

Spillovers to EMEs: Slowdown in China and Monetary Policy Tightening in the US

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October 2015**

Agenda

1. Introduction
2. China's "slowdown," commodities and exchange rates.
3. U.S. monetary policy tightening
4. Concluding remarks

1. Introduction

On repercussion, contagion, and spillovers?

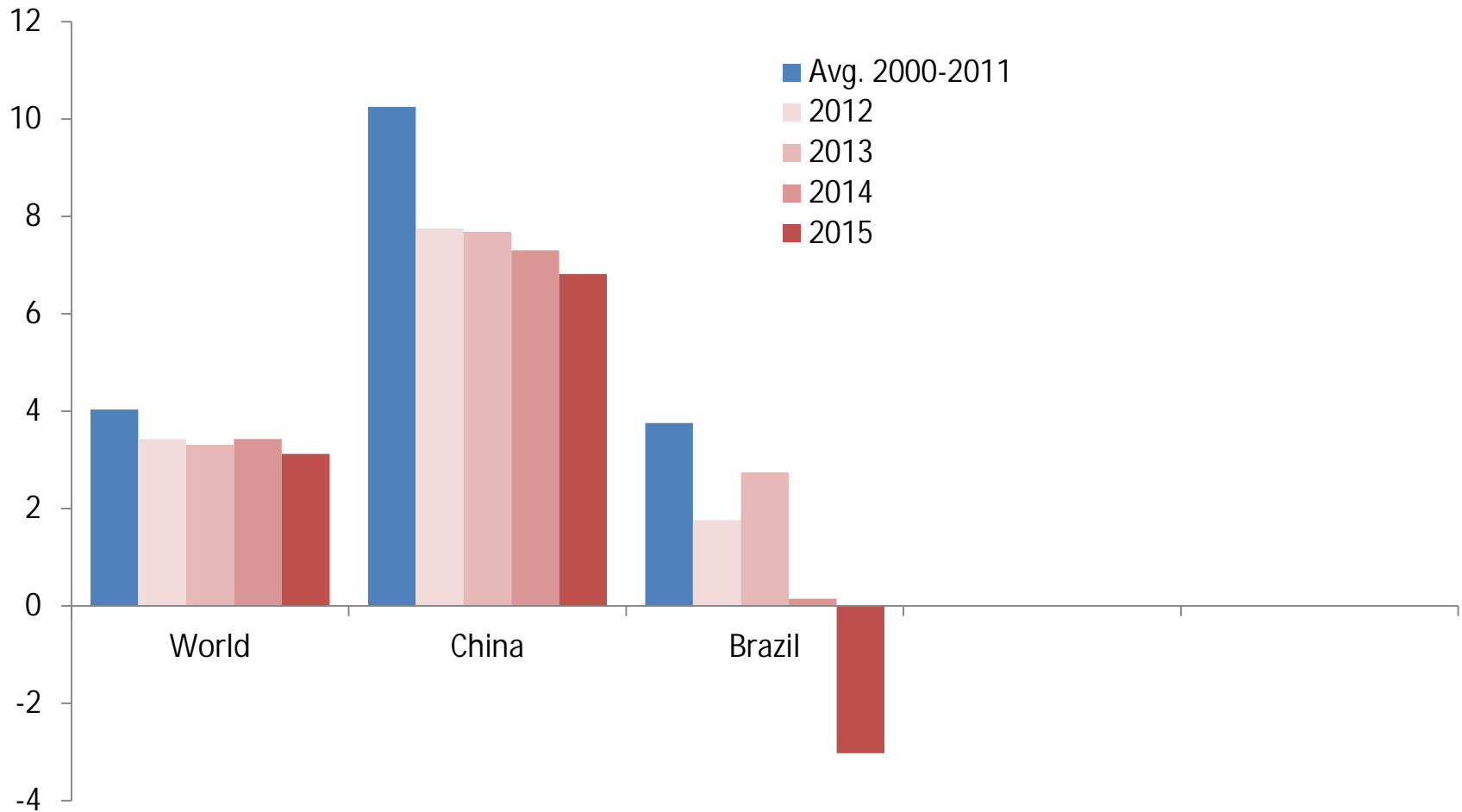
- Debt crisis – Volcker disinflation
- Tequila crisis – Tightening in the US
- Asian crisis – contagion
- Is there something new? Why now?

Stages in the spillovers discussion

- China and currency manipulation
- QE and currency wars
- China's deceleration and commodities
- Taper tantrum and financial spillovers

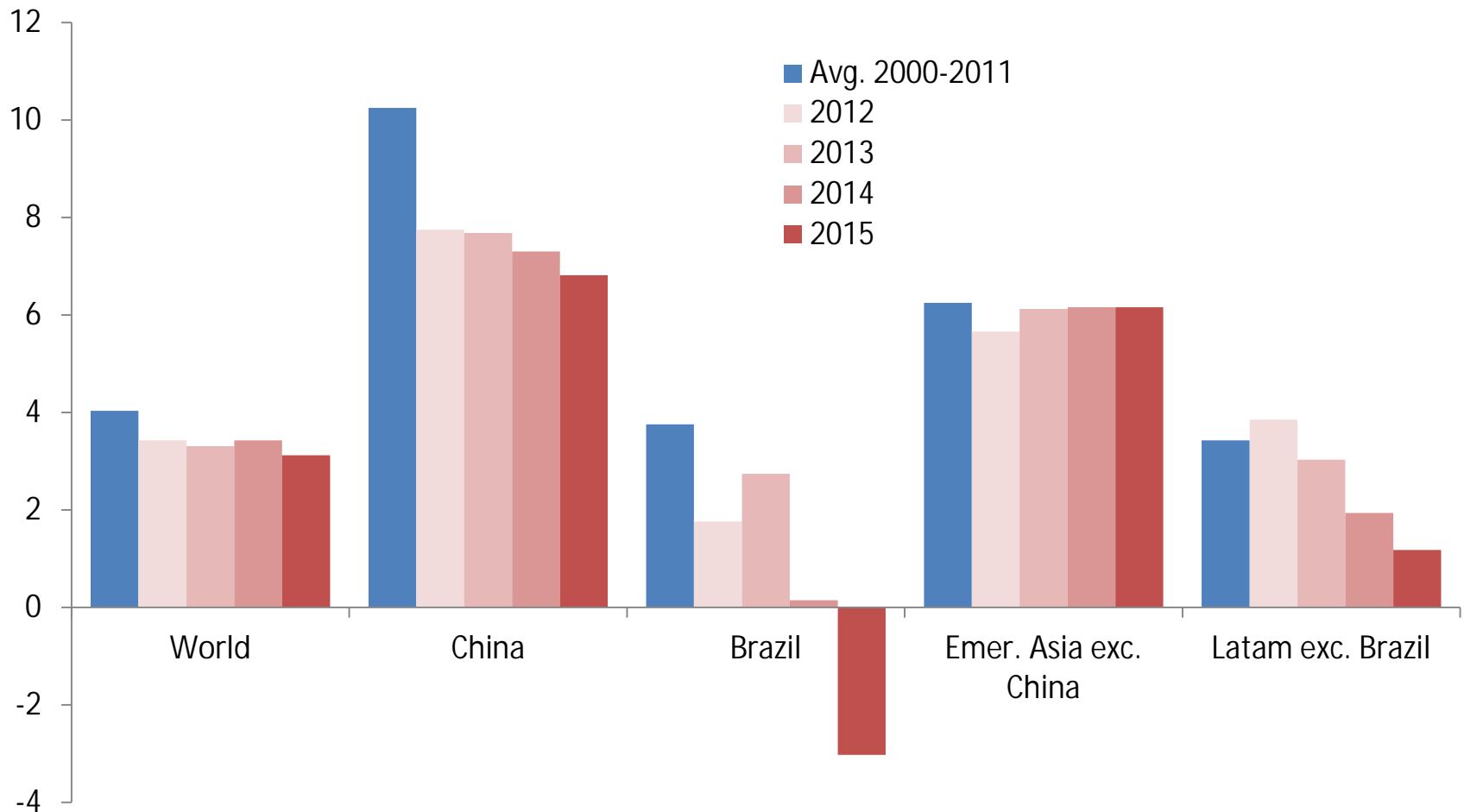
2. China's slowdown

Asia and Latin America (GDP growth, percent)



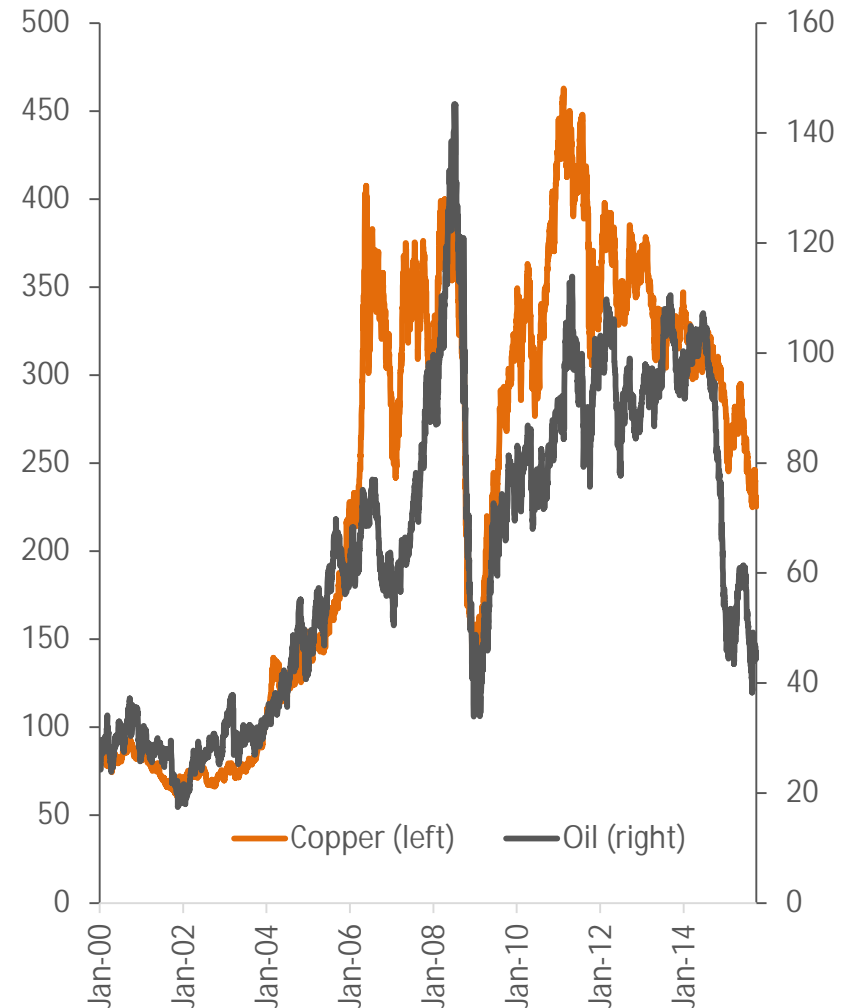
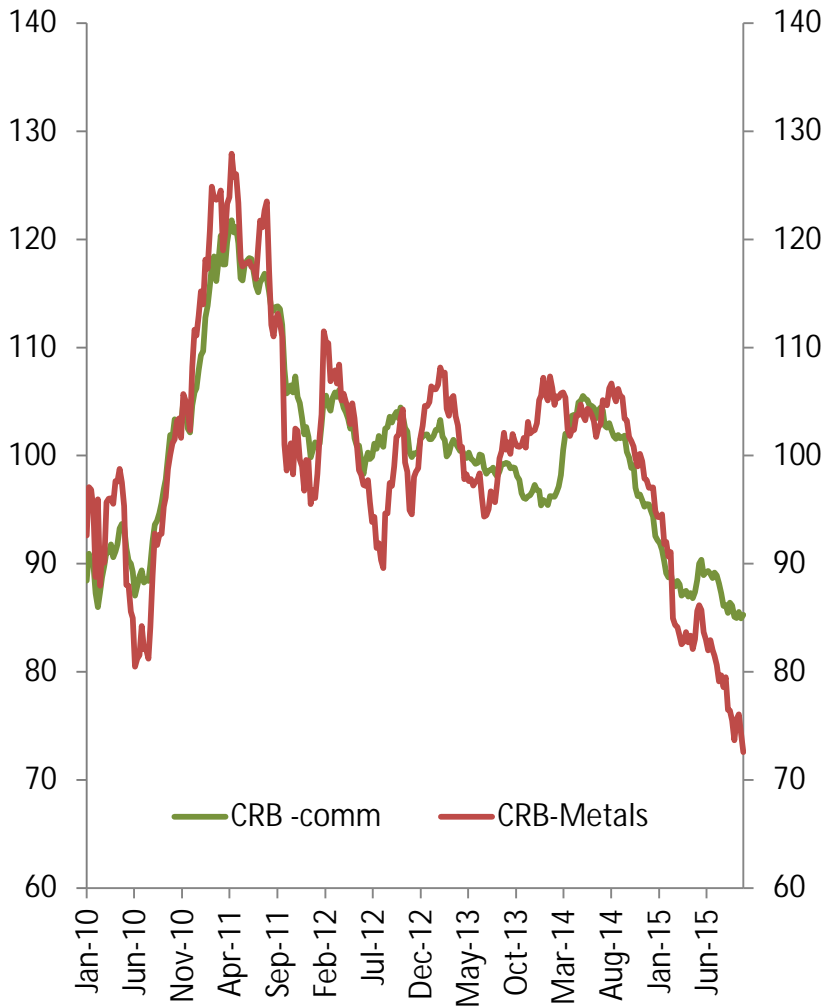
Source: IMF, WEO October, 2015.

Asia and Latin America (GDP growth, percent)



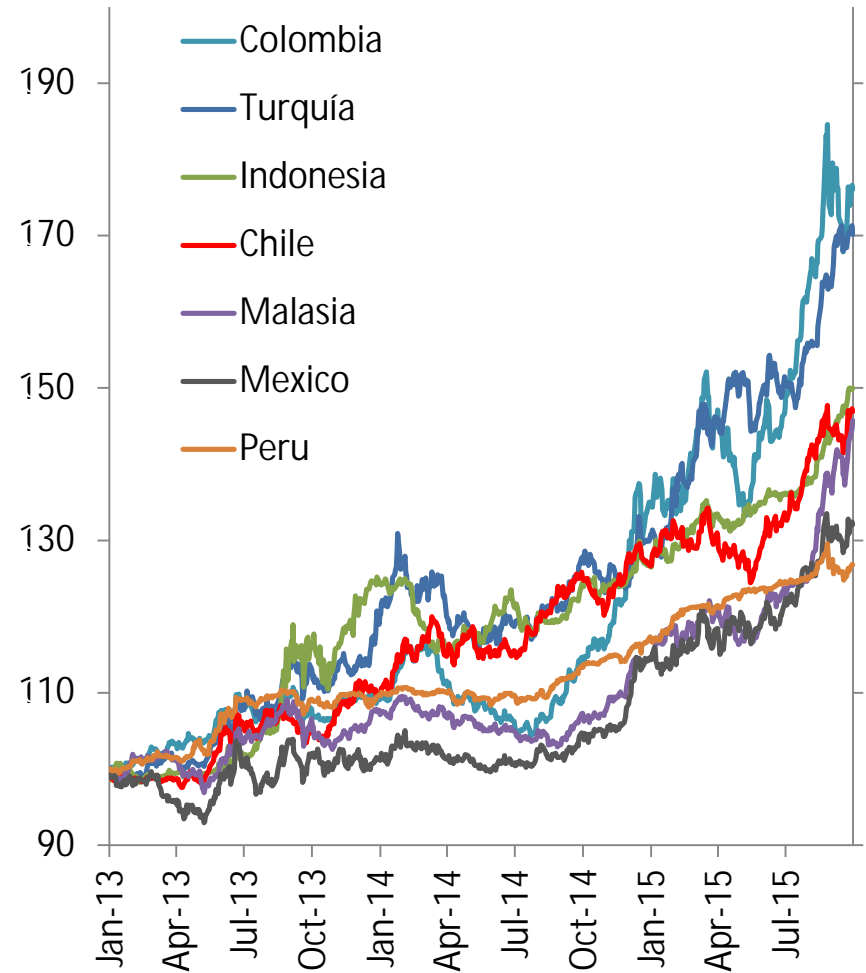
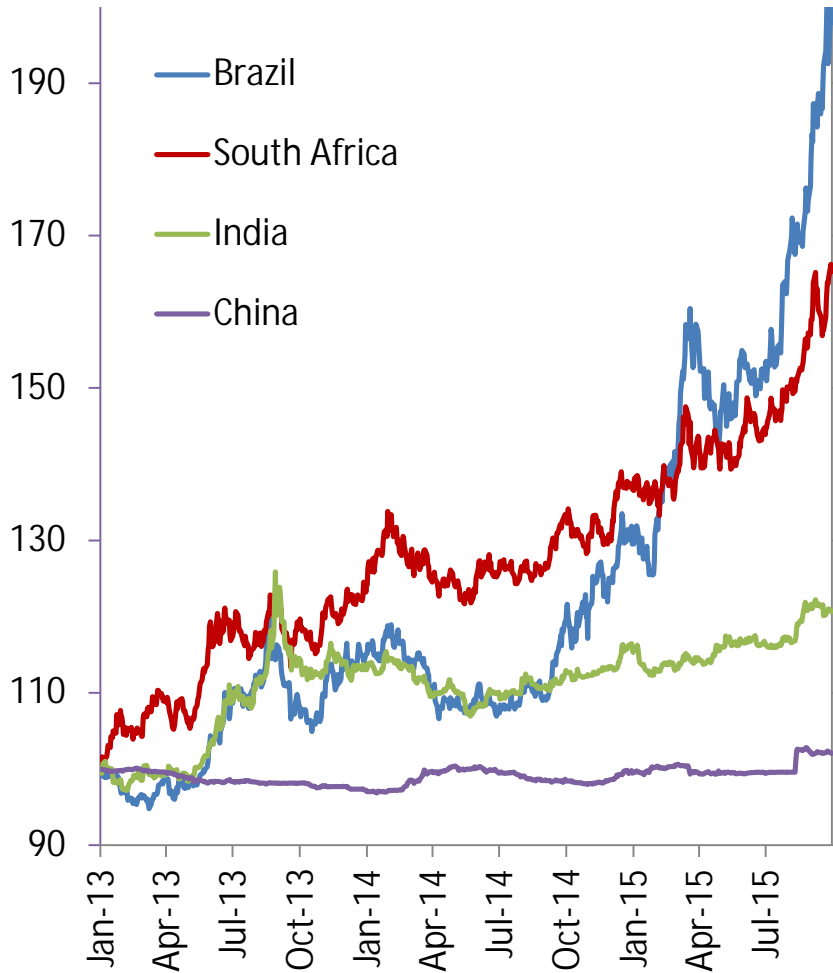
Source: IMF, WEO October, 2015.

Commodity prices (CRB av. period=100, Copper cents USD/lb, Oil USD/bbl)



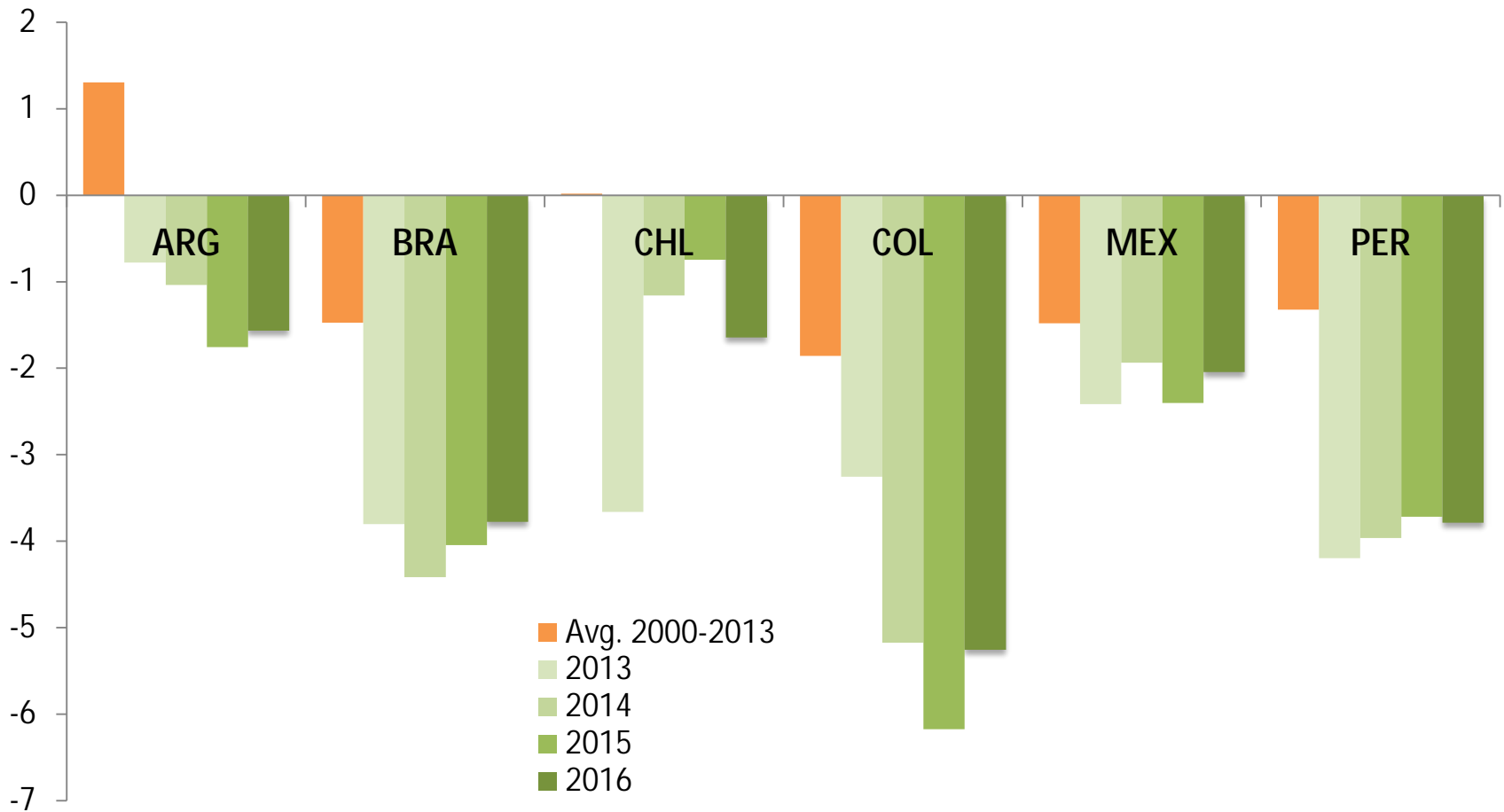
Source: Bloomberg

Exchange Rates (USD, 1/1/13=100)



Source: Bloomberg.

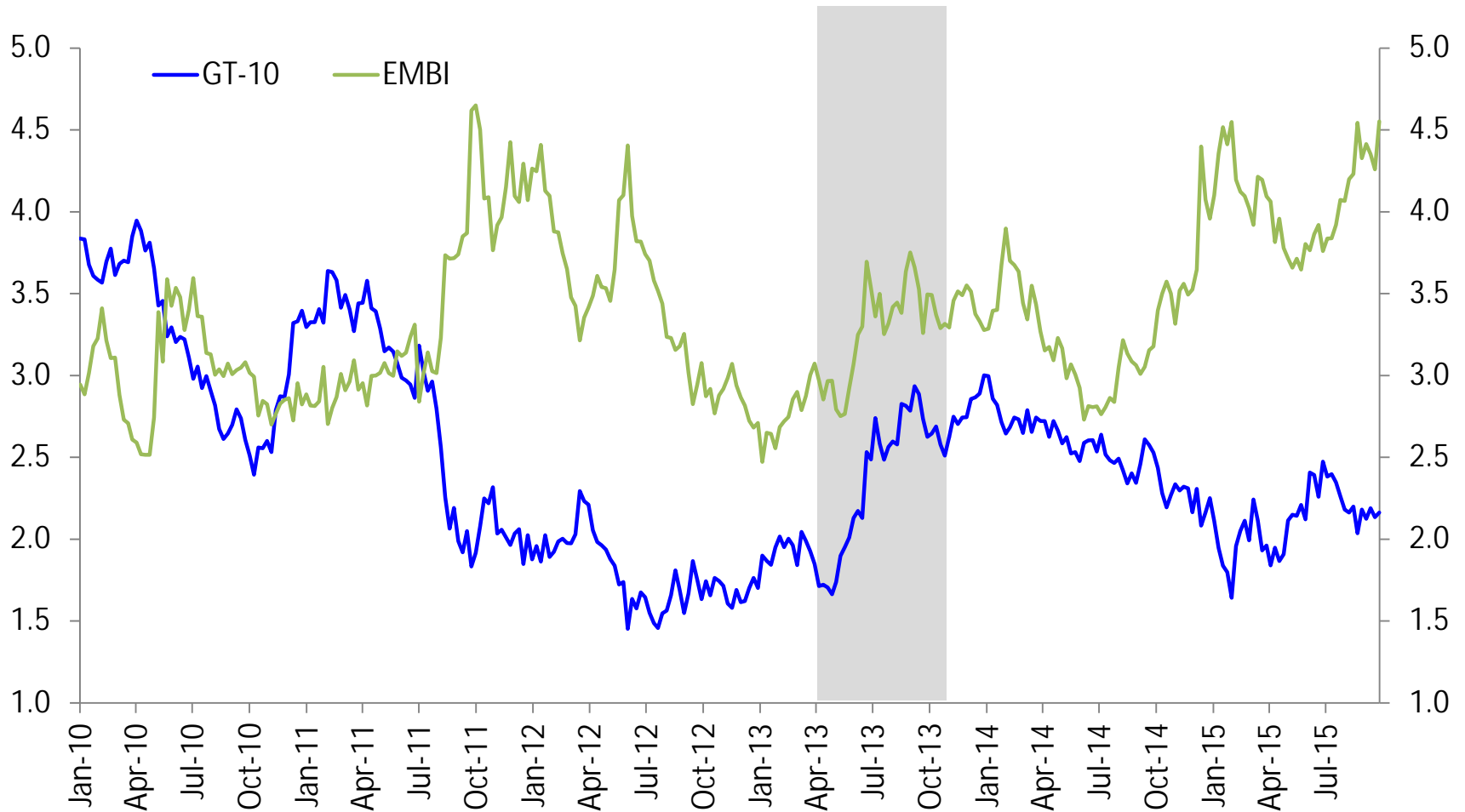
Current account (percent of GDP)



Source: IMF-WEO

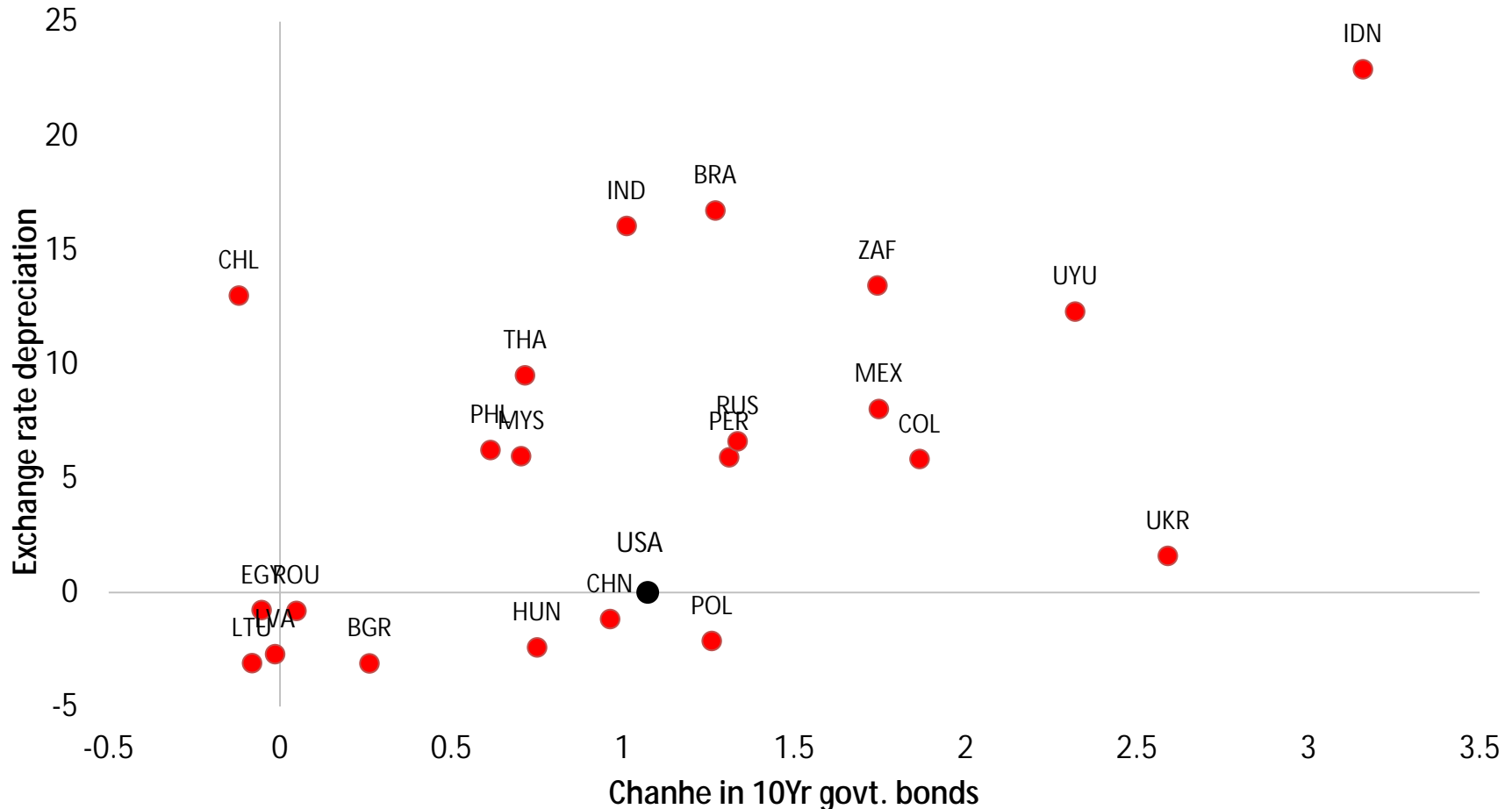
3. US monetary policy

10 Yr-Treasury and EMBI (percent)

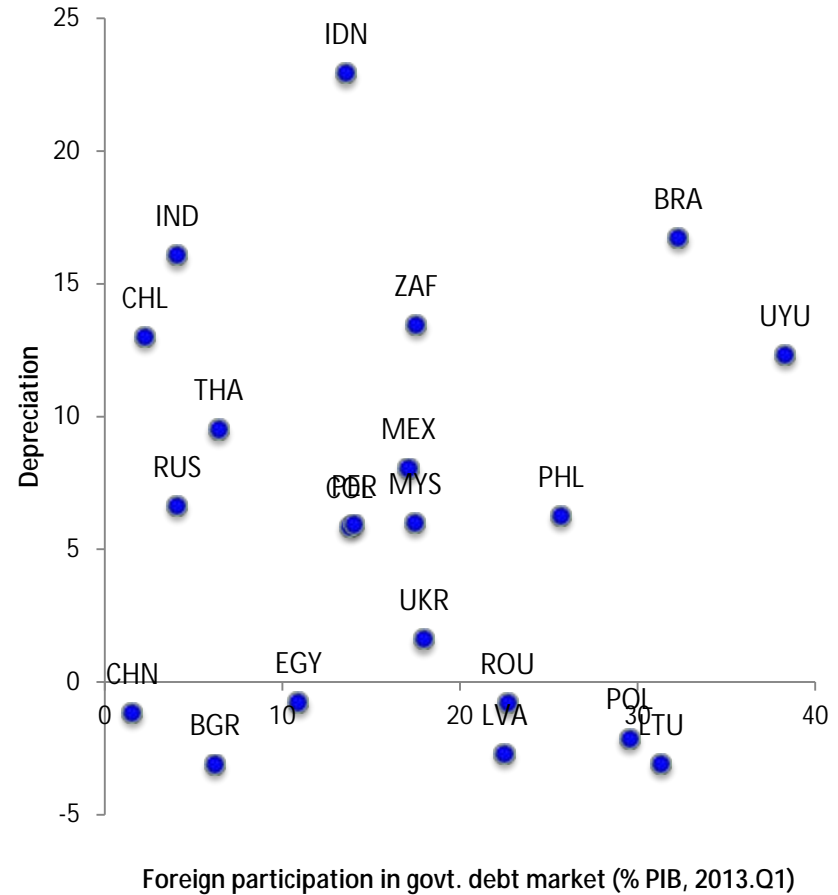
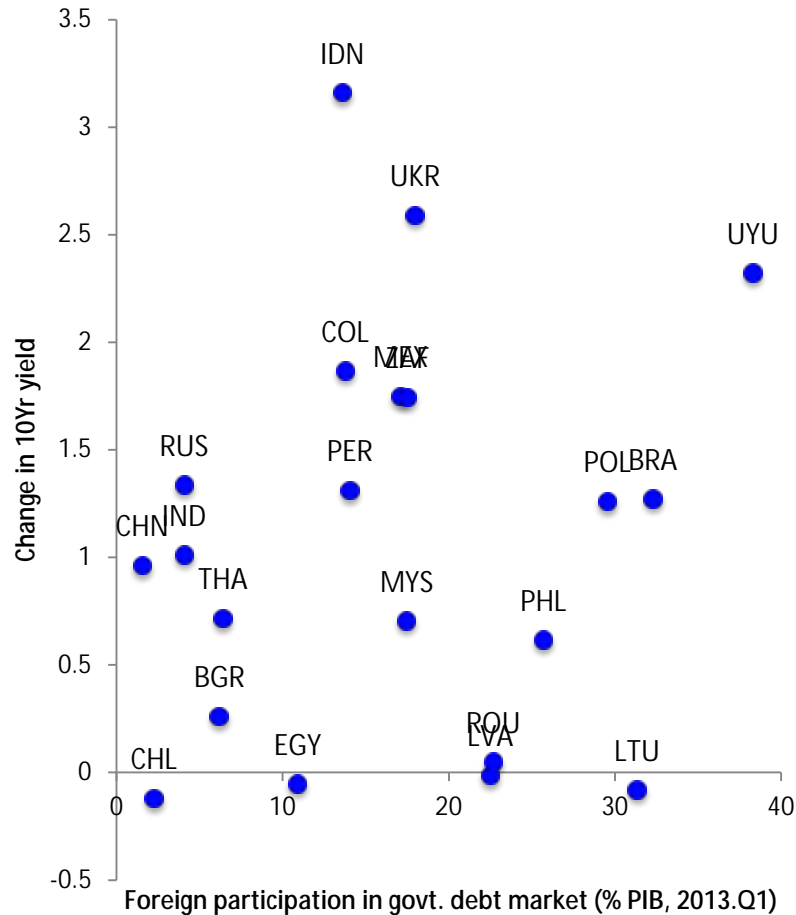


Source: Bloomberg.

Taper Tantrum: Currency depreciation and changes in government bonds yields (percent), April-November 2013



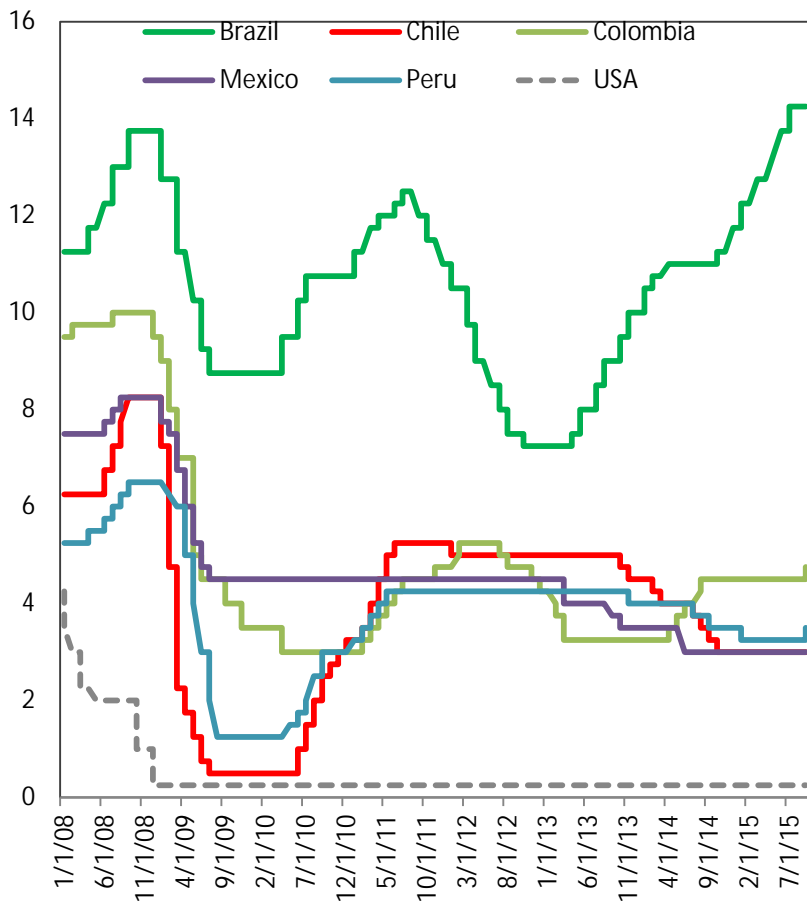
Change in asset prices and foreign holdings of public debt (Apr-Nov 2013)



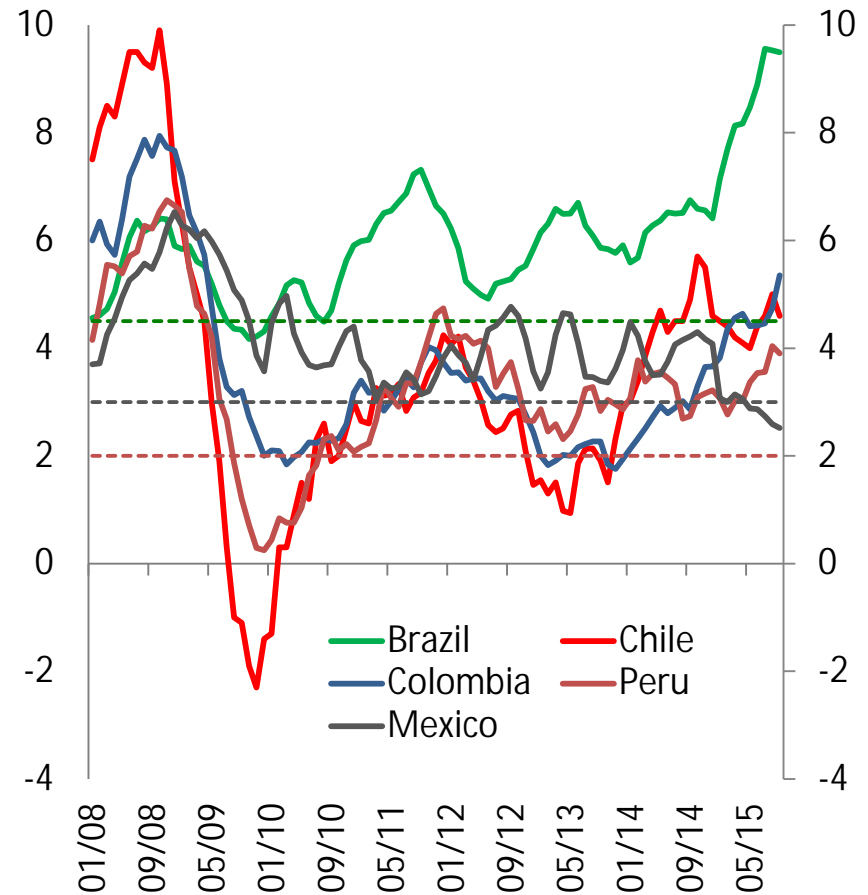
Source: Bloomberg and IMF Sovereign Investor Base Dataset for Emerging Markets.

4. Concluding remarks

Monetary policy and inflation in Latin America (percent)



Source: Bloomberg



Note: Dashed lines correspond to current inflation target. Brazil is 4.5 percent, Chile, Colombia and Mexico 3 percent and Peru 2 percent.