



Global Economic Developments and Outlook

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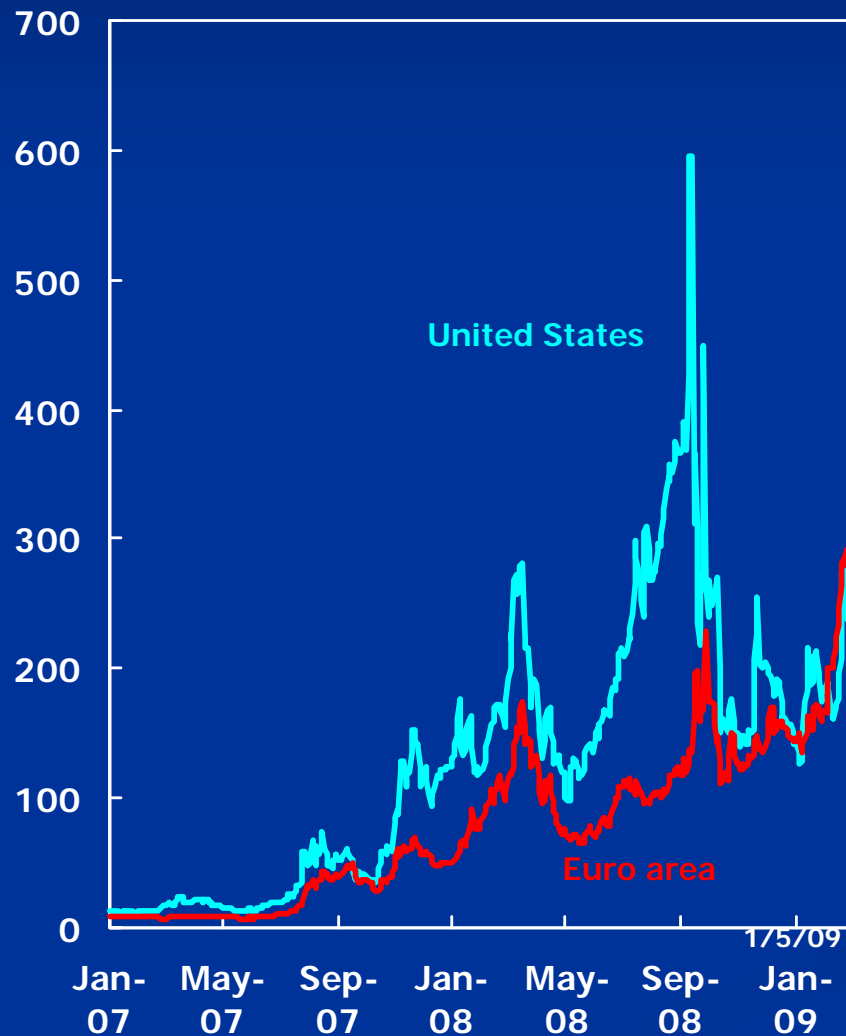
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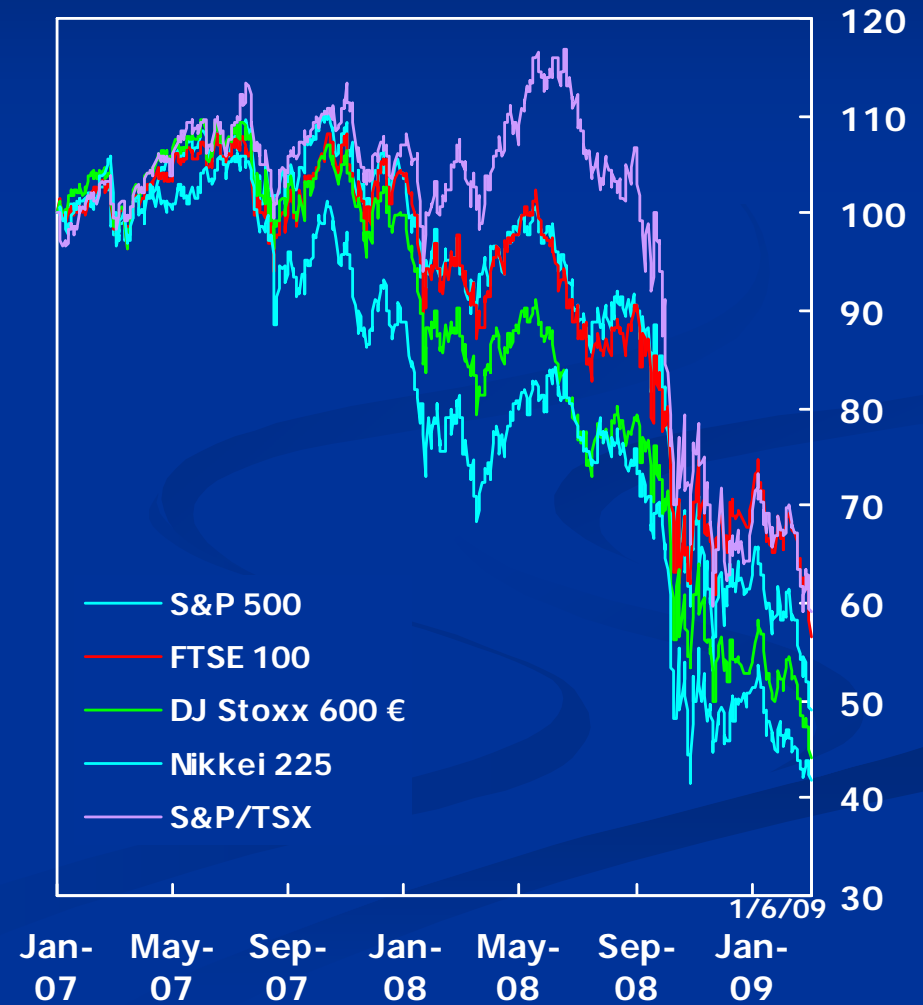
March 23, 2009

Financial markets remain under stress

Bank Sector CDS Spreads
(basis points)

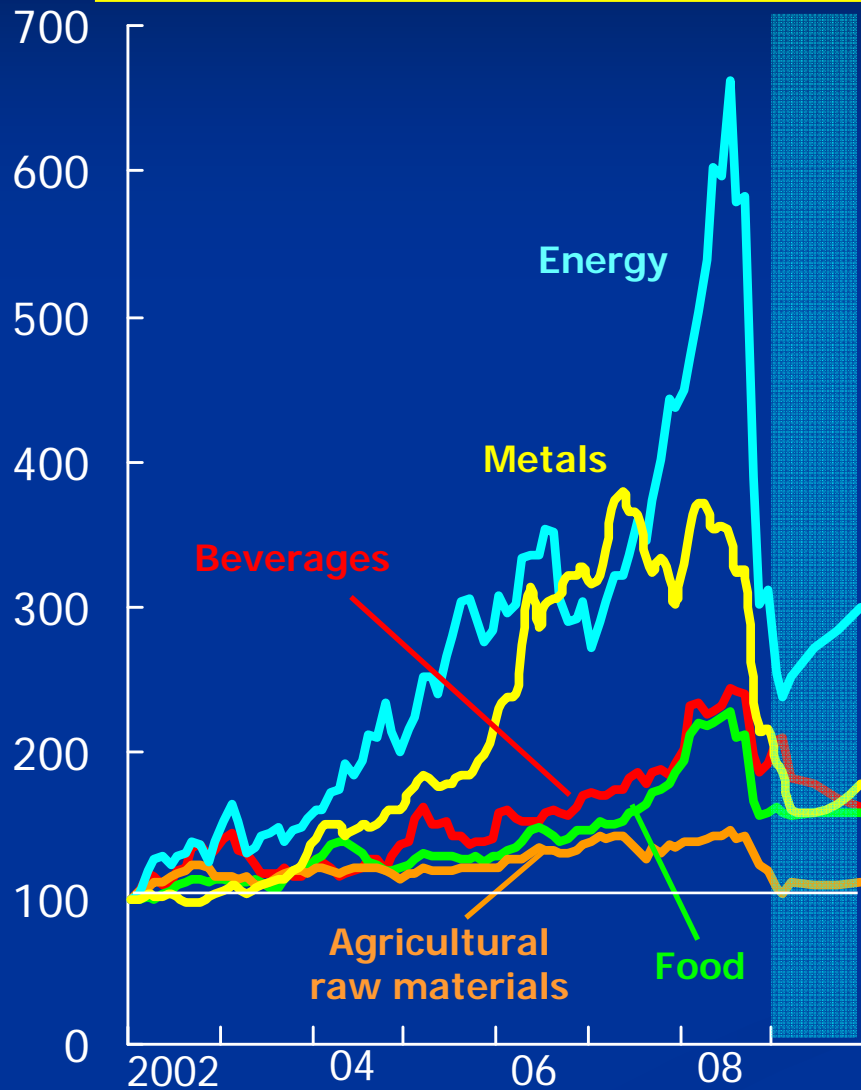


Equity Markets
(index: 1/1/2007=100)

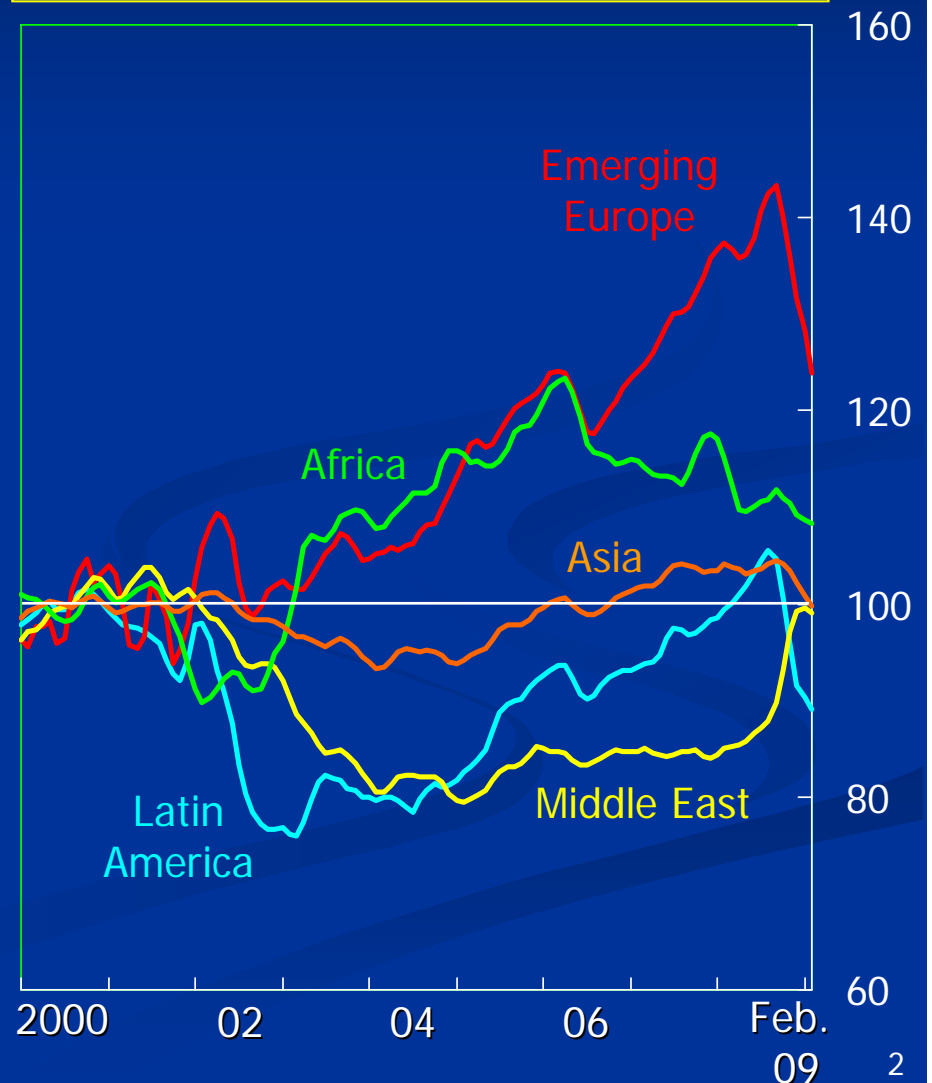


Commodity prices have plummeted and many EM currencies depreciated

Selected Commodity Prices
(January 2002 = 100)



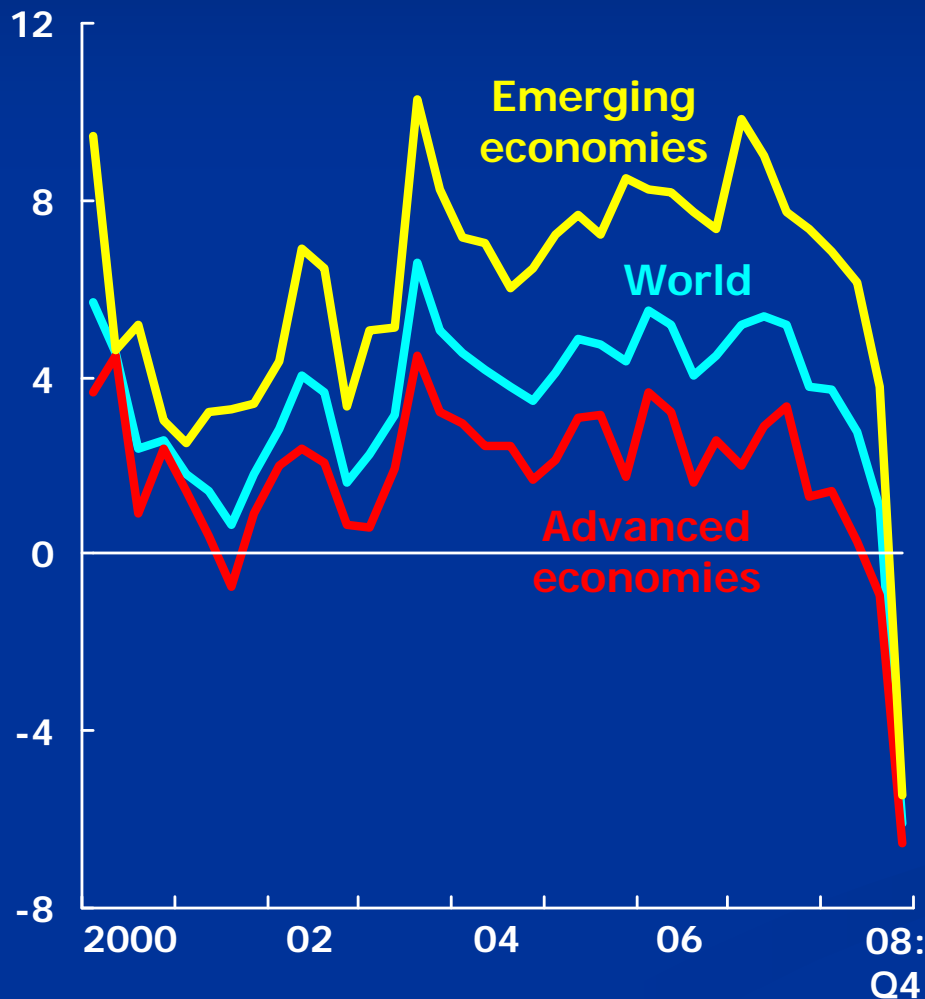
Real Effective Exchange
(Index, 2000 = 100, three-month moving average)



Global activity and trade are falling rapidly

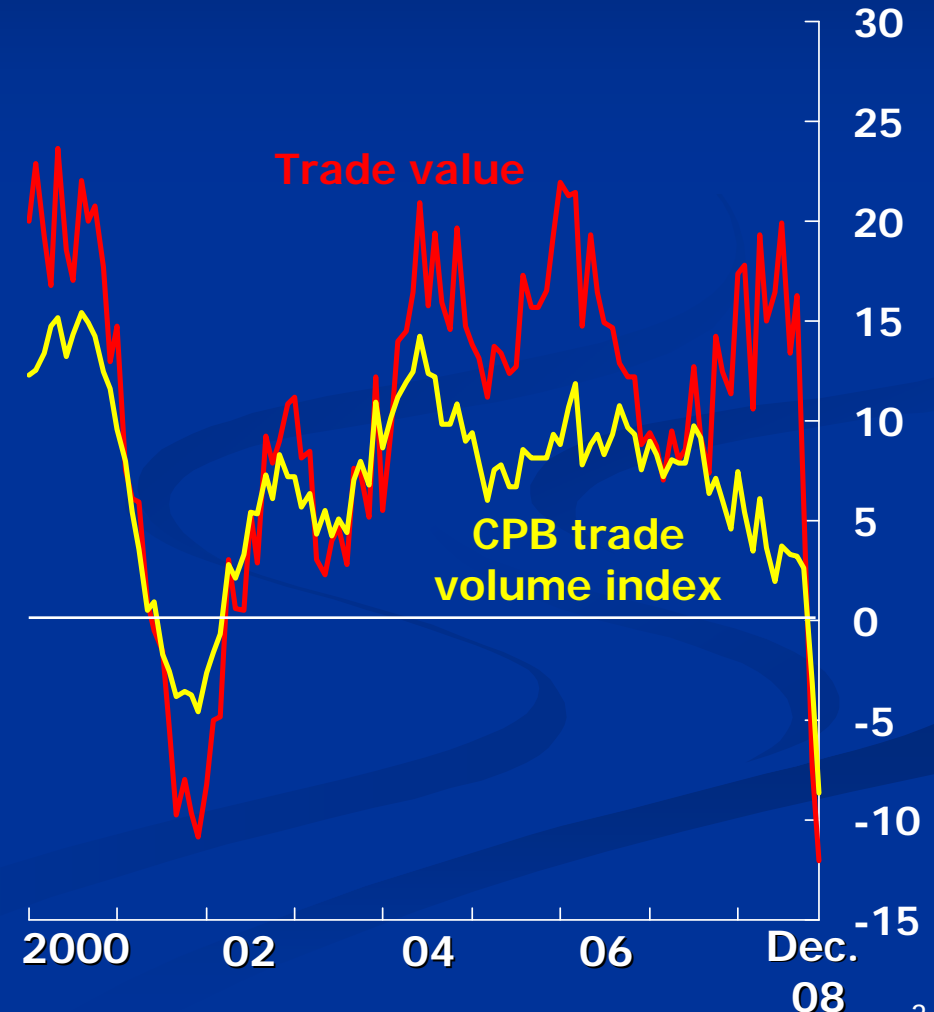
Real GDP Growth

(Percent change from previous quarter, annualized)



World Trade

(Percent change from a year ago)



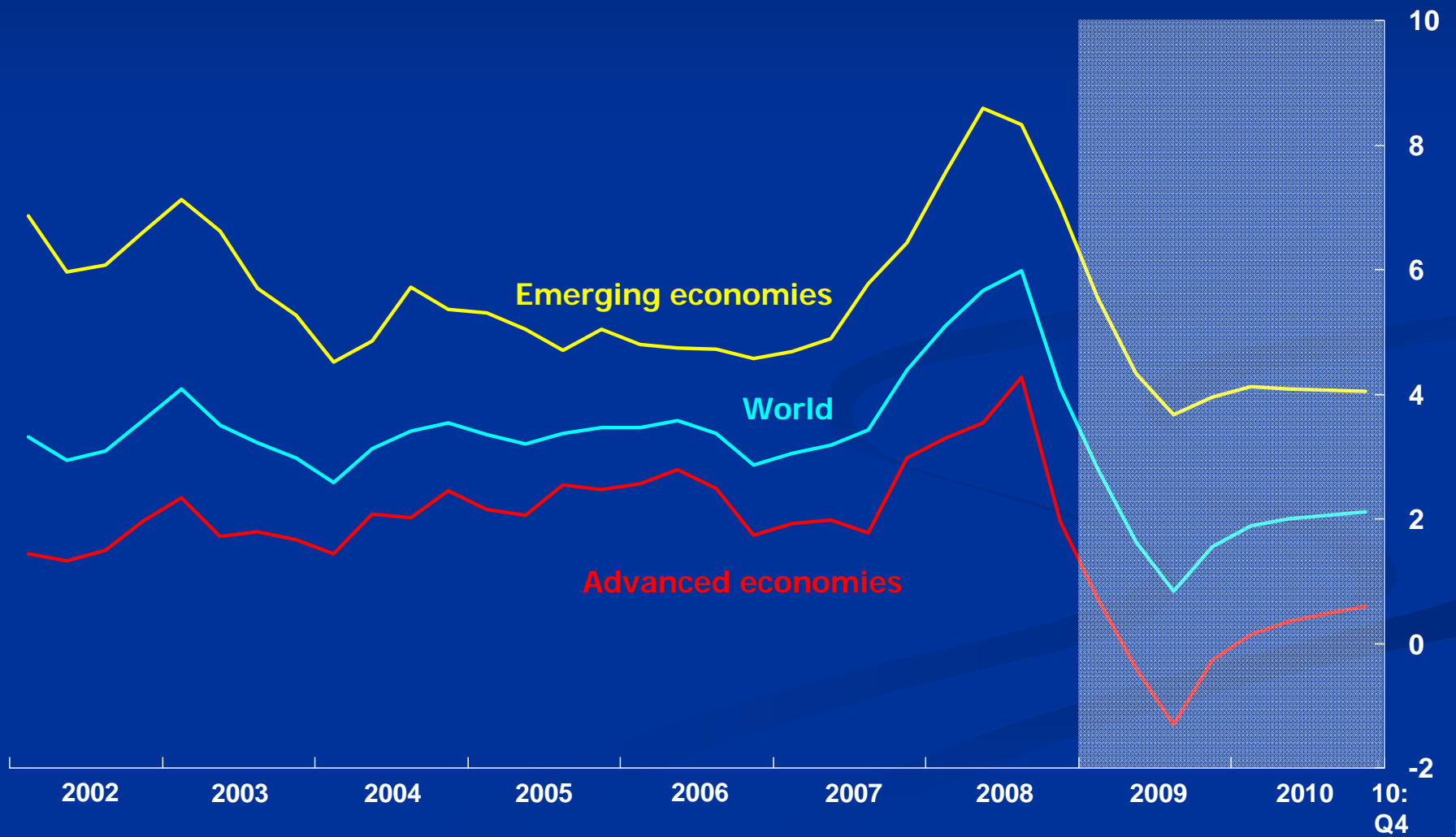
Overview of the *World Economic Outlook* Projections (Percent change)

	2008	Projections	
		2009	2010
World output	3.2	-1.0 to -0.5	1.5 to 2.5
Advanced economies	0.8	-3.5 to -3.0	0.0 to 0.5
United States	1.1	-2.6	0.2
Euro area	0.9	-3.2	0.1
Japan	-0.7	-5.8	-0.2
Emerging and developing economies	6.1	1.5 to 2.5	3.5 to 4.5

Source: World Economic Outlook database, March 2009

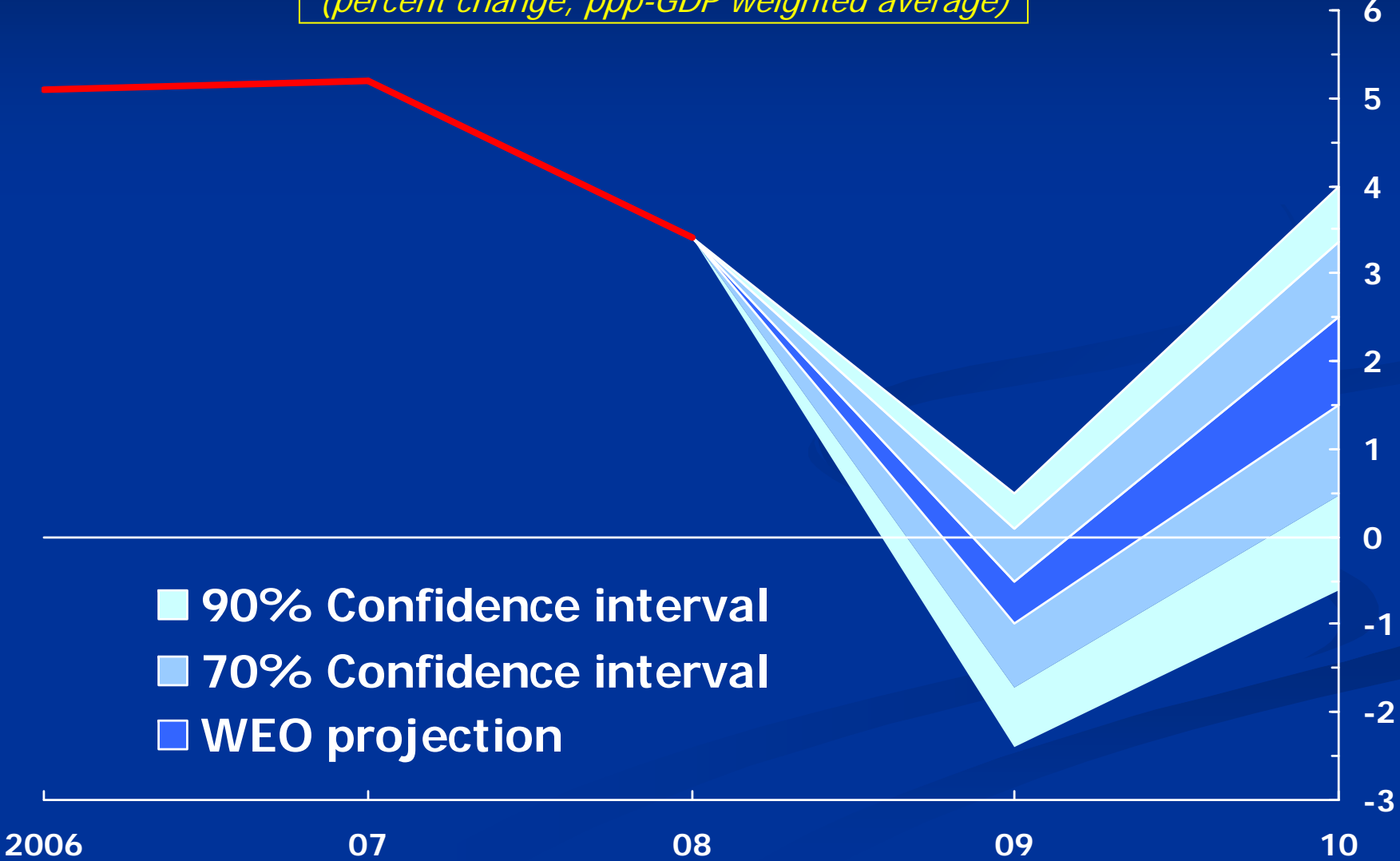
Inflation is expected to retreat and deflation risks are growing in advanced economies

Headline Inflation
(percent change from a year earlier)

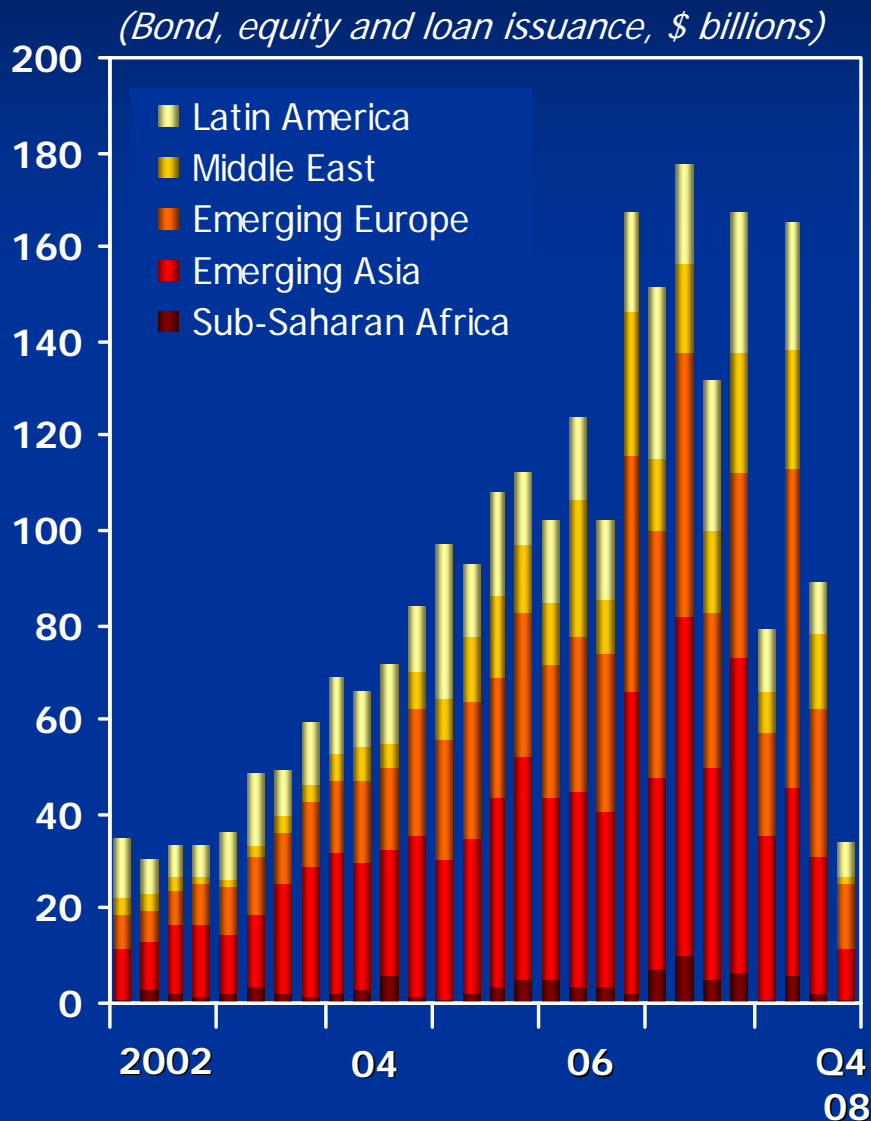


Risks to global growth are to the downside

Global GDP Growth
(percent change, ppp-GDP weighted average)



Risks are intensifying for many emerging and developing economies



- Capital flows are expected to be scaled back, amidst a contraction in cross-border lending
- Significant risk of a protracted “sudden stop” and subdued external demand (lower exports, workers’ remittances)
- Substantial corporate and banking sector vulnerabilities

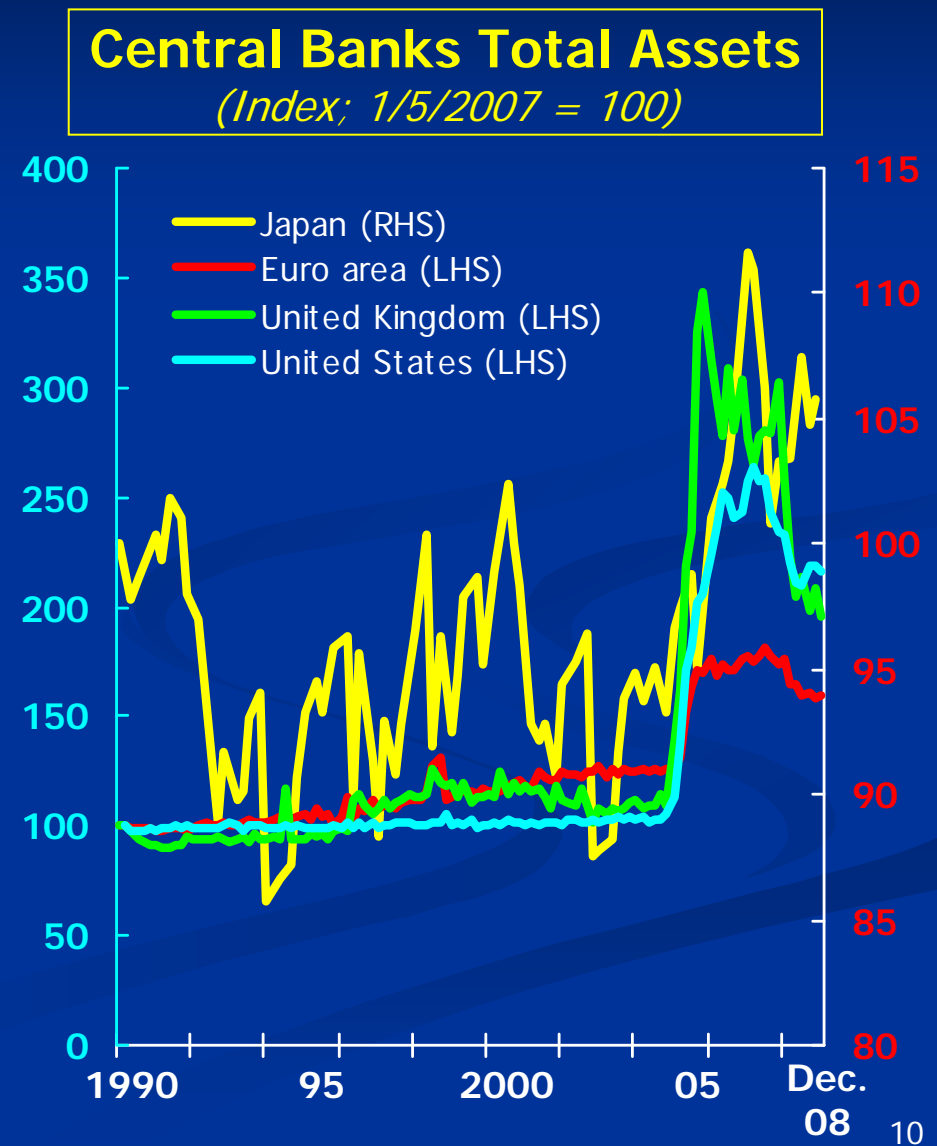
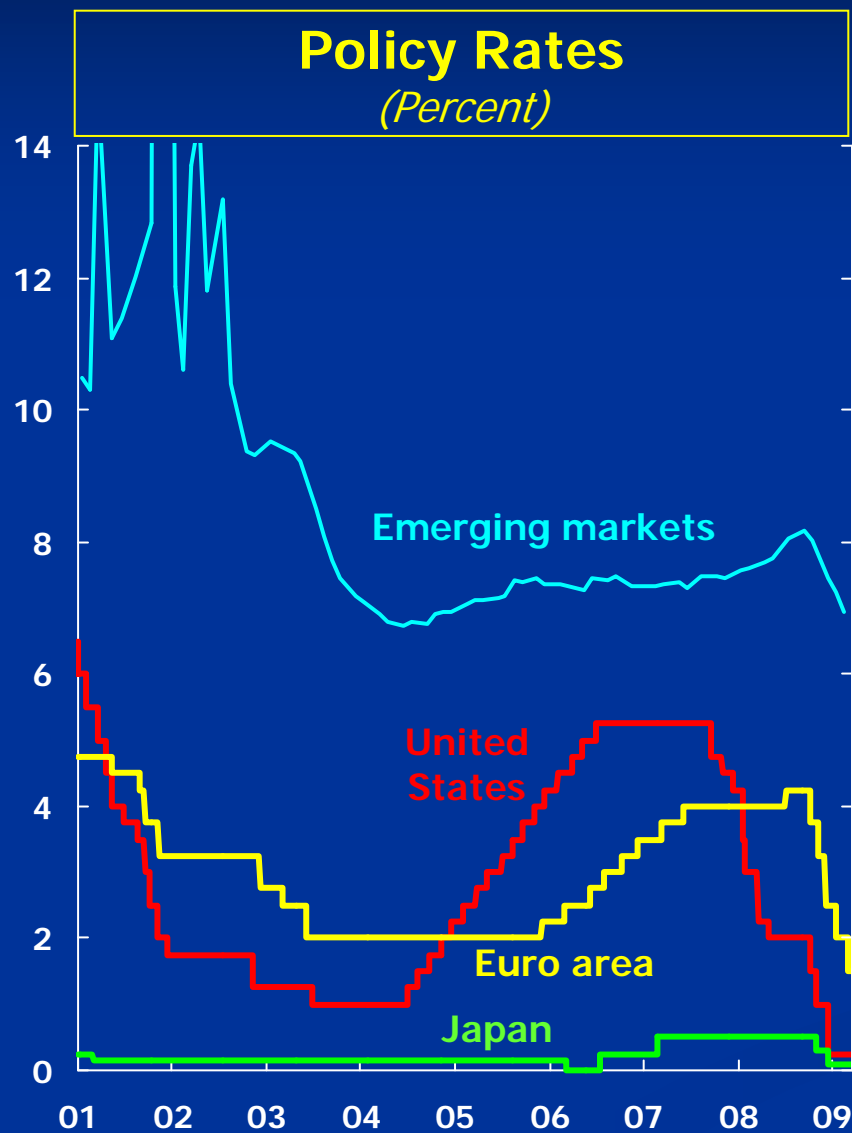
Macroeconomic and financial policies need to be mutually reinforcing

- Healing the financial sector—this is the “sine qua non” and would make macroeconomic policies more effective
- Greater international policy coordination is crucial for restoring market trust
- Monetary easing where possible, including through unconventional measures to support credit creation
- Expansionary fiscal policies where possible, within credible medium-run frameworks

A sustained recovery will not be possible until financial sector health is restored

- Broad action, but no decisive break-through so far
- Policy approaches need to:
 - Require credible loss recognition
 - Provide public support for resolution of distressed assets and recapitalization
 - Ensure greater international coordination
 - Be mindful of transition problems (exit strategies)
- Key challenge: *Removing toxic assets from bank balance sheets in a transparent and coordinated manner*

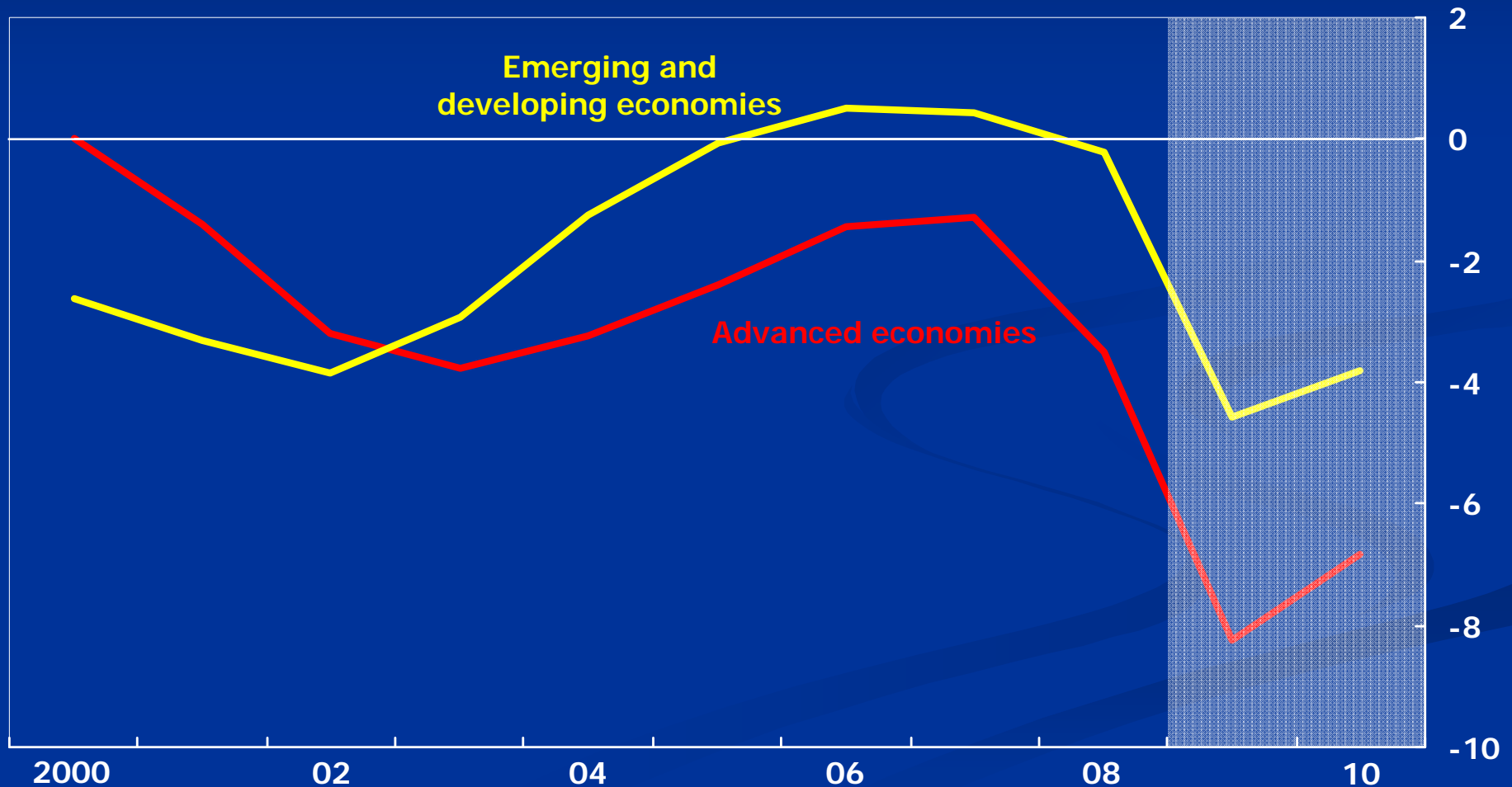
Monetary policy has been eased, but more could be done in some regions



Fiscal stimulus should be anchored in a credible medium-term framework

General Government Fiscal Balances

(percent of GDP; PPP weighted)



Emerging and developing economies face daunting policy challenge

- Reduced capital flows, diminishing external reserves, and shrinking policy space
- Increasing number of emerging and developing economies may face painful adjustments
- Important to augment official resources for external financing
- Important to safeguard foreign aid; otherwise, hard-won economic gains in developing countries will be lost

Thank you!