



# Global Imbalances: Lessons from the IMF's Sustainability Report

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*ICRIER's G20 Conference*  
*New Delhi, October 7-9*

# Overview

## Conceptual Issues

- Framework approach of internal and external imbalances
- Imbalances: “bad” or “good”?

## Root Causes of Imbalances

- Structural and equilibrium factors
- Domestic policy distortions

## Progress in Global Rebalancing and Policy Implication

- Global imbalances have narrowed markedly, but additional decisive action is needed to reduce them durably
- Country-specific policies aimed at addressing distortions needed to reduce global imbalances

# Conceptual Issues: Analytical Framework

**Overarching Objective:  
“Strong, Sustainable, and Balanced Growth”**

**Internal-External Balance Approach  
(Linked through Saving-Investment Balance)**

**External Imbalances**

- Current Account Balances
- Real Effective Exchange Rate
- International Reserves

**Financial Imbalances**

- Credit Growth

**Internal Imbalances**

- Public Debt
- Primary Balance
- Private Saving

# Conceptual Issues

## Imbalances not prima facie “bad” or “good”

- Differences in S-I patterns and portfolio choices across countries due to fundamentals
- Domestic distortions:
  - ✓ Lack of social insurance/poor firm governance
  - ✓ Bubble-driven asset booms
  - ✓ Excessive public borrowing
- Systemic distortions:
  - ✓ Export-lead growth
  - ✓ Self-insurance leading to excess asset accumulation

# Causes of Imbalances

## Structural and equilibrium factors have driven public saving

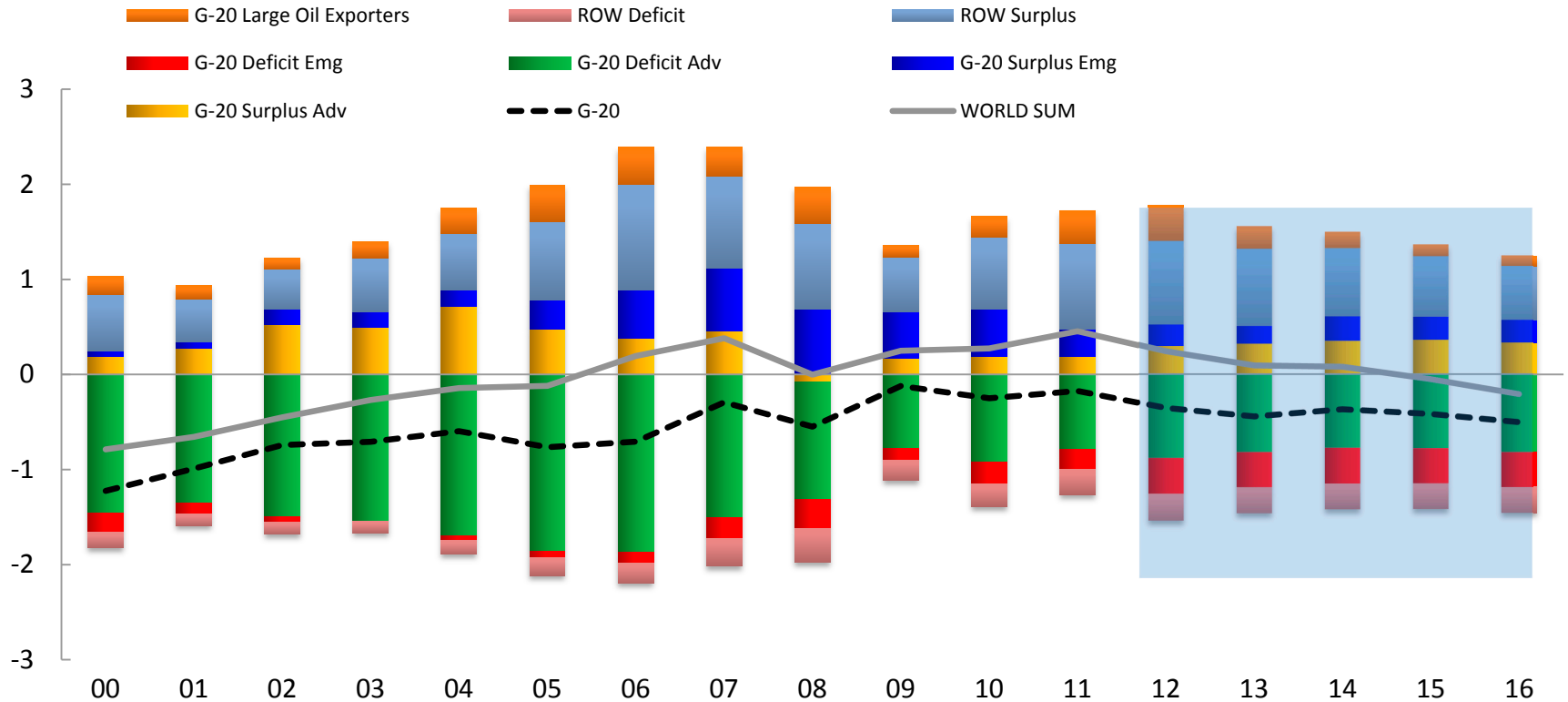
- Persistently low growth
- Structural imbalances between tax revenues and spending commitments
- Political economy considerations

## Domestic policy distortions have also played an important role

- Distortions in financial systems have fueled low private saving
- High historical saving in key emerging surplus economies reflects significant distortions

# Progress in Global Rebalancing

## Current Account Balance 1/ (percent of world GDP)



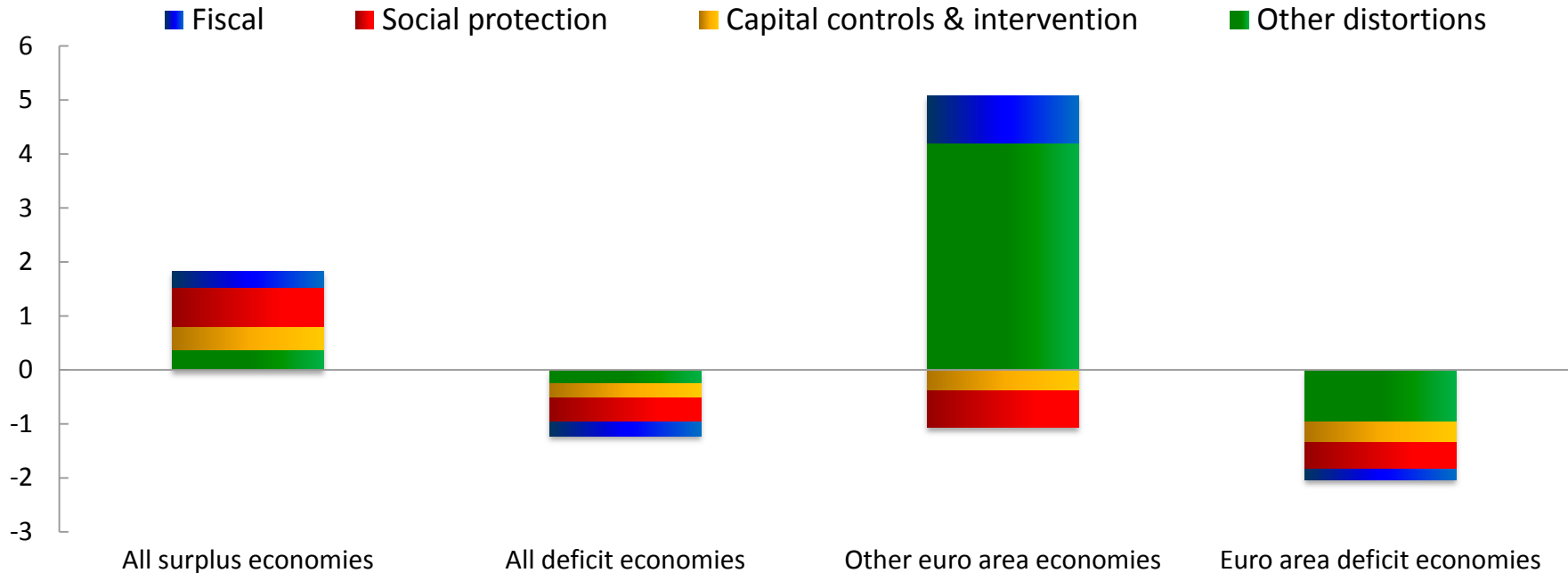
Sources: G-20 authorities and IMF staff estimates.

1/ 2000-2010 reflects WEO data; 2011-2016 reflects MAP estimates and projections for G-20 countries and WEO projections for ROW.

# Policy Implications

## Policy Contributions to Current Account Adjustments 1/

(percent)



Sources: Eurostat; and IMF staff calculations.

1/ Classifications based on the IMF staff's External Sector Assessment. Assessment countries include Australia, Belgium, Brazil, Canada, China, Euro Area, France, Germany, Hong Kong SAR, India, Indonesia, Italy Japan, Korea, Malaysia, Mexico, Netherlands, Poland, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, Turkey, United Kingdom, and United States.