Global Economic Outlook

May 2016

Contents

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Overview

Global Economy—Global economic growth remains lackluster. We expect the world economy to grow 2.5% this year and 2.9% in 2017.

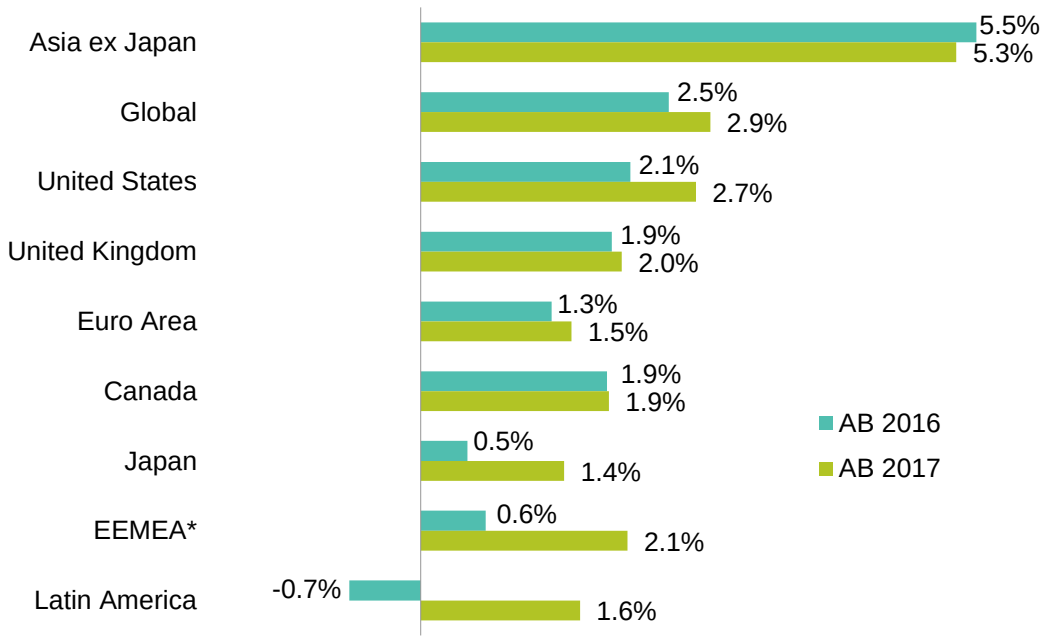
United States—First-quarter GDP growth stalls owing to energy sector cutbacks. We expect a rebound of 2.5%–3.0% growth in the second quarter.

Europe—Strong first-quarter GDP growth notwithstanding, the recovery remains modest and core inflation soft. We still expect more monetary easing.

Japan—The BoJ surprises again, further undermining its credibility, and the focus shifts to fiscal policy.

China—March data reveals releveraging risk as reliance on infrastructure and housing grows.

AB World Economic Growth Forecasts



As of May 2, 2016; calendar-year forecasts
*Emerging Europe, Middle East and Africa
Source: AB

Global Outlook

Global growth remains lackluster

Global economic growth remains lackluster. We trimmed our global growth estimates to 2.5% (from 2.7% at the beginning of the year) as a result of subpar first-quarter growth in the US. Our initial growth estimate for 2017 is 2.9%, with emerging markets expanding 4.1% and developed economies 2.1%.

The weakness in the global economy is mainly the result of weakness in the manufacturing sector. The J.P. Morgan global manufacturing index stood at 50.1 in April, down a half point from the March reading. The composite reading on manufacturing has been stuck in low gear for several months. Nonetheless, commodity prices, often a leading indicator of cyclical movement in manufacturing, have rebounded sharply from the start of the year. That's causing some confusion about what lies ahead.

Commodity prices rebounded

At this stage, the rise in commodity prices (both for oil and for cyclically sensitive industrial materials) appears tied to a reduction in inventory positions and to expectations that cutbacks in capital spending and production will create a better balance between demand and supply in the coming months.

An important development is the recovery in oil prices. Prices for domestic and global oil have both risen over 70% since their February low. Admittedly, oil prices are still well below levels seen over the past few years, but the upward trajectory is likely to lift headline inflation quickly, especially in the US.

Headline inflation is headed higher

Global monetary policymakers are still fighting last year's inflation decline. Weak inflation readings in Japan and Europe are expected to keep monetary policy on the easy side for some time to come. But an uptick in headline inflation combined with tight labor markets and rising wages should compel the Federal Reserve to raise official rates by midyear.

US Outlook

1Q growth stall

Real gross domestic product (GDP) rose 0.5% annualized in the first quarter, half as fast as expected. The weakness was centered in investment spending. Nonresidential-structures investment contracted 10.7% annualized, while business spending on equipment and software contracted 8.6%.

Capital spending cutbacks in the energy sector were behind the weakness in investment. For example, investment in mining and exploration (which is part of nonresidential structures) declined 86% annualized in the first quarter, dropping to a real spending level of $41 billion, the lowest since records in this category started being kept in 1958.

Big hit from cutbacks in energy sector

History shows that sharp and large declines in energy prices tend to result in a substantial deceleration in nominal GDP growth. This shows up mainly through the investment channel. It also affects the consumption channel, though only temporarily. That's because households tend not to spend all of their unexpected windfall from lower energy prices on other goods and services—at least not at first. But as the fall in energy prices appears more permanent, consumers usually start spending that extra cash.

With energy investment at a 60-year low, it's not unreasonable to conclude that the economy has already absorbed most of the negative effects of the oil-price collapse.

However, households, transportation companies and even a wide swath of industrial companies have yet to fully realize the benefits of lower energy prices.

Strong rebound in 2Q expected

Most forecasters at this point don't expect growth trends to vary much. But based on trends in the nonenergy-dependent sections of the economy, it wouldn't surprise us to see the pace of nominal GDP growth accelerate over the rest of the year. The March and April manufacturing surveys conducted by the Institute for Supply Management offer some support for a more upbeat outlook. The new-orders readings of 58.3 in March and 55.8 in April were the highest since the fourth quarter of 2014. Second-quarter real GDP growth should be in the 2.5% to 3% range, and we expect that pace of growth—or an even higher one—to prevail throughout the second half of the year.

Europe Outlook

Strong first-quarter GDP growth…

Last month, we noted that first-quarter GDP growth might be significantly stronger than the 0.3% quarterly pace of expansion seen in the second half of last year. And so it proved, with preliminary data showing that the economy grew by 0.6%. As we also noted last month, though, we are inclined to treat this number with some caution. First, we think the official data may have understated the strength of the economy in the second half of last year, especially in Germany. In that case, the strong rebound in the first quarter would, in part, represent a correction. Second, quarterly GDP data can be volatile, and the first-quarter data may have been magnified this year by the unusually mild winter. Indeed, it's worth noting that the economy also grew by 0.6% in the first quarter of last year before slipping back to a more modest rate of expansion.

…probably overstates the strength of the recovery

Moreover, survey data, which we consider as important as the official data, suggest that growth has actually moderated in recent months. In the second half of last year, for example, the composite Purchasing Managers' Index (PMI) for manufacturing and services averaged 54.0. But this slipped to an average of 53.2 in the first quarter of this year, and the April reading was slightly softer again, at 53.0. In truth, these are not big changes. But they do suggest that the pace of the expansion has slowed and that growth is currently not a great deal higher than 0.3% per quarter.

Core inflation still soft

Nor are the first-quarter data likely to have much impact on the European Central Bank (ECB). As ECB President Mario Draghi noted at the April press conference, even if economic conditions improve, it's important to put this in the context of the protracted weakness of recent years and to remain focused on the ECB's ultimate goal: driving inflation back to target. And while the recent rise in the oil price should provide a welcome tailwind for inflation, actual data have again been disappointing, with the headline rate slipping to –0.2% in April and core inflation falling to 0.7%, close to last year's low of 0.6%. We suspect that some of the softness in core inflation is temporary. But even allowing for this, there is no sign of an upward trend in core inflation. And until there is, the ECB is likely to continue easing monetary policy.

Brexit continues to dominate the UK outlook

The UK outlook centers on the June 23 referendum on membership in the European Union. Opinion polls are now flowing thick and fast but do not make the likely outcome any clearer. Indeed, the gap between Internet polls, which point to a dead heat, and telephone polls, which point to a healthy lead for the "remain" campaign, is as wide as ever.

When thinking about the actual vote, it's worth keeping a few things in mind. It's widely thought, for example, that those in favor of "Brexit" are more passionate about their cause and therefore more likely to vote in the referendum. This suggests that the "leave" campaign could do better than opinion polls are suggesting. However, undecided voters are more likely to vote for the status quo. Also, telephone polls have historically been more accurate than Internet polls. In light of this, we see no reason to change our view that, while Brexit remains a material risk that investors should not ignore, a vote to remain in the EU is still the most likely outcome.

Japan Outlook

BOJ surprises, once again

In the run-up to the Bank of Japan's (BoJ) April Policy Board announcement, the consensus had shifted in favor of further easing. There were three factors at play. First, worsening economic activity and inflation data made it harder for the BoJ to tell the "things are on track" story. The disappointing wage negotiation outcomes in this year's Shunto made it tougher still. Second, with the introduction of the negative interest-rate policy (NIRP) in January misfiring badly and the yen strengthening, tinvestors sensed that the BoJ needed to right that wrong and demonstrate that it could do more to reach its inflation target. Third, observers were influenced by "leaks" to the media suggesting that interest rates could move deeper into negative territory, as well as by the introduction of negative rates within the BoJ's Stimulating Bank Lending Facility.

And in the end? Nothing happened. Not surprisingly, given how much easing speculation had increased, the yen strengthened significantly, and the Nikkei fell sharply. Considering *why* the BoJ held fire in April is important in thinking about the next steps. There are three potential justifications for its inaction, in our view:

- No need to ease further: The BoJ, for now, thinks that it has already done enough.
- Need to ease further, but can't: Policymakers would like to do more, but have run out of options. NIRP is turning out to be a blind alley, there's no more scope to buy Japanese government bonds (JGBs), and the BoJ doesn't want to buy more equities.
- Need to ease further, but won't precommit: The BoJ has a plan to do more but doesn't want to tip its hand just yet. Perhaps the desire is to retain the element of surprise or to be more explicit about fiscal and monetary coordination (Prime Minister Shinzo Abe is set to announce more budgetary measures in May).

Which of these justifications is the right one? To be frank, it's very difficult to be sure. All of them push in the direction of two conclusions: (1) there's been yet another large increase in monetary policy uncertainty (both in terms of what the BoJ is doing, and how it's supposed to work), and (2) it's another step in the direction of increased reliance on fiscal policy as the next stimulus measure.

What does this mean with respect to forecast changes? The combination of great uncertainty about the policy framework and the lack of conviction in favor of more monetary stimulus makes it hard to imagine a catalyst for yen weakness. On the valuation front, the yen's real effective exchange rate remains at relatively low levels in spite of its recent strength. At the same time, the turnaround in the current account balance has been phenomenal; it's now at 3.7% of GDP, back where it was before

the 2011 earthquake. The path of least resistance continues to lead toward a stronger yen—somewhere in the range of 100–105 yen per dollar.

Persistent yen strength will be a headwind for Japanese growth. Again, this shifts the focus back to fiscal policy. If Abe does deliver more aggressive stimulus, then maybe the aggregate growth forecast won't change too much (even if the mix is different).

For JGBs, the outlook remains uncertain. A stronger yen and less conviction about an immediate rise in inflation are positive. But if this scenario also means another large step toward aggressive fiscal policy and bigger question marks around the BoJ's purchase program, then that doesn't sound too great. At the very least it reinforces the asymmetry inherent in Japanese interest-rate risk.

Australasia

The Reserve Bank of Australia (RBA) cut rates by 25 basis points (b.p.) at its May meeting, taking the cash rate to 1.75%.

Low inflation sees RBA cut rates; more to come

The lower-than-expected first-quarter inflation outcome was a crucial factor in this decision. Australia's Consumer Price Index inflation outcome was much lower than expected in the first quarter (–0.2% quarter over quarter or 1.3% year over year). Importantly, the surprise was relatively broad based, as evidenced by the weak outcomes for the key measures of core inflation. These results are meaningfully below the RBA's 2%–3% target band, and outside the RBA's forecasts. The RBA's statement acknowledged that only some of the factors pushing inflation lower are temporary. It also noted that subdued wage growth should help keep inflation lower than the central bank had previously forecast.

Concerns about the appreciating exchange rate "complicating" the adjustment task were an important factor too. And while the RBA "took careful note" of the housing market, it also expressed confidence that macroprudential policy is controlling financial stability risks.

While there wasn't much in the way of forward guidance in the statement, we expect to see another two rate cuts over the next year, bringing the cash rate to 1.25%.

In New Zealand, the Reserve Bank of New Zealand (RBNZ) faces a similar dilemma: how to balance below-target inflation and a rising exchange rate with financial stability (housing) concerns. This month the central bank decided to sit pat. But we still expect low inflation to win out, and we anticipate easing in June.

Canada Outlook

GDP contraction in February

February GDP growth was a bit weaker than expected, contracting 0.1% month over month. That followed January's strong month-over-month expansion of 0.6%. Manufacturing output, which had posted strong gains in January, contracted 1.2% month over month in February, indicating that the manufacturing sector may not be as strong as we had initially thought. However, retail sales continue to strengthen, growing at 1.4% month over month. Even though real GDP growth dipped slightly in February, the trajectory is still relatively strong. Based on the growth rates of the first two months of the year, Canadian GDP growth is running at 3.1% annualized. However, we don't think the strength seen at the beginning of the year is sustainable, and we believe growth will continue to decelerate.

Slowing global growth is hurting merchandise trade

The weakness in other Canadian economic data has continued into March. The merchandise trade deficit widened to C$3.41 billion and the February trade balance was revised down C$560 million, primarily because of fewer energy exports to the US. Slowing global growth and declining demand from trade partners are weighing on the Canadian economy—exports declined 4.8% in March, concentrated within autos (–6%), metals (–16%) and consumer goods (–5%). Export values are at the lowest level since January 2014, primarily owing to the slowdown in US demand. Imports declined 2.4%, mirroring the decline in domestic demand that we've seen in the GDP data. The large trade deficit in March did not fully offset the strength in the trade balance at the beginning of the year, but implies Canada is in a more challenging external environment than it looked to be earlier in the year. The recent rebound in the Canadian dollar, which we believe will persist, should contribute to these external headwinds.

As a result of the slower economic growth in February and our expectations of softer demand from the US and the domestic economy, we have revised our GDP forecast to 1.9%, from 2.1% last month. We have also revised down our Canadian dollar forecast to C$1.27 per US dollar (from C$1.32). Although we have moved to a slightly less positive outlook, we still believe the Bank of Canada will raise its policy rate by 25 b.p. by year-end.

Emerging-Market Outlook

Brazil: Impeachment draws near

Latin America: The lower house of Brazil's Congress last month voted in favor of impeaching President Dilma Rousseff by a majority of 367 to 135. The margin of Rousseff's defeat was larger than expected, as more than two-thirds of the voting legislators turned against her (only 342 votes were necessary to impeach). A simple majority vote in the Senate would force Rousseff to step down temporarily for 180 days. During that period, if the Senate should confirm the impeachment decision by a two-thirds majority, Rousseff would be out of office for good. Should Rousseff step down, Vice President Michel Temer would complete her term, which runs through 2018.

For all practical purposes, Temer's term may have already started. Price dynamics in recent weeks have clearly suggested that the market was in favor of a new administration. The positive feeling is likely to continue in the near term, as Temer is expected to appoint a market-friendly team and to announce some positive policy measures. The medium-term outlook, however, is far more difficult to predict. It remains to be seen whether Temer can end political polarization in Congress and whether he can build enough political capital to get legislators' approval for much-needed structural reforms. Also, Temer's effectiveness will depend on whether he gets caught up in the Lava Jato investigation. Rousseff has suggested that elections later this year could help to end the current political quagmire, but staging early elections would require a constitutional amendment that seems unlikely to pass at this juncture.

Mexico: Rescuing PEMEX

The Mexican government unveiled the details of a rescue plan for state-owned oil company Petróleos Mexicanos (PEMEX). The company will receive MXN73.5 billion worth of financial assistance from different sources, and in exchange it will commit to reduce its liabilities with suppliers by the same amount. The government also announced the modification of the company's fiscal regime as it pertains to new operations onshore and in shallow waters. That move should result in MXN50 billion worth of extra resources for the company during fiscal year 2016. Therefore, the total

aid that the federal government is providing to Pemex is MXN123.5 billion (US$7.1 billion or some 0.7% of GDP). The Treasury indicated that assistance to the company is more than covered by the transfer of Banco de Mexico's (Banxico's) operational profits that was announced in February.

We estimate that even after netting out the transfers to PEMEX, Mexico's overall fiscal bottom line should improve by about 0.4% of GDP this year because of the central bank's windfall. While the transaction is not expected to solve PEMEX's structural problems, it provides relief for the company's short-term liquidity constraints without compromising the fiscal picture at the consolidated public sector level. Thus, the announcement should be positive for PEMEX and it should also reduce concerns of an imminent sovereign rating downgrade. In related news, the government announced that MXN167 billion (70% of the MXN239 billion transferred by Banxico to the Treasury) will be used to buy back debt (MXN103 billion) and to reduce planned issuance for this year (MXN64 billion). The remaining 30% goes to the public revenue stabilization fund. The amount is just short of the planned issuance for the second half of 2016, so new debt sales will be reduced sharply in the coming months. That should support local-currency debt.

Argentina: Curing default

In what was a record-setting transaction, the Argentinian government issued US$16.5 billion of new debt in international markets, roughly two-thirds of which was used to pay down holdout creditors. With this, Argentina closed the sovereign default chapter that had started in 2002 (a small number of bondholders have yet to settle with the government). Bids for the securities were four times larger than the supply, which highlights the market enthusiasm generated by the recent election of President Mauricio Macri. The large debt placement also reduced concerns about the country's ability to obtain additional financing in the near term. While the news was positive for the credit, policy challenges remain, as the fiscal bottom line is weak, inflation is high and the real economy is stagnant. Therefore, fiscal and monetary policy should remain relatively tight in the months to come.

PMI relapse affirms sluggish external demand

Asia ex Japan: Disappointing PMI reports in April highlighted the headwinds that manufacturers in the region still face. For major exporters, Taiwan's PMI receded by 1.4 points back into contractionary territory. Forward-looking subindices also fell sharply: export orders fell 0.4 points and new orders hit a six-month low. Meanwhile, Korea's PMI clawed its way back to the neutral level of 50 from 49.5, but actual exports declined more, by 11.2% year over year in April. That was worse than March's 8% year-over-year slide. China's official PMI eased to 50.1, and the Caixin PMI slipped to 49.4. The takeaway: external demand is still sluggish.

Chinese March export numbers a bit misleading

In China, total export value improved by 11.5% year over year in March, compared to a 25.4% year-over-year decline in February. But remember that in 2015, Chinese New Year holidays ran into early March, and that suppressed export activity. So this March's number was compared to an abnormally low one from a year ago. That tempered enthusiasm a bit. If we take the average for the first quarter, exports contracted 9.6% year over year, which is far worse than the 5.1% decline in the fourth quarter of 2015. Moreover, to net out the holiday effect, the three-month-on-three-month seasonally adjusted sequential momentum actually contracted by 2.7% in March after rising 2.9% in February. Thus we don't see that export momentum is gathering pace.

Infrastructure and housing investments driving growth

There was also a "low base effect" at work in other March data, including increases in industrial production and fixed-asset investments. In fact, we see several risks to the sustainability of a recovery. First, there's a risk of a relapse in the second half of the year. This could be driven by a housing market correction. Second, we should remember that the government is the sole driver of the economy. There's been little private sector investment or demand. The authorities are doing what they are good at by boosting infrastructure growth (funded by fiscal and additional government finance) and relying on housing again to power growth. But exports are weak and industrial output and investment are in recession. If a housing correction occurs (as we expect), infrastructure will be the only pillar of support for the economy. How long it will last will depend on China's export prospects, the duration of a full-cycle housing correction and to what extent President Xi will push structural reforms. At this point, the outlook for areas other than infrastructure is not inspiring.

Releveraging risk resurfaces

Releveraging is also a risk. In March, total social financing (TSF) flows were up 89% year over year. New loans rose by 33% and shadow credits swelled by 308% (mainly boosted by corporate bond issuance and entrusted loans). We hope this is temporary, as we thought many senior officials left the March National People's Congress meetings in Beijing with their notebooks full of "new economic plans and targets." But this amounts to front-loading the spending, and that can have consequences when trends begin to normalize and growth snaps back. Growth of TSF stock (representing the broadest credit measure in China) has rebounded noticeably, to 13.3% year over year in the first quarter (from 12.3% in the fourth quarter of last year), and is doubling the pace of nominal GDP growth to 7.2%. This leverage problem will not go away that easily.

More room to ease policy in Indonesia

For the rest of the region, Bank Indonesia reformed its policy rate structure and announced plans to replace the old BI Reference Rate with the seven-day repo rate, making it the new official policy rate as of August 19. The change is technical and, since the old reference rate has been looked to as a guide to market liquidity more than it's been used in money market transactions, it will have little impact on monetary policy. However, the new policy rate should have a more effective transmission effect on the local rate structure. April inflation surprised to the downside, which is supportive for additional rate cuts.

Default scandal could hurt Malaysian currency, spreads

In contrast, India's PMI eased in April, but the input cost subindex rebounded to an 11-month high. And now that commodity prices appear to have found a bottom, the Bank of India has less leeway to ease policy. In Malaysia, the state-owned 1MDB fund defaulted on the US$1.75 billion private placement bond because of the disputes with the bond's guarantor in Abu Dhabi. We consider the default technical in nature and don't think it will threaten the country's sovereign rating. The costs of 1MDB's contingent liabilities are manageable. But the Malaysian currency could struggle and sovereign spreads widen if the external investigation and the negative news headlines persist.

Higher oil prices ease fiscal pressures…

Emerging Europe, Middle East and Africa: The rebound in energy prices has been a boon for the region. While longer-term fiscal consolidation efforts remain a challenge, immediate pressures on the public finances of commodity exporters such as Russia, Azerbaijan and Kazakhstan, as well as some Middle Eastern economies, have eased. Over the first four months of the year, Brent crude prices averaged US$37.2/bbl, exceeding the budgeted oil price forecasts of US$25/bbl for Kuwait and Azerbaijan, and US$30/bbl for Kazakhstan. Also, assumptions of US$40/bbl for Russia and Abu Dhabi appear to be increasingly within reach, with most other countries penciling in prices of US$45–$55/bbl.

In Saudi Arabia, the government unveiled an ambitious reform program to restructure the economy, with an emphasis on subsidy cuts, tax increases and privatization of state-owned assets. Question marks remain over how quickly the plan will be able to be implemented. But the plan illustrates that governments within the region are willing to start tackling the challenges that come with lower oil prices.

…and allow for easier monetary policy

For oil exporters with free-floating exchange rates, such as Russia and Kazakhstan, the rise in oil prices also led to renewed currency appreciation. The Russian ruble and the Kazakh tenge have appreciated by 10%–13% since the end of January, which should help to ease inflationary pressures and allow the central banks to run less restrictive monetary policies. This should ultimately prove more supportive of real growth. The Central Bank of Russia noted recent currency appreciation at its April 29 monetary policy meeting and mentioned for the first time since the end of 2015 that its bias has shifted toward interest-rate cuts in the months ahead.

Even in oil importers, below-target inflationary pressures…

In commodity importers, higher energy prices are generally associated with increasing inflation and interest-rate hikes, but we don't think we've reached this point yet. In Central & Eastern Europe (CEE)—particularly in Poland, Hungary and the Czech Republic—we are probably close to an inflation trough. But headline price pressures remain significantly below their target levels. This means that central banks will not feel immediate pressure to normalize monetary policy. We think they're likely to maintain a cautious stance for now, especially with ongoing deflation concerns in the eurozone and concerns about Britain possibly leaving the European Union.

…and FX appreciationlimit the need for higher rates

In South Africa and Turkey, strong currency appreciation should more than offset the impact of higher oil prices. Inflation dynamics are actually expected to improve, at least versus previous expectations, in these two economies in the short run. As mentioned previously, the Central Bank of the Republic of Turkey started to ease monetary policy following the recent disinflation trend, mostly thanks to lower food prices. The bank is expected to keep cutting the overnight lending rate in the second quarter, which will be its main tool for normalization. We recognize that the central bank is unlikely to tighten monetary policy conditions of its own accord soon, and we now expect only a technical hike in the repo rate later this year. But a challenging medium-term inflation outlook and reduced carry will leave the central bank's easier monetary policy vulnerable in an uncertain global environment.

IMF projects lower growth in Africa

Frontier Markets: The International Monetary Fund (IMF) estimated that growth in sub-Saharan Africa fell to a multiyear low of 3.4% in 2015 and forecast a further slowing to 3% this year. The main culprit: lower commodity prices. These were especially painful for Nigeria and Angola. But there's considerable variation among countries in this region, so it's important to look at each country separately. For example, countries with large oil import bills, such as Kenya, Rwanda and Tanzania, have already seen their current account imbalances improve. This gives them the scope for new capital projects.

The IMF projects that the region will begin to rebound in 2017, when it will grow by 4%. The IMF expects countries to reset their policy priorities by that time and move toward more flexible exchange rates, more fiscal consolidation, greater revenue mobilization and the prioritization of government capex spending that can generate long-term sustainable growth.

AB Global Economic Forecast

May-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	3.0	2.5	2.9	2.2	2.6	2.1	2.6	2.39	2.26	2.93	3.04
(PPP Weighted)	(3.1)	(3.5)	(3.0)	(3.0)	(2.6)	(3.0)	(3.0)	(3.1)				
Industrial Countries	1.9	2.1	1.7	2.1	1.4	2.0	0.9	2.0	0.60	1.10	1.44	2.05
Emerging Countries	3.7	4.3	3.5	4.1	3.5	3.7	3.7	3.7	4.70	4.41	5.30	5.22
United States	2.5	2.8	2.1	2.7	2.1	2.7	1.4	2.8	1.25	2.43	2.60	3.65
Canada	2.3	1.8	1.9	1.9	2.5	2.9	2.0	3.0	0.75	0.75	2.20	3.32
Europe	1.4	1.7	1.5	1.6	1.0	1.5	0.5	1.5	0.08	0.14	0.50	0.75
Euro Area	1.3	1.6	1.3	1.5	0.8	1.4	0.3	1.4	0.00	0.00	0.25	0.50
United Kingdom	1.8	1.9	1.9	2.0	1.2	2.0	0.7	1.8	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	0.75	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	2.2	2.5	2.5	2.4	1.0	1.9	1.0	1.7	1.50	1.25	2.40	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	2.79	2.59	3.33	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	0.75	1.00	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	7.40	7.80
Indonesia[5]	5.0	5.9	4.9	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]	2.8	3.6	2.9	3.4	0.7	1.5	0.2	1.2	1.00	1.00	1.70	1.90
Latin America[8]	0.1	2.4	-0.7	1.6	5.5	5.1	6.2	5.3	9.32	8.94	10.32	10.07
Argentina	0.8	3.6	-0.3	2.5	22.0	15.0	26.0	17.0				
Brazil	-2.0	1.6	-3.5	0.4	7.0	6.7	8.2	6.9	13.50	12.50	13.50	13.00
Chile	2.7	2.9	2.6	2.8	3.6	3.2	4.3	3.7	3.75	4.00	4.90	5.10
Colombia	2.9	3.2	2.8	3.1	6.5	4.2	7.2	5.3	7.25	7.00	8.70	8.10
Mexico	2.5	2.9	2.5	2.8	3.2	3.0	3.1	3.1	4.00	4.50	6.50	6.65
EEMEA	1.5	2.5	0.6	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	-1.3	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.

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