G-20 Surveillance Note

G-20 Finance Ministers and Central Bank Governors’ Meetings
February 22–23, 2020
Riyadh, Saudi Arabia

Prepared by Staff of the
International Monetary Fund*

*Does not necessarily reflect the views of the IMF Executive Board

February 2020
EXECUTIVE SUMMARY

Global growth appears to be bottoming out, but the projected recovery is fragile. Activity in the manufacturing sector is showing tentative signs of stabilization, as uncertainty and the adverse effects of sector-specific shocks have diminished and policy easing in 2019 is providing support. However, the expected increase in global growth—from 2.9 percent in 2019 to 3.3 percent this year—is a fragile one, as it largely reflects improved prospects in previously stressed or underperforming economies, while growth in advanced economies is expected to remain subdued. Growth in China has been disrupted by the spread of the coronavirus, and prospects in many emerging market and developing economies remain too weak to meaningfully improve living standards. Over the medium term, growth is projected to remain below historical averages.

Downside risks to the outlook continue to dominate. Risks remain skewed to the downside. The recovery could be derailed by a sharp rise in risk premia, triggered for example by a re-escalation of trade tensions, or a further spread of the coronavirus. A more general retreat from multilateralism and the associated economic fragmentation could further depress growth, including over the medium term. More frequent climate-related natural disasters could cause widespread economic damage and disrupt activity.

To support a lasting recovery, policymakers must carefully balance the domestic policy mix. Broad-based monetary policy easing together with fiscal easing in some economies have helped avert a deeper slowdown and continue to support activity. As the projected recovery is highly fragile, it will be important not to withdraw policy support too quickly. Low inflation requires monetary policy to stay accommodative in most economies. Fiscal policy must balance the needs for lifting potential growth, ensuring debt sustainability, and protecting vulnerable groups. Where fiscal space allows, policymakers can take advantage of low rates for productivity-enhancing investment to lift potential growth. Yet, low-for-long interest rates have also led to a continued buildup in vulnerabilities, intensifying the need for macro- and micro-prudential policy.

Increasing the pace and inclusiveness of medium-term growth requires both fiscal and structural policies. Fiscal spending—including through reprioritization—to enhance access to high-quality education and health care can promote more equal opportunities. Labor and product market reforms can support medium-term growth by boosting labor productivity, strengthening the ability and incentives of unemployed people to find a job, and reducing barriers to entry in highly regulated industries. When combined, such fiscal and structural policies not only help make growth stronger, more sustainable, and more balanced, they can also engender a more equal society in the future.

Many of today’s most fundamental challenges are global and require global solutions. A “Phase 1” deal between the United States and China—while a step towards de-escalation—needs to avoid managed trade and must be complemented by collective efforts to reform the multilateral trading system. Cooperation is also needed to make climate mitigation and adaptation more effective and less costly. Global efforts to address issues related to international corporate taxation, financial regulation, debt transparency, illicit financial flows, and the adequacy of the global financial safety net would make growth more robust and more inclusive in the future.

Prepared under the supervision of Lone Christiansen by a team comprising Johannes Eugster (lead), Eric Bang, Jaden Kim, Menexenia Tsaroucha, and Ilse Peirtsegaele.
RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

After global growth disappointments in 2019, there are signs that economic activity is bottoming out. The tentative stabilization has been helped by monetary and fiscal policy easing, some reduction in uncertainty, and the dissipating impacts of country- and sector-specific shocks. Accordingly, growth is expected to strengthen from 2.9 percent last year to 3.3 percent in 2020. Yet, the projected recovery is expected to be shallow and subject to downside risks. At the same time, monetary policy space to respond to shocks is increasingly constrained, and fiscal space differs markedly between countries—though low interest rates have helped reduce borrowing costs. Absent significant reform efforts, medium-term growth will likely remain insufficiently strong to meaningfully raise living standards for all.

A. A Shallow Recovery

1. After a marked slowdown last year, global economic activity is expected to moderately strengthen in 2020. On the back of negative surprises (e.g., particularly in India, but also in Indonesia, Mexico, and South Africa), the January 2020 World Economic Outlook (WEO) Update revised down global growth in 2019 and 2020 to 2.9 percent and 3.3 percent—a downward revision of 0.1 percentage points for both years relative to the October WEO (Figure 1). All G-20 economies, with the exception of Japan, are now expected to have grown at a similar or slower pace in 2019 than the year before. At the same time, unemployment rates in advanced economies are close to or below pre-crisis levels and output gaps are broadly closed. In emerging market economies, weak growth in 2019 led to a widening of negative output gaps. While employment and wage growth remained healthy in advanced economies, subdued inflation persisted and moved further below targets in many economies (Figure 2 and Figure 14).

2. The pick-up in growth is expected to benefit from reduced policy uncertainty and fading effects of country- and sector-specific shocks. Signs are appearing that the drag on activity from idiosyncratic factors related to the car sector and the tech cycle (following a lull in the launch of new tech products) are waning. In addition, while many of the longer-term repercussions of...
trade tensions remain to be addressed, the Phase 1 trade deal between the United States and China reduced tail risks of a near-term escalation of trade tensions (Figure 3). Lower risk of a disorderly Brexit also contributed to mitigate near-term economic uncertainty. Going forward, this is expected to support manufacturing activity, lift growth in global trade volume from its lowest level since the global financial crisis, and strengthen global investment growth—though with the latter continuing to grow at a slower pace than GDP.

3. Monetary and fiscal policy actions were instrumental in supporting activity, thus avoiding a deeper downturn.

- Amid weak growth, central banks decisively lowered interest rates during 2019 (Figure 4). In G-20 advanced economies, this meant further reducing already-low policy interest rates; and where rates were at or below zero (e.g., euro area, Japan), quantitative easing was continued. Given generally modest inflationary pressure, cyclical weakness, and lower interest rates in key advanced economies, many emerging market economies also eased their monetary policy stance by cutting interest rates (e.g., Brazil, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, Turkey) and lowering reserve requirements (e.g., China, Turkey). The monetary stimulus eased global financial conditions, which supported capital flows to emerging market economies in the second half of the year and helped strengthen economic activity. IMF staff estimates that monetary impulses\(^1\) contributed roughly ½ percentage point to global growth in 2019 and are expected to continue to support growth this year by a similar magnitude.

---

\(^1\) Impulses are defined here as monetary easing, which was not foreseen at the beginning of 2019.

---
• Fiscal policy became significantly more accommodative in 2019. Across the G-20 (excluding Argentina where the fiscal stance was tightened), country authorities eased fiscal policy on average by 0.4 percent of GDP during the year\(^2\) and are projected to add an additional 0.1 percent of GDP in stimulus this year. This helped support the level of aggregate G-20 GDP last year—in addition to the impact from monetary policy easing—and is expected to continue to support growth in 2020 (Figure 5).

4. Nonetheless, several headwinds continue to hold back growth. The coronavirus, a human tragedy, is disrupting economic activity in China as production has been halted and mobility around affected regions limited. Spillovers to other countries are likely—for example through tourism, supply chain linkages, and commodity price effects. While the auto- and tech sectors are no longer a significant drag on growth, challenges will likely persist (e.g., related to a structural decline in demand for cars and cell phones), making these sectors unlikely sources of strong growth going forward. Corporate investment in new equipment has also remained weak (Figure 6). While the trade deal between the United States and China somewhat reduced short-term uncertainty, leading to an upward revision in growth projections for China, the deal does not roll back the full set of recently imposed tariffs, fails to durably resolve the uncertainty about their future relationship, and contains distortionary provisions of managed trade. Thus, trade restrictions and lingering uncertainty over trade policy continue to act as a drag on investment and sentiment.

5. Hence, the recovery is fragile and likely to be shallow. The projected recovery continues to be largely driven by improved prospects in previously underperforming emerging market economies (e.g., Brazil, India, Mexico, Russia, Turkey), where growth is expected to increase by about

---

\(^2\) Based on the unweighted average of changes in cyclically-adjusted primary balances.
one percentage point or more relative to last year. While a more favorable international environment is expected to support growth in the euro area, growth in G-20 advanced economies is projected to remain subdued this year, in part amid a phasing out of fiscal stimulus and lower business investment in the United States and reduced private demand following a consumption tax hike in Japan. In China, the short-term outlook will largely depend on a successful containment of the coronavirus, with the current scenario suggesting that—broadly in line with similar experiences in the past (e.g., the SARS outbreak in 2002–03)—the disruption of economic activity will be followed by a period of stronger catch-up growth. In addition, the ongoing transition to lower, but more sustainable, growth is expected to continue. In addition, in many economies, high inequality has persisted, with access to opportunities often differing markedly across gender, age, and regions. Furthermore, social unrest, including in non-G-20 economies (e.g., Chile, Lebanon, Iraq, Hong Kong SAR), has contributed to a reassessment of their economic prospects (Figure 7).

6. **Over the medium term, prospects for stronger, more balanced, and more inclusive growth remain elusive.** On current policy settings, medium-term growth is projected at 1.5 percent for G-20 advanced economies and 3.0 percent for emerging market economies (excluding China and India). Such growth rates imply a level of medium-term per-capita GDP growth below 1.5 percent for half of the G-20 economies—too low to materially raise living standards and strengthen prospects for disadvantaged groups. This adds to existing challenges in many economies of creating sufficient job opportunities for the young or lower-skilled, not least amid changing demands for labor from technological change. Alongside, while current account excess surpluses and deficits have narrowed somewhat, stock imbalances have continued to grow; and low interest rates have prompted investors to move into riskier and less liquid securities, contributing to stretched asset valuations and a continued build-up of vulnerabilities.

B. **Downside Risks Continue to Dominate**

7. **Risks remain skewed to the downside, highlighting the fragility of the projected recovery.** On the upside, a further significant easing of uncertainty and of country- and sector-specific drags could lead to more favorable dynamics than anticipated. However, negative risks continue to dominate as new threats have emerged (Figure 8). Notably, the impact of the coronavirus is still unfolding, and a variety of scenarios could emerge. While the current scenario assumes that the spread of the virus will be contained quickly, with a bounce-back later in the year as pent-up demand...
spurs economic activity, the impact could be larger and longer lasting. A wider and more protracted outbreak or lingering uncertainty about contagion could intensify supply chain disruptions and depress confidence more persistently, making the global impact more severe. The short-term recovery could also be derailed by renewed disappointments in previously stressed and underperforming economies or a sharp rise in risk premia, triggered for example by cyber-attacks, an escalation of geopolitical tensions in the Middle East, or a breakdown in trade negotiations between the United States and China. A rise in protectionism and retreat from multilateralism could also lead to technological decoupling and the unraveling of global production chains, resulting in lower productivity growth going forward. Furthermore, growth may be exposed to more frequent climate-related natural disasters. Persistent or increasing inequality could destabilize the political and social fabric and weaken the support for necessary growth-enhancing reforms.

**Figure 8. Risks to the Global Economy**

- **More frequent and severe natural disasters** cause severe economic damage and disrupt activity.
- **Cyber-attacks** could lead to systemic financial instability or widespread socio-economic disruptions.
- **Large swings in energy prices** complicate economic management for exporters and importers alike.
- **Country-specific shocks** reinforce each other and lead to a prolonged global slowdown.
- **Rising Protectionism and a retreat from multilateralism** endanger the recovery and medium-term growth.
- **Social discontent** causes economic disruption, loss of confidence and to policy missteps.
- **A sharp rise in risk premia** exposes financial vulnerabilities and generate stress among leveraged borrowers.
- **The coronavirus outbreak** causes widespread and prolonged disruptions to economic activity.
- **Geopolitical tensions** cause socio-economic, political and financial disruptions.

---

**C. Policy Space Remains Constrained**

8. **Conventional monetary policy space is increasingly constrained.** In many advanced economies, space for further conventional monetary policy easing is limited, with interest rates close to—or even below—zero in several economies. Furthermore, as neutral interest rates have declined, the effectiveness of monetary policy—for a given level of the policy rate—may have lessened relative to the past.³ While unconventional monetary policy can also provide support, central bank balance sheets in some economies are at multiples of their pre-crisis levels (e.g., euro area, Japan) (Figure 9). And though monetary policy space is larger in many G-20 emerging market economies, so may be their exposure to global shocks, including monetary policy decisions in advanced economies.

9. **Fiscal space varies significantly across G-20 economies.** Fiscal space is facing constraints in many economies. About one third of G-20 economies are assessed as having “no fiscal space” (*Argentina*, *South Africa*) or “fiscal space at risk” (*Brazil*, *India*, *Italy*, *Spain*), pointing to risks to debt sustainability from a potential deficit-financed fiscal expansion—in particular if it prompts an increase in risk premia. While a number of G-20 economies have “some fiscal space”, only three are assessed as having “substantial fiscal space” (*e.g.*, *Australia*, *Germany*, *Korea*).

10. **However, low interest rates have the potential to provide room for a more balanced policy mix.** Sovereign bond yields have generally declined across the G-20 relative to end-2018 (Figure 10). Across maturities, twenty-five percent of advanced economies’ government bonds was associated with negative yields at end-2019—exceptional by historical standards despite a slight increase in long-term interest rates after last September. In turn, lower borrowing costs have helped reduce public sector financing burdens and have the potential to add to fiscal space. For example, low interest rates may strengthen the case for productive long-term investments and, where needed, can facilitate supporting demand (where there is fiscal space) or slowing the pace of consolidation (where fiscal space is “at risk”).

---

**Figure 9. Monetary Policy Space**

**Figure 10. Sovereign Yields and Fiscal Space**
POLICIES

An accommodative policy mix remains generally appropriate to protect the shallow and fragile recovery. Given low interest rates, fiscal policy has the potential to play a larger role to the extent fiscal space allows. Spending to invest in the future will not only lift growth today but will also strengthen growth tomorrow and help make it more inclusive. Alongside, low interest rates warrant the careful implementation of prudential policies to mitigate risks from a build-up in financial vulnerabilities. However, domestic policies alone will not be sufficient to secure strong, sustainable, balanced, and inclusive growth. Reaching this goal requires close international cooperation to address global challenges.

A. A Well-Balanced Domestic Policy Mix is Needed to Protect the Recovery

11. In most G-20 economies, monetary policy should remain accommodative to help lift inflation. Where inflation is low, loose monetary conditions need to be maintained until inflation is close to (e.g., Australia, euro area, Korea, United Kingdom, United States) or above (e.g., Japan) the target. In some cases (e.g., Korea), this requires further monetary accommodation. In countries where inflation is above target or which have recently experienced market pressure (e.g., Turkey), monetary policy would need to remain relatively tight, yet data driven and well communicated.

12. In light of low growth and to the extent space allows, fiscal policy can help lift the growth trajectory. Policymakers should focus on projects that improve longer-term growth prospects. When done appropriately, such policies will have the joint benefits of protecting the expected recovery, making growth more sustainable, and reducing global imbalances.

- Where fiscal space is available, fiscal policy should focus on lifting growth prospects. In economies with substantial fiscal space and negative output gaps, fiscal policy should remain expansionary (e.g., Korea). Where medium-term prospects remain weak, fiscal space should be used for productivity-enhancing investments (e.g., Germany). Supportive fiscal policy may also be appropriate in economies with “some” fiscal space (e.g., Japan). That said, where fiscal positions are currently too expansionary (e.g., United States) or debt is high and output gaps closed (e.g., France), the fiscal stance may need to be tightened.

- Where fiscal space is at risk, the focus should be kept on maintaining debt sustainability, while protecting vulnerable groups. In some economies, this would require fiscal consolidation, underpinned by growth-friendly and inclusive measures (e.g., Brazil, India, Italy). Credible medium-term consolidation would also create space to temporarily slow the pace of consolidation in the event of a deeper or more protracted growth disappointment.

- Even in economies where fiscal support is not warranted at this juncture, policymakers should prepare for a potential renewed weakening in growth. Policymakers should identify adequate measures that, in additional to using automatic stabilizers, can be swiftly employed in the event downside risks materialize. In the case of a renewed widespread downturn, such stimulus may need to be considered in the context of an internationally synchronized policy response, as country-specific circumstances allow.
13. **Strengthened prudential policies should be deployed to address unintended consequences of loose financial conditions amid lower-for-longer interest rates.** To curb excessive risk taking, policy makers need to maintain stringent financial supervision—including of institutional investors and nonbank institutions—and develop and deploy broader macroprudential tools. Many countries would benefit from activating or increasing countercyclical capital buffers for banks (e.g., some euro area countries, Japan) and additional tools to regulate non-bank financing and corporate finance more generally. For example, improved disclosure requirements for nonbank financial institutions would be a crucial step towards better monitoring systemic risk (e.g., Canada, euro area). Improved transparency in the private debt market, including on cross-border exposure, would help monitor systemic risks.

14. **Emerging market economies need to mitigate risks arising from volatile capital flows.** Changing growth prospects, economic shocks, and shifts in the monetary policy stance in advanced economies led to capital flow volatility midway through 2019. However, market pressures largely differentiated according to fundamentals, highlighting the importance of supporting internal and external balances and avoiding balance sheet vulnerabilities, such as related to unhedged foreign-currency exposure and the reliance on short-term debt. Stronger fundamentals would facilitate letting the exchange rate act as a prime shock absorber. Fiscal and monetary policy can help avoid a hard landing to the extent space is available, while foreign exchange interventions should be used to mitigate disorderly market conditions by countries with sufficient reserves. Capital flow management measures should not be a substitute for necessary macroeconomic adjustment; where warranted, such measures should be transparent, temporary, and nondiscriminatory.4

### B. Urgent Action is Needed to Make Growth Stronger and More Inclusive

15. **Reprioritizing fiscal spending can support medium-term growth and make it more sustainable and inclusive.** Amid still-weak growth and low interest rates, there is a strong case for increased investment into high-return infrastructure and public services, to the extent fiscal space allows. In many countries, inclusive growth can also be supported by reconfiguring the mix of revenues and expenditure and improving the efficiency of public investment. For example, better access to high-quality education and health care, as well as progress in financial inclusion, can support the accumulation of human capital and labor market outcomes of the poor and reduce the persistence of economic outcomes across generations (Figure 11). In many countries, support for research and development could encourage innovation and investment (e.g., Australia, Germany, Spain, United Kingdom). Besides the positive short- and medium-term economic impact, such policies can also help create more equal opportunities, reduce inequality, and lift the pace and duration of medium-term growth.5 In addition, fiscal policy can play a role in supporting the transition toward less carbon-

---


5 See for example IMF *Staff Discussion Note No. SDN/14/02.*
intensive production structures, such as by boosting low-carbon infrastructure and encouraging innovation in green technologies, thereby rendering long-term growth more sustainable.6

16. In addition, structural reforms are needed to lift medium-term growth. Staff analysis shows that structural reforms enhance growth, in particular where access to credit and governance are strong.7 Furthermore, where cyclical positions are weak and debt sustainability considerations allow, fiscal support can amplify the gains from reform by offsetting potential negative near-term demand effects.

- **Advanced economies.** In advanced economies, product market reforms are needed to reduce barriers to entry in highly regulated sectors, including professional services (e.g., France, Germany, Italy, Japan), and regulators should continue efforts to prevent market concentration. In turn, this would facilitate competition, reduce prices, and strengthen incentives for innovation. Labor market reforms should focus on boosting labor productivity and strengthening the ability and incentives for employment. In many economies, employment—in particularly female employment—would benefit from additional provision of adequate childcare (e.g., Canada, Germany, Japan, Korea).

- **Emerging market economies.** In emerging market economies, there is room to raise productivity by further strengthening market forces and reducing the role of the state in the economy (e.g., China, Russia, Saudi Arabia, South Africa) as well as by liberalizing trade and foreign investment (China, India). Labor market reforms should focus on supporting formal employment, reducing restrictive employment protection (Indonesia, India), reducing gender gaps (India, Turkey), and increasing mobility (China).

17. In the euro area, completing the institutional architecture is necessary to better share and reduce risks. European authorities have taken various initiatives to complete the banking union, including by identifying the European Stability Mechanism as a fiscal backstop for the Single Resolution Fund. However, further progress is needed. In particular, concerns related to the fragmentation of rules along national lines and the lack of a common deposit insurance scheme—crucial to guard against adverse sovereign-bank feedback loops—need to be tackled. While the

---

7 See IMF (2016), World Economic Outlook, Chapter 3, April; and IMF (2019), World Economic Outlook, Chapter 3, October.
establishment of a euro area budget for convergence and competitiveness represents a step in the right direction, its size is modest, and it does not have a macroeconomic stabilization function. Additional progress is also needed to advance the capital market union by reducing barriers to private risk sharing and market fragmentation.

C. Global Challenges Require Global Solutions

18. Domestic policies will be insufficient to significantly raise growth if not complemented by multilateral efforts to address common challenges. Many of today’s challenges are global in nature and their resolution escapes the capacity of individual countries. Hence, while avoiding domestic policy missteps is essential, this does not assure the delivery of the projected recovery. Multilateral cooperation is thus essential to safeguard global integration and promote the sustainability and inclusiveness of medium-term growth.

19. Global collaboration is essential to the containment of the coronavirus and its costs. China has been mobilizing extraordinary resources to protect its people and contain the spread of the virus within and beyond its borders. Other countries have followed in proportion to the challenges. Collaboration has been—and will continue to be—essential to save lives in the first place, but also to contain the economic damage and strengthen our capacities to react to future epidemics wherever they may occur.

20. A collective effort is essential to protect international trade and financial integration. The Phase 1 agreement between the United States and China is a welcome step towards de-escalation given the benefits from a reduction in tariffs (Figure 12). However, more is needed, as the deal only partly reduces the overall damage and contains provisions (e.g., bilateral purchase agreements) that create additional costs, including for third countries, through trade diversion. To durably de-escalate tensions and restore investors’ confidence in the rules-based economic order, recently imposed barriers to trade need to be fully reversed and provisions of managed trade removed. Agreement on modernizing the multilateral trade system is needed, including to capture the increasing importance of e-commerce and trade in services, strengthen the enforcement of intellectual property rules, and assure continued enforceability of WTO commitments. Countries also need to refrain from undue and discriminatory restrictions on international investment.

Figure 12. Effect of Phase 1 Deal

Impact on Global real GDP of U.S.-China tariff hikes 1/ (percent difference from level without tariff hikes)

Sources: Haver Analytics; IMF, World Economic Outlook; and IMF staff estimates.

1/ The chart shows the marginal (i.e., additional) impact on the level of GDP from trade measures after the Phase I trade deal, compared to the simulation results in the 2019 G-20 Report on Strong, Sustainable, Balanced, and Inclusive Growth. The Phase 1 deal eliminates the 15 percent tariff on 160 billion that was due in December, as well as the additional 5 percent tariff on 250 billion. It also reduces the tariff on 120 billion from 15 to 7.5 percent. Managed trade provisions, reflecting an agreement for China to import goods worth about USD 200 billion from the United States, are assumed not to be reversed in the short term.
21. **International cooperation is urgently needed to support climate mitigation and adaptation.** Disruptive weather events⁸ have become more frequent in many parts of the world and will likely continue to impose significant economic costs. IMF staff has estimated that the average growth shortfall (relative to growth projections) associated with a climate-related natural disaster amounts to about 0.4 percentage points in the year of the event (Figure 13). Coordinated policies are therefore needed to mitigate climate change and adapt to more severe weather-related disruptions.

- **Mitigation requires a global solution.** Commitments made under the Paris agreement are insufficient to limit global warming to 2°C or less; and many countries are falling behind their commitments. A coordinated approach to carbon pricing could significantly reduce the political cost of the steep carbon tax necessary to reach this goal. For example, an international carbon price floor among countries with the largest emissions could provide reassurance against losses in competitiveness, address free-rider issues, and lead to a more efficient reduction of emissions, while maintaining the flexibility of countries to exceed such a global minimum.⁹

- **Adaptation is becoming increasingly important.** Adaptation needs vary across countries. In addition to incorporating climate risks into national policy planning and public investment decisions, international cooperation is needed to support communities where the cost of adaptation exceeds the country’s capacities.

---

**Figure 13. Climate risks and their impact on growth**

Sources: EM-DAT, and IMF staff calculations. See April 2020 *World Economic Outlook* (forthcoming) for more details.

1/ Small states are defined as territories with land area under 30,000 square kilometers (for reference, Haiti is 27,750 square kilometers). The number of disasters in each country group is divided by the respective total land area and averaged over years. 2/ Coefficients from a regression of forecast errors (actual real GDP growth rate minus forecast made in the fall of the previous year) on a dummy that takes the value of one when in a year a country has experienced major disaster(s) (based on a threshold of the number of people killed or otherwise affected, or damages to property and other assets). Regressions control for country and year fixed effects. Whiskers indicate 90 percent confidence intervals.

---

⁸ Hurricanes in The Caribbean, heatwaves in Europe, wildfires in Australia and the United States, and floods in the latter are just some weather-related events that made international headlines in 2019.

⁹ See *October 2019 Fiscal Monitor*. 
22. In addition, a number of other global challenges require multilateral solutions. Multilateral tax cooperation and standards are essential to reduce the scope for tax avoidance and make sure increasingly mobile corporates and individuals pay their fair share to support opportunities of future generations. Multilateral efforts are also needed to avoid a rollback of post-crisis financial regulatory reforms, improve debt transparency, tackle illicit financial flows, and ensure an adequately funded global financial safety net.
Figure 14. Recent Economic Developments

Manufacturing activity shows tentative signs of stabilization...

G-20: Manufacturing PMI
(index; >50 = expansion; sa)

...as effects of the sharp contraction in car demand appear to be fading...

Global car sales 1/
(units; millions; nsa)

...and the tech-cycle may be regaining momentum.

Worldwide semiconductor revenues
(index)

While the service sector has been resilient, it has weakened.

G-20: Service PMI
(index; >50 = expansion; sa)

Despite continued wage and employment growth in advanced economies,

G-20 Advanced economies: Employment and wage growth
(percent; year-over-year; unweighted average)

...inflation remains subdued and has declined further below targets in most countries.

CPI Headline inflation
(percent; year-over-year)

Sources: IMF staff calculations; Haver Analytics; and IMF Global Data Source.
1/ Includes Australia, Brazil, China, Canada, euro area, Indonesia, Japan, Korea, Malaysia, Mexico, Russia, South Africa, Turkey, United Kingdom and United States. Starting October 2008, Chinese sales are backward extrapolated using year-on-year growth rates in vehicle production, based on a correlation of 97 percent.
2/ Target refers to center of target band or numerical anchor. For presentational purposes, the ECB’s inflation objective of “below but close to 2 percent” is used for individual euro area members (DEU, ESP, FRA, ITA).
Table 1. Real GDP Growth
(percent change)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>World</strong></td>
<td><strong>3.6</strong></td>
<td><strong>2.9</strong></td>
<td><strong>3.3</strong></td>
<td><strong>3.4</strong></td>
<td><strong>-0.1</strong></td>
<td><strong>-0.2</strong></td>
</tr>
<tr>
<td></td>
<td>Advanced Economies</td>
<td>2.2</td>
<td>1.7</td>
<td>1.6</td>
<td>1.6</td>
<td>-0.1</td>
</tr>
<tr>
<td></td>
<td>Euro area</td>
<td>1.9</td>
<td>1.2</td>
<td>1.3</td>
<td>1.4</td>
<td>-0.1</td>
</tr>
<tr>
<td><strong>Emerging Market and Developing Economies</strong></td>
<td>4.5</td>
<td>3.7</td>
<td>4.4</td>
<td>4.6</td>
<td>-0.2</td>
<td>-0.2</td>
</tr>
<tr>
<td><strong>G-20</strong> 1/</td>
<td>3.8</td>
<td>3.1</td>
<td>3.4</td>
<td>3.5</td>
<td><strong>-0.1</strong></td>
<td><strong>-0.2</strong></td>
</tr>
<tr>
<td><strong>Advanced G-20</strong> 2/</td>
<td>2.1</td>
<td>1.7</td>
<td>1.6</td>
<td>1.5</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Emerging G-20</strong> 3/</td>
<td>5.1</td>
<td>4.2</td>
<td>4.7</td>
<td>4.9</td>
<td><strong>-0.2</strong></td>
<td><strong>-0.3</strong></td>
</tr>
<tr>
<td><strong>Argentina</strong></td>
<td>-2.5</td>
<td>-3.1</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td>2.7</td>
<td>1.7</td>
<td>2.3</td>
<td>2.4</td>
<td>0.0</td>
<td>-0.2</td>
</tr>
<tr>
<td><strong>Brazil</strong></td>
<td>1.3</td>
<td>1.2</td>
<td>2.2</td>
<td>2.3</td>
<td>0.2</td>
<td>-0.1</td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td>1.9</td>
<td>1.5</td>
<td>1.8</td>
<td>1.8</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>China</strong></td>
<td>6.6</td>
<td>6.1</td>
<td>6.0</td>
<td>5.8</td>
<td>0.2</td>
<td>-0.1</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>1.7</td>
<td>1.3</td>
<td>1.3</td>
<td>1.3</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>1.5</td>
<td>0.5</td>
<td>1.1</td>
<td>1.4</td>
<td>-0.1</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>India</strong> 4/</td>
<td>6.8</td>
<td>4.8</td>
<td>5.8</td>
<td>6.5</td>
<td>-1.2</td>
<td>-0.9</td>
</tr>
<tr>
<td><strong>Indonesia</strong></td>
<td>5.2</td>
<td>5.0</td>
<td>4.9</td>
<td>5.0</td>
<td>-0.2</td>
<td>-0.2</td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td>0.8</td>
<td>0.2</td>
<td>0.5</td>
<td>0.7</td>
<td>0.0</td>
<td>-0.1</td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td>0.3</td>
<td>1.0</td>
<td>0.7</td>
<td>0.5</td>
<td>0.2</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Korea</strong></td>
<td>2.7</td>
<td>1.9</td>
<td>2.2</td>
<td>2.7</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td>2.1</td>
<td>0.0</td>
<td>1.0</td>
<td>1.6</td>
<td>-0.3</td>
<td>-0.3</td>
</tr>
<tr>
<td><strong>Russia</strong></td>
<td>2.3</td>
<td>1.1</td>
<td>1.9</td>
<td>2.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Saudi Arabia</strong></td>
<td>2.4</td>
<td>0.2</td>
<td>1.9</td>
<td>2.2</td>
<td>-0.3</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>South Africa</strong></td>
<td>0.8</td>
<td>0.4</td>
<td>0.8</td>
<td>1.0</td>
<td>-0.3</td>
<td>-0.4</td>
</tr>
<tr>
<td><strong>Spain</strong> 5/</td>
<td>2.4</td>
<td>2.0</td>
<td>1.6</td>
<td>1.6</td>
<td>-0.2</td>
<td>-0.1</td>
</tr>
<tr>
<td><strong>Turkey</strong></td>
<td>2.8</td>
<td>0.2</td>
<td>3.0</td>
<td>3.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>1.3</td>
<td>1.3</td>
<td>1.4</td>
<td>1.5</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>United States</strong></td>
<td>2.9</td>
<td>2.3</td>
<td>2.0</td>
<td>1.7</td>
<td>-0.1</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>European Union</strong></td>
<td>2.2</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
<td>0.0</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

1/ G-20 aggregates exclude the European Union.
2/ Includes Australia, Canada, France, Germany, Italy, Japan, Korea, United Kingdom, and United States.
3/ Includes Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, and Turkey.
4/ India’s real GDP growth rates are for the fiscal year with, for example, 2019 referring to FY2019/20 (ending March 2020).”
5/ Spain is a permanent invitee.