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Recent Global Economic Developments on IMF's Global Financial Stability Report, The Last Mile: Financial Vulnerabilities and Risks, IMF's Fiscal Policy in the Great Election Year, April 2024 and ADB's Asia–Pacific Trade Facilitation Report 2024

Global Financial Stability Report The Last Mile: Financial Vulnerabilities and Risks

The International Monetary Fund released its **Global Financial Stability Report**, The Last Mile: Financial Vulnerabilities and Risks. According to the report, the sentiments of the financial markets have been positive. Globally, interest rates are declining, equities are up around 20%, and the difference between corporate and sovereign borrowing costs has significantly shrunk. Consequently, the state of the World economy has improved. Overall, this risk-on climate has helped revive capital inflows for many emerging markets, and after a long break, certain economies and low-income nations have issued sovereign bonds by capitalising on strong investor risk appetite. The expected probability of capital outflows over the next year has decreased for all developing markets. Amidst better-than-expected economic perspectives in many regions of the World, there is rising confidence in a soft landing for the global economy.

Since the cumulative interest rate hikes over the previous two years are thought to have generated monetary conditions sufficiently restrictive to bring inflation back to central banks' goals, investors and central banks alike are anticipating monetary policy to soften in the upcoming quarters. Major developing markets' financial and external sectors have shown resilience during the interest rate increase. According to the report, there is a short-term risk that significant inflation surprises could cause a sudden shift in investor sentiment, decompress asset price volatility quickly, and trigger simultaneous price reversals across correlated markets, which would lead to a sharp tightening of financial conditions.

Although major emerging markets continue to demonstrate resilience, the study notes that both public and private debt continue to accumulate in advanced economies and developing markets, which might magnify unfavorable shocks and raise negative risks to growth in the future. According to the report, central banks should refrain from implementing monetary

easing before its time and properly counteract market expectations that are enthusiastic regarding policy rate softening, as they might further loosen financial conditions and make the final mile of disinflation more difficult. According to the report, a cybersecurity plan, when combined with efficient regulatory and supervisory capabilities, as well as enhanced reporting of cyber events, may enhance the financial sector's cyber resilience.

Outlook for India

The report states that India's regulatory bodies have improved the oversight and management of private money. The report suggests that India is becoming a prominent case study for developed economies where superannuation funds are actively involved.

To read the complete report, please click the link below:

https://www.imf.org/en/Publications/GFSR/Issues/2024/04/16/global-financial-stability-report-april-2024?cid=ca-com-compd-pubs_belt

Fiscal Policy in the Great Election Year, April 2024

According to the **Fiscal Monitor, April 2024**, released by the International Monetary Fund, even as the economic and financial outlook for the global economy is stabilizing, efforts to normalize fiscal policy continue to struggle with the legacies of high debt and deficits while facing new challenges.

According to the report, improvements in fiscal aggregates are expected to be modest under current policies. Deficits and debts are projected to remain higher over the medium term than was expected before the pandemic. Without decisive fiscal efforts, post-pandemic fiscal policy normalization may remain incomplete in the years to come. Global public debt is projected to approach 99 % of GDP by 2029, driven by China and the United States where, under current policies, public debt is projected to continue rising beyond historical peaks. Spending pressures to address structural challenges, including demographic and green transitions, are becoming more pressing. At the same time, slowing growth prospects and still-high interest rates are likely to further constrain fiscal space in most economies.

Countries below the technology frontier (primarily emerging market and developing economies) can reap larger productivity dividends by prioritizing policies that promote the diffusion of technologies developed elsewhere. Strategic public investments in human capital and infrastructure, especially in digital infrastructure and skills, facilitate the adoption of cross-border technology. A 1 % increase in education spending can boost medium-term GDP by as much as 1.9 % in emerging markets and developing economies, on average, by increasing technology diffusion.

Similarly, improving the quality of trade and transport infrastructure in an average low-income country to bridge one-third of the gap with emerging market economies could lift GDP by 0.6 % over the medium term. Public investment and financing are particularly beneficial to overcome barriers to green diffusion, as many of the technologies needed to cut carbon emissions already exist.

To read the complete report, please click the link below:

<https://www.imf.org/en/Publications/FM/Issues/2024/04/17/fiscal-monitor-april-2024>

Asia–Pacific Trade Facilitation Report 2024 ***Promoting Sustainability And Resilience in Global Value Chains***

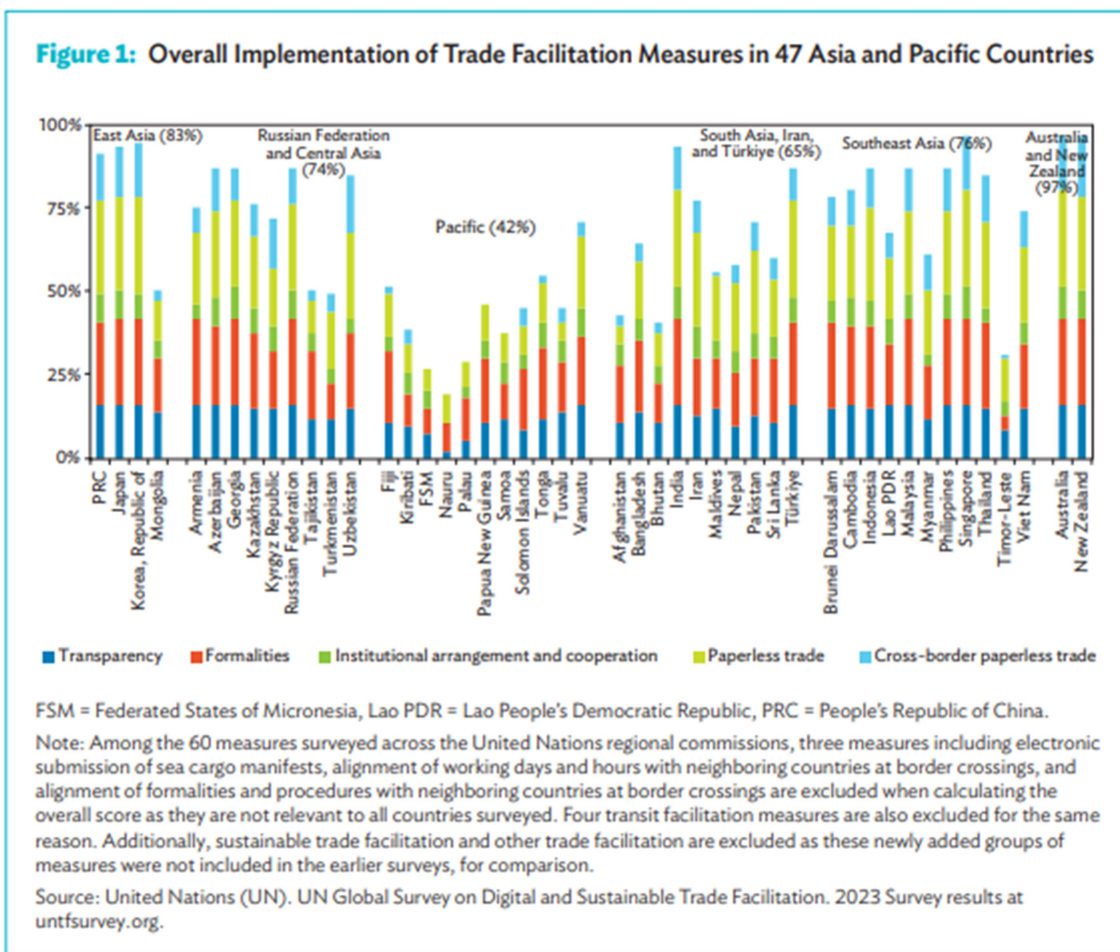
According to **Asia–Pacific Trade Facilitation Report 2024: Promoting Sustainability and Resilience in Global Value Chains, April 2024, Asian Development Bank**, trade costs are on the rise and volatile due to global supply chain disruption, but trade facilitation implementation could mitigate these challenges.

Geopolitical conflicts have caused further disruption to global supply chains, and high inflation is contributing to increased trade costs and uncertainty. This has put additional pressure on already high trade costs in Asia and the Pacific. According to the latest data from the United Nations (UN) Economic and Social Commission for Asia and the Pacific (ESCAP)–World Bank Trade Cost Database, South Asia has the highest intraregional trade costs in Asia and the Pacific. On the other hand, East Asia has the lowest intraregional trade costs among all Asia and Pacific subregions, followed by the Association of Southeast Asian Nations (ASEAN) subregion. The Russian Federation and Central Asia, as well as the Pacific, also have high intra- and extra-regional trade costs.

Implementation rates of measures under general and digital trade facilitation subgroups were calculated for 47 countries in Asia and the Pacific. The regional average implementation rate stands at 67%. Implementation of trade facilitation measures varies across the region. Australia, the PRC, India, Japan, the Republic of Korea, New Zealand, and Singapore have average implementation rates above 90%, while those in many Pacific countries barely reach 50%.

The regional analysis of data from the 2023 UN Global Survey on Digital and Sustainable Trade Facilitation shows that the regional average implementation rate for 31 general and digital trade facilitation measures stands at 67% in 2023. Based on 46 common countries, an increase of 3 %age points was observed in 2023 compared with 2021. Despite a moderate increase compared to the 6-%age points progress observed from 2019 to 2021, it reflects ongoing efforts by countries in the region to enhance efficiency through streamlined and digitized trade

processes. Particular noteworthy progress is observed in the Russian Federation and Central Asia and landlocked developing countries (LLDCs) despite significant challenges and disruptions in the supply chain.



To read the complete report, please click the link below:

<https://www.adb.org/sites/default/files/publication/954501/asia-pacific-trade-facilitation-report-2024.pdf>

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