Emerging markets:
Economic and political outlook

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Key global forecast points

Developed world economies will remain sluggish

- Some strong numbers likely in coming quarters…
- …But **W-shaped recoveries** expected in many countries

Rich world public finances will come under increasing pressure

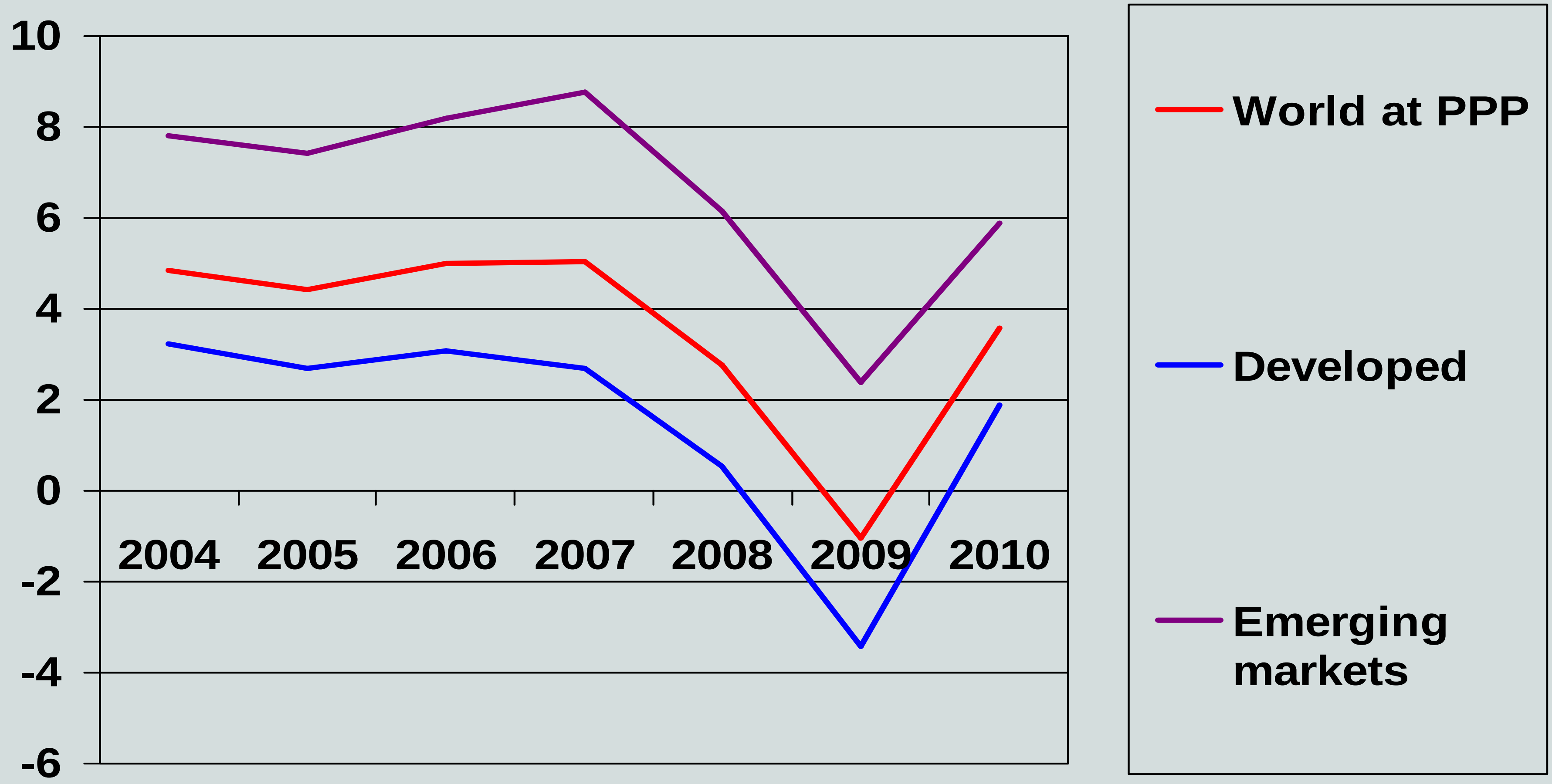
- **Higher taxes** will come
- **Expenditure** must be **cut**

Is this the start of a new age of uncertainty?

- **Imbalances** persist. The next crisis—a developed country or a big EM?
- How will policymakers respond—the **ammunition is already used up**

Crisis accelerates shift underway to emerging markets

Economic growth: no contest



Real GDP growth; % change, year on year.

Short-term: Where's the growth?

Real GDP growth; % change, year on year.

ASEAN=Association of South East Asian Nations. CIS=Russia, Ukraine etc.
Source: Economist Intelligence Unit, *CountryData*.

Economist Intelligence Unit | The Economist

Politics (1) : (Mostly) no parties here…

Saudi, Qatar, UAE

- Political parties banned
- Qatar & UAE: little friction among rulers
- Saudi: succession issues; popular resentment of royal rule

Vietnam

- One-party state
- CPV will remain firmly in control
- Some intra-party factionalism, but no effect on stability/policymaking

Singapore

- Nominal parliamentary democracy, *but*
- PAP controls 82 of 84 seats in parliament
- No threats to PAP rule despite waning popularity

Politics (2) : Coalitions mask tensions

India

- Incumbent coalition gov. received firm mandate in 2009 poll
- Stability in prospect, but effectiveness a concern
- Reform agenda, security are dominant issues

Malaysia

- BN has “only” a simple majority for the 1st time in its history
- The magic numbers: 10 and 30
- Anwar still the glue that binds the opposition

Politics (3) : Crisis coming?

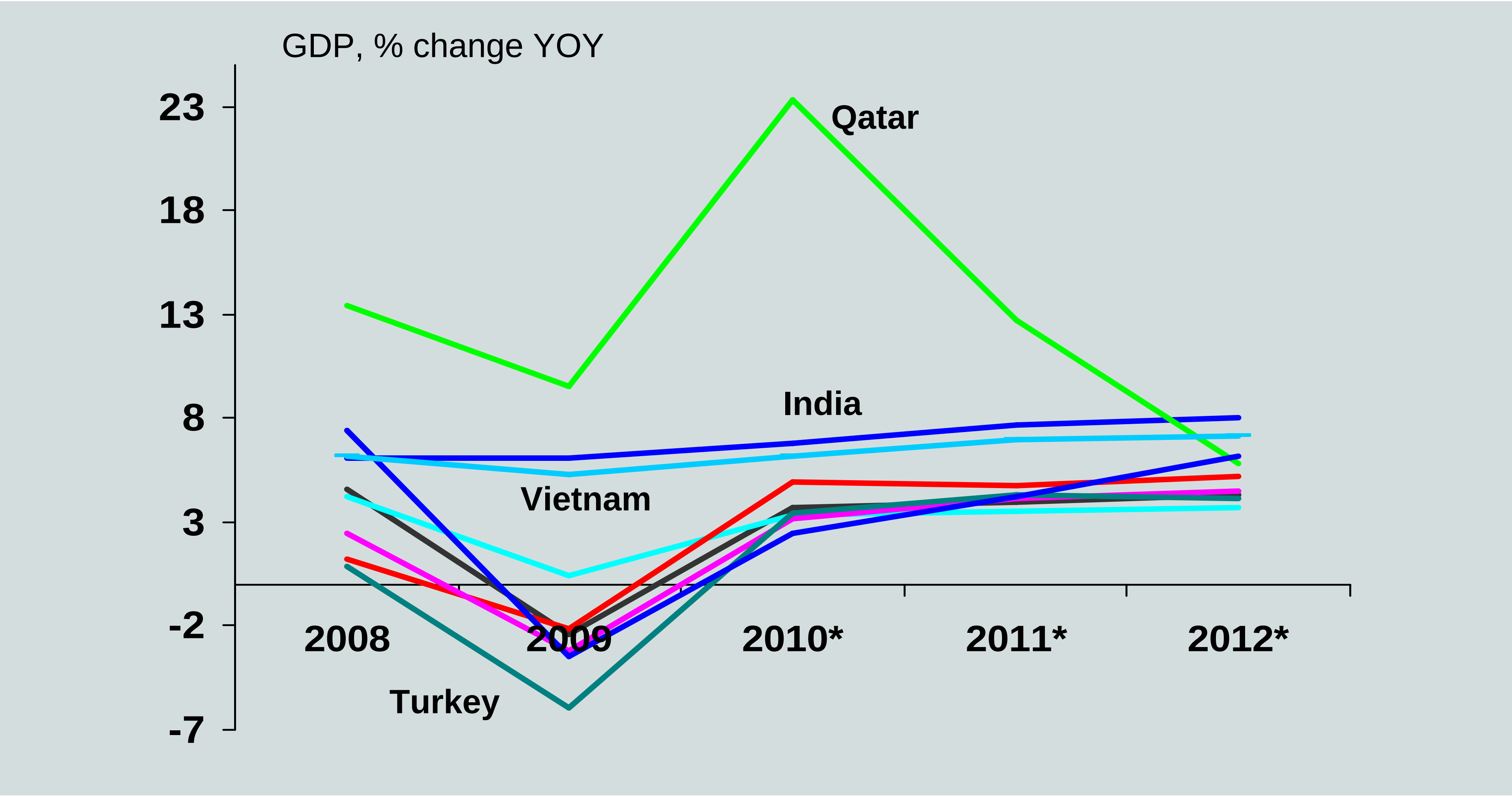
Turkey

- AKP gov to stay in office beyond the 2011 election, *but*
- Political scene is highly volatile; risk of destabilising crisis remains
- EU membership remains a remote prospect

Thailand

- PM Abhisit's credibility is low
- Pro-Thaksin forces will continue to destabilise the gov
- Speculation rising that the army will launch another coup

Growth at a glance



*Economist Intelligence Unit forecasts

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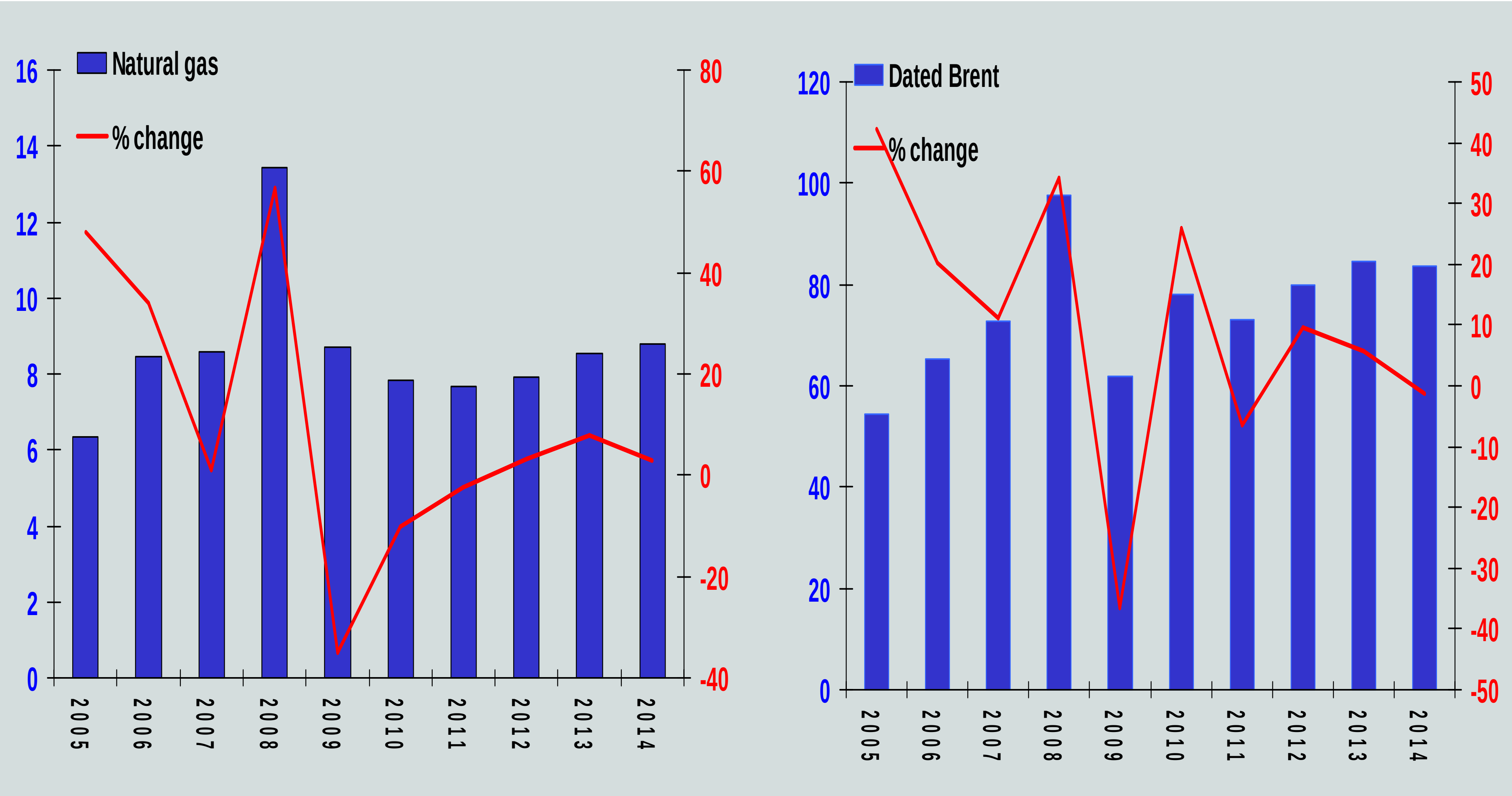
Hydrocarbons: price outlook



Oil price: US$/barrel; Gas price: US$/mmbtu, Europe;

% change, year on year.

Source: Economist Intelligence Unit, *CountryData*

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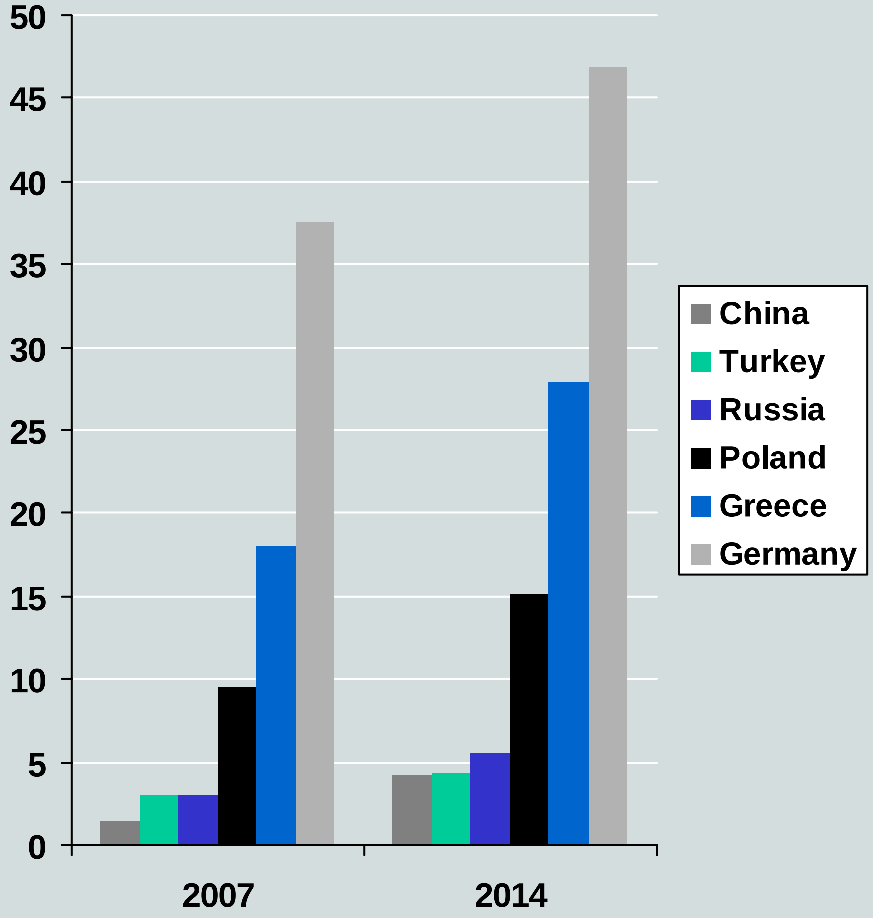
Turkey: A mini-BRIC?



Steeper downturn than in 2001, but stability maintained

Export markets to remain sluggish—growth 3-4% in 2010-11

Continued QE in developed world will boost lira and other emerging market currencies

BUT, political instability could undercut fiscal reforms

Long-term advantages

- Favourable demography
- Cost-competitive
- Investment destination for ME

Labour costs per hour. US$.
Source: Economist Intelligence Unit, *CountryData*.

South-east Asia: picking up nicely

Malaysia, Singapore, Thailand, Vietnam

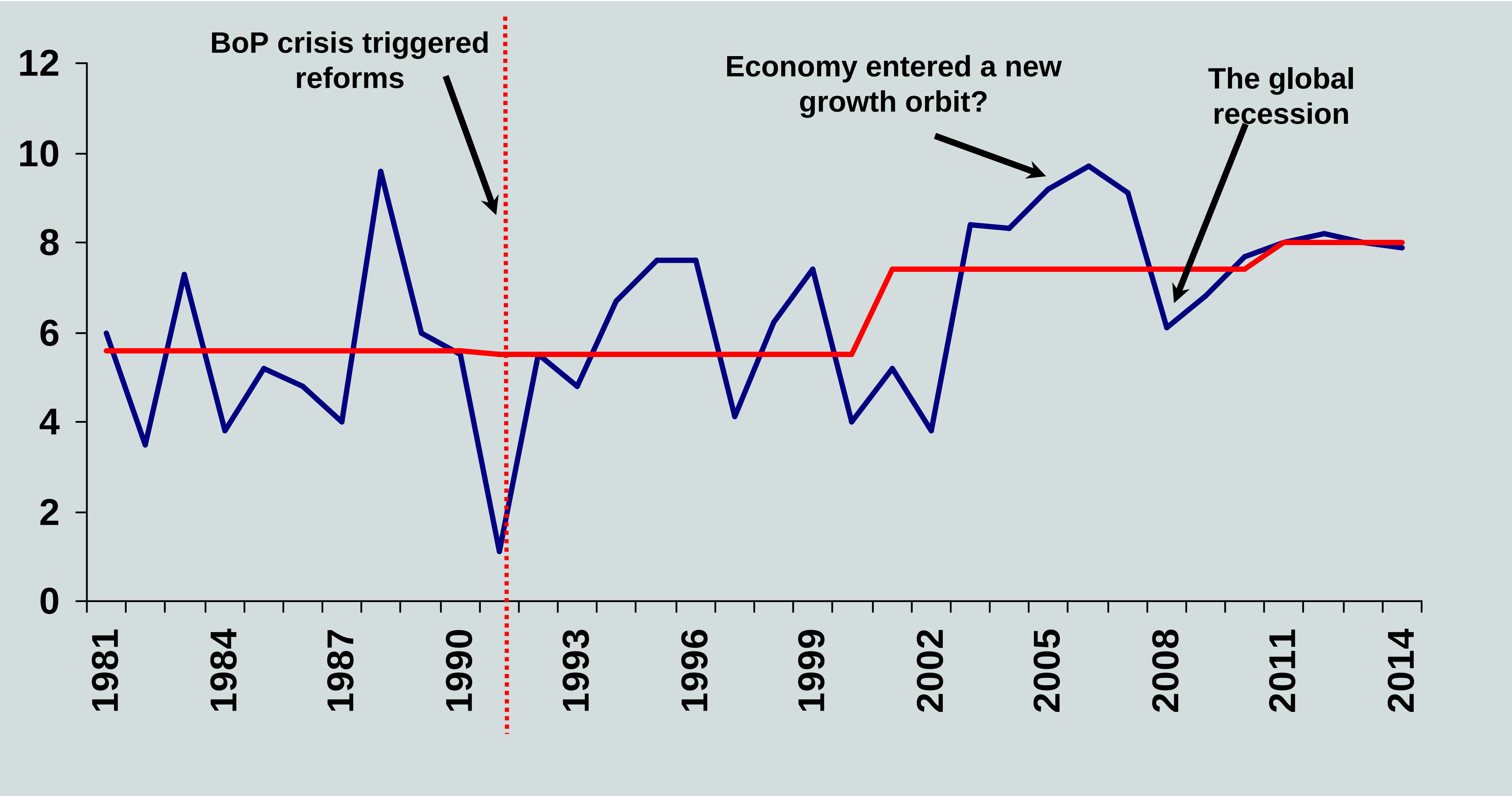
- Economic growth will be boosted by global recovery

BUT

- Relative weakness of global recovery means no return to boom years

- Highly exposed economies vulnerable to downturn in 2011
- Special country-specific risks (instability, inflation…)

India: sharp slowdown or proven resilience?



Real GDP growth, % change YOY
Source: CSO, Economist Intelligence Unit forecasts

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Business environment categories

- Political environment
  - political stability
  - Institutional effectiveness
- Macroeconomic environment
- Market opportunities
- Policy towards private enterprise & competition
- Policy towards foreign investment
- Foreign trade & exchange controls
- Tax regimes
- Financing
- The labour market
- Infrastructure

EIU Business Environment Rankings

	Value of index (out of 10)			Global rank (out of 82 countries)	
	2005-09	2010-14		2005-09	2010-14
Singapore	8.63	8.67		1	1
Qatar	7.28	7.85		22	16
Malaysia	7.21	7.30		24	26
UAE	7.15	7.27		25	27
Thailand	6.29	6.77		43	38
Saudi	6.00	6.38		48	44
Turkey	5.75	6.15		57	55
India	5.50	6.03		59	58
Vietnam	4.94	5.65		70	65

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Key risks to the outlook

- Mis-timed policy tightening
- A double-dip recession in G7
- New asset bubbles burst, creating renewed financial turbulence
- Sovereigns default as public debt spirals out of control
- Widespread social and political unrest
- Protectionism takes hold, undermining globalisation
- Geopolitical shocks