

Policy Note

Strategies for economic growth

Strengthening growth and creating jobs is our top priority and we are fully committed to taking decisive actions to return to a job-rich, strong, sustainable and balanced growth path.

St Petersburg G20 Leaders Declaration, September 2013

The growth challenge: the global economy in transition

Five years on from the global financial crisis, global economic growth is recovering. But growth rates remain below what is required to get our citizens

back into jobs, ensure a sustained rise in their living standards and achieve a more balanced global economy.

The IMF estimates that output in the G20 would now be 8 per cent higher per worker if the world economy had continued growing as it did between 1998 and 2005.

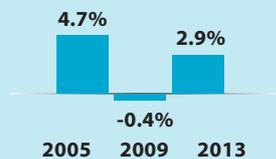
Coordinated and cooperative action among countries is needed to pick up the slack and put the prospects for global growth back on track.

Growth has positive flow-on effects: the more one country grows, the more others will grow too – providing the opportunity for people to lift themselves from poverty and raise their living standards. Given their combined economic weight, growth in the major economies of the G20 can have a particularly positive impact on the fortunes of others.

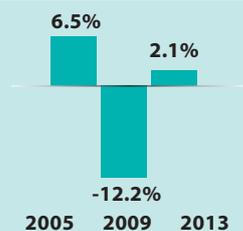
Sustainable growth and development for emerging and developing economies

THE GLOBAL ECONOMY IS RECOVERING TOO SLOWLY AND STILL HAS NOT RETURNED TO PRE-CRISIS STRENGTH

GROSS DOMESTIC PRODUCT, CONSTANT PRICES



TRADE GROWTH, GOODS AND SERVICES



The IMF estimates that output in the G20 would now be 8 per cent higher per worker if the world economy had continued growing as it did between 1998 and 2005.

The ILO estimates 62 million fewer people had jobs across the G20 by 2013 than if the crisis had not occurred.

According to the OECD, increased long term and structural unemployment and lower participation in labour markets have already had an impact on growth, at least in many advanced economies.

The WTO expects that global trade will grow at 4.7 per cent in 2014 – an improvement on the 2.1 per cent growth seen in 2013 but still below its pre-crisis average of 6 per cent per annum from 1980–2007.

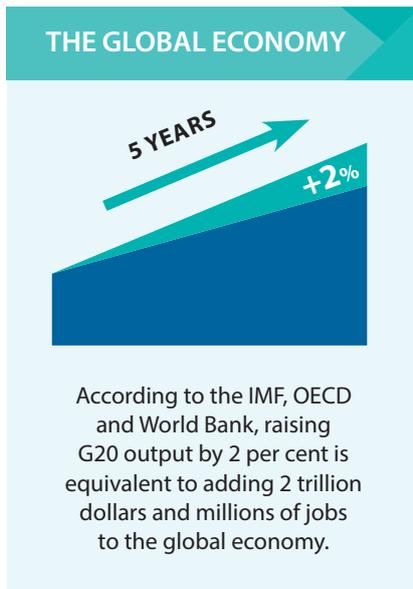
Source: IMF World Economic Outlook April 2014

Source: WTO World Trade 2013, Prospects for 2014, April 2014

is also important for the health of the global economy. The IMF suggests that emerging market and developing economies will account for more than two thirds of global growth in 2014 and 2015.

THE G20 IS MOVING TO ADDRESS THE GROWTH CHALLENGE IN AN AMBITIOUS AND MEANINGFUL WAY

G20 Finance Ministers and Central Bank Governors committed at their February 2014 meeting in Sydney to developing new measures aimed at raising the level of G20 output by at least an additional 2



percentage points above the currently projected level over the next five years.

Making sure macroeconomic policy settings continue to support growth is an important element of the strategy.

Many governments are at, or close to, the limits of macroeconomic policy responses.

Australian Treasurer Joe Hockey, 6 February 2014

But the challenge for governments is that they now need to think beyond the usual macroeconomic levers to support growth. For example, given high levels of government debt, particularly in

THE GLOBAL RISE OF THE MIDDLE CLASS IS CREATING NEW ECONOMIC OPPORTUNITIES

The purchasing power of the middle class will continue to grow as their ranks swell to 3.2 billion by 2020 and to 4.9 billion by 2030.



INVESTMENT IN INFRASTRUCTURE SUPPORTS ECONOMIC ACTIVITY

Investment in infrastructure is crucial to accelerating growth, job creation and productivity gains that create benefits now and into the future.

PROMOTING MORE AND BETTER JOBS IS A TOP PRIORITY

Boosting jobs growth and closing the global employment gap will contribute to lifting living standards and sustainable economic growth.

A DYNAMIC AND PROSPEROUS GLOBAL ECONOMY UNDERPINS GROWTH IN LIVING STANDARDS

Sustaining growth in living standards requires ongoing structural reforms focused on competitive markets and improving productivity.

TRADE AS AN ENGINE OF GROWTH

Improving the flow of trade across borders benefits the global economy by generating jobs, deepening global value chains and improving the competitive environment.

some advanced economies, fiscal policy (government spending and taxation) can only be used sparingly.

Monetary policy has limited room to move to stimulate growth – most advanced economies' interest rates are already at or near historic lows and have been for some time.

The G20 should aim to 'shift the dial' on world growth.

*Australian Treasurer Joe Hockey,
6 February 2014*

As Australia's Prime Minister Tony Abbott has said, the key to the problem is for governments to work together to unleash the power of business to do what it does best – drive growth and create employment. Business creates around 90 per cent of jobs worldwide.

Governments need to create the right environment for more private-sector led growth and job creation.

That means a primary focus has to be on structural reform – removing imbalances and distortions in our economies, improving efficiency, and enabling new ways of doing things.

In 2014, Australia is urging members to put in place structural reforms at the domestic level and collective (simultaneous) actions at the international level that will result in a marked impact on global growth. These reforms are essential, but can be hard to implement because they require people and businesses to adjust to new circumstances. The political weight of leaders in the forum makes the G20 an ideal place to discuss these issues.

THE BRISBANE ACTION PLAN WILL PUT IN PLACE SHORT AND MEDIUM-TERM ACTIONS TO HELP ACHIEVE THE G20 GROWTH AMBITION

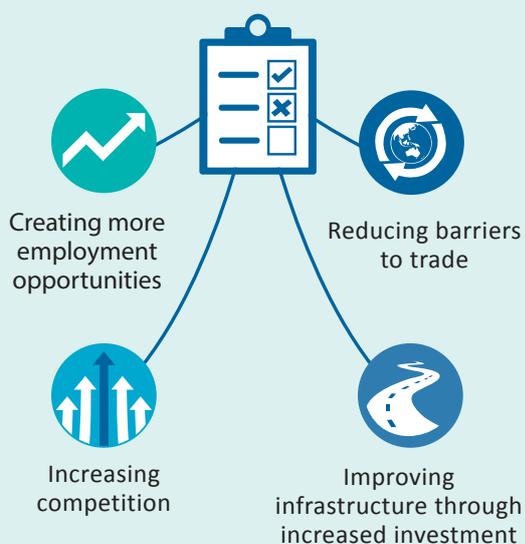
The key mechanism for achieving stronger growth will be each country developing a comprehensive growth strategy containing measures appropriate for its own circumstances.

G20 leaders agreed to this approach in St Petersburg in 2013: Finance Ministers and Central Bank Governors set in place the specific target that will focus cooperation around these plans.

For this approach to have the maximum impact, each member must play its own part and develop the strategy that suits it best to achieve the goal and strengthen its own economy. Not

THE BRISBANE ACTION PLAN WILL INCLUDE BOTH COLLECTIVE AND INDIVIDUAL MEMBER COMMITMENTS TO LIFT GROWTH AND BOOST JOBS

 The Brisbane Action Plan will bring together the actions committed by the **x20** G20 members in 2014 on the key economic policy areas.



Developing the G20 2014 Growth Strategies

In Washington in April 2014, members committed to identifying in their growth strategies new actions that:

- ▶ build on previous G20 commitments and address identified gaps in policy settings;
- ▶ lift and rebalance global demand and achieve exchange rate flexibility as well as
- ▶ increase growth potential and create substantial positive spillovers to each other and the world economy.

Members are identifying tangible measures with the most potential for stimulating growth by looking at common challenges and common solutions as well as the specific situation of their own economy.

Each G20 member is assessing their domestic economic outlook and macroeconomic policies and considering the structural changes to improve their economies that they will include in their growth strategy.

every economy will increase by two per cent; much of the growth across the G20 as a whole can come from positive interactions between reforms in several economies.

The size of the challenge means governments must cooperate not only with each other, but also with all parts of society, and in particular business.

MEMBERS WILL USE THEIR GROWTH STRATEGIES TO ADVANCE DOMESTIC REFORMS THAT HAVE POSITIVE SPILLOVERS TO THE GLOBAL ECONOMY

In addition to getting macroeconomic policies right, the focus of the growth strategies needs to be on specific domestic policies to improve investment, trade, employment and competition — areas that have the greatest potential to lift growth.

Increasing quality investment in infrastructure will create jobs and boost economic growth and development. The G20's work will focus on finding ways to boost private sector involvement in this crucial activity.

Reducing barriers to trade recognises the reality that in today's world, products are not made in one country and sold somewhere else, but often cross national borders many times as they are being created. Domestic measures to cut the cost of doing business and enhance countries' ability to participate in global value chains can facilitate increased trade activity.

Creating more employment opportunities, especially for youth and the long-term unemployed, remains a priority for G20 members. More and better jobs mean more productive interactions with the economy, improving livelihoods and increasing economic growth. In 2014, there will be a concerted effort to lift female participation in the workforce and reduce youth unemployment.

Increasing competition is fundamental to ensuring economies become more productive and innovative. Reforms to promote competition can act to bring prices closer to production costs. This gives consumers better access to affordable products and encourages business to become more efficient.

LEADERS ARE NOT LOOKING FOR ONE-SIZE-FITS-ALL POLICIES

For some members the priority will be employment initiatives, for others trade and for others, investment or competition reform. It is important for countries to be prepared to look at

what they have done to date, and be prepared to do more.

In addition to these policy priorities, G20 members aim to help developing countries attract infrastructure investment, strengthen their tax base and improve their people's access to financial services.

Leaders and finance ministers will provide guidance throughout the year, through several finance ministers meetings. Meetings of trade and employment ministers will also promote specific input on certain aspects of each country growth strategy.

The expertise of international organisations, including the IMF, the OECD and the World Bank supports the development of the growth strategies, through providing analysis of policy gaps and benefits of reform efforts. Growth strategies will be considered by finance ministers and central bank governors in September before being considered by leaders at the Brisbane Summit in November.

Further information

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