Goldman Sachs

The World Economy and the Financial Crisis

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GDP Forecasts

% yoy	2007	2008	2009		2010	
			GS	Consensus*	GS	Consensus*
USA	2.0	1.1	-3.3	-2.8	1.2	1.7
Japan	2.4	-0.6	-6.1	-5.8	0.1	0.7
Euroland	2.6	0.7	-3.7	-2.6	0.7	0.5
UK	3.0	0.7	-2.6	-3.0	1.5	0.5
Europe	2.9	0.9	-3.4	-2.4	0.9	0.5
China	13.0	9.0	6.0	7.0	9.0	8.3
India	9.0	6.4	5.8	5.2	6.6	7.8
BRICs	10.4	7.5	3.7	4.8	7.0	6.9
Advanced Economies	2.7	0.9	-3.7	-3.0	1.1	1.3
World	5.0	2.9	-1.5	-0.6	2.9	2.9

* Consensus Economics March 2009

Domestic Demand Forecasts (%)

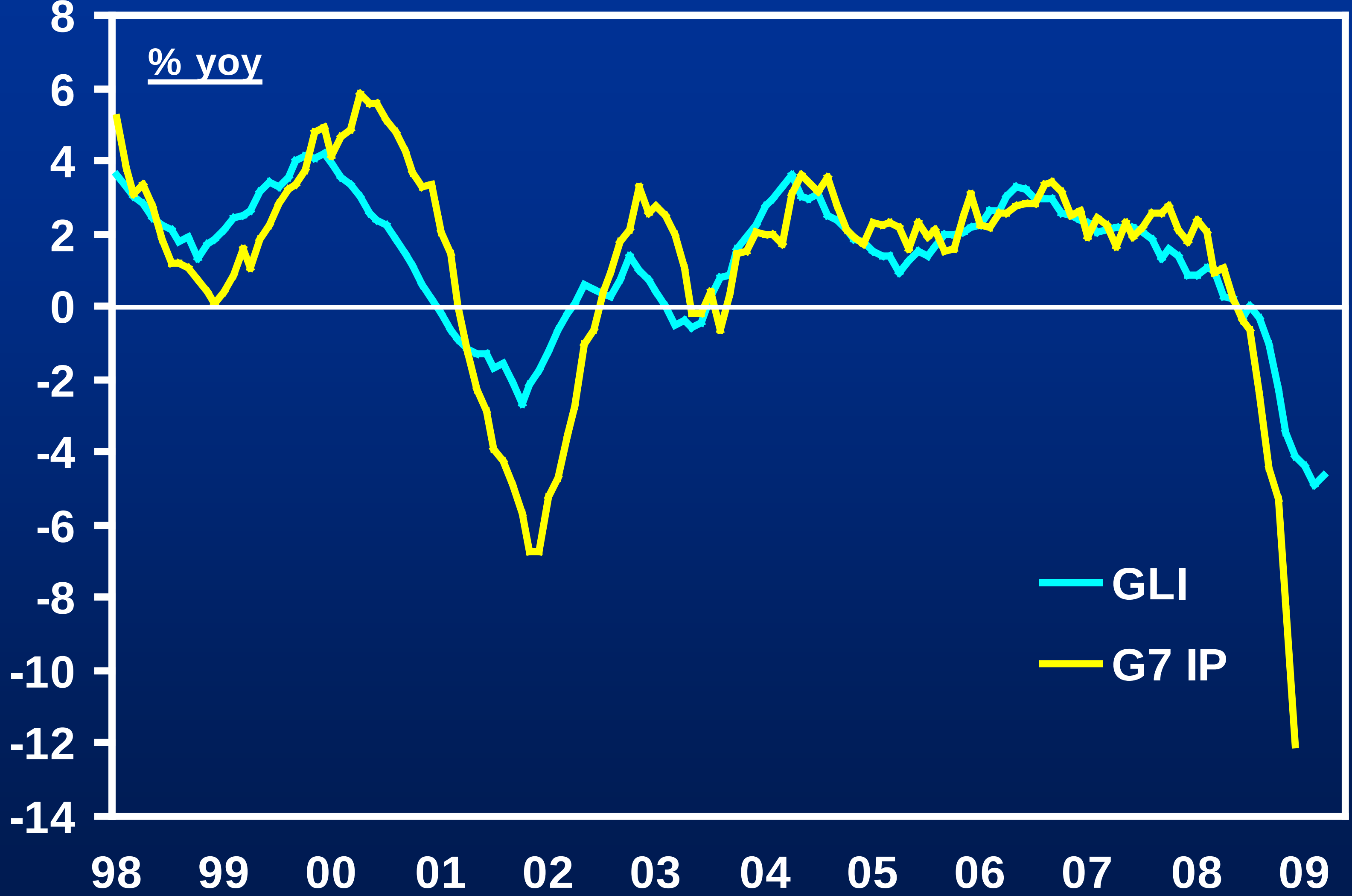
% yoy	2007	2008(f)	2009(f)	2010(f)
US	1.4	-0.3	-3.3	0.9
Japan	1.3	-0.8	-2.7	0.1
Euroland	2.4	0.7	-1.7	0.7
UK	3.5	0.6	-3.8	0.7
China	10.6	9.0	6.5	10.1
India	9.9	8.0	6.1	6.9
BRICs	10.0	8.5	4.6	7.5
Advanced Economies	2.3	0.4	-2.6	0.9
World	4.7	2.9	-0.7	2.9

Inflation Forecasts

% yoy	2007	2008	2009		2010	
			GS	Consensus*	GS	Consensus*
USA	2.9	3.8	-0.6	-0.9	0.4	1.5
Japan	0.1	1.4	-1.8	-1.1	-1.5	-0.4
Euroland	2.1	3.3	-0.1	0.6	1.2	1.5
UK	2.3	3.6	1.4	1.0	2.4	1.8
Europe	2.2	3.5	0.4	0.9	1.5	1.6
China	4.8	5.9	-0.5	0.2	1.0	1.7
India	4.6	8.8	1.0	5.8	4.5	3.0
BRICs	5.6	7.5	2.3	3.5	3.4	3.3
Advanced Economies	2.2	3.4	-0.2	-0.1	0.8	1.4
World	3.7	5.5	1.4	1.7	2.1	2.4

* Consensus Economics March 2009.

GLI vs IP

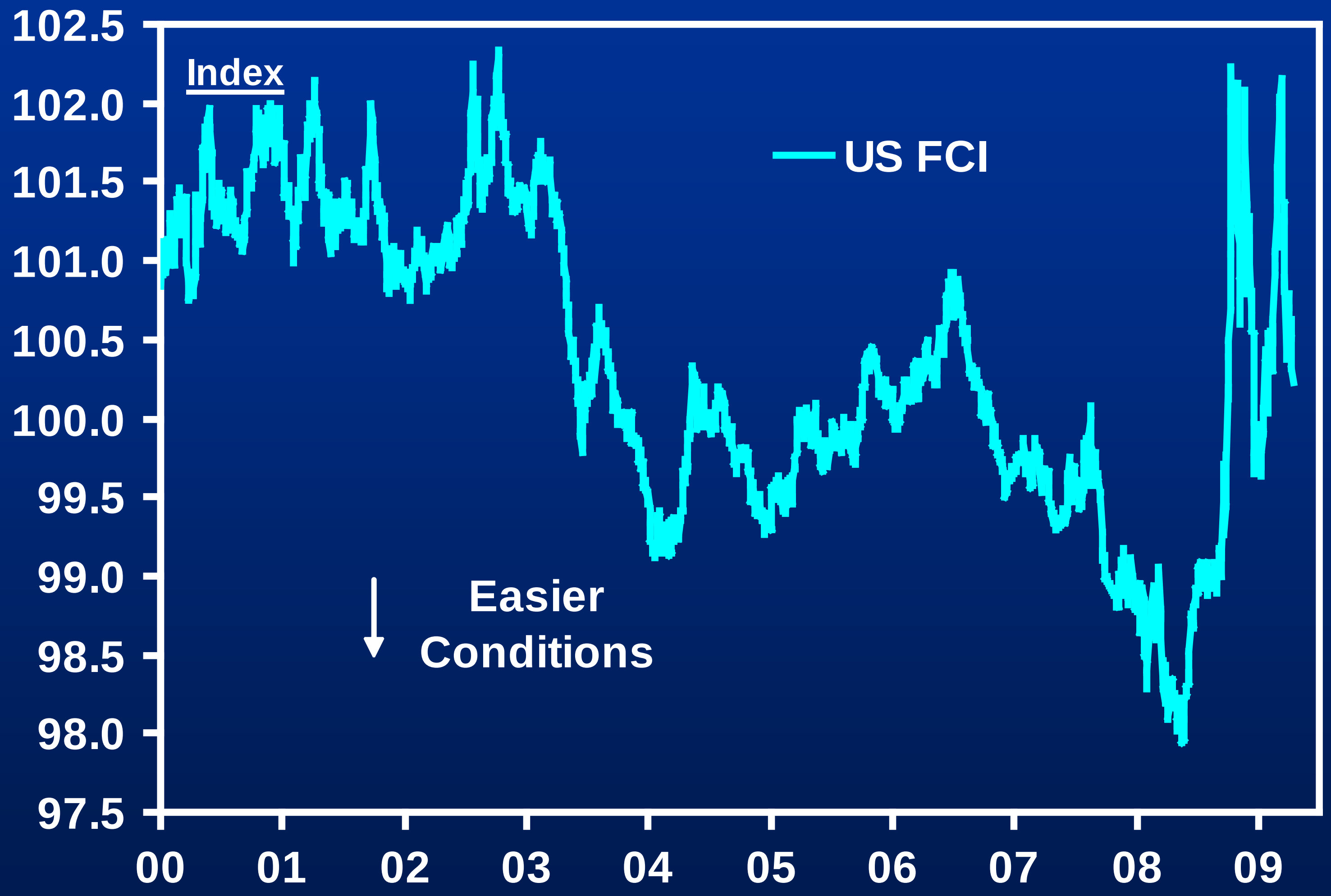


Momentum of the GLI

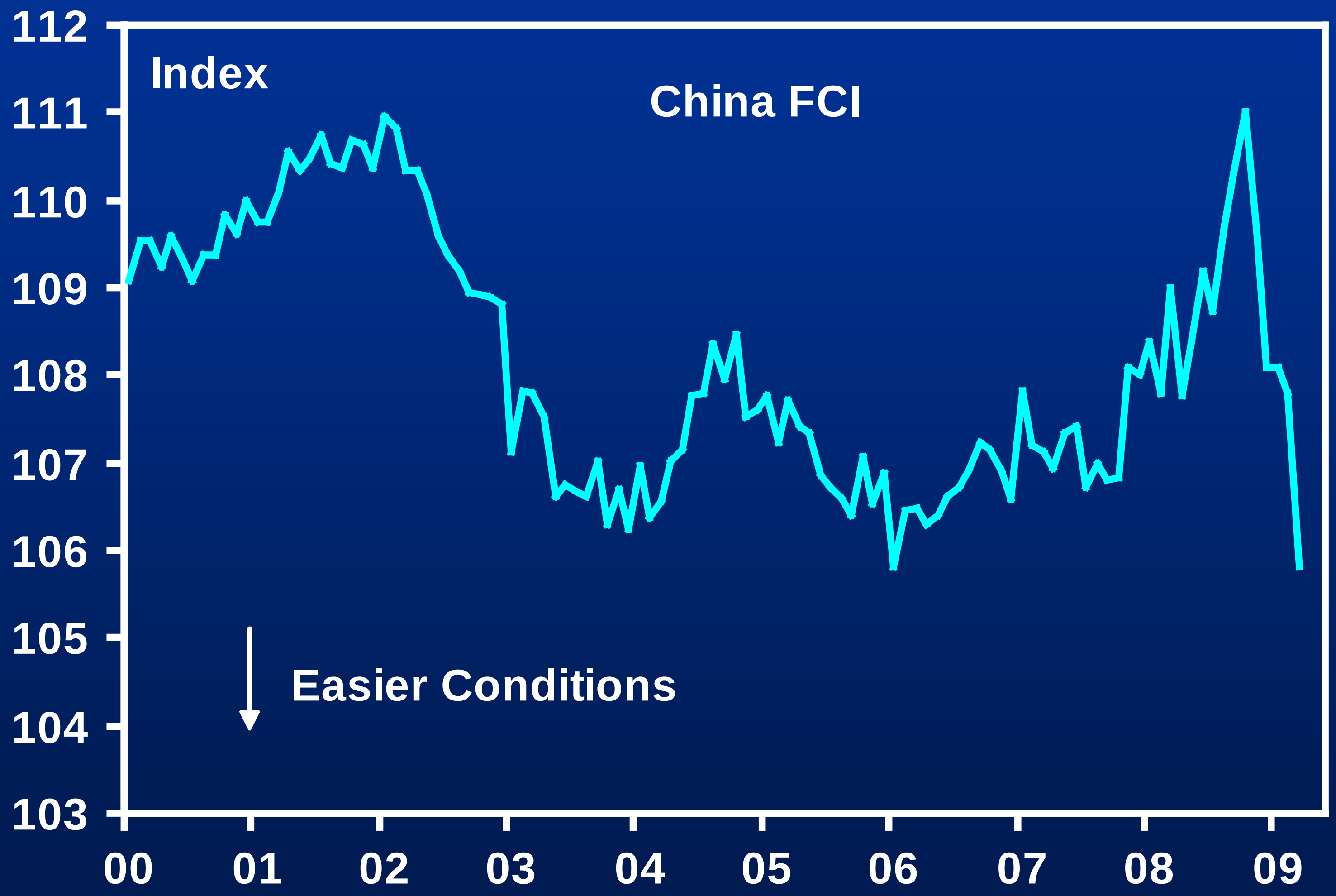
Monthly Direction of GLI Components

Up
Belgian Manufacturing Survey
GS Australian Dollar Trade Weighted Index
ISM New Orders Less Inventories
S&P GS Industrial Metals Index
US Durable Goods Inventory/Shipments Ratio
Down
Business Confidence Aggregate
Consumer Confidence Aggregate
Japan IP Inventory/Sales Ratio
Korean Exports
US Initial Jobless Claims

US Financial Conditions Index



China FCI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China FCI
Easier Conditions
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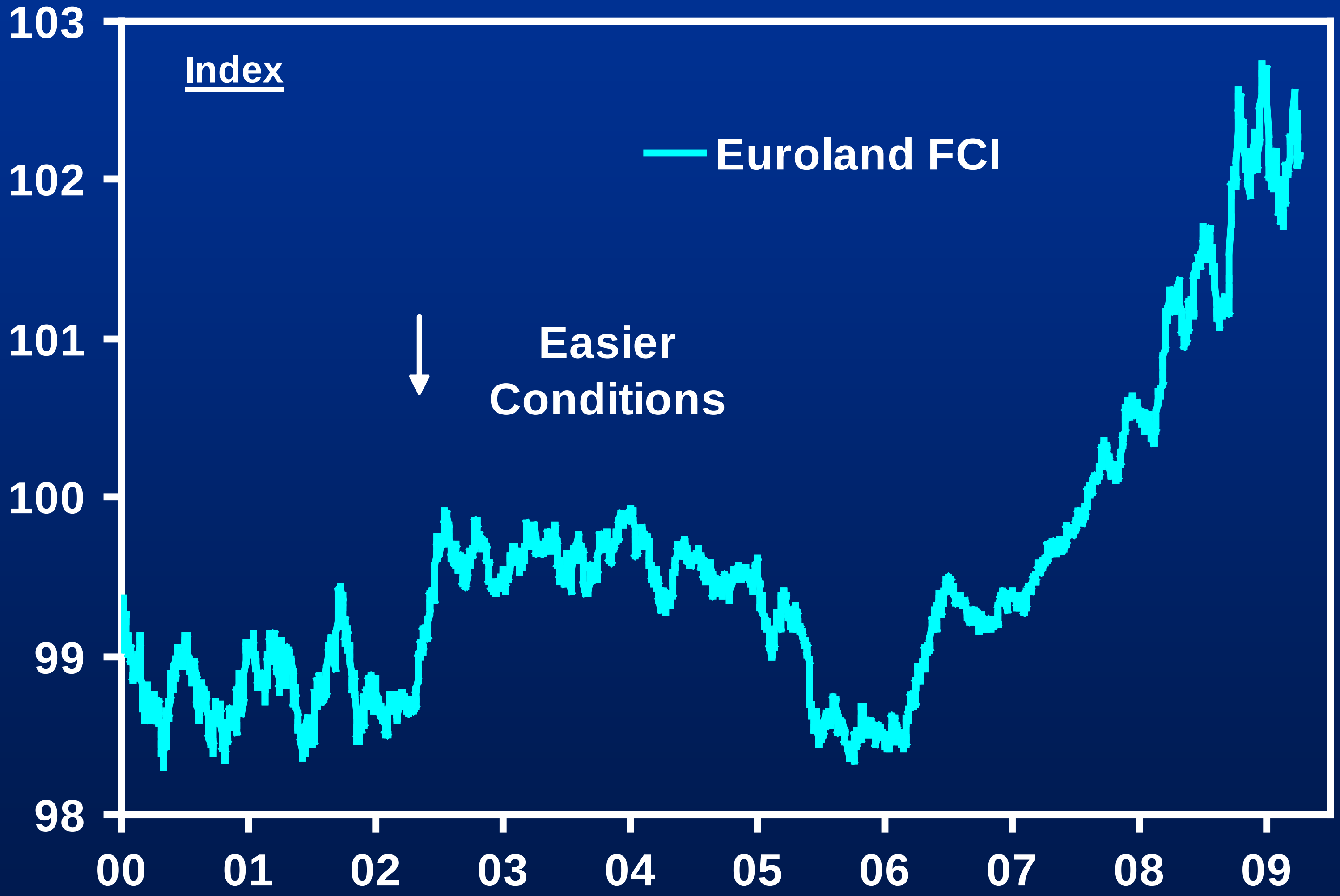
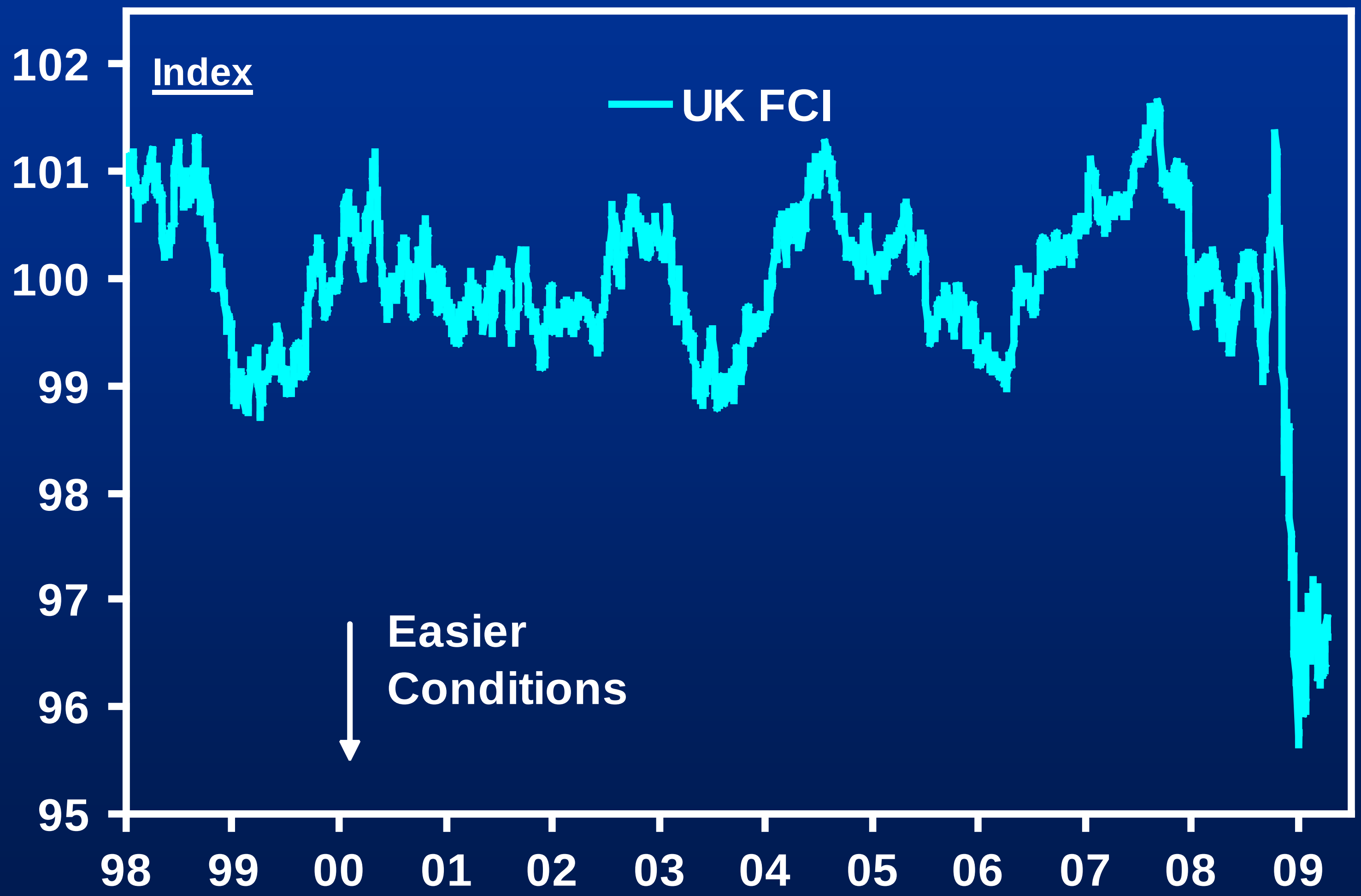
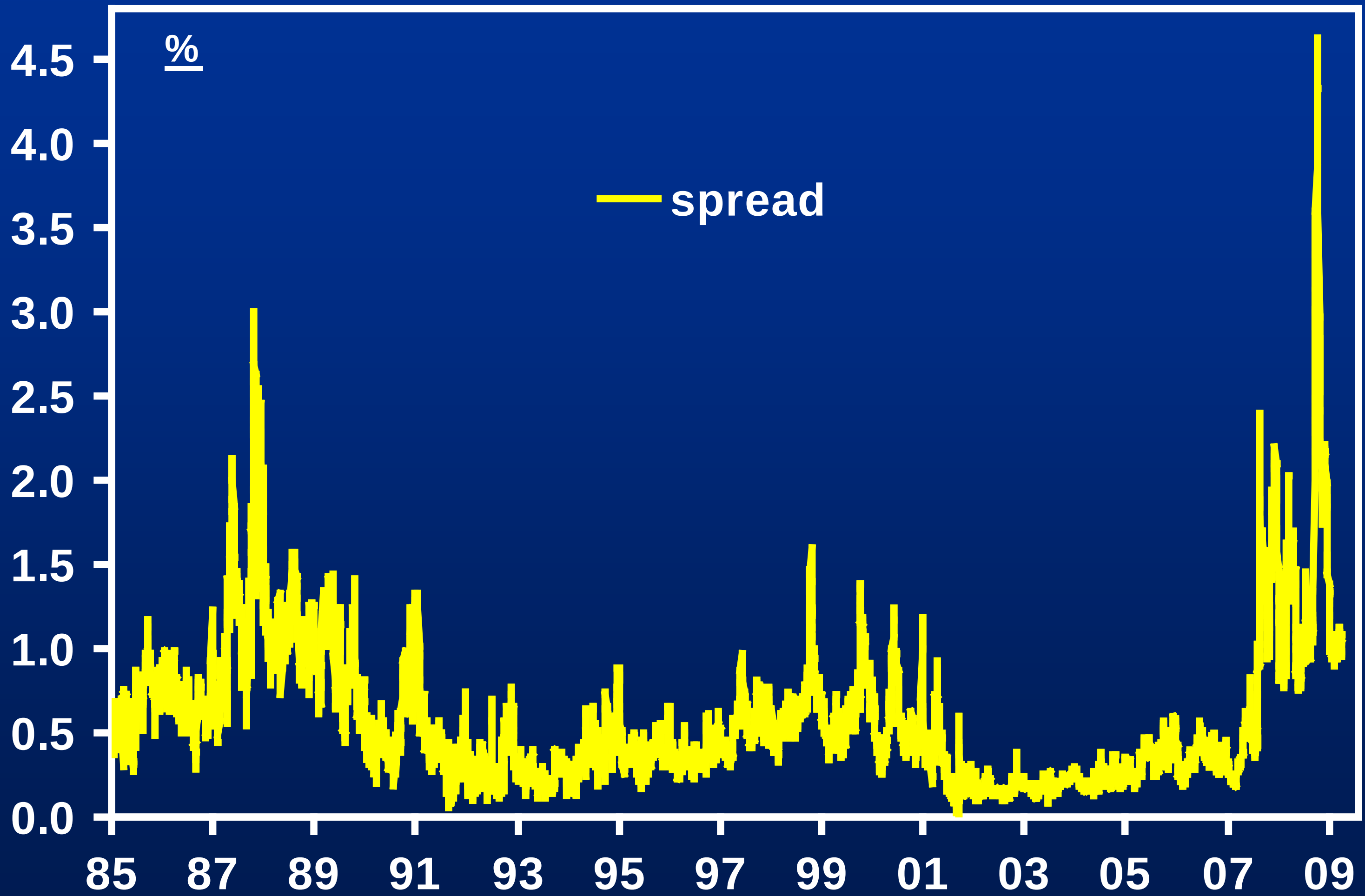
Eurozone Financial Conditions



UK Financial Conditions Index

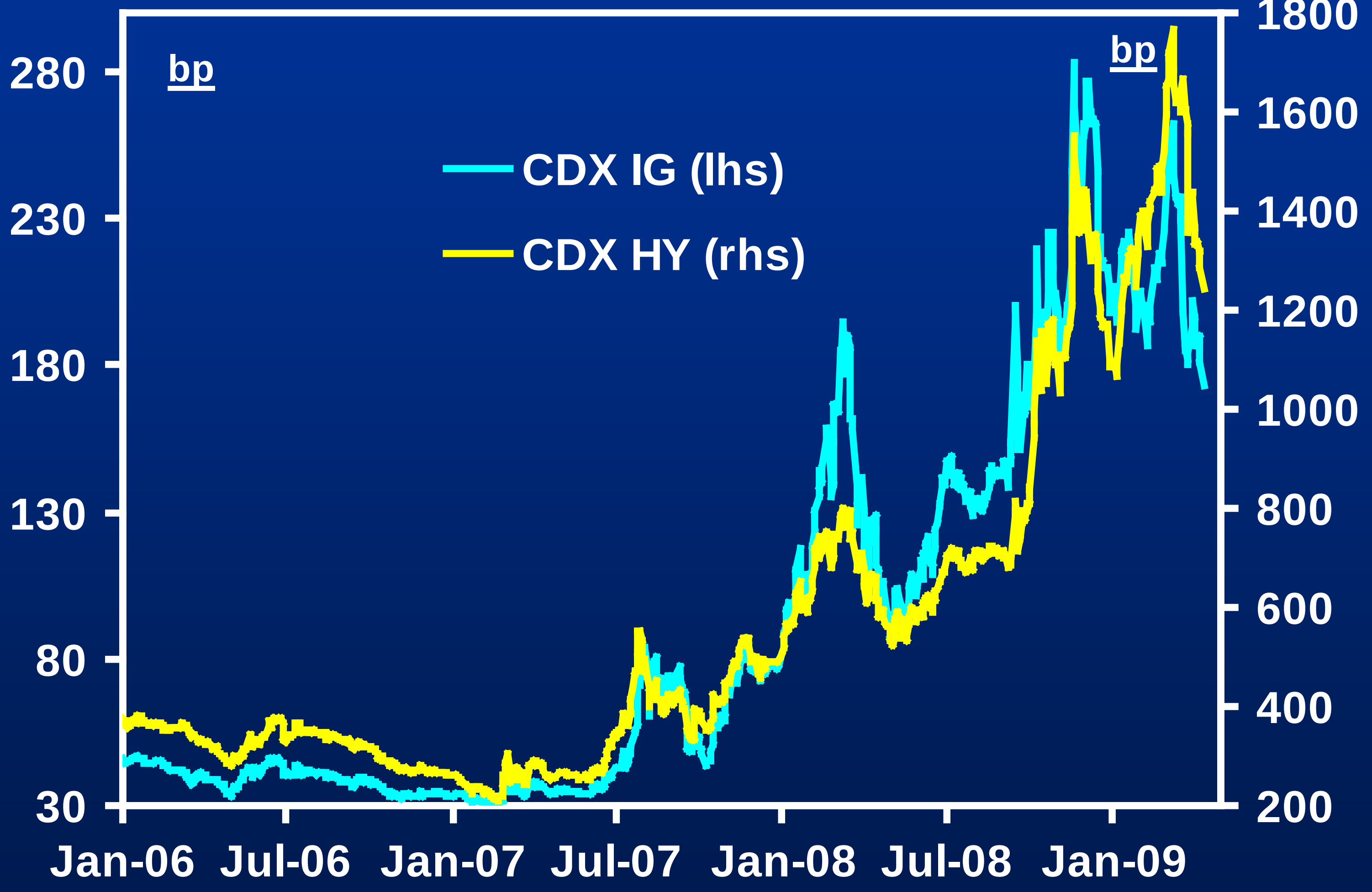


Ted-Spread

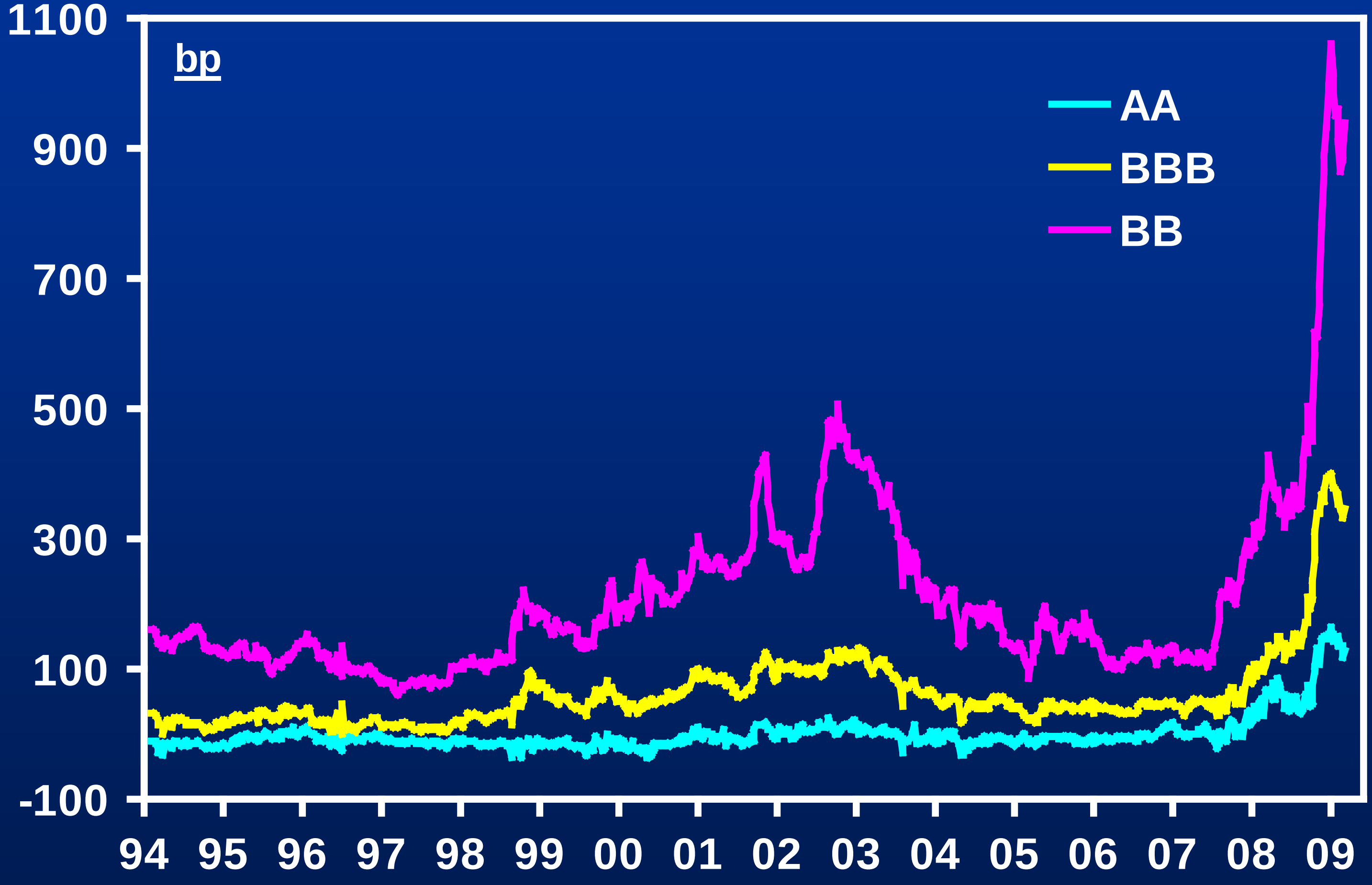


%
spread
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
85
87
89
91
93
95
97
99
01
03
05
07
09

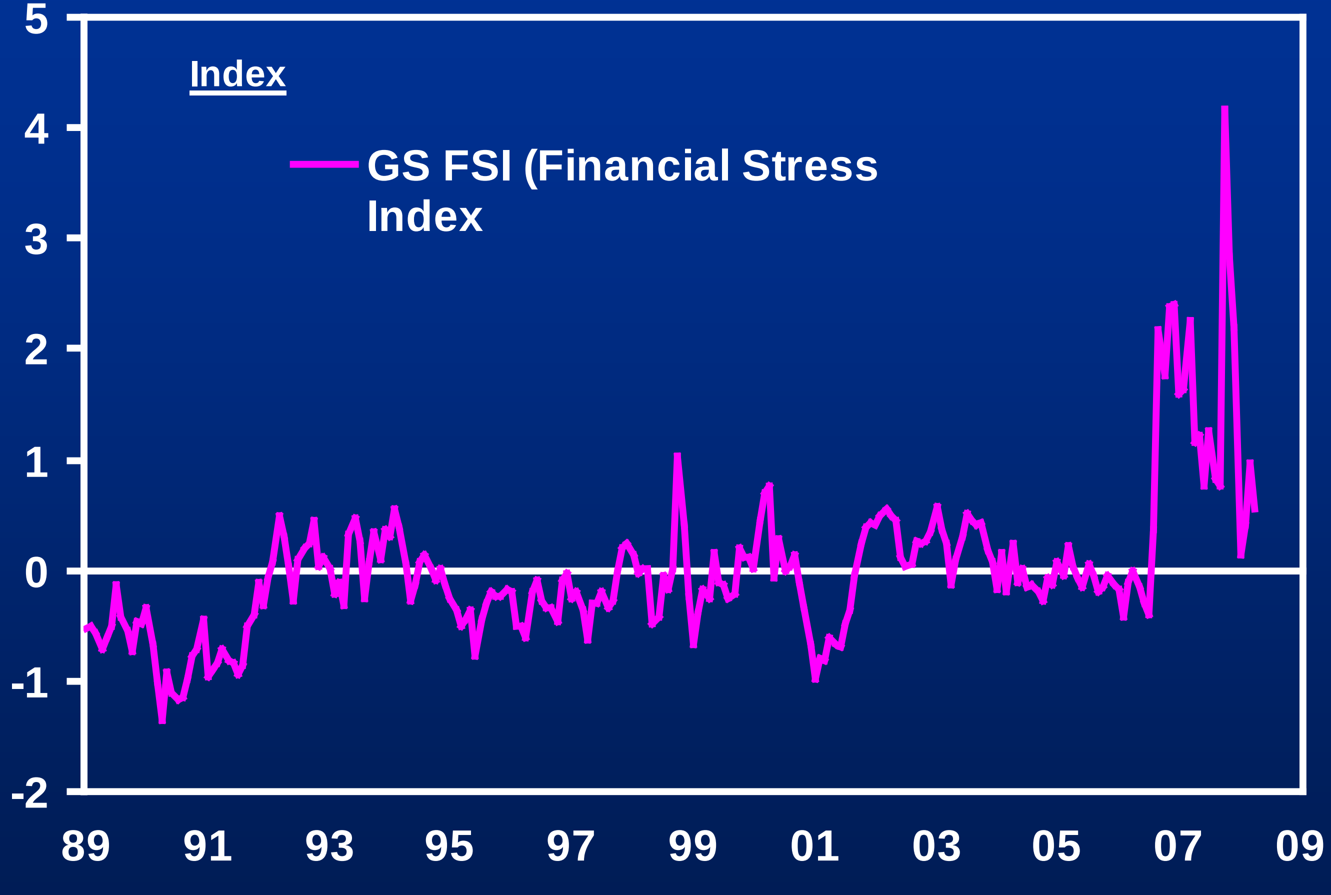
Credit Spreads



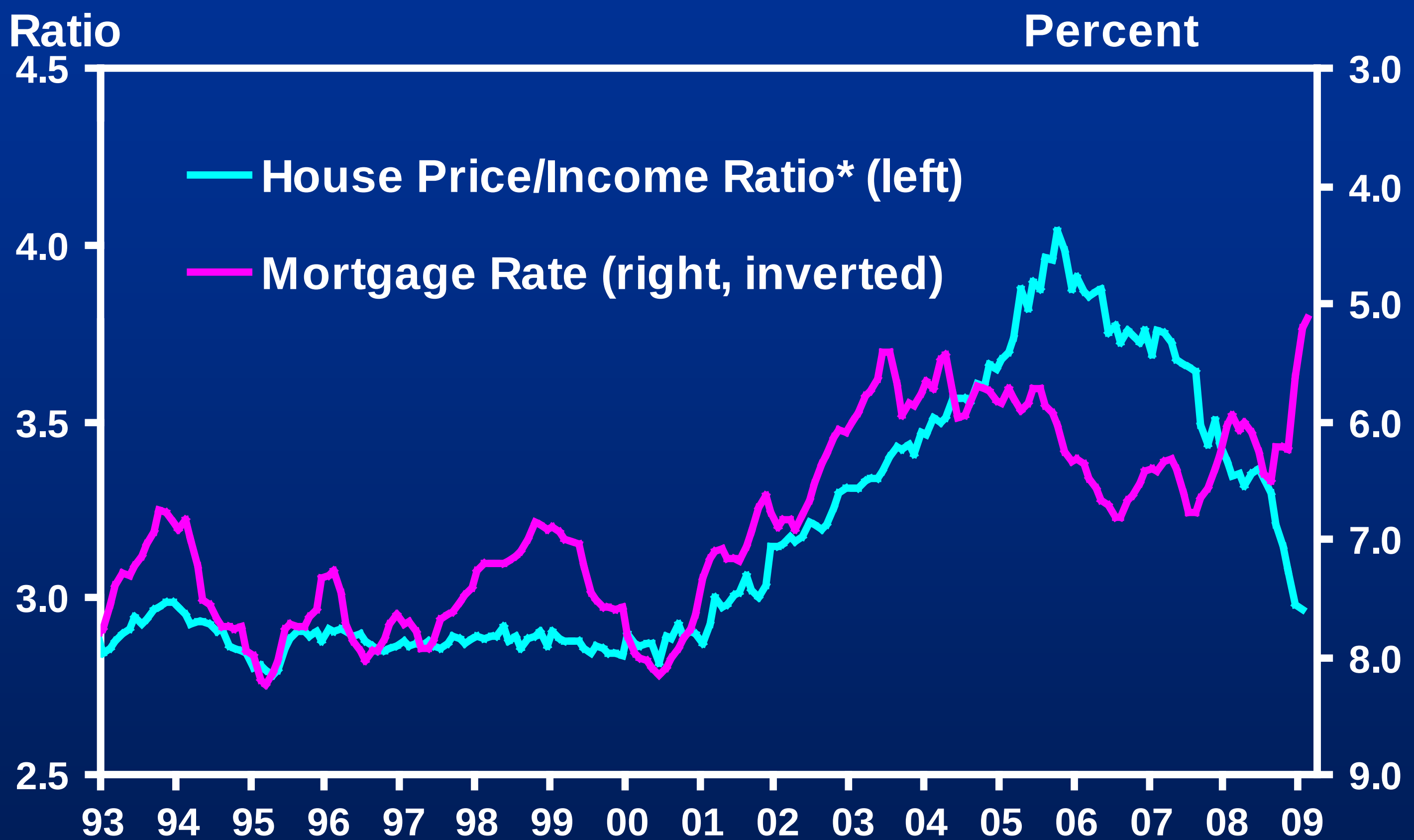
Credit Spreads



‘Crisis’ Indicator



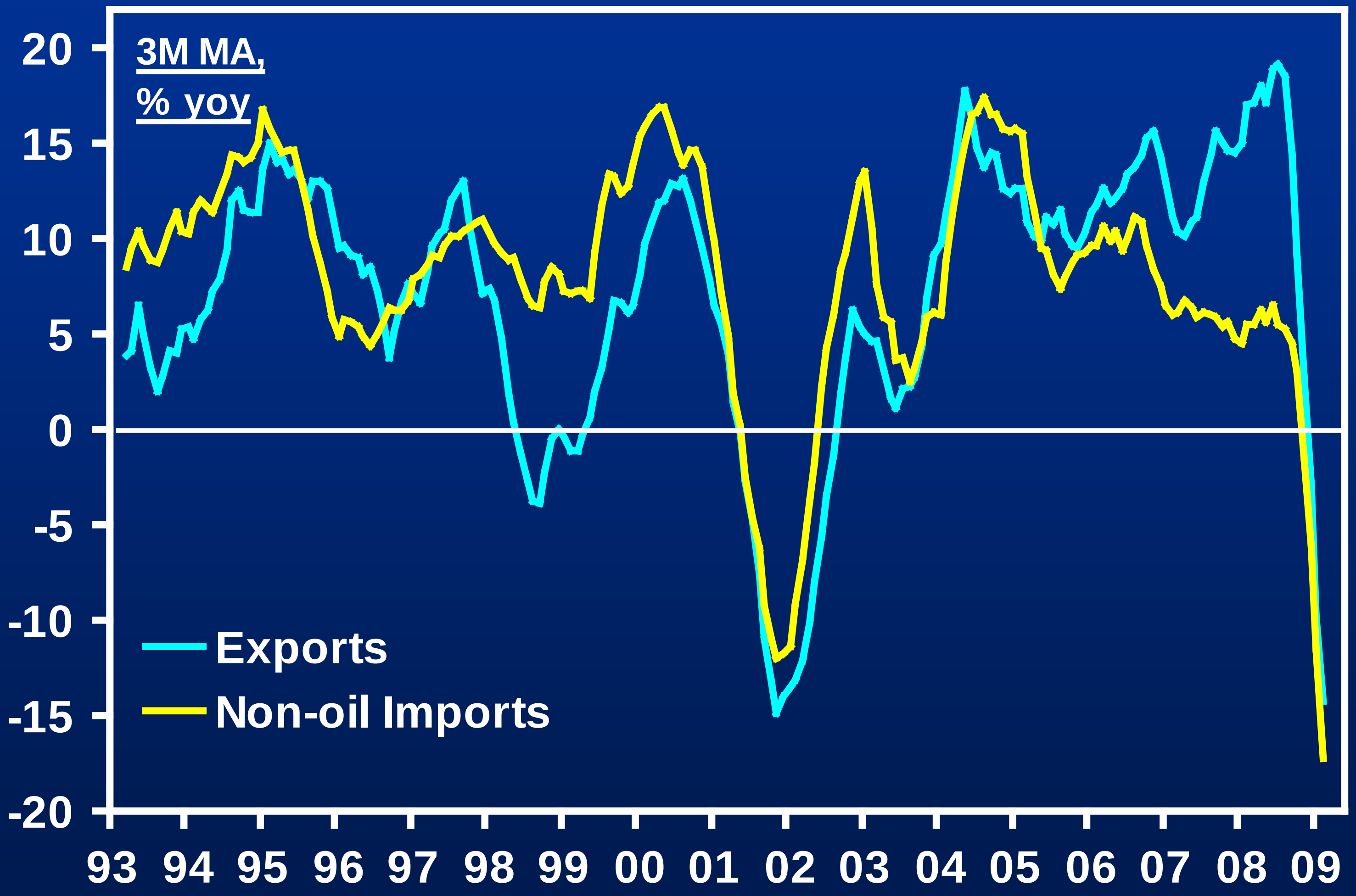
US House Prices vs Income



* S.a. median home price divided by median family income.
Source: Department of Commerce. FRB. NAR.

Share of Private Consumption in US GDP

US Export and Import Growth



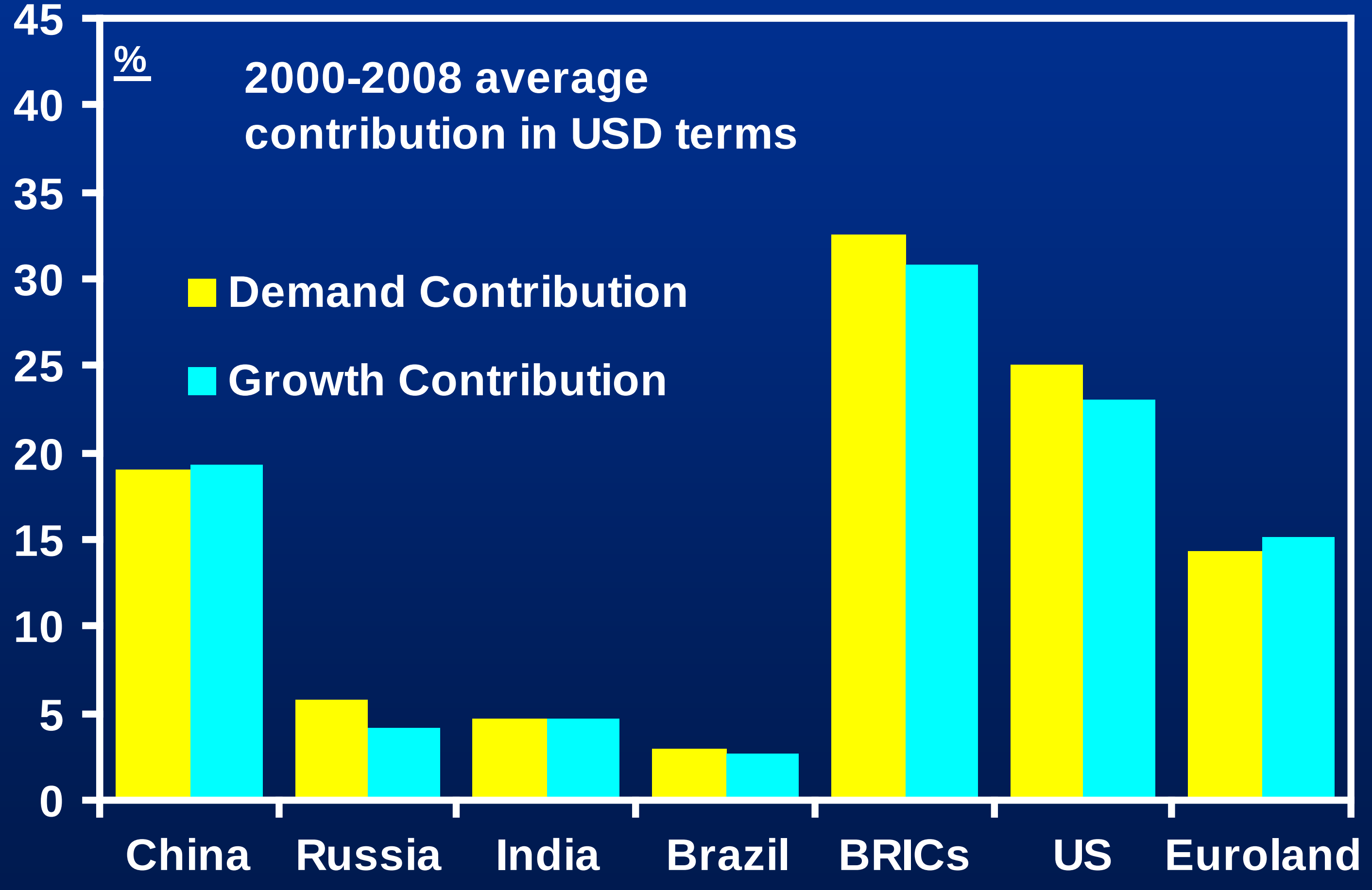
US Productivity Growth

Peak in GDP*	Previous 4-Quarter Trend	Quarters Relative to Peak		Average (+1 and +2)
		+1	+2	
Q4 1948	1.1	3.6	4.4	4.0
Q2 1953	2.4	2.1	-1.5	0.3
Q3 1957	3.3	1.4	-6.0	-2.3
Q1 1960	3.5	-5.6	1.0	-2.3
Q3 1969	-0.1	-1.8	1.2	-0.3
Q4 1973	0.8	-0.6	-1.0	-0.8
Q1 1980	-0.1	-4.4	1.6	-1.4
Q3 1981	2.2	-5.0	-2.6	-3.8
Q3 1990	2.2	-2.9	1.0	-1.0
Q2 2001	2.0	1.8	6.0	3.9
Q2 2008	3.2	1.5	3.2	2.4

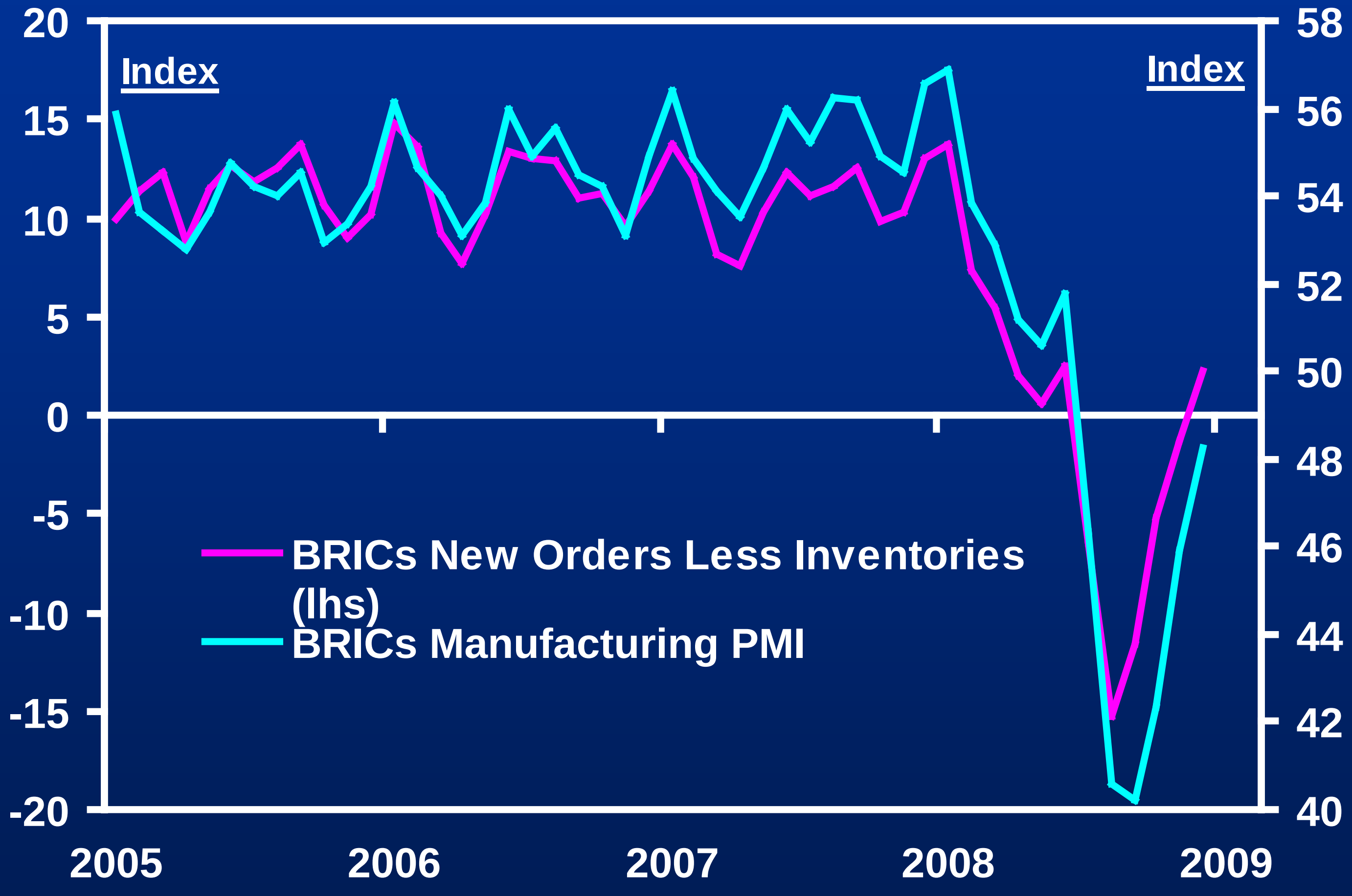
*The peak in GDP does not always occur in the same quarter as the official start of the recession, though this is usually the case.

Source: Department of Labor, GS Global ECS Research

Domestic Demand and Growth Contributions, Last 9 Years

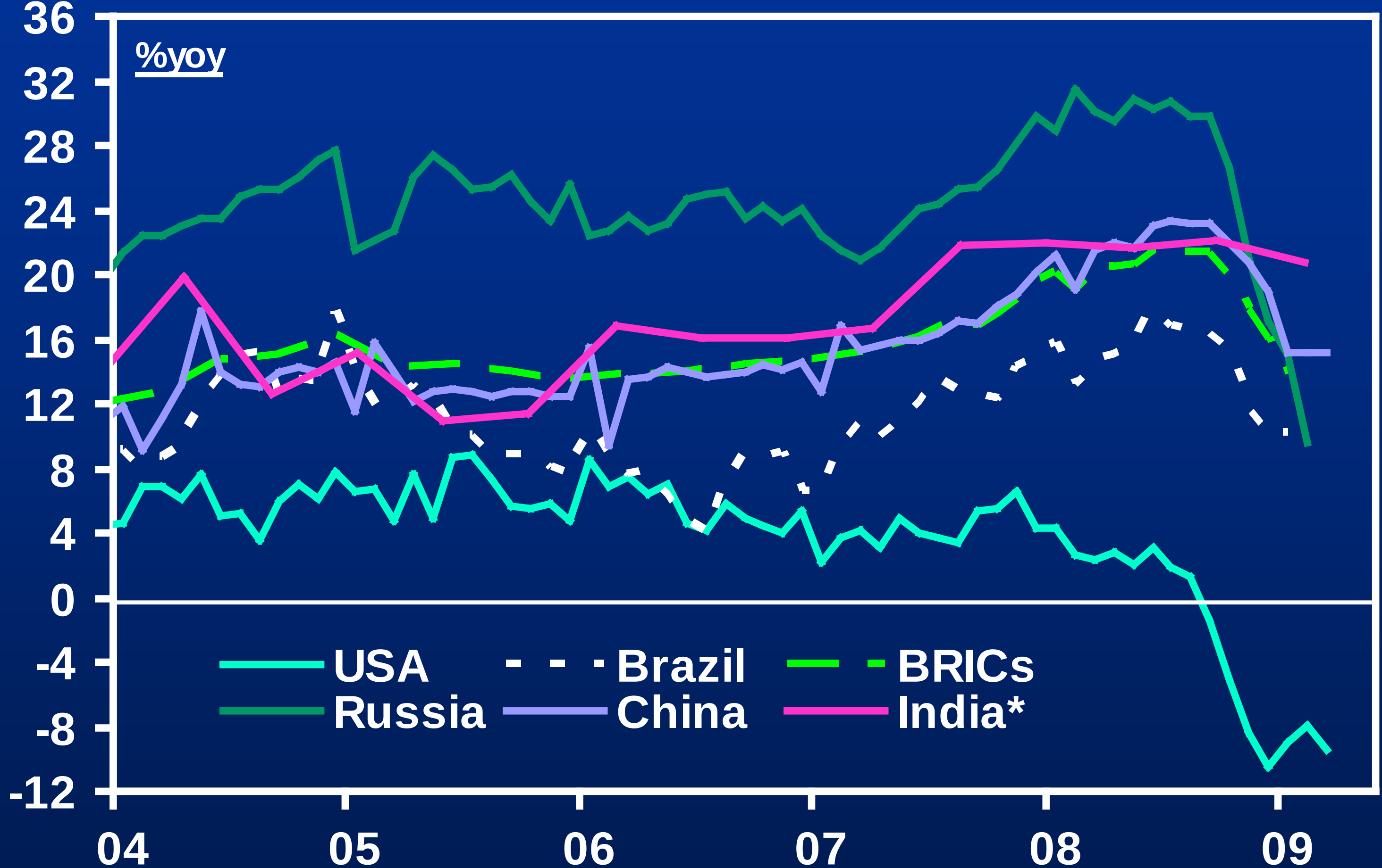


BRICs Manufacturing Activity*



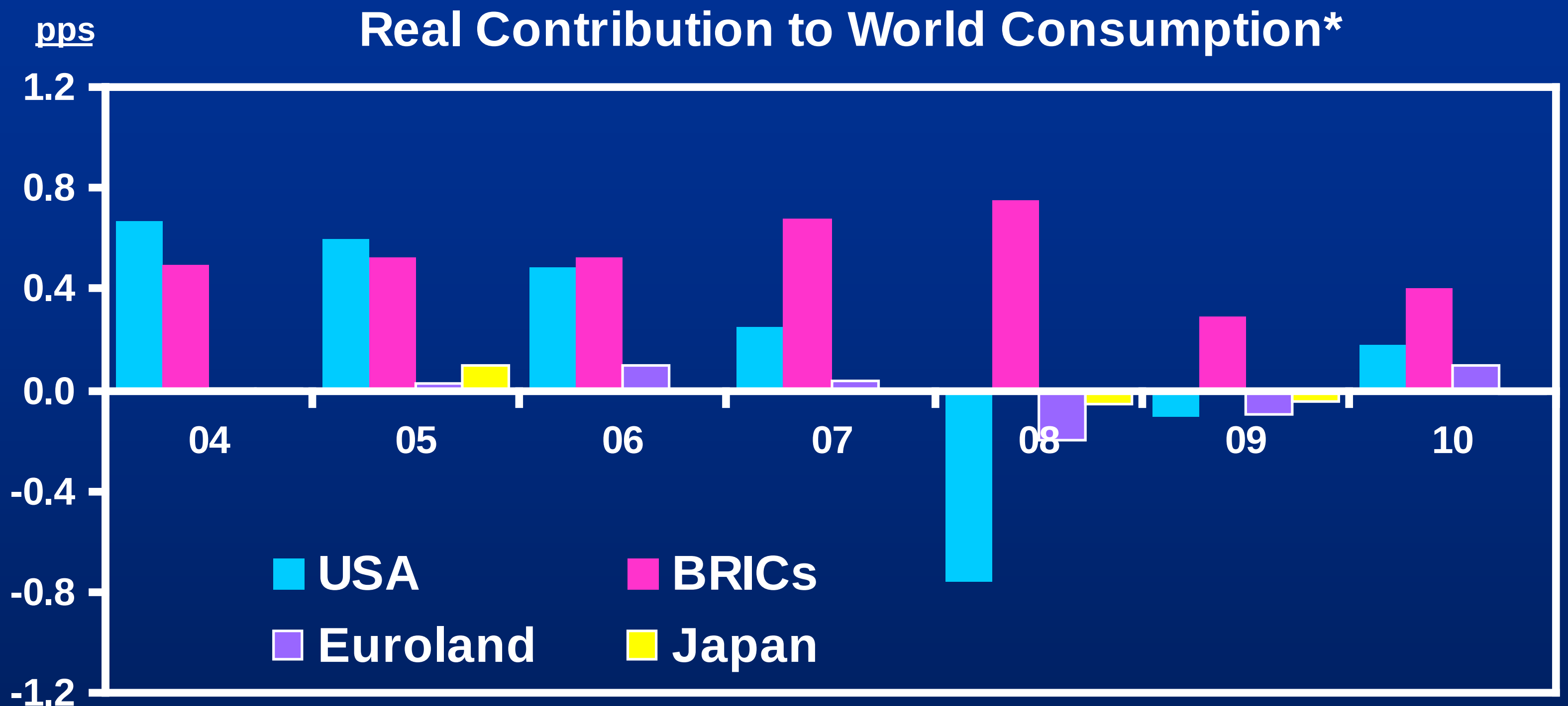
Source: Institute of Supply Management, NTC, GS Calculations.
*GDP weights

Retail Sales US and BRICs



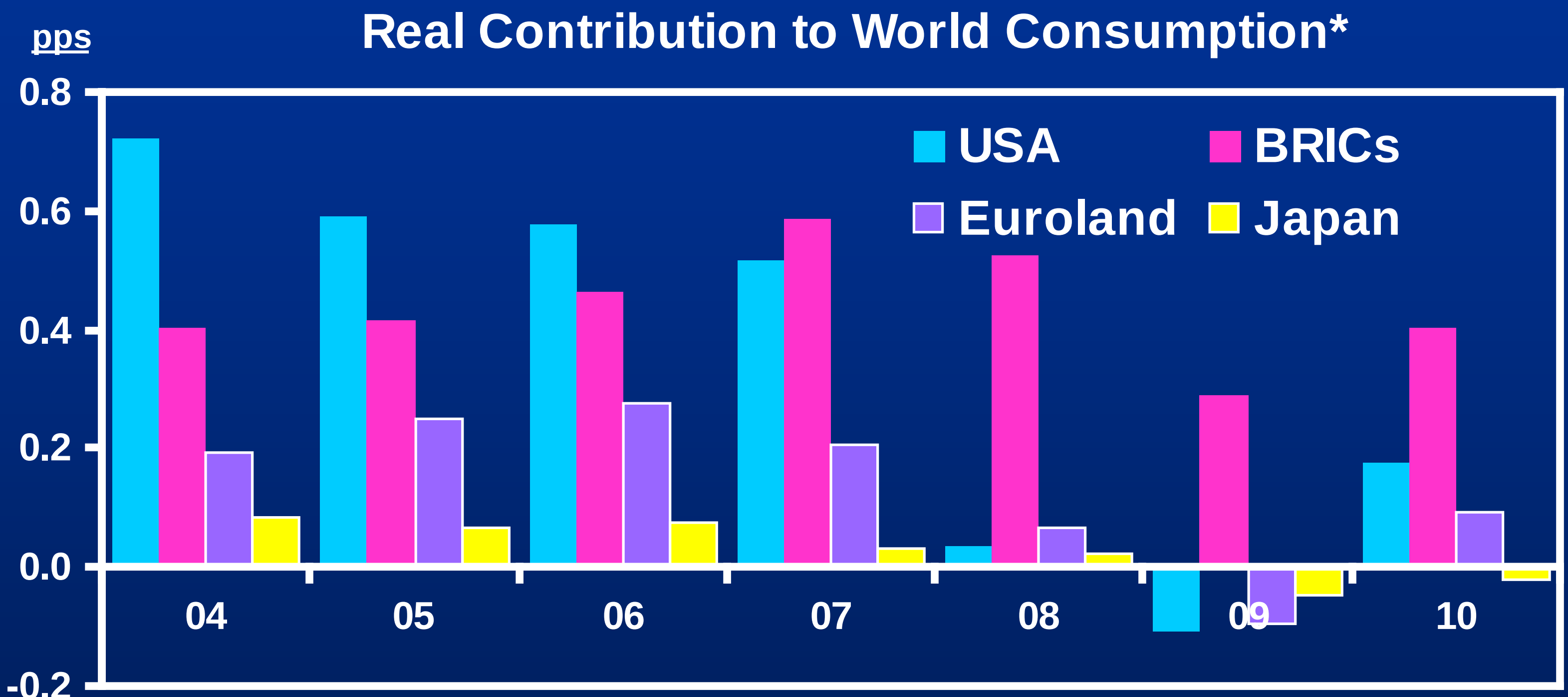
* Private final consumption

Retail Sales Contribution



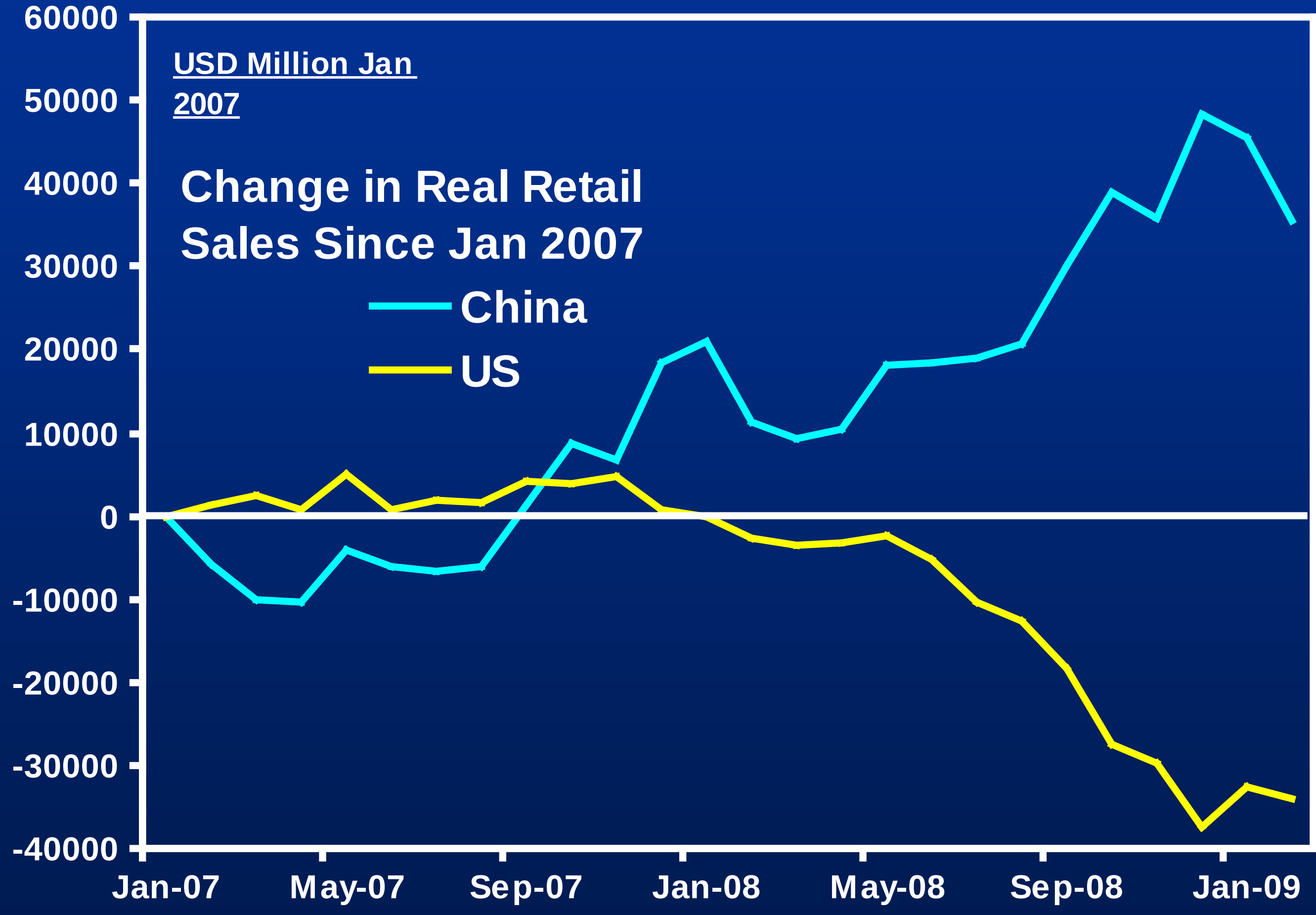
*Calculated from real retail sales for Brazil, Russia, China, US, Euroland, and Japan. India uses real private consumption. Annual averages 2004-2008. 2009-2010 use GS forecasts for consumer expenditure or private consumption.

Consumption Contribution

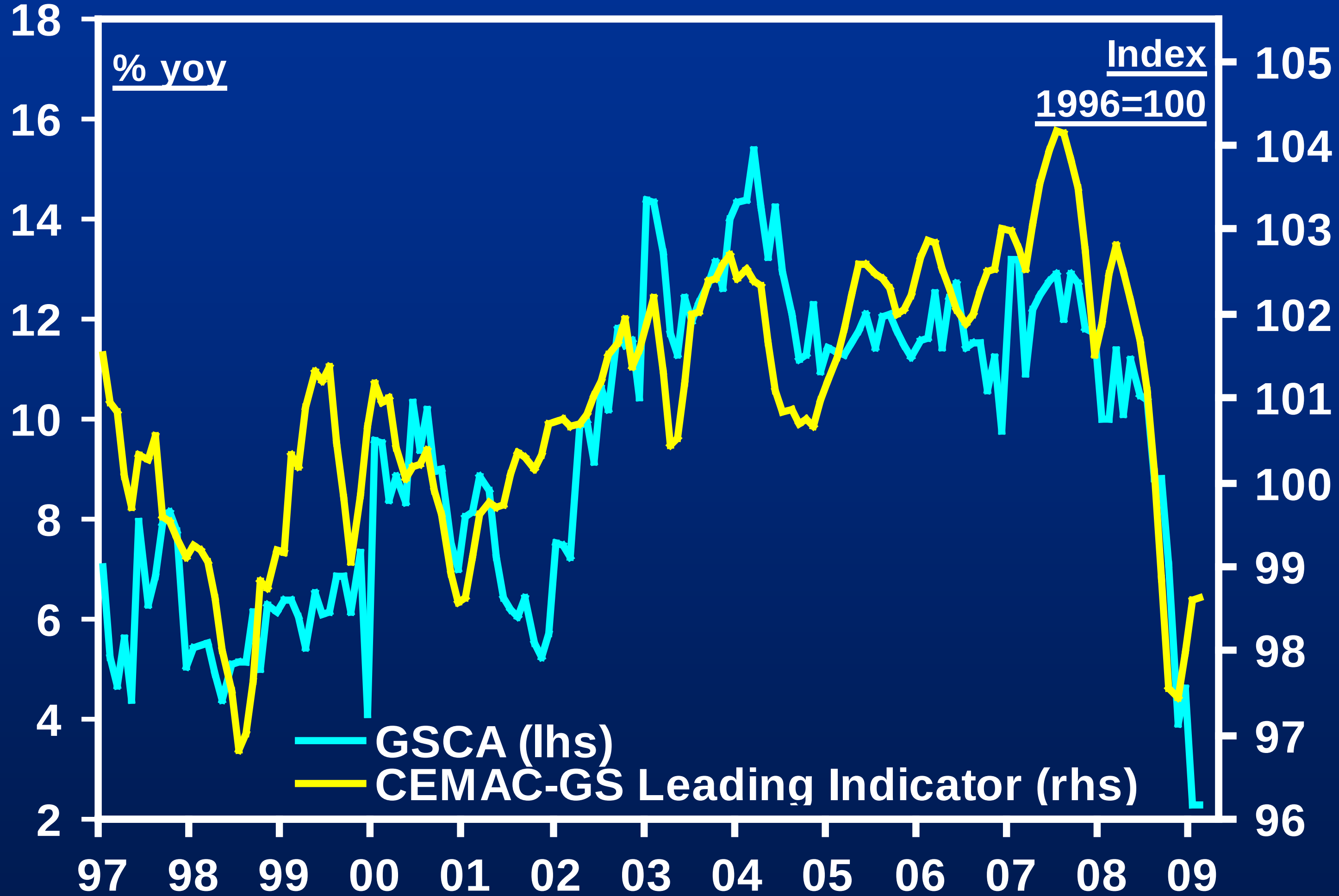


*Calculated from consumer expenditure for India, US, Japan, and Euroland. Brazil and Russia use private consumption and China uses household consumption. Annual averages 2004-2008, GS forecasts 2009-2010.

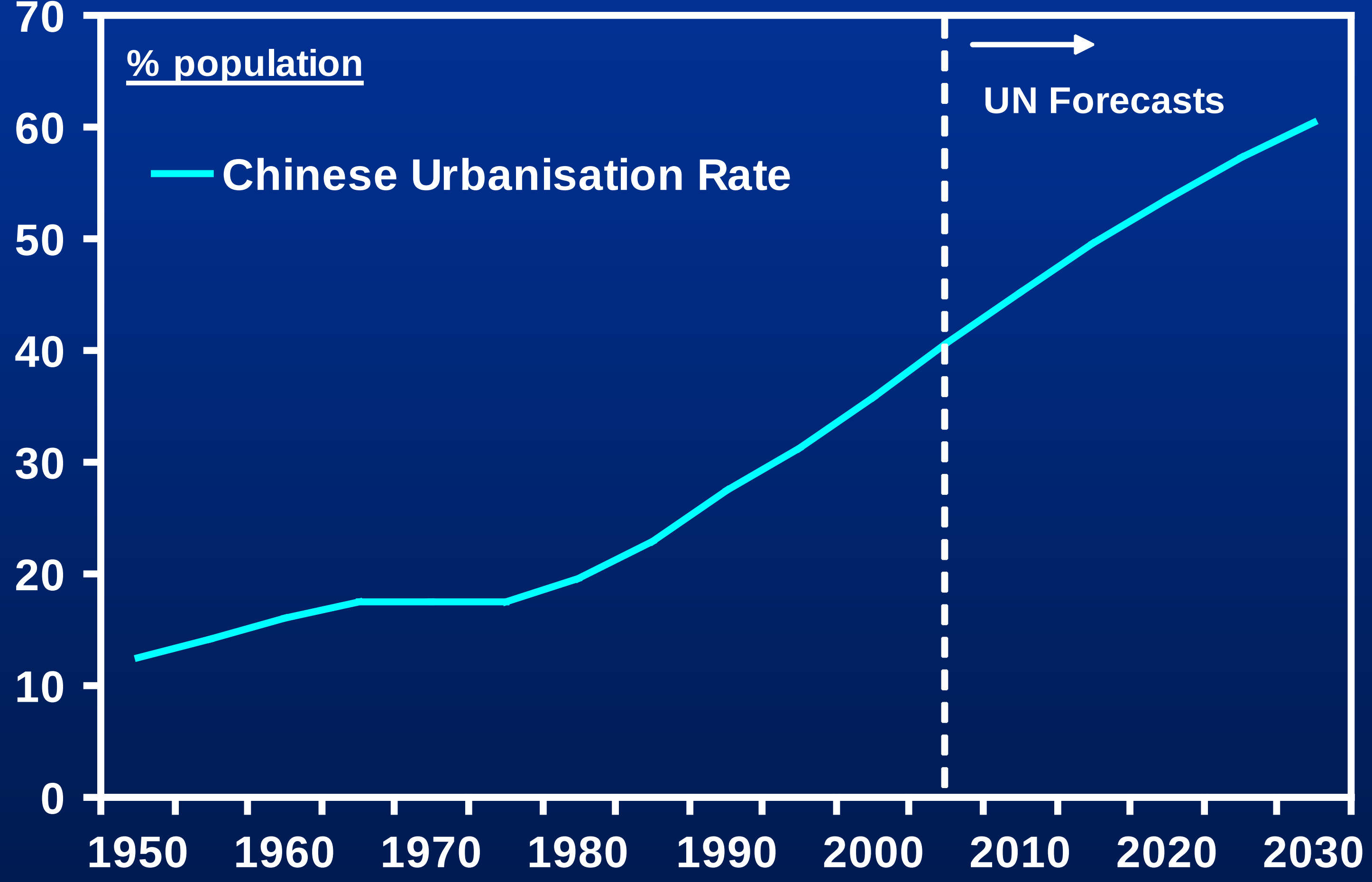
Recent Trend in Real Retail Sales



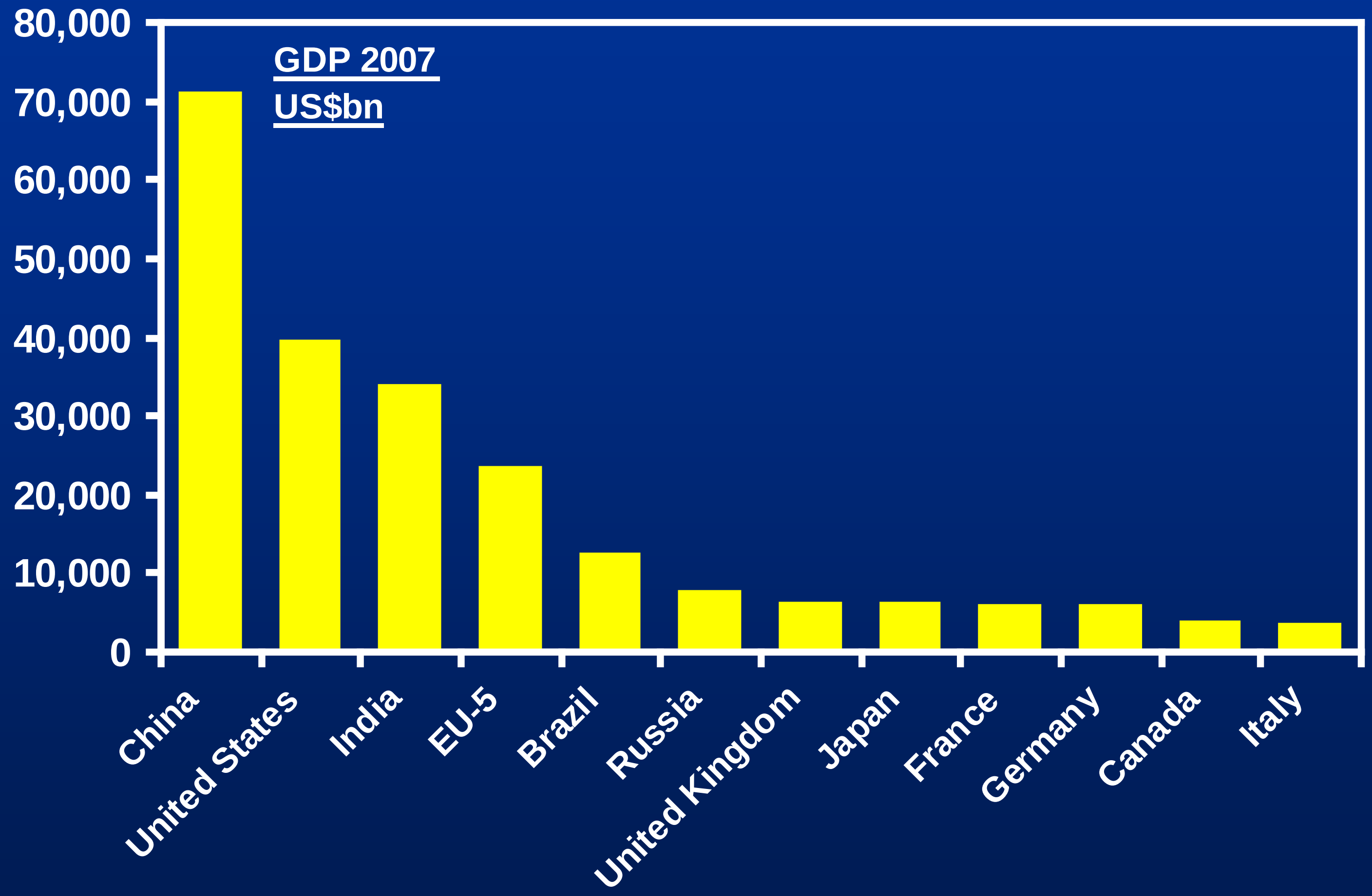
China Lead Indicators



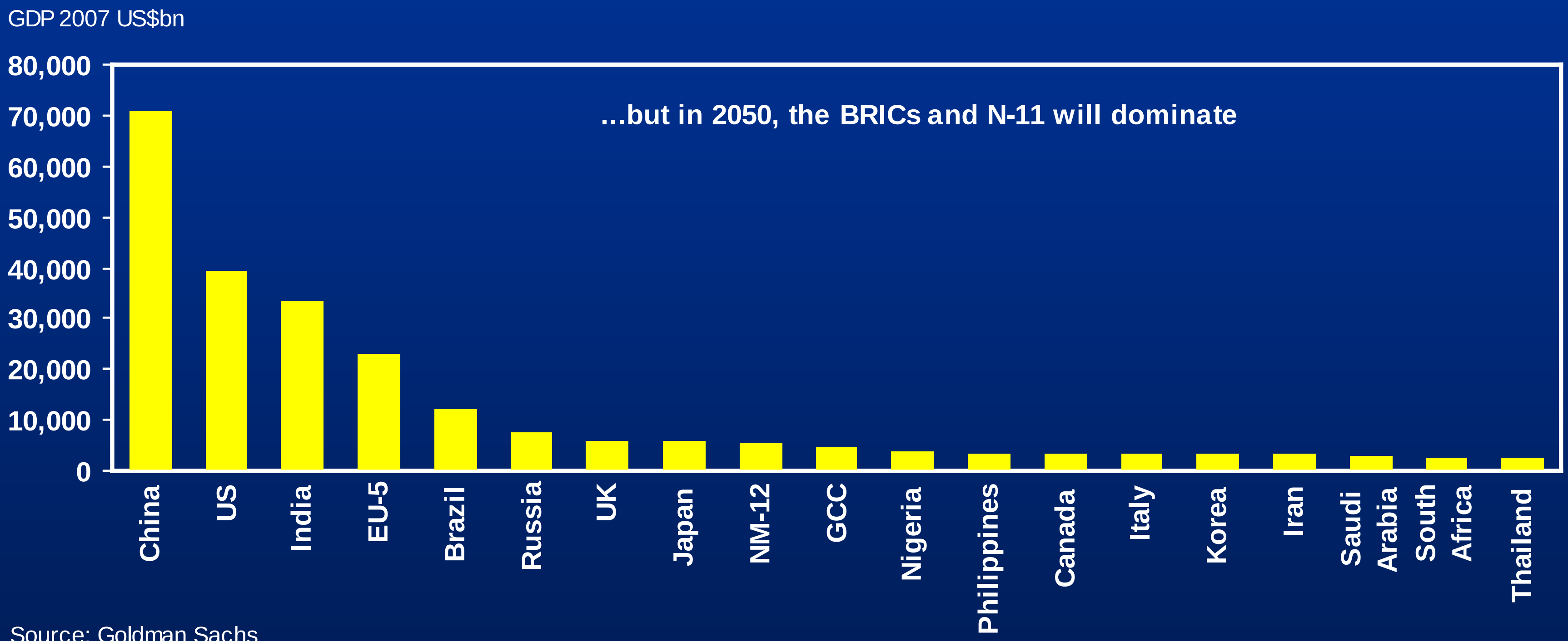
Past and Future Potential Chinese Urbanisation



The Largest Economies in 2050

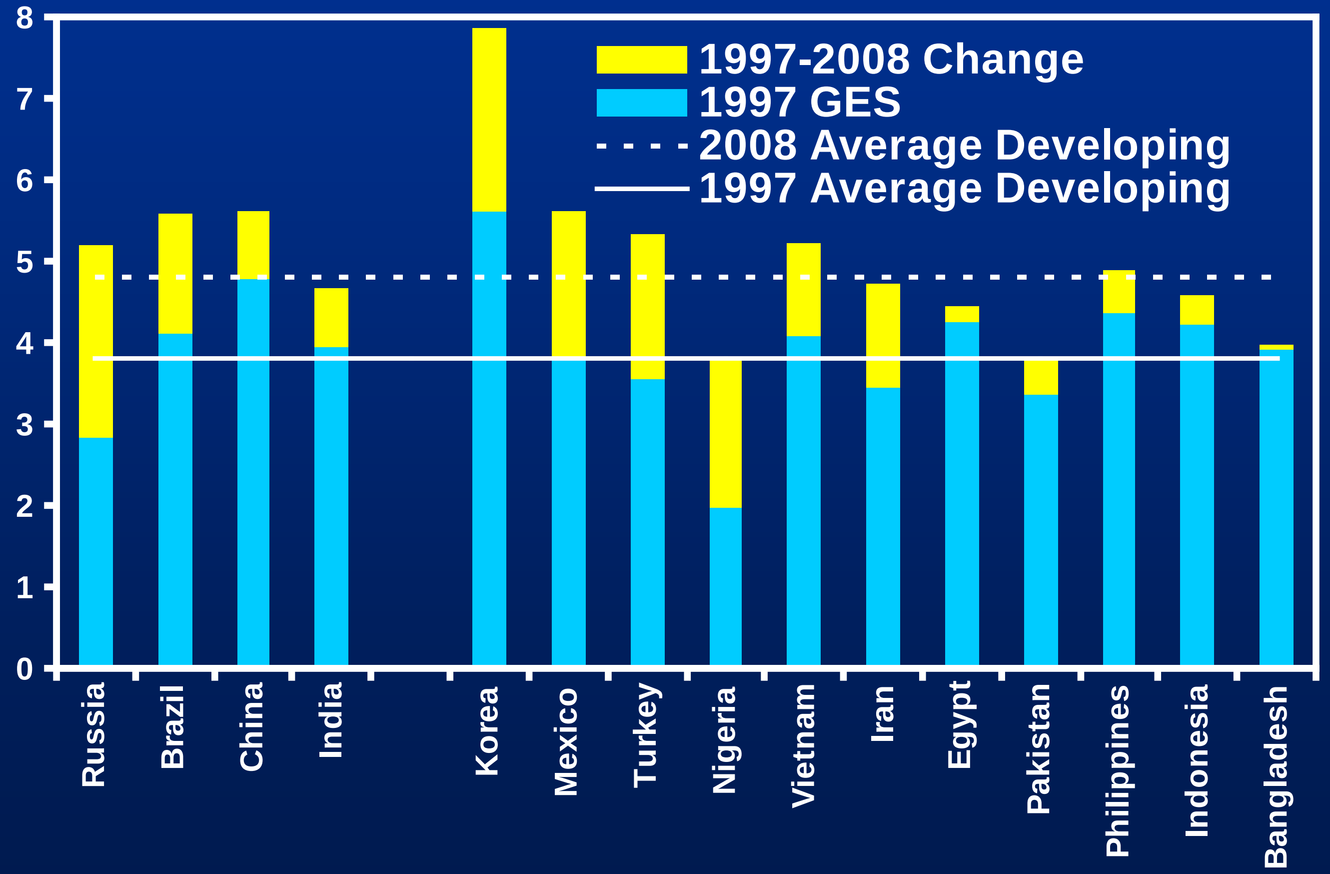


The Largest Economies in 2050



Source: Goldman Sachs

BRICs & N11. 2008 Growth Environment Score (GES)



Maplecroft Dynamic Risk Index

Dynamic Risk

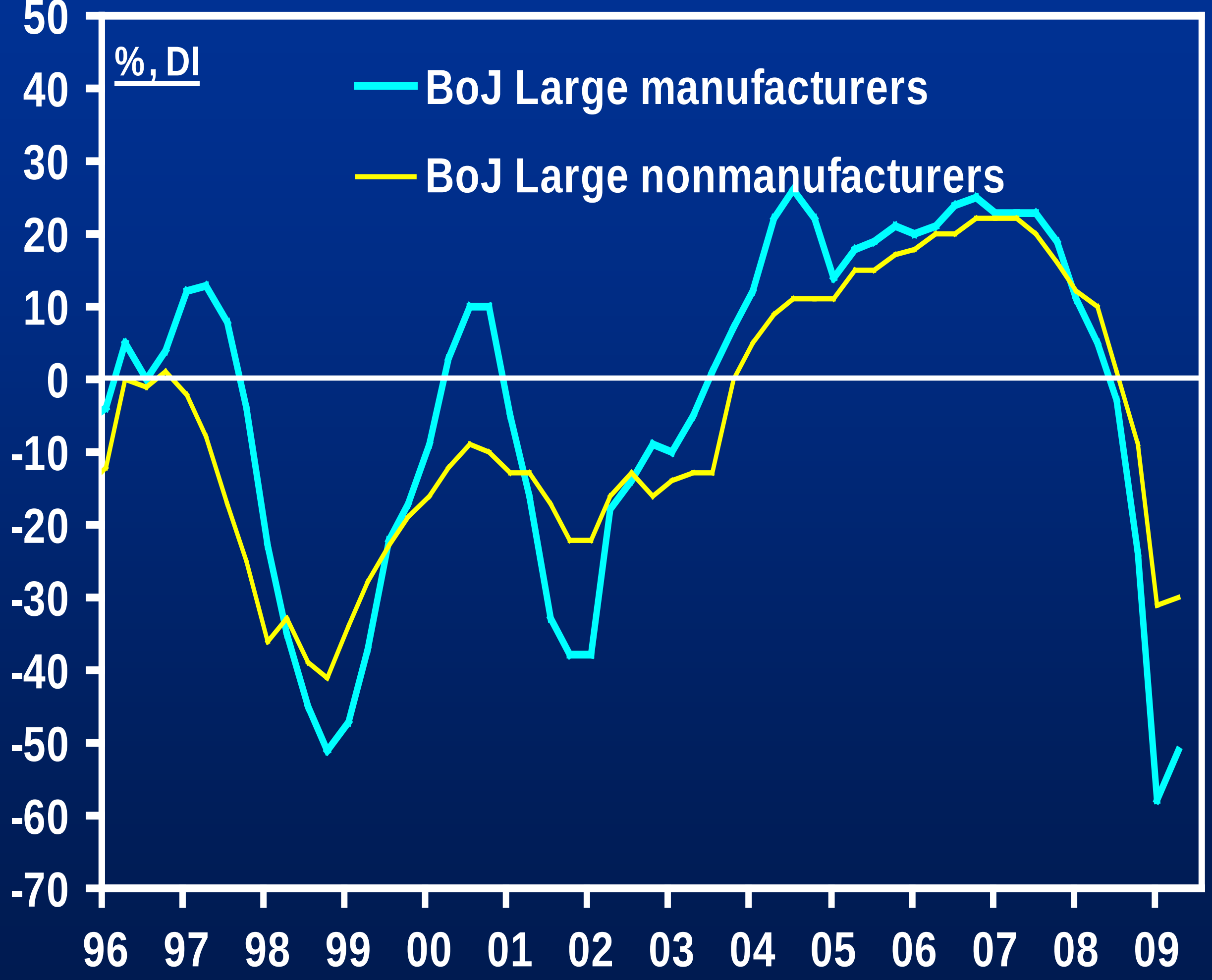
- **Governance Framework**
  - Regime Stability
  - Rule of Law
  - Business Integrity & Corruption
  - Corporate Governance
- **Political Violence**
  - Conflict and Political Violence
  - Terrorism Risk
  - Human Security
- **Business and Macroeconomics**
  - Regulatory Framework
  - Business Environment
  - Macroeconomic Environment
  - Economic Diversification
  - Emerging Powers

Maplecroft Risk Indices

	Dynamic	Structural
BRICs		
Brazil	6.2	6.0
Russia	2.5	5.8
India	3.9	3.1
China	5.4	3.5
N11		
Bangladesh	3.1	1.7
Egypt	4.9	4.3
Indonesia	4.1	3.6
Iran	1.9	4.0
Mexico	6.5	6.1
Nigeria	2.4	2.1
Pakistan	2.2	1.3
Philippines	3.8	4.3
South Korea	8.3	8.9
Turkey	6.0	5.9
Vietnam	5.5	3.9
USA	8.9	8.9
Germany	9.2	9.2
Luxembourg	9.7	9.5

Source: Maplecroft

BoJ Tankan



%, DI
BoJ Large manufacturers
BoJ Large nonmanufacturers
50
40
30
20
10
0
-10
-20
-30
-40
-50
-60
-70
96
97
98
99
00
01
02
03
04
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06
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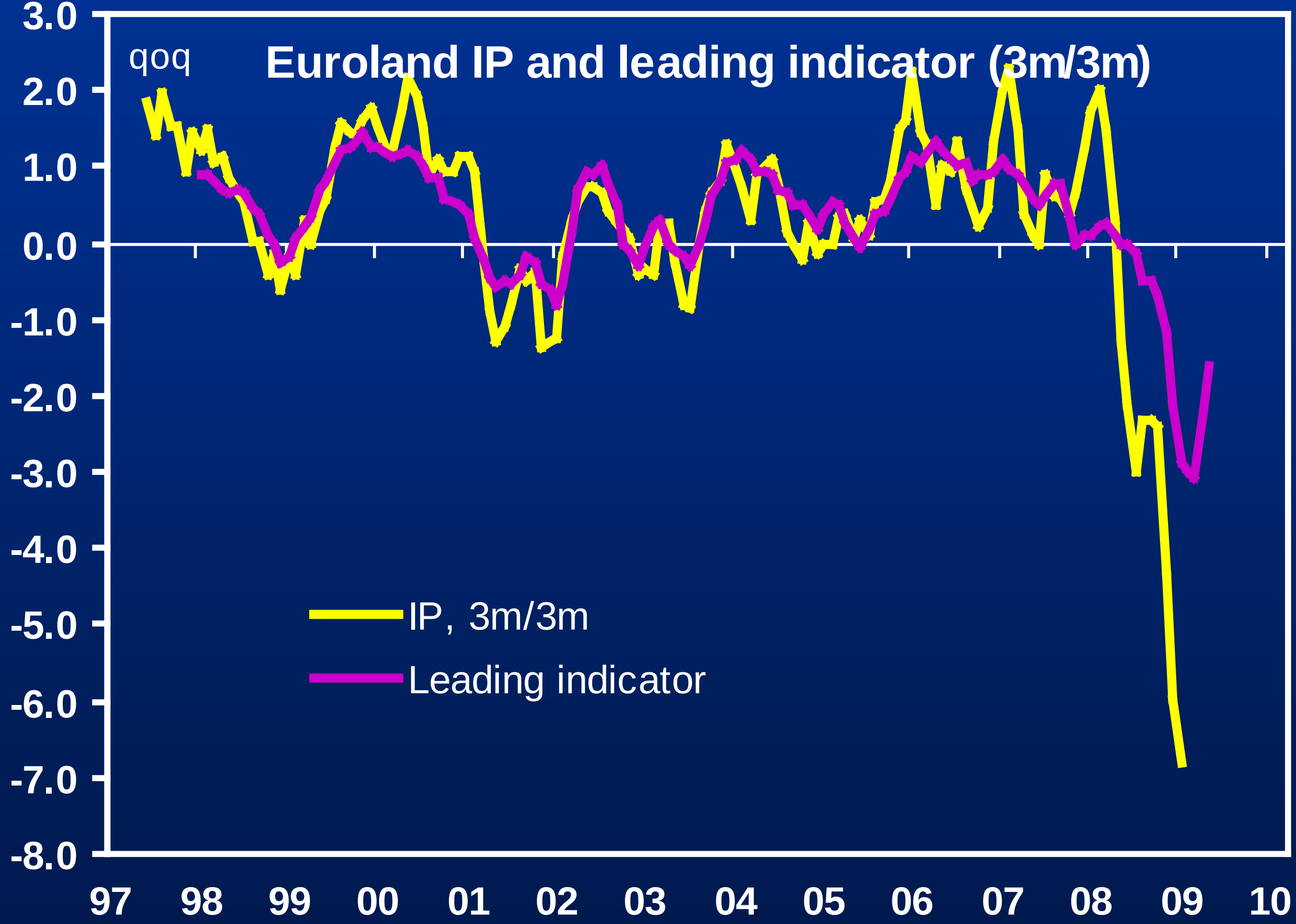
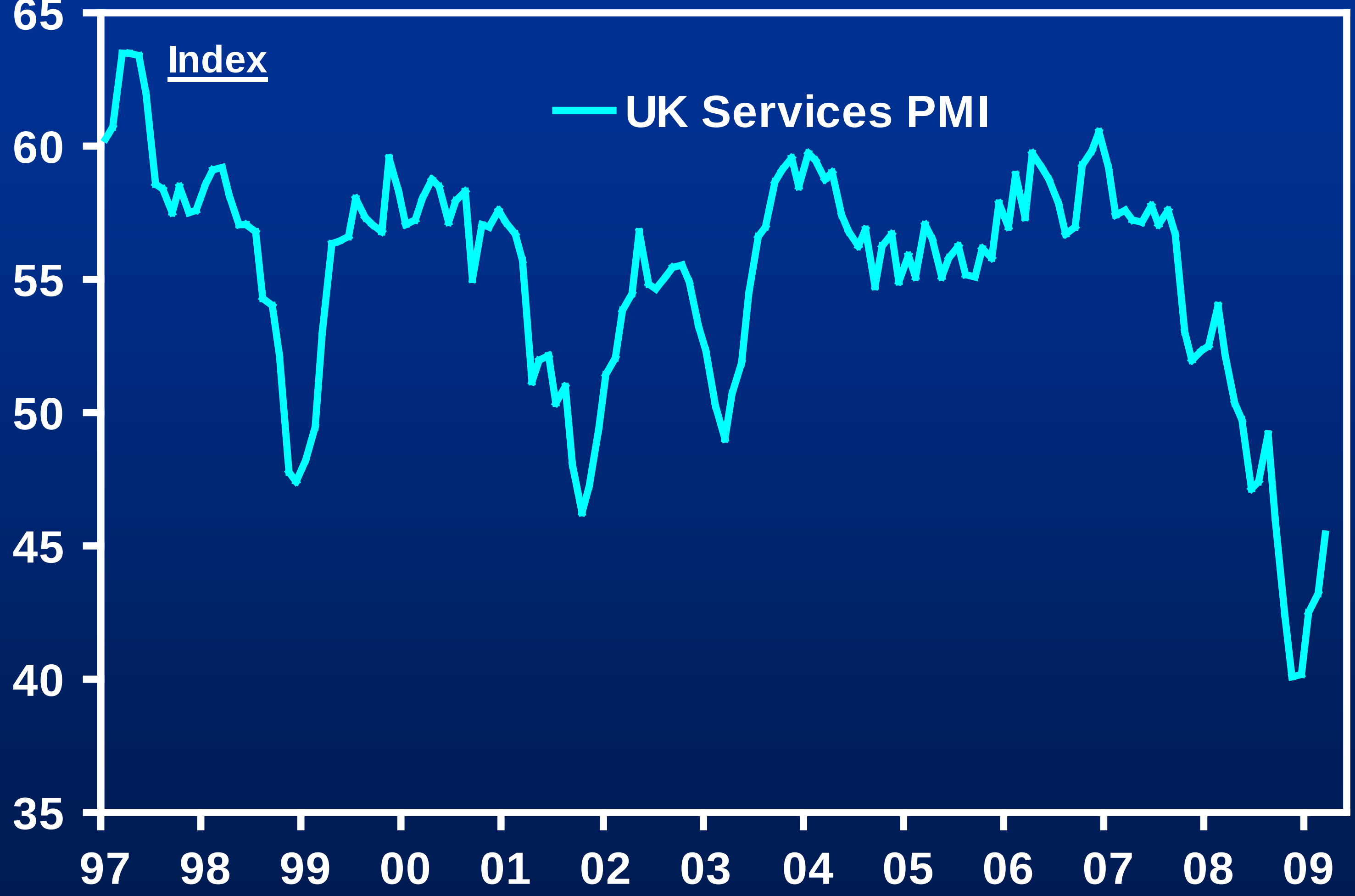
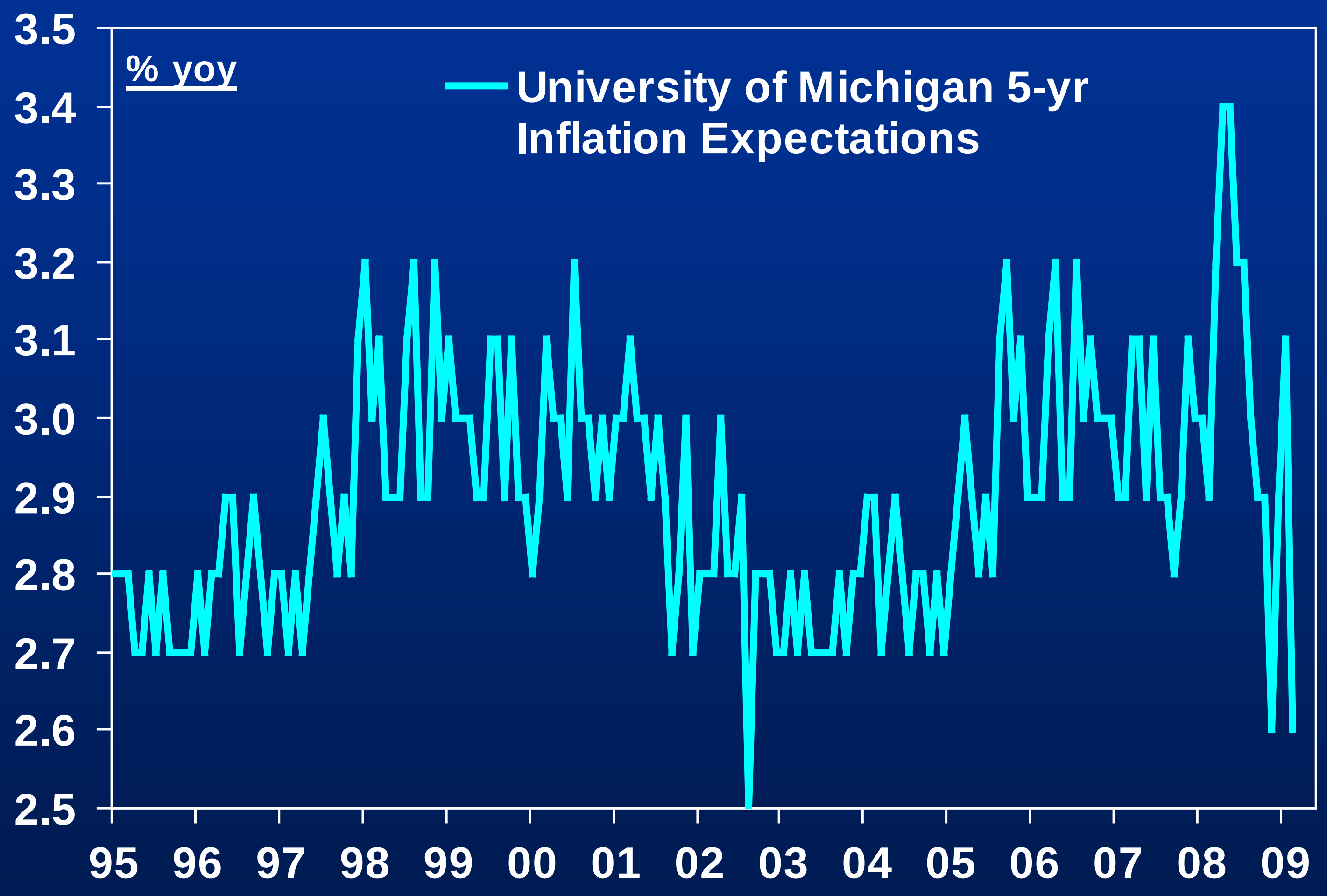
Euroland Leading Indicator vs Industrial Production



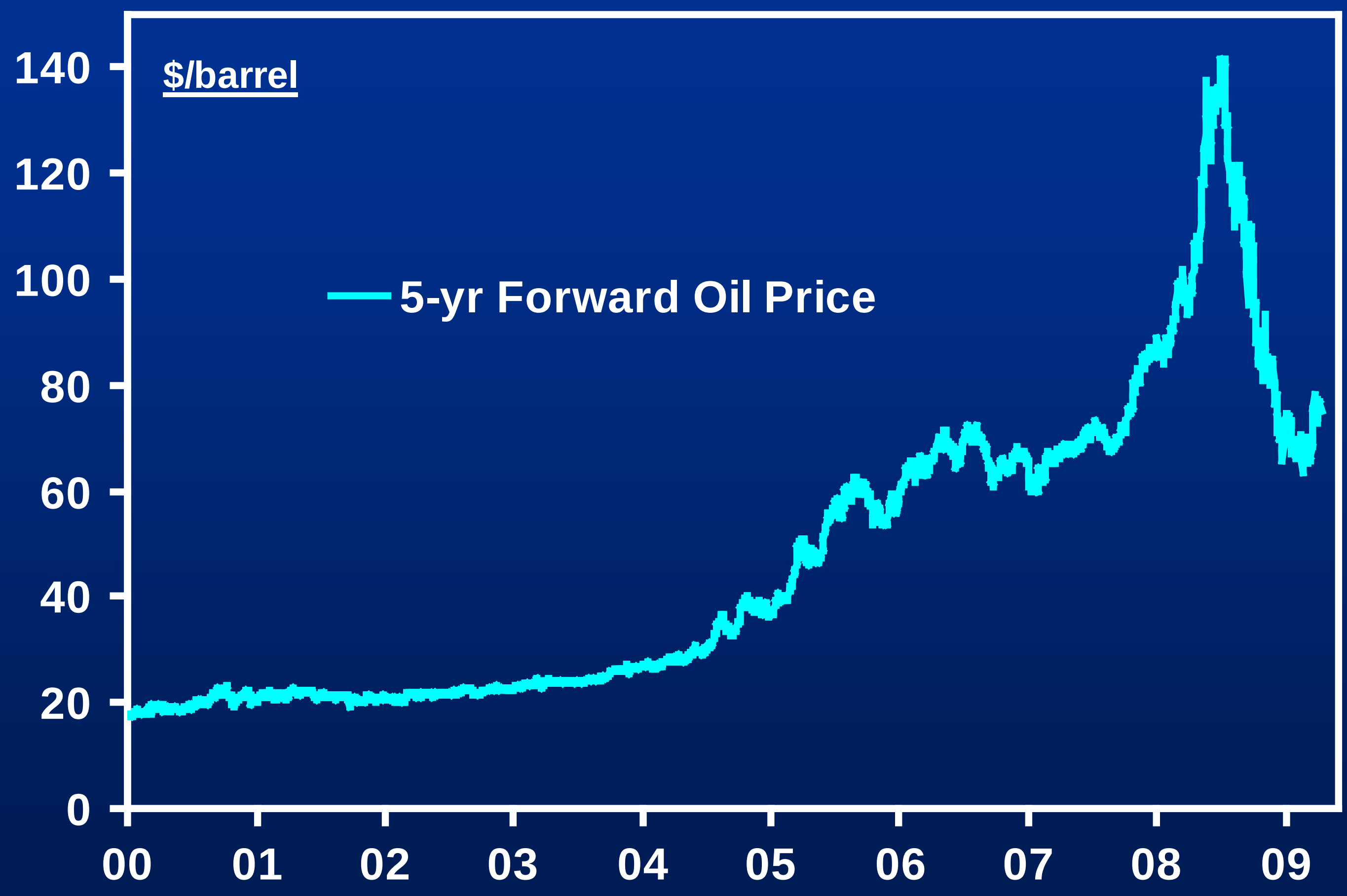
UK Services PMI



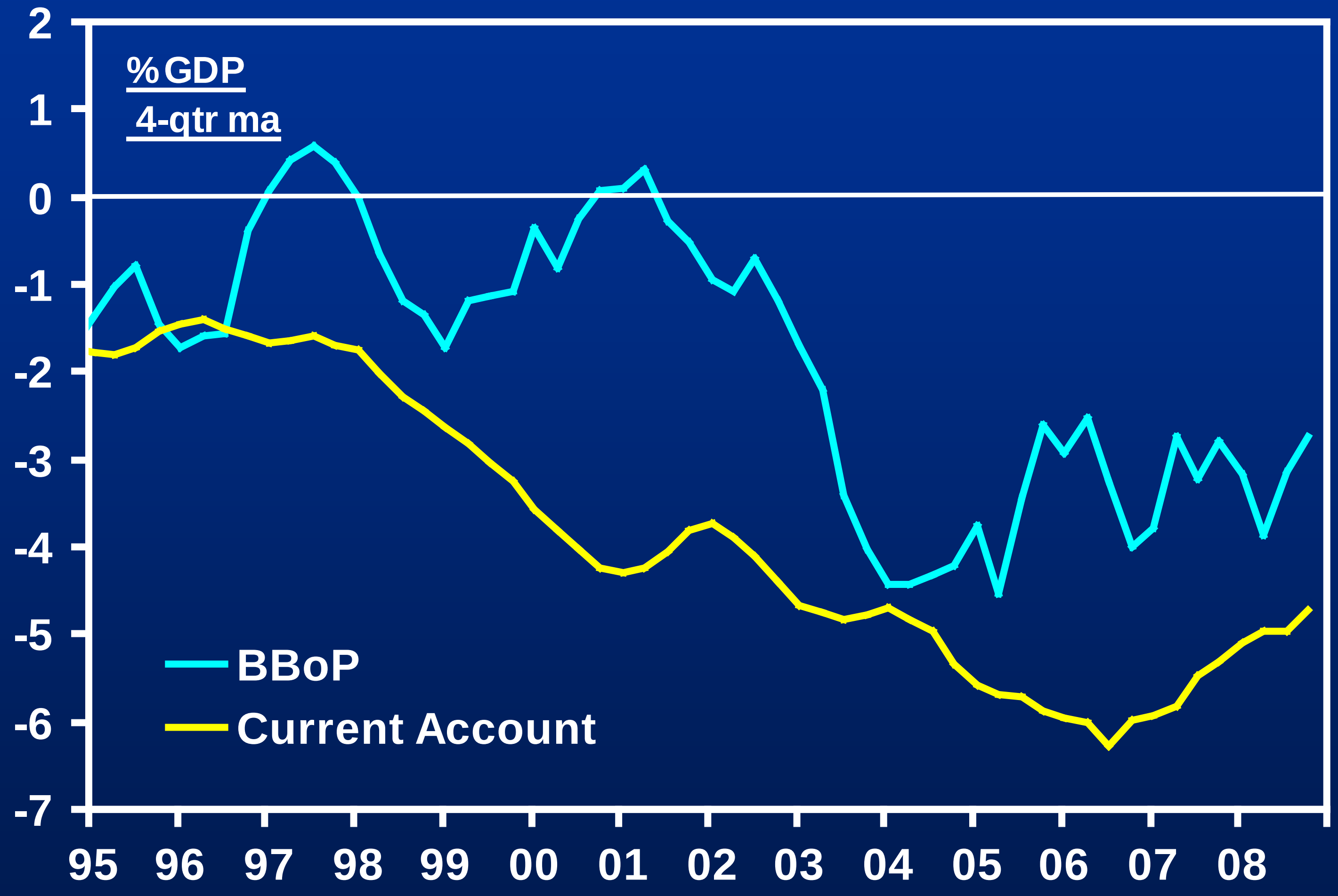
Inflation Expectations in US



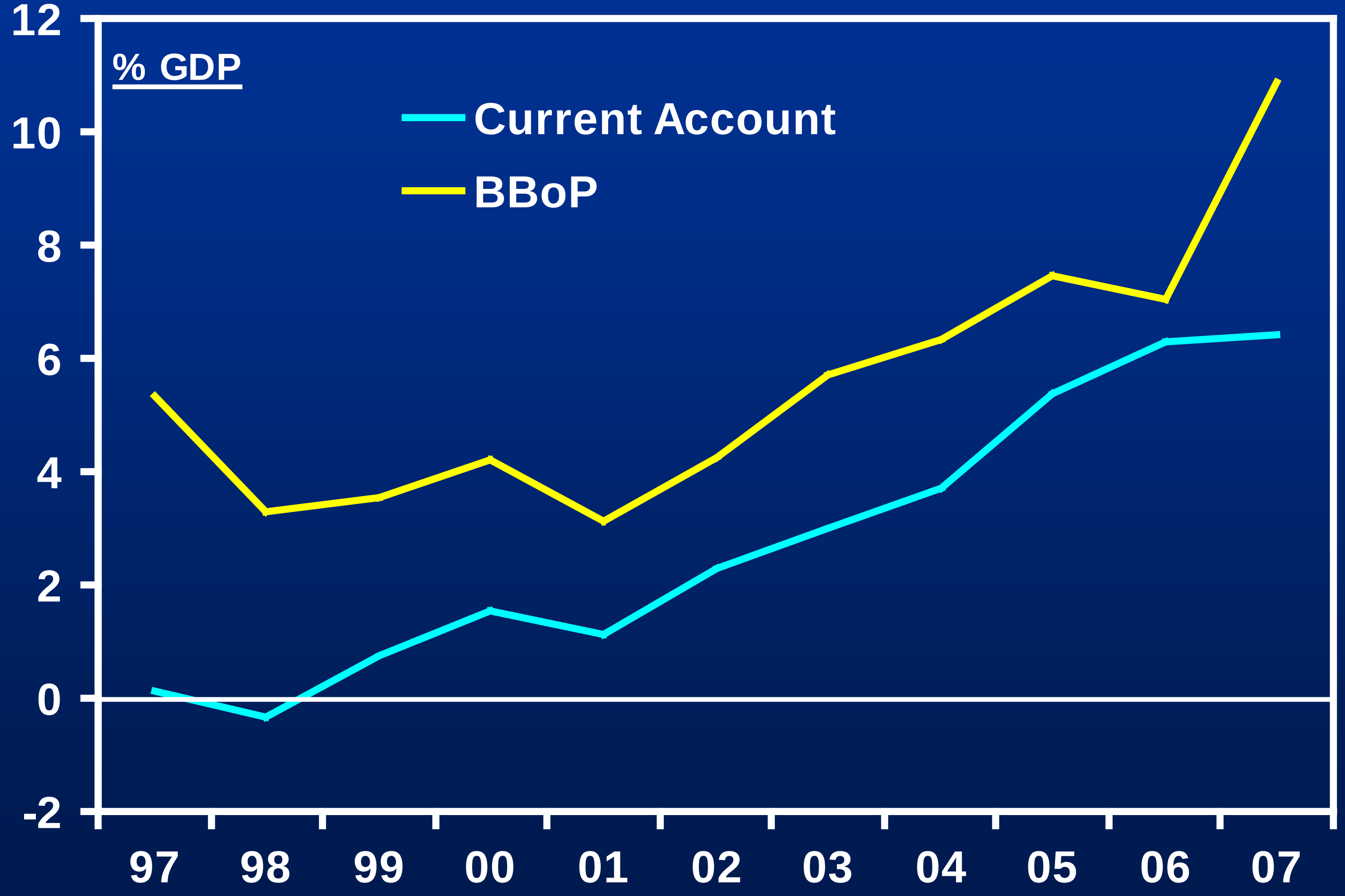
Five Year Forward Oil Price



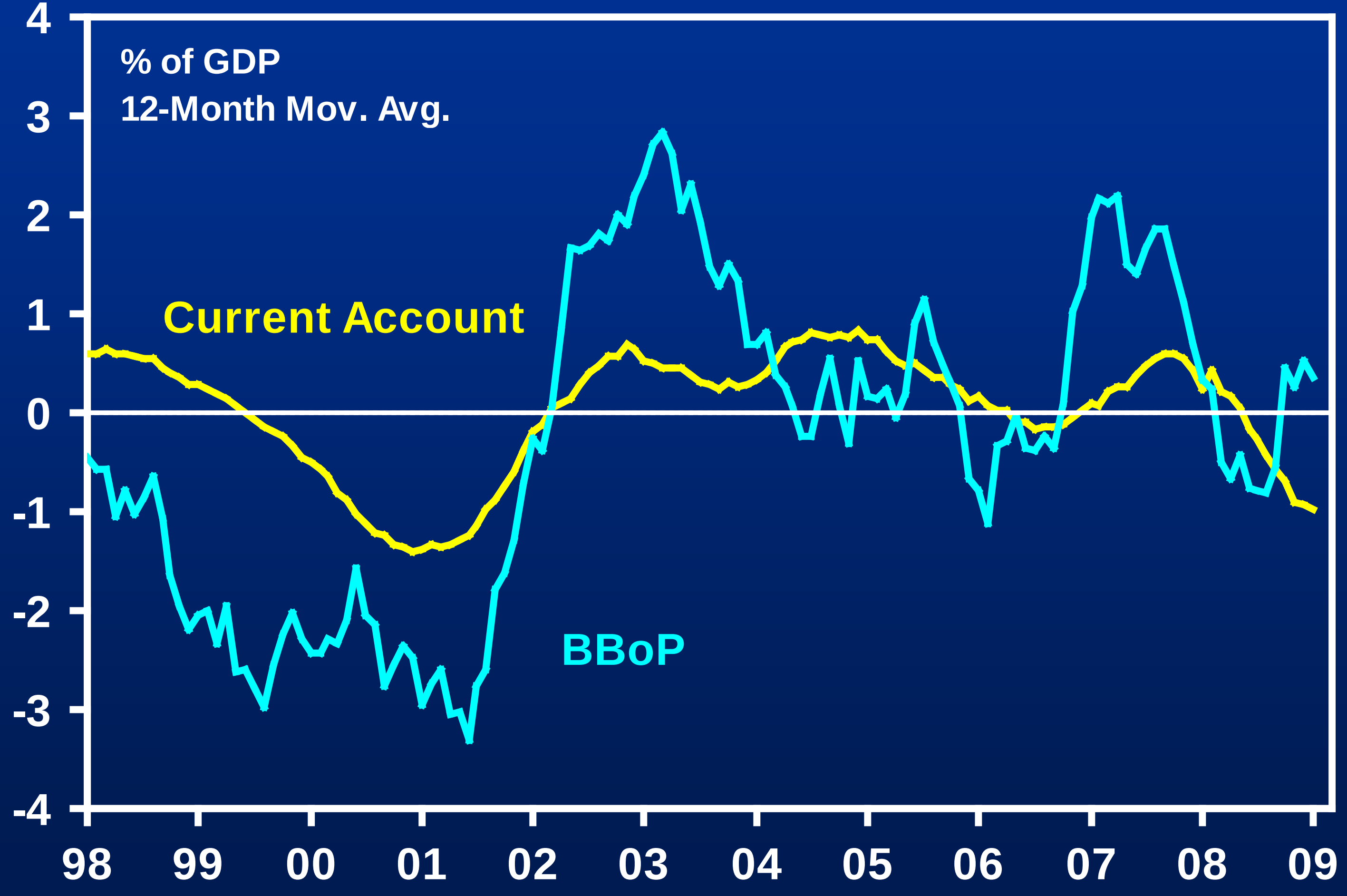
US BBoP vs Current Account



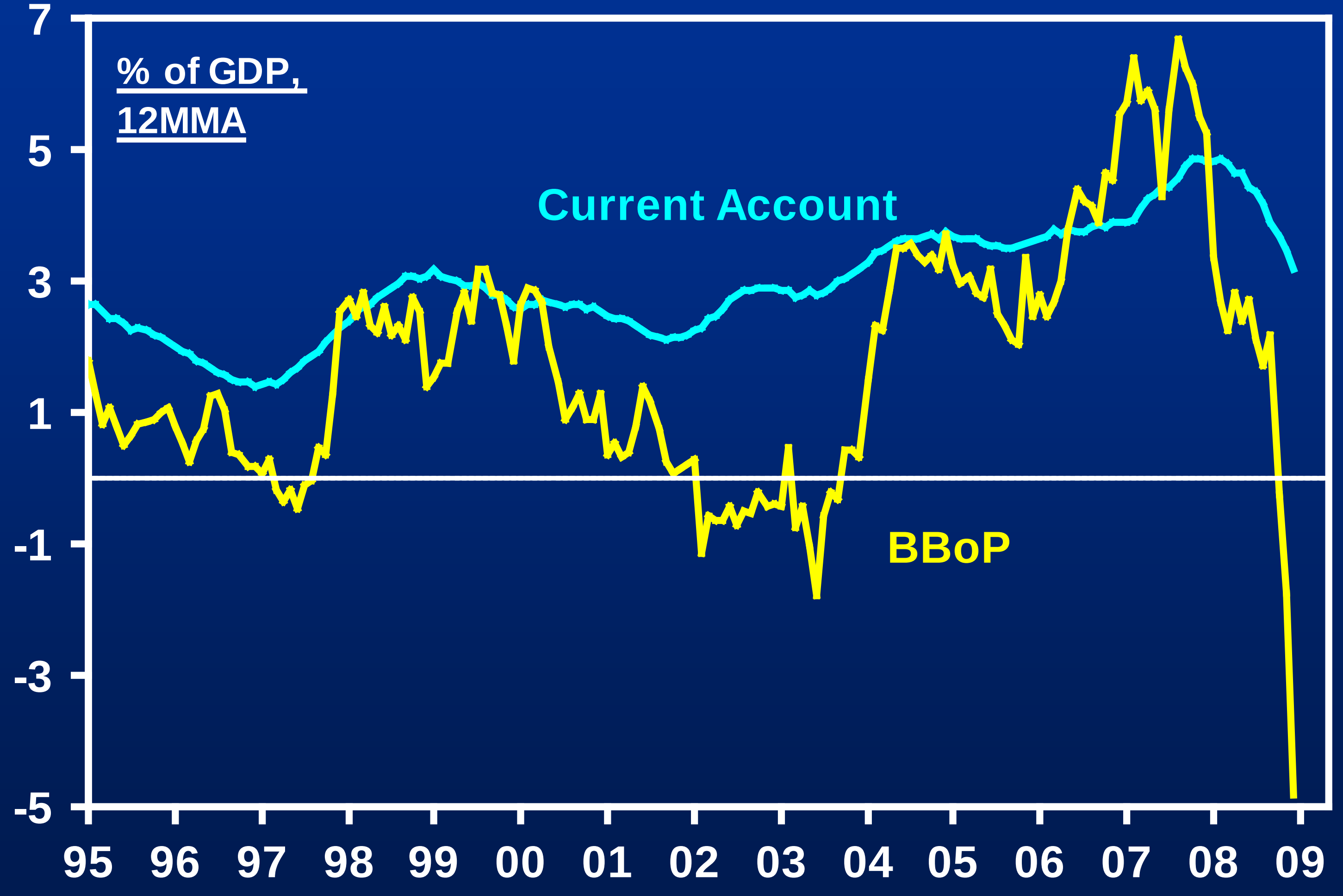
BRICs BBoP vs Current Account



Euroland: BBoP vs Current Account



Japan: BBoP vs Current Account



Updated Estimates for the Equity Risk Premium*

	Real GDP Growth	Real Earnings Growth	+	Dividend Yield	=	Expected Real Return	-	Real Bond Yield	=	Implied ERP	Expected Inflation	Expected Nominal Return
US	3.0	3.0		2.7		5.7		1.6		4.0	2.0	7.7
Japan	1.5	1.5		2.5		4.0		0.9		3.1	0.5	4.5
UK	2.8	2.8		5.2		8.0		0.7		7.2	2.0	10.0
Europe ex UK	2.3	2.3		5.2		7.5		0.7		6.8	2.0	9.5
World	2.5	2.5		3.8		6.3		1.2		5.1	1.8	8.1
Optimistic World	4.0	4.0		3.8		7.8		1.2		6.6	1.8	9.6

*Calculated as of 13 April 2009.

P/E Ratios

MSCI 12-Month Forward PEs	
Japan	25.5x
United States	12.6x
India	11.6x
China	11.0x
Europe	9.4x
Brazil	9.1x
Russia	5.0x

Source for all tables / charts is Goldman Sachs Economic Research unless otherwise stated