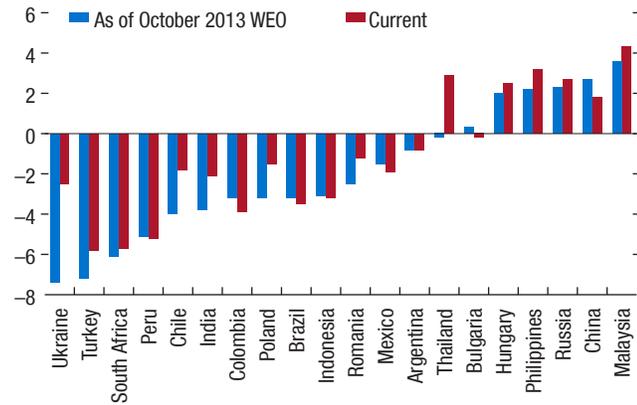


Figure 1.4. Emerging Market Developments

Improvements in external balances...

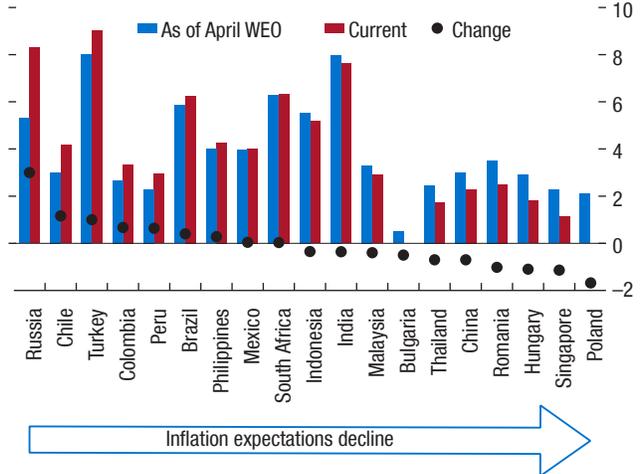
1. WEO 2014 Forecast Current Account Balance (Percent of GDP)



Source: IMF, World Economic Outlook database.

...and, for some, in inflation...

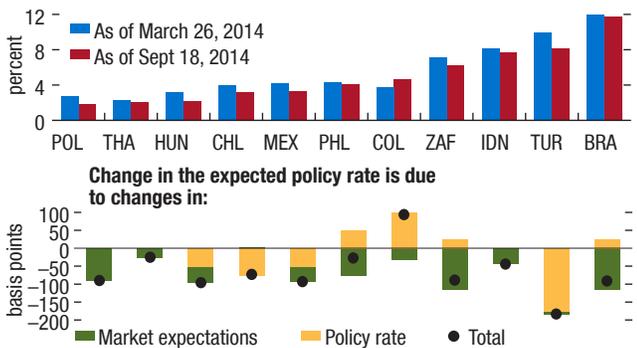
2. WEO 2014 Forecast Headline Inflation Expectations (Percent, year-over-year)



Source: IMF, World Economic Outlook database.

...have allowed the market to reprice the monetary policy space...

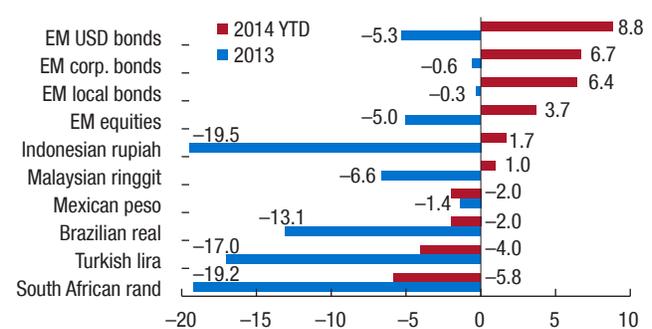
3. Expected Policy Rates by end of 2015:Q1



Sources: Haver Analytics; IMF, Economic Data Sharing System database; and IMF staff calculations.
Note: Data labels use International Organization for Standardization country codes.

...which has been reflected in asset performance so far in 2014.

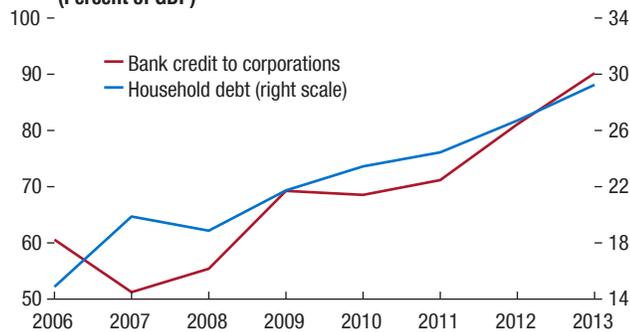
4. Major Emerging Market Asset Performance (Returns; percent)



Sources: Bloomberg L.P.; and JPMorgan Chase & Co.
Note: EM = emerging market; USD = U.S. dollar; YTD = year to date.

But corporate leverage and household indebtedness have continued to rise.

5. Bank Credit and Household Debt Levels (Percent of GDP)



Sources: Bank for International Settlements; CEIC; IMF, Financial Soundness Indicators database; and IMF staff calculations.