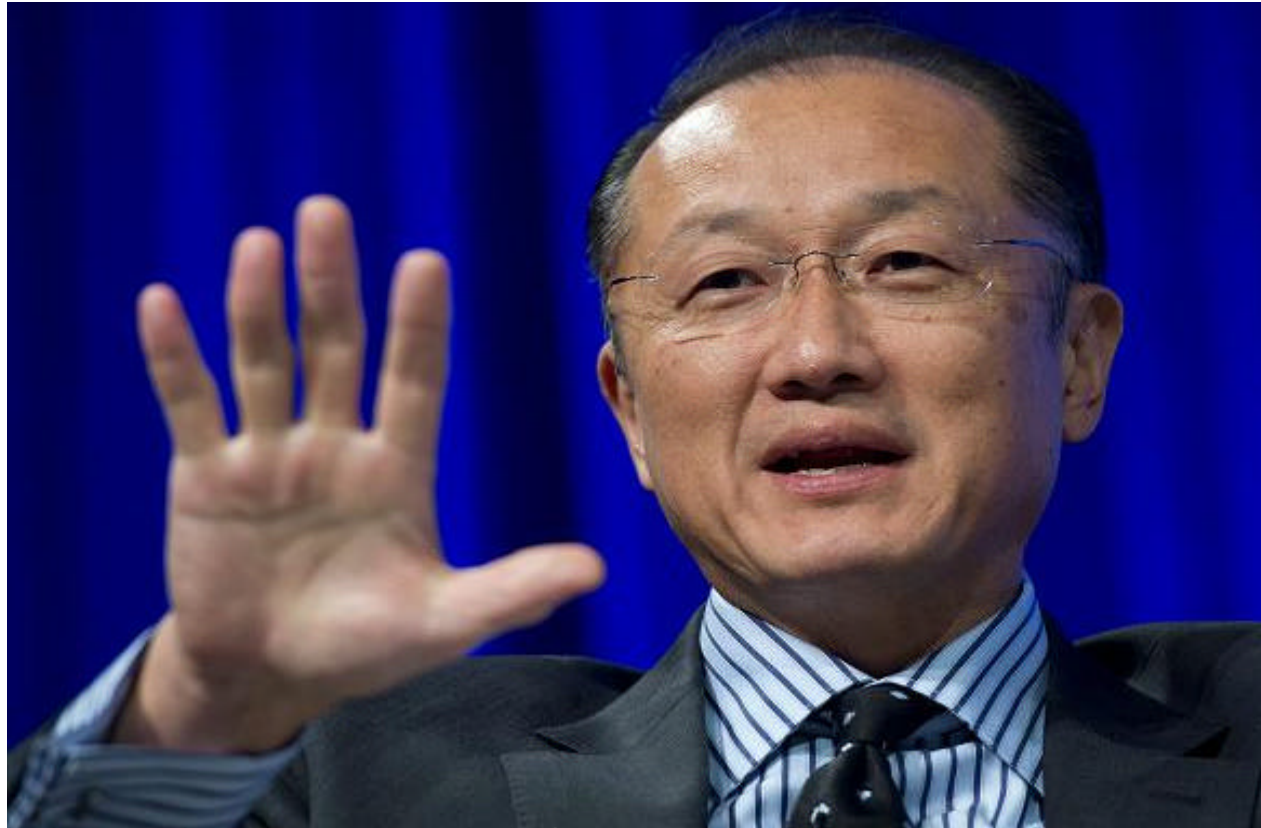


Emerging markets warned to prepare for Fed shift



• Jim Yong Kim said markets "are in an era that we have never been in before" Saul Loeb
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Emerging market economies only have a narrow window for the reforms needed to survive the US Federal Reserve scaling back its \$85 billion-a-month bond-buying programme, according to the head of the World Bank.

On the opening day of the World Bank and International Monetary Fund annual meetings in Washington DC yesterday, Jim Yong Kim said that the world was entering uncharted territory.

"When we talk about monetary easing it has been remarked that we are in an era that we have never been in before. Tapering is another area we have never been in before," he said.

Talk by the Federal Reserve earlier this year about reducing its quantitative easing led to a large increase in American long-term yields. The result was a flight of capital to the US as investors repatriated funds from countries with weaker fiscal positions.

As it now seemed clear from the latest Federal Reserve minutes that tapering the stimulus programme could begin by the end of the year, Dr Kim said that preparations should start now.

“We think that now emerging-market economies have maybe a two or three-month window” he said, adding that they should start tackling fiscal policy reforms and improve the business investment environment.

Christine Lagarde, managing director of the IMF, said that while the global economy was coming out of recession, vulnerabilities remained. Singling out Greece, she was confident that European nations would provide further debt relief to Athens if needed, as long as it met budget targets in its international rescue package.

The IMF would wait to see the outcome of revenue-raising reforms to increase tax collection and privatise state-owned enterprises, before determining the size of any potential funding shortfalls in the mandated programme.

She insisted that there would be no more austerity measures requiring across-the-board cuts in wages or pensions in Greece.