Global Economic Outlook

June 2016

Contents

Contributors

*Guy Bruten**
*Katrina Butt**
*Joseph Carson**
Anthony Chan
*Kenneth Colangelo**
*Fernando Losada**
*Markus Schneider**
Vincent Tsui
*Darren Williams**

**This contributor is not licensed by the Hong Kong SFC and does not intend to provide investment advice in Hong Kong*

Overview

Global Economy—China continues to slow, but US outlook remains positive.

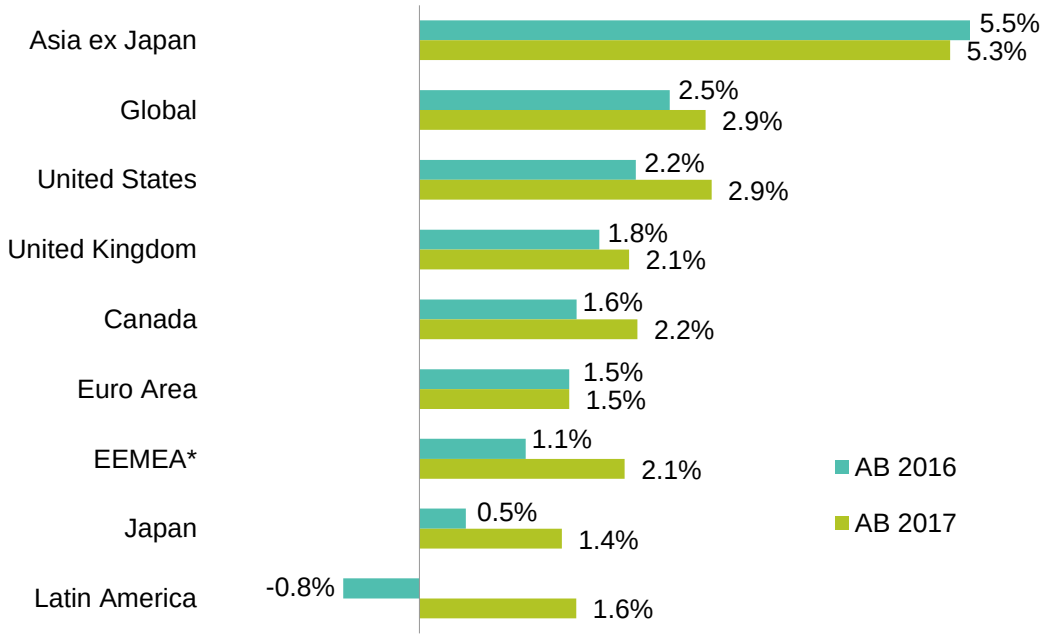
United States—Real GDP growth is rebounding, but a weak payroll report may allow the Fed to postpone a rate hike for now.

Europe—The recovery continues at a modest pace and core inflation remains very soft. This points to more monetary easing from the ECB.

Japan—Prime Minister Abe pulls the trigger on more fiscal stimulus.

China—Credit growth slows and activity is subdued. But currency reserves rose for a second consecutive month and capital outflows moderated.

AB World Economic Growth Forecasts



As of June 1, 2016; calendar-year forecasts
*Emerging Europe, Middle East and Africa
Source: AB

Global Outlook

Event risk still looms

The past month or so has been all about event risk. Would the Group of Seven (G7) meeting at the end of May pave the way for coordinated global fiscal stimulus? Will the Federal Reserve pull the trigger on the second rate hike in this tightening cycle at its June policy meeting? Will the UK voters tell the European Union (EU) that they want out when they go the polls on June 23?

The outcome of the UK's so-called Brexit vote is still uncertain. Not so for the other issues. While the G7 meeting failed to reach agreement on concerted action, the communiqué did give a green light to countries that want to push ahead with greater fiscal stimulus to offset the waning effect of monetary policy. Japanese Prime Minister Shinzo Abe wasted no time, announcing a delay in the VAT hike and outlining a "bold" fiscal stimulus package to be implemented this autumn.

We also have a resolution of sorts on the Fed question. Last month, Fed officials began hinting that they might raise rates in June or July. But they changed their tune after the release of a surprisingly weak nonfarm payroll report for May. Despite other, more upbeat labor market data, it does seem likely that the Fed will hold off on raising rates in June.

Cyclical divergence likely to return

That said, we expect economic data in the second half of the year to provide stronger indications of cyclical strength in the US economy. With the European economy continuing to run at an above-trend pace, buoyed by solid growth in consumption and investment, and with substantial fiscal stimulus likely to boost the Japanese economy (particularly in 2017), the stage is set for a modest acceleration in developed-market economic growth over the next 12 months.

On the other hand, we are increasingly concerned about growth in China. While our forecast of 5.7% gross domestic product (GDP) growth for 2017 is far from dire, it's at the bottom end of consensus expectations and represents a continued deceleration from the "norm" of a few years ago. There are two reasons for our caution. First, it's clear that Chinese policymakers want to avoid taking any action that would worsen the country's debt position. That effectively rules out aggressive macroeconomic stimulus. Second, political uncertainty seems to be rising. A sluggish Chinese economy has important implications for the commodity price outlook. When coupled with structural weakness in the global trade picture, it makes it difficult to be upbeat about regional Asian growth.

Watching the inflation outlook—are the markers lining up for a structural shift?

At first blush, that cyclical backdrop makes it hard to get too concerned about the inflation outlook. If anything, it would seem to imply rising deflation risks. But we have our eye on a number of factors. First, higher oil prices are likely to push headline inflation higher, thus lowering the risk of deflationary second-round effects. Second, and related to this, we may be on the cusp of more wage inflation as developed-economy labor markets push against capacity constraints and skill shortages. Along with the US, Japan is a key place to watch. Unemployment is just above 3% and the demographics are unfavorable. As a result, the Japanese labor market looks extremely tight. Third, are we now starting to see the sort of institutional changes that would untether inflation expectations—greater reliance on fiscal policy, facilitated in some fashion by (compromised) central banks? That may not be next month's story, but it's worthwhile to keep monitoring it.

US Outlook

Economy rebounding in 2Q

Most evidence suggests the US economy is regaining strength in the second quarter, following the revised first-quarter GDP gain of 0.8%. Recent data on consumer spending, housing starts and pricing, new orders and even foreign trade point to a strong rebound in the second quarter.

Yet the recent employment report was a glaring outlier. It showed that payroll employment rose by a mere 38,000 in May (including a 73,000 adjustment for striking workers). The prior month's job gains were revised lower by 59,000. Wages rose 0.2%, maintaining the year-over-year gain of 2.5%, and the jobless rate fell 0.3 points to 4.7%.

Labor data are mixed—weak job gains but…

The small gain in May payrolls was a huge surprise because it runs counter to a number of favorable labor market indicators. First, the number of job openings is near a record high. Second, jobless claims remain steady at low levels. Third, hiring intentions of small business in May were at their highest level this year. Fourth, people's assessment of job opportunities remains relatively strong. And finally, the Bureau of Economic Analysis revised up first-quarter wage and salary income by $50 billion annualized—indicating prior job and wage gains were not capturing the full scale of new income flows.

…jobless rate at 4.7%

Ordinarily, weak labor market conditions would also show up in a rise in the jobless rate. That didn't happen this time. The jobless rate fell 0.3 points to 4.7% in May, a new low for the current economic cycle. The sharp drop in the jobless rate was largely dismissed because there was a sharp contraction in the labor force.

Still, the cause of the jobless rate decline in May was not that unusual. Since 1960 there have been 33 months in which the jobless rate fell 0.3 percentage points or more, and 17 of those declines were driven by a decline in the labor force.

As we've said before, relatively large movements (up and down) in the jobless rate offer important signals about the health and direction of the labor market. And it's the change in the jobless rate (not the reasons for the change) that's been important.

June jobs data are key to Fed rate hike

Only eight of the aforementioned 33 months saw a sharp reversal in the jobless rate the following month. That suggests the sharp decline in May was a false signal. So if the jobless rate holds at 4.7% or moves only a tick higher in June, it will be a telltale sign that labor market conditions continue to improve, raising the odds of an official rate hike in the coming months.

Europe Outlook

Rising Brexit risk

Recent data suggest the European recovery continues at a modest pace, underpinned by solid growth in consumption and investment. We expect this to continue in coming quarters, but risks are still skewed to the downside. One of the most obvious of these risks is that the UK could choose to leave the EU at a referendum on June 23. We still think UK voters will likely vote to remain in the EU. But opinion polls are still sending conflicting messages and, if anything, have started to shift in the opposite direction. It would therefore be unwise to dismiss the risk of Brexit.

External vulnerability

There is little doubt that Brexit would have a negative impact on UK economic growth, at least in the near term. But how significant might this be? Initially, we thought that Brexit would have only mildly negative repercussions. However, we're

now more concerned—for three reasons. First, it is increasingly apparent that Brexit concerns have already started to weigh on the economy. Second, the doom-and-gloom scenarios being painted by the British government and the Bank of England (among others) could turn into a self-fulfilling prophecy should the UK actually vote to leave the EU. Third, the UK's reliance on foreign investors to finance its twin government and household-sector deficits makes it vulnerable to any shock, such as Brexit, that might cut off foreign financing.

False confidence

In spite of this, we're skeptical about the certainty with which many forecasters continue to predict an economic meltdown should the country vote to leave the EU. Put simply, there's no obvious parallel upon which to base a Brexit simulation. So while growth would probably slow if voters opt to leave, it isn't clear by how much. And we're even more skeptical that Brexit poses a major threat to the global economy. Indeed, the UK accounts for just 2% of world output, and it's not obvious to us why a decision to alter its trading relationship with the EU and eschew political integration with the rest of Europe should have a large or sustained impact on the global economy. All the more so as Brexit would involve a transitional period lasting two years—perhaps considerably longer.

Financial turbulence

Financial markets would, of course, respond adversely to the shock of a Brexit vote, and a period of considerable turbulence would probably follow—with the pound likely to be the biggest casualty. However, this is a "known unknown," for which central banks have had many months to prepare, making a systemic or lasting crisis unlikely. Eventually, markets would turn their attention back to other concerns: i.e., China, commodity prices, and the magnitude and timing of Fed tightening.

Political shock waves

But Brexit could create more lasting shock waves through its political impact—both within Europe and perhaps further afield. Over the years, the UK has been an uncomfortable bedfellow for its European partners. But a decision to quit the EU would still be the biggest setback the European "project" has ever faced. It would embolden radical and separatist parties elsewhere in Europe. And it might encourage investors to question the irrevocable nature of the single currency, at a time when the European Central Bank is facing stiff criticism in Germany.

In the past, EU leaders have tended to respond to major setbacks by pushing ahead with deeper integration. A similar response is possible if the UK votes to leave the EU. But we would question whether or not there's any appetite for this at present—particularly given the leadership void and lack of strong government now clearly evident outside Germany. Europe has faced many challenges in recent years; a Brexit vote could create fresh difficulties as its leaders attempt to hold the euro area together.

Japan Outlook

G7 gives a green light to Japan fiscal stimulus

Over the last six months or so, the momentum for more aggressive global fiscal policy stimulus has been building. The advice has come from a variety of quarters: the International Monetary Fund, the Organisation for Economic Co-operation and Development (OECD), several central banks, and some high-profile academics, including Professors Joseph Stiglitz and Paul Krugman.

As the G7 prepared to meet in Japan last month, observers began to speculate on the possibility that the group would announce a coordinated fiscal stimulus plan to boost global growth. Such collective action would take pressure off global monetary

policy, which is already pushing the limits of effectiveness, and forestall any new journey down the route of competitive devaluation, or "currency wars."

In the end, however, the G7 communiqué fell well short of endorsing coordinated action, stating that the authorities would strengthen their policy responses "taking into account country-specific circumstances."

While there's clearly no agreement on any immediate global fiscal action, this statement can be read as an international green light for countries wanting to pursue fiscal stimulus—even for those, like Japan, with parlous budgetary positions. To that extent, the communiqué satisfies one of the objectives of Japanese Prime Minister Shinzo Abe—gaining a global "tick" of approval for his plan to postpone a consumption tax (VAT) increase that is slated for April 2017.

Abe used the forum to push for domestic support, too, by drawing parallels between current economic conditions and those just before the Lehman Brothers collapse in 2008. Abe effectively told the local audience that one of his key criteria for the VAT hike delay—another Lehman-like shock—was in danger of being met.

Not surprisingly, then, shortly after the G7 forum, Abe announced that he would indeed delay the VAT hike (until October 2019). He also outlined a plan to undertake "bold" fiscal stimulus steps to be implemented after the July upper house elections. There was little detail provided, but, in our view, the spending package will be sizeable (perhaps as large as 10 trillion yen or 2% of GDP). Some of this will be directed toward infrastructure, some to low-income households, and some toward easing supply-side constraints such as increasing pay for childcare workers.

Another step along the path to helicopter money?

The headline numbers will be equivalent to the fiscal year 2012 supplementary budget, implemented in January 2013, just after Abe came into power. Shortly after the announcement of this big fiscal boost, the Bank of Japan (BoJ) revealed its "quantitative and qualitative easing" (QQE) strategy, an aggressive expansion of the central bank's balance sheet through government bond purchases. While it's difficult to see a blockbuster BoJ announcement in the near term, it seems likely that the BoJ will reconfirm its commitment to the bond-purchase program. By buying 80 trillion yen of Japanese government bonds (JGBs) per annum—far in excess of the government's net funding requirement—the BoJ is, in effect, already financing government spending. One might be tempted to call this "helicopter money," or central-bank–financed fiscal stimulus. And with the latest anticipated fiscal expansion inevitably funded by the BoJ's bond purchases, it will become increasingly difficult to avoid that moniker.

How will this pan out? Will it be an Abenomics success, or a big leap into inflationary oblivion? While recent Japanese inflation data have ebbed a bit after brief gains, we think that these policy actions are starting to raise inflation flags. The combination of near-full employment and a stimulus package that's likely to find its way into final spending (unlike the BoJ's asset purchases), against a backdrop in which the central bank is actively attempting to untether inflation expectations, sounds like a recipe for rising inflation. It may not be today's story, but it's a growing probability for 2017.

Australasia

Australia: ignore GDP, focus on capex and housing

Australia's first-quarter GDP was stronger than expected, up 1.1% quarter over quarter (3.1% year over year). Even though this was, in some quarters, interpreted as a positive sign (economy successfully rebalancing), we would emphasize that the

aggregate GDP reading is not telling us much that's useful; at least, not in the Australian context.

Just as there wasn't much sign of the commodity boom in the GDP figures, there's not much sign of the bust either. Where we can see it is in purchasing power: real national disposable income per person fell for the ninth consecutive quarter. We can see it, too, in the composition of GDP: private demand was flat in the quarter, and up only 0.2% year over year; growth was almost entirely driven by another surge in export volumes (up 4.4% quarter over quarter). That volume surge is, of course, the reason why export prices are falling. In fact, they're falling enough to outweigh the volume increase, so that the current account deficit now sits above 5% of GDP.

In any event, the bottom line is that knowing the headline GDP outcomes would not have helped us to forecast Reserve Bank of Australia rate cuts, the Aussie yield curve, or the Australian dollar exchange rate. So we'll continue to ignore them.

More important are two trends. First, business capital spending plans show no sign of improvement. In fiscal year 2016 (ending June 2016), mining capex will be down about 30%, and nonmining about 5%. For fiscal year 2017, the expectations data imply a similar sort of outcome: mining down another 30%, nonmining down mid-single digits. With no recovery there, attention should be focused on the second trend: the housing sector. As highlighted by the OECD in its recent *Economic Outlook* publication, the risks of a "dramatic and destabilising" real estate hard landing are rising. We would concur.

Canada Outlook

Wildfire causes disruption to oil production

Recent headlines in Canada have been dominated by news of the wildfire that has razed parts of Alberta near Fort McMurray, one of Canada's major oil towns and home to its largest oil sands operation. The fire disrupted oil production for the majority of the month, which helped to alleviate some of the downward pressure on global oil supply and the oil price. The WTI price moved above $50 per barrel, the highest level since July 2015.

But the fire strained parts of the Canadian economy. The economy typically benefits from higher oil prices. But this time, the estimated $6.9 billion in damages from the wildfire and decline in oil production volume blunted the effect of lower prices by shutting down businesses and curbing spending and investment in the region.

GDP expected to decelerate in 2Q, rebound in 3Q

Aside from the impact from the wildfire, the Canadian economy continues to grow at a slow pace. The first-quarter GDP numbers, released last week, were weaker than expected at 2.4% (seasonally adjusted annualized rate). The market viewed the growth number as somewhat dated, though. That's because the large negative impact on the energy sector is expected to show up in the second quarter. March monthly economic activity contracted 0.2%, which further highlights the weak momentum going into the second quarter. We are forecasting 0.4% growth in the second quarter owing to the negative impact of the wildfire, followed by a 3% rebound in growth in the third quarter, as oil production ramps up and the reconstruction efforts in Alberta begin. Our full-year 2016 growth forecast is 1.6%, in line with potential.

CAD weakness aiding competitiveness

Although growth has been slower than expected since the start of the year, not all the metrics are discouraging. Business productivity increased 0.4% in the first quarter, driven by the depreciation of the Canadian dollar, which weakened 2.9% during the quarter. The currency weakness helped reduce unit labor costs and improve

domestic businesses' competitiveness. We are forecasting that the Canadian dollar will appreciate 3%, to C$1.35 per US$1, which may put some pressure on competitiveness and net exports in the coming months. Consumer spending improved (+2.3% annualized) in the first quarter, and residential investment was up 11.2%, further emphasizing the strength of the housing market.

BoC on hold until 2017

Economic conditions will probably remain volatile, and the economy could see additional deviations in sector and regional growth. The Bank of Canada (BoC) ignores short-term volatility and focuses on longer-term trends in the economy. Given that focus, we expect it to hold rates at 0.50% through year-end. We don't expect it to begin a hiking cycle until the economy has fully stabilized and activity begins to strengthen, and that's not likely before next year.

Emerging-Market Outlook

Latin America: Commodity prices continued to climb in May. The Thomson Reuters/CoreCommodity CRB Index has gained more than 9% since the end of March, and oil prices have climbed by 28%. Emerging-market currency performance was mixed, which suggests that both global and country-specific factors drive currency valuations.

Brazil: Under new management

Brazilian President Dilma Rousseff was finally impeached and Vice President Michel Temer took office, initially for 180 days until Rousseff's fate is decided by a Congressional commission. If a Congressional majority ratifies Rousseff's impeachment, Temer will become the president through the end of the current term.

With Temer comes a new economic team with solid market credentials. The team includes Finance Minister Henrique Meirelles and central bank Governor Ilan Goldfajn. Temer said he intends to tighten fiscal policy and introduce much-needed reforms to improve the pension system, although the adjustments will take time. In the meantime, the public sector is expected to generate a large deficit this year of more than 2% of GDP net of interest payments, and close to 10% overall. After his Congressional ratification, Goldfajn is expected to adopt a more accommodating monetary policy, cutting the Selic rate by more than 100 basis points over the second half of the year.

The transition hasn't been seamless, though. Within a few days of the new government taking office, the judicial investigation into alleged bribery claimed two cabinet members. Both had to resign because of the public backlash. Given that, it would be premature to rule out more political volatility ahead.

Mexico: The PAN wins the round

Mexico's center-right National Action Party (PAN) won a solid victory in the June 5 elections held in 12 states, taking seven of the governorships that were up for grabs. The PAN won six states that had been governed by the Institutional Revolutionary Party (PRI) and lost one of its own to a PRI challenger. Voters, it seems, were in the mood for change. The PRI suffered a bigger political defeat than expected.

On the left side of the political spectrum, the MORENA party of former presidential candidate Cuauhtémoc Cárdenas emerged as a serious force, surpassing the Democratic Revolutionary Party (PRD) on a stand-alone basis. MORENA, however, failed to secure any governorships. The party's failure to win in Veracruz was significant. The state is the third largest by number of voters, and MORENA's failure there suggests it may struggle to be competitive at the national level in 2018.

Peru: Photo finish

The results of Peru's second-round presidential election held on June 5 were surprising. Pedro Pablo Kuczynski, also known as PPK, from the Peruvians for Change coalition, appears to have beaten Keiko Fujimori from Popular Force. The previous week's polls had Fujimori ahead by six percentage points (although with relatively high rejection rates). The election outcome, however, showed an extremely close race, with Kuczynski edging out Fujimori 50.1% to 49.9%. The results may face challenges in some districts, so the uncertainty about the final tally may continue for a few days. Both candidates had a market-friendly message, and we think either will back that up with market-friendly actions. Short-term political noise aside, we think the election is a low-risk event for the economy. More expansive fiscal policy is likely regardless of who wins, with an emphasis on public infrastructure investment. Both candidates have indicated their intention to seek continuity in monetary policy, probably by trying to ratify central bank Governor Julio Velarde in office. PPK is a former Wall Street banker and World Bank economist who was finance minister during the administration of President Alejandro Toledo (2001–2006).

Still declining exports across the region, even from a low base

Asia ex Japan: The latest round of trade data affirms that manufacturing continues to weaken in most countries. South Korea and Taiwan continued to register year-over-year declines in exports with broad-based weakness across product categories and destinations. Likewise, Purchasing Managers' Indices (PMIs) suggest weak sentiment among manufacturers. Both China's Caixin PMI and Taiwan's PMI continued to ease, with deterioration in forward-looking indicators such as new orders and export orders. All data suggest another leg down in regional exports in 2016.

China's activity data remain soft in April

Chinese April activity data were soft. Exports disappointed—especially those to key developed-market countries. The contraction in imports was even more worrying because it followed a rebound in commodity prices. These trends reflect overall weakness in Chinese domestic demand, which is also evident in slowing fixed-asset investments and retail sales.

Retrenchment in credit growth after easing in March

Likewise, credit growth has been on a downtrend during the month. We have argued that the People's Bank of China's "prudent" monetary stance with an easing bias is designed to cater to political needs. This explains the volatility in new credit trends this year. We think that credit-supply volatility will persist. The recent hint in the *People's Daily* newspaper that top officials want tighter policy could result in tighter-than-expected credit in the second quarter.

FX reserves recover and capital outflows ease

Meanwhile, China's foreign exchange reserves rose in April, for the second consecutive month—this time by US$6.4 billion. Valuation changes helped, thanks to continued US dollar weakness. The economy still saw capital outflows, but the pace has slowed. We expect outflows to weaken even more, with a net inflow possible in the second half of the year.

Regarding monetary policy, Indonesia's inflation eased as the central bank turned dovish and said that improved economic stability gives it room to ease policy. On the other hand, the Philippines cut policy rates by 100 to 250 basis points. We think the current accommodative policy will remain in place.

Policy sparks volatility in currency, sovereign spreads

Political developments were in focus as well. In the Philippines' presidential election, Rodrigo Duterte won by a convincing margin. Not an establishment politician, he's not well understood by the market. Market optimism about the Philippines had been based on outgoing President Benigno Aquino's governance reform. Now, things look less certain. In Taiwan, the inaugural speech of President Tsai Ing-wen was vague when it came to how her administration would handle the relationship with China. That's not likely to reassure Beijing, which will continue to scrutinize the

government's words and actions for any move toward de jure independence. In Mongolia, markets are eyeing the June presidential election. The government's policy on foreign direct investment is key, since the country's external position relies heavily on developing a copper mine with Rio Tinto.

Mixed 1Q real GDP data: Russia surprises to the upside…

Emerging Europe, Middle East and Africa: First-quarter real GDP data surprised to the downside across the region, although some countries are going through a soft patch rather than a sustained decline. Russia was one of the few larger economies that outperformed expectations, with real GDP declining by 1.2% year over year, compared to consensus forecasts of a 2% decline.This suggests that the economy did not contract in sequential terms during the first quarter, limiting risks of a full-year contraction in 2016. The recent continued rise in oil prices sets the stage for a further recovery in growth, supported by likely interest-rate cuts over the coming months following ongoing ruble appreciation.

…while CEE hits a soft patch; Brexit a small but important risk

Meanwhile, weak investment caused Central and Eastern Europe (CEE) to produce some of the largest negative surprises. Romanian activity remained solid, but in Hungary and Poland 1Q real GDP growth actually contracted by 0.8% quarter on quarter and 0.1% in seasonally adjusted terms, respectively. These figures significantly undershot expectations and marked a noticeable deceleration from the 1.0% quarter-on-quarter result in the fourth quarter. Weaker-than-expected investment activity was the main culprit for the slowdown, on the back of sluggish EU structural fund flows. Growth should recover during the remainder of the year as investment dynamics normalize and private consumption remains solid. That said, CEE activity remains highly vulnerable to a confidence shock following the UK's potential exit from the EU, although this is not our base case.

South Africa avoids a downgrade for now, but weak growth will remain a challenge

Outside of CEE, South African real growth also surprised to the downside, and the government will likely face an uphill struggle to boost confidence over the rest of the year. The first-quarter contraction of 0.3% (versus expectations of zero growth) was mostly led by the mining sector, although domestic demand appeared to weaken more quickly as well. For now, Finance Minister Pravin Gordhan has managed to avoid a sovereign downgrade by all three major ratings agencies. This constitutes an important political victory for him and likely bodes well for political stability, at least until the local elections at the beginning of August. That said, we still doubt that South Africa will be able to avoid a downgrade to subinvestment grade by S&P later this year, given weak real growth and a renewed slump in business confidence.

Turkey's political changes raise concerns over orthodox policy making

In other important political developments, the resignation of Turkish prime minister and AKP leader Ahmet Davutoglu shifts the focus to economic policy credibility. More populist fiscal measures, especially in light of slowing domestic growth, and a delay in structural reforms would increase the risk of Moody's and Fitch downgrading Turkey's credit rating to junk status in 2017. The risk of early elections, however, has receded. Even if the AKP wanted full-blown constitutional changes, it would likely take another couple of quarters before the vote could be put before parliament.

Commodity price shocks are only one piece of a larger growth story for the frontier

Frontier Markets: With the fall in commodity prices and slowing global growth, many countries on the frontier are experiencing a slowing of their own. However, as we've written before, the impact varies from country to country. Hard-commodity exporters like Gabon (oil) or Zambia (copper) have strained budgets that require prioritization of capital expenditures for future growth and a broader fiscal consolidation. Summer elections will make this more difficult. These countries have relied on elevated prices for too long while ignoring other sectors of their economies. Soft-commodity exporters such as Côte d'Ivoire (cocoa) or Kenya (tea) are used to volatility and are reaping the rewards of diversification. All of these countries have a

good long-term outlook. But in the short run, we expect volatility to stay high and country-specific factors to determine success. Engagement with multilaterals to broaden the tax base and ensure compliance will be important if countries want to diversify their revenue streams and reinvest them into productive capital.

AB Global Economic Forecast

June-16

	Real Growth (%)				Inflation (%)				Official Rates[1] (%)		Long Rates[1] (%)	
	4Q/4Q		Calendar		4Q/4Q		Calendar		EOP	EOP	EOP	EOP
	2016F	2017F	2016F	2017F	2016F	2017F	2016F	2017F	2016F	2017F	2016F	2017F
Global	2.6	3.1	2.5	2.9	2.2	2.6	2.1	2.6	2.33	2.22	2.93	3.04
(PPP Weighted)	(3.1)	(3.6)	(3.0)	(3.0)	(2.6)	(3.0)	(3.0)	(3.1)				
Industrial Countries	2.0	2.3	1.7	2.2	1.4	2.0	0.9	2.0	0.55	1.05	1.44	2.05
Emerging Countries	3.7	4.3	3.6	4.1	3.5	3.7	3.7	3.7	4.67	4.41	5.30	5.22
United States	2.6	3.3	2.2	2.9	2.1	2.7	1.4	2.8	1.25	2.43	2.60	3.65
Canada	2.2	2.1	1.6	2.2	2.5	2.9	2.0	3.0	0.50	1.00	2.20	3.32
Europe	1.6	1.7	1.6	1.6	1.1	1.5	0.5	1.5	-0.03	0.02	0.50	0.75
Euro Area	1.5	1.6	1.5	1.5	0.9	1.3	0.3	1.4	-0.15	-0.15	0.25	0.50
United Kingdom	1.7	2.1	1.8	2.1	1.4	2.0	0.8	1.9	0.50	0.75	1.50	1.75
Sweden	3.0	2.5	3.7	2.7	1.9	2.1	1.6	2.0	-0.50	-0.25	0.50	0.75
Norway	1.2	1.6	0.8	1.5	3.1	2.2	3.4	2.3	0.50	0.50	1.25	1.50
Japan	1.2	1.2	0.5	1.4	0.3	1.1	0.3	0.9	-0.25	-0.25	0.00	0.25
Australia	1.3	1.6	1.9	1.5	1.0	1.5	1.0	1.6	1.50	1.00	2.30	2.50
New Zealand	1.3	2.5	1.9	2.0	0.5	1.6	0.5	1.4	2.00	2.00	3.00	3.00
Asia ex Japan	5.3	5.4	5.5	5.3	2.3	2.9	2.4	2.8	2.78	2.58	3.32	3.25
China[2]	6.0	5.7	6.3	5.7	2.0	2.5	2.2	2.5	2.30	2.00	2.70	2.50
Hong Kong[3]	2.1	2.3	2.0	2.3	2.9	3.2	2.9	3.2	1.00	1.50	1.32	1.34
India[4]	6.5	7.1	6.7	7.1	5.1	5.8	5.4	5.7	6.50	6.50	7.30	7.80
Indonesia[5]	5.2	5.9	5.1	5.6	4.0	5.1	4.0	4.8	5.00	5.00	7.25	6.75
Korea[6]	2.1	2.6	2.3	2.5	0.7	1.5	0.8	1.2	1.25	1.00	1.50	1.20
Thailand[7]	3.0	3.8	3.2	3.3	0.7	1.5	0.2	1.2	1.00	1.00	1.80	1.90
Latin America[8]	0.1	2.4	-0.8	1.6	5.5	5.1	6.2	5.3	9.20	8.95	10.35	10.09
Argentina	0.8	3.4	-0.3	2.3	27.0	16.0	28.0	19.0				
Brazil	-2.0	1.6	-3.6	0.4	7.0	6.7	8.2	6.9	13.00	12.25	13.50	13.00
Chile	2.5	2.9	2.3	2.8	3.6	3.2	4.3	3.7	3.75	4.00	4.95	5.10
Colombia	2.9	3.2	2.8	3.1	6.5	4.2	7.2	5.3	7.25	7.00	8.65	8.10
Mexico	2.5	2.9	2.5	2.8	3.0	3.0	2.8	3.1	4.50	5.00	6.60	6.70
EEMEA	1.5	2.5	1.1	2.1	6.6	5.3	6.5	5.9	7.65	7.09	8.05	8.14
Hungary	2.3	2.5	2.5	2.5	2.2	2.6	1.3	2.6	0.90	1.00	3.15	3.40
Poland	3.7	3.5	3.7	3.5	1.0	2.1	0.0	1.9	1.50	1.75	3.10	3.30
Russia	0.2	1.8	-0.5	1.2	7.5	5.5	8.0	6.6	9.50	8.00	9.00	8.90
South Africa	0.7	2.0	0.6	1.3	7.2	5.9	6.4	6.2	7.25	7.00	9.10	9.40
Turkey	3.5	3.6	3.2	3.5	8.4	7.3	8.1	7.5	8.50	9.50	9.40	9.80

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: AB

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.

GEN-CEG-EN-GN-0616