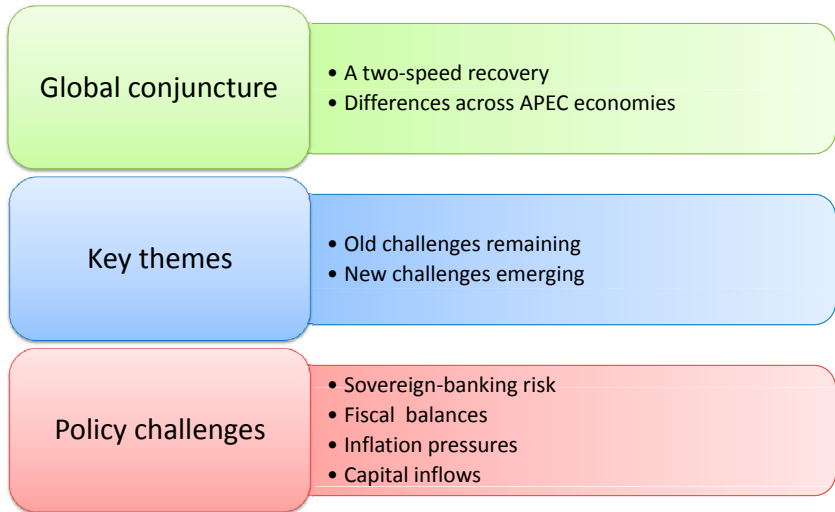




Road Map



The Recovery is Proceeding Unevenly

The two-speed recovery continues:

- Moderate growth in major advanced economies
Buoyant growth in emerging economies

Good news

- Better-than-expected growth in the second half of 2010
Some signs of pick-up in private demand in advanced economies

Bad news

- Internal and external imbalances remain substantial
Existing risks have alleviated, but not been eliminated—and new ones are emerging

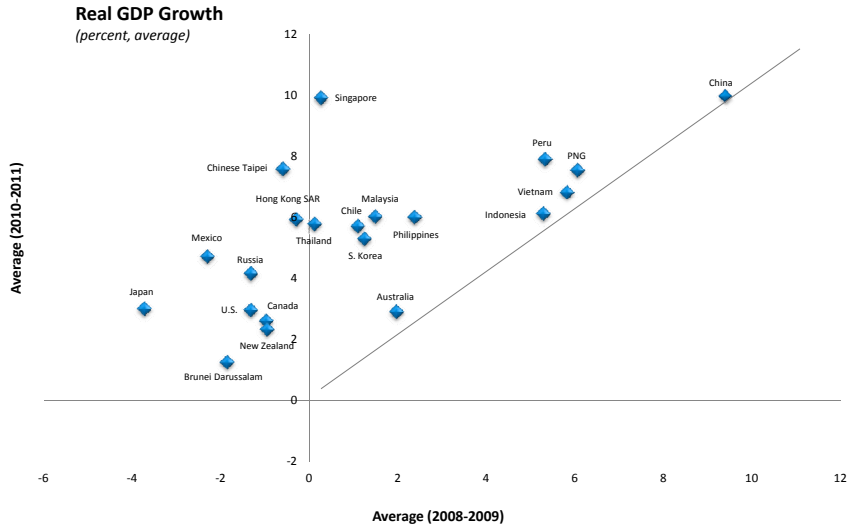
The World Economy and APEC: Recovering at Two Speeds

WEO Real GDP Growth Projections (percent change from a year earlier)

Table with 11 columns: Total, APEC (Advanced, Emerging), World, U.S., Japan, Korea, Mexico, Indonesia, China. Rows for 2010 and 2011 projections.

Source: IMF, World Economic Outlook January 2011 update.

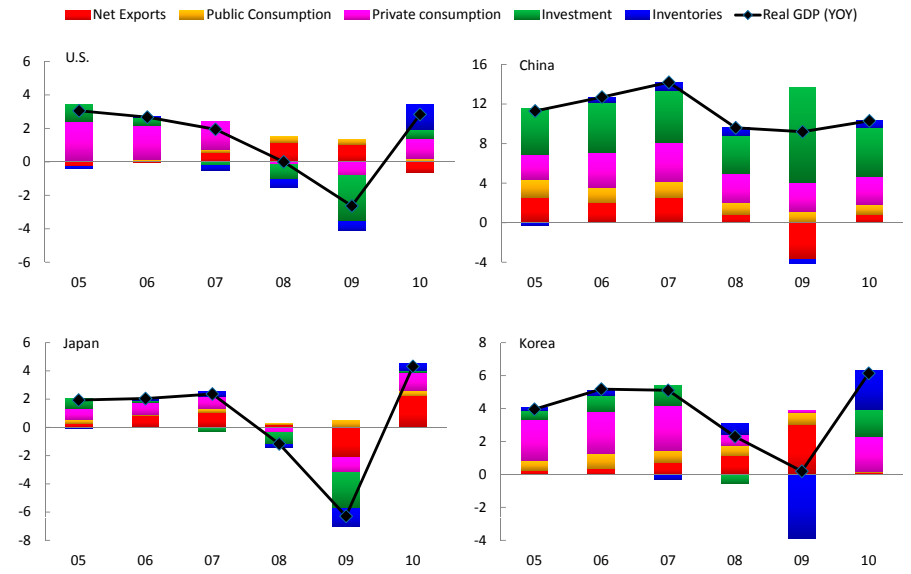
APEC Economies all Doing Better—But Large Differences Across the Region



Source: IMF, *World Economic Outlook* January 2011 update.

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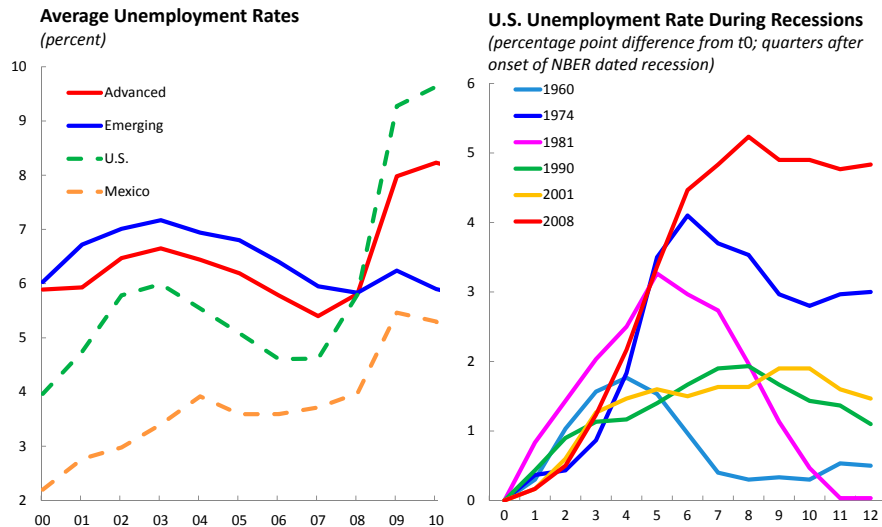
No Major Shifts in Growth Contributions to GDP in Major APEC Economies



Source: IMF, *World Economic Outlook* January 2011 update.

5

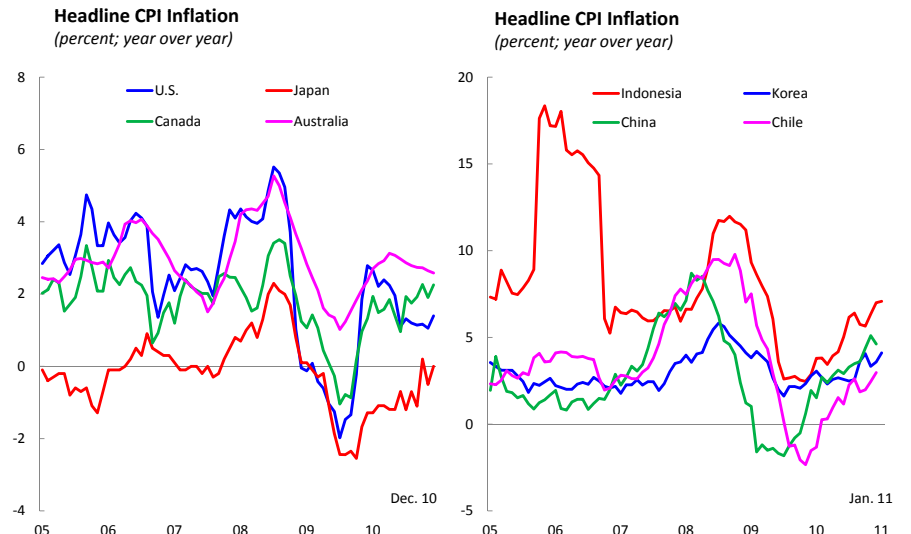
Unemployment: Increase is Severe in Advanced Economies and Compared with Previous Recessions



Sources: IMF, *Global Data Source*; and IMF staff calculations.

6

Inflation: Low in Advanced; Headline Rising in Emerging Economies

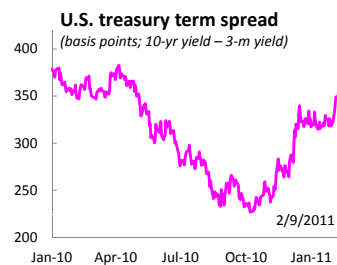
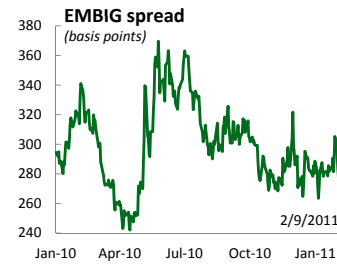
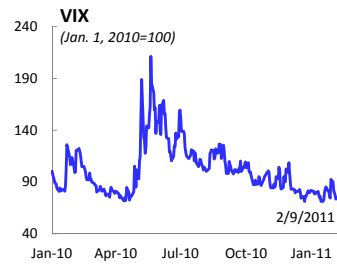
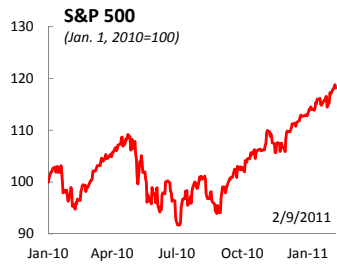


Source: IMF, *Global Data Source*.

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Some Normalization of Financial Conditions in 2010 H2

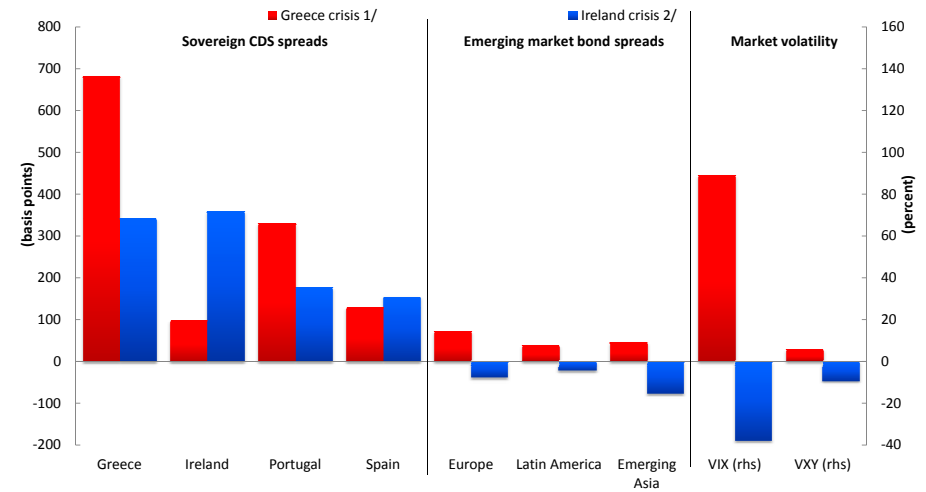


Source: Bloomberg, L.P.

8

World and APEC Region Have Been Reasonably Insulated From Periphery Europe

(basis point changes for spreads; percent changes for volatility indices)



Source: Bloomberg, L.P.
1/ From January 1, 2010 to May 8, 2010.
2/ From May 10, 2010 to December 15, 2010.

9

Downside Risks Remain Significant

Risks of renewed turbulence in sovereign debt markets that could damage the financial system and growth

The lack of credible medium-term fiscal consolidation plans in major deficit economies

Risks that commodity price rises and cost pressures will spill over into broader inflation

Risks of overheating and hard landings in emerging economies

10

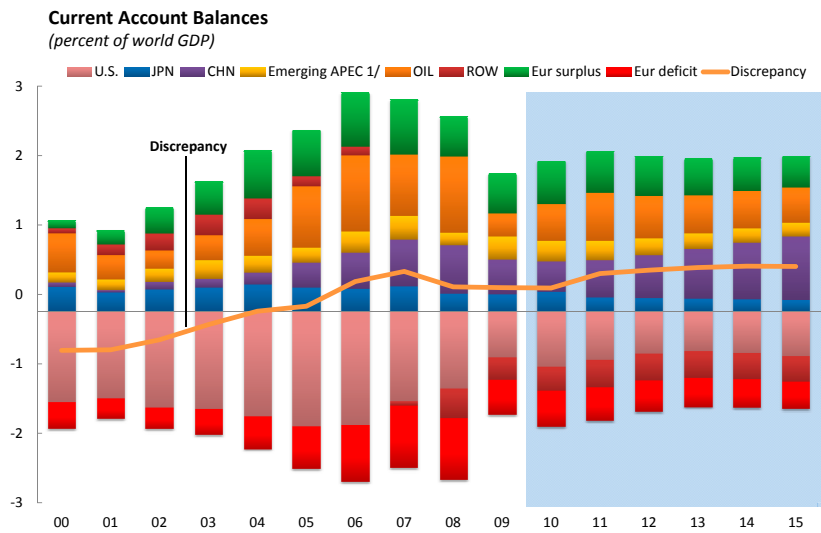
Two Key Themes

Old challenges remain:
internal and external imbalances remain substantial

New challenges are emerging,
reflecting the two-speed recovery

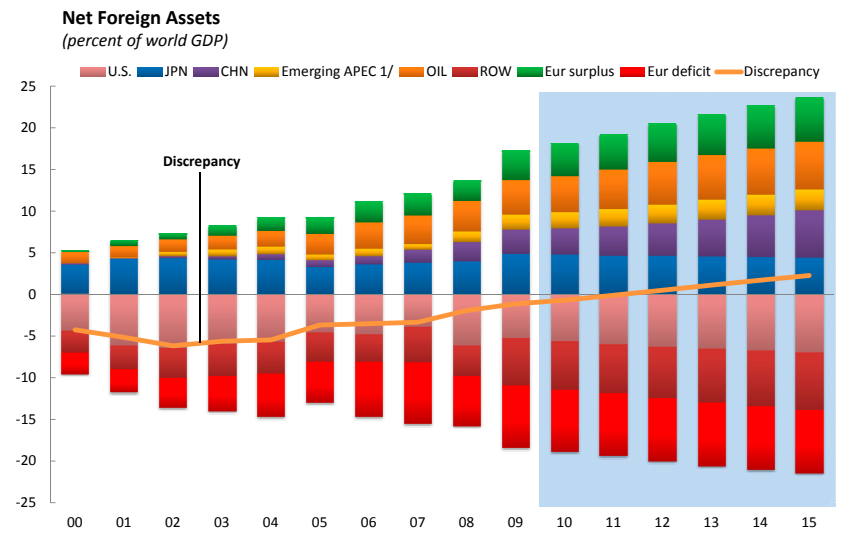
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External Imbalances Remain at the Global Level...



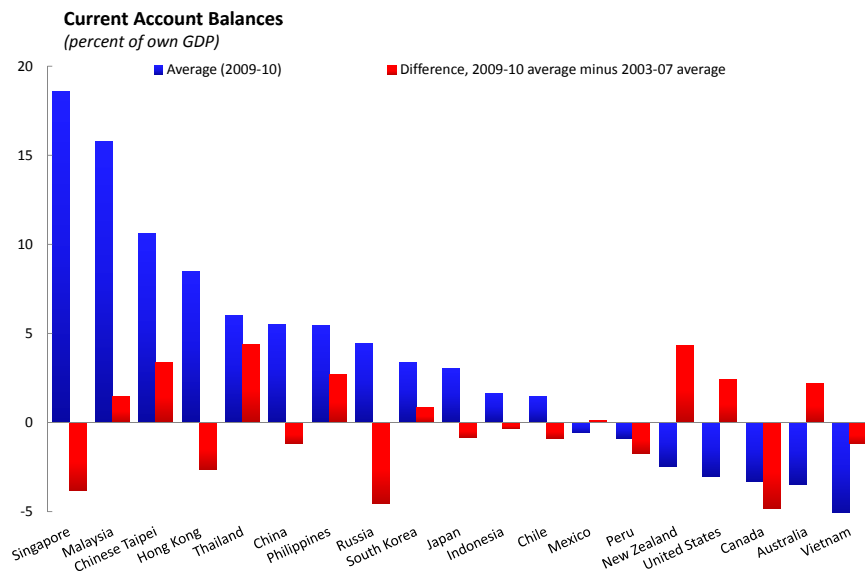
12

External Imbalances Remain at the Global Level



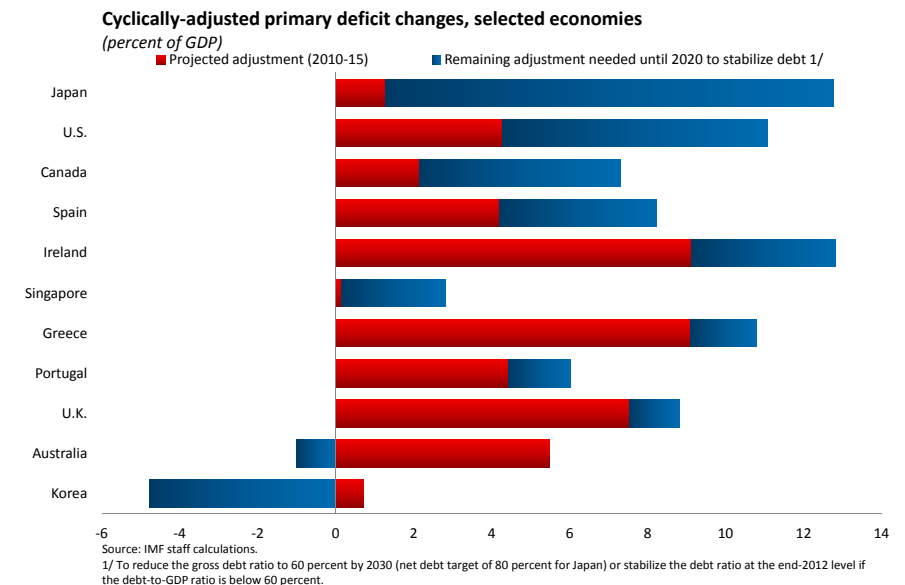
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Imbalances Also Remain Across APEC Economies



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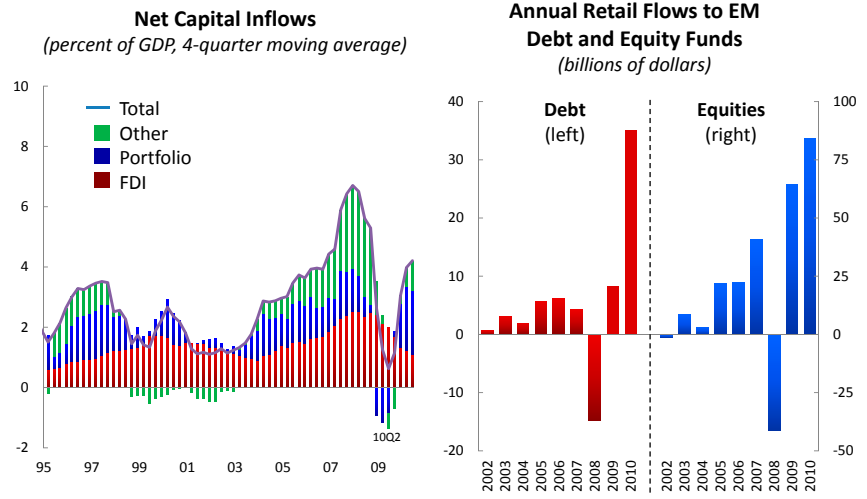
Substantial Improvements are Required in Fiscal Balances to Ensure Debt Sustainability



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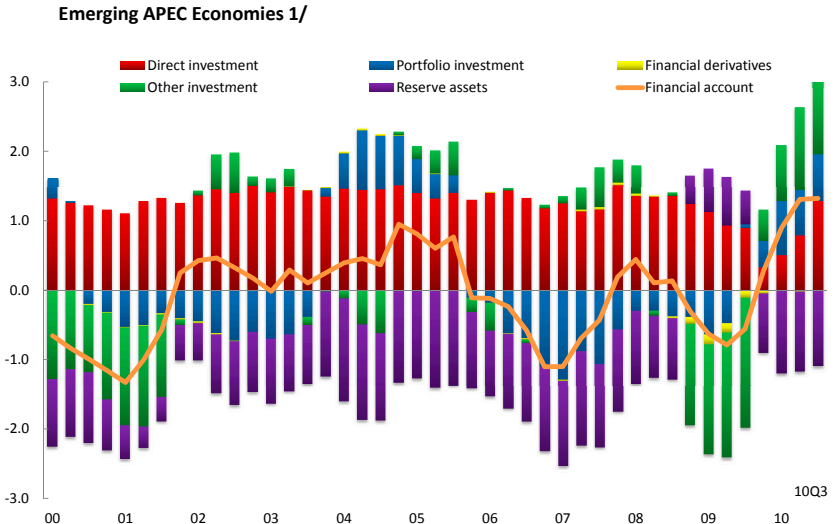
New Challenges
Implications of a Two-Speed Recovery

Capital Inflows to Emerging Markets Are Rebounding and Continuing their Pre-crisis Trend



Sources: IMF, International Financial Statistics; Haver Analytics; and EPFR Global.

Rebound is Strong for Emerging APEC Economies
(percent of aggregate GDP, 4-quarter moving averages)



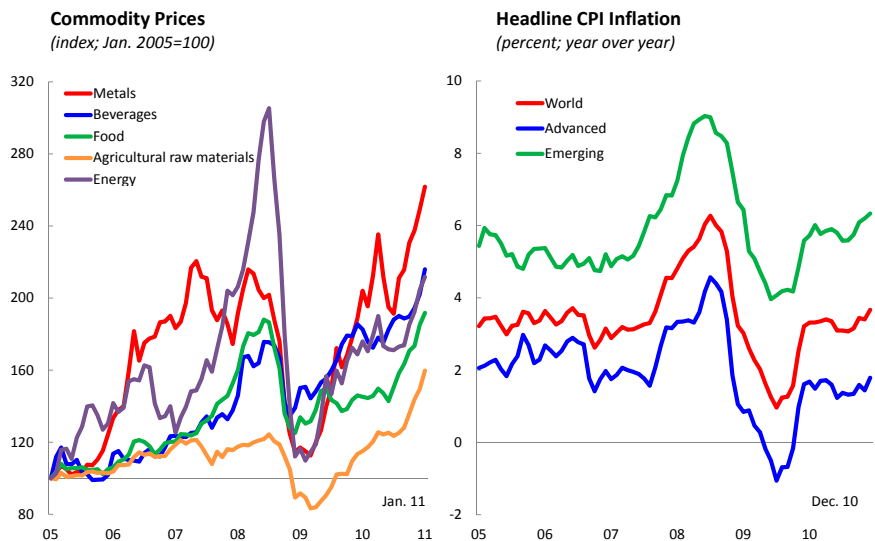
1/ Includes Chile, People's Republic of China, Hong Kong, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Russian Federation, Singapore, Chinese Taipei, and Thailand.

Reactions to Capital Inflows



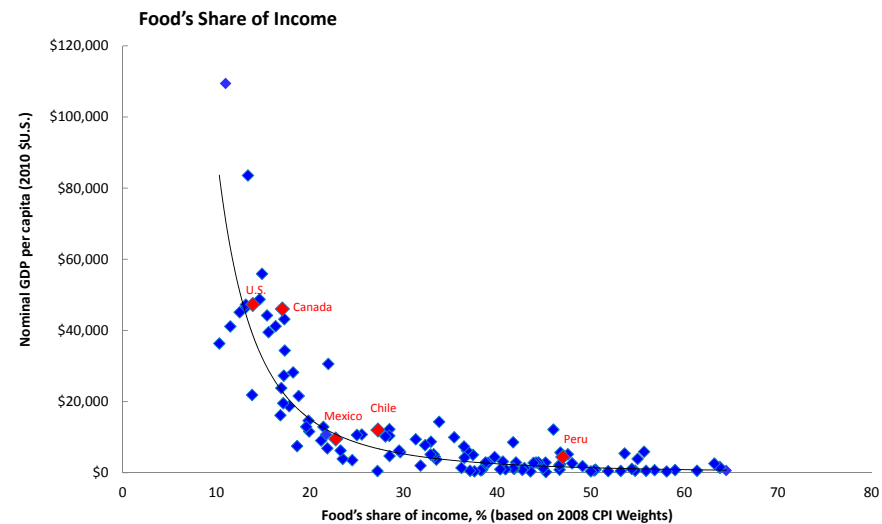
1/ Weighted average using market GDP.
2/ Gross international reserves as a share of 2006-08 average GDP. Weighted average using market GDP.

Commodity Price Rises are Feeding into Headline Inflation and Producer Costs



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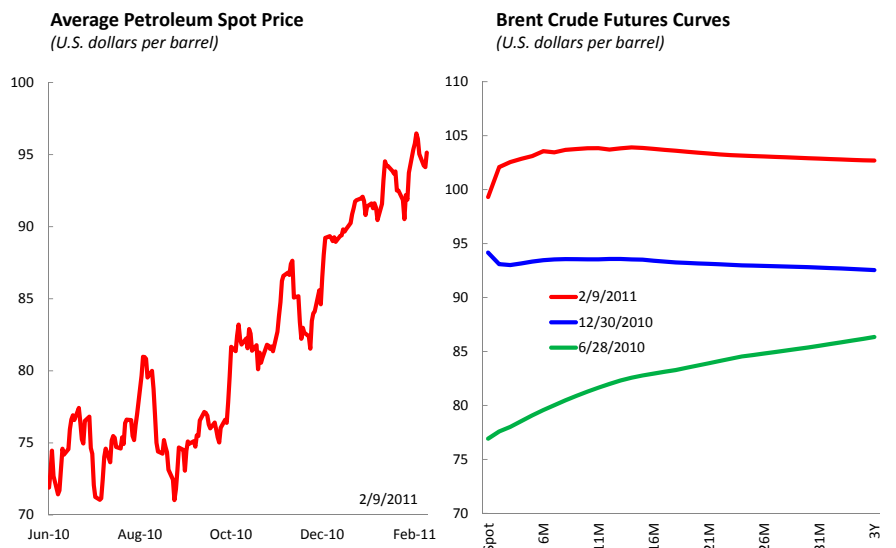
Rising Food Prices are of Particular Concern For Lower Income Economies



Source: IMF, *World Economic Outlook* and staff estimates.

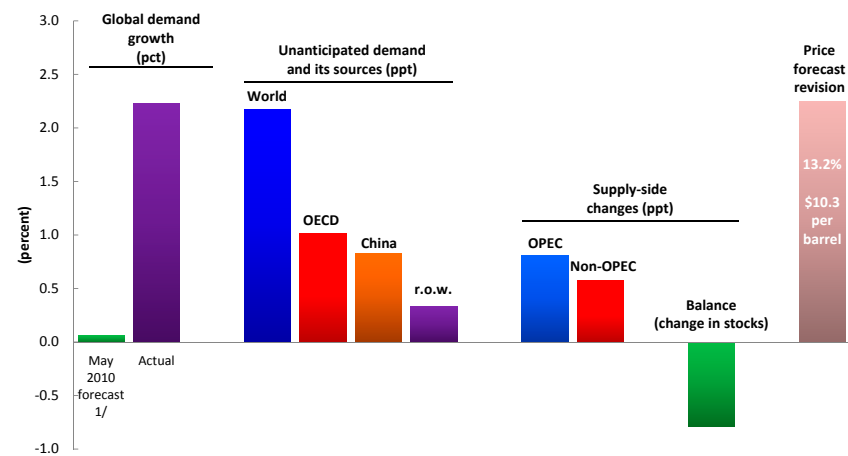
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Oil: Spot and Futures Prices Rising



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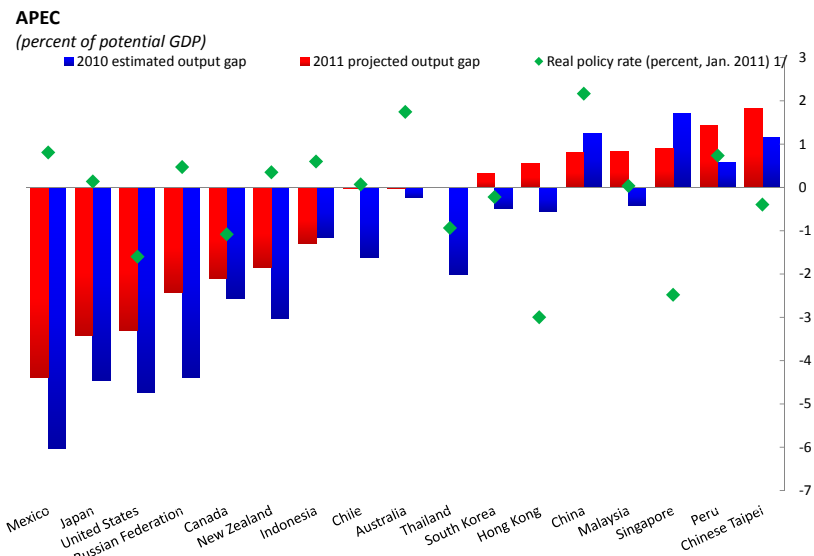
Recent Oil Price Increases Mainly Accounted for by Increased Demand



Source: IMF, *International Energy Agency*.
1/ Forecast of 2010Q4 over 2010Q2.

23

Are Some Economies Falling Behind the Monetary Policy Curve?



1/ Defined as current policy rate minus 1-year ahead consensus inflation expectation.

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Policy Challenges for APEC Economies

	External Surplus	External Deficit
Advanced APEC Economies	Accelerate financial repair and reform	
	Product and labor market reforms	Credible fiscal consolidation over the medium term
Emerging APEC Economies	Manage capital inflows and address risks of inflation and overheating	
	Rebalancing of demand towards domestic sources	Supply measures to strengthen growth and employment

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