
Recession report - Global financial stability improved - IMF

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According to International Monetary Fund, global financial stability has improved following unprecedented policy actions and signs of economic recovery, but overall risks remain elevated and the risk of reversal remains significant.

IMF, in the October Global Financial Stability Report, said that estimate of global losses arising from the crisis for 2007-10 now stands at roughly USD 3.4 trillion largely due to rising securities values. The new estimate is around USD 600 billion lower than the last GFSR.

Report said ahead of the Annual Meetings of the IMF World Bank Group that while systemic risks have declined, the policy challenges are significant.

IMF said that policymakers need to ensure sufficient credit growth to support the nascent economic recovery, devise appropriate exit strategies, manage risks associated with sovereign balance sheet pressures and maintain a balance between regulation and market forces in reducing future systemic risks.

It added that moving toward the medium term, policymakers should seek to restore market discipline, address risks posed by systemic institutions, institute a macro prudential policy approach and strengthen the oversight of cross-border financial institutions.

IMF estimates that USD 1.5 trillion of actual and potential write downs through end 2010 has yet to be recognized. While the capital positions and outlook for banks have improved significantly since the last GFSR, earnings are not expected to fully offset forthcoming write downs.

(Sourced from IANS)

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