| USA |
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| **Context**  1. **Economic Resilience**: The U.S. economy has shown resilience despite significant policy tightening in 2022. Consumer demand has been strong, boosted by solid growth in real disposable incomes.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Expected to be 1.7% in 2023 and 1.0% in 2024.    * **Inflation**: Core and headline PCE inflation remain above the Federal Reserve's 2% target.    * **Unemployment**: Prime age labor force participation has risen above its pre-pandemic peak. Unemployment for women and African Americans has fallen to historical lows. 2. **Fiscal Policy**:    * **Deficit Reduction**: Fiscal policy is expected to be procyclical in 2023 following a significant fiscal contraction in 2022.    * **Public Debt**: Expected to continue increasing due to aging-related expenditures on healthcare and social security. 3. **Monetary Policy**:    * **Interest Rates**: Federal Reserve raised rates by 500bps since March 2022, expected to remain high until late 2024.    * **Balance Sheet**: The process of shrinking the Federal Reserve’s balance sheet is ongoing. 4. **Financial Sector**:    * **Bank Failures**: Recent bank failures reflect challenges from unrealized losses on assets and uninsured deposits. Federal Reserve provided systemic liquidity support to stabilize deposit outflows and restore confidence.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Projected to slow to 1.7% in 2023 and 1.0% in 2024.    * **Inflation**: Expected to remain above the Federal Reserve’s target throughout 2023 and 2024. 2. **Risks**:    * **Global and Domestic Risks**: Includes potential slowdown in global growth, geopolitical tensions, and climate events. Domestic risks include further banking sector stress and policy slippages.  **Policy Recommendations**  1. **Monetary Policy**:    * **Maintain High Rates**: Keep interest rates high to control inflation. Communication on policy rate expectations should be clear and data-dependent.    * **Liquidity Support**: Provide temporary liquidity support to address near-term banking system stress. 2. **Fiscal Policy**:    * **Tighter Fiscal Stance**: Increase fiscal restraint to reduce inflation and support monetary policy.    * **Debt Ceiling**: Implement a permanent solution to avoid recurrent debt ceiling brinkmanship. 3. **Financial Sector**:    * **Regulation**: Improve stress tests and align capital and liquidity requirements for mid-sized banks with the Basel framework.    * **Supervisory Stance**: Adopt a more assertive supervisory stance and address remaining FSAP recommendations. 4. **Structural Reforms**:    * **Climate Policies**: Implement climate provisions in the Inflation Reduction Act and additional measures to achieve emission reduction goals.    * **Supply-Side Policies**: Expand access to healthcare and education, incentivize labor force participation, and address structural imbalances in social security and Medicare.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities are optimistic about the near-term economic outlook, projecting 3.5% to 5.5% growth in 2024.    * Support the need for maintaining a cautious monetary policy stance and gradual fiscal consolidation. 2. **Monetary and Fiscal Policies**:    * Emphasize maintaining exchange rate flexibility and adequate FX reserves.    * Committed to improving governance and addressing financial sector vulnerabilities. 3. **Structural Reforms**:    * Focus on enhancing the business environment, improving corporate governance, and investing in critical infrastructure projects.  **Tables and Figures**  1. **Selected Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
| Germany |
| **Context**  1. **Economic Resilience**: The German economy demonstrated resilience following the shut-off of Russian gas supply. Adverse scenarios of energy scarcity were avoided through conservation efforts, securing energy supplies, and mild winter weather. However, the energy shock and tightening financial conditions led to a recession in recent months.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Expected to be slightly negative in 2023, with growth projected to regain momentum gradually in 2024-2025.    * **Inflation**: Spiked due to energy price shocks but is now falling. Core inflation remains elevated due to rising nominal wage pressures and lagged pass-through of lower global commodity prices.    * **Unemployment**: Prime age labor force participation has risen above pre-pandemic levels. Unemployment for women and African Americans has fallen to historical lows. 2. **Fiscal Policy**:    * **Deficit Reduction**: Fiscal deficit targeted to decline to 1.5% of GDP in 2024.    * **Public Debt**: Expected to continue increasing due to aging-related expenditures on healthcare and social security. 3. **Monetary Policy**:    * **Interest Rates**: Federal Reserve raised rates by 500bps since March 2022, expected to remain high until late 2024.    * **Balance Sheet**: The process of shrinking the Federal Reserve’s balance sheet is ongoing. 4. **Financial Sector**:    * **Bank Failures**: Recent bank failures reflect challenges from unrealized losses on assets and uninsured deposits. Federal Reserve provided systemic liquidity support to stabilize deposit outflows and restore confidence.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Projected to slow to 1.7% in 2023 and 1.0% in 2024.    * **Inflation**: Expected to remain above the Federal Reserve’s target throughout 2023 and 2024. 2. **Risks**:    * **Global and Domestic Risks**: Includes potential slowdown in global growth, geopolitical tensions, and climate events. Domestic risks include further banking sector stress and policy slippages.  **Policy Recommendations**  1. **Monetary Policy**:    * **Maintain High Rates**: Keep interest rates high to control inflation. Communication on policy rate expectations should be clear and data-dependent.    * **Liquidity Support**: Provide temporary liquidity support to address near-term banking system stress. 2. **Fiscal Policy**:    * **Tighter Fiscal Stance**: Increase fiscal restraint to reduce inflation and support monetary policy.    * **Debt Ceiling**: Implement a permanent solution to avoid recurrent debt ceiling brinkmanship. 3. **Financial Sector**:    * **Regulation**: Improve stress tests and align capital and liquidity requirements for mid-sized banks with the Basel framework.    * **Supervisory Stance**: Adopt a more assertive supervisory stance and address remaining FSAP recommendations. 4. **Structural Reforms**:    * **Climate Policies**: Implement climate provisions in the Inflation Reduction Act and additional measures to achieve emission reduction goals.    * **Supply-Side Policies**: Expand access to healthcare and education, incentivize labor force participation, and address structural imbalances in social security and Medicare.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities are optimistic about achieving 6.5% growth in 2024, with strong tourism and agricultural performance.    * Acknowledged the need for continued fiscal consolidation and revenue mobilization. 2. **Fiscal and Monetary Policies**:    * Support gradual fiscal consolidation and cautious monetary policy to maintain stability. 3. **Financial Sector**:    * Emphasis on strengthening financial supervision, promoting financial inclusion, and addressing AML/CFT deficiencies. 4. **Structural Reforms**:    * Focus on improving governance, enhancing public investment management, and investing in climate-resilient infrastructure.  **Tables and Figures**  1. **Selected Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
| UK |
| **Context**  1. **Economic Disruption**: The UK's post-pandemic recovery was disrupted by the energy price shock due to Russia's war in Ukraine, reduced labor force participation, and significant policy rate increases to curb high inflation.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Expected to slow to 0.4% in 2023, recovering gradually to 1% in 2024.    * **Inflation**: High inflation rates are projected to decline to around 5.25% by the end of 2023 and below the 2% target by mid-2025.    * **Labor Market**: Labor force participation declined due to rising long-term illness, but the unemployment rate remains historically low. 2. **Fiscal Policy**:    * **Deficit Reduction**: Fiscal consolidation plans include reducing the deficit to 1.5% of GDP by 2024.    * **Public Debt**: Public sector net debt is projected to rise to 94.4% of GDP in 2024 from 89% in 2022. 3. **Monetary Policy**:    * **Interest Rates**: The Bank of England raised the policy rate to address inflation, with the latest increase to 4.5%.    * **Quantitative Tightening (QT)**: The BoE commenced QT by ceasing to re-invest maturing gilts and initiating active gilt sales. 4. **Financial Sector**:    * **Resilience**: The banking sector remains stable with significant buffers, despite recent market stress and the impact of the September 2022 'mini-budget.'  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Expected to rise gradually to 1% in 2024 and average around 2% in 2025-2026.    * **Inflation**: Projected to substantially decrease, reaching the BoE's 2% target by mid-2025. 2. **Risks**:    * **Upside Risks**: Greater persistence in price- and wage-settings, leading to higher inflation.    * **Downside Risks**: Tighter global financial conditions, potentially leading to a housing market correction and amplified impact on growth.  **Policy Recommendations**  1. **Monetary Policy**:    * **Further Tightening**: Increase interest rates to address persistent inflation pressures. Focus on services inflation and wage growth.    * **QT Strategy**: Continue QT as planned, monitoring gilt market pressures. 2. **Fiscal Policy**:    * **Support for Monetary Policy**: Align fiscal policy with monetary policy to combat inflation. Save any near-term fiscal overperformance to rebuild buffers.    * **High-Quality Revenue Measures**: Strengthen carbon and property taxes, eliminate tax loopholes, and reform pensions. 3. **Financial Sector**:    * **Supervision and Regulation**: Enhance financial supervision, address high NPLs, and improve the AML/CFT framework.    * **Macroprudential Policy**: Consider easing macroprudential policy to mitigate credit downturns if financial stress arises. 4. **Structural Reforms**:    * **Boosting Growth**: Reduce regulatory uncertainty, ease planning restrictions, enhance R&D support, and expedite public infrastructure projects.    * **Labor Market**: Address labor and skills shortages, increase public investment in education and skills, and fine-tune immigration policies.    * **Green Transition**: Accelerate the green transition by expanding carbon pricing, supporting heat pump installations, and improving home insulation.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities are optimistic about achieving 1% growth in 2024, acknowledging the need for continued fiscal consolidation and revenue mobilization. 2. **Monetary and Fiscal Policies**:    * Support for a cautious monetary policy stance and adherence to fiscal targets.    * Emphasis on maintaining exchange rate flexibility and adequate FX reserves. 3. **Financial Sector**:    * Focus on strengthening financial supervision and promoting financial inclusion. 4. **Structural Reforms**:    * Commitment to improving governance, enhancing public investment management, and investing in climate-resilient infrastructure.  **Tables and Figures**  1. **Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
| France |
| **Context**  1. **Economic Recovery**: France saw a robust recovery from the COVID-19 shock with a 6.8% GDP growth in 2021, recovering to pre-crisis levels. 2. **Challenges**: France faces the repercussions of Russia’s war in Ukraine, affecting confidence and exacerbating supply-side difficulties.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Expected to be 2.6% in 2022 and 0.7% in 2023.    * **Inflation**: Surged due to supply chain bottlenecks and energy price shock, averaging 5.9% in 2022 and 5% in 2023.    * **Fiscal Deficit**: Elevated due to energy price controls and subsidies, despite the unwinding of COVID-19 support. 2. **Fiscal Policy**:    * **Support Measures**: Significant untargeted energy price measures and cash transfers amounting to 2% of GDP in 2021-22.    * **Deficit**: Fiscal deficit projected to narrow as support phases out, but remains elevated at 4% of GDP in the medium term. 3. **Monetary Policy**:    * **Interest Rates**: Policy rate increases to curb high inflation.    * **Exchange Rate**: The euro remains stable due to market-determined reference exchange rate mechanisms. 4. **Financial Sector**:    * **Banking Sector**: Stable but faces increased systemic risks due to the economic slowdown.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Estimated at 0.7% in 2023 with medium-term growth converging towards 1.3%.    * **Inflation**: Expected to gradually decrease to around 2% by 2025. 2. **Risks**:    * **Downside Risks**: Include prolonged war in Ukraine, higher energy prices, faster-than-expected monetary tightening, and global economic slowdown.    * **Upside Risks**: Include a swift adjustment to accelerate the green transition.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Tightening**: Gradual fiscal consolidation to reduce the deficit and public debt, focusing on expenditure-led measures.    * **Targeted Support**: Better targeting of energy support to reduce fiscal cost and incentivize energy savings. 2. **Monetary Policy**:    * **Interest Rates**: Maintain high rates to control inflation and support monetary policy.    * **Liquidity Support**: Provide temporary liquidity support to address near-term banking system stress. 3. **Financial Sector**:    * **Regulation**: Strengthen financial supervision, address high non-performing loans (NPLs), and enhance the anti-money laundering/counter-financing of terrorism (AML/CFT) framework. 4. **Structural Reforms**:    * **Labor Market**: Improve educational outcomes and address skills mismatches.    * **Green Transition**: Accelerate the transition to cleaner energy sources, increase carbon pricing, and streamline regulatory procedures for renewable energy development.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities expect a 1% GDP growth in 2023 and a gradual decrease in inflation.    * They acknowledge the need for continued fiscal consolidation and revenue mobilization. 2. **Fiscal and Monetary Policies**:    * Support a cautious monetary policy stance and gradual fiscal tightening.    * Emphasize maintaining exchange rate flexibility and adequate foreign exchange reserves. 3. **Financial Sector**:    * Focus on strengthening financial supervision and addressing systemic risks. 4. **Structural Reforms**:    * Commitment to improving governance, enhancing public investment management, and investing in climate-resilient infrastructure.  **Tables and Figures**  1. **Selected Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
| Brazil |
| **Context**  1. **Economic Recovery**: Following a rapid recovery from the pandemic, economic activity is converging towards potential levels. Headline inflation has rapidly declined from last year’s peak, but core inflation remains elevated, and inflation expectations are above target.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Expected to moderate from 2.9% in 2022 to 2.1% in 2023.    * **Inflation**: Headline inflation expected to reach 5.4% by end-2023 and converge to target by mid-2025.    * **Current Account**: Narrowing to about 2.3% of GDP this year and remaining broadly stable over the medium term. 2. **Fiscal Policy**:    * **Deficit**: The fiscal deficit widened due to expanded budget envelopes to address cost-of-living concerns.    * **Debt Levels**: Public debt remains high, requiring fiscal consolidation efforts. 3. **Monetary Policy**:    * **Interest Rates**: The central bank’s proactive monetary policy response is consistent with the inflation targeting framework.    * **Exchange Rate**: A flexible exchange rate regime and adequate FX reserves act as important shock absorbers. 4. **Financial Sector**:    * **Resilience**: The financial sector remains resilient, with adequately capitalized, profitable, and liquid banks.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Projected to improve towards the potential rate over the medium term.    * **Inflation**: Core inflation expected to come down more gradually, with headline inflation converging to target by mid-2025. 2. **Risks**:    * **External Risks**: Abrupt global slowdown, tightening global financial conditions, and commodity price volatility.    * **Domestic Risks**: Renewed fiscal uncertainty and more persistent inflation.    * **Upside Risks**: More ambitious fiscal consolidation, tax reforms, and green growth opportunities.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Fiscal Effort**: A more ambitious fiscal effort to improve the fiscal position and maintain debt sustainability.    * **Tax Reforms**: Approval and implementation of indirect tax reform and plans to reform direct taxes and streamline tax expenditures. 2. **Monetary Policy**:    * **Continuous Inflation Target**: Adoption of a continuous inflation target to improve monetary policy effectiveness.    * **FX Swaps**: Develop guidance on the use of FX swaps and reduce the outstanding stock when conditions allow. 3. **Financial Sector**:    * **Debt Vulnerabilities**: Address household debt vulnerabilities and promote financial literacy.    * **Digital Innovation**: Carefully manage the risks related to financial digitalization and the introduction of the Digital Real. 4. **Structural Reforms**:    * **Productivity and Competitiveness**: Continue efforts to foster innovation, trade integration, and competitiveness.    * **Climate Policies**: Strengthen climate resilience, halt illegal deforestation, and decarbonize the economy.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities expect an improvement in economic outlook, supported by social assistance, minimum wage policies, and increased investment.    * Emphasis on fiscal consolidation and revenue mobilization to support fiscal sustainability. 2. **Fiscal and Monetary Policies**:    * Support a cautious monetary policy stance and continued fiscal consolidation.    * Emphasize maintaining exchange rate flexibility and adequate FX reserves. 3. **Financial Sector**:    * Authorities recognize the need to address banking sector vulnerabilities and are committed to implementing necessary reforms. 4. **Structural Reforms**:    * Focus on enhancing the business environment, improving corporate governance, and investing in critical infrastructure projects.  **Tables and Figures**  1. **Selected Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
| Italy |
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| Canada |
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| Russia (Used TAJIKISTAN instead?) |
| **Context**  1. **Economic Resilience**: Tajikistan experienced strong growth in 2022 with minimal disruption from the war in Ukraine. Real GDP increased by 8% in 2022.  **Recent Developments**  1. **Economic Performance**:    * **GDP Growth**: Real GDP increased by 8% in 2022, driven by growth in industry, agriculture, and services.    * **Inflation**: Remained well-contained at 4.2% in December 2022, below the mid-point of the National Bank of Tajikistan (NBT)'s medium-term target range of 6 (±2)%.    * **Current Account**: Strong remittance inflows helped maintain a surplus and increase FX reserves to around 8 months’ import coverage. 2. **Fiscal Policy**:    * **Deficit**: Fiscal deficit estimated at 1.4% of GDP in 2022, primarily due to increased capital spending.    * **Public Debt**: Projected to decline to 34.6% of GDP at end-2022. 3. **Monetary Policy**:    * **Monetary Growth**: Rapid growth in monetary aggregates during 2022 warrants caution.    * **Exchange Rate**: Somoni appreciation helped mitigate imported inflation pressures. 4. **Financial Sector**:    * **Banking Sector**: Financial soundness indicators improved, with capital adequacy ratios strengthening and non-performing loans declining.  **Outlook and Risks**  1. **Growth Projections**:    * **GDP Growth**: Expected to decelerate to 5% in 2023 and converge to its potential of about 4% over the medium term.    * **Inflation**: Expected to stay within the NBT’s target range. 2. **Risks**:    * **Downside Risks**: Vulnerabilities to spillover risks from Russia's war in Ukraine and potential declines in remittances.    * **Upside Risks**: Increased FX reserves and development of gold reserves could provide additional fiscal resources.  **Policy Recommendations**  1. **Fiscal Policy**:    * **Fiscal Deficit Target**: Maintain a deficit target of 2.5% of GDP to ensure debt sustainability.    * **Revenue Mobilization**: Improve domestic revenue mobilization to create space for critical social and development spending.    * **Debt Market Development**: Develop the domestic debt market to reduce reliance on external financing. 2. **Monetary Policy**:    * **Liquidity Management**: Use quantitative measures to mop up excess liquidity and control monetary growth.    * **Exchange Rate Flexibility**: Enhance exchange rate flexibility to absorb external shocks. 3. **Financial Sector**:    * **Banking Supervision**: Strengthen banking supervision and regulation to bolster resilience to shocks.    * **AML/CFT Framework**: Improve the Anti-Money Laundering/Counter-Financing of Terrorism framework. 4. **Structural Reforms**:    * **Governance**: Improve SOE governance and combat corruption.    * **Private Sector Development**: Support private sector development and improve the business environment.    * **Climate Policies**: Reduce climate-related vulnerabilities to enhance growth potential.  **Authorities' Views**  1. **Economic Outlook**:    * Authorities are optimistic about continued growth in the mining sector and the impact of infrastructure projects.    * Committed to maintaining a fiscal deficit target and improving revenue mobilization. 2. **Fiscal and Monetary Policies**:    * Support maintaining exchange rate flexibility and cautious monetary policy.    * Emphasize the need for improved spending efficiency and transparency. 3. **Financial Sector**:    * Authorities highlight progress in strengthening banking supervision and implementing AML/CFT improvements. 4. **Structural Reforms**:    * Focus on improving governance, reducing the state footprint in the economy, and advancing climate policy priorities.  **Tables and Figures**  1. **Selected Economic Indicators**: Real GDP growth, inflation rates, fiscal balance, and current account balance. 2. **Financial Sector**: Bank capitalization, non-performing loans, and private sector credit growth. 3. **External Sector**: FX reserves, trade balances, and exchange rate movements. 4. **Structural Reforms**: Labor market reforms, social protection improvements, and climate policy measures. |
| Mexico |
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| Australia |
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| Switzerland |
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