EXTERNAL SECTOR REPORT

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reduce the current account gap, and facilitate raising international reserves. Countries with lingering export competitiveness challenges would also benefit from productivity-raising reforms. In economies where excess current account surpluses that existed before the

current account and real eective exchange rate

exporters (Brazil, Saudi Arabia) and France, which
entered this categor 1

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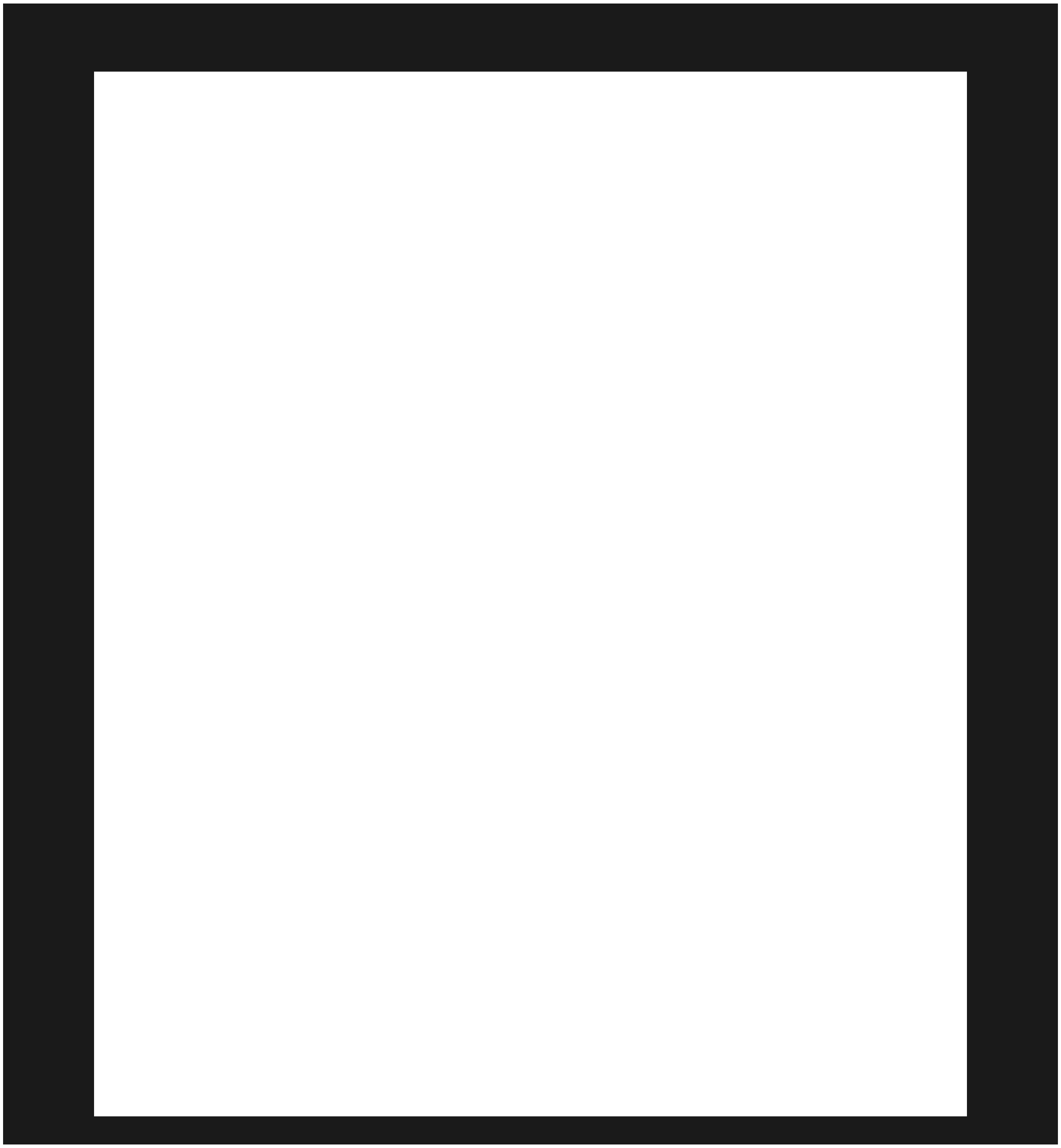
Egypt, Greece, Morocco, New Zealand, Portugal, Spain, Sri Lanka, Thailand, and Turkey. The rise in tourism trade balances is expected to be spread more

international supply chain management and result in less foreign direct investment in emerging market and developing economies. Another round of escalating US–China trade tensions constitutes a further risk.

persist after the crisis, prioritizing reforms that encourage investment and discourage excessive private saving are warranted. In economies with remaining fiscal space, a growth-oriented fiscal policy, with greater public sector investment in such areas as digitalization, infrastructure, and climate change mitigation, would support private investment, promote potential growth, make the



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e diﬀerences across subperiods are signiﬁcant. In the precrisis period, there is no systematic pattern: sustained valuation gains or losses were not related to average current account balances.

In the post-global-ﬁnancial-crisis period, which also includes the euro area sovereign debt crisis of 2010, the relationship is negative and statistically signiﬁcant. Countries with sustained current account surpluses (including Germany, Japan, and Switzerland, among

CHAPTER 2

Adj.	adjusted
ARA	

Overall Assessment: *The external position in 2019 was moderately weaker than the level implied by medium-term fundamentals and desirable policies, mainly reflecting sustained but declining CA deficits.* It will take time for the economy to adjust to structural shifts in the allocation of resources, restore

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Overall Assessment:

[redacted]

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[1] □

In addition, the authorities' strengthened enforcement of reglarge external asset and liability positions, highly positive NIIP position). Therefore, IMF staff estimates the CA norm using various approaches. Overall, the staff-estimated CA gap is about 4 percent of GDP, to which the fiscal policy gap contributes about 1.4 percent of GDP and the health spending gap about 0.2 percent of GDP.

[3] The reserves-to-GDP ratio is also larger than in most other financial centers, but this may reflect in part that most other financial centers are in reserve-currency countries or currency unions. External assets managed by the government's investment corporation and wealth fund (GIC and Temasek) amount to at