



Asian-European Finance Ministers Meeting

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Deputy Managing Director

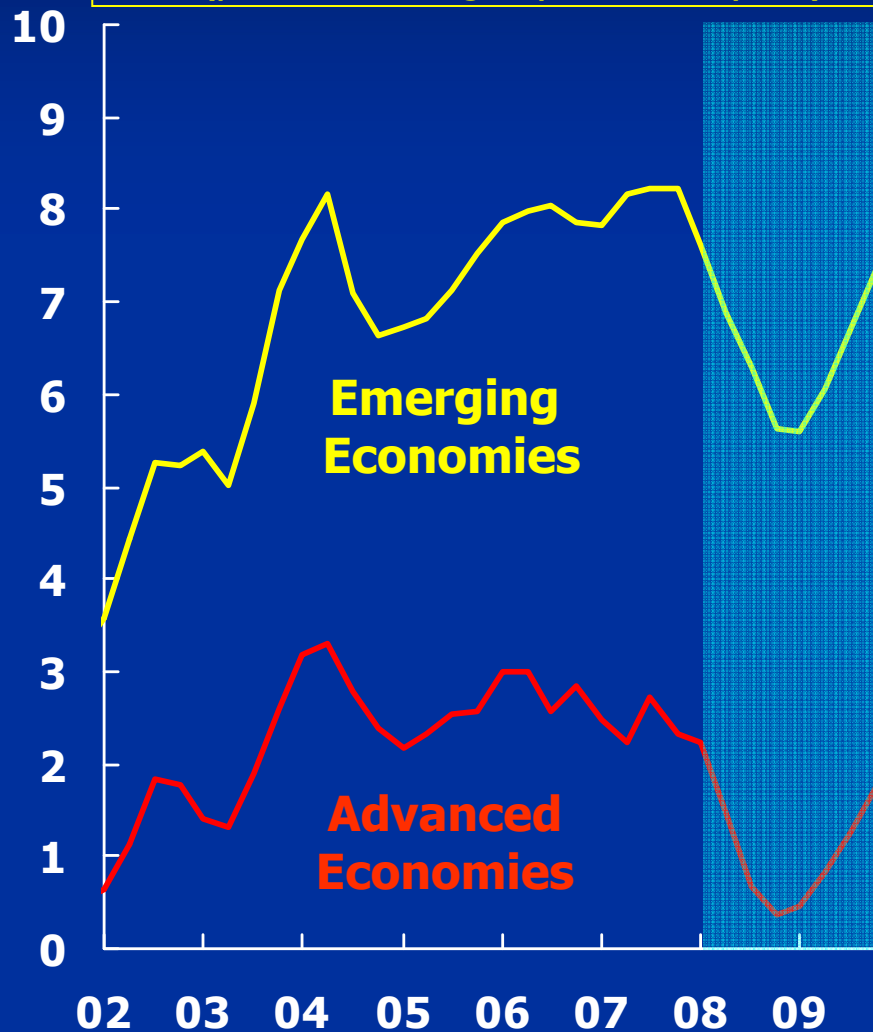
Republic of Korea
June 15-17, 2008

Leading Indicators Point to Slower Growth Ahead

1

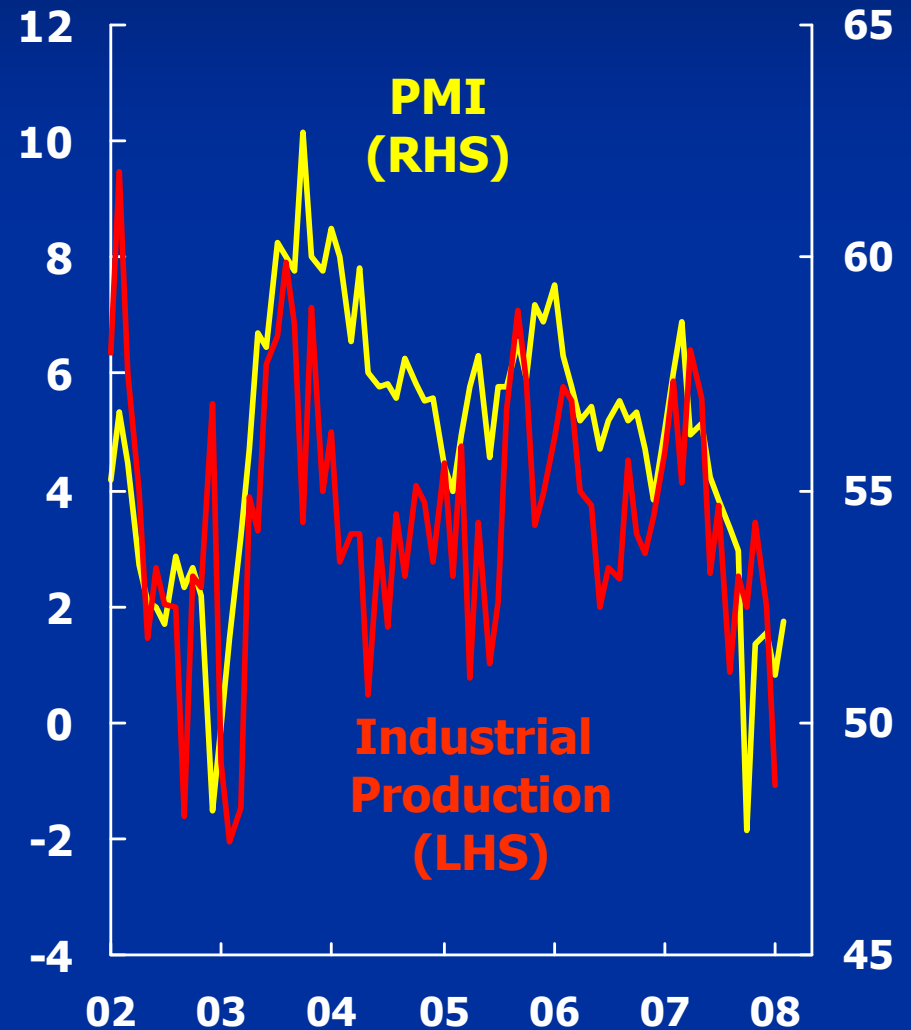
Global GDP Growth

(percent change; year-over-year)



Global IP and PMI

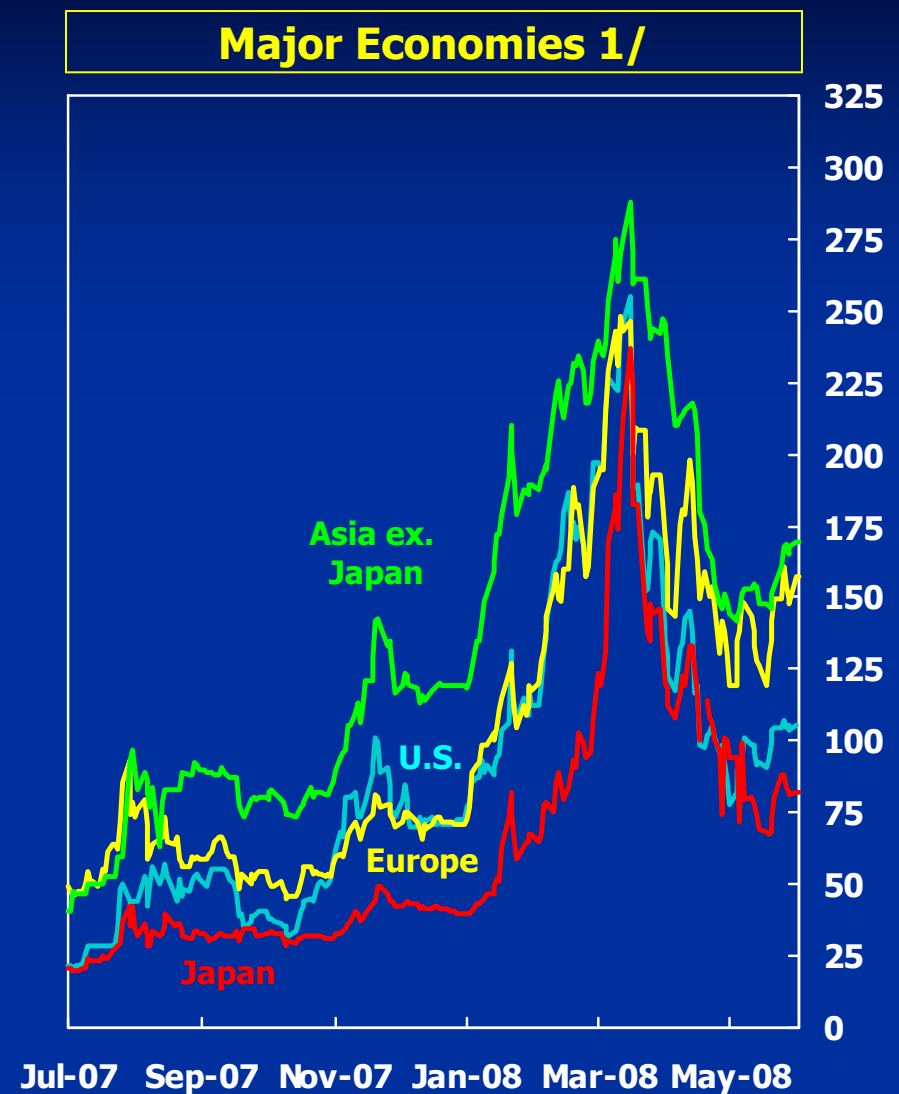
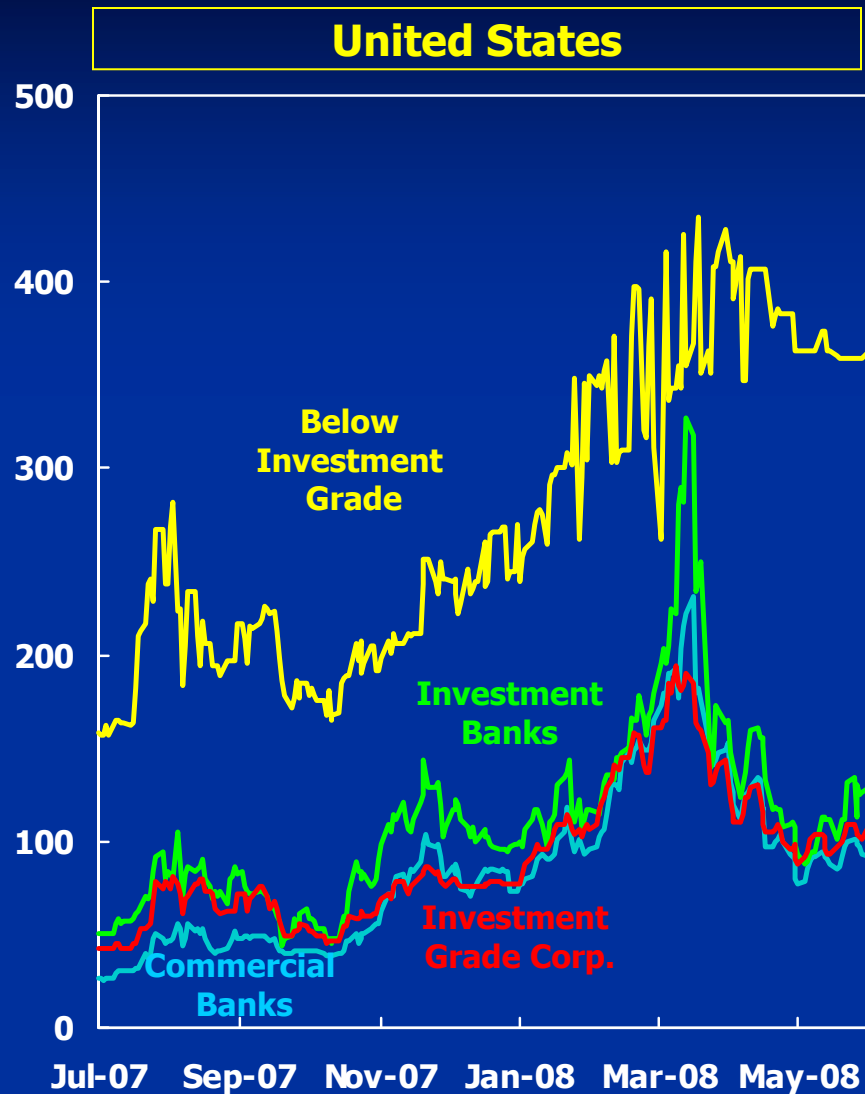
(percent change; 3m; saar)



Financial Conditions Have Eased, But Remain Fragile

2

(5-year CDS spreads; in basis points)



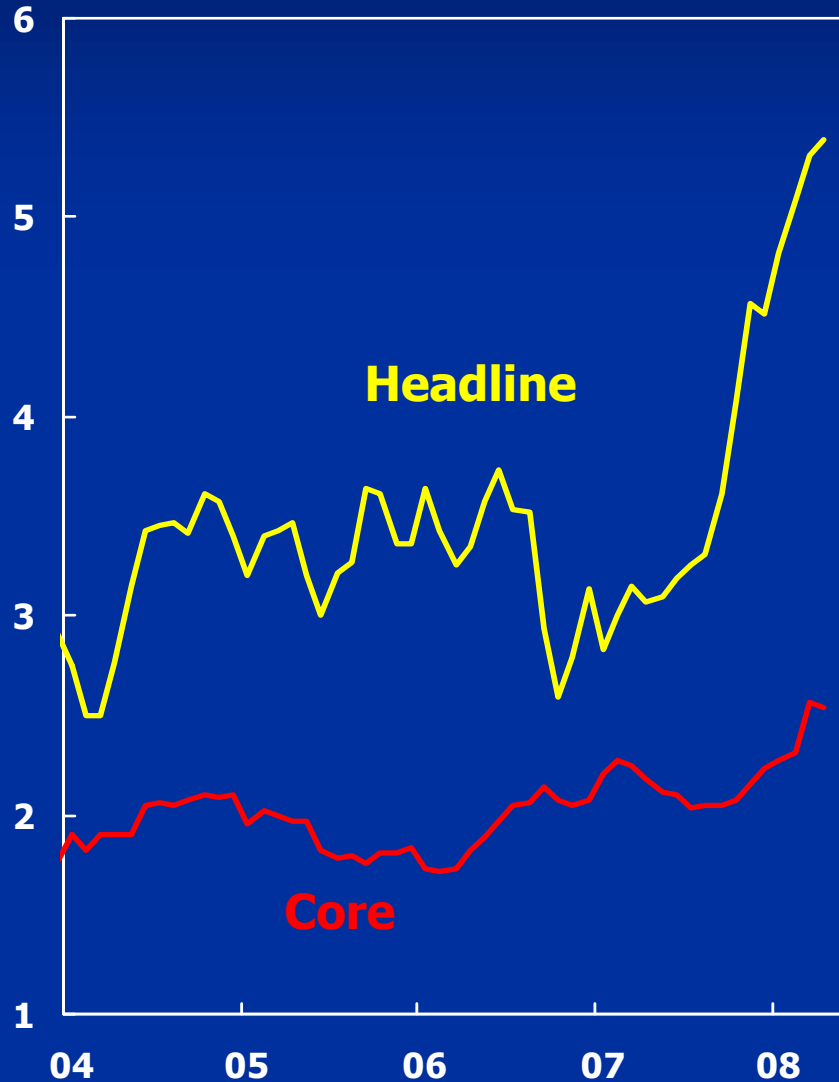
Source: IMF staff estimates.

1/ Consolidated series based on investment grade entities from various sectors. Asia ex. Japan includes some non-investment grade entities.

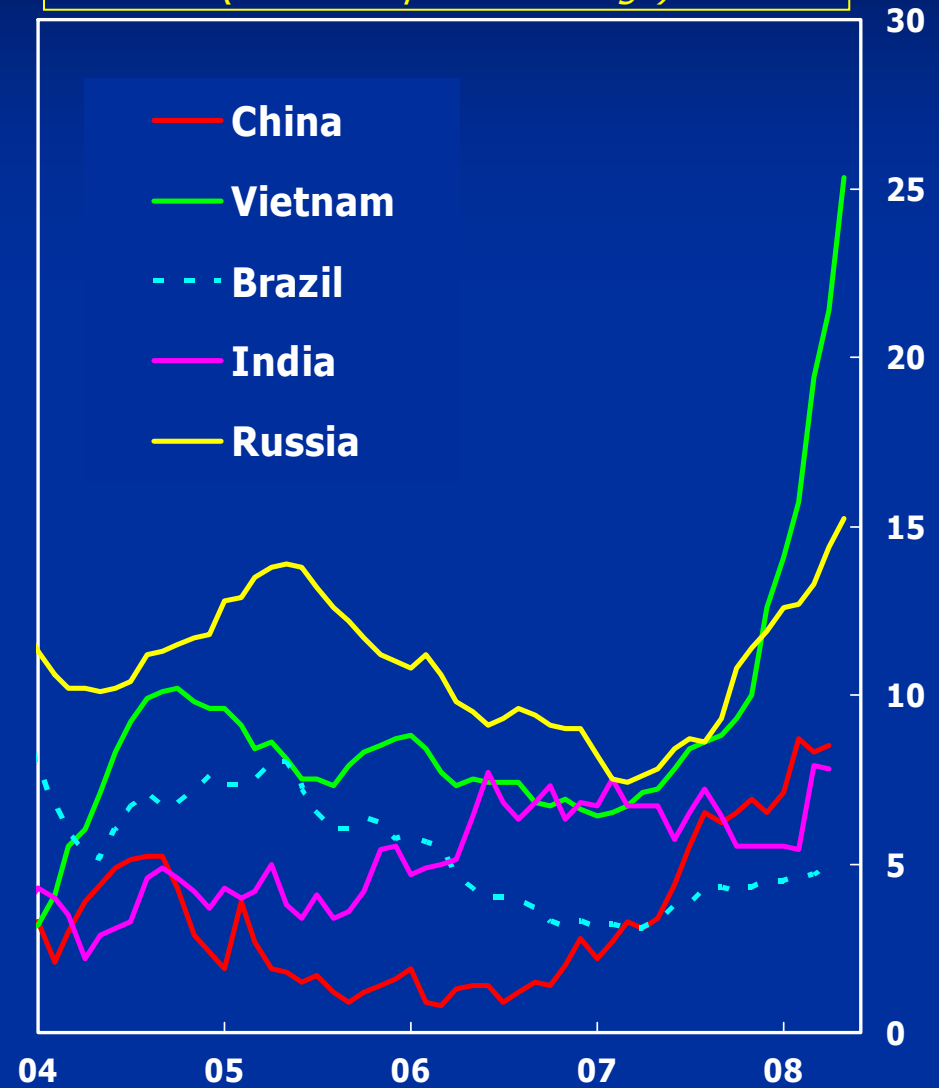
Inflation Has Become a Key Concern, Especially in Emerging Economies

3

World Inflation
(percent change; year over year)

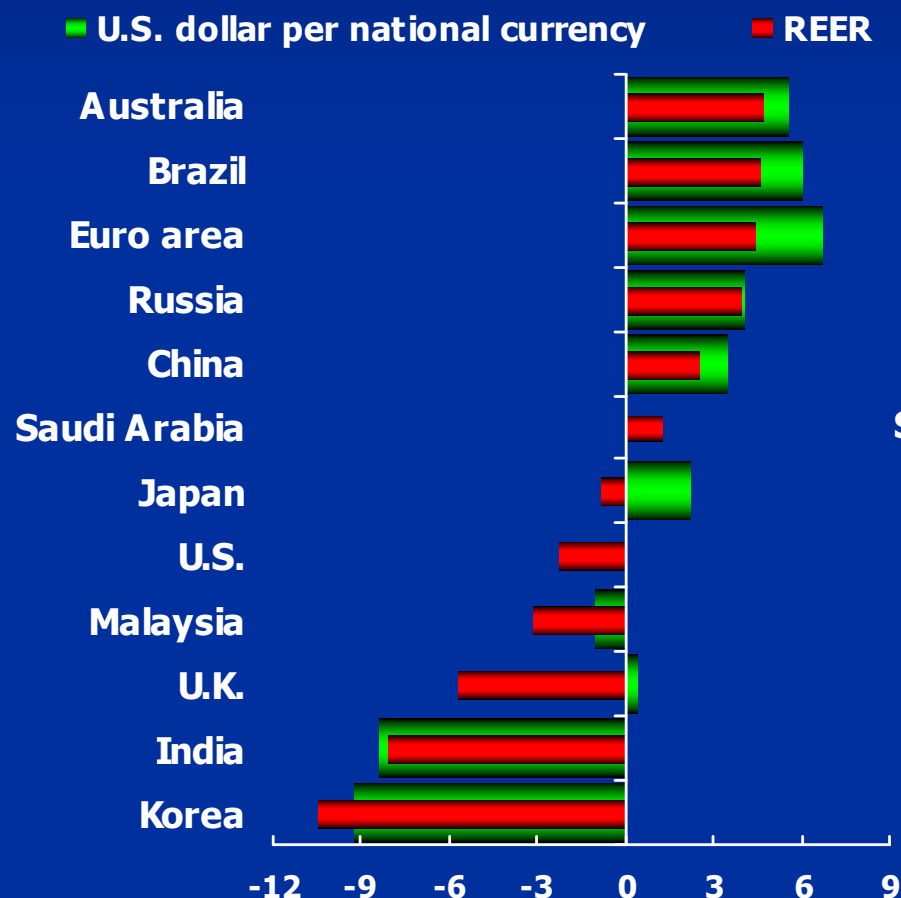


Headline Inflation
(12 month percent change)

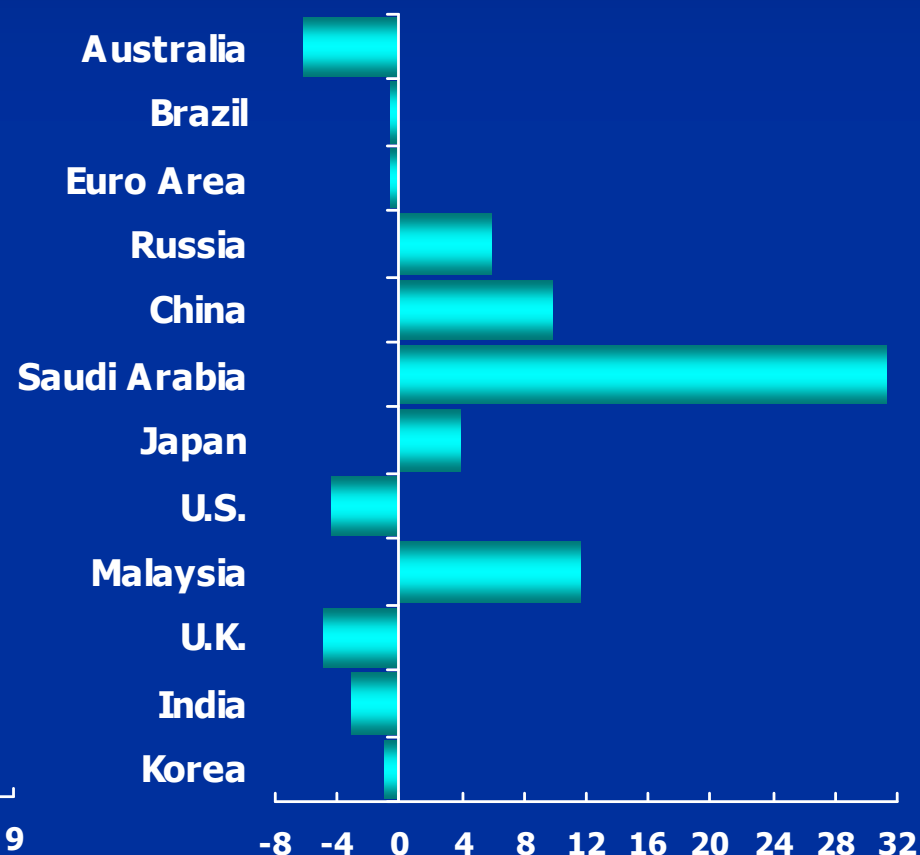


More Flexible Exchange Rates in Some Countries Would Help Control Inflation and Reduce Imbalances ⁴

Exchange Rates 1/
(percent changes;
6/6/08 vs. 1/30/08-2/27/08 average)



Current Account Balances
(In percent of GDP; estimates for 2008)

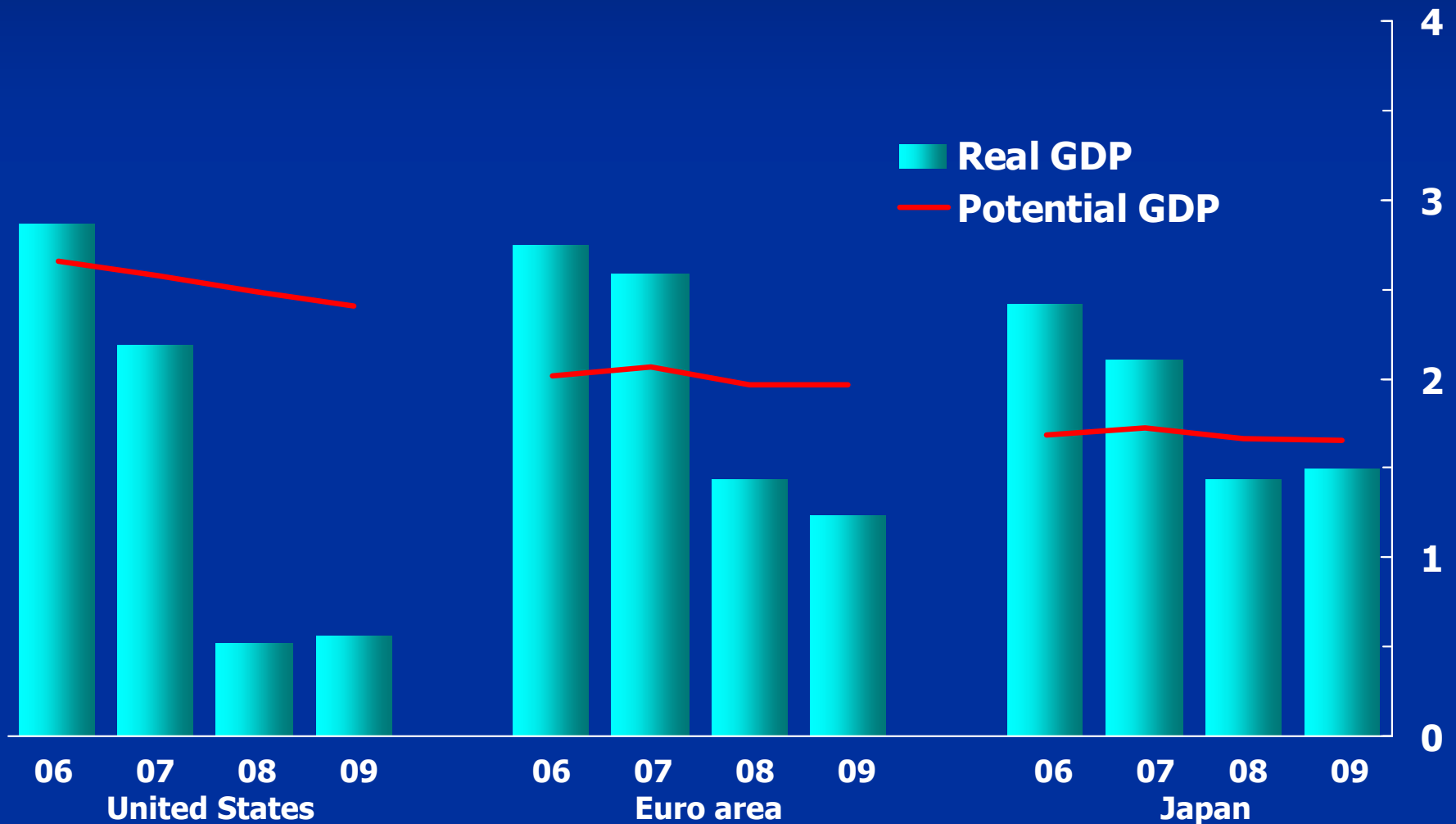


1/ Positive numbers denote appreciation of local currency.

Advanced Economies Are Most Affected by Financial Turbulence

GDP Growth Rates

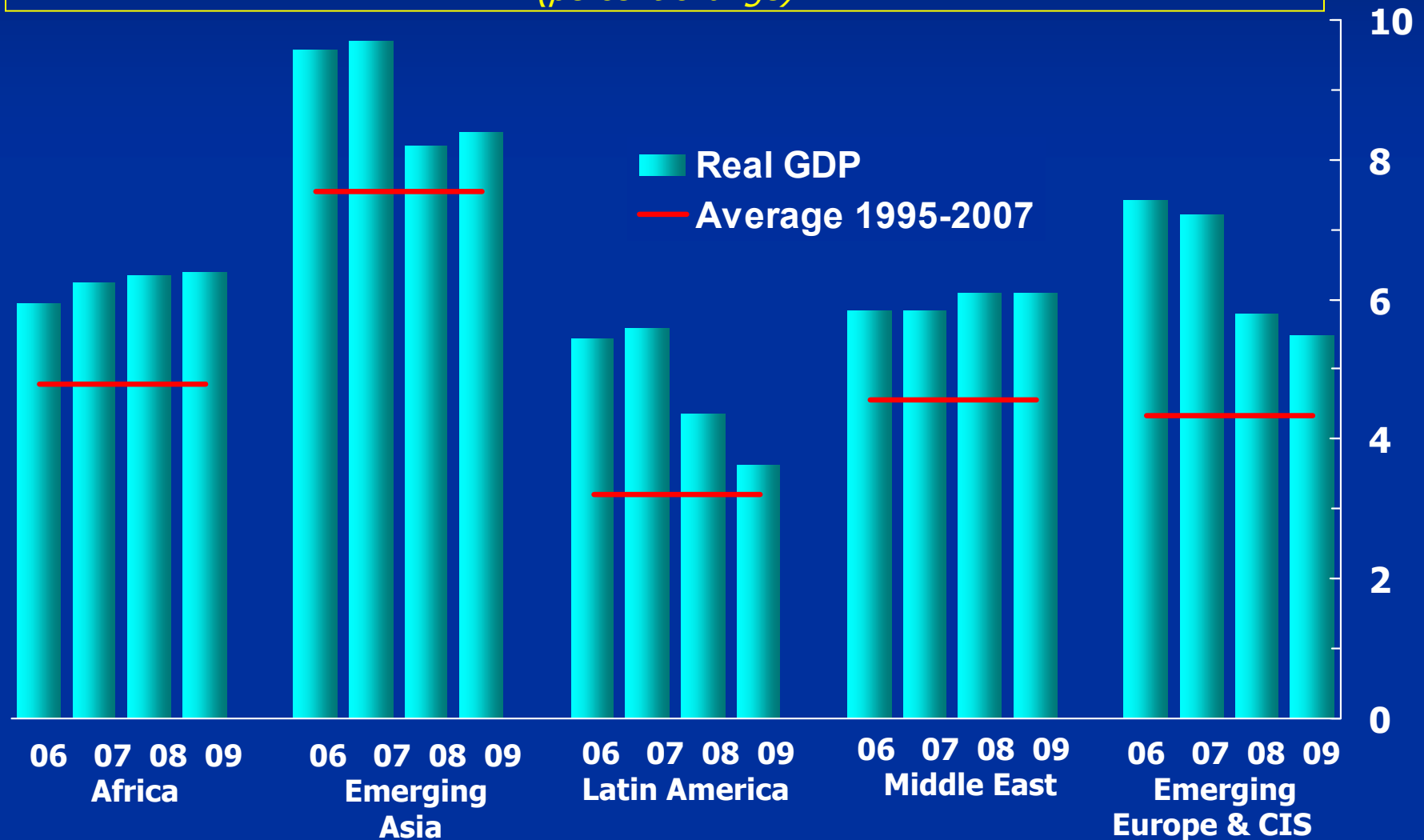
(percent change; year-over-year)



Emerging and Developing Economies Slowing, but Still Above Trend

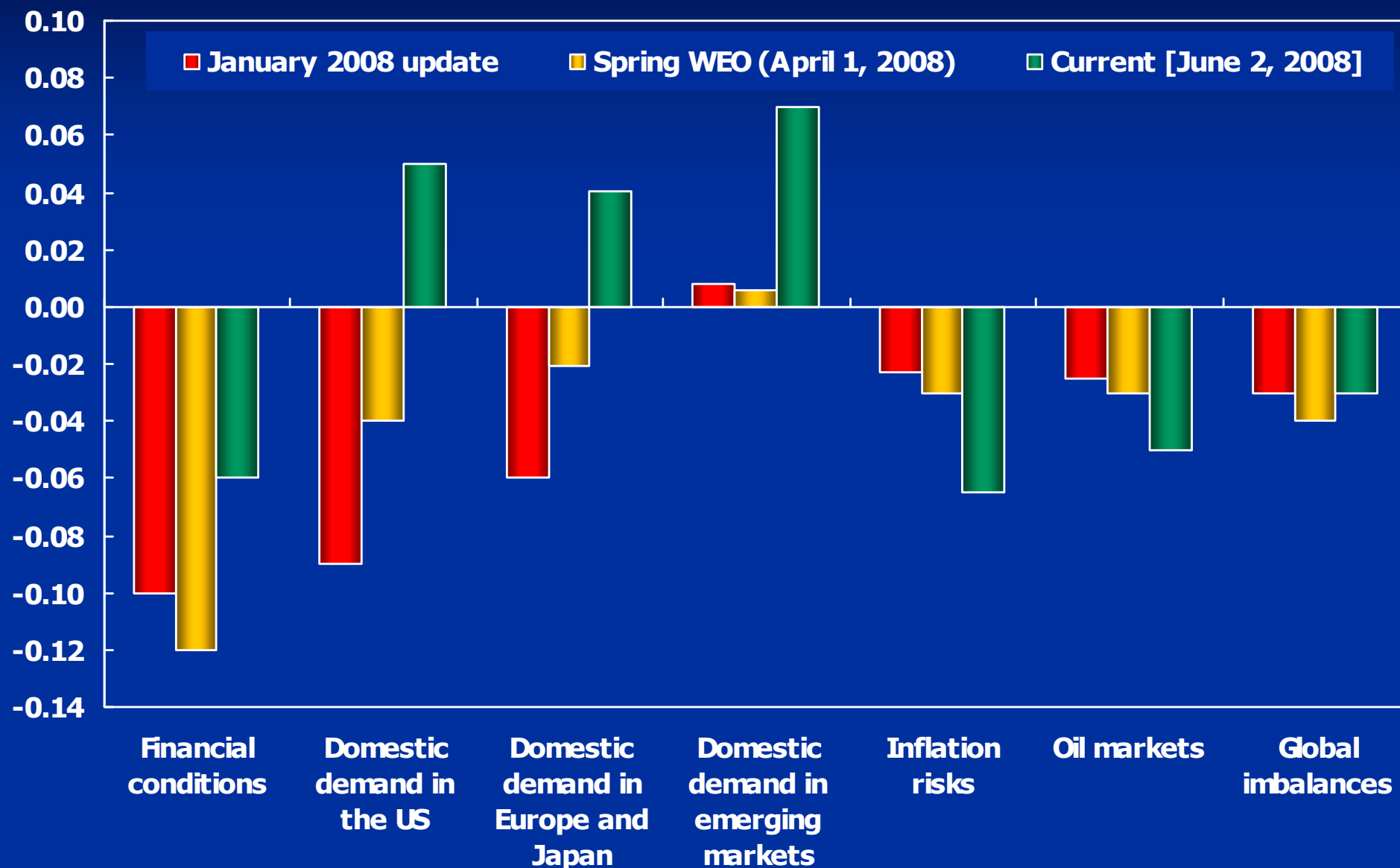
Real GDP Growth Rates

(percent change)



Financial Risks Have Eased, While Inflation and Oil Market Risks Have Increased

(Percentage points of global GDP growth)



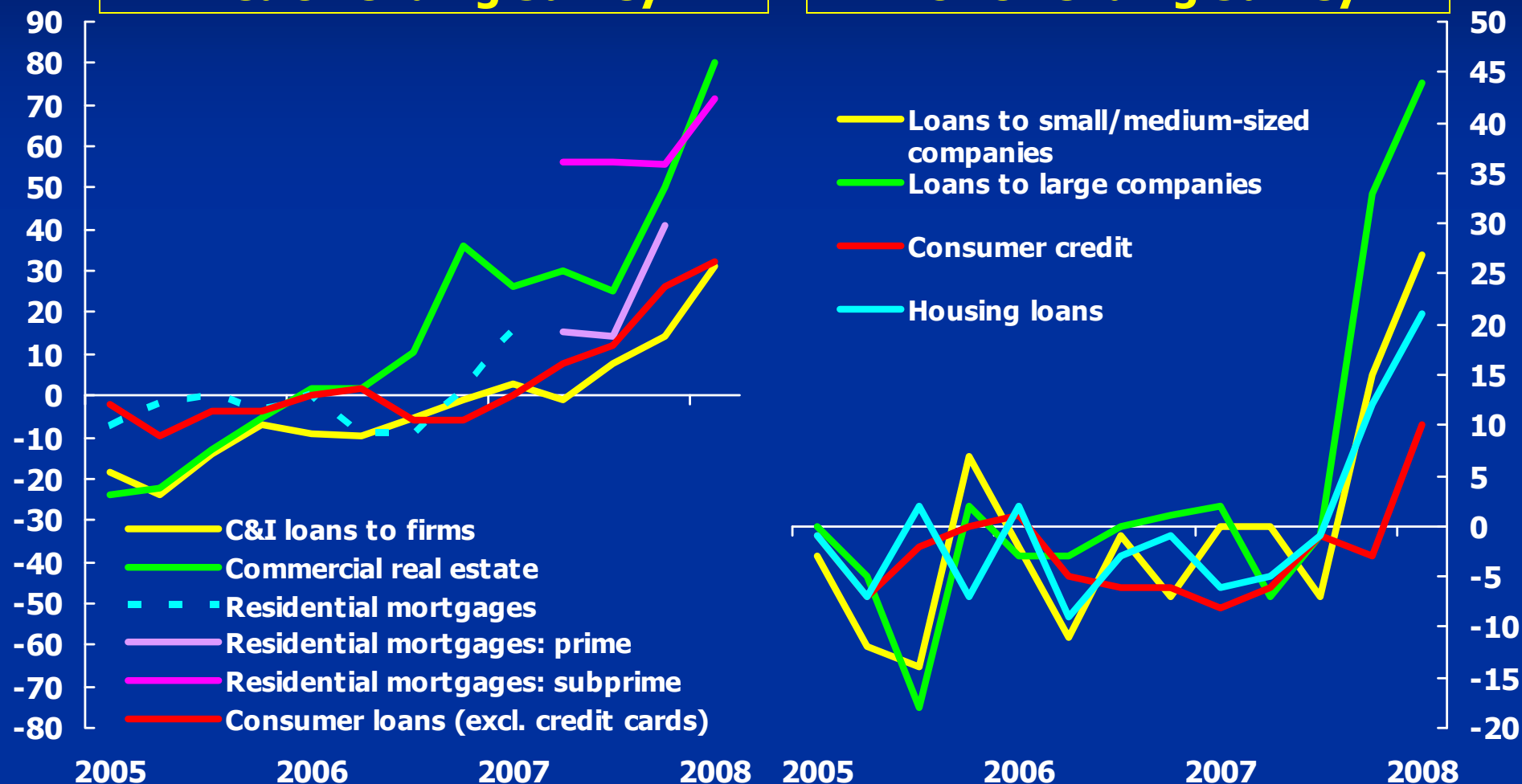
Bank Surveys Indicate Tighter Lending Conditions in US and Europe

8

(Change in credit standards over past 3 months; in percent 1/)

Fed's Lending Survey

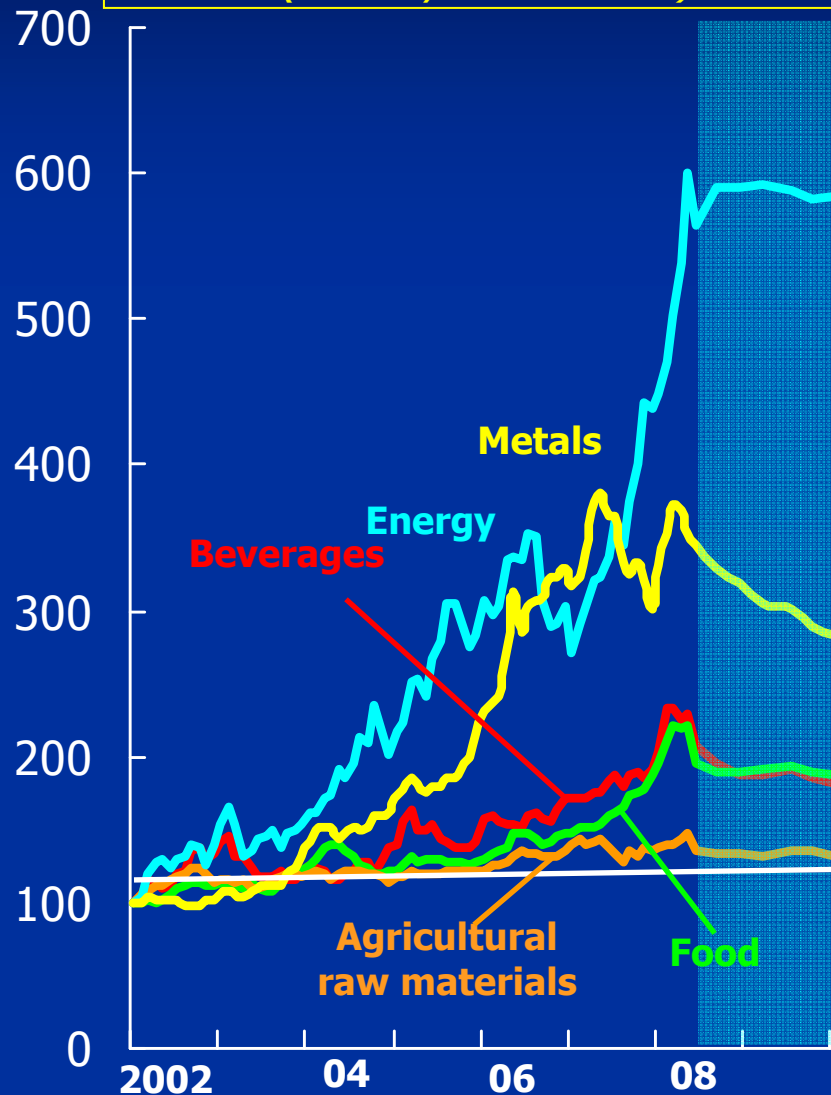
ECB's Lending Survey



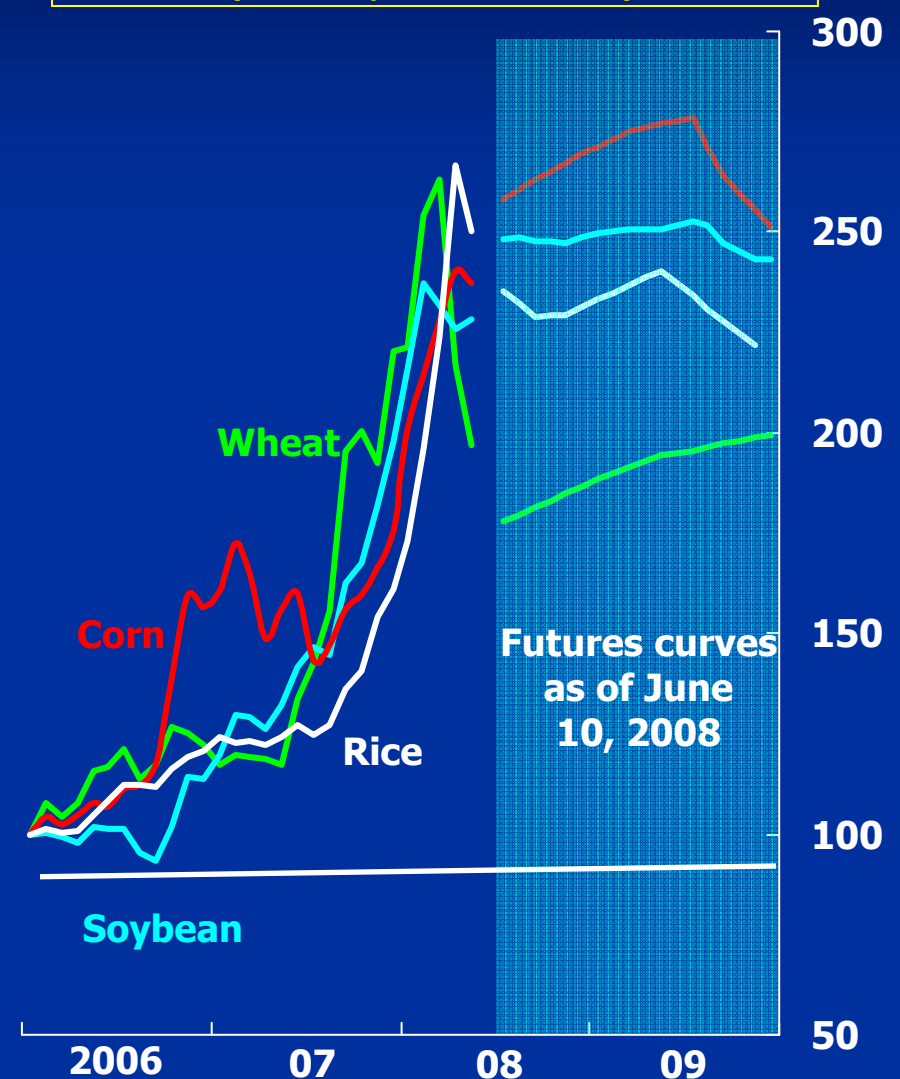
1/ Change in the balance of respondents between the "tightened considerably and tightened somewhat" and the "eased somewhat and eased considerably."

How Much Higher Will Commodity Prices Go?

Selected Commodity Prices
(January 2002 = 100)



Selected Food Prices
(January 2006 = 100)

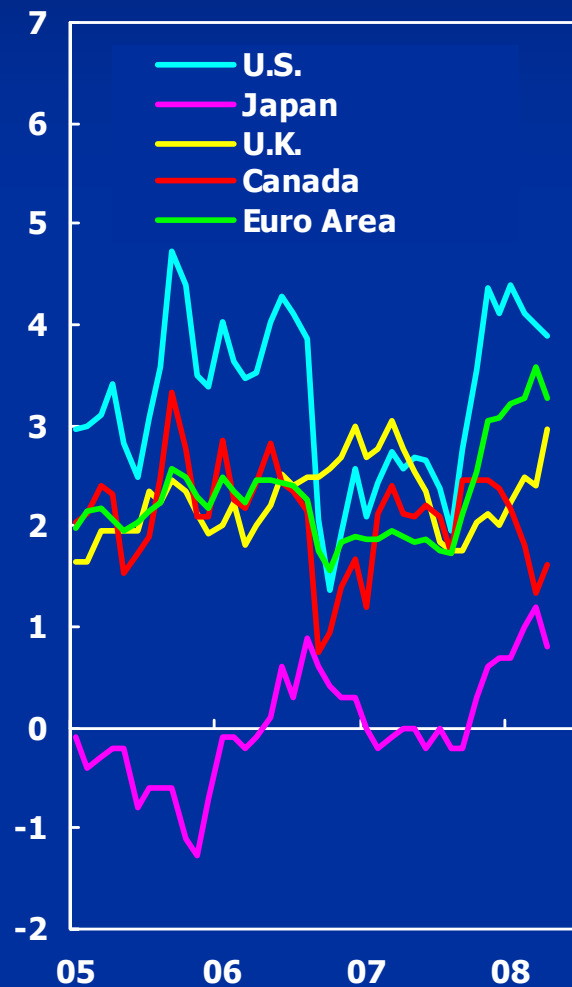


Inflation Risks Have Intensified in Several Advanced Economies

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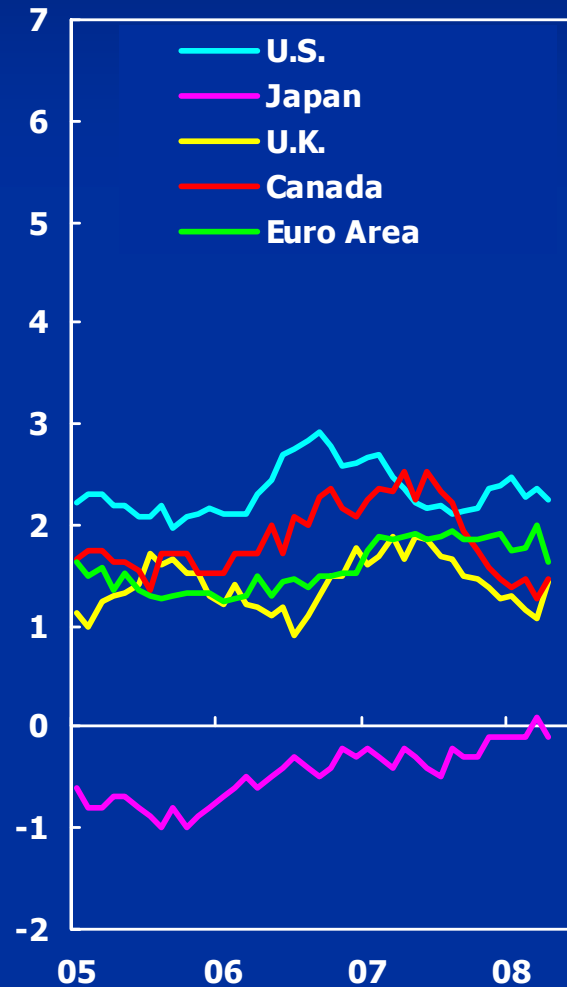
Headline Inflation

(12 month percent change)



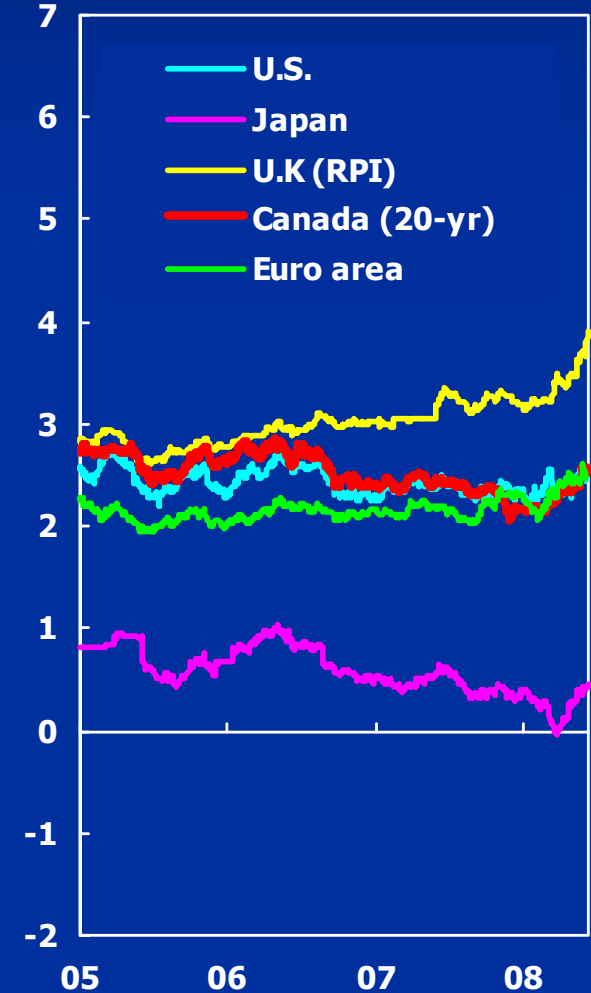
Core Inflation

(12 month percent change)



Inflation Exp.

(Percent from 10yr index linked bonds)

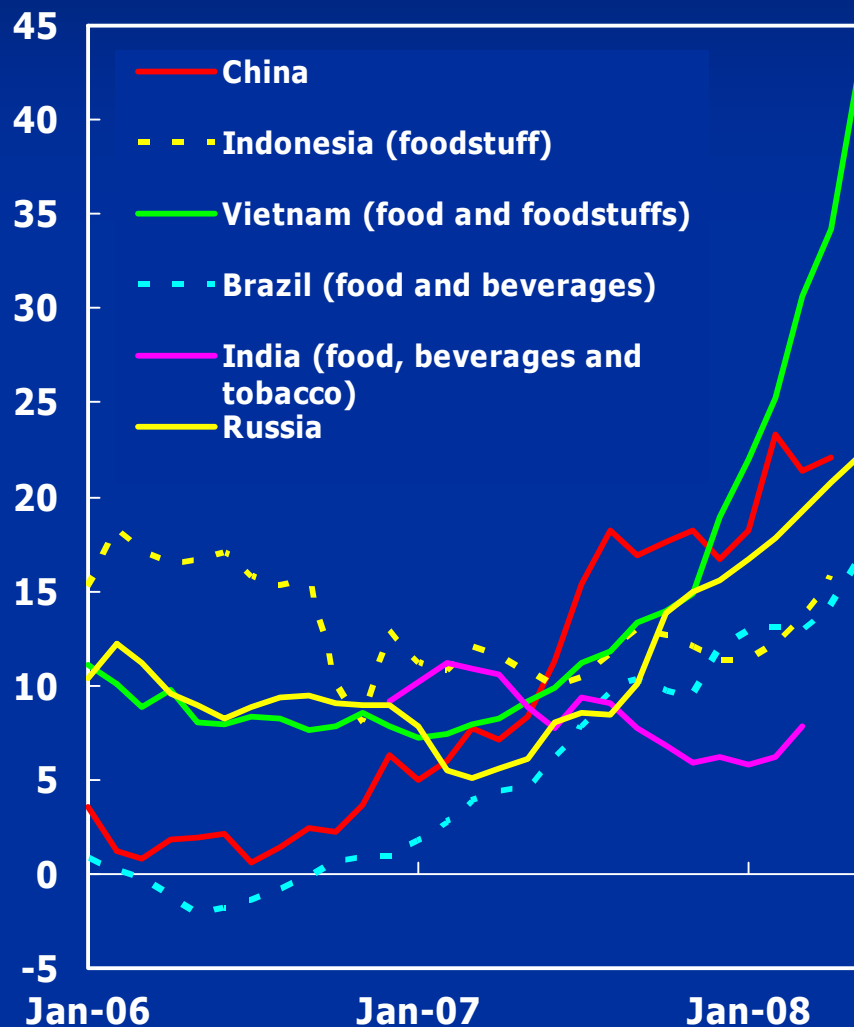


Containing Inflation is an Overarching Challenge in Emerging Economies

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Food Price Inflation

(12 month percent change)



Real Policy Rates (percent; policy rate minus cpi inflation)

