글로벌 금융시장의 과잉 유동성-영향과 전망

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Opening Remark (1)

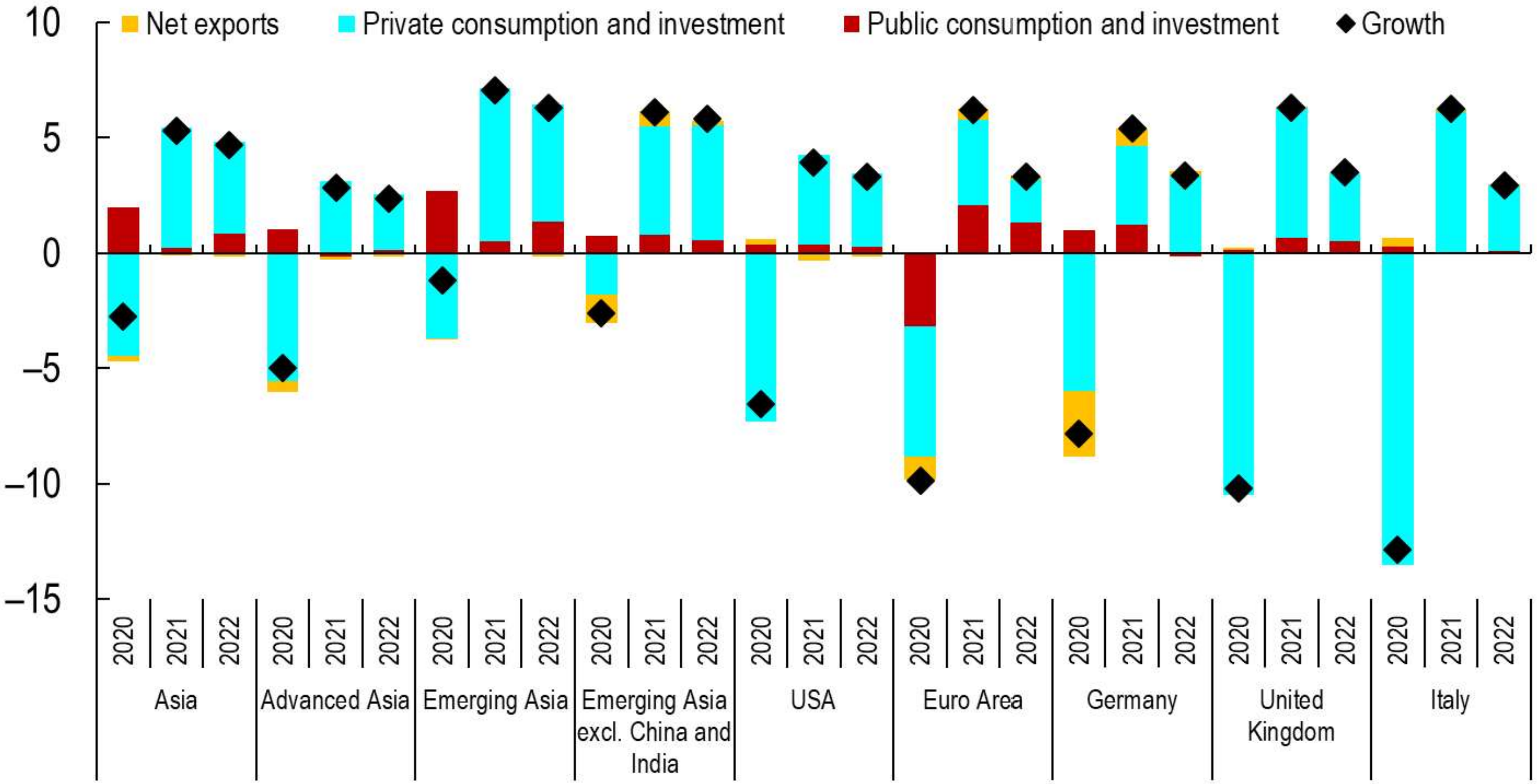
1. **July World Economic Outlook:**
   * 2020: World -4.9%, US -8%, EU -10.2%, Asia -1.6%, China 1.0%, Korea-2.1%
   * Preview of October World Economic Outlook: heterogenous recovery

2. **Significant uncertainty**
   * upside potential for early delivery of a vaccine vs. market correction if delayed
   * possibility of second wave
   * geopolitical risks

3. **Even under a positive scenario for the world, we are expecting a protracted recovery in many Asian economies**
   * global trade slowdown
   * high dependence of remittance and tourism
   * large informal sector with insufficient social safety nets
   * limited fiscal space: currently assuming private sector lead recovery in 2021 but what if the recovery is protracted?

Selected Asia: Contributions to Projected Growth

(Percentage points, year-over-year)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Note: Latest projections as of June 2020 WEO. Asia includes Australia, China, Hong Kong SAR, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan Province of China, Thailand, and Vietnam. Advanced Asia includes Australia, Hong Kong SAR, Japan, Korea, New Zealand, Singapore, and Taiwan Province of China, while Emerging Asia includes the rest of the economies.

Opening Remark (2)

4. **Expect political pressures on more active role of Central Banks**
   * It is too early to withdraw policy support (fiscal as well as monetary)
   * Time to consider potential need for unconventional policies in Asian EMs
   * pros and cons of Negative Interest rates, QE, Yield Curve Control, Credit support,
   * need to be time-bound with exit strategy, fiscal rules, explicit risk sharing
   with the government to protect central bank independence
   * use of multiple tools: FX intervention, capital flows measures

5. **Move from blanket support to targeted support**
   * resource allocation in preparation of new normal
   (labor contract, Technology, medical facilities, etc.)
   * structural reform

6. **Need international support for those whose growth models became obsolete**

Global Liquidity and Financial and Real Economy Discrepancies

1. Common phenomena across AEs and EMs

2. Even before COVID19 – “too low for too long”

3. If vaccine is delayed, there is potential abrupt correction

4. Different impact across EMs:

    - capital flows to EMs can be destabilized

    - Feb swap

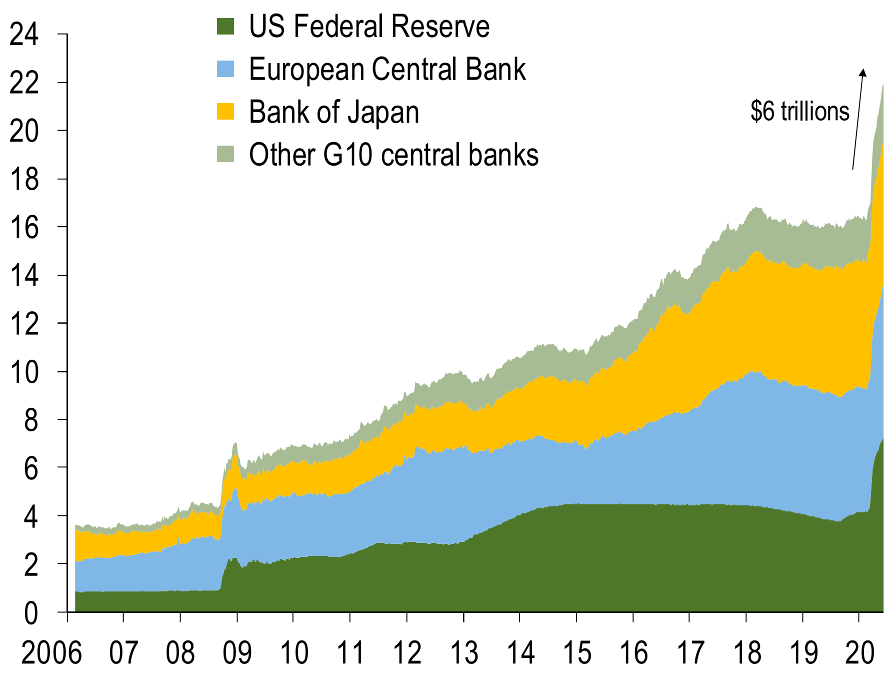
5. In addition to short run vulnerability, important long term issue to Korea

    - high leverage / slow growth – secular stagnation

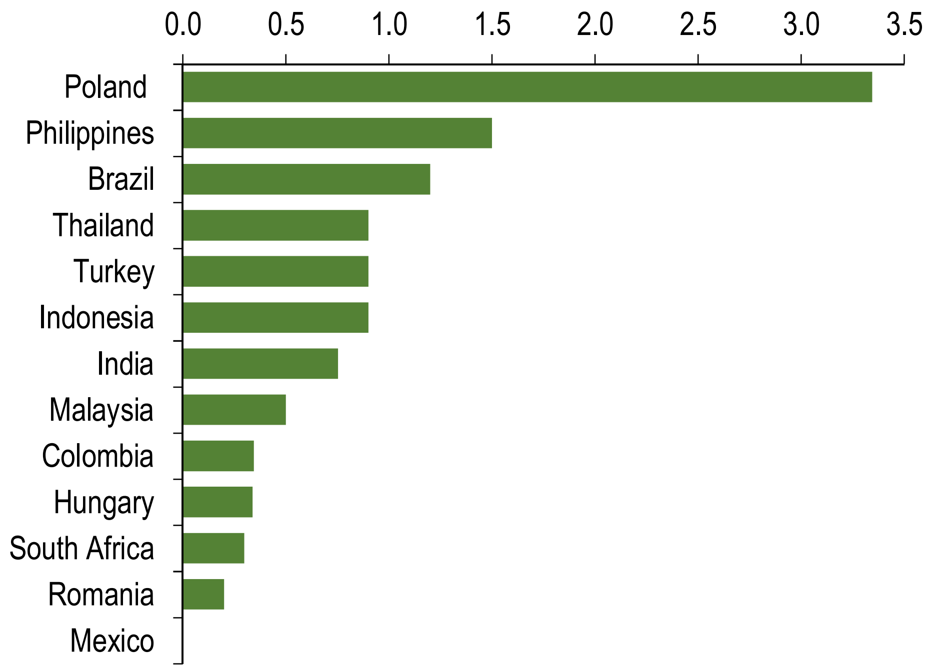
    - aging and banking sector profitability

Large expansion of central bank balance sheets after GFC/ COVID19

Aggregate assets of the G10 central banks have increased by more than $6 trillion since pandemic began…

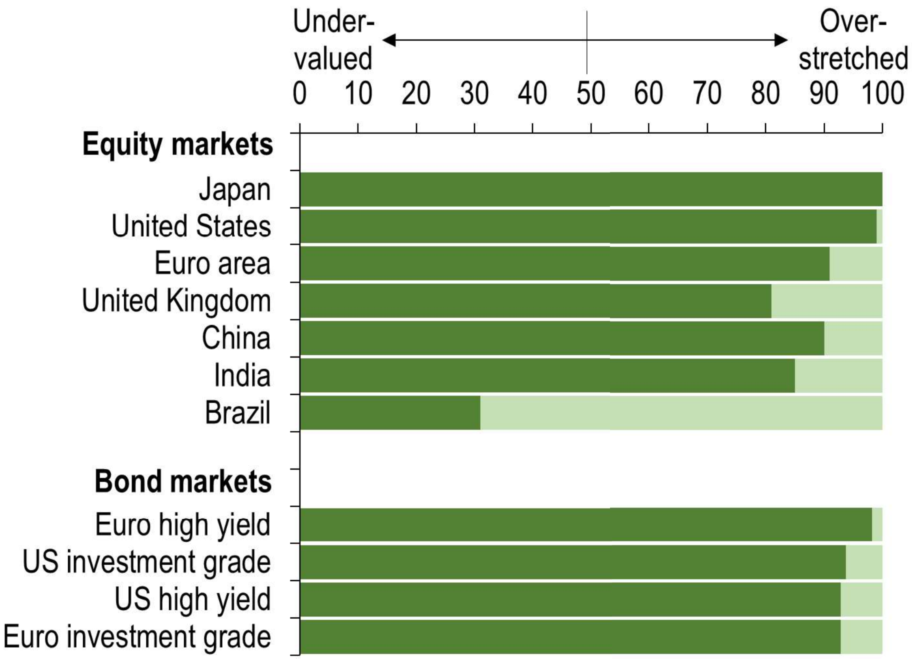


… and central bank asset purchases have continued in both developed and emerging markets

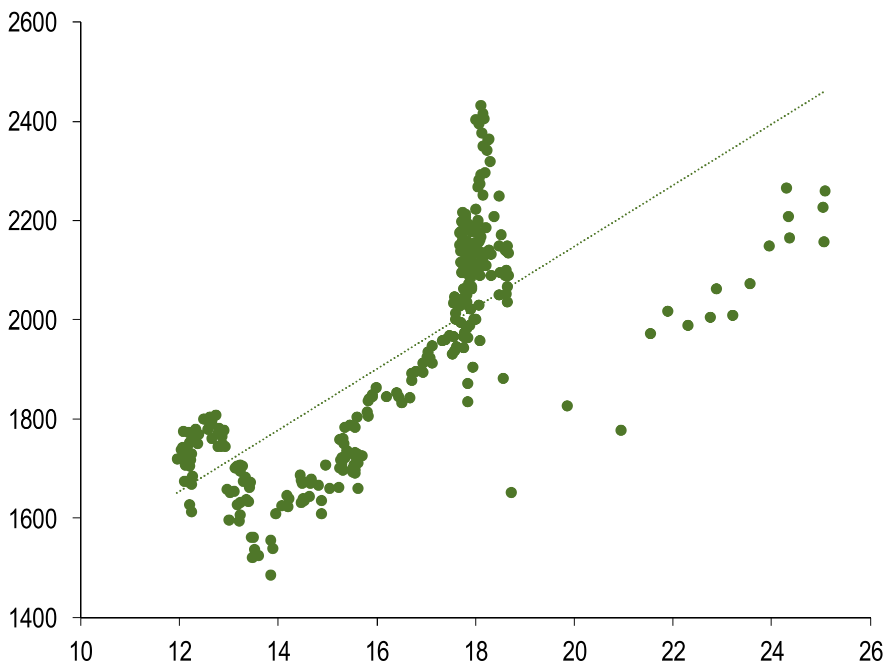


Asset prices remain stretched

Standard metrics suggests valuations remain stretched

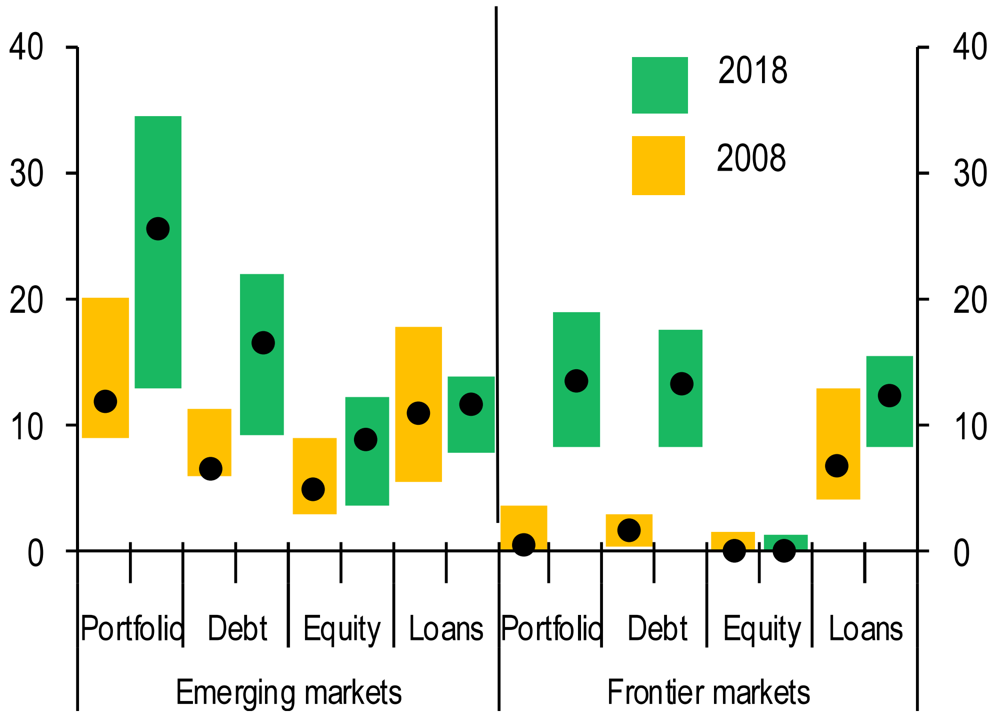


Quantitative easing by central banks partly explain misalignments

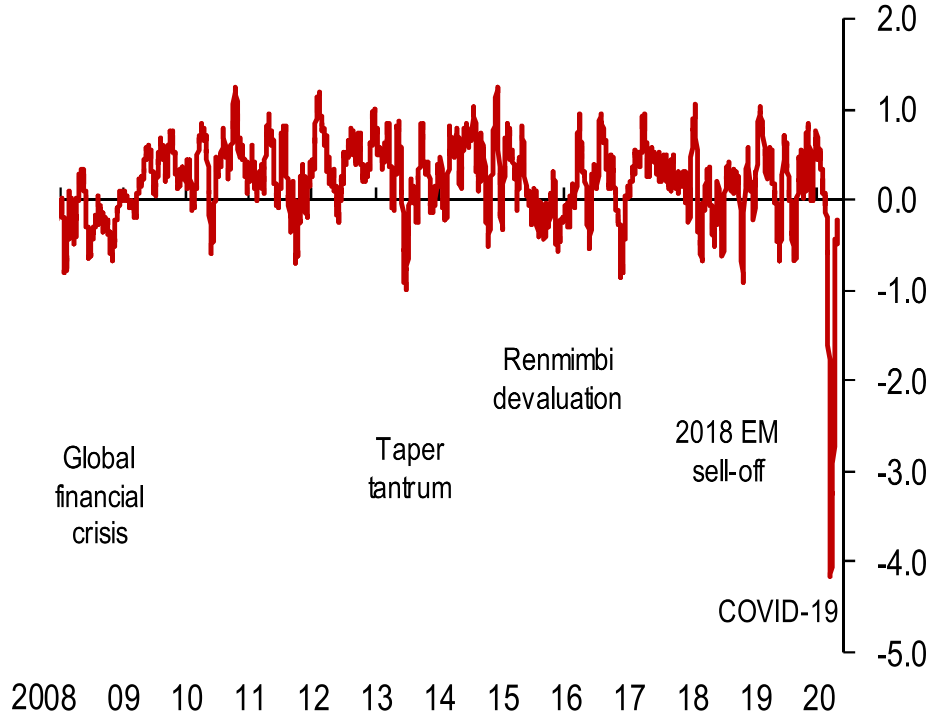


COVID-19 Fallout Highlights the Volatility of Portfolio Flows Reversals

Portfolio liabilities have increased in emerging and frontier market economies, led by debt

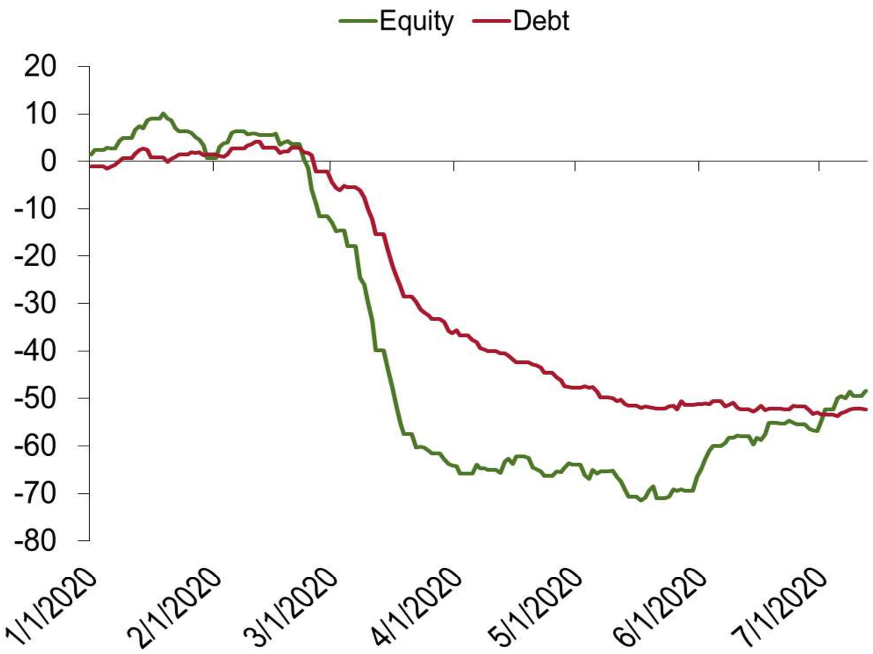


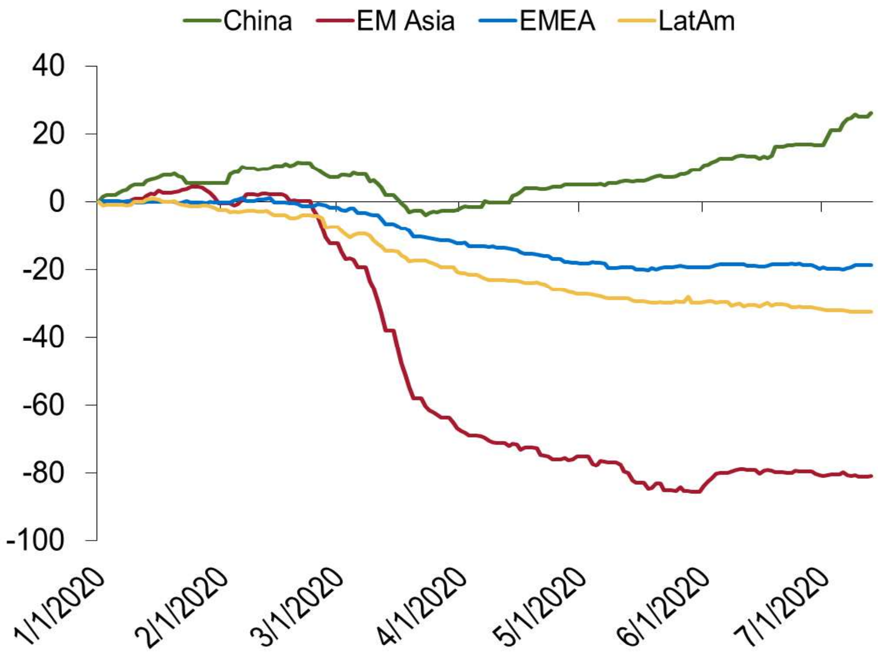
Record high volatility of flows during the COVID-19 crisis underscores debt rollover risks



EM portfolio flows remain weak except for China

Portfolio flows also show that robust inflows into Chinese equities with the net outflow from other Asian economies and Latin America countries



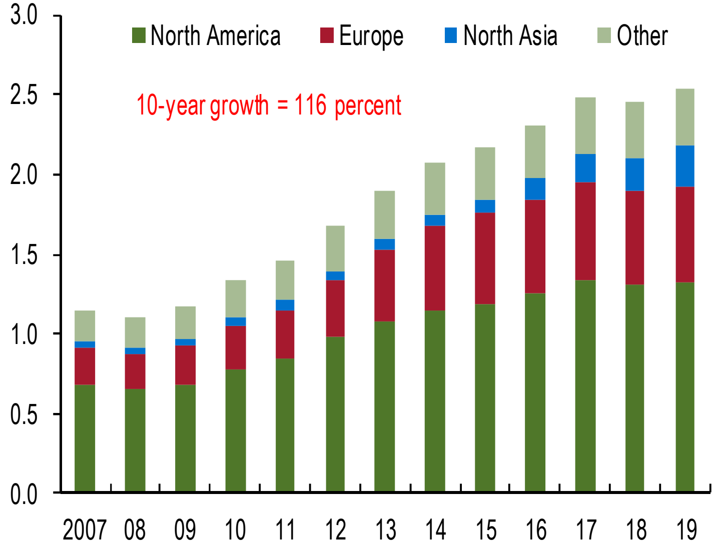


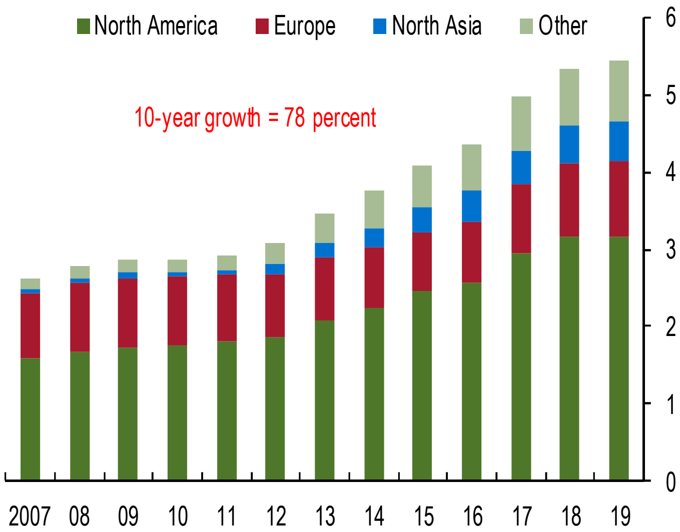
Even before COV19, Rapid Growth of Risky Credit Markets Has Raised Red Flags

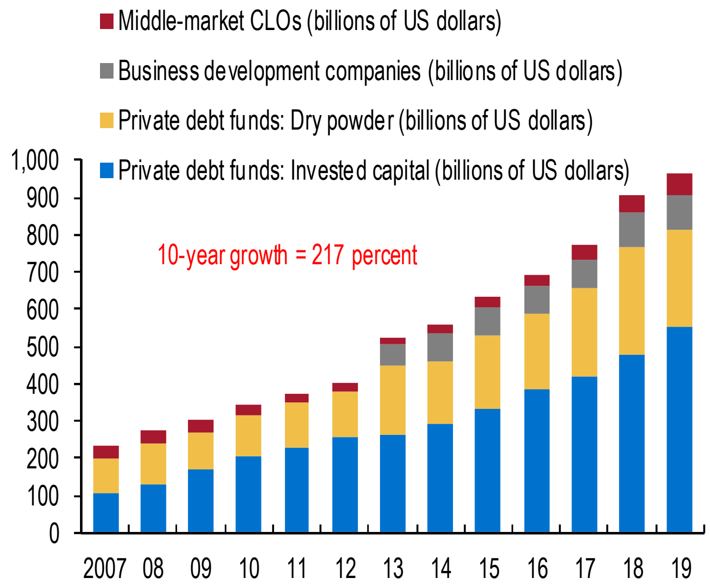
The high-yield bond market climbed to $2.5 trillion globally, benefitting from falling interest rates

The leveraged loan market grew to more than $5 trillion globally, the majority of which in advanced economies

The private debt market also boomed on the back of demand from institutional investors seeking long-term investments

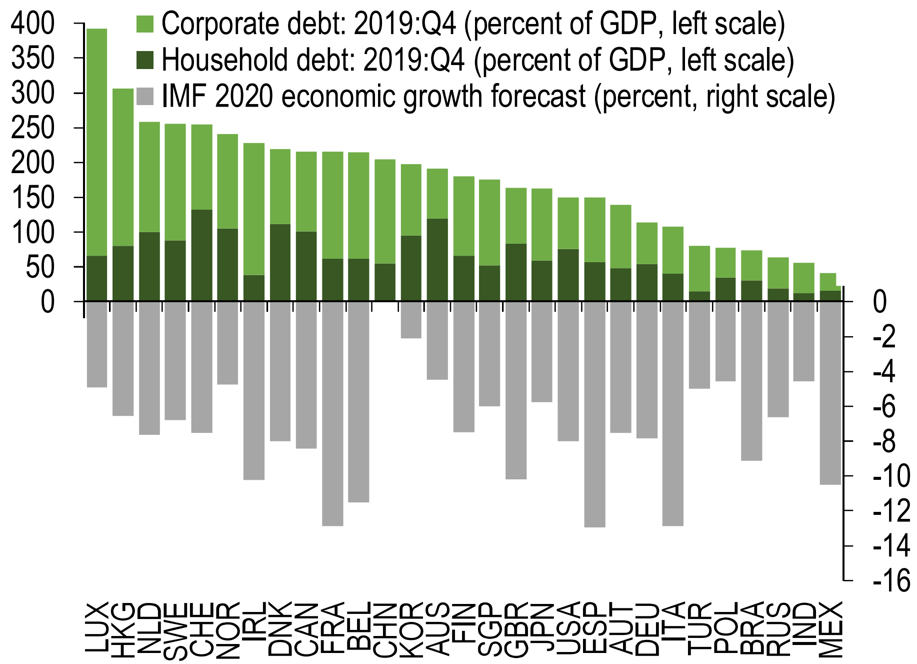




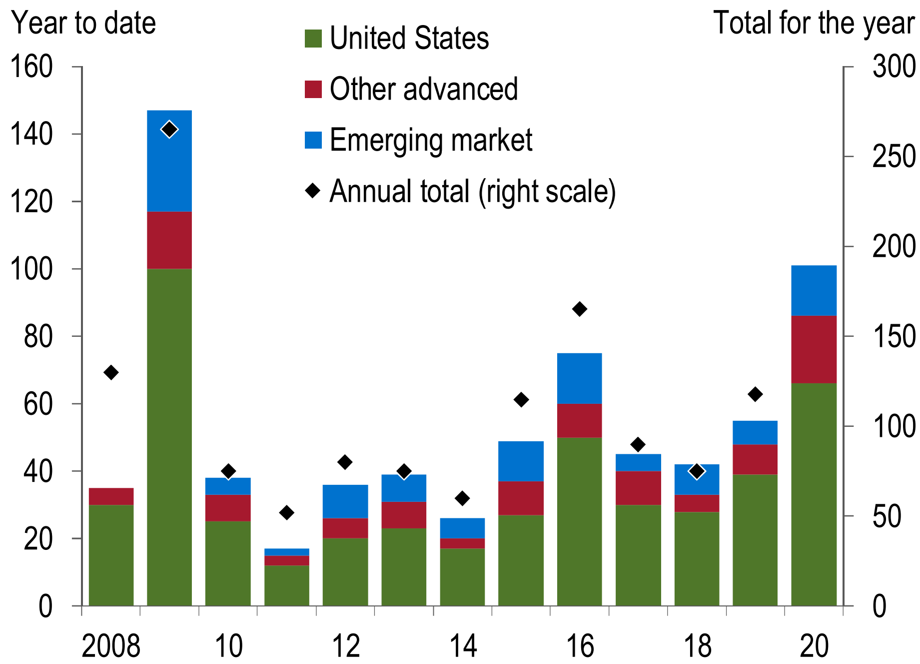


Low for longer: High Debt Levels Could Become Harder to Manage

Corporate and household debt burdens could become harder to manage under a severe economic downturn…

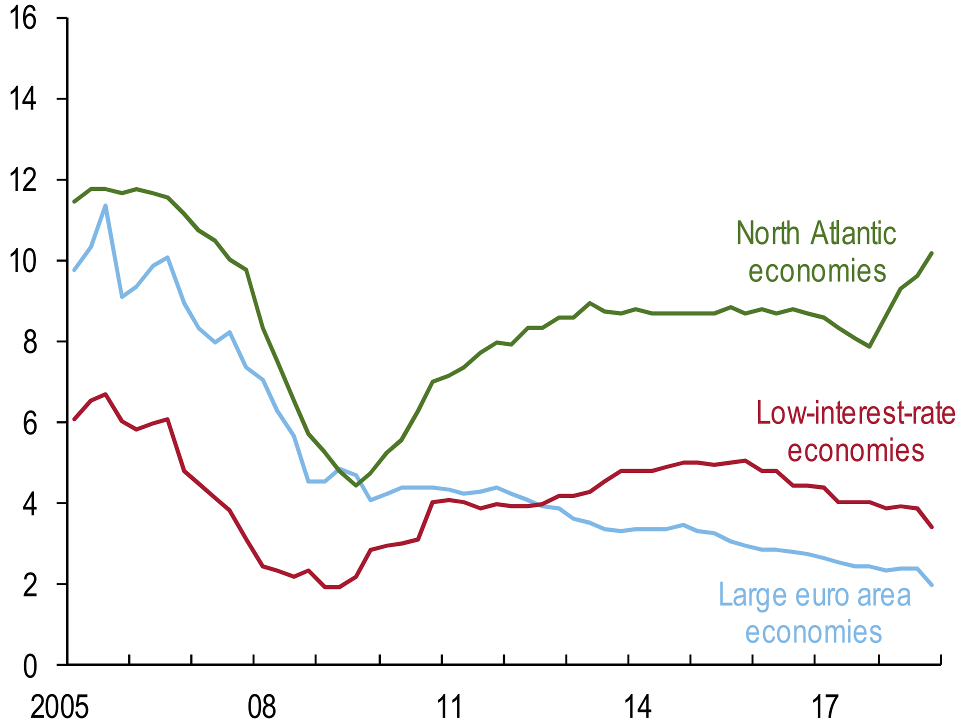


… as reflected in the rapid increase in corporate bond defaults at the highest pace since the GFC

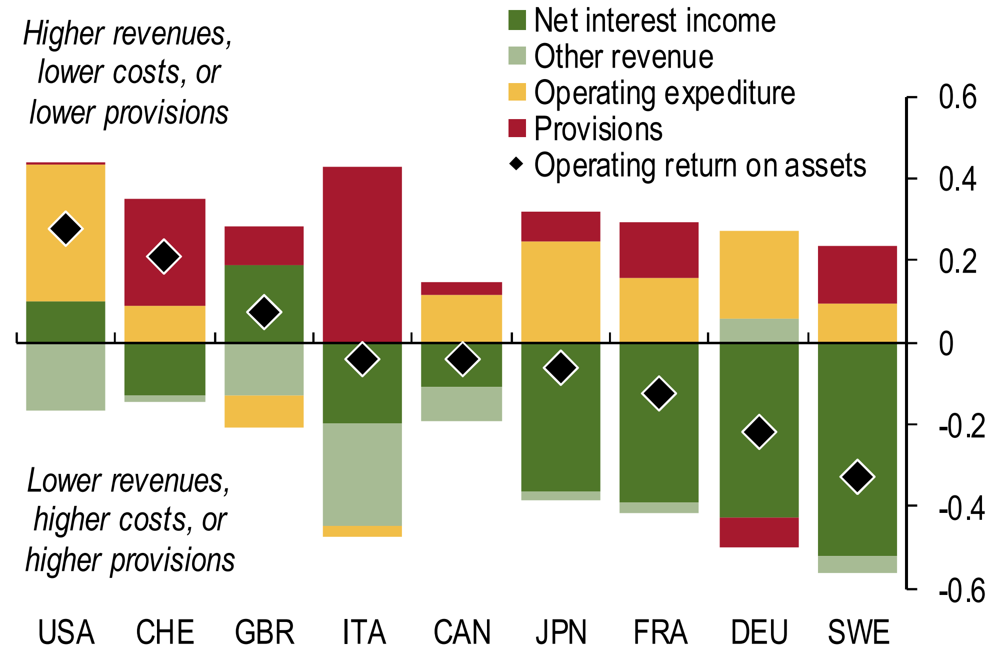


Bank Profitability Has Been A Challenge

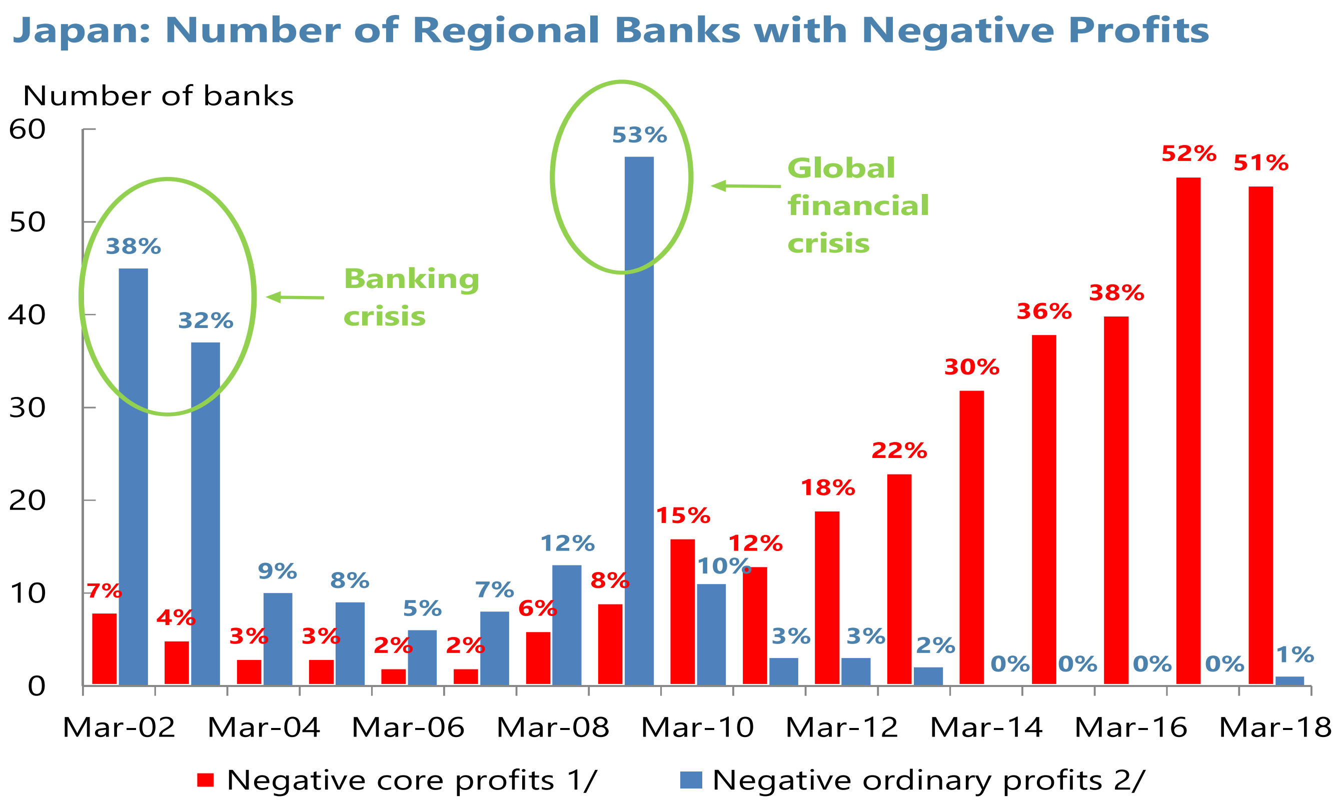
Profitability has diverged across regions



Lower net interest income has been partly offset by a cut back in provisioning and lower operating expenses



"Low for longer" can bring financial stability concerns: Japan Case



Sources: Japanese Bankers Association; and IMF staff calculations.

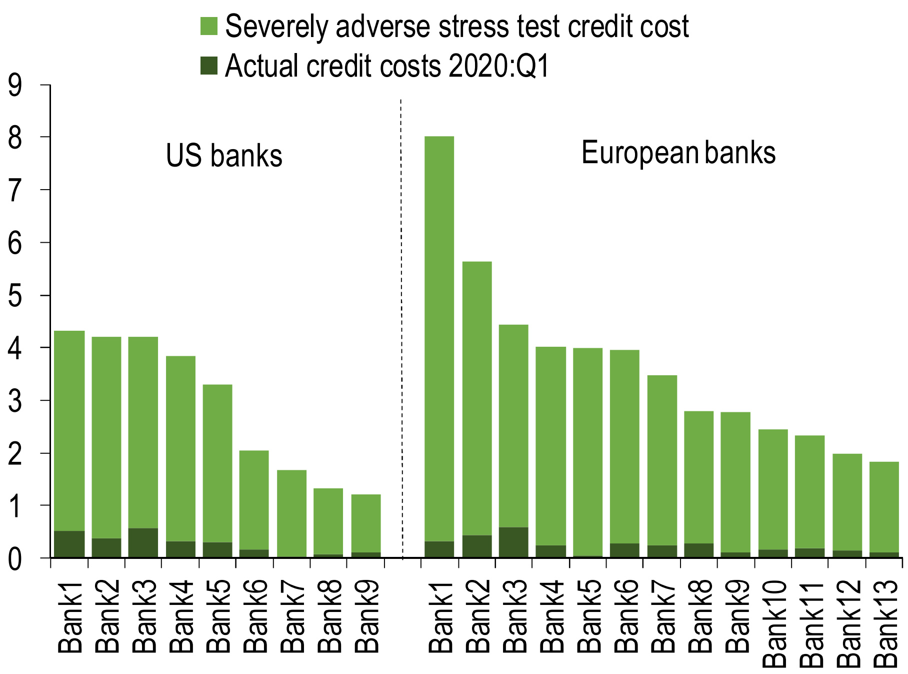
Note: The percentages above the red (or blue) bars represent the share of regional banks that have negative core (or ordinary) profits.

1/ Includes profits from lending operations and net fee income. Interest expenses from lending operations estimated as interest expenses on deposits multiplied by share of loans in total loans and securities.

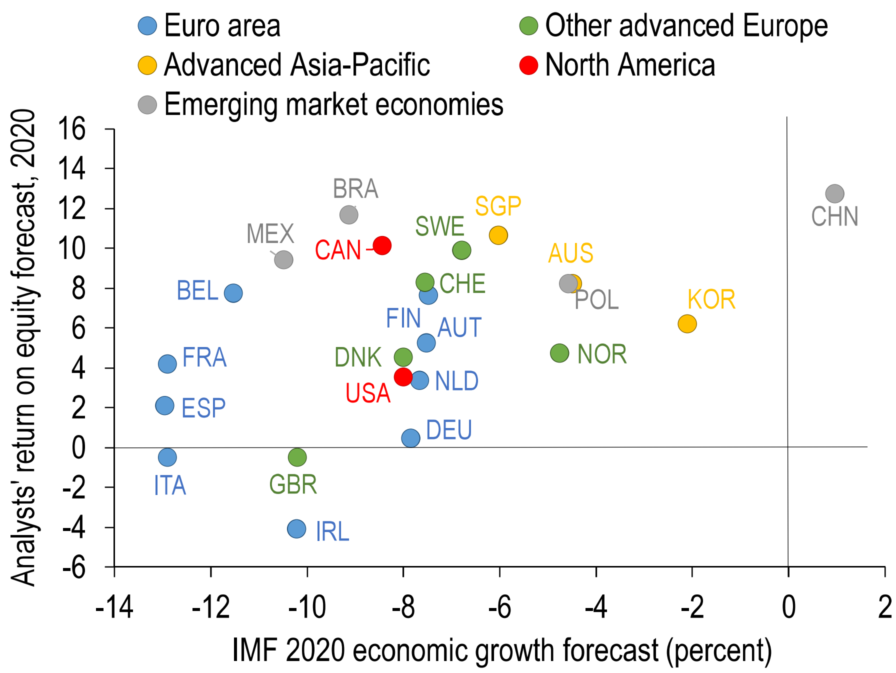
2/ Ordinary profits include core profits, net trading income, and net other income.

Insolvencies Could Test Bank Resilience

Potential losses on bank loan portfolios are set to rise…

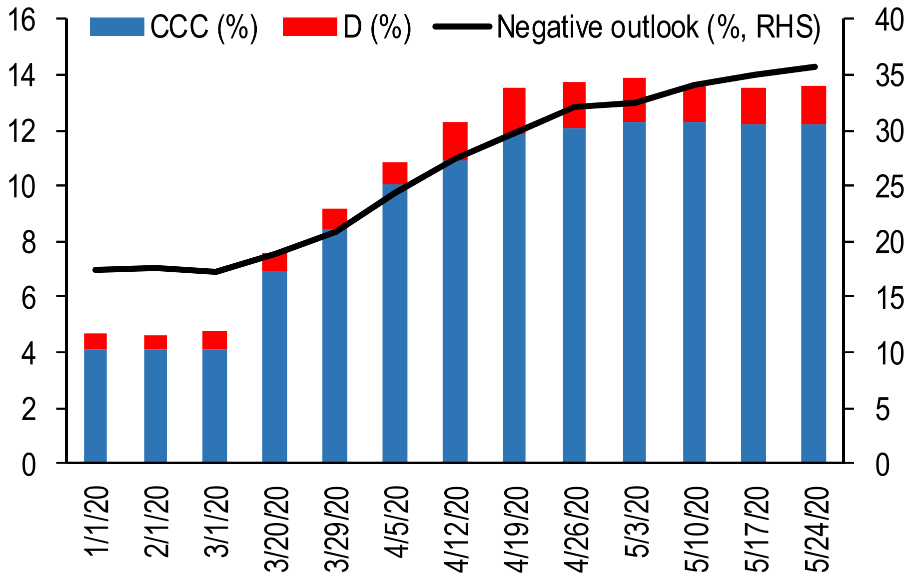


… and are being reflected, along with the effect of low interest rates, in analysts' forecasts of bank profitability

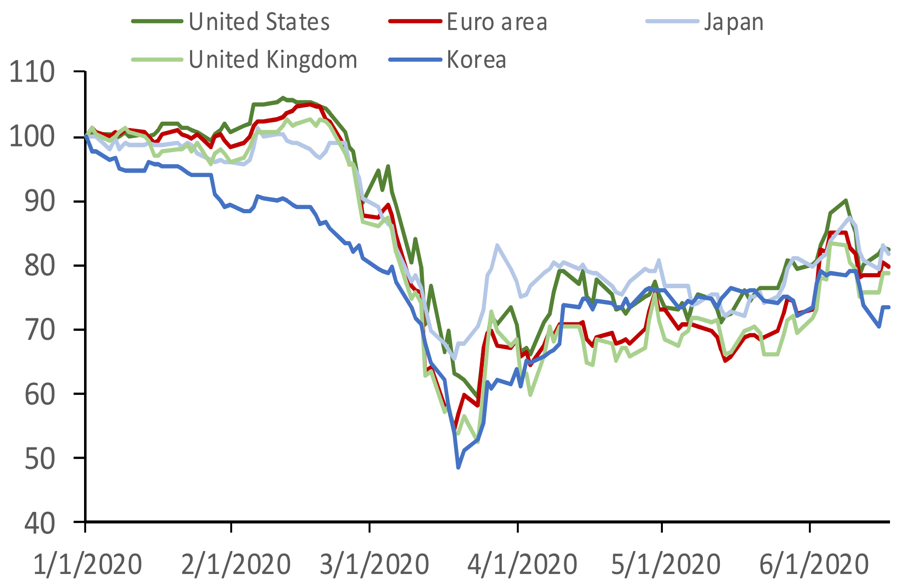


The Non-Bank Financial Sector Could Face Additional Pressures

Issuance of CLOs was robust before the pandemic, but declined sharply thereafter…



…and shares of global insurers were hit hard amid concerns about the potential impact on their balance sheets



Pros and Cons of Unconventional Monetary Policies in Asian EMs

Policy recommendation:

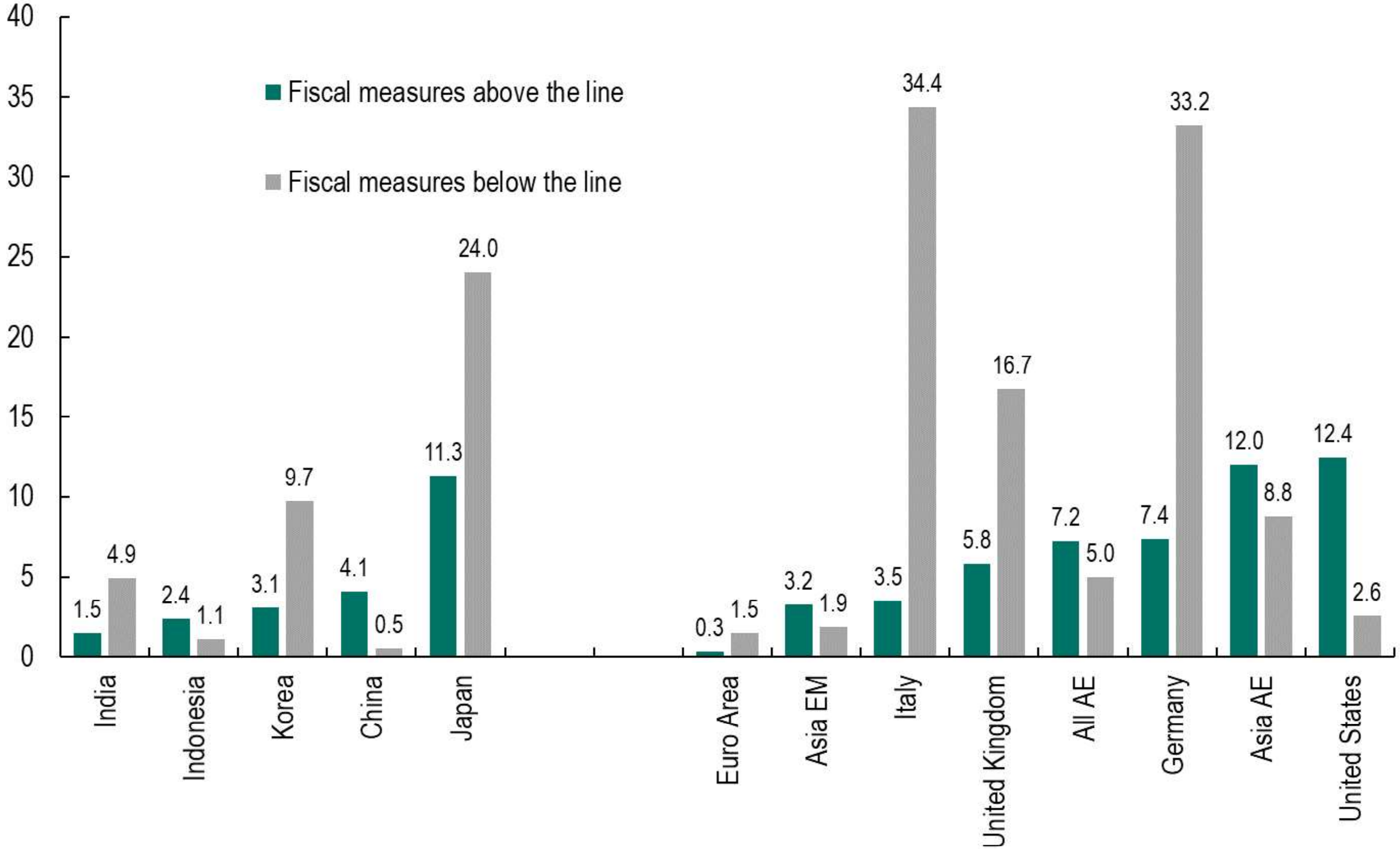
1. Short run Fiscal Stimulus will be inevitable and there will be more demand for the role of Central Banking: Unconventional Monetary Policies
   - QE (asset purchases), Negative Interest rates policy, Yield Curve Control, FXI
   - Exit policy is critical/ Central Bank independence
   - Need clear risk sharing with the fiscal authorities

2. From liquidity provision to Better resource allocation (solvency)

3. medium term fiscal consolidation commitment is critical.

4. Structural reform – maintaining growth potential and dynamics is better than any S-R macro policies

Fiscal Measures
(percent of GDP)

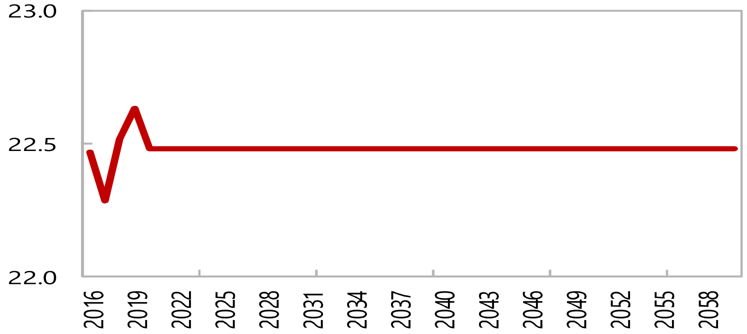


Sources: IMF Policy Tracker, WEO, and IMF staff calculations

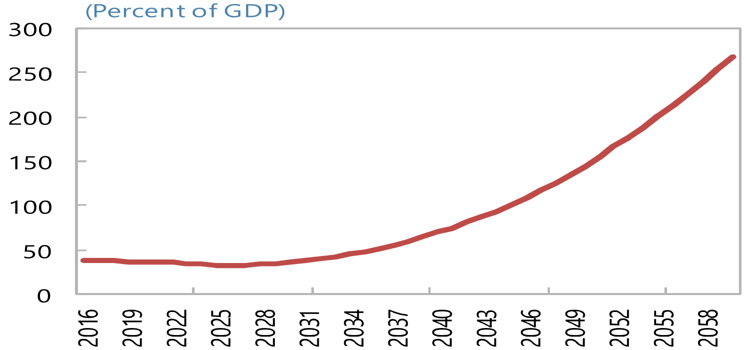
Short term fiscal stimulus is necessary with medium term fiscal consolidation

Increasing Age-Related Spending with Unchanged Revenues

Revenues
(Percent of GDP)

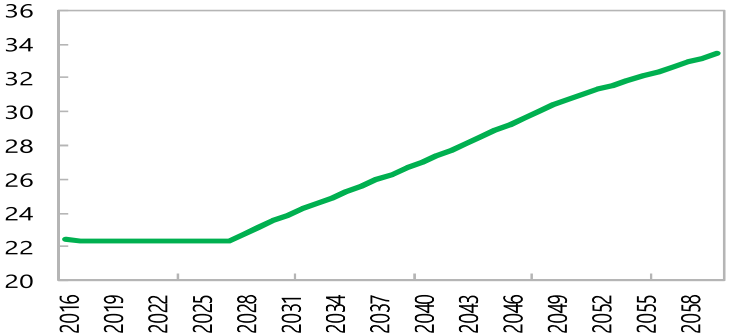


Debt
(Percent of GDP)



Increasing Age-Related Spending with Higher Revenues

Revenues
(Percent of GDP)



Debt
(Percent of GDP)