



The Global Economic and Financial Outlook and Challenges for Emerging Economies

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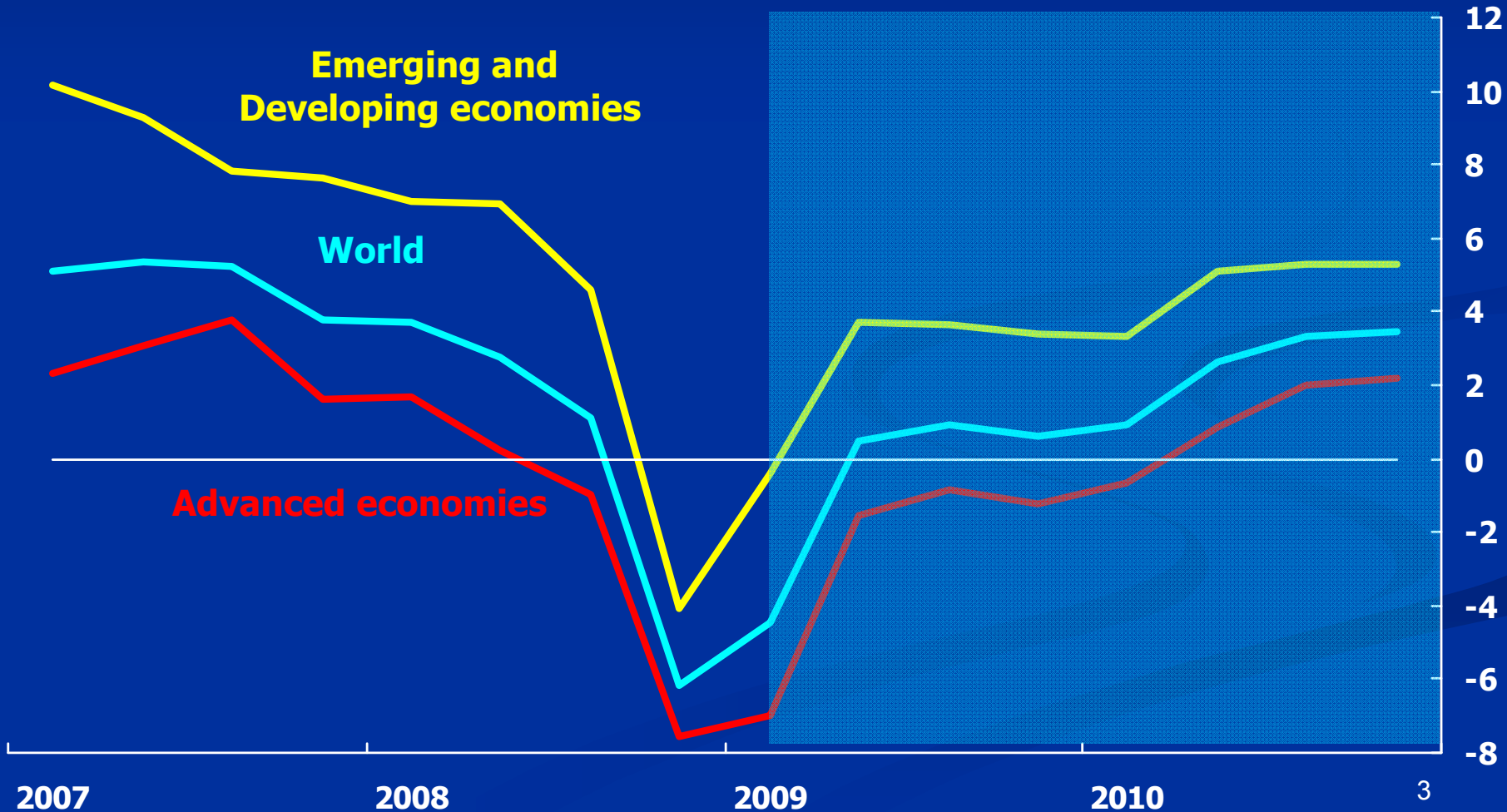
Structure of Presentation

- The Global Economy and Outlook
- The Road to Recovery will be Protracted
- Challenges for Emerging Markets
- Outcome of G-20 Summit
- Role of the IMF



The Global Economy and Outlook

Real GDP Growth
(in percent; QoQ; saar)

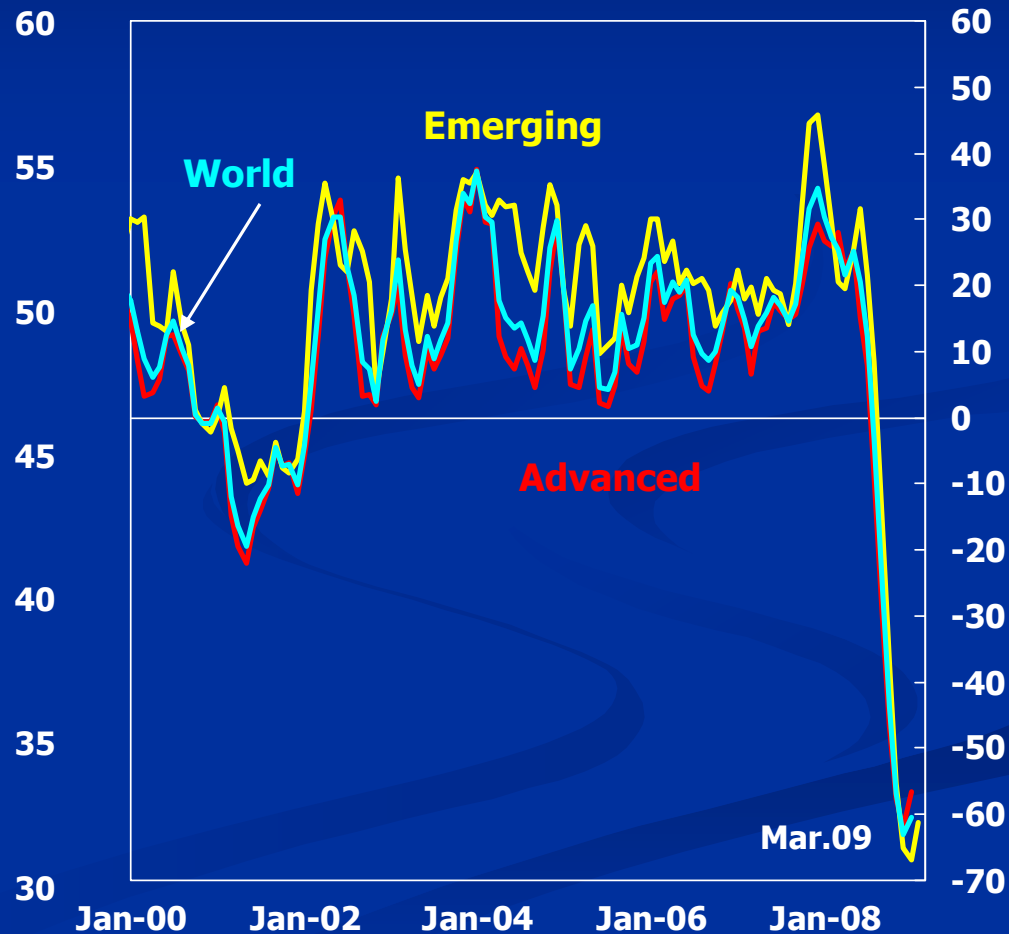


Falling Trade and Manufacturing

Industrial Production and Manufacturing PMI



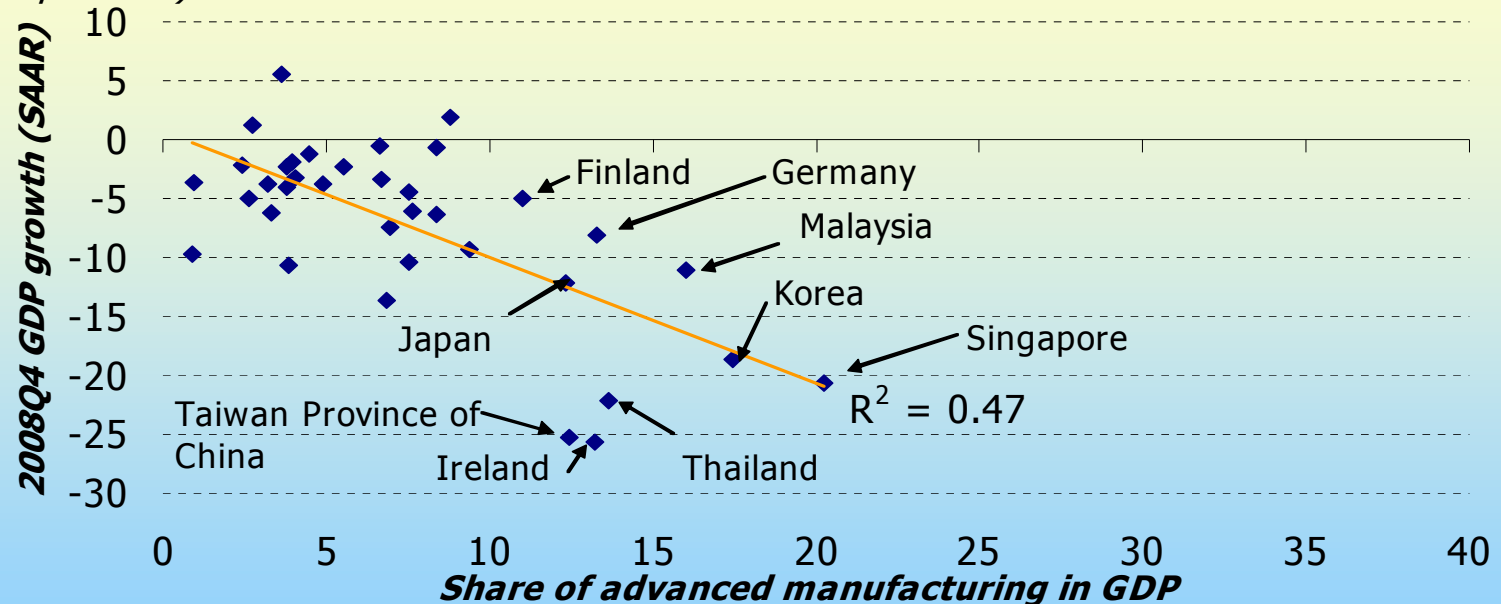
Merchandise Exports (percent change; 3mma; annualized)



GDP Slowdown in Selected Countries with a High Share of Manufacturing Exports

Share of Advanced Manufacturing in GDP and 2008Q4 GDP Growth¹

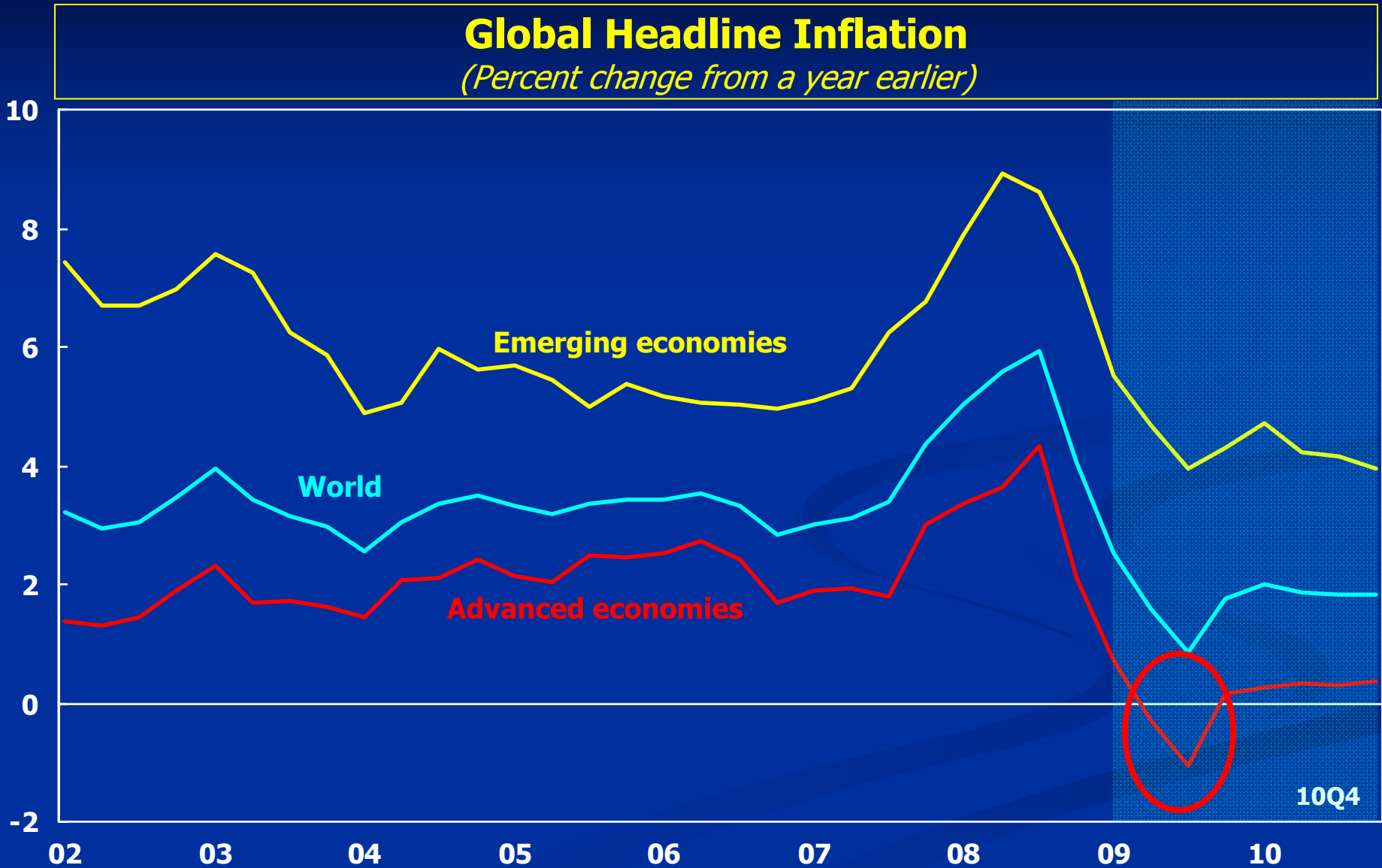
(In percent)



Sources: UNIDO database; and IMF staff calculations.

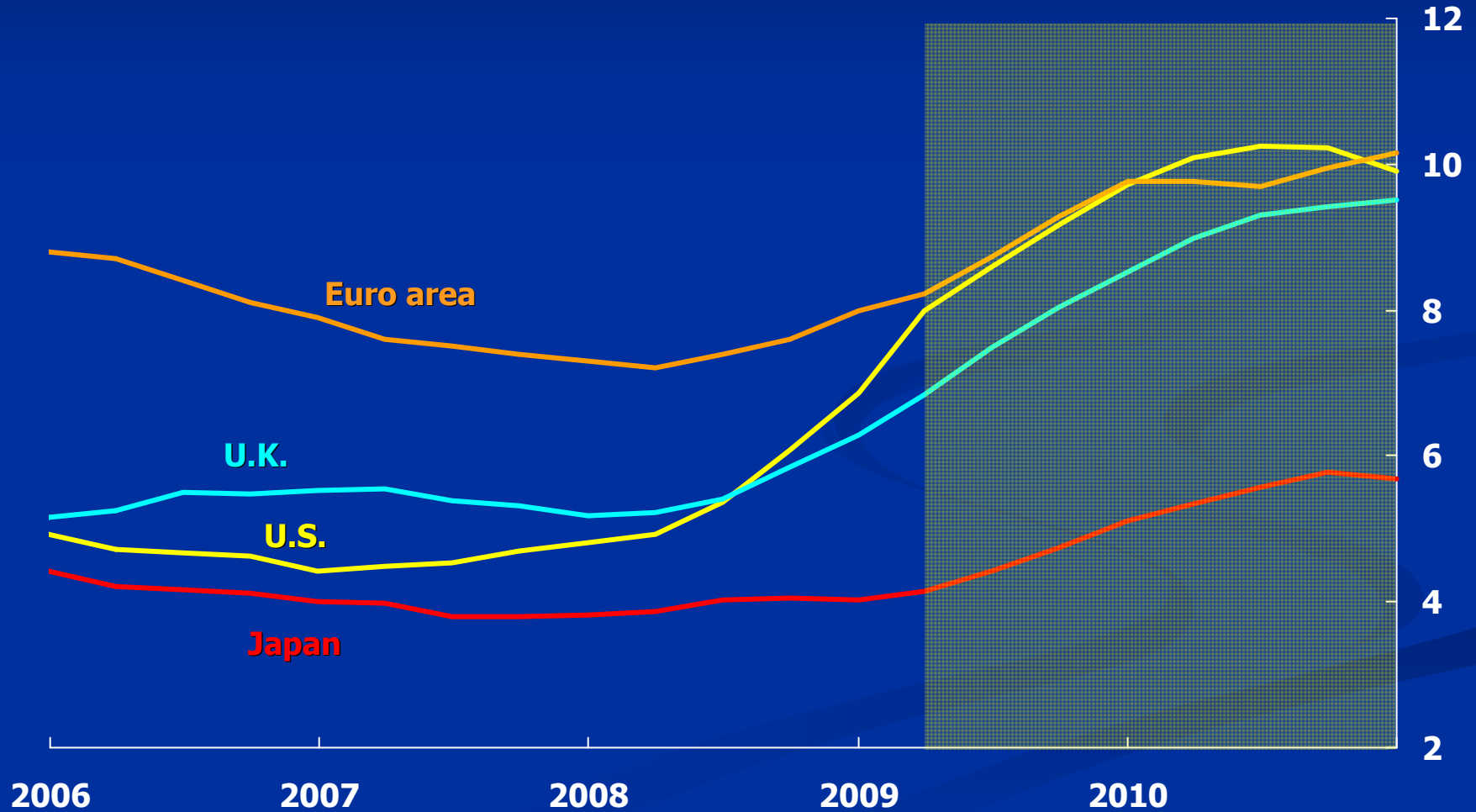
¹ Advanced manufacturing is high-and-medium-technology manufacturing as defined in UNIDO *Industrial Development Report*, 2009.

Disinflationary Pressures



Unemployment Rate Projections

Unemployment Rate (in percent)



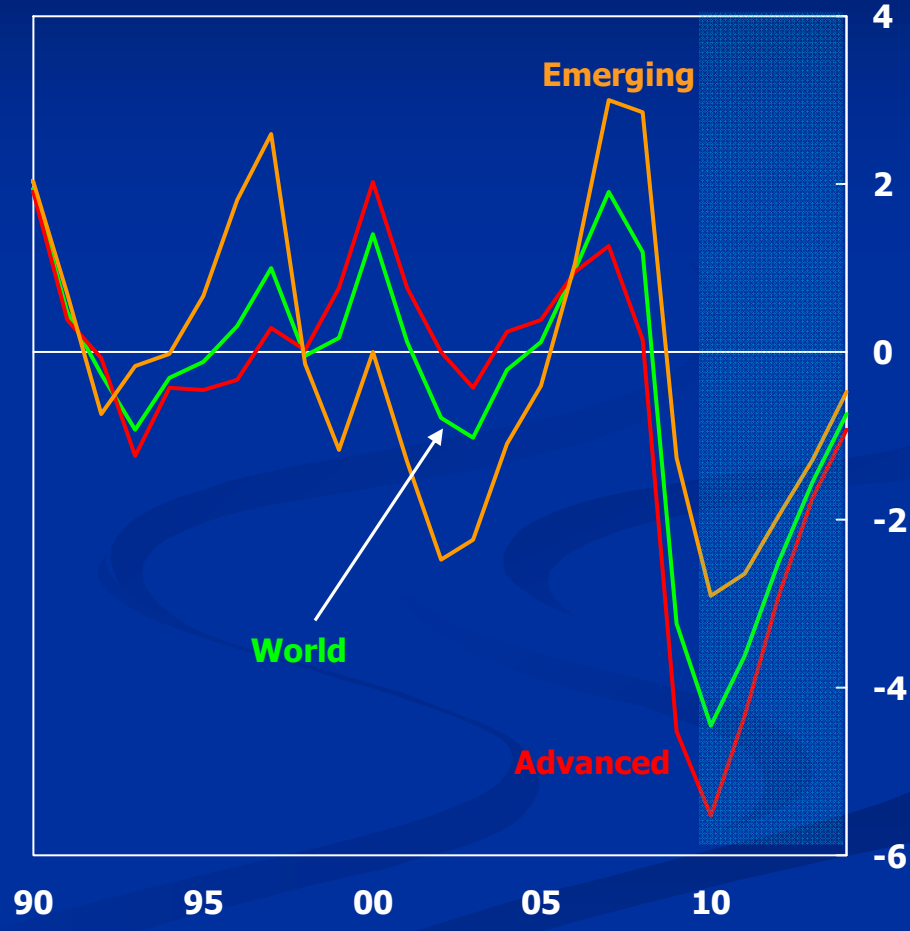
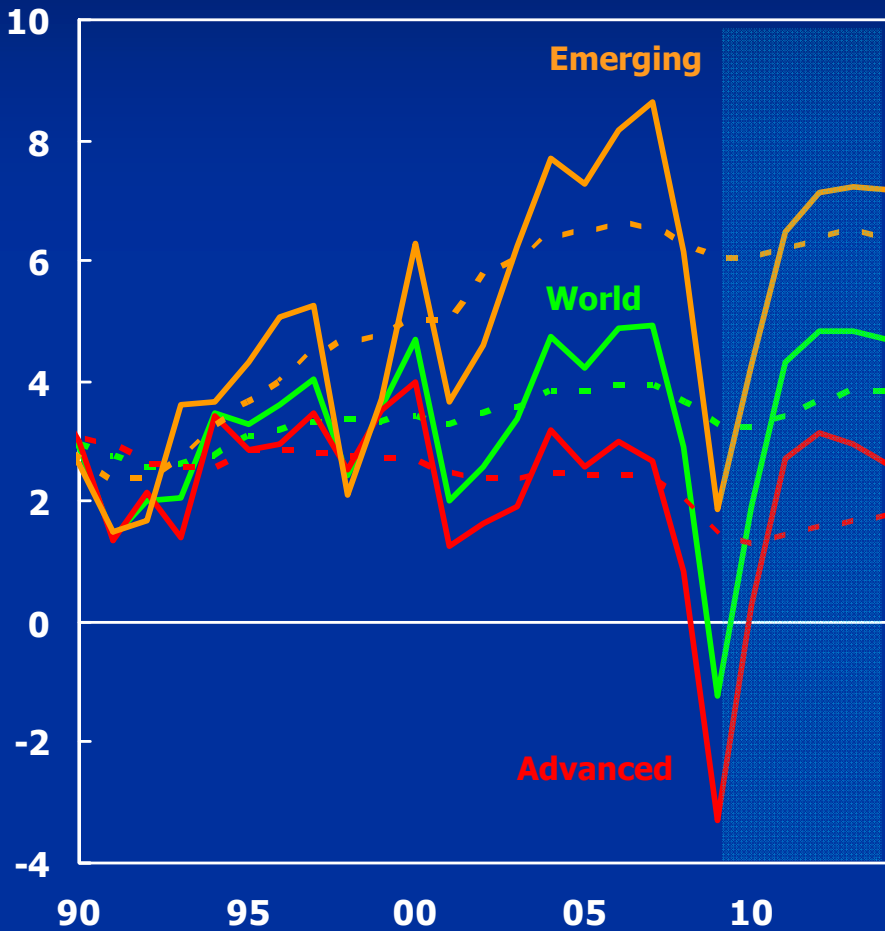
The Road to Recovery Will be Protracted

- World economy affected by two opposing forces
 - Downward force from crisis
 - Upward force from policies and natural stabilizers

Growth Rates and Output Gaps

Real and Potential GDP Growth 1/
(percent change from a year earlier)

Output Gaps
(percent of potential GDP)



1/ Estimates of the output gap, in percent of potential GDP, are based on IMF staff calculations. GDP growth rates of actual (solid line) versus potential (dashed line) for advanced economies. For emerging economies, Hodrick-Prescott filter applied for potential GDP.

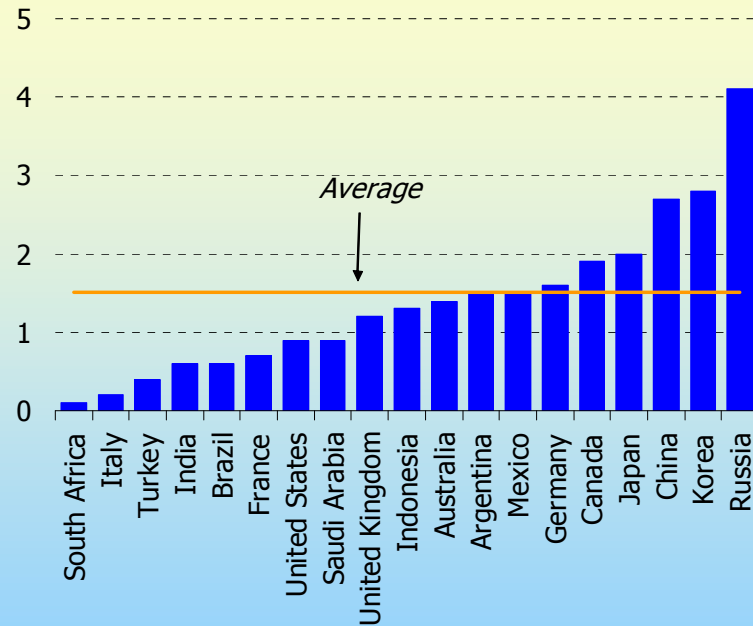
What are the Policy Challenges?

- Implement forceful financial sector policies
- Apply accommodative monetary policy
- Continue fiscal stimulus
- Anchor fiscal policy in a credible medium-term framework that addresses sustainability concerns

Fiscal Stimulus in G-20 in 2009 and 2010

G-20: Discretionary Fiscal Measures, 2009¹

(In percent of GDP)

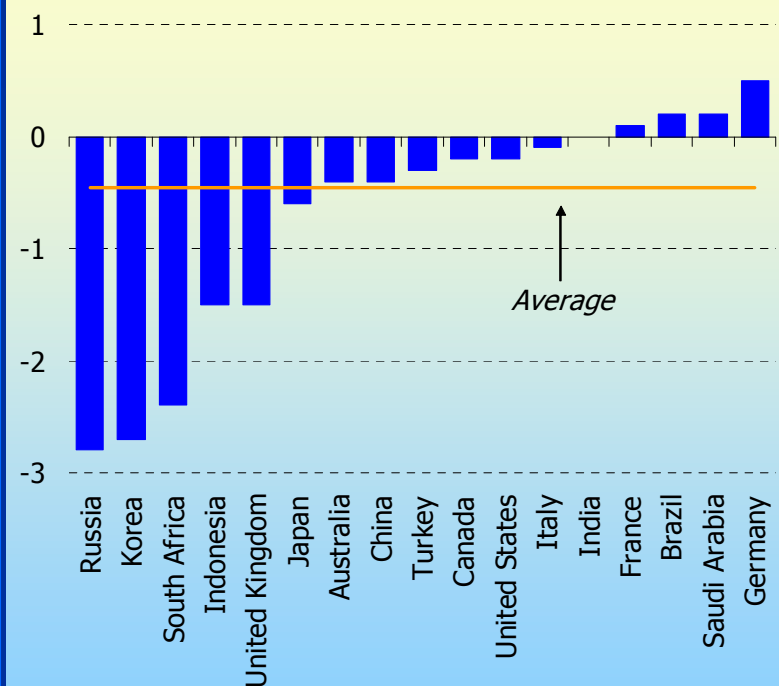


Source: IMF, staff estimates.

¹ Defined as fiscal impulses in each year (yearly changes in structural fiscal balances related to measures taken in response to the current crisis).

G-20: Discretionary Fiscal Measures, 2010¹

(In percent of GDP)



Source: IMF, staff estimates.

¹ A negative entry implies withdrawal of fiscal stimulus.

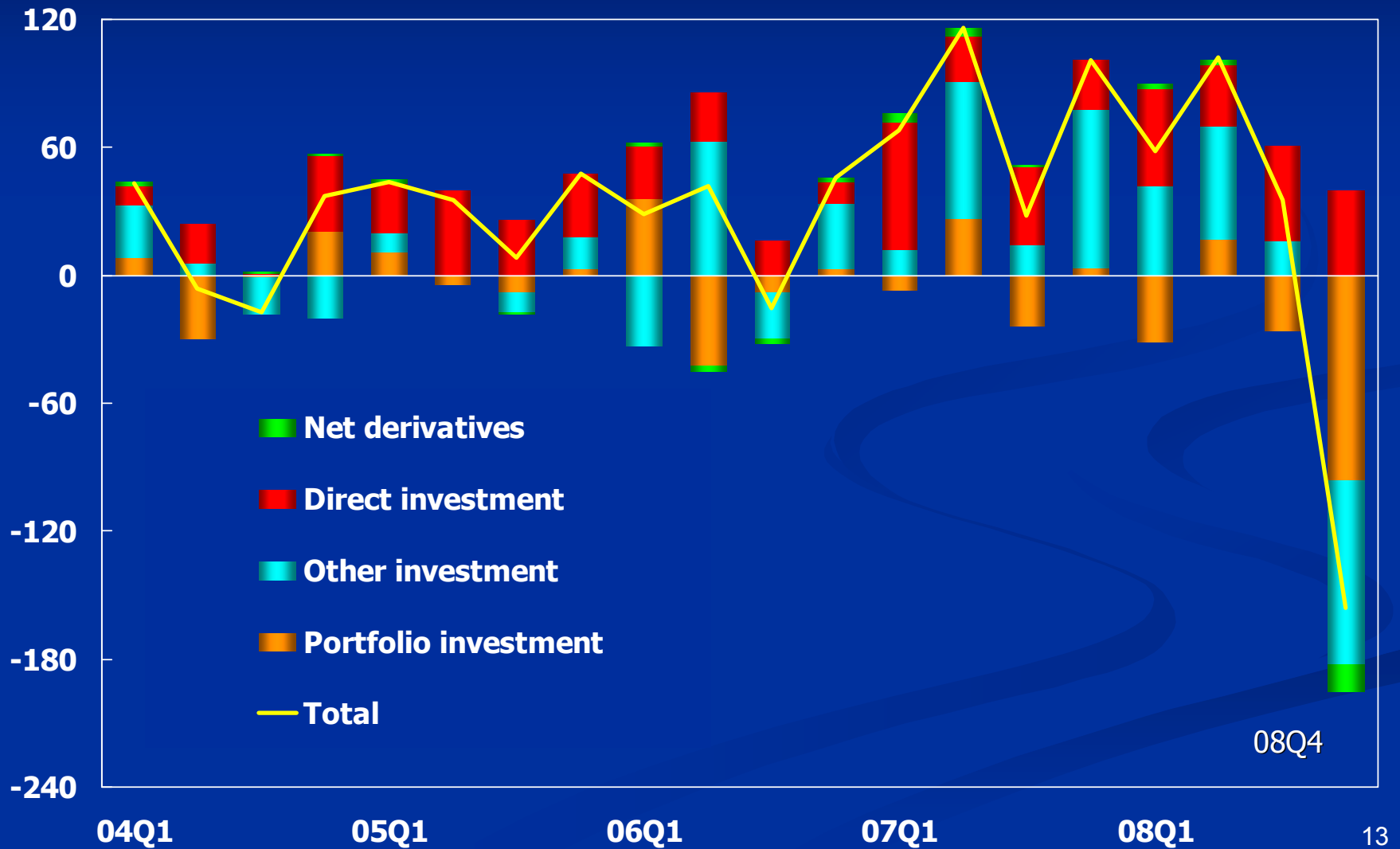
Challenges for Emerging Markets

- Deleveraging is likely to weigh heavily on credit creation and capital flows
- Mounting bank write-downs
- Emerging Europe has been particularly hit hard
- Asia and Latin America face less acute external funding needs

International Credit Provision

Emerging Economies: Net Capital Flows

(US\$ billions)



Sovereign Debt Issues

- Partial restoration of access to capital markets
- Risks to financing the needs of emerging markets abound
- Debt sustainability concerns may keep some emerging markets out
- Prudent debt management is all the more important

Trade Finance and the Protectionist Threat

- Worrying signs of an increase in trade protection
- Revival of trade is key to support global economic recovery
- Tightening of lending standards constraining trade finance

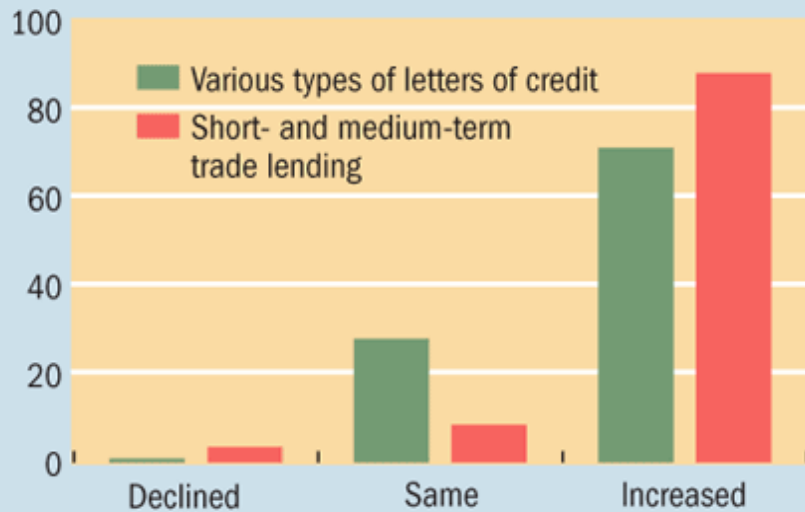
Changes in the Pricing and Availability of Trade Finance

Chart 1

Trade finance is costlier

Since late 2007, 70 percent of banks report that prices for letters of credit have risen and 90 percent say the price of trade lending has risen.

(percent of responding banks)



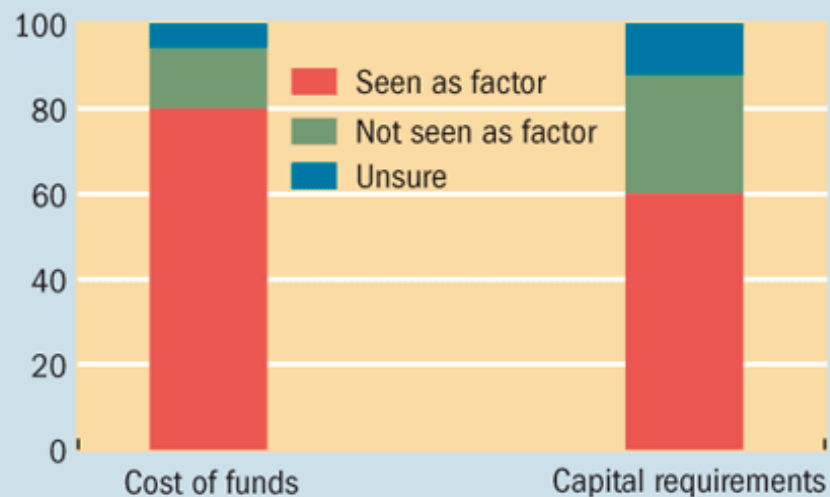
Source: IMF/Trade Finance Survey, 2008.

Chart 2

What makes trade finance pricier?

Most banks cite the rising cost of funds, while a majority also say higher capital requirements are driving up the price of trade finance.

(percent of responding banks)



Source: IMF/Trade Finance Survey, 2008.

Outcome of G-20 Summit

- Consensus on need for coordinated global fiscal and monetary policies
- Boost in IMF resources and strengthening of its role in global economy
- Need to strengthen financial regulatory systems

Role of the IMF

- Continuation of efforts to adapt lending facilities
- Candid even-handed and independent surveillance, including the monitoring of fiscal and financial policy implementation
- Development of early warning system
- Acceleration of reform of IMF's governance structure