

Economic and Financial Outlook

Presentation for Belarusian Officials

Minsk, August 5, 2012

Mark Allen

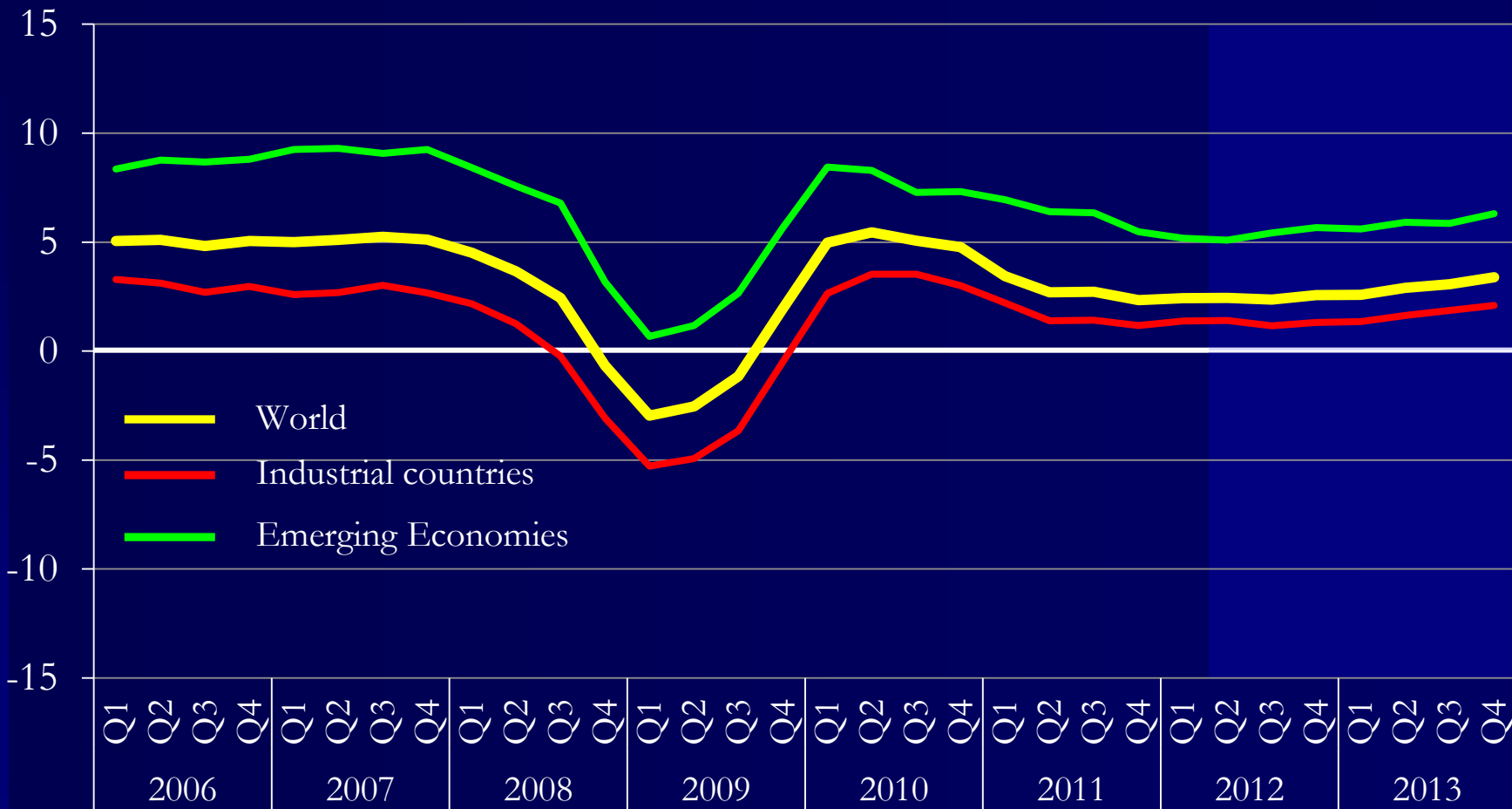
Senior IMF Resident Representative
for Central and Eastern Europe

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The economic recovery is slowing...

GDP Growth

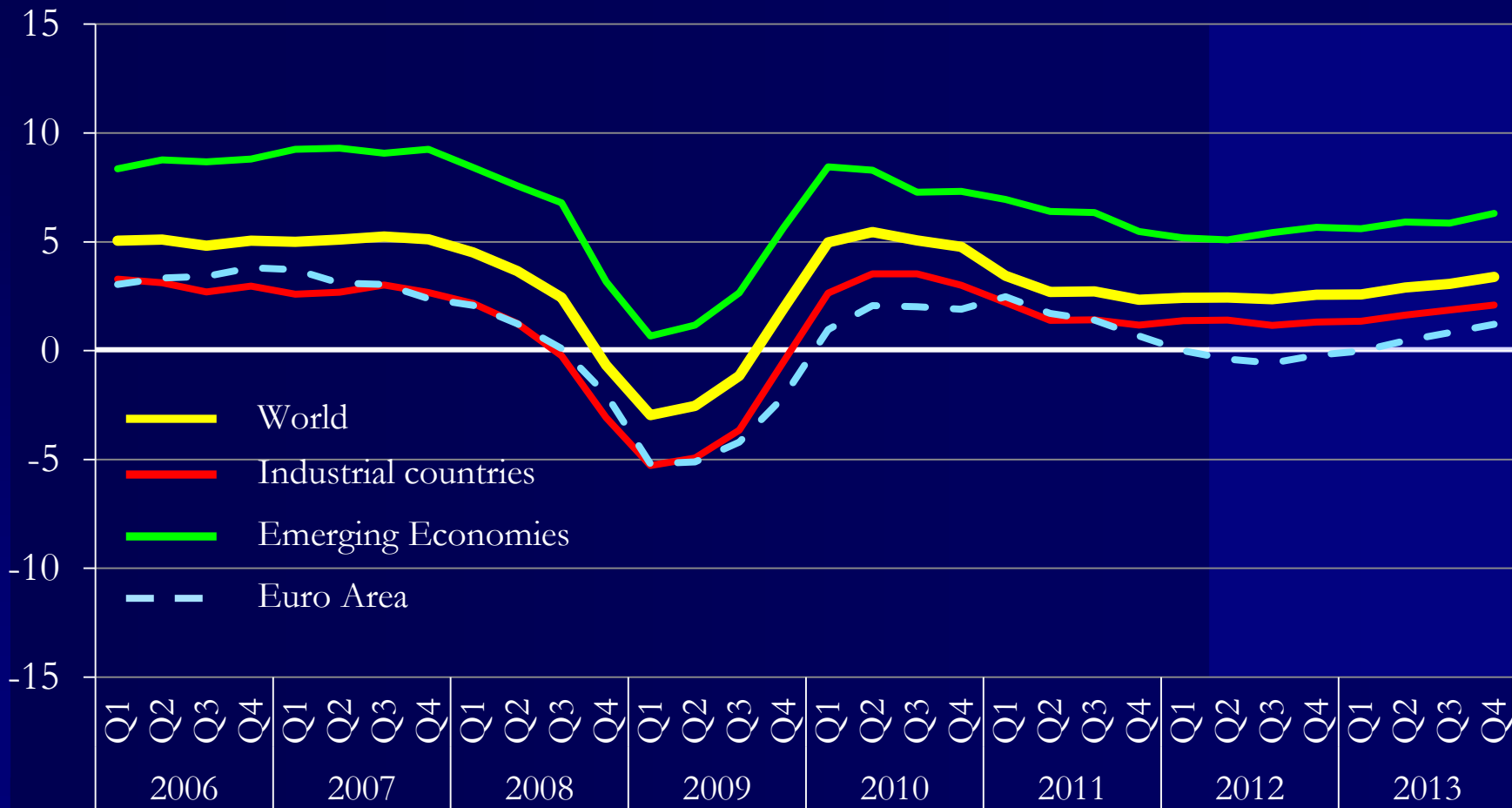
(percent)



The economic recovery is slowing...

GDP Growth

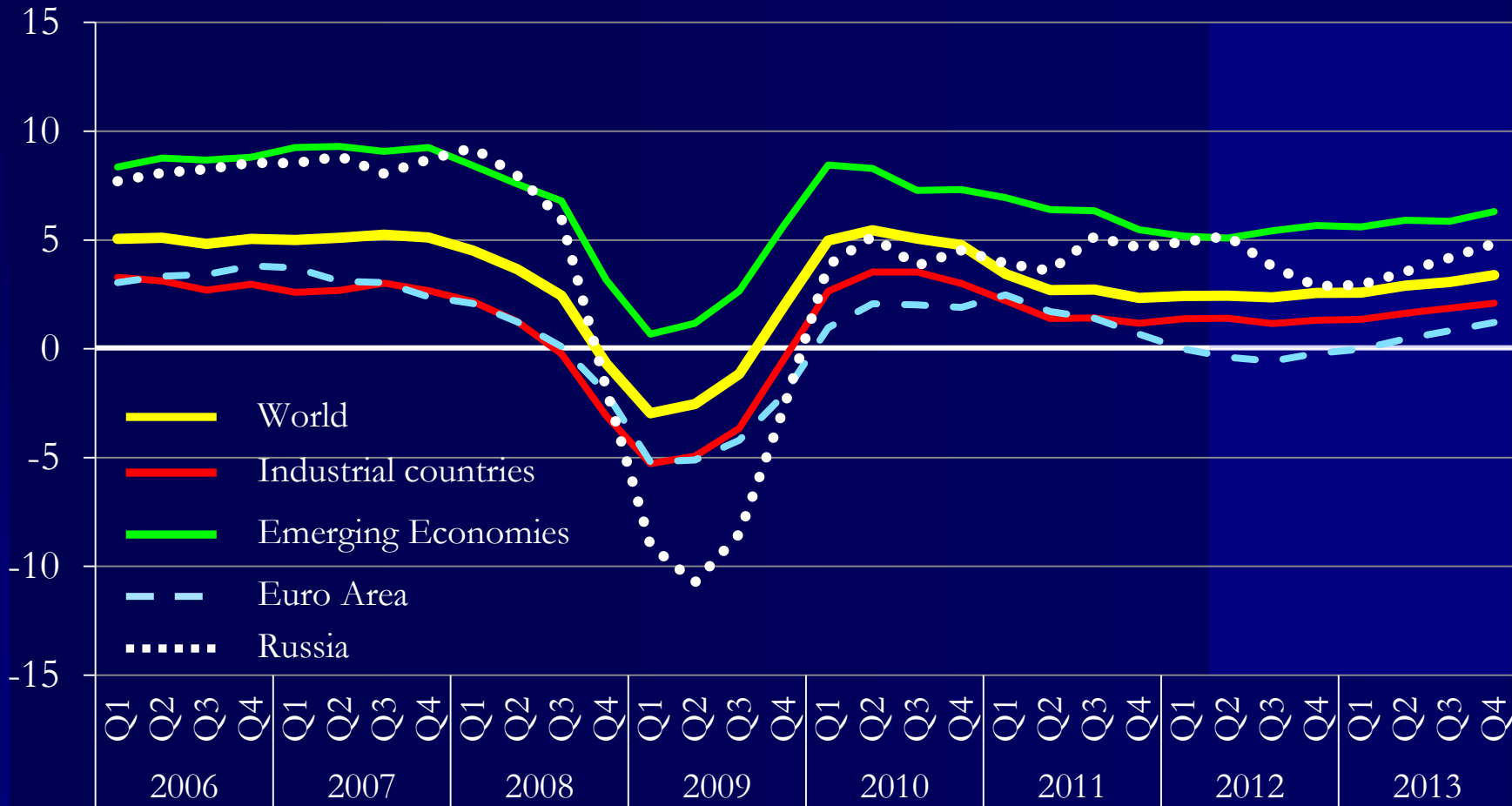
(percent)



The economic recovery is slowing...

GDP Growth

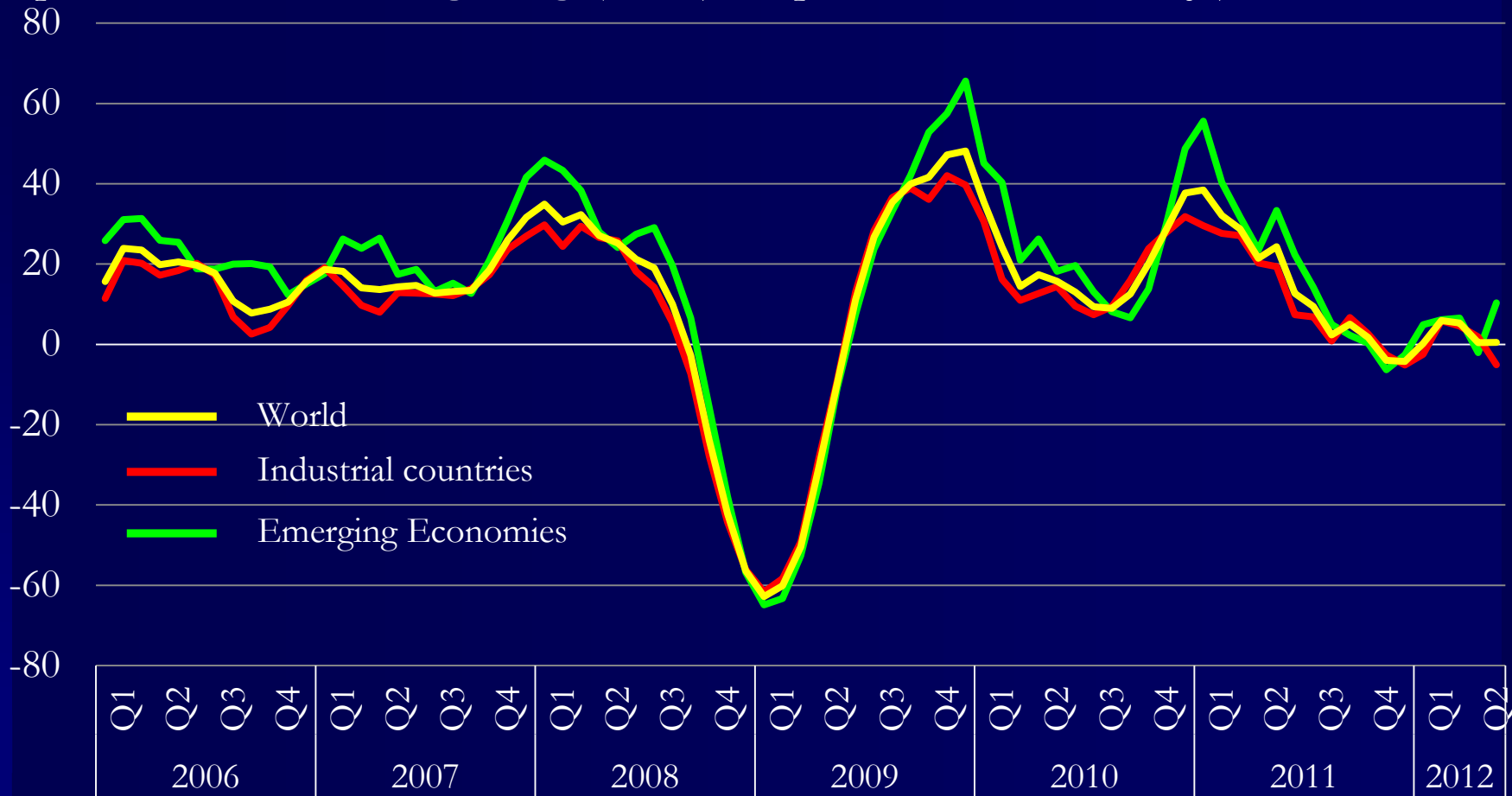
(percent)



...and world trade growth has stopped.

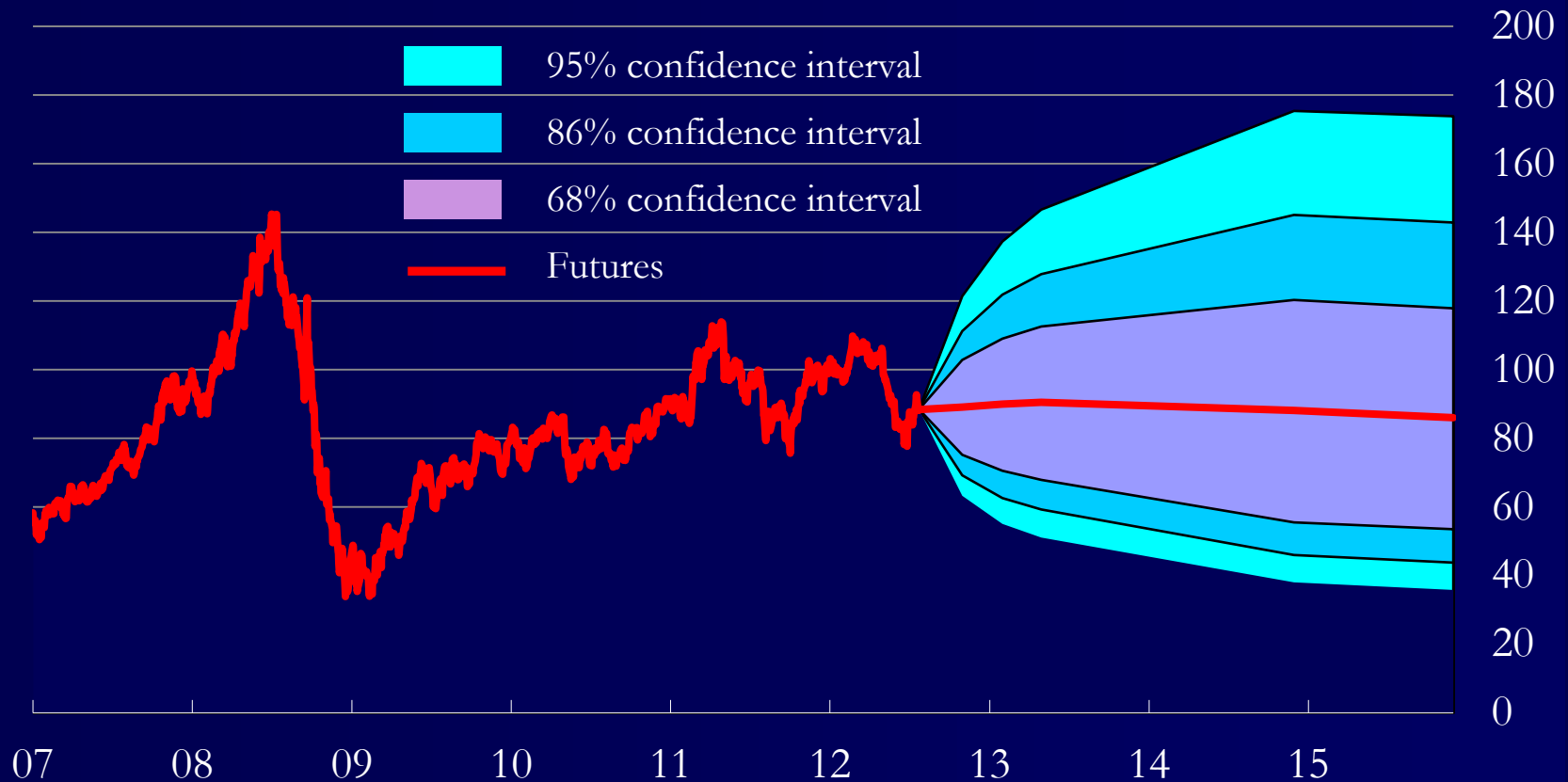
Merchandise Exports

(percent; three-month moving average (3mma) over previous 3mma, annualized)



Oil prices have fallen since the start of the year...

WTI Oil Price Prospects 1/
(USD per barrel)



1/Derived from prices of futures July 25, 2012

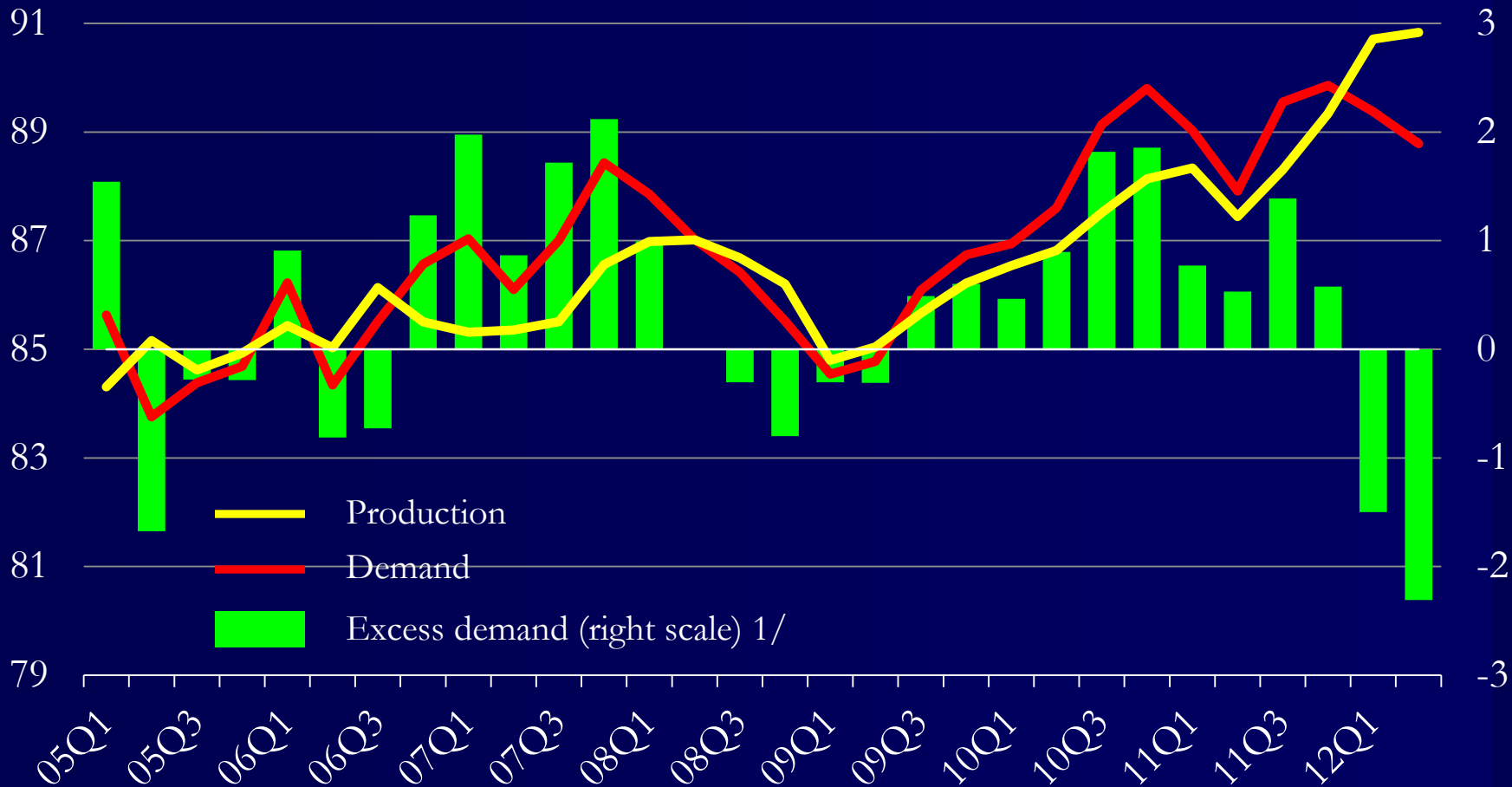
Source: Bloomberg; IMF staff calculations.



... and supply now exceeds demand.

World oil supply and demand

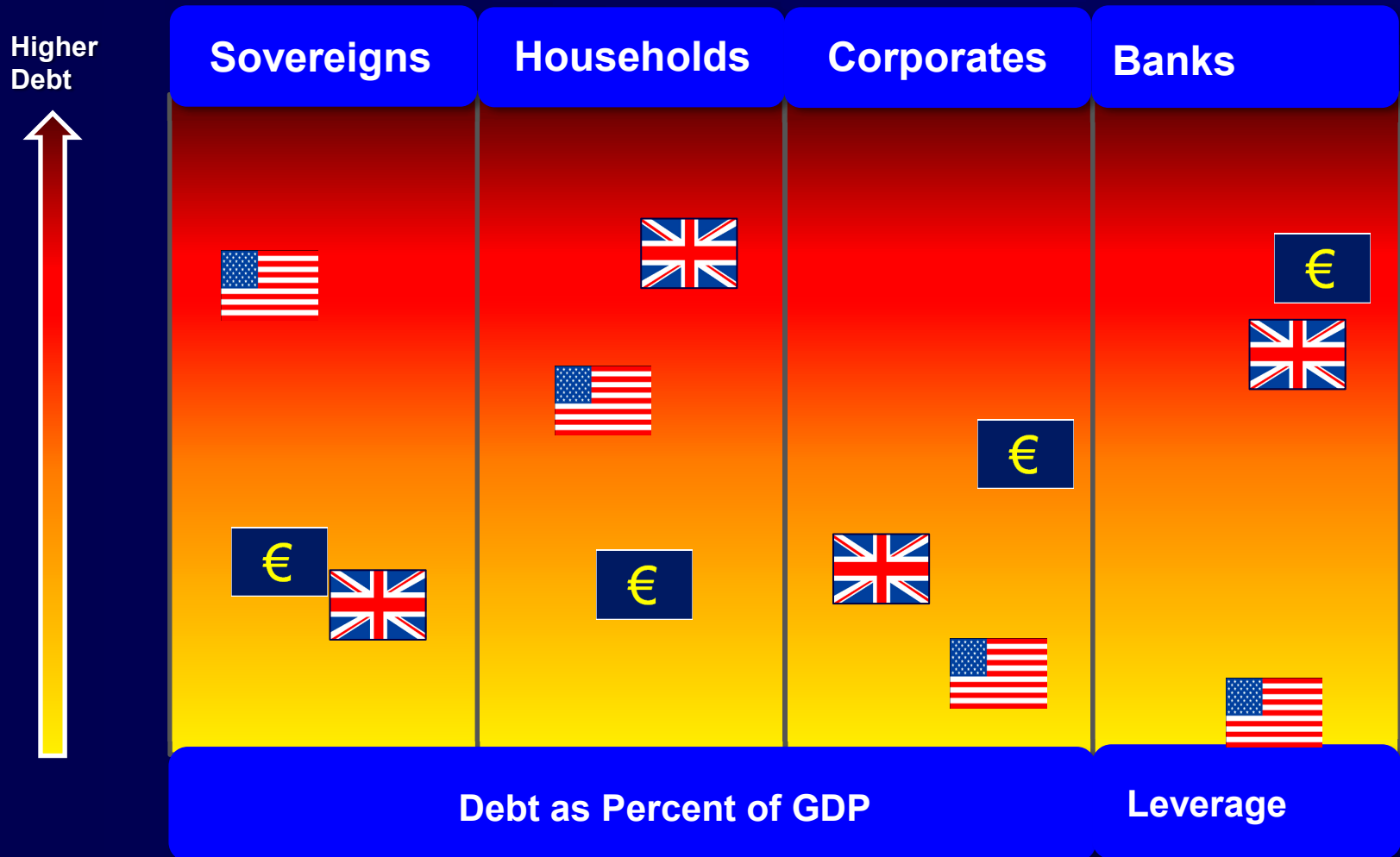
(Million barrels per day)



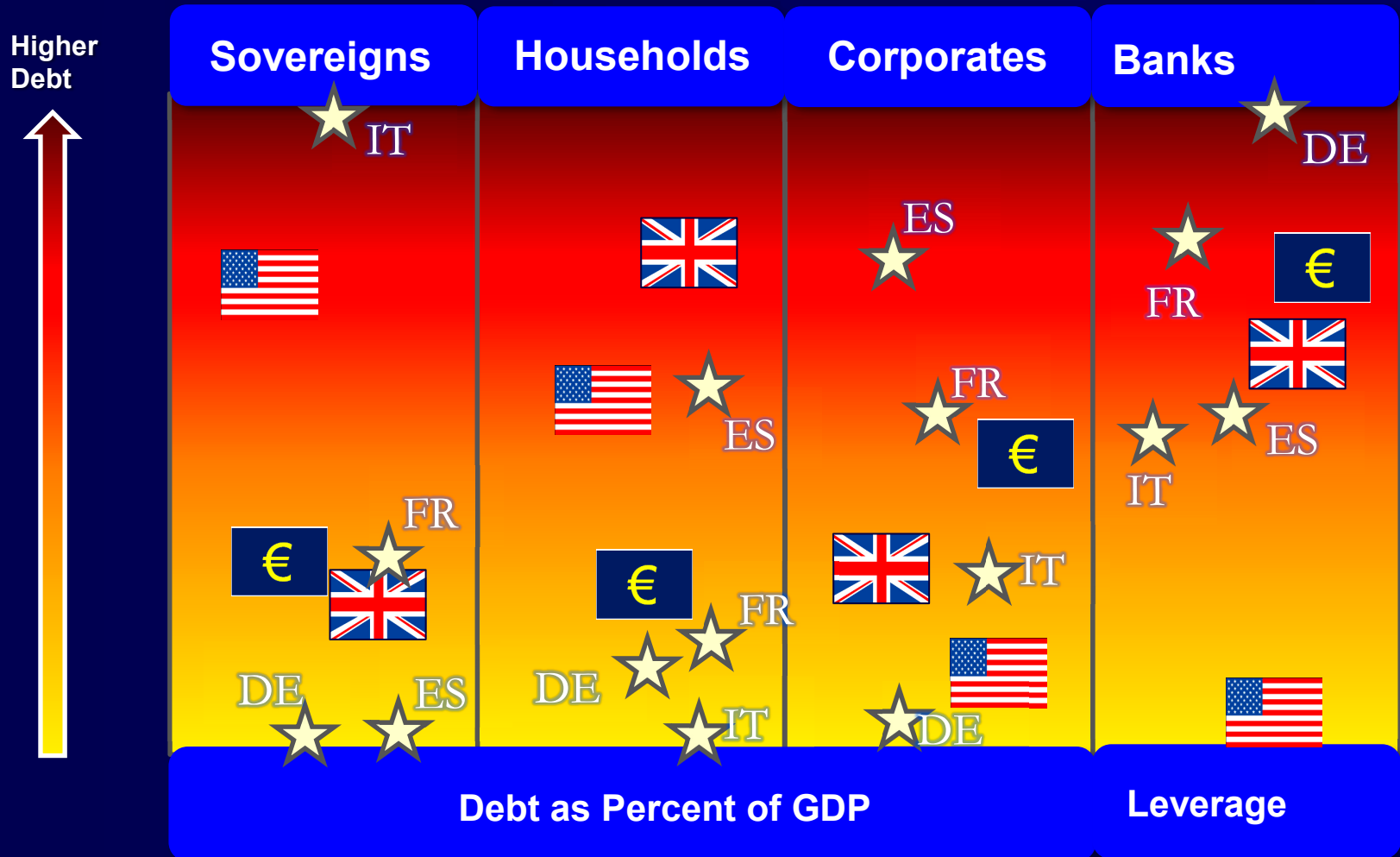
2/ In percent of global demand



Industrial countries face problems of debt ...



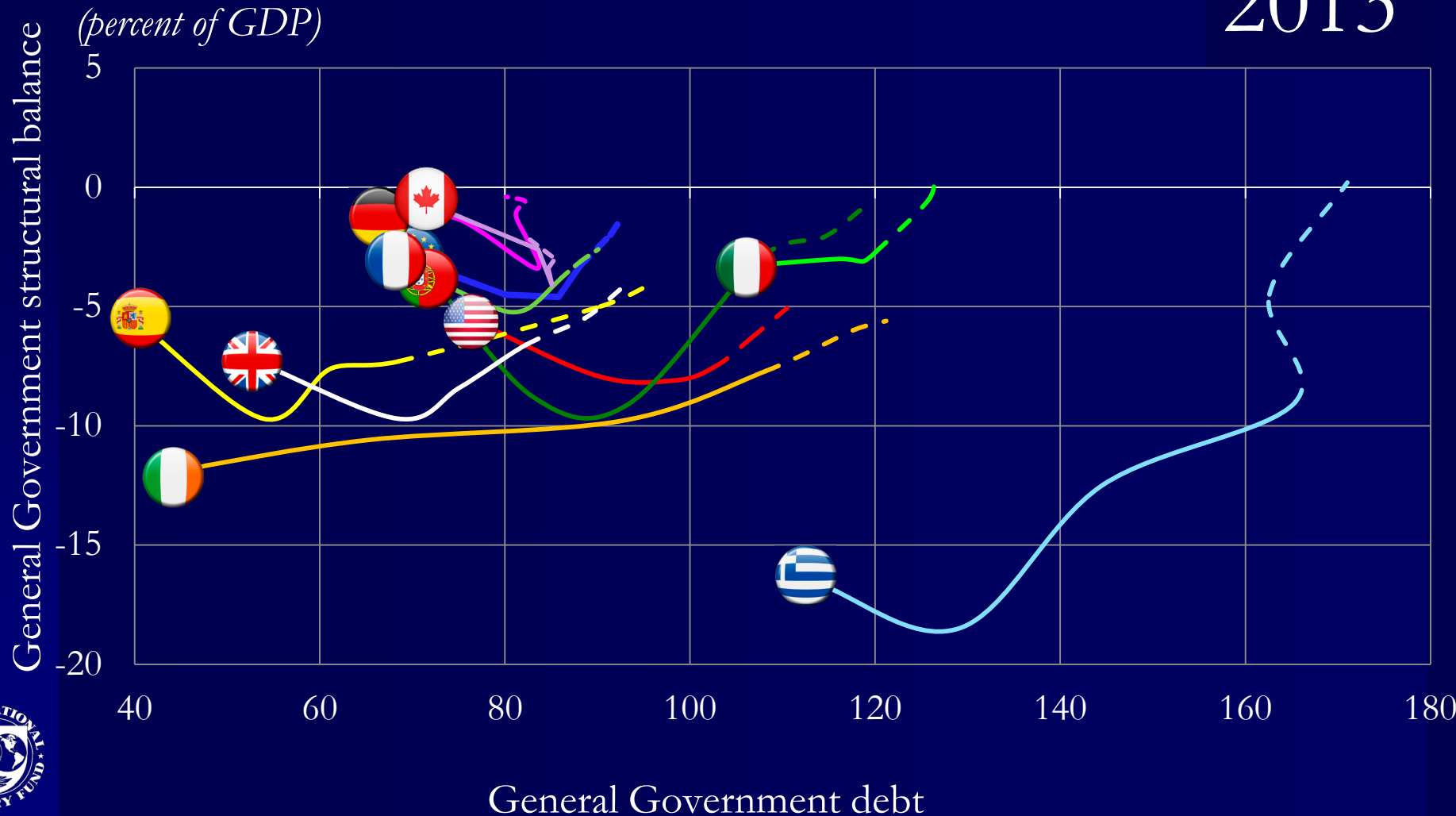
...but the configuration differs by country.



Deficits are being controlled, but debt ratios rise

General Government cyclically adjusted deficit and debt

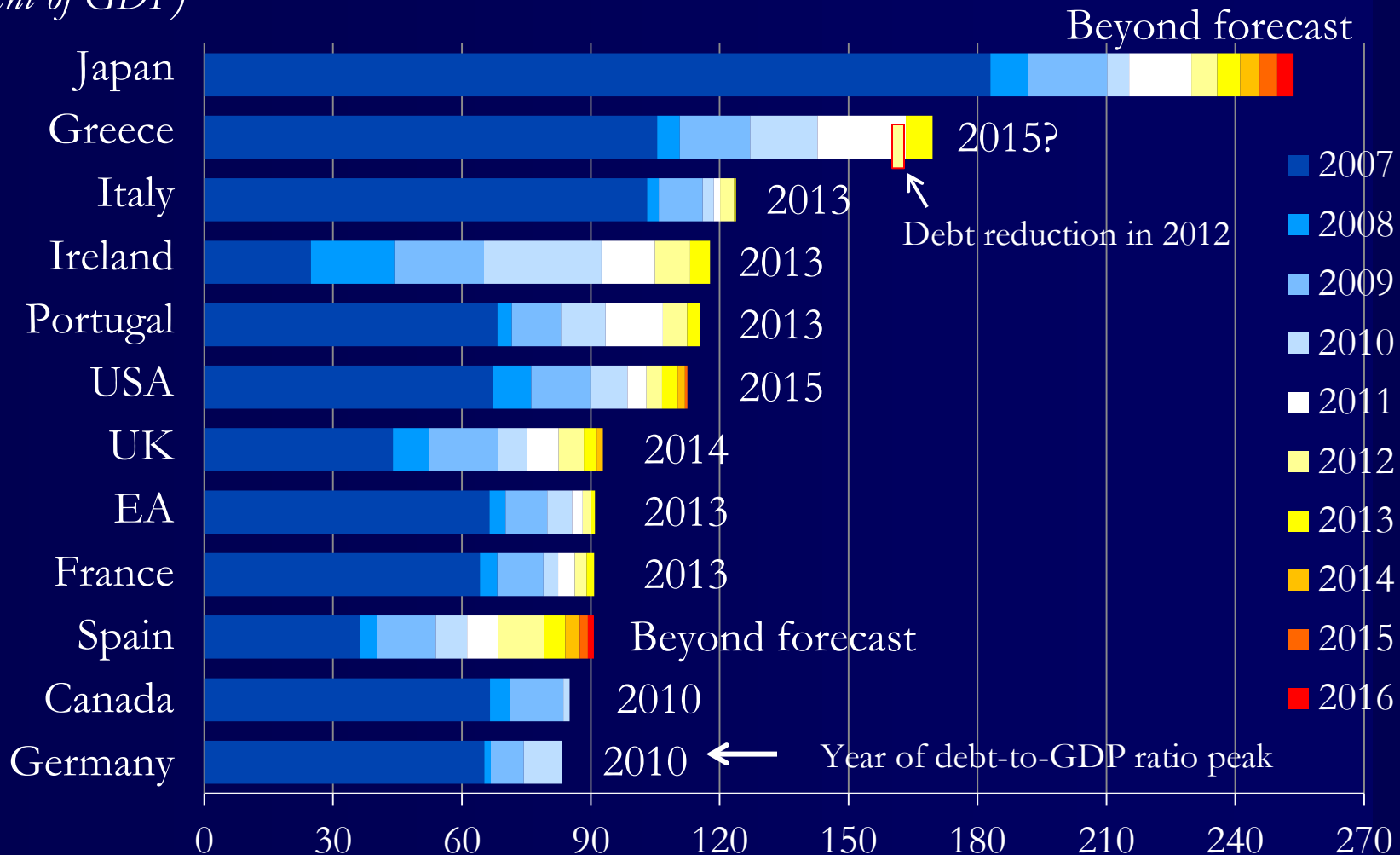
2013



Debt ratios are generally close to peaking.

General Government debt

(percent of GDP)



Baseline outlook is critically dependent on policy action

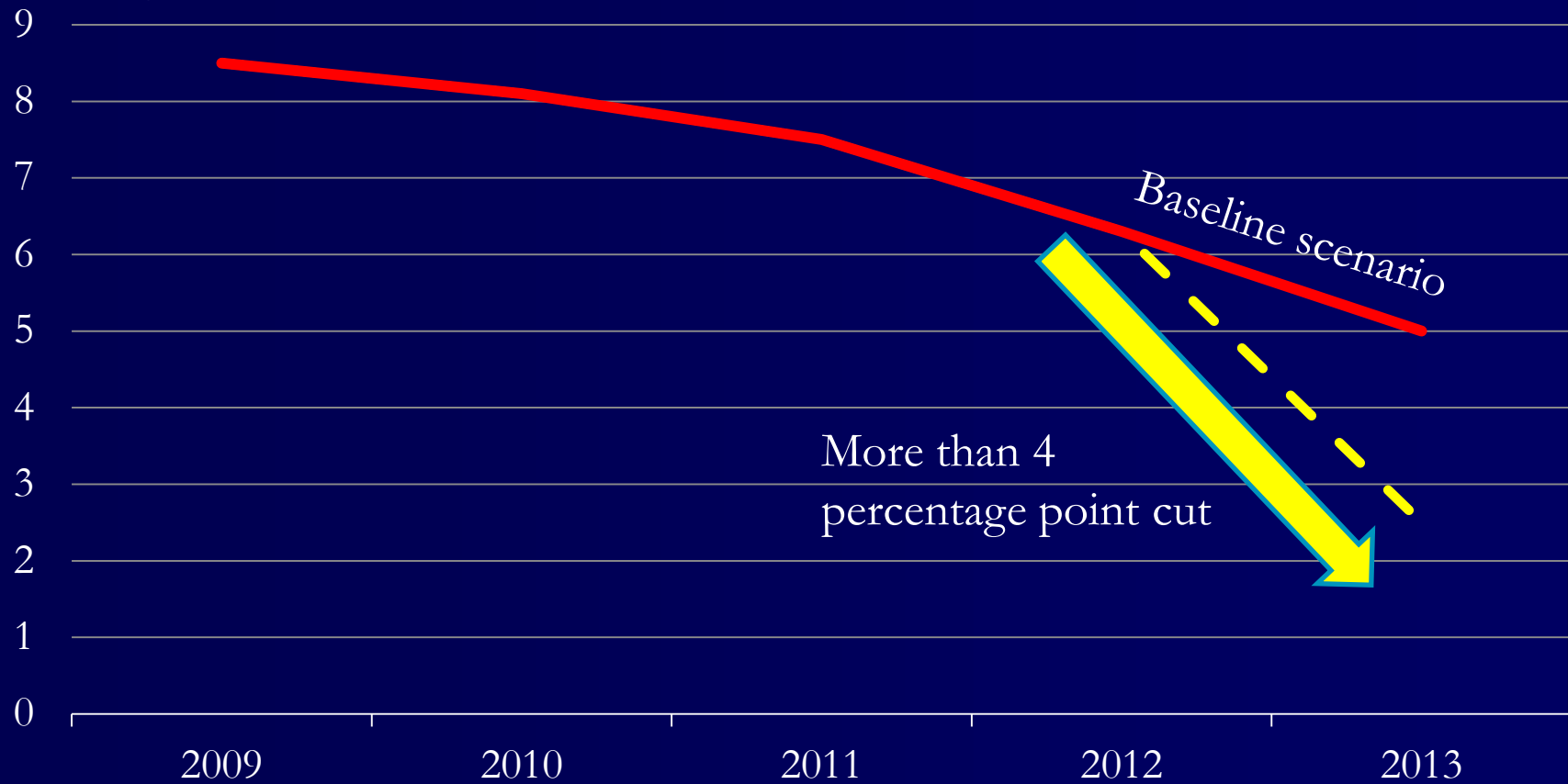
- US to prevent fiscal accidents
- Emerging markets to cope with slowdown
- Eurozone to overcome crisis



US faces a “fiscal cliff”...

US General Government Structural Deficit

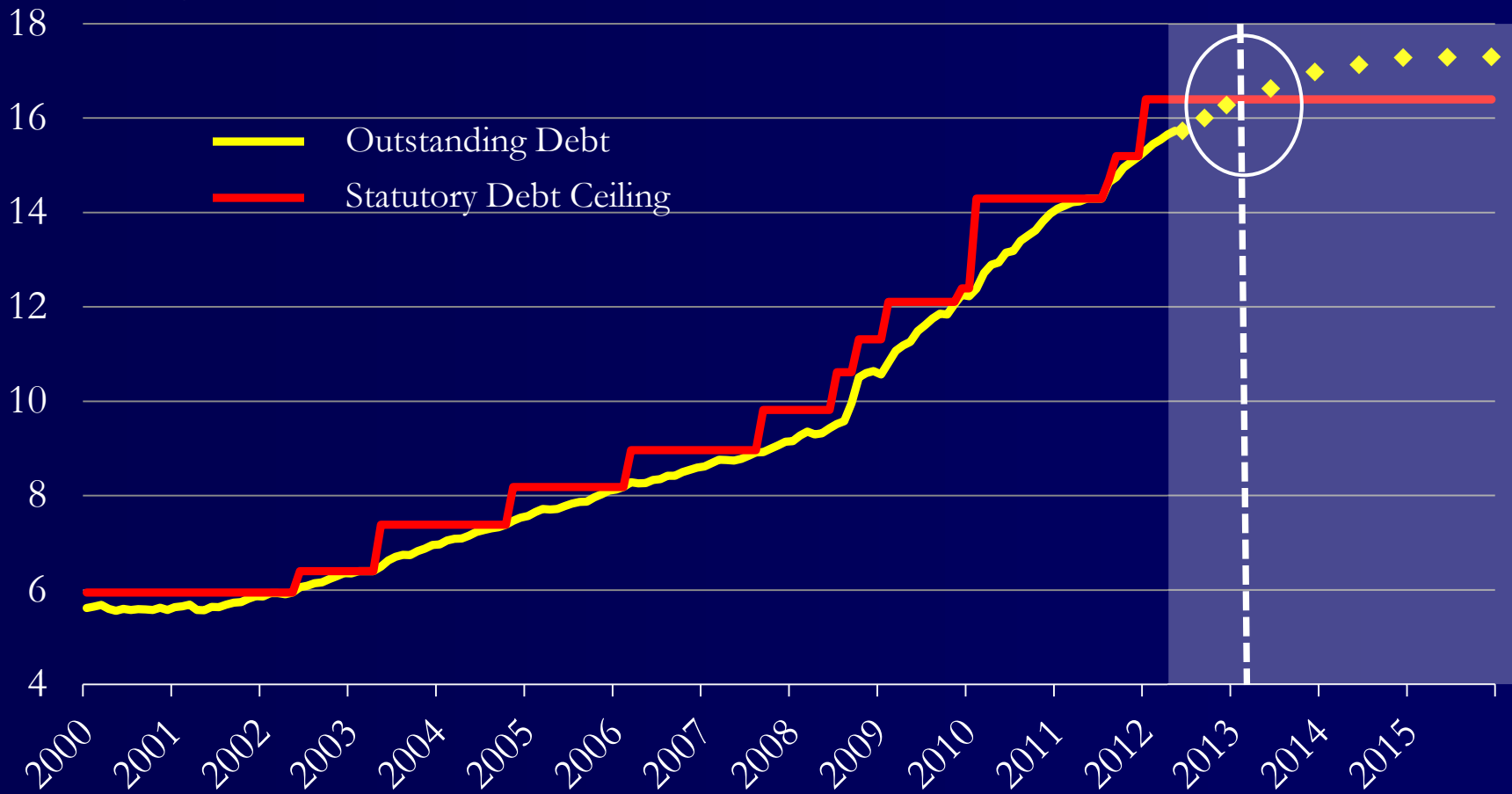
(percent of GDP)



...and a debt ceiling debate.

Outstanding Public Debt and Statutory Ceiling

(Trillions of USD)



This debate heightened uncertainty before...

Treasury Bill Yield

(percent)



Treasury Bill Yields
(right scale)

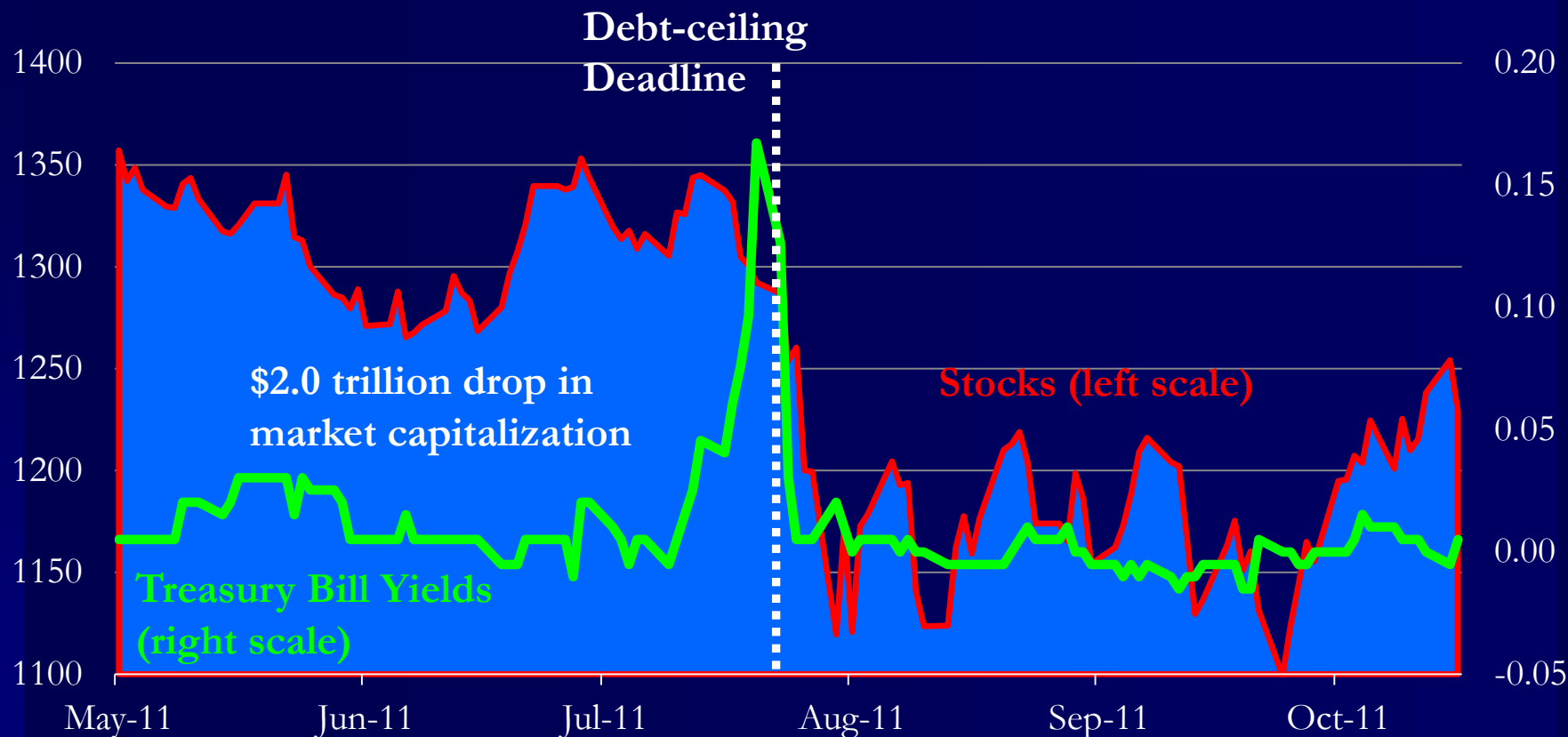
Debt-ceiling
Deadline



... and sharply affected confidence.

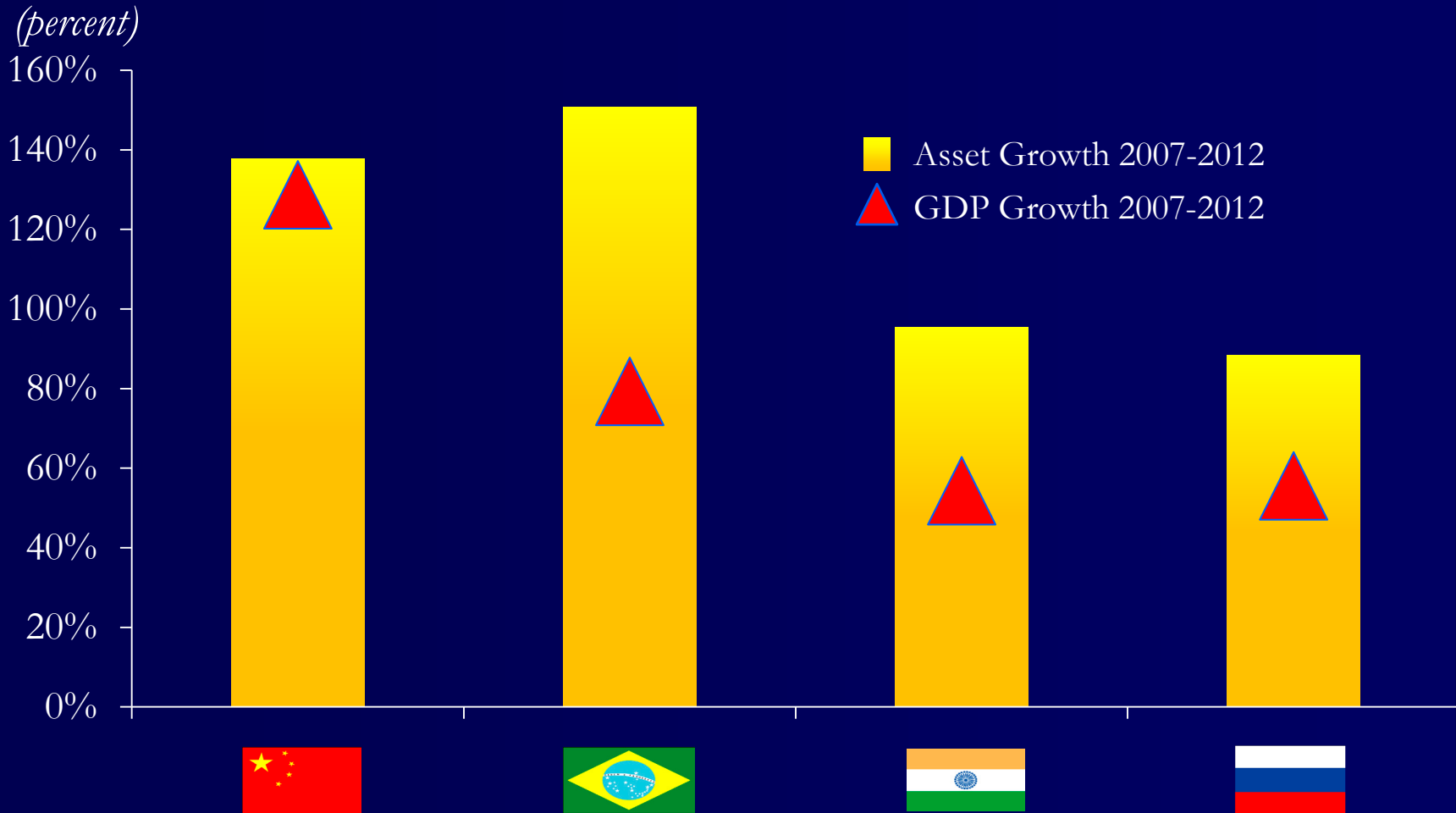
S&P index and Treasury Bill Yield

(points; percent)



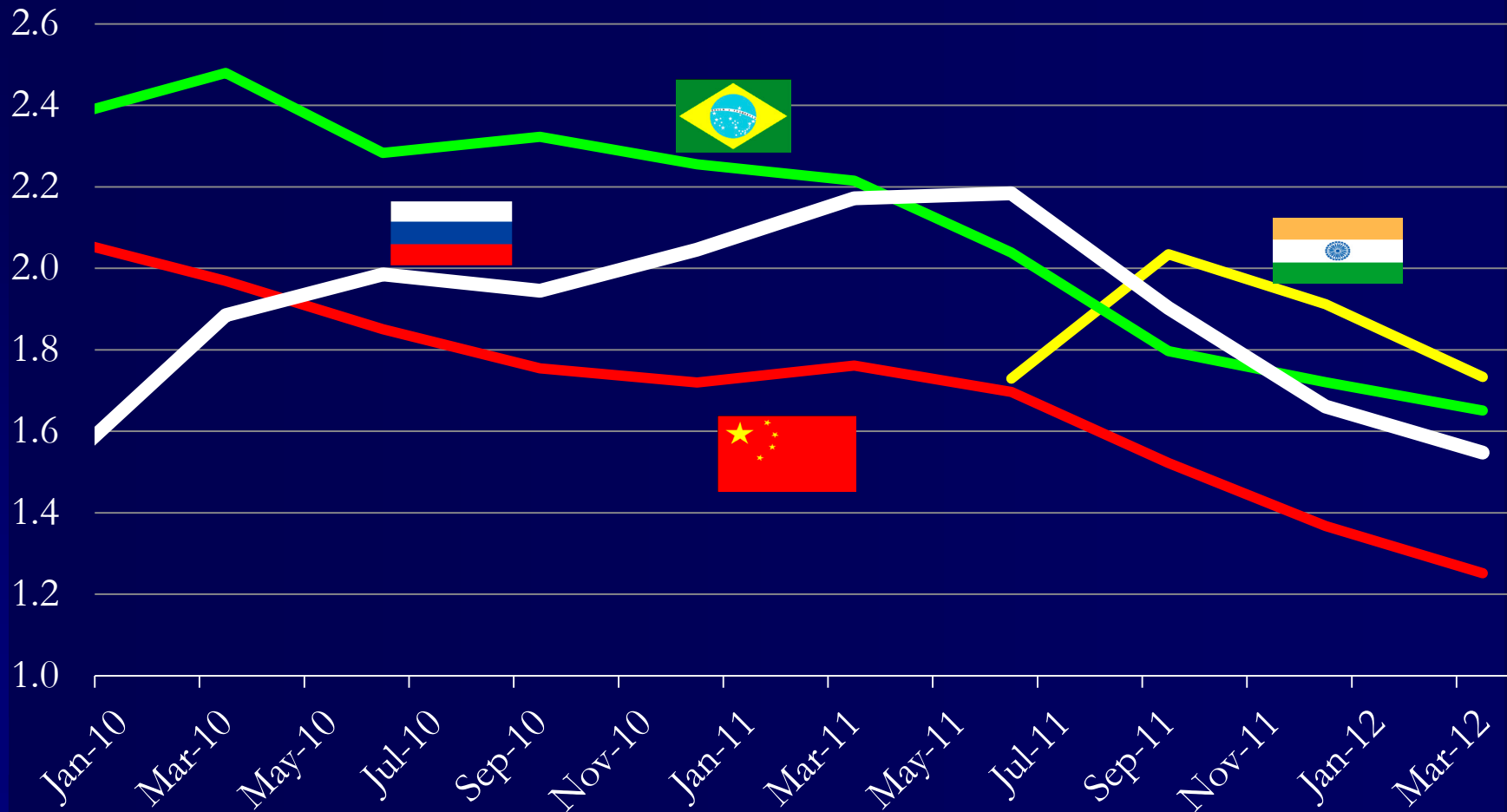
Credit has expanded in the BRICs very rapidly...

Asset Growth in selected EM Top 50 Banks



...and key financial ratios have deteriorated.

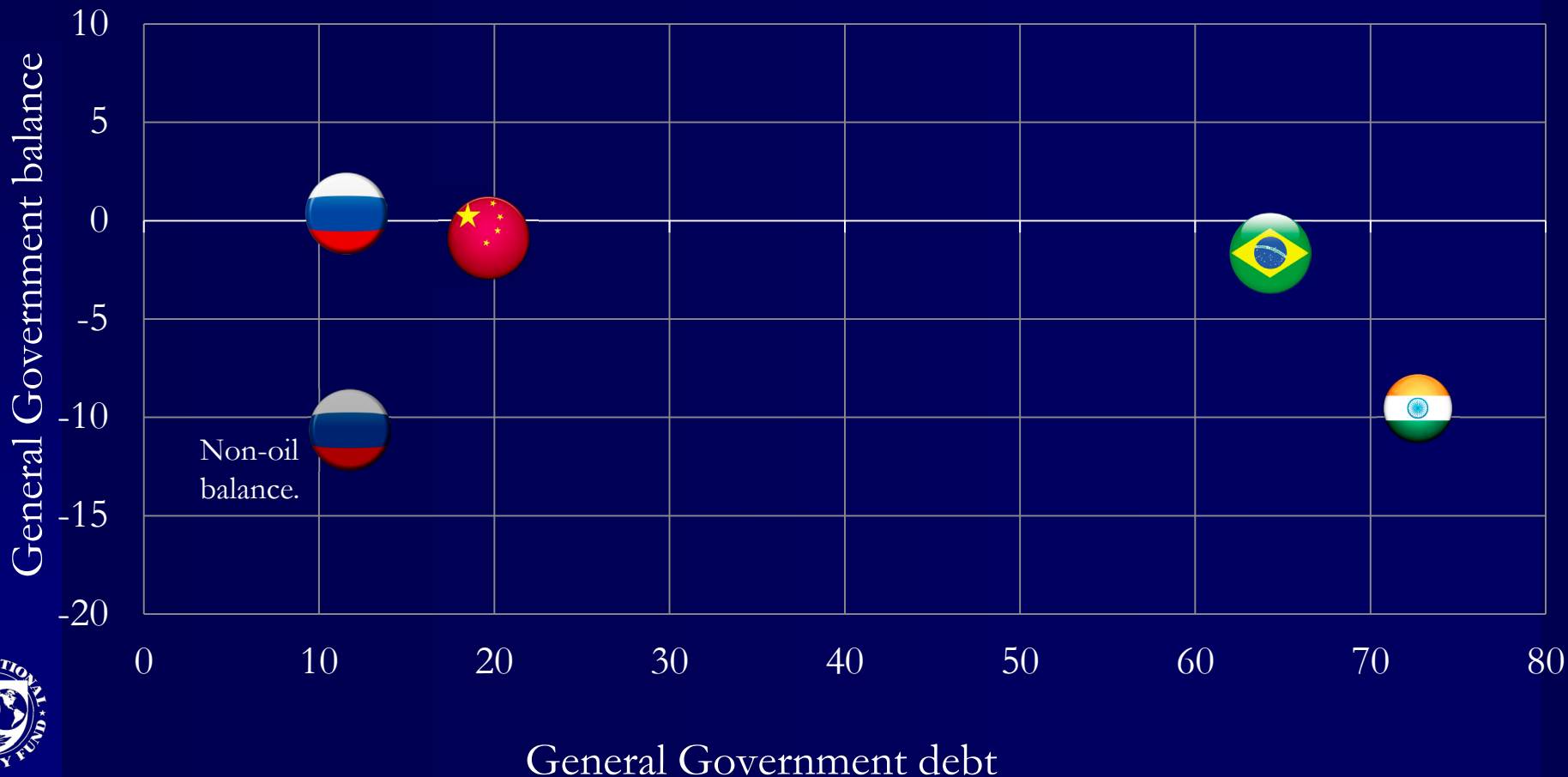
Price-to-book ratios for selected EM Top50 banks



Some BRIC governments have more fiscal space.

General Government deficit and debt
(percent of GDP)

2013

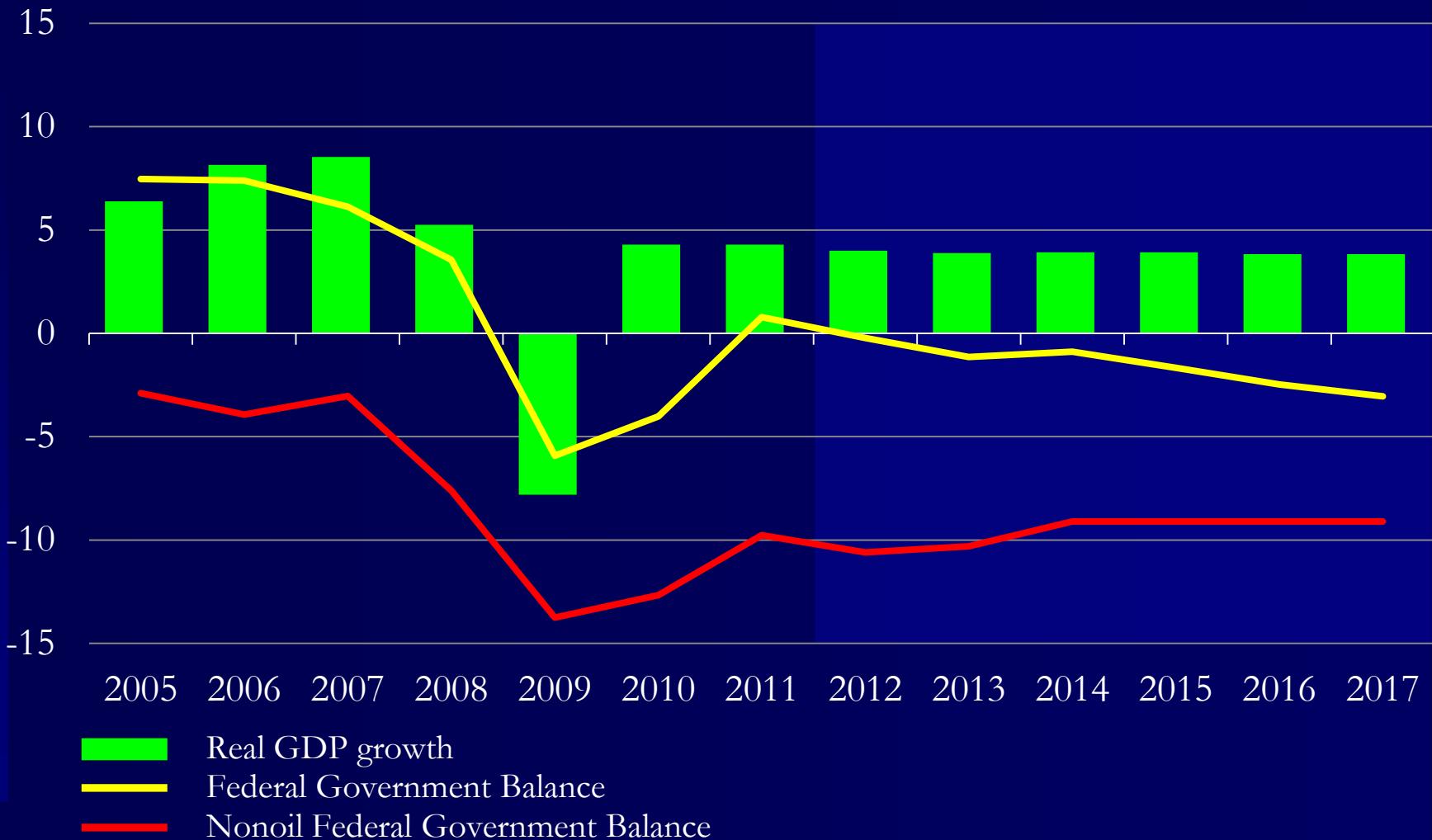


Non-oil
balance.



Russia needs more fiscal adjustment

(percent, percent of GDP)

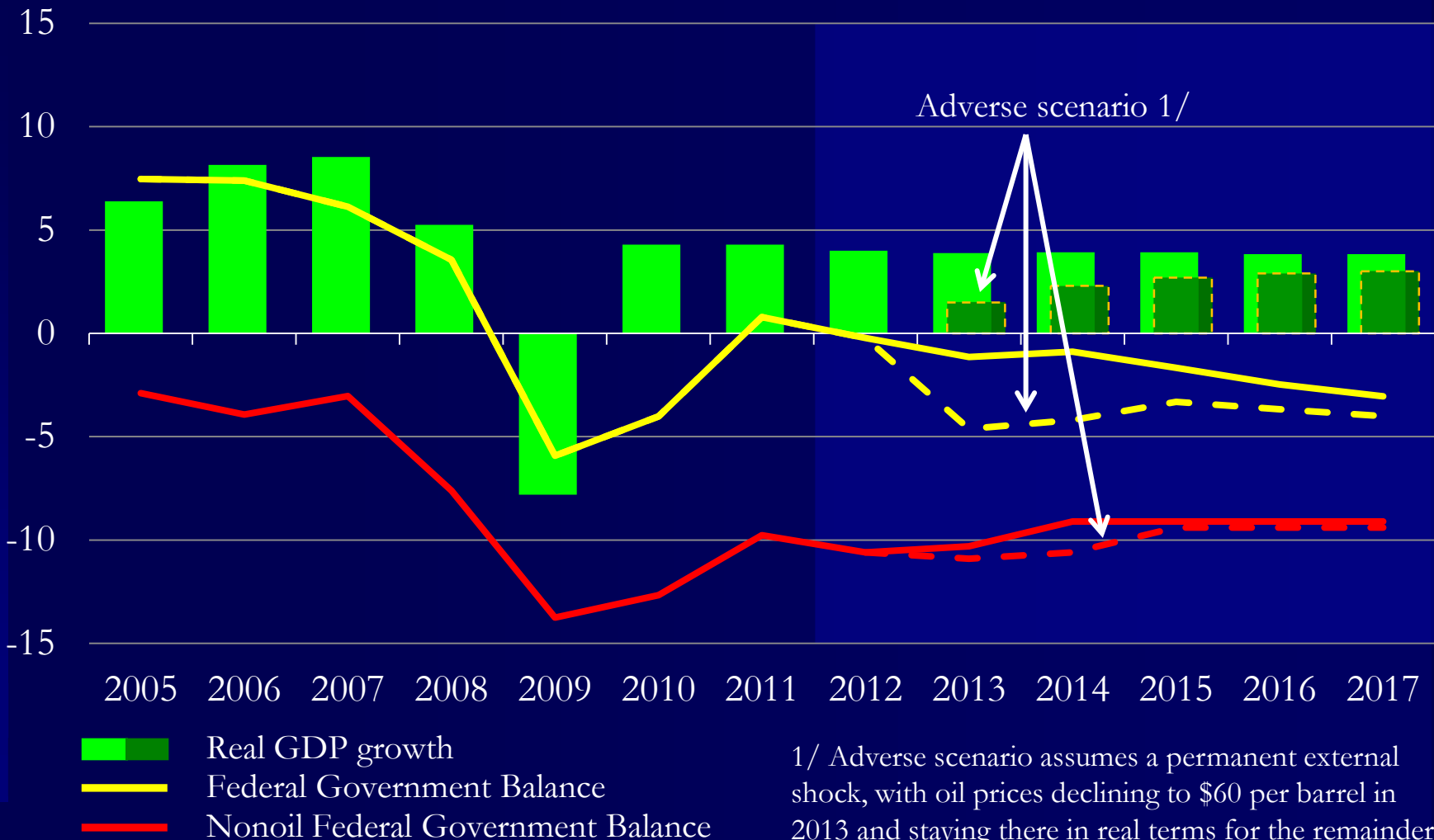


Source: Russian authorities; and IMF staff projections.



Russia needs more fiscal adjustment

(percent, percent of GDP)



1/ Adverse scenario assumes a permanent external shock, with oil prices declining to \$60 per barrel in 2013 and staying there in real terms for the remainder of the forecast.

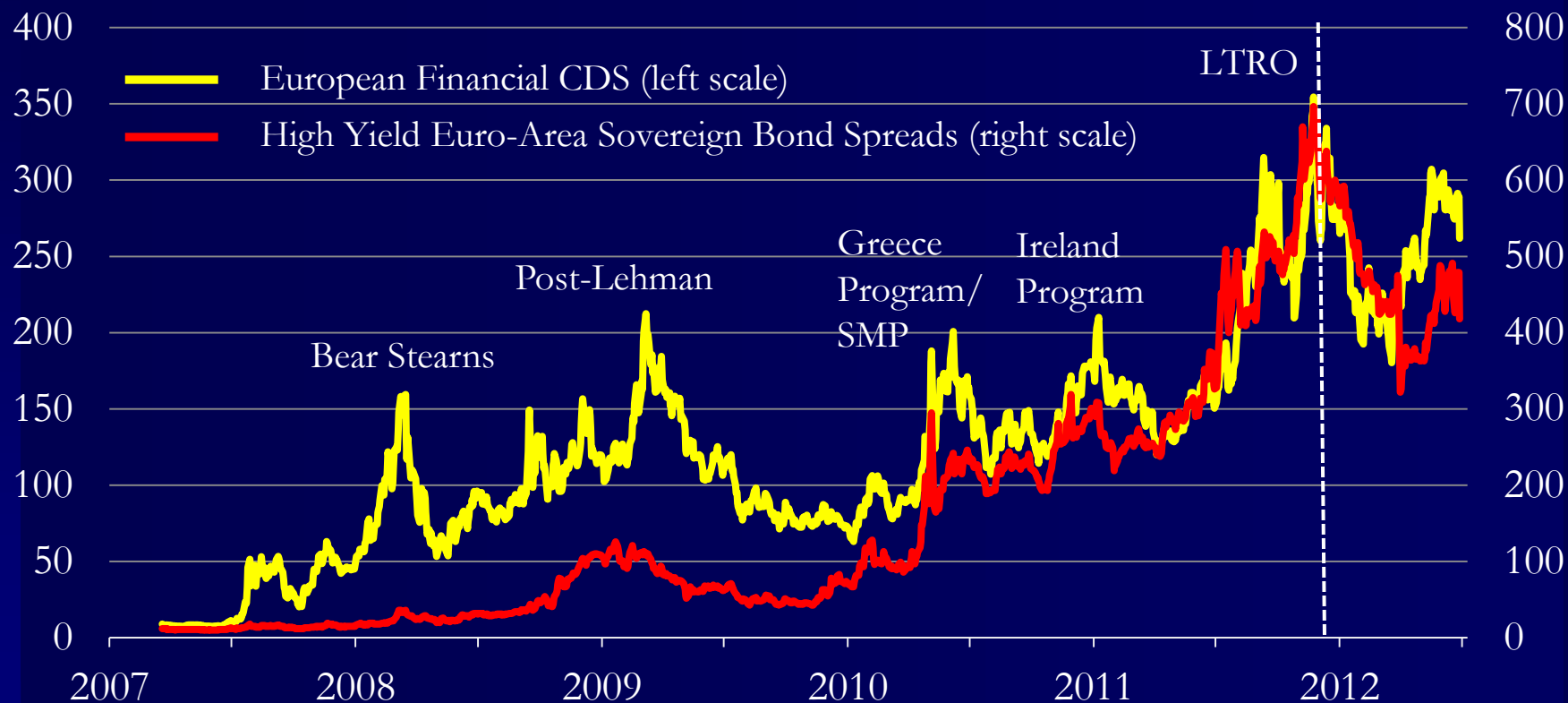
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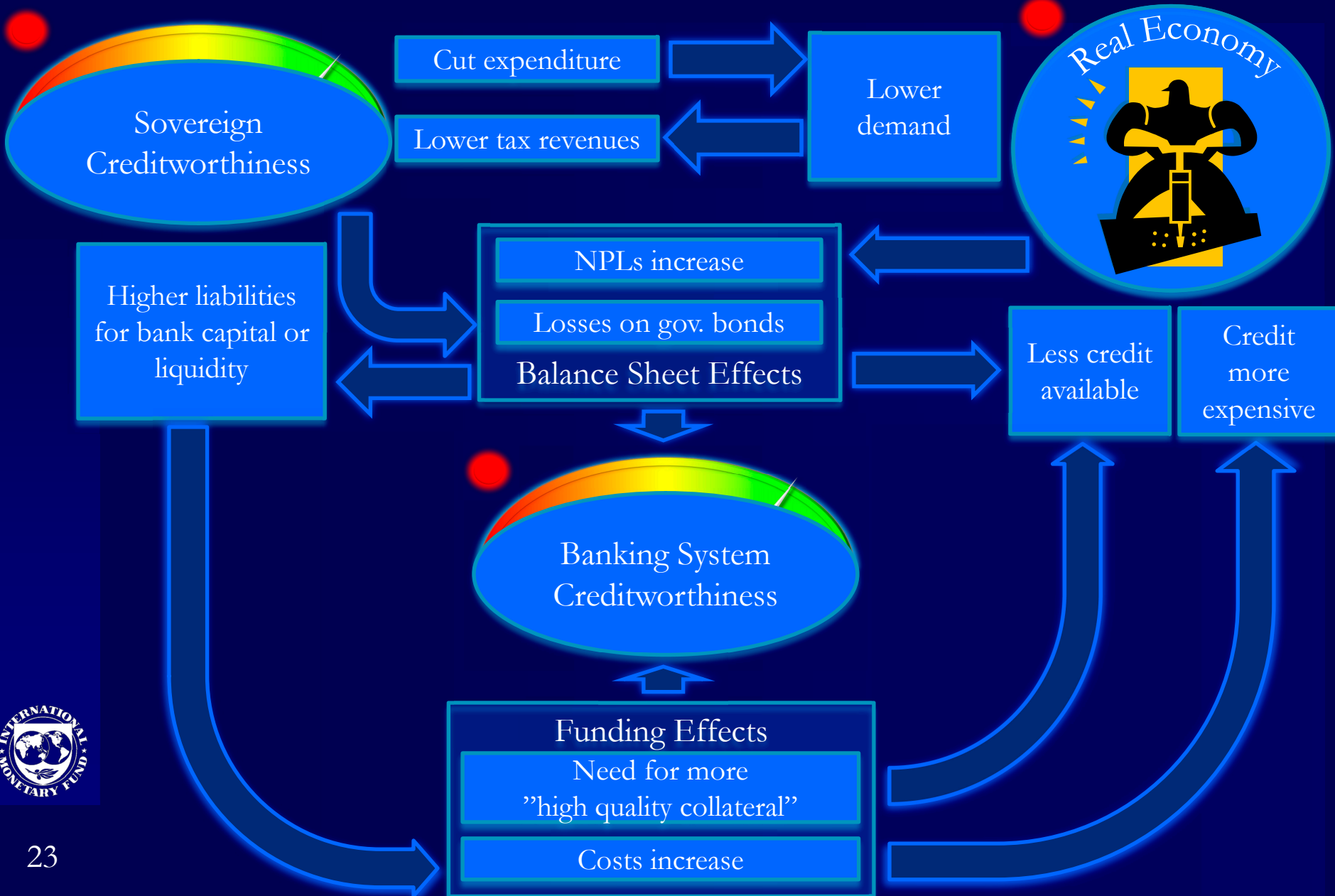
The crisis in the Euro Area continues to deepen

Sovereign and Bank Spreads

(basis points)



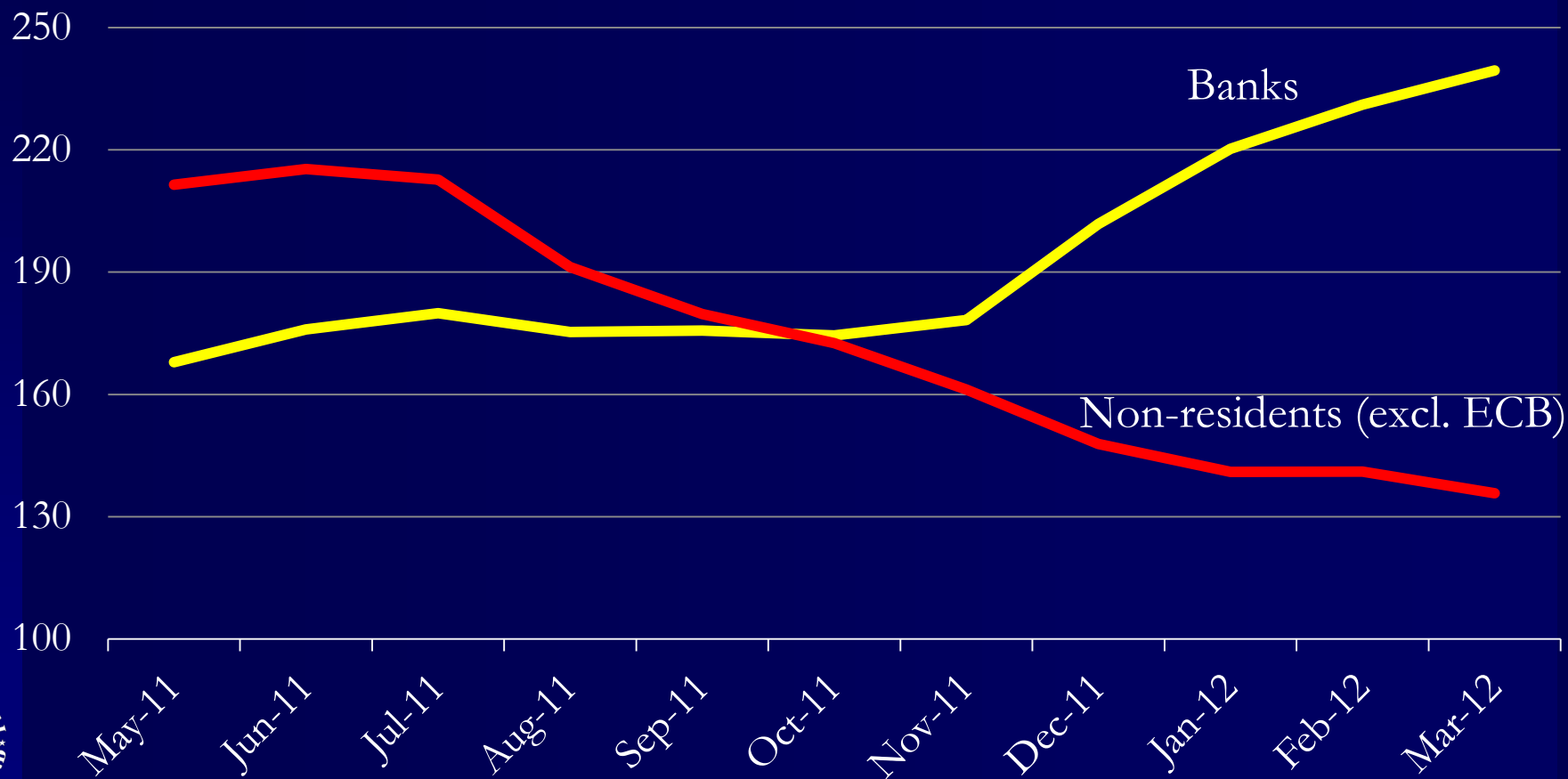
Sovereign – Bank – Economy Links



Investors leave the periphery and banks replace them.

Holder of Spanish Central Government Debt

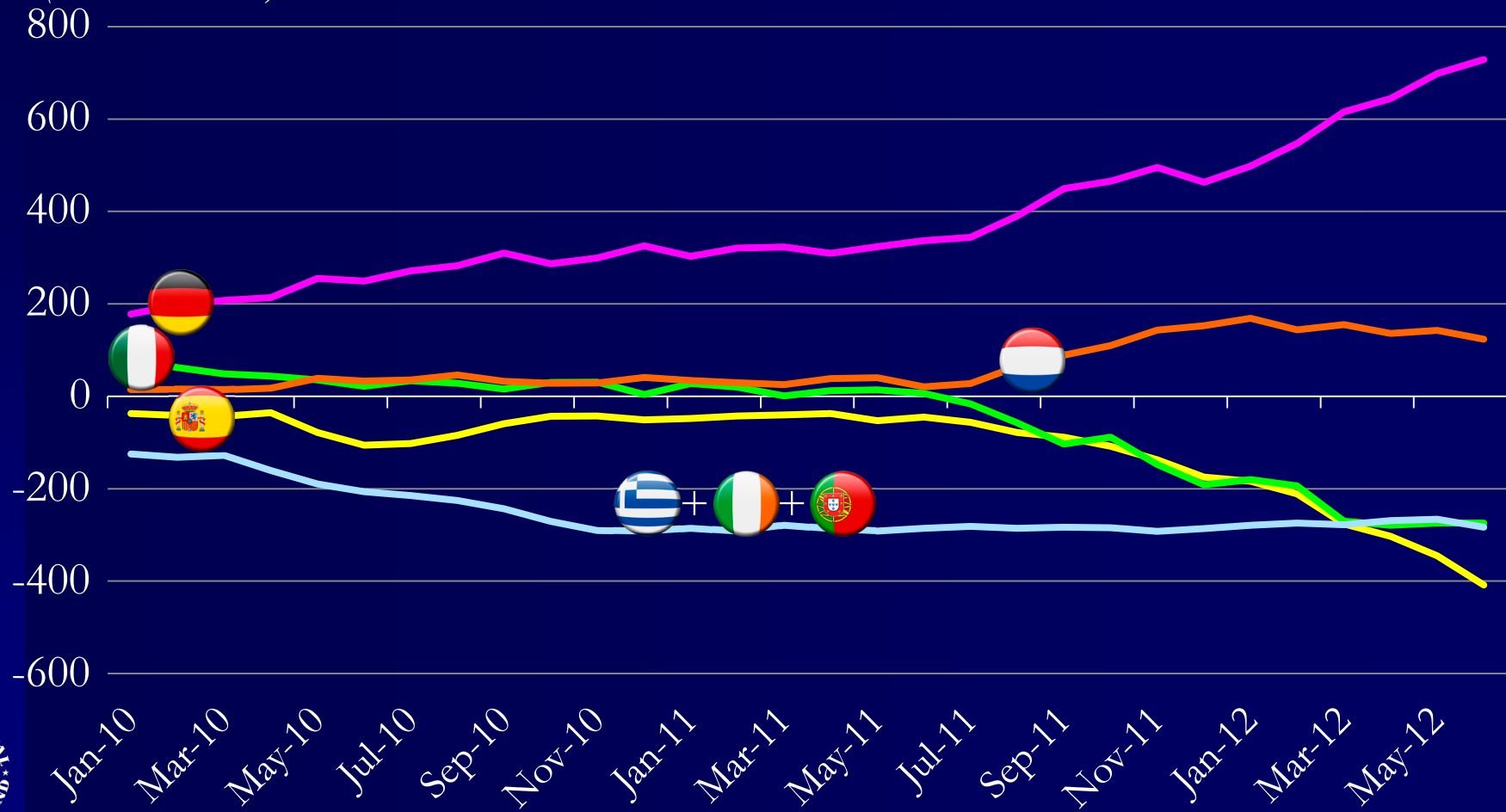
(EUR billions)



Cross-border lending in the eurozone has collapsed.

Net Balance with the Eurosystem (Target 2)

(EUR billions)



Three interrelated crises of the eurozone

- Banking crisis
- Fiscal crisis
- Growth and competitiveness crisis

Elements of a Banking Union

- ✓ A single supervisor
- ✓ A bank resolution authority
- ✓ A joint deposit guarantee scheme

Proposals from Commission in August

Single supervisor by end of year.

Elements of Fiscal Union

Thank you

