

Javier Guzmán Calafell: Setting the scene – the international landscape and direction of the global economy

Remarks by Mr Javier Guzmán Calafell, Deputy Governor of the Bank of Mexico, at the panel on “Setting the scene – the international landscape and direction of the global economy”, Scotiabank/OMFIF (virtual) seminar “Canada, the Americas and the global economy – investing in an interconnected world”, 13 October 2020.

* * *

I appreciate the invitation to participate in this panel.

After having posted during the first half of this year what probably is the sharpest contraction since the Great Depression, the global economy has begun a gradual process of recovery. In addition, positive economic surprises over the summer, especially in advanced economies (AEs), have led to a slight improvement in the outlook for 2020–2021, with a less severe decline expected for this year, to be followed by a somewhat less vigorous bounce next year. It should be noted, however, that although improving, global economic activity remains very weak and an extraordinary level of uncertainty surrounds the baseline scenario, as the COVID-19 pandemic is still unfolding.

In the specific case of emerging market and developing economies (EMDEs), notwithstanding a slight downward revision in the growth forecast for 2020, the nearly twice-as-large rebound expected for 2021 gives the impression of a reasonable overall outlook for this year and the next. Nonetheless, caution is called for when looking at projections for this group of economies as a whole, as they mask salient divergences and a high degree of heterogeneity in terms of individual economies’ and regional performance. For instance, if China is excluded from the calculations, the remaining EMDEs are expected to contract much more severely this year, and the subsequent rebound would be insufficient to recover the lost ground. The case of Latin America is illustrative in this regard, with a GDP fall of 8.1 percent anticipated for 2020 and a modest 3.6 percent expansion in 2021.