

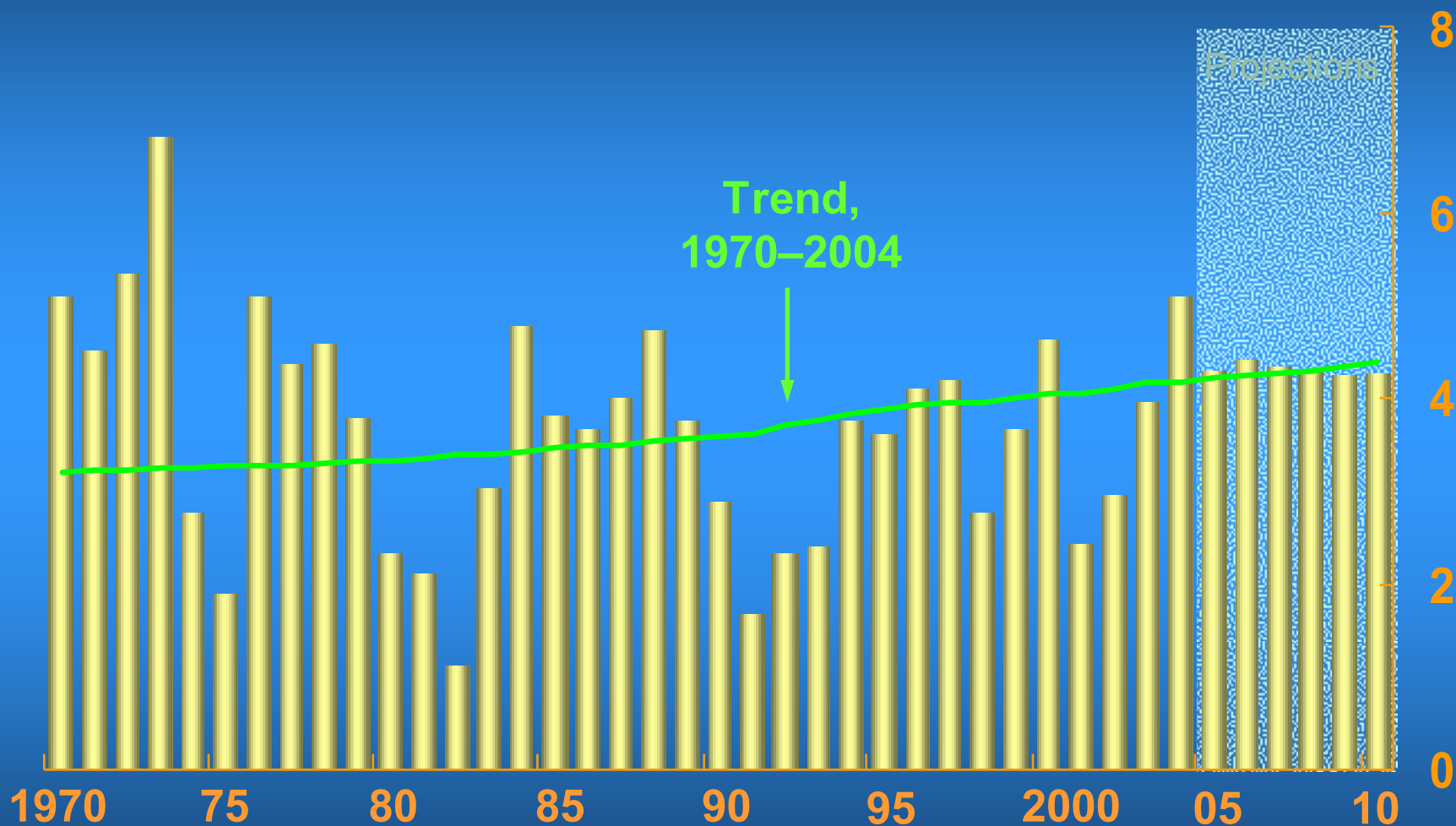
World Economic Outlook

***Project Link Meeting
May 16, 2005***

***Thomas Helbling
Research Department
International Monetary Fund***

World Real GDP Growth

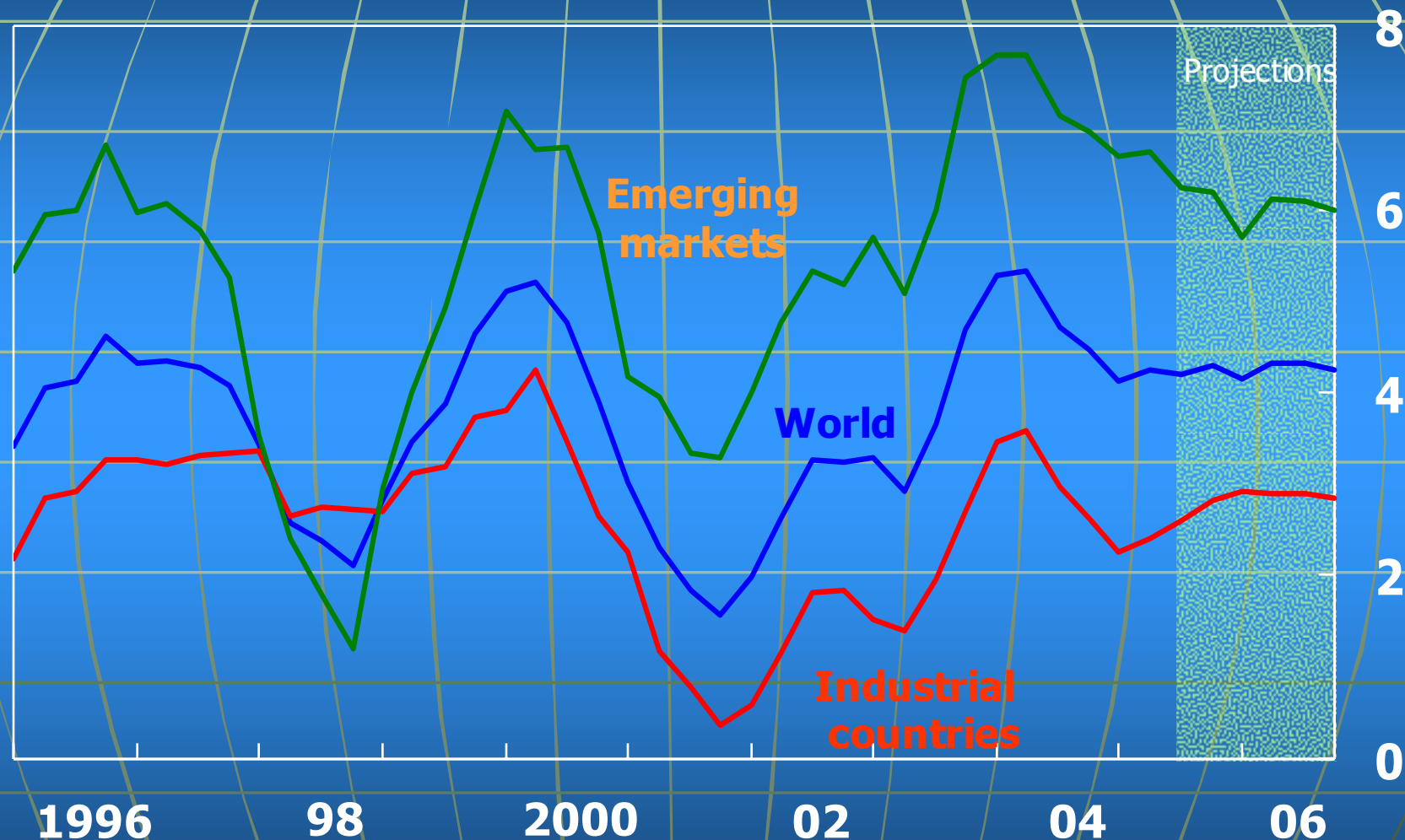
(Annual percent change)



Source: IMF staff estimates.

Global Outlook: World

(Real GDP; percent change from four quarters earlier)

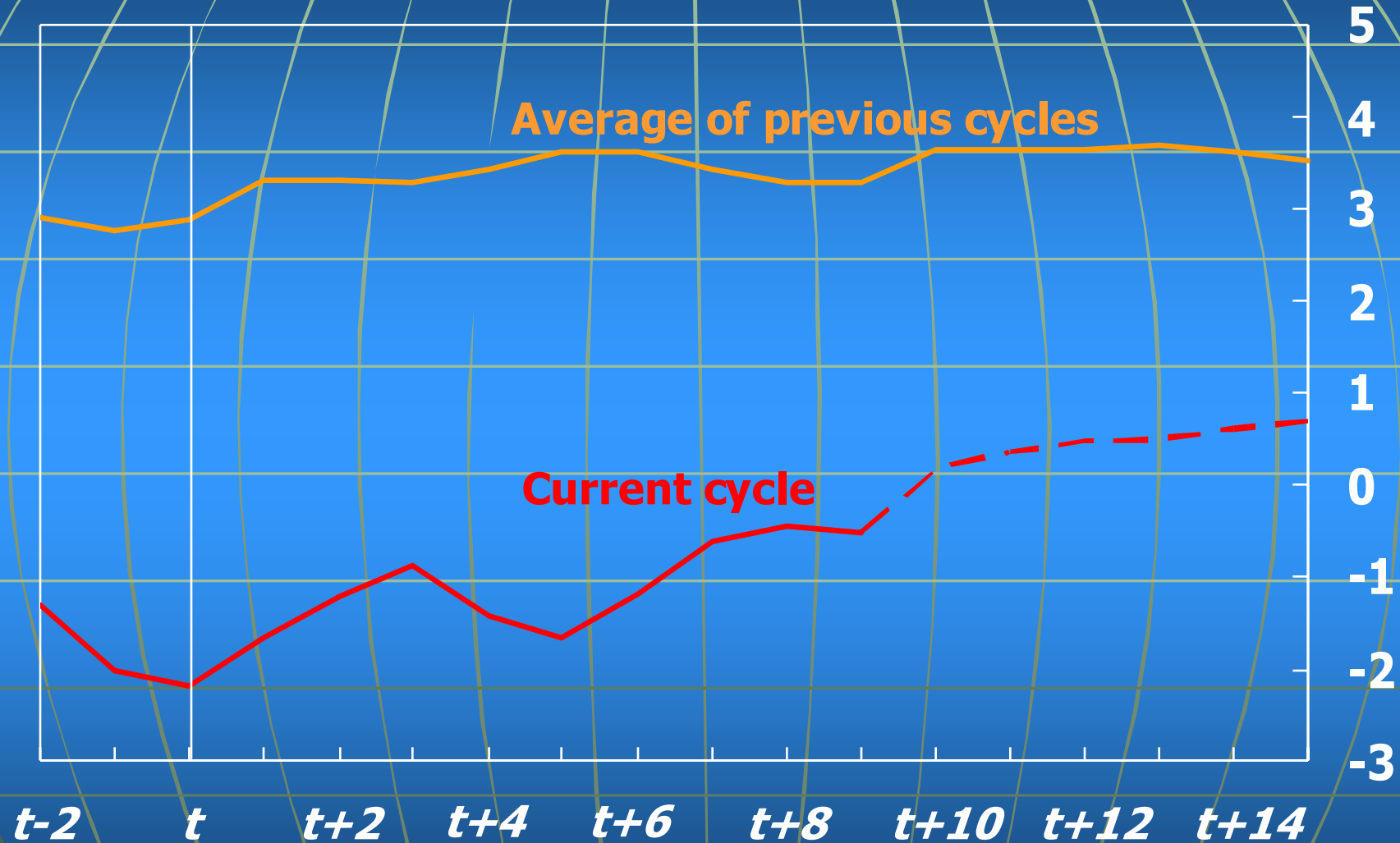


Sources: Haver Analytics; and IMF staff estimates.

What drives the expansion in 2005

- Macroeconomic policies are still accomodative
- Supportive financial market conditions
- Improving corporate balance sheets
- Employment growth
- China

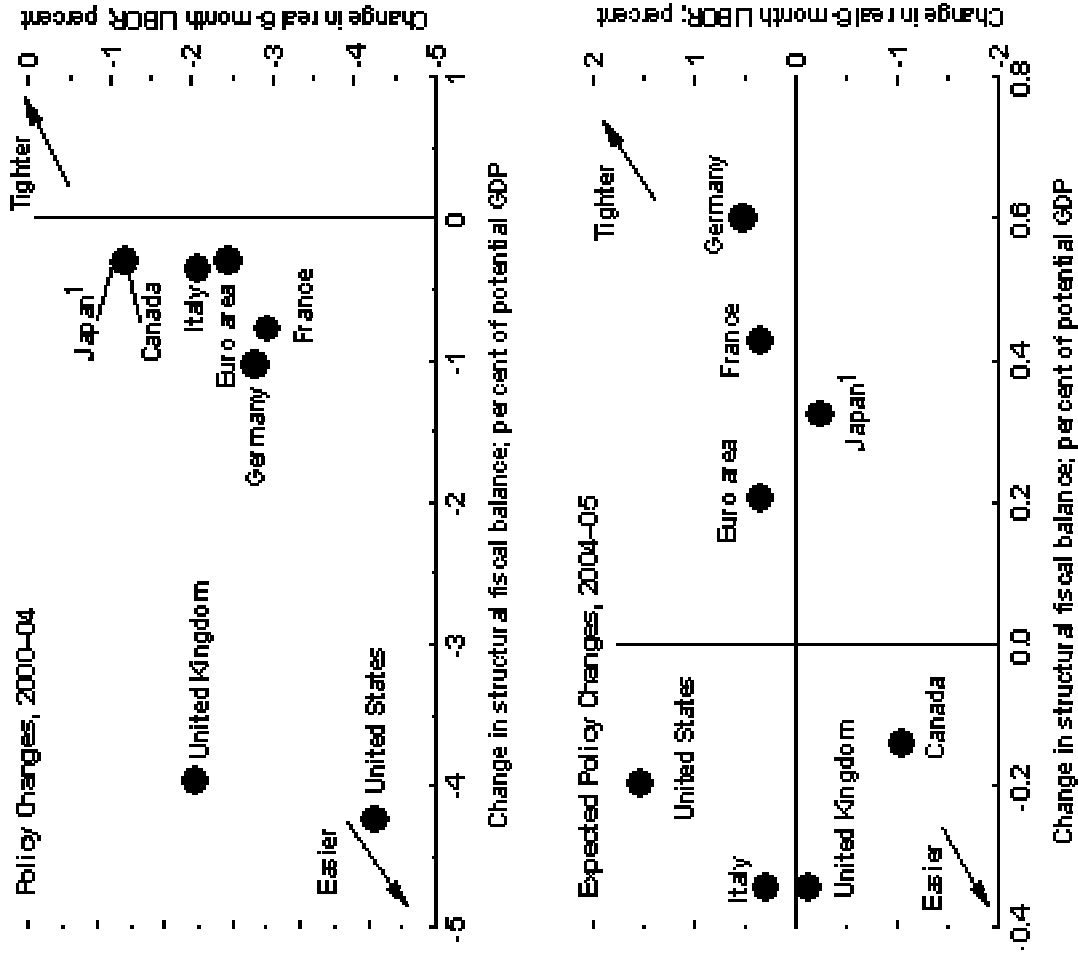
United States: Real Federal Funds Rate (Percent)



Sources: Haver Analytics; and IMF staff estimates.

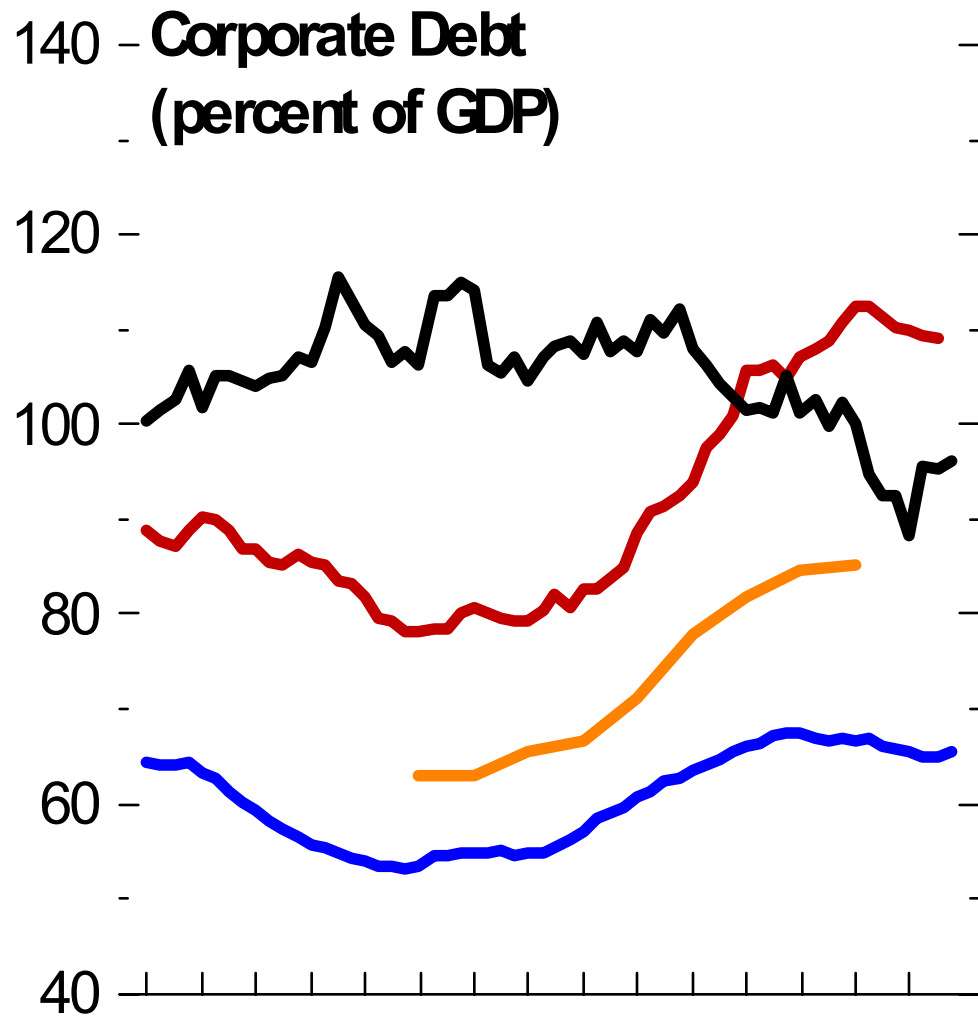
Figure 1.8. Fiscal and Monetary Policies in the Major Advanced Countries

Monetary policies are generally expected to tighten moderately in 2005, although fiscal policies are more mixed.



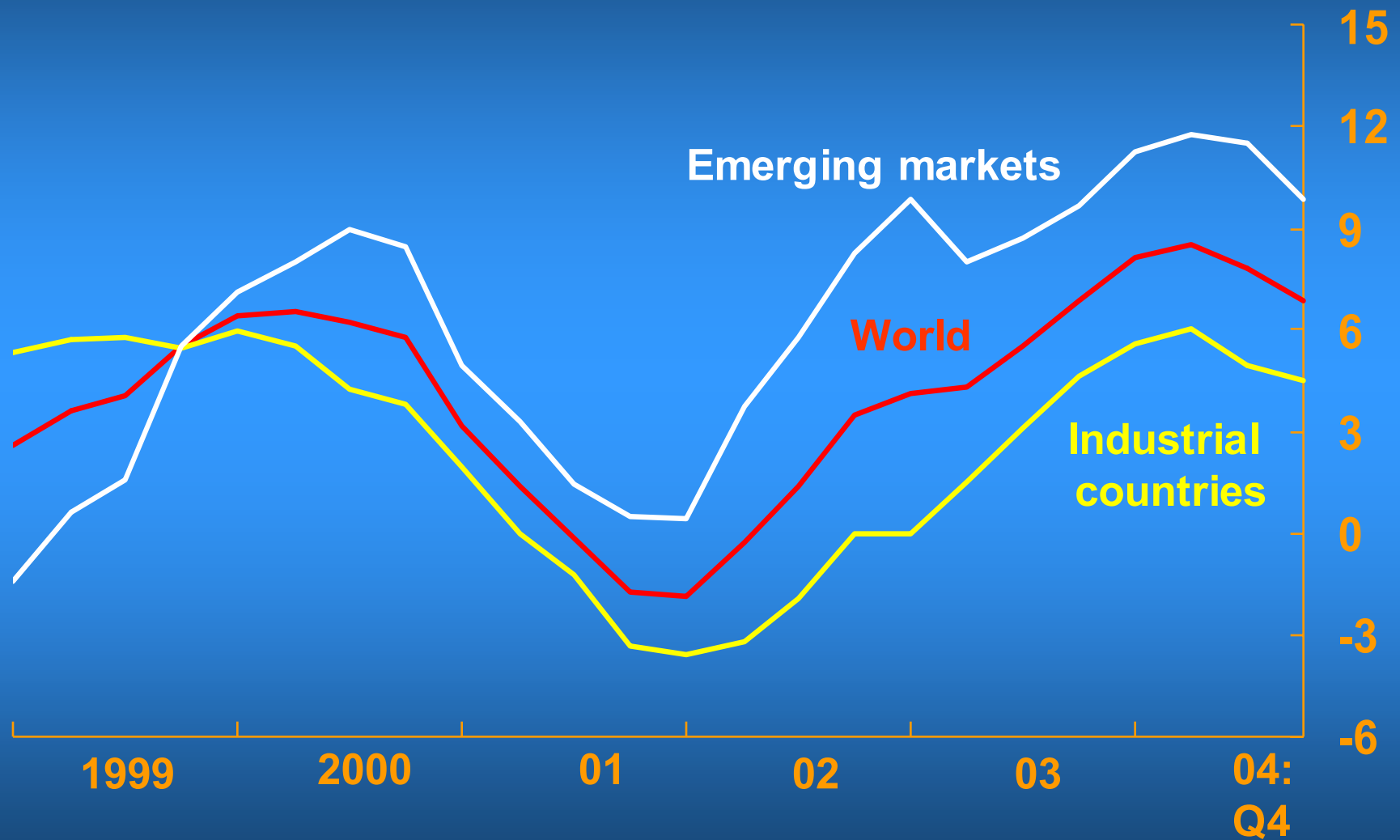
Source: IMF staff estimates.

¹ For Japan, excludes bank support.



Global Investment

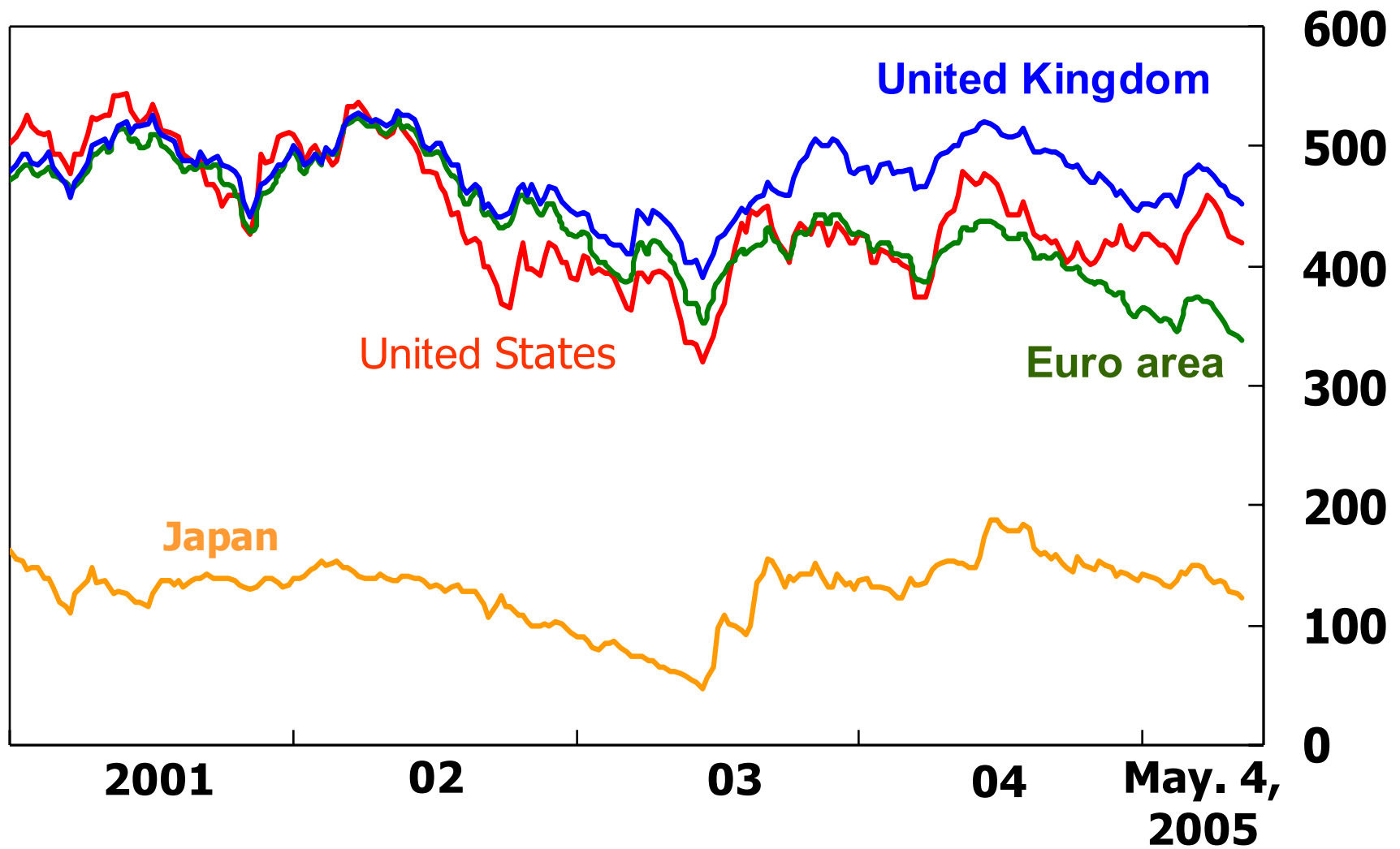
(Percent change from a year ago)



Source: Haver Analytics.

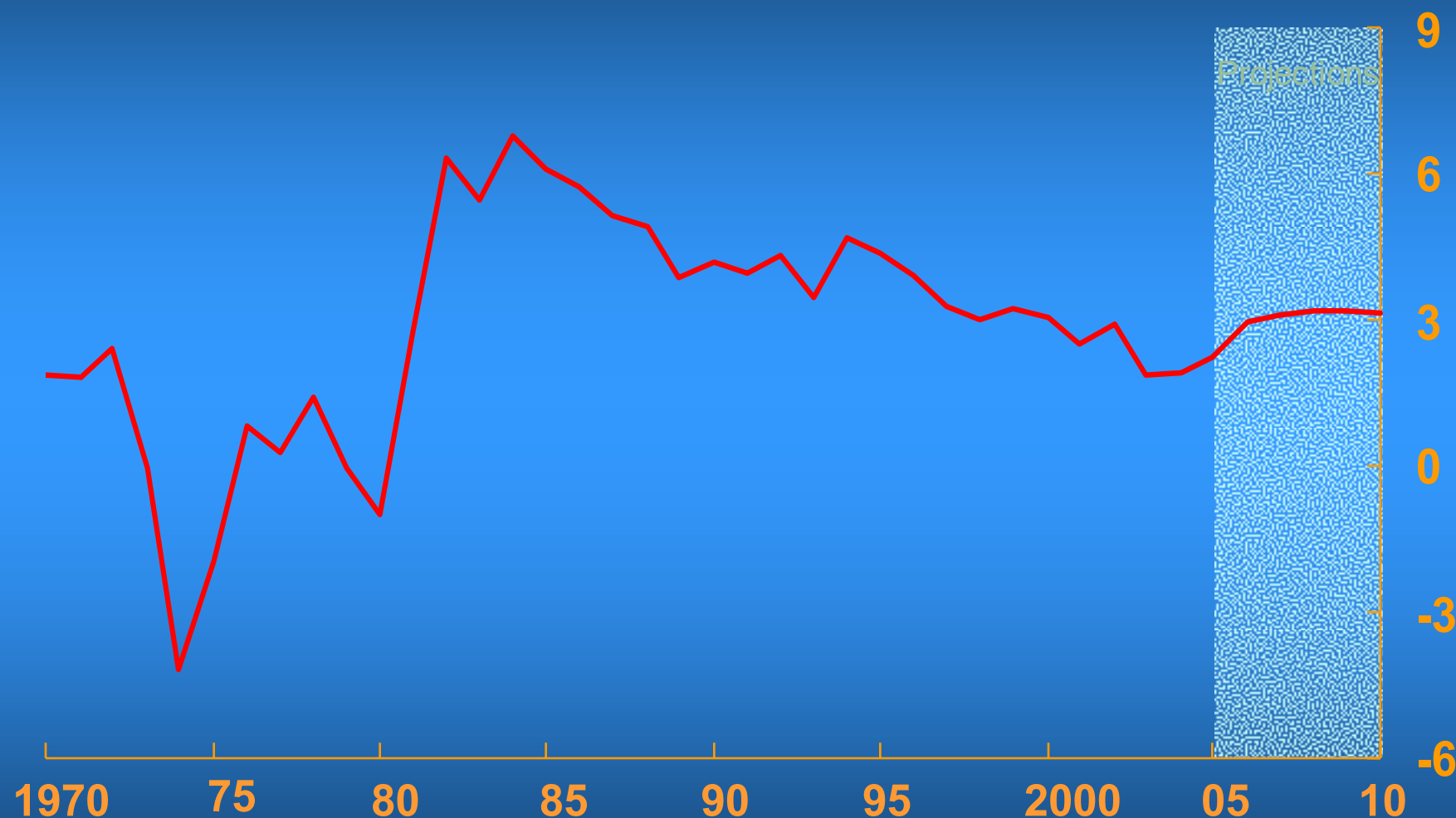
Long-Term Interest Rates

(Basis points)



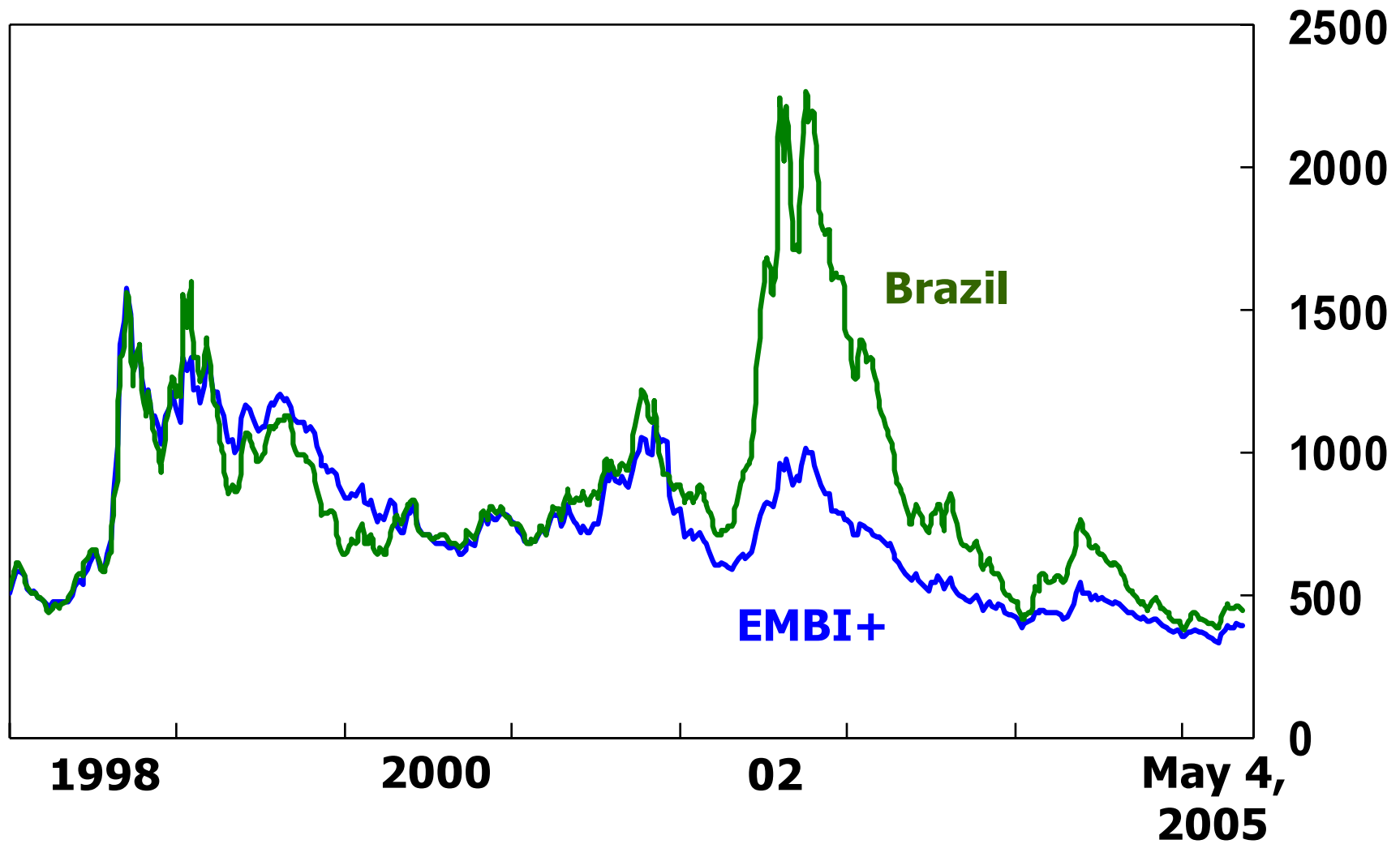
Source: Bloomberg Financial Markets, LP.

World Real Long-Term Interest Rate (Percent)



Source: IMF staff estimates.

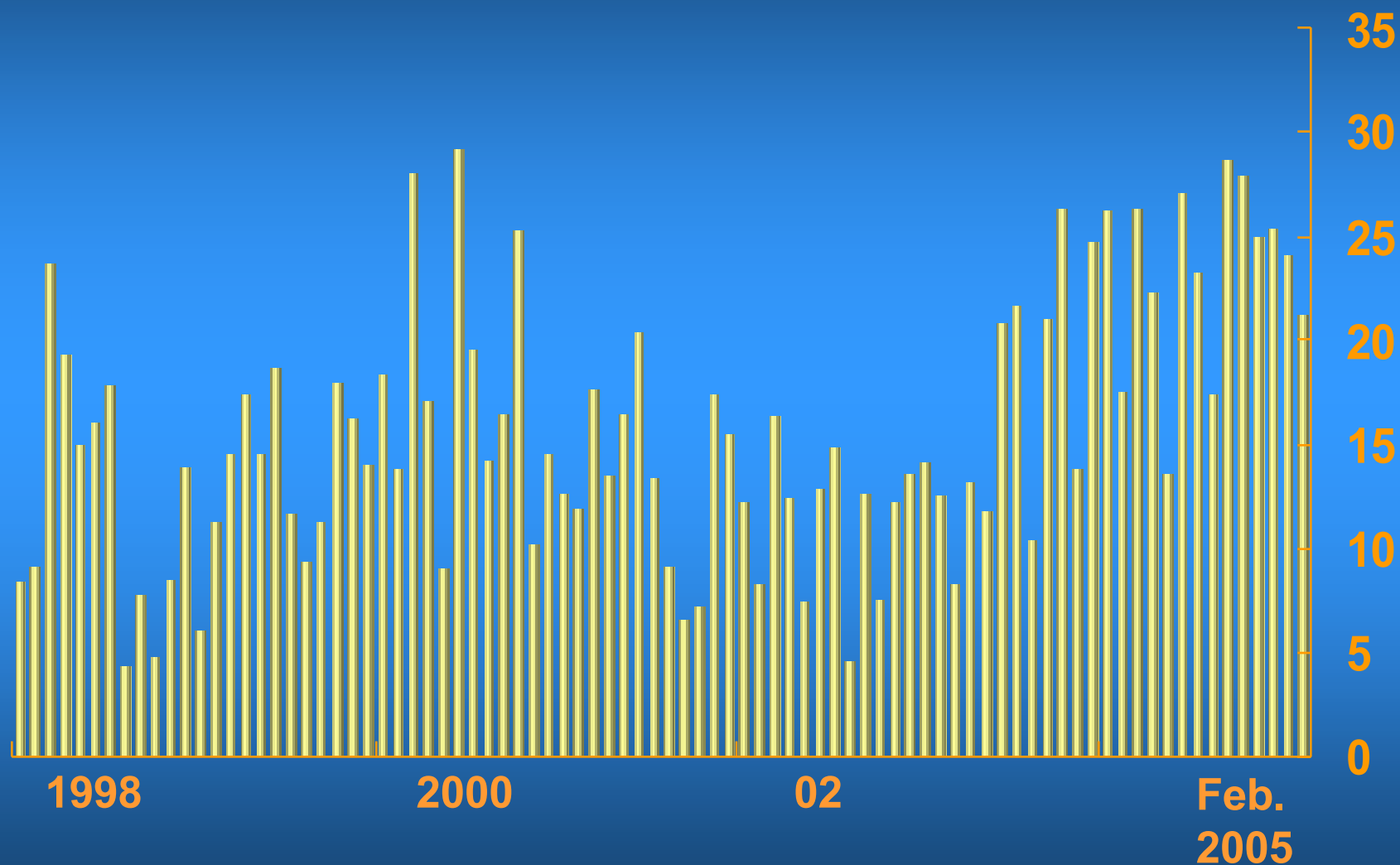
Emerging Market Spreads (Basis points)



Source: Bloomberg Financial Markets, LP.

Emerging Market Financing

(Billions of U.S. dollars)

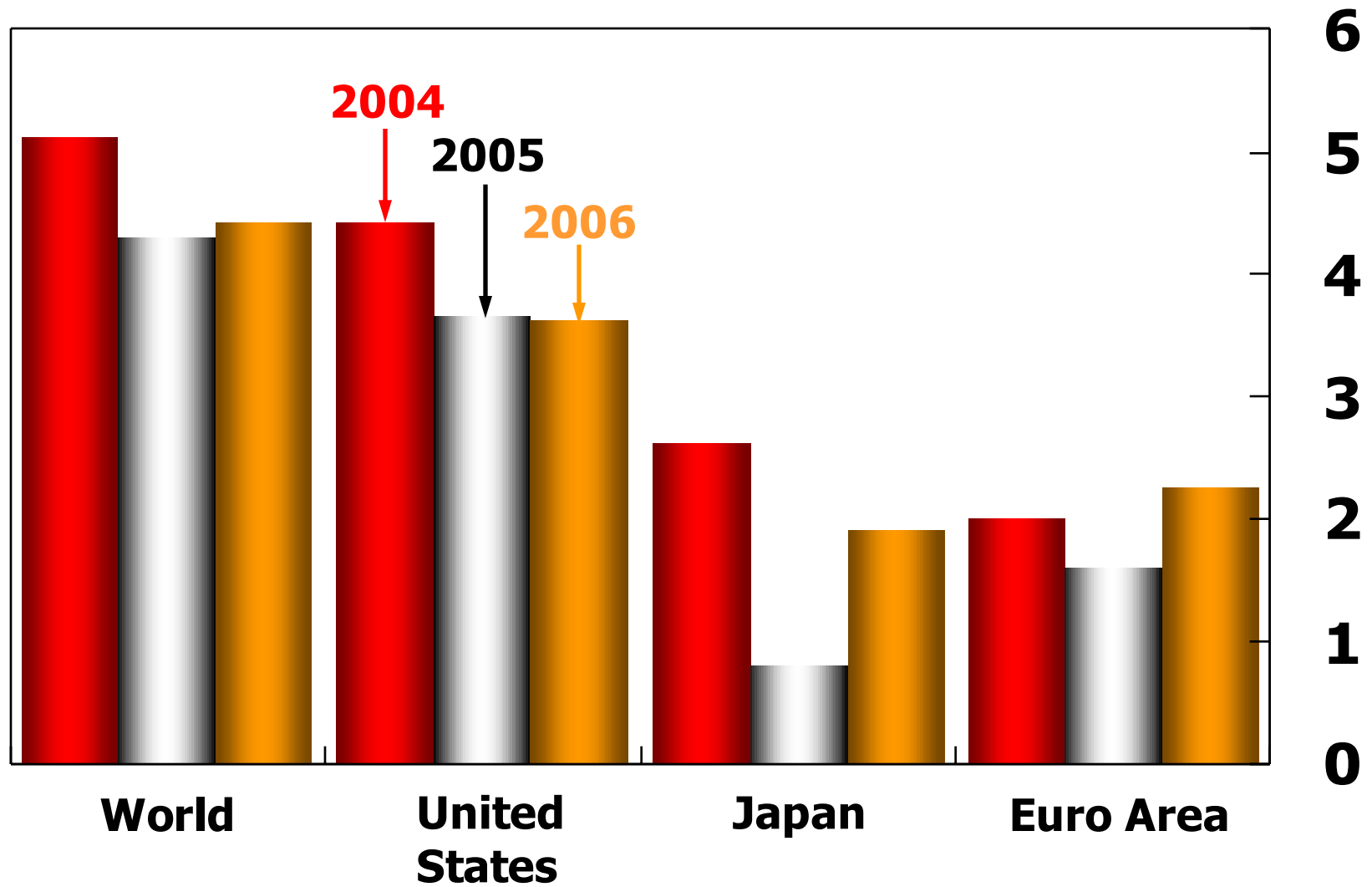


Source: Capital Data.

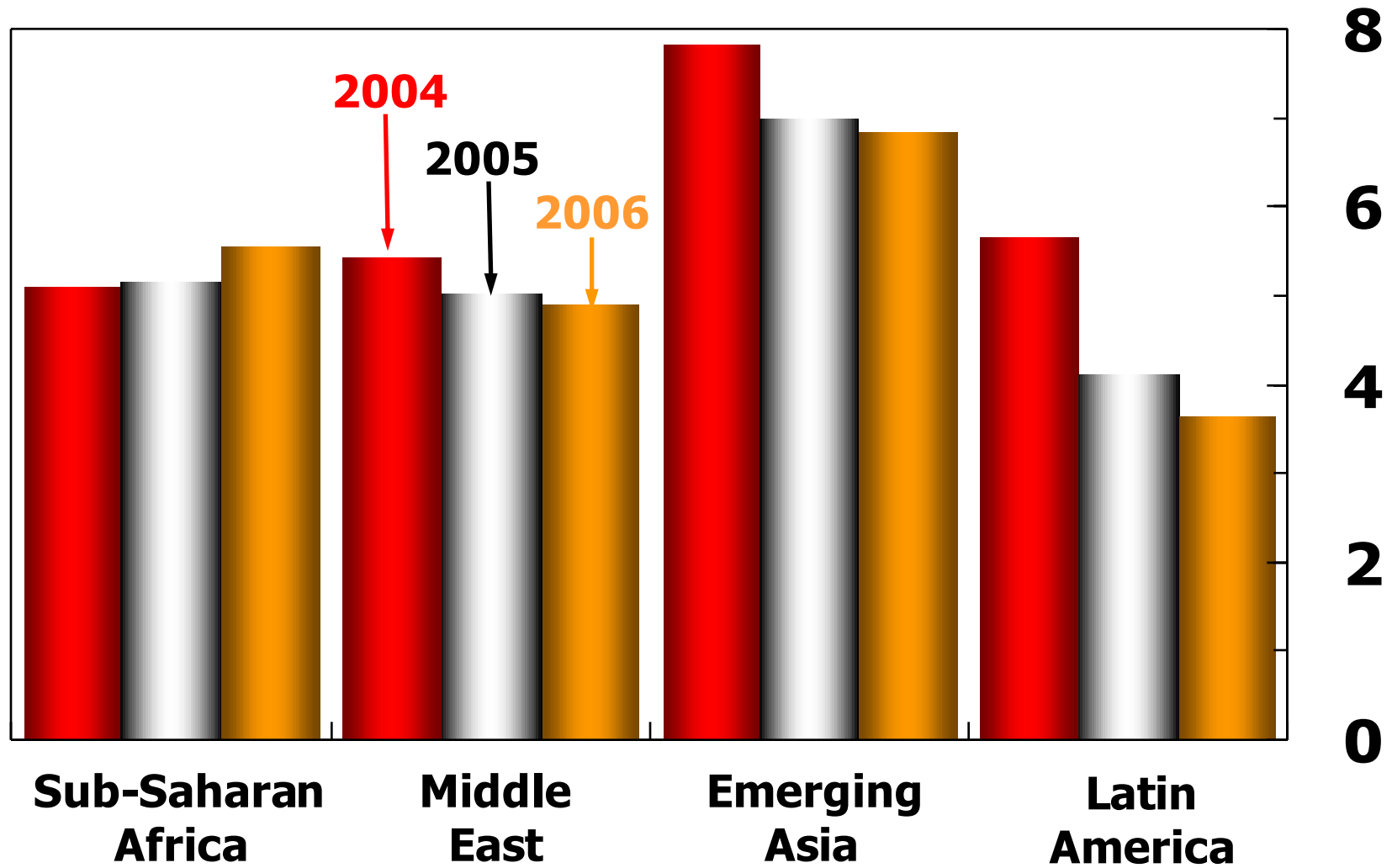
A Less Balanced Expansion in 2005

| | <u>Sept. 2004</u> | <u>April 2005</u> | <u>Difference</u> |
|----------------------|-------------------|-------------------|-------------------|
| Global growth | 4.3 | 4.3 | -- |
| Advanced | 2.9 | 2.6 | -0.3 |
| U.S. | 3.5 | 3.6 | +0.1 |
| Euro area | 2.2 | 1.6 | -0.6 |
| Japan | 2.3 | 0.8 | -1.5 |
| Developing | 5.9 | 6.3 | +0.4 |
| China | 7.5 | 8.5 | +1.0 |

Global GDP Growth (Percent)



Developing Country GDP Growth (Percent)

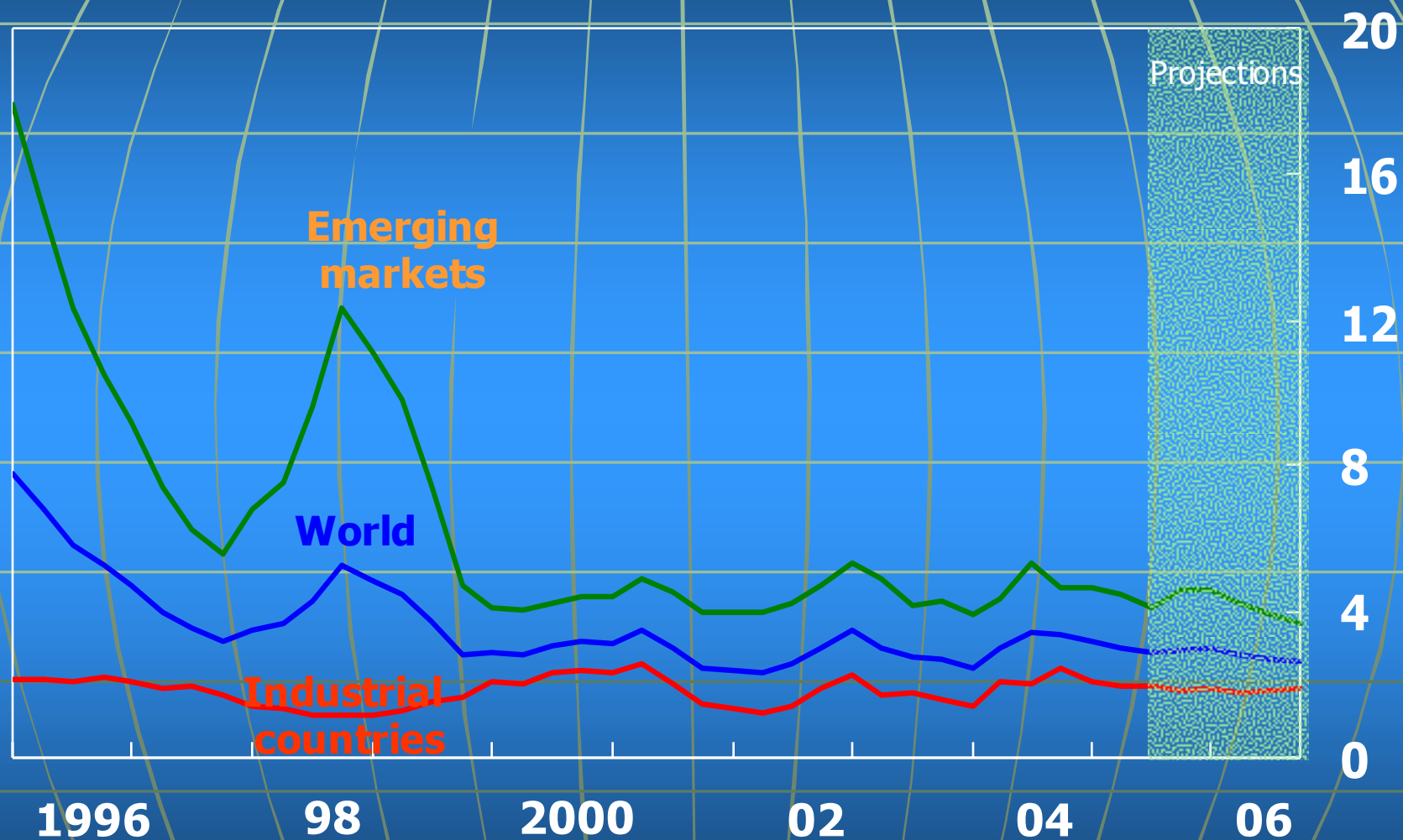


Short-term Risks

- Tighter financial market conditions
- Rising oil prices
- The unbalanced expansion

Global Outlook: World

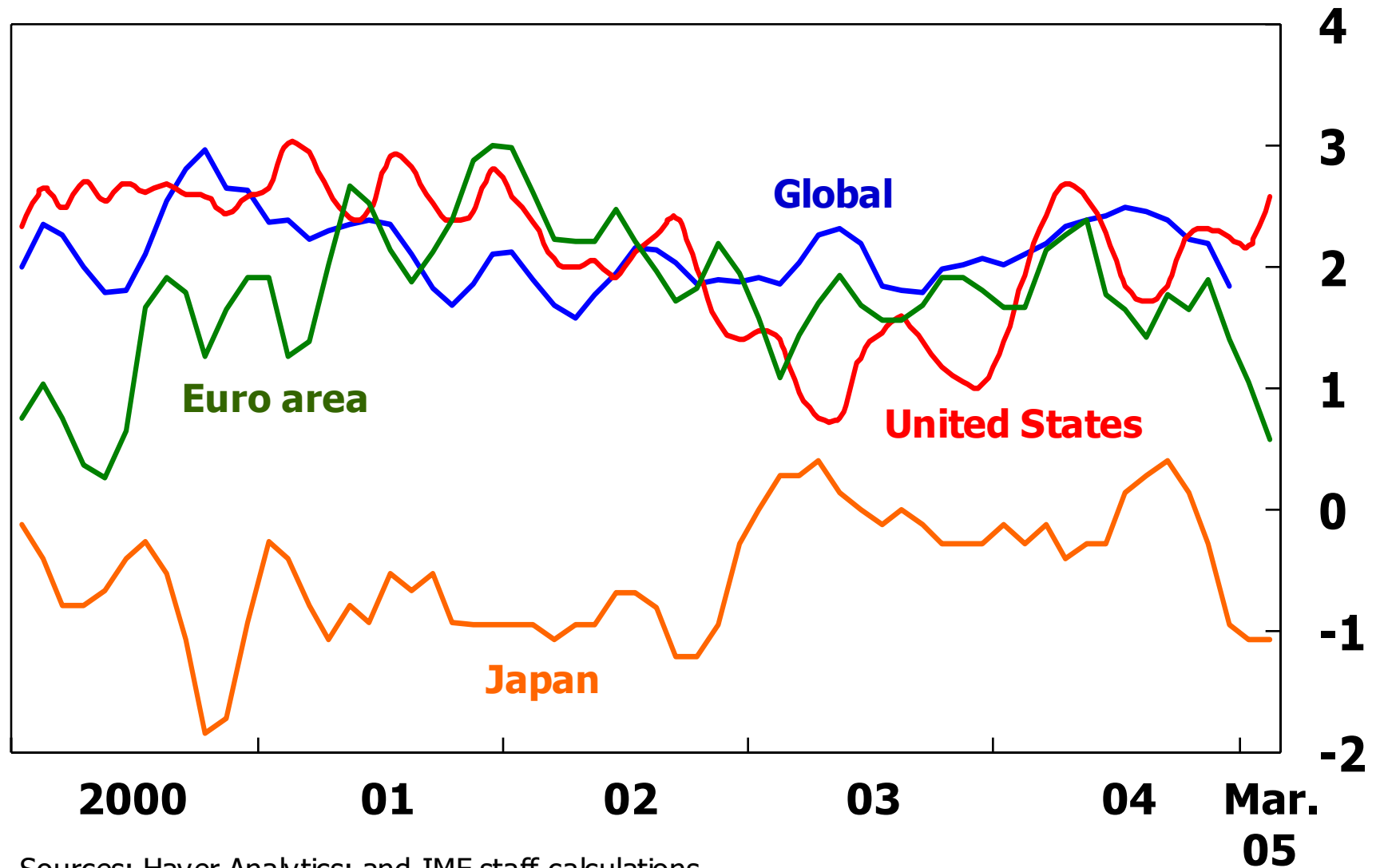
(CPI; percent change from four quarters earlier)



Sources: Haver Analytics; and IMF staff estimates.

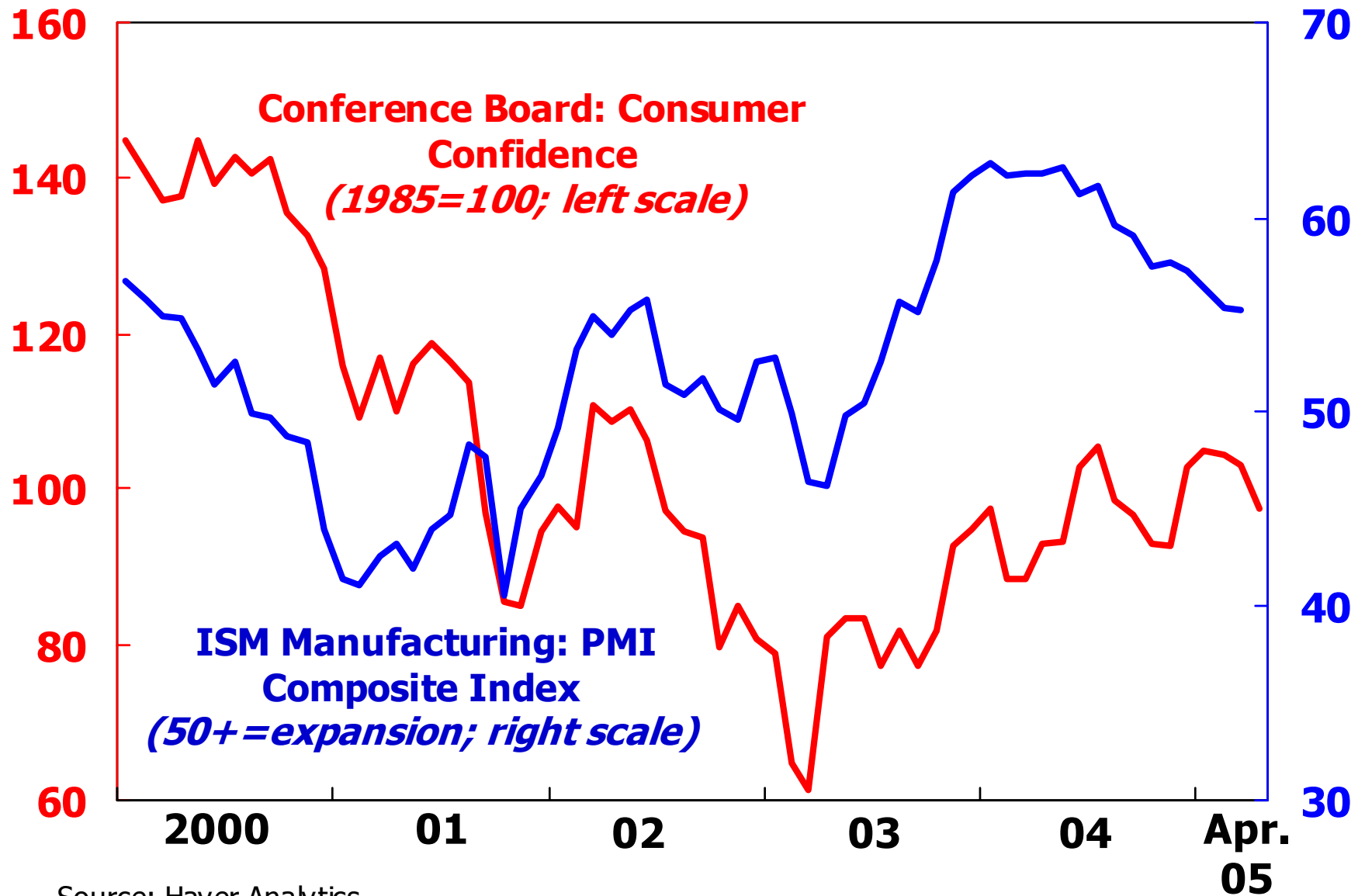
Core Inflation

*(Annualized percent change of three-month moving average
over previous three-month average)*



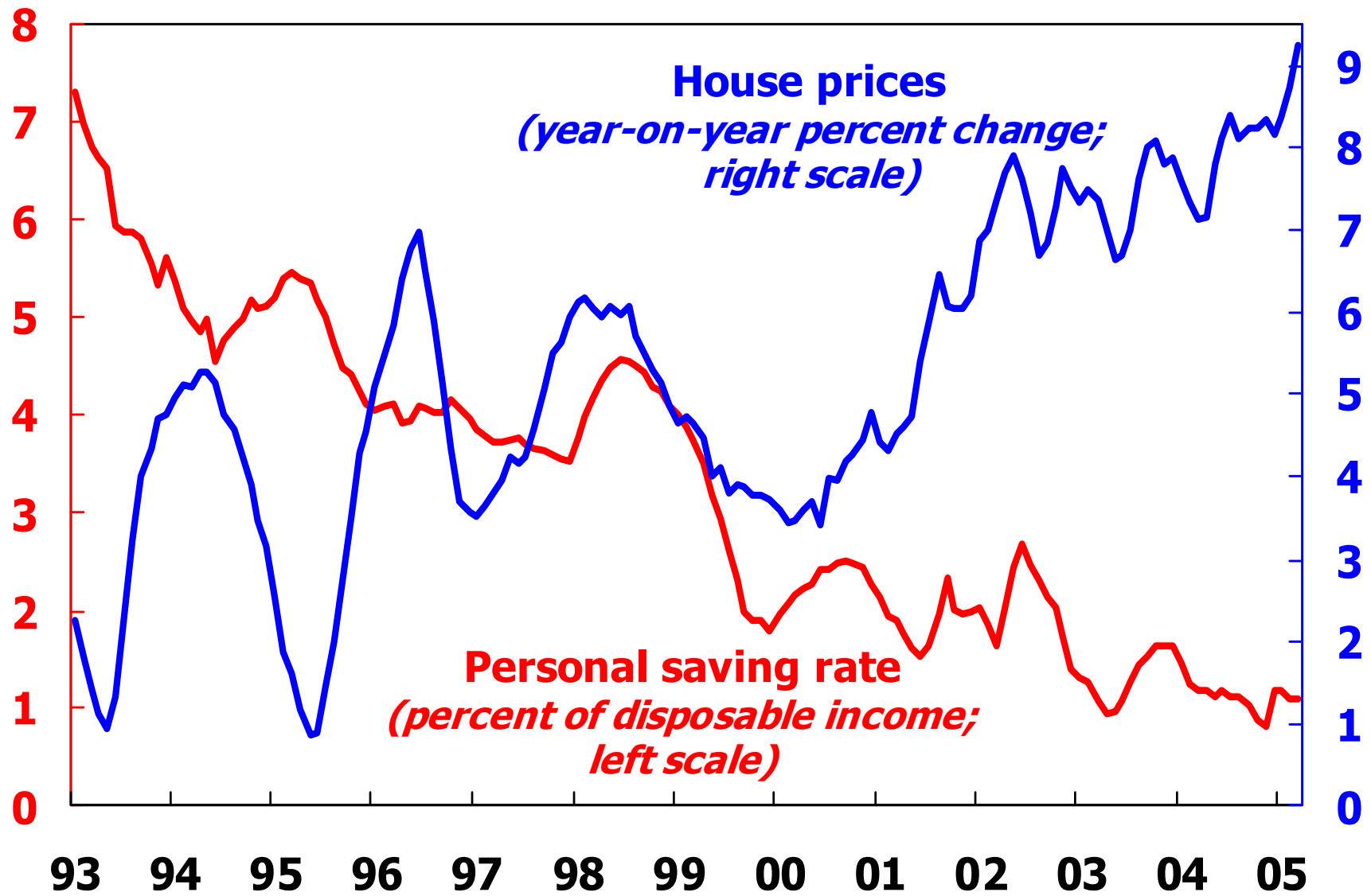
Sources: Haver Analytics; and IMF staff calculations.

United States: Confidence



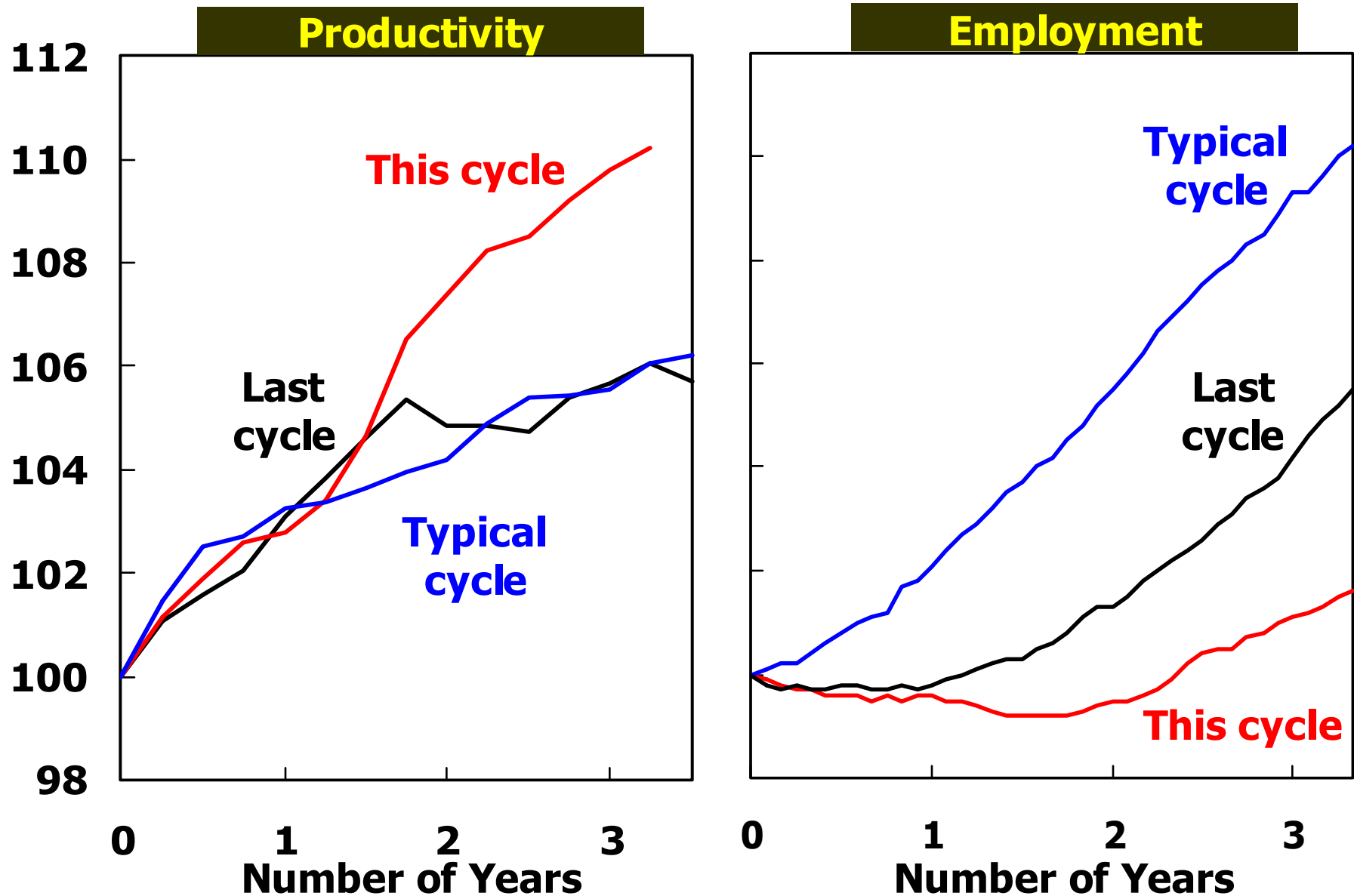
United States: Personal Savings Rate

(six-month moving averages)



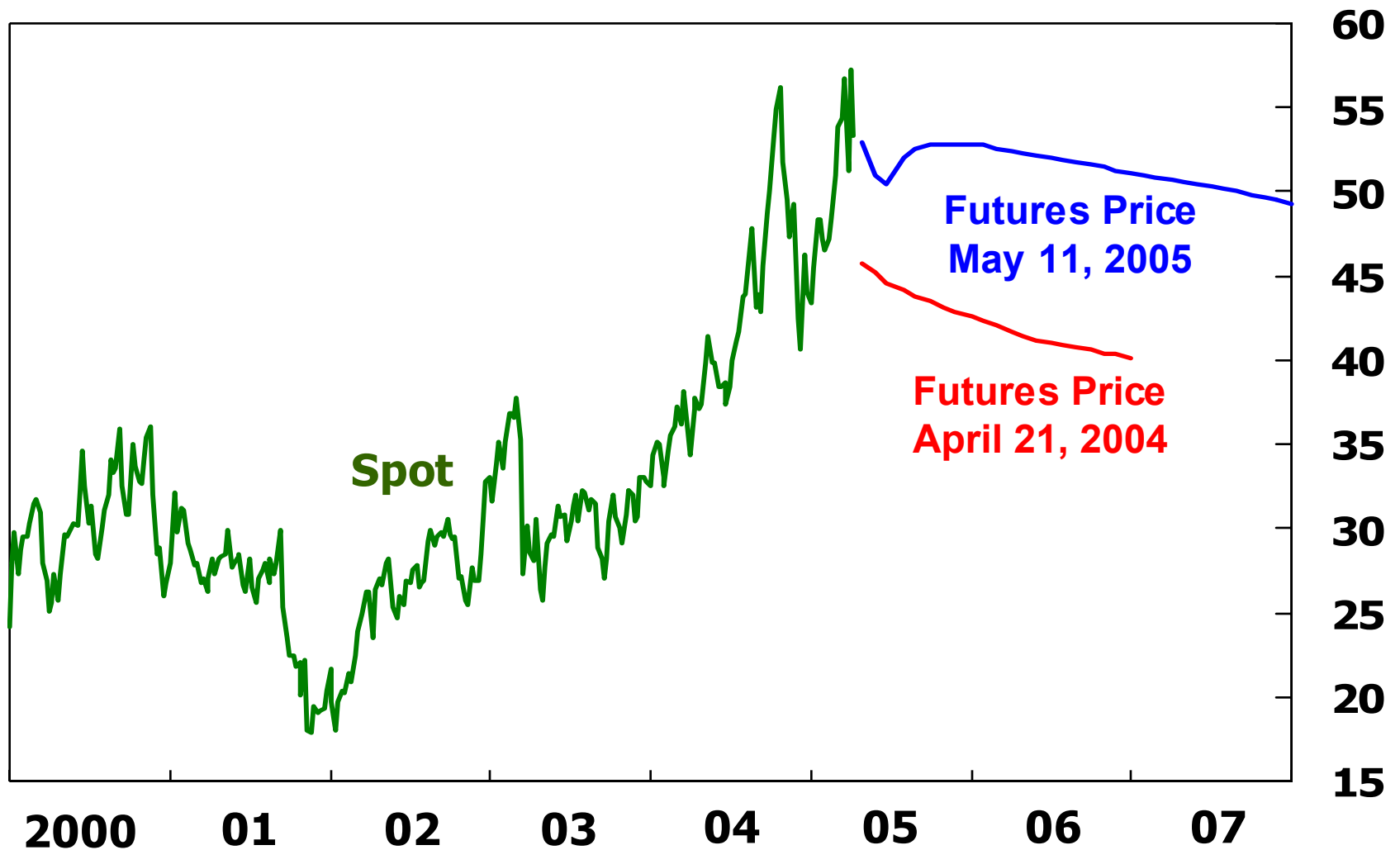
U.S. Business Cycle

(Index; trough=100; Payroll survey)



Oil Prices

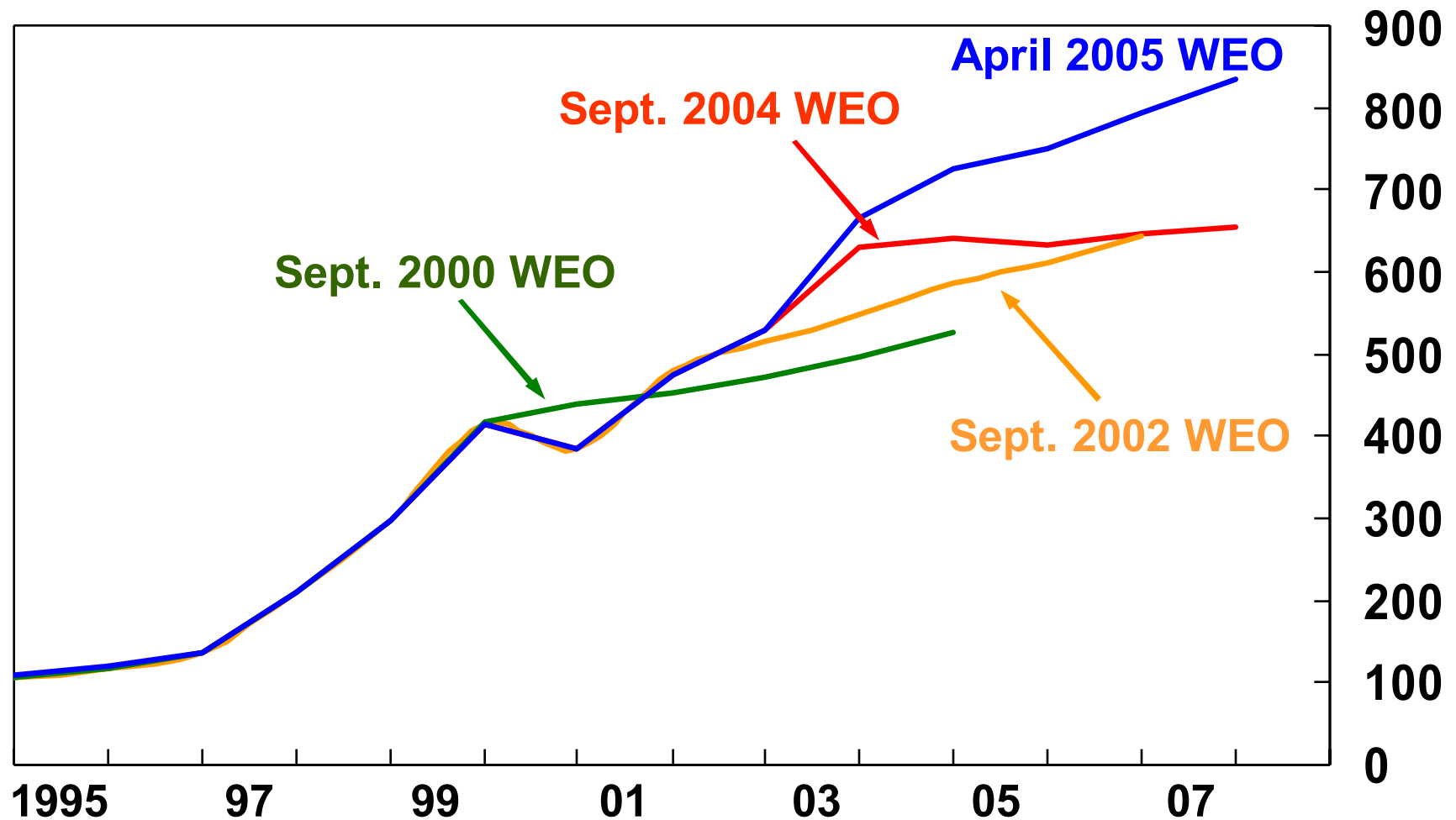
(U.S. dollars per barrel; west Texas Intermediate)



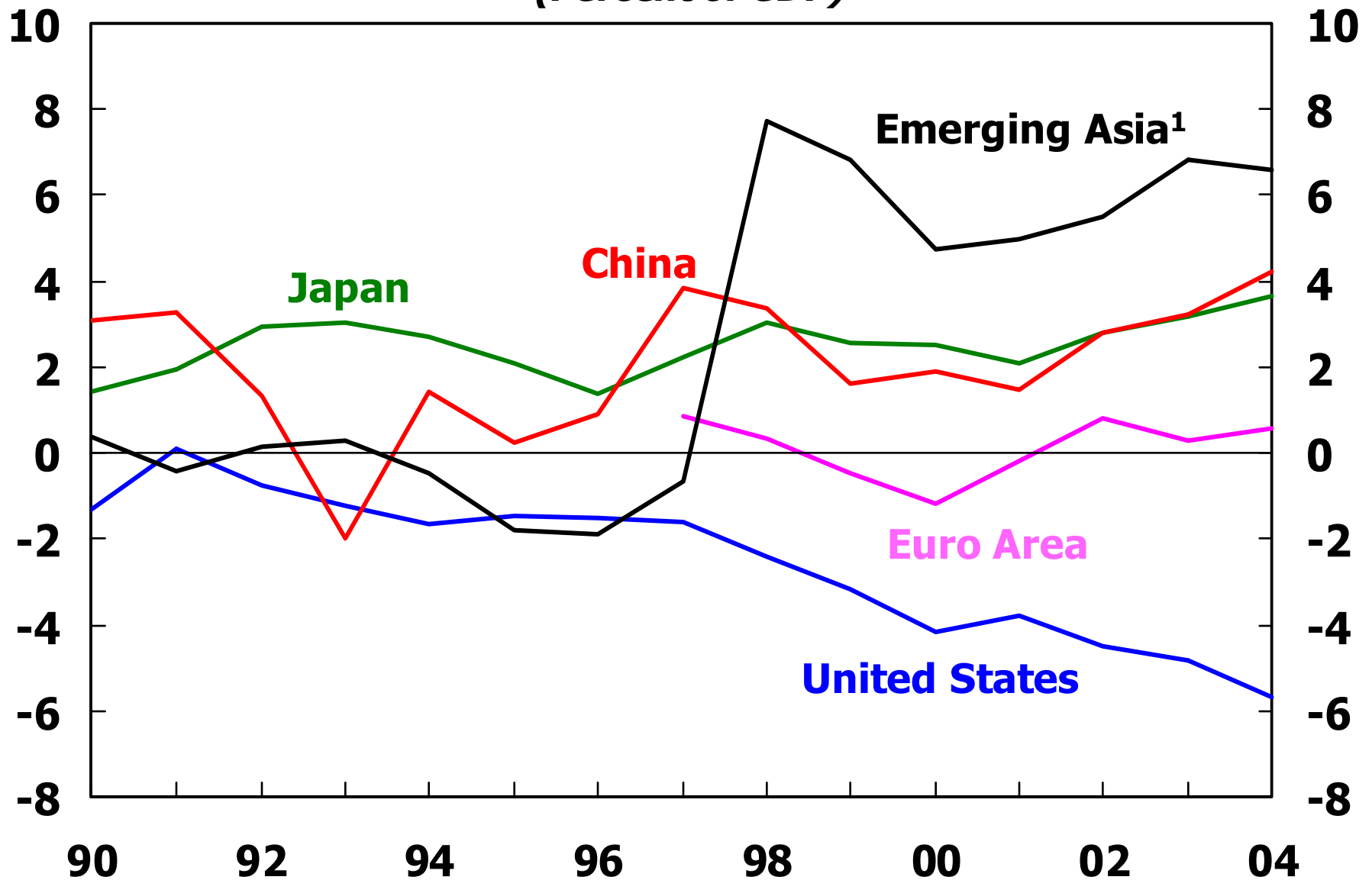
Source: Bloomberg Financial Markets, LP.

The U.S. Current Account Deficit

(Billions of dollars)



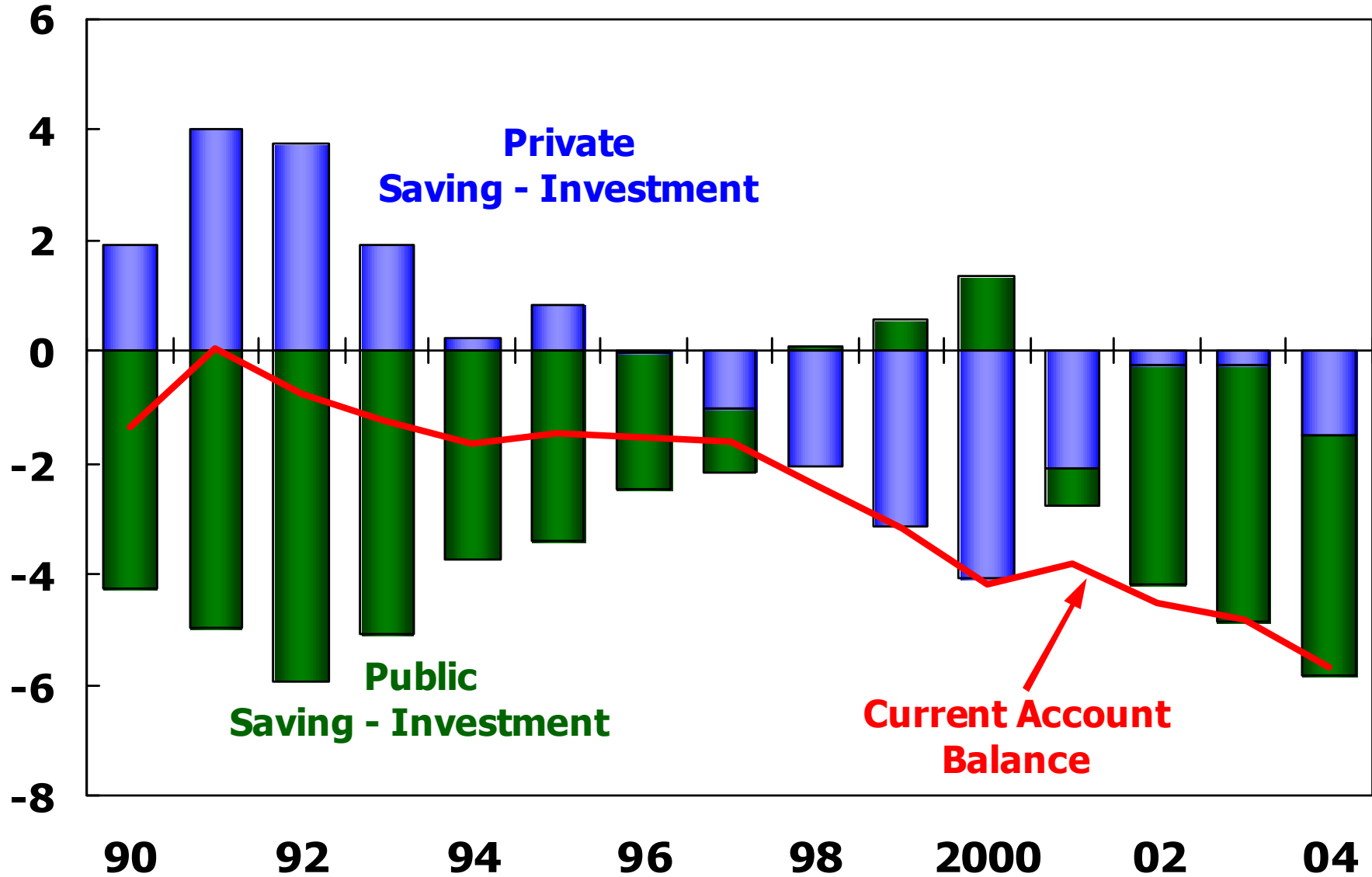
Current Account Balances (Percent of GDP)



¹ NIEs and ASEAN-4.

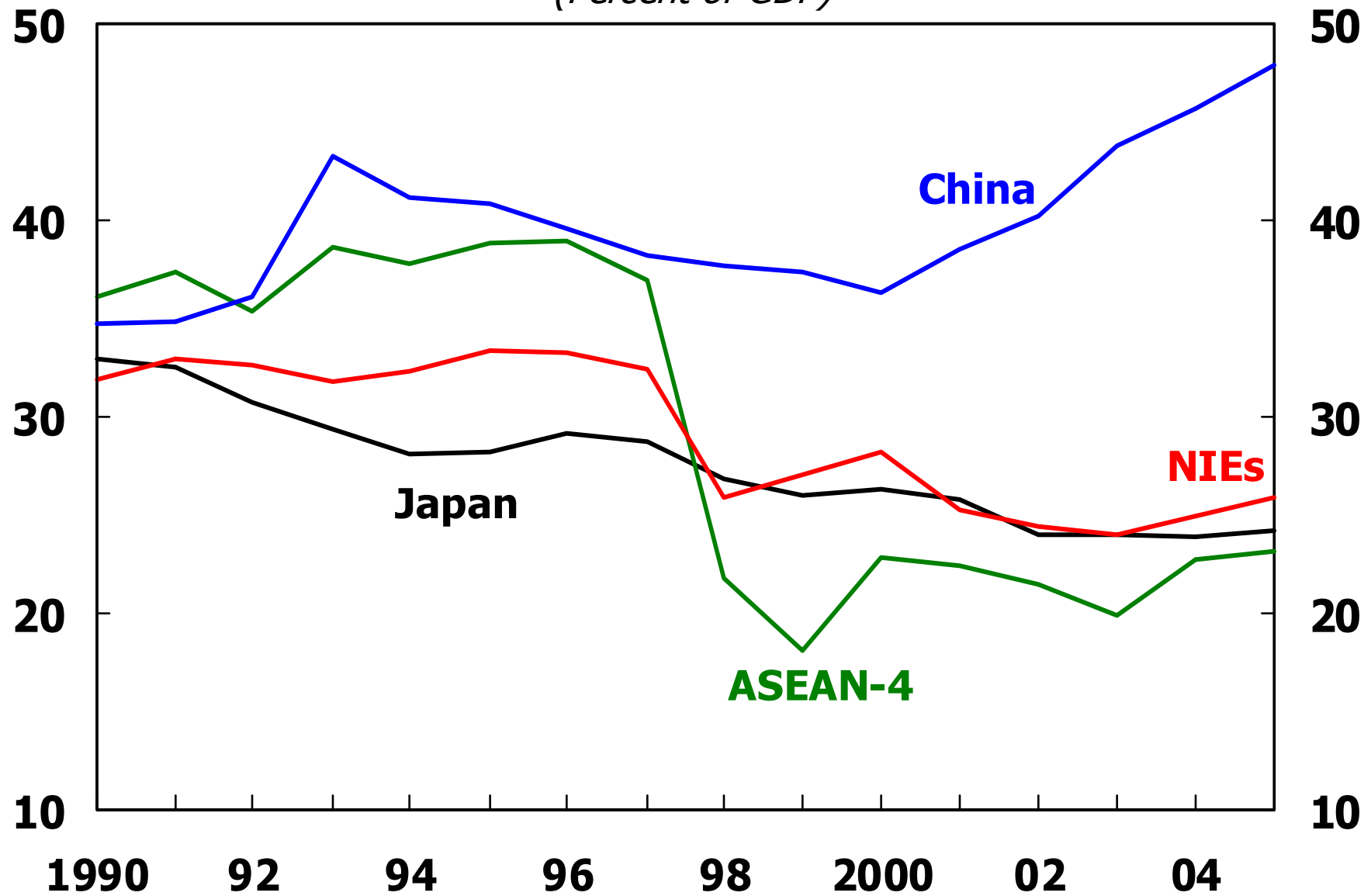
U.S. Current Account Balance and Saving-Investment

(Percent of GDP)



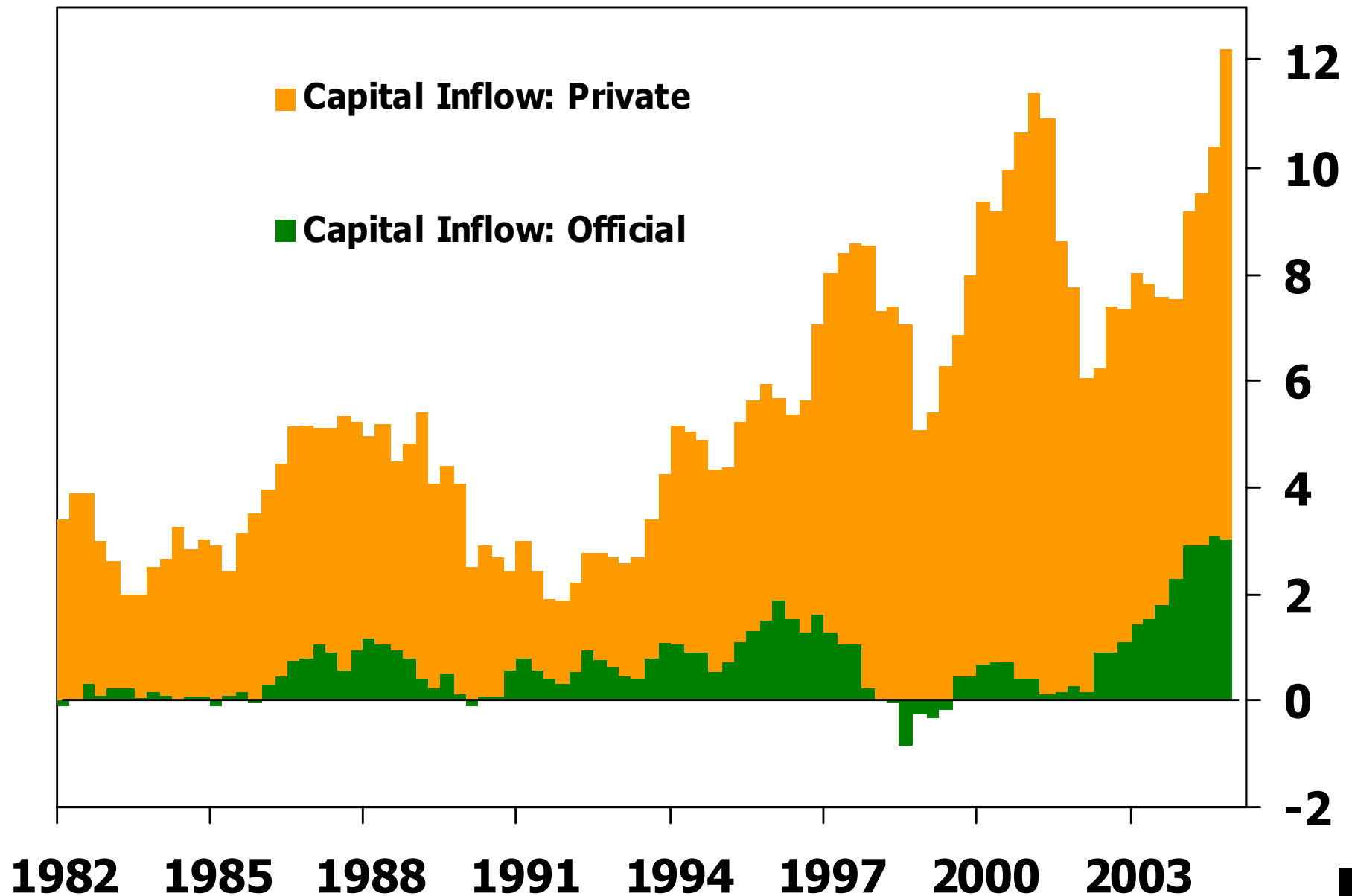
Investment in Asia

(Percent of GDP)

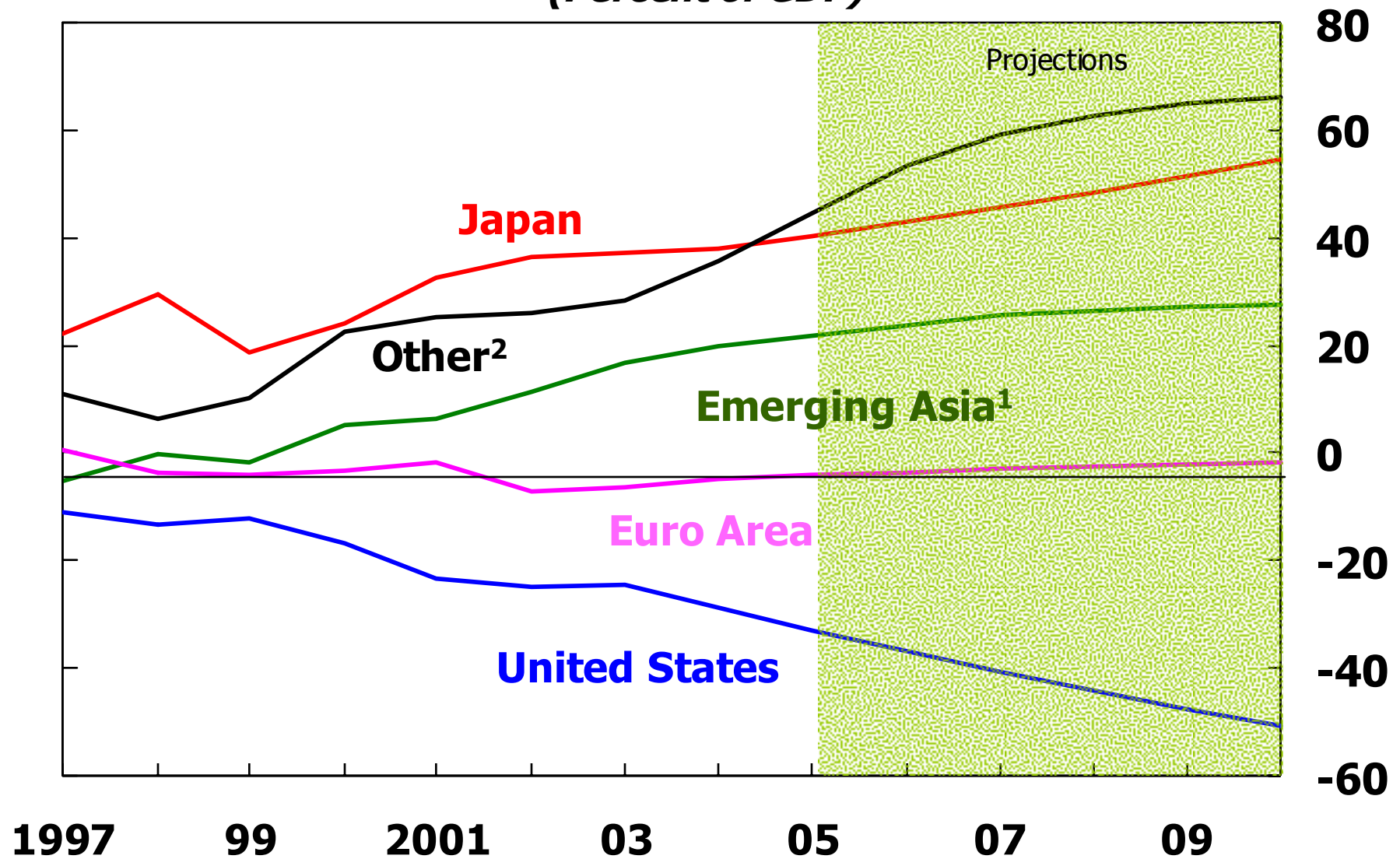


United States: Gross Capital Inflow

(In percent of GDP; four-quarter moving average)



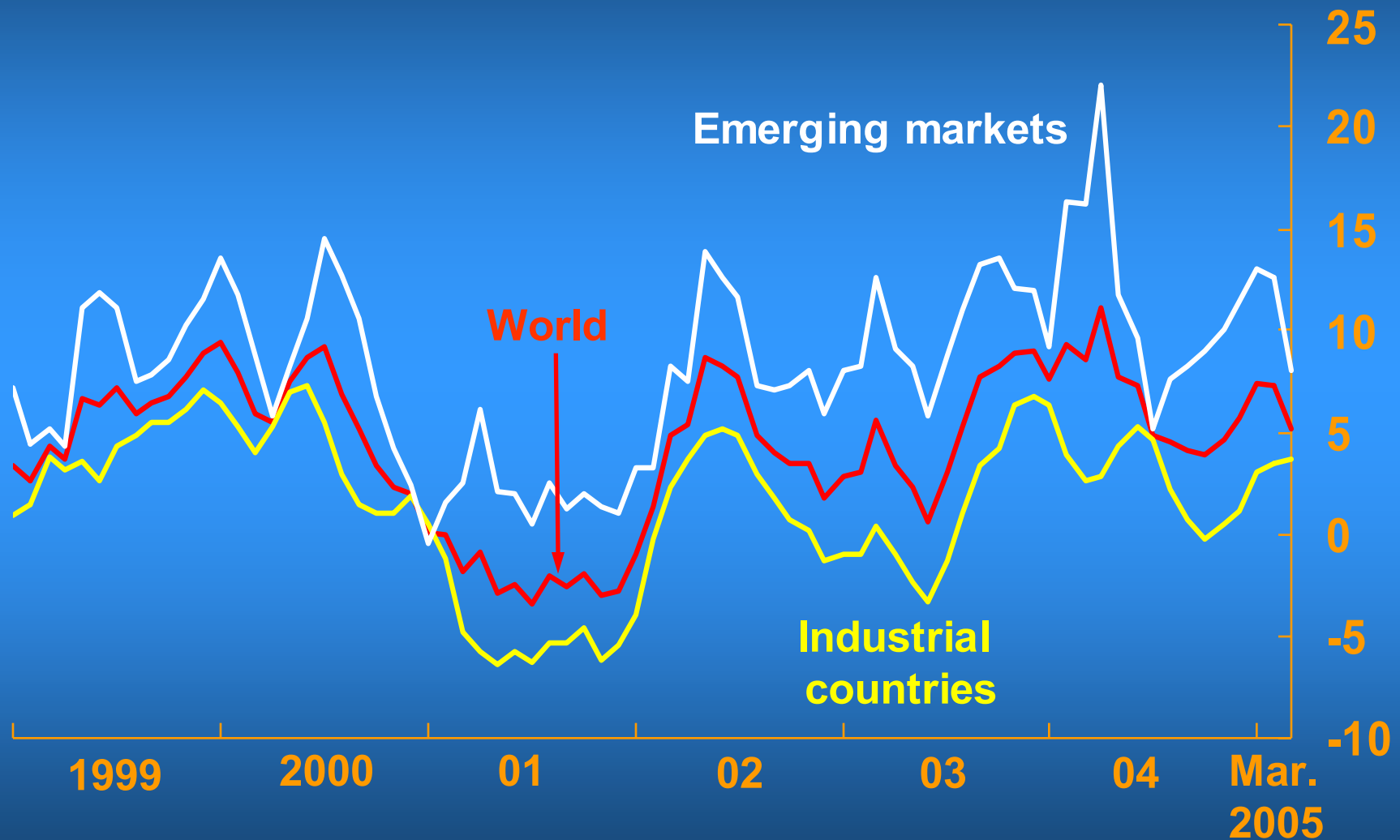
Net Foreign Assets (Percent of GDP)



¹Consists of China, Hong Kong SAR, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan Province of China, and Thailand.

²Consists of Egypt, Jordan, Kuwait, Oman, Russia, and Saudi Arabia.

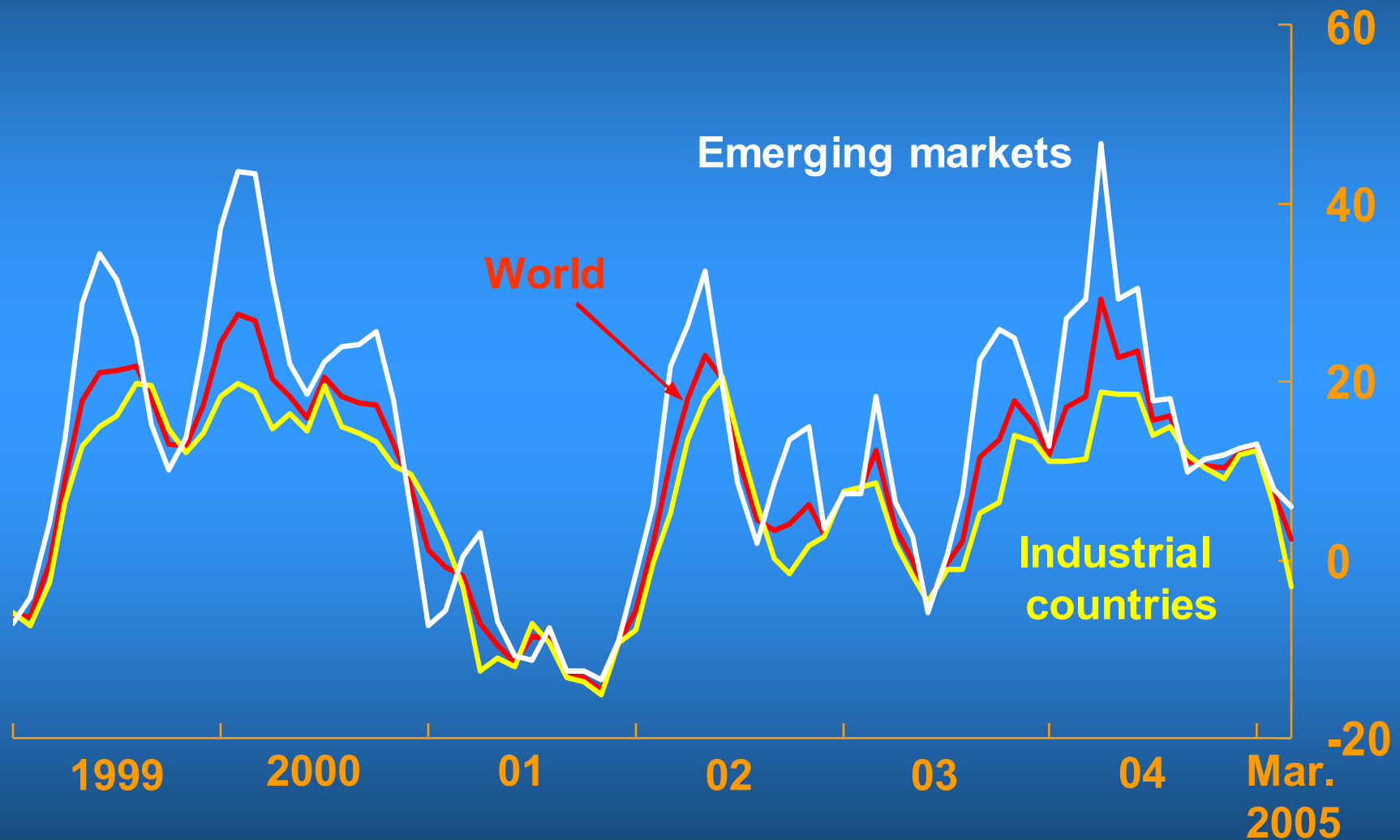
Industrial Production (3-month moving average)



Source: Haver Analytics.

Global Trade

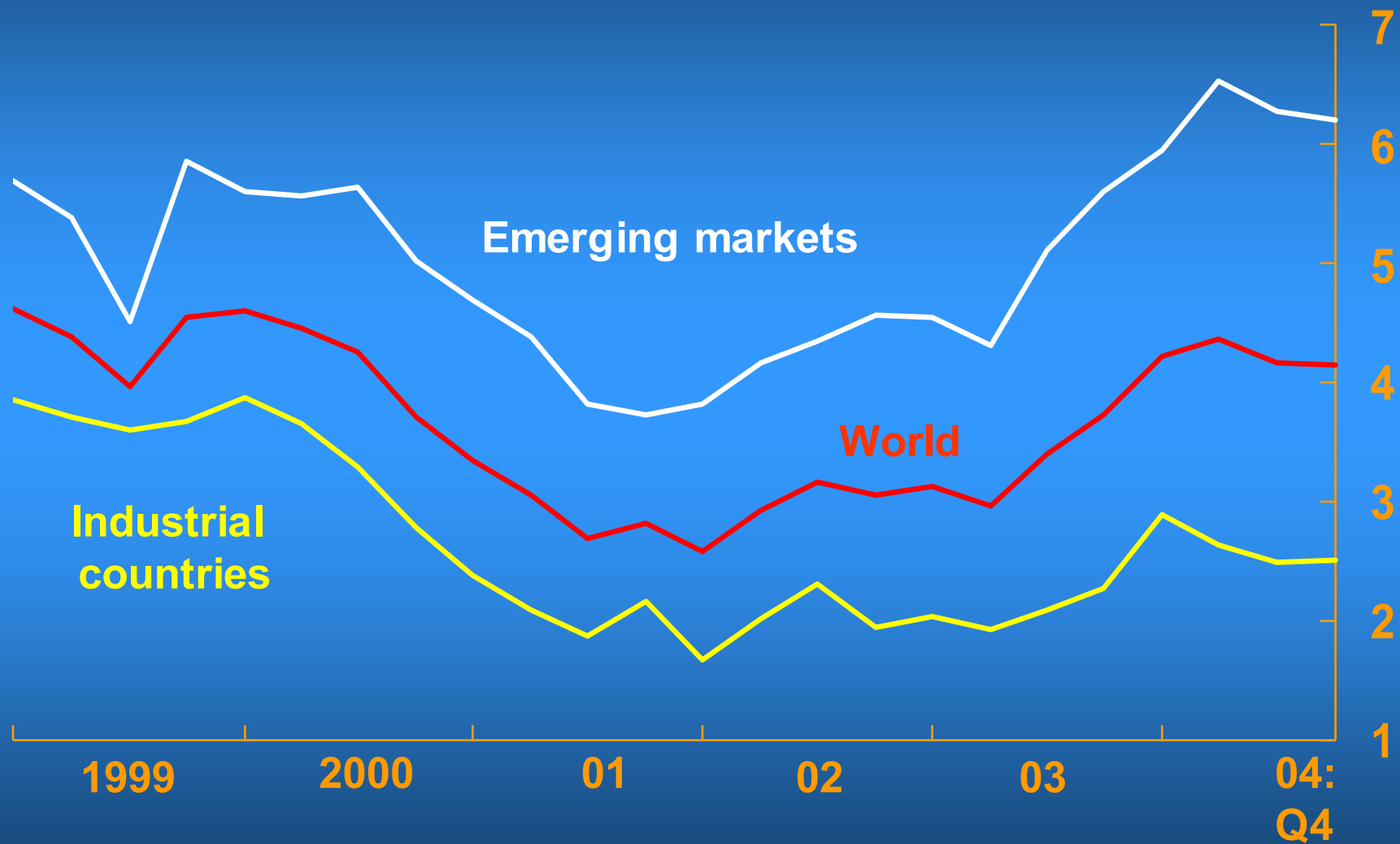
(In SDR terms; 3-month moving average)



Source: Haver Analytics.

Global Private Consumption

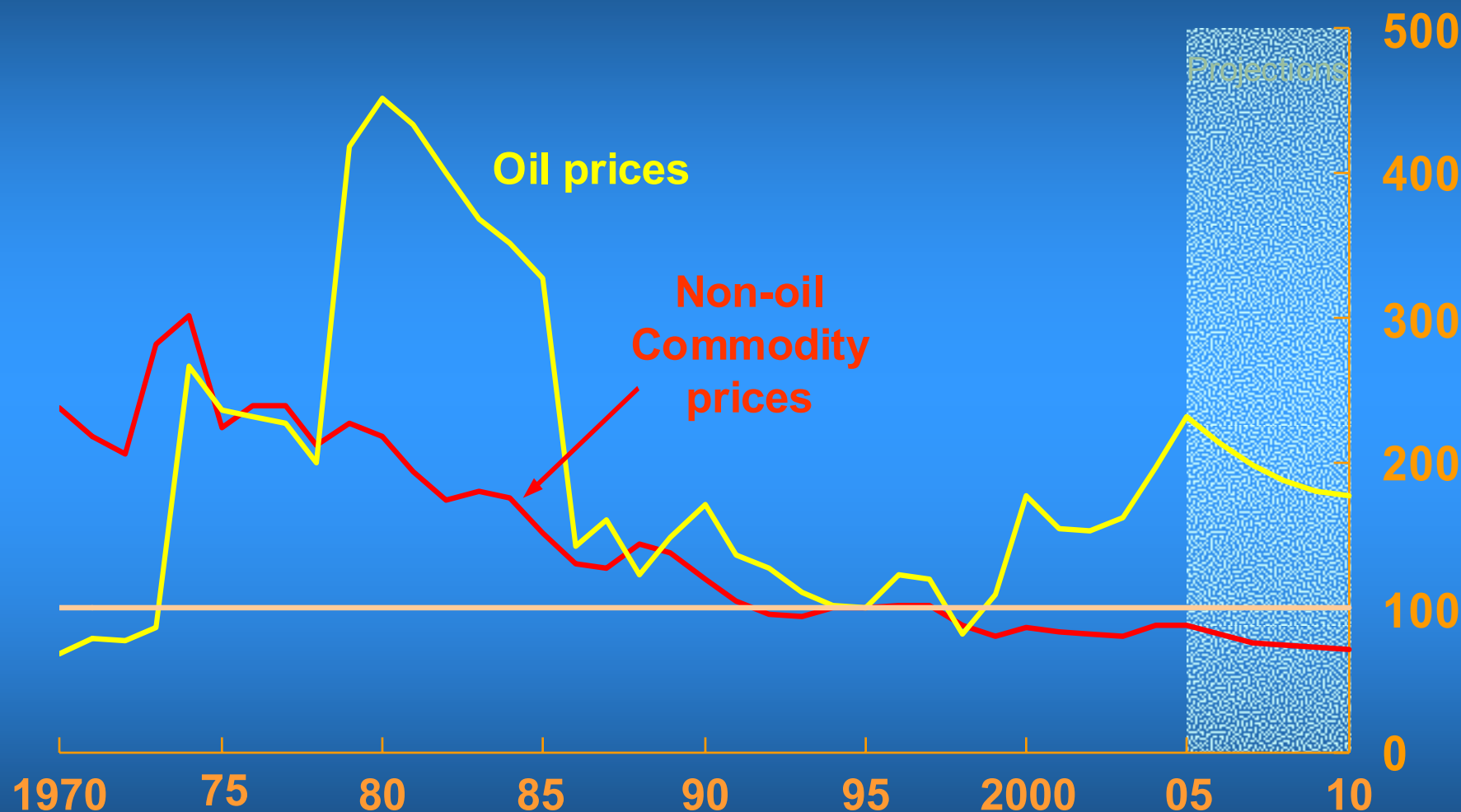
(Percent change from a year ago)



Source: Haver Analytics.

Real Commodity Prices

(1995 = 100)



Source: IMF staff estimates.

Headline Inflation

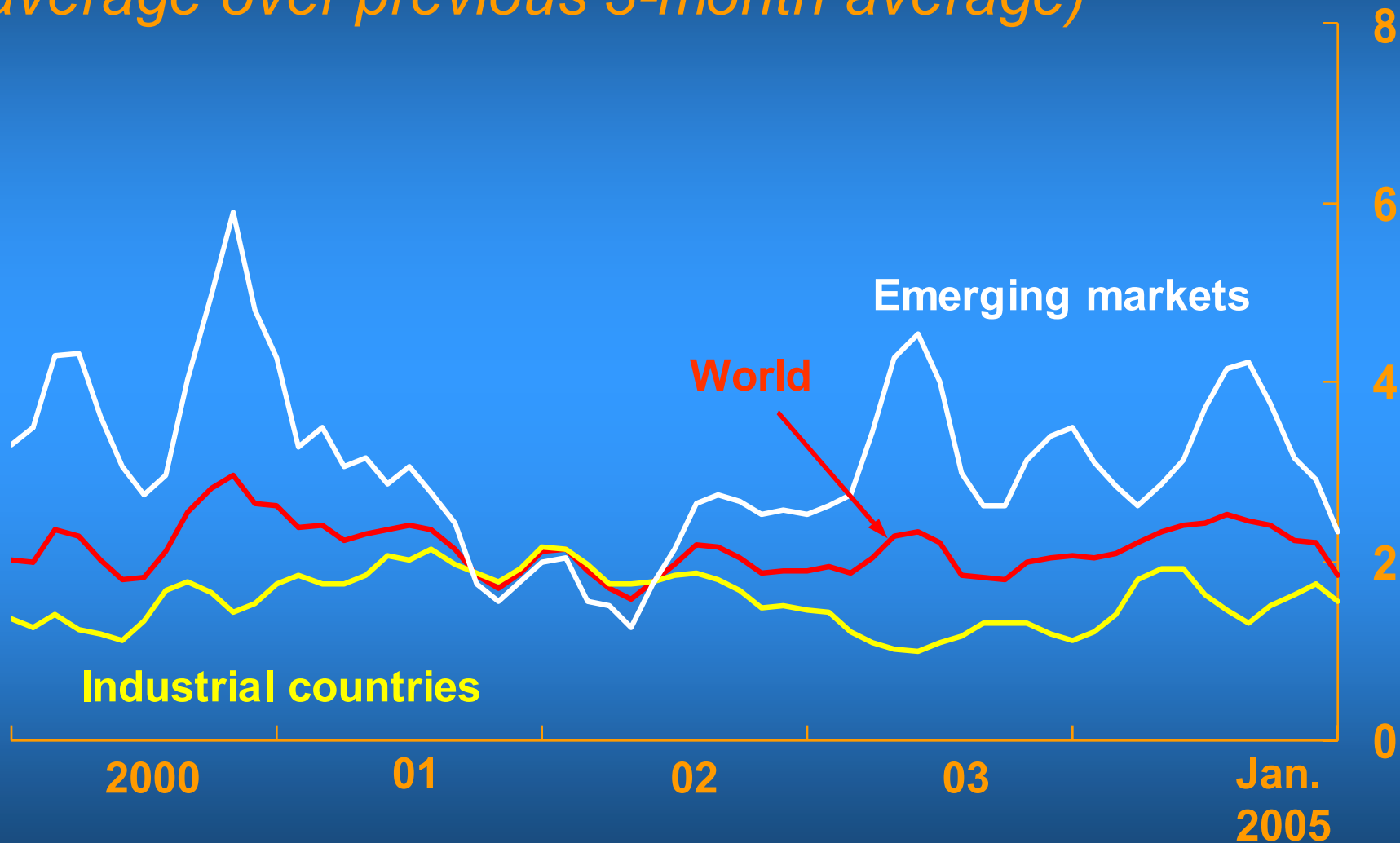
(Annualized percent change of 3-month moving average over previous 3-month average)



Source: Haver Analytics.

Core Inflation

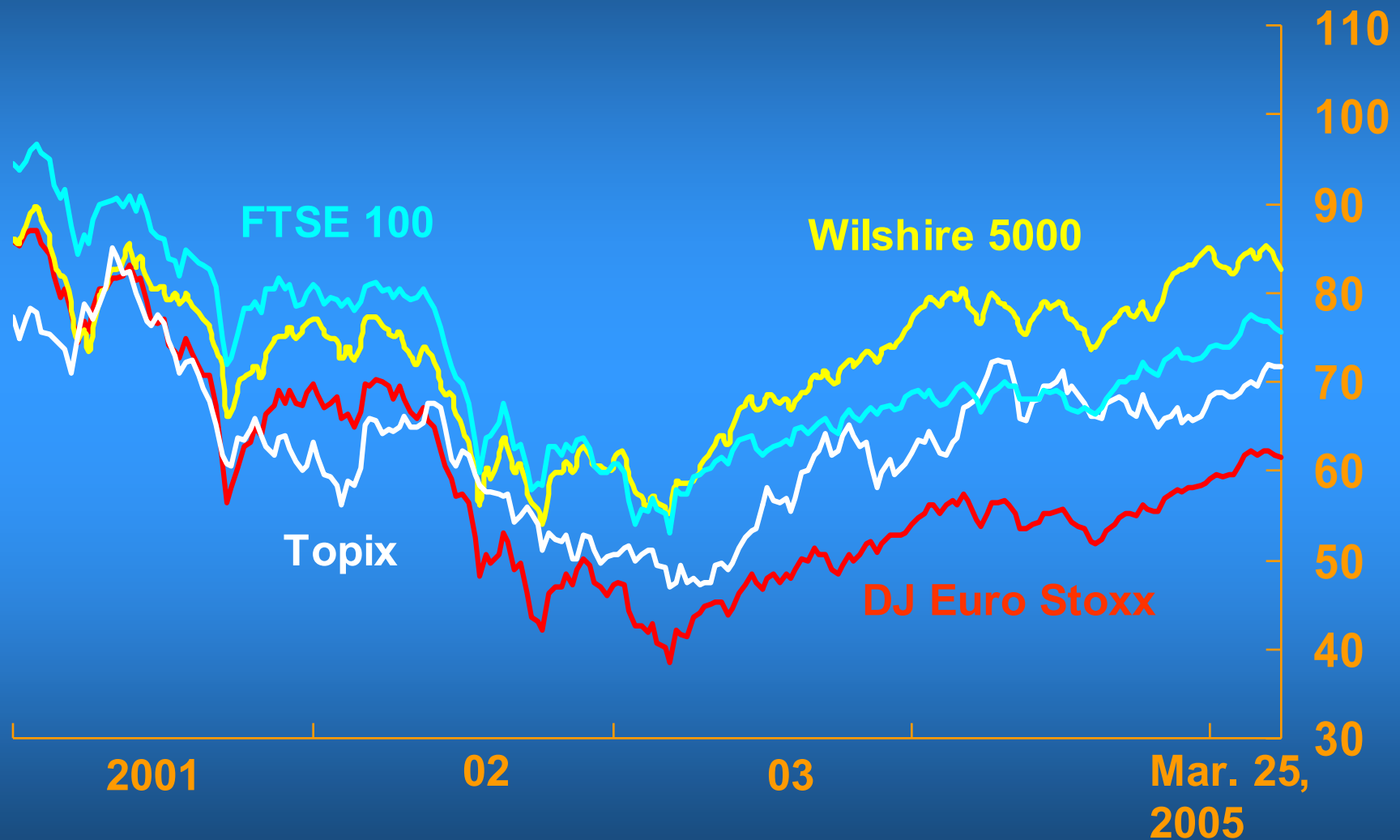
(Annualized percent change of 3-month moving average over previous 3-month average)



Source: Haver Analytics.

Mature Equity Markets

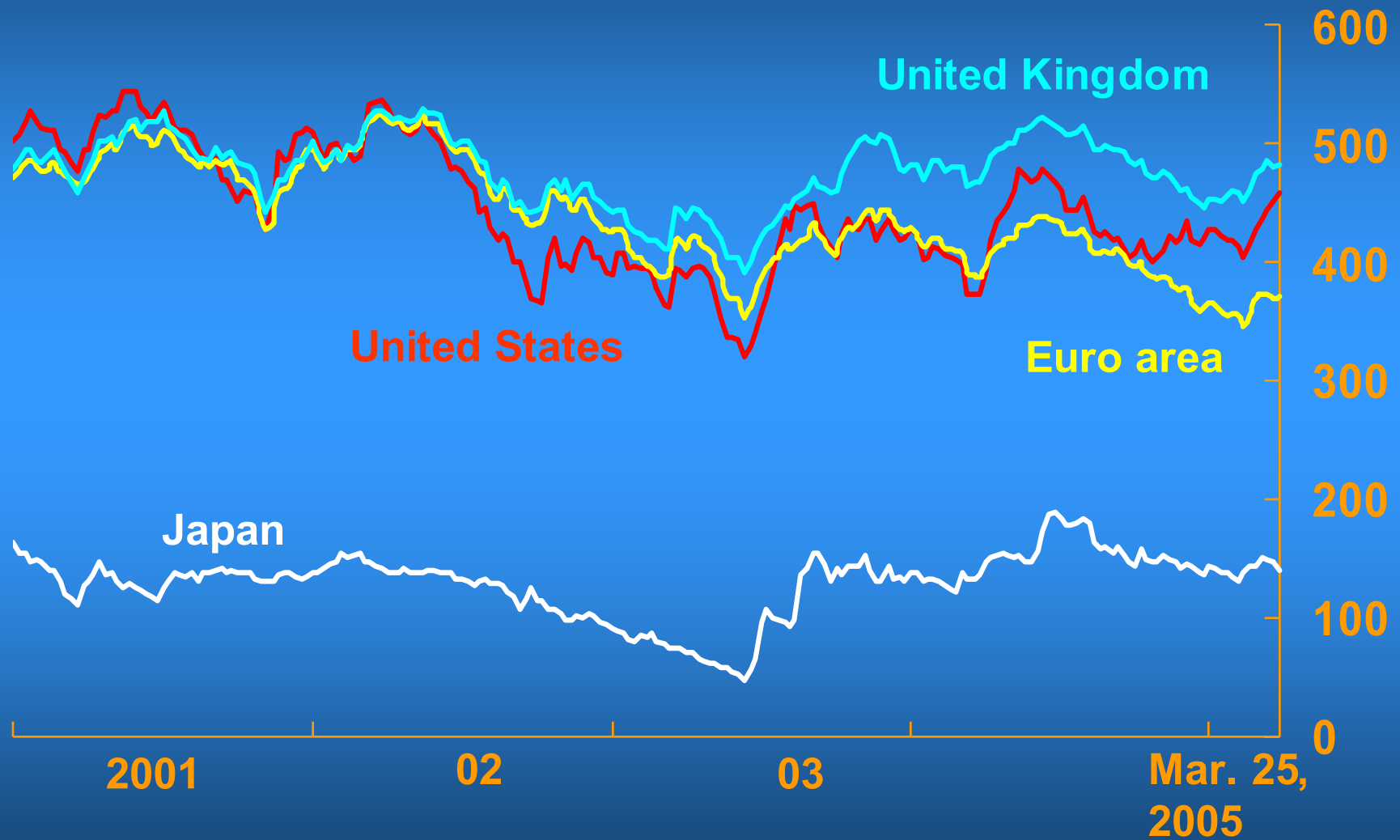
(March 2000 = 100; national currency)



Source: Bloomberg Financial Markets, LP.

Long-Term Interest Rates

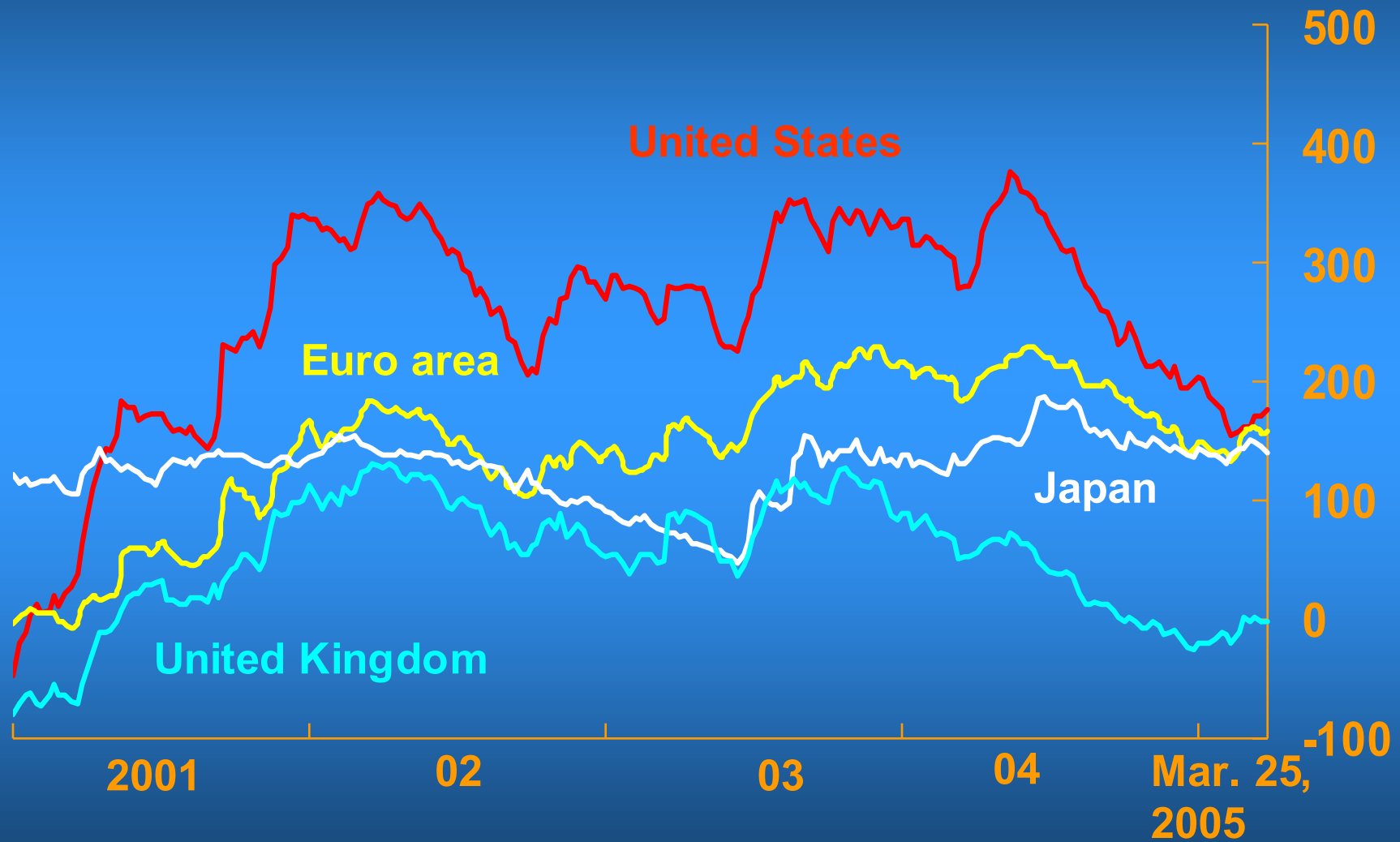
(Basis points)



Source: Bloomberg Financial Markets, LP.

Yield Curve Slopes

(Basis points)



Source: Bloomberg Financial Markets, LP.

Interest Rate Spreads

(Basis points)



Source: Bloomberg Financial Markets, LP.

Emerging Market Spreads

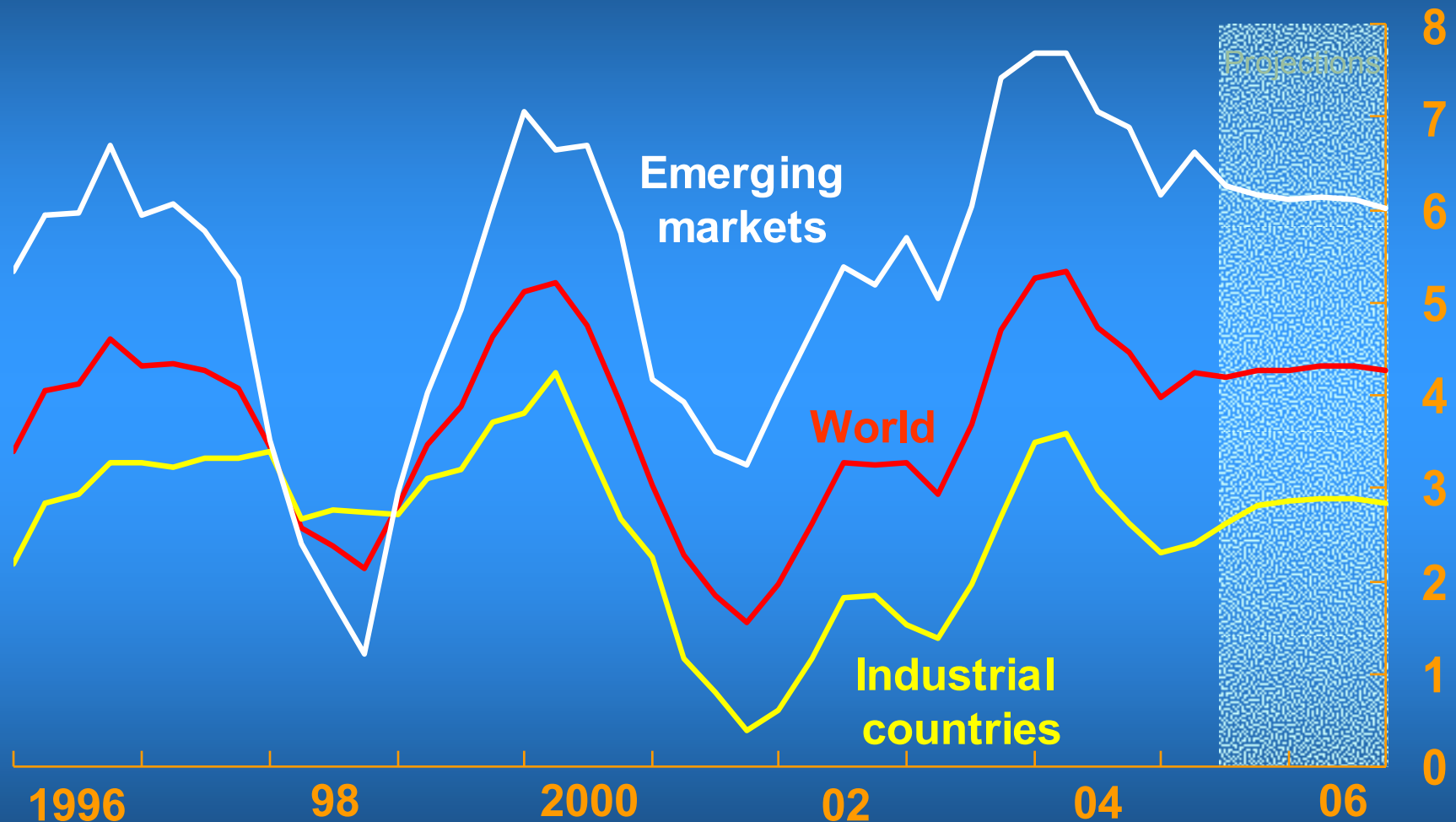
(Basis points)



Source: Bloomberg Financial Markets, LP.

Global Outlook: World

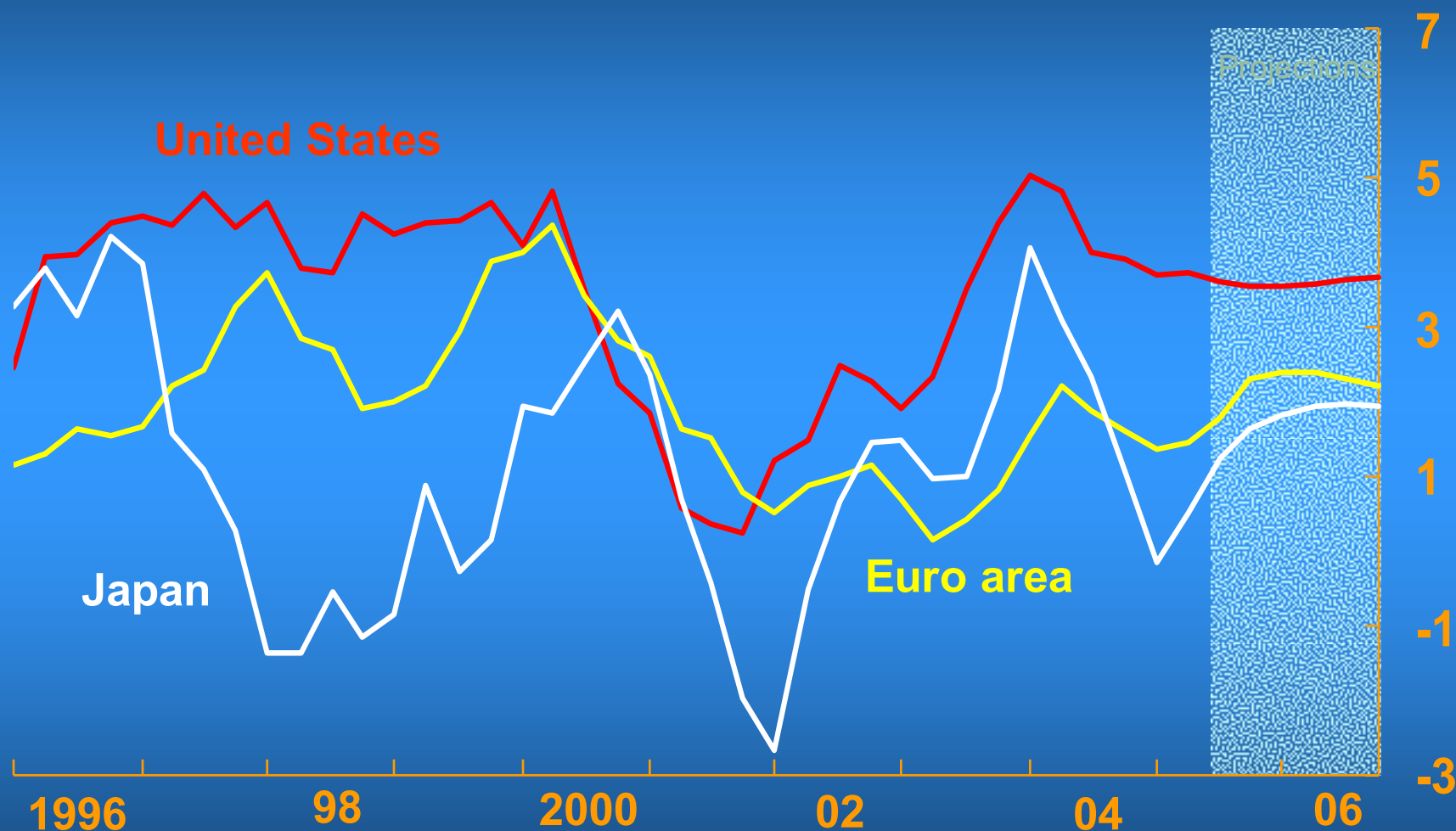
(Real GDP; percent change from four quarters earlier)



Source: Haver Analytics.

Global Outlook: Advanced Economies

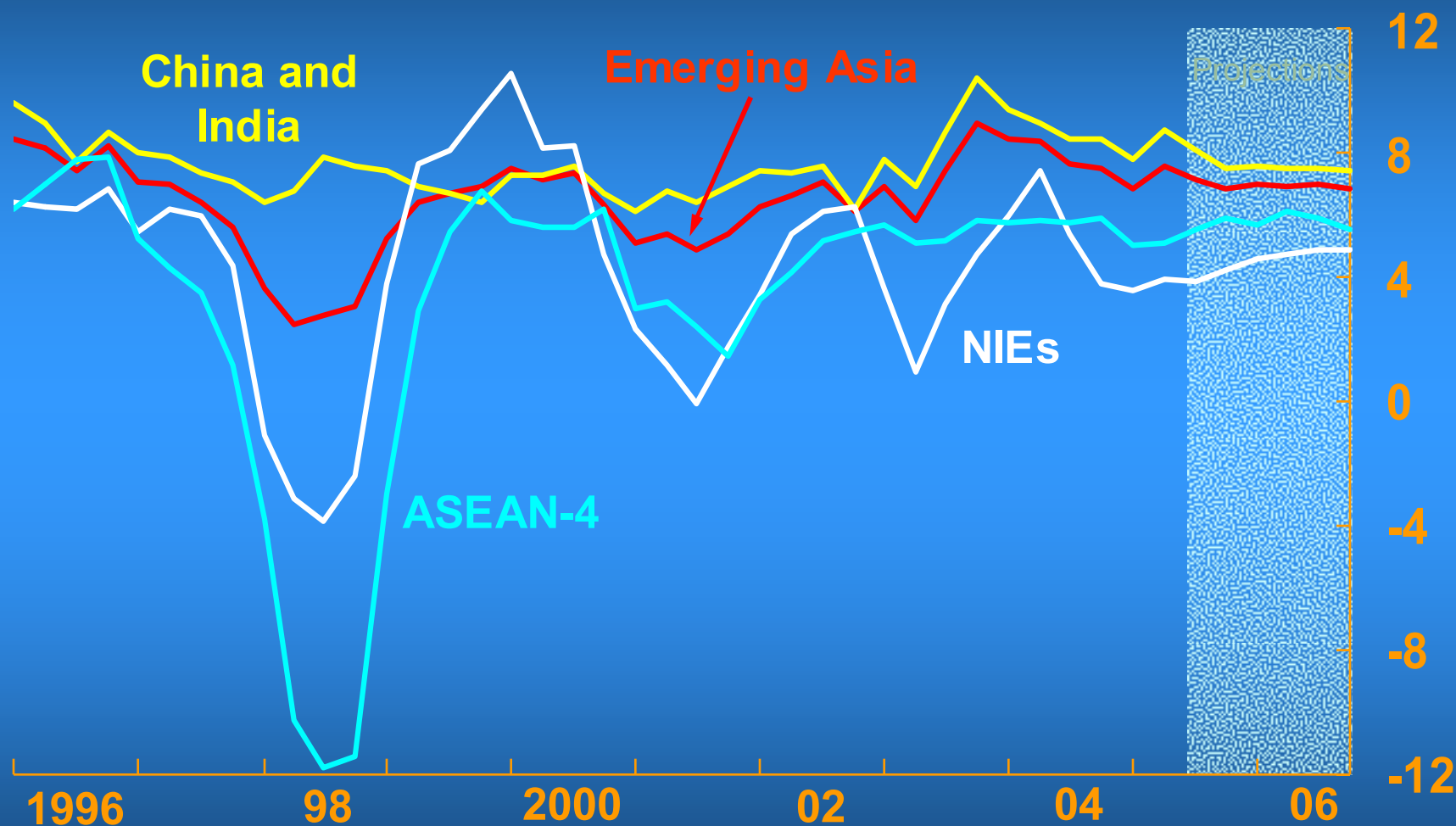
(Real GDP; percent change from four quarters earlier)



Source: Haver Analytics.

Global Outlook: Emerging Asia

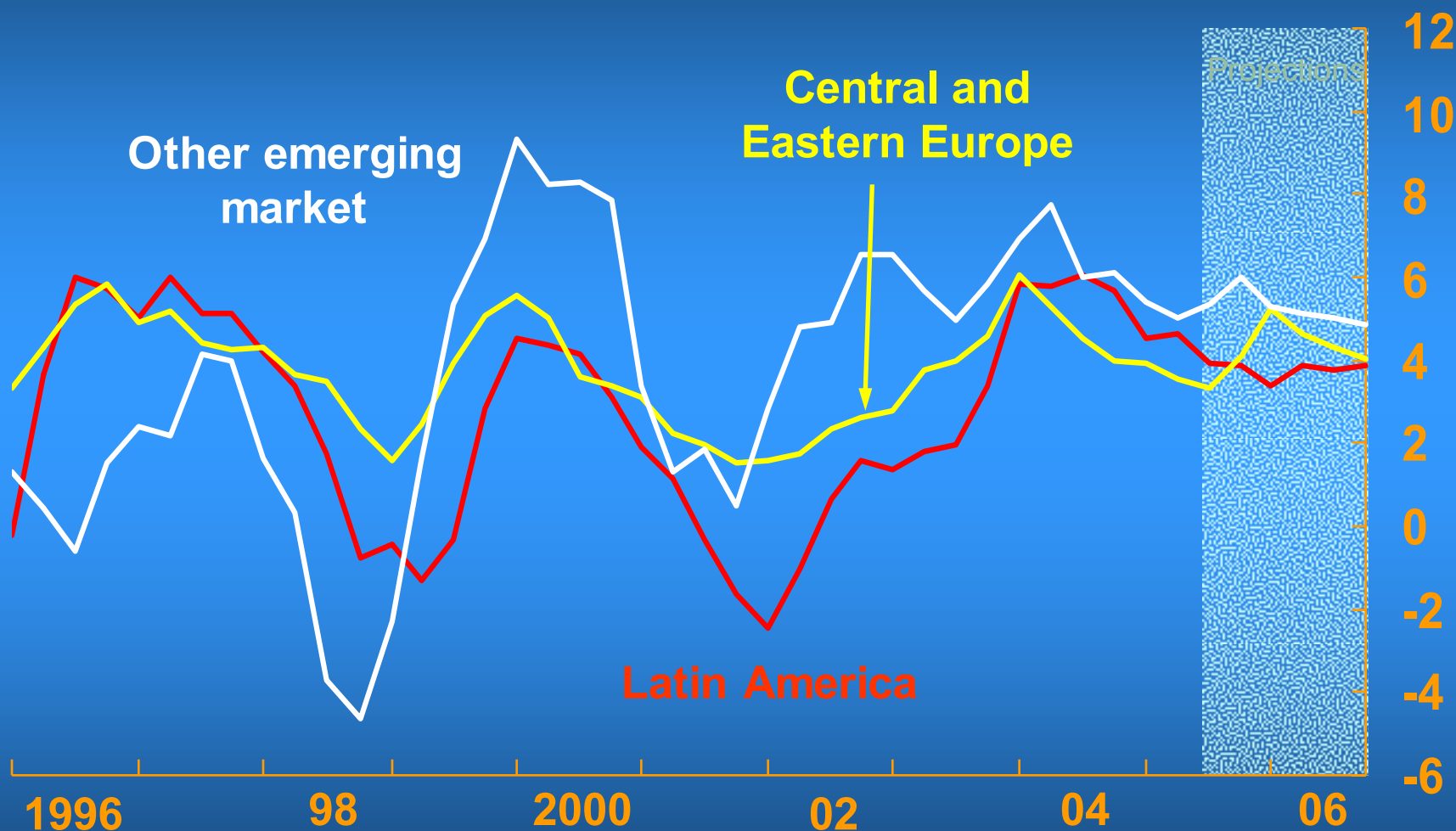
(Real GDP; percent change from four quarters earlier)



Source: Haver Analytics.

Global Outlook: Other Emerging Market

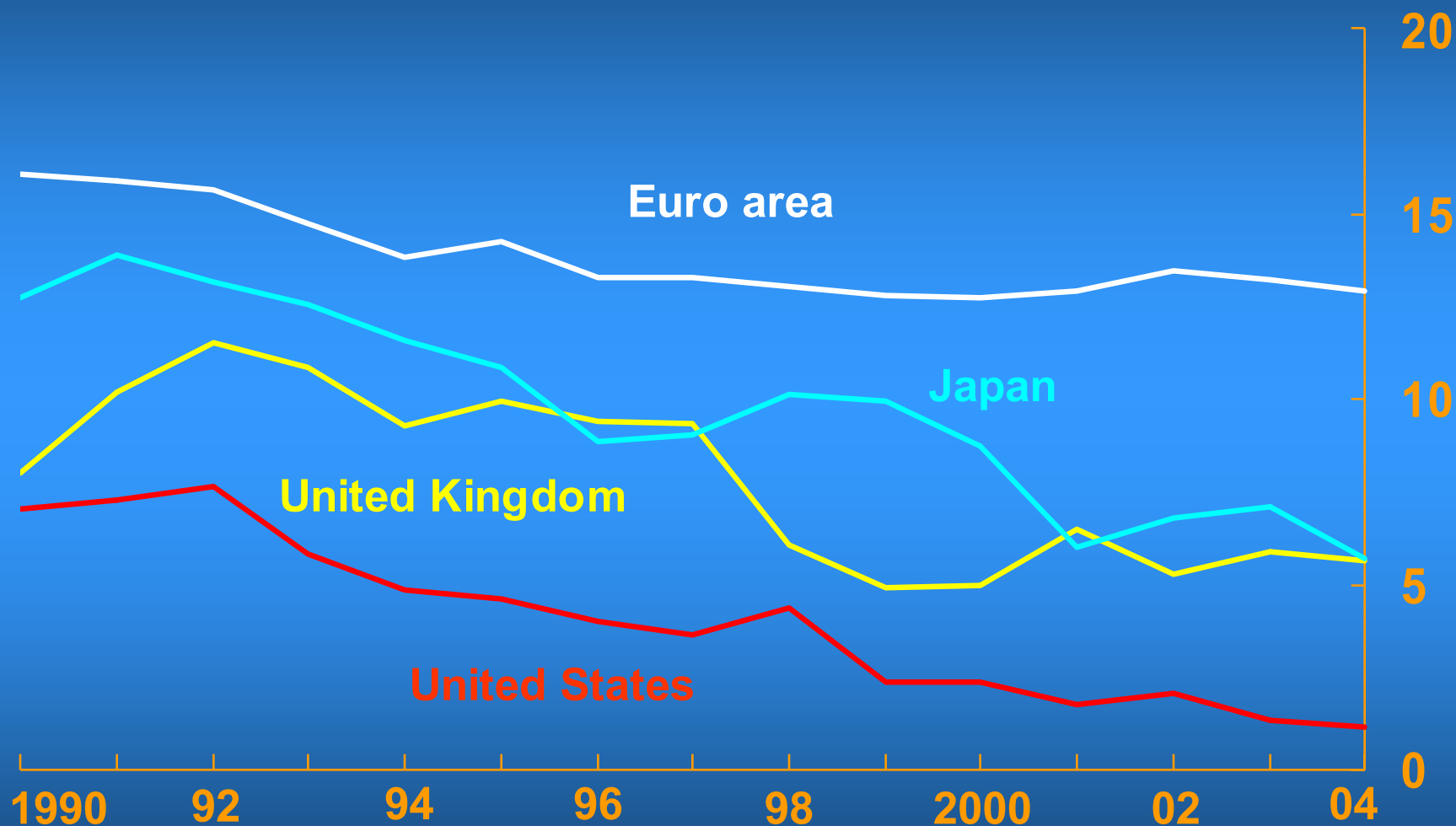
(Real GDP; percent change from four quarters earlier)



Source: Haver Analytics.

Household Saving Ratio

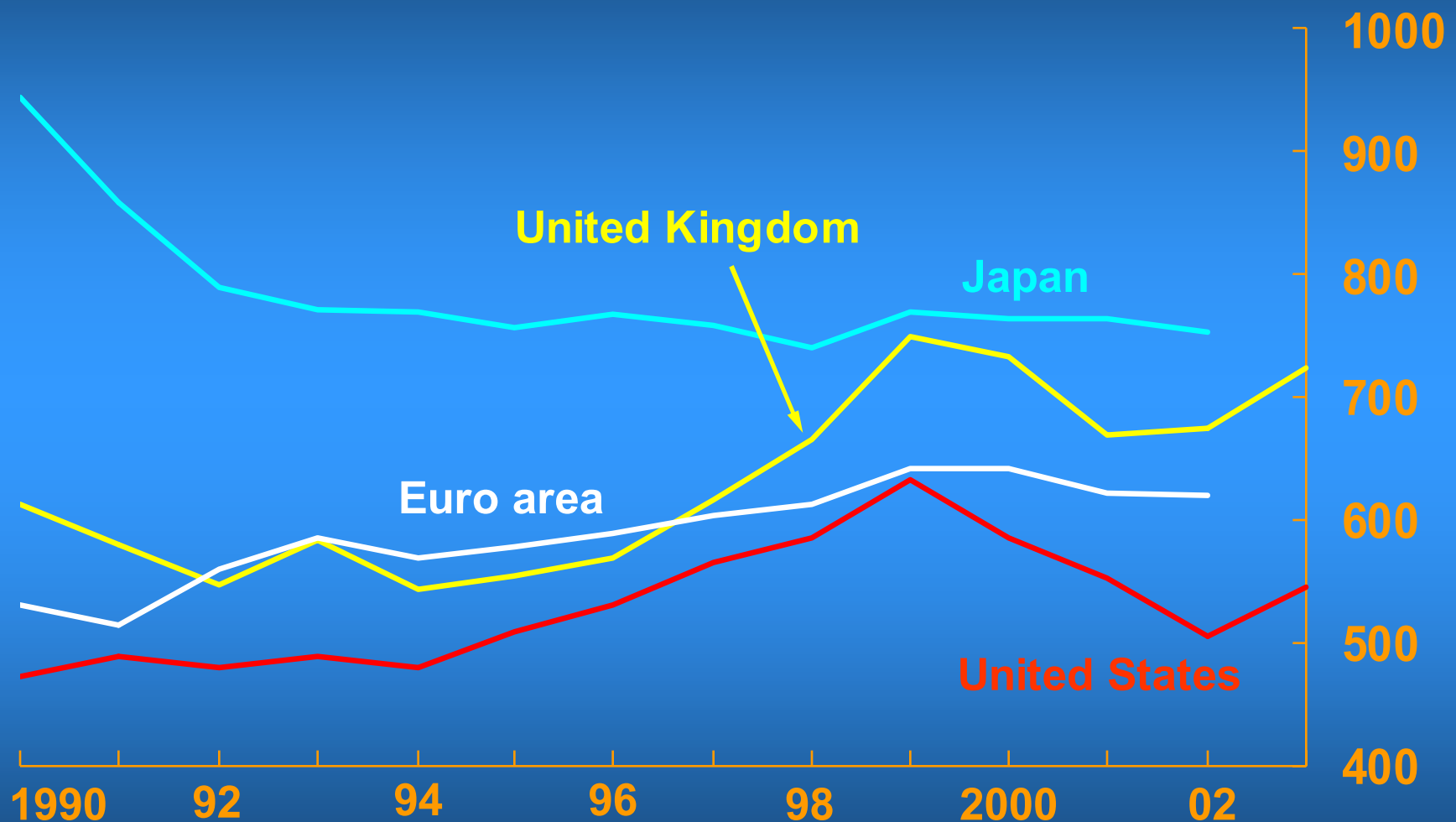
(Percent of disposable income)



Source: IMF staff calculations.

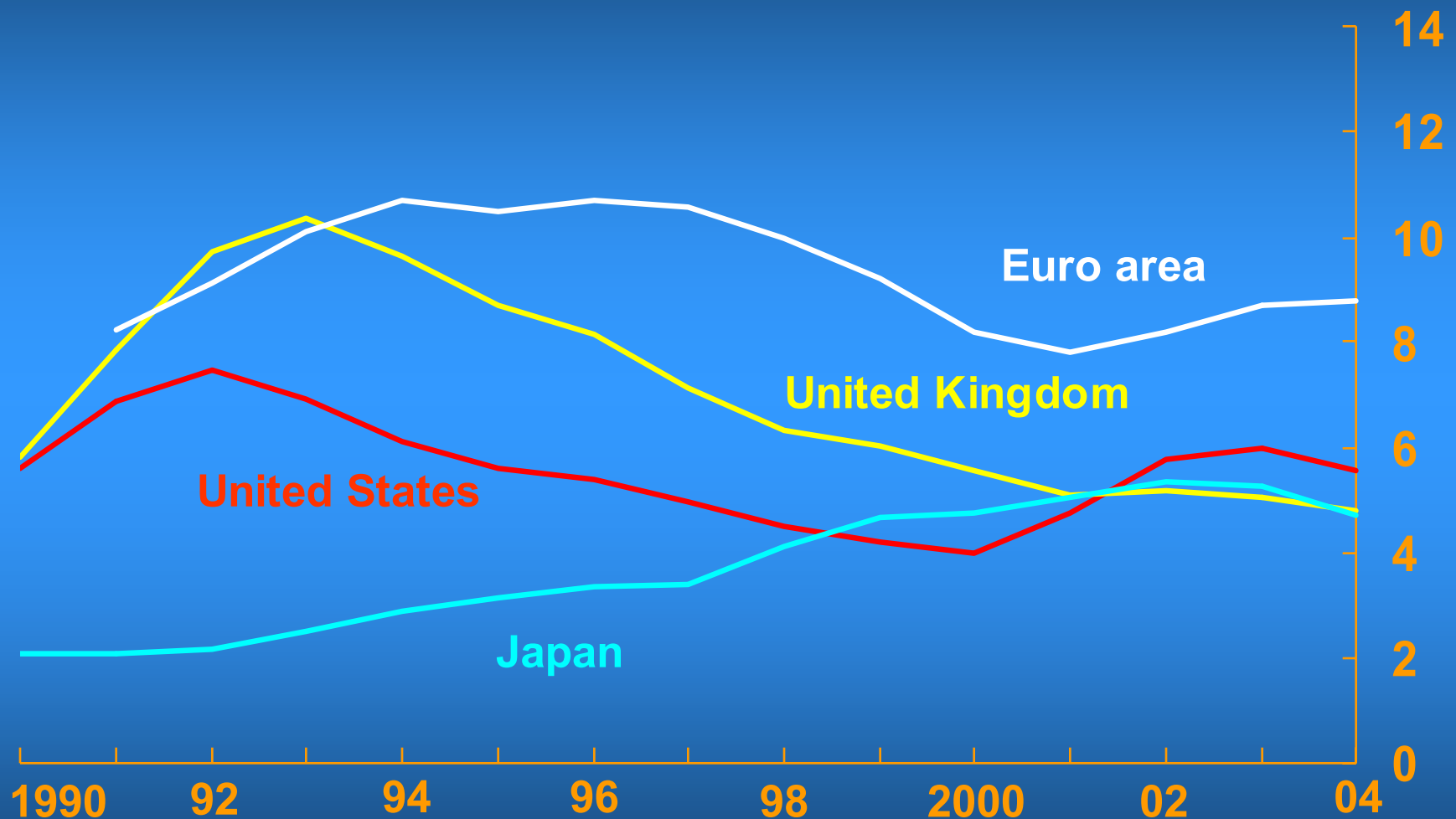
Household Net Wealth

(Percent of disposable income)



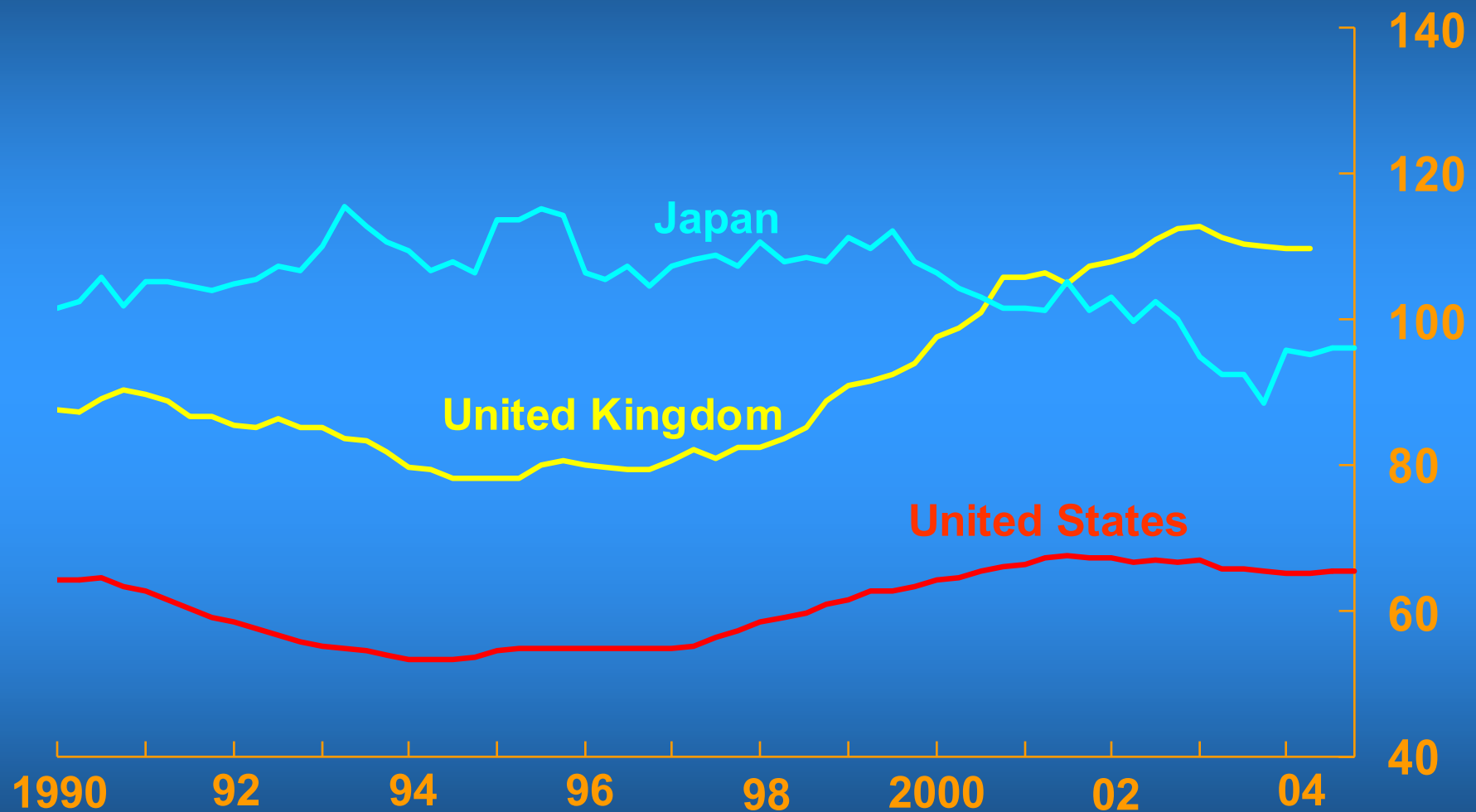
Source: OECD, *OECD Economic Outlook*.

Unemployment Rate (Percent)



Source: IMF staff calculations.

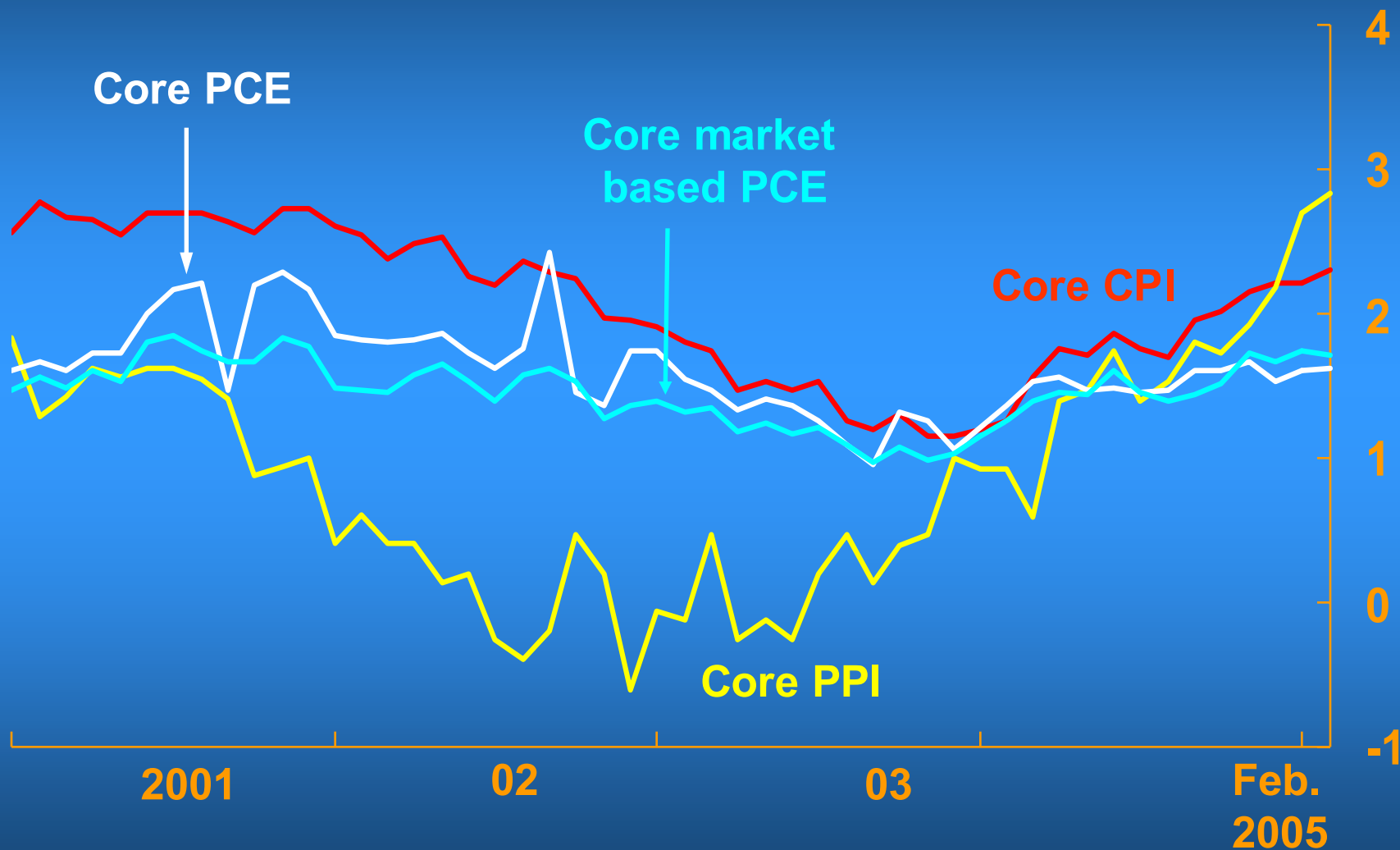
Corporate Debt (Percent of GDP)



Sources: European Central Bank; and Haver Analytics.

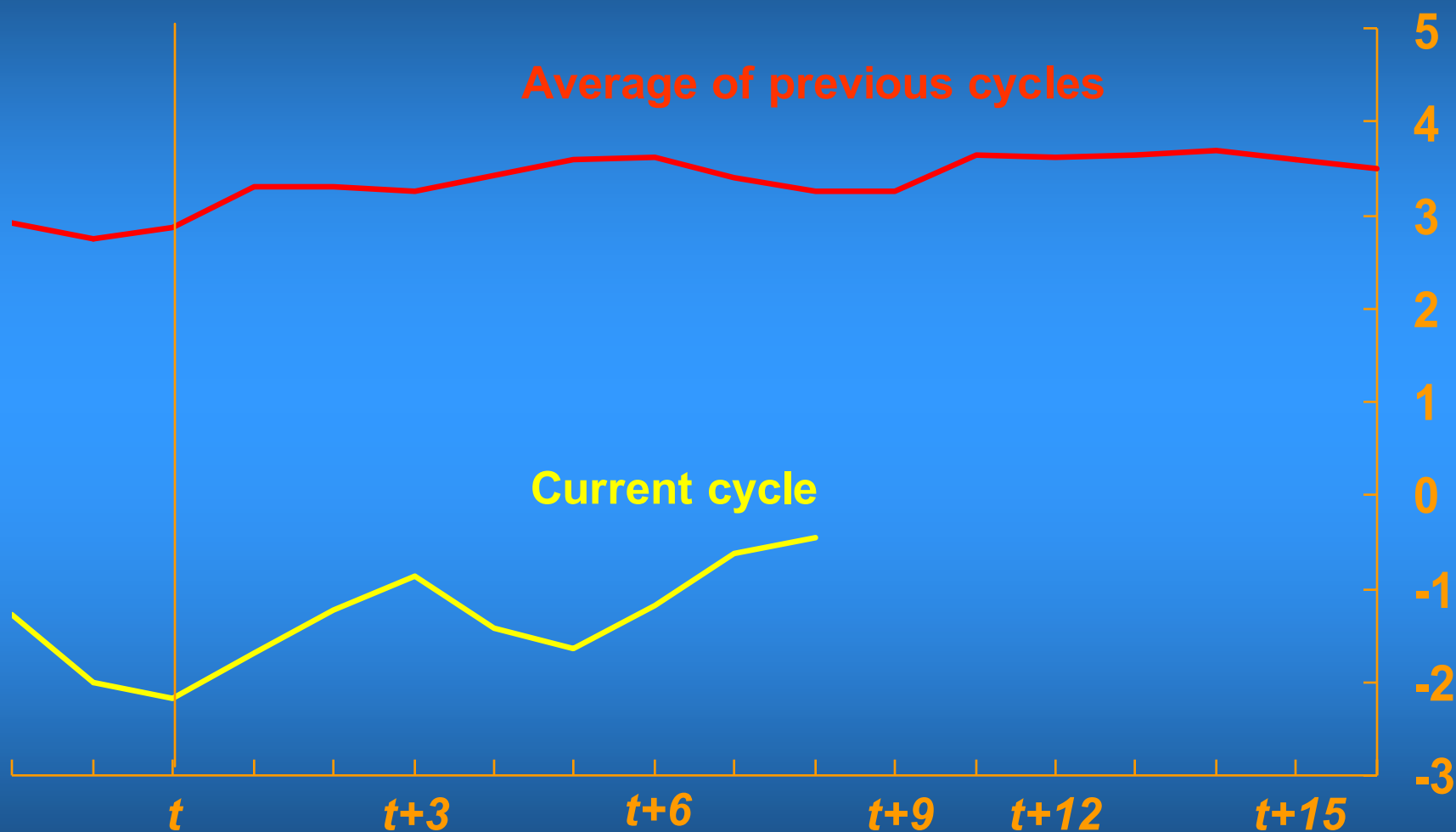
United States: Core Inflation

(Percent change from a year ago)



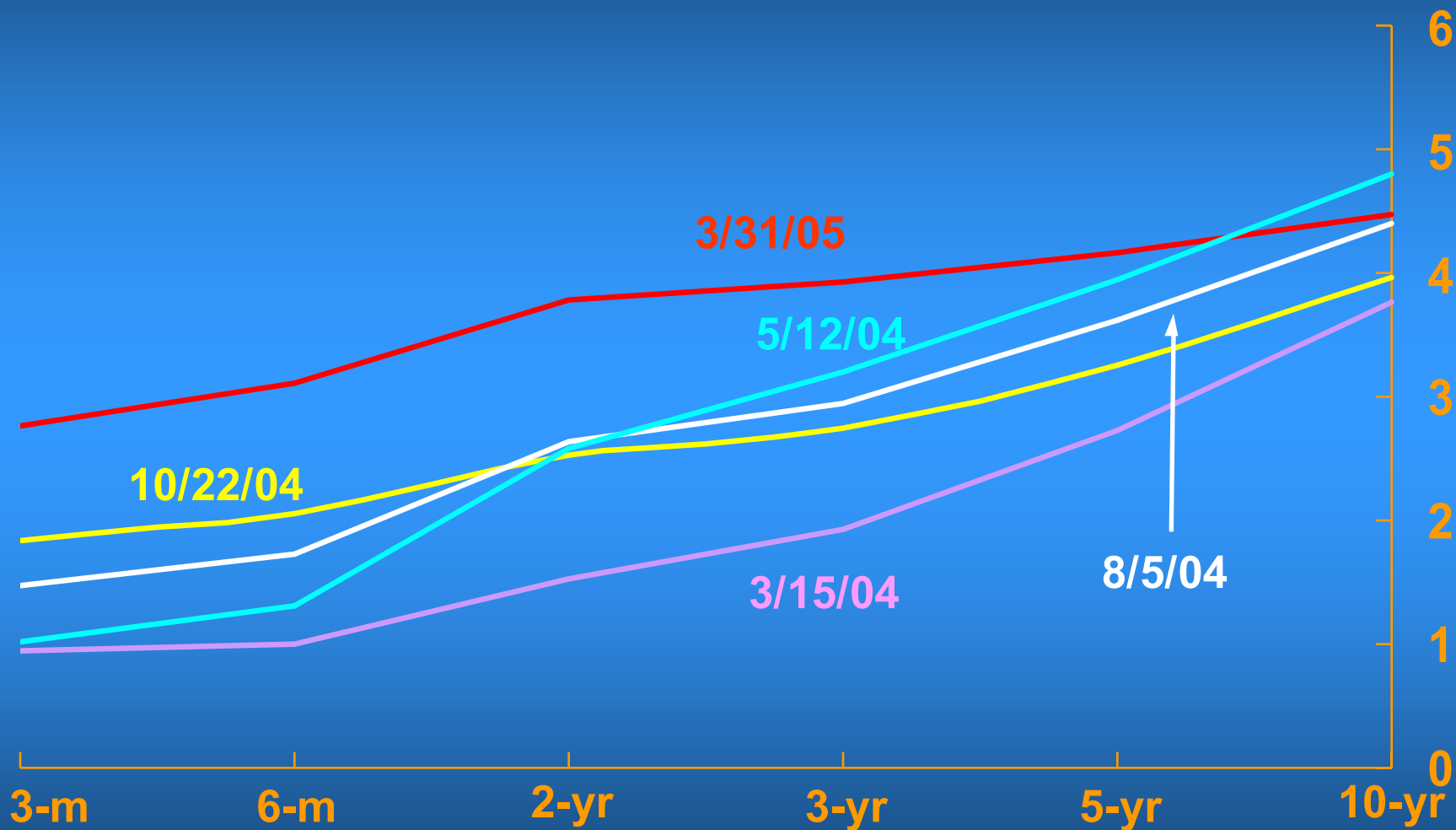
Source: Haver Analytics.

United States: Real Federal Funds Rate (Percent)



Source: Haver Analytics.

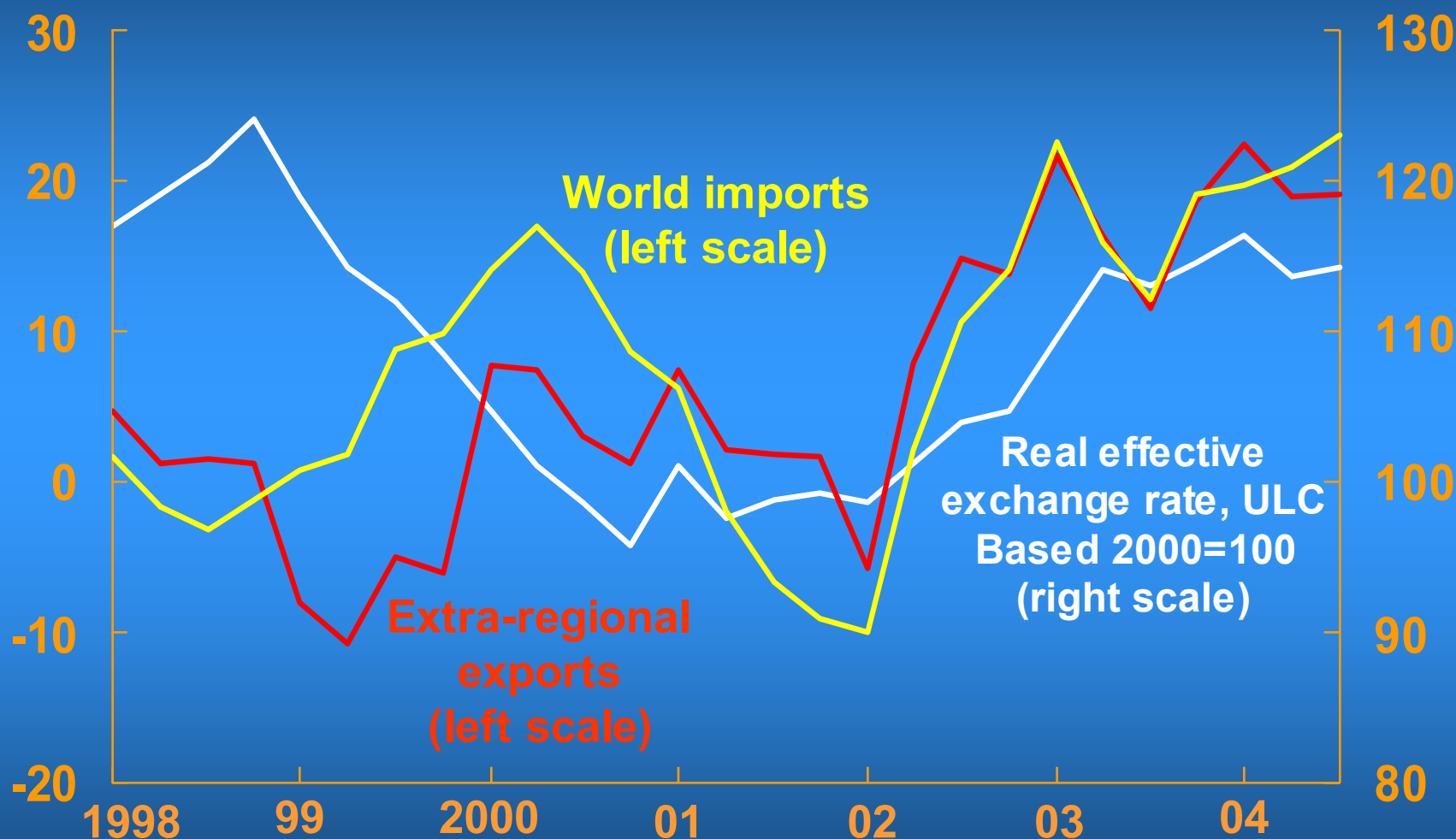
United States: Yield Curves (Percent)



Source: Haver Analytics.

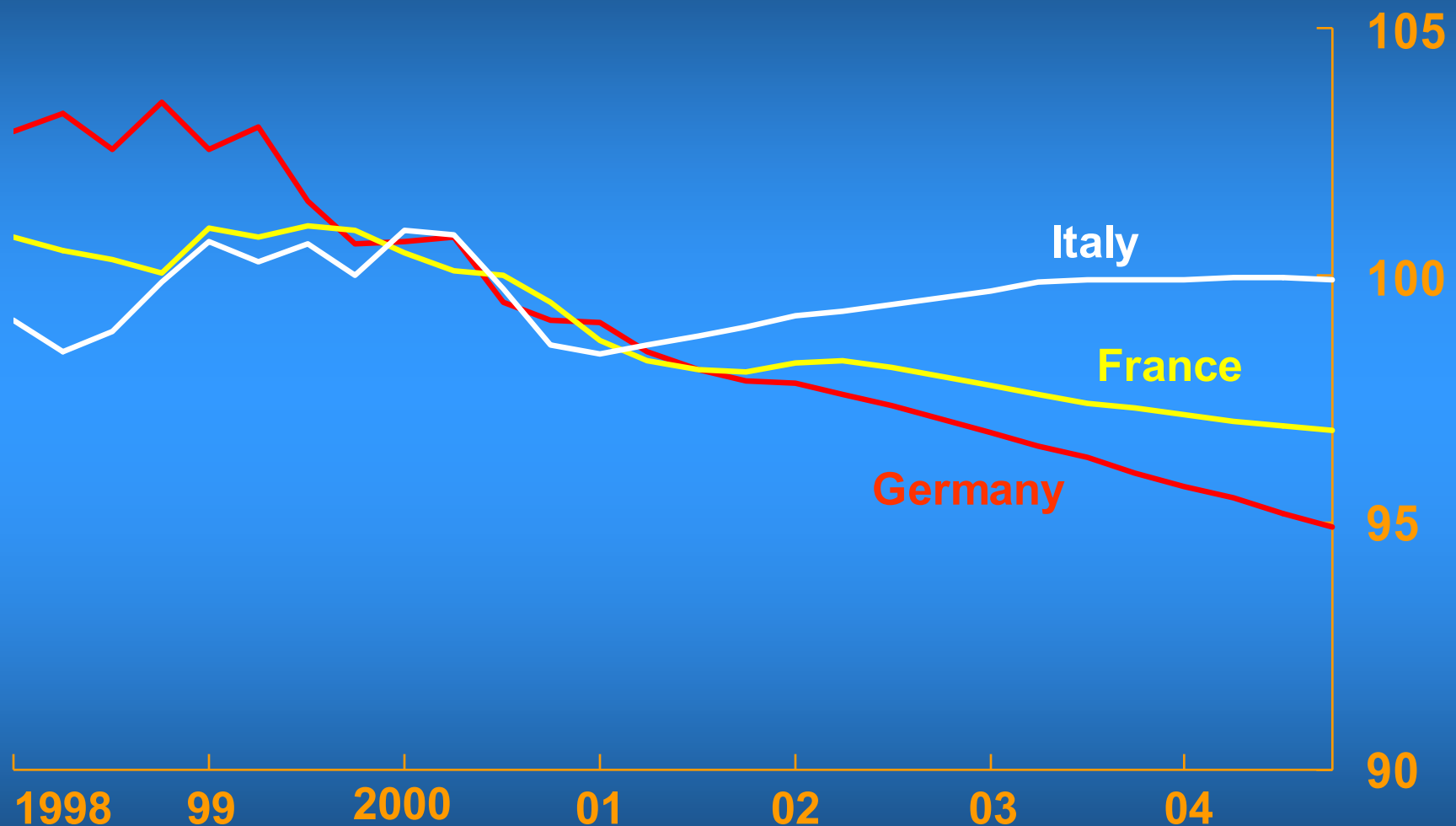
Euro Area Export Performance

(Percent change from year ago)



Source: IMF, *Direction of Trade Statistics*.

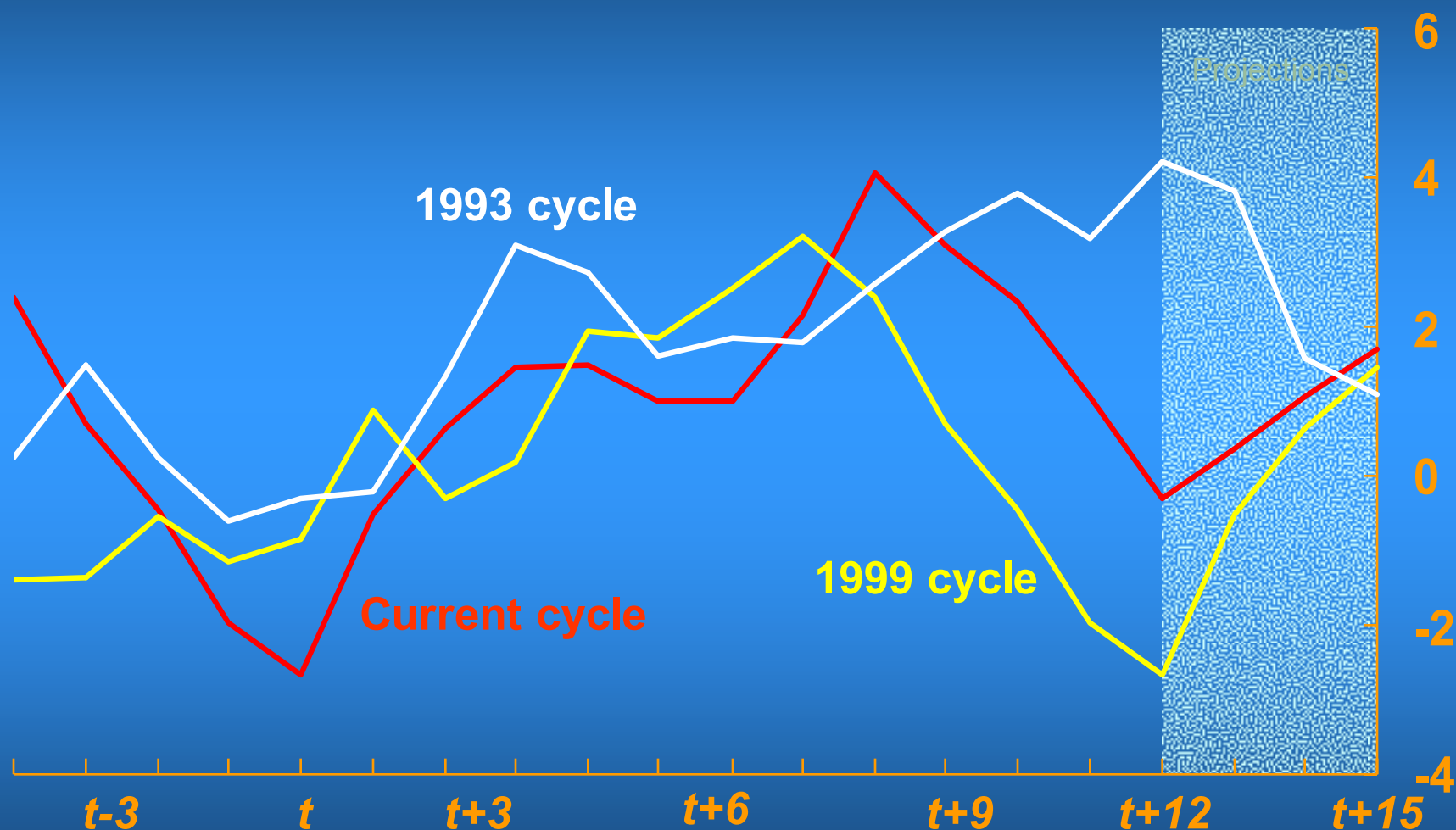
Western Europe: Relative Unit Labor Cost (2000 = 100)



Source: IMF Staff calculations.

Japan: Real GDP Growth

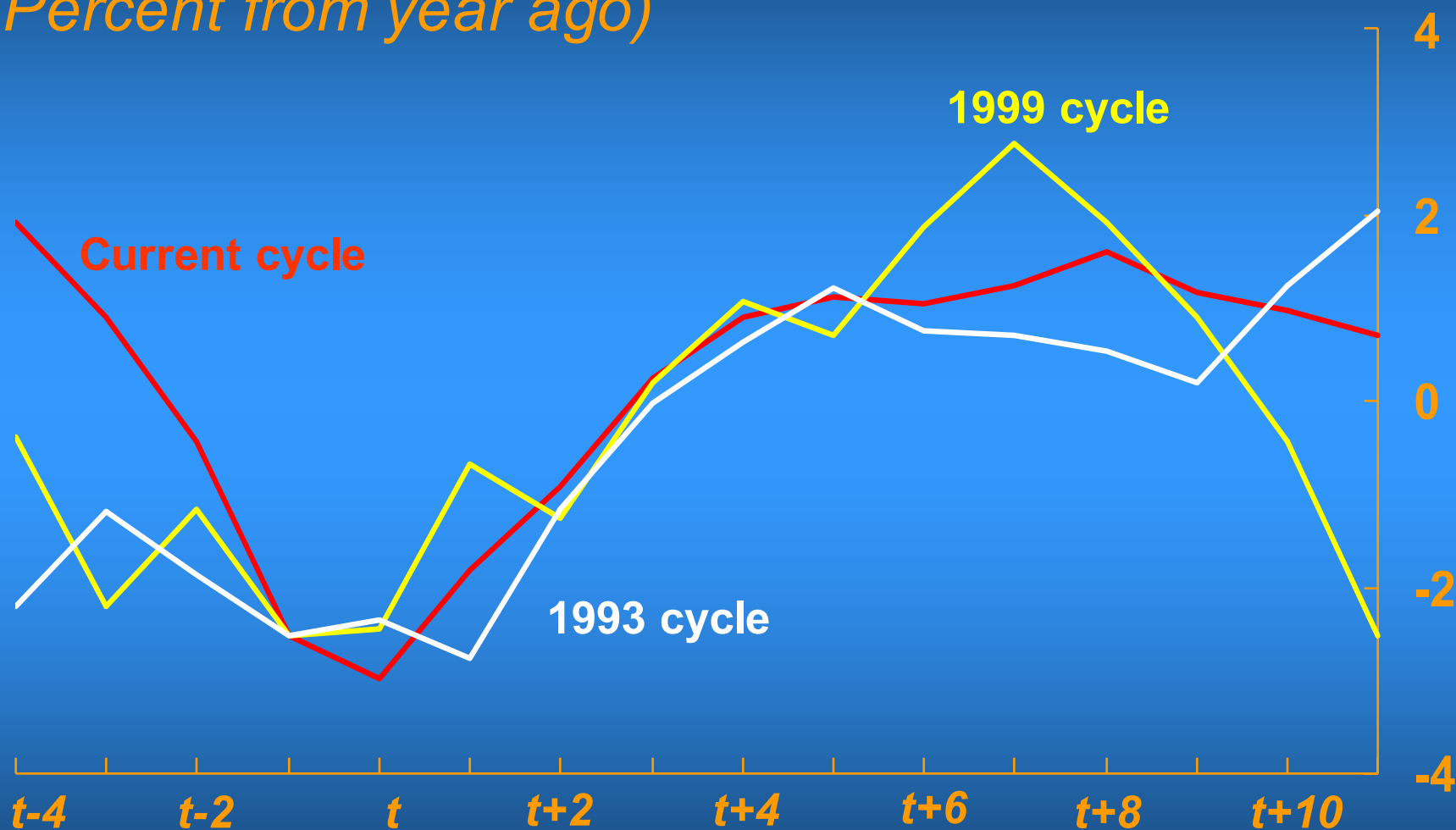
(Percent from year ago)



Sources: Haver Analytics; and staff estimates.

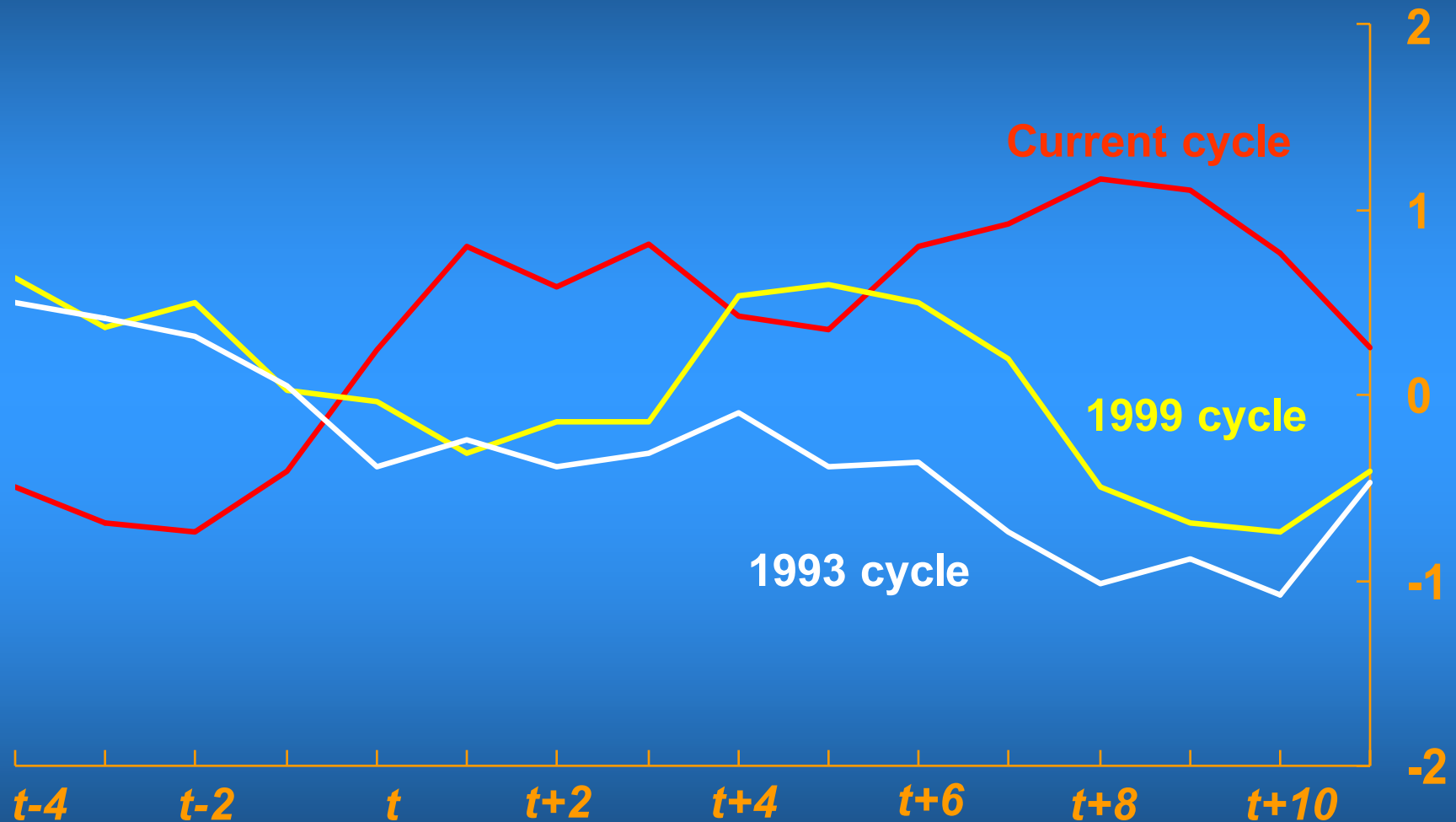
Japan: Growth Contribution of Private Investment

(Percent from year ago)



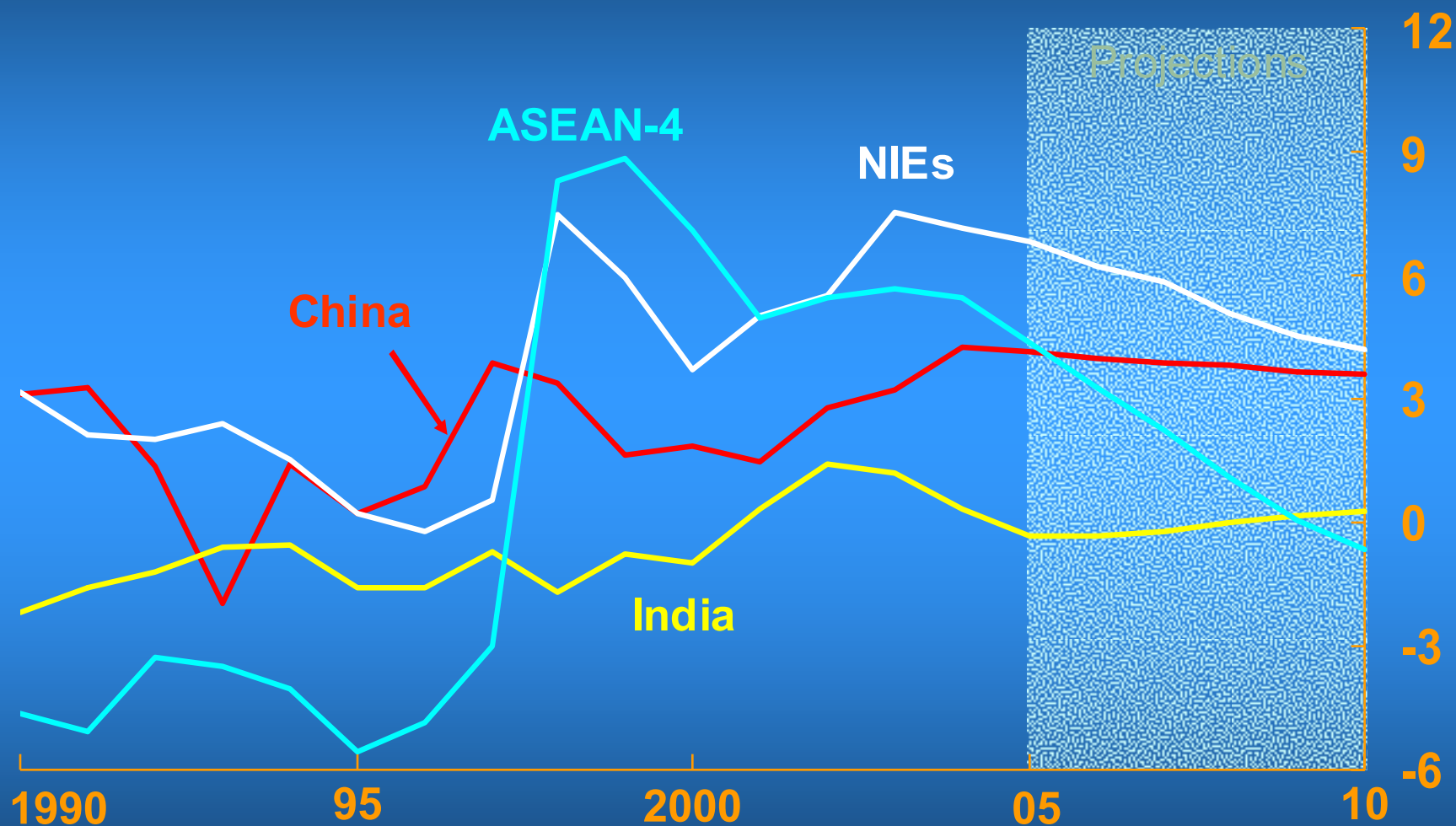
Source: Haver Analytics.

Japan: Growth Contribution of Net Exports (Percent from year ago)



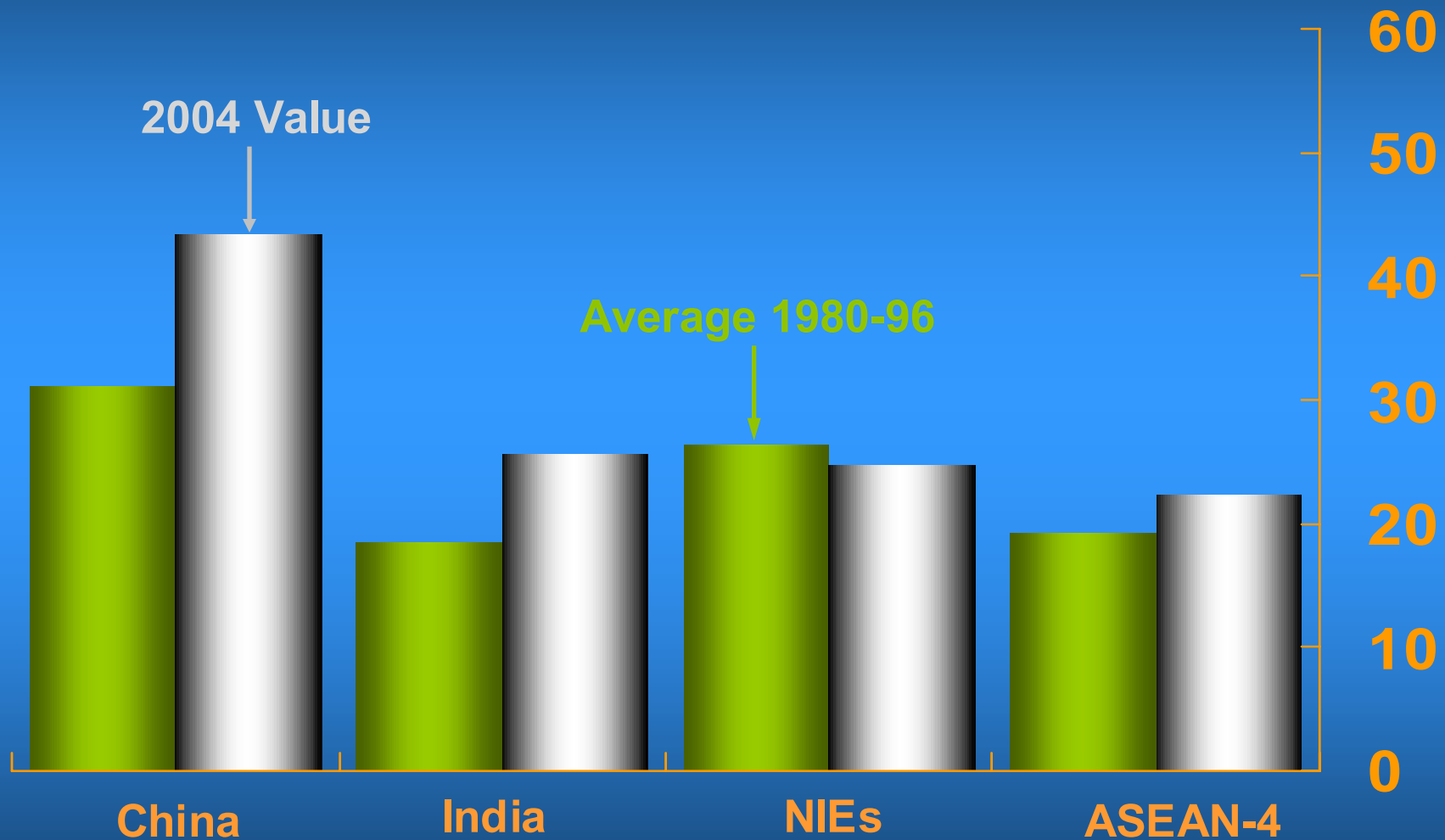
Source: Haver Analytics.

Emerging Asia: Current Account (Percent of GDP)



Source: IMF staff estimates.

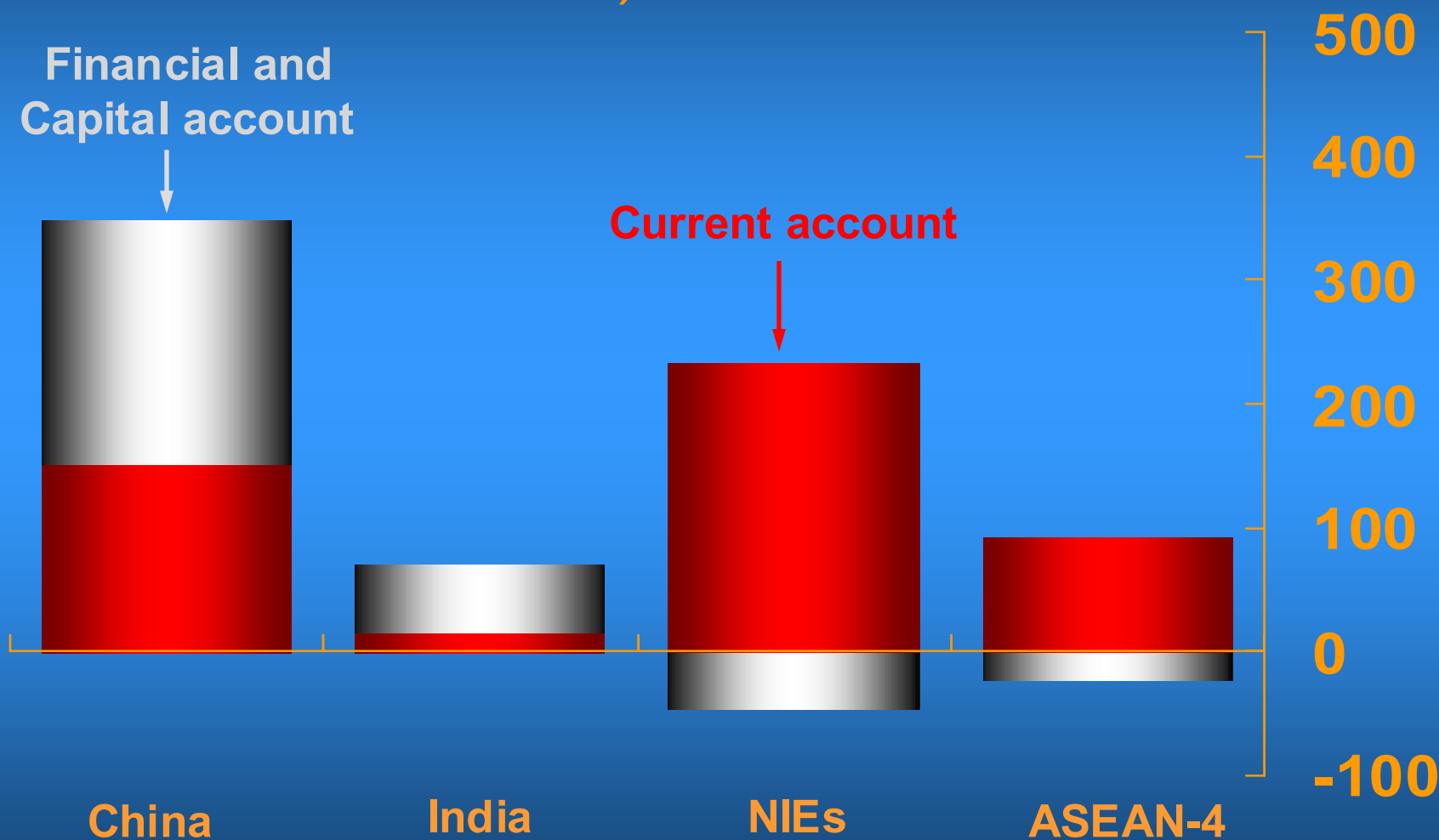
Emerging Asia: Gross Private Saving (Percent of GDP)



Source: IMF staff calculations.

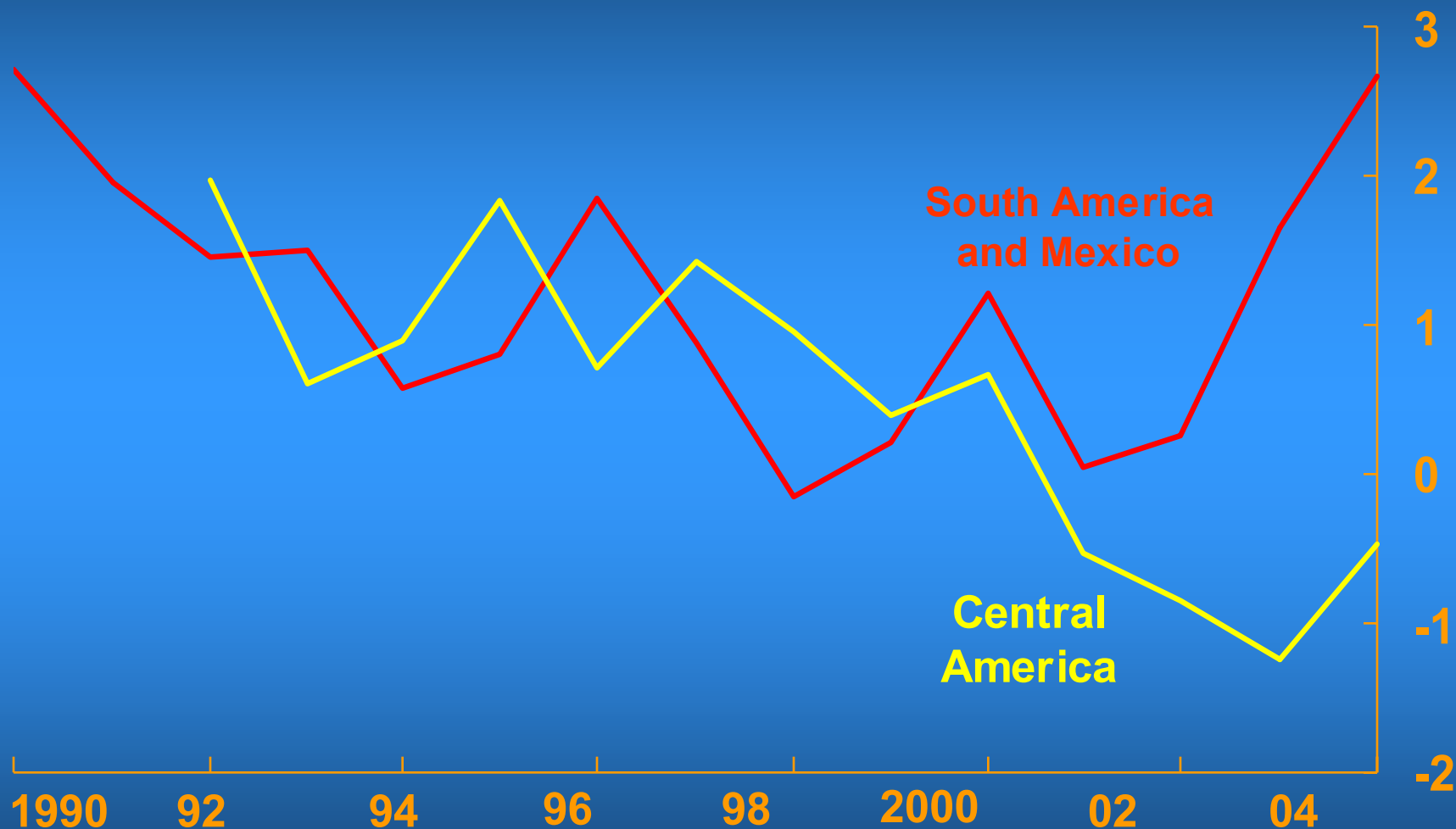
Emerging Asia: Reserve Accumulation, 2002-04

(Billions of U.S. dollars)



Sources: CEIC Data Company Limited; and staff calculations.

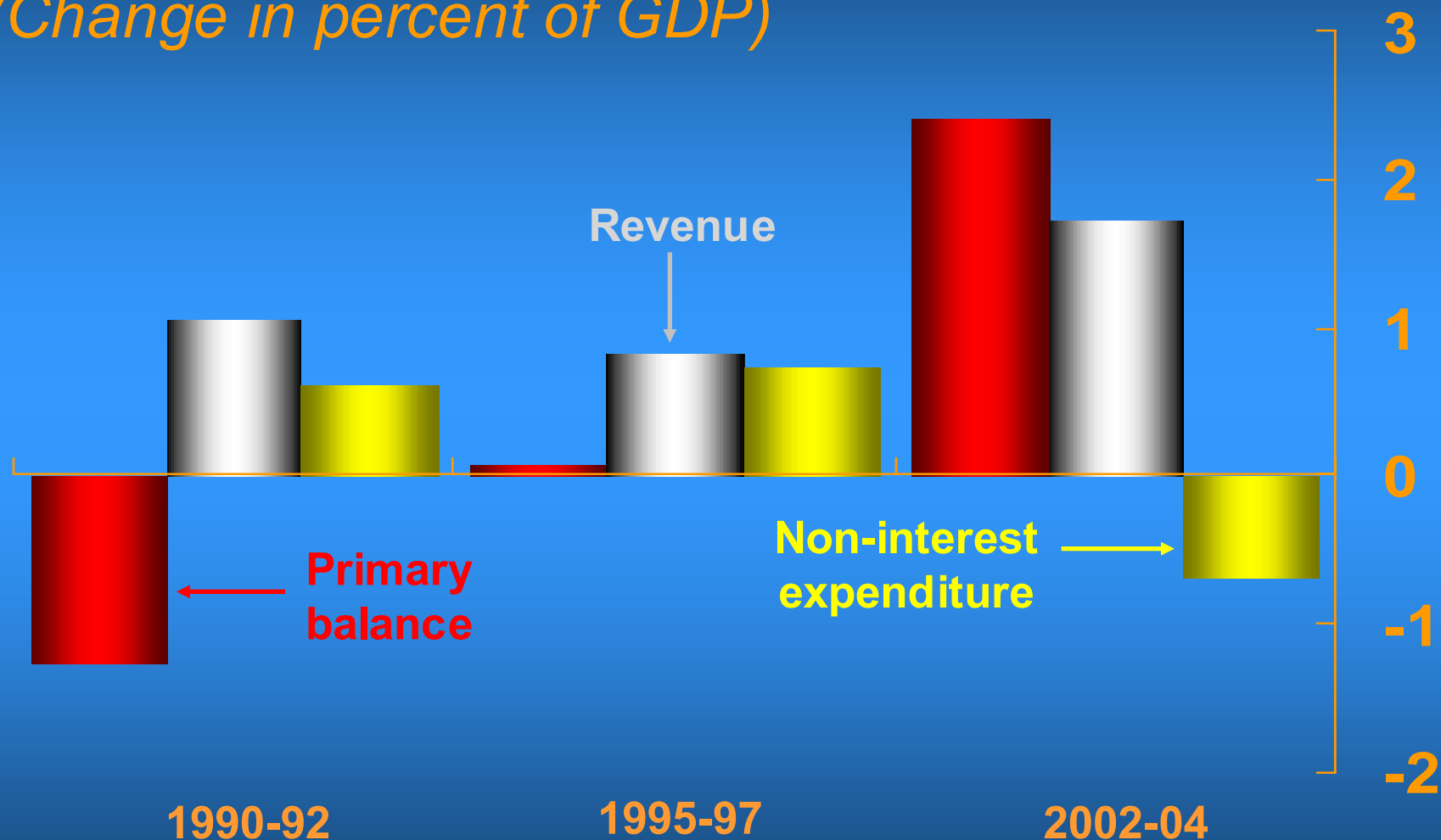
Latin America: Primary Budget Balance (Percent of GDP)



Sources: IMF staff calculations.

Latin America: Fiscal Policy Behavior During Cyclical Upswings

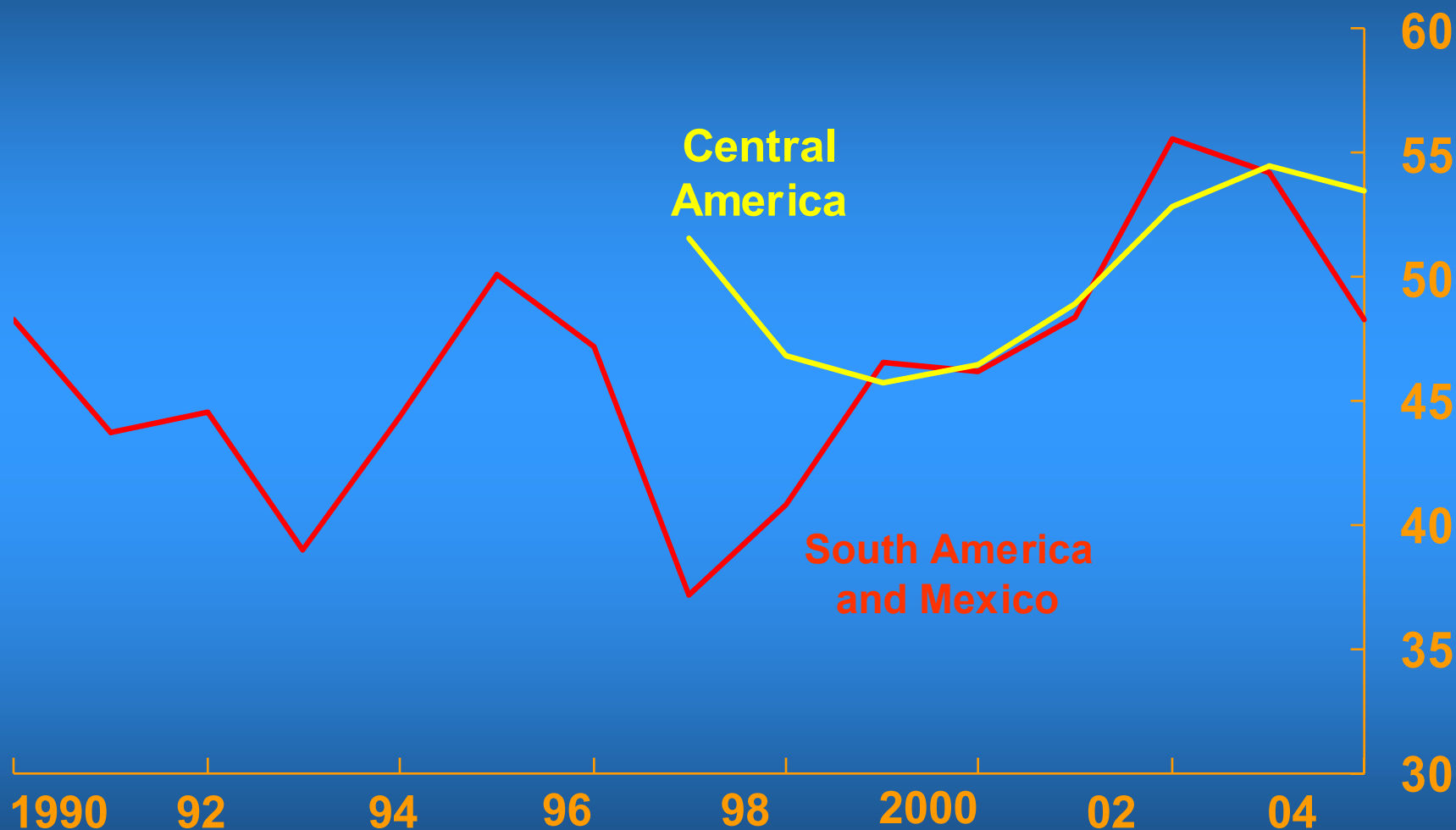
(Change in percent of GDP)



Source: IMF staff calculations.

Latin America: Public Debt

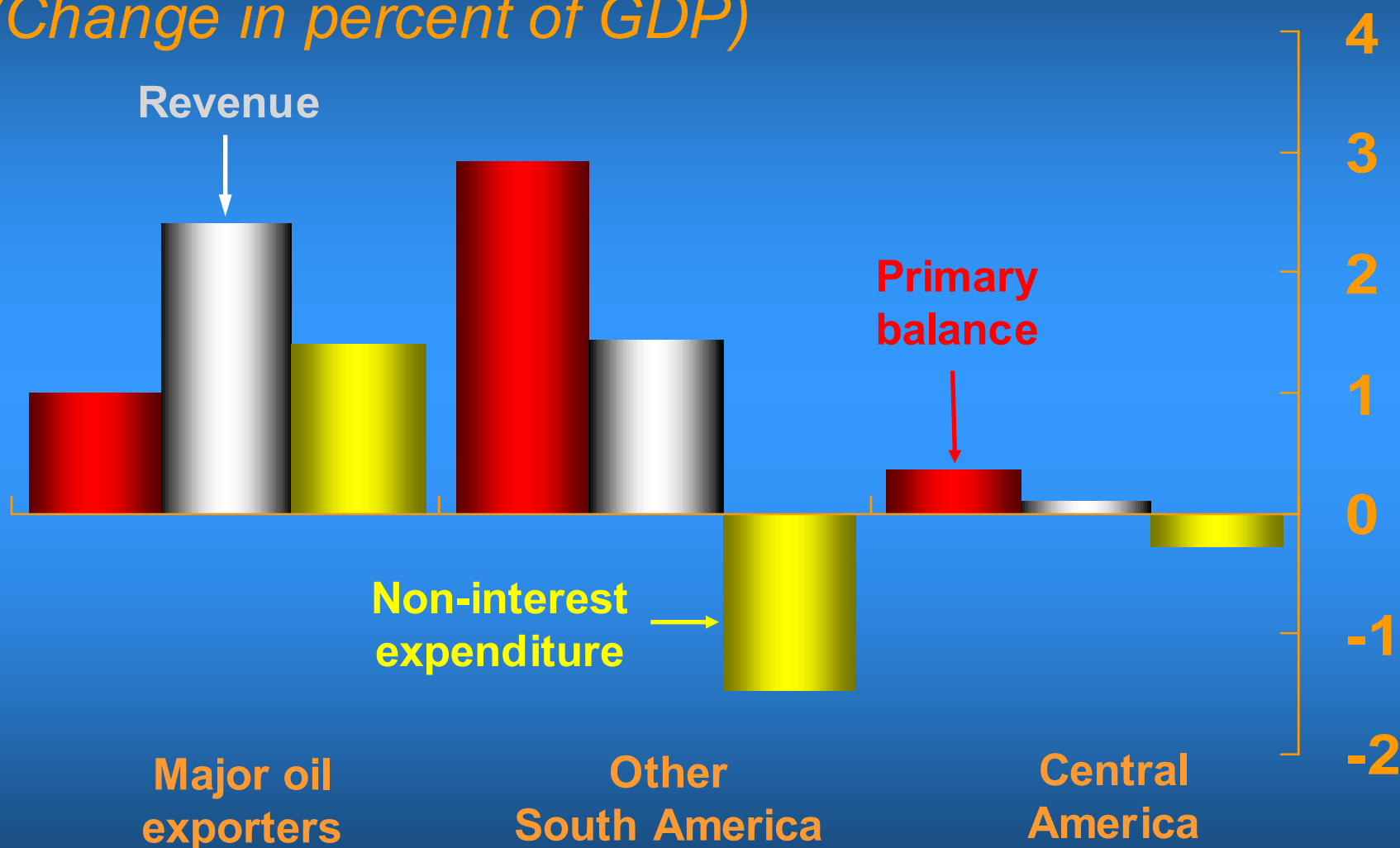
(Percent of GDP, medium value)



Source: IMF staff calculations.

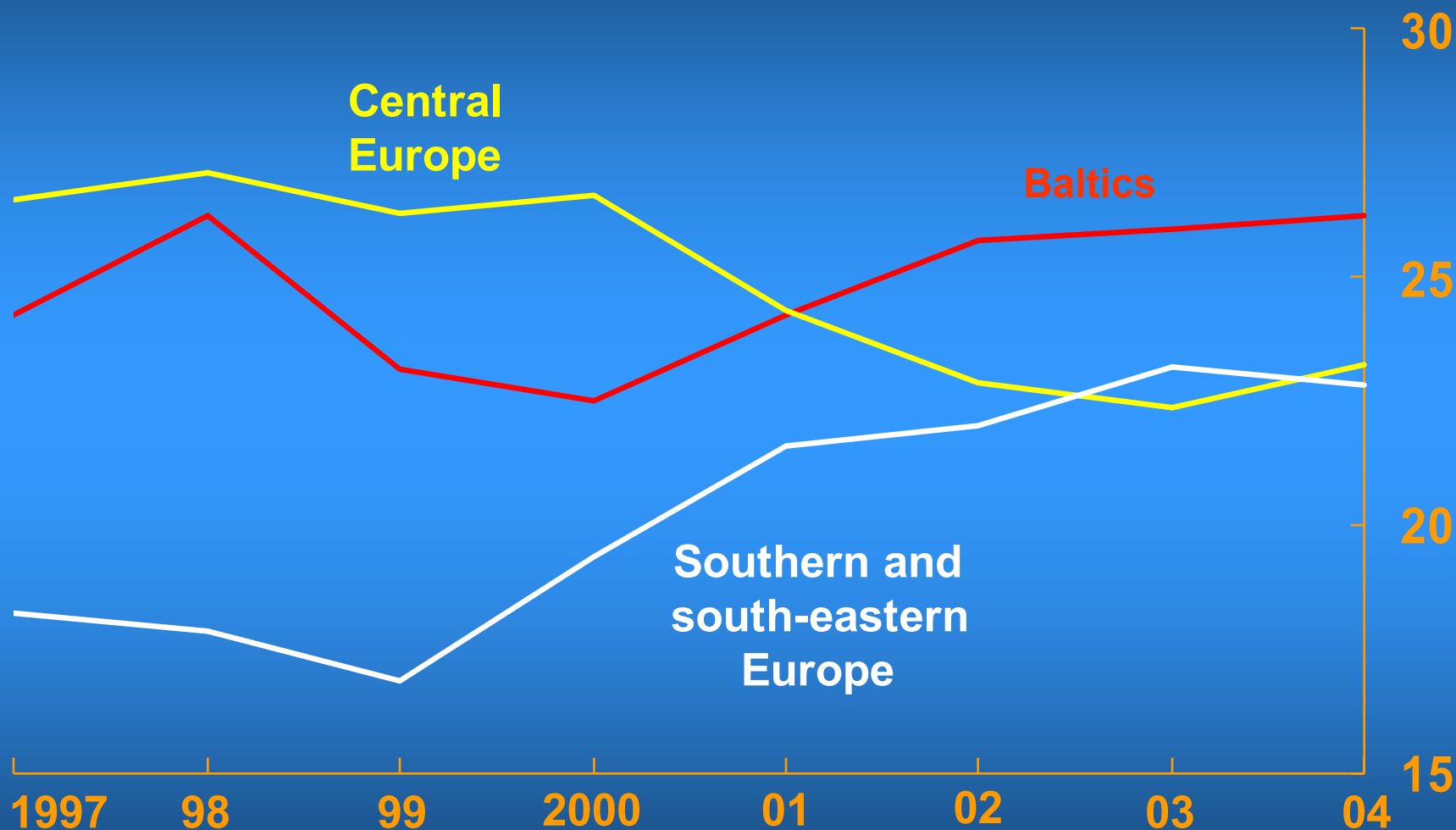
Latin America: Recent Fiscal Performance, 2002-04

(Change in percent of GDP)



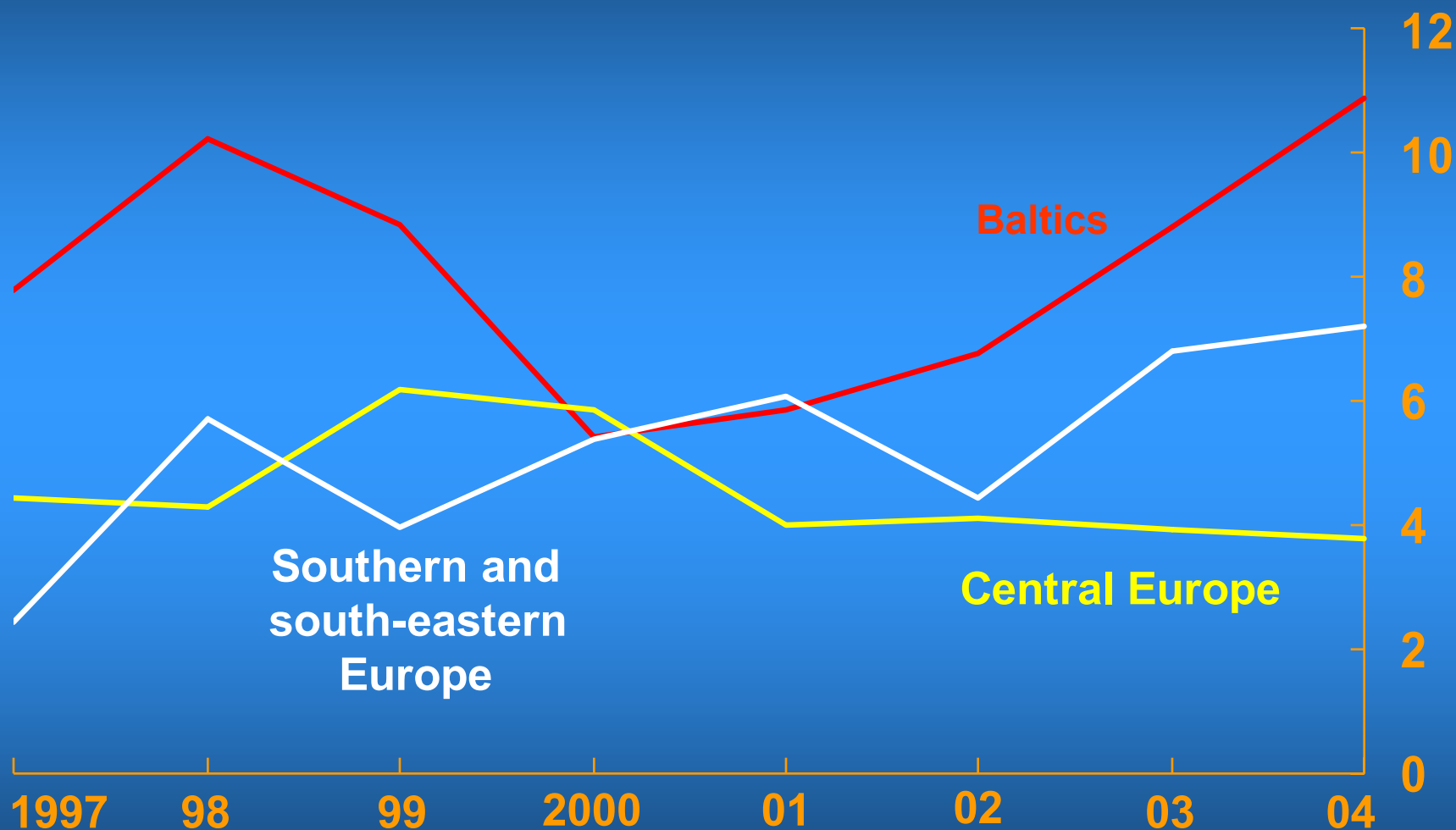
Source: IMF staff calculations.

Emerging Europe: Gross Investment (Percent of GDP)



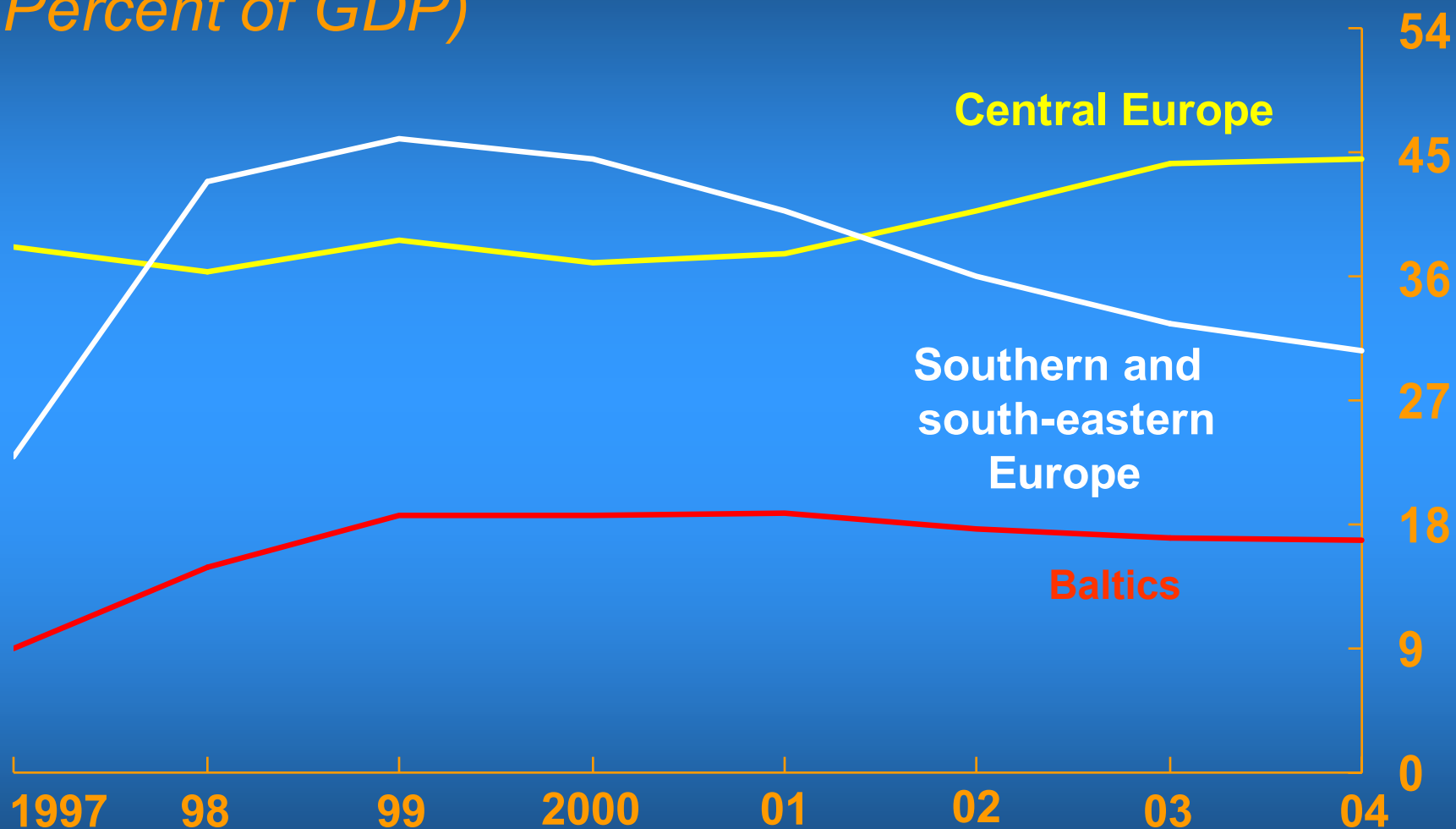
Source: IMF staff calculations.

Emerging Europe: Current Account Deficit (Percent of GDP)



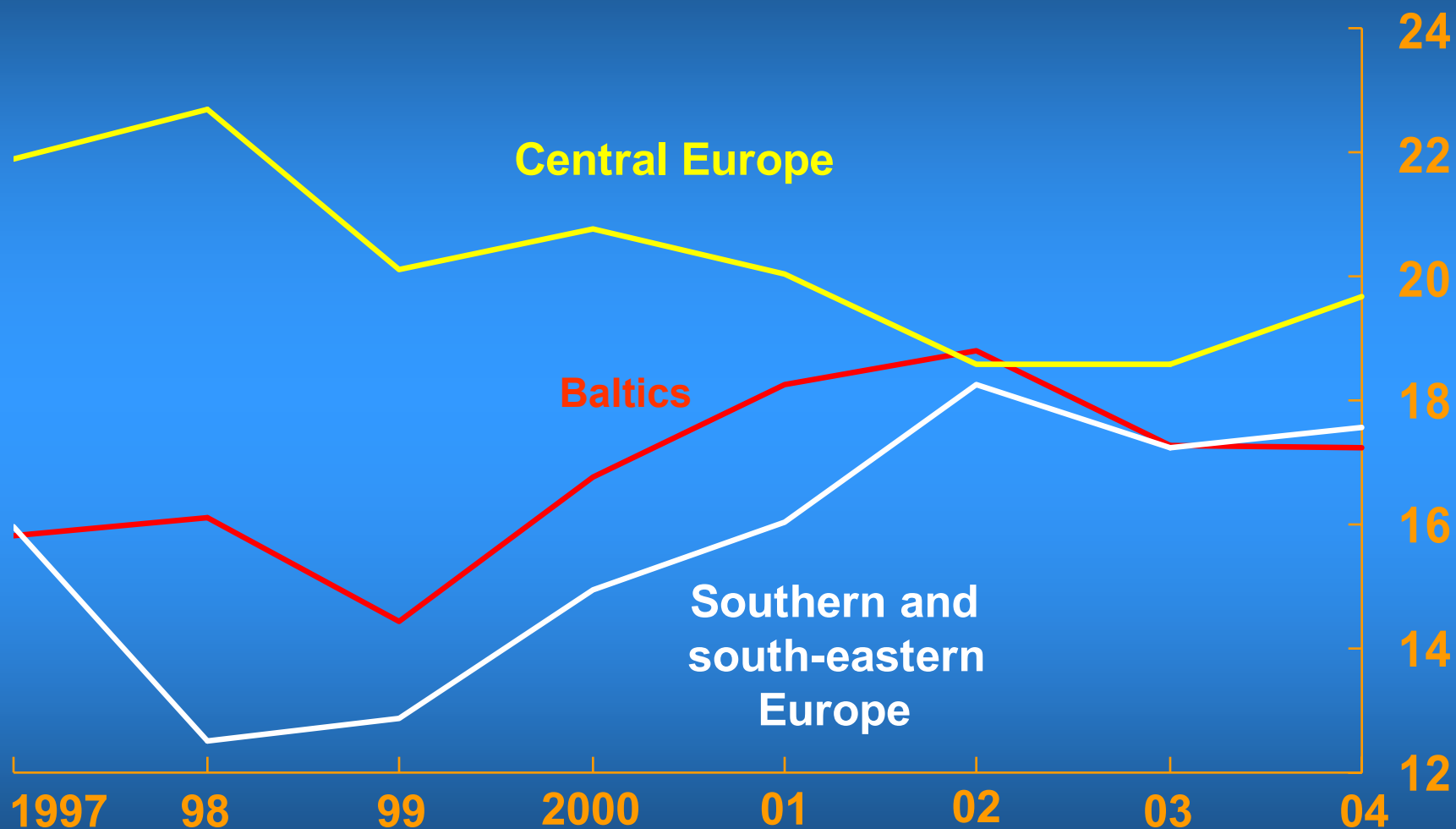
Source: IMF staff calculations.

Emerging Europe: General Government Gross Debt (Percent of GDP)



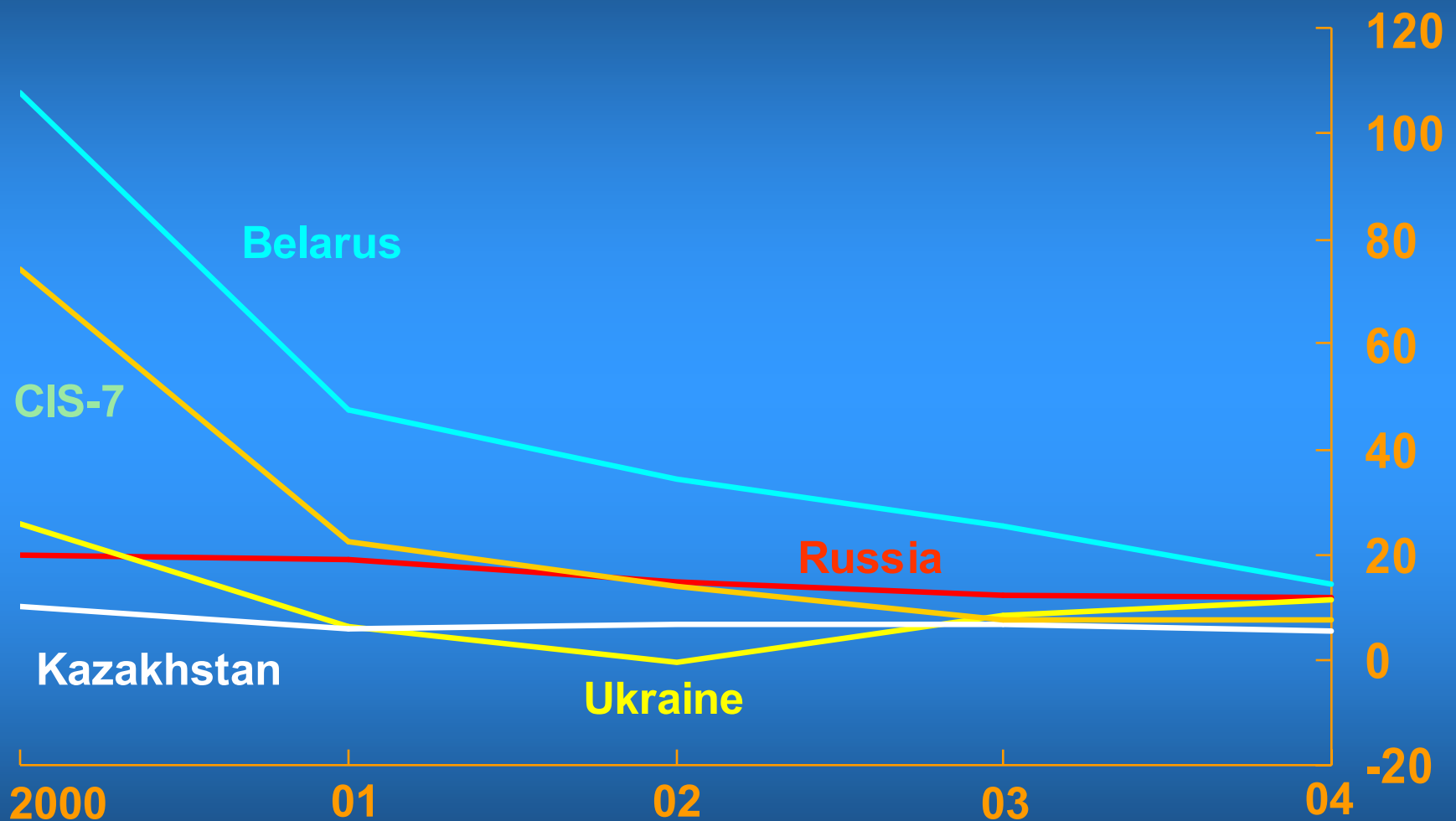
Source: IMF staff calculations.

Emerging Europe: Gross National Savings (Percent of GDP)



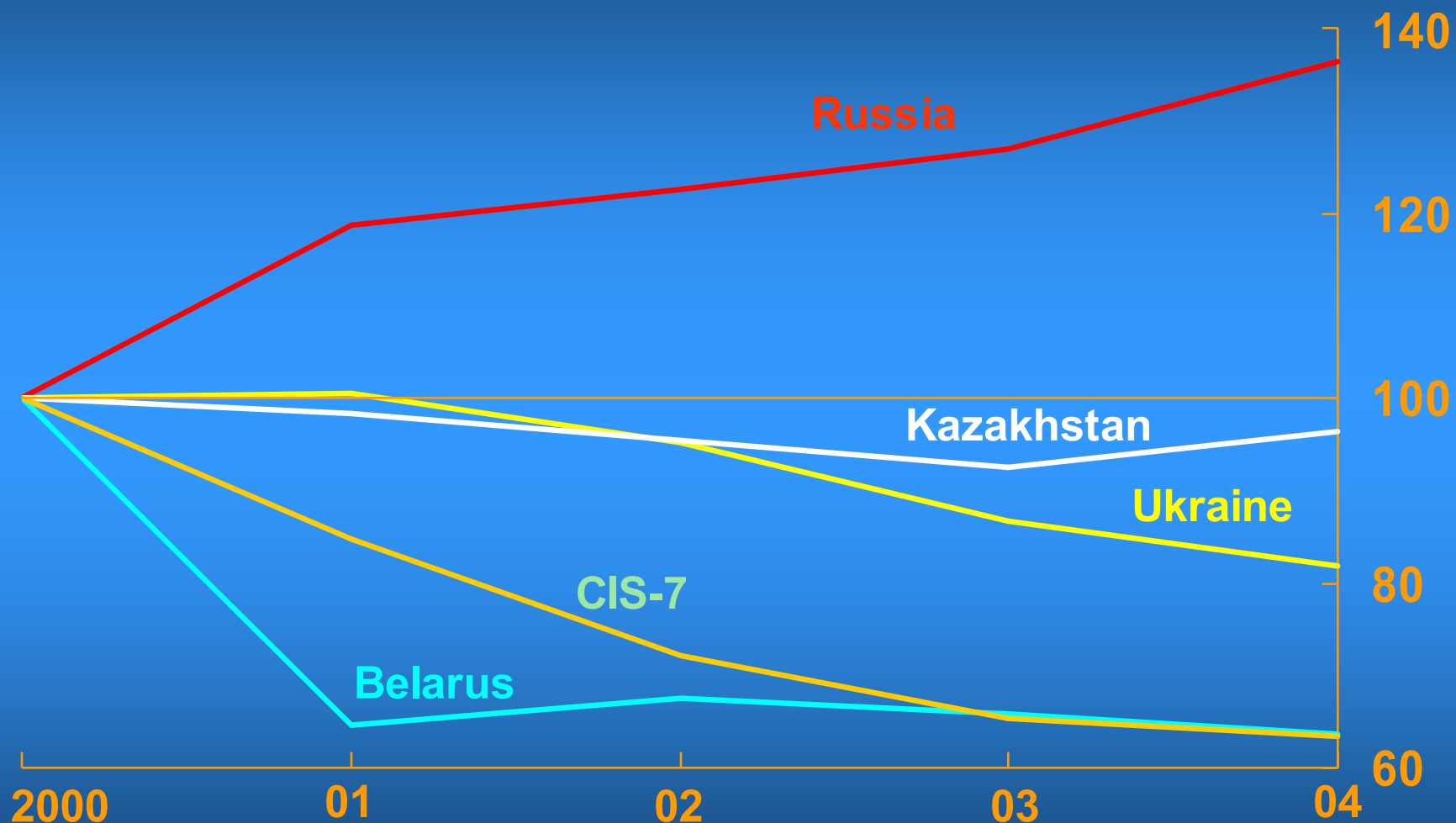
Source: IMF staff calculations.

CIS: CPI Inflation (Percent change)



Source: IMF, INSDATA.

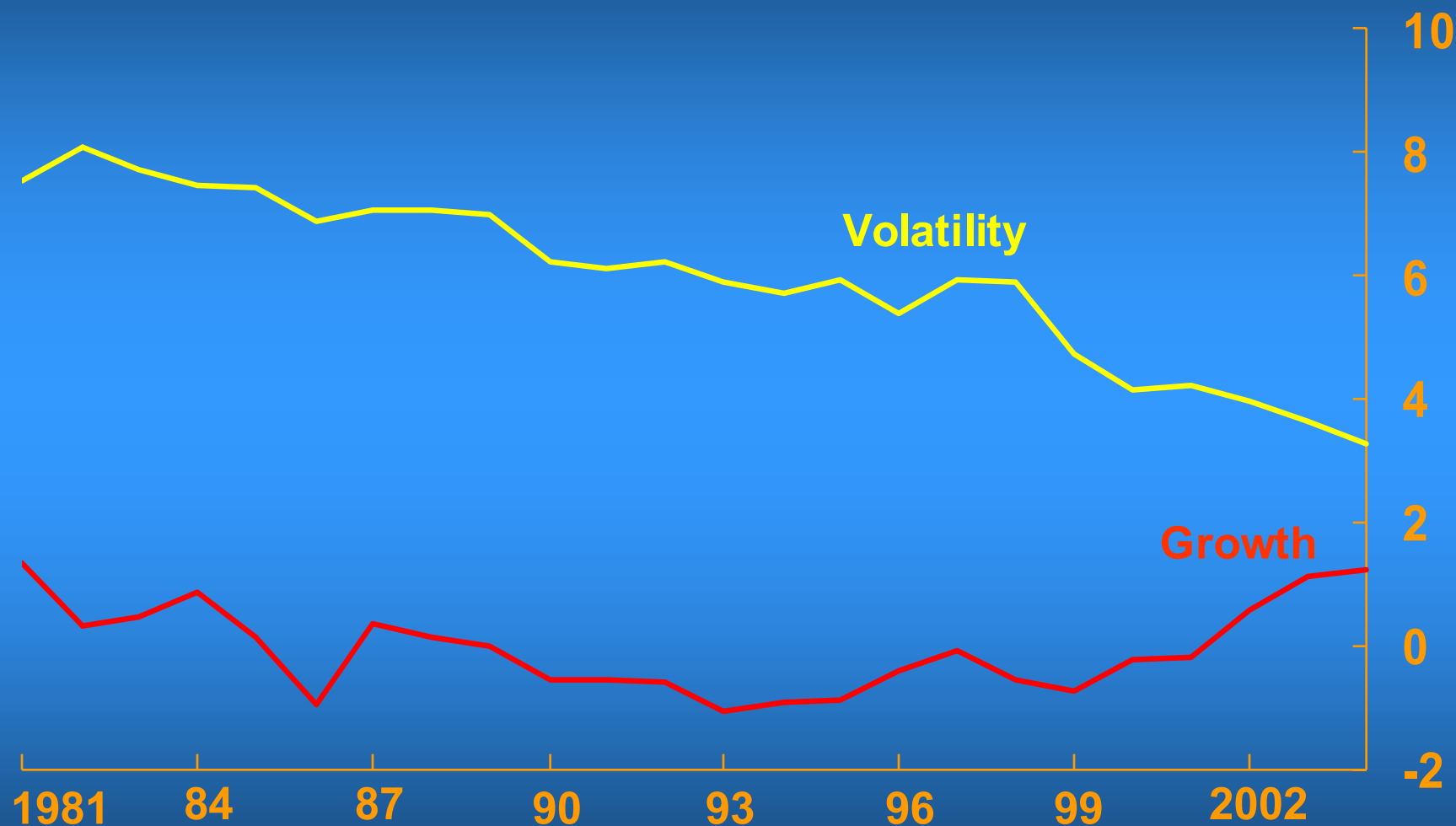
CIS: Real Effective Exchange Rate (CPI-based, 2000=100)



Source: IMF, INSDATA.

CFA: Growth and Volatility

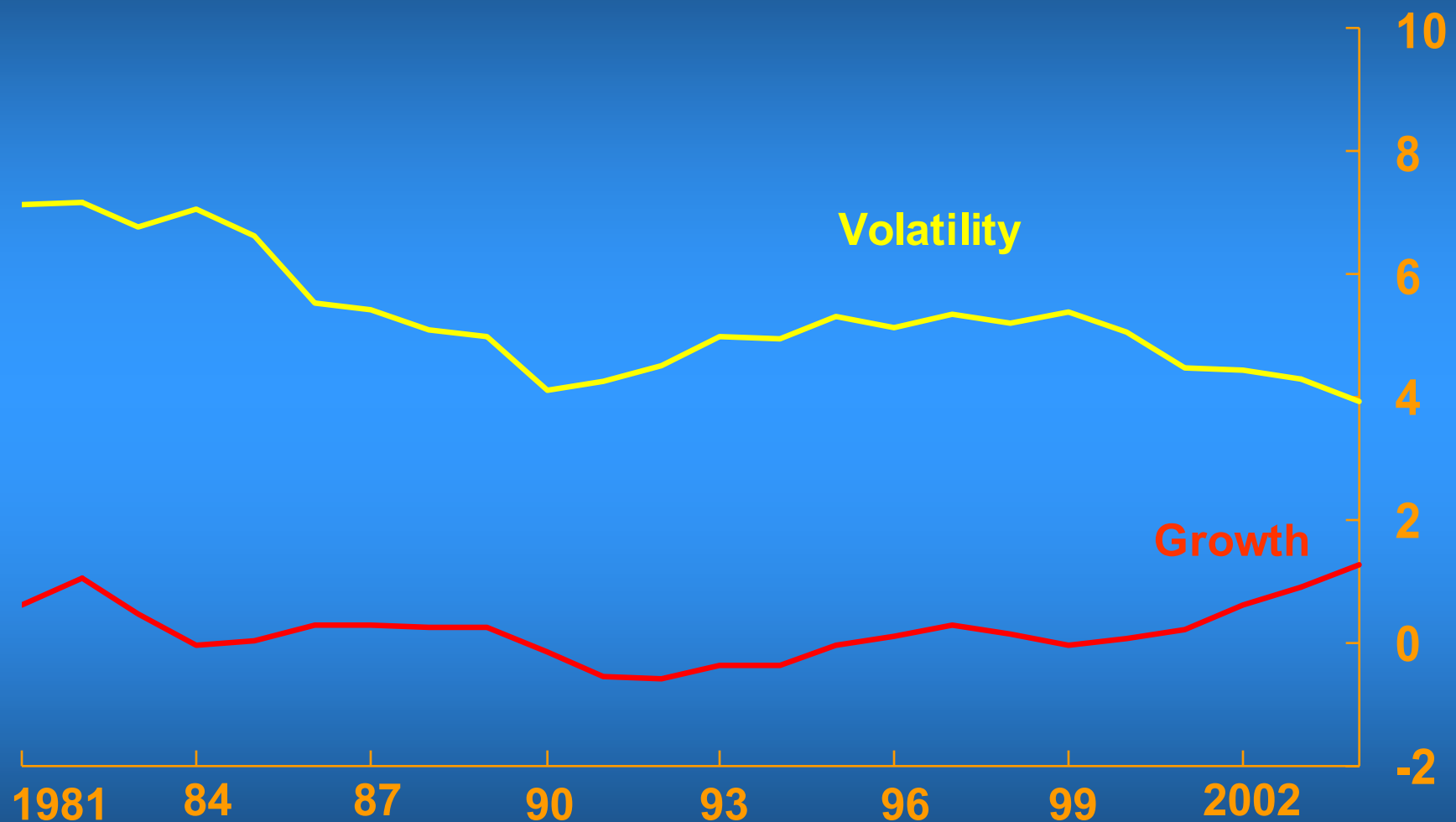
(Percent)



Sources: Penn World Table Version 6.1; and IMF staff calculations.

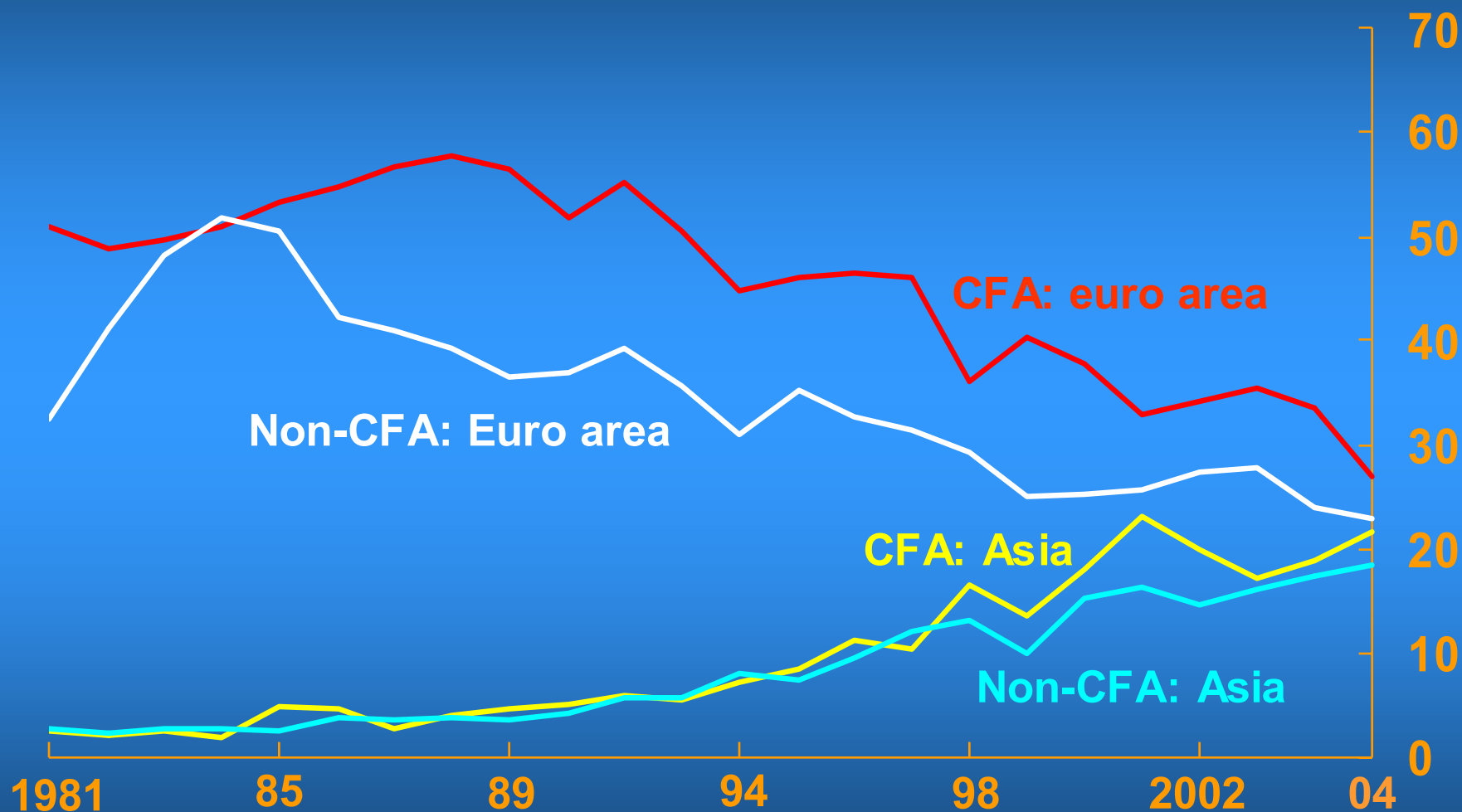
Non-CFA: Growth and Volatility

(Percent)



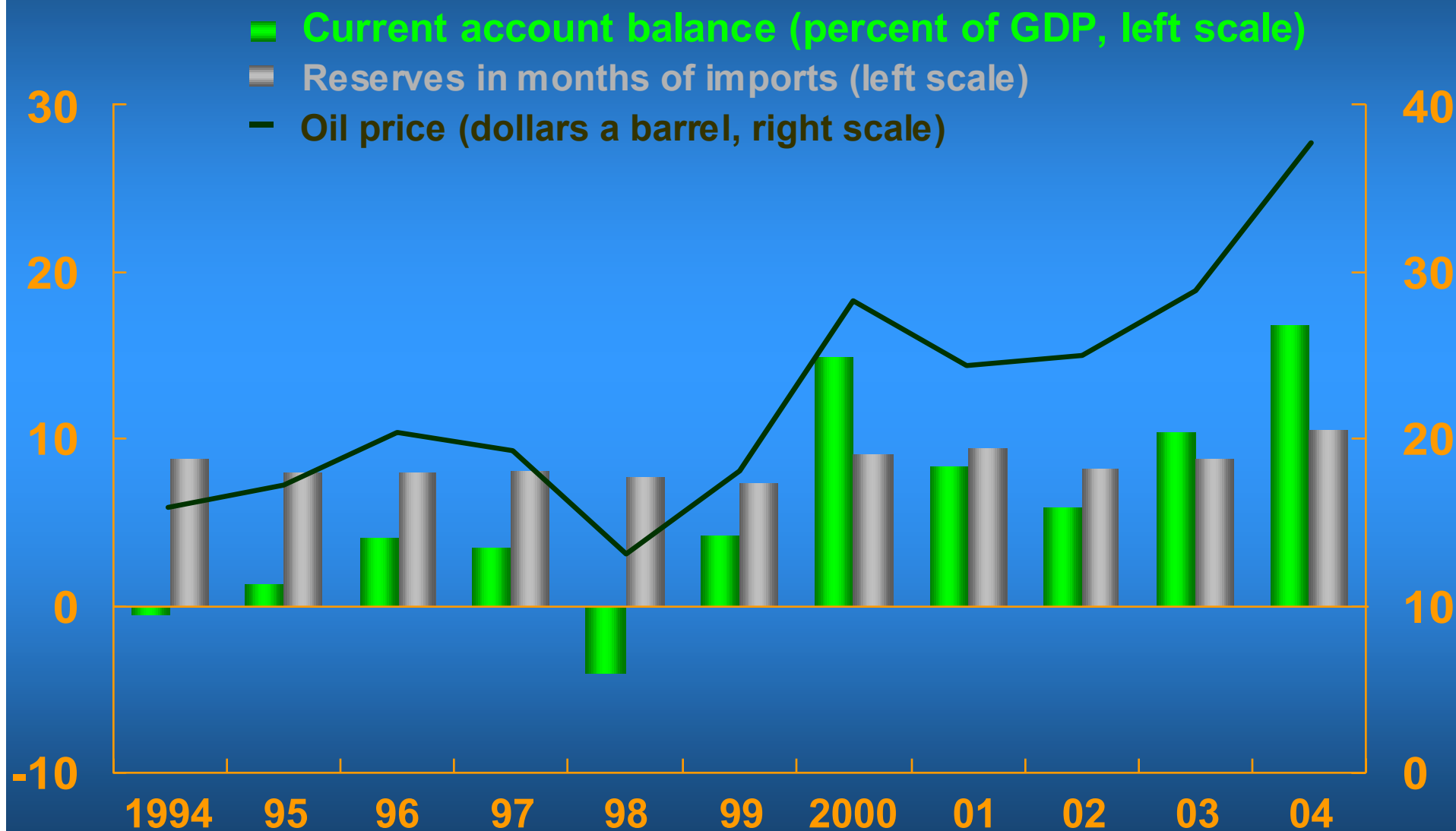
Sources: Penn World Table Version 6.1; and IMF staff calculations.

Sub-Saharan Africa: Regional Exports (Percent of total exports)



Source: IMF, *Direction of Trade Statistics*.

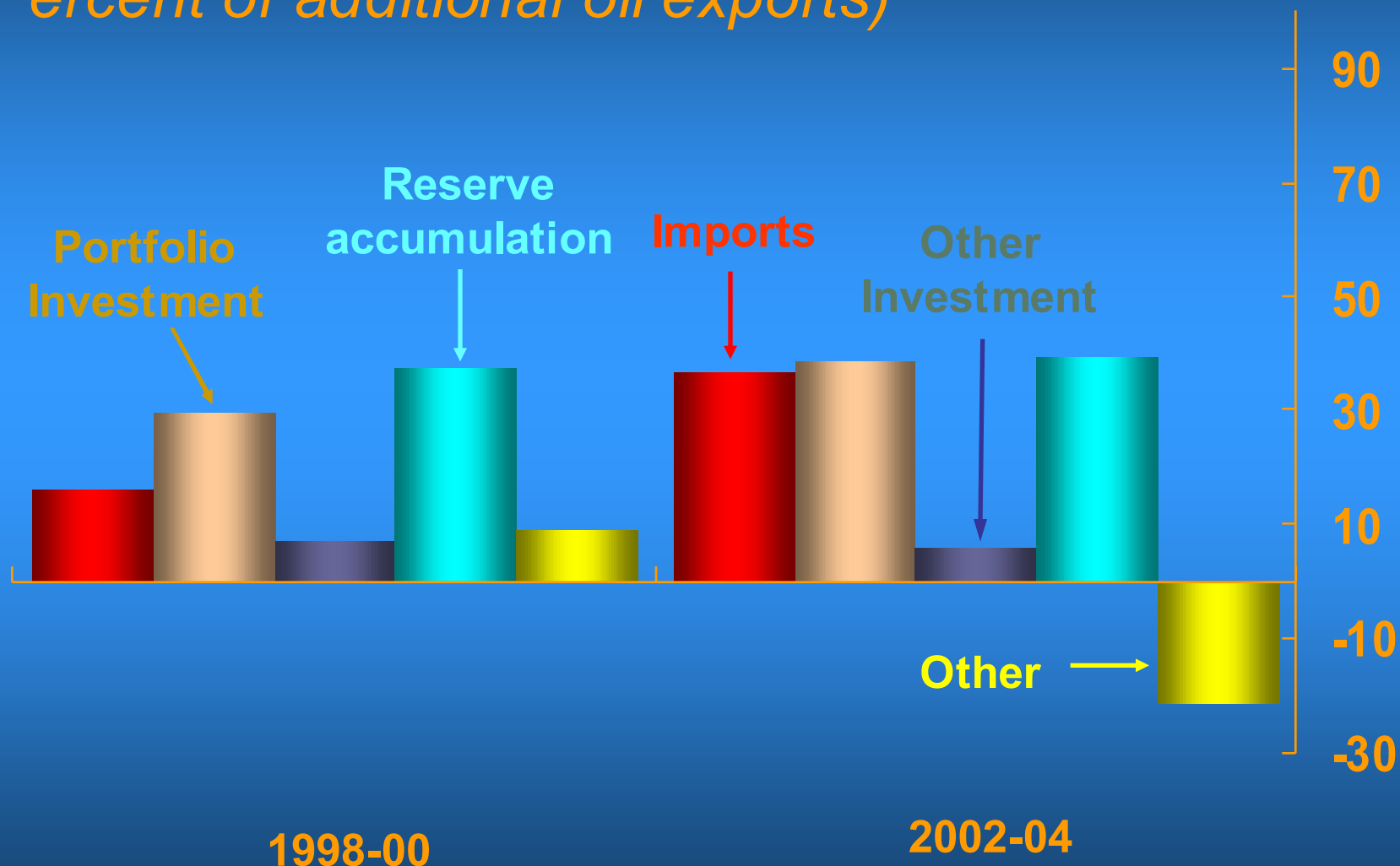
Middle East: Current Accounts, Reserves, and Oil Price



Source: IMF staff calculations.

Middle East: Uses of Additional Oil Export Revenues

(Percent of additional oil exports)



Source: IMF staff calculations.

Stock of Middle Eastern OPEC Member Reserves

(Percent of world reserves)



Source: IMF staff calculations.



Thank You

April 2005