# Global Economic Outlook

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**Contents**



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## Overview

**Global Economy**—Political uncertainty remains high, but the near-term cyclical outlook has improved and the era of ultralow inflation seems to be over. The market outlook depends heavily on what central banks do next.

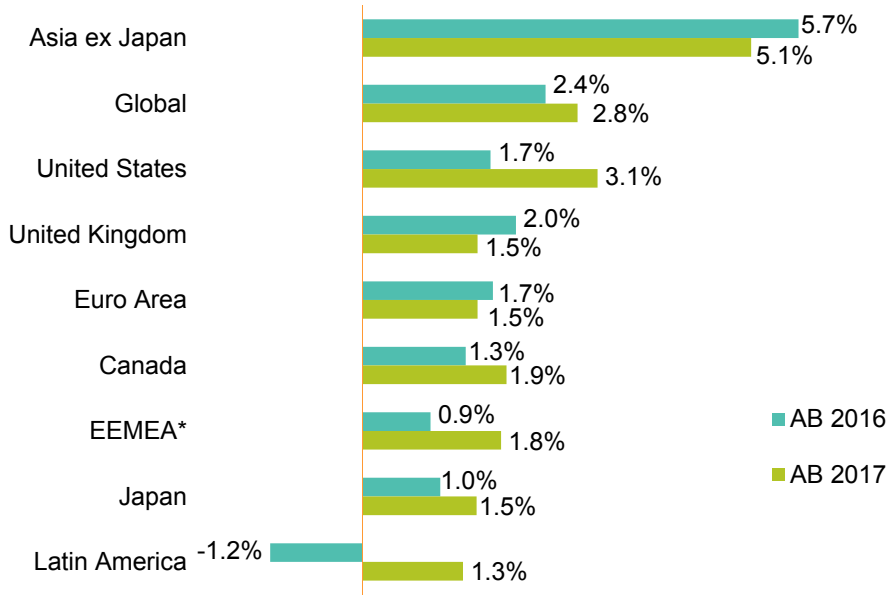
**United States**—The economy is gaining speed, but monetary policy is not positioned for faster growth or fiscal stimulus.

**Europe**—The euro area gained momentum in late 2016. With inflation picking up, the ECB's commitment to ultra-loose monetary policy may come under pressure.

**Japan**—Growth expectations are drifting toward our more upbeat view.

**China**—A producer price recovery is helping the economy to stabilize, but an increase in shadow credit pushes leverage up.

## AB World Economic Growth Forecasts




As of January 4, 2017; calendar-year forecasts
*Emerging Europe, Middle East and Africa
Source: AB

# Global Outlook

**Political uncertainty remains high…**

The global economy and financial markets faced a number of potential shocks last year, including a possible Chinese hard landing, the UK's Brexit vote and Donald Trump's unexpected election as the next US president. But both came through largely unscathed. There's unlikely to be much letup this year, though, with a very heavy political calendar in Europe that includes the French presidential election and considerable uncertainty over what a Trump presidency will actually entail.

**…but cyclical outlook has improved**

But while we ponder whether President Trump can deliver on the high expectations of fiscal stimulus now priced into markets and whether investors are too sanguine on trade policy, it's important to note that the global economy has been improving for several months. This is evident in indicators like the global manufacturing PMI, which rose last month to its highest level since May 2011 (when global growth was about a point higher than it is at present). We still think structural headwinds, such as the persistent debt overhang in many countries, will prevent a return to precrisis growth rates for some time yet. But near-term cyclical risks have shifted to the upside.

This much is evident in our latest global economic forecasts, which have revised upward for the first time in several months. We now expect global growth of 2.8% this year compared to 2.4% last year. Developed economies are providing most of the fuel, especially the US, where growth is expected to reach 3.1%. By contrast, we're still being cautious when it comes to China, where we think growth could slip below 6.0% for the first time. Helped by fiscal stimulus, we expect Japanese growth to rise to 1.5%. That's in line with our euro-area forecast, though our outlook for the latter hasn't changed much from 2016, the result of more modest support from fiscal policy.

**Return to more "normal" rates of inflation**

Perhaps the defining economic trend of 2017 will be the return to more "normal" rates of inflation. This certainly seems to be true for developed economies, where we expect headline inflation to average 2.1% this year after 0.8% in 2016. In emerging economies, by contrast, aggregate inflation is likely to be little changed at 3.4%, reflecting a less obvious pass-through from higher energy prices and large idiosyncratic movements in several key economies. Sustaining developed-market inflation around 2.0% will, of course, require an acceleration in core inflation. Here, the prospects look better in countries where capacity use is high and aggressive fiscal policy is on the agenda (the US and Japan) than they do in countries where neither of these conditions is likely to apply in the near future (the euro area).

**Central bank response will be key**

To sum up, notwithstanding lingering structural headwinds, the global cyclical backdrop looks more constructive than it has for some time. Provided that oil prices don't slip sharply again, we are moving out of a period of ultralow headline inflation. How central banks respond to this will be one of the key factors affecting market performance in the year ahead. In the US, we expect the Federal Reserve to raise interest rates further, though at a much more cautious pace than in past tightening cycles. By contrast, the Bank of Japan (BoJ) and the European Central Bank (ECB) are still committed to large-scale asset purchases, though these may come under pressure in the second half if current growth and inflation trends are sustained.

**How much dollar upside?**

Not surprisingly, recent developments have put upward pressure on bond yields, especially in the US. We expect this trend to continue in the coming months, though at a slower pace given downward pressure from BoJ and ECB purchases. On currencies, almost everything points to a stronger dollar except for one key factor: valuation. In our view, so much is now priced into the dollar that further upside may be limited until we see the new administration actually deliver on the fiscal front. The timing (and magnitude) of this remains uncertain.

## US Outlook

**US economy on the rebound**

The US economy appeared to be gaining strength as 2016 wound down. The Institute for Supply Management (ISI) composite index for the manufacturing sector rose 1.5 percentage points in December to its highest reading in more than two years. Strong gains in new orders and production were responsible for the jump in the aggregate index. At the same, the ISI index for the non-manufacturing sector stayed at a relatively high level, and the new orders index jumped to its highest level in a year and a half.

**Wage gains accelerate**

Meanwhile, data from the labor market show evidence of budding wage pressures. In December, payroll employment rose by a modest 156,000. But with the jobless rate at 4.7%, firms are being forced to lift wages to attract workers. Average hourly earnings rose 0.4% in December, and the year-on-year gain accelerated to 2.9%, the highest annual gain in seven years.

**Monetary policy risks falling behind the curve**

The acceleration in economic growth and the evidence of rising wage gains are important pieces of information for policymakers. They are anticipating additional gains in the economy in 2017, and the business survey data suggest that they may be underestimating the speed. At the same time, they are trying to hit their price stability target of 2%, and faster wage gains indicate that could happen fairly quickly, perhaps leaving them behind the curve when it comes to normalizing official rates.

Policymakers must also be prepared for a jolt from fiscal policy. The new administration has promised tax cuts along with increased spending on infrastructure and defense. No doubt fiscal stimulus would put more upward pressure on wages with the risk that these gains drive faster price gains. Based on the economy's overall strength and recent wage and price gains, we expect the Fed to hike official rates by 100 basis points in 2017.

## Europe Outlook

**Gaining momentum**

Recent data suggest that the euro-area economy picked up momentum at the end of 2016. In December, the composite PMI for manufacturing and services rose to 54.4 from 53.9 in November and is now at its highest since May 2011, just before the catastrophic decision to impose losses on Greek debt holders. But the good news is not confined to survey data. Retail sales may have fallen by 0.4% in November, but the average for the first two months of the fourth quarter is still 0.9% higher than the third-quarter average. And German factory orders, a key barometer of the strength of the manufacturing cycle in Europe and beyond, remain on a strong upward trend, with the October/November average up 4.9% on the third quarter.

**Headline inflation hits 1.0%...**

Signs that economic growth is gaining momentum have been accompanied by increased inflation, with the headline rate rising to 1.1% in December from 0.6% in November. Most of this increase was due to energy price inflation (+2.5% versus –1.1% in November), but core inflation was also slightly higher, rising to +0.9% from +0.8%. This is in line with the 2016 average of +0.9% and does not necessarily, in our view, signal a change in the flat underlying trend.

**...and is set to rise further**

Looking ahead, energy prices are likely to have a big impact again in the early months of 2017, pushing the headline rate to 1.6% in January and toward 2.0% in February and March (assuming a broadly stable oil price). This will have an impact on the ECB's mind-set but will require evidence that core inflation is picking up to really make a difference. In this respect, it's worth noting a recent interview by influential Executive Board member Benoit Coeuré, who said that what the ECB is

waiting for are "signs that core inflation is on the rise and will clearly exceed 1.0%." This definition is a bit imprecise but, in our view, represents a somewhat lower hurdle than "below but close to 2.0%."

**When will the ECB start to taper?**

In December, the ECB's Governing Council decided to reduce the pace of its monthly asset purchases to €60 billion from the end of March, but to extend the program until the end of 2017 (or beyond if necessary). In the near term, we don't think there is any chance of the ECB reneging on this promise. However, should the economy continue to strengthen and headline inflation continue to rise, it might not take much by way of evidence of higher core inflation for the Governing Council to reconsider its commitment to such large-scale purchases. The hurdle for reducing the pace of asset purchases before the end of 2017 is high but something that investors should keep on their radar as we enter the second half of the year.

## Japan Outlook

**Japanese forecasts have become more upbeat**

Optimism continues to creep into consensus forecasts concerning the Japanese economy. At the midpoint of 2016, Bloomberg's consensus estimates for Japanese GDP growth hovered around 0.5% for both 2016 and 2017. At the turn of the year, those numbers have climbed to 0.9% and 1.0%, respectively. That brings them closer to our more upbeat view.

A few factors seem to be at work. First, there's greater conviction that the fiscal boost announced in the second half of 2016 will get some traction this year. Second, Japan has reaped some benefits from improved global manufacturing over the last few months. Japan's manufacturing PMI stood at 52.4 in December, up sharply from the 47.7 reading in May; industrial production climbed 5.5% between May and November; and export volumes are up sharply through the second half of the year, too. Third, the yen's move back to levels last seen a year ago has helped boost optimism about the export outlook.

**1Q wage outcome is crucial**

A number of questions remain, however. Key among them is the outlook for wages. While the tight labor market has generated some improvement in employee compensation over the past couple of years, the change has been relatively modest—and certainly too low to achieve the BoJ's 2% inflation target. The negotiations in the first-quarter wage bargaining round (Shunto) will be watched with keen interest.

This is important, in part, because it has the potential to influence the path of BoJ policy. To be clear, our baseline assumption is that the BoJ remains committed to its current program: capping 10-year yields at "around" zero, setting some parameters governing an acceptable steepness of the curve (10–30s at 80 basis points) and, at the same time, still achieving significant balance-sheet expansion.

But there is a scenario in which the BoJ might start to adjust the yield cap higher. This will require clear evidence that inflation outcomes and expectations are materially and sustainably higher. This would allow the BoJ to start exiting from quantitative and qualitative easing with yield curve control in late 2017 before Governor Haruhiko Kuroda steps down in April 2018. But this scenario will be plausible only if markets see concrete evidence that wage growth is on a firmer path.

## Australasia Outlook

**Surge in iron ore and coal prices starts to top out**

With most Aussies and Kiwis at the beach for the summer holidays, there hasn't been a great deal of news. But it's worth noting that the big surge in iron ore and coking coal prices (a key factor in the improving sentiment toward Australia in particular) has started to top out.

That reinforces our skepticism about the 2017 growth environment for Australia. The dynamics of any mining-sector profit improvement are going to be very different from the 2000s. In particular, there's unlikely to be a repeat of the capital spending boom or of the tax cut bonanza that came in the wake of the last price boom. Our skepticism is shared by the rating agencies, with Australia skating very close to losing its AAA credit rating—in part because of policymakers' failure to address that challenge.

The growing financial stability risks from the housing sector are also part of the story. A wave of new supply (particularly multistory apartments) may inject disorder into the market in the second half of the year, particularly if financial conditions tighten. Evidence of rising stress is becoming more apparent by the day.

**Markets may be getting ahead of themselves on rate hikes**

Accordingly, we're inclined to doubt the chances of a near-term rate hike from Australia's central bank (or New Zealand's, for that matter). At this writing, markets are factoring in about a 50% chance of a hike in Australia over the next 12 months and around one and a half hikes in New Zealand. But with inflation continuing to undershoot central bank policy targets, and with macro-prudential policy the go-to solution for addressing financial stability concerns, we would be very surprised to see serious consideration of rate hikes from either central bank.

## Canada Outlook

**Data show potential for economic improvement**

Another year, another set of mixed signals from Canada. On the positive side, recent data releases have been surprisingly upbeat. November's merchandise trade report showed a surplus, the first time the trade balance was positive since September 2014. Industry gains were widespread, but the largest boost came from metals exports. However, motor vehicle exports declined 1.9% during the month, underscoring the long-term theme of Canada losing share in the auto industry to Mexico. The strong trade numbers suggest we should expect a strong November manufacturing report, another sign of economic improvement. The December jobs report was also a sign of strength. The headline 53,700 increase in jobs—well above the average of the prior six months of 37,000—signals continued improvement in the labor market. But the biggest positive surprise this month in the jobs report was the 81,300 gain in full-time employment, reversing the recent trend of gains concentrated within the part-time segment. However, wage growth is still sluggish, increasing 1.6% year over year, and the unemployment rate ticked up to 6.9%. Both imply that there's still slack in the labor market and that the economy may be weaker than the headlines suggest.

**Positive spillovers from US growth**

External factors may be at work to help boost the Canadian economy. Stronger US growth from increased demand for trade and, longer term, positive spillovers from infrastructure investment may help increase Canada's growth rate. US-dollar strength will also help to make Canadian exports more competitive in the global marketplace. However, the potential for increased trade protectionism from the Trump administration could have a negative impact on Canadian economic activity.

**Businesses optimistic**

Domestic demand is improving, especially within the energy sector, which should be supported by higher oil prices. The Bank of Canada's (BoC's) winter *Business Outlook Survey* highlights the improvement in business sentiment and firms' expectations of improving demand, price growth, labor market tightening, and improving profit margins. Canadian-dollar weakness will continue to make companies more competitive compared to their US counterparts.

**BoC to hike rates by the end of 2017**

Expectations of labor market stabilization, increasing commodity prices and growing export demand from the US contribute to our forecast of accelerating economic growth. We expect real growth to increase 1.9% in 2017, up from 1.3% in 2016. We also see inflation rising above the bank's 2% target by the end of 2017. With the Fed expected to hike rates several times in 2017, we see the BoC increasing its policy rate by 25 basis points to 0.75% in the fourth quarter.

## Emerging-Market Outlook

**Latin America:** Uncertainty surrounding the Trump administration and its policies—especially those on trade—kept emerging-market (EM) asset prices volatile in recent weeks. While some of Trump's campaign promises are negative for EM risk assets, we don't expect all of his campaign rhetoric to be transformed into policy. As a result, we think it's important to be selective when it comes to EM assets.

**Mexico: Still in the line of fire**

Mexican asset prices have remained under severe stress because of the direct commercial and financial exposure of Mexico to the US. The peso has lost some 17% since the US election, prompting Banco de México (Banxico) to hike the target policy rate by 100 basis points. Trump's suggestions of more protectionism and of border taxes for companies relocating operations to Mexico, however, have kept the peso under pressure. Breaking away from a years-old policy of rules-based intervention, Banxico is now intervening directly, selling dollars into the FX market "to provide liquidity and reduce the volatility observed in recent days."

The Exchange Commission hasn't divulged the amount of its interventions, but it indicated that further discretionary actions should not be ruled out. The deliberately brief communiqué that followed the intervention confirms that Banxico is now ready to sell dollars at will when it thinks that currency volatility is too high. The commission also stated that future exchange-rate stability should be pursued through solid economic fundamentals rather than monetary intervention. In other words, it doesn't consider intervention the permanent answer to currency volatility and is likely to use it opportunistically. Banxico will probably intervene to dampen volatility but will not use reserves to fight a strong depreciation trend. With uncertainty about US policy likely to persist, we expect Mexican authorities to resort again to both rate hikes and intervention in the weeks to come.

**Brazil: Ongoing easing cycle**

Brazil's government has managed to get its ambitious spending-cap legislation endorsed by Congress, and is expected to obtain approval of a much-needed reform of the social security system. The impact of the spending cap will be felt quickly. But we think it will take time for a social security overhaul to have an effect on the country's fiscal health.

So far, progress on the fiscal policy front has resulted in a more stable outlook for inflation and the currency. The central bank has launched what we expect to be a long monetary easing cycle. Since October, it has cut the target SELIC rate by 50 basis points to 13.75%, although chances are good that the pace of rate reductions will accelerate in the months to come, possibly taking the rate down to 11%.

Meanwhile, headline inflation is now below the 7% mark, down from 10.7% in the beginning of 2016, and it's expected to move toward 4.8% by the end of the year. While economic policy management has improved, the real economy has yet to react to the new policy scenario. As of October, the central bank's GDP proxy was still showing a contraction at an annual pace of more than 5%, while industrial production was shrinking by more than 7%. We expect GDP to show a contraction of some 3.5% in 2016 and to recover mildly to less than 1% growth in 2017.

**Argentina: New minister, new policies?**

Former finance minister Alfonso Prat-Gay was replaced by local economic consultant Nicolás Dujovne at the end of 2016, the result of President Mauricio Macri's decision to split the Economy Ministry in two. Finance Secretary Luis Caputo became finance minister, and Dujovne became treasury minister. By dividing the original ministry, Macri is sending the message that he doesn't want to have any "superminister" and would rather spread political power throughout the cabinet. Alternatively, the move can be interpreted as Macri himself becoming more directly responsible for future economic decisions.

Dujovne had been somewhat critical of the government in recent media articles, suggesting that more coordination among the ministries and additional action of fiscal policy were needed, including a new fiscal responsibility law. Chances are good that Dujovne will run a tighter fiscal ship. With Caputo still in charge, financing policy will have little if any changes. Meanwhile, the government removed the last of capital controls on foreign investment, thus opening the door for Argentina's inclusion in the main global EM indices. That move, coupled with the successful completion of the tax amnesty law that attracted an estimated US$90 billion from Argentines abroad, has provided strong support for the currency. We estimate that the real exchange rate is currently some 20% overvalued relative to historical fair value.

**Manufacturing shows signs of stabilization**

**Asia ex Japan:** Manufacturing across the region continued to stabilize. Export growth was positive in South Korea, Taiwan and China. Taiwan continues to benefit from additional demand after Samsung's smartphone recall. The end of the motor vehicle–sector strike boosted South Korean exports, and the drag from the Samsung's smartphone recall began to dissipate. Even so, we remain skeptical about the sustainability of an export recovery without a notable improvement in demand from major advanced economies.

**China: Nominal growth boosted by commodity prices**

In China, export growth, fixed-asset investment and retail sales have been stabilizing after appearing to have bottomed out. This may make it harder for Beijing to push a big fiscal package. Likewise, the People's Bank of China may not be able to be as accommodative in 2017 as it was in early 2016.

Also, the improvement in headline data has been in nominal terms and buoyed by the bottoming out of commodity prices. When we deflate growth in real, inflation-adjusted terms, it has actually moderated. In particular, there has been sharp deceleration in housing investment growth, housing starts and transactions under renewed housing tightening policy. With such a high base, those could fall into negative growth in early 2017. That would slow overall growth and hurt commodity demand in China, a key commodity consumer.

**Rebound in financing for shadow banking**

November credit data showed that leverage in China's economy continued to rise, with growth in total social financing outpacing nominal GDP growth. By composition, growth in credit was driven by a massive jump in shadow banking activities. We don't think such an increase is for corporate capital expenditure purposes since fixed-asset investment has been fairly benign. Therefore, we suspect the corporate sector has leveraged more through the shadow banking channel for short-term speculative

purposes, particularly given the yuan's depreciation and the recovery in domestic commodity prices. Meanwhile, new bank loans were down modestly compared with a year ago. What loan growth there was came mainly from mortgages, while lending to the corporate sector was subdued. We'd expect mortgage growth to have started to roll over in December. But with credit growth still outpacing nominal GDP growth, leverage concerns will persist.

**Policymakers emphasize to curb housing speculations**

The policy statement from the recent Central Economic Work Conference, an annual internal economic policy discussion event for top officials, was rife with typical language about the need for prudent monetary policy, proactive fiscal policy, and a more flexible—but still stable—Chinese currency.

But the bit that caught our attention was the language on containing asset bubbles and controlling housing speculation. This reinforces our belief that there will be a further housing market correction this year. Overall, we expect tighter monetary policy in 2017 and a focus on controlling leverage. We don't expect to see any cuts in policy rates or reserve requirements unless capital outflows intensify. We think that fiscal policy will be less expansionary than markets expect, with a neutral fiscal impact on growth. China's currency will probably be allowed to adjust against a strong US dollar, but we expect the overall currency basket to remain stable.

**Political risk to remain a key focus in 2017**

**Emerging Europe, Middle East and Africa:** As highlighted last month, we believe that Donald Trump's election victory will have important ramifications for a number of CEEMEA countries in 2017, both in terms of tighter US-dollar liquidity and a potentially more inward-looking US foreign policy. That said, idiosyncratic political developments, especially in Turkey and South Africa, should be equally important in shaping macroeconomic and market performance this year.

**Turkey's presidency referendum likely to go ahead…**

First, Turkey's political landscape will be dominated by parliamentary discussions and a possible referendum on constitutional changes that would pave the way to an executive presidency (EP). Deliberations on amending up to 18 articles of the Turkish Constitution have already begun and are likely to last until the end of January. We expect the ruling AKP, with support from the nationalist MHP, to gain the necessary support in parliament to be able to put the proposed changes to a referendum, likely in April.

**…although government's ability to win it remains uncertain**

Even so, it remains uncertain at this stage whether the AKP will be able to win the referendum, as proposed changes to the president's powers are more far-reaching than initially expected. The changes are not particularly popular, and opinion polls, while unreliable, already suggest a tight race at this stage. We believe that the government's failure to win the referendum would likely be followed by even greater policy uncertainty. This is because President Erdoğan is unlikely to declare defeat easily and may well be tempted to call early parliamentary elections. His main objective in doing so might be to help the AKP gain a constitutional majority, which would enable him to create an EP system without the need for a referendum.

**Finance Minister Gordhan's position has strengthened…**

Second, all eyes will be on South Africa's ability to implement extensive structural reforms despite ongoing political tensions. We believe that the balance of power between President Jacob Zuma and Finance Minister Pravin Gordhan has shifted in the latter's favor recently. That's mainly due to the fact that Zuma has been weakened by his direct implication in a recent report on government corruption, while Gordhan gained legitimacy following his ability to avert a downgrade by all three major rating agencies in December.

**…but his ability to avert a downgrade remains constrained**

However, political tensions continue to run high, and the key problem remains that Gordhan, one of the most reform-minded politicians in South Africa, has to implement an ambitious fiscal and structural reform program without having direct control over the necessary measures. For instance, as finance minister, Gordhan's capacity to control the approval of necessary changes in labor laws remains limited, and meaningful progress and the needed legislative changes may be impeded by political infighting and vested interests. Yet rating agencies highlighted in December that structural reforms remain key for maintaining South Africa's investment grade, especially against a weak growth environment and limited scope to implement meaningful fiscal consolidation.

**Time for multilaterals to step up**

**Frontier Markets:** Leadership changes and elections in many countries have started to define the outlook for the frontier countries. Of course, first and foremost will be the swearing in of Donald Trump this month as US president, another example (after the Brexit decision) of a turn away from globalism toward populist nationalism. Hardest hit here will be the smaller Caribbean countries, which rely on remittances and aid from the US. Significant changes to US–African relations seem unlikely.

Meanwhile, Ghana will also be swearing in a new president, Nana Akufo-Addo, who won in peaceful December elections and reaffirmed the country's reputation for peaceful transfers of power. He has pledged to cut taxes but remains committed to an IMF austerity program that will close at the end of this year. Elections later in the year remain front and center, with Angola's President dos Santos declaring he will not seek another term, making this year the first to see a leadership change in the last 37. Kenya's election in August remains contentious as new electoral laws are passed in preparation for a close and disputed runoff, with the primary objective to avoid violence and bloodshed along ethnic lines. Lastly, there are several countries that are currently in electoral crisis, including the Gambia, DRC, Burundi, Libya and Sudan. None is in investment indices, but all will have regional impacts if not resolved in a peaceful way. Regional and global multilaterals will have their work cut out for them, as they will bear the brunt of foreign financing and peacekeeping if elections in the developed world lead governments there to pull back from international involvement.

## AB Global Economic Forecast

January-17

| | Real Growth (%) | | Inflation (%) | | Official Rates[1] (%) | | Long Rates[1] (%) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | EOP | EOP | EOP | EOP |
| | 2016F | 2017F | 2016F | 2017F | 2016F | 2017F | 2016F | 2017F |
| Global | 2.4 | 2.8 | 1.8 | 2.6 | 2.10 | 2.19 | 2.82 | 3.09 |
| (PPP Weighted) | (2.9) | (3.2) | (2.3) | (2.8) | | | | |
| Industrial Countries | 1.7 | 2.2 | 0.8 | 2.1 | 0.34 | 0.74 | 1.36 | 1.93 |
| Emerging Countries | 3.6 | 3.8 | 3.5 | 3.4 | 5.14 | 4.68 | 5.28 | 5.05 |
| United States | 1.7 | 3.1 | 1.3 | 2.9 | 0.63 | 1.63 | 2.45 | 3.50 |
| Canada | 1.3 | 1.9 | 1.6 | 2.4 | 0.50 | 0.75 | 1.72 | 2.50 |
| Europe | 1.8 | 1.5 | 0.4 | 1.8 | 0.04 | 0.04 | 0.45 | 0.72 |
| Euro Area | 1.7 | 1.5 | 0.2 | 1.6 | 0.00 | 0.00 | 0.22 | 0.50 |
| United Kingdom | 2.0 | 1.5 | 0.7 | 2.6 | 0.25 | 0.25 | 1.24 | 1.50 |
| Sweden | 3.2 | 2.5 | 1.0 | 1.5 | -0.50 | -0.50 | 0.55 | 0.75 |
| Norway | 0.8 | 1.5 | 3.4 | 2.5 | 0.50 | 0.50 | 1.70 | 1.75 |
| Japan | 1.0 | 1.5 | -0.3 | 0.7 | -0.10 | -0.10 | 0.05 | 0.00 |
| Australia | 2.3 | 1.9 | 1.2 | 1.7 | 1.50 | 1.00 | 2.76 | 3.00 |
| New Zealand | 3.2 | 2.9 | 0.6 | 1.4 | 1.75 | 2.00 | 3.36 | 3.25 |
| Asia ex Japan | 5.7 | 5.1 | 2.2 | 2.5 | 3.22 | 3.02 | 3.58 | 3.12 |
| China[2] | 6.5 | 5.7 | 2.0 | 2.5 | 3.00 | 2.80 | 3.02 | 2.50 |
| Hong Kong[3] | 1.6 | 2.0 | 2.6 | 2.2 | 1.00 | 1.50 | 1.90 | 2.30 |
| India[4] | 6.7 | 5.8 | 4.8 | 3.2 | 6.25 | 6.00 | 6.52 | 5.70 |
| Indonesia[5] | 5.1 | 5.3 | 3.5 | 4.2 | 4.75 | 4.50 | 7.97 | 7.30 |
| Korea[6] | 2.7 | 2.2 | 1.0 | 1.7 | 1.25 | 0.75 | 2.09 | 1.40 |
| Thailand[7] | 3.1 | 2.5 | 0.2 | 1.5 | 1.50 | 1.50 | 2.70 | 3.20 |
| Latin America[8] | -1.2 | 1.3 | 6.5 | 4.9 | 9.95 | 8.69 | 9.22 | 9.15 |
| Argentina | -2.1 | 2.2 | 28.0 | 23.0 | | | | |
| Brazil | -3.5 | 0.9 | 8.8 | 5.9 | 13.75 | 11.00 | 11.29 | 10.75 |
| Chile | 1.9 | 2.2 | 3.8 | 3.1 | 3.50 | 3.75 | 4.29 | 4.75 |
| Colombia | 1.9 | 2.1 | 7.5 | 4.9 | 7.50 | 6.25 | 7.11 | 7.40 |
| Mexico | 2.2 | 2.0 | 2.9 | 3.7 | 5.75 | 6.75 | 7.40 | 8.00 |
| EEMEA | 0.9 | 1.8 | 5.9 | 5.8 | 7.79 | 7.16 | 8.18 | 8.74 |
| Hungary | 2.1 | 2.2 | 0.4 | 2.2 | 0.90 | 0.90 | 3.16 | 3.75 |
| Poland | 2.9 | 3.4 | -0.3 | 1.6 | 1.50 | 1.50 | 3.63 | 3.75 |
| Russia | -0.4 | 1.2 | 7.0 | 6.0 | 10.00 | 8.50 | 8.46 | 9.20 |
| South Africa | 0.4 | 1.1 | 6.4 | 5.9 | 7.00 | 6.50 | 8.92 | 9.50 |
| Turkey | 2.8 | 2.5 | 7.8 | 8.5 | 8.00 | 9.00 | 11.10 | 11.50 |

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 governm
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
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.
Source: AB