



International Monetary Fund

Two Trilemmas for Monetary Policy

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Bank Negara Malaysia Conference on “Monetary Policy
2.0”

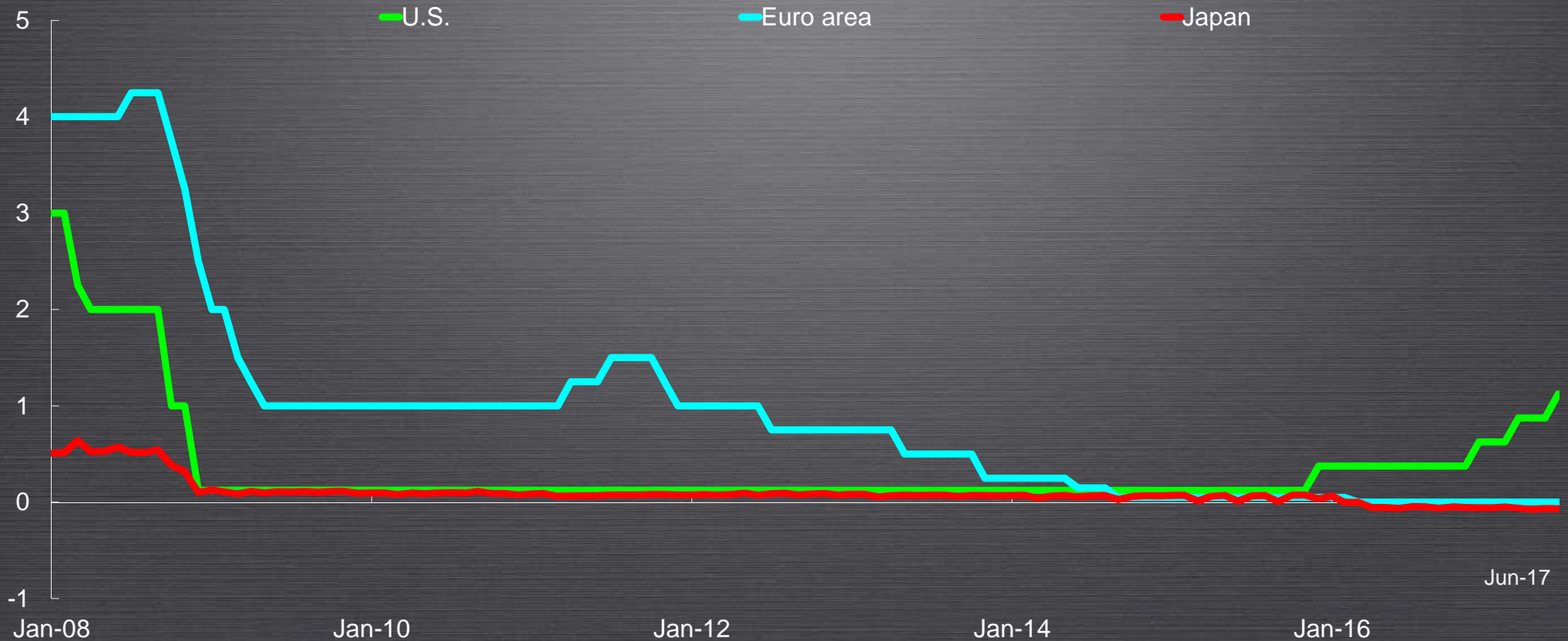
Morning Keynote Address

Kuala Lumpur, 24 July 2017

Figure 1: Monetary policy divergence across AEs

Central bank policy rates

(percent)

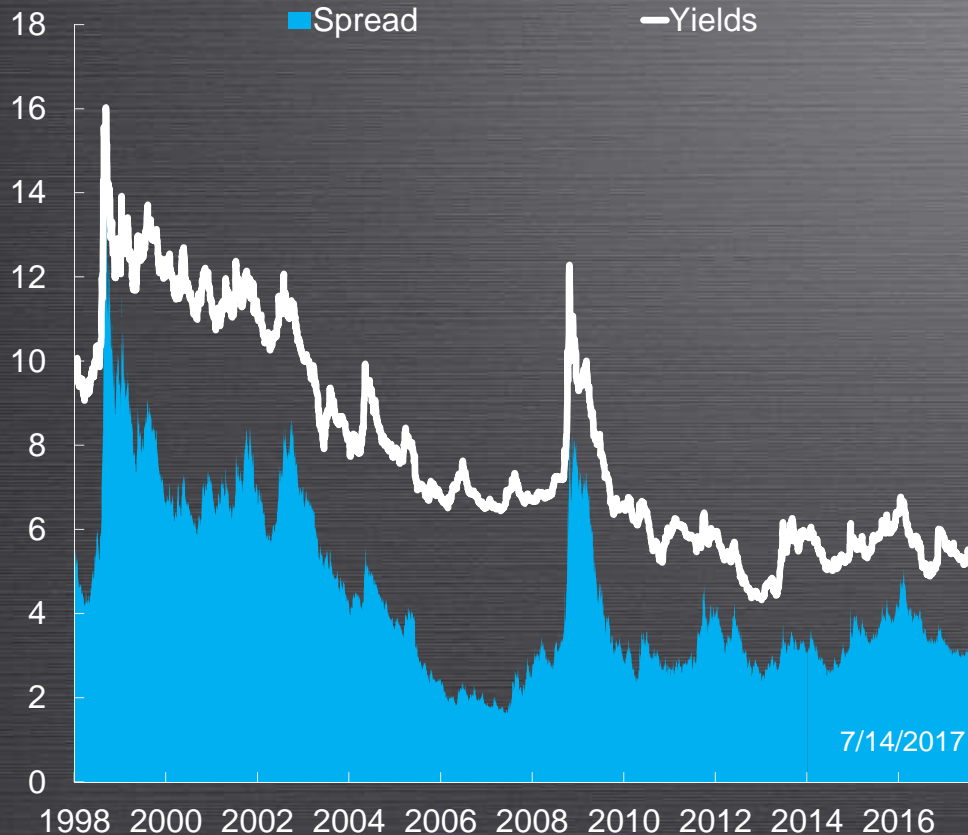


Sources: Haver Analytics; and IMF, *Global Data Source*.

Figure 2: Rebound in capital inflows to EMs while yields remain low

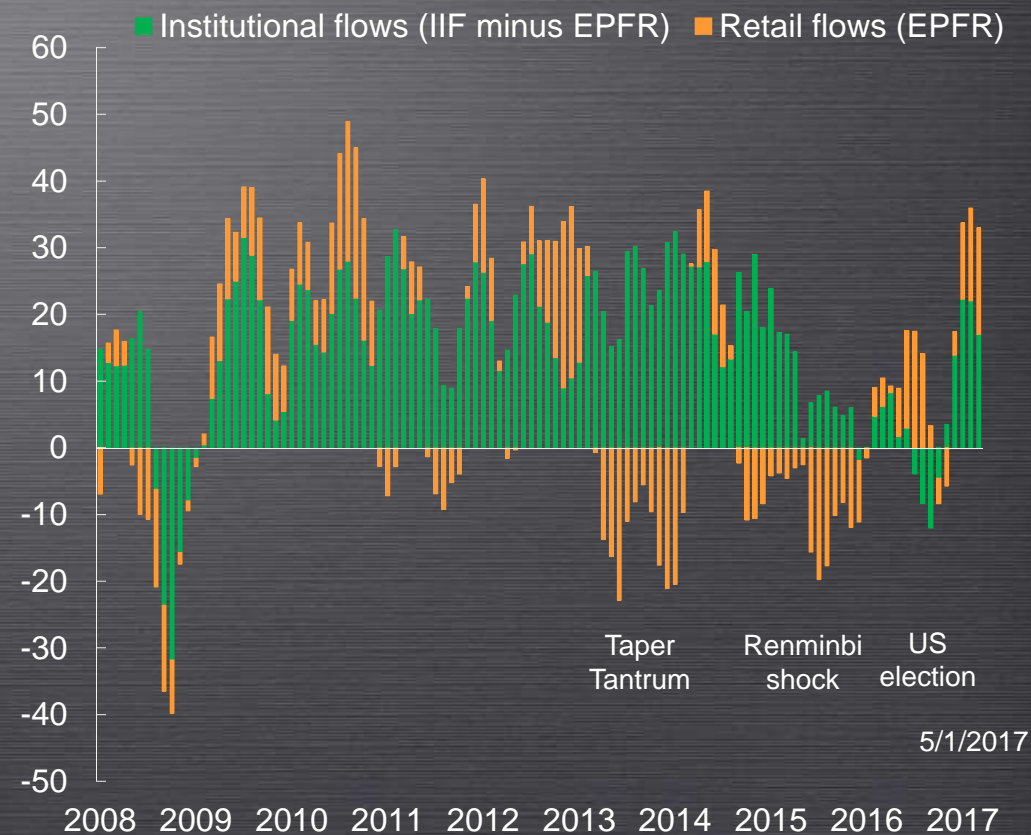
EM spreads and yields

(EMBIG diversified; percent)



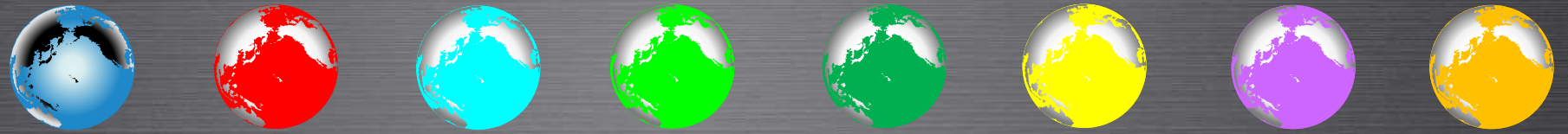
Capital flows to EM

(US dollars, billions)



Sources: Haver Analytics; Bloomberg, L.P.; and IMF staff calculations.

Figure 3: April 2017 WEO growth projections (percent change from a year earlier)



World Advanced Economies Emerging and Developing Asia Commonwealth of Independent States Emerging and Developing Europe Latin America and the Caribbean Sub-Saharan Africa Other EMDEs 1/

2016 3.1 1.7 6.4 0.3 3.0 -1.0 1.4 3.9

2017 3.5 2.0 6.4 1.7 3.0 1.1 2.6 2.6

Revision from Jan. 2017 0.1 0.1 0.0 0.2 -0.1 -0.1 -0.2 -0.5

2018 3.6 2.0 6.4 2.1 3.3 2.0 3.5 3.4

Revision from Jan. 2017 0.0 0.0 0.1 0.3 0.1 -0.1 -0.2 -0.1

Sources: IMF, *World Economic Outlook* April 2017 as of July 12, 2017; and IMF, *World Economic Outlook* January 2017.

1/ Other Emerging Markets and Developing Economies include Middle East, North Africa, Afghanistan, and Pakistan.

Figure 4: Fairly stable and moderate inflation

Headline CPI Inflation, emerging and developing Asia
(percent change; year-on-year) 1/



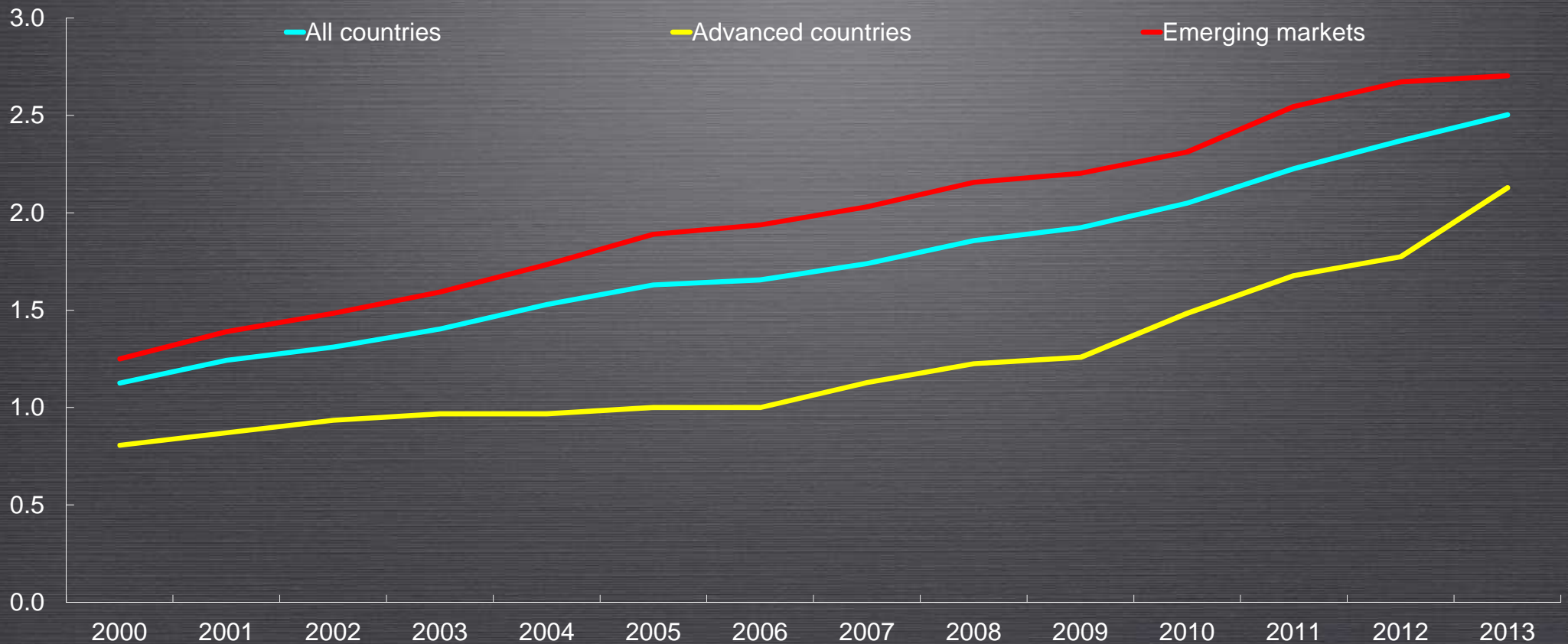
Sources: IMF, *Global Data Source*; and IMF, *World Economic Outlook*.

1/ Calculations covering 28 Asian emerging and developing economies. Shaded band denotes the minimum and maximum observations in a given quarter.

Figure 5: Increasing usage of macroprudential tools

Evolution of macroprudential usage

(average number of macroprudential instruments used by income level) 1/

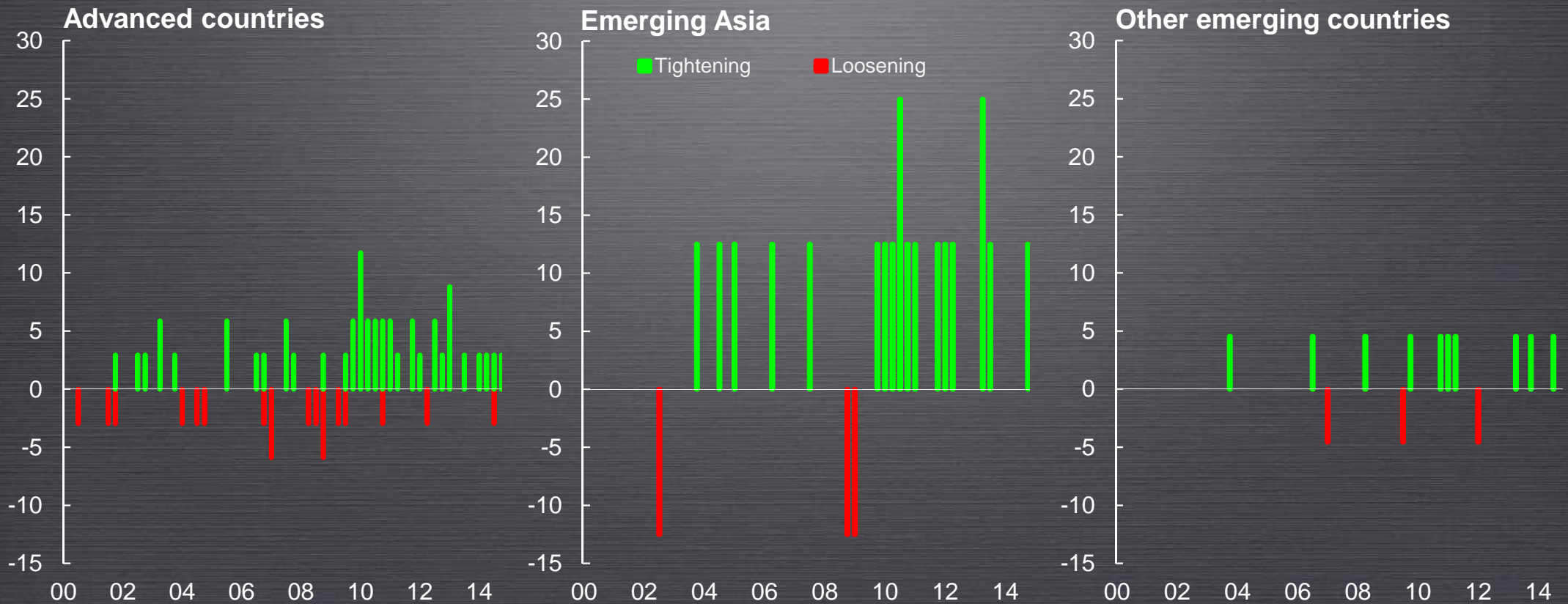


Source: Cerutti, Claessens, and Leuven, 2017, "The Use and Effectiveness of Macroprudential Policies: New Evidence," Journal of Financial Stability, vol. 28, pp. 203-224.

1/Based on a dataset covering 12 macroprudential tools.

Figure 6: Active use of LTV limits in Emerging Asia

Changes in the intensity of LTV measures across time
(percent of countries)

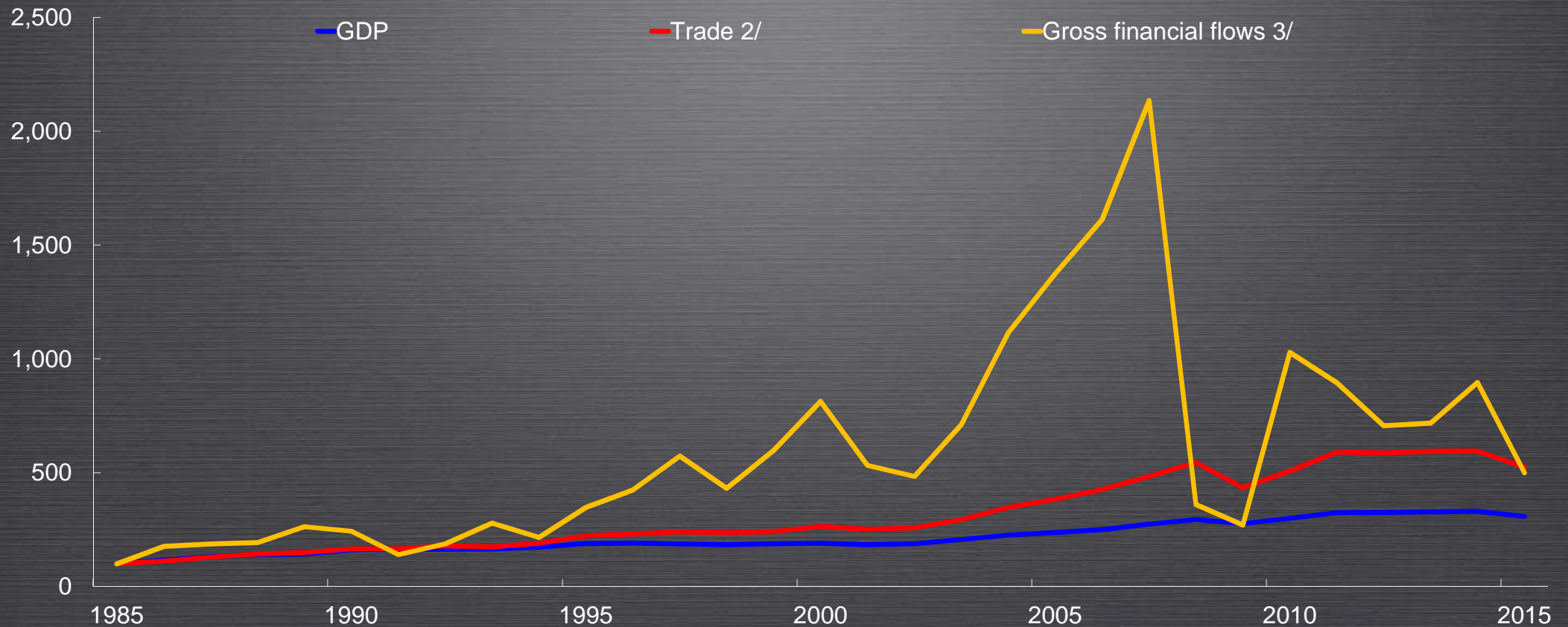


Source: Cerutti, Correa, Fiorentino, and Segalla, 2017, "Changes in Prudential Policy Instruments -- A New Cross-Country Database," *International Journal of Central Banking*, vol. 13 (1), pp. 477-503.

Figure 7: Global capital flows peaked before the GFC

Evolution of global GDP, trade in goods and services, and financial flows

(indices; 1985=100) 1/



Sources: IMF, *International Financial Statistics*; and IMF, *World Economic Outlook*.

1/ Indices are calculated from data in real US Dollars (deflated using US GDP deflator).

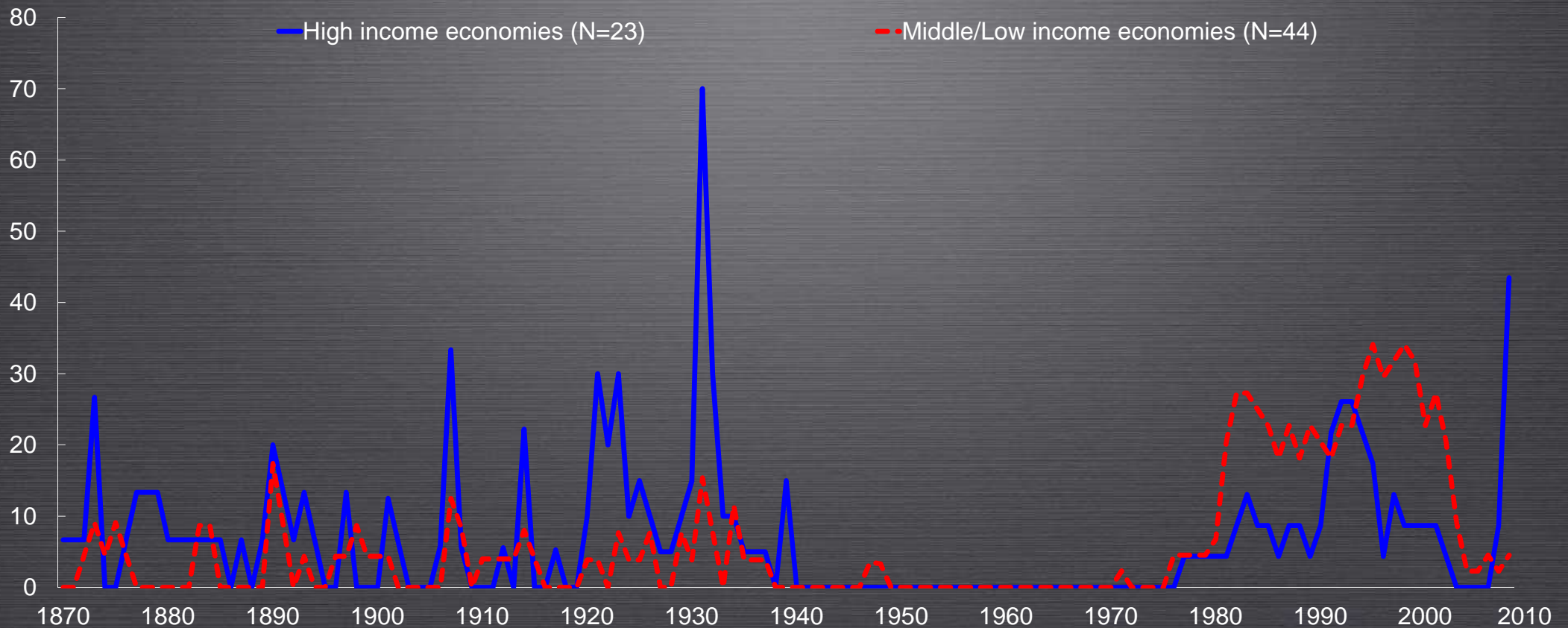
2/ Global trade is defined as the average of global exports and imports of goods and services.

3/ Gross global financial flows are defined as the sum of direct investment, portfolio investment, and other investments. Values are obtained by averaging inflows and outflows to account for measurement error.

Figure 8: Crisis episodes through history

Financial Crises, 1870-present

(share of countries in a financial crisis; percent)



Source: Qian; Reinhart; and Rogoff (2011).