



# GROUP of TWENTY

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**Global Economic Prospects and Principles for Policy Exit**

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## Executive Summary

The global economy has returned to positive growth following dramatic declines. The recovery is, however, uneven and not yet self-sustaining, notably in advanced economies. Financial conditions have continued to improve, but are still far from normal.

Going forward, the global economic recovery is expected to be sluggish and inflation will remain low. The most pressing policy challenges over the near term include maintaining economic recovery momentum and, for emerging economies, dealing with capital inflows.

### Principles for Policy Exit

Exit strategies should pave the way for strong, sustained and balanced economic growth. The Principles below are intended to establish common ground for the design and implementation of policies during the exit from the extraordinary support measures taken during the crisis.

**Principle 1.** The timing of exits should depend on the state of the economy and the financial system, and should err on the side of further supporting demand and financial repair.

**Principle 2.** With some exceptions, fiscal consolidation should be a top policy priority. Monetary policy can adjust more flexibly when normalization is needed.

**Principle 3.** Fiscal exit strategies should be transparent, comprehensive, and communicated clearly now, with the goal of lowering public debt to prudent levels within a clearly-specified timeframe.

**Principle 4.** Stronger primary balances should be the key driving force of fiscal adjustment, beginning with actions to ensure that crisis-related fiscal stimulus measures remain temporary.

**Principle 5.** Unconventional monetary policy does not necessarily have to be unwound before conventional monetary policy is tightened.

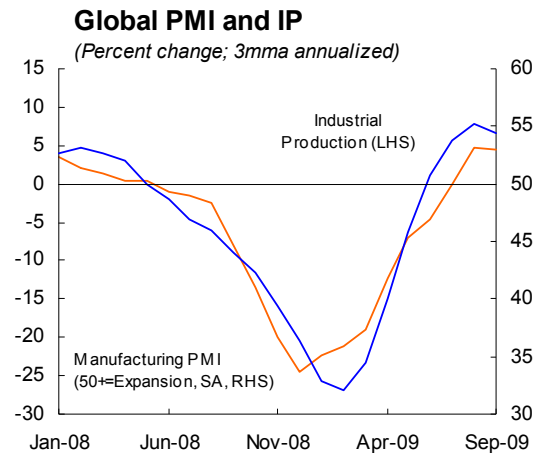
**Principle 6.** Economic conditions, the stability of financial markets, and market-based mechanisms should determine when and how financial policy support is removed.

**Principle 7.** Making exit policies consistent will improve outcomes for all countries. Coordination does not necessarily imply synchronization, but lack of policy coordination could create adverse spillovers.

*The global economy has returned to positive growth following dramatic declines. However, the recovery is uneven and not yet self-sustaining, particularly in advanced economies. Financial conditions have continued to improve, but are still far from normal. Despite recent momentum, the pace of recovery is likely to be sluggish, since much remains to be done to restore financial systems to health, while household balance sheet adjustment and bank deleveraging will be drags on growth. Downside risks have reduced somewhat. A key risk is that policy support is withdrawn before the recovery can achieve self-sustaining momentum, and that financial reforms are left to languish.*

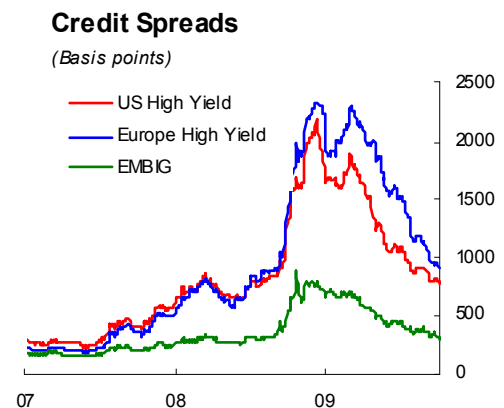
## I. RECENT DEVELOPMENTS, PROSPECTS, AND RISKS

**The global economy is beginning to grow again, but the recovery is uneven and remains dependent on policy support.** Across advanced economies, following sharp declines in the first quarter of 2009, output increased modestly in the second quarter in some economies—notably France, Germany, and Japan—and fell at a much more modest pace elsewhere, including the United States. Emerging economies, particularly in Asia, are turning around more strongly. Recovery momentum continued to build in the third quarter (see Box 1). However, the pace of recovery is uneven, particularly in advanced economies, with consumer confidence remaining subdued. The waning of temporary fiscal measures, such as cash-for-clunkers programs in the United States and similar programs elsewhere, is slowing production. This underscores the extent to which the improvement in demand is largely driven by policy stimulus, with the turn in the inventory cycle also playing an important role.



**Conditions across financial markets have continued to improve, but some markets remain dependent on public support, and banking system weaknesses persist.** The effect of exceptional policy action on reducing tail risks, together with brighter growth prospects and some recovery in corporate earnings, have contributed to rising market confidence, although progress has been slow in restoring some parts of the financial system to full health.

- *The rapid decline of risk aversion to pre-Lehman levels, together with low policy rates, has led to rising prices across a broad range of financial assets. Investors continue*



Source: Bloomberg, L.P.

to shift their portfolios into riskier assets, including commodities, high-yield bonds, and emerging market bonds and equities. Yields on U.S. Treasuries remain relatively low, reflecting the still-strong demand for risk-free securities among certain investors.

- *At the same time, however, banking systems remain undercapitalized, suffering from impaired legacy assets and, increasingly, non-performing loans.* Deleveraging pressures will likely remain a constraint on bank credit for some time. Activity in securitization markets remains dependent on public sector support. Moreover, large public interventions have transferred risk to sovereign balance sheets, raising market concerns that have abated somewhat recently.

**The “safe haven” motivations that led to U.S. dollar appreciation through the crisis have partially unwound, and renewed appetite for risk may be exacerbating short-term exchange rate movements, particularly against the euro and some emerging economy currencies.**

The U.S. dollar has depreciated in recent months as safe-haven flows have unwound. In real effective terms, it has moved closer to medium-run equilibrium (though it still remains on the strong side). The

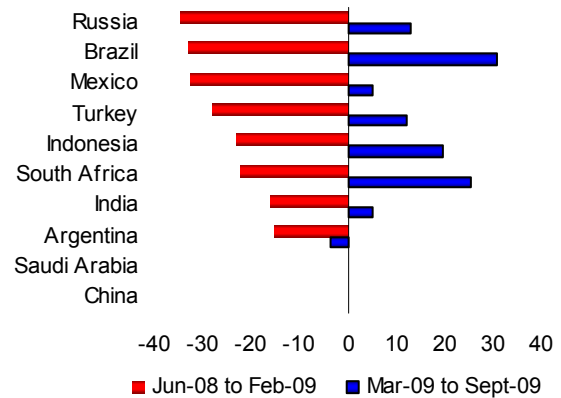
euro has experienced most appreciation among major advanced economy currencies and remains on the strong side of its equilibrium.

In addition to foreign funds moving into emerging market equities, led by expectations of higher growth, there are indications that the U.S. dollar is now serving as the funding currency for carry trades. These trades may be contributing to upward pressure on the euro and some emerging economy currencies.

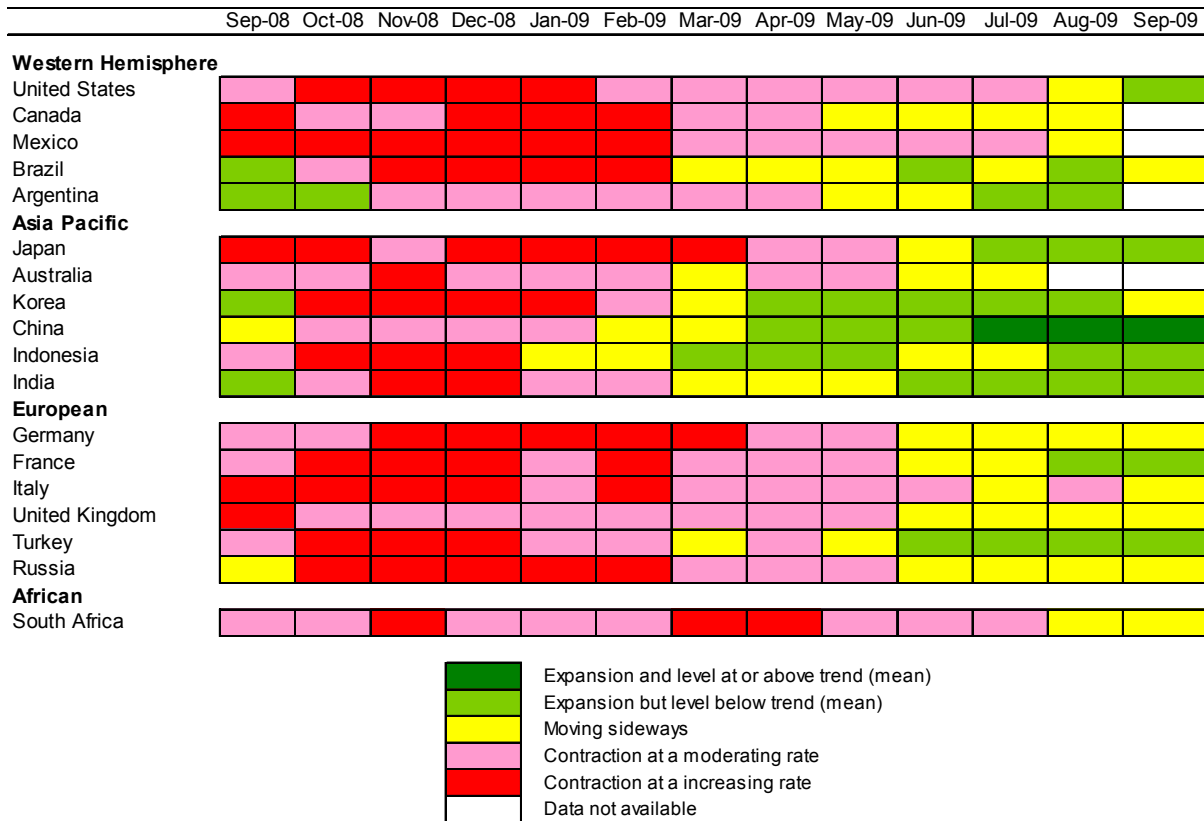
Emerging economy authorities have been responding to capital inflows by accumulating reserves, and, in some cases, with capital controls and other measures, to slow the pace of appreciation. Capital flows driven by yield differentials are complicating monetary policy responses in those economies where there may be a need to tighten—particularly in Asia. In contrast to the experience of many other emerging economy currencies, the Chinese renminbi has depreciated in real effective terms in tandem with the U.S. dollar and remains significantly undervalued from a medium-term perspective.

**Nominal Exchange Rate Changes**

(Percent change; U.S. dollar per local currency)



Source: IMF, Global Data Source.

**BOX 1: ASSESSING GROWTH MOMENTUM** <sup>1/2/3/4/</sup>

Sources: Global Data Source; Haver Analytics; Bloomberg L.P.; and staff calculations.

1/ The above chart is based on the four economic indicators, including industrial production (IP), real retail sales (RS), merchandise exports (EX), and purchasing managers index (PMI).

2/ Some of the ratings—particularly for recent months—are based on both actual data as well as projections of the underlying variables.

3/ Saudi Arabia is not included because there is no available data.

4/ Retail sales and IP are based on real data, whereas, exports are based on nominal data and PMI on survey data.

**Commodity prices have broken out of their recent trading ranges, after rebounding from their lows earlier in 2009, in part due to U.S. dollar depreciation.** Although financial flows have affected price dynamics, there is little evidence to suggest that these have had a sustained price impact. Expectations of improving demand, combined with the effect of the weaker U.S. dollar, have led to the recent resumption of rising commodity prices. A good part of the recovery now appears to be priced into oil and metal prices, and substantial spare capacity and high inventories should provide buffers against price surges.

### A. Prospects

**Going forward, the global economic recovery is expected to be sluggish and inflation will remain low.** Policy support and the turn in the inventory cycle will gradually lose impetus. At the same time, a sustained rebound in advanced economy private demand is likely to be held back by limited credit availability, households' desire to rebuild balance

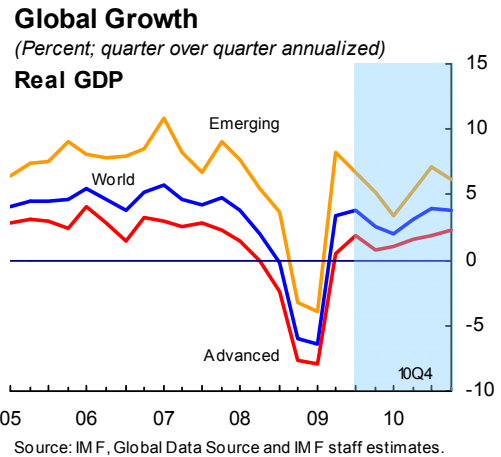
sheets, and rising unemployment. The Fund's assessment remains that the recovery will be gradual, particularly in the advanced economies. Fall 2009 *World Economic Outlook* projections suggest that global activity will contract by around 1 percent in 2009, before expanding by about 3 percent in 2010 (Table 1). Notwithstanding modest upward revisions to growth and the recent increase in commodity prices, output gaps will continue to widen and inflation will remain low.

## B. Key Risks and Policy Challenges

**G-20 economies have pursued wide-ranging policy measures aimed at alleviating the crisis.** This includes a lowering of policy rates to historic lows as well as unconventional measures aimed at impaired credit markets. A wide range of discretionary fiscal policy measures—estimated at around 2 percent of GDP in 2009—are also being implemented, including direct public support to financial and other sectors as well as tax and expenditure measures. These measures have been broadly effective in alleviating the impact of the financial crisis and stabilizing financial markets, as discussed in the Surveillance Note circulated for the G-20 Leaders Summit.<sup>1</sup>

**The most pressing policy challenges over the near term include maintaining economic recovery momentum and, for emerging economies, dealing with capital inflows.**

- *An overarching risk is that the recovery stalls.* Premature exit from accommodative monetary and fiscal policies could undermine the nascent rebound, as the policy-induced rebound could be mistaken for a strong and durable recovery. Financial strains could also reemerge if the recovery falters and efforts to restore health to bank balance sheets are not forcefully implemented. Hence, it would be important for G-20 countries to maintain policy stimulus until there are clear signs of a durable recovery, notably in private demand, along with sustained efforts to recapitalize banks and repair balance sheets.
- *Some emerging economies may need to absorb capital inflows and at the same time avoid compromising domestic financial and price stability.* With interest rates in advanced economies set to remain low for an extended period, and emerging economies poised to recover at a faster pace, the recent flow of capital into these economies may continue. Countries have responded with a range of policies, including exchange rate appreciation, accumulation of reserves, and unorthodox



<sup>1</sup> This note can be accessed at <http://www.imf.org/external/np/g20/092409.htm>.

measures. As capital inflows gain momentum, exchange rate appreciation would help limit capital inflows by reducing “one-way” bets, and also facilitate a shift toward domestic consumption that is needed in many emerging economies, notably those with large external surpluses. In some emerging economies, a tightening of fiscal policy could also help to manage demand pressures and alleviate the impact on the exchange rate.

## II. PRINCIPLES FOR POLICY EXIT

*The overall pace of policy adjustment and removal of financial support will depend on the strength of recovery in private demand in each country and enduring financial stability. This suggests that the timing of exits will be country specific, although coordination on some specific fronts is desirable. For most countries, fiscal consolidation should be a top priority, with monetary policy able to adjust more flexibly to achieve a desired level of overall stimulus. The scale of fiscal adjustment required is large to ensure debt sustainability and to restore room for policy maneuver, particularly in advanced economies. Fiscal reforms that have long-term effects but that do not affect the economic recovery in the short-term (such as entitlement reforms) should thus be implemented soon to enhance credibility. Current differences in monetary policy conditions could give rise to larger capital inflows to emerging market countries, accentuating the need for policies to encourage rebalancing the global sources of demand. The principles laid out below are intended to establish common ground for the design and implementation of policies during the exit from extraordinary support measures taken during the crisis.*

### A. General Principles

**Exit strategies should pave the way for strong, stable and balanced economic growth.** This needs to be based on price and financial stability, fiscal and debt sustainability, central bank independence, and structural reforms to enhance growth, including new approaches to financial regulation and enhanced supervision. The achievement of sustained economic growth requires that the role of the public sector in the economy, including in the financial sector, be restored to one that supports private and market based financial intermediation. Market based principles and pricing also can play a role in reducing the use of support measures prior to their full removal.

**Principle 1: The timing of exit from stimulus should depend on the state of the economy and the financial system, and should err on the side of further supporting demand and financial repair. Communicating strategies and their contingencies will help anchor expectations and allay market fears.**

*Commentary:* Considerable uncertainty still surrounds the recovery of economic activity and the financial sector. Policy stimulus and other critical support measures should be withdrawn only when there is firm evidence of durable financial stability and a self-sustaining recovery in private demand. Current conditions do not justify a significant and abrupt withdrawal of either stimulus or efforts to mend the financial system:

- *A sustained rebound in private demand is likely to be held back by limited credit availability, a desire by households to rebuild balance sheets, and unemployment rising well into 2010, indicating the need for caution.* Unemployment continues to rise in many economies, and financial sectors and confidence are still fragile. The recent rebound in GDP growth seen in some economies is largely accounted for by policy support and a turn in the inventory cycle. The inventory cycle may still support growth this year but would then gradually lose impetus.
- *Forceful fiscal and monetary stimulus and financial sector support have helped ease financial stress and played an important role in supporting activity, but may need to be maintained for some time.* One of the key lessons from experiences of similar crises is that withdrawing policy stimulus too early can be very costly, particularly if the financial system remains vulnerable and prone to adverse shocks. Further advancing the process of financial restructuring and balance sheet repair (including bank recapitalization) remains a priority to achieve a healthy financial system.
- *Basic principles and plans for the exit and beyond should be established early and communicated clearly and consistently by policymakers to the public.* Markets have shown signs of concern about uncertainty over future policy paths, suggesting the need for greater clarity in authorities' plans. While some degree of ambiguity is unavoidable, as exit policies will need to be contingent on highly uncertain economic developments, strong communication strategies will help anchor expectations, facilitating the achievement of price and financial stability and sustainable growth. To be credible, exit should be based on conservative growth assumptions.



**Principle 2: With some exceptions, fiscal consolidation should be a top policy priority; monetary policy is more easily able to adjust to achieve the desired level of overall stimulus.**

*Commentary:* Achieving fiscal sustainability will be a complex process and will take longer than normalizing monetary policy. Monetary policy can respond more quickly to achieve the desired level of overall stimulus, when fiscal retrenchment begins. The strategy for fiscal consolidation should be outlined and communicated now. Deficit-reducing and debt management measures should commence as soon as private demand begins recovering. This is advisable considering both the relative scales of policy adjustment required and managing risks to both economic and financial recovery:

- *For most countries, the risks presented by keeping stimulus in place too long suggest that adjustment is a key priority.* Maintaining fiscal stimulus longer than needed has obvious and immediate consequences for debt accumulation. In many advanced economies, monetary policy can afford to remain accommodative for an extended period, given subdued price pressures. In a number of emerging economies, by contrast, monetary policy may have to tighten sooner—and might therefore be more synchronous with or even lead fiscal consolidation—if there are signs of rising inflation or incipient financial vulnerabilities, including credit booms.
- *The challenges of placing fiscal policy on a sustainable path—both political and economic—are greater than for normalizing monetary policy.* The scale of fiscal adjustment required to ensure fiscal sustainability will be large, particularly in advanced economies. This suggests that fiscal policy changes that have long-term effects but that do not affect the economic recovery in the short term (such as entitlement reforms and strengthening fiscal frameworks and institutions) should be implemented soon to enhance credibility.
- *For emerging economies that had heavily relied on export-led growth and with sufficient fiscal space, rebalancing from external to domestic demand may require additional reforms* to reduce precautionary saving, including through further fiscal efforts and structural reforms to strengthen social safety nets, and pension and healthcare systems. At the same time, improved corporate governance and financial development could reduce inefficiently high corporate savings.

## B. Principles for Fiscal Exit Strategies

**Principle 3: Fiscal exit strategies should be transparent, comprehensive, and communicated clearly now, with the goal of lowering public debt to prudent levels within a clearly-specified timeframe.**

*Commentary:* A high degree of transparency in fiscal accounts is more important than ever. Requirements include a comprehensive assessment of fiscal risks, including those arising from possible additional support to the financial sector, volatility in interest rates, guarantees, and public-private partnerships. Measures to strengthen the finances and operations of subnational governments and public enterprises may also be needed in some countries.

The general government balance should be targeted, as deficits and debts of subnational government institutions have the same macroeconomic and financial solvency effects as those of central governments. Actions to bolster fiscal frameworks and institutions could include reforms of budgetary processes, more frequent and comprehensive reporting requirements, medium-term expenditure frameworks, and fiscal rules.

Targeting an appropriate debt ratio of GDP, taking into account longer-term spending pressures, would help build public awareness and address market concerns regarding fiscal sustainability:

- *Stabilizing debt ratios at their likely post-crisis levels will not be sufficient.* This is especially true for those economies facing rising pressure on public finances from key entitlement programs and demographic change. High debt ratios would impede fiscal flexibility and raise interest rates.
- *The appropriate debt ratio will need to take country-specific characteristics into account.* This includes the composition of the debt (currency and maturity), depth of domestic financial markets, and diversification of the investor base. For many advanced economies, targeting a gradual return to a gross debt ratio below 60 percent (the median level before the crisis) would be appropriate, with reforms of entitlements, other expenditures, and revenues a prerequisite for attaining that target and maintaining it over time. Targets for emerging economies will need to take into account generally lower market tolerance for high public debt.
- *High debt levels require better debt structures* (e.g., longer, well spread-out maturities). There is also a need to ensure adequate recovery of the value of assets acquired during the crisis, cover any central bank losses, and manage contingent liabilities so as to minimize their realization.<sup>2</sup>

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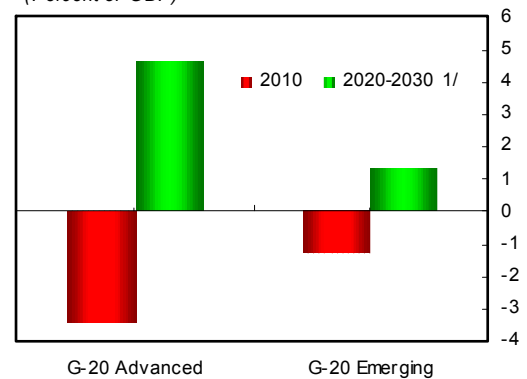
<sup>2</sup> See IMF Paper *Crisis Related Intervention Measures and Implications for Sovereign Balance Sheet Risks*, available at <http://www.imf.org/external/np/pp/eng/2009/073109.pdf>.

**Principle 4: Stronger primary balances should be the key driving force of fiscal adjustment, beginning with actions to ensure that crisis-related fiscal stimulus measures remain temporary.**

*Commentary:* Temporary measures provided through crisis-related stimulus (comprising the bulk of support) should be allowed to expire, once the economy has strengthened sufficiently. However, expiry of stimulus and unwinding of automatic stabilizers alone will not be sufficient to keep debt ratios from rising.

- *Stronger fiscal adjustment during “good times” will be needed than in the past.* Utilizing the economic upswing to help consolidate public finances will require resisting spending and revenue slippages. Any revenue overperformance should be saved to further reduce debt ratios.
- *Medium-term reforms—notably of entitlement spending—should contribute to fiscal adjustment from an early stage, but alone will not be sufficient.* In rapidly-aging economies, major action is needed just to avoid a rise in pension and health entitlement spending in relation to GDP due to demographic and technological changes. Keeping spending in these areas stable in relation to GDP through reforms is an appropriate goal. The needed primary improvement will need to come from other savings. Beyond health and pensions, a possible objective is to maintain real primary spending constant in per capita terms through reforms such as improved expenditure prioritization, value for money enhancements, and elimination of energy subsidies.
- *Revenue measures should focus on reducing special treatment and combating evasion and avoidance* (which would be less distortionary than raising statutory tax rates). In the many countries where fiscal adjustment needs to go further, tax increases would be needed to reduce debt to more manageable levels and to increase policy space.
- *Protecting the poor and the unemployed is an important goal in itself.* The adjustment is more likely to be sustainable if it is mindful of political economy constraints. Higher inflation should be eschewed as tool of adjustment. This would be ineffective in reducing debt and would damage growth and equity in income distribution.

**Structural Primary Balances**  
(Percent of GDP)



Source: IMF staff estimates.

1/ Primary balance is assumed to improve gradually from 2011 until 2020; thereafter, the primary balance is maintained constant until 2030. Primary balance path needed to stabilize debt at end-2011 level if the respective debt-to-GDP ratio is less than 60 percent for advanced economies or 40 percent for emerging market economies; or to bring debt ratio to 60 percent (40 percent for emerging market economies) in 2030.

### C. Principles for Exiting from Monetary and Financial Sector Support

#### **Principle 5: Unconventional monetary policy does not necessarily have to be unwound before raising policy rates.**

*Commentary:* Maintaining unconventional monetary policy measures does not necessarily constrain increases in policy rates. Indeed, policy rates may need to rise before unconventional monetary policy stimulus is fully withdrawn:

- *In particular, to the extent that credit markets remain impaired, monetary tightening may need to be led by a raising of policy rates.* This is becoming increasingly relevant for many emerging economies, notably in Asia, that are already witnessing relatively vigorous rebounds of activity.
- *Monetary authorities have instruments to maintain control over interest rate policy.* This includes paying interest on excess reserves, even while central bank balance sheets continue to provide support to some markets.

Normalizing central bank balance sheets will need to be driven by financial market developments, and there is no “one-size-fits-all” approach to removing unconventional measures:

- *Central banks have the necessary tools to reabsorb liquidity.* A wide range of instruments can be used to withdraw excess reserves, including reverse repurchase operations and issuing central bank paper. Some unconventional central bank measures can be unwound simply by not renewing them, as financial market functioning improves.
- *Unconventional assets acquired as a result of financial interventions should be transferred gradually to the private sector or to other government agencies.* They should be managed to minimize financial losses and maximize recovery rates. Selling risky assets associated with credit easing operations in specific markets may be challenging. Moreover, some assets may need to be held for some time to continue supporting still vulnerable markets.
- *There may be scope to reduce central bank holdings of government securities, since these markets are quite liquid.* However, any such transactions will need to take account of overall macroeconomic conditions, notably threats to economic recovery or price stability.

**Principle 6: Economic conditions, the stability of financial systems, and market-based mechanisms should determine when and how financial sector policy support is removed.**

*Commentary:* International experience suggests uncertainty about the stability of financial markets persists for some time after systemic financial crises, making it difficult to know in advance when measures are no longer needed and can be safely removed. The pace of exit from the financial sector should be so as to avoid market disruptions.

- *Authorities should retain the flexibility to extend guarantee periods as needed.* To the extent possible, guarantees should carry fees that are risk based. Risks and liabilities related to guarantees should be gradually transferred to the private sector. To minimize moral hazard, guarantees should be (re)structured by shifting to partial coverage, gradually reducing the level of coverage.
- *Extraordinary depositor protection should be replaced with limited-coverage deposit insurance in stages, as long as the system remains stable.* For credibility, post-crisis insurance schemes need adequate *ex-ante* funding.
- *Public capital injections into financial institutions should be withdrawn in line with market conditions.* Where capital support needs to be maintained until an institution's stability is ensured, the government should exercise care to safeguard the public's investment in financial institutions and to maintain a level playing field across institutions.
- *The removal of financial support measures should be accompanied by steps to strengthen financial regulatory frameworks and supervision, and clear plans for the recapitalization of the banking system.* The most urgent task of regulation and supervision during the recovery is to prevent a resumption of risky activities of the kind that led to the crisis, and to counter increased moral hazard in the financial sector resulting from public interventions. This will require enhanced capital adequacy standards, especially for internationally active systemically important financial firms. Policies to provide incentives for the private recapitalization of banks could include step-up clauses, long-dated call options for senior management, redemption clauses, or restrictive dividend policies.

#### D. International Policy Spillovers and Cross-Border Collaboration

**Principle 7: Making exit policies credible and consistent, together with communication and consideration of spillovers, will improve outcomes for all countries. Coordination does not necessarily imply synchronization, but lack of policy coordination could create adverse spillovers.**

*Commentary:* A process of regular exchange of information about national exit plans, and steps to raise awareness of their potential spillover effects, would greatly enhance the credibility of the exit process. The need to ensure international consistency will vary by policy area and will be higher among closely-linked economies and financial markets. In general, the considerable differences across countries in terms of prospects and the need for further stimulus imply that countries will need to be on different exit paths.

- *Some specific stabilization measures should be coordinated.* In particular, uncoordinated withdrawal of deposit protection and of other bank guarantees or other financial sector support measures could have unintended consequences and distortions, given the cross-border nature of many financial institutions and transactions. Similarly, international coordination of changes in financial regulations is necessary to maintain open markets and a level playing field, and to avoid regulatory and other types of arbitrage. In the area of taxation, tax hikes will be more effective if designed in cooperation with other countries.
- *Also, spillovers from differences in monetary policy conditions could pose significant challenges.* Interest rate differentials are already generating capital flows into economies with higher yields. Such inflows complicate monetary policy management, requiring difficult choices for authorities: for instance, allowing exchange rates to appreciate; adopting tighter fiscal policy and lower interest rates than would be the case without capital inflows; accumulating reserves and sterilizing flows; or employing controls on capital inflows. In this context, allowing a rapid appreciation of the real exchange rate would help limit capital inflows by reducing “one-way” bets, and also facilitate a rebalancing of demand that is needed in many emerging economies, notably those with large external surpluses.

**Table 1. Overview of World Economic Outlook Projections 1/**  
(Percent change)

	Year over Year						Q4 over Q4 2/	
	2007	2008	Projections		Difference from July 2009 WEO Projections		Projections	
			2009	2010	2009	2010	2009	2010
<b>World output 3/</b>	<b>5.2</b>	<b>3.0</b>	<b>-1.1</b>	<b>3.1</b>	<b>0.3</b>	<b>0.6</b>	<b>0.8</b>	<b>3.2</b>
Advanced economies	2.7	0.6	-3.4	1.3	0.4	0.7	-1.3	1.7
Euro area	2.7	0.7	-4.2	0.3	0.6	0.6	-2.5	0.9
Emerging and developing economies 4/	8.3	6.0	1.7	5.1	0.2	0.4	3.8	5.5
G-20 2/	5.0	2.8	-1.0	3.3	0.2	0.5	1.1	3.5
Argentina	8.7	6.8	-2.5	1.5	-1.0	0.8	-5.4	6.0
Australia	4.0	2.4	0.7	2.0	1.2	0.7	1.4	2.8
Brazil	5.7	5.1	-0.7	3.5	0.6	1.0	2.2	3.5
Canada	2.5	0.4	-2.5	2.1	-0.2	0.5	-1.5	3.0
China	13.0	9.0	8.5	9.0	1.0	0.5	10.1	9.2
France	2.3	0.3	-2.4	0.9	0.6	0.5	-0.9	1.4
Germany	2.5	1.2	-5.3	0.3	0.9	0.9	-2.9	0.8
India	9.4	7.3	5.4	6.4	0.0	-0.1	5.1	7.0
Indonesia	6.3	6.1	4.0	4.8	0.5	0.3	4.2	5.4
Italy	1.6	-1.0	-5.1	0.2	0.0	0.3	-3.2	0.8
Japan	2.3	-0.7	-5.4	1.7	0.6	0.0	-1.3	1.4
Korea	5.1	2.2	-1.0	3.6	2.0	1.1	4.3	3.5
Mexico	3.3	1.3	-7.3	3.3	0.0	0.3	-4.1	3.4
Russia	8.1	5.6	-7.5	1.5	-1.0	0.0	-2.7	-0.9
Saudi Arabia	3.3	4.4	-0.9	4.0	0.0	0.1	...	...
South Africa	5.1	3.1	-2.2	1.7	-0.7	-0.6	-2.1	2.9
Turkey 5/	4.7	0.9	-6.5	3.7	-1.4	2.2	0.7	2.7
United Kingdom	2.6	0.7	-4.4	0.9	-0.2	0.7	-2.5	1.3
United States	2.1	0.4	-2.7	1.5	-0.1	0.7	-1.1	1.9
European Union	3.1	1.0	-4.2	0.5	0.5	0.6	-2.5	1.1

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during July 30-August 27, 2009. Country weights used to construct aggregate growth rates for groups of countries were revised.

1/ October 2009 World Economic Outlook.

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.

5/ For Turkey, the projections reported in the July 2009 World Economic Outlook were prepared prior to the release of the June 30 Q1 data.

**Figure 1. G-20 Countries: Composition of Fiscal Stimulus Measures**  
 (Share of total stimulus planned in 2009)

