

NCAER Presentation

Asia in the “New World Order”

Anoop Singh
Director - Asia Pacific Department
International Monetary Fund

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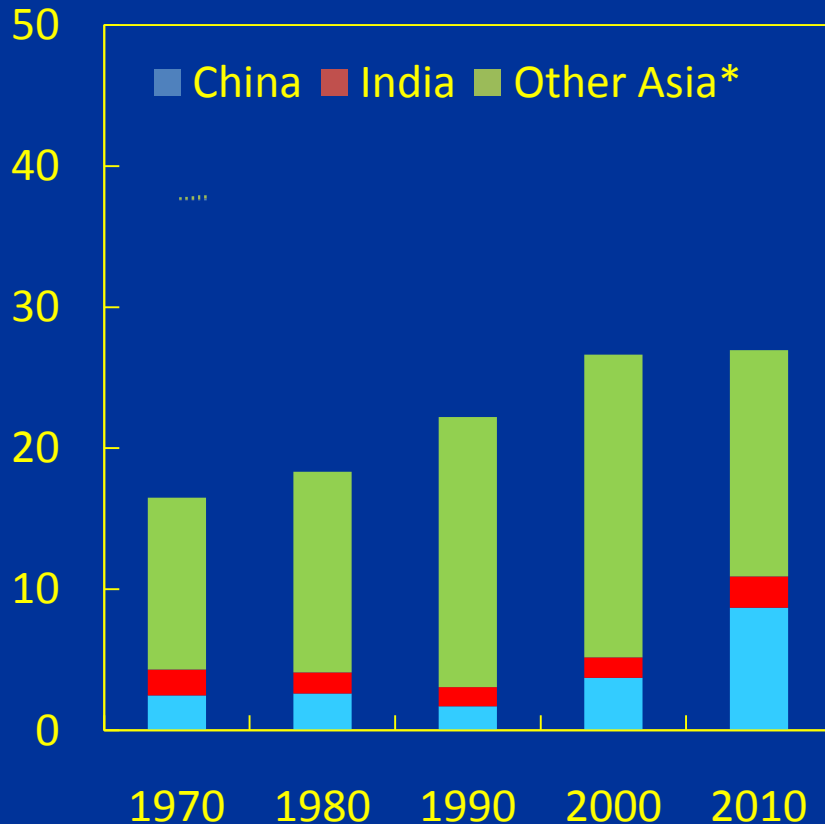


Road Map

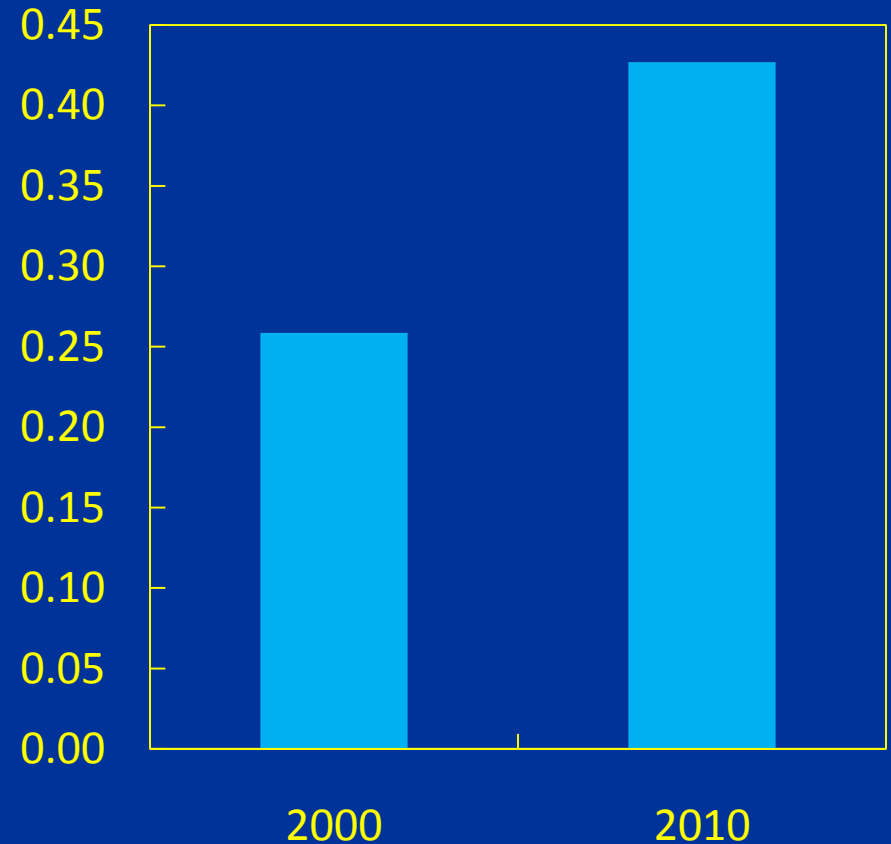
- Asia as an economic powerhouse
- Asia's export dependence and need to rebalance
- Policies to help rebalancing
- Multilateral approach to policies and role of the IMF

Asia is already an economic powerhouse and accounts for an increasing share of world's growth.

Asia's Share of World GDP (US \$)



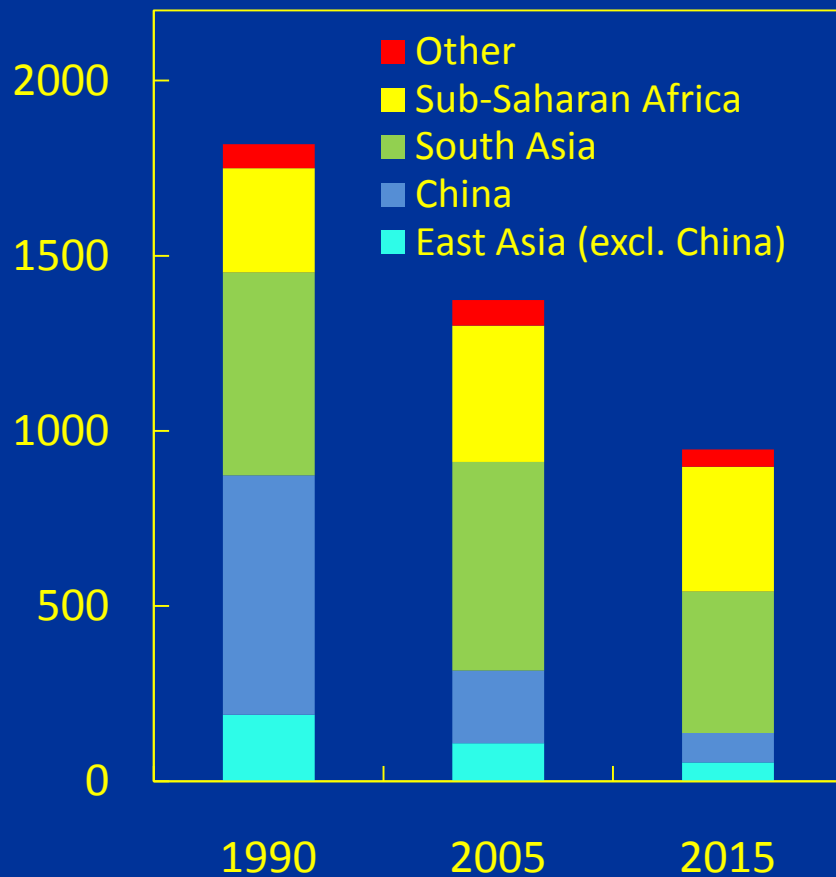
Asia's Contribution to World's Growth (weighted by nominal GDP, in percent)



* Other Asia includes industrial Asia, ASEAN-5 and other developing Asia.

And Asia's rapid growth has led to an impressive reduction in poverty over the past two decades.

Number of people living on less than \$1.25/day (millions)



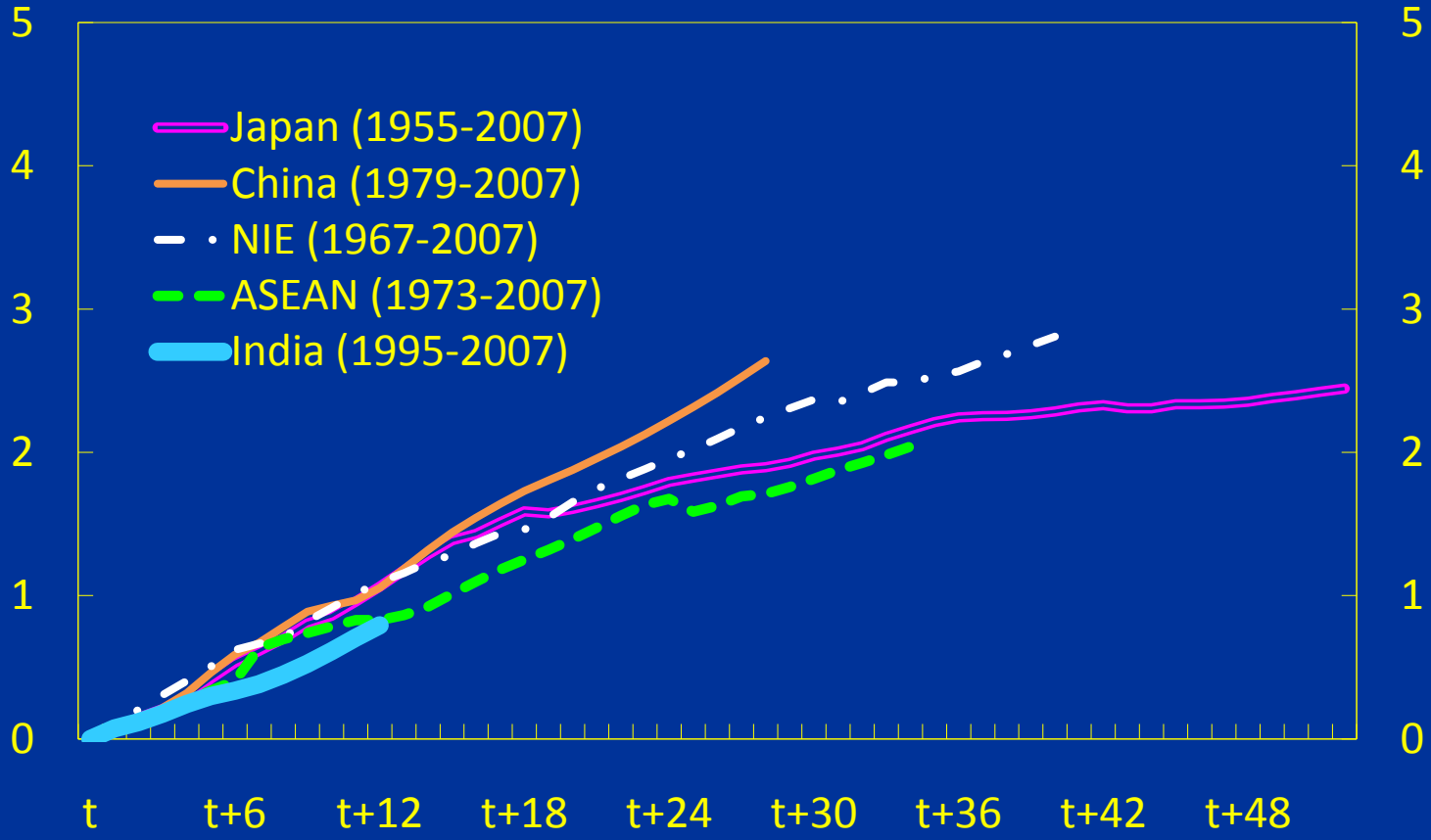
Percentage of the population living on less than \$1.25/day

	1990	2005	2015
East Asia and the Pacific	55	17	7
China	60	16	6
South Asia	52	40	24
India	51	42	25

Based on past growth takeoffs, rapid growth in China and India should continue for decades.

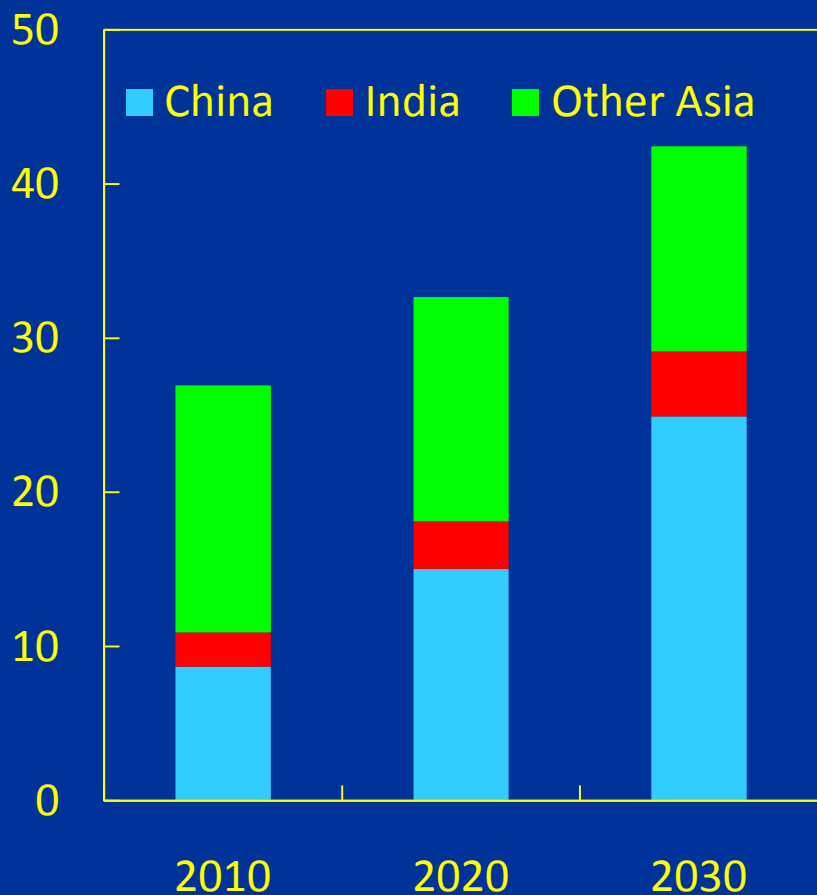
Growth in Output

In log (index at period t)

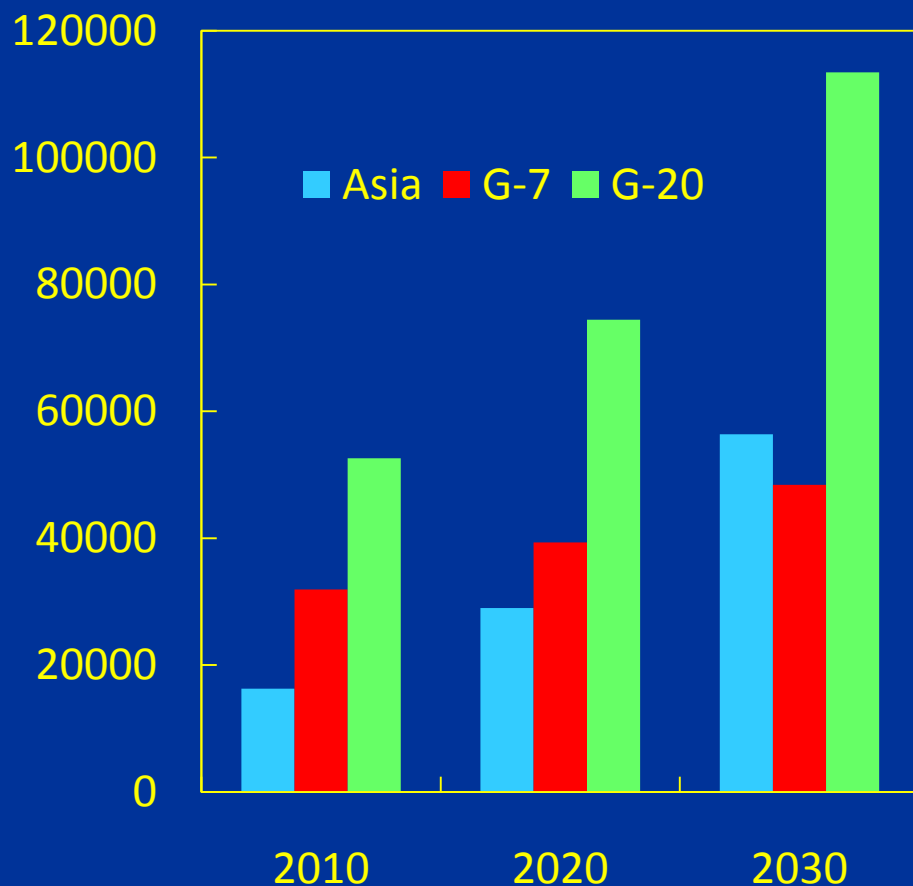


On current trends, by 2030 Asia's economy will be larger than that of the US and EU combined.

Asia's Share of World GDP (US \$)

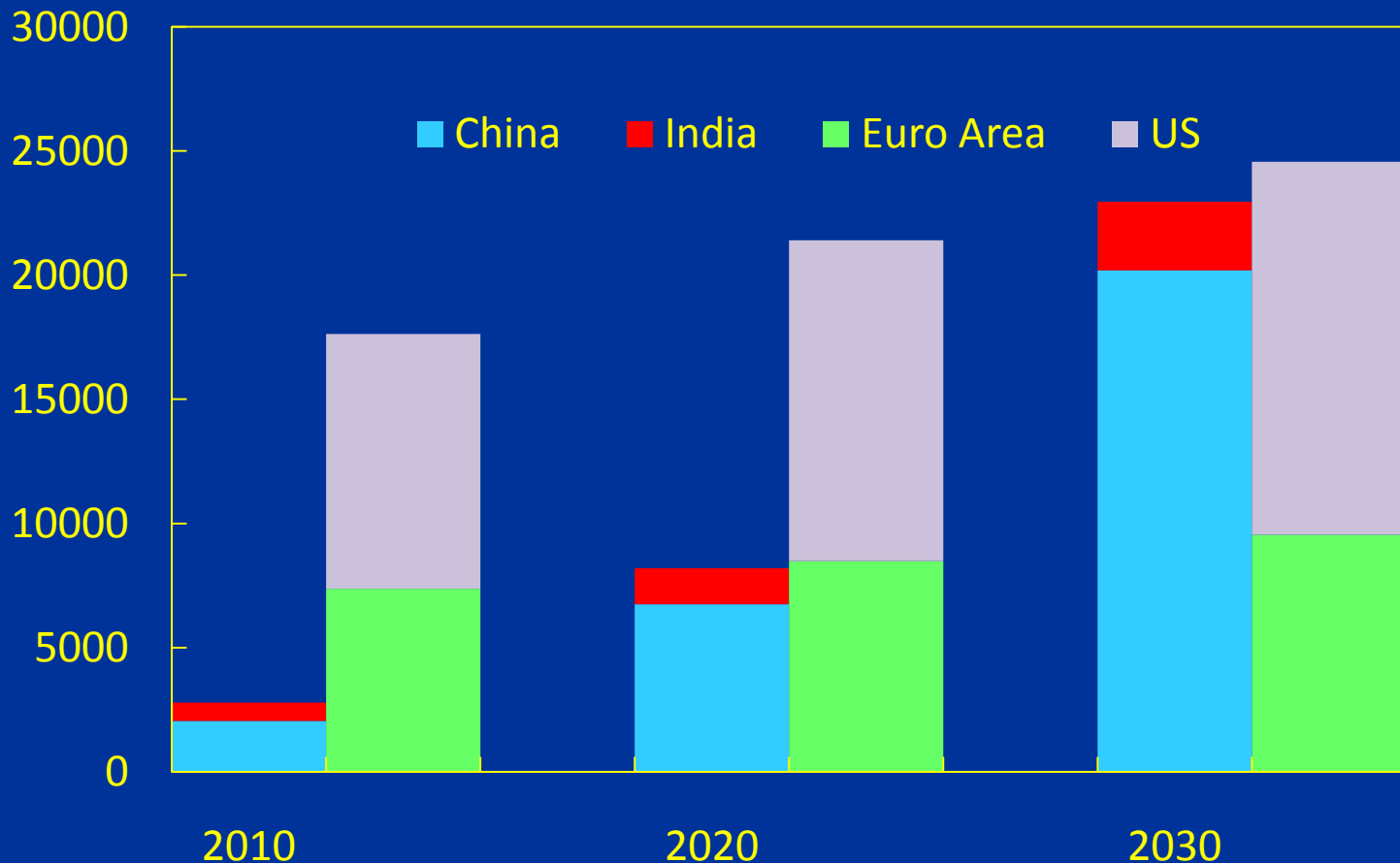


GDP (US \$, billions, 2010 price level)



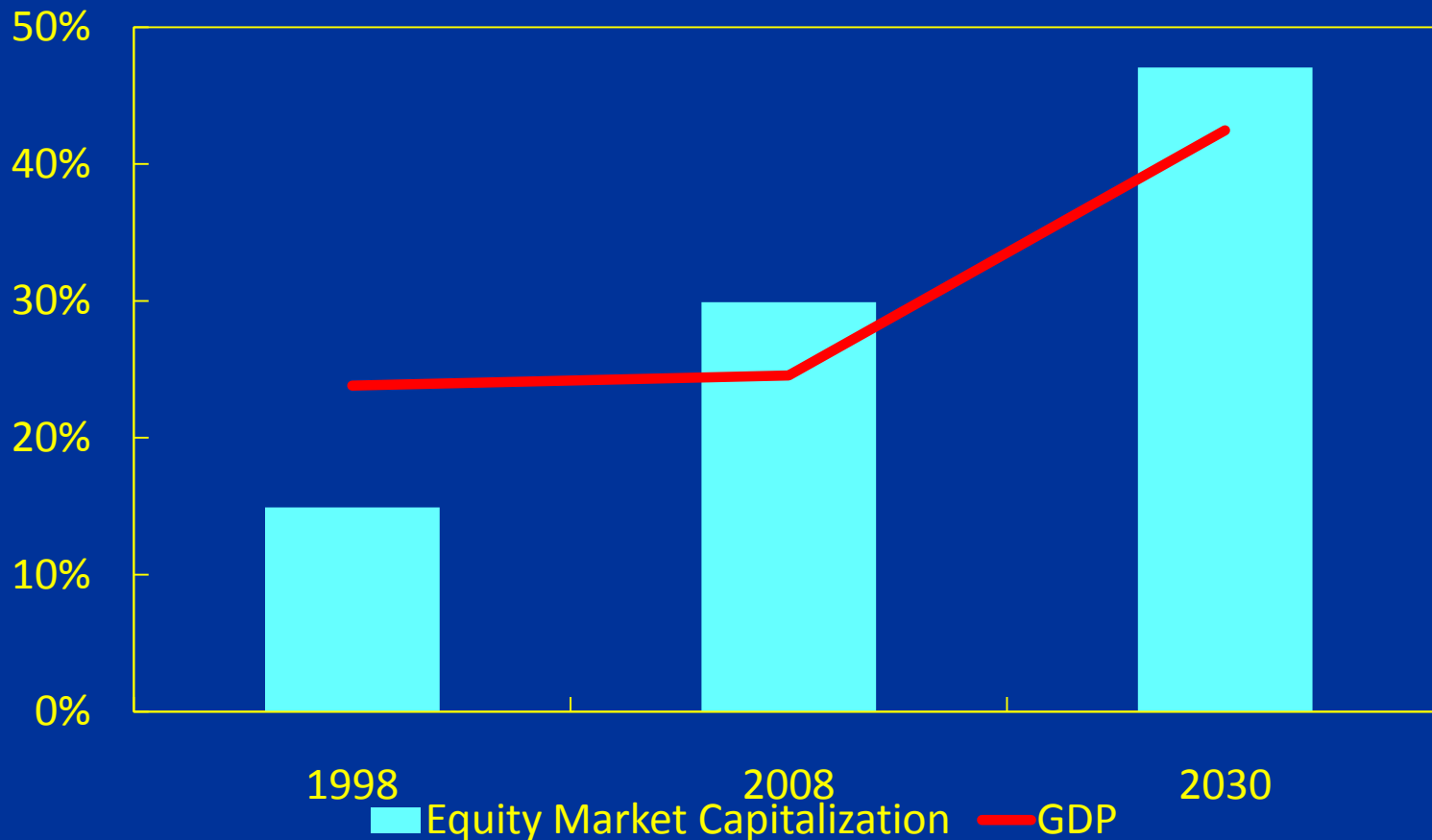
...and the buying power of Chinese and Indian consumers will be almost as much as that of the U.S. and the E.U. combined.

Private consumption (US \$, billions)



Asia's financial markets are also expected to grow rapidly, in tandem with the real economy.

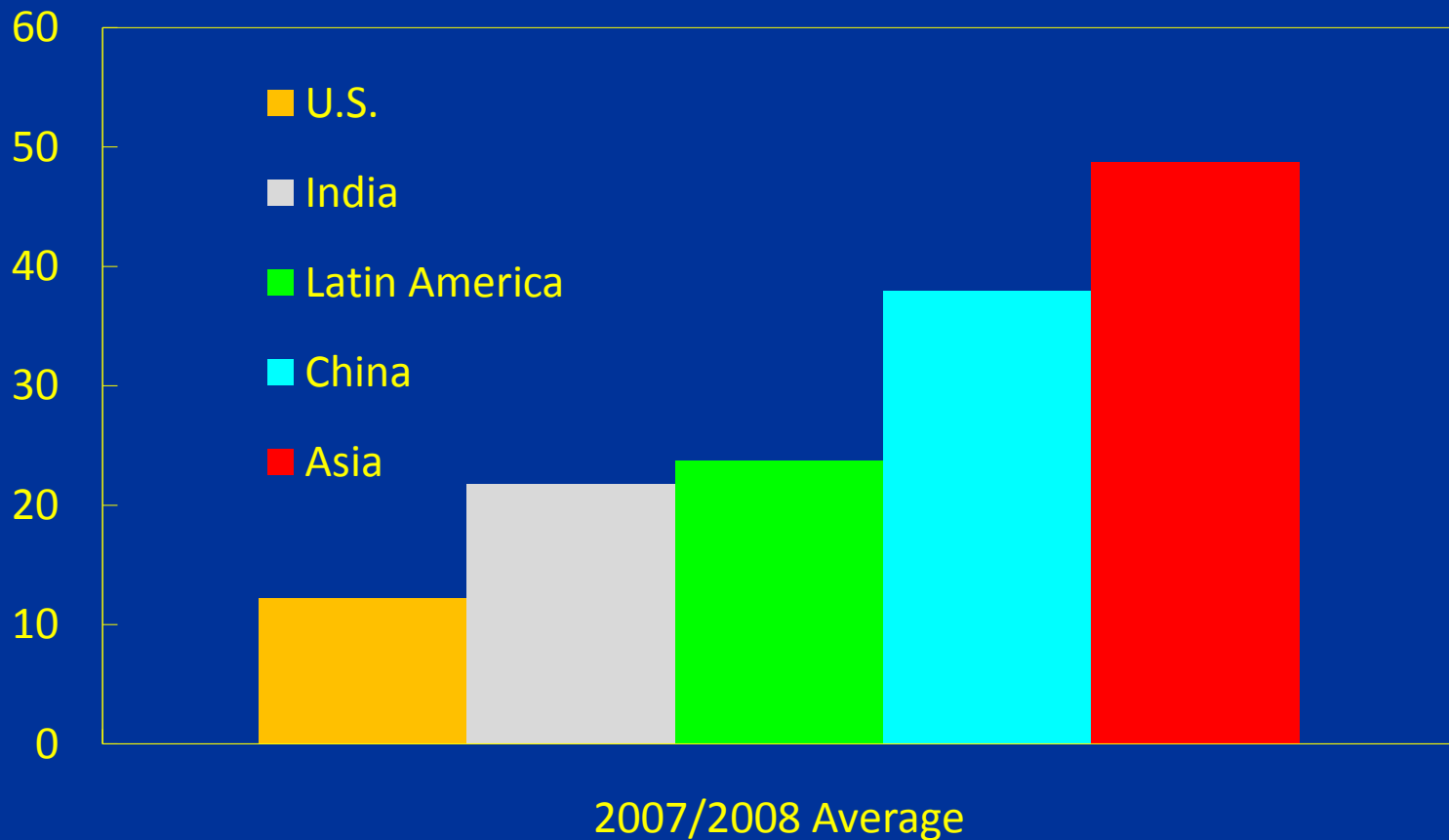
Asia's Share of World's Market Capitalization and GDP



Asia's growth has been heavily based on exports...

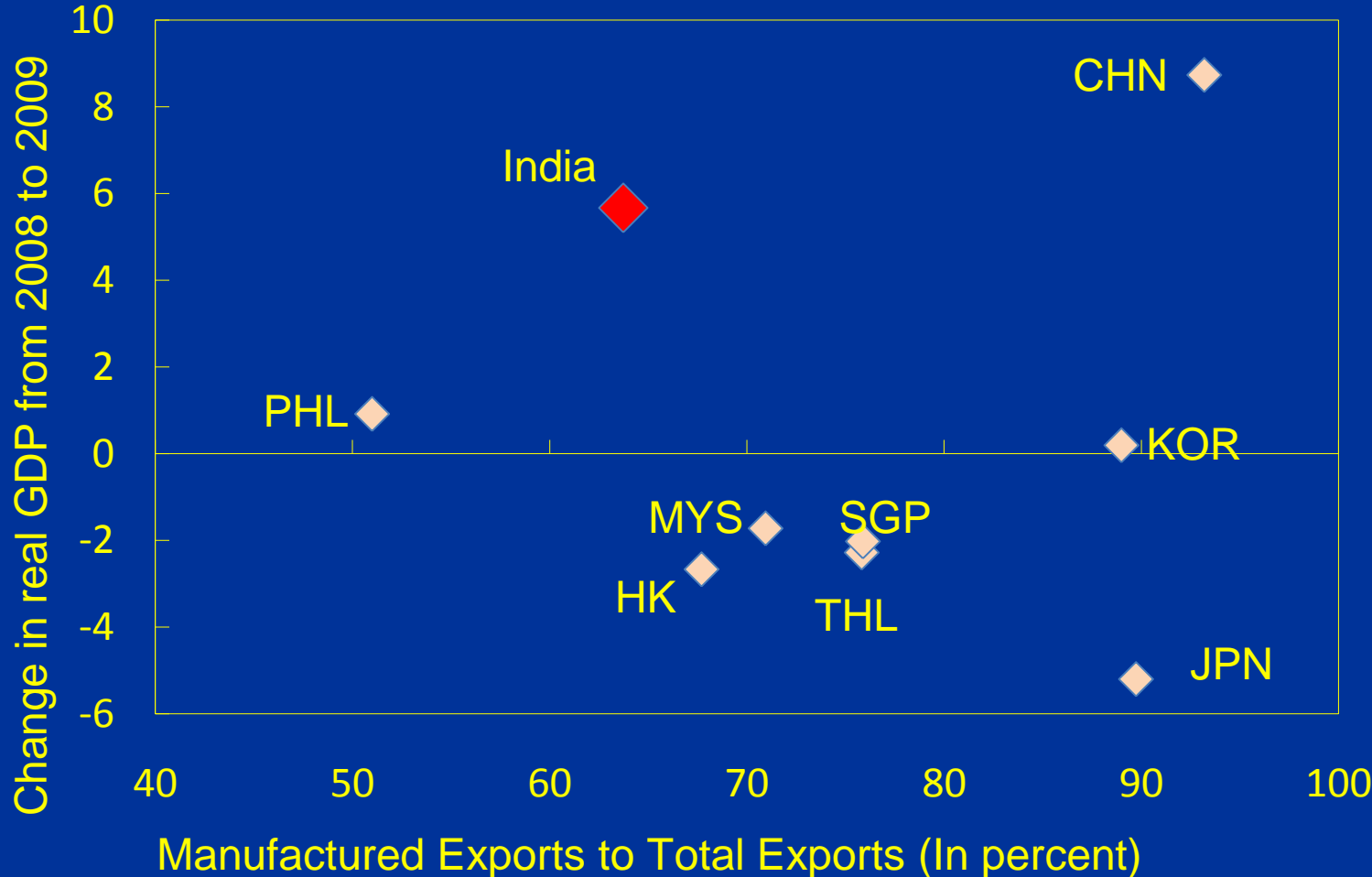
Exports of Goods and Services

(In percent of GDP)



...but the global crisis has underscored the vulnerabilities stemming from a single growth engine.

Real GDP Changes to Manufactured Exports

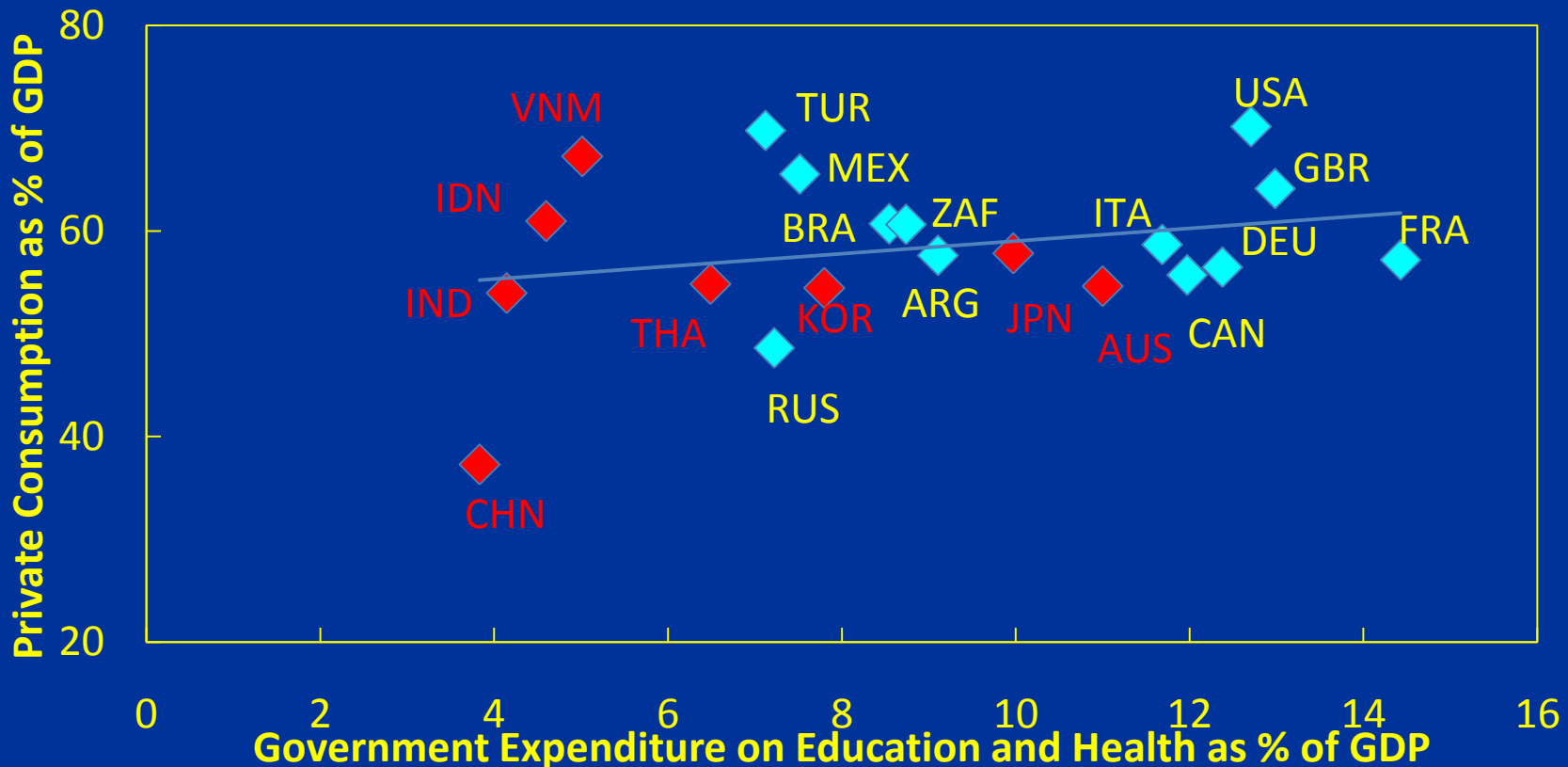


Rebalancing the sources of growth is desirable and could be helped by:

- Enhancing social safety nets;
- Improving infrastructure;
- Advancing financial sector reforms; and
- Allowing greater exchange rate flexibility.

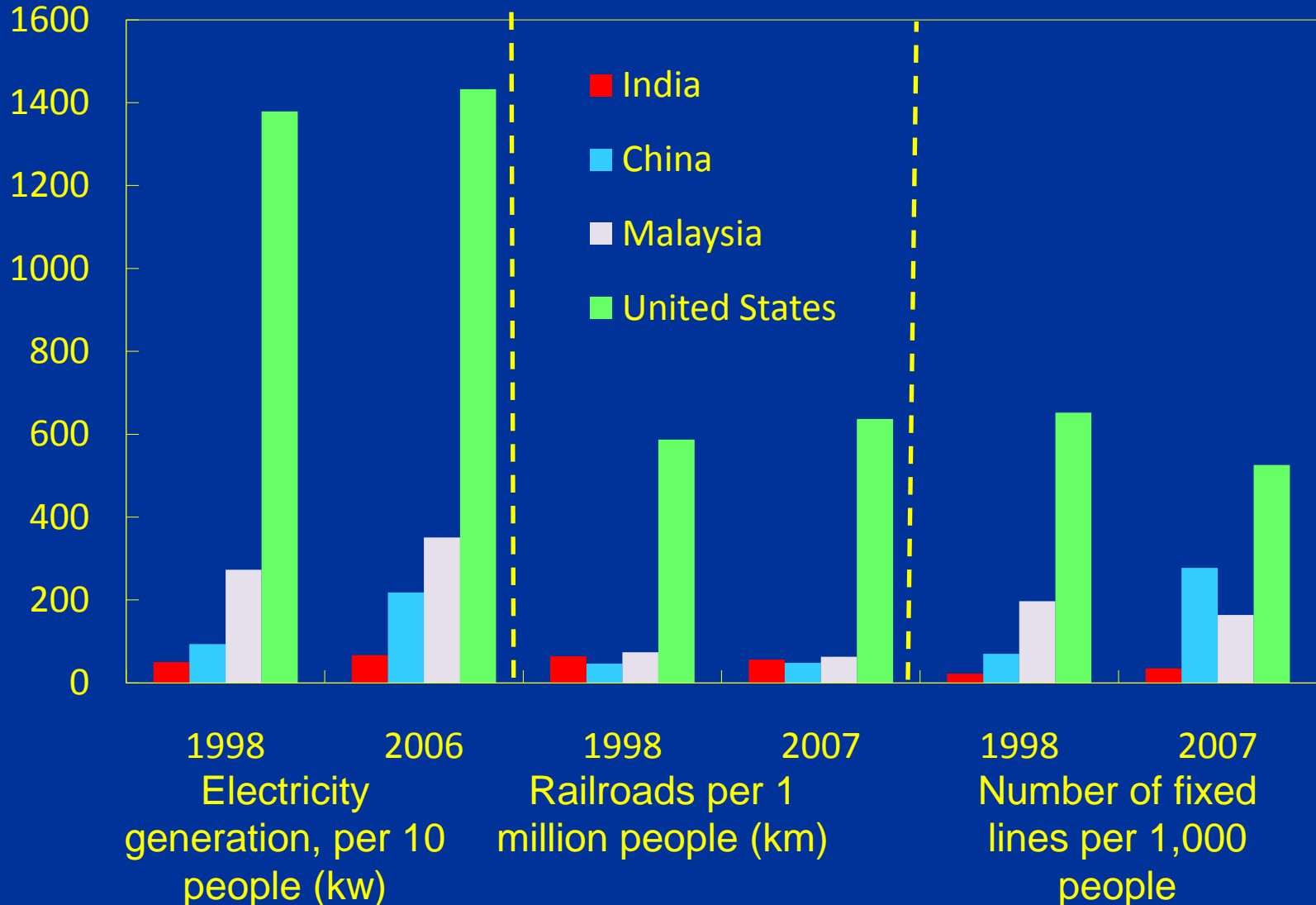
Enhanced social safety nets would boost private consumption.

Private Consumption vs. Government Expenditure on Education and Health



Infrastructure needs could continue to boost investment.

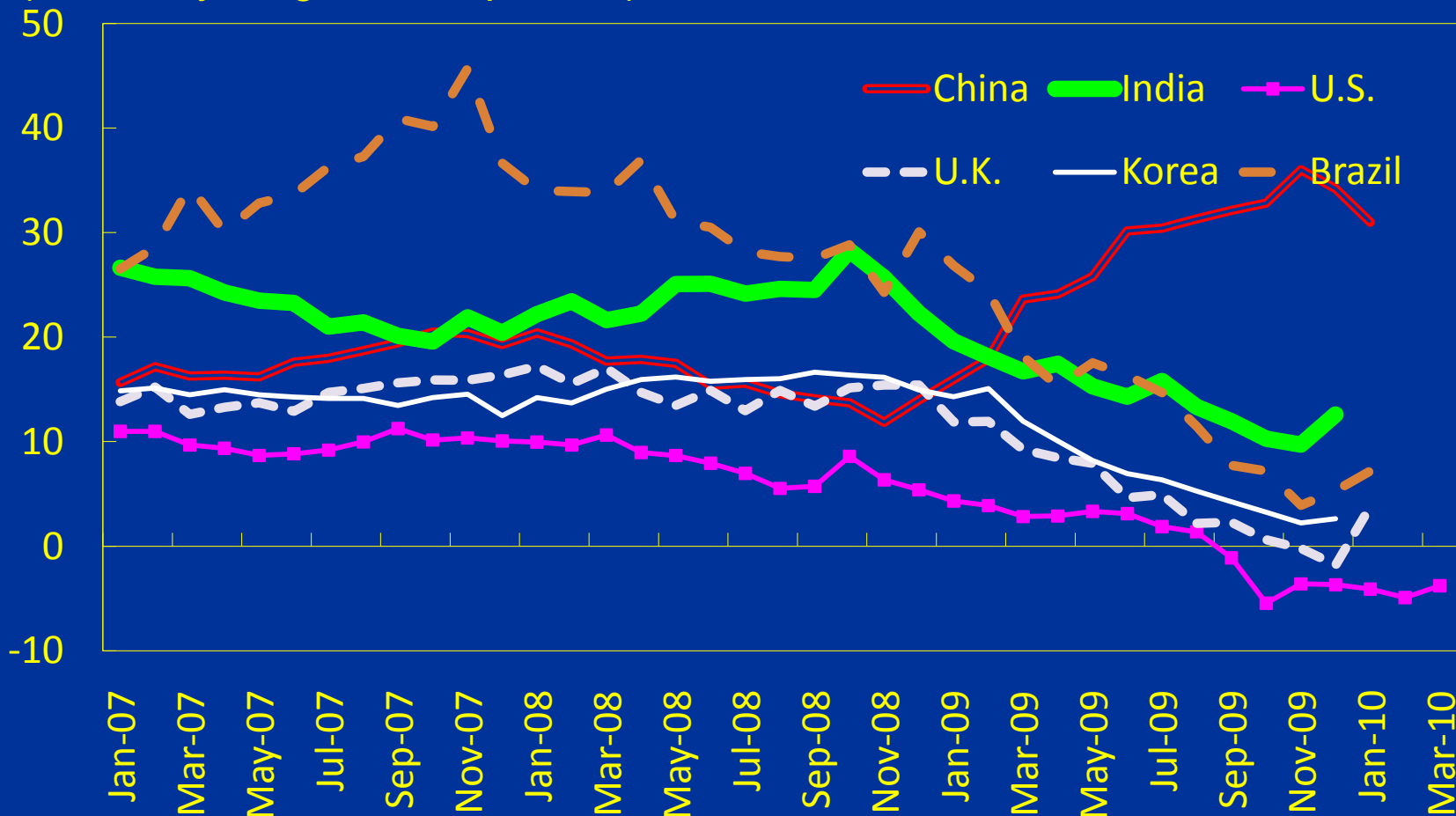
Infrastructure Stock



Financial systems in Asia have remained resilient during the crisis...

Credit Growth

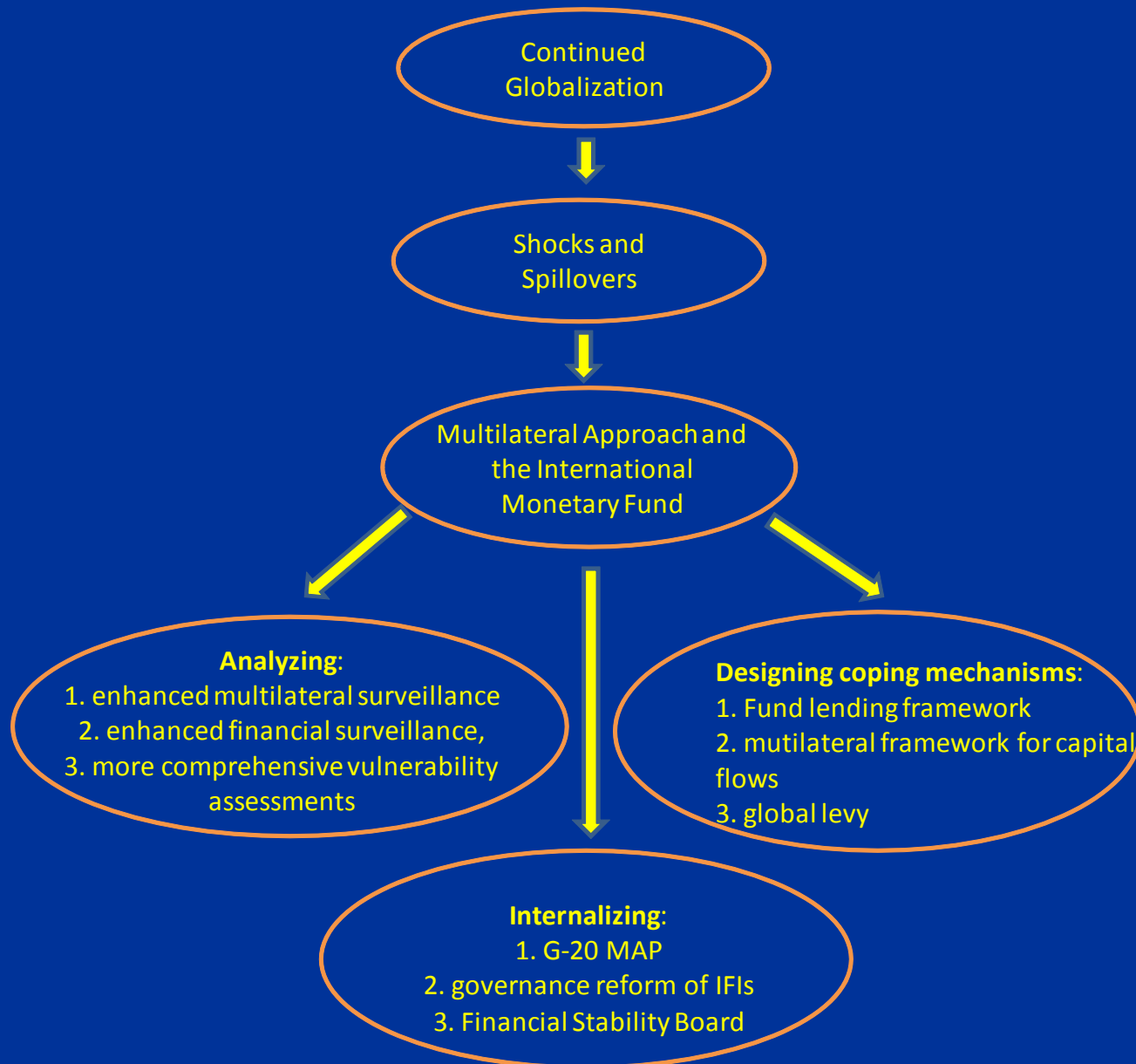
(Year-on-year growth, in percent)



Financial sector reforms remain important to help rebalancing, while ensuring systemic risks are low.

- Improving access to credit could help reduce households' precautionary savings and spur investment by SMEs.
- Developing new instruments and segments of the financial sector could help fund infrastructure and capacity creation in new industries (e.g., health care and education).
- The more mature economies in Asia (e.g., Singapore and Hong Kong) would also need to continue to keep up with financial innovation and attendant reforms to secure their standing as financial hubs.

Multilateral Approach to Policies



Summing Up

- Asia is already a major engine for the world economy, and its role will continue to increase, with implications for trade and finance.
- Asia will remain well-integrated into the global economy, but resilience could be boosted by adding second growth engine—domestic demand.
- Globalized economy will require multilateral approach to policies
 - Fund can play an important role.
 - Reforming the Fund, including governance structure and lending framework will remain critical to further enhance effectiveness.

Thank you