



The Recovery in Developing Asia: Prospects and Challenges

Conference on the Post-Crisis Growth and Poverty Reduction in Developing Asia
Hanoi, Vietnam

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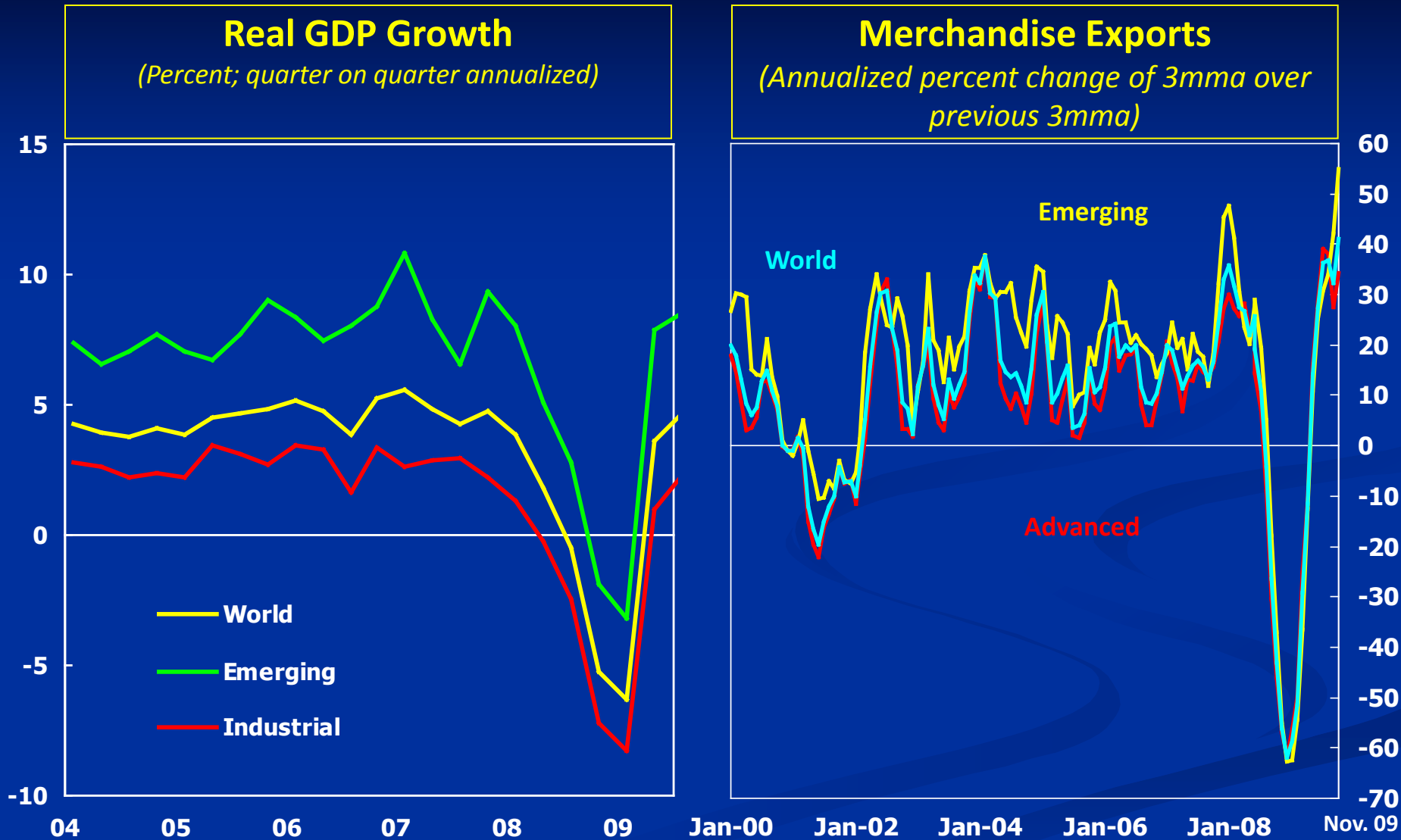
March 22, 2010

Outline

- **A Multi-speed Global Recovery**
- **Asian Low-Income Countries (LICs):
Achievements and Challenges**
- **The Role of the IMF**

A Multi-Speed Global Recovery

Global growth has resumed, boosting exports...



Source: IMF, Global Data Source and staff calculations.

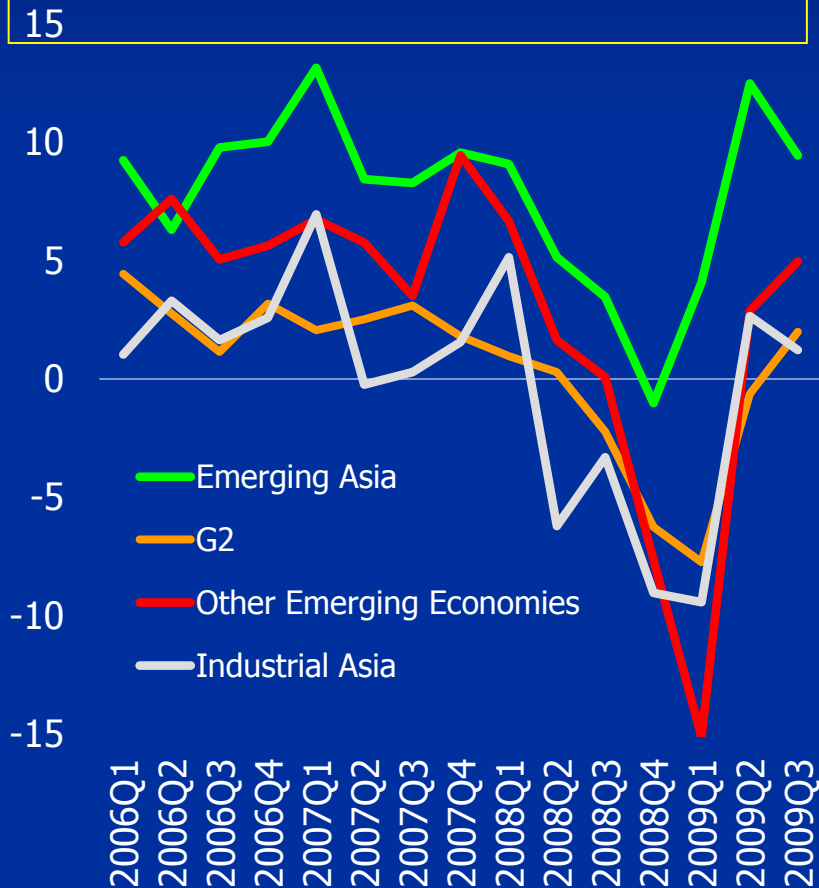
...but the advanced economies' recovery is sluggish.

	2009	2010	2011
	Prelim	Proj.	Proj.
World	-0.6	3.9	4.3
Advanced Economies	-3.1	2.1	2.4
United States	-2.4	2.7	2.4
Euro Area	-4.0	1.0	1.6
Japan	-5.0	1.7	2.2
Emerging and Developing Economies	2.3	6.0	6.3
China	8.7	10.0	9.7
India	5.6	7.7	7.8
Brazil	-0.4	4.7	3.7
Emerging Asia	5.6	8.1	8.0
ASEAN-4	0.9	4.6	5.2

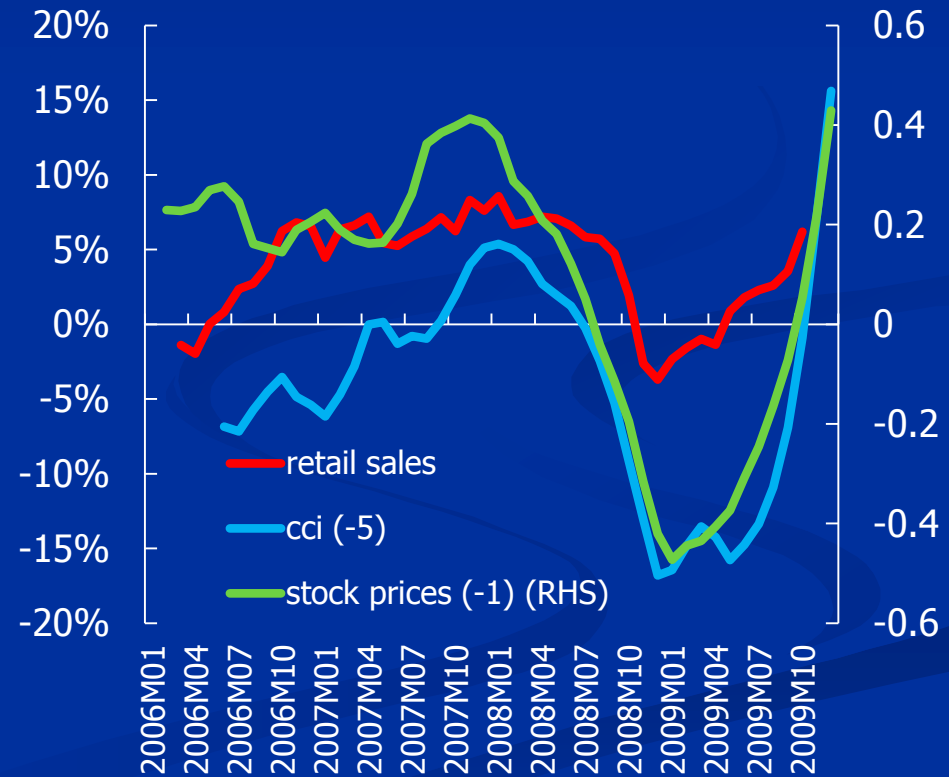
Emerging Asia is leading the global recovery.

Real GDP Growth

(Quarter-on-quarter, SAAR; in percent)



Selected Asia^{1/}: Stock prices, Consumer Confidence Index (CCI) and Retail sales (year-on-year percentage change)



1/ Includes Australia, Hong Kong, Indonesia, Korea, Thailand, and Taiwan.

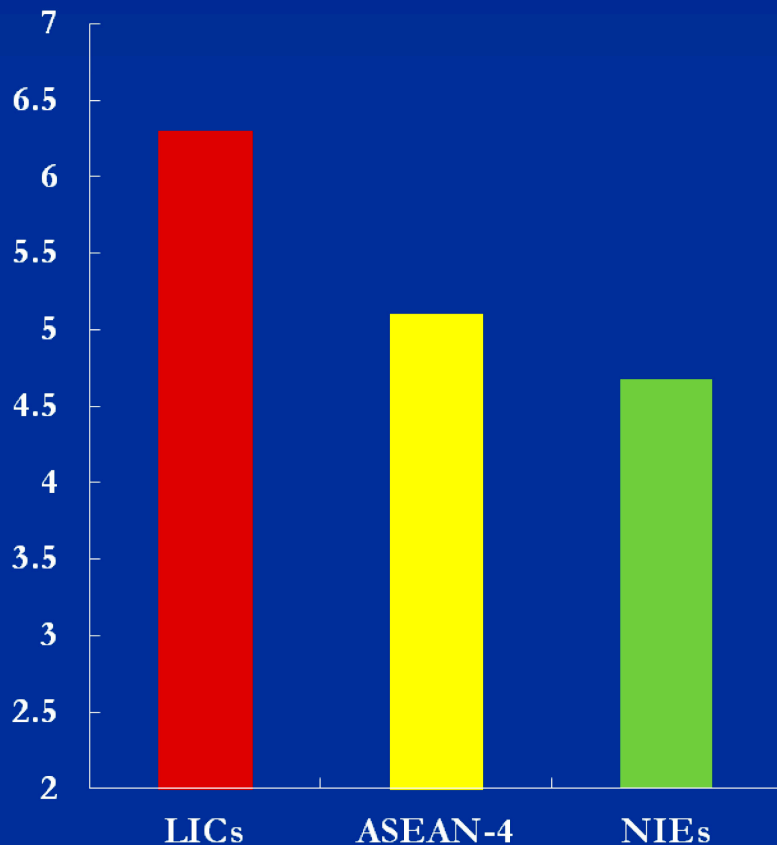
The global outlook, however, is unusually uncertain.

- + A stronger-than-expected improvement in financial market sentiment
- + Stronger confidence effects boosting private demand
- Intensification of market concerns about fiscal sustainability in some industrial economies
- Diminished room for policy action in many advanced economies

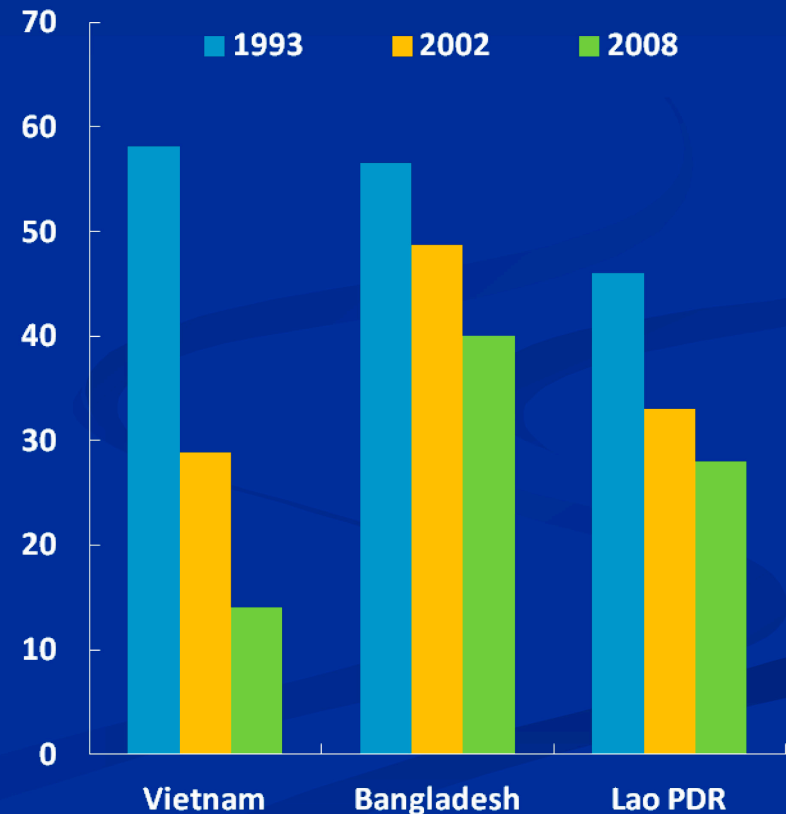
Asian LICs: Achievements and Challenges

Impressive growth, and significant progress in reducing poverty.

Real GDP Growth
(Average 2000–08, in percent)

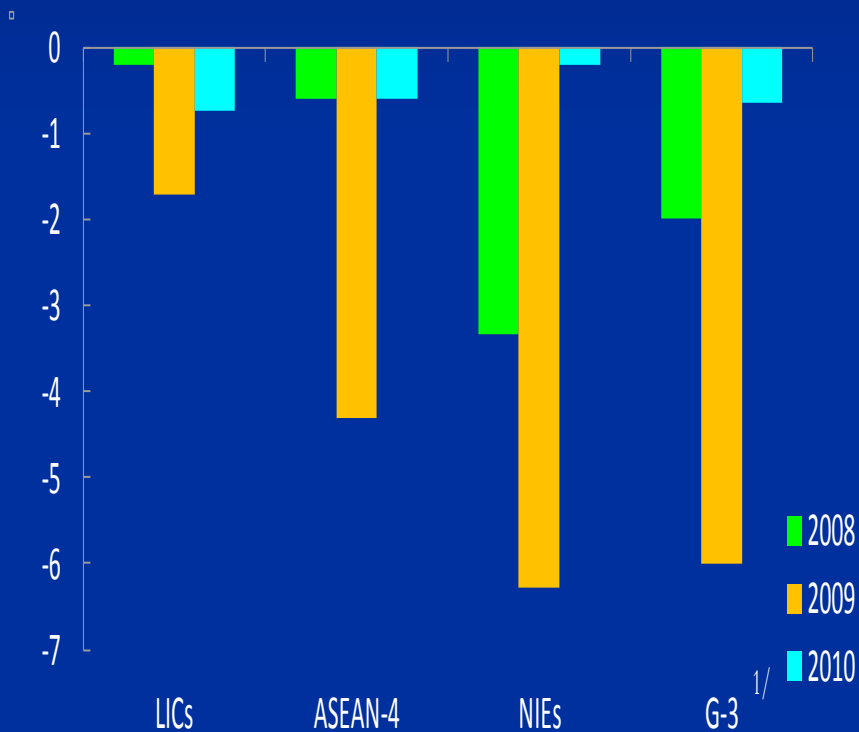


Poverty Rate for Selected Asian LICs
(In percent of population)



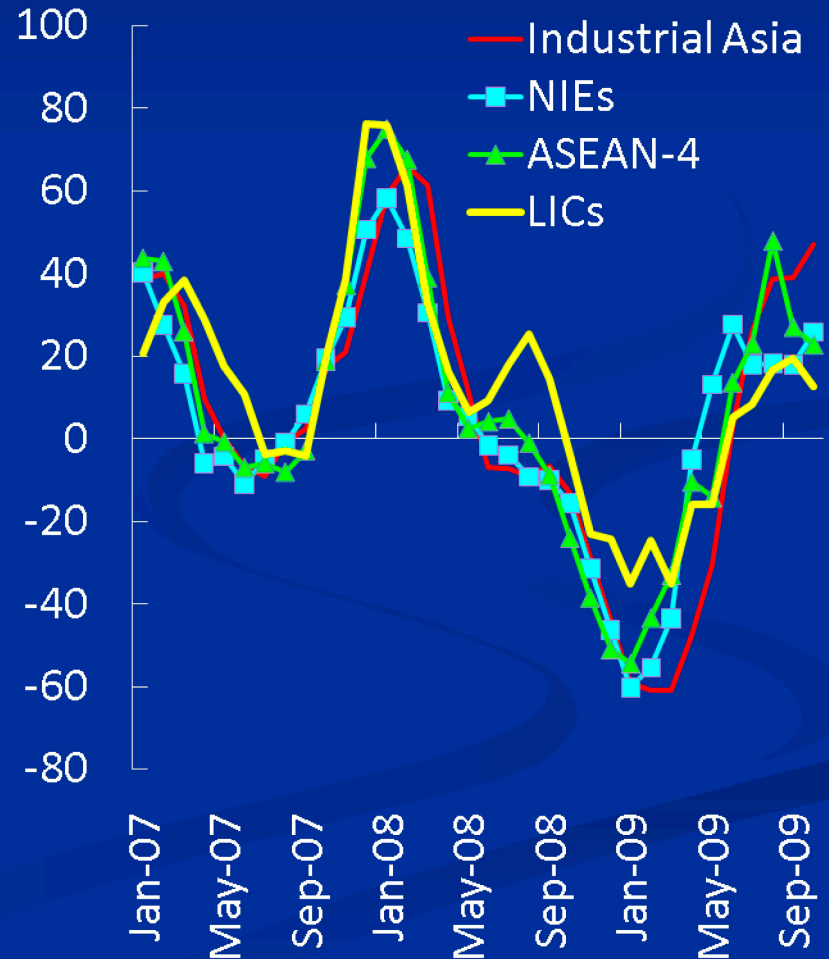
Asian LICs weathered the global crisis well.

Real GDP Growth in Comparison with Pre-crisis Average (2000–07) (percent)



^{1/} G-3 includes the US, European Union and Japan.

Export Growth
(3-month moving average, SAAR)



The near-term growth outlook is good.

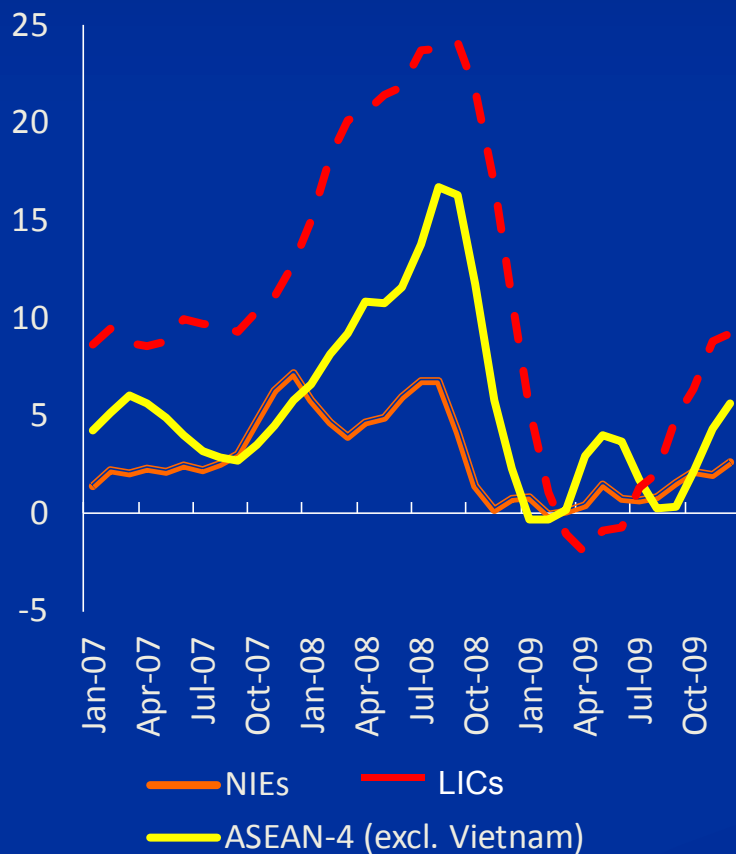
Asia: Real GDP

(Year-on-year percent change)

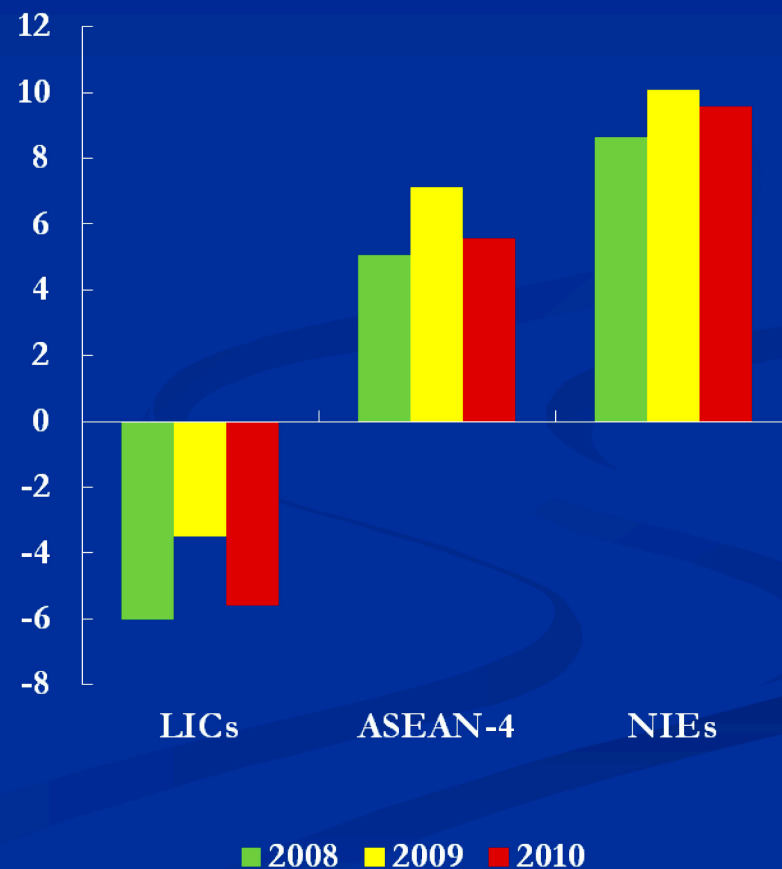
	Average of 2000–07	2008	2009	2010	2011
Asian LICs	6.3	6.1	4.7	5.6	6.2
Bangladesh	5.8	6.0	5.4	5.4	5.9
Cambodia	9.6	6.7	-2.7	4.3	6.8
Lao P.D.R.	6.6	7.8	7.6	7.2	7.4
Mongolia	6.6	8.9	-1.0	8.6	6.5
Nepal	3.8	4.7	4.0	4.1	4.9
Papua New Guinea	2.2	6.7	4.5	6.8	5.1
Sri Lanka	5.1	6.0	3.5	5.5	6.5
Vietnam	7.6	6.2	5.3	6.0	6.5
Emerging Asia	7.8	7.1	5.6	8.1	8.0
NIEs	5.0	1.7	-1.2	4.8	4.7
ASEAN-4	5.2	4.6	0.9	4.6	5.2
China	10.1	9.6	8.7	10.0	9.7
India	7.2	7.3	5.6	7.7	7.8

However, there are near-term challenges— inflation is rising and some face external pressures.

Emerging Asia: Consumer Prices
(3-month percent change of 3-mma, SAAR)

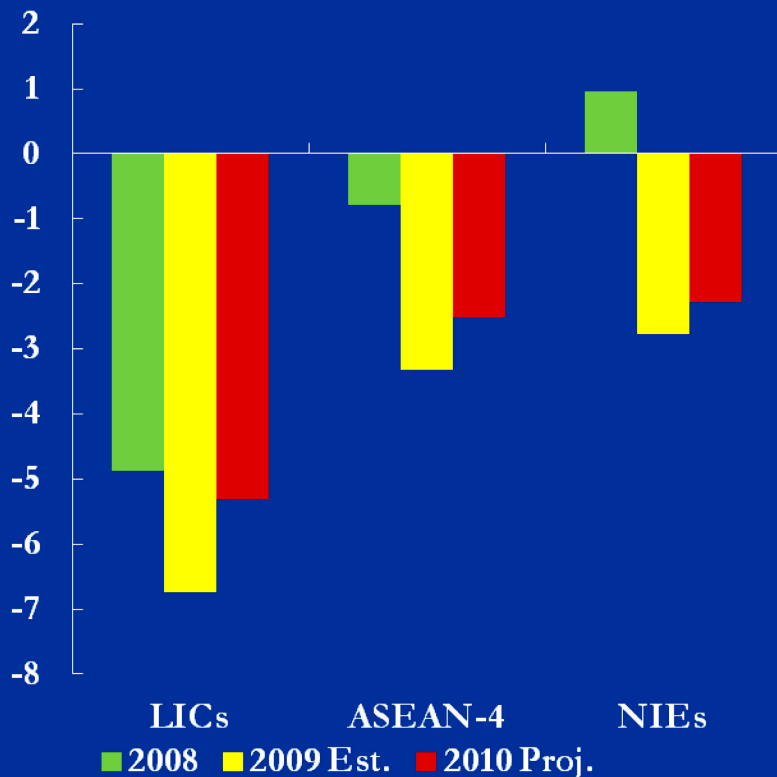


Current Account Balance
(In percent of GDP)

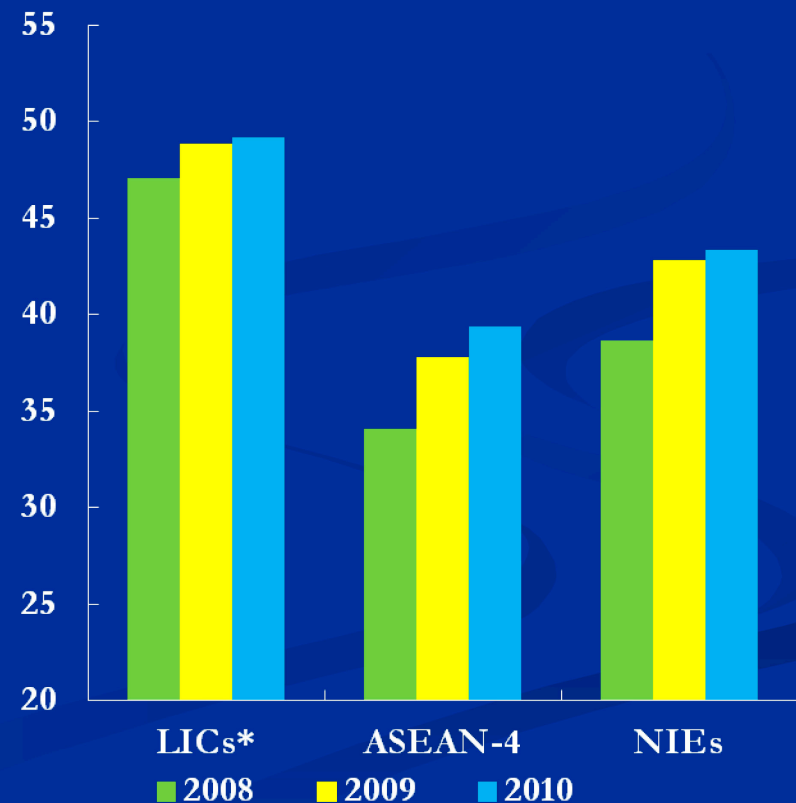


There are also vulnerabilities from fiscal deficits and relatively high public debt.

Fiscal Balance (2008–10)
(PPP-GDP weighted average, in percent)



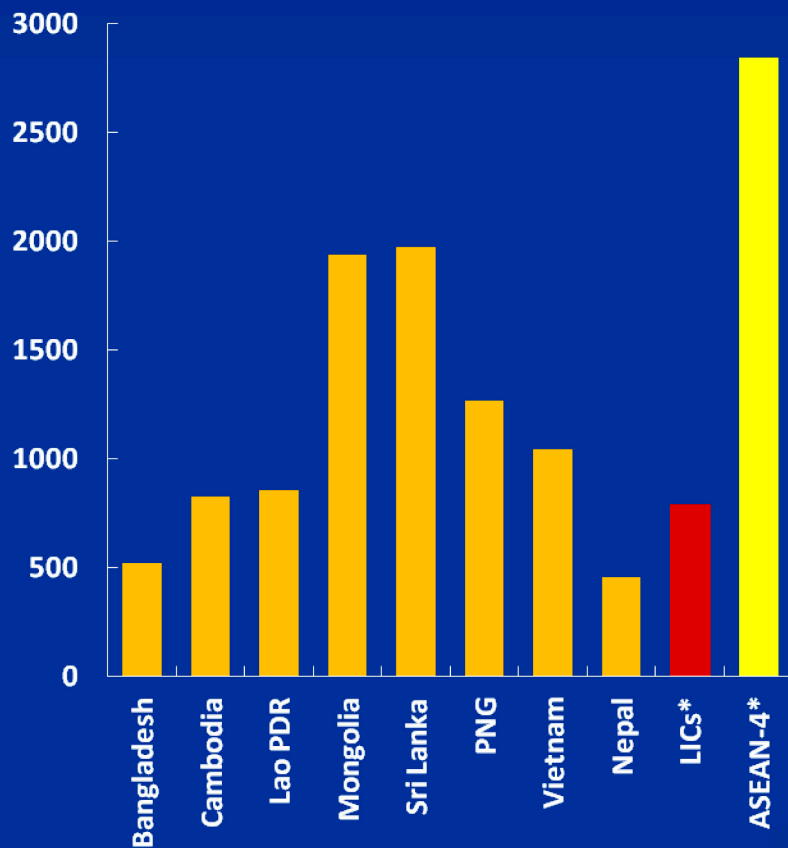
Public Debt (2008–10)
(In percent of GDP)



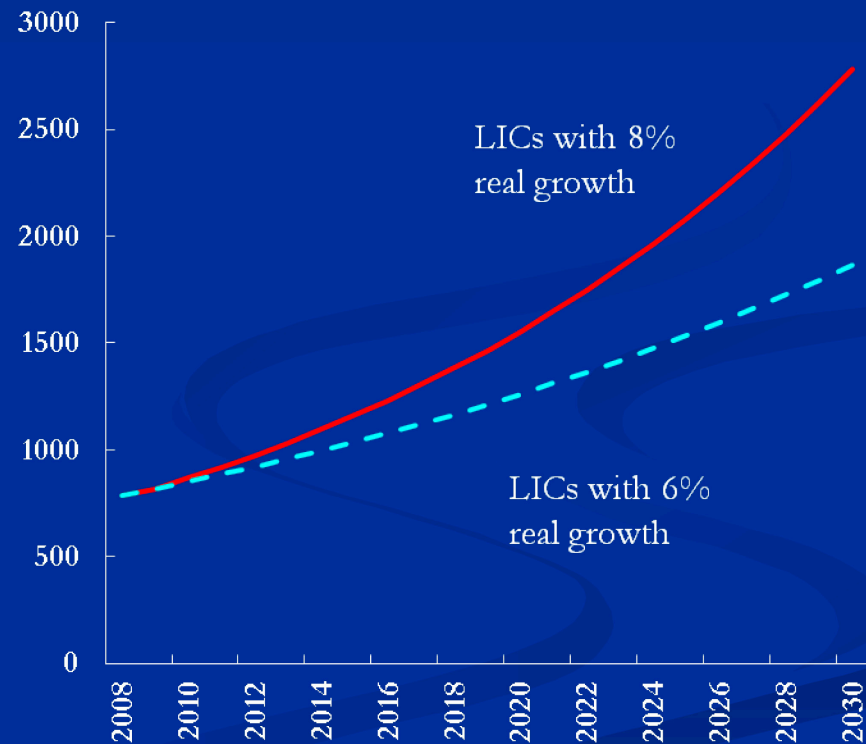
Source: World Economic Outlook and IMF staff calculations.
* Excludes Nepal.

How can Asian LICs become the next generation of emerging economies?

Nominal per Capita GDP
(2008, in U.S. dollars)



Illustrative per Capita GDP Growth
(in U.S. dollars)



* Weighted average.

Evidence points to building stronger institutions, macro stability, financial development, and a business climate.

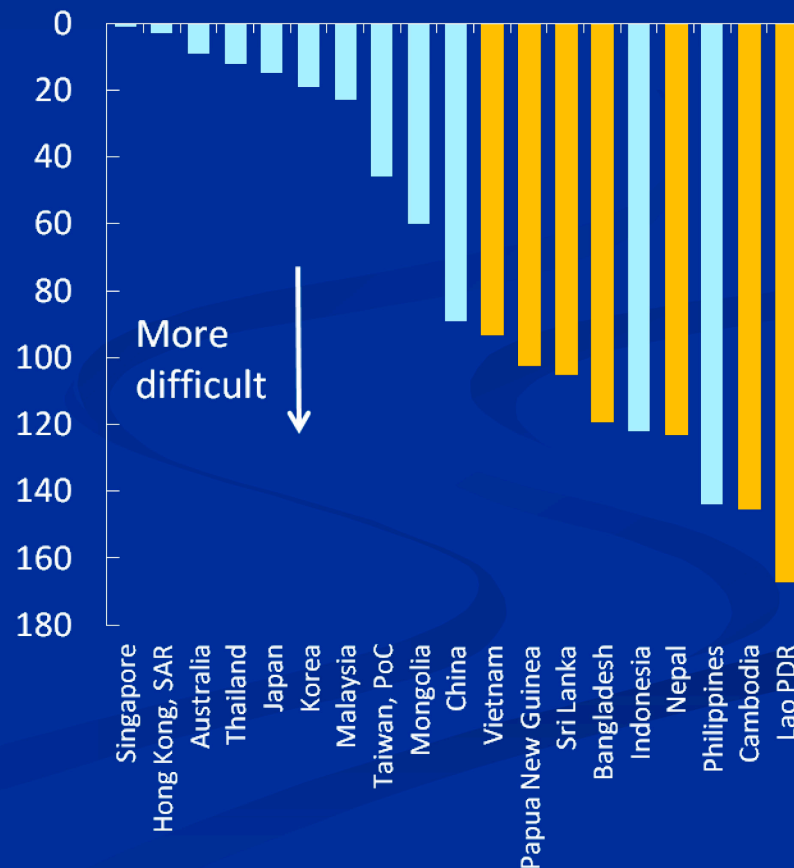
Global Competitiveness Index¹
(Higher score = more competitive)



○ Asian Low-income Countries (average) 2/
 ◆ Malaysia and Thailand (average)

Source: World Economic Forum, *Global Competitiveness Report, 2009-2010*
 Note: 1/ For selected Asian countries. Each factor is scored in the 1–7 scale with 1 being the poorest quality and 7 being the best.
 2/ Including Bangladesh, Cambodia, Mongolia, Nepal, Sri Lanka, and Vietnam.

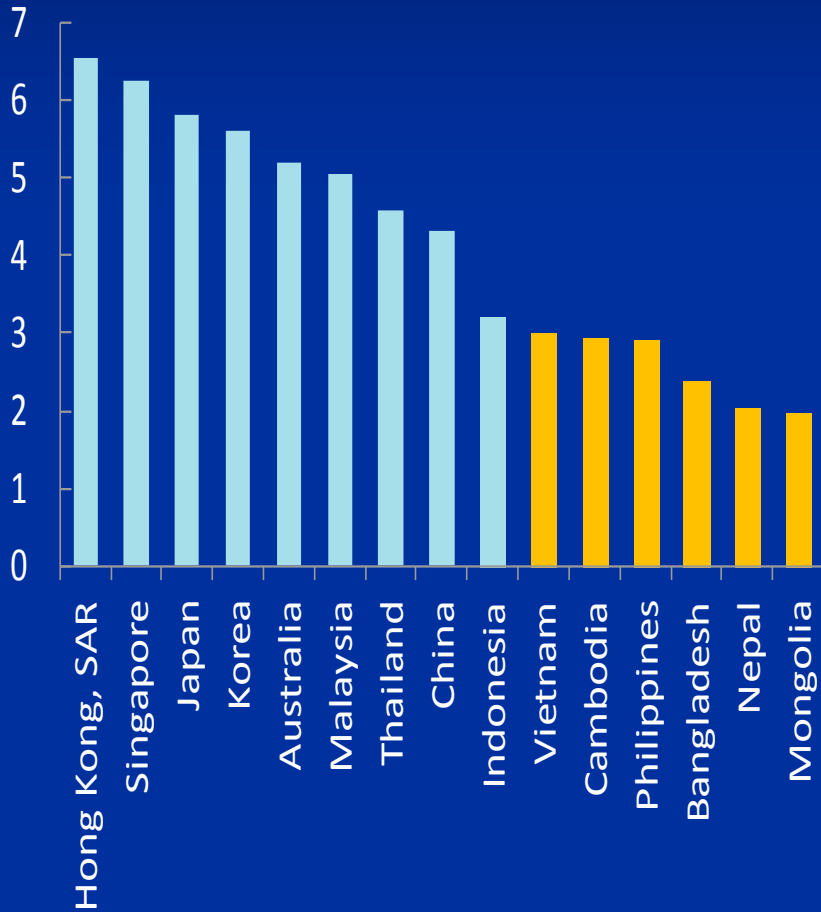
Business Climate
(Rank among 185 countries, Rank #1 = best climate)



Source: World Bank, Doing Business Report

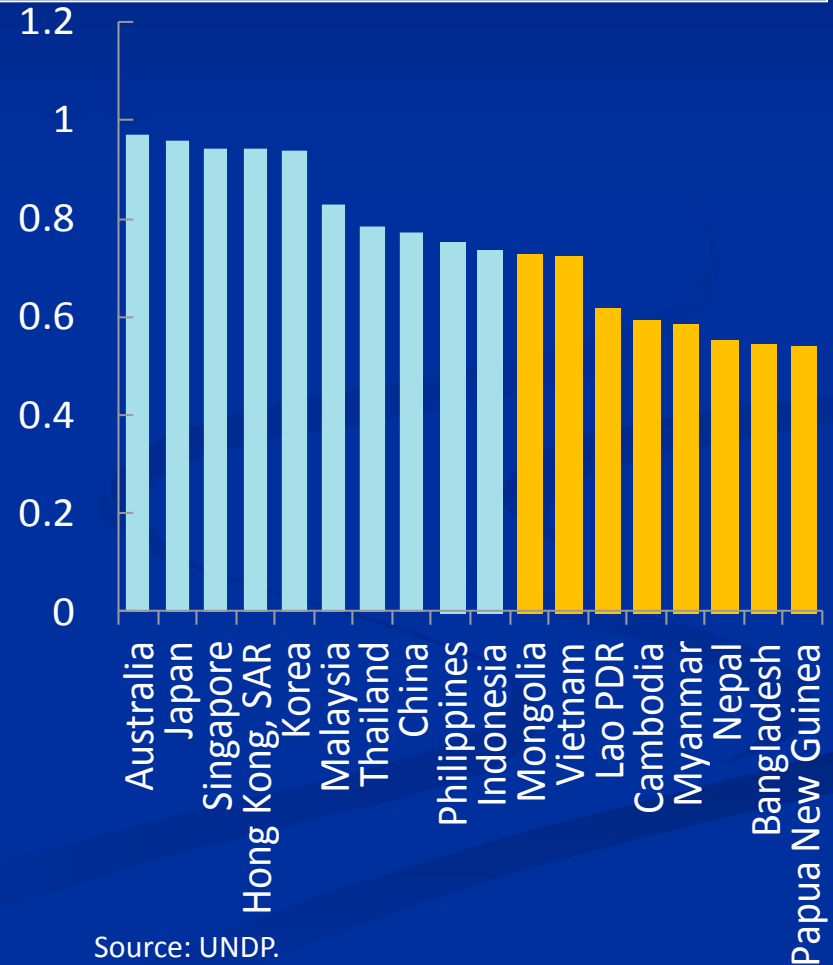
Strengthening public infrastructure and human capital will clearly also be of central importance.

Infrastructure Index
(Higher score = better)



Source: World Economic Forum.

Human Development Index
(Combines education, health and income, higher score = better)

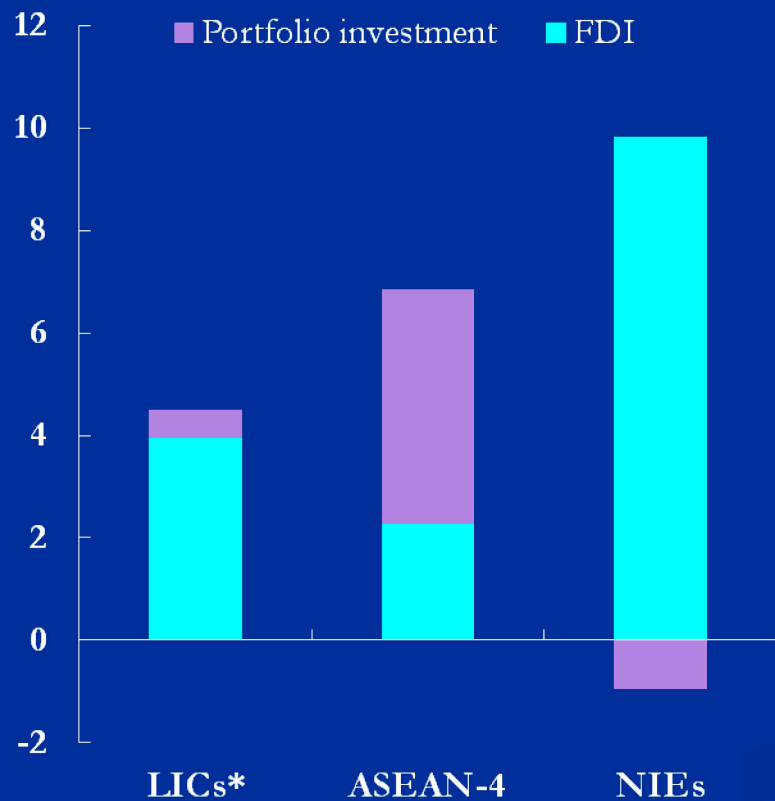


Source: UNDP.

Providing a more attractive environment for foreign direct investment will help develop export industries.

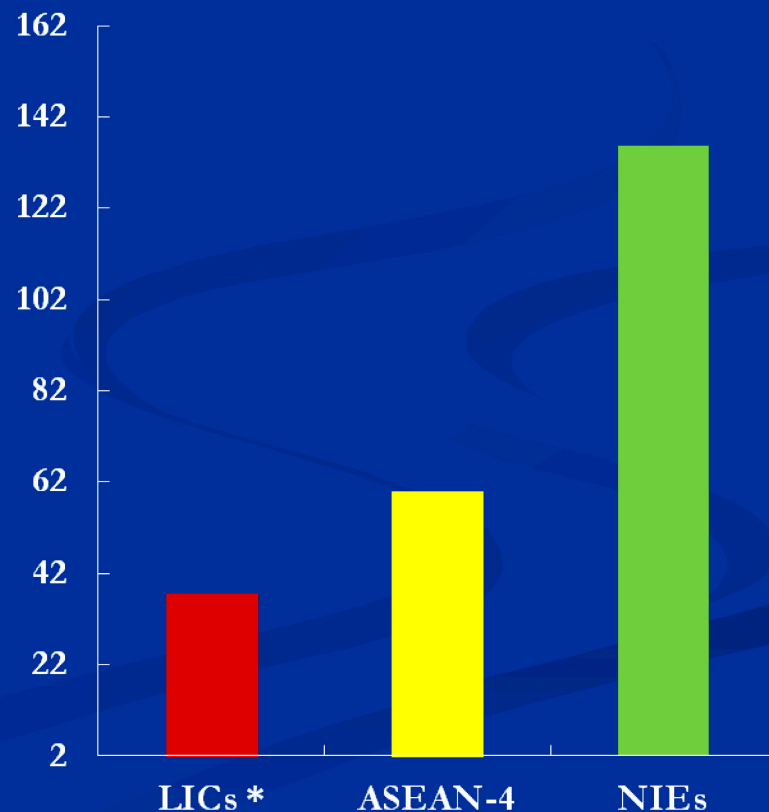
FDI plus Portfolio Investment to GDP

(Average 2007–09, in percent)



Exports to GDP

(Average 2007–09, in percent)



* Excludes resource-based economies.

The Role of the IMF

The IMF has responded on several fronts.

■ Increasing global liquidity

- ❖ IMF members' central bank reserves were augmented with US\$283 billion in new Special Drawing Rights (SDRs)
- ❖ LICs received around US\$ 18 billion

■ More resources for IMF lending

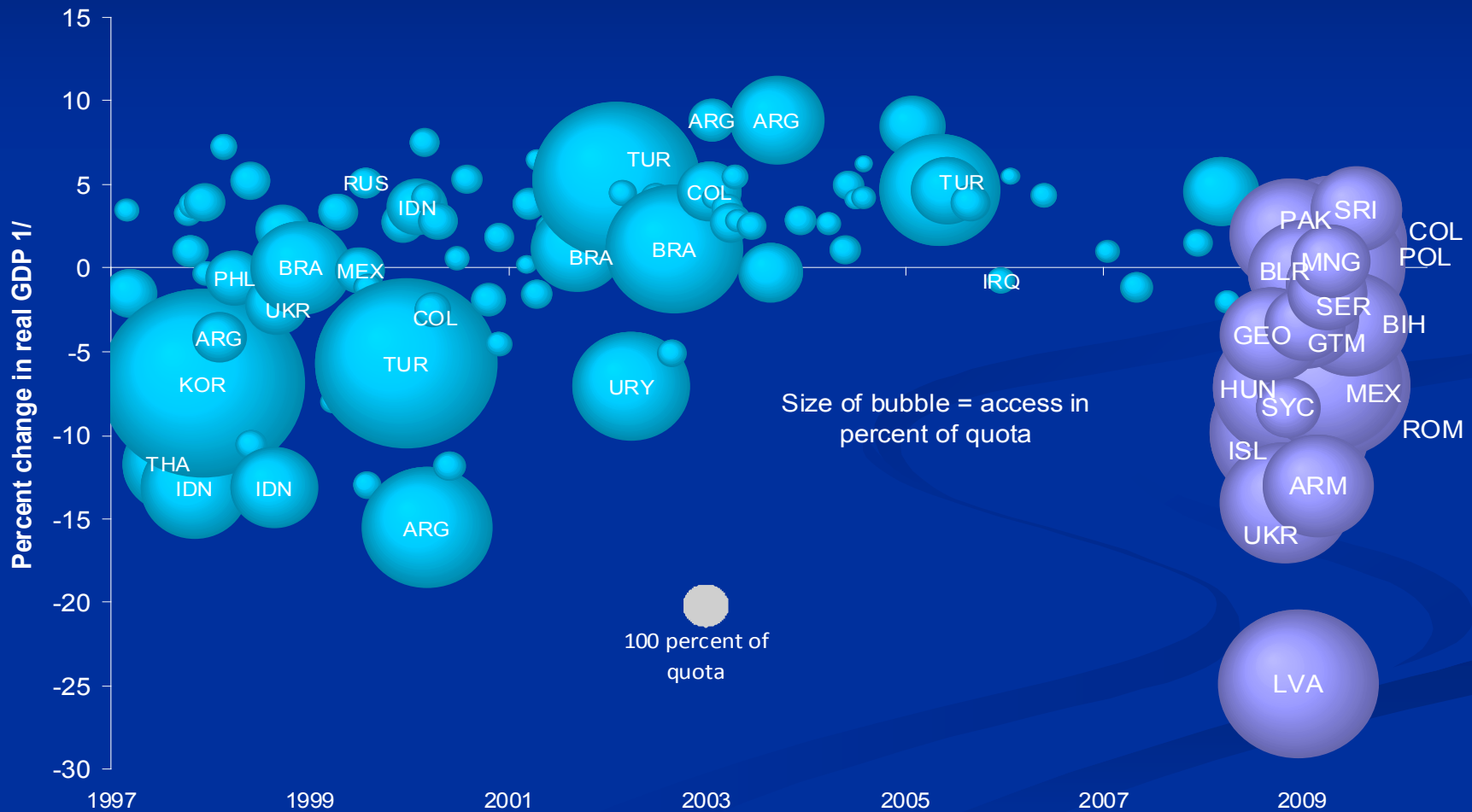
- ❖ IMF's loanable resources were tripled to US\$750 billion
- ❖ In 2009, US\$3.8 billion in new concessional loans were extended; a further US\$8 billion will be made available in the next two years
- ❖ Borrowing limits have been doubled for all countries

■ The cost of borrowing for LICs was reduced to zero percent through 2011 (¼ percent thereafter)

■ Lending facilities have been improved and made more flexible

The IMF has satisfied an unprecedented demand for assistance from a diverse range of member countries.

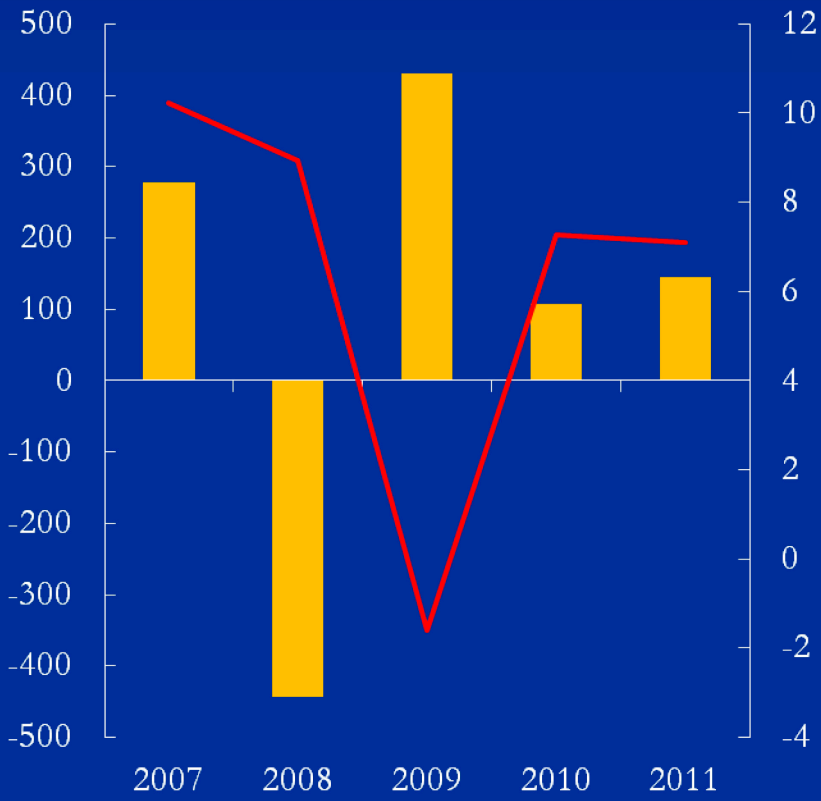
IMF Programs and Precautionary Credit Lines, 1997–2009



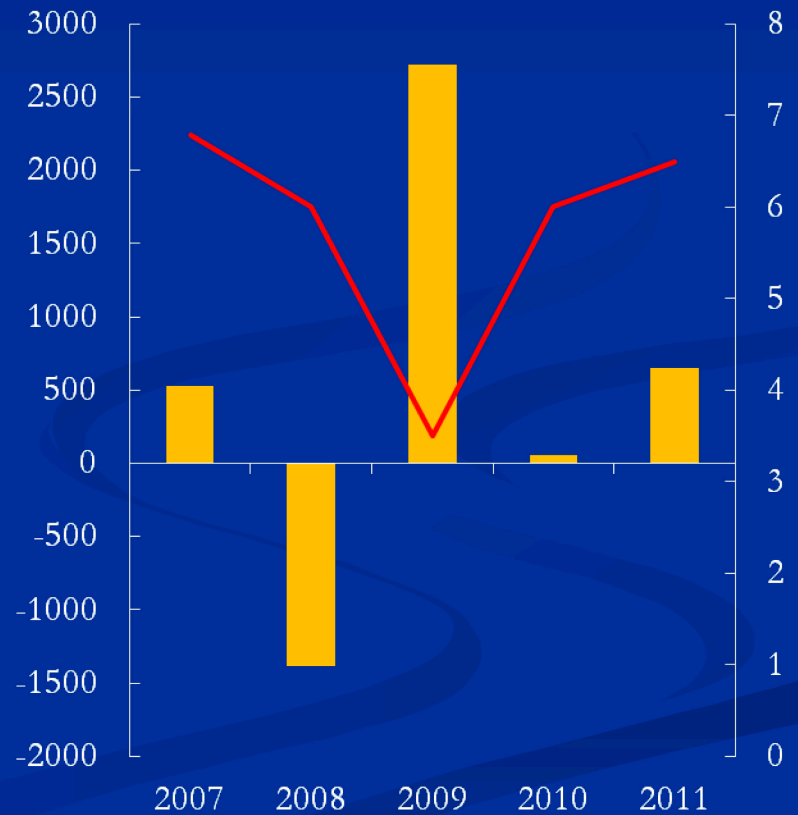
In Asia, programs with Mongolia and Sri Lanka have helped stabilize the economy and facilitate a return to growth.

Change in Reserves and Growth (2007–11)

Mongolia



Sri Lanka



■ Change in net reserves (in US million, left axis)
— Growth (percent, right axis)



Thank you