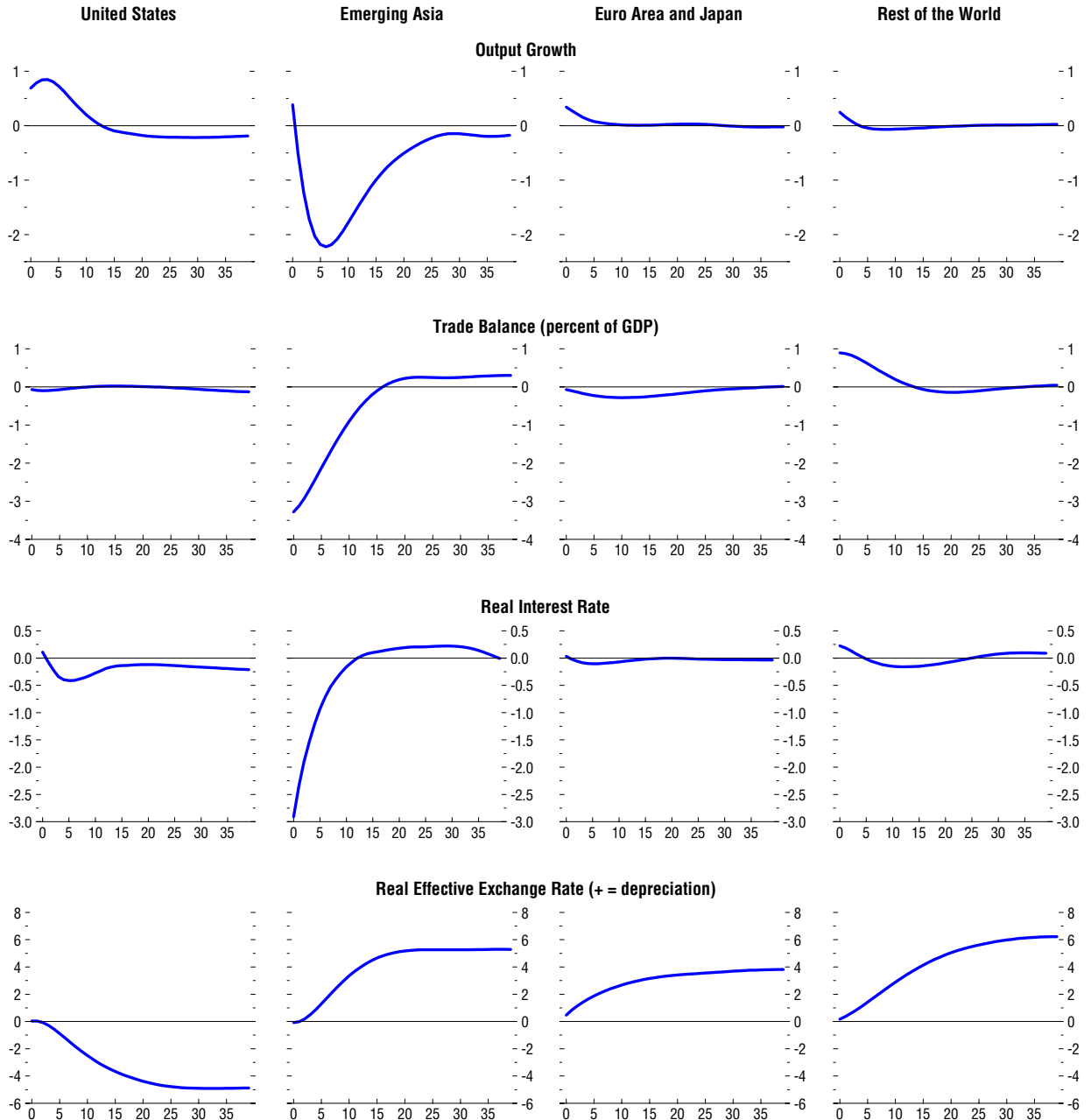


Figure 3.12. Global Rebalancing Under Benign Financial Market Conditions

(Deviations between baseline responses in GEM 2000 and GEM 1980 calibrations; percentage points; x-axis in calendar quarters, 0 represents 2005Q1)

When financial market conditions are benign, globalization facilitates external adjustment, as this can now be achieved with smaller exchange rate changes and smaller increases in real interest rates. Under globalization, output losses are also smaller in the short run, except in emerging Asia.



Source: IMF staff calculations.