

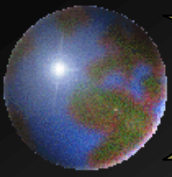
Globalization and Financial Crisis: Lessons for emerging markets

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A projekt az Európai Unió támogatásával, az Európai Szociális Alap
társfinanszírozásával valósul meg.

2011.06.01.



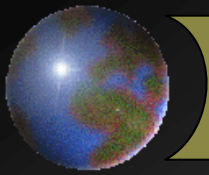
STRUCTURE OF PRESENTATION

Theoretical points of Departure

I. International capital movements, overall, make the world better off, and global wealth does increase.

II. There are mutual financial benefits earned in capital flows between developed and emerging markets.

III. Distribution of benefits is asymmetrical, there is no trusted mechanism to equalize



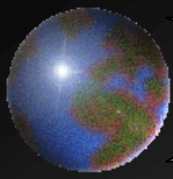
Questions exposed

I. Do we clearly understand economic and financial globalization ? No, we do not.

II. What is the welfare balance of globalization ?

It is Socially unjust, but economically benign.

**III. Has financial globalization created new risks?
Yes it has. Do we have problems managing it ?
Yes, we do, in both developed and emerging markets.**

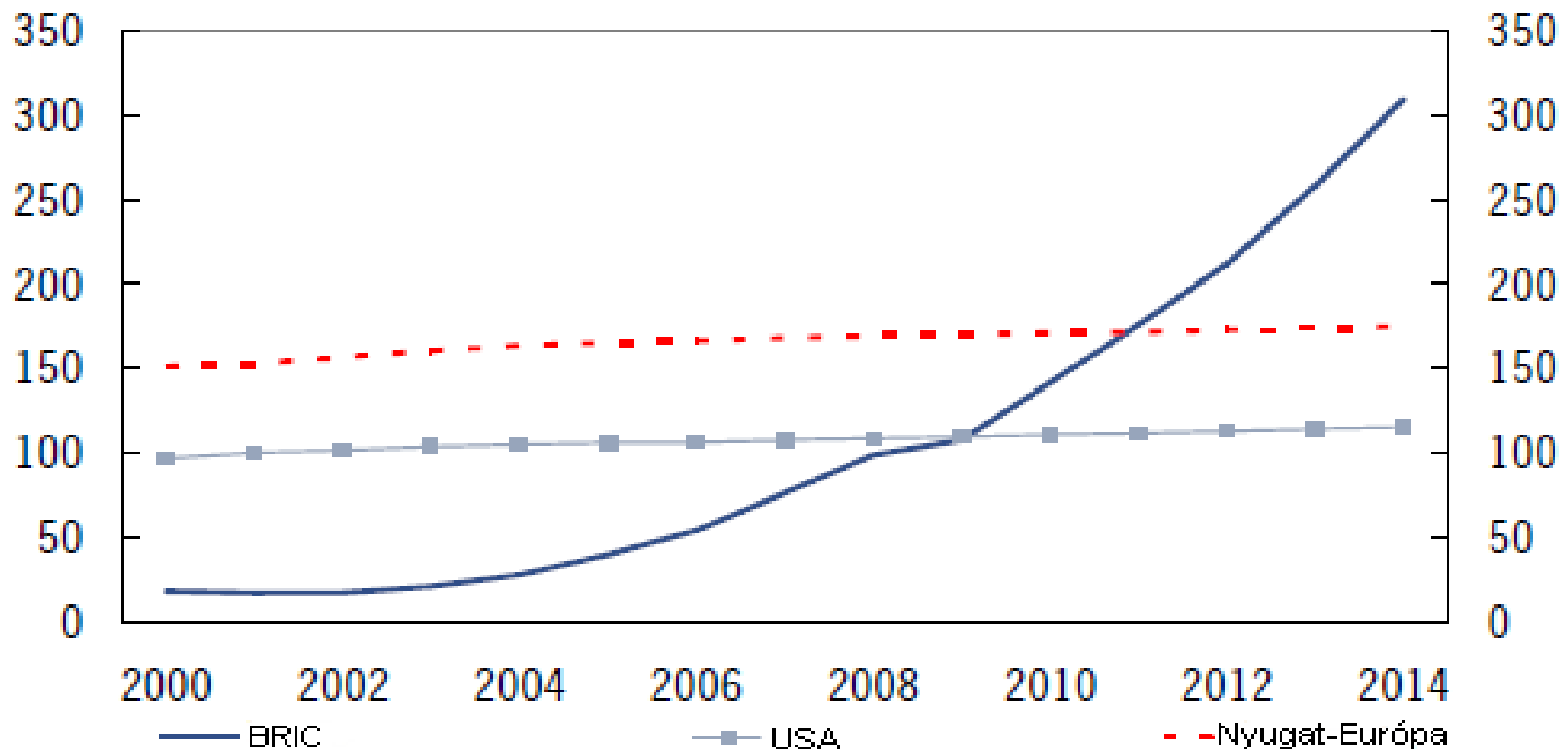


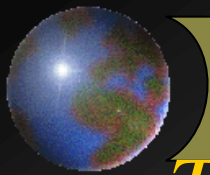
In defense of economics and globalization / J. Bhagwati

- ✚ Economics is addressed heroically to showing how man's basest instincts" not his noblest, can be harnessed through appropriate institutional design to produce public good. Adam Smith would surely have died an unsung hero if he had peddled the pedestrian argument that altruism led to the public good", Sir Dennis Robertson Cambridge University.

*In 2000-2014, the world got richer
BRIC, (blue) USA (dotted blue), Western Europe,
(dotted red). The number of households above the 10,000
USD per capita income levels*

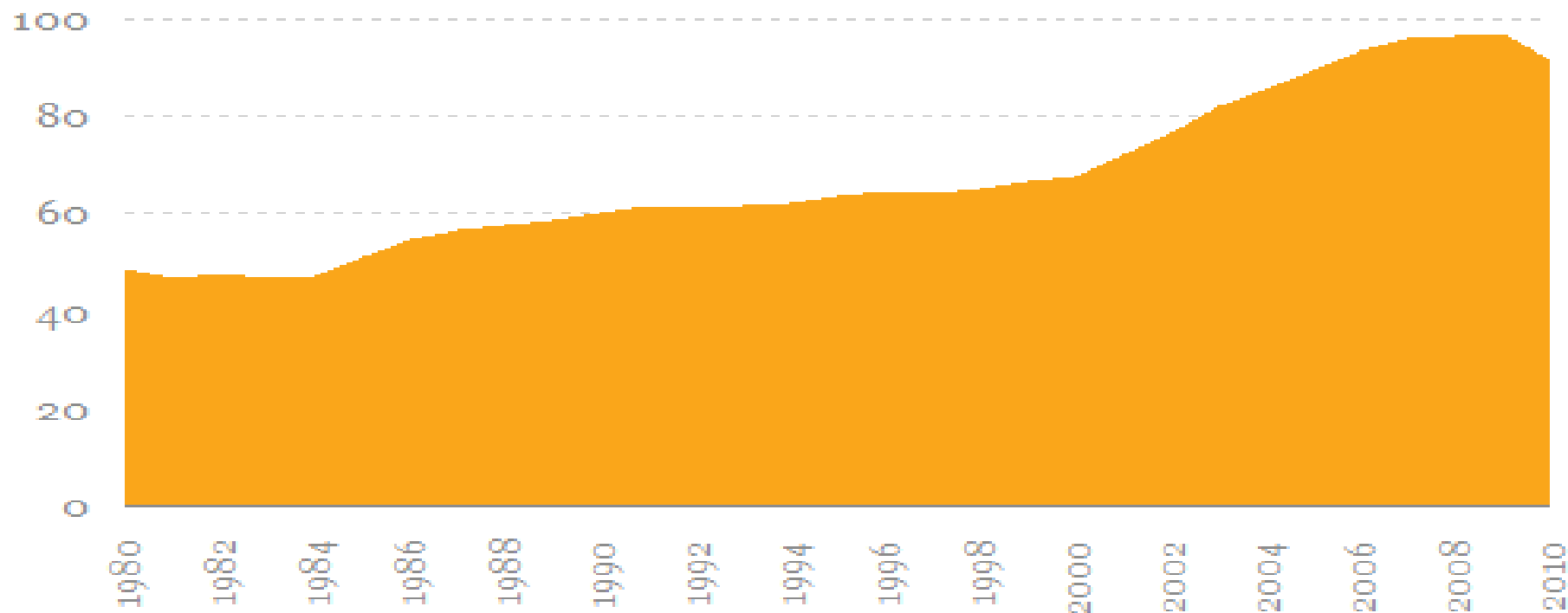
Az évi 10 000 dollár feletti jövedelemmel rendelkező háztartások száma (millió) az egyes régiókban és az alakulásának előrejelzése 2014-ig



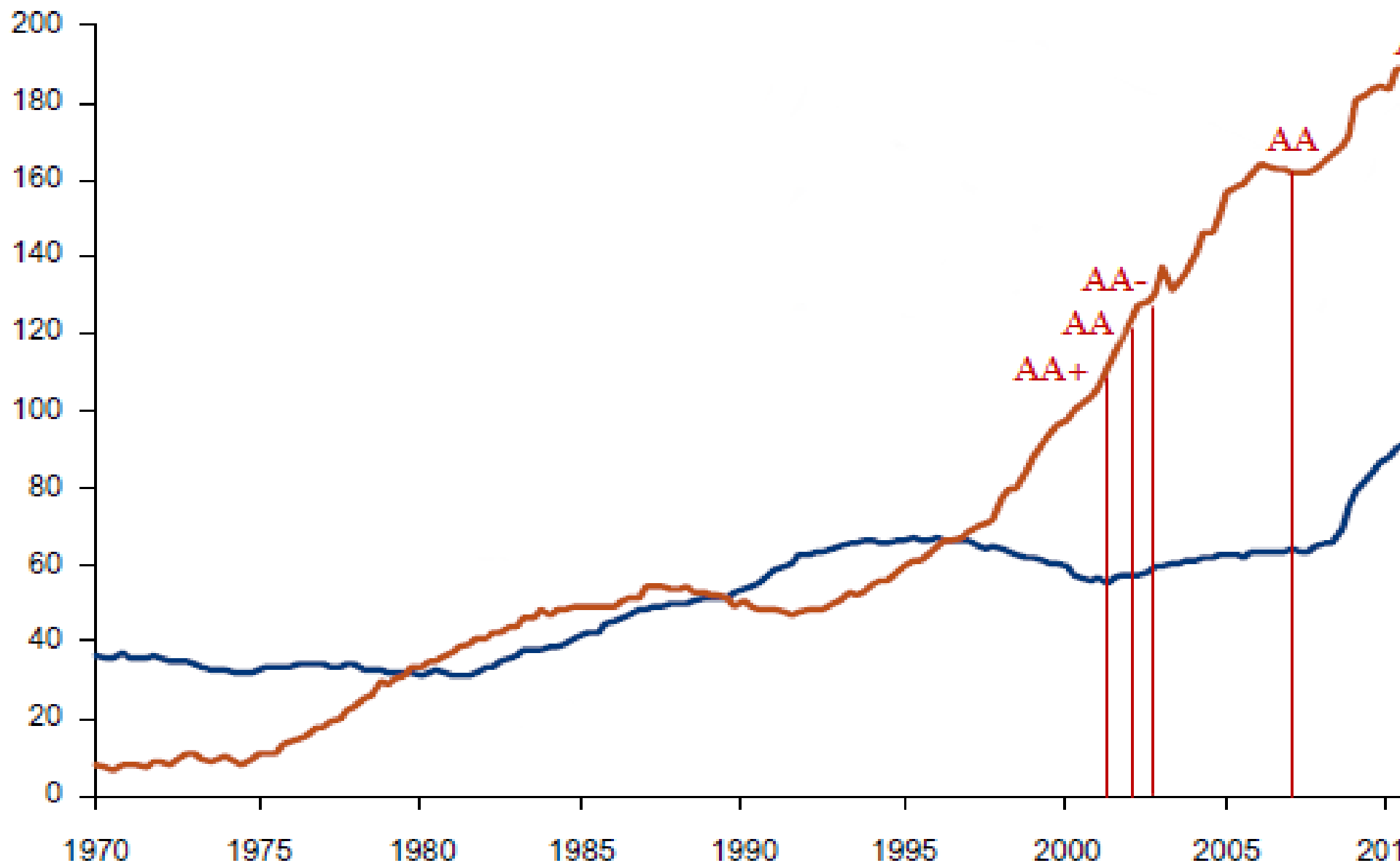


*The root cause of financial crisis,
high US domestic debt levels, Household
debt/GDP, 1980-2010 (%)*

**A háztartások hitelállományának alakulása az USA-ban
(a GDP százalékában)**



Japán és az USA államadósságának* alakulása és a Japánt ért hitelminősítői lépések



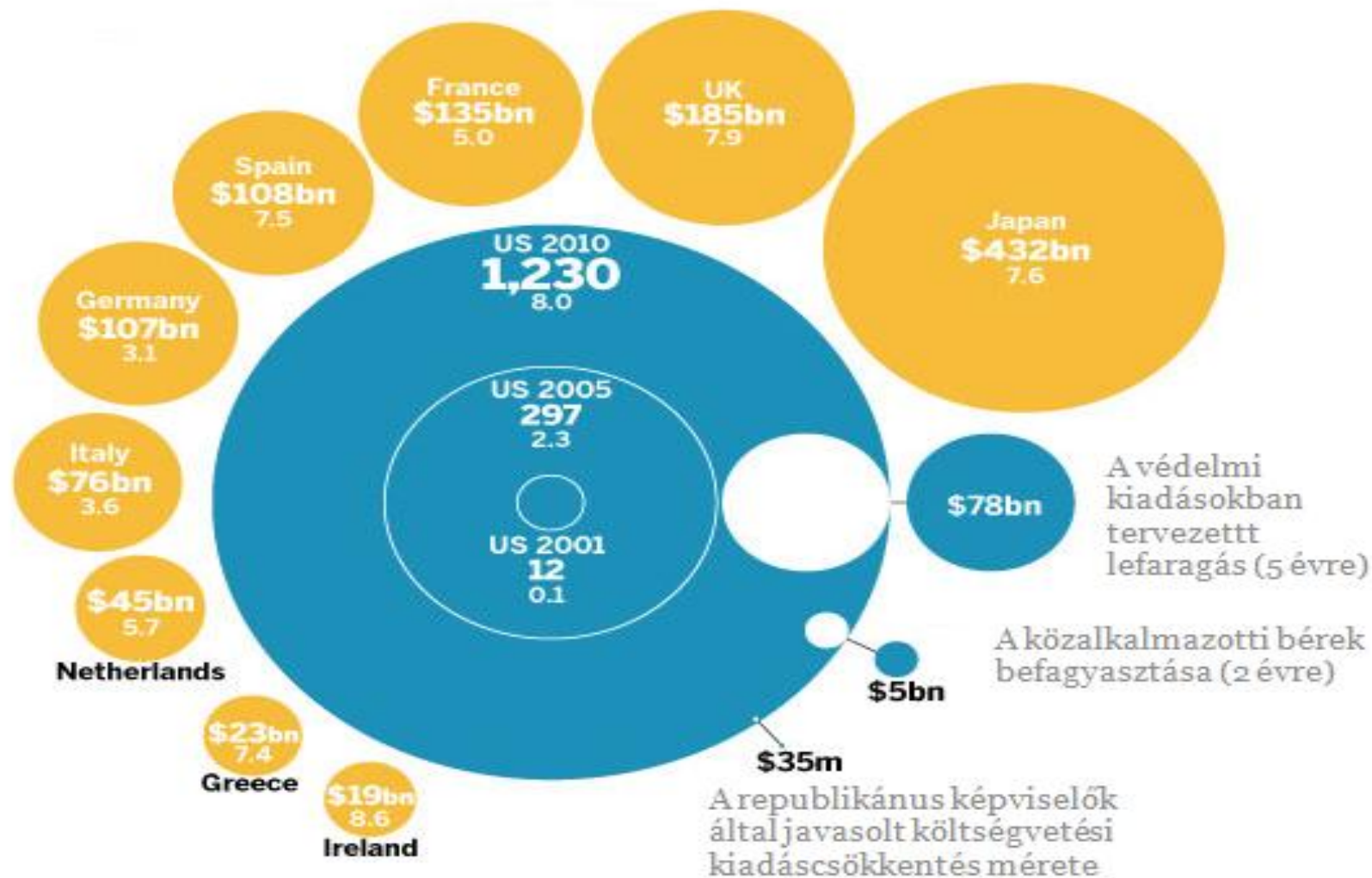
Forrás: BofA-Merrill Lynch Global Research

* a GDP arányában (%)



SOUVEREIGN DEBTS

Az egyes országok költségvetési hiányának mérete*

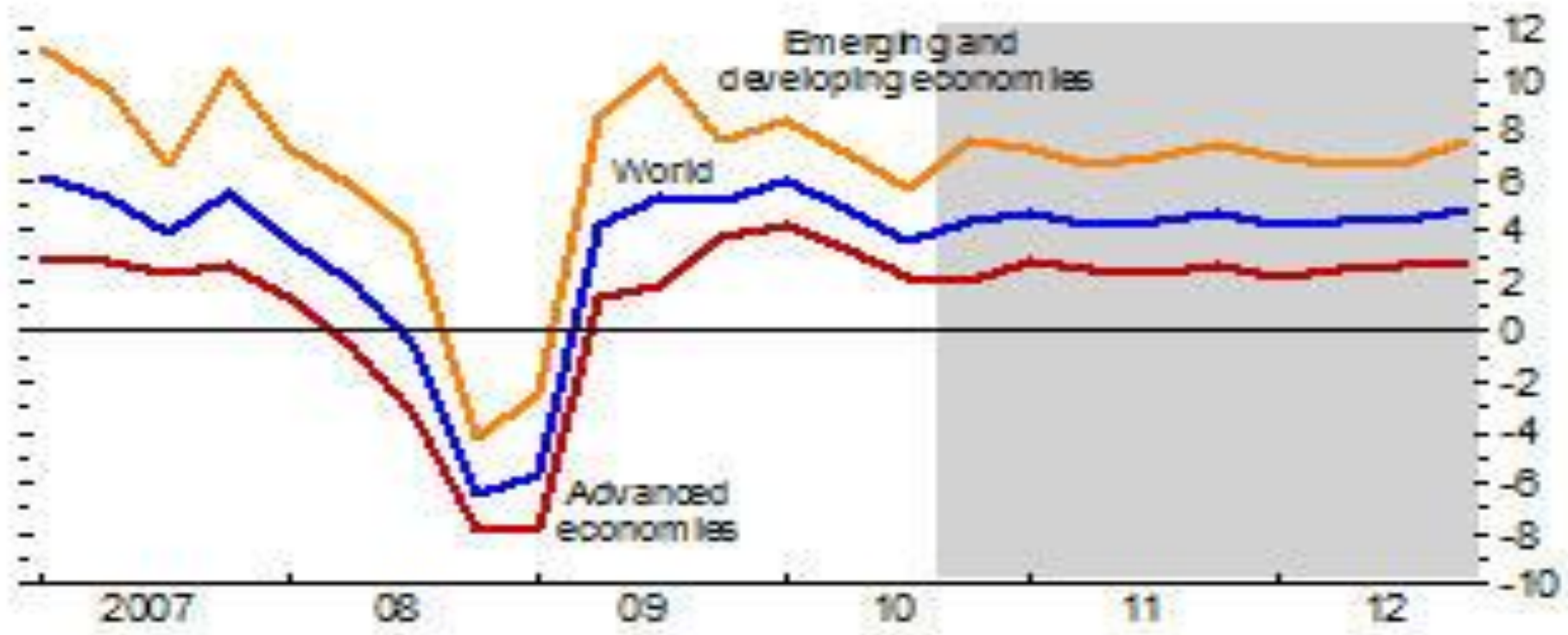


Forrás: Financial Times

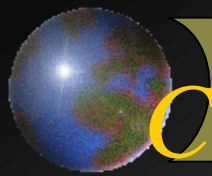
* a kisebb számok jelzik a deficit GDP-arányos értékét (egyszeri kiadások, pl. mentőcsomagok nélkül)

GROWTH PROSPECTS: SMILE AND CRY TOGETHER :

Figure 1. Global GDP Growth
(Percent; quarter over quarter, annualized)

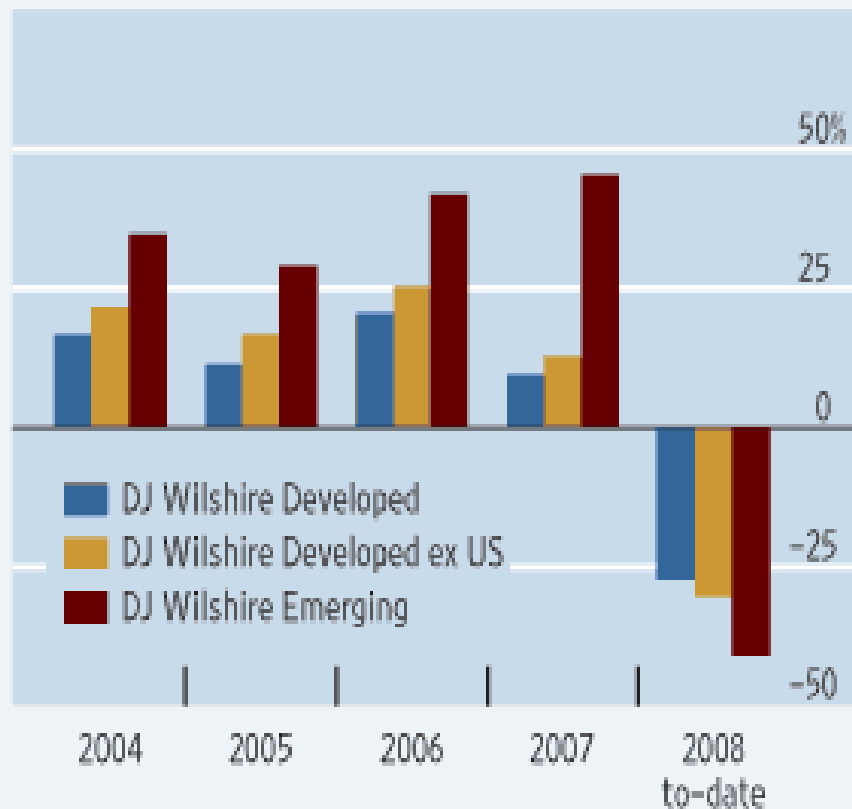


Source: IMF staff estimates.



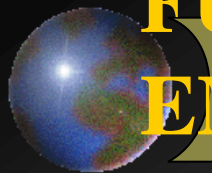
Crying ensemble, Equity drama, 2008-2009

Return over five years...



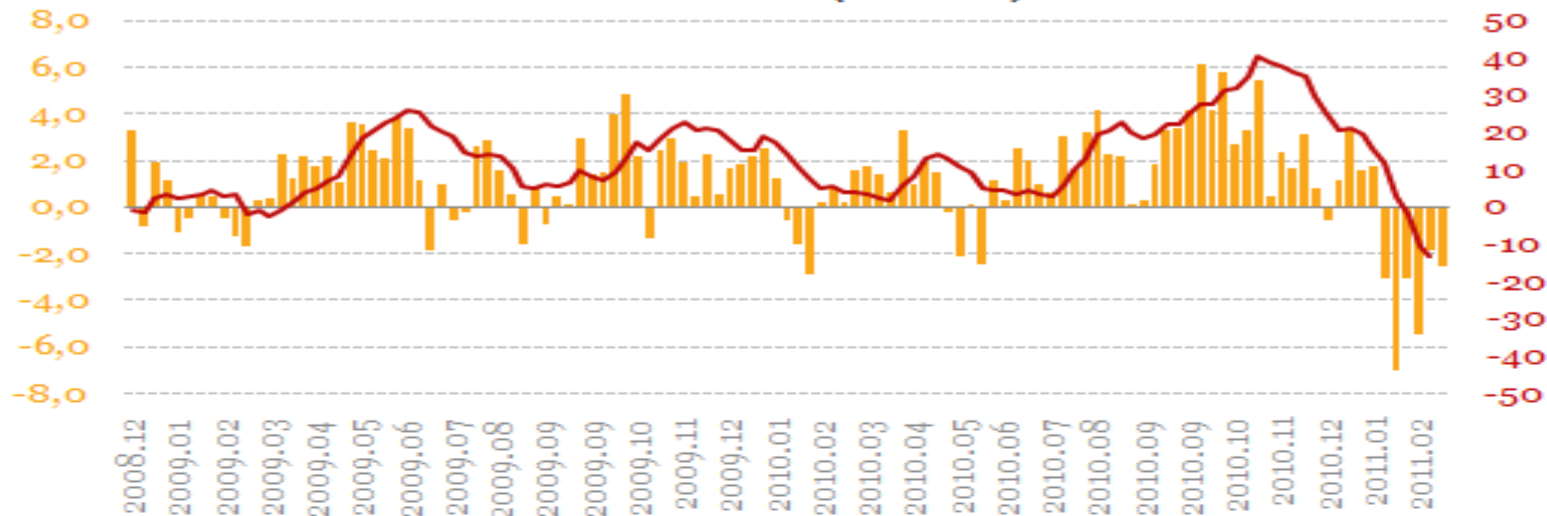
And over the past 52 weeks





FUND FLOWS TO /FROM EMEMRGING MARKETS, 2008-2011 BILL USD

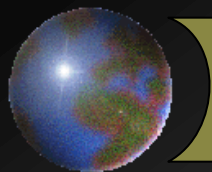
**A teljes feltörekvő piaci alapkategória heti és 10 hetes gördülő
tőkeáramlása (mrd USD)**



Forrás: EPFR Global, Portfolio.hu

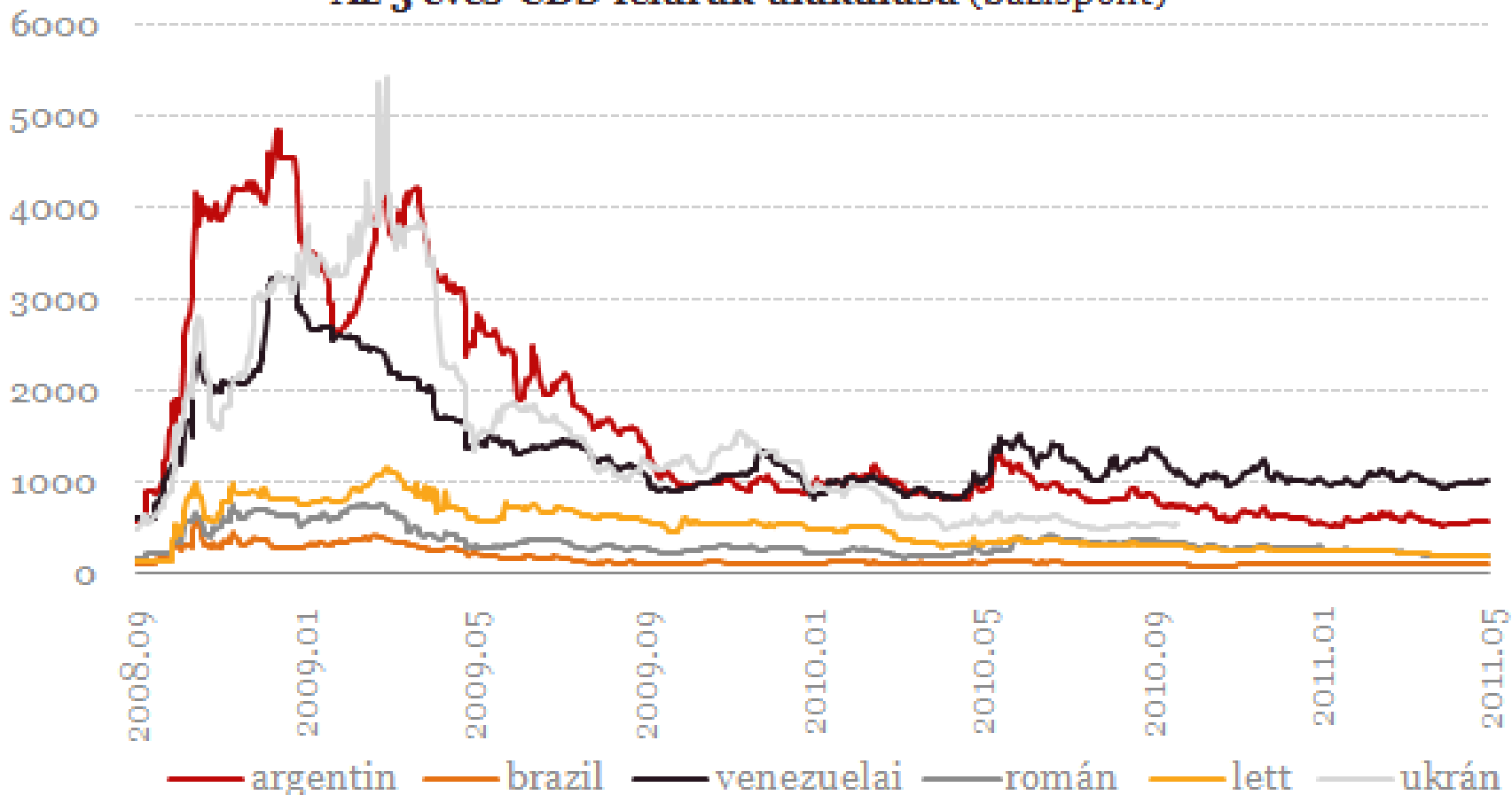
**Az MSCI EM index alakulása
(pont)**



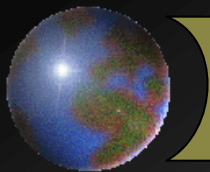


EMERGING MARKETS' BLUES: CDS PERMIUM 2008-2011

Az 5 éves CDS-felárak alakulása (bázispont)

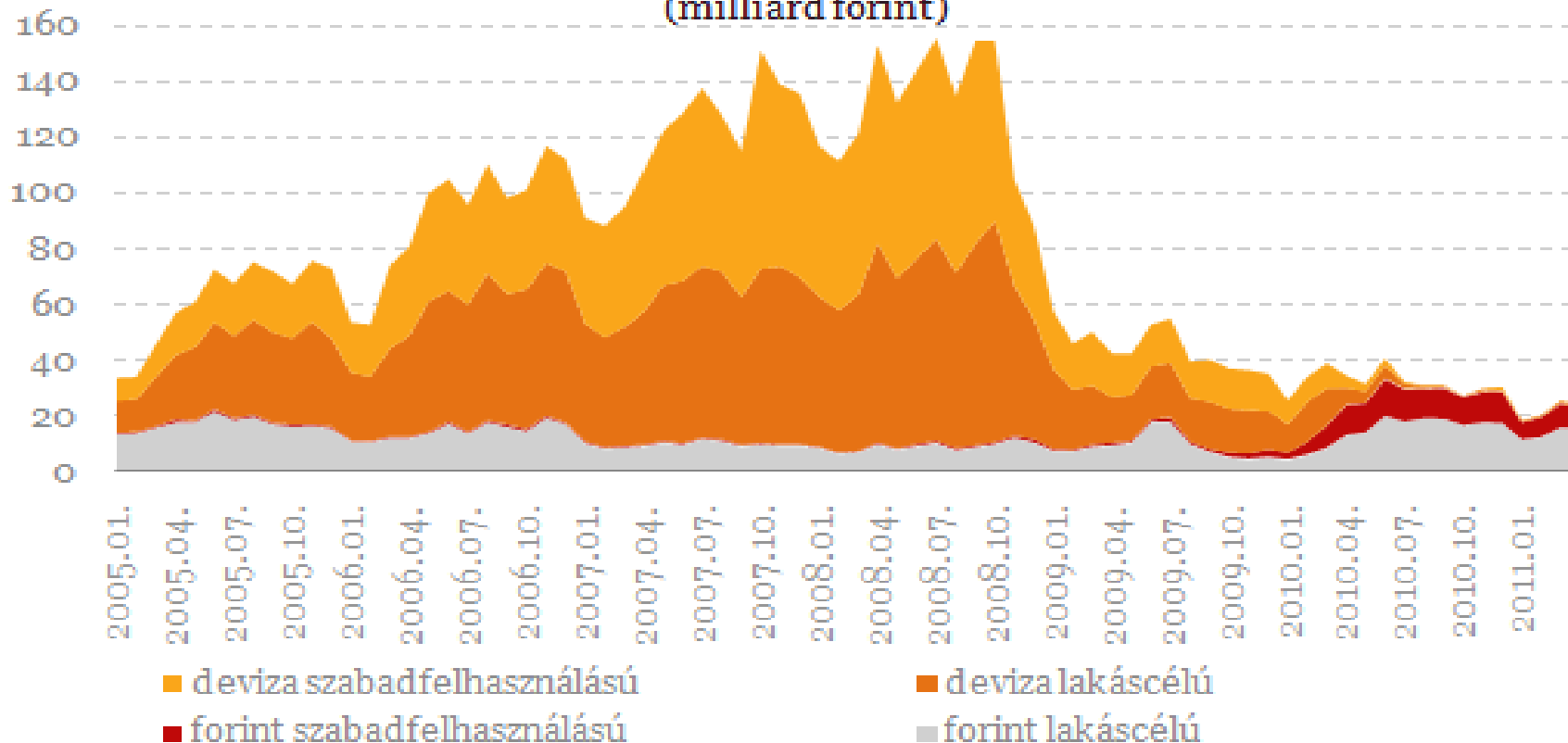


Forrás: Datastream, Portfolio.hu

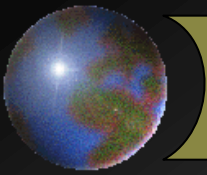


HUNGARIAN BLUES: FX-BASED LOANS ,2005-2011 (BILL HUF)

**Ajelzáloghitelek új szerződéseinek összege típus szerint
(milliárd forint)**

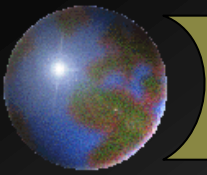


Forrás: MNB, Portfolio.hu



CONCLUSION I.

- ❖ Overshooting in consumption is not a noble instinct but a long lived reality,
- ❖ Nor is Overshooting in credit supply a new phenomenon



Conclusion II.

- ❖ Money/ debt, beyond its other functions, is transacting between levels of industriousness and working capacities. It is not the cause of the problems. Emerging markets are better endowed by funds now than ever. if more saving and investment carry on more growth will follow.