



***Outlook for the World Economy and Policy
Challenges Ahead: A Multi-speed Recovery***

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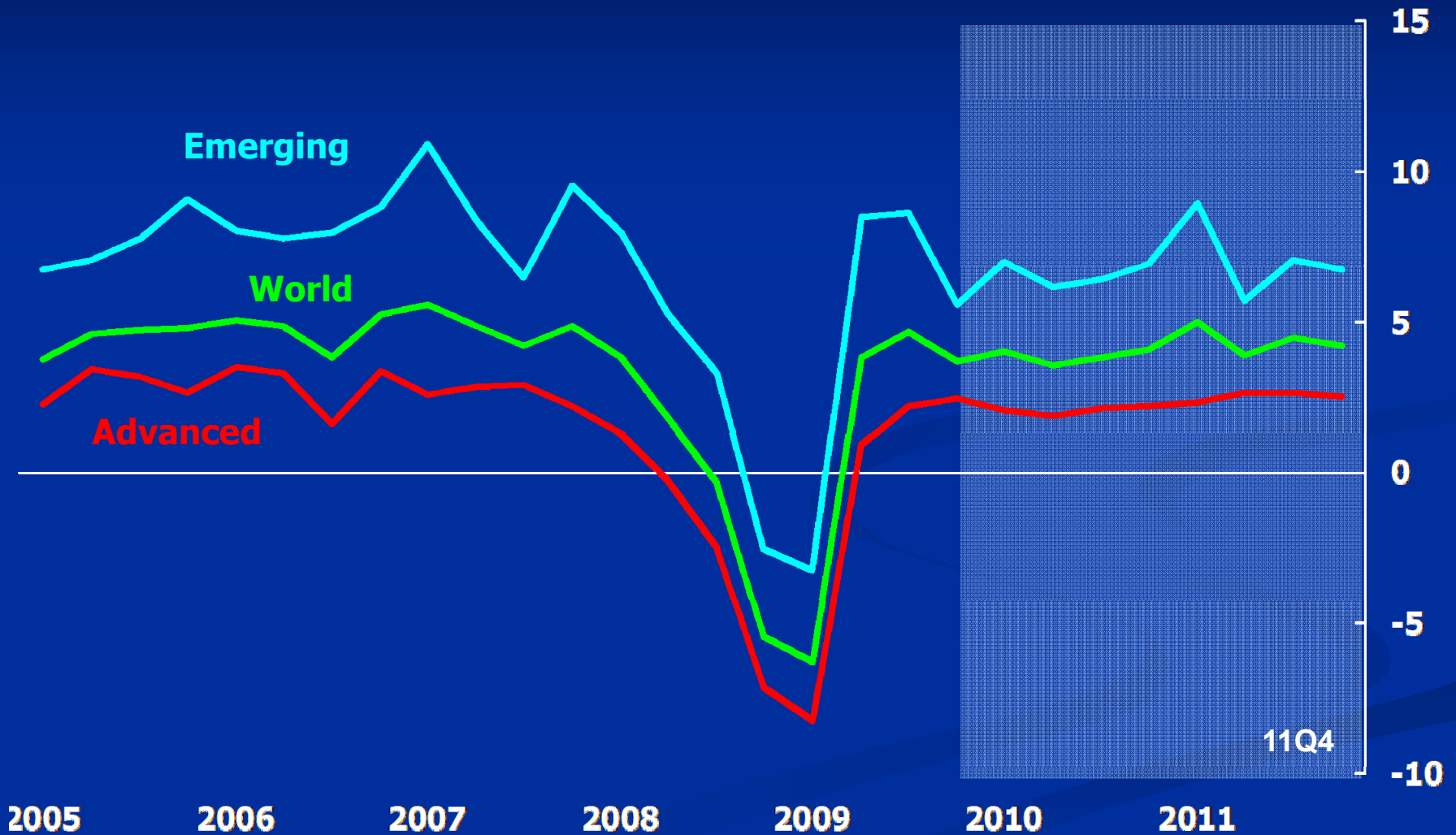
Outline

- Outlook
 - Global
 - Asia

- Policy Challenges
 - Exit Policies
 - Building a Stable Financial System
 - Bringing Down Public Debt Levels over the Medium Term

Across the Globe Growth is Returning, but at Different Speeds

(percent; quarter-over-quarter, annualized)

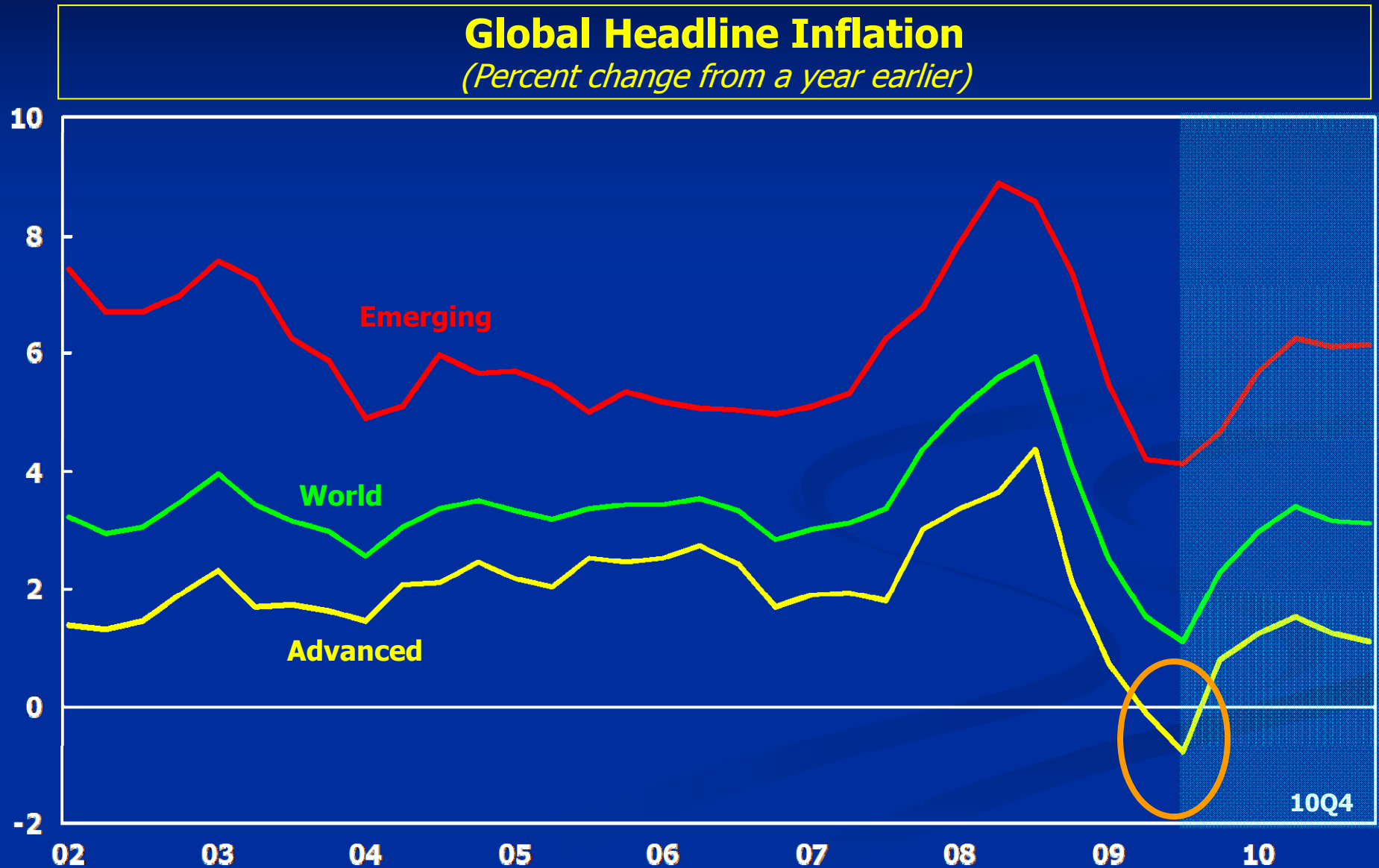


Growth is Likely be Slower by Past Standards in Most Advanced Economies but Faster in EMs

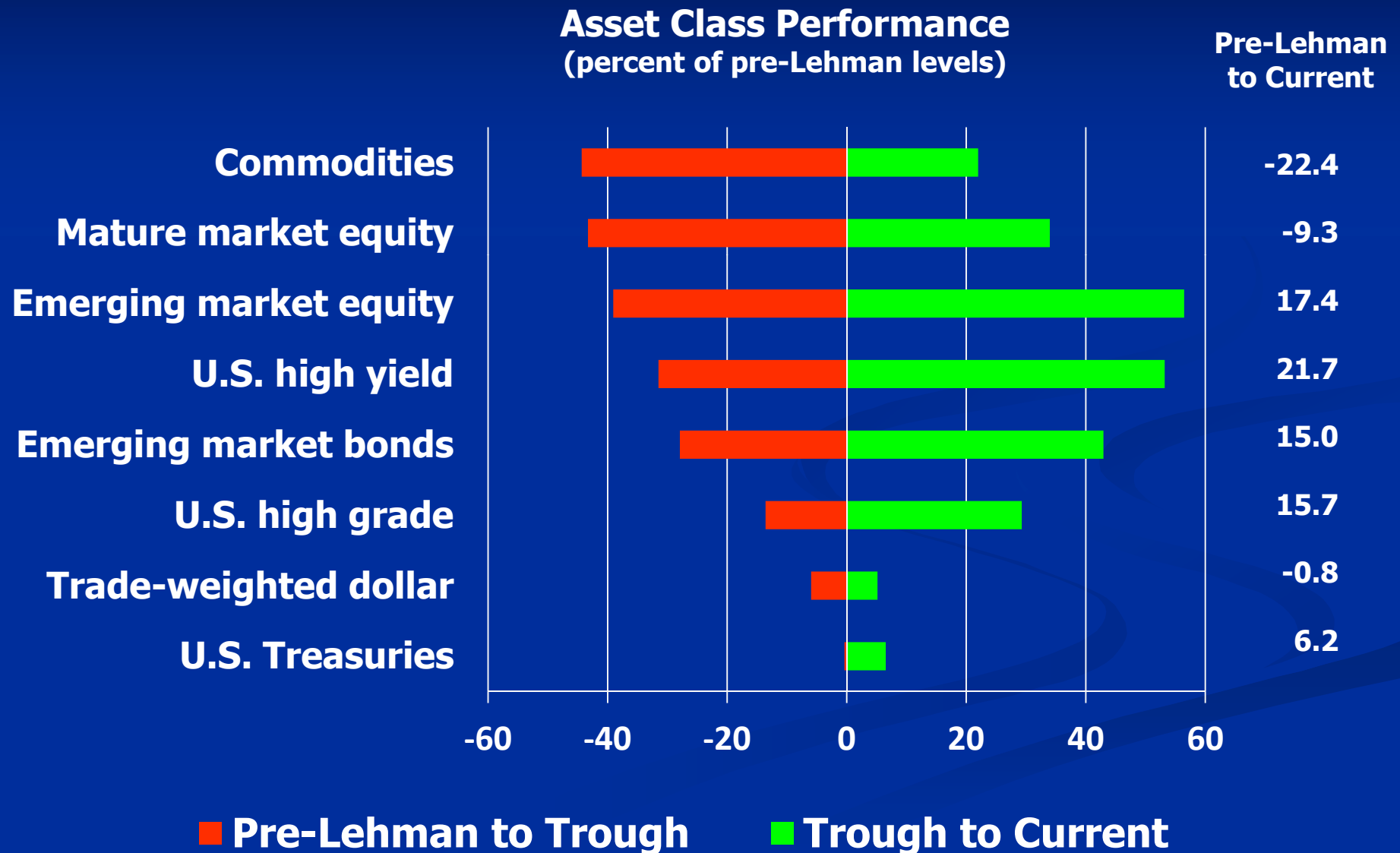
	2010		2011	
	WEO Jan 2010	Consensus Forecasts 1/	WEO Jan 2010	Consensus Forecasts 1/
World	3.9	4.0	4.3	4.2
Advanced Economies	2.1	...	2.4	...
United States	2.7	2.9	2.4	3.1
Euro area	1.0	1.3	1.6	1.6
Japan	1.7	1.3	2.2	1.5
Australia	2.5	2.9	3.0	3.2
Emerging and Developing Economies	6.0	...	6.3	...
China	10.0	9.7	9.7	9.1
India	7.7	7.8	7.8	7.9
Brazil	4.7	5.4	3.7	4.5
Russia	3.6	4.1	3.4	4.5

1/ Consensus forecasts, Asia Pacific consensus forecasts (Jan. 11, 2010); Latin American consensus forecasts (Jan. 18, 2010); and Eastern European consensus forecasts (Jan 18, 2010). India consensus forecast on fiscal year basis.

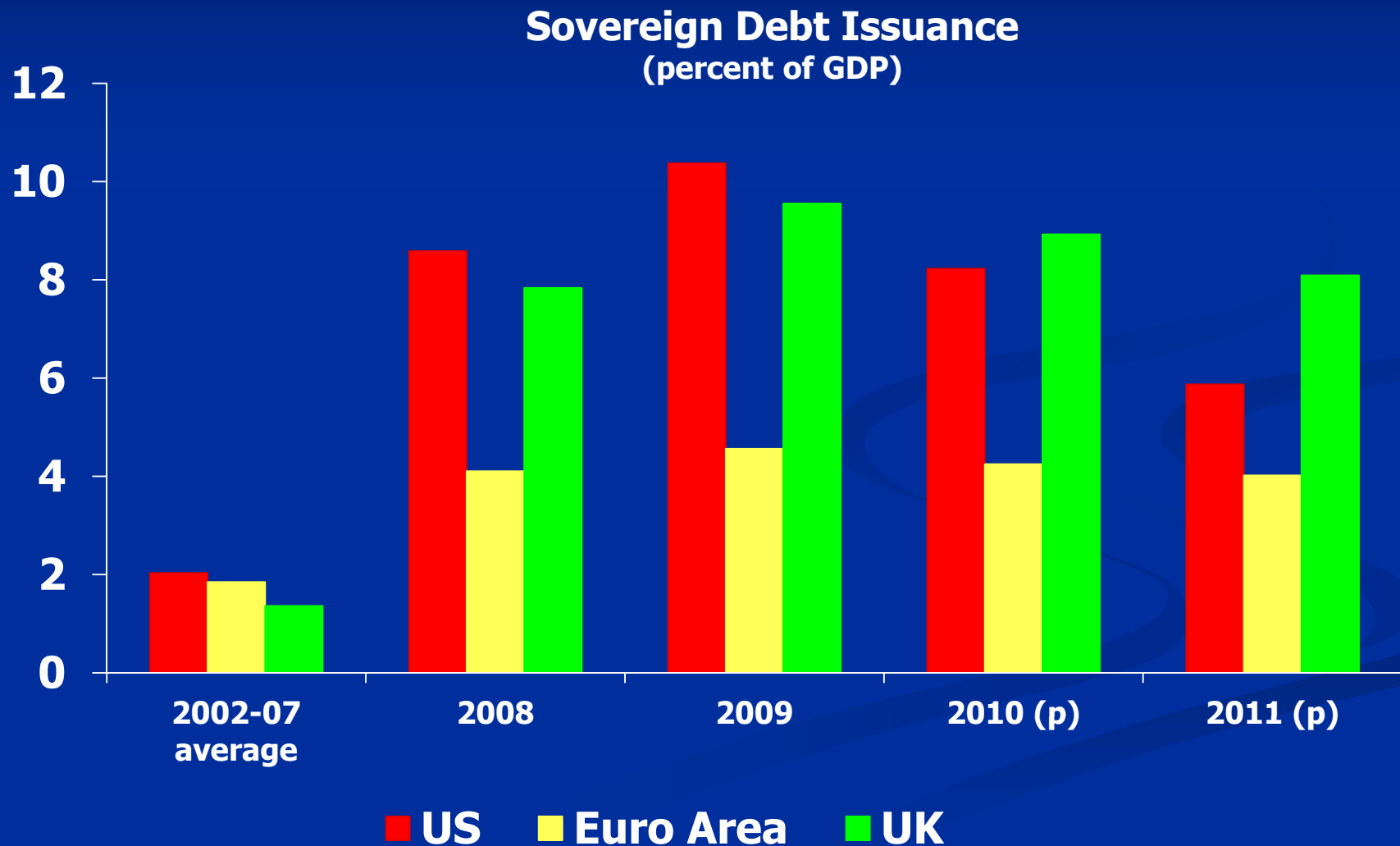
Sluggish Recovery Should Keep Inflation in Check⁴



Financial Markets have Continued to Recover and Asset Prices Have Rebounded

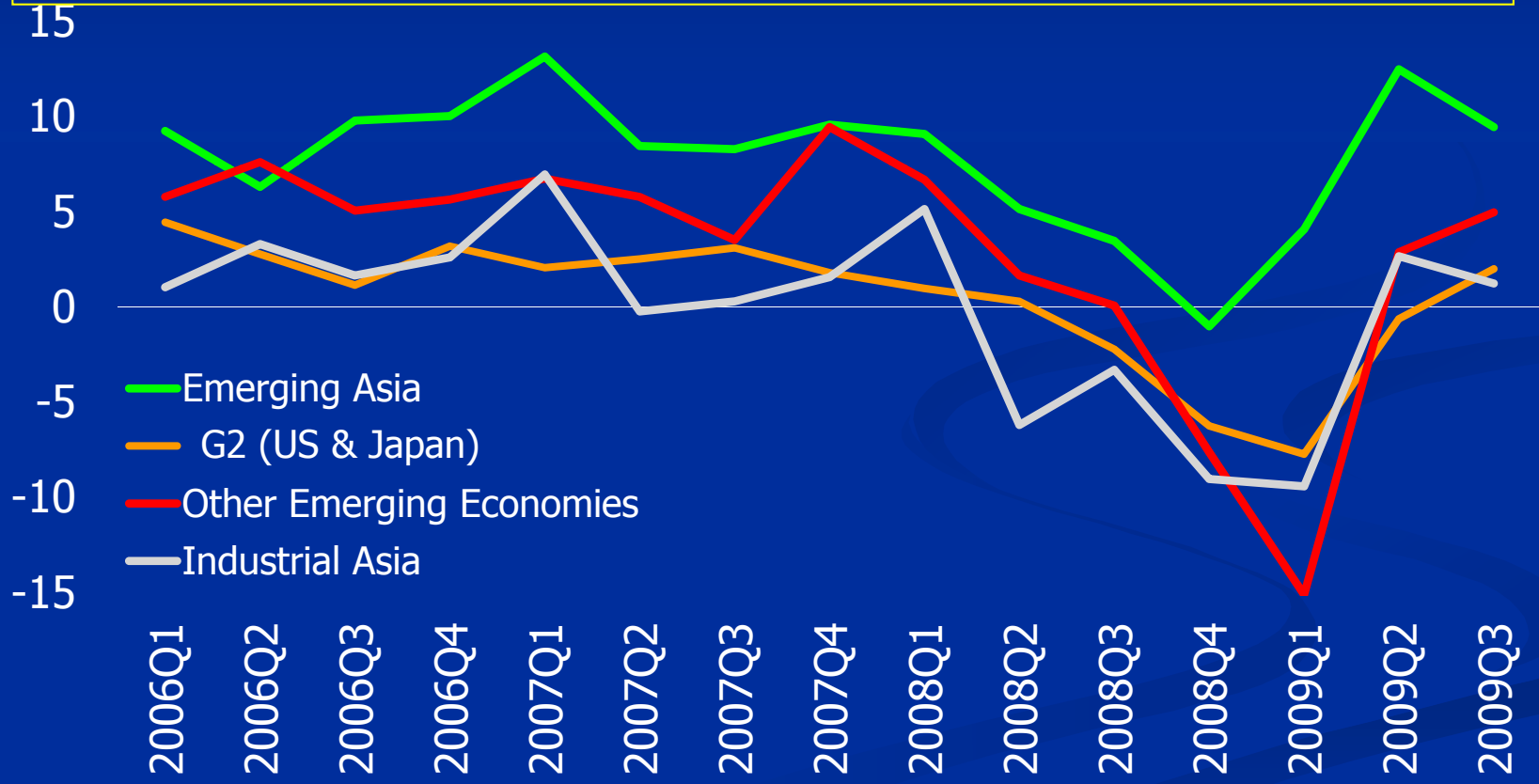


Sovereign Debt Supply Will Remain High



Emerging Asia is Leading the Global Recovery

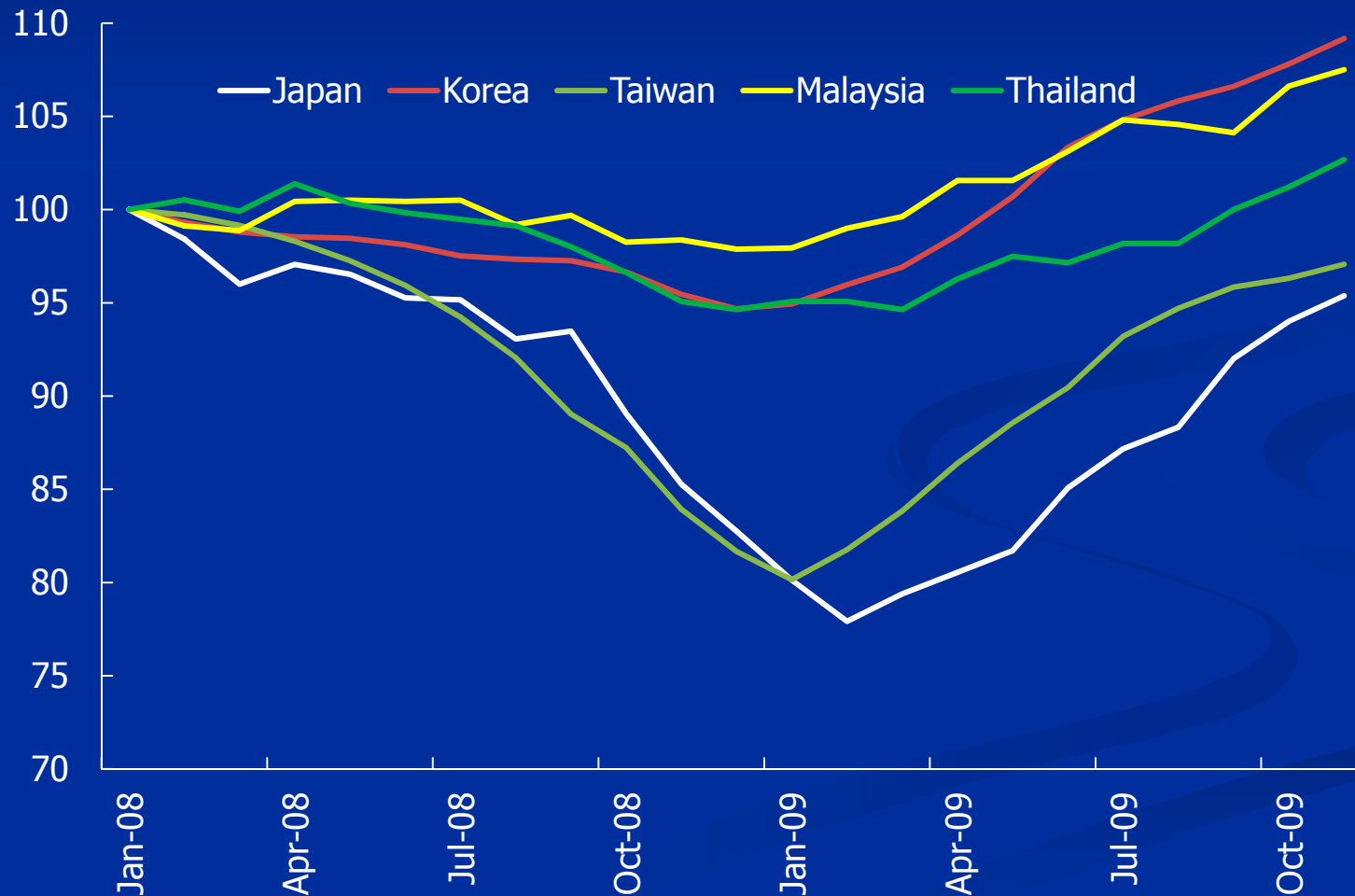
Real GDP Growth
(Quarter-on-quarter, SAAR; in percent)



The Outlook for Investment is More Mixed, but Business Confidence is up

Business Confidence Index

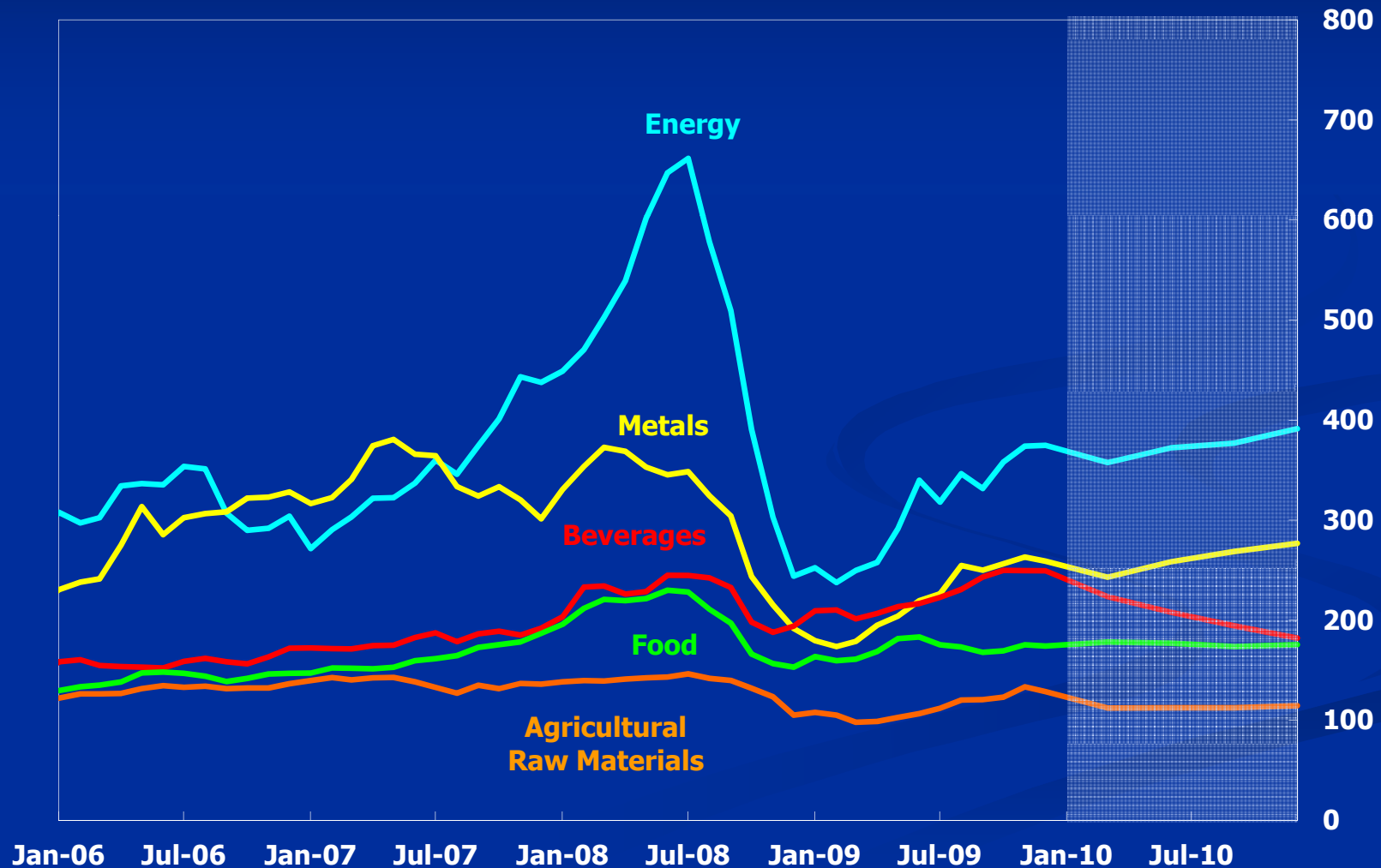
(Jan 2008 = 100)



Commodity Prices are Rising but Upward Pressures are Likely to Remain Moderate... ⁹

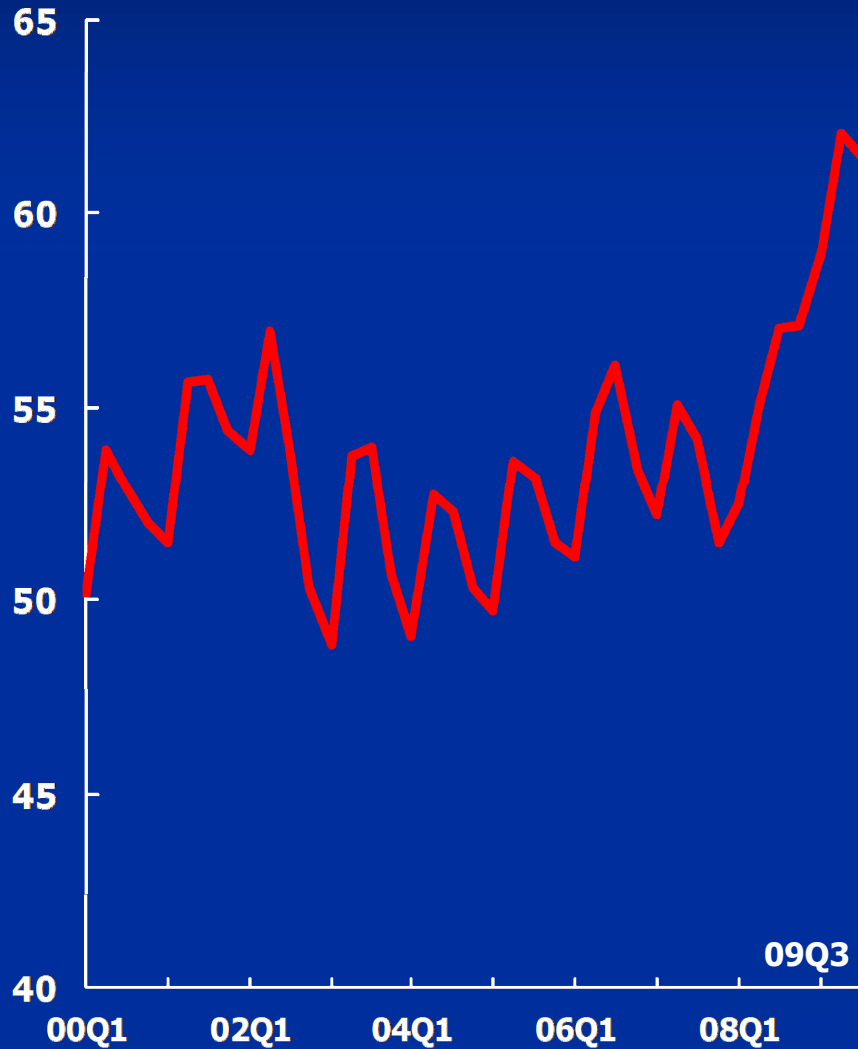
Selected Commodity Prices

(January 2002 = 100)

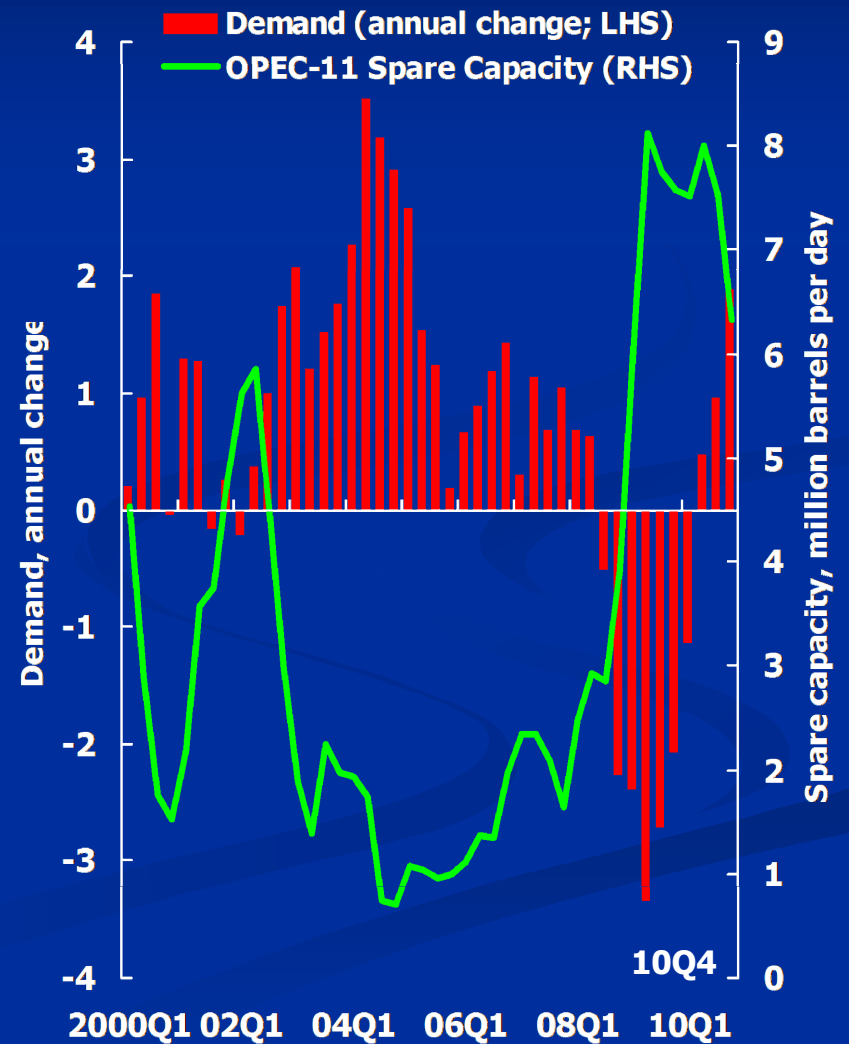


... Given Above-Average Inventories and High Spare Capacity

OECD Oil Inventories
(in days of consumption)

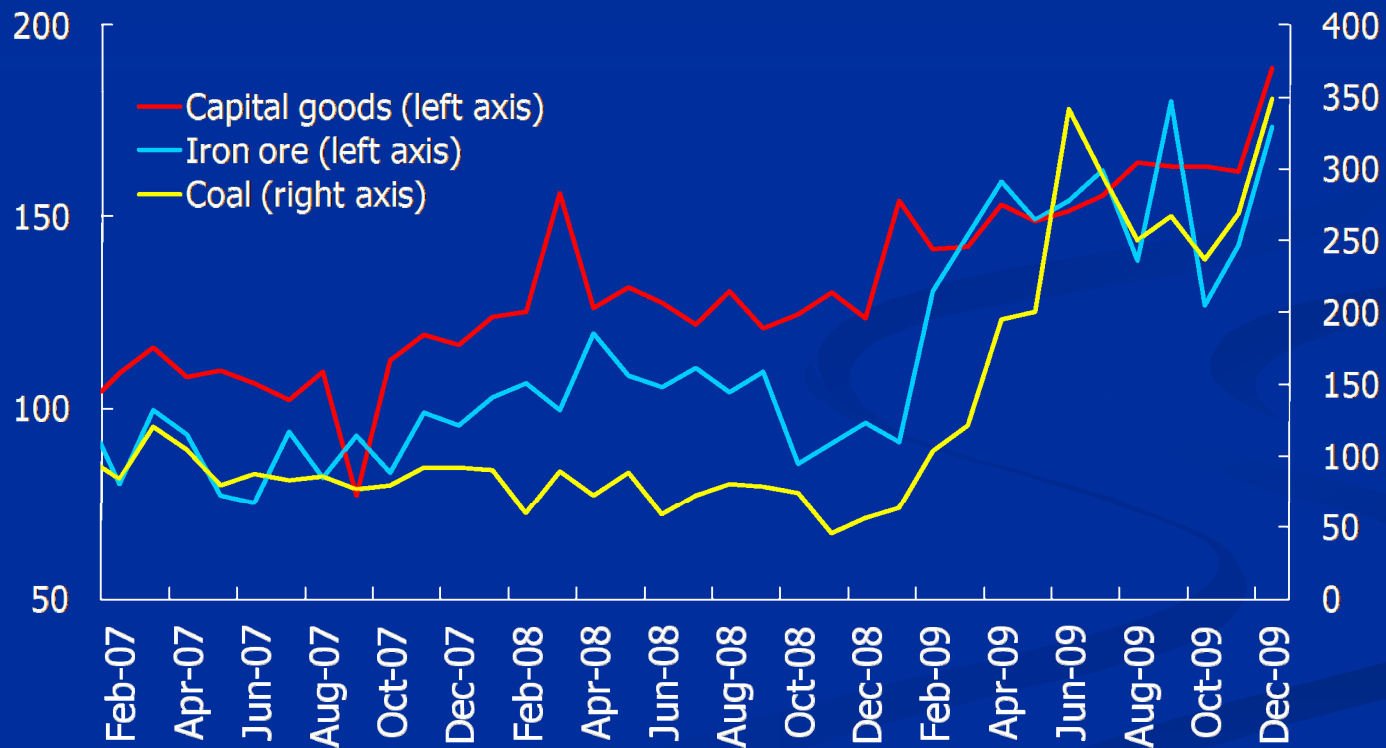


Global Oil Demand and OPEC-11 Spare Capacity
(million barrels per day)



China's Imports of Commodities Have Helped Australia

China: Import Volumes
(January 2007=100)



Policy Challenges Ahead

- In the near term, the appropriate timing, pace, and mode of exiting should depend on the state of the economy and the health of the financial sector in individual countries.
- There are also medium-term challenges:
 - Rebalancing the sources of growth
 - Reforming the financial system
 - Bringing debt levels down to their pre-crisis level

Exit from Financial Sector Support and the New Regulatory Framework

- Exiting from support to shorter-term funding markets and liquidity provision could be relatively easy/fast.
- High degree of coordination is required to designing and implementing financial sector reform
- Avoid uneven implementation across countries
- Some emerging market countries should respond to capital inflows through a variety of measures, including greater exchange rate flexibility

Thank you