GROUP OF TWENTY

GLOBAL PROSPECTS AND POLICY CHALLENGES

Meetings of G-20 Finance Ministers and Central Bank Governors
July 19–20, 2013
Moscow

Prepared by Staff of the

INTERNATIONAL MONETARY FUND[*]

[*] Does not necessarily reflect the views of the IMF Executive Board.

EXECUTIVE SUMMARY

The strength of the recovery disappointed once again and the outlook has weakened somewhat. Global growth improved from 2¼ percent (annual rate) in 2012Q4 to 2¾ percent in 2013Q1, but this was weaker-than-projected in the April WEO. The July WEO outlook is for lower growth in both 2013 and 2014, reflecting inter alia a (once again) delayed recovery in the euro area, as well as weaker growth in emerging economies.

Market volatility has been higher and financial conditions have tightened. Higher volatility following a strong market rally may stem from several possible sources, including some asset re-pricing following strong gains, uncertainty about tapering of U.S monetary stimulus; and market reassessment of emerging economy fundamentals. After a bout of disappointing data on emerging markets activity and following Fed's signals that quantitative easing could be tapered earlier than expected, volatility and bonds yields have increased; and emerging market equities and currencies have fallen sharply, alongside capital outflows and liquidity pressures. Emerging economies with poor fundamentals and strong previous capital inflows have been hardest hit. In advanced economies, longer-term interest rates and financial volatility have increased and sovereign spreads in the euro area periphery have been widening, following a period of continued declines.

While tail risks have abated, important downside risks prevail. Although it is too soon to tell, the current market turbulence could continue and deepen. Growth could be lower than projected due to a protracted period of stagnation in the euro area, and risks of a longer slowdown in emerging markets have increased. Additionally, financial stability risks are a growing concern in both advanced and emerging economies. The eventual exit from low rates and unconventional monetary policy in advanced economies could pose challenges for emerging economies, especially if it proceeds too fast or is not well communicated.

Progress on the policy front is crucial to achieve a stronger and lasting recovery, while safeguarding financial stability. Specifically:

- *Advanced economies should pursue a policy mix that is more supportive of near-term growth than in the recent past, differentiated according to fiscal space, and anchored by a credible and concrete roadmap to achieve fiscal sustainability*. Monetary policy should continue to play its supportive role, given low inflation and economic slack. Fiscal adjustment should proceed gradually, anchored by credible and detailed medium-term plans with emphasis on "growth-friendly" adjustment. Financial sector reforms are imperative, notably in Europe, where further progress in restructuring, resolving, and recapitalizing banks and completing the banking union is critical to allow a revival of credit to the real economy.
- *Emerging economies now need to navigate carefully through more turbulent waters*. Monetary easing can alleviate liquidity pressures and downside risks to growth but capital outflows may complicate actions. Policymakers should be ready to address possible financial stability risks where high credit growth has been prolonged, by strengthening oversight and macro-prudential policies. Risk of lower potential suggests less room for fiscal accommodation and policymakers should focus on rebuilding fiscal buffers, while addressing structural obstacles to continued high potential growth.
- *Reducing global imbalances while supporting growth will require surplus economies to increase internal demand on a sustained basis and deficit economies to raise external competitiveness*. Without policy progress on this front, the risks are that either global imbalances could widen again as output gaps in advanced economies are closed or global growth would remain sluggish.

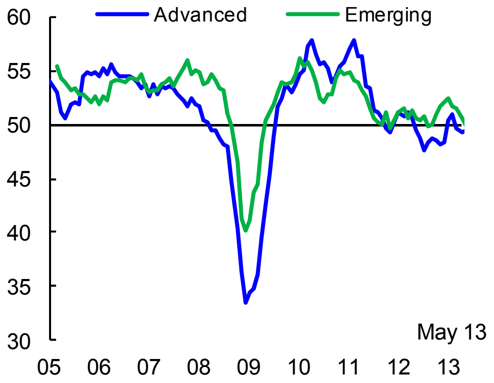
Prepared by a team from the IMF's Research Department, led by Hamid Faruqee, Emil Stavrev and Florence Jaumotte, and including Eric Bang, Gabi Ionescu, and Shuda Li.

DEVELOPMENTS, OUTLOOK, AND RISKS

Global growth has been weaker than expected. This reflects a delayed recovery in the euro area and a general loss of momentum in emerging economies due to both demand and supply factors. Accordingly, the outlook is weaker than projected in the April 2013 WEO and risks remain to the downside. Volatility in financial markets has also increased recently, especially in emerging economies, indicating the potential challenges that a faster-than-expected exit from low rates and unconventional monetary policy in advanced economies could pose.

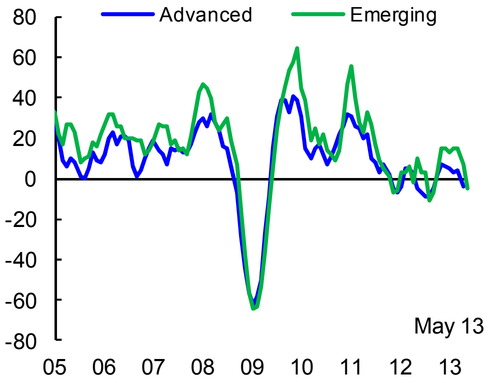
1. **Global activity has disappointed, driven by developments in the euro area and emerging economies**. Global growth increased from a 2¼ percent (annual rate) in the fourth quarter of 2012 to 2¾ percent in the first quarter of 2013, but has been weaker than projected in the April 2013 WEO. Recent indicators on manufacturing, industrial production, retail sales and trade suggest that global growth in the second half of 2013 will also be softer than earlier envisaged.

Global Manufacturing PMI
(index; >50 = expansion; sa)



Source: IMF, *Global Data Source.*

Merchandise Exports
(percent; 3mma annualized)

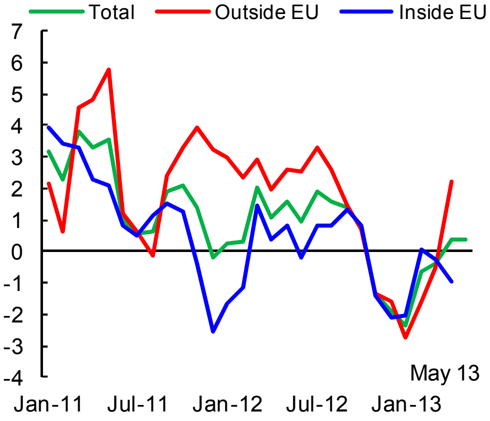


Source: IMF, *Global Data Source.*

- *Recession in the euro area periphery has been deeper than expected and is affecting the core, although some signs of stabilization have emerged recently*. Deep fragmentation of financial markets, the need to repair private sector balance sheets, depressed confidence and tight fiscal conditions all continue to affect activity in the periphery. Low policy rates are not sufficiently passing through to bank funding and lending rates and credit continues to contract. The weakness has spilled over to core countries, also affected by the soft patch in non-EU countries. Heightened uncertainty about euro area prospects and policies is holding back private investment and durable consumption, even in the core. Fiscal consolidation also had a large impact in France.

Euro area Core Exports

(3 month moving avg/3 month moving avg)

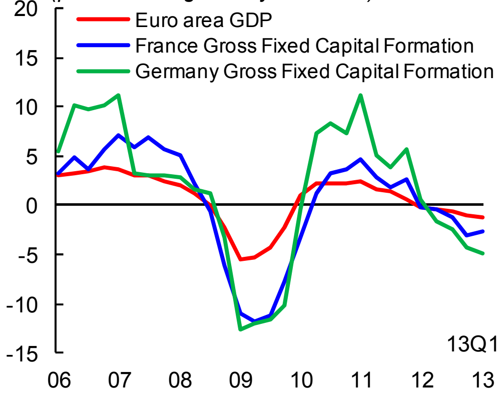


Source: Haver analytics.

1/ Euro area core consists of Germany and France.

Euro area GDP vs. Core Investment

(percent change from year earlier)



Source: Haver analytics.

- *Growth disappointed across most emerging economies.* Activity has generally slowed across Asia and Latin America, reflecting both sluggish exports and revised income prospects that are weighing on domestic demand. In some countries (Brazil, China, India), supply factors also played a role. Growth in Emerging Asia fell to 4.8 percent (quarter-on-quarter seasonally adjusted at annual rate; qoq saar) in 2013Q1, with manufacturing growth weaker in China and India. Growth in Latin America slowed to 2.2 percent (qoq, saar) in 2013Q1, with growth in Brazil continuing to disappoint, although investment is finally on the rise; and activity slowed more elsewhere (South Africa and most countries in Emerging Europe).

- *In contrast, activity is expanding broadly as expected in the United States.* Underlying growth has been resilient in the face of the sharp fiscal contraction thanks to improved private demand as the recovery in house and equity prices is strengthening household wealth and credit conditions have eased.

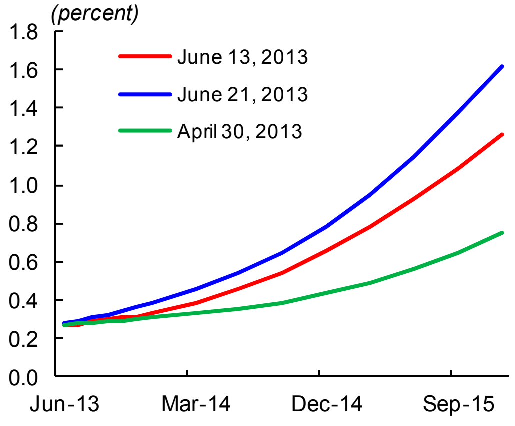
- *Growth has surprised on the upside in Japan reflecting the new policy momentum.* The new policy strategy aimed at exiting low growth and deflation has boosted private consumption through rising equity values and improving consumer confidence. At the same time, exports recovered from a significant decline in the second half of 2012, reflecting strong regional demand and a noticeably weaker yen (20 percent in real effective terms since late 2012). First-quarter growth was stronger than expected and inflation expectations have risen. However, investment and wages have yet to respond and market volatility has been relatively high.

2. **Accordingly, the global outlook is for weaker near-term growth than envisaged before**. Growth is still expected to accelerate in H2 2013 but at a more gradual pace than expected in April. Activity is projected to expand at 3.1 percent in 2013 and 3.8 percent in 2014, a mark down of 0.2 percentage points in each year. These projections rest on the assumptions that supportive monetary policies gain increasing traction in Europe and Japan, fiscal consolidation in Europe and the United States are gradually de-emphasized and confidence improves. Reflecting

the factors discussed above, prospects have deteriorated for emerging economies, where growth is expected to rebound but to more moderate levels than previously projected, and the euro area, which will remain in recession in 2013 and will grow at just under 1 percent in 2014, weaker than the April WEO forecast. The outlook for commodity exporters has also deteriorated, given the retreat in commodity prices which will keep domestic demand subdued, while the recovery will be protracted in MENA reflecting difficult political and economic transitions (particularly for oil importers). In the United States, prospects are also slightly weaker, as the budget sequester is now assumed to remain in place in 2014. Japan's growth has been revised upward this year on stronger-than-expected Q1 growth but downward next year due to a weaker foreign environment.

3. **Market volatility has been higher and financial conditions have tightened recently, especially in emerging markets**. Several factors may have contributed to higher financial volatility following a strong rally in asset markets (e.g., year-to-date equity returns have ranged from 6 to 40 percent for the euro area, the U.K., the U.S. and Japan). In particular, market reassessments on the extent of U.S. monetary stimulus going forward and the relative strength of emerging markets' fundamentals on the back of disappointing news seem highly relevant as contributing factors.

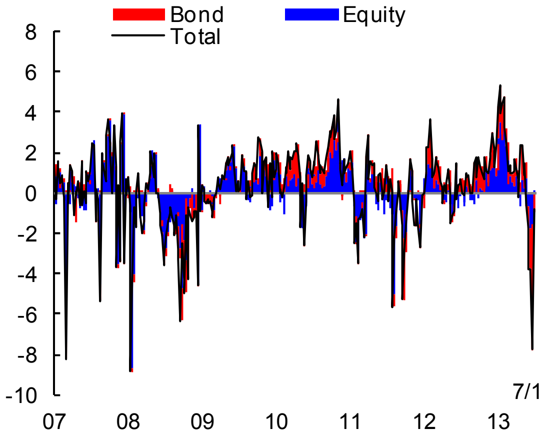
Eurodollar Interest Rate Futures
(percent)



Source: Bloomberg, L.P.

- *Some asset market repricing coincided with Fed remarks about tapering*. Against the backdrop of improving fundamentals in the United States, bond yields increased (about 50 bps since May 22), as expectations of higher U.S. policy rates were brought forward. With inflation expectations stable, higher real rates implicitly are consistent with markets reassessing the future path of Fed policy tightening. For some, this may reflect a significant change or realization that quantitative easing may come to an end much sooner than expected.

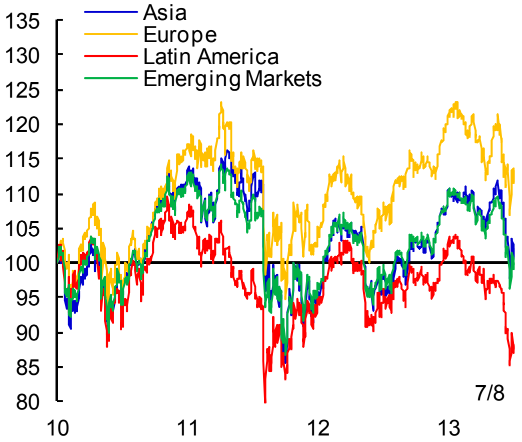
Total Flows to Emerging Market
(billions of U.S. dollars; mutual funds)



Source: Haver Analytics.

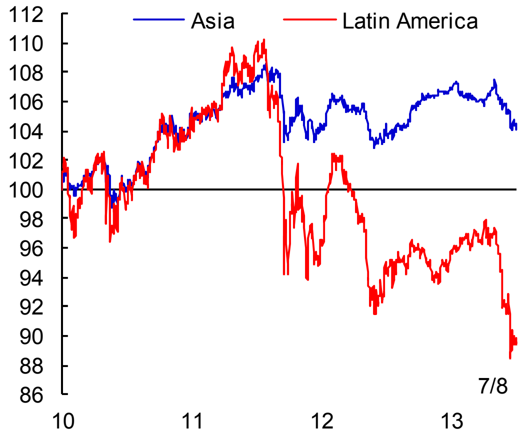
- *Sharp changes in asset prices in several emerging economies suggest some reassessment or worries of their growth prospects may be an important factor*. Across most emerging economies, bond yields rose and exchange rates depreciated alongside some capital outflows as U.S. interest rates increased. But there has also been differentiation across these markets with risk spreads rising and equity markets falling more in some. Emerging markets with poor fundamentals and/or strong previous capital inflows have been hardest hit. Local currency 10-year bond yields have increased substantially in several emerging economies (e.g., in Indonesia and Turkey by 250–300 basis points, in Brazil, Colombia, and South Africa by over 100 basis points). The recent decline in equity prices has been particularly sharp in Turkey (where political events have played a role), and the South Africa Rand has weakened significantly. In response, some countries have started intervening in the foreign exchange market and unwinding capital flow management measures (e.g., Brazil). As U.S. interest rates continue to rise and monetary stimulus is gradually removed, pressures for capital outflows from emerging economies could continue.

Equity Performance
(January 1, 2010 = 100)



Source: Bloomberg, L.P.

Currency Performance
(January 1, 2010 = 100)



Source: Bloomberg, L.P.

4. **While tails risks have abated, downside risks to growth clearly dominate**. Staff's baseline assumes that the U.S. debt ceiling will be raised promptly and euro area authorities will do their part to preserve confidence (a stalled or incomplete delivery of policy commitments in the euro area could result in a re-intensification of adverse bank-sovereign-real loops). Downside risks revolve around three key areas:

- ***Economic Growth***. There is a risk of stagnation in the euro area, especially in the periphery, which could materialize from large or more persistent adverse effects of public and private deleveraging, entrenched fragmentation, and delayed structural reforms beyond what is assumed in staff projections. With sizable output gaps, negative shocks could potentially spur adverse debt-deflation dynamics. Job skills could atrophy due to long unemployment spells, and investment would remain subdued, reducing potential growth. In emerging economies risks of a longer growth slowdown have risen. Activity could fail to accelerate as expected or undergo a further deceleration if structural problems turn out greater than expected, while capital outflows, if sustained, could weigh on growth. Recent turbulence, liquidity pressures, and risks of overshooting in financial markets have complicated matters although available policy space differs across countries.

- ***Financial stability***. In advanced economies, the low interest rate environment creates risks that investors over-leverage or make excessively risky investments in search of yields.

Financial stability risks are also a growing concern in some emerging countries (including China) and stem from years of buoyant credit growth and growing credit intermediation through non-banks, in some cases partly driven by spillovers from the exceptional monetary policy easing in advanced economies. At the same time, the eventual exit from low rates and unconventional monetary policy in advanced economies could pose important challenges as suggested by the recent increase in financial volatility.[1] While the recent bout of market volatility follows a previous run-up in asset values, there is a risk that markets could over-react to initial steps by the Fed towards a normalization of monetary policy conditions, leading to sharp increases in long-term interest rates and financial market volatility, especially for countries with higher vulnerabilities.

- ***Fiscal balances***. Finally, investors could reassess their risk perception of the United States and Japan in light of their long-run fiscal sustainability concerns, triggering financial turmoil with worldwide repercussions. In Japan, such a reassessment could be triggered by a lack of a convincing debt-reduction strategy to bring down debt, in particular if the government fails to deliver a complete package of policies including much needed concrete fiscal measures to bring down public debt and growth-enhancing reforms. Given the Japanese banks' large domestic government bond holdings, an uncontrolled rise in yields could undermine not only fiscal but also financial sector stability.

POLICIES FOR ROBUST GLOBAL GROWTH

Macroeconomic policies should remain supportive in advanced economies, with fiscal consolidation proceeding gradually, anchored by credible and concrete medium-term plans. In a context where risks from UMP may become non-negligible, policymakers in advanced economies should use the breathing space from accommodation to implement decisively the difficult policies that will secure a solid return to growth. Bank balance sheet repair and progress toward a fuller banking union in Europe are urgently needed to revive credit and growth. Policymakers in emerging economies are facing increasingly challenging trade-offs, having to address growth and liquidity risks while containing building credit risk. They also should address structural obstacles to continued high growth while rebuilding fiscal buffers.

5. **In advanced economies, macroeconomic policies should support growth**. Supporting growth and creating jobs is the main challenge in the major advanced economies. Broadly speaking, monetary policy accommodation should continue to play its supportive role, given low inflation and still large output gaps, and fiscal adjustment should be measured, while being anchored by a credible medium term roadmap for sustainability. Financial sector reforms also need to be urgently completed.

[1] For further discussion of risks from exiting UMP see the 2013 Spillover Report.

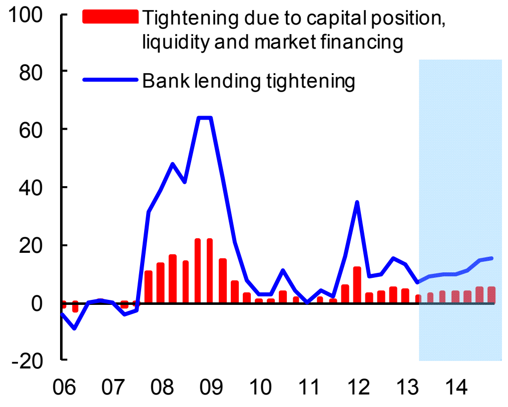
6. **The pace and composition of fiscal adjustment should be calibrated carefully to avoid an excessive drag on growth and be anchored by credible and concrete medium-term plans**. Despite sizable consolidation efforts, fiscal imbalances remain large in advanced economies due to weak growth and unfavorable initial fiscal positions with respect to sustainability. The growth disappointments in turn partly reflected the negative effect of fiscal adjustment on short-term growth and the fact that in some countries (France, Spain, UK), private demand has not been picking up from public demand. Financial sector support measures also burdened fiscal accounts in some countries. In the United States, while private demand has gained momentum, this year's large fiscal consolidation is excessive in light of the still nascent recovery. Similarly, in Japan, despite an expansionary fiscal stance this year, substantial consolidation is in the pipeline for the next two years as a result of the two-step increase in the consumption tax rate to 10 percent and the waning of stimulus and reconstruction spending. In the near term, a more gradual pace of fiscal adjustment would be preferable, but conditional on having a credible and specific medium term consolidation plan in place. Specifically:

- In the *United States*, the budget sequester should be replaced by a more balanced and gradual pace of fiscal consolidation in the short term, with more efficient and targeted spending cuts. The debt ceiling should be raised expeditiously and a multi-year consolidation plan that tackles entitlement and tax reforms should also be adopted to restore long-run fiscal sustainability.
- In *Japan*, the implementation of the planned consumption tax increase next year is critical to maintain confidence in the ability of the government to address the fiscal problem. An ambitious and concrete consolidation plan beyond 2015, based equally on revenue and spending, is also urgently needed. With such a plan in place, some fiscal space would be created to smooth the fiscal adjustment in 2014–15 should growth disappoint.
- In the *euro area*, the extension of the EDP deadlines and the assessment of adjustment in structural terms are welcome, but the extra space should be used to act decisively on fiscal and structural reforms. Consolidation should be based on an efficient and "growth-friendly" mix of expenditure and revenue measures, supported by appropriate structural reforms that enhance potential growth. *Spain* needs a credible and detailed medium-term plan, while *France* needs to rebalance adjustment toward expenditure containment. In the *United Kingdom*, it is important that fiscal policy supports the nascent recovery by pursuing fiscal measures that would alleviate supply-side constraints and also provide support for private demand—within the context of its medium-term fiscal framework.

7. **Monetary policy needs to remain accommodative until the recovery is well established, while containing potentially adverse side effects**.

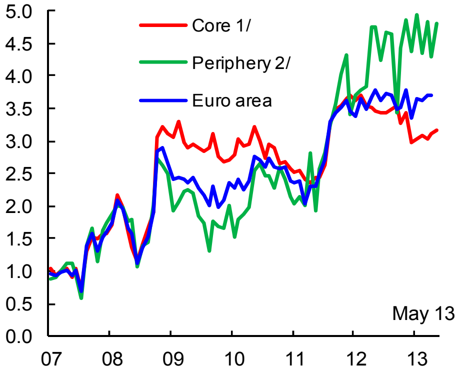
- More needs to be done in the *euro area*, where the growth outlook is very weak, unemployment is high, and inflation is projected well below the 2 percent target. Conventional monetary policy should be eased further. Targeted unconventional measures should play a role in addressing uncertainties about term funding availability for banks and the lack of credit for nonfinancial corporations, in particular SMEs. One such option could be a longer term LTRO combined with a review of current collateral policies, particularly on loans to SMEs. The recent forward guidance provided by the ECB to anchor interest rate expectations was a welcome step. The breathing space provided by exceptionally accommodative monetary policies should be used by authorities to tackle underlying issues that prevent a solid return to growth.

Euro area Financial Conditions



Source: IMF staff estimates.

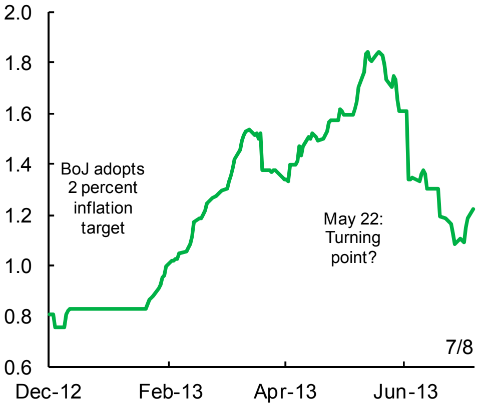
Euro Spreads: Non-fin Corp New Loans (1-5yrs) to Euro Swap Rate (3yrs)
(percent)



Source: Haver analytics.
1/ Germany and France.
2/ Italy and Spain.

- In *Japan*, the BoJ's objective to raise inflation to 2 percent and the sweeping enhancements to the monetary framework are welcome. Despite some signs of increasing inflation expectations, it is not yet well-entrenched. Considerable uncertainty remains about the commitment of the government to put in place the complete package of policies required for a successful outcome. While the recent cabinet decision on the fiscal and growth strategies is welcome, more concrete and decisive measures should be formulated in the near future.

Japan: Inflation Expectations
(percent; 5-year breakeven)



Source: Bloomberg L.P.

- In the *United States*, while underlying growth has been relatively robust, there is still a long way to go on the labor market, as unemployment remains high and labor force participation below trends. The Fed's policy should thus remain accommodative, including through its UMP, as benefits still outweigh the costs. At the same time, strong prudential oversight and supervision of the financial system is essential to address emerging vulnerabilities in both the bank and non-bank financial sector owing to ultra low interest rates. There are incipient signs of rising exposure to both interest rate and credit risk in regional banks that require increased vigilance, as low interest rates squeeze interest margins. Vulnerabilities may also be building in the non-bank financial sector, with a rapid expansion of agency real estate investment trusts (REITs), weakening underwriting standards in the leveraged loan market (covenant-lite loans issuance has returned to pre-crisis levels), and higher credit and liquidity risks taken by pension funds and insurance companies. In the future, careful communication about the eventual exit from monetary stimulus will help reduce volatility in global financial markets.

8. **Financial sector reforms need to be urgently completed**. Further progress in restructuring, resolving and recapitalizing banks and private sector balance sheets remains critical in *Europe* to allow a revival of credit to the real economy. A credible and comprehensive balance sheet assessment, with third party involvement, followed by stress tests will help identify problem assets and quantify capital needs, and the recent agreement on the framework for ESM direct recapitalization will help provide some backstop if implemented effectively. In parallel, the momentum to build a banking union and thereby address architecture gaps in the euro area needs to be maintained. Priorities include: adopting the legislation for the Single Supervisory Mechanism (SSM), reaching final agreement by the European Parliament on the Bank Resolution and Recovery Directive, making progress on the Deposit Guarantee Scheme Directive, and reaching consensus on a strong Single Resolution Authority with a centralized authority to trigger resolution and make decision on burden sharing. *Elsewhere*, commitments towards regulatory reform to enhance the stability of the financial system need to be upheld, including in the implementation of Basel III standards, while reducing the risk of international financial regulatory fragmentation.

9. **Policymakers in emerging economies are facing increasingly challenging trade-offs**. They need to balance support for demand and containment of liquidity risks with action to address building credit risks. At the same time, they should rebuild fiscal space, while dealing with structural impediments. Country circumstances vary: some may need to focus on ensuring orderly market functioning while others will be better positioned to withstand any potential turbulence and focus on structural reforms.

- ***Monetary policy***. Requirements differ across countries. Monetary easing can be the first line of defense against liquidity pressures and downside risks where inflation is firmly anchored, although capital flow reversals, external financing needs, and financial stability risks might constrain scope for action in some countries. Monetary policy should have some leeway to ease in emerging Asia, especially in 2014, as the output gap re-opens, core inflation falls, and inflation expectations are well anchored. Several countries have already cut policy rates in response to the recent weakness in activity (e.g., India, Korea). In Latin America, economies are operating close to speed limit, which restricts available policy room. In economies where monetary policy is still very accommodative and inflation above target, some monetary policy tightening may be needed to bring inflation back to target. Brazil continues to face a considerable inflation challenge, with inflation exceeding the upper limit of the inflation target band, which requires further monetary tightening.

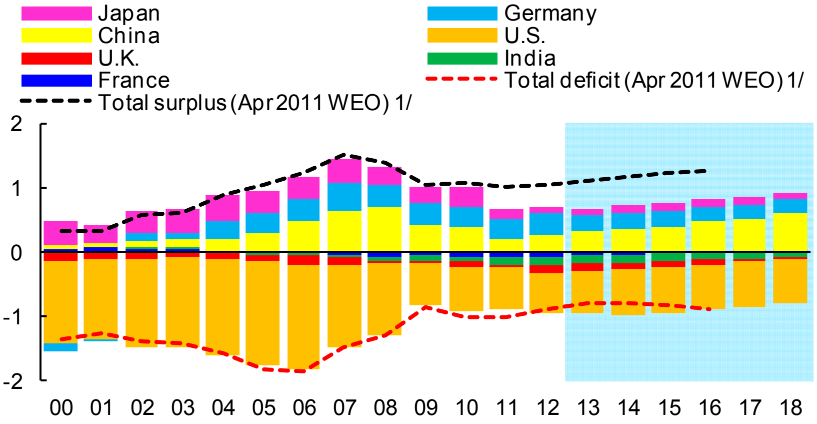
- ***Prudential policies***. Policymakers should be ready to address possible financial stability risks where high credit growth has been prolonged, by strengthening oversight and macro-prudential policies. Steps in that direction may include countercyclical capital requirements and dynamic provisioning. Economies faced with volatile capital flows and financial stability risks need to consider the full range of macroeconomic and macro-prudential policies to avoid excessive financial and exchange rate volatility. In particular, in some economies, the authorities may have to ensure an orderly functioning of local bond markets. Authorities should stand ready to offer liquidity support to bond and foreign exchange markets, and consider the deployment of swap lines with other major central banks. Under certain circumstances, when large and sudden outflows cause financial instability risks or large inflows induce a sharp exchange rate appreciation or risk causing asset price bubbles, capital flow measures may be appropriate on a temporary basis.

- **Fiscal and structural policies**. Policymakers should also address structural obstacles to continued high growth while rebuilding fiscal policy buffers. Public debt is above pre-crisis-levels in most countries and structural issues and lower potential output point to lower fiscal space than previously estimated. Buffers should be rebuilt to create space for action should downside risks materialize. Priority should be given to fiscal consolidation (particularly in countries where current account deficits are widening), with monetary policy remaining the first line of defense. In some (e.g. India), the magnitude of fiscal problems requires an overhaul of tax and subsidy policies.

10. ***Global imbalances* have declined, mainly reflecting demand compression in advanced deficit economies but risks are they could widen again**. External imbalances have narrowed since the crisis, in part durably, reflecting market corrections, but in large part reflecting demand compression in advanced deficit economies. Policies have not contributed much to the rebalancing. In the United States, the deficit reduction was driven by market-led corrections of private demand (credit and housing). In China, activity reoriented somewhat toward internal demand in a context of weak external demand, though with an excessive reliance on investment. In contrast, the euro area current account is moving into a sizable surplus, reflecting much narrower deficits in the periphery, the German surplus has widened, as investment has remained very low. Accordingly, risks are that either external imbalances widen again or global growth remains sluggish—if output gaps in advanced deficit economies are closed mainly by

Current Account Balances

(percent of world GDP)



Source: IMF, *World Economic Outlook* July 2013.
1/ Surplus countries consist of China, Germany, and Japan. Deficit countries consist of France, India, United Kingdom, and United States.

internal demand; demand in key emerging economies weakens; the euro area slides into prolonged stagnation, or the policy to break with deflation fails in Japan.

11. **Accordingly, strengthened policy action is needed to further reduce imbalances while supporting growth**. Policies need to increase internal demand on a sustained basis in surplus economies and raise external competitiveness in deficit economies.

- *Surplus economies need to increase internal demand or change its composition*. In *Germany*, improving the productivity of the services sector and broadening sources of financial intermediation beyond bank-based channels could help strengthen internal demand (especially investment), while further reforms are needed to increase the labor force. In *China*, reforms to transition the economy to a more consumer-based and sustainable growth path include financial sector reforms, strengthening the social security system, moving to a more market-based exchange rate, opening markets to more competition, and raising resource prices. In *Japan*, growth-enhancing reforms should include deregulation in domestic services and agriculture, greater reliance on market-based financing for SMEs, and measures to reduce duality in the labor market.

- *Deficit countries should aim at increasing external competitiveness, while making further progress on fiscal consolidation*. In *France* and *Spain*, continued labor and product market reforms would help further boost external competitiveness and narrow external deficits. In the *United Kingdom*, policies need to focus on improving physical and human capital, R&D and technology to increase the value added of exports.

Table 1. Real GDP Growth

(Percent change)

	Year over Year Averages					
			Projections		Deviations	
			(as of July 2013)		(from April 2013)	
	2011	2012	2013	2014	2013	2014
World 1/	**3.9**	**3.1**	**3.1**	**3.8**	**-0.2**	**-0.2**
Advanced economies	1.7	1.2	1.2	2.1	-0.1	-0.2
Euro area	1.5	-0.6	-0.6	0.9	-0.2	-0.1
Emerging market and developing countries 2/	6.2	4.9	5.0	5.4	-0.3	-0.3
Advanced G-20	1.6	1.5	1.3	2.1	0.0	-0.2
Emerging G-20	7.1	5.2	5.6	5.9	-0.3	-0.4
G-20 3/	4.1	3.2	3.3	3.9	-0.2	-0.3
Argentina 4/	8.9	1.9	2.6	3.0	-0.1	-0.5
Australia	2.4	3.6	2.8	3.0	-0.2	-0.3
Brazil	2.7	0.9	2.5	3.2	-0.5	-0.8
Canada	2.5	1.7	1.7	2.2	0.2	-0.2
China	9.3	7.8	7.8	7.7	-0.3	-0.6
France	2.0	0.0	-0.2	0.8	-0.1	0.0
Germany	3.1	0.9	0.3	1.3	-0.3	-0.1
India	6.3	3.2	5.6	6.3	-0.1	0.0
Indonesia	6.5	6.2	5.8	6.1	-0.5	-0.3
Italy	0.4	-2.4	-1.8	0.7	-0.3	0.2
Japan	-0.6	1.9	2.0	1.2	0.5	-0.3
Korea	3.7	2.0	2.8	3.9	0.0	0.0
Mexico	3.9	3.9	2.9	3.2	-0.5	-0.2
Russia	4.3	3.4	2.5	3.3	-0.9	-0.5
Saudi Arabia	8.6	5.1	4.0	4.4	-0.4	0.2
South Africa	3.5	2.5	2.0	2.9	-0.8	-0.4
Turkey	8.8	2.2	3.6	3.8	0.2	0.1
United Kingdom	1.0	0.3	0.9	1.5	0.3	0.0
United States	1.8	2.2	1.7	2.7	-0.2	-0.2
European Union	1.7	-0.2	-0.1	1.2	-0.1	-0.1

Source: IMF, *World Economic Outlook* July 2013.

1/ The quarterly estimates and projections account for 90 percent of the world purchasing-power-parity weights.

2/ The quarterly estimates and projections account for approximately 80 percent of the emerging market and developing countries.

3/ G-20 aggregations exclude European Union.

4/ The data for Argentina are officially reported data. The IMF has, however, issued a declaration of censure and called on Argentina to adopt remedial measures to address the quality of the official GDP data. Alternative data sources have shown significantly lower real growth than the official data since 2008. In this context, the IMF is also using alternative estimates of GDP growth for the surveillance of macroeconomic developments in Argentina.