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 …

Real GDP

(Peak of previous cycle is t-0=100)

Sources: Haver Analytics; and IMF staff calculations.
... with moderate global growth...
... as a welcome pick-up in activity in some advanced economies ...

**Real GDP**

\[(2008Q1 = 100)\]

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)*

<table>
<thead>
<tr>
<th></th>
<th>World</th>
<th>U.S.</th>
<th>Area</th>
<th>Japan</th>
<th>Brazil</th>
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<td>(July 2013)</td>
<td>3.1</td>
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<td>(Oct 2013)</td>
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</table>

Source: IMF, World Economic Outlook.
The trend increase in increasing commodity prices appears over....

Commodity Prices
(Index, 2004=100)

Sources: Bloomberg; and IMF staff calculations.
... as China’s structural slowdown has started weighing on prices.

China: Real GDP growth

*(Percent, year-on-year)*

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...

**Real GDP Growth**

*(Percent change)*

- **Commodity exporters**
- **Tourism-dependent economies**

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

- Tourism-based Caribbean
- Commodity-exporting Caribbean
- Minimum - Maximum

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.

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

• Questions?