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APAC OCTOBER 13, 2020 / 5:21 PM / UPDATED 8 DAYS AGO

# Global economy's recovery hinges on stimulus, virus battle, officials say

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WASHINGTON/BRUSSELS (Reuters) - Global finance leaders on Tuesday said the world economy had escaped a coronavirus-triggered collapse so far, but warned that failure to conquer the pandemic, maintain stimulus and tackle mounting debt among poor nations could crush a fragile recovery.



Slideshow ( 2 images )

At the start of the annual meetings of the International Monetary Fund and World Bank, the IMF issued slightly improved growth forecasts spurred by unexpectedly stronger rebounds from coronavirus lockdowns in the wealthiest countries and China.

The IMF said it now expected global gross domestic product to shrink 4.4% in 2020, compared to the 5.2% contraction it predicted in June, when business closures were at their peak. Some \$12 trillion in stimulus supplied largely by advanced economies limited the damage, but poor countries and other emerging market economies faced a worsening picture, the global lender said.

“The story is less dire than we thought three months ago, but dire nonetheless,” IMF Managing Director Kristalina Georgieva said during a panel discussion that was held virtually.

Georgieva said governments needed to stay focused on their healthcare responses to the coronavirus and must not withdraw stimulus prematurely.

“If we cut these lifelines that have been extended to families and businesses before we are out of the health crisis, this could be catastrophic in terms of bankruptcies, unemployment and undoing all that

has been done so far,” she added.

Underscoring concerns that it could take longer to develop promised treatments for the virus, U.S. drug companies Eli Lilly and Johnson & Johnson said they were pausing clinical trials of an antibody treatment and vaccine, respectively, over safety concerns.

The Group of 20 major economies, in a draft communique seen by Reuters, said the outlook was “less negative” due to the positive impacts from actions already taken, but the recovery will be “uneven, highly uncertain and subject to elevated downside risk.”

“We will sustain and strengthen as necessary our policy response, considering the different stages of the crisis, to secure a stable and sustainable recovery,” G20 finance ministers and central bank governors said in the draft ahead of a meeting on Wednesday.

## **DEBT FREEZE EXTENDED**

The draft also said the G20 will agree to extend a freeze on the servicing of official bilateral debt for poor countries for another six months beyond the end of this year.

That is well short of the year-long extension sought by the IMF, the World Bank and many emerging market nations, but the G20 agreed to review the debt situation in April to determine whether another six-month extension would be warranted.

The freeze aims to free up billions of dollars that poor countries can divert to their pandemic health and economic responses.

Some emerging market leaders said more needed to be done to avert defaults in fragile economies from Africa to Latin America.

Kenneth Ofori-Atta, Ghana’s finance minister and the chairman of the Group of 24 developing nations, said stronger participation from private-sector creditors, who have so far shunned debt suspensions, was required for efforts that include restructurings of emerging market debt.

“It’s going to take a very synchronized and coordinated effort by all parties so we don’t get into a world of cascading defaults,” Ofori-Atta said at a G24 news conference. “I think all of this could be avoided if we can begin real and honest discussions as to the cash-flows capacity of all of these countries.”

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