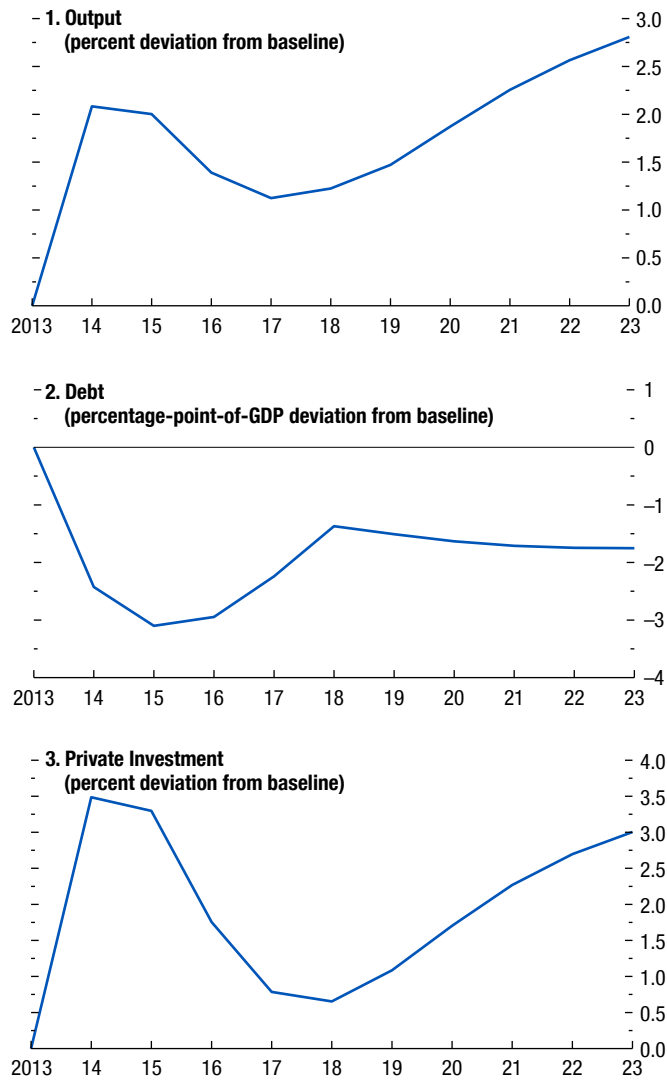


**Figure 3.9. Model Simulations: Effect of Public Investment in Advanced Economies in the Current Scenario**

When monetary policy in advanced economies is accommodative, public investment shocks have a substantial short-term effect on output, bringing about a decline in the public-debt-to-GDP ratio.



Source: IMF staff estimates.

Note: Shock represents an exogenous 1 percentage point of GDP increase in public investment spending.