

## 6 November 2012

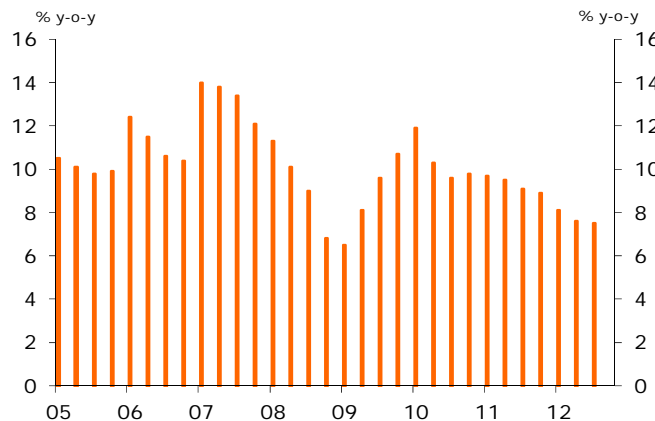
### Growth projections revised down across the board

	Real GDP (% change pa)				Difference growth projections April and October	
	actual	projections			2012	2013
	2011	2012	2013	2014	2012	2013
World	3.8	3.3	3.6	4.1	-0.3	-0.5
Euro area	1.4	-0.4	0.2	1.2	-0.1	-0.7
United States	1.8	2.2	2.1	2.9	0.1	-0.3
Brazil	2.7	1.5	4.0	4.2	<b>-1.6</b>	-0.2
China	9.2	7.8	8.2	8.5	-0.4	-0.6
India	6.8	4.9	6.0	6.4	<b>-2.0</b>	-1.3
Indonesia	6.5	6.0	6.3	6.5	-0.1	-0.3
Korea	3.6	2.7	3.6	4.0	-0.9	-0.3
Mexico	3.9	3.8	3.5	3.5	0.2	-0.2
Poland	4.3	2.4	2.1	2.7	-0.3	<b>-1.1</b>
Russia	4.3	3.7	3.8	3.9	-0.3	-0.1
South Africa	3.1	2.6	3.0	3.9	-0.1	-0.4
Turkey	8.5	3.0	3.5	4.0	0.7	0.4

The International Monetary Fund (IMF), among others, lowered its growth projections across the board in October. The reason can be traced back to setbacks to the global economic recovery. The continued problems in the eurozone are a key factor. In addition, the US has so far failed to address their growing public debt challenges. As a result, confidence in medium-term prospects was not rebuilt sufficiently. This is hurting demand worldwide. A number of growth forecasts were lowered significantly (see table) and the global economy is now forecast to grow by 3.3% in 2012 and 3.6% in 2013.

Source: IMF WEO

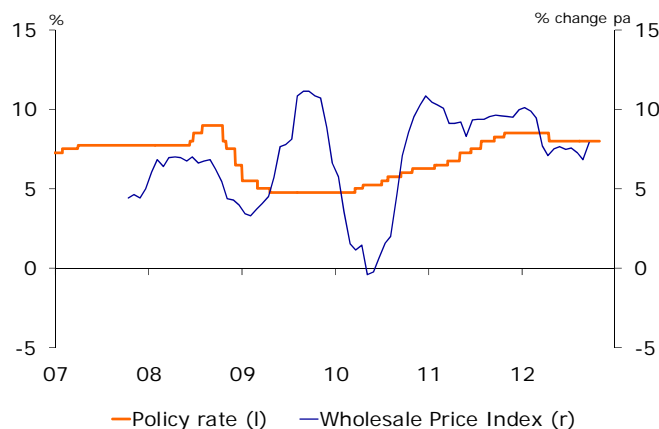
### China – Growth slows further, but end is in sight



China's real GDP growth slowed further, to 7.4% year-on-year, in the third quarter of 2012. Weak demand for China's exports has been hurting China's economic activity. The government's policy response has been relatively limited and growth has been slowing as a result. Some green shoots have become visible in September. Industrial production growth accelerated and public investments also increased. Furthermore, confidence in the economy among purchasing managers improved and export growth increased. Growth thus seems to be stabilizing and a slight growth acceleration is expected in 4Q2012. Even so, real GDP growth will remain relatively subdued at around 7.8% in 2012.

Source: EIU

### India - RBI withstands pressure



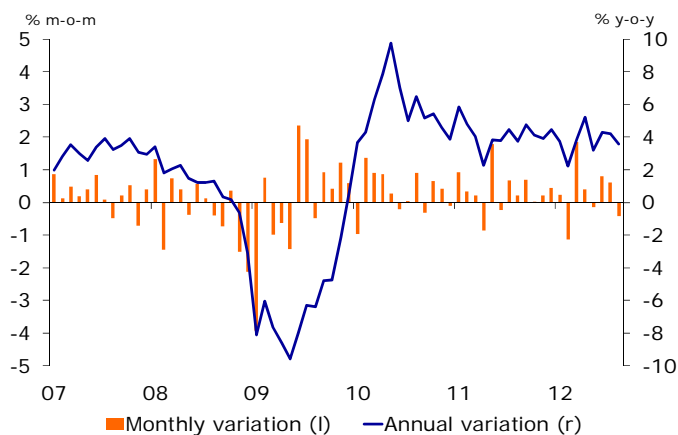
The Reserve Bank of India (RBI) kept its policy rate on hold at its October meeting. The government and business community had pushed the RBI for a rate cut to stimulate the flagging economy, but the central bank kept its eye on inflation, which increased in September. The RBI did commend the government on the recent reforms, but is waiting for more concrete fiscal consolidation plans. In a rare statement, Finance Minister Chidambaram expressed his disappointment over the RBI's decision – he had given a press conference the day before the RBI's meeting to explain his intention to keep the fiscal deficit at 5.3% of GDP. Laudable, but more tangible action is indeed needed.

Source: Reuters EcoWin

# Economic Update Emerging Markets

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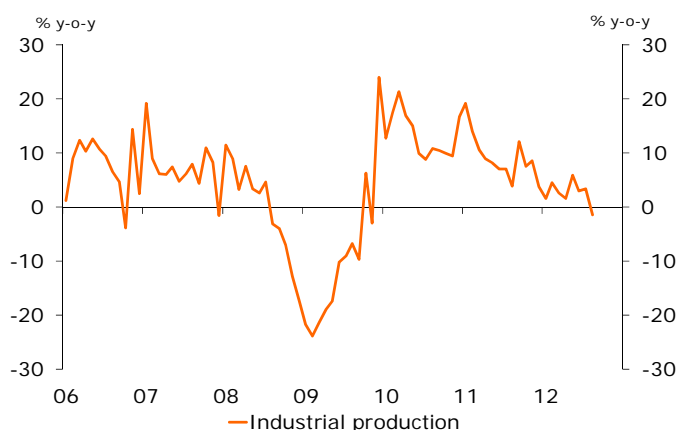
## Mexico - Economic activity slowing



Source: INEGI

According to Mexico's monthly Global Economic Activity Indicator (IGAE), real GDP expanded by a weaker-than-expected 3.5% yoy in August. Market participants had projected growth to come in at 3.8%. On a monthly basis, Mexico's economy contracted by 0.41%, following two months of solid expansions. The contraction is due to a fall in secondary sector output that reflects the concurrent weak performance of the US industrial sector. Given last month's improvement of the American ISM manufacturing index, a further weakening of Mexico's economic growth in the remainder of this year is unlikely. Therefore, full year growth should come in at about 4% in 2012.

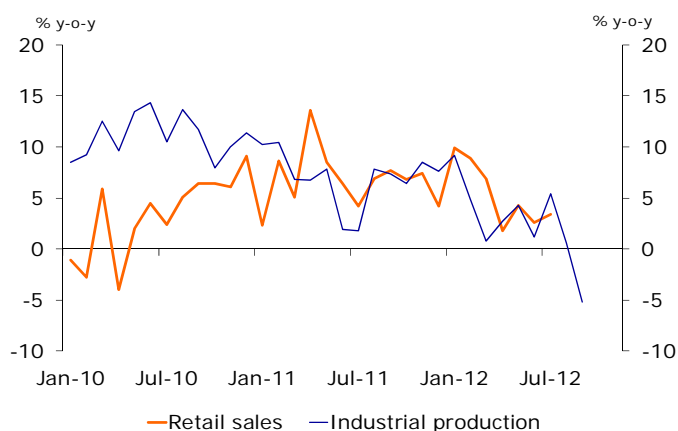
## Turkey – Industrial production falls



Source: Reuters EcoWin

In August, Turkey's industrial production contracted by 1.5% yoy. The decline was driven by a contraction in motor vehicle, machinery and equipment production. It is the first time since the 2008-09 crisis that IP contracted. This suggests that while the overall economy seems to be heading for a soft landing, after almost overheating in 2011, slowing growth will affect some sectors more than others. For 2012, we still expect GDP growth to come in at a reasonable 3%. In the coming years the government aims to keep the growth rate between 4-5%, which would generate enough jobs, while simultaneously preventing the economy from overheating.

## Poland - September weaker than expected



Source: EIU, Reuters EcoWin

The September figures not only confirmed the slowdown of the Polish economy, but also suggest that it might even be stronger than initially expected. Retail sales slumped to 3.1% yoy, while a figure above 5% was expected. With a 5.2% yoy decline, industrial output also shocked the market, although when seasonally and working day adjusted it looked slightly better at -1.4% yoy. Still, it was the first contraction since September 2009 and it stems from both lower domestic and external demand. Finally, construction, which has been in the doldrums since preparations for the Euro soccer 2012 ended, contracted by 9.5% yoy in September. Full year growth is expected at 2-2.5%.

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Country Risk Research  
Tel. +31 (0)30 – 2165952  
KEO.CRR@rn.rabobank.nl