

Plan of the presentation

- Global outlook
- ASEAN outlook and risks
- Policy challenges

The multispeed recovery is set to continue with Asia increasingly propelling global growth

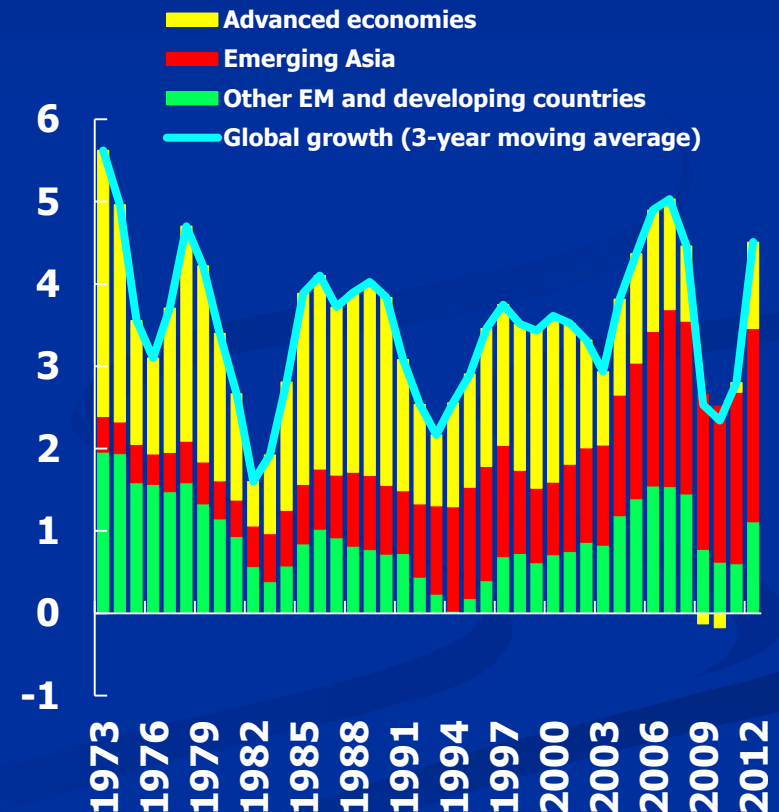
World GDP Growth Projection

(Year-on-year, in percent; Jan. WEO update)

	2010	2011	2012
World	5.0	4.4	4.5
Advanced economies	3.0	2.5	2.5
Emerging and Developing economies	7.1	6.5	6.5
Asia	8.2	6.8	6.8

Contributions to Global Growth

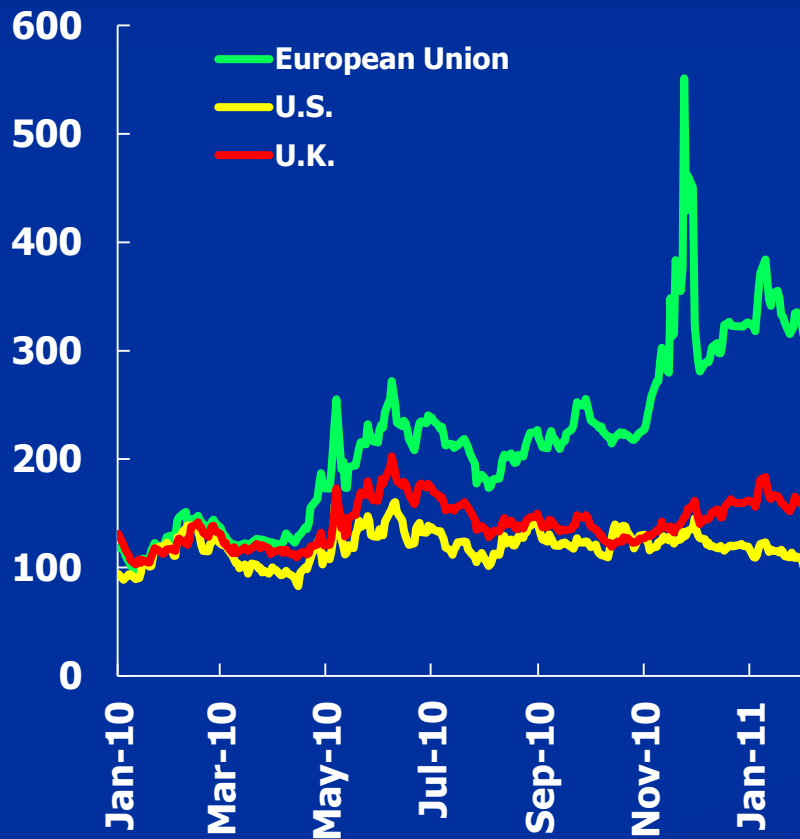
(In percentage points)



Major risks in advanced economies have receded somewhat

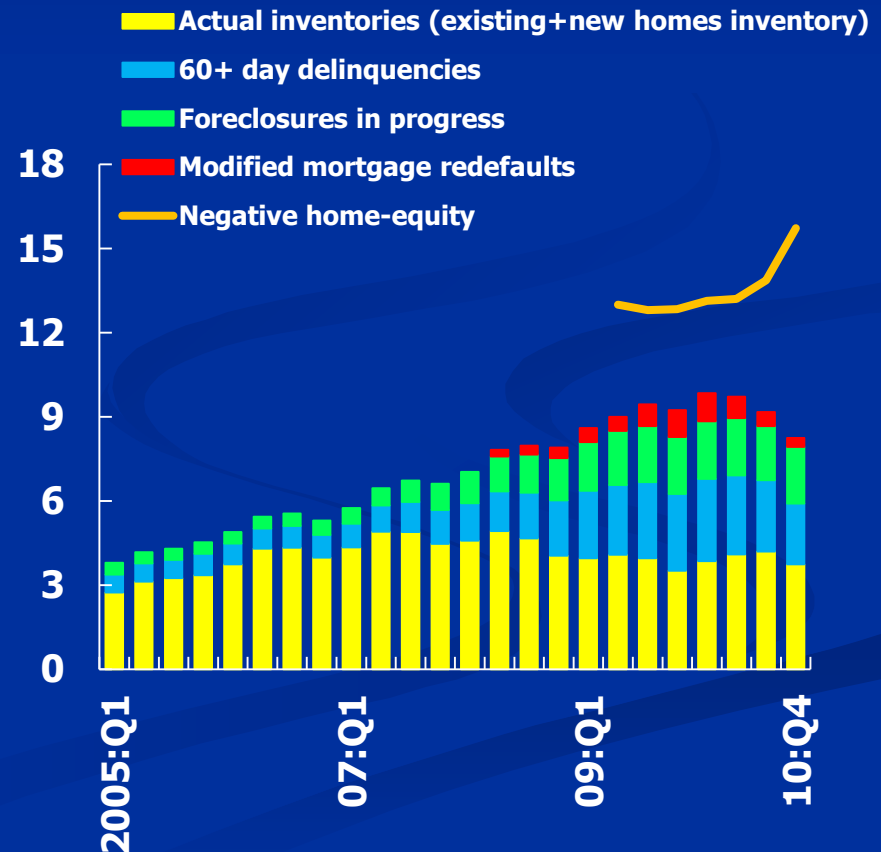
Banking Sector CDS Swaps Spreads

(In basis points)



U.S. Housing Inventories and Foreclosures

(In millions of units)



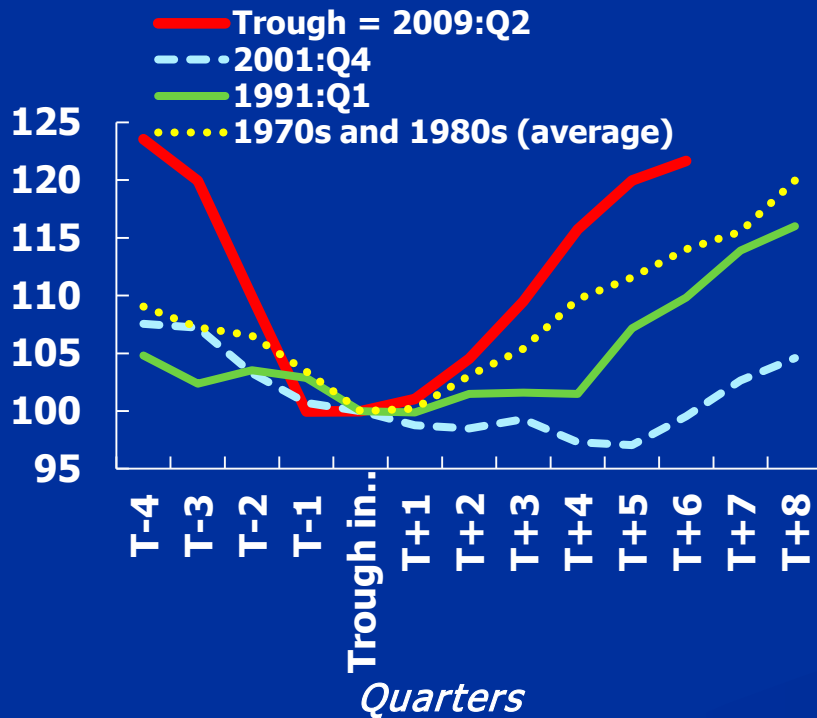
Asia is expected to continue leading the global recovery, but at a more moderate pace

Asia: Real GDP Growth (y/y; percent); as of the January 2011 WEO update

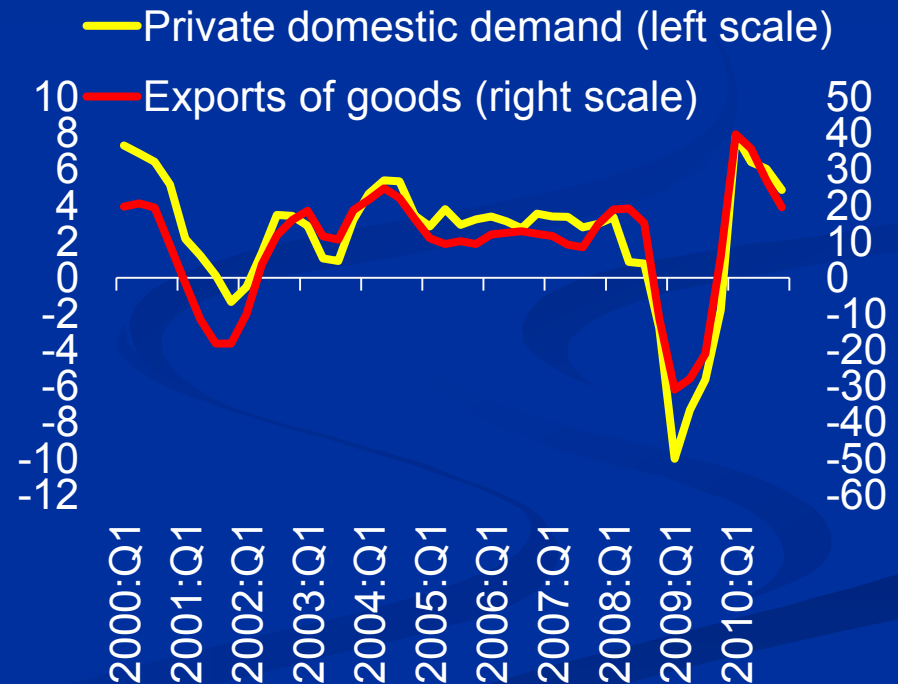
	2009	2010	2011	2012
Asia (including Australia and New Zealand)	3.5	8.2	6.8	6.8
Industrial Asia	-4.9	4.0	1.9	2.0
<i>Japan</i>	-6.3	4.3	1.6	1.8
Emerging Asia	5.9	9.4	8.1	8.0
China	9.2	10.3	9.6	9.5
India	5.7	9.7	8.4	8.0
NIEs	-0.9	8.3	4.7	4.3
<i>Korea</i>	0.2	6.1	4.5	4.2
<i>Singapore</i>	-1.3	15.0	4.7	4.4
<i>Taiwan Province of China</i>	-1.9	10.2	4.9	4.6
ASEAN-5	1.7	6.7	5.5	5.7
<i>Indonesia</i>	4.5	6.0	6.2	6.5
<i>Malaysia</i>	-1.7	6.7	5.3	5.2
<i>Philippines</i>	1.1	7.0	5.0	5.0
<i>Thailand</i>	-2.2	7.5	4.0	4.5
<i>Vietnam</i>	5.3	6.8	6.8	7.0
Other ASEAN				
<i>Brunei</i>	-1.8	1.0	1.5	1.9
<i>Cambodia</i>	-2.0	6.0	6.5	6.5
<i>Lao PDR</i>	7.6	7.7	7.5	7.3
<i>Myanmar</i>	4.9	5.3	5.0	5.0

The global investment cycle is benefitting exports

U.S.: Real Private Fixed Investment in Equipment and Software during Business Cycle Recoveries
(Levels at trough =100; seasonally adjusted)



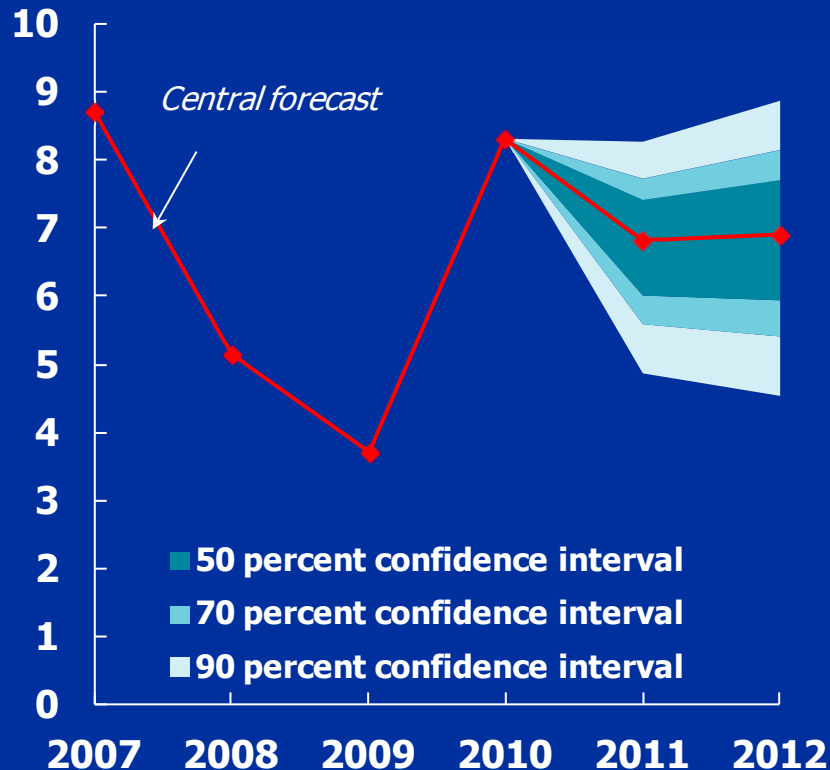
Export Oriented Asia: Private Domestic Demand and Exports
(Year on year percent change)



Navigating opposing risks will be challenging: Weaker global recovery and stronger commodity prices...

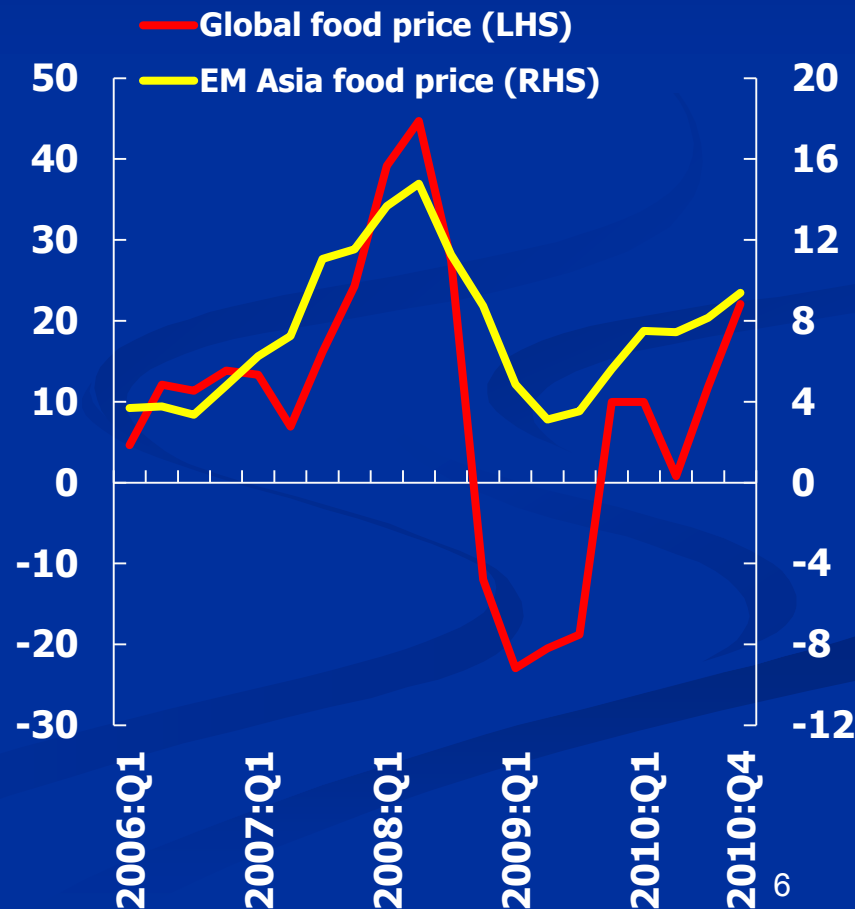
Asia: GDP Growth

(Central forecast and 50, 70, and 90 percent confidence intervals; in percent)



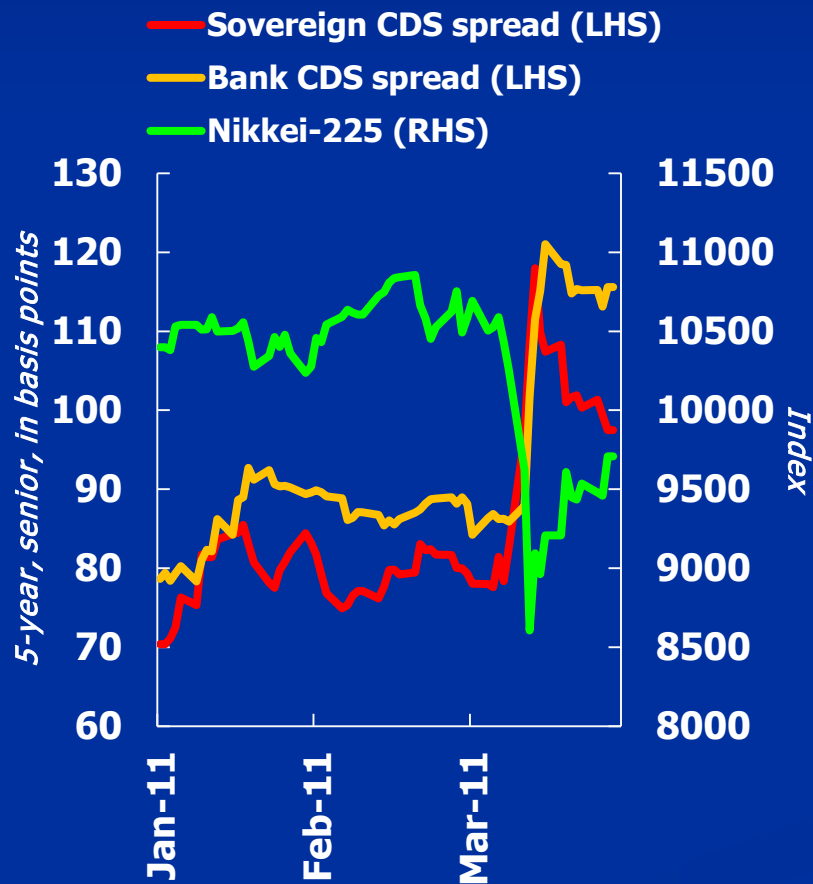
Food Price: Global versus EM Asia

(Year-on-year percent change)

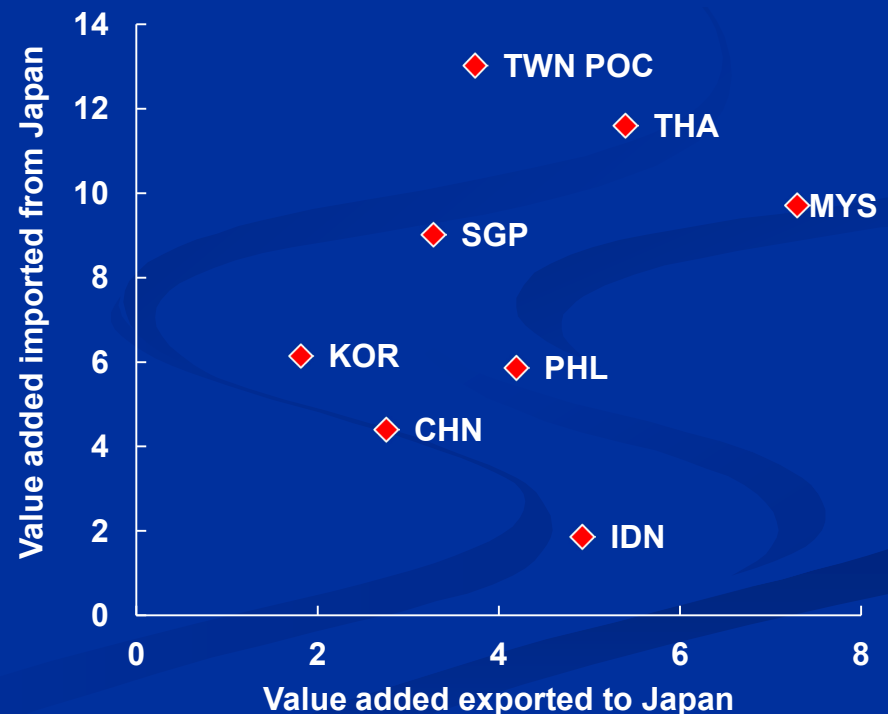


...while the tragic events in Japan add to uncertainty
in the region

Japan: Selected Financial Indicators
(As of March 29, 2011)

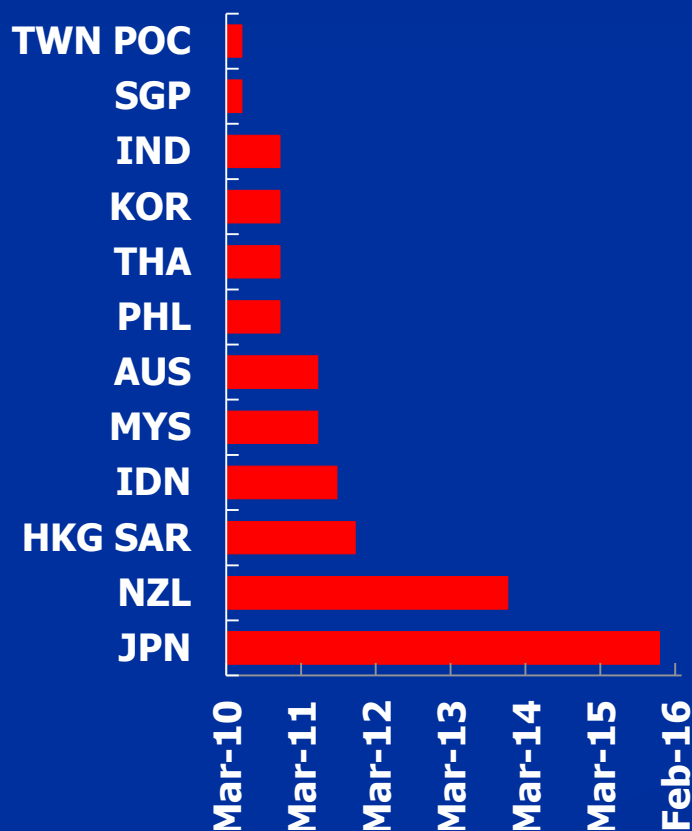


Japan: Regional Trade Linkages
(In percent of GDP)

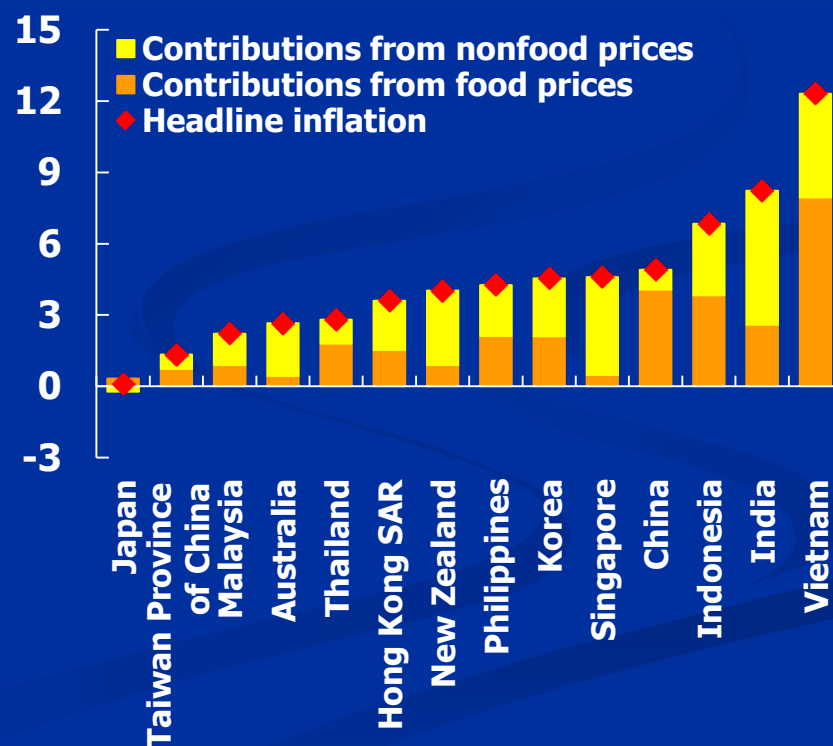


As output gaps are closing fast, signs of overheating are broadening

Asia: Estimated Output Gap Closing Dates



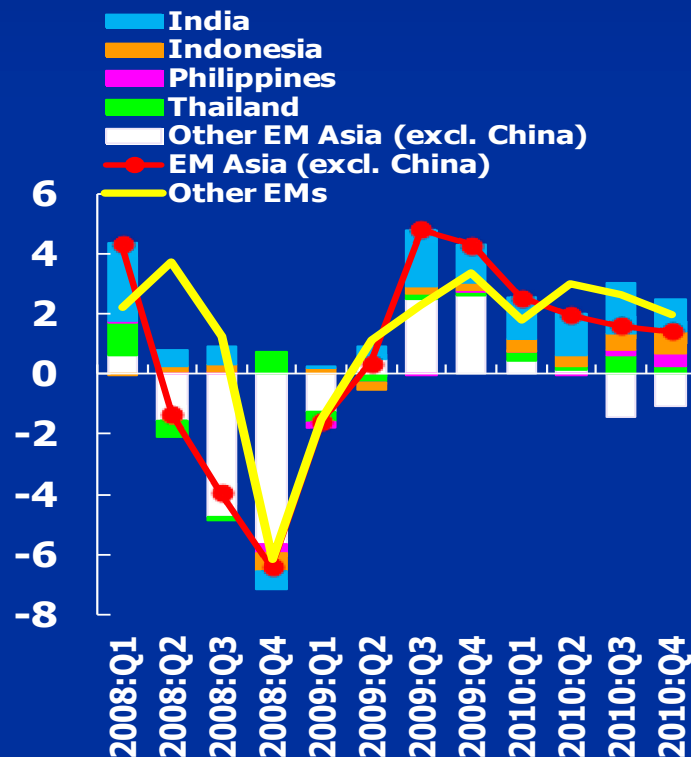
Asia: Headline Inflation
(Year-on-year; in percentage points)



However, foreign capital inflows have moderated, as has the growth in asset valuations

EM: Net Capital Inflows

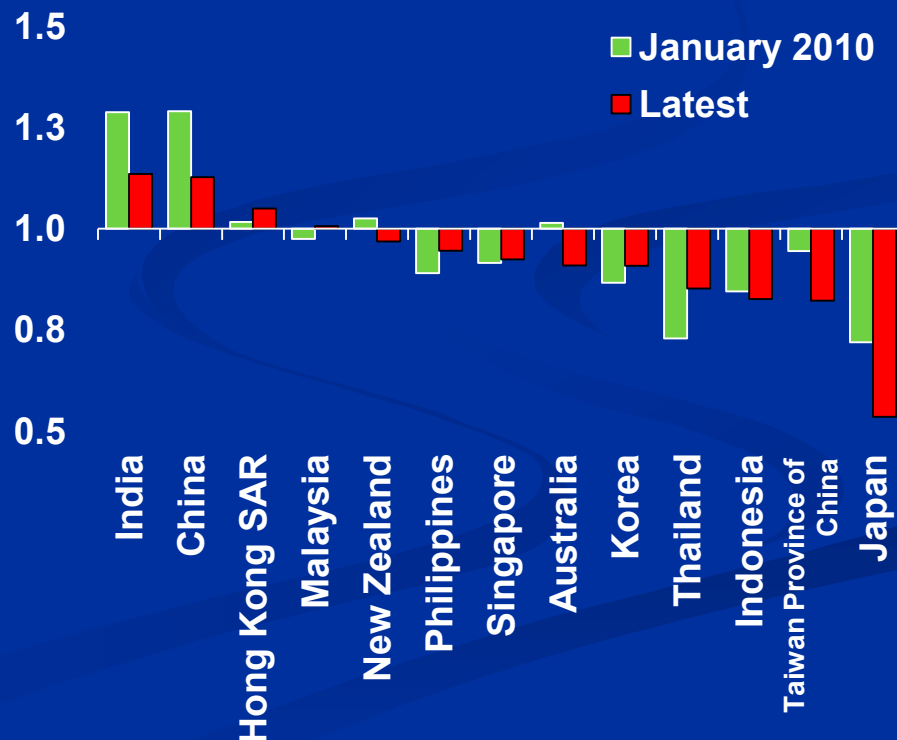
(In percent of regional GDP)



Note: Other EMs include Brazil, Chile, Colombia, Hungary, Mexico, Poland, Russia, Turkey, and South Africa.

Selected Asia: 12 months forward P/E ratios

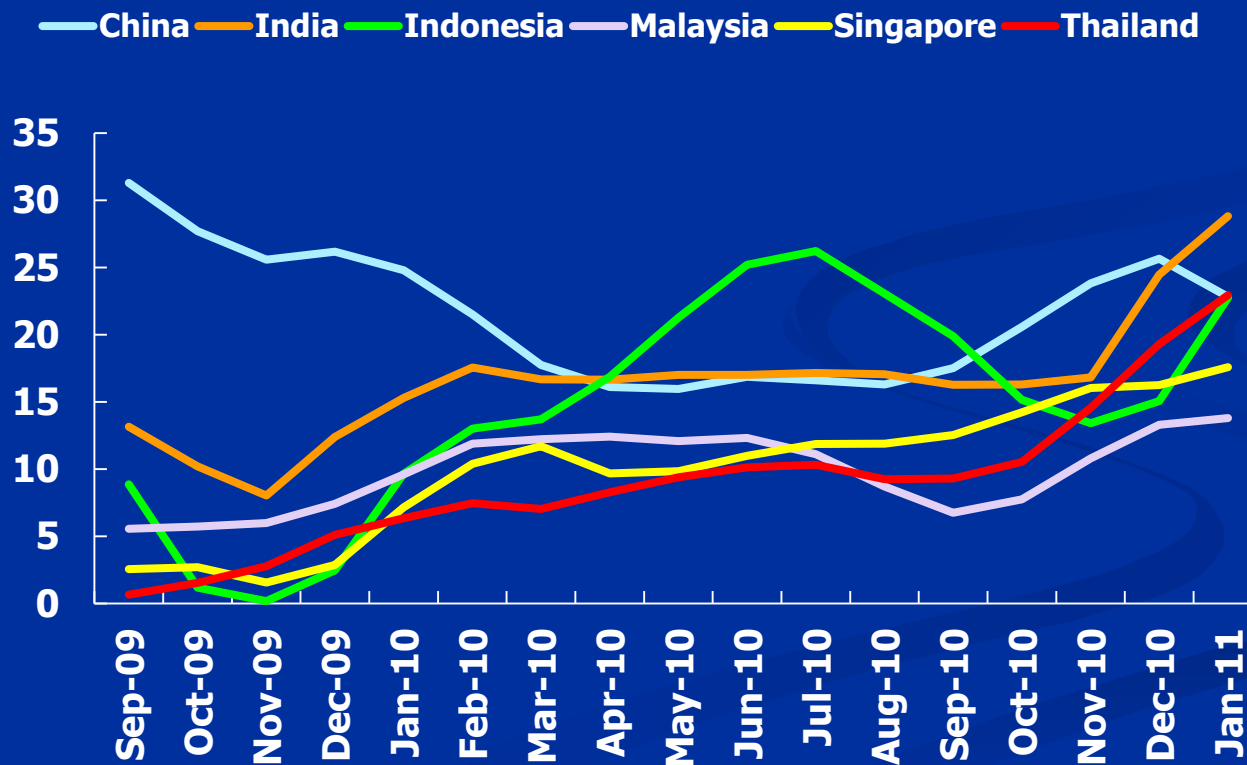
(Relative to long run average)



However credit dynamics remain very strong

Selected Asia: Credit to Private Sector

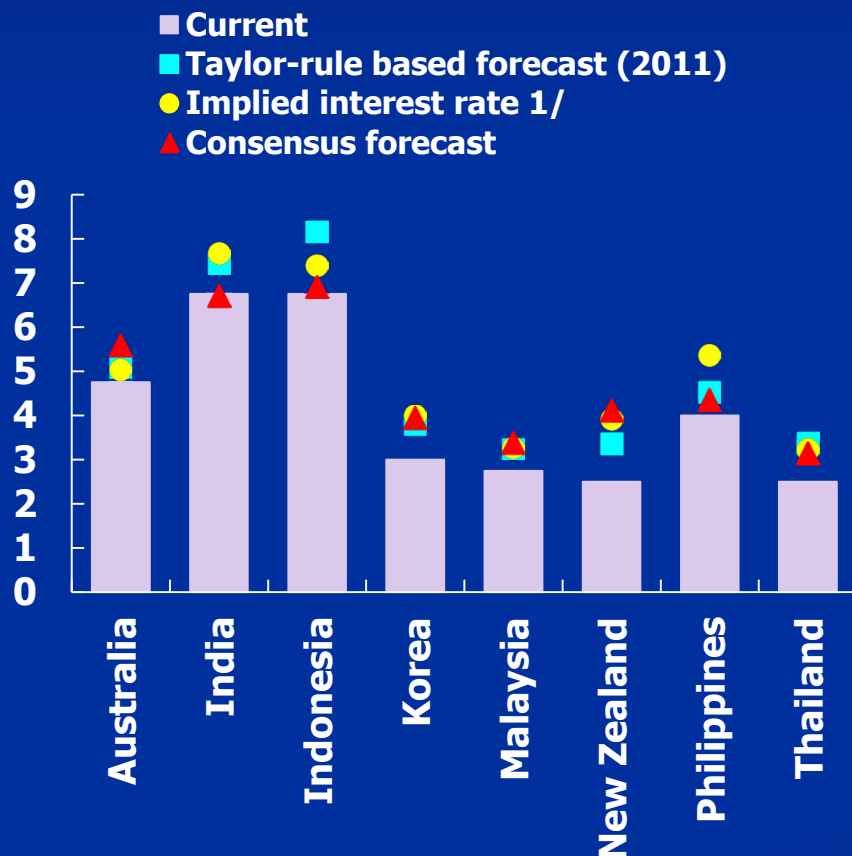
(3-month percent change of 3-month moving average; SAAR)



Generalized overheating pressures point to further monetary tightening

Selected Asia: Policy Interest Rate

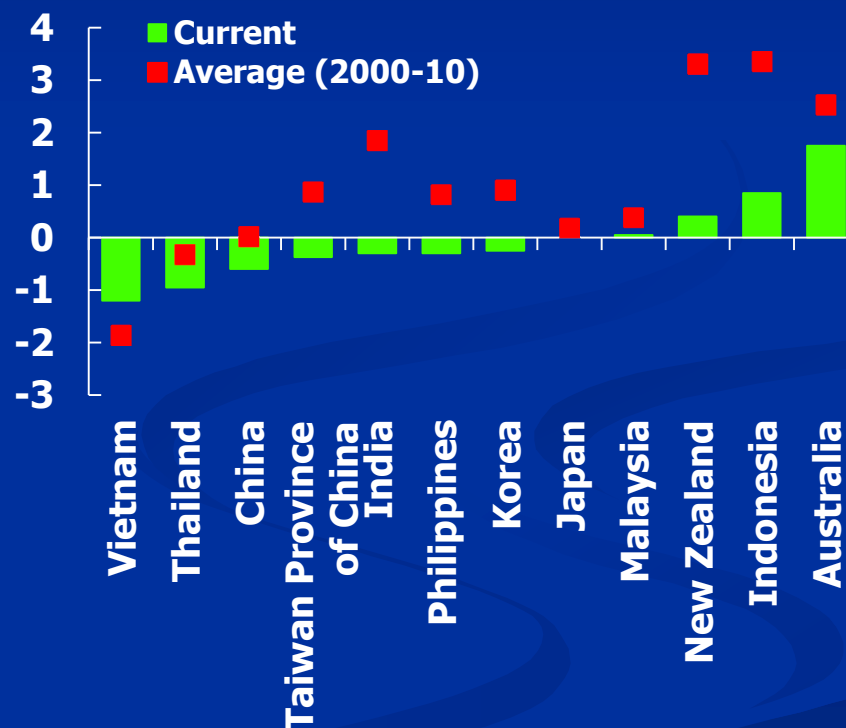
(In percent; as of February 2011)



1/ Derived from forward market interest rates.

Asia: Real Policy Rates¹

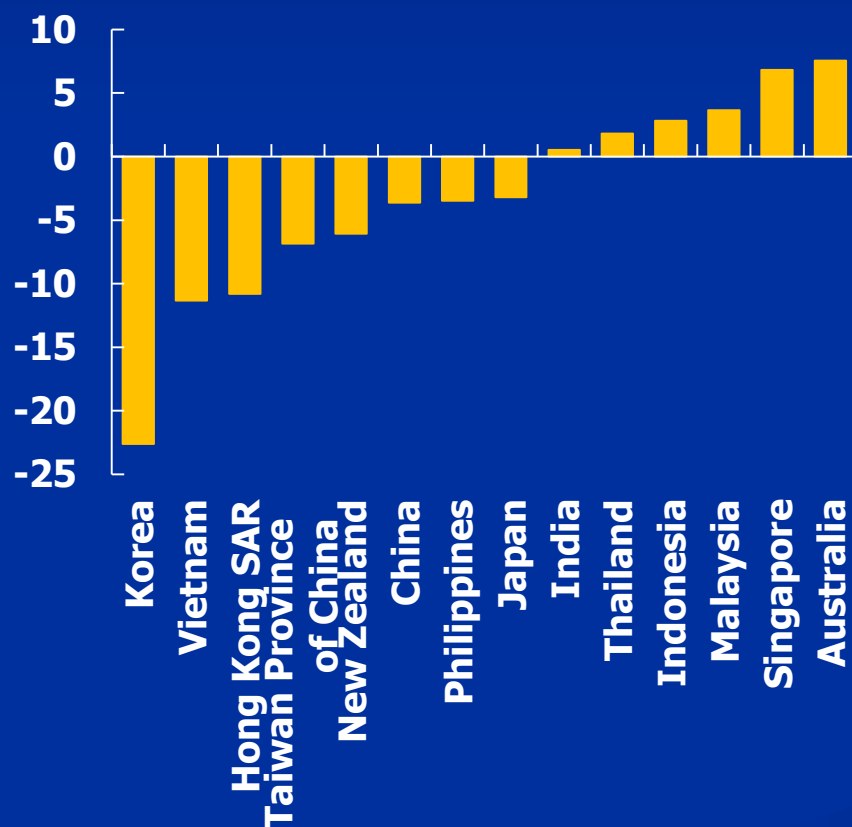
(In percent; as of February 2011)



¹ Real policy rates are defined as nominal policy rates adjusted for consensus forecast for average consumer price inflation in 2012 (average wholesale price inflation expectation for fiscal year ending in March 2012 for India).

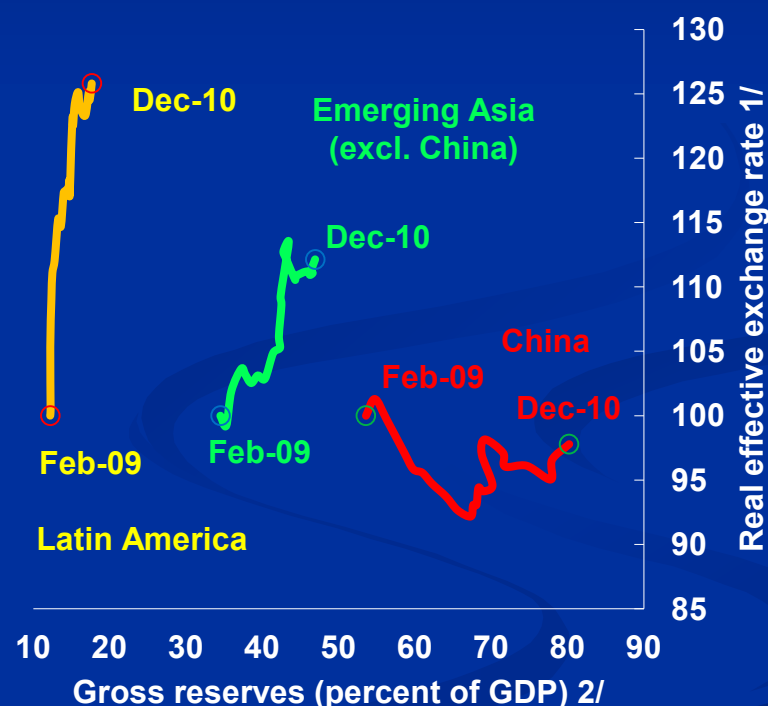
There is also room for more exchange rate appreciation

Asia: Real Effective Exchange Rate
(Percent change from peak during 2007-08;
increase = appreciation)



Emerging Asia and Latin America: Real Exchange Rates and Reserves

(Feb. 2009=100)

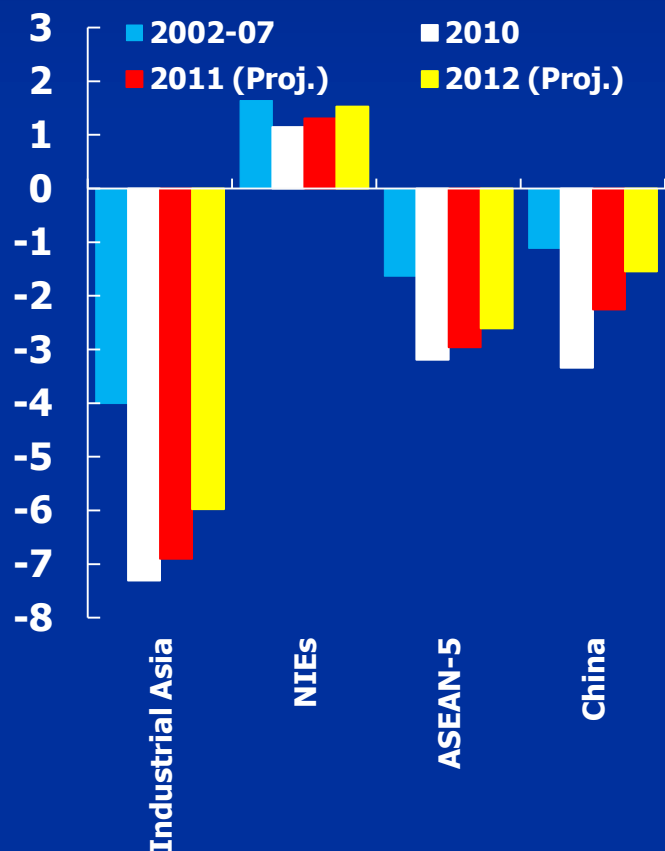


1/ Index Feb. 2009=100. Weighted average using market GDP.

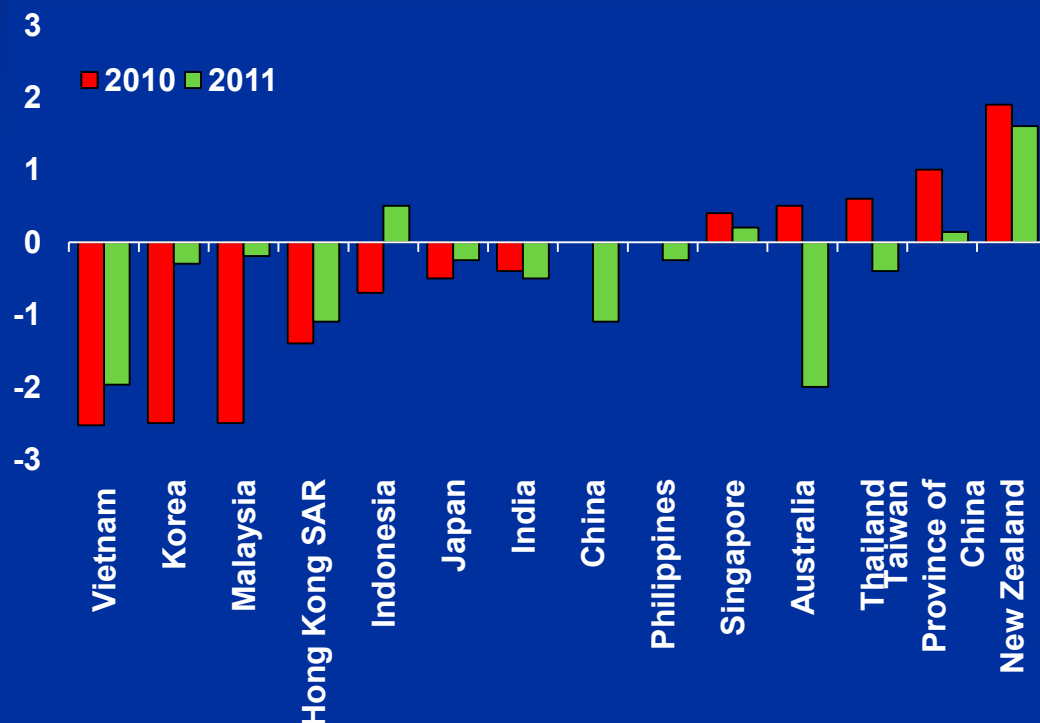
2/ Gross international reserves as a share of 2006-08 average GDP. Weighted average using market GDP.

The withdrawal of fiscal stimulus has been slow

**Selected Asia: General Government
Cyclically Adjusted Fiscal Balance**
(In percent of GDP)



Selected Asia: Fiscal Impulse 1/¹
(In percent of GDP)

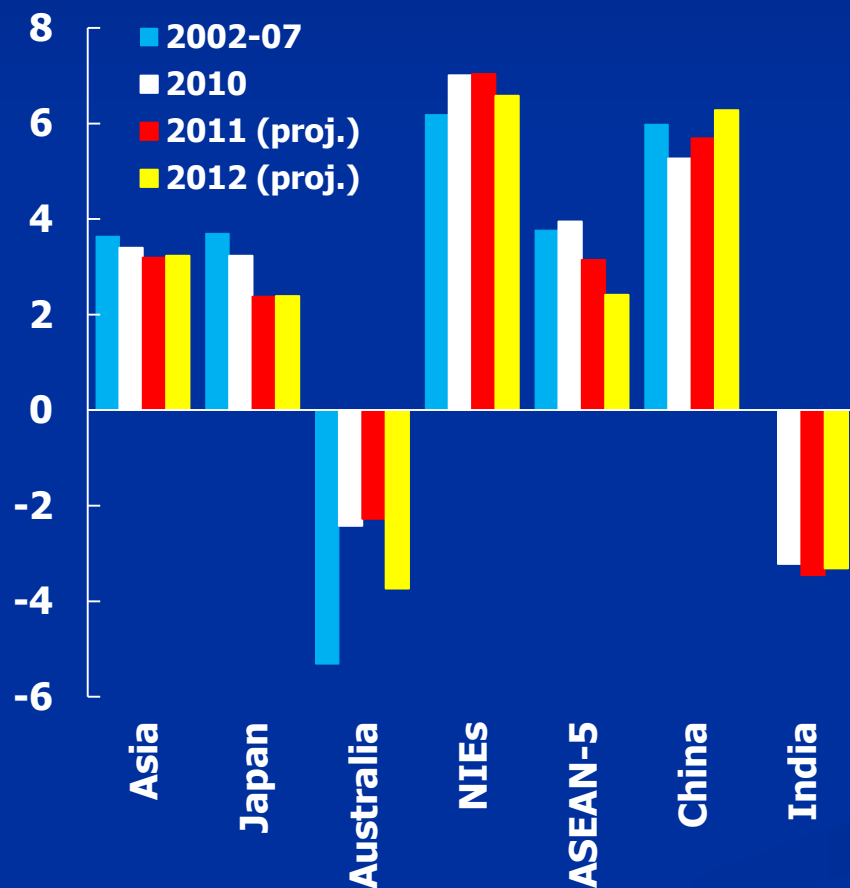


Source: IMF staff estimates.

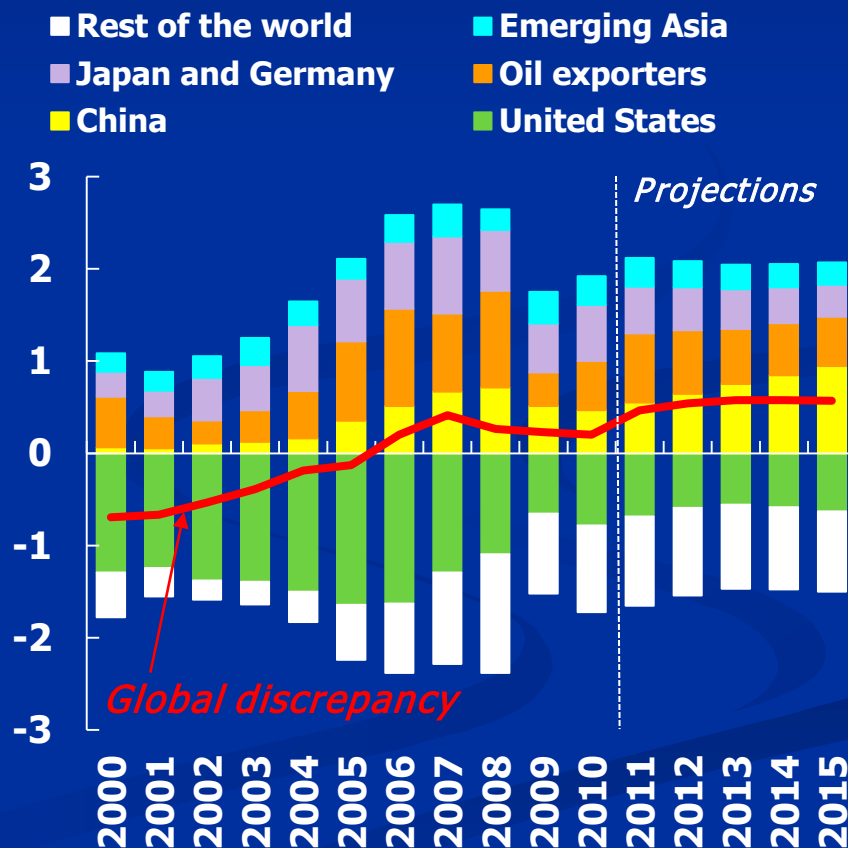
¹ Change relative to previous year in structural fiscal balances related to measures taken in response to the crisis. A negative number implies withdrawal of fiscal stimulus. Data for New Zealand refer to fiscal years ending in June 2011 and June 2012.

Over the medium-term, rebalancing growth remains the key challenge

Asia: Current Account Balance
(In percent of GDP)



Global Current Account Balance
(In percent of world GDP)



Role of the Fund

- Effective global adjustment
- Cross-border capital flows
- Global safety net
- Diversification of global reserve assets

Conclusions

- The multi-speed global recovery is set to continue, and Asian economies will remain in the lead
- As old risks recede, new ones are on the horizon
- Nevertheless, overheating pressures imply further tightening of macroeconomic policies
- Capital inflows need to be managed carefully, but pressures have moderated in recent months
- Over the medium-term, rebalancing growth remains the key challenge