

European Weekly Analyst

Issue No: 10/40

November 18, 2010

Goldman Sachs Global Economics,
Commodities and Strategy Research
at <https://360.gs.com>

Handbook on Ireland

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This week has been dominated by the Ecofin and Eurogroup meetings, and the associated back-and-forth negotiations between Ireland and other EU member states, over whether (and how) financial assistance should be provided to the country's banking system. At the time of writing, a joint European Commission, IMF and ECB mission was in Dublin; the mission was expected to come up with concrete proposals shortly, and to indicate whether the EFSM/EFSF mechanisms would be activated.

This week's EWA is designed as a concise 'Handbook on Ireland'. In our first focus article, we set out a framework for quantifying the potential losses faced by the Irish banking sector. Overall, our central scenario gives us gross credit losses for domestic banks of €35bn over a five-year cycle, which amounts to 8.4% of total loans, and 22% of GDP—significantly more than the 6.5% of GDP we estimated for the UK, but less than NAMA's assessment. Our worst-case scenario would increase the estimate to €58bn, 14% of the aggregate loan book and 36% of GDP.

In our second focus, structured as a set of Q&As, we explain why Ireland needs help now despite being funded until June, and look at its financial exposure, the likely outcomes of tax negotiations, growth risks and likely budget outcomes. Overall, we conclude that the fiscal crisis has been a consequence rather than a cause of the collapse in output.

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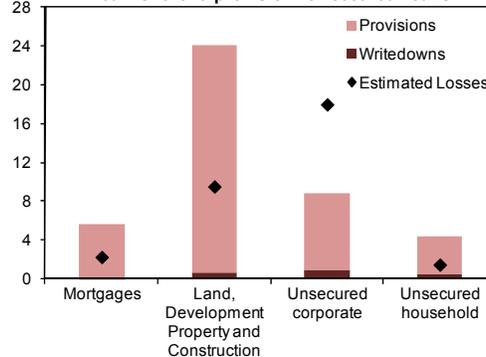


Ireland: Estimated credit losses

Loan category	€bn	% of GDP
Residential mortgages	2.3	1.4
Ireland	1.7	1.1
UK	0.5	0.3
Other	0.0	0.0
Land and development	9.5	6.0
Ireland	8.4	5.3
UK	1.0	0.6
Other	0.1	0.1
Other property and construction	3.4	2.1
Ireland	2.9	1.8
UK	0.4	0.2
Other	0.1	0.1
Corporate unsecured	18.0	11.3
Ireland	12.4	7.8
UK	4.6	2.9
Other	1.0	0.6
Household unsecured	1.5	0.9
Ireland	1.2	0.8
UK	0.2	0.2
Other	0.0	0.0
TOTAL	34.7	21.7

Source: GS estimates.

Ireland: Losses on NAMA transfers have prompted banks to overprovision for secured loans



Source: GS estimates, Company accounts

Week in review

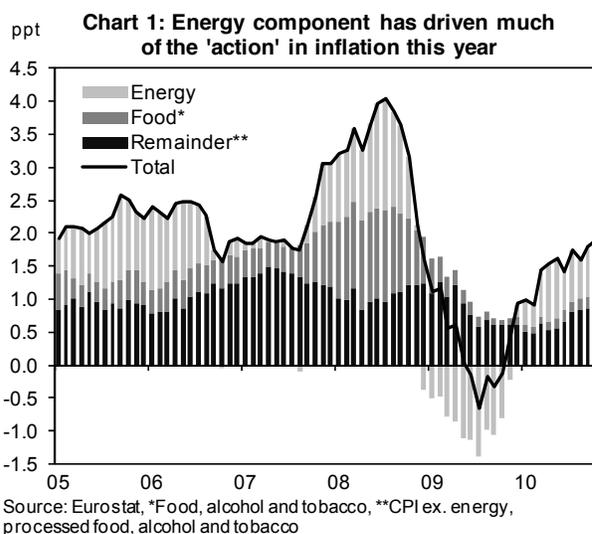
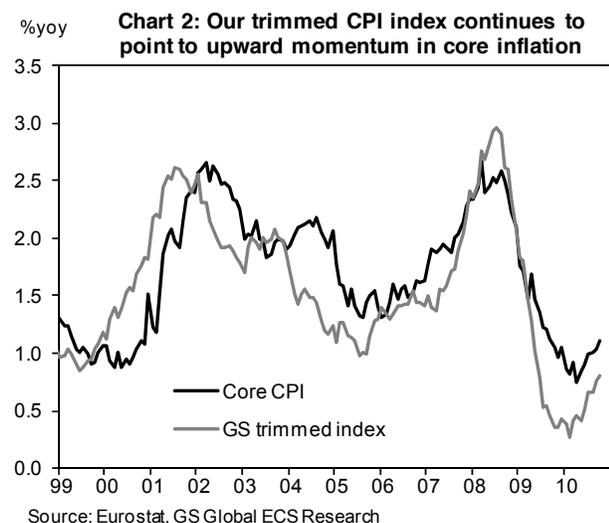
This week has been dominated by the Ecofin and Eurogroup meetings, and the associated back-and-forth negotiations between Ireland and other EU member states, over whether (and how) financial assistance should be provided to the country's banking system. A mission mandated by the Commission, the IMF and the ECB is currently in Dublin. It should come up with concrete proposals soon, and indicate whether the EFSM/EFSF mechanisms will be activated. Data releases on the macroeconomic side have been thin on the ground. Consumer price inflation saw a gradual but continued rise in the Euro-zone in October, with the headline index rising to 1.9%yoy. Of note, core inflation also ticked up to 1.1%yoy. Neither is likely to go unnoticed by the ECB. Looking at the September trade data, the past softening has continued, more for imports than exports, suggesting a positive net trade contribution to GDP in Q3.

Core inflation on the way up

Final figures on Euro-zone CPI in October confirmed that the headline inflation rate has edged up from 1.8%yoy to 1.9%, driven by increases in both the core and energy price components. Although the energy component has been a consistent contributor to the monthly variation in the headline rate this year, October marked the first month in a while that we have seen a noticeable movement in core (Chart 1).

Core inflation (excluding energy and unprocessed food) rose from 1.0%yoy to 1.1% in October. Among the product groups, this increase was concentrated in manufactured goods (30% of the basket, where the inflation rate ticked up from 0.6%yoy to 0.7%) and processed food prices (12% of the basket, including tobacco, where the inflation rate rose from 1.0% to 1.2%). Services price inflation (40% of the basket) edged down slightly from 1.4% to 1.3%. Geographically, the increase was concentrated in Germany and Italy, with the core rate rising from 0.6%yoy to 0.7% in the former, and from 1.5% to 1.7% in the latter.

For some time now, we have argued that core inflation has probably gone as low as it will in this cycle, and is headed up from here on. In this sense, the October increase, although coming perhaps earlier than we had foreseen, is not too big of a surprise. Indeed, our GS trimmed CPI measure, which strips out the sharpest



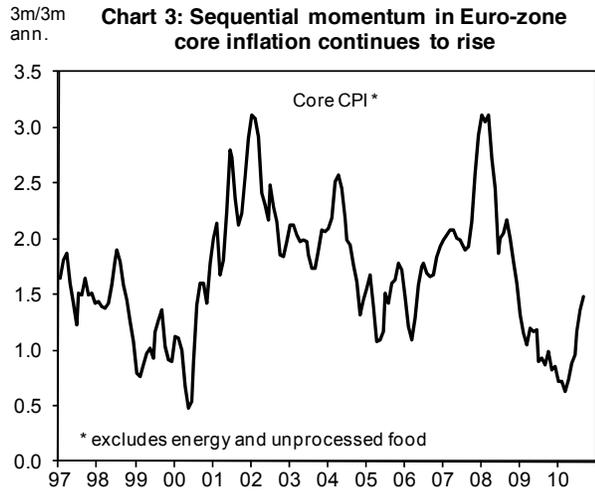
changes in prices across countries and basket items, and which has in the past been a good leading indicator of actual core inflation, has been signalling upward movements for some time now (Chart 2). The same has been true of the sequential 3m/3m momentum of core inflation itself, which has been on an upward trend for the past four months (Chart 3).

Greece revises deficit yet again

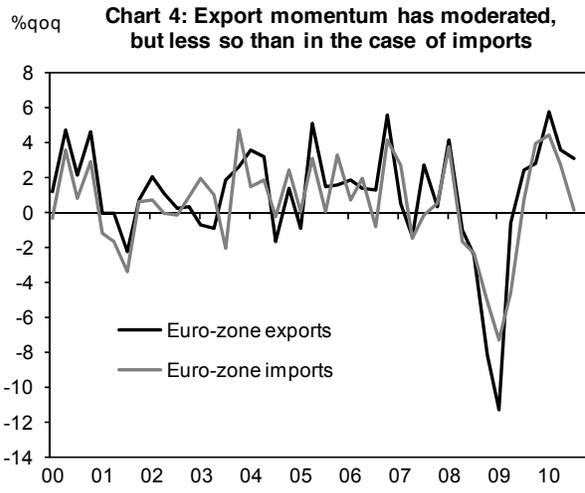
As broadly expected, Eurostat's latest set of revisions to Greece's public finance statistics showed an increase in the 2009 general government budget deficit from 13.6% of GDP to 15.4%, and a rise in the gross outstanding debt from 115.1% of GDP to 126.8%.

While we had previously assumed these historical revisions would have limited impact on the budget targets, it now seems that the methodological accounting changes imposed by Eurostat will translate into a deeper budget hole for 2010 as well. The Greek Finance Ministry announced on Monday that it now expects the 2010 deficit to come in at 9.4% of GDP compared with its previous target of 7.8%, with the difference stemming from the following factors:

- 1.2ppt due to accounting changes in the calculation of the fiscal balances for social security funds, local government and other public entities.



Source: Eurostat, ECB



Source: Eurostat

- **0.3ppt** due to the reclassification of ten public corporations and three other organisations into the general government sector.
- **0.1ppt** due to the downward revision to the 2009 nominal GDP level.

Our guess is that this downgraded deficit outlook had at least some bearing on the Austrian Finance Minister’s decision yesterday to declare that Austria would not agree to the next disbursement of EU bailout funds to Greece (scheduled to amount to €6.5bn), unless more convincing signs of commitment are given, on the grounds that Greece had not fulfilled its fiscal commitments. This was followed by comments that the payment of the entire tranche could be delayed, but EU officials have denied this thus far.

In response, the Greek government is reportedly in the process of designing additional consolidation measures

for next year to compensate for this year’s shortfall, which will come on top of the 3.9% of GDP worth of fiscal tightening it has already planned as part of its IMF program.

Slowing imports support positive net trade

The softening we have seen in Euro-zone trade momentum in recent months continued in September, although this was considerably more pronounced in the case of imports. Indeed, while the growth of real goods exports slowed from 3.6% to 3.1%qoq, real imports decelerated from 2.7%qoq to 0.2% (Chart 4). This suggests, as expected, that we will see a positive net trade contribution to GDP when the full details of the Q3 report are released in a few weeks’ time—the flash estimate last week put the overall growth rate in Q3 at +0.4%qoq, in line with our forecasts.

Nick Kojucharov

Stress-testing Ireland

A month or so ago, the Irish government declared that its estimated exposure to domestic banks had suddenly got even bigger—the recapitalisation bill rose from €33bn (20% of GDP) to €46bn (28% of GDP). This only amplified worries about the solvency of the sovereign and pushed the government to the near-critical position it faces today. But that increase in estimated losses was driven by new estimates from the National Asset Management Agency (NAMA)—the government body that is under-writing the worst of banks' loan books—that, to us, look aggressive. It is very difficult to be precise—the uncertainties here are considerable and all that can be offered is broad guideposts, not precise estimates. But even allowing for the scale of the boom in commercial and development property lending, right at the peak of the market, the 50% haircut NAMA has applied to these toxic loans appears too high.

By any measure the medium-term financing needs of the Irish government are formidable. On its own official forecasts, the sum of the underlying deficit and maturing debt will reach €20.5bn in 2011, over 13% of GDP. It will need to raise a further €4bn over the two subsequent years.

Slower economic growth would increase these numbers, as would a failure to implement the €6bn-worth of fiscal consolidation announced for 2011. But most of the recent concerns in markets have sprung from the sovereign's exposure to the banks. Through September, the government had already pledged €33.5bn in capital support to domestic banks,¹ but when Finance Minister Brian Lenihan declared at the end of the month that a further €12.8bn in capital injections would be needed, doubts about the government's ability to contain the situation resurfaced, along with uncertainty over how large the ultimate cost of supporting the banking system could prove.

In this piece, we lay out a framework for quantifying the potential fallout, and offer our central and worst-case scenarios for credit losses over the cycle. We should say up front that these estimates are little more than guideposts given the large uncertainties involved. But with what information is available, it looks to us as though NAMA—the body responsible for estimating banks' losses and under-writing problem debt—is more likely to have over-estimated than under-estimated the scale of the problem.

Sizing up credit exposures

From the outset, we would clarify that our aim is to assess the potential financial burden on the government from future bank losses, rather than to estimate losses in the banking system as a whole. This is important because, while assets in the Irish banking system amount to €1.7 trillion (a remarkable 1,060% of GDP), 70% are owned by foreign banks with branches in Ireland or banks that are registered in Ireland but conduct the bulk of their business abroad. We therefore want to look only at the major domestic-owned banks, as these are entities to which the government is exposed.

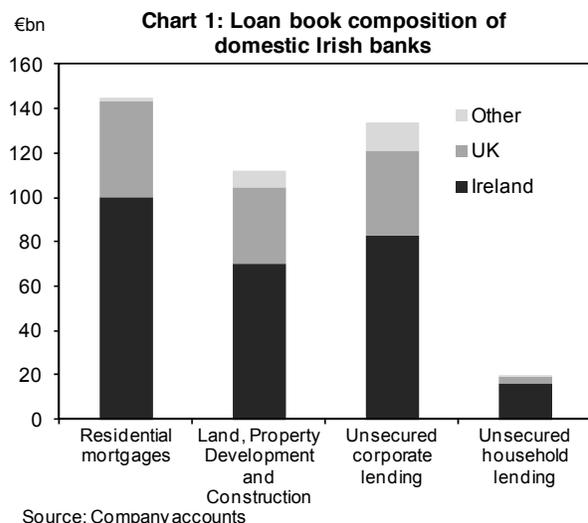
Second, we focus exclusively on the **loan book** of these domestic banks, which accounts for 75% of their total assets of €550bn. Potential losses on securities are obviously also important, but are not the primary risk factor in the Irish case.

Chart 1 shows the composition of the aggregate credit portfolio of the domestic banks, broken down by both loan class and regional exposure. We offer some general observations:

- Over 60% of loans (some €260bn) are secured on either residential or commercial property or land, and are a principal source of anxiety given the decline in property prices in both Ireland and the UK. Of the unsecured loans, the vast majority are to firms.
- Only two-thirds of Irish banks' loans are to Irish residents (whether households or firms). A good part of the ultimate liability of the government will therefore depend on the performance of Irish banks' lending outside the country.

Estimating losses

We begin with **residential mortgages**, which account for roughly 25% of the loan book (€145bn), and specifically the 70% (€100bn) extended to Irish residents. From a



1. This has come primarily in the form of "promissory notes", which will be financed in roughly €3bn instalments over the next 10-15 years, but will be recorded in entirety in this year's deficit, bringing it to an estimated 32% of GDP.

macro perspective, the housing/boom bust cycle in Ireland has been eerily similar to that in the US, especially in terms of the extent of the peak-to-trough declines in house prices (Chart 2). A reasonable prior, therefore, would be that losses in Ireland would be much closer to magnitudes in the US than in the UK, where we have argued the housing outlook is much better (see for example *UK Economics Analyst 10/11*).

While the relative severity of the underlying macro conditions is clear, however, the implications for actual defaults are much less so. For one thing, mortgages in Ireland (and in the UK) are not “non-recourse” like in the US, meaning borrowers are actually liable for losses even after defaulting (for up to twelve years). Since such a contract structure raises the cost of default, it would be reasonable to expect that, over the cycle, default rates would, all else equal, be several notches lower than in Ireland than in the US.

Unfortunately, it is difficult to verify even this basic premise, as we have virtually no guidance on how mortgages have performed in previous economic cycles. Most individual banks have records of mortgage write-downs only since the early 2000s. Official data on defaults are worse: they’ve existed for barely a year and are severely distorted—artificially depressed, to be more precise—by an official moratorium on defaults during that time.²

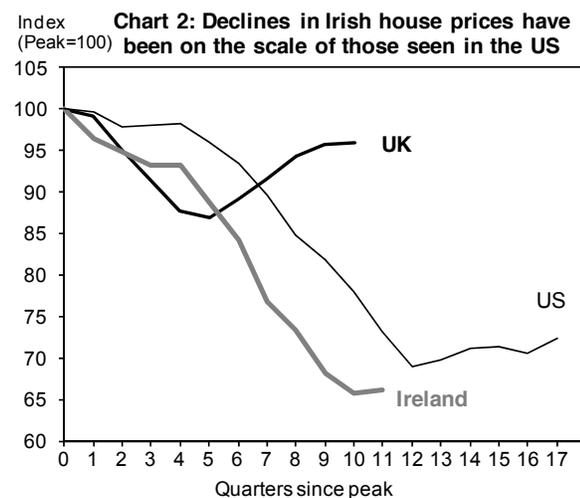
Our estimates therefore rely on (i) macro data on loan growth, LTVs and property prices, used in combination to estimate the extent of negative equity and loss rates given default, and (ii) a simple model of default rates based on a more complete historical series from the UK. This projects underlying defaults—the rate that would apply in the absence of any moratorium—based on the

rate of unemployment and average income gearing (mortgage interest payments as a share of disposable income).

First, negative equity.³ Of the current €100bn stock of mortgages, 70% was originated in the peak year of 2005-2007. More striking than the volume of this lending was the terms under which it was extended—more than two-thirds of the mortgages carried a loan-to-value (LTV) ratio of more than 70%, and of these, roughly one-third had LTVs of 100%. If we assume that the peak-to-trough decline in house prices is 40% (implying an additional 5% fall from current levels), and if we take into account the price declines this would imply for each loan vintage since its year of origination, this would imply that **approximately 25% (€25bn) of the stock is, or soon will be, in negative equity**. This is close to the rate in the US, where there has also been a similar decline in house prices. It would also mean that, if the average mortgage were to go into default, the lender would reclaim (in the first instance) only 75% of the loan. On the assumption that—in line with the historical experience elsewhere—repossession and processing costs are around 15% of the loan value, the ultimate loss-given-default, for the average property, might be as much as 40%.

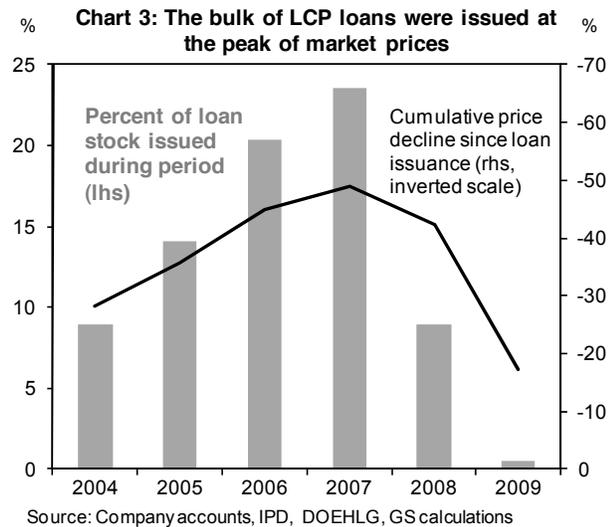
The overall loss rate would then depend on the frequency of default. In the UK, where mortgage contracts are similar to those in Ireland (i.e. not “non-recourse”), we’ve found that defaults are well modelled as a weighted average of unemployment and mortgage interest payments (relative to income). Applying that same model to Ireland’s housing market, and feeding in today’s figures for unemployment and income gearing, the projected default rate is 0.6% per year, a lot higher than the actual, moratorium-suppressed figure of 0.2%. Allowing for further rises in unemployment, and the potential for higher mortgage interest rates, a reasonable (if cautious) **cumulative** rate of default over a five-year credit cycle might be as high as 3%-4%. If we then apply a loss-given-default of 40%, this would then imply a loss rate of up to 1.6% of the mortgage book, around €1.6bn.

For the UK mortgage book of Irish banks, the exercise is somewhat more straightforward, as our UK colleagues have done most of the legwork in mapping the state of the macro economy and the mortgage market into loss forecasts. We therefore borrow their assumption of a loss rate of 1.2% of UK mortgages over the cycle, which, when applied to the €43bn of outstanding Irish bank mortgages to UK residents, places potential losses on this segment of the loan portfolio at only around €0.5bn.



2. The Financial Regulator has required banks to wait at least 12 months from when mortgages first fall into arrears before they can initiate repossession proceedings.

3. Idiosyncratic shocks to income (i.e. job losses, illness) can put any given borrower at risk of default. But the presence of negative equity inevitably imposes an additional burden for those struggling to make mortgage payments, as they cannot take out additional loans using their housing equity as collateral.



The untouchables—commercial and development property loans

We think the assumptions underlying these residential mortgage losses are reasonably aggressive. But the resulting projections for losses are actually relatively small, at least when compared with the haircuts that NAMA has felt compelled to make. But these were almost entirely on commercial property lending, and it is here that the worst excess occurred. Loans to firms engaging in land development, property development and construction (LPC lending) quadrupled between 2004 and 2007 (Chart 3) and declines in prices of commercial property have been even bigger than those for residential housing.

Unfortunately, estimating eventual LPC losses can be even trickier than in the case of residential mortgages, because we have even less historical context on the performance dynamics of this class of loans. We therefore again opt for a first-principles approach of first identifying what share of LPC loans are now in negative equity. Here the calculation is more complicated since we don't have official data on LTV distributions. Anecdotal figures from the major Irish banks, however, suggest that average LTVs during the boom years were around 70%. If we assume a normal distribution of LTVs around this mean with some reasonable standard deviation, we can again look at how much prices have fallen since each year of loan issuance and derive the percent of current stock that is underwater. It turns out our estimates aren't too sensitive to the choice of standard deviation—for values of 5 to 25, the percent of the current loan stock in negative equity ranges from around 60%-70%.

Next comes the assumption of default rates, which is perhaps the most important parameter, but unfortunately the one we cannot claim to have very strong conviction over. What we do know, however, is that of LPC loans to Irish firms, roughly half were for land and development properties, many of which are either now vacant or unfinished, and thus not generating any cash flow. These loans are widely considered to be the most toxic assets in

the Irish banking system, and it is no coincidence that the NAMA was conceived by the government primarily with the aim of removing them from banks' balance sheets.

Our bank analysts broadly agree that default rates on these land and development loans, especially those in negative equity, are likely to be at least 50%, and so we take this as our working assumption. For the remainder of the LPC loan book, defaults are likely to be more benign, but still of the order of at least 20% given that many construction companies undertaking these loans are now out of business. As for the loss-given-default, we take into account that the property on which negative equity LPC loans were secured is now at an average of 60% of its original value and 80% for positive equity loans. If we add in repossession and reselling costs of around 10%, and weight the resulting loss-given-default rates by the share of mortgage stock that are in positive or negative equity, we arrive at an average LGD of around 45%. For land and development loans, this yields a loss rate of 22.5%, and for other LPC loans, a rate of 9%. Across the whole LPC portfolio to Irish residents, this results in losses of roughly €1bn.

We can replicate this methodology for the LPC loans extended to UK borrowers. Here average LTVs were slightly higher in the peak years (upwards of 75%), but the cumulative drop in property prices so far (again using a weighted index of both commercial and residential property) has been half as much—20% compared with 40%—and (given UK house prices have already troughed) we expect to ultimately amount to roughly 25%. This suggests that between 22%-27% of the LPC loan stock will eventually be in negative equity. For the land and development segment of the UK book, we assume a slightly lower default rate (30%) than in the case of Ireland because we have little reason to believe the situation in the UK is anywhere near as bad. For other LPC loans we keep the default rate at 10%. Assuming slightly lower average loss-given-default (20%) given that UK prices have fallen less, we arrive at total losses of roughly €1.4bn (4% of the total UK stock).

On the LPC loan book to the rest of Europe and other regions, data limitations have led us to skip the step of calculating negative equity and we have simply assumed that 15% of these loans will be non-performing over the cycle, and that 20% of the value of these bad loans will be lost. This gives us rather negligible additional losses of around €0.2bn.

Unsecured lending losses not trivial

Finally, we have unsecured lending to both households and corporates, for which loss rates will likely be larger but also inherently harder to estimate. Drawing on some of our previous estimates in other regions, and with some guidance from our bank analysts, we have assumed the following:

4. Faced with a choice between defaulting on their mortgage and losing their house or defaulting on a car loan, most households would, more often than not, choose the latter.

- For unsecured **corporate lending**, a non-performing loan (NPL) rate of 25% and loss rate on these NPLs of 50% for the Ireland and UK portfolios (see *UK Economics Analyst* 09/03). For the rest of Europe portfolio, we have used an NPL rate of 8% and loss on NPL of 30%, in line with the parameters we used when we suggested loan loss estimates for Euro-zone banks as a whole (see *European Weekly Analyst* 09/06).
- For unsecured **household lending**, an NPL rate of 15% (over twice the implicit rate on mortgages⁴) and a loss rate of 50% for both the UK and Ireland. For the rest of Europe, the corresponding numbers are 8% and 30%.

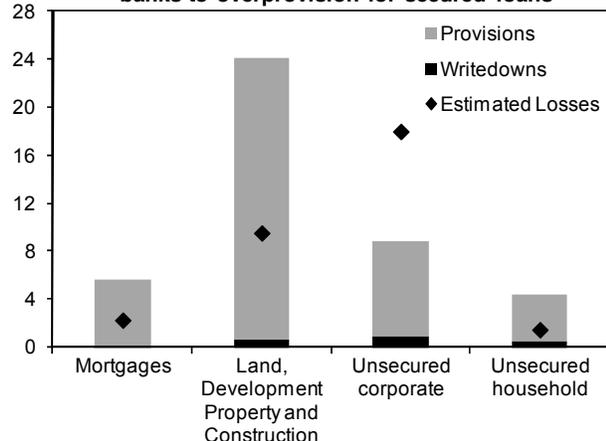
Aggregating over the entire loan book, the assumptions would give us gross credit losses for domestic banks of €35bn over the 5-year cycle, which amounts to 8.4% of total loans, and 22% of GDP (Table 1). This compares with our colleagues' estimates of total credit losses worth 7% of GDP for domestic banks in the US, and 6.5% of GDP in the UK.

Much already provisioned for

The magnitude of expected losses in our central scenario do not seem too far off from what the banks themselves expect so far. While the six major Irish-owned domestic banks have only written €2.3bn off their loan book since 2007, they have provisioned for an additional €40.7bn worth of losses. In total, this implies an expected loss rate of 10.5% on their total loan portfolio, almost 2ppt higher than our estimates. This is important, because banks' current capital position is calculated net of provisions, not actual losses. If we are correct about the eventual loss rate being lower, this would add to banks' equity, and imply no need for additional government support.

What has perhaps fuelled concerns that the ultimate fallout will be greater than both what we expect and what the banks have provisioned for is NAMA's bleak

€bn **Chart 4: Losses on NAMA transfers have prompted banks to overprovision for secured loans**



Source: GS estimates, Company accounts

assessment of the loans it plans to remove from banks' balance sheets. Essentially, NAMA plans to purchase €81bn of what it has identified to be worst of the land and development portfolio and its "associated" loans.⁵ On the €27.2bn of loans transferred so far, NAMA has applied an average haircut of 56%, meaning banks have absorbed a combined loss of €14.2bn. If we assume that the same average haircut is applied to the remaining purchases (as NAMA has indicated), this would result in cumulative losses of €42.2bn, more than **the losses we have assumed over the cycle for the entire portfolio**, and enough to completely wipe out the banks' current provisions. Since these NAMA transfers are set to be completed before the end of this year, banks have scrambled to prepare for these inevitable losses, and this would help to explain why, relative to our expectations of the sectoral distribution of eventual losses, they have over-provisioned for secured lending losses (particularly on LCP loans), and under-provisioned for unsecured lending losses (Chart 4).

The decision of NAMA to apply such aggressive haircuts to these loan transfers has important implications. First, it means that banks will now have to make further provisions for credit losses on non-LCP parts of their loan book instead of using their operating profits to rebuild their capital base. Second, and more importantly, it has inflated loss projections and therefore required to the government to step in and devote more resources to recapitalising the banking system. At a time when concerns about sovereign fiscal sustainability are running high, this has given the impression that the burden of any future deterioration in the banking system (relative to whatever baseline people have in mind) will be borne by the government, elevating its funding requirements and placing its fiscal consolidation targets at risk.

But if our estimates suggest anything, it is that the ultimate losses, and the ultimate burden on the Irish government, will be quite a bit lower than estimated by NAMA, which is likely to make money on its investments. Correspondingly, **the government will significantly have over-capitalised the banks, perhaps by tens of billions of Euros.**

But what if it is actually worse?

It is certainly possible that the government's bearish outlook on the bank is warranted and that our loss estimates are too conservative, although this is difficult to assess given that we do not know the full details of their underlying assumptions. As an attempt to match some of the government's implicit numbers, however, we offer what we think is a reasonable worst-case scenario for credit losses, based on the following (more aggressive) assumptions for the Irish segment of the domestic loan portfolio:

- **For mortgages**, we assume that the peak-to-trough decline in house prices reaches 50% as opposed to

5. Associated loans are those held by individuals and firms with exposure to land and development but which are not directly in this category.

Table 1: Estimated credit losses

		Baseline case		Worst-case scenario	
		€bn	% of GDP	€bn	% of GDP
Secured lending	Residential mortgages	2.3	1.4	5.0	3.2
	Ireland	1.7	1.1	4.5	2.8
	UK	0.5	0.3	0.5	0.3
	Other	0.0	0.0	0.0	0.0
	Land and development	9.5	6.0	18.3	11.5
	Ireland	8.4	5.3	16.9	10.6
	UK	1.0	0.6	1.4	0.9
	Other	0.1	0.1	0.1	0.1
	Other property and construction	3.4	2.1	6.3	4.0
	Ireland	2.9	1.8	5.8	3.7
UK	0.4	0.2	0.4	0.2	
Other	0.1	0.1	0.1	0.1	
Unsecured lending	Corporate	18.0	11.3	26.3	16.5
	Ireland	12.4	7.8	20.7	13.0
	UK	4.6	2.9	4.6	2.9
	Other	1.0	0.6	1.0	0.6
	Household	1.5	0.9	2.7	1.7
	Ireland	1.2	0.8	2.4	1.5
	UK	0.2	0.2	0.2	0.2
Other	0.0	0.0	0.0	0.0	
Total		34.7	21.7	58.6	25.2

Source: GS estimates

40%, which serves to bring 27% of the mortgage stock into negative equity. We then double default rates over the cycle from 4% to 8%, and also increase average loss-given-default to 50%. This brings loss rates over the cycle from 1.6% to 5%, extremely high by any international standard or historical experience.

- **For secured corporate lending**, we increase the peak-to-trough decline in commercial and development property prices to 60% (which brings 75% of loans into negative equity), and bump up default rates to 75% on land and development loans, and 30% on other LCP loans. We also raise loss-given default from 45% to 60%. This almost doubles the losses on LCP loans from €13bn to €24bn.
- **For unsecured lending to both households and firms**, we keep non-performing loan rates the same as before, but assume that, in the case of default, none of the loan is recovered.

Under these parameters, estimated losses over the entire loan portfolio of domestic banks rise from €36bn to €58bn, 14% of the aggregate loan book and 36% of GDP. These are no doubt big numbers, and seem more in line with the scale of losses the government has in mind. Nevertheless, we should note that our worst-case estimates still give us LCP loan losses of €24bn, well below the €42bn that will be written off as a result of the NAMA transfers. **In fact, the only way to match NAMA's loss is to assume that 75% of the €57bn land and development loan portfolio of domestic Irish banks is lost.** NAMA claims that of the €81bn it is transferring, about 70% is land and development loans (€56bn), which would imply

it is essentially purchasing the entire outstanding stock. For 75% of this stock to be written off, one would need to assume not only that all of it defaults, but that only 25% is recovered. We think this is an extremely aggressive assumption by any standards, especially given that only two-thirds of the land development loans are secured on Irish property. If the concern about Irish sovereign losses indeed relate to the government's bearish assessment of potential banking losses, and particularly the possibility that things could get even worse, we hope this exercise makes clear that the current benchmark is already overly (and almost unrealistically) pessimistic.

In this sense, when it comes to potential further financial burdens to the government from the banking system, our numbers imply that there is more upside than downside, and that prospects for the government needing to provide additional capital support are rather slim. Of course, this does not preclude the possibility of the Irish government incurring additional costs in the future for other reasons, such as larger-than-expected deficits due to either revenue shortfalls, an inability to deliver promised expenditure cuts, or rising interest rates. Nor does it mean that domestic banks are in the clear for now—the majority still depend solely on the ECB for funding, and if and when the cost of this central bank liquidity rises, both interest margins and operating profits will quickly shrink. But as far as the collateral damage to the government from bank credit losses goes, our estimates suggest that concerns at this stage are considerably overblown.

Nick Kojucharov

Q&A on Ireland's crisis and the prospective EU rescue package

There are many aspects to Ireland's fiscal and banking problems, and to the prospective EU rescue package. We address some of the most commonly asked questions in a Q&A format.

Q. If the Irish government is fully funded until mid-2011, why does it need EU help now?

A. To protect its banking system and limit the risk of contagion to other EU states.

Every sovereign, in managing its funding requirements, maintains some form of liquidity buffer to tide itself over in the event that it is unable to access market funding on a short-term basis. However, the liquidity buffer that has been maintained by Ireland's debt office, the National Treasury Management Agency (NTMA), is unusually large, equivalent to around nine months of its funding requirement. When Irish bond spreads rose sharply in October, this reserve allowed the Irish government to declare a moratorium on debt issuance until 2011Q1 and it could, in principle, allow the Irish sovereign to continue without accessing debt markets until the middle of next year. While few believed that the Irish government would leave it that long before turning to the EU for help, a number of clients have asked us why Ireland needs EU help *now*, more than two months before it had planned to return to the market and around eight months before its funding buffer runs out.

From the perspective of the sovereign, there is no immediate need for funding—and this has enabled the Irish government initially to resist pressure to agree to a package. But two other factors call for greater urgency: First, the funding needs of Ireland's banks. The ECB currently has €130bn in outstanding loans to Irish banks and this figure has been rising as deposits were being withdrawn from the Irish banking system. An early resolution of the sovereign's position could help to stabilise the funding position of the banks. Second, the increasing risk of contagion to other EU states.

Q. Could Ireland be forced to increase its corporate tax rate as part of any funding deal?

A. The suggestion is not implausible but, in our view, this outcome is unlikely.

It has been suggested that one reason for Ireland's reluctance to accept EU support is that the funding will be conditional on Ireland increasing its corporate tax rate from 12.5%. The suggestion is not completely implausible as both Germany and France have publicly criticised Ireland's low corporate tax rate in the past.

Nevertheless, we believe this outcome is unlikely, given that it would be unlike the conditionality that is typically imposed in IMF-supported programmes. The IMF's conditions usually take the form of more general tax and/or expenditure targets. Moreover, given that a higher corporate tax rate would do little to help Ireland's medium-term fiscal position (and would probably harm

it), it would be difficult to argue that such a requirement was anything other than a political move. This doesn't mean such an outcome is impossible but it makes it less likely.

Patrick Hohohan, Ireland's Central Bank Governor (and a former senior official in the World Bank), suggested last week that an IMF stability programme would be little different from the government's current austerity plans. Brian Lenihan, Ireland's Finance Minister, has also suggested that Ireland's corporate tax regime is "safe".

Q. How large is the financial exposure to Ireland and where does it reside?

In the main focus piece, we look in detail at potential bank losses in Ireland. The broader financial exposure takes a number of different forms. First, there is the outstanding debt issuance of the sovereign. This currently stands at €85bn, 85% of which is held outside of Ireland (with the largest amounts held in Germany and the UK). Second, there is around €80bn-worth of Irish bank bond debt in issuance, the large majority of which is held overseas. Third, the ECB currently has €130bn in outstanding loans to Irish banks. Fourth, a number of overseas banks have a significant direct presence in Ireland (representing, for instance, 3% of the assets of UK banks). In short, the incentive for the EU to find a solution to Ireland's banking problems are high.

Q. How big a growth risk does Ireland's crisis pose to other EU countries?

A. The wider economic impact of the developments to date is likely to be limited but the ultimate effect will depend on the extent to which the crisis spreads to other EU member states.

The *direct* growth risk that Ireland poses to other EU countries is limited, for two reasons. First, the Irish economy is itself small, representing less than 2% of Euro-zone GDP. The UK has the largest trade exposure to Ireland but, even here, exports last year accounted for only 1.7% of GDP. Second, while the recent crisis poses a downside risk to the Irish economy, it is difficult to envisage growth being weaker than it has been in the past two years: Irish GDP fell 4% in 2008 and 8% in 2009 but is forecast (by the Central Bank and the European Commission) to have *risen* by 0-½% in 2010. If anything, the drag from Ireland on its trading partners looking forward is likely to be less than it was in 2008 and 2009.

However, in gauging the wider economic impact of Ireland's crisis, one needs to look beyond this direct effect because the overall impact in such situations is often more substantial than this channel alone would imply. Other channels include the impact on financial

conditions and wider effects on confidence. The effect of wider borrowing spreads in other peripheral economies is likely to significantly outweigh any direct effect from trade with Ireland. Equally, however, the decline in the Euro exchange rate should bring positive effects (particularly, as it happens, for Ireland). Overall, we think that the wider economic impact from what has happened to date is likely to be limited but the ultimate effect will depend on the extent to which the crisis is contained.

Q. How likely is it that the Irish government will pass its budget on December 7?

A. Significantly more likely than it would have been without the crisis.

While the main catalyst for the widening in bond spreads in recent weeks was Angela Merkel's suggestion that bond holders would have to "share the burden" of any future bail-out, an additional concern was the risk that Ireland's parliament would reject the 2011 budget. Ireland has a fragile government, made up of a coalition of the centre-right Fianna Fail party and the Greens, with the support of a selection of independent MPs who are not formally part of the government. Parliamentary support for the budget appeared to be fracturing in recent weeks—both within the Fianna Fail party and among MPs supporting the government—and it looked as if it could lose the votes required to pass the legislation.

Our own view has been that, while opposition to the budget ahead of December 7 vote was likely to be vocal, the severity of the national situation made it likely that the legislation would ultimately be passed. Following the events of the past two weeks, the budget vote is still in the balance but our confidence that it will ultimately be passed has risen (because the crisis has made 'the national interest' all the more compelling).

Q. How realistic are the government's growth forecasts?

A. Reasonably realistic...on the assumption that the crisis does not escalate.

Under the previous version of its Stability Plan, the Irish government envisaged that it would be able to reduce the deficit to less than 3% of GDP in 2014 with a €3bn adjustment in 2011 and a cumulative €7.5bn (5% of GDP) adjustment between 2011 and 2014. A common criticism of those plans was that they were conditioned on the assumption that growth would rise to an (above-trend) 4% pace in the years 2012-2014. This is a fairly standard technical assumption after a period of below-trend growth (the same assumption is made by the UK's *Office of Budget Responsibility*, for instance). However, responding to the criticism that its growth assumptions were overly optimistic, the Irish government is now assuming a slower recovery in 2011 and that growth will grow no faster than trend (assumed to be around 3%) between 2012 and 2014.

Doubts are now being voiced over the revised forecasts. Our own view is that the forecasts are realistic...on the assumption that the crisis does not escalate. One reason to believe that the downside risks to growth are limited is that GDP has already fallen 13% from the pre-crisis peak, driven by a collapse in the most cyclical parts of demand (investment spending, for instance, has fallen 57%). These parts of demand are unlikely to post further sharp declines. Meanwhile, export growth has accelerated, helped by the recovery in external demand and Ireland's improved competitiveness (Ireland's real trade-weighted exchange rate has fallen by 10% in the past year). If the crisis is contained, we think Ireland's medium-term growth prospects are reasonable.

For there to be further sharp declines in Irish GDP, one needs to envisage 'disaster scenarios' (such as the complete collapse of the banking system or a government debt default). One cannot rule these out, but they are not part of our central scenario.

Q. Will the fiscal adjustment drive the economy into a downward spiral?

A. The impact of future austerity measures is uncertain but, so far at least, the fiscal crisis has been a consequence rather than a cause of the collapse in output.

A commonly-held view is that the weakness of the Irish economy is due to (or, at least, severely exacerbated by) the fiscal austerity measures that have been introduced. But it is difficult to reconcile this view with the timing of the collapse in GDP (in 2008 and 2009) and the subsequent introduction of the austerity measures (towards the end of 2009). Looking forward, it may be that the additional round(s) of austerity measures are more damaging for Irish growth. But, as a small open economy, the fiscal multiplier is smaller for Ireland than it is for more closed economies.

Q. What is the best-case scenario for Ireland?

A. EU/IMF support is finalised, the budget is passed, the trend improvement in the budgetary data continues and Q3 GDP data is above expectations.

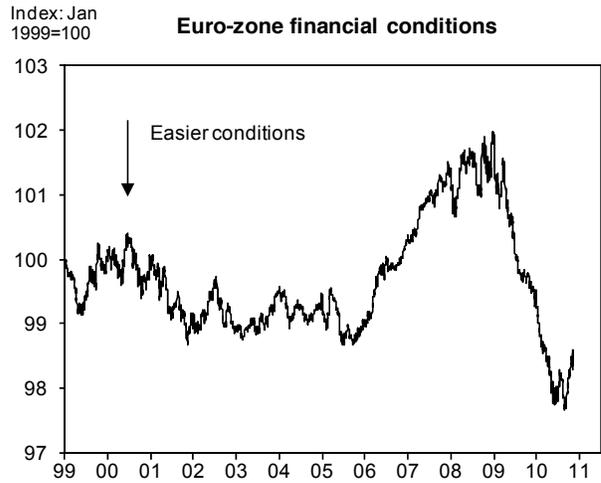
There has been a lot of focus on worst-case scenarios for Ireland, but what does the 'best-case scenario' look like? With the backstop provided by a EU/IMF support plan, the situation in Ireland could stabilise fairly quickly. There are three (potentially positive) event risks before the end of the year: first, we expect the budget to be passed (after a lot of brinkmanship); second, the budgetary data have improved steadily in recent months, to the extent that the government may end up revising *down* its estimate of the 2010 deficit; third, the initial signs are that Q3 GDP may be quite strong—industrial production rose 11.1%qoq annualised in Q3 and the trade balance has improved significantly.

Kevin Daly

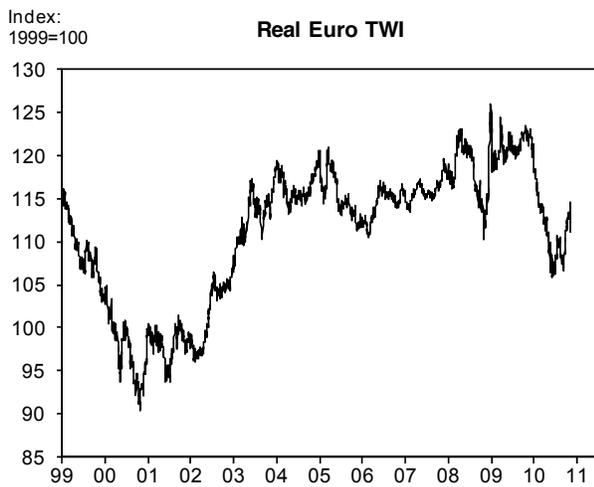
Weekly Indicators

After having peaked in the immediate aftermath of the financial crisis, the *GS Euroland Financial Conditions Index* has eased significantly. Roughly half of this easing can be explained by the fall in corporate bond yields. The drop in short-term rates and the decline in the real trade-weighted Euro account for the bulk of the remaining easing, with developments in equity prices playing a limited role. Over the past two months, the real appreciation of the Euro has led to a mild re-tightening of financial conditions.

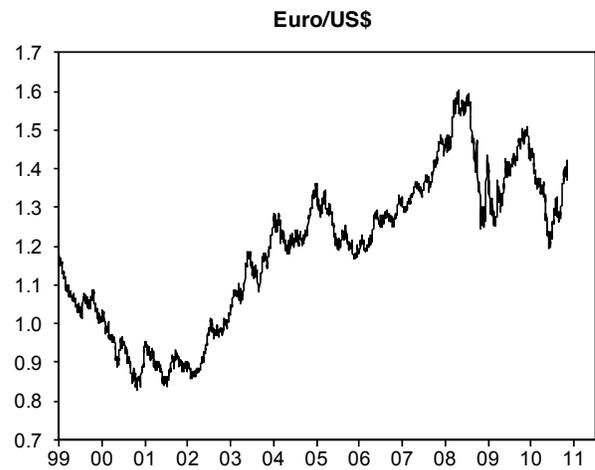
Euro-zone data releases surprised to the upside in October, and the longer-term trend of our Euro-zone surprise index has now been firmly positive for the past eight months.



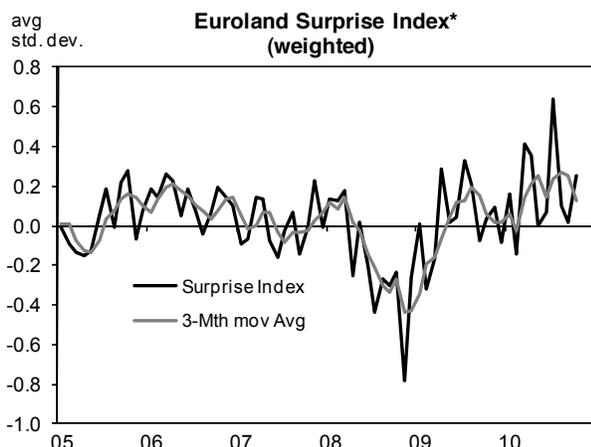
Source: GS Global ECS Research



Source: GS Global ECS Research



Source: GS Global ECS Research



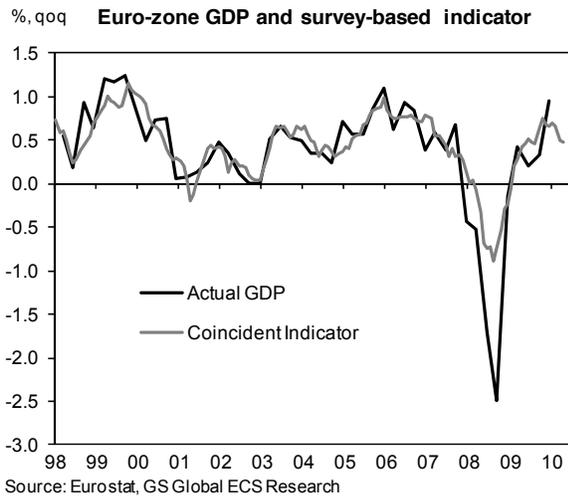
*excluding US non-farm payrolls
Source: GS Global ECS Research

Indicator	Latest Reading	Month	Consistent with (qoq) growth of:
Services PMI	53.3	Oct	0.4
Composite PMI	53.8	Oct	0.5
German IFO	107.6	Oct	1.4
Manufacturing PMI	54.6	Oct	0.7
French INSEE	102.0	Oct	0.4
Belgian Manufacturing	-6.5	Oct	0.5
EC Cons. Confidence	-10.9	Oct	0.4
EC Bus. Confidence	0.5	Oct	0.7
Italian ISAE	99.8	Oct	0.8
Weighted* Average			0.6

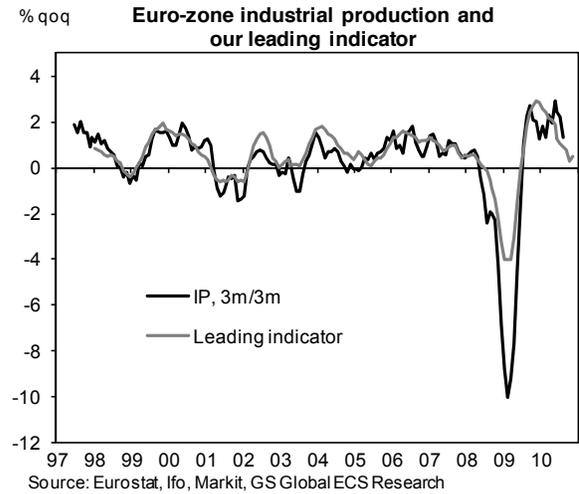
*Weights based on relative correlation co-efficients

GS Leading Indicators

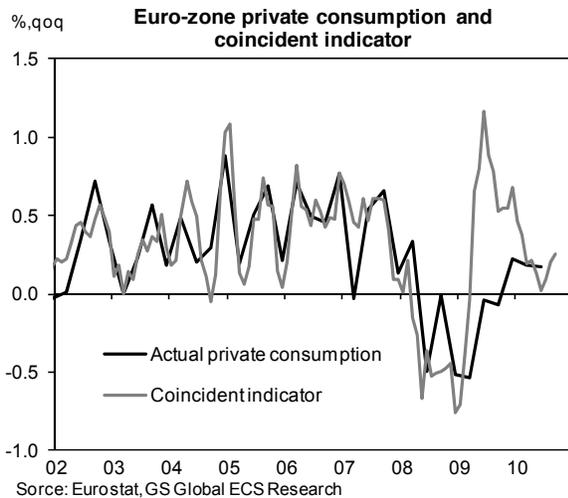
Our survey-based GDP tracker now points to a +0.5%qoq expansion in the early stages of Q4.



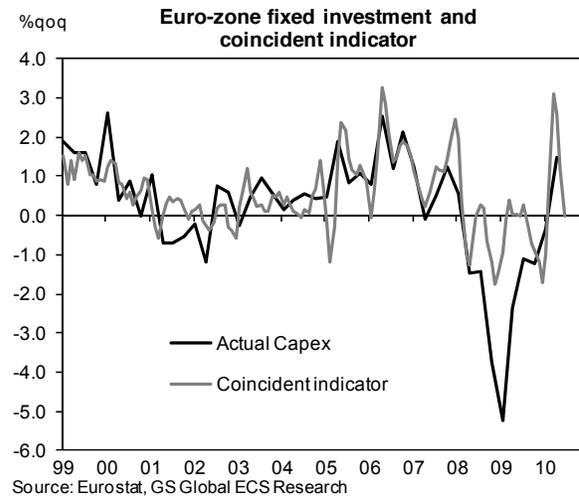
Our leading indicator of IP is signalling a further slowing of industrial momentum.



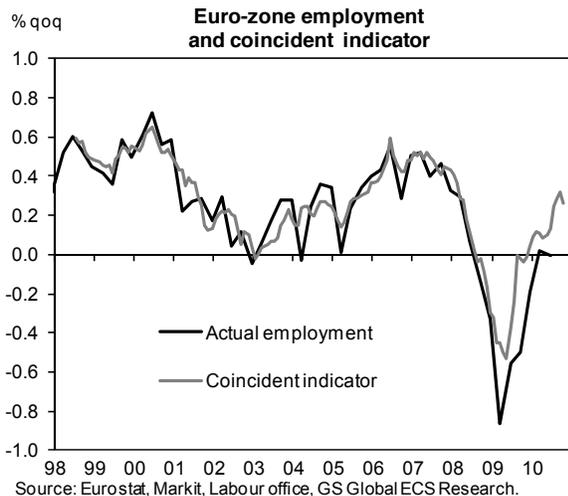
Our consumption indicator suggests subdued consumption growth.



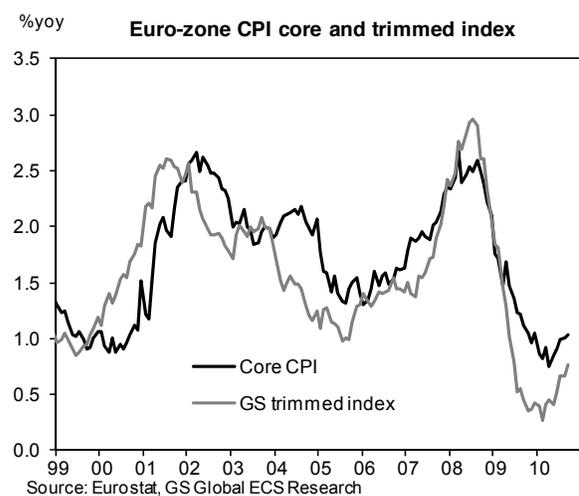
Our capital expenditure indicator points to moderating investment growth.



Our labour market model suggests improving employment prospects.



The GS trimmed index indicates that core CPI has troughed.



Main Economic Forecasts

	GDP			Consumer Prices			Current Account			Budget Balance		
	(Annual % change)			(Annual % change)			(% of GDP)			(% of GDP)		
	2009	2010(f)	2011(f)	2009	2010(f)	2011(f)	2009	2010(f)	2011(f)	2009	2010(f)	2011(f)
Euro-zone	-4.0	1.7	1.8	0.3	1.5	1.5	-0.7	0.1	0.5	-6.3	-6.1	-4.8
Germany	-4.7	3.1	2.4	0.2	1.1	1.5	5.0	4.3	3.4	-3.1	-3.6	-2.8
France	-2.5	1.6	2.1	0.1	1.7	1.6	-2.0	-1.6	-1.1	-7.5	-7.7	-6.3
Italy	-5.1	1.2	1.5	0.8	1.6	1.8	-3.2	-2.8	-1.8	-5.3	-4.9	-3.8
Spain	-3.7	-0.4	1.1	-0.3	1.6	1.1	-5.4	-3.6	-2.0	-11.1	-9.6	-7.3
Netherlands	-3.9	2.0	2.0	1.0	0.9	1.2	5.0	5.5	5.6	-4.9	-5.6	-4.1
Greece	-2.0	-3.8	-2.4	1.3	4.7	2.6	-11.4	-7.8	-3.5	-13.6	-8.4	-7.6
UK	-4.9	1.8	2.5	2.2	3.0	2.8	-1.3	-0.3	0.5	-7.5	-8.1	-6.3
Switzerland	-1.9	2.7	1.7	-0.5	0.7	0.8	7.4	8.1	8.6	0.2	-0.4	-0.3
Sweden	-5.1	4.3	3.1	-0.3	1.0	2.2	7.4	8.1	9.1	-0.5	-3.4	-2.5
Denmark	-4.7	1.8	2.4	1.1	2.1	2.1	3.5	1.2	1.4	-2.0	-4.7	-4.3
Norway*	-1.5	1.7	3.1	2.2	2.5	2.1	13.8	17.2	17.9	—	—	—
Poland	1.8	3.2	4.4	3.5	2.4	2.5	-1.6	-3.6	-4.3	-7.1	-6.3	-5.0
Czech Republic	-4.0	2.1	2.8	1.0	1.7	2.5	-1.0	-0.8	-0.9	-5.9	-5.4	-5.6
Hungary	-6.2	1.2	2.7	4.2	4.9	3.3	0.2	0.5	-1.3	-4.0	-4.2	-4.1

*Mainland GDP growth

Quarterly GDP Forecasts

% Change on Previous Quarter	2009				2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Euro-zone	-2.5	-0.1	0.4	0.2	0.3	1.0	0.4	0.3	0.4	0.5	0.5	0.5
Germany	-3.4	0.5	0.7	0.3	0.5	2.2	0.7	0.3	0.5	0.6	0.6	0.6
France	-1.5	0.1	0.3	0.6	0.2	0.7	0.5	0.5	0.5	0.6	0.5	0.4
Italy	-2.9	-0.3	0.4	-0.1	0.4	0.5	0.5	0.4	0.4	0.3	0.3	0.2
Spain	-1.6	-1.1	-0.3	-0.2	0.1	0.2	0.0	0.1	0.3	0.5	0.6	0.6
Netherlands	-2.4	-1.2	0.6	0.6	0.5	0.9	0.6	0.4	0.4	0.5	0.5	0.6
Greece	-1.0	-0.3	-0.5	-0.8	-0.8	-1.8	-1.1	-1.4	-0.5	-0.1	0.3	0.3
UK	-2.3	-0.7	-0.3	0.4	0.3	1.2	0.4	0.6	0.2	1.1	0.8	0.8
Switzerland	-1.0	-0.6	0.7	0.7	1.0	0.9	0.4	0.3	0.5	0.5	0.6	0.6
Sweden	-2.9	0.6	0.4	0.5	1.5	1.2	0.7	0.7	0.8	0.8	0.8	0.8
Denmark	-1.8	-2.2	1.0	0.2	0.7	1.0	0.4	0.5	0.6	0.6	0.7	0.7
Norway*	-0.5	-0.3	0.4	0.5	0.2	0.5	1.0	1.0	0.6	0.7	0.7	0.8
Poland	0.4	0.5	0.7	1.2	0.7	1.1	0.9	0.8	1.1	1.2	1.3	1.2
Czech Republic	-3.8	-0.5	0.5	0.5	0.4	0.9	0.6	0.5	0.6	0.8	0.8	0.9
Hungary	-2.9	-1.3	-0.6	0.0	0.6	0.2	0.5	0.5	0.7	0.7	0.8	0.9

*Mainland GDP

Interest Rate Forecasts

%		3-Month Horizon			6-Month Horizon		12-Month Horizon	
		Current	Forward	Forecast	Forward	Forecast	Forward	Forecast
Euroland	3M	1.0	1.1	0.9	1.2	1.0	1.4	1.5
	10Y	2.4	2.5	2.4	2.6	2.4	2.7	3.0
UK	3M	0.7	0.7	0.7	0.8	0.7	1.0	0.9
	10Y	3.0	3.1	3.0	3.2	3.1	3.4	3.5
Denmark	3M	1.2	1.3	1.1	1.5	1.3	1.7	2.0
	10Y	2.5	2.8	3.6	2.8	3.7	2.9	4.1
Sweden	3M	1.6	1.7	1.4	1.9	1.6	2.1	2.6
	10Y	2.7	2.8	2.6	2.9	2.7	3.0	3.3
Norway	3M	2.5	2.5	2.5	2.5	2.7	2.6	3.1
	10Y	3.2	3.2	3.5	3.3	3.8	3.3	4.3
Switzerland	3M	0.2	0.2	0.5	0.2	0.8	0.4	1.8
	10Y	1.5	1.5	1.5	1.5	1.7	1.6	2.3
Poland	3M	3.8	4.3	4.3	4.6	4.6	5.0	5.0
	5Y	5.3	5.5	5.8	5.6	5.9	5.7	6.1
Czech Republic	3M	1.2	1.3	1.3	1.4	1.4	1.9	2.3
	5Y	2.6	2.7	3.1	2.8	3.2	3.2	3.5
Hungary	3M	6.2	5.4	5.4	5.5	5.6	5.7	6.5
	5Y	6.8	6.6	6.7	6.8	6.8	7.1	6.9
Euroland-US	10Y	-14	-19	-11	-22	-11	-27	-2

Close 10 November 10, mid-rates for major markets. We are currently using December 2010, March 2011 and September 2011 contracts for 3-month forward rates.

Recent European Research

Date	Related-Research Archive	Publication	Author
16-Nov-10	Euroland: Harmonised CPI (Oct) - Core inflation commences upward ascent	European Views	Erik Nielsen
15-Nov-10	Italy: political woes not a risk for the 2011 budget	European Views	Natacha Valla
14-Nov-10	France: Government reshuffle = little change for investors	European Views	Natacha Valla
12-Nov-10	European Views: Statement by European finance ministers on initiative for private creditor participation	European Views	Erik Nielsen
11-Nov-10	Euro-zone recovery doing just fine	European Weekly Analyst 10/39	Dirk Schumacher and Nick Kojucharov
10-Nov-10	European work to include debt restructuring in future debt work-outs	European Views	Erik Nielsen
04-Nov-10	Collateral damage: The consequences of higher sovereign spreads for the private sector in the periphery	European Weekly Analyst 10/38	Dirk Schumacher and Alberto Gallo
04-Nov-10	ECB Summary	European Views	Erik Nielsen
03-Nov-10	Irish budget, EFSF, post-EFSF and all that...	European Views	Erik Nielsen
28-Oct-10	How worried should Scandinavia be about policy rate differentials?	European Weekly Analyst 10/37	Lasse Holboell W. Nielsen and Adrian Paul
21-Oct-10	Greece: The progress so far, the road ahead	European Weekly Analyst 10/36	Dirk Schumacher and Nick Kojucharov
14-Oct-10	Germany to remain the Euro-zone's growth engine	European Weekly Analyst 10/35	Dirk Schumacher, Natacha Valla and Nick Kojucharov
12-Oct-10	France: oui, a big strike	European Views	Natacha Valla
07-Oct-10	Moderating growth under new FX forecasts	European Weekly Analyst 10/34	European Team
07-Oct-10	ECB press conference summary	European Views	Erik F. Nielsen
30-Sep-10	Euro-zone periphery: External adjustment is underway, but the hard part is still to come	European Weekly Analyst 10/33	Alexandre N. Kohlhas* and Erik F. Nielsen
23-Sep-10	France: Strikes, second round - lots of people in the streets (1-3mn), not over yet	European Views	Natacha Valla
23-Sep-10	The puzzling behaviour of 'core' inflation	European Weekly Analyst 10/32	Dirk Schumacher and Alexandre Kohlhas
16-Sep-10	Revisiting the ECB's reaction function: A 'loose' rate hike in 2011?	European Weekly Analyst 10/31	Nick Kojucharov and Natacha Valla
14-Sep-10	SNB preview: Weighing the short-term growth risks against long-term inflation risks	European Views	Dirk Schumacher
09-Sep-10	Ireland - Old News, New News, and Breaking the 'Vicious Circle'	European Views	Kevin Daly
09-Sep-10	Internal momentum but external risks: Can Sweden 'go it alone'?	European Weekly Analyst 10/30	Adrian Paul, Kevin Daly and Lasse Holboell W. Nielsen
02-Sep-10	Still happy with our above-consensus forecast for Europe	European Weekly Analyst 10/29	Ben Broadbent, Nick Kojucharov, Erik F. Nielsen and Dirk Schumacher
02-Sep-10	ECB press conference: Still dovish, but disagreements are emerging	European Views	Erik Nielsen
06-Aug-10	No change to growth forecast in Europe after US forecast change	European Views	Dirk Schumacher
03-Aug-10	The Euro-zone the next week and a half	European Views	Erik Nielsen
29-Jul-10	Advocating "fan charts" of structural economic developments	European Weekly Analyst 10/28	Natacha Valla and Jeremie Cohen Setton
29-Jul-10	Monetary policy (and money market) normalisation: lessons from EURIBOR	European Weekly Analyst 10/28	Natacha Valla, Nick Kojucharov and Jeremie Cohen Setton

We, Nick Kojucharov, Kevin Daly and Natacha Valla, hereby certify that all of the views expressed in this report accurately reflect personal views, which have not been influenced by considerations of the firm's business or client relationships.

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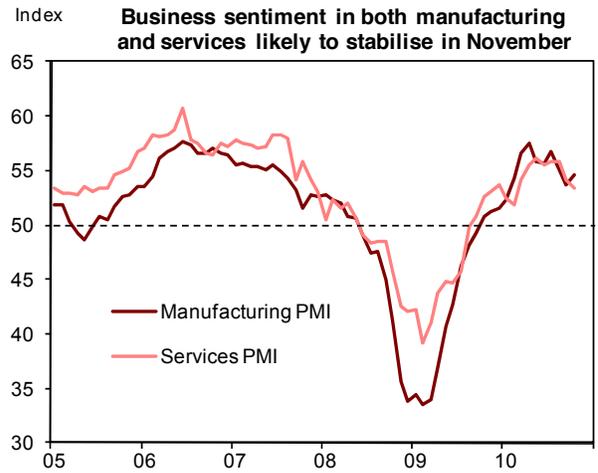
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European Calendar

Focus for the Week Ahead

Survey week in the Euro-zone. The traditional round of business surveys are due out next week, and we expect them to broadly stabilise, since at current levels they are already signalling that GDP growth is roughly in line with (and even slightly above) our forecasts across the region. For the Euro-zone flash PMIs, we expect a minor dip in the manufacturing index from 54.6 to 54.4, and an unchanged reading in the services index (53.3). In the regional surveys, we expect the German IFO to edge down slightly from 107.6 to 107.5, the Italian ISAE to remain flat at 99.8.

NBP meeting. We expect the Polish MPC to keep its base rate unchanged at 3.5%, and look through recent inflation shocks coming from higher food and energy prices. The concern over a too rapid PLN appreciation is likely to keep the MPC on hold until year-end.



Source: Markit

Economic Releases and Other Events

Country	Time (UK)	Economic Statistic/Indicator	Period	Forecast		Previous		EMEA-MAP Relevance
				mom/qq	yoy	mom/qq	yoy	
Friday 19th								
Germany	08:00	Producer Prices	Oct	0.2%	4.2%	0.3%	3.9%	—
Hungary	09:00	Gross Average Wages	Sep	—	—	—	1.9%	—
Poland	14:00	Industrial Output	Oct	—	10.0%	+0.4%sa	11.8%	3
Poland	14:00	Producer Prices	Oct	—	—	0.1%	4.3%	—
Monday 22nd								
Switzerland	09:00	Money Supply - M3	Oct	—	—	—	6.8%	—
Poland	14:00	Core inflation	Oct	—	1.1%	0.2%	1.2%	—
Tuesday 23rd								
Poland	14:20	Monetary Policy Meeting	—	3.5%	—	3.5%	—	—
Germany	08:00	GDP	Q3	0.7%	—	2.2%	—	5
USA	08:30	GDP - Second Estimate	Q3	—	—	2.0%	—	—
USA	08:30	GDP Price Index	Q3-Second	—	—	2.3%	—	—
USA	08:30	PCE Core Price Index (Q/Q Annual)	Q3-Second	—	—	0.8%	—	—
France	08:45	Business Confidence	Nov	—	—	102.0	—	4
Germany	09:30	PMI Manufacturing	Oct	56.0	—	56.6	—	4
Germany	09:30	PMI - Services	Nov	56.5	—	56.0	—	4
Euroland	09:30	Flash Manufacturing PMI	Nov	—	—	54.6	—	5
Euroland	09:30	Flash Services PMI	Nov	—	—	53.3	—	5
Italy	09:30	Consumer Confidence	Oct	107.7	—	107.7	—	1
Norway	10:00	Mainland GDP	Q3	0.9%	—	0.5%	—	5
USA	10:00	Existing Home Sales	Oct	-2.0%	—	10.0%	—	—
USA	10:00	Richmond Fed Survey	Nov	—	—	5	—	—
Wednesday 24th								
USA	08:30	Personal Income	Oct	0.4%	—	-0.1%	—	—
USA	08:30	Personal Consumption	Oct	—	—	0.2%	—	—
USA	08:30	PCE Core Price Index	Oct	—	—	1.2%	—	—
USA	08:30	Durable Goods Orders	Oct	1.0%	—	3.3%	—	—
USA	08:30	Initial Jobless Claims	—	—	—	—	—	—
USA	09:55	U. of Michigan Consumer Sentiment - Final	Nov	—	—	—	—	—
USA	10:00	FHFA House Price Index	Sep	—	—	0.4%	—	—
USA	10:00	New Home Sales	Oct	1.0%	—	6.6%	—	—
Germany	10:00	IFO Business Survey	Oct	107.5	—	107.6	—	3
Italy	10:00	Retail Sales	Aug	—	—	0.0%	0.3%	3
Euroland	11:00	Manufacturing Orders	Sep	—	—	5.5%	24.6%	5
USA	11:00	Kansas City Fed Survey	Nov	—	—	14	—	—
USA	14:00	FOMC Meeting Minutes	—	—	—	—	—	—
Thursday 25th								
France	08:45	Consumer Confidence	Nov	-32	—	-34	—	—
Hungary	09:00	Retail Sales	Sep	—	—	—	—	2
Sweden	09:15	NIER Business and Consumer Survey	Nov	—	—	110.4	—	5
Italy	09:30	Business Confidence	Oct	99.8	—	99.8	—	4
Poland	10:00	Retail Sales	Oct	—	—	1.2%	8.6%	2
Poland	10:00	Unemployment Rate	Oct	—	—	—	11.5%	2
Friday 26th								
Germany	09:00	Consumer Prices - Provisional (nsa)	Nov	-0.1%	1.3%	10.0%	1.3%	0
Germany	09:30	German states inflation figures	Nov	—	—	—	—	—
France	08:45	Consumer Spending	Sep	0.0%	—	1.5%	—	—
Hungary	09:00	Unemployment Rate	Oct	—	—	—	10.9%	3
Euroland	10:00	M3 - 3m Average	Oct	—	+1.2% (3mma)	—	+0.8% (3mma)	0
Switzerland	11:30	KOF Leading Indicator	Nov	2.15	—	2.17	—	4

Economic data releases are subject to change at short notice in calendar. Complete calendar available via the Portal — <https://360.gs.com/gs/portal/events/econevents/>.