Impact of the Global Financial Crisis and Its Implications for the East Asian Economy

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The downturn in Asia was larger than expected on the basis of historic correlations

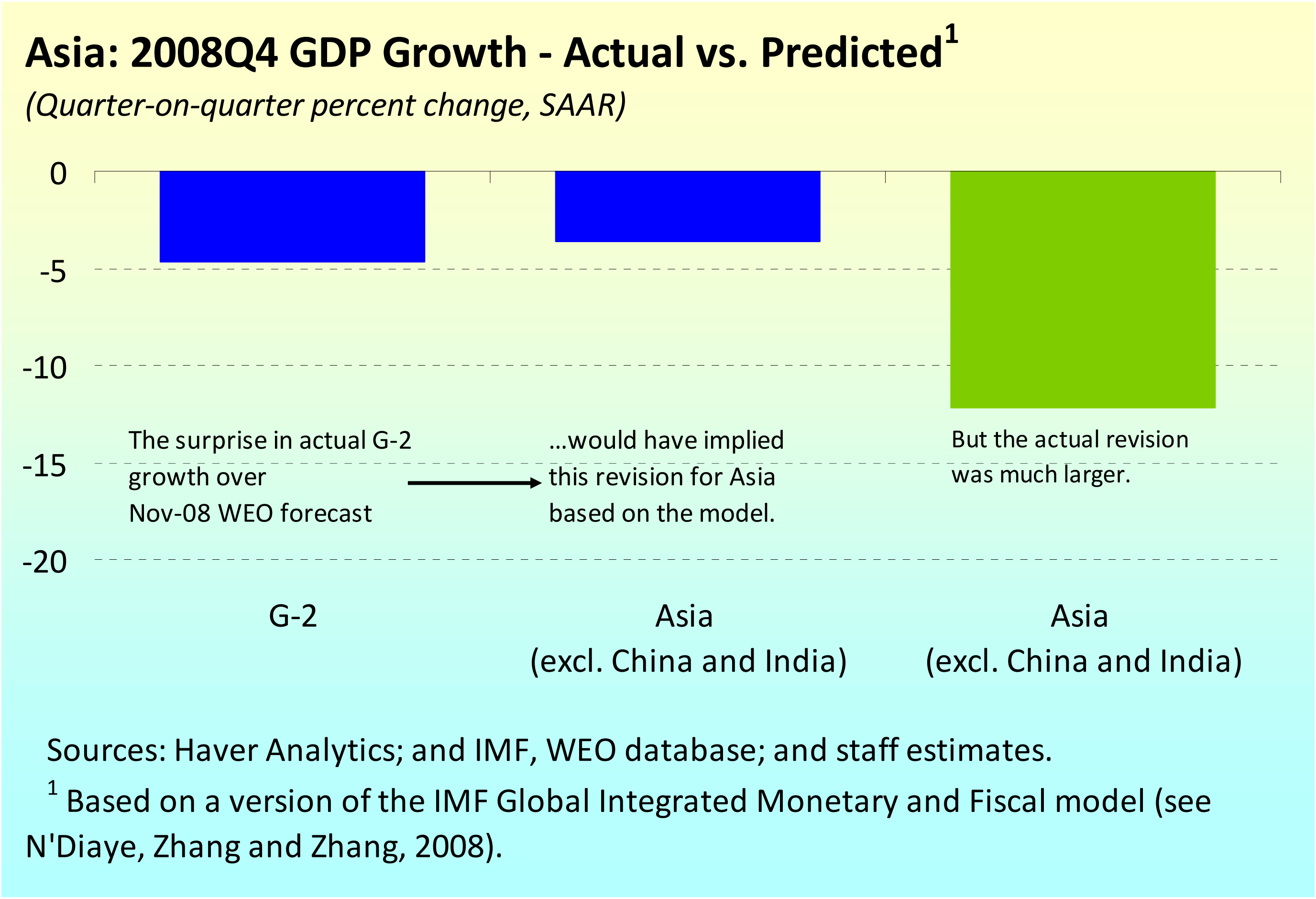


Figure 1

Bank flows to Asia turned negative as major banks reduced their leverage

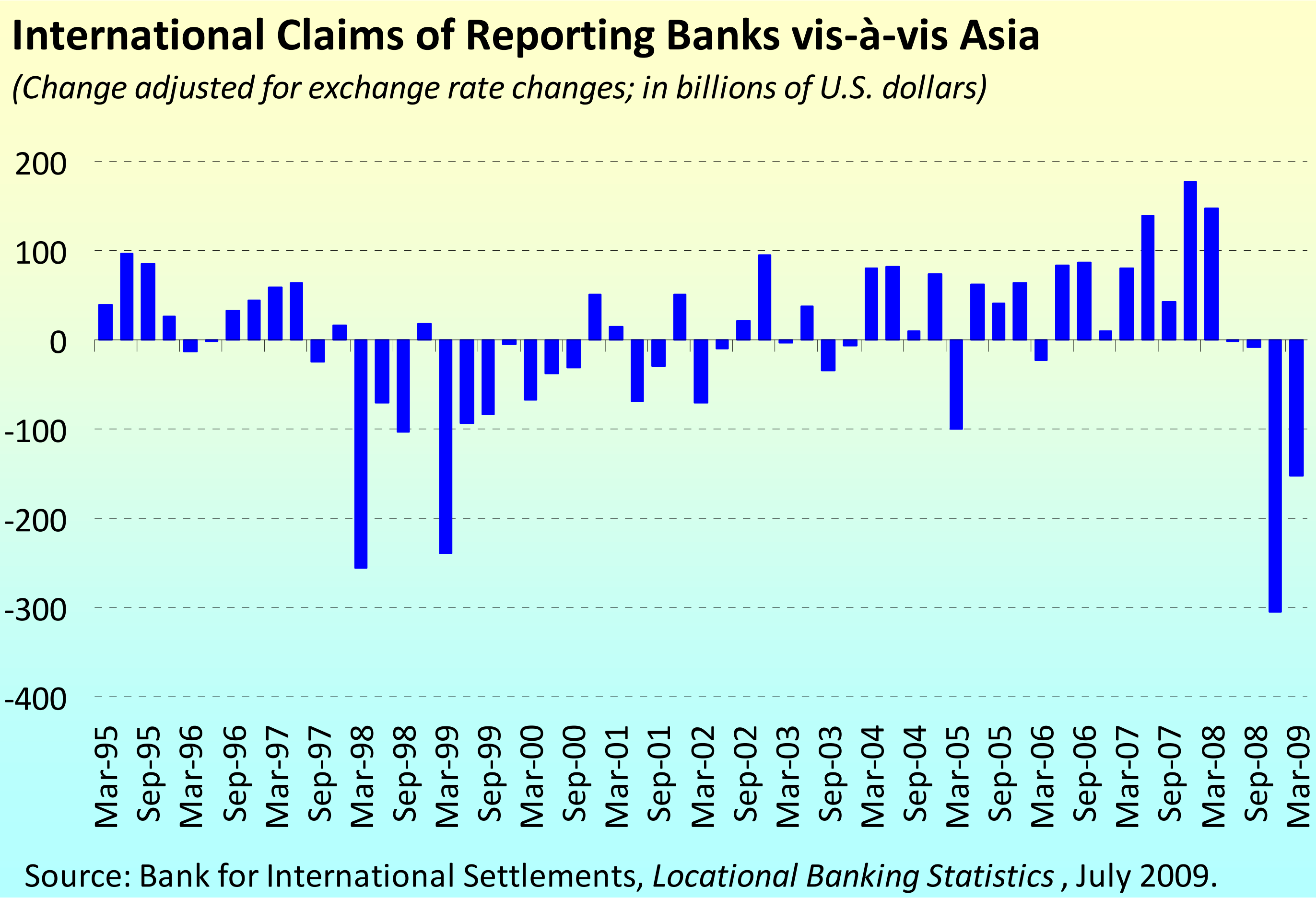


Figure 2

External bond issuance came to a virtual halt in the last quarter of 2008

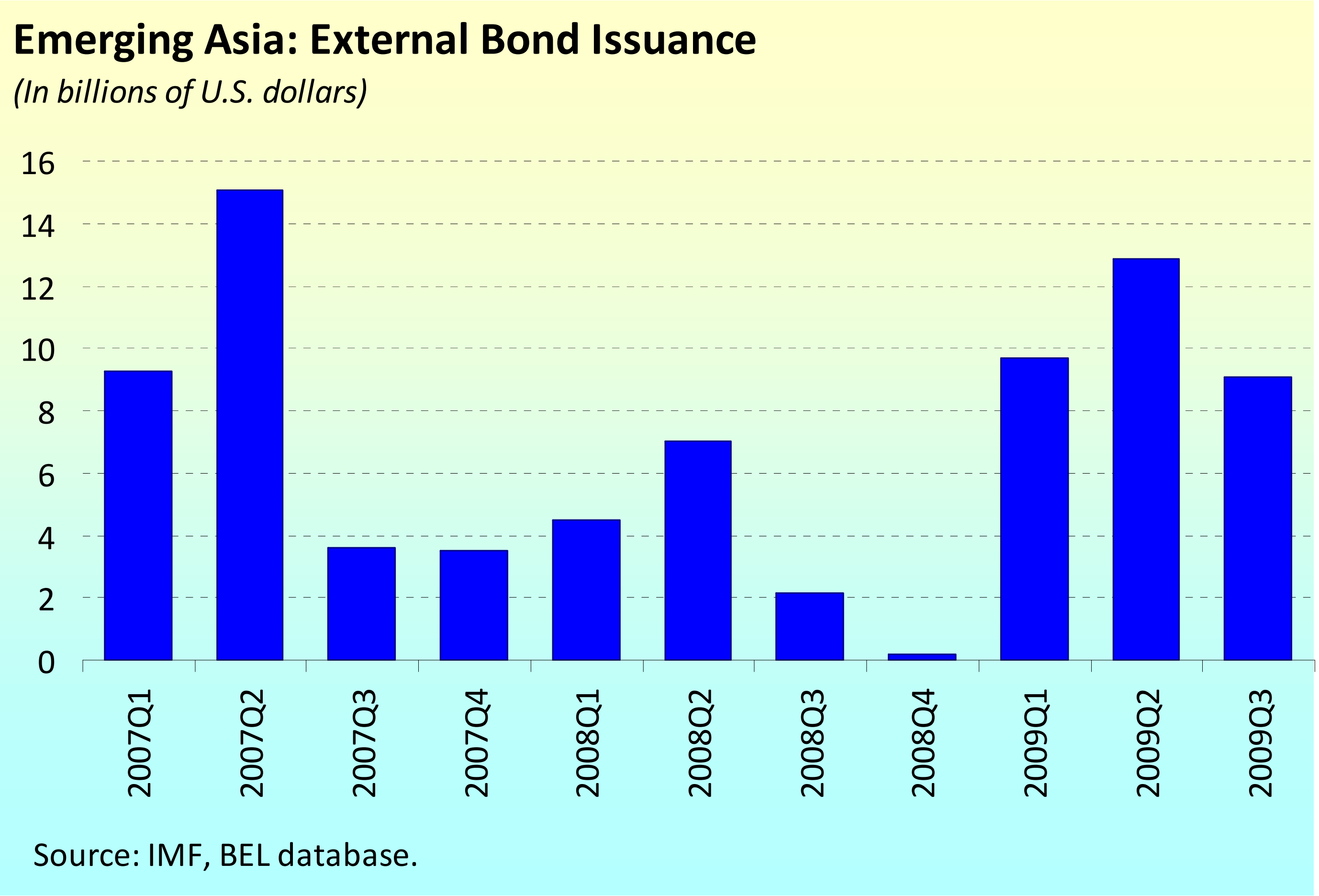


Figure 3

Equity markets and local currencies, with the exception of the yen, recorded large losses

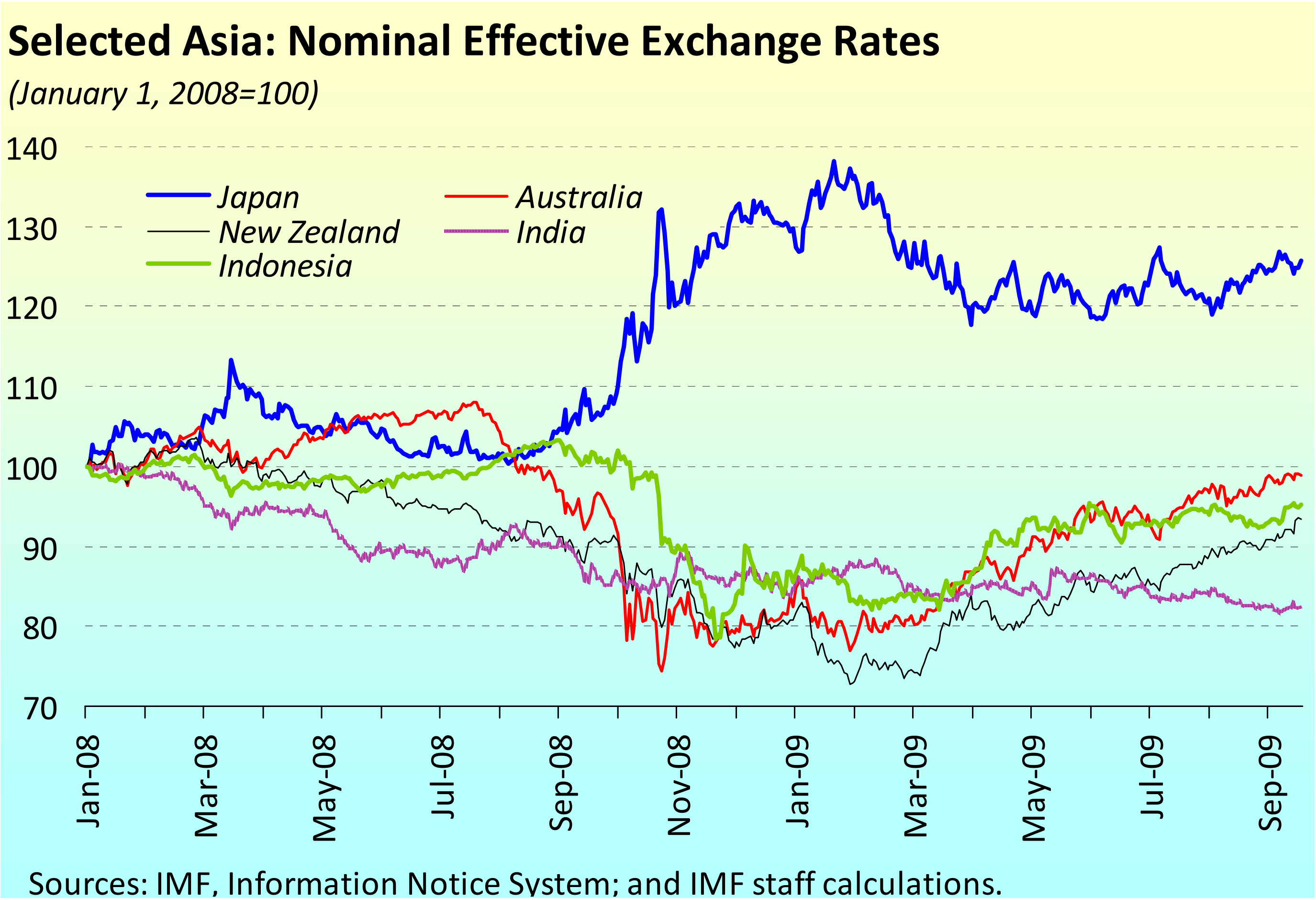


Figure 4

The external shock fed through to domestic demand

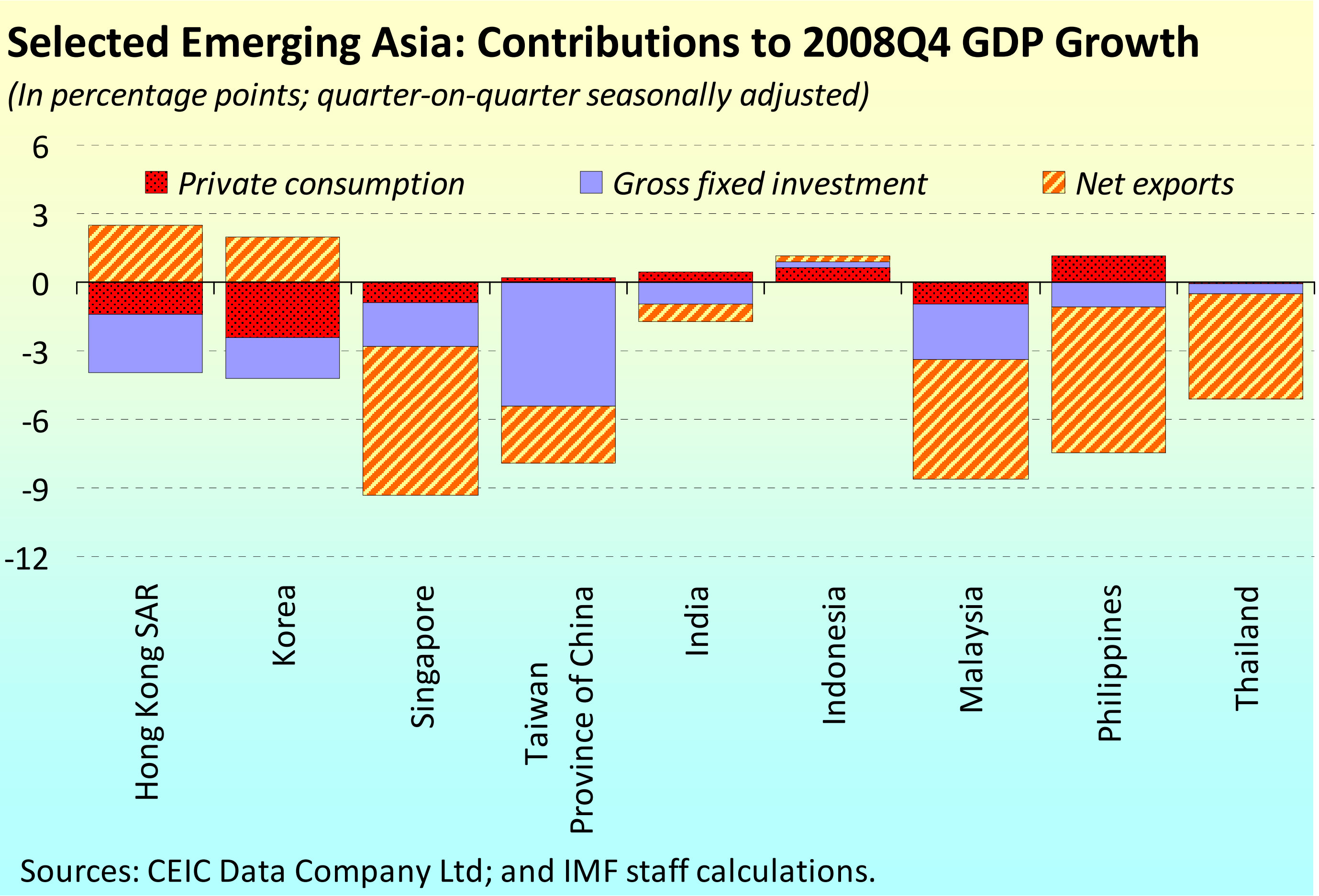


Figure 5

IP has regained much lost ground and in some cases returned to pre-crisis levels

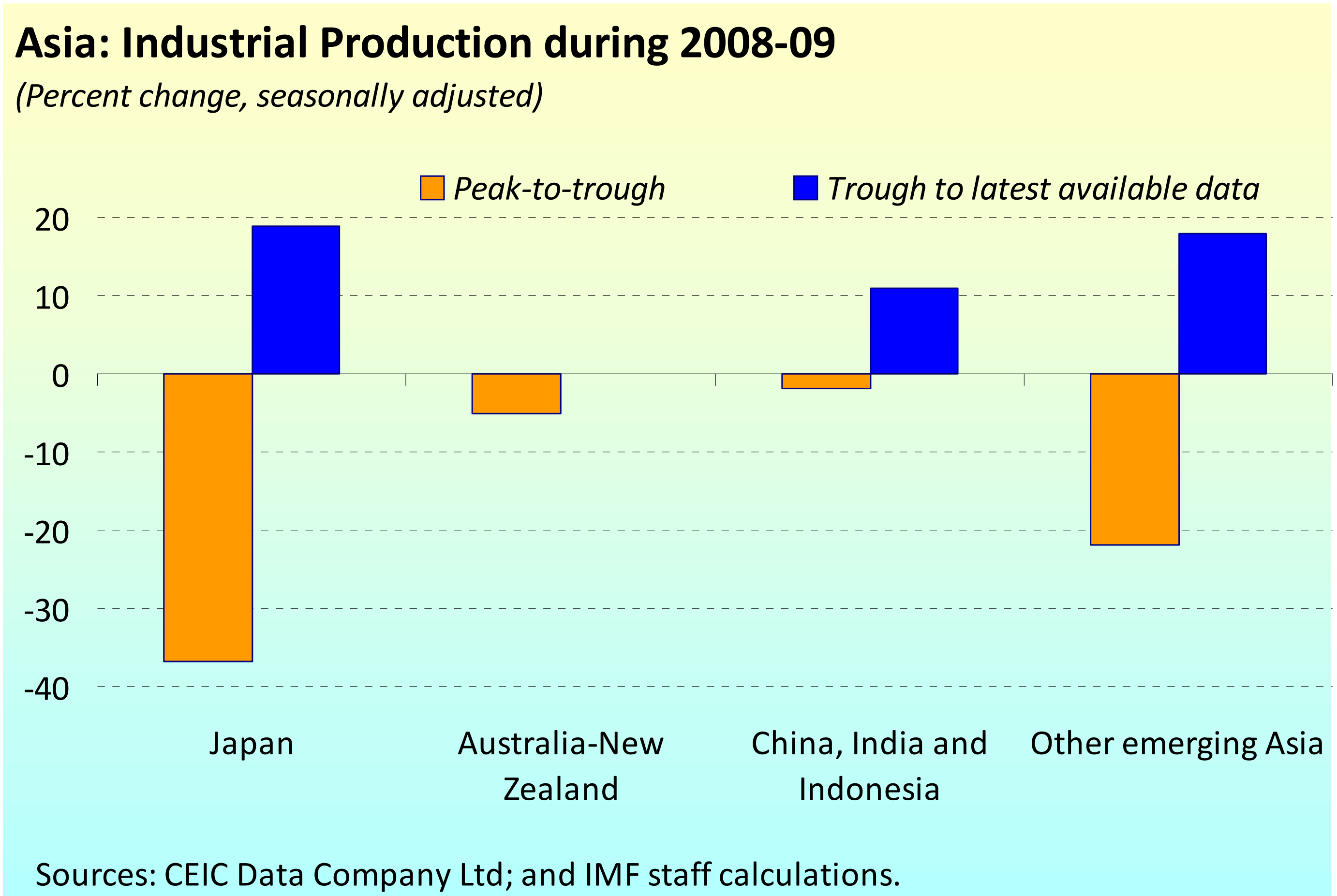


Figure 6

The IP rebound reflects an equally sharp rebound in export volumes

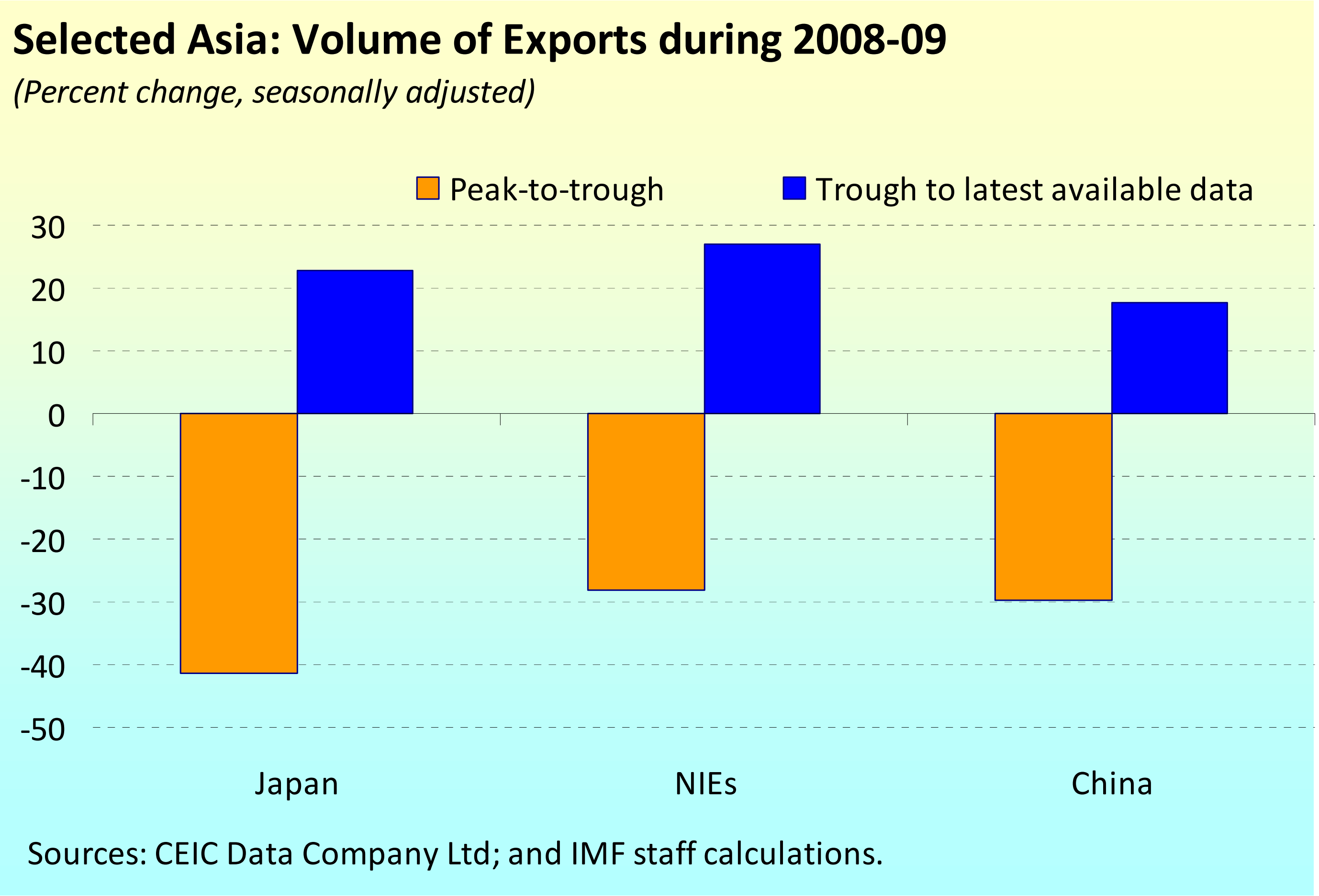
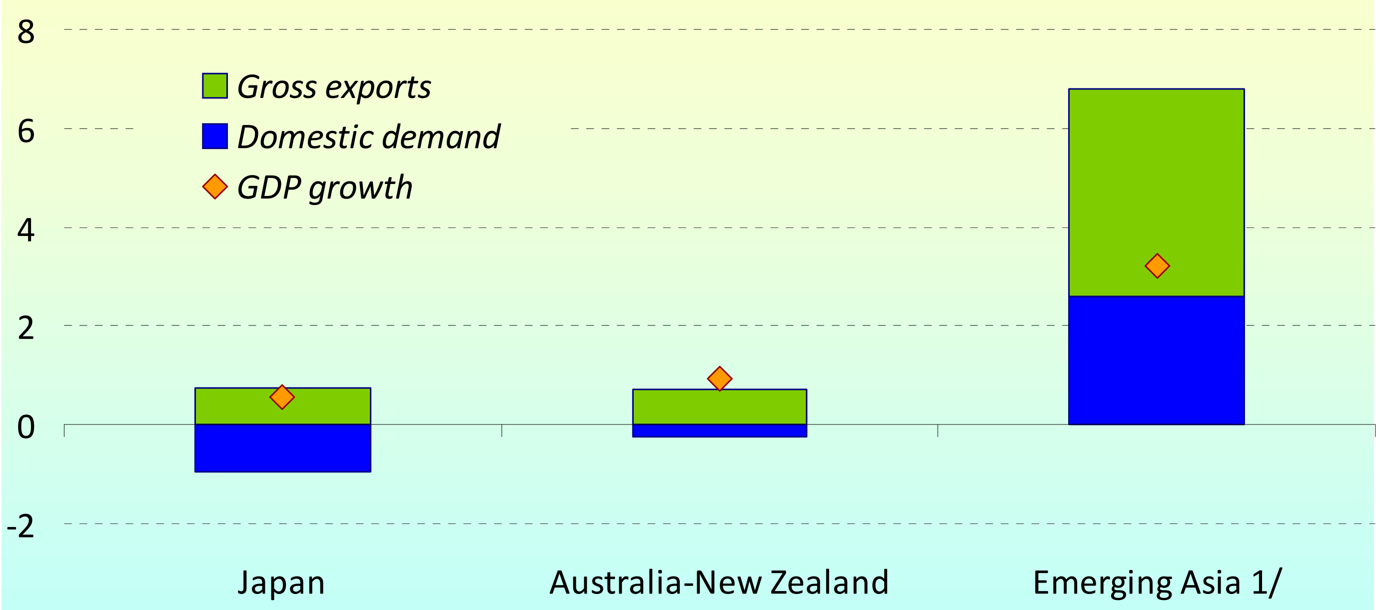


Figure 7

Domestic demand has also been playing a part in Asia's rebound



Source: IMF staff calculations.

[1] Excludes China, India, Indonesia and Vietnam due to absence of a cycle and/or non-availability of data.

Figure 8

Global financial conditions have eased, as evidenced by narrowing credit spreads,…

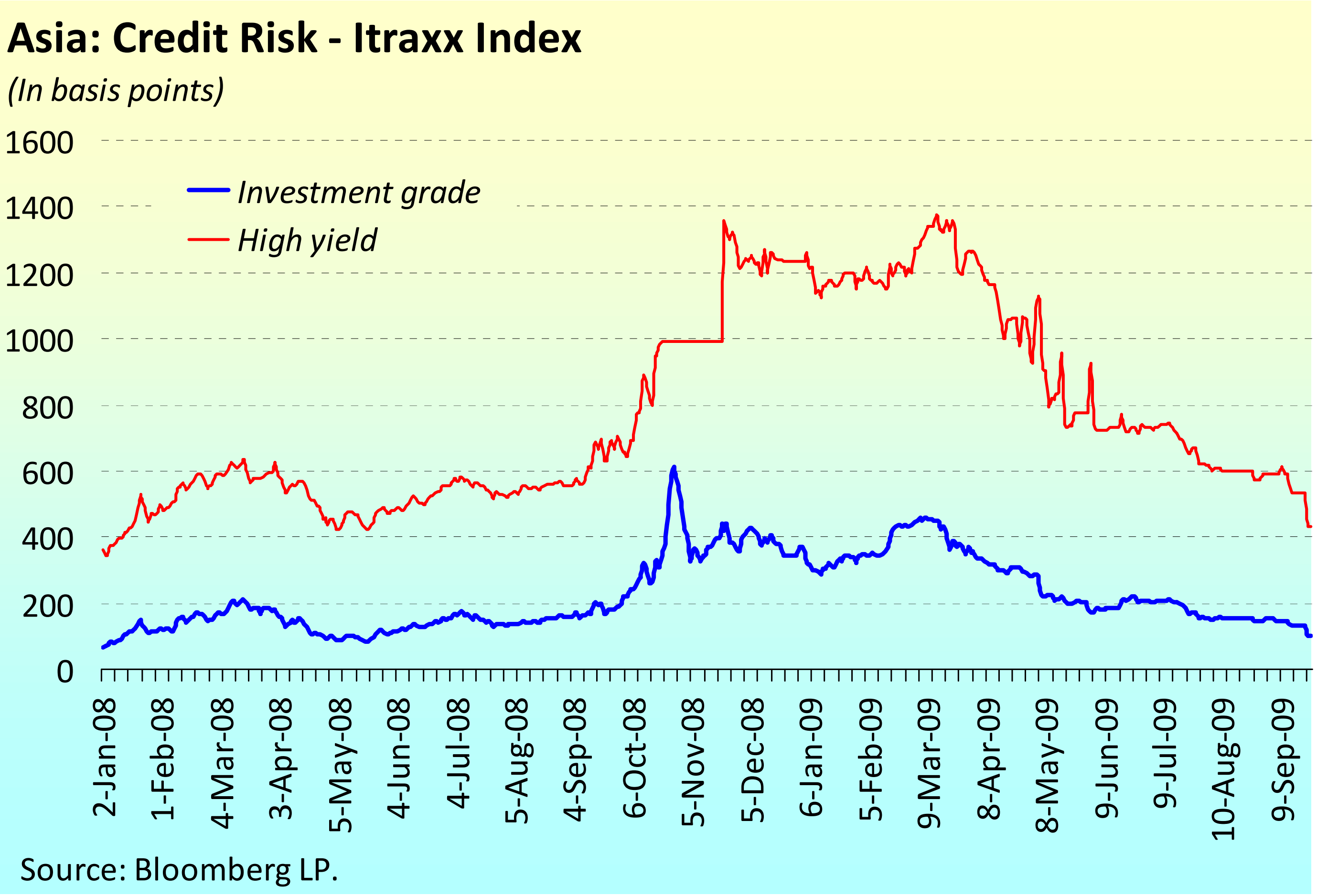


Figure 9

…renewed equity inflows,…

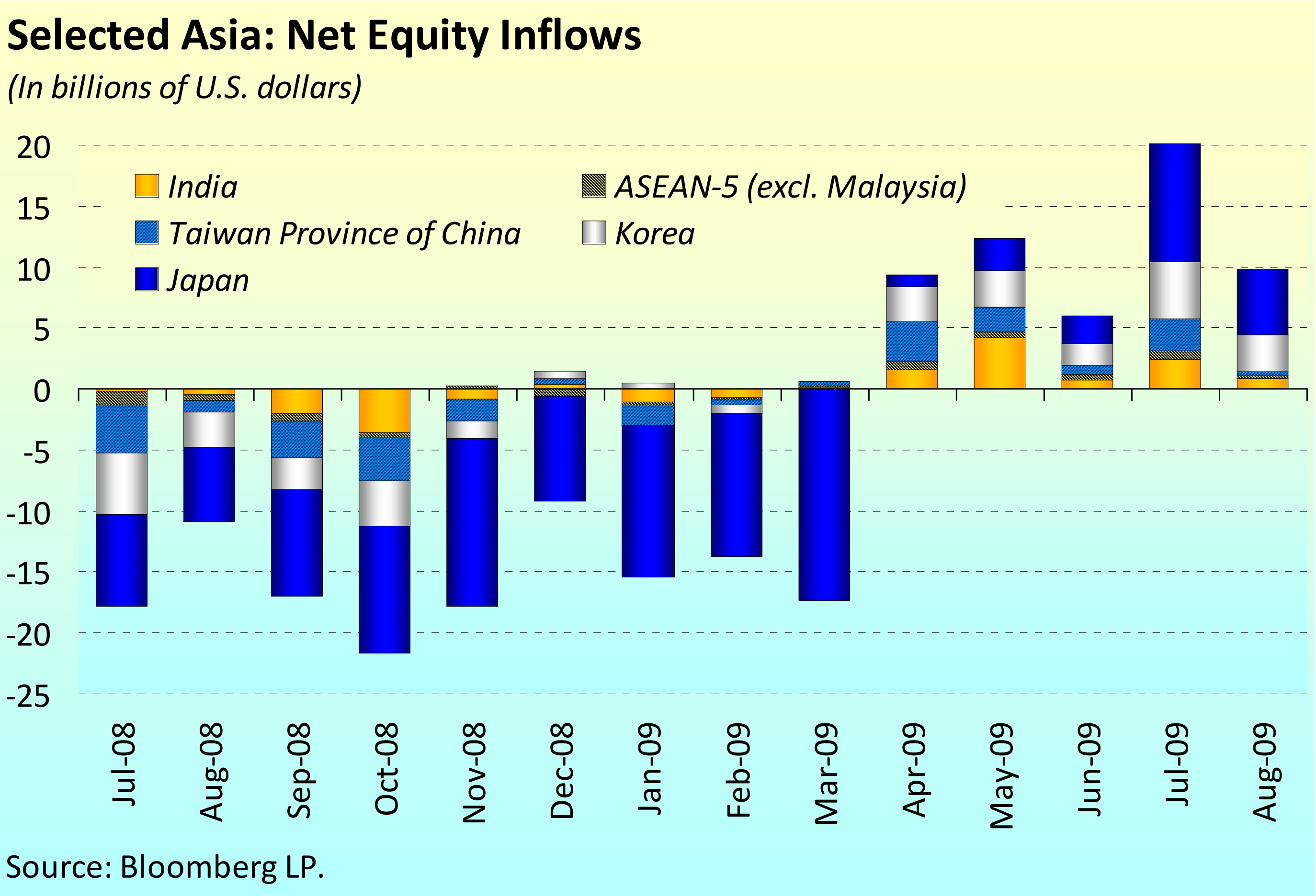


Figure 10

…and recovering equity markets

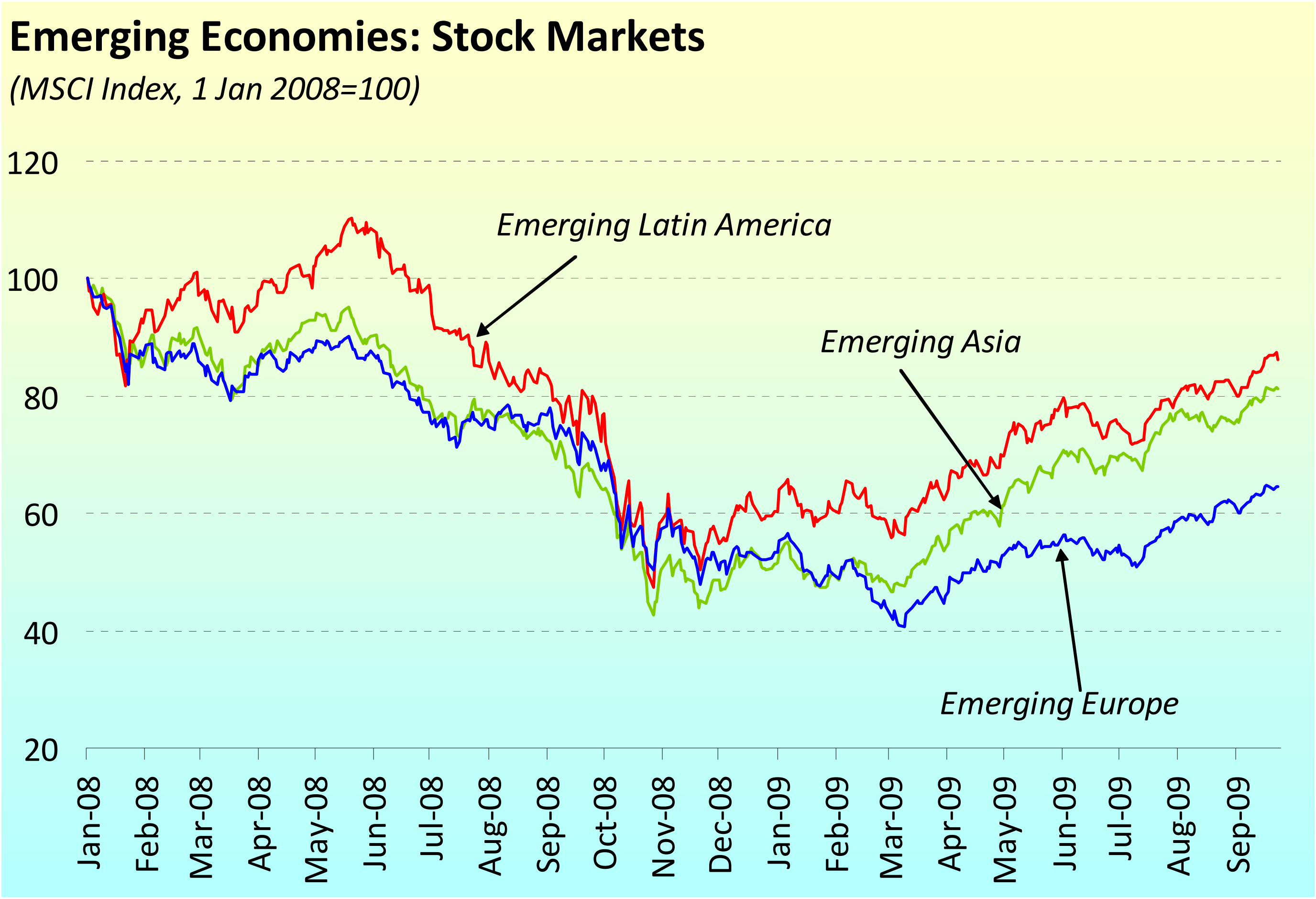


Figure 11

The current rebound is to a large extent driven by a restocking of global inventories

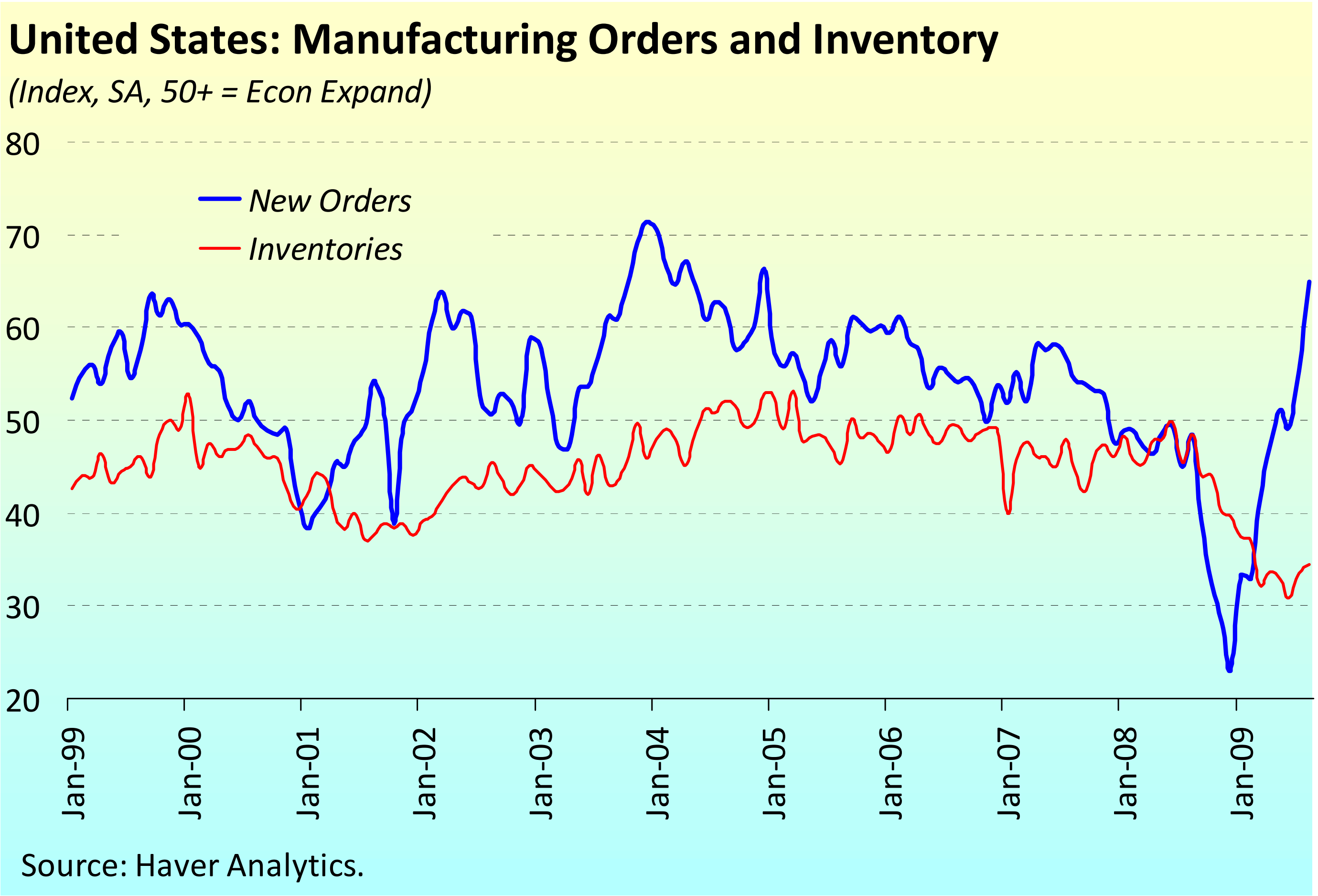
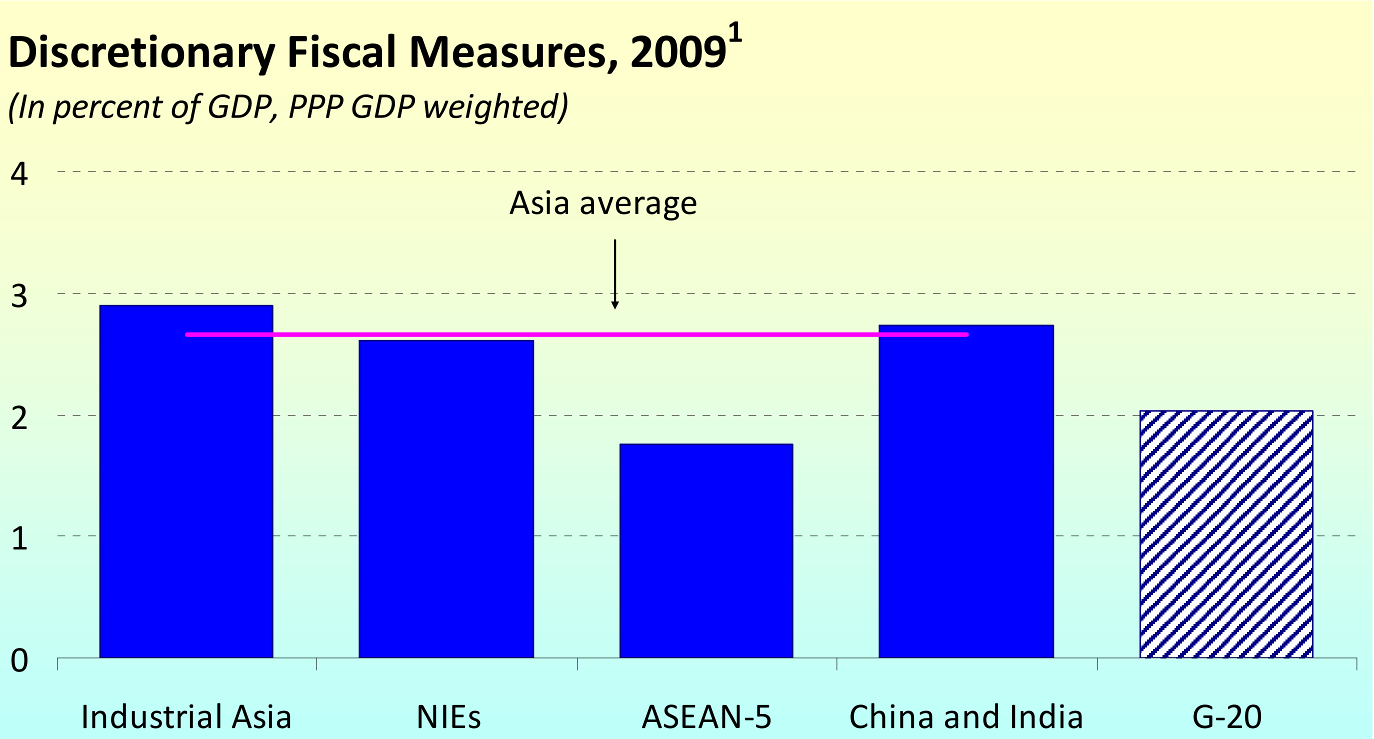


Figure 12

Asia's fiscal response has been larger than in the average G20 economy



Source: IMF staff estimates.

[1] Defined as fiscal impulse (i.e. change in structural fiscal balances related to measures taken in response to the crisis).

Figure 13

Strong exports reflect partly a gain in market share, as opposed to an increase in demand

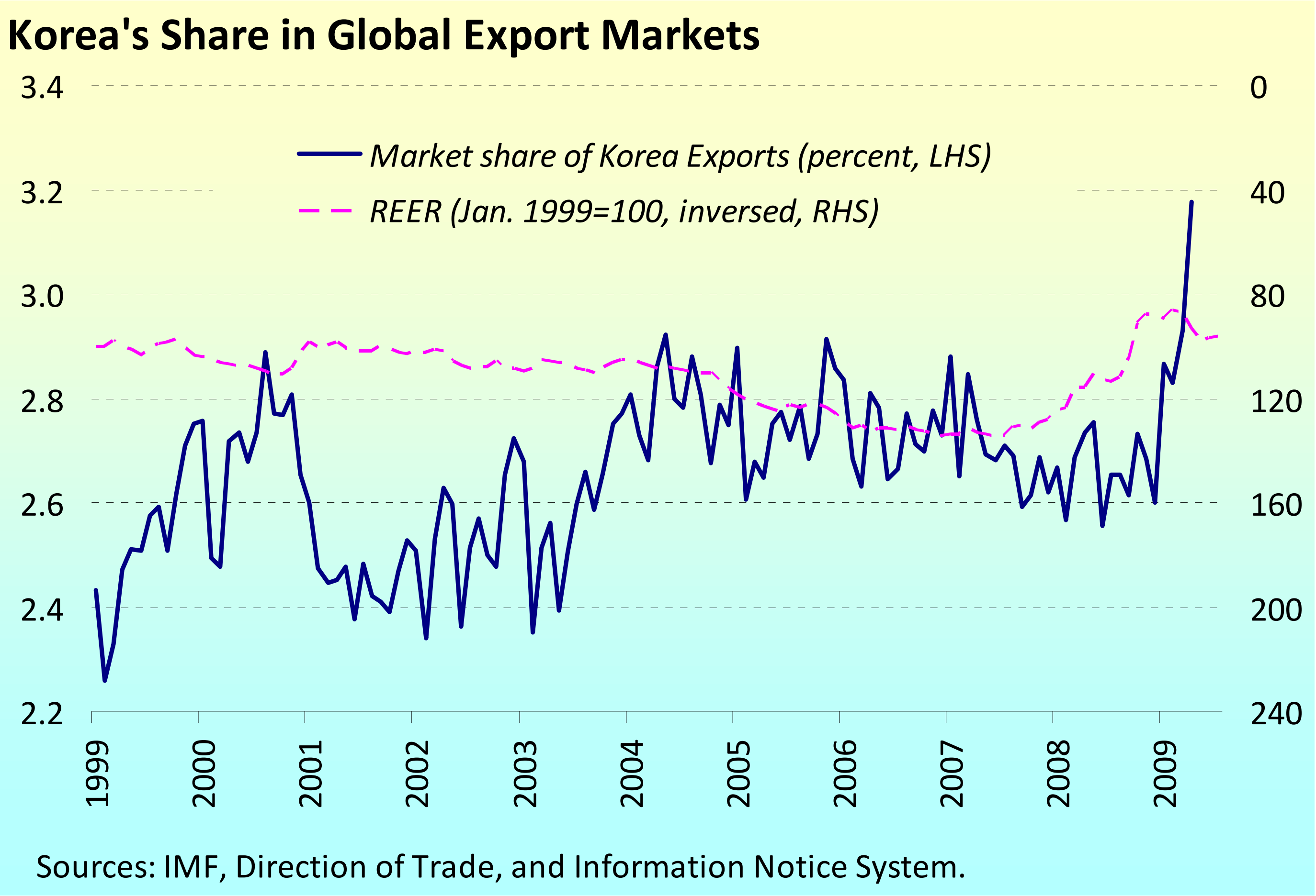


Figure 14

Asia's dependence on demand from outside the region has not changed markedly

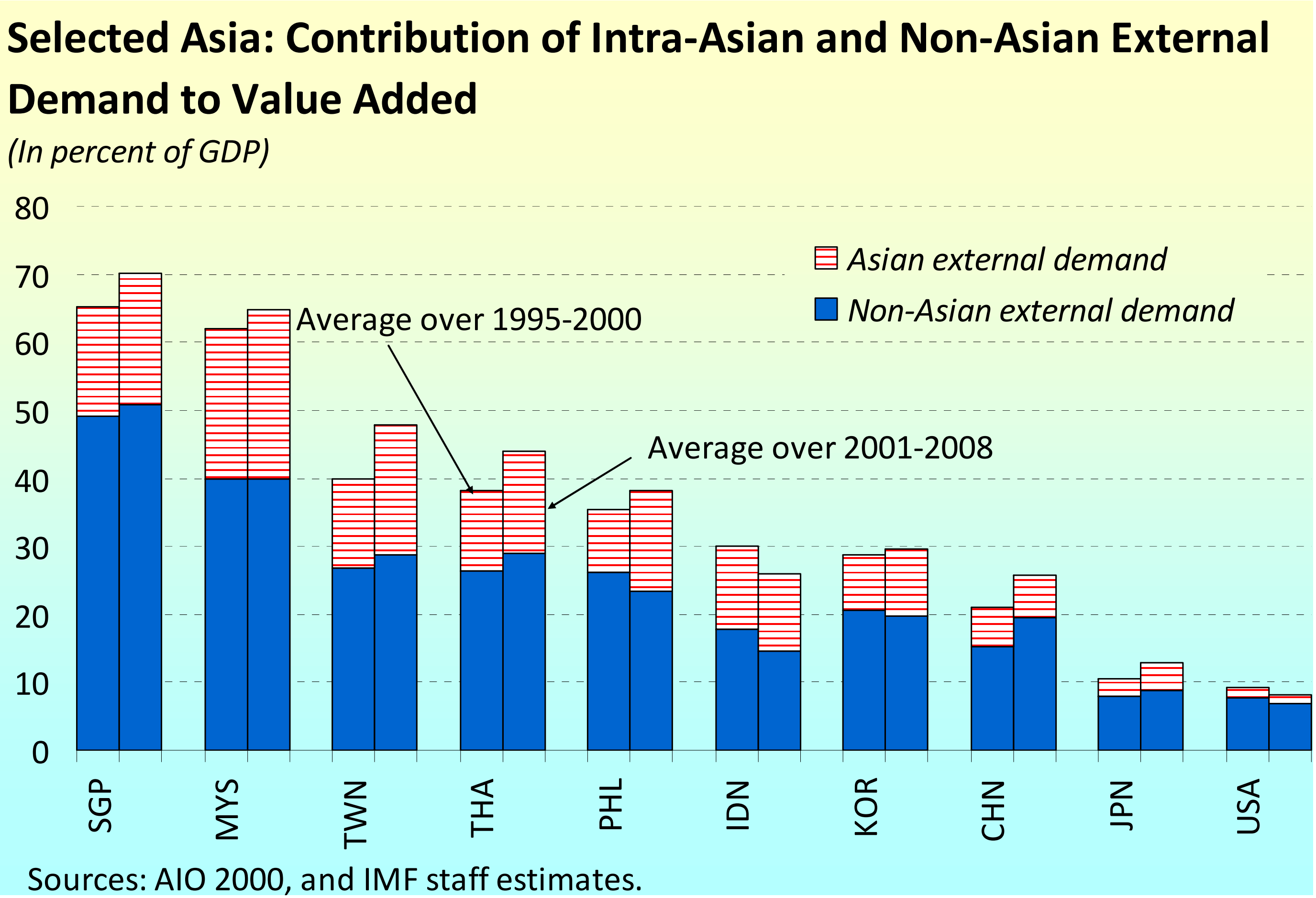


Figure 15

World output is projected to contract by 1.1 percent in 2009 and grow by 3.1 in 2010

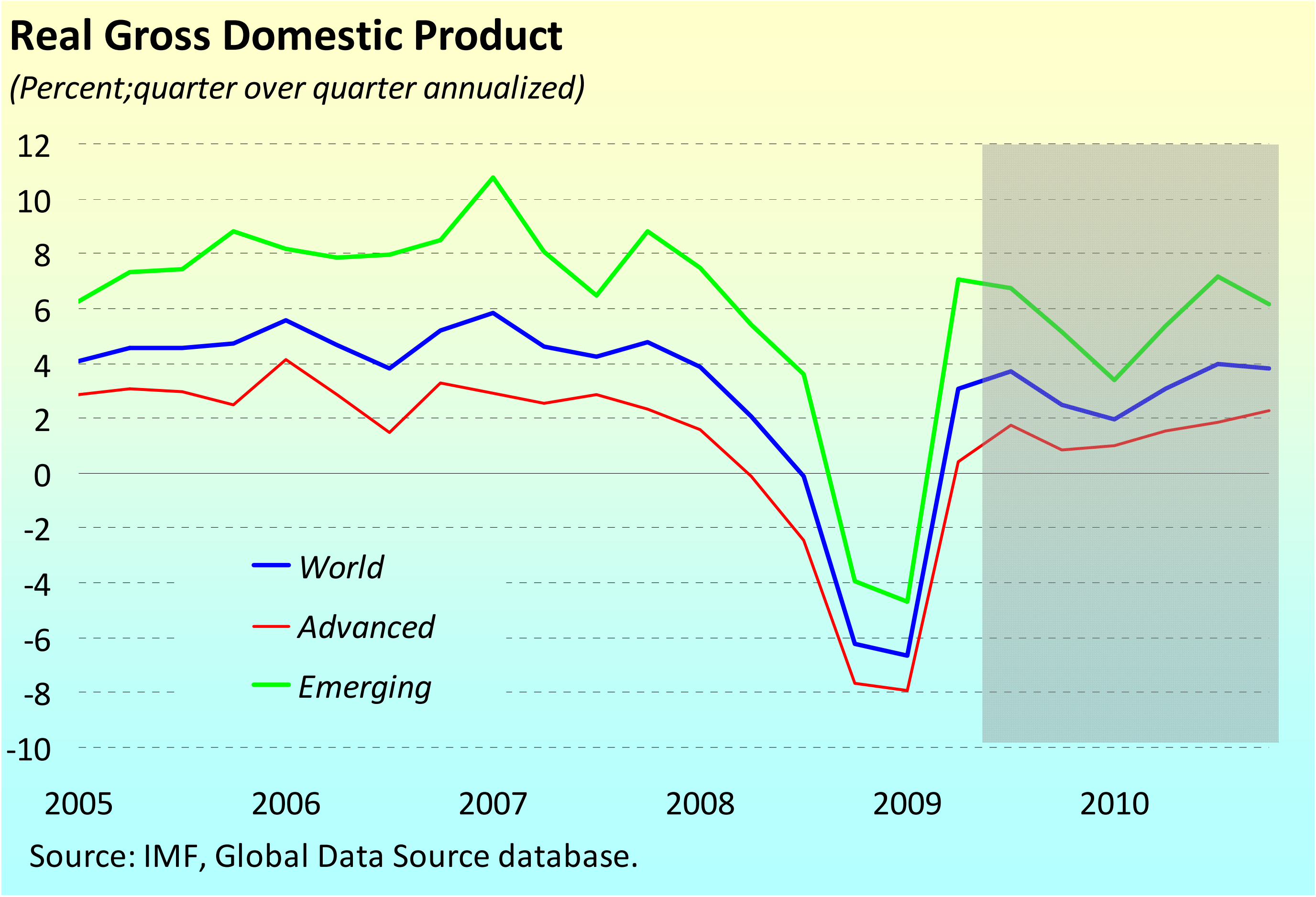


Figure 16

Over the past years, global and Asian growth has been powered by U.S. consumers

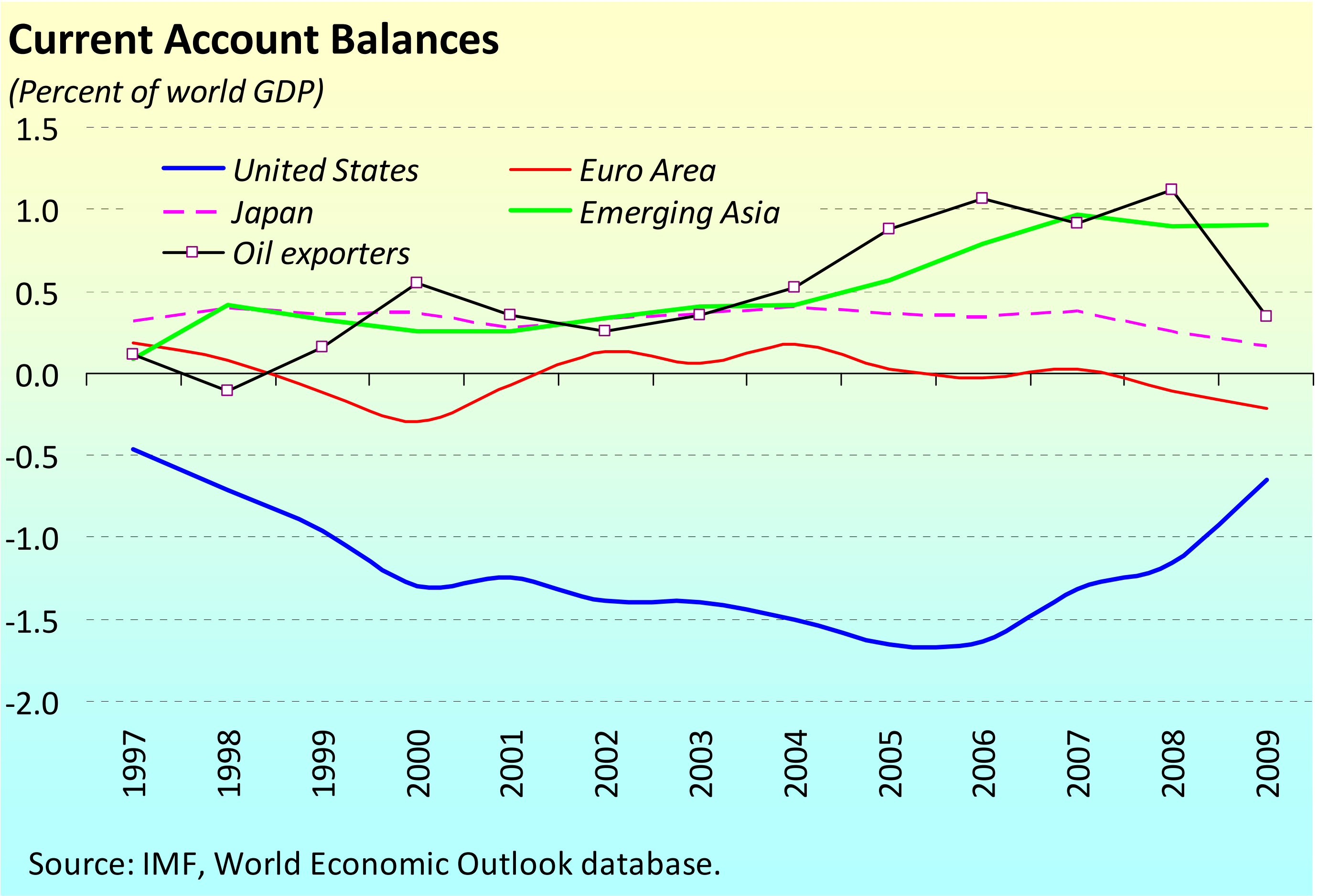


Figure 17

High asset prices had fueled an consumption boom that was unprecedented after WWII

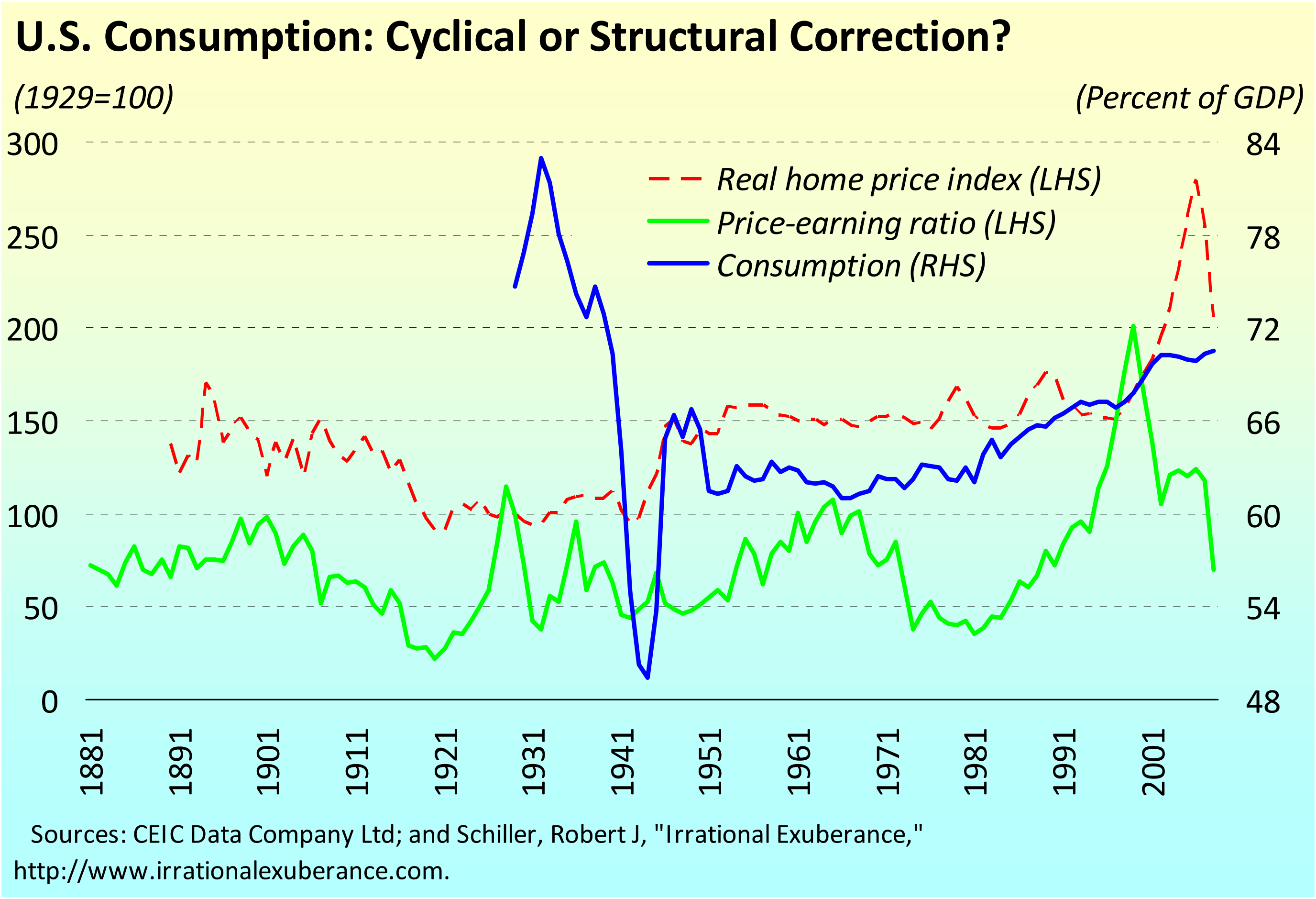


Figure 18

Thank you