Global Economic Outlook

April 2015

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Contributors

Joseph Carson
x1-6886

Guy Bruten
+61 3 8630 2207

Anthony Chan
+852 2918 7846

Kenneth Colangelo
x1-3619

Fernando Losada
x1-3429

Emma Matthy
x1-3055

Alexander Perjessy
x1-5986

Dennis Shen
+44 20 7173 9270

Danielle Simon
x1-3124

Vincent Tsui
+852 2918 5203

Darren Williams
+44 20 7959 4543

Overview

Global Economy—Global growth remains moderate, but more positive trends are becoming apparent in developed economies.

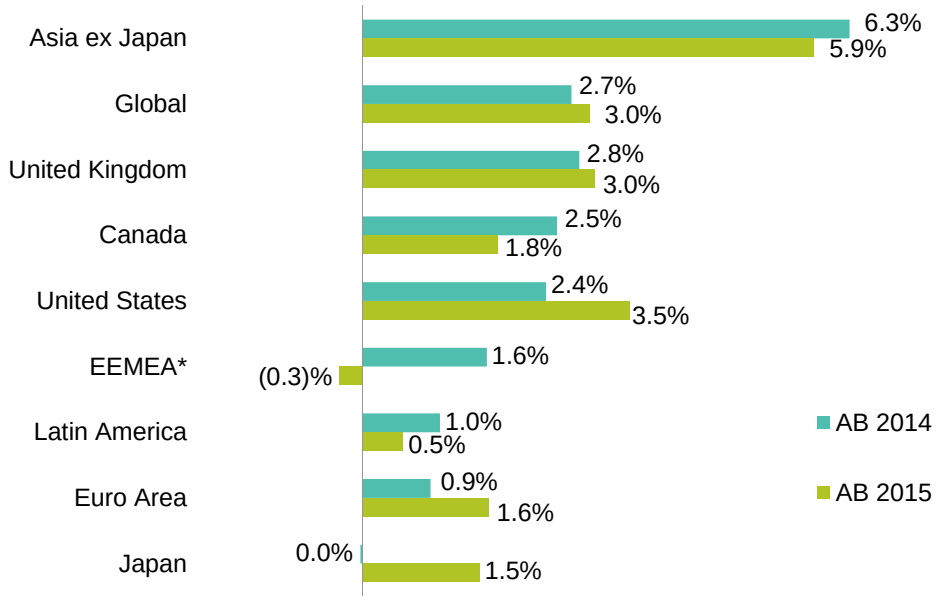
United States—Following a weaker-than-expected 1Q, a strong rebound is expected in 2Q, similar to the 2014 pattern.

Europe—Recent data have been consistent with our view for higher-than-consensus growth in 2015. But the ECB is unlikely to taper asset purchases.

Japan—Growth was tepid in 1Q, but wage trends remain positive.

China—Policy easing will cushion growth but won't reverse the slowing trend.

AB World Economic Growth Forecasts



As of April 1, 2015; calendar-year forecasts
*Emerging Europe, Middle East and Africa
Source: AB

Global Outlook

Modest global growth…but pace of growth improving in developed economies

The global growth forecast of 3% for 2015 has hardly changed since the start of the year. Underlying growth and labor-market trends in the major developed economies continue to improve. But growth remains unbalanced and soft in the emerging markets for reasons that are linked to a number of issues, such as shifts in global supply chains, lack of fundamental reforms and commodity price weakness.

Global business surveys also show the bifurcated pattern of the global economy. The March global business surveys of the manufacturing and nonmanufacturing sectors for the US and Europe posted solid gains, yet business conditions remained subdued for Asia. No doubt China's transition to a slower growth environment has been partially responsible for the poor growth momentum in Asia and many commodity-related economies.

Global prices appear to have stabilized for now

Global oil prices have started to stabilize, and we have not changed our 2015 forecast of $60 per barrel for Brent. But a year ago, oil hovered around $100 a barrel, and the sharp decline will add up to weak economic conditions for Canada and Russia. That said, conditions are better now than they were a month ago when prices were still plunging and there was widespread uncertainty about how much further they would fall.

Positive outlook on USD tied to Fed's lift-off

On the currency front, economic and monetary policy positions still favor a stronger dollar over the intermediate term, but that view is largely dependent on the Federal Reserve lifting official rates over the next few months while other central banks, especially the European Central Bank (ECB) and the Bank of Japan (BoJ), continue to loosen policy by buying assets and expanding their balance sheets.

Central bank easing cycle nearing an end

At the same time, a number of central banks have used the sharp drop in headline inflation emanating from the plunge in oil prices as an opportunity to lower official interest rates. We think this global pattern of central bank easing has probably run its course, although there could be selective cases (e.g., Brazil) where central banks cut official rates owing to weak economic conditions.

US Outlook

Weak start to 2015

First-quarter gross domestic product (GDP) appears to be running at about 1% to 2%—well below our estimate of a 3%-plus gain. The weak start to the year seems related to a number of temporary influences, including delayed business activity tied to the West Coast ports strike and inclement weather in the Midwest and Northeast. The March employment report showing job growth of 126,000 and a decline in the average work week also suggests weather influences may have been a more dominant factor in the month and the quarter overall.

How strong are the labor markets?

Without question the labor market is the key to the 2015 above-consensus growth outlook. On the surface, the smaller-than-expected payroll gain raises some questions about the underlying strength of the labor markets and challenges our 3% to 3.5% real GDP forecast for the year.

Most labor indicators paint picture of strength

But for a true assessment of labor market trends, it's important to look at a broad list of indicators and not rely on any single stat, such as monthly gains in payroll employment, that could offer a false narrative on underlying conditions. As a rule, we tend to look at a broad array of labor market statistics, including the jobless rate, jobless claims, hiring intentions and the number of job openings.

Stable and low jobless rate

The civilian unemployment rate remained steady at 5.5% in March, a cyclical low, and the level of jobless claims remains relatively low (i.e., below 300,000 per month). This tells us that business conditions did not deteriorate so much that firms had to start laying off workers. Jobless claims also offer insight into future business conditions, as every economic slowdown has been foreshadowed by a rise in jobless claims. So the jobless rate and jobless claims data still paint a picture of economic stability and underlying strength.

Record number of job openings

Also, businesses had very ambitious hiring plans at the outset of March, with job openings totaling nearly 5 million, close to the highest levels recorded since this series was created in 2000. Yet the relatively small payroll gain in March indicates that businesses were unable to implement their hiring plans as expected. We suspect that weather played a large role as a number of projects and hiring plans got pushed back.

Will GDP pattern follow 2014?

The second quarter should see a strong rebound in hiring and spending and a growth rebound that could easily duplicate the 2014 pattern. In the spring of 2014, 2Q real GDP rose 4.6% on an annualized basis following a 2% contraction in 1Q. A rebound to about 5% is needed for the economy to hit the 3%-plus growth forecast in 2015.

Europe Outlook

Data have improved in recent months

Recent data in the euro-area economy have been consistent with our view for higher-than-consensus growth in 2015. In March, the Composite Purchasing Managers' Index—a good coincident indicator for euro-area growth—rose to 54.1, the highest reading since May 2011 and consistent with a quarter-over-quarter growth rate of about 0.4%. The regional economic sentiment index—a composite indicator of business and consumer confidence—also rose to 103.9 in March, well above its long-term average. More importantly, the improvement in March showed a pickup in every major euro-area country except Greece. Moreover, the positive tone has not been confined to just survey data. In recent months, a more upbeat tone has also been visible in activity indices ranging from manufacturing production to construction spending. The recovery in consumer-related variables, like retail sales and car registrations, has been particularly impressive—showing that higher real wages are feeding through to boosting consumer spending behavior.

Credit recovery improves sustainability of growth rebound

Some of the factors driving growth are likely to be temporary, however—such as the windfall from lower oil prices. It's therefore vital that conditions are in place for a sustainable recovery after these factors start to fade. That's why we consider it very positive that credit dynamics have shown signs of recovery. According to ECB data, net new lending to euro-area households and nonfinancial firms rose by €17 billion in February. This brought the cumulative increase over the three months through February to €37 billion, by far the largest increase since the second half of 2011. In line with this, the ECB's bank lending survey for January showed another net easing of credit standards (though conditions remain "relatively tight" according to the bank). This turnaround in credit dynamics shows that the ECB's expansionary monetary policy is starting to filter through to the real economy, which enhances the durability of the recovery. Note that the ECB recently raised its growth forecast for 2015 to 1.5% (AB: 1.6%) and its forecast for 2016 to 1.9%.

ECB unlikely to taper its asset purchases

If current improvements in the economic data continue unabated, it may not be long before investors start to wonder how long the ECB will continue its asset purchases—particularly later this year, when inflation starts to rise again. In January, the ECB expanded its asset purchase program to €60 billion per month (adding sovereign bonds to the package), and indicated that purchases were "intended" to continue until September 2016, but stated an open-ended commitment that purchases "would in any case be conducted until we see a sustained adjustment in the path of inflation."

In principle, this statement allows the ECB to terminate the program early. However, we think that such an early termination is unlikely. First, for all the doubts of its efficacy, quantitative easing (QE) may have played an important role in driving the recovery in financial conditions and the euro-area economy. An early termination could, if not handled with care, send this into reverse. Next, reneging on its QE commitment too early may be damaging for the ECB's credibility—particularly if similar action were to be required again in the future. Third, a majority of ECB council members appear more concerned about the risk of doing too little rather than that of doing too much—and as such will be resistant to an early taper even if the data improve. Lastly, a decision to terminate QE may require a large consensus of council members—one that may not be easy to come by. For now, we consider the hurdle to an early termination to be rather high. But that doesn't mean markets won't eventually start to speculate about this possibility, possibly as soon as later this year.

Greek negotiations continue amid cash shortage

We've highlighted in the past that one of the main risks to our brighter outlook for the euro-area economy is the political risk in Greece. Amid an acrimonious war of rhetoric, Greece continues to work with its European partners on a list of reforms, hoping to unlock a partial disbursement of bailout funds and alleviate a growing cash crunch. The second draft of this reform list included €6.9 billion (3.9% of GDP) in revenue-raising measures under the government's estimates, but lacked credibility owing to overoptimistic assumptions. At this point, an interim deal looks unlikely before late April—meaning Greece will have to fend for itself to cover interim debt repayments. We expect Greece to meet its April debt payments on time. But, we note that cash levels are very depleted. Our base case assumes a muddle-through negotiation in which last-minute compromises are reached to unlock bailout funds and stem default. In this base case, Greece remains in the euro. Risks of more adverse outcomes, though, remain material and must be closely monitored.

Japan Outlook

Data over the last month or so have been relatively tepid…

The flow of data out of Japan over the last month or so has generally been on the softer side of expectations. February readings for industrial production, exports and retail spending, for example, all fell short of consensus. And while some of that volatility is associated with the timing of Chinese New Year, it has nonetheless been enough to pare back slightly the market's expectation of 1Q GDP growth.

That said, the most recent business sentiment surveys—including 1Q's Tankan report—caution against being too pessimistic. While certainly not indicative of runaway growth, the latest reading supports the view of an economy growing modestly above trend. The solid labor market and surprisingly robust tax receipts are consistent with that view.

…but trends in profits and wages remain supportive…

Importantly, there are still reasons for optimism when it comes to the three key factors that we think are central to determining the growth outlook over the next year or two. There is some tentative evidence that export volumes are responding to the cheap yen. And there's plenty of anecdotal evidence, at least, of onshoring of capital spending. More concretely, wage growth continues to improve—a function of both genuine tightness in the labor market and the political pressure being applied during the annual shunto wage-bargaining round.

…allowing the BoJ sufficient wiggle room to argue policy is still "on track"

The fact that wages and asset prices continue to rise in the context of tight capacity gives the Bank of Japan (BoJ) sufficient wiggle room to tough it out and insist that things are on track. Our base case is that the central bank continues to purchase assets at an annual pace of ¥80 trillion throughout this year.

That said, it's clear that BoJ Governor Haruhiko Kuroda is not about to follow the advice of some others on the bank's policy board and water down the inflation target. Indeed, his comments in a recent speech drawing parallels between quantitative and qualitative easing (QQE) and a rocket launch could be interpreted as suggesting that an even more aggressive target is in order.

The constraint here is what to do with the program to demonstrate a more aggressive pose. The BoJ's current purchase program for Japanese government bonds (JGBs) is already causing issues in the government bond market. So most of the chatter in the market surrounds increasing the (small) part of the asset purchase program that buys equity exchange-traded funds (ETFs) and other risk assets. As the CPI starts to go negative again around midyear, expect the speculation to ramp up significantly.

Australasia Outlook

Low rates continue to pose financial stability worries, particularly for smaller central banks

The RBA's latest Financial Stability Review—a comprehensive overview of the state of play in Australia's financial system—concluded that the system continues to perform strongly, but highlighted three strands of risk.

The first of those is now very familiar—the rapid growth in lending to investors for housing, and the resultant upward pressure on house prices. That's most evident in Sydney. The concern, of course, is that investor behavior ends up amplifying price dynamics when the cycle turns down—a change that is already on the radar screen, given the risks of oversupply that are starting to emerge in sectors such as inner-city apartments.

The second strand is the developing imbalances in commercial property, particularly in central business district office space. As in the residential sector, some of this is being driven by the reach for yield by investors, facilitated in part by more aggressive pricing and lending conditions from Chinese and Japanese lenders aiming to increase market share. And it is also occurring against a backdrop of deteriorating fundamentals. Demand has fallen away in Brisbane and Perth, as the resources boom has turned to bust. And there's a significant amount of new supply about to come on line in the next couple of years.

This is yet another illustration of how difficult it is for the Australian economy to move away from mining-led growth toward "something else." Housing construction will start to run out of steam before the year is out. And an upswing in commercial construction is certainly not waiting in the wings to fill the gap. So, what is?

The third strand of discussion surrounds volatility. The RBA notes that volatility has been rising of late after a lengthy period of suppression. It's clear that policymakers

think further normalization of volatility is on the horizon and wonder whether investors are sufficiently prepared—especially now that regulatory changes have contributed to lower market liquidity.

These concerns are not new. Nor are they unique to Australia. Most smaller developed-market central banks—from New Zealand to Norway—are grappling with these issues. Low interest rates, both domestically and globally, are causing a range of distortions. But doing something about it—for instance, by running a tighter domestic interest-rate policy—spills over into a stronger currency. And so the burden is falling on macroprudential policy. The RBA, in cooperation with other regulators, is moving toward doing something more concrete on this front. But what it does and how it does it, as well as the measures' ultimate effectiveness, remain open questions.

Canada Outlook

Business Survey paints weak outlook

The Bank of Canada's Business Outlook Survey showed firms are less optimistic about growth and sales trends over the next 12 months. In fact, the number of firms expecting volume growth (40%) barely exceeded the number of firms expecting declines (36%). That represents the weakest sales outlook in more than two years and is related to the fallout in the energy sector following the sharp drop in prices.

The poor sales outlook has firms lowering investment and hiring plans. Investment plans, according to the latest business survey, were the weakest since 2009, and significant spending cutbacks were concentrated in the goods sector, especially among industries that have high exposure to the energy sector. Hiring intentions were also sliced, and the cuts were broadly based among sectors and regions, although the energy regions show the largest reductions.

BOC will ease again

Businesses do seem to be more optimistic on the external trade outlook, as they cite better business growth in the US and the attendant benefits from a weaker Canadian dollar. While the fall in the currency and better export prospects will provide a cushion to the weaker retail, housing and energy sectors, we still think the balance of risks calls for more easing by the Bank of Canada—and the currency weakening to the 1.30 to 1.35 range in the second half of the year.

Emerging-Market Outlook

Latin America: Emerging-market asset prices got a lift after the latest Federal Open-Market Committee meeting resulted in a reconsideration of market expectations regarding the timing of the first US rate hike. While most market participants still project the Fed to start hiking the fed funds rate this year, expectations of timing of the initial hike have shifted toward later in the year. Combined with evidence of monetary accommodation outside the US, this provides a better backdrop for risky assets.

Brazil: New GDP measurement methodology

In Brazil, year-over-year GDP contracted by 0.2% in the fourth quarter, slightly better than expectations, thus showing a meager expansion of 0.1% during 2014. The figures were calculated according to a revised methodology that incorporates the latest recommendations from multilateral agencies. While the new methodology may result in slightly better activity figures for the current year, we expect that GDP will

show a contraction of at least 1% in 2015. Meanwhile, the labor market is beginning to reflect the slowdown. There has been destruction of formal jobs totaling 666,000 between September and February, suggesting that unemployment will be on the rise in the coming months. Therefore, social unrest and the general support of Congress for President Dilma Rousseff's macroeconomic adjustment program must be monitored closely.

The central bank's quarterly inflation report confirmed the market's view that the inflation target will be missed this year. The bank expects inflation to reach 7.9% by year-end, but it emphasized that it will decline, and significantly so, starting at the beginning of 2016, reaching 4.9% by the end of that year. It also argued that the pass-through from depreciation to prices should be lower this time around than in previous episodes, given the weak state of economic activity. The report was constructive about medium-term inflation but indicated clearly that price pressures will be strong in the near term, suggesting that there may be another round of residual interest-rate hikes ahead.

Fiscal results in February were disappointing. The consolidated public sector (central government, regional governments and state-owned enterprises) generated a combined primary deficit of BRL2.3 billion, versus expectations of a BRL2 billion surplus. The bulk of the underperformance was in the central government, while regional governments performed well. As of February, the 12-month rolling primary deficit has worsened, and the imbalance is now equivalent to 0.7% of GDP, still very far from the 1.2% surplus target of Finance Minister Joaquim Levy. We continue to believe that the keys to assess market sentiment toward Brazil will be (i) the possible release of Petrobras audited financials before the end of April and (ii) whether the fiscal adjustment finally gains traction over the next three to four months.

Mexico: Subdued inflation suggests no preemptive hike

Consumer prices rose by 0.2% month over month and 3.0% year over year during the first two weeks of March, slightly below expectations. Annual inflation finally dropped a bit below the medium-term target for the first time since March 2011. Inflation in services, which most closely reflects domestic demand pressures, was 2.3%, well below target, while the real economy still operates with a negative output gap.

Banco de México (Banxico) left the policy rate unchanged at 3%, in line with expectations. While the press release reiterated the Bank's intention to monitor exchange-rate dynamics and pass-through to prices very closely, there was no indication that Banxico is being pressured to hike rates at this juncture. Instead, it conveyed the message that it is "alert," rather than "hawkish," about price dynamics.

Days before, Banxico Governor Agustin Carstens had said that "the peso is undervalued … the currency has overreacted, above all to the uncertainty introduced by possible changes to monetary policy in the US." Indeed, the peso appears to be undervalued according to nearly every metric. Carstens reiterated that Banxico could hike policy rates preemptively to support the currency. In order to do so, (i) a sharper sell-off in the peso, (ii) clear evidence that domestic inflation is accelerating, and (iii) signs that economic activity is picking up speed would be necessary. Otherwise, chances are good that Banxico will wait until the Fed starts lifting the fed funds rate later this year. If currency volatility persists, the Bank could expand the automatic intervention mechanism announced in early March to sell dollars whenever the currency weakens beyond a given threshold on an overnight basis. In the meantime, the authorities have announced spending cuts for the current year and a fairly conservative budget plan for 2016.

Argentina: Under legal pressure

Turning to Argentina, US Second Circuit Judge Thomas Griesa ordered that payments of any exchange bonds, regardless of their legal jurisdiction, be blocked by Euroclear. Previously, only foreign-law exchange bonds were part of the injunction and thus under Griesa's ruling. The judge moved one step further and included all exchange bonds in the injunction, thus making it more difficult for Argentina to service its obligations outside the country. Griesa authorized Citibank to make payments on two coupons on local-law exchange securities (March and June) after the bank reached an accord with holdout investors, committing not to appeal Griesa's future rulings while exiting the custody business in Argentina. But the Argentine government argued that Citi's agreement was in violation of Argentine law and suspended the bank's license to operate in the country's capital markets.

The bigger question for market participants is whether Griesa will try to block payments on local-law nonexchange bonds such as Boden and Bonar bonds. The judge would have to expand the characterization of pari passu to include those securities in the injunction, using a broader definition of external indebtedness. Such a move would be bold and, in addition, would likely prompt an appeal by Argentina, which could prolong the situation until after the Boden 2015s mature.

Meanwhile, as the October presidential elections draw near and the campaigns unfold, market participants remain focused on the prospects for political regime change. The race is becoming a two-candidate competition between Buenos Aires Mayor and market favorite Mauricio Macri and Buenos Aires Province Governor Daniel Scioli. Last month, Macri's party, PRO, reached an accord with the UCR party that should give him more support in several provinces, so future polls are likely to show an even more marked polarization.

Venezuela: Little evidence of PDVSA dollars in Simadi yet

Last month, news services reported that Petróleos de Venezuela (PDVSA), Venezuela's state-owned oil and gas company, has started to sell dollars through the new Simadi currency system. That would represent positive news, as the ability of PDVSA to sell its oil export proceeds at something approaching a market-clearing level is one of the keys to reducing macroeconomic distortions in the country.

However, there is still little tangible evidence of such new inflows into the system. As a result, pressures on the parallel market rate have not abated, with the currency now bordering VEF250 per USD. There was also news about financing from China for some US$10 billion. It must be noted that half of that amount will be a rollover of maturing loans embedded in the Chinese Fund. As is customary, the government has provided no details about the use of the other US$5 billion, but the monies are believed to be earmarked for developing mature PDVSA oil fields.

Meanwhile, the latest Datanalisis poll suggests that the political opposition is well positioned to win this year's legislative elections, the date of which has yet to be confirmed. Almost 43% of those polled indicated their preference for the opposition, while 19% would vote for Chavista candidates, 9% would vote for independent lawmakers and 29% were undecided or refused to answer. Assuming that the elections take place this year, we believe a simple majority by the opposition is the most likely scenario. That result could represent the first step toward future political regime change.

March data suggest growth sputtering

Asia ex Japan: Recent economic trends suggest growth momentum may be waning. The manufacturing Purchasing Managers' Index (PMI) for China was steady at around 50—the neutral level—but forward indicators such as new orders and new export orders showed continued weakness. Both Taiwan's and Korea's PMIs dropped in March, and the decline in the latter was particularly sharp and across the

board from output to new orders and employment. Indeed, Korea's industrial production and exports have continued to contract from last year's level. The decline in imports was particularly severe, reflecting slackening domestic demand.

Further rate cuts needed to cushion Korean growth

Korean trends have provided the first gauge of economic performance in March for the region, which has shown a deeper deceleration than most anticipated. The weak data set is a wake-up call to the Bank of Korea and suggests its reactive policy easing will have to continue in the coming year. We expect two more 25-basis-point policy rate cuts over the next two quarters.

No bold policy easing expected in China other than a steady and selective stance

In China, we continue to see targeted easing measures to support specific sectors of the economy, but still no sign of broad-based policy easing. We believe that the People's Bank of China (PBOC) is still concerned about the "containment of leverage risk." This explains the overall tight liquidity condition in China (despite rate cuts and credit easing since last year). Fiscal policy will only be mildly expansionary, with a targeted fiscal deficit of about 2.3% of GDP in 2015. Although the central government's fiscal strength remains strong and could afford a more expansionary stance, the need to prepare for local government debt restructuring in the coming year will act as a constraint on the fiscal side. The net outcome will probably be similar to that seen in the past quarter—just sufficient policy easing to cushion growth while GDP growth hovers in the 6.5%–7% year-on-year range for the rest of 2015. This is our central scenario for the year.

Russia sliding into a recession…

…albeit a shallower one than we had originally expected

Emerging Europe, Middle East and Africa: Despite stronger-than-expected fourth-quarter GDP growth (published in late March), the most recent monthly economic data from Russia point to the clear onset of a recession, driven chiefly by the sharp contraction in domestic demand. According to the estimates by the Ministry of Economy, real output may have contracted by about 2.5% during the first two months of the year relative to the same period last year. That said, an earlier-than-expected rebound in oil prices from the January trough, combined with the stabilization of the ruble, makes us believe that this year's drop in economic output could be less severe than we had originally expected. Assuming that the Brent oil price remains around $60 per barrel through most of this year before rising modestly in 4Q and during 2016, we now forecast that Russia's real GDP could contract by about 3.0% during 2015.

The oil price rebound and receding banking sector risks open room for more monetary easing

A more moderate recession will be also supported by easier monetary policies than what we had thought were possible (and prudent) a month or two ago. This is because the risk of a banking crisis and a further run on the system's ruble deposits has now receded and the inflation rate seems to have moderated on a sequential basis, thanks to the stronger ruble and (importantly) the self-restraint by food retailers that had come under strong political pressure to refrain from raising prices "excessively." We now believe inflation will peak well below 20% by midyear and then drop toward 15% by year-end, allowing the central bank (CBR) to deliver more cuts in the months to come. Year to date, the CBR has already reversed about a third of the hikes delivered last year—much earlier than we had expected in January.

Risks are still clearly skewed toward weaker growth and higher inflation—particularly if the gains in the oil price reverse and geopolitical tensions reescalate and reassert pressure on the ruble.

Turkey's political noise will remain high…

…central bank will most likely refrain from further cuts this year

In Turkey, President Tayyip Erdogan and his advisers toned down their criticism of the central bank after the market exerted pressure on the lira, worrying about the future path of macroeconomic management and the central bank's independence after the June legislative elections. But the level of political noise remains high and will likely not subside before the Turks go to the polls. Meanwhile, stronger-than-expected fourth-quarter GDP and higher-than-expected March inflation (on account of food prices—once again) further reduced the chances that the Central Bank of the Republic of Turkey will be able to deliver more cuts this year. We now expect the bank to keep the key policy rate at 7.50% before hiking it by 50 basis points in the fourth quarter in response to likely Fed tightening and stubbornly high domestic inflation.

South Africa's central bank turns more hawkish…

In South Africa, the economy remains plagued by structural and infrastructure bottlenecks (especially with regard to electricity generation), but the central bank there remains unwilling to ease policy in order to cushion the ongoing slowdown in economic activity—clearly realizing the limits of what monetary policy can do in a country that is in such dire need of structural reforms. In fact, after last month's on-hold decision, the South African Reserve Bank (SARB) turned distinctly more hawkish, pointing out that the balance of risks to inflation is now tilted to the upside, which was a distinct change from the balanced risk assessment at the last meeting in January. Among the factors behind this change of tack, the SARB listed the recovery in oil prices (further boosted by the increase in fuel taxes), weakness in the rand, upward pressure on maize (corn) prices, and the prospect of higher-than-anticipated electricity tariff increases. Furthermore, the SARB revised up its inflation forecasts for both 2015 and 2016, by 100 basis points and 50 basis points, respectively. That suggest the possibility of a rate hike before the end of the year.

…as central Europe struggles with deepening deflation

Finally, in central Europe, both the Polish and the Hungarian central bank indicated that current (deepening) deflation and a very subdued inflation outlook may require a more flexible approach to inflation targeting. This is especially so because their countries' recovering economies (benefiting from stronger core European growth) make it hard to justify further monetary easing. But while the National Bank of Poland has already declared the end of its easing cycle (for the second time in two years), the Hungarian National Bank has decided to deliver a few more cuts—most likely in several symbolic (10- to 15-basis-point) installments.

Nigeria successfully holds elections; however, economic concerns remain

Frontier Markets: Nigerians took to the polls last month in the most contested election in the country's short democratic history. Opposition candidate Gen. Muhammadu Buhari beat incumbent President Goodluck Jonathan and took power for the first time from the ruling People's Democratic Party (PDP). This election should not be underplayed, as it represents the full evolution of a democratic system from one-party rule to multiparty elections to an opposition victory, and, most importantly, a ruling party's concession. Election observers have certified the election as free and fair, and while there were sporadic episodes of protest, the postelection violence concerns seemed overdone. While great for the country's political environment, Gen. Buhari now inherits an oil-dependent economy suffering from structurally lower oil prices. Democracy has won the day, but uncertainty is far from gone and many questions remain, including those about the new administration's cabinet, policy priorities and longer-term vision for the country.

AllianceBernstein Global Economic Forecast

April-15

	Real Growth (%)				Inflation (%)				Official Rates[1] (%)		Long Rates[1] (%)	
	4Q/4Q		Calendar		4Q/4Q		Calendar		EOP	EOP	EOP	EOP
	2014E	2015F	2014E	2015F	2014E	2015F	2014E	2015F	2014E	2015F	2014E	2015F
Global	2.6	3.1	2.7	3.0	2.0	2.4	2.6	2.5	2.46	2.26	3.19	3.05
(PPP Weighted)	(3.2)	(3.4)	(3.0)	(3.8)	(2.4)	(3.0)	(3.0)	(3.3)				
Industrial Countries	1.6	2.7	1.7	2.5	1.1	1.4	1.4	0.7	0.27	0.58	1.43	1.54
Emerging Countries	4.3	3.7	4.5	3.8	3.6	4.2	4.6	5.4	6.15	5.27	6.31	5.80
United States	2.4	3.1	2.4	3.5	1.2	2.5	1.6	1.2	0.13	1.00	2.17	2.50
Canada	2.6	2.7	2.5	1.8	1.9	0.3	1.9	0.3	1.00	0.50	1.79	1.50
Europe	1.3	2.3	1.3	1.9	0.3	0.7	0.6	0.2	0.15	0.14	0.82	0.73
Euro Area	0.9	2.2	0.9	1.6	0.2	0.6	0.4	0.1	0.05	0.05	0.59	0.50
United Kingdom	3.0	3.3	2.8	3.0	0.9	0.5	1.5	0.2	0.50	0.50	1.82	1.75
Sweden	2.6	2.4	2.3	2.7	-0.2	0.3	-0.2	0.1	0.00	-0.25	0.92	0.75
Norway	2.2	0.9	2.3	1.2	2.0	2.2	2.0	2.0	1.25	1.00	1.60	1.50
Japan	-0.8	2.7	0.0	1.5	2.5	0.7	2.7	0.9	0.10	0.10	0.33	0.55
Australia	2.5	1.7	2.7	1.6	1.7	1.6	2.5	1.3	2.50	2.00	2.81	2.75
New Zealand	3.5	2.5	3.3	3.2	0.8	1.4	1.2	0.9	3.50	3.25	3.67	3.15
Asia ex Japan	6.3	5.9	6.3	5.9	2.1	2.2	2.8	2.0	4.45	3.49	4.28	3.53
China[2]	7.3	6.6	7.3	6.6	1.5	1.7	2.0	1.6	4.31	3.00	3.80	3.00
Hong Kong[3]	2.2	3.2	2.3	2.2	5.1	2.2	4.4	2.9	0.50	0.75	1.92	1.50
India[4]	7.5	6.1	7.2	6.4	4.1	5.5	6.5	5.0	8.00	7.25	7.86	7.20
Indonesia[5]	5.0	5.6	5.0	5.4	6.5	4.1	6.4	5.2	7.75	7.00	7.90	6.00
Korea[6]	2.7	3.5	3.3	3.0	1.0	1.0	1.3	0.8	2.00	1.75	2.61	2.00
Thailand[7]	2.3	2.8	0.7	3.9	1.1	0.4	1.9	-0.1	2.00	1.25	2.87	2.70
Latin America[8]	0.9	1.1	1.0	0.5	4.8	4.4	4.6	4.8	7.66	8.34	9.29	9.54
Argentina	0.4	-0.2	0.5	-0.5	22.6	26.0	15.3	27.0				
Brazil	-0.2	-0.2	0.1	-1.1	6.3	8.0	6.0	8.3	11.75	13.00	12.51	12.85
Chile	1.8	3.5	1.9	3.1	5.2	3.0	4.4	3.0	3.00	3.00	4.37	4.50
Colombia	3.5	3.0	4.6	2.9	3.6	3.3	2.9	3.2	4.50	4.25	7.17	7.15
Mexico	2.6	3.3	2.1	3.0	4.2	3.3	4.0	3.2	3.00	3.25	5.90	6.10
EEMEA	1.0	-1.3	1.6	-0.3	7.4	10.5	6.6	10.9	11.68	8.89	10.53	10.64
Hungary	3.4	2.9	3.6	3.0	-0.8	1.9	-0.3	-0.1	2.10	1.65	3.61	3.50
Poland	3.1	3.7	3.3	3.4	-0.5	0.3	0.2	-0.8	2.00	1.50	2.52	2.50
Russia	-0.3	-5.3	0.6	-3.0	9.6	15.5	7.8	17.1	17.00	12.00	14.44	14.00
South Africa	1.3	2.4	1.5	2.4	5.7	5.8	6.1	4.6	5.75	6.00	7.99	8.50
Turkey	2.4	3.3	2.9	2.6	8.8	7.5	8.9	6.8	8.25	8.00	7.81	9.25

1) Official and long rates are end-of-year forecasts.
Long rates are 10-year yields unless otherwise indicated.
2) China: Official rate is considered the 7D repo rate and 10-year government bond yield.
3) Hong Kong: Base rate and 10-year exchange funds yield
4) India: Overnight repo rate and 10-year government bond yield
5) Indonesia: Intervention rate and 10-year government bond yield
Source: AllianceBernstein

6) Korea: Overnight call rate and 10-year government bond yield
7) Thailand: 1-day repo rate and 10-year bond yield
8) Latin American Inflation and Rates includes Brazil, Chile, Colombia, and Mexico
Note: Real growth aggregates represent 31 country forecasts, not all of which are shown.
Note: Blanks in Argentina are due to the distorted domestic financial system so we do not forecast.