GROUP of TWENTY

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Global Economic Prospects and Policy Challenges

Prepared by Staff of the International Monetary Fund

INTERNATIONAL MONETARY FUND

EXECUTIVE SUMMARY

Financial market volatility has risen dramatically in recent weeks, funding costs have increased, and risky assets have been sold off across all regions. These developments reflect increased investor concern over fiscal and external sustainability in Europe; mounting policy uncertainty; and revised market expectations about the strength of economic recovery and future growth prospects.

Unless promptly addressed by credible policy action, financial market stresses could have material effects on growth.

- Thus far, the recovery has been proceeding at different speeds across regions, as projected in the April 2010 *World Economic Outlook*. Macroeconomic developments in the United States, Japan, and the largest euro area economies have been consistent with expectations of a modest recovery. In particular, there have been encouraging signs of growth in private demand. Activity in emerging Asia and Latin America has been expanding strongly, driven by a rebound in trade.

- Recent financial market developments, however, pose a major downside risk to the global economy. They could have negative effects on private and sovereign funding rates; on bank balance sheets and credit conditions; and on capital flows and portfolio allocations. The ability of banking sectors to withstand funding shocks is of particular concern. Economies with large fiscal and/or external balances would feel the effects of such a shock the hardest. Greater-than-anticipated fiscal adjustment itself would have direct effects on aggregate demand.

- A prolonged period of heightened risk aversion could affect other asset types and regions, as capital is reallocated to safe assets. A downturn in growth in advanced economies, whether from financial stress or more aggressive fiscal retrenchment, would likely spill over to other G-20 economies.

Urgent action is needed to restore policy confidence and address fiscal sustainability. The announcement of large-scale and unprecedented financial support in the euro area was timely, and has mitigated the immediate risk of a liquidity crisis. These measures are providing a window of opportunity for undertaking the more far-reaching reforms required to underpin a more resilient euro area economy.

Fiscal consolidation needs to be anchored by a credible medium-term plan, with adjustment in the near-term depending on country circumstances, particularly the pace of recovery and the risk of a loss of fiscal credibility:

- It is of overarching importance that G-20 countries commit now to credible medium-term fiscal adjustment plans, which could include legislation creating multi-year targets. In elaborating medium-term fiscal adjustment, legislating reforms to pension

entitlements and public health care systems, making permanent reductions in planned non-entitlement spending, and strengthening fiscal institutions would be imperative.

- From a near-term perspective, most G-20 advanced economies do not need to tighten before 2011, since this could undermine the fledgling recovery, but they should not add further stimulus. Although specifics will vary by country, current fiscal consolidation plans for this group of countries for 2011—which envisage, on average, an adjustment of about 1¼ percentage points of GDP in the cyclically adjusted balance—are broadly appropriate.

- Countries currently facing sovereign funding pressures have already begun to embark on immediate fiscal consolidation. For these countries, strong signals of commitment through upfront measures, even if politically difficult, are necessary. Countries that are unable to credibly commit to medium-term consolidation may find that adverse market reaction compels them to undertake significantly more front-loaded adjustment.

- Fast-growing advanced and emerging economies can start tightening policies now. For some countries, using fiscal policy to contain demand pressures may be preferable if tighter monetary conditions risk exacerbating pressures from capital inflows. Elsewhere, however, in some countries where debt levels are relatively low, monetary tightening and exchange rate adjustment would be more appropriate than fiscal tightening.

Fiscal actions must be complemented by banking system reform and measures to enhance growth and competitiveness.

- A lesson from history is that strong growth is critically important for successful fiscal adjustment. All economies need to implement key structural reforms to improve growth prospects, especially fiscally-challenged economies that face competiveness problems.

- Authorities should work to reduce ongoing uncertainty about the regulatory environment and to implement long-awaited reforms. Banking systems remain fragile—more effort is required to ensure balance sheets are robust to future shocks. In particular, authorities should avoid unilateral measures which can have unintended consequences. These are more likely to be interpreted as uncoordinated and lacking cohesion rather than calming markets.

I. Recent Developments and Implications for the Outlook[1]

Financial market volatility has increased dramatically and risky assets have been sold off across all regions, reflecting, to varying degrees, increasing concern over fiscal and external sustainability, regulatory uncertainty, and medium-term growth prospects. Policymakers in Europe have provided substantial emergency funding, and countries facing stress have taken some corrective policy actions. But markets have not yet been assured about underlying concerns. Up until this point, macroeconomic developments in the United States, Japan, and the largest euro area economies have been consistent with expectations of a modest recovery. Activity in emerging Asia and Latin America has been expanding strongly, driven by a rebound in trade. Unless prompt and credible action is taken to address solvency concerns and address policy uncertainty, the recent financial shocks may dampen growth relative to WEO *projections.*

1. Financial markets have seen renewed turbulence, reflecting market concerns about fiscal sustainability, policy uncertainty, and the strength of economic recovery and medium-term growth prospects.

- Concerns over fiscal positions and competitiveness in Greece and other southern European states had been escalating since the end of 2009, and have come to the fore during May. Greek, Portuguese and Spanish sovereign debt has been downgraded. Going forward, a more general reassessment of sovereign risk could affect other countries that have experienced material increases in government debt and deficit levels on the back of the financial crisis.

- Perceptions of risk have increased sharply and appetite for risky assets has decreased. Concerns over sovereign risks spilled over to the banking sector, with funding pressure reemerging in European markets. The contagion spread through interbank markets, leading to rises in funding spreads. Cross-currency swap bases widened to levels last seen in early 2009, as dollar funding became scarce. Bond and CDS spreads for a number of European economies widened rapidly and some euro-denominated assets were sold off.

- Assets in other regions, including emerging markets, have also experienced substantial sell-offs as risk appetite has waned. In addition to the global increase in risk aversion, the asset price falls may also reflect recognition of important financial and trade linkages with Europe. Market expectations of the rate of future growth have also been revised downward.

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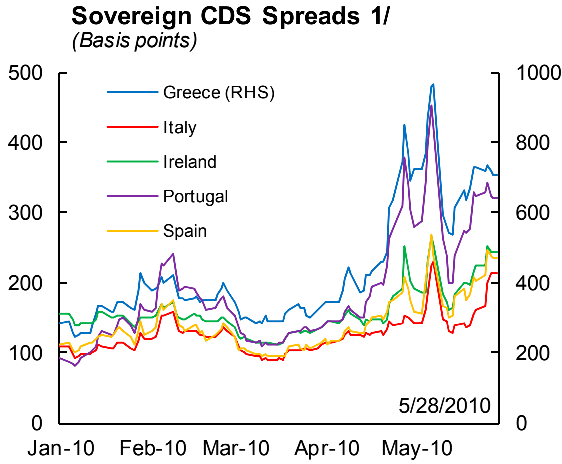
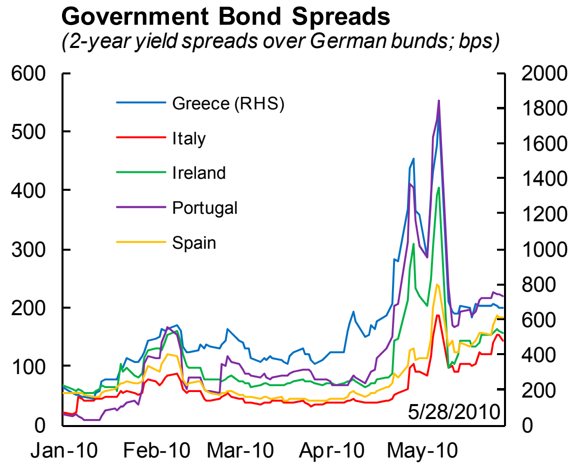
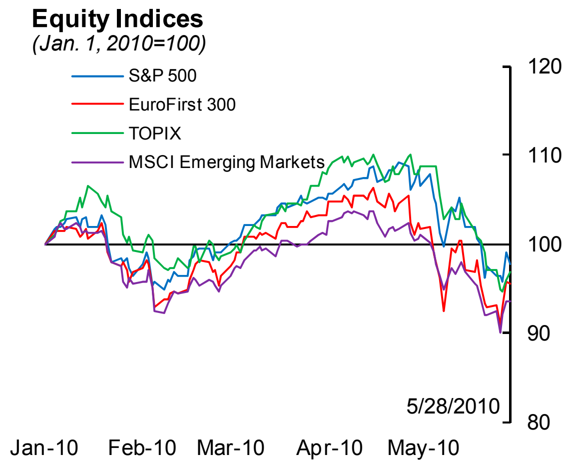
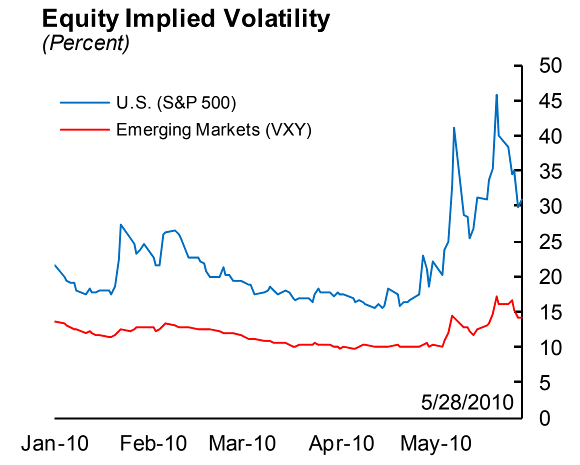
[1] This report updates the assessment of the global conjuncture and policy challenges in the IMF Staff Surveillance Note prepared for the Meeting of G-20 Finance Ministers and Central Bank Governors, April 23, 2010 (www.imf.org).

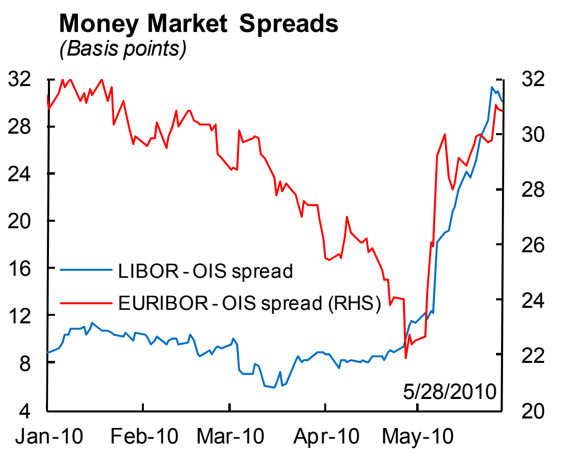


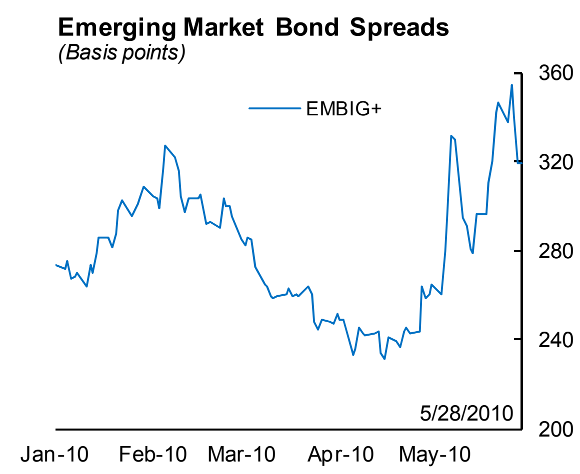
1/ Five highest levels of euro area members, as of 28 May 2010.











2. Substantial policy measures have been announced in response.

- To alleviate market and financial sector strains, on May 9, the EU announced a bold package of measures. The package with a total commitment of up to €500bn consists of two components: (i) a European Financial Stabilization Mechanism of the European Union of up to €60bn; and (ii) a European Financial Stabilization Facility, consisting of a Special Purpose Vehicle of up to €440bn provided by all euro area members. On May 10, the ECB announced several measures to address severe tensions in certain dysfunctional market segments with a view to ensuring an appropriate functioning of the monetary policy transmission mechanism. This included sterilized intervention relating in the euro area public and private debt securities, the conduct of some longer-term refinancing operations with full allotment, and reactivation of dollar swap lines between central banks.[2] The Fund would be expected to play its part when requested, on a country-by-country basis, through the range of instruments available.

- The Fund has provided Greece a three-year €30 billion Stand-By Arrangement in support of the authorities' economic adjustment and transformation program. The SBA is part of a cooperative package of financing with the European Union amounting to €110 bn. The package is a multi-year program involving significant fiscal adjustment. Fiscal consolidation—on top of adjustment already under way—will total 11 percent of GDP over three years, with the adjustment designed to reduce the general government deficit to under 3 percent of GDP by 2014 (compared with 13.6 percent in 2009).

- The Spanish authorities have announced new fiscal measures to reduce the deficit by an additional 0.5 percent of GDP in 2010 and 1 percent of GDP in 2011 (for a total frontloading of fiscal consolidation amounting to 1.5 percent of GDP), to 9.3 percent and 6 percent of GDP, respectively. Portugal has also presented an additional package of expenditure cuts and tax increases aimed at reducing the deficit to 7 percent of GDP in 2010 and 4.6 percent of GDP in 2011. Italy has announced an emergency €25bn deficit-cutting budget over the next two years, consistent with earlier announced policy objectives. Germany has confirmed previous intentions to meet the SGP target in 2013 and the national fiscal rule in 2016. France announced a freeze of nominal central government expenditures (excluding interest payments and pensions). The new U.K. government has announced measures to save £5-6bn in the current financial year, ahead of a formal budget later in 2010, and the formation of an Office for Budget Responsibility that would produce independent growth and public finance forecasts.

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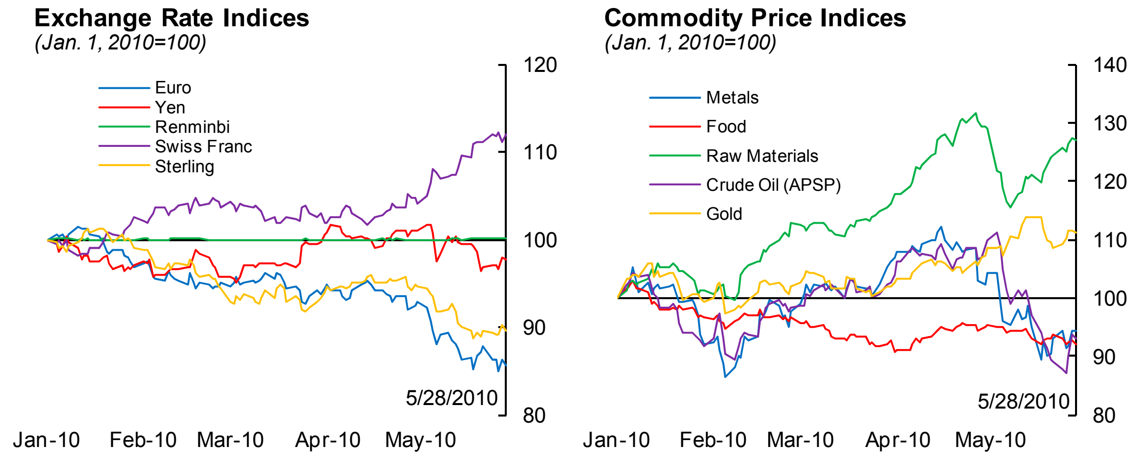
[2] The German lower and upper houses have approved Germany's €148bn contribution.

- The European Commission has put forward bold proposals to strengthen the Stability and Growth Pact and expand surveillance to include developments in competitiveness and macroeconomic imbalances. Moreover, on the basis of the Commissions' proposals and contributions by Member States, governance reforms are currently being discussed and will be presented on the occasion of the European Council in October.

3. **Policy announcements have not calmed markets, however, and some uncoordinated measures may have further increased risk aversion.** At the time of writing, the situation remains fragile, with markets looking for implementation of cohesive policies to address underlying solvency issues.

- Values of risky assets have fallen across markets and regions since the turbulence of 6 and 7 May, and perceptions of market risk have increased. Sovereign bond spreads have fallen from the sharply increased levels of 6 May, but remain elevated in comparison to levels over the past few months, driven both by yields demanded on sovereigns perceived to be riskier and portfolio re-allocation to sovereigns perceived to be safe. Similarly, CDS spreads fell on news of plans by the ECB to conduct sterilized interventions in the euro-area public and private debt securities markets, but have since crept up. Crucially, concerns over funding continue in some interbank, cross-currency, and money markets— interbank markets display low activity levels, as evidenced by rising deposits at the ECB, while LIBOR levels and LIBOR-OIS spreads have continued to rise, reflecting fears about funding gaps by European banks, particularly in dollars. Although these rates are not yet at levels seen during late 2008, they are higher than those seen in recent months.

- The German financial regulator implemented a ban on naked short-selling (selling securities such as shares and bonds that are not owned or borrowed), effective immediately and lasting until the end of March next year, with a view to regulating a segment of the market that it considered insufficiently regulated. This unilateral decision has been perceived by many market participants as illustrating an unpredictable regulatory environment and has been associated with a further deterioration in market liquidity.



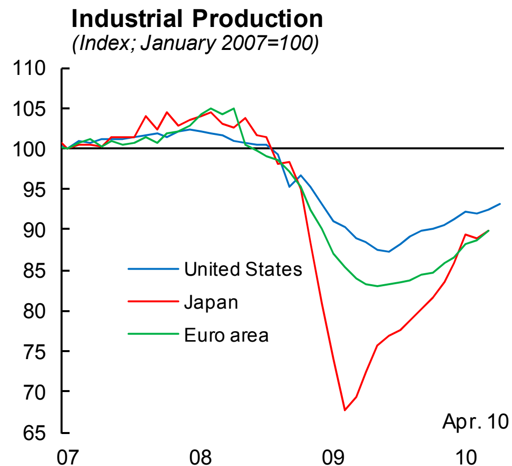
4. Exchange rates and commodity prices have also reflected risk aversion and concerns over demand.

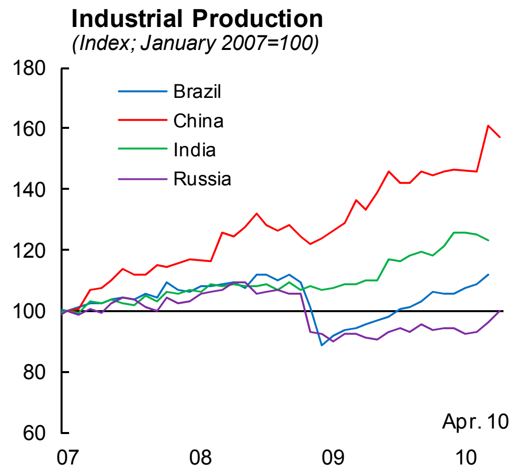
- The financial market turmoil in May included a sharp depreciation of the euro against the dollar. The euro has continued to decline in value as dollar funding pressures have risen, even following the announcement of the stabilization package, and has now fallen 14 percent from the beginning of the year to 28 May. The depreciation has now brought the euro in line with its medium-term equilibrium value. Sterling has also depreciated, by nearly 11 percent over the same period, while the Swiss franc has appreciated due to "safe haven" effects.

- After substantial rises this year, prices of most metals, raw materials and crude oil fell substantially, owing, in part, to reduced expectations of global demand.

5. Up to the time of writing, recent macroeconomic data have been consistent with expectations of a modest but steady recovery in most advanced economies and strong growth overall in emerging and developing economies.

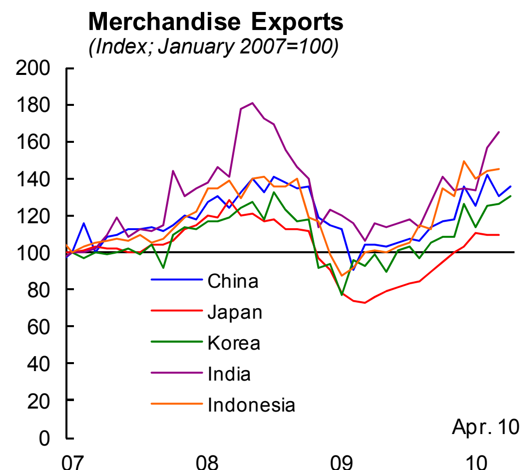
- *Advanced G-20 economies:* In the United States, data have suggested that firms have begun to restock and are willing to invest in new fixed capital. Moreover, expenditure and confidence survey data have pointed to growing momentum in private consumption. In Japan, a modest recovery has been underway, driven in large part by a strong rebound in trade, although deflationary pressures have persisted. Growth in advanced European economies has been positive overall, albeit with notable differences. Data have indicated strong growth in Germany and, to a lesser extent, France, which together account for nearly half of euro area output. Growth in other euro area economies has not been as strong. Bank lending, which is particularly important for European economies, remains constrained.

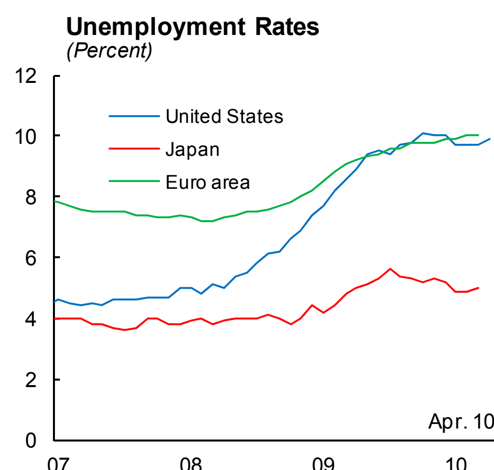




- *Emerging G-20 economies:* Overall, production in Latin America has recovered to levels seen at the beginning of 2007, with larger economies rebounding more quickly than smaller economies. Growth in Brazil has been particularly strong. Output in Mexico has recovered too but not as strongly and remains substantially below its potential output level. Asian output has grown strongly and steadily, such that output is now well above pre-crisis levels. Although there are signs of a broader return to growth in Emerging Europe, CIS and Russia, there is considerable diversity among these economies, and output has generally not recovered to pre-crisis levels.

- *Trade:* External trade has been an important driver of the nascent recovery. In particular, Asian trade has rebounded strongly following the precipitous decline in 2009, and is now at or above levels seen at the beginning of 2007. There are some signs that trade balances, having compressed during the recession, are returning to patterns seen before the crisis, with surpluses and deficits increasing. However, there may be limits to further expansions in trade unless private demand growth is sustained.





- *Labor markets:* In advanced G-20 economies, high unemployment rates have remained broadly unchanged for some months. In particular, payrolls data indicate that firms in the United States have resumed hiring, although not yet at rates that imply rapid reductions in unemployment, as previously discouraged workers are looking for jobs again. High long-term unemployment and still-poor job prospects in the most hard-hit sectors of the economy (such as housing and finance) could also temper the employment recovery. In Germany, short-time work schemes have been successful in preventing large increases in unemployment as output fell, and employment shows signs of stabilizing. In emerging G-20 economies, unemployment rates have been decreasing.

6. **The latest financial shocks may dampen growth during the second half of the year relative to *WEO* projections**, at least in some regions, possibly leading to revisions of the staff forecast.[3]

- Macroeconomic data through April are broadly consistent with the April 2010 *World Economic Outlook*. And data for 2009Q4–2010Q2 are in line with or stronger than *WEO* projections.

- However, the repercussions of financial stress in the third quarter of 2008 illustrate that developments in financial markets can have strong effects on economic activity. Persistent financial stress would likely have negative effects through higher private and sovereign funding rates, reduced lending and tighter credit conditions, reduced capital flows and reallocations of portfolios to safe assets, reduced incomes for commodity producers, and lower confidence. In such a case, economies with fiscal and/or external balances would be worst affected.

- The depreciation of the euro would tend to encourage net exports for the euro area. However, to the extent that the depreciation is driven by increased risk aversion, the net effect on growth could be negative.

II. RISKS

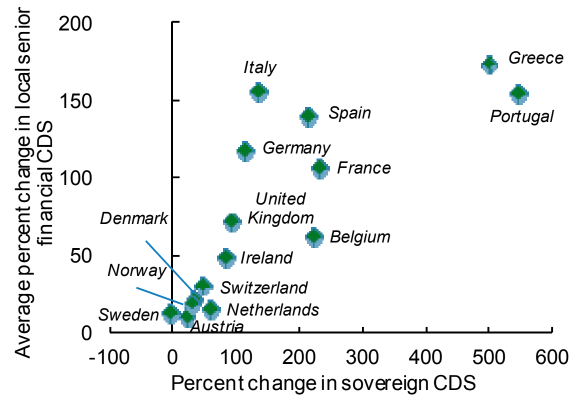
Downside risks have risen sharply. Downside scenarios could materialize from further rises in government bond spreads, leading to increases in other funding costs and likely banking system contagion; reduced credit availability; and repercussions on demand through trade and financial channels. Some emerging economies are potentially facing overheating.

[3] The next *World Economic Outlook* update will be released in July.

7. Higher sovereign risk premia could lead to contagion through the banking system. Increases in sovereign risks are generally associated with increases in banking sector risks**:**

- Banks could face further mark-downs on their holdings of euro area public debt as prices fall, and this would affect European banks more than others. Hedging activity could have the unintended consequence of increasing volatility in government bond markets. Concerns about sovereign balance sheets could lead to further credit ratings downgrades, and raise bank funding costs. The value of government bond collateral, used to obtain financing, would also fall. Bank capitalization remains low and has not increased much since the onset of the crisis in 2008. Hence, banks' capacity to absorb higher funding costs and balance sheet losses is limited.

Sovereign Risks and Banking Risks Move Together 1/



Sources: Bloomberg L.P.; Datastream; and IMF staff estimates.
1/ October 2009 to May 2010.

- The combination of pressures on bank assets and liabilities might lead counterparties to withdraw their funding of affected banking systems, thus further exacerbating strains. Contagion could spread through bank funding markets if institutions with exposures to affected banks find that investors cut back on their funding. Other assets could fall in value if there is a more widespread impact on market confidence.

- Even with some relief from the EU package, meeting gross sovereign funding needs for the remainder of 2010 through 2012 will require increased market confidence. Failed auctions or placement difficulties in bond markets could reignite contagion or have adverse implications for funding costs of other countries.

8. **Financial market disruption could also threaten credit supply, cross-border capital flows, and the nascent recovery in aggregate demand.** "Real money" flows—portfolio allocations by institutional investors, rather than speculative flows—have increased out of Europe, as reflected in the sharp rise in dollar funding pressures.

- Shocks to European banks would further constrain credit supply and tighten lending conditions, which have only recently shown signs of some easing.

- Banks suffering losses from southern European exposures may attempt to compensate by withdrawing capital from emerging economies, particularly from those in emerging Europe and Latin America.

- Financial sector risks are not confined to European banks. The recent turmoil has again demonstrated the susceptibility of banks worldwide to runs on wholesale funding.

- Capital flows to emerging economies could change direction quickly. Further increases in risk aversion could see large and rapid capital withdrawals. However, if emerging economies are reassessed as less risky destinations than many advanced economies, capital inflows could also surge. As a result, capital flows could go through a period of heightened volatility.

9. **Increased financial disruption and slowing aggregate demand would undermine global trade and commodity incomes.** In particular, the effect of a reduction in European output would be significant: euro area GDP represents approximately 20 percent of world GDP (on a PPP-weighted basis).

- In terms of trade linkages, the euro area is most important for geographically proximate economies such as the United Kingdom, Norway, Sweden and emerging Europe. For Latin America, trade with Europe is less important than trade with other regions, but financial links with Europe are relatively strong. Asian economies are highly dependent on external demand—for many, Europe is at least as important a trading partner as the United States. Moreover, Asian exports are concentrated in cyclical medium- and high-tech goods, so the impact on trade and real GDP growth in Asia of a euro–area crisis could potentially be as disruptive as the impact of the U.S. subprime crisis.

- Commodity incomes of emerging economies could fall in anticipation of lower world growth. Europe is very important for commodity exporters in Asia and, especially, Latin America. Depreciation of the euro may help net trade of euro area economies, at the expense of exports from those economies that peg to the dollar. There could also be direct effects on world oil prices and, hence, the incomes of oil exporters.

10. **Markets appear to be concerned about risks from uncoordinated, unclear and ill-timed policy decisions.** Uncertainty about how to interpret some regulatory changes has reduced liquidity in the short run, adding to strains in funding markets.

11. **Policy makers in emerging economies will have to manage gathering momentum in their economies.** Some of the larger economies in emerging Asia and Latin America are now relatively far advanced in their cyclical recovery and face risks of overheating. The size of such risks will depend greatly on global financial market conditions and world commodity prices. Notwithstanding recent market turbulence, sovereign borrowing costs remain near historical lows for these economies, with moderate rises in spreads offset by falls in U.S. Treasury yields, and commodity prices remain high in historical terms.

III. Policy Challenges

The recent turmoil in euro area debt markets highlights growing market sensitivity to sovereign risks. In most advanced G-20 economies, fiscal tightening will be required in 2011. The challenge for fiscal policy is to reduce public debt while also encouraging growth. Fiscal measures must also be complemented by measures to reduce the fragility of banking systems and by growth-enhancing structural reforms. Greater global policy coordination—especially on crisis resolution mechanisms—is needed to resolve the crisis on a durable basis.

12. **The recent turbulence in euro area government debt markets highlights growing market sensitivity to sovereign risks. Strong and urgent action is required on plans to achieve fiscal sustainability, reduce the fragility of banking systems, and encourage growth.** The provision of substantial support in the euro area was timely and appropriate, and has mitigated the immediate risk of a liquidity crisis. But these measures should be thought of as having given a window of opportunity in which to solve underlying problems of sustainability and competitiveness. Moreover, the recent turbulence also highlights that banking systems remain fragile. Further balance sheet repair is necessary, coupled with reforms to strengthen the financial sector.

13. **The challenge for fiscal policy is to reduce high public debt to prudent levels while also encouraging growth.** Fiscal consolidation needs to be anchored by a credible medium-term plan, with adjustment in the near-term depending on country circumstances, particularly the pace of recovery and the risk of a loss of fiscal credibility. In particular, authorities need to avoid both a loss of credibility arising from appearing unable or unwilling to address market concerns about the course of fiscal policy and an excessive tightening of fiscal policy in the near term, as either would have severe implications for growth.

- It is of overarching importance that G-20 countries commit now to credible medium-term fiscal adjustment plans, which could include legislation creating multi-year targets. In elaborating medium-term fiscal adjustment, legislating reforms to pension entitlements and public health care systems, making permanent reductions in non-entitlement spending, and strengthening fiscal institutions would be imperative. For example, gradual increases in the age of eligibility for pensions would have immediate benefits for fiscal sustainability while allowing households time to adjust to longer expected working lives. Medium-term reforms should also include strengthening fiscal institutions (e.g., fiscal rules and medium-term fiscal frameworks) to support a durable fiscal effort.

- From a near-term perspective, most G-20 advanced economies do not need to tighten before 2011, since this could undermine the fledgling recovery, but they should not add further stimulus. Although specifics will vary by country, current fiscal consolidation plans for this group of countries for 2011—which envisage, on average,

an adjustment of about 1¼ percentage points of GDP in the cyclically adjusted balance—are broadly appropriate.

- Countries currently facing sovereign funding pressures have already begun to embark on immediate fiscal consolidation. Given market pressures, some economies in the euro area will need to tighten fiscal policies more aggressively than expected, including through upfront measures, even if politically difficult. The important consolidation steps taken by a number of these countries will need to be complemented with reform to the euro area fiscal framework, including deficit rules that have credible enforcement mechanisms. Countries that are unable to credibly commit to medium-term consolidation may find that adverse market reaction compels them to undertake significantly more front-loaded adjustment.

- Fast-growing advanced and emerging economies can start tightening policies now. For some countries, using fiscal policy to contain demand pressures may be preferable if tighter monetary conditions risk exacerbating pressures from capital inflows. Elsewhere, however, in some other countries where debt levels are relatively low, monetary tightening and exchange rate adjustment would be more appropriate than fiscal tightening.

14. **Structural reforms are especially needed to raise the trend level of growth and improve competitiveness in countries facing large fiscal adjustments.**

- Fiscal sustainability in those European countries under duress is threatened not only by recent rises in funding costs, but also by low growth prospects and poor competitiveness. Hence, in addition to restoring budget balances to sustainable levels, key structural adjustments will be needed, particularly in product and labor markets.

- Revenue policies need to be reformed to maximize efficiency, including by shifting to taxes that encourage saving and investment and greater labor force participation.

15. **The recent increase in financial stress underscores the urgent need for financial sector reforms and measures to restore the health of banking systems.** Although this has been an outstanding issue since 2008, material changes have been limited. Recent market turbulence may also reflect concerns over policy uncertainty and opacity, in addition to economic concerns.

- More progress is needed on bank recapitalization; bank consolidation, resolution, and restructuring; and regulatory reform. Larger capital buffers are required to absorb the ongoing and expected future deterioration in credit quality and to meet expected higher capital standards. Bank funding remains a concern, given upcoming debt rollovers.

- Stress tests for banking systems directly exposed to higher funding costs and balance sheet losses on sovereign debt—notably those underway in Europe—can shed greater light on banks' ability to absorb losses in worse-than-expected macroeconomic conditions. Greater disclosure of the outcomes, including a release to the public of bank-by-bank tests and credible plans to strengthen capital levels where needed, would enhance the credibility of the exercise and help improve market sentiment.

- Credible and consistent plans and timetables for implementing regulatory reform need to be developed and announced to reduce regulatory uncertainty. More effective bankruptcy procedures are required, especially cross-border resolution mechanisms in Europe, given the highly-interconnected nature of its banking system. Such measures would strengthen confidence in the resilience of banking systems to financial shocks.

- Inconsistency, delay, and lack of coordination on financial sector reform are key weaknesses, and may be responsible for some of the recent financial market turbulence.

Table 1. World Economic Outlook Output Projections 1/
(Percent change)

	Year over Year			
		Est.	Projections	
	2008	2009	2010	2011
World	**3.0**	**-0.6**	**4.2**	**4.3**
Advanced economies	0.5	-3.2	2.3	2.4
Euro area	0.6	-4.1	1.0	1.5
Emerging and developing economies	6.1	2.4	6.3	6.5
G-20 2/	2.9	-0.5	4.6	4.5
Argentina 3/	6.8	0.9	3.5	3.0
Australia	2.4	1.3	3.0	3.5
Brazil	5.1	-0.2	5.5	4.1
Canada	0.4	-2.6	3.1	3.2
China	9.6	8.7	10.0	9.9
France	0.3	-2.2	1.5	1.8
Germany	1.2	-5.0	1.2	1.7
India	7.3	5.7	8.8	8.4
Indonesia	6.0	4.5	6.0	6.2
Italy	-1.3	-5.0	0.8	1.2
Japan	-1.2	-5.2	1.9	2.0
Korea	2.3	0.2	4.5	5.0
Mexico	1.5	-6.5	4.2	4.5
Russia	5.6	-7.9	4.0	3.3
Saudi Arabia	4.3	0.1	3.7	4.0
South Africa	3.7	-1.8	2.6	3.6
Turkey	0.7	-4.7	5.2	3.4
United Kingdom	0.5	-4.9	1.3	2.5
United States	0.4	-2.4	3.1	2.6
European Union	0.9	-4.1	1.0	1.8

1/ IMF, World Economic Outlook, April 2010 published.
2/ G-20 yearly projections exclude European Union.
3/ Private analysts are the view that real GDP growth has been lower than the official reports since the last quarter of 2008.

Table 2. World Economic Outlook Headline CPI Inflation Projections 1/

(Percent change)

	Year over Year			
		Est.	Projections	
	2008	2009	2010	2011
World	**6.0**	**2.4**	**3.7**	**3.0**
Advanced economies	3.4	0.1	1.5	1.4
Euro area	3.3	0.3	1.1	1.3
Emerging and developing economies	9.2	5.2	6.2	4.7
G-20 2/	5.0	1.8	3.4	2.5
Argentina 3/	8.6	6.3	10.1	9.1
Australia	4.4	1.8	2.4	2.4
Brazil	5.7	4.9	5.1	4.6
Canada	2.4	0.3	1.8	2.0
China	5.9	-0.7	3.1	2.4
France	3.2	0.1	1.2	1.5
Germany	2.8	0.1	0.9	1.0
India	8.3	10.9	13.2	5.5
Indonesia	9.8	4.8	4.7	5.8
Italy	3.5	0.8	1.4	1.7
Japan	1.4	-1.4	-1.4	-0.5
Korea	4.7	2.8	2.9	3.0
Mexico	5.1	5.3	4.6	3.7
Russia	14.1	11.7	7.0	5.7
Saudi Arabia	9.9	5.1	5.2	5.0
South Africa	11.5	7.1	5.8	5.8
Turkey	10.4	6.3	9.7	5.7
United Kingdom	3.6	2.2	2.7	1.6
United States	3.8	-0.3	2.1	1.7
European Union	3.7	0.9	1.5	1.5

1/ IMF, World Economic Outlook, April 2010 published.
2/ G-20 yearly projections exclude European Union.
3/ Private analysts estimate that CPI inflation has been considerably higher. The authorities have established a board of academic advisors to assess these issues.