
Not yet time to withdraw stimulus - Mr John Lipsky

Wednesday, 25 Nov, 2009

Reuters cited Mr John Lipsky deputy MD of International Monetary Fund as saying that the global economy is heading toward a sustained recovery but given the risks of another downturn it is too soon to withdraw stimulus.

He said that “We think that we are on a trajectory towards sustained growth but that the recovery is going to be relatively moderate and relatively sluggish. At the same time you cannot discard the risks that there could be a new stagnation.”

Mr Lipsky said that while it was time to think about withdrawing the stimulus, no action should be taken yet and governments should implement any additional stimulus already pledged for 2010. The dollar was still a bit stronger on a multilateral, medium term equilibrium basis, while many Asian currencies were undervalued.

He said that “The dollar is a bit on the strong side but not far from where it should be.”

The IMF’s second in command said that Gulf Arab nations should stick with their currency peg to the US dollar. The issue has gained momentum after the dollar’s slide to 15 month lows and an oil price recovery that is helping economies in the world’s top oil exporting region emerge from a downturn.

Mr Lipsky said that “For the Gulf right now, those currencies that are pegged to the dollar, their economies are not having problems with inflation. The currency pegs have served these economies well over the last few years and continue to do so at the present time.”

He said that there were “many options” for Gulf States to mull. He added that the issue of what is best is really a pragmatic issue not a theoretical one. For now the system is working, other options could be considered in the future and with changing circumstances potentially other options could even be preferred.”

(Sourced from Reuters)

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