



# INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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**Written Statement to the International Monetary Fund Committee:**  
**2024 IMF and World Bank Fall Meetings**

**The global economic outlook**

1. **The global economy has remained resilient, with output growing at an estimated annualised rate of 3.2% in the first half of 2024.** Declining inflation has supported household spending and enabled monetary policy easing in most of the large major economies, providing a counterbalance to the uncertainty from Russia's war of aggression against Ukraine and ongoing conflicts in the Middle East. In the advanced economies, growth has been comparatively strong in Canada, Spain, the United Kingdom and the United States, though weak in some others, such as Germany. Various large emerging market economies have performed well, including Brazil, India and Indonesia. In China, industrial production growth has been underpinned by strengthening exports, while consumer demand has remained modest and real estate investment has been weak.
2. **Trade growth has continued to recover, with global trade volumes growing at an annualised rate of 6.6% in the second quarter of 2024.** An upturn in US import growth, in part due to stronger equipment investment, and greater trade dynamism in key emerging market economies, including Brazil, China and India, have been key factors behind the strength of trade. Monthly trade activity indicators have generally remained firm, with containerised freight, air freight and passenger volumes rising, though survey measures of export orders have softened. Global container shipping has adapted to the effective closure of the Red Sea route and lower water levels in the Panama Canal, while journey times and shipping costs have risen.
3. **Recent indicators suggest ongoing momentum in economic activity.** Business surveys point to continued growth but have recently weakened slightly in the euro area and China. Purchasing Managers Indices continue to highlight stronger activity in services than in manufacturing sectors, partly reflecting rebalancing of demand back to services following the COVID-19 pandemic. Consumer confidence is improving in Europe and some emerging market economies, such as Indonesia, though it remains subdued relative to long-term averages in most major advanced economies despite the rebound in real incomes.
4. **Inflation is continuing to moderate gradually.** Headline inflation is at or within 1 percentage point of central bank targets in around 80% of OECD economies. Still, some inflationary pressures continue to linger, especially in services sectors. Wage growth has started to slow as labour market pressures ease, while unit labour cost growth is still elevated in many countries due to sluggish productivity growth, especially in Europe.
5. **Financial conditions, though still restrictive, are easing, as financial market participants anticipate policy rate reductions will be faster than previously expected.** Long-term real interest rates are still at high levels relative to the previous decade, while long-term nominal bond yields have declined, corporate bond issuance has picked up, and credit growth has started to recover in some advanced economies. House prices have now stabilised or recently increased in some countries, supported by lower mortgage interest rates, population growth and limited housing supply.
6. **The September 2024 OECD Interim Economic Outlook shows that the global economy is starting to turn the corner.** At 3.2%, global GDP growth is expected to remain resilient both in 2024 and 2025. The lagged impact of monetary policy tightening in advanced economies on growth has begun to moderate, and further reductions in policy interest rates will support interest rate-sensitive expenditures in 2025 as inflation declines. Lower inflation will also provide a further boost to real income growth and private consumption. In the United States, growth is projected to be 2.6% in 2024 and 1.6% in 2025, as activity slows somewhat over the coming quarters, but monetary policy easing is projected to help underpin growth through the second half of next year. Europe will also benefit from policy rate reductions and gains in real

incomes, with euro area growth projected to be 0.7% in 2024 and 1.3% in 2025, and the UK economy expanding by 1.1% in 2024 and 1.2% in 2025. In Japan, output is projected to contract by 0.1% this year, reflecting the weak first quarter, before expanding by 1.4% in 2025, with strong real wage gains expected to offset the impact of tighter macroeconomic policies.

7. **Economic growth in the emerging market G20 economies is expected to remain broadly stable.** In China, growth is projected to be 4.9% in 2024 and 4.5% in 2025, supported by an increase in government spending following a recent rise in local government bond issuance and the stimulus measures announced in late September, while the protracted correction in the real estate sector is likely to continue and weak social safety nets as well as soft consumer confidence will hold back private consumption. Solid domestic demand growth is expected to continue in India and Indonesia, with India's GDP projected to grow by 6.7% in the fiscal year 2024-25 and 6.8% in 2025-26, and Indonesia's GDP projected to grow by 5.1% in 2024 and 5.2% in 2025. Brazil's economy is expected to perform well, helped by higher fiscal spending, with growth projected to be 2.9% in 2024 and 2.6% in 2025.

8. **Inflation is projected to be in line with central bank targets in most major economies by the end of 2025.** Headline inflation in the G20 economies is projected to decline from 5.4% in 2024 to 3.3% in 2025, aided by easing service price inflation as labour cost pressures moderate. Core inflation in the G20 advanced economies is projected to decline to 2.7% in 2024 and 2.1% in 2025, down from 4.2% in 2023. Inflation is also projected to decline further in many emerging market G20 economies, including Brazil, Indonesia, Mexico and South Africa, and remain at very low levels in China. While declining, inflation rates in Argentina and Türkiye are anticipated to still be at double digit rates in 2025.

9. **There are significant risks to this economic outlook.** Uncertainty about ongoing geopolitical tensions is high and further escalation could weaken sentiment and have adverse impacts on commodity prices that lower growth or add to inflation. Growth could also slow more sharply than expected as labour markets ease, and deviations from the expected smooth disinflation path could trigger disruptions in financial markets. On the upside, the recovery in real incomes could provide a stronger boost to consumer confidence and spending.

## **Policy requirements**

10. **Monetary policy rate reductions should continue in most advanced economies as inflation moderates, though central banks will need to balance policy rate cuts with the need to ensure that inflationary pressures are durably contained.** The stance of monetary policy is still generally restrictive, with forward-looking real interest rates elevated even as policy rates have been lowered in advanced and emerging market economies. As inflation further moderates and labour market pressures ease, the timing and scope of further policy rate reductions will need to remain data-dependent and be carefully calibrated to ensure inflationary pressures are durably contained. In contrast to other major advanced economies, further mild increases in policy rates are warranted in Japan, provided inflation settles at 2% as projected.

11. **Easier global financial conditions and rate reductions in advanced economies, particularly in the United States, enhance policy space in emerging market economies.** However, disparate economic developments across countries necessitate tailored monetary policy approaches. Weak economic growth and risks of deflation have already prompted monetary policy easing in China, with interest rates likely to remain low. In other emerging market economies, the reduction in inflation to date has been slower and policy easing is likely only later this year. If necessary, as in Brazil where growth and inflation have surprised on the upside, planned rate reductions may need to be reassessed to ensure price stability. In other countries where high inflation is expected to persist, such as Türkiye, a tight monetary policy stance is justified until well into 2025.

12. **Fiscal policy needs to reduce public debt ratios and rebuild fiscal space to preserve room to respond to future shocks and to help meet future spending pressures, including from population ageing, national defence requirements, and climate change mitigation and adaptation measures.**

Without sustained action, debt burdens appear likely to rise significantly in the future. Based on current plans, few countries appear likely to achieve a sustained primary budget surplus, a key factor for stabilising or eventually reducing debt burdens. Stronger efforts are needed to better control spending growth, improve spending efficiency, reallocate spending to areas that better support opportunities and growth, and to optimise tax revenues. Priorities differ across countries, but often include improving the targeting of benefits and subsidies, further reforms to pension systems in the face of rising longevity, and reducing distortive tax expenditures.

13. **Many emerging market economies and low-income countries face fiscal pressures from high debt levels and elevated debt servicing costs and are more exposed to shifts in global interest rates than advanced economies.** About half of low-income countries continue to be either in sovereign debt distress, or at high risk of it, with debt often denominated in foreign currencies. Reforms to strengthen revenue collection and spending efficiency, fight tax evasion and reduce informality are key fiscal priorities in these countries.

14. **Ambitious reforms, including to education, labour and product market policies, are needed to strengthen the foundations for sustainable economic growth and help address fiscal challenges.**

Boosting investment, innovation and productivity requires strengthening competition and an improved business environment. The OECD Product Market Regulation indicators – updated this year and covering 47 countries – are a key tool that helps countries compare the effectiveness of their regulatory policies. Based on these indicators, the OECD countries with the most competition-friendly regulatory frameworks are Lithuania, Sweden, Ireland, the United Kingdom and the Netherlands. The indicators show that constraints to competition in service sectors could be reduced, which would be important given the rising shift to services and elevated services price inflation. Entry barriers in network sectors such as energy, telecommunications and transport can be significant, favouring incumbents and adding to costs. OECD estimates suggest that reforms in advanced economies that close the gap between their regulations and the average of the top 5 OECD performers would increase GDP per capita by 3% in the long term.

15. **Building on the recent recovery in global trade is a key priority.** Open international markets operating within a rules-based global trading system and based on a level playing field for global trade drive productivity and growth and increase incomes and living standards around the world. Reducing trade restrictions, including for trade in services, would lower costs for domestic consumers, boost competition in product markets, and stimulate domestic innovation by enhancing the flow of knowledge and products across national borders. At the same time, the COVID-19 pandemic, Russia's war of aggression against Ukraine and ongoing conflicts in the Middle East have highlighted the potential vulnerabilities from complex, concentrated supply chains, prompting concerns about the security of supply. A key objective should be to enhance the resilience of global value chains, without eroding their benefits for efficiency.

16. **Globally effective climate action requires enhanced international co-operation.** The OECD's Inclusive Forum on Carbon Mitigation Approaches (IFCMA), now with 59 Members, is an initiative designed to help optimise the global impact of emissions reduction efforts around the world through better data and information sharing, evidence-based mutual learning and inclusive multilateral dialogue. The IFCMA is currently taking stock of mitigation policies and estimating their impact on emissions through modelling work and reviewing empirical evidence, with first results to be delivered in 2025. It is also supporting international co-operation on carbon intensity metrics by analysing the challenges related to their computation and use in policies, with a comprehensive report to be published before COP29.