



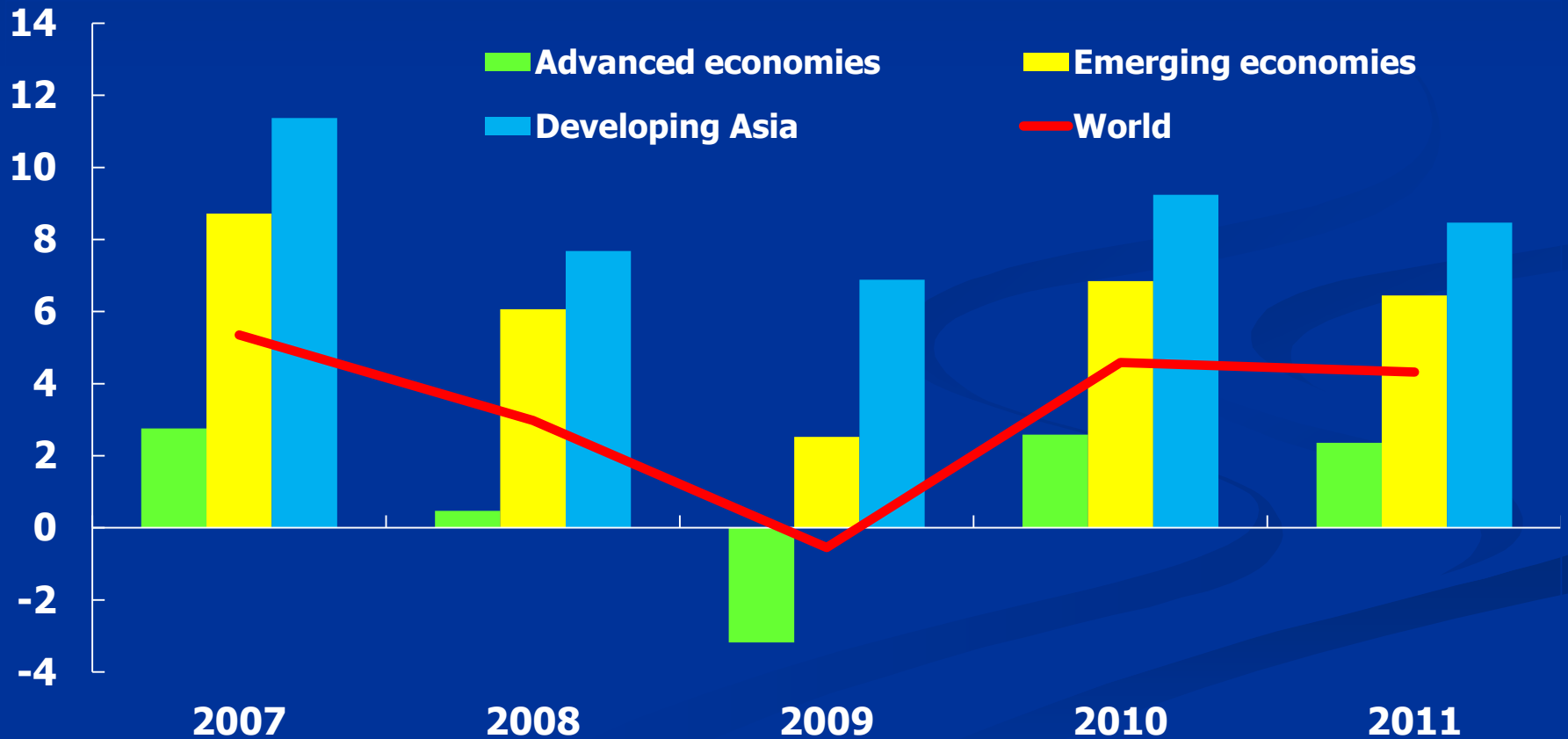
The Global Economic Outlook and Implications for Asia

Pacific Islands
September 9, 2010

Anoop Singh
Director, Asia and Pacific Department, IMF

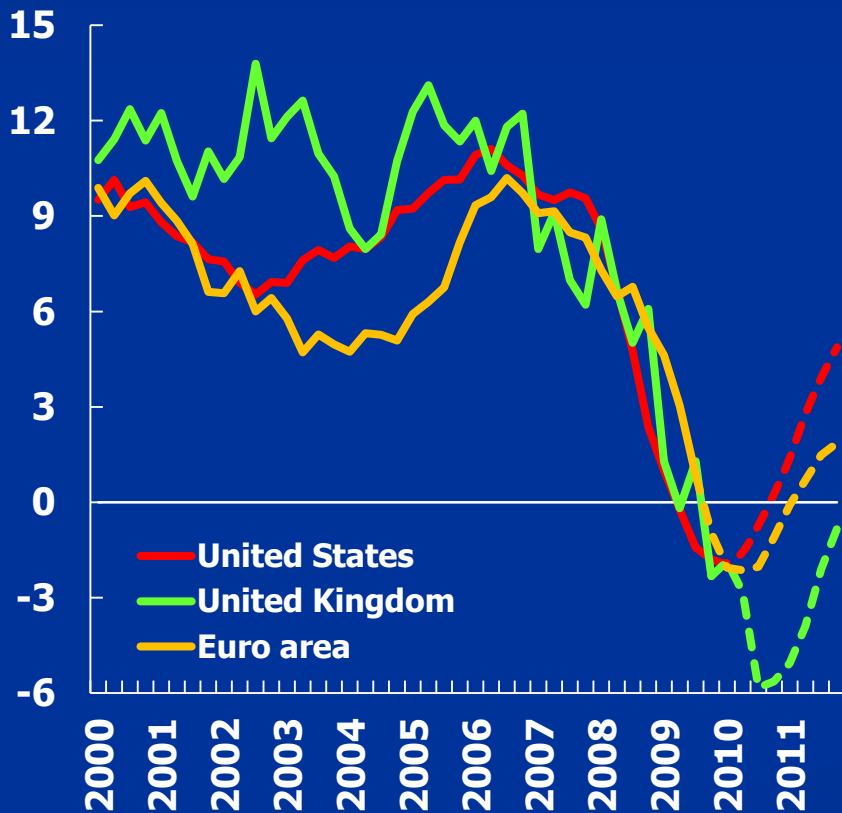
A multispeed recovery, with Asia leading

GDP Growth
(y/y percent change)

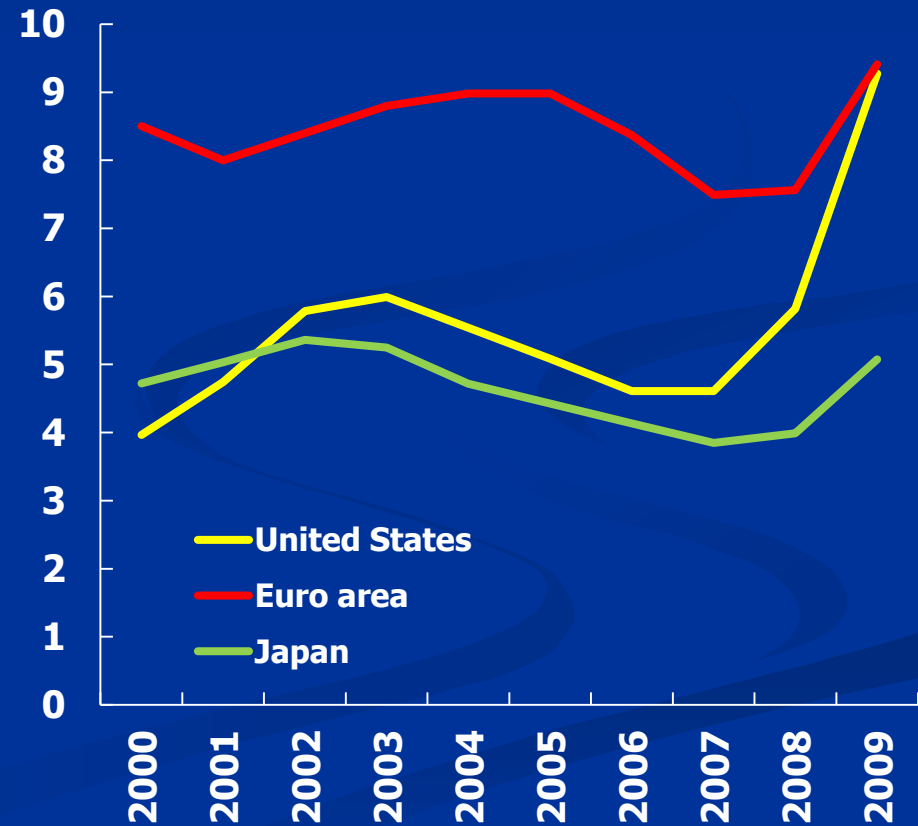


In advanced economies, crisis legacy will undermine private demand

Non-Financial Private Sector Credit
(y/y percent change)

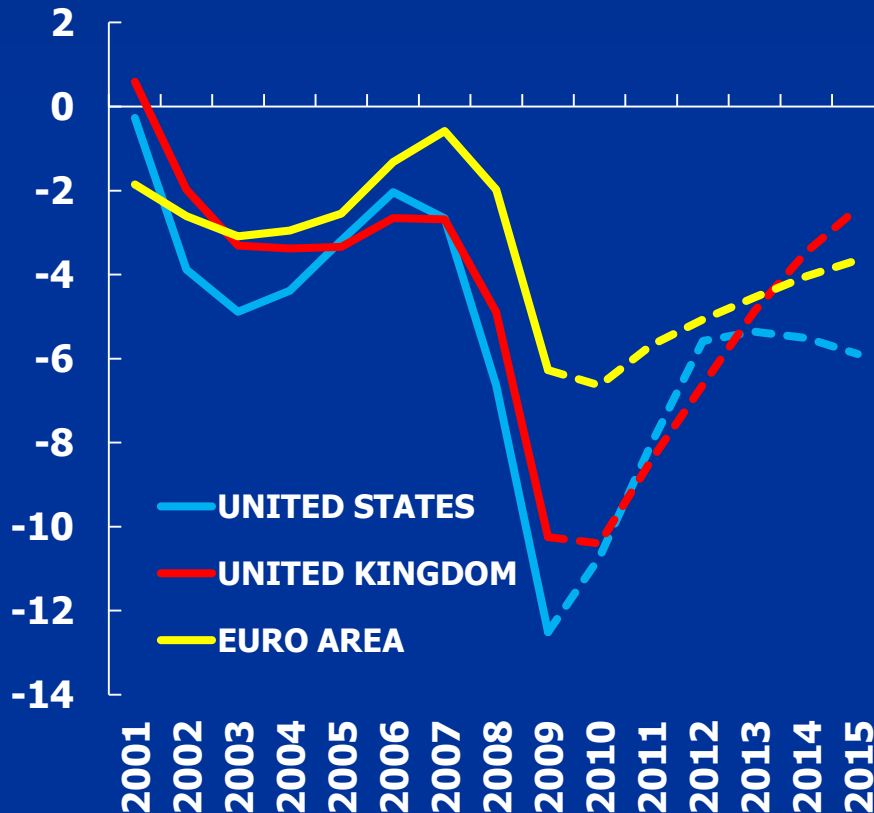


Unemployment Rate
(percent)

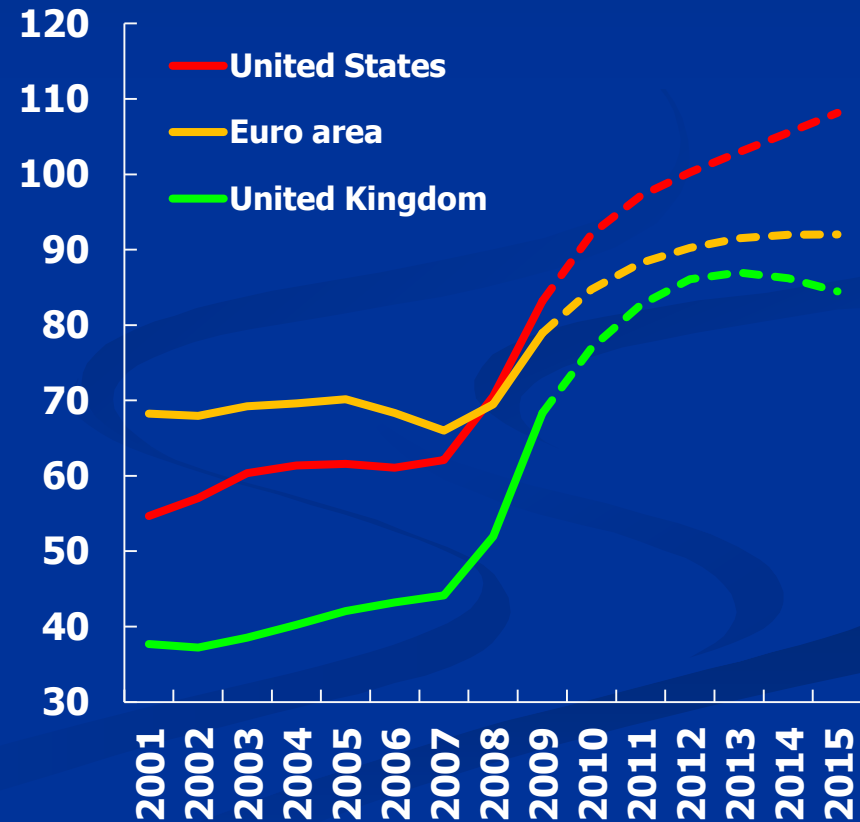


But the space for policy stimulus is being exhausted

General Government Balance
(percent of GDP)

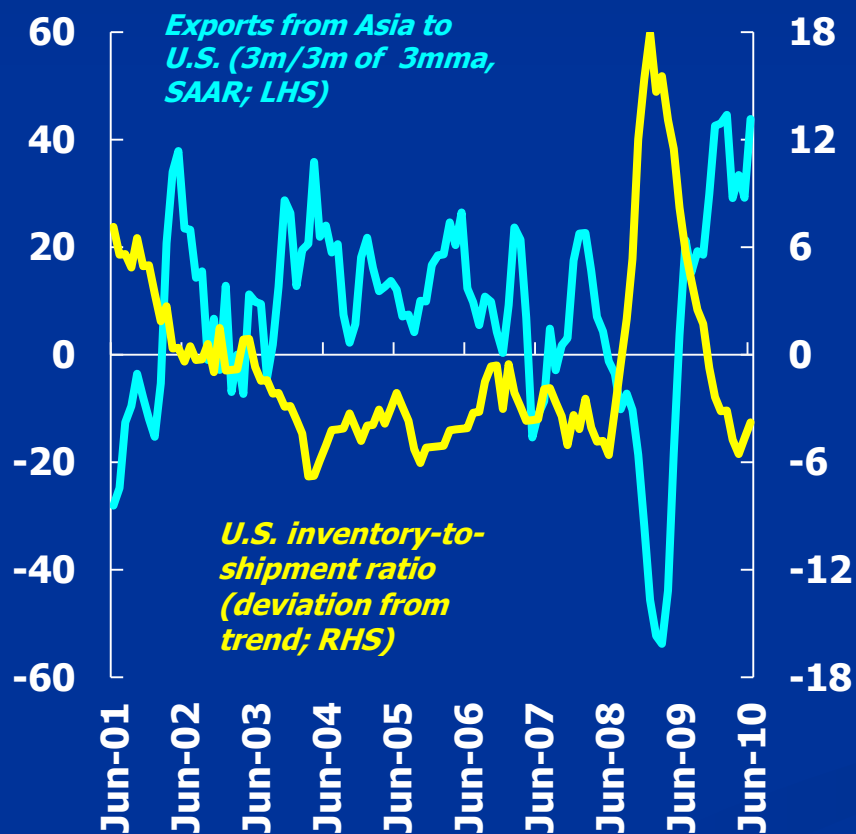


Public Debt
(percent of GDP)

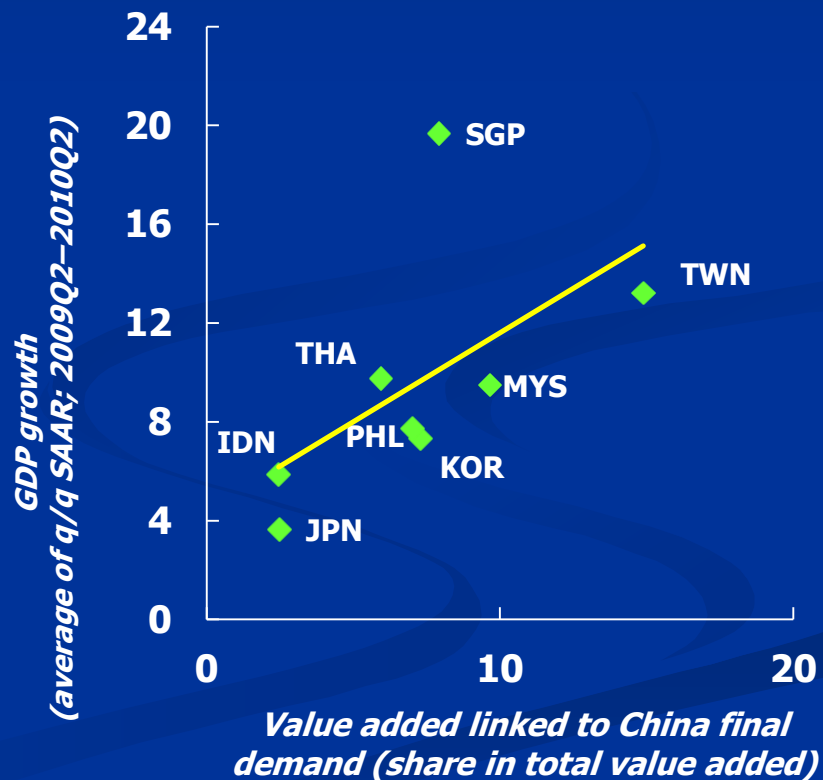


Global inventory cycle and China have lifted Asia

U.S. Inventories and Exports from Asia to U.S.
(percent)

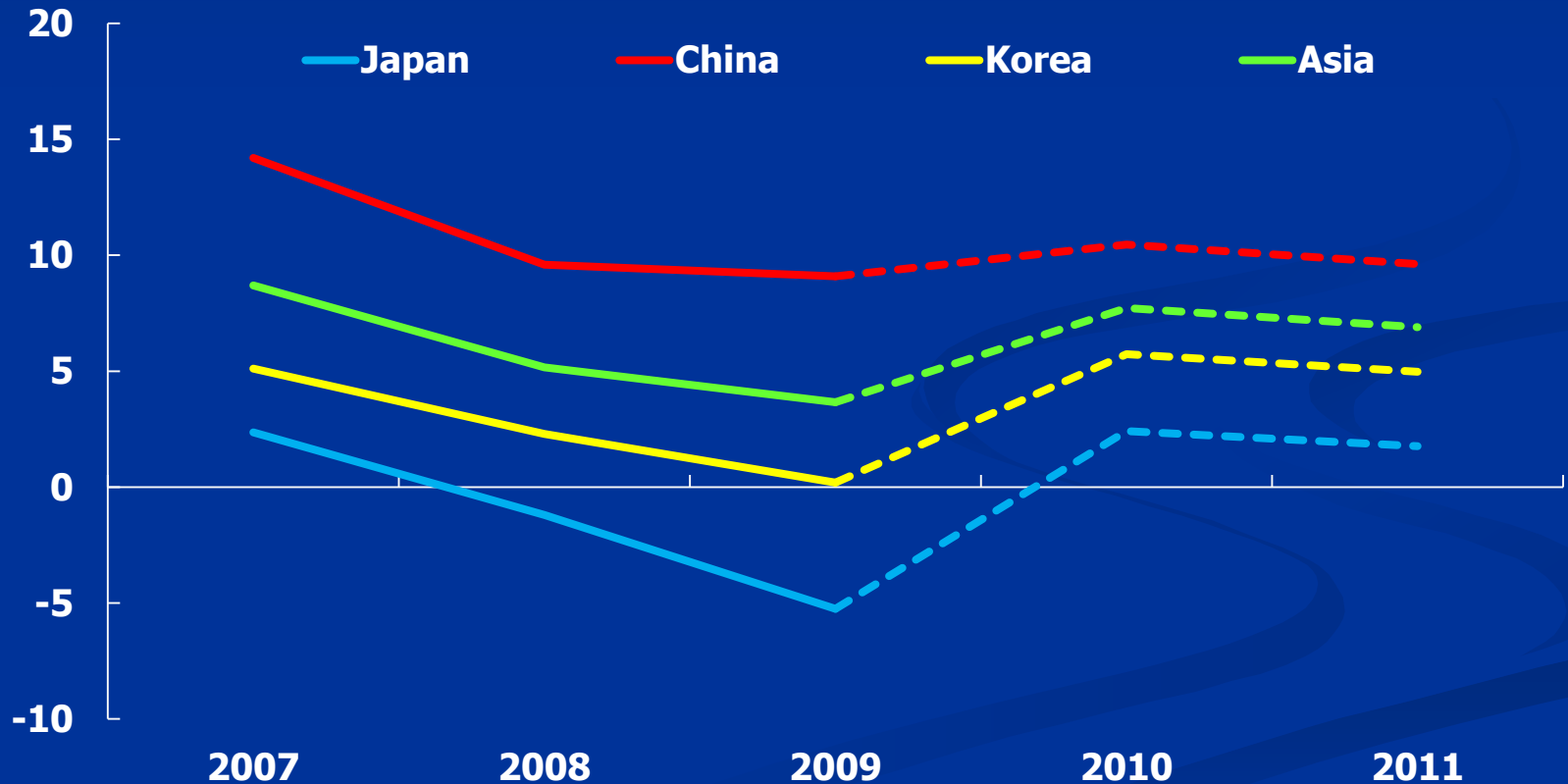


GDP Growth and Value Added Linked to China
(percent)



Asia's growth will reach 7.7 percent in 2011

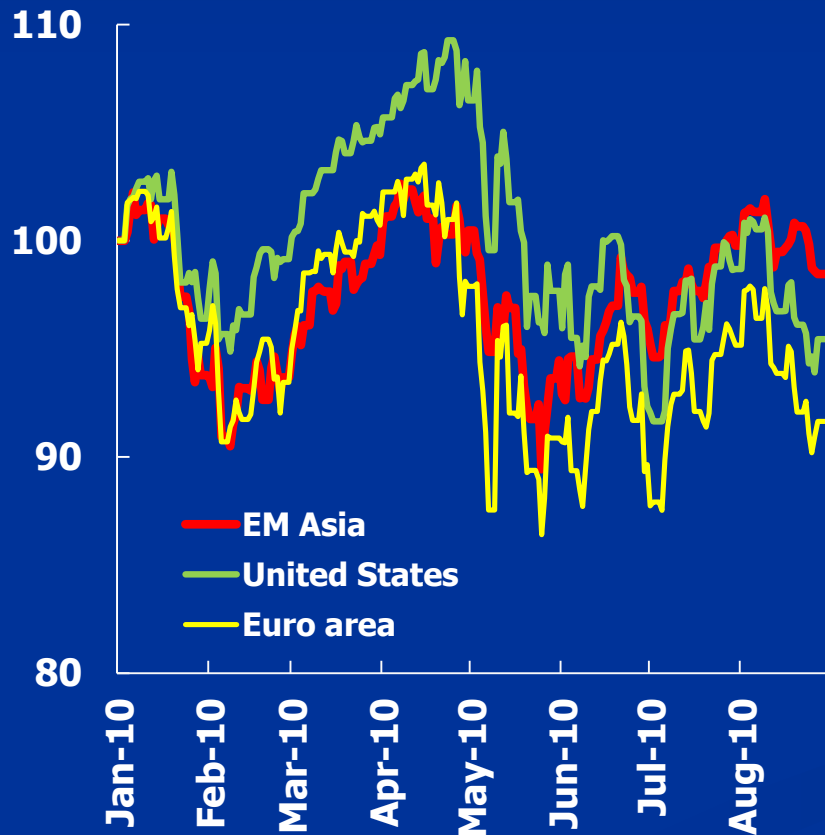
Selected Asia: GDP growth
(y/y percent change)



But downside risks have intensified, following the euro area debt crisis

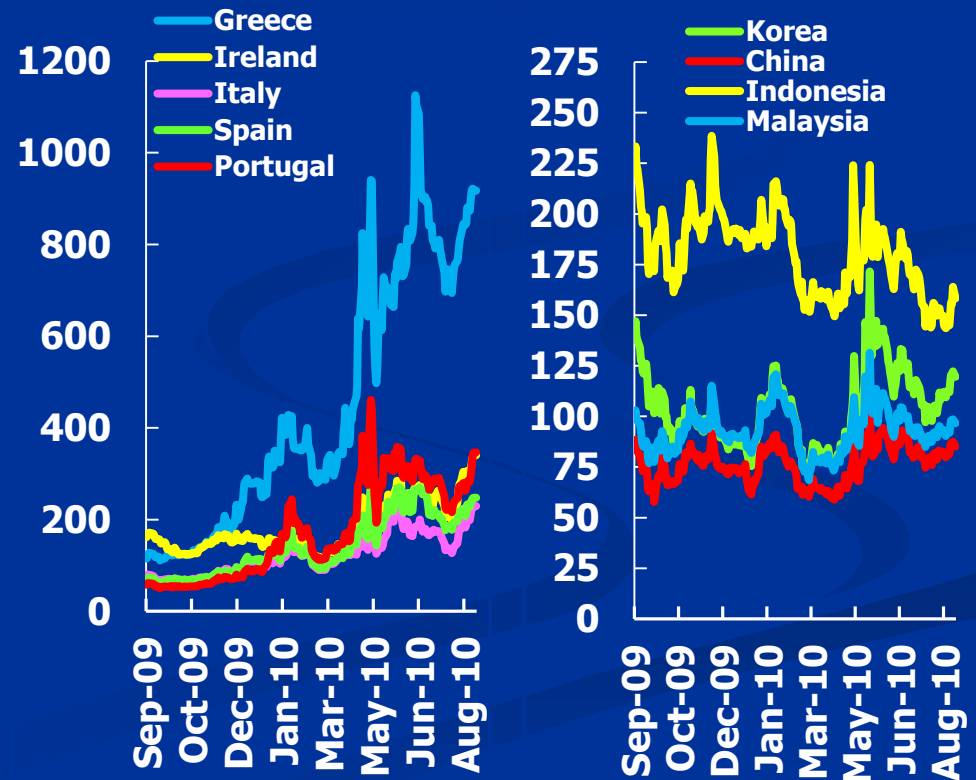
Stock Prices

(MSCI local currency index; Jan 2010=100)



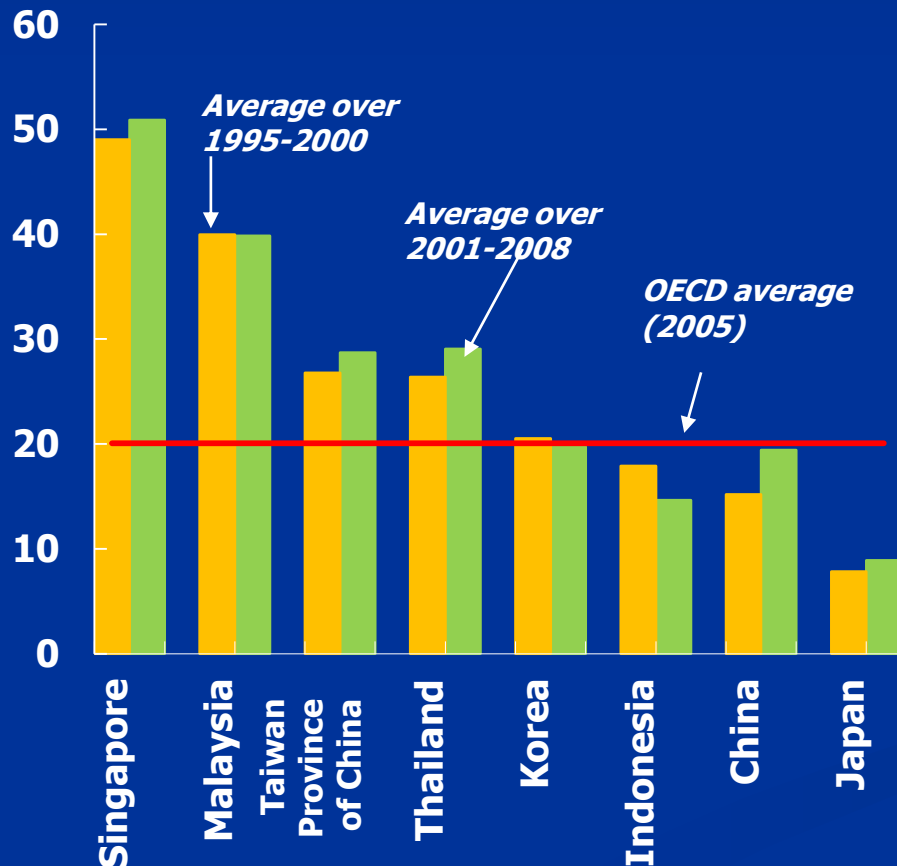
Sovereign CDS Spreads

(basis points; 5Y)

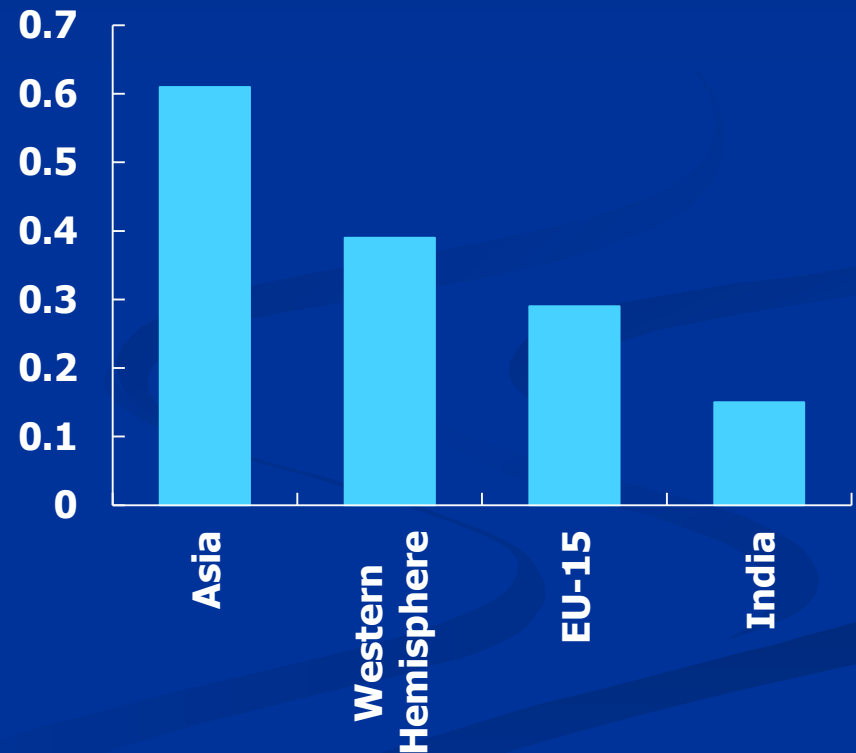


And Asia is still very exposed to global demand

Asia's Dependence on Demand from Outside the Region
(percent of GDP)



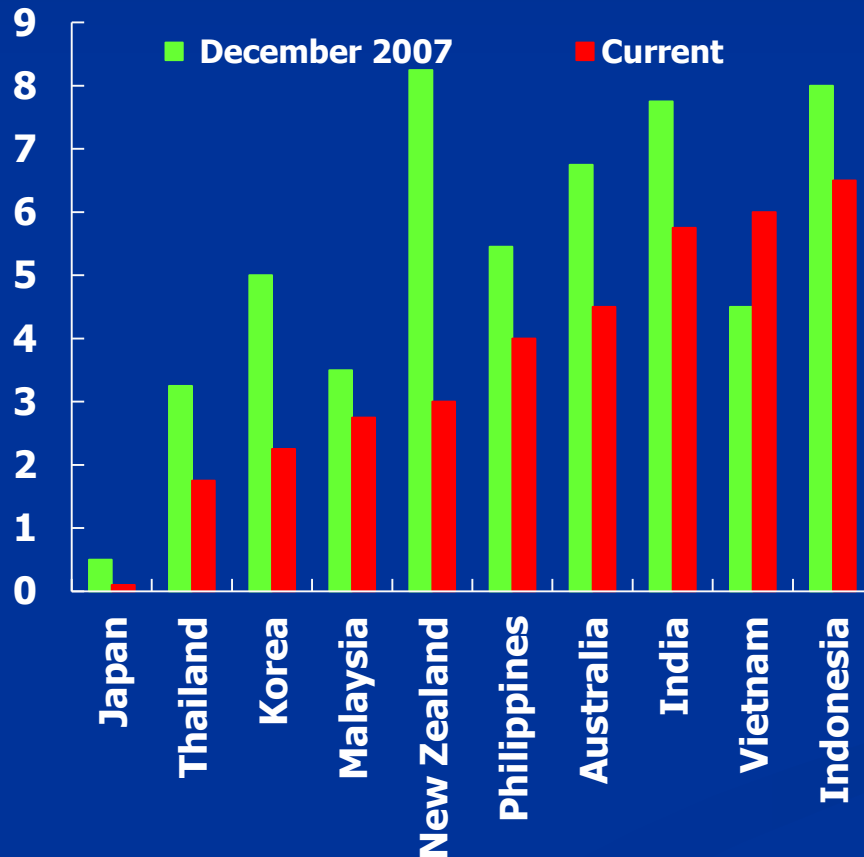
GDP Growth Loss From a 1 percent Decline in U.S. Growth¹
(percentage points)



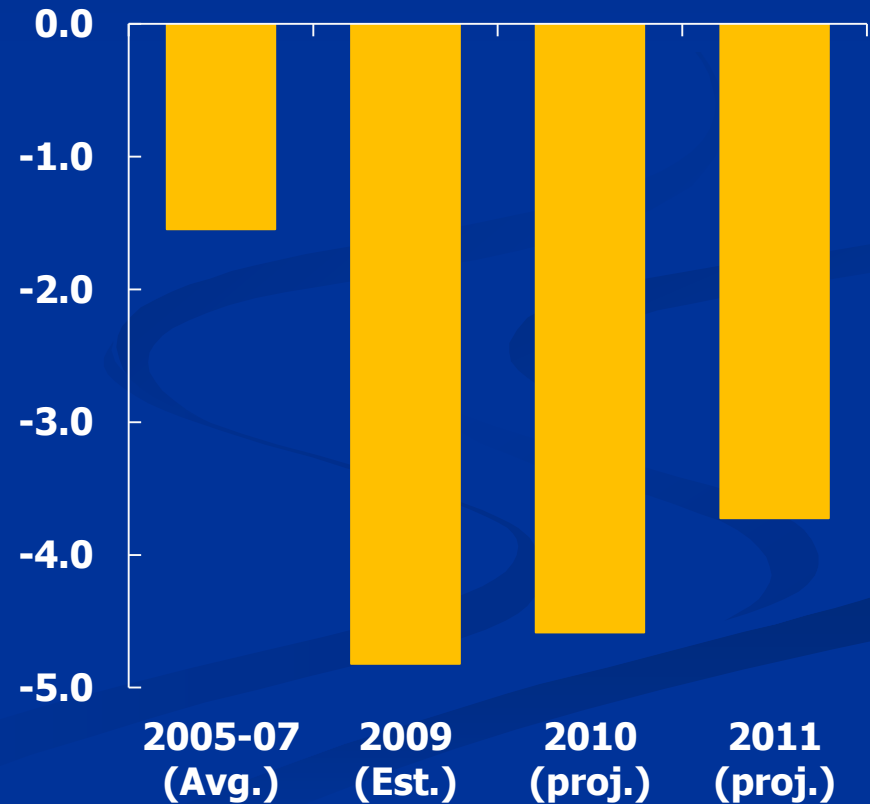
¹ Source: *Regional Economic Outlook*, April 2008.

Policy challenge 1: calibrating the exit

Selected Asia: Nominal Policy Rates
(percent)

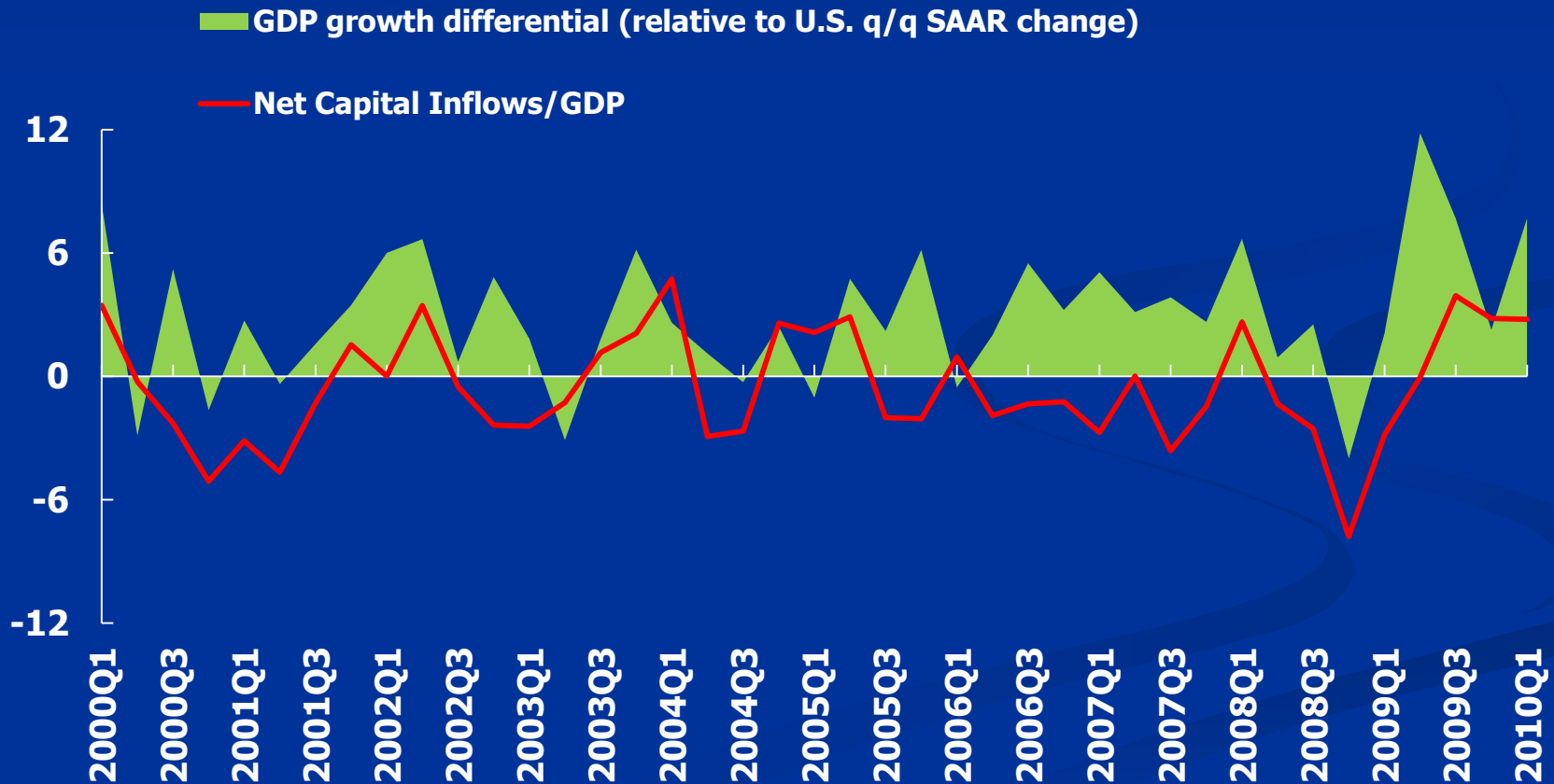


Asia: Cyclically Adjusted Government Balance
(percent of GDP)



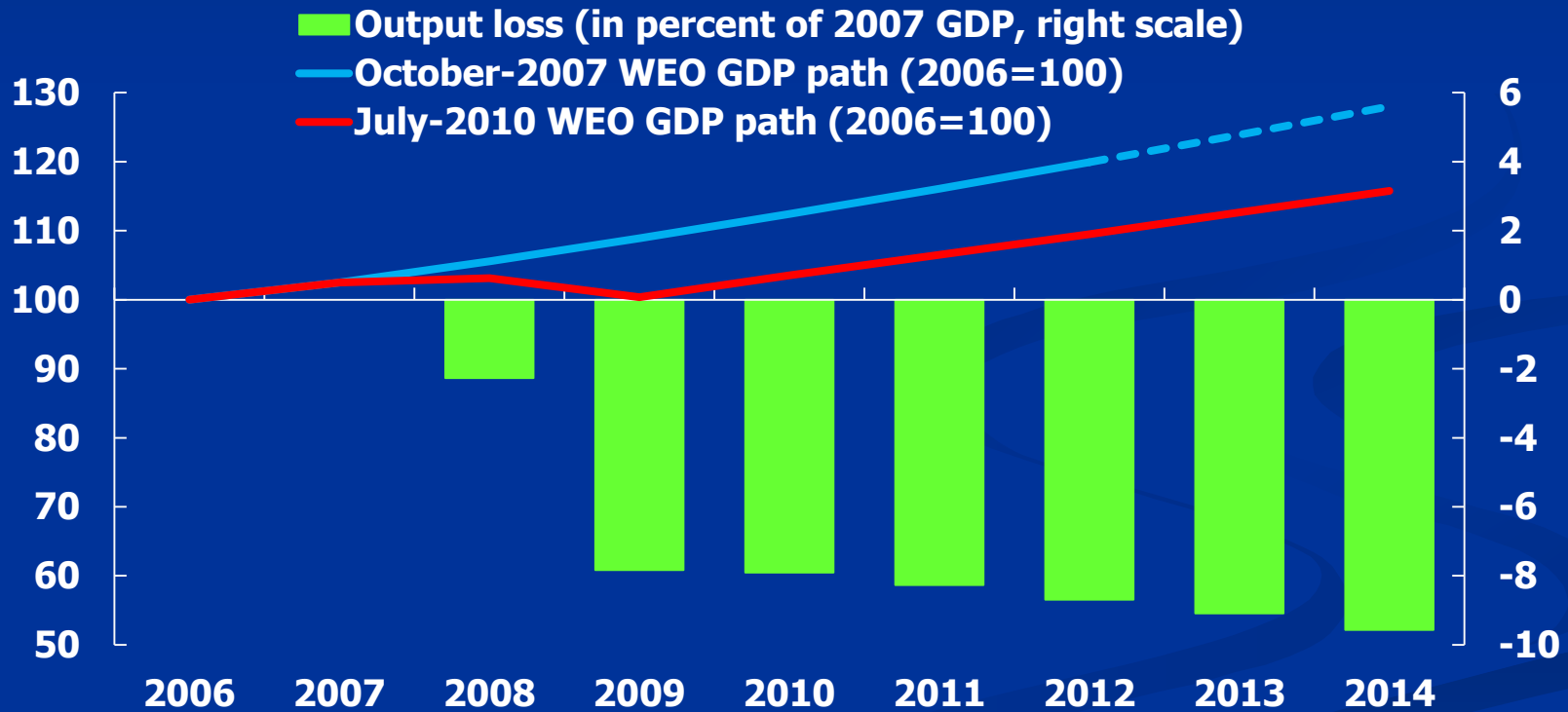
Policy challenge 2: managing capital inflows

EM Asia (excl. China): Capital Inflows and Growth Differential with U.S.
(percent)



Policy challenge 3: rebalancing demand

Medium Term Growth Prospects: Countries with External Deficits¹



¹ Economies included are Australia, Hungary, South Africa, Turkey, the United Kingdom, and the United States.

IMF Reforms

- Objective: become more useful to members
- Strategy:
 - Improve governance
 - Strengthen bilateral surveillance
 - Enhance multilateral surveillance, especially of systemic countries
 - Develop regional surveillance

IMF Regional Surveillance

■ Objectives:

- Complement bilateral surveillance
- Support region's own initiatives

■ Safety nets

- Three layers needed -- national, regional, and global
- IMF prepared to enhance support of CMIM

Conclusions

- *Outlook:*
 - Asia has recovered rapidly from the global recessions and is expected to continue growing at healthy rates
 - But growth in advanced countries remains sluggish and their policy space is narrowing.

- *Challenges from multispeed recovery:*
 - Gradual macroeconomic exit to protect against risks
 - Capital inflows will need to be managed carefully
 - Rebalancing will be a priority

- *The IMF is firmly committed to the region*