28 May 2010

South Africa Macro Monitor

World Cup 2010 special

The World Cup should give us something to cheer about

In a period where investor sentiment is almost as negative as in the days and weeks after the collapse of Lehman Brothers and the news flow is dominated by stories of European sovereign default risk, we are all looking for a much-needed uplift. We therefore hope that the upcoming football World Cup finals in South Africa will give us something to cheer about – not only on the football field, but also in the financial markets.

In this note we take a closer look at the economic and financial outlook for the World Cup host nation South Africa and we also provide an overview of the economies of other participating nations. Finally – and perhaps most importantly – we forecast the likely winner of World Cup 2010.

Why do we, as economists, care about World Cup 2010? To be frank, because we love football and obviously because the World Cup is a major media, cultural and economic event. Spicing up our research with some football stats makes it easier for us to attract the attention of our readers. In this note you will also find macroeconomic and FX forecasts for the 32 nations participating in the World Cup finals.

Our conclusions:

- Even though we expect the World Cup to have a relatively small impact on the South African economy in the near term, we are optimistic that the current recovery in the South African economy will continue. We expect South African GDP to grow by 2½% in 2010 and 3½% in 2011.
- The outlook for the South African rand is less bullish than the outlook for the South African economy and while we could see some "World Cup rand buying" this effect is likely to be rather short-lived, as the rand is somewhat overvalued and most short-term indicators point toward a weaker rand.
- We have estimated an OLS regression model for the World Cup performance of individual participants and used the model's results to simulate the outcome of the World Cup games.
- The model simulations indicate that the economically and financially ailing PIIGS countries will not find much to cheer about on the football field either. In fact the PIIGS – or rather Portugal, Spain and Italy – will probably beat each other and finally Germany will knock out Italy – a prophecy that some might find symbolic. Greece will not fare any better and is set to go before the knockout stage.
- The final will be played on 11 July in Johannesburg between Germany and Brazil – if our model is correct. And as in "real life" the Emerging Market nation will beat the developed nation. Said another way, we expect Brazil to once again become World Champions. So, we are happy to be long Brazil as we head into the World Cup.

Enjoy reading and please cheer up a bit.

Macro forecast

Year	Gdp[1]	Inflation[1]
2009	-1.8	7.3
2010	2.5	4.9
2011	3.5	4.9
2012	3.6	4.7

1) Average % y/y

Source: Reuters Ecowin and Danske Markets

FX forecast

EUR/ZAR	Danske	Forward
25-May	9.66	
+3M	9.84	9.79
+6M	9.55	9.95
+12M	10.86	10.24

USD/ZAR	Danske	Forward
25-May	7.82	
+3M	8.20	7.91
+6M	8.30	8.03
+12M	8.55	8.24

Source: Reuters Ecowin and Danske Markets

World Cup 2010 forecast

1 Brazil
2 Germany
3 Italy
4 England

Source: Danske Markets, IMF, FIFA

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South Africa Macro Monitor

Recovery under way, but no strong boost from World Cup

The recovery of the South African economy is well under way and continued in Q1 10, when GDP growth moved back into positive territory. Data showed that the economy grew 1.6% y/y in the first quarter of 2010. Looking ahead we expect the South African economy to grow at an average rate of 2.5% y/y in 2010E and 3.5% y/y in 2011E.

The recovery is partly driven by rising private consumption. Although we expect private consumption to continue to grow, the effect on consumption of South Africa hosting the World Cup is expected to be limited. At the last World Cup finals in Germany, we saw only a marginal effect on German retail sales and we expect to see more or less the same effect on South African retail sales in June and July. We therefore forecast private consumption to expand by 2.5% y/y this year and 3.5% y/y next year.

Investment is bottoming out and we expect it to start growing in the coming quarters. Any World Cup effect on investment should have shown up in data already, as work on World Cup venues and infrastructure projects have been completed. Looking ahead we expect investment to decline by 1.7% y/y in 2010E and grow by 3.5% y/y in 2011E.

Exports are recovering as the economic outlook for South Africa's trade partners improves. The growth outlook is particularly robust for China, one of South Africa's main export markets. We expect the World Cup finals to have a temporary effect on exports, as tourism should pick up sharply in June and July. The World Cup could also have a longer-term positive impact on South African exports, as people discover the beauty of the country, but it is not possible to predict the magnitude of this effect. Nonetheless, exports are set to decline by 1.0% y/y in 2010 and another 0.4% y/y in 2011. Imports have also recovered recently as domestic demand has picked up. Given the positive outlook for domestic demand, we expect South African imports to continue to improve, with projected import growth of 0.4% y/y in 2010E and 1.0% y/y in 2011E.

The table below shows our updated macro forecast for the South African economy, taking into account the latest data releases, including Q1 GDP growth.

Year	Gdp[1]	Private. cons[1]	Fixed Inv[1]	Export[1]	Import[1]	Inflation[1]
2009	-1.8	-3.1	2.4	-19.4	-17.2	7.3
2010	2.5	2.5	-1.7	-1.0	0.4	4.9
2011	3.5	3.5	3.5	-0.4	1.0	4.9
2012	3.6	3.6	4.2	2.0	2.5	4.7

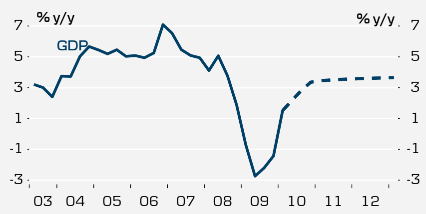
1) Average %y/y

Source: Reuters Ecowin and Danske Markets

SARB to stay on hold

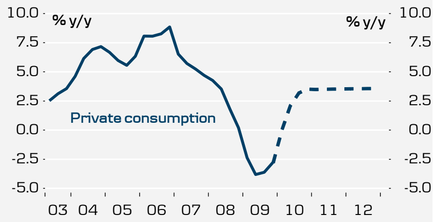
In line with expectations, the South African Reserve Bank (SARB), left interest rates on hold at its policy meeting in mid-May. One of the main reasons for leaving rates unchanged was the uncertainty related to Europe. The outlook for South African inflation looks rather neutral. Inflation has declined significantly since it peaked at double-digit levels in 2008. Going forward we expect inflation to remain around the current level and we therefore forecast South African inflation at 4.9% y/y in both 2010E and 2011E. Hence, we currently see no room for further monetary easing and we expect South African policy rates to remain unchanged for a prolonged period of time.

Economic growth is recovering…



Source: Reuters Ecowin and Danske Markets

…led by private consumption



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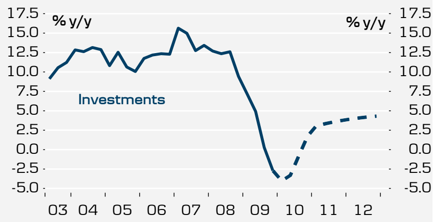
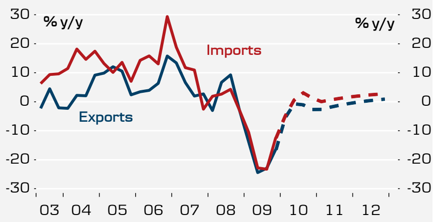
Investment is bottoming out



Source: Reuters Ecowin and Danske Markets

Exports and imports are recovering

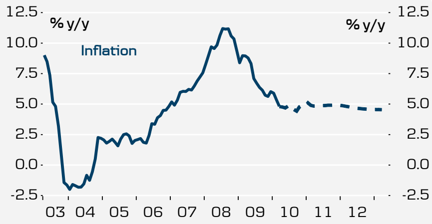


Source: Reuters Ecowin and Danske Markets

World Cup unlikely to help the rand

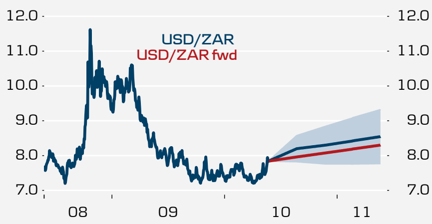
We have updated our forecast on the South African rand. The rand is currently trading at levels that we consider somewhat overvalued relative to our 'fair value' assessment, so the short- and long-term outlook for the rand is bearish. We now forecast USD/ZAR at 8.20, 8.30 and 8.55 in three-, six- and 12-months, respectively. We do not expect the World Cup to have any long-lasting positive impact on the rand, although we could see some short-term World Cup rand buying.

Inflation should remain stable



Source: Reuters Ecowin and Danske Markets

USD/ZAR looks set to weaken



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Source: Reuters Ecowin and Danske Markets

World Cup 2010 special

The 19th Football World Cup finals will kick off on 11 June, when hosts South Africa play Mexico in Johannesburg. Below we take a closer look at the World Cup economics. We present an economic overview of all the participating nations, including GDP and FX forecasts, and we show how economic fundamentals can help predict the likely World Cup winner.

How to predict the winner in South Africa

What determines the winner of a football match? What we have found is that the relative strength between two national football teams can be determined by the difference in economic and football fundamentals between the two nations, as reflected in the following six factors:

- Income level.
- Population size.
- Football history and tradition.
- Current form of national team.
- Presence of "superstars".
- Home field advantage.

The first two factors describe economic fundamentals and are not directly related to the world of football. However, the richer a country is, the more it can afford to invest in its national football team. Furthermore, a country with a relatively large population potentially has a larger number of skilled football players. The next three factors are directly related to football fundamentals. If a nation has a long history and tradition of playing football at a high level, then this will encourage people to try the sport, as they will look up to the national team and its results. Obviously, the national team's current form also plays an important role in determining the outcome of any football game. If a team is playing well and winning games, then there is a good chance that it will continue doing so. Finally, some players have the ability to decide a football match on their own – just think back on the great achievements of Pelè, Maradona and Zidane. If a team has a superstar with this level of talent in the squad, its winning potential will undoubtedly increase. Finally, geography plays a role, as the host team, of course, will have the advantage of being supported by its home crowd.

We have estimated the effect of these parameters on the relative strength between two national football teams. The estimation is based on data from all the matches played at the previous four World Cup tournaments. We have used the following variables:

- The dependent variable, the relative strength between any two national teams, is net goal difference (ΔGoals). For example, Brazil beat Italy 4-1 in the final of the 1970 World Cup in Mexico – hence the net goal difference of that match was three in favour of Brazil.
- The difference in income levels is measured as the difference in GDP per capita in terms of PPP relative to GDP per capita in the US (ΔGDP/capita of US).
- The difference in population is the difference in the countries' population in hundred millions (ΔPop (100 million)) and as this effect diminishes with the population size the difference in population squared (ΔPop^2 (100 million)) is also reflected.
- The difference in football history and tradition is captured by two variables. The difference in history is measured as the difference in the number of World Cup par-

GDP per capita 2010 estimates

Top 5	United States	47,702
	Switzerland	43,903
	Netherlands	40,601
	Australia	39,841
	Denmark	36,336
Bottom 5	Nigeria	2,358
	Cameroon	2,163
	North Korea	1,900
	Ivory Coast	1,685
	Ghana	1,591

Source: IMF

2010 population estimates

Top 5	United States	310.3
	Brazil	193.3
	Nigeria	156.1
	Japan	127.5
	Mexico	108.6
Bottom 5	Denmark	5.5
	Slovakia	5.4
	New Zealand	4.4
	Uruguay	3.4
	Slovenia	2.0

Source: IMF

World Cup participation

Top 5	Brazil	18
	Germany	16
	Italy	16
	Argentina	14
	Mexico	13
Bottom 5	Ghana	1
	Ivory Coast	1
	New Zealand	1
	Honduras	1
	North Korea	1

Source: FIFA

ticipations (ΔWC participations), while a dummy variable (ΔAsia/Oceanic/North America) captures the fact that Asian, Oceanic and North American countries do not have a long football tradition.

- The difference in the current form of two national teams is reflected by the difference in their current FIFA ranking (ΔFIFA ranking). Number 1 ranked Brazil plays number 106 North Korea at the group stage. The difference in FIFA rankings in this match will then be -105 in favour of Brazil.
- A dummy variable (ΔBallon d'Ore nominee) corrects for any team that had a Ballon d'Ore (European Footballer of the Year) nominee the year before the World Cup.
- Finally, we have included a dummy variable (ΔHost) to correct for the home field advantage.

The model is estimated using OLS and yields the following result:

$$\Delta Goals = 0.18*\Delta GDP/capita\ of\ US + 0.19*\Delta Pop\ (100mill.) - 0.02*\Delta Pop^2\ (100mill.)$$
$$+ 0.05*\Delta WC\ participations + 0.17*\Delta Ballon\ d'Ore\ nominee$$
$$- 0.01*\Delta FIFA\ ranking + 1.12*\Delta Host - 0.85*\Delta Asia/Oceanic/North\ America$$

The estimation R^2 is 0.30, so economic and football fundamentals can actually be used to explain a lot of the factors determining a football match. As the estimated parameters show, key determinants indeed appear to be home field advantage and football tradition. It is notable that the host team achieves a one-goal advantage in every game, while the Asian, Oceanic and North American teams have almost a one-goal disadvantage against teams from other continents. However, at the World Cup these factors will only come into play when South Africa or any of the Asian, Oceanic or North American teams play.

In other matches economic fundamentals will play a significant role, giving high-income countries with a large population an advantage. However, at the end of the day football fundamentals could prove the deciding factor. A combination of a long history in football and a high-ranked national team would definitely produce goals. Finally, note that super-stars contribute almost one-fifth of a goal per match.

South Africa will advance to knockout stage

Based on the estimated model above, we have simulated the World Cup results. The results of the group stage are presented in the tables below. The match results are rounded to the nearest integer. However, where two or more teams end up with the same number of points and the same goal difference we have used the absolute goal difference as a tiebreaker.

The results indicate that the home field advantage should help host team South Africa advance from Group A together with France, although South Africa will have to battle with Emerging Market economies Uruguay and Mexico for the second place after France. However, in all previous World Cup tournaments the host team has always advanced to the knockout stage, and South Africa should continue this tradition.

Temporary relief for Spain and Portugal on the football field, but not for Greece

The Greek woes, on the other hand, look set to continue at the World Cup, with Greece set to finish third in Group B behind Emerging Market countries Argentina and Nigeria. In Groups C and D, England and Germany, respectively, should enjoy some preliminary success, as they are both likely to advance with maximum points, while economic

FIFA rankings (April 2010)

Top 5	Brazil	1
	Spain	2
	Portugal	3
	Netherlands	4
	Italy	5
Bottom 5	Japan	45
	South Korea	47
	New Zealand	78
	South Africa	90
	North Korea	106

Source: FIFA

2009 Ballon d'Ore nominees

1	L. Messi	Argentina
2	C. Ronaldo	Portugal
3	Xavi	Spain

Source: FIFA

Home field should secure a draw

	France	South Africa
GDP/capita	34250	10466
Population	62.9	49.9
World Cups	12	2
FIFA ranking	10	90
Home field	No	Yes

Source: Danske Markets, IMF, FIFA

heavyweights the US and Australia should be knocked out by central and eastern European upstarts Slovenia and Serbia.

Set for a close match

	Greece	Nigeria
GDP/capita	29420	2358
Population	11.2	156.1
World Cups	1	3
FIFA ranking	12	20

Source: Danske Markets, IMF, FIFA

Group stage

Group A	Points	Goal diff	Group B	Points	Goal diff	Group C	Points	Goal diff	Group D	Points	Goal diff
France	5	+1	Argentina	9	+4	England	9	+3	Germany	9	+3
South Africa	5	+1	Nigeria	4	0	Slovenia	2	-1	Serbia	4	0
Uruguay	5	+1	Greece	4	0	United States	2	-1	Australia	2	-1
Mexico	0	-3	South Korea	0	-4	Algeria	2	-1	Ghana	1	-2
South Africa-Mexico		+1	South Korea-Greece		-1	England-United States		+1	Serbia-Ghana		+1
Uruguay-France		0	Argentina-Nigeria		+1	Algeria-Slovenia		0	Germany-Australia		+1
South Africa-Uruguay		0	Argentina-South Korea		+2	Slovenia-United States		0	Germany-Serbia		+1
France-Mexico		+1	Greece-Nigeria		0	England-Algeria		+1	Ghana-Australia		0
Mexico-Uruguay		-1	Nigeria-South Korea		+1	Slovenia-England		-1	Ghana-Germany		-1
France-South Africa		0	Greece-Argentina		-1	United States-Algeria		0	Australia-Serbia		0

Source: Danske Markets, IMF, FIFA

England to triumph in Group C

	England	United States
GDP/capita	35083	47702
Population	62.2	310.3
World Cups	12	8
FIFA ranking	8	14
Tradition	Yes	No

Source: Danske Markets, IMF, FIFA

Denmark will probably leave South Africa after the group stage together with Japan, with the Netherlands and Cameroon advancing from Group E. Economic trouble does not seem to be a factor hurting Italy's chances in Group F, where football novice New Zealand is set to finish last with zero points. North Korea will not stand much of a chance either in Group G, as Brazil is looking to dominate this group, where Portugal also looks likely to enjoy early success in the tournament. Finally, Spain should gain the upper hand against safe haven Switzerland in Group H, but both teams are projected to advance at the cost of Chile and Honduras.

Outsider Ghana falls short

	Ghana	Germnay
GDP/capita	1591	34905
Population	23.7	81.9
World Cups	1	16
FIFA ranking	32	6

Source: Danske Markets, IMF, FIFA

Group stage

Group E	Points	Goal diff	Group F	Points	Goal diff	Group G	Points	Goal diff	Group H	Points	Goal diff
Netherlands	7	+2	Italy	9	+4	Brazil	9	+5	Spain	9	+4
Cameroon	5	+1	Slovakia	4	0	Portugal	6	+2	Switzerland	4	+1
Denmark	4	0	Paraguay	4	0	Ivory Coast	3	0	Chile	4	+1
Japan	0	-3	New Zealand	0	-4	North Korea	0	-7	Honduras	0	-6
Netherlands-Denmark		+1	Italy-Paraguay		+1	Ivory Coast-Portugal		-1	Honduras-Chile		-2
Japan-Cameroon		-1	New Zealand-Slovakia		-1	Brazil-North Korea		+3	Spain-Switzerland		+1
Netherlands-Japan		+1	Slovakia-Paraguay		0	Brazil-Ivory Coast		+1	Chile-Switzerland		0
Cameroon-Denmark		0	Italy-New Zealand		+2	Portugal-North Korea		+2	Spain-Honduras		+2
Denmark-Japan		+1	Slovakia-Italy		-1	North Korea-Ivory Coast		-2	Chile-Spain		-1
Cameroon-Netherlands		0	Paraguay-New Zealand		+1	Portugal-Brazil		-1	Switzerland-Honduras		+2

Source: Danske Markets, IMF, FIFA

PIIGS will beat each other and eventually lose to Germany

As we move on from the group to the knockout stage, a drama is likely to unfold between three of the hard-hit PIIGS economies. While Ireland does not even get to participate in the World Cup, thanks to Thierry Henry, and the Greek national team will return to Athens after the group stage, thanks to Nigeria, neighbours Spain and Portugal are set to face each other in the first round of the knockout stage – a match that Spain is predicted to win according to our model. However, in the quarter finals Spain is set to face Italy and that should mean the end of Spain. Italy also happens to be the PIIGS country with the soundest economic fundamentals – according to both market pricing and our eurozone analysts. However, the destiny of the last remaining PIIGS will eventually be in the hands of Germany, and Chancellor Angela Merkel will be glad to see Germany kicking Italy out of the tournament in the semi-final and advancing to the final.

Why Denmark won't beat Cameroon

	Cameroon	Denmark
GDP/capita	2163	36336
Population	20.4	5.5
World Cups	5	3
FIFA ranking	19	35

Source: Danske Markets, IMF, FIFA

England will go to the semi-finals

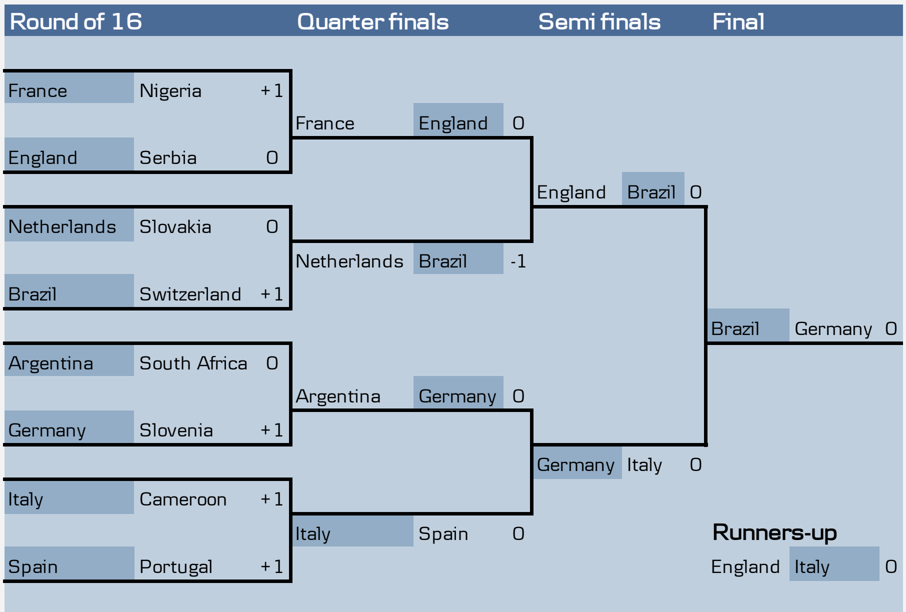
English football supporters will be happy to learn that their beloved football team will not let them down in South Africa. For the first time in twenty years, England is set to play in the World Cup semi-finals. However, England will once again lose to a South American team, says our model. This time around Brazil will beat the English and history will finally repeat itself, as England should lose to Italy in the runners-up match and finish fourth overall in the tournament just as it did in 1990.

We are looking for lots of goals here...

	Italy	New Zealand
GDP/capita	29347	27365
Population	60.2	4.4
World Cups	16	1
FIFA ranking	5	78
Tradition	Yes	No

Source: Danske Markets, IMF, FIFA

Knockout stage



Source: Danske Markets, IMF, FIFA

...and here

	Brazil	North Korea
GDP/capita	11066	1900
Population	193.3	24.1
World Cups	18	1
FIFA ranking	1	106
Tradition	Yes	No

Source: Danske Markets, IMF, FIFA

This one should decide Group H

	Chile	Switzerland
GDP/capita	14940	43903
Population	17.2	7.3
World Cups	7	8
FIFA ranking	15	26

Source: Danske Markets, IMF, FIFA

Emerging Market Brazil to lift the trophy for the sixth time

Although our model predicts that Brazil will play Germany in the final, it is notable that the quarter-finals and semi-finals will be a close race, as no team is looking to outscore its opponents significantly in any of the matches. However, in football as in "real life" the Emerging Market nation will eventually defeat the developed market nation and we expect Brazil to win the final against Germany on 11 July in Johannesburg. So, Brazil should be able to lift the World Cup trophy for a record sixth time.

World Cup economics

Group A

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth 2009	GDP Growth 2010e	Inflation 2009	Inflation 2010e	Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
South Africa	10466	49.9	-1.8	2.4	7.3	4.9	Free float (ZAR)	BBB+ (neg)	2	90
Uruguay	13961	3.4	2.9	5.7	7.1	6.2	Free float (UYU)	BB (stb)	10	18
Mexico	14151	108.6	-6.5	4.2	5.3	4.6	Free float (MXN)	BBB (stb)	13	17
France	34250	62.9	-2.2	0.4	0.1	1.2	Currency Union (EUR)	AAA (stb)	12	10

Source: Danske Markets, IMF, FIFA

FX forecast

25/05/2010	Spot	3M	6M	12M
USD/ZAR	7.82	8.20	8.30	8.55
USD/UYU	19.15	18.90	18.90	18.80
USD/MXN	12.99	12.80	12.85	13.00
EUR/USD	1.24	1.20	1.15	1.27

Group B

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth 2009	GDP Growth 2010e	Inflation 2009	Inflation 2010e	Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
Argentina	15030	40.5	0.9	3.5	6.3	10.1	Managed float (ARS)	B- (stb)	14	7
Nigeria	2358	156.1	5.6	7.0	12.4	11.5	Free float (NGN)	B+ (stb)	3	20
South Korea	29351	48.9	0.2	4.5	2.8	2.9	Free float (KRW)	A (stb)	7	47
Greece	29420	11.2	-2.0	-2.0	1.4	1.9	Currency Union (EUR)	BB+ (neg)	1	12

Source: Danske Markets, IMF, FIFA

FX forecast

25/05/2010	Spot	3M	6M	12M
USD/ARS	3.89	4.00	4.50	4.60
USD/NGN	151.8	153.0	155.0	158.0
USD/KRW	1250	1125	1050	1000
EUR/USD	1.24	1.20	1.15	1.27

Group C

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth 2009	GDP Growth 2010e	Inflation 2009	Inflation 2010e	Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
England	35083	62.2	-4.9	1.3	2.2	2.5	Free float (GBP)	AAA (neg)	12	8
United States	47702	310.3	-2.4	3.3	-0.3	1.9	Free float (USD)	AAA (stb)	8	14
Algeria	7124	35.5	2.0	4.6	5.7	5.5	Managed float (DZD)	N/A	2	31
Slovenia	28118	2.0	-7.3	1.1	0.8	1.5	Currency Union (EUR)	AA (stb)	1	23

Source: Danske Markets, IMF, FIFA

FX forecast

25/05/2010	Spot	3M	6M	12M
GBP/USD	1.44	1.429	1.39	1.549
EUR/USD	1.24	1.20	1.15	1.27
USD/DZD	73.0	73.0	73.7	74.3
EUR/USD	1.24	1.20	1.15	1.27

Group D

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth 2009	GDP Growth 2010e	Inflation 2009	Inflation 2010e	Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
Germany	34905	81.9	-5.0	2.8	0.2	1.0	Currency Union (EUR)	AAA (stb)	16	6
Australia	39841	22.1	1.3	3.0	1.8	2.4	Free float (AUD)	AAA (stb)	2	20
Serbia	10898	7.4	-2.9	2.0	8.1	4.8	Free float (RSD)	BB- (stb)	10	16
Ghana	1591	23.7	3.5	4.5	19.3	10.6	Free float (GHS)	B+ (neg)	1	32

Source: Danske Markets, IMF, FIFA

FX forecast

25/05/2010	Spot	3M	6M	12M
EUR/USD	1.24	1.20	1.15	1.27
AUD/USD	0.83	0.92	0.94	0.90
EUR/RSD	103.2	106.0	110.0	117.0
USD/GHS	1.43	1.44	1.46	1.49

Group E

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth 2009	GDP Growth 2010e	Inflation 2009	Inflation 2010e	Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
Netherlands	40601	16.5	-4.0	1.3	1.0	1.1	Currency Union (EUR)	AAA (stb)	8	4
Denmark	36336	5.5	-4.9	1.8	1.3	2.0	Fixed vs EUR (DKK)	AAA (stb)	3	35
Japan	33478	127.5	-5.2	2.7	-1.3	-0.7	Free float (JPY)	AA (neg)	3	45
Cameroon	2163	20.4	2.0	2.6	3.0	3.0	Currency Union (XAF)	B (stb)	5	19

Source: Danske Markets, IMF, FIFA

FX forecast

25/05/2010	Spot	3M	6M	12M
EUR/USD	1.24	1.20	1.15	1.27
EUR/DKK	7.44	7.44	7.45	7.46
USD/JPY	90.30	95.00	99.13	102.40
USD/XAF	530.6	515.0	493.0	545.0

Group F

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth 2009	GDP Growth 2010e	Inflation 2009	Inflation 2010e	Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
Italy	29347	60.2	-4.8	1.5	0.7	1.9	Currency Union (EUR)	A+ (stb)	16	5
Paraguay	4711	6.4	-4.5	5.3	2.6	3.9	Managed float (PYG)	B (stb)	7	30
New Zealand	27365	4.4	-1.6	2.9	2.1	2.1	Free float (NZD)	AA+ (stb)	1	78
Slovakia	22246	5.4	-4.7	4.1	0.9	0.8	Currency Union (EUR)	A+ (stb)	8	38

Source: Danske Markets, IMF, FIFA

FX forecast

25/05/2010	Spot	3M	6M	12M
EUR/USD	1.24	1.20	1.15	1.27
USD/PYG	4700	4660	4660	4630
NZD/USD	0.67	0.73	0.76	0.72
EUR/USD	1.24	1.20	1.15	1.27

Group G

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth 2009	GDP Growth 2010e	Inflation 2009	Inflation 2010e	Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
Brazil	11066	193.3	-0.2	5.5	4.9	5.1	Free float (BRL)	BBB- (stb)	18	1
North Korea	1900	24.1	N/A	N/A	N/A	N/A	Free float (KPW)	N/A	1	106
Ivory Coast	1685	22.0	3.8	3.0	1.0	1.4	Currency Union (XOF)	N/A	1	27
Portugal	22027	10.7	-2.7	0.3	-0.9	0.8	Currency Union (EUR)	A- (neg)	4	3

Source: Danske Markets, IMF, FIFA

FX forecast

25/05/2010	Spot	3M	6M	12M
USD/BRL	1.84	1.85	1.85	1.80
USD/KPW	1.30	N/A	N/A	N/A
USD/XOF	530.6	515.0	493.0	545.0
EUR/USD	1.24	1.20	1.15	1.27

Group H

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth 2009	GDP Growth 2010e	Inflation 2009	Inflation 2010e	Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
Spain	29649	46.0	-3.7	-0.9	-0.3	0.9	Currency Union (EUR)	AA (neg)	12	2
Switzerland	43903	7.3	-1.4	1.6	-0.5	0.5	Free float (CHF)	AAA (stb)	8	26
Honduras	4175	8.0	-1.9	2.0	5.5	5.1	Fixed vs USD (HNL)	B (stb)	1	40
Chile	14940	17.2	-1.5	4.7	1.7	2.0	Free float (CLP)	A+ (stb)	7	15

Source: Danske Markets, IMF, FIFA

FX forecast

25/05/2010	Spot	3M	6M	12M
EUR/USD	1.24	1.20	1.15	1.27
EUR/CHF	1.43	1.38	1.37	1.41
USD/HNL	18.90	18.90	18.90	18.90
USD/CLP	546.7	530.0	530.0	527.0

Disclosure

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