

Brazil

Brazil's exchange rate crisis added to the pressure on global economic stability and investor confidence in emerging markets and is affecting many countries in Latin America. The IMF estimates that real GDP growth in Brazil was 0.2 per cent in 1998 and predicts a decline of 3.8 per cent for 1999.

G-8 Countries

There are mixed prospects for growth among G-8 countries. The United States continues to enjoy strong growth and job creation, and prospects are favourable for another year of strong economic activity. In the United Kingdom, growth and inflation pressures weakened over the course of 1998, and interest rates have continued to fall. Growth is forecast to be lower in 1999 than in 1998, before strengthening in 2000. In other European countries, growth prospects have weakened, although to a differing extent.

G-8 countries are working to bolster the capacity of the international monetary and financial system to deal with the new global economy. At the G-8 Summit in Birmingham in May 1998, leaders accelerated efforts begun at the 1995 Halifax Summit to strengthen the international financial architecture to help prevent, or better manage, financial crises. Priority for strengthening the international financial architecture outlined in the October 1998 Leaders' Statement on the World Economy include greater transparency and openness in the financial systems of individual countries; better processes for monitoring and promoting international financial stability and improvements in corporate governance; the orderly freeing of capital accounts; the orderly and co-operative resolution of future crises, including private sector engagement; protection for the most vulnerable in society; and more effective international financial institutions.

G-7 finance ministers have progressed in these areas in recent months. In particular, they established the Financial Stability Forum to co-ordinate international regulatory efforts, and they formed the Contingent Credit Line to help countries pursuing sound policies to deal with the spread of economic turmoil. Meanwhile, G-7 finance ministers are examining specific ways to involve the private sector in crisis resolution and prevention.

Six needs were identified by G-7 finance ministers and central bank governors last fall. These formed the basis for G33 discussion in international seminars held on March 11 and April 25, 1999. The six needs are for prudential regulation in industrial countries, prudential regulation and financial systems in emerging markets, sustainable exchange rate regimes in emerging markets, new ways to respond to crises and promote greater participation by the private sector, a stronger World Bank and IMF (including the IMF's interim and development committees), and ways to minimize the human cost of crises and protect the most vulnerable.