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De-synchronizing the global economy

Global Economy: Monthly Review

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The year 2011 ends with a pattern of diverging growth among major economies, and we expect this de-synchronization to persist in 2012.

The global economy so far seems capable of withstanding a mild euro area recession. A more severe and disorderly outcome in Europe could still overwhelm the rest of the world. The risks to our global forecast are still to the downside.

Global GDP growth is expected to finish 2011 at 3.7%. We expect the global economy to expand at a 3.5% rate in 2012. Developed-market economies are expected to grow slowly on a consolidated basis, while growth in the emerging markets remains relatively resilient.

The financial system is in a fragile state. QE is probably a necessary component of managing the ongoing restructuring of the global financial system. That's the First World central bank response. For the rest of the world, more conventional monetary policy responses are still available (because policy rates are still well above zero.)

2012 is likely to be buffeted by the two conflicting forces between loose monetary conditions and tight credit conditions, just as 2011 has been. The most likely outcome, in our view, is that the monetary conditions force will predominate most of the time, with occasional volatility outbursts as the underlying fundamental/credit conditions force becomes visible. Longer-term averages for volatility should be forced down by the monetary conditions force, while episodic surges in volatility should be expected while the credit conditions force is still evolving toward its new equilibrium.

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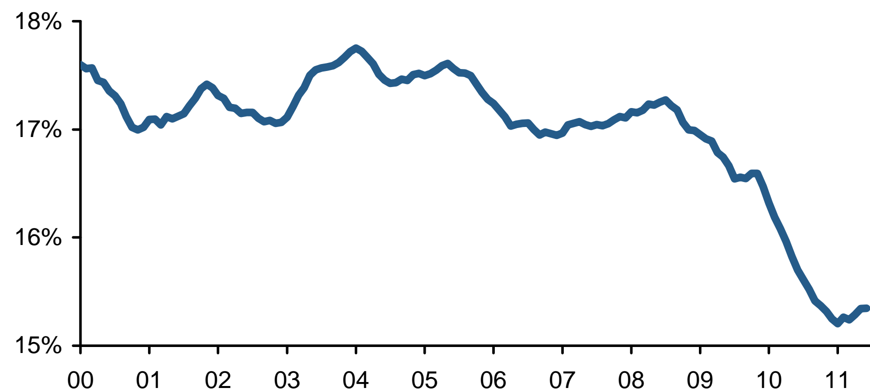
Exhibit 1: Euro area shares of world imports

12m ma; Exclude intra euro zone trade



Source: Haver Analytics®, IMF, Credit Suisse

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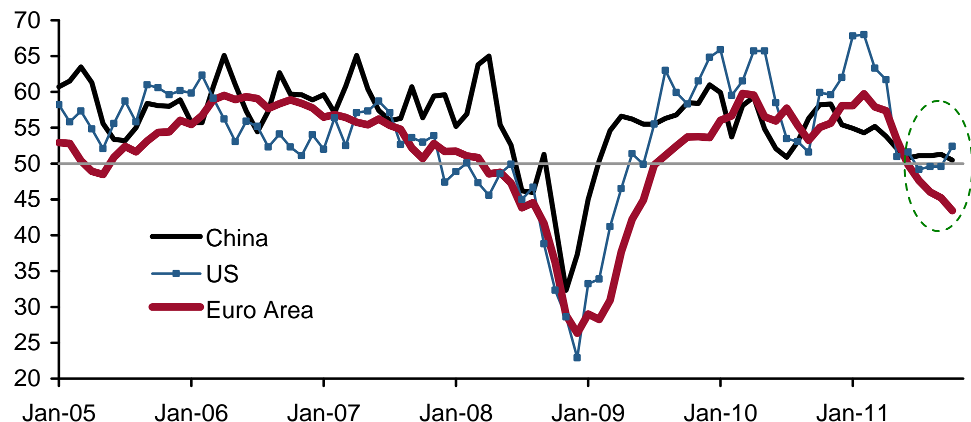
De-synchronizing the global economy

The year 2011 ends with a pattern of diverging growth among major economies, and we expect this de-synchronization to persist in 2012. Specifically, risks of a synchronized global recession continue to diminish and signs of divergence among major economies emerge. Summertime fears of a global recession are now being replaced with a more nuanced speedup scare for the US, an increasingly realized "soft-landing" for China, and a more intense slowdown scare for Europe.

The euro area continues to lurch unsteadily towards fiscal union. However, measures taken so far are not enough to bring the euro area financial crisis to a close. Business surveys are now at levels consistent with outright declines in euro area GDP and look likely to weaken further. In our view, Europe is experiencing a large upward shock to the demand for liquid cash balances, manifested in the urge to shed noncash assets including sovereign bonds. The duration and intensity of the euro recession probably rests in the willingness of the ECB to satisfy that heightened money demand.

The global economy so far seems capable of withstanding a mild euro area recession. A more severe and disorderly outcome in Europe could still overwhelm the rest of the world. The risks to our global forecast are still to the downside.

Exhibit 2: Manufacturing PMI new orders

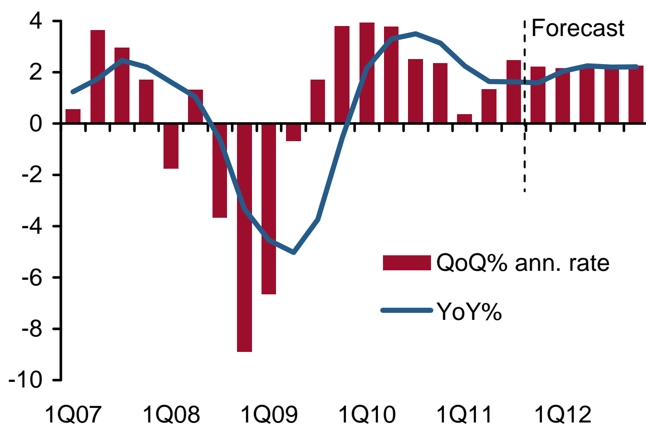


Source: ISM, Markit Economics, NBS, Credit Suisse

In the US, data continue to strike a resilient tone and the economy seems more at the edge of a new speed-up scare with each passing data report. On a short-term cyclical view, we are encouraged by the strong rebound of the ISM manufacturing new orders index, car sales moving above replacement rates for two straight months, steady (although mediocre) gains in payroll employment, new cycle lows in initial jobless claims, and solid momentum in hours worked and payroll income to start Q4. A more favorable demand/inventory balance also adds upside risk to Q4 growth. That the economy could muster any speed-up at all in the face of intensifying financial market headwinds is a reassuring sign – consistent with our view that recession risk never rose to the status of a most-likely outcome. **In our view, the most likely scenario for the US economy is continued moderate, if uninspiring, growth and a sideways trajectory in the unemployment rate. We expect 2.2% growth next year on both a fourth-to-fourth quarter basis and on an annual average basis, and, much more tentatively, a similar outlook for 2013** (Exhibit 3).

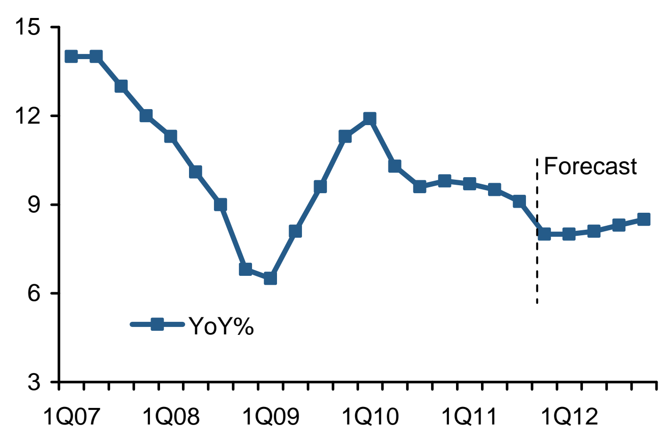
Meanwhile, recent Chinese data show more signs of "soft-landing" as sought by the authorities. The resilient Q3 GDP growth suggests that the economy is slowing, but more to a desired than a disturbing extent. Moreover, October macro data remained healthy and further assuaged hard landing fears. Of note, the official NBS PMI manufacturing new orders index moderated a bit in October but remained above 50 (Exhibit 2), a level still consistent with substantial industrial production growth historically. Most recent macro data also show that inflation is slowing, while growth on fixed asset investment, industrial production, and retail sales remained robust. Importantly, the policy environment also has become more growth friendly. Our China economists believe that China has entered a period where macro conditions will be closely observed by policymakers, who will introduce selective easing in some sectors and continued tightening in others. Stronger-than-expected new loans in October suggest that the government has been discreetly providing measured credit easing to selective pockets of the economy, such as the SMEs, public housing construction, on-going infrastructure investments and other focused projects of the government. **We expect China's economy to grow at about 8% in both 2012 and 2013** (Exhibit 4).

Exhibit 3: US growth outlook



Source: BEA, Credit Suisse

Exhibit 4: China growth outlook



Source: NBS, Credit Suisse

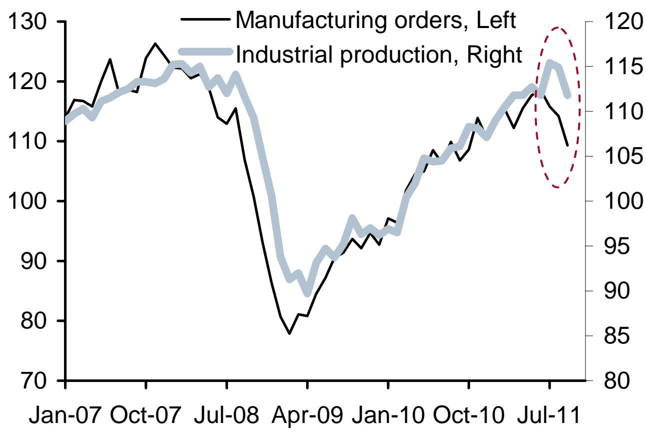
Developments in Europe are, needless to say, concerning. The confidence of households and business leadership about the long-run coherence of Europe on the fiscal and monetary fronts has been dented by the prolonged political wrangling and uncertainties surrounding the European debt crisis. **While it remains to be seen if the contagion will spread to the rest of the world, the weakened sentiment has found its way into the real economy in the euro area.**

Specifically, the euro area manufacturing PMI continued its descent and fell further below the 50 mark (Exhibit 2). The German PMI dipped below 50 for the first time since September 2009 (49.1), while the Italian PMI posted the sharpest fall on record (43.3). Consistent with the soft data, hard data from Germany, one of the strongest economies in the euro area, confirm the sharp slowdown in economic activity. Industrial production in Germany fell again in September, leaving it more than 3% below its July peak. Moreover, sharply contracting manufacturing orders suggest further weakness for production in the near term (Exhibit 5).

We now expect the euro area economy to contract in the next couple of quarters, with a peak to trough decline of around 1% (Exhibit 6)**.** That loss in output will be most acute in Italy and other peripherals. That said, we expect the economy to recover by the second half of 2012, and think the risk of a more severe recession is limited by a resilient global economy and pockets of strength within the euro area – in the corporate sector and domestic German economy. **On an annual basis, we look for euro area GDP to contract by 0.5% in 2012 and rise by 1.7% in 2013. The UK is likely to skirt recession, and see growth of just 0.7% next year.**

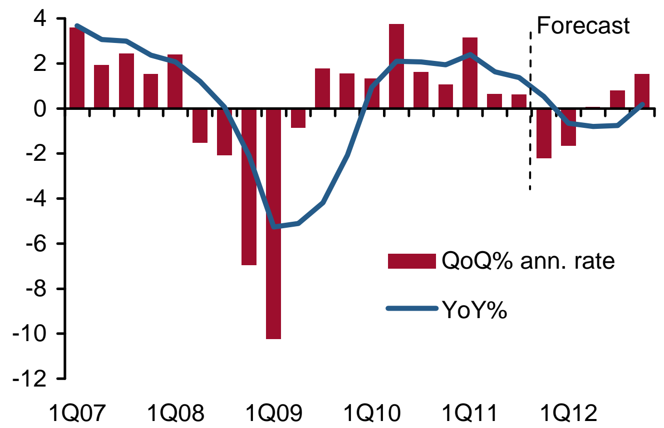
Exhibit 5: German industrial production and manufacturing orders

SA, 2005=100



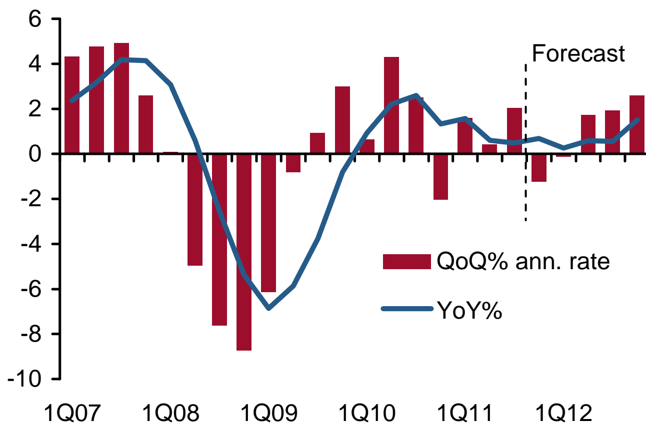
Source: Haver Analytics®, Credit Suisse

Exhibit 6: Euro area growth outlook



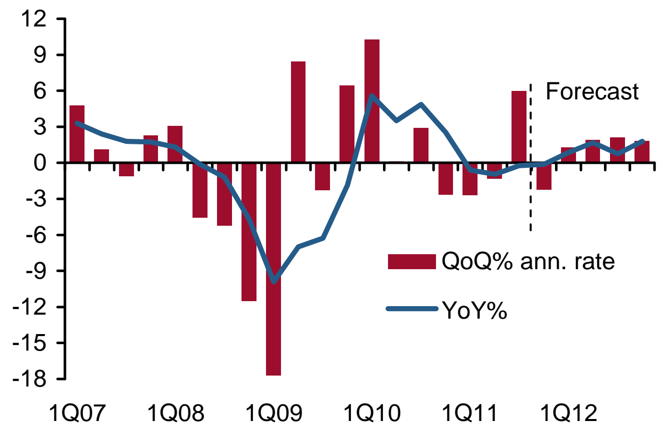
Source: Thomson Reuters DataStream, Credit Suisse

Exhibit 7: UK growth outlook



Source: Thomson Reuters DataStream, Credit Suisse

Exhibit 8: Japan growth outlook



Source: Cabinet Office, Credit Suisse

Global growth outlook

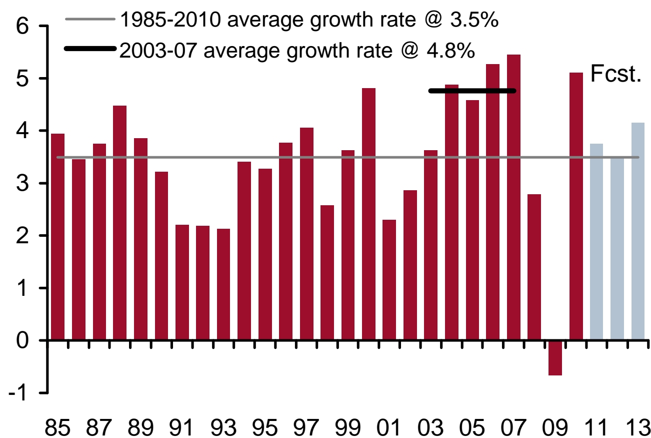
Viewed at a global level, we stand by our long-held view of persistent (albeit inadequate) global growth.

Global GDP growth is expected to finish 2011 at 3.7%, unchanged from our September estimate. In addition, **we expect the global economy to expand at a 3.5% rate in 2012**, two-tenths lower than our September estimate. The lower growth estimate is mainly due to downward revisions in the euro area. While our current 2012 global growth forecast falls in line with its long term average growth rate, it is over a full percentage point lower than the 4.8% growth average in the five years before the global recession (Exhibit 9). For reference, current consensus expectations call for global growth at 3.8% in 2012. On a quarterly basis, we expect a faster expansion in the second half of next year, supported by a forecasted recovery in the euro area (Exhibit 10). As to the 2013 growth outlook, our first cut is for a rebound to 4.1% real GDP growth.

Developed-market economies are expected to grow slowly on a consolidated basis, with Europe's recession balanced by continued slow expansion in the US and Japan. Developed-market GDP growth is expected to finish 2011 at 1.4%, followed by 1.2% growth in 2012.

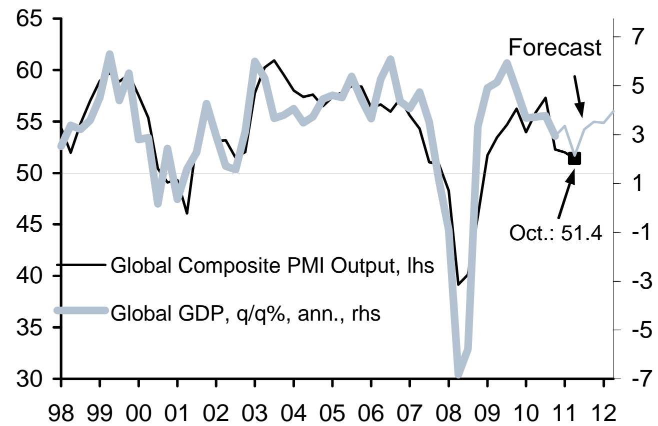
Growth in the emerging markets remains relatively resilient. As a group, emerging economies are expected to conclude 2011 with 6.1% GDP growth, followed by 5.6% in 2012. Even here, the outlook is mixed. China has accomplished a desired slowdown, but Brazil and India have yet to find their sea legs. As we commented in our last monthly report *Come Together, Right Now*, **we believe that emerging markets' higher alpha (trend growth rates) – coupled with their willingness and capacity in providing stimulus – would provide a floor for global economic activity** amidst the heightened global financial market and economic uncertainty.

Exhibit 9: Global GDP growth



Source: IMF, Credit Suisse

Exhibit 10: Global GDP growth vs. composite PMI output index



Source: Credit Suisse, Markit Economics, Thomson Reuters Datastream

Will a mild recession in the euro area drag the rest of the world into a renewed downturn?

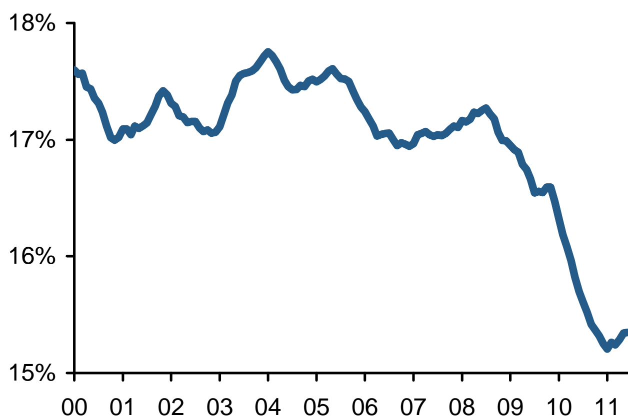
The drag from the euro area to the rest of the world comes through two main channels. The first is through trade linkages. While the euro area as a whole remains the world's top export destination, its share has declined sharply since 2008, long before the recently intensified European debt crisis (Exhibit 11). China and US export shares to the euro area peaked sequentially in 2008 and 2009 (Exhibit 12). While weaker exports to the euro area are unavoidable, the impact to the rest of the world has been getting smaller.

More generally, the euro area has not been a major contributor to global growth in recent years. Calculated with market exchange rates, the euro area on average contributed about 12% of global growth in the five years before the Great Recession (2003-07) and about 9% in 2010, the first full year into the recovery. These contributions are considerably lower than those from the US (23% between 2003 and 2007 and 17% in 2010) and China (15% and 18% respectively) over the same time periods.

A mild recession in the euro area, as we expect, will not drag the rest of the world into a renewed downturn, in our view. Recent divergence between the euro area and US/China data seems to point to this direction. This outcome perhaps parallels the experience of the early 1990s when Japan's growth stalled without large adverse effects on the world economy as a whole.

Exhibit 11: Euro area shares of world imports

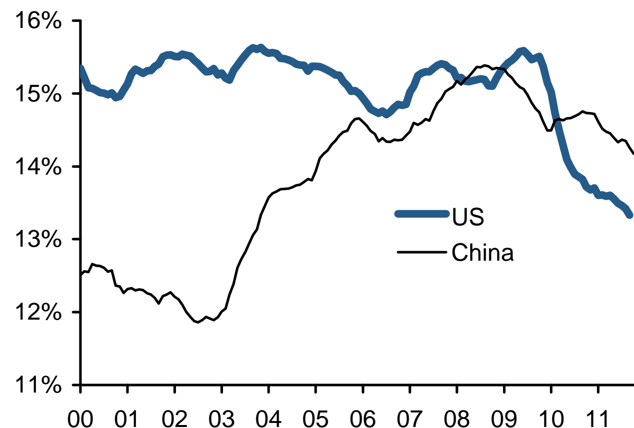
12m ma; Exclude intra euro zone trade



Source: Haver Analytics®, IMF, Credit Suisse

Exhibit 12: US and China export shares to euro zone

12m ma



Source: Bureau of Census, China Customs, IMF, Credit Suisse

However, the potential drag through the second channel of transmission – financial linkage – is more concerning. In our view, European debt contagion remains the shock of the hour, which carries the threat – although still not the likelihood -- of becoming the recessionary tipping point for the global economy.

European debt contagion, if disorderly, could lead to sharply tighter credit conditions globally, which in turn could cause a severe contraction in global economic activity. Notably, the sudden freeze of international trade credit during the last global recession in 2008 and 2009 dramatically amplified the negative impact through the trade linkage and fueled the sharp contraction in global trade.

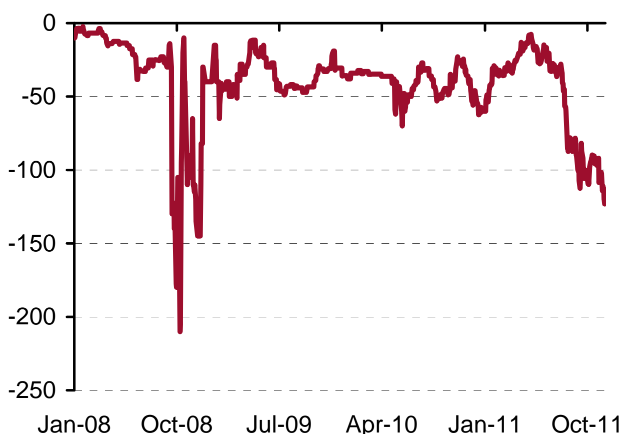
To be sure, the ongoing European debt crisis has affected lending conditions for European banks, and to a lesser extent, for nonfinancial firms with significant exposures to European economies. According to the Federal Reserve's latest Senior Loan Officer Survey, a large number of domestic and foreign responding banks indicated that they had tightened standards on loans to European banks over the third quarter. Many domestic banks also indicated that the tightening was considerable. The survey finds that the tightening to nonfinancial firms with significant exposure to European economies has been so far moderate. Meanwhile, the latest ECB bank lending surveys point to more aggressive tightening of credit standards to corporates. Signs of stress in bank funding markets are also building (Exhibit 13).

Tightening lending standards to European banks coupled with the deleveraging of these financial institutions may introduce another source of volatility to the global credit market, especially given the scale of lending by European banks. Illustratively, euro area banks maintain a substantial presence in the global credit market, especially in Emerging Europe and Latin America. Based on BIS data, as of the end of March, banks that are headquartered in the euro zone accounted for over 80% of the outstanding foreign claims on Emerging Europe, over 50% on Latin America, around 20% on Emerging Asia, and over 30% on the US, respectively (Exhibit 14). Notably, claims by these banks are in some cases equivalent to large shares of the GDP of the borrowing regions -- over 31% of GDP in the case of Emerging Europe and 13% in the case of Latin America. Thus a retrenchment of euro area banks from foreign markets may lead to a sharp drop in bank credit and add further unease to the global growth outlook.

Of course, the transmission of crisis from Europe to the rest of the world through the financial linkage is broader than a possible drop in bank lending. As our Head of Emerging Market Strategy and Economics Kasper Bartholdy points out, other possible avenues include a protracted shutdown of the securities issuance market across the world and the wealth decline of creditors in the rest of the world that results from the fall in the prices of assets they hold in Europe.

Exhibit 13: Funding stress – high cost of swapping euros for dollars

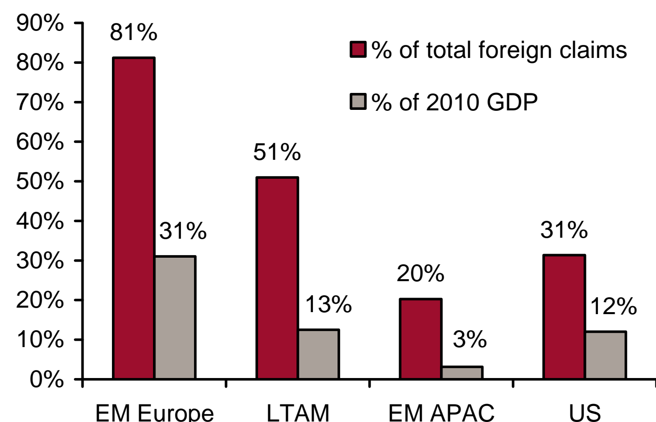
Euro basis swap rate (3 months), basis points



Source: Bloomberg, Credit Suisse

Exhibit 14: Foreign claims of euro area banks on emerging markets and the US

%, ultimate risk basis, End-March 2011



Source: BIS, IMF, Credit Suisse

Monetary policy response

Central banks around the world are mindful of these risks. The financial system is in a fragile state. Some institution, market or instrument seems always at the edge of breaking down – or just over that edge. Very low interest rates throughout the developed world pose a significant challenge to the profitability of traditional financial business models by reducing the rewards of maturity transformation. New regulatory initiatives, including especially higher capital-to-asset ratio requirements on ever more strictly construed asset classifications, inhibit the volume and profitability of credit transformation. (No surprise there – that's what deleveraging the developed economies is all about.)

Ultra-low interest rates tend to be more persistent than ultra-high ones. This partly reflects the asymmetry in the efficiency of monetary policy in stimulating versus restraining economic activity. It also partly reflects the arithmetic of fiscal sustainability: low interest rates suppress the debt service cost entry for debtor governments while high interest rates contribute to explosive debt-to-GDP dynamics. Finally, the exit from ultra-low interest rates is higher interest rates, that is, a bear market in bonds. Since bear markets tend to expose and magnify financial fragilities, human nature tends to incline the monetary authorities to a more cautious pace of raising interest rates. (Most central bankers most of the time are more analogous to Neville Chamberlin; only rarely does society empower a Paul Volcker to play the Winston Churchill role.)

While ultra-low interest rates are still performing their corrosive role on the profitability of the financial sector business model, the sector is also trying to accommodate to an emergent regulatory environment.

One dimension of that regime is clear enough in outline. Banks and other financial intermediaries will be required to hold more capital per unit of assets, that is, to deleverage. There are two ways to raise a capital-asset ratio: add capital or subtract assets. Raising capital has the potentially undesirable feature of diluting existing shareholders. So banks will seek to accomplish at least some of their deleveraging by shedding assets. But when all (or a large subset of all) financial intermediaries are seeking to disgorge assets, market prices will tend to weaken, bid-ask spreads to widen, liquidity to evaporate, perceived counter-party risk to rise, term funding to run for the hills – in sum, the syndrome that has manifested repeatedly since the summer of 2007. **When this syndrome of financial fragility presents, the only balance sheet adequate to absorb the orphaned assets is the central bank's. Hence, QE.**

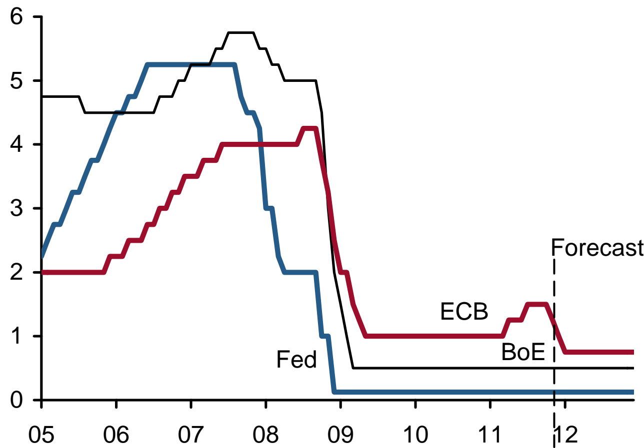
The Bank of Japan has been at this longest and has gone furthest – to the point of buying ETFs on their own stock market. The Bank of England and the US Fed have undertaken significant QE, arguably with more of a focus on a portfolio balance effect to encourage holding of riskier assets. The ECB has so far dipped its toe tentatively into these waters, but we expect considerable expansion of their efforts, at least selectively, toward Europe's troubled sovereigns.

The bottom line is that QE is probably a necessary component of managing the ongoing restructuring of the global financial system. As the old saying goes, "You ain't seen nothing yet."

That's the First World central bank response. For the rest of the world, more conventional monetary policy responses are still available (because policy rates are still well above zero.) Central banks in Australia and Brazil have already begun to cut rates to counter the risks to global economics growth and financial stability. Expect more of the same from them, and expect others like India and Thailand to be joining the easing policy posture soon enough (Exhibit 16).

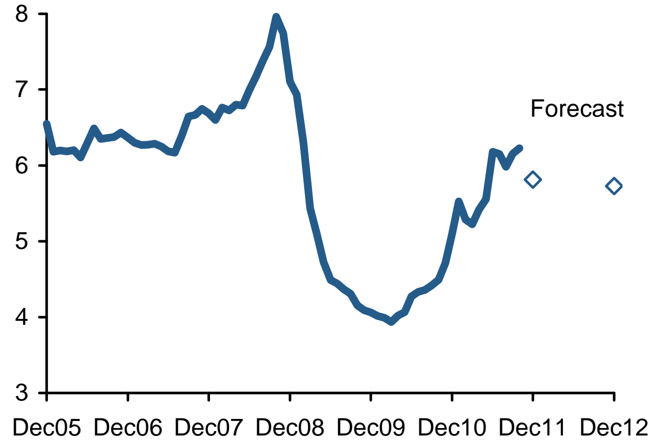
Exhibit 15: Developed market policy rate forecasts

Fed funds rate; ECB repo rate; BoE bank rate



Source: Thomson Reuters DataStream, Credit Suisse

Exhibit 16: Emerging market nominal interest rates



Source: Thomson Reuters DataStream, Credit Suisse Emerging Market Economics Team

Monetary conditions vs. credit conditions

Financial life is now buffeted by two powerful, but diametrically opposite, forces. On the one side, we have the short-term interest rate postures of the major central banks. Let's call that monetary conditions. On the other side, we have the terms and standards of access to credit in open markets. Let's call that credit conditions.

The major central banks have signaled that the interest rate on cash can be thought of as fixed for an extended period into the future (Exhibit 15). The Bank of Japan has been near zero for over a decade already with no particular end in sight. The Federal Reserve has been near zero for several years and "promises" to stay there until mid-2013 at least. The Bank of England has just commenced a new round of QE, which is hardly consistent with any expectation that the base rate for Sterling cash will move away from 50 basis points for a reasonable stretch into the future. The Swiss National Bank is resisting a natural market tendency to push up the foreign exchange value of the franc, suggesting they too will stay with extraordinarily low rates for Swiss franc cash for a long time.

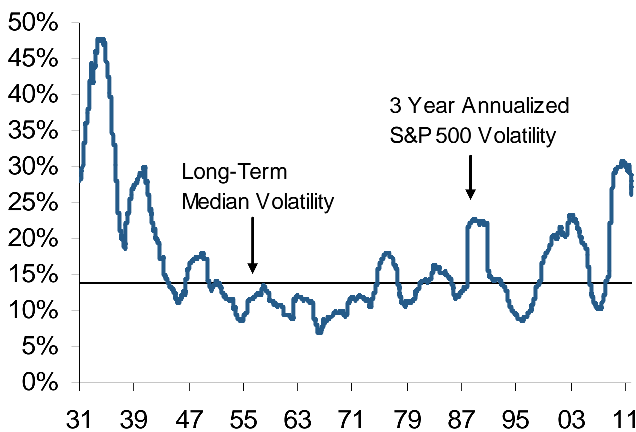
At the same time, the ECB under President Draghi has proved to be more active than expected, cutting rates by 25bp to 1.25%. We expect another cut soon. In our view, this greater activism may augur well for more forceful interventions from the ECB in government bond markets. The ECB must be viewed as in an asymmetric posture where the cash rate for Euros could come down but cannot be expected to rise while the public finances of much of the Continent are in tatters and the growth outlook ranges from anemic to something worse.

The familiar workings of the Capital Asset Pricing Model imply that the variance (or volatility) of capital asset prices includes the expected variance of the rate of interest on cash over the expected holding period of the asset plus twice the covariance of that cash rate with the remaining market risks. **When the central bank effectively puts the variance and the covariance to zero, the volatility of all capital asset prices should be suppressed, putting a bullish underpinning to risk asset markets of all kinds – whether longer-dated bonds or credit instruments or equities. That's the monetary conditions contribution.**

Now, **credit conditions are different.** The quarter-century from 1982 to 2007 featured ever-easier access to credit, whether for US homeowners or Greek citizens. That credit boom allowed for more consumption-smoothing than would otherwise have occurred, suppressing the volatility of real economic performance in what came to be called the Great Moderation. It is patently clear that the terms and standards of access to credit are no longer in a secular easing -- just ask American homeowners or Greek public sector workers or, if reports are to be believed, certain euro zone banks seeking term funding. Credit underwriting standards now fluctuate around a tighter mean than prevailed in 2007 with little sense that Basel 3 and other regulatory innovations will allow for, let alone encourage, a renewed secular easing.

That implies less consumption-smoothing by households or investment-smoothing by businesses or even counter-cyclical fiscal operations by (many) governments than was possible during the Great Moderation. And that in turn implies a more volatile fundamental economic backdrop for risk assets (Exhibit 17). That volatility has perhaps already begun to manifest itself in the inadequate recovery from the last recession experienced by nearly all First World countries and by the repeated pattern of alternating speed-up and slowdown scares in the last few years. **This is a force for increasing the volatility -- and correlation -- of capital asset prices,** whether manifested in yield curve shapes, credit spreads, or equities prices. In the context of an efficient-frontier tradeoff between risk and return, this should be a force suppressing risk asset prices.

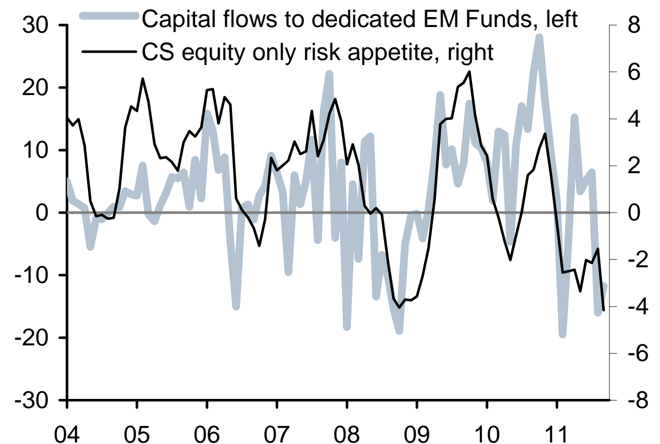
Exhibit 17: S&P 500 volatility



Source: Credit Suisse, Quantitative Equity Research

Exhibit 18: Capital flows to dedicated EM Funds vs. risk appetite

EM funds (equities+bonds), US$bn



Source: EPFR Global, Credit Suisse Global Fixed Income Strategy Team

Meanwhile, the low level of interest rates anchoring the North Atlantic region has episodically pushed more capital flows to emerging equity and bond markets. Juxtaposing with the rising capital flow is the increased volatility. We observed heavier outflow from the emerging markets this year, at times when risk aversion was driven by slowdown scares in the emerging economy or fears of European debt contagion (Exhibit 18). The more volatile capital flows pose a significant threat to both financial market and economic stability of the emerging markets.

2012 is likely to be buffeted by these two conflicting forces, just as 2011 has been. The most likely outcome, in our view, is that the monetary conditions force will predominate most of the time, with occasional volatility outbursts as the underlying fundamental/credit conditions force becomes visible. Longer-term averages for volatility should be forced down by the monetary conditions force, while episodic surges in volatility should be expected while the credit conditions force is still evolving toward its new equilibrium.

US: Still climbing, still slow, still steep

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The US economic expansion trudges forward. Recession risk has subsided from its peak intensity of late summer. It has not been quashed completely, however, because of Europe's financial contagion threat. But the hard domestic data have largely shrugged off market turmoil and collapse in consumer confidence. **For now, the most likely scenario for the US economy is continued moderate, if uninspiring, growth and sideways trajectory in the unemployment rate.**

Our 2011 second-half real GDP estimate averages at 2.3%, which follows just 0.8% in the first half. We also expect 2.2% growth next year. Our GDP projections, which are slightly below the economy's potential speed, leave the unemployment rate tracking around 9% through our forecast horizon – regrettably more because labor force participation shrinks than employment opportunities proliferate.

On a short-term cyclical view, we are encouraged by a number of recent data points: 1) steady gains in payroll employment, with successive months of significant upward revisions; 2) new cycle lows in initial jobless claims, hinting at firmer payroll readings in the period ahead; 4) car sales moving above replacement rates for two straight months; 5) upward momentum in core retail sales. In addition, a more favorable demand/inventory balance is emerging from third quarter data, with downward revisions likely to business inventory and upward revisions to final demand growth. As a consequence, we revised up our Q4 GDP forecast to 2.2%, from 1.9%.

The longer-term view is more daunting. The economy's "output gap" won't close for years even under very optimistic scenarios for growth. For example, even if the GDP grew at 3.5% on trend – one full percentage point above the current recovery average – the output gap wouldn't close until 2018. At 4.5% average growth, it closes by the end of 2014.

Without further policy intervention, total net fiscal tightening at the federal, state, and local level is pre-programmed at about 2.5% of GDP next year. Our baseline forecast expects, incorporates, and depends on less fiscal drag than that. For example, we assume an extension in the current lower rates on Social Security payroll taxes, which would reduce the fiscal drag to about 1.8%. If the tax cut is not extended, a $112bn tax increase would kick in at the start of 2012, and we would be obliged to lower our growth forecasts.

The Joint Select Committee on Deficit Reduction (a.k.a. the "Super Committee") is required to present a plan to Congress by November 23rd to reduce the budget deficit. The Super Committee must recommend cuts equal to at least $1.2 trillion dollars over the next 10 years in order to prevent "sequestration" - across-the-board, mandatory cuts - from being imposed. Both the House and the Senate must then approve or disapprove the package in its entirety, without modifications, by December 23, 2011. Failure to enact the Committee's recommendations will trigger sequestration evenly divided between defense and non-defense appropriations.

The cuts would begin to take effect in January 2013. Therefore, Congress would still have enough time to reverse the automatic cuts before they take effect. Sequestration cuts will ultimately be in an amount equal to the shortage between agreed-upon cuts and the $1.2 trillion total goal. Our Washington team believes the Committee will produce a bill that achieves a portion of the required $1.2 trillion dollars in savings with real spending reductions and the remainder will be achieved via sequestration.

The Super Committee has the opportunity to surprise in a favorable direction. We are not pollyannas about the difficulty of getting the US fiscal future under control. Still, our reading of public sentiment is that expectations are so low that the US federal fiscal outcome would be hard-pressed to disappoint.

Meanwhile, President Obama's $447bn stimulus proposal is showing little sign progress in Congress, which is not unexpected. An extension of the payroll tax cut looks potentially acceptable to all political factions, which is why we have folded it into our baseline. Significantly, most Republican presidential candidates have come out in favor of extending the tax cut.

On Fed policy, we believe another round of balance sheet expansion (QE3) is likely, probably involving mortgages and commencing before "Operation Twist" ends in June 2012.

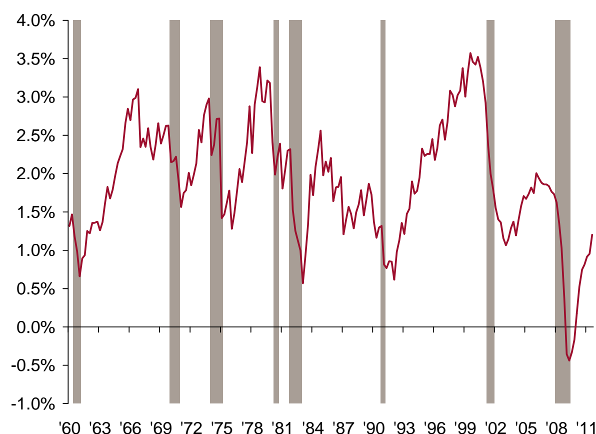
The public atmospherics surrounding further monetary stimulus will be politically dicey, but would be made easier in the context of lower headline inflation. In fact, barring a dramatic surge in oil prices, the headline inflation arithmetic should be significantly more favorable for the Fed in the early part of next year. Current energy futures prices imply headline CPI below 3% by February (YoY) and below 2% by April (all else equal). The current CPI is just under 3.5%. We also think core inflation is in the process of stabilizing after temporary influences pushed it up earlier in the year. We expect the core PCE deflator will top out at around 1.8% this year and fall to 1.6% next year. For the foreseeable future, core inflation will face a steep uphill climb against persistently large output gaps and resistance by consumers whose employment prospects are healing only slowly.

Residential investment has been bouncing along its bottom since the middle of 2009. We expect it could stay that way through our forecast horizon**.** Relative to past cyclical experience, this "missing block" of the economy is costing the GDP about ¾ ppt. of growth. The housing drag partly reflects diminished household formation, which is, in turn, grounded in the scarcity of new jobs. America's financial sector continues to labor under the burden of uncertain credit quality in its real estate exposures. This is compounded by the persistence of ultra-low interest rates and the ongoing adjustment to the new regulatory regime of higher capital requirements and lessened opportunities for credit transformation.

In stark contrast to housing, business fixed investment in equipment and software during the recovery period has contributed more to GDP growth in this cycle than it usually does. The solid performance partly reflects catch-up from the extreme shortfall during the Great Recession, when net investment (the "net" adjusts gross investment for depreciation) turned negative for the first time in half a century. While up from the bottom, investment as a share of GDP remains low. The current level is just making it back to the trough that followed the bursting of the tech bubble. Investment has further room to run. Strong corporate profits and accommodative financial conditions are also supportive of corporate capex growth.

Exhibit 19: Net investment in equipment and software

% of net domestic product



Source: Bureau of Economic Analysis, Credit Suisse

Export growth is expected to track about 5% in real terms. The eurozone accounts for about 13% of US exports but has contributed little to US export growth at the margin in recent years. A mild recession in Europe is absorbable for US exports. A severe recession would be more problematic. Meanwhile, we expect import growth should be little changed next year relative to this year, given our relatively stable profile for domestic demand growth. Net exports would therefore be a roughly neutral in next year's GDP. That's very different from the trend of ever-wider trade deficits during the Great Moderation of 1982 to 2007.

Corporate profits should continue to outperform the economy, but perhaps by a lesser margin than the last couple of years. We expect annual average profit growth on a national income basis at 8.7% this year and 7.0% next year. On these assumptions, the profit share of GDP would edge up slightly beyond its current half-century highs.

Our "opening bid" for the 2013 forecast is 2% real GDP growth – a particularly soft outcome for the fourth year of a business expansion. While visibility at this point is low, one significant downside factor for the outlook looms large: fiscal tightening. The Bush tax cuts are scheduled to expire, the debt ceiling deal budget cuts are scheduled to kick in, and the "Obamacare" Medicare payroll tax increases take effect, including new taxes on capital gains and dividends. And, if we expect, this year's Social Security payroll tax cut is extended into 2012, it may be allowed to expire in 2013 just as these other measures are taking effect. All told, this would amount to fiscal drag of more than 2% of GDP (this calculation assumes the upper income Bush tax cuts expire, but the middle income tax rates are extended). This federal fiscal drag would come on top of the continued budgetary rationalization of state and local governments. Of course, the fate of these fiscal measures will hinge on the outcome of the 2012 elections, as well as how vulnerable the economy still looks next year.

US Economic Forecasts

Quarter-to-Quarter %	2011				2012E				Q4/Q4			Annual Average			
Changes at annual rates	Q1	Q2	Q3	Q4E	Q1	Q2	Q3	Q4	10	11E	12E	10	11E	12E	13E
Real GDP	**0.4**	**1.3**	**2.5**	**2.2**	**2.2**	**2.2**	**2.3**	**2.3**	**3.1**	**1.6**	**2.2**	**3.0**	**1.8**	**2.2**	**2.0**
Consumer Spending	2.1	0.7	2.4	2.8	2.1	2.1	2.1	2.1	3.0	2.0	2.1	2.0	2.3	2.2	2.2
Residential Investment	-2.5	4.2	2.4	0.6	2.5	2.5	2.4	2.4	-6.3	1.1	2.4	-4.3	-1.9	2.2	3.0
Business Investment	2.1	10.3	16.3	4.2	6.4	5.8	7.1	6.6	11.1	8.1	6.5	4.4	8.8	7.4	4.7
Equipment & Software	8.7	6.3	17.4	6.5	7.8	7.6	7.5	7.3	16.6	9.6	7.5	14.6	10.5	8.5	5.0
Non-Res Structures	-14.4	22.6	13.3	1.2	2.4	2.4	3.6	3.5	-1.8	4.7	3.0	-15.8	4.6	4.8	5.0
Total Government	-5.9	-0.9	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	0.1	-1.7	-0.1	0.7	-1.8	-0.1	-0.3
Net Exports (contr. to GDP, %)	-0.3	0.2	0.2	-0.2	-0.3	-0.3	-0.3	-0.4	-0.6	0.0	-0.3	-0.5	0.0	-0.2	-0.2
Real Exports	7.9	3.6	4.0	6.2	5.0	4.9	4.8	4.8	8.8	5.4	4.9	11.3	6.8	4.9	5.0
Real Imports	8.3	1.4	1.9	6.6	6.0	6.1	6.0	6.0	10.7	4.5	6.0	12.5	5.2	5.3	5.0
Inventories (contr. To GDP, %)	0.3	-0.3	-1.1	0.3	0.2	0.3	0.3	0.3	0.7	-0.2	0.3	1.6	-0.2	0.1	0.0
Nominal GDP	3.1	4.0	5.0	3.8	3.7	2.7	4.5	3.8	4.7	4.0	3.7	4.2	4.0	3.8	3.5
CPI (y/y%)	**2.2**	**3.3**	**3.8**	**3.5**	**2.6**	**1.7**	**1.5**	**1.6**	**1.2**	**3.5**	**1.6**	**1.6**	**3.2**	**1.8**	**1.7**
Core CPI (y/y%)	**1.1**	**1.5**	**1.9**	**2.2**	**2.2**	**2.0**	**1.8**	**1.8**	**0.6**	**2.2**	**1.8**	**1.0**	**1.7**	**1.9**	**1.7**
Core PCE (y/y%)	1.1	1.3	1.6	1.8	1.8	1.7	1.6	1.6	1.0	1.8	1.6	1.4	1.5	1.7	1.5
Corp. Profits w/CCadj and IVA (y/y%)	8.8	8.5	8.6	9.0	9.7	7.0	6.1	5.3	18.2	9.0	5.3	32.2	8.7	7.0	3.9
Industrial Production	4.9	0.4	5.1	3.7	2.8	2.8	2.9	2.9	6.3	3.5	2.8	5.3	4.0	3.1	3.0
Unemployment Rate (qtr. Avg., %)	**8.9**	**9.1**	**9.1**	**9.1**	**9.1**	**9.1**	**9.0**	**9.0**	**9.6**	**9.1**	**9.0**	**9.6**	**9.1**	**9.1**	**9.0**
Federal Budget Surplus/Deficit (% GDP)	...	...	...	...	...	...	...	...	...	...	...	-9.0	-8.7	-7.0	-5.3
Federal Debt/GDP Ratio (%)	...	...	...	...	...	...	...	...	...	...	...	62.8	67.8	72.6	74.2
Current Account Surplus/Deficit (% GDP)	...	...	...	...	...	...	...	...	...	...	...	-3.2	-3.3	-3.2	-3.3
Fed Funds Rate (end of pd.,%)	**0-.25**	**0-.25**	**0-.25**	**0-.25**	**0-.25**	**0-.25**	**0-.25**	**0-.25**	**0-.25**	**0-.25**	**0-.25**	**...**	**...**	**...**	**...**

Source: BEA, CBO, Credit Suisse estimates, Federal Reserve, Haver Analytics®

Japan: Reconstruction demand is supporting economic activity

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The July-September quarter saw a jump in real GDP (+1.5% q/q), following three successive quarters of contraction. Normalization of manufacturing production activities along with recovery in the post-quake re-construction and the one-off boost from home electric appliance sales into July were responsible. But, as the cumulative contraction mounted to 1.7pp, real GDP failed to return to a positive year-on-year territory.

Importantly, the economy has already lost upward momentum since August. With the exchange rate remaining firm and major leading indicators for exports having softened, we see a high probability of economic activity weakening in the coming few months, followed by resumption of another recovery phase where the post-quake reconstruction investment plays a central role. Public investment projects put in the third supplementary budget account for 0.4% of GDP. In our current assumption, a suspension of production by Japanese subsidiaries in Thailand would not have any material impact on GDP with supply chain disruptions likely to be limited.

We remain cautious about the economy's medium-term outlook. As demand for investment essentially remains sluggish amid stubborn deflation, any meaningful rise in trend growth rate seems unlikely. Household consumption has become more stable as the government has postponed introducing fiscal austerity measures, but chances for the demand component to lead economic growth are quite limited as per capita consumption is expected to decline moderately with the society ageing. As such, the economy should continue to be very sensitive to external demand fluctuation, which will be affected by competitive positions of leading exporters. Since we think it unlikely for the authorities to alter their stance on the currency policy substantially, Japan is anticipated to lose its global market share gradually going forward.

We look for -0.4% and +1.3% for real GDP growth for CY2011 and CY2012, respectively. As regards CY2013, we anticipate the growth rate to accelerate to +1.8%, as the economy is expected to continue to benefit from the post-quake reconstruction. Yet, it is worth remembering that the average annual real GDP growth rate is calculated to be about 0.1% for five years between CY2009 and CY2013.

Japan Economic Forecasts

Quarter-to-Quarter %	2011				2012E				Financial Year				Calendar Year			
Changes at annual rates	Q1	Q2	Q3	Q4E	Q1	Q2	Q3	Q4	10	11E	12E	13E	10	11E	12E	13E
Real GDP	-2.7	-1.3	6.0	-2.2	1.3	1.9	2.1	1.8	2.4	0.1	1.5	1.7	4.1	-0.4	1.3	1.8
Domestic Demand Growth	7.4	-2.0	5.2	-2.1	-2.9	0.9	4.4	-0.4	1.5	0.7	1.7	1.7	2.2	0.1	1.6	1.8
Consumer Spending	-1.8	0.7	3.9	-1.6	0.5	1.2	1.1	1.3	1.0	0.3	0.9	1.2	2.0	-0.2	0.8	1.2
Private Residential Investment	5.6	-4.2	21.7	-9.8	-1.1	0.0	0.5	0.0	-0.2	3.5	-0.2	-0.2	-6.2	4.6	0.0	-0.1
Capital Expenditures	-4.5	-1.9	4.4	-0.8	1.3	0.1	2.7	2.4	4.2	-0.4	1.4	2.3	2.1	-0.1	1.1	2.3
Inventories (contr. To GDP)	-0.9	0.7	0.8	-0.1	0.0	0.1	0.2	0.0	0.4	0.3	0.2	0.1	0.7	0.1	0.2	0.1
Government Expenditure	3.6	2.7	1.6	3.2	3.2	3.2	2.0	2.5	2.3	2.5	2.7	2.5	2.3	2.6	2.8	2.5
Public Investment	-4.5	15.7	-10.8	11.5	6.3	5.2	5.2	4.1	-9.8	-0.3	5.1	3.0	-3.3	-5.7	5.0	4.2
Net Exports (contr. to GDP)	-0.8	-3.1	1.7	-1.9	-0.1	0.2	0.2	0.1	0.9	-1.0	-0.1	0.0	1.8	-0.8	-0.3	0.1
Real Exports Growth	1.0	-18.4	27.4	-7.7	-0.8	1.9	3.5	2.9	17.1	-1.6	2.0	2.8	24.1	0.2	1.0	2.9
Real Imports Growth	6.8	0.4	14.5	4.5	-0.3	0.7	2.0	2.3	10.9	4.8	2.3	2.4	9.8	5.7	3.0	2.2
Nominal GDP Growth (y/y%)	5.7	3.1	-2.1	-0.4	0.6	2.5	1.5	0.5	0.4	-1.3	1.3	0.8	1.7	-2.1	1.3	0.8
Industrial Production (y/y%)	-2.6	-6.8	-2.3	-3.9	-1.5	3.8	0.7	3.3	9.6	-3.6	2.9	2.2	17.3	-3.9	1.6	2.8
CPI excl. fresh food (y/y%)	-0.8	-0.3	0.2	-0.3	-0.3	-1.0	-0.7	-0.8	-0.9	-0.2	-0.8	-0.8	-1.0	-0.3	-0.7	-0.8
CPI excl. food and energy (y/y%)	-1.4	-0.9	-0.5	-1.0	-1.0	-1.1	-1.1	-1.1	-1.3	-0.9	-1.1	-1.0	-1.2	-1.0	-1.1	-1.0
Call Rate (at end of QTR)	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1	0.0-0.1
Current account bal. to GDP%	2.1	2.4	2.2	2.1	1.8	2.0	2.0	1.8	3.4	2.1	1.9	1.9	3.9	2.2	1.9	1.9
Fiscal balance to GDP %	…	…	…	…	…	…	…	…	-9.6	-10.7	-9.6	-9.9	…	…	…	…
Government debt to GDP %	…	…	…	…	…	…	…	…	224.9	237.7	242.8	251.6	…	…	…	…
Unemployment rate %	4.7	4.6	4.4	4.3	4.3	4.4	4.4	4.4	5.0	4.4	4.4	4.3	5.1	4.5	4.4	4.3

Source: Credit Suisse estimates, Thomson Reuters DataStream

Euro Area and UK: The damage done

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The euro area continues to lurch unsteadily towards fiscal union. The recent changes in government in Greece and Italy are symptoms of a loss of economic sovereignty that should be – but are not yet – matched by greater mutualisation of financial risk. At the least these changes reduce implementation risk in those member states.

But this is not enough to bring the euro area financial crisis to a close, in our view. And the uncertainty and financial volatility, ongoing since the end of June, has not been resolved rapidly or effectively enough to prevent recession, we think. Business surveys are now at levels consistent with outright declines in euro area GDP, and look likely to weaken further.

The political uncertainty and financial volatility has depressed business and household confidence. And the financial distress within the euro area has been sustained long enough to have a negative impact on growth. The sharp outflows of liquidity from troubled countries have manifested itself in many ways, most notably through wider government bond spreads. But, for the real economy the main pressure has come through the banking sector: there has been a sharp rise in banks' marginal funding costs, in turn leading to tighter lending standards.

We now expect the euro area economy to contract in the next couple of quarters, with a peak-to-trough decline of around 1%. That will be exacerbated by further fiscal tightening, with a deeper recession in Italy than Germany. That said, we expect the economy to recover by the second half of 2012, and think the risk of a more severe recession is limited by a resilient global economy and pockets of strength within the euro area – in the corporate sector and domestic German economy. We now look for euro area GDP to contract by 0.5% in 2012 and rise by 1.7% in 2013. The UK is likely to skirt recession, and see growth of just 0.7% next year.

But the risks are still to the downside. In particular we are concerned that 2012 sees an intensification of the financial crisis, exacerbated by recession, putting further pressure on euro area governments and banks. The risk is that the recession leads to fiscal slippage, in turn prompting a further loss of confidence in sovereigns. With financing needs still extremely high in many euro area countries – especially Italy – that could be extremely disruptive.

And although we expect a further monetary response from the ECB – and look for rates to fall to 0.75% by early next year – bolder and more assertive action by Europe's policymakers is required to prevent the current financial crisis and recession from evolving into something far more severe. We had hoped that the passage of the reform package in Italy would have prompted more assertive action from the ECB. If that is not forthcoming, the risks are that the recession will be deeper and longer.

Euro Area Economic Forecasts

Quarter-to-Quarter % Changes at annual rates	2011				2012E				Q4/Q4				Ann. Avg.			
	Q1	Q2	Q3	Q4E	Q1	Q2	Q3	Q4	09	10	11E	12E	10	11E	12E	13E
Real GDP Growth																
Germany	5.5	0.5	2.0	-2.0	-1.2	0.8	0.8	2.0	-2.2	3.8	1.5	0.6	3.6	2.8	0.0	2.3
France	3.7	-0.4	1.6	-2.0	-2.0	1.2	1.4	1.4	-0.7	1.4	0.7	0.5	1.4	1.5	-0.2	1.8
Italy	0.5	1.2	0.0	-2.8	-2.8	-2.0	-0.4	1.2	-3.0	1.5	-0.3	-1.0	1.2	0.5	-1.5	0.8
Spain	1.5	0.6	0.0	-2.0	-2.0	-1.2	1.2	1.2	-3.0	0.6	0.0	-0.2	-0.1	0.6	-0.8	1.3
Netherlands	3.4	1.0	-1.2	-1.6	-0.8	0.4	0.8	1.6	-2.2	1.9	0.4	0.5	1.6	1.5	-0.3	1.8
Euro Area GDP q/q ann	**3.1**	**0.7**	**0.6**	**-2.2**	**-1.7**	**0.1**	**0.8**	**1.5**	**-2.1**	**1.9**	**0.5**	**0.2**	**1.8**	**1.5**	**-0.5**	**1.7**
Consumer spending	0.6	-0.9	0.8	-1.2	-1.2	0.8	0.8	1.2	-0.4	1.2	-0.2	0.4	0.9	0.4	-0.2	1.1
Government spending	1.7	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	2.3	-0.2	0.3	0.0	0.4	0.4	0.0	0.0
Investment	7.5	0.6	0.8	-9.6	-5.9	-3.2	-1.2	2.0	-9.8	1.2	-0.4	-2.1	-0.9	1.8	-3.8	2.0
Final domestic demand	3.5	-0.2	0.6	-3.8	-2.7	-0.2	0.2	1.1	-2.5	1.8	0.0	-0.4	1.3	1.1	-1.3	1.1
Net exports (con. To GDP)	-0.3	0.2	0.2	0.1	-0.1	0.2	0.2	0.1	0.4	0.1	0.5	0.5	0.5	0.4	0.6	0.6
Exports	5.6	2.9	2.0	0.0	0.0	1.2	2.0	3.2	-5.5	10.6	2.6	1.6	10.1	5.1	1.1	3.1
Imports	6.5	0.8	0.0	-1.2	-2.0	1.2	1.2	2.0	-6.6	10.7	1.5	0.6	9.2	4.2	-0.2	1.9
Inventories (con. To GDP)	0.6	0.2	0.1	0.1	0.3	0.1	0.0	-0.3	-0.7	1.0	0.1	-0.2	0.9	0.5	-0.4	0.0
CPI (y/y%)	2.5	2.8	2.7	3.1	2.5	1.9	1.9	1.5	0.9	2.2	3.1	1.4	1.6	2.8	1.9	1.6
Core CPI (y/y%)	1.1	1.6	1.3	1.8	1.7	1.6	1.6	1.3	1.1	1.0	1.8	1.3	1.0	1.5	1.6	1.3
Government balance (% of GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-6.2	-4.0	-3.3	-2.6
ECB repo rate (end period)	1.00	1.25	1.50	1.00	0.75	0.75	0.75	0.75	1.00	1.00	1.00	0.75	...	...	...	...

Source: Credit Suisse estimates, Thomson Reuters DataStream

UK Economic Forecasts

Quarter-to-Quarter % Changes at annual rates	2011				2012E				Q4 to Q4				Annual Average			
	Q1	Q2	Q3	Q4E	Q1	Q2	Q3	Q4	09	10	11E	12E	10	11E	12E	13E
Real GDP	1.6	0.4	1.9	-1.2	-0.1	1.7	1.9	2.6	-0.8	1.3	0.7	1.5	1.8	0.8	0.7	2.5
Consumer spending	-2.5	-3.1	0.4	0.8	1.2	1.2	1.6	1.6	-0.4	0.2	-1.1	1.4	1.0	-1.2	0.8	2.0
Government	3.2	4.6	-2.0	-2.0	-1.2	-1.2	-1.2	-1.2	-0.3	0.9	0.9	-1.2	1.5	1.4	-1.1	0.0
Investment	-10.6	6.9	0.0	0.0	-3.9	4.1	8.2	8.2	-9.8	2.7	-1.1	4.0	2.6	-1.9	1.7	3.5
Domestic demand	-4.3	1.2	1.3	-1.8	-0.1	1.1	1.9	2.0	-1.2	2.2	-0.9	1.2	2.7	-0.8	0.4	1.8
Inventories (contr to GDP)	-1.8	0.8	1.4	-1.9	0.0	0.0	0.0	0.0	0.7	1.3	-0.4	0.0	1.3	-0.2	-0.1	0.0
Net exports (contr to GDP)	5.8	-1.2	0.6	0.6	-0.1	1.1	1.9	2.0	0.5	-0.8	1.4	0.3	-0.8	0.4	1.3	0.7
Export growth	6.2	-5.2	4.1	2.0	2.0	4.1	4.1	6.1	-4.6	7.6	1.7	4.1	6.2	5.1	2.7	6.5
Import growth	-11.3	-1.3	2.0	0.0	2.0	2.0	4.1	4.1	-5.9	9.8	-2.8	3.0	8.5	0.2	1.8	4.0
Industrial production (y/y%)	2.0	-0.8	-0.8	-1.9	-2.3	-0.7	-0.4	1.0	-6.0	3.3	-1.9	1.0	2.1	-0.4	-0.6	2.0
Nominal GDP growth	3.6	2.2	4.1	4.1	2.8	2.8	2.8	2.8	-0.1	4.6	3.5	2.8	4.6	3.3	3.2	5.0
CPI (y/y%)	4.2	4.5	4.7	4.6	3.4	3.0	2.9	2.6	2.1	3.4	4.6	2.6	3.3	4.5	3.0	2.5
Current account (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-2.5	-2.5	-0.9	0.0
Govt balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-9.9	-8.2	-7.0	-5.0
BOE repo rate (end period)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	...	...	...	...	0.50	0.50	0.50	0.50

Source: Credit Suisse estimates, Thomson Reuters DataStream

Switzerland: Traces of the strong CHF increasingly visible in the real economy

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Signs of moderation in economic activity have mounted over the past few months. Swiss leading indicators exhibited significant weakness with the PMI declining by more than 12 points within the past five months to a level of 46.9 in October. In line with other leading indicators the PMI thus suggests a pronounced economic slowdown and GDP growth is likely to remain close to zero for the remainder of the year.

Given Switzerland's high trade dependence, the prevailing currency strength constitutes a major challenge for the economy. Exports account for roughly 55% of GDP and after a still strong first half of 2011, the underlying trend of weakening external demand was evident throughout the third quarter. Compared to the previous quarter, real exports fell by 0.1% (seasonally adjusted) in the third quarter, after increasing by 0.9% q/q in the second quarter and by 7.9% q/q in the first quarter. As in the first half-year, demand from Asia (accounting for more than 10% of Swiss goods' exports) was remarkably solid. While also exports to Germany (with almost 20% Switzerland's most relevant export destination) held up well so far, demand from the rest of Europe as well as from the US has clearly weakened.

Besides the export sector, tourism is also increasingly feeling the effects of the strong franc. Swiss hotels reported 3.9% fewer overnight stays in September on a year-on-year comparison. There, the drop in overnight stays by guests from Germany, by far the most important country for Swiss tourism, was a particularly high 13.7% y/y.

In response to the currency strength, the Swiss National Bank in September implemented a minimum exchange rate of 1.20 for EUR/CHF and has so far had no difficulty maintaining it. The volume of effective currency market interventions has been comparatively moderate, suggesting that the SNB's strategy enjoys high credibility in the market. Risks that the SNB will seize this moment of high credibility to raise the minimum exchange rate are certainly in place. At the same time, however, it seems that there is limited leeway for this option: as EUR/CHF moves closer to its fair value, it becomes more difficult for the SNB to justify defending a temporary exchange rate target as part of its mandate to preserve price stability. For the time being, the SNB conveys confidence that the CHF will weaken on its own accord and has thus far taken a wait-and-see stance regarding any potential shift in the minimum exchange rate.

Switzerland Economic Forecasts

Quarter-to-Quarter %	2011				2012E				Q4/Q4				Annual Average			
Changes at annual rates	Q1	Q2	Q3E	Q4E	Q1	Q2	Q3	Q4	09	10	11E	12E	09	10	11E	12E
Real GDP	2.6	1.4	0.2	0.2	2.1	2.8	4.6	3.6	0.1	3.1	1.1	3.3	-1.9	2.7	1.9	2.0
Consumer Spending	0.5	0.9	2.9	2.1	1.3	0.1	2.1	1.7	2.1	2.0	1.6	1.3	1.4	1.7	1.3	1.5
Government	-4.7	11.5	2.7	3.2	-10.2	10.2	2.7	2.4	3.8	0.1	3.0	1.0	3.3	0.8	1.8	1.2
Investment	4.4	-7.6	-1.2	12.3	3.9	-2.5	4.0	6.0	0.4	8.1	1.7	2.8	-4.9	7.5	4.0	2.9
Domestic Demand	0.7	0.1	2.3	4.6	0.3	0.9	2.7	2.7	1.9	3.2	1.9	1.6	0.1	2.9	2.1	1.9
Exports	14.1	-5.1	-13.4	11.9	8.8	18.4	-2.1	-2.5	0.0	7.5	1.2	5.3	-8.6	8.4	3.5	5.0
Imports	7.5	-6.6	11.6	2.4	16.1	-11.1	12.9	0.4	-1.5	7.5	3.5	4.0	-5.5	7.3	3.5	4.5
Inventories (growth contrib. in bps)	1.9	-0.4	3.8	-4.8	3.5	-4.2	3.1	-1.9					0.6	-1.3	-0.4	-0.3
CPI (y/y%)	0.6	0.4	0.4	-0.2	-0.4	-0.2	0.8	1.3					-0.5	0.7	0.3	0.4
Three-Month LIBOR Target Rate	0.25	0.25	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0-0.25%								

Source: Credit Suisse estimates, Thomson Reuters DataStream

Scandinavia: Contagion

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Sweden

The Swedish economy is unlikely not to be impacted by the recession in the euro area and sluggish growth elsewhere in Europe. We believe trade will be a key transmission mechanism. Exports to euro area account for around 40% of total exports. And the latter is worth around 50% of GDP. Contagion will also happen through confidence though, and we already have evidence of that happening. Consumer confidence plummeted recently mainly driven by concerns over external issues – i.e., the euro area and its impact on the Swedish economy. The PMI has been below 50 for the past three months and it is unlikely to stick its head out of water in November or December.

Downside risks are materializing, in our view. As such, we revise our forecasts for the Swedish economy. Growth is likely to contract at the end of the year and be modest in H1 2012. However, we expect a relatively strong rebound thereafter. The global economy muddling though should support Sweden and the latter has room of maneuver on the fiscal and monetary policy fronts. In this respect, we expect both to be used. The Riksbank is likely to cut its policy rates by around 50bps by next spring.

Swedish Economic Forecast

	2010				2011E				2012E				Annual average				
	I	II	III	IV	I	II	IIIE	IVE	IE	IIE	IIIE	IVE	09	10	11E	12E	13E
Real GDP, q/q%	1.8	2.0	2.0	1.2	0.8	0.9	0.1	-0.5	0.0	0.3	0.8	0.8	...	...	...	...	...
y/y%	2.9	4.5	6.8	7.2	6.1	4.9	3.0	1.3	0.6	0.0	0.6	1.9	-5.1	5.4	3.8	0.8	2.5
CPI, y/y%	0.7	0.9	1.1	1.9	2.6	3.3	3.3	2.7	1.7	1.4	1.4	1.4	-0.3	1.3	3.0	1.5	2.0
Policy rate (end period)	0.25	0.25	0.75	1.25	1.50	1.75	2.00	1.75	1.50	1.50	1.50	1.50	0.25	1.25	1.75	1.50	2.50

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Norway

A similar story holds for Norway as well. The grim economic prospects for its neighboring countries do not bode well for the Norwegian economy. Despite the fact that Norway should be slightly more sheltered by the recession in the euro area, we expect it to see a significant slowdown in growth around the turn of the year too.

The Norges Bank revised down its rate path projections in October on the back of external factors: lower growth and interest rates abroad and higher money market premium on the back of the current financial distress. By December, the Norges Bank is likely to face more of the same. Cyclical indicators should have fallen a bit more in the last months of the year, signaling that the economy is actually weaker than they are expecting. The ECB is likely to have lowered once more the repo rate by 25bps and the visibility on the euro area debt crisis solution, although better than at the moment, is unlikely to be good. As such, we believe there is a clear risk that the Norges Bank will opt for a rate cut, facing weaker economic prospects and to ease funding costs for banks, to reduce the rates spread and to avoid an appreciation of the currency.

Norwegian Economic Forecast

	2010				2011E				2012E				Annual average				
	I	II	III	IV	I	II	IIIE	IVE	IE	IIE	IIIE	IVE	09	10	11E	12E	13E
Real mainland GDP, q/q%	0.7	0.2	0.9	0.4	0.5	1.0	0.2	0.5	0.3	0.3	0.7	0.7	...	...	...	...	...
y/y%	1.4	1.8	2.8	2.2	1.9	2.7	2.0	2.2	2.0	1.3	1.8	2.0	-1.6	2.1	2.2	1.8	2.7
CPI, y/y%	2.9	2.6	1.9	2.2	1.4	1.4	1.5	1.2	0.6	0.8	1.5	1.8	2.2	2.4	1.4	1.2	1.9
Core inflation (CPI-ATE), y/y%	2.0	1.5	1.2	1.0	0.8	1.0	1.1	0.8	0.9	0.8	1.1	1.5	2.6	1.4	0.9	1.1	1.6
Policy rate (end period)	1.75	2.00	2.00	2.00	2.00	2.25	2.25	2.25	2.25	2.25	2.25	2.25	1.75	2.00	2.25	2.25	3.00

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Canada: Choppy seas

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Rearranging Growth. Our 2011 growth profile has more choppiness to it than before. The bounce back in Q3 GDP (2.5% estimate vs. 1.5% prior) looks bigger than we thought and should be at the expense of Q4 (1.5% estimate vs. 2.5% prior). These adjustments don't change our full-year growth view since they are offsetting.

BoC Sidelined. Manufacturing/export weakness – our baseline view through the end of next year – should not bring the BoC back in the game (i.e., rate cuts). It would take more broad-based non-manufacturing/domestic weakness to do that.

Watch Hours for Spillover. Timely hours worked is a good place to start. Hours worked – proxy for labor input in GDP – started off Q4 in a hole and point to slower GDP growth in Q4, suggesting any speed up in Q3 may not last.

With one month in the books, Q4-to-date hours worked are running -1.4% (q/q annualized) versus Q2, setting up the biggest quarterly decline since the recession. October hours worked fell 0.2% m/m following September's 0.3% drop.

Exhibit 20: Canada Total Hours Worked (q/q% annualized)

Sources: Statistics Canada, Credit Suisse

Manufacturing Takes the Hit. A big chunk of the hours worked weakness is in manufacturing: October -2.1%, the third straight monthly decline; Q4-to-date -13.6% q/q annualized. Since manufacturing weakness is part of the baseline, this could be faded.

Not So Fast. Making less and building less may be trickling down the distribution chain. Hours worked in other important cyclical sectors so far in Q4 also are down – construction – or have slowed sharply – wholesale/retail trade and transportation services. This should be watched carefully.

Canada Economic Forecast

	2011				2012				Q4/Q4				Annual Average			
	Q1	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	09	10	11E	12E	10	11E	12E	13E
Real GDP (QoQ% ann.)	3.6	-0.4	2.5	1.5	2.2	2.2	2.2	2.2	-1.4	3.3	1.8	2.2	3.2	2.2	1.9	3.0
CPI (YoY%)	2.6	3.4	3.0	2.9	2.4	1.8	2.1	2.1	0.8	2.3	2.9	2.1	1.8	3.0	2.1	2.2
Core CPI (YoY%)	1.3	1.6	1.9	2.1	2.1	1.9	1.9	1.7	1.6	1.6	2.1	1.7	1.7	1.7	1.9	2.0
Unemployment Rate (avg, %)	7.7	7.5	7.2	7.3	7.4	7.4	7.3	7.2	8.4	7.7	7.3	7.2	8.0	7.4	7.3	7.0
BoC overnight rate (end-pd., %)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.25	1.00	1.00	1.00	…	…	…	…

Sources: Statistics Canada, Bank of Canada, Credit Suisse. 'E' is estimated.

Australia: 180 degree U-turn

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Extreme turbulence met with policy neutralization.

A lot can happen in just three months. Even in terms of forward-looking monetary policy. The RBA in August 'considered' 'further policy tightening', then in September dropped its key line that the current policy rate was appropriate, paused for 3Q CPI report in October, and delivered a rate cut on 2nd November. Domestically, the economic data came in somewhat weaker than expectations, especially the CPI report, but the most significant swing factor(s) came on the internationally frontier. The world again looked down the barrels of a financial market event and double dip recession. Both have yet to be realized. In a world of such uncertainty and falling commodity prices, neutral policy seems prudent.

The RBA released the November Statement on Monetary Policy, which provided updated staff forecasts. All of which were revised down significantly (Exhibit 23). As we highlighted in our *"AUD Rates Update: RBA slashed forecasts across the board"*, we anticipate another 25bp rate cut by the RBA, as early as December, but do not expect the RBA to enter an assertive easing cycle. Rather, we believe the RBA is normalizing policy in a highly uncertain environment, and with inflation significantly below prior expectations.

Key data points on the month: Employment and 3Q CPI…

We have highlighted the growing divergences within the commodity-driven economy, with growth in the non-mining sectors sub-par, and contracting in some cases. The strength of the currency is adversely affecting those sensitive sectors outside of mining, and the extreme volatility in the markets continues to weigh on confidence. Indeed, the behavior of consumers and businesses has changed in favor of a more cautious approach to saving and leverage. Given this backdrop, we looked for two triggers to open the window for the RBA to ease the breaks. The first, was signs of further softening in the labor market; the second, was lower inflation. And both were delivered, and the RBA triggered.

The labor market report confirmed further moderation in employment growth, and a rise in the unemployment rate from sub-5% to 5.25%. Although employers are better utilizing existing employees, with average hours worked rising. The continued moderation in employment growth, suggests reduced pressure on wages into 2012, and has helped quell inflation fears.

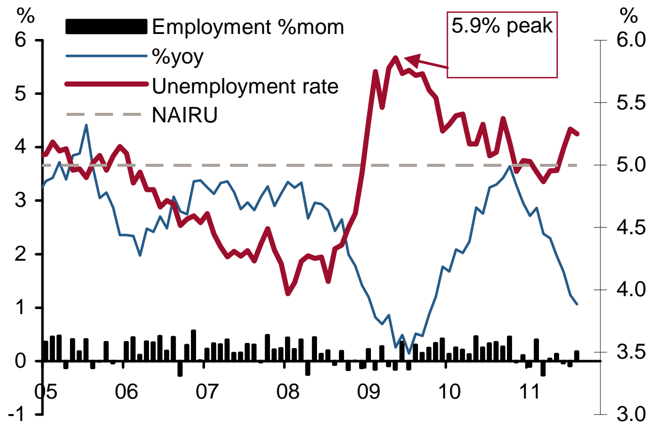
The release of a much lower than expected inflation print for the 3Q, prompted us to change our call of 'on hold until further notice', to a 50bp reduction of the cash rate to a 'more neutral' stance. The 3Q report showed an expected 0.6% q/q (3.5% y/y) gain in headline inflation. The shock surprise was the low-ball reading of the RBA's preferred measures of underlying inflation, which rose just 0.3% (a little below 2.5% y/y). See *"AUD Rates Update: Door wide open (for easing)"*. The introduction of the 16th series weights and a new seasonal adjustment method by the ABS further reduced the base level of inflation – thanks predominantly to the substitution bias of updated CPI basket weightings – as the original 15th series would have produced an underlying inflation rate of 2.7% y/y.

Severe downside risks still priced in the rates market…

In the November SoMP, the RBA outlined a central scenario of global growth around 4% in 2012, and 3-3.75% growth in the domestic economy. Unfortunately, risks to this central view remain. The RBA noted: "The risks to this central scenario continue to be tilted to the downside, with a very disruptive outcome in Europe still possible." These 'risks' are exactly what the market continues to price (hedge) in. Following the 25bp RBA rate cut and continued turbulence/uncertainty emanating out of Europe, the market continues to price another 100 to 125bps of cuts in the OIS curve, implying a policy rate of just 3.25 to 3.5% by mid-2012 (25 to 50bps above the 2008/09 crisis low of 3%). Severe downside risks are almost fully priced, and are likely to remain for some time.

Exhibit 21: Labour force survey

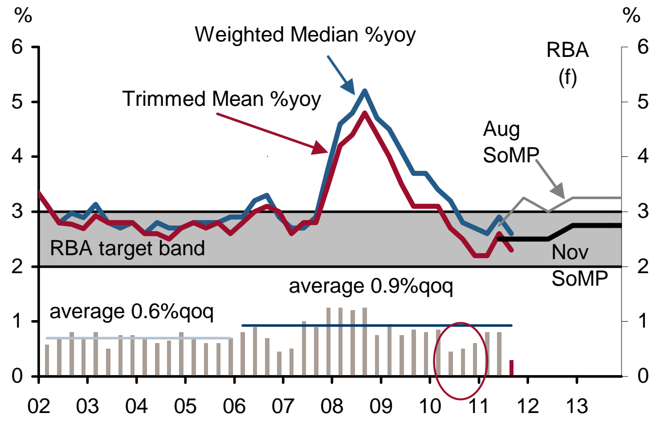
Employment growth moderated to ~1%yoy



Source: ABS, Credit Suisse

Exhibit 22: Underlying inflation contained

Both measures of underlying inflation drop to middle of the target band



Source: ABS, Credit Suisse

Exhibit 23: Output Growth and Inflation Forecasts

November Statement on Monetary Policy

	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13	Dec-13
GDP growth	2.7	1.4	2.75	4	3-3.5	3-3.5	3-4
CPI inflation	2.7	3.6	3.25	2	3.25	3.25	2.5-3
Underlying inflation	2.25	2.5	2.5	2.5	2.75	2.75	2.5-3
CPI inflation excl carbon price	2.7	3.6	3.25	2	2.5	2.5	2.5-3
Underlying inflation excl carbon price	2.25	2.5	2.5	2.5	2.5	2.5	2.5-3
RBA Cash Rate*	4.75	4.75	4.25	4.25	4.25	4.5	4.75

Technical assumptions include A$ at US$1.03, TWI at 76 and Tapis crude oil price at US$116 per barrel

August Statement on Monetary Policy

	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13	Dec-13
GDP growth	2.7	1.25	3.25	4.5	3.75	3.75	3.75
CPI inflation	2.7	3.6	3.5	2.5	3.5	3.75	3.25
Underlying inflation	2.25	2.75	3.25	3	3.25	3.25	3.25
CPI inflation excl carbon price	2.7	3.6	3.5	3.5	3	3	3.25
Underlying inflation excl carbon price	2.25	2.75	3.25	3	3	3	3.25

Technical assumptions include A$ at US$1.07, TWI at 77 and Tapis crude oil price at US$118 per barrel

Source: RBA SoMP, * Credit Suisse estimates for cash rate trajectory

New Zealand: Downward revisions to growth

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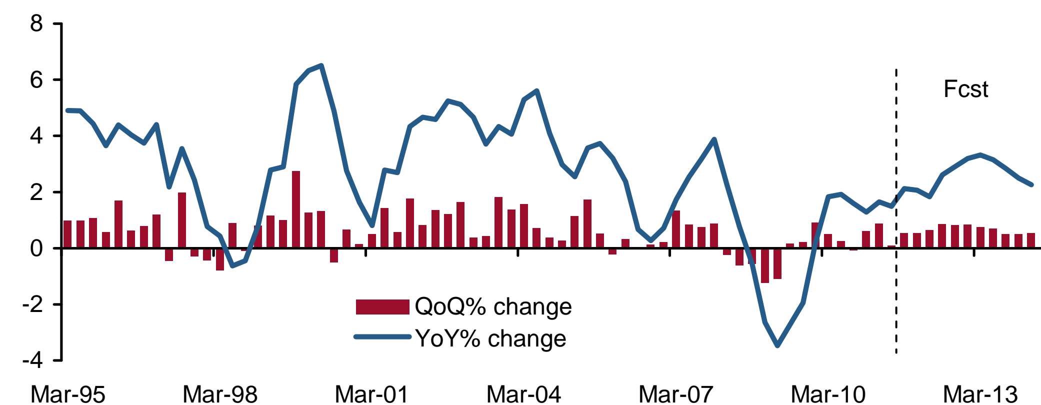
While the NZ economy continues to remain in a reasonably favourable position relative to a number of other developed economies, the underlying pace of domestic activity is expanding at modest rate. Moreover, the NZ economy faces the potential headwinds of the Euro zone sovereign debt crisis further slowing trading partner growth rates and placing additional downward pressure on commodity prices.

As a result of these global risks, together with the recent deterioration in domestic sentiment and residual concerns regarding the timing of the Canterbury earthquake rebuild, we have lowered our NZ growth forecasts. In particular, for the calendar 2011 and 2012 years we now expect annual average growth of 1.8% and 2.6% respectively.

Nevertheless, despite these downward revisions, NZ's projected growth rates over the two years are still expected to outpace consensus projections for the US, Japan, UK and euro zone. Furthermore, growth over the second half of 2012 is expected to be dominated by the stimulatory effects of the Canterbury earthquake reconstruction, which is expected to add around one percentage points to growth over the calendar 2012 year and be relatively well insulated from any further slowing in global activity.

On the monetary policy front, recent signs of a weakening in the activity outlook, and price expectations, set against still elevated global risks, some signs of a softening in domestic momentum and more muted inflationary pressures reinforces that the RBNZ can keep interest rate settings at their current stimulatory settings for longer. In particular, we expect the RBNZ to keep the Official Cash Rate (OCR) unchanged until the release of the June 2012 *Monetary Policy Statement (MPS*), which is expected to see a 25 bps rise in the OCR to 2.75%.

Exhibit 24: New Zealand GDP Forecasts



Source: Statistics NZ, First NZ Capital

New Zealand Economic Forecast

	2010	2011E	2012E	2013E
Real GDP (ann avg % change)	1.6	1.8	2.6	2.9
CPI (ann avg % change)	2.3	4.2	2.5	2.7
Current Account (% of GDP)	-3.5	-4.5	-5.5	-5.7
Policy Rate (end-year)	3.00	2.50	3.25	4.00

Source: First NZ Capital

Non-Japan Asia: Growth moderation continues

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In China, growth is slowing and we expect further moderation in 4Q. Based on various anecdotal evidence we gathered on steel orders, export orders, shipping orders, housing activities, infrastructure investments and liquidity constraints among the SMEs, we sense that the economy may see a sharper slowdown in the current quarter. Besides, the sluggishness seen in the PMI also supports our view that the economy remains on a moderating growth path. We think growth risk in 2012 is likely to be geared to the downside, and for both 2012 and 2013 we are expecting just around 8% growth for the economy. In our view, China's growth is likely to remain moderate in the coming years, as the economy gradually transits from an investment and export-led model to a consumption-led model. Elevated asset prices, as manifested through property prices, and persistent price pressure on consumer products are expected to continue restraining the government to launch another aggressive stimulus policy as was seen in 2009. We think the Chinese government will let growth continue to slow, unless there is a threat on social stability or an outbreak of financial turbulence that could significantly derail China's growth path, which would then force the authorities to change gear.

Preliminary 3Q11 GDP growth data showed that Korea's growth remained resilient at 2.8%q/q annualized, while Taiwan's growth was disappointing (contracting by 1.1% on a q/q annualized basis). The breakdown of the GDP numbers shows that Korea's exports of goods and services rose 2% q/q (sa), cushioned by its higher exposure to machinery exports, while Taiwan's exports were down more than 1% according to our estimation. We see downside risk to Korea and Taiwan's 4Q11 GDP growth, while 2012 and 2013's growth is expected to remain below 4%, unless the growth pace in the global economy accelerates at a faster pace than we currently envision.

Following 13 rate increases totaling 375bps since March 2010, we believe the Reserve Bank of India has finally come to the end of its tightening cycle. Although inflation has yet to show a decisive turn lower, the central bank looks to have become sufficiently worried about the growth outlook to 'call time'. In our view, Indian GDP growth will average 7.2% in 2011/12 and 7.3% in 2012/13 - unchanged from our previous projections but below trend and still at the bottom of the consensus range. We continue to expect the first rate reduction to be delivered in the April-June quarter of next year, by which time we believe wholesale price inflation is likely to have dropped below 7% thanks largely to the impact of weaker commodity prices. The policy rate cuts, which we expect to total 125bp in 2012/13, should set India up for a better year of growth in 2013.

South East Asia is showing a mixed performance with Singapore narrowly avoiding a technical recession in Q3, thanks to the volatile pharmaceutical sector, while Indonesia registered a third consecutive quarter of 6.5% year-on-year (and 1.6% seasonally adjusted quarter-on-quarter) growth. The Thai economy looks to have bounced back strongly in the third quarter, following a disappointing Q2, but will inevitably be hit hard by the impact of the floods in the final quarter of the year (we have cut our 2011 Thai growth forecast to 2.7% from 3.5% previously as a result). We expect all South East Asian economies to skirt recession over the coming year, although weakness in the US and euro zone will inevitably keep a firm lid on activity. Barring a Lehman-like event, sticky inflation and low interest rate levels are likely to mean that fiscal policy is used more actively than monetary policy to keep growth going in 2012. Other than Thai growth, the only other forecast changes to note concern Indonesia, where we have raised our 2011 and 2012 GDP growth forecasts to 6.4% and 5.9%, respectively (from 6.0% and 5.5% previously), while cutting our year average inflation projections to 5.5% in 2011 and 6.0% in 2012 (from 5.8% and 6.5%). We remain skeptical that the improved growth/inflation trade-off that we expect in Indonesia reflects dramatic structural improvements in the country.

Non-Japan Asia Economic Forecasts

	GDP (y/y%)				CPI (y/y%, annual average)				Current account (% of GDP)			
	2010	2011E	2012E	2013E	2010	2011E	2012E	2013E	2010	2011E	2012E	2013E
China	10.4	8.6	8.2	8.2	3.3	5.4	4.4	4.5	5.2	4.2	3.3	...
Hong Kong	7.0	5.0	4.0	4.2	2.4	5.2	5.1	4.6	5.1	4.0	3.1	...
India	8.5	7.2	7.3	8.2	9.5	8.5	5.8	6.8	-2.8	-2.8	-2.6	...
Indonesia	6.1	6.4	5.9	5.8	5.1	5.5	6.0	6.6	0.8	1.0	0.9	...
Korea	6.2	3.4	3.4	3.9	3.0	4.4	3.1	3.3	2.8	1.8	1.3	...
Malaysia	7.2	4.6	4.8	5.2	1.7	3.4	2.8	3.0	11.4	11.2	10.3	...
Philippines	7.6	4.3	4.2	4.8	3.8	4.9	4.5	4.5	4.2	3.2	3.9	...
Singapore	14.5	5.3	3.5	4.0	2.8	5.2	3.7	2.2	22.2	18.5	16.8	...
Taiwan	10.9	4.3	3.5	3.8	1.0	1.9	2.2	2.0	8.8	7.2	5.9	...
Thailand	7.8	2.7	4.0	4.8	3.3	3.9	3.8	3.5	4.6	2.4	1.7	...

Source: Credit Suisse

China Economic Forecasts

(% y/y)	2010	2011E	2012E	2013E
GDP	10.3	8.6	8.2	8.2
Real private consumption	9.1	9.2	8.9	9.0
Real gross fixed capital formation	11.1	9.0	8.6	8.5
Foreign direct investment ($ bn)	105.7	115.0	105.0	100.0
CPI inflation (yav)	3.3	5.4	4.4	4.5
One-year lending rate (%, ye)	5.81	6.81	7.31	7.81
M2 money supply (ye)	19.7	16.2	15.0	15.0
Exports ($ bn)	1577.9	1809.4	1937.4	2096.3
% y/y	31.3	14.7	7.1	8.2
Imports ($ bn)	1394.8	1638.2	1787.5	1957.3
% y/y	38.7	17.4	9.1	9.5
Trade balance ($ bn)	183.1	171.3	149.9	139.0
Current account balance ($ bn)	306.2	292.5	275.6	273.5
as a % of GDP	5.2	4.2	3.3	3.1
USDRMB exchange rate (ye)	6.62	6.33	6.05	5.82

Source: National Bureau of Statistics, Credit Suisse, Thomson Reuters DataStream

Emerging Europe, Middle East, and Africa

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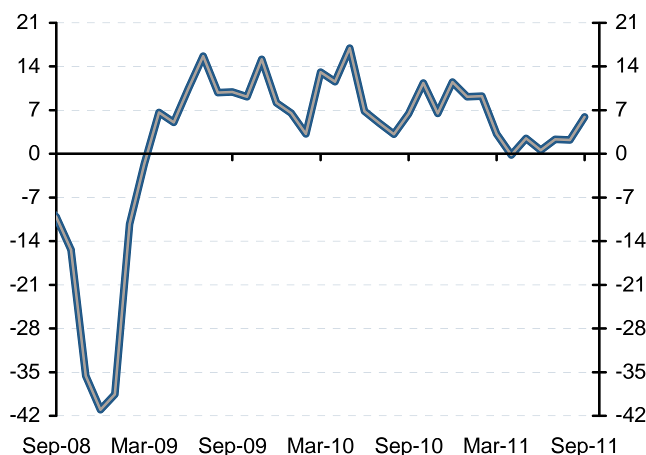
Sequential IP growth (annualized three-month IP growth) picked up sharply in the EMEA region in September. After hovering around 2.0% between May and August, sequential IP growth in the EMEA region was recorded as 5.9% in September. The IP growth momentum slowed sharply in the region's largest economy – Russia – in September, but the rebound elsewhere in the region more than offset the slowdown in Russia. The EMEA region's industrial production in September was 0.8% higher than in July-August, 1.4% higher than in Q2 and 1.6% higher than in Q1.

This notable bounce might have been driven by the IP pick-up that took place in Germany in July and August; the sharp depreciation in the EMEA countries' real effective exchange rates since the summer months might have also helped with the performance of their export-oriented manufacturing sectors. Germany has, however, recently reported a very weak industrial output print for September. Germany's IP level in September was 2.9% weaker than its average industrial output in July and August. Germany has also seen a big drop in its forward-looking confidence indices.

The export-oriented manufacturing sectors of the EMEA countries will probably see a drop in their export demand if the slowdown in Germany's IP momentum is sustained, although the PMI data for the EMEA region in October held up pretty well. We do not want to over-emphasize the PMI data, but the October manufacturing PMI data suggest that industrial output growth might have continued to improve in October in the EMEA region despite the weakness in the euro area and Germany.

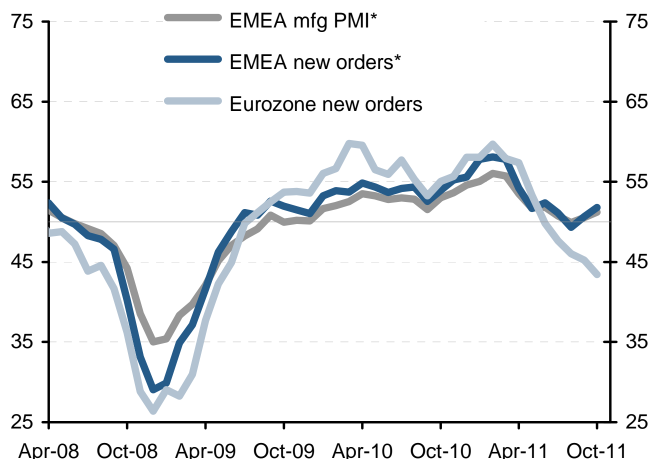
Exhibit 25: Industrial production (IP) growth

Annualized % change in the IP level over the last three months



Note: We weight data for eight countries by these countries' industrial shares of 2010 nominal GDP: Czech Republic, Hungary, Poland, Romania, Russia, South Africa, Turkey and Ukraine.
Source: Haver Analytics®, Credit Suisse

Exhibit 26: PMI and new orders



* We weight data for six EMEA countries by their industrial shares of 2010 nominal GDP: Czech Republic, Hungary, Poland, Russia, South Africa and Turkey.
Source: Haver Analytics®, Statistics Offices, PMI Premium, Credit Suisse

Nevertheless, in view of the revisions to our European economists' forecasts for the euro area particularly for 2012, we revised lower our real GDP growth forecast for the EMEA countries. We now forecast that the EMEA region's real GDP growth will slow to 3.2% in 2012 from a projected 4.4% in 2011. Previously, we forecast the region's 2012 real GDP growth rate at 3.8%. As for Russia, we now forecast 2012 real GDP growth at 4.0%, compared to 4.2% previously. For most of the remaining countries in the EMEA region, the forecast revisions were more substantial. (Please see Exhibit 27.) The risks to our forecasts are primarily to the downside and are associated with the risk of an intensification of the financial crisis in the euro area.

Exhibit 27: EMEA: Real GDP growth rates

% annual

	Previous published forecasts		Revised forecasts	
	2011E	2012F	2011E	2012F
Czech Republic	2.1	2.6	1.7	0.3
Hungary	1.6	2.0	1.6	0.4
Israel	4.6	3.9	4.6	3.4
Kazakhstan	6.3	5.5	6.3	5.5
Poland	4.0	4.0	3.8	2.3
Russia	3.8	4.2	3.8	4.0
South Africa	3.4	3.8	3.2	3.4
Turkey	7.5	2.9	7.5	2.1
Ukraine	4.9	3.6	4.9	3.6

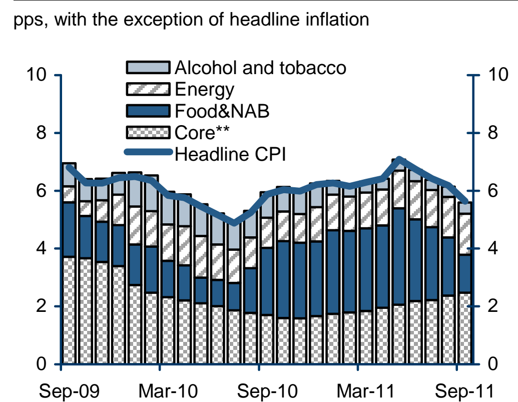
Source: Credit Suisse

We continue to expect fiscal balances in the EMEA region to remain broadly unchanged in 2012 compared to 2011. Although not presented here, our separate analysis suggests that this would correspond to a complete withdrawal of the modest fiscal stimulus (slightly above 2.0pps of GDP) that we observed on average in the EMEA region after the Lehman Brothers' bankruptcy. We think that the withdrawal through end-2012 of the 2008-2009 fiscal policy stimulus in the EMEA region could be delayed if the downside risks to the growth outlook materialize

Headline inflation continues to moderate in the EMEA region. EMEA region's year-on-year headline inflation rate declined further to 5.6% in September from 6.2% in August, following a peak of 7.1% in May. This slowdown was mainly driven by the falling year-on-year headline inflation in Russia and Turkey and slowing food price inflation across the region except in South Africa and the Czech Republic. Food price inflation slowed to 4.7% yoy in September from 6.9% yoy in August and the peak of 11.4% yoy in May. Food price inflation in EMEA had been stable at around 9.3% yoy from January to April. Meanwhile, the run-rate of core inflation in the EMEA region stayed flat at 5.2% in September. (The run-rate of core inflation refers to the annualized three-month moving average of the month-on-month change in the de-seasonalized core index.) Overall, we continue to see headline inflation slowing in the EMEA region further in 2012.

Exhibit 28: Contributions to EMEA* headline inflation

pps, with the exception of headline inflation



* Calculated using data for the Czech Republic, Hungary, Israel, Poland, Romania, Russia, South Africa and Turkey.
** Core inflation excludes food and nonalcoholic beverages, energy, tobacco and alcohol from the CPI baskets, and is harmonious across the above-mentioned eight countries.
Source: Eurostat, national authorities, Credit Suisse

We are broadly maintaining our policy rate forecasts. Since the publication of the *Emerging Markets Quarterly* on 14 September, we revised lower our end-2011 policy rate forecasts for the Czech Republic (by 25bps to 0.75%) and Israel (by 50bps to 2.75%), and higher in Hungary (by 25bps to 6.00%). Our policy rate forecasts for the other countries in the EMEA region remain unchanged from those published in the *Quarterly*. These forecasts are subject to country-specific risks, mainly due to the uncertainties around exchange rates in the event of an intensification of the financial crisis in the euro area.

Latin America: Not a quick slowdown

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Since our last *Global Monthly Review* released in September, we have made modest revisions to our 2011 real GDP growth forecasts for some of the countries under coverage. These revisions have been upwards, not downwards, largely reflecting a stronger-than-expected pace of economic activity in the first three quarters of the year. Still, for 2012, we continue to project slower growth across the board (with the exception of Venezuela).

Specifically, for a group of six countries under coverage (Argentina, Chile, Colombia, Mexico, Peru and Venezuela), we now forecast that real GDP growth will average 4.9% in 2011, compared to our earlier forecast of 4.7%. For next year, we continue to project slightly weaker growth of 3.8% in real terms.

Mexico is the country in which signs of a slowdown appear to be more visible, particularly in the industrial sector. This, we think, is associated to its high dependence on the US economy. On a quarterly basis industrial output grew by just 0.5% in the third quarter versus the second quarter, in annualized terms. This was the lowest growth rate since the second quarter of 2009, and compared poorly to quarterly annualized growth rates of 7.7% and 2.7% in the first and second quarters of 2011.

Most other countries have fared much better. In Argentina, we still expect economic activity to slow in the coming quarters; however, it now appears that the slowdown may happen later and could be less pronounced than we had originally projected. We forecast average real GDP growth rates of 8.7% and 5.0% for 2011 and 2012. Key risks to the economy are a sharp drop of the international prices of soft commodities (particularly soy prices) and a slowdown of global growth (particularly a slowdown of growth in Brazil, which is the main buyer of Argentina's industrial exports).

In Chile, we continue to struggle to find hard evidence that the economy is slowing down already. Domestic demand indicators remain robust, including retail sales and imports of consumer goods. Meanwhile the stock of credit to the private sector has continued to rise, particularly to the consumer segment, despite the interest rate increased the central bank has implemented since 2010. The main risks to the Chilean economy are a sharp slowdown in China and/or a sharp decrease in copper prices. We forecast average real GDP growth rates of 6.2% and 4.3% for 2011 and 2012, respectively.

So far, the slowdown in Colombia has also been modest. This has been reflected in surprisingly hawkish monetary policy statements by the central bank, with some board members even calling for an interest rate increase. As in the case of Chile, growth in Colombia continues to be fuelled by domestic demand, particularly both private consumption and investment, in an environment in which credit growth remains high. We think that indicators for the fourth quarter of 2011 may start to show that the Colombian economy is growing at somewhat slower pace than before. Our real GDP growth forecasts for Colombia are 4.8% for 2011 and 4.0% for 2012.

Meanwhile, economic activity has also remained strong in Peru, despite the rise in political uncertainty earlier in the year. The economy has slowed slightly in the second half of 2011 relative to the first half. Still, we project that real GDP growth will average 6.9% for the full year 2011 (growth averaged 7.7% in the first half). For next year, our growth forecast is unchanged at 5.0% and assumes that the central bank will launch a monetary policy easing cycle.

Finally, in Venezuela, third quarter real GDP data have not been released but we think, based on some indicators, that growth could be higher than we had originally anticipated. For the full-year 2011, we think average real GDP growth could be as high as 3.3%, compared to our previous forecast of 3.0%. For next year, we project some acceleration in economic activity, partly associated to the campaign spending ahead of the October presidential elections. Our growth forecast for next year is 4.0%. The main near-term risk to Venezuela would be a sharp decline in oil prices, which is not our central scenario.

Latin America Economic Forecasts

	GDP (y/y%)				CPI (y/y%, annual average)				Current account (% of GDP)			
	2010	2011E	2012E	2013E	2010	2011E	2012E	2013E	2010	2011E	2012E	2013E
Argentina	9.2	8.7	5.0	4.0	10.9	9.8	9.7	9.5	0.8	0.2	-0.5	0.0
Brazil	7.5	2.9	3.3	...	5.0	6.6	5.8	...	-2.3	-1.9	-2.5	...
Chile	5.2	6.2	4.3	4.5	1.4	3.1	3.2	3.0	1.9	-0.7	-1.4	-1.5
Colombia	4.3	4.8	4.0	3.5	2.3	3.4	3.5	3.3	-3.1	-3.3	-3.6	0.0
Mexico	5.4	3.6	3.0	3.5	4.2	3.3	3.5	3.5	-0.5	-0.6	-1.4	-1.8
Peru	8.8	6.9	5.0	5.0	1.5	3.3	3.2	2.8	-1.5	-2.6	-3.7	0.0
Venezuela	-1.5	3.3	4.0	3.5	29.1	27.0	29.5	28.1	6.1	8.3	3.1	4.5

Source: Credit Suisse, Thomson Reuters DataStream ; Regional aggregate figures quoted in the text weighted by country GDP valued at market exchange rates.

Brazil: Significant slowdown in economic activity

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Significant slowdown in economic activity in Q311. We expect a small GDP contraction in Q3 2011 of -0.1% q/q, after a 0.8% q/q growth in Q2 2011. The GDP contraction in Q3 2011 is in line with the decline of 0.2% of the Central Bank's Economic Activity Index (IBC-Br) in August. The slowdown in industrial output on the supply side and in investments on the demand side was probably the main driver of the economic contraction in the Q3 2011. The continued contraction in business confidence in the last few months and the likely contraction in industrial production in October suggest an increasing probability that economic activity may not rebound in the Q4 2011. Our base-case scenario of GDP growth of 2.9% in 2011 and 3.3% in 2012 assumes an average growth of 0.9% q/q from Q4 2011 to Q4 2012. We think there is a reasonable risk of a milder recovery than our forecasts embeds. Thus, GDP growth might end up being lower than 3.0% not only in 2012 but also in 2013.

We expect additional monetary easing of 200bps until the Q2 2012. The Central Bank's Monetary Policy Committee (Copom) reduced the Selic rate by 50bps in both August and October meetings, from 12.50% to 11.50%. We expect the easing cycle to continue with four more consecutive cuts of 50bps, with the Selic rate reaching 9.5% in April. In the minutes released after the Copom's meeting in October, the monetary authority reinforced its reading that a moderate adjustment of the interest rate would be compatible with inflation positioned near the center of the target range in 2012. The document showed that the Copom's balance of risks for inflation has improved, in light of the lower projections for global GDP growth, lower risk of significant increases in commodity prices, deceleration in domestic activity, and the expectation of a decline in the market's inflation expectations. In our view, our projections of declining year-on-year IPCA inflation from 7.3% in September to 5.8% in April 2012, due to the very high inflation in Q4 2010 and in Q1 2011, and of subdued economic activity expansion are compatible with the maintenance of the easing cycle in upcoming months.

Primary balance target should be met in 2011. The public sector's primary surplus corresponded to 3.2% of the GDP in the 12 months through September, in line with the target set for this year. The high primary surplus was brought about by the acceleration in central government revenues, from 9.6% real growth in 2010 to 12.2% year-to-date growth in September, while real growth in government expenditures declined from 9.4% to 3.4%. This result suggests that fulfillment of the public-sector primary surplus target of 3.2% of GDP in 2011 is likely. For 2012, we believe it will be more difficult for the public sector to meet the primary surplus target of 3.1% of GDP, as the 7.5% minimum wage real increase will increase social security expenditures (equivalent to 43% of government spending). At the same time, tax revenues should slow down in 2012 due to the moderation in GDP growth. We expect a primary surplus of 2.1% of the GDP in 2012, enough to keep the net debt-to-GDP ratio relatively stable at 39% in 2011 and 2012. Fulfillment of the primary surplus target will require higher-than-expected revenues and significant spending cuts.

Prospects for external accounts remain strong, despite the higher risk aversion in financial markets. Despite the deterioration in liquidity conditions in markets and the decline in commodity prices in recent months, the dynamics of Brazil's external accounts remains quite favorable. We expect a small reduction in the current-account deficit from 2.3% of GDP in 2010 to 1.9% of GDP in 2011 and a rise in foreign direct investment (FDI) from 2.3% of GDP to 2.6% of GDP in the same period. For 2012, despite the expectation that lower commodity prices will reduce the trade balance and raise the current-account deficit to 2.5% of GDP, we believe this deficit will continue to be financed entirety by the FDI inflow. We expect that the balance of payments will remain positive and that international reserves will advance from $365bn in 2011 to $385bn in 2012. We also project a relatively stable exchange rate, near R$1.70/US$, until the end of 2012. Brazil's currency had depreciated against the US dollar, from R$1.59/US$ on August 31 to R$1.90/US$ on September 22, but has now appreciated to R$1.74/US$ as of November 4 due to the reduction in risk aversion in the markets.

Brazil Economics Forecast

	2008	2009	2010	2011E	2012E
Real GDP growth (%)	5.2	-0.6	7.5	2.9	3.3
Household Consumption (%)	5.7	4.2	7.0	3.7	3.7
Government Consumption (%)	3.2	3.9	3.3	2.1	1.0
Gross fixed capital formation (%)	13.6	-10.3	21.9	5.1	7.0
Exports (%)	0.5	-10.2	11.5	1.3	3.0
Imports (%)	15.4	-11.5	36.2	8.4	12.0
CPI inflation (%, year-end)	5.9	4.3	5.9	6.3	5.3
FX rate – end-period (R$/US$)	2.34	1.74	1.66	1.60	1.70
Target Selic interest rate – end-period (%)	13.75	8.75	10.75	11.00	9.50
Total nominal balance (% of GDP)	-2.0	-3.3	-2.5	-2.6	-3.5
Total primary balance (% of GDP)	3.4	2.0	2.8	3.2	2.1
Net public-sector debt (% of GDP)	38.5	42.8	40.2	38.7	39.3
Trade balance (US$ bn)	24.8	25.3	20.3	27.0	10.8
Current account balance (% of GDP)	-1.7	-1.5	-2.3	-1.9	-2.5
Foreign direct investment - FDI (US$ bn)	45.1	25.9	48.5	60.0	55.0
Central bank gross FX reserves (US$ bn)	193.8	238.5	288.6	365.0	385.4

Source: IBGE, Central Bank of Brazil, Trade Ministry, Credit Suisse estimates, Thomson Reuters DataStream

Summary Forecast Table

		2011				2012E				Q4 to Q4				Annual Average			
		Q1	Q2	Q3E	Q4E	Q1	Q2	Q3	Q4	09	10	11E	12E	10	11E	12E	13E
Global	Real GDP (y/y)	4.5	3.9	3.8	3.3	3.2	3.4	3.5	3.9	2.0	4.8	3.3	3.9	5.1	3.7	3.5	4.1
	IP (y/y)	6.6	4.9	5.2	4.6	4.0	4.3	4.2	5.2	1.3	8.0	4.6	5.2	9.6	5.3	4.4	...
	Inflation (y/y)	4.5	4.9	5.0	4.7	4.0	3.7	3.7	3.6	2.4	3.8	4.7	3.6	3.5	4.7	3.7	3.6
US	Real GDP (y/y)	2.2	1.6	1.6	1.6	2.0	2.3	2.2	2.2	-0.5	3.1	1.6	2.2	3.0	1.8	2.2	2.0
	Real GDP (q/q ann)	0.4	1.3	2.5	2.2	2.2	2.2	2.3	2.3	...	...	...		...	...	...	
	IP (y/y)	5.5	3.8	3.4	3.5	3.0	3.6	3.0	2.8	-5.5	6.3	3.5	2.8	5.3	4.0	3.1	3.0
	Inflation (y/y)	2.2	3.3	3.8	3.5	2.6	1.7	1.5	1.6	1.5	1.2	3.5	1.6	1.6	3.2	1.8	1.7
	Policy rate (end of period)	0-.25	0-.25	0-.25	0-.25	0-.25	0-.25	0-.25	0-.25	...	...	...	...	0-.25	0-.25	0-.25	0-.25
Japan	Real GDP (y/y)	-0.6	-1.0	-0.2	-0.1	0.9	1.7	0.8	1.8	-1.9	2.5	-0.1	1.8	4.1	-0.4	1.3	1.8
	Real GDP (q/q ann)	-2.7	-1.3	6.0	-2.2	1.3	1.9	2.1	1.8	...	...	...	...	...	...	...	...
	IP (y/y)	-2.6	-6.8	-2.3	-3.9	-1.5	3.8	0.7	3.3	-5.1	6.0	-3.9	3.3	17.3	-3.9	1.6	2.8
	Inflation ex fresh food (y/y)	-0.8	-0.3	0.2	-0.3	-0.3	-1.0	-0.7	-0.8	-1.7	0.0	-0.3	-0.8	-1.0	-0.3	-0.7	-0.8
	Policy rate (end of period)	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	0-0.1	...	...	...	...	0-0.1	0-0.1	0-0.1	0-0.1
Euro Area	Real GDP (y/y)	2.4	1.6	1.4	0.5	-0.7	-0.8	-0.8	0.2	-2.1	1.9	0.5	0.2	1.8	1.5	-0.5	1.7
	Real GDP (q/q ann)	3.1	0.7	0.6	-2.2	-1.7	0.1	0.8	1.5	...	...	...		...	...	...	...
	IP (y/y)	6.6	4.2	4.2	0.5	-2.2	-3.8	-2.5	1.0	-7.1	8.1	0.5	1.0	7.5	3.9	-1.9	3.4
	Inflation (y/y)	2.5	2.8	2.7	3.1	2.5	1.9	1.9	1.5	0.9	2.2	3.0	1.4	1.6	2.8	1.9	1.6
	Policy rate (end of period)	1.00	1.25	1.50	1.00	0.75	0.75	0.75	0.75	...	...	...	...	...	...	...	...
UK	Real GDP (y/y)	1.6	0.6	0.5	0.7	0.3	0.6	0.6	1.5	-0.8	1.3	0.7	1.5	1.8	0.8	0.7	2.5
	Real GDP (q/q ann)	1.6	0.4	1.9	-1.2	-0.1	1.7	1.9	2.6	...	...	...		...	...	...	...
	IP (y/y)	2.0	-0.8	-0.8	-1.9	-2.3	-0.7	-0.4	1.0	-6.0	3.3	-1.9	1.0	2.1	-0.4	-0.6	2.0
	Inflation (y/y)	4.2	4.5	4.7	4.6	3.4	3.0	2.9	2.6	2.1	3.4	4.6	2.6	3.3	4.5	3.0	2.5
	Policy rate (end of period)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	...	...	...	...	0.50	0.50	0.50	0.50
Non-Japan Asia	Real GDP (y/y)	8.1	7.7	7.4	6.7	6.5	6.8	7.0	7.4	9.0	8.5	6.7	7.4	9.3	7.2	7.0	7.3
	Inflation (y/y)	5.8	6.1	6.2	5.3	4.5	4.6	4.7	4.8	1.7	5.3	5.3	4.8	4.5	5.7	4.5	4.8
China	Real GDP (y/y)	9.7	9.5	9.1	8.0	8.0	8.1	8.3	8.5	11.3	9.8	8.0	8.5	10.4	8.6	8.2	8.2
	IP (y/y)	14.4	13.9	13.8	...	...	...	...	...	17.9	13.3	...	...	15.7	13.5	13.0	...
	Inflation (y/y)	5.1	5.7	6.2	4.9	3.8	4.5	4.6	4.6	4.7	4.7	4.9	4.6	3.3	5.4	4.4	4.5
India*	Real GDP (y/y)	7.7	7.7	6.4	7.5	7.0	7.0	7.0	7.5	7.8	8.7	7.5	7.5	8.5	7.2	7.3	8.2
	Inflation (WPI, y/y)	9.6	9.5	8.7	6.5	5.5	5.3	5.6	6.0	4.5	8.9	6.5	6.0	9.5	8.5	5.8	6.8
EMEA	Real GDP (y/y)	5.1	4.6	4.6	3.3	3.0	3.1	3.4	3.8	-1.1	5.1	3.3	3.8	4.5	4.4	3.4	4.3
	Inflation (y/y)	7.1	7.7	6.7	6.5	6.2	6.2	6.4	5.9	7.6	7.0	6.5	5.9	6.6	6.8	6.0	5.4
Latin America	Real GDP	5.5	4.6	3.9	3.7	3.3	3.3	3.8	3.9	1.6	5.5	3.7	3.9	6.2	4.4	3.7	3.9
	Inflation (y/y)	6.7	6.5	6.9	6.8	6.6	6.8	6.6	6.4	5.5	6.6	6.8	6.4	6.3	6.7	6.6	6.1

Source: Credit Suisse estimates, Thomson Reuters DataStream. Note: IMF PPP weights are used to compute regional and global aggregate figures. *Annual figures for India are on fiscal year basis

Summary Macroeconomic Data: GDP

Real GDP, y/y%

	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012E
Developed Market										
US	2.5	3.5	3.1	2.7	1.9	-0.3	-3.5	3.0	1.8	2.2
Canada	1.9	3.1	3.0	2.8	2.2	0.7	-2.8	3.2	2.2	1.9
Euro area	0.7	2.0	1.7	3.3	3.0	0.2	-4.1	1.8	1.5	-0.5
Austria	0.8	2.5	2.4	3.7	3.7	1.4	-3.8	2.3	2.9	0.3
Belgium	0.8	3.1	1.9	2.7	2.8	0.9	-2.7	2.3	1.9	-0.3
Finland	2.0	4.1	2.9	4.4	5.3	1.0	-8.2	3.6	2.8	0.5
France	0.9	2.3	1.9	2.7	2.2	-0.2	-2.6	1.4	1.5	-0.2
Germany	-0.4	0.7	0.8	3.9	3.4	0.8	-5.1	3.6	2.8	0.0
Greece	5.9	4.4	2.3	5.2	4.3	1.0	-2.3	-4.4	-5.2	-3.5
Ireland	4.2	4.5	5.3	5.3	5.2	-3.0	-7.0	-0.4	2.0	0.3
Italy	0.1	1.4	0.8	2.1	1.4	-1.3	-5.2	1.2	0.5	-1.5
Luxembourg	1.5	4.4	5.4	5.0	6.6	0.8	-5.3	2.7	1.8	0.5
Netherlands	0.3	2.0	2.2	3.5	3.9	1.8	-3.5	1.6	1.5	-0.3
Portugal	-0.9	1.6	0.8	1.4	2.4	0.0	-2.5	1.3	-1.2	-2.7
Spain	3.1	3.3	3.6	4.0	3.6	0.9	-3.7	-0.1	0.6	-0.8
Norway	1.0	4.1	4.3	4.5	5.4	1.6	-1.6	2.1	2.2	1.8
Sweden	2.5	3.7	3.2	4.6	3.4	-0.8	-5.1	5.4	3.8	0.8
United Kingdom	3.5	3.0	2.1	2.6	3.5	-1.1	-4.4	1.8	0.8	0.7
Switzerland	-0.2	2.5	2.6	3.6	3.6	1.9	-1.9	2.6	1.9	2.0
Japan	1.4	2.7	1.9	2.0	2.4	-1.2	-6.3	4.1	-0.4	1.3
Australia**	3.2	3.6	3.2	2.6	4.8	2.2	1.2	2.7	1.7	3.5
New Zealand	4.2	4.4	3.3	1.0	2.9	-0.1	-2.0	1.6	1.8	2.6
Emerging Market										
Argentina	8.8	9.0	9.2	8.5	8.7	6.8	0.9	9.2	8.7	5.0
Brazil	1.1	5.7	3.2	4.0	6.1	5.2	-0.6	7.5	2.9	3.3
Chile	3.9	6.0	5.6	4.6	4.6	3.7	-1.7	5.2	6.2	4.3
Colombia	3.9	5.3	4.7	6.7	6.9	3.5	1.5	4.3	4.8	4.0
Mexico	1.4	4.1	3.2	5.2	3.3	1.2	-6.1	5.4	3.6	3.0
Peru	4.0	5.0	6.8	7.7	8.9	9.8	0.9	8.8	6.9	5.0
Venezuela	-7.8	18.3	10.3	9.9	8.8	5.3	-3.2	-1.5	3.3	4.0
Czech Republic	3.6	4.5	6.3	6.8	6.1	2.5	-4.1	2.3	1.7	0.3
Hungary	4.3	4.9	3.5	4.0	1.0	0.6	-6.3	1.2	1.6	0.4
Israel	1.5	4.8	4.9	5.6	5.5	4.0	0.8	4.8	4.6	3.4
Poland	3.9	5.3	3.6	6.2	6.8	5.1	1.7	3.8	3.8	2.3
Russia	7.3	7.2	6.4	8.2	8.5	5.2	-7.8	4.0	3.8	4.0
Saudi Arabia	7.7	5.3	5.6	3.2	2.0	4.2	0.6	3.8	5.8	4.8
South Africa	2.9	4.6	5.3	5.6	5.6	3.6	-1.7	2.8	3.2	3.4
Turkey	5.3	9.4	8.4	6.9	4.7	0.7	-4.8	9.0	7.5	2.1
Ukraine	9.6	12.1	2.7	7.3	7.6	2.3	-14.8	4.2	4.9	3.6
UAE	8.8	9.6	4.9	9.9	3.2	3.3	-1.6	1.4	5.2	5.0
China	10.0	10.1	10.4	11.6	14.2	9.6	9.1	10.4	8.6	8.2
Hong Kong	3.0	8.5	7.1	7.0	6.4	2.3	-2.7	7.0	5.0	4.0
India ***	8.5	7.5	9.5	9.6	9.3	6.8	8.0	8.5	7.2	7.3
Indonesia	4.8	5.0	5.7	5.5	6.3	6.0	4.6	6.1	6.4	5.9
Korea	2.8	4.6	4.0	5.2	5.1	2.3	0.3	6.2	3.4	3.4
Malaysia	5.8	6.8	5.3	5.8	6.3	4.6	-1.6	7.2	4.6	4.8
Philippines	4.9	6.7	4.8	5.2	6.6	4.2	1.1	7.6	4.3	4.2
Singapore	4.6	9.2	7.4	8.7	8.8	1.5	-0.8	14.5	5.3	3.5
Taiwan	3.7	6.2	4.7	5.4	6.0	0.7	-1.9	10.9	4.3	3.5
Thailand	7.1	6.3	4.6	5.1	5.0	2.5	-2.3	7.8	2.7	4.0
Vietnam	7.3	7.8	8.4	8.2	8.5	6.3	5.3	6.8	5.8	5.9

Note: * European Commission estimates; ** Consensus estimates from Consensus Economics [1] Revised GDP series with base 2004-05. All historical ratios expressed as % of GDP may appear smaller since the revised GDP values in the new series (with base year of 2004) are higher. [2] Real GDP from 2001 has been rebased to 2000 = 100.

Source: © 2011 Thomson Reuters Limited , the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Consensus Economics, European Commission, Credit Suisse

Summary Macroeconomic Data: Inflation

HICP/CPI, y/y%, annual average

	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012E
Developed Markets										
US	2.3	2.7	3.4	3.2	2.9	3.8	-0.3	1.6	3.2	1.8
Canada	2.7	1.9	2.2	2.0	2.1	2.4	0.3	1.8	3.0	2.1
Euro area	2.1	2.1	2.2	2.2	2.1	3.3	0.3	1.6	2.8	1.9
Austria	1.3	1.9	2.1	1.7	2.2	3.2	0.4	1.7	3.6	2.4
Belgium	1.5	1.9	2.5	2.3	1.8	4.5	0.0	2.3	3.7	2.2
Finland	1.3	0.1	0.8	1.3	1.6	3.9	1.6	1.7	3.4	2.8
France	2.2	2.3	1.9	1.9	1.6	3.2	0.1	1.7	2.4	1.7
Germany	1.0	1.8	1.9	1.8	2.3	2.7	0.2	1.2	2.6	1.9
Greece	3.4	3.0	3.5	3.3	3.0	4.2	1.3	4.7	3.2	1.0
Ireland	4.0	2.3	2.2	2.7	2.9	3.1	-1.7	-1.6	1.3	0.9
Italy	2.8	2.3	2.2	2.2	2.0	3.5	0.8	1.6	2.9	2.2
Luxembourg	2.5	3.2	3.8	3.0	2.7	4.1	0.0	2.8	3.8	2.3
Netherlands	2.2	1.4	1.5	1.7	1.6	2.2	1.0	0.9	2.7	2.1
Portugal	3.3	2.5	2.1	3.0	2.4	2.7	-0.9	1.4	3.7	3.2
Spain	3.1	3.1	3.4	3.6	2.8	4.1	-0.2	2.0	3.2	1.3
Norway	2.5	0.5	1.5	2.3	0.7	3.8	2.2	2.4	1.4	1.2
Sweden	1.9	0.4	0.5	1.4	2.2	3.5	-0.3	1.3	3.0	1.5
United Kingdom	1.4	1.3	2.1	2.3	2.3	3.6	2.2	3.3	4.5	3.0
Switzerland	0.6	0.8	1.2	1.1	0.7	2.4	-0.5	0.7	0.3	0.4
Japan**	-0.3	-0.1	-0.1	0.1	0.0	1.5	-1.3	-1.0	-0.3	-0.7
Australia*	2.8	2.3	2.7	3.5	2.3	4.4	1.8	2.8	3.4	2.9
New Zealand	1.8	2.3	3.0	3.4	2.4	4.0	2.1	2.3	4.2	2.5
Emerging Markets										
Argentina	14.9	4.4	9.6	10.9	8.8	8.6	6.3	10.9	9.8	9.7
Brazil	14.7	6.6	6.9	4.2	3.6	5.7	4.9	5.0	6.6	5.8
Chile	2.8	1.1	3.1	3.4	4.4	8.7	1.6	1.4	3.1	3.2
Colombia	7.1	5.9	5.0	4.3	5.5	7.0	4.2	2.3	3.4	3.5
Mexico	4.5	4.7	4.0	3.6	4.0	5.1	5.3	4.2	3.3	3.5
Peru	2.3	3.7	1.6	2.0	1.8	5.8	3.0	1.5	3.3	3.2
Venezuela	31.1	21.7	16.0	13.7	18.7	31.5	28.6	29.1	27.0	29.5
Czech Republic	0.1	2.8	1.8	2.5	2.9	6.4	1.0	1.5	1.7	1.9
Hungary	4.7	6.8	3.6	3.9	7.9	6.1	4.2	4.9	3.8	3.0
Israel	0.7	-0.4	1.3	2.1	0.5	4.6	3.3	2.7	3.5	2.2
Poland	0.8	3.5	2.1	1.0	2.5	4.2	3.5	2.6	4.0	2.5
Russia	13.7	10.9	12.7	9.7	9.0	14.1	11.7	6.9	8.6	6.2
Saudi Arabia	0.6	0.4	0.6	2.3	4.1	9.9	5.1	5.4	5.1	5.6
South Africa	5.4	-1.2	2.0	3.1	6.0	9.9	7.1	4.3	5.0	5.8
Turkey	25.3	8.6	8.2	9.6	8.8	10.4	6.3	8.6	6.2	7.1
Ukraine	5.2	9.0	13.5	9.1	12.8	25.2	15.9	9.4	8.1	6.9
UAE	3.1	5.0	6.2	9.3	11.1	12.3	1.6	0.9	2.0	5.7
China	1.2	3.9	1.8	1.5	4.8	5.9	-0.7	3.3	5.4	4.4
Hong Kong	-2.6	-0.4	0.9	2.0	2.0	4.3	0.5	2.4	5.2	5.1
India ***	5.5	6.5	4.4	6.5	4.8	8.1	3.6	9.5	8.5	5.8
Indonesia	6.8	6.1	10.5	13.1	6.4	9.8	4.8	5.1	5.5	6.0
Korea	3.5	3.6	2.8	2.2	2.5	4.7	2.8	3.0	4.4	3.1
Malaysia	1.1	1.5	3.1	3.6	2.0	5.4	0.7	1.7	3.4	2.8
Philippines	3.5	6.0	7.7	6.3	2.8	9.3	3.3	3.8	4.9	4.5
Singapore	0.5	1.7	0.5	1.0	2.1	6.6	0.6	2.8	5.2	3.7
Taiwan	-0.2	1.6	2.3	0.6	1.8	3.5	-0.9	1.0	1.9	2.2
Thailand	1.8	2.8	4.5	4.6	2.2	5.5	-0.8	3.3	3.9	3.8
Vietnam	3.2	7.7	8.3	7.4	8.3	23.1	7.0	6.2	18.6	9.3

Source: Thomson Reuters DataStream, Consensus Economics, European Commission, the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices , Credit Suisse

Note: * Consensus estimates from Consensus Economics; ** Inflation ex. fresh food; *** WPI inflation

Summary Macroeconomic Data: Current Account Balance

As % of GDP

	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012E
Developed Markets										
US	-4.7	-5.3	-5.9	-6.0	-5.1	-4.7	-2.7	-3.2	-3.3	-3.2
Canada	1.2	2.3	1.9	1.4	0.8	0.3	-3.0	-3.1	-2.7	-2.7
Euro area	0.4	1.1	0.4	0.5	0.4	-0.7	-0.1	0.1	-0.1	0.0
Austria	1.7	2.2	2.2	3.3	4.0	4.9	3.0	3.2	2.7	2.8
Belgium	5.6	4.5	3.2	3.4	3.9	1.1	0.7	3.2	2.4	2.1
Finland	5.1	6.3	3.5	4.6	4.2	3.2	2.7	2.8	-0.1	0.0
France	0.5	0.2	-0.8	-0.8	-1.4	-1.9	-2.1	-2.2	-3.2	-3.3
Germany	5.0	4.7	5.1	6.5	7.5	6.2	5.8	5.8	5.1	4.4
Greece	-12.3	-10.5	-10.8	-13.0	-16.9	-17.9	-14.3	-12.3	-9.9	-7.9
Ireland	0.8	-0.1	-3.0	-3.7	-5.5	-5.6	-2.9	0.5	0.7	1.5
Italy	-0.8	-0.4	-0.9	-1.5	-1.3	-2.9	-2.0	-3.5	-3.6	-3.0
Luxembourg	8.1	11.9	11.5	10.4	10.1	5.3	7.0	8.1	5.3	3.4
Netherlands	6.1	8.6	7.5	9.0	8.4	4.7	2.9	5.1	5.5	7.0
Portugal	-6.7	-8.3	-10.4	-10.8	-10.2	-12.6	-10.8	-9.7	-7.6	-5.0
Spain	-4.0	-5.9	-7.5	-9.0	-10.0	-9.6	-5.1	-4.5	-3.4	-3.0
Norway	12.3	12.7	16.3	17.2	14.1	17.7	11.8	12.4	9.3	8.9
Sweden	6.9	6.8	7.1	7.9	8.6	8.8	6.8	6.3	6.4	6.3
United Kingdom	-1.6	-2.1	-2.6	-3.3	-2.6	-1.8	-1.4	-2.5	-2.5	-0.9
Switzerland	13.3	13.4	14.0	15.1	9.0	2.0	8.3	14.6	10.1	11.8
Japan	3.2	3.7	3.6	3.9	4.8	3.2	2.8	3.9	2.2	1.9
Australia*	-5.2	-6.0	-5.6	-5.3	-6.2	-4.5	-4.3	-2.6	-1.1	-1.3
New Zealand	-3.8	-5.7	-7.9	-8.3	-8.2	-8.9	-2.5	-3.5	-4.5	-5.5
Emerging Markets										
Argentina	6.4	2.1	2.9	3.7	2.8	2.1	3.6	0.8	0.2	-0.5
Brazil	0.8	1.8	1.6	1.3	0.1	-1.8	-1.5	-2.3	-1.9	-2.5
Chile	-1.1	2.2	1.2	4.9	4.5	-1.9	1.6	1.9	-0.7	-1.4
Colombia	-1.0	-0.8	-1.3	-1.6	-2.9	-2.8	-2.2	-3.1	-3.3	-3.6
Mexico	-1.0	-0.7	-0.6	-0.5	-0.9	-1.5	-0.7	-0.5	-0.6	-1.4
Peru	-1.5	0.0	1.4	3.1	1.3	-3.7	0.2	-1.5	-2.6	-3.7
Venezuela	14.2	13.8	17.6	14.4	8.0	12.0	2.6	6.1	8.3	3.1
Czech Republic	-6.3	-5.2	-1.3	-2.5	-3.3	-0.6	-1.1	-3.7	-3.0	-3.0
Hungary	-8.0	-8.6	-7.5	-7.4	-7.2	-7.3	-0.2	1.1	2.4	0.6
Israel	0.6	1.9	3.2	5.1	2.9	0.8	3.6	2.9	-0.2	0.8
Poland	-2.5	-5.3	-2.4	-3.8	-6.2	-6.6	-3.9	-4.5	-4.5	-4.5
Russia	8.2	10.1	11.1	9.6	6.0	6.2	4.0	4.9	5.0	3.2
Saudi Arabia	10.8	19.7	28.5	27.8	24.3	27.8	5.6	15.4	25.2	20.7
South Africa	-1.0	-3.0	-3.5	-5.3	-7.0	-7.1	-4.1	-2.8	-3.7	-4.1
Turkey	-2.5	-3.7	-4.6	-6.1	-5.9	-5.7	-2.3	-6.4	-10.4	-8.1
Ukraine	6.5	10.4	3.1	-1.5	-4.1	-7.1	-1.5	-2.2	-4.8	-5.8
United Arab Emirates	5.8	7.2	13.5	16.2	7.6	7.1	2.9	3.8	9.1	7.2
China	2.8	3.5	7.0	9.0	10.6	9.4	5.9	5.2	4.2	3.3
Hong Kong	10.4	9.5	11.3	12.1	12.4	14.3	5.8	5.1	4.0	3.1
India **	2.3	-0.3	-1.2	-1.0	-1.4	-2.4	-2.8	-2.8	-2.8	-2.6
Indonesia ***	3.4	0.6	0.1	3.0	2.4	0.0	2.0	0.8	1.0	0.9
Korea	1.9	4.5	2.2	1.5	2.1	0.3	4.0	2.8	1.8	1.3
Malaysia	12.1	12.1	15.0	16.7	15.9	17.5	16.5	11.4	11.2	10.3
Philippines	0.4	1.8	1.9	4.4	4.7	2.1	5.6	4.2	3.2	3.9
Singapore	22.8	17.1	21.3	24.2	26.7	18.5	17.8	22.2	18.5	16.8
Taiwan	9.8	5.8	4.8	7.0	8.4	6.3	11.3	8.8	7.2	5.9
Thailand	3.4	1.7	-4.3	1.1	5.9	0.8	8.3	4.6	2.4	1.7
Vietnam	-4.9	-2.1	-1.1	-0.3	-9.8	-12.0	-6.6	-3.9	-4.5	-4.2

Source: Thomson Reuters DataStream , ECB, Eurostat, OECD, BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse; * OECD estimates ** Fiscal year beginning in April. *** Balance of payments numbers from 2004 onwards have been revised; exports and imports include credits and debits on net income, respectively, in 2000-03.

Summary Macroeconomic Data: Fiscal Balance

As % of GDP

	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012E
Developed Markets										
US	-3.8	-3.6	-2.3	-1.5	-1.1	-3.7	-10.7	-9.2	-9.2	-7.5
Canada	0.6	0.8	0.1	1.0	0.9	0.6	-0.4	-3.6	-2.1	-1.9
Euro area	-3.1	-2.9	-2.5	-1.4	-0.7	-2.1	-6.4	-6.2	-4.0	-3.3
Austria	-1.5	-4.4	-1.7	-1.5	-0.9	-0.9	-4.1	-4.4	-3.4	-3.4
Belgium	-0.1	-0.3	-2.7	0.1	-0.3	-1.3	-5.8	-4.1	-3.6	-3.6
Finland	2.4	2.3	2.7	4.0	5.3	4.3	-2.5	-2.5	-1.0	-1.0
France	-4.1	-3.6	-2.9	-2.3	-2.7	-3.3	-7.5	-7.1	-5.7	-4.9
Germany	-4.2	-3.8	-3.3	-1.6	0.2	-0.1	-3.2	-4.3	-1.3	-1.5
Greece	-5.7	-7.6	-5.5	-5.7	-6.5	-9.8	-15.8	-10.6	-9.5	-7.5
Ireland	0.4	1.4	1.7	2.9	0.1	-7.3	-14.2	-31.3	-10	-8.5
Italy	-3.6	-3.5	-4.4	-3.4	-1.6	-2.7	-5.4	-4.6	-3.9	-2.0
Luxembourg	0.5	-1.1	0.0	1.4	3.7	3.0	-0.9	-1.1	-0.6*	-1.1*
Netherlands	-3.1	-1.7	-0.3	0.5	0.2	0.5	-5.6	-5.1	-4.3	-3.5
Portugal	-3.0	-3.4	-5.9	-4.1	-3.1	-3.6	-10.1	-9.8	-5.9	-4.5
Spain	-0.3	-0.1	1.3	2.4	1.9	-4.5	-11.2	-9.3	-6.2	-5.4
Norway	7.3	11.1	15.1	18.4	17.5	19.1	10.5	10.6	--	--
Sweden	-1.0	0.6	2.2	2.3	3.6	2.2	-0.7	0.2	0.9*	0.7*
United Kingdom	-3.4	-3.5	-3.4	-2.7	-2.7	-5.0	-11.5	-9.9	-8.2	-7.0
Switzerland	-1.4	-1.2	0.1	1.7	1.8	2.0	0.4	0.2	0.3	0.6
Japan***	-8.4	-6.6	-5.0	-3.5	-3.0	-3.2	-9.5	-9.6	-10.7	-9.6
Australia ****	1.3	1.0	1.2	1.3	1.4	-0.2	-4.9	-5.9	-2.8	-1.4
New Zealand	3.3	3.8	4.6	4.4	3.4	3.1	-2.1	-3.3	-9.2	-4.8
Emerging Markets										
Argentina	0.9	3.7	2.1	1.9	1.1	0.9	-1.6	0.2	-1.2	-0.8
Brazil	-5.2	-2.9	-3.6	-3.6	-2.8	-2.0	-3.3	-2.5	-2.6	-3.5
Chile	-0.5	2.1	4.6	7.7	8.2	4.3	-4.5	-0.3	1.4	0.8
Colombia	-3.4	-1.6	-2.1	-2.4	-1.7	-0.6	-2.7	-3.1	-3.1	-2.8
Mexico[1]	-0.6	-0.2	-0.1	0.1	0.0	-0.1	-2.3	-2.9	-2.8	-2.5
Peru	-1.6	-1.2	-0.6	2.1	3.0	2.4	-1.9	-0.4	1.0	0.4
Venezuela[18]	0.2	2.5	4.1	-1.5	-2.6	-3.5	-8.8	-5.0	-4.0	-5.9
Czech Republic[2]	-6.6	-2.9	-3.6	-2.6	-0.7	-2.7	-5.8	-4.7	-4.2	-3.5
Hungary[4]	-7.2	-6.4	-7.9	-9.4	-5.0	-3.6	-4.5	-4.3	-5.0	-3.0
Israel	-5.1	-3.5	-1.8	-0.4	0.4	-2.1	-5.1	-3.7	-3.1	-2.6
Poland[2]	-6.2	-5.4	-4.1	-3.6	-1.9	-3.7	-7.3	-7.9	-5.7	-4.6
Russia[7]	2.0	4.3	9.0	8.4	6.0	4.9	-6.3	-4.2	1.1	1.6
Saudi Arabia	4.5	11.4	18.4	21.0	12.2	32.5	-6.2	6.7	14.9	9.2
South Africa[8]	-2.3	-1.5	-0.3	0.7	0.9	-1.2	-6.6	-5.1	-5.0	-4.6
Turkey[9]	na	-4.1	-0.6	0.0	-1.2	-1.9	-4.9	-3.2	-1.4	-0.9
Ukraine[10]	-0.5	-4.4	-2.4	-1.4	-2.0	-3.2	-6.2	-5.4	-2.0	-2.0
United Arab Emirates	-3.2	-0.3	6.0	9.2	7.3	9.7	-1.6	2.0	7.6	8.2
China	-2.2	-1.3	-1.2	-0.8	0.6	-0.4	-2.3	-1.6	-2.0	-1.9
Hong Kong	-3.2	1.7	1.0	4.0	7.7	0.1	1.6	4.1	0.2	1.4
India[11]	-8.3	-7.2	-6.5	-5.4	-5.0	-8.7	-9.5	-7.4	-7.8	-7.1
Indonesia[12]	-1.7	-1.0	-0.5	-0.9	-1.3	-0.1	-1.6	-0.6	-1.0	-1.0
Korea[13]	1.5	1.3	1.6	1.5	1.9	-0.3	-2.7	-0.4	1.0	1.4
Malaysia[14]	-5.2	-4.4	-4.2	-3.5	-3.7	-4.8	-7.0	-5.4	-5.4	-4.6
Philippines	-4.6	-3.7	-2.6	-1.1	-1.5	-1.3	-3.7	-3.5	-2.0	-2.8
Singapore	-1.1	-0.1	0.7	0.0	2.8	-0.3	-0.3	-0.1	0.0	0.3
Taiwan[15]	-2.7	-2.8	-0.6	-0.3	-0.4	-0.9	-4.5	-3.3	-2.4	-1.5
Thailand[16]	-0.2	-0.2	0.3	-0.7	-1.6	-1.0	-5.7	-0.9	-3.0	-4.1
Vietnam[17]	-0.8	-4.9	-4.9	-5.0	-5.6	-4.6	-7.0	-5.7	-5.0	-5.5

Source: Thomson Reuters DataStream, European Commission, OECD, the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

* European Commission estimates; ** Fiscal year, federal government; *** Fiscal year, general government (central + local + social security), special factors adjusted; **** OECD estimates.

(1) Narrow definition that excludes off-balance expenditures. (2) ESA95 represents consolidated fiscal accounts of the general government on an accrual basis, while the central government balance has a narrower definition and is reported on a cash basis. (4) ESA95 represents consolidated fiscal accounts of the general government on an accrual basis, including one-off transfers from pension funds to the government budget as revenues. The central government balance has a narrower definition and is reported on a cash basis. (7) Net of bank recapitalization costs. (8) Data for fiscal years starting 1 April. Selected data refer to the government's consolidated fiscal balances from 2009. (9) The definition of the consolidated government comprises the central government, extra-budgetary funds, state-owned enterprises, social security institutions and the Unemployment Insurance Fund. The data for government spending and gross debt are for the central government. (10) Excluding impact of bank recapitalization and transfers to Naftogaz. Estimate for 2011 expenditure includes 0.8% of GDP of additional allocations for settlement of VAT arrears accumulated in 2010. (11) Prior to 2006 and again effective from 2009, these estimates include revenue from disinvestments (in line with government methodology). (12) Refers to central government. (13) General government statistics as interpreted by the Korea government. (14) Refers to the federal government's financial position. The government assumed an average oil price of $85 per barrel for 2011 in its 2011 budget. (15) General government statistics as interpreted by the Taiwan government. (16) Data for central government, based on cash basis prior to 2004, based on fiscal year ending September. (17) General government statistics as interpreted by the Vietnam government. (18) Consolidation of Central Government, Non- Financial Public Enterprises, Venezuelan Social Security Institute and Deposit and Guarantee Fund.

Summary Macroeconomic Data: Government Debt

As % of GDP

	2003	2004	2005	2006	2007	2008	2009	2010	2011E	2012E
Developed Markets										
US	49.9	51.2	51.9	51.8	52.2	56.2	71.1	80.0	84.7	89.2
Canada	43.8	40.9	38.3	35.0	32.2	29.9	28.9	34.0	33.9	34.7
Euro area	69.2	69.6	70.2	68.5	66.3	70.1	79.8	85.6	87.0	89.4
Austria	65.3	64.7	64.2	62.3	60.2	63.8	69.5	71.8	72.2	73.3
Belgium	98.4	94.0	92.0	88.0	84.1	89.3	95.9	96.2	97.2	99.2
Finland	44.5	44.4	41.7	39.6	35.2	33.9	43.3	48.3	49.1	51.8
France	63.2	65.0	66.7	64.0	64.2	68.2	79.0	82.3	85.4	89.2
Germany	64.4	66.2	68.5	67.9	65.2	66.7	74.4	83.2	81.7	81.2
Greece	98.3	99.8	101.2	107.3	107.4	113.0	129.3	144.9	162.8	198.3
Ireland	30.7	29.4	27.2	24.7	24.9	44.3	65.2	94.9	108.1	117.5
Italy	103.9	103.4	105.4	106.1	103.1	105.8	115.5	118.4	120.5	120.5
Luxembourg	6.1	6.3	6.1	6.7	6.7	13.7	14.8	19.1	19.5	20.2
Netherlands	52.0	52.4	51.8	47.4	45.3	58.5	60.8	62.9	64.2	64.9
Portugal	55.9	57.6	62.8	63.9	68.3	71.6	83.0	93.3	101.6	111.0
Spain	48.7	46.2	43.0	39.5	36.2	40.1	53.8	61.0	69.6	73.8
Norway	44.3	45.6	44.5	55.4	51.5	49.1	43.1	44.0	--	--
Sweden	51.7	50.3	50.4	45.0	40.2	38.8	42.7	39.7	36.3	34.6
United Kingdom	39.0	40.9	42.5	43.4	44.4	54.8	69.6	79.9	83.8	86.2
Switzerland	55.1	54.6	52.7	47.2	43.4	40.9	38.8	38.2	37.0	35.6
Japan **	173.6	182.4	190.4	187.6	188.1	196.7	216.1	224.9	237.7	242.8
Australia ***	18.3	16.5	16.1	15.3	14.2	13.6	19.4	25.3	29.3	30.9
New Zealand	27.3	24.9	23.0	21.0	17.9	17.1	23.4	28.3	35.8	37.2
Emerging Markets										
Argentina[1]	147.0	130.9	88.5	81.6	71.1	57.4	61.6	51.8	45.0	41.3
Brazil[2]	61.7	56.7	56.7	56.4	58.0	57.4	62.0	54.7	54.3	55.7
Chile[3]	13.0	10.7	7.3	5.3	4.1	5.2	6.2	9.2	9.7	9.7
Colombia	58.6	53.2	50.8	47.5	43.8	42.6	44.8	45.8	45.4	45.8
Mexico[4]	38.3	35.0	33.8	33.6	33.7	38.9	39.8	38.6	37.6	37.1
Peru	47.1	44.4	37.8	33.0	29.7	24.1	27.3	23.5	21.5	20.5
Venezuela[19]	55.7	42.3	34.9	25.6	26.7	19.0	25.1	35.3	36.3	32.4
Czech Republic	29.8	30.1	29.7	29.4	29.0	30.0	35.3	38.5	41.4	43.4
Hungary[6]	58.4	59.1	61.8	65.7	66.1	72.3	78.4	80.2	73.4	74.5
Israel	97.0	95.4	91.7	82.8	76.2	75.3	77.8	74.5	72.0	70.3
Poland[7]	47.1	45.7	47.1	47.7	45.0	47.1	50.9	55.0	58.6	61.9
Russia	33.0	23.9	14.1	9.2	7.4	6.1	7.7	8.3	8.7	8.5
Saudi Arabia[20]	84.0	65.4	40.2	27.4	18.5	13.3	16.1	13.6	10.7	9.4
South Africa[8]	34.9	34.6	32.8	30.1	27.5	26.7	32.6	35.5	38.1	41.0
Turkey[9]	na	56.6	51.1	45.6	39.6	40.0	46.3	42.9	38.5	35.9
Ukraine	26.1	22.9	21.0	16.0	13.2	15.5	31.6	41.1	40.2	42.5
UAE	6.6	8.4	9.2	10.1	9.7	15.1	18.2	16.8	15.6	14.4
China[10]	19.8	25.3	29.8	31.6	35.3	32.5	40.5	45.7	43.2	41.5
Hong Kong[11]	0.0	2.0	1.8	1.5	1.2	1.0	1.2	2.0	2.3	2.4
India	84.5	83.6	80.9	77.2	76.1	76.2	72.0	71.1	70.0	70.0
Indonesia[12]	66.6	54.7	47.0	39.5	34.2	29.5	31.3	31.5	31.3	31.0
Korea[13]	21.4	25.3	29.8	33.8	36.3	36.2	39.4	37.6	33.5	30.0
Malaysia[14]	47.8	45.7	43.8	42.2	41.5	41.4	53.3	53.1	52.9	52.6
Philippines	77.7	76.4	68.5	66.4	53.9	54.7	54.8	52.3	50.4	49.0
Singapore	na	na	na	na	na	na	na	na	na	na
Taiwan[15]	46.5	47.4	50.6	47.9	43.4	46.2	49.8	49.1	49.6	49.4
Thailand[16,17]	50.7	49.5	47.3	42.0	38.3	37.3	45.2	42.6	43.0	44.4
Vietnam[18]	36.6	33.9	35.7	33.7	32.0	34.1	40.7	41.0	43.0	45.0

Source: Thomson Reuters DataStream, European Commission, OECD, BLOOMBERG PROFESSIONAL™ service, National Statistical Offices , Credit Suisse

* Fiscal year; ** Fiscal year, general government (central + local + social security), special factors adjusted; *** OECD estimates

(1) Debt data assumes that Paris Club debt starts to be repaid in 2011. (2) Figures related to the Central Bank's new methodology. (3) Excludes debt of the central bank. (4) Includes all contingent liabilities associated with IPAB, Pidiregas, FARAC, financial intermediation and other debtor support programs. (5) For the consolidated government, which is a broader definition than the budget sector that includes Economic Authorities. (6) ESA95 represents consolidated fiscal accounts of the general government on an accrual basis. (7) ESA95 represents consolidated fiscal accounts of the general government on an accrual basis, while the central government balance has a narrower definition and is reported on a cash basis. (8) Data for fiscal years starting 1 April. Selected data refer to the government's consolidated fiscal balances from 2009. (9) The definition of the consolidated government comprises the central government, extra-budgetary funds, state-owned enterprises, social security institutions and the Unemployment Insurance Fund. (10) Includes Treasury bond and foreign state debt owed by the State Council only. 2010F level is estimated to be 50.3% if include local government's affiliated debt. (11) Also includes debt issued under the Government Bond Program. Excludes debt guaranteed by the government. (12) Refers to central government. (13) General government statistics as interpreted by the Korea government. (14) Refers to the federal government's financial position. The government assumed an average oil price of $85 per barrel for 2011 in its 2011 budget. (15) General government statistics as interpreted by the Taiwan government. (16) Data for central government, based on cash basis prior to 2004, based on fiscal year ending September. (17) Includes central government, non-financial SOEs and financial institution development fund. (18) General government statistics as interpreted by the Vietnam government. (19) Central government, regional governments, PDVSA; does not include liabilities of other public institutions such as the Central bank, National Development Bank, Foreign Trade Bank, Industrial Bank of Venezuela and Andean Region Development Bank. (20) For the central government.

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