

Asian Financial Forum 2018

Asian Economic Outlook

Speaker:

Mr David Lipton

First Deputy Managing Director, International Monetary Fund

David Lipton, First Deputy Managing Director, International Monetary Fund, kicked off the Asian Financial Forum 2018 on Monday morning with his reflections on – and predictions for – the “Asian Economic Outlook”.

The “big picture”, he said, is that in a long and gradual recovery from the global financial crisis of 2007-8, economies around the world continue to go from “strength to strength”. The major challenge ahead is to ensure this growth is sustainable. While, the IMF predicts continued growth across all regions, it remains unclear how long this will be sustainable and so a key challenge remaining across the globe is – as IMF Managing Director Christine Lagarde has said – to “fix the roof while the sun is shining.” The coming year is the time to address vulnerabilities and structural deficiencies that may impede future growth.

With investment and demand rising, the recovery is being spread across the globe, particularly in Asia, which contributes two-thirds of global growth thanks to the continued rise of the Chinese market as well as the strengthening of the Japanese and Indian economies. So what are the specific challenges ahead, Mr Lipton asked? There were still structural reforms needed to lift growth and living standards. “Many countries, including here in Asia, will have to navigate reforms while also facing the challenge of aging populations and the challenge – and opportunities – of new technologies.”

The IMF has also identified more than 40 countries that will grow more slowly, or fall further behind developed countries, due to their burden of rising debt. In terms of China, Mr Lipton pointed out the nation’s role as a key trading partner to more than 100 countries that, combined, represent more than 80 per cent of global GDP. “It’s the hub of the global supply chain,” he said. The growth of online retail and of fintech and artificial intelligence are just three of the ways China is taking a leading role in the development of the global economy.

Mr Lipton reflected on the role the Belt and Road Initiative is playing in spurring growth – responsible in some cases for up to 30 per cent of GDP in participating countries. Beijing’s role in international institutions will continue to expand, regionally and globally, the main concern being that all growth is sustainable. Less public and more private investment is needed, progressive taxes, continued rationalisation of state-owned enterprises, and more spending on health and education.

Mr Lipton described China as the “voice of reason” in terms of the debate over global trade, but suggested the country be open to looking at its own restrictions in trade and

investment. Globalisation, he said, needs to reflect the complexities of individual markets.

Overall, Asia has been enjoying a period of growth where there are “big winners and smaller winners”, however the IMF is concerned about debt levels in smaller countries and urges China to establish debt reduction structures to ensure the developing world does not face a debt crisis. “We greatly value China’s leadership and look forward to continued collaboration,” said Mr Lipton.

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