

Conference on the Economy (COTE)

October 10, 2013



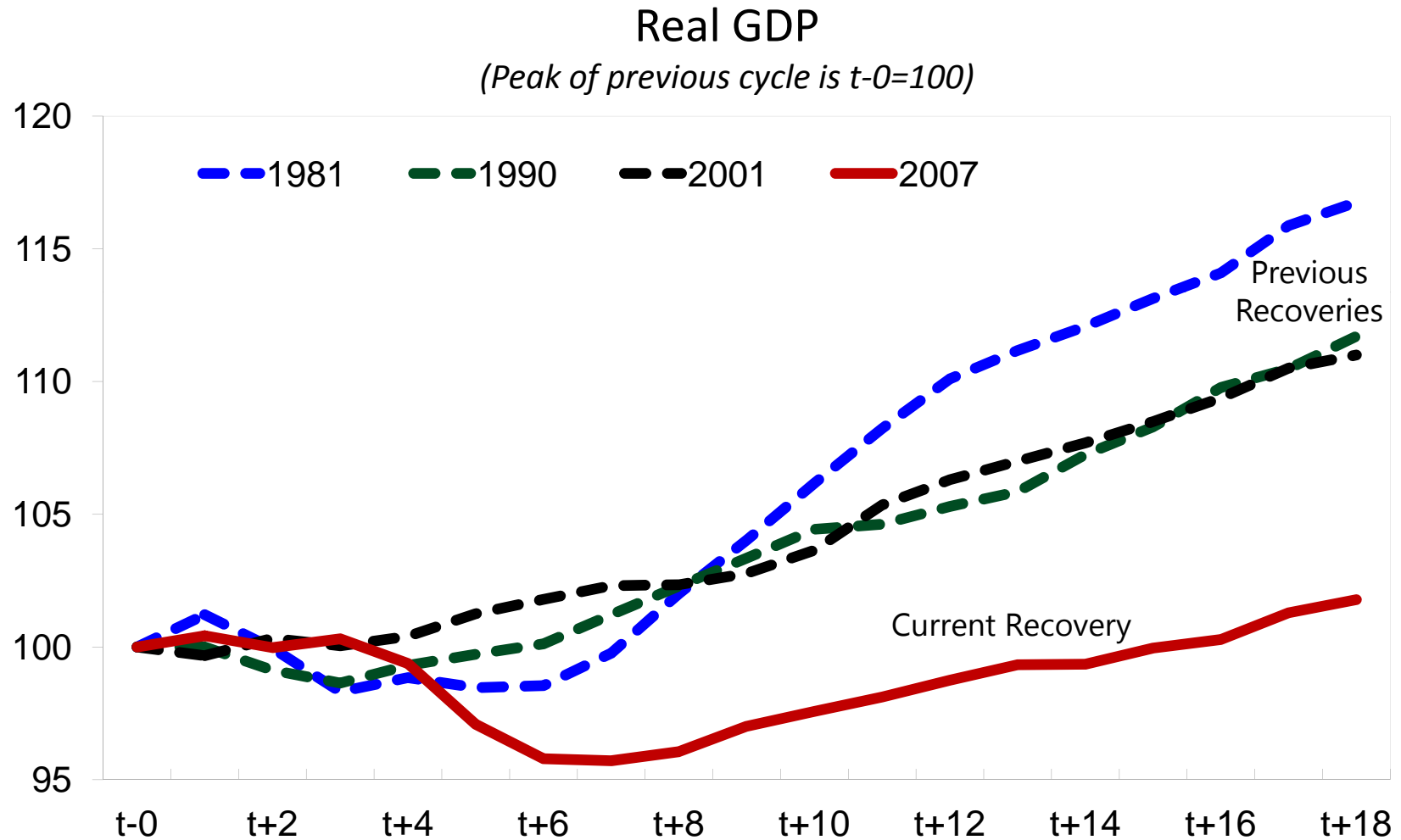
Overview of the International Economy

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*Views expressed are those of the speaker alone and
should not be reported as representing the official
position of the International Monetary Fund.*

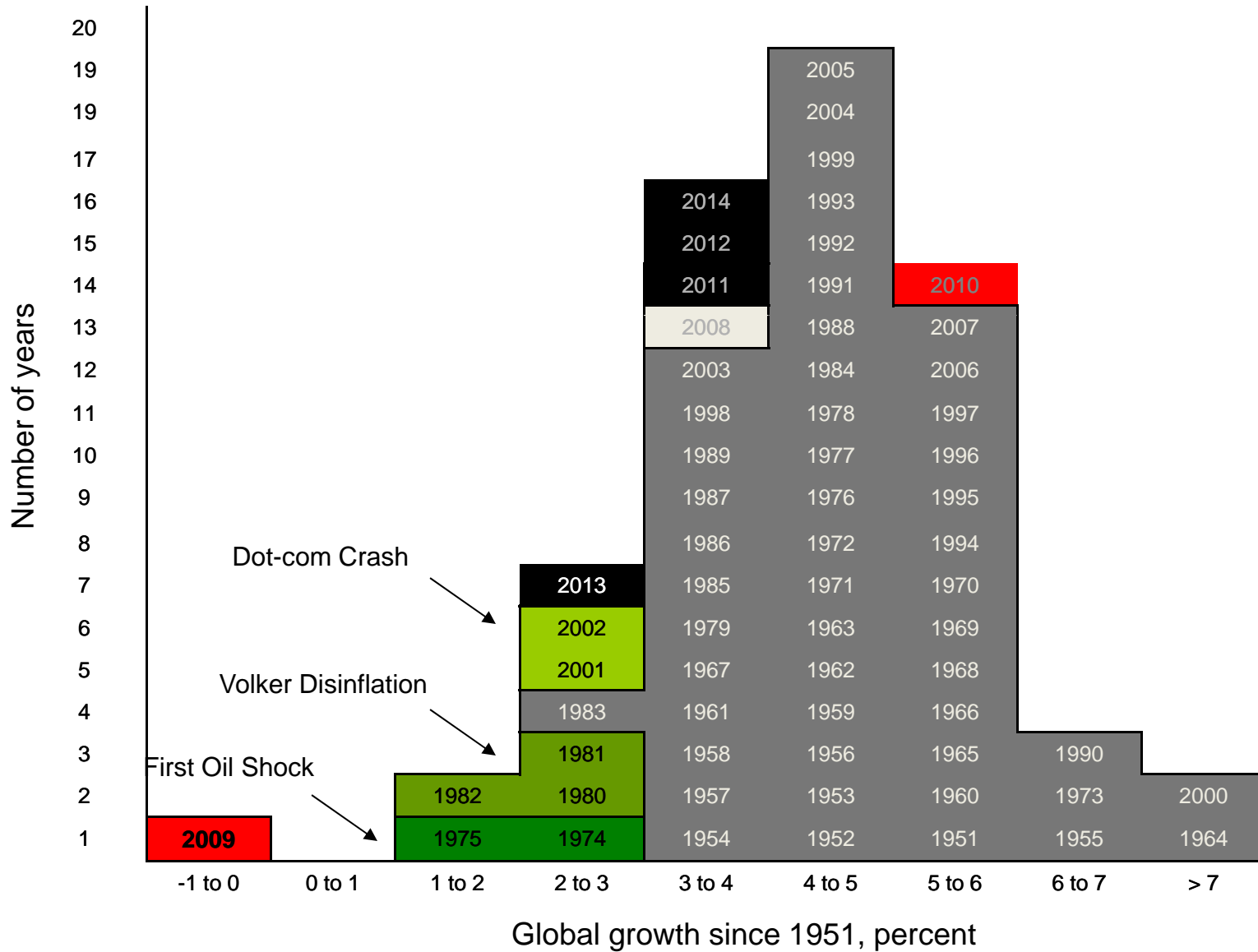


The global recovery remains tepid ...



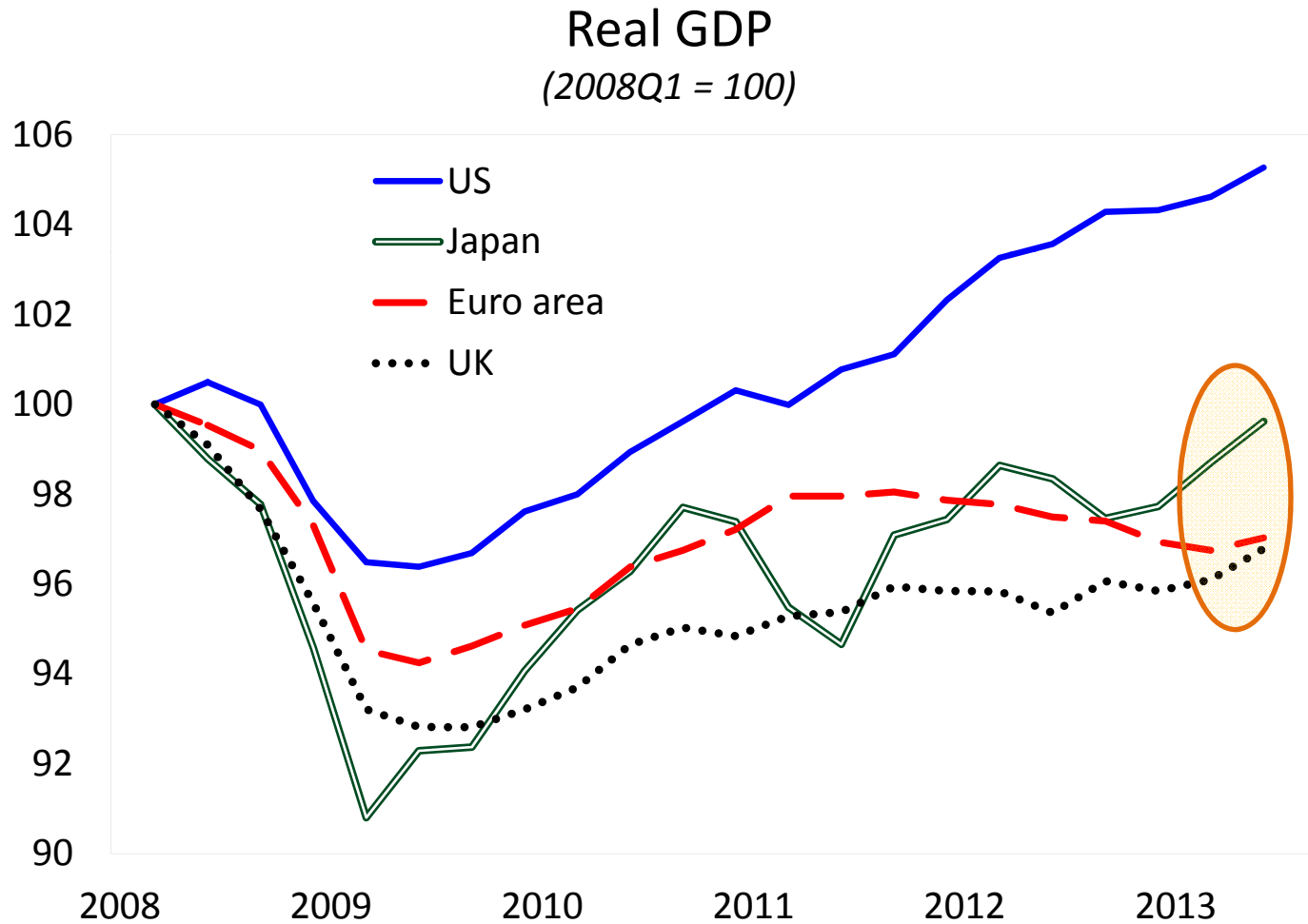
Sources: Haver Analytics; and IMF staff calculations.

... with moderate global growth...



Source: WEO, Maddison

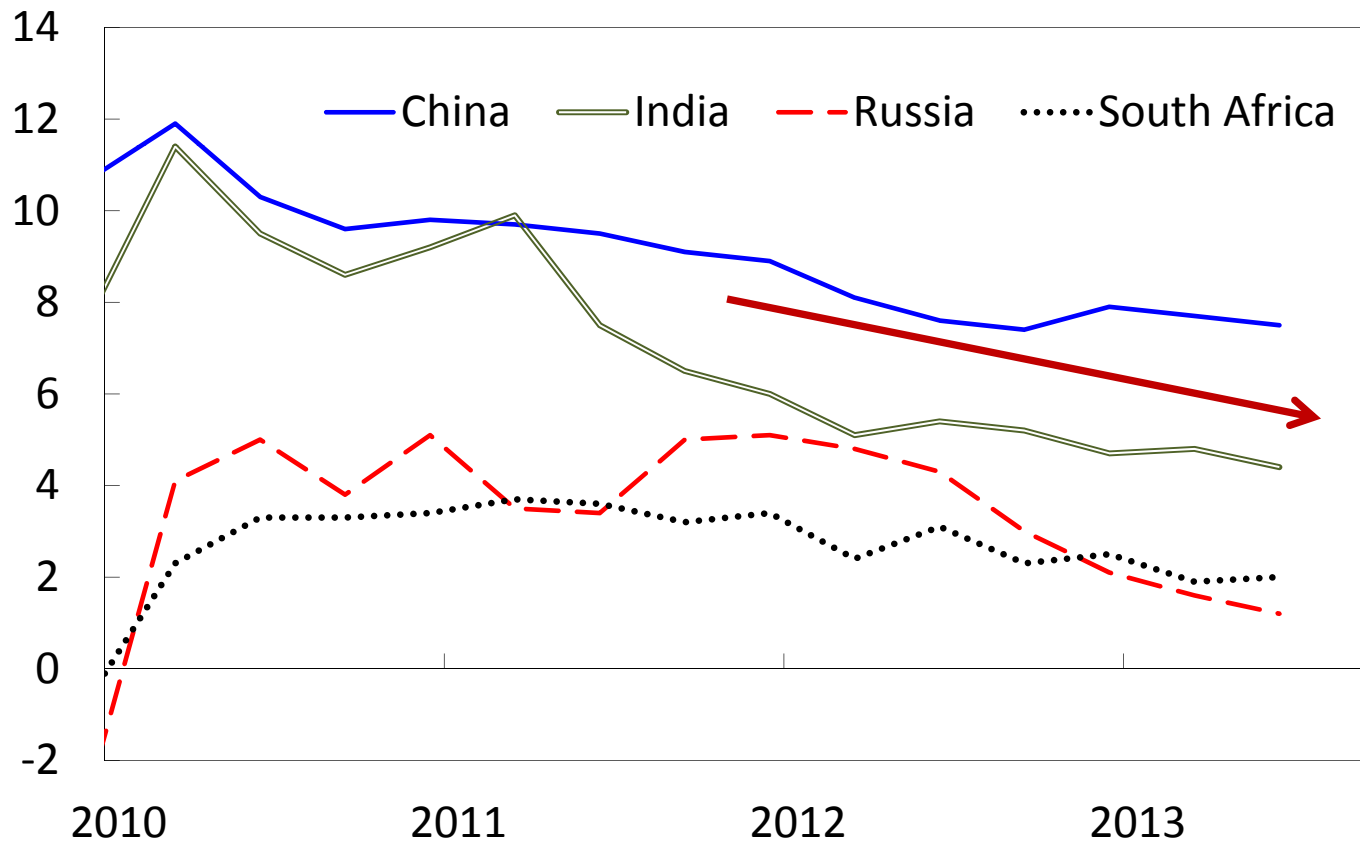
... as a welcome pick-up in activity in some advanced economies ...



Sources: Bloomberg; and IMF staff calculations.

... is partly offset by a slowdown in Emerging Markets.

Real GDP Growth
(Percent, year-on-year)

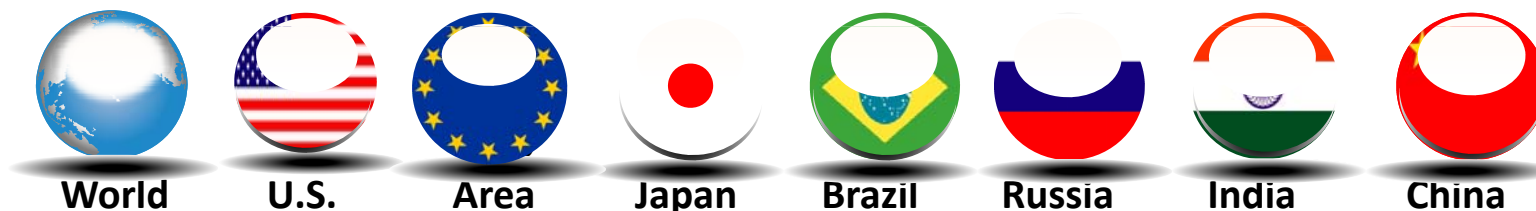


Sources: Bloomberg; and IMF staff calculations.

The outlook has weakened, especially in major emerging markets.

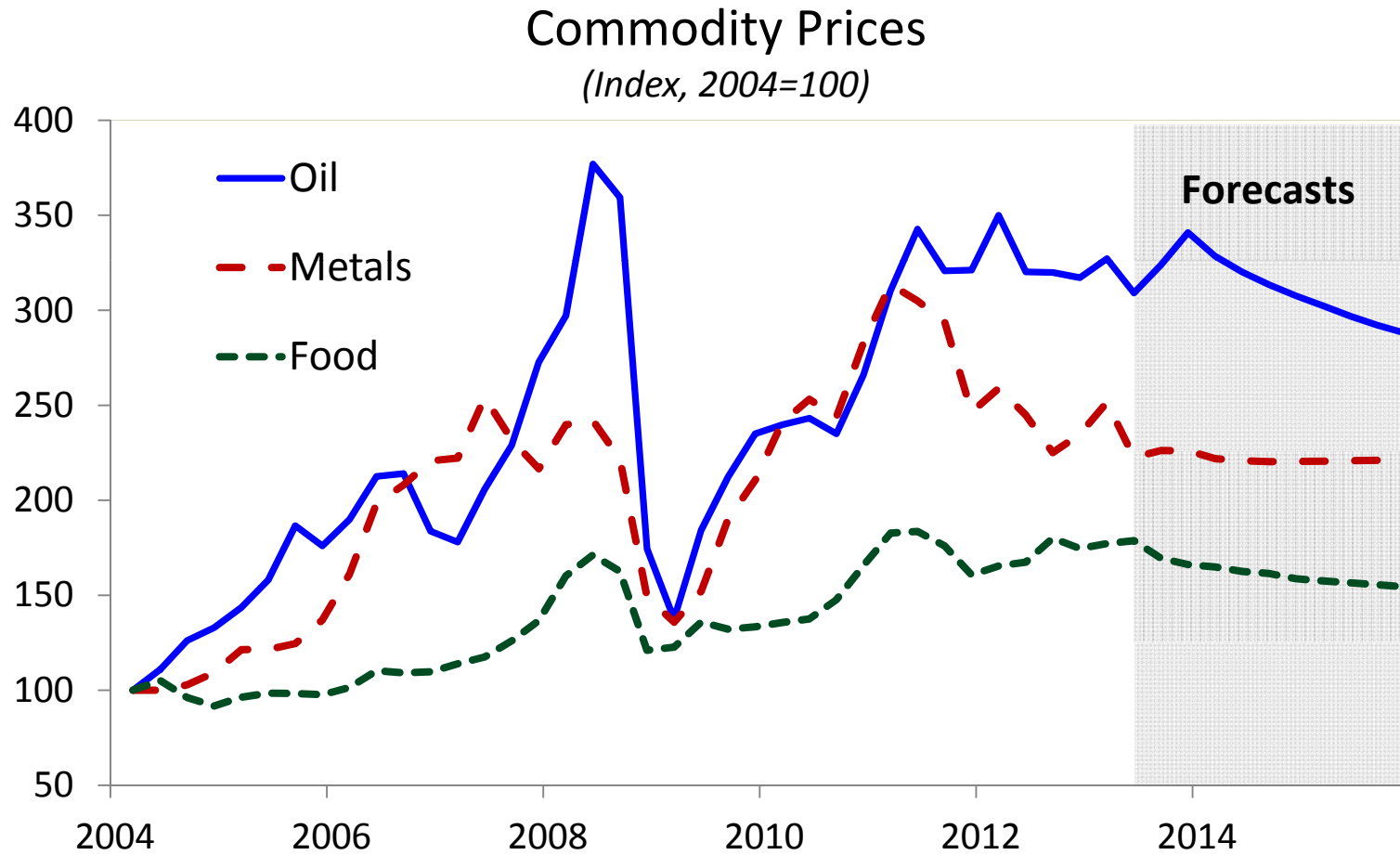
WEO Real GDP Growth Projections

(percent change from a year earlier)



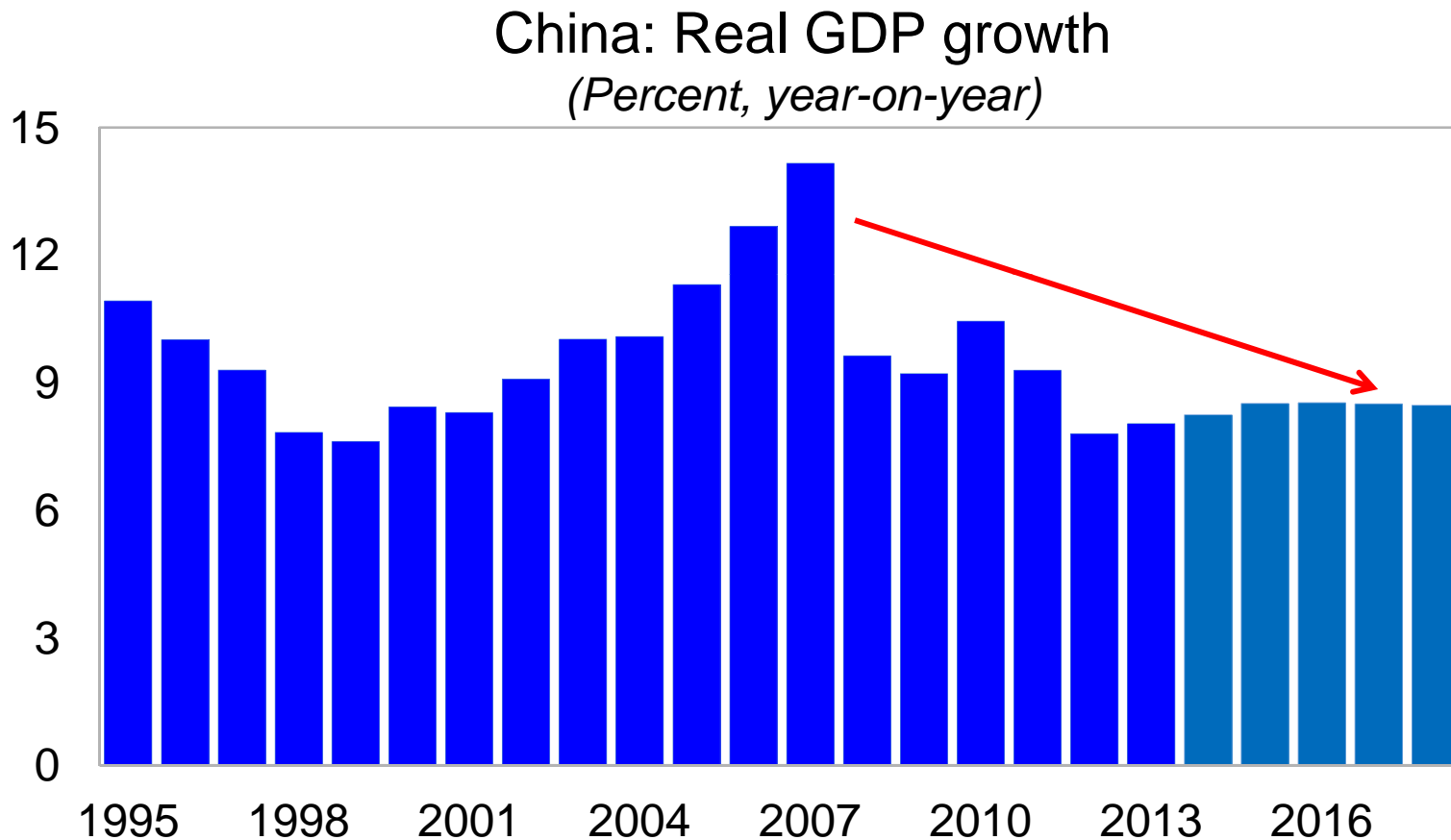
	World	U.S.	Area	Japan	Brazil	Russia	India	China
2013 (July 2013)	3.1	1.7	-0.6	2.0	2.5	2.5	5.6	7.8
2013 (Oct 2013)	2.9	1.6	-0.4	2.0	2.5	1.5	3.8	7.6
2014 (July 2013)	3.8	2.7	0.9	1.2	3.2	3.3	6.3	7.7
2014 (Oct 2013)	3.6	2.6	1.0	1.2	2.5	3.0	5.1	7.3

The trend increase in increasing commodity prices appears over....



Sources: Bloomberg; and IMF staff calculations.

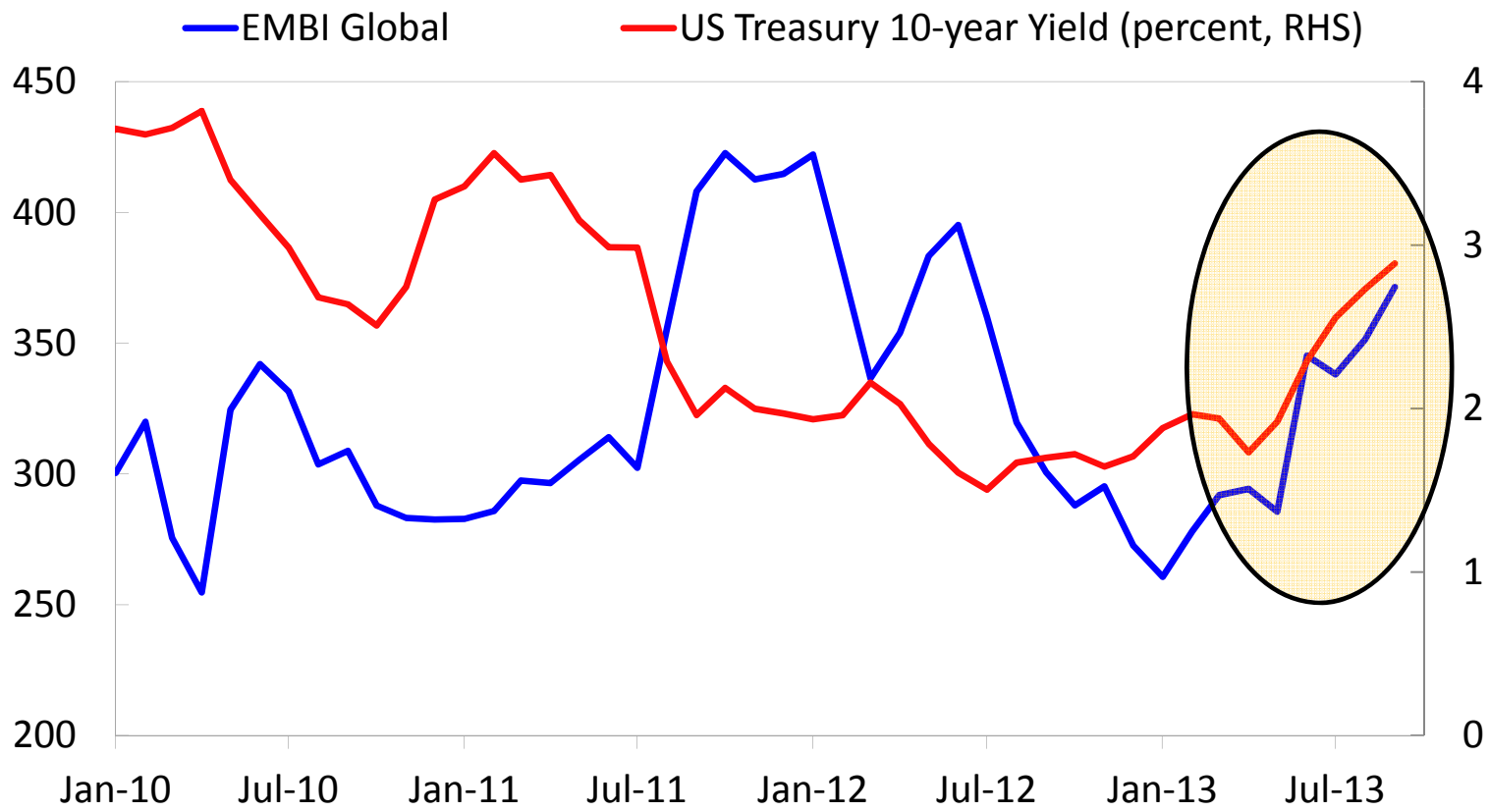
... as China's structural slowdown has started weighing on prices.



Sources: CEIC; and IMF, World Economic Outlook.

External financial conditions have turned less benign ...

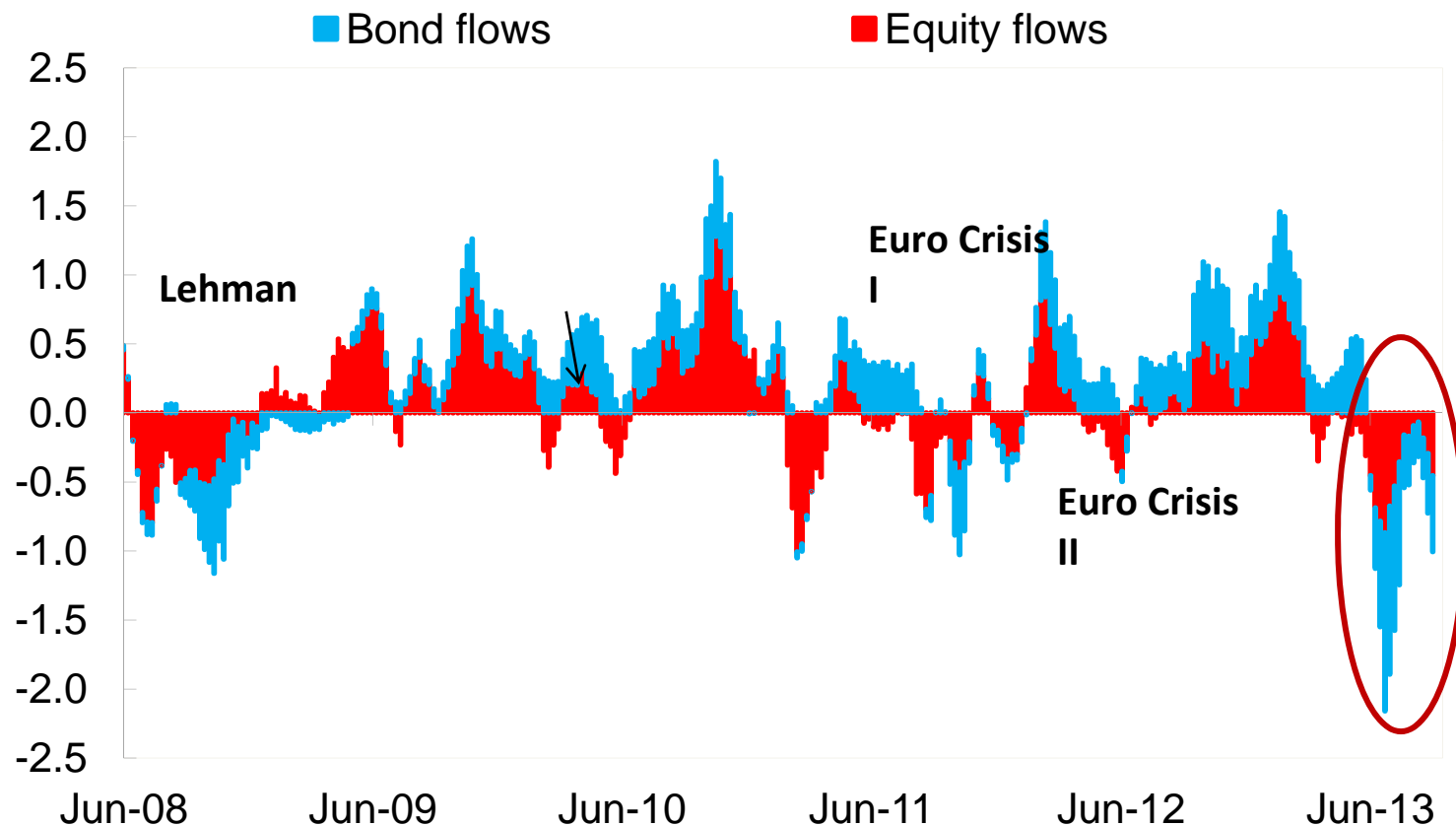
EMBI and 10-year US Treasury Yield
(Basis points)



Sources: Bloomberg LP; Datastream; Haver Analytics; and IMF staff calculations.

...as the Fed's 'taper talk' has prompted portfolio outflows from EMs.

LatAm-5: Mutual Fund Bond and Equity Flows, 2008-13
(US\$ billions)

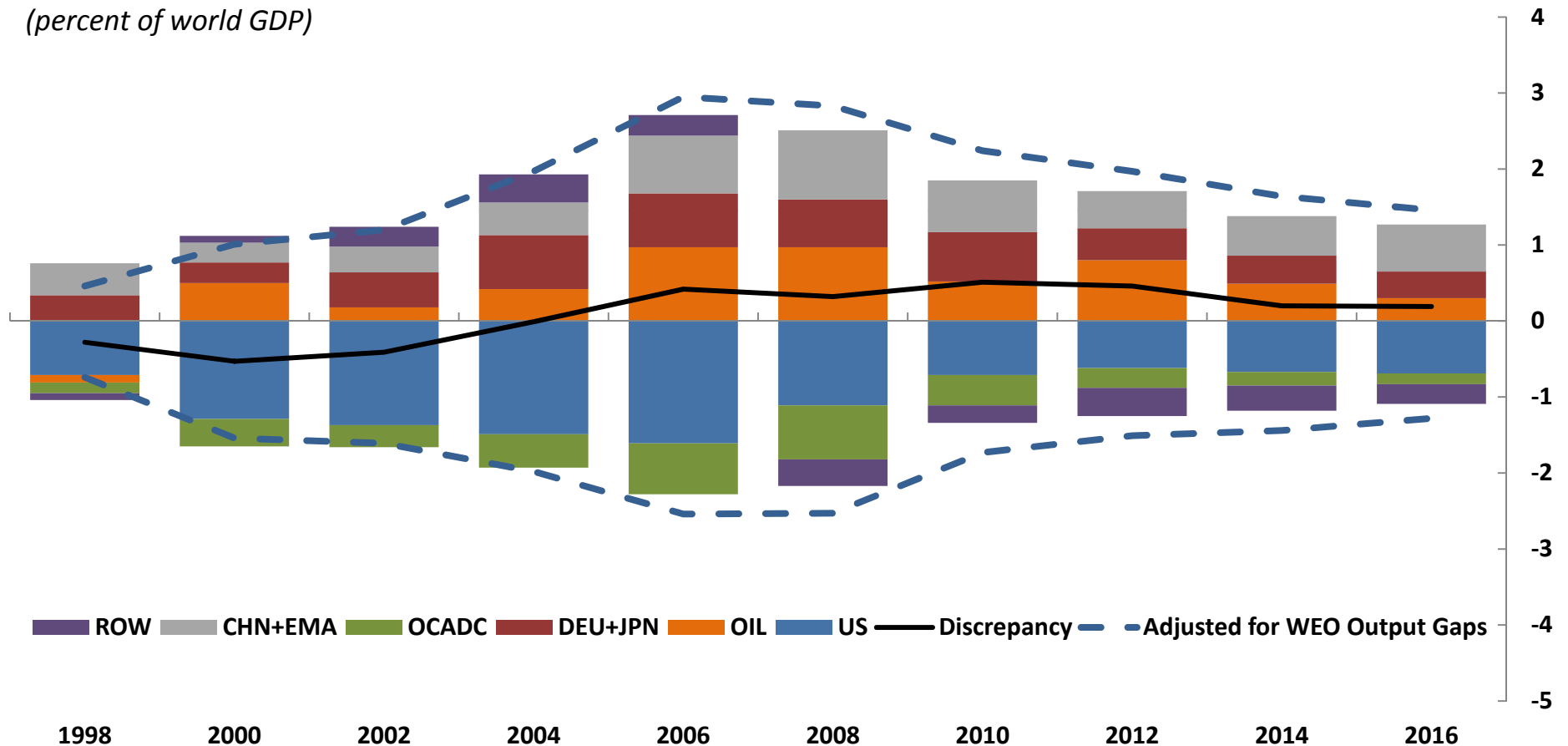


Sources: EPFR; and IMF staff calculations.

Global imbalances have narrowed, but not to low levels.

Global Current Account Imbalances

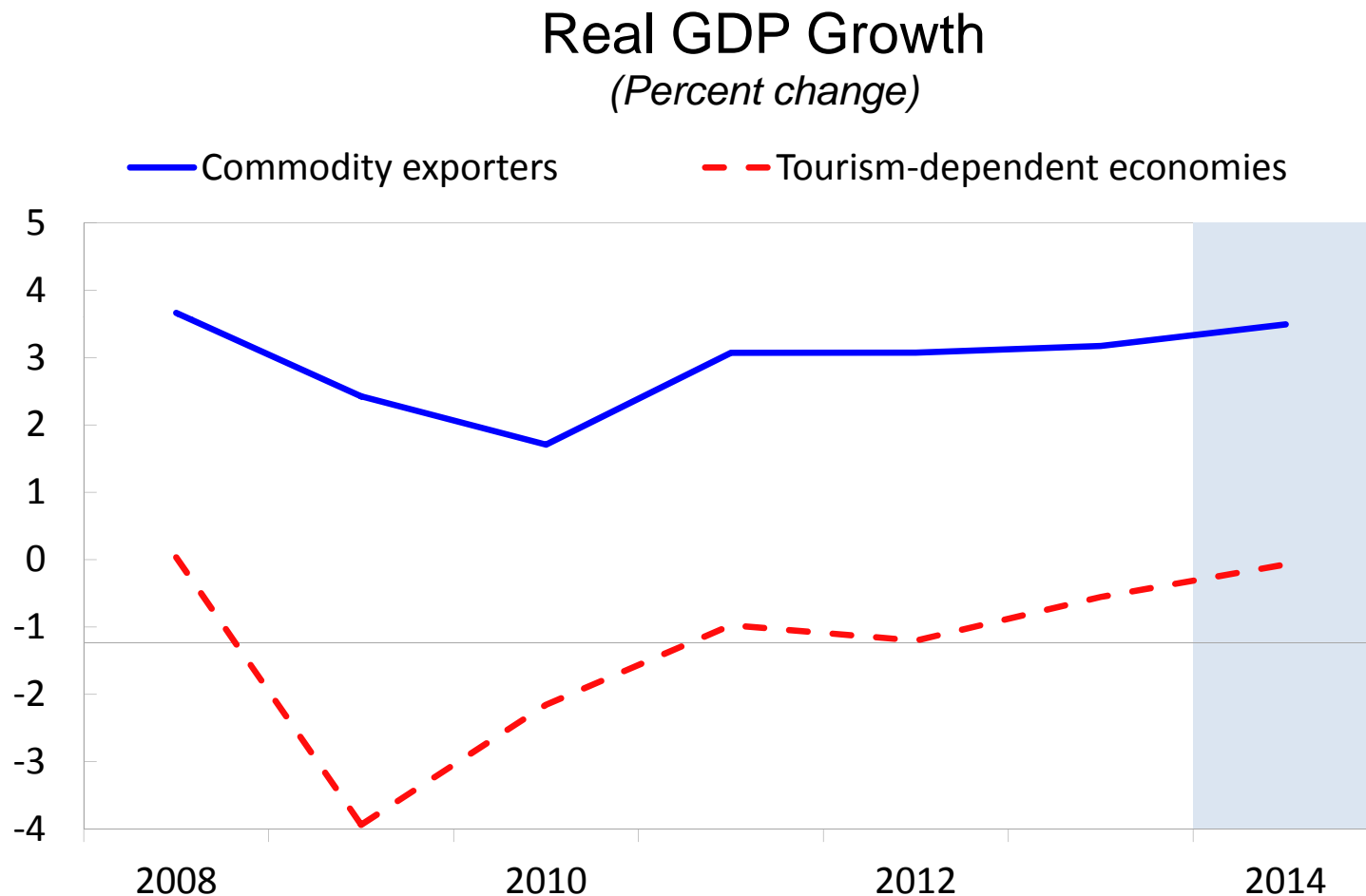
(percent of world GDP)



Source: IMF Staff Calculations.

Note: CHN+EMA = China, Hong Kong SAR, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan Province of China, 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, United Kingdom; OIL = oil exporters; Sur. = surplus EM economies. ROW = rest of the world; US = United States.

Challenges are particularly acute in the Caribbean, where growth remain subdued...

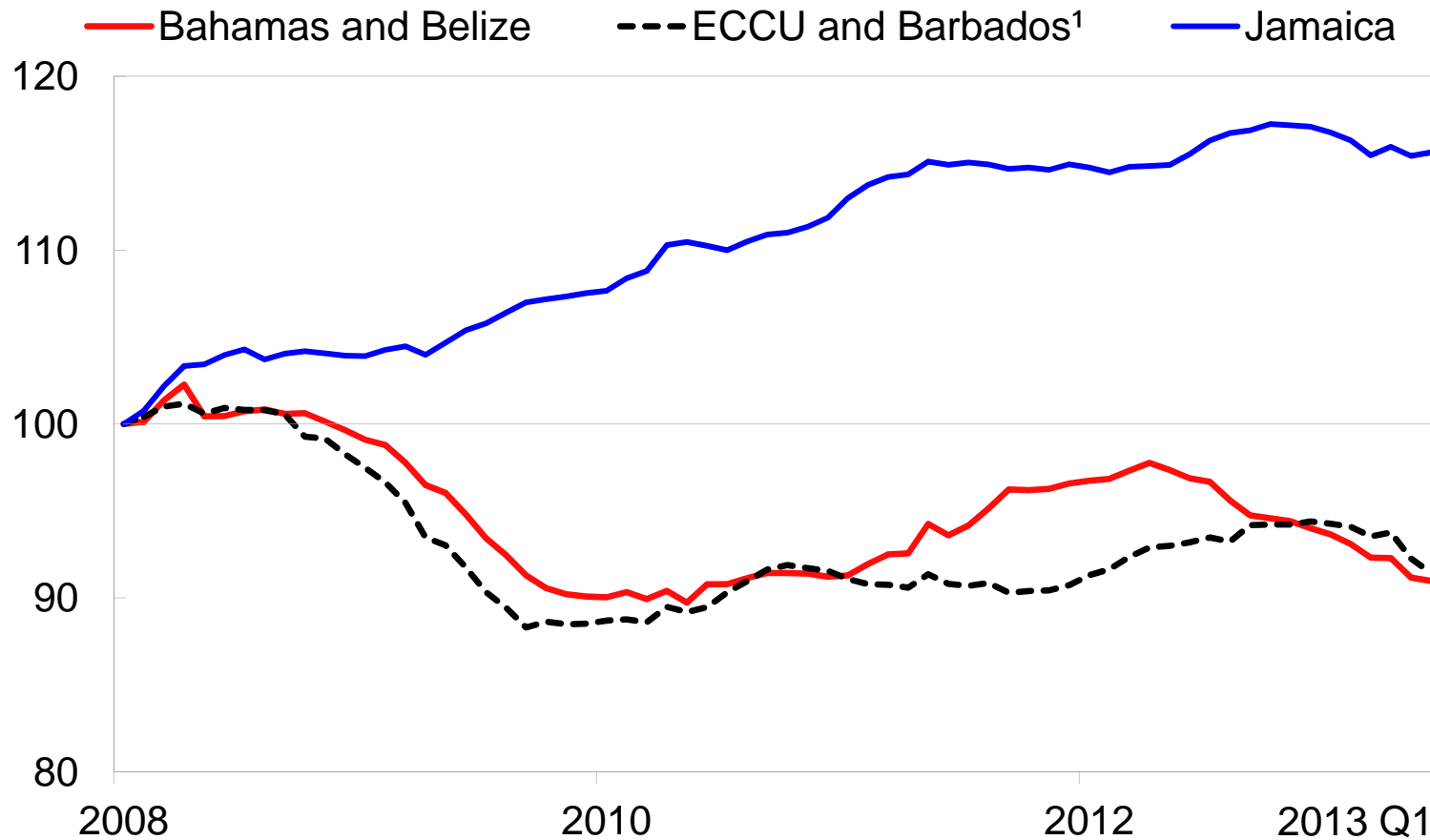


Source: IMF, *World Economic Outlook*.

Note: Commodity exporters include Belize, Guyana, Suriname and Trinidad and Tobago; tourism-dependent economies include Antigua and Barbuda, the Bahamas, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and Grenadines.

... notably in tourism-dependent countries, who have been facing soft US and European demand...

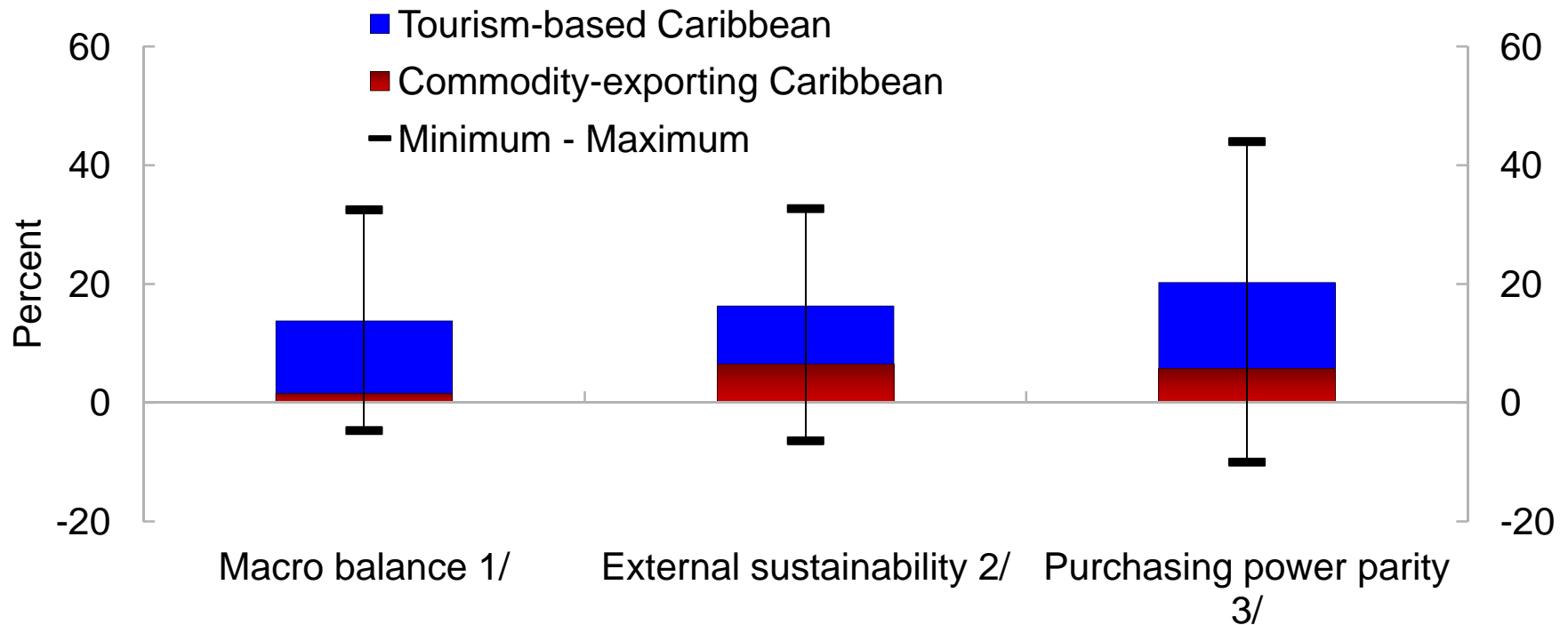
Tourist Arrivals (Index, 2008 = 100)



Sources: Caribbean Tourism Organization; national authorities; and IMF staff calculations.

... and long-standing competitiveness issues, as apparent from estimated REER overvaluation ...

Real Effective Exchange Rate (REER) Relative to Norm



Note: Above zero indicates overvaluation; below zero suggests undervaluation.

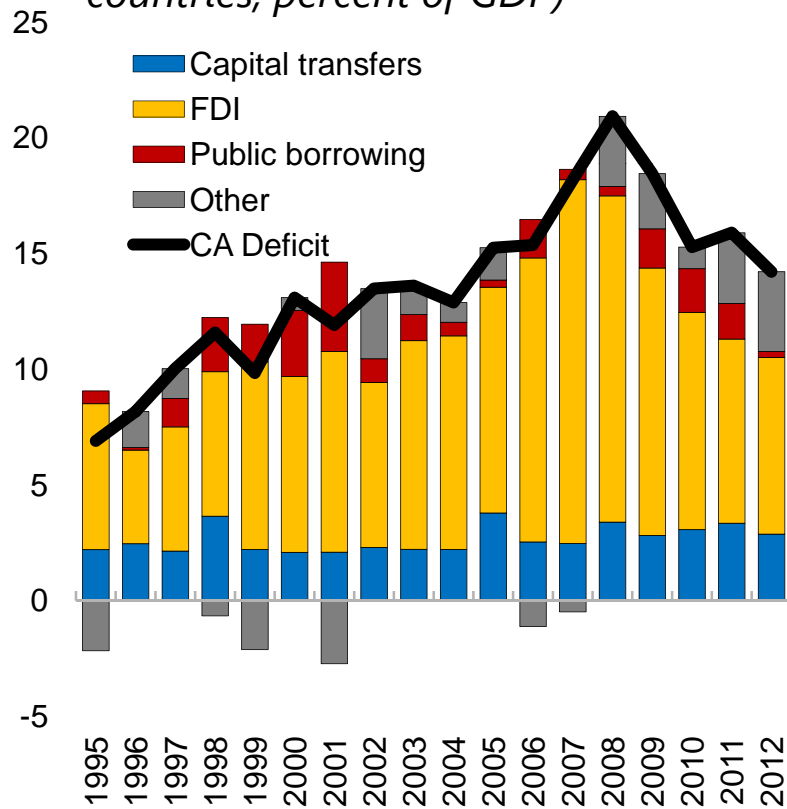
1/ REER adjustment required to bring current account balance in line with fundamentals.

2/ REER adjustment required to bring current account balance to sustainable level.

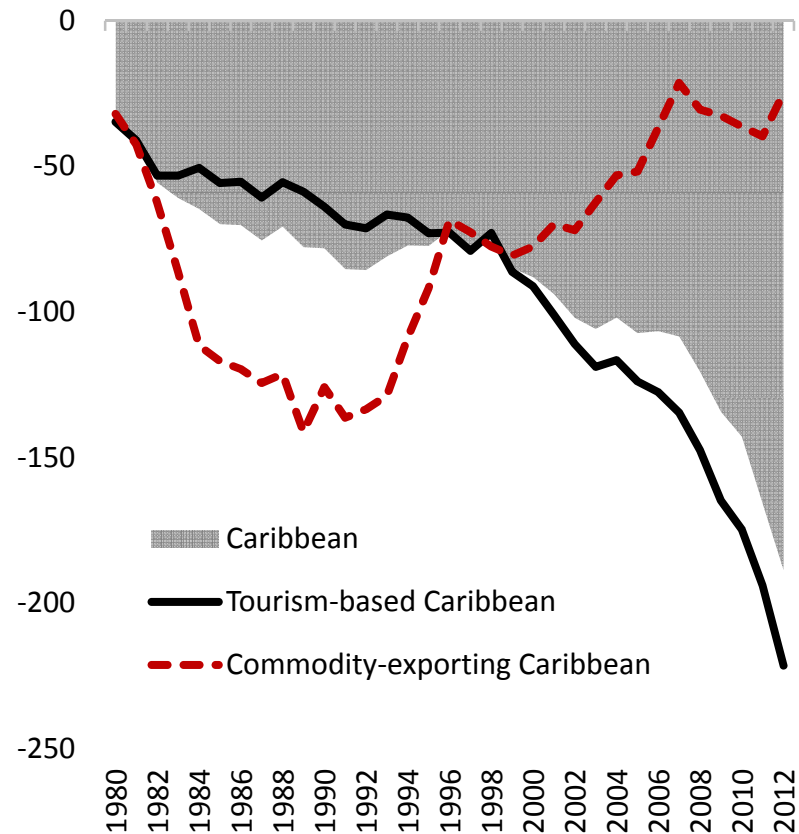
3/ Relative to Balassa-Samuelson prediction; average of 2007-09.

... which has given rise to persistent external imbalances.

Current Account Financing
(Average for tourism dependent countries, percent of GDP)



Caribbean: Net Foreign Assets
(Percent of GDP)



Sources: IMF, World Economic Outlook; and IMF staff estimates.

Thank you!

- Questions?