Global Economic Outlook
The Great Recession and Recovery

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for Wichita State University, October 2010

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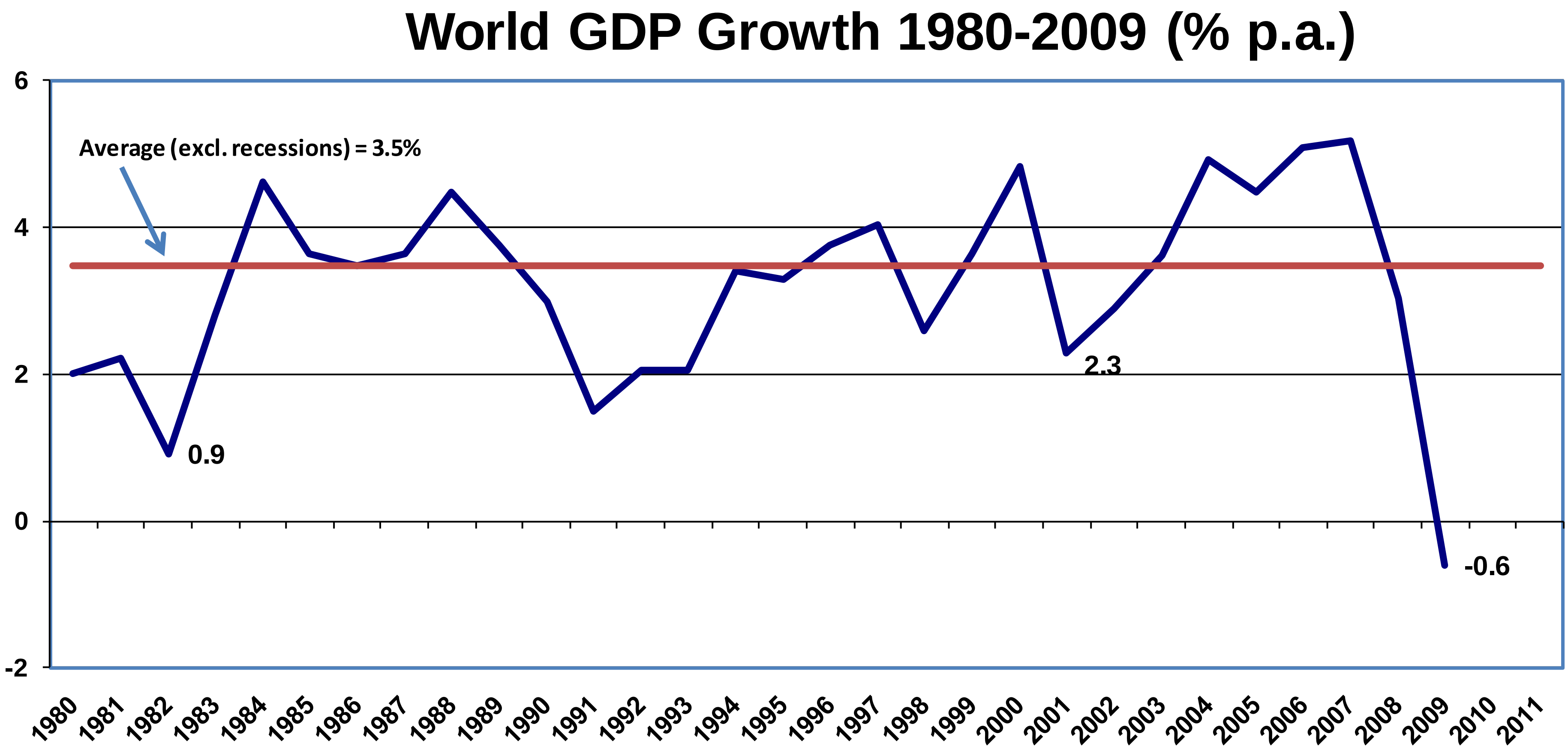
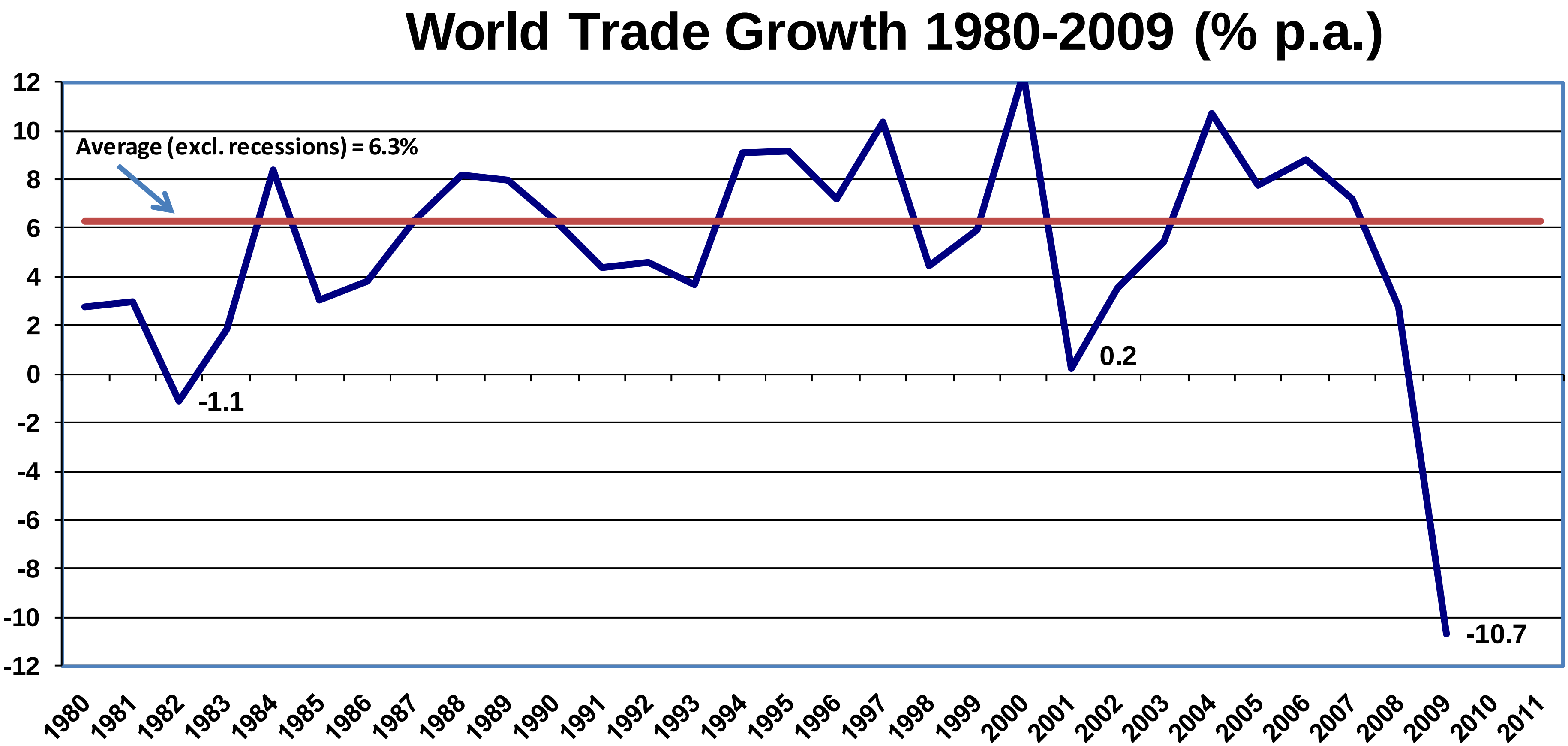
The Great Recession – Deepest in 30 Years



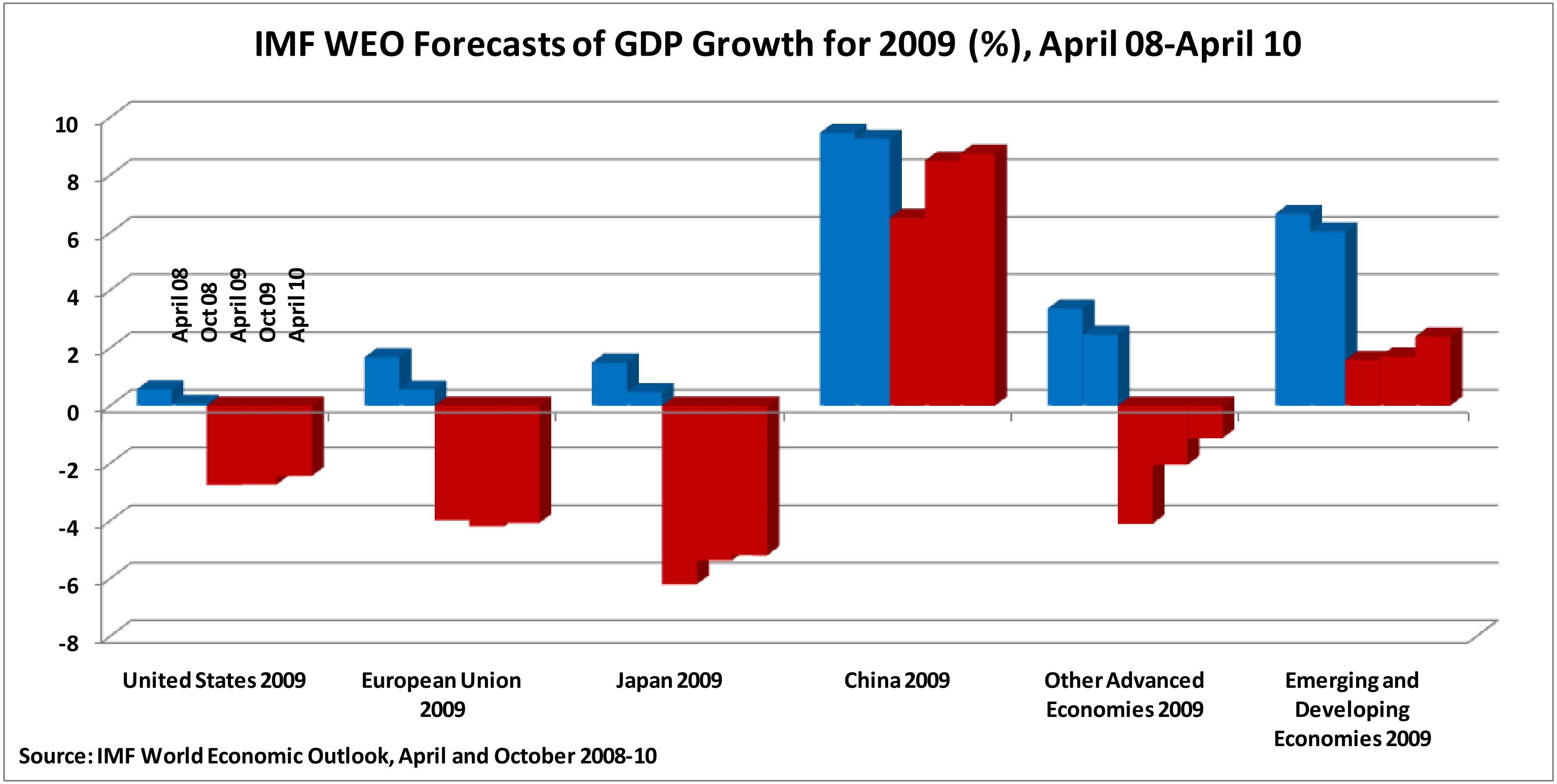
Source: IMF World Economic Outlook April 2010

The Great Recession – Trade Transmission

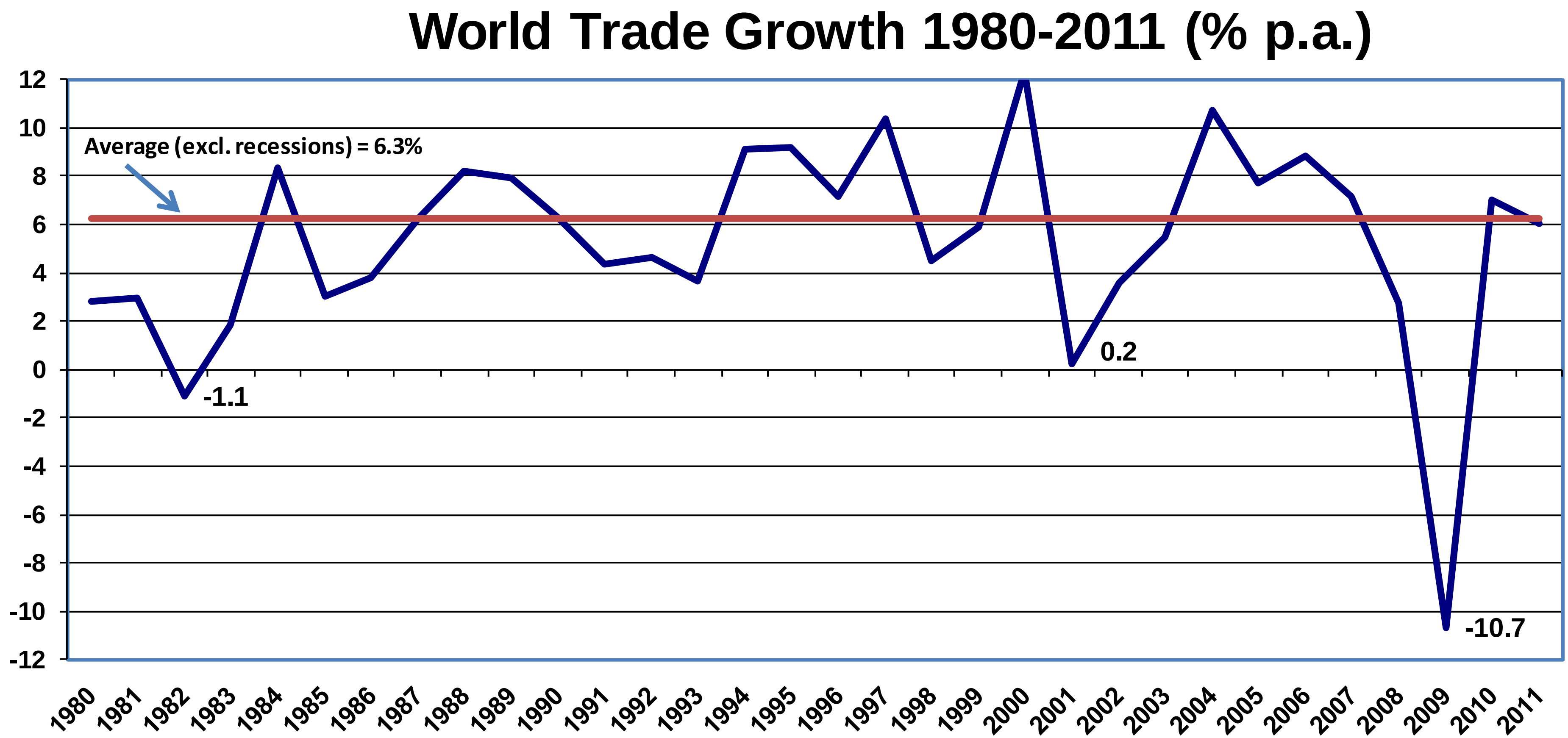


Source: IMF World Economic Outlook April 2010

Great Recession: Did We See it Coming?

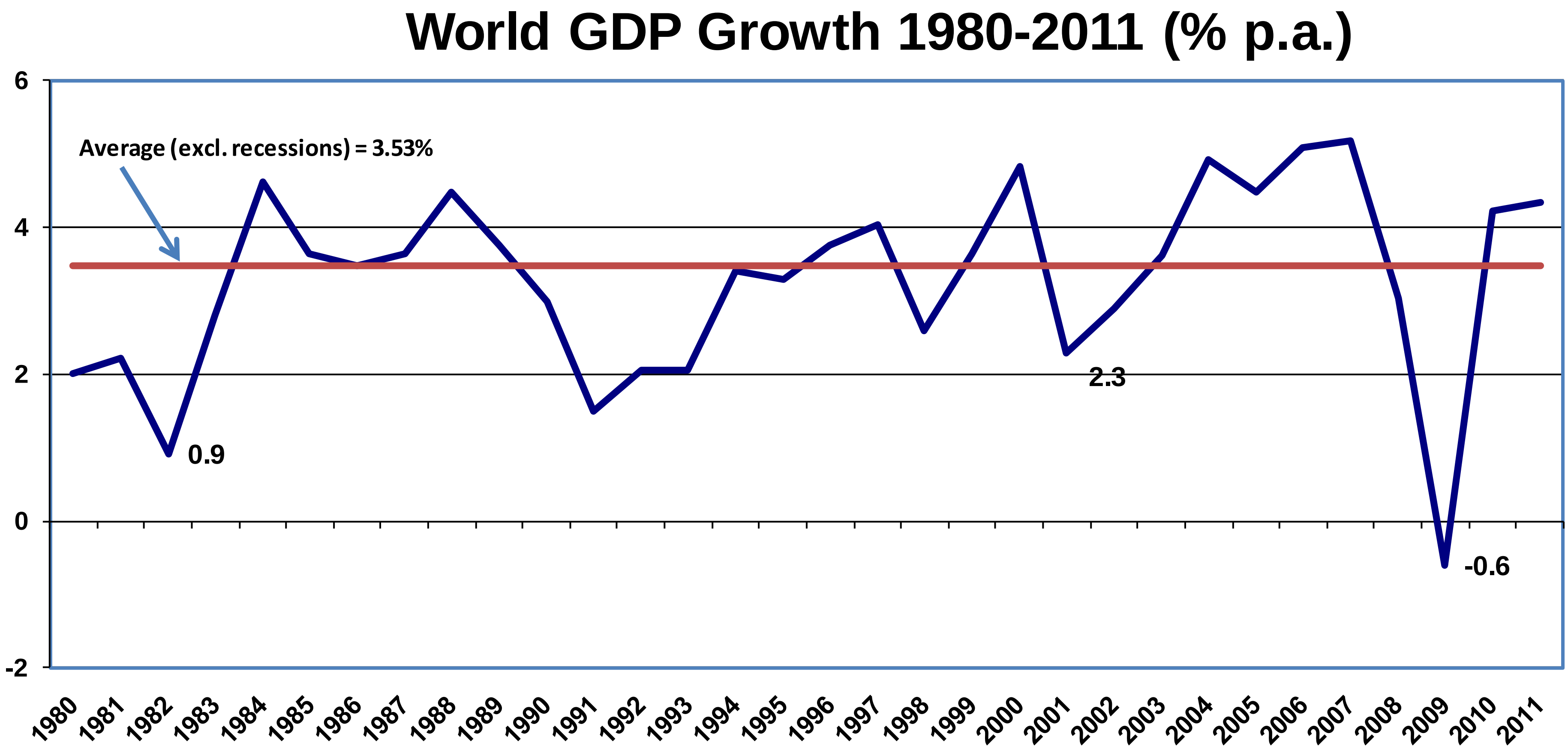


The ‘Great’ Recovery – Trade Returns



Source: IMF World Economic Outlook April 2010

The ‘Great’ Recovery …is a “V” …We Hope

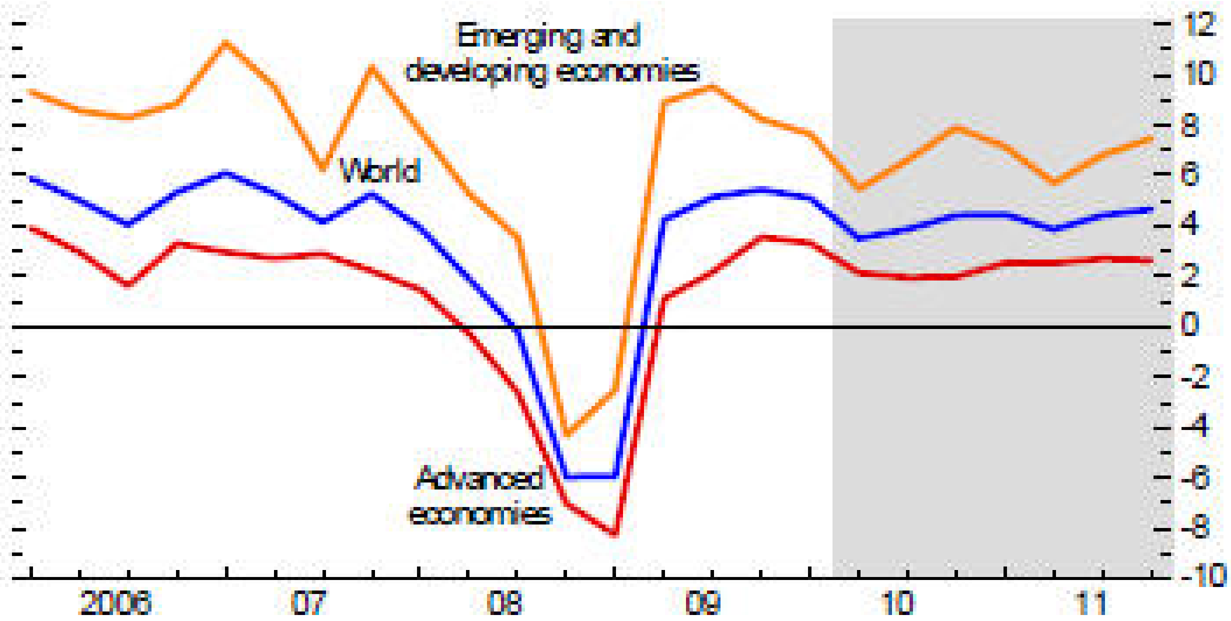


Source: IMF World Economic Outlook April 2010

July 2010 IMF WEO Update

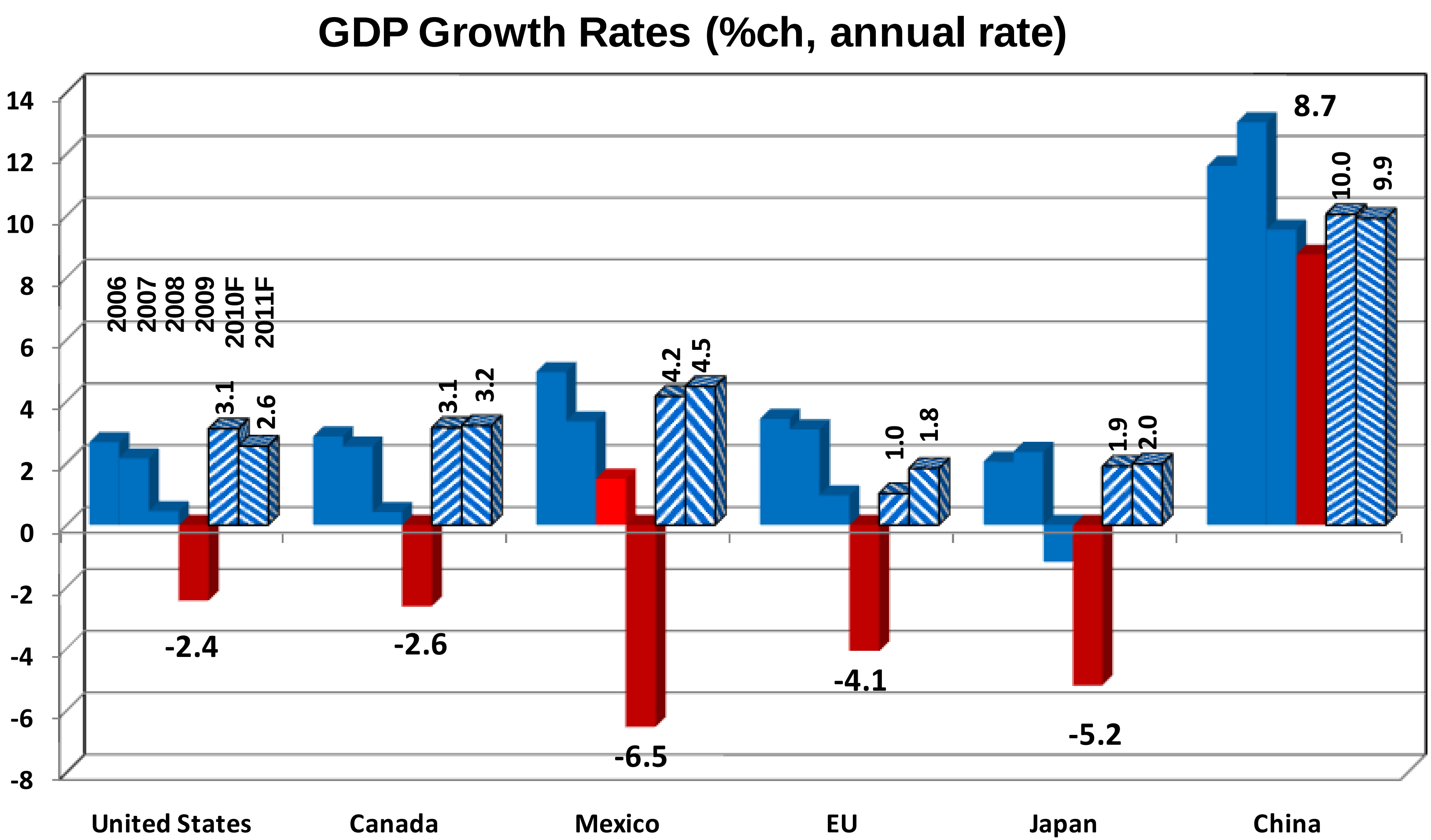
Figure 1. Global GDP Growth

(Percent; quarter-over-quarter, annualized)



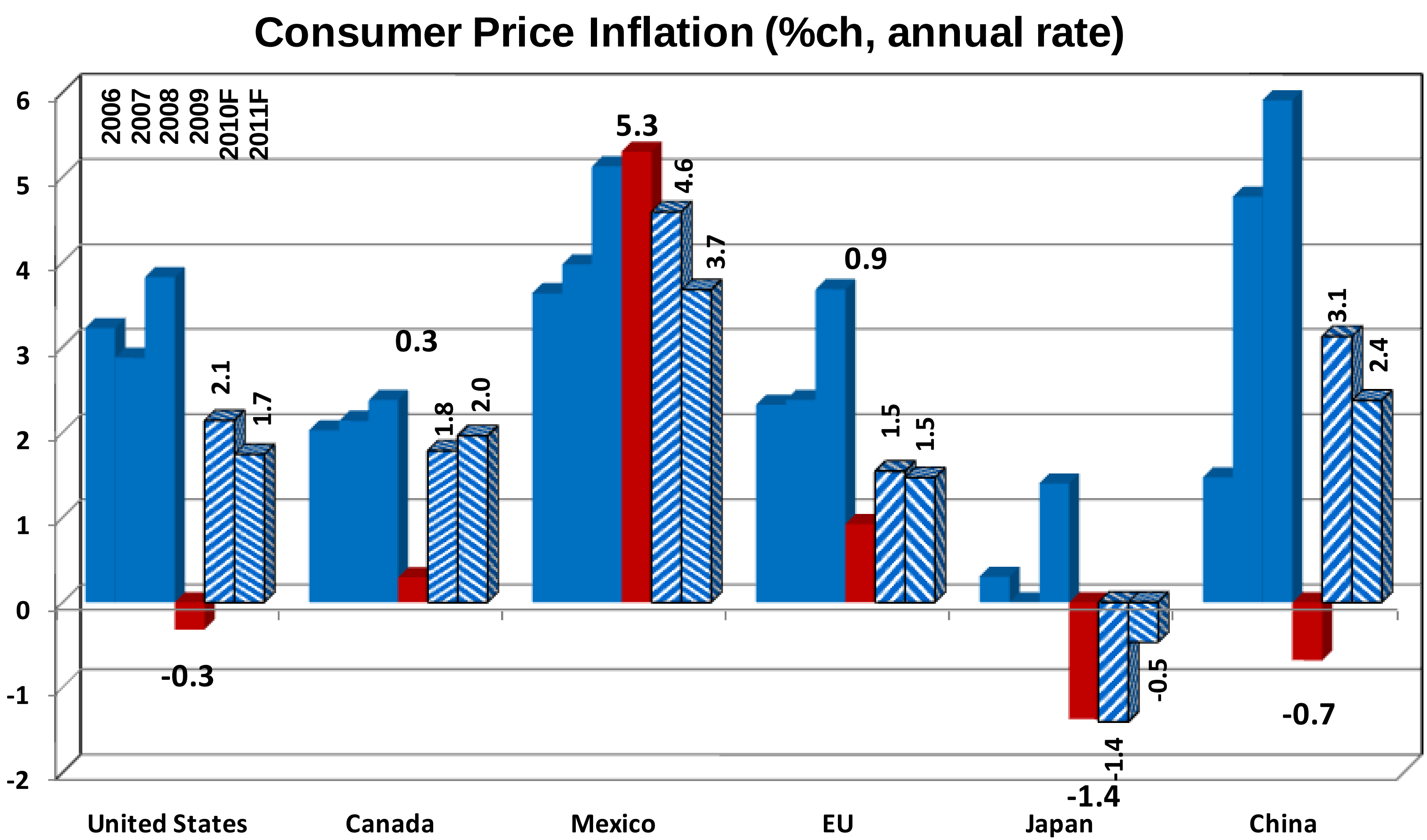
Source: IMF staff estimates.

Selected Country GDP Outlook



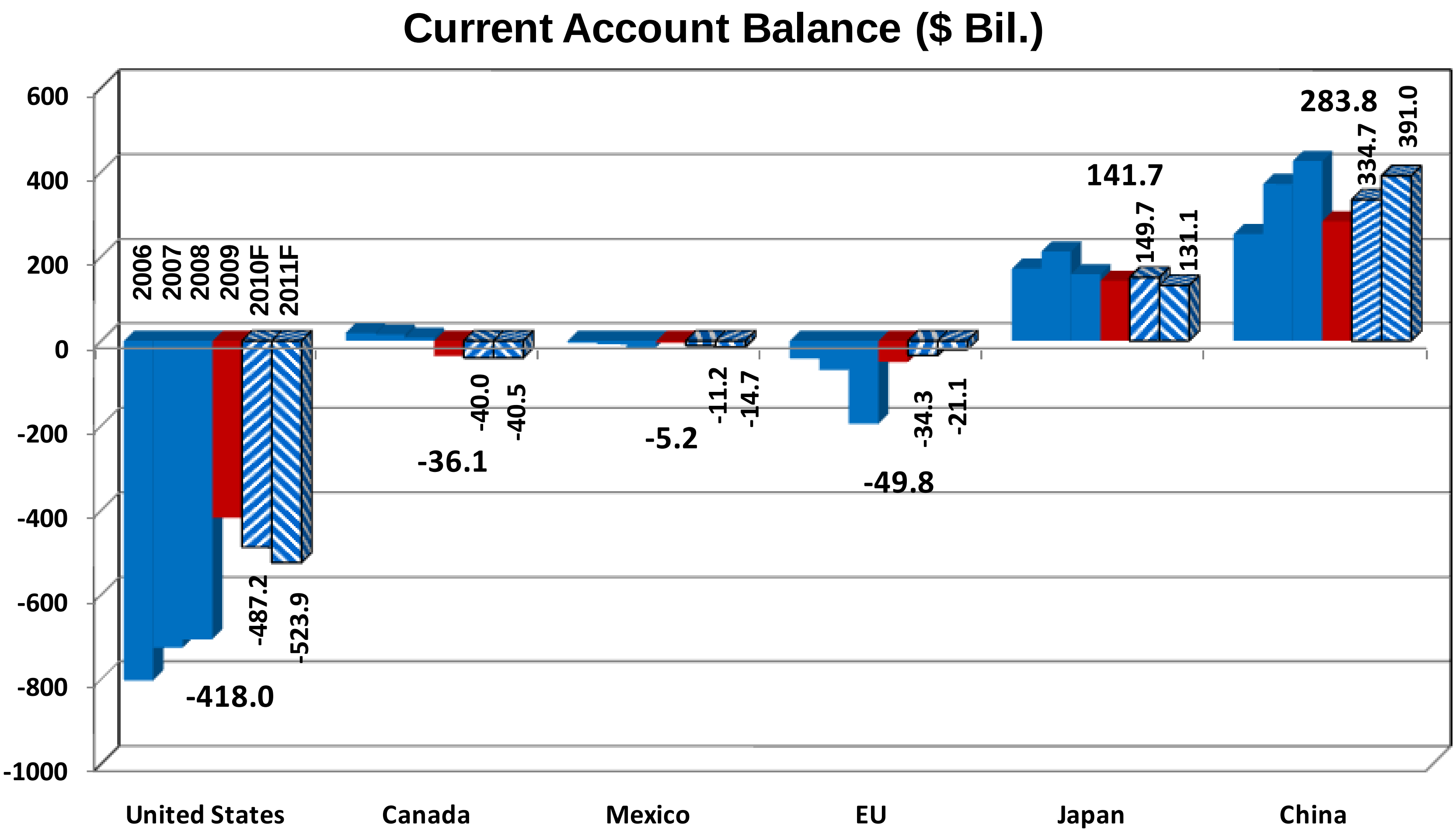
Source: IMF World Economic Outlook April 2010

Selected Country Inflation Outlook



Source: IMF World Economic Outlook April 2010

Selected Country Current Accounts



Source: IMF World Economic Outlook April 2010

Risks to the Great Recovery
-- UNCERTAINTY --

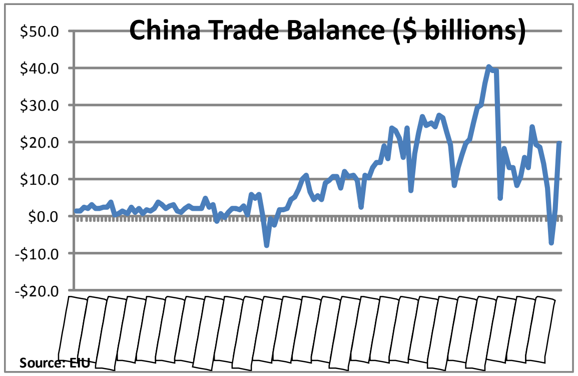
1. <u>The "New Normal"</u> – sluggish growth and little or no employment growth.
2. <u>Sovereign Debt</u> – the European periphery to be sure, but other Advanced Economies?
3. <u>Further Stimulus or Consolidation?</u> – when to exit? – too early=renewed recession & too late= unsustainable debt load
4. <u>Deflation</u> – that combination of low or negative GDP growth accompanied by negative inflation -- present in Japan – "not likely" in U.S. or EU

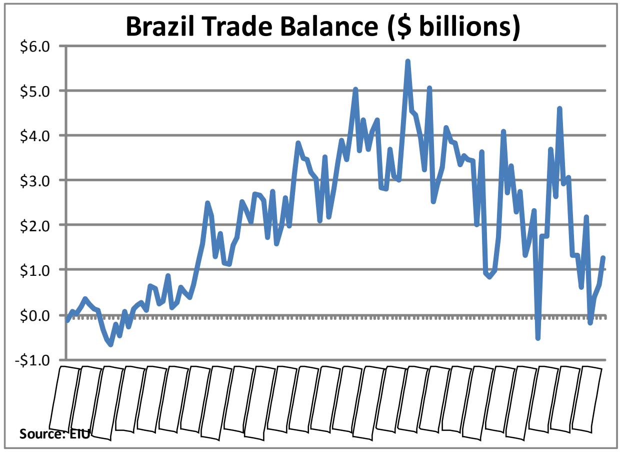
Policy Focus of the G20 Washington, London, Pittsburg, Toronto ….and next month, Seoul, Korea

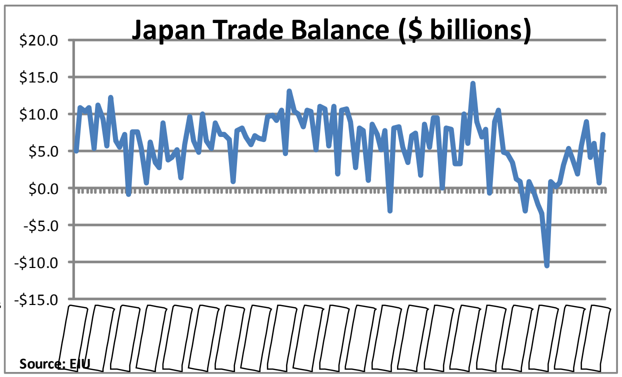
1. <u>Return to Growth with Quality Jobs</u>
2. <u>Reform and Strengthen Financial Systems</u>
3. <u>Complete Reforms of the International Financial Institutions</u>
4. <u>Create Strong, Sustainable and Balanced Global Growth</u>

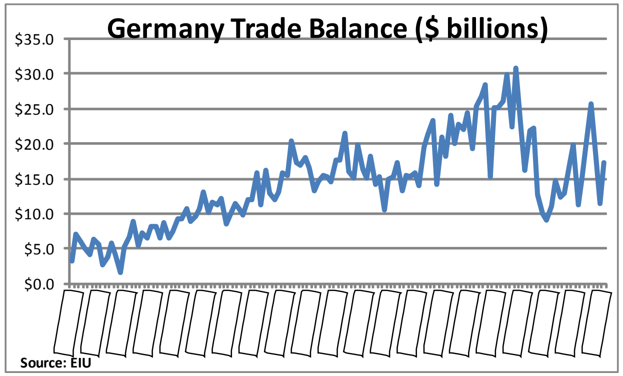
G20 Trade Surpluses Get Smaller,,,,

G20 Trade Surplus Countries



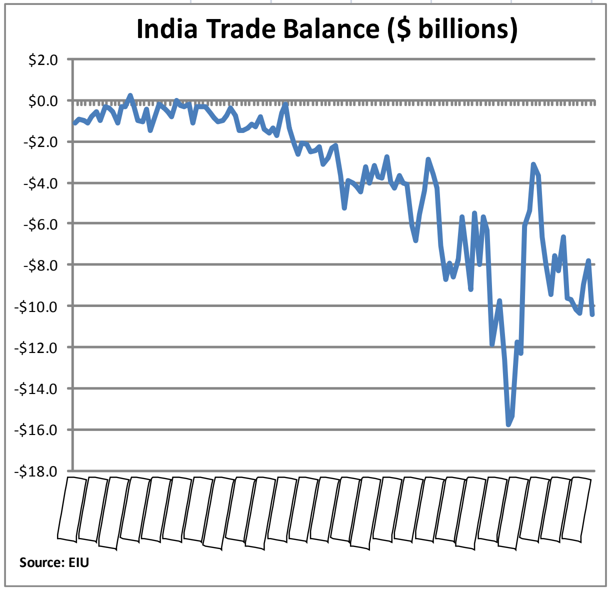


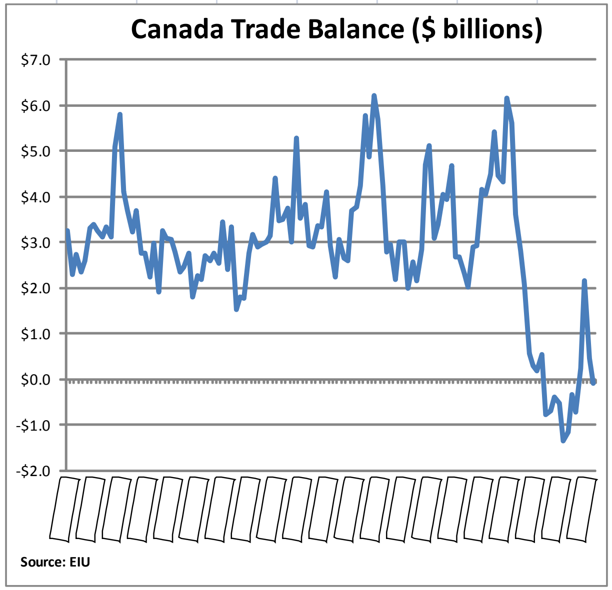


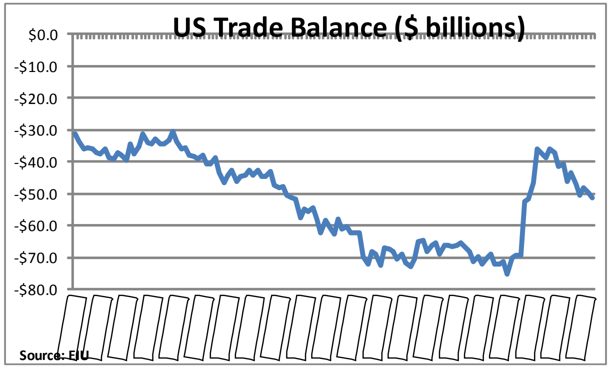


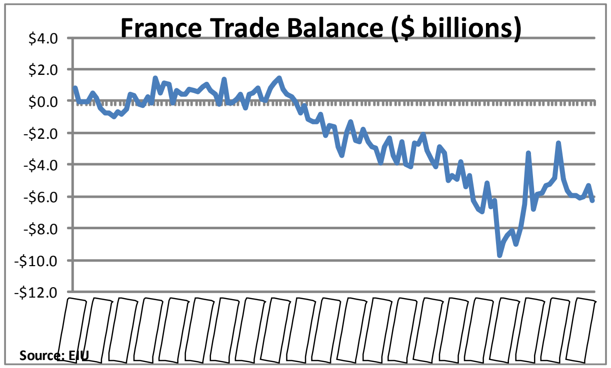
….while G20 Trade Deficits Shrink

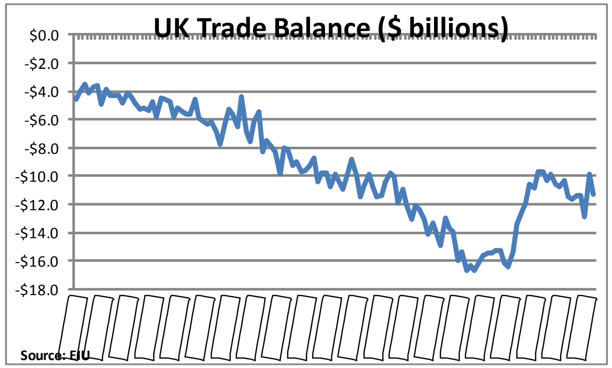
G20
Trade Deficit
Countries



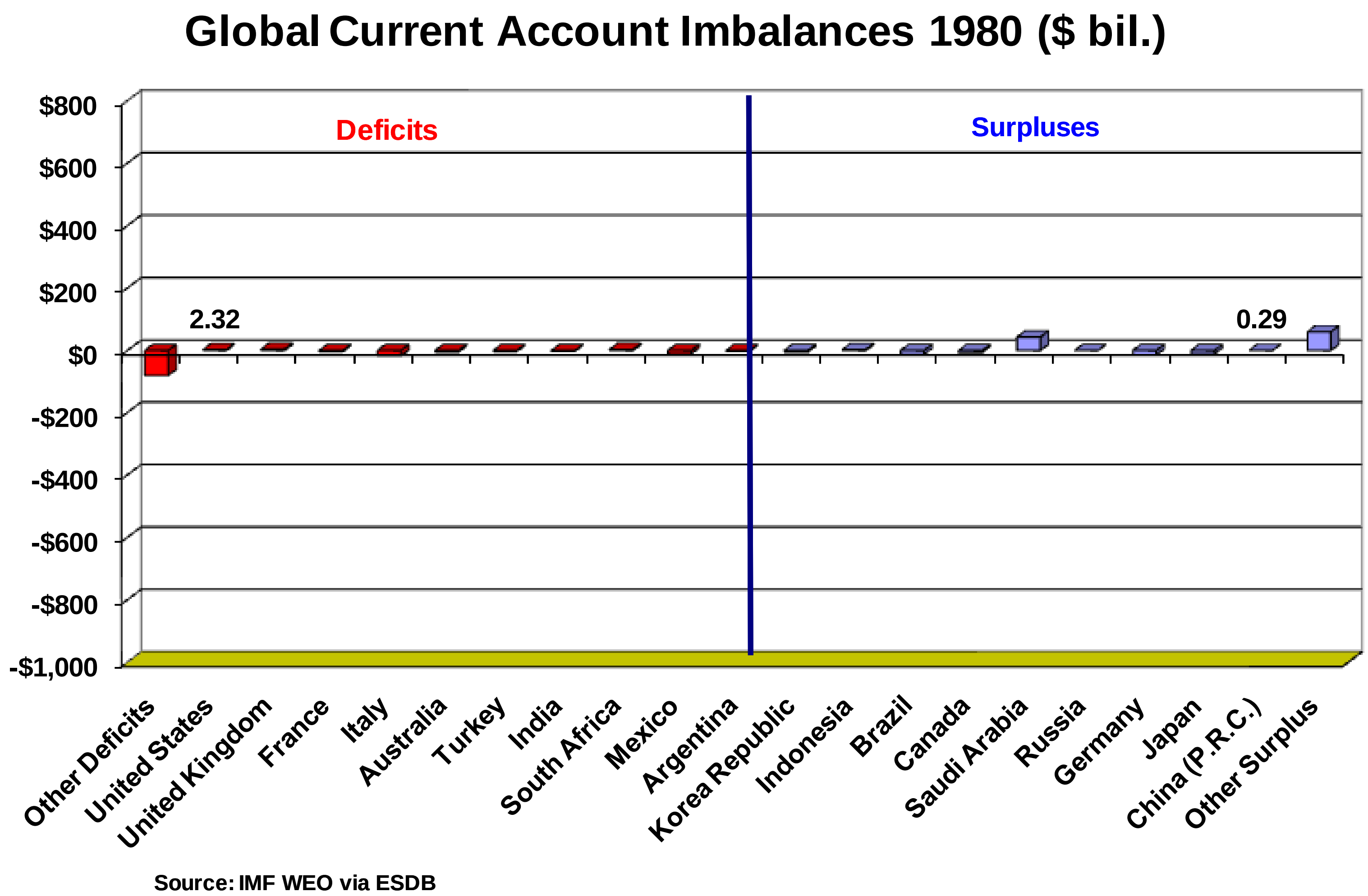




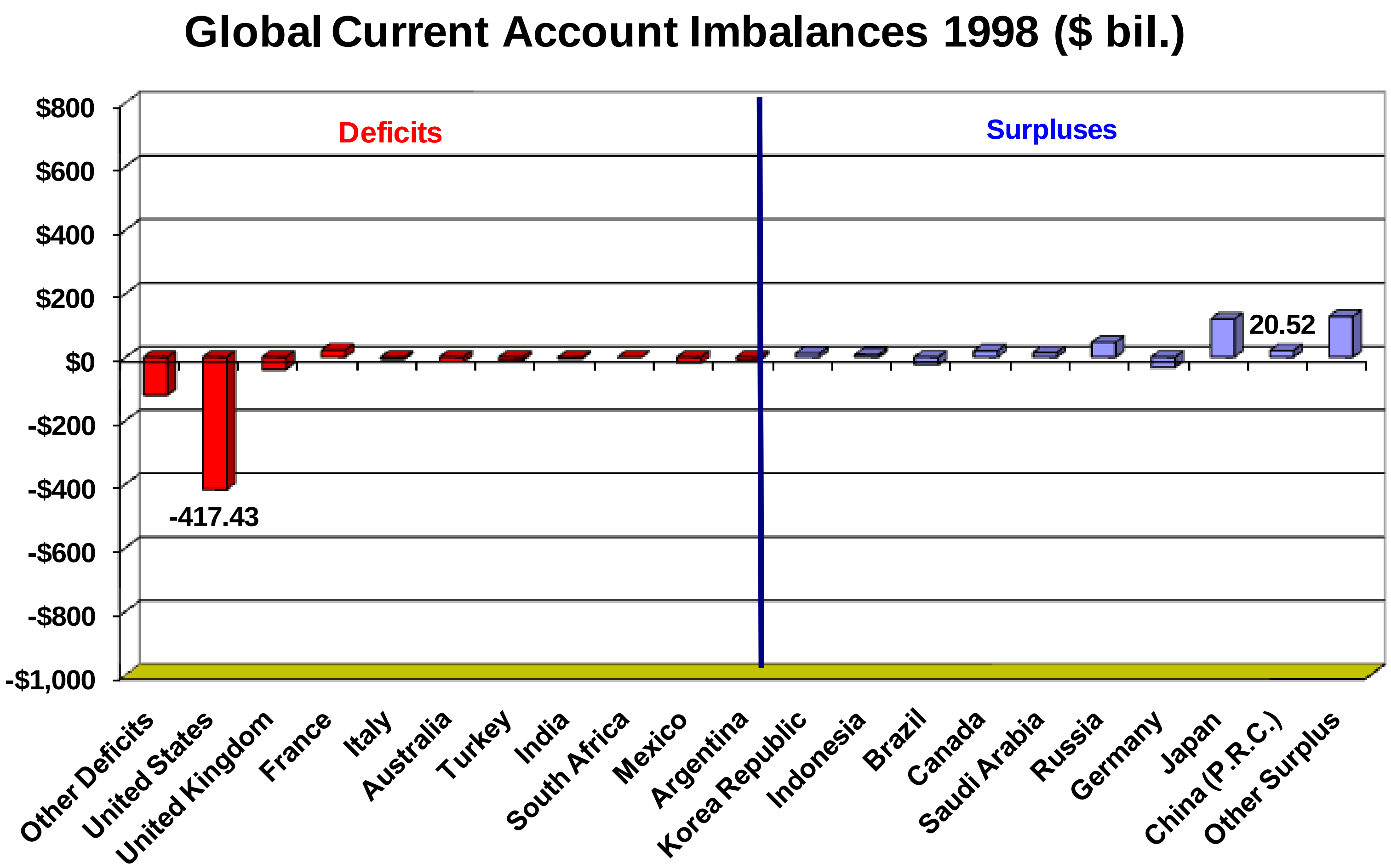




No Significant Global Imbalances

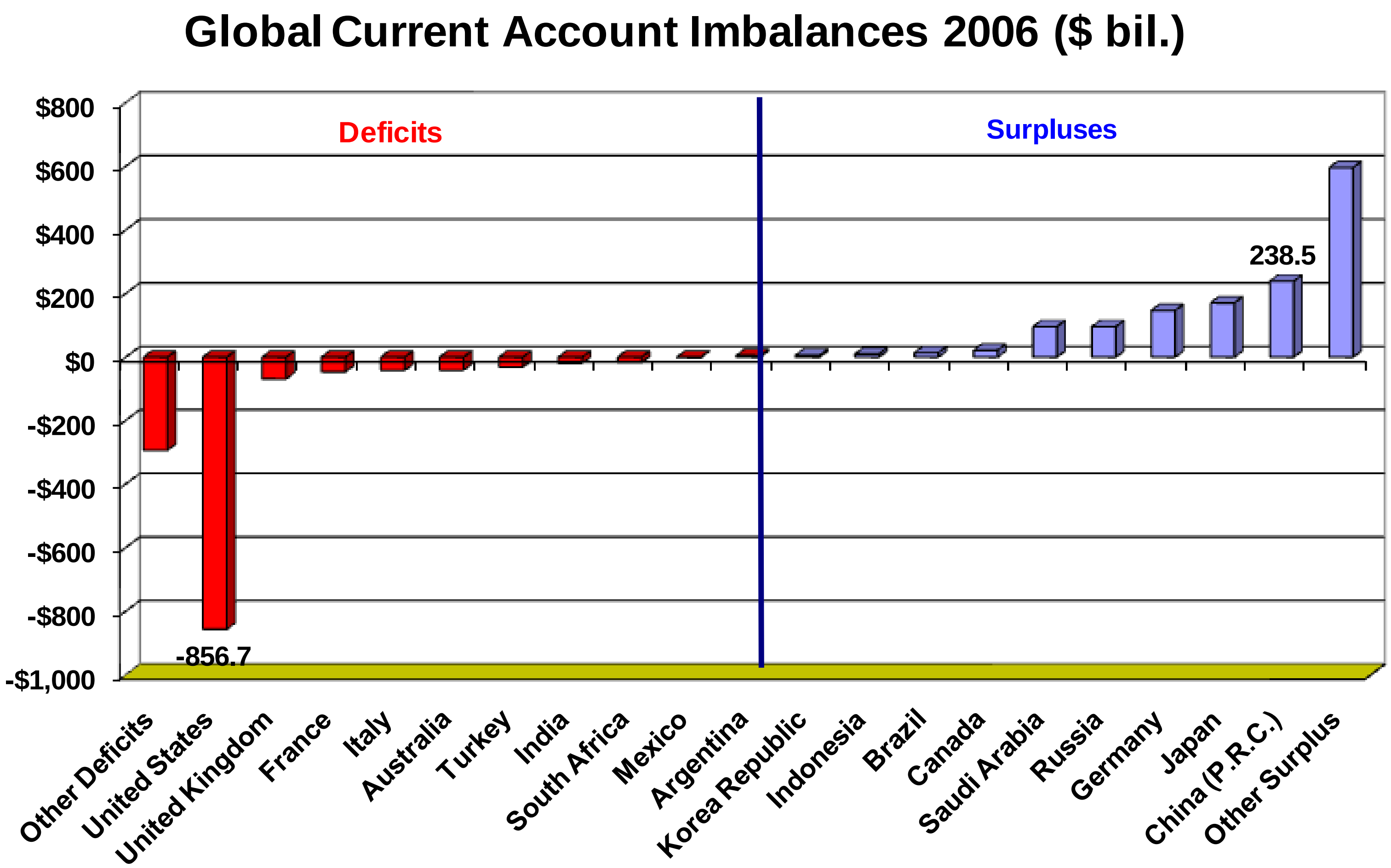


Global Imbalances Emerge



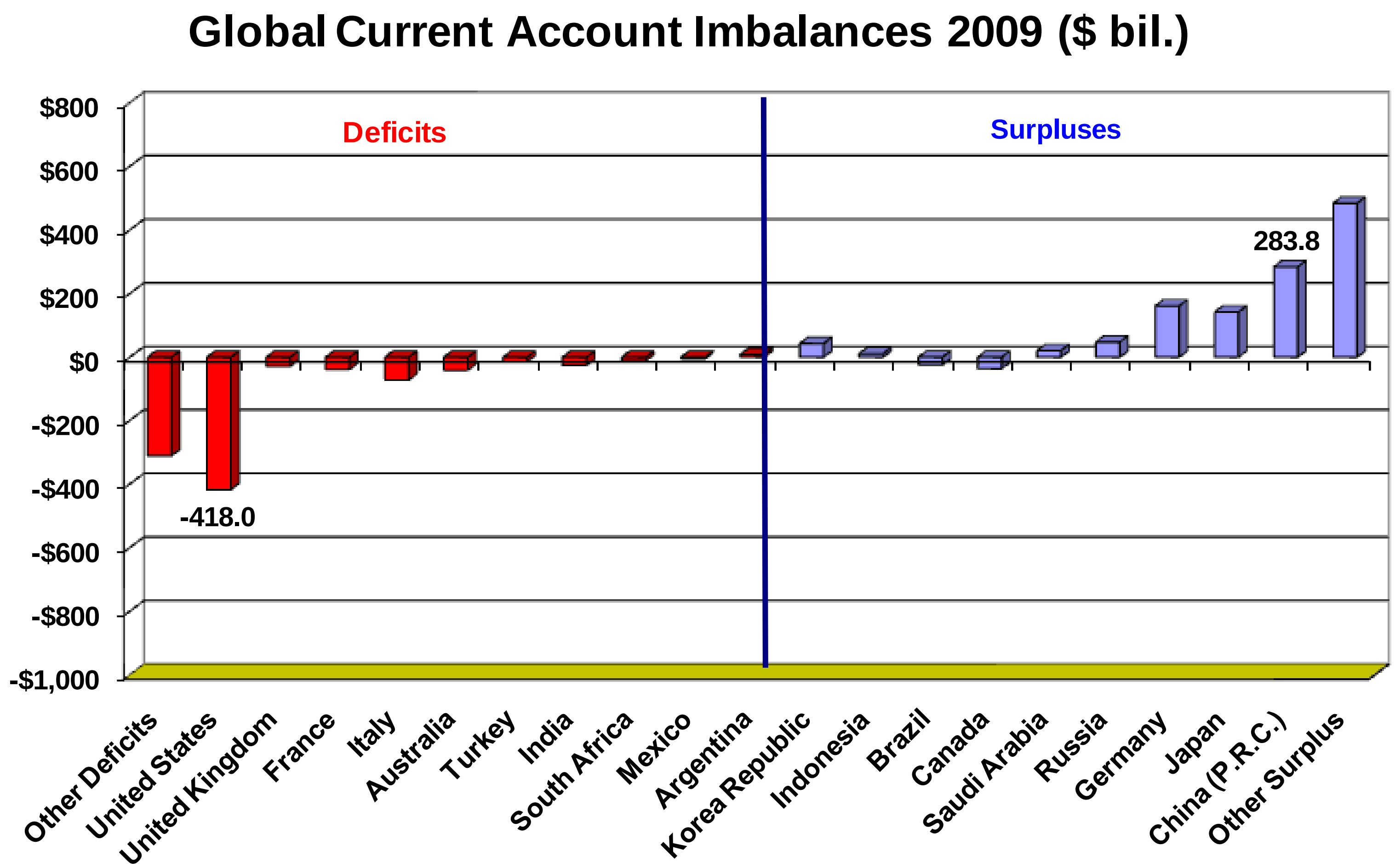
Source: IMF WEO via ESDB

Global Imbalances Peak



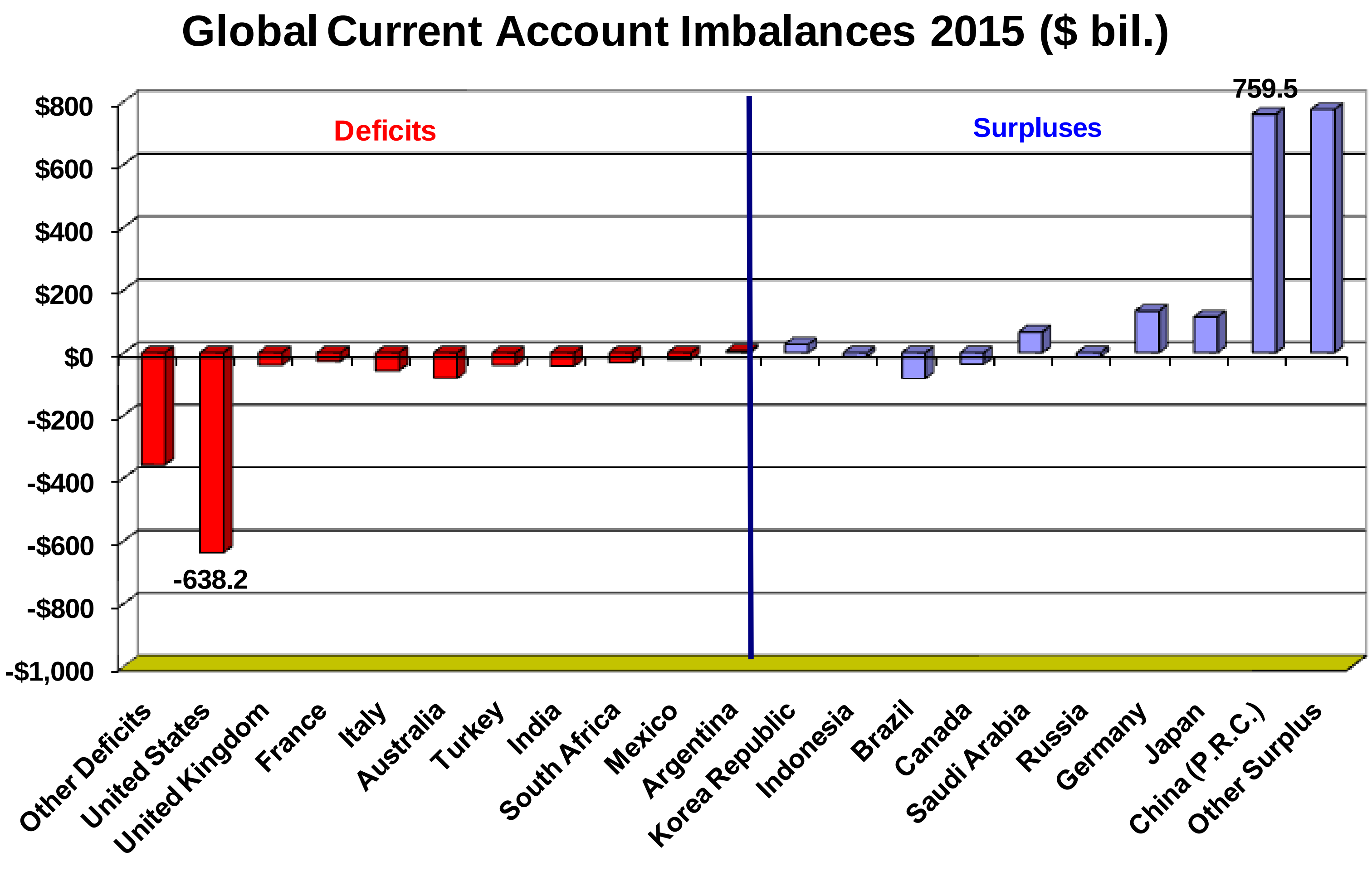
Source: IMF WEO via ESDB

Global Imbalances Shrink With Recession



Source: IMF WEO via ESDB

Global Imbalances Re-Emerge with Recovery



Source: IMF WEO via ESDB

Three Sources of Savings

Private Savings

+

Govt. Savings

+

Foreign Savings

== 0

Disposable Income
Less
Consumption
Less
Investment

Taxes Less Revenues

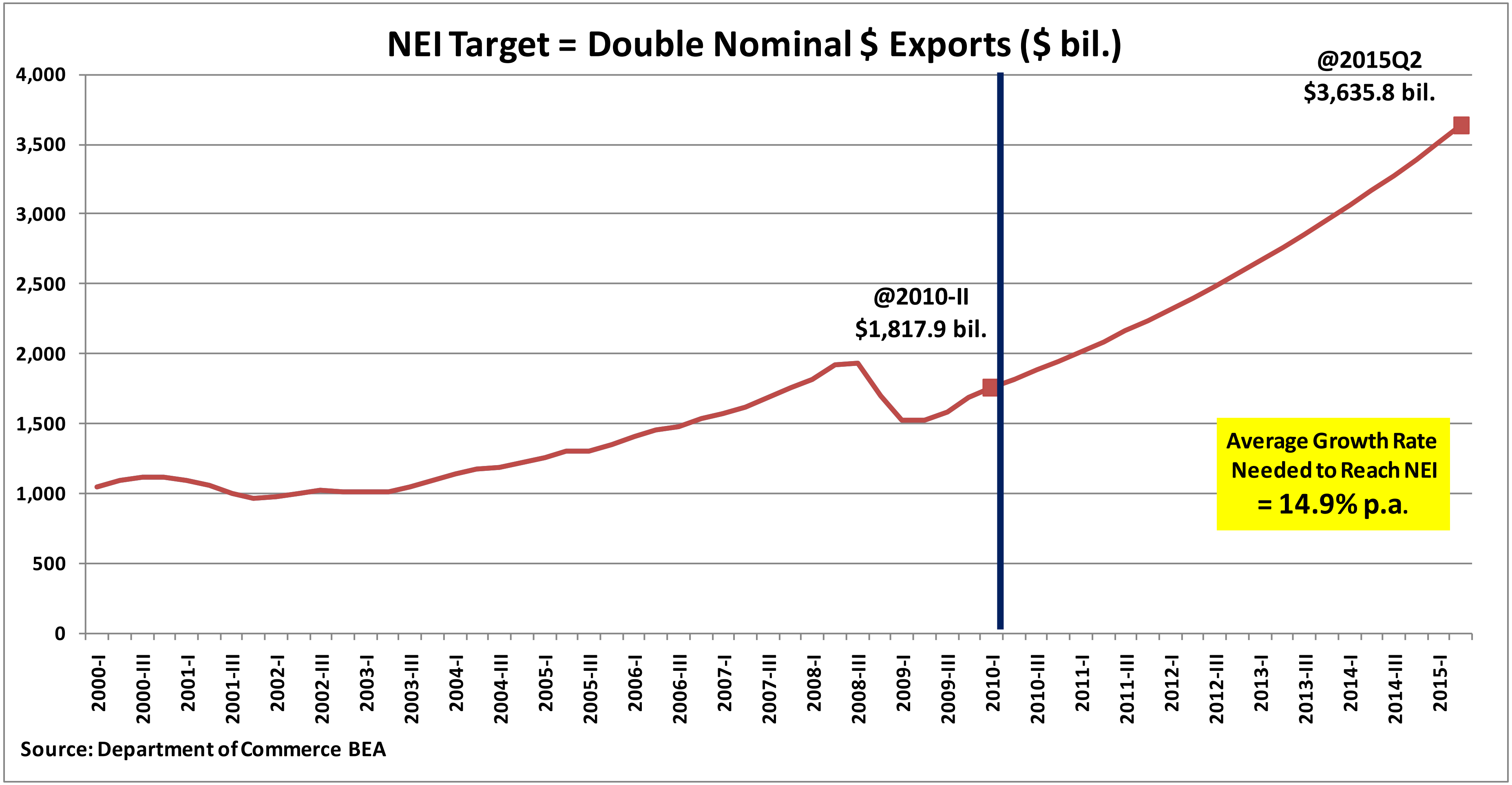
Imports Less Exports

G20 Policy Recommendations

- **Making more progress on rebalancing global demand**
  - **Advanced deficit countries should take actions to boost national savings while maintaining open markets and enhancing export competitiveness.**
  - **Surplus economies will undertake reforms to reduce their reliance on external demand and focus more on domestic sources of growth.**

- **Strengthening social safety nets, enhancing corporate governance reform, financial market development, infrastructure spending, and greater exchange rate flexibility in some emerging markets.**

National Export Initiative
Double Exports in 5 Years



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