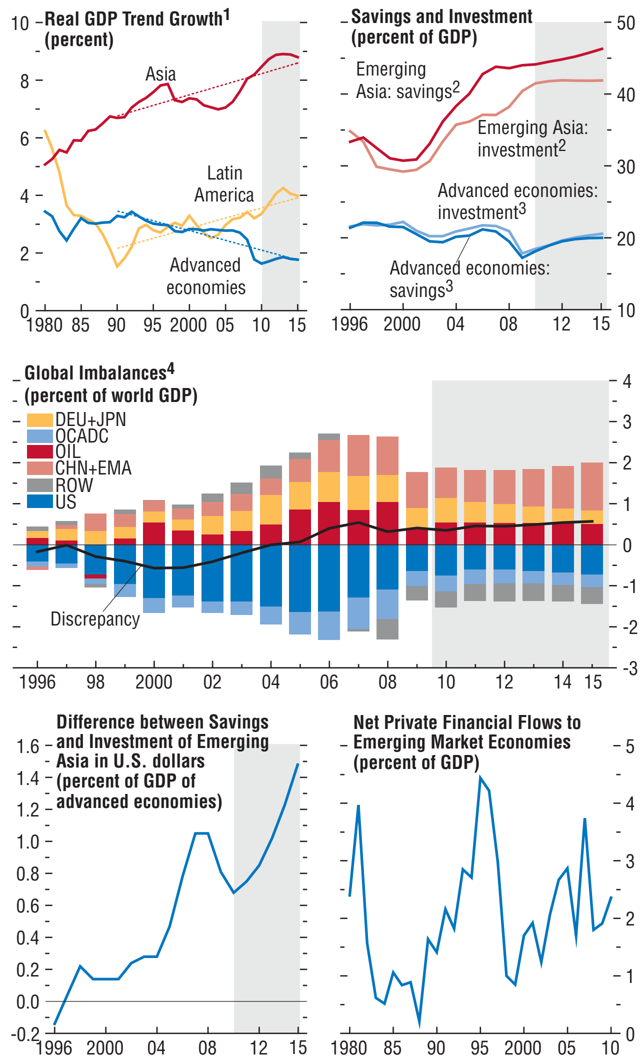
Figure 1.17. Global Imbalances

The growth performance of emerging economies has been improving, whereas for advanced economies it has been deteriorating over the past couple of decades. This will continue to push capital flows toward emerging economies. Nonetheless, global imbalances are not projected to narrow over the medium term, as these economies are finding it hard to absorb these inflows productively and are building up reserves to protect themselves against flow reversals, which have often occurred in the past. As a result, the savings surplus in Asia will rise relative to the GDP of advanced economies. This will limit the increase in long-term interest rates in response to rising public debt.



Source: IMF staff estimates.
[1] 1980–2015 real GDP growth data are de-trended as 10-year backward rolling averages. Dotted lines are trends for each group between 1990 and 2015.
[2] China, India, Indonesia, Malaysia, Pakistan, Philippines, and Thailand.
[3] Australia, Canada, Czech Republic, Denmark, euro area, Hong Kong SAR, Israel, Japan, Korea, New Zealand, Norway, Singapore, Sweden, Switzerland, Taiwan Province of China, United Kingdom, and United States.
[4] CHN+EMA: China, Hong Kong SAR, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan Province of China, and Thailand; DEU+JPN: Germany and Japan; OCADC: Bulgaria, Croatia, Czech Republic, Estonia, Greece, Hungary, Ireland, Latvia, Lithuania, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Turkey, and United Kingdom; OIL: Oil exporters; ROW: rest of the world; US: United States.