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The Outlook for 2010/11: Exciting, with Risks!

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As has become the norm, at this time of the year we announce our updated forecasts for 2010, and unveil our 2011 forecasts for GDP and inflation. Our projections suggest that both 2010 and 2011 will be rather strong years—we now expect 4.4% GDP growth for 2010, and a higher 4.5% for 2011. We are above consensus for next year and, while there is no consensus as such for 2011, we suspect we are significantly higher than consensus for 2011 also. With respect to inflation, we are below consensus, despite our relative optimism on GDP.

If this is correct, the combination of better than expected growth and lower than expected inflation should be good news for financial markets. This is reflected in our equity and bond projections, and in our initial 'Top Trades for 2010', also released today. We are introducing eight new recommended Top Trades for 2010. As usual, these are strategic ideas that we think have high-return potential and that reflect our major macro thematic views, as set out here. We plan to add to the list as the year evolves.

Given that our regional growth outlook suggests that domestic demand in the BRICs and the wider emerging world continues to show strong leadership, while domestic demand in the G7 remains relatively sluggish, the financial market outlook is arguably even better. To be more specific, we forecast two consecutive years with global GDP growth in excess of 4%, but no increase in short-term interest rates in the US! This should be positive for risky assets, potentially sowing the seeds for fresh asset overvaluations down the road. This in turn makes us somewhat nervous about many possible risks out there, including if the Fed were to tighten earlier than we currently expect.

Real GDP Growth Forecasts

% yoy	2008	2009		2010		2011
		GS	Consensus*	GS	Consensus*	(GS)
USA	0.4	-2.5	-2.4	2.1	2.7	2.4
Japan	-0.7	-5.2	-5.7	1.5	1.4	1.6
Euroland	0.6	-3.9	-3.8	1.5	1.2	1.9
UK	0.6	-4.6	-4.5	1.9	1.2	3.4
Europe	0.8	-3.7	-3.6	1.7	1.3	2.3
China	9.0	8.7	8.5	11.4	9.6	10.0
India	6.7	6.6	6.1	8.2	7.6	8.7
Brazil	5.1	0.5	-0.4	5.8	4.6	5.0
Russia	5.6	-9.0	-7.7	4.5	3.5	5.5
BRICs	7.6	5.0	4.7	9.2	7.6	8.6
Advanced Economies	0.6	-3.1	-3.1	2.1	2.1	2.5
World	2.7	-0.8	-0.9	4.4	3.8	4.5

* Consensus Economics November 2009. Source: GS Global ECS Research

Our Top Trades for 2010

Trade	Entry Level	Target
1. Short S&P 500 Dec10/Dec11 Forward Starting Variance Swap	28.20	21.00
2. Long Russian Equities (RDXUSD)	1645.9	2050
3. Long GBP/NZD	2.29	2.60
4. Pay UK Rates vs. Receiving AUD Rates via 1-yr Forward 2-yr Swaps	-268.5bp	-150bp
5. Pay 2y Rates in Turkey	8.77%	12.00%
6. Long Credit Protection on Spain, Short Credit Protection on Ireland	70.2bp	20bp
7. Long 'Growth' FX Current	103.5	111.8
8. Long PLN/JPY	32.1	37.5

Important disclosures appear at the back of this document

The Outlook for 2010/2011: Exciting, with Risks!

As has become the norm, at this time of the year we present our updated economic forecasts for the following year, and unveil our forecasts for the year after that. Today, we announce our updated forecasts for 2010, and unveil our 2011 forecasts for GDP and inflation.

We are also releasing our initial 'Top Trades' for 2010, something which we hope will stimulate the minds of investors—as is often the case.

With respect to GDP growth, according to our forecasts both 2010 and 2011 are going to be rather strong years. We now forecast 4.4% for 2010, and a higher 4.5% for 2011. We are above consensus for next year and, while there is no consensus as such for 2011, we suspect we are significantly higher than consensus for 2011 also.

With respect to inflation, we are below consensus, despite our relative optimism on GDP. If this is correct, the combination of better than expected growth and lower than expected inflation should be good news for financial markets. This is reflected in our equity and bond projections, and in our initial 'Top Trades for 2010'.

A key belief of ours—as recognised in these forecasts—is that, despite the credit crisis, the world economy's growth potential is probably around 4%, which does allow the post-crisis recovery to be stronger without generating inflationary pressures.

Given that our regional growth outlook shows domestic demand in the BRICs and the wider emerging world continuing to show strong leadership, while domestic demand in the G7 remains relatively sluggish, the financial market outlook is arguably even better.

To be more specific, we forecast two consecutive years with global GDP growth in excess of 4%, but no increase in short-term interest rates in the US! This would appear to be rather positive for risky assets, potentially sowing the seeds for fresh asset overvaluations down the road. This in turn—as you can imagine—makes us somewhat nervous about many possible risks out there, including those that relate to the Fed tightening earlier than we currently expect.

GDP Forecasts vs. Consensus

Compared with this time last year, it is rather pleasing to write about our GDP outlook. Back in December 2009, we forecast a meagre 2009 GDP growth of +0.6%. This was significantly below consensus of +2.0% but, of course (as we now know), also unfortunately probably too high. We hope not to preside over economic forecasts—and the eventual reality—of negative GDP growth in the vaguely foreseeable future.

Looking at 2010, as we have been since the Spring, when we first significantly upgraded our forecasts for 2010 for China, we remain more optimistic than the consensus. This time a year ago, we forecast global GDP growth of +3.1%. Today, we expect 4.4%.

For 2011, we are even more optimistic, despite having a modest slowdown in China and Brazil. This is due to a modest acceleration in the G7 countries, notably the UK, as well as a notable acceleration in some other important countries, such as India.

Leading Indicators

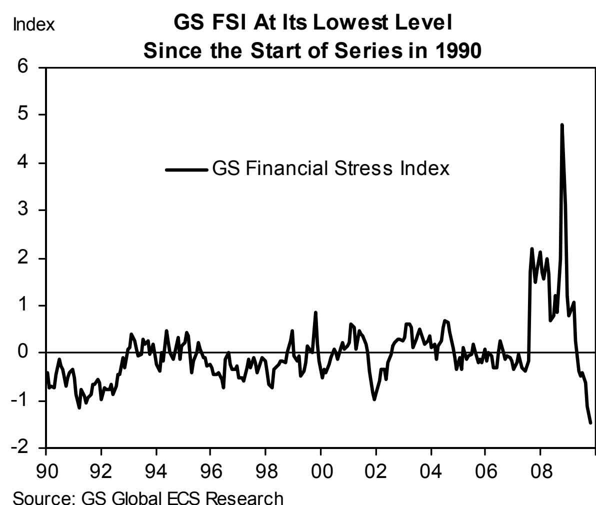
Hopefully, these days clients are very aware of our favourite proprietary indicators, which we use to guide our confidence about our forecasts and our objectivity. They are currently rather encouraging, as they have been for some months now.

Our index of systemic financial stress, our so-called GS-FSI, shows an extremely comforting picture, as it has done for many months. Readers are hopefully reasonably

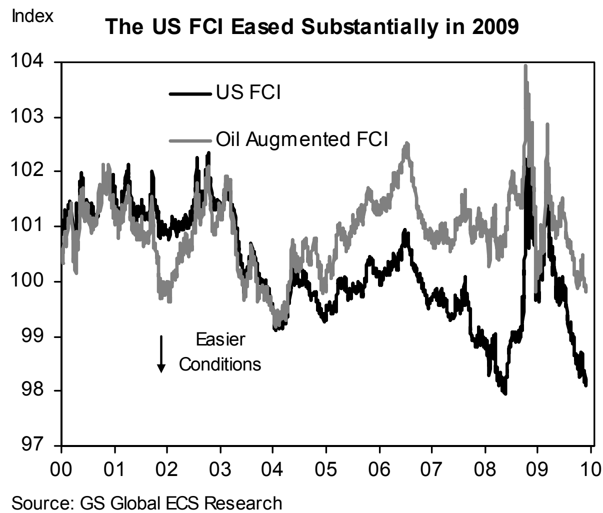
Real GDP Growth Forecasts

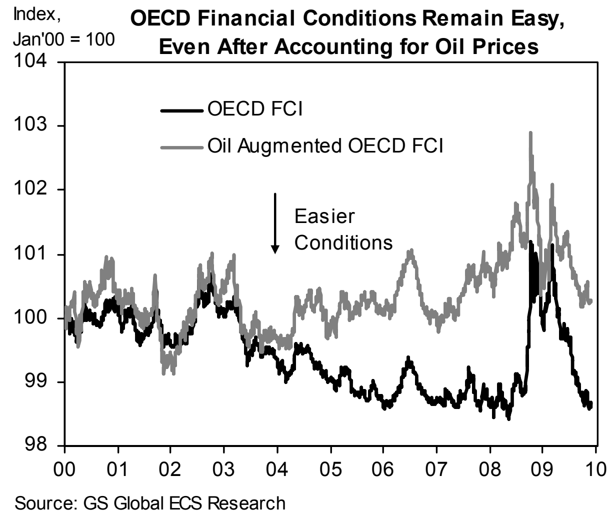
%yoy	2008	2009		2010		2011
		GS	Consensus*	GS	Consensus*	(GS)
USA	0.4	-2.5	-2.4	2.1	2.7	2.4
Japan	-0.7	-5.2	-5.7	1.5	1.4	1.6
Euroland	0.6	-3.9	-3.8	1.5	1.2	1.9
UK	0.6	-4.6	-4.5	1.9	1.2	3.4
Europe	0.8	-3.7	-3.6	1.7	1.3	2.3
China	9.0	8.7	8.5	11.4	9.6	10.0
India	6.7	6.6	6.1	8.2	7.6	8.7
Brazil	5.1	0.5	-0.4	5.8	4.6	5.0
Russia	5.6	-9.0	-7.7	4.5	3.5	5.5
BRICs	7.6	5.0	4.7	9.2	7.6	8.6
Advanced Economies	0.6	-3.1	-3.1	2.1	2.1	2.5
World	2.7	-0.8	-0.9	4.4	3.8	4.5

* Consensus Economics November 2009. Source: GS Global ECS Research



Source: GS Global ECS Research





familiar with its construction, but it is designed to measure the risks to the financial system[1]. If you believe that the significant increase in systemic financial risk in 2008 was a major source of the global recession, then the move in the index for much of 2009 should have made you more optimistic. It certainly made us more optimistic. Looking at the generous level where it currently stands, the only issue might be at what stage policymakers may be tempted to consider being less generous in their support.

As readers should be more than aware, for many years we have used financial conditions' indicators (FCIs) as lead leading indicators for a number of countries. Historically, a 100bp move in our US index would equate, in the unlikely world of all else being equal, to a 1% change in US GDP, and a 0.6% change in global GDP within 12 months. As can be seen, our US FCI has recovered dramatically from this time a year ago—or, specifically, 96% of what was lost. In a very simplistic sense, this would imply that the US economy should recover 96% of what it lost within 12 months, as should the world. Of course, for many investors, the question remains—is all else equal?

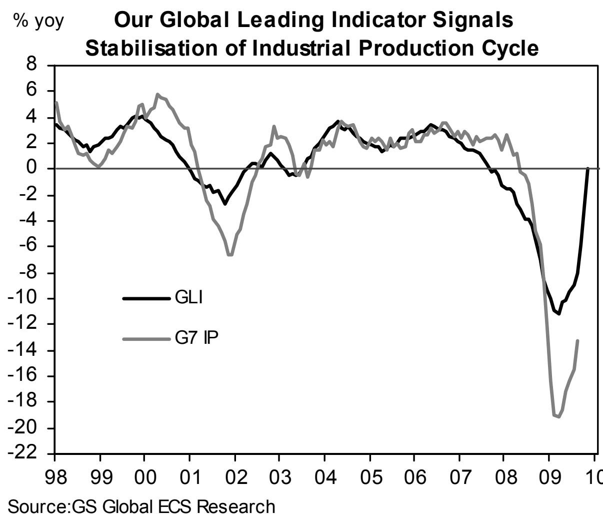
OECD financial conditions have also eased dramatically this year, influenced by the US, but also due to similar policy support in most OECD countries.

One bearish argument that is occasionally popular now is that, even if the global credit crisis has eased, the global recovery may be derailed by rising commodity prices—and oil prices in particular. At some stage, this argument could be true but it seems unlikely at current prices. As can be seen, an OECD FCI adjusted for oil prices, which is how we try to look at the leading indicator potential of changes in oil prices, also still appears to be quite generous.

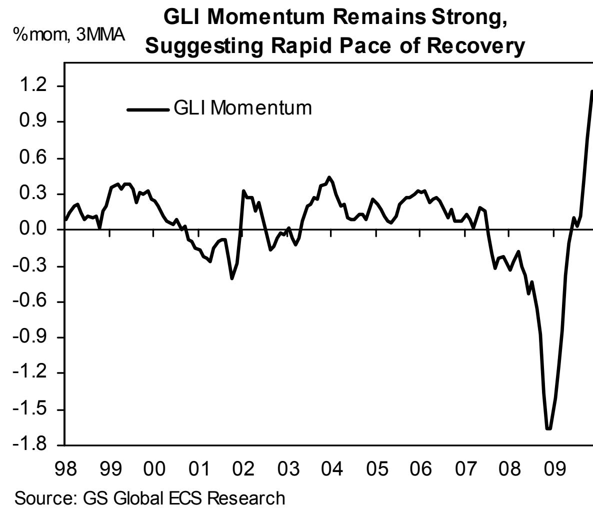
Of course, as we asked earlier, is all else equal? This is why we pay particular attention to a third indicator, our Global Leading Indicator (GLI).

As readers should also hopefully be aware, we have become very attached to our GLI, to give us confidence about the cyclical outlook for the next six months or so. We also believed and—because of what has happened to each in the last year—we still do, that our US and OECD FCI is a lead indicator of our GLI. Currently, as you can see, our Global Leading Indicator is showing strong signs of industrial production recovery. Our final GLI for November showed another strong 1.16% monthly gain, taking the year-on-year change back to flat. Importantly, virtually all the regional subset of GLI-friendly variables that we monitor show similar trends. This is true whether we look at the emerging or developed world.

It is also worth reminding clients that we had originally designed our GLI deliberately to exclude both any measure of equity prices, or short- or long-term interest



1. For more details, please refer to "Bond Rally Can Extend", *Fixed Income Monthly,* November 2008.



Source: GS Global ECS Research

Domestic Demand Growth Forecasts

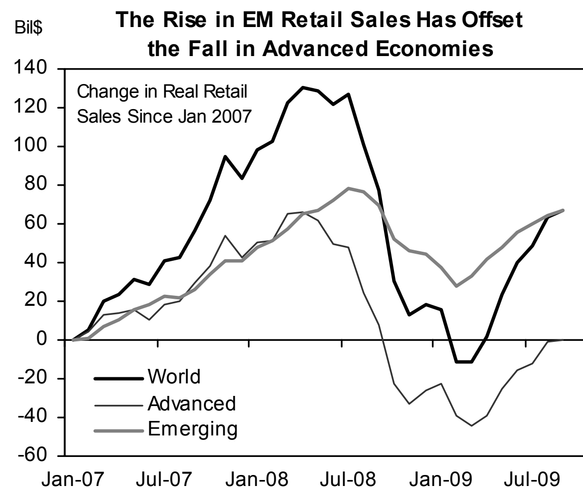
%yoy	2008	2009 (f)	2010 (f)	2011 (f)
USA	-0.7	-3.4	2.1	1.9
Japan	-0.9	-3.4	1.0	1.2
Euroland	0.6	-3.0	1.0	1.2
UK	0.1	-5.3	1.1	2.6
China	9.0	13.0	12.4	9.9
India	6.4	6.7	8.5	9.9
BRICs	8.3	7.6	9.9	9.3
Advanced Economies	0.2	-3.2	1.9	1.9
World	2.6	-0.2	4.3	4.2

Source: GS Global ECS Research

rates. This was done in the hope that movements in our GLI might be useful for asset allocators. We showed that, at least theoretically, when our GLI turned upwards, equities appeared to start outperforming government bonds, and vice versa when it turned downwards[2]. This was the case before the 2008-2009 global crisis. We have been especially pleased that, despite the gravity of this crisis, it seems to have worked particularly well. Our GLI bottomed around the Spring, about the same time as major equity markets. In this regard, in terms of both our confidence about our GDP and other forecasts, and our market views, we will be watching our GLI and its key components carefully.

Trends in Domestic Demand—Welcome to the Age of the EM Consumer

An extremely critical part of our relative optimism can be understood from looking at our forecasts for domestic demand. It is widely believed still, post crisis, that it is very difficult for the world to 'decouple' from its dependency on the US consumer. That may be the case for some countries, especially in the ageing developed world but, according to our forecasts for both 2010 and 2011, it is simply not true. Indeed, as can be seen from our projections, we expect broader and stronger global domestic demand leadership going through 2011. While we have a modest slowing of demand in China in 2011 compared with 2010, our demand projections elsewhere, notably India, are quite striking.



Source: National Sources, GS Global ECS Research.

Readers may, in this regard, have seen us refer to the apparent divergence in trends between retail sales spending in the US and China in the past couple of years. In fact, as can be seen in the chart, if you aggregate all the developing world, the strength of consumer spending globally is very much coming from there. This is unlikely to be merely a short-term cyclical development and, as we will write more about in coming days, all very consistent with our judgement that the rise of the consumer in the BRIC and N-11 world is a major strategic development for our era.

Inflation and Deflation

Among the many fascinating aspects of markets these days is the intense debate about inflation and deflation. One camp appears pretty convinced that a large upswing in inflation is inevitable as a result of central bank balance sheet expansion, escalating fiscal deficits and rising commodity prices. The other camp believes that the credit crisis and its aftermath will usher in an era of sustained Japan-style deflation, especially in the US and the rest of the developed world.

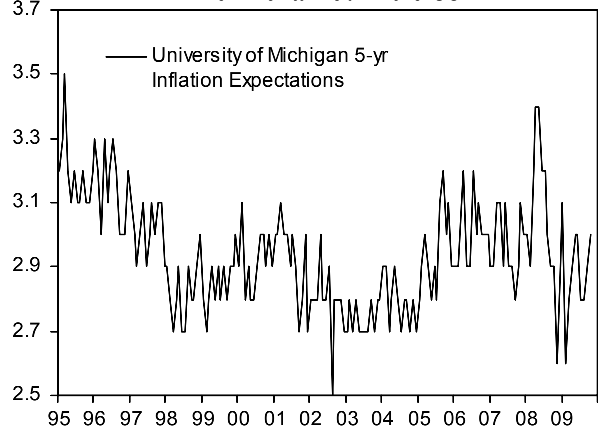
But our forecasts for 2010 and 2011—as well as those of the consensus for 2010—don't see either extreme as likely. For 2010, as mentioned earlier, we are actually below consensus despite being more optimistic than the consensus with respect to growth, and despite being optimistic on crude oil prices.

2. "Improving our Global Leading Indicator: Signs of Softness", *Global Economics Weekly 06/36*, November 2006.

Inflation Forecasts

%yoy	2008	2009		2010		2011 (GS)
		GS	Consensus*	GS	Consensus*	
USA	3.8	-0.4	-0.4	1.5	2.0	0.4
Japan	1.4	-1.3	-1.2	-1.0	-0.9	-0.4
Euroland	3.3	0.3	0.3	1.1	1.1	1.6
UK	3.6	2.1	2.1	2.2	2.0	1.5
Europe	3.5	0.8	0.8	1.3	1.3	1.7
China	5.9	-0.9	-0.6	2.4	2.6	2.8
India	8.3	2.7	2.5	5.0	5.5	5.5
Brazil	5.7	4.9	4.3	4.4	4.4	4.4
Russia	14.1	11.7	9.2	5.3	8.1	6.6
BRICs	7.6	2.2	2.0	3.6	4.2	4.0
Advanced Economies	3.4	0.1	0.2	1.3	1.5	1.1
World	5.4	1.6	1.4	2.6	2.8	2.7

* Consensus Economics November 2009. Source: GS Global ECS Research



Source: Datastream

We continue to regard oil price increases primarily as a relative price change rather than a source of generalised inflationary pressures. In this regard, the role of inflation expectations themselves is crucial and, as can be seen in the chart, using the five-year University of Michigan survey as a guide, inflation expectations appear to be quite stable. If oil prices (and other commodities, including gold) were a source of higher generalised inflation, you would expect to see some signs of this here.

Looking at key individual countries, you can see that we are not worried about inflation even in China, despite our cyclical growth optimism. Within the developed world, as evidenced by both Japan and the US, ignoring commodity prices (i.e., at a core inflation level), we have more concerns about deflationary risks rather than inflationary ones. Once again, however, in order for these to be persistent, you would expect to see signs of inflation expectations turning much weaker—which we don't at the moment.

Things to Watch and Risks

As implied by the title of this piece, our core economic outlook is quite positive: strong global growth with modest inflation and a benign G3 central bank environment. It should remain supportive for risky assets.

So, what should we watch out for, and what worries us? An early renewed and sustained slowing of the **US economy** beyond that implied in our forecasts for 2010 appears to be the largest risk that concerns many investors. It is an obvious risk, and if the US were to fall back into another recession, with actual declines in GDP, then this would pose a fresh significant risk for the rest of the world.

For global markets, especially emerging markets, perhaps it is the **opposite risk with respect to the US economy** that might be greater. If the US economy turned out to be much stronger than our forecast—and, in particular, the growth rate strong and sustained enough to persuade the Fed to raise interest rates—this could well be a test for risky assets around the world. While we believe that the Fed will not raise interest rates for a long time owing to the size of the US output gap and its concerns about deflation, we do believe that once the Fed does eventually decide to raise interest rates, it may do so decisively.

In terms of other general risks, many people are already focusing on fresh asset price bubbles and possible policy measures to prevent them. We have already seen a number of measures introduced to discourage excessive speculative capital inflows in some countries. Given our forecasts of global growth, and no increase in short-term US interest rates, these fears may rise further.

Should the Fed consider global financial markets as a key variable in determining its interest rate policy? Ultimately, the Fed's job is to look after the interests of the US economy, inflation stability, growth, and unemployment in particular. As and when global financial conditions start to influence the outlook for these variables is when the Fed will need to shift gears.

There are, of course, all sorts of risks elsewhere across the world, as evidenced by the most recent turmoil involving Dubai. At the core of our beliefs, however, we suspect that in order to be sufficiently global and persistent, they would probably have to involve the US and/or China. We will certainly be watching out for them in both places, as well as, naturally, in many others.

Jim O'Neill

Unveiling Our First Eight Recommended Top Trades for 2010

We are introducing eight new recommended Top Trades for 2010. As usual, these are strategic ideas that we think have high-return potential and that reflect our major macro thematic views, as set out here. We plan to add to the list as the year evolves. An accompanying *Global Viewpoint* provides more details.

Top Trade #1: Short S&P 500 Dec10/Dec11 Forward Starting Variance Swap, at 28.20, Target 21. At current levels, forward variance suggests that the coming years will be as volatile as 2009. But this year was the eighth most volatile year on record, and our recent work on the 2004-template—and our models linking macro outcomes to volatility—suggests that even in a sluggish recovery, volatility can continue to decline. While near-dated volatilities remain only moderately elevated, the upward-sloping term structure has kept forward variance higher—and well above where it 'belongs'.

Top Trade #2: Long Russian Equities (RDXUSD) at 1,645.9, Target 2,050. Our global macro outlook is still constructive for equities, particularly in parts of EM. We see a significant acceleration in Russian real GDP growth from -9.5% in 2009 to +4.5% in 2010. The Russian index has significant commodity exposure, which we like given our still constructive view on energy. Moreover, we expect continued monetary easing with at least 100bp of further cuts in interest rates this coming year (the forwards discount hikes). Russian equities have lagged other EM and we expect risk premia to compress, alongside 60% earnings growth.

Top Trade #3: Long GBP/NZD at 2.29, Target 2.60. In the context of our 'growth differentiation' investment theme, one currency cross that stands out is short NZD/GBP. We are more bullish on Sterling, linked to stronger cyclical momentum in response to a large easing in financial conditions. At the same time we expect rates to rise a lot more slowly in New Zealand than the consensus. The positive terms-of-trade impact on New Zealand has only been about half as large as in Australia and policymakers, including the RBNZ, are becoming increasingly vocal about NZD overvaluation.

Top Trade #4: Pay 2-yr UK Rates vs Australia 1-yr Forward at -268.5bp, Target -150bp. The UK has been far closer to the epicentre of the credit crisis than Australia. But markets expect this macro divergence to extend and the forwards price policy rates to rise much faster in Australia than in the UK. This looks too aggressive to us. Overall financial conditions have eased far more in the UK than in Australia, the damage to UK house prices has been smaller than initially feared and our forecasts envisage a steep acceleration of UK GDP growth into 2011. We see cumulative tightening of 300bp in the UK by end-2011, starting in mid-2010, compared with just 125bp in Australia.

Top Trade #5: Pay 2y Rates in Turkey at 8.77%, Target 12%. Real policy rates in emerging markets are at record-low levels. This is particularly true in Turkey, where the market is pricing that real policy rates will decline from about 1.5% currently (ex-post) to about 1.0% in 12 months. Turkish growth should continue to recover strongly, while inflation normalises to about 7% next year. We expect the CBRT to hike by 250bp in the second half of 2010 from 6.5% currently, more than the forwards. As tightening begins, we expect the forward premium to increase. There is a large negative carry and roll-over cost of 375bp, but we are confident that the switch in monetary policy will occur in the next few quarters.

Top Trade #6: Long Credit Protection on Spain, Short on Ireland, at 70.20bp, Target 20bp. After a decade of strong growth, Spain and Ireland have hit the same wall: a real estate 'boom-bust' that is putting public finances in the two countries under extreme duress. With greater labour market flexibility, Ireland looks better placed than Spain to outgrow its debt problems. The Irish have shown stronger resolve than the Spanish to deliver structural spending cuts. And the 'bad bank' solution chosen by the Irish (NAMA) represents a speedier and cleaner way to clean up financial institutions than the largely 'behind-the-scenes' approach taken by the Bank of Spain. We think there is more scope for the Ireland-Spain 5-yr CDs differential to compress, consistent with our valuation framework for EMU bond spreads.

Top Trade #7: Long the GS FX Growth Current, at 103.5, Target 111.8. Growth differentiation remains a key theme in FX markets. Our empirical results have shown that currencies are sensitive to the rate at which the output gap closes, with the results particularly pronounced for small open economies and in early recoveries. This theme can be implemented in the form of our Growth Current (Bloomberg ticker: GSCUGROW). The Growth Current makes its selection of currencies based essentially on how fast countries are closing their output gaps and the basket constituents are updated on a monthly basis.

Top Trade #8: Go Long PLN/JPY at 32.1, Target 37.5. Polish growth is currently solid and set to accelerate. The Zloty is clearly undervalued and strong export demand, partly linked to the cheap currency but also linked to the recovery in Germany, has helped the trade accounts. In sharp contrast, the JPY is significantly overvalued and financial conditions are much too tight. Moreover, the new government seems to be focusing now on the negative growth impact from Yen overvaluation. We also think there is a good chance the BoJ will extend QE soon to alleviate economic pressures. This could serve as a catalyst for JPY weakness.

Global ECS Markets Team

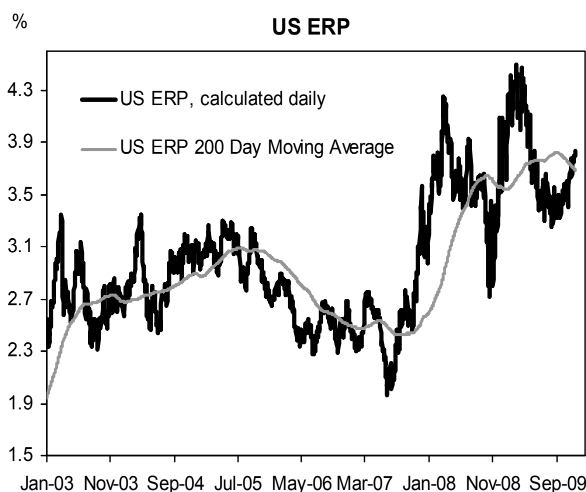
Equity Risk and Credit Premiums

Current Estimates for the Equity Risk Premium*

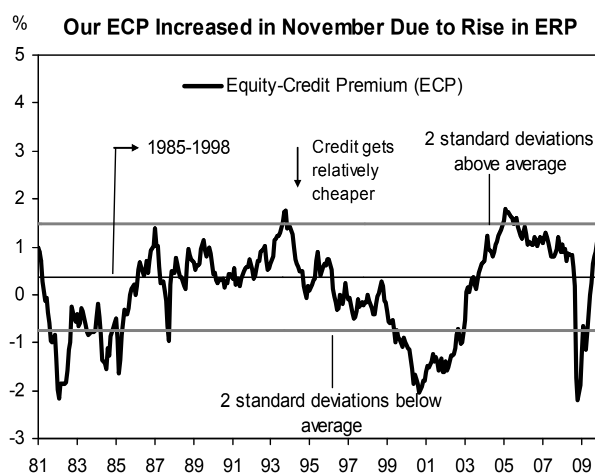
	Real GDP Growth	Real Earnings Growth	+	Dividend Yield	=	Expected Real Return	-	Real Bond Yield	=	Implied ERP	Expected Inflation	Expected Nominal Return
US	3.0	3.0		2.0		5.0		1.1		3.8	2.0	7.0
Japan	1.5	1.5		1.9		3.4		0.7		2.7	0.5	3.9
UK	2.8	2.8		3.4		6.2		-0.13		6.3	2.0	8.2
Europe ex UK	2.3	2.3		3.3		5.6		-0.13		5.7	2.0	7.6
World	2.5	2.5		2.5		5.0		0.6		4.5	1.8	6.8

*Calculated as of 01 December 2009.
Source: Datastream; real GDP growth and expected inflation are GS Economics Research forecasts.

The US ERP has increased by 50bp since its most recent trough in mid-August.



Our ECP rose in November, suggesting that equities are now 'cheaper' than corporate bonds.



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Main Economic Forecasts

	2008	2009	2010	2011
Real GDP, % chg, yoy				
USA	0.4	**-2.5**	**2.1**	**2.4**
Japan	-0.7	**-5.2**	**1.5**	**1.6**
Euroland	0.6	**-3.9**	**1.5**	**1.9**
Germany	1.0	**-4.7**	**2.5**	**2.1**
France	0.3	**-2.3**	**1.8**	**2.4**
Italy	-1.0	**-4.8**	**1.3**	**1.6**
Netherlands	2.0	**-4.0**	**1.4**	**1.8**
Spain	0.9	**-3.6**	**-0.3**	**1.1**
Sweden	-0.5	**-3.9**	**2.1**	**3.5**
Switzerland	1.8	**-1.5**	**1.1**	**1.9**
UK	0.6	**-4.6**	**1.9**	**3.4**
EU27	0.8	**-3.8**	**1.7**	**2.3**
Canada	0.4	**-2.6**	**2.1**	**2.7**
Australia	2.4	**0.8**	**3.3**	**3.3**
G7	0.2	**-3.4**	**2.0**	**2.3**
Advanced Economies	0.6	**-3.1**	**2.1**	**2.5**
Asia	5.2	**3.6**	**7.6**	**7.2**
Central and Eastern Europe	3.6	**-1.1**	**2.3**	**3.9**
Latin America	4.2	**-1.7**	**4.7**	**4.2**
Emerging Markets	6.2	**2.7**	**7.7**	**7.3**
World	2.7	**-0.8**	**4.4**	**4.5**

	2008	2009	2010	2011
Consumer Prices, % chg, yoy				
USA	3.8	**-0.4**	**1.5**	**0.4**
Japan	1.4	**-1.3**	**-1.0**	**-0.4**
Euroland	3.3	**0.3**	**1.1**	**1.6**
Germany	2.8	**0.2**	**1.0**	**1.5**
France	3.2	**0.1**	**0.9**	**1.4**
Italy	3.5	**0.8**	**1.3**	**1.8**
Netherlands	2.2	**1.0**	**0.8**	**1.6**
Spain	4.1	**-0.3**	**1.4**	**2.0**
Sweden	3.4	**-0.3**	**1.4**	**2.7**
Switzerland	2.4	**-0.6**	**0.7**	**1.3**
UK	3.6	**2.1**	**2.2**	**1.5**
EU27	3.5	**0.8**	**1.4**	**1.7**
Canada	2.4	**0.3**	**1.7**	**1.9**
Australia	4.4	**1.7**	**2.9**	**2.9**
G7	3.2	**-0.1**	**1.1**	**0.7**
Advanced Economies	3.4	**0.1**	**1.3**	**1.1**
Asia	5.5	**0.4**	**2.5**	**2.9**
Central and Eastern Europe	5.0	**3.0**	**2.0**	**2.4**
Latin America	8.1	**6.2**	**5.8**	**5.4**
Emerging Markets	8.7	**3.7**	**4.6**	**4.8**
World	5.4	**1.6**	**2.6**	**2.7**

	2008	2009	2010	2011
Real GDP, % chg, yoy				
China	9.0	**8.7**	**11.4**	**10.0**
India	6.7	**6.6**	**8.2**	**8.7**
Hong Kong	2.5	**-3.0**	**5.8**	**5.3**
Indonesia	6.1	**4.5**	**5.8**	**6.0**
Malaysia	4.6	**-2.5**	**5.0**	**5.2**
Philippines	3.8	**1.6**	**4.2**	**5.0**
Singapore	1.1	**-1.8**	**6.2**	**5.2**
South Korea	2.2	**0.3**	**4.8**	**4.6**
Taiwan	0.7	**-2.5**	**5.5**	**4.8**
Thailand	2.5	**-3.2**	**4.2**	**4.5**
Brazil	5.1	**0.5**	**5.8**	**5.0**
Argentina	6.8	**0.1**	**4.0**	**3.6**
Mexico	1.3	**-6.9**	**4.2**	**3.5**
Venezuela	4.8	**-1.5**	**2.6**	**2.4**
Russia	5.6	**-9.0**	**4.5**	**5.5**
Turkey	0.9	**-5.5**	**5.5**	**4.5**
South Africa	3.1	**-1.9**	**2.6**	**3.5**
Central and Eastern Europe	3.6	**-1.1**	**2.3**	**3.9**
Asia ex Japan	6.8	**5.8**	**9.0**	**8.4**
Latin America	4.2	**-1.7**	**4.7**	**4.2**
BRICs	7.5	**5.0**	**9.2**	**8.6**
Emerging Markets	6.2	**2.7**	**7.7**	**7.3**

	2008	2009	2010	2011
Consumer Prices, % chg, yoy				
China	5.9	**-0.9**	**2.4**	**2.8**
India	8.3	**2.7**	**5.0**	**5.5**
Hong Kong	4.3	**0.3**	**3.4**	**4.6**
Indonesia	9.8	**5.0**	**5.2**	**4.5**
Malaysia	5.4	**0.4**	**2.8**	**3.0**
Philippines	9.3	**3.1**	**3.8**	**4.2**
Singapore	6.5	**0.4**	**2.0**	**2.5**
South Korea	4.7	**2.6**	**3.2**	**3.4**
Taiwan	3.5	**-1.0**	**0.5**	**1.8**
Thailand	5.5	**-1.2**	**2.3**	**2.9**
Brazil	5.7	**4.9**	**4.4**	**4.4**
Argentina	8.6	**6.2**	**8.7**	**9.3**
Mexico	5.1	**5.4**	**4.3**	**3.9**
Venezuela	33.4	**29.0**	**24.5**	**23.3**
Russia	14.1	**11.7**	**5.3**	**6.6**
Turkey	10.4	**6.1**	**6.4**	**6.9**
South Africa	9.9	**7.2**	**4.4**	**5.4**
Central and Eastern Europe	5.0	**3.0**	**2.0**	**2.4**
Asia ex Japan	6.7	**0.8**	**3.3**	**3.6**
Latin America	8.1	**6.2**	**5.8**	**5.4**
BRICs	7.6	**2.2**	**3.6**	**4.0**
Emerging Markets	8.7	**3.7**	**4.6**	**4.8**

For India we use WPI not CPI. Asia consists of China, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand.

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