Global Economic & Financial Outlook

Jamaica in Context

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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

<table>
<thead>
<tr>
<th>GLOBAL ECONOMY</th>
<th>2001-10</th>
<th>2011</th>
<th>2012</th>
<th>2013f</th>
<th>2014f</th>
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<tbody>
<tr>
<td>Global Economy</td>
<td>3.6</td>
<td>3.8</td>
<td>3.1</td>
<td>3.1</td>
<td>3.8</td>
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<tr>
<td>North America</td>
<td>1.6</td>
<td>2.1</td>
<td>2.3</td>
<td>2.2</td>
<td>2.8</td>
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<tr>
<td>US</td>
<td>1.6</td>
<td>1.8</td>
<td>2.2</td>
<td>2.1</td>
<td>2.7</td>
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<tr>
<td>Euro Zone</td>
<td>1.6</td>
<td>1.6</td>
<td>(0.6)</td>
<td>(0.5)</td>
<td>0.9</td>
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<tr>
<td>Germany</td>
<td>1.0</td>
<td>3.1</td>
<td>0.9</td>
<td>0.5</td>
<td>1.4</td>
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<tr>
<td>Japan</td>
<td>0.8</td>
<td>(0.8)</td>
<td>2.0</td>
<td>1.0</td>
<td>1.5</td>
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<tr>
<td>Developing Asia</td>
<td>8.5</td>
<td>8.1</td>
<td>6.6</td>
<td>7.2</td>
<td>7.4</td>
</tr>
<tr>
<td>China</td>
<td>10.5</td>
<td>9.2</td>
<td>7.8</td>
<td>8.0</td>
<td>8.3</td>
</tr>
<tr>
<td>India</td>
<td>7.4</td>
<td>6.8</td>
<td>5.0</td>
<td>6.0</td>
<td>6.5</td>
</tr>
<tr>
<td>Developing Europe</td>
<td>3.9</td>
<td>5.3</td>
<td>2.0</td>
<td>2.6</td>
<td>3.2</td>
</tr>
<tr>
<td>Russia</td>
<td>4.9</td>
<td>4.3</td>
<td>3.4</td>
<td>3.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Developing Americas</td>
<td>3.4</td>
<td>4.6</td>
<td>3.0</td>
<td>3.4</td>
<td>3.9</td>
</tr>
<tr>
<td>Brazil</td>
<td>3.6</td>
<td>2.7</td>
<td>0.9</td>
<td>3.0</td>
<td>3.5</td>
</tr>
</tbody>
</table>
G10 Growth 2013-14 ► Emerging Markets in Focus

Source: Scotiabank & IMF World Economic Outlook
US Growth ► Policy Mix Focused on Employment

Declining Unemployment Rate

- Non-Farm Payrolls
- Jobless Claims
Regional Growth Dynamics ▶ Jamaica in Context

Real GDP Growth – Annual Average % 2013-14 (e)

- Jamaica
- Barbados
- El Salvador
- T&T
- Bahamas
- Costa Rica
- Panama

Source: Scotiabank & IMF World Economic Outlook
Global Risk Rebalancing ➤ Falling Angels
Global Risk Rebalancing ➤ Europe in Context

- **SPAIN - S&P**: Moody's rating in May-13 is Negative, down from Negative in May-08.
- **ITALY - S&P**: Moody's rating in May-13 is Negative, down from Negative in May-08.
- **IRELAND - S&P**: Moody's rating in May-13 is Stable, up from Negative in May-08.
- **PORTUGAL - S&P**: Moody's rating in May-13 is Stable, down from Negative in May-08.
- **GREECE - S&P**: Moody's rating in May-13 is Stable, up from Negative in May-08.

Notches Below / Above Investment Grade Rating
Global Risk Rebalancing ▶ The “AAA” Rating Club

GDP size in US$ trillion (ppp terms) 2013-14 (e)

- **Germany**: Negative x 1
- **Canada**: Negative x 1
- **Australia**: Negative x 3
- **Netherlands**: Negative x 1
- **Sweden**: Negative x 1
- **Switzerland**: Negative x 1
- **Singapore**: Negative x 1
- **Norway**: Negative x 1
- **Denmark**: Negative x 1
- **Finland**: Negative x 1
- **Luxembourg**: Negative x 1

**Regions**:
- **Americas**
- **Europe**
- **Asia/Pacific**
Global Cash Rebalancing ➤ Powerful FX Reserves

Top-10 = US$7.7 trillion

FX Reserves by Holder

- China
- Japan
- Saudi Arabia
- Russia
- Switzerland
- Taiwan
- Brazil
- South Korea
- Hong Kong
- India
- Eurozone

- Americas
- Asia/Pacific
- Middle East
- Europe
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**

- Jamaica
- Bahamas
- Costa Rica
- Barbados
- El Salvador
- Panama
- T&T

**Public Sector - Gross Debt**

- Panama
- Costa Rica
- T&T
- El Salvador
- Bahamas
- Barbados
- Jamaica

Source: Scotiabank & IMF World Economic Outlook
Who is Who in the Emerging Market Debt Universe?

EMBIG – Regional Breakdown

- LATAM: 42%
- ASIA: 17%
- M.EAST/AFRICA: 7%
- EUROPE: 33%

EMBIG – Top 10 Credits

- Mexico
- Russia
- Venezuela
- Turkey
- Brazil
- Indonesia
- Philippines
- Colombia
- Poland
- South Africa
- Jamaica

Global Economic Intelligence
Global Sovereign Debt: Credit Risk Differentiation

Risk Aversion/Appetite Metrics

Credit Default Swaps (CDS)

Bond Yield Spread – basis points (bps)

- US Corp High Yield Debt
- EM Sovereign Debt

- USA
- Germany
- UK
- Japan
- China
- France
- Mexico
- Brazil
- Russia

- May 2010
- May 2013
Emerging Market Debt: Jamaica in Context

Regional Bonds – Yield Spread

Relative Value Spread

EMBI+
Jamaica
Dom Rep
El Salvador
Panama

Peru
Colombia
Chile
Panama
Mexico
Brazil
El Salvador
LATAM
Dom Rep
Jamaica
Venezuela
Argentina

North
Center
South
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

24-month % change vs. USD

<table>
<thead>
<tr>
<th>Country</th>
<th>MAX</th>
<th>MIN</th>
<th>Last</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>6%</td>
<td>0%</td>
<td>6%</td>
</tr>
<tr>
<td>Korea</td>
<td>4%</td>
<td>-9%</td>
<td>-2%</td>
</tr>
<tr>
<td>Mexico</td>
<td>2%</td>
<td>-18%</td>
<td>-3%</td>
</tr>
<tr>
<td>Canada</td>
<td>3%</td>
<td>-8%</td>
<td>-4%</td>
</tr>
<tr>
<td>UK</td>
<td>2%</td>
<td>-8%</td>
<td>-5%</td>
</tr>
<tr>
<td>Australia</td>
<td>4%</td>
<td>-10%</td>
<td>-6%</td>
</tr>
<tr>
<td>Eurozone</td>
<td>4%</td>
<td>-15%</td>
<td>-8%</td>
</tr>
<tr>
<td>Russia</td>
<td>2%</td>
<td>-16%</td>
<td>-10%</td>
</tr>
<tr>
<td>India</td>
<td>2%</td>
<td>-22%</td>
<td>-18%</td>
</tr>
<tr>
<td>Brazil</td>
<td>6%</td>
<td>-23%</td>
<td>-19%</td>
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<tr>
<td>Japan</td>
<td>7%</td>
<td>-21%</td>
<td>-21%</td>
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</table>
“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)

- US house price Index
- US house price purchase-ony SA Index
- Home Builders Market Index
- Homebuyer Affordability

Graphs showing trends in housing starts, house price indices, and market indices from May-03 to Jan-13.
Global Inflation ➤ Emerging Markets in Context

Consumer Price Inflation % 2013-14 (e)

- High Income
- Developing World

Source: Scotiabank & IMF World Economic Outlook

Global Economic Intelligence
Regional Inflation ➤ Jamaica in Context

Jamaica Consumer Price Inflation

Regional Inflation Outlook

Inflation (y/y %)

Source: Scotiabank & IMF World Economic Outlook
Steady Price Adjustments in Commodity Markets

Commodity Prices – 5-year Trends

<table>
<thead>
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<th></th>
<th>2012</th>
<th>2013f</th>
<th>2014f</th>
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<tbody>
<tr>
<td>Crude Oil</td>
<td>94</td>
<td>→</td>
<td>94</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>2.25</td>
<td>↑</td>
<td>3.75-4.00</td>
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<tr>
<td>Copper</td>
<td>3.61</td>
<td>↓</td>
<td>3.4</td>
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<tr>
<td>Gold</td>
<td>1,670</td>
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<td>1,480</td>
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## Commodity Markets – Energy Price Outlook

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

Global Reserves = 7 tcf

Reserves by Country

- China
- USA
- Argentina
- Mexico
- South Africa
- Australia
- Canada
- Lybia
- Brazil
- Algeria
- Poland

- Americas
- Asia
- Africa
- Europe
Net Foreign Capital Flows to Emerging Markets

Source: Institute of International Finance – January 2013

Net Foreign Capital Flows to Emerging Markets

- Foreign Direct Investment
- Portfolio Investment
- Multilateral Finance
- Bank Lending
- Bond Issuance

Source: Institute of International Finance – January 2013
Interdependence - Cooperation – Joint Intervention
Merci
Gracias
Thank You