



World and Regional Economic Outlook

Chad Steinberg
May 9, 2012

Outline

Where are we?

Where are we going?

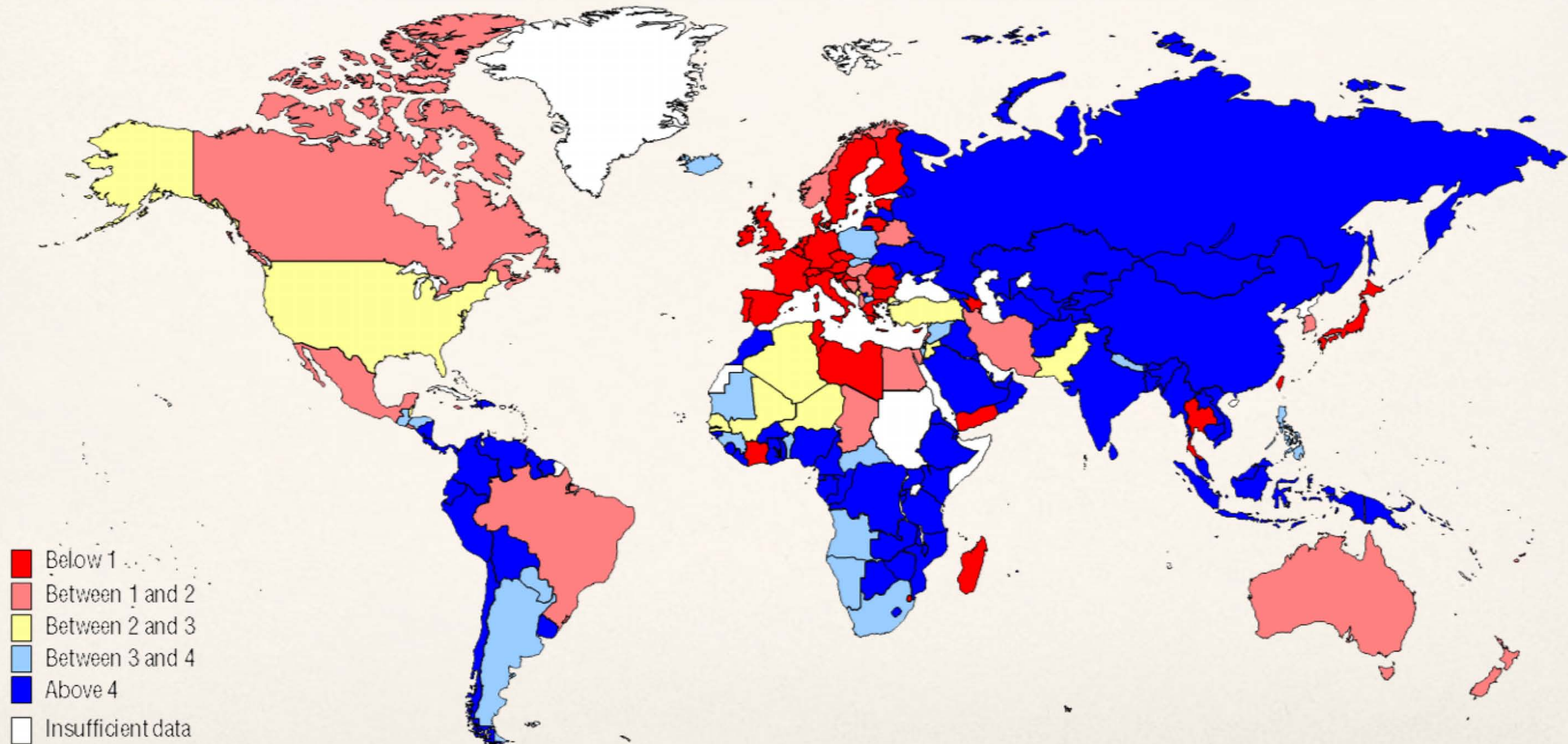
What are the risks?

Asia's Outlook?

What needs to be done?

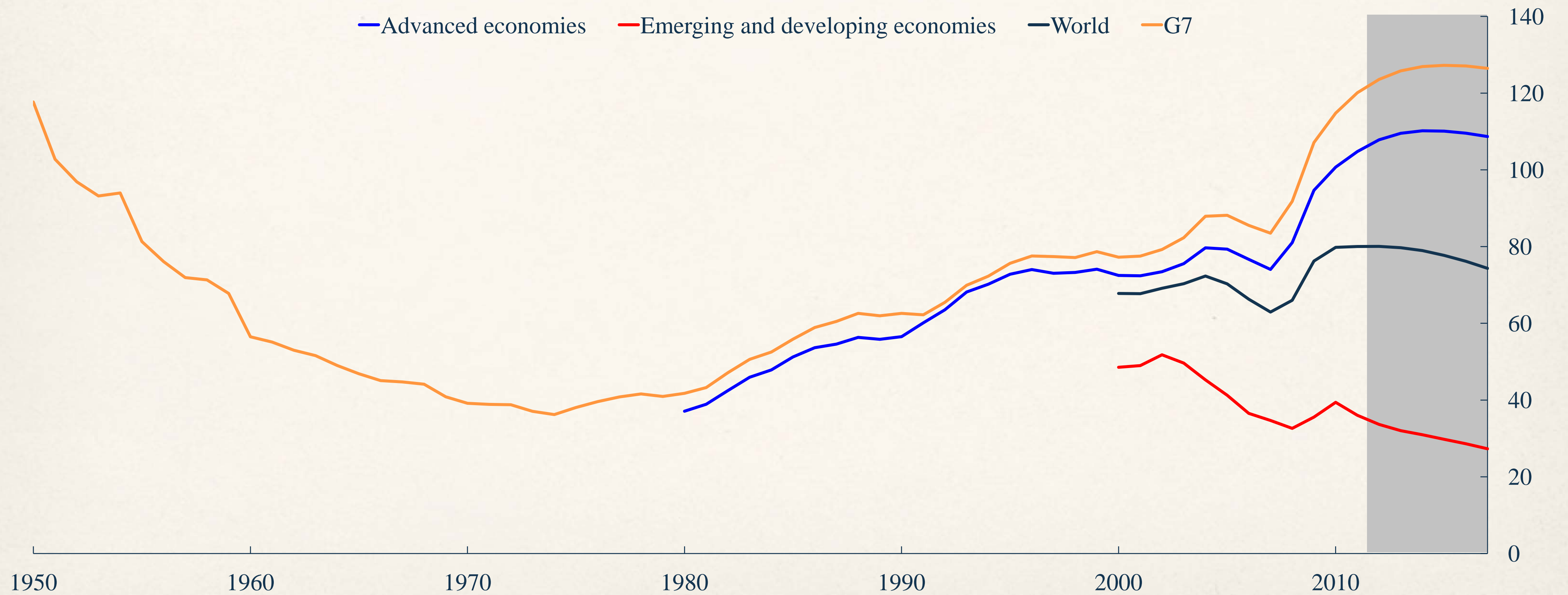
Where are we?

Output Growth, 2011Q4



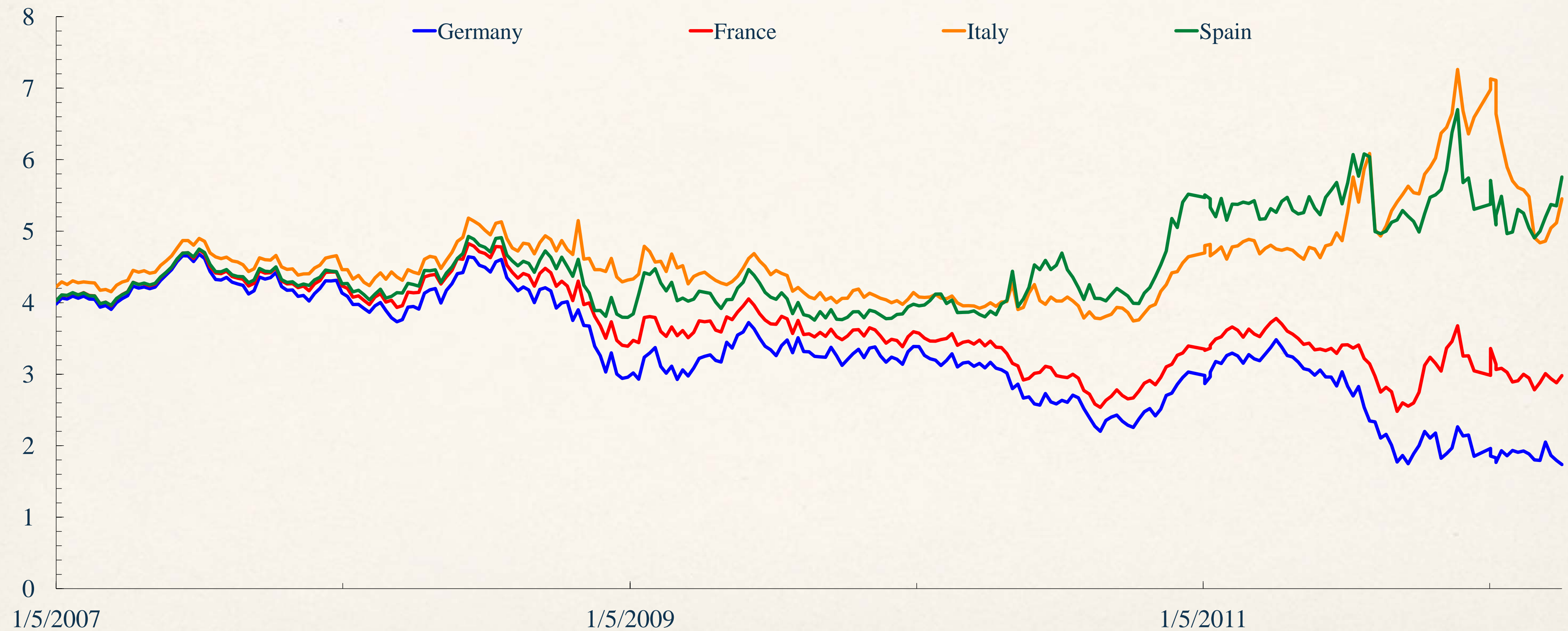
Where are we?

Public Debt (% of GDP)



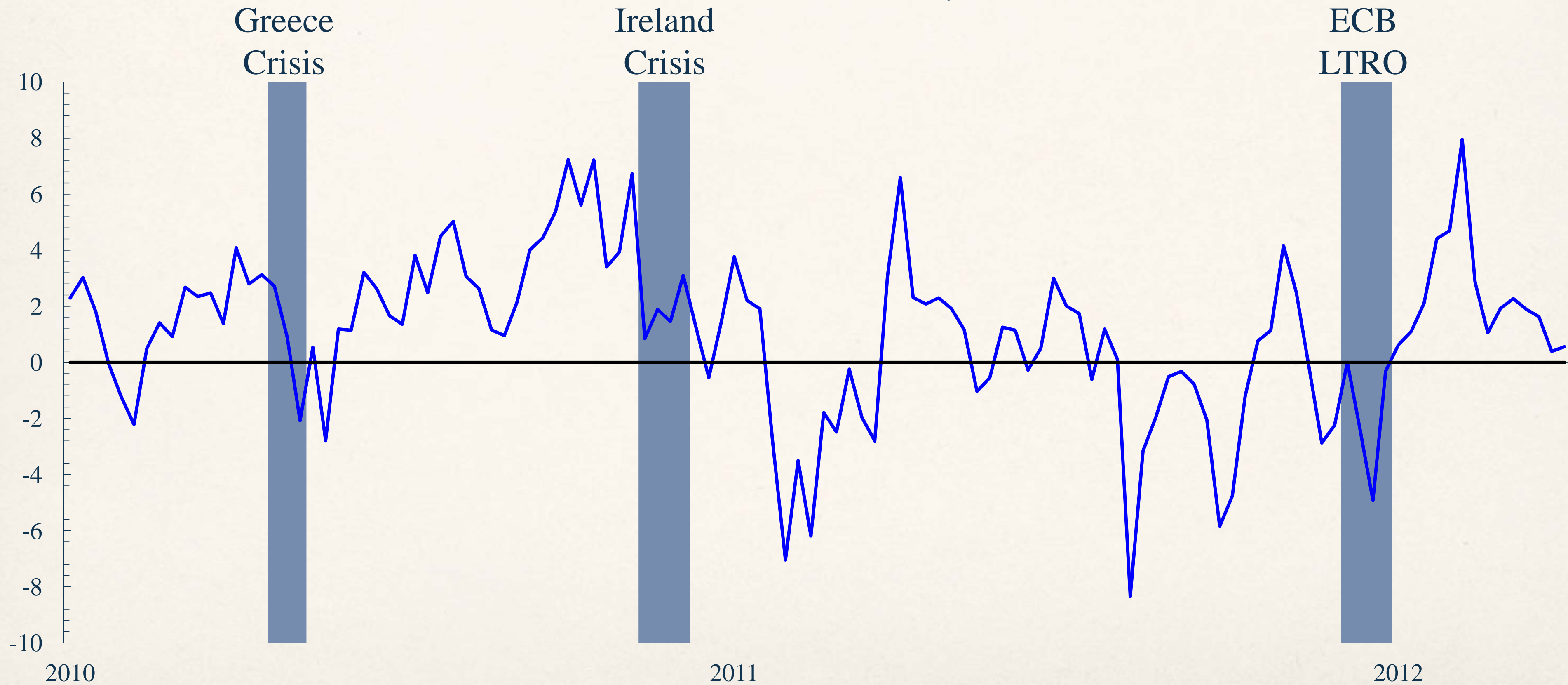
Where are we?

10-Year Government Bond Yields



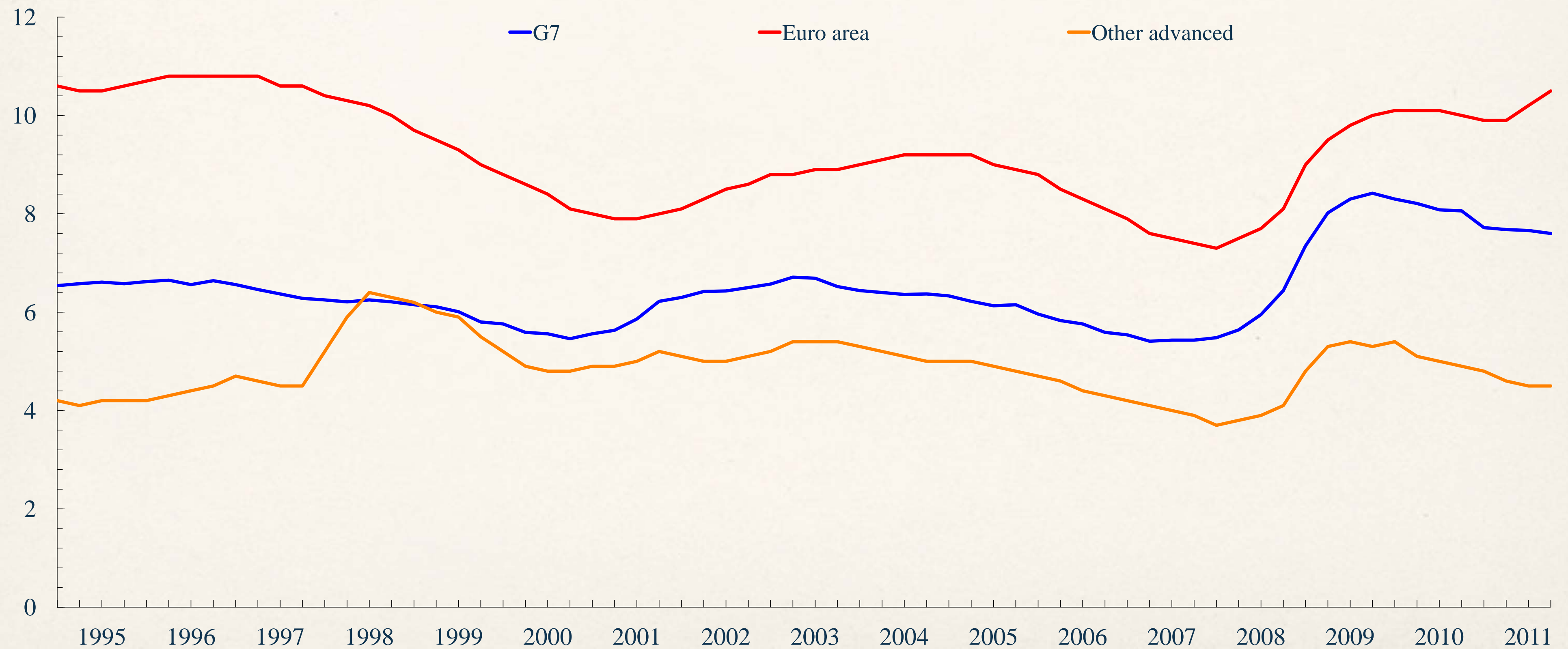
Where are we?

Capital Flows to Emerging Markets and Developing Economies
(\$US billion; weekly)



Where are we?

Unemployment rates



Outline

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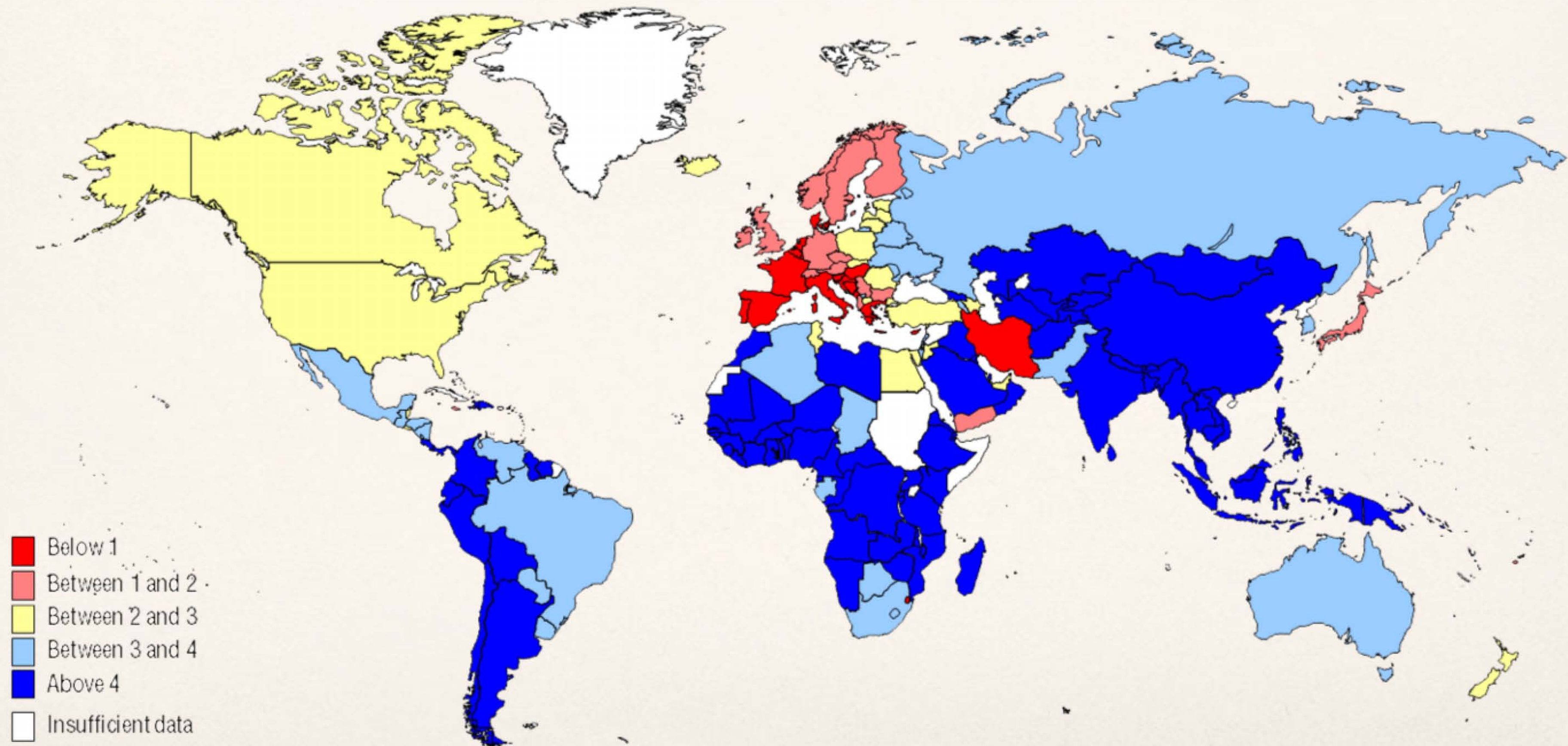
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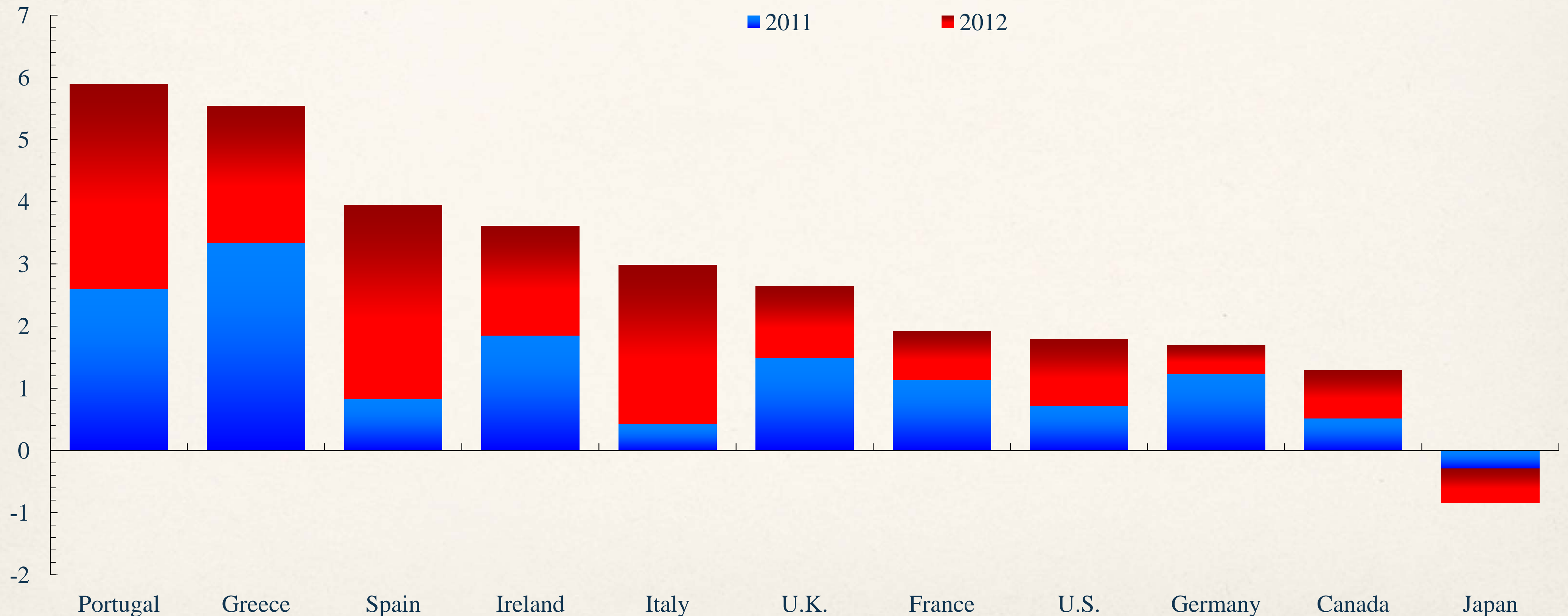
Output Growth, 2012-13



Where are we going?

The Brakes: Fiscal Consolidation

(change in the structural balance; percentage points of potential GDP)

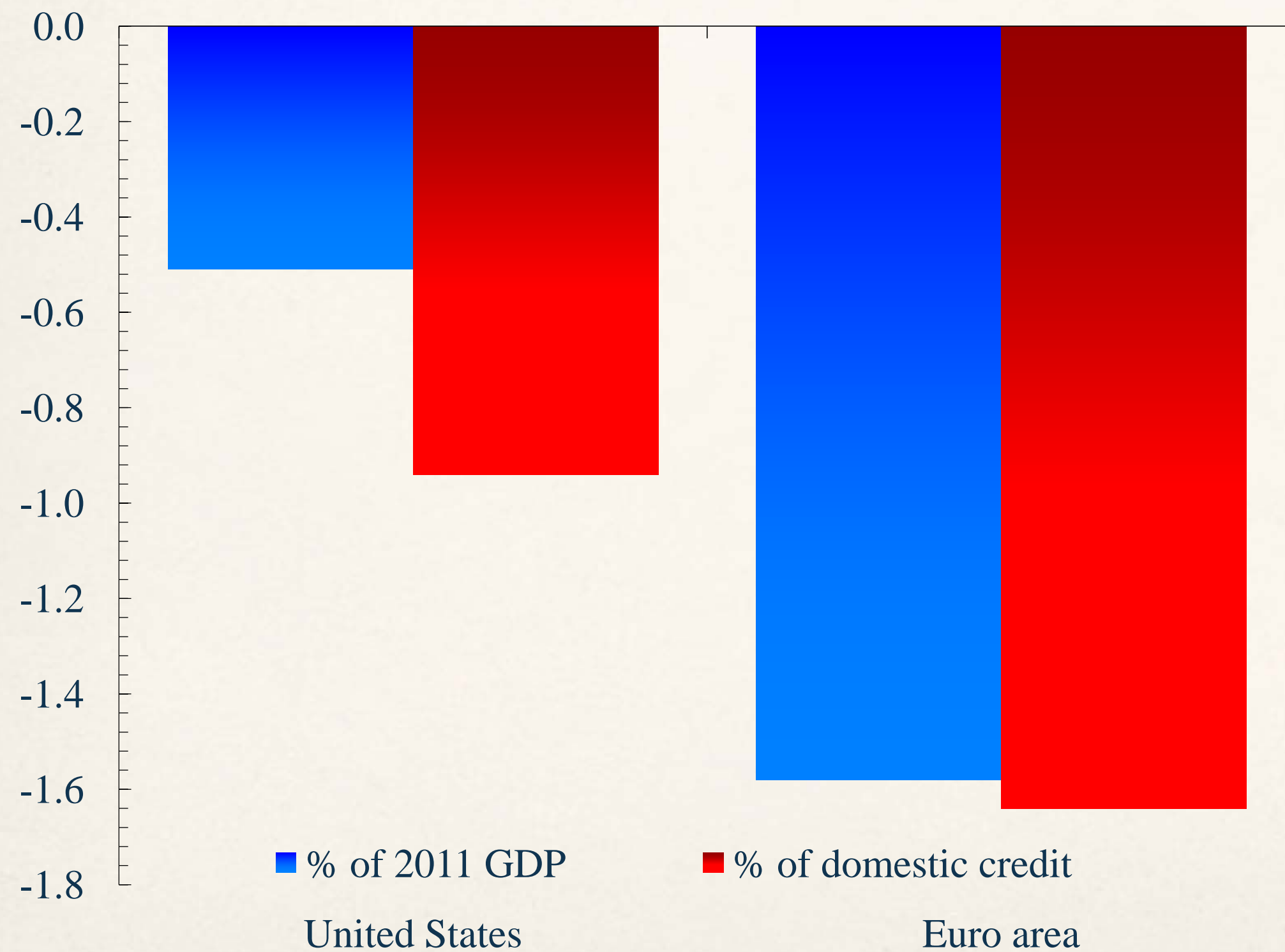


Where are we going?

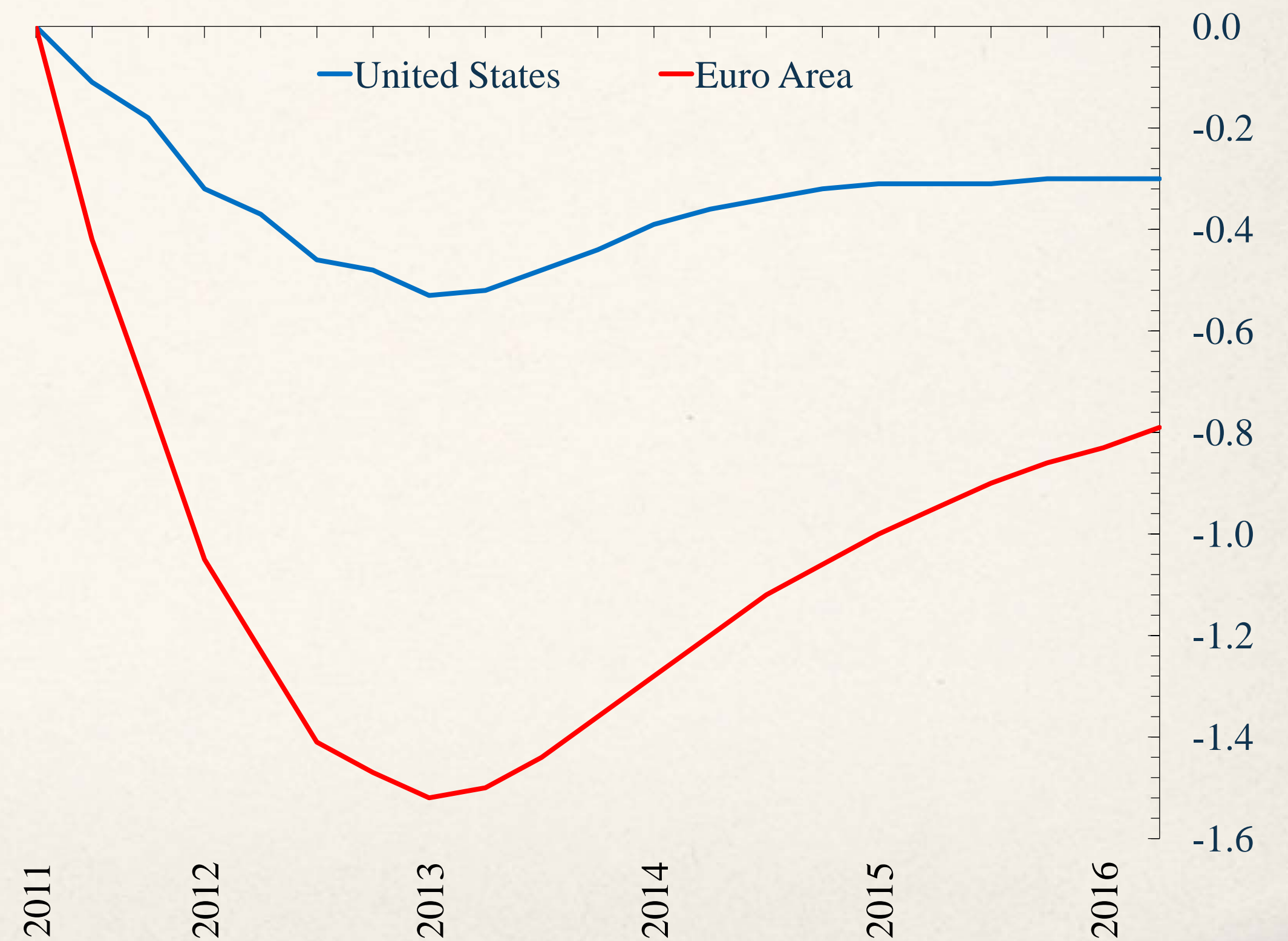


The Brakes: Bank Deleveraging

Projected Fall in Bank Lending Supply, 2012-13



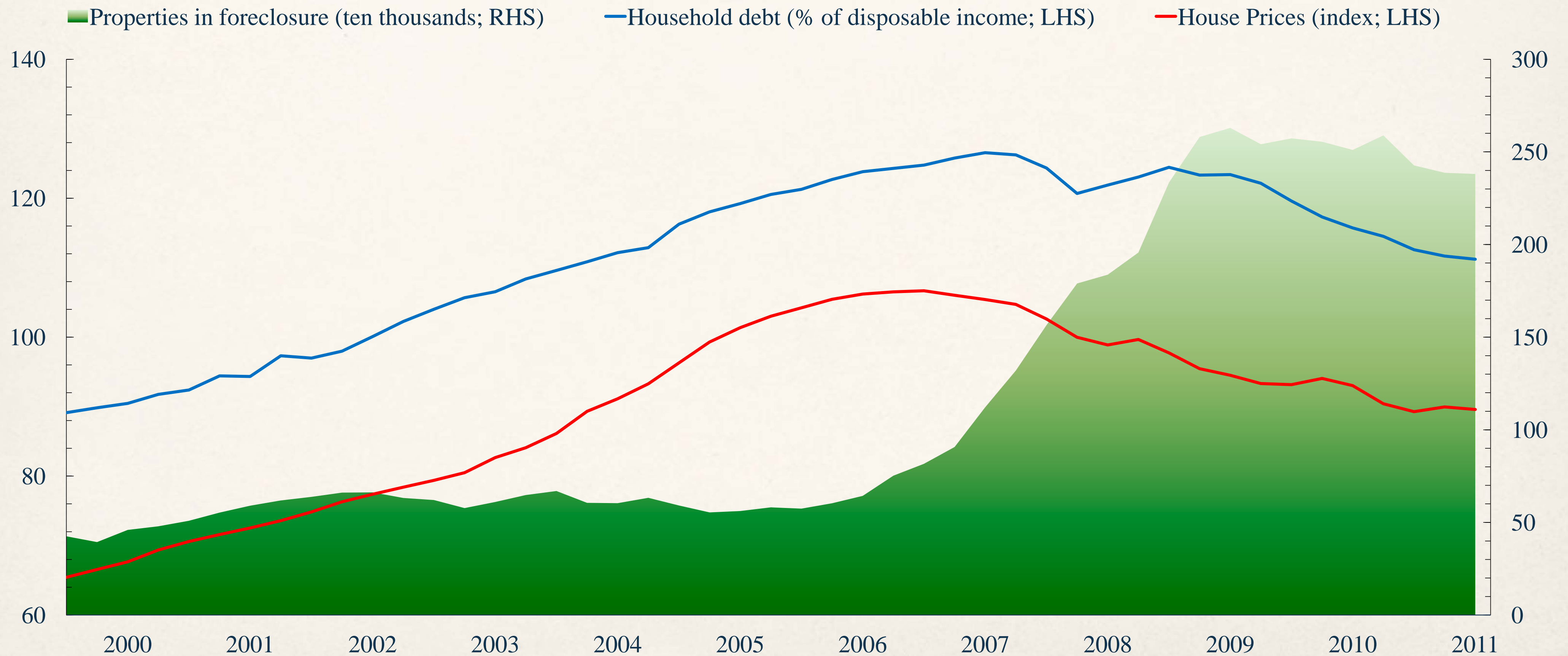
Effect of Deleveraging on Output Level
(% deviation from no-deleveraging scenario)



Where are we going?



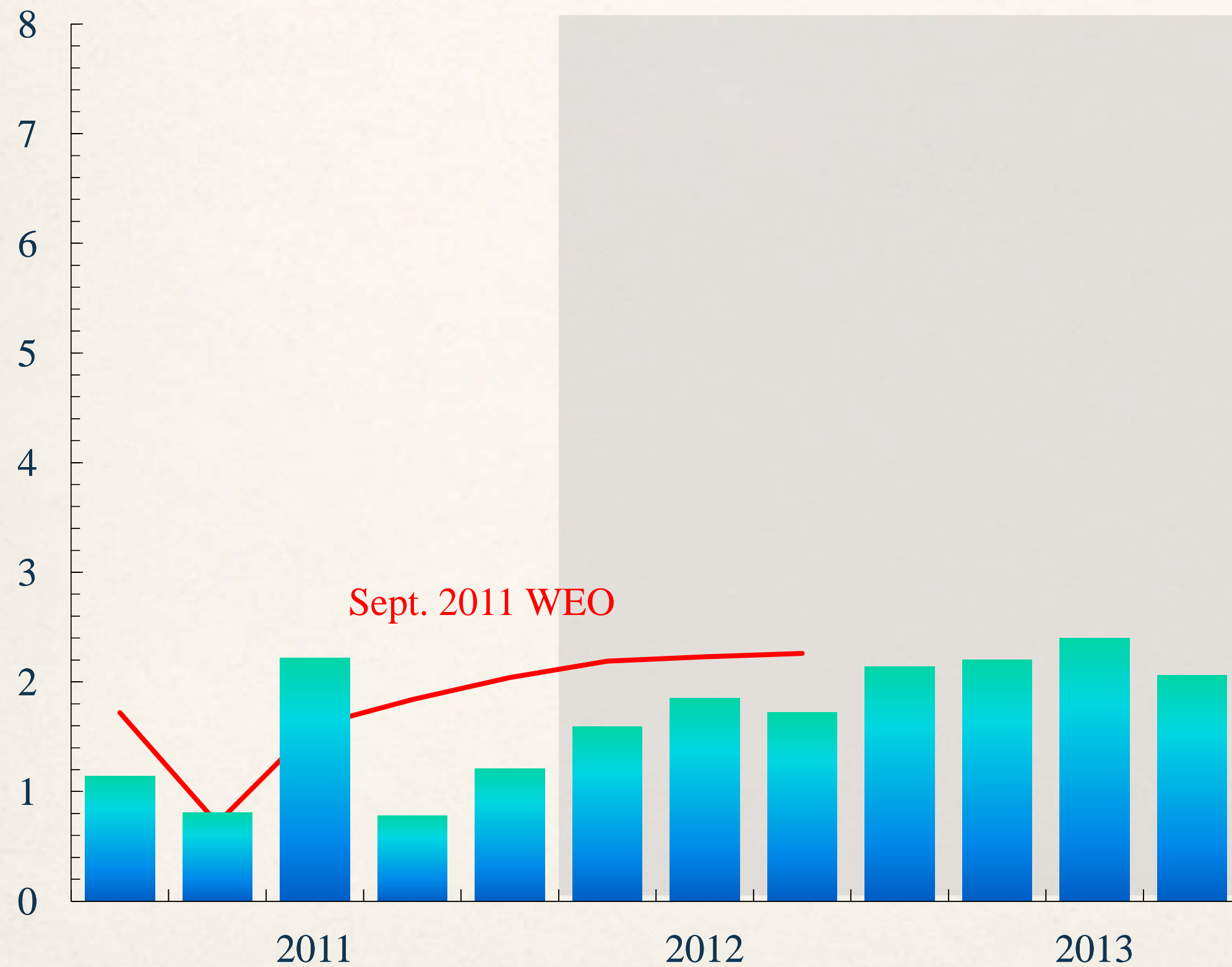
The Brakes: Household Deleveraging



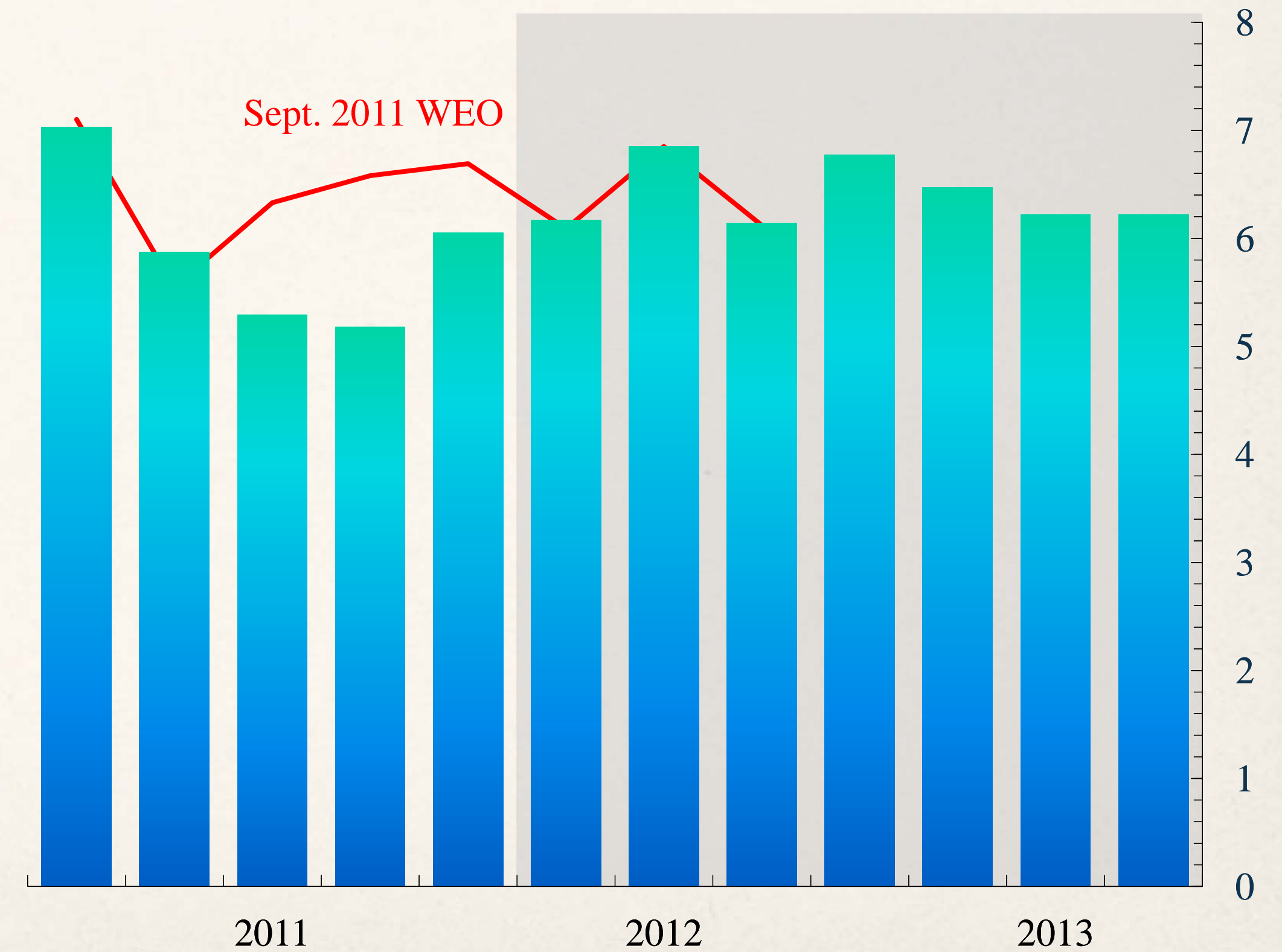
Where are we going?

Real GDP Growth

Advanced Economies



Emerging and Developing Economies



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What are the risks?



What are the risks?

GROWTH

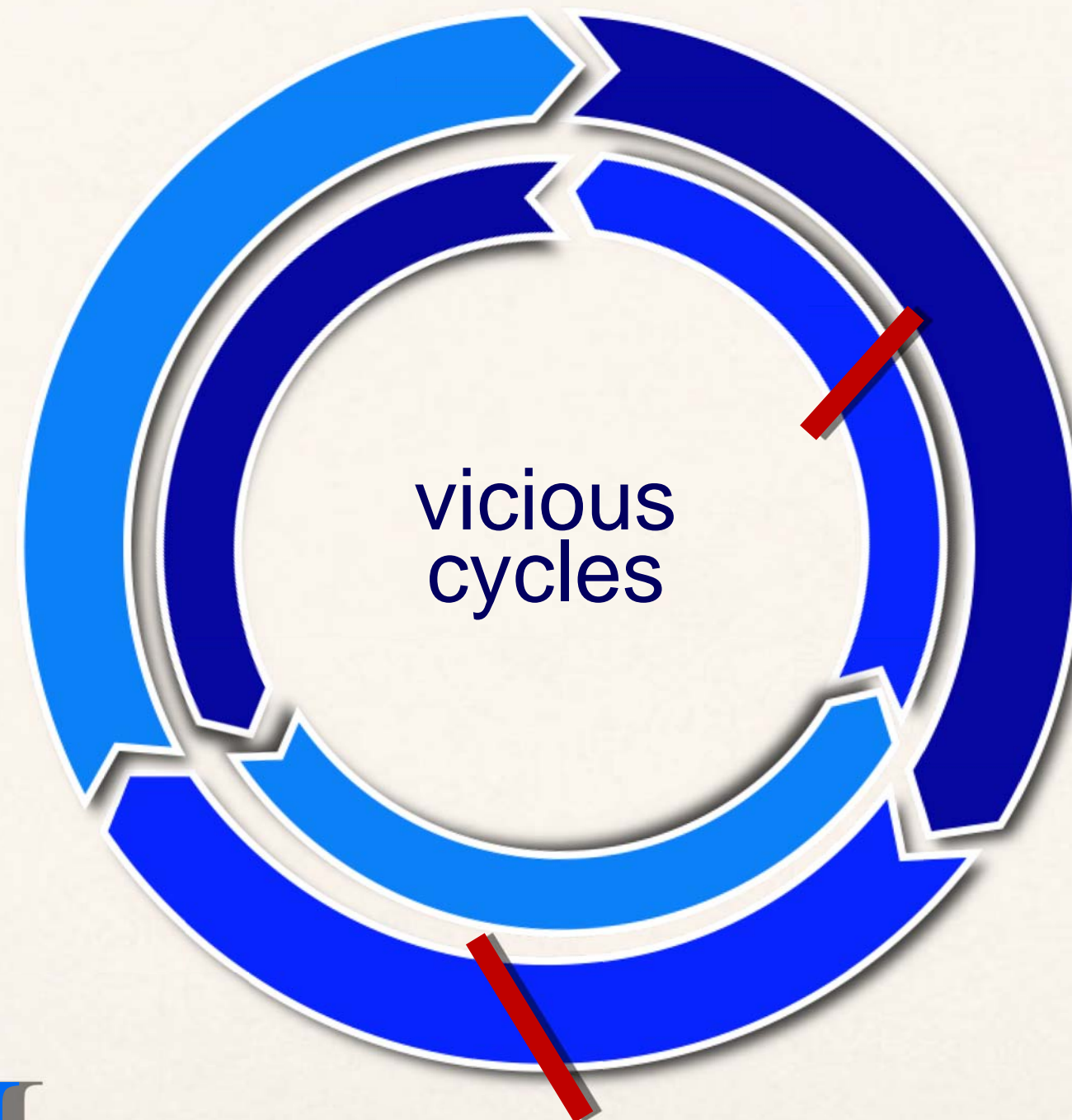


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BANKS

What are the risks?

GROWTH

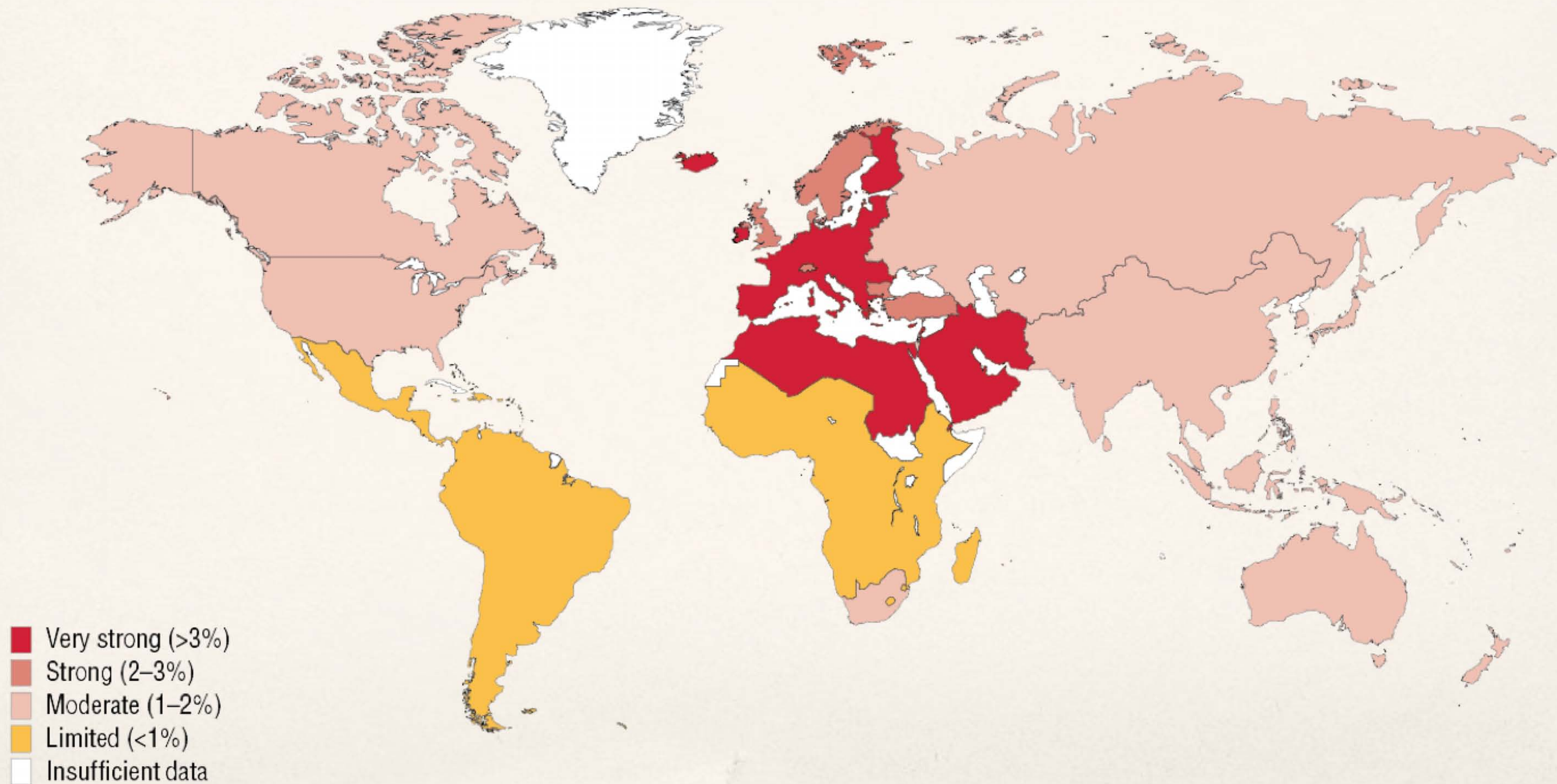


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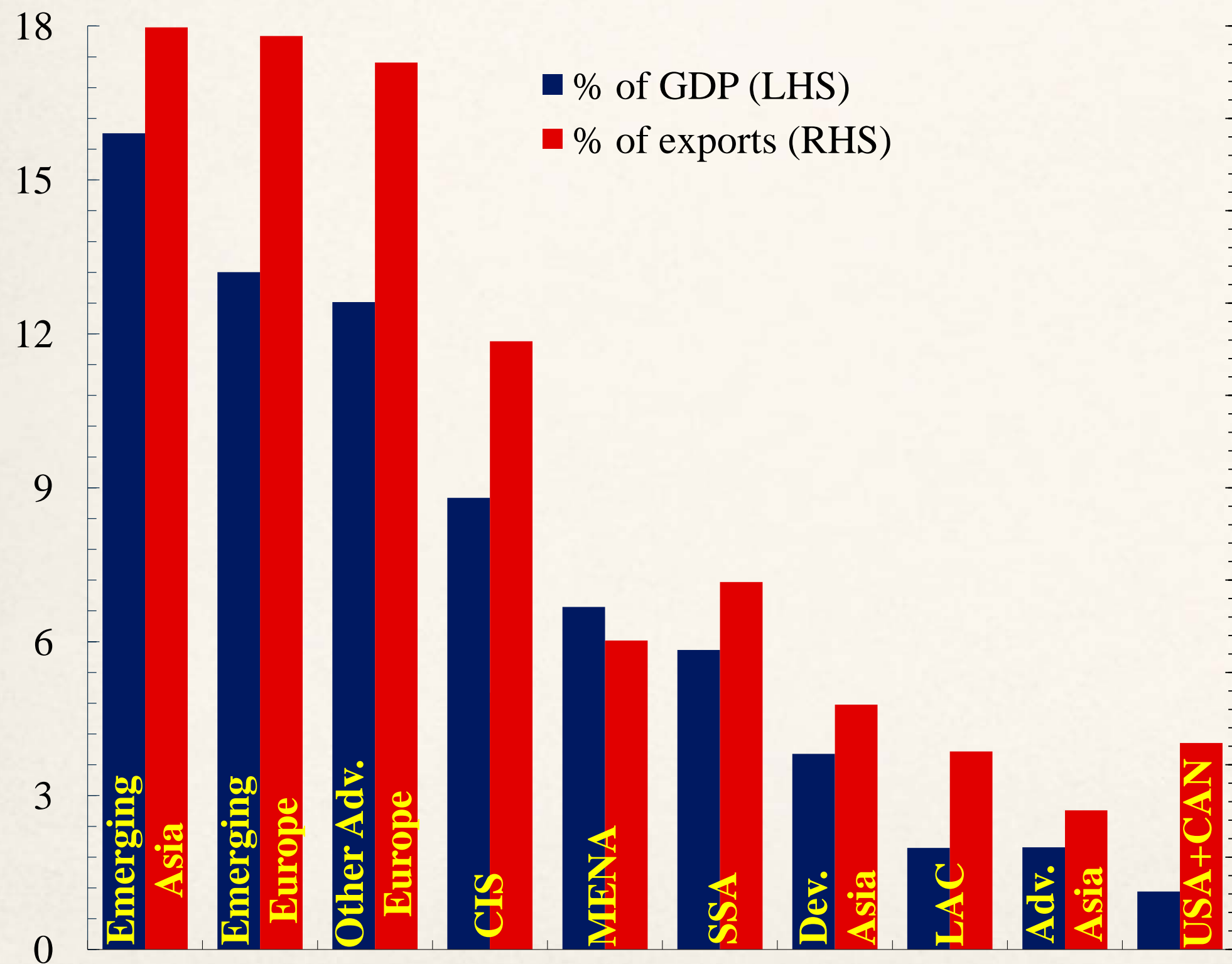
What are the risks?

Peak Deviation of Output from WEO Baseline

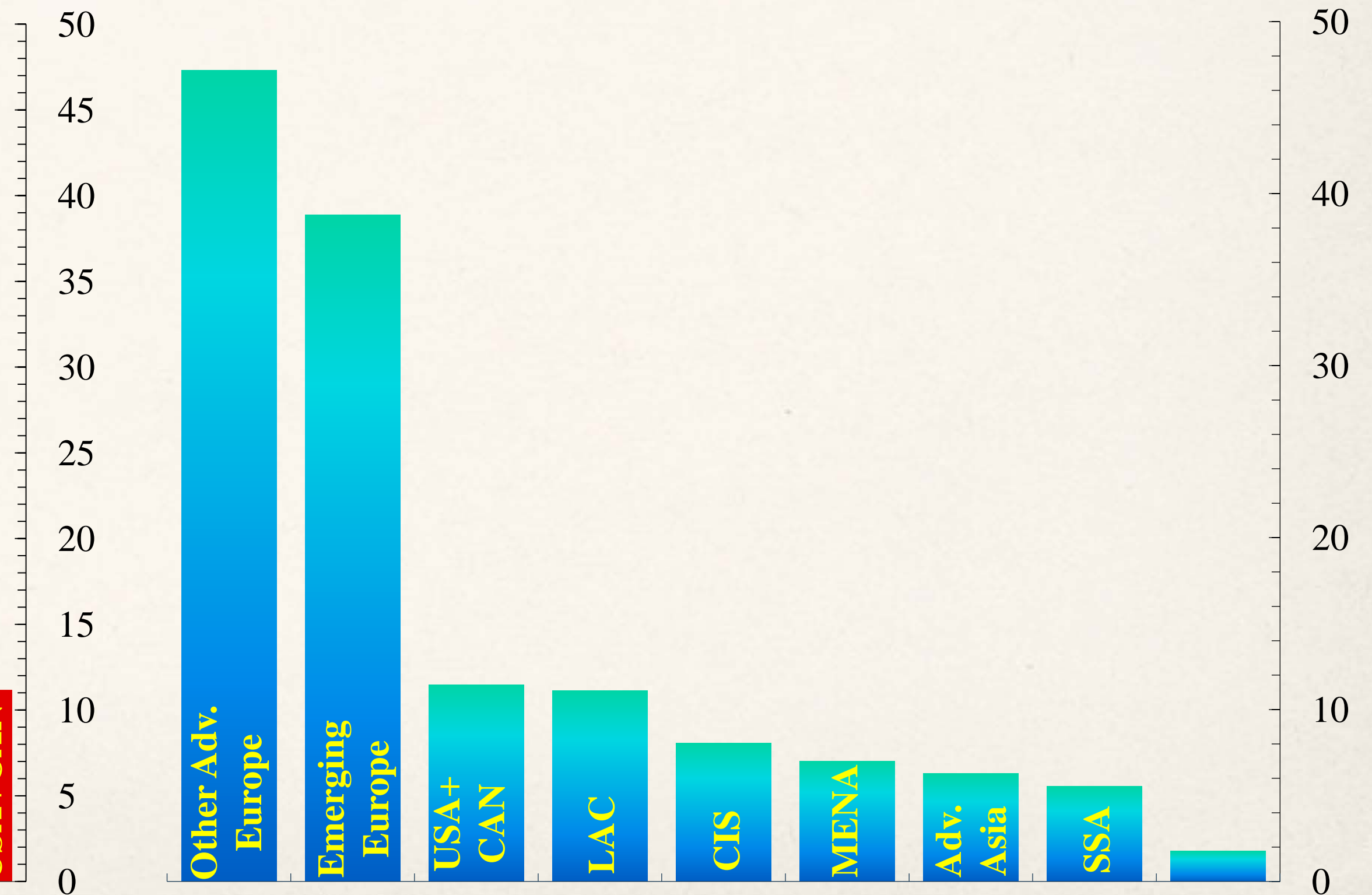


What are the risks?

Exports of Goods to the Euro Area
(2010)



Euro Area Bank Claims
(% of GDP; Sep. 2011)

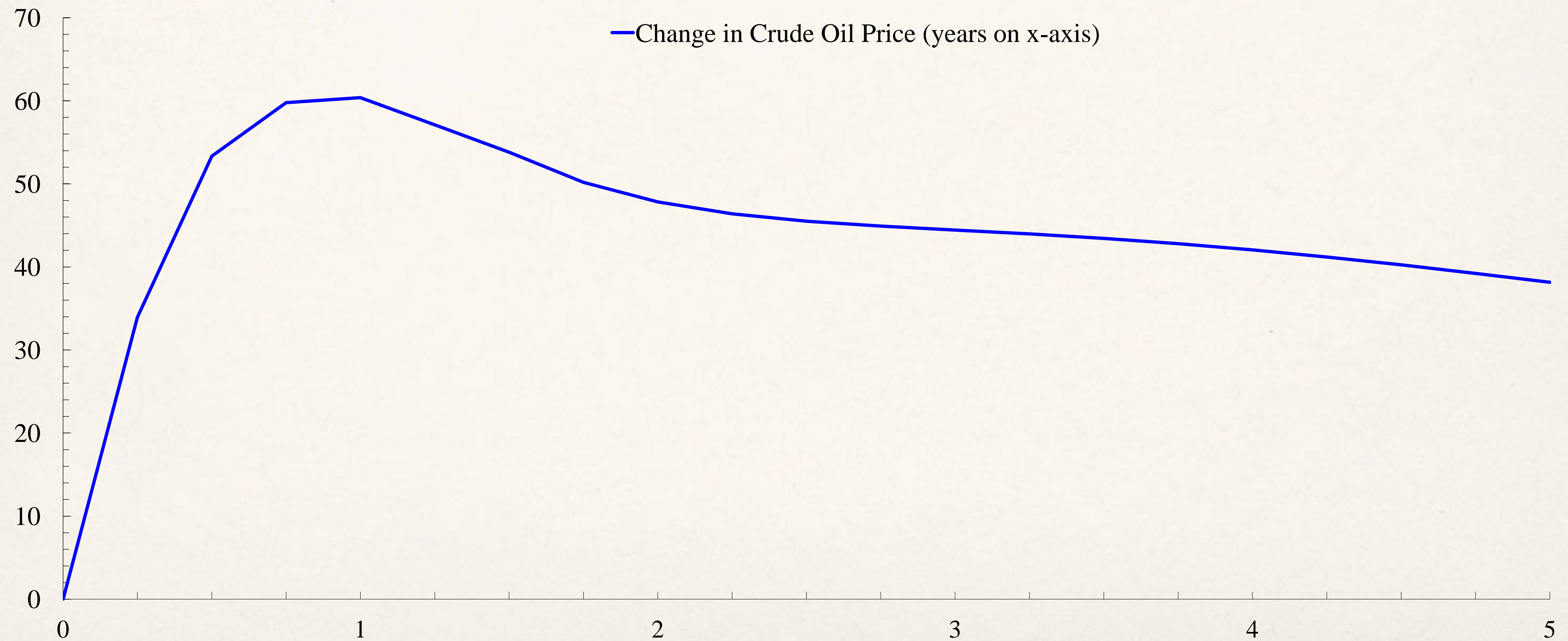


What are the risks?



What are the risks?

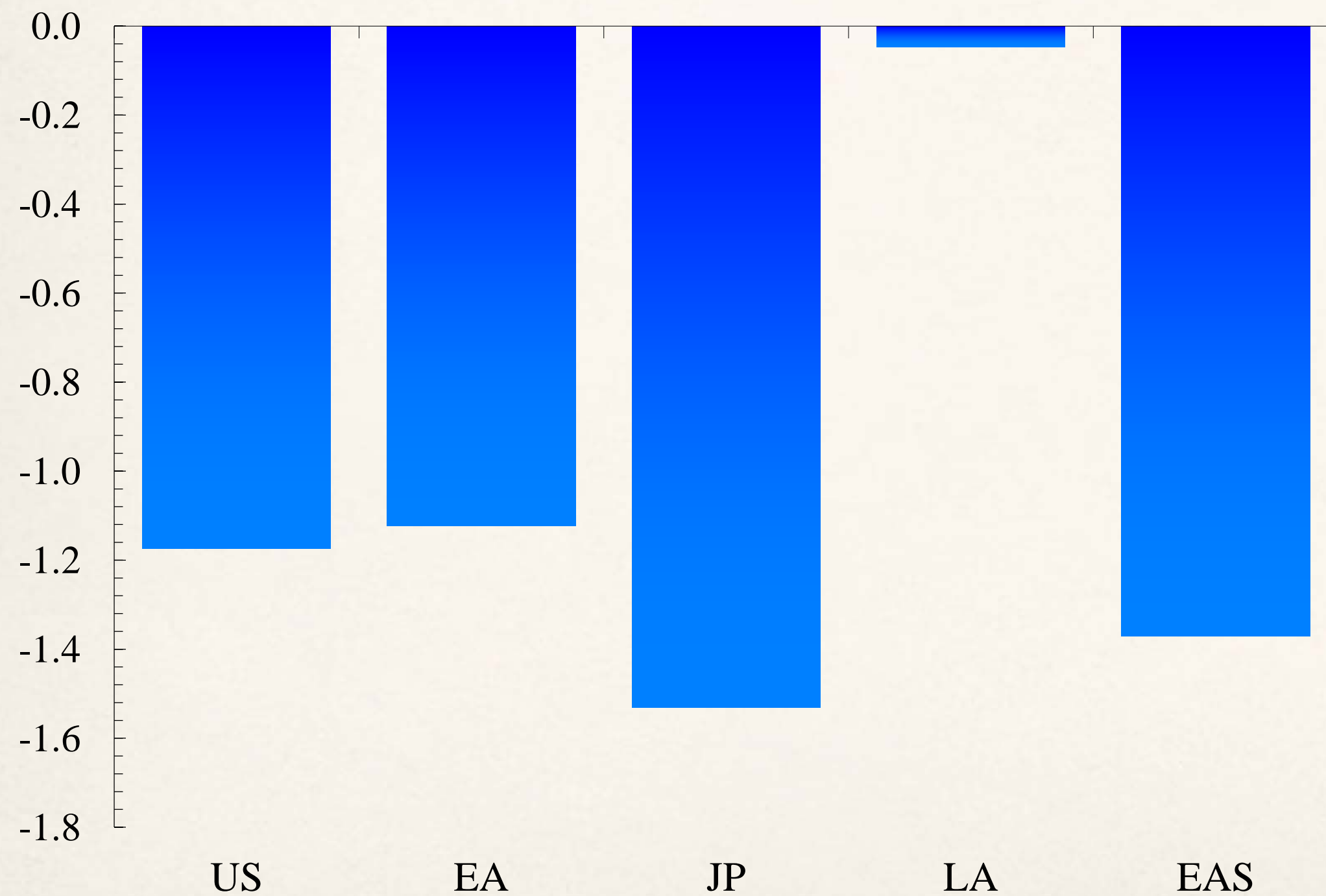
WEO Downside Scenario for a Disruption in the Global Oil Supply
(% deviation from WEO baseline)



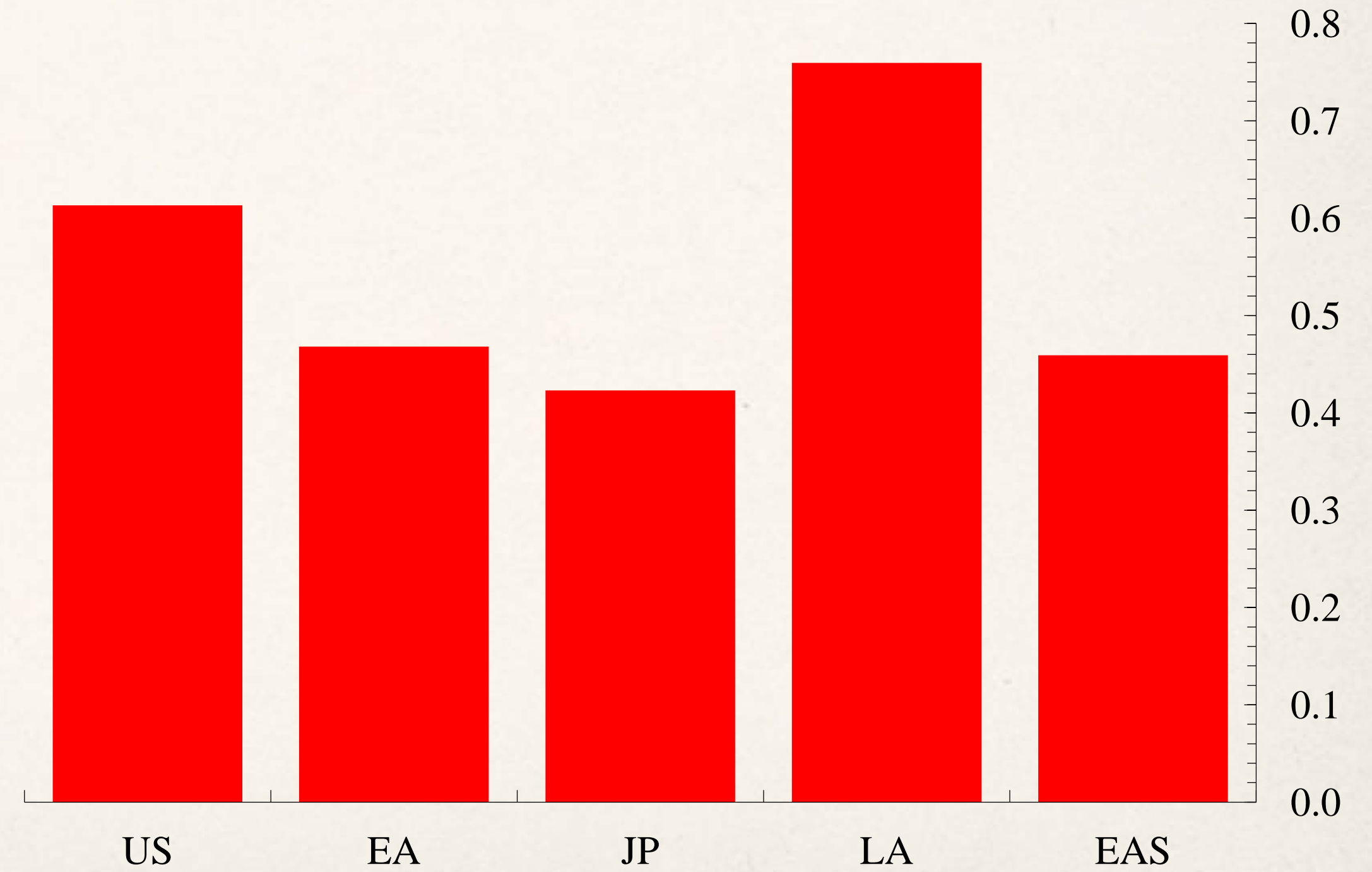
What are the risks?

WEO Downside Scenario for a Disruption in the Global Oil Supply (percent or percentage point deviation from baseline)

GDP Loss after Two Years



Rise in Inflation after One Year



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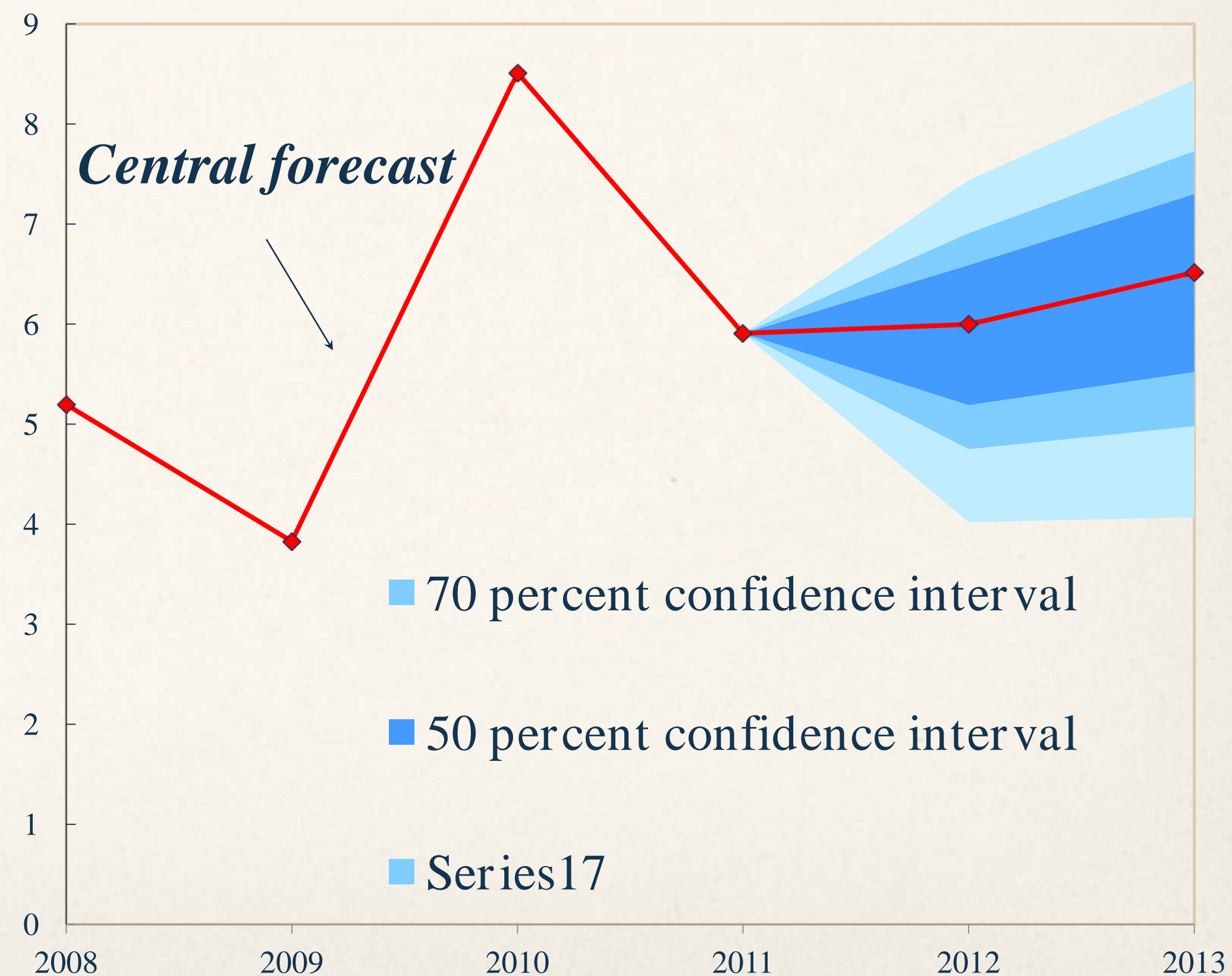
What needs to be done?

Growth momentum in Asia to pick up in second half of 2012 if global conditions continue to improve

Asia: Real GDP Growth
(In percent; year over year)

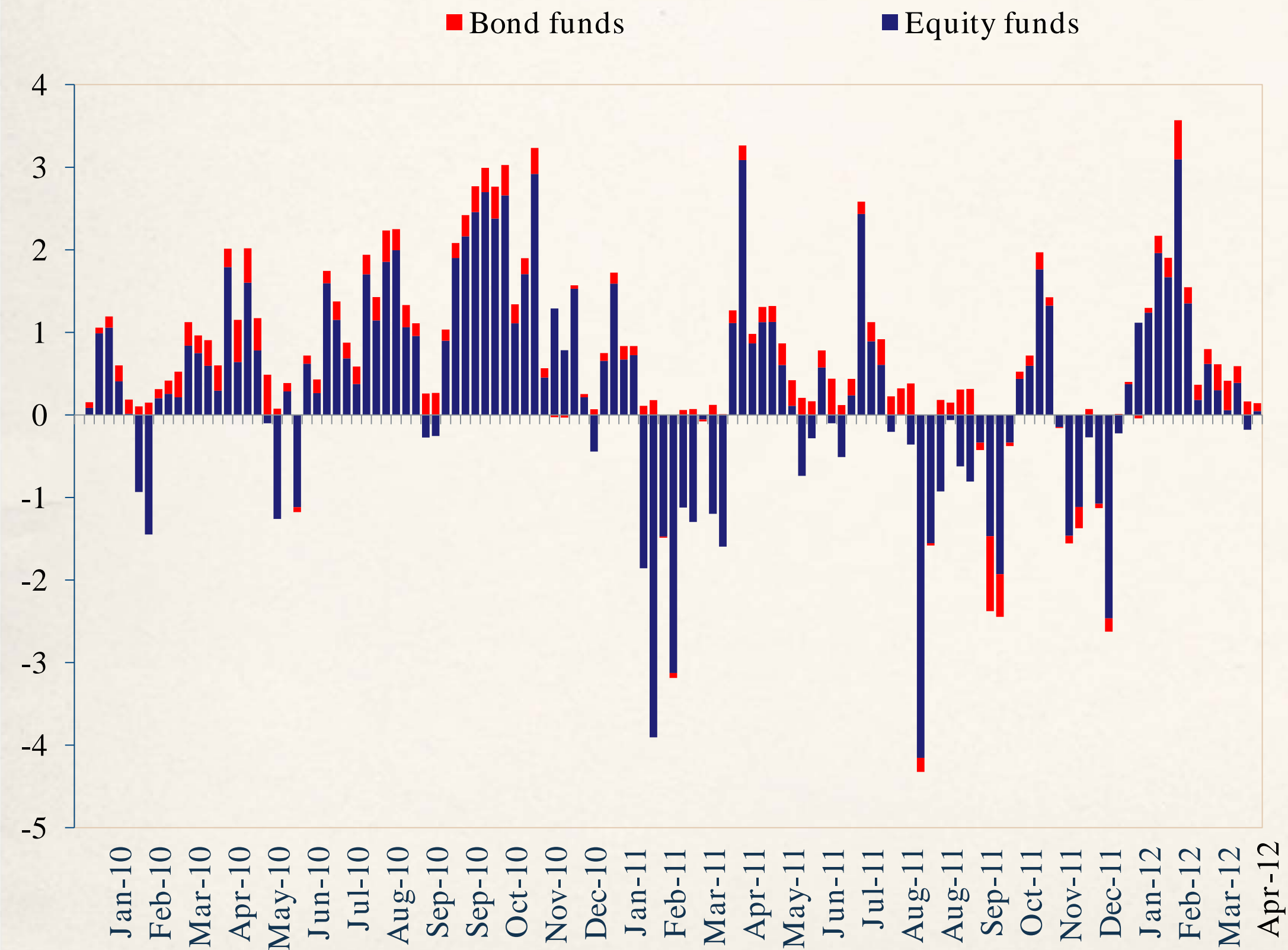
	2011	2012	2013
Asia	5.9	6.0	6.5
Industrial Asia	-0.2	2.2	2.0
Japan	-0.7	2.0	1.7
East Asia	8.2	7.3	8.0
China	9.2	8.2	8.8
Korea	3.6	3.5	4.0
South Asia	7.1	6.8	7.2
India	7.1	6.9	7.3
ASEAN	4.6	5.2	6.0
Indonesia	6.5	6.1	6.6
Malaysia	5.1	4.4	4.7
Philippines	3.7	4.2	4.7
Singapore	4.9	2.7	3.9
Thailand	0.1	5.5	7.5
Vietnam	5.9	5.6	6.3

Asia: Real GDP Growth
(Central forecast and selected confidence intervals; in percent)

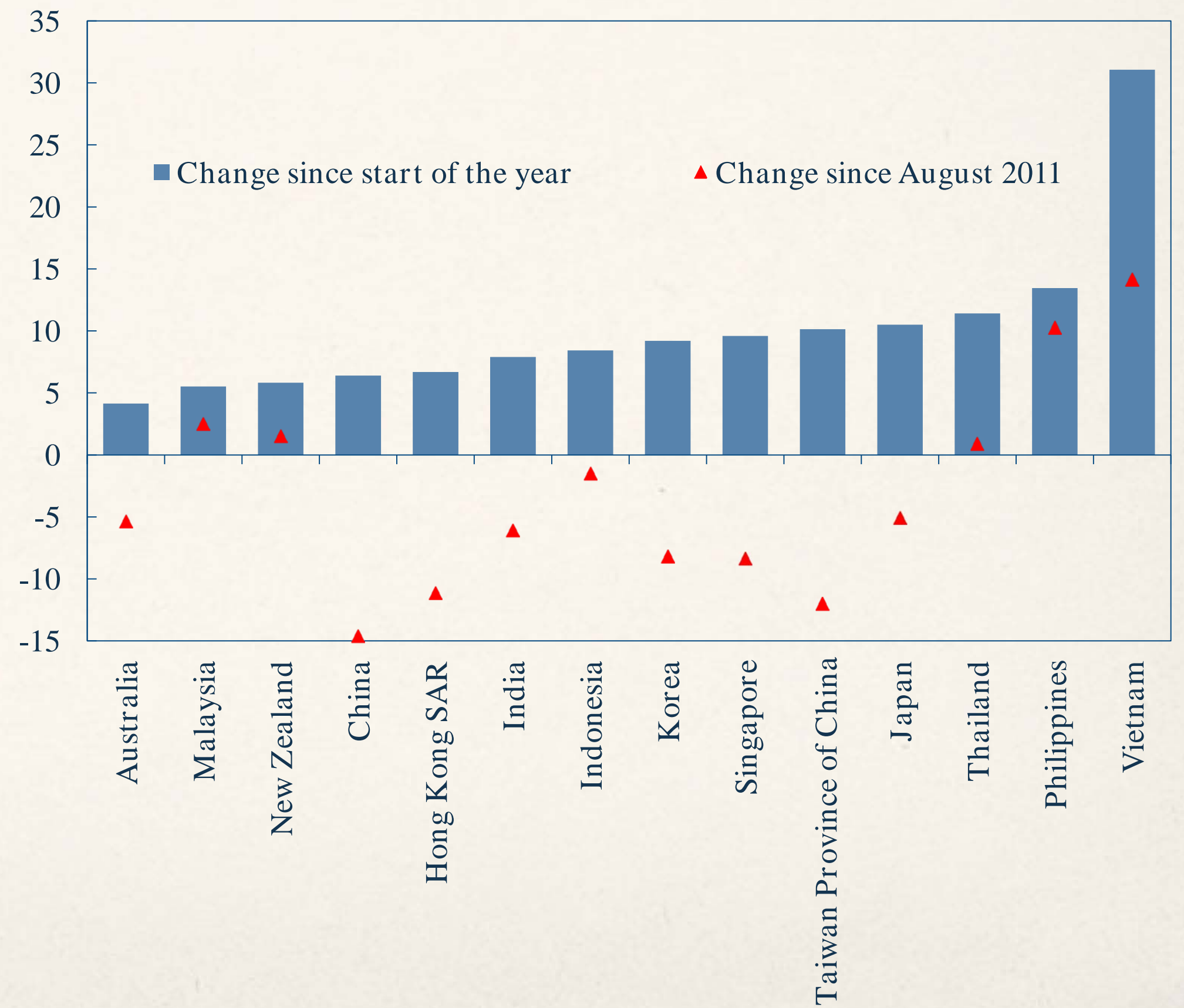


Growth momentum to be driven by domestic demand partly supported by capital inflows

Equity and Bonds Funds Flows to EM Asia
(In billions of U.S. dollars)



Selected Asia: Stock Markets
(Percent change)

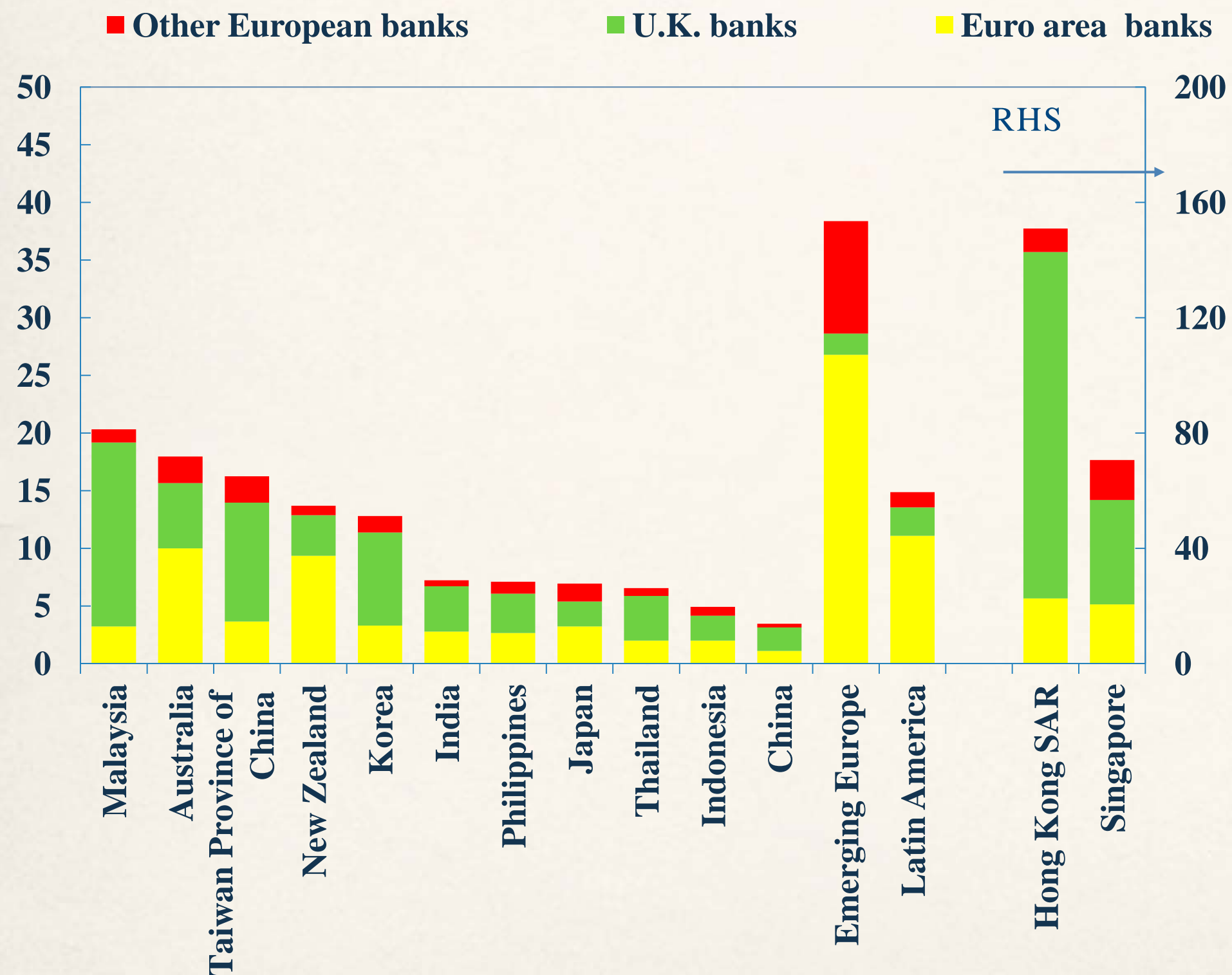




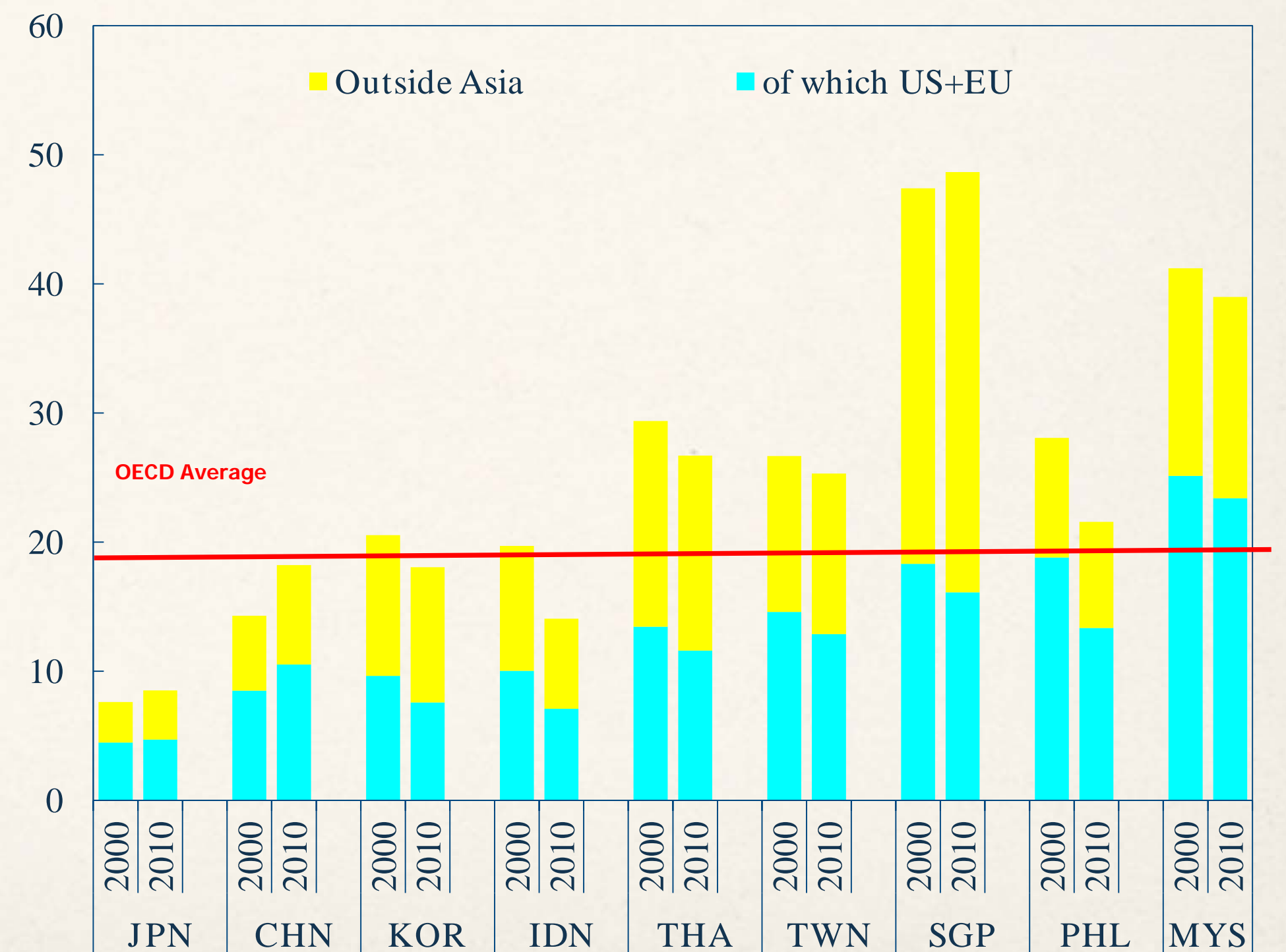
Downside Risks Remain Elevated

Asia linked to Europe through both trade and financial channels

Consolidated Foreign Claims of European Banks on Asia
(In percent of GDP; as of 2011:Q4)



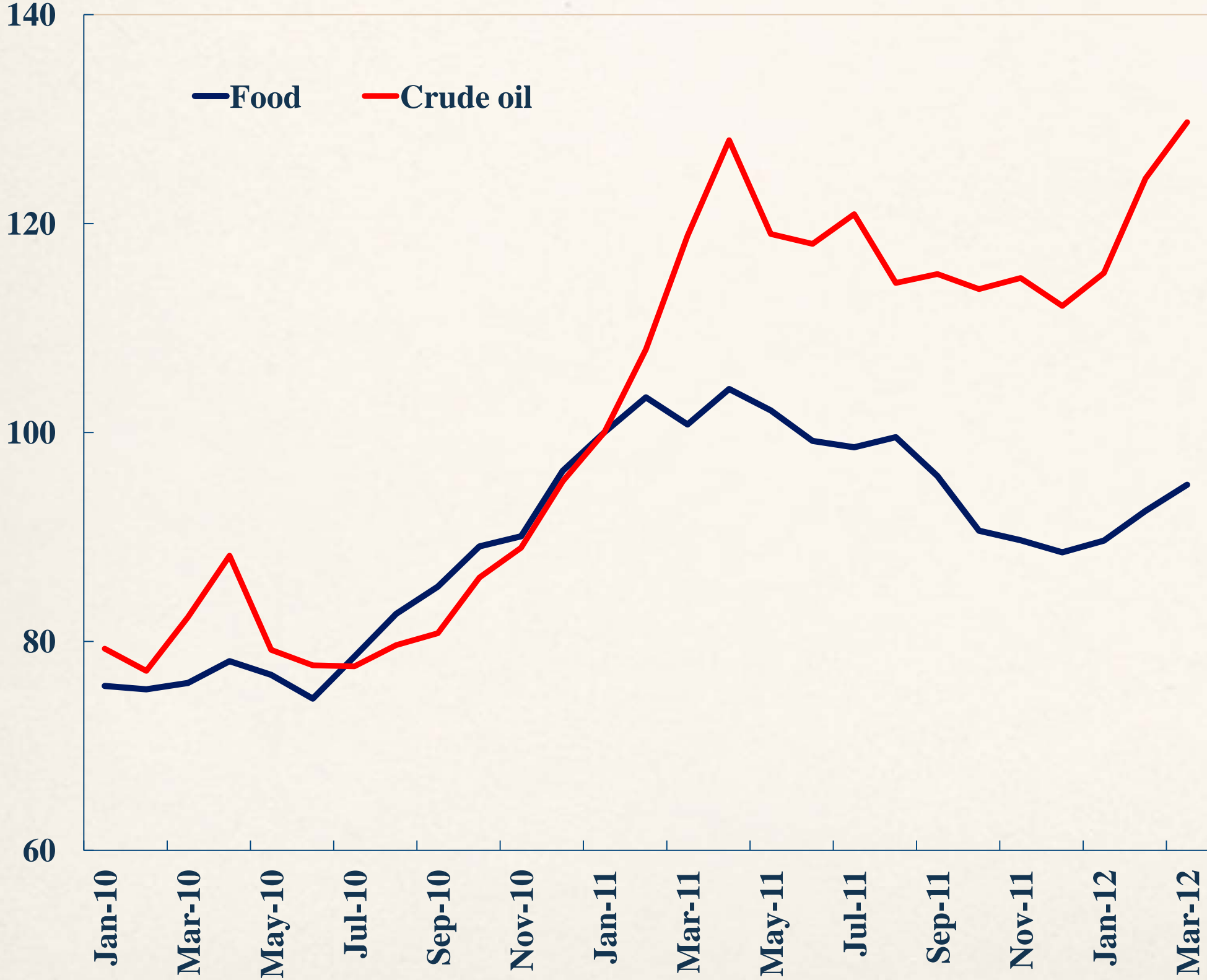
Value Added Exported, by Destination
(In percent of GDP)



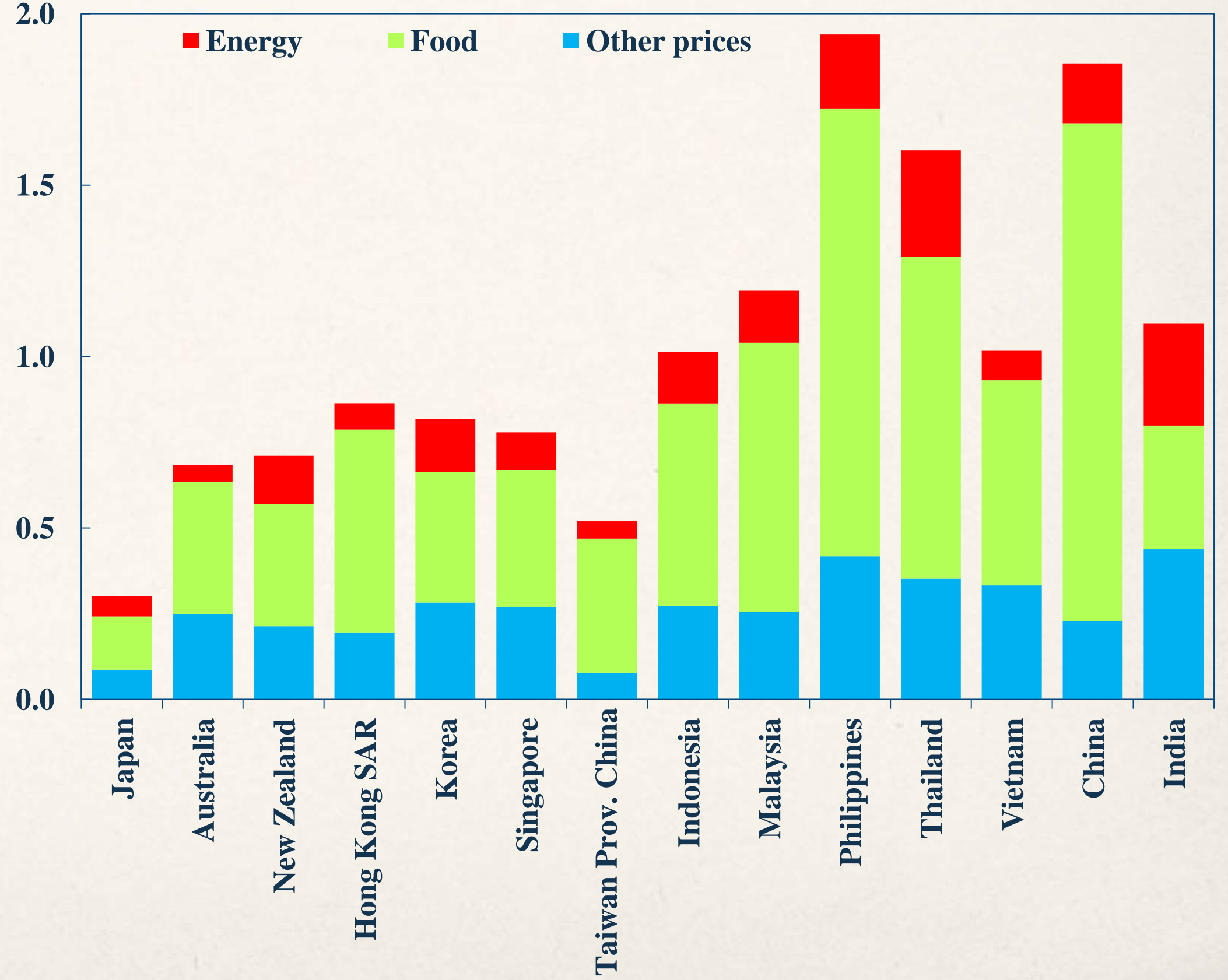
Note: Claims are on immediate borrower basis. Uses sum of quarterly GDP in U.S. dollars between 2011:Q1 and 2011:Q4.

Commodity price volatility is on the rise, implying upside risks for inflation

Commodity Price: Food and Fuel
(Index, January 2011=100)

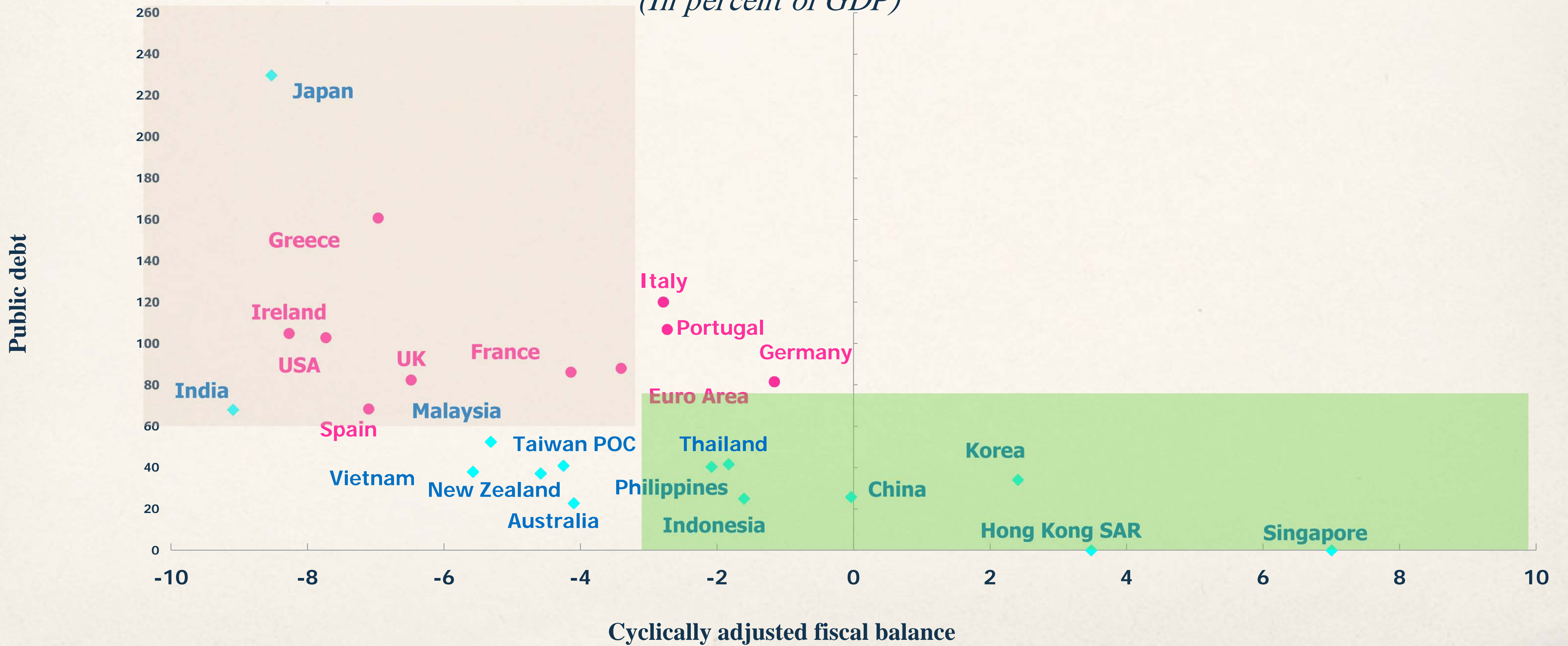


Impact of 10 Percent Increase in Global Commodity Prices on Headline Inflation
(In percentage points)



Many regional economies have space for a strong response in the event of a severe global downturn

Cyclically adjusted fiscal balances and public debt ratios in 2011
(In percent of GDP)



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Advanced Economies

Fiscal consolidation:

- Not too much, not too little
- Not too fast, not too slow

Monetary and liquidity policies should continue to be accommodative

Structural reforms to boost long-term productivity and employment

Support for the unemployed

What needs to be done?

Euro Area

Building a stronger currency union

- Improved fiscal rules and institutions

Strengthening banking systems

What needs to be done?

Emerging Market and Developing Economies

Rebuilding macroeconomic policy room

Strengthening prudential policies and frameworks

Promoting more inclusive growth

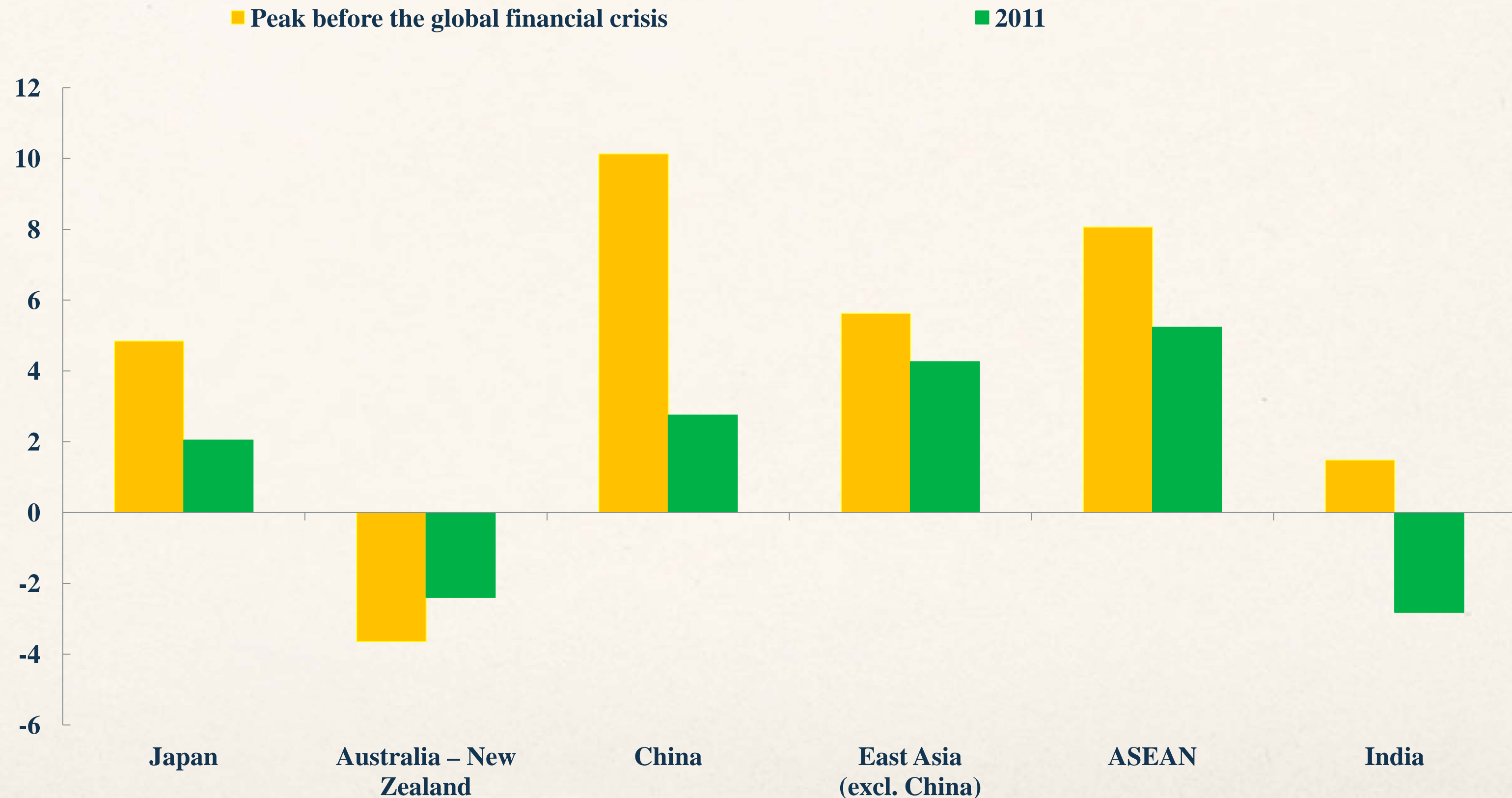
What needs to be done?

Economies with Large External Surpluses

Fostering domestic consumption, including through more exchange rate flexibility

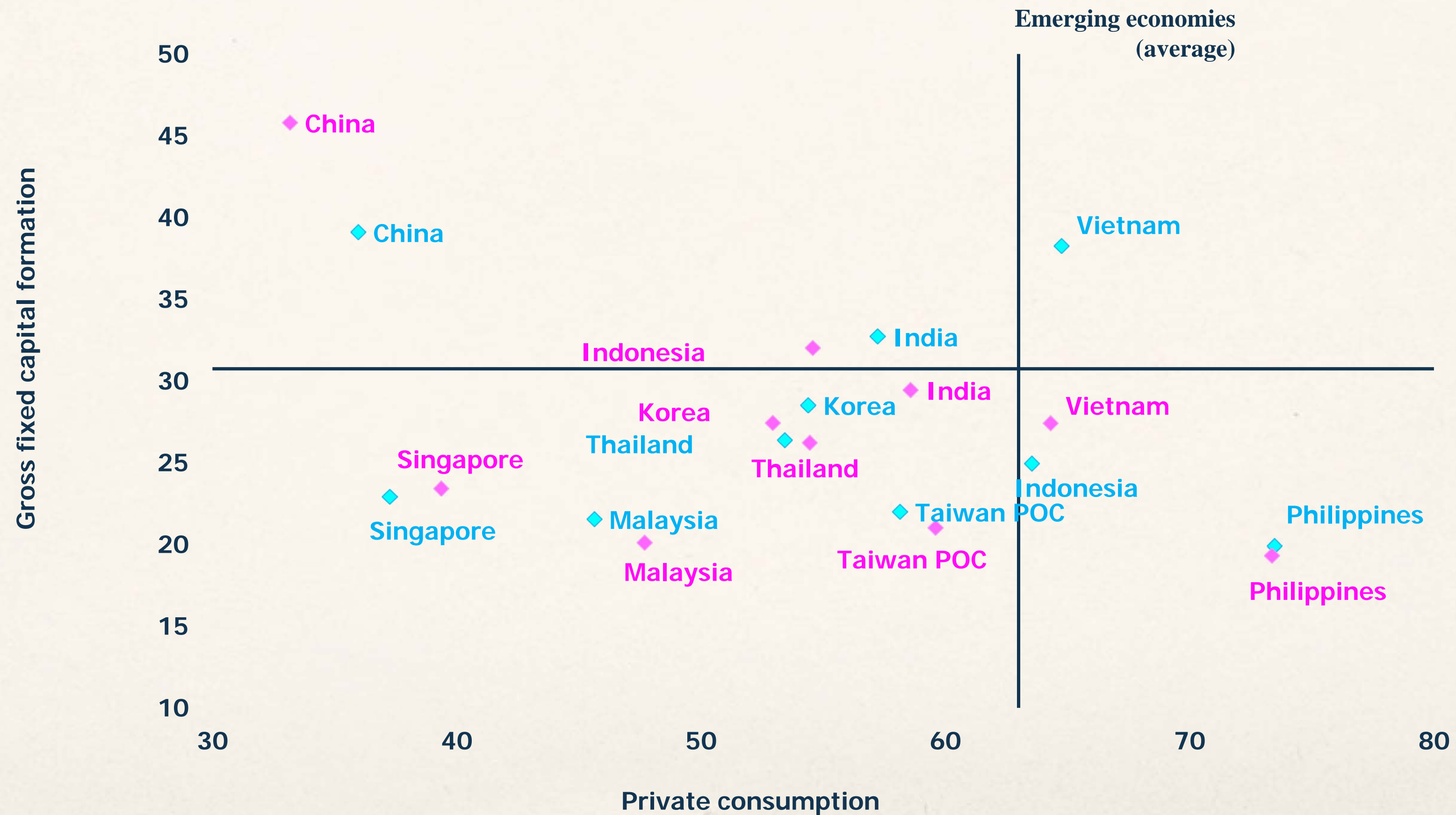
Lower current account surpluses point to progress in rebalancing

Current Account Balances
(In percent of GDP)



But more needs to be done

Private Consumption and Investment
(In percent of GDP)



What needs to be done?

All Economies

More coordination of financial policies; reform of financial stability frameworks

Strengthening the global firewall



Thank you

