

NAVIGATING an
INTERCONNECTED



WORLD

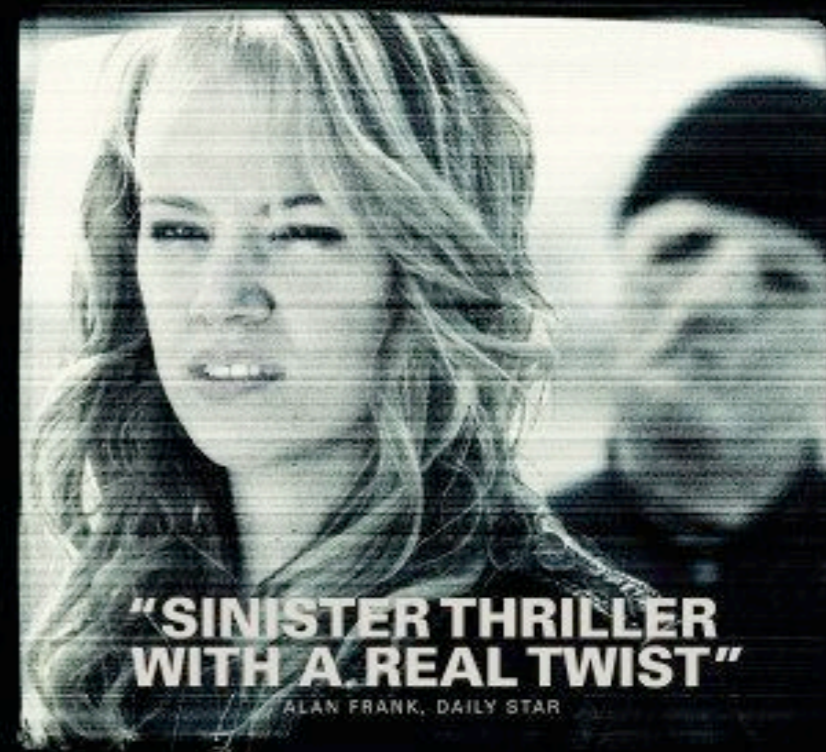


JULIA ORMOND

BILL PULLMAN

PELL JAMES

RYAN SIMPKINS



**"SINISTER THRILLER
WITH A REAL TWIST"**

ALAN FRANK, DAILY STAR

"AS FANTASTICALLY HARSH A FILM AS YOU'VE EVER SEEN"



DIRECTED BY JENNIFER LYNCH

SURVEILLANCE

EXECUTIVE PRODUCER DAVID LYNCH

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ARGENT FILMS BLUE RIDER PICTURES and LAGO FILM present "SURVEILLANCE" JULIA ORMOND BILL PULLMAN PELL JAMES RYAN SIMPKINS with LINA TUDI, cast with CATHY McCOMB and SOJAN CLIFTON-DEMPLE
PRODUCED BY SARA McCHUTEEN DIRECTED BY JENNIFER LYNCH EXECUTIVE PRODUCERS DAVID LYNCH GARY HAMILTON JEFF BLOCHFRAY WALTER JUSTEN PRODUCED BY KENT HARPER & DAVID MICHAELS
WRITTEN BY STEPHEN CHOI PRODUCED BY DAVID MICHAELS DIRECTED BY JENNIFER LYNCH EDITED BY KENT HARPER
COURTESY OF ARGENT FILMS

BLAGO FILM SaskFilm Canada www.surveillancefilm.co.uk

JULIA ORMOND

BILL PULLMAN

PELL JAMES

RYAN SIMPKINS

INTEGRATED SURVEILLANCE DECISION

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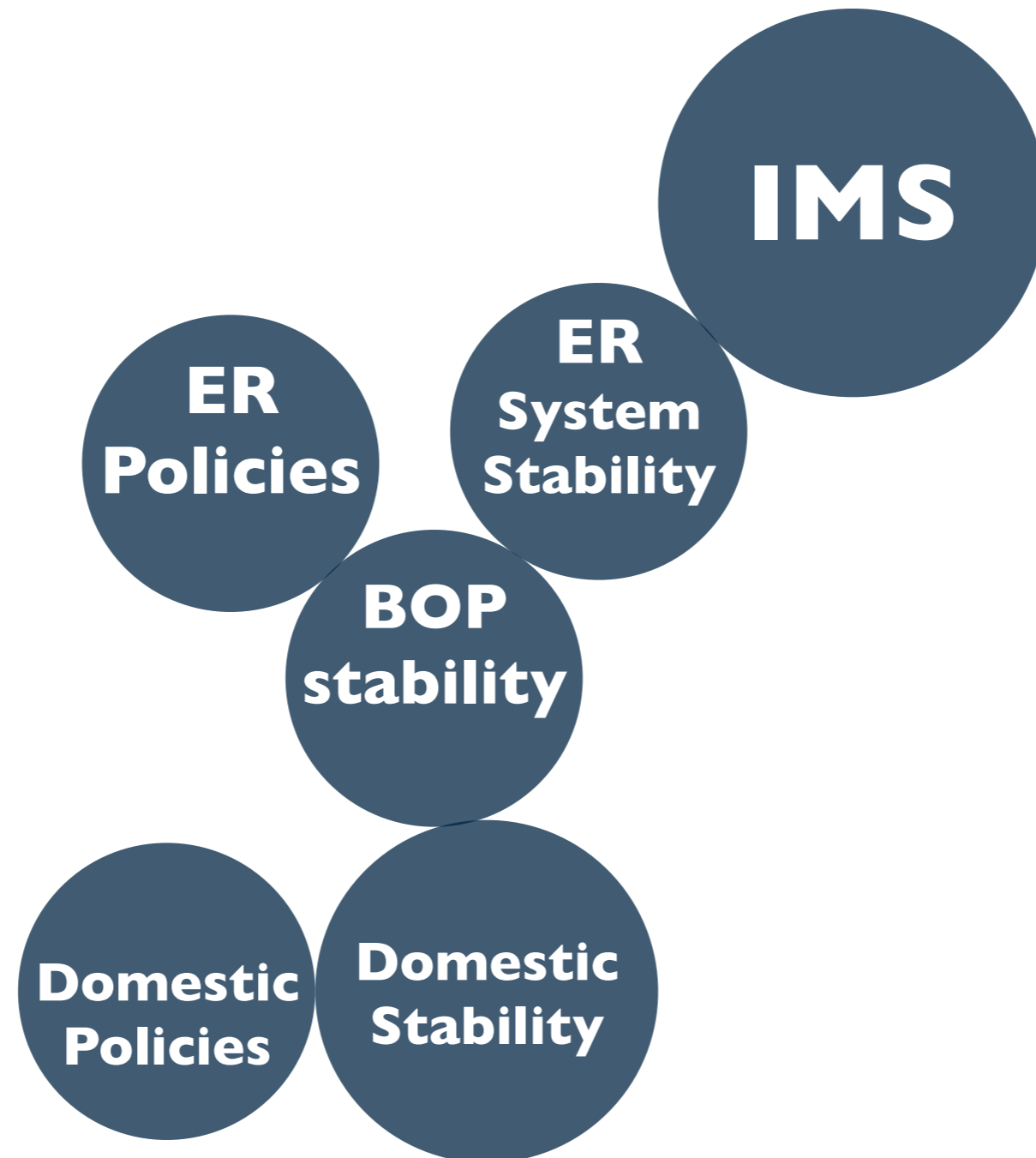


Why an Integrated Surveillance Decision?

- ◆ Highly interconnected world: need to monitor impact of country policies on global stability.
- ◆ Important gaps in the Fund's legal framework: need for better coverage of spillovers.
- ◆ Lack of ownership: need to improve Fund's legitimacy and traction.

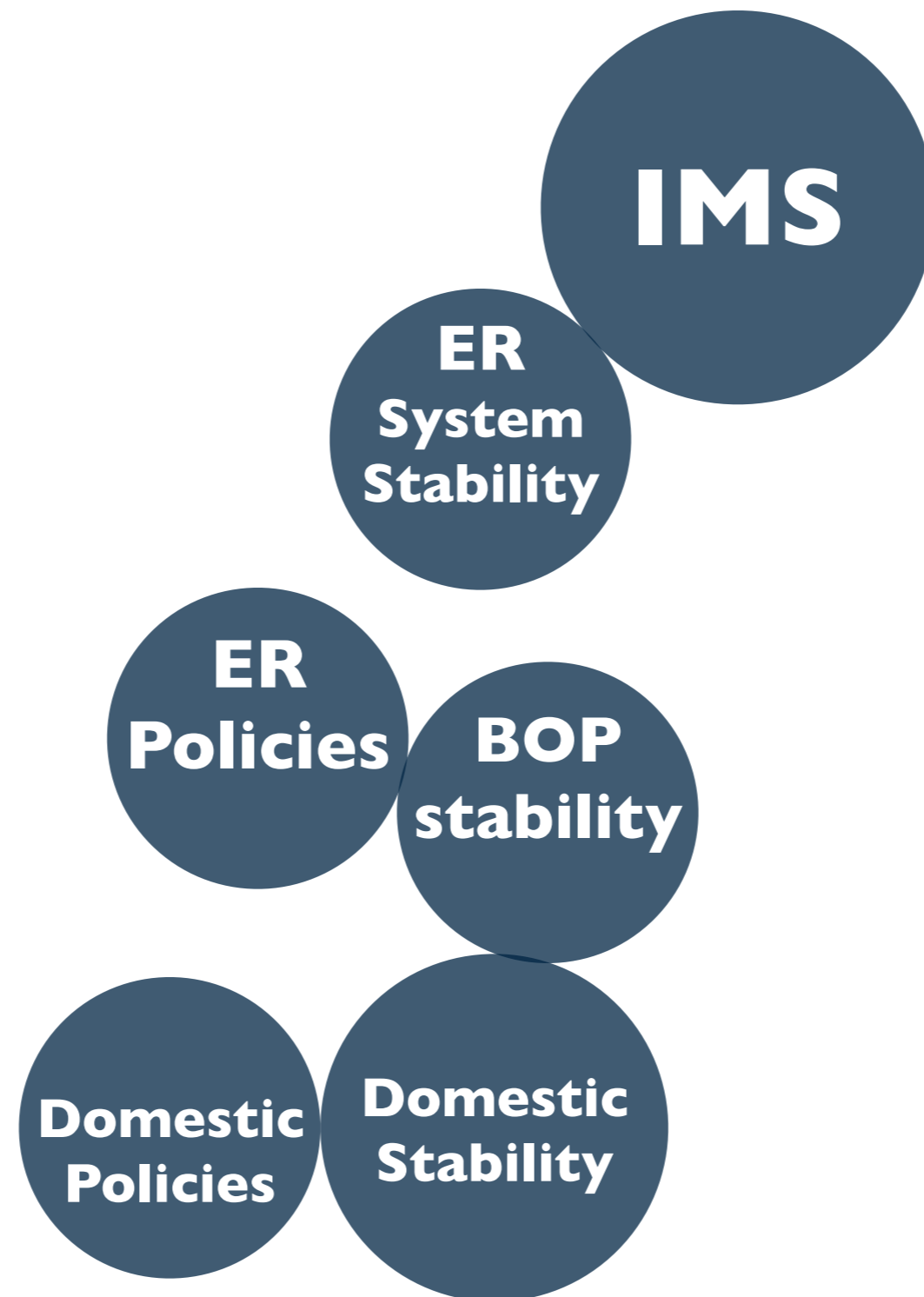
Country Surveillance

Past



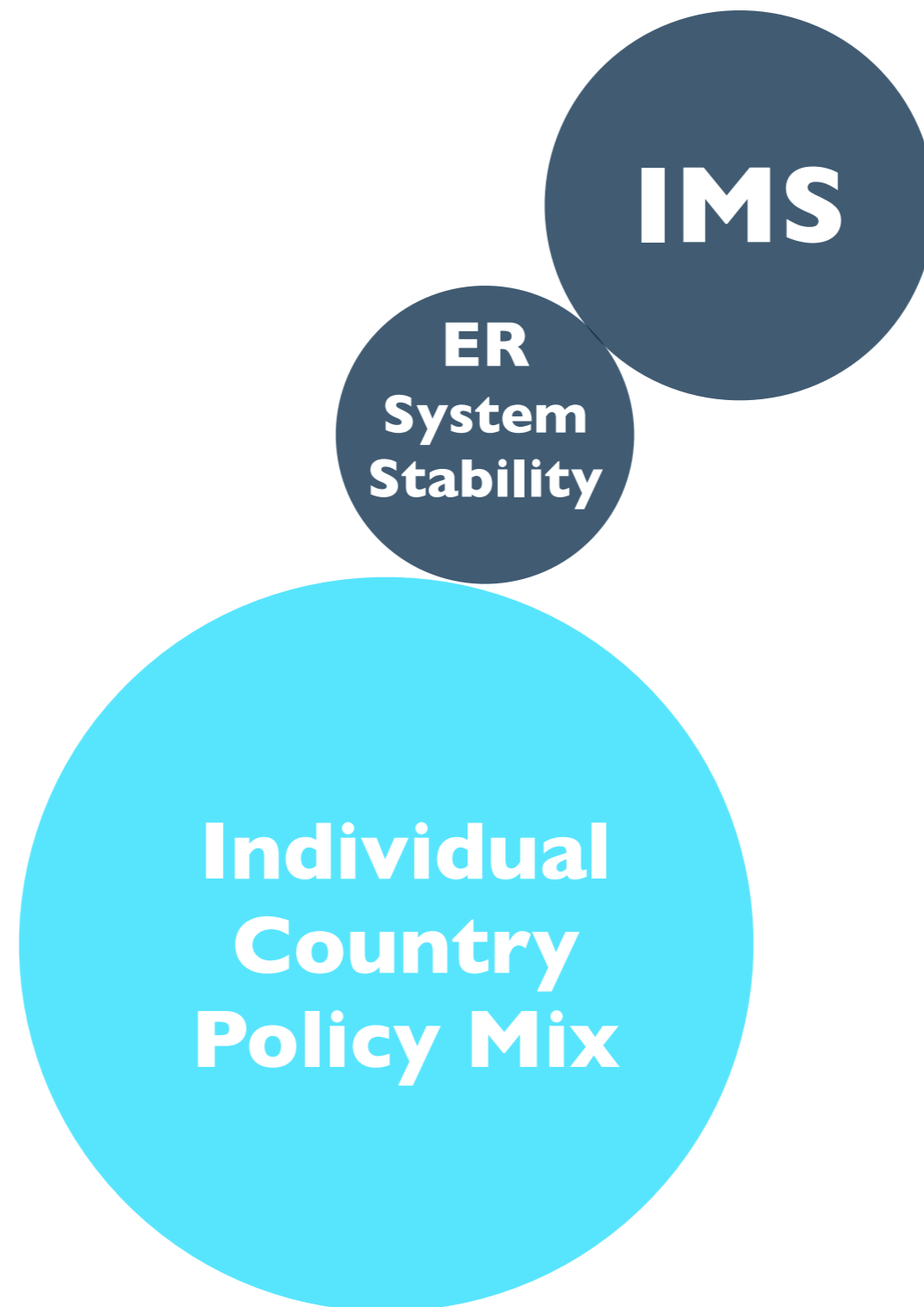
Country Surveillance

Past



Country Surveillance

Future



Country Surveillance



**ER
System
Stability**

IMS

**Individual
Country
Policy Mix**

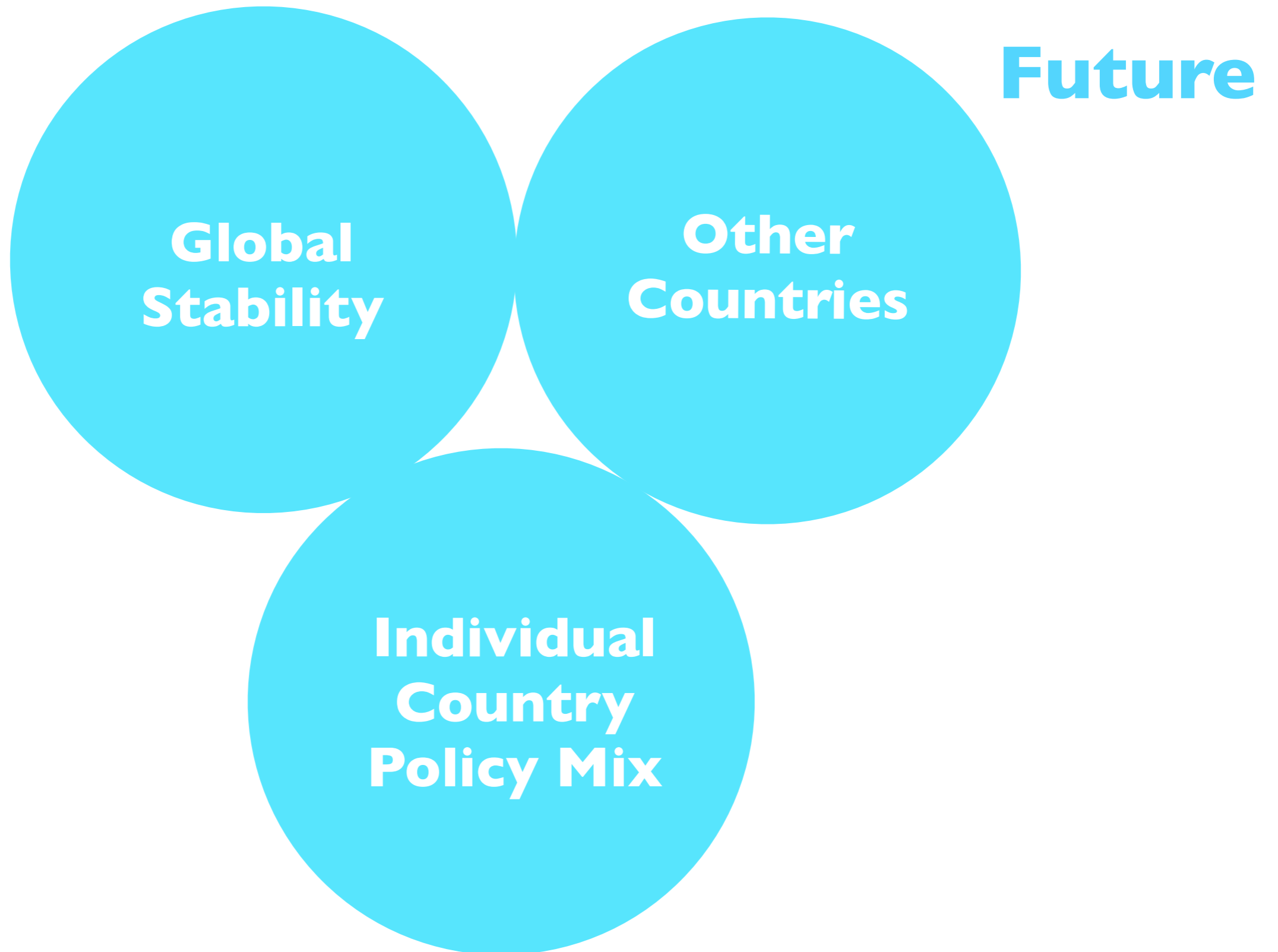
Country Surveillance

Future

**Global
Stability**

**Individual
Country
Policy Mix**

Country Surveillance

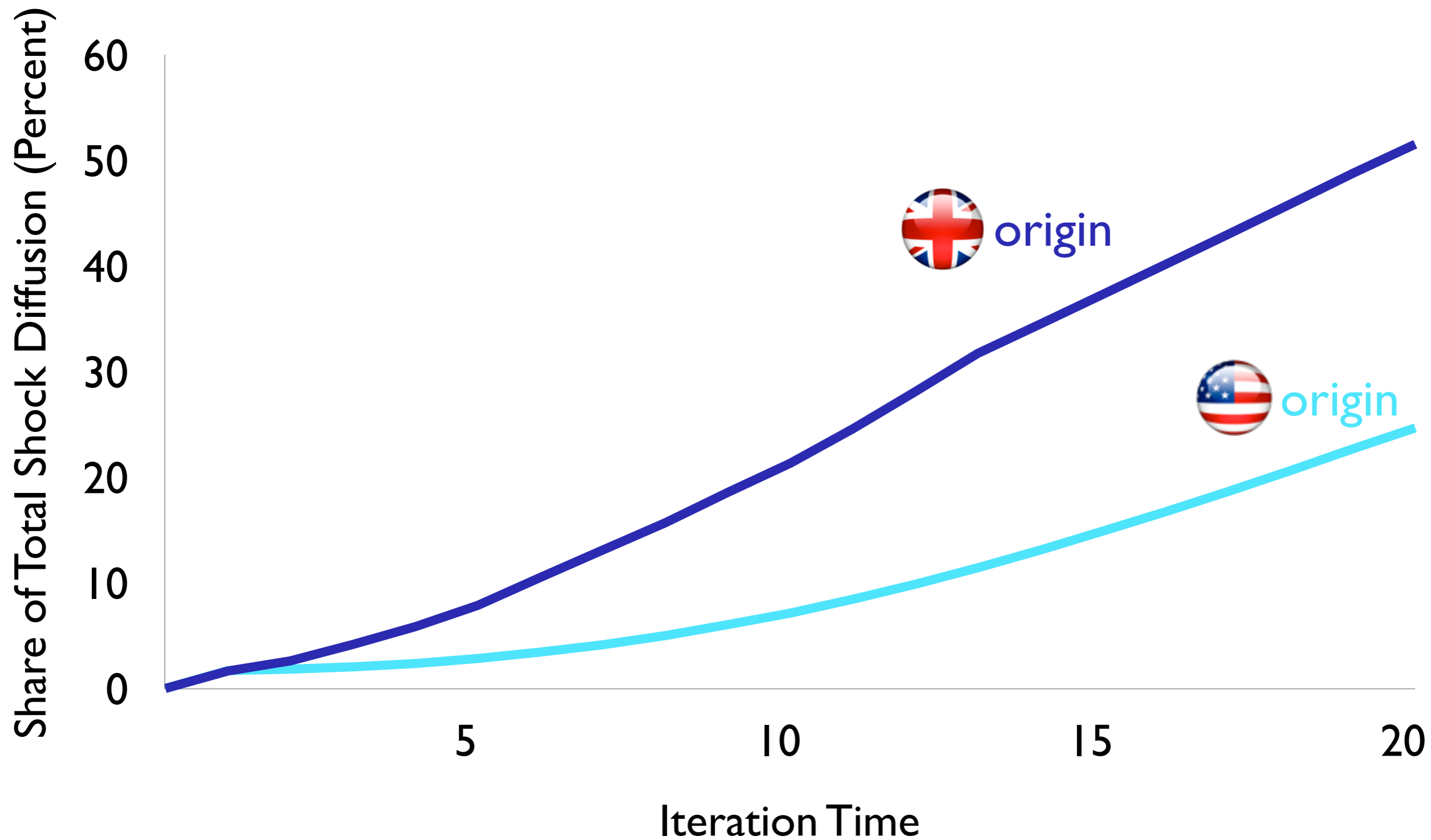


Example I: Main Financial Hub





Example I: Diffusion Shocks

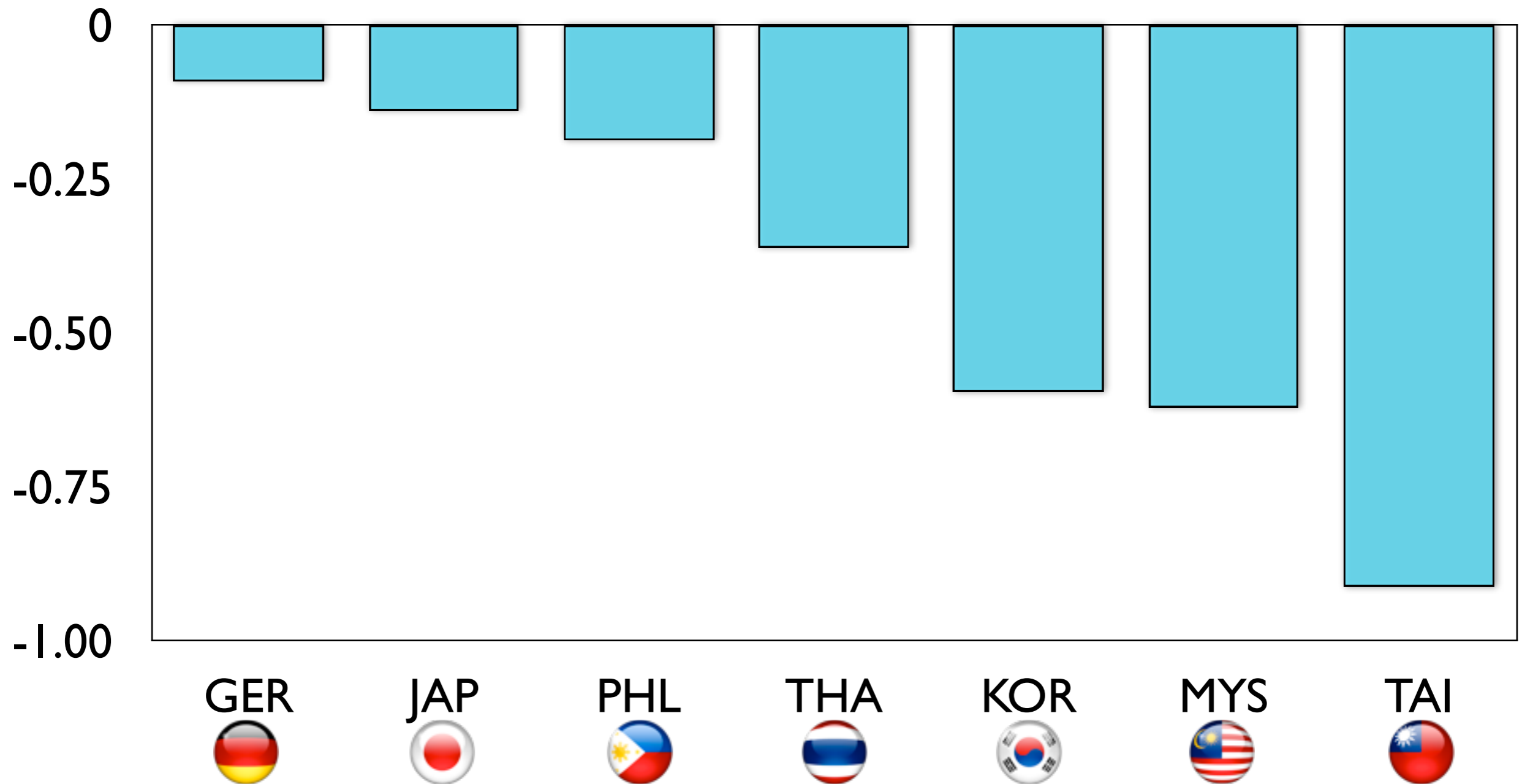




Example 2: China Rebalancing

Short-term Impact on Trading Partners

(percentage point reaction to 1 percentage point of rebalancing)





Example 2: China Rebalancing

Short-term Impact on Commodity Exporters

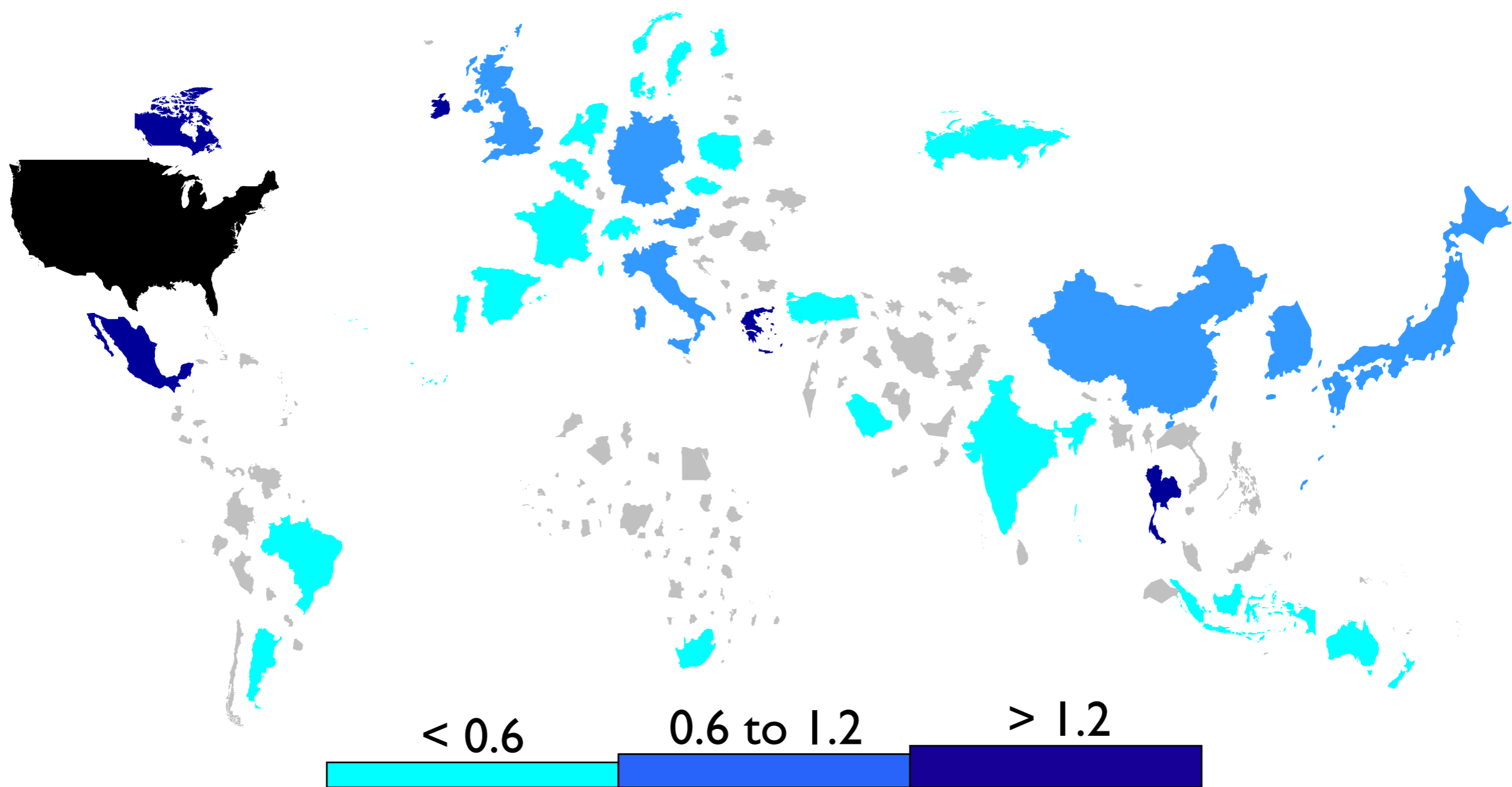
(percentage point reaction to 1 percentage point of rebalancing)





Example 3: US Fiscal Cliff

Normal Fiscal Effects

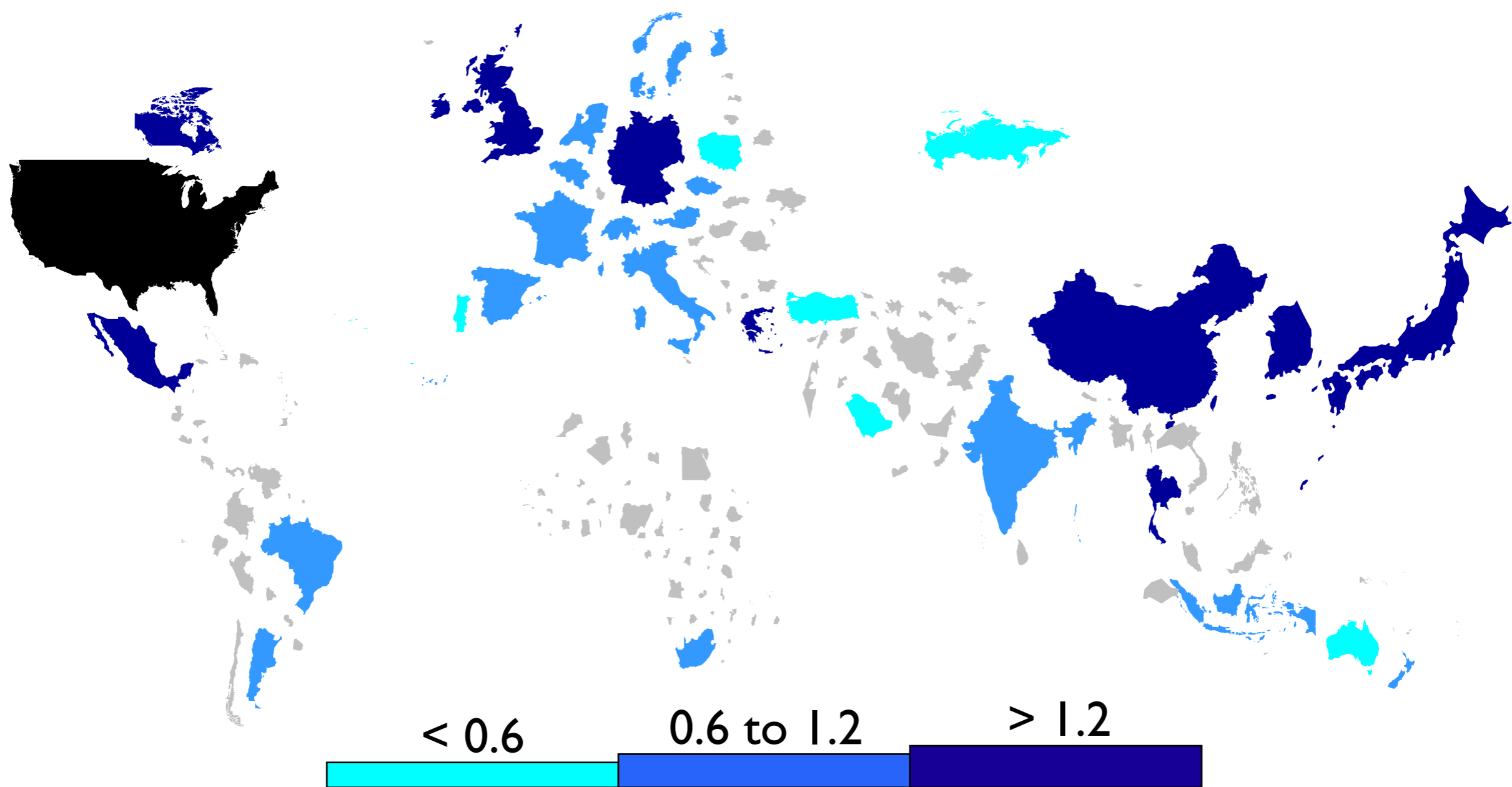


Cumulative output losses 2013 - 2014, % deviation from baseline



Example 3: US Fiscal Cliff

Adding Zero Bound and Financial Contagion



Cumulative output losses 2013 - 2014, % deviation from baseline

CHRISTIAN BALE

TAYE DIGGS

TWO MEN.
ONE BATTLE.
NO COMPROMISE.

EQUILIBRIUM

FROM THE MAKERS OF **MINORITY REPORT** AND **SPEED**

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CHRISTIAN BALE

TAYE DIGGS

EXTERNAL

SECTOR

REPORT

EQUILIBRIUM

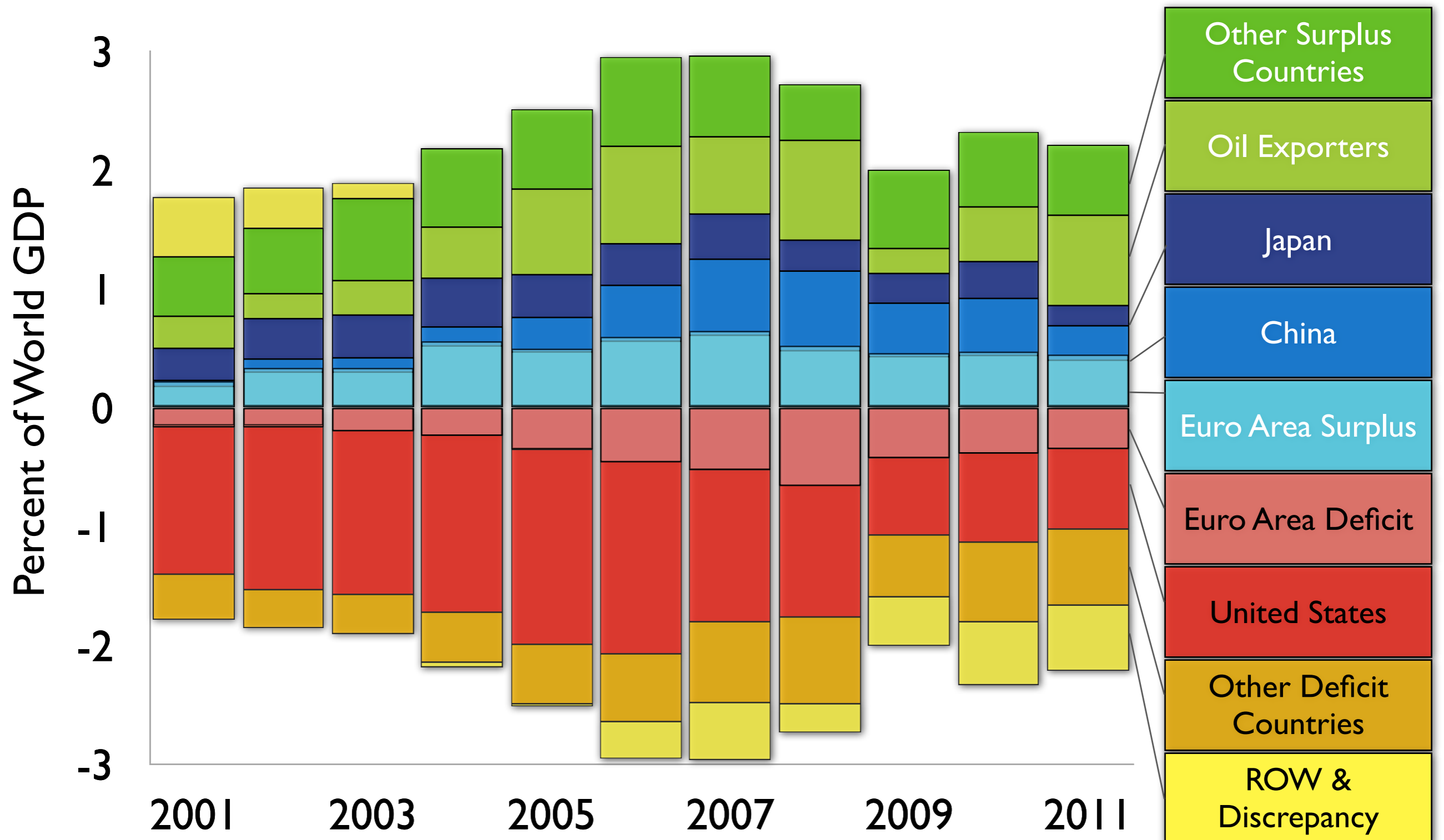
FROM THE MAKERS OF MINORITY REPORT AND SPEED

Why an External Sector Report?

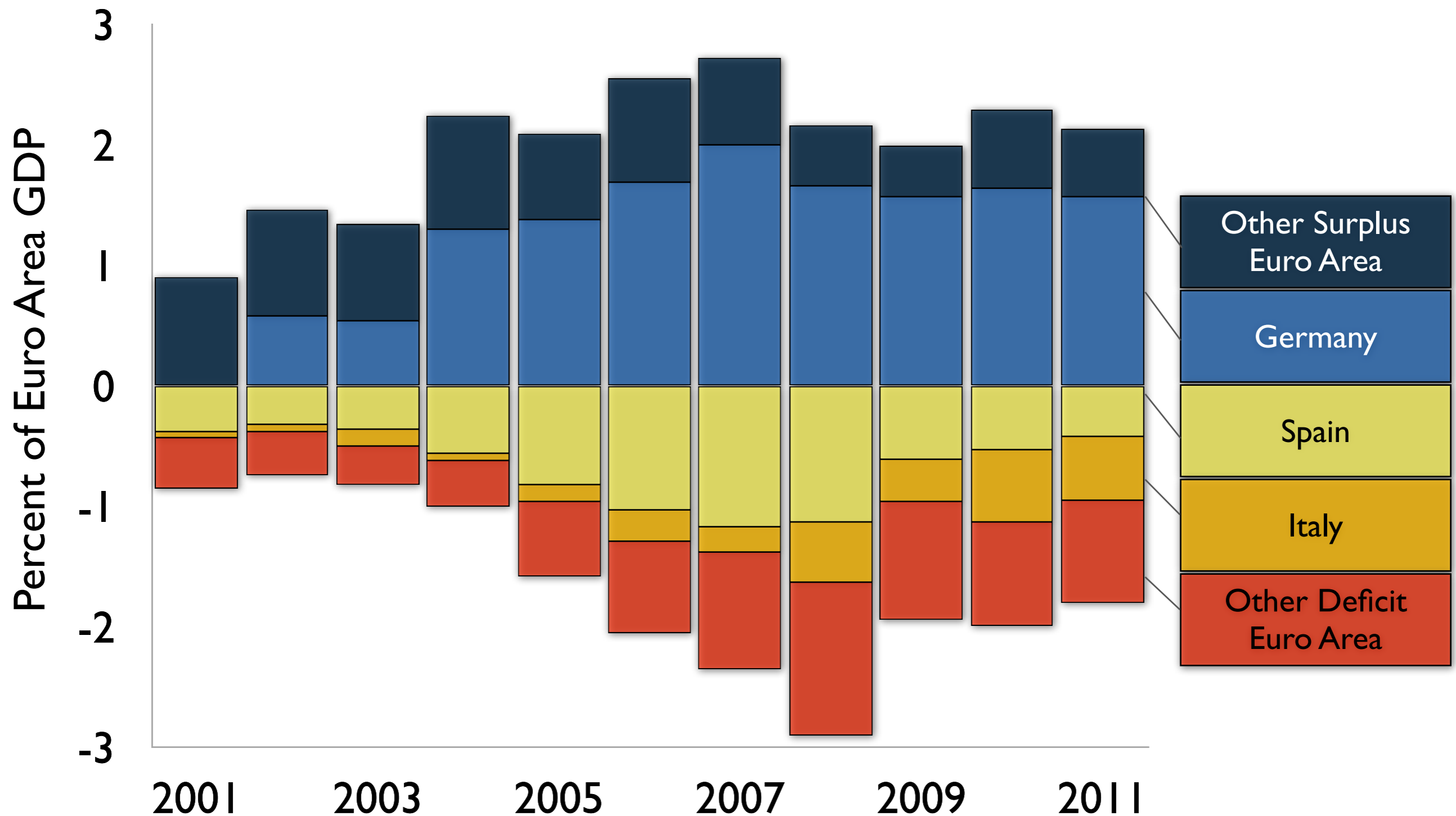
- ◆ Responds to call for more analysis on external sector
- ◆ Combines desk analysis, new tools, global consistency
- ◆ Examines consequences of desirable global policies

We are seeking your feedback on the pilot.

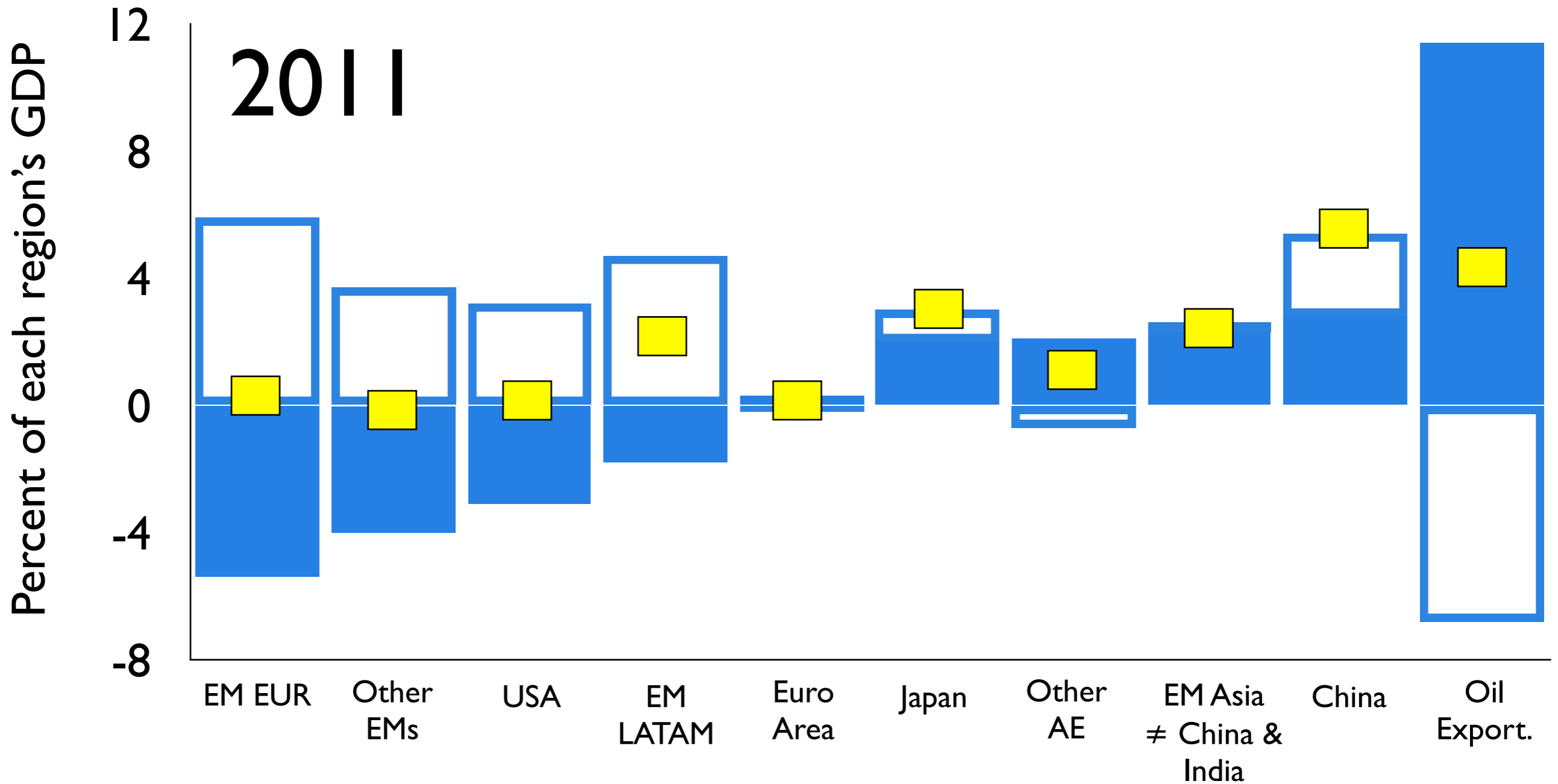
Global Current Account Divergence



Euro area Current Account Divergence



Current and Capital Account

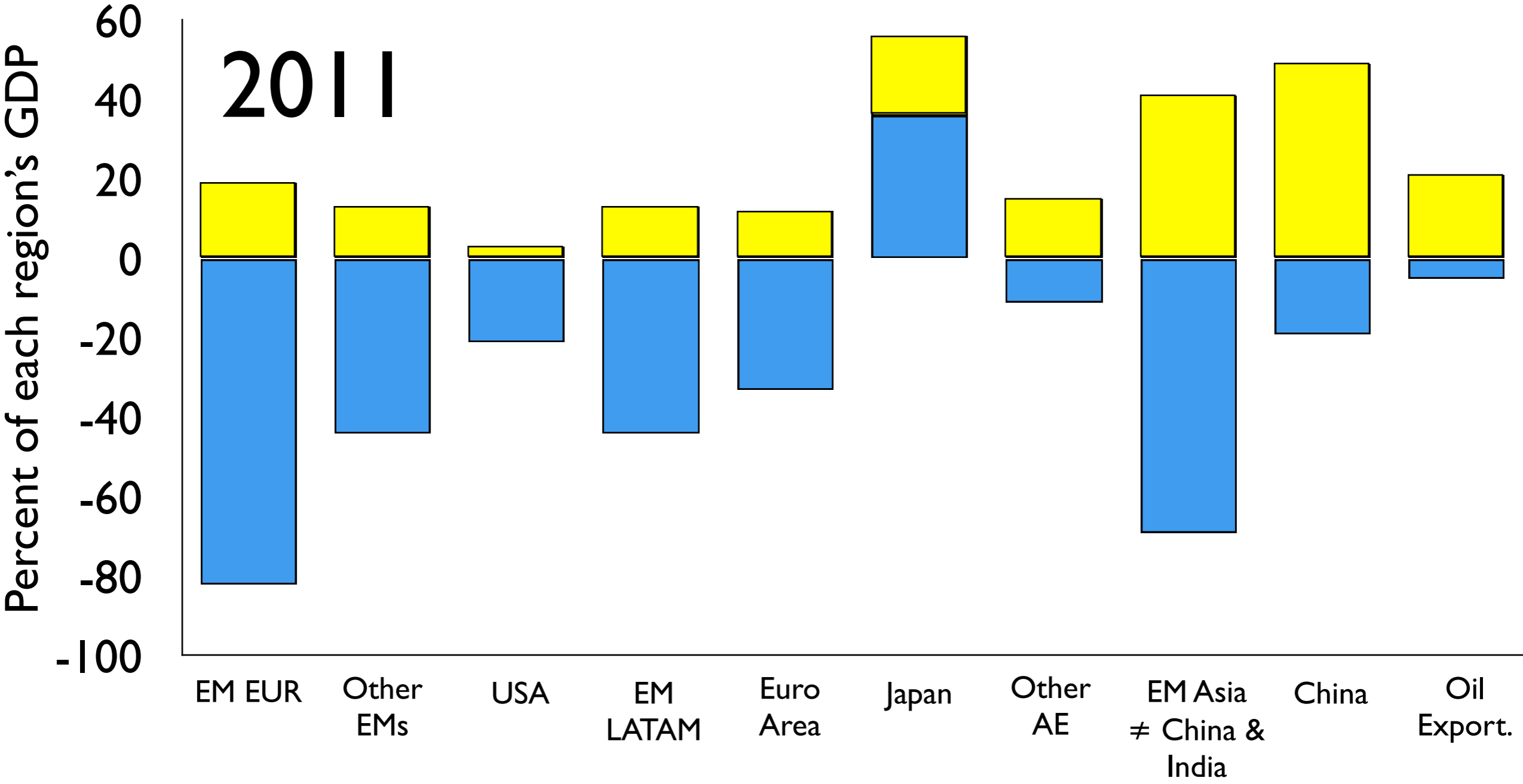


Current Account

Private Capital Flows

Change in Reserves

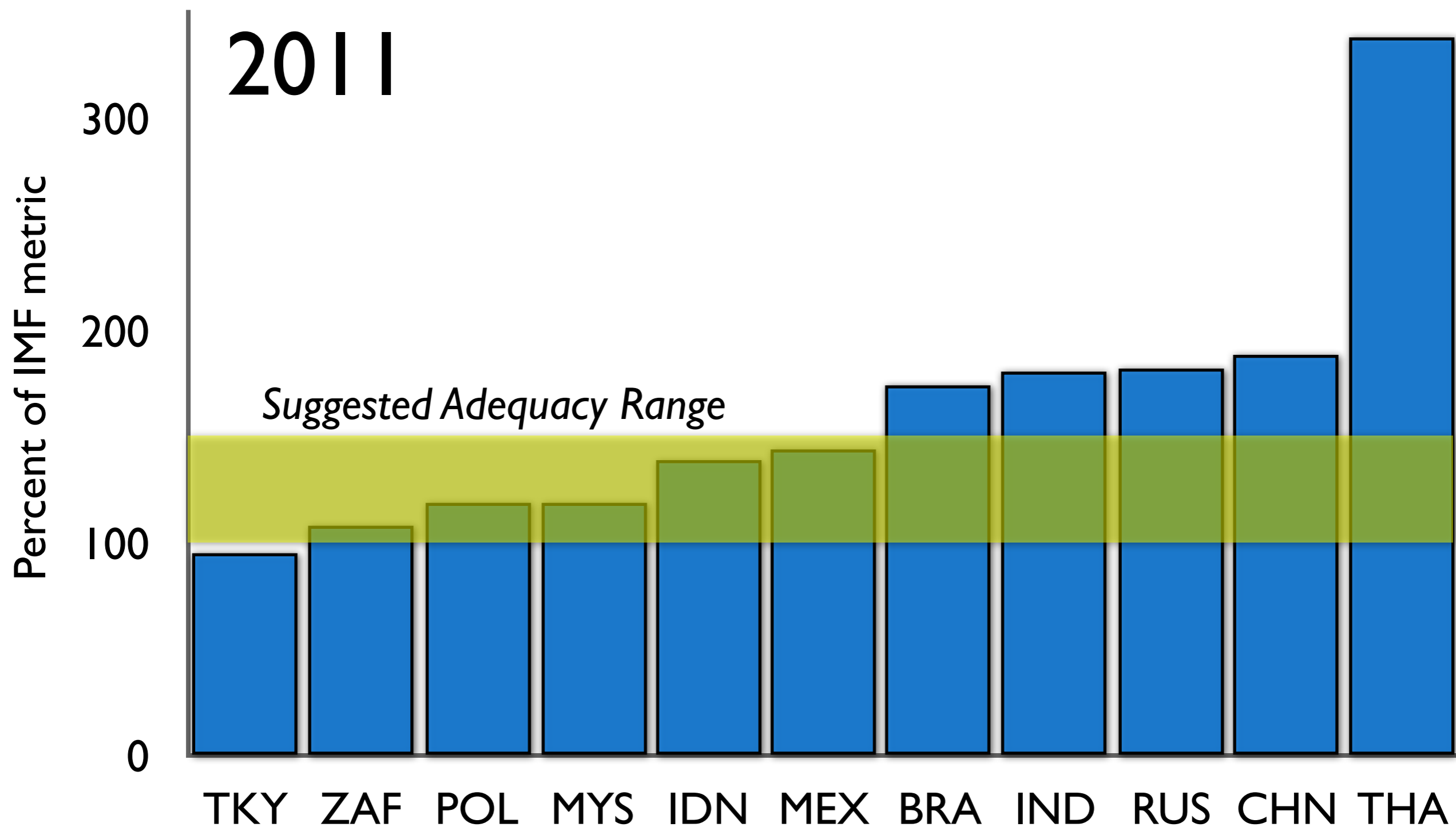
International Investment Position



Private Sector

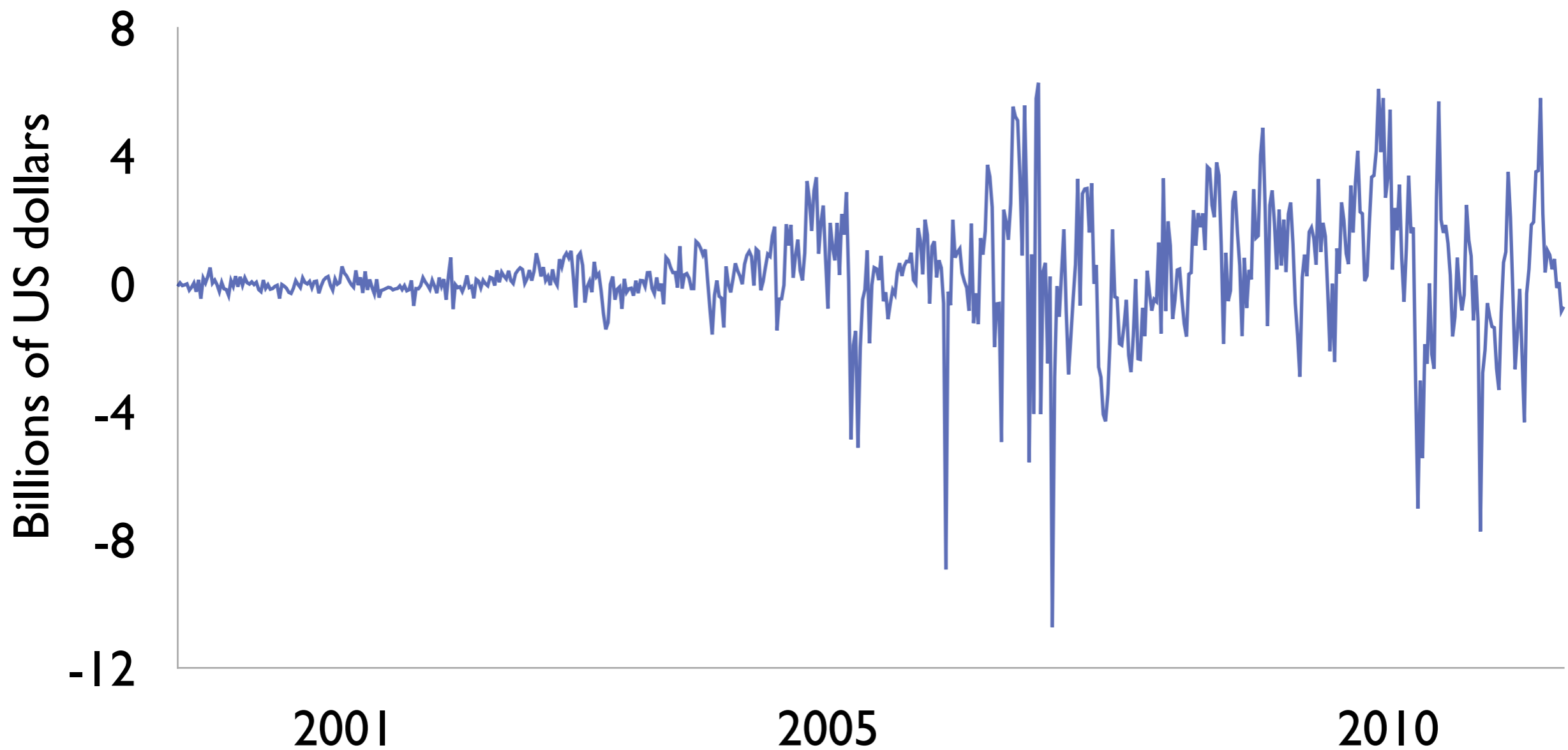
Reserves

Reserve Adequacy

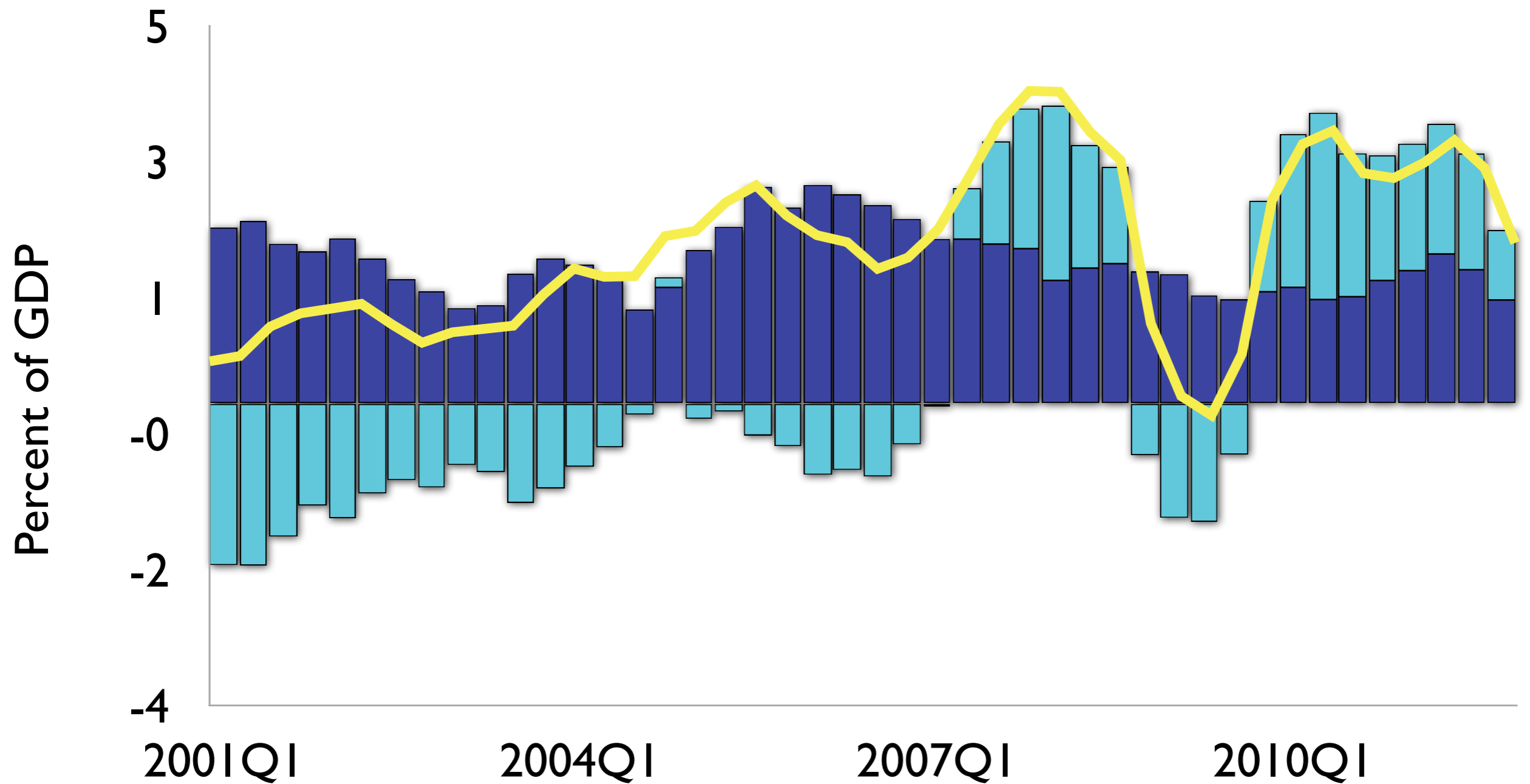


Volatility of Capital Flows to EMs

Equity Fund Flows to EMs



Composition of EM Capital Flows



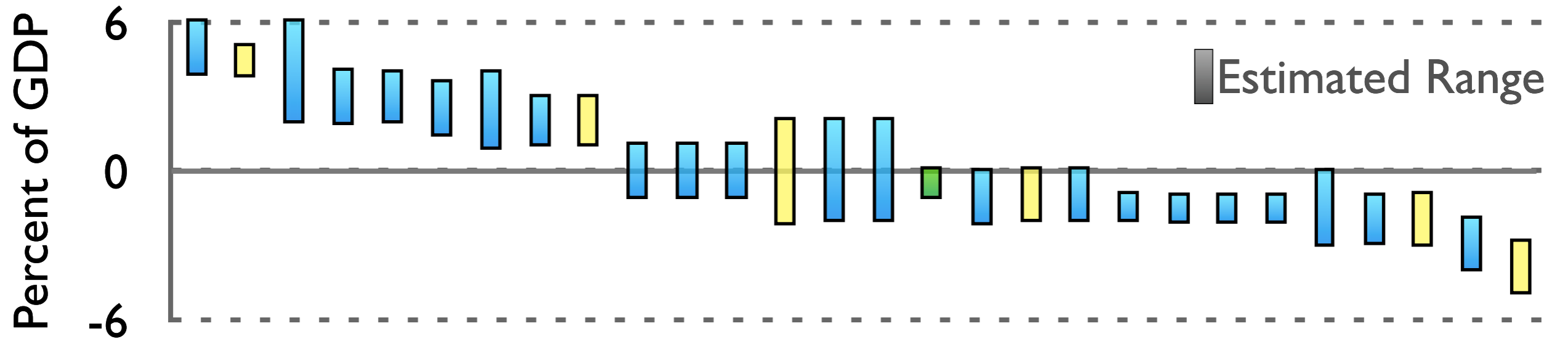
Equity Flows

Debt Flows

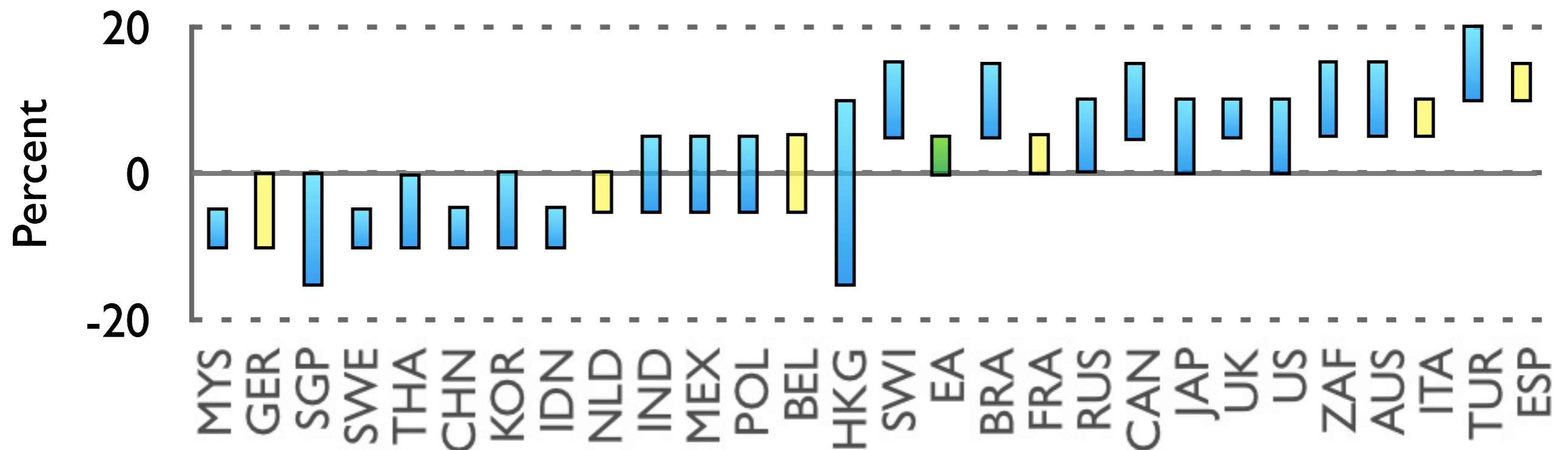
Net Flows

Estimated Differences

Current Account vs those with Fundamentals & Policies



REER vs those with Fundamentals and Policies



EXTERNAL
BALANCE
ASSESSMENT

What is EBA?

- ◆ Tool to analyze current accounts, real exchange rates and NFA positions
 - ❖ To judge appropriateness and sustainability
- ◆ “Multilaterally-consistent’ exercise- critical for surveillance- gaps add up
 - ❖ Analyzes 50 economies simultaneously, relative to each other
- ◆ Evenhanded approach, but allowing for country characteristics
- ◆ Key analytical input to ESR, and therefore to IMF surveillance

We are seeking your feedback.

Key Advances of EBA

Accounts for effects of policies

- reserve accumulation and capital controls
- fiscal policy and social protection





And for impacts of

- global capital market swings
- business and commodity price cycles

Considers policy distortions/gaps and measures impact

- Separates impacts of 'domestic' and 'foreign' policies

Multilateral Impact of Policy Changes

COUNTRY	A	B
Fiscal Policy		
CA Imbalance		

Multilateral Impact of Policy Changes

COUNTRY	A	<u>B</u>
Fiscal Policy	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CA Imbalance	—	—

Calculation of Desirable CA Balance

Panel regression

$$CA = \beta'POLICIES + \gamma'CYCLE + \delta'FUNDAMENTALS + \varepsilon$$

(POLICIES, CYCLE, and FUNDAMENTALS are measured vs. global averages to ensure consistency.)

Cyclical adjustment

$$CAADJ = CA - \gamma'CYCLE$$

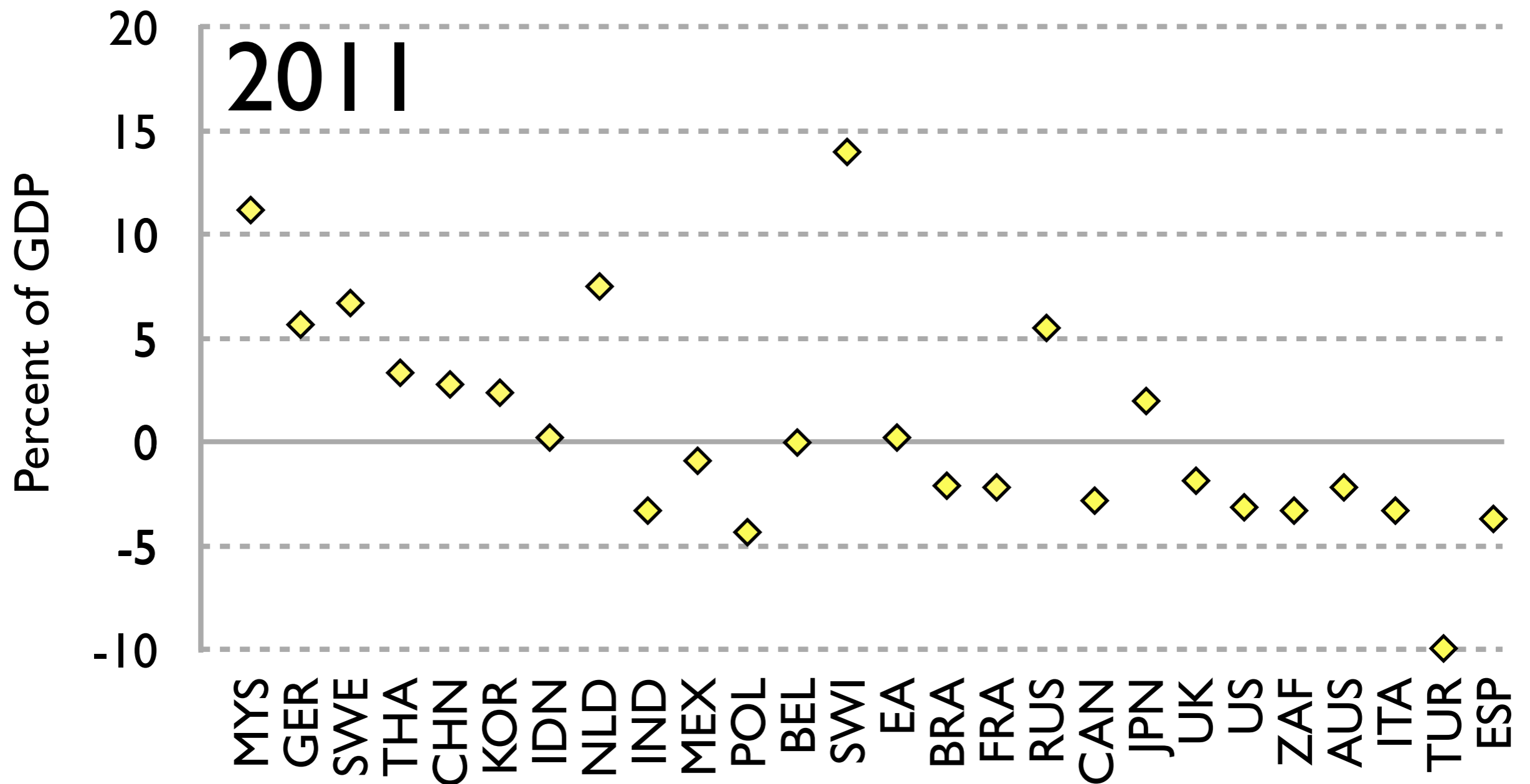
Desirable balance

$$CA^* = CAADJ - \beta'(POLICIES - POLICIES^*) - (\varepsilon_2)$$

(POLICIES* is desirable policies,

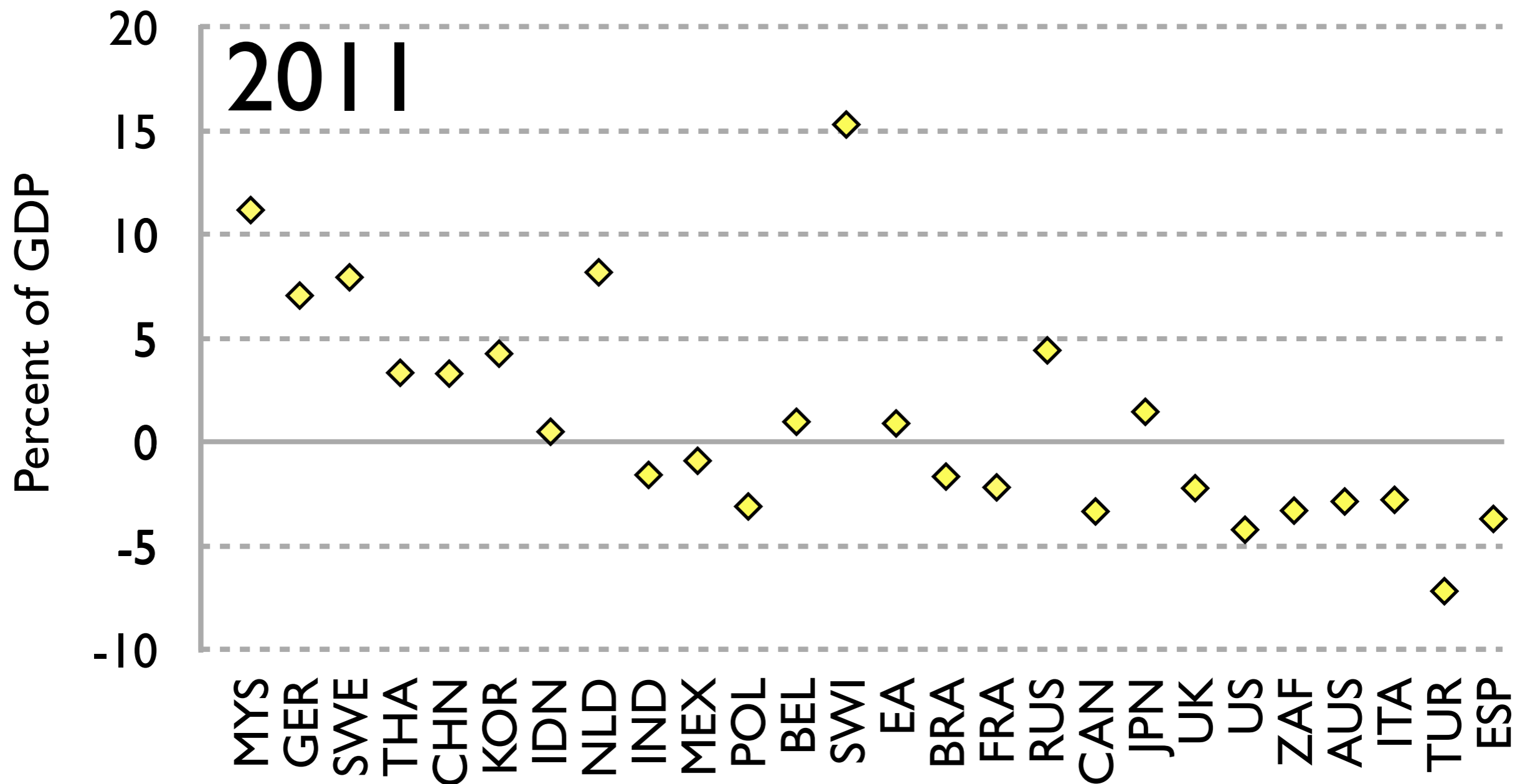
ε_2 is part of residual assigned to other policy distortions.)

Current Account Analysis



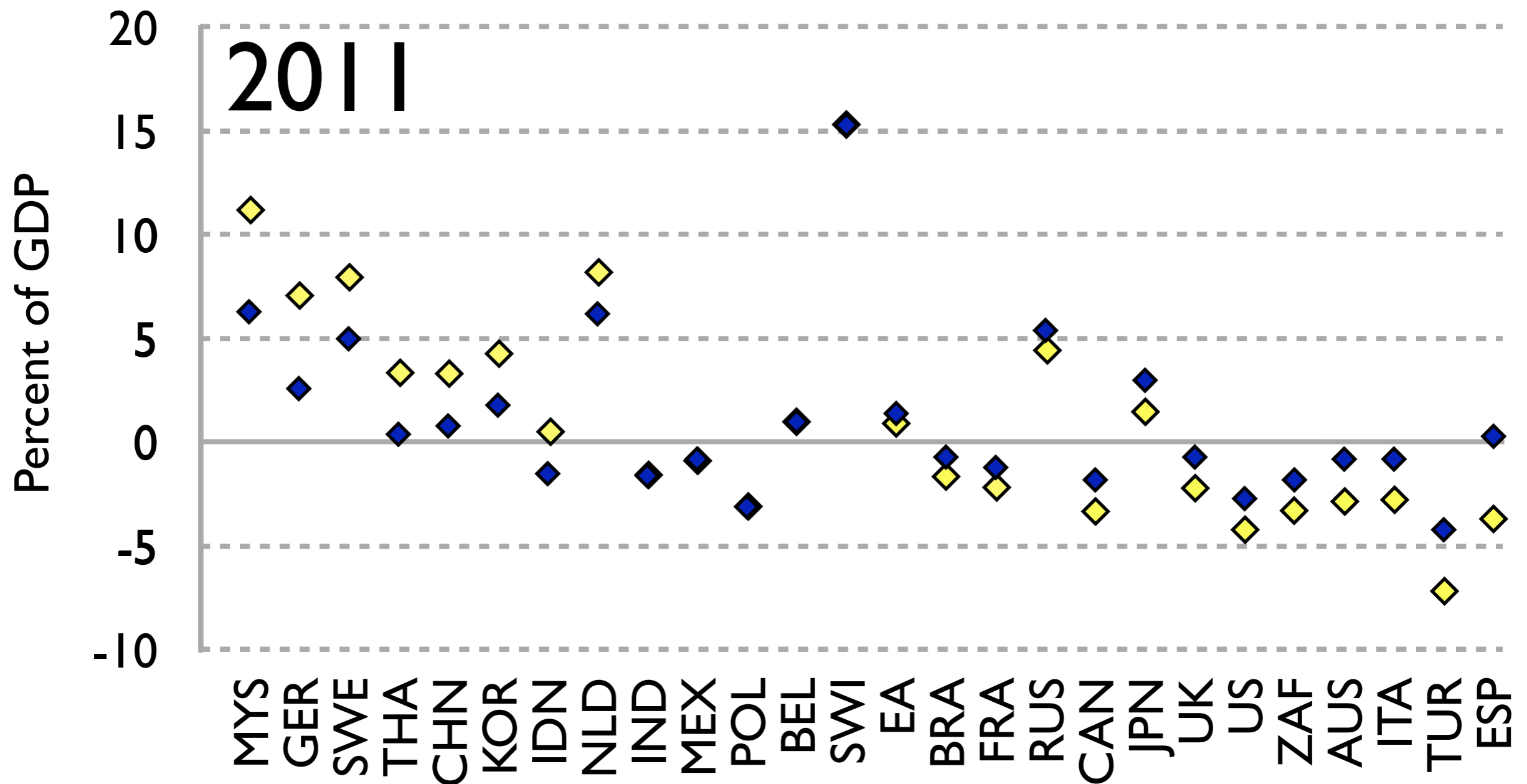
Actual

Current Account Analysis



Cyclically Adjusted

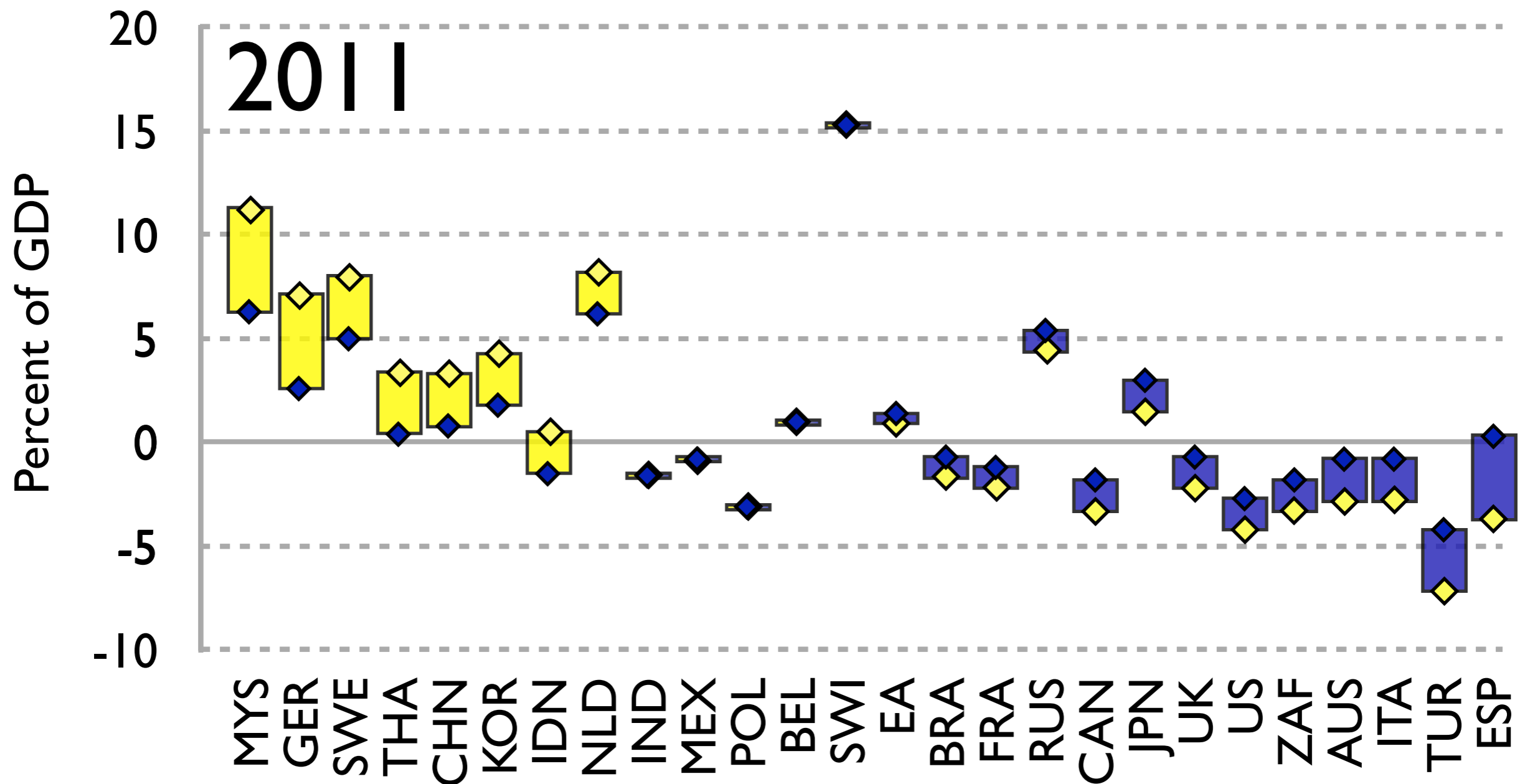
Current Account Analysis



Cyclically Adjusted

Desirable Levels

Current Account Analysis

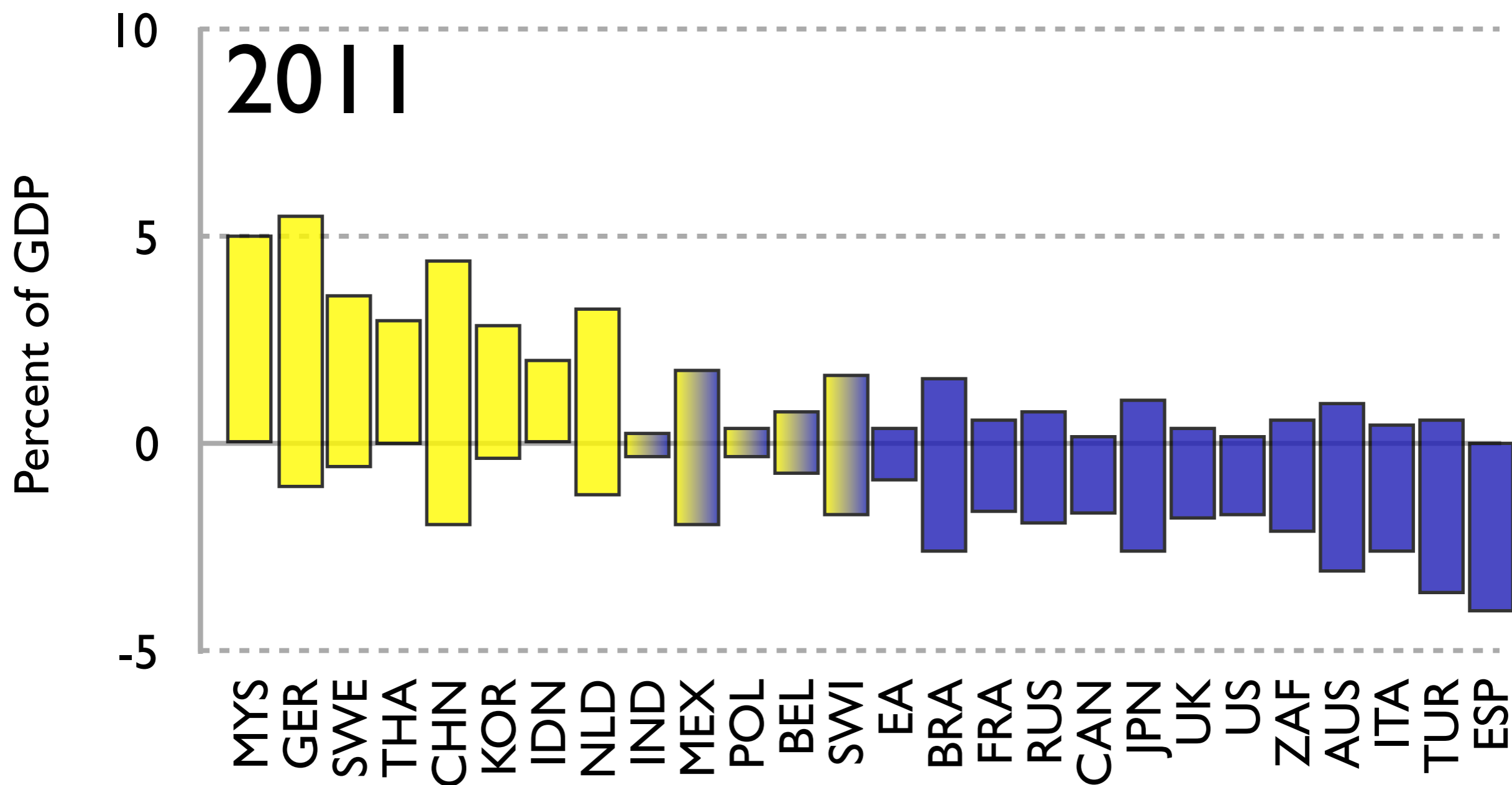


Cyclically Adjusted

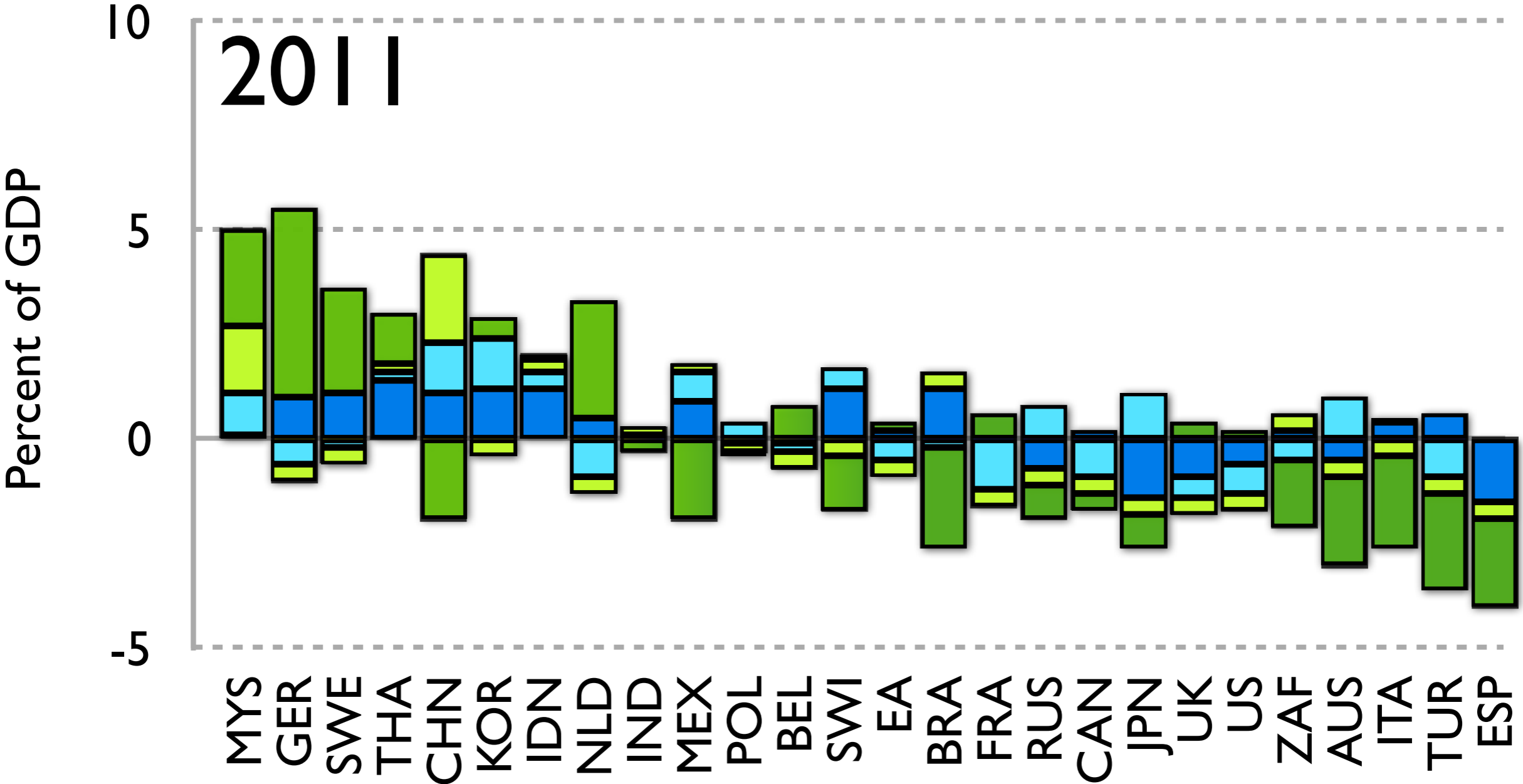
Gap

Desirable Levels

Current Account Gap Components



Current Account Gap Components



Fiscal

Social Protection

Capital Controls & Intervention

Other Distortions

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THANK YOU