



Global Economic Outlook

**Meeting of CTO Council of Tourism
Ministers**

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Presentation Structure

- Some Features of the Global Recovery
- Near-Term Global Prospects
- Economic Drivers in the Near-Term
- Key Downside Risks
- Key Advanced Country Performance
- Regional Economic Performance
- Policy Imperatives Suggested by the Crisis



Some Features of the Global Recovery

- First half performance indicates that the global economy is recovering from the “Great Recession”
- Recovery speed varied
 - ...growth was tepid in developed countries
 - ...while solid in emerging and developing economies
- Financial stability suffered major setbacks



Some Features of the Global Recovery

- Financial conditions are easing
- Capital is again flowing to emerging economies
- Policy interventions have been a critical source of the recovery



Some Features of the Global Recovery

- Unemployment remains high
- Excess productive capacity remains substantial
- Inflation pressures are subdued
- Downside risks exist, but the probability of a double dip appears slim.



Near-Term Global Prospects

- Global growth is expected to be around 4.8% for the whole of 2010, and 4.2% in 2011
- Advanced economies are expected to grow by 2.7%, falling to 2.2% in 2011
- Emerging and developing economies are expected to grow by 7.1%, and 6.4% in 2011



Economic Drivers in the Near-Term

- Robust growth in many emerging economies
- In advanced economies, manufacturing and investment in machinery and equipment are continuing to recover
- Credit is expected to continue to grow



Key Downside Risks

- Little room for policy manoeuvre
 - Refinancing requirements are high in advanced economies
- Real estate problems could erode household and bank balance sheets
- Households are continuing to deleverage by saving more



Key Downside Risks

- Inventory build-up is slowing
- Policy support will shift
 - Monetary policy will remain facilitative
 - Fiscal policies will be marked by consolidation



Key Advanced Country Prospects: US

- US economy is recovering,
but...
 - the rate of expansion is beginning to moderate
- Consumption is sluggish
- Investment is the factor that will drive the recovery
- Significant downside risks remain



Key Advanced Country Prospects: Canada

- The Canadian economy has been relatively buoyant
- Household balance sheets are healthier than in the US
- Monetary and fiscal stimulus and international demand for commodities boosted demand
- Moderate downside risks



Key Advanced Country Prospects: UK

- Growth is moderate
- Consumption growth is lagging GDP growth
- Exports and inventory build-up driving growth
- Main downside risk relates to tightening fiscal policy



Regional Economic Performance

- Growth expected to be sluggish
- Reflecting sluggish FDI, remittance and tourism growth
- Fiscal deterioration and rising debt
- Limited policy room



Policy Imperatives Suggested by the Recession

- Fiscal consolidation:
 - Expenditure reduction
 - Tightening of expenditure management focusing on quality and targeting
 - Revenue enhancement, with measures to protect the vulnerable
 - Greater usage of concessionary funding to help debt dynamics



Policy Imperatives Suggested by the Recession

- Structural policies that improve resilience and facilitate diversification
- Systemic improvements that improve planning and focus on development results



Thank you for your attention.

Questions?