IMF Spring Meetings 2019
Joint G-20/IMF Seminar on Global Imbalances
Wednesday, April 10, 5 p.m.–6:15 p.m., Cedar Hall (HQ1-1-660)

The joint G-20/IMF Seminar on Global Imbalances is part of the Japanese presidency's G-20 agenda to further deepen the understanding of global imbalances and their drivers. The seminar will bring together G-20 delegates and a panel of academic and policy experts: Takatoshi Ito (Columbia University), Hyun-Song Shin (BIS), and Beatrice Weder di Mauro (CEPR). IMF Economic Counsellor, Gita Gopinath, will introduce the topic and moderate the discussion. There will be a question and answer session, followed by light refreshments. The seminar is open to G-20 Spring Meetings delegates only but will be livestreamed for the public and media.

How are global imbalances changing and what are their key drivers? While overall flow imbalances narrowed in the aftermath of the global financial crisis, they have been relatively unchanged in recent years and are increasingly concentrated in advanced economies. Recent trends likely reflect a combination of factors, including diverging monetary policy across advanced economies and the easing of fiscal policy in key emerging and advanced economies. Meanwhile, stock positions have widened further. At 40 percent of world GDP, the sum of net creditor and net debtor positions is now at a historical peak and four times larger than in the early 1990s.

What are the potential risks? Whether imbalances pose risks to the global economy depends on various factors. For example, imbalances are often necessary when economies with rapidly aging populations accumulate savings for the increasingly larger pool of retirees; or when young and rapidly growing economies tap on foreign funding to boost investment and growth. However, imbalances can also pose risks when they reflect macroeconomic and financial vulnerabilities and distortions with negative growth implications that could extend beyond a country's borders. While flow imbalances have fallen since the global financial crisis, a rapid tightening in financial conditions could adversely affect more vulnerable economies through weakened external debt service capacity. Over the medium term, persistent stock imbalances could trigger disruptive adjustments in debtor economies, with resulting spillovers to creditors.

What are the key policy priorities for reducing risks from imbalances? Across surplus and deficit countries, carefully calibrated macroeconomic and structural policies need to be considered to adjust savings and investment balances. Private sector debt levels and their currency and maturity composition require careful monitoring. Exchange rates should remain flexible as this will continue to help support adjustments, while further analysis is warranted of how the relationship between exchange rates and trade balances differs across countries or may have changed over time. Meanwhile, the international community should redouble its efforts to further reinvigorate trade, which has been a key driving force in underpinning strong, sustainable, balanced, and inclusive growth over the years.