August 5, 2011

EM Data Releases and Policy Announcements

Francisco J. Larios
Chief Economist, Emerging Markets
Miami
+1 305 553 2211
flarios@decisioneconomicsinc.com

8	9	10	11	12
Argentina				Consumer Prices (Y/Y) May 9.7% **Jul (f) 9.5%** Jun 9.7% **Jul (c) N/A**
Mexico	Consumer Prices (Y/Y) May 3.3% **Jul (f) 3.4%** Jun 3.3% **Jul (c) 3.6%**		Industrial Production (Y/Y) Apr 1.8% **Jun (f) 3.9%** May 4.6% **Jun (c) 4.2%**	
Korea		Central Bank Meeting & Rate Decision **(unch)**		
Hong Kong				Real GDP (Y/Y) 10Q4 6.4% **11Q2 (f) 6.7%** 11Q1 7.2% **11Q2 (c) 5.0%**
China Consumer Prices (Y/Y) May 5.5% **Jul (f) 6.2%** Jun 6.4% **Jul (c) 6.4%** Industrial Production (Y/Y) May 13.3% **Jul (f) 15.9%** Jun 15.1% **Jul (c) 14.7%**	Trade Balance ($ Bils.) May 13.1 **Jul (f) 24.5** Jun 22.3 **Jul (c) 26.9**			
India				Industrial Production (Y/Y) Apr 5.8% **Jun (f) 6.4%** May 5.6% **Jun (c) 5.8%**
Indonesia	Central Bank Meeting & Rate Decision **(unch)**			
Russia				Real GDP (Y/Y) 10Q4 4.5% **11Q2 (f) 3.9%** 11Q1 4.1% **11Q2 (c) 4.0%**
Turkey Industrial Production (Y/Y) Apr 8.8% **Jun (f) 7.5%** May 8.0% **Jun (c) 9.0%**				
Poland				Consumer Prices (Y/Y) May 5.0% **Jul (f) 4.3%** Jun 4.2% **Jul (c) 4.3%**
Czech Republic Industrial Production (Y/Y) Apr 4.7% **Jun (f) 10.8%** May 15.2% **Jun (c) 8.0%**	Consumer Prices (Y/Y) May 2.0% **Jul (f) 1.9%** Jun 1.8% **Jul (c) 1.8%**			

Emerging Markets Data, Policy and Market Outlook

Growth has slowed from the post-crisis peak rates, but remains solid and seemingly sustainable across most of the EM world. Inflation is still a policy-shaping threat, but actual inflation rates are generally moderate against historical patterns and earlier expectations in all but a few countries, such as India. Cases of well above-trend and above current global average inflation tend to be unsurprising given their policy history (Venezuela and Argentina, for example).

Nonetheless, price pressures from high levels of capacity utilization and from the impact of commodity prices are evident, along with the still unfolding consequences of quantitative easing policies applied in the developed world. The latter contribute to the (admittedly) diminishing risk of overheating, as they contribute to an environment of low borrowing costs in economies approaching or at full employment. There is also a continuing risk of asset price bubbles, because many of the economies receiving the additional funds have an insufficient ability to absorb those into productive uses. Still, barring a severe disruption of the global economy and financial markets as a consequence, for example, of the Greek debt troubles, EMs appear close to a soft-landing outcome: growth has slowed but is proceeding at a moderately strong pace, inflationary pressures cannot be overlooked but have eased, and the process of monetary tightening seems not too far from the cyclical finish line, especially in some of the key economies like China and Brazil.

To be sure, there are a few important exceptions to this policy trend. In India, for example, the RBI is engaged in what still looks like an open-ended, yet gradual, process of tightening. From the global perspective the near-term impact, however, is relatively minor, given the still rapid pace of growth of Indian GDP and the insular nature of its economy.