

Annex

4

**Promoting Strong,
Sustained and Balanced
Growth Through G20
Cooperation**





The global recession of 2008 and 2009 was the most severe global downturn since the Second World War. The timely, substantial and coordinated policy actions of the Group of Twenty (G20) countries helped to prevent a collapse in the global financial system and mitigated the disruption to global economic activity. The unprecedented cooperation of G20 countries was possible because members recognized the severity of the risks confronting them and the need to protect their citizens.

G20 countries must sustain this cooperation in order to complete the reform of financial sector regulations that has begun under the auspices of the G20. Moreover, while there are encouraging signs that the global economy has stabilized, the economic recovery is proceeding unevenly. The G20 will need to continue delivering stimulus measures until a self-sustaining recovery is assured.

To push forward and coordinate key elements of the ambitious global reform agenda, the Prime Minister of Canada joined G20 Leaders in launching the Framework for Strong, Sustainable and Balanced Growth at the Pittsburgh G20 Summit in April 2009. The Framework commits the G20 to:

- Work together to assess how individual country policies interact.
- Evaluate whether individual country policies are collectively consistent with more sustainable and balanced growth.
- Act as necessary to meet the G20's common objectives.

At their meeting in St. Andrews following the Pittsburgh Summit, G20 Finance Ministers and Central Bank Governors formally initiated a cooperative process of mutual assessment of G20 economic policy frameworks, in accordance with their Leaders' commitment. The St. Andrews agreement called on each G20 country to submit its medium-term policy framework to the G20, International Monetary Fund (IMF) and World Bank. In line with the Pittsburgh agreement, the IMF and World Bank were asked to collect this information to help the G20 with its analysis of how respective national or regional policy frameworks fit together and to advise the G20 on progress in promoting development and poverty reduction as part of the rebalancing of global growth.



As host of the upcoming June G20 Summit in Toronto, Canada is working with its G20 partners to deliver on these commitments. Rebalancing global growth is critically important to reducing the risk of future crises and could raise potential growth globally. As a result, the Government has provided a detailed medium-term forecast to the G20, IMF and World Bank (Table A4.1).

Table A4.1

G20 Mutual Assessment: Macroeconomic Framework

	2009	2010	2011	2012	2013	2014
	(per cent, unless otherwise indicated)					
National accounts						
Real GDP growth	-2.5	2.6	3.2	3.0	2.8	2.6
Nominal GDP growth	-4.6	4.9	5.4	5.3	4.9	4.7
Private consumption growth	0.1	3.0	2.7	2.7	2.9	2.6
Government spending growth	2.9	3.3	2.1	2.2	2.3	2.2
Gross fixed investment growth	-8.2	6.4	3.0	4.3	4.1	3.3
Growth in imports of goods and services	-13.4	8.5	3.3	3.7	4.1	4.3
Growth in exports of goods and services	-13.9	4.1	4.3	3.8	3.6	3.6
Monetary and financial policy						
Consumer Price Index (CPI) inflation	0.5	1.8	2.0	2.0	2.0	2.0
House Price Index inflation	4.2	9.2	1.6	2.6	2.2	2.2
Key interest rate assumptions, including on the long-term rate						
3-month treasury bill rate	0.3	0.7	2.4	3.8	4.3	4.4
10-year government bond rate	3.3	3.7	4.3	4.9	5.2	5.3
Labour markets						
Population growth	1.2	1.0	0.8	0.9	0.8	0.8
Unemployment rate	8.3	8.5	7.9	7.4	6.9	6.6



Table A4.1 (cont'd)

G20 Mutual Assessment: Macrofinancial Framework

	2009	2010	2011	2012	2013	2014
External variables						
Current account balance (per cent of GDP)	-2.8	-2.6	-1.6	-1.6	-1.2	-1.2
Nominal and real exchange rate assumptions (US cents/C\$)						
Nominal	87.9	95.5	98.3	97.7	99.3	98.5
Real (index, real = nominal in 2002)	87.4	96.0	99.2	98.9	100.5	99.7
Oil and other relevant commodity price assumptions						
Price of natural gas (US\$ per MMBtu)	4.0	5.4	6.3	6.3	6.8	7.2
Price of West Texas Intermediate crude oil at Cushing (US\$ per barrel)	61.7	76.0	84.7	93.3	100.0	104.2
Potential GDP growth	1.8	1.4	1.5	1.7	1.9	2.0

	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15
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(per cent of GDP)

Fiscal policy

Federal government revenue	14.0	14.4	14.8	15.0	15.2	15.2
Of which: tax revenue	11.4	11.8	12.0	12.0	12.2	12.2
Federal government expenditure	17.5	17.5	16.4	16.0	15.6	15.3
Of which: interest payments	2.0	2.0	2.1	2.2	2.1	2.1
Net federal government debt	33.9	35.4	35.2	34.4	33.3	31.9

Note: Consistent with Canada's established approach to fiscal planning, this forecast reflects the average of the December 2009 survey of private sector forecasters. The only exception is for the CPI inflation forecast, which is based on the Bank of Canada's projection, consistent with the January 2010 *Monetary Policy Report*. Fiscal policy forecasts are on a Public Accounts basis. Figures for 2009 are from the December 2009 survey of private sector forecasters and have not been adjusted to include data released since December 18, 2009.