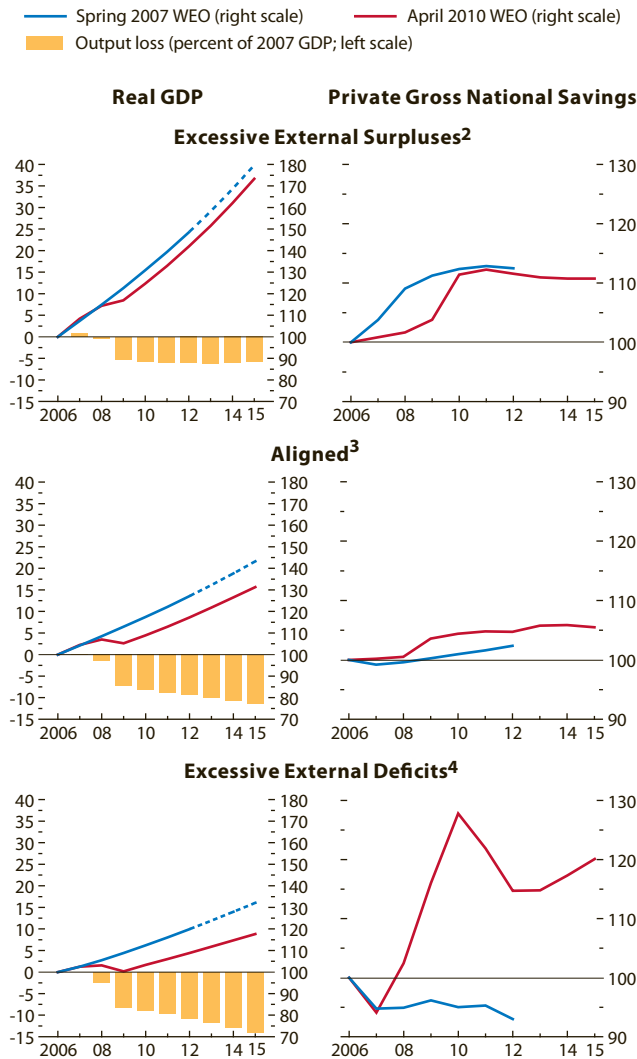


Figure 1.16. Medium-Term Growth Prospects and Precrisis Currency Valuations¹

(Index, 2006 = 100)

All countries are facing lower growth prospects than before the crisis. However, countries that were judged to have overvalued currencies before the crisis and thus excessive external deficits have seen a larger downgrade of medium-term growth prospects than countries whose currencies were judged to be aligned or undervalued. Large increases in private savings in countries with currencies that were overvalued before the crisis are playing a major role in lowering potential growth.



Source: IMF staff calculations.

¹Based on the IMF staff's Consultative Group on Exchange Rate Issues (CGER). CGER countries include Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Czech Republic, euro area, Hungary, India, Indonesia, Israel, Japan, Korea, Malaysia, Mexico, Pakistan, Poland, Russia, South Africa, Sweden, Switzerland, Thailand, Turkey, United Kingdom, and United States. Hungary is not included in the current WEO private national savings calculation. For a detailed discussion of the methodology for the calculation of exchange rates' over- or undervaluation, see Lee and others (2008).

²These countries account for 25.5 percent of global GDP.

³These countries account for 32.7 percent of global GDP.

⁴These countries account for 27.0 percent of global GDP.