



World Economy and Financial Crisis

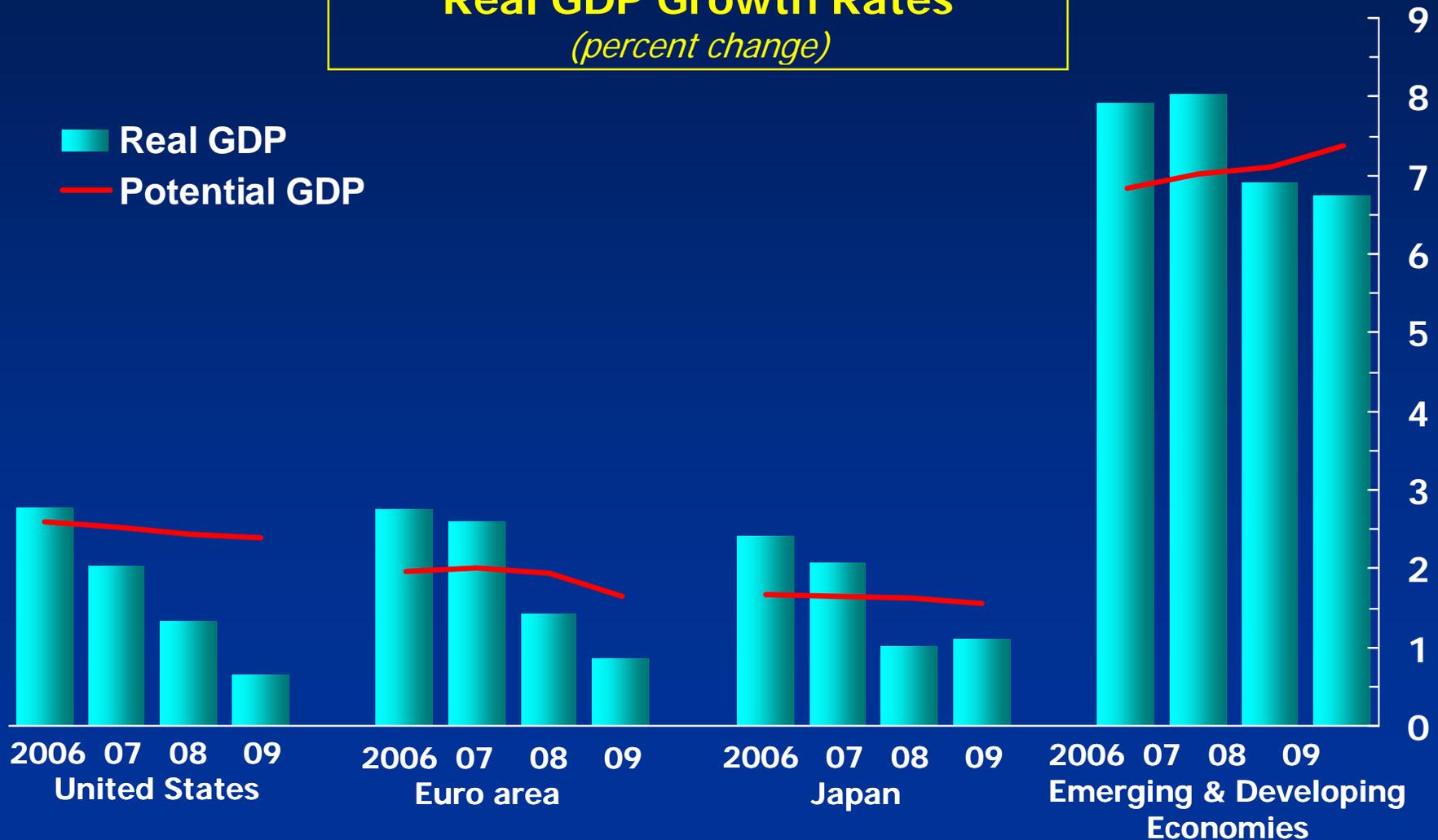
John Lipsky

*First Deputy Managing Director
International Monetary Fund*

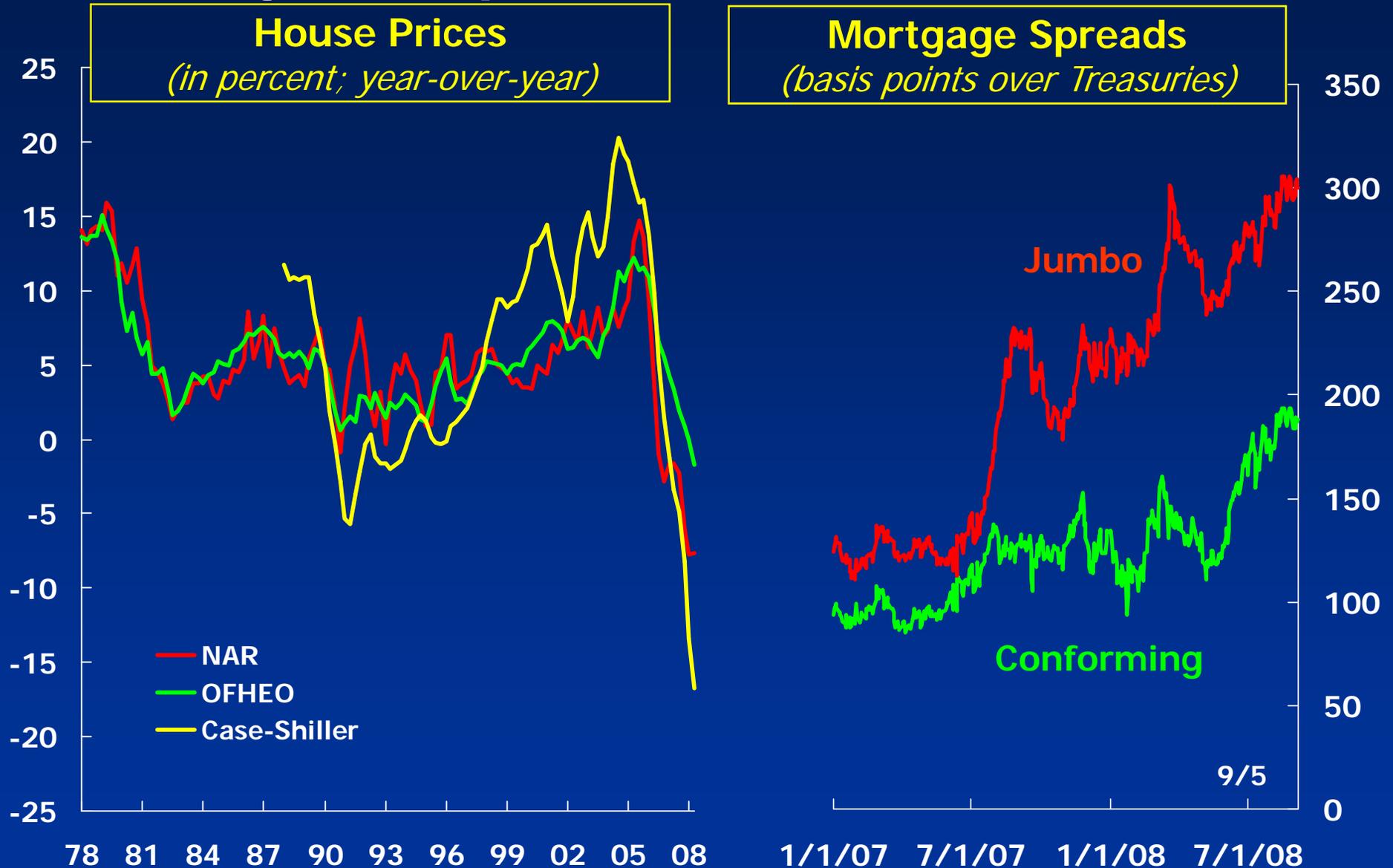
Die Zeit Conference September 9, 2008

Advanced Economies Are Most Affected By Financial Turbulence

Real GDP Growth Rates *(percent change)*



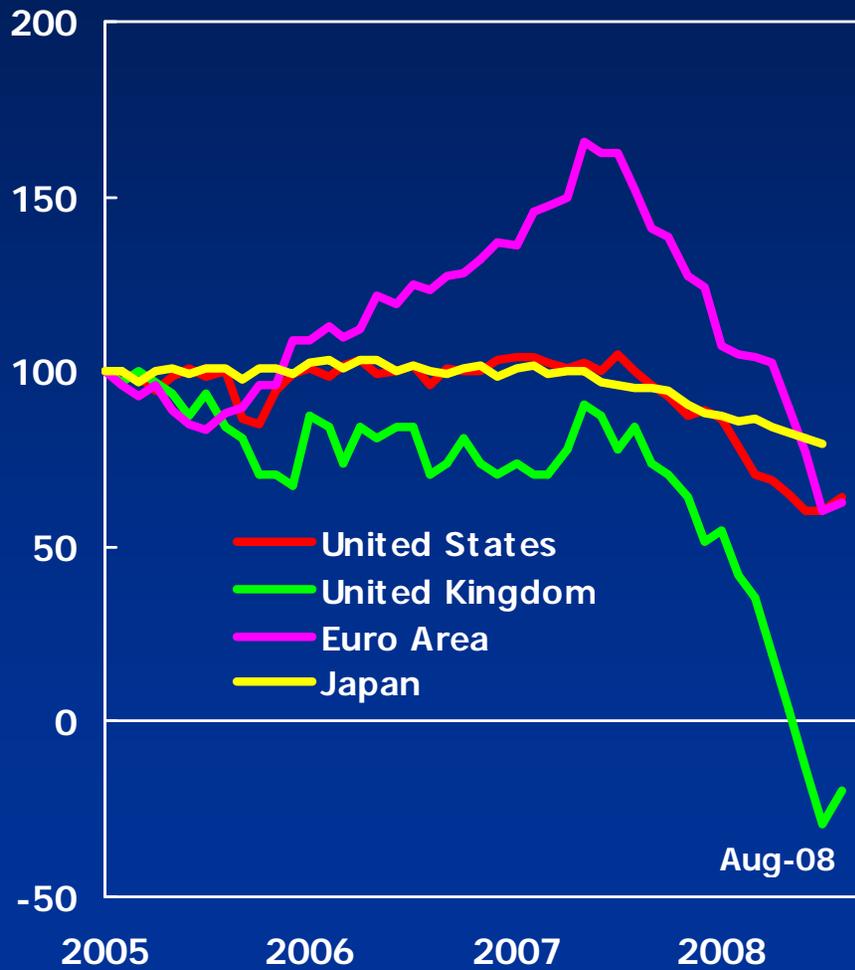
Unprecedented U.S. Housing Market Downturn Key to Scope of Economic Weakness



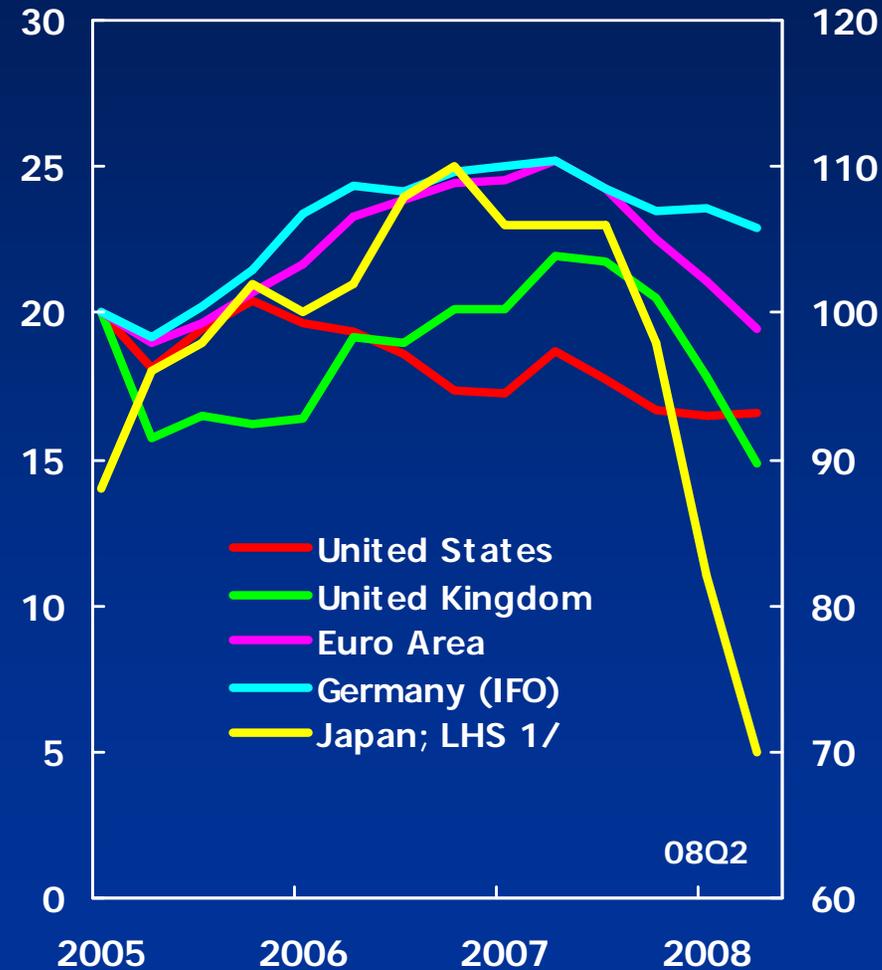
Consumer and Business Confidence Historically Low

(index; January 2005 = 100)

Consumer Confidence



Business Confidence

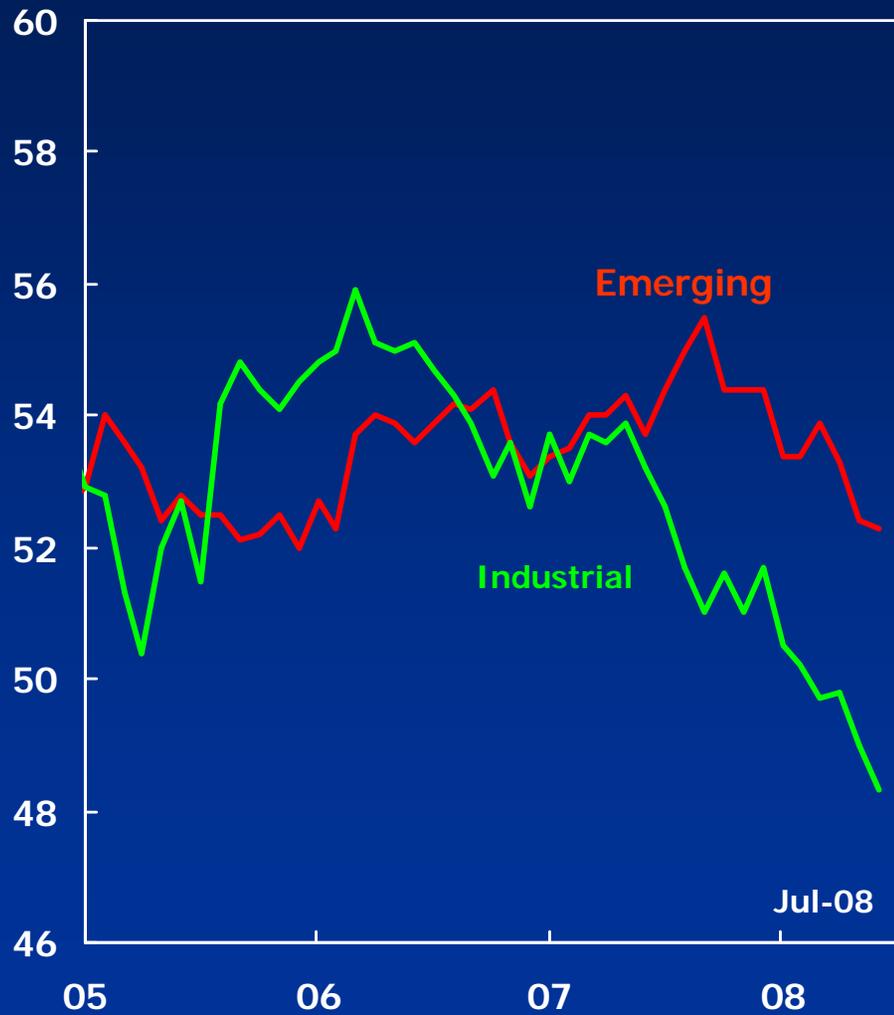


1/ TANKAN diffusion index for manufacturing shown on the left-hand scale.

Purchasing Manager Indices (PMI) and Industrial Production (IP) Are Still Weakening

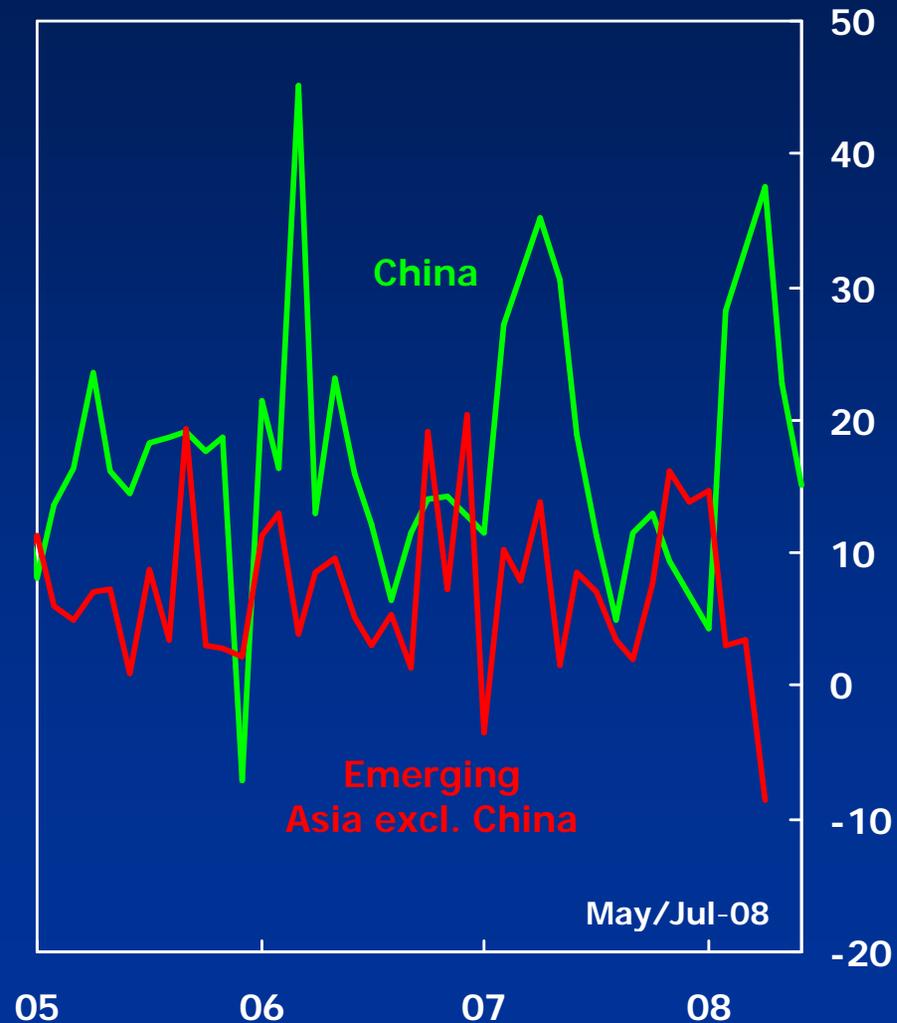
PMI

(index values; GDP-weighted)



Industrial Production

(percent change; 3m; saar)

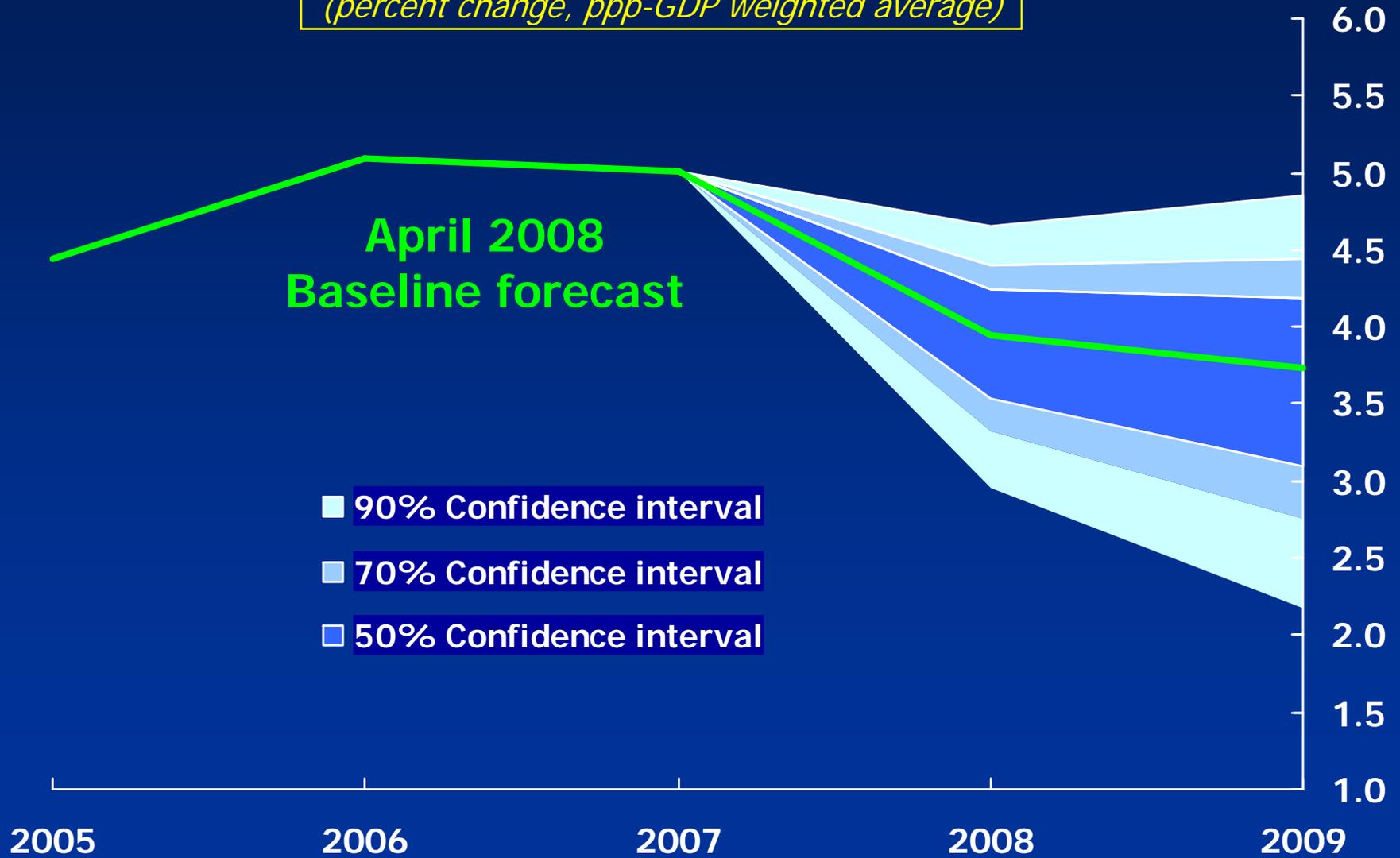


Forecast Risks Evenly Balanced

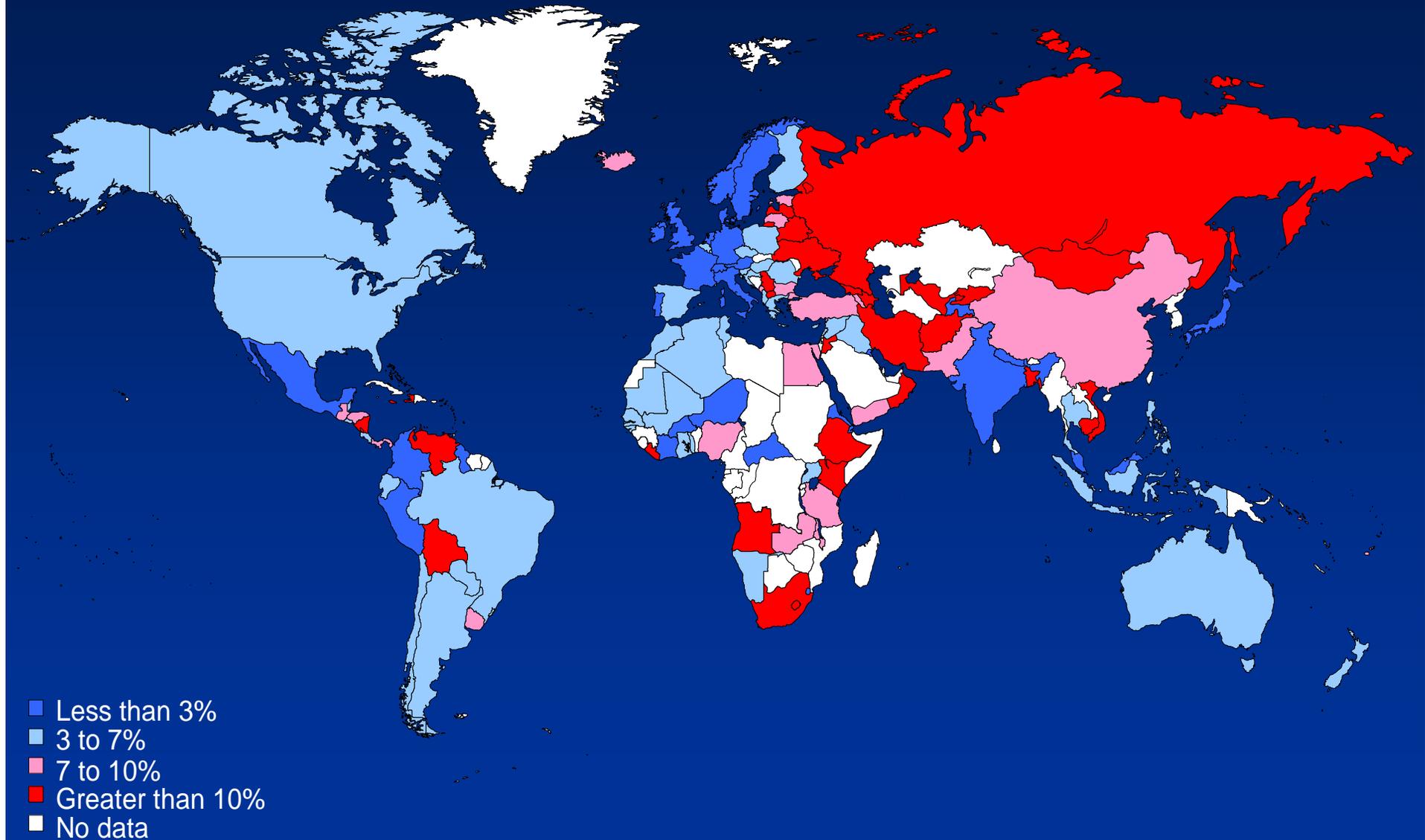
Global GDP Growth
(percent change, ppp-GDP weighted average)

**April 2008
Baseline forecast**

- 90% Confidence interval
- 70% Confidence interval
- 50% Confidence interval

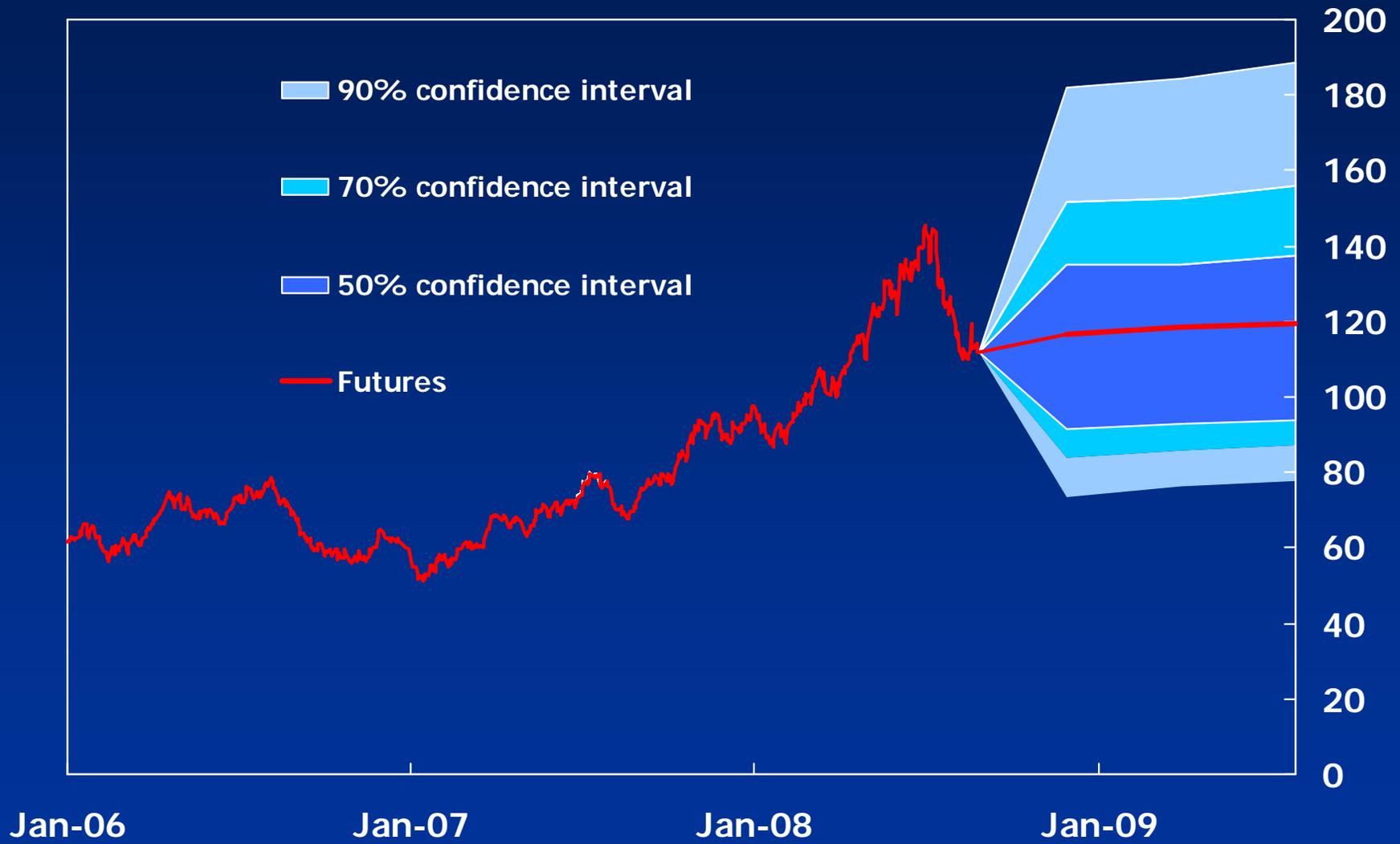


Inflation Risks Greatest in Emerging Market Economies



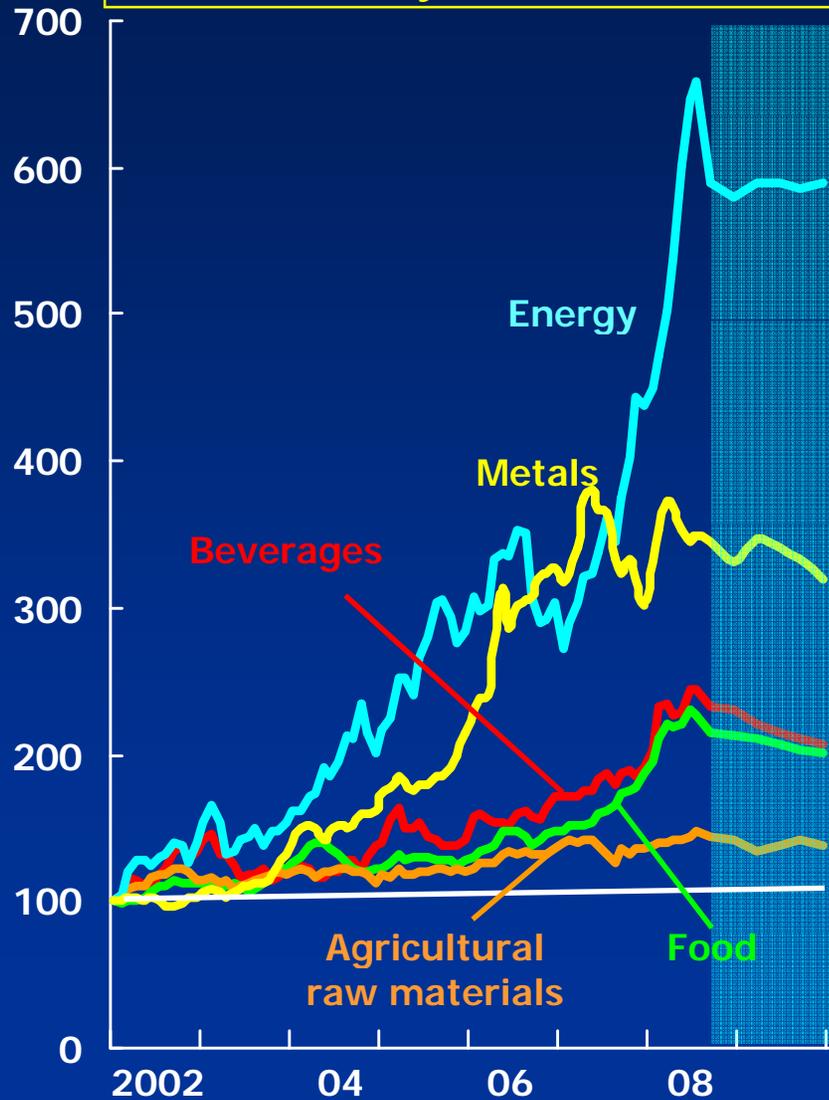
Brent Crude Oil Futures Anticipate Steady Prices

(U.S. dollars a barrel; from futures options on August 29, 2008)

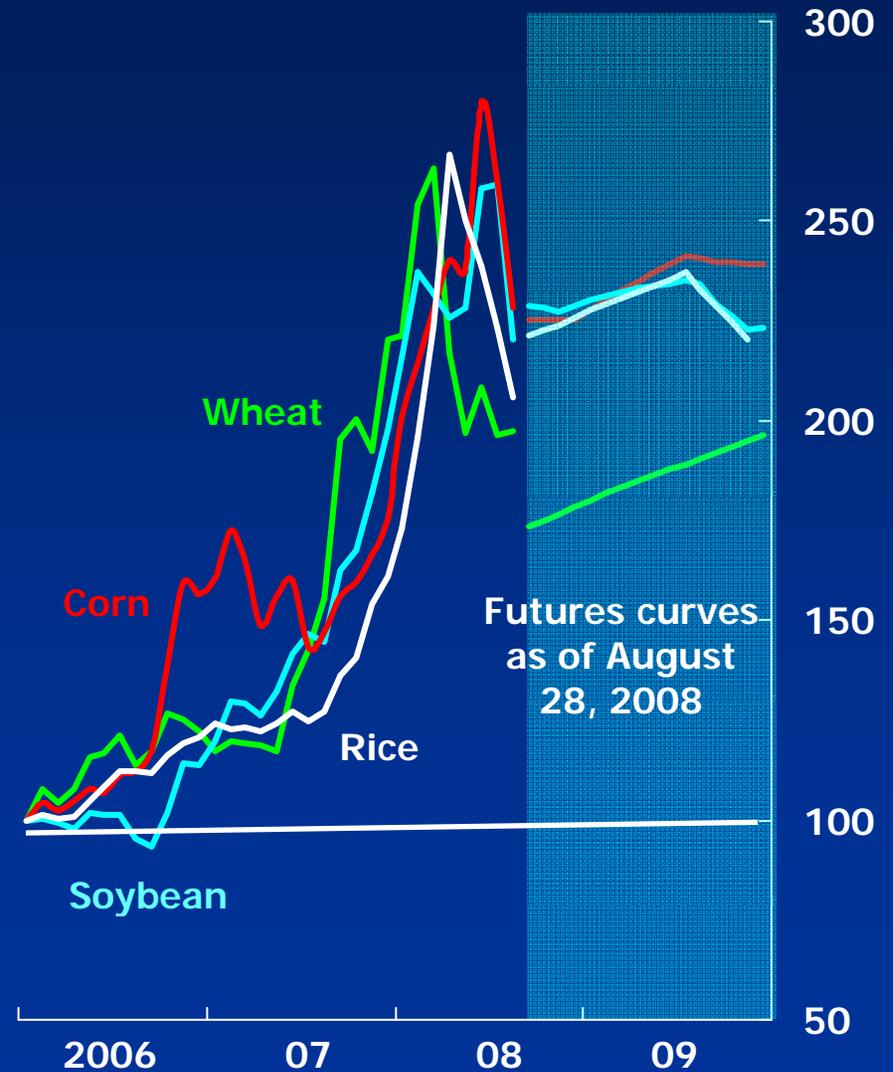


Commodity Prices Appear to Have Peaked

Selected Commodity Prices
(January 2002 = 100)

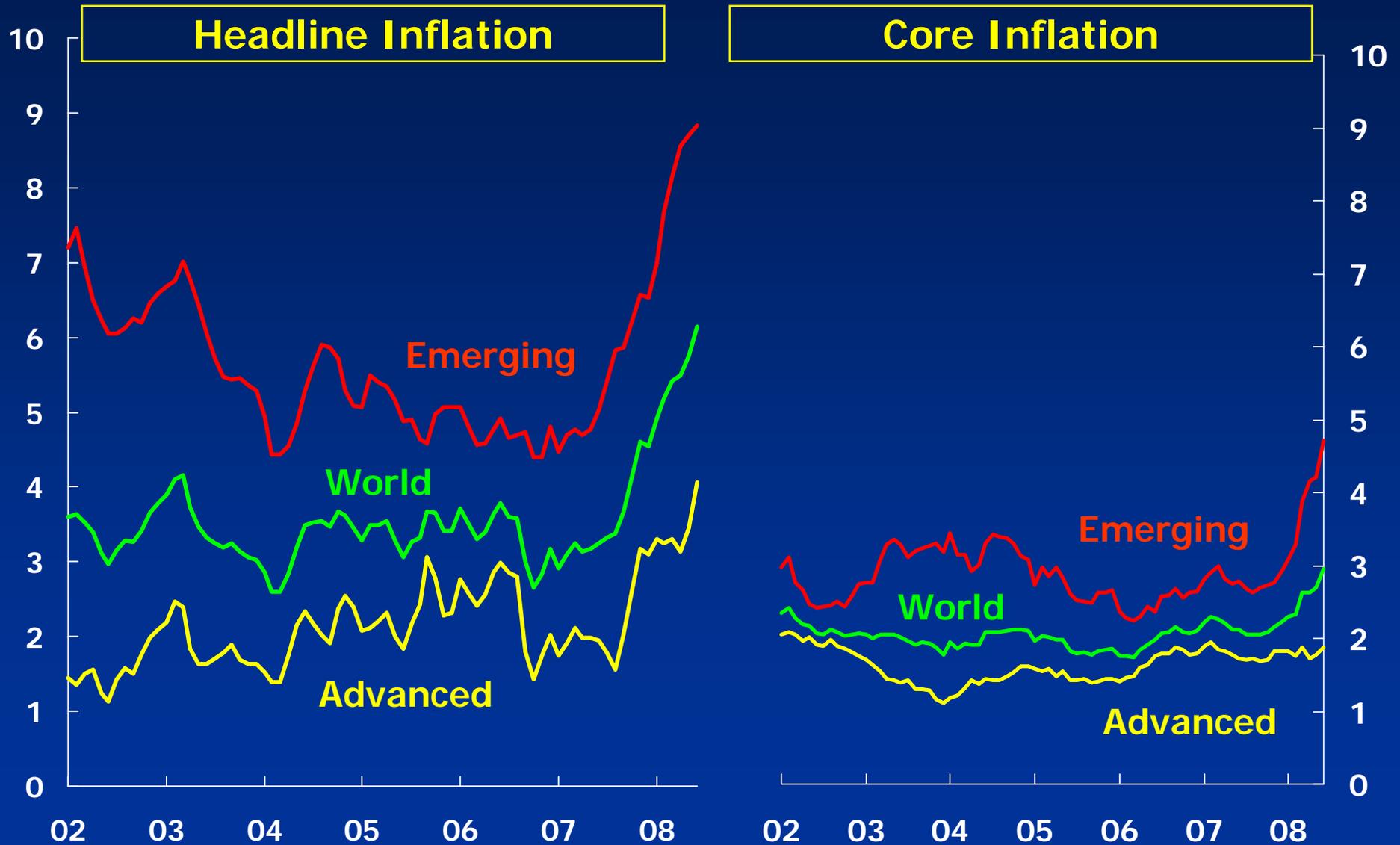


Selected Food Prices
(January 2006 = 100)

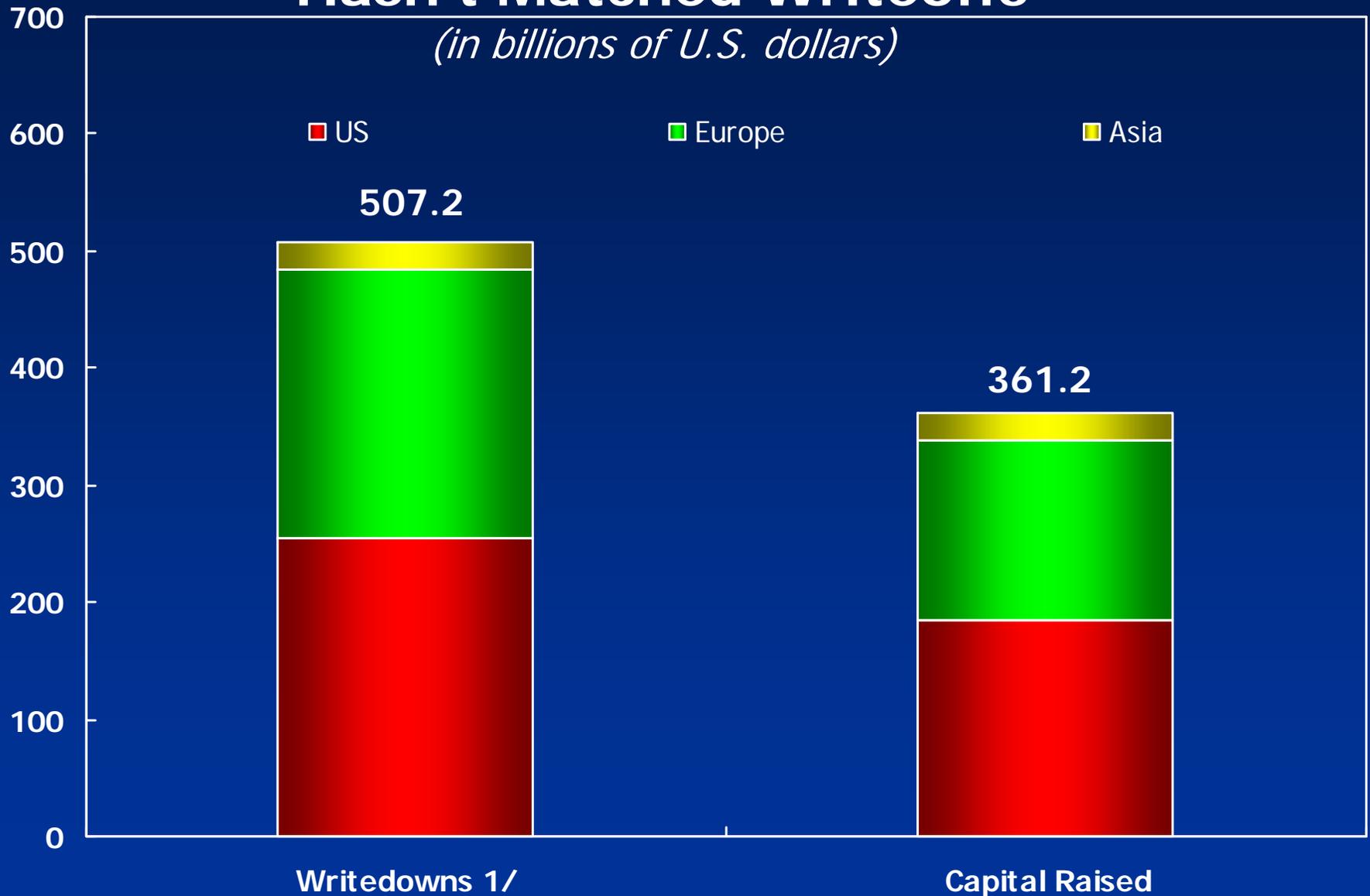


Global Inflation Upturn Remains A Key Risk

(year-over-year percent change)



Massive Bank Capital Infusion Hasn't Matched Writeoffs



1/ Includes writeoffs due to asset valuation, yet to be passed through income statement.

Financial Markets Remain Under Pressure

Bank Equity Prices vs. Markets
(1/1/2007=100)

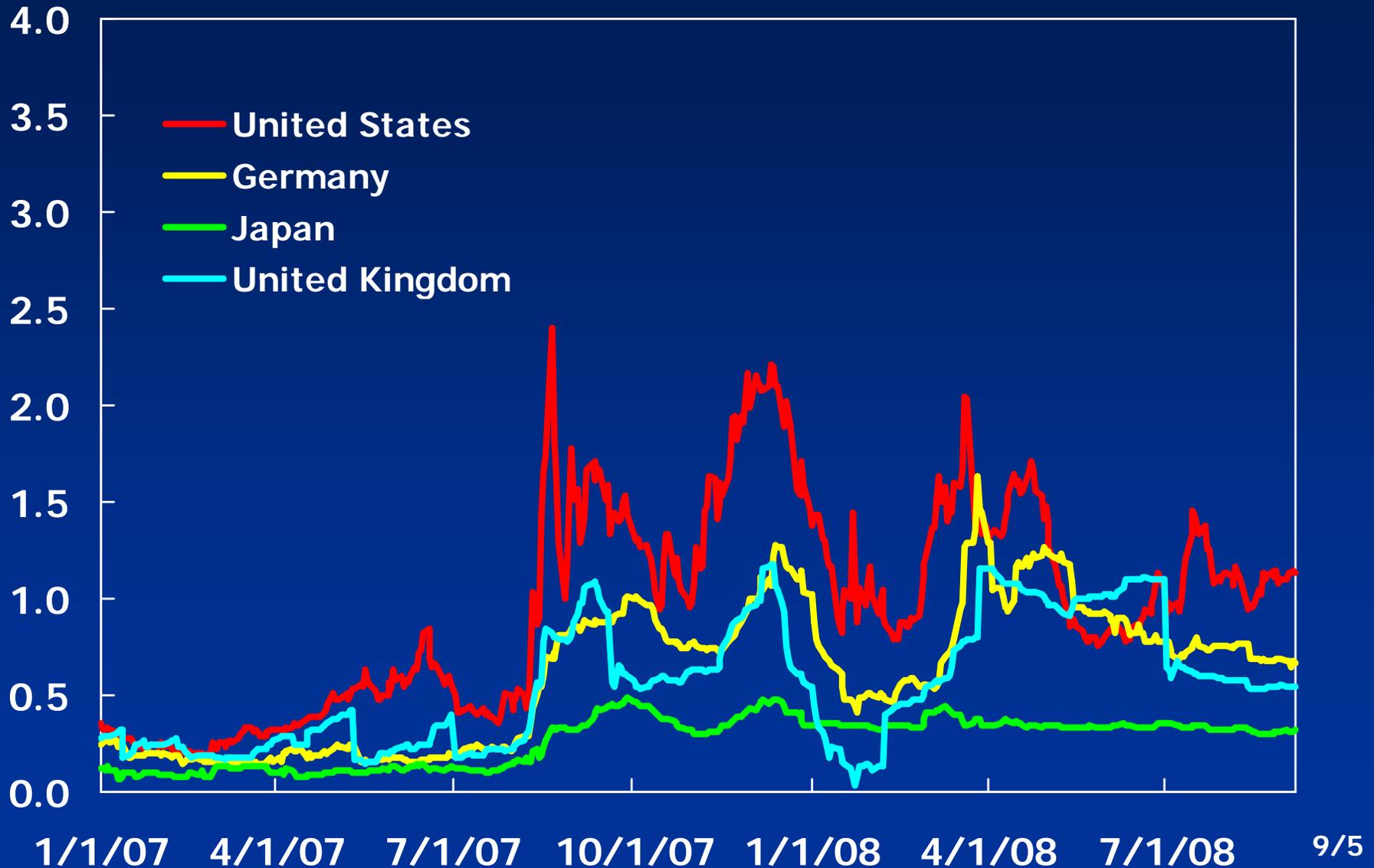


Bank CDS Spreads
(10-years; basis points)



Money Market Spreads Lower, But Still High

(3m LIBOR minus government bond yield)

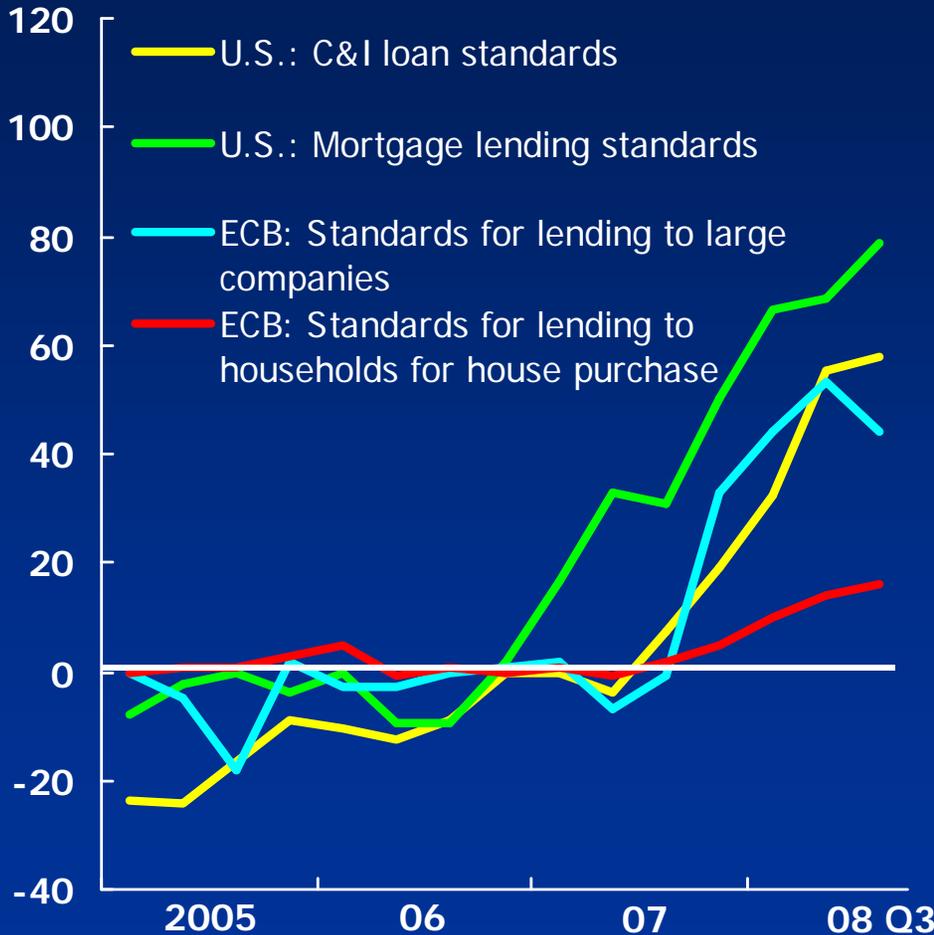


Tightening Credit Standards

Slow Loan Growth

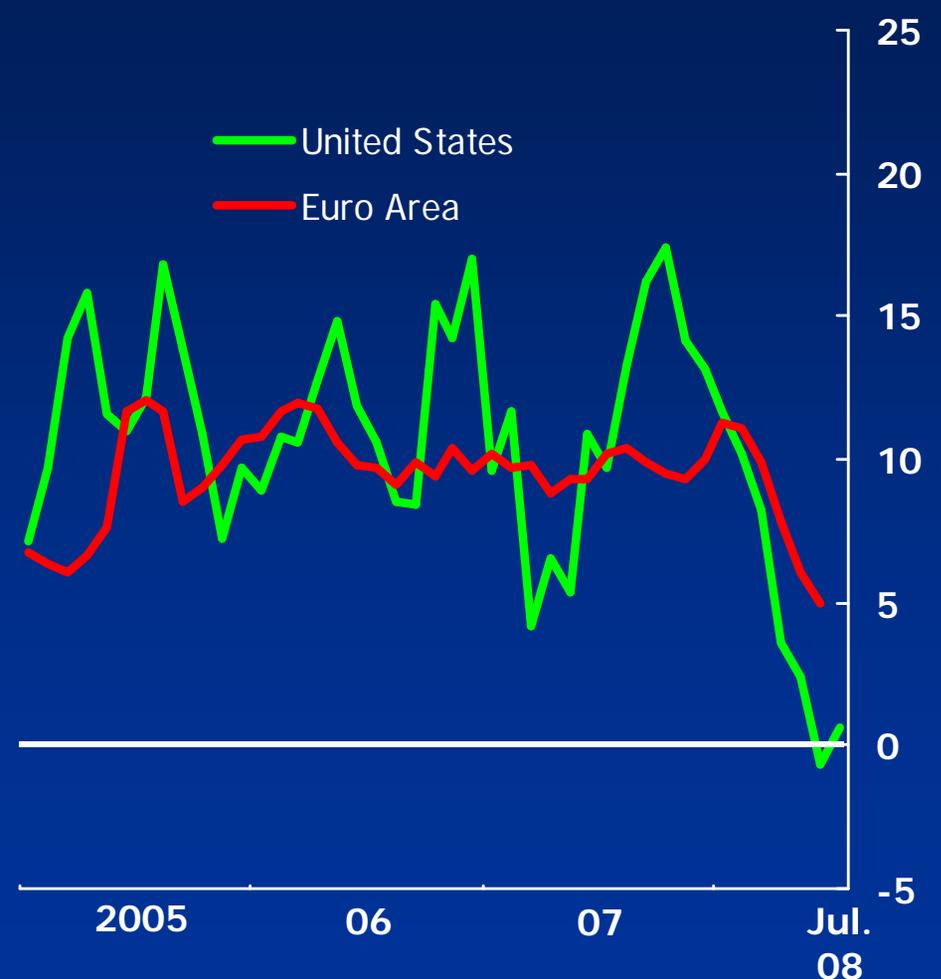
Changes in Credit Standards

(percent of respondents¹)



Total Loan Growth

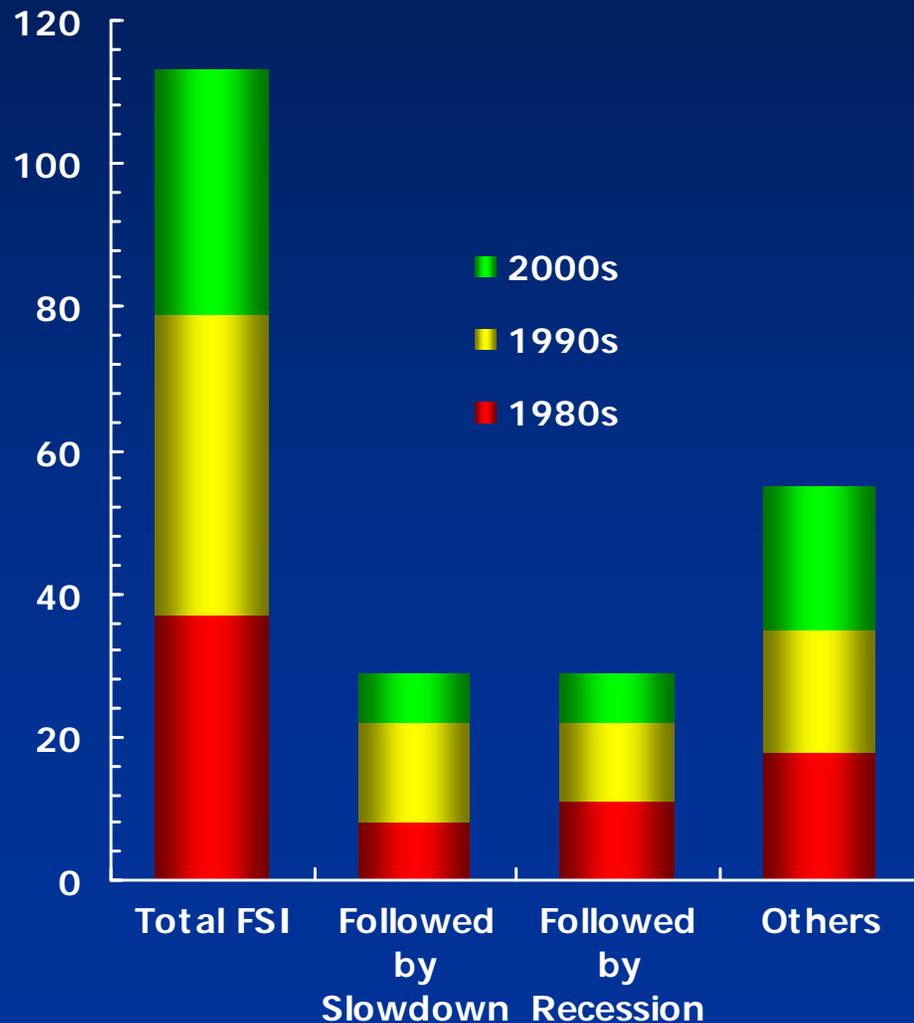
(3m percent change of 3m mov average)



¹ Change in the balance of respondents between the "tightened considerably and tightened somewhat" and the "eased somewhat and eased considerably."

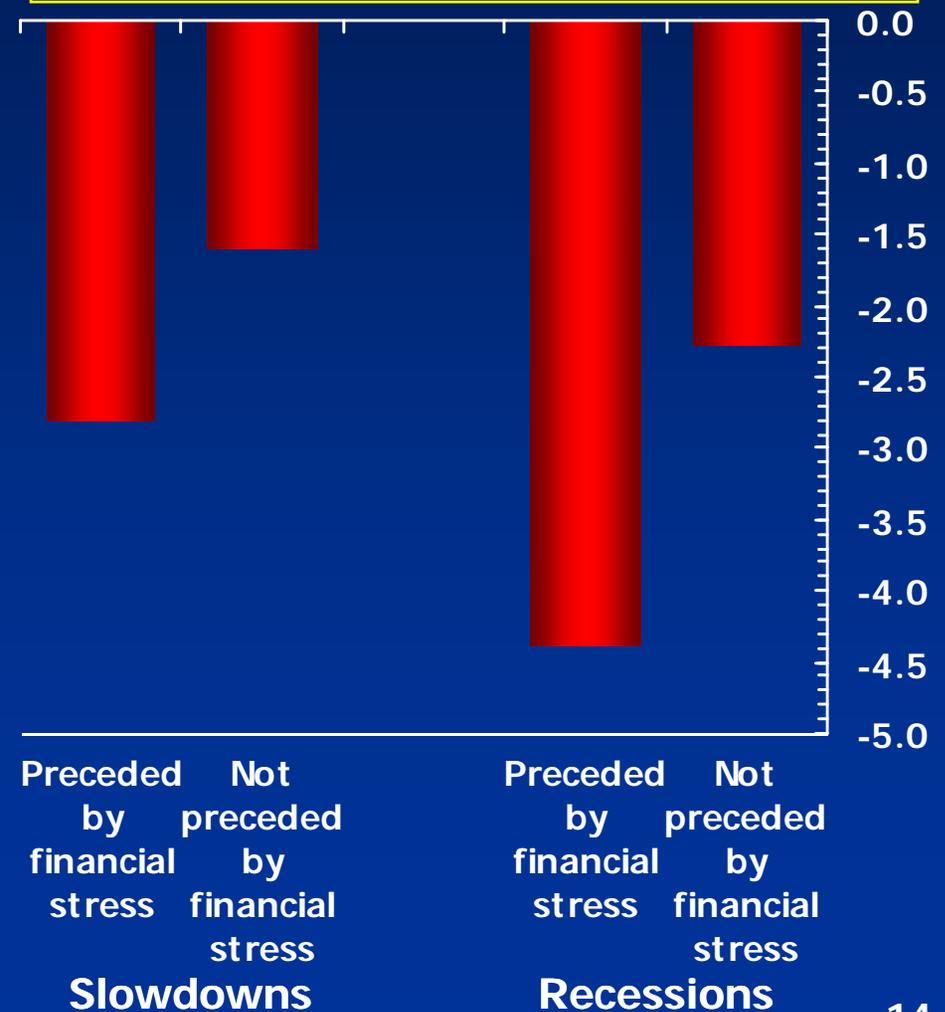
Financial Stress is Associated With Larger and Deeper Economic Downturns

Number of Financial Stress Episodes

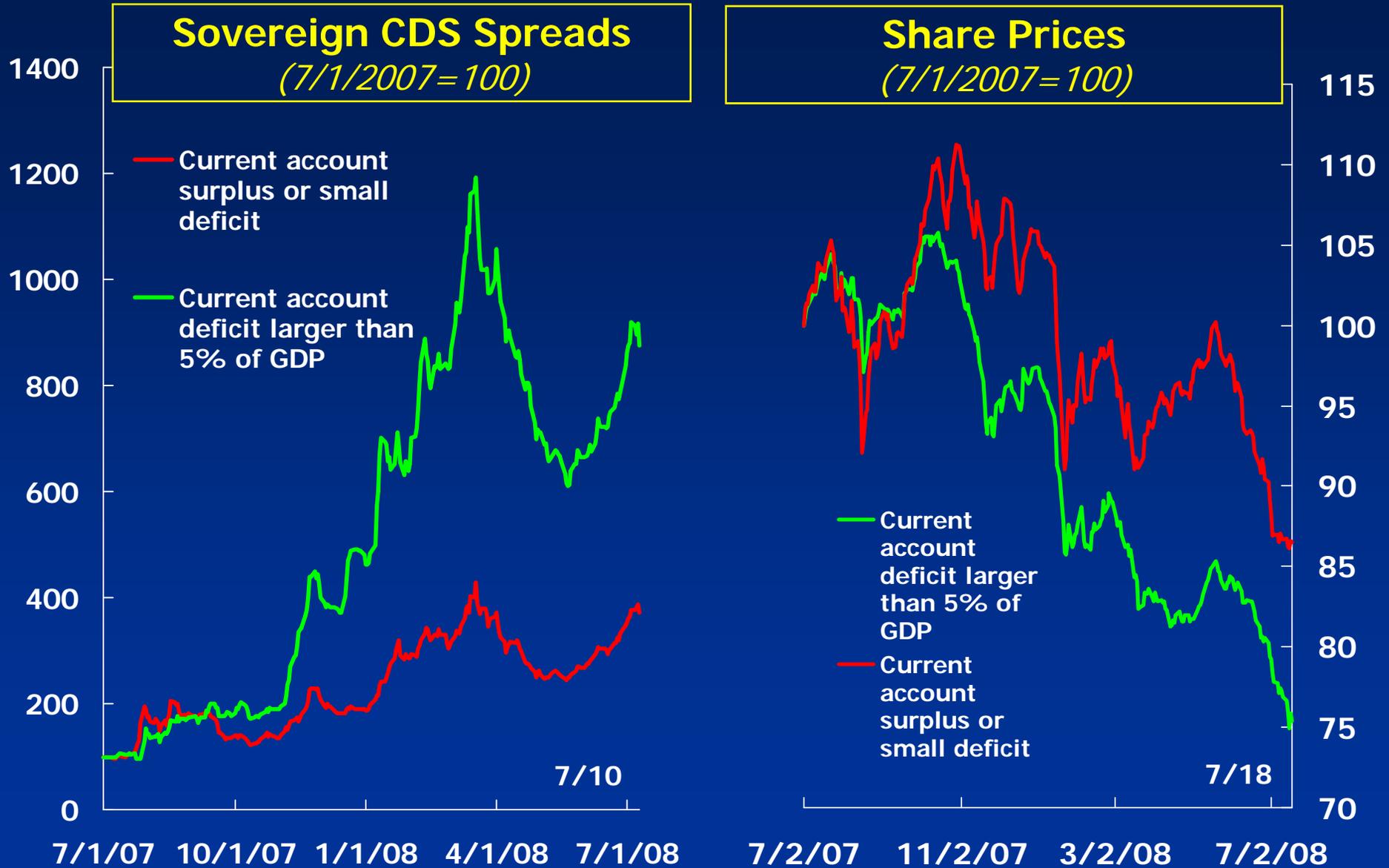


Cumulative Output Loss during Slowdowns and Recessions

(medians; percent of GDP)



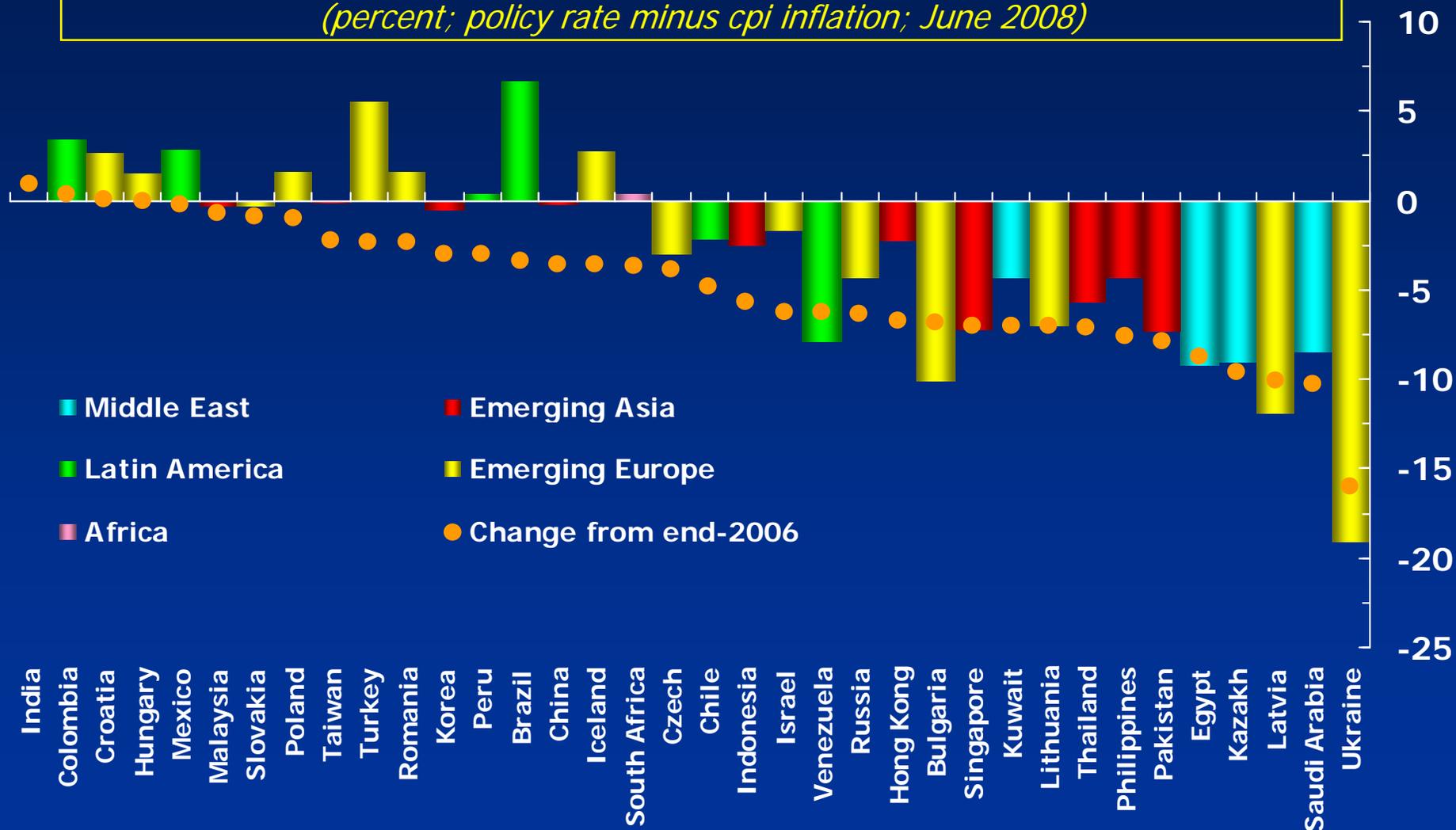
Emerging Economies: Better Balance Reflected in Favorable Market Valuation



Behind The Curve: Negative Real Policy Rates in Many Emerging Economies

Real Policy Rates: Latest Levels and Changes from End-2006

(percent; policy rate minus cpi inflation; June 2008)



End