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Our 2011 and 2012 Outlook: Room to Grow

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In this *Global Economics Weekly* we present our updated economic forecasts for 2011, and unveil our forecasts for 2012. We expect real global GDP to rise 4.6% in 2011 and 4.8% in 2012. Following a 4.9% increase in 2010, this would imply three consecutive years of above-trend global growth. This places us well above the consensus of 4.1% for 2011 and probably for 2012 as well (there is no consensus yet). We expect the most significant shift to take place in the US, with a substantial acceleration in real GDP growth over the next two years to a 4% pace by early/mid-2012.

Despite our relative optimism on global GDP, we are broadly in line with consensus on inflation. This combination of strong growth and moderate inflation reflects our view that there remains significant spare capacity at a global level. However, there is considerable cross-country variation in this regard, with large output gaps in most advanced economies offset by increasing capacity constraints in some EM economies. While we are below consensus on inflation in the developed world, we are above for most emerging markets.

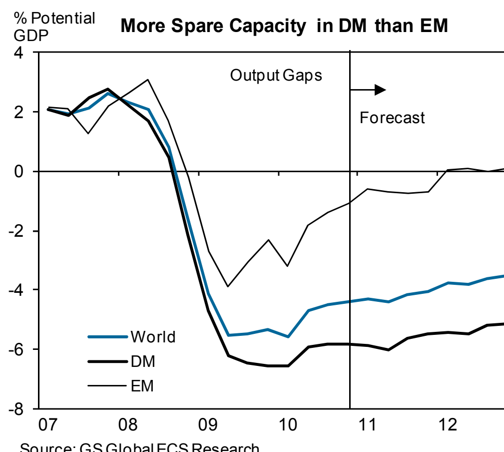
We expect the combination of better-than-expected growth and moderate inflation at a global level to be positive for risky assets. Our Portfolio Strategy team's end-2011 index targets envisage 14%-29% returns across the major equity markets and we are broadly positive on credit. Reflecting the relative tightening in EM vs. DM, we are positive on NJA currencies and negative on the Dollar.

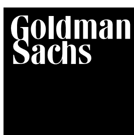
While our central scenario is a positive one, there are some clear downside risks—with the most important of these stemming from post-crisis fiscal overhang.

Real GDP Growth Forecasts

% yoy	2009	2010 GS	2010 Consensus*	2011 GS	2011 Consensus*	2012 (GS)
USA	-2.6	2.8	2.7	2.7	2.4	3.6
Japan	-5.2	3.5	3.0	1.1	1.2	2.0
Euroland	-4.0	1.7	1.6	2.0	1.4	1.9
UK	-5.0	1.8	1.7	2.4	2.0	2.6
Brazil	-0.2	7.5	7.6	5.0	4.5	4.3
China	9.1	10.1	10.1	10.0	9.1	9.5
India	7.4	8.5	8.4	8.7	8.5	8.3
Russia	-7.9	3.8	4.0	5.3	4.3	5.6
BRICs	5.5	8.7	8.6	8.6	7.9	8.2
Advanced Economies	-3.2	2.9	2.8	2.5	2.2	3.0
World	-0.6	4.9	4.7	4.6	4.1	4.8

* Consensus Economics November 2010 Source: GS Global ECS Research





Our 2011 and 2012 Outlook: Room to Grow

In this *Global Economics Weekly* we present our updated economic forecasts for 2011, and unveil our forecasts for the year after that. More details on all aspects of our forecasts will be available in a series of individual outlook pieces being published by the regional teams.

As shown in Table 1, we expect real global GDP to rise 4.6% in 2011 and 4.8% in 2012, implying three consecutive years of above-trend global growth. This places us well above the consensus of 4.1% for 2011 and probably for 2012 as well (there is no consensus yet).

Despite our relative optimism on global GDP, we are broadly in line with consensus on inflation (Table 2). This combination of strong growth and moderate inflation reflects our view that there remains significant spare capacity at a global level. However, there is considerable cross-country variation in this regard, with large output gaps in most advanced economies offset by increasing capacity constraints in some EM economies. While we are below consensus on inflation in developed economies, we are above for most emerging markets.

We expect the combination of better-than-expected growth and moderate inflation at a global level to be positive for risky assets. While our central scenario is a positive one, there are some clear downside risks—with the most important of these stemming from post-crisis fiscal overhang, particularly in Europe. And policy risk could continue to make the environment for risk-taking and entry of trades more difficult than usual.

The Global Recovery Broadens

For 2010, our forecasts had two key elements—a view that the US economy would soften and Fed policy would remain much easier than generally expected, and a view that, despite this, global growth would be relatively robust. As we head towards the end of the year, the US has experienced a significant slowing and QE2 has been delivered. But, despite the turbulence, global growth is heading for a 4.9% outcome for 2010—significantly higher than the pre-crisis trend of 4%—and consensus expectations have been playing catch-up all year.

Our revised forecasts for 2011 and our first forecasts for 2012 tell a story of continued global recovery. Most striking, given our long-standing downbeat view on the US, we now show a substantial acceleration in our US growth view, with sequential GDP growth rising gradually to an above-trend 4% pace by mid-2012. Alongside that, we continue to expect good growth outcomes in many other parts of the world, giving another solid year of global growth of 4.6% for 2011. We then expect further modest acceleration to 4.8% into 2012, for a third consecutive above-trend year.

Underneath this robust story is a gradual shift in the mix of growth. We expect a pick-up in GDP growth in the advanced economies through the year and even more clearly into 2012, led by the US but visible also in Canada, the UK and Japan. And, while we expect EM and BRICs growth to remain solid, we see a mild deceleration in growth through 2011 and stable but high growth in 2012. The result is a modest narrowing of the performance gap between the developed and EM economies, in absolute terms and relative to their trends.

Much of this narrowing reflects the recovery in the US, which in turn is likely to force policy adjustments in other parts of the world. With lots of spare capacity in the US and other large developed economies, we expect monetary policy to remain very accommodative, with no interest rate increases in the US in 2011/12 and a slow pace of tightening elsewhere. But the emerging world has a lot less economic slack and diminishing US recession risk may serve to reinforce the tightening of policy that is already underway in some quarters. This dynamic could, in turn, serve to further dampen growth prospects there. A broader recovery is also likely to put more obvious upward pressure on commodity markets and push global bond yields gradually higher.

Table 1: Real GDP Growth Forecasts

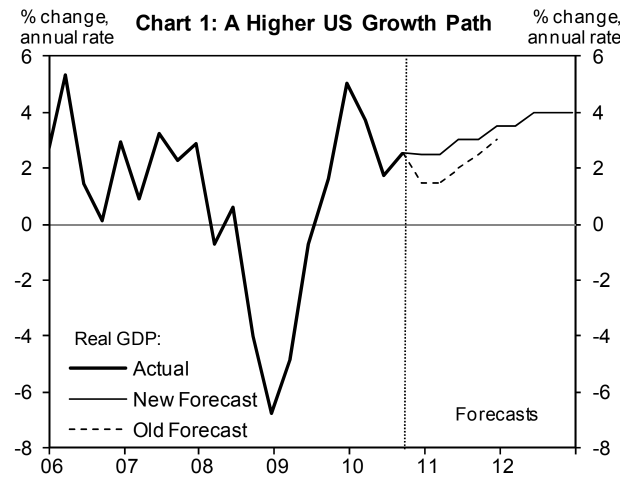
%yoy	2009	2010		2011		2012
		GS	Consensus*	GS	Consensus*	(GS)
USA	-2.6	2.8	2.7	2.7	2.4	3.6
Japan	-5.2	3.5	3.0	1.1	1.2	2.0
Euroland	-4.0	1.7	1.6	2.0	1.4	1.9
UK	-5.0	1.8	1.7	2.4	2.0	2.6
Brazil	-0.2	7.5	7.6	5.0	4.5	4.3
China	9.1	10.1	10.1	10.0	9.1	9.5
India	7.4	8.5	8.4	8.7	8.5	8.3
Russia	-7.9	3.8	4.0	5.3	4.3	5.6
BRICs	5.5	8.7	8.6	8.6	7.9	8.2
Advanced Economies	-3.2	2.9	2.8	2.5	2.2	3.0
World	-0.6	4.9	4.7	4.6	4.1	4.8

* Consensus Economics November 2010 Source: GS Global ECS Research

Table 2: Inflation Forecasts

%yoy	2009	2010		2011		2012
		GS	Consensus*	GS	Consensus*	(GS)
USA	-0.3	1.6	1.6	1.3	1.4	0.9
Japan	-1.4	-0.8	-0.9	-0.2	-0.3	0.2
Euroland	0.3	1.5	1.5	1.5	1.6	1.8
UK	2.2	3.2	3.2	3.2	2.7	1.8
Brazil **	4.3	6.1	5.4	6.5	4.9	5.3
China	-0.7	3.2	3.0	4.3	3.0	3.0
India	3.8	8.2	8.1	6.0	5.8	5.8
Russia	11.7	6.8	8.2	7.9	7.8	6.5
BRICs	2.6	5.0	5.1	5.3	5.2	4.4
Advanced Economies	0.2	1.5	1.5	1.5	1.4	1.4
World	1.7	3.2	3.2	3.4	3.2	3.1

* Consensus Economics Nov 2010 ** e.o.p Source: GS Global ECS Research



Source: Department of Commerce, GS calculations.

The US Moves to Above-Trend Growth….

The most significant shift in 2011 and 2012 is likely to be stronger growth in the US. Five years ago, our US economic outlook was very pessimistic. We thought that a downturn in the housing and mortgage market would trigger a substantial increase in the private-sector financial balance—the gap between the total income and total spending of US households and businesses—and therefore an economic slowdown driven by much weaker private-sector demand.

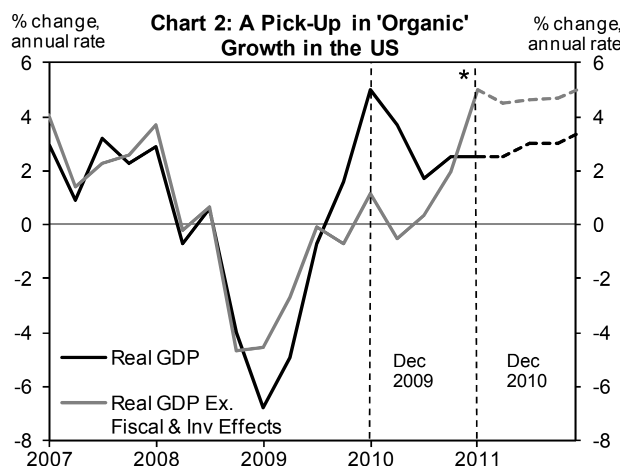
Even one year ago, we still had a below-consensus view and predicted a slowdown in GDP growth to a below-trend pace in 2010. The reason for this was that the improvement in GDP growth in late 2009 had been due to temporary factors, namely the inventory cycle and the impulse from the 2009 fiscal stimulus package. With underlying final demand still stagnant, we thought that growth would slow through 2010, as indeed it has.

That was then. Now, however, we expect a substantial acceleration in real GDP growth over the next two years to a 4% pace by early/mid-2012. Partly, this more optimistic view just reflects the passage of time, as we have all along expected a cyclical reacceleration after the slowdown of 2010. But partly it also reflects a genuine shift in view. This is illustrated in Chart 1, which shows that our US forecast for real GDP growth through the end of 2011 has risen by nearly 1 percentage point.

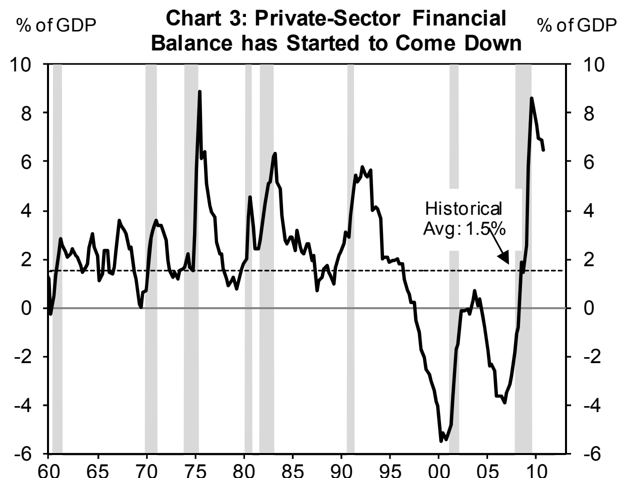
What has changed? Most strikingly, the performance of underlying final demand, or 'organic growth.' Chart 2 shows real US GDP growth both including and excluding the short-term effects of inventory swings and fiscal stimulus. The latter measure is our estimate of organic growth. After a deep downturn from 2007 to mid-2009 and near-stagnation from mid-2009 to mid-2010, this core measure strength is now showing an impressive acceleration and seems to be on track for a 5% (annualised) growth rate in the fourth quarter.

Why such a sharp acceleration? Our best explanation is that the pace of private-sector deleveraging is slowing in an environment of somewhat lower debt/income ratios, improving credit quality and moderating lending standards. As a result, the private-sector financial balance is declining from very high levels, as shown in Chart 3. In turn, the rise in spending relative to income is starting to generate positive multiplier effects via a stronger labour market, and this is feeding back into stronger income growth. Indeed, we have also seen a notable improvement in jobless claims and (at least through October) nonfarm payrolls.

It is important to emphasise what we are *not* saying. We are *not* saying that the US economy will now embark on a V-shaped recovery. We believe that the drag from inventories and fiscal policy will still keep real GDP growth at a moderate pace of 2½% in the next couple of quarters. And even the 4% growth pace that we expect for much of 2012 is still quite moderate relative to typical post-war recoveries. We are also *not* saying that deleveraging is over. Indeed, private-sector debt/income ratios are still likely to decline further. But it is the *pace* of deleveraging—which corresponds to the level of the private-sector balance—that matters for GDP. As the pace of deleveraging slows, the private-sector balance falls, and this implies a positive impulse to GDP growth. Finally, we are *not* saying that the economy will feel good from a 'Main Street' perspective. We only expect a



*2010 Q4 estimated based on partial GDP tracking data.
Source: Department of Commerce. Our calculations.



* Income less spending, households and businesses.
Source: Department of Commerce.

gradual decline in unemployment as growth moves above trend, to 9¼% by the end of 2011 and 8½% by the end of 2012. This is still very high by any absolute standard and far above our 5½% estimate of the structural unemployment rate.

Because there is so much slack, inflation is likely to stay well below the Fed's 'mandate-consistent' level of just under 2%. We expect core PCE inflation to stabilise at just ½% by the end of 2011, based on a 'stalemate' between the still-large output gap and stable longer-term inflation expectations. All this implies that Fed officials will continue to miss both parts of their dual mandate by a big margin, and are likely to keep policy very accommodative as a result. Even with our new forecasts, and even if we take into account the quantitative and fiscal policy easing that has already occurred, our analysis of the Fed's reaction function implies rate hikes are unlikely in 2011 and—based on our economic forecasts—will probably not occur in 2012 either.

The future of QE2 is a much closer call. We are convinced that Fed officials will complete their $600bn purchase program barring large surprises in the economic data. But the pick-up in growth and the backlash against QE2 both at home and abroad have made us more uncertain about further purchases beyond June. On balance, we think that Fed officials may still buy some additional assets, pushing the total QE2 volume up to perhaps $1 trillion. But it is also possible that QE2 will end at $600bn.

…..Alongside Continued Normalisation Elsewhere

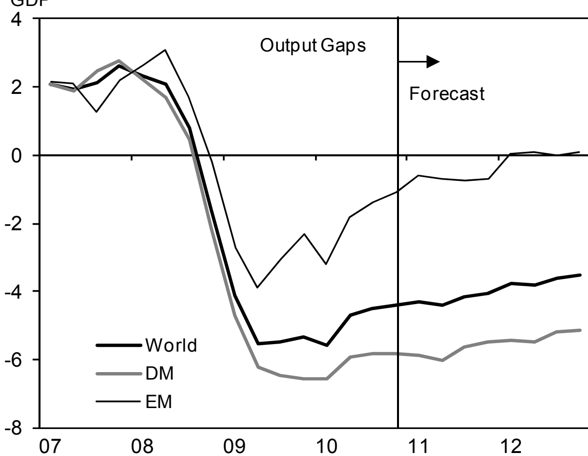
While our US view has generally been downbeat, our view of the rest of the world—particularly the emerging world—has not. At its simplest, our argument has been that the US housing and credit shock has not been visible to the same degree in most other places, and so the private-sector balance sheet adjustments that are needed have been less severe. As a result, policy easing has also been more effective in restoring growth.

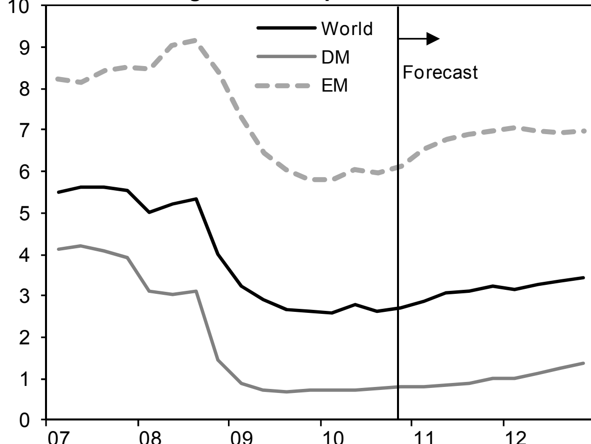
It is still the case for 2011 that our growth views are further above consensus outside the US than inside. This includes not just the BRICs but, also more controversially, the Euro-zone (where we expect GDP growth of 2.0% in 2011), the UK and most of the smaller developed economies. Our improved US outlook has reinforced that view, and we have raised our 2011 growth views outside the US and globally too as a result in many places.

But, as it becomes clearer that the US is avoiding recession and moving towards more normal growth rates, we are likely to see other pressures towards 'normalisation' become more obvious. US recession risk has been a motivating factor in delaying or slowing tightening across quite a wide range of economies. As it diminishes, those countries that do not have the same degree of spare capacity that the US does—and face rising inflation risk as a result—are likely to find themselves tightening more (Charts 4 & 5). This pressure is rising most clearly in several key EM markets and we now expect more tightening in EM than we did a few months ago. In particular, we envisage a more pronounced tightening effort in China over the next few months, including three further rate hikes and efforts to slow lending growth through administrative guidance. As the impact of tighter financial conditions unfolds, we expect Chinese growth to slow visibly in Q2, before edging higher later in the year. But China is not unique. We expect a stepped-up pace of tightening in several other Asian economies and in Brazil.

Our core forecast is for relatively soft landings in these cases and continued robust growth. However, this dynamic is likely to create some risks and it suggests that growth *acceleration* is more likely to occur outside EM, in contrast with the recovery story so far. We expect some of the tightening to come through FX appreciation, at least in Asia—and the more it does so, the more comforted we will be. But heterodox policies of capital controls and domestic tightening are also likely to gain further support in the face of private EM capital inflows.

While the pressure for tightening may be most immediate in the EM world, we think this is likely to be a broader phenomenon. A better US and global growth picture should reinforce tightening pressures in the smaller G10





economies, and we forecast more rate hikes than the forwards through 2011 and 2012 in the UK, the Scandinavian economies and Australia. Only in the US and Japan do we expect no rate hikes in 2011 and 2012.

Falling US Recession Risk, Normalising Recovery Dominate our Market Outlook

By itself, our more constructive US view implies a benign environment for 'risky' assets. Growth is likely to accelerate, but there is plenty of spare capacity to keep policymakers on the sidelines. This is typically an environment in which equities and credit do well, and we think the continued removal of US recession risk will remain a major market theme early in the year. Indeed, our strategists are fairly optimistic. Our Portfolio Strategy team's end-2011 index targets envisage 14%-29% returns across the major equity markets (Table 3). This theme, alongside renewed tightening pressure in China and some other EM economies, implies that we no longer have a strong view that EM equities will outperform the developed world (and underperformance is a possibility).

Continued robust non-US growth, gradual rate hikes and a peak in the private-sector balance reinforce our view that bond yields have troughed on a cyclical basis, and we expect a gradual but steady upward drift in global long-term yields as the normalisation process begins here too. This includes a steepening US yield curve, with the 10-year rate forecast to end 2011 at 3.25% and 2012 at 3.75%. We see similar rises in yields in the UK and the Euro-zone in 2011, but a somewhat sharper increase in 2012 as the recovery and tightening process picks up. But while this means we have stepped away from the bond-bullish view that has characterised our basic stance for much of the last two years, we are *not* in the camp that foresees a more dramatic increase in yields.

Table 3: Market Forecasts

	Current*	End-2011
Equities		
MXAPJ	449	580
Stoxx Europe 600	262	330
S&P 500	1,188	1,450
TOPIX	875	1,000
10 Year Bond Yields		
Germany	2.76	3.25
Japan	1.14	1.50
UK	3.36	3.75
US	2.92	3.25
FX		
EUR/$	1.31	1.50
$/JPY	84.38	90.00
GBP/$*	1.55	1.79
$/CAD	1.02	1.00
A$/$	0.96	1.02
Commodities		
Copper	8,220	11,000
Gold	1,366	1,690
Oil	85.7	105.0
Soybeans	12.4	14.0

*Close November 29 Source: GS Global ECS Research

Ongoing global growth is also likely to put more pressure on commodity markets. Supply constraints have not been resolved in many areas and commodity prices have been rising this year even with the substantial global slack. Our commodity forecasts look for broad pressure, but most intensely in oil, copper, soybeans and platinum. That pressure in turn may reinforce the perception of inflation risks for some countries.

Despite the improving US growth picture, we continue to forecast a decline in the USD on a broad basis, although we have tempered the path of decline somewhat on the back of our increased optimism on US growth. The pressures from the balance of payments and for global rebalancing still point in that direction. And our views are more hawkish, relative to market pricing, outside of the US than they are inside. Historically, stronger cyclical and risk environments have also been associated more with USD weakness than with strength. The need for appreciation is greatest in parts of Asia, but we expect the floating currencies, including the EUR, to resume their upward trend.

Biggest Risks Still Come From Crisis Aftershocks

This central view of the outlook seems quite rosy, but there are still some very important risks. It is always hard to capture these adequately in a forecast. Most of the biggest ones represent the aftershocks from the huge balance sheet adjustments that the global financial crisis has set in motion and the extraordinary policy responses that were taken to meet them. But, unlike last year, the bigger risks may now be concentrated outside the US.

The most obvious risk—and the clear market focus—is the European sovereign crisis. This has been the source of major market road-bumps this year and its final resolution remains unclear. The Irish package is likely to deal with one issue, but leaves several others on the table. We think that Portugal is likely to require funding and although we have argued that Spain's fundamentals are different and that its systemic relevance is so well understood that policymakers are more likely to act in concert here, a more aggressive (and possibly co-funded) banking system clean-up would be helpful.

Even with those kinds of responses, the economic adjustment needed in the periphery looks difficult. Our view of the Euro-zone in aggregate—and Germany in particular—has been rightly positive over the course of this year. And the underpinnings of that view remain firmly in place. But the lingering question is whether the political stresses within the periphery and across the Euro-zone as a whole, related to how the pain of adjustment is allocated, can be resolved without destabilising policy responses. And it is still not entirely clear how those adjustments will play out given the inability to adjust nominal exchange rates within the Euro-zone. It is certainly still possible to imagine more difficult resolution paths than the ones we forecast and if that is where we end up, several of our forecasts would need to be different.

The problem of public-sector balance sheet adjustment is not unique to Europe. In the near term, our concerns in several places, notably the US, are more about too rapid a withdrawal of fiscal policy. It is still possible, for instance, that the drag from US fiscal policy will turn out to be bigger than we now forecast. We expect both the 2001-2003 tax cuts and the emergency unemployment benefits to be extended, but there has not yet been a deal in Congress. And it is possible that governments may cut back too quickly in other places too. But looking further out, particularly into 2012, it is impossible to be sure that the market will not lose patience with those who are slow to address the longer-term fiscal path.

Private-sector balance sheet adjustments could become more of a drag than we envisage. US house prices are declining anew. Our baseline forecast now assumes a drop of 5% over the next year, mainly because the excess supply in the housing market remains enormous. But if prices were to fall significantly more, this could exert a bigger drag on consumer spending than we now expect. Similar risks apply to the UK and to parts of the Euro-zone.

The policy response to these and other issues is also a source of risk. Alongside the ongoing risks from the European policy response, the possibility that EM tightening is delivered too bluntly or that the market loses confidence in the response is probably the biggest risk here, certainly for many cyclical assets. The fact that several large economies are facing overheating problems even as others struggle to restore demand is also a reminder of why exchange rate realignment would be helpful. The past few months have seen more tensions over lack of global policy coordination than for some time. Further tensions here—including the backlash against QE and the wrangling over global FX policy—might present problems. A related risk is the possibility that countries engage in protectionist measures, although this is a risk that is likely to fade if global growth continues to recover robustly.

Our core view is that these issues can best be described as ‘aftershocks’ from the 2008/09 crisis, rather than the kindling for a fresh crisis. We would not be surprised if markets have to deal with periodic turbulence around these issues, but we do not expect them to derail underlying improvements. In essence, we expect the improving cyclical picture to win out over sovereign and related risks, and believe that policy tightening will not prevent the improving growth impulse from helping cyclical assets. That said, this year is a reminder that these issues still play a large part in the way asset markets behave even when the overall growth picture remains quite healthy. And, just as our more benign view is based on the idea that pressure from private-sector balance sheet adjustments may become less intense, it is also the repercussions of these adjustments and the substantial policy shifts due to the global financial crisis that remain the biggest source of risk.

Dominic Wilson, Jan Hatzius and Kevin Daly

Equity Risk and Credit Premiums

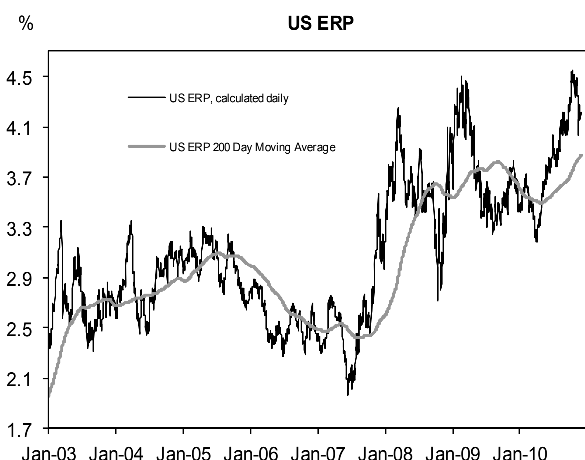
Current Estimates for the Equity Risk Premium*

	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		0.7		4.2	2.0	7.0
Japan	1.5	1.5		2.0		3.5		0.7		2.8	0.5	4.0
UK	2.8	2.8		3.2		6.0		-0.9		6.9	2.0	8.0
Europe ex UK	2.3	2.3		3.0		5.3		-0.9		6.1	2.0	7.3
World	2.5	2.5		2.4		4.9		0.1		4.8	1.8	6.7

*Calculated as of 1 December 2010

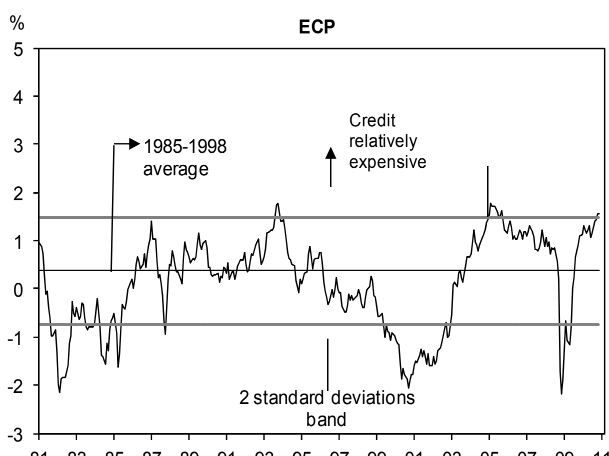
Source: Datastream; real GDP growth and expected inflation are GS Economics Research forecasts.

The US ERP has decreased by 33bp since its most recent peak in mid-October, due to the rise in real bond yields.



Source: GS Global ECS Research

In November, our ECP was 375bp higher than the most recent trough in November 2008.



Source: GS Global ECS Research

We, Dominic Wilson, Jan Hatzius and Kevin Daly, hereby certify that all of the views expressed in this report accurately reflect personal views, which have not been influenced by considerations of the firm's business or client relationships.

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Main Economic Forecasts

Real GDP, % chg, yoy	2009	2010	2011	2012
USA	-2.6	2.8	2.7	3.6
Japan	-5.2	3.5	1.1	2.0
Euroland	-4.0	1.7	2.0	1.9
Germany	-4.7	3.5	2.7	2.1
France	-2.5	1.6	2.1	1.9
Italy	-5.1	1.1	1.6	1.6
Netherlands	-3.9	1.8	3.3	2.4
Spain	-3.7	-0.2	1.0	1.8
Sweden	-5.3	5.4	4.1	3.2
Switzerland	-1.9	2.7	1.7	2.3
UK	-5.0	1.8	2.4	2.6
EU27	-4.0	1.9	2.2	2.2
Canada	-2.5	3.0	2.5	3.3
Australia	1.3	2.7	3.7	3.0
G7	-3.5	2.7	2.3	2.9
Advanced Economies	-3.2	2.9	2.5	3.0
Asia	4.1	8.0	7.1	7.1
Central and Eastern Europe	-0.9	2.9	3.8	3.9
Latin America	-1.8	6.2	4.6	4.2
Emerging Markets	3.2	7.7	7.4	7.2
World	-0.6	4.9	4.6	4.8

Consumer Prices, % chg, yoy	2009	2010	2011	2012
USA	-0.3	1.6	1.3	0.9
Japan	-1.3	-0.8	-0.2	0.2
Euroland	0.3	1.5	1.5	1.8
Germany	0.2	1.1	1.4	1.9
France	0.1	1.7	1.1	1.8
Italy	0.8	1.6	2.0	0.5
Netherlands	1.0	0.9	1.4	1.5
Spain	-0.2	1.7	1.5	0.9
Sweden	-0.3	1.2	1.7	2.2
Switzerland	-0.5	0.7	0.6	1.6
UK	2.2	3.2	3.2	1.8
EU27	0.8	1.9	1.9	1.9
Canada	0.3	1.7	1.9	2.0
Australia	1.8	2.9	3.2	3.3
G7	-0.1	1.3	1.3	1.1
Advanced Economies	0.2	1.5	1.5	1.4
Asia	0.7	3.4	3.8	3.2
Central and Eastern Europe	3.0	2.7	3.0	3.0
Latin America	6.4	6.1	6.5	6.2
Emerging Markets	4.0	5.6	5.9	5.1
World	1.7	3.2	3.4	3.0

Real GDP, % chg, yoy	2009	2010	2011	2012
China	9.1	10.1	10.0	9.5
India	7.5	8.5	8.7	8.3
Hong Kong	-2.8	6.5	5.2	5.6
Indonesia	4.5	5.9	6.2	6.2
Malaysia	-1.7	6.8	5.2	5.7
Philippines	1.1	7.1	5.2	5.7
Singapore	-1.3	14.8	4.8	5.7
South Korea	0.2	6.0	4.5	4.8
Taiwan	-1.9	10.0	4.4	5.2
Thailand	-2.2	7.9	4.2	5.0
Brazil	-0.2	7.5	5.0	4.3
Argentina	0.9	9.0	5.5	3.2
Mexico	-6.1	5.0	3.7	4.0
Venezuela	-3.3	-1.0	3.2	3.7
Russia	-7.9	3.8	5.3	5.6
Turkey	-4.7	8.5	5.5	5.0
South Africa	-1.7	2.7	3.7	4.4
Central and Eastern Europe	-0.9	2.9	3.8	3.9
Asia ex Japan	6.3	9.0	8.3	8.2
Latin America	-1.8	6.2	4.6	4.2
BRICs	5.5	8.7	8.6	8.2
Emerging Markets	3.2	7.7	7.4	7.2

Consumer Prices, % chg, yoy	2009	2010	2011	2012
China	-0.7	3.2	4.3	3.0
India	4.3	8.2	6.0	5.8
Hong Kong	0.6	2.4	4.1	3.5
Indonesia	4.8	5.1	6.2	5.8
Malaysia	0.6	1.8	3.4	3.6
Philippines	3.2	4.1	5.0	4.8
Singapore	0.6	2.8	3.6	2.8
South Korea	2.8	3.0	3.3	3.0
Taiwan	-0.9	0.9	2.0	1.6
Thailand	-0.9	3.4	3.9	3.5
Brazil	4.9	5.2	6.4	6.4
Argentina	6.3	10.4	10.1	13.4
Mexico	5.3	4.1	3.9	3.6
Venezuela	28.1	27.7	27.3	19.0
Russia	11.7	6.8	7.9	6.5
Turkey	6.3	8.8	7.4	7.2
South Africa	7.1	4.3	4.0	5.7
Central and Eastern Europe	3.0	2.7	3.0	3.0
Asia ex Japan	1.2	4.3	4.6	3.8
Latin America	6.4	6.1	6.5	6.2
BRICs	2.7	5.0	5.3	4.4
Emerging Markets	4.0	5.6	5.9	5.1

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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