Meeting of G-20 Finance Ministers and Central Bank Governors

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Global Economic Prospects and Policy Challenges

Prepared by Staff of the International Monetary Fund
EXECUTIVE SUMMARY

The global recovery is fragile and uneven, with financial sector strains having receded somewhat, but markets remaining acutely sensitive to sovereign and banking sector risks. Global growth was stronger than expected during the first half of 2010, but is projected to slow during the second half of 2010 and the first half of 2011.

- In advanced G-20 economies, the recovery is beginning to gradually transition from being driven by policy-related stimulus and inventory rebuilding to investment, but private consumption remains sluggish.

- Activity in emerging G-20 economies has been led by a recovery in domestic demand and the rebound in global trade, but has recently begun to moderate to more sustainable levels.

Downside risks to economic recovery remain large. Further strains in the U.S. housing market, the lack of credible medium-term fiscal consolidation plans, risks of spillovers from turbulence in sovereign debt markets, risks of overheating and asset price bubbles in emerging economies owing to large capital inflows, and fears of financial and trade protectionism and currency instability continue to weigh on economic recovery.

Rebalancing of global demand remains the lynchpin for securing strong, sustainable, and balanced growth. This involves internal rebalancing in advanced economies, anchored by a shift from public- to private-demand-led growth, and external rebalancing, underpinned by an increase in net exports in advanced deficit countries and a decrease in net exports in emerging surplus economies.

- External and internal rebalancing interact in important ways—increases in net exports in advanced countries would bolster growth, allowing greater scope for fiscal consolidation, while strengthened domestic demand in emerging economies would help support growth in the face of lower exports.

- Currently, internal rebalancing remains sluggish in major advanced G-20 economies. External imbalances, after declining during the crisis, are projected to not narrow any further over the medium term. Many of the distortions underlying large pre-crisis imbalances—including undervalued exchange rates in key emerging economies and insufficient domestic saving in advanced deficit economies—remain.

While continuing to support recovery, policy priorities across G-20 countries should increasingly focus on medium-term requirements, aimed at rebalancing global demand.

- Advanced economies must expeditiously repair and reform financial sectors, to normalize credit conditions and support internal rebalancing, which is contributing to large capital inflows to emerging economies.

- Advanced economies should also put in place and begin implementing credible medium-term fiscal consolidation plans to anchor confidence, crowd-in private demand, and create room for fiscal policy maneuver. As part of these plans, consolidation should begin in 2011. If global growth risked to slow appreciably more than expected, countries with fiscal room could postpone the planned consolidation, and all but the most vulnerable economies should allow automatic stabilizers to operate freely.

- In key emerging surplus economies, exchange rate appreciation should begin in earnest, accompanied by an acceleration of reforms aimed at boosting domestic demand—in the absence of policies targeting the elimination of underlying distortions, global imbalances will continue to widen, threatening growth prospects in both advanced and emerging economies.
Global Economic Prospects and Policy Challenges

The global economic recovery continues to advance, but remains uneven and fragile, with downside risks remaining elevated. Financial sector strains have receded recently, but markets and institutions remain sensitive to sovereign and banking sector risks. Global growth has been somewhat stronger than expected during the first half of 2010, but is projected to slow during the second half of 2010 and the first half of 2011. Policy priorities in the G-20 should continue to support recovery, but must focus increasingly on rebalancing global demand, which is critical for strong, sustainable and balanced growth.

I. MODEST REBALANCING OF GLOBAL DEMAND

Recovery and growth prospects depend on two rebalancing acts. Internal rebalancing, involving a shift from public- to private-demand-led growth, and external rebalancing, underpinned by an increase in net exports in advanced deficit countries and a decrease in net exports in emerging surplus economies. Progress on global demand rebalancing remains slow and sluggish.

1. In advanced G-20 economies, internal rebalancing is advancing, albeit slowly. In particular, recovery is beginning to transition gradually from being driven by policy-related stimulus and inventory rebuilding to investment, but private consumption remains sluggish. Unemployment remains high in several advanced economies, which, coupled with large excess capacity and well-anchored inflation expectations, has reduced inflation to low, albeit thus far stable, levels. In the context of a tepid recovery and limited room for further fiscal support, a number of major advanced economies continue to maintain an accommodative monetary policy stance, including through an expansion of central bank balance sheets.

- In the United States, growth slowed markedly in the second quarter on the back of an unexpected surge in imports and leading indicators point to continuing weakness in the near term. Capital investment has shown some signs of strength, but this has not been accompanied by a robust and sustained recovery in employment and private consumption, owing in part to continuing repair of household balance sheets.

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1 Prepared by a team from the IMF’s Research Department—led by Krishna Srinivasan, and including Troy Matheson, Mitali Das, David Reichsfeld, Marina Rousset, and Eric Bang—with input from the Fiscal Affairs and Monetary and Capital Markets Departments.
In Japan, fiscal stimulus and intra-regional trade have boosted growth since late last year, but private demand continues to be sluggish and activity has slowed more recently and remains appreciably below pre-crisis levels.

In contrast, activity in the euro area showed significant strength in the second quarter, led by strong growth in Germany. However, weaker trading partner growth, lingering difficulties in the financial system, and high unemployment rates are expected to weigh on growth.

2. In emerging G-20 economies, robust activity has been sustained by a recovery in private demand and the rebound in global trade. Reflecting the relative strength of economic activity, unemployment has declined in these economies (with a few exceptions, such as South Africa), while inflation is generally higher, although some moderation is expected as commodity prices stabilize. Medium-term prospects, however, remain linked to developments in advanced economies.

Growth in emerging Asia and Latin America is beginning to moderate, but activity remains robust. In both regions, private fixed investment, employment, and consumption have expanded vigorously as the temporary effects of the inventory rebuilding and policy stimulus wane, hinting at an increasingly self-sustaining recovery. The recovery is more subdued in other emerging economies, particularly in parts of emerging Europe and the Commonwealth of Independent States.

3. Internal rebalancing in advanced economies has been hampered by financial sector uncertainty, with financial markets, notably in Europe, remaining particularly wary of spillovers from sovereign debt markets to bank balance sheets. Moreover, insufficient progress on financial sector repair and reform in advanced economies has impeded the normalization of credit, raising the burden on monetary policy to support activity, contributing to large capital flows into emerging economies.

In advanced economies, turbulence in financial markets earlier this year has receded but not entirely dissipated, notwithstanding large-scale intervention by central banks. The situation remains stressed, partly owing to the costs of banking sector problems (particularly in Ireland), continuing concerns about debt sustainability and competitiveness (Portugal and Greece), and more broadly from worries about recovery prospects in the major economies.

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2 Commodity prices have lost some of the strong gains realized during the initial phase of the recovery and are expected to remain broadly unchanged in the near term. More recently, disappointing harvests in key countries have resulted in sharply escalating wheat prices. Current market pricing, however, suggests that this is a temporary shock, with spillovers to other food prices expected to be limited. Nonetheless, higher wheat prices could yet have adverse effects in some low income countries, where food represents a large fraction of household expenditures.
• Financial sector uncertainty continues to be a drag on private demand, notwithstanding a tepid and incipient recovery in private sector credit. Bank lending surveys in the major economies show that lending standards have just about ceased to tighten, but credit availability remains modest, with growth rates remaining well below pre-crisis levels. Moreover, the heavy refinancing schedules facing European banks and the exposure to real estate among some U.S. banks represent important risks to the continued normalization of credit conditions, especially given the possibility of larger backlogs in foreclosures due to signs of widespread irregularities in documentation.

• In emerging economies, capital inflows are driving down yields and boosting financial activity, especially in countries with open capital accounts. Credit growth has been picking up in most regions. Real-estate-driven credit growth in parts of emerging Asia has eased considerably since earlier this year, following successful intervention with macro-prudential measures.

4. Fiscal consolidation efforts across individual G-20 countries reflect the balance between the continued need for supporting recovery, because of an insufficient pick-up in private demand, and making a credible start towards strengthening public finance. Overall, notwithstanding some improvements for 2010, the medium-term fiscal outlook in G-20 advanced economies remains challenging, while the fiscal outlook for G-20 emerging economies is more favorable.

• In advanced G-20 economies, after deteriorating by about 5 percent of GDP in 2009, fiscal balances are expected to improve by 1¼ percentage points in 2011
relative to 2010. The improvement reflects some front-loading of fiscal adjustment in vulnerable euro area economies, tightening measures in the United Kingdom, and a lower projected deficit in the United States. By 2015, the overall increase in the average gross debt-to-GDP ratios since the beginning of the crisis is still projected to be nearly 40 percentage points.

- The fiscal outlook for emerging G-20 economies is generally more favorable, with debt ratios expected to decline over the medium term and remain, on average, below 40 percent. The fiscal outlook has generally improved owing to rebounding activity, including in some countries with large fiscal deficits. There are some differences in fiscal positions across these economies, and countries with better positions do not need to undertake much tightening. Nevertheless, most countries are planning to consolidate in 2011.

5. **External rebalancing in the G-20 remains modest, with global imbalances, after declining with the collapse in global trade during the crisis, not expected to narrow over the medium term.** Dynamics of current account balances within the G-20 are expected to change. Surpluses of oil-exporting countries are expected to narrow, while balances of other emerging surplus and advanced deficit economies are expected to widen further. Many of the distortions underlying large pre-crisis imbalances—including undervalued exchange rates in key emerging surplus economies and insufficient domestic saving in advanced deficit economies—remain. Without policies targeted at correcting these underlying distortions, global imbalances will not narrow on a durable basis, and risk undermining global growth prospects and fiscal sustainability.

6. **Capital flows to emerging economies have recovered strongly following the recent turmoil in financial markets, but have not helped catalyze a rebalancing of global demand.** In the context of accommodative monetary policies in major advanced G-20 economies, a search
for yield along with stronger growth prospects have resulted in large capital flows to emerging economies, notably those with open capital accounts.

- Some countries, such as Brazil, have received particularly large volumes of capital inflows—this reflects yield differentials, the desire of real money investors to secure greater exposure to major emerging economies (notably the BRICs), and the relatively closed capital accounts of other countries, such as China.

- Capital inflows should help external rebalancing, but much depends on how they are put to use and—perhaps more importantly—the extent to which they are accompanied by exchange rate appreciation. The policy response to capital inflows in key emerging surplus economies, notably in Asia, has been to intervene in foreign exchange markets to accumulate reserves and limit currency appreciation, contributing to continuing significant exchange rate misalignments relative to fundamentals—for instance, the Chinese renminbi remains substantially undervalued. At the same time, some other emerging economies, notably South Africa and countries in Latin America, have allowed their currencies to appreciate substantially in nominal effective terms, boosting real-effective exchange rates to levels that are looking increasingly overvalued. The significant cross-country differences in the extent of de facto exchange rate flexibility and the limited scope for policy responses in countries receiving large inflows is stirring some tension across G-20 members.

- The real effective exchange rates of Japan, the euro area, and the U.K. all appear broadly in line with medium-term fundamentals, while the U.S. dollar is on the strong side of fundamentals. While advanced economies have generally avoided intervening in currency markets, some have intervened more recently to limit rapid appreciations, contributing to the above-mentioned tension on this issue.

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3 In the case of undervalued exchange rates in rapidly growing emerging economies, relatively strong cyclical positions would reinforce the case for real appreciation.
II. PROSPECTS AND RISKS

7. **The global recovery has entered a new phase.** Growth has moderated owing to a weakening of public demand even as private demand remains sluggish in the *advanced economies*, while external rebalancing continues to provide limited impetus.

- Growth in *advanced economies* is expected to remain subdued in the near term. In the second half of 2010 and first half of 2011, the most likely prospect is of continued but more moderate, multi-speed recovery, as the inventory-led rebound gradually slows, the impact of accommodative fiscal policies fades, and high uncertainties in financial markets continue to weigh on activity. Thereafter, continued financial healing is expected to strengthen employment and private demand.

- Projections are for still-robust growth in *emerging and developing economies*, where domestic demand will remain strong—albeit at moderating levels—carrying growth as demand from *advanced economies* slows. However, activity in these economies, particularly in emerging Asia, remains linked to demand in *advanced economies*. The modest effects, so far, of the financial turbulence on commodity prices are not expected to detract significantly from commodity producers’ relatively solid near-term growth prospects.
8. **Downside risks to the recovery remain elevated.** Key downside risks include:

- *Renewed pressures in the U.S. housing market:* The foreclosure backlog in U.S. property markets is large and growing, and could contribute to further decline in real estate prices, compounding the debt overhang problems of households. Some U.S. banks still have significant real estate exposure. They could experience disproportionate losses and hinder bank supply of credit and, through macro-financial linkages, hamper market confidence and the global recovery.

- *Spillovers from renewed turbulence in sovereign debt markets, notably in Europe:* A key risk is that turbulence in sovereign debt markets precipitates an adverse feedback loop with the financial sector, and spills over to the real economy and across regions through higher funding costs, tighter lending conditions, and retrenchment in capital flows. Turmoil in sovereign bond markets could also be initiated by new capital shortfalls in the banking sector, which would add further pressure on public finances and trigger renewed loss of market confidence.4

- *The lack of credible medium-term consolidation plans.* If major advanced economies delay announcing credible medium-term fiscal consolidation plans, underpinned by conservative growth assumptions and concrete policies and measures, there is a risk that confidence will be undermined and bear upon recovery prospects. This could have wider ramifications through real and macro-financial linkages.5

- *Capital flows and risks of overheating in emerging economies.* Large capital inflows into major emerging economies, coupled with insufficient policy levers in some, pose risks of overheating and asset price booms, with attendant spillovers, and could undermine sustainable recovery.

- *Financial and trade protectionism and currency instability:* A recent wave of foreign-exchange interventions to limit appreciation in some emerging and advanced economies, predominantly in Asia and Latin America, has raised the specter of protectionism, which could derail the global recovery. This has reinforced the need for more a collaborative approach to put the global recovery on a stronger footing.

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4 A significant amount of sovereign debt is also maturing in vulnerable euro area economies in the remainder of 2010 and in 2011, and these countries will face competition in refinancing this debt from the significant rollover needs of other advanced economies and banks. Financial sector disruptions could still trigger a loss of market confidence that could undermine the global recovery.

5 Important issues that still need to be addressed are: the need to specify concrete measures that would allow the attainment of the announced deficit targets; the need to start delivering on the medium-term plans in countries that have already adjusted in 2010; the need to commit to concrete long-term debt targets; and the need for plans to tackle medium-term spending pressures, particularly health care.
III. Policy Challenges

Collaborative policies that support a rebalancing of global demand are crucial to secure strong, sustainable, and balanced growth. In advanced economies, two key policy priorities—financial sector reform and credible medium-term fiscal consolidation—are central to catalyzing a pick-up in private demand. External rebalancing will require reforms aimed at boosting domestic demand in emerging surplus economies, notably through greater exchange rate flexibility.

Policy Priorities in Advanced Economies

9. The financial sector remains the Achilles’ heel of recovery prospects for private demand. In many advanced economies, insufficient progress with repair and reform is weighing on credit growth, and slowing the normalization of monetary and fiscal policies, with adverse spillovers on emerging economies, through large and volatile capital flows. Accelerated financial sector restructuring and reform should thus be top priorities. Moving expeditiously to address the legacies of the crisis—including bank funding concerns, the resolution of weak banks, and the restructuring of balance sheets for distressed households—as well as to alleviate regulatory uncertainty will strengthen financial systems and help catalyze rapid private-demand-led growth.

10. Fiscal policies must increasingly address medium-term requirements to enable debt sustainability. A key priority is for policymakers to further specify and begin implementing medium-term consolidation plans to help achieve sustainable fiscal positions. Successful fiscal adjustment will require that medium-term consolidation plans are accompanied by structural reforms that raise the trend level of growth and thus support long-term fiscal solvency.

- Fiscal consolidation in advanced economies should begin in 2011, but the type and speed of adjustment should reflect different circumstances in different countries, especially in terms of the pace of recovery and risks to fiscal credibility. On the whole, country consolidation plans for 2011 strike an appropriate balance between making a credible start toward strengthening public finances and continuing to support the recovery.

- If growth risks to slow appreciably more than expected, some of the planned consolidation could be slowed or postponed in countries with more fiscal room. Monetary policy must remain the first line of defense, although this line is becoming increasingly thin in most advanced economies. In all but the most vulnerable countries, automatic stabilizers should be allowed to operate fully and, where stabilizers are small, temporary support (such as extended unemployment benefits or wage subsidies) could be continued.

- Medium-term consolidation plans should emphasize policy measures that reform rapidly growing spending programs—such as pensions and public health care—and make permanent reductions to non-entitlement spending, with a view to improving labor supply and investment. Moderate adjustments to current policies, such as increasing the retirement age, may entail no effect on demand in the short-run but can have large
beneficial effects on fiscal sustainability. Strengthening fiscal institutions, through improved budgetary processes, better fiscal monitoring, and, in the EU, improved governance frameworks, can play important roles in consolidation. Credible medium-term consolidation in advanced economies may allow more fiscal room, alleviating the need for accommodative monetary policy and reducing large and potentially unstable flows to emerging economies.

11. Given a fragile recovery, an accommodative monetary policy stance remains appropriate in advanced economies, but negative spillovers to other economies, in particular emerging economies, need to be closely watched and managed carefully. In particular, maintaining accommodative monetary policy through 2011, including through an expansion of central bank balance sheets, can counteract some of the contractionary effects of fiscal consolidation. At the same time, however, policymakers should be mindful of the impact of such action on other economies, notably through large and volatile capital flows. A key to addressing this challenge is to expeditiously reform and repair financial sectors in the major advanced economies, which would both help catalyze a sustained private demand-led recovery in these economies, allow for interest rates increases and limit spillovers to emerging economies.

12. Fiscal adjustment will be easier if consolidation plans are accompanied by structural reforms. History has shown that fiscal adjustment is more effective in the context of high growth. It is thus crucial that adjustment plans be complemented with reforms that raise the trend level of growth. In many economies facing large fiscal adjustment, structural reforms, particularly in labor and product markets—such as eliminating dualism and supporting greater competition and lower markups, respectively—can raise potential growth, increase competitiveness, and thereby support long-run fiscal solvency.

Policy Priorities in Emerging G-20 Economies

13. Given strong trade and financial links, external rebalancing is in the best interest of emerging surplus economies. As many of these countries gain weight in the global economy, strategies to promote export-led growth will become less viable from a multilateral viewpoint, and eventually cause tensions as countries compete for a share of global demand. A reallocation of demand away from the external sector may initially be painful for some sectors in these economies, but will lead to sizeable gains over the medium term by raising overall living standards and ensuring sustainable and balanced growth. External rebalancing will require exchange rate adjustments, and significant appreciation of many emerging market currencies. Market forces are already facilitating external rebalancing in many emerging surplus countries, with large capital flows putting pressure on exchange rates to appreciate.

14. Many emerging economies are faced with a difficult policy challenge of managing large capital inflows. Capital flows should be viewed as an opportunity to start down the path of correcting global imbalances, not as a hindrance. That said, managing large inflows will be a
challenge, and the task becomes more onerous in the context of limited exchange rate flexibility in some major emerging economies.

15. **Policy responses to capital inflows need to be tailored to individual country circumstances.** The appropriate response will need to be based on whether capital flows are assessed to be permanent or transitory, the exchange rate is fairly valued, reserves are adequate and if there are risks of overheating (see figure below).

- Assessing whether capital inflows are permanent or transitory is not an easy task, and will involve some judgment. To the extent that they are assessed to be permanent, which appears to be the case in the current context—reflecting economic fundamentals in the recipient country and structural shifts in investor portfolio preferences—they should be accommodated. In most cases, a response centering only on accumulating reserves will delay and worsen the required adjustment. However, if capital flows are assessed to be driven by more transitory factors, an accumulation of reserves, as well as macro-prudential and capital control measures could be considered.

- In cyclically-advanced emerging G-20 economies, such as Brazil and India, where reserves are adequate and exchange rates have been flexible, fiscal tightening will help manage capital inflows. In Brazil, this would also help reduce the burden of adjustment on monetary policy and facilitate convergence towards lower real interest rates, thereby reducing the incentives for short-term capital inflows. If these measures are insufficient, the policy response may also have to include some combination of further appreciation, accumulation of reserves, macro-prudential measures (such as limits on foreign-currency loans by banks), and carefully designed capital controls.6

- In other cyclically-advanced economies, notably in Asia (such as Korea and Indonesia), where reserves are adequate, the exchange rate is not overvalued, and there are currently no overheating pressures, the best first line of defense in response to large capital inflows remains a freely floating exchange rate, which will help to avoid expectations of one-way bets that may be contributing to large carry trades. The government’s recent introduction of a package of foreign-currency-related measures may help limit speculative inflows.

- Policies to enhance the capacity of local markets to absorb capital flows will also pay dividends—India, for instance, has allowed greater foreign access to its domestic bond market. Better allocation of capital (both domestic and foreign) and harnessing more long-term, stable capital inflows, will require making long-term investment into emerging economies more attractive—for example, by lowering restrictions on foreign direct investment, promoting private-public partnerships for much needed infrastructure

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6 Capital Inflows: The Role of Controls, IMF Staff Position Note, February 2010.
investment, or by improvements to the financial infrastructure, including for smaller and more service-oriented firms which remain credit constrained.

IV. CONCLUSION

16. There is an urgent need for multilateral policy coordination and agreement on key issues related to rebalancing and exchange rates. Based on the G-20 mutual assessment process (MAP), it is evident that G-20 policies make progress toward achieving strong, sustainable, and balanced growth, but more is required to attain the objectives agreed by Leaders. Collaborative action across the G-20 with appropriate timing and sequencing of policies—reflecting inter alia the strength of recovery—will produce benefits. In particular, significant upside potential can be realized through strengthened joint policy action, as elaborated in the Fund staff report on the MAP. In terms of policy risks, a breakdown in cooperative action could inflict substantial welfare costs to the G-20.

17. A non-cooperative policy scenario involving firm resistance to currency appreciation in emerging surplus economies and the lack of expeditious repair and reform of the financial sector in major advanced economies, could be damaging.
Policy efforts to preclude the helpful exchange rate adjustment needed for global rebalancing could be damaging on several levels. For surplus economies that exhibit symptoms of domestic overheating and facing capital inflows, efforts to firmly resist currency appreciation could exacerbate overheating pressures or capital account pressures through expectations. This could lead to booms (and busts) in asset prices, growth, and inflation. Moreover, the threat from rising trade protectionism would be serious given the tendency for non-cooperative policy actions to be met with non-cooperative policy responses (i.e., retaliation). Higher barriers to international trade would dampen growth and have adverse welfare implications for all G-20 members, particularly those that are more dependent on trade. At the same time, low growth in advanced deficit economies, will make it difficult for these countries to put in place credible medium-term fiscal consolidation plans, needed to anchor market confidence and underpin sustainability.

Similarly, if financial sector repair and reform does not proceed in earnest and rapidly across major advanced G-20 economies, it will seriously slow the normalization of monetary and fiscal policies in these countries and continue to fuel rapid capital flows to emerging economies and perpetuate the risks identified above. Advanced economies need to collaborate further to address the legacies of the crisis on a durable basis, to inter alia strengthen financial systems and help catalyze the much needed internal rebalancing.

By significantly reducing downside risk, collaborative action will increase the effectiveness of policies in key areas and avoid significant welfare costs to the G-20 members associated with fragmented or “beggar-thy-neighbor” policies.
Table 2. Overview of World Economic Outlook Projections 1/
(Percent change)

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1/ IMF *World Economic Outlook* October 2010.
2/ G-20 yearly projections exclude European Union and quarterly projections exclude Saudi Arabia and European Union.
3/ The quarterly estimates and projections account for 90 percent of the world purchasing-power-parity weights.
4/ The quarterly estimates and projections account for approximately 77 percent of the emerging and developing economies.
Table 3. Current Account Balance
*(Individual countries in percent of country GDP and aggregates in percent of world GDP)*

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Sources: IMF *World Economic Outlook* October 2010.

1/ G-20 consists of Argentina, Australia, Brazil, Canada, China, euro area, EU other, India, Indonesia, Japan, Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, and United States; EU other consists of European Union countries excluding euro area and U.K.

2/ For the analysis of global imbalances, the euro area is treated as a whole given its common monetary and exchange rate policies. Accordingly, the advanced surplus economies in that case comprise Canada, euro area, Japan, and Korea, and a advanced deficit economies include Australia, the United Kingdom, and the United States. Emerging surplus countries consists of Argentina, China, and Indonesia, major oil exporters includes Russia and Saudi Arabia, and emerging deficit countries comprises Brazil, India, Mexico, South Africa, Turkey, and other EU.
### Table 4. Contributions to Real GDP Growth 1/

*(Percent)*

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Source: IMF *World Economic Outlook* October 2010.

1/ Net Exports plus Other equals annual Real GDP growth.

2/ Sum of private consumption, investment, government consumption and residual.
Table 5. Shares of Real GDP 1/
*(Percent)*

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Source: IMF *World Economic Outlook* October 2010.

1/ Net Exports plus Other equals 100.

2/ Sum of private consumption, investment, government consumption and residual.