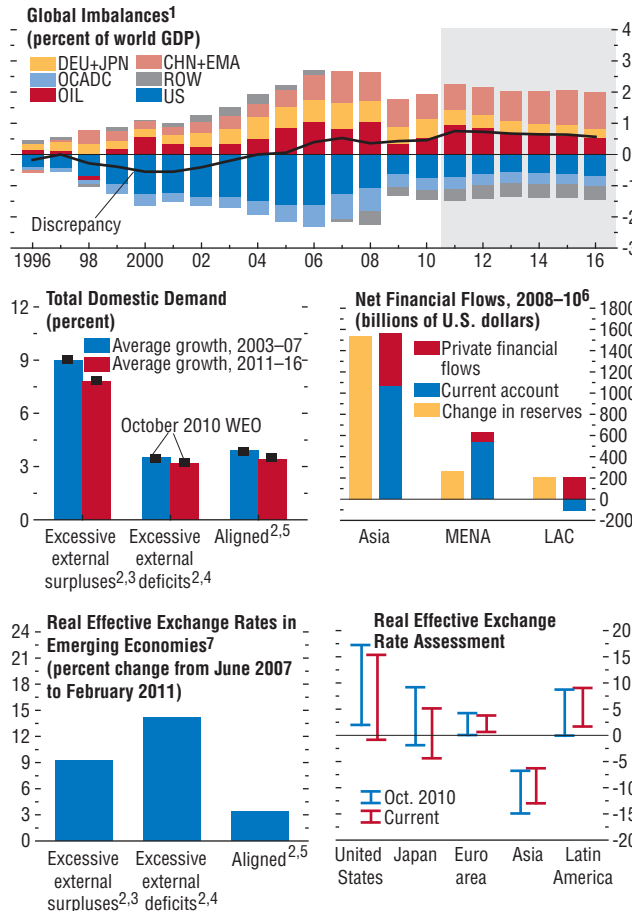


Figure 1.17. Global Imbalances

Global imbalances are projected to widen again over the medium term because domestic demand growth in economies with large surpluses is not expected to be higher than before the crisis. Demand growth in deficit economies is not expected to be much lower, as significant fiscal adjustment has yet to be specified. Reserve accumulation in economies with excessive current account surpluses has dwarfed private capital inflows, motivated primarily by concerns about competitiveness. Exchange rates of emerging economies with deficits have appreciated disproportionately. The IMF staff's assessment of the valuation of real exchange rates has remained broadly unchanged relative to October 2010, with the U.S. dollar strong and Asian currencies (other than the yen) undervalued relative to medium-term fundamentals.



Sources: Federal Reserve; and IMF staff estimates.

¹CHN+EMA: China, Hong Kong SAR, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan Province of China, and Thailand; DEU+JPN: Germany and Japan; OCADC: Bulgaria, Croatia, Czech Republic, Estonia, Greece, Hungary, Ireland, Latvia, Lithuania, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Turkey, and United Kingdom; OIL: oil exporters; ROW: rest of the world; US: United States.

²Based on the IMF staff's Consultative Group on Exchange Rate Issues (CGER). CGER countries include Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Czech Republic, euro area, Hungary, India, Indonesia, Israel, Japan, Korea, Malaysia, Mexico, Pakistan, Poland, Russia, South Africa, Sweden, Switzerland, Thailand, Turkey, United Kingdom, and United States. For a detailed discussion of the methodology for the calculation of exchange rates' over- or undervaluation, see Lee and others (2008).

³These economies account for 18.5 percent of global GDP.

⁴These economies account for 27.4 percent of global GDP.

⁵These economies account for 39.2 percent of global GDP.

⁶Asia: developing Asia; MENA: Middle East and North Africa; LAC: Latin America and the Caribbean.

⁷Emerging CGER economies only.