



Global Themes and Risks

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Composition of US GDP, 2006-2014

Reduced government spending a drag on GDP growth

	Growth Rates									
	2006	2007	2008	2009	2010	2011	2012(E)	2013(E)	2014(E)	
GDP	2.7 %	1.9 %	(0.3) %	(3.1) %	2.4 %	1.8 %	2.2 %	1.9 %	2.9 %	
Domestic Final Demand	2.6	1.2	(1.5)	(4.0)	2.8	1.7	2.1	1.7	2.9	
Personal Consumption	2.9	2.3	(0.6)	(1.9)	1.8	2.5	1.8	1.4	2.4	
→ Residential Fixed Investment	(7.3)	(18.7)	(23.9)	(22.4)	(3.7)	(1.4)	12.0	12.6	14.8	
Business Fixed Investment	8.0	6.5	(0.8)	(18.1)	0.7	8.6	7.1	2.7	8.5	
→ Government	2.1	1.3	7.2	6.1	4.5	(2.8)	(1.5)	(1.4)	(2.5)	
Exports	9.0	9.3	6.1	(9.1)	11.1	6.7	3.8	3.9	4.9	
Imports	6.1	2.4	(2.7)	(13.5)	12.5	4.8	2.9	2.2	4.5	

Source: Goldman Sachs Economics Research.

Composition of US GDP, 2013-2014

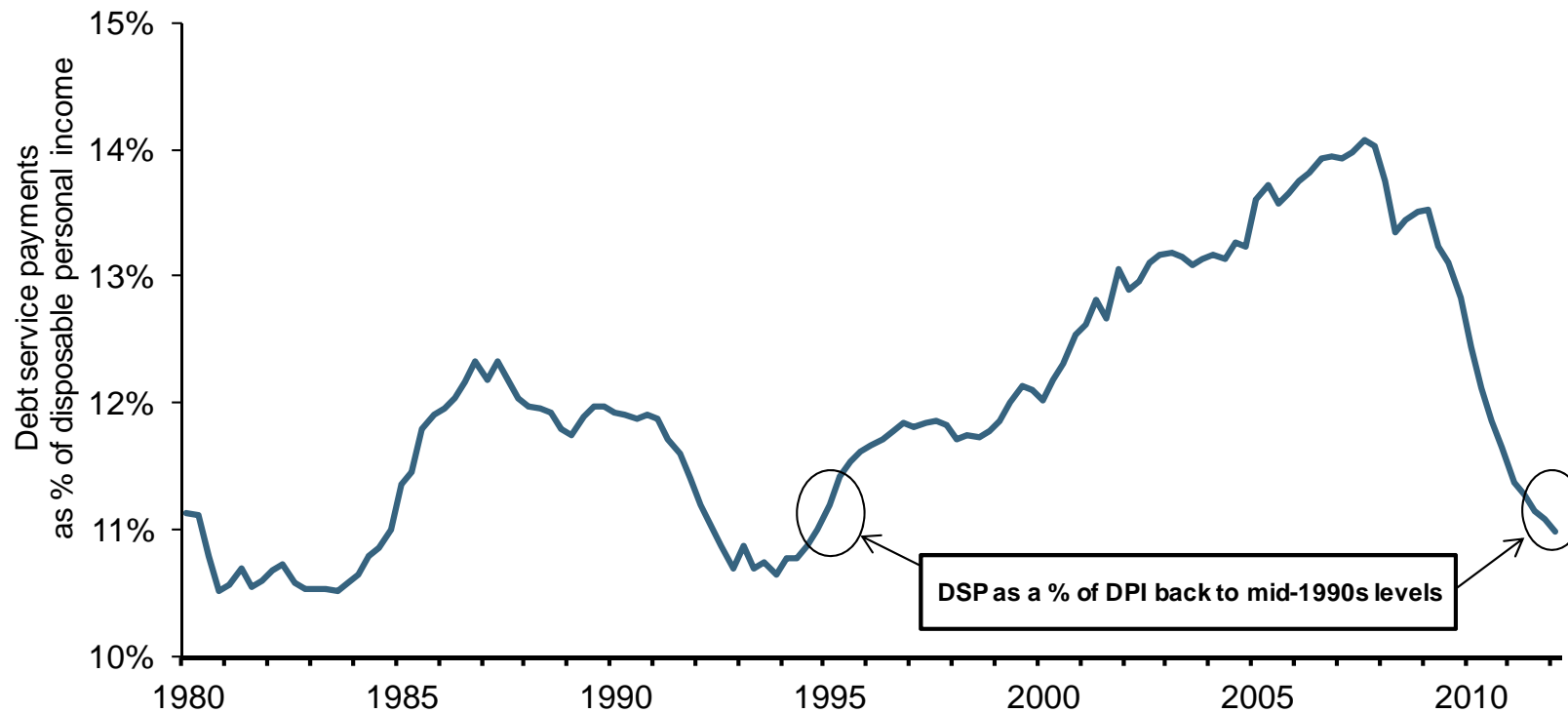
Expect quarterly volatility linked to weather, inventories and global factors including European activity



	Growth Rates						
	Q2 E	2013 Q3 E	Q4 E	Q1 E	2014 Q2 E	Q3 E	Q4 E
GDP	2.0 %	2.5 %	2.5 %	3.0 %	3.0 %	3.5 %	3.5 %
Domestic Final Demand	1.9	2.5	2.5	3.1	3.1	3.6	3.6
Personal Consumption	1.5	2.0	2.0	2.5	2.5	3.0	3.0
→ Residential Fixed Investment	12.5	15.0	15.0	15.0	15.0	15.0	15.0
Business Fixed Investment	4.0	7.8	8.6	9.0	9.0	9.0	9.0
→ Government	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)
Exports	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Imports	2.5	4.0	4.0	5.0	5.0	5.0	5.0

Source: Goldman Sachs Economics Research.

Consumer debt service payments as a percentage of DPI at lowest levels since mid-1990s



Source: Federal Reserve Board, Goldman Sachs Research.

Income growth is stabilizing, while other macro drivers of spending are mixed

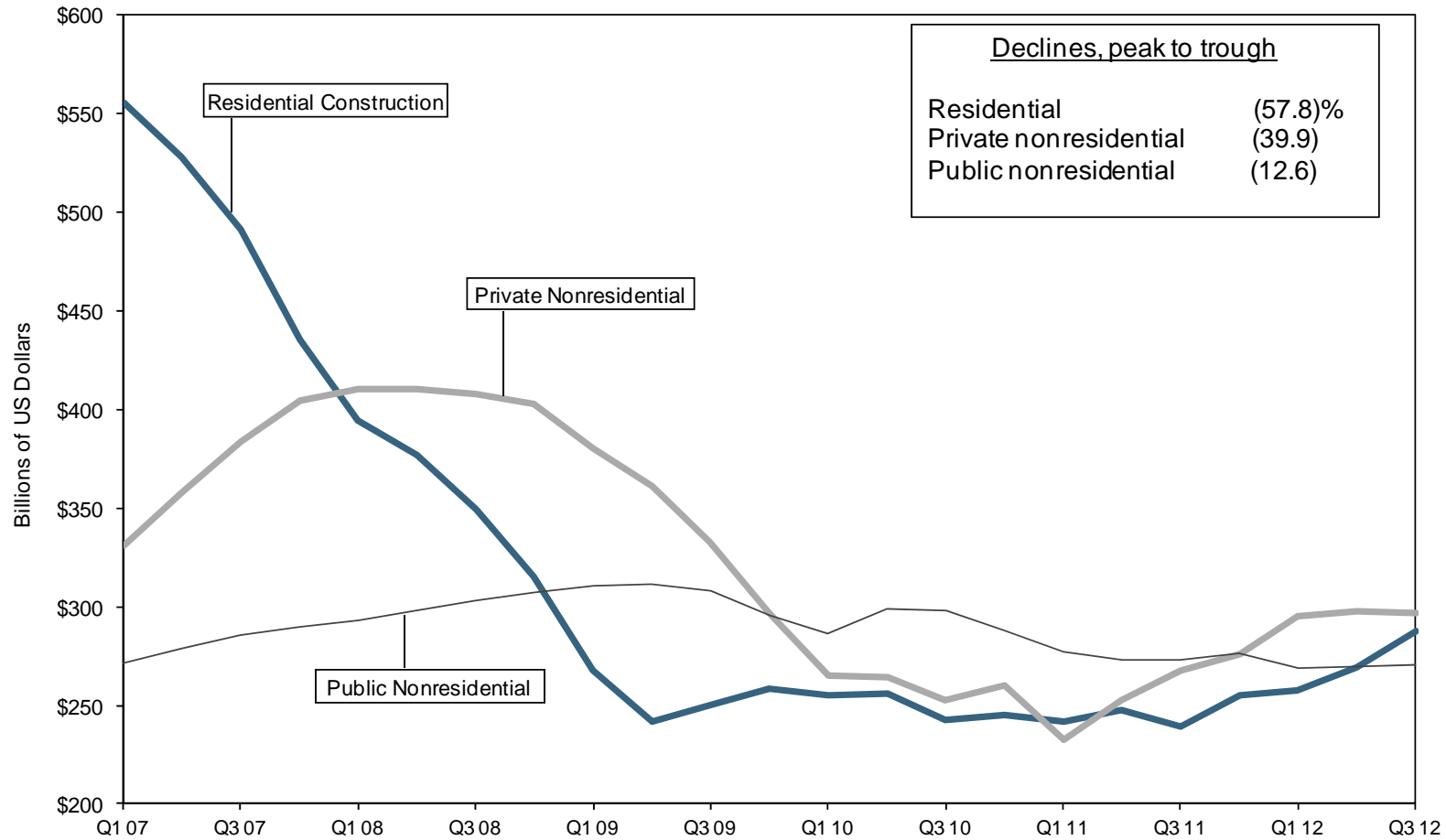
YoY, % change

	Nominal						
	Nominal DPI	Hourly Wages	Real Wages	Revolving Credit	Gas prices	DCF	Savings- adj DCF
Jan-11	5.1%	1.8%	0.3%	-7.2%	14.2%	--	--
Feb-11	5.3%	1.9%	0.1%	-6.7%	21.7%	--	--
Mar-11	4.7%	1.9%	-0.1%	-5.6%	28.0%	9.0%	6.0%
Apr-11	4.2%	1.9%	-0.5%	-5.7%	32.9%	--	--
May-11	3.6%	2.0%	-0.6%	-4.3%	37.7%	--	--
Jun-11	3.6%	2.2%	-0.5%	-3.4%	35.2%	5.9%	5.5%
Jul-11	3.7%	2.3%	-0.5%	-2.9%	34.9%	--	--
Aug-11	3.2%	2.0%	-0.9%	-2.2%	34.6%	--	--
Sep-11	3.4%	2.0%	-0.9%	-1.5%	33.4%	4.6%	5.6%
Oct-11	3.4%	2.1%	-0.6%	-0.8%	22.9%	--	--
Nov-11	2.9%	2.1%	-0.5%	0.2%	18.3%	--	--
Dec-11	2.5%	2.1%	-0.4%	0.1%	9.1%	3.5%	5.2%
Jan-12	2.2%	1.8%	-0.6%	0.4%	8.9%	--	--
Feb-12	2.5%	2.0%	-0.4%	0.7%	11.0%	--	--
Mar-12	2.9%	2.0%	-0.3%	0.5%	7.6%	4.6%	5.5%
Apr-12	2.6%	1.9%	-0.1%	0.7%	2.4%	--	--
May-12	2.8%	1.8%	0.3%	1.2%	-5.4%	--	--
Jun-12	2.9%	2.0%	0.5%	0.6%	-4.5%	4.8%	4.7%
Jul-12	2.8%	1.7%	0.4%	0.4%	-6.5%	--	--
Aug-12	3.0%	1.7%	0.3%	0.9%	1.6%	--	--
Sep-12	3.3%	1.9%	0.2%	0.5%	6.4%	4.5%	4.3%
Oct-12	3.0%	1.6%	-0.2%	--	7.4%	--	--
Forecasts*							
Dec Qtr.	3.5%					4.2%	4.6%

Source: Bureau of Economic Analysis, EIA, Bureau of Labor Statistics, Federal Reserve Board, Goldman Sachs Research.

Residential and nonresidential construction

Federal stimulus targeted public construction spending through state and local entities; private spending now rising

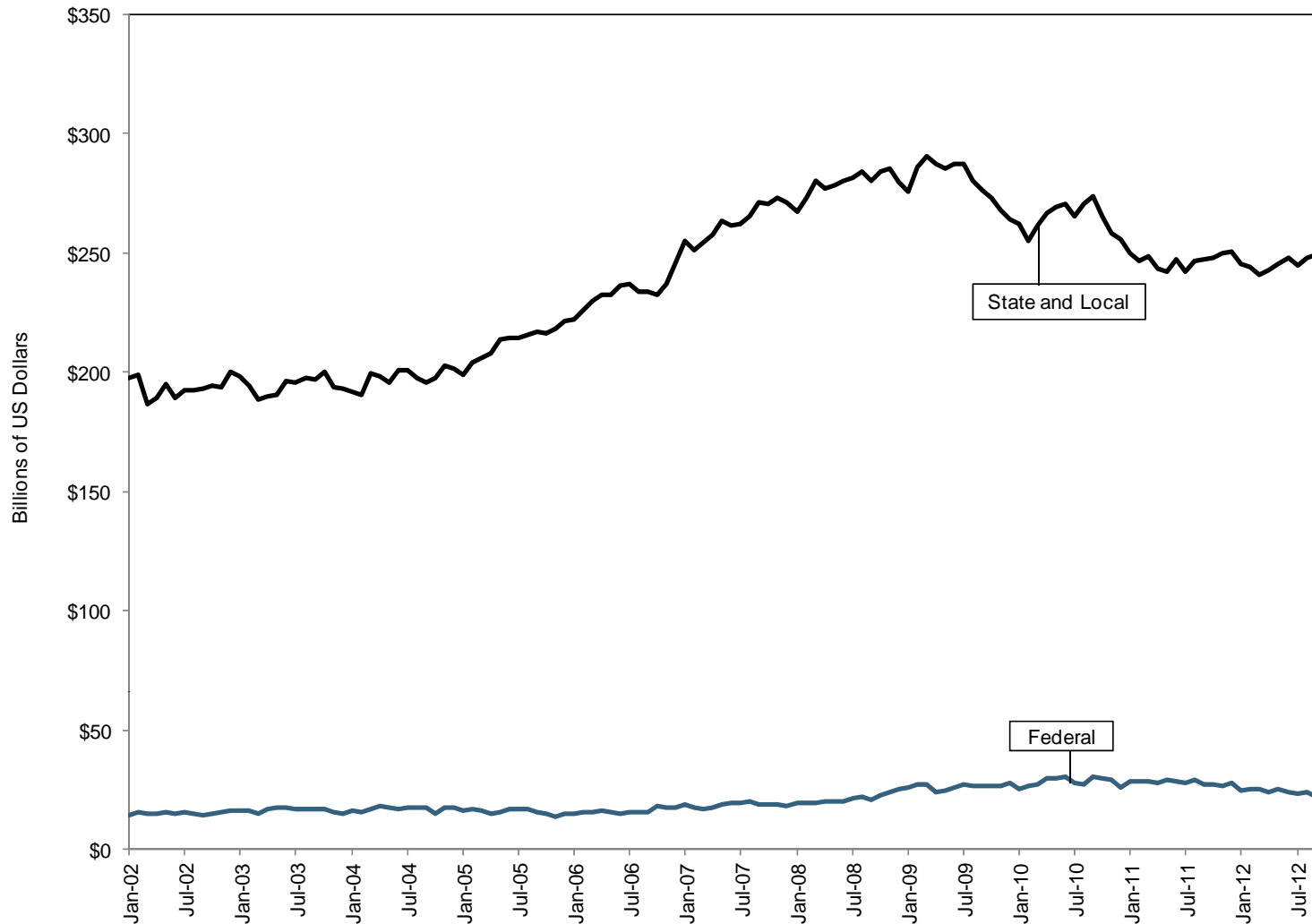


Quarterly data from Q1 2007 through Q3 2012

Source: US Department of Commerce.

Public construction spending

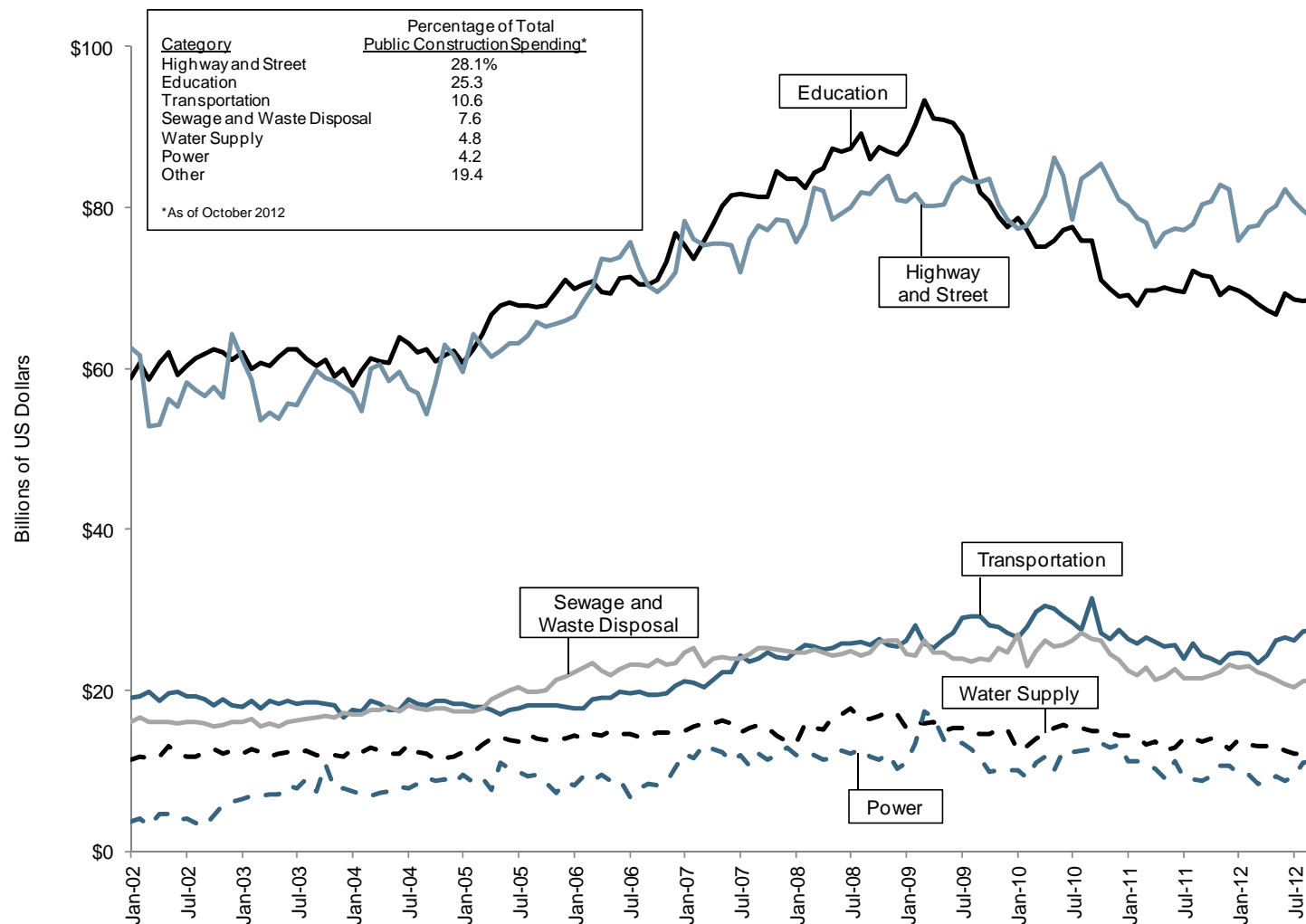
Dominated by state and local government activities which are now under pressure



Source: US Department of Commerce.

Public construction spending

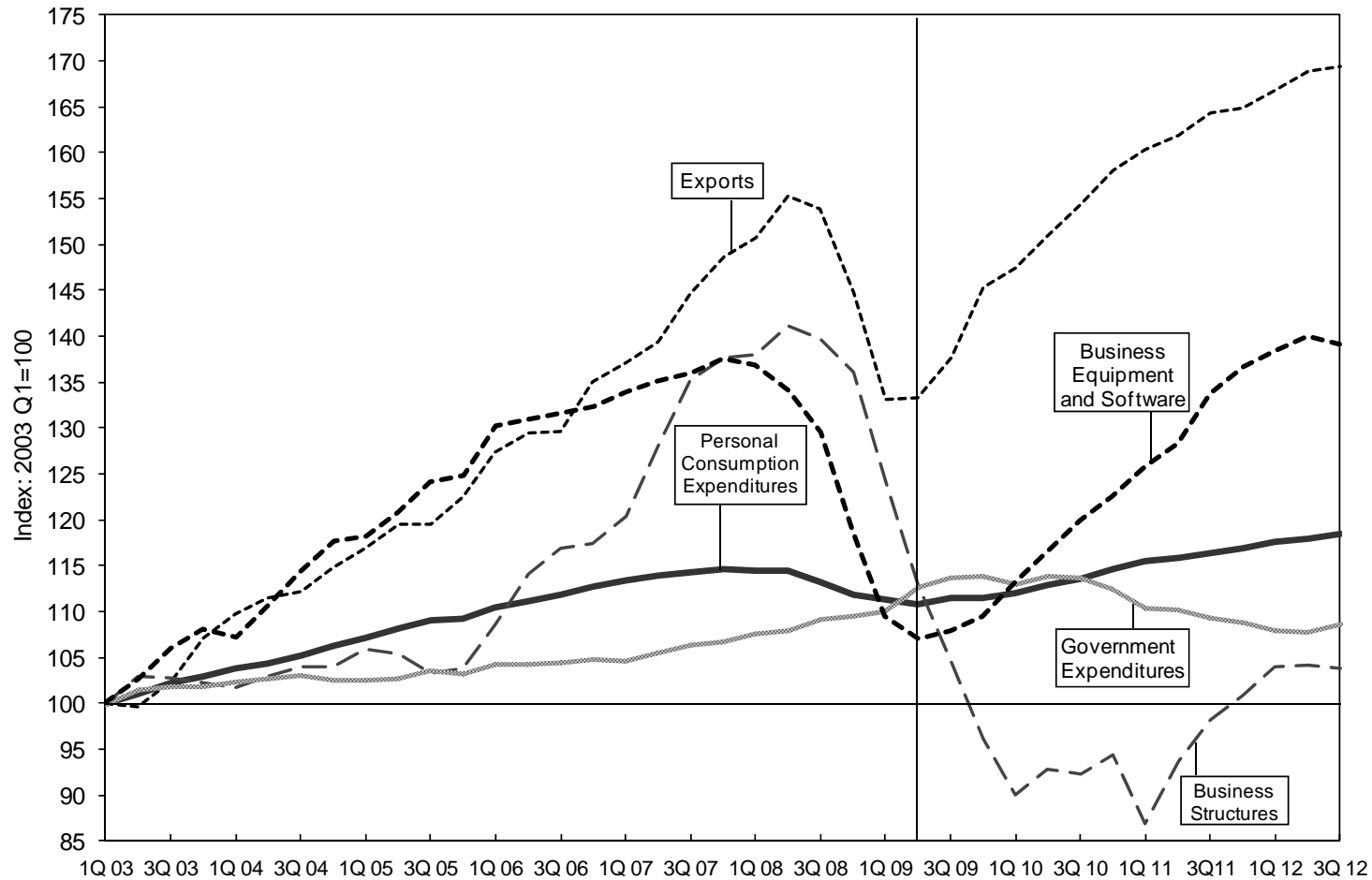
Breakdown by category; schools especially hard hit



Source: US Department of Commerce.

Exports and business equipment lead all other GDP sectors

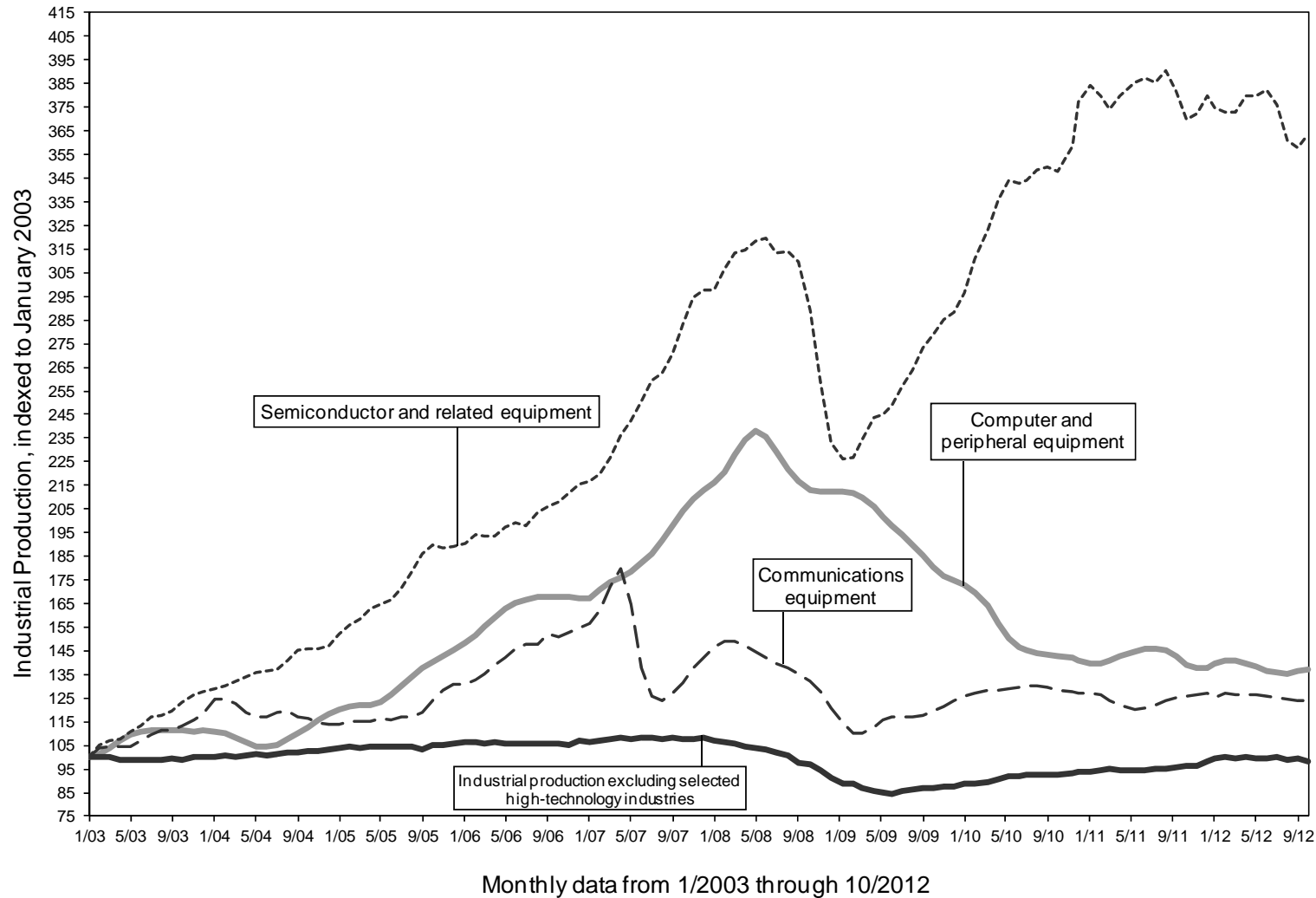
Private construction showing life; reduced government spending is a drag on overall GDP and employment



Data from 2003 Q1 through 2012 Q3

Source: Bureau of Economic Analysis.

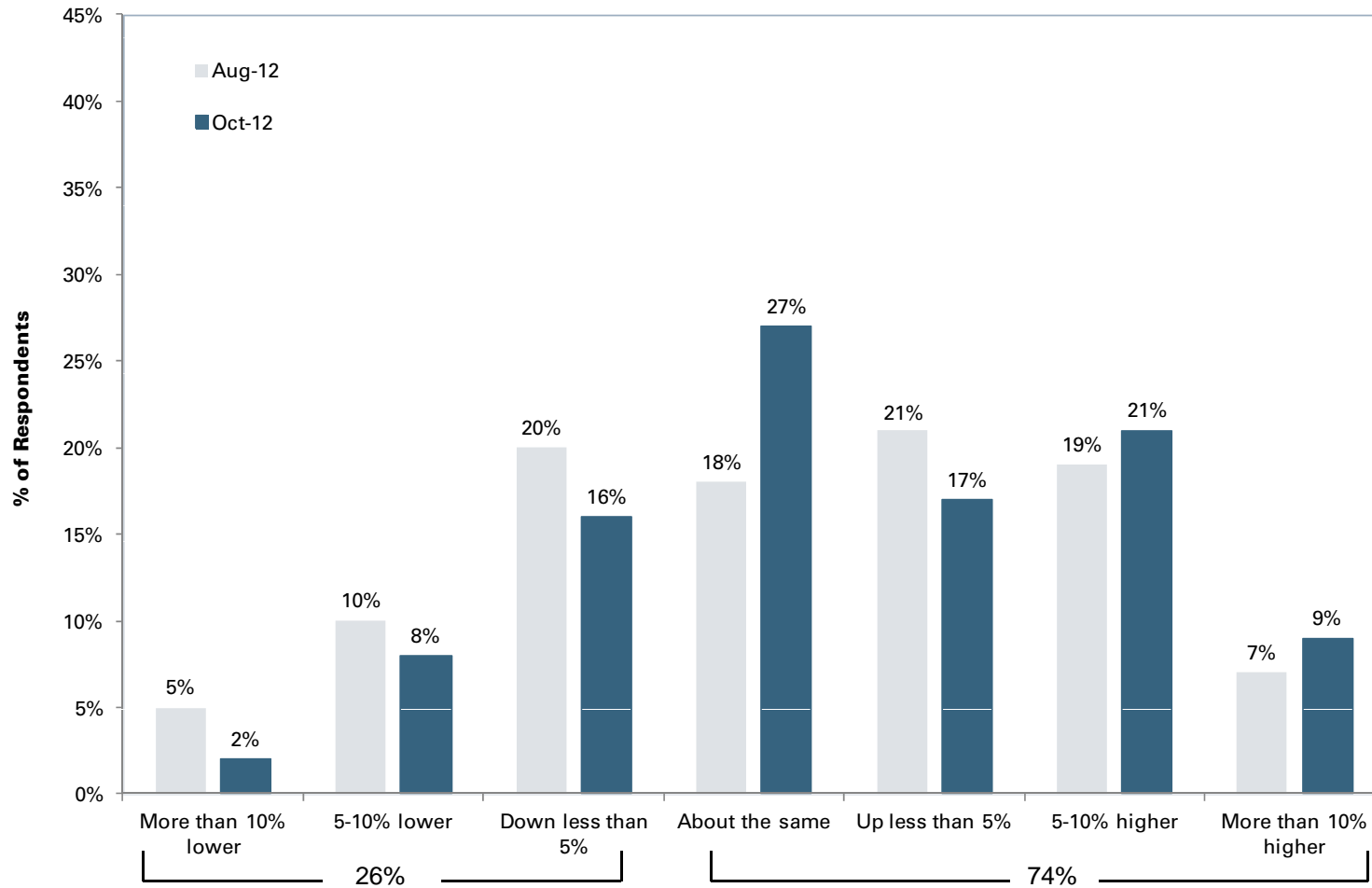
Technology and capital spending have expanded beyond earlier peaks



Source: Federal Reserve Board.

Total IT spending still a source of strength

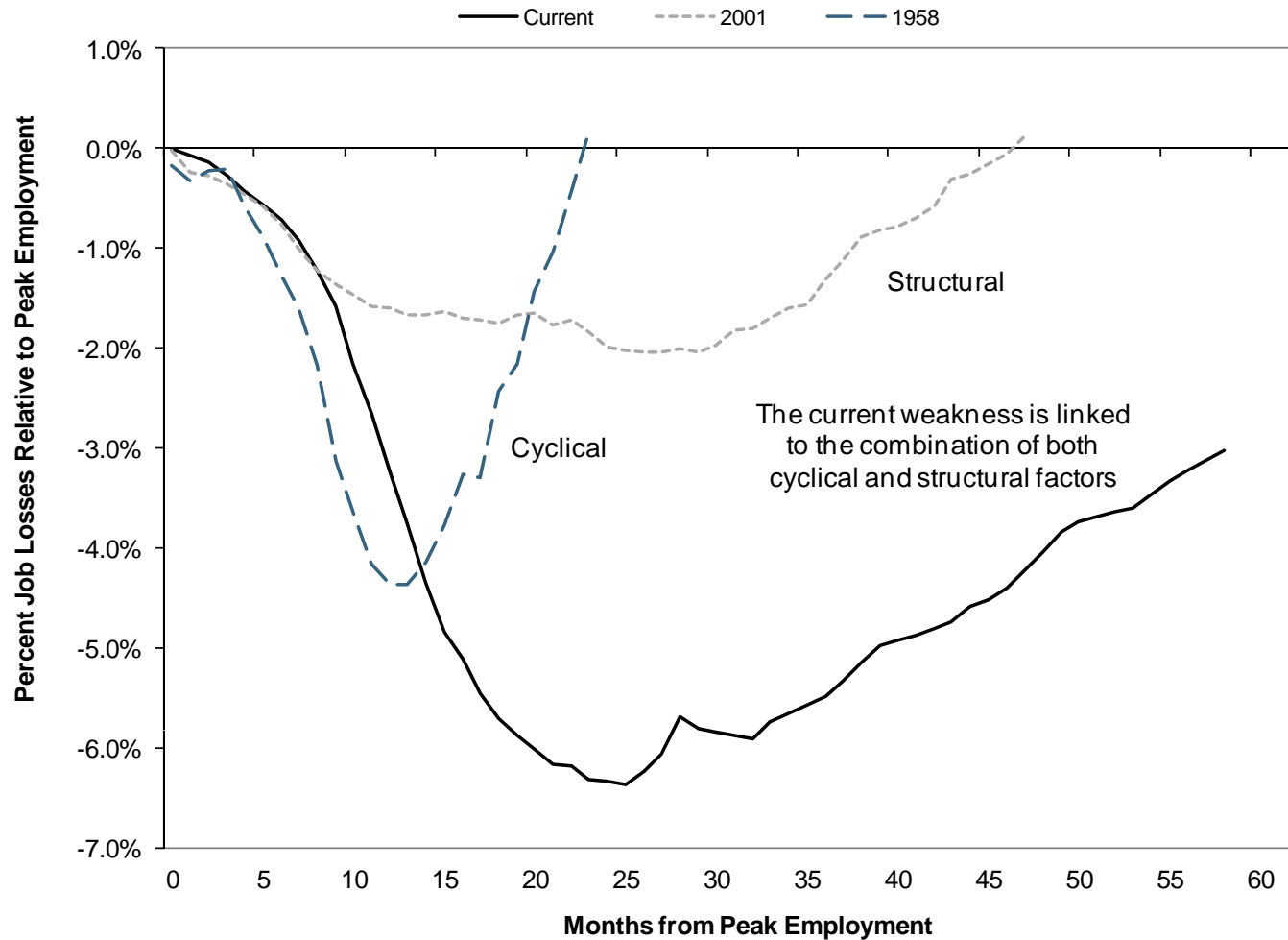
Although somewhat slower than rapid pace of 2011



Note: Due to rounding, totals may not add up to 100 percent.

Source: Goldman Sachs IT Spending Survey, October 2012.

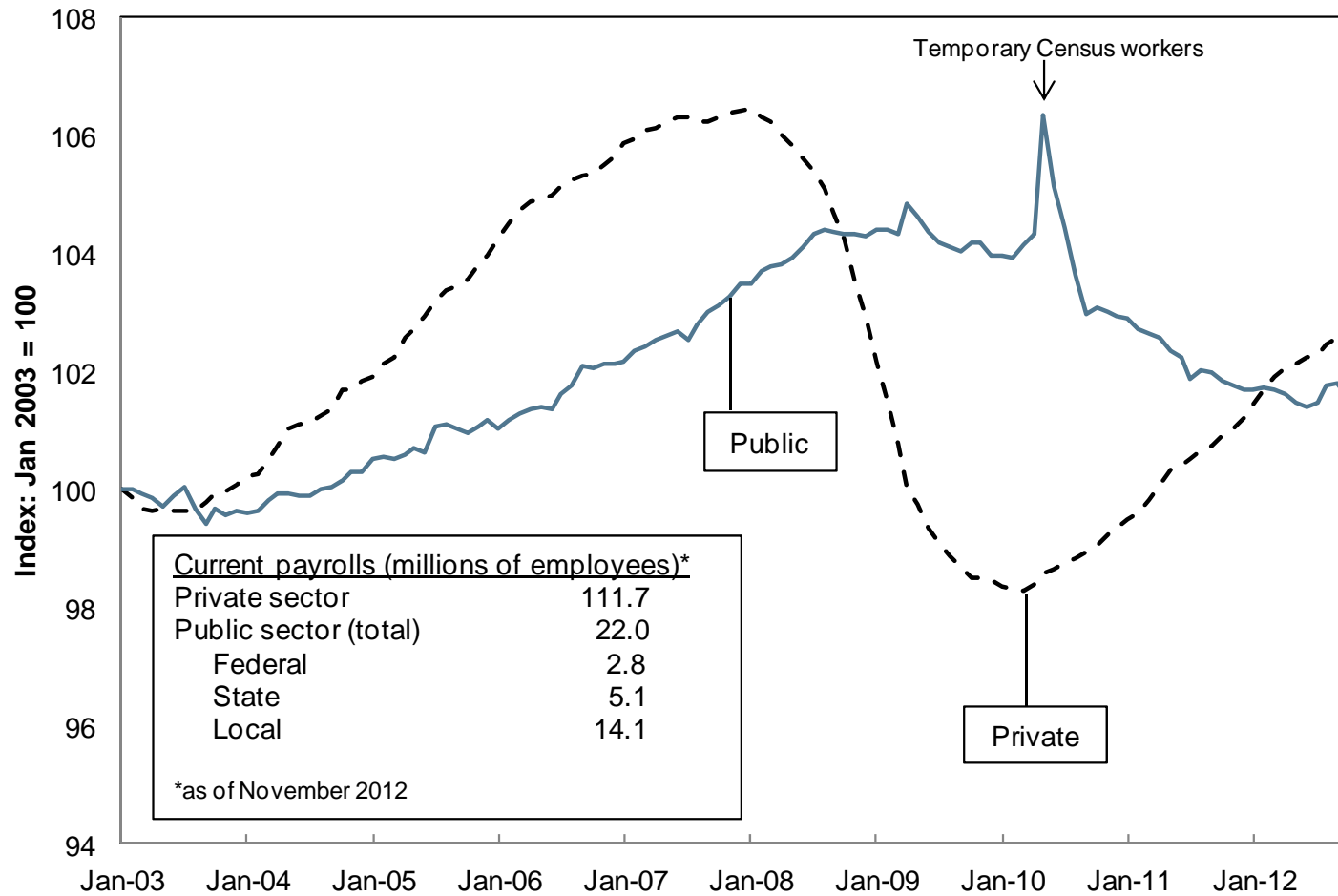
Employment changes during selected recessions and recoveries



Source: Brookings, Bureau of Labor Statistics, Goldman Sachs Global Markets Institute.

Gains in private sector hiring, but reductions in government jobs since early 2010

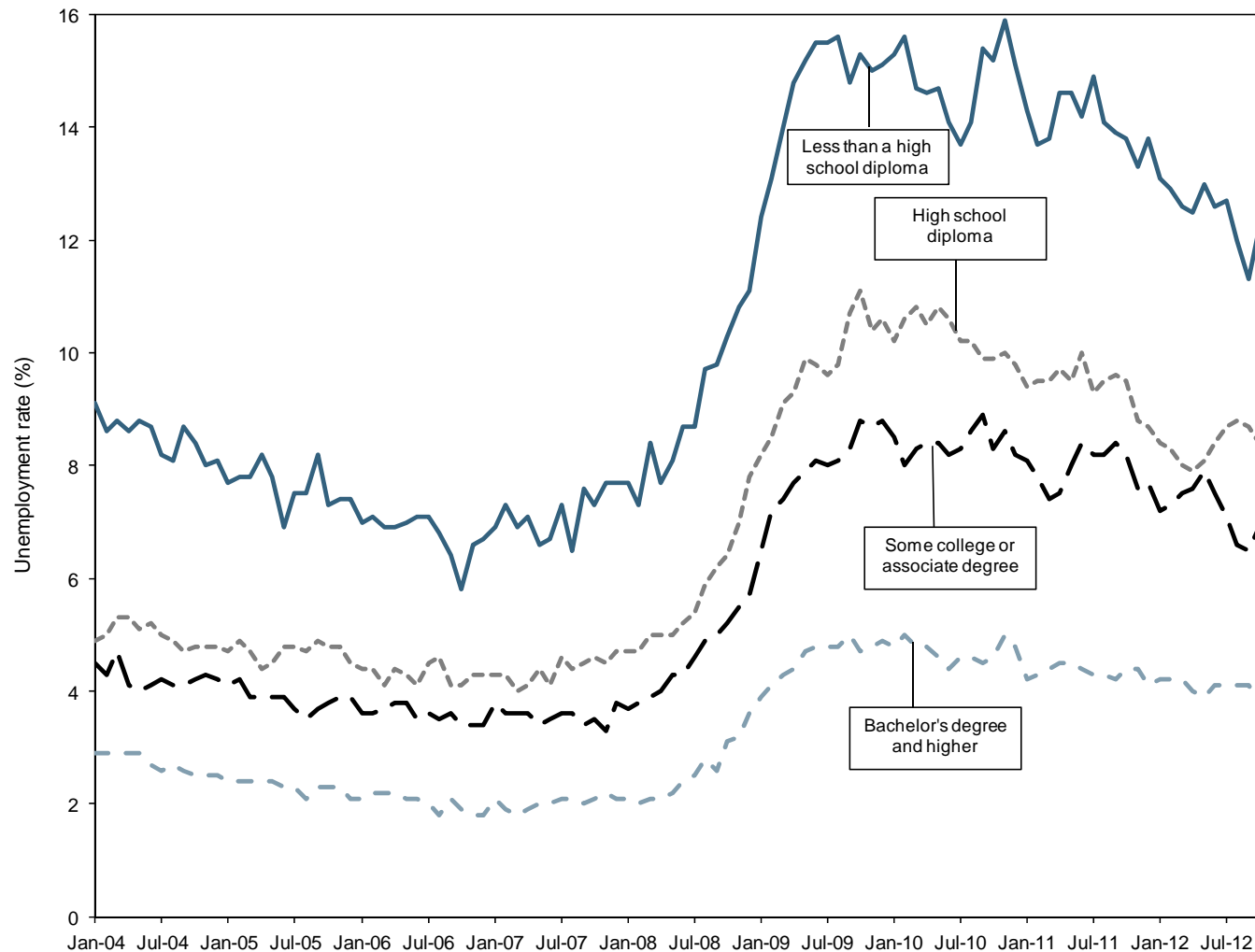
State and local payrolls especially hard-hit



Source: Bureau of Labor Statistics.

Employment gap by education

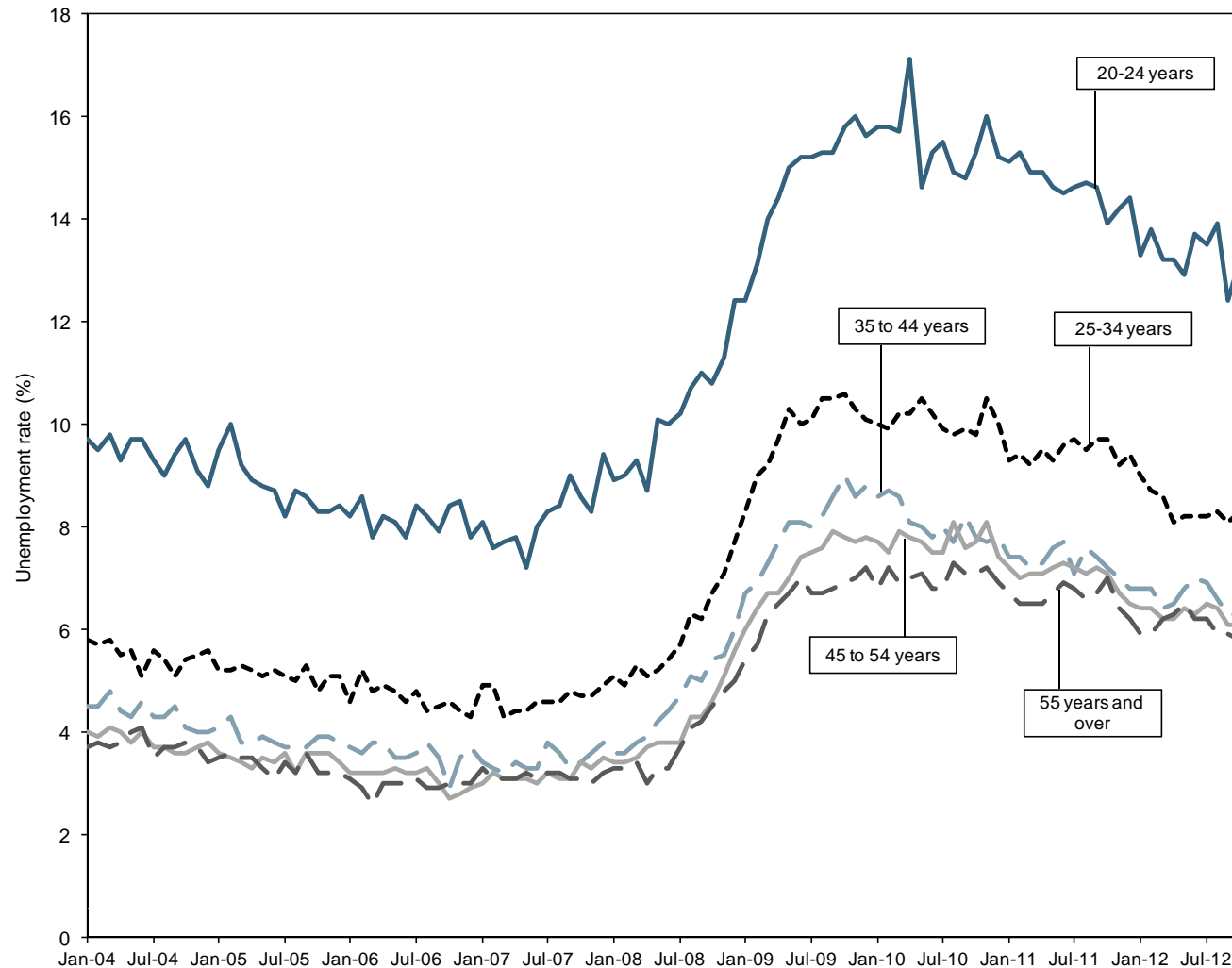
Unemployment rates for adults, 25 years and over



Source: Bureau of Labor Statistics.

Employment gap by age

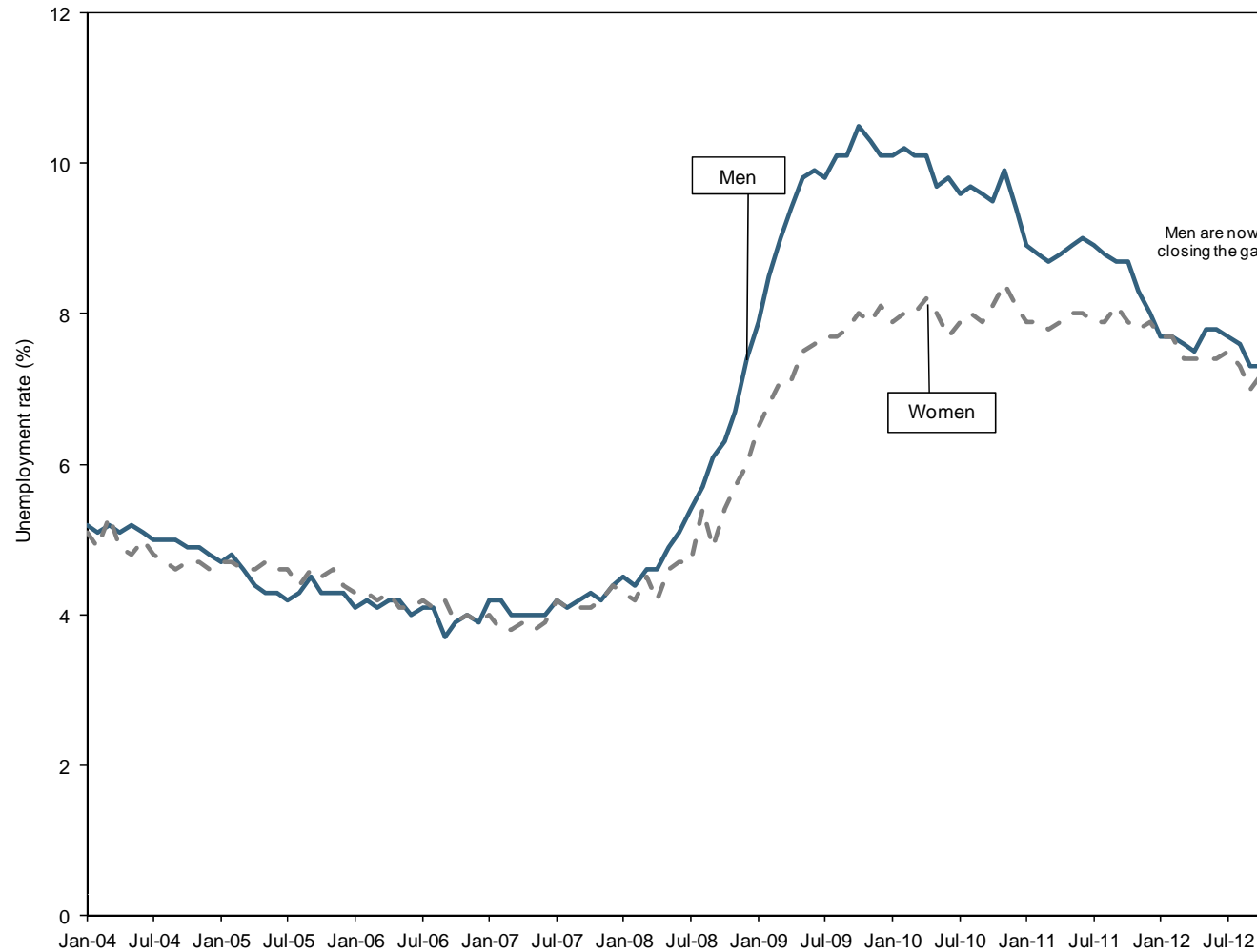
Unemployment rates for adults, 20 years and over



Source: Bureau of Labor Statistics.

Employment gap by gender

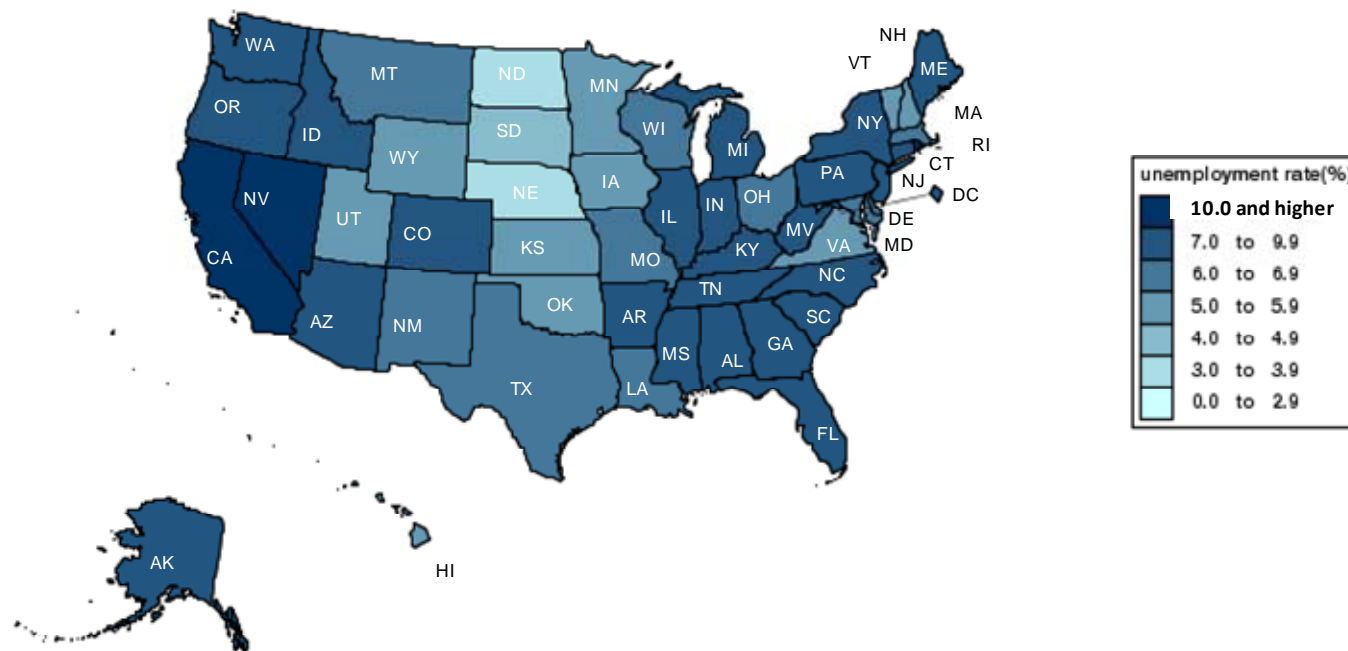
Unemployment rates for adults, 20 years and over



Source: Bureau of Labor Statistics.

Unemployment rates by state

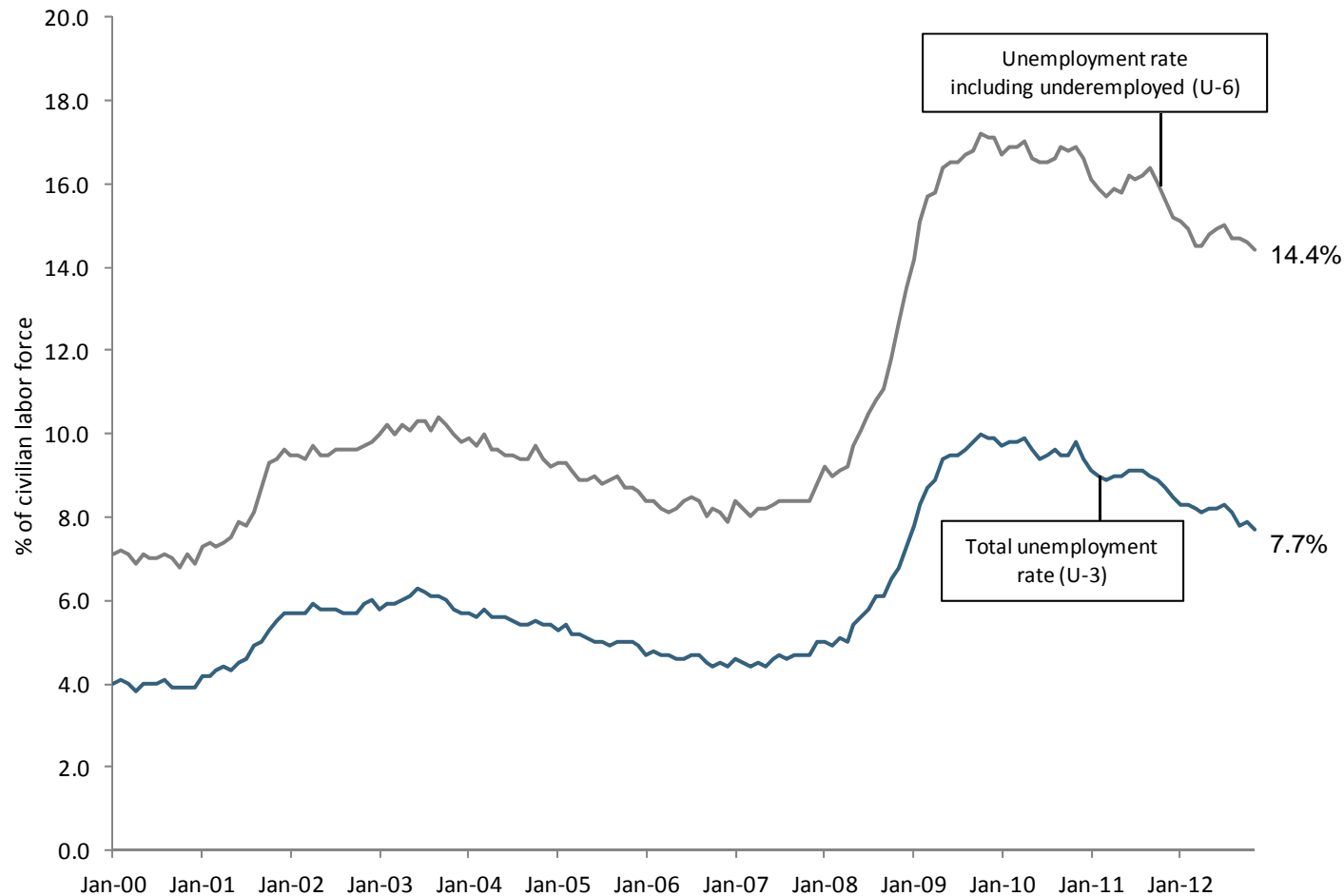
Unemployment rates by State, seasonally adjusted, October 2012



Source: Bureau of Labor Statistics.

Underemployment (U-6) remains at high levels

Wide gap exists between U-6 and U-3, the official unemployment rate

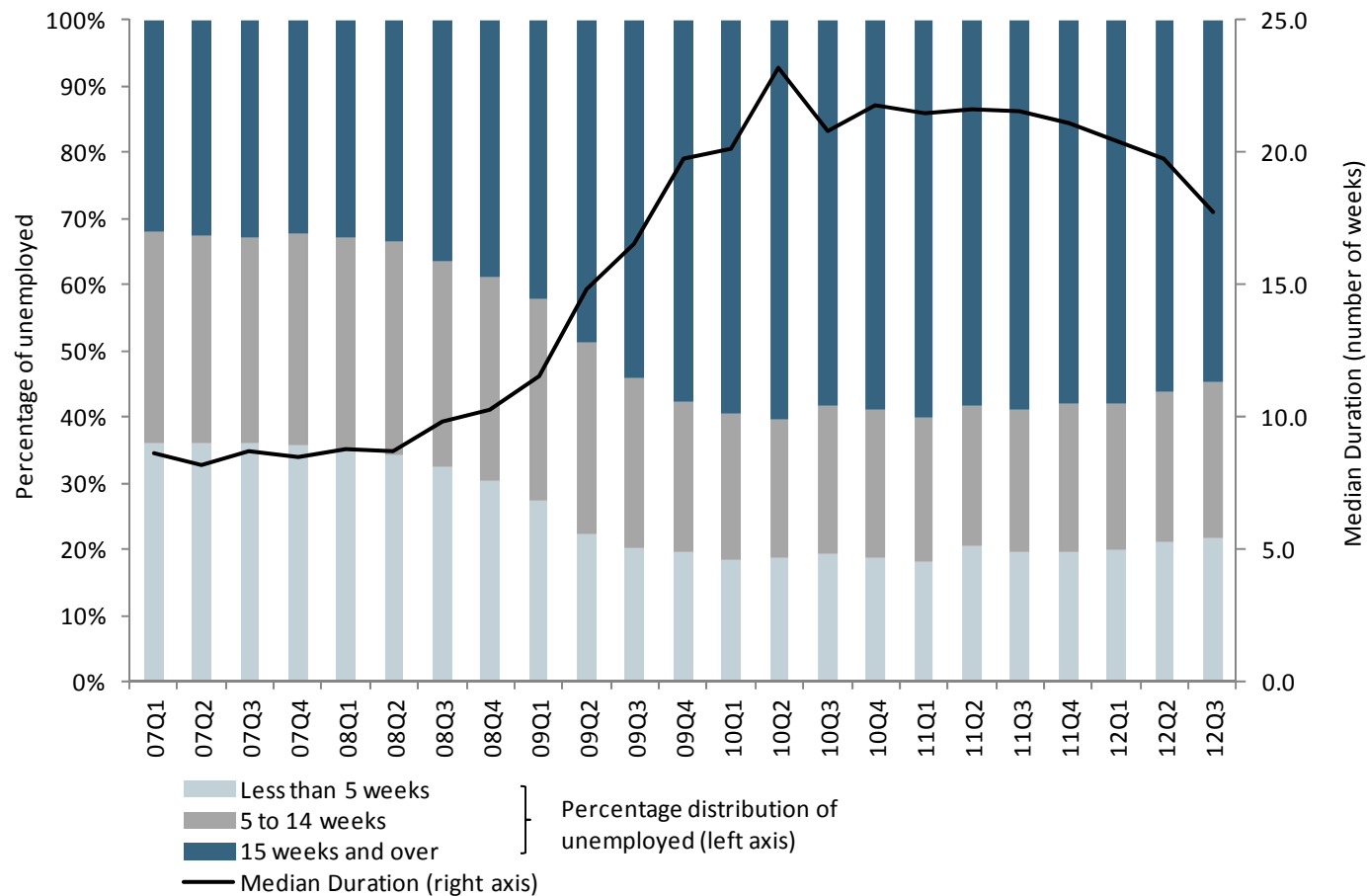


Note: U-3 is the official unemployment rate. U-6 includes the total unemployed, plus all individuals marginally attached to the labor force (for example, those who are currently neither working nor looking for work but indicate that they want and are available for a job), plus those employed part-time for economic reasons.

Source: Bureau of Labor Statistics.

Duration of unemployment has risen

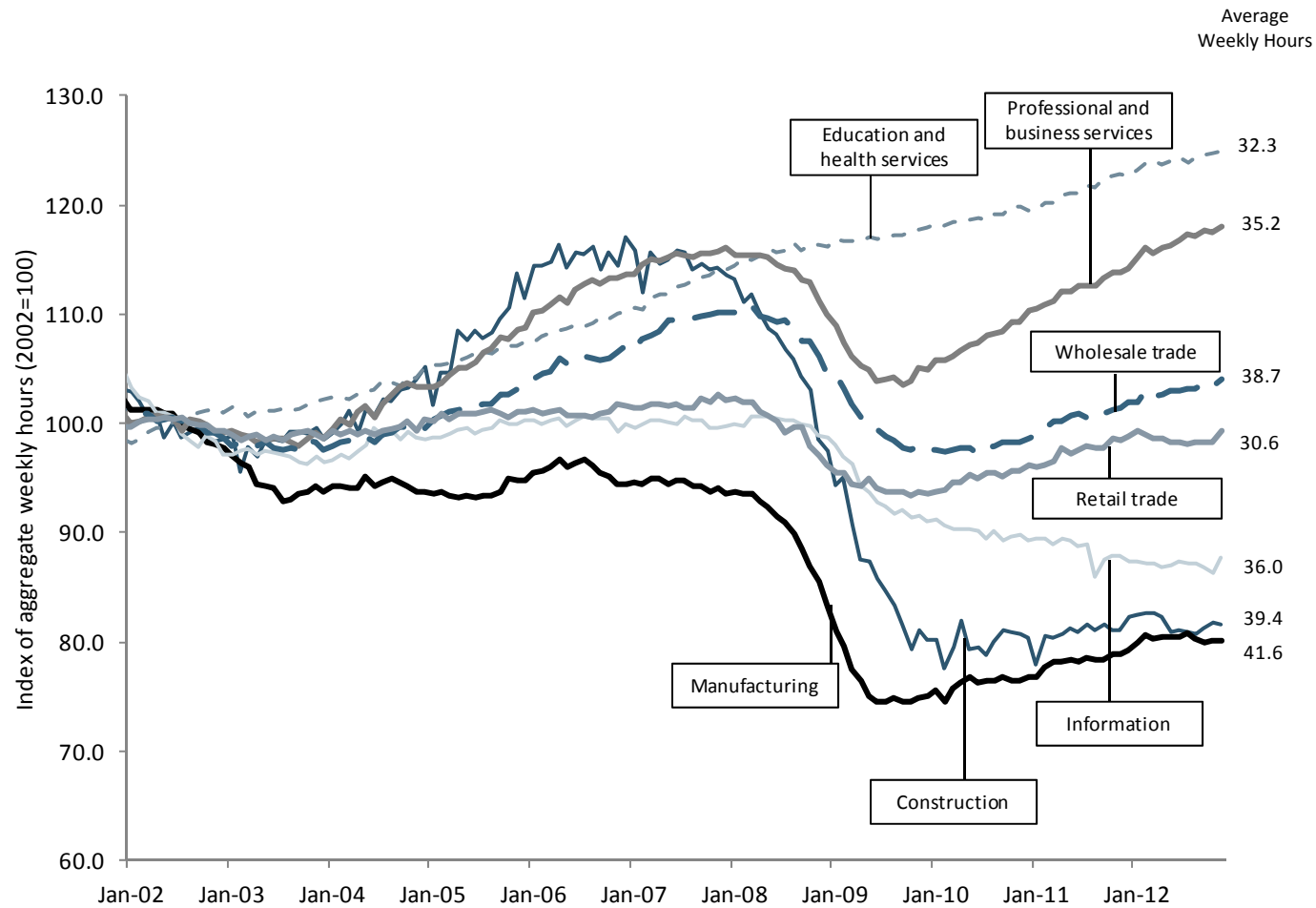
Median duration at 19.6 weeks in October 2012, up from 8.5 weeks in 2007



Source: Bureau of Labor Statistics.

Aggregate weekly hours by industry

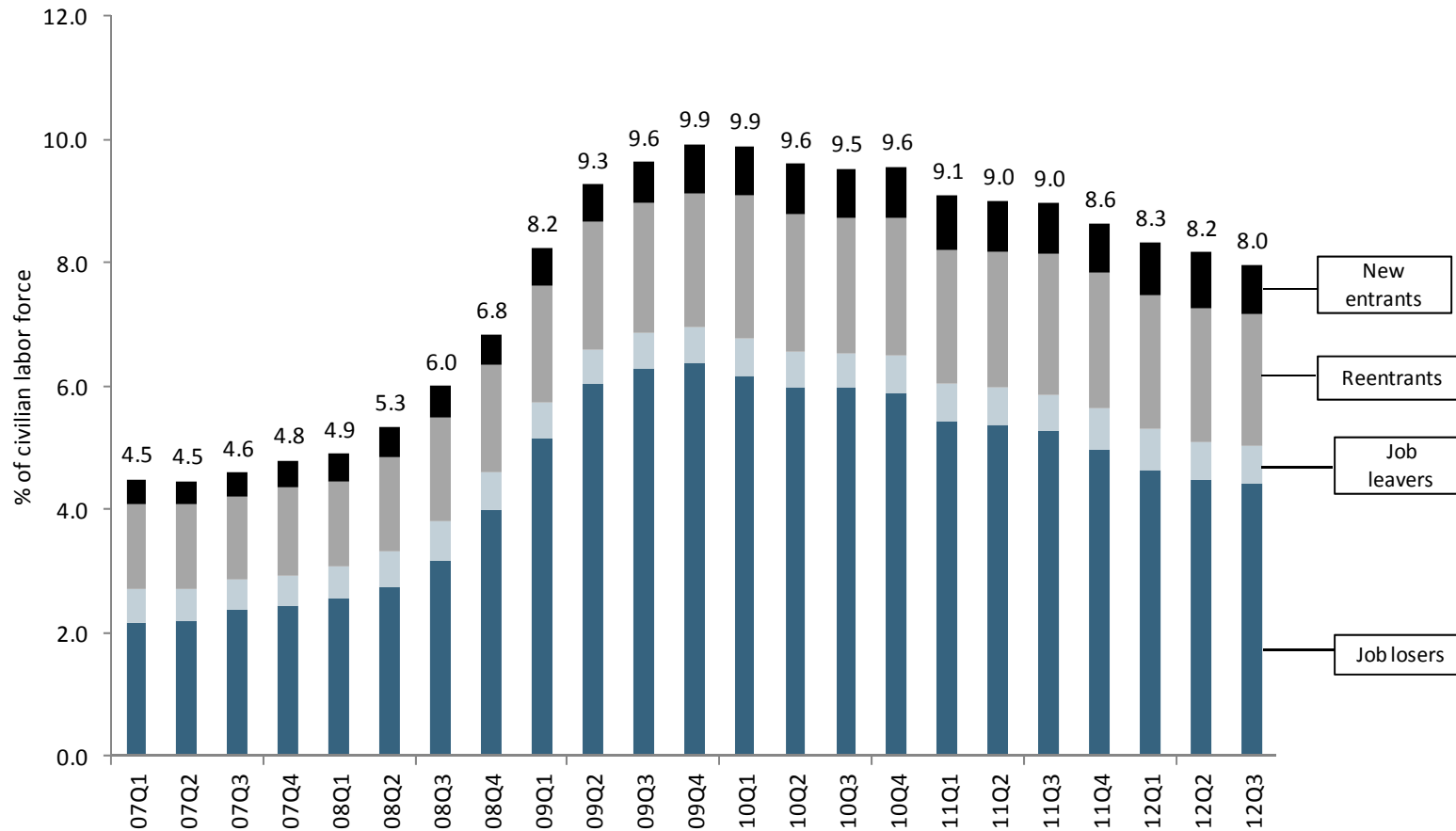
Significant differences in recovery; construction and manufacturing particularly hard-hit



Source: Bureau of Labor Statistics.

Unemployed persons by reason for unemployment

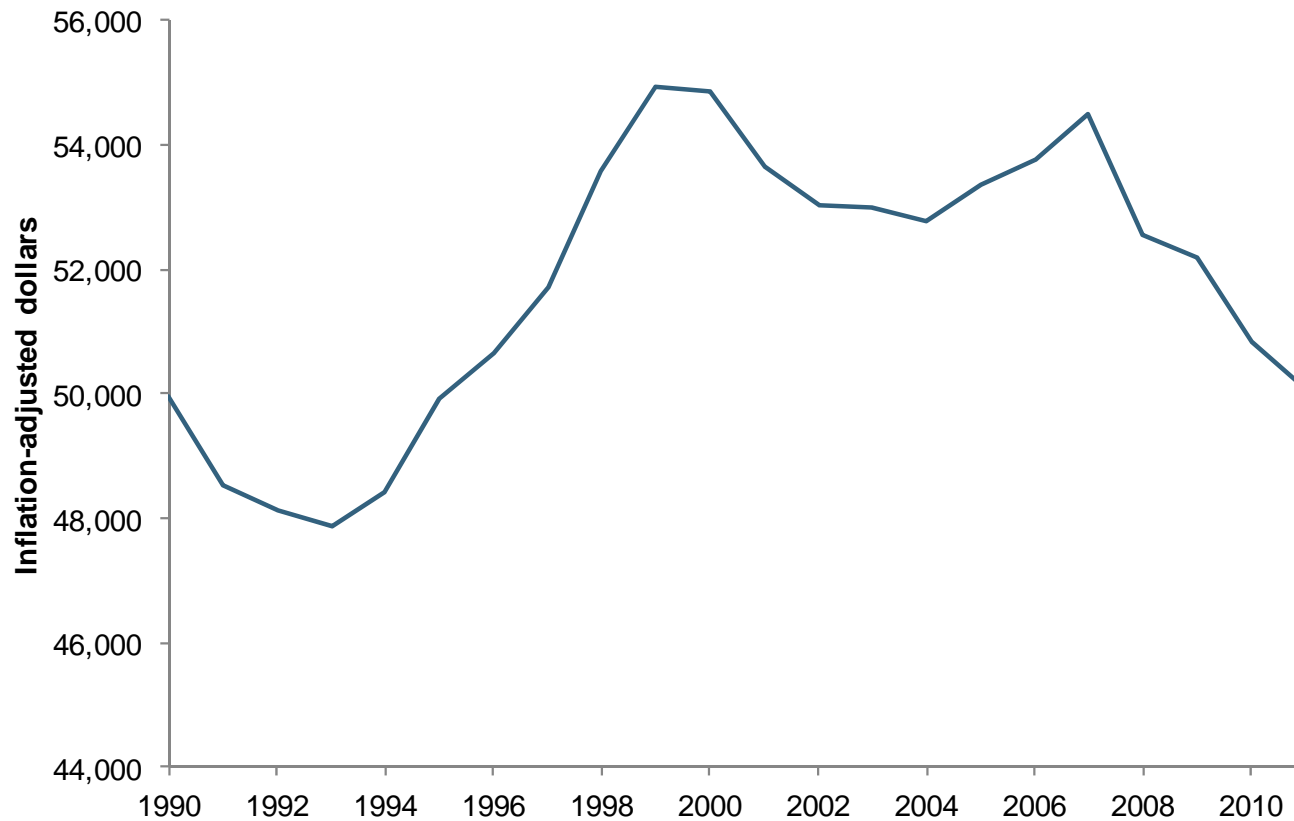
A large percentage of “job losers”



Source: Bureau of Labor Statistics.

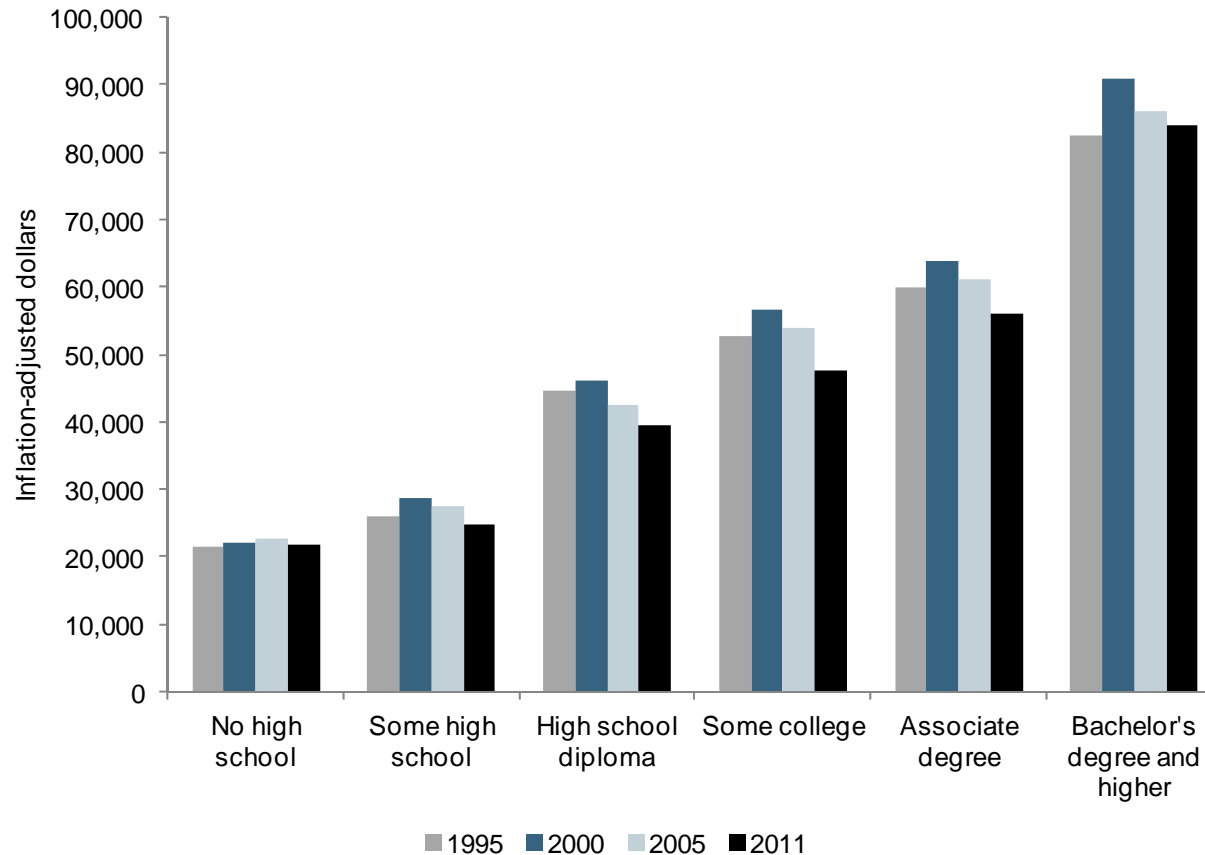
Median household income, inflation adjusted

Trending lower since 2000



Source: Census Bureau.

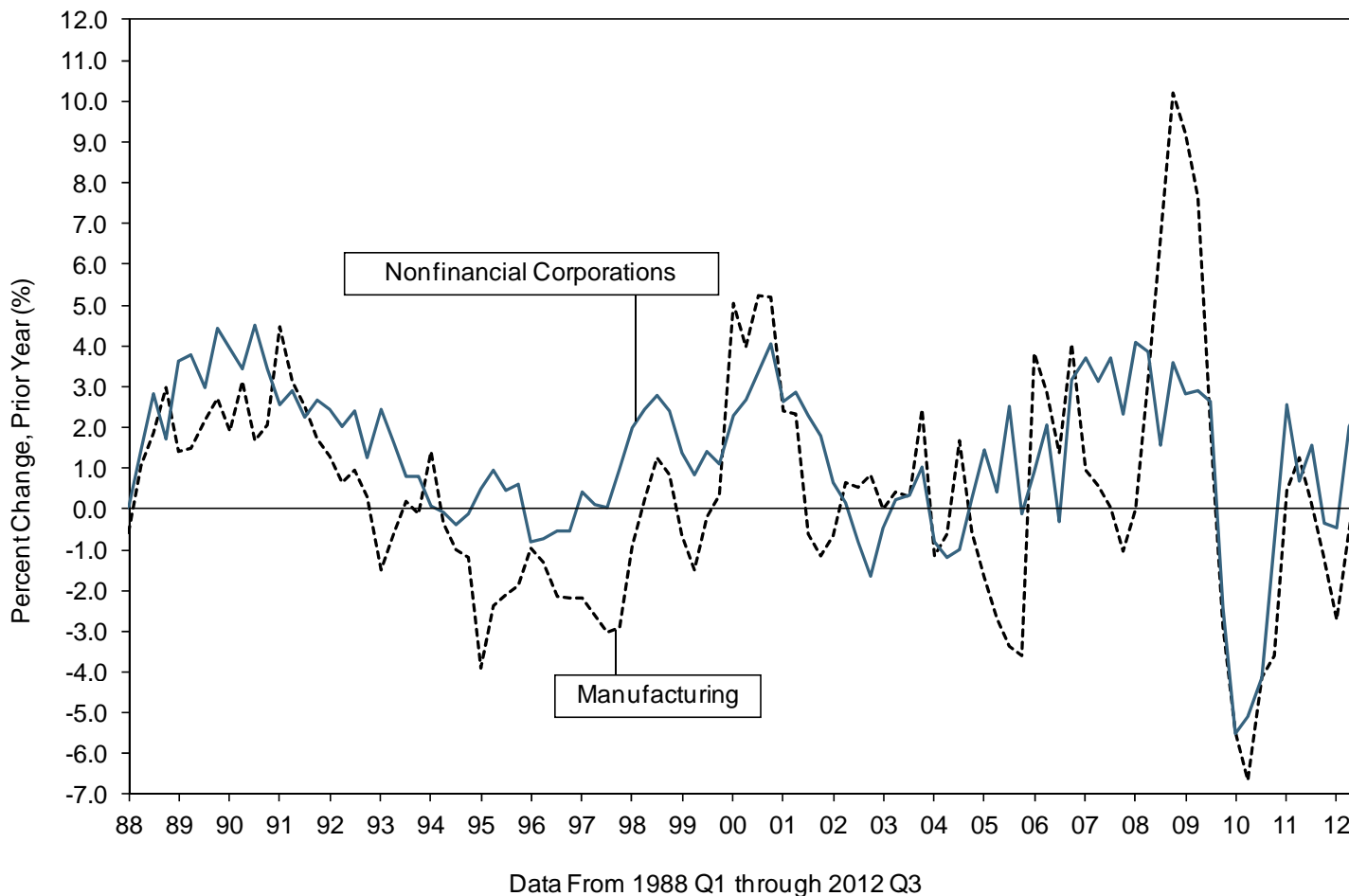
Median household income by educational attainment of head of household



Source: Census Bureau.

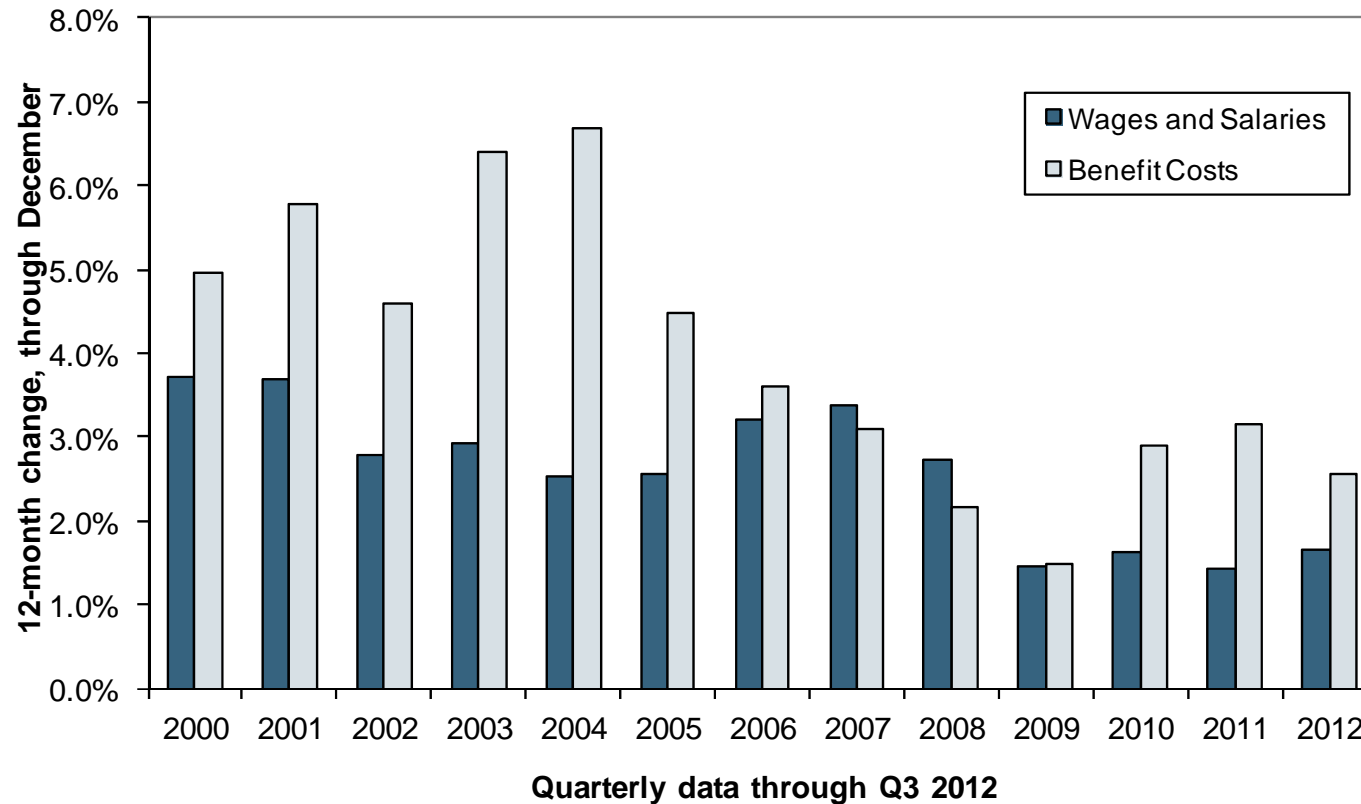
Unit labor costs remain controlled

Productivity growth and modest wage gains keep ULCs from rising in most industries



Source: Bureau of Labor Statistics.

Benefit costs have risen more dramatically than wages and salaries



Source: Bureau of Labor Statistics.

Commodity returns

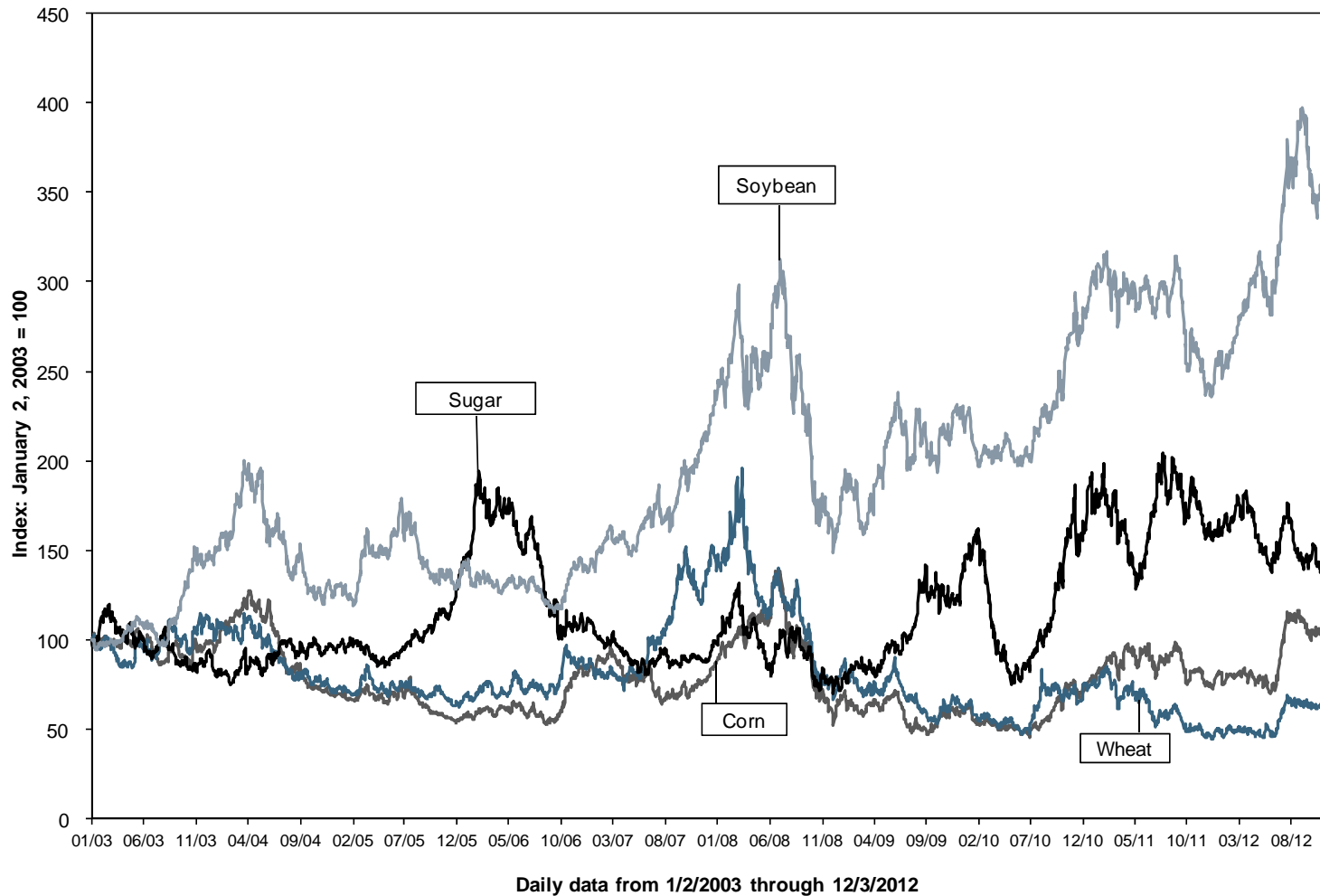
Industrial metals prices rose on BRICs demand; high food prices problematic in some nations



Source: Goldman Sachs Commodity Research.

Many agricultural prices are high; drought in US Midwest

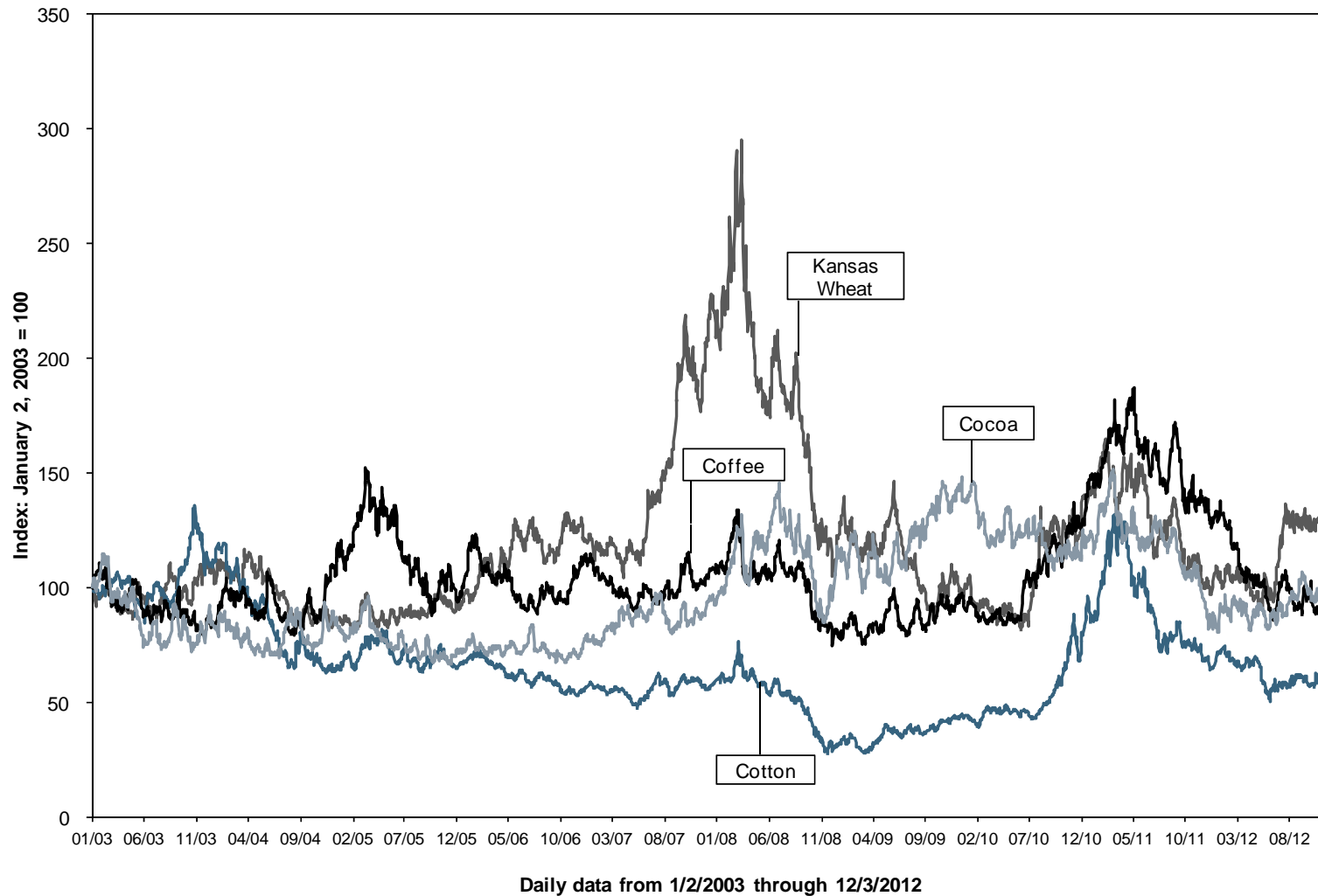
Four largest index components



Source: Goldman Sachs Commodity Research.

Other agricultural prices remain elevated

Additional index components



Source: Goldman Sachs Commodity Research.

Commodity returns and forecasts, S&P GSCI™

Prices likely to increase in response to global demand and supply constraints



	Current Weight (%)	Returns (%)							12-Month Forward Forecast
		2006	2007	2008	2009	2010	2011	2012*	
S&P GSCI	100.0	(15.1)	36.2	(41.1)	10.3	6.3	(1.5)	(2.4)	27.0
Energy	68.1	(26.8)	44.8	(45.9)	7.3	(1.0)	4.1	(5.7)	33.0
Ind. Metals	6.9	60.9	(5.3)	(48.9)	73.8	14.7	(22.3)	0.3	22.0
Prec. Metals	3.7	24.1	28.0	0.5	25.5	31.6	6.4	7.5	19.5
Agriculture	16.4	13.3	36.6	(23.4)	3.6	31.8	(15.5)	11.1	9.0
Livestock	4.9	(6.7)	1.2	(26.5)	(16.1)	10.9	0.3	(5.6)	7.5

* As of 12/3/2012.

Source: Goldman Sachs Commodity Research.

Global growth outlook

Global GDP projected at 3.0% in 2012, with recession in Europe

(\$ Billions)

	2011 GDP	Growth Rates						
		2008	2009	2010	2011	2012(E)	2013(E)	2014(E)
US	15,076	(0.3) %	(3.1) %	2.4 %	1.8 %	2.2 %	1.9 %	2.9 %
Eurozone	12,993	0.3	(4.3)	1.9	1.5	(0.4)	(0.2)	0.9
Germany	3,572	0.8	(5.1)	4.0	3.1	1.0	0.8	1.9
France	2,753	(0.2)	(3.1)	1.6	1.7	0.2	0.0	0.6
Italy	2,181	(1.2)	(5.5)	1.8	0.6	(2.0)	(0.8)	0.6
Japan	5,788	(1.0)	(5.5)	4.5	(0.8)	1.7	0.3	1.1
United Kingdom	2,393	(1.0)	(4.0)	1.8	0.9	(0.1)	1.4	2.0
China	7,318	9.6	9.2	10.4	9.3	7.6	8.1	8.4
Canada	1,736	0.7	(2.8)	3.2	2.4	1.9	2.2	2.5
Brazil	2,426	5.2	(0.3)	7.5	2.7	1.5	3.8	4.3
Mexico	1,159	1.2	(6.0)	5.3	3.9	3.9	3.6	3.8
Korea	1,116	2.3	0.3	6.3	3.6	2.3	3.4	4.0
Australia	1,484	2.5	1.4	2.5	2.1	3.5	2.7	2.9

Source: Goldman Sachs Economics Research.

Global inflation outlook

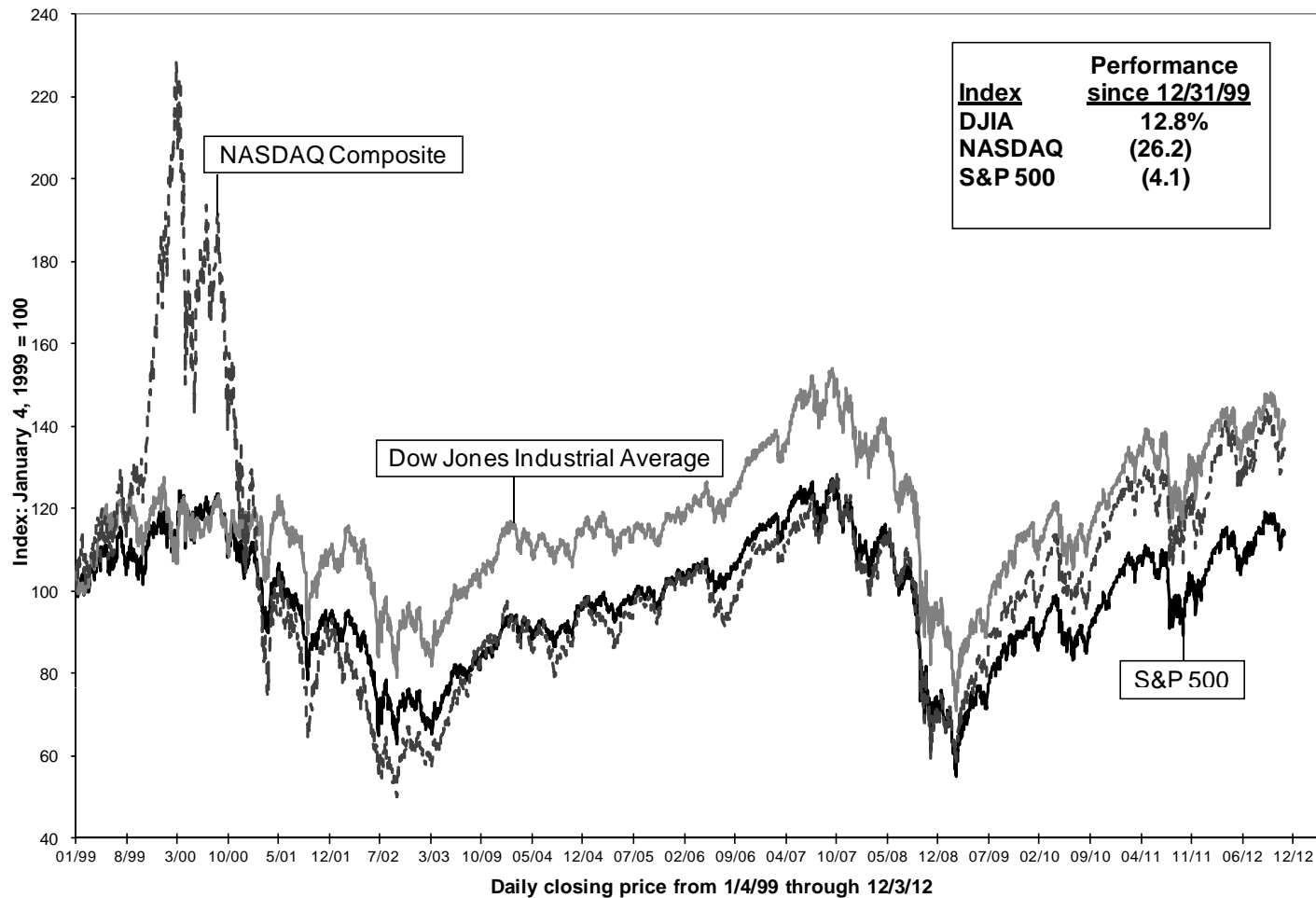
Core inflation under control in developed economies due to spare capacity; inflation is down in BRICs in 2012



	Consumer Prices (% change, yoy)						
	2008	2009	2010	2011	2012(E)	2013(E)	2014(E)
US	3.8 %	(0.3) %	1.6 %	3.1 %	2.4 %	2.0 %	1.7 %
Eurozone	3.3	0.3	1.6	2.7	2.5	2.0	1.7
Germany	2.8	0.2	1.2	2.5	2.1	2.0	2.2
France	3.2	0.1	1.7	2.3	2.3	1.7	1.8
Italy	3.5	0.8	1.6	2.9	3.3	2.0	1.6
Japan	1.4	(1.3)	(0.7)	(0.3)	0.0	0.1	1.9
United Kingdom	3.6	2.2	3.3	4.5	2.8	2.6	1.9
China	5.9	(0.7)	3.3	5.4	2.6	3.0	3.6
Canada	2.4	0.3	1.8	2.9	1.6	1.7	2.0
Brazil	5.7	4.9	5.0	6.6	5.4	5.3	5.3
Mexico	5.1	5.3	4.2	3.4	4.2	3.7	3.6
Korea	4.7	2.8	2.9	4.0	2.3	2.7	3.0
Australia	4.4	1.8	2.9	3.3	1.9	3.0	2.7

Source: Goldman Sachs Economics Research.

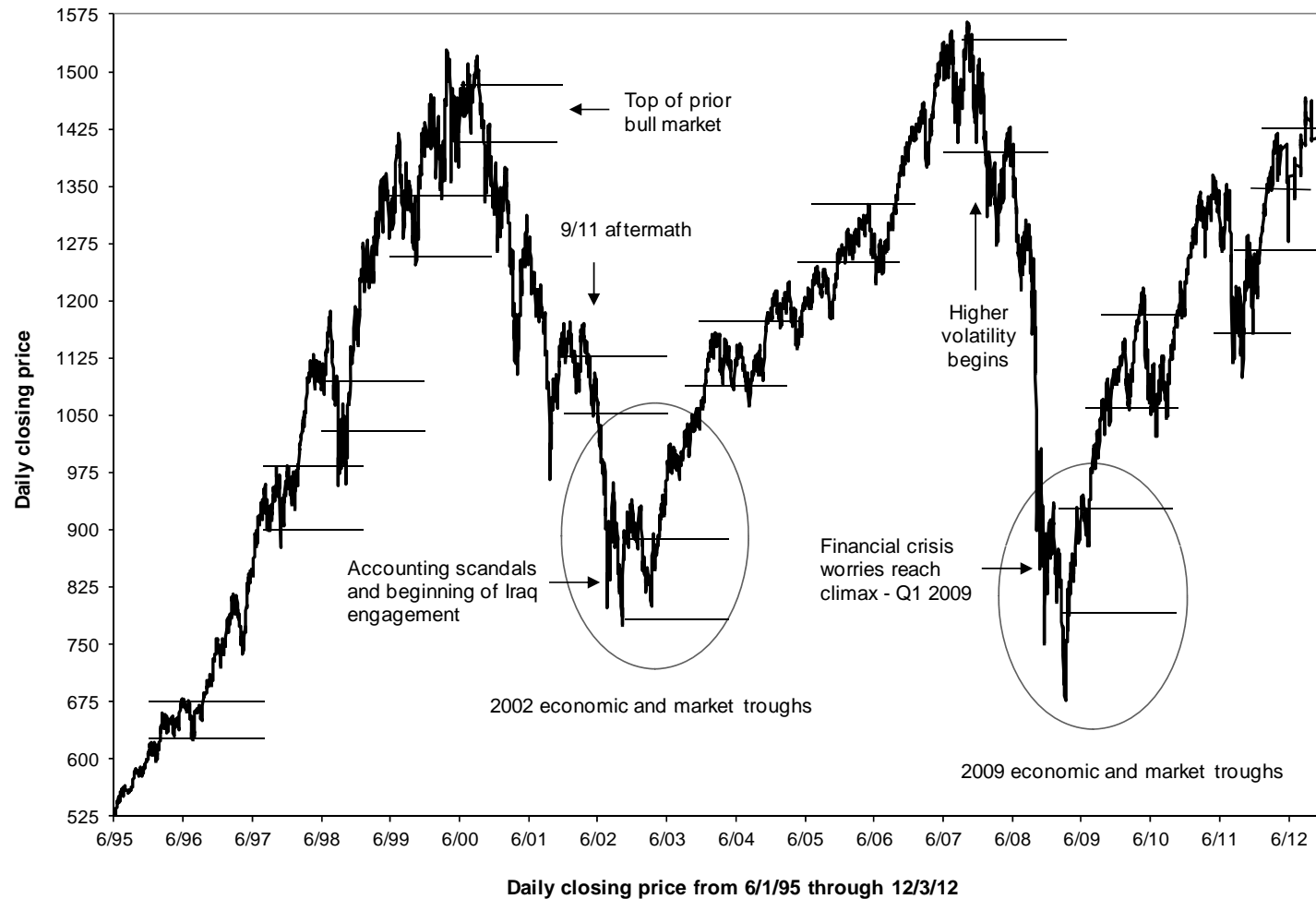
US stock prices approach levels seen in 2007; valuation is better now Volatility remains above historical norms



Source: Standard & Poor's, Dow Jones, National Association of Securities Dealers Inc.

S&P 500 performance: Staircase pattern

June 1995 – December 2012



Source: Standard & Poor's, FactSet, Goldman Sachs Global Markets Institute.

GDP and profits are substantially higher than at prior stock market peak

	2000 Q1	2012 Q4	2000 Q1 - 2012 Q4 % Change
Nominal GDP, \$ billions	\$9,709.50	\$15,962.40	64.4 %
S&P 500 Operating Earnings, per share	54.18	100.00	84.6
S&P 500 Price	1,498.58	1,409.46 (a)	(5.9)

(a) Closing price as of 12/3/2012.

Source: Goldman Sachs Portfolio Strategy Research, Standard & Poor's.

Inflation and P/E multiples^(a)

The S&P 500 now at 13.4X 2013 estimated median EPS



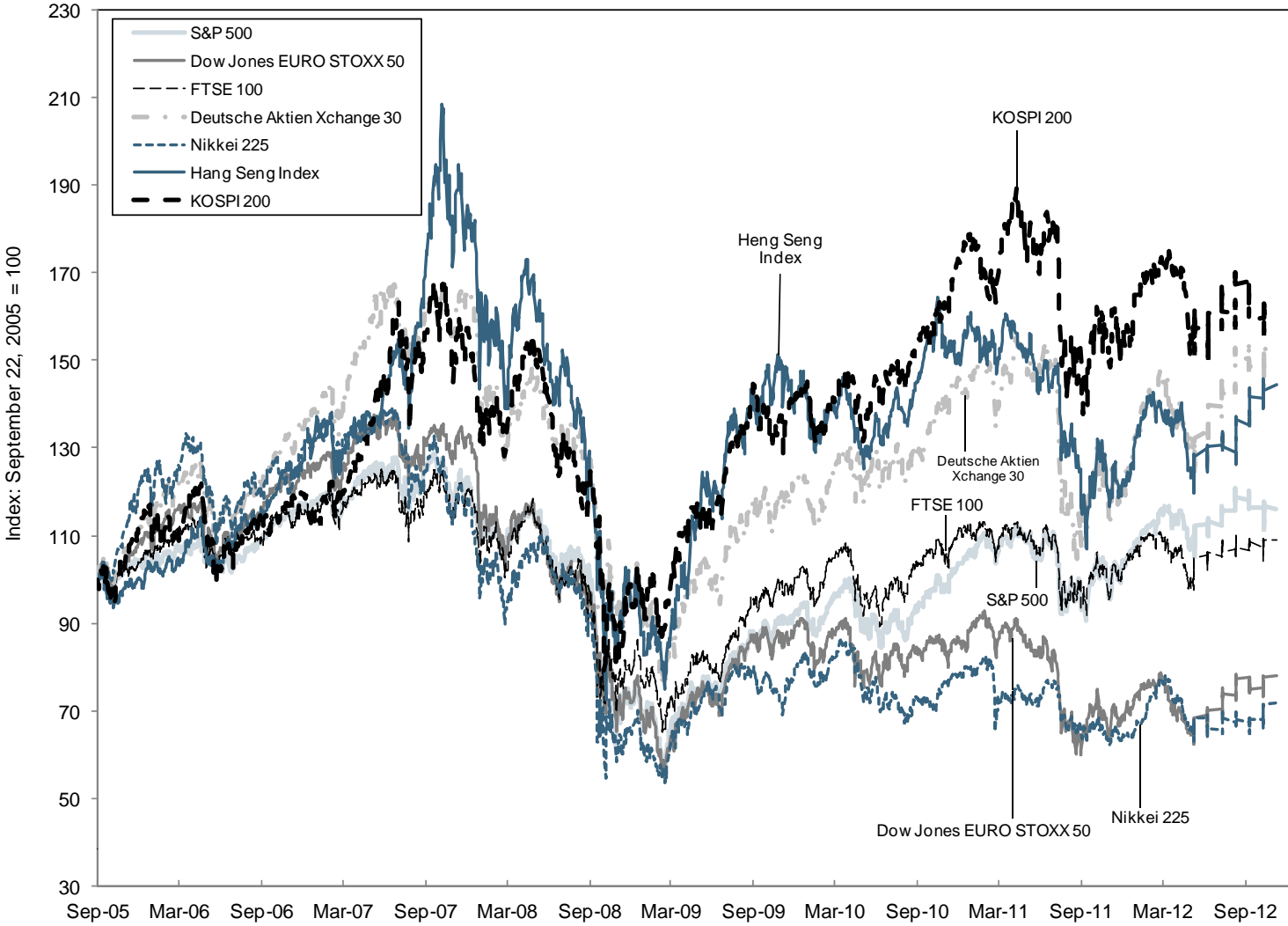
Inflation	Average S&P 500 P/E
Less than 2.5%	18.6 X
2.5% - 3.5%	17.6
3.5% - 4.5%	12.1
4.5% - 5.5%	14.2
5.5% - 6.5%	12.8
6.5% - 7.5%	10.0
Greater than 7.5%	8.6

(a) For the period 1950-2007

Source: Standard & Poor's, US Department of Labor, Goldman Sachs Global Markets Institute.

Share price performance for major indices

Significant divergences have emerged



Source: FactSet.

Annual share price performance for major indices



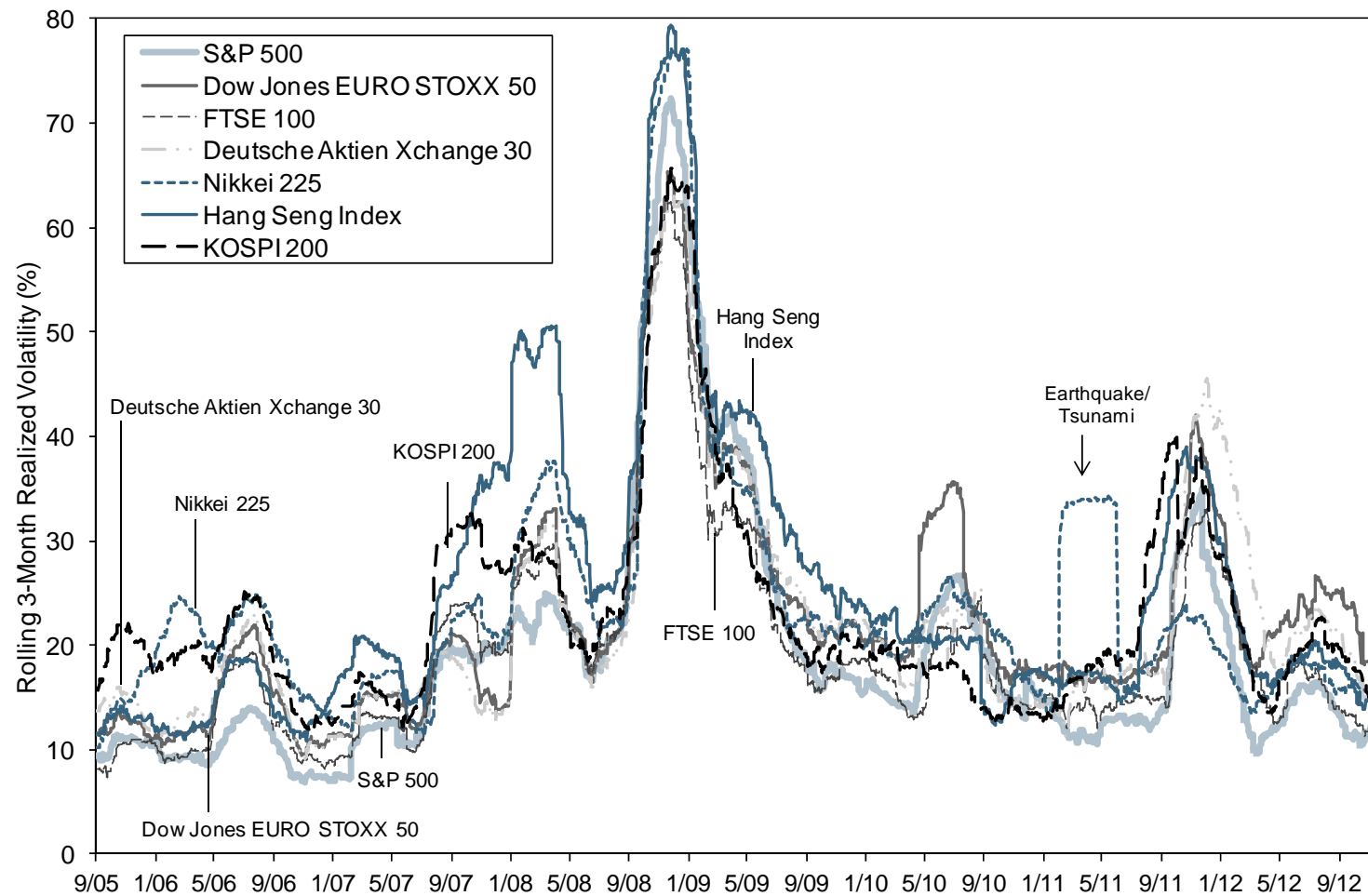
	2006	2007	2008	2009	2010	2011	2012 YTD*
S&P 500	13.6 %	3.5 %	(38.5) %	23.5 %	12.8 %	(0.0) %	12.1 %
Dow Jones EURO STOXX 50	15.1	6.8	(44.4)	21.1	(5.8)	(17.1)	11.5
FTSE 100	10.7	3.8	(31.3)	22.1	9.0	(5.6)	5.4
Deutsche Aktien Xchange 30	22.0	22.3	(40.4)	23.8	16.1	(14.7)	26.1
Nikkei 225	6.9	(11.1)	(42.1)	19.0	(3.0)	(17.3)	11.9
Hang Seng Index	34.2	39.3	(48.3)	52.0	5.3	(20.0)	7.3
KOSPI 200	4.5	30.1	(39.3)	51.6	22.2	(12.2)	18.1

* As of 12/3/2012.

Source: FactSet.

Realized volatility for major indices

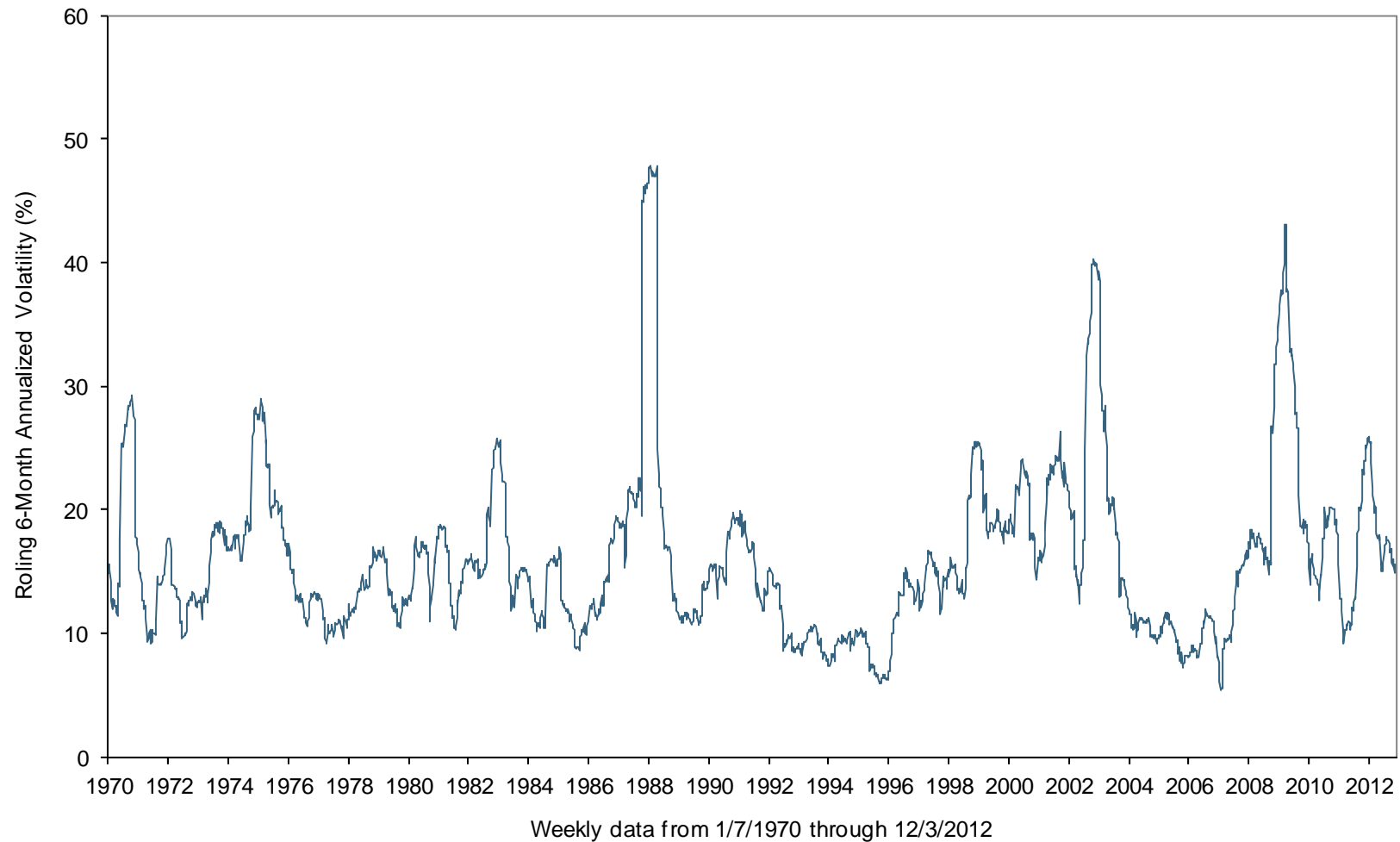
Volatility sharply declined following Euro-zone worries in late 2011; may return as worries resume



Source: Goldman Sachs Options Research.

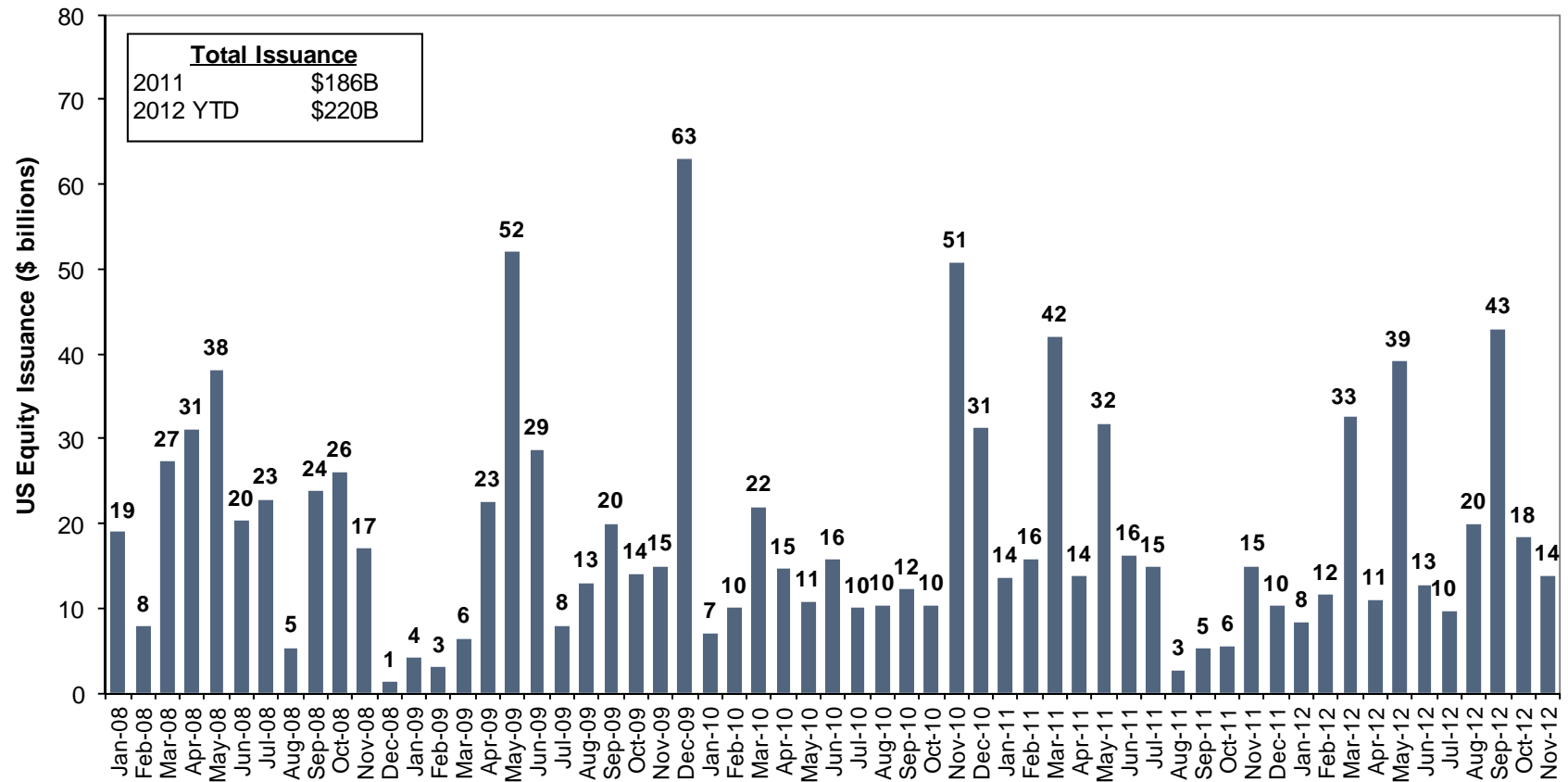
Volatility of the S&P 500 above historical norm

Global worries remain on Europe, government policy and economic deceleration



Source: Goldman Sachs Equity Derivatives Research.

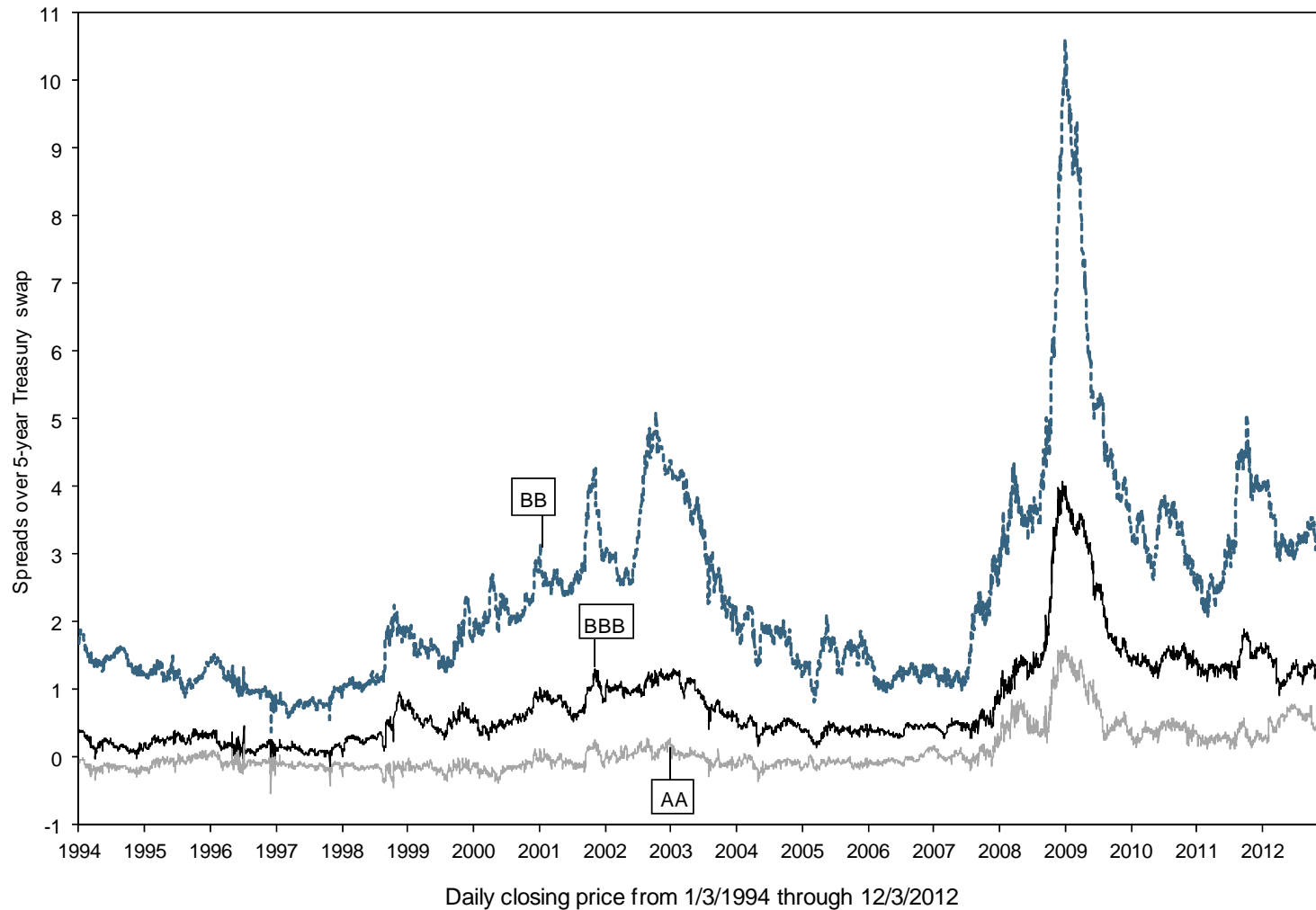
Equity issuance in 2011 hurt by high volatility and low P/Es; improvement in 2012



Source: Dealogic, Goldman Sachs Global Markets Institute.

Corporate bond spreads in motion

Spreads are again narrowing with increased demand from investors for yield



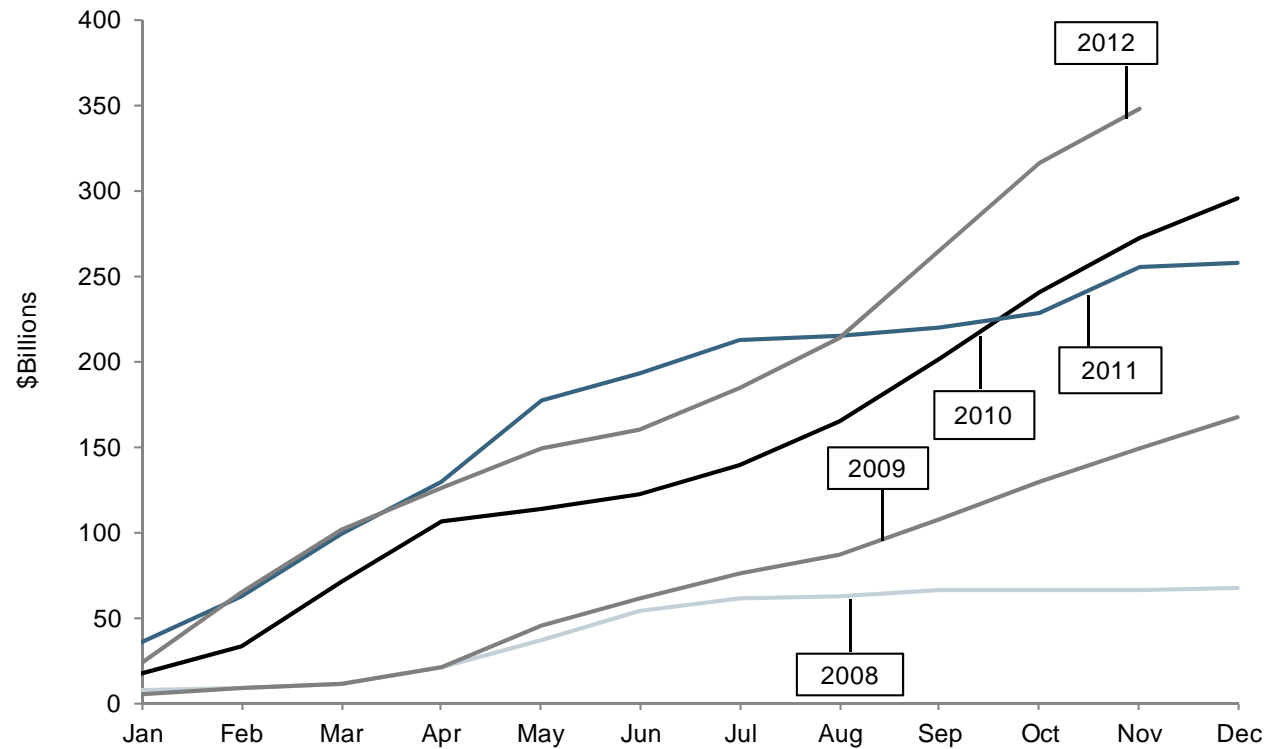
Source: Bloomberg, Goldman Sachs Credit Strategy.

High yield issuance at robust pace in 2010-2012

Corporations are taking advantage of historically low borrowing rates; bank lending improving but still lackluster



HY issuance

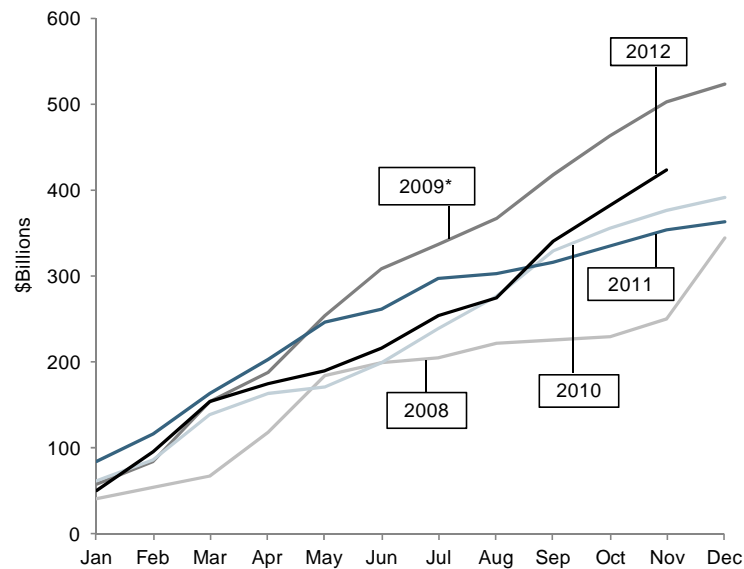


Source: Goldman Sachs Credit Strategy, Dealogic.

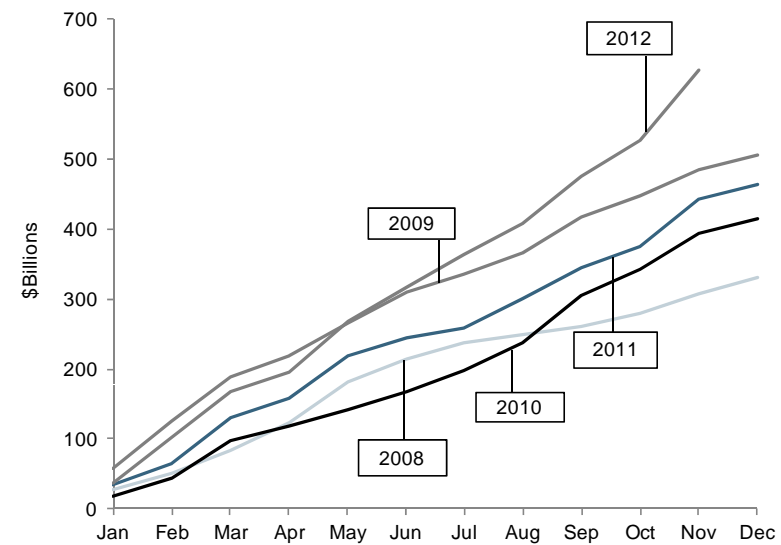
Bond issuance encouraged by historically low yields

But IG issuers already have strong balance sheets with ample cash

IG Financials



IG Non-financials

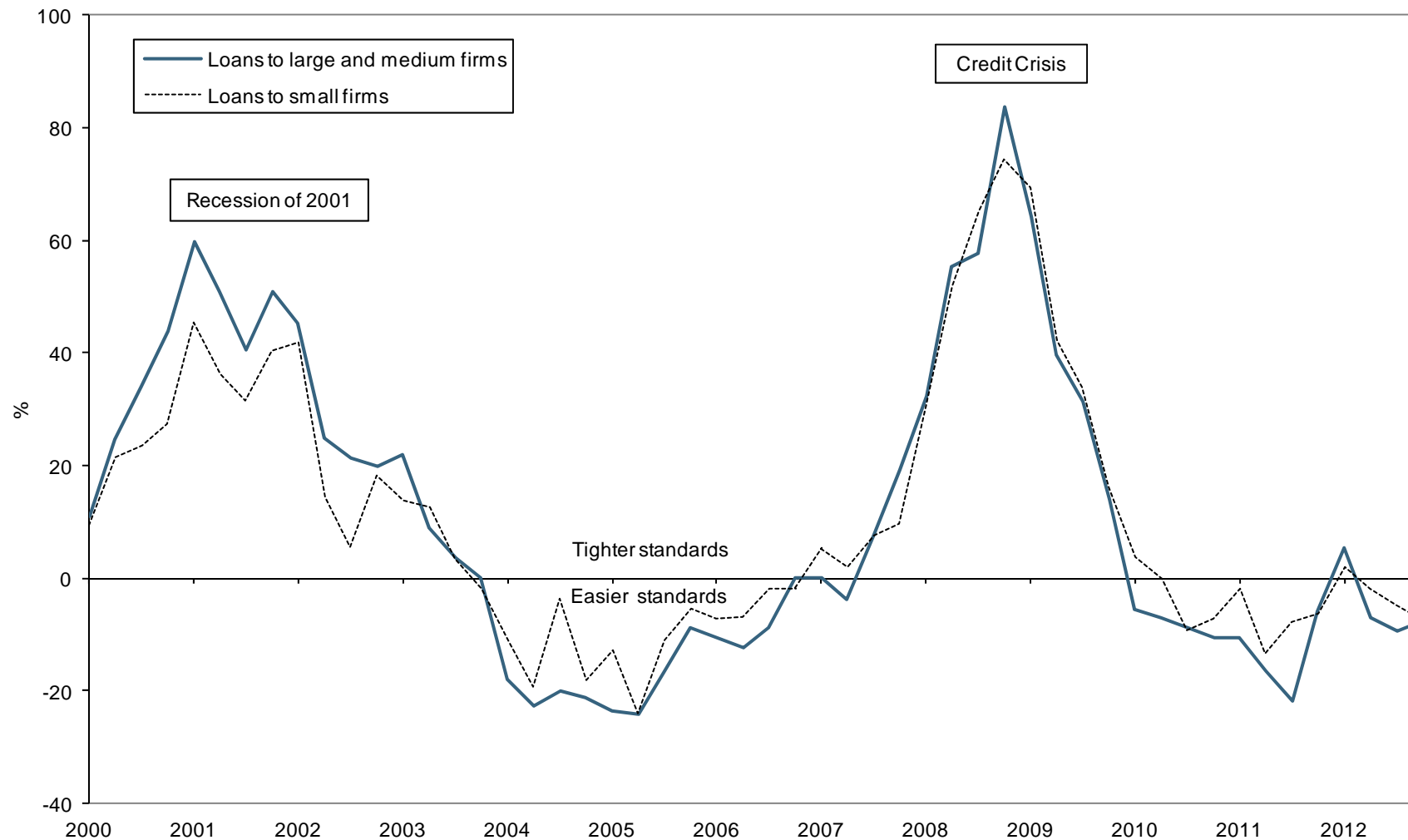


* Linked to post-stress test recapitalizations

Source: Goldman Sachs Credit Strategy, Dealogic.

Trends in credit standards

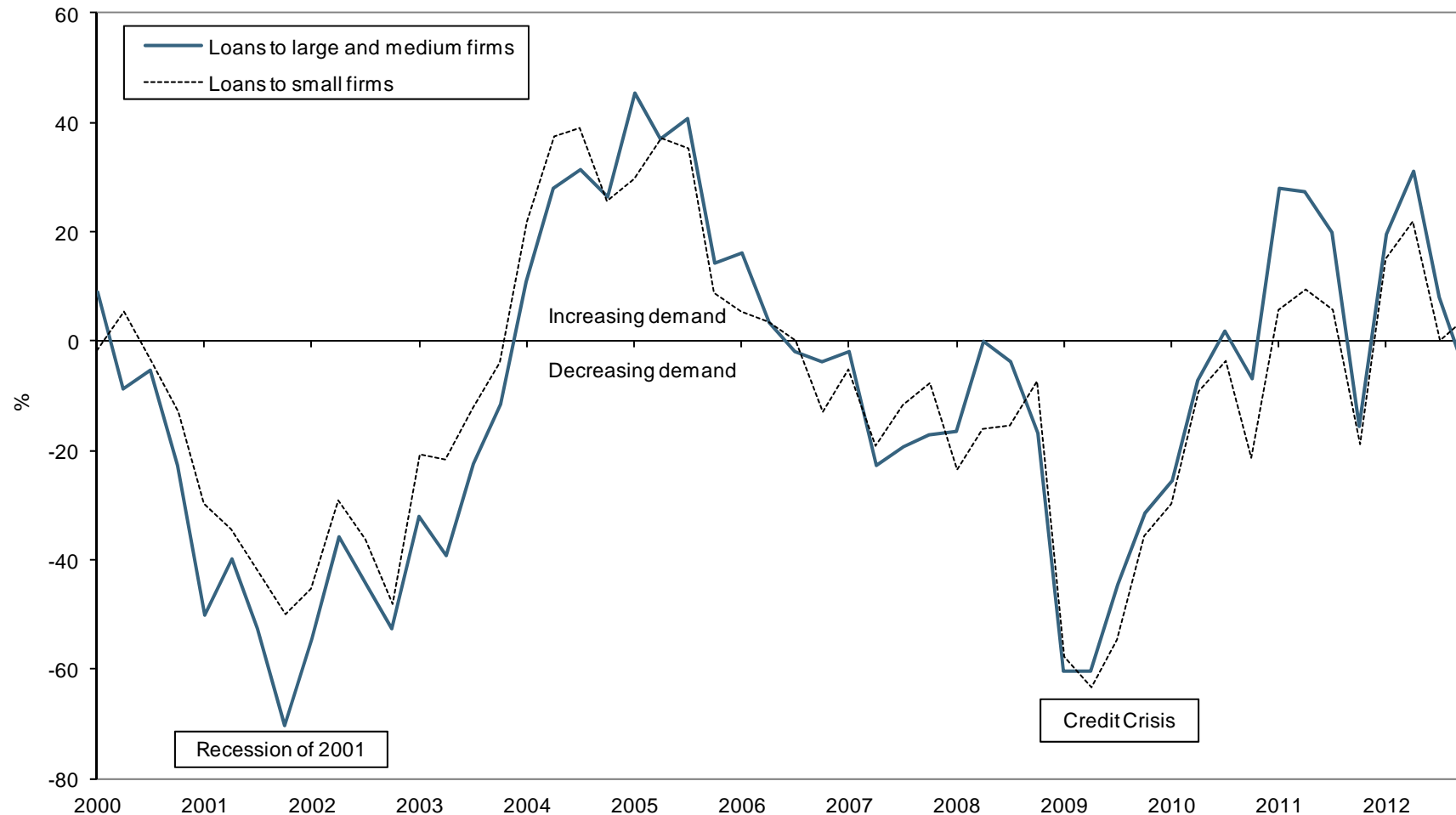
Surveyed banks reporting that standards for C&I loans have been easing modestly from stringent levels



Source: Federal Reserve Board Senior Loan Officer Opinion Survey, October 2012.

Trends in credit lending

Surveyed banks reporting that demand for C&I loans has been mixed with stronger demand from large and middle market firms



Source: Federal Reserve Board Senior Loan Officer Opinion Survey, October 2012.

Reasons cited by banks for easing credit standards for C&I loans

Increased competition encourages more lending



Reasons	January 2012	April 2012	July 2012	October 2012
More aggressive competition from other banks or nonbank lenders	2.45	2.49	2.40	2.50
More favorable or less uncertain economic outlook	1.27	1.46	1.28	1.29
Increased risk tolerance	1.17	1.26	1.18	1.37
Increased liquidity in the secondary market	1.23	1.23	1.15	1.27
Improving conditions in borrower's industry	1.14	1.20	1.10	1.20

1 = not important

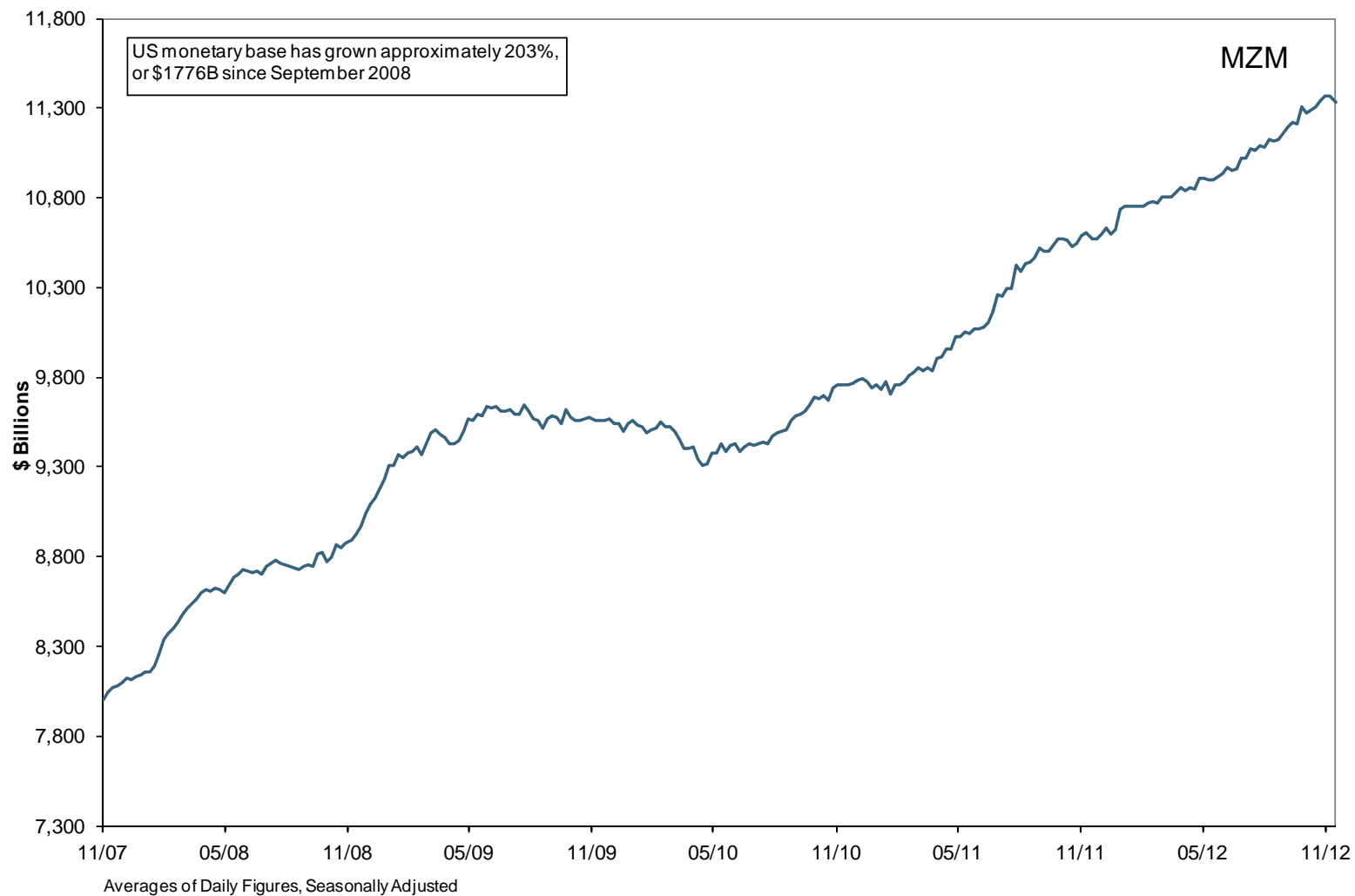
2 = somewhat important

3 = very important

Source: Federal Reserve Board Senior Loan Officer Opinion Survey, October 2012.

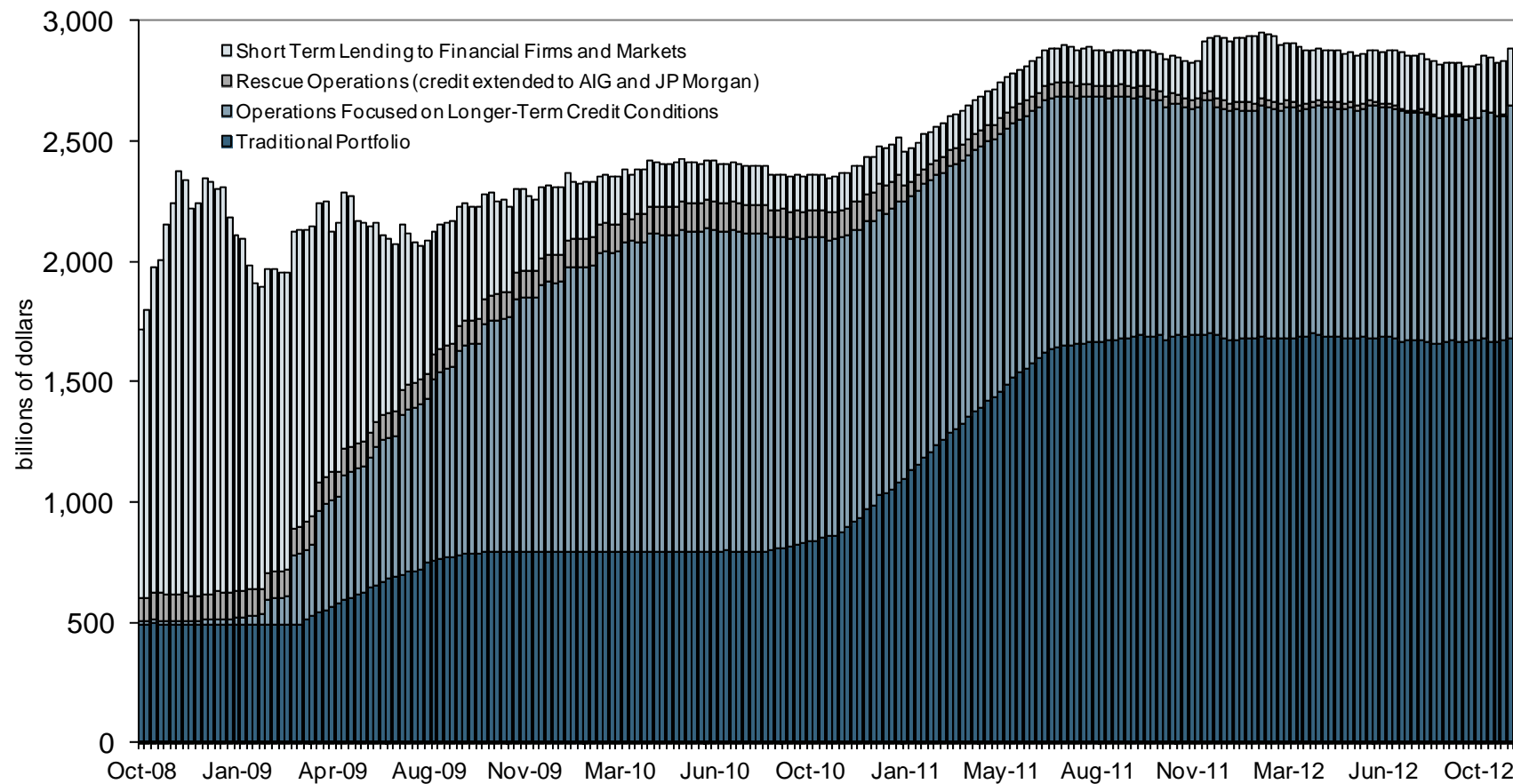
Recent expansion of money supply

Impact of quantitative easing



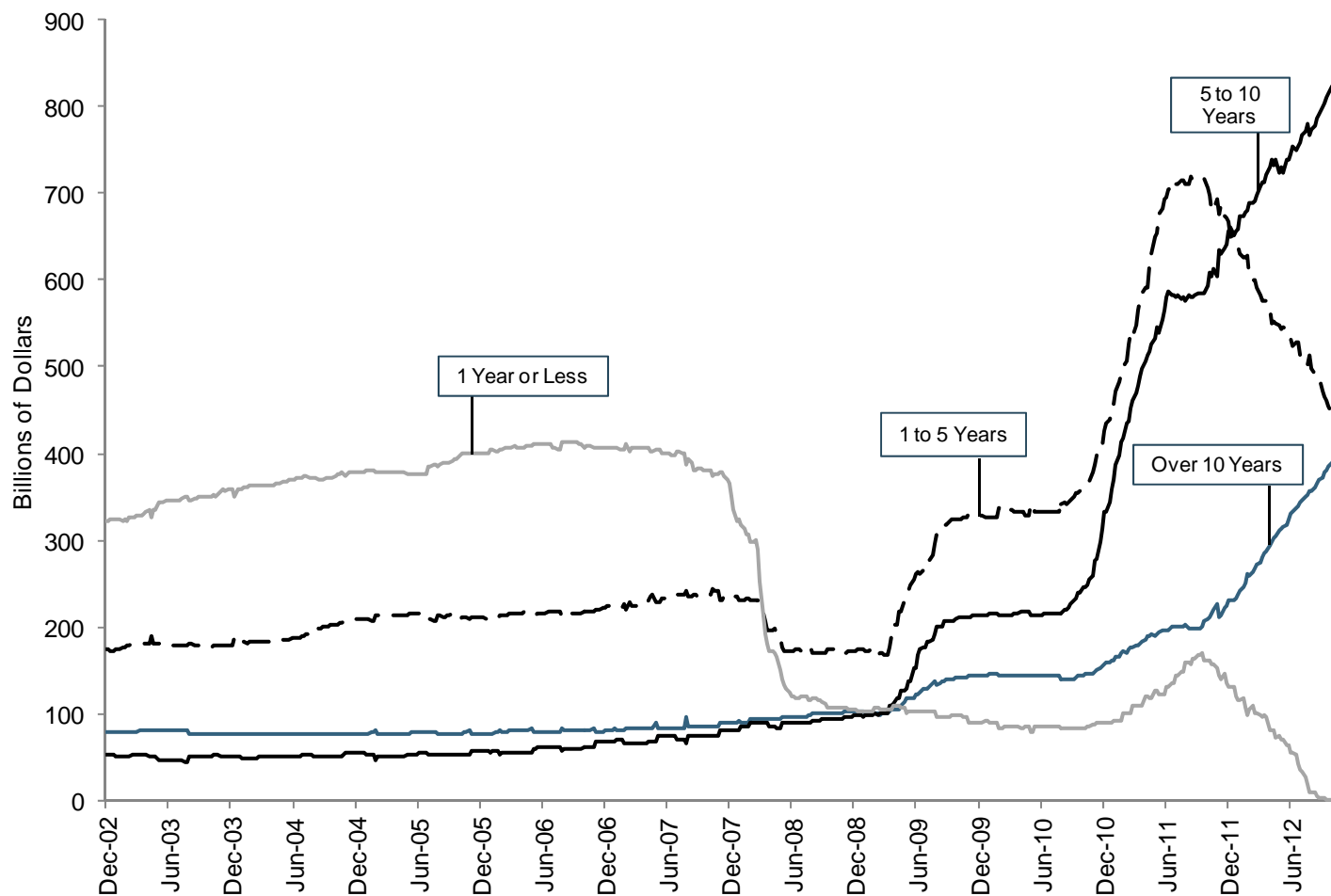
Source: Federal Reserve Bank of St. Louis.

Composition of Federal Reserve assets



Source: Federal Reserve Bank of St. Louis, Federal Reserve Board of Governors and the Goldman Sachs Global Markets Institute.

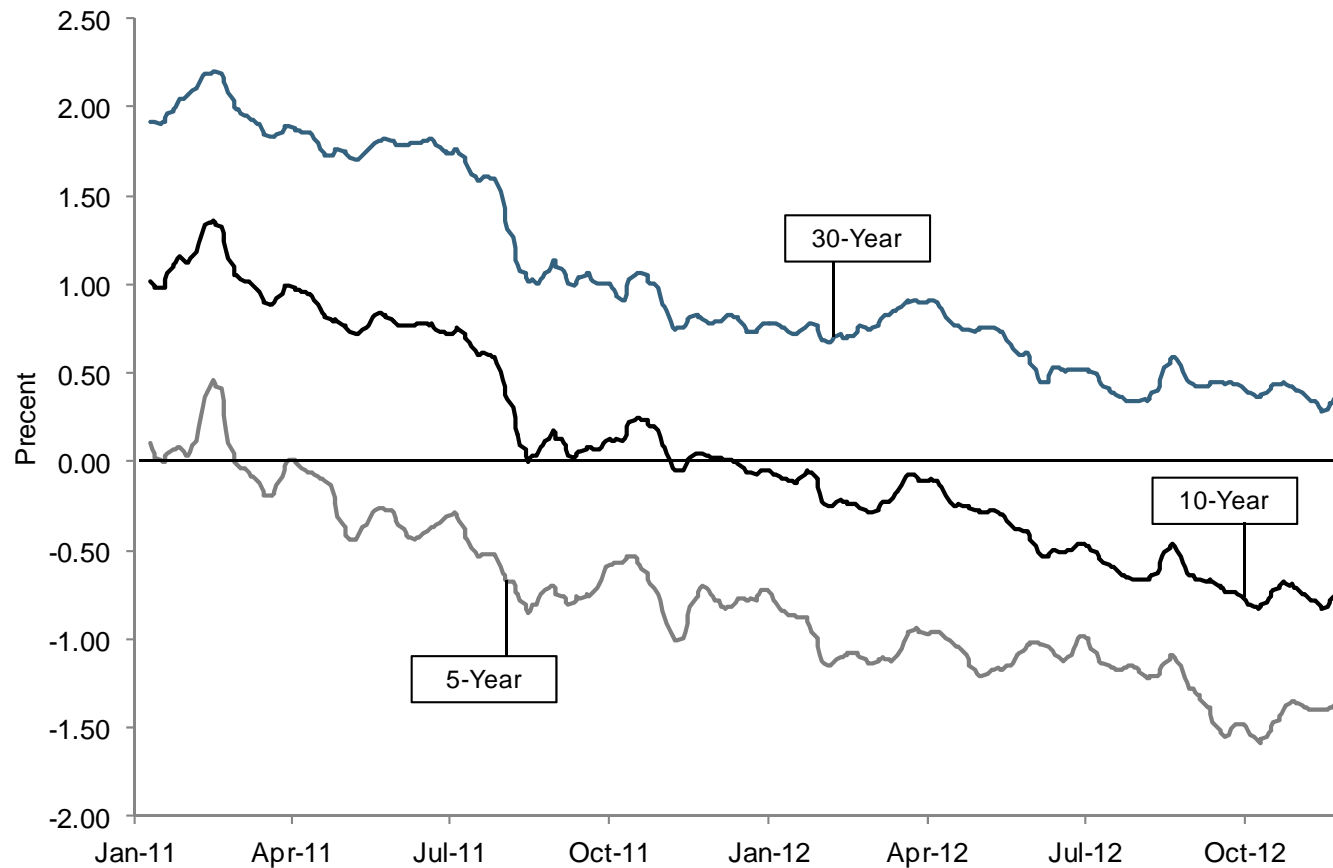
Maturity distribution of US Treasuries held by the Fed



Source: Federal Reserve Board.

Inflation-indexed Treasury yields

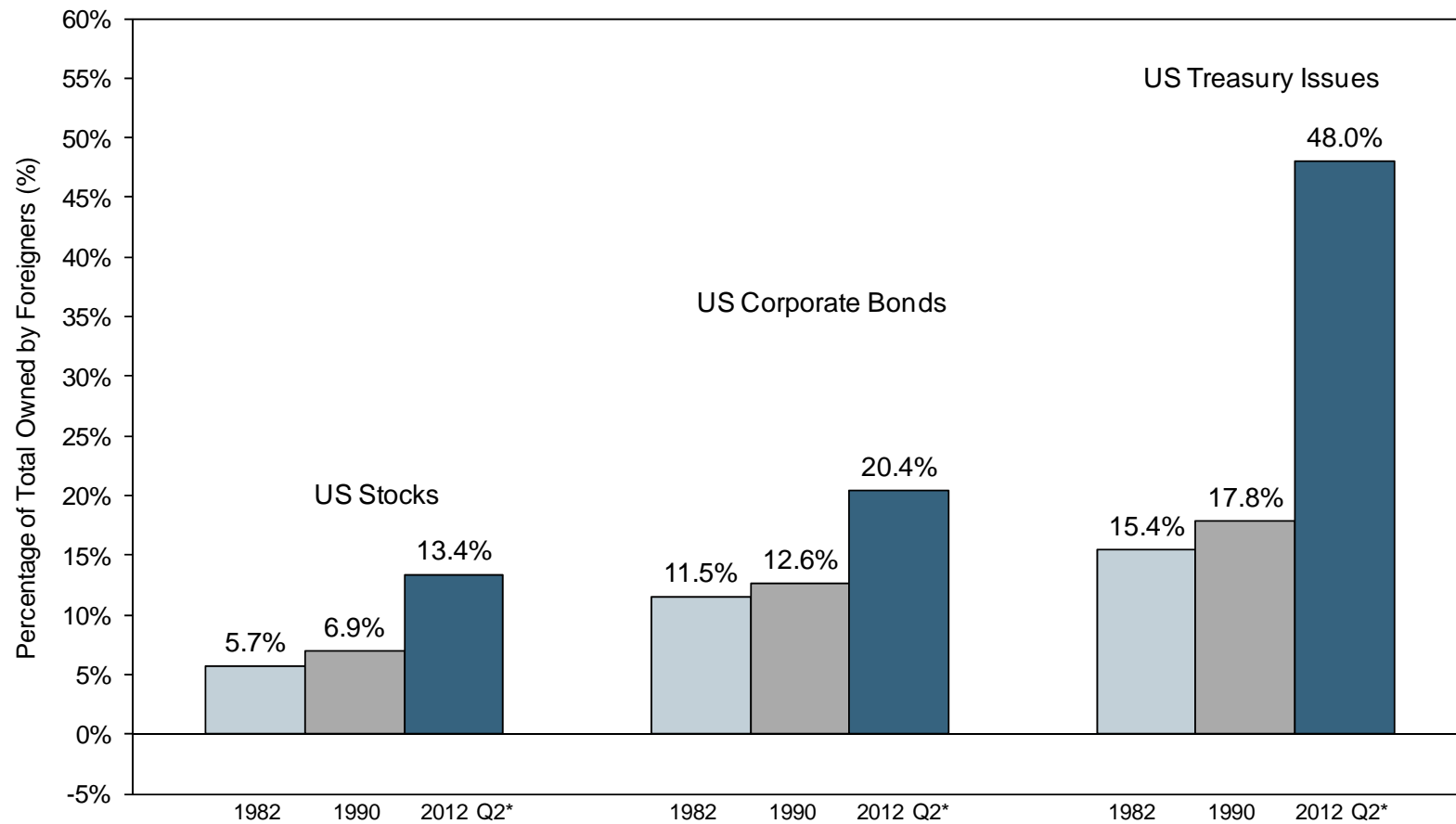
Investors seek perceived safety, not income



Source: Federal Reserve Board.

Foreign ownership of US stocks and bonds

A smaller proportion of stocks than bonds



*Data for 2012 Q2 are preliminary.

Source: Federal Reserve Board.

Foreign net purchases of US equities

Little portfolio interest during financial crisis and other periods of volatility



(\$ Billions)

	1993	2000	2002	2004	2006	2007	2008	2009	2010	2011	2012		
											Q1	Q2	Q3
Europe	\$10.7	\$164.7	\$32.9	\$19.6	\$97.1	\$89.3	\$11.6	\$68.4	\$54.1	(\$32.4)	\$13.8	\$4.6	\$28.2
United Kingdom	4.6	58.7	15.2	15.2	75.8	69.5	30.9	33.7	27.8	3.0	10.0	5.1	14.1
Canada	(3.2)	6.0	8.2	1.3	11.8	8.1	7.2	(1.6)	6.5	14.1	3.0	2.4	1.1
Latin America-Caribbean	5.7	(17.8)	(15.4)	0.6	37.2	49.4	(38.9)	41.0	29.4	33.3	5.2	(11.6)	12.3
Asia	7.9	21.7	21.4	6.2	3.5	44.0	69.3	42.8	18.1	8.5	(4.7)	3.5	(4.9)
Hong Kong	1.1	0.2	1.8	(0.8)	(0.5)	35.4	27.4	6.3	9.8	6.5	(0.1)	0.5	(0.7)
Japan	3.8	2.1	12.3	2.8	(0.7)	(5.0)	23.0	13.8	4.6	3.4	(5.4)	(1.8)	(0.8)
Singapore	3.1	10.8	8.2	(1.7)	(4.5)	(2.5)	7.1	12.0	(4.4)	(6.7)	(2.8)	2.1	(2.1)
Australia	(0.1)	1.4	3.0	0.3	1.0	4.8	0.1	3.0	2.0	0.3	0.6	(0.9)	(0.3)
Total	\$21.6	\$174.9	\$50.2	\$28.5	\$150.4	\$195.5	\$44.8	\$152.7	\$109.7	\$25.1	\$18.3	(\$1.7)	\$36.7

Source: US Department of the Treasury.

Foreign holdings of US equities

Selected nations

	June-05	June-06	June-07	June-08	June-09	June-10	June-11
Caribbean (a)	11.5%	11.5%	13.1%	13.2%	13.0%	13.1%	13.5%
United Kingdom	12.1	12.3	13.5	12.7	12.4	11.5	11.3
Canada	10.3	11.3	11.1	10.8	10.7	10.6	10.6
Japan	8.3	8.0	7.0	6.7	8.1	8.0	7.8
Switzerland	6.0	5.9	5.6	5.5	5.8	5.7	5.8
China (ex. Hong Kong)	0.1	0.2	0.9	3.4	3.4	4.5	4.1
Singapore	4.1	4.1	3.4	3.2	3.2	3.2	2.7
Australia	2.6	2.7	2.8	2.7	2.7	2.6	2.7
Germany	3.9	3.0	3.2	2.4	2.0	2.0	2.1
Hong Kong	1.1	0.9	1.0	1.0	1.3	1.2	1.1
Total foreign holdings (\$ billions)	\$2,144	\$2,430	\$3,130	\$2,969	\$2,252	\$2,814	\$3,906

(a) Caribbean includes Bahamas, Bermuda, Cayman Islands, Netherlands Antilles, and Panama.

Note: 2011 data are preliminary.

Source: US Department of the Treasury.

US capital flows continue to other nations

Foreign direct investment

(\$ Billions)

	2000	2006	2007	2008	2009	2010	2011	2012	
								Q1	Q2
All Countries	\$142.6	\$221.7	\$313.8	\$298.6	\$248.1	\$328.9	\$396.7	\$118.8	\$82.7
Canada	16.9	8.1	22.8	20.9	18.1	27.1	40.4	8.5	6.9
Europe	78.0	131.4	197.3	174.8	129.0	175.3	224.3	69.6	35.3
Latin America	23.2	40.6	33.7	53.2	66.1	51.9	84.5	19.4	22.2
Asia and Pacific	22.4	32.4	54.4	42.4	24.2	66.4	41.4	16.0	15.7
Europe / A&P	3.5x	4.1 x	3.6 x	4.1 x	5.3 x	2.6 x	5.4 x	4.4 x	2.2 x

Significant legacy operating assets in Europe, combined with US corporate tax structure which discourages repatriation of foreign-based profits, encourage US FDI in Europe. More “new” FDI now heading to Asia and Latin America.

Source: US Department of Commerce.

Capital flows into the United States

Europe the largest provider of direct investment; US offers productive workers and large end markets



(\$ Billions)

	2000	2002	2004	2006	2007	2008	2009	2010	2011	2012	
										Q1	Q2
All Countries	\$314.0	\$74.5	\$135.8	\$237.1	\$216.0	\$306.4	\$152.9	\$228.2	\$226.9	\$21.6	\$35.7
Canada	27.3	4.6	33.2	14.8	43.9	16.8	35.5	10.5	18.7	2.2	2.3
Europe	251.0	45.4	80.7	182.6	124.6	234.3	92.2	173.2	132.6	10.5	21.0
Latin America	12.7	10.3	(2.9)	11.8	2.5	8.8	14.3	8.6	18.4	1.2	1.9
Asia and Pacific	19.9	13.0	24.8	25.2	39.7	42.0	11.0	35.3	46.2	7.1	11.3

Source: US Department of Commerce.

Foreign holdings of US Treasury securities

Asian holders are the largest

	Jan-05	Jan-06	Jan-07	Jan-08	Jan-09	Jan-10	Jan-11	Jan-12	Sep-12
Japan	35.6%	31.9%	29.4%	24.4%	20.7%	20.6%	19.9%	21.4%	20.7%
China (ex. Hong Kong)	11.7	15.3	18.9	20.5	24.1	24.0	25.9	23.0	21.2
United Kingdom	5.3	7.7	4.9	6.7	4.0	5.6	6.3	2.8	2.4
OPEC	3.5	4.4	5.2	5.9	6.1	5.9	4.8	5.1	4.9
Caribbean (a)	4.9	3.1	3.5	4.6	5.7	3.9	3.7	4.5	4.4
Hong Kong	2.4	2.2	2.6	2.3	2.3	4.0	2.9	2.6	2.5
Germany	2.8	2.3	2.3	1.8	1.8	1.3	1.4	1.2	1.2
Taiwan	3.6	3.4	2.8	1.6	2.4	3.2	3.5	3.5	3.7
Switzerland	2.1	1.5	1.6	1.6	2.0	2.3	2.4	2.9	3.6
Korea	2.8	3.5	2.9	1.8	1.0	1.1	0.7	1.0	0.8
Total foreign holdings (\$ billions)	\$1,908.6	\$2,045.1	\$2,132.4	\$2,399.3	\$3,071.5	\$3,706.8	\$4,453.0	\$5,048.0	\$5,455.0
Total government as % of foreign holdings	64.9%	63.3%	68.0%	70.4%	70.5%	72.3%	71.3%	72.1%	72.8%

(a) Caribbean includes Bahamas, Bermuda, Cayman Islands, Netherlands Antilles, and Panama.

Source: US Department of the Treasury, Goldman Sachs Global Markets Institute.

Foreign net purchases of US Treasuries

Large purchases from United Kingdom linked to petrodollars and global asset management located in London

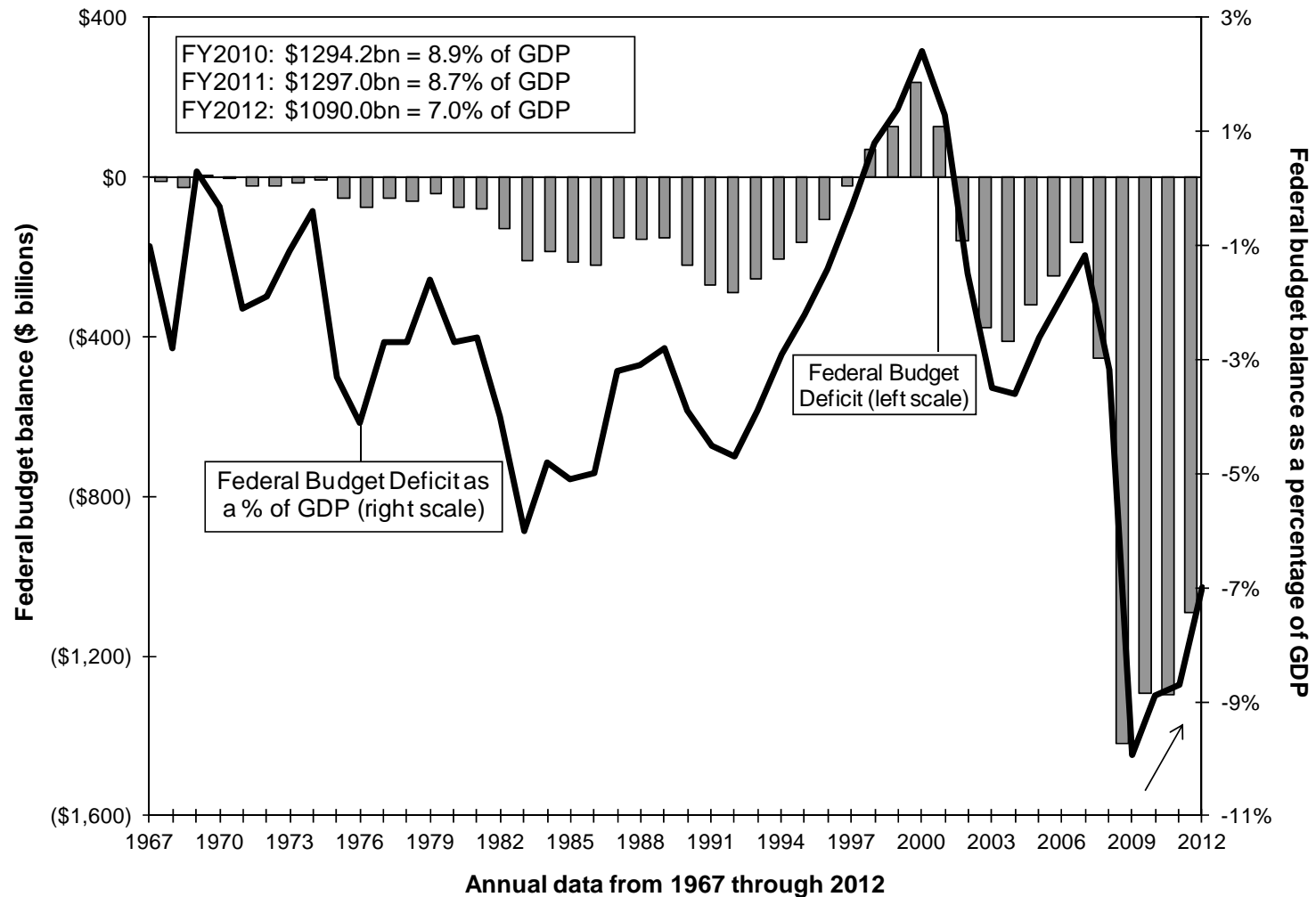
(\$ Billions)

	1993	2000	2002	2004	2006	2007	2008	2009	2010	2011	2012		
											Q1	Q2	Q3
Europe	(\$2.4)	(\$50.7)	\$43.7	\$88.4	\$99.0	\$177.3	\$195.6	\$206.5	\$352.2	\$229.6	\$6.7	\$74.9	\$49.5
Netherlands	(0.5)	2.1	(17.0)	(3.2)	0.7	1.5	(4.8)	1.4	(1.4)	0.2	(0.1)	(\$0.4)	(\$0.1)
United Kingdom	6.2	(33.7)	61.6	78.7	91.8	208.6	188.6	171.0	341.8	156.9	17.7	58.2	13.1
Latin America-Caribbean	(4.6)	(4.9)	20.0	33.5	12.0	88.1	19.9	2.8	37.2	62.3	12.1	\$15.0	(\$9.3)
Asia	20.6	1.6	55.7	214.8	68.7	(69.3)	99.0	280.4	235.9	108.1	86.6	\$20.4	\$28.4
China	0.5	(4.0)	24.1	18.9	40.6	(8.0)	84.7	123.5	51.2	(47.0)	34.0	3.6	9.7
Hong Kong	2.4	(0.3)	(9.1)	1.1	16.3	2.0	6.2	(0.9)	8.7	9.7	8.1	(\$3.1)	(\$2.9)
Japan	17.1	10.6	30.5	166.4	1.3	(48.7)	6.1	129.5	124.1	148.5	47.5	14.5	19.2
Australia	(3.2)	1.4	3.3	(2.2)	(2.6)	(1.4)	(3.0)	2.6	(5.6)	1.5	(0.1)	\$1.9	\$2.2
Total	\$23.6	(\$54.0)	\$119.9	\$352.1	\$195.5	\$199.0	\$315.3	\$538.3	\$703.5	\$421.0	\$124.9	\$121.0	\$75.1

Source: US Department of the Treasury.

Federal budget deficit

Record deficits in 2009-2012 reflected recession and countercyclical spending



Source: US Department of the Treasury, CBO, Goldman Sachs Economic Research, Goldman Sachs Global Markets Institute.

The CBO projects a shrinking federal budget deficit

Automatic tax and spending cuts (“the fiscal cliff”) would reduce the deficit but endanger economic growth

CBO Budget Deficit Estimates		
\$ (billions)		
<u>FY</u>	<u>deficit, \$</u>	<u>as % of GDP</u>
2012	(1,090)	(7.0)
2013	(641)	(4.0)
2014	(387)	(2.4)
2015	(213)	(1.2)
2016	(186)	(1.0)
2017	(123)	(0.6)
Total		
2013-2017	(1,549)	(1.8)

Source: CBO Budget and Economic Outlook, 8/22/2012.

For the fiscal year 2013 (which began on October 1, 2012), the CBO estimates the deficit will shrink to an estimated \$641 billion, down 40% from FY 2012. CBO’s baseline budget projections include the assumption that current laws remain in place, including the automatic spending reductions required by the Budget Control Act and the expiration of key tax provisions in January 2013. CBO analysis indicates this fiscal tightening could lead to recessionary economic conditions in calendar year 2013, with real GDP projected to decline by 0.5% between 4Q12 and 4Q13 and a projected rise in the unemployment rate to 9% by year-end.

Source: Congressional Budget Office.

Timeline of “fiscal cliff” events

Key Dates

November 6, 2012

November 12 - year-end

November 26

Late November/early December*

December 15 - 21

December 31

January 2, 2013

January 3

January 20

Late February/early March*

Event

US Presidential and Congressional elections

Lame duck session for Congress

Fiscal cliff debate begins in earnest

Debt ceiling likely formally reached

- Treasury expected to take measures extending the timeframe

Most likely period for a (short-term) resolution of the Fiscal Cliff

Fiscal cliff takes effect

- Bush tax cuts expire, payroll taxes revert

Sequester takes effect

- Consequence of debt ceiling debate of 2011

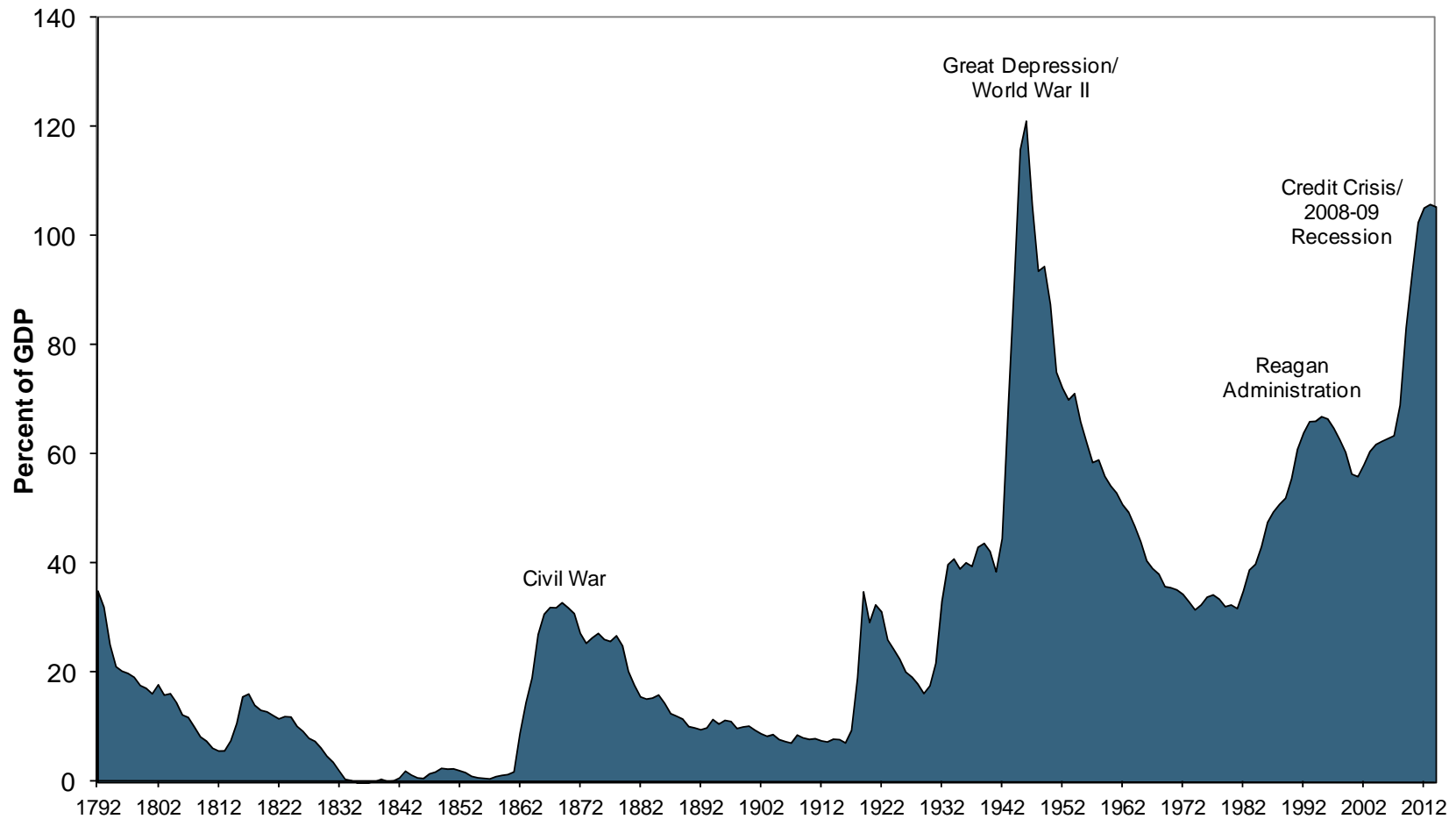
New Congress takes office

Presidential inauguration

Debt ceiling likely reached

Source: Goldman Sachs Economics Research.

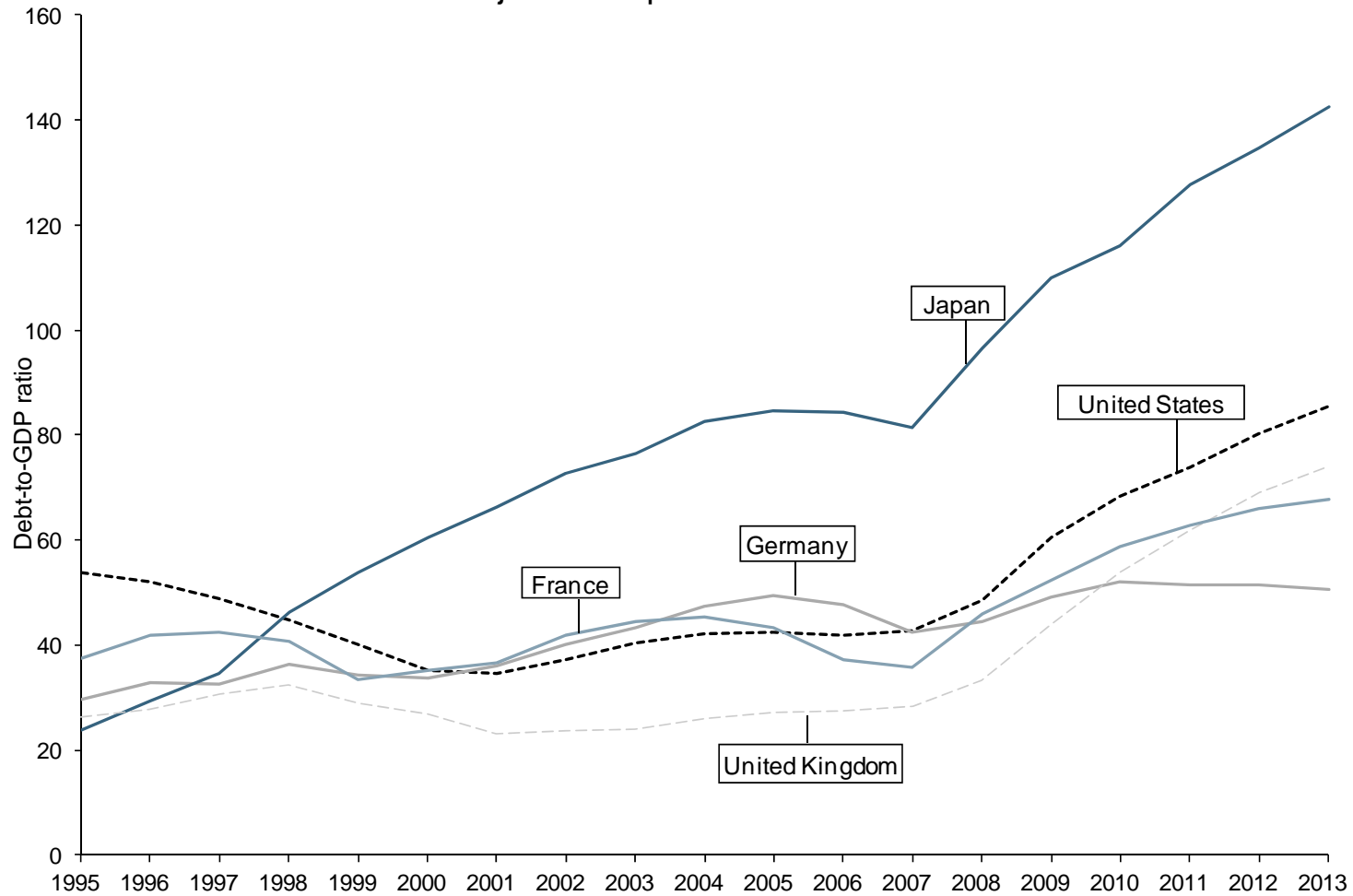
US federal debt as a percentage of GDP



Source: USGovernmentSpending.com.

Developed country debt to GDP ratios

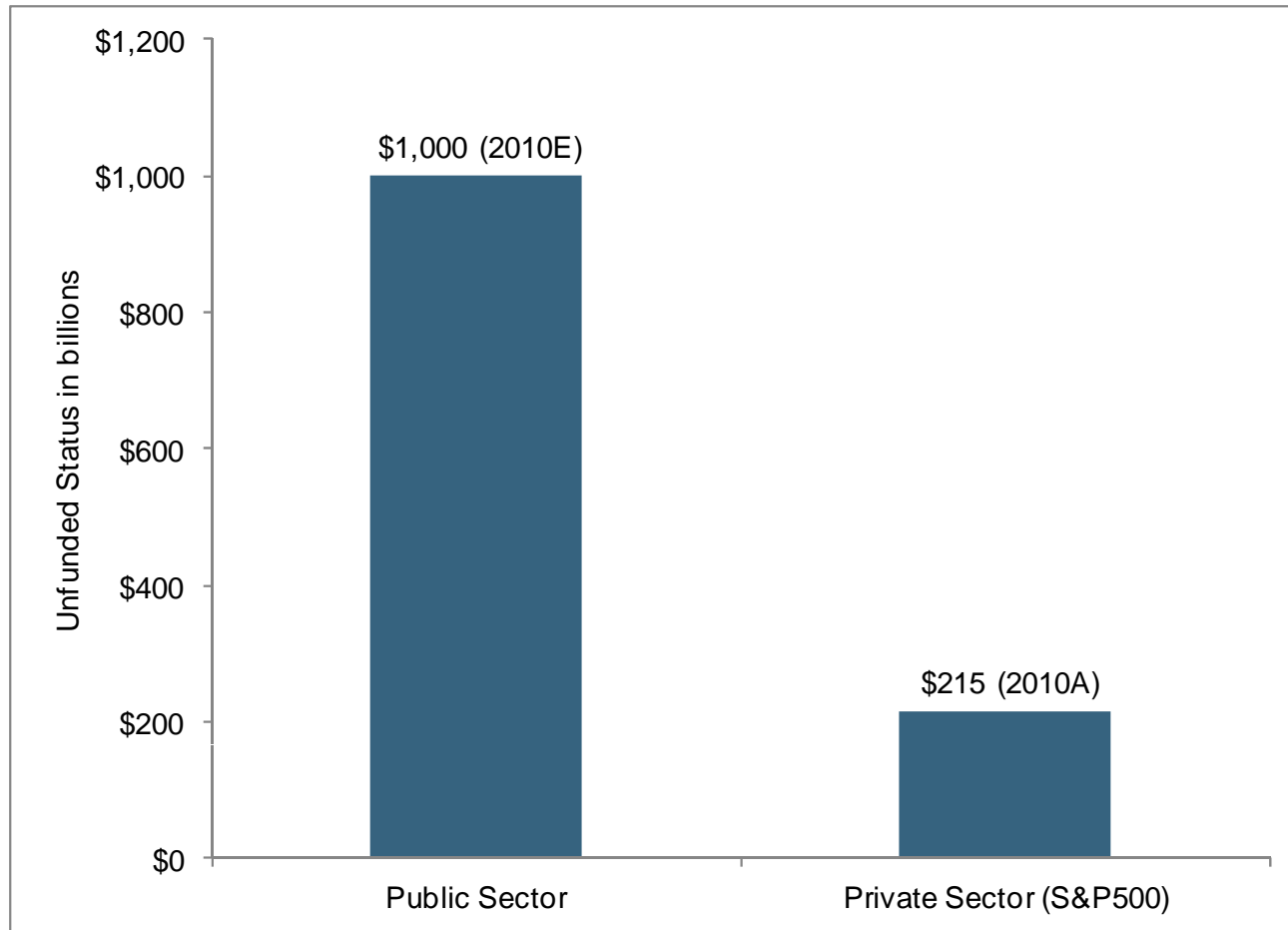
Major developed countries



Source: OECD Economic Outlook, Goldman Sachs Global Markets Institute.

Public retiree healthcare is bigger issue

Public plans are more underfunded than private plans: the trillion dollar issue



Source: Company reports, Pew Center on the States, Goldman Sachs Global Markets Institute.

Share of US foreign trade October 2011 through September 2012

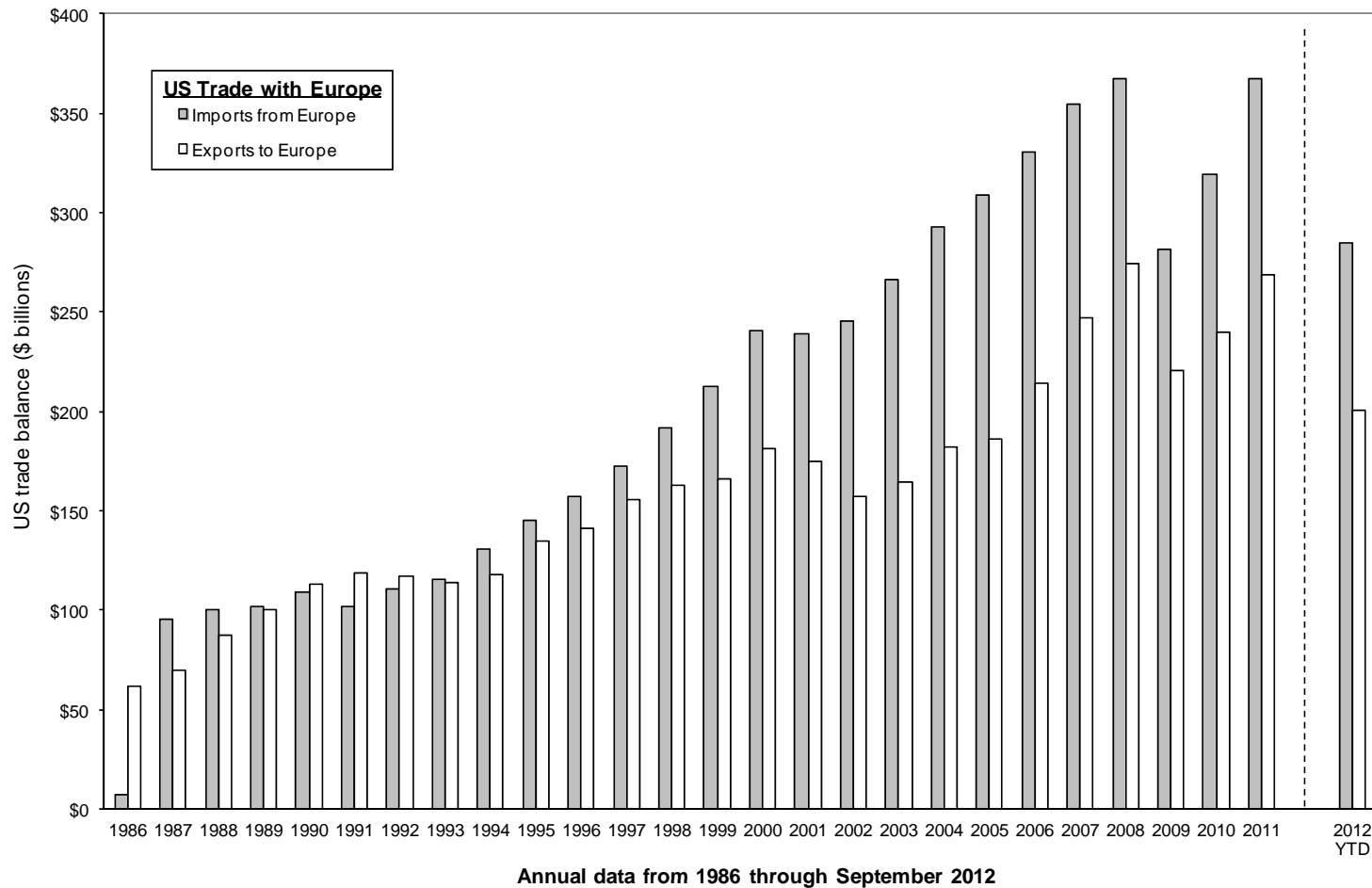
	US Exports to		US Imports from	
	\$Billions	% Share	\$Billions	% Share
North America	\$502.5	32.7 %	\$598.8	26.4 %
Canada	290.0	18.9	327.1	14.4
Mexico	212.5	13.8	278.5	12.3
European Union	268.6	17.5	380.4	16.7
Japan	69.8	4.5	146.6	6.5
Central/South America	179.8	11.7	174.5	7.7
Brazil	43.1	2.8	35.6	1.6
Argentina	10.6	0.7	4.7	0.2
China	108.2	7.0	418.4	18.4
Korea	43.3	2.8	58.5	2.6
Total	\$1,536.1	100	\$2,271.8	100

Aggregate trade deficit of \$735.7 billion.

Source: Goldman Sachs Global Markets Institute, US Department of Commerce.

US trade with European Union

\$111.8 billion deficit in last 12 months, down from \$122.3 billion in 2005

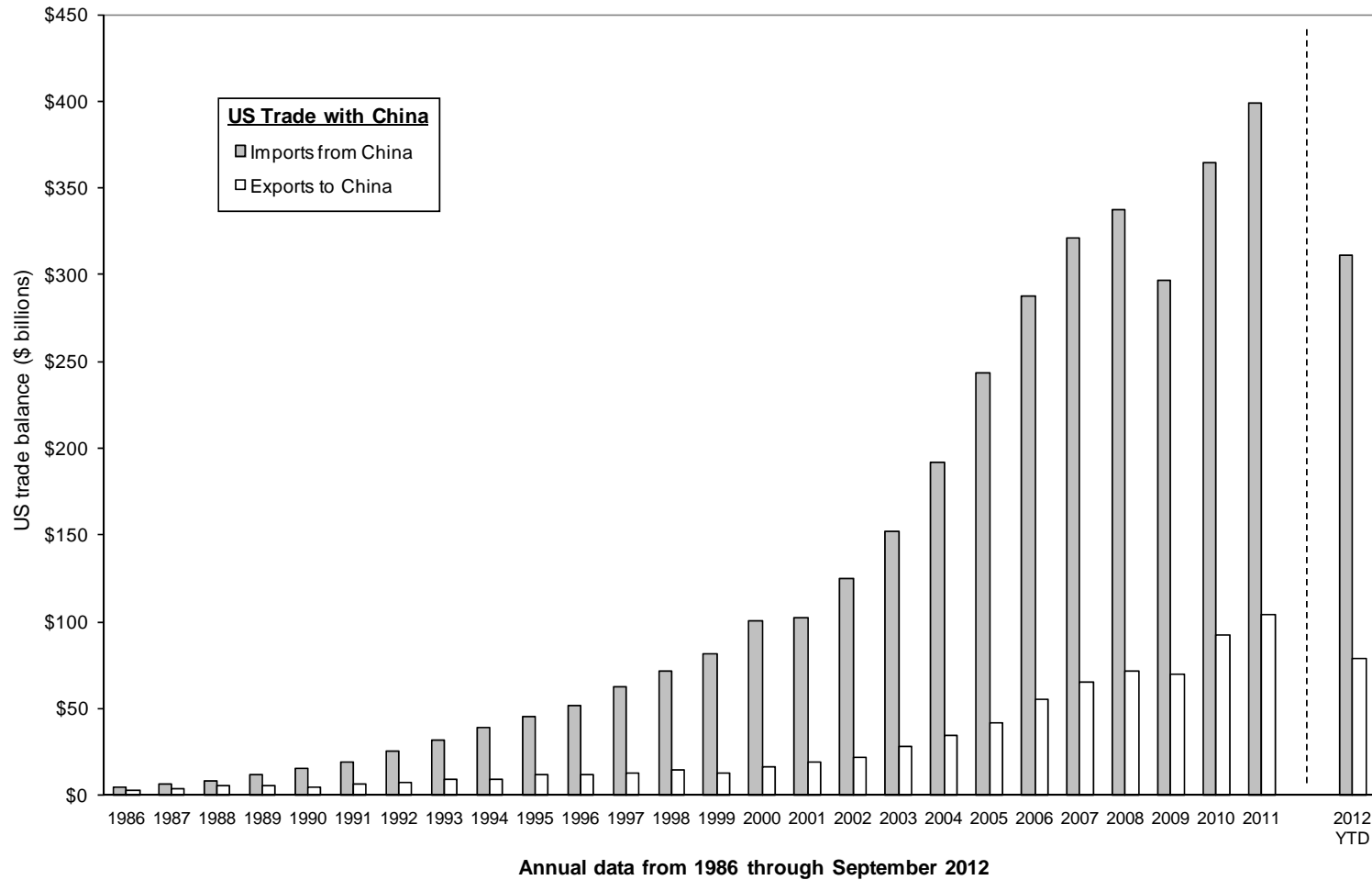


*Annual data reflect composition of the EU at that time

Source: Goldman Sachs Global Markets Institute, Bureau of the Census.

US trade with China

Explosion of imports, modest exports: \$310.2 billion deficit in last 12 months



Source: Goldman Sachs Global Markets Institute, Bureau of the Census.

Trade-weighted exchange rate indexes

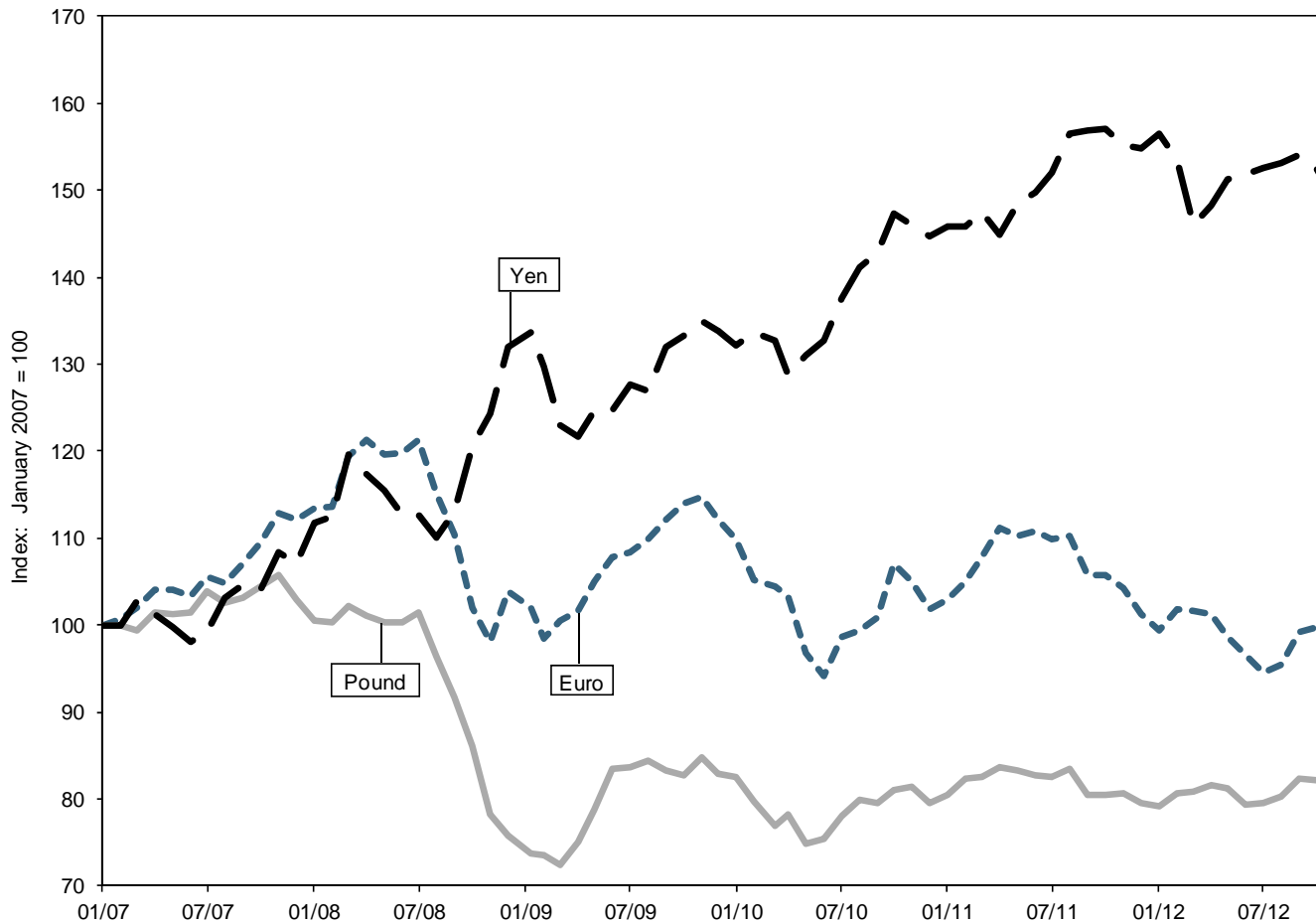
Dollar's recent strength since mid-2011 linked to growing worries in the Eurozone and elsewhere



Source: Federal Reserve Bank of St. Louis.

Selected foreign exchange rates

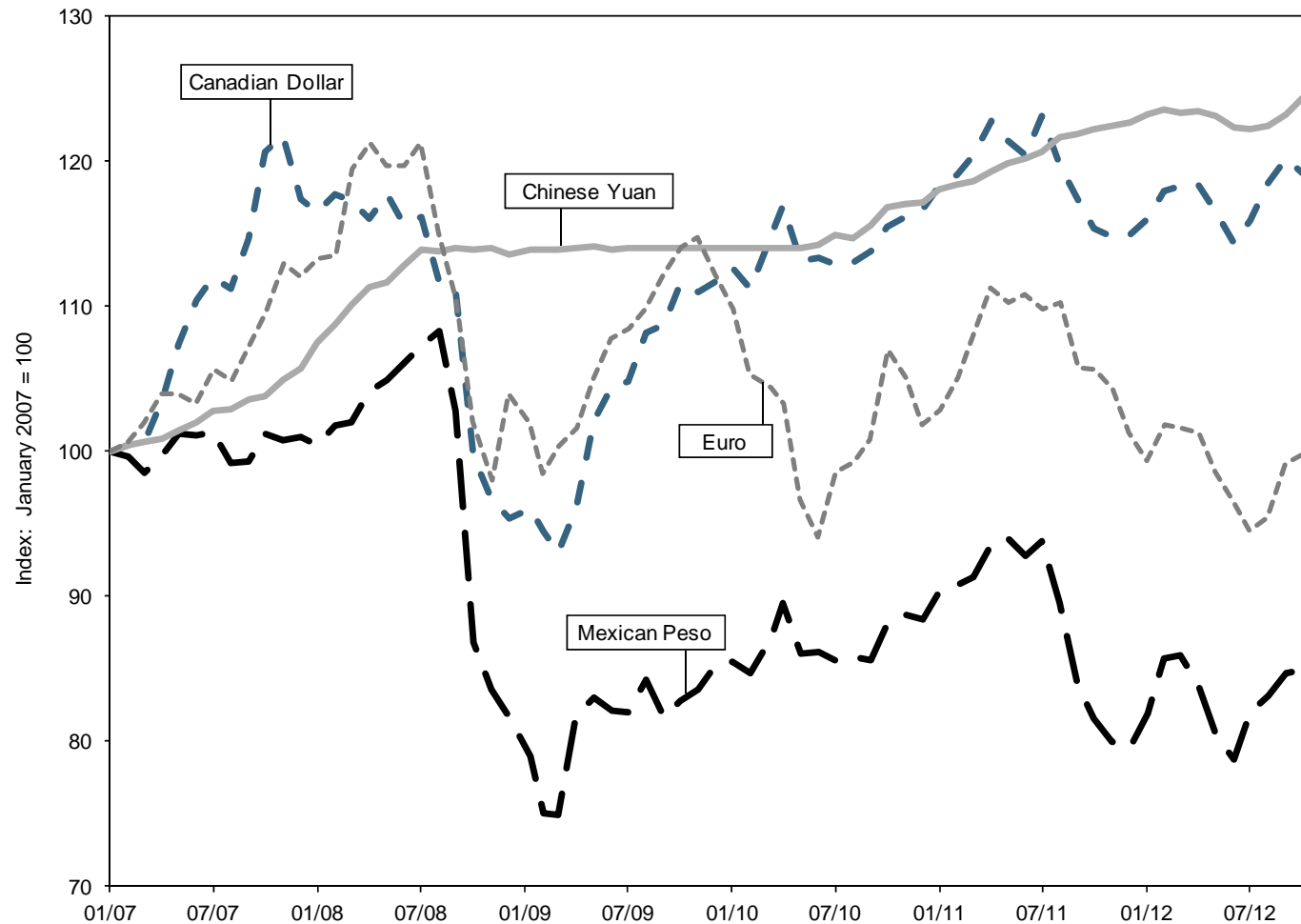
US dollar generally unchanged relative to several senior currencies since mid-2009; Japanese yen is an outlier



Source: Federal Reserve Board, Goldman Sachs Global Markets Institute.

Selected foreign exchange rates

The Chinese yuan has been rising



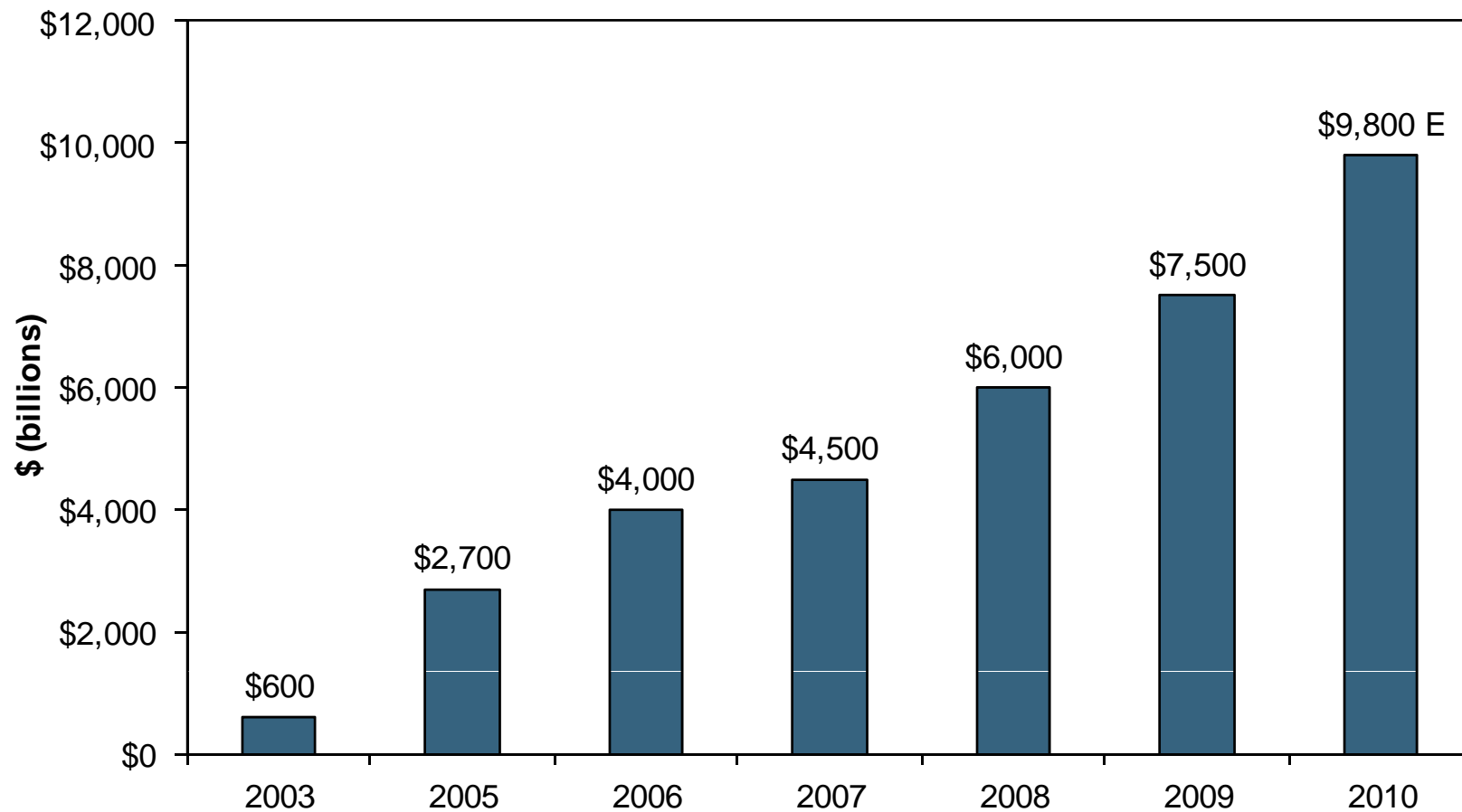
Source: Federal Reserve Board, Goldman Sachs Global Markets Institute.

Environmental awareness is growing for both corporations and investors

- Large increase in ESG investment: Environmental, Social Responsibility, and Governance. Has this reached critical mass?
- Pension funds must focus on fiduciary responsibilities: Does “green” investing generate good returns? What are the long-term liabilities of ignoring environmental issues?
- Recent US regulatory actions by the SEC and EPA are likely to affect company reporting and required disclosures in all industries, even without Congressional action.
- Corporations look to enhance competitive position, reputation, and employee retention.
- Federal US climate legislation, with a focus on “green” job creation, has been a priority of the Obama Administration. Individual states and regions continue to implement their own climate laws and regulations; some conservative lawmakers are now pushing in the opposite direction.
- What are the global implications of outsourcing industrial production to nations with higher energy intensity and lower environmental standards? Less energy efficiency and more GHGs per unit of economic output.

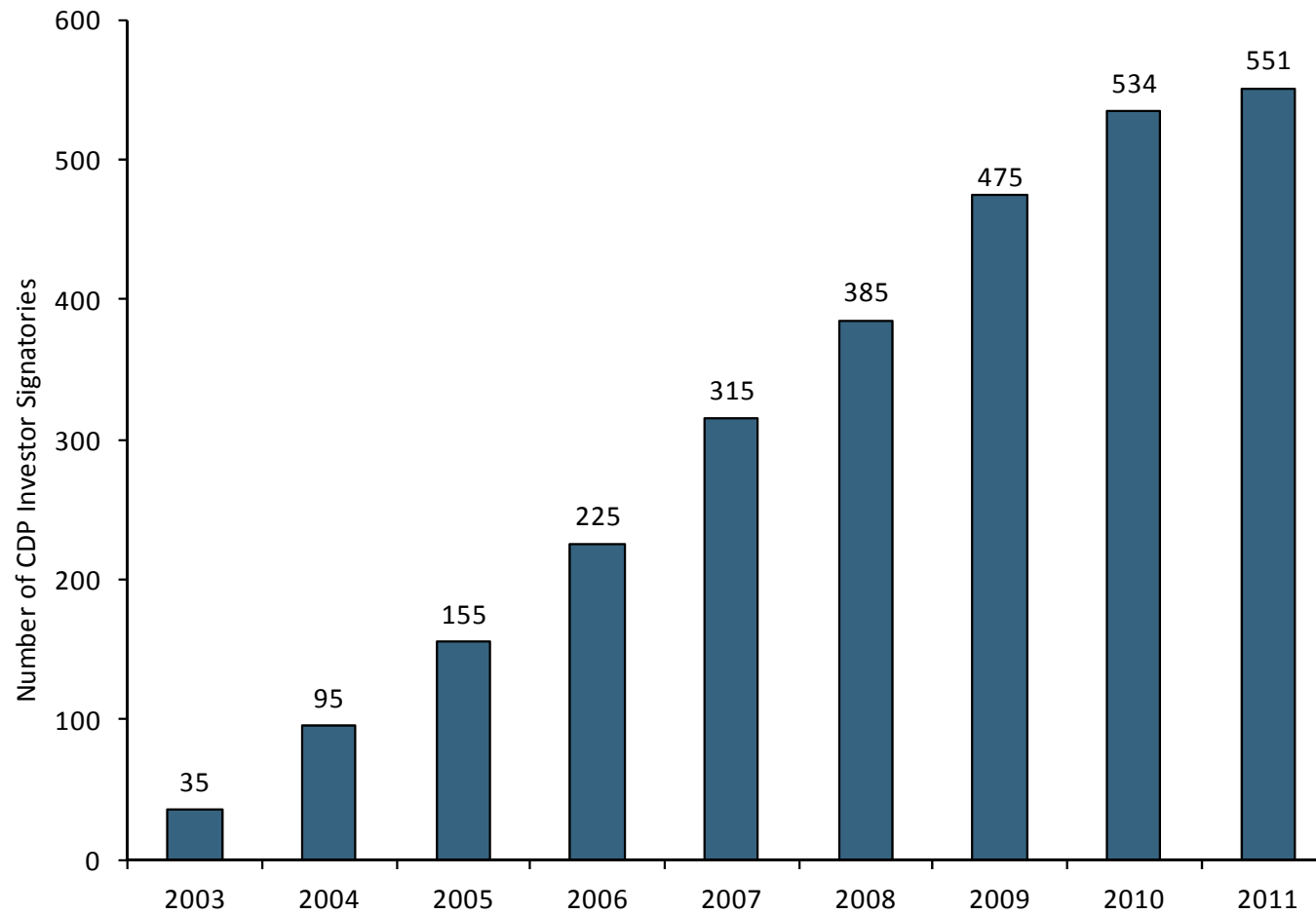
Assets controlled by INCR participants

Approximately \$9.8 trillion in total assets



Source: Investor Network on Climate Risk, CERES.

More investor groups participating in the CDP Demanding more information from public companies



Source: Carbon Disclosure Project.

State initiatives in 2012

Not waiting for the US federal government

States	State Initiatives in 2012	Date	Action	Key items
California	Governor Jerry Brown signed two bills into law, establishing guidelines on expected revenue from the state's cap-and-trade program. The law requires that revenue from allowance auctions be used for environmental purposes, with an emphasis on projects that improve air quality. California's cap-and-trade regulations will apply to all major industrial sources and electric utilities beginning in 2013.	9/30/012	Law	Guidelines for cap-and-trade revenue
New York	Governor Andrew Cuomo signed into law legislation that established financial incentives for solar energy projects, including a tax credit to homeowners for the installation of solar energy equipment and the exemption of state sales tax on commercial solar equipment. This legislation is expected to increase New York's solar capacity and help meet the state's goal of generating 30% of electricity using renewable sources by 2015.	8/17/2012	Law	Tax credits for solar projects
New York	New York State finalized the rule that will limit carbon dioxide emissions from new power plants and capacity additions to existing plants. The rule, which became effective on July 12, 2012, prevents the construction of coal-fired power plants unless they are equipped with carbon capture and sequestration technology.	6/28/2012	Law	Regulation of power plant carbon emissions
Florida	Florida enacted H.B. 7117, which includes several provisions for clean energy, including a renewal of renewable electricity production tax credits that expired in 2010. Key provisions include a production tax credit of \$0.01 per kilowatt-hour of renewable energy, an investment tax credit relating to renewable fuels and mechanisms to support residential and commercial energy efficiency improvements.	4/14/2012	Law	Tax credits for renewable electricity
Utah	Governor Gary Herbert signed S.B. 12 into law, allowing non-utility electricity consumers to bypass utilities and purchase power directly from renewable energy generators. This legislation is expected to help Utah meet its goal of generating 20% of electricity from renewables by 2025.	3/19/2012	Law	Renewable energy law

Source: State Press releases, Center for Climate and Energy Solutions.

State initiatives in 2011

Not waiting for the US federal government

States	State Initiatives in 2011	Date	Action	Key items
Maryland	The Maryland Public Service Commission ordered the expansion of utilities' energy efficiency and demand response programs for the second phase (2012-2014) of the EmPOWER Maryland Energy Efficiency Act of 2008. The Act targets a 15% reduction in the state's per capita consumption and a 15% reduction in peak electricity by 2015. Utilities are responsible for achieving two-thirds of the reduction targets.	12/22/2011	Law	Expansion of energy efficiency programs
California	The California Air Resources Board adopted the final cap-and-trade regulation, setting a statewide limit on sources responsible for 85% of California's GHG emissions and establishing a price signal needed to drive long-term investment in cleaner fuels and more efficient use of energy. The rulemaking package is now under review by the state's Office of Administrative Law.	10/20/2011	Rule-making	Cap-and-trade regulation
	Governor Jerry Brown signed into law three bills expanding existing renewable energy programs and expediting the permitting process for renewable energy projects. S.B. 585 authorizes the California Solar Initiative (CSI) to provide \$200mn in rebates to school districts to invest in solar installations, increasing the overall cost limit on CSI to \$3.6bn. A.B. 1150 extends the Self-Generation Incentive Program (SGIP), which provides rebates to customers who install generation systems, through 2014. S.B. 16 expedites the CA Department of Fish and Game's permitting process for renewable energy projects.	9/22/2011	Law	Expand renewable energy programs
Illinois	Governor Pat Quinn signed two bills to encourage greater use of electric vehicles. The bills create a council to explore the uses of electric vehicles and provide grants to eligible car-sharing organizations to purchase and use electric vehicles.	7/11/2011	Law	Electric vehicle use
New York	Governor Andrew Cuomo signed the Power NY Act of 2011 to help homeowners make energy-efficiency upgrades and streamline the siting process for new power plants that generate more than 25 megawatts.	6/22/2011	Law	Energy-efficient homes
Virginia	Governor Bob McDonnell signed eight renewable energy bills, including bills that establish a Clean Energy Manufacturing Incentive Grant Program and a Voluntary Solar Resource Development Fund, double the allowable on-site electricity generation capacity for net metering from 10 to 20 kilowatts and extend tax credits for purchase of biofuel vehicles to 2014.	6/15/2011	Law	Passed renewable energy package
California	Governor Jerry Brown signed SBX1 2, increasing California's Renewable Portfolio Standard to require 33% of electricity to come from renewable sources by 2020. The law makes the 33% by 2020 target legally binding. The policy is projected to reduce greenhouse gas emissions below business-as-usual levels by the equivalent of 12 to 13 million metric tons of carbon dioxide per year by 2020.	4/12/2011	Law	Increased renewable portfolio standard

Source: State Press releases, Center for Climate and Energy Solutions

State initiatives in 2010

Not waiting for the US federal government

States	State Initiatives in 2010	Date	Action	Key items
California	The California Air Resources Board (CARB) voted 9-1 to approve the state's greenhouse gas cap-and-trade program. The regulation will place a limit on 85% of the state's greenhouse gas emissions; the number of emission allowances will decrease annually. The program will start in 2012 and include all major industrial sources and utilities, and a second phase will start in 2015 and include distributors of transportation fuels, natural gas, and other fuels.	12/16/2010	Law	Cap-and-trade program
	The California Air Resources Board unanimously voted to increase the state's Renewable Portfolio Standard (RPS) to 33% by 2020. The regulation will require investor owned and publicly owned utilities to increase the amount of electricity obtained from renewable sources.	9/23/2010	Law	Increased renewable portfolio standard
	The California Air Resources Board adopted a regulation to limit and monitor sulfur hexafluoride (SF6) emissions from electric power sector equipment. The measure was adopted in consultation with electric utility representatives and is expected to achieve a 70% reduction in SF6 emissions statewide from electric utilities.	2/25/2010	Law	Monitoring and regulating SF6 emissions
	The California Office of Administrative Law (OAL) approved the state's Low Carbon Fuel Standard (LCFS) for implementation as a discrete early action GHG emission reduction measure under the California Global Warming Solutions Act of 2006.	1/12/2010	Law	Low carbon fuel standard
	The California Building Standards Commission approved the most environmentally stringent building code in the US for new commercial buildings, hospitals, schools, shopping malls, and homes. The code, named CALGreen requires builders to install a number of environmentally friendly features in new buildings.	1/14/2010	Law	New building codes
New Mexico	The New Mexico Environmental Improvement Board enabled the state's participation in the Western Climate Initiative by approving a plan to establish a state-level greenhouse gas cap-and-trade program. The state program will begin in 2012 and will affect 63 industrial emission sources, including electric generators. These sources will have to reduce emissions 2% annually until 2020 or obtain – from either other market participants or the program administrator – a number of allowances (rights to emit) sufficient to cover their emissions. In order to protect the state's industries, the program will not be implemented unless there are at least 100 million tons of emissions within the emissions trading bloc, outside of New Mexico.	11/2/2010	Law	Cap-and-trade program
New York	Governor Patterson signed into law the "State Smart Growth Public Infrastructure Policy Act" which establishes smart growth criteria for state infrastructure agencies (SIA). The law stipulates that SIA cannot approve, undertake, support, or finance a public infrastructure project unless it meets defined smart growth criteria.	8/30/2010	Law	Smart growth for infrastructure

Source: State Press releases, Center for Climate and Energy Solutions

State initiatives in 2010 (cont'd)

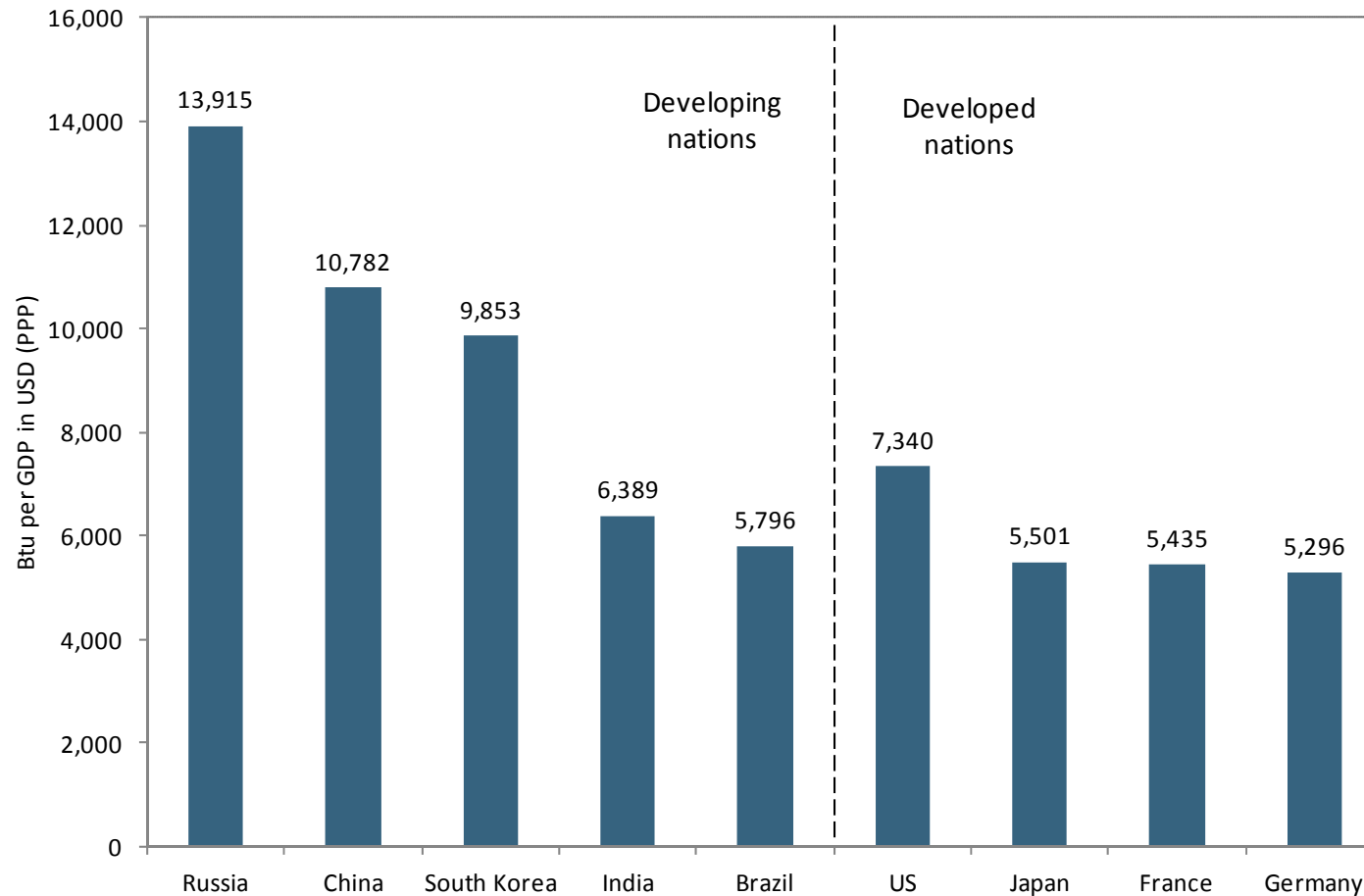
Not waiting for the US federal government

States	State Initiatives in 2010	Date	Action	Key items
Vermont	Governor Douglas signed H. 781 "An Act Relating to Renewable Energy" that simplifies the process for permitting renewable energy projects without changing environmental standards. The law also reforms existing solar tax incentives to strengthen the state's commitment to renewable energy.	6/4/2010	Law	Renewed commitment to renewable energy
Maryland	Governor O'Malley signed four clean energy bills continuing the state's leadership in sustainability. The legislation includes a motor vehicle excise tax and credit for electric vehicles, allows drivers to use electric vehicles in HOV lanes, extends the termination of the clean energy production tax credit and increases the annual percentage requirements under Maryland's Renewable Energy Portfolio Standard (RPS) for electricity from solar between 2011 and 2016.	5/20/2010	Law	Comprehensive energy legislation
West Virginia	Governor Manchin signed Senate Bill 183, the Diesel-Powered Motor Vehicle Idling Act, which aims to reduce emissions by setting a limit on how long a diesel truck can run its engine when the vehicle is not moving. Idling will be limited to no more than 5 minutes. Violators will face fines between \$150 and \$300.	5/13/2010	Law	Diesel truck idling limits
Maine	Maine Governor Baldacci signed five energy bills aimed to achieve clean energy development goals and energy independence. The legislation includes creating smart grid policy in the state, increasing the affordability of clean energy for homeowners and businesses and the implementation of a Governor's Ocean Energy Task Force.	5/11/2011	Law	New comprehensive energy legislation
Colorado	Colorado Governor Bill Ritter signed legislation (HB 1001) requiring 30% of Colorado's electricity to come from renewable sources by 2020, one of the highest percentage requirements in the country. The legislation requires that 3 percentage points of the 30% come from solar power.	3/22/2010	Law	New renewable electricity standards
Oregon	Oregon Governor Kuglonoski signed Senate Bill 1059 that lays the groundwork for smart, sustainable, and cost-effective transportation systems. The law directs the Oregon Transportation Commission, with other state agencies, to develop a state-level strategy to reduce greenhouse gas emissions from transportation sources.	3/18/2010	Law	Action plan to reduce transportation GHGs
Massachusetts	Massachusetts announced new energy efficiency standards for utilities supported by \$1.6B in incentives. The new requirement calls for a statewide reduction of 2.4% in electricity use and 1.15% in natural gas use annually for 3 years.	1/29/2010	Law	New energy efficiency standards

Source: State Press releases, Center for Climate and Energy Solutions

Energy intensity gap between developed and developing economies, 2009

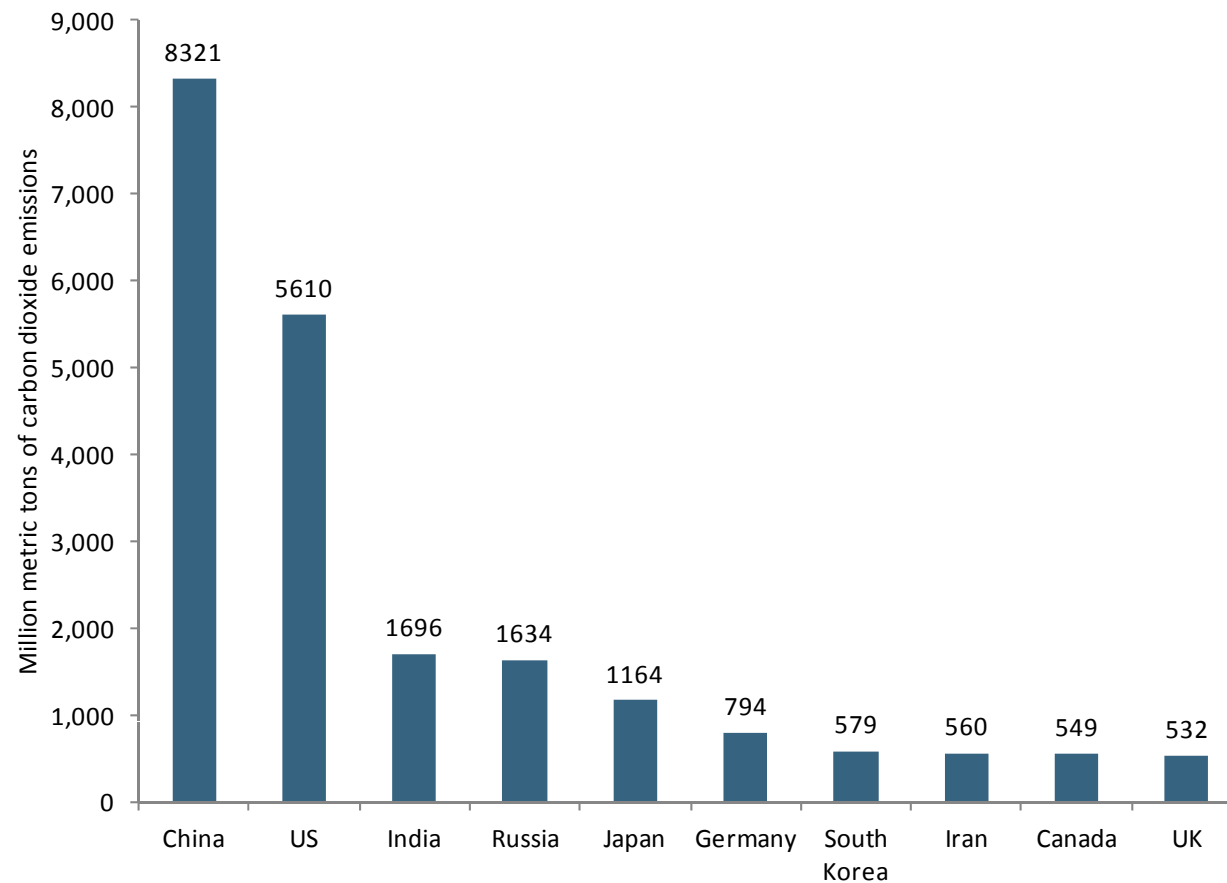
Energy-intensive activities are being outsourced along with pollution



Source: US Department of Energy, Energy Information Administration (EIA).

Top 10 CO₂ emitters in 2010

Rising significance of developing countries



Source: US Department of Energy, Energy Information Administration (EIA).

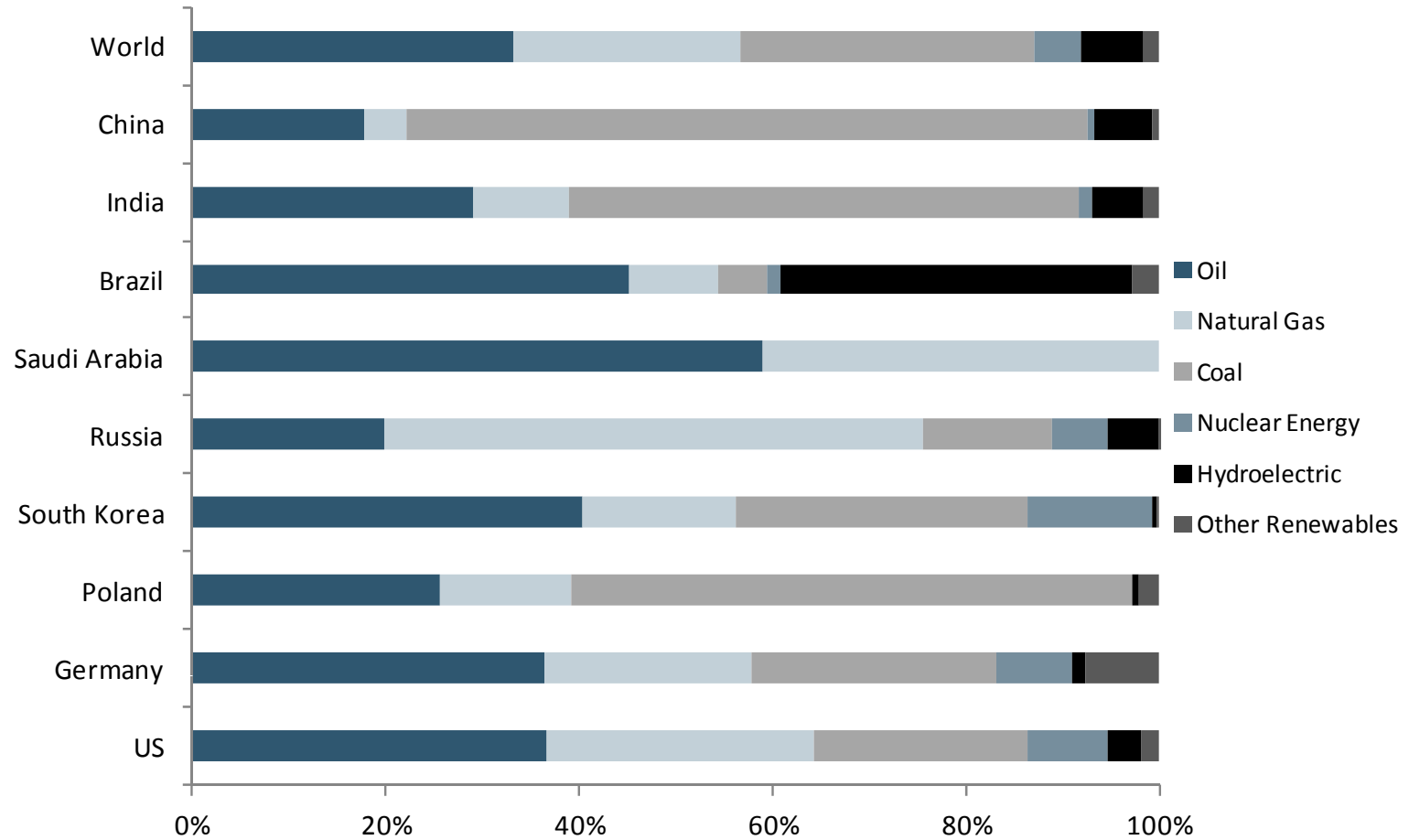
Direct cost of various energy sources

Energy Source	Cost per Kilowatt-hour (kWh) range
Coal	2-6 cents per kWh
Nuclear	2-6 cents per kWh
Wind	3-7 cents per kWh
Natural gas	5.5-10 cents per kWh
Biomass	5-10 cents per kWh
Geothermal	5-10 cents per kWh
Solar	12-35 cents per kWh (most expensive)

Source: World Nuclear Association, EIA, DOE, IEA, Oregon.gov, WSJ article - "The New Math of Alternative Energy" by Rebecca Smith, 2007.

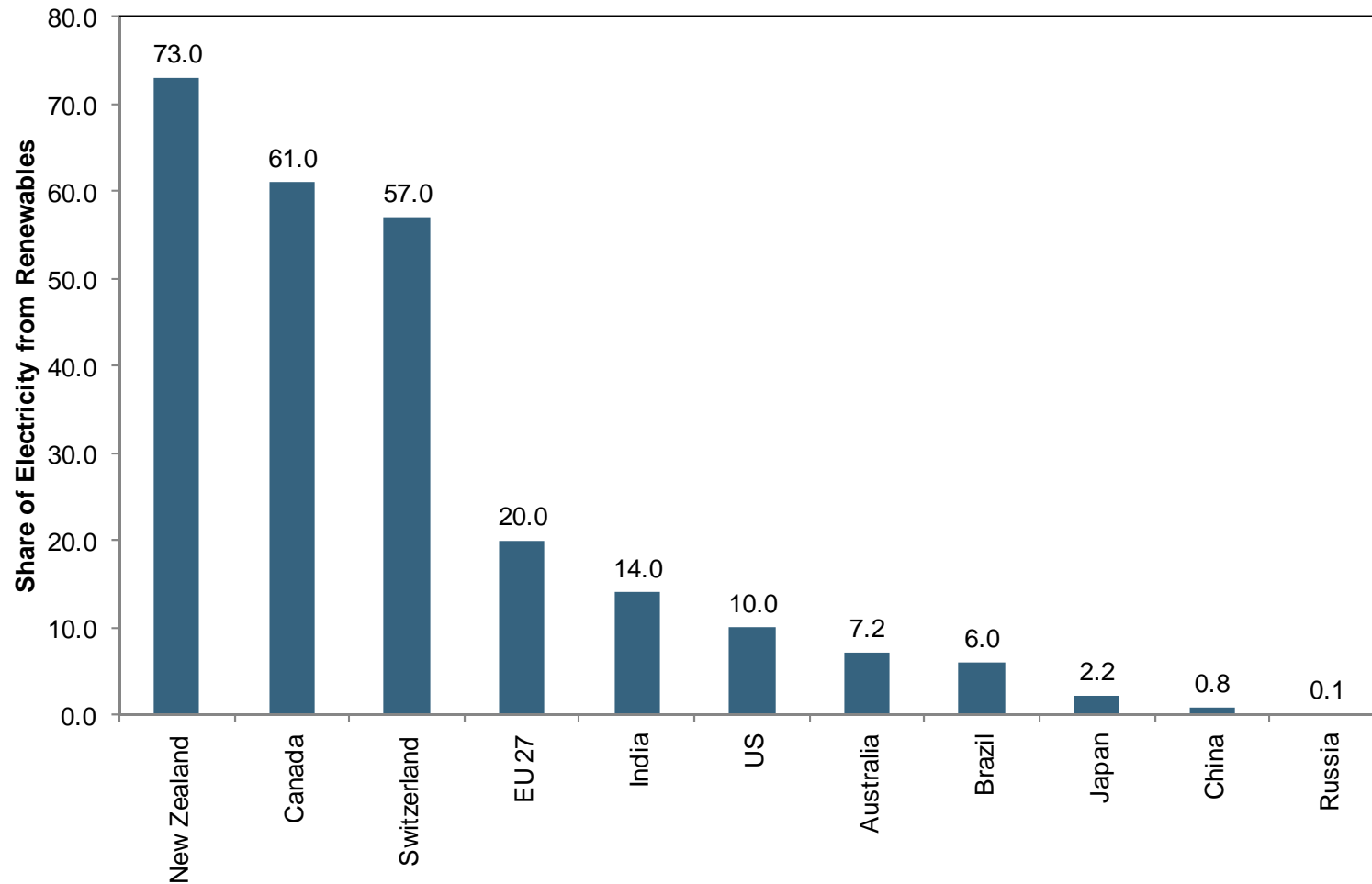
Fuel use mix by country, 2011

Wide variation often linked to availability of domestic energy sources



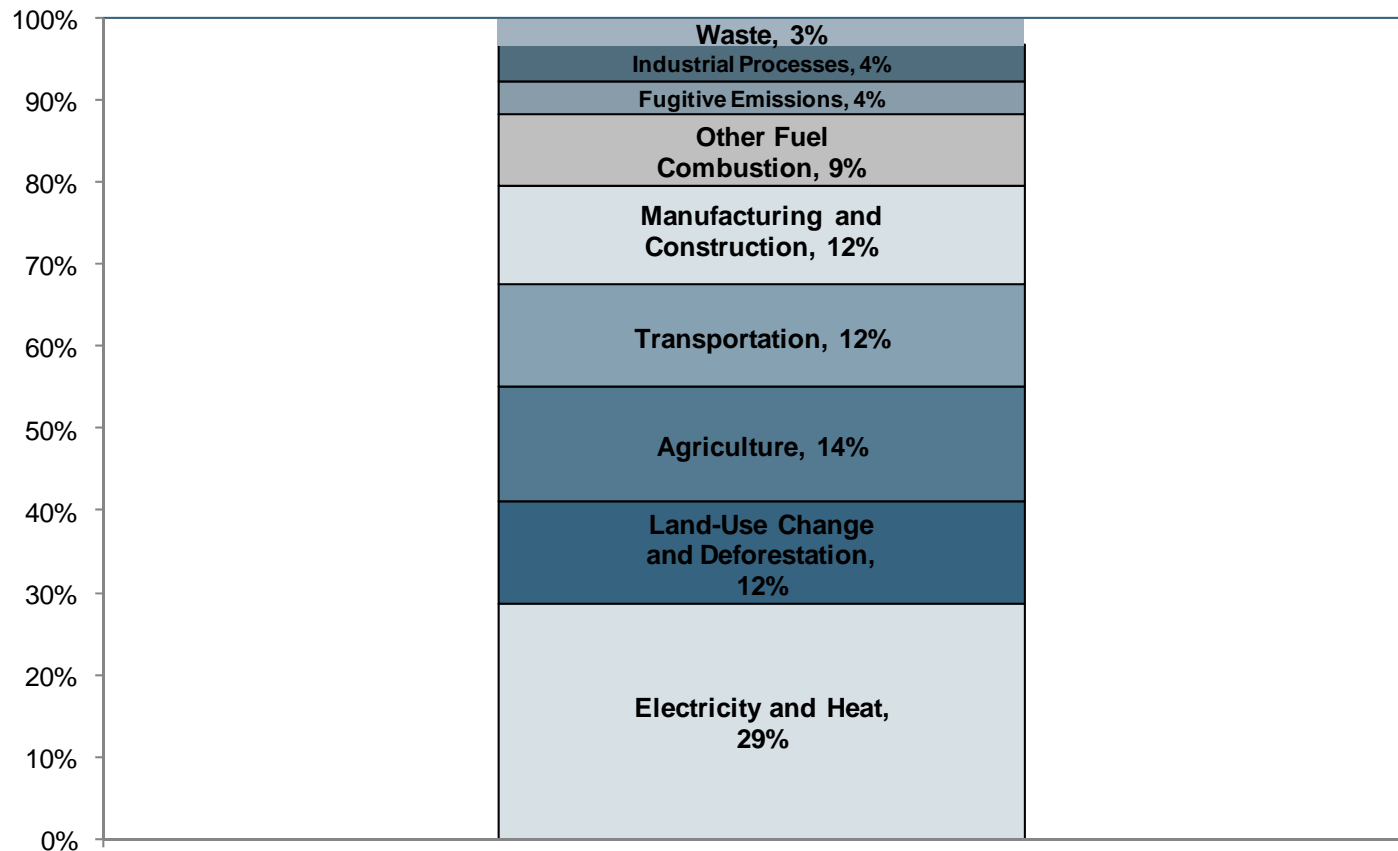
Source: BP Statistical Review of World Energy.

Share of electricity from renewable sources, 2009



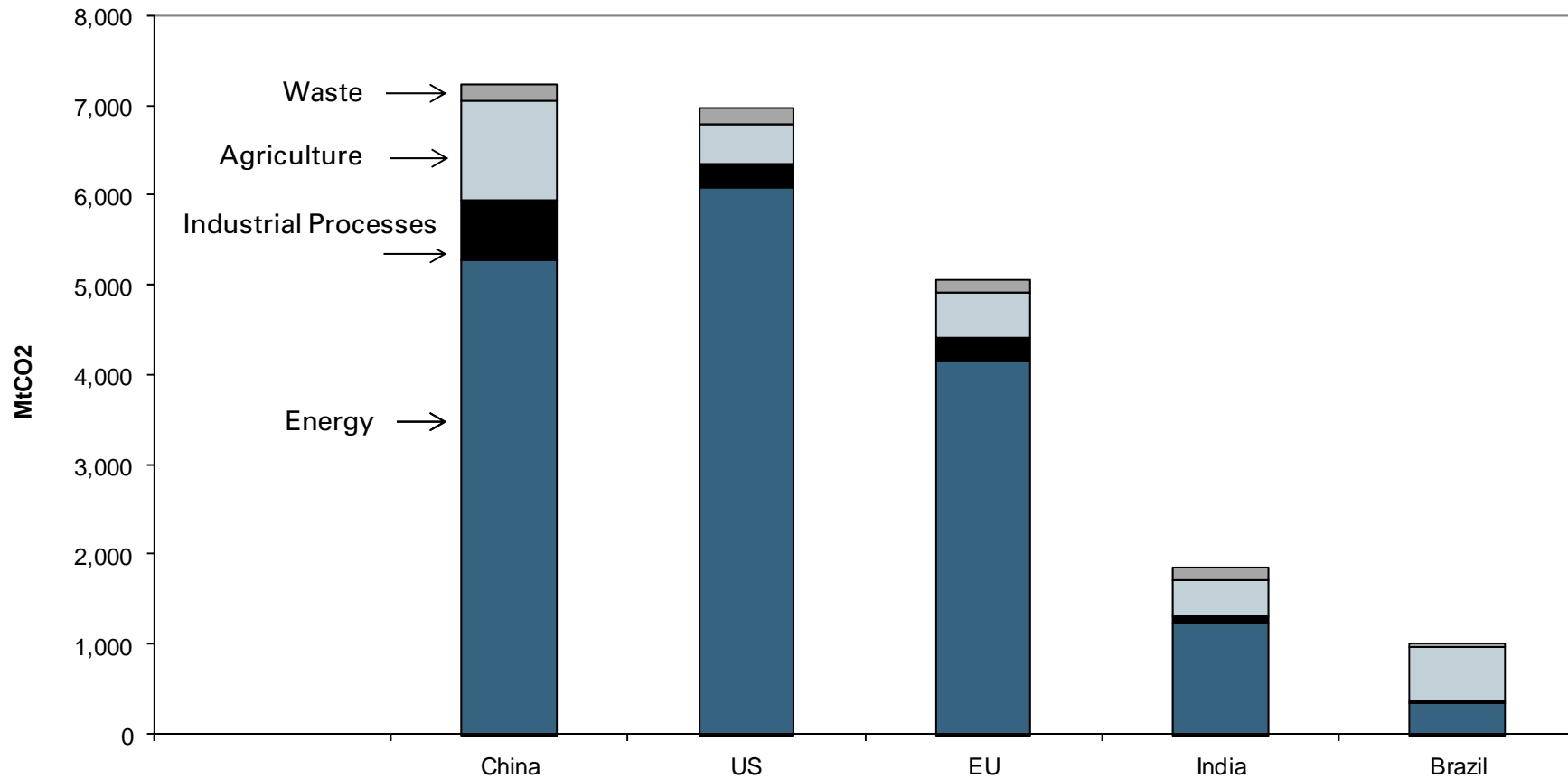
Source: Renewable Energy Policy Network for the 21st Century.

Composition of Global GHG emissions, 2005



Source: UNFCCC, WRI, September 2010.

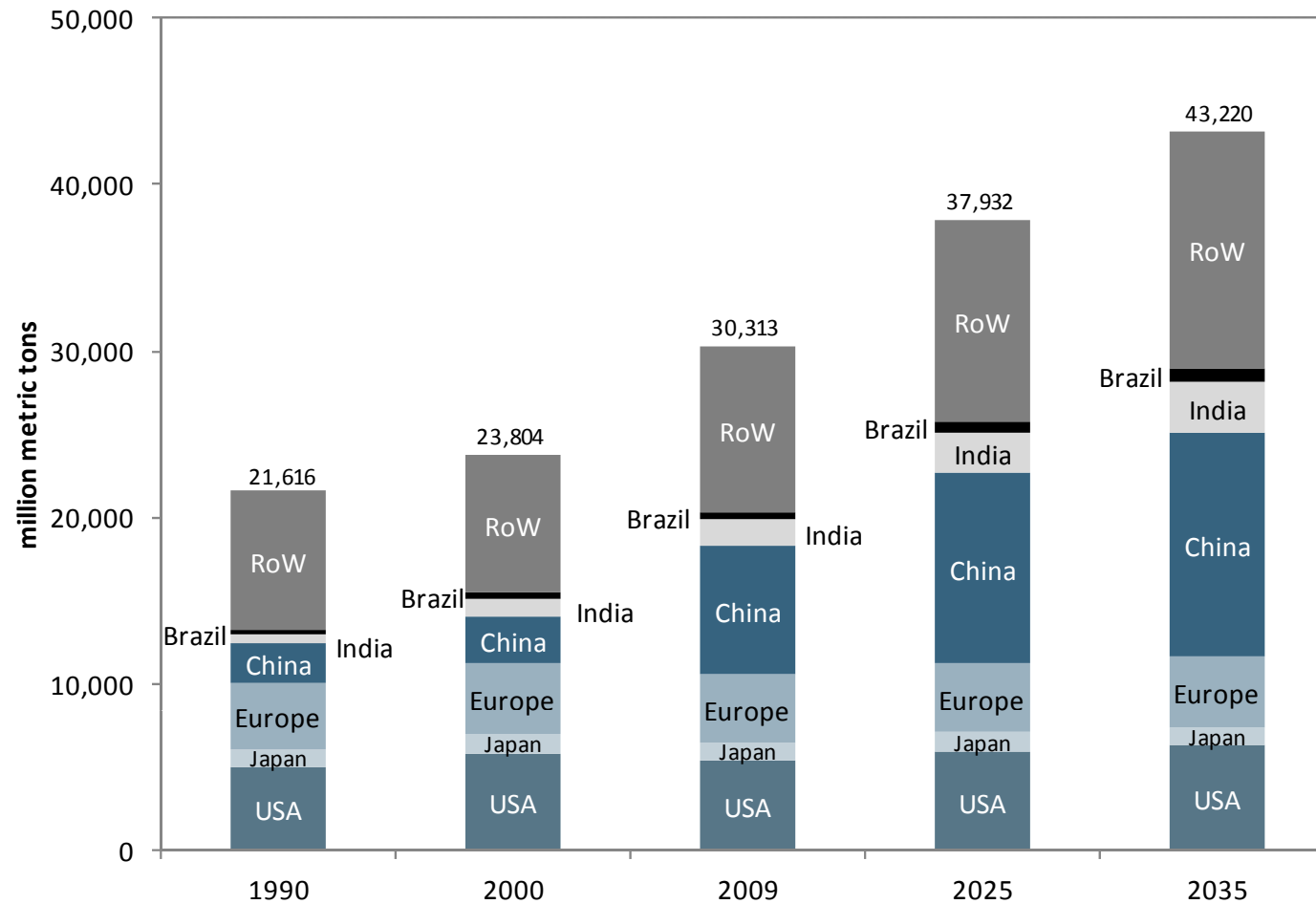
Comparison of country GHG emissions by sector, 2005



Source: WRI.

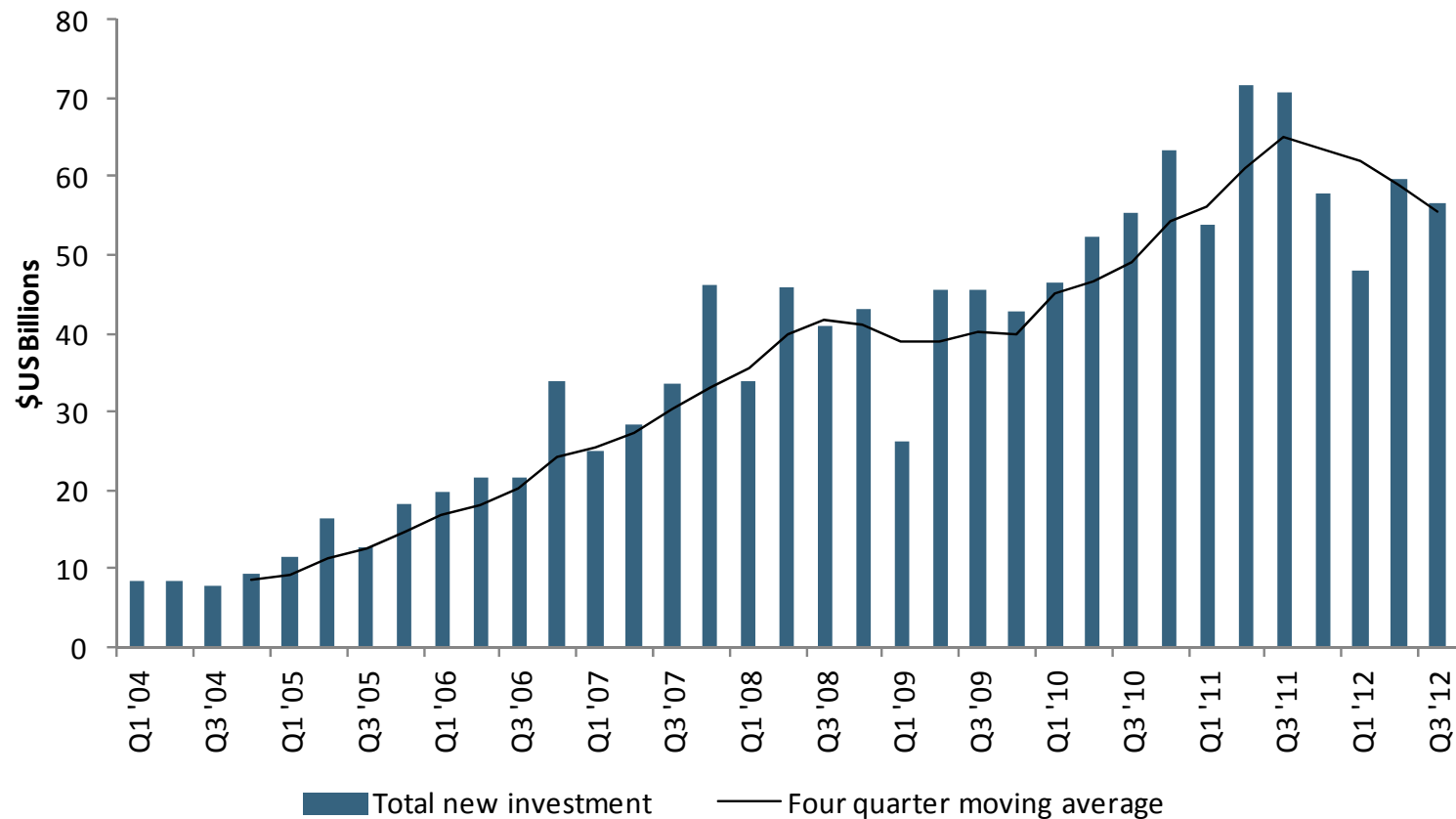
Global GHG emissions (CO₂ only) continue to grow

Changing composition of major emitters, especially China



Source: US Department of Energy, Energy Information Administration (EIA).

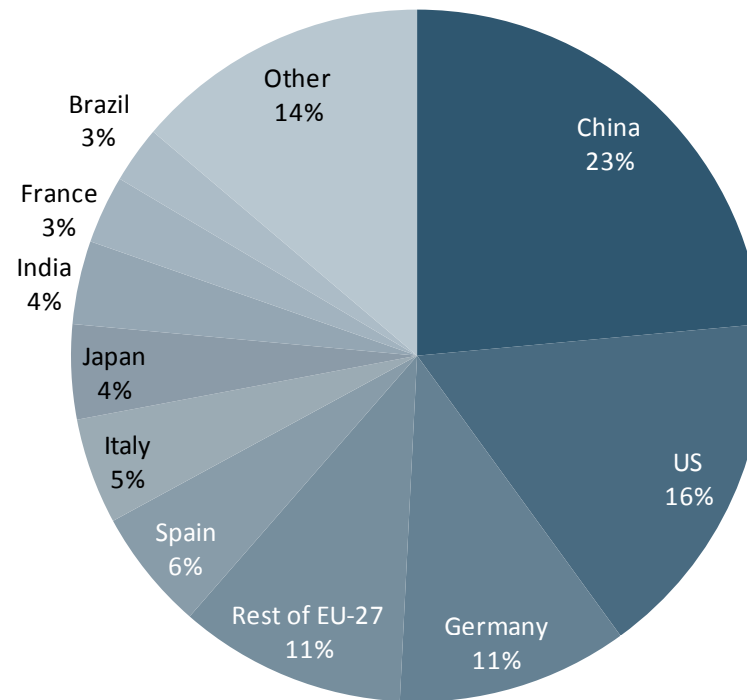
Global new clean investment bounces back from recessionary impact



Source: Bloomberg New Energy Finance.

Breakdown of global renewable energy capacity

China has become a leader in capacity as a result of significant investments in green technology encouraged by government policies



Source: *Pew Environment Group*

Disclosure Appendix

December 7, 2012

Disclosure Appendix



Disclosures

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