Policy Note

Australia 2014

Lifting G20 GDP by more than 2 per cent above the trajectory implied by current policies over the coming 5 years

The G20 Finance Ministers and Central Bank Governors (22-23 February, Sydney) committed to developing new measures, in the context of maintaining fiscal sustainability and financial sector stability, to significantly raise global growth.

WHAT DID MINISTERS AND GOVERNORS AGREE?

Ministers and Governors agreed to develop ambitious but realistic policies with the aim to lift our collective GDP by more than 2 per cent above the trajectory implied by current policies over the coming 5 years. That is, our actions could by 2018 raise world real GDP to be more than 2 per cent higher than it otherwise would have been. If this occurs, growth would be around 0.5 per cent higher on average per annum than it would otherwise be.

This will translate to over US$2 trillion more in real terms and will lead to significant additional jobs.

Ministers and Governors agreed that to achieve this it will take concrete actions across the G20, including to increase investment, lift employment and participation, enhance trade and promote competition, in addition to macroeconomic policies. These actions will form the basis of our comprehensive growth strategies and the Brisbane Action Plan.

DOES THIS TRANSLATE TO MEMBER LEVEL TARGETS?

No, it is a collective ambition. It does not mean every member is expected to do the same amount. All countries will develop their own growth strategies, tailored to their own circumstances.

G20 Finance Ministers and Central Bank Governors committed to implement policies to grow our collective GDP by more than 2 per cent above the current trajectory over the next five years. Realistically, these policies could mean an extra US$2 trillion in global economic activity and tens of millions of additional jobs.

Australian Treasurer Joe Hockey, 23 February 2014

WHAT IS THE "MORE THAN 2 PER CENT" ADDITIONAL TO?

This is relative to the IMF's October 2013 World Economic Outlook baseline. The actions that contribute to this ambition are expected to be in addition to those measures previously made by the G20.

THE GLOBAL ECONOMY

According to the IMF, OECD and World Bank, raising G20 output by 2 per cent is equivalent to adding 2 trillion dollars and millions of jobs to the global economy.

WHICH ACTIONS WILL LEAD TO ACHIEVING A BOOST TO GROWTH OF MORE THAN 2 PER CENT?

Actions will be determined by the members themselves. The Australian Presidency, along with various international organisations, identified the need for concrete actions across the G20 to increase investment, lift employment and participation, enhance trade and promote competition.

The G20 Finance Ministers and Central Bank Governors (22-23 February, Sydney)

These areas have the capacity to generate significant positive spillovers and will deliver the greatest impact on growth.

WILL GROWTH STRATEGIES BE LIMITED TO THOSE AREAS?

No, countries can identify reforms in any area they consider a priority. In addition, macroeconomic policies play an important role.

HOW DID THE G20 COME UP WITH THE NUMBER?

The IMF, OECD and World Bank worked together to identify gaps in current policies, and identified ambitious and realistic actions, that could lift growth. The policies assumed in their scenario would "raise world real GDP by about 2¼ percent (or 2¼ trillion U.S. dollars) in 2018 (relative to the October 2013 WEO baseline), implying 0.5 percentage point higher growth over the next five years."

Based on this advice, Finance Ministers and Central Bank Governors committed to develop policies to lift our collective GDP by more than 2 per cent above the trajectory implied by current policies over the coming five years.

Further information

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