

EXTERNAL SECTOR REPORT

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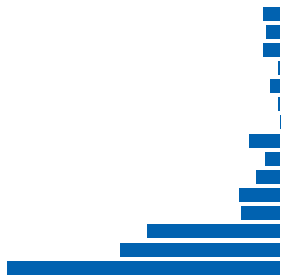
reduce the current account gap, and facilitate raising international reserves. Countries with lingering export competitiveness challenges would also benefit from productivity-raising reforms. In economies where excess current account surpluses that existed before the

current account and real effective exchange rate

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

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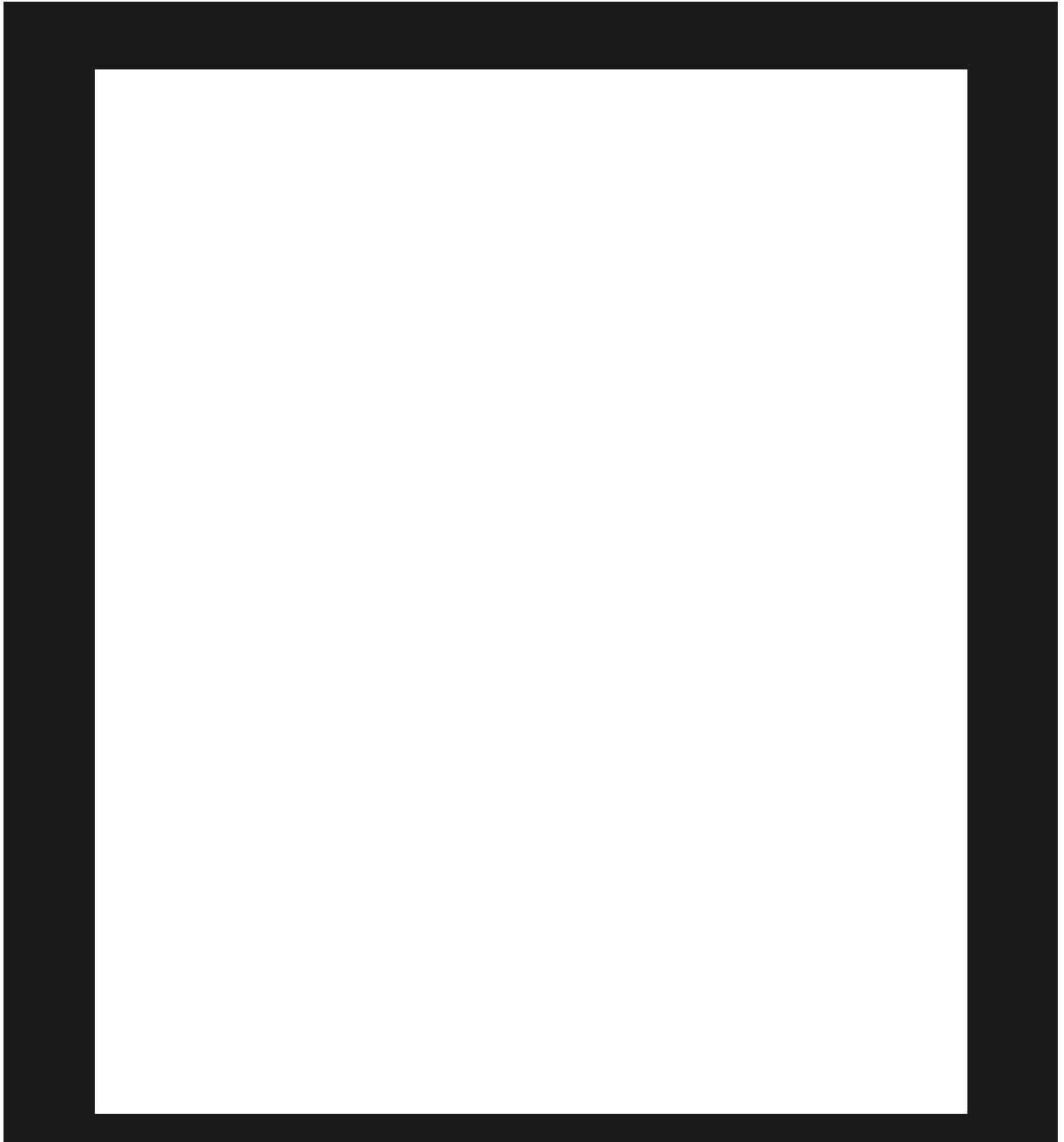


Egypt, Greece, Morocco, New Zealand, Portugal, Spain, Sri Lanka, Thailand, and Turkey. The rise in tourism trade balances is expected to be spread more

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





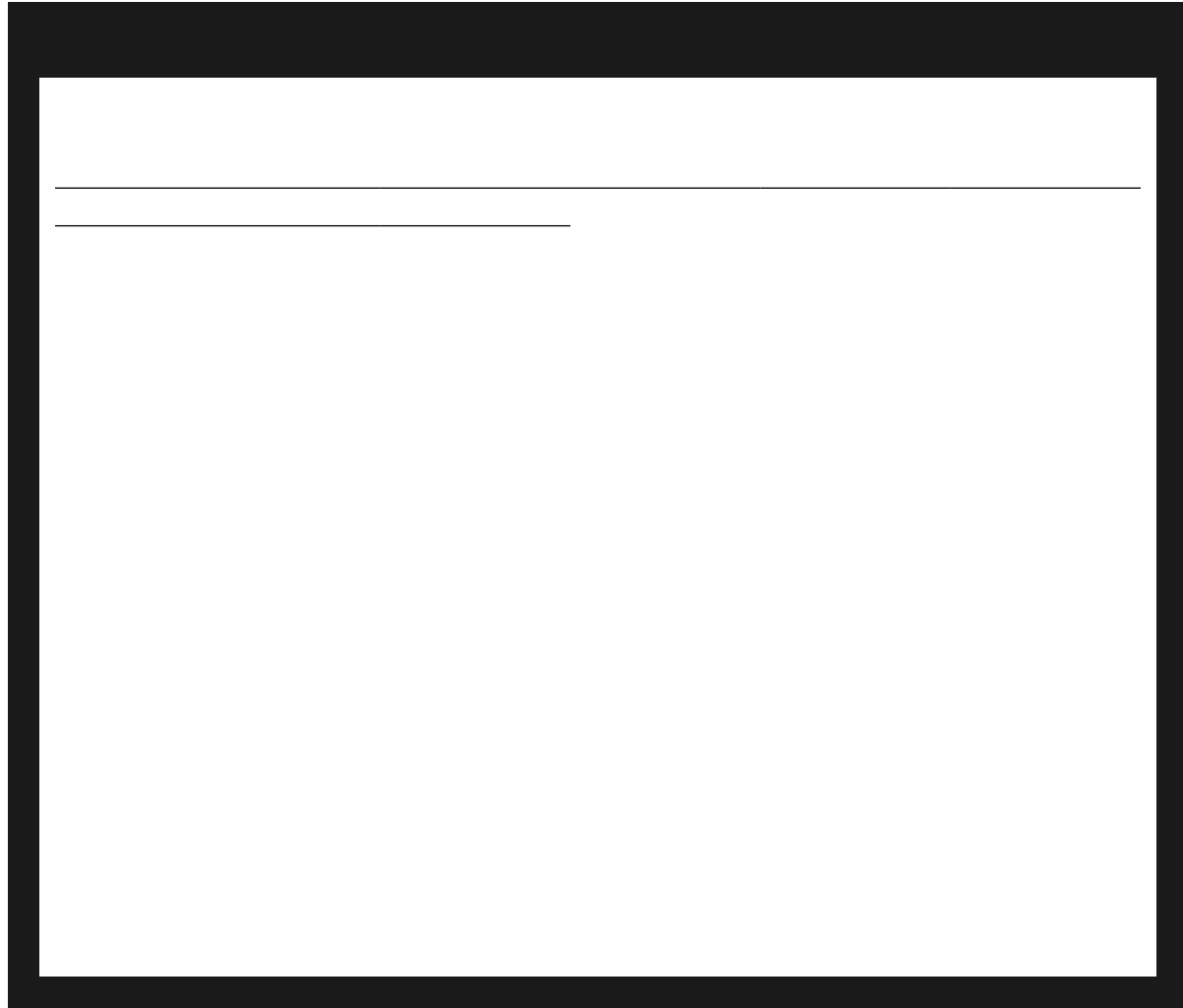


Forecasts of falling global trade in 2020 reflect primarily the expected weakness in economic activity. The historical relationship between trade and aggregate demand fully explains the expected global decline in trade in goods. For trade in services, the expected contraction is more severe than could be expected by the expected fall in aggregate demand, suggesting a strong

unprecedented travel restrictions, which have reduced

e investor pullout from emerging mf [2kelout fr1

...e currency depreciations among emerging market
and developing economies during the COVID-19
crisis re



The IMF's G20 Model is used to illustrate the impact on global trade and current account balances of two alternative scenarios: (1) a second COVID-19 outbreak in early 2021 and (2) a faster recovery from the lockdown measures implemented in the first half of 2020, as of June 2020.

CHAPTER 2

the 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

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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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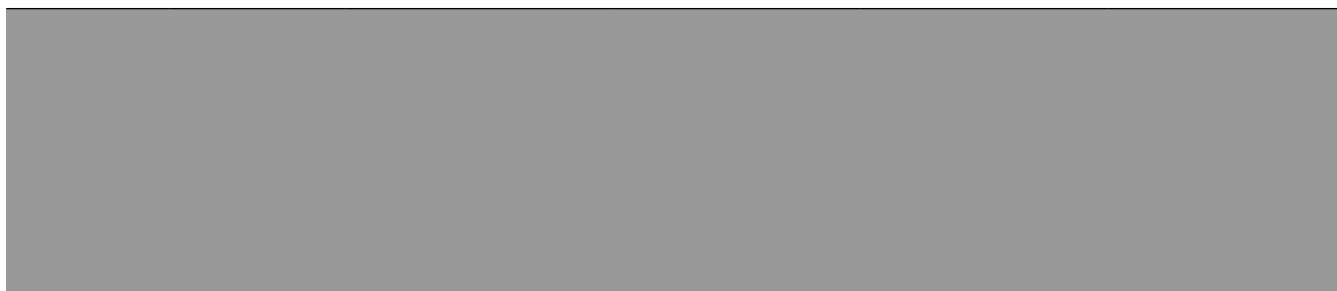
















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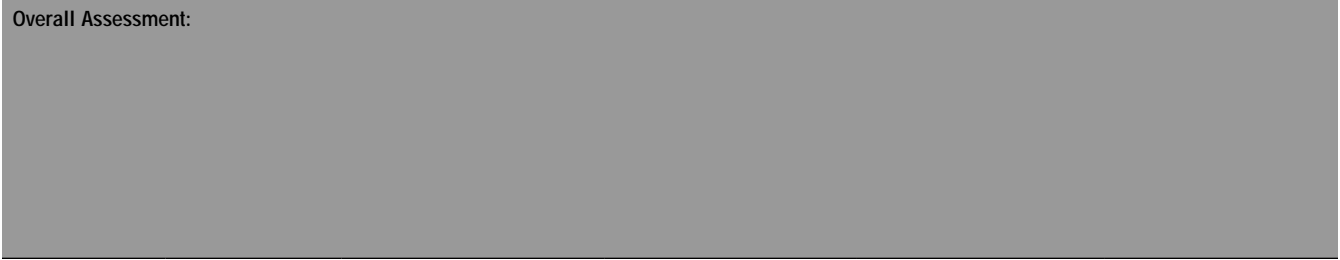
Overall Assessment:



[Redacted content]				



Overall Assessment:



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In addition, the authorities' strengthened enforcement of reg-

large 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

