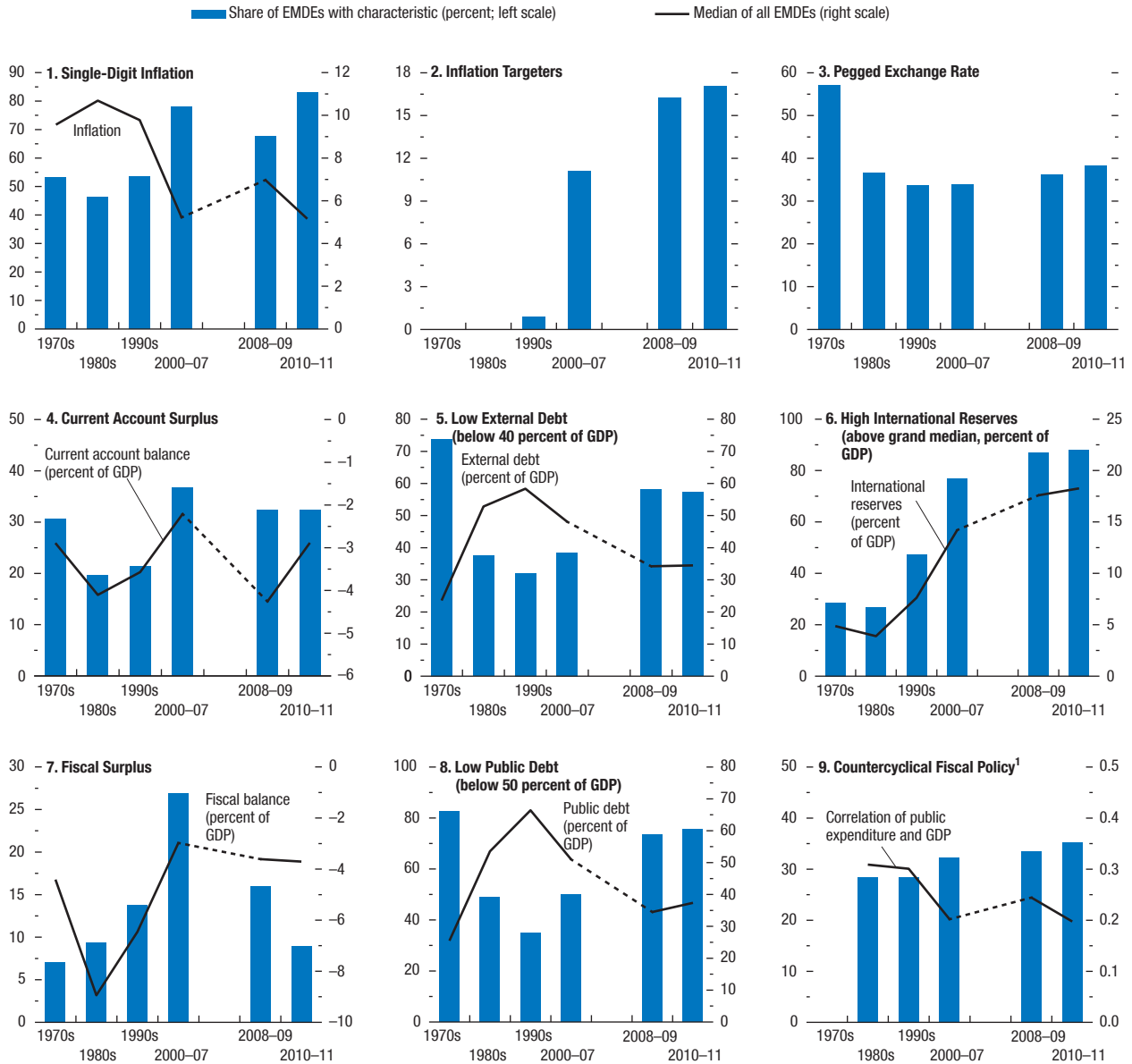


**Figure 4.11. Policy Frameworks and Policy Space in Emerging Market and Developing Economies**  
(Percent unless noted otherwise)

Policy frameworks in these economies have improved in the 2000s as more adopted nonpegged exchange rates, inflation targeting, and countercyclical fiscal policy. Policy space also improved: more economies enjoyed single-digit inflation, current account and fiscal surpluses, lower external and public debt, and higher international reserves.



Source: IMF staff calculations.

Note: EMDE = emerging market and developing economy.

<sup>1</sup>The cyclical behavior of fiscal policy is measured as the correlation between the cyclical components of real government expenditure and real GDP (Kaminsky, Reinhart, and Végh, 2004). A negative correlation denotes countercyclical fiscal policy.