G R O U P   O F   T W E N T Y

G-20

MEETING OF G-20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS

FEBRUARY 25-26, 2012

MEXICO CITY

Global Economic Prospects and Policy Changes

Prepared by Staff of the International Monetary Fund*

I N T E R N A T I O N A L   M O N E T A R Y   F U N D

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

EXECUTIVE SUMMARY

The global recovery suffered a setback and despite recent improvements remains subject to major downside risks. Global activity will slow in 2012. The euro area is still expected to enter a mild recession, and other *advanced economies* are likely to experience weak and bumpy growth. In *emerging economies*, growth is expected to continue moderating, reflecting past policy tightening and adverse spillovers from advanced economies.

Risks to global growth remain squarely to the downside, although recent policies and financial market developments have lowered the probability of a sharp global slowdown. The overarching risk remains an intensified global "paradox of thrift" as households, firms, and governments around the world reduce demand. This risk is further exacerbated by fragile financial systems, high public deficits and debt, and already-low interest rates, making the current environment fertile ground for multiple equilibria—self-perpetuating outcomes resulting from pessimism or optimism, notably in the euro area. Other key risks include hard landings in emerging economies and sharply higher oil prices, driven by geopolitical-related supply concerns.

The *euro area* must build on recent measures and act decisively on multiple fronts to achieve a successful resolution to the crisis. *Fiscal consolidation* should be structured to avoid a decline in demand, and countries with fiscal space should reconsider the pace of near-term adjustment. Euro area members benefiting from financial assistance programs should stick to the agreed consolidation efforts. The adverse effects of fiscal consolidation on *growth* should be mitigated by other policies: easier monetary policy; bank recapitalization to support credit; and structural and institutional reforms to address the root causes of the crisis. *Deft crisis management* is required. The ECB's 3 year LTRO has improved market sentiment, relieving pressures on euro area banks and sovereigns. Sufficient liquidity should be provided, by expanding the ECB's balance sheet and augmenting resources for the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM). Importantly, to underpin the sustainability of the common currency deeper *financial and fiscal integration* over the medium term is required.

In other *advanced economies*, there remains an urgent need to set out a credible path for fiscal consolidation over the medium term. Sufficient adjustment is planned in most advanced economies in the near term. If downside risks to growth materialize, countries with fiscal space should allow automatic stabilizers to operate fully. Countries that can afford it may consider slowing fiscal adjustment in 2012, while maintaining their commitment to a credible medium-term consolidation plan. Monetary policy should remain highly accommodative—through unconventional measures, if necessary.

In *emerging economies*, the priority is to ensure a soft landing as domestic growth slows amid a deteriorating external environment and volatile capital flows. Monetary policies can be eased in economies with diminishing inflationary pressure (e.g., Latin America) and, where necessary, should be complemented with macro-prudential measures and enhanced financial supervision to insure against overheating in some sectors (e.g., real estate). There is scope to increase expenditure—including, in some cases, social spending—in economies where inflation pressure is expected to ease, fiscal positions are sound, and external surpluses are large (e.g., China). In those economies with relatively high inflation and public debt, policy space is more limited, warranting a more cautious stance toward policy easing (e.g., India).

Collective action to address global imbalances can help ensure a return to strong, sustainable, and balanced growth. This will require further deleveraging by households in *advanced deficit economies*, and policies encouraging more inclusive growth and lower saving in *emerging surplus economies*—through financial sector reform, enhanced pension, healthcare, and education policies, and less intervention in foreign exchange markets.

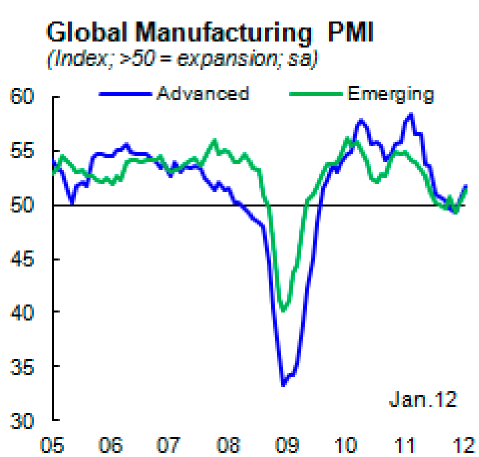
Prepared by a team from the IMF's Research Department, led by Emil Stavrev and including Troy Matheson, Chanpheng Fizzarotti, and Anne Lalramnghakhleli Moses.

I. GLOBAL CONJUNCTURE

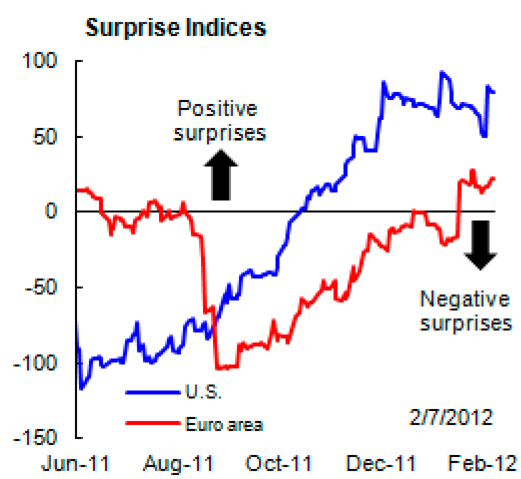
Despite some recent positive developments, the global recovery continues to be threatened by strains in the euro area and fragilities elsewhere. Market perceptions have improved recently owing to progress in addressing the euro area crisis and easing concerns about vulnerabilities in other countries. Risks, however, remain squarely to the downside. The euro area economy has begun to contract and the threat of intensified sovereign-financial feedback loops and financial sector deleveraging continues to cast a shadow over the outlook. Other advanced economies are experiencing weak and bumpy growth, reflecting both the legacies from the crisis and spillovers from Europe. Meanwhile, emerging economies have slowed by more than expected, reflecting partly the effects of past policy tightening.

1. **Global activity has slowed**. Activity remained relatively robust in the third quarter of 2011, with global GDP expanding at an annualized rate of 3½ percent. During this period, growth in advanced economies surprised on the upside, as consumers in the United States unexpectedly lowered their saving rates and business fixed investment showed strength, and consumption was supported by stabilizing oil prices. However, in the final quarter of 2011, amid a sharp tightening of financial conditions, developments worsened significantly in the euro area, while activity in other advanced economies was mixed. The euro area flash estimate shows that the economy contracted by 1.2 percent; the Japanese economy also contracted, by 2.3 percent, amid slowing global trade and continued supply-chain disruptions. By contrast, U.S. GDP growth picked up pace to reach 2.8 percent (from 1.8 percent in Q3), driven largely by inventories (all numbers are annualized). Recent data releases, including PMIs for the euro area, suggest that the pace of activity could be stabilizing somewhat earlier than expected.

2. ***Emerging economies* have slowed more than expected**. The effects of past policy tightening have contributed to a cooling in domestic demand and so have adverse spillovers from *advanced economies*.

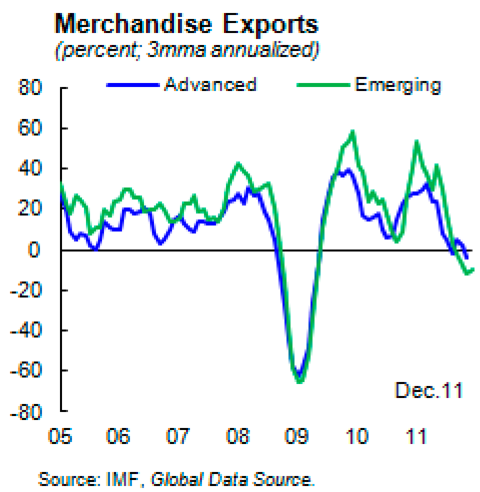


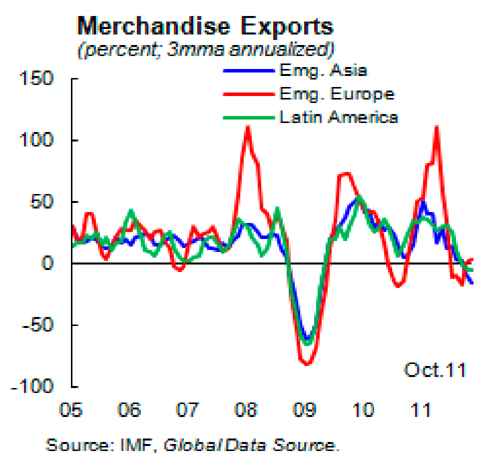
Source: IMF, *Global Data Source.*



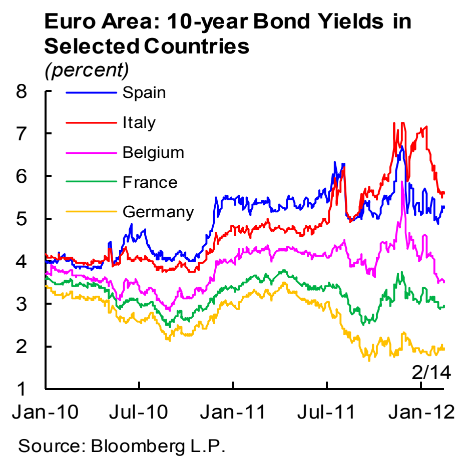
Sources: Bloomberg, L.P.; and Citigroup.

These effects have been amplified by cyclical factors and weaker confidence in the growth outlook. After expanding at an annual rate of between 30–40 percent earlier in 2011, export growth for emerging economies, notably those in Europe, fell sharply and turned negative towards the end of the year. The deterioration in trade appears to be driven partly by adverse spillovers from the euro area and supply-side disruptions.





3. **Financial markets have taken comfort from recent steps taken by European policy makers**. The most tangible effect has come from the 3-year ECB's long-term refinancing operation (LTRO) and its acceptance of a broader range of collateral. This has alleviated rollover funding pressures on many banks in the short term. However, in the medium to long term, efforts have to be pursued to improve their balance sheets and restore confidence and regain access to market term funding, which ultimately also depend on growth and fiscal sustainability. The EU also made commitments at the recent summit to strengthen the euro area's policy framework.

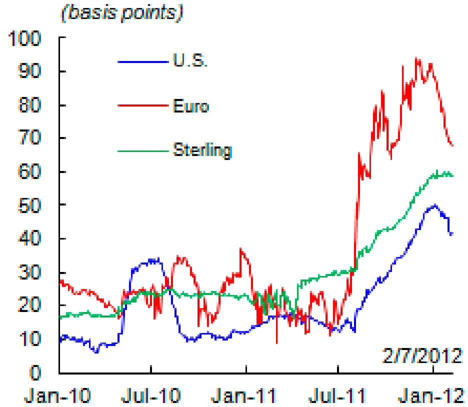


4. **While a full-blown liquidity crisis has been averted, sovereign stress remains elevated in parts of the euro area, fostering adverse financial-real feedback loops**. The ECB's actions and the structural and institutional reforms that have been adopted recently have helped alleviate financing pressures, as evidenced by reduced sovereign and bank debt yields. Nevertheless, yields on long-term bonds remain at high levels (notably in Italy and Spain). While the impact of the LTRO has not been yet fully reflected in recent credit developments, it has not yet led to a restoration of interbank lending across Europe and it is unlikely that it can turn around private credit, which stagnated in January, following a large drop in December. Lower, albeit still high sovereign yields

continue to pressure private sector borrowing costs and recent bank surveys show loan standards have tightened sharply and are expected to continue to do so—particularly in Italy. Accordingly, market confidence remains fragile, with a comprehensive approach to resolving the sovereign debt crisis lacking and still-weak growth prospects.

5. **Funding pressure on European banks, while easing recently, continues, as policies to bolster capital buffers take effect**. To avoid excessive deleveraging, the EBA has stated banks should first use private sources of funds to achieve capital targets, and that any reductions in risk-weighted assets should not reduce the flow of lending to the real economy. The recent EBA preliminary assessment of banks' capital plans suggests that, in aggregate, the shortfalls are expected to be met primarily through direct capital measures, which would significantly limit the negative impact on lending to the real economy. Measures submitted so far (plans will be finalized by March 1st) create an additional capital buffer equivalent to one quarter of the initial

3-Month LIBOR to OIS Spreads
(basis points)

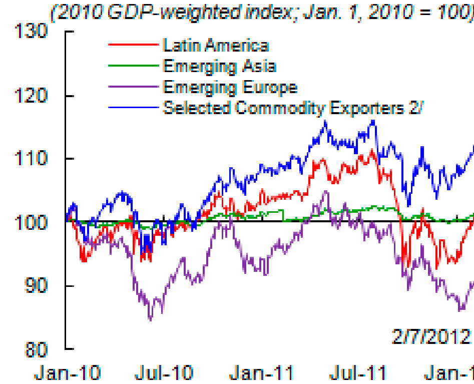


Source: Bloomberg L.P.

shortfall. Capital-raising measures account for over 95 percent of the total increase in capital ratios. However, further scrutiny of individual cases will be necessary in parallel with the discussion of banks' plans by the relevant colleges of supervisors.

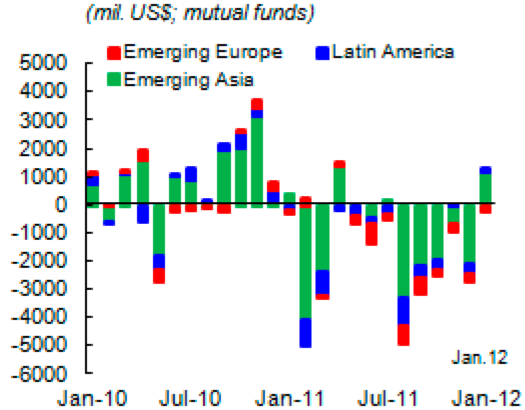
6. **Recent capital flows and exchange rate movements have been largely driven by risk perceptions**. A general flight to safety depreciated many emerging market exchange rates against the U.S. dollar in the second half of 2011. A notable exception was China's real effective exchange rate, which has recently appreciated. Capital flowed out of emerging markets, but at a markedly slower pace than during late 2008 or during August-September 2011. This contributed to a modest worsening in financial conditions,

Emerging Market Countries' Exchange Rates against the U.S. Dollar 1/
(2010 GDP-weighted index; Jan. 1, 2010 = 100)



Sources: Bloomberg; and IMF, *World Economic Outlook*.
1/ Country groups are based on WEO classifications unless otherwise specified.
2/ Includes Australia and Canada.

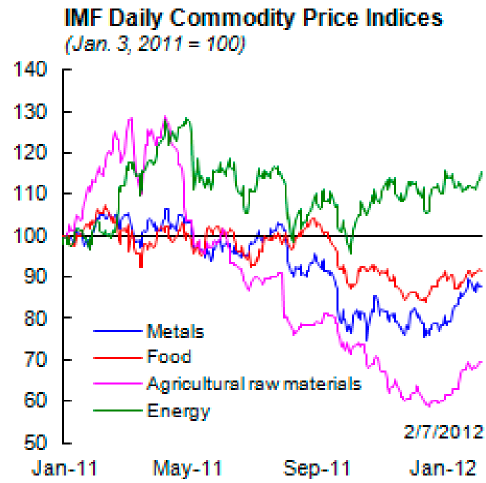
Total Flows
(mil. US$; mutual funds)



Source: Haver Analytics.

as reflected in lower equity prices and higher external bond spreads toward the end of 2011. Since the beginning of the year, risk perceptions have improved, asset prices and exchanges rates have recovered some lost ground across emerging economies, and capital inflows have resumed to emerging Asia, Latin America, and South Africa. Looking forward, capital flows to emerging economies are likely to be volatile.

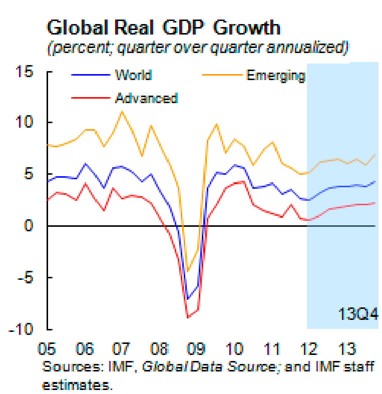
7. **Crude oil prices have held up despite deteriorating global growth prospects**. The oil market has remained relatively tight. Geopolitical risks have intensified—notably those related to Iran—increasing precautionary demand for oil inventories and adding a risk premium to spot prices. Other commodity markets have been faster to price-in demand developments, particularly base metals, and food prices have declined mainly due to improved supply prospects for 2012.



Source: Bloomberg L.P.

II. PROSPECTS

8. **Global growth is projected to slow**. Global output is projected to expand by about 3¼ percent in 2012 (Table 1)—a downward revision of about ¾ percentage points relative to the September 2011 *World Economic Outlook* (WEO). The euro area is expected to enter a mild recession in 2012, while other major advanced economies face the prospect of continued weak and bumpy growth. Growth will also moderate further in emerging economies. A large collapse in global demand is expected to be avoided, based on the assumption that policymakers in the euro area intensify efforts to address the crisis. This would allow for a gradual normalization of sovereign bond premia and limit deleveraging by euro area banks. Credit and investment in the euro area would contract modestly, with limited financial and trade spillovers to other regions.



- The *euro area* is expected to enter a mild recession in 2012, *refl*ecting the increase of sovereign and corporate bond yields, additional fiscal consolidation, and the effects of bank deleveraging on the real economy. Growth in the *United States* is expected to moderate over 2012, after showing some resilience in late 2011. While labor market improvements will help, saving rates are likely to rise again as households continue to repair damaged balance sheets. In *Japan,* earthquake reconstruction will continue to support activity, amid a strong yen and a weak external environment.

- In *emerging and developing economies*, growth is expected to slow relative to 2010–11. This reflects past policy tightening (e.g., Brazil and China), policy slippages that have hit confidence, adverse spillovers from advanced economies, and lower underlying global growth. The effects of these spillovers will vary across countries, reflecting the extent of linkages with advanced economies and available policy space.

9. **Inflation should ease as demand softens and commodity prices stabilize or recede, but risks of damaging deflation have increased in some G-20 advanced economies**.

- In *advanced economies*, excess supply and well-anchored inflation expectations will keep inflation pressures subdued, as the lagged effects of higher commodity prices wane. Inflation is projected to recede to close to 1½ percent during 2012, down from a peak of about 2¾ percent in 2011. Should growth turn out lower than expected, there is a risk that very large output gaps would lead to a further decline of domestic inflation to very low levels in some countries, notably in Europe, and deepen deflation in Japan, with damaging consequences where debt burdens are high.

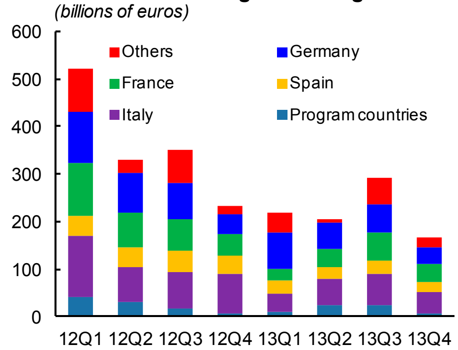
- In *emerging economies*, inflationary pressures are also expected to ease, as growth slows and food price inflation declines.

III. KEY RISKS

Risks remain squarely to the downside. Imminent risks for a banking crisis have diminished. The overarching risk remains an intensified global "paradox of thrift" as households, firms, and governments around the world reduce demand. This risk is further exacerbated by fragile financial systems, high public deficits and debt, and already-low interest rates, making the current environment fertile ground for multiple equilibria—self-perpetuating outcomes resulting from pessimism or optimism, particularly in the euro area. Emerging economies face risks of a hard landing, stemming from home-grown vulnerabilities and adverse spillovers from advanced economies. Another key risk is a sharply higher oil price, driven by geopolitical-related supply concerns.

10. **The key risk remains that policies do not shift Europe toward a "good equilibrium" and fail to break adverse feedback loops between real, fiscal, and financial sectors**. This risk must be urgently addressed as euro area public sector and bank debt rollover needs are large (totalling about 23 percent of GDP during 2012). Successful debt issuance requires a durable recovery of market confidence about prospects for both growth and fiscal sustainability across the euro area.

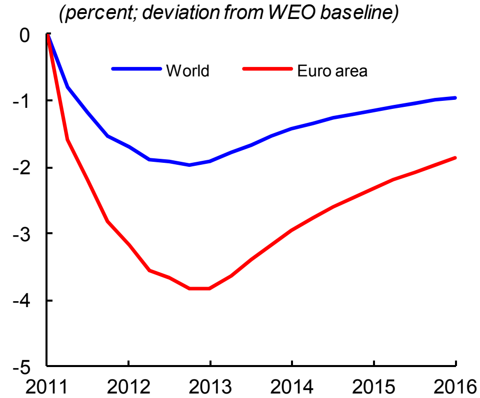
Euro area Sovereign Maturing Debt
(billions of euros)



Source: Bloomberg, L.P.

11. **A downside scenario shows that intensified adverse sovereign-financial feedback loops in the euro area would accelerate bank deleveraging and cause sizeable contractions in credit and output, with potentially large global spillovers**. The scenario embodies an additional contraction in credit and a sharp fall in private investment (almost 2 percent of GDP). The adverse impact on growth intensifies concerns about fiscal sustainability, driving up sovereign risk premia, and forcing more front-loaded fiscal consolidation (1 percent of GDP). Corporate risk premia rise, increasing funding costs, and policy rates are assumed to remain at or close to the effective zero bound during 2012–13. The result is that the level of euro area output is about 4 percent lower than the WEO forecast after 2 years. Assuming that financial contagion to the rest of the world is more intense than in the baseline (but weaker than following the collapse of Lehman Brothers in 2008) and trade spillovers, the level of global output is lower by about 2 percent after 2 years relative to WEO projections.

WEO Downside Scenario
(percent; deviation from WEO baseline)



Source: IMF staff estimates.

12. **Debt sustainability remains a concern for the United States and Japan**. In the short run, this risk might be mitigated as the turbulence in the euro area makes government debt of these economies more attractive to investors. However, as long as public debt levels are projected to rise over the medium term and well-defined and credible fiscal consolidation strategies are lacking, there is the possibility of turmoil in global bond and currency markets. Developments in the *euro area* have shown that market confidence can be quickly lost, with damaging consequences for growth and financial stability. This highlights the need for urgency.

- So far, policymakers in the *United States* have failed to make progress toward a credible medium-term fiscal adjustment plan. Already-approved consolidation measures would go some way toward reducing the budget deficit, but do not address underlying spending pressures from public health care and pension programs, and do not raise any new revenue. Risks that key measures to support the economy lapse in the face of a political impasse, including an early expiry of the existing stimulus measures such as the payroll tax cuts, have receded.
- In *Japan*, the immediate priority should be to repair damaged infrastructure and get the recovery back on track. However, there remains an urgent need for a credible medium-term consolidation plan to ensure debt ratios begin falling by mid-decade. The government's proposal for tax and social security reform bill is welcome, but passage of the legislation is uncertain. More importantly, while the bill is a step in the right direction, more needs to be done to ensure fiscal sustainability.

13. **In key emerging economies, the risks stem from the possibility of a hard landing and adverse spillovers from advanced economies**. In a number of major emerging economies credit expanded rapidly over the past couple of years, increasing financial vulnerabilities. If gains in asset prices and credit were to unwind, the impact on activity could be damaging. The effect could be exacerbated further by adverse external developments, such as weaker-than-expected demand from advanced economies and lower commodity prices. Until now, financial spillovers from turbulence in advanced economies have been modest. But financial conditions can change quickly, leading to a sudden stop or reversal of capital flows, reduced availability of trade finance, or liquidity pressures in financial systems. However, policymakers should avoid excessive stimulus in response to lower growth in advanced economies, as this would exacerbate risks of hard landing going forward.

14. **The impact of an oil supply shock in the Middle East could be large, if not compensated by supply increases elsewhere**. For example:

- A halt of Iran's exports to OECD economies without offset from other sources could trigger an initial oil price increase of around 20-30 percent, with other producers or emergency stock releases likely providing some offset over time.
- A sustained blockade of the Strait of Hormuz—through which about 40 percent of global oil exports are shipped—would lead to a much stronger and unprecedented disruption of global oil supply.

IV. POLICIES

The three requirements for a more resilient recovery are: sustained but gradual fiscal adjustment; ample liquidity and easy monetary policy, particularly in advanced economies; and greater confidence in policymakers' ability to act decisively. Importantly, the type, scale, and timing of adjustment should not be the same, but depend on each country's own circumstances, or efforts may become self-defeating. Reestablishing confidence and resolving the current crisis requires a cohesive, comprehensive, and cooperative package of policies across the G-20.

15. **Fiscal consolidation, structured and paced to avoid a collapse in demand and ensure debt sustainability, must continue in many euro area countries, and laying out credible medium-term adjustment plans remains an urgent priority in key advanced economies**.

- *Near term*. Sufficient near-term fiscal adjustment has begun in most *advanced economies*, including in the euro area. Automatic stabilizers should be allowed to operate freely, provided funding for higher deficits can be secured. Overdoing fiscal adjustment in the short run will undermine activity, diminish popular support for adjustment, and further threaten market confidence. Countries with fiscal space, especially those with very low funding costs, should consider slowing fiscal adjustment in 2012, while maintaining their commitment to a credible medium-term consolidation plan. Euro area members benefiting from a financial assistance program should stick to the agreed consolidation efforts and should fully implement the required structural reforms.
- *Medium term*. Policymakers should increase efforts to formulate and implement credible consolidation plans, particularly in the *United States* and *Japan*. Depending on circumstances, measures could include entitlement reforms including new health care and pension saving measures, and tax system reforms to boost fiscal revenue. These measures will create policy room to support balance sheet repair, growth, and job creation during this period of heightened vulnerability.

16. **Fiscal consolidation in advanced economies should be complemented by other policies to mitigate adverse effects on growth**. This will require a comprehensive and coordinated set of policies in the following key areas.

- *Liquidity and Monetary Policy*. Monetary policy should continue to support growth, as inflation expectations remain anchored and unemployment is high. If downside risks materialize, the Federal Reserve, Bank of England, and Bank of Japan should stand ready to expand unconventional support. Targeted programs to ease credit constraints would be also useful where the transmission mechanism is impaired. The ECB's monetary policy should be highly accommodative, consistent with its mandate of ensuring price stability. This could be achieved by lowering the target policy rate, for which room exists, and, as needed, further unconventional measures. Also, the ECB should continue to provide liquidity and stay fully engaged in securities purchases to help improve the prospects for financial stability.

- *Bank recapitalization*. Some deleveraging is unavoidable, but the way it is achieved matters. For example, if banks shed legacy assets or sell non-core businesses to strong institutions, it would not necessarily reduce credit to the economy, although asset sales can cause declines in asset prices whose adverse impact goes far beyond the sellers. However, credit to the real economy is most affected when banks curtail new loan originations and let credit lines and loans run off. Home authorities, working together with host supervisors, including at the level of supervisory colleges, should monitor and limit deleveraging of their banks at home and abroad. To sever the link between escalating banking, sovereign, and growth problems more capital must be injected into weak euro area banks. Importantly, supervisors must do whatever is possible to avoid excessively fast deleveraging that curtails lending to the real economy. This may require the use of public funds for recapitalization, including for instance the European Financial Stability Facility (EFSF) in economies under market pressure.

- *Structural reforms*. Fiscal consolidation needs to be complemented with reforms to entitlement programs and product and labor markets. These policies will pay off in the medium term by helping to address distortions and competitiveness problems—the root causes of current travails in the euro area—and thus boost underlying growth and help improve public debt ratio dynamics. They can also contribute to growth in the short term by bolstering confidence.

17. **Deeper financial and fiscal integration over the medium term across Europe will underpin the sustainability of the common currency**. Progress on this front now would help avoid perceptions of an incomplete response to current challenges.

- Policymakers must quickly implement and build on the agreed "fiscal compact". Over time, this should be accompanied by progress toward a transparent and credible framework of fiscal risk sharing. While the EFSF and the European Stability Mechanism (ESM) are major steps in this direction, the available capacity of the European firewall should be increased by around $500 billion to adequate levels. For example, this could be achieved through enlarging the ESM or running the existing EFSF alongside the ESM.

- Efforts should concentrate on addressing weaker banks and repairing financial institutions' balance sheets. It is important over the medium term to implement a restructuring strategy that addresses nonperforming assets and nonviable banks. A companion to repairing balance sheets should be improved disclosure of prudential information. The EBA, for example, should evolve to provide a consistent regime for disclosure of problematic assets.

- Europe must move towards a comprehensive model of common financial sector supervision and resolution, with a common backstop and deposit insurance, which will help build a stronger financial system. In the meantime, effective resolution tools that facilitate orderly closing of cross-border banks are required to restore financial stability. Moving expeditiously on this reform agenda, including adopting rules for cross-border burden-sharing, requires a high degree of political commitment.

18. **Deft crisis management is required in Europe to successfully resolve the crisis**. Supplying sufficient liquidity will help prevent unsustainable funding costs for banks and sovereigns and avoid contagion. This is best done through official sources, which could include expanded use of the ECB's balance sheet and the EFSF and/or the ESM. The IMF can also play a role and countries and institutions outside the euro area may usefully contribute to this process, including through providing additional resources to the Fund.

19. **In *emerging economies*, the focus should be on responding to moderating demand, while dealing with volatile capital flows**. Circumstances differ across these countries, as does the appropriate policy response. In countries with high inflation and public debt, including India and some economies in the Middle East, a cautious stance to policy easing is required. In the remaining countries:

- Where inflationary pressures are diminishing and fiscal fundamentals are weak, monetary policy can be eased. But this must be accompanied by macro-prudential and enhanced financial supervision where there are risks of overheating in some sectors (such as real estate).

- Additional social spending to support poorer households should be pursued, particularly in economies where inflation pressure is expected to ease, public debt is not high, and external surpluses are large (e.g., China and selected emerging economies in Asia). In China, fiscal support could continue to be provided to the economy by deferring consolidation plans, lowering social contributions and consumption taxes, and increasing social transfers.

20. **Collective action to rebalance global demand can help ensure strong, sustainable, and balanced growth**. Ensuring durable global rebalancing will require continued deleveraging of households in *advanced deficit economies*. This will help ensure that fiscal consolidation is not fully offset by worsening of private sector balance sheets. Rebalancing in *advanced deficit economies* should be complemented with more inclusive growth and lower saving in *emerging surplus economies*. This will require financial sector reform, enhanced pension, healthcare, and education policies, and less intervention in foreign exchange markets.

Table 1. Real GDP Growth: Forecasts as of January 2012
(Percent change)

	Year over Year Averages				Q4 over Q4 1/	
			Projections		Projections	
	2010	2011	2012	2013	2012	2013
World 1/	**5.2**	**3.8**	**3.3**	**3.9**	**3.4**	**4.0**
Advanced economies	3.2	1.6	1.2	1.9	1.3	2.1
Euro area	1.9	1.6	-0.5	0.8	-0.2	1.2
Emerging and developing economies 2/	7.3	6.2	5.4	5.9	6.0	6.3
Advanced G-20	3.2	1.5	1.3	1.9	1.3	2.2
Emerging G-20	8.5	7.2	6.1	6.6	6.2	6.6
G-20 3/	5.5	4.0	3.5	4.1	3.5	4.2
Argentina 4/	9.2	9.2	3.6	3.2	3.3	3.1
Australia	2.6	2.0	3.0	3.6	2.5	3.7
Brazil	7.5	2.9	3.0	4.0	3.8	4.1
Canada	3.2	2.3	1.7	2.0	1.7	2.0
China	10.4	9.2	8.2	8.8	8.5	8.3
France	1.4	1.6	0.2	1.0	0.5	1.3
Germany	3.6	3.0	0.3	1.5	0.7	1.6
India	9.9	7.4	7.0	7.3	6.9	7.3
Indonesia	6.1	6.4	6.1	6.6	6.1	6.9
Italy	1.5	0.4	-2.2	-0.6	-2.7	0.9
Japan	4.4	-0.9	1.7	1.6	1.9	1.5
Korea	6.2	3.8	3.5	4.0	3.6	3.8
Mexico	5.4	4.1	3.5	3.5	3.1	3.6
Russia	4.0	4.1	3.3	3.5	2.8	4.0
Saudi Arabia	4.1	6.5	3.6	4.4	…	…
South Africa	2.9	3.1	2.5	3.4	3.0	3.7
Turkey 5/	9.0	8.3	2.3	3.2	1.7	3.9
United Kingdom	2.1	0.9	0.6	2.0	1.0	2.4
United States	3.0	1.8	1.8	2.2	1.5	2.4
European Union	2.0	1.6	-0.1	1.2	0.3	1.7

Source: IMF, *WEO Update,* January 2012.
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 and developing economies.
3/ G-20 aggregations exclude European Union and quarterly projections exclude Saudi Arabia and European Union.
4/ Private analysts' estimates of real GDP growth have generally been significantly lower than official figures from 2008 onward.
5/ Revised projections.