



Australian Government
The Treasury

Global Imbalances: How much adjustment will we see?

In The Zone Conference – University of Western Australia
9 November 2009

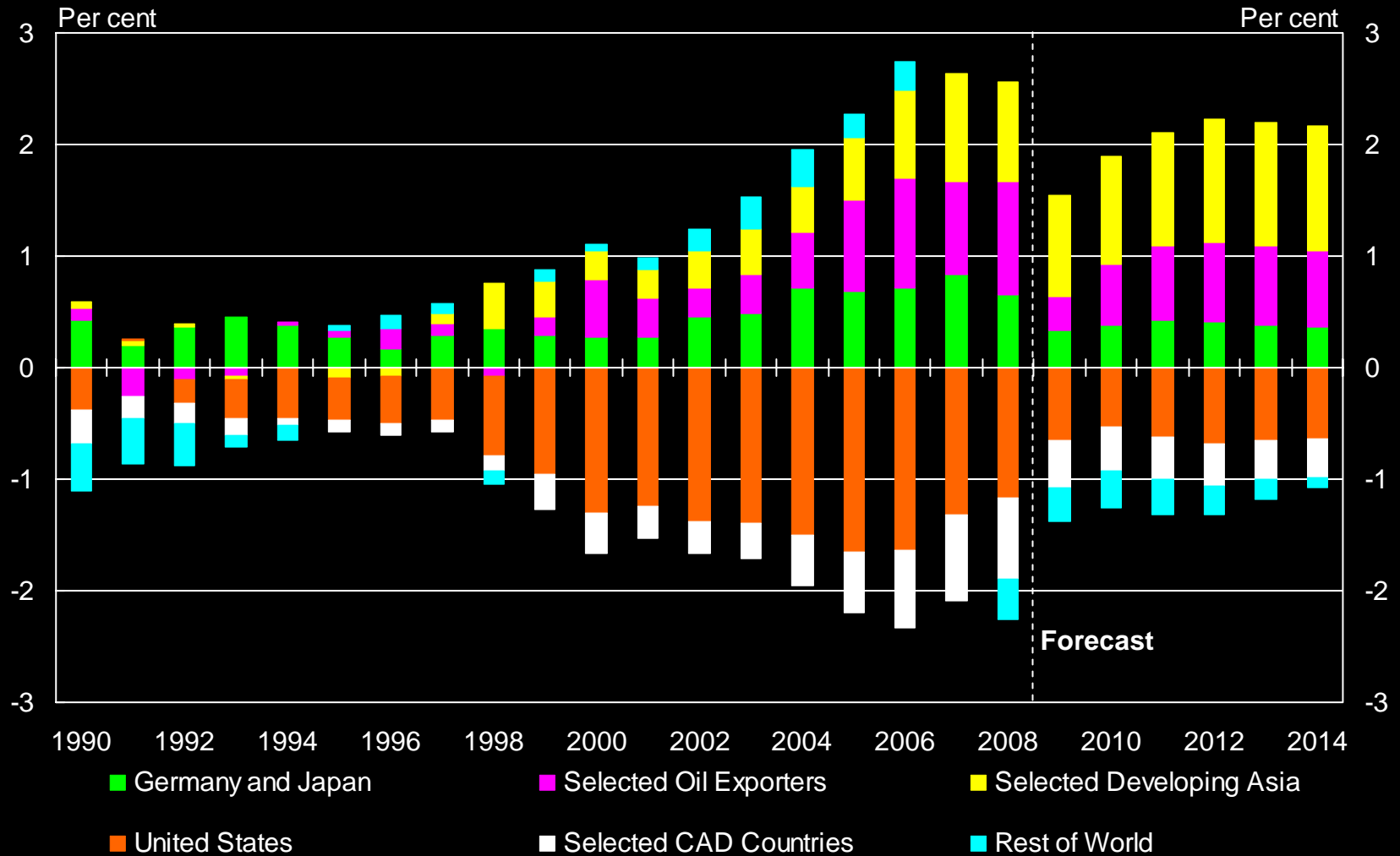
David Gruen
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Global Imbalances

- Implicated in the global financial crisis
- Desirable that they become much smaller

Current Account Balances

Per cent of world GDP



Global Imbalances

- Can examine from the perspective of trade imbalances (exports and imports) and net foreign income flows
- Or national saving and investment – a more fundamental perspective

Savings and Investment – China

Per cent of GDP



Savings and Investment – Other East Asia

Per cent of GDP

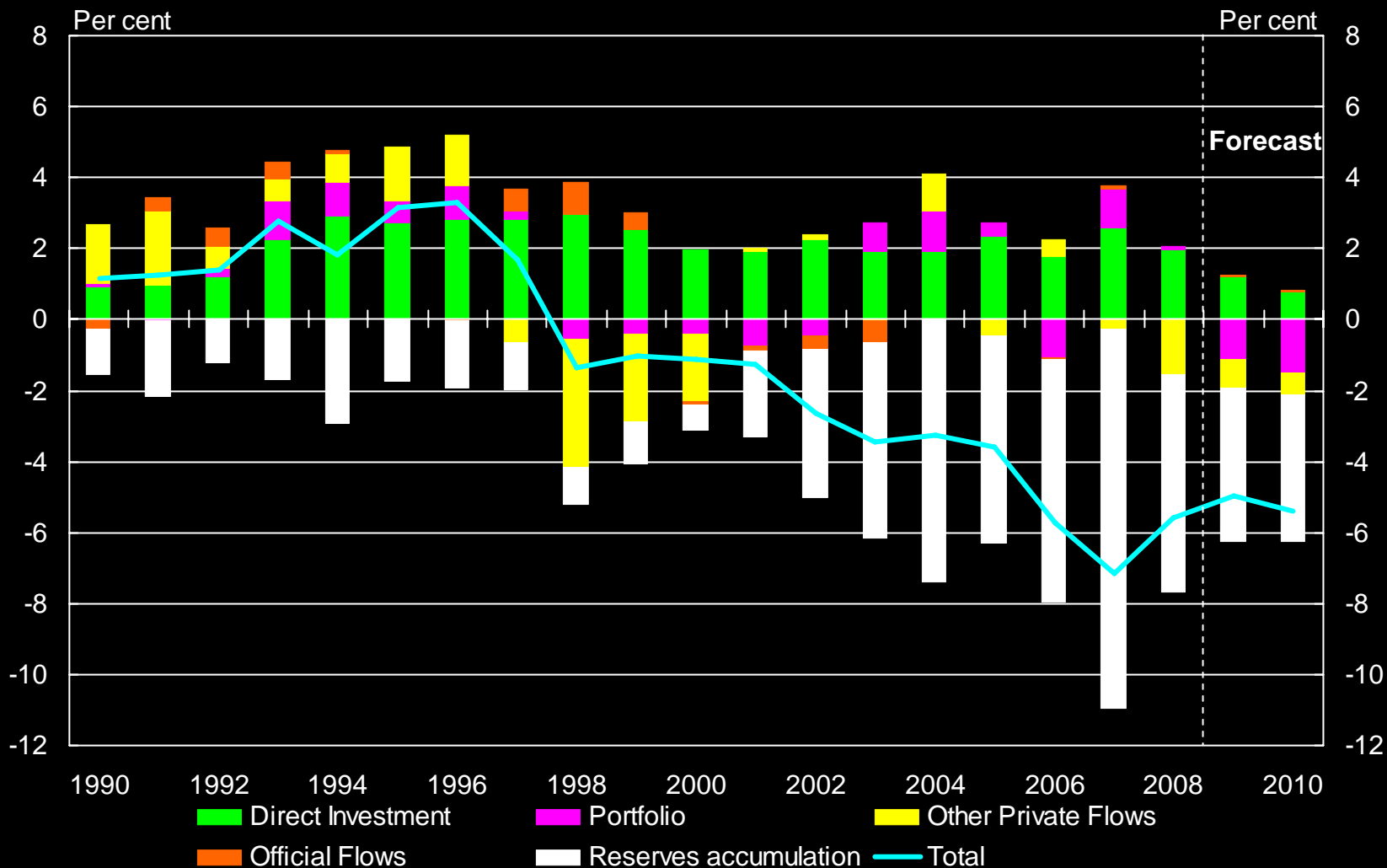


Note: Excludes Taiwan and Vietnam due to data limitations.

Source: IMF WEO Database, Treasury, World Development Indicators.

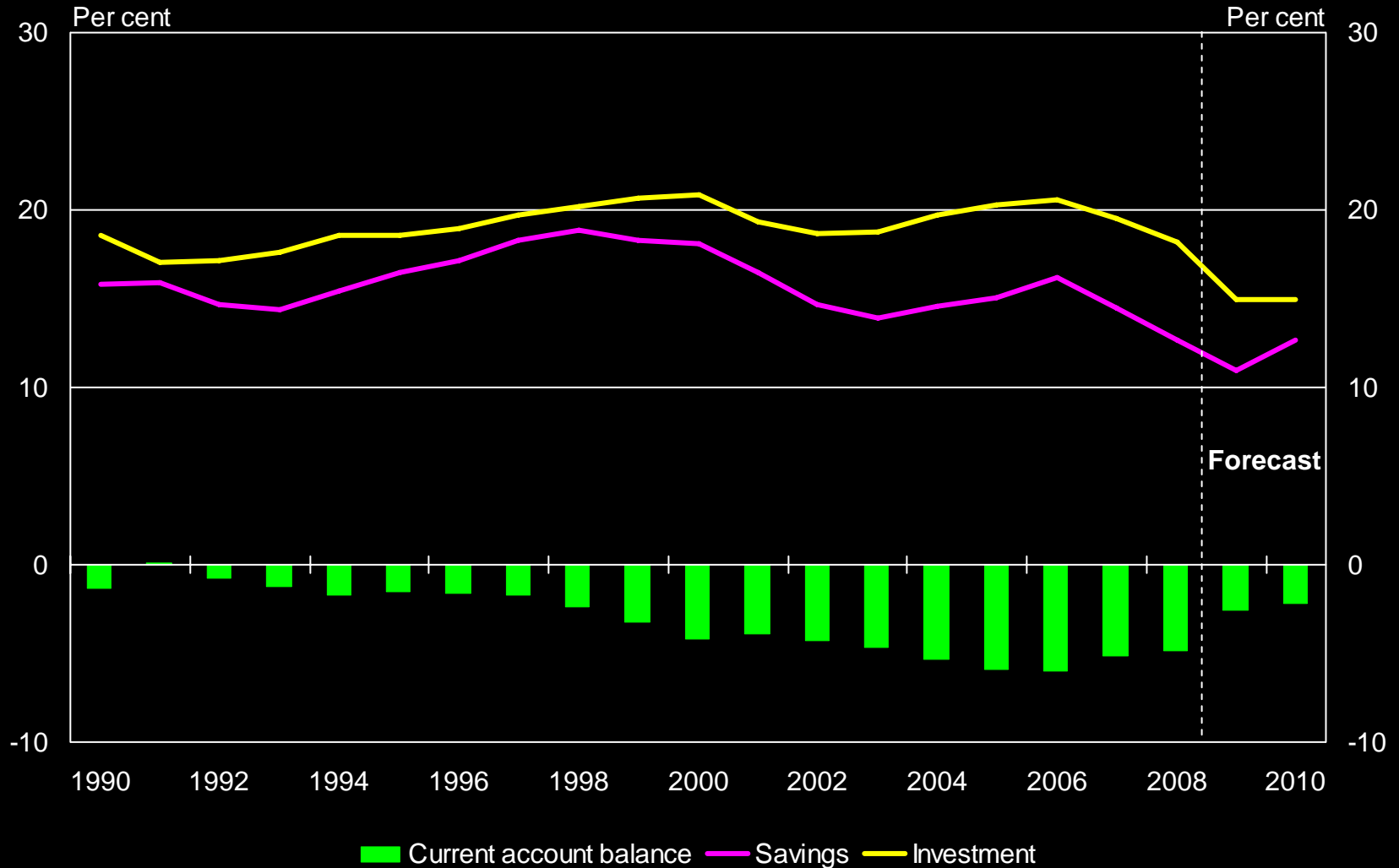
Capital Flows into Developing Asia

Per cent of GDP



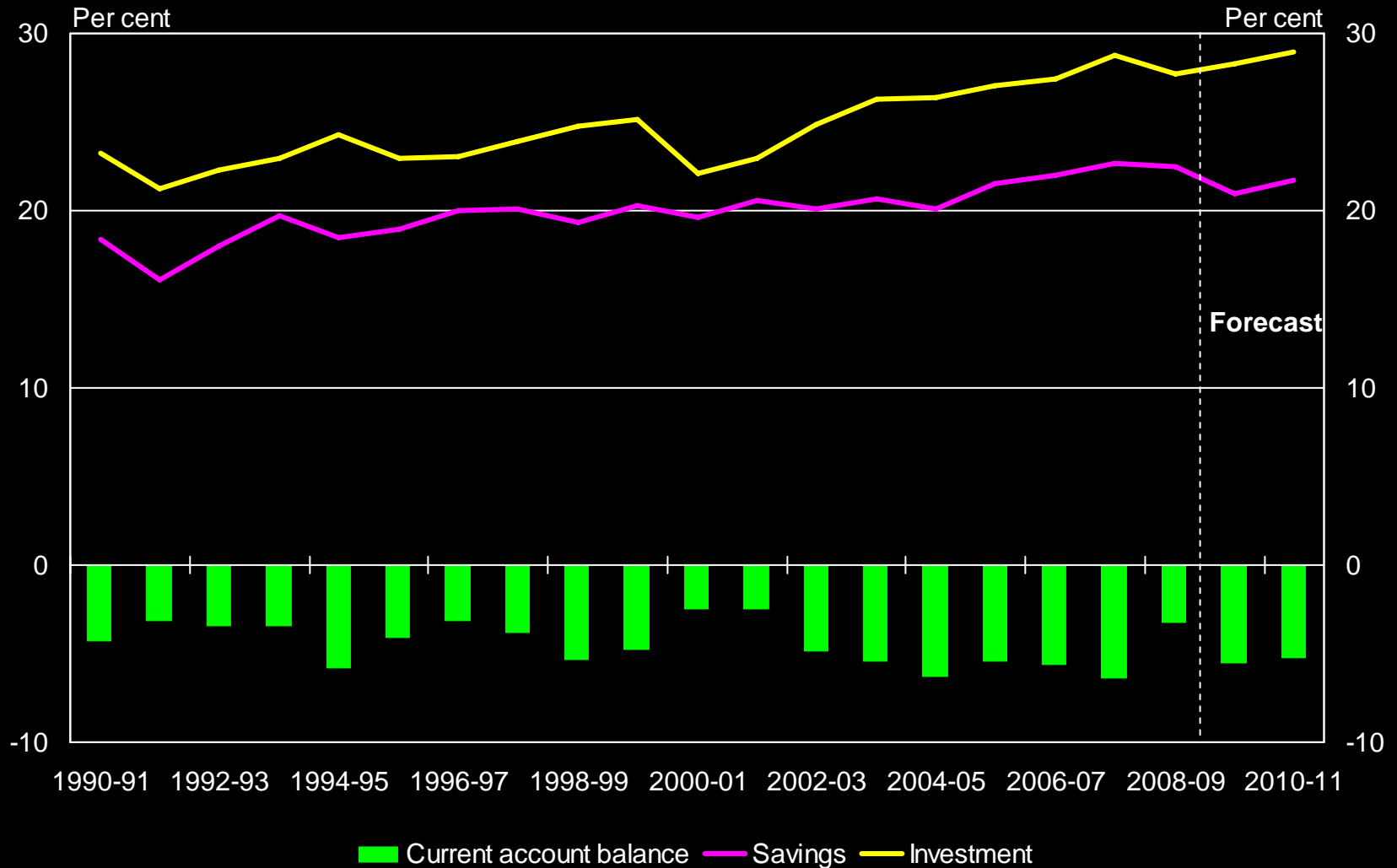
Savings and Investment – US

Per cent of GDP



Savings and Investment – Australia

Per cent of GDP



Household Consumption

Per cent of GDP



Source: Australian Bureau of Statistics, Bureau of Economic Analysis, CEIC China Database.

Household Consumption

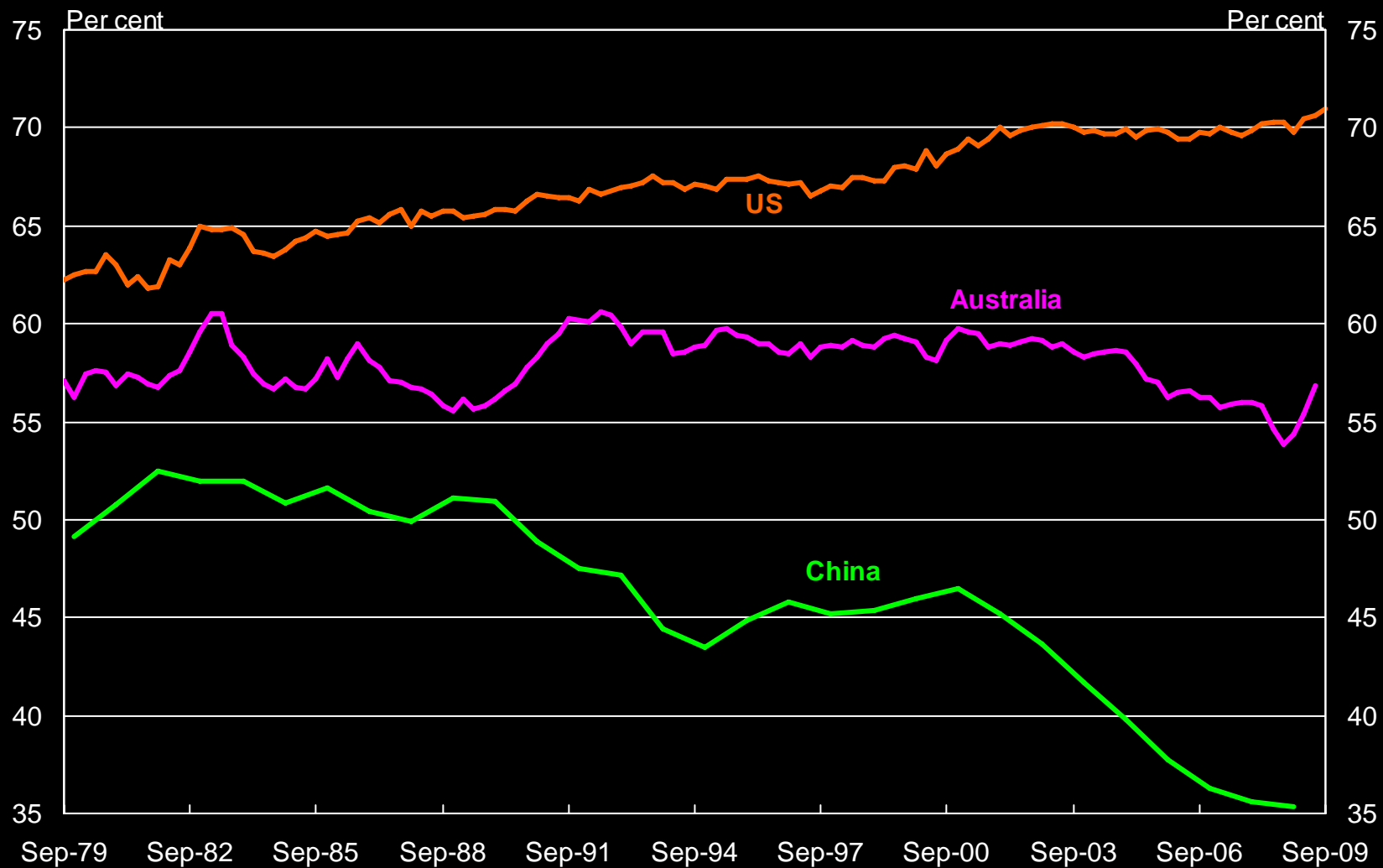
Per cent of GDP



Source: Australian Bureau of Statistics, Bureau of Economic Analysis, CEIC China Database.

Household Consumption

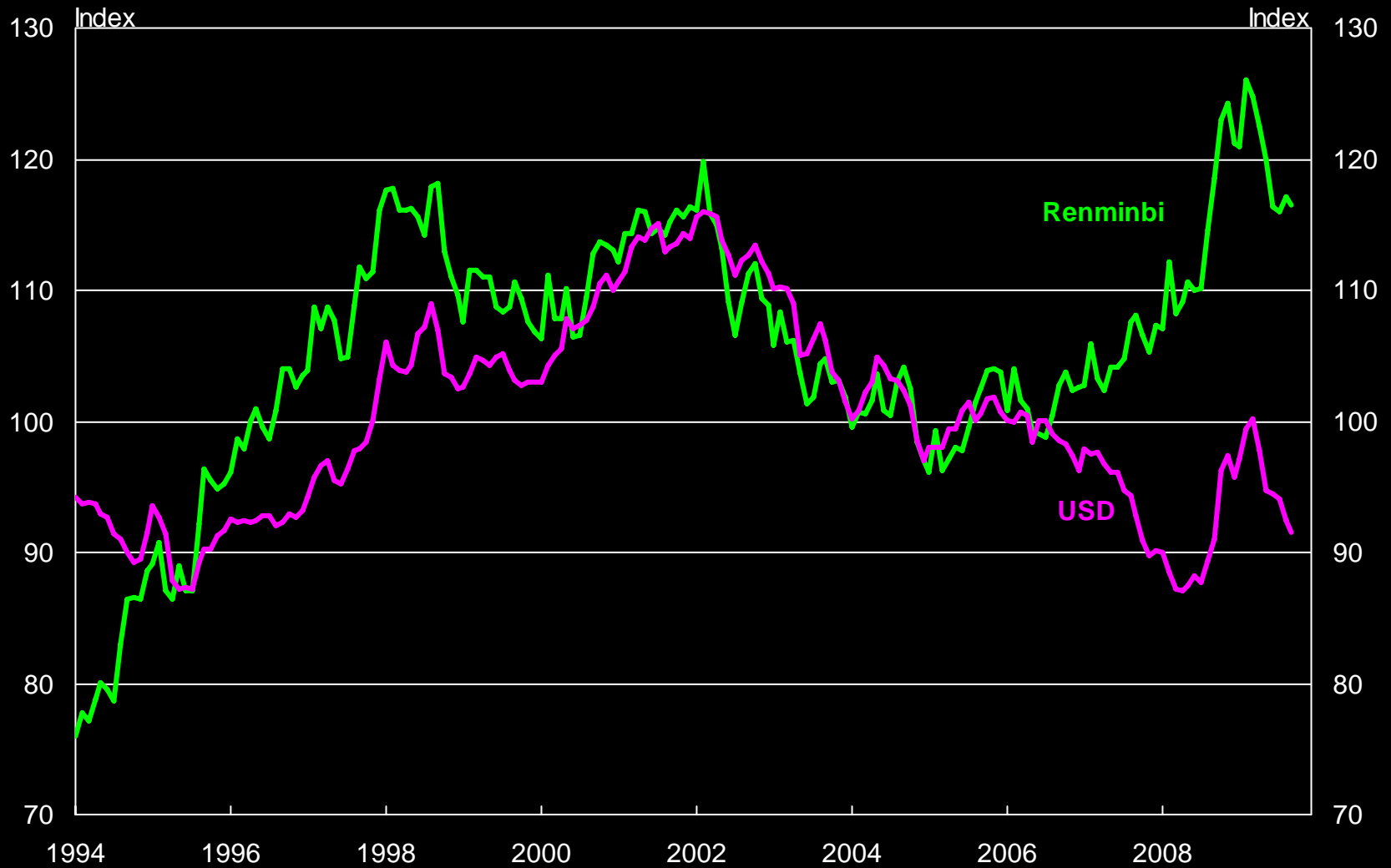
Per cent of GDP



Source: Australian Bureau of Statistics, Bureau of Economic Analysis, CEIC China Database.

Real Effective Exchange Rates

2005 = 100, monthly



Source: Bank of International Settlements.

Global Imbalances: Conclusions

- Current forecasts suggest imbalances will become somewhat smaller
- Further adjustment will require:
 - a sustained rise in US national saving
 - a sustained rise in domestically sourced growth in Asia
 - further adjustment of real exchange rates