TESTBUILDER

for Masters in Economics

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Пособие предназначено для самостоятельной подготовки к вступительному экзамену по английскому языку в магистратуру экономического факультета МГУ имени М. В. Ломоносова. Пособие предлагает два формата вступительных испытаний. Формат I включает две составляющие: Gap-filling и Thesis Development. Первая — Gap-filling — дает возможность поступающим проверить собственные знания в области экономики и менеджмента и восполнить пробелы в области специальной терминологии, используя прилагаемые ключи и глоссарий. Вторая — Thesis development — помогает перейти от анализа аутентичного текста по специальности к написанию собственного произведения речи, отправной точкой которого является теза, предполагающая ее последующее развитие. В данном разделе также приводятся различные варианты написания тезы в соответствии со сформулированным заданием. В пособии даются технические характеристики экзамена, параметры оценки, а также предлагается алгоритм успешного достижения поставленной цели. В Приложении представлен Глоссарий, содержащий все лексические единицы, используемые в тестах.

Part 1

Gap Filling

The gap-filling task

The gap filling task generally comes first in the examination. It consists of 6–7 short extracts (100–120 words each) from authentic publications on economic topics. The number of gaps in each extract varies from 5 to 8. The total number of gaps in the whole test is 50, which gives you 50 marks. With a wrong choice you lose 1 mark. The time given to this task is 30 minutes.

The test is designed to check your ability to quickly read economic texts paying attention to their logical development and grammatical structure. This would help you choose the correct word or phrase from the list in the right-hand column.

During the test you are expected to write down your answers in the Answer sheet where you should fix your choice in block capital letters in the appropriate box.

We do not recommend that you stick to the text which is hard to complete. Keep working until you are through with all of them. Then come back to those which are still the problem. Perhaps this time you will be more successful.

Shortly before the time is up, we advise you to make sure that you have filled in all the gaps. Those of them which you decide not to fill in will be marked as incorrect and each of them will result in a loss of 1 mark.

TEST 1

1	The strong foreign exchange inflows, in particular export receipts, foreign direct 1___ and rapid demand growth, combined with adequate 2___ policies, are boosting 3___, which is expected to increase to 9 percent this year. The report says the rise is particularly notable in some 4___ countries, where the higher inflation is beginning to 5___ into more appreciated real effective 6___, as would be expected in response to increased oil prices.	a. *investment* b. *monetary* c. *oil-exporting* d. *inflation* e. *exchange rates* f. *translate*
2	As the countries in this region increase their international 1___ and reduce their debt, they are becoming more 2___ to potential shocks. The region's key policy 3___ is to sustain or even 4___ growth to make significant steps towards 5___ poverty and unemployment. Strong growth has not yet 6___ sufficient jobs for the rapidly expanding labor force, and 7___ have not yet declined much, even in the rapidly growing low-8___ countries.	a. *resilient* b. *accelerate* c. *generated* d. *reserves* e. *challenge* f. *reducing* g. *poverty rates* h. *income*
3	The governments of low-income countries 1___ the challenge of managing the macroeconomic 2___ of large-scale foreign 3___. Because of their progress in cementing 4___ stability, reducing debt, and 5___ policies in general, these countries are attracting increased 6___, which, in turn, will allow them to invest more in infrastructure and human capital, reduce unemployment, and 7___ prospects for higher potential output.	a. *enhance* b. *impact* c. *macroeconomic* d. *financing* e. *face* f. *investments* g. *improving*
4	All countries in the region would also benefit from a further 1___ and deepening of the region's financial markets. In particular, there is a need to strengthen banking system 2___, monitor market risks, and increase the depth and 3___ of capital markets to reduce 4___ market volatility and use the region's large savings 5___.	a. *liquidity* b. *efficiently* c. *soundness* d. *asset* e. *broadening*

5	Firm policy implementation played a key role. Bulgaria's fiscal policy has been one of the most cautious among countries that are not rich in 1___. Successive budget 2___ have helped cut gross public debt and 3___ the buildup of a fiscal reserve in support of the currency board. Although revenue was supported by strong economic activity, spending 4___ also played a role. A strengthening of 5___ regulation and banking supervision over the years helped increase 6___ in the banking sector. Mirroring developments elsewhere in the region, bank credit 7 ___ rapidly.	a. *confidence* b. *prudential* c. *facilitated* d. *primary resources* e. *restraint* f. *surpluses* g. *grew*
6	Bulgaria's accession to the EU is a landmark in the country's international reintegration. Full 1___ into the common EU trading area should boost trade and 2___. A reduction in Bulgaria's perceived risk will 3___ private investment and help renew and 4___ the capital stock. Of a more short-term nature, net 5___ flows from the EU to Bulgaria will provide a domestic stimulus.	a. *integration* b. *financial* c. *encourage* d. *raise* e. *competition*
7	The challenge for monetary policy is highlighted by the experience of deflation in Japan. Monetary policy before the onset of 1___ was judged to have been appropriate or even 2___. But it was too 3___, reflecting the fact that inflation turned out to be substantially lower than 4___. In the presence of these expectations, the monetary policy regime can play a 5___. For instance, a regime with an 6___ inflation target should set the 7___ to provide a buffer zone. The objective would be to reduce 8___ of inflation falling so close to zero that the economy, if hit by a 9___ in demand, becomes susceptible to deflation.	a. *drop* b. *the risk* c. *explicit* d. *forecast* e. *deflation* f. *loose* g. *crucial role* h. *tight* i. *target floor*

Answer sheet

1	1	2	3	4	5	6			
2	1	2	3	4	5	6	7	8	
3	1	2	3	4	5	6	7		
4	1	2	3	4	5				
5	1	2	3	4	5	6	7		
6	1	2	3	4	5				
7	1	2	3	4	5	6	7	8	9

TEST 2

1	A still resilient global economy, combined with generally sound 1_____ and increasing trade and financial 2_____ in Europe, has yielded a vibrant regional economy. After years of sluggish 3_____, the 4___ economies in Europe are expected to 5_____ the United States this year and next, and the top-performing European 6_____ are demonstrating growth rates second only to 7_____ Asia.	a. *developing* b. *macroeconomic policies* c. *outpace* d. *emerging economies* e. *growth* f. *advanced* g. *integration*
2	In the emerging economies, 1___ pressures and external 2___ could guarantee further interest 3_____ increases. In countries where monetary policies 4___ are either ineffective or unavailable, the tightening will need to be achieved through 5_____ restraint. Strong banking 6_____ will be critical throughout emerging Europe.	a. *rate* b. *vulnerabilities* c. *supervision* d. *fiscal* e. *tools* f. *inflationary*
3	For several advanced economies, an added reason for reducing 1_____ is that deficits remain too high to deal comfortably with eventual downturns. In Europe's emerging economies, more fiscal 2 _____ is desirable to mitigate demand pressures and insure against 3_____ posed by the rapidly rising 4___ of the private sector. Fiscal consolidation should be 5_____ by structural reforms that can keep the promise of income convergence, including measures 6_____ economic and financial integration.	a. *expenditures* b. *complemented* c. *risks* d. *indebtedness* e. *consolidation* f. *to advance*
4	These developments dramatically 1_____ the world economy. Perhaps the most notable achievement was the virtual end of 2_____as an international phenomenon. Although the 3_____ world inflation rate showed little change, the problem became more and more concentrated in a few 4_____ with extremely high rates. For the aggregate of industrial countries, 5_____ inflation fell from a peak of more than 12 percent in 1980 to 2 percent in 1986. That drop was purchased at the 6___ of sharp declines in *output and employment* in the early 1980s.	a. *average* b. *developing countries* c. *inflation* d. *consumer price* e. *cost* f. *affected*
5	By the middle of the decade, growth had 1____ in most industrial countries. For developing countries, however, the picture was far less bright. While prices of 2____ goods stabilized, prices of the primary commodities on which most developing countries depend tor export 3_____ fell precipitately. By the end of the decade, the 4_____in commodity prices had become the most severe in modem history. Consequently, although the average 5____ in developing countries was reasonably good throughout the decade (around 4 percent), that growth was heavily 6____ in the newly industrializing economies of Asia.	a. *drop* b. *manufactured* c. *growth rate* d. *revitalized* e. *revenues* f. *concentrated*

6	Market discipline to influence the conduct of banks and other 1_____ is also likely to be absent when 2___ among banks is not keen, and equity and 3_____ markets either do not exist or are highly illiquid. Lack of 4_____ markets for bank shares and subordinated debt and the concentration of 5___ in finance and industry are likely to limit the effectiveness of the financial sector. Many of the current proposals that 6_____ on transparent and well-functioning markets to provide discipline on corporate 7___ cannot be implemented.	a. *competition* b. *bond* c. *depend* d. *financial intermediaries* e. *governance* f. *liquid* g. *ownership*

Answer sheet

1	1	2	3	4	5	6	7
2	1	2	3	4	5	6	
3	1	2	3	4	5	6	
4	1	2	3	4	5	6	
5	1	2	3	4	5	6	
6	1	2	3	4	5	6	7

TEST 3

1	Commodity markets have been 1_____. Prices of many commodities—especially those of oil, corn, and wheat—have 2_____ record highs in recent months despite credit market 3_____. The current boom has also been more 4_____, and it contrasts noticeably with the 1980s and 1990s, when most commodity prices were on a 5_____ trend. That said, despite the apparent 6_____ of the downward trend, 7_____ prices of many commodities are still well below the levels seen in the 1960s and 1970s.	*a. reached* *b. broad based* *c. reversal* *d. booming* *e. turbulence* *f. downward* *g. inflation-adjusted*
2	Downside macroeconomic risks that are concentrated in the U.S. economy have a significant 1_____ on systemically important financial institutions that may spill over to 2_____. Of particular importance for 3______ are the linkages between the real and financial sector, including the effects of credit on the real economy, the extent of 4______ adjustments, and the absorptive 5_____ of financial markets. Our analysis indicates that a 6______ in the supply of private sector credit and market borrowings could bring a significant 7_____in U.S. output growth.	*a. financial stability* *b. contraction* *c. capacity* *d. impact* *e. slowdown* *f. balance sheet* *g. global markets*
3	Overall risks to financial stability have increased sharply. The crisis that 1_____ in a small segment of the U S 2_____ has spread to broader cross-border credit and 3_____ markets through both direct and indirect channels. A broadening 4______ of credit is likely to put added pressure on systemically important financial 5_____. The risks of a 6_____ have increased, 7_____ economic growth.	*a. credit crunch* *b. originated* *c. threatening* *d. deterioration* *e. mortgage market* *f. funding* *g. institutions*
4	Emerging markets have so far proved broadly resilient to the 1_____. Improved fundamentals, abundant reserves and strong growth have all helped to 2______ flows into emerging market 3______. However, there are macroeconomic vulnerabilities in a number of countries that make them 4_____ to deterioration in the external 5______. Eastern Europe, in particular, has a number of countries with 6______ deficits financed by private debt or portfolio flows, where 7_____ has grown rapidly. A global slowdown could force painful 8_____.	*a. responsive* *b. domestic credit* *c. adjustments* *d. financial turmoil* *e. assets* *f. current account* *g. sustain* *h. environment*
5	Against this backdrop of slower global activity in 2008-09, the IMF recently 1_____ a study to better understand what is behind the commodities 2_____ and its likely 3_____ impact around the globe. It found that the current commodities boom reflects many 4_____ and structural factors. It also found that, although the impact of this largely 5_____ boom on the global economy has 6_____ so far, higher commodity prices have begun to pose 7_____ and may lead to 8_____ financing challenges for some countries, particularly low-income net commodity importers.	*a. cyclical* *b. been limited* *c. undertook* *d. macroeconomic* *e. inflation risks* *f. demand-driven* *g. external* *h. boom*
6	In addition to policies that can 1_____ the functioning of global commodity markets, 2_____ the impact of rising food and fuel prices on poor households has become a major policy concern. 3_____ by worries about food security, a number of countries have 4_____ to protectionist measures, which may have contributed to global market 5_____. For example, in 2007, a number of countries 6_____ export taxes on grains. Instead, countries should consider 7_____ cash transfers to poor households, or temporary 8_____ on a few selected food items consumed by the poor.	*a. resorted* *b. enhance* *c. targeted* *d. imposed* *e. mitigating* *f. subsidies* *g. tightness* *h. motivated*

Answer sheet

1	1	2	3	4	5	6	7	
2	1	2	3	4	5	6	7	
3	1	2	3	4	5	6	7	
4	1	2	3	4	5	6	7	8
5	1	2	3	4	5	6	7	8
6	1	2	3	4	5	6	7	8

TEST 4

1	After Asia's financial crisis, the world's leading economies 1___ a major effort to 2___ the international financial system. Ten years later, they decided to try again. The 1998 effort 3___ the world's "financial architecture" followed a crisis that had 4___ in the growing of the external deficits in the emerging world— deficits that were for a time willingly 5___ by banks and private investors in the world's wealthy economies. The second effort will follow a systemic 6___ that started in the United States and then 7___ most of the world economy.	*a. financial crisis* *b. launched* *c. to revise* *d. affected* *e. remake* *f. originated* *g. financed*
2	Policymakers have already taken unprecedented action in 1___ to the deepening financial and economic crisis. Central banks, including the European Central Bank, have been 2___ liquidity support and easing 3___, while governments have committed large resources to guarantee, 4___ and resolve financial institutions. Fiscal policy has been used 5___ demand. 6___ with financing difficulties, a number of countries in central and eastern Europe have undertaken adjustment programs supported by 7___ from the IMF, the European Union (EU), and other bilateral and multilateral sources.	*a. financial assistance* *b. monetary policy* *c. faced* *d. response* *e. recapitalize* *f. providing* *g. to bolster*
3	Despite the extraordinary nature of the measures taken so far, the financial sector has not returned to normal. The stress in the money market has 1___ in advanced and some emerging economies, but credit 2___ is slowing down or falling, and corporate bond spreads remain elevated. Deteriorating economic 3___ have resulted in rising 4___ loans and 5___ lending standards. For emerging economies, access to foreign currency 6___ is a key challenge. All this uncertainty has raised private savings 7___, while concerns about fiscal sustainability have 8___ sovereign spreads.	*a. tighter* *b. eased* *c. extension* *d. liquidity* *e. fundamentals* *f. rates* *g. pushed up* *h. non-performing*
4	Governments have had little choice but to 1___ to save the financial system from collapse, and to provide 2___ to stop the sharp 3___ in private sector demand. It is not difficult to imagine a scenario in which higher interest costs and lower economic growth increasingly lead to higher 4___ ratios, ultimately leading investors to raise questions about the sustainability of government finances around the world. So far this has not happened. But because investor confidence in governments' 5___ has been key in preventing a complete meltdown of the financial and economic system, 6___ such confidence is of paramount importance. Pushing interest rates up as debt holders demand a higher risk premium, would also 7___ the effectiveness of fiscal stimulus measures.	*a. fiscal stimulus* *b. preserving* *c. creditworthiness* *d. intervene* *e. contraction* *f. undermine* *g. debt-to-GDP*
5	Every crisis exposes 1___, and the current global financial crisis is no exception. The speed at which the crisis 2___ underlines the importance of indicators that could support early warning efforts and the analysis of cross-border 3___. While the analysis of the spread and transfer of risk has been 4___ by the complexities created by new financial 5___, the crisis has also helped 6___ the need to keep a better eye on off-balance-sheet operations, often created specifically because they were "off the radar."	*a. financial linkages* *b. weaknesses* *c. developed* *d. underline* *e. instruments* *f. hindered*

6	The crisis has 1___ major deficiencies in international coordination and cooperation. Supervision by the IMF has 2___ weak and incomplete. Even where the problem was well understood, as in the case of growing macroeconomic 3___ that contributed to the 4___ of vulnerability, there was no agreement on responsibilities or means to 5___ the necessary cooperative actions. As the recent crisis has shown, the IMF 6___ the resources and instruments to 7___ aggressively to systemic instability, which also reflects 8___ opinions among its member countries on what the institution's role should be.	*a. buildup* *b. revealed* *c. lacks* *d. imbalances* *e. differing* *f. enforce* *g. remained* *h. respond*
7	Why might foreign banks 1___ better in periods of generalized distress in emerging economies? First, they might be more profitable, efficient, and well 2___, and thus better able to deal with a major 3___. Second, subsidiaries of large global groups might find it easier 4___ capital or liquid funds on international financial 5___ because of informational advantages or reputation. Third, even if external 6___ dries up because of increasing risk aversion, foreign bank 7___ might still have 8___ to financial support from their parent bank, particularly if the latter is well diversified.	*a. financing* *b. shock* *c. access* *d. markets* *e. capitalized* *f. subsidiaries* *g. to raise* *h. perform*

Answer sheet

1	1	2	3	4	5	6	7	
2	1	2	3	4	5	6	7	
3	1	2	3	4	5	6	7	8
4	1	2	3	4	5	6	7	
5	1	2	3	4	5	6		
6	1	2	3	4	5	6	7	8
7	1	2	3	4	5	6	7	8

TEST 5

1	By the time the financial crisis erupted, emerging Europe was 1___ greater financial vulnerability than Latin America. Across emerging Europe, credit had grown at a faster 2___, external 3___ was higher, and 4___ balances were showing large deficits. When the 5___ went bust after the 6___ of Lehman Brothers, economic activity in emerging Europe was 7___ harder than in any other emerging market region, leading to severe recessions. The 8 ___ in private credit likely reflected declines in both credit demand and credit supply.	a. *pace* b. *collapse* c. *experiencing* d. *debt* e. *slowdown* f. *credit boom* g. *hit* h. *current account*
2	In Latin America, local affiliates were funded primarily through domestic deposits, rather than through loans or capital 1___ from parent banks. Lending by foreign banks' local 2___ in Latin America was thus less vulnerable to sudden withdrawal of short-term 3___ funding and contagion from the international 4___ squeeze, and continued to expand even amid the global 5___. In emerging Europe, lending by foreign-owned banks depended on parent banks in western Europe, which experienced significant 6___ and faced tight interbank liquidity conditions during the crisis. This prompted a 7___ in funding to local affiliates, which in turn reduced lending in host markets.	a. *affiliates* b. *cutback* c. *transfers* d. *external* e. *financial stress* f. *liquidity* g. *turmoil*
3	Regarding monetary policy, many central banks can afford to 1___ low interest rates over the coming year, as 2___ inflation is expected to remain low and 3___ high for some time. At the same time, credible strategies for unwinding monetary 4___ support need to be prepared and communicated now to anchor expectations and 5___ potential fears of inflation or renewed financial 6___. Countries that are already enjoying a relatively 7___ rebound of activity and credit will have to 8___ monetary conditions earlier and faster than their counterparts elsewhere.	a. *underlying* b. *unemployment* c. *policy* d. *dampen* e. *tighten* f. *instability* g. *robust* h. *maintain*
4	At the same time, some emerging market countries will have to manage a 1___ of capital inflows. This is a complex task and the right responses 2___ across countries, including some fiscal 3___ to ease pressure on interest rates and exchange rate 4___ or greater flexibility. Recognizing that inflows can be very large and partly transitory, depending on circumstances, 5___ policies aimed at limiting the emergence of new asset price 6___, some buildup of 7___, and some capital controls on inflows can be part of the appropriate response.	a. *reserves* b. *appreciation* c. *differ* d. *tightening* e. *macro-prudential* f. *bubbles* g. *surge*
5	The government's finances should be 1___. That requires reducing the 2___ deficit and placing the debt-to-GDP 3___ on a downward trajectory. Since wages and social benefits 4___ 75 percent of total government 5___, this means that the public wage and pension bills have to be 6___. There is hardly any other room for maneuver in terms of fiscal 7___.	a. *fiscal* b. *consolidation* c. *constitute* d. *ratio* e. *expenditure* f. *sustainable* g. *reduced*
6	Improving economic and financial conditions have helped private bank 1___ in advanced economies. The IMF sharply reduced its estimate of the 2___ or loan loss provisions that banks will have to take, or have taken, 3___ for bad loans and securities on their books. The 4___ quality of bank assets means that banks will probably need less capital than previously estimated to absorb 5___. But banks still will 6___ funding difficulties in the next few years, as their bonds 7___ and the special government assistance programs are 8___.	a. *losses* b. *balance sheets* c. *improving* d. *face* e. *withdrawn* f. *to account* g. *writedowns* h. *mature*

7	Looking further ahead, there must be agreement on the reform 1___ for financial regulation. The direction of reform is clear—higher quantity and quality of capital and better liquidity 2___, but the magnitude is not. Policymakers must 3___ the right balance between 4___ the safety of the financial system and keeping it innovative and 5___. Specific proposals for making the financial system safer and for 6___ its infrastructure, for example, in the over-the-counter-derivatives 7___, are essential.	a. *risk management* b. *agenda* c. *promoting* d. *efficient* e. *strengthening* f. *strike* g. *market*

Answer sheet

1	1	2	3	4	5	6	7	8
2	1	2	3	4	5	6	7	
3	1	2	3	4	5	6	7	8
4	1	2	3	4	5	6	7	
5	1	2	3	4	5	6	7	
6	1	2	3	4	5	6	7	8
7	1	2	3	4	5	6	7	

TEST 6

1	Capital 1___ to emerging market economies 2___ remarkably quickly after the crisis. However, as policy rates in advanced economies rise from their unusually low levels, 3___ flows may again exit the emerging market economies. Depending on country-specific circumstances, and assuming appropriate macroeconomic and 4___ policies are in place, measures designed 5___ capital inflows can play a role in 6___ the impact of their excessive volatility on the real economy. However, such measures are not a substitute for 7___ tightening.	*a. volatile* *b. resumed* *c. dampening* *d. to curb* *e. macroeconomic* *f. prudential* *g. flows*
2	The recovery is 1___ strength, but unemployment remains high in advanced economies, and new macroeconomic risks are 2___ in emerging market economies. In advanced economies, the shift from public to private 3___ is advancing, reducing concerns that diminishing 4___ policy support might cause a deep 5___. Financial conditions continue 6___, although they remain unusually fragile. In many emerging market economies, demand is 7___ and 8___ is a growing policy concern.	*a. robust* *b. demand* *c. gaining* *d. fiscal* *e. recession* *f. building up* *g. to improve* *h. overheating*
3	Many old policy challenges remain unaddressed even as new ones come 1___. In advanced economies, 2___ the recovery will require keeping monetary policy 3___ as long as wage pressures are 4___, inflation expectations are well anchored, and bank 5___is sluggish. At the same time, fiscal positions need to be placed on 6___ medium-term paths by implementing fiscal 7___ plans and entitlement reforms supported by stronger fiscal rules and institutions.	*a. credit* *b. to the fore* *c. sustainable* *d. subdued* *e. strengthening* *f. accommodative* *g. consolidation*
4	The recovery is broadly moving at two speeds, with large output gaps in 1___ economies and closing or closed gaps in emerging and developing economies. Economies that are running behind the global recovery typically suffered large 2___ during the crisis, often related to housing booms and high 3___ indebtedness. Among the advanced economies, those in Asia have experienced a strong 4___. The recovery of euro area economies that 5___ housing busts or face financial market pressures has been 6___ than in Germany. Among emerging and developing economies, those in Asia are 7___, followed by those in sub-Saharan Africa, whereas those in eastern Europe are only just beginning 8___ significant growth.	*a. in the lead* *b. external* *c. rebound* *d. to enjoy* *e. weaker* *f. advanced* *g. suffered* *h. financial shocks*
5	The three lines of defense against unemployment are supportive macroeconomic policies, financial sector 1___, and specific labor market measures. Monetary policy is expected to stay 2___ in advanced economies. However, there is an urgent need 3___ bank restructuring and recapitalization to 4___ credit to small and medium-size firms, which account for the bulk of employment. Temporary employment subsidies 5___ at these firms could help restart 6___. Such programs may 7___ the hiring of many workers who would have found jobs anyway or cause replacement of those currently 8___ with the targeted group of unemployed.	*a. to accelerate* *b. repair* *c. easy* *d. launch* *e. hiring* *f. subsidize* *g. employed* *h. targeted*

6	Advanced economies urgently need to make more progress in 1___ medium-term problems. High on the priority list are financial repair and reforms and medium-term 2___. Financial sector measures hold the key to more rapid macroeconomic policy 3___, which would help guard against the buildup of new 4___, including in emerging market economies. In general, more certainty about policy prospects could help support the recovery of 5___ and employment while 6___ financial markets.	*a. imbalances* *b. investment* *c. addressing* *d. fiscal adjustment* *e. normalization* *f. stabilizing*

Answer sheet

1	1	2	3	4	5	6	7	
2	1	2	3	4	5	6	7	8
3	1	2	3	4	5	6	7	
4	1	2	3	4	5	6	7	8
5	1	2	3	4	5	6	7	8
6	1	2	3	4	5	6		

TEST 7

1	Growth in Asia is also expected to gain momentum over the course of 2012. Although activity 1___ markedly across the region in the last quarter of 2011, mainly due to 2___ external demand, domestic demand has generally 3___ strong, as reflected in low 4___, high capacity utilization, and 5___ credit growth. In the first months of 2012, leading indicators of activity strengthened, inflation 6___ picked up, and capital 7___ into Emerging Asia rebounded. Growth for the Asia and Pacific region as a whole is 8___ to be at 6 percent in 2012.	a. *projected* b. *inflows* c. *unemployment* d. *robust* e. *expectations* f. *weakening* g. *remained* h. *slowed*
2	The global economy remains fragile, exposing Asia to serious 1___ risks. The 2___ crisis in the euro area has not been fully resolved, and financial 3___ could still escalate in the region and spread globally, while increased geopolitical risks could 4___ energy prices sharply higher. So far, stronger economic and policy 5___ have helped buffer Asian economies against the global financial crisis, including by limiting adverse financial 6___ spillovers and increasing the impact of 7___ by European banks. But a sharp fall in exports to advanced economies and a 8___ of foreign capital flows would severely 9___ activity in Asia.	a. *fundamentals* b. *push* c. *turmoil* d. *debt* e. *deleveraging* f. *impact* g. *downside* h. *market* i. *reversal*
3	The global recovery is threatened by intensifying strains in the euro area and 1___ elsewhere. Financial conditions have 2___, growth prospects have worsened, and downside risks have 3___. Global output is projected 4___ by 3 percent in 2012. This is largely because the euro area economy is now 5___ to go into a mild 6_____ in 2012 as a result of the rise in sovereign yields, the effects of bank deleveraging on the real economy, and the impact of additional fiscal 7___. Growth in emerging and developing economies is also expected to slow because of the 8___ external environment and a weakening of internal demand.	a. *fragilities* b. *to expand* c. *expected* d. *worsening* e. *deteriorated* f. *recession* g. *consolidation* h. *escalated*
4	The most immediate policy challenge is 1___confidence and put an end to the crisis in the euro area by supporting growth, while 2___ adjustment, containing deleveraging, and providing more 3___ and monetary accommodation. In other major advanced economies, the key policy 4___ are to address medium-term fiscal 5___and to repair and reform financial systems, while sustaining the recovery. In emerging and developing economies, near-term policy should focus on 6___ to moderating domestic growth and to slowing 7___ demand from advanced economies.	a. *liquidity* b. *to restore* c. *sustaining* d. *external* e. *responding* f. *requirements* g. *imbalances*
5	In the last quarter of 2011, renewed fears that the euro area crisis would escalate and 1___ led to another spiral of uncertainty and 2___ risk spreads that contributed to an unexpectedly sharp 3___ in the euro area, with spillovers to the rest of Europe and beyond. The European Central Bank 4___ funding pressure in the banking sector through longer-term refinancing operations. These measures, in combination with steps toward 5_____ the fiscal agreement, 6_____ reforms, and fiscal consolidation, 7___ in stabilizing market sentiment and lowering uncertainty. The recent decision 8___ the European firewall reinforces these policy efforts.	a. *alleviated* b. *widening* c. *to enhance* d. *slowing* e. *spread* f. *strengthening* g. *succeeded* h. *structural*

6	Monetary policy in Asia's low-income countries will also need to 1___ to their widely differing individual circumstances. In some, especially those with 2___ resource sectors, the challenge is to rein in an 3______ economy. In others, further monetary 4___ is needed to help absorb external 5___ on the economy and 6_____ inflation. In several low-income countries the scope for active monetary policy is more 7___, placing the 8___ of macroeconomic management on fiscal policy.	a. *pressures* b. *be adjusted* c. *booming* d. *overheating* e. *burden* f. *tightening* g. *constrained* h. *bring down*

Answer sheet

1	1	2	3	4	5	6	7	8	
2	1	2	3	4	5	6	7	8	9
3	1	2	3	4	5	6	7	8	
4	1	2	3	4	5	6	7		
5	1	2	3	4	5	6	7	8	
6	1	2	3	4	5	6	7	8	

TEST 8

1	Global prospects have 1___ again but the roads to recovery in the advanced economies will 2____ bumpy. World output growth is forecast 3___ 3 percent in 2013 and 4 percent in 2014. In the major 4___ economies, activity is expected to gradually 5___, following a weak start to 2013, with the United States in the lead. In 6___ market and developing economies, activity has already picked up steam. Advanced economy policymakers have successfully removed two of the biggest threats to the global recovery, a 7___ of the euro area and a sharp fiscal contraction in the United States.	a. *to reach* b. *accelerate* c. *remain* d. *improved* e. *emerging* f. *breakup* g. *advanced*
2	However, old dangers remain and new risks have come to the forefront. In the short term, risks mainly 1___ to developments in the euro area, including 2___ about the results from events in Cyprus and politics in Italy as well as 3___ in the periphery. In the medium term, the 4___ risks relate to adjustment fatigue, insufficient 5___ reform, and prolonged stagnation in the euro area as well as high fiscal deficits and 6___ in the United States and Japan. In this setting, policymakers cannot afford to relax their efforts.	a. *relate* b. *debt* c. *vulnerabilities* d. *uncertainty* e. *institutional* f. *key*
3	The United States and Japan still need to devise and implement strong medium-term fiscal 1___ plans. The euro area needs to 2___ the Economic and Monetary Union (EMU). In emerging market and developing economies, some 3___ of policies appears appropriate in the medium term. This tightening should begin with 4___ policy and be supported with prudential measures as needed to 5___ growing excesses in financial sectors. Eventually, policymakers should also return fiscal 6___ to their healthy pre-2008 levels, rebuilding sufficient 7___ for policy manoeuvring.	a. *space* b. *strengthen* c. *tightening* d. *restrain* e. *monetary* f. *consolidation* g. *balances*
4	Strong actions by European policymakers helped improve 1___ and financial conditions. U.S. policymakers avoided the fiscal cliff but have 2___ to find durable solutions to other 3___ fiscal risks. Japan adopted more 4___ macroeconomic policies 5___ to a larger-than-expected slowdown. In the meantime, policy easing in key emerging market economies has supported internal 6___. Moreover, the production and consumption 7___ in many economies may have prepared them for an inventory-led 8___.	a. *failed* b. *expansionary* c. *rebound* d. *short-term* e. *in response* f. *confidence* g. *dynamics* h. *demand*
5	With improving global economic conditions, substantial capital 1___ in emerging market economies are 2___ to reemerge, which may require adjustments in the policy mix. Specifically, monetary policy tightening may not be as effective in preventing 3____ because it could reinforce capital inflows and 4___ credit. Economies with current account 5 ___ should consider allowing nominal 6___, which in turn should 7___ room for gradual monetary tightening.	a. *inflows* b. *likely* c. *overheating* d. *provide* e. *boost* f. *surpluses* g. *appreciation*
6	Structural policies aimed at 1___ favourable business and investment regimes have 2___significantly to their success. In addition, more foreign direct 3___ and improved 4___ positions helped achieve strong growth. Against this backdrop, 5___ should rebuild fiscal and external buffers if these are low. In many economies, high and 6___ commodity prices have led to strains on the 7___, and fiscal reform is 8___ needed to improve target -related subsidy regimes.	a. *fiscal* b. *fostering* c. *contributed* d. *investment* e. *volatile* f. *budget* g. *policymakers* h. *urgently*

7	As emerging market economies become increasingly important 1___ in the global economy, their share of the global cross-border flows of financial assets is also 2___. Because of their strong 3___ prospects, emerging market economies have 4___ foreign investors in search of higher returns, especially at a time of very low 5___ in advanced economies. And flows have also gone in the other direction, as the governments of emerging market 6___ have built up their foreign exchange 7___ by investing heavily in advanced economies.	a. *players* b. *economies* c. *growth* d. *attracted* e. *interest rates* f. *reserves* g. *rising*

Answer sheet

1	1	2	3	4	5	6	7	
2	1	2	3	4	5	6		
3	1	2	3	4	5	6	7	
4	1	2	3	4	5	6	7	8
5	1	2	3	4	5	6	7	
6	1	2	3	4	5	6	7	8
7	1	2	3	4	5	6	7	

TEST 9

1	Global activity has broadly 1 ___ and is expected to improve further in 2014-15, with much of the impetus coming from advanced economies. Inflation in these economies, however, was lower than 2 ___, reflecting still-large output gaps and recent 3 ___ price declines. Activity in many emerging 4___ has disappointed in a less favorable external financial 5___, although they continue 6 ___ more than two-thirds of global growth. Their output growth is expected to be lifted by stronger exports to 7___ economies. In this setting, 8___ risks have diminished.	a. *downside* b. *advanced* c. *projected* d. *commodity* e. *environment* f. *market economies* g. *strengthened* h. *to contribute*
2	The global recovery is still fragile despite improved 1___, and significant downside risks - both old and new - remain. Recently some new geopolitical 2 ___ have emerged. On old risks, those related to emerging market economies have increased with the 3 ___ external environment. Unexpectedly rapid normalization of U.S. monetary policy or renewed 4 ___ of high risk aversion on the part of investors could result in further financial 5 ___. This would lead to difficult 6 ___ in some emerging market economies, with a risk of 7 ___ financial stress, and thus lower growth.	a. *changing* b. *risks* c. *turmoil* d. *waves* e. *broad-based* f. *prospects* g. *adjustments*
3	Policymakers in advanced economies need to avoid a premature withdrawal of 1 ___ accommodation. In an environment of continued fiscal consolidation, still-large output gaps, and very low inflation, monetary policy should remain 2 ___. In the euro area, more monetary 3 ___, including unconventional measures, is necessary 4 ___ activity and help achieve the European Central Bank's price 5 ___ objective, thus lowering risks of even lower 6___ or outright deflation. Sustained low inflation would not likely be favorable to a suitable 7 ___ of economic growth.	a. *to sustain* b. *easing* c. *accommodative* d. *monetary* e. *stability* f. *recovery* g. *inflation*
4	Emerging market economies will have to weather turbulence and 1 ___ high medium-term growth. The appropriate policy measures will differ across these economies. However, many of them have some policy 2 ___ in common. First, policymakers should allow exchange rate 3 ___ to changing fundamentals and 4 ___ external adjustment. Where international 5 ___ are adequate, foreign exchange 6 ___ can be used to smooth 7 ___ and avoid financial disruption.	a. *priorities* b. *to respond* c. *maintain* d. *reserves* e. *interventions* f. *facilitate* g. *volatility*
5	Japan's GDP growth picked up to 1.5% in 2013 and industrial production, retail sales, and consumer confidence have been1 ___. While wage growth has remained low, 2 ___ prices and expanding credit have helped 3 ___ domestic demand. A weaker yen has benefited exports, albeit less than expected so far. Going forward, 4 ___ consolidation will be a driving force and supportive measure (including higher public 5 ___ and corporate tax cuts) will partly offset the 6 ___ of the consumption tax hike.	a. *strong* b. *asset* c. *impact* d. *underpin* e. *investment* f. *fiscal*
6	China's planned reforms, against the background of rising1 ___, are far-reaching and have the potential 2 ___ the economy. Implementation will be key. The reforms could enhance welfare by 3 ___ private consumption and making growth more sustainable, although the economy could initially 4 ___ down somewhat. While the near-term 5 ___ on the rest of Asia is generally 6 ___ to be small, most economies in the region would 7 ___ from the rising consumption in China.	a. *vulnerabilities* b. *slow* c. *to transform* d. *boosting* e. *benefit* f. *impact* g. *expected*

7	Across most of emerging Asia, given the relatively favorable near-term inflation outlook, countries appear to have space 1 ___ the current supportive stance of monetary policy. However, a gradual normalization of 2 ___ conditions should be 3 ___ as economic recession 4 ___ and risks recede. In some countries, if 5 ___ of payments pressures re-intensify, a policy 6 ___ would help reduce vulnerabilities and 7 ___ the inflationary impact of any exchange rate depreciation.	a. *monetary* b. *considered* c. *diminishes* d. *to maintain* e. *contain* f. *tightening* g. *balance*

Answer sheet

1	1	2	3	4	5	6	7	8
2	1	2	3	4	5	6	7	
3	1	2	3	4	5	6	7	
4	1	2	3	4	5	6	7	
5	1	2	3	4	5	6		
6	1	2	3	4	5	6	7	
7	1	2	3	4	5	6	7	

TEST 10

1	The region's growth cooled somewhat in early 2014 but is now broadly on track for a rebound. Growth will be 1 ___ by a bounce back in domestic demand, and for some, by stronger 2 ___. Downside risks stem from a sharp 3 ___ in global financial conditions, as well as from protracted weak 4 ___ in advanced economies. A homegrown concern 5 ___ from a sharp slowdown in the real estate sector, especially in China. Under the baseline projections, fiscal 6 ___ should proceed gradually, and 7___ tightening should start or continue where slack is negligible and inflation is high or rising. 8 ___ remain crucial for raising medium-term growth.	a. *structural reforms* b. *arises* c. *monetary* d. *growth* e. *tightening* f. *consolidation* g. *external demand* h. *driven*
2	Growth in emerging and developing Europe is also uneven, although domestic demand is 1___ in many countries in the region. With 2 ___ remaining, monetary and 3 ___ policies should be used to support demand and manage the risks from 4 ___, while fiscal policy should focus on 5 ___. Enhancing 6 ___ frameworks and 7 ___ labor market reforms remain 8 ___ for most countries in the region.	a. *market volatility* b. *exchange rate* c. *debt resolution* d. *strengthening* e. *downside risks* f. *priorities* g. *advancing* h. *rebuilding buffers*
3	Despite setbacks, an uneven global recovery continues. In advanced economies, the 1___ of the precrisis boom and the subsequent crisis, including high private and public debt, still 2 ___ on the recovery. Emerging markets are 3 ___ to rates of economic growth lower than those reached in the precrisis boom and the postcrisis recovery. Overall, 4 ___ is becoming more country specific. Other elements are also 5___ the outlook. Financial markets have been optimistic, with higher equity 6 ___, compressed spreads, and very low volatility. However, this has not translated into a 7___ in investment, which—particularly in advanced economies—has remained 8___.	a. *cast a shadow* b. *legacies* c. *the pace of recovery* d. *pickup* e. *subdued* f. *prices* g. *affecting* h. *adjusting*
4	In the wake of the global financial crisis, advanced economies have experienced much larger shocks than was previously thought possible, and sovereign-bank feedback loops have 1 ___ sovereign debt crises. This has led to 2 ___ what constituted "safe" sovereign debt levels for advanced economies and prompted a more risk-based 3 ___ to analyzing debt 4 ___. Precrisis views about the interaction between monetary and fiscal policy have also been challenged by the 5 ___ in central bank purchases of government 6 ___. This surge has helped 7___ financial market functioning, but 8 ___ the risk of fiscal dominance, it is critical that central bank support be a complement to, not a substitute for, 9 ___.	a. *reassessing* b. *sustainability* c. *amplified* d. *fiscal adjustment* e. *debt* f. *restore* g. *approach* h. *to minimize* i. *surge*
5	Yet global financial stability was facing new 1 ___, even as the legacy of the crisis was 2 ___. The United States needed to ensure an orderly exit from 3 ___ monetary policy and 4 ___ emerging vulnerabilities in the 5 ___ system. In the euro area, high unemployment and incomplete 6 ___ of bank and corporate balance sheets continued to be a drag on the recovery. And in emerging market economies, tighter external financial conditions could expose vulnerabilities from rapid buildup of 7 ___ and balance sheet 8 ___ and precipitate financial 9 ___. As such, the recovery remained modest and fragile.	a. *diminishing* b. *challenges* c. *to contain* d. *shadow banking* e. *unconventional* f. *leverage* g. *mismatches* h. *repair* i. *instability*

6	China must implement structural reforms to strengthen the foundations for a market economy by redefining the role of government, reforming and 1 ___ state enterprises and banks, developing the private sector, 2 ___ competition, and deepening markets. As an economy approaches the technology frontier and 3 ___ the potential for acquiring and applying technology from abroad, the role of the government needs 4___ fundamentally. While 5 ___ relatively fewer “tangible” 6 ___ and services directly, the government will need to provide more intangible public goods and services, which increase production 7 ___, promote competition, 8 ___ specialization, enhance the efficiency of resource allocation and reduce risks and uncertainties.	a. *promoting* b. *restructuring* c. *to change* d. *public goods* e. *providing* f. *facilitate* g. *efficiency* h. *exhausts*

Answer sheet

1	1	2	3	4	5	6	7	8	
2	1	2	3	4	5	6	7	8	
3	1	2	3	4	5	6	7	8	
4	1	2	3	4	5	6	7	8	9
5	1	2	3	4	5	6	7	8	9
6	1	2	3	4	5	6	7	8	

TEST 11

1	Growth is now stronger in the United States and Canada after a 1___ in the first quarter of 2014. However, many 2___, from both domestic and external sources, remain relevant. In the United States, 3___ normalization should be gradual 4_____ the recovery and 5___ negative domestic or global spillovers. Medium-term growth should be strengthened by 6___ infrastructure and human capital. In Canada, stronger exports and business investment are expected 7___ into more balanced growth, but housing market risks should continue to be closely 8___.	a. *monetary policy* b. *downside risks* c. *slowdown* d. *to sustain* e. *to translate* f. *avert* g. *monitored* h. *upgrading*
2	Advanced Europe is experiencing a multispeed 1 ___. Growth is still weak in the euro area, with lingering risks of more protracted low 2___ and low inflation. Elsewhere in Europe, housing market risks are 3 ___ in some advanced economies. In the euro area, the priority is 4 ___ the recovery, raise inflation, and lift medium-term growth through a mix of 5 ___ monetary policy, strengthening bank and corporate 6 ___, completing the banking union, and 7 ___ structural reforms. Advanced European economies outside the euro area should 8 ___ financial sector vulnerabilities from the housing market.	a. *to strengthen* b. *accommodative* c. *mitigate* d. *growth* e. *balance sheets* f. *recovery* g. *emerging* h. *implementing*
3	Two developments stand out among the changes in international banking since the global financial crisis. First, direct cross-border 1 ___ as a share of total banking assets has 2 ___, mostly because of the retrenchment of European banks. Second, the share of local lending by foreign bank 3 ___ has remained steady. Global banks in particular have 4 ___ their activities on some key markets, leaving 5 ___ for other banks to expand. As a result, 6 ___ financial linkages have deepened, especially in Asia. Although the cutback in cross-border lending was 7 ___ by the crisis, regulatory changes and weaknesses in bank balance sheets have contributed significantly to the subsequent retrenchment. Better-capitalized banks were more likely 8 ___ cross-border lending. Macroeconomic factors have also played a role.	a. *lending* b. *refocused* c. *to maintain* d. *triggered* e. *affiliates* f. *space* g. *intraregional* h. *declined*
4	Prior to the crisis, central banks in major advanced economies 1 ___ monetary policy in the context of an established framework, largely 2 ___ on a stable banking system. With the 3 ___ in the real economy and risks of deflation, optimal short-term 4 ___ became negative. Central banks could thus no longer rely on their traditional 5 ___—the short-term policy rate— 6 ___ monetary conditions and provide needed support for demand. Central banks turned to 7___ monetary policies to restore market functioning and 8 ___, and to provide support to economic activity at the zero lower 9 ___ on short-term interest rates.	a. *unconventional* b. *downturn* c. *bound* d. *instrument* e. *to loosen* f. *set* g. *built* h. *intermediation* i. *interest rates*
5	Policy actions in 2014 helped stabilize the global economy. The United States has 1 ___ a budget and debt 2 ___ extension, and a strengthening economy has 3 ___ for normalization of monetary policy. These steps removed important 4 ___ that were clouding the outlook. In Europe, greatly reduced tail risks due to the 5 ___ of policies at the national and regional levels and the return of growth in almost all countries led to substantial improvements in 6 ___ in both sovereigns and banks. In Japan, "Abenomics" was making a good start as 7 ___ pressures were abating and confidence was rising. And emerging market economies, after having experienced several 8 ___, were 9 ___ policies in the right direction.	a. *set the stage* b. *ceiling* c. *adopted* d. *deflationary* e. *adjusting* f. *implementation* g. *market confidence* h. *uncertainties* i. *bouts of volatility*

6	It is essential to seek mutually beneficial relations with the world. By continuing to intensify its trade, investment, and financial links with the global economy, China will be able to1 ___ from further specialization, increased investment 2 ___ and higher 3 ___ on capital. Integration of the Chinese 4 ___ with the global financial system will need 5 ___ steadily and with considerable care, but it will be a key step toward internationalizing the yuan as a global 6 ___. China must play a central role in engaging its partners in multilateral settings to shape the global governance agenda and 7 ___ pressing global economic issues such as climate change, global financial 8 ___, and a more effective international aid architecture.	a. *opportunities* b. *financial sector* c. *reserve currency* d. *returns* e. *to be undertaken* f. *stability* g. *address* h. *benefit*

Answer sheet

1	1	2	3	4	5	6	7	8	
2	1	2	3	4	5	6	7	8	
3	1	2	3	4	5	6	7	8	
4	1	2	3	4	5	6	7	8	9
5	1	2	3	4	5	6		8	9
6	1	2	3	4	5	6	7	8	

TEST 12

1	Against the backdrop of weak global growth in 2016, the world economy is seeing 1 _________ shifts in its economic and policy landscape. Since last October, the 2 _________ for advanced economies for 2017–18 has improved, reflecting better growth prospects in the United States, Europe, and Japan—alongside some 3 _________ in manufacturing and trade and likely U.S.4 _________stimulus. With the anticipated change in the U.S. policy mix, including faster monetary 5 _________ and a stronger U.S. dollar, market 6 _________in advanced economies has improved and 7. _________ markets have been buoyant.	a. *equity* b. *fiscal* c. *outlook* d. *tightening* e. *underlying* f. *sentiment* g. *rebound*
2	In the short term, macroeconomic policy 1 _________vary across emerging and developing economies. While many commodity exporters 2 _________ continued pressure to tighten monetary and fiscal policy, 3 _________ importers need to maximize the 4 _________of past terms-of-trade gains. Over the medium term, both groups need to reduce 5 _________and rebuild policy space 6 _________with future shocks, including those that could result from policy changes in advanced economies. The need for domestic sources of growth increases the 7 _________ of structural reforms, particularly those that 8 _________investment in human and physical capital.	a. *commodity* b. *boost* c. *challenges* d. *urgency* e. *benefits* f. *to cope* g. *face* h. *vulnerabilities*
3	Chinese authorities are expected to maintain emphasis on protecting 1 _________stability on the way to the leadership transition. Progress with demand-side rebalancing and reducing 2 _________ industrial capacity has continued, but so has the reliance on stimulus measures3 _________ high rates of growth and the Chinese economy's dangerous 4 _________ on rapidly expanding credit. Recent months have seen a return of capital 5 _________, reflecting market expectations of renminbi 6 _________ against the dollar and narrowing 7 _________ differentials as global interest rates increased.	a. *excess* b. *outflows* c. *macroeconomic* d. *depreciation* e. *to maintain* f. *yield* g. *dependence*
4	With buoyant financial markets and a long-awaited cyclical recovery in manufacturing world growth is 1 _________ to rise. But binding structural impediments continue 2 _________ a stronger recovery, and the balance of risks remains tilted to the 3 _________. With persistent structural problems pressures for inward-looking policies are 4 _________ in advanced economies. These threaten global economic 5 _________ and the cooperative global 6 _________ that has served the world economy.	a. *increasing* b. *economic* c. *to hold back* d. *projected* e. *downside* f. *integration*
5	Emerging market and developing economies have become increasingly important in the global economy in recent years. The external environment has been important for this 1 _________. As these economies have 2 ________ into the global economy, 3 _________ of trade, external demand, and, in particular, external financial conditions have become increasingly influential 4 _________. With potentially persistent 5 _________ shifts occurring in the global economy, emerging market and developing economies may face a less 6 _________external environment.	a. *integrated* b. *structural* c. *determinants* d. *transformation* e. *supportive* f. *terms*

6	In Russia, the economy is projected to continue its 1 _________ recovery in 2017. Inflation is expected to fall further toward the central bank's inflation target over the course of 2017, 2 _________ the conditions for the central bank to gradually resume monetary policy 3 _________ with due attention to external risks and the need to build the 4 _________ of the newly introduced 5 _________regime. The reestablishment of a three-year fiscal framework will help facilitate the consolidation required by lower oil 6 _________. However, to sustain the significant 7 _________, better-targeted and more permanent reforms to the pension system, subsidies, and tax 8 _________ are needed.	a. *revenues* b. *nascent* c. *exemption* d. *easing* e. *adjustment* f. *providing* g. *credibility* h. *inflation-targeting*
7	The near-term outlook for China has 1 _________ in recent months, with policy support expected 2 _________steady growth on the way to the leadership transition in late 2017. The complex process of 3 _________ is advancing on multiple fronts. Progress lags along one critical dimension, however: heavy 4 _________ on credit to support activity presents the considerable risks that have accrued in recent years from the rapid 5 _________ of corporate and local government debt. With 6 _________ continuing to accumulate, the macro policy mix needs 7 _________ on containing the problems by accepting slower and more 8 _________ growth outcomes.	a. *to maintain* b. *vulnerabilities* c. *buildup* d. *strengthened* e. *to focus* f. *reliance* g. *sustainable* h. *rebalancing*

Answer sheet

1	1	2	3	4	5	6	7	
2	1	2	3	4	5	6	7	8
3	1	2	3	4	5	6	7	
4	1	2	3	4	5	6		
5	1	2	3	4	5	6		
6	1	2	3	4	5	6	7	8
7	1	2	3	4	5	6	7	8

TEST 13

1	In Brazil, the pace of contraction has 1 __, but investment and output had yet to bottom out at the end of 2016, while fiscal crises in some states continue 2 ________. Inflation has continued to surprise on the downside, allowing for prospects of faster monetary 3 _________. Growth is 4 _________ to recover gradually and remain moderate. Against this backdrop, Brazil's macroeconomic prospects depend on the 5 _________ of ambitious structural economic and fiscal reforms. Reforms to boost potential growth are needed not only to restore and improve living standards after the deep 6 _________, but also to facilitate the fiscal 7 _________.	a. *to deepen* b. *implementation* c. *diminished* d. *consolidation* e. *projected* f. *easing* g. *recession*
2	In the United States, the economy 1 _________momentum in the second half of 2016, with strong job creation, solid growth in 2 _________income, and robust consumer spending. A credible debt-reduction strategy is needed to open up space for policies to improve social outcomes and lift productive capacity while putting the debt 3 _________ firmly on a downward path. The fiscal 4 _________ should remain neutral this year. Structural and fiscal policies should seek 5 _________the public infrastructure, boost labor force participation, and 6 _________ human capital.	a. *disposable* b. *stance* c. *ratio* d. *to upgrade* e. *regained* f. *enhance*
3	In the euro area, the European Central Bank should maintain its current 1 _________stance. Additional easing may be needed if 2 _________ inflation fails to pick up. Critically, monetary policy will be more effective if supported by measures to clean up 3 _________, strengthen the financial sector and accelerate structural reforms. Specifically, a critical priority for 4 _________ growth and limiting 5 _________ risks in the euro area is to accelerate the resolution of 6 _________ loans, including through a combination of greater supervisory encouragement, 7 _________reform, and the development of distressed 8 _________markets.	a. *insolvency* b. *accommodative* c. *boosting* d. *core* e. *downside* f. *balance sheets* g. *nonperforming* h. *debt*
4	The above measures will help support economic and financial stability and 1 _________ confidence. However, these policies need to be 2 _________ with structural reforms that lift potential output. So far, the more 3 _________ exchange rate has not ignited a 4 _________ response from non-traditional sectors of the economy and a new growth model that is less 5 _________ on commodities has yet to emerge. The authorities have 6 _________ some structural measures such as 7 _________ some state-owned companies. However, a wider reform agenda is needed to jump start investment, support the 8 _________ of factors of production from the non-tradable to the tradable sectors, and increase productivity.	a. *dependent* b. *improve* c. *reallocation* d. *robust* e. *supplemented* f. *privatizing* g. *undertaken* h. *competitive*
5	The drop in oil prices, together with sluggish growth due to the 1 _________ in structural reforms, reduced government 2 _________ and thus the government's ability 3 _________ inclusive growth. Fiscal pressures, reflecting a combination of structural issues and past social expenditure trends, now present a serious economic 4 _________ for Russia. Tradeoffs arise for the government between its role of provider of 5 _________ services, education, and health, and 6 _________ a sustainable fiscal stance. Addressing fiscal stresses will be essential to maintain macroeconomic 7 _________and continue the progress made on income mobility in the past decade.	a. *stability* b. *to sustain* c. *maintaining* d. *slowdown* e. *social* f. *revenues* g. *challenge*

6	A key challenge is related to the continued need 1 _________ financial sector stability and deepening. The state continues to have a 2 _________ role in the financial sector, crowding out other 3 _________ participants and effectively discouraging new foreign entrants. Weak competition was 4 _________ by the recent 5 _________, when anti-crisis support went primarily to the large systemically important 6 _________ banks. To facilitate growth in investment, especially in infrastructure and human capital 7 _________, new sources of private capital to better support long-term financing options would need to be identified and developed.	a. *crisis* b. *public* c. *to support* d. *investment* e. *dominant* f. *exacerbated* g. *market*
7	Maintaining macroeconomic stability and 1 _________ constraints on productivity growth are 2 _________ for growth and shared prosperity. Boosting productivity growth will 3 _________structural reforms to achieve more efficient allocation of labor and capital between sectors and firms and to level the playing field for 4 _________ investors. Key policies include easing administrative 5 _________ to doing business, reducing transportation and logistics 6 _________, and providing more equal 7 _________ to factors of production and markets by enhancing competition.	a. *require* b. *access* c. *overcoming* d. *costs* e. *private* f. *preconditions* g. *barriers*

Answer sheet

1	1	2	3	4	5	6	7	
2	1	2	3	4	5	6		
3	1	2	3	4	5	6	7	8
4	1	2	3	4	5	6	7	8
5	1	2	3	4	5	6	7	
6	1	2	3	4	5	6	7	
7	1	2	3	4	5	6	7	

TEST 14

1	China is in the midst of a precarious 1 _______ from investment-led growth to a more balanced, consumption-based model. Its investment surge has prompted plenty of bad 2 _______. But the central government has the fiscal strength both to 3 _______ losses and to stimulate the economy if necessary. That is a luxury few emerging economies have ever had. It makes disaster much less likely. And with rich-world economies still 4 _______ , there is little chance that monetary conditions will suddenly 5 _______. Even if they did, most 6 _______ economies have better defenses than ever before, with flexible exchange rates, large amount of foreign exchange 7 _______ and relatively less debt.	a. *unstable* b. *emerging* c. *shift* d. *tighten* e. *reserves* f. *debts* g. *absorb*
2	Russia's burst of speed was propelled by a 1 _______ in energy prices driven by Chinese growth. Brazil sprinted ahead with the help of a boom in commodities and domestic 2 _______; its current combination of 3 _______ inflation and slow growth shows that its 4 _______ economic speed limit is a lot lower than most people thought. The same is true of India, where double-digit 5 _______ rises in GDP led politicians, and many investors, to confuse the potential for rapid 6 _______ with its inevitability. India's growth rate could be 7 _______ again, but not without 8 _______ reforms.	a. *catch-up* b. *surge* c. *persistent* d. *annual* e. *radical* f. *underlying* g. *pushed-up* h. *credit*
3	A slowing China has dragged down emerging markets, like Brazil, Indonesia and Zambia. From now on, more of the demand that China 1 _______ will come from services. The supply glut will affect 2 _______ prices for other reasons, too. Oil's descent, for instance, also reflects the extra 3 _______ of Saudi Arabia and the 4 _______ of American shale producers. Sliding currencies are adding to the burden on emerging-market firms with local-currency 5 _______ and dollar-denominated debt. More fundamentally, emerging-market growth has been 6 _______ slowing since 2010. Brazil and Russia have lost the chance7 _______ productivity-enhancing reforms and are suffering.	a. *to enact* b. *resilience* c. *creates* d. *revenues* e. *commodity* f. *output* g. *slowing*
4	Turmoil has become a commonplace of financial 1 _______ in recent summers. An unexpected 2 _______ of the yuan 3 _______ fears about the state of China's economy, setting off falls in commodities and emerging-market currencies. Stock markets in Europe and America are unstable. Malaysia's currency is at its 4 _______ level since the Asian crisis in 1998. But two countries, and the relationship between them, provide a framework for understanding these developments. America is still the world's biggest economy and sets the tone for 5 _______ rates and currencies globally. China has been the 6 _______ big economy by a distance. America's recovery is gradually gathering 7 _______ while China's economy is slowing sharply.	a. *markets* b. *fastest-growing* c. *devaluation* d. *lowest* e. *fuelled* f. *pace* g. *interest*
5	Healthy growth in the world's largest economy is good news. But it is bringing closer the moment when the Federal Reserve 1 _______ interest rates for the first time in almost a decade. That prospect has pushed up the dollar, which has risen by 15% against its trading 2 _______ in the past two years. And it has squeezed emerging markets in two ways. First, capital is drawn towards 3 _______ American assets, rather than being 4 _______ at home; and, second, corporate 5 _______ in the developing world 6 _______ currency risk on the $1.3 trillion of dollar-denominated bonds they have 7 _______ since 2010.	a. *invested* b. *face* c. *borrowers* d. *higher-yielding* e. *partners* f. *raises* g. *issued*

6	Asia's financial systems 1 _______ from low-income economies where few have 2 _______ to financial services, to some of the world's most advanced global hubs. Asia learned important lessons from the 1997-98 Asian financial crisis, which helped 3 _______ the blow of the global financial crisis. But rapid credit growth, household and corporate 4 _______ may be weaker during a future crisis. The region's stock markets are large, but in many countries, stronger regulation could 5 _______ their role as a reliable source of financing for companies. Bond markets have grown rapidly in recent years, and encouraging more 6 _______ investors will help recycle Asia's large pool of savings into 7 _______ investments.	a. *leverage* b. *long-term* c. *enhance* d. *access* e. *range* f. *institutional* g. *cushion*
7	Medium-term fiscal policy should provide for continued spending on strategic public investments while shielding poor and 1 _______ households from the challenge of the fiscal adjustment. Ensuring that the burden of the adjustment is equitably distributed and that the fiscal 2 _______ is consistent with long-term productivity 3 _______ will likely require a comprehensive review of spending 4 _______ focusing on key areas, such as national defense, economic subsidies, and 5 _______ programs and pensions. Investment decisions should follow a 6 _______ process based on assessment of financial viability to ensure that 7 _______ capital resources generate adequate long-term returns.	a. *consolidation* b. *social* c. *priorities* d. *transparent* e. *growth* f. *scarce* g. *vulnerable*

Answer sheet

1	1	2	3	4	5	6	7	
2	1	2	3	4	5	6	7	8
3	1	2	3	4	5	6	7	
4	1	2	3	4	5	6	7	
5	1	2	3	4	5	6	7	
6	1	2	3	4	5	6	7	
7	1	2	3	4	5	6	7	

TEST 15

1	As countries get richer, their financial sectors also 1 _______ but the pace 2 _______ over time. As Asia 3 _______ with rich economies, the pace of growth of its financial sector is likely to slow. Today, Asia's 4 _______ systems are relatively conservative and simple. But the complexity of these systems and global 5 _______ will grow in coming years, presenting new 6 _______ for regulators and supervisors. This is particularly true in Hong Kong and Singapore, Asia's financial hubs. Ensuring that these cities continue 7 _______ Asia's financial development in a stable way will require 8 _______ cooperation among supervisors.	a. *to support* b. *financial* c. *stepping up* d. *grow* e. *challenge* f. *slows* g. *integration* h. *catches up*
2	Capital flows into Asian economies are already large, and 1 _______ to grow further. Asia's good investment 2 _______ and market size have led to strong 3 _______. But deepening financial integration, Japan's 4 _______ easing, and capital account liberalization in China will lead to even more growth. While this will help support growth and 5 _______ jobs, it could also mean more volatility. Asia is a world leader in 6 _______ policies aimed at containing financial risk. Building on these strengths will be key to managing new flows.	a. *macroprudential* b. *monetary* c. *expected* d. *create* e. *prospects* f. *inflows*
3	Exports to China 1 _______ for less than 9% of total shipments from developing countries, whereas 2 _______ to the rich world account for 55%. For countries exporting food and fuel - the majority of the global 3 _______ trade - China's slowdown has had a limited impact. Deflation in China puts pressure on firms in other emerging markets 4 _______ prices. And some worry that the yuan's fall may initiate a series of competitive 5 _______ , with other exporters racing to weaken their exchange rates or resorting to trade 6 _______ as a last resort. Fortunately, the changes in China's exchange-rate 7 _______ do not seem nearly big enough to set such a vicious cycle in motion.	a. *to cut* b. *account* c. *regime* d. *exports* e. *devaluation* f. *resource* g. *barriers*
4	An American rate rise could put pressure on emerging markets in a variety of ways. Rising rates will 1 _______ to the attraction of American assets, potentially making the dollar even 2 _______. For the governments, households and firms in the developing world that have 3 _______ trillions of dollars in recent years, interest and repayment costs will climb in terms of local currency. If fears about their debts lead to more outflows of 4 _______, central banks in the weakest countries will face a difficult choice between letting their currencies 5 _______ and raising interest rates to defend them. The former will only aggravate the 6 _______ of their foreign-debt load; the latter will 7 _______ growth.	a. *add* b. *capital* c. *stifle* d. *burden* e. *borrowed* f. *stronger* g. *plummet*
5	The task today is to find a form of fiscal policy that can 1 _______ the economy in the bad times without entrenching government in the good. That means going beyond the standard response to calls for more public spending: namely, infrastructure investment. To be clear, spending on 2 _______ infrastructure is a good thing. To manage the risk of pricey projects, private-sector partners should be 3 _______ from the start. Pension and insurance funds are desperate for 4 _______ assets that will 5 _______ the steady income they have promised to retirees. Specialist pension funds can advise on a project's merits, with one eye on eventually 6 _______ the assets in question.	a. *buying* b. *productive* c. *generate* d. *revive* e. *involved* f. *long-lasting*

6	Uncertainty about fiscal policy represents a significant risk to Russia's 1 _______ growth prospects, just as the volatility of oil revenues has 2 _______ medium-term fiscal planning. Russia has a disproportionately large 3_______ sector: a significant share of the 4 _______ is employed by the public administration or by state-owned enterprises, banks, and other financial 5 _______, and many households are directly 6 _______ on wages from public employment. Because Russia has a relatively generous social 7 _______ system, transfers and pensions also constitute a 8 _______ share of household income.	a. *complicated* b. *welfare* c. *institutions* d. *medium-term* e. *substantial* f. *public* g. *dependent* h. *workforce*
7	Given the state's prominent role in the economy, many private firms 1 _______ on public contracts. Thus, fiscal planning strongly 2 _______ public views on the economy and has major implications for employment, 3 _______ incomes, service delivery, and economic growth. The prospects for a 4 _______ fiscal policy, uncertainty about fiscal priorities, and long fiscal planning horizons significantly heighten economic 5 _______ for households and firms. A clear, well-sequenced plan for 6 _______ the deficit over the next few years would allow them to make better 7 _______ and investment decisions.	a. *tighter* b. *consumption* c. *rely* d. *uncertainty* e. *affects* f. *eliminating* g. *household*

Answer sheet

1	1	2	3	4	5	6	7	8
2	1	2	3	4	5	6		
3	1	2	3	4	5	6	7	
4	1	2	3	4	5	6	7	
5	1	2	3	4	5	6		
6	1	2	3	4	5	6	7	8
7	1	2	3	4	5	6	7	

ANSWER KEY

TEST 1

1	1A	2B	3D	4C	5F	6E			
2	1D	2A	3E	4B	5F	6C	7G	8H	
3	1E	2B	3F	4C	5G	6D	7A		
4	1E	2C	3A	4D	5B				
5	1D	2F	3C	4E	5B	6A	7G		
6	1A	2E	3C	4D	5B				
7	1E	2F	3H	4D	5G	6C	7I	8B	9A

TEST 2

1	1B	2G	3E	4F	5C	6D	7A
2	1F	2B	3A	4E	5D	6C	
3	1A	2E	3C	4D	5B	6F	
4	1F	2C	3A	4B	5D	6E	
5	1D	2B	3E	4A	5C	6F	
6	1D	2A	3B	4F	5G	6C	7E

TEST 3

1	1D	2A	3E	4B	5F	6C	7G	
2	1D	2G	3A	4F	5C	6B	7E	
3	1B	2E	3F	4D	5G	6A	7C	
4	1D	2G	3E	4A	5H	6F	7B	8C
5	1C	2H	3D	4A	5F	6B	7E	8G
6	IB	2E	3H	4A	5G	6D	7C	8F

TEST 4

1	1B	2E	3C	4F	5G	6A	7D	
2	1D	2F	3B	4E	5G	6C	7A	
3	1B	2C	3E	4H	5A	6D	7F	8G
4	1D	2A	3E	4G	5C	6B	7F	
5	1B	2C	3A	4F	5E	6D		
6	1B	2G	3D	4A	5F	6C	7H	8E
7	1H	2E	3B	4G	5D	6A	7F	8C

TEST 5

1	1C	2A	3D	4H	5F	6B	7G	8E
2	1C	2A	3D	4F	5G	6E	7B	
3	1H	2A	3B	4C	5D	6F	7G	8E
4	1G	2C	3D	4B	5E	6F	7A	
5	1F	2A	3D	4C	5E	6G	7B	
6	1B	2G	3F	4C	5A	6D	7H	8E
7	1B	2A	3F	4C	5D	6E	7G	

TEST 6

1	1G	2B	3A	4F	5D	6C	7E	
2	1C	2F	3B	4D	5E	6G	7A	8H
3	1B	2E	3F	4D	5A	6C	7G	
4	1F	2H	3B	4C	5G	6E	7A	8D
5	1B	2C	3A	4D	5H	6E	7F	8G
6	1C	2D	3E	4A	5B	6F		

TEST 7

1	1H	2F	3G	4C	5D	6E	7B	8A	
2	1G	2D	3C	4B	5A	6H	7E	8I	9F
3	1A	2E	3H	4B	5C	6F	7G	8D	
4	1B	2C	3A	4F	5G	6E	7D		
5	1E	2B	3D	4A	5F	6H	7G	8C	
6	1B	2C	3D	4F	5A	6H	7G	8E	

TEST 8

1	1D	2K	3A	4G	5B	6E	7F	
2	1A	2D	3C	4F	5E	6B		
3	1F	2B	3C	4E	5D	6G	7A	
4	1F	2A	3D	4B	5E	6H	7G	8C
5	1A	2B	3C	4E	5F	6G	7D	
6	1B	2C	3D	4A	5G	6E	7F	8H
7	1A	2G	3C	4D	5E	6B	7F	

TEST 9

1	1G	2 C	3 D	4 F	5 E	6 H	7 B	8 A
2	1F	2 B	3 A	4 D	5 C	6 G	7 E	
3	1D	2 C	3 B	4 A	5 E	6 G	7 F	
4	1C	2 A	3 B	4 F	5 D	6 E	7 G	
5	1A	2 B	3 D	4 F	5 E	6 C		
6	1 A	2 C	3 D	4 B	5 F	6 G	7 E	
7	1D	2 A	3 B	4 C	5 G	6 F	7 E	

TEST 10

1	1 H	2 G	3 E	4 D	5 B	6 F	7 C	8 A	
2	1 D	2 E	3 B	4 A	5 H	6 C	7 G	8 F	
3	1 B	2 A	3 H	4 C	5 G	6 F	7 D	8 E	
4	1 C	2 A	3 G	4 B	5 I	6 E	7 F	8 H	9 D
5	1 B	2 A	3 E	4 C	5 D	6 H	7 F	8 G	9 I
6	1 B	2 A	3 H	4 C	5 E	6 D	7 G	8 F	

TEST 11

1	1C	2 B	3 A	4 D	5 F	6 H	7 E	8 G	
2	1F	2 D	3 G	4 A	5 B	6 E	7 H	8 C	
3	1A	2 H	3 E	4 B	5 F	6 G	7 D	8 C	
4	1 F	2 G	3 B	4 I	5 D	6 E	7 A	8 H	9 C
5	1 C	2 B	3 A	4 H	5 F	6 G	7 D	8 I	9 E
6	1 H	2 A	3 D	4 B	5 E	6 C	7 G	8 F	

TEST 12

1	1E	2C	3G	4B	5D	6F	7A	
2	1C	2G	3A	4E	5H	6F	7D	8B
3	1C	2A	3E	4G	5B	6D	7F	
4	1D	2C	3E	4A	5F	6B		
5	1D	2A	3F	4C	5B	6E		
6	1B	2F	3D	4G	5H	6A	7E	8C
7	1D	2A	3H	4F	5C	6B	7E	8G

TEST 13

1	1C	2A	3F	4E	5B	6G	7D	
2	1E	2A	3C	4B	5D	6F		
3	1B	2D	3F	4C	5E	6G	7A	8H
4	1B	2E	3H	4D	5A	6G	7F	8C
5	1D	2F	3B	4G	5E	6C	7A	
6	1C	2E	3G	4F	5A	6B	7D	
7	1C	2F	3A	4E	5G	6D	7B	

TEST 14

1	1C	2F	3G	4A	5D	6B	7E	
2	1B	2H	3C	4F	5D	6A	7G	8E
3	1C	2E	3F	4B	5D	6G	7A	
4	1A	2C	3E	4D	5G	6B	7F	
5	1F	2E	3D	4A	5C	6B	7G	
6	1E	2D	3G	4A	5C	6F	7B	
7	1G	2A	3E	4C	5B	6D	7F	

TEST 15

1	1D	2F	3H	4B	5G	6E	7A	8C
2	1C	2E	3F	4B	5D	6A		
3	1B	2D	3F	4A	5E	6G	7C	
4	1A	2F	3E	4B	5G	6D	7C	
5	1D	2B	3E	4F	5C	6A		
6	1D	2A	3F	4H	5C	6G	7B	8E
7	1C	2E	3G	4A	5D	6F	7B	

Part 2

Thesis Development

Thesis development writing is the second part of the exam procedure. You are expected to show how skilful you are in producing a piece of writing on a particular topic. The aim is two-fold. First, this exam is to test your ability to read and analyze a written text, trying to understand the author's position. Second, it is intended to make you use the selected information to produce your own piece of writing (170–200 words) with a particular focus on the task given before the text. You will have 60 minutes and the space of one A4 page. You cannot go beyond the margins that you will find on the page.

This work includes a number of stages we find important for you to go through:

- be sure that the task which comes before the text is quite clear to you
- read the text carefully bearing the task in mind
- highlight the necessary information right in the text; we welcome you to mark off the information necessary to develop the point of the task
- organize the selected information in a logical order
- formulate a thesis statement and develop it in a number of paragraphs
- make your piece of writing coherent both logically and formally

A thesis statement normally appears at the beginning of the introductory paragraph of a paper. It contains a concise summary of the main point or claim of the paper. The thesis statement is developed, supported, and explained in the course of the paper with the help of examples, facts and evidence.

A successful thesis statement has two major characteristics:

- the statement should be a generalization; it cannot be merely a fact
- it should be a limited generalization that is sharply focused and can be developed within a given limit of time and space

Paragraph structure

The basic structure of a paragraph is, in a sense, like that of an essay. A paragraph has the beginning, the body and the end. In the first sentence, which is often the topic sentence, you usually indicate the main idea to be developed in the paragraph. The body contains the supporting sentences (evidence, facts, examples, figures, etc). The last sentence concludes the paragraph, offering the final thought on the topic. Each paragraph focuses on one idea which supports and develops the central thesis. Each turn of thought requires a new paragraph.

Like links in a chain, each paragraph is a separate entity, but related to the whole. That is to say, cohesion in your text as well as cohesion in every paragraph is achieved through repetition of key terms, pronoun reference and link-words (see: E. Kleymenova, L. Kulik. *English for Senior Students of Economics*. 2014. p. 10).

Stylistic requirements to scientific writing

Your writing skills will be estimated in accordance with the basic stylistic parameters of a scientific text. Briefly they may be formulated as follows:

- impersonal character of writing (e.g. *I think, to my mind* are inappropriate)
- a wide use of terminological units combined with appropriate clichés
- a wide variety of sentence and grammar structures (active and passive constructions, subordinate clauses, participle constructions, etc.)
- a wide variety of logical markers which help structure the text.

A

TEXT 1

Task: How can deregulation and good will of policymakers keep industrial economies viable?

How Industrial Countries can Overcome Obstacles to Structural Reforms

Many industrial countries are in dire need of structural reform if they are to successfully address multifaceted challenges to their societies, including aging populations, rising pension and health care costs, and increasing global competition. But though the need for and benefits of reforms are widely recognized, actual reforms have frequently been less ambitious than was desirable. What are the obstacles to reform? And what can be done to overcome them? For the April 2004 World Economic Outlook (WEO), IMF staff researched structural reforms in industrial countries over the past three decades to distill lessons from past experience. One key lesson is that economic recoveries — such as the one currently under way — provide a favorable policy environment for launching reforms.

Structural reforms have generally been associated with the notion of increasing the role of market forces, including competition and price flexibility. The term is often used interchangeably with deregulation—that is, reducing the extent to which government regulations or ownership of productive capacity affects the decision making of private firms and households. This perception clearly reflects a broad global trend during the past two to three decades, when structural reforms often focused on replacing general, across-the-board restrictions on competition and entry by new firms with more targeted, less intrusive restrictions. This broad policy shift mirrored a variety of factors, including growing evidence that not only markets but also governments can fail because of problems such as asymmetric information, management and incentive problems, and the pernicious influence of vested interests on regulatory policies.

It would, however, be misleading to equate structural reforms with the goal of abandoning regulation altogether. Fundamentally, structural reforms aim at creating institutional frameworks and regulations that allow markets to work better. Some markets are prone to market failure or inefficiency. In these situations, well-designed government regulations can prevent less than desirable market outcomes.

Great benefits can be derived from structural reforms, especially if the reforms are packaged to create maximum synergies. However, there is often strong opposition to reform because of short-term losses to specific groups within society. Overcoming these obstacles can be difficult, and many determining factors, such as the international economic climate, are not under the control of policymakers. Nevertheless, the WEO's research team identified four factors that help determine reforms' success:

- A recovery from a downturn is a good time to start reforms. Difficult economic conditions often make the need for reform more obvious, thereby weakening traditionally strong interest groups and creating a more fertile environment for reform. Historically, reforms that coincide with economic recoveries tend to be more ambitious in scope than reforms implemented during good times.
- Since reforms feed on each other, it is important to invest political capital in launching the reform momentum. Experience shows that reforms in other areas can foster reform in labor markets and tax systems—politically the most difficult sectors to reform. Combining reforms can create important synergies and reduce short-term costs, which makes them more acceptable politically.
- Countries should seek to improve their fiscal positions to have the fiscal flexibility needed to support reforms. Experience shows that reforms are more likely to succeed when fiscal positions allow for compensation to those most negatively affected.
- Finally, policymakers should use outside competitive and peer pressure to advance reforms. For example, if a specific market is still relatively sheltered from international competition, it might be a good idea to open up the sector to competition before proceeding with other reforms.

TEXT 2

Task: Formulate the prospects and ways to ensure economic growth in the Commonwealth of Independent States.

Commonwealth of Independent States: an Improving but Vulnerable Outlook

After a relatively strong start, activity decelerated in the CIS during the course of 2012, bringing growth down to 3 percent for the year, from 4 percent in 2011. The global slowdown affected exports across the region, although the impact was stronger in the European CIS countries than in the Caucasus and central Asia. Domestic demand also weakened, for varying reasons: in Russia because export prices for oil stopped rising, and in Ukraine because of higher interest rates used to defend the exchange rate. Georgia's economy slowed in the second half of the year because of uncertainties stemming from October's election and the coming political transition. Moldova's growth came to a halt in 2012, the result of a poor harvest, slowing trade, and stagnating remittances. Growth in the Kyrgyz Republic fell sharply, induced by shortages in gold production. A temporary decline in oil output accounted for the slowing of GDP growth in Kazakhstan.

Growth in the CIS is projected to remain at 3 percent in 2013 and pick up to 4 percent in 2014, underpinned by the gradual global recovery and stable commodity prices. Improved financial conditions lend further support. Since the middle of 2012, the reduction in euro area tail risks has helped ease access to international capital markets. In the Caucasus and central Asia, growth is projected to remain near 6 percent during 2013–14, well in excess of the CIS regional aggregate. Growth will continue to be underpinned by healthy remittance flows from Russia and high commodity (energy and minerals) prices.

- Russia's growth is projected to remain at 3 percent this year because the output gap is essentially closed and growth is running close to potential.
- In Ukraine, after nearly zero growth in 2012 because of deteriorating terms of trade, GDP growth is likely to remain low in 2013 under unchanged policies.
- Growth in Armenia will moderate to about 4 percent during 2013–14 compared with more than 7 percent in 2012, as a return to more normal weather conditions, a slowdown in credit expansion, and a continuation of fiscal consolidation bring the economy back toward trend growth.
- In Turkmenistan, growth during 2013–14 will be close to 8 percent, led by growing gas exports to China and public investment expenditures.

Inflation is expected to remain close to current levels in 2013. In Russia, it will average about 7 percent. In Ukraine, inflation is projected to remain at 0.5 percent in 2013. There is concern that early policy easing might prevent disinflation in Belarus. Inflation in Uzbekistan will likely remain in double digits in 2013, underpinned by higher administered prices.

The regional balance of risks to the outlook remains on the downside, reflecting the balance of risks at the global level. Under a number of scenarios, such as the emerging market investment slowdown and the euro area downside scenario, lower oil prices would transmit adverse global developments to Russia and Kazakhstan, with secondary effects from the former throughout the CIS. Trade, FDI flows, and remittance linkages are additional key spillover channels from Russia to other CIS economies—for example, remittances from immigrants working in Russia are a key driver of economic activity in Armenia, the Kyrgyz Republic, and Tajikistan. As for financial system risks, bank balance sheets remain at risk in economies with sizable nonperforming loans (Kazakhstan, Tajikistan).

Rebuilding fiscal policy buffers remains a key priority for several CIS economies. Among the energy importers, reducing fiscal deficits will help ensure public debt sustainability (Kyrgyz Republic, Tajikistan) and help narrow large current account deficits (Georgia). Fiscal consolidation is also important for Azerbaijan, whose non-oil fiscal position is well above the long-term sustainable level.

The region needs to spur structural reforms to lift its growth potential. In Russia and Kazakhstan, this means fulfilling promises to improve the business climate and diversify the economy. Gas sector reform is delayed in Ukraine. In the Kyrgyz Republic and Tajikistan, growth could be spurred by prudently financed and prioritized infrastructure investment. For Belarus, price liberalization, enterprise reform, and privatization should be priorities. In addition, European CIS countries need to maintain flexible exchange rates, and Belarus and Ukraine should address macroeconomic imbalances: Belarus needs to ensure further disinflation, and Ukraine should reduce the large current account and fiscal deficits. Further strengthening and development of institutions will help successfully implement the required policies in the region.

TEXT 3

Task: Summarize information about the effects of globalization, objectives and instruments of monetary policy.

Monetary Policy in a Globalized World

Perhaps the most dramatic implication of financial integration and freer capital flows for monetary policy is the fact that it has become harder to simultaneously maintain fixed exchange rates and conduct an independent monetary policy dedicated to domestic objectives. If a country's exchange rate is pegged to the currency of another country, then its interest rates will have to follow closely those of the country to which its currency is pegged. Any positive (negative) deviation would, in fact, trigger capital inflows (outflows) putting upward (downward) pressure on the exchange rate parity. The sheer increase in cross-border financial transactions in the past 20 years has made it harder for central banks to counteract such pressures even when they hold significant foreign exchange reserves. Of course, countries can decide to limit capital flows by imposing capital controls, but this implies that they have to forgo the benefits of capital integration, which puts them at a disadvantage relative to countries with floating exchange rates and free capital flows in tapping world saving. The conflicting nature of these policy options - fixed exchange rates, independent monetary policy and free capital mobility - has pushed many countries in recent years to abandon exchange rate pegs altogether. Globalization has also had numerous other important effects on monetary policy.

- Greater international exposure. By making economies more open, globalization had made economies more exposed to international shocks, thereby raising the challenges to which monetary policy must respond. For example, the fact that countries now trade more with each other in both final and intermediate goods and that production has become often geographically very fragmented implies that even the smallest demand and supply disturbances in a country can have effects on production and profitability in countries elsewhere. In addition, under globalization, financial markets are increasingly integrated with those abroad. Disturbances and policy decisions in one country are reflected swiftly in markets around the world.
- Changes to the transmission of monetary policy. There are two main ways in which this happened. First, while central banks can still control short-term interest rates under floating exchange rate with financial globalization, deeper financial integration has made exchange rates more reactive to changes in interest rate differentials. All things being equal, this means that changes in monetary instruments have a larger impact on exchange rate, reinforcing the exchange rate channel of monetary transmission. Second, globalization has influenced the way exchange rate changes affect aggregate demand, even though the overall direction of such influence on the exchange rate channel is yet unclear. On the one hand, trade globalization has boosted import and export volumes in many countries, and so changes in the exchange rate now affect a greater portion of aggregate demand. On the other hand, globalization may have contributed to weakening the link between exchange rate and the relative price of imports and exports
- A more complex world. Finally, as globalization has changed the behaviour of consumers and firms and altered the nature and number of economic linkages across countries, historical data have become a less reliable yardstick for interpreting the present. On the whole, globalization has thus made it harder to model economies and predict economic developments. Central banks' increasing interest in how to operate under uncertainty, and the boom of analysis in this area in recent years are evidence of this fact.

Does globalization introduce new objectives for monetary policy? Probably not. Although globalization has, in fact, reduced the ability of central banks to pursue inconsistent objectives, it is generally agreed that central banks should continue using their sole policy instrument to achieve the primary goal of price stability. They should therefore refrain from pursuing additional objectives -- for example, external balances or exchange rate stability — that may be perceived as playing a more prominent role in a globalized world but that cannot be directly controlled by monetary policy.

Likewise, globalization does not seem to call for new instruments. As economies are more open, central banks may be tempted to influence demand and prices by making more intensive use of the exchange rate, either by affecting interest rate differentials or by directly buying and selling foreign currency to affect its value. Clearly, with globalized economies the exchange rate has become a more pivotal indicator of monetary conditions and inflationary pressures. However, trying to control inflation and output by manipulating the exchange rate can be dangerous.

On the other hand, monetary policy still needs to adjust to globalization in various ways. First, central banks should continue to work on refining their analytical instruments to take into proper account developments from deeper financial and trade integration and the economic implications thereof. As discussed above, overall globalization seems to have helped reduce inflationary pressure in many countries but the precise mechanism and the magnitude of such effect are still far from clear-cut, so more research is needed on this front. Second, when doing policy analysis and economic evaluation, central banks need to continue their efforts to move from models in which parameters depend heavily on historical estimates toward models in which parameters are less likely to change over time. Finally, central banks need to persist in their efforts to exchange information on economic developments and discuss global economic issues within the many international forums that exist today. Given the growing interdependence of national economies and macroeconomic policies, the coordination of such policies has undoubtedly become more important.

TEXT 4

Task: Consider policy responses fostering a stronger recovery against the background of the existing external and internal risks.

Asia: Laying Foundation for Shared Prosperity

Economic activity had stabilized in Asia by the start of 2013. Growth slowed across the region in the middle of 2012 following a broad-based weakening of exports both within and outside Asia and implementation by China of policies aimed at moderating and better balancing growth. Exports have recently picked up across the region, reflecting firmer demand in China and the advanced economies, notably the United States.

For Asia as a whole, growth will pick up modestly to about 5¾ percent in 2013, largely as a result of recovering external demand and continued solid domestic demand. Consumption and private investment will be supported by favourable labour market conditions—unemployment is at multiyear lows in several economies—and by relatively easy financial conditions. The latter reflect a combination of accommodative monetary policies; rapid credit growth, and continued robust capital inflows, which last year helped push stock prices up by 10 to 20 percent across most of the region.

Asian economies will also benefit from internal demand spillovers, particularly growing Chinese demand and the policy-led pickup in Japan. Indeed, for several economies, direct and indirect demand from China and Japan are almost as important as demand from the United States and Europe. This dynamic may be complicated, however, by the recent yen depreciation, which may put some of the region's exporters in more direct competition with Japanese firms in world markets, while others may benefit through supply-chain linkages with Japan.

Inflation is expected to remain generally within central banks' targets. Reflecting the moderate acceleration of growth and a stable outlook for global food and commodity prices, headline inflation is expected to increase slightly to 4 percent in 2013, from 3½ percent in 2012.

- In Japan, growth is projected to be 1½ percent in 2013, as a result of new fiscal and monetary stimulus. A sizable fiscal stimulus—about 1½ percent of GDP over two years—will boost growth by some 0.6 percentage point in 2013.
- China's growth is set to accelerate slightly to about 8 percent in 2013, reflecting continued robust domestic demand in both consumption and investment and renewed external demand. Inflation will pick up only modestly to an average of 3 percent in 2013.
- In Korea, improved exports should help spur private investment and help growth rebound to 2¾ percent. Inflation is rising but is expected to remain close to the lower bound of the target band.
- Growth will rise in India to 5¾ percent in 2013 as a result of improved external demand and recently implemented progrowth measures. Significant structural challenges will likely lower potential output over the medium term and also keep inflation elevated by regional standards.

The potential impact of external risks on Asia remains considerable. In the event of a severe global slowdown, falling external demand would exert a powerful drag on Asia's most open economies, including through the second-round impact of lower investment and employment in export-oriented sectors.

As global tail risks recede somewhat, risks and challenges to growth from within the region come more clearly into focus. Financial imbalances and asset prices are building in a number of economies, fuelled by rapid credit growth and easy financing conditions. In China, the use of more market-based financial instruments means that about half of financial intermediation now takes place outside traditional banking channels in less-well-supervised parts of the financial system, which leads to growing risks. In the scenario under which growth prospects for emerging markets are marked down and investment falls, Asia's output could be more than 2 percent below the baseline, and even lower if rising spreads lead to capital outflows. A number of other risks are more difficult to anticipate but could prove disruptive given Asia's highly integrated supply-chain network and growing dependence on regional demand and finance. These risks include disruptions to trade from territorial disputes, a loss of confidence in efforts to restore economic health in Japan, and stalled reforms and recovery in China.

Policymakers in the region must rebuild room for macroeconomic policy manoeuvring while containing financial stability risks. Asian central banks have adopted an accommodative monetary policy stance, reducing policy rates or keeping them low during 2012 in the face of uncertain growth prospects and generally low and stable inflation. This stance has served them well, but the direction of future monetary policy action will diverge within the region. In emerging Asia, macroprudential measures will have to play an important role in those economies in which credit growth remains too rapid and threatens financial stability, especially if accompanied by persistently strong capital inflows. In China, financial sector reform should be accelerated to contain risks related to the rapid growth in total credit and to prevent a further build-up of excess capacity. In addition, the China Banking Regulatory Commission has recently announced steps to strengthen the supervision of banks' off-balance-sheet activities. The adoption of a new quantitative and qualitative monetary easing framework in Japan is welcome. For it to be successful and achieve 2 percent inflation within two years, easing must be accompanied by ambitious growth and fiscal reforms to ensure a sustained recovery and reduce fiscal risks.

Country circumstances will also determine the appropriate pace of fiscal consolidation, including the need for demand rebalancing and the adequacy of policy room. For some economies with large external surpluses and low public debt, it may be appropriate to use fiscal measures to support domestic demand. More generally, structural deficits are higher than before the crisis and fiscal room needs to be rebuilt. Automatic stabilizers should be the first line of defence if growth disappoints.

The key medium-term priority is to sustain economic growth and make it more inclusive. Again, the policy agenda diverges among individual countries within the region and includes economic rebalancing, strengthening private investment, reform of goods and labour markets, improving tax and spending policies, and addressing rapid demographic shifts. Asian policymakers should also undertake coordinated and collective action to deepen regional trade integration.

TEXT 5

Task: Specify the reforms which should be implemented in the context of existing challenges to maintain Asia's leadership in global growth.

Sustaining Asia's Momentum: Time for Reform

Asia has led global growth for the past several decades, with an average rate of close to 6 percent since 1990. If the current trend continues, Asia's economy will be larger than that of the United States and the European Union combined in less than two decades.

While Asia's future appears bright, its success is not guaranteed. It depends crucially on choosing the right policy mix to contain risks and secure growth. In the near term, the region faces some emerging vulnerabilities and may continue to be hit by volatility in global markets

Resilience and growth

The year 2013 witnessed several waves of global financial volatility, leading to a pullback in capital flows from emerging markets, including in Asia. But Asia has remained broadly resilient to global risk. Swift actions taken to address vulnerabilities are starting to bear fruit, and the growth momentum is set to continue.

Asia is projected to grow at 5.5 percent in 2014 and 5.6 percent in 2015, retaining its global growth leadership. Exports will pick up as the recovery continues in advanced economies, while domestic demand across the region will be supported by healthy labor markets and strong credit growth.

With continued tightening of global liquidity as tapering of the U.S. fiscal stimulus proceeds, Asia will face somewhat higher interest rates and surges of capital flow and asset price volatility, but overall financial conditions should remain broadly supportive.

There are, as always, risks to this prognosis. Further tightening of global financial conditions remains a threat. And the impact of higher global interest rates could be strengthened by rising household and corporate debt in some parts of the region.

If these risks took place, they would likely moderate, rather than halt, momentum in the region. But deeper structural challenges could create more difficult obstacles for countries across the region as they pursue sustained growth. Asia faces some particular challenges.

Improving institutions and governance: In much of Asia, institutions and governance have not caught up to those of advanced economies as quickly as other aspects of economic development. *Strengthening the rule of law will enhance resource allocation and productivity. *Relaxing tight product market regulations—high barriers to entry, in particular—could boost innovation and efficiency. In a number of cases, this will require tackling the dominance of state-owned enterprises—as planned for instance in China and Vietnam. *Easing tight job protections for regular workers while putting together an unemployment safety net, for instance in India and Indonesia, could help stimulate job creation in the formal labor market.

Coping with an aging Asia: A demographic transition in East Asia contributed substantially to the region's economic miracle in the second half of the 20th century. But having benefited from favorable demographics earlier, many Asian economies will see a substantial rise in the dependency ratio over the next few decades, which will tend to reduce growth and raise governments' spending burdens.

India, in contrast, will enjoy a demographic dividend—its dependency ratio is projected to fall by 8 percentage points by 2030—as it will in the Philippines and lower-income Asian economies. These countries will face a different challenge: finding good jobs for the rapidly growing pool of workers and ensuring that the dividend does not instead become a burden.

Prudent policies can help decrease the adverse effects of demographic trends. Asian policymakers should both adapt and fight back. They can adapt by building age-proof pension systems to ensure that retirees are protected by an adequate social safety net and to encourage labor force participation by seniors. They can fight back with productivity-enhancing reforms.

Curbing rising inequality: Finally, rising inequality is both an important social and economic issue. In fact, high levels of inequality can limit overall growth. Inequality in Asia is still generally below what it is in Latin America and sub-Saharan Africa, but incomes in Asia are diverging faster than in these other regions. While these other regions saw a reduction in inequality, in Asia the disparity has widened over the past two decades.

The right policies can help curb rising inequality without threatening Asia's growth model—as was the case in Asia during the three decades leading up to the 1990s. Policies to ensure more equal access to public services—notably education and healthcare, enhance public infrastructure, and broaden access to finance can raise growth and improve equity.

Promoting financial development: With its impressive number of assets—sound macroeconomic policies, high saving, rising education, still unused labor resources, and fast technological progress—Asia has the right ingredients for sustaining growth.

But to combine these ingredients effectively, there is an urgent need to promote capital market development and reduce the heavy reliance on bank-based financial intermediation. Important steps include diversifying the domestic investor base in the region through the expansion of pension and insurance funds, enhancing financial literacy, and improving disclosure and accounting standards within the region.

With successful implementation of these steps, Asia's financial sectors will be ready to meet the demands of the real economy.

An Asian century?

Some say that the 21st century will be an Asian century. And there are good reasons to think this. But simply extrapolating from the strong economic performance of recent decades can be misleading. To achieve their full potential, Asian countries will need to clear a number of major obstacles.

TEXT 6

Task: Characterize the context for Growth in the Asian region. Identify the policies that are crucial to bolster potential Growth.

Asia: Growth Remains Strong, Expected to Ease Only Modestly

Growth in Asia and the Pacific is expected to remain strong at 5.3 percent this year and next, accounting for almost two-thirds of global growth.

Despite a slight moderation, Asia remains the engine of global growth, according to the IMF's latest Reginal Economic Outlook for Asia and the Pacific. While external demand remains sluggish, domestic demand continues to show resilience across most of the region, driven by low unemployment, growth in disposable income, lower commodities prices, and macroeconomic stimulus.

"Of course, Asia is impacted by the still weak global recovery, and by the ongoing and necessary rebalancing in China," said Director of the Asia and Pacific Department at the IMF. "But domestic demand has remained remarkably resilient throughout most of the region, supported by rising real incomes, especially in commodity importers, and supportive macroeconomic policies in many countries".

Downside risks loom large

However, the region faces a number of external challenges, including slow growth in advanced economies, a broad slowdown across emerging markets, weak global trade, persistently low commodity prices, and increasingly volatile global financial markets. These risks compound domestic vulnerabilities, such as high debt incurred in recent years. In the short term, China's transition to a new growth model will disrupt its regional partners, especially those heavily exposed to the region's biggest economy.

Geopolitical tensions and domestic policy uncertainty add risks of potential trade disruptions or lower domestic demand. Natural disasters, too, can reverse economic gains, particularly in lower-income countries and small states (including many Pacific islands). Small states also face the challenge of reduced financial services by global banks (or "de-risking"), which could hold back financial inclusion and growth.

Boosting resilience and growth

While Asian economies have strong buffers and are relatively well positioned to face the challenges ahead, countries will need to adopt economic policies that shore up growth and reduce their exposure to global and regional risks. For instance, since monetary settings are broadly appropriate and inflation remains low, there is room to cut policy rates if needed to boost demand.

On the fiscal front, gradual consolidation is generally desirable to rebuild policy space, but countries can adjust the composition of spending to allow for growth-friendly and much-needed infrastructure and social spending in many economies.

Flexible exchange rates should continue to be the first line of defense against external shocks. At the same time, foreign-exchange intervention and capital-flow measures could be deployed in special circumstances, such as disorderly market conditions. The report also notes that region has extensively used macroprudential policies to deal with financial volatility and risks and should continue to do so as a complement to monetary and fiscal policies.

The report also emphasizes that structural reforms are needed to help bolster potential growth and facilitate rebalancing. The region's past reforms have been highly effective, fostering economic diversification and facilitating Asia's entry into global markets.

Winners and losers from China's transition

Three background studies in the Regional Economic Outlook report also discuss how commodity exporters and countries in the Asia-Pacific region are affected by income inequality and China's rebalancing. China's slowdown has an impact on global commodity prices, contributing in particular to a large drop in prices of some metals. At the same time, demand for some foodstuff has increased as a result of rebalancing in China, as changes in consumers' tastes have tended to favor higher-quality and higher-protein items, and Chinese tourism continues to grow.

The analysis shows that the impact of China's rebalancing will depend on each country's specific exposure to China's economy. Economies that rely on China's consumers can be winners, while those more dependent on investment and manufacturing could lose in the near term. Over time, however, the region is likely to benefit as the rebalancing makes China's growth model more sustainable.

Tackling increasing inequality

The third study in the report notes that more recently inequality has risen in many countries in Asia, with growth less beneficial to the poor compared with the past. The report concludes that structural reforms, along with fiscal policy, can help reduce inequality and foster more inclusive growth. Countries will need to address inequality of opportunities, in particular the need to broaden access to education, health, and financial services, as well as tackle labor-market duality and informality.

Reforms should avoid costly, across-the-board subsidy schemes while focusing instead on the expansion of social spending through well-targeted interventions and more-progressive tax codes. Recent reforms, such as the elimination of fuel-price controls in most major economies of the region, bode well for the future.

TEXT 7

Task: Characterize current economic environment in Asia. Identify the aims and tools of accommodative policies.

Asia Can Take Steps to Bolster Resilience Amid Economic Slowdown

Growth is moderating in Asia, but the region will continue to outperform the rest of the global economy. According to the October 2015 Asia and Pacific Regional Economic Outlook Update (REO Update), growth will moderate slightly to 5.4 percent in 2015–16, in line with global developments. The report notes that negative growth spillovers from China to the rest of the region are probably larger than previously anticipated, and exports continue to fall short of global growth. While the rebalancing in China's import demand is one cause, a broad-based weakness in global import demand is also a major factor behind the trade slowdown in Asia.

Growth prospects within Asia will likely diverge once again, including among the largest economies. China's economy will continue to rebalance toward domestic consumption and is expected to grow by 6.8 percent and 6.3 percent in 2016. The recent equity market turmoil and the change in the exchange rate regime are not expected to have a significant impact on near-term growth. However, the policies needed to address vulnerabilities and rebalance the economy are likely to reduce headline growth, while ensuring sustainability over the medium term.

Growth in major ASEAN economies is projected to moderate in 2016, owing to a number of factors, including lower commodity prices (Indonesia and Malaysia), political uncertainty (Malaysia), and weaker growth in China.

Downside risks continue to dominate

The REO Update points to downside risks to regional growth, especially the possibility of a sharper slowdown in China, as well as the effects of a change in the composition of demand. Further U.S. dollar strength accompanied by a sudden tightening of global financial conditions, weaker growth in Japan, and weaker potential growth in many economies in the region are additional risk factors that could dim Asia's growth prospects. "High leverage could also amplify shocks, particularly if domestic interest rates spike as global financial conditions tighten," said Rhee. Lower commodity prices represent another downside risk, with adverse implications for corporate investment in key commodity-producing sectors, according to the authors of the REO Update.

Policy recommendations

Given the slowdown across most of the region, and the challenging global economic environment, the REO Update recommends policies to support demand while lowering vulnerabilities. Accommodative policies should be considered, particularly for countries that have policy space and where the decline in growth has a clear cyclical or temporary component. But policies should also focus on boosting potential growth and should aim to reduce vulnerabilities.

With this in mind, the report recommends that structural reforms should remain a priority to bolster medium-term growth by facilitating investment and job creation, and helping to reduce near-term vulnerabilities. In China, reforms should continue to help rebalance the economy away from debt-fueled investment. This would include, among other moves, leveling the playing field between state-owned-enterprises (SOEs) and the private sector, and improving the management of local government finances.

The REO Update also emphasizes aggregate demand policies to support growth and bolster resilience. Automatic stabilizers should be allowed to operate fully, except where fiscal consolidation needs are more evident. In economies with fiscal space––such as those with low debt and cyclically adjusted fiscal surpluses––targeted fiscal stimulus to counter temporary shortfalls in demand could be deployed. Elsewhere, gradual fiscal consolidation should continue, especially in commodity exporters, but attention should also be paid to the composition of any fiscal adjustment.

The analysis in the REO Update also supports the use of monetary policy to shore up demand in economies where inflation is low, especially if fiscal space is limited. Policy rates are broadly in line with fundamentals in a number of major Asian economies, suggesting that rates could be lowered should growth disappoint and negative output gaps emerge or widen. At the same time, weaker exchange rates might limit the scope for monetary easing.

The report also notes that exchange rate policy and macroprudential tools will remain important to help manage external adjustment and bolster financial stability. Exchange rates should be a major shock absorber, with foreign exchange reserves used judiciously to manage temporary exchange rate volatility. Moreover, foreign exchange intervention should not hinder the needed exchange rate adjustments. Macroprudential policies should be employed to ensure financial stability, with efforts geared at strengthening supervisory and regulatory frameworks, particularly as the credit cycle turns.

B

TEXT 1

Task: Identify the key areas where the benefits of financial globalization will be most important. Specify the conditions which will generate sustained growth.

Financial Globalization: Beyond the Blame Game

Financial globalization—the phenomenon of rising cross-border financial flows—is often blamed for the string of damaging economic crises that rocked a number of emerging markets in the late 1980s in Latin America and in the 1990s in Mexico and a handful of Asian countries. The market turmoil and resulting bankruptcies prompted a rash of finger-pointing by those who suggested that developing countries had dismantled capital controls too hastily—leaving themselves vulnerable to the harsh dictates of rapid capital movements. Some were openly critical of international institutions they saw as promoting capital account liberalization without stressing the necessity of building up the strong institutions needed to steer markets through bad times.

Financial integration's indirect benefits

The potential indirect benefits of financial globalization are likely to be important in three key areas.

A good deal of research suggests that international financial flows serve as an important catalyst for domestic financial market development, as reflected both in straightforward measures of the size of the banking sector and equity markets and in broader concepts of financial market development, including supervision and regulation.

Research based on a variety of techniques, including country case studies, supports the notion that the larger the presence of foreign banks in a country, the better the quality of its financial services and the greater the efficiency of financial intermediation. As for equity markets, the overwhelming theoretical presumption is that foreign entry increases efficiency, and the evidence seems to support this. Stock markets do, in fact, tend to become larger and more liquid after equity market liberalizations.

The empirical evidence suggests that financial globalization has induced a number of countries to adjust their corporate governance structures in response to foreign competition and demands from international investors. Moreover, financial sector FDI from well-regulated and well-supervised source countries tends to support institutional development and governance in emerging market economies.

Capital account liberalization, by increasing the potential costs associated with weak policies and enhancing the benefits associated with good ones, should also impose discipline on macroeconomic policies. Precisely because capital account liberalization makes a country more vulnerable to sudden shifts in global investor sentiment, it can signal the country's commitment to better macroeconomic policies as a way of mitigating the likelihood of such shifts and their adverse effects. Although the empirical evidence on this point is suggestive, it is sparse. Countries with higher levels of financial openness appear more likely to generate better monetary policy outcomes in terms of lower inflation, but there is no evidence of a systematic relationship between financial openness and better fiscal policies.

The evidence that we have surveyed in this section is hardly decisive, but it does consistently point to international financial integration as a catalyst for a variety of productivity-enhancing benefits. Given the difficulties that we have identified in interpreting the crosscountry growth evidence, it is encouraging to see that financial market integration seems to be operating through some of the indirect channels.

A complication: thresholds

Some related studies have tackled the question of what initial conditions are necessary if financial openness is to generate good growth benefits for a country while lowering the risks of a crisis. What are these conditions?

Financial sector development, in particular, is a key determinant of the extent of the growth and stability benefits financial globalization can bring. The more developed a country's financial sector, the greater the growth benefits of capital inflows and the lower the country's vulnerability to crises, through both direct and indirect channels.

Institutional quality appears to play an important role in determining not just the outcomes of financial integration but the actual level of integration. It also appears to strongly influence the composition of inflows into developing economies, which is another way it affects macroeconomic outcomes. Better institutional quality helps tilt a country's capital structure toward FDI and portfolio equity flows, which tend to bring more of the collateral benefits of financial integration.

The quality of domestic macroeconomic policies also appears to influence the level and composition of inflows, as well as a country's vulnerability to crises. Sound fiscal and monetary policies increase the growth benefits of capital account liberalization and help avert crises in countries with open capital accounts. Moreover, for economies with weak financial systems, an open capital account and a fixed exchange rate regime are not a favorable combination. A compelling case can be made that rigid exchange rate regimes can make a country more vulnerable to crises when it opens its capital markets.

Trade integration improves the cost-benefit trade-off associated with financial integration. It also reduces the probability of crises associated with financial openness and mitigates the costs of such crises if they do occur. Thus, recent studies strengthen the case made by the old sequencing literature that argued in favor of putting trade liberalization ahead of capital account liberalization.

This discussion finally suggests that there are some basic supporting conditions, or thresholds, that determine where on the continuum of potential costs and benefits a country ends up. It is the interaction between financial globalization and this set of initial conditions that determines growth and volatility outcomes.

TEXT 2

Task: Determine the key reasons for distress across the CIS economies and analyze the major challenges for policymakers under crisis conditions.

The CIS Economies Are Suffering a Double Blow

Among all the regions of the global economy, the CIS countries are forecast to experience the largest reversal of economic fortune over the near term. The reason is that their economies are being badly hit by two major shocks.

The large direct impact of the financial market turmoil on CIS economies reflects the abrupt reversal of foreign funding to their largest non-financial firms and, more important, their banking systems. Prior to the crisis, all but a few economies with less externally linked financial sectors (Azerbaijan, Tajikistan, Turkmenistan, Uzbekistan) relied significantly on external funding to sustain domestic borrowing that far outstripped domestic demand for bonds or deposits. Soon after the crisis struck, both non-financial firms and banks found it very difficult to renew funding from investors, who steered clear of anything but the safest assets. Adding to the pressure, households began to switch from domestic to foreign-currency-denominated assets. Russia, Kazakhstan, Belarus, and Ukraine were hit hard, with the first two drawing down large amounts of foreign currency reserves to buffer the impact of the shock on the exchange rate. These economies are expected to have only very limited access to external financing over the near term, with the exception of Russia, which should be able to better sustain rollover rates. Belarus and Ukraine have faced difficulties meeting their external obligations and have received IMF financing: Armenia and Georgia are also receiving IMF support, although Georgia's arrangement predates the financial crisis.

The beginning of the financial crisis coincided with slumping prospects for exports and commodity prices because of rapidly weakening activity in the advanced economies. This has added to the pressure faced by CIS economies with open banking systems and severely undercut growth prospects for the commodity exporters but also the less open economies, for example, Turkmenistan. Other countries, including the Kyrgyz Republic, Tajikistan, and Uzbekistan, are expected to suffer from falling foreign remittances, particularly from migrant workers in Russia. The current account balance for the area as a whole is expected to run a zero balance in 2009, a major switch from posting a large current account surplus in 2007-08. However, prospects differ noticeably between energy exporters and importers: the former are projected to see large current account surpluses evaporate because of falling commodity prices, while the latter see a sharp narrowing of their external deficits because of tightening financing conditions.

Although many CIS economies are better positioned to weather a crisis than they were in the aftermath of Russia's 1998 debt default, the fallout will nonetheless be severe. Real GDP in the region, which expanded by 8 percent in 2007, is projected to contract by just over 5 percent in 2009, the lowest rate among all emerging regions. In 2010, growth is expected to rebound to more than 1 percent. With currencies under pressure, inflation is expected to remain close to double digits in the net energy exporters, despite slowing activity. Inflation pressures are expected to recede more quickly for the net energy importers.

The key challenge facing policymakers in the CIS is to strike the right balance between using macroeconomic policies to buffer the effects of net capital outflows on activity and maintaining confidence in local currencies. With most countries operating under pegged exchange rate regimes, monetary policymakers have had to choose between drawing down reserves, raising policy rates to defend pegs, and allowing exchange rates to depreciate. Countries that could afford to, including Russia and Kazakhstan, initially drew down foreign exchange reserves. Faced with very strong pressures, however, they have since changed their tack: Russia has allowed the ruble to depreciate substantially below its earlier band and has raised interest rates, while Kazakhstan has opted for a step devaluation of some 18 percent. Other countries, including Ukraine and Belarus, experienced large currency depreciations early in the crisis.

The problem these economies face is that rapid currency depreciation raises the effective debt burden on non-financial firms that have borrowed in foreign currency. In fact, the share of foreign-currency-denominated credit in domestic bank credit stretches from close to 30 percent in Belarus and Russia, to about 50 percent in Kazakhstan and Ukraine, and to some 70 percent in Georgia. Meeting these foreign currency obligations as exchange rates depreciate has required major cutbacks in investment and employment in several of these economies. By the same token, defaults would further exacerbate already intense strains on bank balance sheets and diminish prospects for renewed credit growth.

In these circumstances, public support for the banking system is critical. Countries whose banking sectors are struggling with the need to roll over foreign debt—for example, Belarus, Kazakhstan, Russia —have already deployed remedial measures. These include provision by the central banks of ample liquidity, public guarantees, funding for recapitalization (including from international financial institutions), and nationalization. It will be crucial to carefully assess bank balance sheets with a view to writing off bad assets in a proactive manner, determining which banks have sound medium-run prospects, and replenishing their capital as needed, drawing on budgetary resources rather than central bank support.

With significant public support needed for banks and difficult conditions in capital markets, room for fiscal policy stimulus is limited in most CIS countries. Belarus and Ukraine have needed to tighten up. Georgia and the Kyrgyz Republic can afford to let automatic stabilizers work, provided sufficient donor support is forthcoming. Azerbaijan, Kazakhstan, Russia, and Uzbekistan—all of which posted fiscal surpluses ahead of the crisis—have allowed automatic stabilizers to operate and have eased fiscal policy to sustain growth.

TEXT 3

Task: Characterize the overall economic landscape in Asia and outline the main prospects for the future.

How Rapid Growth Continues in Asia

Broad-based recovery is continuing in most Asian economies, supported by strong export performance, buoyant private domestic demand, and in some cases rapid credit growth. Even though growth has moderated from cyclical highs to more sustainable rates, Asia continues to outpace other regions. With the notable exception of Japan, output gaps in much of the region have closed or are quickly closing, inflation is on the rise, and overheating is becoming a concern. At the same time, limited progress has been made on external rebalancing in emerging Asia.

Signs of overheating are starting to materialize in a number of economies. Continued high growth has meant that some economies in the region are now operating at or above potential. Credit growth is accelerating in some economies (Hong Kong, India, Indonesia), and it remains high in China. Most of the increase in headline inflation in recent months has been due to a spike in food prices, but core inflation has also been increasing in a number of economies, most notably India. Furthermore, real estate prices have been rising at double-digit rates in a number of economies. Concerns that inflation pressures may induce authorities to tighten the policy stance more rapidly than previously planned may have contributed to recent declines in equity and bond markets.

Against this backdrop, Asia is projected to continue expanding rapidly this year and next. Export growth is expected to moderate from last year's very rapid pace but will remain robust as gains in market share and increased intraregional trade partially offset the weakness in final demand from advanced economies. Capital flows to Asia are likely to continue, driven by both cyclical and structural factors. Autonomous private consumption growth should remain strong, supported by still-rich asset valuations and improved labor market conditions.

With continued rapid growth, output now close to potential levels, and monetary conditions remaining accommodative, inflation is expected to continue increasing this year across much of developing Asia. Inflation pressure is most evident in India, where despite some moderation, inflation has become more generalized and is projected to remain high—averaging 7 ½ percent this year. In other parts of developing Asia, inflation is lower but is on the rise. In China, price pressures that started in a narrow range of food products have broadened into other items, including housing, and inflation is projected to reach 5 percent this year. Similar patterns of accelerating and more generalized inflation are becoming evident in the region's other developing economies—for developing Asia as a whole, inflation is projected at 6 percent this year. In stark contrast, mild deflation continues in Japan, and inflation expectations there have not improved substantially.

Risks to the growth outlook come from both outside and inside the region. Despite a substantial increase in intraregional trade, two-thirds of the final demand for Asian exports still comes from outside the region, and renewed turbulence in the euro area would affect Asia primarily through trade linkages. An additional external risk is stronger-than-expected increases in oil and commodity prices. Turning to risks from within Asia, if accommodative policies fail to adjust sufficiently to nascent overheating pressures, near-term growth may surprise on the upside. But that could sow the seeds for a hard landing down the road. In particular, an abrupt slowdown of economic activity in China, perhaps following a credit and property boom-bust cycle, would adversely affect the whole region.

Although Asia's external surplus has narrowed substantially—from a peak of 5 ¼ percent of regional GDP in 2007 to about 3 ¼ percent of GDP in 2010—that narrowing is not expected to continue. As external demand recovers and fiscal stimulus is withdrawn, the region's external surpluses are projected to widen again in the coming years, with developing Asia in general and China in particular accounting for the bulk of the surplus, especially in the medium term. In fact, there has been little progress toward rebalancing; the projected surpluses for the region are now larger in both the near and medium term. Developing Asia's current account balances are substantially higher than fundamentals suggest, given the region's relatively low per capita income, higher expected growth rates, and relatively young population.

The primary challenge for Asian policymakers is to quickly normalize the stance of fiscal and monetary policies in the region and ensure that boom-like dynamics do not get out of hand. Monetary policy remains generally accommodative even as many economies have taken steps toward normalization. Further tightening currently expected by markets in some economies is not enough to prevent inflation from increasing. In addition to more rapid tightening of policy rates, greater exchange rate flexibility will be an important component of policy tightening. The primary response to the resurgence of foreign inflows to Asia has been the continued accumulation of reserves. Allowing the exchange rate to appreciate in response to inflows would be more conducive to normalizing the policy stance. In addition, strengthened supervision and prudential measures are needed to address concerns about deteriorating credit quality, which often accompanies credit and asset price booms. In China, for instance, there is rising concern that management of credit aggregates, used to exercise macroeconomic control, is being undermined by banks' financial innovation and off-balance-sheet activities.

Fiscal policy is projected to be less supportive of growth this year than last, but the pace of withdrawal is slow, given how rapidly the region has been growing. A more rapid exit would allow governments to build the fiscal room they need to cope with adverse shocks in the future. Countercyclical fiscal policy would also help cushion domestic demand against the effect of capital inflows. In Japan, the recent downgrade of sovereign debt has highlighted the importance of having a more credible fiscal adjustment plan. Once the extent of the earthquake's damage becomes clearer and reconstruction efforts are under way, the authorities will need a more credible fiscal strategy that brings down the public debt ratio over the medium term while addressing the need for additional reconstruction spending.

Managing capital inflows is another major policy challenge for Asia. For economies in the region that continue to run large current account surpluses but whose response to capital inflows has been continued reserve accumulation, the policy prescription is clear—greater exchange rate flexibility. Appreciation would not only help address challenges in liquidity management, but could reduce expectations of a large step appreciation, lessening speculative inflows. A stronger prudential framework would also help reduce the vulnerabilities that can arise from sizable and potentially volatile capital inflows.

Although renewed capital inflows have attracted the lion's share of attention in recent months, these flows are still offset by the large current account surpluses in the region. In this area, too, the aforementioned need for greater exchange rate flexibility is critical. Appreciation would help stimulate domestic demand and help shift resources from the tradables to the non-tradables sector, facilitating much-needed development of the services sector in some of the region's economies. But exchange rate policy must be complemented by structural reforms. Economies where private investment lags, such as among the ASEAN-5, will benefit from efforts to boost infrastructure and improve the business environment. And continued reforms to raise consumption in economies such as China—including efforts to expand pension and health care coverage and to develop the financial sector—will also be key ingredients of a comprehensive rebalancing package.

TEXT 4

Task: Outline the reasons for sluggish investment growth in emerging and developing economies. Present the steps that should be undertaken by policymakers to meet investment needs.

Capital Slowdown

Investment growth in emerging market and developing economies has slowed sharply since the global financial crisis. The slowdown has been most pronounced among the large, so-called BRICS (Brazil, Russia, India, China, South Africa) economies and in commodity exporters. Between 2010 and 2016, investment growth dropped from about 13 percent to about 4 percent in the BRICS and from roughly 7 percent to 0.1 percent in non-BRICS commodity-exporting emerging market and developing economies. China accounted for about one-third of the total investment growth slowdown in these economies during this period and Brazil and Russia for another third. The sustained investment growth slowdown in emerging market and developing economies contrasts with its partial recovery in advanced economies since the global financial crisis.

Why the slowdown?

The investment slowdown reflects a number of factors that offset exceptionally favorable financing conditions—including record-low borrowing costs, ample financial market liquidity, and in some countries a surge in domestic private credit to the nonfinancial private sector. However, many headwinds offset the benefits of these historically low financing costs until late 2016, including disappointing economic activity and weak growth prospects and a severe decline in export prices vis-à-vis import prices (that is, a worsening in terms of trade) for commodity exporters, slowing and volatile capital flows, rapid accumulation of private debt, and bouts of policy uncertainty in troubled major economies.

Elevated uncertainty: Two forms of global and country-specific uncertainty are a major drag on investment: financial market uncertainty and macroeconomic policy uncertainty. Domestic policy uncertainty holds back investment growth at home; global financial market uncertainty and policy uncertainty have weighed on investment more broadly.

Global financial market uncertainty is a key variable for explaining the path of investment in emerging market and developing economies, especially when there has been a sustained increase in the index. In addition to these cross-border-uncertainty spillovers, domestic uncertainty added to investment weakness in major emerging market and developing economies.

Negative spillovers from major economies

Weak output growth in the United States and the euro area weighed on investment growth in emerging market and developing economies: a 1 percentage point decline in US output growth reduced average output growth over the following year in emerging market and developing economies by about 0.8 percentage point, and a decline of the same amount in euro area output growth did so by about 1.3 percentage points within a year. Investment growth in emerging market and developing economies responded almost twice as strongly as did output growth.

China's policy-driven slowdown and rebalancing from investment toward consumption also hurt output growth in emerging market and developing economies. Since China is now the largest trading partner of many emerging market and developing economies, its output and investment growth slowdown has weighed on their growth.

Effect on growth prospects

The post-crisis investment growth slowdown from record highs before the crisis could have lasting implications for long-term growth. By slowing the rate of capital accumulation, a prolonged period of weak investment growth can set back potential output growth in emerging market and developing economies for years. In 2009, there was about a 15 percentage point difference between per capita investment growth in emerging market and developing economies and advanced economies. By 2015, the difference was virtually zero, the lowest it has been since the early 2000s.

Boosting investment

Many emerging market and developing economies have large unmet investment needs . A number of these countries are poorly equipped to keep up with rapid urbanization and changing demands on workers. Investment is also needed to smooth the transition away from growth driven by natural resources (in commodity exporters) or sectors that do not engage in foreign trade (in some commodity importers) toward more sustainable sources of growth.

Policymakers can boost investment directly, through public investment, and indirectly, by encouraging private, including foreign direct, investment, and by undertaking measures to improve overall growth prospects and the business climate. Doing so directly through greater public investment in infrastructure and workers would help raise demand in the short term, increase potential output in the long term, and improve the environment for private investment and trade. Public investment would also help close income gaps and, under the right conditions, has the potential to stimulate private investment.

Indirectly, macroeconomic policies can encourage productive investment—for example, by ensuring macroeconomic stability and improving short- and long-term growth prospects. More effective use of fiscal and monetary policies designed to counter slowing or declining growth can also promote private investment indirectly by strengthening output growth, especially in commodity-exporting emerging market and developing economies. These policies may be less effective, however, if governments lack resources to increase spending or reduce taxes or if output growth is weak because of a need to adjust to a permanent decline in revenues from commodity exports.

To raise investment growth sustainably, such policies must be supported by structural reforms to encourage both domestic private and foreign direct investment. These reforms could span various areas. Reforms to reduce trade barriers encourage both foreign direct and overall investment. Corporate governance and financial sector reforms improve the allocation of capital across firms and sectors. Stronger property rights encourage corporate and real estate investment. Such policies should be complemented by efforts to foster transparency—that is, better financial reporting methods.

TEXT 5

Task: Identify the major aims and tools characterizing a new generation of fiscal policy reforms in China

China's Quest for Sustainable Growth Calls for Bold Fiscal Reforms

Three and a half decades into arguably the most successful development story of the modern era, China finds itself at a critical juncture. It must shift from a nearly exhausted investment-driven and export-reliant growth model—with rising macroeconomic and financial risks and unsustainable environmental costs—to a new path of more domestic consumption–based, more inclusive, and greener growth.

The dominant role of China's government in the economy means that the management of its finances—fiscal policy—is both a foundation of its past success and the root of future challenges. Fiscal policy reforms are needed to safeguard past achievements and prepare the ground for sustained improvements in the future.

China's fiscal policy and reforms have played a key role in its development strategy. As per capita income has grown, demand for public goods and services has also increased. Public financial management reforms have supported increased efficiency and control of public spending.

Despite these reforms, vulnerabilities have recently emerged that could threaten the sustainability of long-term growth. Growing macroeconomic imbalances, fiscal and financial risks, rising inequality, and environmental degradation require increasing attention.

China's stimulus program, implemented in the aftermath of the global financial crisis, designated about 11 percent of GDP mainly for infrastructure investment and social housing projects. The stimulus supported China's rapid growth and provided a welcome lift to global demand. But it has proved difficult to unwind and has contributed to widening fiscal imbalances and a buildup of government debt. And most of the stimulus was implemented by local governments, mainly through off-budget financing, raising concern about the sustainability of local public finances.

China has also experienced rising inequality, partly because the tax system is not very progressive and large gaps remain in social protection spending. It has made notable efforts to expand the social security system and protect the most vulnerable, but large disparities remain.

A rocky path

In light of these challenges, a new generation of fiscal policies will play a central role in China's transition to more balanced, more inclusive, and greener growth.

To reduce fiscal deficits and contain public debt, China has begun implementing key reforms of taxes, expenditures, pricing and social security. Future tax reforms should attempt to reduce income inequality while providing a broader tax base for local governments and enhancing efficiency in revenue collection. Reform of the personal income tax schedule could help redistribute income, while ongoing reform to replace the business tax with a value-added tax could improve overall tax progressivity. Expanding annual property taxes nationwide could help fund local government services and reduce inequality. In particular, it is critical to consolidate the pension system for salaried and nonsalaried workers and facilitate mobility across pension plans.

Efficient energy taxation is essential to environment-friendly growth. The price of fossil fuels needs to reflect their contribution to pollution for growth to be environmentally sustainable. A full energy tax reform could reduce CO_2 emissions by 26 percent, while raising revenue by about 9 percent of GDP.

Reform of state-owned enterprises is key to giving the market a more decisive role in the economy and unlocking new sources of growth. Leveling the playing field between state-owned enterprises and other firms can be accomplished by increasing the share of their profits that goes to the government budget, eliminating government subsidies, strengthening governance, and improving these enterprises' commercial orientation. These reforms can significantly boost productivity and create millions of jobs.

Rebalancing is a critical component of China's transition to a new growth model. The recent large increase in investment, driven largely by public sector spending, has led to less-efficient capital spending, limited growth, and increased debt. Encouraging a shift in demand toward consumption and away from saving, combined with more productive private investment, would make growth more sustainable.

Reforming the social safety net and increasing health and education spending are important priorities. At 10 percent of GDP, social spending in China is about half what it is in high-income members of the Organisation for Economic Co-operation and Development, so there is plenty of scope to spend more on health, education, and the social safety net. Strengthening China's social security system will help reduce household precautionary saving, while lowering social contributions will help reduce inequality.

Over the past three and half decades, China has had remarkable success in achieving rapid economic growth and reducing poverty. Fiscal policy has played a major role in that accomplishment. Now a new generation of fiscal policy reforms is needed to safeguard past achievements and lay the groundwork for sustained improvement in the future.

TEXT 1

Task: Analyze the reasons for Asia's staggering economic success and further steps on the path to sustained growth.

Asia Leading the Way

The recent crisis has underlined the emergence of Asia as a global economic powerhouse. Several dynamic economies in the region are generating growth outcomes that register on a global scale and are helping pull the world economy out of recession. China and India are leading the way, but the phenomenon is by no means limited to these two countries. Asia's economic importance is unmistakable and palpable.

Based on expected trends, within five years Asia's economy (including Australia and New Zealand) will be about 50 percent larger than it is today (in purchasing-power-parity terms), account for more than a third of global output, and be comparable in size to the economies of the United States and Europe. By 2030, Asian gross domestic product will exceed that of the Group of Seven major industrial economies.

It is only natural, then, for Asia's voice to become increasingly influential in global economic and financial discourse. Already, six of the Group of 20 major economies are from the Asia-Pacific region. Asia accounts for just over 20 percent of IMF voting shares, and this weight is certain to rise as the IMF pursues reforms to bring countries' voting shares more closely in line with their role in the world economy. With the right policies, this economic success is likely to continue and further improve living standards for Asian people, transforming the livelihoods of almost half the world's population.

Consolidation of the recovery is still the main challenge for the world economy. Although Asia was not heavily exposed to the kinds of toxic securities that caused problems elsewhere, the region is an important participant in world trade, and its exports were hurt by the collapse in demand from advanced economies. The impact of the external shock was mitigated for countries with large domestic demand bases, such as China, India, and Indonesia, and some of the commodity producers, such as Australia, but the more export-oriented economies experienced particularly sharp downturns. However, economies across the region rebounded strongly, and by end-2009 output and exports had returned to pre-crisis levels in most of Asia, including in the hardest-hit economies.

New growth frontiers

At least two notable features mark the ongoing global recovery from Asia's perspective. First, unlike in previous global recessions, Asia is making a stronger contribution to the global recovery than any other region. Second, also in contrast to previous episodes, recovery in many Asian countries is being driven by two engines—exports and strong domestic demand. Strong domestic demand reflects in part policy stimulus, but resilient private demand is also a factor. All this adds up to an impression that Asia is changing in key ways and that these changes have implications for the rest of the world.

Although there are still near-term risks in the outlook, in many ways, Asia is emerging from the recession with its standing in the world strengthened. The risks include Asia's (and other regions') vulnerability to renewed negative shocks to global growth and financial markets. Nonetheless, the possibility that Asia could become the world's largest economic region by 2030 is not idle speculation. It seems very probable, based on what Asia has already achieved in recent decades: emerging Asia's share of world trade has doubled and of world GDP tripled in just the past two decades. In addition, the strengthened policy frameworks and institutions Asia has developed, particularly over the past decade, stood up well during the recession and provide a strong foundation for the future. Furthermore, in many countries in the region, populations are relatively young and will contribute to fast growing workforces.

But by no means will rapid growth in the region continue automatically. Asia will need to build on its robust policy foundation with reforms to address the challenges the region still faces in both the near and the long term. In recent quarters, for example, Asia once again attracted a surge in capital flows as global investors responded to the region's stronger growth prospects. The surge in capital inflows will need to be carefully managed to prevent overheating in some economies and to avert an increase in those countries' vulnerability to credit and asset price cycles and macroeconomic volatility. However, the region could also be hit if shocks occur in global financial markets, as such shocks in the past have tended to affect emerging markets all across the world.

Over the medium term, a key policy challenge for many countries in Asia is to build on domestic demand, making it a more prominent engine of growth and relying less on exports. This would also help manage global imbalances. More important, for many countries, the world recession has highlighted the unsustainability of tying growth too heavily to exports, which account on average for more than 40 percent of Asian growth. With the recovery in advanced economies likely to be sluggish by historical standards, and their demand likely to remain below pre-crisis levels for some time, Asia will need to replace the shortfall in its external demand with a second, domestic source of demand if it is to sustain strong growth. Private domestic demand has contributed well to the recovery so far, but for it to continue it must be fostered through policy. The policy measures will vary: some countries will need to increase consumption; some to sustain or increase investment, especially in infrastructure; and others must boost productivity in the service sector—all within the framework of greater trade integration in the region. Many countries are already taking steps to improve and broaden the availability of social services, in addition to developing their financial sectors, which will help boost domestic demand. Greater exchange rate flexibility fits into this policy package by helping raise private consumption and reorient investment toward production for the domestic economy.

Policy challenges

More broadly, globalization and the reform agenda still have far to go to bring all countries and populations into the fold. Asia has made unprecedented progress in poverty reduction in recent decades, with China alone having pulled some several hundred million people out of poverty since the launch of its reforms in 1978. Nonetheless, a high proportion of the world's poor still live in Asia, and 17 percent of people in the east Asian and Pacific countries—40 percent in south Asia—live on less than $1.25 a day. Moreover, the financial crisis has slowed poverty reduction in the region. The World Bank estimates 14 million more people in Asia will be living in poverty in 2010 as a result of the crisis. It is thus more important than ever to design and implement strategies, including reforms that enhance growth and strengthen safety nets, to alleviate endemic poverty in the region. Part of the strategy for low-income countries must include ways to move from agriculture to manufacturing as the basis for long-term growth. This will require development of national and regional infrastructure to reduce transportation costs and foster the integration of such countries into regional supply chains.

Countries across the region are, of course, well aware of the challenges they face and are taking action on many fronts. Strengthened monetary and fiscal policy frameworks, efforts at boosting domestic demand, and deepening trade and financial linkages with other economies have been the focus of reforms. The development of infrastructure to boost the growth potential of economies is going ahead rapidly in many countries, with the help of innovative mechanisms such as public-private partnerships. Barriers to trade, including within the region, are being lifted in ways that will allow more people to enjoy the gains from international trade, including by providing new markets and customers for exporters from smaller economies. Asia is moving ahead rapidly to advance regional integration more broadly, including through intraregional groupings such as the Association of Southeast Asian Nations (ASEAN) and ASEAN+3 (including China, Japan, and Korea) and across regions, such as through the Asia-Pacific Economic Cooperation forum, with its emphasis on "open regionalism."

Asia's time has come. Its role in the world economy continues to grow—both in world trade and finance and in economic governance, through institutions such as the IMF—and it will grow further. Meanwhile, countries all over the world are interested in Asian successes in development and managing globalization. The region's economies offer a broad range of experiences from countries at various stages of development and faced with different sets of challenges, and the broader global economy can draw from them a rich set of lessons.

TEXT 2

Task: Examine the effects that the existing risks could lead to in the euro area and emerging economies.

Risks and Uncertainties in the Global Economy

Remaining fragilities in the euro area

The euro area sovereign debt crisis has subsided dramatically since the European Central Bank (ECB) announced its Outright Monetary Transactions facility in August 2012. It has yet to be activated, but its mere existence has broken the negative feedback loop between weak banks and weak government fiscal positions. Sovereign-bond spreads have narrowed significantly and some of the crisis countries have seen an improvement in their debt ratings.

However, while the sense of crisis has dissipated, significant risks remain. The banking sector remains under stress. Lending conditions remain fragmented across the region, with firms in periphery countries, particularly small and medium-sized enterprises (SMEs), starved of credit. The recent Asset Quality Review and stress tests performed by the ECB and the European Banking Authority revealed that the capital shortfall was at the lower end of expectations and was manageable, thus eliminating a major source of tension in recent months. But it also revealed that the majority of problems were in periphery country banks.

The most significant risk, however, is the uncertain nature of the euro area recovery. The underlying growth momentum in the region has decelerated to the point where an exogenous event could lead to a return to recession. The current tensions in Ukraine and resulting sanctions have already had a serious negative impact on activity and confidence. The weak state of the recovery is characterized by continued low levels of private investment, extremely high unemployment in many countries—which becomes more entrenched as the ranks of the long-term unemployed increase—and by dangerously low inflation, which could turn to Japan-style deflation. Aside from being exceptionally difficult to exit, deflation would also increase real government debt burdens and perhaps resurge the debt crisis as fiscal targets become increasingly difficult to achieve.

Vulnerabilities in emerging economies

Many large emerging economies continue to face a challenging macroeconomic environment, as weaknesses in their domestic economies interact with external financial vulnerabilities. Although the baseline forecast projects a moderate growth recovery in 2015 and 2016 for almost all emerging economies—including Brazil, India, Indonesia, Mexico, the Russian Federation, South Africa and Turkey—and only a slight moderation in China, there are significant risks of a further slowdown or a prolonged period of weak growth. A broad-based downturn in emerging economies, particularly a sharp slowdown in China, would not only weigh on growth in smaller developing countries and economies in transition, but could also undermine the fragile recovery in developed countries, particularly in the struggling euro area.

At present, the main risk for many emerging economies arises from the potential for negative feedback loops between weak activity in the real sector, reversals of capital inflows and a tightening of domestic financial conditions amid an expected rise in the interest rates in the United States. The financial turmoil episodes of mid-2013 and early 2014 illustrated the dynamics of such feedback loops and underlined the policy dilemma some of the countries are facing. During these episodes, global investors reallocated their portfolios amid a reassessment of the Fed's monetary tightening path, concerns over global growth, higher 24 World Economic Situation and Prospects 2015 uncertainty and country-specific shocks. This resulted in strong portfolio capital reversals and rapidly depreciating currencies in emerging economies, particularly those with large external financing needs and macroeconomic imbalances, such as Brazil, Indonesia, South Africa and Turkey. Faced with significant downward pressure on domestic asset prices and currencies, the central banks in these countries hiked interest rates even as economic growth slowed. These moves, while helping to stabilize financial markets, have further slowed down activity in the real sector. During the course of 2014, the growth projections have been lowered sharply for Brazil, South Africa and Turkey and marginally for Indonesia.

Much of the recent downturn in emerging economies outside Asia can be attributed to weak growth in investment and in total factor productivity. In many countries, investment in fixed capital has slowed considerably since 2011 even as global financial conditions remained unusually loose. As a result, the contributions of gross fixed investment to GDP growth in most emerging economies outside Asia have been low or negative in the past two years. Investment-to-GDP ratios have remained below 20 per cent in several economies, such as Argentina, Brazil, South Africa and Turkey. Growth in total factor productivity fell to the lowest level in two decades in 2013, indicating increased challenges for emerging economies to achieve technological progress and efficiency gains. Given the expected normalization of monetary policy in the United States, it is likely that emerging markets will see a tightening of financial conditions in the forecast period. In the absence of a new reform push, this may further weaken real investment growth, particularly in the private sector. A key question in this regard is the degree to which the upcoming increase in United States interest rates will affect borrowing costs in emerging economies.

While fixed capital formation has remained subdued in recent years, many emerging economies have registered considerable credit growth, with increased leverage in the household and the corporate sector. Corporate sector debt as a share of GDP is particularly high in some faster-growing East Asian countries, such as China and Malaysia, but also elevated in many less dynamic economies, including Brazil, the Russian Federation, South Africa and Turkey. Preliminary evidence suggests that part of the new borrowing has been used for more speculative activities, as indicated by a marked increase in corporate cash holdings. Rising interest rates, along with weakening earnings in the context of slowing economic growth, could put considerable pressure on corporate balance sheets. China's high and rapidly rising level of total debt poses a substantial risk factor, although almost all of the debt is held domestically and the country is partly insulated from changes to global financial conditions.

An additional risk factor for several emerging economies, including Brazil, Colombia, Indonesia, Peru, South Africa and Turkey, are persistently large current-account deficits. According to recent projections, full-year current-account deficits in 2014 are expected to be about 3.5 per cent in Brazil and Indonesia, 4.0 per cent in Colombia, 5.0 per cent in Peru and close to 6.0 per cent in South Africa and Turkey. Among the economies with large external financing needs, those with weak economic fundamentals and large open capital markets appear to be most vulnerable to a tightening of global financing conditions and further portfolio reallocation.

TEXT 3

Task: Briefly characterize the pre-crisis economic environment. Present the key tasks for the government to cope with current challenges.

Russia’s Growth Drivers and Vulnerabilities

Growth decomposition confirms that structural policies had strong effects on growth during the 2000s, reflecting the impact of reforms and structural changes launched during the transition period. Facing demographic challenges and a likely new normal environment ahead, when the commodity super-cycle would come to an end and external financing conditions turn less favorable, it is critical for future policy design to understand the factors underlying Russia’s growth during the previous decade. Structural policies were the key driver of growth in the early 2000s, but persistent effects of growth from the previous period had a negative effect on current growth. External conditions and stabilization policies had only a small, though positive, impact on growth during this period as policies to stabilize the currency were adopted after the exchange rate crisis.

Russia experienced large productivity gains in the first half of the 2000s, driven in good part by a productivity surge from a low base. Productivity within firms contributed the bulk of these gains as enterprises restructured, and firms tapped into underutilized stocks of capital and labor after the 1998 crisis. However, as utilization rose closer to capacity, additional productivity gains became more difficult. On the demand side, Russia’s growth was supported by sizable investment and rising consumption, in part reflecting a catch-up from the previous decade’s depressed domestic demand.

The contribution of structural policies continued to be important in the late 2000s, but growth became driven by the positive impact of growth persistence. Unlike the early 2000s, growth persistence had a large and positive impact on GDP growth, reflecting favorable external conditions. Resource-rich, Russia during this period registered average real GDP per capita growth of 4 percent, driven by higher terms of trade. Indeed, terms of trade gains were a key driver of growth: due to higher oil prices terms of trade gains grew on average by 53 percentage points. With better terms of trade, the contribution of the external environment to growth also improved significantly relative to the early 2000s. The recent deterioration in the terms of trade and declines in GDP underline the importance of structural policies in driving growth.

Decelerating growth since 2010 indicates that the Russian economy lost competitiveness due to lingering structural constraints. This was due to a gradual slow-down in the late 2000s in second-generation structural reforms—strengthening the investment climate, diversifying the economic structure, and closing the infrastructure gap. Russia’s significant gaps in all major infrastructure sectors—in both coverage and quality of service—remained largely unaddressed. Inadequate maintenance of existing assets and investment in new ones during the 1990s was not made up during the period of prosperity in the commodity boom period of 2000–07. Investment growth, which was largely driven by public infrastructure projects, fell after the 2008–09 crisis and had virtually disappeared by the second half of 2013. As wage growth began to outpace productivity gains and the real effective exchange rate rose, Russian firms operating in non-energy sectors had to cope with rising pressures from foreign competition.

The structural vulnerabilities of the economy are captured in its narrow industrial structure. Russia’s economic structure continued to be dominated by large corporations highly concentrated in traditional heavy industries, oil and gas, with a limited small and medium enterprise sector. Two-thirds of stock market capitalization was similarly concentrated in oil and gas or related stocks, which amplified the transmission of external oil shocks to the domestic economy. The government has retained a dominant position in many sectors, which undermines competition. In the financial sector, the three largest state-owned banks account for over half of total banking sector assets, stifling competition and preventing the deepening of financial services.

Russia's macroeconomic and fiscal stability in recent decades masked the vulnerability and shortcomings of its growth model that are now coming to the fore. Although natural resources—the single largest asset in Russia's wealth portfolio—supported both economic growth and macroeconomic and fiscal stability, limited economic diversification and heavy reliance on oil and a few other strategic sectors heightened Russia's vulnerability to terms-of-trade and related shocks. While low investment rates by themselves would limit Russia's medium-term potential growth, the country must now also deal with persistently low oil prices and economic sanctions, which underscore the vulnerabilities and sustainability risks to Russia's growth model.

Russia's economic vulnerability, exposed during the 2014 oil-price shock and the ensuing economic crisis in 2015, raised issues related to the country's growth model. The drop in oil prices, together with sluggish growth due to the slowdown in structural reforms, reduced government revenues and thus the government's ability to sustain inclusive growth. Fiscal pressures, reflecting a combination of structural issues and past social expenditure trends, now present a serious economic challenge for Russia. Tradeoffs arise for the government between delivering in its role of provider of social services, education, and health, and maintaining a sustainable fiscal stance. Addressing fiscal stresses will be essential to maintain macroeconomic stability and continue the progress made on income mobility in the past decade.

A key challenge is related to the continued need to support financial sector stability and deepening. The state continues to have a dominant role in the financial sector, crowding out other market participants and effectively discouraging new foreign entrants, new capital flows, and financial innovation more generally. Weak competition was exacerbated by the recent crisis, when anti-crisis support went primarily to the large systemically important public banks. To facilitate growth in investment, especially in infrastructure and human capital investments, new sources of private capital to better support long-term financing options would need to be identified and developed.

It was partly the appreciating real exchange rate and rising real wages that fueled Russia's consumption-driven growth and in turn greater shared prosperity. However, over time it also eroded the economy's competitiveness. Future inclusive growth will be much more difficult without sustained productivity increases. However, given recent depreciation dynamics, new opportunities to improve Russia's competitiveness have emerged.

The government is undertaking a challenging reform program to take advantage of these opportunities and to avoid a reversal of achievements in shared prosperity. The 2016 anti-crisis plan does not focus exclusively on stabilization but includes a number of medium-term economic development initiatives, among them reforms designed to improve the investment climate, diminish regulatory uncertainty, and strengthen law-enforcement systems. A swift progression from strategies and plans to tangible improvements in Russia's investment climate would send the right signals to private investors. Without rapid and sustained investment in new industries, Russia may miss the opportunity afforded by its current price advantage, which would make promoting sufficient productivity growth to accelerate the country's long-term economic trajectory far more challenging.

TEXT 4

Task: Identify the opportunities and challenges which exist in the current economic environment in ASEAN region

ASEAN Economic Integration: Opportunities and Challenges that Lie Ahead in the ASEAN region

The Association of Southeast Asian (ASEAN) leaders adopted the ASEAN Vision 2020 hoping to strengthen the foundation for a prosperous and peaceful community of Southeast Asian nations while creating a community that lived in shared stability and prosperity. The purpose of establishing an integrated economic community is to accelerate economic growth, enhance trade development in the region, and allow the freer movement of goods, services, skilled labor, and capital.

The 1997 Asian financial crisis generated substantial macroeconomic fundamental effects, including a collapse of Asian stock markets, devaluations of domestic currencies, and a reduction in asset prices throughout Asian countries. Many businesses collapsed which in turn condensed per capita income for millions of people in the region.

Some experts argue that the Asian financial crisis exposed many issues such as banks' structural inefficiencies, weak financial infrastructures, lack of transparency and weak governance and regulation involving the banking sector. Others argue that moral hazard, asymmetric information, short-sighted government policies, weak institutions, and ineffective regulation also made the region vulnerable to the crisis. In the years that followed the Asian Financial crisis, ASEAN leaders discussed creating economic policies that would both support economic growth and protect the region from any potential future economic shocks.

There is a substantial list of opportunities associated with AEC integration. For instance, economic integration provides opportunities to boost economic stability in the region. Another benefit is that integration would turn ASEAN into a more competitive region within the world economy. A stronger regional economy will help to improve the living standards of the ASEAN population by reducing poverty through economic development.

ASEAN member countries expect to achieve greater economic cooperation in the areas of financial policies, trade, and human capital. AEC integration will also serve to promote goods and services, investment, labor mobilization, and mobilization of capital. The ASEAN region could potentially become a highly competitive economic union operating as a single market. ASEAN also intends to improve regional agricultural and industrial utilization, as well as expand trade, and improve transportation and infrastructure.

Labor-force expansion and productivity improvements have driven GDP growth in the ASEAN region. ASEAN has the third-largest labor force in the globe, behind China and India. The ASEAN region is projected to rank as the fourth-largest economy in the world by the year 2050.

Economic integration could potentially combine to produce opportunities to ASEAN countries; however, it could also generate challenges, namely higher costs related to implementing economic integration across such economically and culturally diverse countries.

ASEAN is an economic region which has diverse patterns of economic development. The majority of ASEAN countries are categorized as low middle income countries, whereas a few are positioned better economically. The existing income inequality gap among some of the ASEAN countries could become even wider post AEC integration.

Some ASEAN countries have high inflation rates. This could result in dissimilar price levels and unequal purchasing power across ASEAN member countries, giving some countries the ability to purchase more goods of another member country. Also, different levels of inflation could result in different levels of investment. This could inadvertently lead to some sectors and industries incurring economic losses and to some workers in the less economically stable countries to consider migrating to more economically prosperous member countries. There is the possibility of witnessing highly disparate levels of economic development, interest rates, and exchange rates across member countries. As a result, governments could face some challenges in stabilizing macroeconomic and financial conditions under an integrated economic system.

There is also a high degree of political and socio-cultural diversity among ASEAN countries which makes economic integration challenging. ASEAN member countries have disparate existing levels of capital market development and financial regulations. Some of the ASEAN member countries do not have the appropriate financial sector regulation and infrastructure necessary for a seamless integration process. We can expect that there will be challenges associated with capital market development, financial services liberalization, capital account liberalization, and an eventual ASEAN currency cooperation.

AEC will also incur costs related to institutional strengthening, costs related to monitoring and evaluating the regional systems within the economic framework, and costs related to developing and managing the regional systems necessary for an effective economic integration. One could also expect other costs to rise, such as those related to urbanization as millions of citizens migrate from rural areas to cities in search of economic opportunities. As most of the ASEAN member countries grow and expand their economic activities, there will be additional costs related to climate resiliency and environmental sustainability.

The ASEAN region sits at the intersection of global flows. Intraregional trade in goods is likely to increase with the implementation of AEC as is overall economic growth. To realize the full potential of the AEC, better management of structural and institutional change is needed, in addition to ensuring that economic gains lead to shared prosperity among the population. The success of ASEAN economic integration will depend on how it influences the labor market – and consequently on how it improves the quality of life of women and men in the region.

There are opportunities and challenges that surround AEC, including managing labor migration, boosting productivity and wages, and improving job quality. These items in turn will produce effects on job skills development, wages and productivity, and labor migration. However, it is important to emphasize that unless managed properly, the AEC may not be able to capitalize on all of the foreseeable economic opportunities, and instead it could witness an increase in income inequality across the region which would certainly affect the poorest.

Thesis Samples

A

Text 1

How Industrial Countries Can Overcome Obstacles To Structural Reforms

Task: How can deregulation and good will of policymakers keep industrial economies viable?

Many industrial countries are faced with challenges to their societies. A good way to address these issues would be to undertake structural reforms, but only well-balanced and timely structural reforms designed by policymakers can really make their economies viable.

B

Text 1

Financial Globalization: Beyond the Blame Game

Task: Identify the key areas where the benefits of financial globalization will be most important.
Specify the conditions which will generate sustained growth.

Financial globalization driven by financial integration and free movement of capital is beginning to create an environment in which the implementation of monetary policy at a national level is becoming more difficult. There are signs that globalization has started to affect national monetary policy in a number of new ways. However, none of them, is likely to affect the monetary policy objectives.

Text 3

The CIS Economies Are Suffering a Double Blow

Task: Determine the key reasons for distress across the CIS economies and analyze the major challenges for policymakers under crisis conditions.

Under crisis conditions the CIS countries face serious difficulties. The reasons for this distress are shocks in the financial market and trade, negative forecasts for exports and commodity prices. To cope with these shocks policymakers should carry out sound and wise fiscal and monetary policy and maintain the stability of the banking sector.

C

Text 1

Asia Leading the Way

Task: Analyze the reasons for Asia's staggering economic success and further steps on the path to sustained growth.

Asia is one of the major contributors to the development of the world economy and its role continues to grow. The Asian success was driven by external and internal sources of growth. Still, policymakers have to implement some changes to sustain growth.

Part 3

Gap filling and Reading Comprehension

Test 1

P a r t 1. Read the texts below and fill in the gaps choosing the correct word from the list on the right*.

1	The upswing in global investment and trade continued in the second half of 2017. With financial conditions still 1 ______, global growth is expected to 2 ______ to a 3.9 percent rate in both 2018 and 2019. Advanced economies will grow faster than potential; euro area economies are set to narrow 3 ______capacity with support from 4 ______ monetary policies, and expansionary 5 ______ policy will 6 ______ the US economy above full employment.	a. *accommodative* b. *supportive* c. *drive* d. *excess* e. *tick up* f. *fiscal*
2	Global growth is projected to soften beyond the next couple of years. Once their 1 ______ gaps close, most advanced economies are poised to return to potential growth 2 ______ well below pre-crisis averages, 3 ______ by aging populations and lower 4______. US growth will slow below potential as the 5 ______ impact of recent fiscal policy changes goes into reverse. Growth is projected 6 ______ below average in several emerging market and developing economies.	a. *productivity* b. *output* c. *to remain* d. *rates* e. *held back* f. *expansionary*
3	The current recovery offers a window of opportunity 1 ______ policies and reforms that raise medium-term growth to the benefit of all and 2 ______ the current upswing. Such policies should focus on 3 ______ the potential for higher and more 4 ______ growth, building 5 ______ to deal more effectively with the next 6 ______, improving financial 7 ______ to contain market risks and stability concerns, and fostering international cooperation.	a. *buffers* b. *secure* c. *downturn* d. *to advance* e. *strengthening* f. *resilience* g. *inclusive*
4	Financial market sentiment has generally been strong, with continued 1 ______ in equity markets in both advanced and emerging market economies. Given current expectations of a more gradual pace of monetary policy 2 ______ , US long-term 3 ______ rates have declined by some 25 basis points , and the dollar has 4 ______ by more than 5 percent in real effective terms, with a real 5 ______ of the euro. Despite expectations of more 6 ______ global demand going forward, commodity prices have remained low, with oil prices reflecting stronger-than-anticipated supply.	a. *interest* b. *appreciation* c. *gains* d. *depreciated* e. *normalization* f. *robust*

1	1	2	3	4	5	6

2	1	2	3	4	5	6

3	1	2	3	4	5	6	7

4	1	2	3	4	5	6

* The total number of gaps in Part 1 is 25, which gives you 50 points.

Part 2. In the extract below about countries' fiscal policy objectives put the paragraphs (A, B, C, D, E) in the correct logical order (1-5)[**].

Fiscal Policy: Rebuild Buffers and Focus on Medium-Term Objectives

A. The recently legislated tax code overhaul and bipartisan agreement on the federal budget in the United States will further add to rising fiscal deficits and unsustainable debt dynamics over the next five years. It is therefore imperative to ensure higher future revenues and take measures to gradually curb the dynamics of public spending while shifting its composition toward much-needed improvements in infrastructure, poverty-alleviating measures, and policies to strengthen labor force participation. All these key measures may allow the policymakers in their respective countries to look beyond their immediate goals into a more distant future.

B. In Japan, on the contrary a premature drop in the level of fiscal support should be avoided so as to sustain growth and promote structural reforms. The debt trajectory needs to be anchored by a credible medium-term fiscal consolidation plan, which should include a streamlining of health, pension, and long-term care benefits together with gradual and steady increases in the consumption tax rate starting in 2019.

C. Countries with fiscal space should also raise potential output and productivity by enhancing workforce skills, including in the area of digital literacy. These countries should improve infrastructure where needed and— where aging is expected to exert a significant drain on labor supply—should boost labor force participation through stronger family-friendly policies, reconsideration of labor taxation, actuarially fair pension systems, and labor market matching enhanced by more efficient active labor market programs.

D. The cyclical recovery affords an opportunity to orient fiscal policy more firmly toward medium-term goals. This column introduces the report on the cycle's current phase and an outlook for the near and not so near future. In particular it is observed that in countries with little fiscal space, where a gradual strengthening of fiscal buffers is warranted, consolidation should proceed hand-in-hand with a shift in budget composition toward areas that lift potential output growth, while also remaining mindful of reducing inequality and improving the welfare of the most vulnerable. Doing so would help sovereign debt ratios remain sustainable, rebuild fiscal policy space to counter future downturns, and leave these economies better positioned to address long-term fiscal challenges stemming from aging-related health and pension outlays. The pace of consolidation should be calibrated to the strength of the recovery and avoid sharp drags on growth.

E. In this regard let us first consider the euro area. Several countries have exhausted their fiscal space and should gradually consolidate in as growth-friendly and evenly phased a manner as possible to rebuild buffers. In Italy and Spain, for example, high sovereign debt ratios together with unfavorable demographic trends call for an improvement in the structural primary balance to put debt firmly on a downward path. By contrast, Germany has fiscal space that should be used to increase public investment in areas that will lift potential growth by improving productivity and increasing the labor force participation of women and recent immigrants. These areas include enhancing digital infrastructure, child care and after-school programs, and the training and integration of refugees into the workforce. An important by-product of more public investment in Germany would be higher imports from the rest of the euro area, which would facilitate rebalancing of demand within the common currency area.

** The total number of points for Parts 2, 3 and 4 is 50.

Part 3. Questions 1-5

Read the article below about green investing. From the list of headings (A - F) choose the correct heading for sections 1-5. Use each letter only once.

A. Seeking to solve problems
B. The new ways for businesses
C. Green investing will not put green in your pocket
D. The roots of green investing
E. The old ways to gain profit
F. Environmentally friendly actions

What does it mean to be green?

1. The traditional economic approach toward the world's environment is largely centered on generating a profit. Trees are made to be cut down and sold, land is made to be developed, and animals are either raised to sell or are treated as **impediments** to deforestation and land development. Most credible experts agree that this approach to the environment has contributed to a lot of environmental problems, including global warming, pollution, the extinction of some animal species, deforestation and drought.

2. The major environmental concerns that have arisen as a result of economic development are now gaining attention and have generated a lot of concern. They have also generated a heightened awareness of the importance of the environment. As a result, businesses are either seeking to operate in environmentally friendly ways or seeking to solve some of the problems that industry creates for the natural world.

3. Solving the world's environmental problems is big business. Efforts to reduce dependence on fossil fuels have spawned a lot of enterprises ranging from wind farms to alternative fuels - and these aren't pie-in-the-sky efforts. For example, in 2007, legendary oil man T. Boone Pickens launched a bid to build one of the biggest wind farms in the United States (he later sold his stake, but remains an active **advocate** against oil-dependence and renewable energy). Energy giant General Electric also participates in the design and manufacture of wind turbines, while other major energy companies have partnered with the U.S. Department of Energy to develop clean coal technologies. Tesla has also been a huge driver of sustainable initiatives over the past years, followed by numerous other car manufacturers jumping on the trend of electric and hybrid cars.

4. The concept of green investing is an outgrowth of the socially responsible investing movement. Socially responsible investors often seek to avoid investing in companies that produce products such as alcohol, tobacco and firearms; green investors seek to put their money into supporting companies that protect the environment. While the movement has taken awhile to generate momentum, the outlook looks bright as concerns about energy and the environment continue to **mount**.

5. If you are ready to go green, investing in companies that engage in environmentally friendly practices is the easiest and most obvious way to show your support. Not only do you get to feel good about your investment, but you also get to make a profit if the enterprise is successful. Less obvious is the opportunity to vote with your dollars in other ways.

   In addition to buying stock in environmentally friendly companies or companies engaged in efforts to solve environmental problems, you can also purchase their products. In a similar **fashion**, if you identify companies that operate in ways that are **detrimental** to the environment, you can choose to keep their stocks out of your portfolio and their products out of your home.

Part 4. Questions 6-10

For each word in bold type (6 - 10) from the text above give ONE equivalent (A, B or C). Use each letter only once.

6. impediments (section 1)
A. catalysts
B. implications
C. obstacles

7. advocate (section 3)
A. lawyer
B. proponent
C. proprietor

8. mount (section 4)
A. mitigate
B. amount
C. increase

9. fashion (section 5)
A. way
B. mention
C. regard

10. detrimental (section 5)
A. positive
B. harmful
C. unethical

PART 2		PART 3		PART 4	
1		1		6	
2		2		7	
3		3		8	
4		4		9	
5		5		10	

Part 1. Read the texts below and fill in the gaps choosing the correct word from the list on the right.

1	Economic activity in 2017 ended on a high note — growth in the second half of the year was above 4 percent supported by a 1 _____ in investment. This positive momentum will eventually slow, however, leaving many countries with a 2 _____ medium-term outlook. Some cyclical forces will wane: financial conditions are expected 3 _____ naturally with the closing of output 4 _____ and monetary policy 5 _____; US tax reform will subtract momentum starting in 2020, and China's transition to lower growth is 6 _____ to resume as credit growth and fiscal stimulus diminish.	a. *normalization* b. *to tighten* c. *challenging* d. *recovery* e. *gaps* f. *expected*
2	The outlook is mixed across emerging market and developing economies. Prospects 1 _____ favorable in emerging Asia and Europe, but are challenging in Latin America, the Middle East, where—despite some recovery—the medium-term 2 _____ for commodity exporters remains generally 3 _____, with a need for further economic diversification and 4 _____ to lower commodity 5 _____. More than one-quarter of emerging market and developing economies are projected to grow by less than advanced economies in per capita 6 _____ over the next five years.	a. *outlook* b. *subdued* c. *terms* d. *prices* e. *remain* f. *adjustment*
3	Risks around the short-term outlook are broadly 1 _____, but risks beyond the next several quarters are clearly to the 2 _____. On the upside, the growth spike in advanced economies may turn out to be stronger and more durable than in the baseline, as 3 _____ in labor markets can be larger than currently 4 _____. Furthermore, the ongoing recovery in investment could 5 _____ a rebound in productivity, 6 _____ higher potential growth going forward. On the downside, financial conditions—which remain easy despite the onset of monetary policy normalization—could tighten sharply and expose 7 _____ .	a. *implying* b. *slowdown* c. *foster* d. *balanced* e. *vulnerabilities* f. *assessed* g. *downside*
4	Structural reforms and 1 _____ fiscal policy are needed to 2 _____ productivity and labor supply, with differing 3 _____ across countries. Looking ahead, ongoing structural transformation (labor-saving 4 _____ change and cross-border 5 _____) demands comprehensive policy approaches, including policies that reduce the pain of adjustment and 6 _____ opportunities for all.	a. *competition* b. *priorities* c. *boost* d. *provide* e. *growth-friendly* f. *technological*

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2	1	2	3	4	5	6

3	1	2	3	4	5	6	7

4	1	2	3	4	5	6

P a r t 2. In the extract below about the costs of trade war put the paragraphs (A, B, C, D, E) in the correct logical order (1-5).

The Costs of Trade War

A. Moreover, a trade war would be a severe blow to the world's poorest countries, and to the hope of doubling "least developed countries' share of global exports" by 2020 under the Sustainable Development Goals (SDGs). It would compromise the fragile economic recovery since the global financial crisis a decade ago, thus undercutting growth and development around the world. And it would limit the extent to which trade could be used to advance global goals. Hence, the easiest way to win a trade war is to avoid it altogether.

B. Unfortunately, current trade actions signify a situation in which everyone will lose. In a trade war, companies across a wide range of sectors will lose profits, and workers will lose jobs. Governments will lose revenue, and consumers will have fewer product choices available. And, no matter where they are, firms, governments, and households will incur higher costs.

C. The expansion of trade has brought about economic growth, created jobs, and increased household incomes around the world. It is a key factor behind the rise of the global South, where dozens of developing countries have experienced strong economic growth and positive societal change. And it made possible one of the most remarkable achievements in human history: lifting one billion people out of poverty in the space of just two decades.

D. We know from history that nobody "wins" in a trade war. Tariff hikes by major trading countries represent a reversal of efforts since the end of World War II to eliminate trade barriers and facilitate global commerce. Tariff reductions, together with technological advances, drove the extraordinary expansion of global trade that we have witnessed just in our lifetimes.

E. Even worse, a global trade war might jeopardize the multilateral trading system itself. It would no doubt result in tariff increases greater than anything we have seen in recent history. UNCTAD research shows that average tariffs could rise from negligible levels to as high as 30% for US exporters and 35% and 40% for EU and Chinese exporters, respectively. So, even if the "elephants" have sufficient economic weight to withstand a trade war, they would not benefit from one.

P a r t 3. Questions 1 – 5

Read the article below about leadership. From the list of headings (A - F) choose the correct heading for sections 1 - 5. Use each letter only once.

Common Leadership and Management Mistakes

A. Not delegating
B. Misunderstanding motivation
C. Hurrying recruitment
D. Failing to define goals
E. Misunderstanding your role
F. Setting a long-term goal

1. When your people do not have clear goals, they muddle through their day. They cannot be productive if they have no idea what they are working for, or what their work means. They also cannot prioritize their workload effectively, meaning that projects and tasks get completed in the wrong order.

2. Do you know what truly motivates your team? Many leaders make the mistake of assuming that their team is only working for monetary reward. However, it is unlikely that this will be the only thing that motivates them. For example, people seeking a greater work/life balance might be motivated by telecommuting days or **flexible** working. Others will be motivated by factors such as achievement, extra responsibility, praise, or a sense of **camaraderie**.

3. When your team has a large workload, it is important to have enough people "on board" to cope with it. But filling a vacant role too quickly can be a disastrous mistake.
   Hurrying recruitment can lead to recruiting the wrong people for your team: people who are uncooperative, ineffective or unproductive. They might also require additional training, and slow down others on your team. With the wrong person, you will have wasted valuable time and resources if things do not work out and they leave.
   You can avoid this mistake by learning how to recruit effectively, and by being particularly **picky** about the people you bring into your team.

4. Some managers do not delegate, because they feel that no one apart from themselves can do key jobs properly. This can cause huge problems as work bottlenecks around them, and as they become stressed and **burned out.**
   Delegation does take a lot of effort up-front, and it can be hard to trust your team to do the work correctly. But unless you delegate tasks, you are never going to have time to focus on the "broader-view" that most leaders and managers are responsible for. What is more, you will fail to develop your people so that they can take the pressure off you.

5. Once you become a leader or manager, your responsibilities are very different from those you had before. However, it is easy to forget that your job has changed, and that you now have to use a different set of skills to be effective. This leads to you not doing what you've been hired to do – leading and managing.

Part 4. Questions 6-10

For each word in bold type (6 - 10) from the text above give ONE equivalent (A, B or C). Use each letter only once.

6. **flexible** (section 2)
A. easy
B. systematic
C. changeable

7. **camaraderie** (section 2)
A. antipathy
B. fellowship
C. communication

8. **picky** (section 3)
A. smart
B. choosy
C. fabulous

9. **bottlenecks** (section 4)
A. difficulties
B. obstacles
C. entail

10. **burned out** (section 4)
A. excited
B. wiped out
C. exhausted

PART 2		PART 3		PART 4	
1		1		6	
2		2		7	
3		3		8	
4		4		9	
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Test 3

Part 1. Read the texts below and fill in the gaps choosing the correct word from the list on the right.

1	In the United States, financial conditions could 1______ faster than expected, 2 ______ by an adjustment in market 3______ of the future path of monetary policy, higher realized or expected wage and price 4 ______. Tighter financial conditions in the United States would have 5 ______ to other economies, including through a reduction in capital 6 ______ to emerging markets. Very expansionary fiscal policy in the United States, at a time when the current account 7 ______ is already larger than justified by fundamentals.	a. *flows* b. *pricing* c. *tighten* d. *spillovers* e. *triggered* f. *inflation* g. *deficit*
2	Anxiety about technological change and globalization is on the rise and, when combined with wider trade 1 ______, could foster a shift toward inward-looking policies, 2______ trade and investment. Recent import 3 ______ announced by the United States, announced retaliatory actions by China, raise concerns in this regard and threaten 4 ______ global and domestic activity and sentiment. Similarly, changes in US tax policies are expected to 5 ______ income polarization, which could affect the political climate for policy. Climate change, 6 ______ tensions and cybersecurity pose additional threats to the global outlook.	a. *geopolitical* b. *exacerbate* c. *imbalances* d. *to damage* e. *disrupting* f. *restrictions*
3	All countries have room for 1 ______ reforms and fiscal policies that raise productivity and 2 ______ inclusiveness by 3 ______ experimentation and diffusion of new technologies, increasing 4______ participation. The analysis of one aspect of structural change — the decline in the 5 ______ of manufacturing jobs in overall employment — highlights the importance of facilitating the 6 ______ of labor to the most dynamic sectors.	a. *enhance* b. *share* c. *structural* d. *reallocation* e. *encouraging* f. *labour force*
4	For many of the challenges that the global economy 1 ______, individual country actions can be more effective if supported by multilateral 2 ______. Preserving the global economic 3 ______ will require policymakers to avoid 4 ______ measures and to do more to ensure that 5 ______ from growth are shared more widely. In addition to preserving an open trading system, key areas for collective action include 6 ______ global financial stability.	a. *cooperation* b. *safeguarding* c. *gains* d. *expansion* e. *confronts* f. *protectionist*

1	1	2	3	4	5	6	7

2	1	2	3	4	5	6

3	1	2	3	4	5	6

4	1	2	3	4	5	6

P a r t 2. In the extract below about closing output gaps and stronger growth in advanced economies put the paragraphs (A, B, C, D, E) in the correct logical order (1-5).

Advanced Economies: Output Gaps Closing amid Structurally Stronger Growth

A. Likewise, about 40 percent of the 1.7 percentage point revision to cumulative growth in advanced economies during 2016–21 (relative to the October 2016 WEO projections) is attributed to faster closing of output gaps; the rest is attributed to faster potential growth. Higher potential output relative to earlier projections implies that employment is expected to be sustained at a higher level as well. The continued decline in headline unemployment rates, with limited signs of wage and price acceleration, is consistent with this interpretation.

B. It is generally assumed that since 2014 advanced economies have experienced a continued, if at times halting, recovery from the recessions in the aftermath of the 2008–09 global financial crisis and the 2011–12 euro area sovereign debt crisis. Accommodative monetary policy and the gradual fading of crisis-related drags have been pivotal in helping advanced economies attain above-potential growth and reduce unemployment. Measures of potential growth and output gaps are inherently very uncertain, especially in the aftermath of a deep crisis with lasting macroeconomic legacies.

C. As concerns advanced economies, the medium-term per capita growth rates thereare expected to be lower—not only than they currently are, but also below those registered in the precrisis decades. The main reason is the slowdown in labor force growth as populations of advanced economies continue to age, a drag that is expected to be offset only partially by some recovery in the growth of total factor productivity (to rates that are well below those registered in the precrisis years).

D. Nonetheless, potential growth for advanced economies is also estimated to have recovered in recent years. The faster-than-expected pace of activity in advanced economies since mid-2016 has not only sped up the closing of output gaps, it has also led to a reassessment of medium-term output. As statistics show, some 40 percent of the 0.6 percentage point cumulative growth surprise for 2016–17 relative to the October 2016 WEO projections is attributed to a faster-than-expected closing of output gaps (a cyclical recovery in demand), while the rest has been matched by an upward revision to estimated potential growth (implying a structurally stronger recovery).

E. It follows from the statistics that once the gaps close (estimated to occur by the end of 2018 for the advanced economy group), growth is expected to start declining toward potential. The United States, where recent fiscal policy changes are expected to push output above potential, is projected to see a later, but sharper, return to potential growth than most other advanced economies. As a result, the US tax reform will reduce growth momentum starting in 2020, and then more strongly when full investment expensing begins to be phased out in 2023.

Part 3. Questions 1 – 5

Read the article below about economic benefits of education. From the list of headings (A - F) choose the correct heading for sections 1 - 5.

A. How to generate economic growth
B. Role of education for a nation
C. Employers: to train or not to train?
D. Training workforce for a successful economy
E. Where labor supply and demand meet
F. Workers: to be or not to be trained?

How Education and Training Affect the Economy

1. Globalization and international trade require countries and their economies to compete with each other. Economically successful countries will hold competitive and comparative advantages over other economies, though a single country rarely specializes in a particular industry. This means the country's economy will **include** various industries with different advantages and disadvantages in the global marketplace. The education and training of a country's workers is a major factor in determining just how well the country's economy will do.

2. A successful economy has a workforce **capable** of operating industries at a level where it holds a competitive advantage over the economies of other countries. To achieve this, nations may try incentivizing training through tax breaks and write-offs, providing facilities to train workers, or a variety of other means designed to create a more skilled workforce. Differences in training levels have been **cited** as a significant factor separating developed and developing countries.

3. Employers want workers who are productive and require less management. Employers must consider many factors when deciding whether or not to pay for employee training.
   - Will the training program increase the productivity of the workers?
   - Will the increase in productivity warrant the cost of paying for all or part of the training program?
   - If the employer pays for training, will the employee leave the company for a competitor after the training program is complete?

4. Workers increase their earning potential by developing and refining their capabilities. The more they know about a particular job's function, or the more they understand a particular industry, the more valuable they become to an employer. Employees want to learn advanced techniques or new skills for a higher wage. Usually, workers can expect their wages to increase at a smaller percentage than the productivity gains by employers. The worker must consider a number of factors when deciding whether to enter a training program:
   - How much extra productivity would he or she expect to gain?
   - What is the labor market like for a better-trained professional? Is the market significantly **saturated** with trained labor already?

5. Many countries have placed greater emphasis on developing an education system that can produce workers able to function in new industries, such as those in the fields of technology and science. This is partly because older industries in developed economies were becoming less competitive, and thus were less likely to continue dominating the industrial landscape.
   A country's economy becomes more productive as the proportion of educated workers increases since educated workers can more efficiently **carry out** tasks that require literacy and critical thinking. A country doesn't have to provide an extensive network of colleges or universities to benefit from education; it can provide basic literacy programs and still see economic improvements. Countries with a greater portion of their population attending and graduating from schools see faster economic growth than countries with less-educated workers. In this sense, education is an investment in human capital, similar to an investment in better equipment.

P a r t 4. Questions 6-10

For each word in bold type (6-10) from the text above give ONE equivalent (A, B or C). Use each letter only once.

6. **include** (section 1)
A. incline
B. exclude
C. involve

7. **capable** (section 2)
A. contractible
B. skilled
C. compatible

8. **cite** (section 2)
A. ofer
B. mention
C. discuss

9. **saturated** (section 4)
A. developed
B. tight
C. flooded

10. **carry out** (section 5)
A. bring about
B. turn out
C. perform

PART 2		PART 3		PART 4	
1		1		6	
2		2		7	
3		3		8	
4		4		9	
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Test 4

P a r t 1. Read the texts below and fill in the gaps choosing the correct word from the list on the right.

1	In advanced economies, stronger growth momentum and the firming of inflation have eased to some extent a key 1 _____ facing central banks: maintaining the monetary accommodation required 2 _____ the economic recovery while 3 _____ medium-term financial vulnerabilities. But the firming of inflation also brings risks. Inflation may pick up faster than currently 4 _____, possibly propelled by significant fiscal expansion enacted in the United States. Central banks may 5 _____ to higher inflation more aggressively than currently expected, which could lead to a sharp 6 _____ of financial conditions.	a. *addressing* b. *challenge* c. *to support* d. *tightening* e. *anticipated* f. *respond*
2	A number of emerging market economies have taken advantage of an extended period of benign 1 _____ financial conditions to improve their 2 _____. However, they could be 3 _____ to a sudden tightening of global financial conditions or 4 _____ from monetary policy normalization in advanced economies, resulting in an increase in risk aversion and capital flow 5 _____. The severity of such potential 6 _____ will differ across countries.	a. *vulnerable* b. *external* c. *reversals* d. *shocks* e. *spillovers* f. *fundamentals*
3	The banking sector has become more 1 _____ since the global financial crisis. However, it is important to 2 _____ that the post-crisis regulatory reform agenda is 3 _____. In advanced economies some weaker banks still need 4 _____ their balance sheets, and some institutions operating internationally run dollar liquidity 5 _____. Sudden spells of 6 _____ in financial markets could 7 _____ these mismatches and crystallize dollar funding strains.	a. *ensure* b. *mismatches* c. *to strengthen* d. *resilient* e. *turbulence* f. *completed* g. *expose*
4	The upward revision to China's growth forecasts reflects a slower 1 _____ of activity toward services and consumption, a higher projected 2 _____ trajectory, and diminished 3 _____ space. Unless the Chinese authorities 4 _____ the associated risks by accelerating their recent encouraging efforts to curb the 5 _____ of credit, these factors 6 _____a heightened probability of a sharp growth slowdown in China, with adverse international repercussions.	a. *imply* b. *debt* c. *counter* d. *rebalancing* e. *fiscal* f. *expansion*

1	1	2	3	4	5	6

2	1	2	3	4	5	6

3	1	2	3	4	5	6	7

4	1	2	3	4	5	6

P a r t 2. In the extract below about countries' policy objectives to address global challenges and put the paragraphs (A, B, C, D, E) in the correct logical order (1-5).

Multilateral Policies

A. Sustaining global improvements in living standards and delivering greater economic security to a rising share of the world's population requires a well-functioning multilateral framework that can facilitate a cooperative approach to addressing shared challenges and resolving disagreements. Multilateral cooperation in a range of areas can help amplify the benefits of the country-level actions while minimizing any adverse spillovers they may generate. This is particularly relevant at a time when unilateral tariff actions threaten to weaken the rules-based global trading system that has helped lift millions out of poverty and raised consumer welfare by lowering the price of tradable goods over the past several decades.

B. In this regard, global financial stability also deserves special attention. Cooperative global efforts have been instrumental in advancing the post-crisis financial regulatory reform agenda to make the financial system safer, including through stronger bank capital buffers, a better bank asset liquidity profile, and more stable funding. Continued close cooperation is also needed on combating cross-border money laundering, financing of terrorism, and fortifying financial infrastructure against cybersecurity breaches. At the same time, regulators must ensure that correspondent banking relationships — through which globally active banks provide deposit-taking and remittance services to smaller banks in low-income countries —stay intact to ensure that these countries have access to vital international payments.

C. So, it does not seem an exaggeration that trade openness and global economic integration under a rules-based, multilateral trading system have been crucial for diffusing innovation, lifting productivity, and expanding the variety of goods and services available globally in recent decades. Reducing barriers in high-tariff sectors such as agriculture; fully implementing commitments under the February 2017 Trade Facilitation Agreement; and adapting the rules to cover areas of growing relevance, such as digital trade and e-commerce, can help further lower trade costs and contribute to global growth.

D. Apart from the abovementioned issues, a range of non-economic factors that threaten the sustainability of global growth should be taken into consideration. Cross-border cooperation remains vital for mitigating environmental challenges together with refugees' conflict areas. In the final analysis, multilateral efforts remain indispensable for alleviating these pressures through financial resources directed to the recipient countries.

E. In addition, an adequately financed global safety net remains critical for countries to have quick and predictable access to international liquidity if they are unable to tap existing mechanisms, including their own reserves, bilateral swap lines, and regional financing agreements. Finally, both deficit and surplus economies must implement measures that rebalance the composition of global demand and prevent a further buildup of excess global imbalances.

Part 3. Questions 1 – 5

Read the article below about monopolies. From the list of headings (A - F) choose the correct heading for sections 1 - 5. Use each letter only once.

A. The downside of monopolies
B. How to define a monopoly
C. Reason to create a monopoly
D. How to become a monopoly: ways and means
E. Government-established monopoly
F. New entries and entities: blocked or promoted

How and Why Companies Become Monopolies

1. There are many ways to create a monopoly, and most of them rely on some form of assistance from the government. Perhaps the easiest way to become a monopoly is by the government granting a company exclusive rights to provide goods or services.
Nationalization is another **way** to create a monopoly. Mail delivery and childhood education are two services that have been nationalized in many countries. Copyrights and patents are another way in which assistance from the government can be used to create a monopoly or a near monopoly. Because the government has laws in place to protect intellectual property, the creators of that property are given monopoly power over things like ideas, concepts, designs, storylines, songs or even short melodies.

2. While governments usually try to prevent monopolies, in certain situations, they encourage or even create monopolies themselves. In many cases, government-created monopolies are intended to result in economies of scale that benefit consumers by keeping costs down. Utility companies that provide water, natural gas or electricity are all examples of entities designed to benefit from economies of scale.
In other cases, such as with the government policies that govern copyrights and patents, governments are seeking to encourage innovation. If inventors had no protection for their inventions, all of their time, effort and money spent writing books, recording songs, and conducting the research and development to create new drugs to **combat** disease would be wasted when another company who steals the idea is able to create a competing product at a lower cost.

3. While monopolies are great for the companies that enjoy the benefits of an exclusive market with no competition, they are often not so great for the consumers that buy their products. Consumers purchasing from a monopoly often find they are paying **unjustifiably** high prices for inferior-quality goods. Also, the customer service associated with monopolies is often poor. For these reasons, governments often prefer that consumers have a variety of **vendors** to choose from when practical.

4. However, monopolies can be equally problematic for would-be business owners as well, because the inability to compete with a monopoly can make it impossible to start a new business. It's an age-old-challenge that remains relevant today, as can be seen by the legal decision to block a merger of Sysco Corp and U.S. Foods Inc. on the grounds that bringing the two largest food distributors in the country together would create an entity so large and powerful it would **stifle** competition.

5. While monopolies created by government or government policies are often designed to protect consumers and innovative companies, monopolies created by private enterprises are designed to eliminate the competition and maximize profits. If one company completely controls a product or service, that company can charge any price it wants. Consumers who will not or cannot pay the price don't get the product. For reasons both good and bad, the desire and conditions that create monopolies will continue to exist. Accordingly, the battle to properly regulate them to give consumers some degree of choice and competing business the ability to function will also be part of the landscape for decades to come.

Part 4. Questions 6-10

For each word in bold type (6 - 10) from the text above give ONE equivalent (A, B or C). Use each letter only once.

6. **way** (section 1)
A. distance
B. method
C. aspect

7. **combat** (section 2)
A. fight
B. curb
C. catch

8. **unjustifiably** (section 3)
D. excessively
E. costly
F. reasonably

9. **vendor** (section 3)
A. retailer
B. proprietor
C. mentor

10. **stifle** (section 4)
A. restrict
B. promote
C. shuffle

PART 2		PART 3		PART 4	
1		1		6	
2		2		7	
3		3		8	
4		4		9	
5		5		10	

Test 5

P a r t 1. Read the texts below and fill in the gaps choosing the correct word from the list on the right.

1	World growth strengthened in 2017 to 3.8 percent, with a notable rebound in global trade. It was driven by an 1 _____ recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in 2 _____ exporters. Global growth is expected to 3 _____ to 3.9 percent this year and next, 4 _____ by strong momentum, favorable market 5 _____, accommodative financial conditions, and the domestic and international repercussions of 6 _____ fiscal policy in the United States.	a. *tick up* b. *expansionary* c. *commodity* d. *sentiment* e. *investment* f. *supported*
2	Over the medium term, global growth is projected to decline to about 3.7 percent. Once the cyclical upswing and US 1 _____ stimulus have run their course, prospects for advanced economies 2 _____ subdued given their slow potential growth. In emerging market and developing economies, in contrast, growth will remain 3 _____ to its 2019 as the gradual 4 _____ in commodity exporters and a 5 _____ increase in India's growth 6 _____ some offset to China's gradual slowdown.	a. *fiscal* b. *recovery* c. *close* d. *remain* e. *provide* f. *projected*
3	Despite strong aggregate figures in the 1 _____ forecast and buoyant market sentiment, the current momentum is not 2 _____. Upside and downside risks are broadly balanced over the next several quarters, but risks farther down the road are skewed to the 3 _____. With still-easy financial conditions and persistently low 4 _____ that has required protracted monetary policy 5 _____, a potential further 6 _____ of financial vulnerabilities could give way to rapid tightening of global financial 7 _____, undermining confidence and growth.	a. *downside* b. *buildup* c. *baseline* d. *accommodation* e. *conditions* f. *inflation* g. *assured*
4	The key challenge confronting policymakers is to ensure that the buildup of financial vulnerabilities is 1 _____ while monetary policy remains 2 _____ of the global recovery. Otherwise, rising debt loads and overstretched asset valuations could 3 _____ market confidence in the future, with 4 _____ that could put global growth at risk. This report examines such a 5 _____ scenario, in which a repricing of risks leads to sharp increases in credit 6 _____.	a. *repercussions* b. *costs* c. *undermine* d. *contained* e. *downside* f. *supportive*

1	1	2	3	4	5	6

2	1	2	3	4	5	6

3	1	2	3	4	5	6	7

4	1	2	3	4	5	6

P a r t 2. In the extract below about the implications for productivity put the paragraphs (A, B, C, D, E) in the correct logical order (1-5).

Manufacturing Jobs: Implications for Productivity and Inequality

A. The second question arises because low- and middle-skilled workers have traditionally earned higher wages in manufacturing than in services; a reduced employment share for manufacturing would thus tend to worsen income inequality. Countries where inequality in labor earnings has risen since 1980 have typically experienced a decline in the share of manufacturing employment. But analysis of the mechanisms underlying that correlation has been sparse. Countries where the share of manufacturing employment has declined more may also have been more exposed to other inequality-enhancing trends (such as technological change and the automation of routine tasks), with a consequent rise in labor income inequality within all sectors.

B. However, whether an expanding service sector necessarily weighs on economy-wide productivity growth is an open question. The service sector comprises subsectors with potentially varying productivity levels and growth rates; recent advances in technology and in the tradability of services may have accelerated the productivity gains in some of them. The impact of the shifts in employment shares on aggregate productivity would therefore depend on the exact mix of subsectors that are gaining or losing share.

C. This article will further prove this assumption. In many countries, manufacturing appears to have faded as a source of jobs. In fact, the share in manufacturing employment in advanced economies has been declining for nearly five decades. In developing economies, such employment has been more stable, but among more recent developers it seems to be peaking at relatively low shares of total employment and at levels of national income below those in market economies that emerged earlier. The share of jobs in the service sector has risen almost everywhere, replacing jobs in either manufacturing (mostly in advanced economies) or agriculture (in developing economies).

D. The implications of the reduced share of manufacturing in employment has been much debated, with researchers and policymakers focusing on two questions: (1) Does it hinder overall growth? (2) Does it raise inequality?
Regarding the first question, the growth of productivity and of income has historically appeared to slow once factors of production begin to shift from manufacturing to services. This phenomenon could be especially worrisome for developing economies where employment shares are shifting from agriculture to services, bypassing manufacturing, given that skipping a traditional industrialization phase could hinder their ability to narrow income gaps vis-à-vis advanced economies.

E. Thus, changes in the share of manufacturing jobs in employment have been accompanied by even more diverse changes in the output share of manufacturing across countries. Moreover, a few developing economies have experienced sizable increases in the share of manufacturing in both employment and output since the early 1970s, most notably China. This heterogeneous picture could reflect reallocation of production across countries or country variations in the demand for manufactures, or a mix of both. This conclusion warrants longer-term review and more profound further research.

Part 3. Questions 1-5

Read the article below about benefits of recession. From the list of headings (A - F) choose the correct heading for sections 1 - 5. Use each letter only once.

A.	Sin industries in hard times	D.	Discount retailers in economic downturn
B.	Invest according to economic cycle	E.	Service industries in hard times
C.	Business surviving in bad times	F.	Benefits of recession

Industries that Thrive on Recession

1. It makes sense that as budgets feel the **strain** of an economic downturn, people turn to the stores that offer the most for the least. Discount retailers like Wal-Mart Stores Inc. do well at any time, but they can suffer in periods of prosperity as people with money buy higher-quality goods at other outlets. To remain competitive, these retailers are forced to upgrade their product lines and change the focus of their business from **thrift** to quality. Their profits suffer from either lost sales or less margin on the goods they sell.
   In hard times, however, these retailers excel by going back to core products and using vast economies of scale to give cheap goods to consumers.

2. In bad times, the bad do well. Although it seems a little counterintuitive, people patronize the sin industries more during a recession. In good times, these same people might have bought new shoes, a new stereo or other, bigger-ticket items. In bad times, the desire for comforts doesn't leave, it simply scales down. People will pass on the stereo, but a nightly glass of wine, a pack of cigarettes or a chocolate bar are small expenditures that help hold back the general malaise that comes with being tight on cash.

3. In the service industry in recessionary times companies and families are willing to **take on** more work themselves to save money. A certain class of service providers will see an upswing during hard times, though. Companies that specialize in repairing, upgrading and maintaining existing equipment and products thrive as more clients focus on working with what they have rather than buying something new.

4. In a recession, simply carrying on with business as usual can be an achievement. Pharmaceuticals, healthcare companies, tax service companies, waste disposal companies and many others are in a category that can manage to survive while other companies suffer. This is simply because people get sick, get taxed and die no matter what the state of the economy. Sometimes the most boring businesses offer the most **consistent** returns.

5. The biggest benefit of hard times is that companies get hurt for inefficiencies that they laughed off in better times. A recession means general fat trimming for companies, from which they should emerge stronger, and that's good news for investors.
   One of the best signs is a company in a hard-hit industry that is **expanding** anyway. For example, McDonald's Corp. It continued to grow in the 1970s downturn, even though restaurants generally suffered as people cooked rather than going out to eat.

Part 4. Questions 6-10

For each word in bold type (6 - 10) from the text above give ONE equivalent (A, B or C). Use each letter only once.

6. **strain** (section 1)
A. pressure
B. release
C. drain

7. **thrift** (section 1)
A. economizing
B. generosity
C. extravagance

8. **take on** (section 3)
A. look after
B. move on
C. undertake

9. **consistent** (section 4)
A. steady
B. annual
C. comprehensive

10. **expanding** (section 5)
A. shrinking
B. growing
C. disappearing

PART 2		PART 3		PART 4	
1		1		6	
2		2		7	
3		3		8	
4		4		9	
5		5		10	

ANSWER KEY

Answer key

TEST 1

PART 1

1	1 B	2 E	3 D	4 A	5 F	6 C	
2	1 B	2 D	3 E	4 A	5 F	6 C	
3	1 D	2 B	3 E	4 G	5 A	6 C	7 F
4	1 C	2 E	3 A	4 D	5 B	6 F	

PART 2		PART 3		PART 4	
1	**D**	**1**	**E**	**6**	**C**
2	**C**	**2**	**A**	**7**	**B**
3	**E**	**3**	**B**	**8**	**C**
4	**B**	**4**	**D**	**9**	**A**
5	**A**	**5**	**F**	**10**	**B**

TEST 2

PART 1

1	1 D	2 C	3 B	4 E	5 A	6 F	
2	1 E	2 A	3 B	4 F	5 D	6 C	
3	1 D	2 G	3 B	4 F	5 C	6 A	7 E
4	1 E	2 C	3 B	4 F	5 A	6 D	

PART 2		PART 3		PART 4	
1	**D**	**1**	**D**	**6**	**C**
2	**C**	**2**	**B**	**7**	**B**
3	**B**	**3**	**C**	**8**	**B**
4	**E**	**4**	**A**	**9**	**C**
5	**A**	**5**	**E**	**10**	**C**

TEST 3

PART 1

1	1 C	2 E	3 B	4 F	5 D	6 A	7 G

2	1 C	2 E	3 F	4 D	5 B	6 A

3	1 C	2 A	3 E	4 F	5 B	6 D

4	1 E	2 A	3 D	4 F	5 C	6 B

PART 2		PART 3		PART 4	
1	B	1	D	6	C
2	C	2	A	7	B
3	A	3	C	8	B
4	D	4	F	9	C
5	E	5	B	10	C

TEST 4

PART 1

1	1 B	2 C	3 A	4 E	5 F	6 D

2	1 B	2 F	3 A	4E	5 C	6 D

3	1 D	2 A	3F	4 C	5B	6 E	7 G

4	1 D	2 B	3 E	4 C	5 F	6 A

PART 2		PART 3		PART 4	
1	A	1	D	6	B
2	C	2	E	7	A
3	B	3	A	8	A
4	E	4	F	9	A
5	D	5	C	10	A

TEST 5

PART 1

1	1 E	2 C	3 A	4 F	5 D	6 B	
2	1 A	2 D	3 C	4 B	5 F	6 E	
3	1 C	2 G	3 A	4 F	5 D	6 B	7 E
4	1 D	2 F	3 C	4 A	5 E	6 B	

PART 2		PART 3		PART 4	
1	**D**	**1**	**D**	**6**	**A**
2	**A**	**2**	**A**	**7**	**A**
3	**C**	**3**	**E**	**8**	**C**
4	**B**	**4**	**C**	**9**	**A**
5	**E**	**5**	**F**	**10**	**B**

Supplement

Glossary

Test 1

become more resilient to potential shocks	становиться более устойчивым к возможным потрясениям
benefit from a further broadening and deepening of financial markets	воспользоваться преимуществами расширения и стабилизации финансовых рынков
boost inflation	резко повышать инфляцию
boost trade and competition	способствовать росту торговли и конкуренции
budget surpluses cutting gross public debt	бюджетный профицит, сокращающий совокупный государственный долг
cement macroeconomic stability	укреплять макроэкономическую стабильность
challenge of sustaining or even accelerating shocks	проблема устойчивых и даже усиливающихся потрясений
declining poverty rates	снижение уровня бедности
encourage private investment	стимулировать частные инвестиции
enhance prospects for higher potential output	способствовать росту объема производства
face the challenge	столкнуться с проблемой
facilitate the buildup of the fiscal reserve	способствовать наращиванию бюджетных резервов
favourable international financial environment	благоприятная международная финансовая среда
foreign direct investments (FDI)	прямые иностранные инвестиции
generate sufficient jobs	создавать достаточное количество рабочих мест
increase confidence in the banking sector	повышать доверие к банковскому сектору
increase the depth and liquidity of capital markets	повышать объем и ликвидность рынков капитала
manage macroeconomic impact	справиться с макроэкономическим воздействием
need to monitor risks	необходимость контролировать риски
raise the capital stock	наращивать запасы капитала

reduce asset market volatility	снижать нестабильность рынков капитала
reduce poverty	снижать уровень бедности
robust global growth	мощный мировой экономический рост
spending restraints	ограничение расходов
strong foreign exchange inflows	значительный приток валюты
underpin strong growth	поддерживать устойчивый экономический рост

Test 2

achieve tightening through fiscal restraints	добиться ужесточения посредством бюджетных ограничений
advance economic and fiscal integration	способствовать экономической и бюджетной интеграции
average world integration rate	средние темпы мировой интеграции
complement fiscal consolidation by structural reforms	сопровождать стабилизацию бюджета структурными реформами
consumer price inflation	инфляция потребительских цен
depend on transparency and well-functioning markets	зависеть от прозрачных и стабильно функционирующих рынков
desirable fiscal consolidation	необходимая стабилизация бюджета
external vulnerabilities	внешнеэкономическая нестабильность
highly illiquid equity and bond markets	чрезвычайно неликвидные рынки акций и ценных бумаг
inflationary pressures	инфляционное давление
influence the conduct of banks and other financial intermediaries	влиять на поведение банков и других финансовых посредников
insure against risks	защищать от рисков
keen competition among banks	острая конкуренция среди банков
lack of liquid markets for banks shares	отсутствие ликвидных рынков банковских акций
mitigate demand pressures	снижать давление со стороны спроса
monetary policy tools	инструменты монетарной политики
most notable achievement	наиболее заметное достижение
outpace other countries	обгонять другие страны

prices falling precipitately	стремительное падение цен
provide discipline of corporate governance	вводить дисциплинарные меры корпоративного управления
rapidly rising indebtedness of the private sector	быстро растущая задолженность частного сектора
revitalizing growth	экономический рост, способствующий оживлению
severe drop in commodity prices	резкое падение потребительских цен
sluggish growth	вялый рост
subordinated debt	долг второй очереди
top-performing emerging economies	развивающиеся страны с высокими показателями
yield a vibrant regional economy	приводить к оживлению экономики региона

Test 3

absorptive capacity of financial markets	поглощающая способность финансовых рынков
abundant reserves	избыточные резервы
apparent reversal of the downward trend	очевидный возврат тренда на понижение
be behind the commodity boom	стоять за резким подъемом товарного производства
be on a downward trend	иметь тенденцию к понижению
bring a significant slowdown in growth	вызвать значительное замедление темпов экономического роста
broadening deterioration of credit	расширяющееся снижение кредитования
contraction in the supply of private sector credit	сокращение кредитования частного сектора
credit market turbulence	потрясения на кредитных рынках
crisis originating in a small segment of the US mortgage market	кризис, возникающий в незначительном сегменте ипотечного рынка США
debt-financed current account deficit	дефицит текущего баланса, финансируемый за счет долга
enhance the functioning of global commodity markets	улучшать функционирование мировых товарных рынков
extent of balance sheet adjustments	степень корректировки баланса

global slowdown forcing painful adjustment	мировой экономический спад, вынуждающий прибегать к непопулярным мерам
inflation-adjusted prices	цены с поправкой на инфляцию
lead to external financing challenges	приводить к проблемам во области внешнего финансирования
macroeconomic vulnerabilities	макроэкономическая нестабильность
make countries responsive to deterioration in the external environment	заставлять страны быстро реагировать на ухудшение внешней среды
policies mitigating the impact of rising food prices	меры, направленные на смягчение воздействия растущих цен на продукты питания
protectionist measures contributing to global market tightness	протекционистские меры, способствующие ужесточению на мировых рынках
prove resilient to the financial turmoil	оказаться устойчивым к финансовым потрясениям
put added pressure on systemically important financial institutions	оказывать дополнительное воздействие на системно-значимые институты
reach record highs	достичь рекордного уровня
resort to protectionism	прибегать к политике протекционизма
risk of credit crunch	риск кредитного кризиса
risks spilling over to global markets	риски, распространяющиеся на мировые рынки
sustain flows into emerging markets assets	поддерживать переток капитала в активы развивающихся рынков

Test 4

access to foreign currency liquidity	доступ к валютным ликвидным средствам
analysis of cross-border financial linkages	анализ трансграничных финансовых связей
be of paramount importance	иметь первостепенное значение
commit large resources to recapitalize financial institutions	выделять огромные ресурсы на рекапитализацию финансовых институтов
concerns about fiscal sustainability	озабоченность устойчивостью бюджета
crises exposing weaknesses	кризисы, вскрывающие недостатки
crisis that originated in growing external deficits	возникать в результате роста внешнего дефицита

deficits financed by banks and private investors	дефициты, финансируемые банками и частными инвесторами
deteriorating economic fundamentals	ухудшающиеся базовые экономические показатели
drying up external funding	уменьшающееся внешнее финансирование
ease monetary policy	смягчать денежно-кредитную политику
ease the stress in the money market	смягчать напряжение на рынке ликвидных средств
have access to financial support	иметь доступ к финансовой поддержке
in the case of growing macroeconomic imbalances	в случае роста макроэкономического дисбаланса
increasing risk aversion	возрастающее неприятие рисков
investors' confidence in governments' creditworthiness	уверенность инвесторов в кредитоспособности государства
perform better in period of distress	демонстрировать лучшие показатели в периоды спада
provide fiscal stimulus	обеспечивать финансовые стимулы
provide liquidity support	поддерживать уровень ликвидности
push up interest rates	резко повышать процентные ставки
push up sovereign spreads	увеличивать спрэды по гособлигациям
raise capital or liquid funds	увеличивать объемы капиталов или ликвидных средств
raise private savings rates	повышать процентную ставку по частным сбережениям
remake the international financial system	перестраивать мировую финансовую систему
result in tighter lending standards	приводить к ужесточению стандартов кредитования
reveal major deficiencies in international coordination	вскрывать главные недостатки в мировой координации
revise the world's "financial architecture"	пересматривать мировую финансовую архитектуру
slow down credit extension	замедлять кредитный рост
stop the sharp contraction in private sector demand	останавливать резкое сокращение спроса в частном секторе
systemic financial crisis	системный финансовый кризис

take unprecedented actions in response to	предпринимать беспрецедентные меры в ответ на
undermine the effectiveness of fiscal stimulus measures	подрывать эффективность мер фискального стимулирования
undertake adjustment programs	проводить программы корректировки
weak and incomplete supervision	слабый и недостаточный надзор
world's leading economies launching a major effort	ведущие мировые экономики, предпринимающие существенные шаги

Test 5

surge of capital inflows	резкое увеличение притока капитала
absorb losses	брать на себя убытки
amid the global turmoil	на фоне глобальной нестабильности
anchor inflation expectations	зафиксировать ожидаемый уровень инфляции
be funded through loans or capital transfers	финансироваться за счет займов или трансфертов
buildup of reserves	наращивание резервов
by the time the financial crisis erupted	ко времени начала финансового кризиса
dampen potential fears of inflation	понизить инфляционные ожидания
direction and magnitude of reform	направление и масштаб реформ
exchange rate appreciation	рост обменного курса
experience financial vulnerability	находиться в условиях финансовой нестабильности
face tight interbank liquidity	столкнуться с острой нехваткой ликвидности на межбанковском рынке
fiscal tightening	ужесточение бюджетной политики
go bust	обанкротиться
international liquidity squeeze	нехватка ликвидности на мировом рынке
liquidity risk management	управление рисками распределения ликвидных средств
loan loss provisions	резервы для покрытия убытков вследствие невозврата кредита
mature bonds	облигации, выходящие в тираж

over-the- counter derivatives market	рынок деривативов вне фондовой биржи
promote the safety of a financial system	повышать безопасность финансовой системы
unwind monetary policy support	ослаблять поддержку средствами денежно-кредитной политики
withdrawal of short-term external funding	отказ от краткосрочного внешнего финансирования

Test 6

come to the fore	выдвигаться на передний план
curb capital inflows	сдерживать приток капитала
dampen the impact of excessive volatility	ослаблять воздействие излишней нестабильности
experience a strong rebound	наблюдать уверенный выход экономики из рецессии
external indebtedness	внешняя задолженность
implement fiscal consolidation plans	осуществлять планы по оздоровлению бюджета
keep monetary policy accommodative	сохранять адаптивный характер денежно-кредитной политики
launch credit to small firms	начать кредитование малого бизнеса
sluggish bank credit	вялая кредитная деятельность банков
subdue wage pressures	сдерживать требования повышения зарплаты
subsidies targeted at medium-sized firms	субсидии, предназначенные для среднего бизнеса
suffer financial shocks	испытывать финансовые потрясения
volatile flows	изменчивые/нестабильные потоки

Test 7

alleviate funding pressure	снижать кредитное давление
buffer economies against the global financial crisis	защищать экономики от глобального финансового кризиса
deteriorate financial conditions	ухудшать финансовое состояние
expose Asia to serious risks	подвергать азиатский регион серьезным рискам

fragile global economy	нестабильная мировая экономики
increase the impact of deleveraging by banks	повышать эффект от отказа банков использовать заемные средства
intensify strains and fragilities in different countries	усиливать напряжение и нестабильность
limit adverse financial market spillovers	сдерживать негативные воздействия на финансовый рынок
monetary accommodation	денежно-кредитное регулирование
rein in an overheating economy	справляться с перегревом в экономике
reinforce policy efforts	усиливать меры
resolve the debit crisis	разрешать кризис дебиторской задолженности
risk spread	распределение риска
robust credit growth	мощный рост кредитования
stabilize market sentiment	стабилизировать ожидания рынка
worsen growth prospects	ухудшать перспективы экономического роста

Test 8

against this backdrop	на этом фоне
avoid the fiscal cliff	избегать бюджетного обрыва
expansionary macroeconomic polices	макроэкономическая политика, направленная на стимулирование роста
fiscal contraction	сокращение налоговых поступлений
foster business and investment regimes	способствовать созданию благоприятного режима для бизнеса и инвестирования
invest heavily	инвестировать в больших объемах
provide room for gradual monetary tightening	подготовиться к постепенному ужесточению монетарной политики
rebuild sufficient space for policy maneuvering	создать больше пространство для маневра
return fiscal balances to healthy precrisis levels	вернуть бюджетный баланс к устойчивому докризисному уровню
strains on the budget	нагрузка на бюджет

Test 9

accommodative monetary policy	стимулирующая денежно-кредитная политика
avoid a premature withdrawal of monetary accommodation	избегать преждевременного отказа от денежного стимулирования
avoid financial disruption	избегать краха финансовой системы
broad-based financial stress	значительные финансовые потрясения
contain the impact of exchange rate depreciation	сдерживать воздействие понижения валютных курсов
corporate tax cuts	сокращение налогов на прибыль корпораций
diminish downside risks	снижать риски, связанные с понижением показателя
facilitate external adjustment	способствовать корректировке внешних условий
fiscal consolidation as a driving force	фискальная консолидация как движущая сила
foreign exchange intervention	валютная интервенция
high risk aversion on the part of investors	неприятие высоких рисков инвесторами
inflation outlook	прогноз по инфляции
less favorable external financial environment	менее благоприятная финансовая среда
maintain the supportive stance of monetary policy	продолжать курс поддержания экономической стабильности за счет денежно кредитной политики
monetary easing	смягчение денежно-кредитной политики
offset the impact of the consumption tax hike	компенсировать стремительный рост налога на потребление
outright deflation	явная дефляция
receding risks	уменьшающиеся риски
respond to changing fundamentals	реагировать на изменение базовых показателей
smooth volatility	снизить непредсказуемость
sustained low inflation	удерживаемая на низком уровне инфляция
unconventional monetary policy	нетрадиционные меры денежно-кредитной политики
underpin domestic demand	поддерживать уровень внутреннего спроса
weather turbulence	пережить кризис

Test 10

advance labor market reforms	продвигаться в реформирования рынка труда
amplify sovereign debt crises	усугублять государственные долговые кризисы
analyze debt sustainability	анализировать причины затянувшегося долга
balance sheet mismatches	несоответствия в балансовых отчетах
be a drag on the recovery	тормозить процесс оздоровления экономики
cast a shadow on recovery	осложнять оздоровление экономики
concern arising from a sharp slowdown	обеспокоенность, вызванная резким замедлением
despite setbacks	несмотря на спад
drive growth by a bounce back in domestic demand	стимулировать экономический рост за счет восстановления уровня внутреннего спроса
enhance debt resolution frameworks	совершенствовать процедуру погашения долгов
in the wake of the global financial crisis	вслед за мировым финансовым кризисом
intangible public goods	нематериальные общественных блага
legacies of the precrisis boom	последствия предкризисного подъема
manage risks from market volatility	справляться с рисками, вызванными нестабильной ситуацией на рынке
negligible slack	незначительный спад
precipitate financial instability	ускорить рост нестабильности
protracted week growth	затянувшийся (длительный) слабый экономический рост
rapid buildup of leverage	быстрое наращивание заемного капитала
restore financial market functioning	восстановить работу финансовых рынков
shadow banking	теневой банковский сектор
sovereign bank feedback loops	взаимосвязь государственных банков
stem from sharp tightening in global financial conditions	возникать в результате резкого ужесточения финансовых условий
subdue investment	подавлять инвестирование
translate into a pick-up in investment	привести к росту инвестиций
under the baseline projections	в соответствии с базисными прогнозами

Test 11

abate deflationary pressures	ослаблять дефляционное давление
adjust policies in the right direction	корректировать политику в нужном направлении
adopt a debt ceiling extension	установить пределы увеличения долга
avert negative global spillovers	предотвращать негативные глобальные побочные эффекты
direct cross–border landing	прямое трансграничное кредитование
experience bouts of volatility	испытывать всплески нестабильности
lingering risks of more protected low growth	затянувшиеся риски продолжительного низкого экономического роста
loosen monetary conditions	смягчать денежно-кредитную политику
market confidence	доверие к рынку
retrenchment of European banks	сокращение расходов европейских банков
set the stage for normalization of monetary policy	заложить основы для нормализации денежно-кредитной политики
tail risks	риск маловероятного события
translate business investment into more balanced growth	направлять бизнес инвестиции на поддержание более сбалансированного экономического роста

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