

### Revisions since last month (in brackets forecasts as per previous month)

	GDP 2010		GDP 2011		CPI 2010		CPI 2011					
	SLAM	Consensus	SLAM	Consensus	SLAM	Consensus	SLAM	Consensus				
USA	3.2%	3.3%	2.5%	3.1%	1.7%	(1.9%)	1.7%	(2.0%)	1.9%	(2.0%)	1.7%	(1.9%)
Euro Area	0.9%	1.1%	1.3%	1.4%	(1.5%)	1.3%	1.4%	(1.3%)	1.2%	1.5%	(1.4%)	
Japan	3.1%	3.2%	(2.4%)	1.2%	1.7%	-0.7%	-1.0%	0.0%	-0.2%			
UK	1.1%	1.3%	1.5%	2.3%	2.7%	(2.9%)	3.1%	(2.9%)	2.5%	(2.4%)	1.9%	(1.8%)
Switzerland	2.0%	2.0%	(1.9%)	1.6%	1.9%	1.0%	(1.2%)	1.0%	0.7%	(0.8%)	1.1%	(1.0%)

#### USA – CEOs expect higher sales

##### GDP Growth

Swiss Life Asset Management	Consensus
2010: 3.2%	2010: 3.3%
2011: 2.5%	2011: 3.1%

New jobs can create purchasing power. Since the start of the year, almost 500,000 jobs in the private sector were added to the existing ones, after a total loss from peak to trough of 8.5 million jobs in the course of the recession. At the same time, working hours got extended and hourly earnings increased. Employment growth in the private sector will have to strengthen however over the months to come in order to lend support to private consumption and thus to our base case scenario. Although a high unemployment rate usually creates slower growth in employment opportunities, the reluctance of jobless claims to meaningfully move lower warrants our attention. Despite consumer confidence measures moving clearly higher over the past weeks, retail sales growth stalled in May. Sales at retailers fell 1.2 percent which was the first decrease in eight months. This fall was mainly led by a plunge in demand at building material stores which may reflect the end of a government rebate on purchases of energy-saving appliances. Furthermore nominal spending figures were also depressed by a 3.3 percent drop at gasoline service stations. Workers obviously used higher income payments in May to rebuild the savings rate which is still at a relatively low rate of 3.6%. Forward looking, we expect income generation to be high enough to allow for decent consumer spending and rebuilding savings in parallel. While consumers still have some way to go in restoring their balance sheets, the corporate world seems in excellent financial position today, a function of the deleveraging that ensued following the capital spending

bust in 2000-2001 when companies had excessive debt and too little cash. In our base case scenario, companies will continue to deploy excess cash especially with their capital stock rapidly depreciating. Durable goods orders equally underline the case for business investment to contribute positively to overall GDP growth going forward. Chief executive officers turned more optimistic in the second quarter, expecting stronger sales and additional hiring in the next six months according to the Business Roundtable's economic outlook index. The latest reading of this index has reached the highest level since the second quarter of 2006. Although CEOs are still cautious as regards capital spending, 79% of respondents said they expected sales to grow through the remainder of the year, up from 73% in the first quarter.

##### Inflation

Swiss Life Asset Management	Consensus
2010: 1.7%	2010: 1.7%
2011: 1.9%	2011: 1.7%

Prices of energy and other commodities have declined somewhat in recent months, and underlying inflation has trended lower which fits our own inflation forecast perfectly well. Changes to the FOMC statement were largely as expected and reflected a bit more caution regarding the economic outlook. The statement also emphasized that the committee is expecting the recent move lower in inflation to be sustained. Nevertheless, Kansas City Fed President Hoenig, who has itched to tighten monetary policy since the start of the year, dissented for the fourth consecutive meeting, objecting to the "extended period" language.

Source for Consensus Estimates: Consensus Economics Inc. London, 14 June 2010

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### Euro Area – Fiscal consolidation on track

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#### GDP Growth

Swiss Life Asset Management	Consensus
2010: 0.9%	2010: 1.1%
2011: 1.3%	2011: 1.4%

Germany's business climate, a good measure for overall Euro Area activity, recorded an unexpected increase in June all due to the current conditions subindex, which improved significantly from 99.4 to 101.1. This underlines the notion that the weak currency definitely has its merits. Equally so, the German Bundesbank was adopting a similar view in its June Bulletin by commenting that the weak Euro would help to offset the negative impact on domestic demand from intensified fiscal tightening next year. As regards the ambitious goals for fiscal consolidation of various member countries, Greece, Ireland and Italy are well under way to meet their targets for this year. Spain and Portugal are clearly lagging behind their specifications. Yet Spain should avoid to appear slow moving at this stage, as investors' focus is on this heavy-weight member economy. In the case of Spain, fiscal consolidation is important, but it needs to be complemented by structural reforms, which would facilitate the rebalancing while enhancing long-run growth prospects. Although Spain may not be exiting recession this year, we are faced with an upside growth risk in the current quarter as recent activity data from across the region does signal strong activity in the manufacturing world. Similarly, consumers seem rather unperturbed by the debt crisis, as evidenced by higher consumer confidence readings and not least strong actual spending figures out of France.

#### Inflation

Swiss Life Asset Management	Consensus
2010: 1.3%	2010: 1.4%
2011: 1.2%	2011: 1.5%

We share Mr. Trichet's view that the idea of austerity measures triggering stagnation is incorrect. The ECB stressed the case that confidence-inspiring policies will foster and not hamper economic recovery, because confidence is the key factor today. Inflation risks remain largely absent despite ongoing recovery.

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### Japan – Windfall from Chinese exchange rate policy?

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#### GDP Growth

Swiss Life Asset Management	Consensus
2010: 3.1%	2010: 3.2%
2011: 1.2%	2011: 1.7%

Strong economic data in the first quarter of the calendar year resulted in a marked upward revision in the consensus forecast and caused the government to almost double its own growth forecast for fiscal year 2010/11. Japan's economic recovery from recession was one of the fastest in the developed world, but its fate going forward is highly dependent on export growth. May data show that export growth to the US has lost steam as of late. Upwardly revised growth forecasts may therefore be old news as they are based on much better dynamics at the start of the year than anyone has thought. As we expect global growth momentum to cool to below the long-term trend rate for the next quarters, we think that dynamics in Japan are likely to soften markedly during the second half of 2010. On average, we expect quarterly growth rates to reach 0.3% until end of 2011 after 0.9% during the first half of 2010. Further out, China's announcement of renewed flexibility in its currency regime may be good news for Japan's exports: During the last period of Renminbi appreciation versus the US Dollar between July 2005 and July 2008, Japan's total exports grew 0.8% on average each month. This is much better than the monthly average growth rate of 0.3% recorded since 1990. Like elsewhere, fiscal consolidation emerges as a potential drag on domestic dynamics as the new prime minister Kan has brought the country's debt problems into the spotlight. He signalled a prospective rise to 5% in the consumption tax to rein in the budget shortfall.

#### Inflation

Swiss Life Asset Management	Consensus
2010: -0.7%	2010: -1.0%
2011: 0.0%	2011: -0.2%

Chances for a hike in the consumption tax as part of a complete overhaul of Japan's tax system after the parliamentary elections on July 11 are substantial. Consequently we see no reason to withdraw from our above the consensus view on consumer price inflation.

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### UK – Sub-trend growth until 2012

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#### GDP Growth

Swiss Life Asset Management	Consensus
2010: 1.1%	2010: 1.3%
2011: 1.5%	2011: 2.3%

Our main scenario for the global economy is built upon five blocks which can also explain our thoughts on the British economy. Fiscal austerity as a first building block is likely to result in sub-trend growth until 2012. Consequently, our own growth forecast for 2011 is well below the consensus estimate. Yet, this does not mean that we give up our view, that the economic recovery is sustainable: A second element in our scenario pays attention to consumption dynamics. In the UK, these are supported by improving labour market data and wealth effects stemming from rising property prices. The number of workers claiming for unemployment assistance fell in six of the last seven months. Property prices have risen around 10% over the past year pushing house asking prices in the London area to record levels. We believe thirdly, that the global recovery provides a favourable soil for trade. Given the Sterling depreciation since 2007, UK exporters are well positioned to benefit from strengthening global demand. A further ingredient to achieve an economic recovery under fiscal austerity is the idea that the businesses sector plays a constructive role by increasing capital expenditures and rising hiring plans.

#### Inflation

Swiss Life Asset Management	Consensus
2010: 2.7%	2010: 3.1%
2011: 2.5%	2011: 1.9%

The fifth element to explain our most likely scenario is the absence of inflation pressures. With annual inflation exceeding the Bank of England's target of 3% since January 2010, one might think that this judgement is not true for Britain. But even when we include the announced permanent VAT hike to 20% as per January 2011, we expect annual inflation to slip gradually going forward and to fall below 3% with the July 2010 print.

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### Switzerland – Rapid expansion in industrial sector

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#### GDP Growth

Swiss Life Asset Management	Consensus
2010: 2.0%	2010: 2.0%
2011: 1.6%	2011: 1.9%

Financial conditions remain extremely favourable for the domestic economy. Interest rate sensitive businesses like the construction sector are close to overheating. Loose mortgage lending standards at certain banks are clearly worrying the Swiss National Bank (SNB). Certain construction businesses still benefit from incentives to deploy environmentally friendly renovation measures. In addition to buoyant mortgage lending activities, banking recovers on other fronts as the continued global economic recovery benefits investment banking and wealth management. Until recently, industrial surveys and trade data suggested that the Euro weakness has a limited impact on business sentiment. Most importantly, the purchasing managers index suggests a rapid expansion in the industrial sector. The sector as a whole is likely to create new jobs in the second half of the year, adding further support to our view that the unemployment rate falls below 4% soon. Apparently, intact growth momentum in Germany is more important for Swiss exports than an exchange rate appreciation by 8% versus the Euro since the start of the year. As last week's shift in the SNB rhetoric on exchange rates may cause a broader appreciation of the Swiss Franc versus other major currencies, exporting firms' pain might yet increase in the months to come.

#### Inflation

Swiss Life Asset Management	Consensus
2010: 1.0%	2010: 1.0%
2011: 0.7%	2011: 1.1%

There is a clear risk of asset price inflation in the housing market of certain Swiss regions. Apart from that, and health insurance premiums also left aside, costs of living continue to trend sideways despite a rapidly recovering economy.

