

6 March 2012

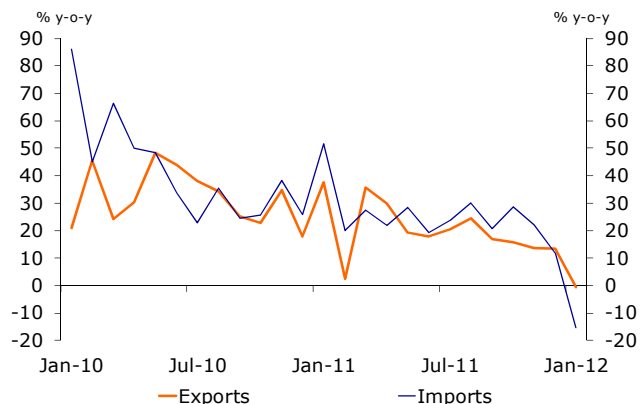
Growth weakening almost everywhere

	GDP growth			Inflation			Current account		
	% of GDP								
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Brazil	2.9	3.0	4.0	6.6	5.2	4.2	-2.3	-2.5	-2.9
China	9.2	8.2	8.8	5.5	3.3	3.0	5.2	5.6	6.2
India	7.4	7.0	7.3	10.6	8.6	7.1	-2.2	-2.2	-1.9
Indonesia	6.4	6.3	6.7	5.7	6.5	5.4	0.2	-0.4	-0.6
Mexico	4.1	3.0	3.5	3.4	3.1	3.0	-1.0	-0.9	-0.9
Poland	4.3	2.0	3.4	4.0	2.8	2.5	-4.8	-5.1	-5.2
Russia	4.1	3.3	3.5	8.9	7.3	6.9	5.5	3.5	2.2
South Africa	3.1	2.5	3.4	5.9	5.0	5.0	-2.8	-3.7	-4.8
South Korea	3.9	4.4	4.2	4.5	3.5	3.0	1.5	1.4	1.3
Turkey	6.6	2.2	3.4	6.0	6.9	5.3	-10.3	-7.4	-6.5

- China's January trade data point at a more rapid slowing of economic growth.
- India's central bank ended its tightening cycle by lowering the cash reserve ratio. Inflation has fallen, but so has the expected growth rate.
- Meanwhile, the economic activity index of Brazil in December points to a gradual pick up of growth following two weak quarters.
- The 11Q4 growth data for Mexico reveal a moderation of growth.
- Similarly, 11Q4 growth data suggest that Poland's economy is losing momentum.

Source: IMF, Rabobank

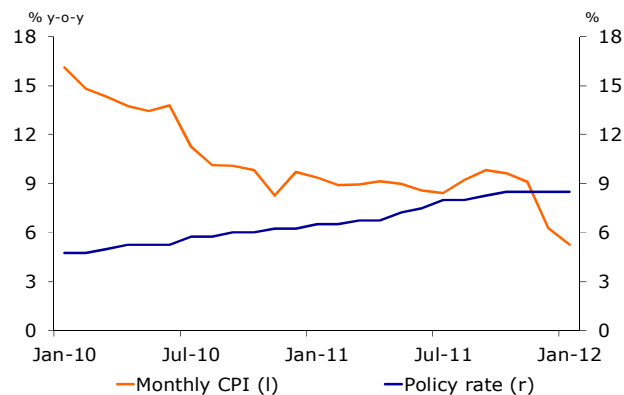
China – Sign of weakening?



January's trade figures show an unexpected weakening of imports, which contracted by 15.3% on an annual basis. This was the worst performance since 2009. Especially, imports from Japan and Taiwan showed a strong contraction. Exports contracted as well, by an expected 0.5%. The calendar effect may have had some influence here. The Chinese new year fell early this year, meaning fewer working days this January compared to January 2011. Even so, the trade figures are a sign that economic growth has started to slow more rapidly. As Premier Wen Jiabao announced the need for more "fine tuning" of macro policies in 12Q1, the government lowered its growth target to a mere 7.5%.

Source: Reuters Ecowin

India – End to aggressive tightening



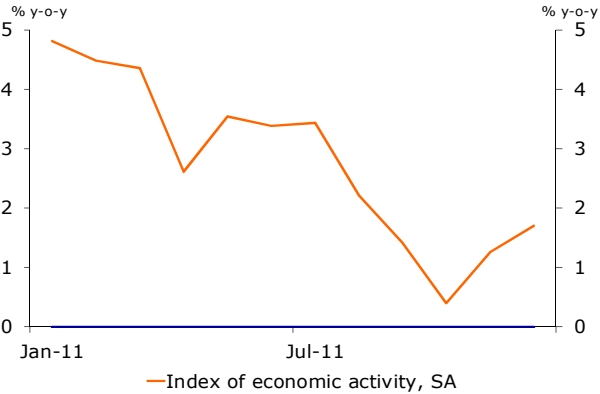
After two years of aggressive tightening – 13 hikes in 20 months – the Reserve Bank of India (RBI) took the first step towards monetary loosening by lowering the cash reserve ratio by 50bps. The wholesale price index, India's benchmark inflation rate, fell to 7.5% in December from 9.1% in November. However, as the slowdown in core inflation was limited and core inflation is still well above RBI's target, the central bank will proceed cautiously in the next months. While RBI's statement focused on inflation, the move may be meant to boost growth. The government expects growth in 2011/12 (April through March) to drop below 7%, a significant fall from the 8.4% in 2010/11.

Source: Reuters Ecowin

Economic Update Emerging Markets

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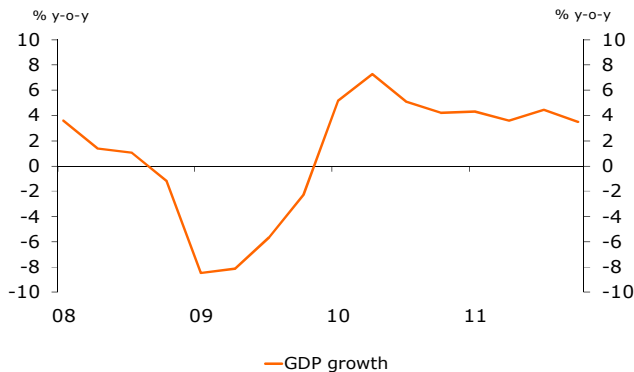
Brazil – Growth gradually picking up



According to Brazil's monthly economic activity index, GDP expanded by 1.7% y-o-y in December. While on a monthly basis, economic growth came in at 0.6% compared to 1.3% a month earlier; a positive momentum seems to have returned after successive monthly decreases. The turnaround reflects monetary stimulus and stronger credit growth, as well as rising export volumes. For 2012, Brazil's economy is expected to expand by about 3%, provided that the external environment remains stable. Still, due to falling inflation and anticipated budget cuts, the central bank should have some room to lower interest rates once more to stimulate growth.

Source: Banco Central do Brasil

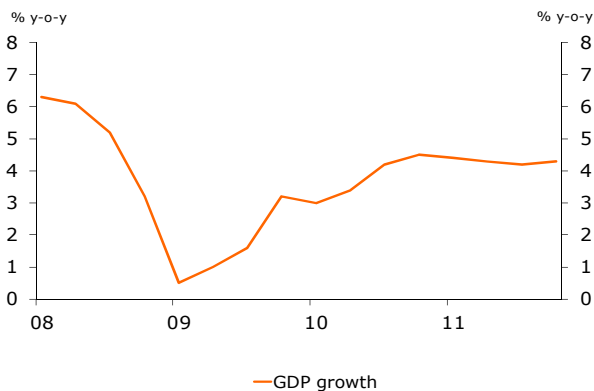
Mexico – Moderating growth



Mexico's economy continued to moderately expand in the fourth quarter of last year, as economic growth on an annual basis came in at 3.7%, compared to 4.5% in the previous quarter. While q-o-q growth declined to 0.4% from 1.2%, partly on the back of a drought-driven 7% contraction of the agricultural sector, momentum in Mexico's important industrial sector remained stable. The sector expanded by 0.6% (seasonally adjusted series). Following the recent pick-up in the US economy, Mexico's economy will likely continue to expand moderately amid an improving labor market and limited real wage gains. The upshot is that economic growth is expected to cool down to about 3% this year.

Source: EIU

Poland – Not doing too bad



Preliminary figures show that Poland grew 4.3% y-o-y in 2011, which was better than in 2010 (3.9%). Growth was broad based, but consumer spending was the main driving force. However, the 114Q growth figure - 3.8% y-o-y, down from 4.2% in 113Q - suggests Poland's economy is losing momentum. This year, headwinds are expected from reduced government spending and government investment (finish projects before the Euro 2012 football event). The central bank is still rather hawkish, so accommodative monetary policy is not expected. And external demand strongly depends on eurozone's economy. Still, with an expected 2% growth rate this year, Poland is not doing too badly.

Source: EIU

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