ASIA AND PACIFIC DEPARTMENT
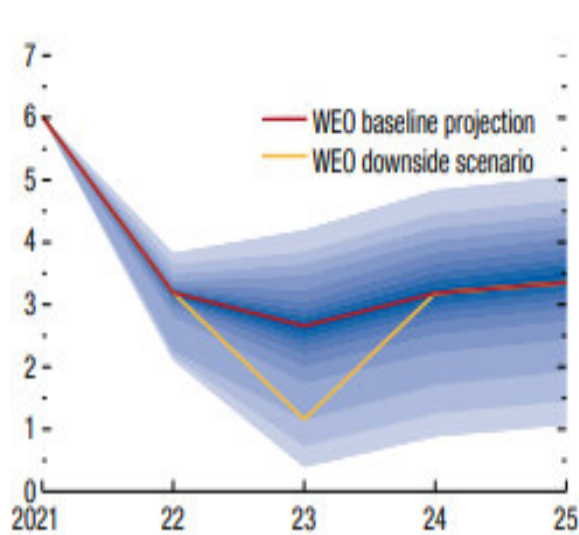
Sailing into Headwinds

2022 Asian Regional Forum on Investment Management of Foreign Exchange Reserves
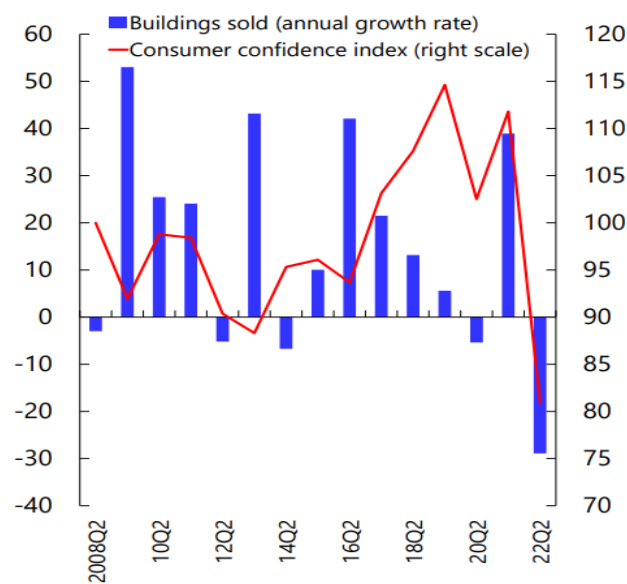
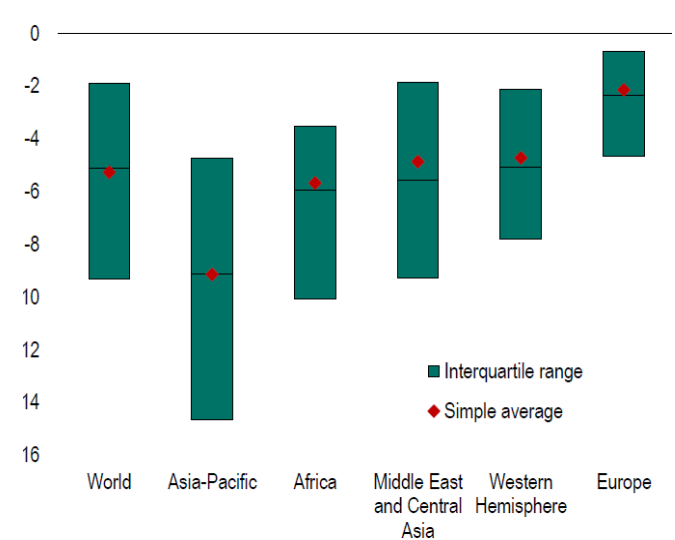*October 26, 2022*

Broad-based deceleration...

Uncertainty for global growth
(forecast, percent)

China slowdown
*(Index, annual growth rates)*

Output losses per region
*(Percent, deviation from pre-pandemic projections, 2024)*

Sources: WEO October 2022, IMF staff calculations. Note: Left chart - Each shade of blue in panel 3 represents a 5-percentage point interval. Middle chart - "Contraction" is defined as consecutive negative quarter-over-quarter growth in 2022 or 2023. The bars show the countries' share in global GDP using purchasing-power-parity-based GDP in 2022 as weights.

... amid persistent price pressures

Headline inflation driven by food and fuel
(Annualized percent)
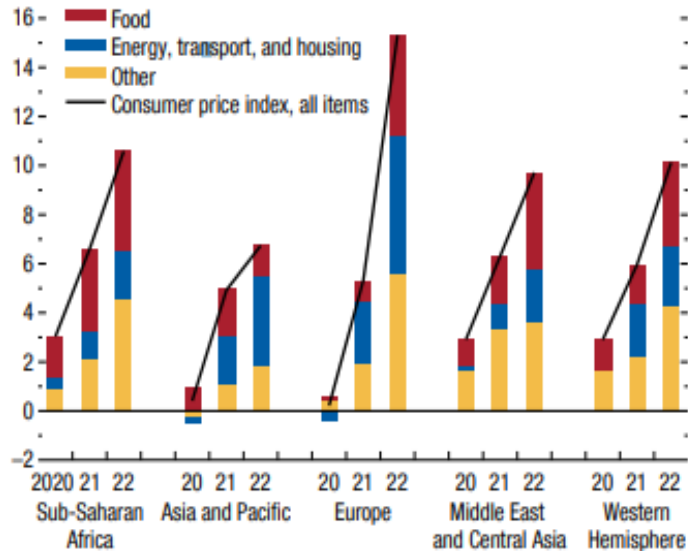
Asia: Core inflation and output gaps
*(Annualized percent)*
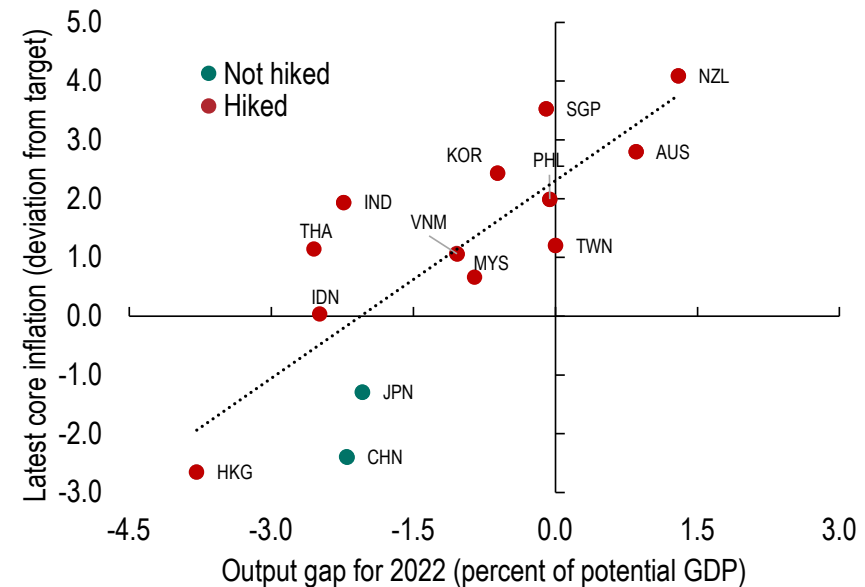
Sources: Haver Analytics, Consumer Price Index database, WEO, and IMF staff calculations. Notes: Left chart - Inflation contributions from broad categories are computed first by country, annualized over available months. Right chart - For inflation targeting countries, deviation from target or midpoint of the inflation target range is used. For countries without an inflation target (Hong Kong SAR, Malaysia, Taiwan Province of China, and Singapore), deviations are taken from the long-term average over 2010-19. Dotted line is from fitted linear regression.

Tighter financial conditions and stronger dollar

Financial Conditions in Selected Regions
(Standard deviations from the mean)
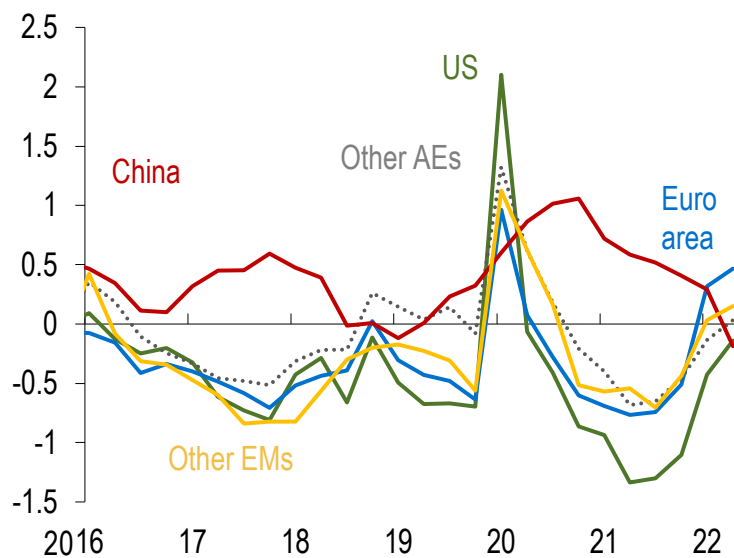
**US Dollar against Regional Currencies**
(Dollar index)

Sources: Bloomberg Finance L.P., GFSR, and IMF staff calculations. Note: Left chart - The IMF financial condition index is designed to capture the pricing of risk. It incorporates various pricing indicators, including real house prices. Balance sheet or credit growth metrics are not included.

Selected financial vulnerabilities

Asia: Non-financial Corporate Debt, 2019
(In percent of GDP, simple average)
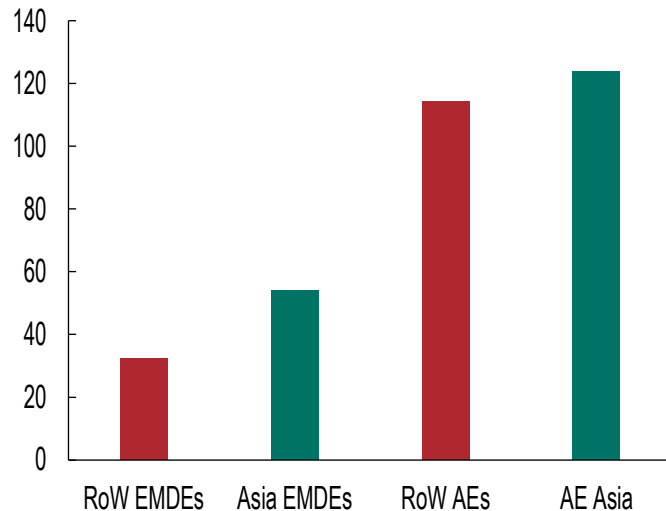
House Price-at-Risk Decomposition
(Percent, projected contribution, latest)
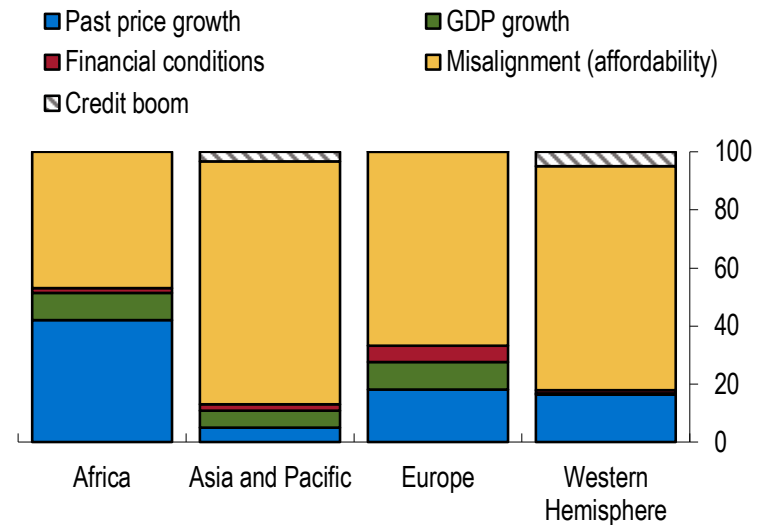
Sources: Haver Analytics, Asia REO October 2021, GFSR October 2022 and IMF staff calculations. Notes: Right chart - Estimation results from a house-prices-at-risk model, which allows prediction of house price growth in a severely adverse scenario. Misalignment refers to the deviation of house-price-to-GDP per capita from an estimated trend and is used as a simple measure of the deviation of house prices from fundamentals (that is, overvaluation).