



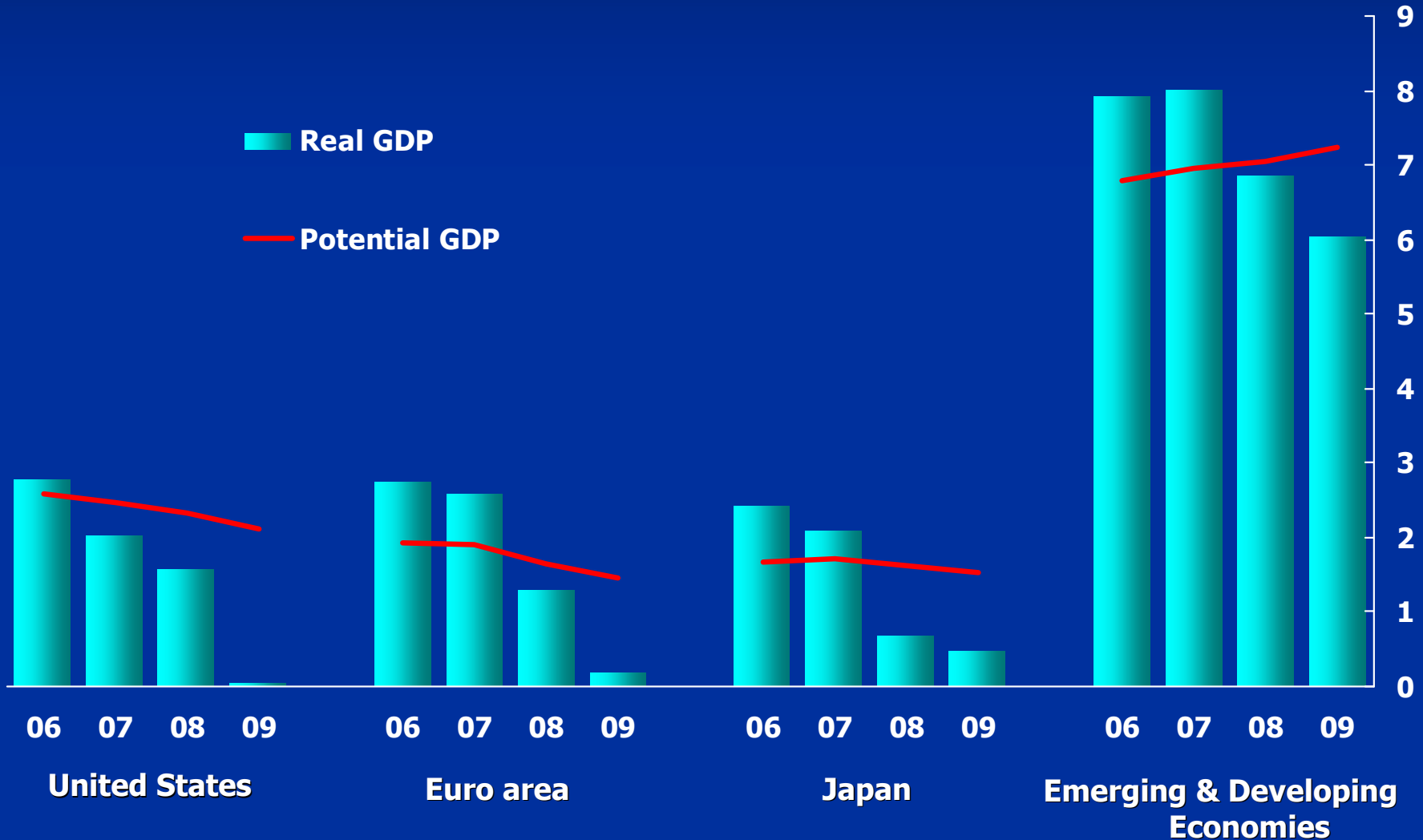
Global Prospects and Policies

John Lipsky
First Deputy Managing Director

October 28, 2008

The Global Economy is Entering a Major Slowdown,Increasingly Affecting Emerging Economies

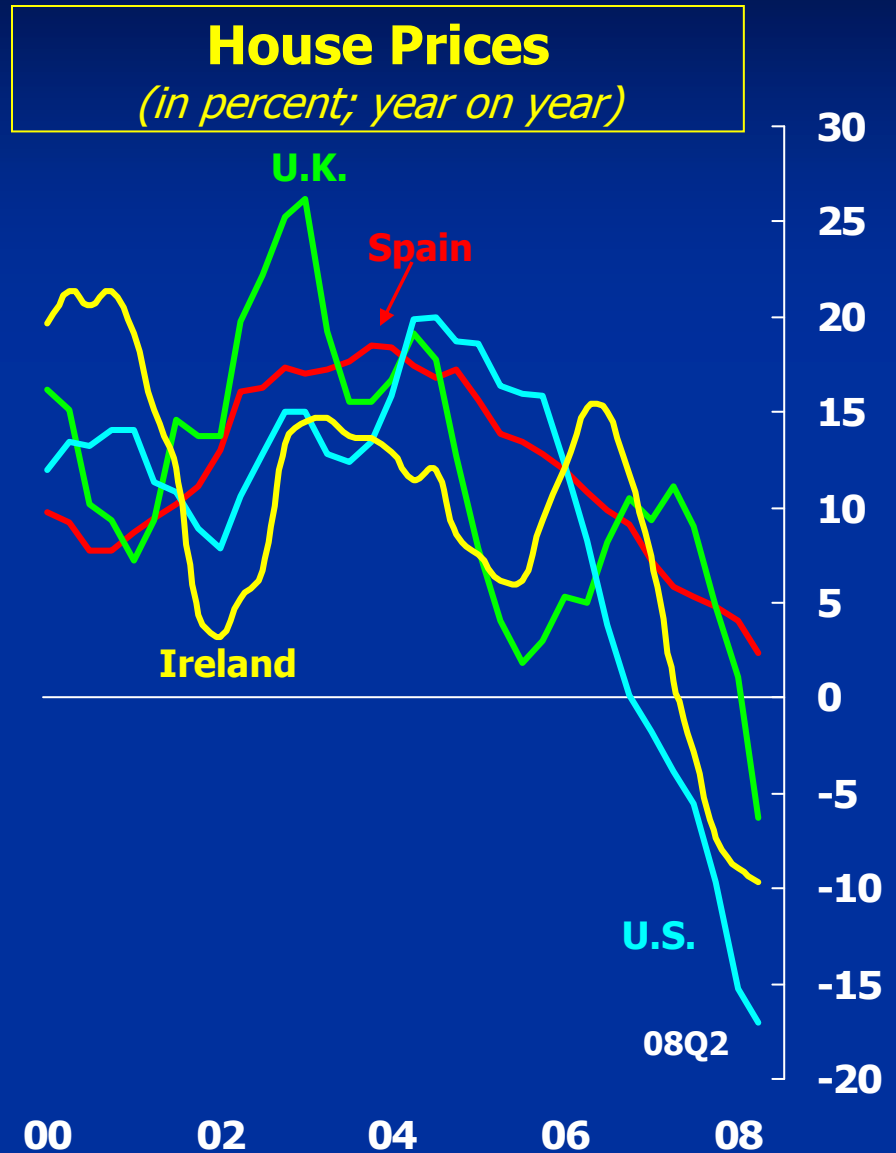
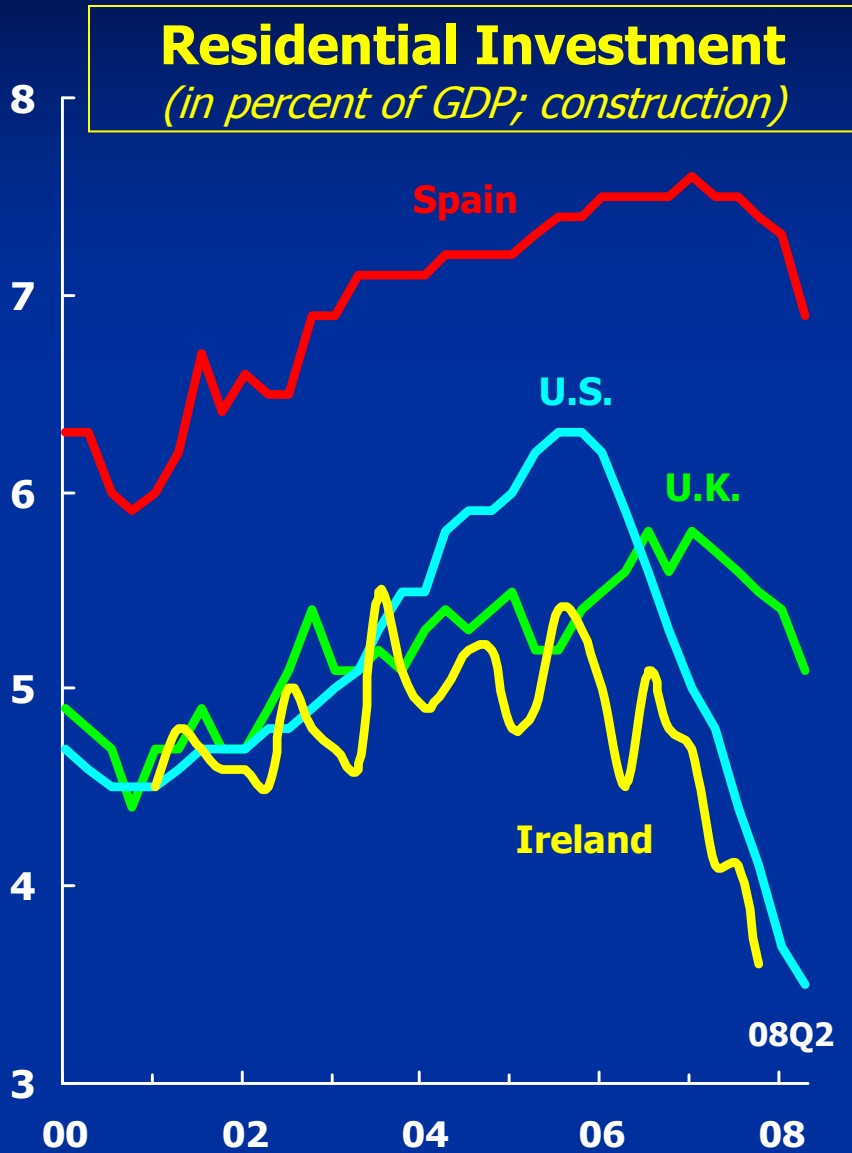
Real GDP Growth Rates *(percent change)*



Epicenter of the Crisis

- Housing Markets—Undershooting Risks
- Financial Markets—Stress Still Spreading

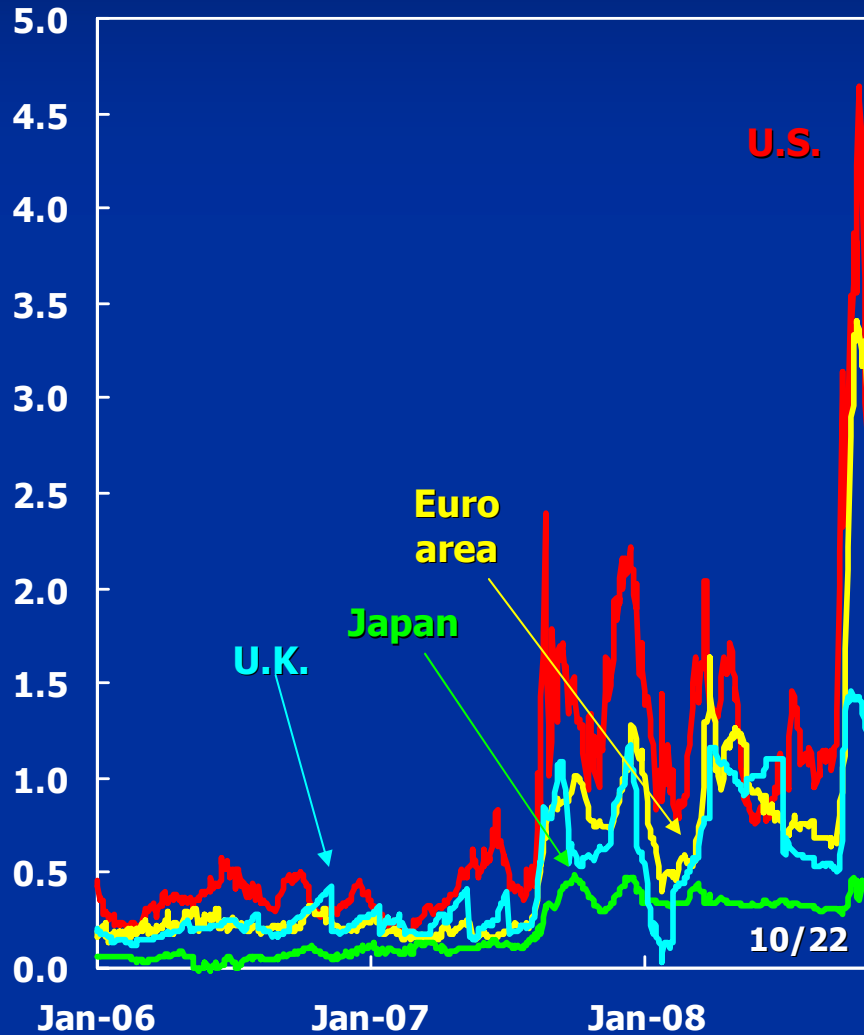
Housing Slumps Continue in the U.S. and Other Advanced Economies: Undershooting Risk?



Financial Strains Remain Acute

Interbank Markets

(3-month LIBOR minus T-bill rate; in percent)



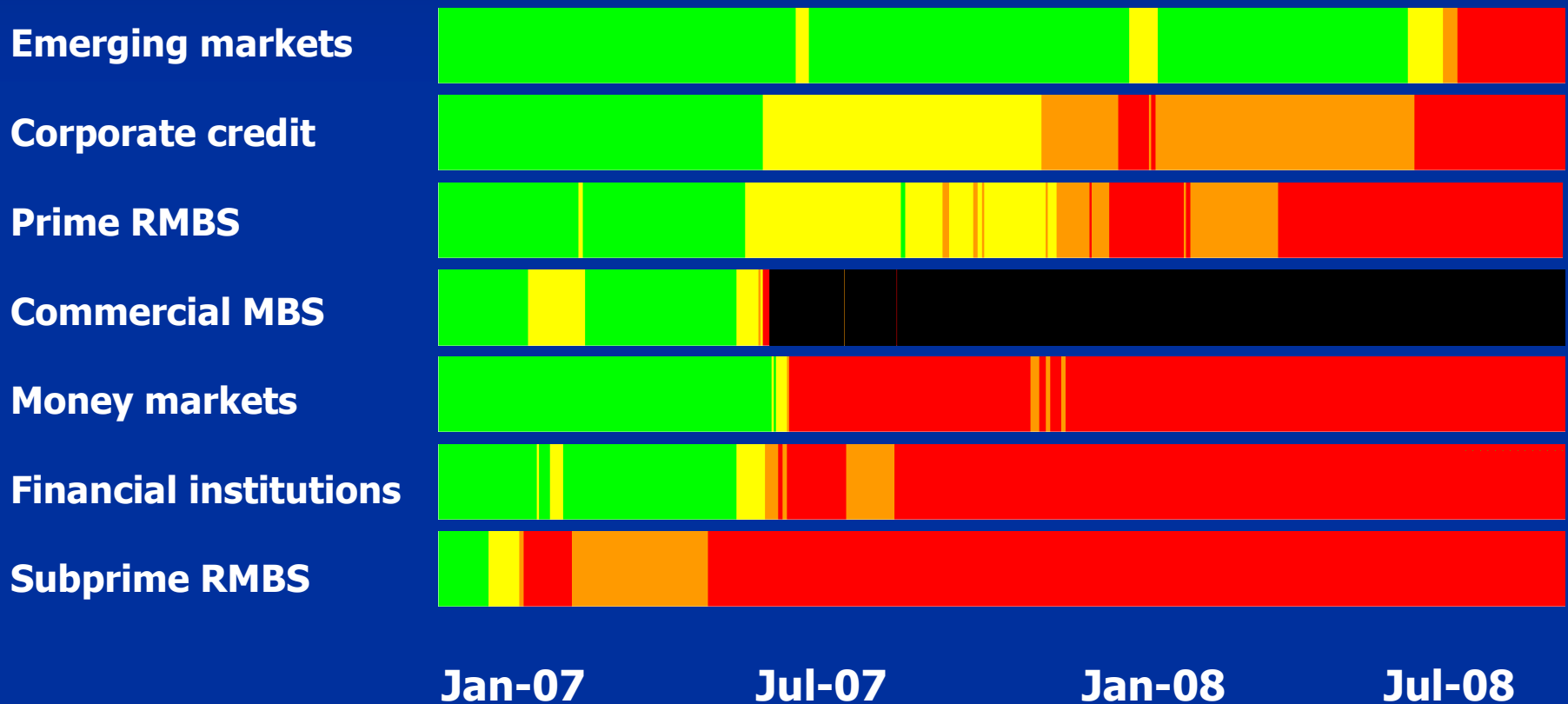
Bank CDS Spreads

(10-years; basis points)

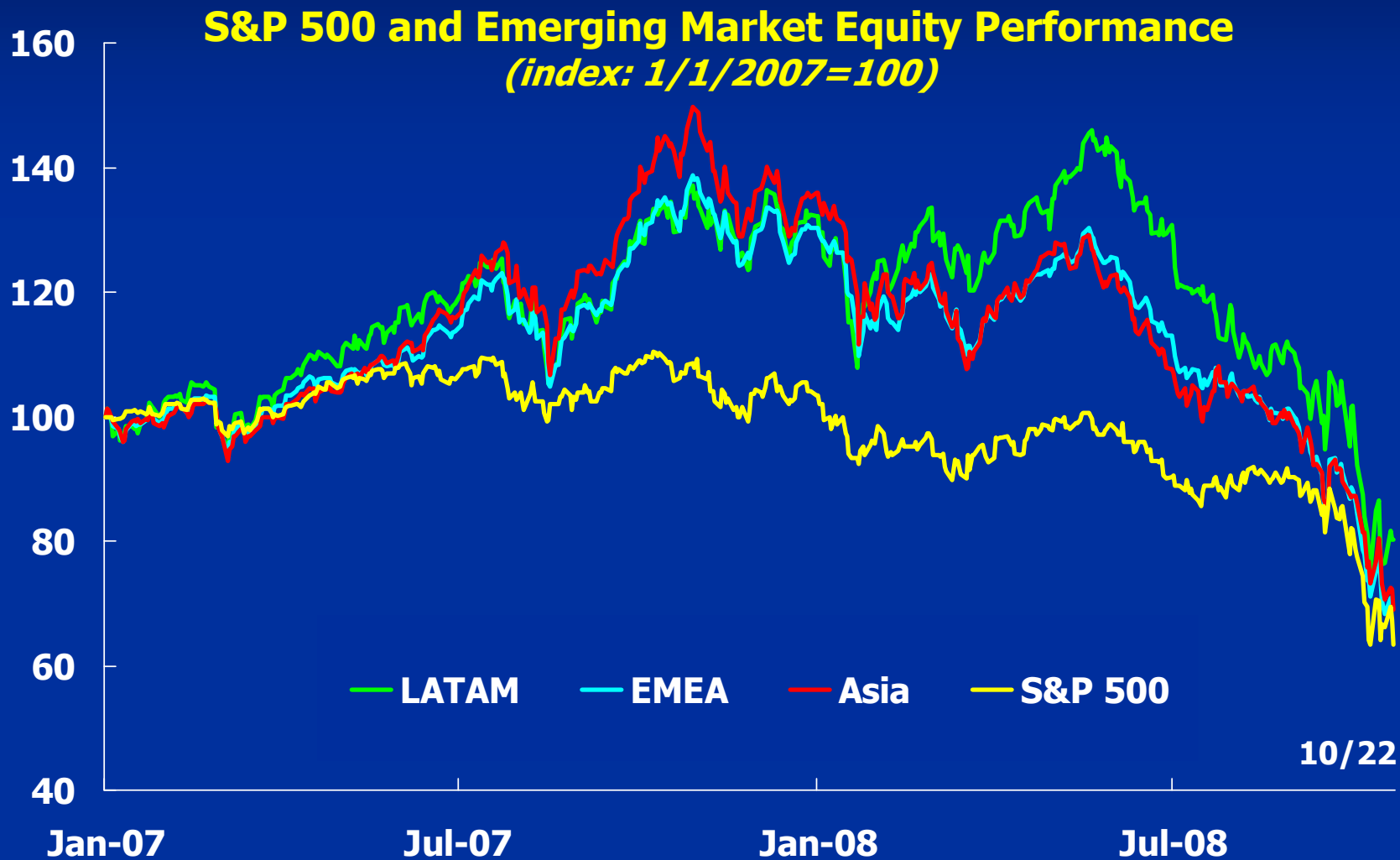


Financial Crisis Continues to Spread

Heat Map of Systemic Asset Classes



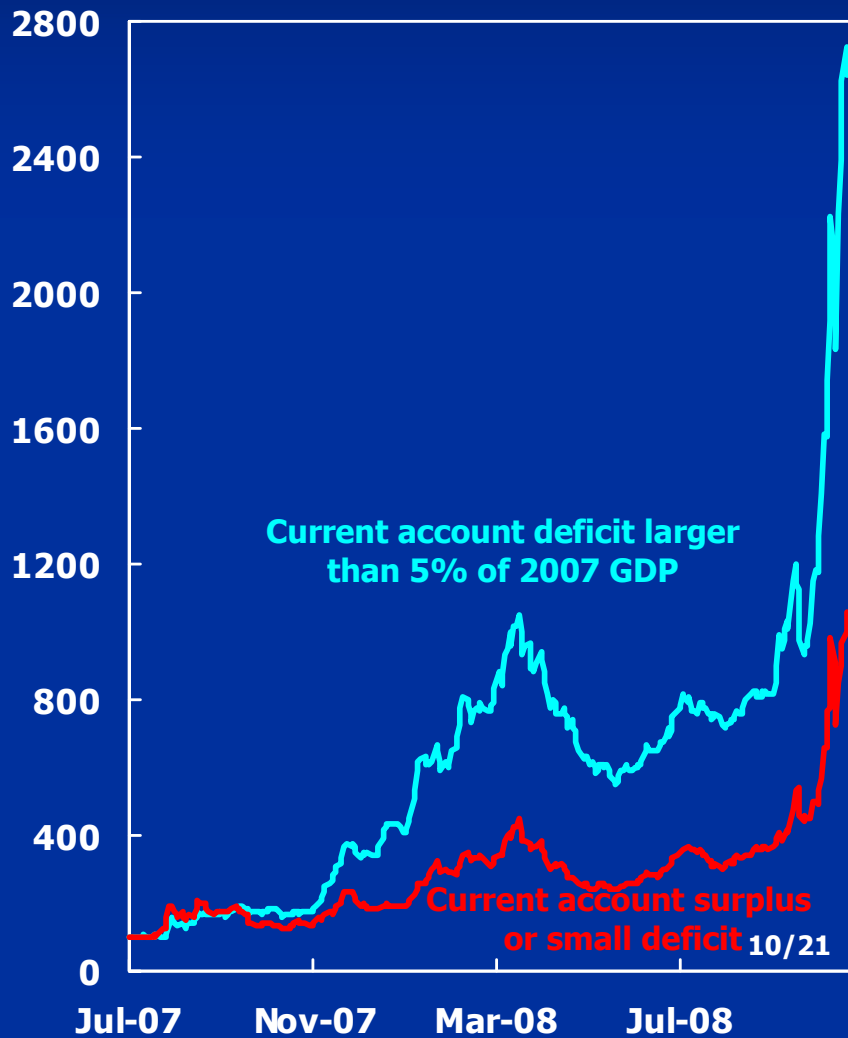
Global Equity Markets Have Sold Off Sharply, Particularly in Emerging Markets



...and Emerging Economies with Large Current Account Deficits Appear Most Vulnerable

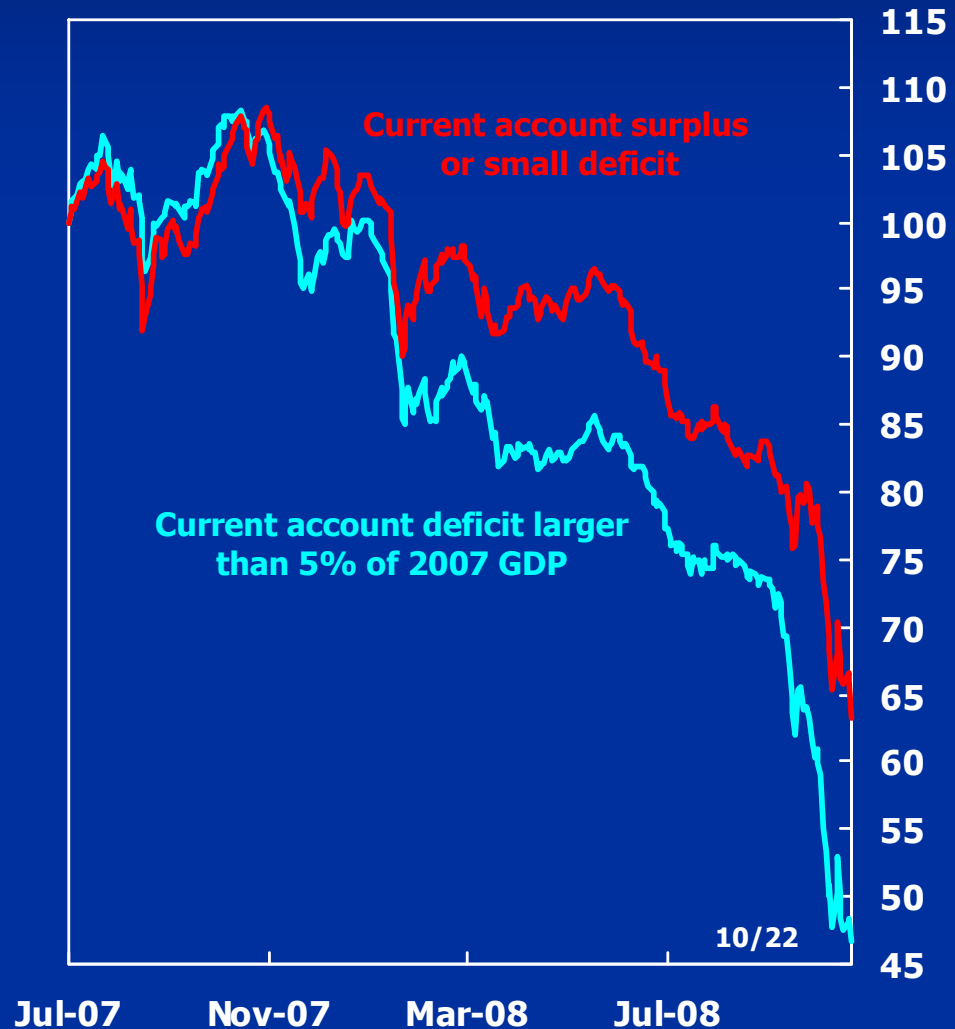
Sovereign CDS Spreads

(index: 7/1/2007=100)



Equity Prices

(index: 7/1/2007=100)



Financial Crisis and It's Sources

- Problem: Excessive Leverage & Risk in Global Financial System
- Source 1: Improperly Drawn Perimeters of Regulation
- Source 2: Lack of Macro-Prudential Regulation

Global Policy Actions

- Decisive , Comprehensive and Coherent Policies

- Role of the Fund:
 - Financial Support
 - Analysis and Advice
 - Technical Assistance

Global Challenges Ahead

- Financial Architecture Issues
 - Early Warning Systems
 - Macro-Prudential Frameworks for Assessing Risks and Promoting Sound Policies

