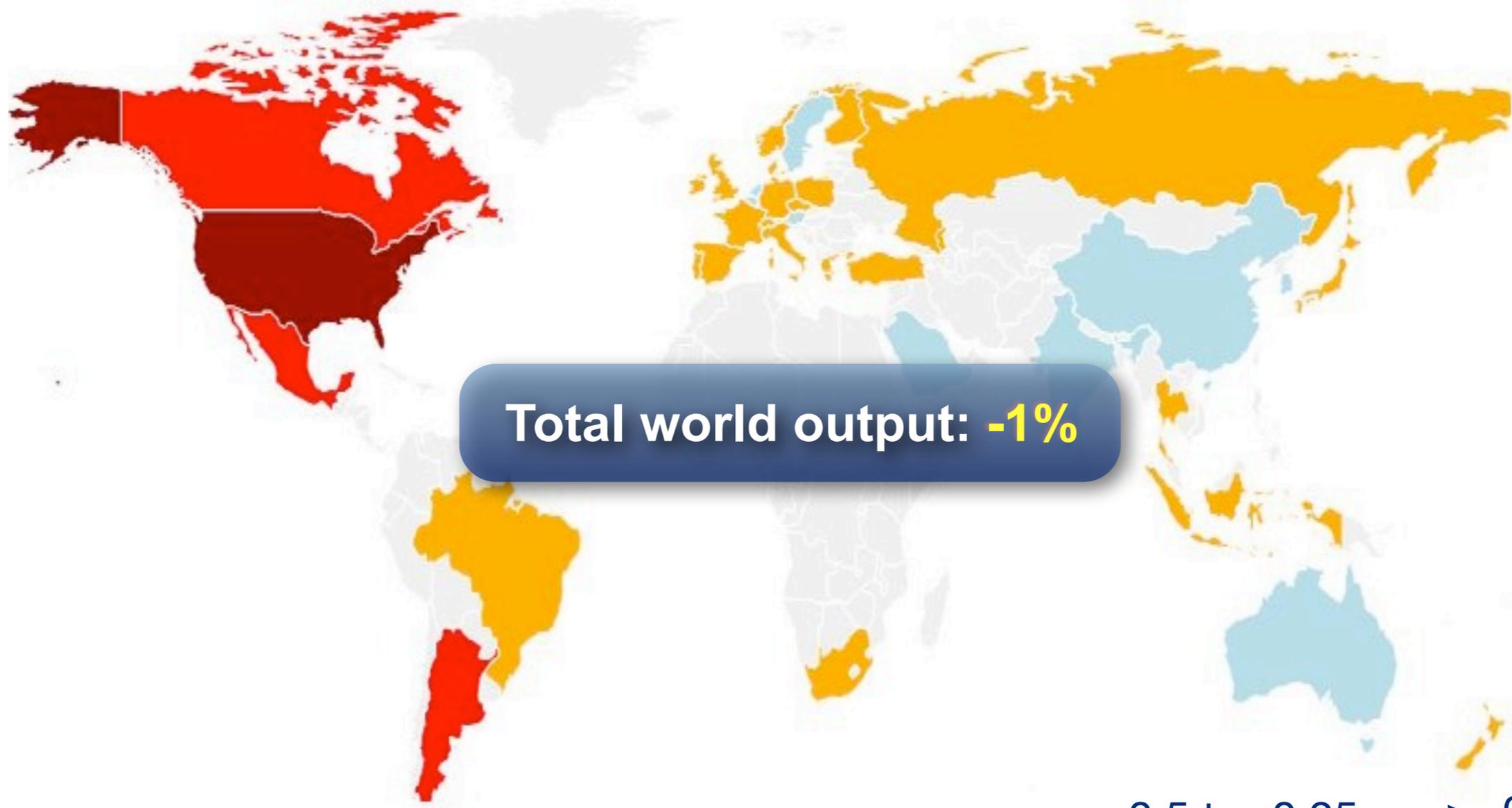
Exit with term premium shock



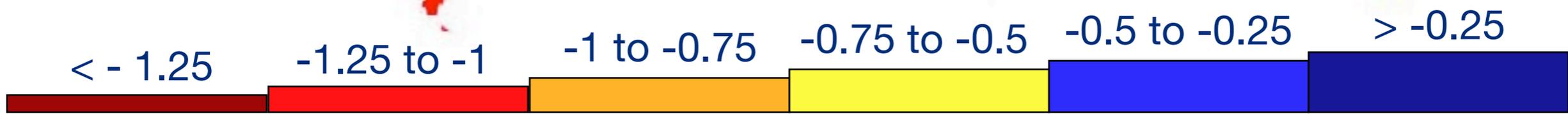
# Spillovers from US UMP Exit



Exit with term premium shock, but no higher growth



Total world output: -1%



Percent deviation of output from baseline in 2015 (G35-S)

**Higher growth  
Low vulnerabilities**

**Stalled growth  
Fiscal stress**

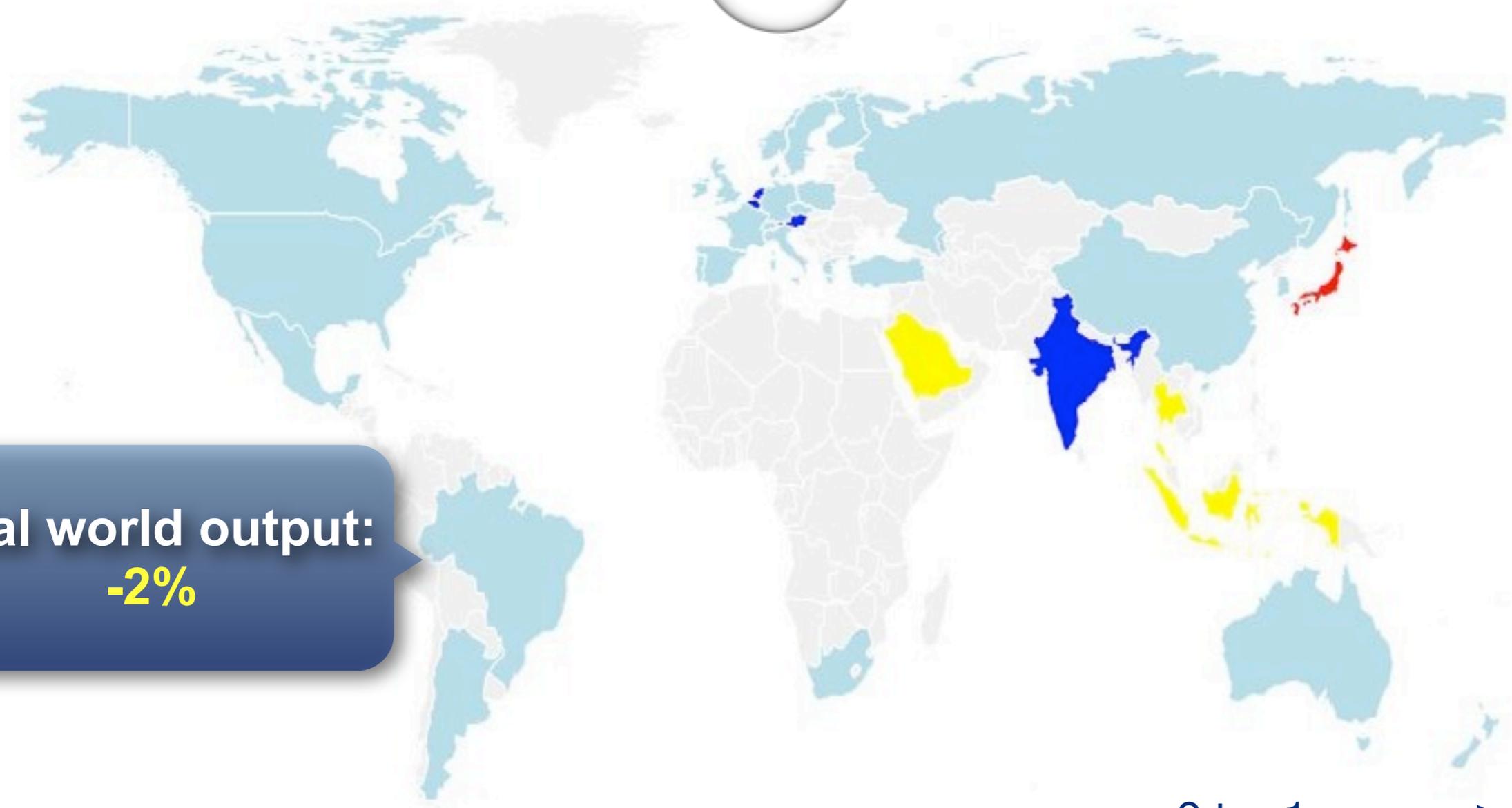


**UMP exit**

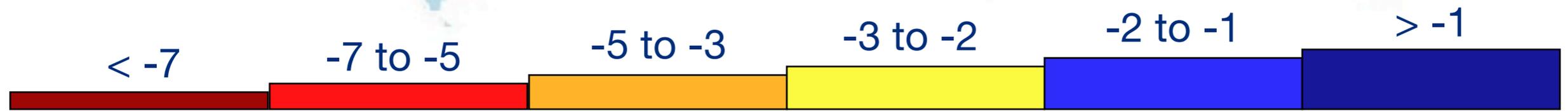
**2013**



# Impact of Sovereign Debt Stress

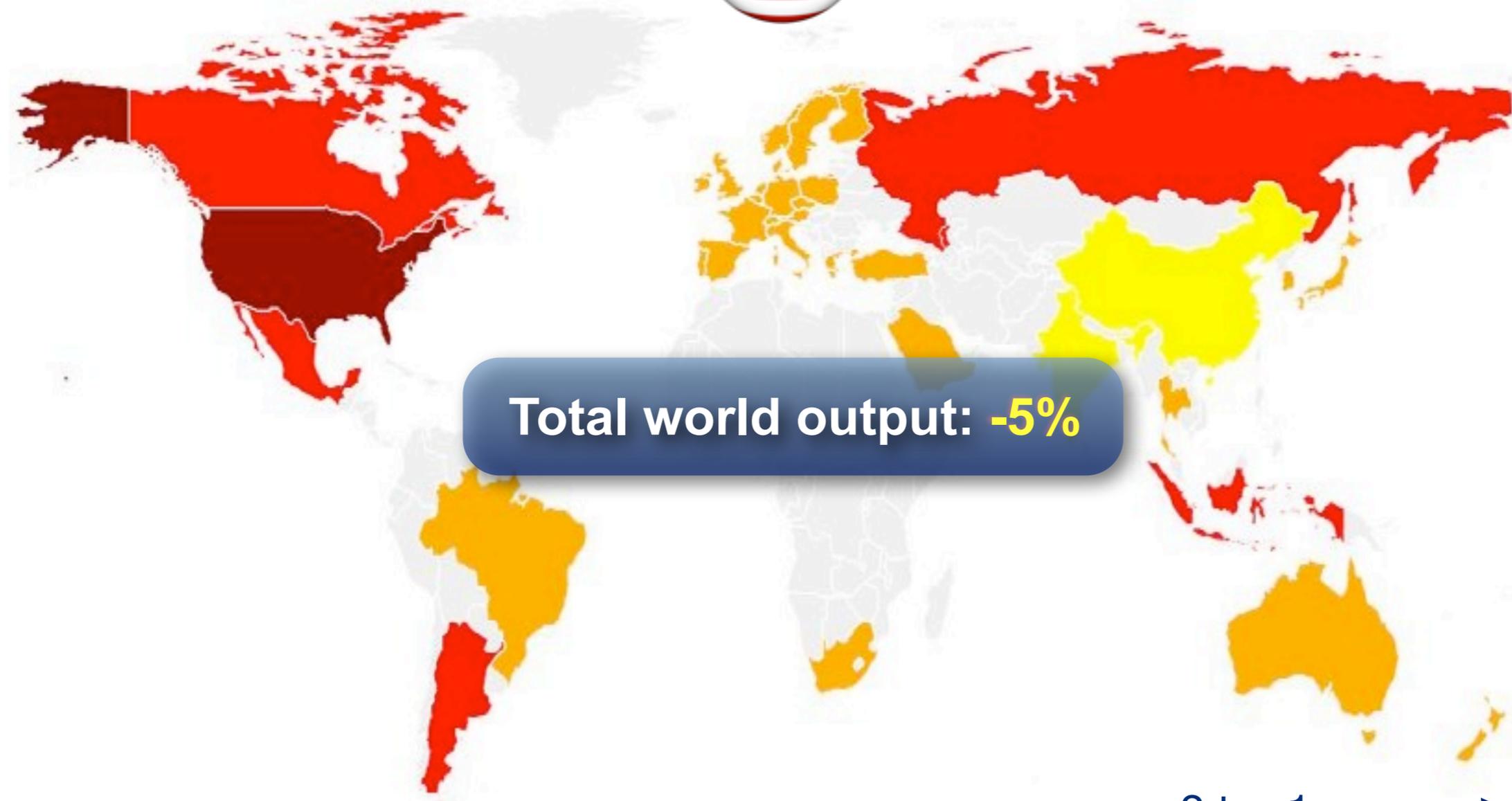


Total world output:  
**-2%**

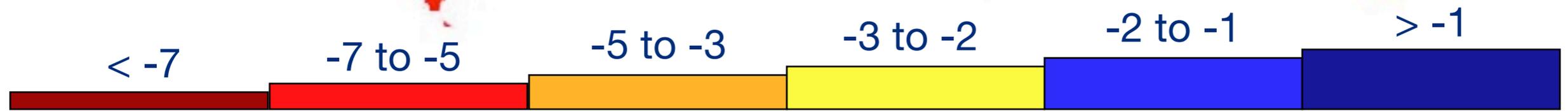


Percent deviation of output from baseline in first year (G35-S)

# Impact of Sovereign Debt Stress



Total world output: -5%



Percent deviation of output from baseline in first year (G35-S)

**Higher growth  
Low vulnerabilities**

**Stalled growth  
Fiscal stress**



**UMP exit**

**2013**

**Higher growth  
Low vulnerabilities**

**Stalled growth  
Fiscal stress**



2013

# Policy Actions



Euro area-wide policies to reverse financial market fragmentation  
Country-specific policies to implement structural reforms

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Monetary easing  
Targeted fiscal stimulus  
Structural reforms

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Adoption of a MT fiscal consolidation plan  
Slower fiscal consolidation in ST  
Smaller rise in private savings

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Continuation of policies to raise inflation  
Fiscal consolidation  
Structural reforms

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Financial sector reforms  
Service sector deregulation  
Fiscal reforms  
Greater exchange rate flexibility

# Combined Policy Action Synergies

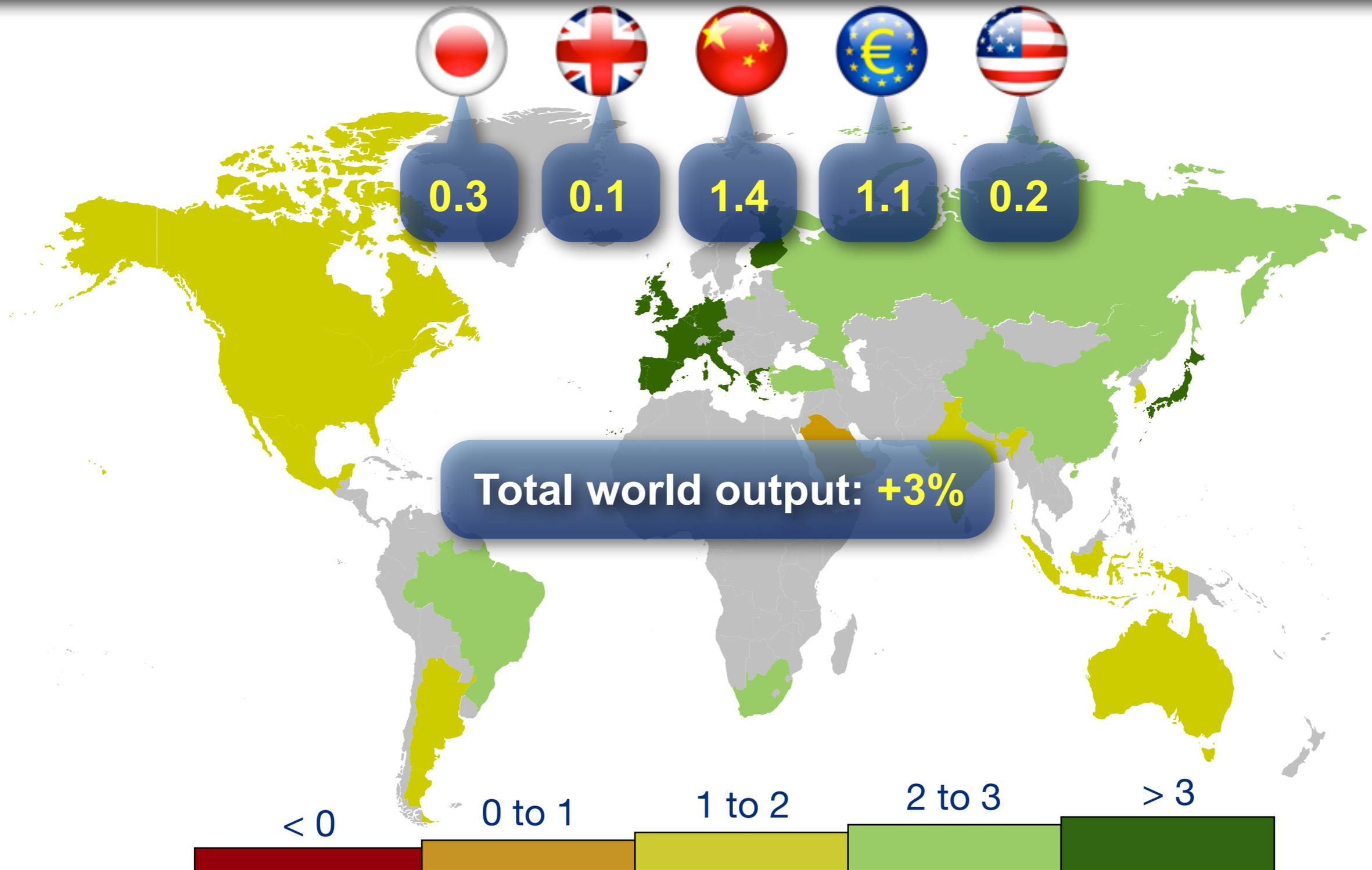


Total world output: +3%



Cumulative deviation of output from baseline, percent (G20MOD and EUROMOD)

# Combined Policy Action Synergies



Cumulative deviation of output from baseline, percent (G20MOD and EUROMOD)

# SPILLOVER REPORT 2013

- 2013 Spillover Report

<http://www.imf.org/external/np/pp/eng/2013/070213.pdf>

- Background paper

<http://www.imf.org/external/np/pp/eng/2013/070313a.pdf>

- Supplement paper

<http://www.imf.org/external/np/pp/eng/2013/071113.pdf>

- Video

<http://www.imf.org/external/mmedia/view.aspx?vid=2579051368001>

