

Perspectives on the Global Economy: Outlook, Risks and Challenges

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Together we'll go far



Outline Details

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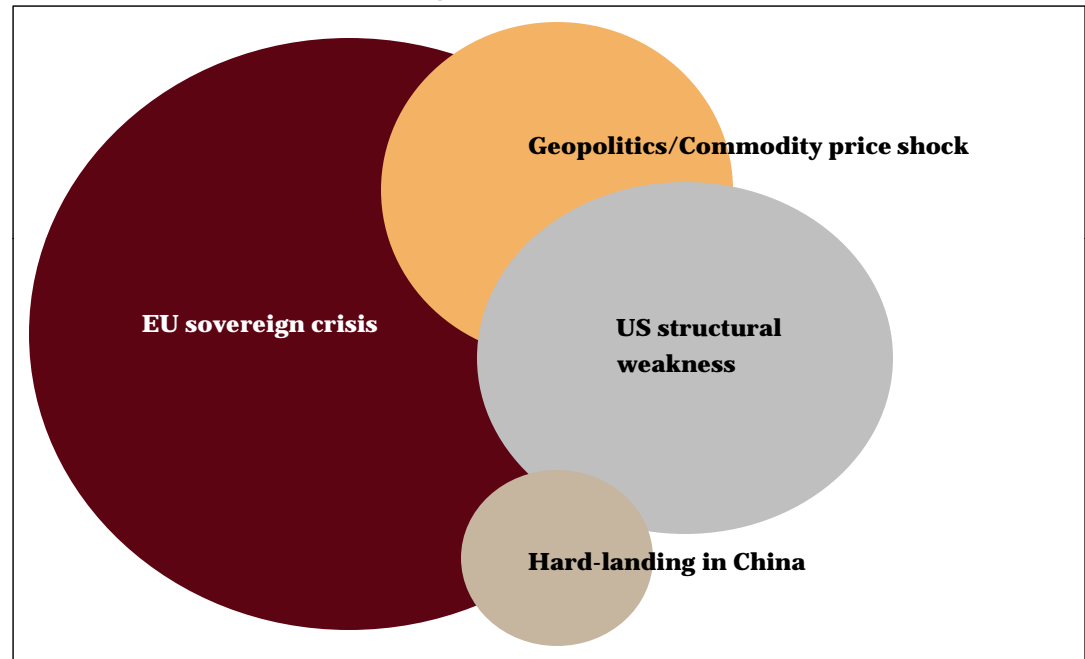
- I. Global Economic Outlook
- II. Developed Market (G7) Climate
- III. Emerging Markets Outlook
- IV. Risk and Challenges to Global Economy
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I. Current Global Macro Backdrop

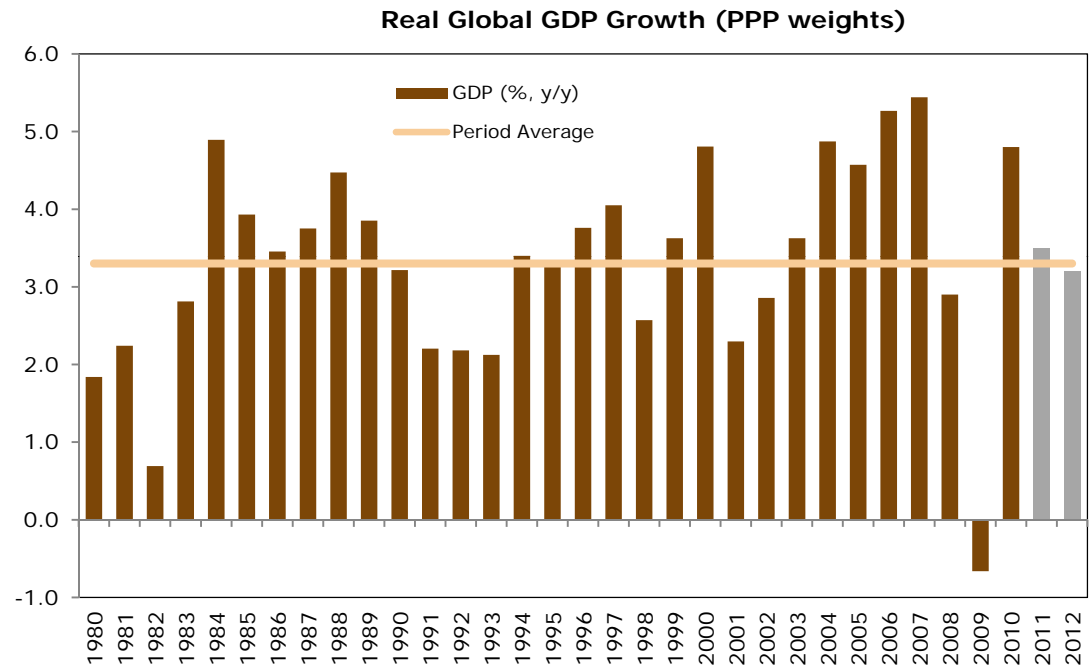
Global economic outlook remains fraught with and serious and deepening concerns that cloud the 2012 outlook

Factors Driving Global Economic Perceptions



II. Current Global Macro Backdrop

Global economic activity will be below average in 2012, and amid noted downside risks

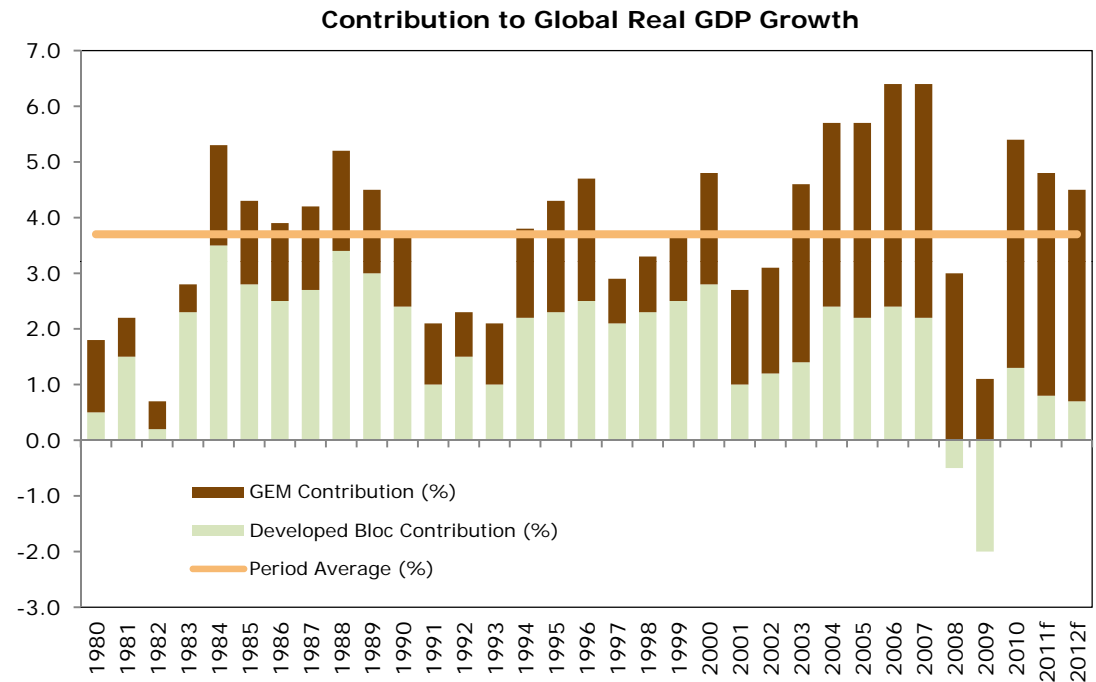


Source: IMF . Forecasts: Wells Fargo CRM



II. Current Global Macro Backdrop

Global growth will be driven by the emerging markets again this year, with developed bloc economies under continued structural constraints

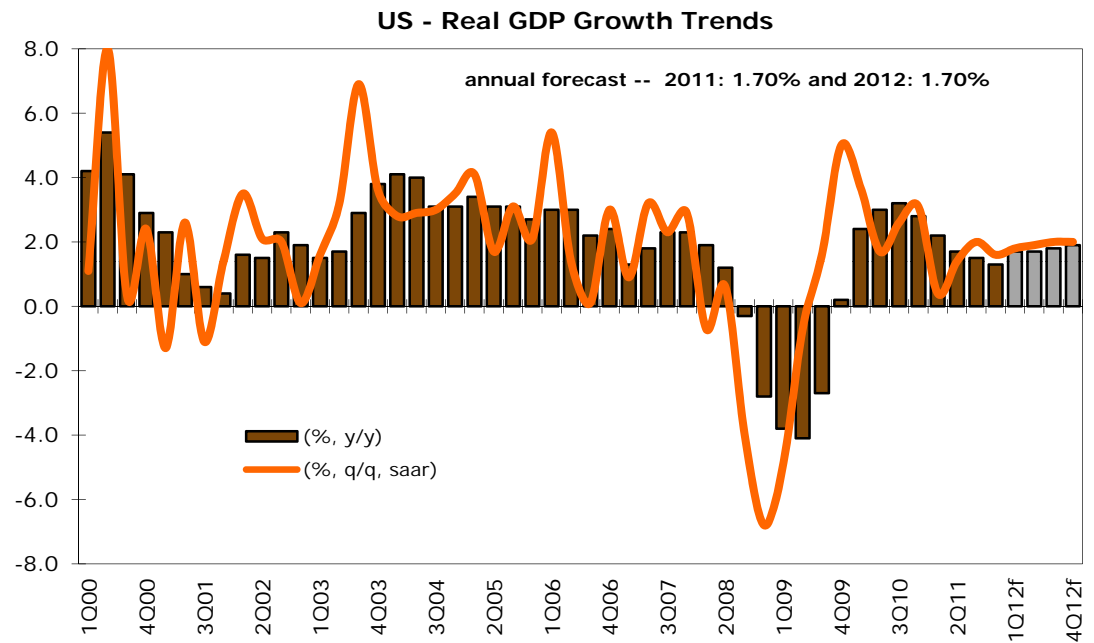


Source: IMF



II. Developed Bloc Economies

Economic conditions in the US are improving, but growth will remain sub-par

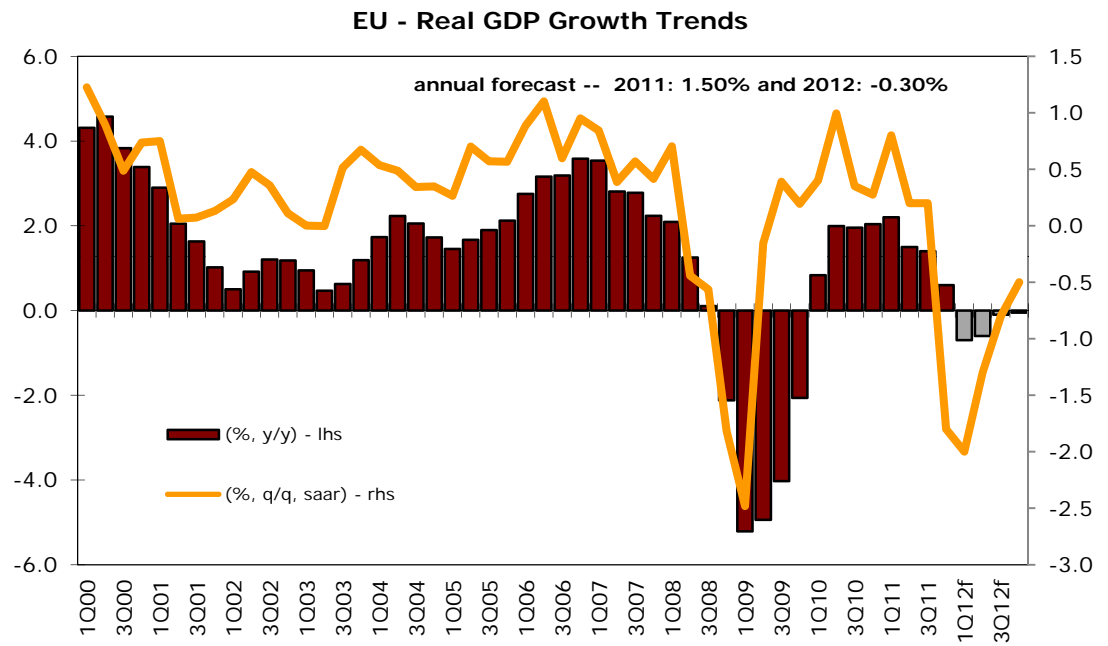


Source: Bloomberg. Forecasts: Wells Fargo Securities.



II. Developed Bloc Economies

The EU economies enter 2012 already in a recession and any possible recovery will be minimal at best

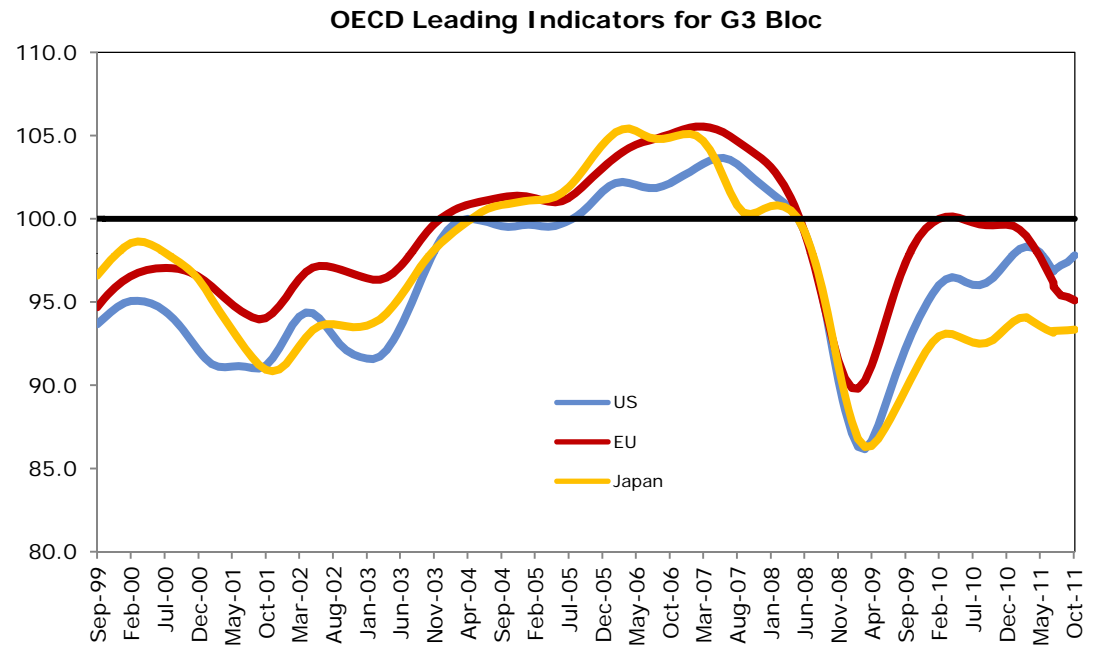


Source: Bloomberg . Forecasts: Wells Fargo Securities.



II. Developed Bloc Economies

Leading indicators support the view of subdued growth trends across the developed bloc

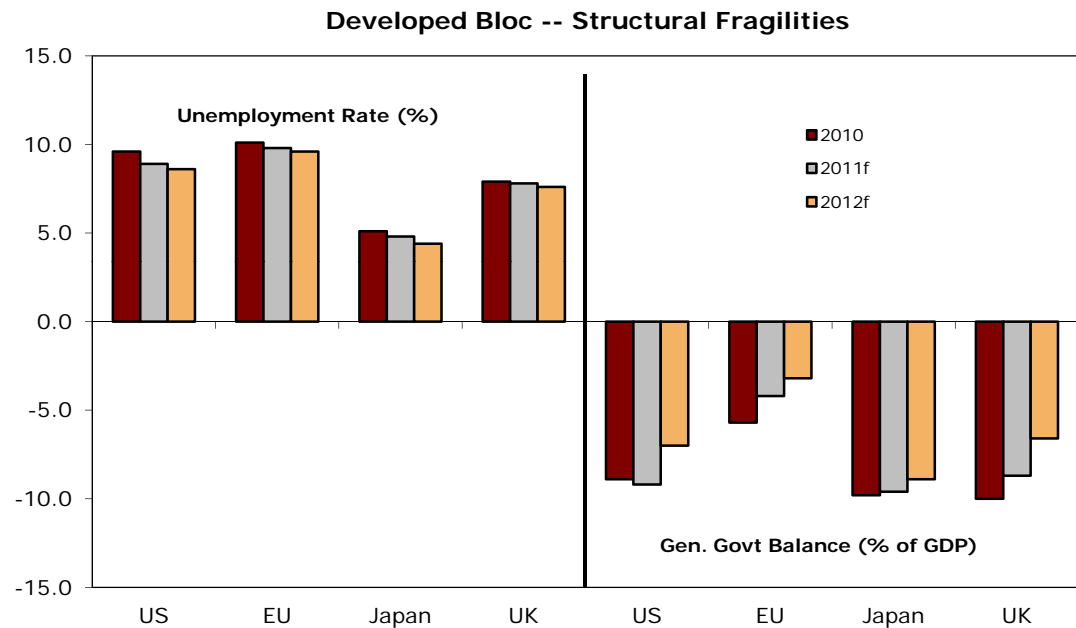


Source: OECD



II. Developed Bloc Economies

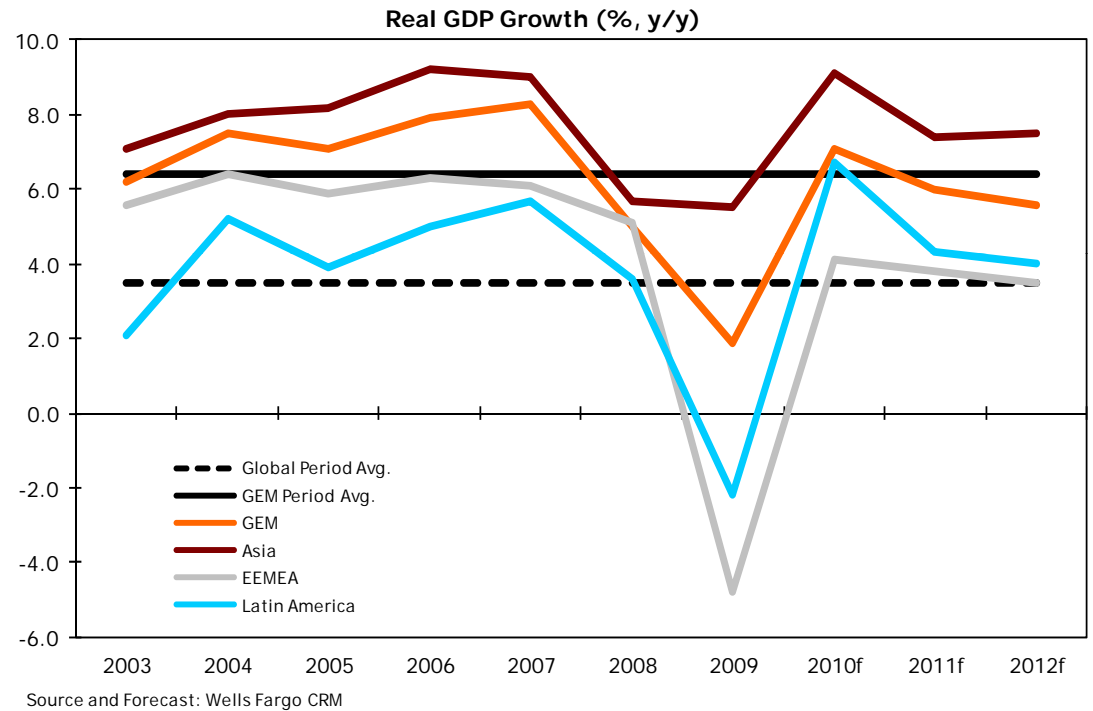
**Any potential recovery is cyclical
and not implicit of a
structural improvement
in economic activity**



Source: Bloomberg. Forecasts: Wells Fargo Securities

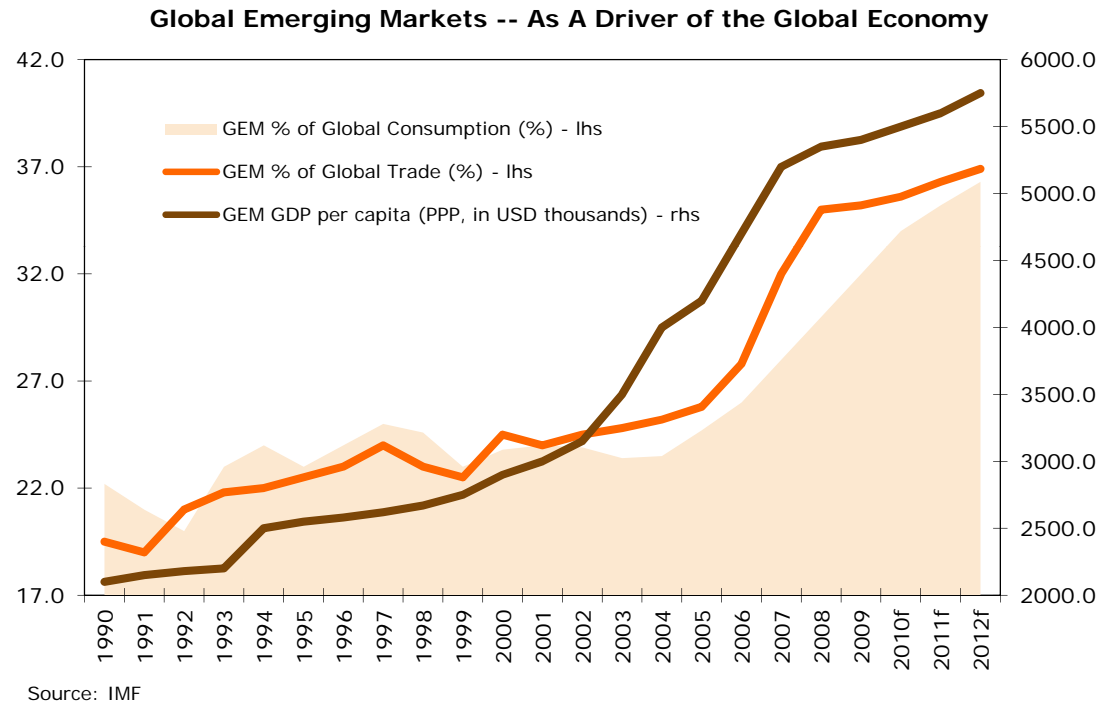
III. Emerging Market Economies

Despite some moderation, growth across the GEMs will continue to outperform the developed bloc economies this year and in the medium-term



III. Emerging Market Economies

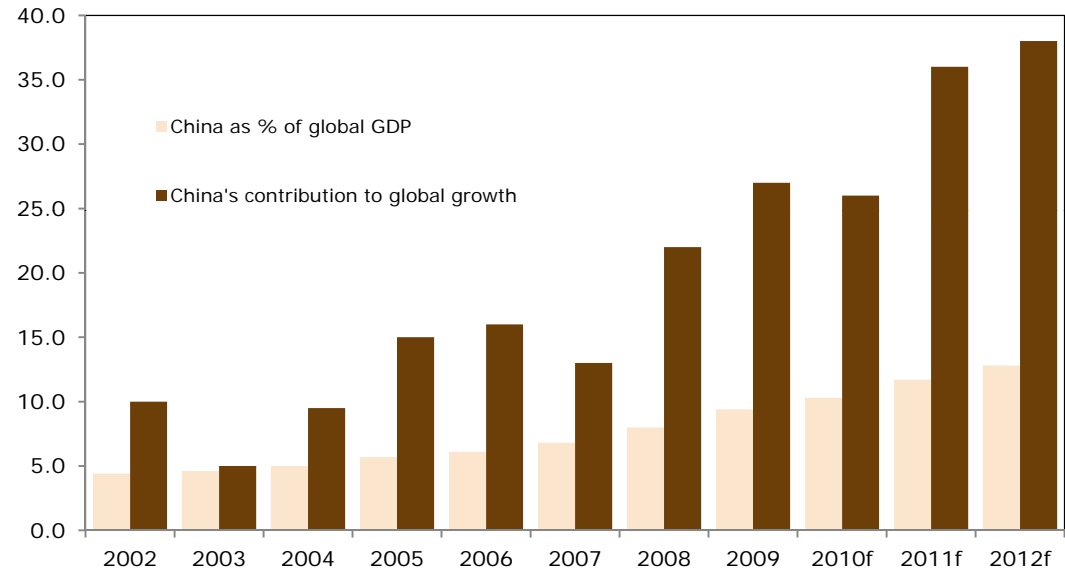
GEM economies will continue to increase their contribution to global trade and consumption



III. Emerging Market Economies

China has remained and will-remain an ever-increasing important driver of economic activity across the GEM universe and worldwide

The China Factor on Global Growth



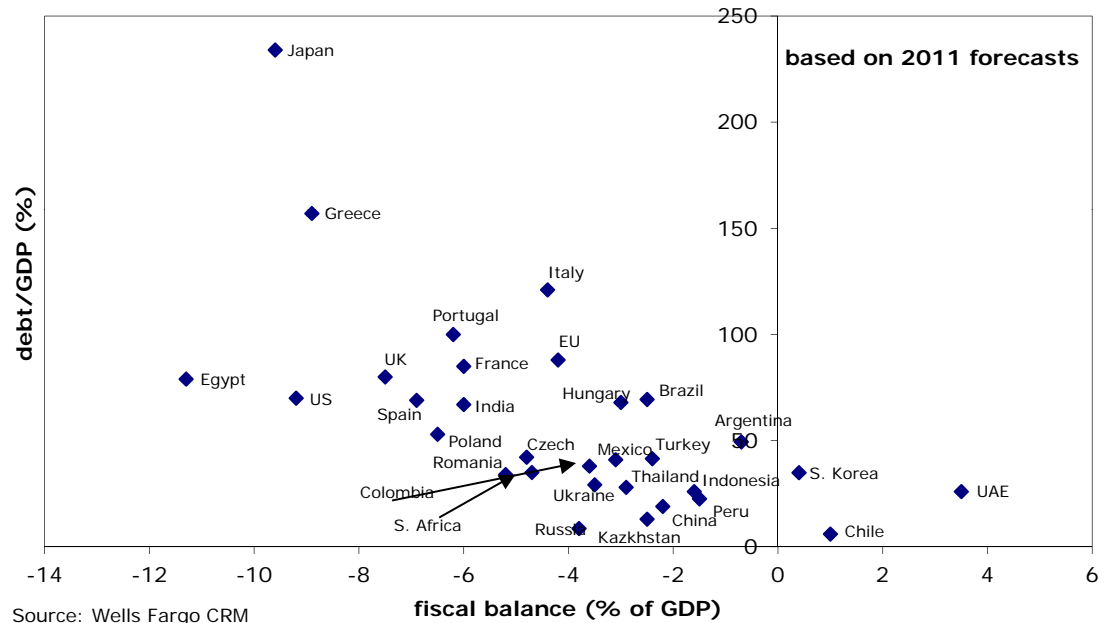
Source: IMF



III. Emerging Market Economies

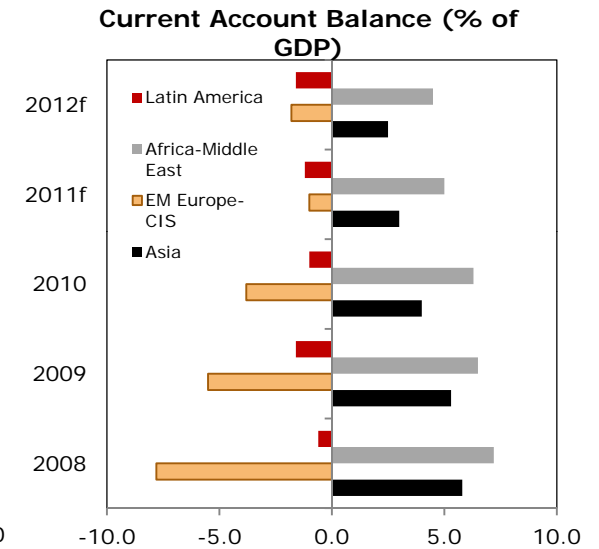
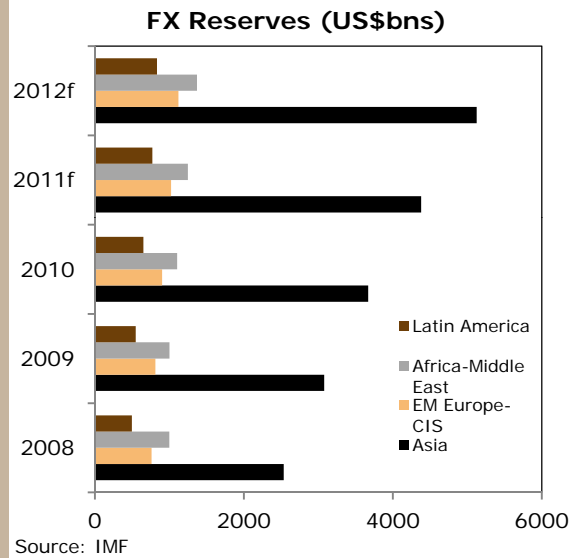
GEM economies will likely remain more structurally sound; encompassing greater degrees of policy flexibility

GEMs vs. G7 Bloc: Fiscally Stronger, Sound Debt Dynamics



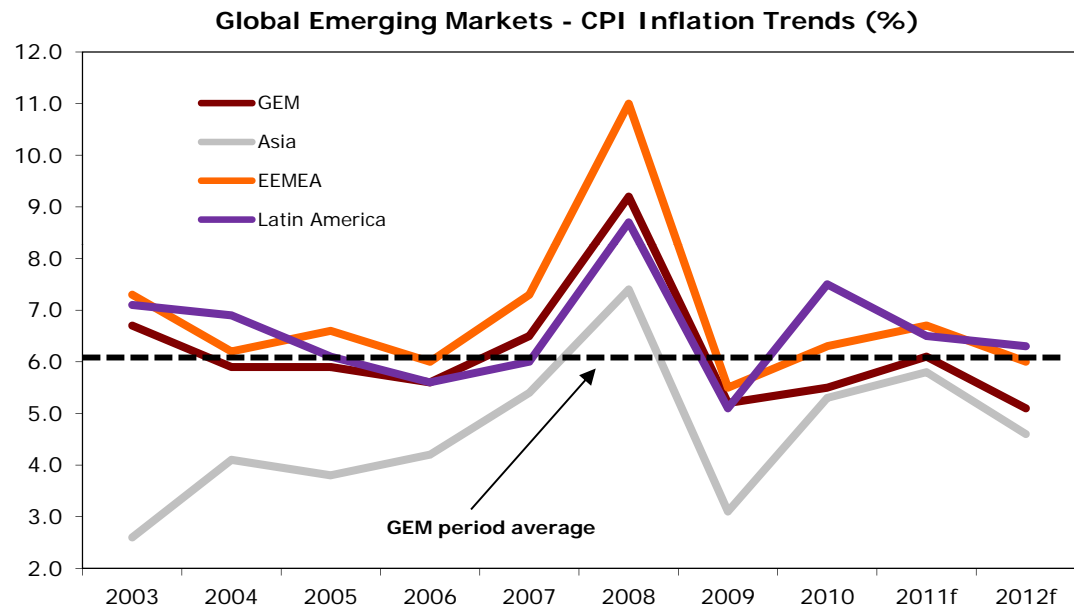
III. Emerging Market Economies

External dynamics across the GEM bloc are equally supportive of sound policy cushions



III. Emerging Market Economies

Principal short-term threat stem from a need to address rising inflation risks and overheating concerns



Source and Forecasts: Wells Fargo CRM



III. Emerging Market Economies

Longer-term challenges are more structural in nature

Deeper fiscal/structural reforms

Strengthening economic competitiveness

Institutional reforms/adjustments

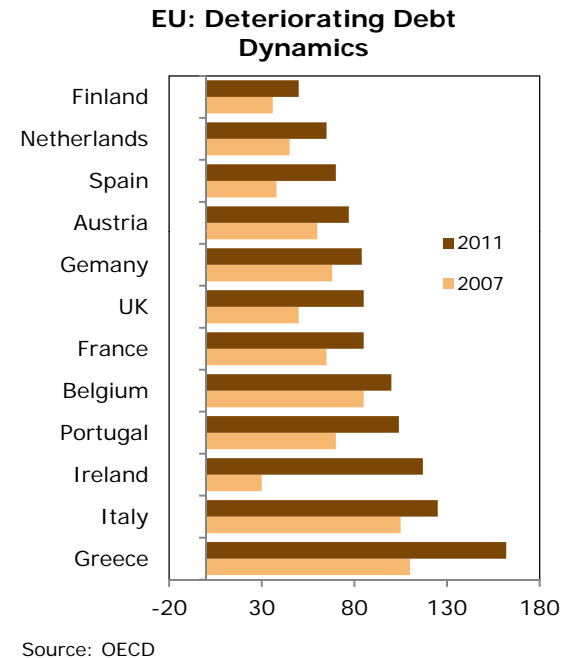
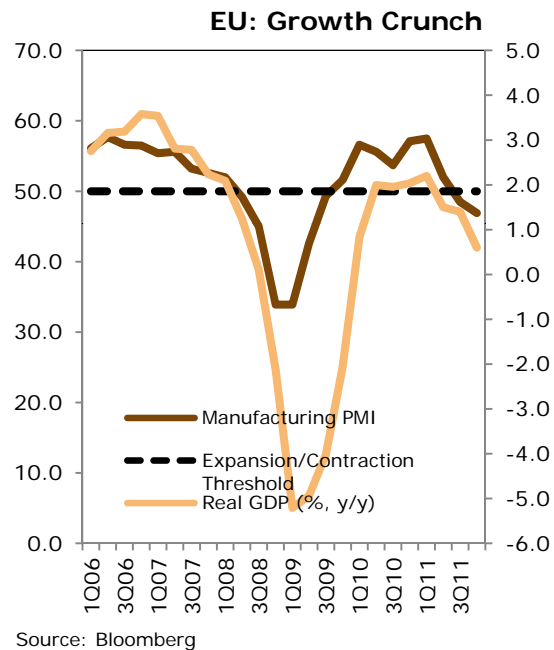
Broadening political stability/lower governability risks

Solidifying financial systems, developing and strengthening local markets



IV. Risk and Challenges

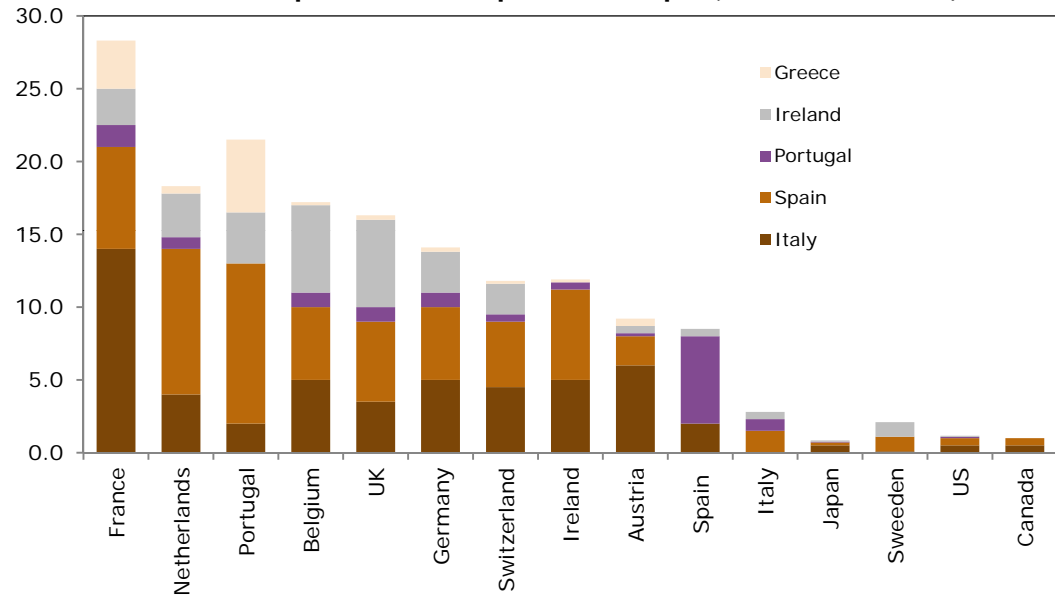
EU crisis still represents the key challenge to the global economic outlook



IV. Risk and Challenges

Amid deep financial linkages, a major debt event by a large EU country would result in another financial crisis

Bank Exposure to Peripheral Europe (% of GDP, 2011)

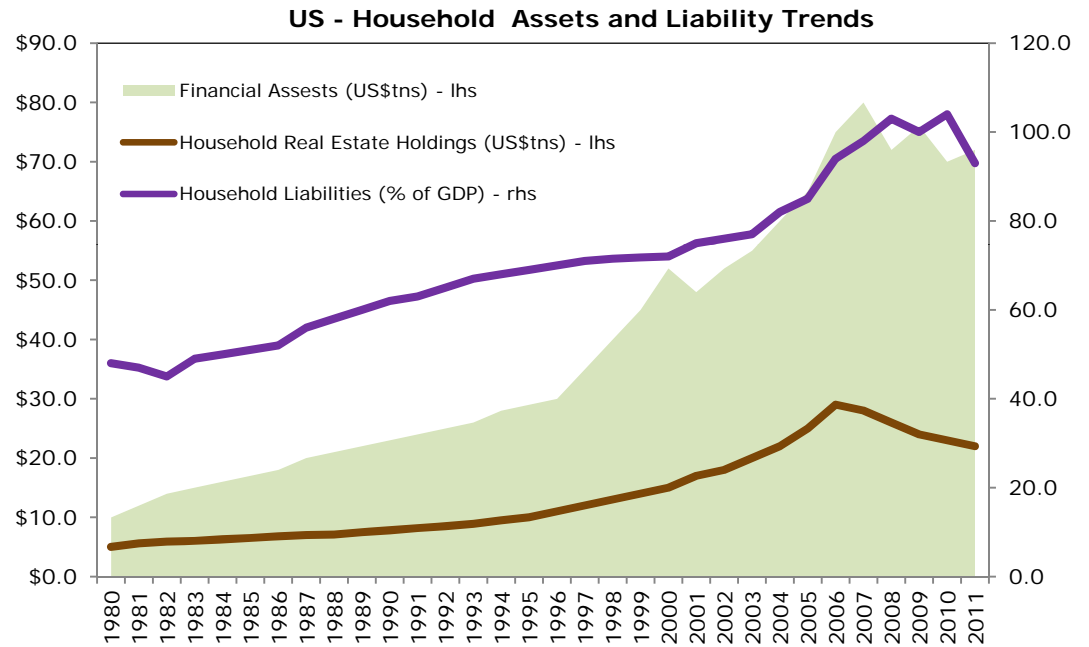


Source: BIS, Wells Fargo Securities.



IV. Global Risk and Challenges

Double-dip threats across the US have abated, but a structural weak economy, low-for-long growth trend seems certain



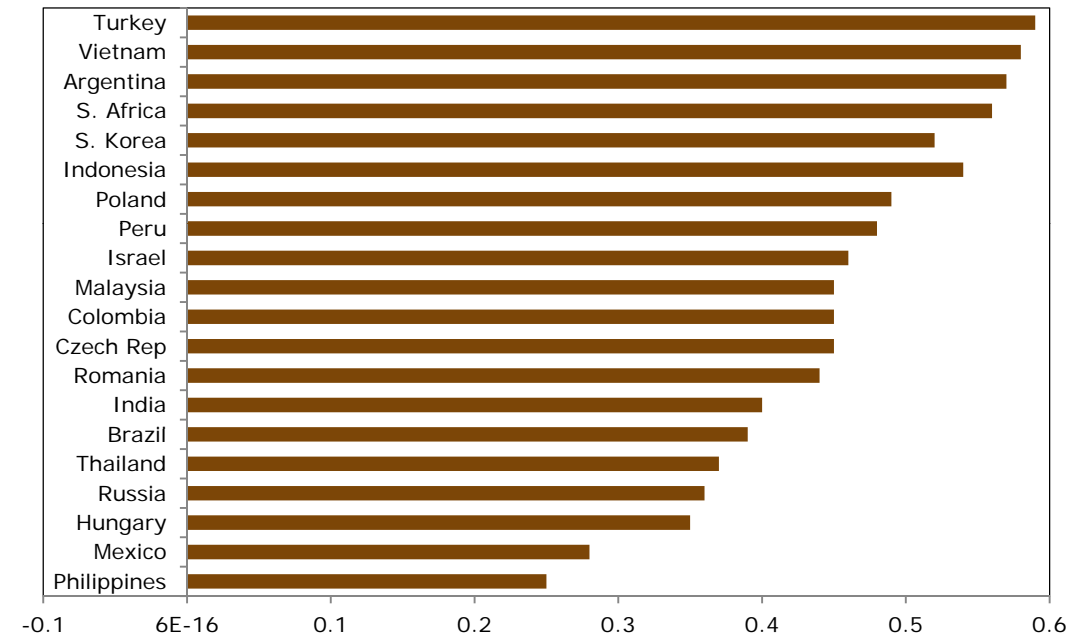
Source: Wells Fargo Securities. Federal Reserve Board.



IV. Global Risk and Challenges

Chinese policy adjustments merit attention in view of its repercussions on global growth

Vulnerability Risks to a Noted Slowdown in China

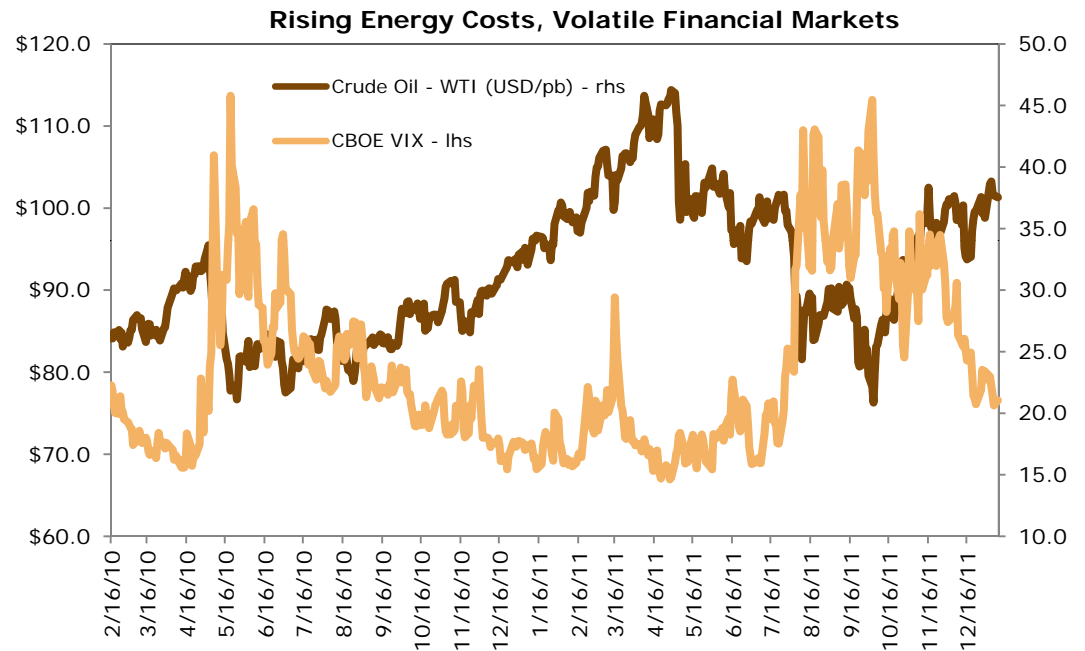


Source: IMF . 1 = Most Vulnerable



IV. Global Risk and Challenges

Geopolitical pressures are evident and carry important headwinds to global growth via higher energy prices and deepening financial market instability



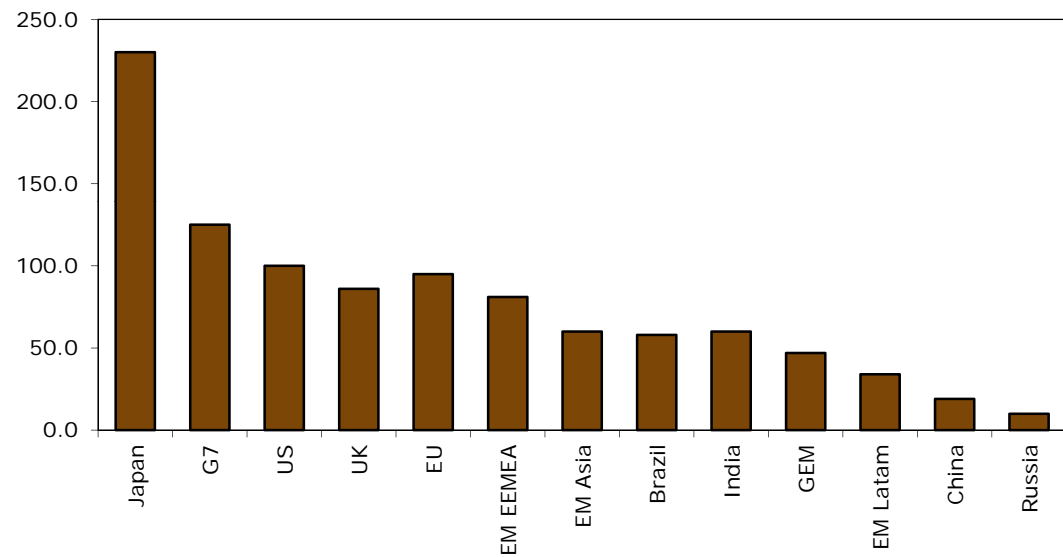
Source: Bloomberg



V. Conclusions

GEM outlook to encompass a more manageable and less-concerning risk complex in the medium-term

Public Debt/GDP Trends (%) - 2011 Estimates

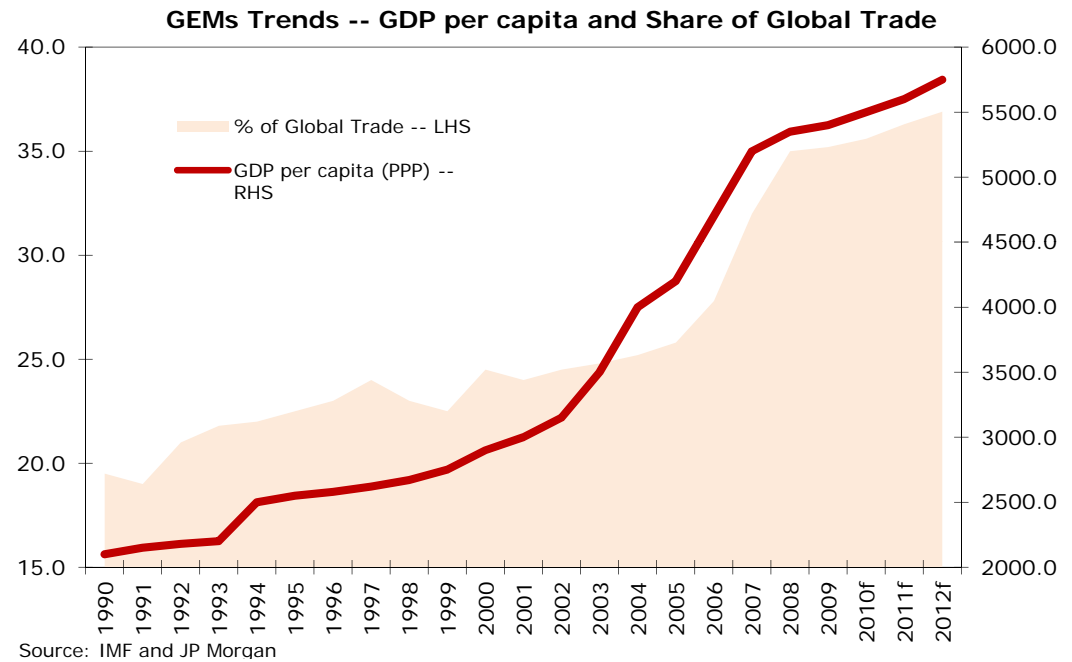


Source: IMF



V. Conclusions

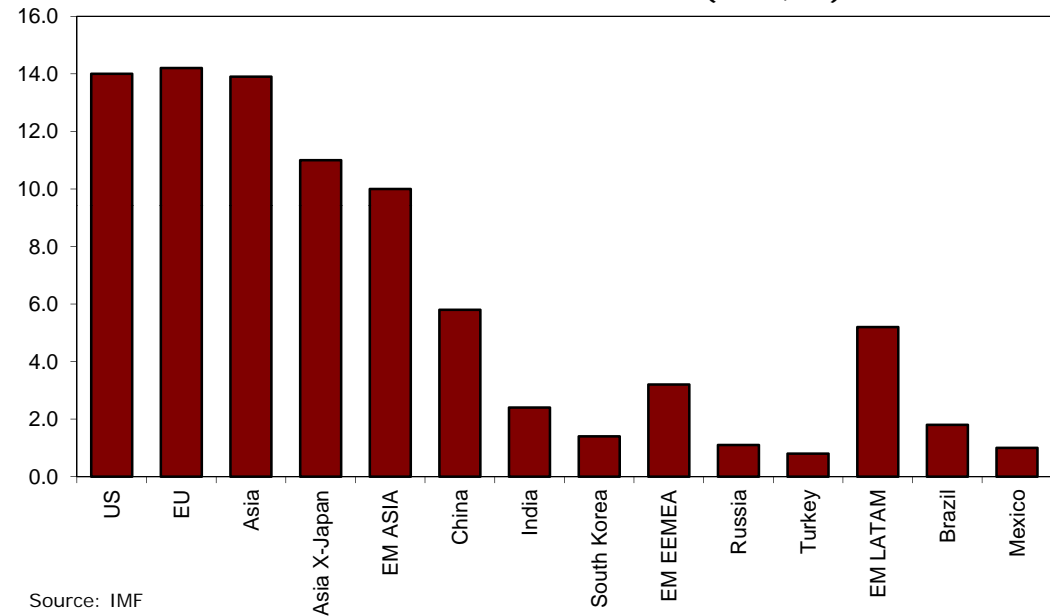
Migration of wealth and capital from the developed bloc to the GEMs will also continue



V. Conclusions

Decoupling unlikely, only within the GEM universe

Nominal GDP Trends - 2011 (in US\$tns)



V. Conclusions

THANK YOU

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