THE PITTSBURGH SUMMIT 2009

THE PITTSBURGH SUMMIT: BOLD AND COORDINATED ACTIONS FROM CRISIS TO RECOVERY

At the time of the last G-20 Summit in April, the world appeared potentially on the brink of depression. To prevent that from happening, the G-20 Leaders came together in London and pledged to do whatever it took to restore confidence, growth and jobs.

The forceful response of the G-20 has worked. Their bold, coordinated action to jumpstart recovery and repair the financial system have started to yield concrete results for families, businesses and the most vulnerable individuals and governments. Based on International Labor Organization (ILO) estimates, the actions G-20 nations have taken since the London Summit will have saved or created over 7 – 11 million jobs by the end of 2009. The President's Council of Economic Advisors has reported that implementation of the American Recovery and Reinvestment Act (ARRA) has already saved or created over 1 million jobs in the United States. While there is much more that needs to be done to restore jobs, confidence and growth, the G-20's actions have clearly halted a sharp fall in economic activity and laid the basis for a recovery.

GDP: At the time of the last G-20 meeting, real GDP had fallen 7.4% (at an annual rate) in the first quarter of 2009 in G-20 economies. Leading up to the Pittsburgh Summit, real GDP rose 1.8% in the second quarter. In the U.S., the first quarter real GDP decline of 6.4% (at an annual rate) slowed to a 1.0% decline in the second quarter. The Blue Chip Economic Indicators September survey forecasts a 3% GDP growth rate in the third quarter.

Jobs: In the three months leading up to the London Summit, the unemployment rate across the G-20 had increased 0.9 percentage points. It had increased 1.3 percentage points in the United States. In the United States, as in many other countries, unemployment is still unacceptably high. But it is not rising as fast as it was prior to the April summit. The most recent data shows that the unemployment rate increased by a much slower 0.3 percentage points over the past three months in both the G-20 at large and the United States.

Financial Markets: A key indicator of the risk of long-term lending to emerging markets, EMBI, has fallen by close to half, with the premium emerging markets pay to borrow dropping from 6.44% on the eve of the London summit to around 3.3%. The cost of insuring against the default on banks' long-term debt has fallen by more than half, and the interest rate banks have to pay to borrow short-term funds (Libor) is down even more. The Case-Shiller home price index in the United States increased 1.3% following the London Summit, compared to a 7% decline prior to the Summit.

Consumer Confidence: In the United States, a leading consumer confidence index rose to over 54 in August from the 26.9 reported in March by the Conference Board. A survey of G-20 nation consumer confidence surveys has found that consumer confidence has risen since the lowest point reported during the crisis in all thirteen countries with comparable data.

Exports: In March of 2009, G-20 goods exports were 10.7% lower than in December of 2008 – a pace of decline that if sustained, implied a 36% annual fall. In the most recent data (July), G-20 goods exports were 9.6% higher than in April. That strong turnaround is mirrored in the United States. In March, goods and services exports were 7.5% lower than in December 2008. In July, goods and services exports were 5.8% higher than 3 months earlier.