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The Race to Trend Growth

Jim O'Neill
jim.oneill@gs.com
+44 (0)20 7774 2699

Dominic Wilson
dominic.wilson@gs.com
+1 212 902 5924

Peter Berezin
peter.berezin@gs.com
+1 212 902 8763

Swarnali Ahmed
swarnali.ahmed@gs.com
+44 (0)20 7051 4009

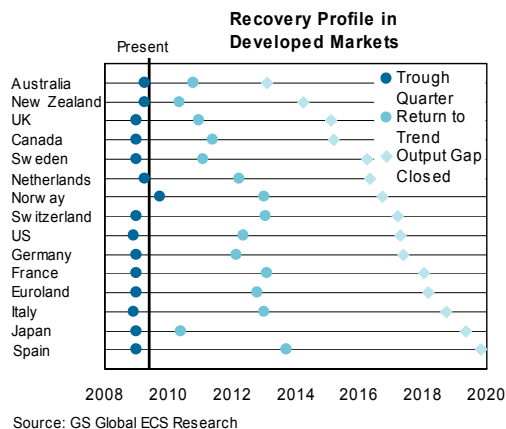
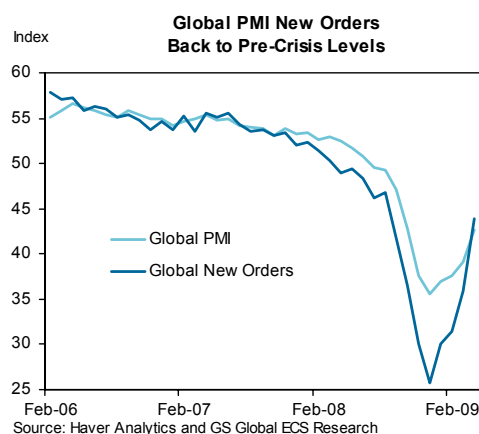
Alex Kelston
alex.kelston@gs.com
+1 212 855 0684

There is growing evidence that the global business cycle has started to stabilise, with rays of optimism most apparent in the ‘guts’ of various PMI indices. However, as the global economy moves away from a synchronised downturn to a less synchronised recovery, differences in the rate of recovery across countries are likely to play a more important role in driving asset markets.

Our analysis indicates that every major economy has already seen its worst rate of GDP decline, either in Q4 of last year or Q1 of this year. This is important in as much as our research suggests that equity markets tend to bottom and equity vol tends to peak around the time when growth is at its worst. Emerging markets are likely to see a return to trend growth about six months, on average, before advanced economies. Similarly, EMs on average will close their output gaps about two years before advanced economies.

The slog to close output gaps will be a long one. Our calculations suggest that the UK, Australia and Canada will be among the first advanced economies to return to trend growth and fully close their output gaps. Although precise estimates are difficult to make, the larger advanced economies—the US, Euroland and Japan—may not close their output gaps until near the end of the decade.

The protracted period of high output gaps in advanced economies will continue to put downward pressure on prices and wages. This reinforces our view that inflation is not likely to be a pressing concern in the near term, and supports our long bias in rates markets. Countries that are among the first to close their output gaps are also likely to experience FX appreciation.



The Race to Trend Growth

As we have discussed in various publications, there is growing evidence that the global business cycle has begun to stabilise. Rays of optimism have been apparent within the ‘guts’ of most PMI indices. As the chart below shows, once we aggregate across countries using GDP weights, the ‘new orders’ component of PMI indices—arguably the best leading indicator of near-term economic trends—bottomed in December of last year and has now rebounded to where it was prior to last autumn’s financial meltdown.

Mirroring the improvement in PMI data, we have seen a dramatic abatement in financial stress. The TED spread (the gap between 3-month interbank lending rates and Treasury bill yields) has returned almost to pre-crisis levels. And despite the run-up in 30-year UST yields, corporate and mortgage rates have fallen. Reflecting these developments, our proprietary Financial Stress Index (FSI) has declined markedly. After controlling for the state of the economy, the FSI has fallen to a level not seen since August 2007. The easing in financing conditions has allowed banks to tap capital markets; last week alone saw US\$32bn in capital raising among US financials after the publication of stress-test results.

Against this backdrop of improving business expectations and declining financial stress, however, much of the hard data continue to underscore just how deep this recession really is. US GDP contracted by 6.1% in Q1 (qoq annualised), only slightly better than the -6.3% print in Q4. Last Friday’s Q1 GDP report for the Euro-zone was particularly disappointing. GDP declined by about 10% in Q1, with Germany seeing a decline of 14.4%. And this morning’s GDP report for Japan showed that the economy contracted 15.2% in Q1, easily the worst setback in Japan since official statistics have been compiled.

What are we to make of such lousy GDP numbers on the one hand, and upbeat PMIs on the other? As Saleem

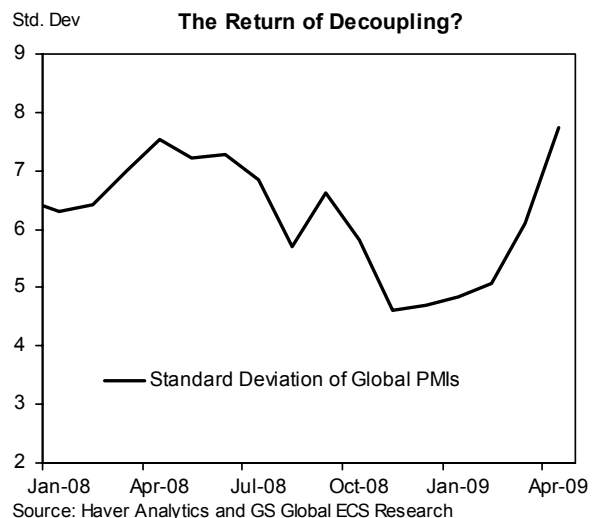
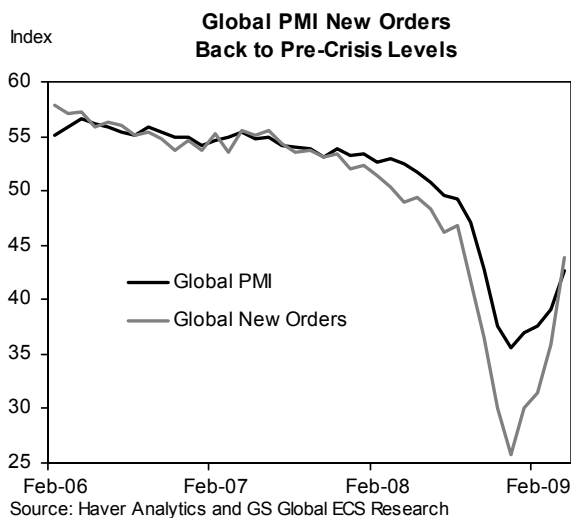
Ahmed discussed in last week’s European Analyst, it seems more plausible that the survey data are showing the clearer story. As such, the Q1 reports should be best seen through the rear-view mirror, reflecting lagged effects from the credit squeeze that overwhelmed the global economy last autumn, and exacerbated by massive inventory liquidation in most economies. Going forward, GDP growth seems quite likely to improve. And as the recovery unfolds, an increasingly important theme will be the high degree of differentiation that we are likely to see in how quickly some countries return to trend growth and how quickly they are able to close output gaps.

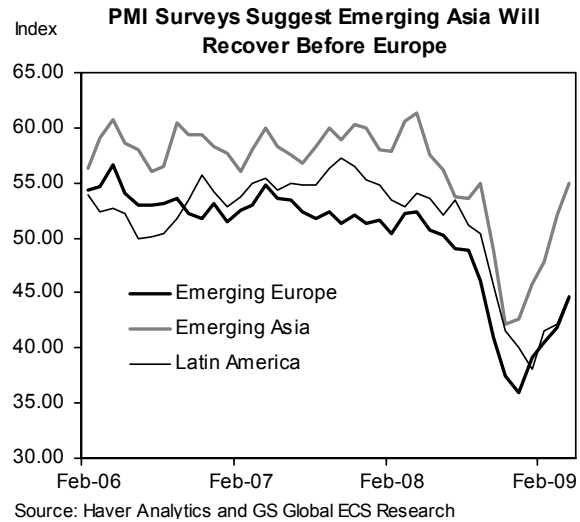
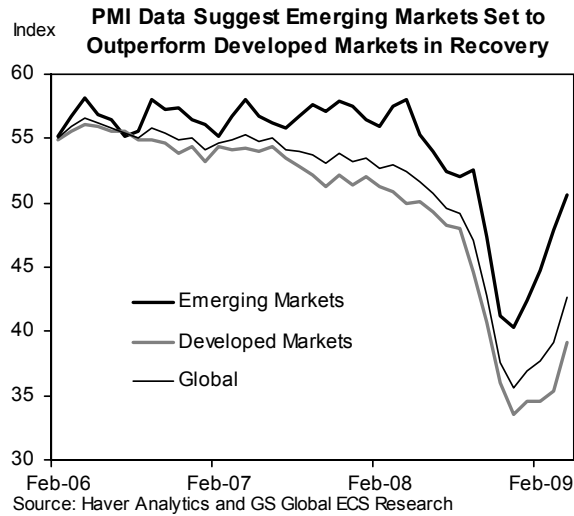
Increasing Differentiation in PMIs Across Countries

This differentiation has already become apparent in the PMI data. For example, the standard deviation in PMI headline numbers was 65% higher in April compared with December 2008 and 25% above the average standard deviation since 2005.

As the chart on the following page shows, there is now a significant differential in PMI levels between emerging and developed markets. The average (GDP-weighted) headline PMI among EMs was 11 points higher than among DMs in April. The same differential appears if we look at the more forward-looking new orders component of the PMI. But even within the EM universe, we have seen a fair amount of differentiation. The average headline PMI in Emerging Asia was 10 points higher than in Emerging Europe—and 15 points higher within the new orders component.

Of course, PMI data provide only one of several lenses through which to view the differences across countries in the rates of economic recovery. As we have highlighted in recent research, we have also seen significant differentiation in domestic demand growth across countries. This differentiation has been apparent between EMs and DMs. Reflecting this, we expect domestic





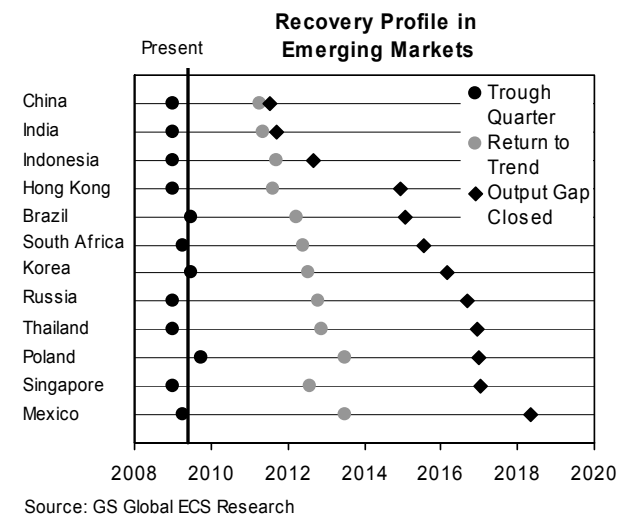
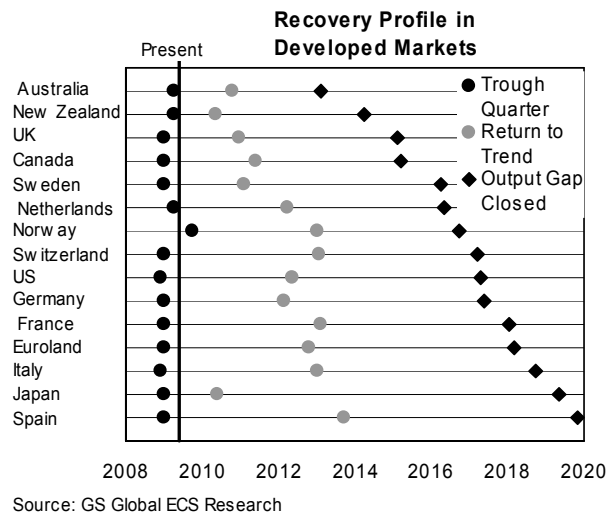
demand to grow 2.9% in EMs but decline 2.7% in DMs in 2009.

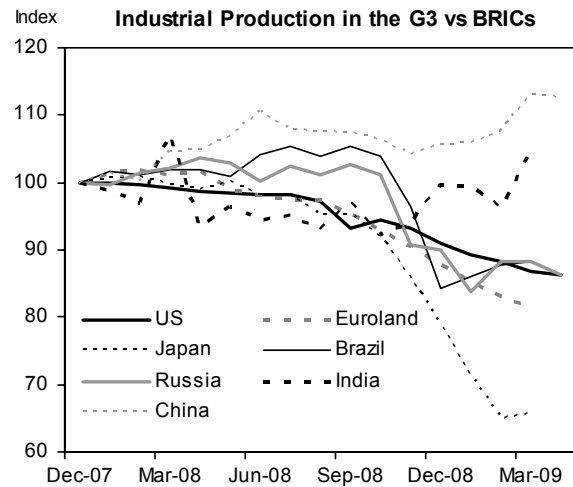
More broadly, as the global economy moves away from a synchronised downturn to a less synchronised recovery, differences in the rate of recovery across countries are likely to play a more important role in driving asset markets. With this in mind, we focus on the task of estimating when each country in our coverage universe will: i) see a trough in growth; ii) experience a return to trend growth; and iii) see its output gap return to zero. Box 1 describes our empirical methodology in some detail.

Estimates of the timing of such transitions—especially regarding when output gaps close—are subject to a wide margin of error. As such, we have more confidence in the *relative* rankings of these transitions and less confidence in their absolute timing, which is admittedly dependent on the assumptions we use and how we specify our model. However, as discussed below, we think these relative rankings will be particularly important for asset returns, especially with regards to FX.

Briefly stated, our key results are:

- Almost every major economy has already seen its worst rate of GDP decline, either in Q4 of last year or Q1 of this year. This is important in as much as our research suggests that equity markets tend to bottom and equity vol tends to peak around the time when growth is at its worst. This supports our strategists' view that equities should continue to grind higher in the months ahead and that long-dated equity vol is still expensive relative to the improving macro backdrop.
- Emerging markets are likely to see a return to trend growth about six months, on average, before advanced economies. Similarly, EMs on average will close their output gaps almost two years before advanced economies. However, as noted above, there is a lot of heterogeneity across the EM space. In particular, Asian economies have shown clearer signs of a rebound in economic activity than European economies. Within Latin America, Brazil looks poised to recover more quickly than Mexico.
- The slog to close output gaps to zero will be a long one. The global output gap is likely to widen to 7% of





Source: Haver Analytics and GS Global ECS Research

GDP by the middle of next year, easily a post-war record. Our calculations suggest that the UK, Australia and Canada will be among the first advanced economies to return to trend growth and fully close their output gaps. Although precise estimates are difficult to make, the larger advanced economies—the US, Euroland and Japan—may not close their output gaps until near the end of the decade.

- The protracted period of high output gaps in advanced economies will continue to put downward pressure on prices and wages. This reinforces our view that inflation is not likely to be a pressing concern in the near term, and supports our long bias in rates markets. Countries that are among the first to close their output gaps are also likely to experience FX appreciation.

China and India Further Along the Road to Recovery

In the race to trend growth, China and India have taken the lead. While the latest prints on IP and export growth in China were a tad weaker than expected, and bank

lending in April slowed from the heady rates in Q1, the totality of the evidence suggests that China has weathered the financial crisis much better than many observers, including ourselves, had expected.

Strength in China has now started to spill over to the rest of Asia. In particular, we have seen significant IP rebounds in Korea and Taiwan, partly on the back of a pick-up in exports to China. IP has also stabilised in Japan, albeit at levels close to the worst point of the Great Depression, when measured by the change in IP from peak to trough. India has continued to plough ahead on the back of strong domestic demand growth. Last weekend's election results suggest that policymakers will be able to focus more on surmounting longer-term structural problems, which should help raise the country's potential rate of growth.

The improvement in the economic outlook in Asia stands in contrast to emerging Europe—witness the fact that we recently upgraded our view of GDP growth in China from 6% to 8.3% in 2009 but downgraded our view in Russia from -5.5% to -7.5%. As Ashok Bhundia noted in a recent *New Markets Analyst* (May 8, 2009), the credit crunch has had an especially adverse impact on economic activity in the region. While IP has stabilised across many of the countries that we cover and is likely to rebound in the months ahead, the green shoots in emerging Europe seem to be growing more slowly than in Asia. The surprising drop in Russian IP in April underscores this concern, and supports our general conclusion that those emerging markets with the most leveraged households and firms going into crisis (such as those in Europe) will experience the bumpiest road to recovery.

Consistent with this, our dating methodology suggests that emerging Asia passed its worst point in Q4 of last year and will return to trend growth by late 2010, with the region's output gap fully closed by early 2012. In

Box 1. How We Calculated Trend Growth and the Evolution of Output Gaps

We defined the point at which growth bottomed as the worst quarter of growth (measured in terms of the qoq growth rate, whenever sufficient data were available) over the period 2008-09, based on official historical data, and GS estimates and projections. We defined the quarter when growth returns to trend as the point at which projected growth exceeds potential growth. Our estimate of trend growth is derived from long-term potential growth estimates published in *Global Economics Paper 170* "The Expanding Middle".

In some cases, a return to trend growth is not reached until after 2010. Since we have not published official projections beyond 2011, we extrapolated the quarterly path in 2011 based on the path of growth in 2010. Specifically, we modeled the growth after 2010 as a function of the growth rate going into 2011 and the

potential growth rate of the economy. Thus, countries with a higher growth trajectory going into 2011 and a higher potential growth rate were projected to experience a faster acceleration in growth in 2011 and beyond.

Our estimates of when a country closes its output gap were derived using a two-stage process. First, we estimated the output gap in 2008 by running a Hodrick-Prescott statistical filter on real GDP from 1980 to 2008 and a hypothetical GDP series out to 2050 where the terminal level of GDP in 2050 was assumed to be unaffected by the current recession. Next, we used the growth projections of actual and potential output discussed above and applied them to the estimated 2008 output and interpolated forward to calculate the output gap for the period 2009-2020.

contrast, emerging Europe will lag Asia, with the worst point in growth reached in Q1 of this year, a return to trend growth only in late 2013, and a closing of the output gap in around 2018.

In Latin America, we have also seen increasing differentiation between the two biggest economies in the region, Brazil and Mexico. While Brazil has benefited from a pick-up in capital inflows and stronger commodity prices, Mexico's economy has continued to be weighted down by its exposure to the US export market, falling remittance inflows and, most recently, the drop in tourism due to the outbreak of swine flu. Reflecting this, we estimate that Mexico's output gap will persist until mid-2018, while Brazil's will be erased significantly earlier, in early 2015.

G3 Economies to Lag EMs during recovery phase

Based on our analysis, the UK, Australia, and Canada will be among the first advanced economies to return to trend growth, probably in the second half of 2010 or the first half of 2011, and will also be among the first advanced economies to close their output gaps, most likely around 2013-15. These countries will be followed by the US and most of continental Europe, who will probably see growth return to trend some time in 2011, and will close their output gaps around 2017. Japan will be the last G3 country to close its output gap, probably around 2019, although obviously there is a high degree of uncertainty about any of these estimates.

As we have discussed in past research, an important differentiating factor among major industrialized economies is the degree to which their financial conditions have eased. In this regard, the fact that financial conditions have eased a lot more in the UK than in continental Europe helps explain why we think the UK will lead Europe in returning to trend growth.

Market Implications

As we begin the recovery phase, the lack of synchronicity in how quickly individual countries return to trend growth and close their output gaps is likely to generate a number of interesting trading opportunities. With this in mind, we would make the following observations:

- Every major economy has already seen a bottoming in growth, either in Q4 of last year or Q1 of this year. This is important in as much as our research suggests that equity markets tend to bottom and equity vol tends to peak around the time when growth is at its worst. This supports our strategists' view that equities should continue to grind higher in the months ahead and that long-dated equity vol is still expensive relative to the improving macro backdrop.
- Variations in how quickly GDP growth returns to trend and how quickly output gaps are closed will have a clear bearing on when individual countries

begin to tighten monetary policy. Based on our analysis, policy rates are likely to rise earlier in countries such as the UK, Australia and Canada than in the US, Japan or Euroland. Our long GBP strategic trade recommendation and short EUR/GBP Top Trade reflect this view. Similarly, in the EM space, while we continue to think that rate curves in many EMs are too steep and that most central banks have room to cut rates further, at some point, those economies that are further along the path to trend growth are also likely to be among the first to renormalize monetary policy.

- Related to the point above, we have discussed in recent publications how to trade FX in a world of smaller current account imbalances. In such a world, carry trades are likely to prove popular since the main risk to carry-type strategies (that they will be undermined by a sudden depreciation of the high-yielding currency) has declined as current account balances have converged. Since we are likely to see quite a bit of variation in how quickly countries move to normalise rates, this suggests ample opportunities for such carry trade strategies.
- The fact that output gaps across the G3 are not likely to close fully until near the end of the decade suggests that deflation is still a greater concern than inflation, especially in Japan. This reinforces our long bias in fixed income.
- The likelihood that, on average, emerging markets will recover more quickly than advanced economies suggests that EM outperformance is likely to be an important market theme going forward. We are already long select EM carry FX vs. G3 in our Top Trade recommendations. Last week we also initiated a Top Trade recommendation to be long US equities, with significant China exposure relative to US equities levered mainly to domestic consumer spending. Related to this, EM outperformance during the recovery stage is likely to support commodity prices, especially for industrial metals.
- However, we are also conscious that a number of stock markets—especially within the EM space—have already seen large moves this year and we would recommend a more discriminating stance going forward. As discussed above, within the EM space, emerging Asia seems well placed at this juncture. China, Taiwan and Hong Kong look particularly attractive based on current valuations (our portfolio strategists are overweight all three countries). We would emphasise that Hong Kong, which has a peg to the Dollar, is likely to end up with very low interest rates for an extended period, which is likely to put upward pressure on local asset prices.

Peter Berezin and Alex Kelston

Main Economic Forecasts

	2007	2008	2009	2010
Real GDP, % chg, yoy				
USA	2.0	1.1	-3.0	1.2
Japan	2.4	-0.6	-5.3	1.1
Euroland	2.6	0.7	-3.7	0.7
Germany	2.6	1.0	-5.2	0.9
France	2.1	0.7	-2.9	0.6
Italy	1.4	-0.9	-3.3	0.5
Netherlands	3.5	2.0	-2.4	1.1
Spain	3.7	1.2	-3.6	0.3
Sweden	2.7	-0.5	-4.5	1.5
Switzerland	3.3	1.6	-1.8	0.7
UK	3.0	0.7	-3.4	1.9
EU27	2.9	0.8	-3.6	0.9
Canada	2.7	0.5	-1.9	1.8
Australia	4.0	2.1	-0.2	2.2
G7	2.2	0.6	-3.6	1.1
Advanced Economies	2.7	0.9	-3.5	1.2
Asia	8.3	5.2	2.8	6.5
Central and Eastern Europe	5.5	3.7	-2.0	1.0
Latin America	5.7	4.2	-1.7	2.4
Emerging Markets	8.8	6.1	2.4	6.3
World	5.0	2.9	-1.1	3.3

	2007	2008	2009	2010
Consumer Prices, % chg, yoy				
USA	2.9	3.8	-0.8	0.5
Japan	0.1	1.4	-1.8	-1.5
Euroland	2.1	3.3	-0.1	1.2
Germany	2.3	2.8	0.1	1.2
France	1.6	3.2	-0.1	1.0
Italy	2.0	3.5	0.3	1.5
Netherlands	1.6	2.2	0.4	1.5
Spain	2.8	4.1	-0.5	2.0
Sweden	2.2	3.4	-0.4	2.5
Switzerland	0.7	2.4	0.0	0.6
UK	2.4	3.6	1.8	2.2
EU27	2.3	3.5	0.5	1.5
Canada	2.1	2.4	0.2	1.6
Australia	2.3	4.4	1.9	2.9
G7	2.2	3.2	-0.5	0.6
Advanced Economies	2.2	3.4	-0.2	0.8
Asia	3.7	5.6	0.3	1.8
Central and Eastern Europe	3.6	5.0	2.9	2.4
Latin America	5.7	8.0	6.2	4.9
Emerging Markets	6.0	8.7	3.8	4.2
World	3.7	5.5	1.4	2.2

	2007	2008	2009	2010
Real GDP, % chg, yoy				
China	13.0	9.0	8.3	10.9
India	9.0	6.4	5.8	6.6
Hong Kong	6.3	2.5	-4.0	4.0
Indonesia	6.3	6.1	3.5	4.5
Malaysia	6.3	4.6	-3.5	3.0
Philippines	7.2	4.6	-0.5	3.0
Singapore	7.8	1.1	-8.0	2.5
South Korea	5.0	2.5	-3.0	2.9
Taiwan	5.7	0.1	-7.0	3.5
Thailand	4.9	2.6	-4.0	2.5
Brazil	5.7	5.1	-1.5	3.0
Argentina	8.7	7.0	-1.2	1.1
Mexico	3.3	1.3	-4.8	1.4
Venezuela	8.4	4.8	2.0	2.7
Russia	8.1	5.6	-7.5	3.0
Turkey	4.5	0.9	-7.0	3.5
South Africa	5.1	3.1	-1.6	2.6
Central and Eastern Europe	5.5	3.7	-2.0	1.0
Asia ex Japan	10.0	6.7	4.8	7.8
Latin America	5.7	4.2	-1.7	2.4
BRICs	10.4	7.5	4.5	7.9
Emerging Markets	8.8	6.1	2.4	6.3

	2007	2008	2009	2010
Consumer Prices, % chg, yoy				
China	4.8	5.9	-0.3	1.5
India	4.6	8.8	1.0	4.5
Hong Kong	2.0	4.3	0.0	0.6
Indonesia	6.4	10.3	5.3	5.5
Malaysia	2.0	5.4	1.6	2.5
Philippines	2.8	9.3	3.3	3.6
Singapore	2.1	6.5	-0.8	-1.0
South Korea	2.5	4.7	2.6	2.5
Taiwan	1.8	3.5	-1.3	0.0
Thailand	2.2	5.5	0.1	2.2
Brazil	3.6	5.7	4.9	4.1
Argentina	8.8	8.6	6.1	6.9
Mexico	4.0	5.1	5.6	3.6
Venezuela	20.2	33.4	24.2	24.5
Russia	9.0	14.1	13.2	10.0
Turkey	8.8	10.4	6.9	6.8
South Africa	7.5	9.0	6.0	5.0
Central and Eastern Europe	3.6	5.0	2.9	2.4
Asia ex Japan	4.7	6.7	0.8	2.5
Latin America	5.7	8.0	6.2	4.9
BRICs	5.6	7.5	2.3	3.6
Emerging Markets	6.0	8.7	3.8	4.2

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

For our latest Bond, Currency and GSDEER forecasts, please refer to the Goldman Sachs institutional portal (<https://360.gs.com/gsp/portal/research/econ/econmarkets/>).

Equity Risk and Credit Premiums

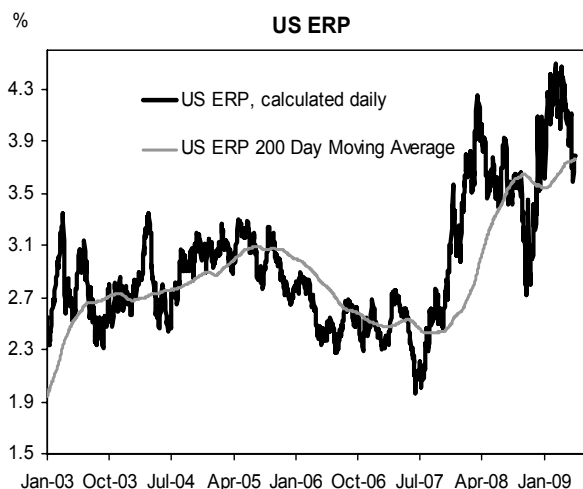
Updated Estimates for the Equity Risk Premium*

	Real GDP Growth	Real Earnings Growth	Dividend Yield	Expected Real Return	Real Bond Yield	Implied ERP	Expected Inflation	Expected Nominal Return
US	3.0	3.0	2.5	5.5	1.7	3.8	2.0	7.5
Japan	1.5	1.5	2.2	3.7	0.9	2.8	0.5	4.2
UK	2.8	2.8	4.7	7.5	0.4	7.1	2.0	9.5
Europe ex UK	2.3	2.3	4.6	6.8	0.4	6.4	2.0	8.8
World	2.5	2.5	3.4	5.9	1.0	4.8	1.8	7.6

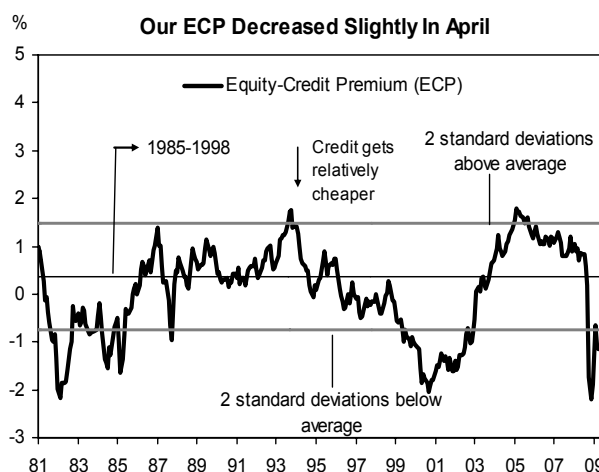
*Calculated as of 19 May 2009.

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

The US ERP is now very close to its 200-day moving average.



Our ECP decreased slightly in April as the fall in the US ERP outweighed the fall in corporate bond yields.



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The World in a Nutshell

THE GLOBAL ECONOMY		
	OUTLOOK	KEY ISSUES
UNITED STATES	We estimate that real GDP fell at an annual rate of 6.1% in Q1 and will fall by 3.0% (annualised) in Q2. We expect an overall decline in prices of -0.7% in 2009, and unemployment to reach 10% by year-end 2010. US households are rapidly cutting back on expenditures, but the steepest decline in consumer spending appears to be behind us. Our current US economic forecast assumes a sharp rise in the household saving rate to over 8% by the end of 2010.	We think a V-shaped recovery is unlikely, as most of the private-sector forces that have traditionally powered strong US recoveries are vertically challenged. A huge overhang of unoccupied houses will prevent a cyclical recovery in homebuilding, efforts to boost saving may stunt growth in real consumer spending, and firms are apt to be slow to rehire workers, as they were in the last two 'jobless' recoveries.
JAPAN	We have raised our GDP forecast for 2009 to -5.3% (from -6.1%) and 2010 to +1.1% (+0.1%), respectively. The contributory factors are (1) a higher growth expectation for China, (2) unprecedented fiscal expansion, and (3) easier financial conditions as a result of a weaker yen (yen correction) and stronger equities. The strongest momentum is likely to be in 2H2009 due to a high concentration of fiscal benefits. However, sustainability of growth from 2010, when there will be a fiscal payback, remains uncertain.	The government economic stimulus package totals ¥56.8trn (11.2% of GDP), with ¥15.4trn (3.0%) in direct stimulus funds. These economic stimulus measures will provide a near-term boost to GDP growth. We estimate the three core measures may together lift annualised GDP growth by over 2 pp above our current forecast in July-December, when they will have their greatest impact. The sustainability of this rebound, however, remains extremely uncertain. The general government deficit is set to increase to 9.5% of GDP.
EUROPE	GDP fell 2.5%qoq in Q1 and we expect a further 0.6% in Q2, suggesting the Euro-zone will have a deeper recession than we see for the US before a muted recovery in 2010. We expect unemployment to rise to 10% and the household saving ratio to increase to about 15% by year-end. We see core CPI inflation falling below 1.0% in 2009H2 and remaining there in 2010. Recovery will be long and gradual, driven mostly by consumer spending.	There is concern that the ECB's monetary policy operations and the ensuing rise in liquidity will lead inevitably to a surge in inflation. We disagree: we expect Euro-zone inflation to remain well-behaved for the foreseeable future and see deflation as the major threat to the Euro-zone economy. While the timing is unlikely to be perfect, the ECB should have no problem absorbing the excess liquidity before it imposes any inflationary threat.
NON-JAPAN ASIA	On the back of our raised growth forecasts for China, we now believe Korea's GDP growth for 2009 and 2010 to be -3.0% and 2.9% respectively from -4.5% and 2.7% previously, a result of effective stimulus policies and the prospect of an export recovery. We have also raised our growth forecasts for both Taiwan and Hong Kong.	In India, the Congress-led UPA alliance unexpectedly won a big victory in the Parliamentary elections, ensuring that they will form the next government. These election results may help India 'decouple' further from the global economy by giving a fillip to domestic demand, and there are now upside risks to our GDP growth forecast of 5.8% for FY10.
LATIN AMERICA	Our forecast for real growth in LatAm is -1.7% in 2009. The growth outlook for the global economy is germane to LatAm as weaker global growth reduces the demand for non-commodity exports, contributes to keeping commodity prices relatively low, hurts tourism receipts and weakens workers' remittances.	In Brazil, data for the BoP have improved since March. Trade surpluses have widened while current account deficits have been contained. We now forecast that the cumulative balances for the BoP in 2009 and 2010 will be US\$20bn better than we had previously projected.
CENTRAL & EASTERN EUROPE, MIDDLE EAST AND AFRICA	In Russia and Kazakhstan, there was a deeper than expected drop in 2008Q4 and 2009Q1. A key question will be how much responsibility the state will take for private external debt. In Ukraine, there is a very hard landing underway, and the sustainability of the balance of payments depends on foreign banks' willingness to maintain their commitment to the country. We expect GDP to contract by -15.0% in 2009.	In the EMEA region, we find that lower policy rates have not translated into lower lending rates on consumer loans, and the pass-through to lower rates is very weak. We expect domestic credit conditions to remain tight for several more months as NPL ratios rise further, and access to external capital to remain tight, especially in those regions where banks have smaller capital buffers.

CENTRAL BANK POLICIES			
	CURRENT SITUATION	NEXT MEETINGS	EXPECTATION
UNITED STATES: FOMC	The Fed cut the funds rate to a range of 0%-0.25% on December 16, 2008.	June 24 August 12	We expect the Fed to keep the funds rate near 0% through the end of 2010.
JAPAN: BoJ Monetary Policy Board	The BoJ cut the overnight call rate by 20bp to 0.1% on December 19, 2008.	May 22 June 16	We expect the BoJ to keep the policy rate at 0.1% through 2010.
EUROLAND: ECB Governing Council	The ECB cut rates by 25bp to 1.0% on May 7, 2009.	June 4 July 2	We expect the ECB to cut rates to 0.5% by 2009Q3.
UK: BoE Monetary Policy Committee	The BoE cut rates by 50bp to 0.5% on March 5, 2009.	June 4 July 9	We expect the BoE to maintain rates at 0.5% through the end of the year.