

IMF almost halves Asia's growth prospects

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The International Monetary Fund on Tuesday forecast Asia would grow by just 2.7 per cent this year, a sharp cut from the 4.9 per cent that it had predicted for Asian growth as recently as November.

However, the region will rebound to twice that rate of growth next year if the rest of the world economy also posts a clear improvement, according to the head of the International Monetary Fund.

Among individual Asian countries, the IMF issued its most worrying prognosis for South Korea, predicting that its economy would contract by 4 per cent this year, compared with the 2 per cent growth forecast by the Korean central bank.

Dominique Strauss-Kahn, the IMF's managing director, also warned that the continent's economy could slow even further than the latest forecast.

"It's very uncertain," he told journalists in Washington on Tuesday morning, Asia time. "A worse outcome can not be ruled out. There's some upside risk but there's a lot of downside risk."

In South Korea, meanwhile, the IMF sees growth rebounding to 4.2 per cent in 2010.

For China, the IMF maintained its forecast for 2009 economic growth of 6.7 per cent. Mr Strauss-Kahn suggested, however, that an additional stimulus package could help Beijing reach its own 8 per cent target.

"In China, we see some scope for even more fiscal stimulus," he said.

His comments came after Wen Jiabao, the Chinese premier, said in an interview with the FT published on Monday that Beijing was considering further measures, beyond the fiscal stimulus plan of Rmb4,000bn announced in November, which will target funding of infrastructure and other projects.

Mr Wen told the FT that "we may take further new, timely and decisive measures."

The IMF's latest Asian forecast comes after several countries recently downgraded sharply their own predictions, notably Japan and Singapore, which said last month that the city-state's economy could contract by as much as 5 per cent this year.

While calling on Asian governments to take adequate steps to boost their economies and reduce their reliance on exports, Mr Strauss-Kahn acknowledged that Asia would not rebound without a worldwide recovery.

"It's impossible for Asia to have a recovery while the rest of the world is in bad shape," he said.

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