



Where Are We In the Global Crisis?

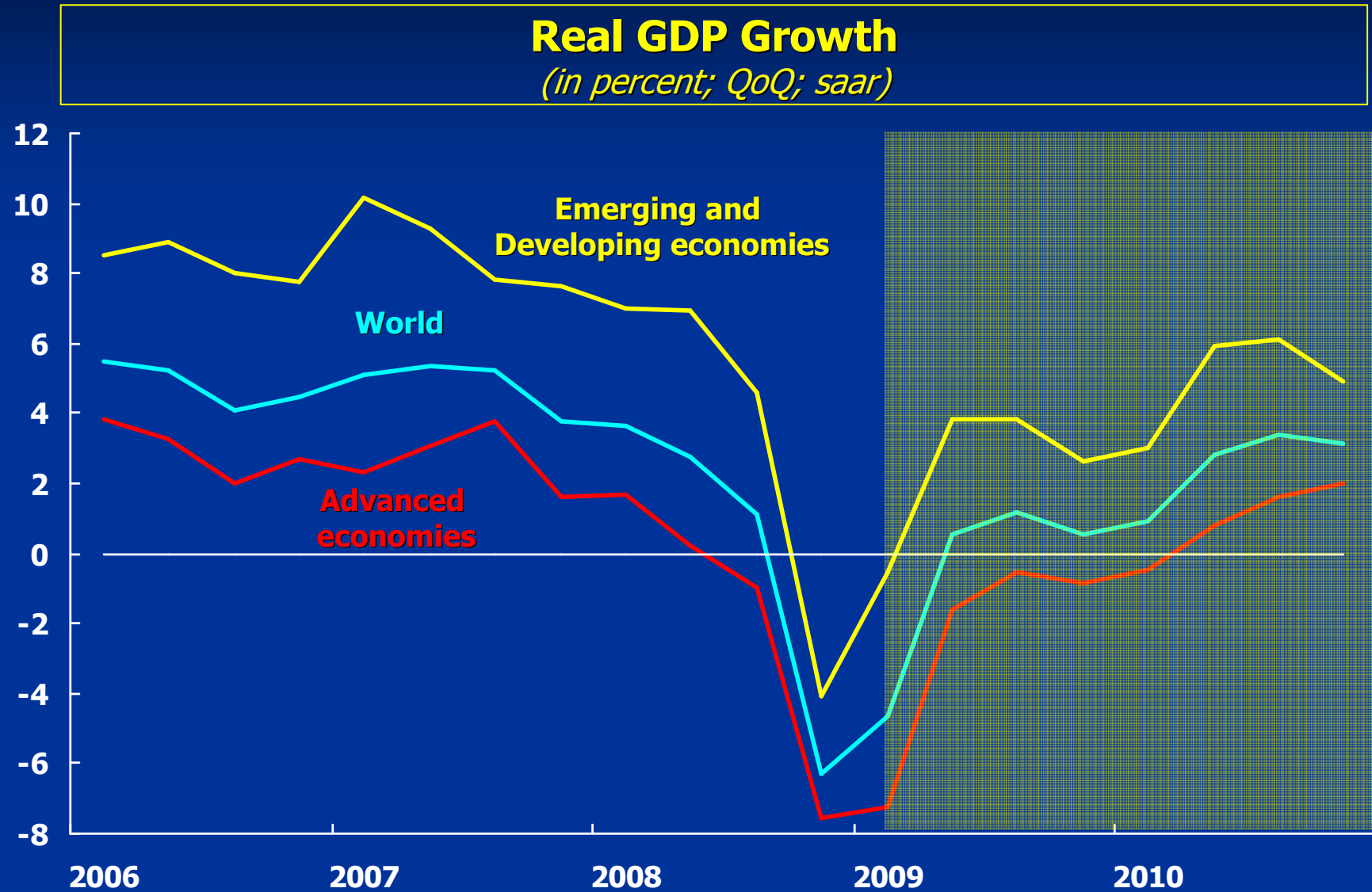
*Olivier Blanchard
Economic Counsellor and Director
Research Department
International Monetary Fund*

April 30, 2009

Two Cross Currents

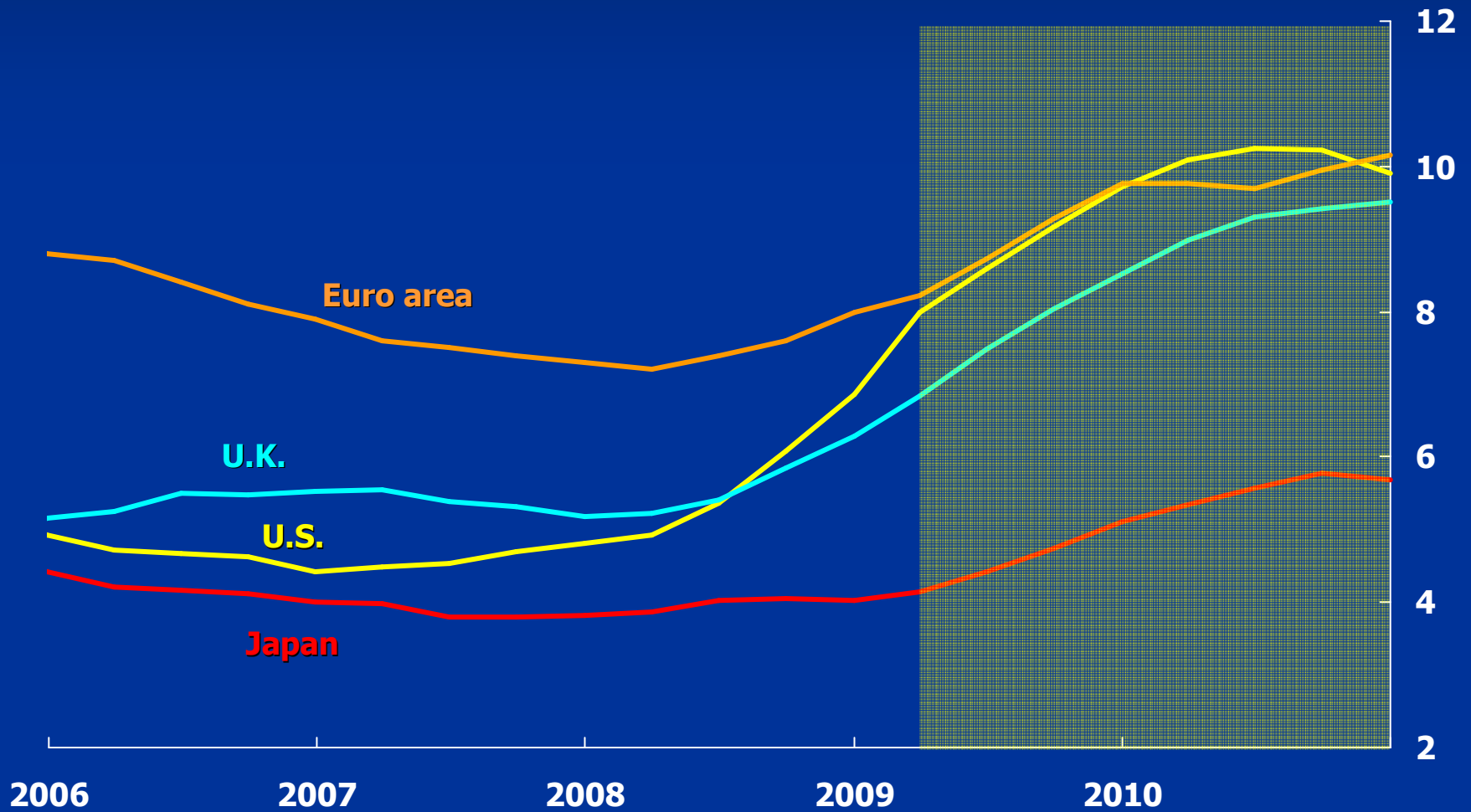
- One pulling down. Dynamic multipliers.
- One pulling up. Natural stabilizers? Demand policies.
- Balance. Today, the first strongly dominates.
 - With right policies, balance should shift later this year.
 - Growth should turn positive at the end of 2009.
 - Unemployment should crest at the end of 2010.
- Central: Health of financial system. To avoid vicious cycles, and determine the strength of recovery.

Growth Projections



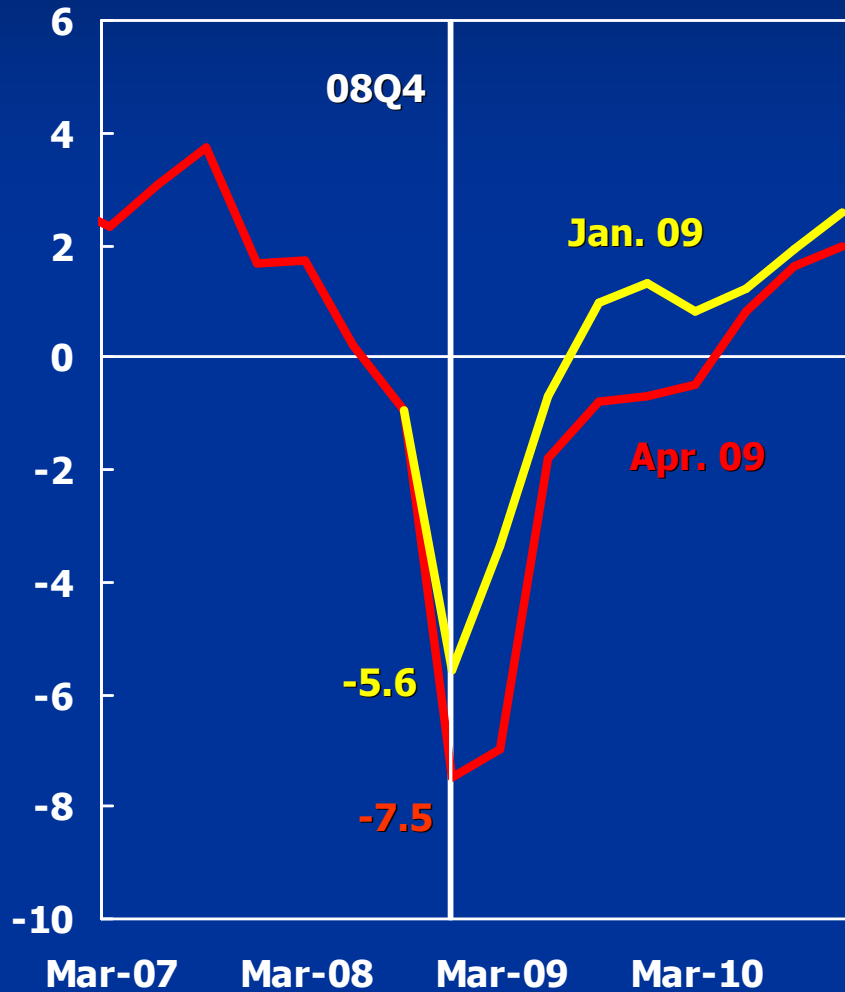
Unemployment Rate Projections

Unemployment Rate
(in percent)

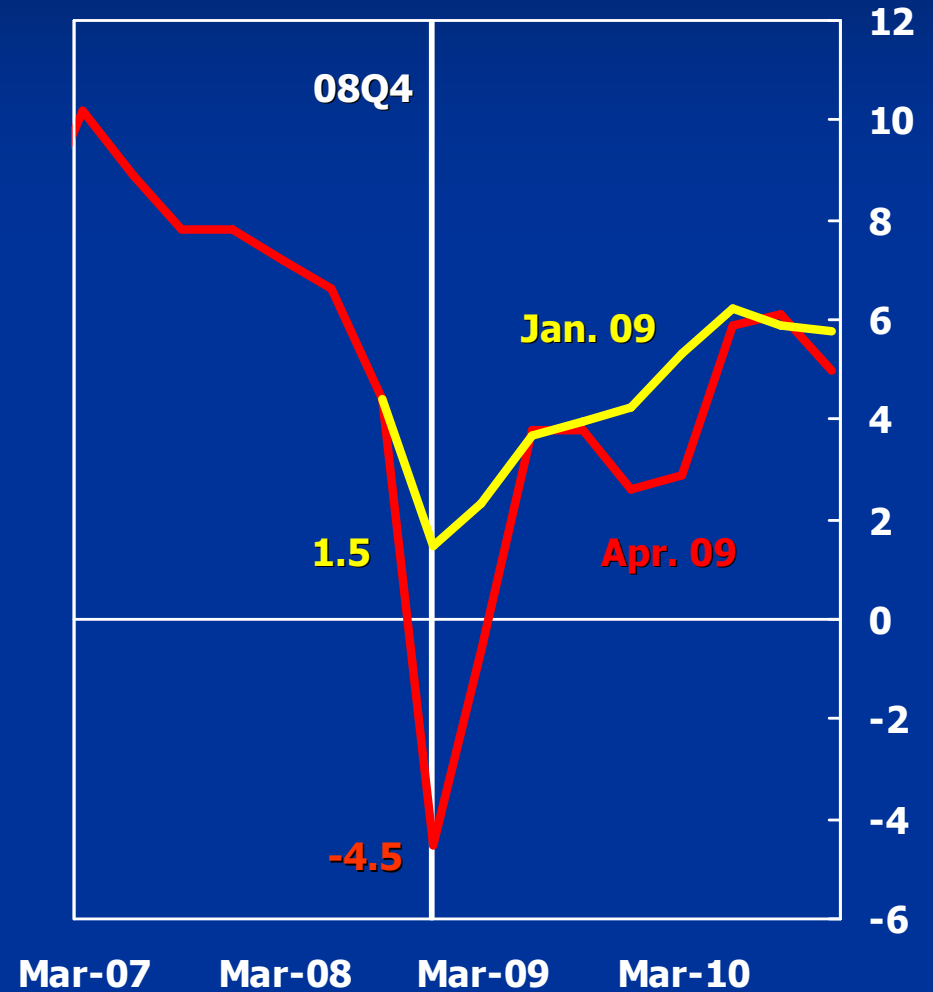


Growth Revisions, and 2008 Q4

Advanced: Real GDP Growth
(in percent; QoQ; saar)



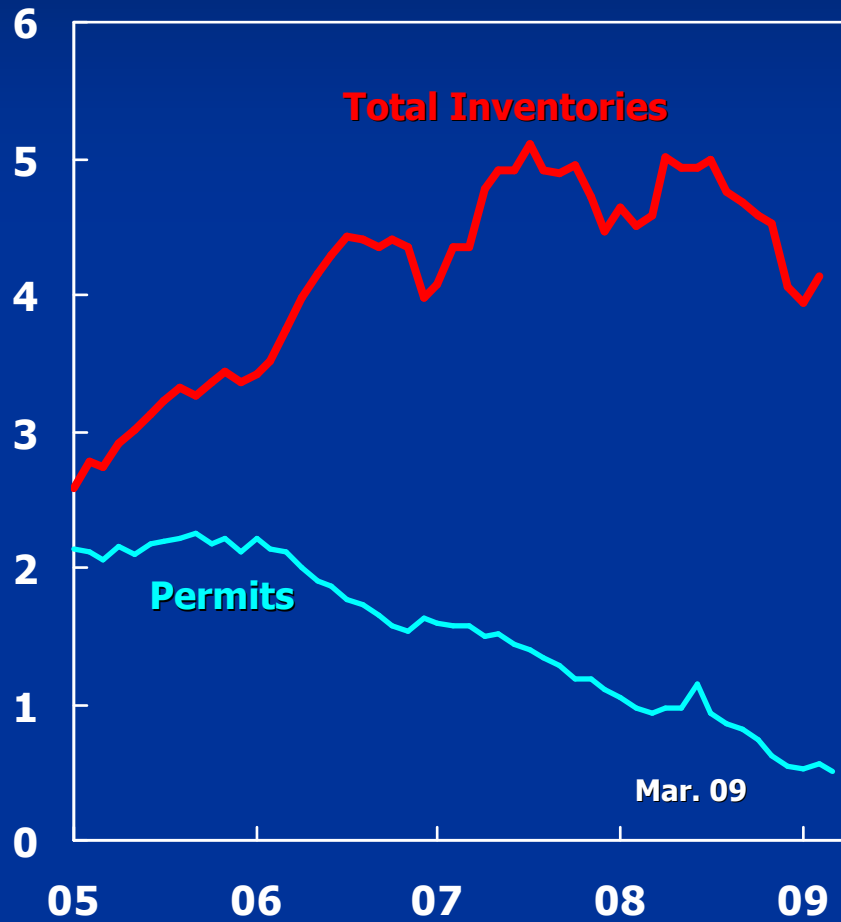
Emerging: Real GDP Growth
(in percent; QoQ; saar)



Natural Stabilizers?

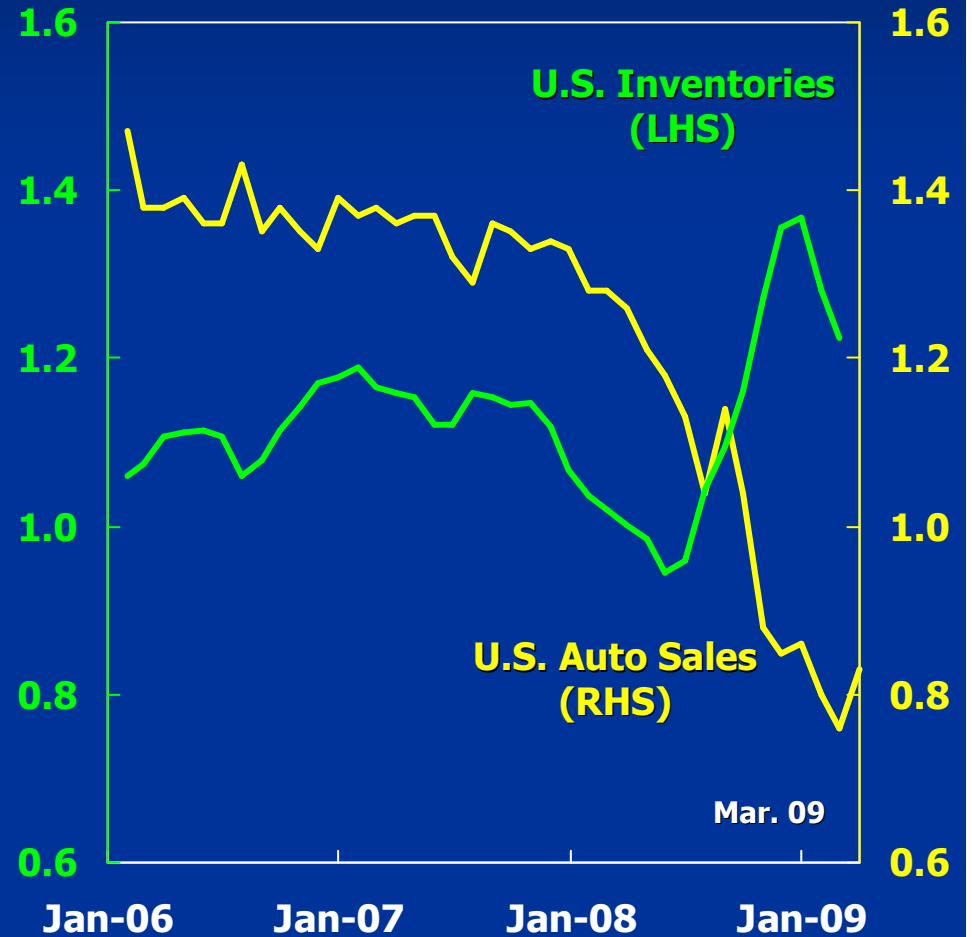
Housing Indicators

(in millions of units)



U.S. Vehicle Sales

(in millions; sa)

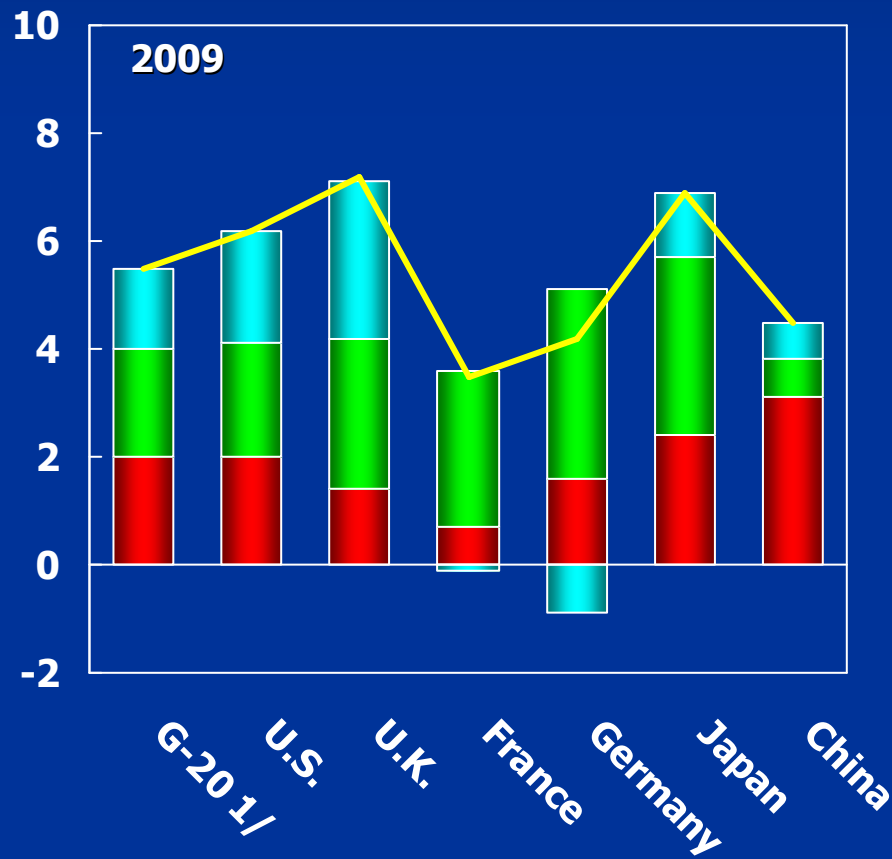


1/ NAHB index; a reading over 50 suggests "Good" conditions for current and prospective home sales.

Fiscal Policies in 2009 and 2010

Overall Deficit: Contributions from Automatic Stabilizers and Discretionary Measures
(fiscal deficit in percent of GDP; change from 2007)

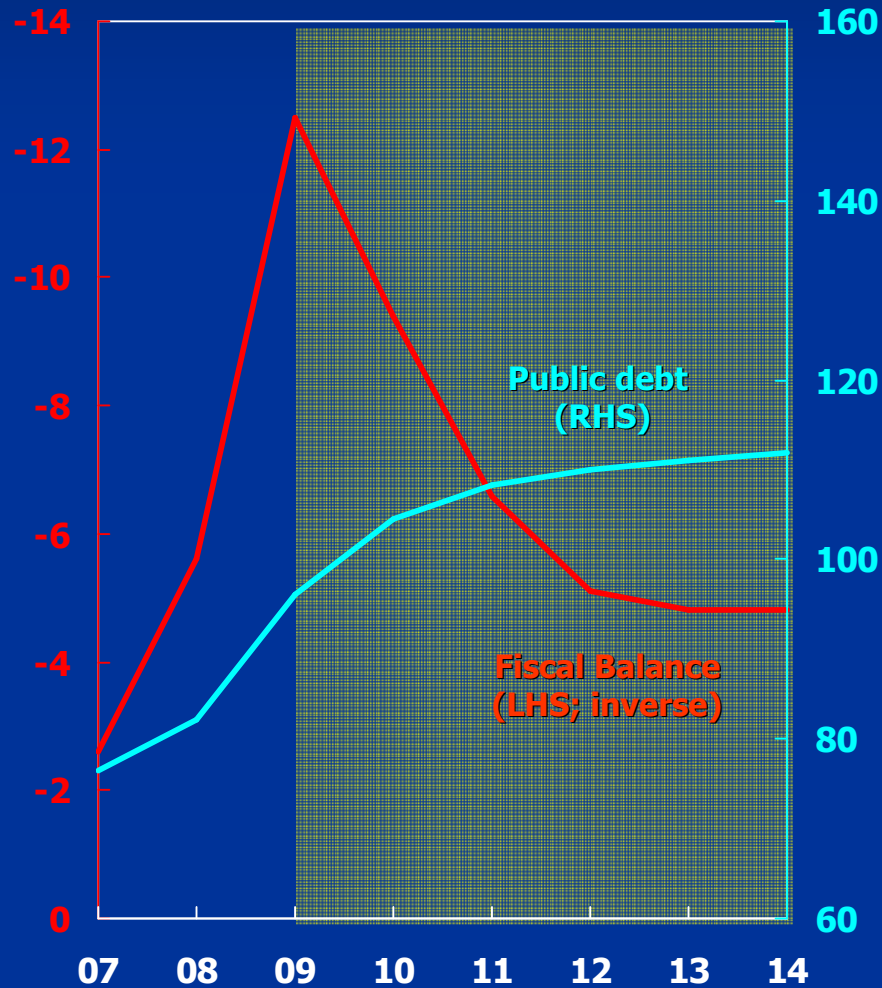
Automatic Stabilizers Discretionary Measures Other Overall Balance



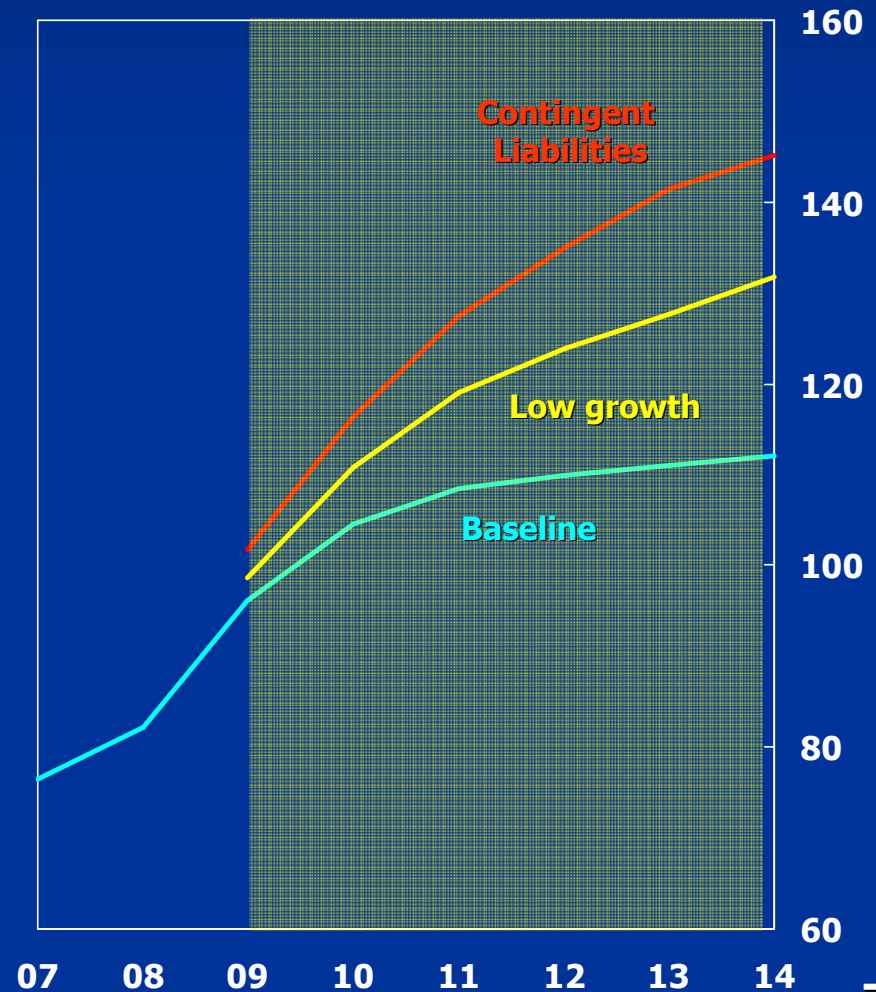
1/ PPP GDP-weighted average.

Sustainability Concerns and Fiscal Projections

**G-20 Advanced Countries
Fiscal Balance and Public Debt**
(in percent of GDP; PPP GDP weighted)

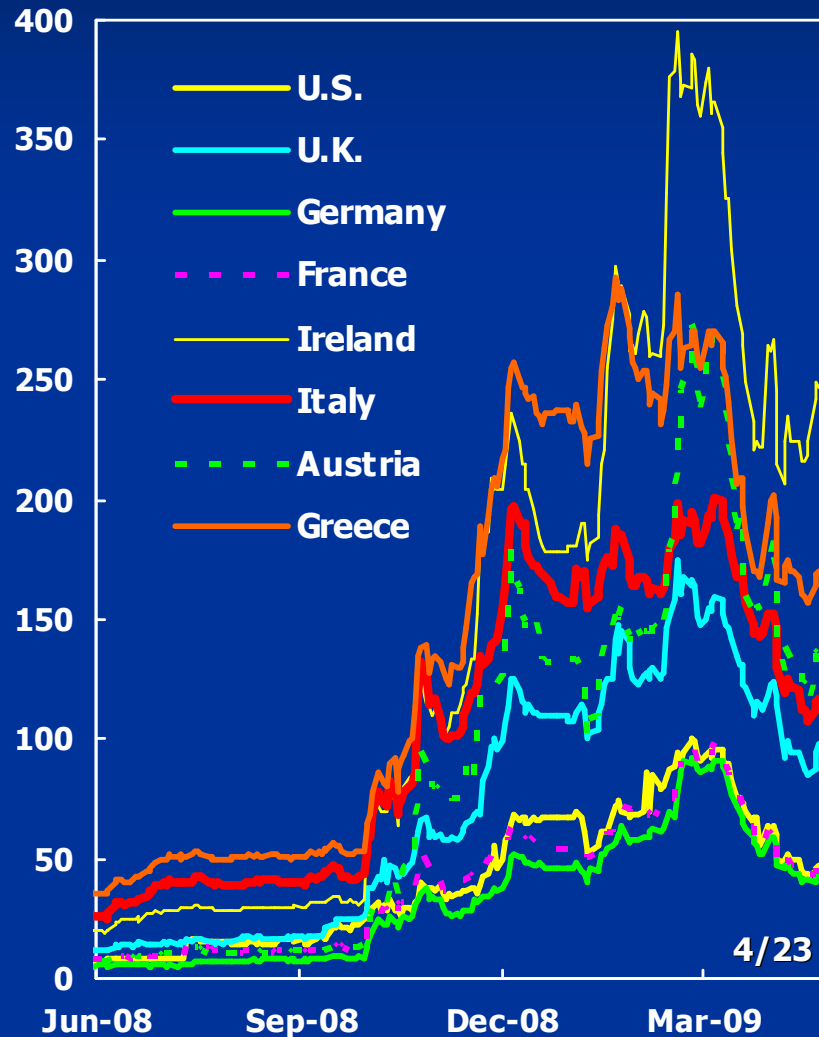


**G-20 Advanced Countries
Public Debt**
(in percent of GDP; PPP GDP weighted)

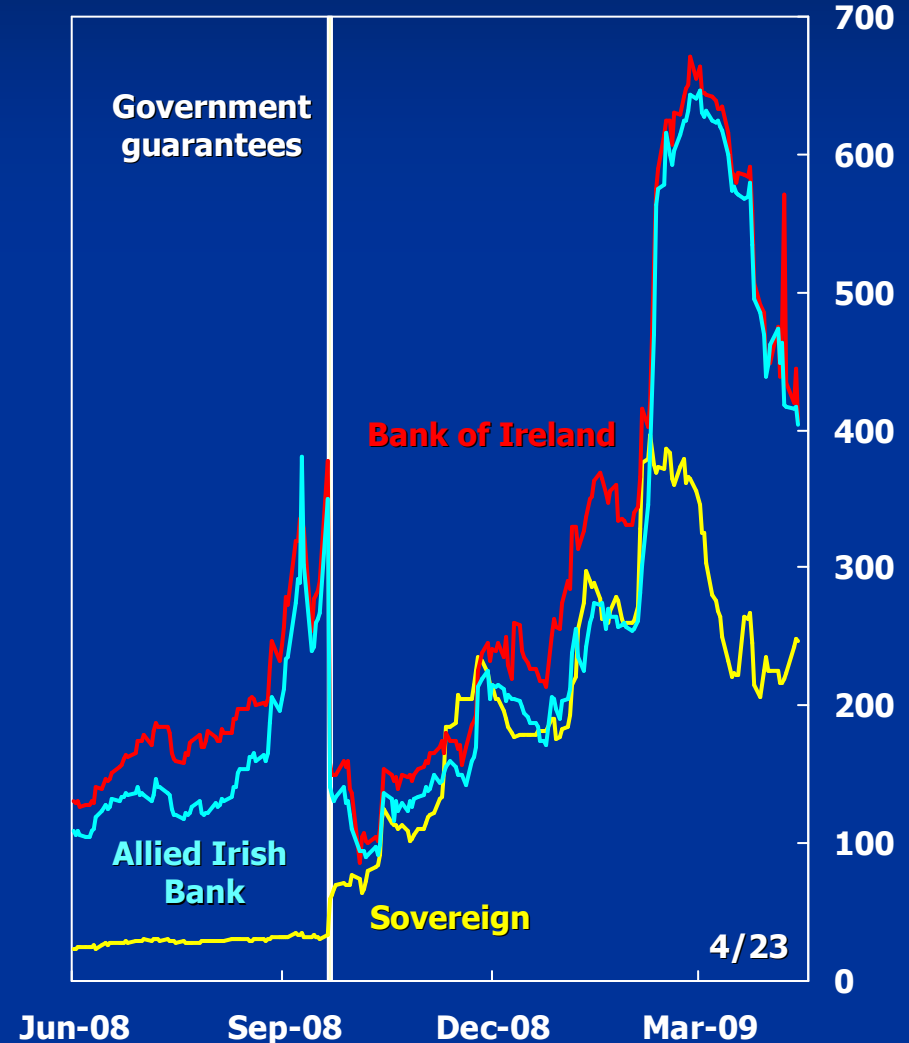


Fiscal Sustainability and Financial Strains

Sovereign CDS Spreads
(5yr; in basis points)



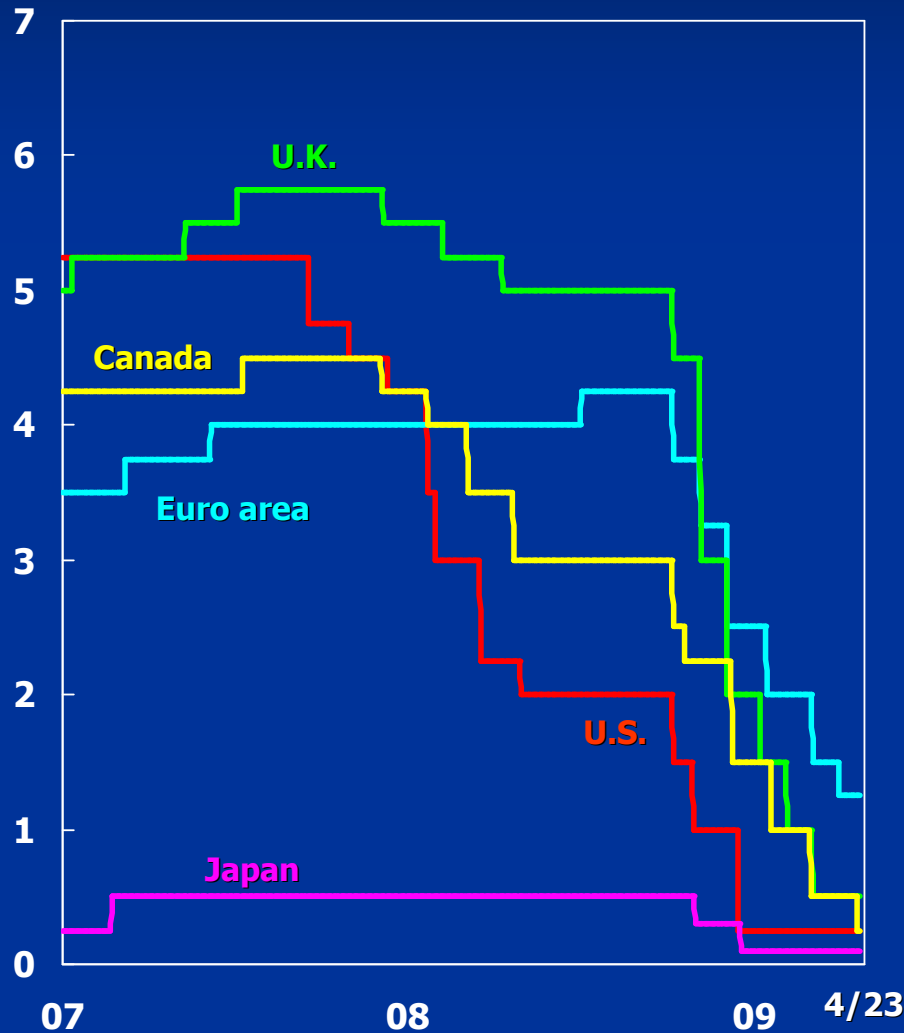
Ireland CDS Spreads
(5-year CDS Spreads; in basis points)



Central Bank Policy Rates and Balance Sheets

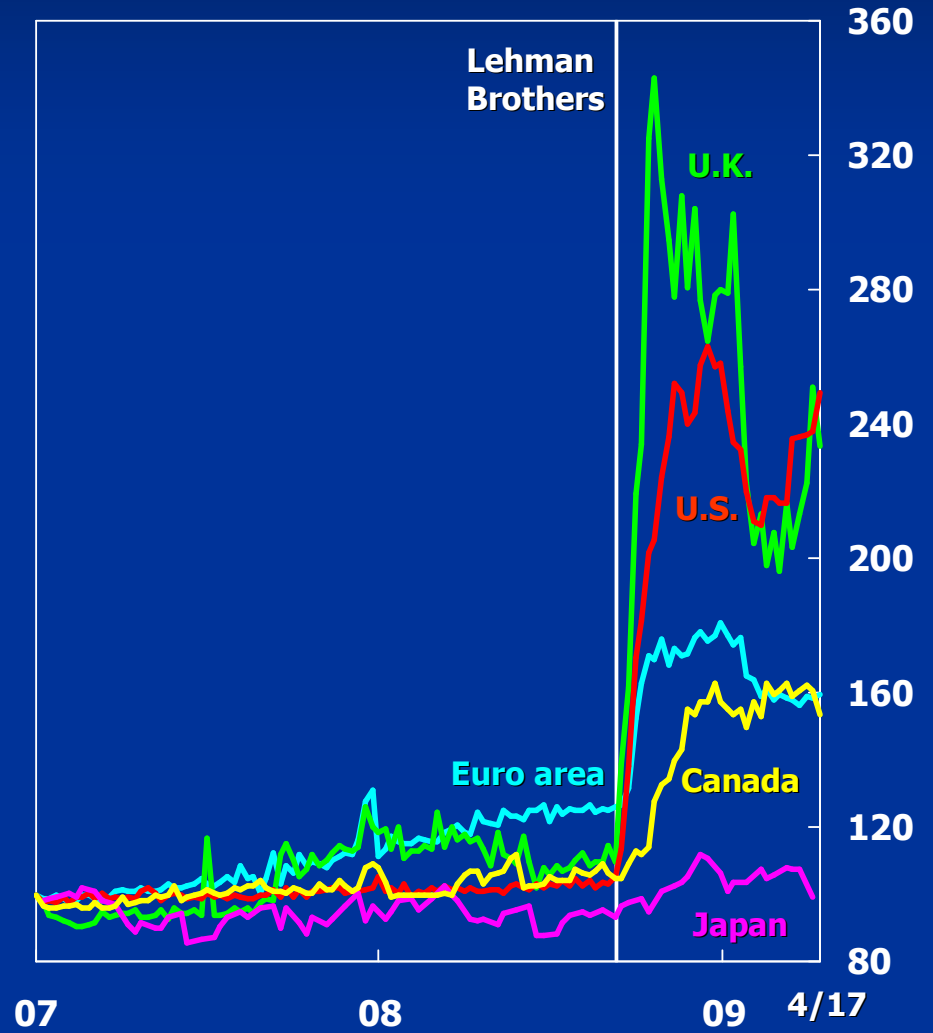
Policy Rates

(in percent)



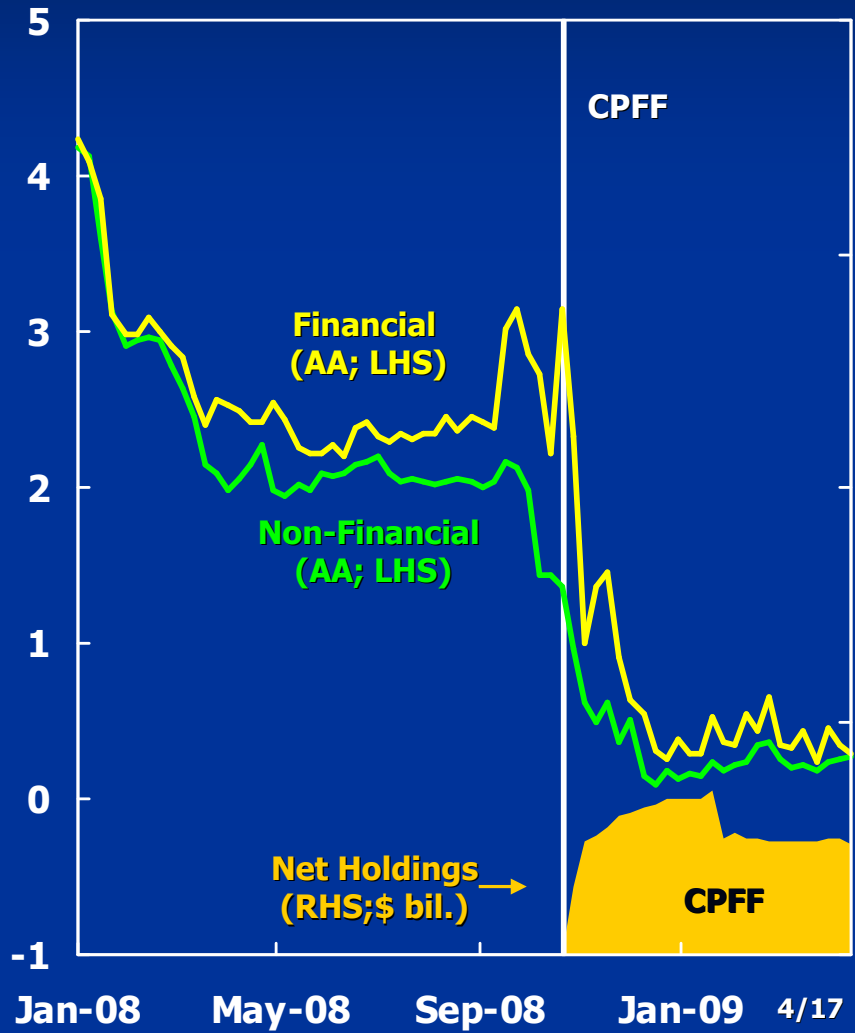
Central Banks Total Assets

(index, 1/5/2007=100)



Credit and Quantitative Easing

90-day U.S. Commercial Paper
(in percent unless otherwise noted)



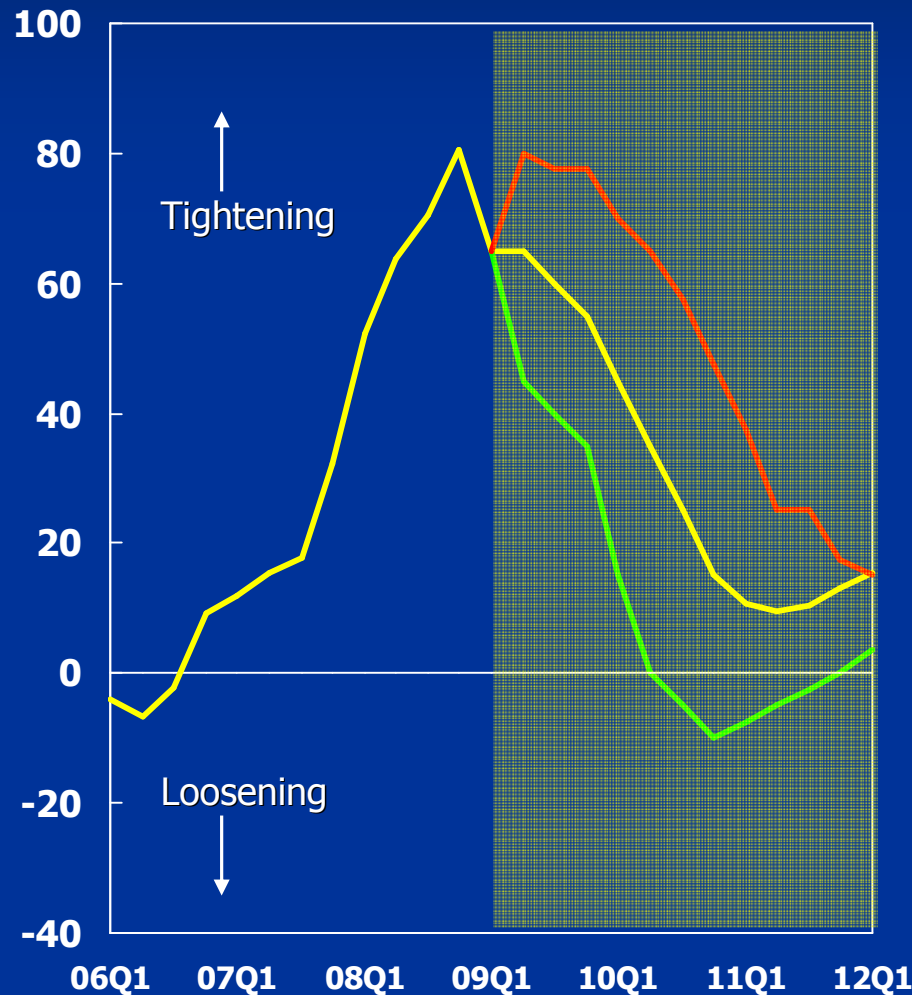
10yr Government Bond Yield
(in percent)



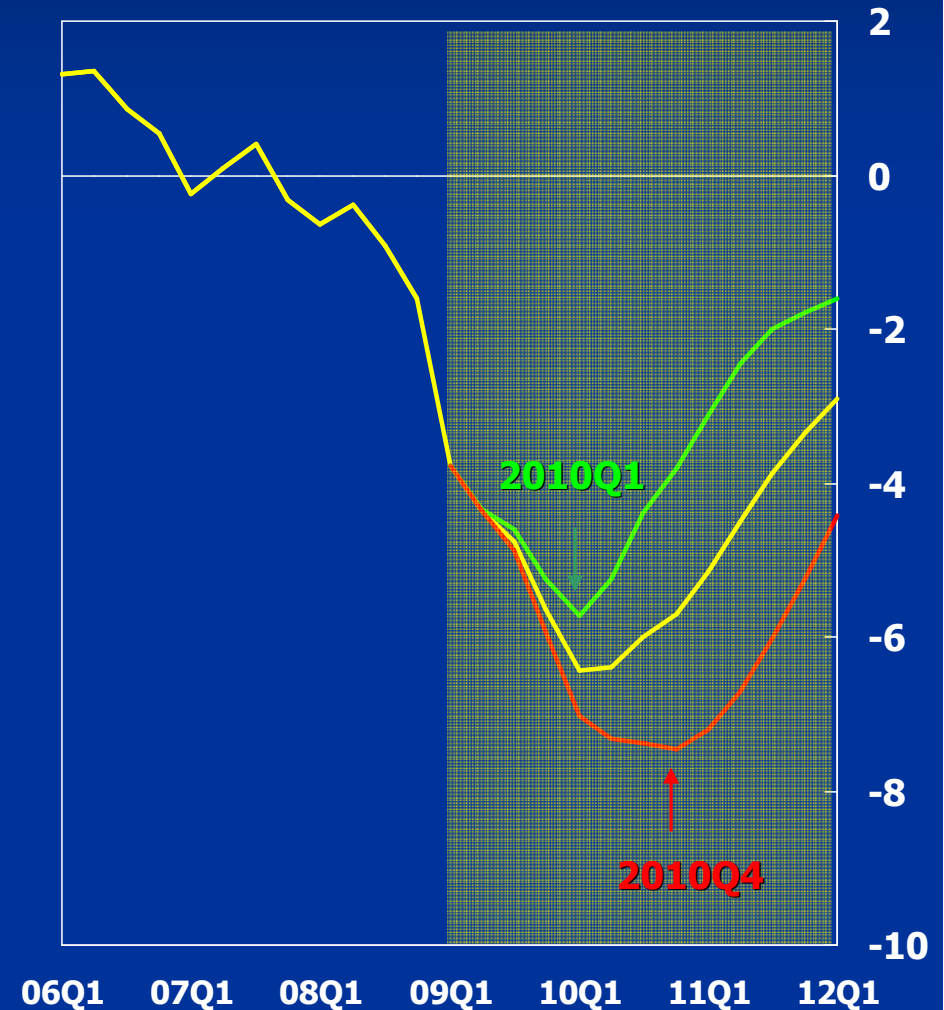
Bank Lending and Economic Recovery 1/

— Apr. 2009 WEO Baseline — Credit conditions improve — Bank lending tightens further

Changes in Credit Standards
(index of tightening; bank lending standards)



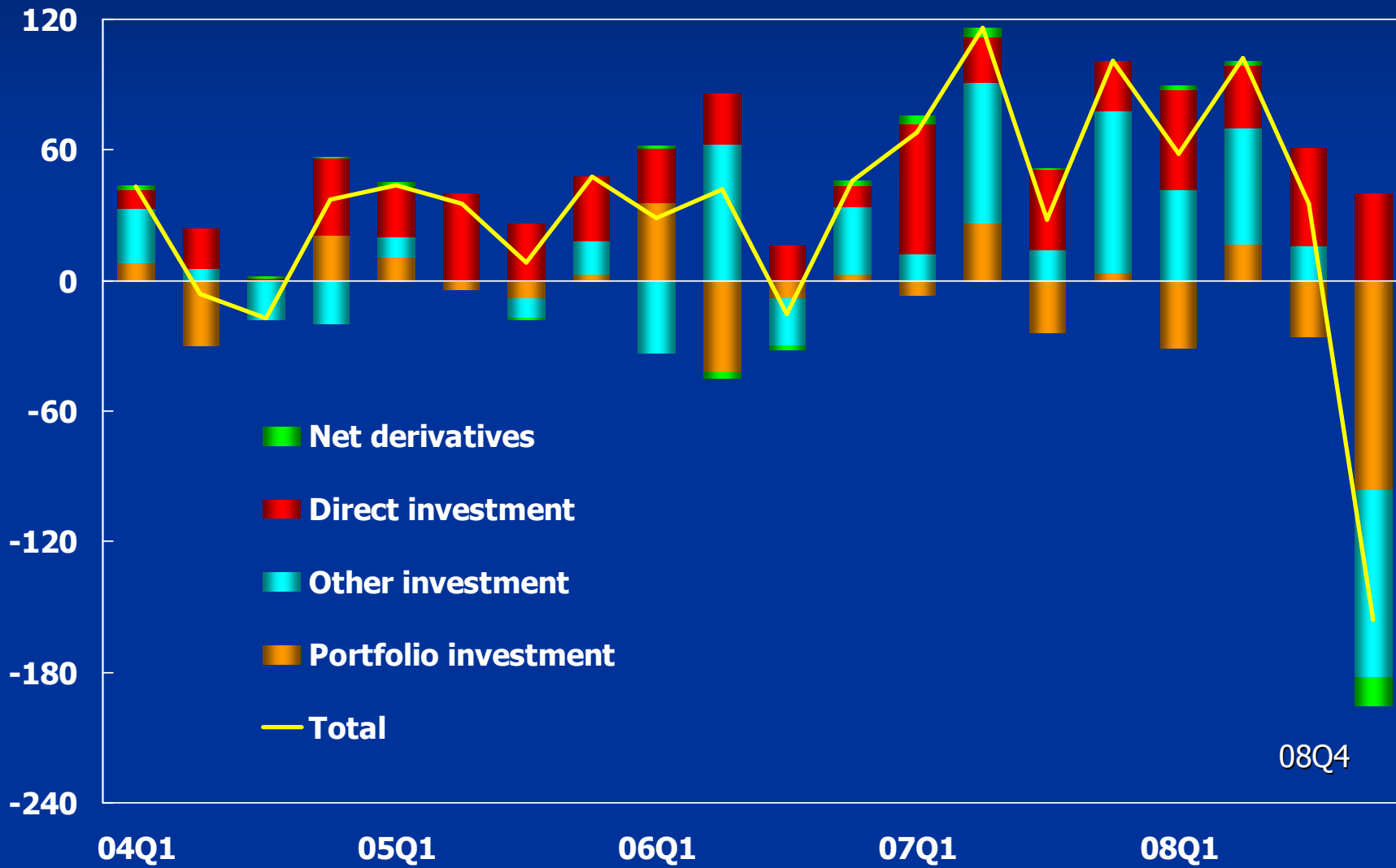
U.S. Output Gap
(in percent of potential; based on GPM)



1/ Simulations using the Global Projection Model (GPM).

International Credit Provision

Emerging Economies: Net Capital Flows (US\$ billions)



In Summary

- Need for strong policies still acute.
- With those policies (especially financial):
 - Turnaround in growth (advanced) at the end of 2009.
 - Turnaround in unemployment at the end of 2010.
 - Emerging and developing countries: higher but in sync.
- Need to start thinking now about exit policies. Debt, money, regulation, external imbalances.