Press Release

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Investors Expect Global Economic Growth with Best Prospects in Emerging Markets and Commodities, But Majority Fear Downside Global Risks, According to BNY Mellon-Sponsored Survey

Survey also explores investor views on the likelihood and potential impact of 24 different scenarios

NEW YORK, June 1, 2011 – In a global survey of 800 institutional investors and corporate executives, 86% believe there are significant opportunities for growth in financial markets, but a strong majority of respondents – 58% – think that there are major downside risks preventing them from taking advantage of those opportunities, according to a BNY Mellon-sponsored survey conducted by the Economist Intelligence Unit.

The Search for Growth: Opportunities and Risk in Financial Markets examines investor views about the prospects for growth across a range of asset classes, sectors and regions. It also explores investor views on the likelihood and potential impact of 24 different scenarios.

"The survey shows that while a strong consensus among global investors has emerged on opportunities for growth, uncertainty caused by political, social and economic factors has led to inactivity and maintaining the status quo across a meaningful percentage of the investor base," said James Palermo, vice chairman and CEO of Global Client Management at BNY Mellon.

Key findings from the report include the following:

Emerging markets offer the best prospects, although there are concerns about overheating. Investors think that emerging markets will continue to offer the best outlook for economic and asset-price growth. Emerging market equities are seen as the asset class with the best prospects, and three of the BRICs (Brazil, India and China) top the list of countries seen as offering the best opportunities for growth. But there are also concerns that investors could be over-relying on emerging markets. Two-thirds think that emerging market assets offer strong growth potential, but are concerned that some markets could be overheating, and almost half agree that investors are pinning too much hope on emerging markets.

Growth is expected to continue but at a slower pace. The consensus among survey respondents is that the global economic recovery will continue, but there is disagreement over the pace of that improvement. Just under one-quarter think that the recovery will pick up momentum over the next 12 months, but almost half say that the pace of recovery will slow over that timeframe. This is likely to reflect concerns about recent shocks, including the political unrest in the Middle East and the earthquake in Japan, as well as fears about rising inflation, particularly in emerging markets.

Commodities offer good growth prospects, but will be a risky asset class. Commodities are seen as second only to emerging-market equities in offering the best opportunities for investment growth over the next 12 months. Industries involving the production of commodities, such as oil and gas; agriculture and agribusiness; and mining and metals, are also the sectors seen as offering the best potential. But again, there are concerns about overheating. Asked which asset class is most likely to be the source of the next price bubble, respondents point to commodities. They also consider that commodities will be the asset class where levels of risk are most likely to increase over the next 12 months.

Concerns abound about the Eurozone, although monetary union should withstand the shock. The majority of investors questioned for this report agree that default of a Eurozone country is looking increasingly likely, although few expect that this will ultimately lead to the break-up of the monetary union. Investors, for the most part, are steering clear of the peripheral markets.

Challenges to global governance are hampering the recovery. A common theme from the survey is a lack of confidence in multilateral decision-making. Only a small minority of investors expect progress on concluding the Doha round of trade negotiations, while there are similarly low expectations for agreement on a global accord to replace the Kyoto Protocol, or a globally agreed solution to the "too-big-to-fail" problem in banking.

Scenario-based approach underscores a pessimistic outlook. In addition to exploring potential sources of growth, the report explores investor views on the likelihood and potential impact of 24 different scenarios, including ones related to political turmoil in the Middle East, sovereign debt defaults, rising oil prices, double dip recession in the global economy and currency manipulation.

A copy of the survey can be found at http://www.bnymellon.com/foresight/searchforgrowth.html. To take a benchmarking survey to test your responses again those of the survey respondents go to http://digitalresearch.eiu.com/searchforgrowth.

About the Economist Intelligence Unit

The Economist Intelligence Unit (EIU) is the world's leading resource for economic and business research, forecasting and analysis. It provides accurate and impartial intelligence for companies, government agencies, financial institutions and academic organizations around the globe, inspiring business leaders to act with confidence since 1946. EIU products include its flagship Country Reports service, providing political and economic analysis for 195 countries, and a portfolio of subscription-based data and forecasting services. The company also undertakes bespoke research and analysis projects on individual markets and business sectors. More information is available at www.eiu.com or follow us on www.twitter.com/theeiu

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