

World Cup 2014 Special

Brazil set to succeed on the pitch ...but it's an uphill battle for the economy

Brazil's economy: not much to cheer about

As the football World Cup kicks off in Brazil, the Brazilian economy continues to struggle on the back of weaker demand from China, heightened political uncertainty and continued large structural problems.

The softening of Chinese growth over the past couple of years has put pressure on both Brazilian growth and the Brazilian markets. Despite weak Brazilian growth, inflation has remained elevated and the Brazilian central bank has reacted to this by tightening monetary policy considerably over the past year – further putting downward pressure on Brazilian growth.

Weak growth and fiscal easing ahead of the presidential elections in October have caused a further worsening of public finances. This has led to an unfortunate policy mix – tight monetary policy and too easy fiscal policy. We expect Brazilian growth to remain lacklustre over the coming year, with GDP growth of 1.5% this year and 1.8% and 2.4% in 2015 and 2016 respectively.

Brazil likely to win the World Cup – Spain set to disappoint

While there is not much to cheer about regarding the Brazilian economy, we believe the Brazilian population will at least be able to cheer about its national team's result at the upcoming football World Cup.

In this document, we present our forecasts not only for the Brazilian economy but also for the outcome of the World Cup. We have estimated an econometric model for the World Cup result based on data from the five previous World Cup tournaments and used the model parameters to simulate the upcoming World Cup and the results are clear to us.

In our view, home advantage, a large population and a strong football tradition will ensure that Brazil wins the World Cup. We believe Argentina will be in the running but will lose to Brazil in the final. Germany will take third place.

However, chance is a major factor in football, so nothing is given – not even for Brazil. To describe these factors we have used so-called Monte Carlo simulations to estimate the probability of different teams winning the World Cup. Brazil is strong favourite, with our simulation indicating a 45% chance that Brazil will win the tournament. We calculate the runners up are much less likely to win, with Argentina having an 8.1% chance, Germany 7.6% and France 6.7%.

We believe Spain will be the big disappointment of the tournament and believe it is likely to exit the tournament after losing to Italy at the quarter final stage. We see only a 4% likelihood of Spain winning the 2014 World Cup.

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Macro forecast Brazil

	2013	2014	2015	2016
GDP (% y/y)	2.3	1.5	1.8	2.4
GDP deflator (% y/y)	7.7	6.5	6.6	6.7
CPI (% y/y)	6.2	6.5	6.8	6.9
Private consumption (% y/y)	2.3	2.0	1.8	2.4
Fixed investments (% y/y)	6.2	0.8	1.8	2.4
Unemployment (%)	5.1	5.2	5.4	5.4
Current account (% of GDP)	-3.4	-3.2	-3.2	-3.2

Source: Danske Bank Markets

Top 4 World Cup forecast

1 Brazil
2 Argentina
3 Germany
4 Italy

Source: Danske Bank Markets

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Macro monitor Brazil

The Brazilian economy seems set to see low growth for years to come, in our view. The country went through economic slowdown in 2012 and although economic activity seemed to gain some momentum in the first half of 2013, the economic performance deteriorated again in the second half of 2013.

Structural problems

Looking ahead, the unaddressed structural problems in the Brazilian economy will continue to be a problem for longer term growth. Furthermore, an unfortunate policy mix with monetary tightening and fiscal easing is adding to concerns regarding the Brazilian economy ahead of October's elections. Finally, as the economy continues to struggle, further social unrest and heightened political uncertainty are likely in our view.

The outlook for continued weak growth is based on multiple factors. Brazil faces big challenges in terms of initiating structural reforms, which are likely to be postponed further ahead of the elections in October. Trade is dampened by protectionist measures, including a high tax burden, which hurts foreign and domestic investment and adds to lowering trend growth.

Furthermore, Brazil remains very dependent on commodity prices and capital inflows, which makes it very vulnerable to external shocks when commodity prices fall and global financing conditions tighten. This also means the outlook for the Brazilian economy and markets is highly dependent on particular developments in China, which is now Brazil's main trading partner. Hence, there is no doubt in our minds that the slowdown in China in recent years has been a key contributing factor to both the slowdown in Brazilian growth and to the weakness in the Brazilian real.

Bad policy mix

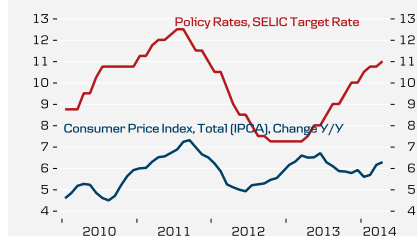
Inflation remains elevated and inflation expectations are anchored above the official inflation target of 4.5% +/-2pp. The central bank has responded to rising inflation by quite aggressive monetary tightening initiated in April 2013. Since April 2013, the Brazilian central bank raised its Selic rate by 375bp to 11% to prop up the Brazilian real and to curb inflationary pressures. Looking ahead, we expect inflation to average 6.5% y/y this year and 6.8% y/y in 2015.

While monetary policy is being tightened, fiscal policy has been overly loose under the leadership of the left-leaning President Dilma Rousseff. Fiscal slippage has widened the budget balance deficit to -3.6% of GDP in 2013, from -2.4% in 2012, while the general government debt-to-GDP ratio increased to 57.5% at the start of 2014, up from 54.2% in 2011. Amid fiscal easing, failure to revive the economy could make it difficult for the incumbent left-leaning President Rousseff to be re-elected in October's presidential elections.

The weak economy, unaddressed structural reforms and fiscal slippage resulted in Brazil's recent sovereign debt rating downgrade to the lowest investment grade by one of the rating agencies. Furthermore, we would not rule out a further downgrade.

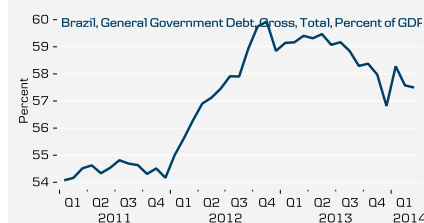
The future of Brazil and its economic performance will be highly dependent on the new president to implement badly needed economic reforms. We see a particular need to open up the Brazilian economy aggressively to foreign investment and competition in order to spur Brazilian productivity growth, which has been extremely weak for decades.

Inflation keeps rising



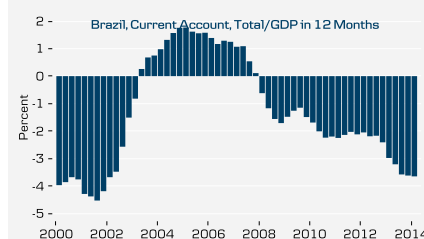
Source: Macrobond

Government debt is elevated



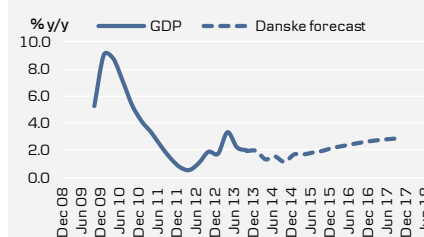
Source: Macrobond

Current account deficit widening



Source: Macrobond

Our GDP forecast



Source: Macrobond, Danske Bank Markets

World Cup no turnaround for the economy

While we believe the upcoming football World Cup looks set to lead to Brazilian success on the pitch (see below), we remain quite downbeat about Brazil's economic prospects unless major reforms are implemented. In this regard, we also think the World Cup is in itself likely to do very little for future economic growth in Brazil. Football is very good entertainment but it is hard to find any examples in economic history of a World Cup giving any lasting positive growth effects for the host country.

Hence, we are quite sceptical about Brazil's economic growth in coming years. We expect the economy to expand by only 1.5% y/y in 2014, 1.8% y/y in 2015 and 2.4% y/y in 2016.

Macroeconomic forecasts				
	2013	2014	2015	2016
GDP [% y/y]	2.3	1.5	1.8	2.4
GDP deflator [% y/y]	7.7	6.5	6.6	6.7
CPI [% y/y]	6.2	6.5	6.8	6.9
Private consumption [% y/y]	2.3	2.0	1.8	2.4
Fixed investments [% y/y]	6.2	0.8	1.8	2.4
Unemployment [%]	5.1	5.2	5.4	5.4
Current account [% of GDP]	-3.4	-3.2	-3.2	-3.2

Source: Danske Bank Markets

Predicting the World Cup winner

With the 2014 World Cup in Brazil only a couple of weeks away, we take a closer look at the economics of the World Cup. Below, we present macroeconomic and FX forecasts for all nations participating in the tournament. We also give our view of the most important forecast for the World Cup and that is which team is likely to lift the trophy in Rio de Janeiro on 13 July based on simulation results from our World Cup model.

An economic model of the World Cup

The box below gives a closer description of our World Cup model. The model predicts the outcome of a given World Cup match by looking at the relative strength of the two teams playing in the match. The model is based on fundamental economic and football-related factors.

Danske Bank's World Cup Model

Danske Bank's World Cup Model estimates the relative strength between two teams playing in the World Cup based on a combination of fundamental economic and football related factors. The model includes the following variables.

- The dependent variable, the relative strength between any two national teams, is net goal difference (Δ Goals). For example, when Brazil beat Sweden 5-2 in the 1958 World Cup final the net goal difference was three.
- The difference in income levels, which we measure as the difference in GDP per capita in terms of PPP relative to GDP per capita in the US (Δ GDP/capita of US).
- The difference in population, which is the difference between the countries' populations in hundred millions (Δ Pop [100 million]) and as this effect diminishes with population size the variable squared is also included.
- The difference in football tradition is captured by the difference in the number of World Cup participations (Δ WC participations) and by a dummy variable [Δ Asia/Oceanic/North America], which captures the fact that Asian, Oceanic and North American countries do not have a long football tradition.
- We reflect the difference in the current form of two national teams by the difference in their current FIFA ranking (Δ FIFA ranking). Hence, number 1 ranked Spain has the advantage over the other teams on this factor.
- A dummy variable (Δ Ballon d'Or nominee) for any team that had a Ballon d'Or (European Footballer of the Year) nominee the year before the World Cup takes into account the effect on the team of the presence of a 'superstar'.
- Finally, we have included a dummy variable (Δ Host) to take into account the vital factor of home advantage.

The model is estimated using OLS based on data from the past five World Cup tournaments and yields the following result with an $R^2=0.27$.

$$\begin{aligned} \Delta \text{Goals} = & 0.27 * \Delta \text{GDP/capita of US} + 0.16 * \Delta \text{Pop (100mill.)} - 0.0002 * \Delta \text{Pop}^2 \text{ (100mill.)} \\ & + 0.05 * \Delta \text{WC participations} + 0.25 * \Delta \text{Ballon d'Or nominee} \\ & - 0.01 * \Delta \text{FIFA ranking} + 0.95 * \Delta \text{Host} - 0.67 * \Delta \text{Asia/Oceanic} \\ & - 0.75 * \Delta \text{North America.} \end{aligned}$$

Ranked by GDP per capita

Top 5	United States	54,980
	Switzerland	47,863
	Australia	44,346
	Netherlands	42,586
	Germany	41,248
Bottom 5	Honduras	4,959
	Ghana	3,590
	Nigeria	2,997
	Cameroon	2,514
	Ivory Coast	1,938

Source: IMF WEO

Ranked by population size

Top 5	United States	318.8
	Brazil	200.0
	Nigeria	173.9
	Russia	142.9
	Japan	127.1
Bottom 5	Switzerland	8.1
	Costa Rica	4.9
	Croatia	4.3
	Bosnia	3.9
	Uruguay	3.4

Source: IMF WEO

Ranked by World Cup participations

Top 5	Brazil	19
	Italy	17
	Germany	17
	Argentina	15
	Mexico	14
Bottom 5	Ivory Coast	2
	Ecuador	2
	Honduras	2
	Ghana	2
	Bosnia	0

Source: FIFA

Although it may not be apparent when watching a football match, economic fundamentals play a vital role in determining who will come out on top. USD20,000 in extra GDP per capita earns a team a 0.1 goal advantage at the World Cup. This should give reason for comfort in the US camp, as the USD30,000 difference in GDP per capita should give it a 0.15 goal advantage over Portugal when the two teams meet in the second round of the group stage. A 75 million larger population similarly gives a team a 0.10 goal advantage.

This said, football-related factors are not to be ignored. In our model, they earn the team playing all matches in front of its home crowd close to a one goal advantage in every match. Hence, we believe Brazil will have the upper hand every time it steps onto the pitch during the tournament. Teams from Asia, the Oceanic region and North America lack a strong football tradition, which gives them a 0.7 goal disadvantage playing teams outside these continents, while the experience of having played in 10 more World Cups than its opponent earns a team a 0.5 goal advantage. This should benefit England when it plays Costa Rica in the final round of the group stage.

Finally, better current form definitely improves a team's relative strength. A 10 place advantage in the latest FIFA ranking of national teams earns the team 0.10 goal, while the presence of a 'superstar' player on the team results in a 0.25 goal advantage over a team without a 'superstar' on the field.

US set to leave Portugal empty handed in the group stage

With the model above at hand, we have simulated the World Cup tournament from the opening match between Brazil and Croatia all the way to the 64th and final match. The simulation results of the group stage can be found below.

Group stage A-D											
Group A	Points	Goal diff	Group B	Points	Goal diff	Group C	Points	Goal diff	Group D	Points	Goal diff
Brazil	9	+7	Spain	5	+2	Colombia	5	+1	Italy	5	+3
Croatia	2	-2	Netherlands	5	+1	Greece	5	+1	England	5	+2
Mexico	2	-3	Chile	5	0	Ivory Coast	5	0	Uruguay	5	+1
Cameroon	2	-3	Australia	0	-2	Japan	0	-2	Costa Rica	0	-5
Brazil-Croatia	+2		Spain-Netherlands	0		Colombia-Greece	0		Uruguay-Costa Rica	+1	
Mexico-Cameroon	0		Chile-Australia	+1		Ivory Coast-Japan	+1		England-Italy	0	
Brazil-Mexico	+2		Australia-Netherlands	-1		Colombia-Ivory Coast	0		Uruguay-England	0	
Cameroon-Croatia	0		Spain-Chile	0		Japan-Greece	-1		Italy-Costa Rica	+2	
Cameroon-Brazil	-2		Australia-Spain	-1		Japan-Colombia	-1		Italy-Uruguay	0	
Croatia-Mexico	0		Netherlands-Chile	0		Greece-Ivory Coast	0		Costa Rica-England	-2	

Source: IMF, FIFA, Danske Bank Markets

Not surprisingly, based on our model, host nation Brazil looks set to advance easily to the knockout stage. So does defending World Cup champion Spain. Experienced teams such as Argentina, England, Germany, France, Italy and the Netherlands are also looking to make their way on from the group stage. We also expect wealthy nation Switzerland to secure a place in the second stage of the tournament, along with the largest African country Nigeria and newest member of the European Union Croatia.

However, it may come as a bit of a surprise that we predict the US will qualify for the knockout stage at the expense of Portugal, which we believe will finish only third in Group G behind Germany and the US. We believe the heavily populated wealthy US stands a good chance of advancing far into the tournament. We believe it is likely to get the upper hand over debt-burdened Portugal in the preliminary stage, even though Portugal is ranked higher in the FIFA ranking. In the round of 16, the US will be paired with little league nation Belgium, which will be a good match for the biggest nation of the

Ranked by FIFA ranking

Top 5	Spain	1
	Germany	2
	Portugal	3
	Brazil	4
	Colombia	5
Bottom 5	Nigeria	44
	Japan	47
	Cameroon	50
	South Korea	55
	Australia	59

Source: FIFA

competition. Subsequently, our model suggests the US will qualify for the quarter final, when it would meet Argentina, with 'superstar' Lionel Messi on the field being too big a challenge

.Group stage E-H

Group E	Points	Goal diff	Group F	Points	Goal diff	Group G	Points	Goal diff	Group H	Points	Goal diff
France	7	+3	Argentina	9	+4	Germany	7	+2	Belgium	7	+2
Switzerland	7	+2	Nigeria	4	0	United States	5	+1	Russia	7	+2
Ecuador	3	-1	Bosnia and Herzegovina	4	-1	Portugal	4	0	Algeria	3	-1
Honduras	0	-4	Iran	0	-3	Ghana	0	-3	South Korea	0	-3
Switzerland-Ecuador	+1		Argentina-Bosnia and Herzegovina	+1		Germany-Portugal	+1		Belgium-Algeria	+1	
France-Honduras	+2		Iran-Nigeria	-1		Ghana-United States	-1		Russia-South Korea	+1	
Switzerland-France	0		Argentina-Iran	+2		Germany-Ghana	+1		Belgium-Russia	0	
Honduras-Ecuador	-1		Nigeria-Bosnia and Herzegovina	0		United States-Portugal	0		South Korea-Algeria	-1	
Honduras-Switzerland	-2		Nigeria-Arentina	-1		United States-Germany	0		South Korea-Belgium	-1	
Ecuador-France	-1		Bosnia and Herzegovina-Iran	+1		Portugal-Ghana	1		Algeria-Russia	-1	

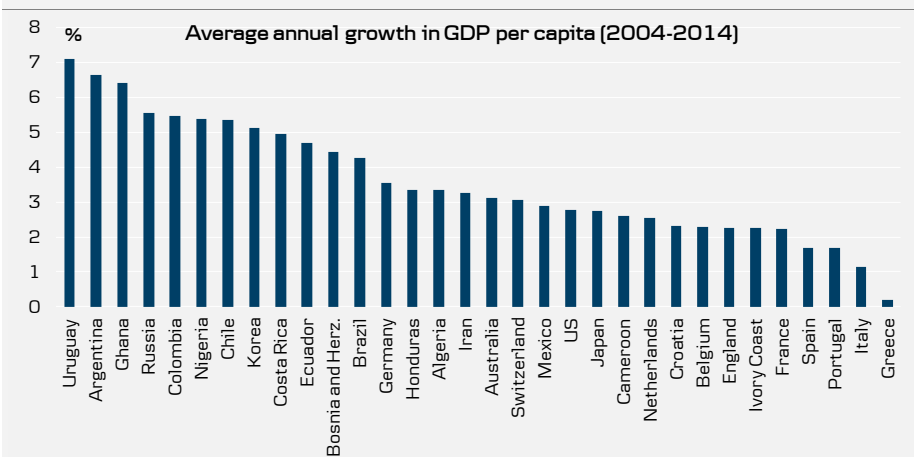
Source: IMF, FIFA, Danske Bank Markets

Slow growth hurts PIGS' chances in Brazil

Our model forecasts a close race in groups B and D, despite both groups including World Cup veterans England, Italy, Netherlands and Spain. Although the model predicts Italy and Spain will come out on top, they face tough competition, as 10 years of weak growth has limited the distance between the two debt-burdened countries and rapidly growing emerging markets Uruguay and Chile.

Whereas GDP per capita has grown only around 1.0-1.5% per year in Italy and Spain since 2004, it has expanded 5-7% annually in Chile and Uruguay over the same period. On the pitch, this has halved the advantages of Italy and Spain of being wealthier nations. Greece has seen virtually no growth over the past 10 years, which has limited its relative strength against all other teams competing in the World Cup. However, Greece benefits from a lucky draw including the poorest nation in the tournament, the Ivory Coast.

Annual average growth in GDP per capita (2004-14)

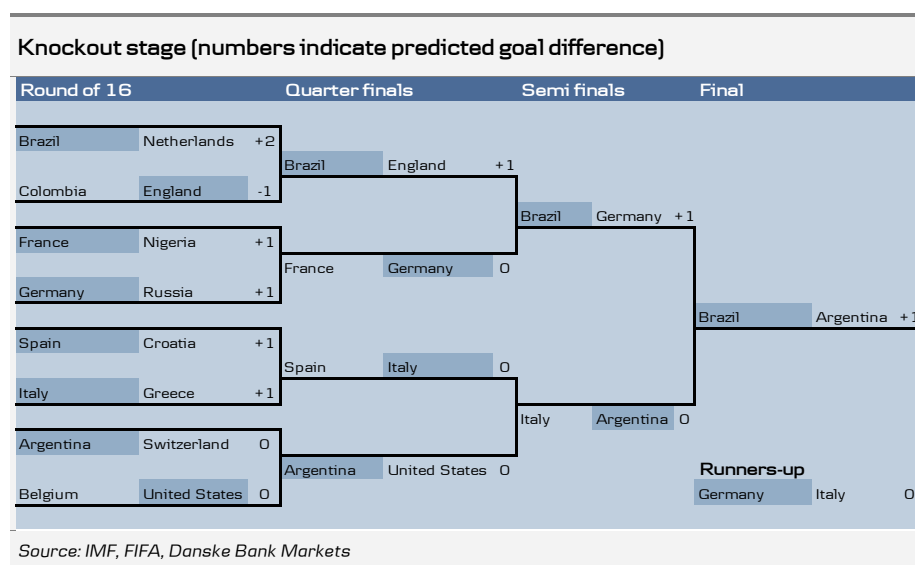


Source: IMF WEO, Danske Bank Markets

Brazil set to knock out England on its way to lifting the trophy

Not only will host Brazil benefit from a 12th man in every match during the tournament, our model suggests strong fundamentals should bring the trophy home to Brazil for the sixth time. Brazil has the second-largest population among the nations playing in the competition and, perhaps more importantly, Brazil has participated in every World Cup played since the tournament took place for the first time in 1930.

Brazil is, therefore, looking to smash all opponents on its way to the final. This includes England, which should have its way with smaller Latin American nation Colombia in the round of 16 but is likely to be paired with Brazil in the quarter finals. This means English football fans should not get their hopes up too high this time around either, as we expect England to lose to Brazil at this stage.



Argentina should pray for the help of 'God's hand'

Luckily, fundamentals are not able to predict the outcome of a football match with 100% accuracy – our model explains 25-30% of the variation in the football results at the World Cup. If it did, the World Cup would not be the most watched sporting event worldwide. Chance plays an even bigger role and this is what makes the sport exciting to watch – just look at the impressive track record in picking winners posted at the last World Cup by Paul the octopus, who had no apparent knowledge of economics.

Probabilities of winning the World Cup final					
Brazil	45.1%	Portugal	1.6%	Ecuador	0.2%
Argentina	8.1%	Russia	1.6%	Cameroon	0.1%
Germany	7.6%	Netherlands	1.4%	Bosnia	0.1%
France	6.7%	Chile	0.9%	Australia	0.1%
Italy	6.2%	Colombia	0.8%	Ghana	0.1%
Spain	4.1%	Greece	0.5%	Japan	0.0%
England	3.6%	Croatia	0.3%	South Korea	0.0%
United States	3.3%	Nigeria	0.2%	Iran	0.0%
Switzerland	2.5%	Mexico	0.2%	Honduras	0.0%
Belgium	2.3%	Algeria	0.2%	Costa Rica	0.0%
Uruguay	1.9%	Ivory Coast	0.2%		

Note: Probabilities are based on 1,000,000 Monte Carlo simulations of the World Cup model
Source: IMF, FIFA, Danske Bank Markets

Based on 1,000,000 simulations of our model, we have evaluated every team's chance of ending up with the trophy. Even though our model picks Brazil as the favourite, it places only a 45% chance on this outcome. Argentina may need to pray for a bit of help from God's hand to come out on top, as the model calculates only an 8% chance of Argentina finishing on top. England may need a 1966 moment to succeed, as the model gives it a mere 4% chance of winning its second World Cup. Finally, as defending champion and number one in the FIFA ranking, Spain's chances may look good on paper. However, the model is not too optimistic on the likelihood of Spain repeating its victory of four years ago, as it calculates only a 4% probability of this happening.

Africa has a good chance of representation in knockout stage

All five of the teams representing Africa at the World Cup have a very slim chance of finishing on top of the podium. However, most of the countries actually have a fair chance of succeeding from the group stage and given that anything can happen in the knockout rounds, it is definitively not impossible that we will see an African nation in the quarter finals, which would be somewhat surprising. For Nigeria and Ivory Coast, the chance of advancing from their respective groups is nearly a 50-50, while Nigeria seems to have the biggest chance of reaching the quarter finals, in our view.

Likelihood of African success in World Cup 2014

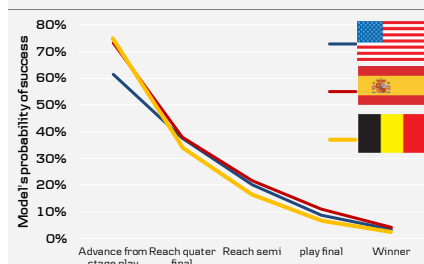
	Advance from group stage	Reaching quarter finals	Reaching semi	Final	Winner
Nigeria	49.6%	16.1%	5.1%	1.1%	0.2%
Ivory Coast	49.0%	14.2%	3.7%	1.1%	0.2%
Algeria	39.6%	11.6%	3.9%	0.9%	0.2%
Cameroon	27.3%	8.5%	2.6%	0.7%	0.1%
Ghana	13.3%	4.6%	1.3%	0.3%	0.1%

Source: Danske Bank Markets, IMF, FIFA

Note: Probabilities are based on 1.000.000 Monte Carlo simulations of the World Cup model.

Another interesting point from our model simulation is that we calculate the probability of the United States advancing from the group stage at 61%. If the United States makes it into the play-offs, the way to the quarter finals seems to be much less problematic than for its opponents in the very tough group G, including Germany, Portugal and Ghana. Hence, our model actually predicts the United States in the quarter finals approximately as often as Spain as Belgium, which would be a surprise to us.

Probability of United States playing in the quarter finals as high as that of Spain and Belgium



Note: Probabilities are based on 1.000.000

Monte Carlo simulations of the World Cup model

Source: IMF, FIFA, Danske Bank Markets





















The market is too optimistic about Spain

Overall, our World Cup model agrees with the market that Brazil is the favourite to win the trophy on its home territory. However, our model indicates that Brazil stands out significantly, with a 45% probability of winning the World Cup compared with the *one in four* offered by the market. While our model only values Spain's chances of repeating its victory from four years ago as very slim, the market is somewhat more optimistic on Spain's behalf.

Moreover, our model also agrees with the market and sees Argentina and Germany as the other top candidates to win the trophy. However, according to our model, the market overestimates both Argentina's and Germany's chances of winning. On the other hand, the market does not seem have much faith in Italy and England, which according to our model actually have a better chance of winning the trophy than defending champions of Spain.

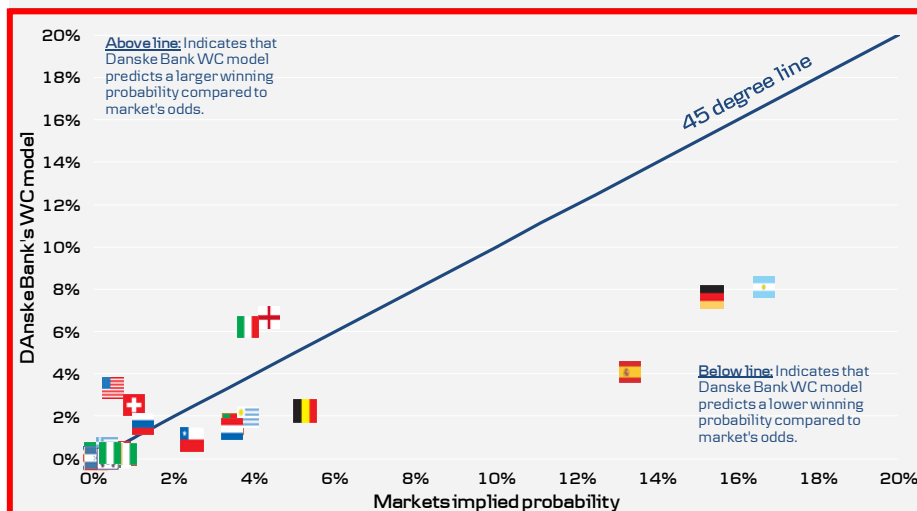
Finally, we note that although our model predicts Belgium will advance from the group stage nearly three out of four times, our model is much less optimistic on its chances of winning the trophy than the market. The market puts Belgium among the top five favourites, while Belgium barely makes it into the top 10 in our model predictions.

World Cup favourites

Rank	Market's favourites	Danske Bank's WC model
#1		
#2		
#3		
#4		
#5		
#6		
#7		
#8		
#9		
#10		

Source: Danske Bank Markets

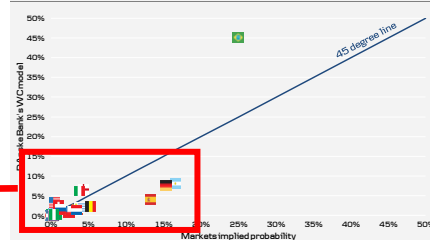
Other top candidates likely to disappoint



Note: Probabilities are based on 1,000,000 Monte Carlo simulations of the World Cup model; market probabilities are based on betting odds as of 27 May 2014.

Source: IMF, FIFA, Danske Bank Markets

Brazil stands out



Note: Probabilities are based on 1,000,000 Monte Carlo simulations of the World Cup model
Source: IMF, FIFA, Danske Bank Markets

Economics of the World Cup

Group A

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth		Inflation		Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
			2013	2014e	2013	2014e				
Brazil	12221	198.3	2.3	1.5	6.2	6.5	Free float (BRL)	BBB- (stb)	19	4
Croatia	18191	4.3	-1.0	-0.6	2.2	0.5	Managed float (HRK)	BB (stb)	3	20
Mexico	15563	118.4	1.3	3.0	3.8	4.5	Free float (MXN)	BBB+ (stb)	14	19
Cameroon	2423	22.0	4.6	4.8	2.1	2.5	Currency Union (XAF)	B (stb)	6	50

Source: IMF, FIFA, Danske Bank Markets

FX forecast

28/05/2014	Spot	3M	6M	12M
USD/BRL	2.24	2.10	2.15	2.20
EUR/HRK	7.59	7.60	7.62	7.65
USD/MXN	12.88	12.85	12.90	13.00
USD/XAF	483.51	485.93	496.97	512.50

Source: IMF, FIFA, Danske Bank Markets

Group B

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth		Inflation		Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
			2013	2014e	2013	2014e				
Spain	29851	46.6	-1.2	1.1	1.5	0.2	Currency Union (EUR)	BBB (stb)	13	1
Netherlands	41711	16.8	-0.8	0.8	2.6	0.8	Currency Union (EUR)	AA+u (stb)	9	15
Chile	19067	17.6	4.2	3.6	1.8	3.5	Free float (CLP)	AA- (stb)	8	13
Australia	43073	23.2	2.4	2.6	2.5	2.3	Free float (AUD)	AAAu (stb)	3	59

Source: IMF, FIFA, Danske Bank Markets

FX forecast

28/05/2014	Spot	3M	6M	12M
EUR/USD	1.36	1.35	1.32	1.28
EUR/USD	1.36	1.35	1.32	1.28
USD/CLP	556	524	537	549
AUD/USD	0.92	0.92	0.91	0.90

Source: IMF, FIFA, Danske Bank Markets

Group C

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth		Inflation		Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
			2013	2014e	2013	2014e				
Colombia	11189	47.2	4.3	4.5	2.0	1.9	Free float (COP)	BBB (stb)	4	5
Greece	24012	11.1	-3.9	0.6	-0.9	-0.4	Currency Union (EUR)	B- (stb)	2	10
Ivory Coast	1818	24.1	8.1	8.2	2.6	1.2	Currency Union (XOF)	N/A	2	21
Japan	36899	127.3	1.5	1.5	0.2	2.8	Free float (JPY)	AA-u (neg)	4	47

Source: IMF, FIFA, Danske Bank Markets

FX forecast

28/05/2014	Spot	3M	6M	12M
USD/COP	1917	1807	1850	1893
EUR/USD	1.36	1.35	1.32	1.28
USD/XOF	484.56	485.93	496.97	512.50
USD/JPY	101.85	106.00	110.00	114.00

Source: IMF, FIFA, Danske Bank Markets

Group D

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth		Inflation		Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
			2013	2014e	2013	2014e				
Uruguay	16723	3.4	4.2	2.8	8.6	8.3	Free float (UYU)	BBB- (stb)	11	6
Costa Rica	12942	4.8	3.5	3.8	5.2	2.9	Crawling band (CRC)	BB (stb)	3	34
England	37307	53.1	1.7	2.8	2.6	1.9	Free float (GBP)	AAAu (neg)	13	11
Italy	30289	59.7	-1.8	0.5	1.3	0.6	Currency Union (EUR)	BBBu (neg)	17	9

Source: IMF, FIFA, Danske Bank Markets

FX forecast

28/05/2014	Spot	3M	6M	12M
USD/UYU	23.1	24.0	24.5	25.0
USD/CRC	552.4	553	553	553
EUR/GBP	0.81	0.80	0.79	0.77
EUR/USD	1.36	1.35	1.32	1.28

Source: IMF, FIFA, Danske Bank Markets

Group E

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth		Inflation		Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
			2013	2014e	2013	2014e				
Switzerland	46430	8.0	2.0	2.1	-0.2	0.2	Free float (CHF)	AAAu (stb)	9	8
Honduras	10080	15.8	4.2	4.2	2.7	2.8	Crawling band (HNL)	B (stb)	2	28
France	35784	63.7	0.3	0.9	1.0	0.8	Currency Union (EUR)	AAu (stb)	13	16
Ecuador	4839	8.1	2.6	3.0	5.2	5.5	USD is legal tender	B (pos)	2	30

Source: IMF, FIFA, Danske Bank Markets

FX forecast

28/05/2014	Spot	3M	6M	12M
EUR/CHF	1.22	1.23	1.24	1.24
USD/HNL	20.75	20.75	20.75	20.75
EUR/USD	1.36	1.35	1.32	1.28
EUR/USD	1.36	1.35	1.32	1.28

Source: IMF, FIFA, Danske Bank Markets

Group F

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth		Inflation		Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
			2013	2014e	2013	2014e				
Argentina	18749	41.5	4.3	0.5	10.6	n/a	Managed float (ARS)	CCC+u (neg)	15	7
Bosnia and Herzegovina	8280	3.9	1.2	2.0	-0.1	1.1	Currency board (BAM)	B (stb)	0	25
Iran	12264	77.1	-1.7	1.5	35.2	23.0	Managed float (IRR)	N/A	3	37
Nigeria	2831	169.3	6.3	7.1	8.5	7.3	Managed float (NGN)	BB- (neg)	4	44

Source: IMF, FIFA, Danske Bank Markets

FX forecast

28/05/2014	Spot	3M	6M	12M
USD/ARS	8.07	8.50	9.50	10.50
EUR/BAM	1.96	1.96	1.96	1.96
USD/IRR	25383	25400	25400	25400
USD/NGN	163	164	167	170

Source: IMF, FIFA, Danske Bank Markets

Group G

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth		Inflation		Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
			2013	2014e	2013	2014e				
Germany	40007	80.8	0.5	2.5	1.6	1.1	Currency Union (EUR)	AAAu (stb)	17	2
Portugal	23068	10.6	-1.4	1.2	0.4	0.7	Currency Union (EUR)	BBu (stb)	5	3
Ghana	3461	25.6	5.5	4.8	11.7	13.0	Free float (GHS)	B (neg)	2	38
United States	53101	316.4	1.9	3.0	1.1	1.2	Free float (USD)	AA+u (stb)	9	14

Source: IMF, FIFA, Danske Bank Markets

FX Forecast

	28/05/2014	Spot	3M	6M	12M
EUR/USD		1.36	1.35	1.32	1.28
EUR/USD		1.36	1.35	1.32	1.28
USD/GHS		2.95	3.10	3.25	3.40
EUR/USD		1.36	1.35	1.32	1.28

Source: IMF, FIFA, Danske Bank Markets

Group H

	GDP/Capita (PPP)	Pop.(mill.)	GDP Growth		Inflation		Exchange rate regime	Credit Rating (S&P 500)	World Cups	FIFA ranking
			2013	2014e	2013	2014e				
Belgium	37881	11.2	0.2	1.2	1.2	1.0	Currency Union (EUR)	AAu (stb)	11	12
Algeria	7534	37.9	2.7	4.3	3.3	4.0	Managed float (DZD)	N/A	3	25
Russia	17884	142.9	1.3	-0.3	6.8	6.2	Managed float (RUB)	BBB- (neg)	9	18
South Korea	33189	50.2	2.8	3.7	1.3	1.8	Free float (KRW)	A+ (stb)	8	55

Source: IMF, FIFA, Danske Bank Markets

FX Forecast

	28/05/2014	Spot	3M	6M	12M
EUR/USD		1.36	1.35	1.32	1.28
USD/DZD		79.20	79.25	79.50	80.00
USD/RUB		34.54	38.59	39.92	41.48
USD/KRW		1022	1070	1070	1070

Source: IMF, FIFA, Danske Bank Markets

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