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Notes On International Monetary Fund Annual Report

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According to the International Monetary Fund's annual report released this week, world economic growth was surprisingly strong in 1988 and early 1989. Growth in industrial countries surpassed expectations: slightly more than 4% in 1988, or 0.75% more than in 1987. Employment in industrialized nations increase nearly 2% in 1988, with the highest rates recorded in North America, Britain, Australia and Spain. The combined unemployment rate for these countries dropped from 7.5% in 1987 to 7% in 1988. In the first quarter of 1989, consumer prices increased slightly, reflecting higher oil prices on the world market, and dollar appreciation. Consumer price inflation in industrialized countries in 1988 was 3.3%, compared to 3% in 1987. The US trade deficit, said the Fund, continues to be a significant source of vulnerability in the world economy. Washington was advised to reduce its budget deficit as the most effective means of lowering the trade deficit. A fiscal deficit reduction would permit the US to channel financial resources to export growth without simultaneously fueling inflation and suffocating investment. The IMF pointed out that while a cheaper dollar would permit a reduction in the US trade deficit by cheapening US exports vis-a-vis other currencies, dollar devaluation would lead to inflation since US industry is already functioning at full capacity. Japan received good marks from the IMF, mainly in terms of budget management. The West German government was called on to act with greater determination to liberalize goods and labor markets. Last year, the combined growth rate for developing nations was 4.2%, one of the highest recorded in the 1980s. New industrializing economies South Korea, Taiwan province of China, Hong Kong, and Singapore achieved a combined growth rate of nearly 10% in 1988. Growth rates were also high in Malaysia, Thailand, India, and China. However, the Fund report said that investment and growth were rather weak in most other Third World regions, particularly highly indebted nations of the Western Hemisphere, and the poorest nations of Africa. GDP growth in Argentina and Brazil stagnated despite strong export expansion, and investment slowed result of rapid inflation, economic policy uncertainties and large debt burdens. In Mexico, slower growth reflected tight monetary policies. Inflation accelerated sharply in the Third World last year, reflecting in part difficulties in implementing fiscal and monetary policies in heavily indebted countries. In its report, the IMF called on all nations to coordinate monetary policies. Government finance officials and bankers from all over the world will meet in Washington at the end of this month for the Fund's annual meeting. Principal agenda items are the ways and means to maintain world economic growth, and provide debt relief for developing nations. (Basic data from Notimex, 09/12/89; Xinhua, 09/13/89)

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