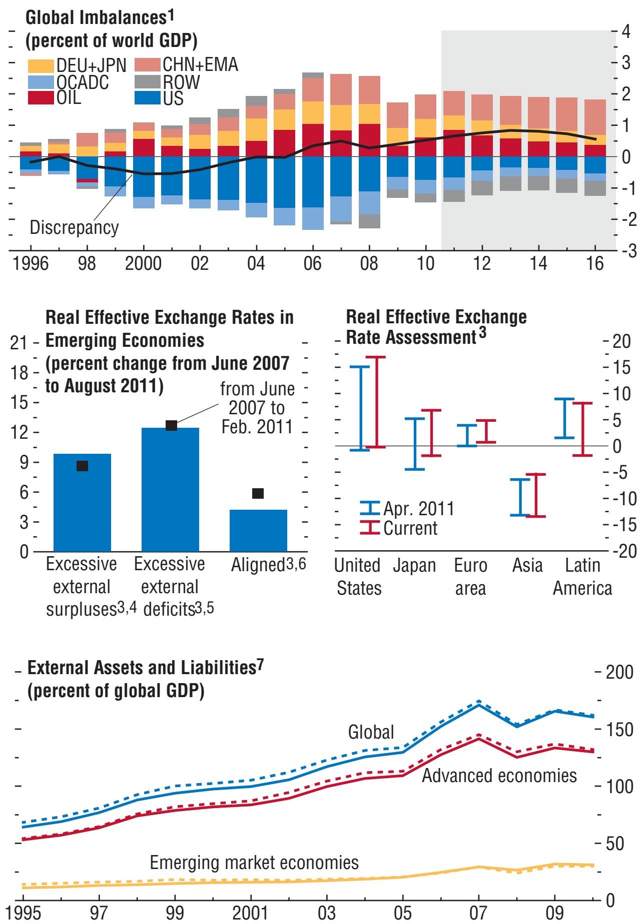
Figure 1.20. Global Imbalances

Emerging Asia is forecast to account for a rising proportion of global current account imbalances over the medium term, reflecting mainly a large increase in the surplus of China. Relative to precrisis levels, emerging market currencies have appreciated, and this seems appropriate, given their relatively better growth prospects. However, the appreciation has been distributed unevenly, worsening imbalances across emerging market economies. The real effective exchange rates of the yen and the euro remain broadly in line with fundamentals; the U.S. dollar is on the strong side of fundamentals; while Asian currencies (besides the yen) are undervalued (reflecting mainly the currencies of China and Korea).



Sources: U.S. Federal Reserve; and IMF staff estimates.

[1]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.

[2]Emerging Consultative Group on Exchange Rate Issues (CGER) economies only.

[3]Based on the IMF staff's 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. For a detailed discussion of the methodology for the calculation of exchange rates' over- or undervaluation, see Lee and others (2008).

[4]These economies account for 18.5 percent of global GDP.

[5]These economies account for 27.4 percent of global GDP.

[6]These economies account for 39.2 percent of global GDP.

[7]Solid lines are for assets and dashed lines are for liabilities.