



Economic Outlook and Policy Challenges

Presentation to ASEAN Governors

April 7, 2010

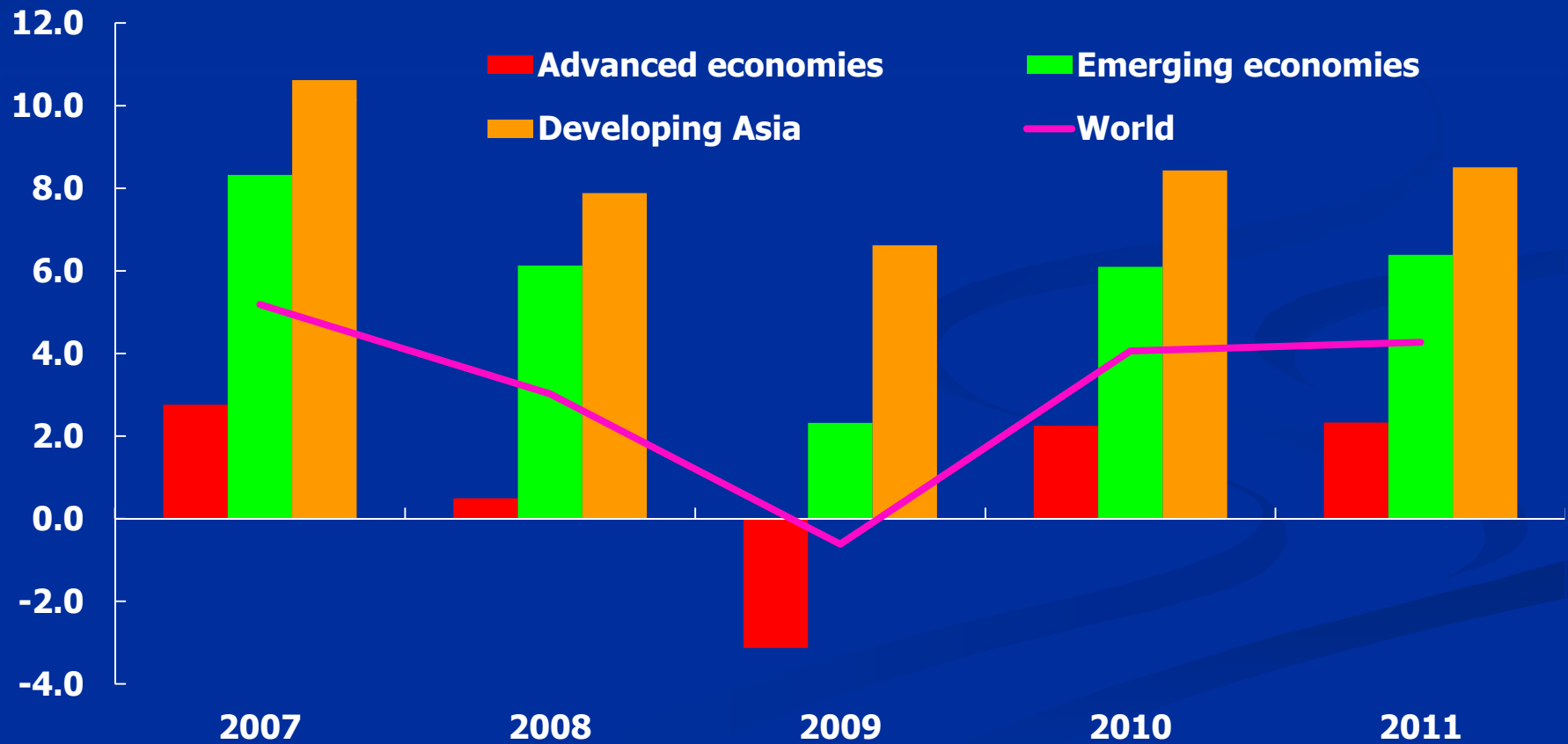
Nha Trang, Vietnam

Plan of Presentation

- Global outlook
- ASEAN outlook and risks
- Policy challenges
- Role of the IMF

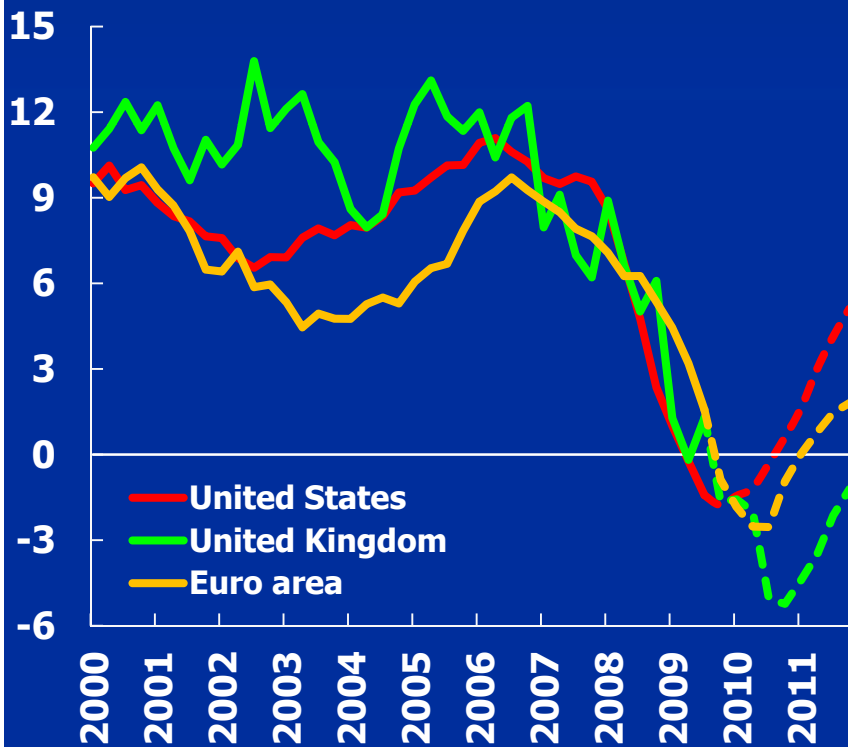
A multispeed recovery, with Asia leading

GDP Growth
(y/y percent change)

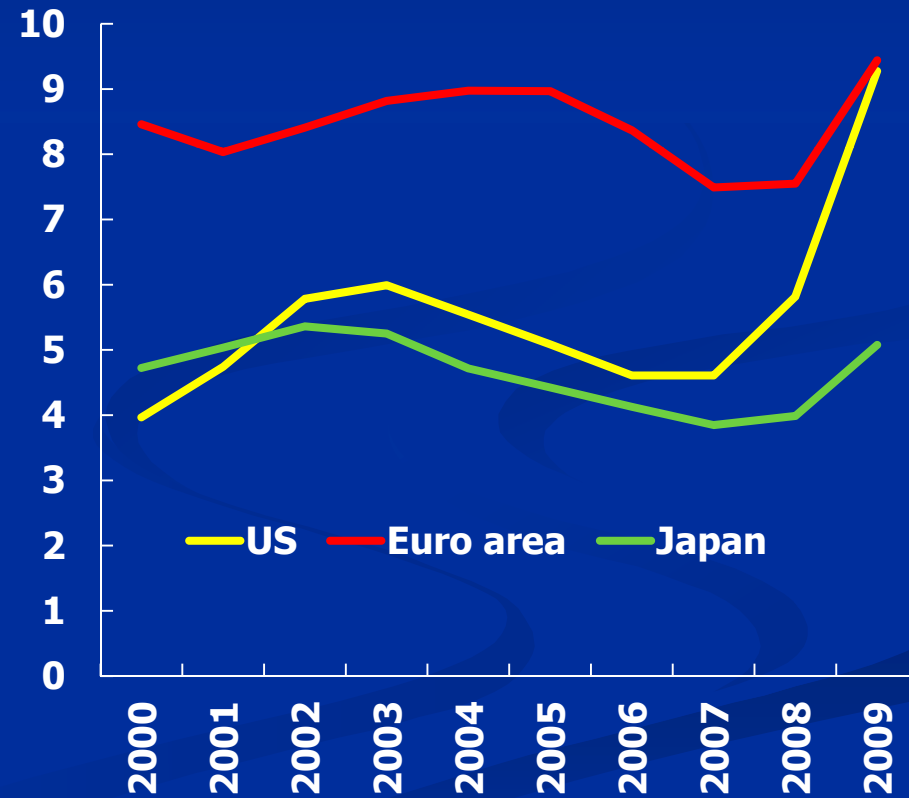


Crisis legacy will undermine private demand

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

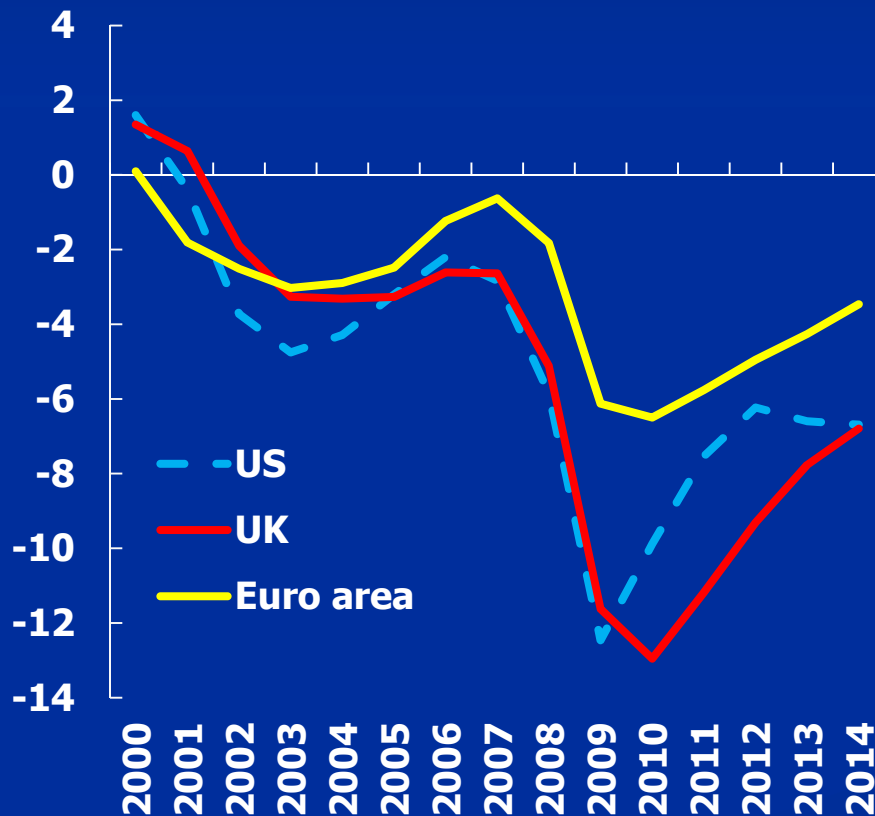


Unemployment Rate

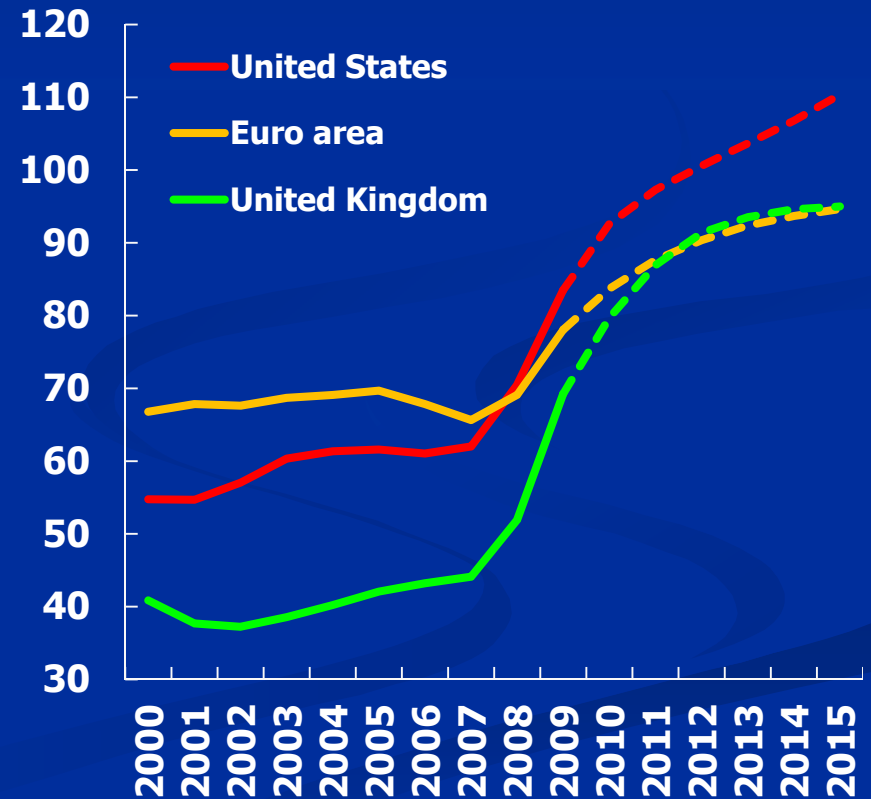


Space for policy stimulus is being exhausted

General Government Balance
(percent of GDP)

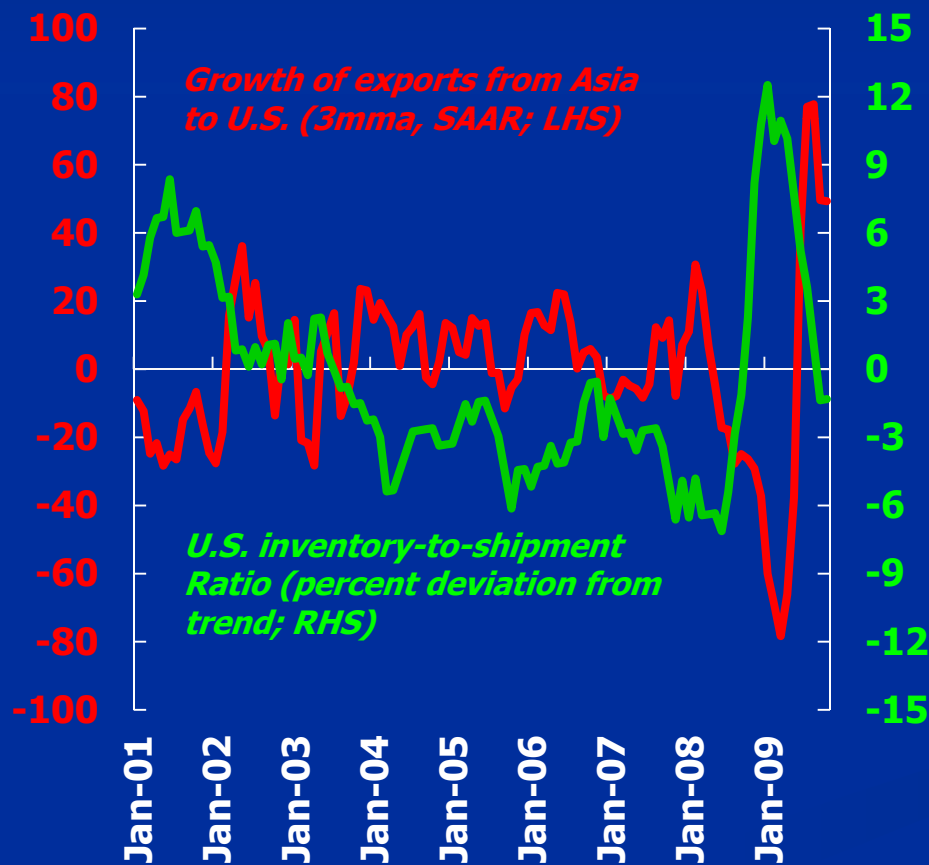


Public Debt
(percent of GDP)

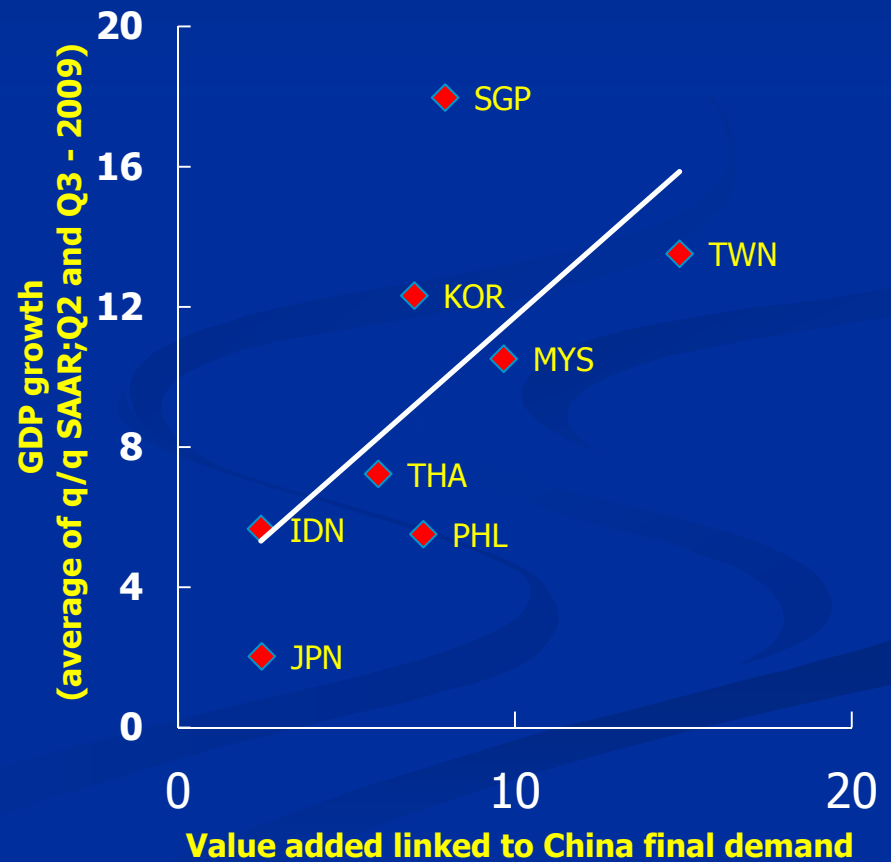


Global inventory cycle and China will lift Asia

U.S. Inventory Cycle and Asia's Exports to U.S.

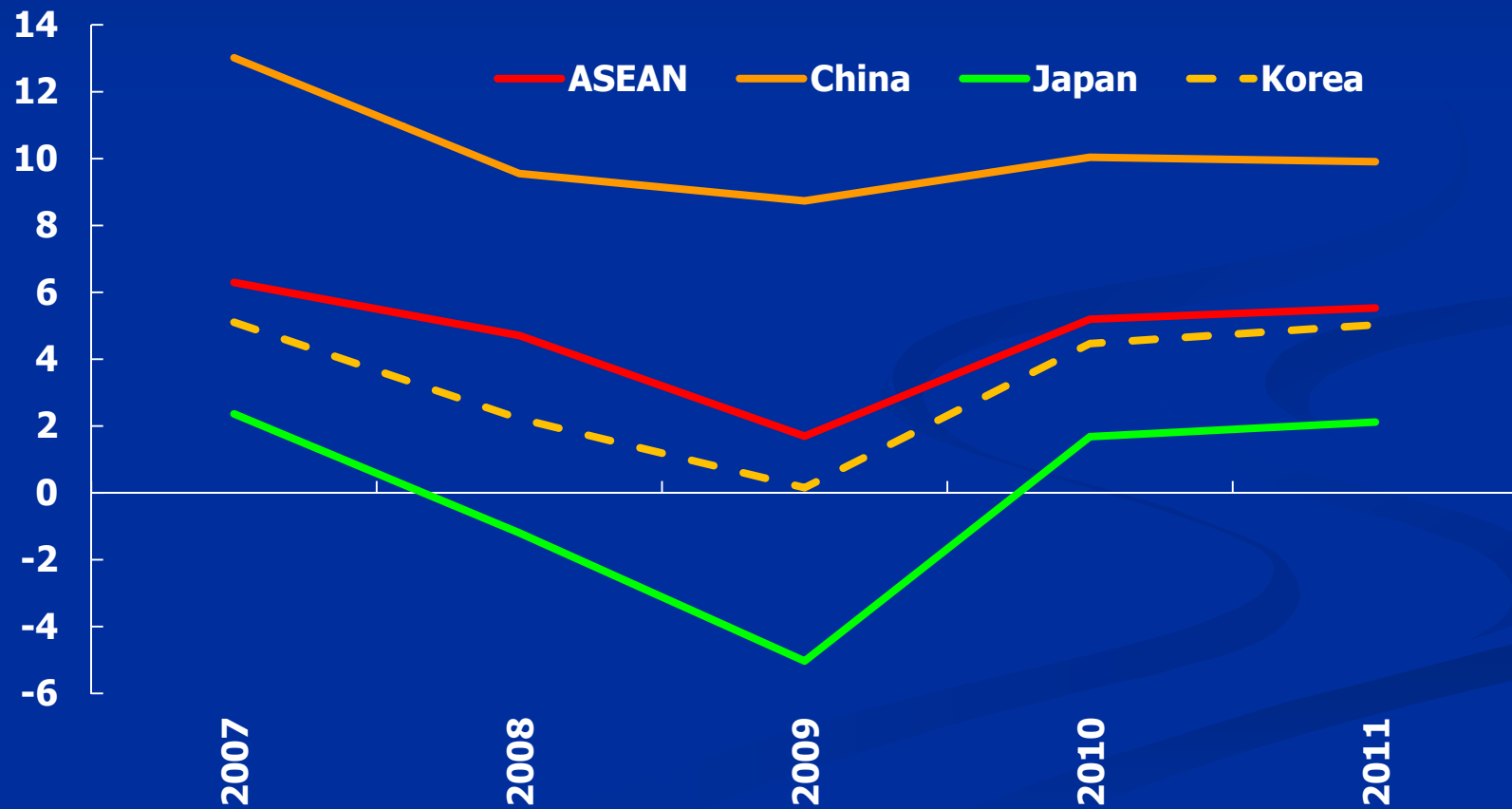


GDP Growth and Value Added Linked to China Final Demand



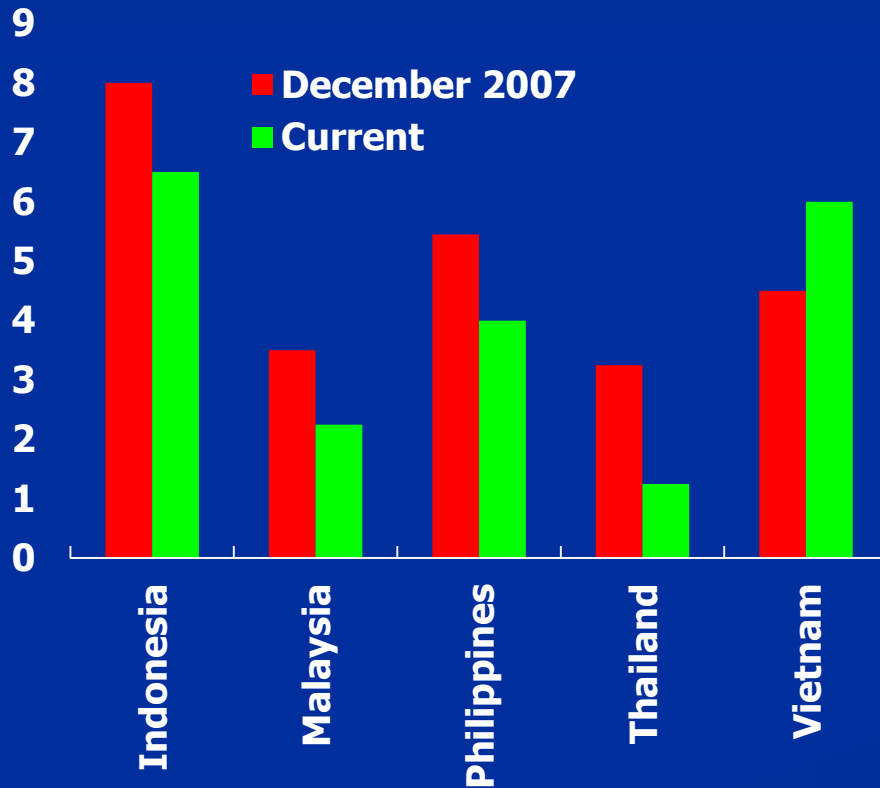
ASEAN's growth will reach 5½ percent

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

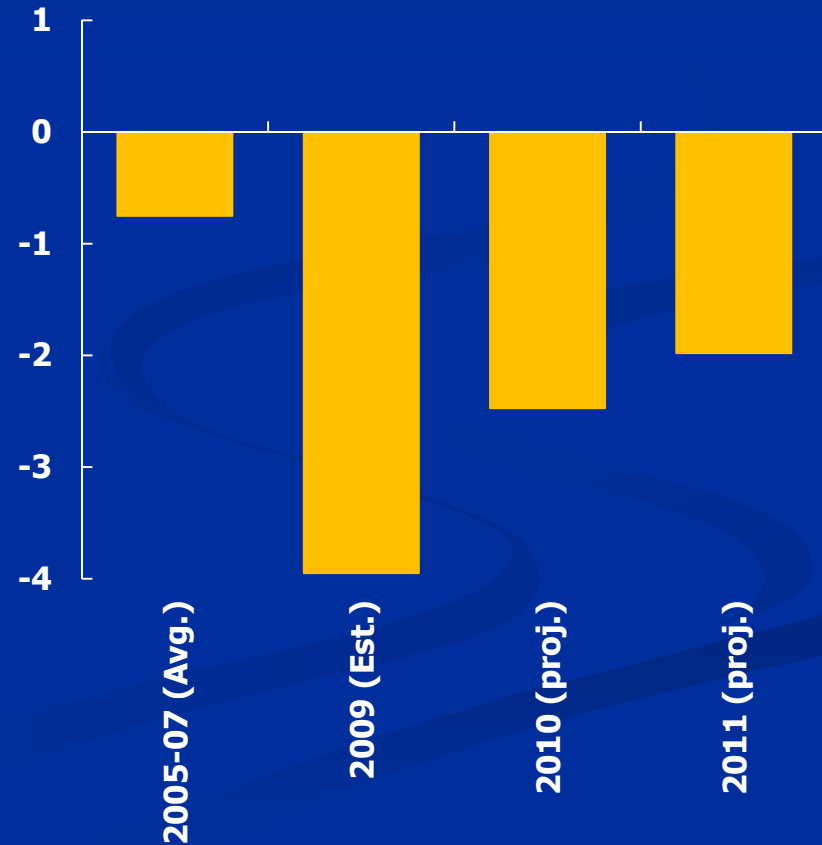


Policy challenge 1: Calibrating the exit

ASEAN: Nominal Policy Rates
(percent)

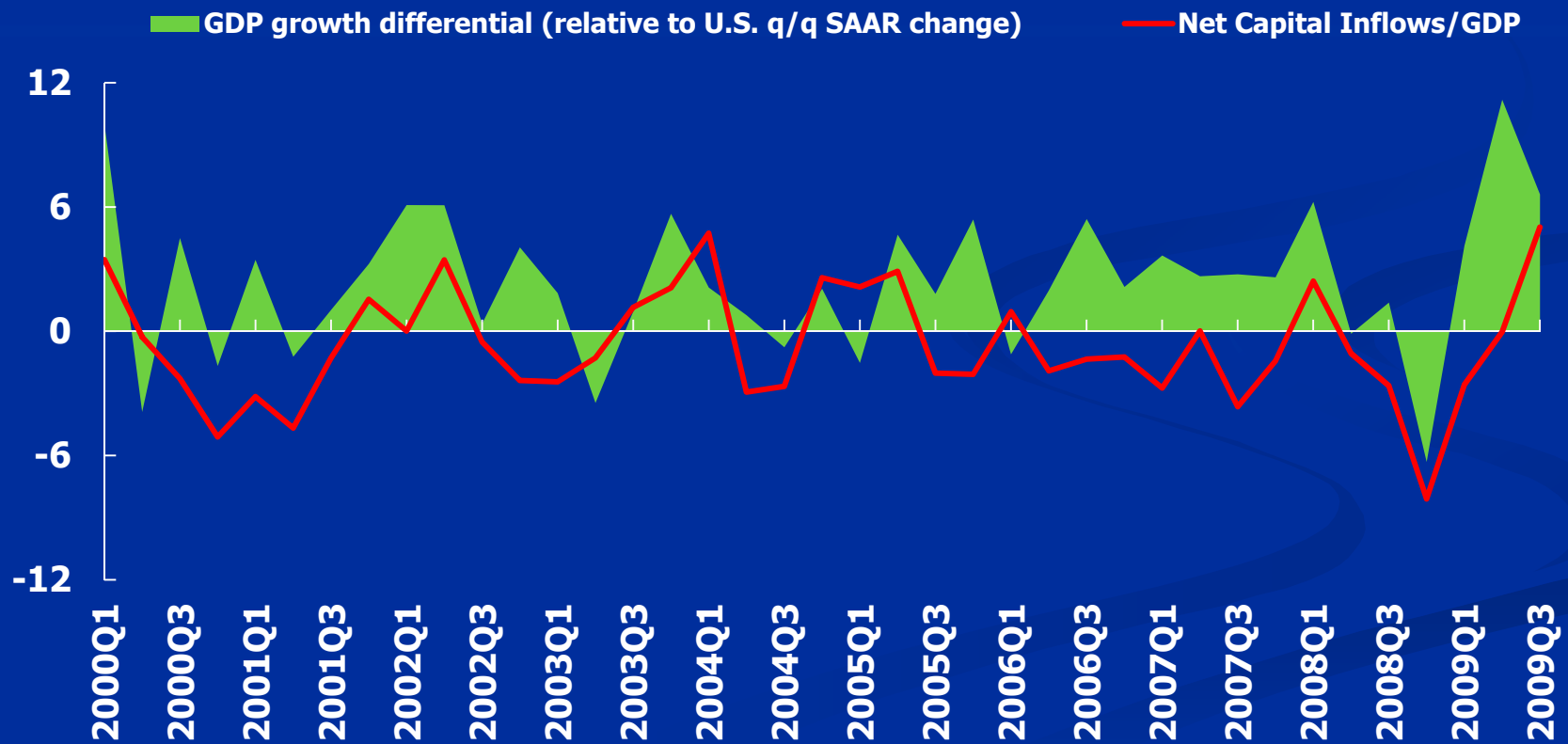


ASEAN: Cyclically Adjusted Government Balance
(percent of GDP)



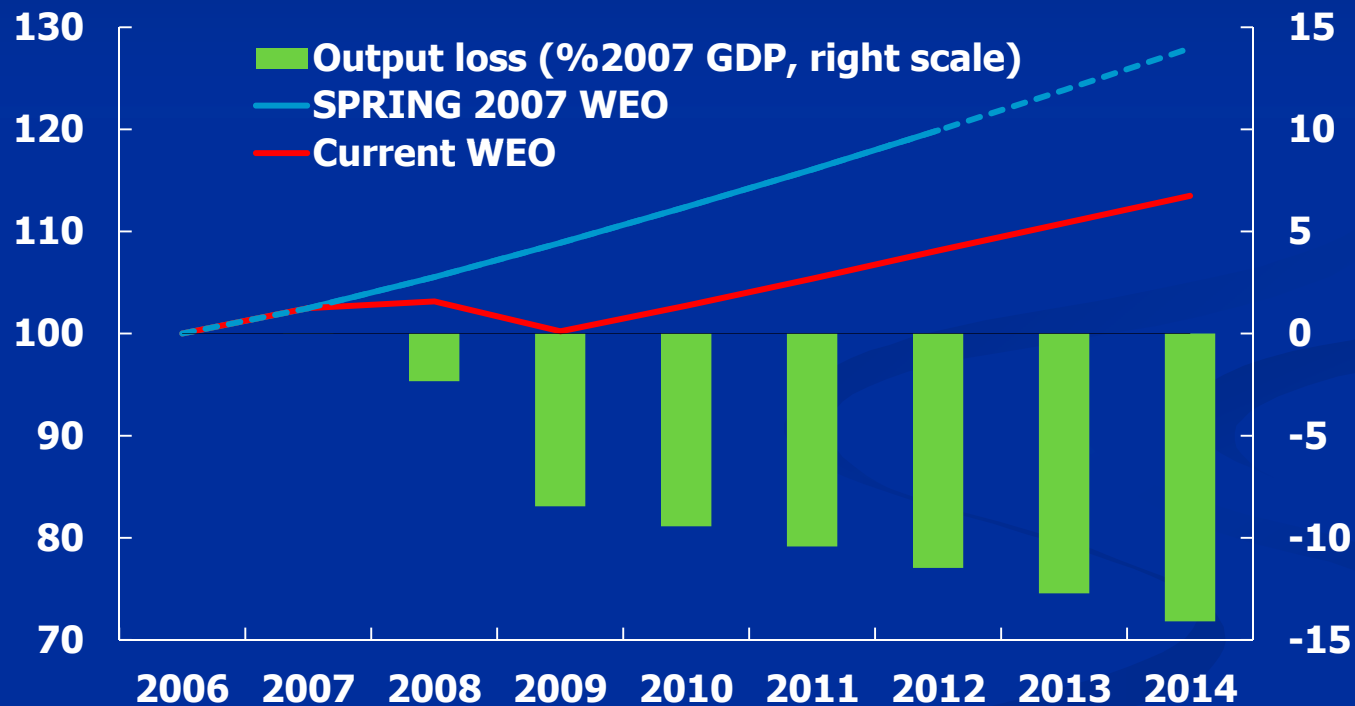
Policy challenge 2: Managing capital inflows

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



Policy challenge 3: Rebalancing demand

Medium Term Growth Prospects: GDP Paths for Countries with External Deficits ¹



¹ Countries in the chart include Australia, Hungary, Turkey, South Africa, the United Kingdom, and the United States.

IMF Reforms

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

IMF Support for the ASEAN Region

- Objectives:
 - Complement bilateral surveillance
 - Support region's own initiatives
- Safety nets
 - Three layers needed -- national, regional, and global
 - IMF is prepared to work alongside the CMIM

Conclusions

- *Outlook:*
 - ASEAN is rebounding rapidly
 - But advanced countries remain 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*