

## Forecasts for 2011

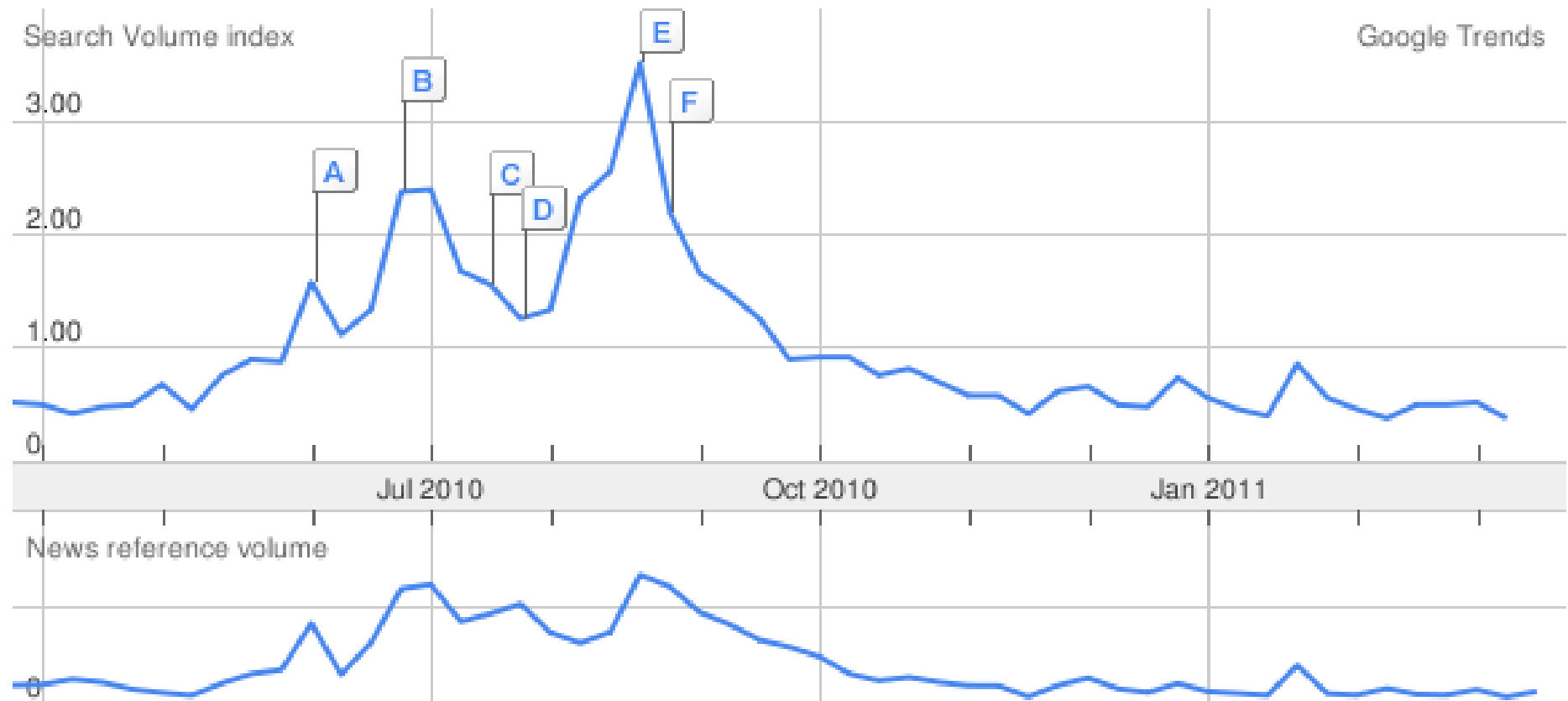
Glass half-empty, or half-full?



31 March, 2011

# "Double dip" fears left well behind

"Double dip" phrase – search and news reference timeline



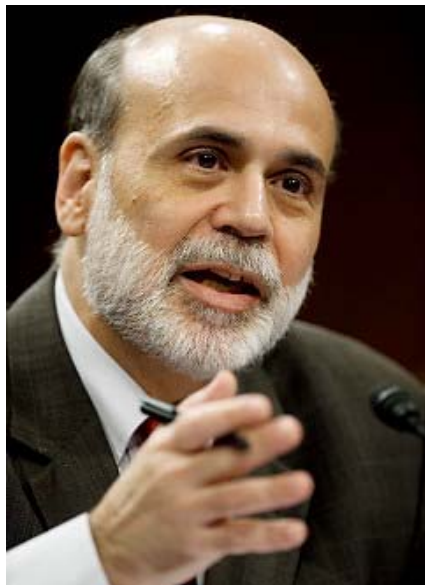
# Agenda

- The Majors – into the hiking shoes
- Global risks: oil, Japan, EMU crisis
- Poland – slowly, but surely

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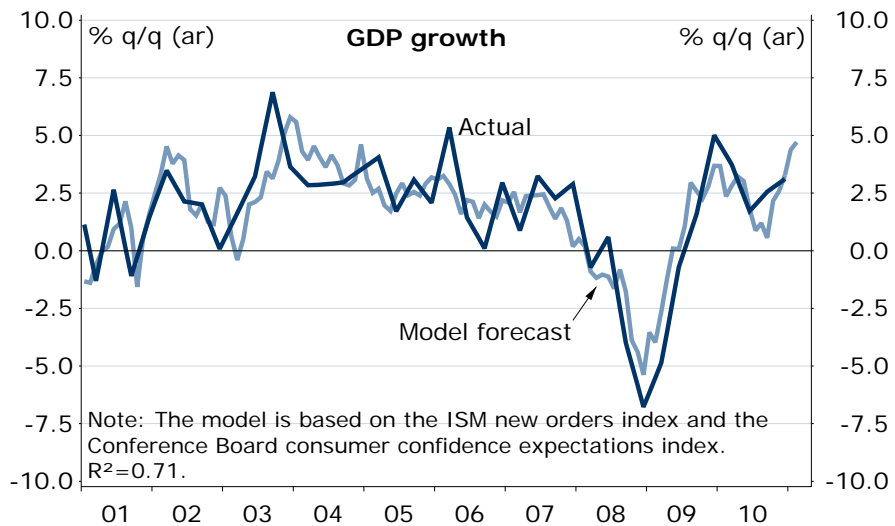
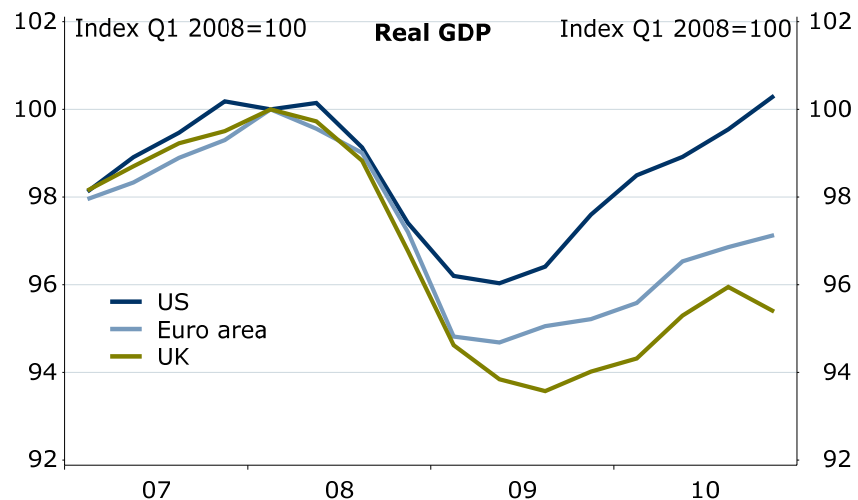
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# The US is back!



Fed chairman Ben Bernanke

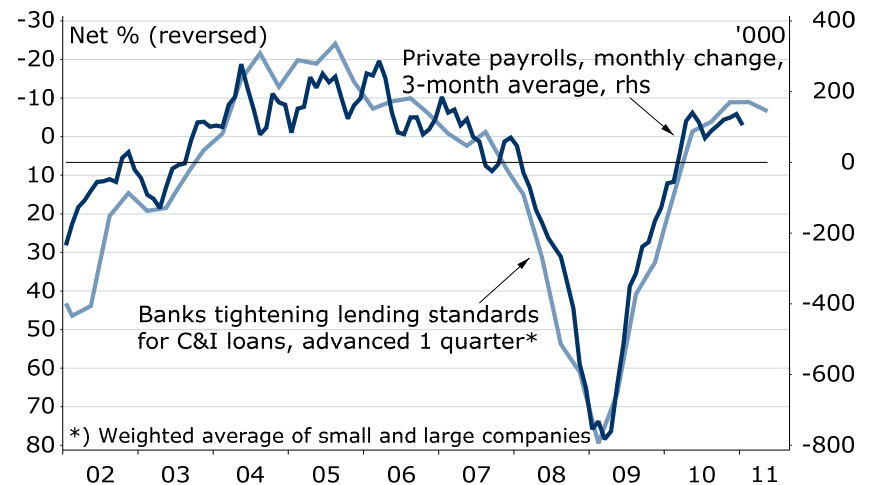
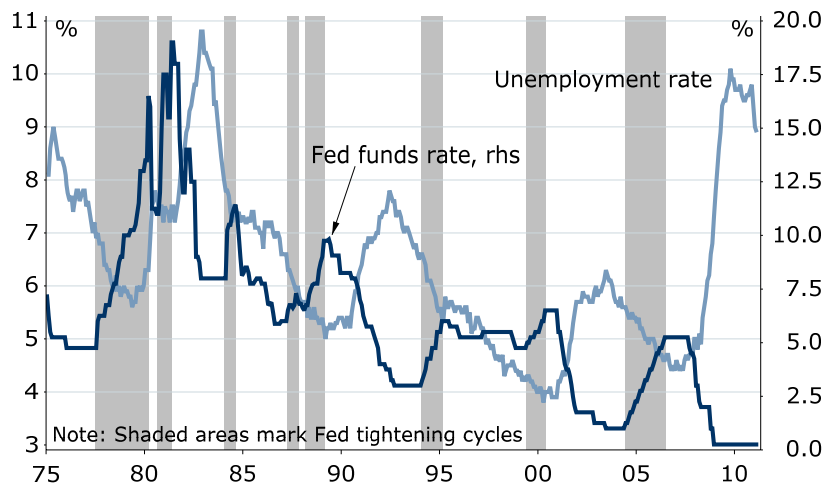
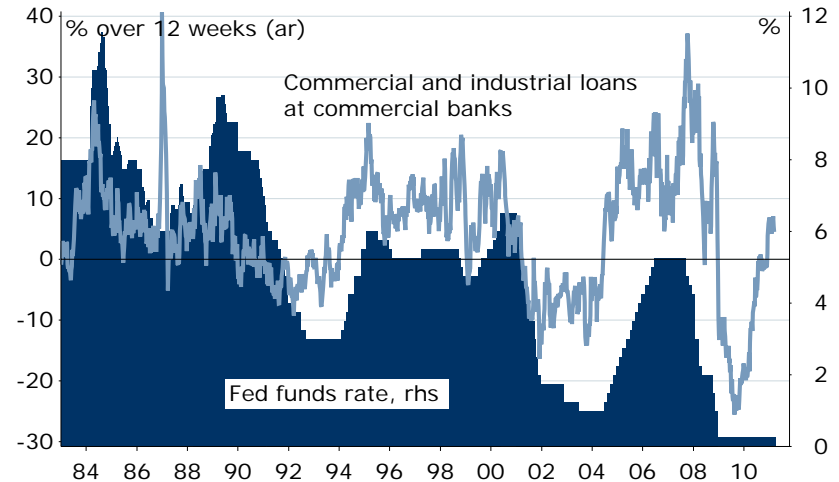
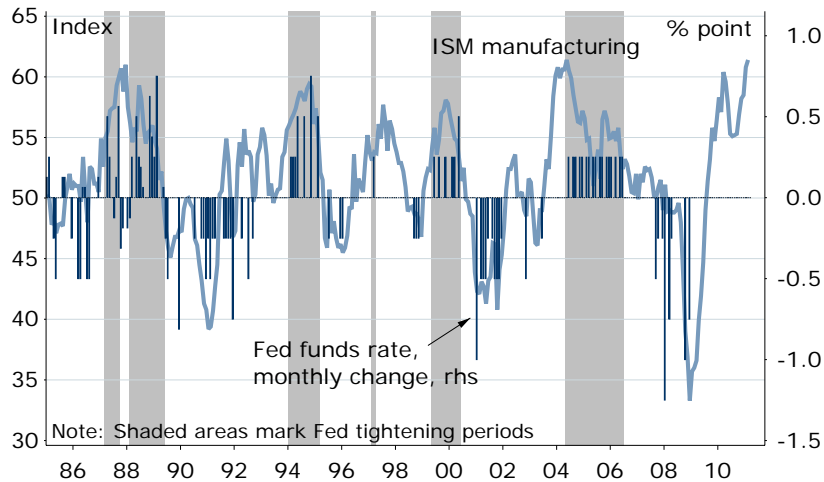
*More recently, we have seen increased evidence that a self-sustaining recovery in consumer and business spending may be taking hold...*



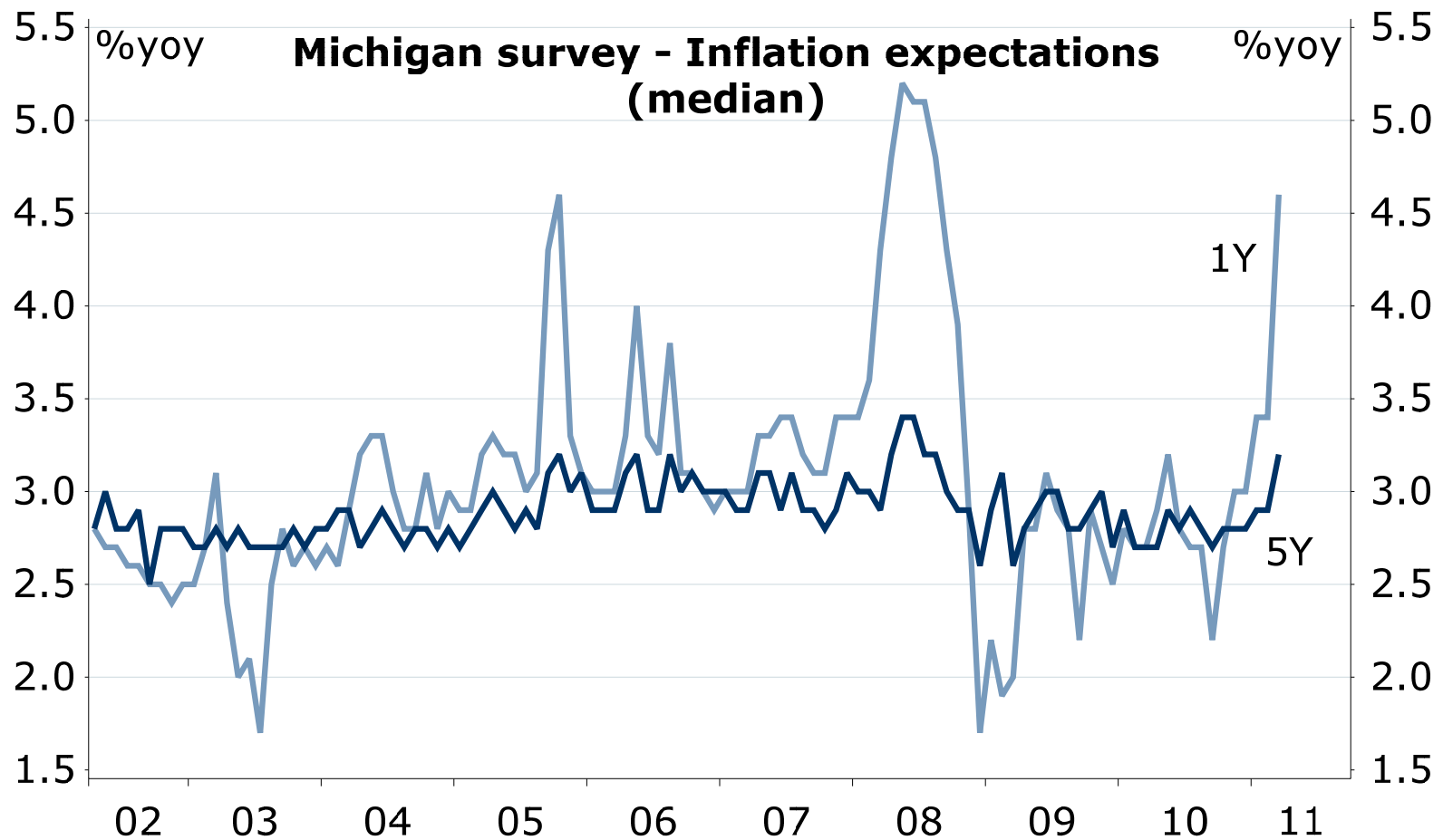
## Nordea forecasts

	2009	2010E	2011E	2012E
GDP	-2.6	2.9	3.3	3.3
Unemployment rate, %	9.3	9.6	9.3	8.5
Consumer prices, % y/y	-0.3	1.7	1.4	1.7

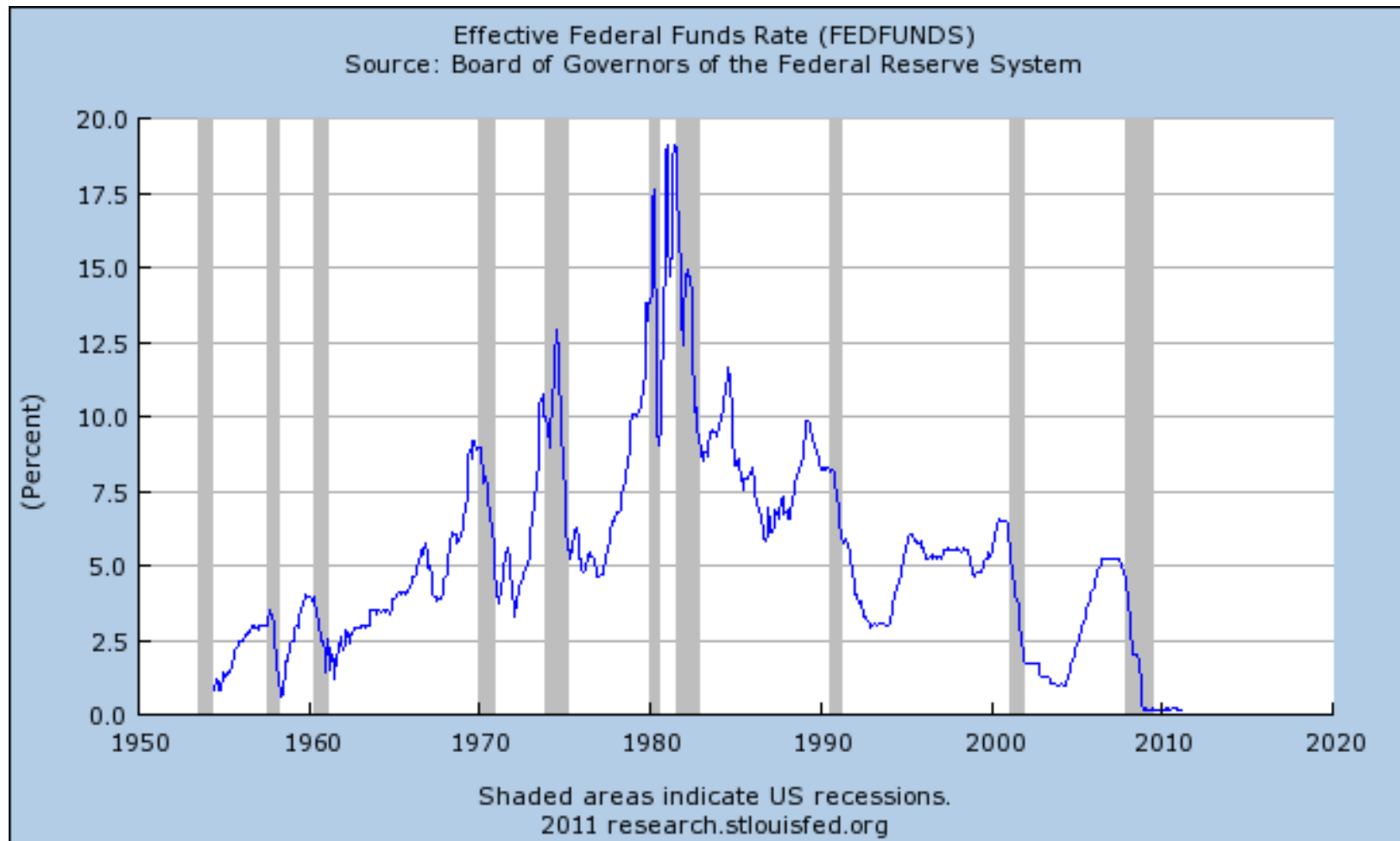
# USA: Key indicators already in rate hiking territory



# Sharply rising inflation expectations – watch out



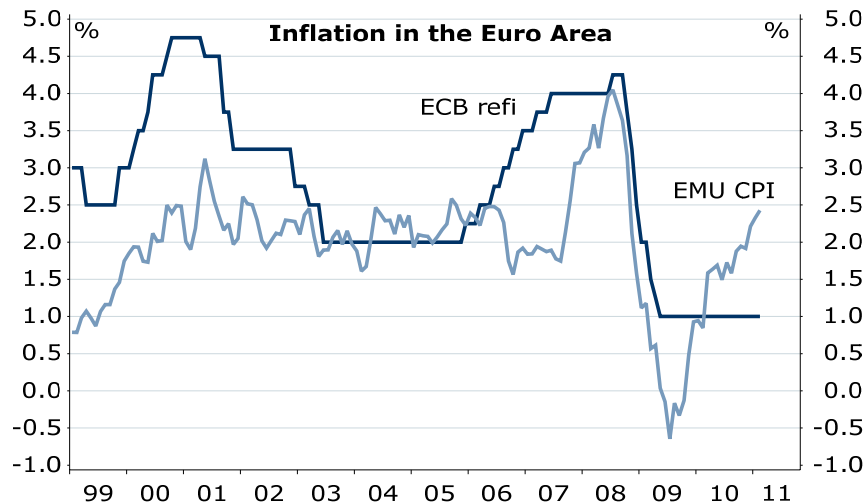
# Interest rates have literally bottomed – upside risks





# ECB says "vigilance" – wording for first hike in April

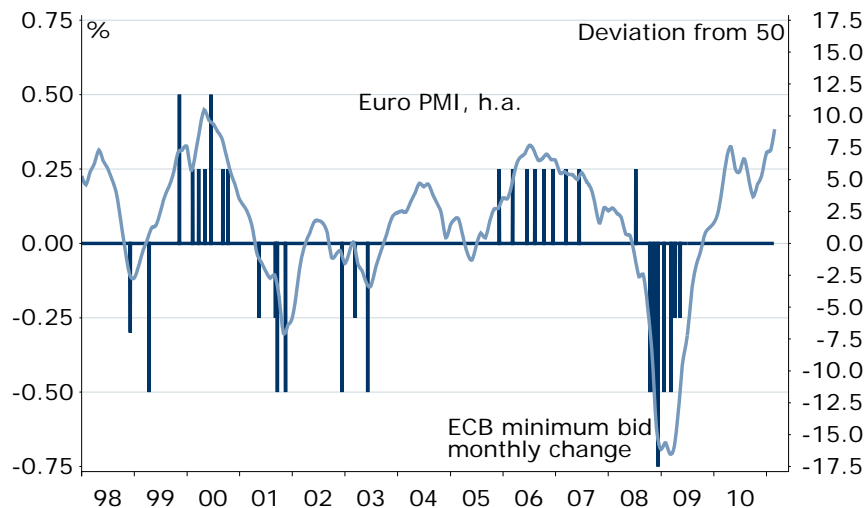
- At the March monetary policy meeting the ECB increased the expectations to inflation in 2011 from 1.3-2.1% to 2.0-2.6%



*Strong vigilance is warranted with a view to containing upside risks*



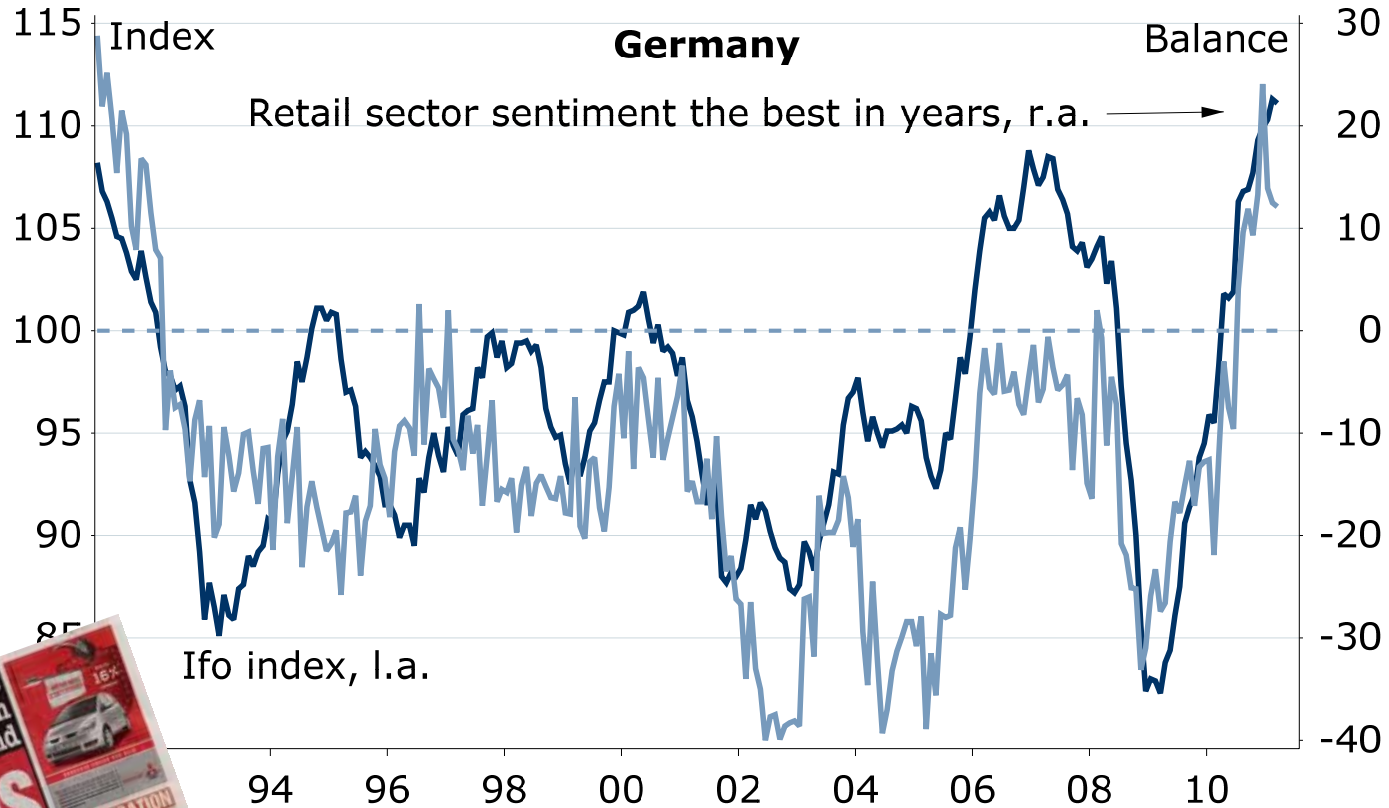
ECB chairman J.C. Trichet



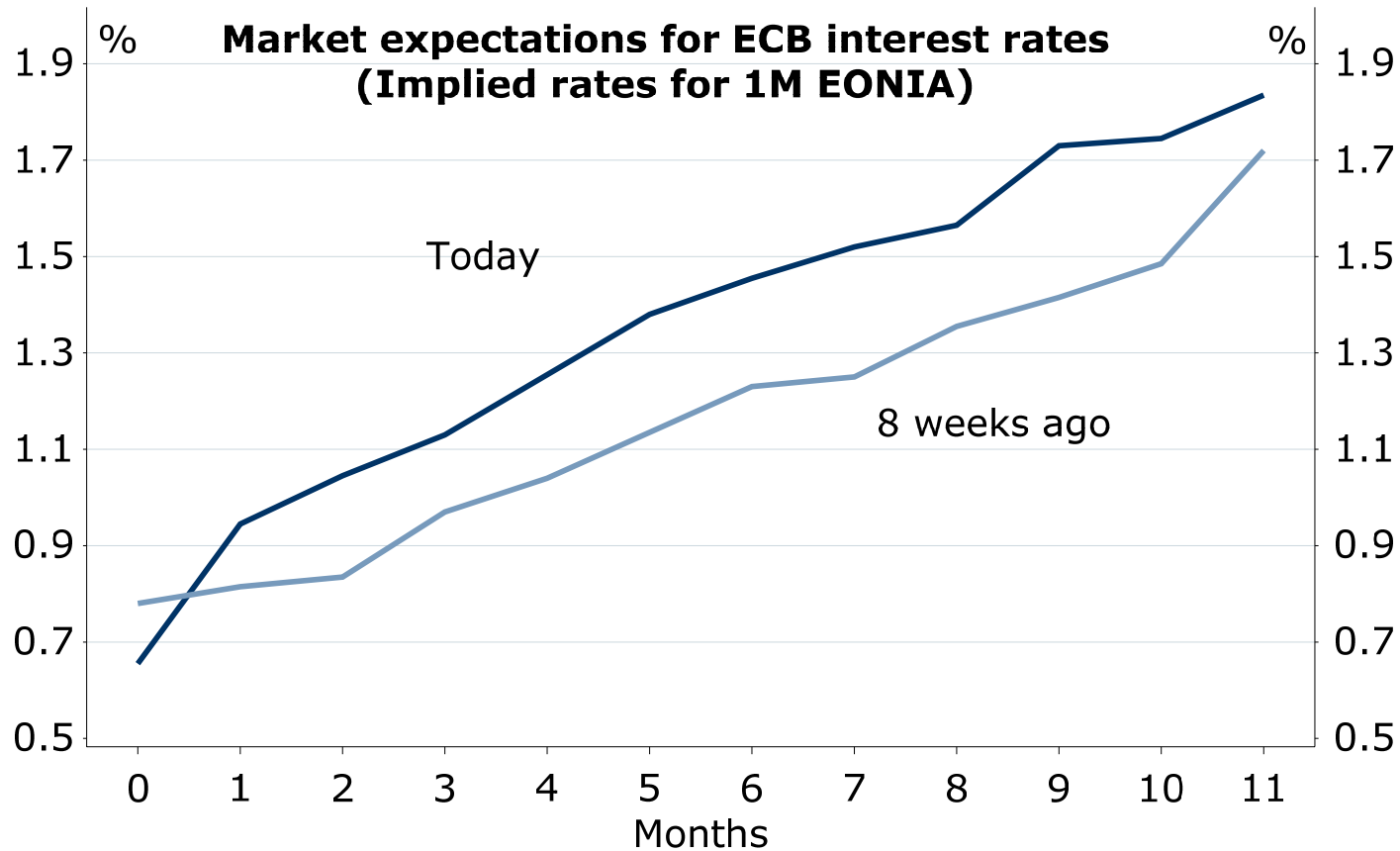
## Nordea forecasts

	2009	2010E	2011E	2012E
GDP	-4.0	1.7	1.6	2.0
Unemployment rate, %	9.6	10.1	10.0	9.7
Consumer prices, % y/y	0.3	1.6	2.0	1.7

# Euro area led by the German *Wirtschaftswunder*



# Markets repriced ECB expectations



# Markets will soon “wake up” to Fed risks as well



## Nordea forecasts

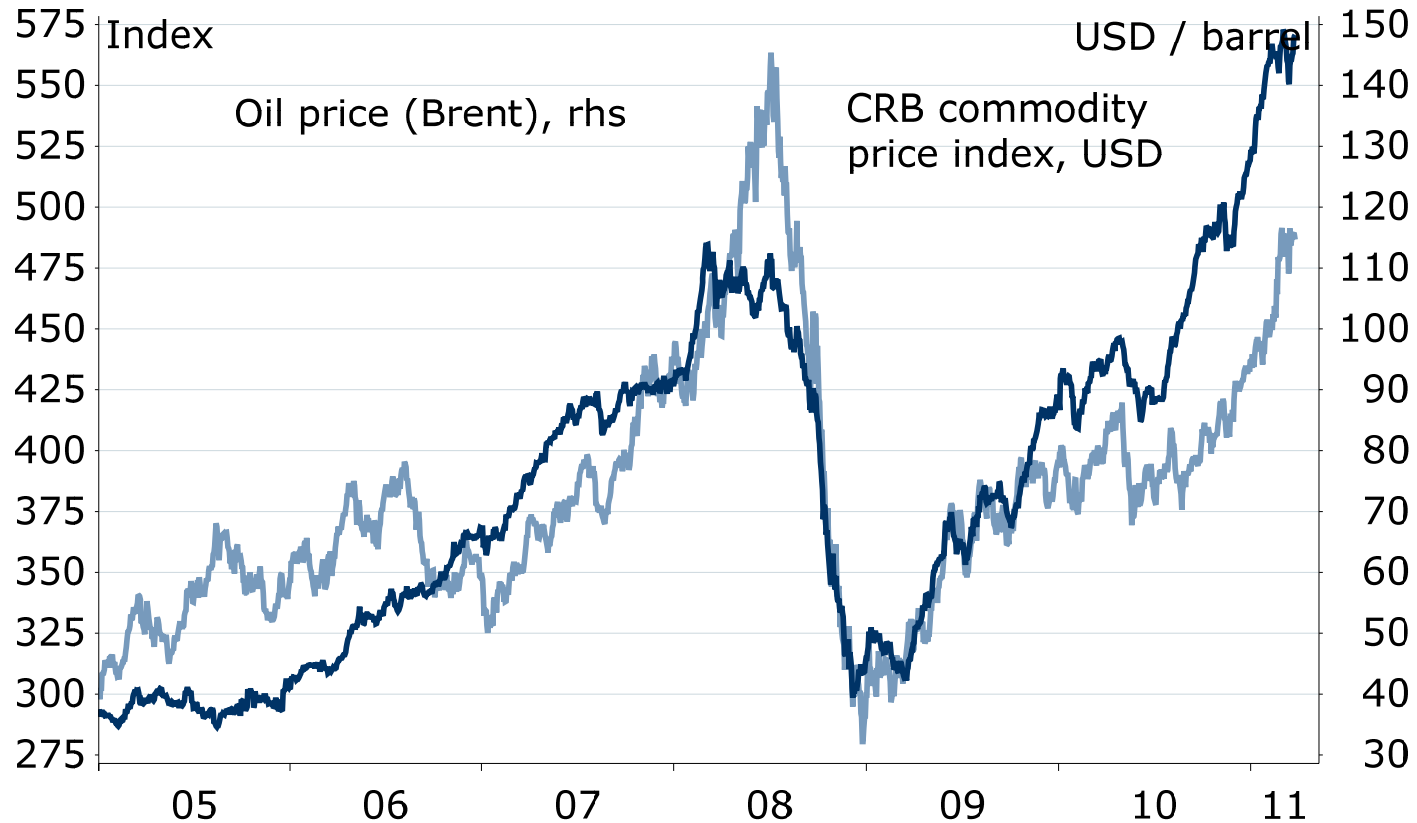
EUR	Spot	3M	6M	1Y	2Y	3Y
Repo	1.00	1.25	1.50	2.00	2.25	2.25
3M	1.21	1.60	1.85	2.25	2.50	2.50
2Y	1.74	2.15	2.45	2.85	3.00	3.00
5Y	2.61	2.85	3.05	3.35	3.35	3.35
10Y	3.30	3.50	3.65	3.75	3.75	3.75
30Y	3.82	3.95	4.10	4.15	4.10	4.10

USD	Spot	3M	6M	1Y	2Y	3Y
Repo	0.25	0.25	0.25	0.75	3.00	3.00
3M	0.31	0.50	0.60	1.60	3.50	3.50
2Y	0.77	1.10	1.35	2.30	3.60	3.60
5Y	2.19	2.35	2.45	2.90	3.85	3.85
10Y	3.46	3.65	3.75	3.90	4.35	4.35
30Y	4.51	4.65	4.65	4.75	4.85	4.85

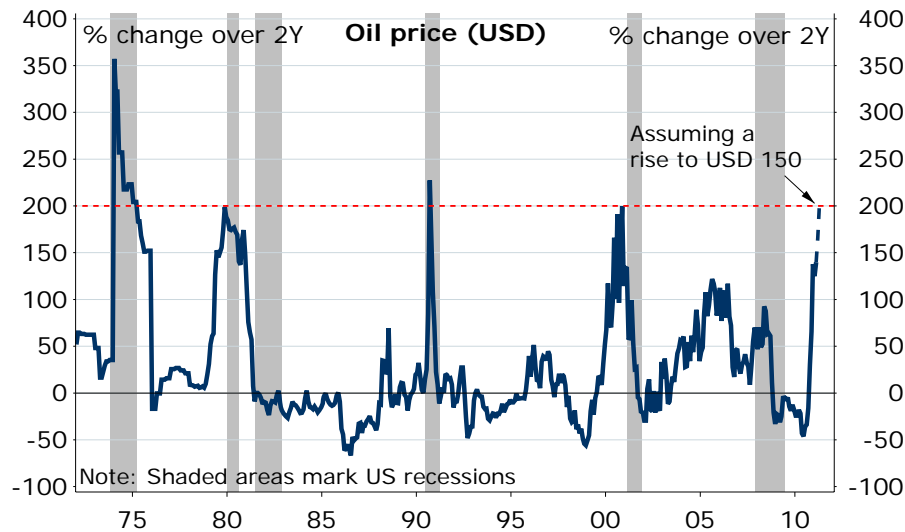
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# Commodity prices booming



# Oil at USD 125-150 a barrel – tipping point?



- Higher energy prices - ECB more hawkish  
ECB president Trichet in January 2011:  
*"I can only remind you that in July 2008 we increased rates in a period that was not easy, because we judged it to be appropriate to take that decision in order to be able to deliver price stability"*
- No significant slow down seen – if oil price growth endogenous...

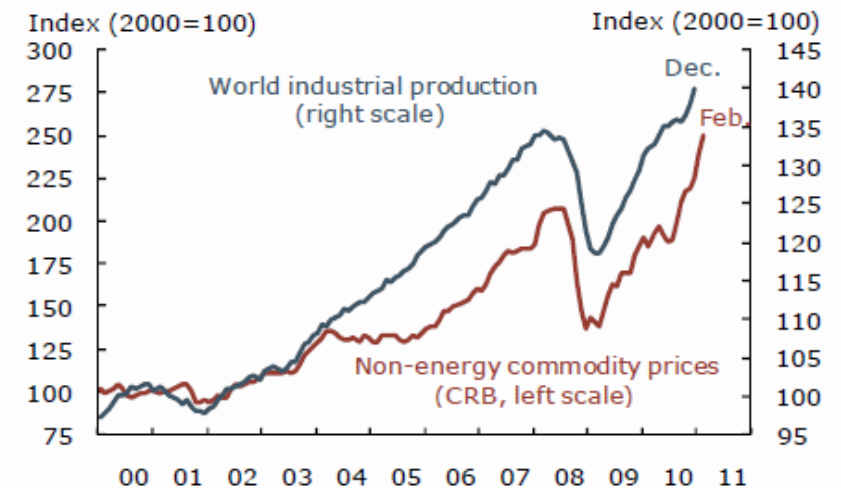
Estimated impact of a permanent 10% increase in crude oil prices

% point	Year 1	Year 2
<b>USA</b>		
GDP growth	-0.1	-0.2
Inflation	0.2	0.1
<b>Euro area</b>		
GDP growth	-0.1	-0.1
Inflation	0.2	0.1

Note: Deviations from baseline. Source: Nordea Markets, OECD

## Commodity prices track world demand

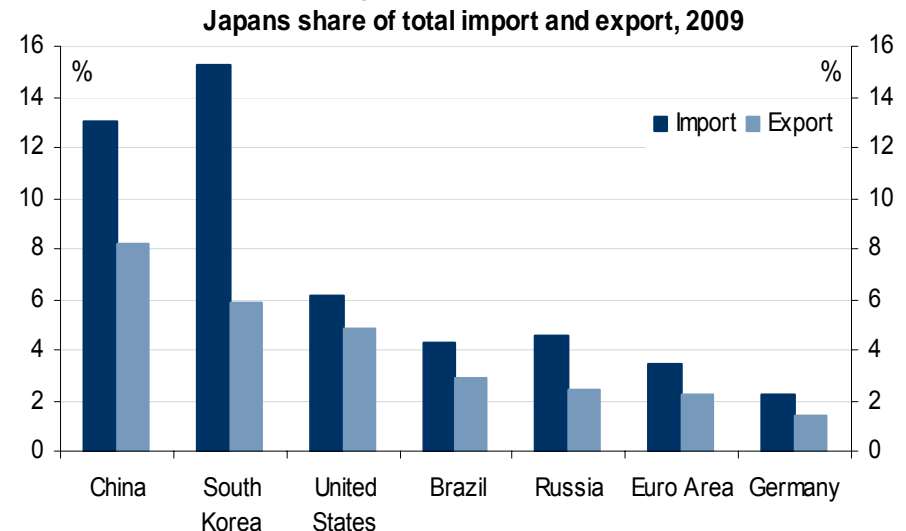
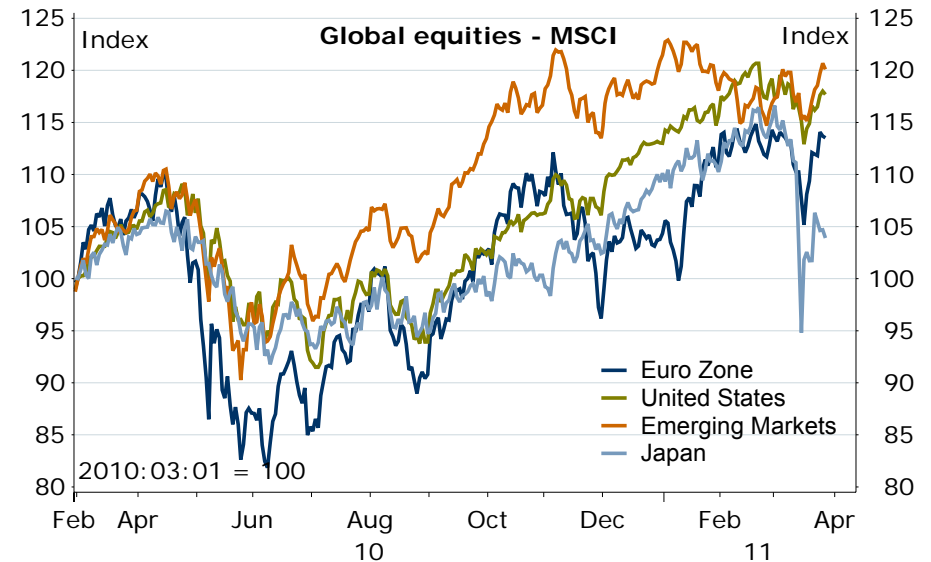
### World Industrial Production and Commodity Prices



Source: Netherlands Bureau for Economic Policy Analysis and CRB

# Japan hit, but not conquered

- Temporary reduction in risk sentiment
- Preliminary indications – damage of 3% of GDP, production hit in Q2, but sharp rebound seen in Q3-Q4
- Supply chain disruptions short term, but limited overall damage to global growth
  - 10% change in Japan’s imports changes global growth by just 0.1%
- Longer term opportunities for Asian exporters, commodity exporters

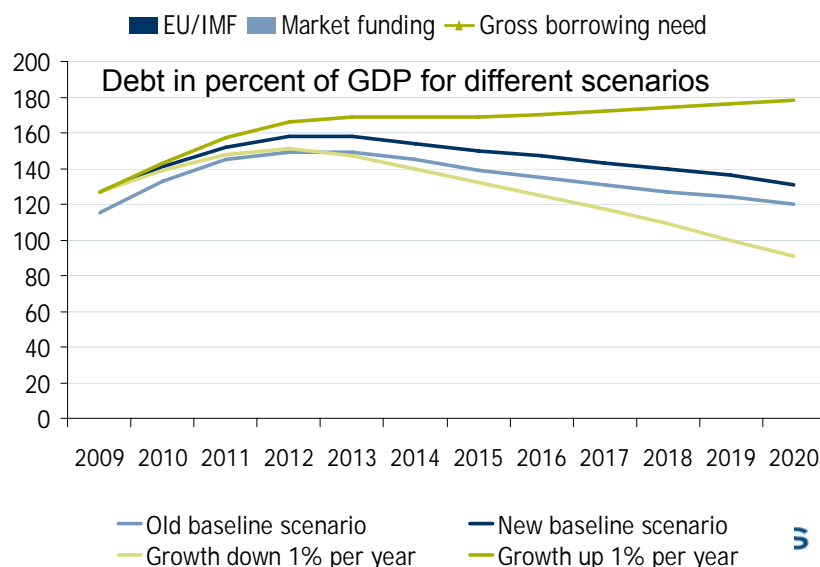
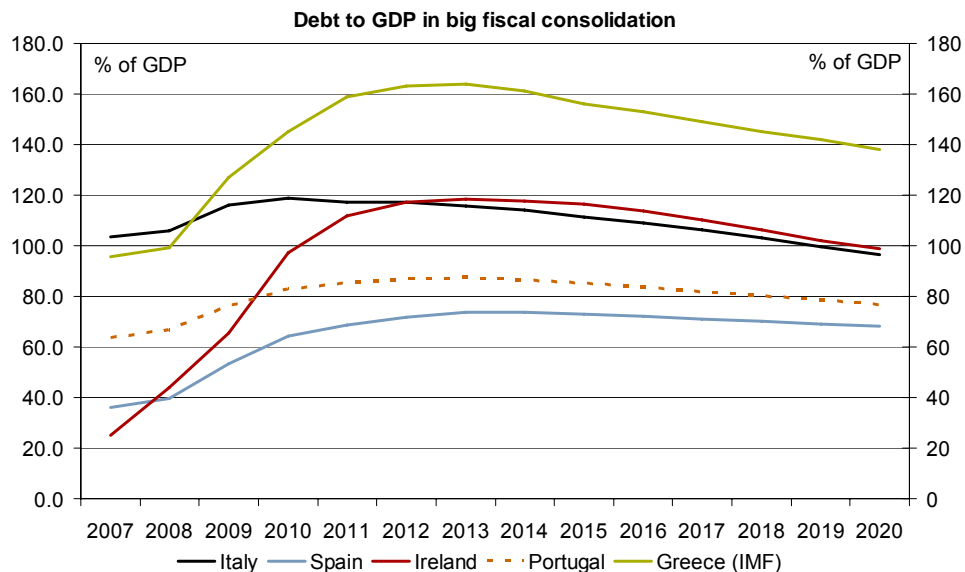
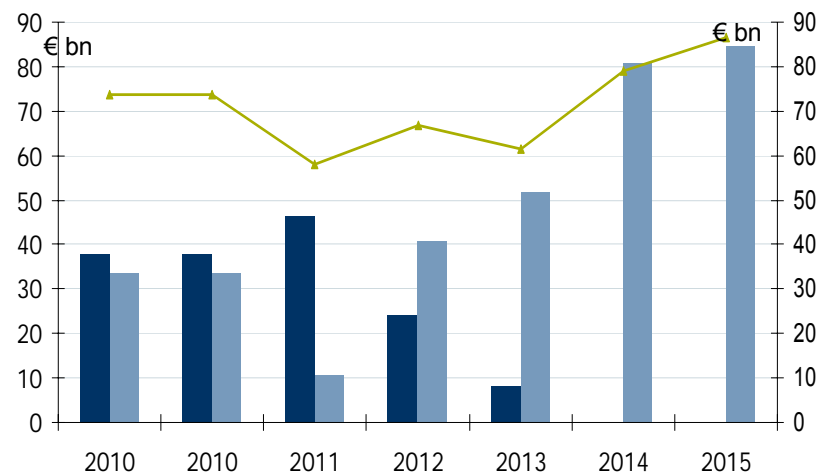




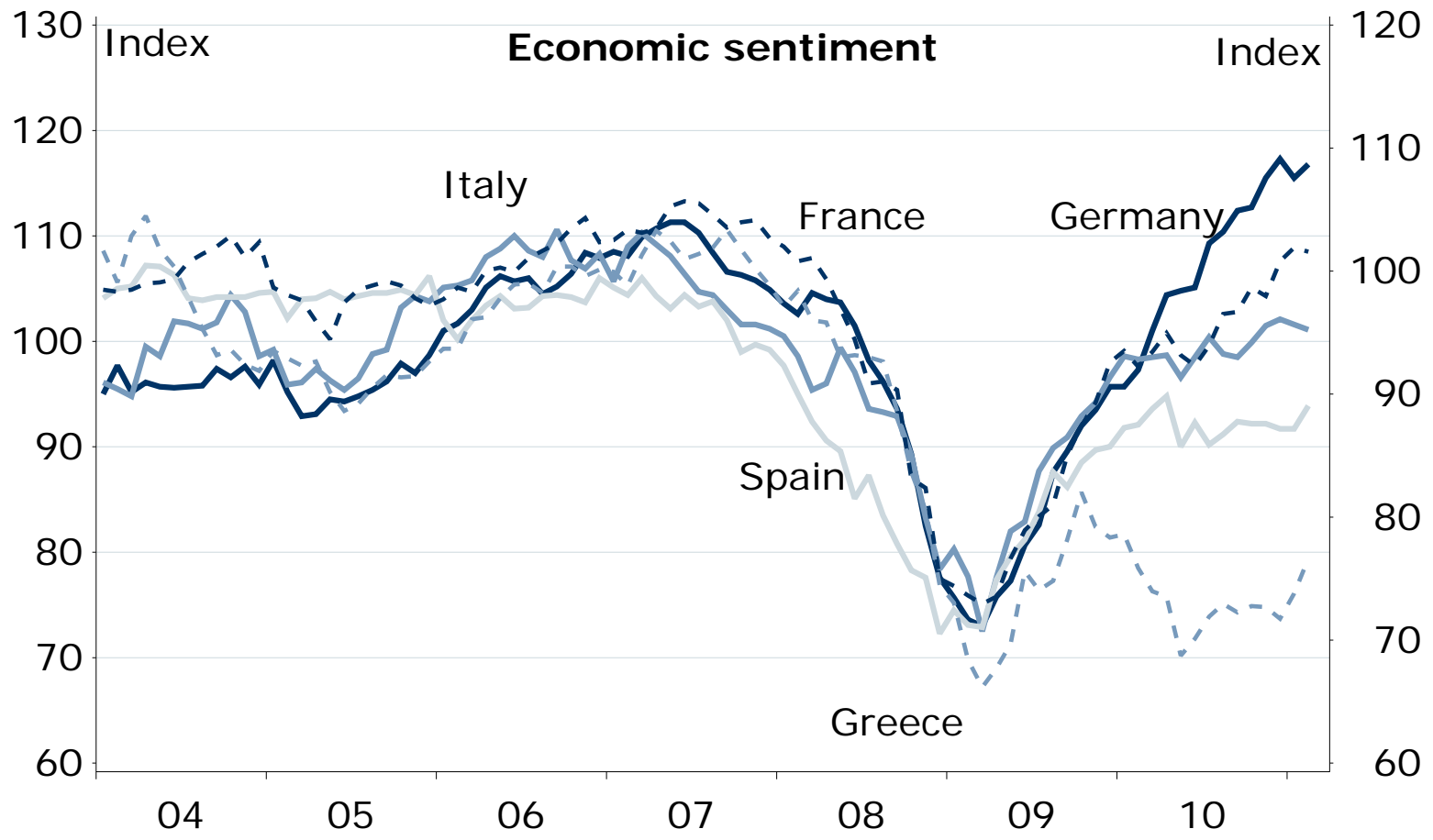
# A restructuring of Greek debt in 2014?

## Four scenarios for debt crisis:

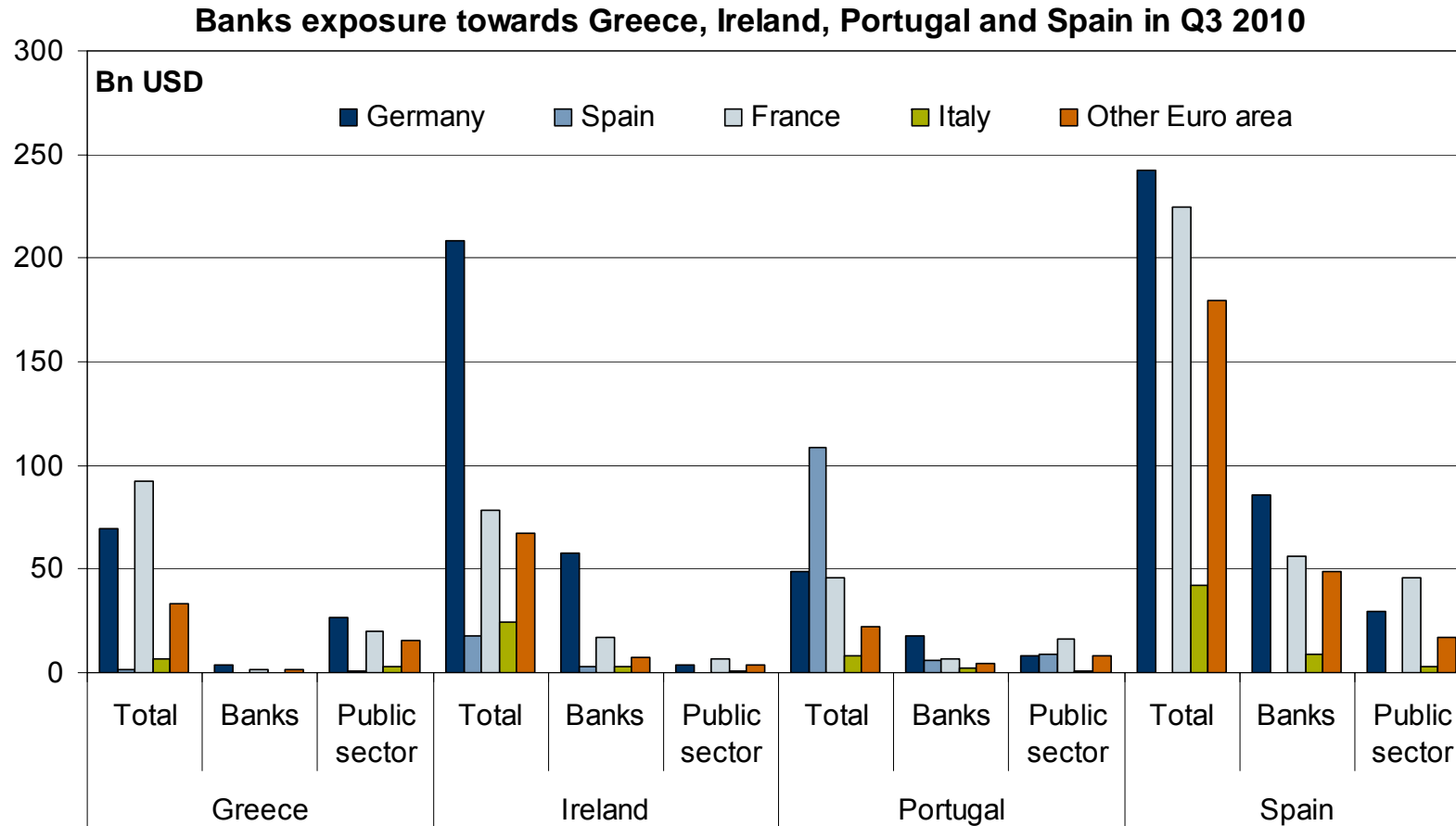
- Option 1: Saving your way to salvation
- Option 2: Deeper integration
- Option 3: Debt restructuring
- Option 4: Break up of the Euro area



# Keeping together divergent economies?



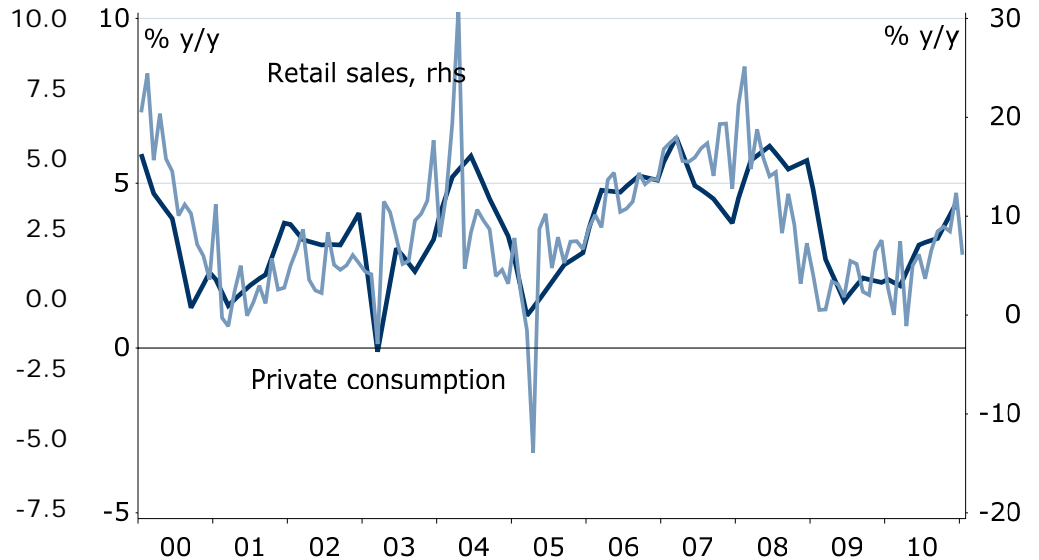
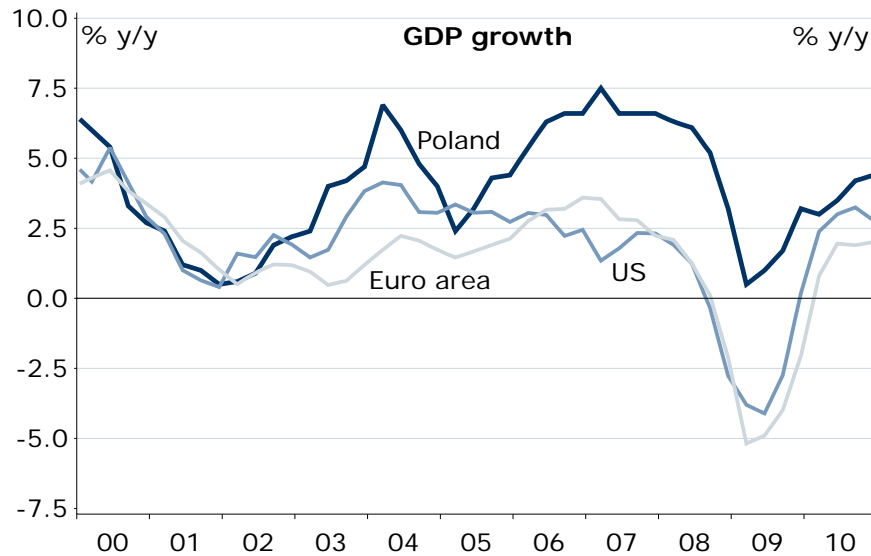
# Western banks exposed to PIGS: opportunity or risk?



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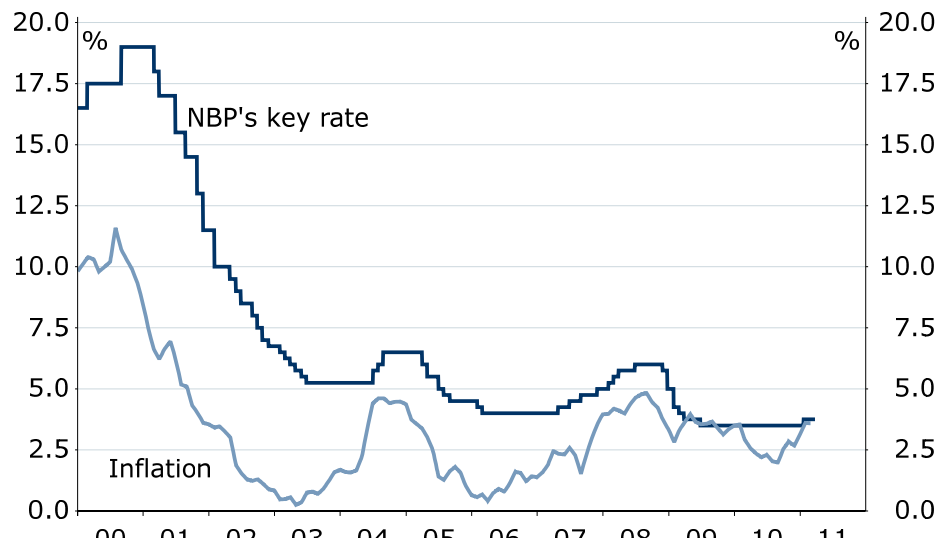
# Economy: so far so good



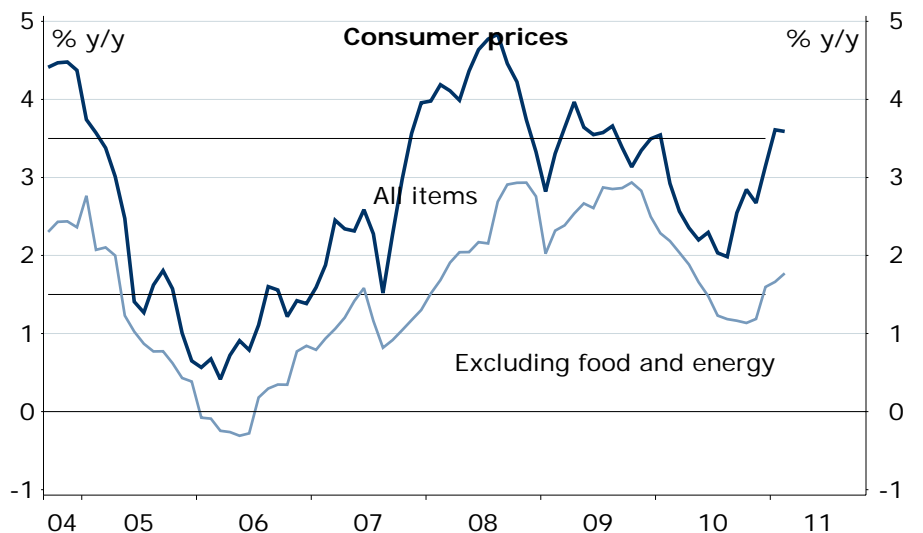
## Nordea forecasts

	2009	2010E	2011E	2012E
GDP	1.7	3.8	3.8	4.1
Consumer prices, % y/y	3.7	2.5	3.4	2.2
Current account, % of GDP	-2.1	-3.3	-3.1	-4.7
General government budget balance, % of GDP	-7.2	-8.3	-6.0	-4.5
Unemployment rate, %	11.0	12.1	11.7	9.2

# Monetary policy tightening to resume



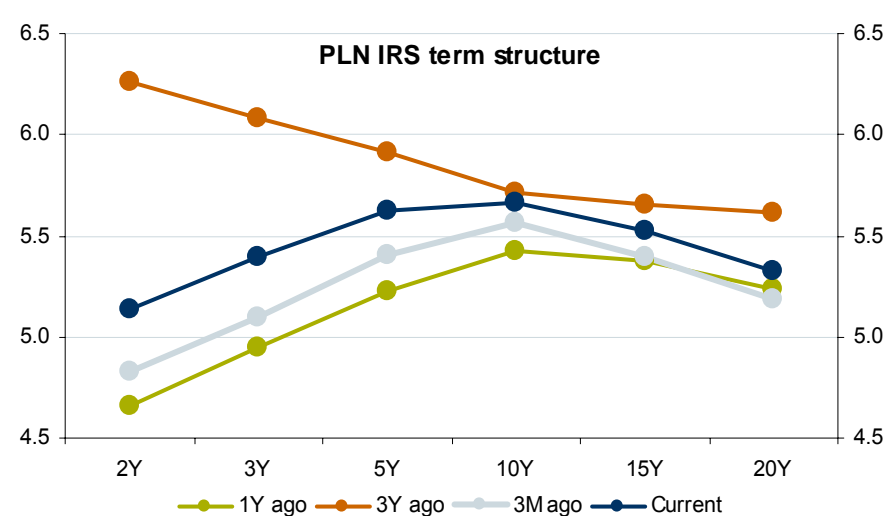
- Inflation at the upper range
  - Will remain at the upper limit of the inflation target of 2.5% +/-1% point in the coming months
  - Moreover, core inflation have started to trend upwards
- Poland is a large net energy importer – upward risks with higher oil prices
- We expect another 100bp hikes in 2011, yet gradual fashion
- ECB's hawkish stance will make NBP more comfortable in hiking rates



## Nordea forecasts

PLN	Spot	3M	6M	1Y	2Y	
Repo		3.75	4.25	4.50	5.00	5.00
3M		4.19	4.50	4.75	5.25	5.25

# PLN interest rate swaps have bottomed



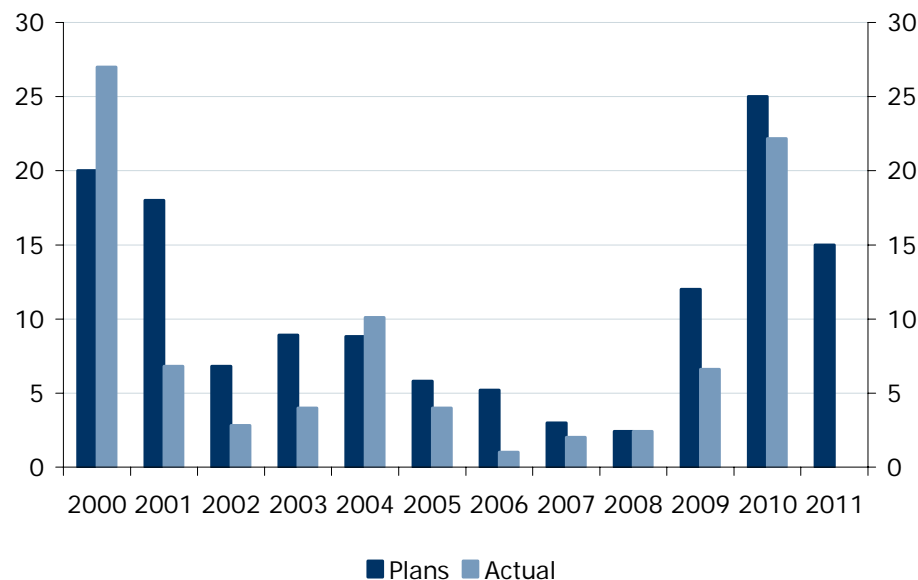
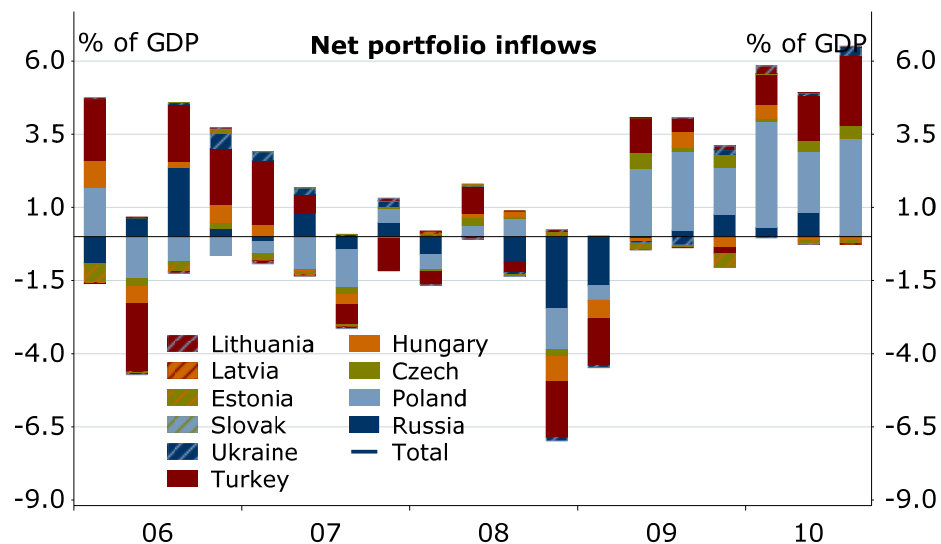
z-scores for PLN IRS

Window	Tenor					
	2Y	3Y	5Y	10Y	15Y	20Y
6M	1.03	1.07	1.03	0.89	0.98	1.05
1Y	1.58	1.67	1.64	1.29	1.22	1.17
5Y	0.03	0.28	0.56	0.70	0.41	0.05



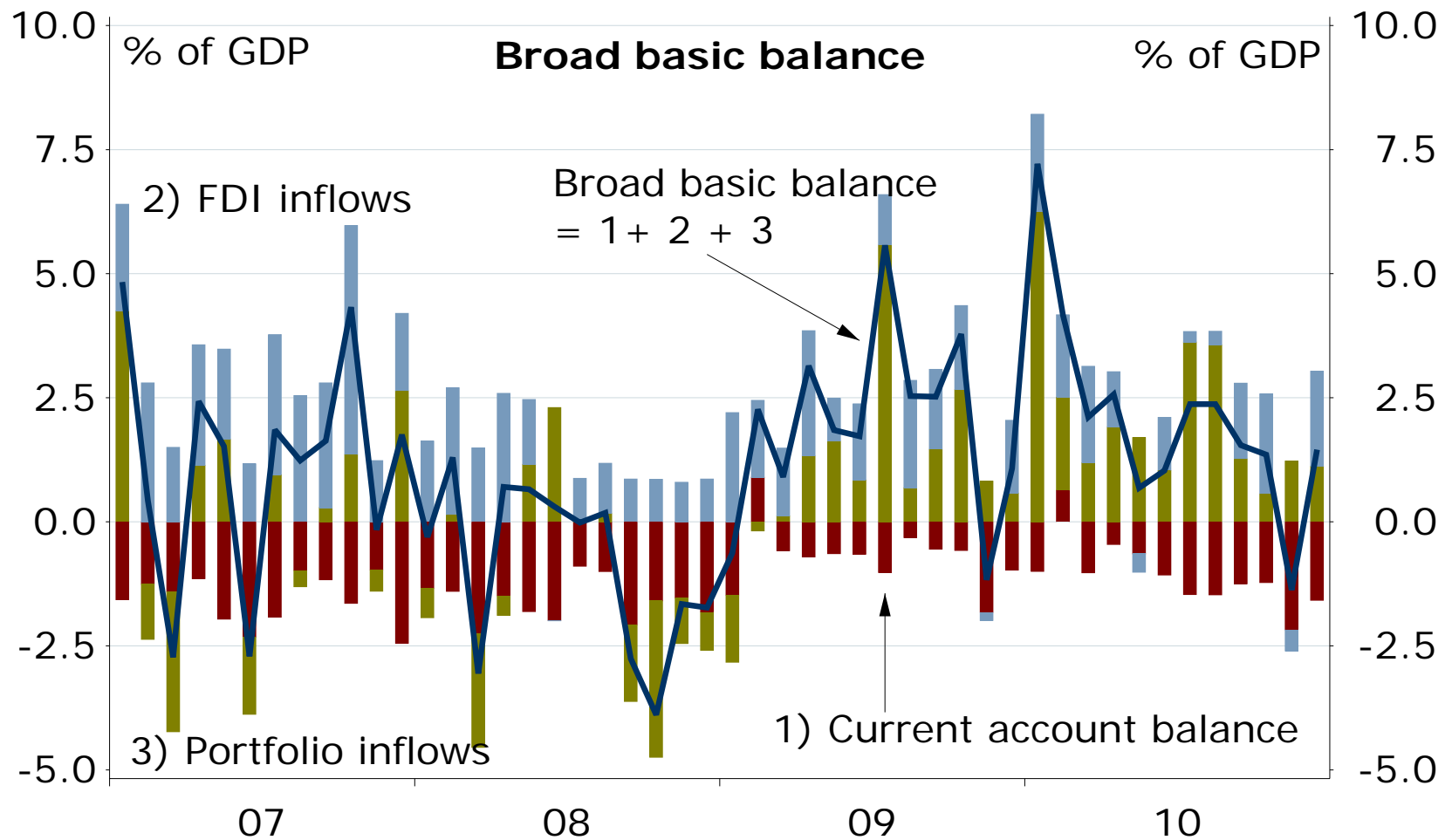
# Polish zloty underpinned by strong fundamentals

- Moderate strengthening of the PLN – it is seen as a strong-fundamentals currency
- Another PLN 15bn in privatisation plans in 2011
- Ministry of Finance and central bank supporting a stronger PLN
  - aim to keep debt below the 55% limit and curb inflation
- Risk: drastic tightening from ECB, Fed
- Fiscal risks are getting more important and the public debt and deficit could become a focal point

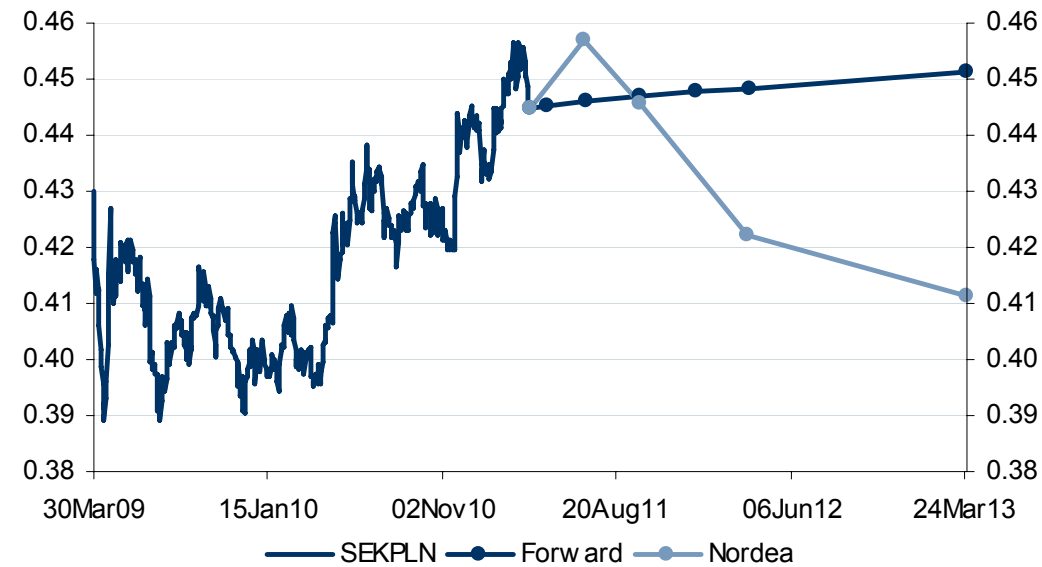
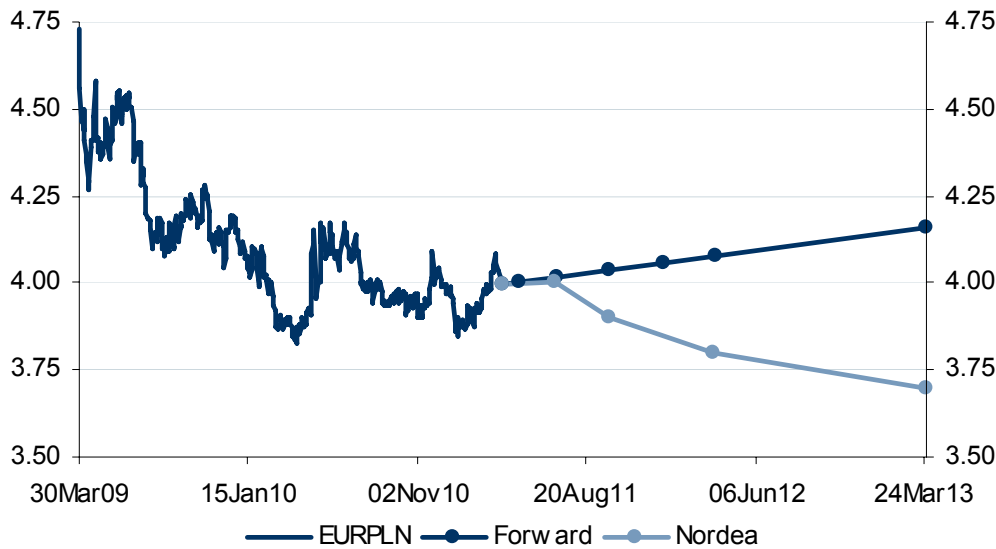




# Foreign inflows – FDI and portfolio - support PLN



# Stronger PLN ahead – against both EUR and SEK



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# Thank you!

**Aurelija Augulytė**

**Analyst**

**Emerging Markets Research**

**+45 3333 6437**

**[aurelija.augulyte@nordea.com](mailto:aurelija.augulyte@nordea.com)**