



Kingston – May 2013



Global Economic & Financial Outlook

Jamaica in Context

Pablo F.G. Bréard

Vice-President, Head International Economist



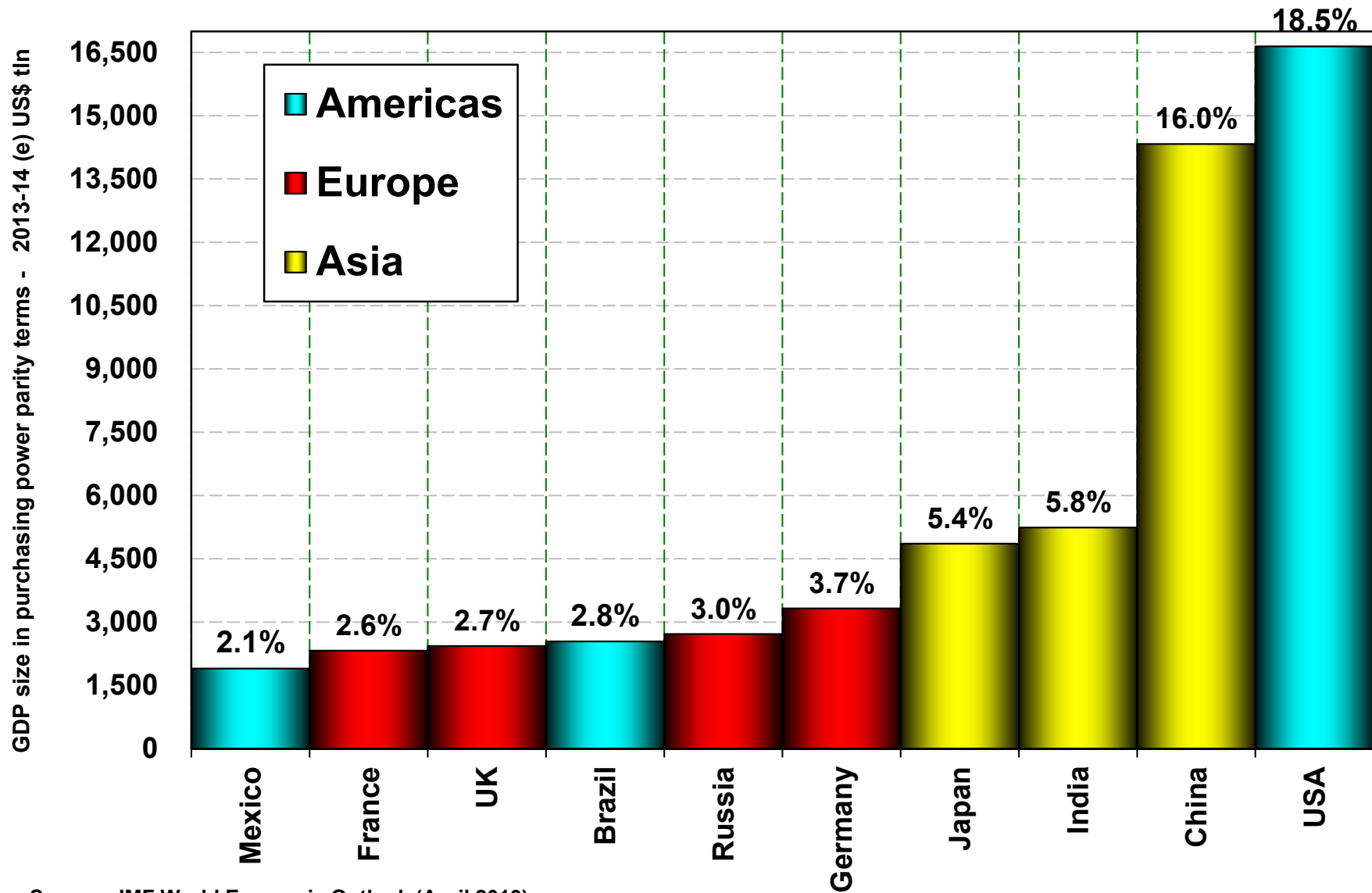
Key Issues in Focus



- **Global Rebalancing Forces**
- **Uneven Growth Dynamics**
- **Leverage & Debt Sustainability**
- **Managing Excess Liquidity**
- **Emerging Markets: Risks & Flows**



Global Economic Rebalancing ► The New G10









Source: IMF World Economic Outlook (April 2013)



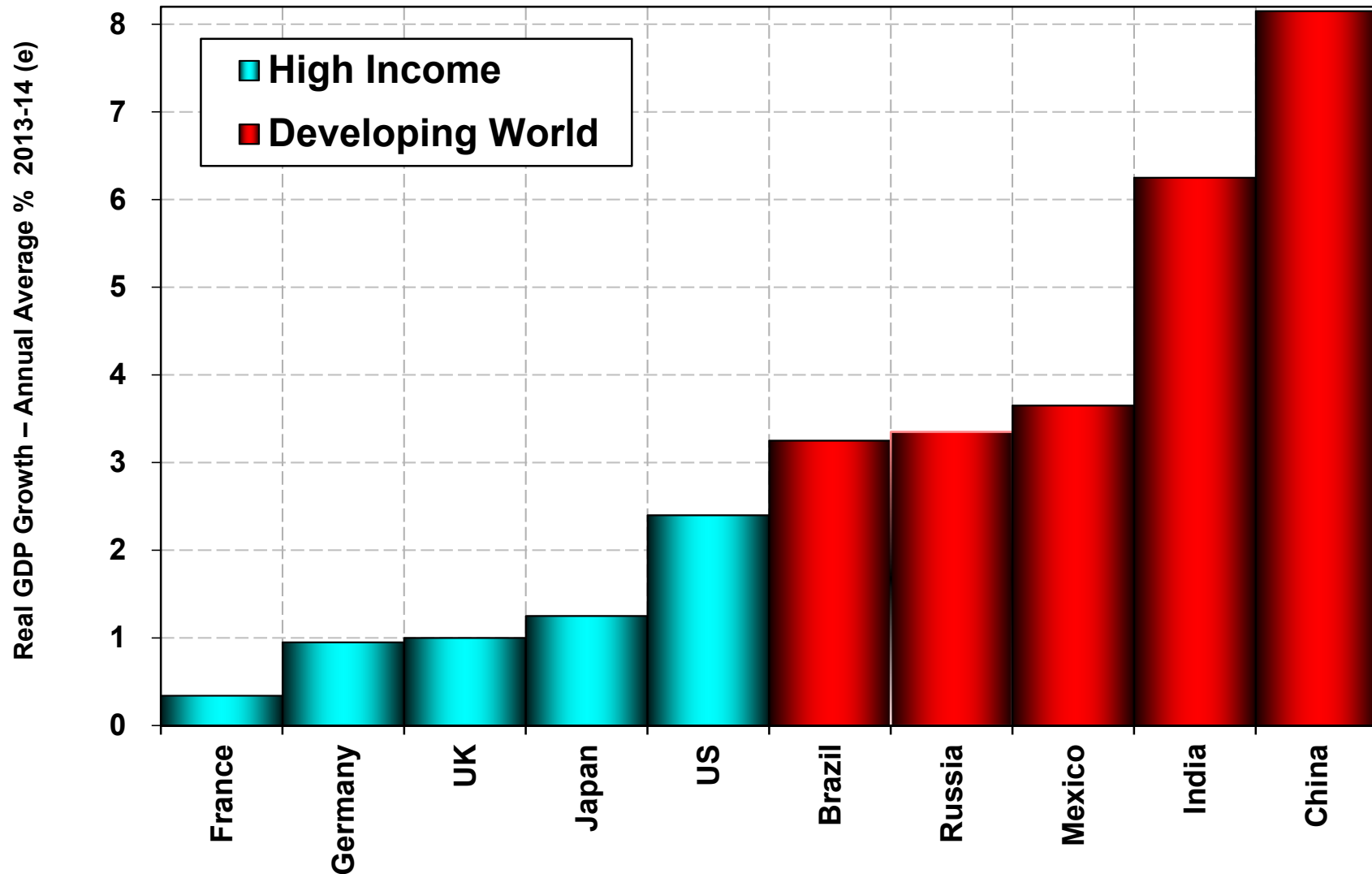
Global Growth Trends ► Improving in 2014



GLOBAL ECONOMY	2001-10	2011	2012	2013f	2014f
	3.6	3.8	3.1	3.1	3.8
North America	1.6	2.1	2.3	2.2	2.8
	1.6	1.8	2.2	2.1	2.7
Euro Zone	1.6	1.6	(0.6)	(0.5)	0.9
	1.0	3.1	0.9	0.5	1.4
Japan	0.8	(0.8)	2.0	1.0	1.5
Developing Asia	8.5	8.1	6.6	7.2	7.4
	10.5	9.2	7.8	8.0	8.3
	7.4	6.8	5.0	6.0	6.5
Developing Europe	3.9	5.3	2.0	2.6	3.2
	4.9	4.3	3.4	3.0	3.7
Developing Americas	3.4	4.6	3.0	3.4	3.9
	3.6	2.7	0.9	3.0	3.5



G10 Growth 2013-14 ► Emerging Markets in Focus



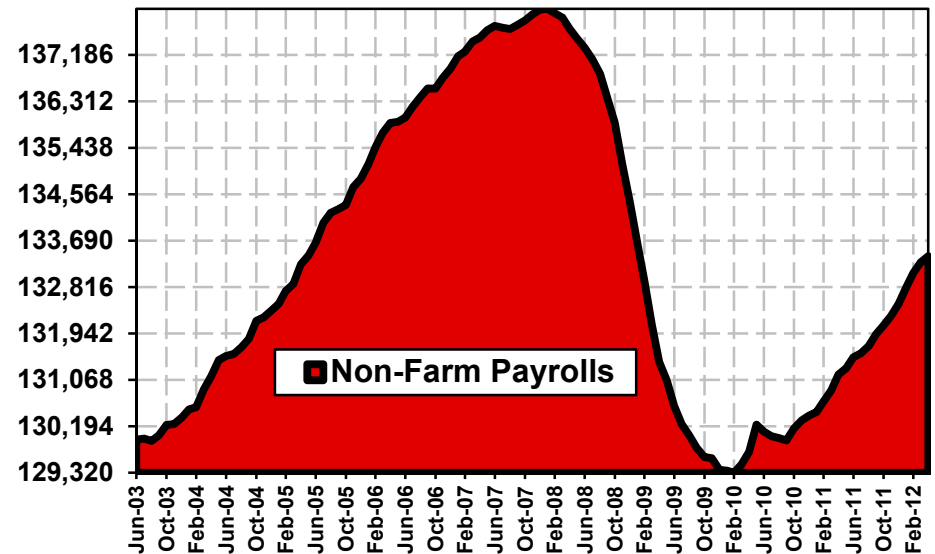
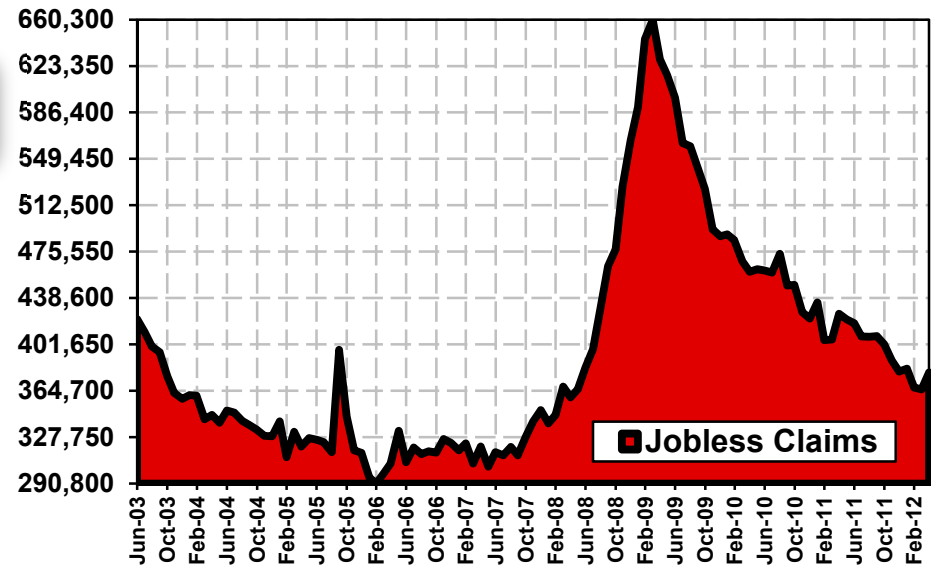
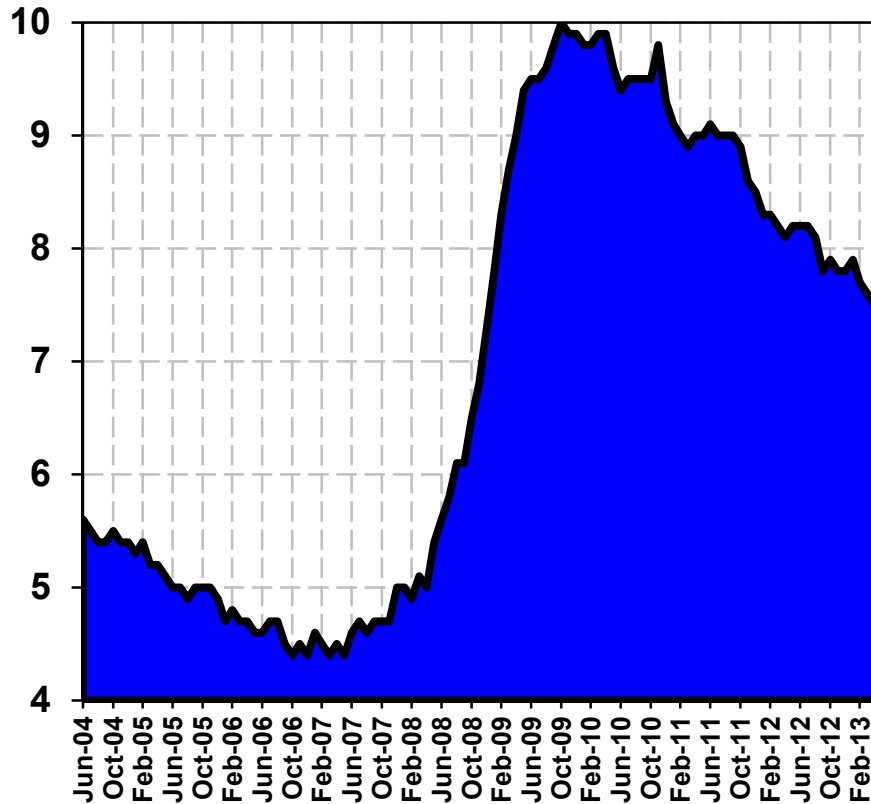
Source: Scotiabank & IMF World Economic Outlook



US Growth ► Policy Mix Focused on Employment

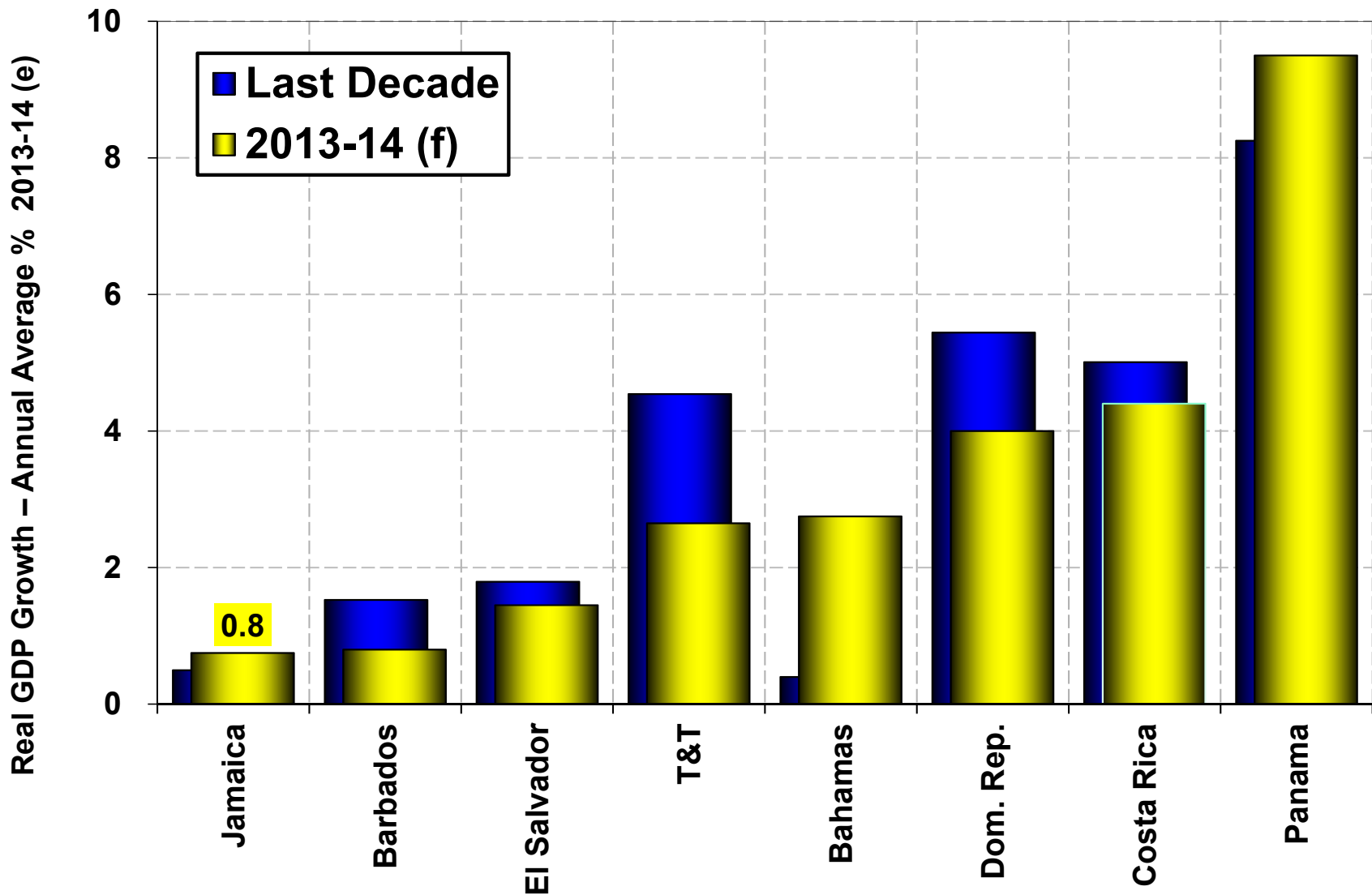


Declining Unemployment Rate





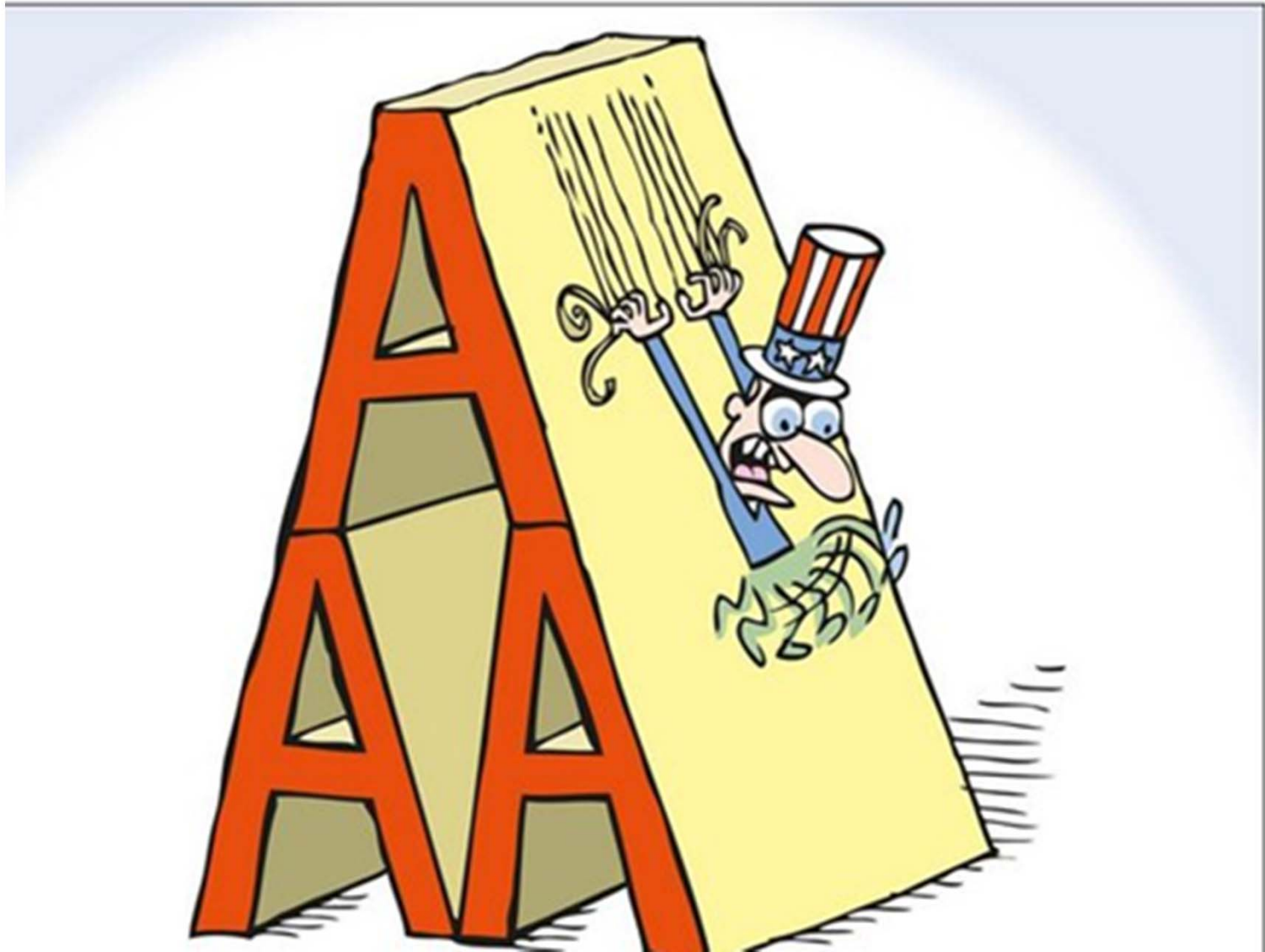
Regional Growth Dynamics ► Jamaica in Context



Source: Scotiabank & IMF World Economic Outlook

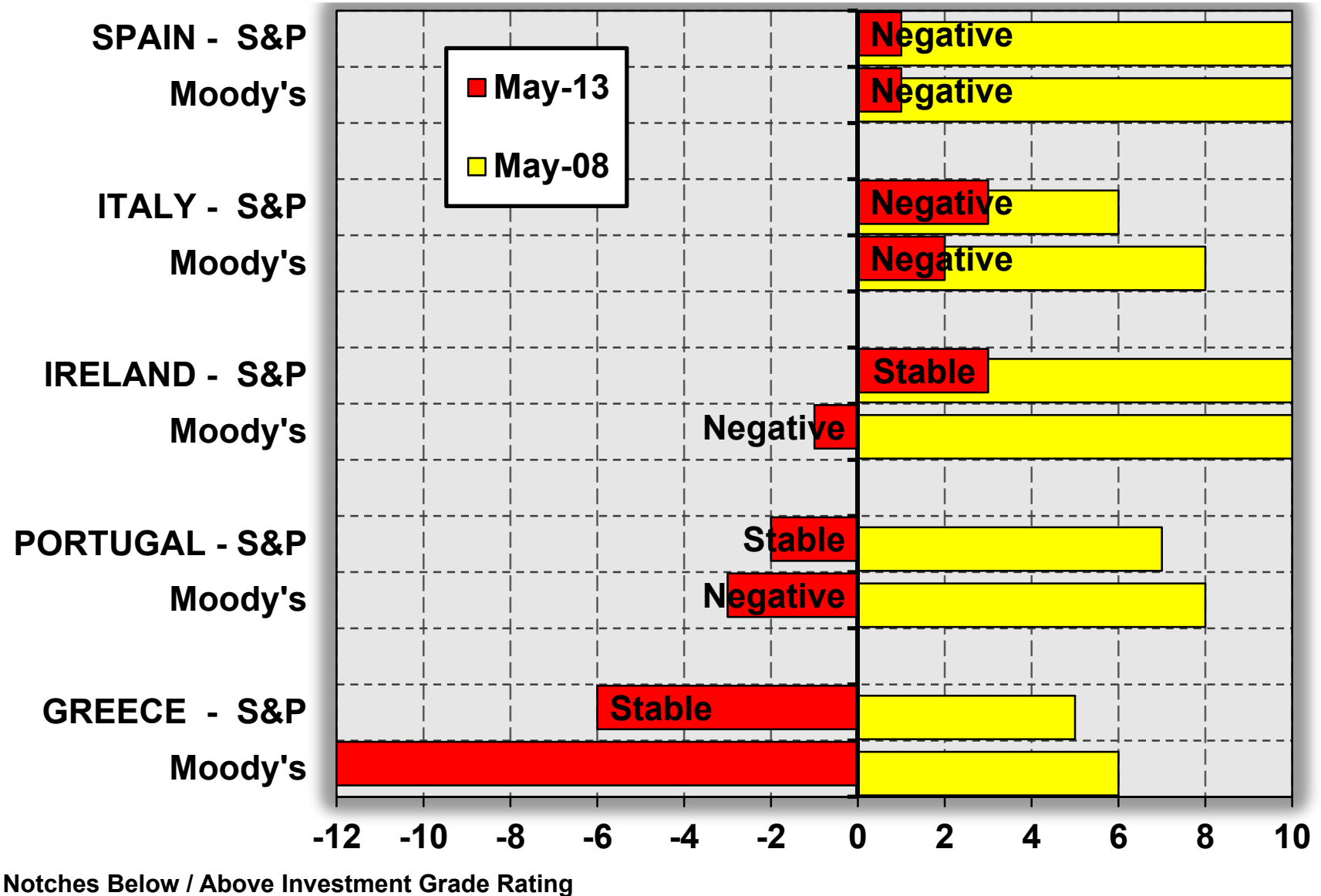


Global Risk Rebalancing ► Falling Angels



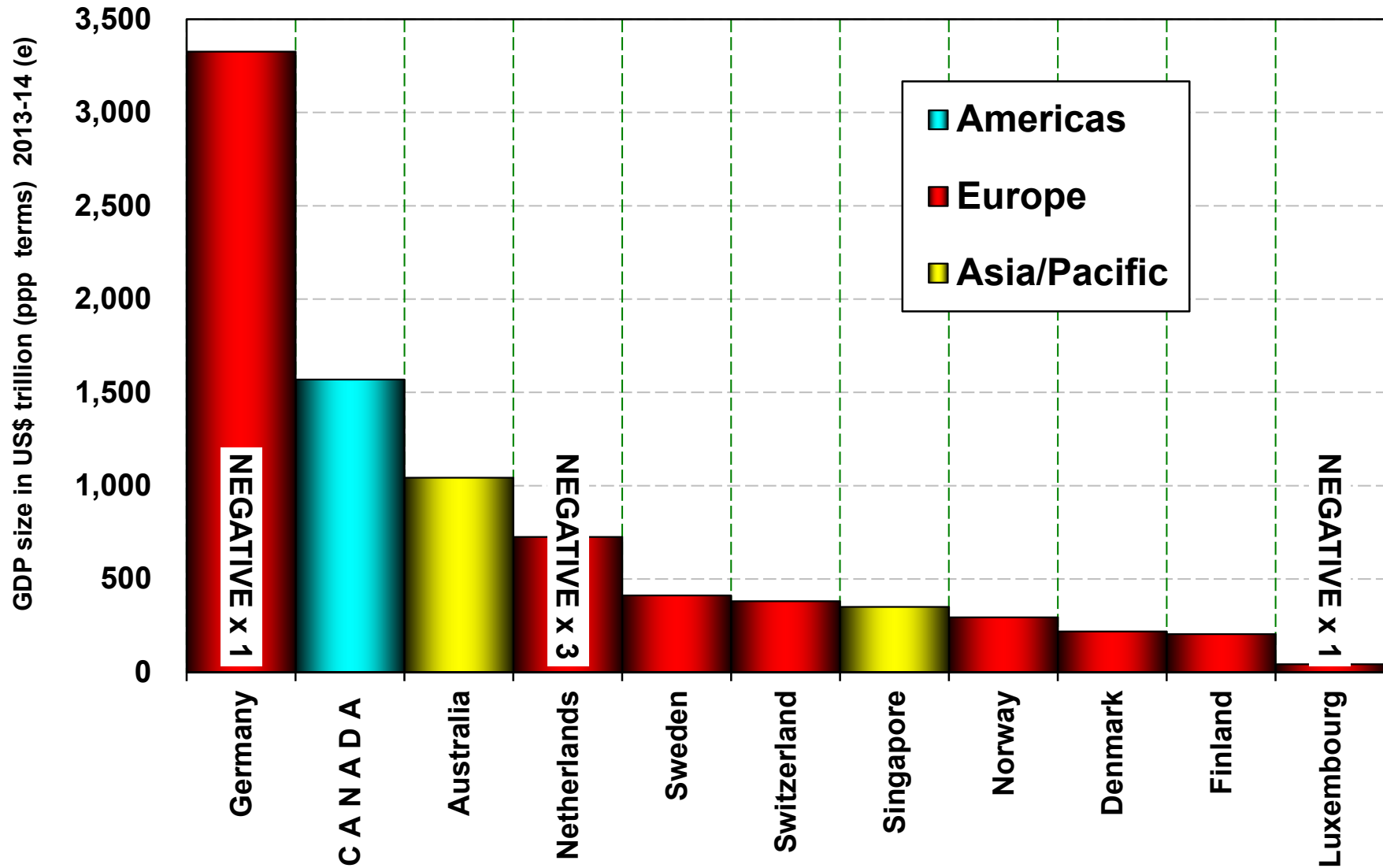


Global Risk Rebalancing ► Europe in Context





Global Risk Rebalancing ► The “AAA” Rating Club

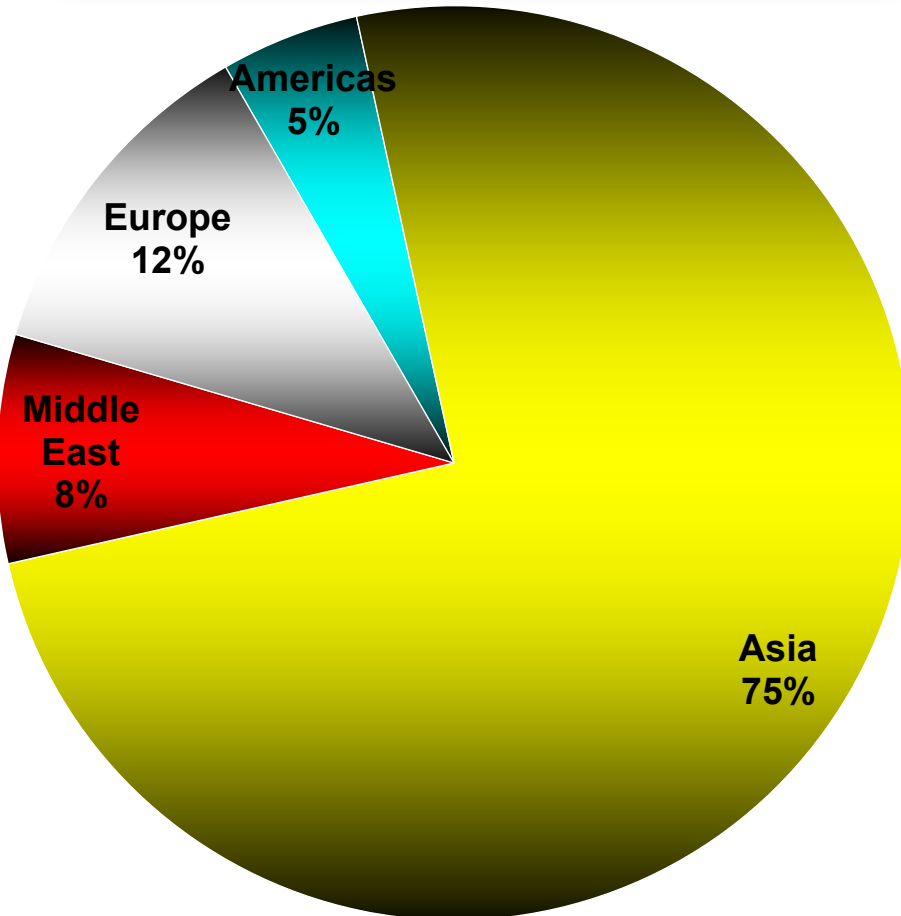




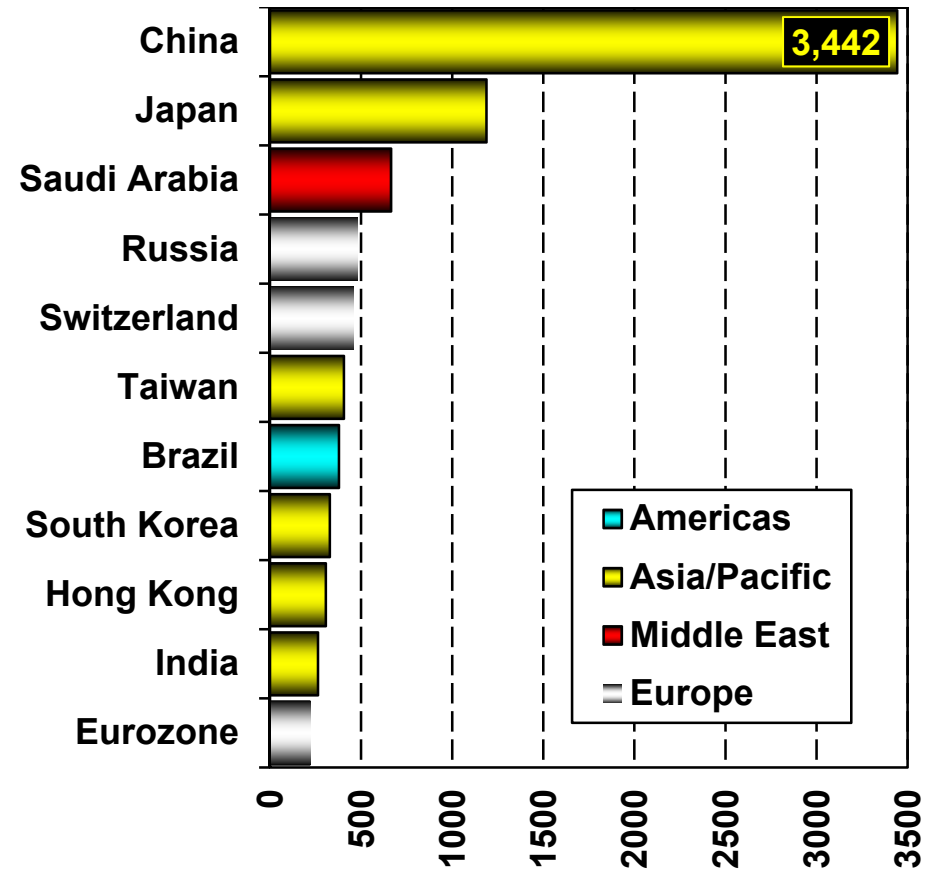
Global Cash Rebalancing ► Powerful FX Reserves



Top-10 = US\$7.7 trillion

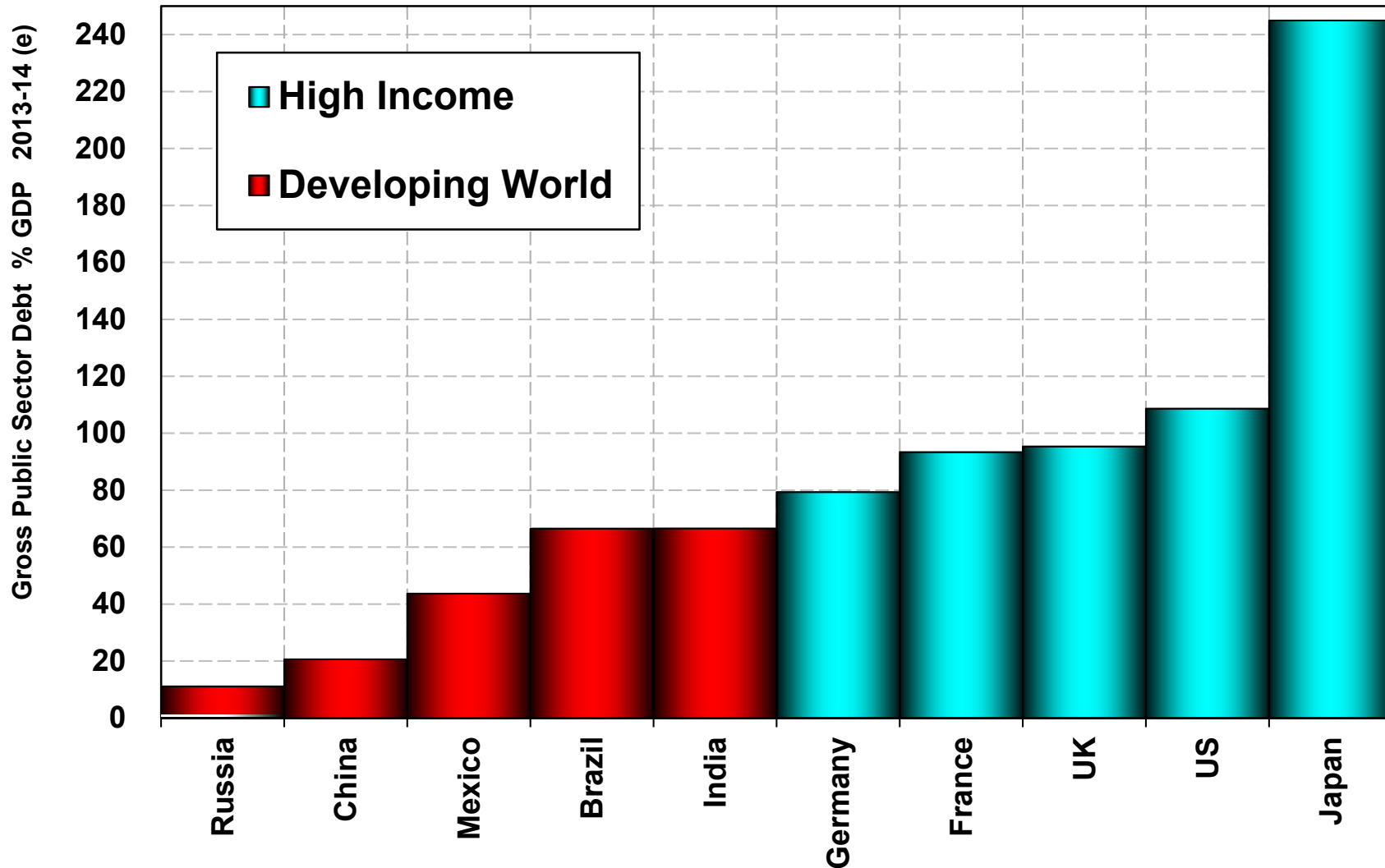


FX Reserves by Holder





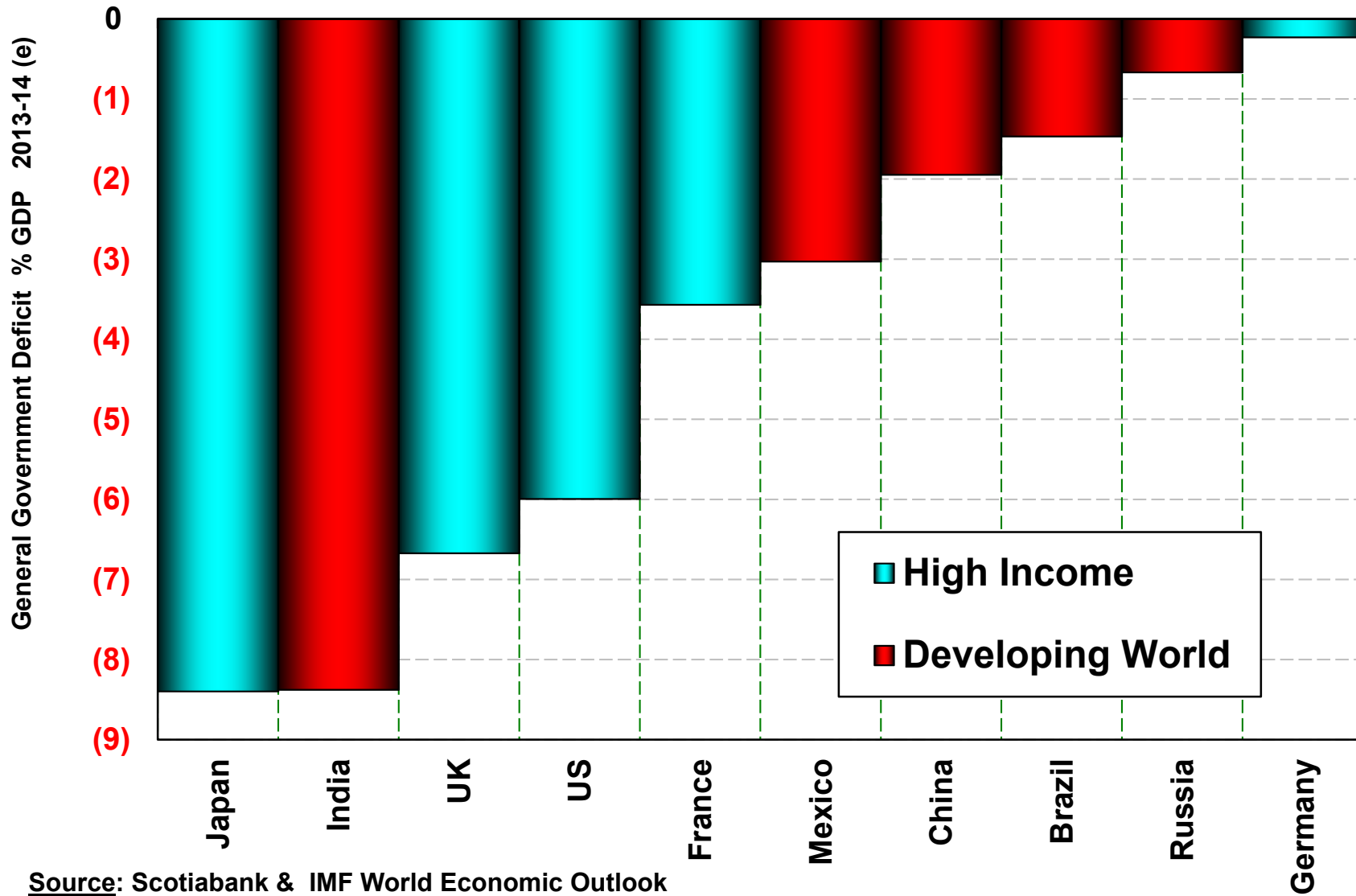
Sovereign Debt (un) Sustainability in the G10



Source: Scotiabank & IMF World Economic Outlook



Global Fiscal Position – Deep Adjustments in Sight



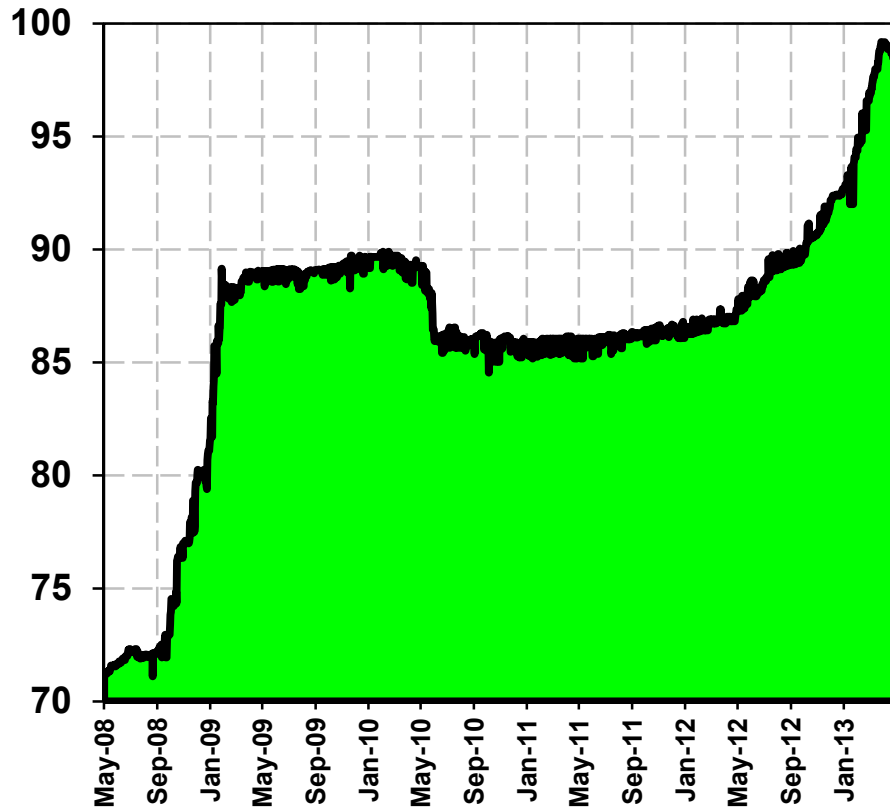
Source: Scotiabank & IMF World Economic Outlook



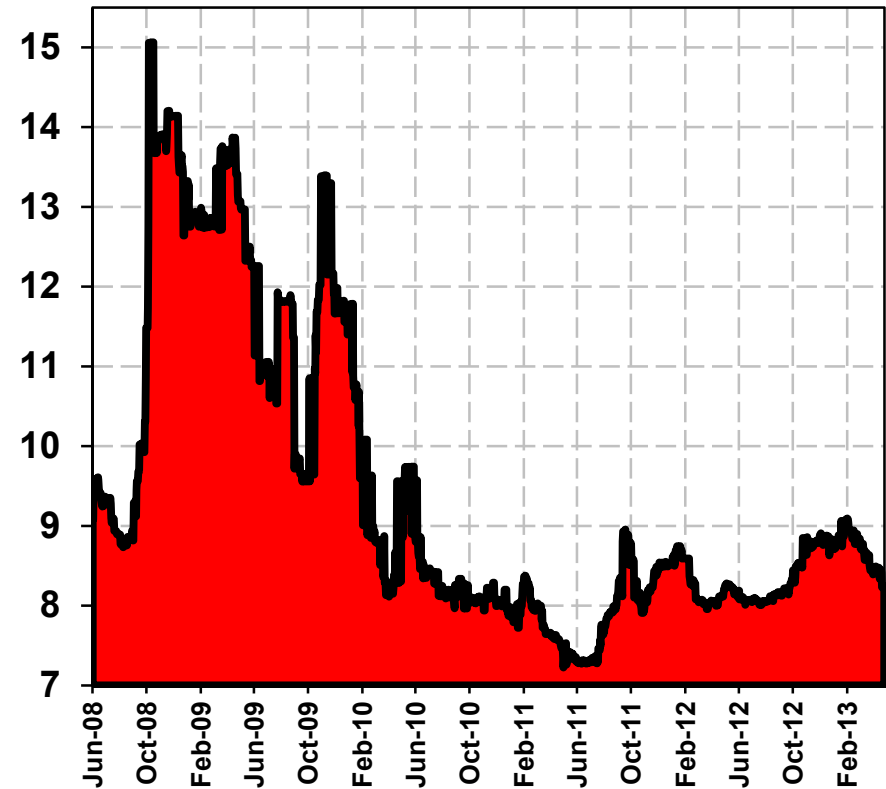
Financial Market Dynamics: Jamaica in Focus



Foreign Exchange per USD



Government Bond Yield (2019)

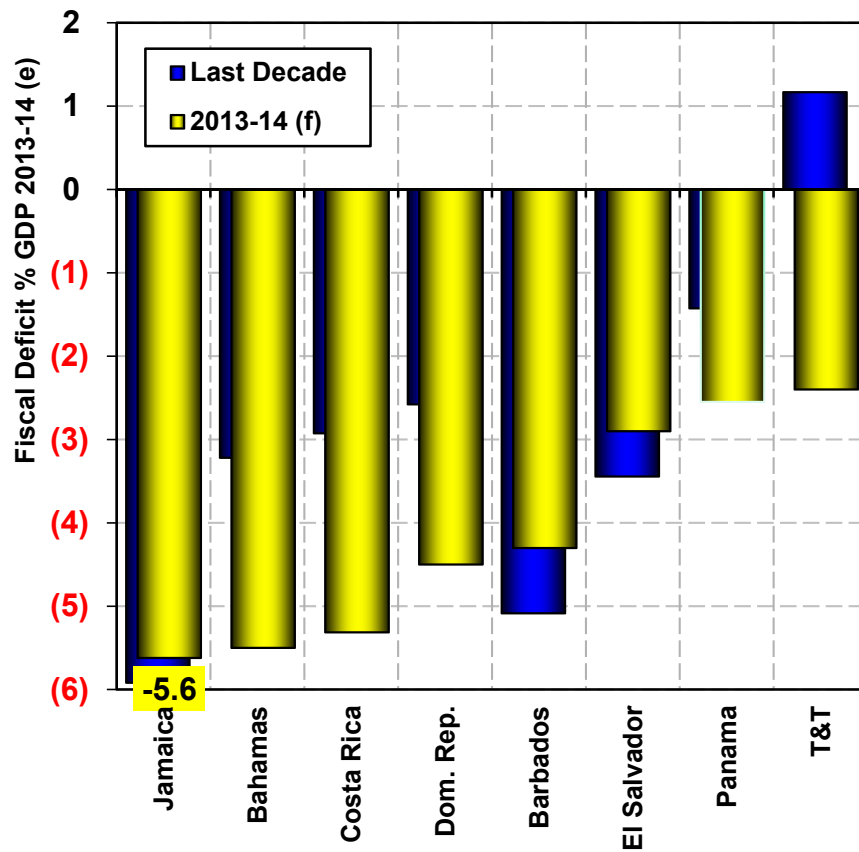




Regional Fiscal & Debt Profile – Jamaica in Context

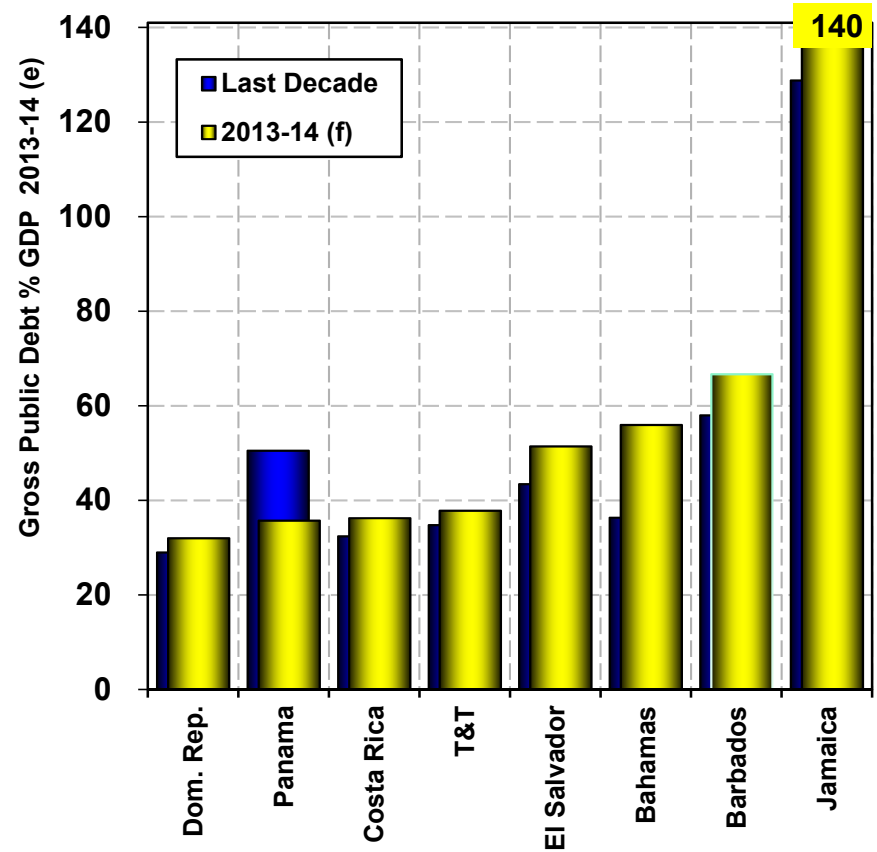


Public Sector - Fiscal Balance



Source: Scotiabank & IMF World Economic Outlook

Public Sector - Gross Debt



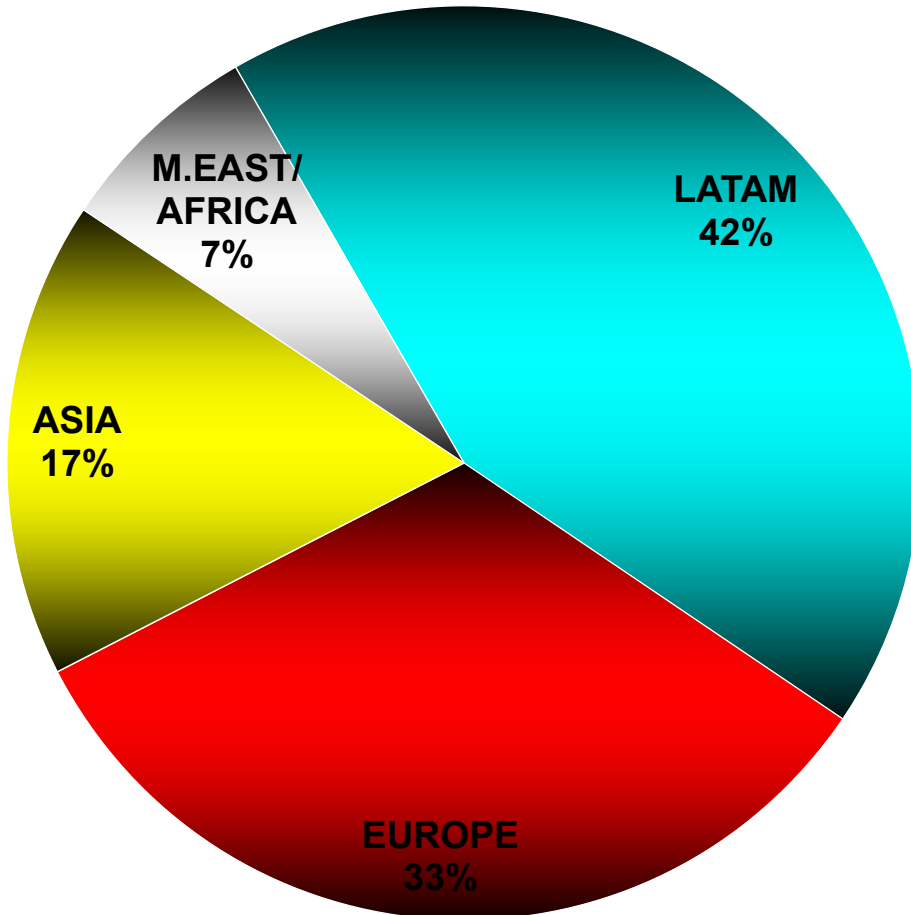
Source: Scotiabank & IMF World Economic Outlook



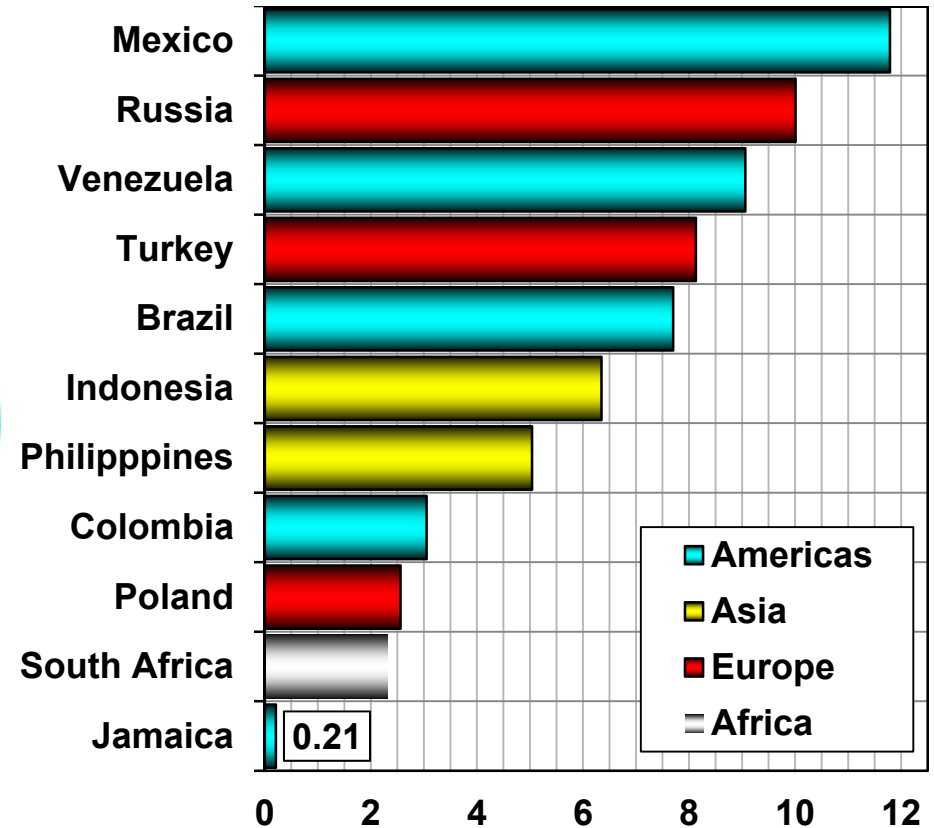
Who is Who in the Emerging Market Debt Universe?



EMBIG – Regional Breakdown



EMBIG – Top 10 Credits

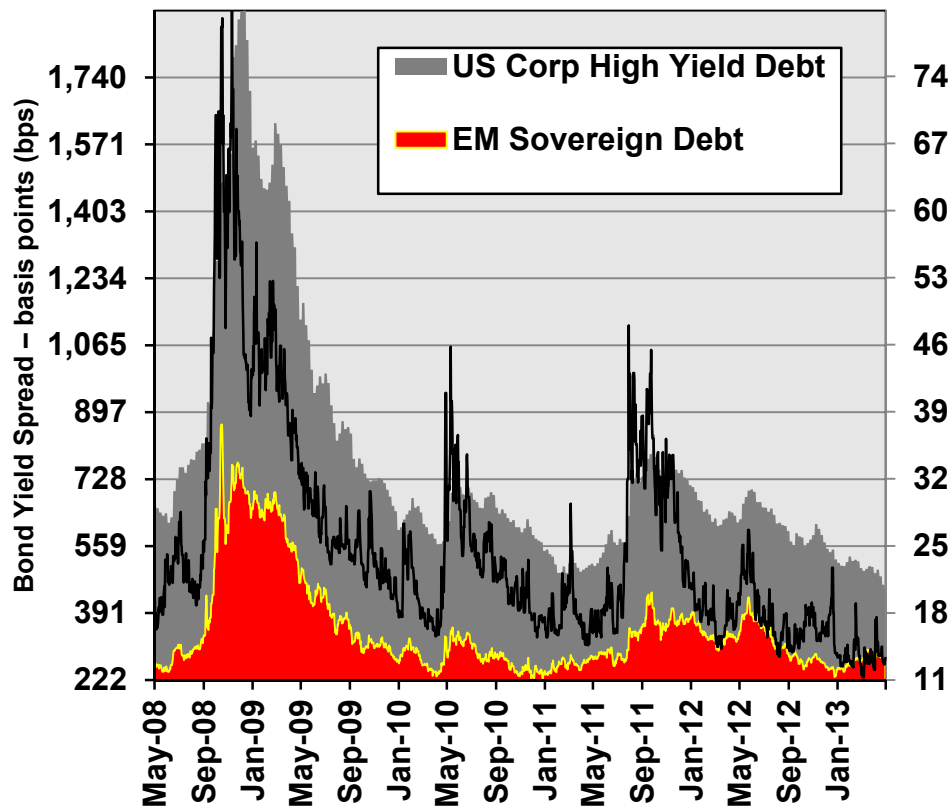




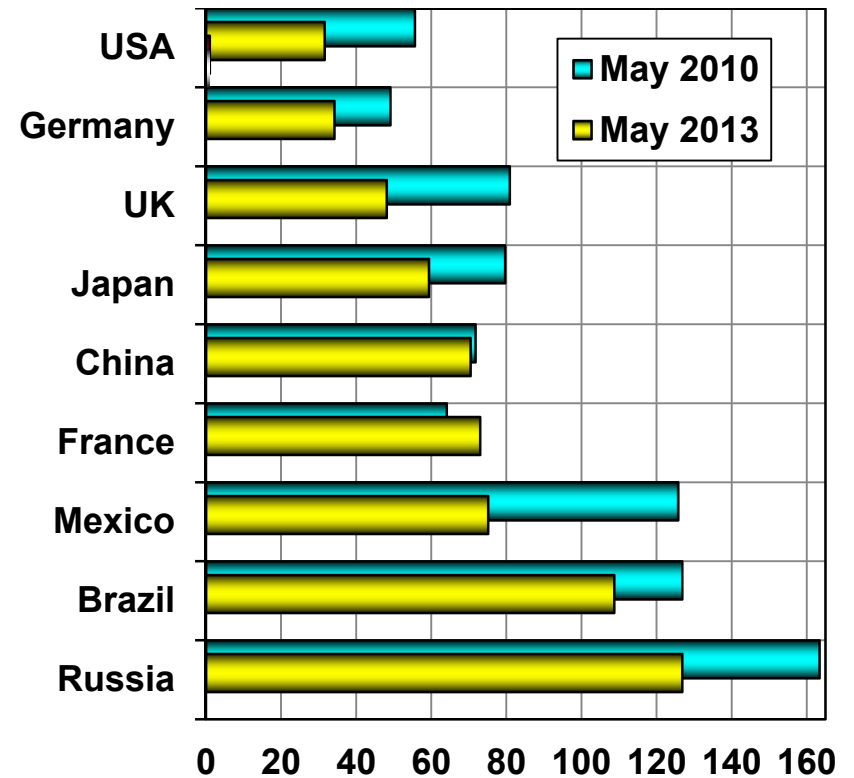
Global Sovereign Debt: Credit Risk Differentiation



Risk Aversion/Appetite Metrics



Credit Default Swaps (CDS)

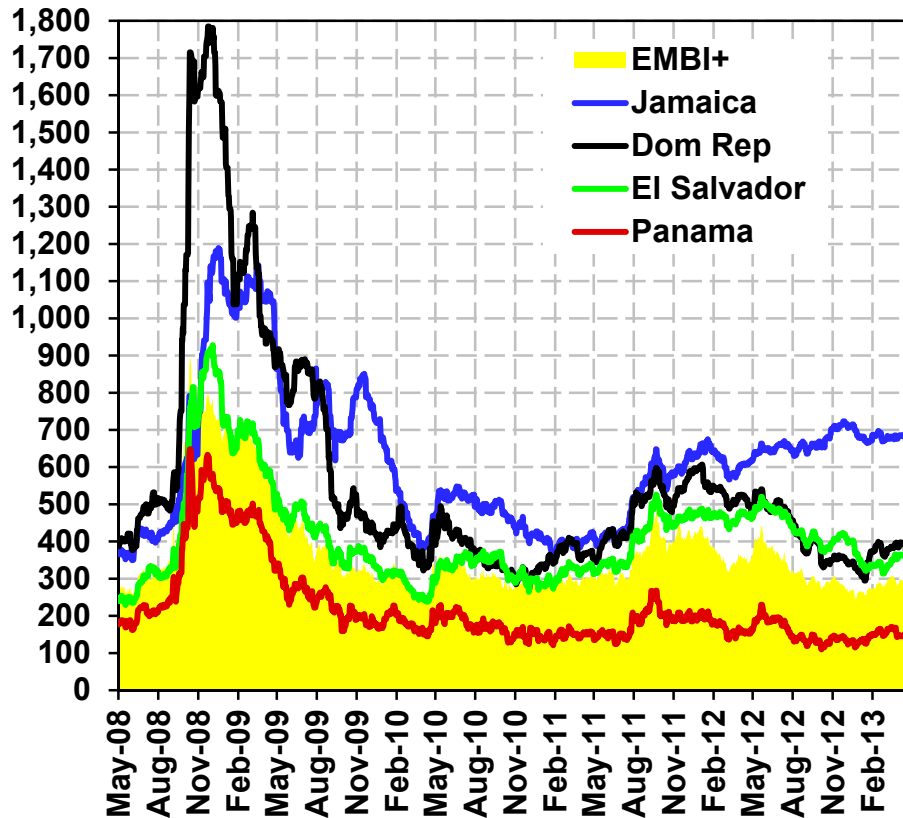




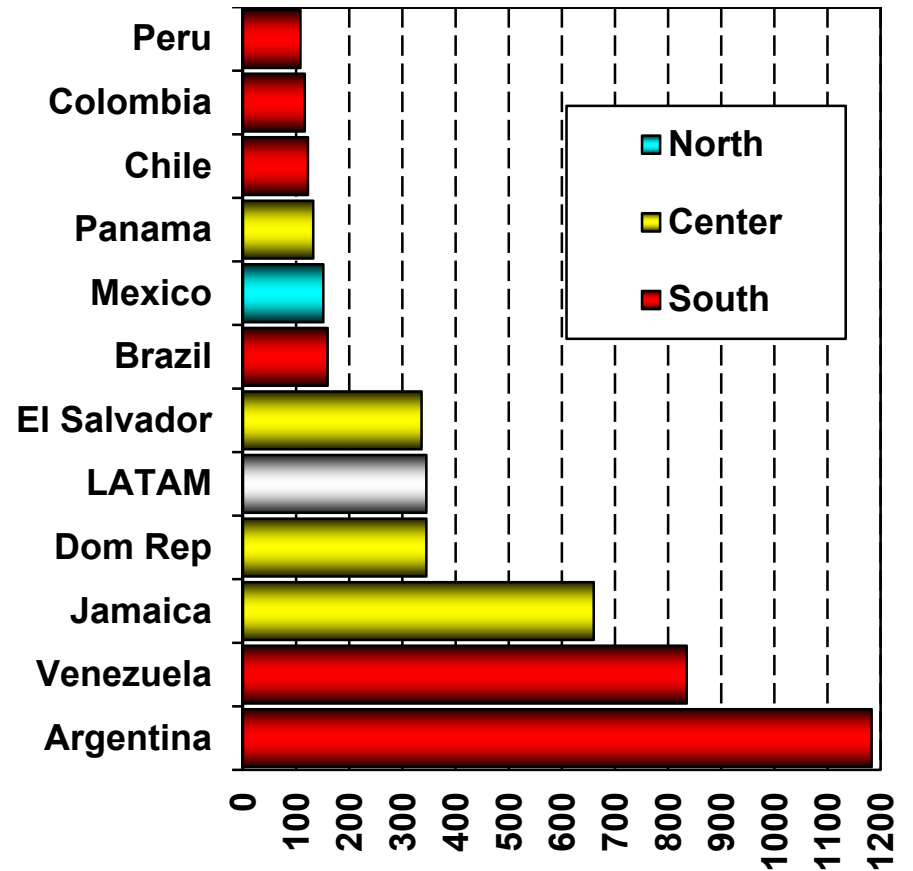
Emerging Market Debt: Jamaica in Context



Regional Bonds – Yield Spread



Relative Value Spread





Global FX Trends: The US Dollar in Context

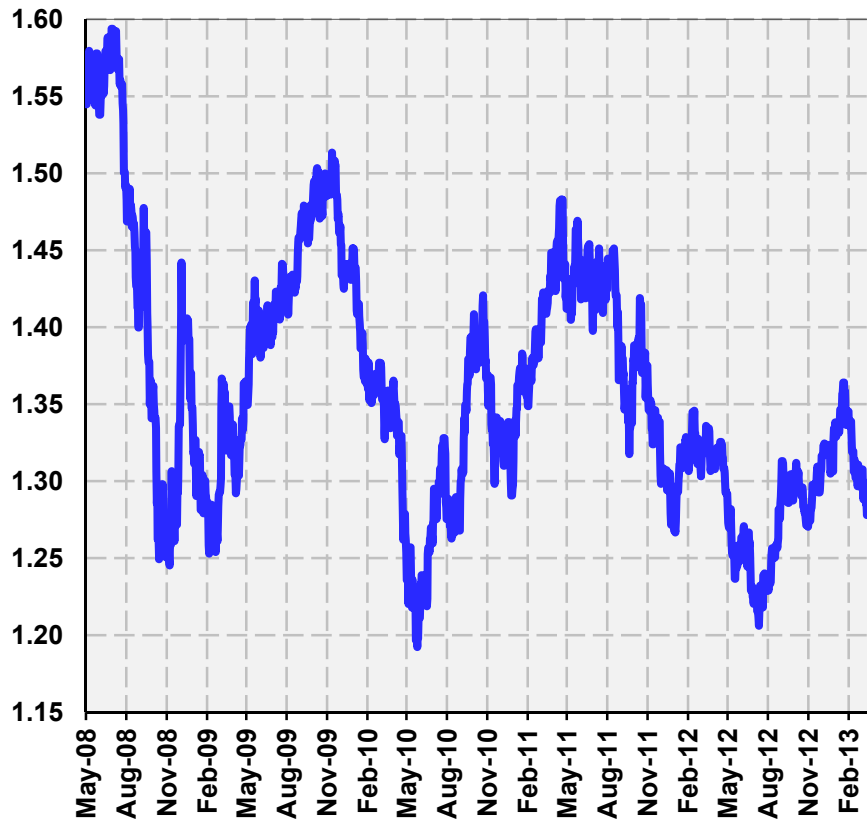




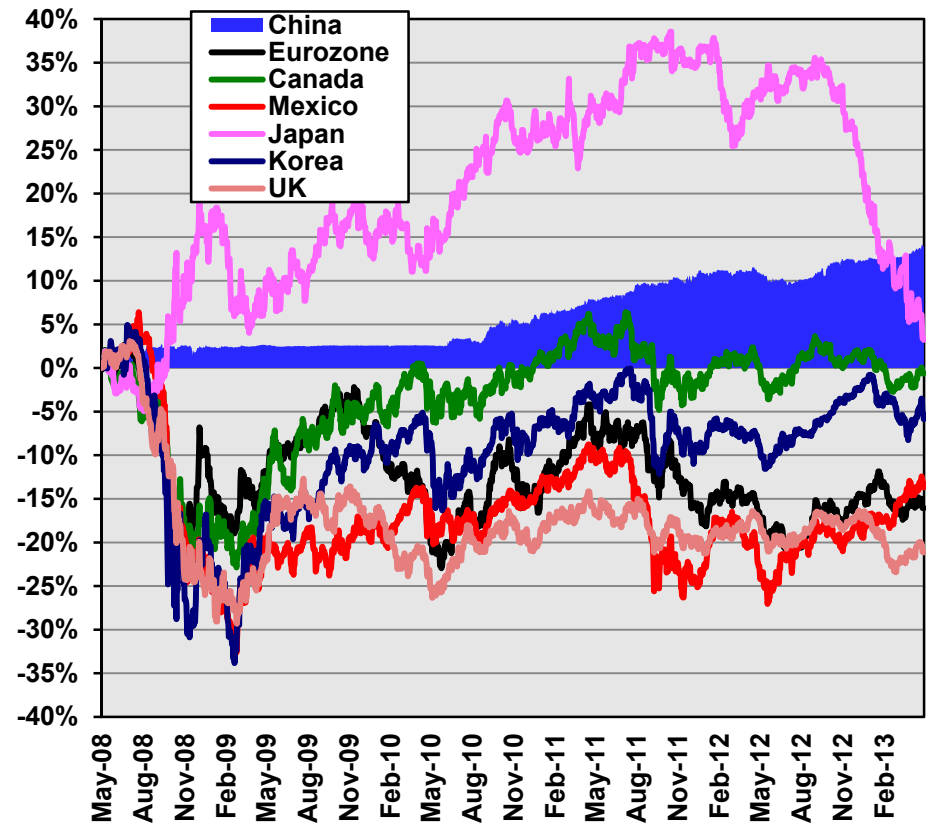
Global FX Trends: The EUR & “Currency Wars”



EUR per USD rate (2008-13)

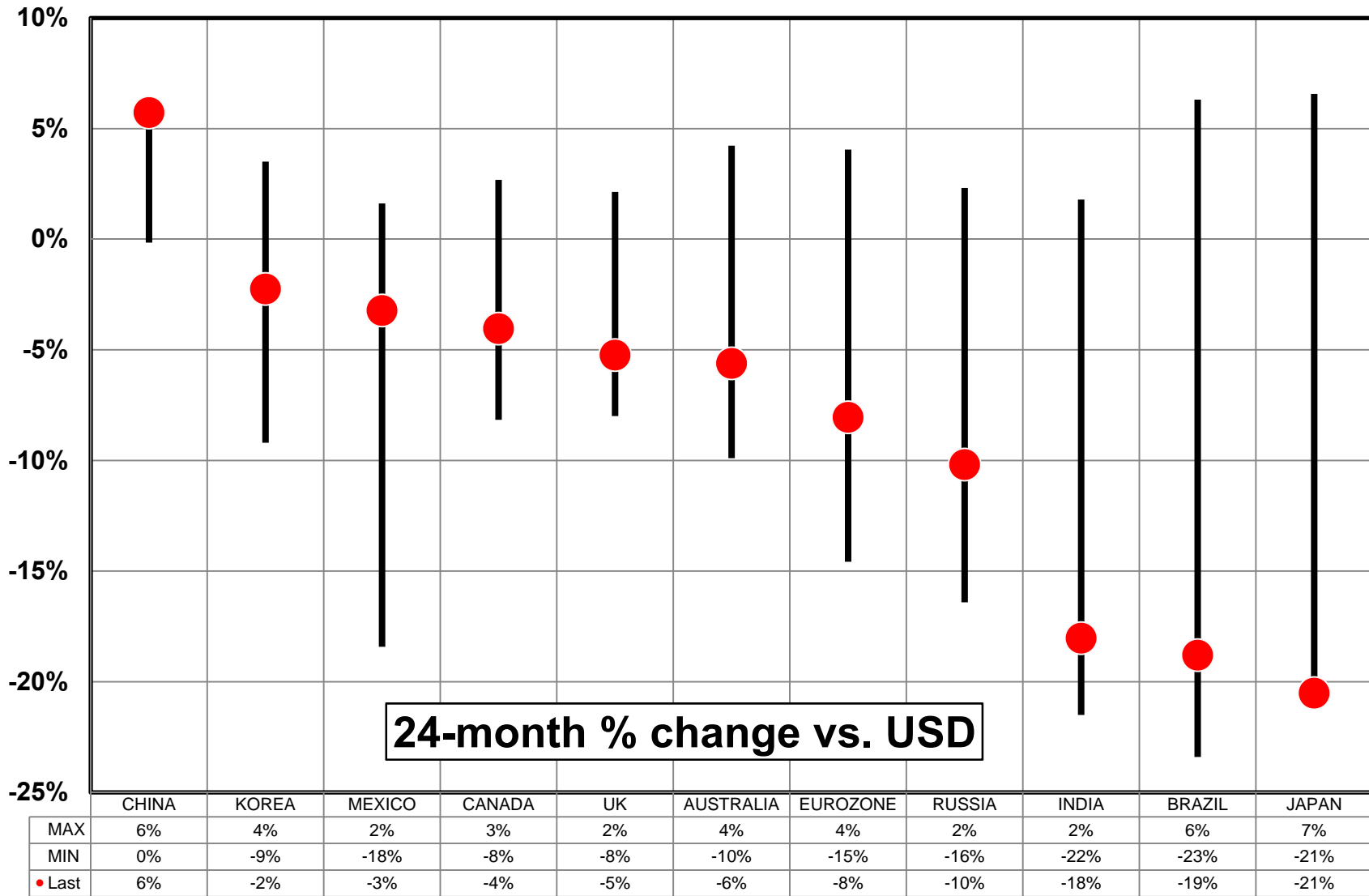


% Change vs. USD (2008-13)





Global FX Trends: Major Currencies vs US Dollar

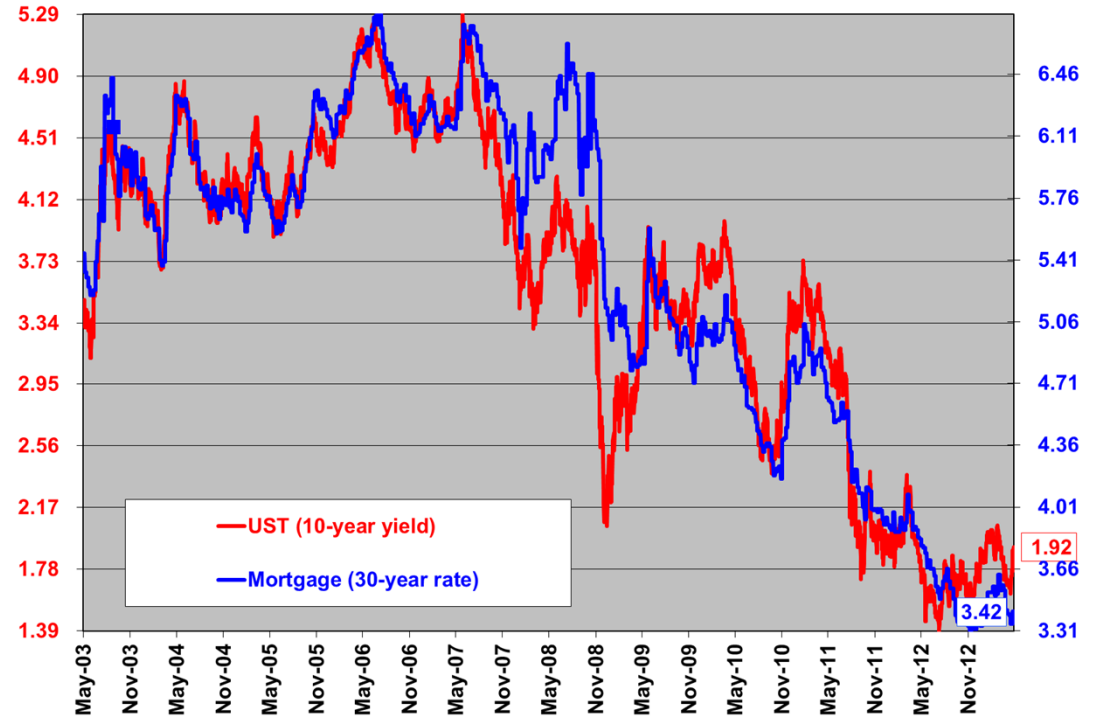




The Fed Focus ► Inflation & Employment Targeting



US (Treasury Debt vs Mortgage) Market Rates (10-year History)



"The Federal Reserve's Acquisition of long-term Treasury securities boosted the prices of such securities and caused long-term Treasury yields to be lower than they would have been otherwise"

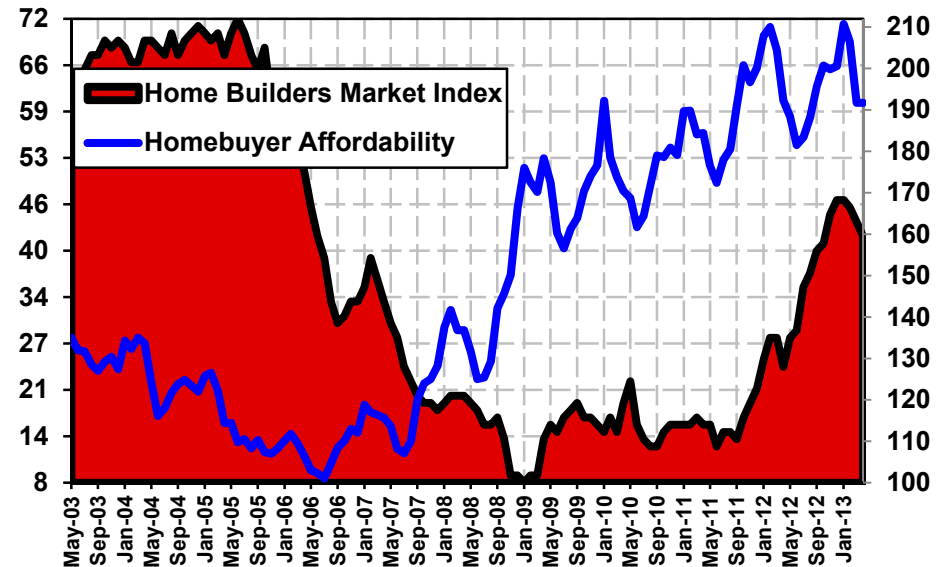
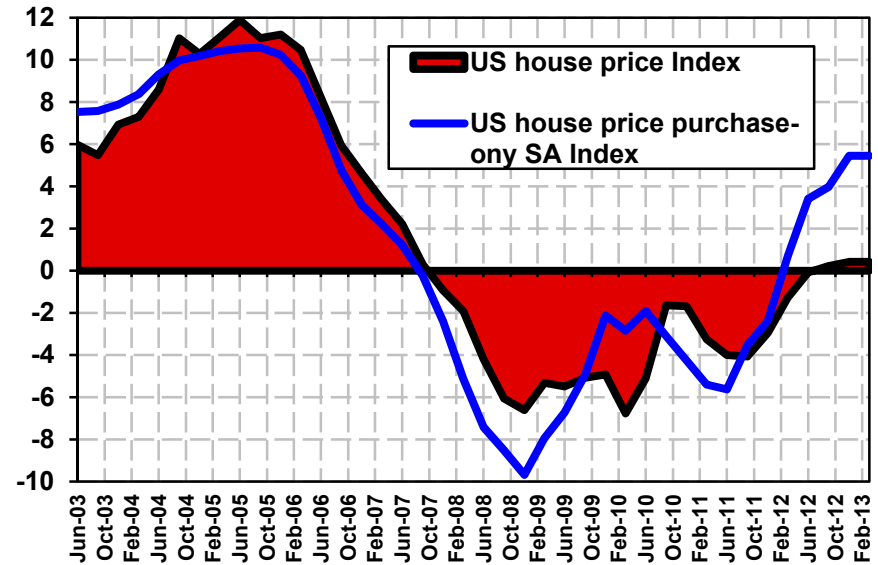
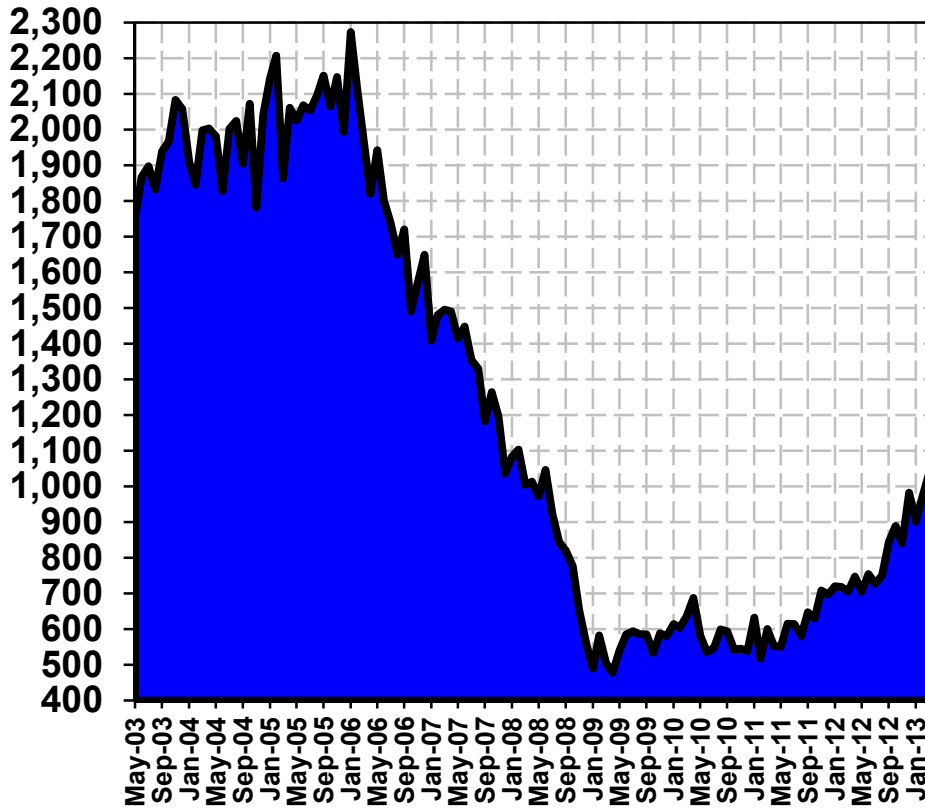
Ben Bernanke



US Growth ► Housing Market Metrics

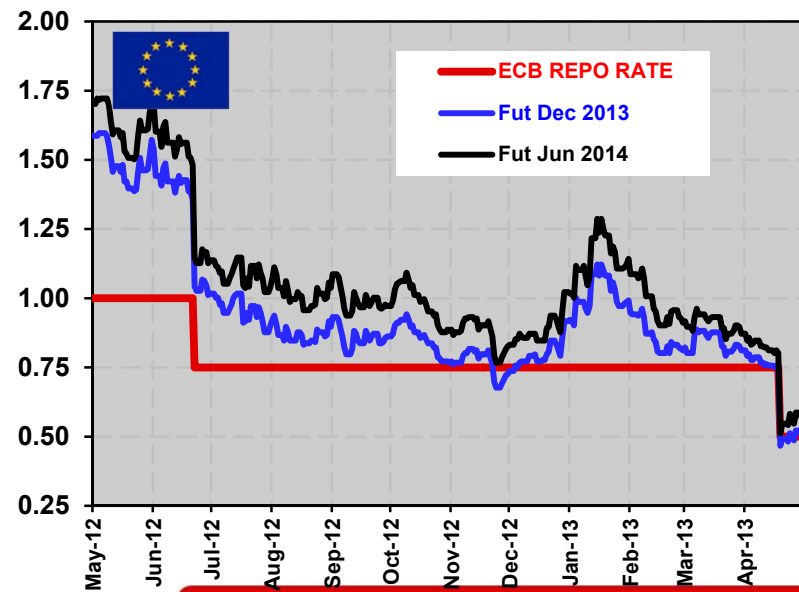
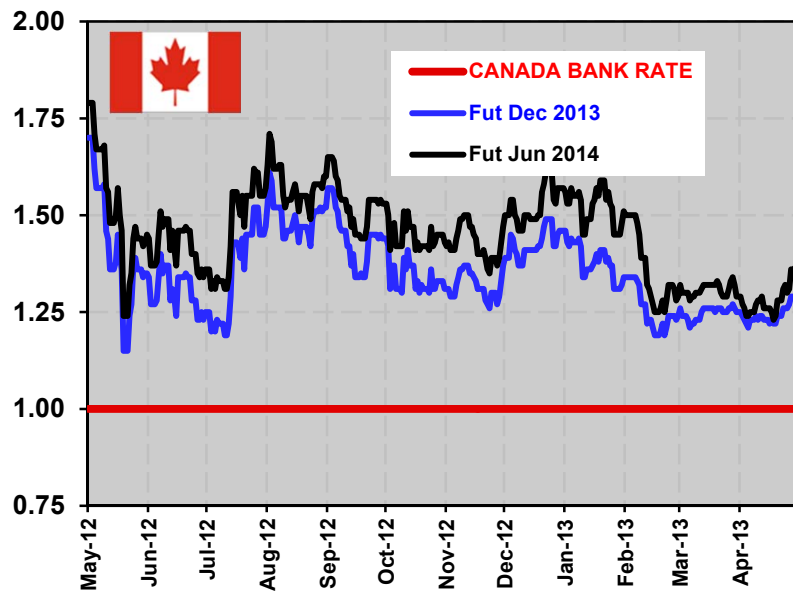
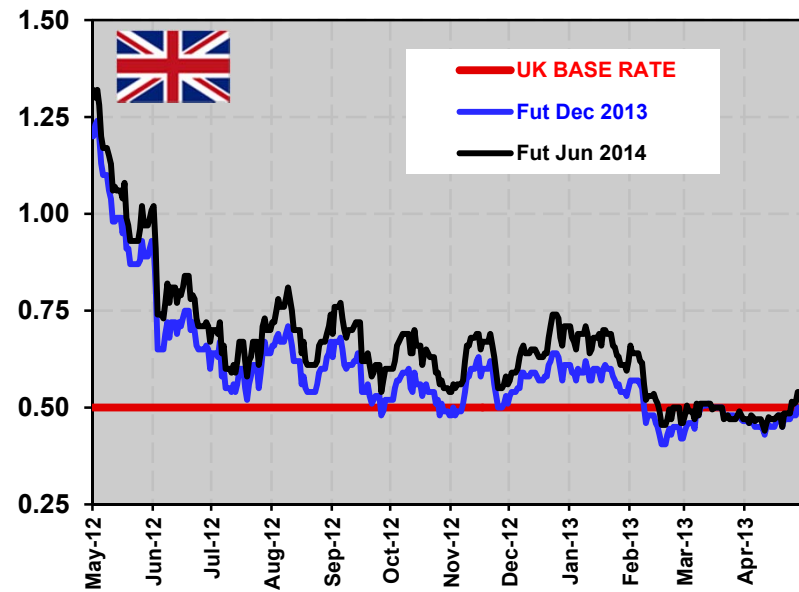
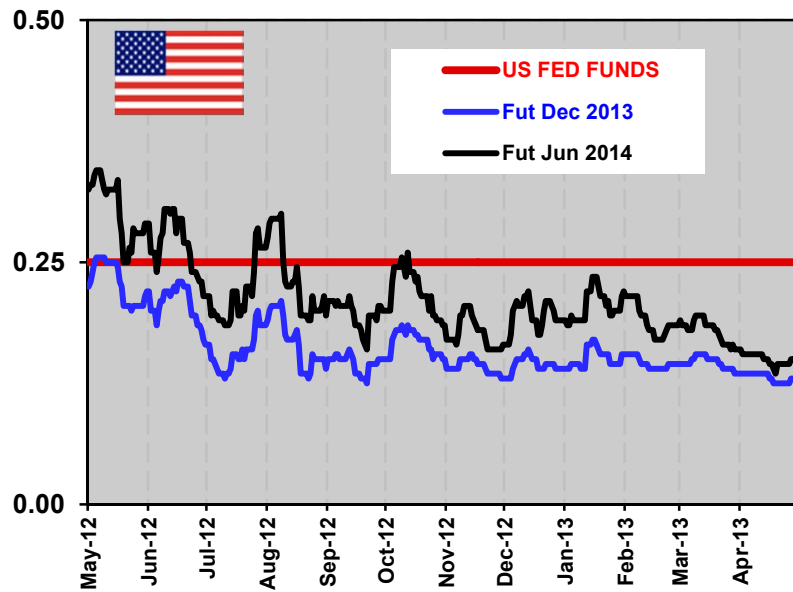


US Housing Starts ('000 units/year)



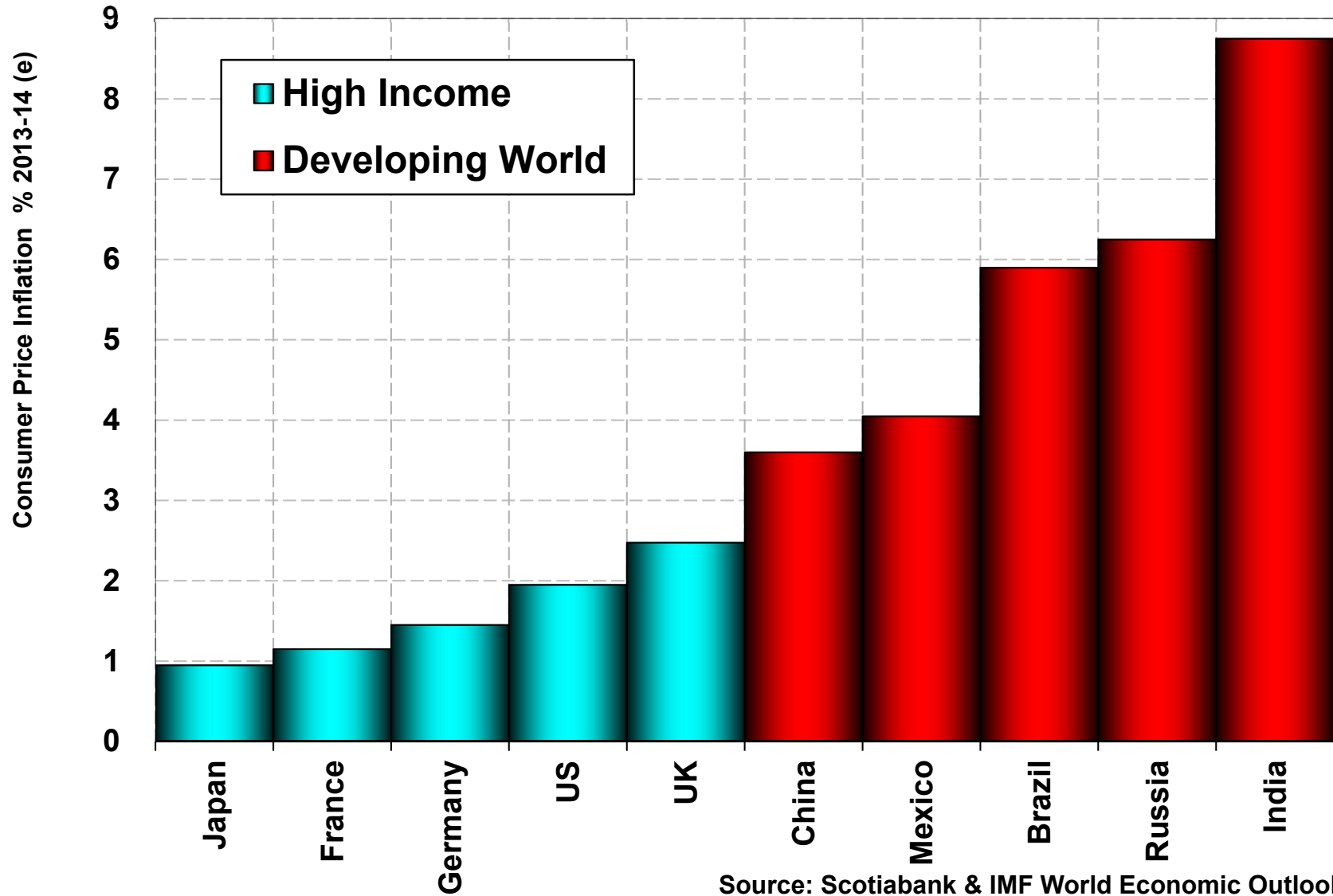


Global Liquidity ► Aggressive Monetary Stimulus





Global Inflation ► Emerging Markets in Context

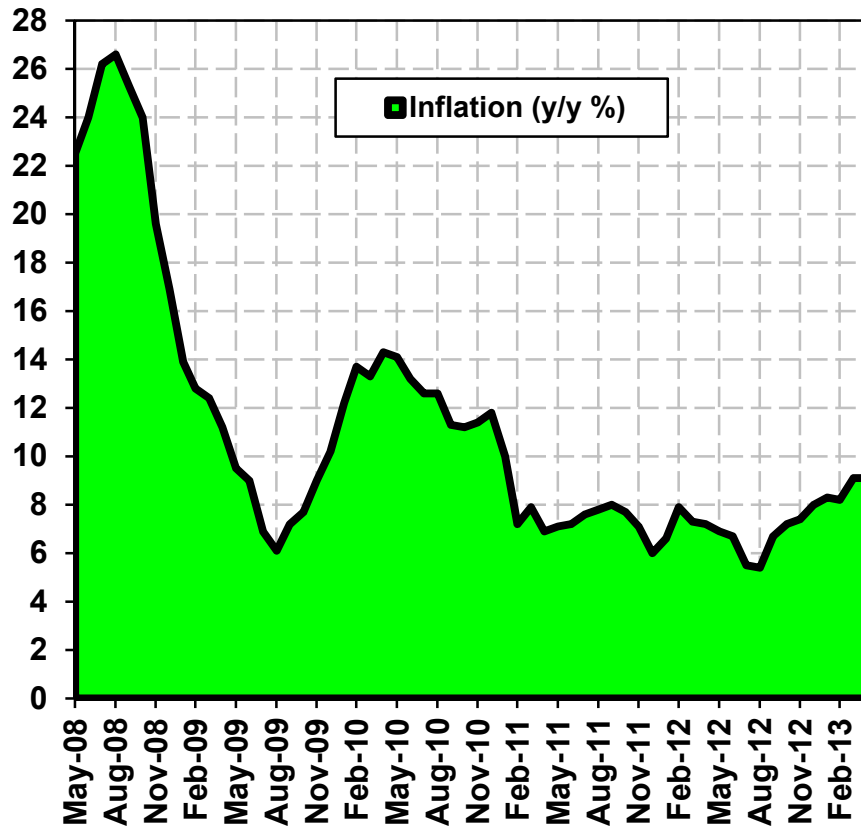




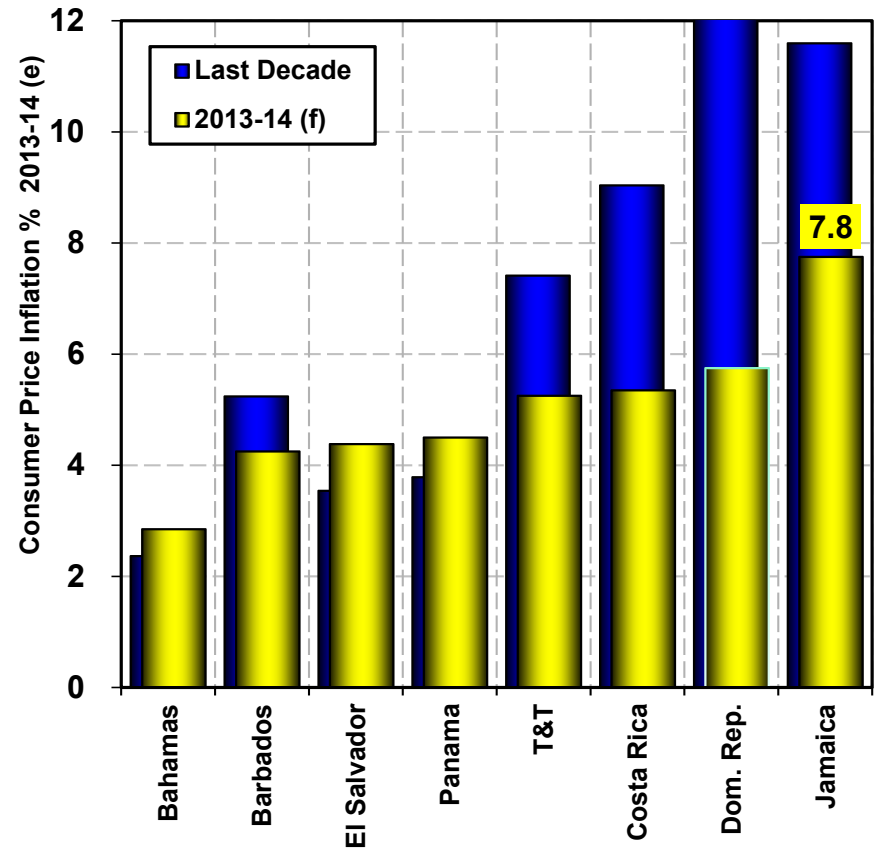
Regional Inflation ► Jamaica in Context



Jamaica Consumer Price Inflation



Regional Inflation Outlook



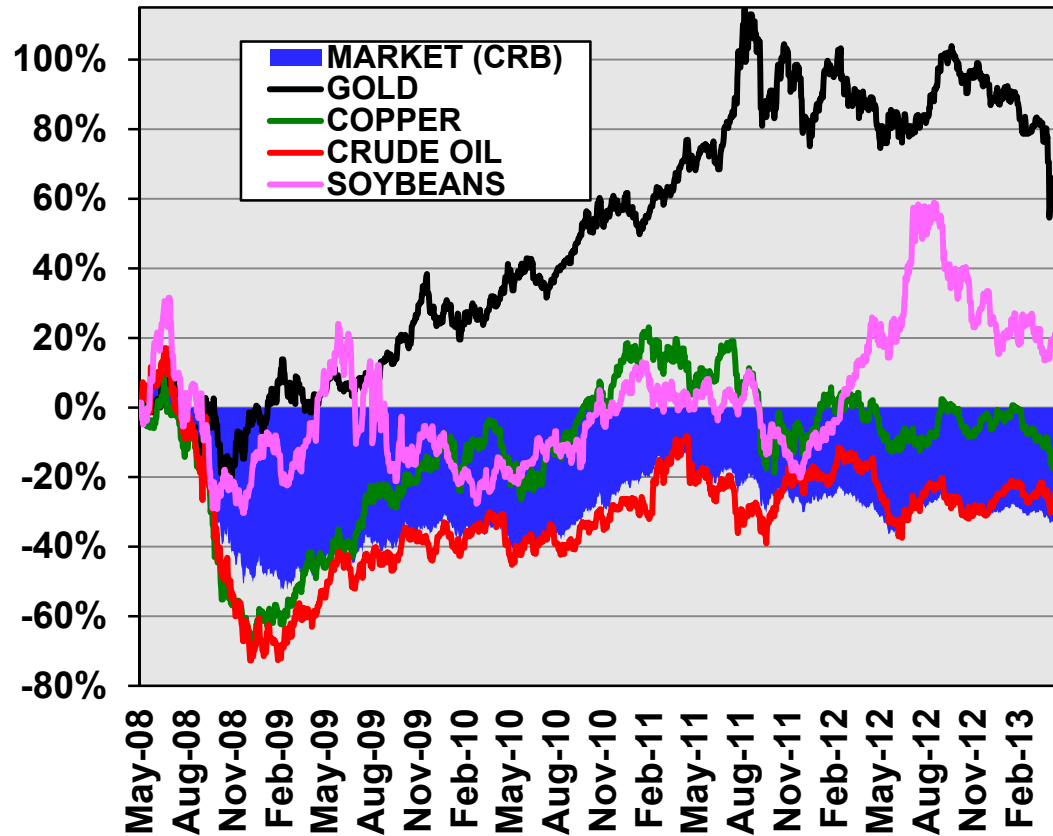
Source: Scotiabank & IMF World Economic Outlook



Steady Price Adjustments in Commodity Markets



Commodity Prices – 5-year Trends



	2012		2013f	2014f
Crude Oil	94	→	94	96
Natural Gas	2.25	↑	3.75-4.00	4.00-4.50
Copper	3.61	↓	3.4	3.2
Gold	1,670	↓	1,480	1,350-1,400



Commodity Markets – Energy Price Outlook



	13-May-13	Oil	US Gasoline	Natural Gas
Spot	Today	95.35	283.93	3.96
	3-year Minimum	68.01	184.94	1.91
	3-year Maximum	113.93	346.48	5.19
	12-mth Average	91.02	271.84	3.30
Futures	1 month	95.59	282.62	4.00
	change from spot	0.3%	-0.5%	1.2%
	3 months	95.59	280.38	4.03
	change from spot	0.3%	-1.3%	1.8%
	6 months	94.50	261.29	4.13
	change from spot	-0.9%	-8.0%	4.3%
	9 months	92.98	258.78	4.35
	change from spot	-2.5%	-8.9%	10.1%
	12 months	92.00	278.02	4.07
	change from spot	-3.5%	-2.1%	2.8%
	Average 12 mths ahead	94.06	270.35	4.07
	change from 12 months past	3.3%	-0.5%	23.2%

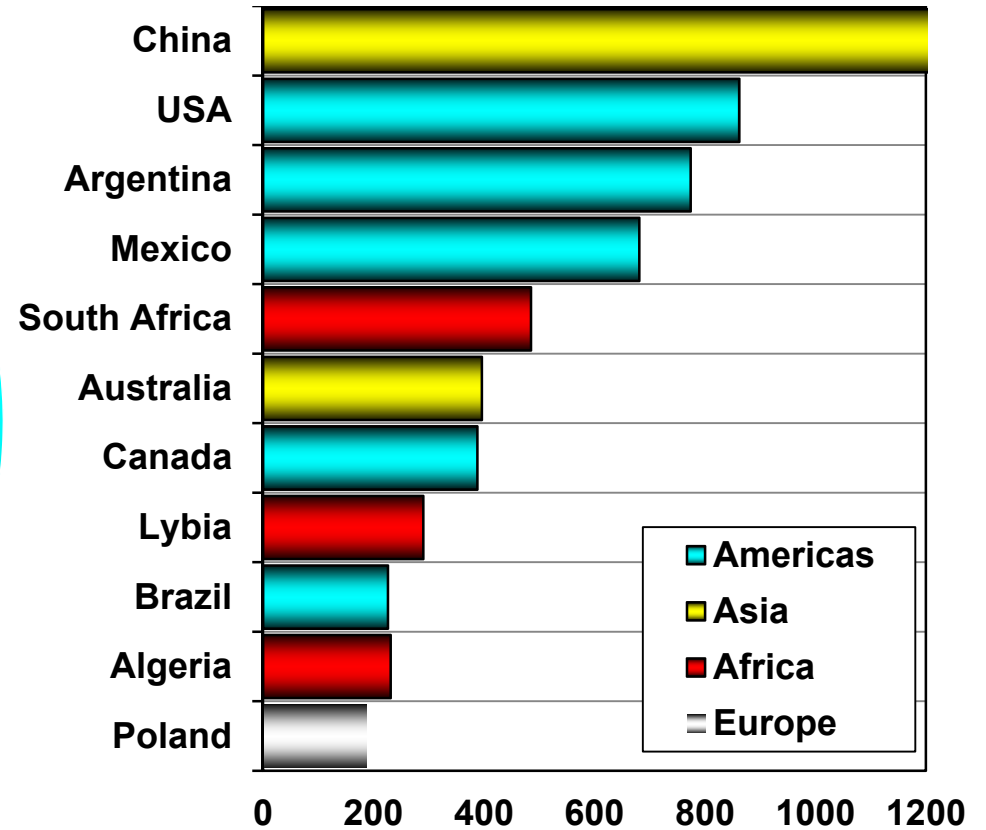
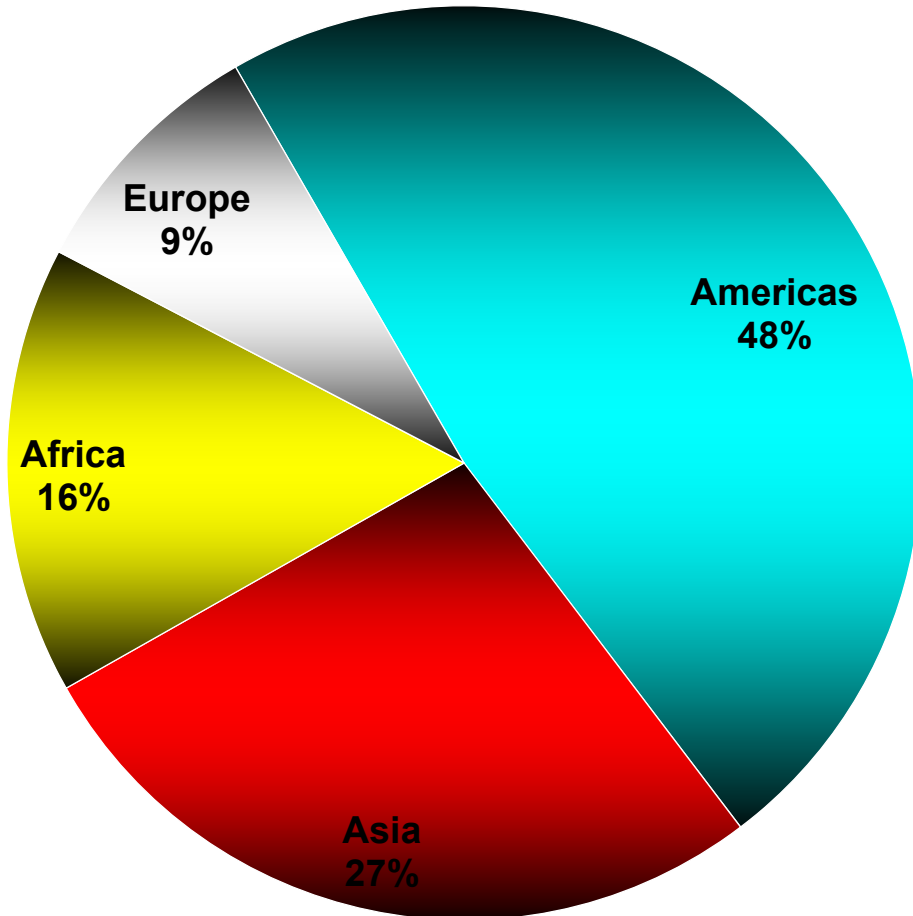


Global Energy Market Rebalancing – Shale Gas



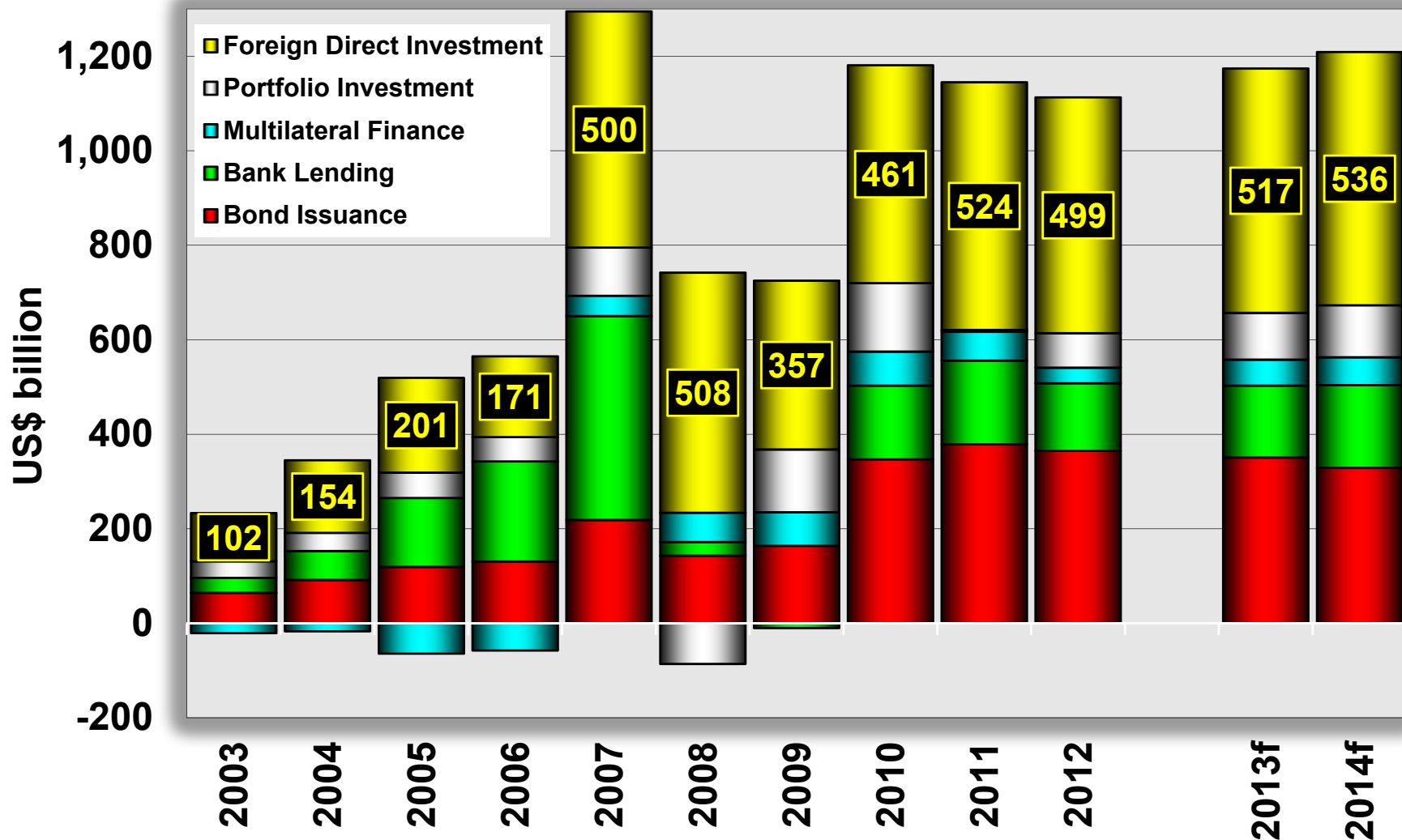
Global Reserves = 7 tcf

Reserves by Country





Net Foreign Capital Flows to Emerging Markets



Source: Institute of International Finance – January 2013



Interdependence - Cooperation – Joint Intervention





Merci
Gracias
Thank You