

Global Economic Outlook

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Overview

Global Economy – We have raised our 2010 estimates for global GDP growth by 0.2 percentage points to 3.7%. Fiscal sustainability of governments remains a key risk.

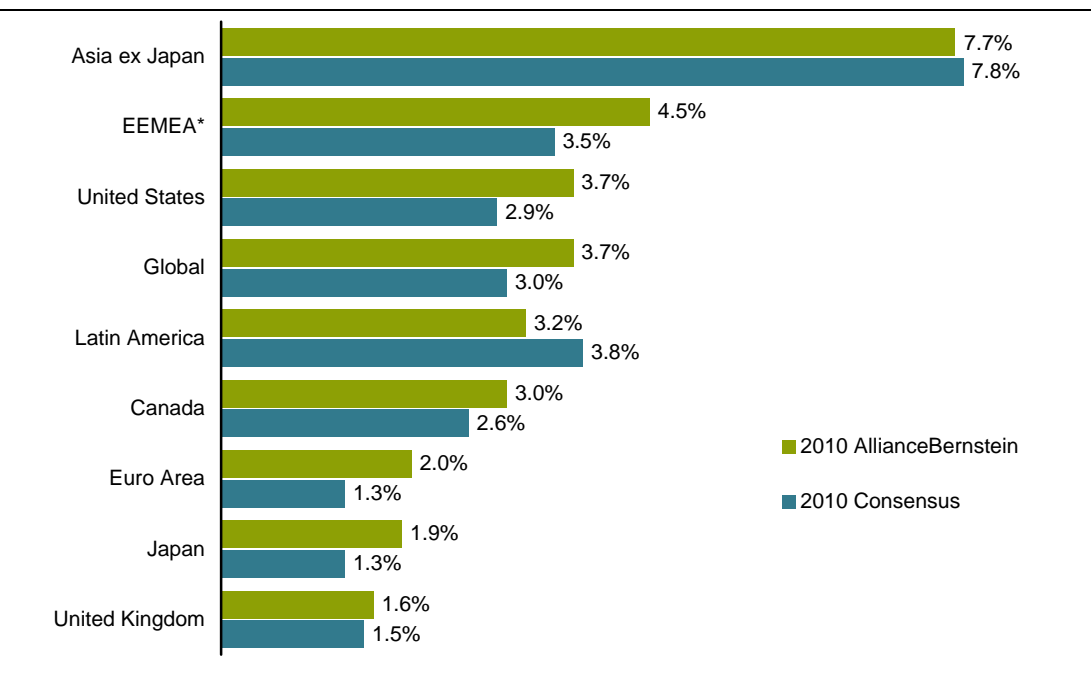
United States – The US economic recovery is in full swing, driven by strong gains in exports and investment.

Europe – With lingering problems on the periphery, and the euro-area recovery and interest rate cycle likely to lag the US, we expect the euro to fall further against the dollar.

Japan – Amid a soft recovery, a rebound in exports and an accompanying improvement in investment growth should prevent the economy from falling into a double dip.

China – Despite Beijing’s preemptive tightening, a new 2010 loan target of RMB7.5 trillion is the second largest ever and will support efforts to achieve nominal GDP growth of 13%–15%.

2010 World Economic Growth Forecasts: AllianceBernstein vs. Consensus



*Eastern Europe, Middle East and Africa
 Source: AllianceBernstein

Global Economic Research

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Global Outlook

Global GDP estimate moves higher

With strong economic growth at the end of 2009 followed by solid manufacturing gains early this year, the global economic outlook is improving. As a result, we have raised our 2010 forecast for global real GDP growth by 0.2 percentage points to 3.7%. Consensus estimates are also inching higher and now stand at 3%. Over the past six months, consensus estimates have been raised by one full percentage point, with the outlook for non-Japan Asia and the US enjoying the largest upward revisions.

Based on the GDP reports for China, US and several European countries, we estimate that global GDP expanded at an annualized rate of 4.9% in the last quarter of 2009, following a relatively strong gain of 3.3% in the third quarter. The strong rebound in global GDP follows the normalization script that we predicted in early 2009 due to aggressive monetary policies and a record amount of fiscal stimulus that was infused into the global economy during the second half of 2009. With monetary and fiscal policies still skewed towards accommodation, we continue to expect relatively strong global GDP throughout 2010.

Strong manufacturing rebound underway

January's report on global manufacturing activity supports our bullish stance. The global manufacturing composite index rose 1.5 points to 56.1, marking the seventh consecutive month in which the overall index exceeded the 50% threshold that indicates expansion, and the highest reading since 2004. Interestingly, the US and China posted the strongest manufacturing scores within the global index. Gains in the US reflect the much improved competitive position of the manufacturing sector, created by cost cuts, innovation and productivity improvements, as well as the benefits of a weaker dollar. China's gains, meanwhile, reflect the resumption of the global trade cycle and the increasing role of the world's most populous nation in global manufacturing and trade.

Fiscal sustainability of government is the largest downside risk

The largest downside risk to the forecast remains the fiscal sustainability of governments and the pressure that financial markets are putting on various countries to reduce their debt burdens. In the past, attempts to force countries into retrenchment policies have only worked when there was a sharp adjustment to the value of the home currency, which eventually helped the economy return to economic growth.

Unfortunately, many countries that are facing the most acute pressure on their finances—Greece, Portugal, Ireland and Spain—are part of a currency union that is dominated by stronger European countries, such as Germany and France. In our view, default is not a likely option, nor is breaking away from the currency union a way out of the current crisis. Yet, given the size of the problems in many of these countries, we believe fiscal problems of the smaller countries will delay the normalization of monetary policy in Europe and, as a result, keep the euro in a declining path relative to the US dollar over the intermediate term. The fiscal issues in many smaller European countries could also weigh negatively on eastern Europe, given the trade and banking relationships across the region. Although we have not seen any evidence of economic contagion, the risks are clearly growing as long as governments do not get ahead of the debt management problem.

US Outlook

Strong GDP rebound in the US

The US economic recovery is becoming a reality, after months of signals pointing toward the imminent end of the longest recession in postwar history. According to the preliminary estimates released earlier this month by the Bureau of Economic Analysis, fourth-quarter real GDP rose at an annualized rate of 5.7% (**Display 2**), posting its second consecutive quarterly gain and the fastest growth since the third quarter of 2003.

Display 2: GDP Rebound Shows US Recession Is Over

Real GDP Growth



Source: Bureau of Economic Analysis and Haver Analytics

These figures are somewhat stronger than we had expected and provide further support to the view that the US economic recession ended last summer. Based on the new data, we expect the National Bureau of Economic Research, the official arbiter of economic cycles, to formally determine that the economic recession ended last June, 18 months after it began in December 2007.

Inventory investment was the biggest contributor to fourth-quarter growth, accounting for 3.4 percentage points of the increase in overall real GDP. Such a substantial boost from inventories creates an impression that the relatively strong economic rebound in the fourth quarter was due to a one-off inventory adjustment and is unlikely to be repeated. However, when placed in historical context and understood within the wider GDP framework, we think inventory investment will continue to be an important factor in the recovery during the coming quarters.

GDP is a measure of output, which is constructed by summing all of the spending on final goods and services—or purchases made by consumers, businesses, government and foreign customers (less imports)—and then adding the change in inventories. In recent quarters, business inventories were contracting, sometimes at substantial rates, meaning companies were producing less than they sold to customers at home and overseas.

During the fourth quarter, even though inventory investment added substantially to GDP growth, companies still produced less than they purchased, as business inventories contracted again. But as the rate of inventory liquidation slowed dramatically from \$139.2 billion in the third quarter to \$33.5 billion in the fourth quarter, it subtracted less from GDP. This sharp reduction therefore contributed to fourth-quarter GDP growth. It implies, as we argued in a previous economic report, that GDP will continue to benefit strongly when companies begin to build up inventories in the months ahead.

The lift from inventory investment over the past two quarters may appear deceptively large on a quarterly or combined basis. But the two-quarter contribution is actually in line with past economic recoveries. Indeed, the average contribution from inventory investment during the first six months of economic recoveries was two percentage points—almost identical to the 2.1 percentage point combined gain registered in the third and fourth quarters of 2009.

We therefore believe that the big lift from inventories over the past two quarters should not preclude a substantial contribution in the quarters ahead, as the recent performance is in line

Big lift from inventory investment...

...but business inventories still contracted in 4Q

Contribution from inventory investment is

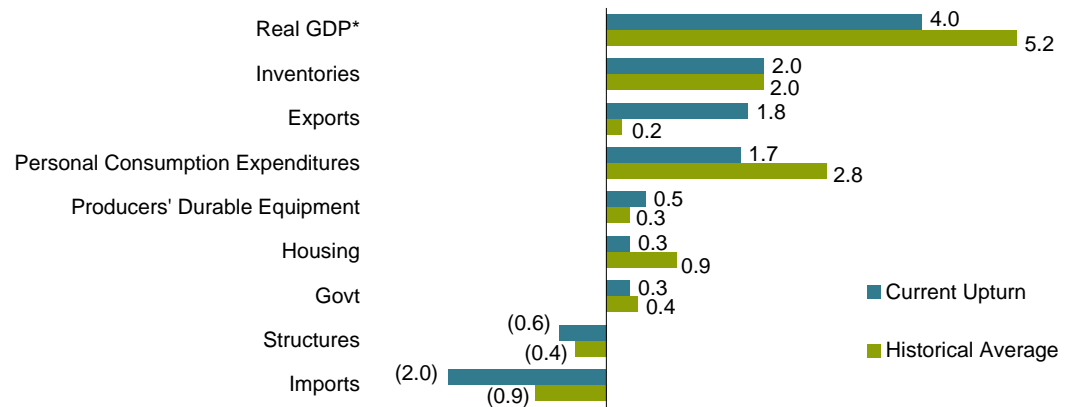
in line with historical average

with previous cycles and companies have not even started to build stock positions, which is the next step in the inventory cycle and an important driver of growth in the early stages of the economic recovery.

Aside from the big shift in the inventory cycle, the GDP data are broadly consistent with our view that the US economy is likely to be driven by a “new mix” of growth in the short term. In particular, consumer spending and housing is making a smaller contribution to the recovery, while exports have rapidly become a powerful growth engine (**Display 3**).

Display 3: GDP Growth Leadership Coming from Exports

Contribution to US Real GDP Growth (First Six Months of Expansion)



*Annualized change for six months
Source: Bureau of Economic Analysis and AllianceBernstein

New drivers of growth: exports and investment

In previous economic recoveries, at this stage of the business cycle, real GDP growth typically has been driven by the traditional domestic demand engines such as consumer spending and housing. We wouldn't normally expect a significant contribution from the global economy via exports just yet, since in the past, global business cycles were always led by rising demand from the US. This pattern has been reversed: in 2009, emerging markets recovered before industrial economies and are growing more than twice as fast as the US economy.

The changing dynamics in the global recovery explain why exports are driving US GDP growth, instead of the traditional domestic demand engines such as consumption and housing. During the past two quarters, exports jumped by an impressive 18% annualized rate, by far the strongest GDP component. Export growth has lifted GDP growth by 1.8 percentage points, well above its historical contribution of a mere 0.2 points. Strong exports almost fully offset the weaker than average contributions to GDP from the consumer and housing sectors.

In contrast, real consumer spending rose at an annualized pace of just 2.4% during the current upturn, while housing advanced 12.3%, albeit from a very low base. The two consumer-oriented sectors added two percentage points to GDP growth, a little more than half of the average 3.7 point contributions of the past six upturns. We're not surprised by the relatively muted role of consumer spending and housing, as the household sector is still deleveraging and the housing sector is still working off excesses of past years.

We see 4% real GDP growth in 2010

We expect the GDP trends of the past six months to remain in place throughout the year. In fact, a leaner and more competitive US manufacturing sector is poised for robust exports that may advance twice as fast as overall GDP growth. Directly and indirectly, through investment spending and inventory building, the strong export sector will account for a large

Europe Outlook

Greece takes centre stage

Developments in the euro area's real economy have been pushed to the sidelines in recent days, as the Greek crisis continues to deepen and its impact starts to spill over into other peripheral countries. We continue to believe that Greece will not leave the euro or default. But we don't think that a speedy resolution to the current impasse is likely, suggesting that European asset markets will remain volatile.

Other peripheral euro-area countries also have problems

Part of the problem for other euro-area countries is that Greece's problems are not entirely idiosyncratic. Greece may be the worst-placed euro-area country, and is unique in the sense that it scores poorly on virtually every important risk indicator. But its shortcomings are also evident in other euro-area countries. For example, all of the peripheral euro-area countries have seen their competitive positions deteriorate markedly in recent years.

Fortunately, the situation is less urgent in other countries. Italy has the highest public sector debt in the euro area but has kept its deficit under firm control in recent years, and runs only a modest current account deficit. Ireland and Spain are trying to cope with the deflationary forces unleashed by collapsing asset-price bubbles. This has pushed their budget deficits close to Greek levels, but outstanding debt is far lower. The same is true, to a lesser degree, of Portugal.

But even if these countries are not in as much immediate danger as Greece, the fact that they possess fundamental fault lines makes them vulnerable at times of heightened market stress. This helps explain why they find themselves the focus of market attention and why Greece, a country that accounts for just 2.6% of euro-area GDP, remains of such systemic importance.

Some positive developments. . .

Despite the gloom, there have been some positive developments in recent weeks. While the market sell-off is unwelcome for many reasons, it is succeeding where peer pressure and the European Union's institutional mechanisms have failed, in forcing Greece to understand the gravity of its predicament. The government is beginning to adopt meaningful measures. We also welcome the firm stance adopted by the European Commission. Angered by years of prevarication, the Commission is no longer willing to take Greece's fiscal plans at face value. The implementation of the fiscal adjustment will be subjected to unprecedented surveillance and potential intervention. All of the euro-area nations signed away their monetary sovereignty when they joined the euro. Greece may now have taken the first steps towards relinquishing its fiscal sovereignty.

. . .but risks are high

But there are considerable risks. The most obvious is implementation risk. There are two aspects to this. First, Greece's austerity package could provoke a big domestic backlash. The evidence here is mixed. So far, opinion polls suggest that the government's popularity has not been hurt by tough talk on the deficit. Meanwhile, several unions are planning industrial action. Notwithstanding pressure from Brussels, there is a risk that the Greek government will backtrack on its more unpopular proposals. The second implementation risk relates to the scale of the task confronting Greece and the limited range of policy tools at its disposal. In the past, several European countries have reduced large budget deficits. But they were often aided by weaker currencies and/or lower interest rates. Neither of these is open to Greece and markets are, rightly, questioning whether it can deliver on its promises.

Greece may need outside support . . .

The final risk relates to financing. According to our estimates, Greece faces a gross funding requirement of about €55 billion this year. While this did not look that challenging a few weeks ago, it is likely to prove more problematic in the current environment. This is

particularly true for April and May, where bond redemptions are clustered. The risk that Greece will need some form of outside assistance has clearly grown.

... but is unlikely to default or leave the euro

Despite the risks, we do not think Greece will leave the euro or default. This is not because its fundamentals are strong, but because of the systemic risks should it fail. Indeed, the fact that other countries and global equity markets are now being affected is likely to dampen the ardor of those wishing to make an example of Greece. Moreover, we should recognize that the sell-off has been a necessary evil. Had the market continued to buy Greek bonds at low spreads, the chances of the government taking meaningful fiscal action would have been very low. To this extent, the widening of spreads may actually have been welcomed by the main European institutions. Now, with contagion spreading and Greece starting to move in the right direction, a more supportive approach may be required.

Another reason to sell the euro

In conclusion, the situation on the euro-area periphery is still finely balanced. With volatility likely to remain high in coming weeks, we continue to adopt a cautious stance on these markets despite the seemingly attractive spreads on offer. One of the biggest casualties of the Greek crisis has been the euro, which has fallen 10% against the dollar from its recent highs. With problems on the periphery likely to linger, the euro-area recovery and interest rate cycle likely to lag the US, and the euro still at historically elevated levels, we think the euro has further to fall in coming months.

Japan Outlook

With the help of a strong recovery in exports, Japan's industrial production swung back into positive territory in December, registering year-on-year growth of 5.3%. As a result, quarter-on-quarter industrial output increased by 4.6% in the fourth quarter, which in our view suggests annualized GDP advanced by 2% during the same period.

Improved external demand will reduce risk of a double dip in growth

The labor market has improved slightly, with Japan's unemployment rate declining marginally by 0.1 point to 5.1%. According to the household survey, spending on durable consumer goods remained strong, indicating the lingering effect of government stimulus. Private consumption should stay relatively robust thanks to the tax incentives on household spending, while public works are poised to decline due to partial budget freezes by the new administration. Overall, we expect the Japanese economic recovery to remain soft, but the export rebound and the accompanying improvement in investment growth should prevent the economy from succumbing to a double dip. This, however, will probably not be sufficient to lift the economy out of the current deepening deflationary spiral, thereby forcing the Bank of Japan (BOJ) to extend its accommodative policy stance.

We expect the BOJ to leave policy rates unchanged in the next six to 12 months, even though other major central banks will start to tighten interest rates this year. This suggests that the yen will be attractive for carry trade, either for foreign investors using the currency as a source of funding or for local residents seeking better investment returns offshore. We still expect the yen to weaken over the forecast period, and are maintaining our six-month target for JPY/US\$ at 95 (versus current 90.1). For local bond yields, we forecast a modest increase in the 10-year JGB yield to 1.5%, from 1.39% currently.

Australia Outlook

Recent incoming economic data in Australia and New Zealand have been broadly consistent with the "key themes" that we outlined last month, and have underlined how the economic recoveries in the two economies are taking different shapes.

Employment and inflation numbers released over the month are cases in point. In Australia, employment posted yet another solid increase in December (up 35,000) while the

unemployment rate fell to 5.5% and is now clearly peaking. This represents a sharp contrast with consensus expectations from a year ago, which were for unemployment to leap as high as 8%–9%. In New Zealand, meanwhile, the level of employment slipped again in the fourth quarter and the unemployment rate climbed from 6.5% to 7.3%—the highest reading in 10 years. This is a clear indication that while both economies are recovering, New Zealand continues to lag.

The contrast is clear in the inflation data, too. New Zealand's core CPI inflation, based on the quarterly readings of the trimmed mean and weighted median measures, has fallen from 3.9% in the third quarter of 2008, to just 1.8% in the fourth quarter of 2009. However, Australia's core CPI inflation rate remains stubbornly high at 3.4% in the fourth quarter of 2009, and continues to sit above the RBA's 2%–3% target band.

There was a marked revision to consensus monetary policy expectations over the month, which are now broadly in line with our views as a result. At this writing, markets are pricing the RBNZ hiking cycle to start in June, and to deliver around 125–150 b.p. of tightening by year-end. In Australia, where the RBA surprised markets by maintaining rates, markets are now expecting a gradual tightening path and a 4.5% end-2010 cash rate.

Canada Outlook

Jobs, housing and exports fuel recovery

Solid jobs growth and strong housing markets are helping to fuel the economic recovery, while a rebound in exports is providing a further impetus for growth. We think that fourth quarter GDP probably exceeded 4%, as monthly growth in November topped expectations at 0.4%.

Nevertheless, parts of the recovery remain uneven. For example, manufacturing shipments and retail sales seem likely to be a bit softer in the fourth quarter than they were in the third. Similarly, imports are not showing signs of a rapid recovery either.

We expect rate hikes beginning in June

Inflation remains uncomfortably close to the central bank's target of 2%, though there is no sign of a rapid rise in prices on the horizon. The central bank indicated in its January meeting that it would almost certainly stay the course relative to its expectation of changing rates only late in the second quarter. This reinforces our view that a tightening cycle will probably begin at the June meeting of the central bank.

Emerging Markets Outlook

The regional recovery is becoming a bit more divergent

Latin America: Economic growth in the region should exceed 3% in 2010, but results will be widely dispersed between countries. In general, we don't expect central banks to begin tightening until mid-year. External accounts are likely to deteriorate from strongly positive positions, but the pace of this trend will be tightly tied to global growth in general.

Brazil's central bank statement from this month's meeting suggested that a rate-hiking cycle is likely to begin in April, instead of from the next meeting in March. Economic growth in Brazil is perhaps the most solid in the region, although inflation expectations have crept up, and the December current account deficit was a record. In **Argentina**, the government only managed to post a small fiscal surplus in 2009 by conducting one-off transfers, implying that the scope for stimulatory policies is limited. Dollar reserve accumulation has flat-lined, and we suspect the country may turn to a weaker peso and higher inflation to prompt growth.

Andean growth is more subject to political

Mexico's new central bank head has started his tenure by sounding dovish. The country will begin a policy of accumulating reserves, which means the peso should stay relatively weak.

Although the Mexican recovery has become more solid, a contractionary fiscal policy will create considerable headwinds for the economy, in our view.

Venezuela is experiencing some social unrest, amid electricity shortages and high inflation. The economy will probably contract this year, and dollar demand will remain very high despite the recent devaluation. Ecuador is also experiencing only modest growth, though a recent turn toward a trade surplus takes some pressure off dollar reserves. Colombian growth is still constrained. The central bank has held rates steady for three consecutive meetings, and we expect rate hikes only in the second half.

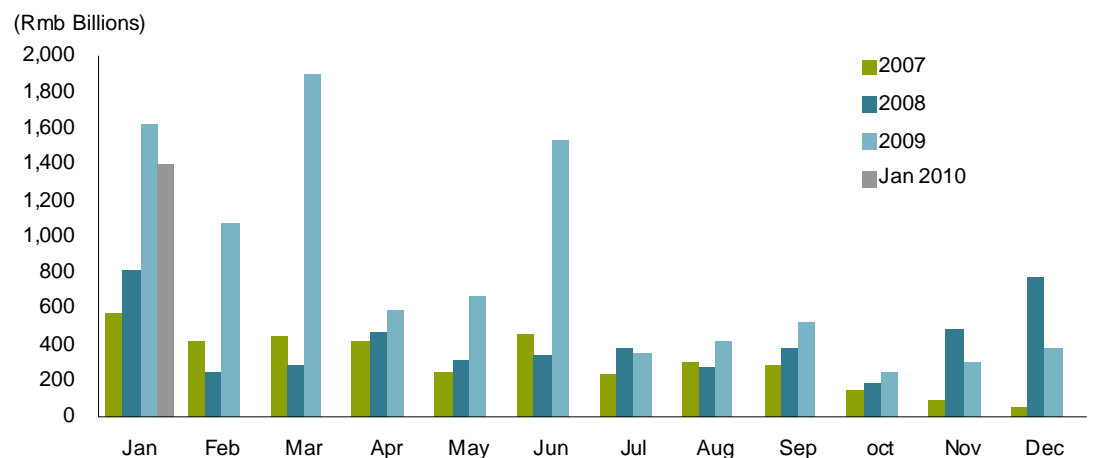
China's preemptive tightening is worrying the market

Asia ex Japan: The 50 basis point hike in the reserve requirement ratio (RRR) in January and the increasingly heavy-handed controls on banks' lending by the People's Bank of China (PBOC) were wake-up calls to the market, forcing it to recognize that China's monetary tightening could be much more preemptive than previously thought. The market now fears a highly concentrated tightening in the first half of the year that might choke the recovery, sabotage the country's demand for world commodities and turn much of China's large volume of bank loans into nonperforming assets.

The display below underlines our belief that it makes sense for China to exit proactively from its ultra-loose liquidity position, which was imposed by the global crisis a year ago. We have written extensively recently on China's monetary policy outlook, but there are three important points worth highlighting again.

Display 4: Big Jump in January

China's Monthly Changes in Rmb Loans



Source: CEIC data and AllianceBernstein estimates

Lending rate hike to start in late first quarter

First, China's monetary-policy instrument of first resort is to target the quantity of money by applying heavy regulatory pressure on the banks. Beijing can ramp the credit cycle up and down, but the trajectory tends to be volatile, particularly when policy changes direction. Administrative measures are not sustainable and, for longer-term effectiveness, policymakers need to draw upon market forces (through changes in interest rates, for example, and open-market operations, etc.). Under current conditions, we think the hike in the benchmark one-year lending rate will come sooner than generally expected—probably before the end of the first quarter.

Second, we think the PBOC aims to smooth the path of credit growth to achieve its RMB7.5 trillion new-loan target for 2010. This will be the second-largest credit growth in China's monetary history after last year's RMB9.6 trillion and will ensure more than enough

New loan targets for 2010 support nominal GDP growth of 13%–15%

liquidity to support nominal GDP growth of 13%–15%. Moreover, the PBOC will aim to keep to the usual annual pattern of roughly 65% of new loans being frontloaded into the first half of the year. We think the PBOC has a good chance of achieving this target—the important implication being that, by mid-year, the growth of total loans outstanding will be on target at around 18% year on year compared with 32% in December 2009. This will be consistent with 13%–15% nominal GDP growth.

Effective monetary exit will lead to repricing of fundamentals

Third, fixed asset investment (FAI) growth has already slowed from its frenetic expansion in early 2009, to around 20% in real terms in December. We expect full-year 2010 FAI growth to be about 25% compared with 36% in 2009. The return of more sustainable investment and credit growth will put China in the sweet spot of its policy-exit cycle. At that point, we expect the financial markets' mood towards China will improve. So far, the markets have acted true to form in responding negatively to the initial headwinds of a policy tightening. Once the benefits of preemptive tightening start to emerge, however—that is, the reduced risk of harsher measures at a later point in the cycle, and the increased chance of sustainable economic growth—the markets should begin to reprice the fundamentals.

EEMEA recovery gains momentum, but Greece poses potential risk

Eastern Europe, Middle East and Africa: The economic recovery continues to gain momentum, but potential contagion from events in Greece, if sustained, represents a risk to the economic recovery. New European Union member states are particularly vulnerable, as their economies and financial systems are more closely tied to the euro area. Risks include a potential rise in local risk premiums, which raise borrowing rates, and possibly lower exports to the euro area.

Real economic data are strong

Recent data suggest that real GDP is likely to surpass our forecast for growth of 4.5% in 2010. This forecast remains above consensus, which has risen steadily to 3.5% currently from 2.2% in July 2009. Monthly economic data continue to point toward a rebound in growth, driven by exports and loose policy mixes. PMI data posted strong gains in January, rising to a composite of 51.8 from an average of 50.3 for the previous four months. PMI data are now at the highest level since February 2008, and above the expansionary level of 50 in all six major economies. The mix is also favorable, with new orders rising to 53.5 from 51.2. Industrial production growth also exceeded a 10% annualized pace (three-month over three-month) in December for the fourth month in a row, led by **Turkey**. Preliminary data for the fourth quarter 2009 also show that real GDP grew by more than expected. **Russia's** GDP grew by 5.3% quarter on quarter seasonally adjusted (quarter-on-quarter, seasonally adjusted), marking the second quarter of strong gains. **Poland's** GDP grew by 2.0% q/q sa in the fourth quarter, and had the strongest growth rate of all EU member states in 2009 at 1.7%.

Credit remains weak

In contrast to the notable improvement in real economic activity, domestic credit growth slowed in November and December of 2009. This pattern suggests that banks continue to shrink their balance sheets as growth recovers. A lag in credit growth is consistent with previous emerging-market cycles, when absolute credit growth generally recovered after a lag of one or two years. This precedent, together with improvements in the credit impulse—the change in credit growth—suggest that bank lending should resume during 2010 in most economies. This shift is already evident in Turkey, where nominal credit has risen by 14% since April.

Supply-side inflation poses risk to some economies

The outlook for inflation and monetary policy has not changed. We expect inflationary pressures to remain low in most cases because of large negative output gaps (defined as a significant excess capacity of workers and production). However, supply-side inflation—base effects on energy and food prices and administrative price and excise tax increases—is

likely to keep headline inflation elevated in Turkey, South Africa and Russia.

We expect Turkey to hike rates first

In Turkey, higher headline inflation, combined with strong economic activity and extremely loose monetary conditions, are likely to prompt a rise in the country's risk premium similar to 2006, as markets at some point may start to doubt the central bank's determination to combat inflation. As a result, the central bank will probably hike rates as early as the first half of 2010 and by more than markets expect. We continue to expect Poland and **South Africa** to keep rates on hold until the fourth quarter of 2010, when the economic recovery finally leads their central banks to start to normalize policy. Russia and **Hungary** are likely to continue to cut rates to loosen financial conditions. In Russia's case, however, higher inflation and an expected increase in lending may prompt the central bank to reverse course and start to hike policy rates in the second half of this year.

Israel's inflation set to decline

In the region's smaller economies, monetary policy has toughened and banks are poised to tighten. In **Israel**, the central bank kept rates stable at 1.25%. Inflation in December was 4.0% year over year, essentially unchanged from 3.9% in November. The central bank cited VAT increases for inflation levels being above the 1%–3% target rate. Two supply-side factors are likely to drive inflation lower in the near term. First, the government announced a 50 b.p. cut in the maximum VAT rate to 16.0% from 16.5%. This is a partial reversal from last July's increase of 100 b.p. made in order to raise revenue. Second, the Public Utilities Authority announced electricity prices would be cut by 8% to 16% due to lower production costs. We believe that the central bank will hike rates at a gradual pace in 2010 and that the currency will appreciate as the economy continues its strong recovery.

Czech Republic holds the policy rate steady

In the **Czech Republic**, the central bank held the policy rate at 1.00%, the lowest rate in the country's history, and in line with ECB rates. The bank also began targeting a new lower inflation band of 1%–3% from 2%–4%. Inflation rose to 1.0% year over year for December from 0.5% in November. The central bank has kept the rate low in an effort to reduce commercial banks' lending rates, which have not loosened along with the policy rate. As inflation begins to rise amid the economic recovery, we believe that the central bank will begin to raise rates in the second or third quarter of 2010 with strong attention being paid to ECB policy rate changes.

	Real Growth ¹			Inflation ¹			Official Rates ²			Long Rates ²		
	2008	2009F	2010F	2008	2009F	2010F	2008	2009	2010F	2008	2009	2010F
Global	1.8%	-2.1%	3.7%	4.2%	0.8%	2.3%	2.76%	1.68%	2.67%	3.25%	3.87%	4.46%
(PPP Wtd)	2.7%	-1.0%	4.5%									
Industrial Countries	0.3%	-3.4%	2.7%	3.5%	0.3%	2.0%	1.41%	0.59%	1.77%	2.70%	3.67%	4.31%
Emerging Countries	5.7%	1.2%	6.4%	7.8%	3.4%	4.8%	8.00%	5.64%	6.42%	6.09%	5.98%	6.67%
United States	0.4%	-2.4%	3.7%	3.8%	-0.3%	2.4%	0.25%	0.25%	2.00%	2.25%	3.85%	4.75%
Canada	0.0%	-2.5%	3.0%	2.3%	1.8%	2.5%	1.50%	0.25%	2.00%	4.00%	3.60%	4.75%
Europe	0.5%	-4.1%	2.0%	3.4%	0.6%	1.6%	2.41%	0.92%	1.56%	2.97%	3.51%	3.89%
Euro Area	0.5%	-4.0%	2.0%	3.3%	0.3%	1.3%	2.50%	1.00%	1.50%	2.95%	3.39%	3.75%
United Kingdom	0.5%	-4.8%	1.6%	3.6%	2.2%	2.8%	2.00%	0.50%	1.50%	3.02%	4.02%	4.50%
Sweden	-0.5%	-4.3%	2.4%	3.5%	-0.3%	1.2%	2.00%	0.25%	1.50%	2.41%	3.29%	3.75%
Norway	2.1%	-1.1%	3.1%	3.7%	2.2%	2.0%	3.00%	1.75%	3.50%	3.85%	4.14%	4.50%
Japan	-1.2%	-5.4%	1.9%	1.4%	-1.4%	-0.8%	0.10%	0.10%	0.10%	1.17%	1.30%	1.60%
Australia	2.4%	1.0%	3.3%	4.4%	1.8%	2.7%	4.25%	3.75%	4.50%	4.00%	5.80%	6.00%
Non-Japan Asia	6.7%	4.9%	7.7%	6.4%	0.5%	3.5%	-	-	-	-	-	-
China ³	9.6%	8.7%	10.2%	6.0%	-0.7%	3.5%	5.31%	5.31%	6.39%	2.76%	3.65%	4.50%
Hong Kong ⁴	2.5%	-3.2%	4.7%	4.3%	0.5%	3.0%	0.50%	0.50%	1.50%	1.20%	2.65%	3.75%
India ⁵	7.8%	6.9%	7.4%	9.2%	1.3%	3.5%	6.50%	4.75%	6.00%	5.26%	7.56%	8.00%
Indonesia ⁶	6.1%	4.4%	5.8%	9.8%	4.8%	5.5%	9.25%	6.50%	7.50%	11.80%	9.05%	10.25%
Korea ⁷	2.5%	0.2%	5.0%	4.6%	2.7%	3.5%	3.00%	2.00%	3.25%	3.77%	4.90%	5.50%
Thailand ⁸	2.6%	-2.9%	3.7%	5.5%	-1.0%	2.5%	2.75%	1.25%	2.00%	2.17%	3.63%	4.50%
Latin America	4.6%	-2.5%	3.2%	8.0%	6.5%	6.5%	-	-	-	-	-	-
Argentina ⁹	6.0%	-4.0%	2.5%	25.0%	13.0%	15.0%	-	-	-	23.00%	7.25%	7.00%
Brazil ¹⁰	5.0%	1.0%	5.5%	5.9%	4.4%	4.5%	13.75%	8.75%	10.50%	3.50%	2.00%	1.75%
Mexico	2.0%	-6.5%	3.0%	6.5%	4.0%	5.5%	8.25%	4.50%	5.25%	9.00%	8.20%	8.50%
EEMEA	3.9%	-5.6%	4.5%	10.8%	8.3%	6.8%	12.10%	7.08%	7.75%	9.82%	9.55%	10.78%
Hungary	1.3%	-6.8%	0.5%	6.1%	4.2%	3.7%	10.00%	6.25%	5.25%	8.15%	8.03%	7.20%
Poland	4.8%	1.3%	3.5%	4.2%	3.5%	2.1%	5.00%	3.50%	3.75%	5.39%	6.26%	5.90%
Russia	5.6%	-8.9%	5.4%	14.1%	11.7%	8.6%	13.00%	8.75%	8.00%	8.55%	10.49%	10.50%
South Africa	3.1%	-1.9%	3.3%	9.9%	7.1%	5.9%	11.50%	7.00%	7.50%	7.30%	9.17%	9.10%
Turkey ¹¹	1.1%	-5.6%	4.7%	10.4%	6.3%	7.6%	15.75%	6.50%	10.50%	16.60%	10.44%	16.00%

NOTES:

- 1) Growth and inflation forecasts are reported on a calendar year basis.
 - 2) Official and long rates are end-of-year forecasts. Long rates are 10-year yields unless otherwise indicated.
 - 3) China: Official rates are 1-year benchmark lending rates and 10-year government bond yield.
 - 4) Hong Kong: Base rate and 10-year exchange funds yield
 - 5) India: Reverse repo rate and 10-year government bond yield
 - 6) Indonesia: Intervention rate and 5-year government bond yield
- Source: AllianceBernstein

- 7) Korea: Overnight call rate and 5-year government bond yield
- 8) Thailand: 1-day repo rate and 5-year bond yield
- 9) Argentina: Discount bond spread
- 10) Brazil: 2037 bond spread
- 11) Turkey: Long-term rates are 5-year rates.