Global Economic Outlook

October 2016

Contents

Contributors

Guy Bruten
+61 3 8630 2207

Katrina Butt
x1-1327

Joseph Carson
x1-6886

Anthony Chan
+852 2918 7846

Kenneth Colangelo
x1-3619

Fernando Losada
x1-3429

Markus Schneider
+44 20 7470 1582

Vincent Tsui
+852 2918 5203

Darren Williams
+44 20 7959 4543

Overview

Global Economy—We haven't made many changes to our forecasts, but there is a lot happening on the policy front. This suggests the focus is shifting to longer-term concerns.

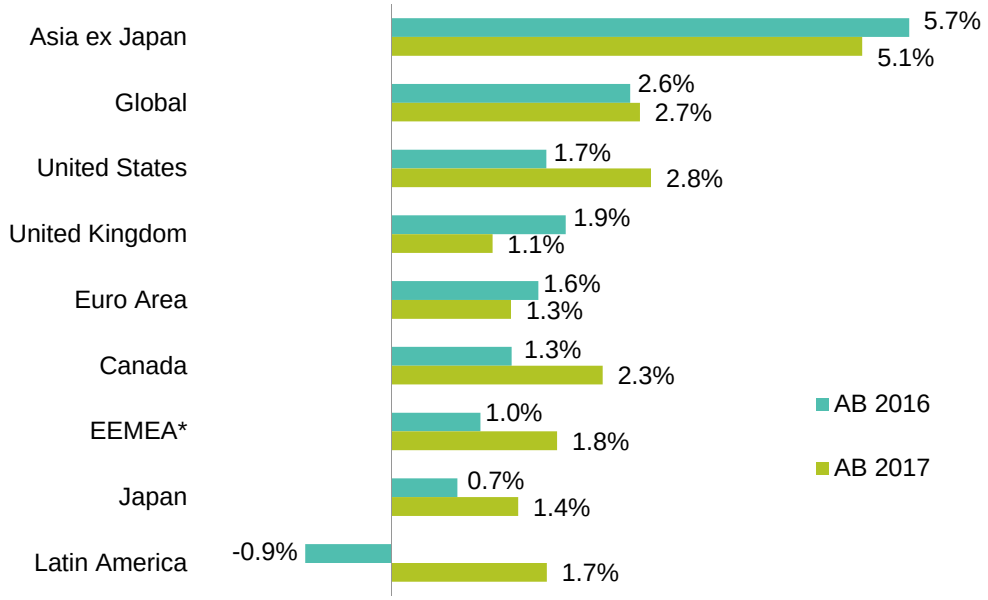
United States—Federal Reserve officials are divided, but more and more policymakers are pushing for a rate hike.

Europe—Modest growth and subdued core inflation point to more monetary easing in the euro area. For now, Brexit is having a much smaller impact than first feared.

Japan—The Bank of Japan changes tack again by targeting the yield curve.

China—Targeted fiscal measures helped spark a recovery in August activity data, and mortgage lending increased. But corporate loans are still on the decline.

AB World Economic Growth Forecasts



As of October 3, 2016; calendar-year forecasts
*Emerging Europe, Middle East and Africa
Source: AB

Global Outlook

Once again, we've made few material changes to our global growth, inflation and policy forecasts. We're not alone: after a material adjustment in growth expectations following the Brexit shock, most forecasters have stuck with their outlook. We still expect modest global growth in 2017 of 2.7%, a tad above the 2.5% growth we expect this year.

Even so, there have been some changes worth noting on the policy front. That these changes are occurring even though there's been little change in the near-term outlook suggests policymakers are starting to take the long view, at least as far as developed-market central banks are concerned.

Federal Reserve stands pat…

Consider the Fed. Since Brexit hasn't caused much economic or market disruption, and since US inflation and unemployment data have met the US central bank's objectives, we thought there was a good chance that Fed Chair Janet Yellen would raise interest rates in September. Instead, the Fed stood pat (in a 7–3 decision).

Political event risk associated with next month's US presidential election may help to explain this decision, as could growing uncertainty over what the terminal fed funds rate should be. The long-term "dots" were again shifted lower—a reflection, perhaps, of reduced expectations regarding the potential US growth rate.

…while the BoJ implements a new framework

Long-term concerns also affected the Bank of Japan (BoJ). As we discuss below, the decision to start targeting both bond yields and the monetary base is the bank's way of admitting that it needs to make policy accommodation a more sustainable option. Put another way, the BoJ needs to increase the life span of the program.

That also suggests the BoJ recognizes that it has taken longer to boost inflation expectations than policymakers had initially hoped. The regime shift suggests the central bank is ready to let other types of policy—particularly fiscal policy—do some of the heavy lifting needed to generate inflation. We think the European Central Bank (ECB) faces similar issues with respect to the longevity of its quantitative easing program. In other words, expect something new from it by year-end.

But if developed-market (DM) monetary policy regimes are starting to change, emerging-market (EM) ones remain fairly orthodox. In emerging markets, conventional inflation targeting is still the dominant framework. This can be seen in the Banco de México (Banxico) decision to hike the policy rate by 50 basis points (b.p.) to 4.75%. The central bank expressed concern about peso weakness and the potential for it to stoke domestic inflation. This can also be seen in Reserve Bank of India's move to cut policy rates by 25 b.p.; the bank expects inflation to reach its target by March. All of these are yet more examples of the divergence between DM and EM economies, a theme that should become more apparent in 2017.

US Outlook

Fed needs more evidence of recovery

In the press release following the September 20–21 Federal Open Market Committee (FOMC) meeting, Fed policymakers offered an upbeat assessment of the economy and the labor market. Their conclusion: economic conditions have improved over the past few months. But they still wanted to see more evidence before deciding to move on rates.

Just three months ago, Yellen noted at a post–policy meeting press conference that "the labor market appears to have slowed down, and we need to assure ourselves

that the underlying momentum in the economy has not diminished." Fast-forward, and policymakers still want more evidence—above and beyond, presumably, data showing that payroll growth averaged 240,000 per month since June and that the economy was growing in excess of 3% annualized in the third quarter.

Changing the goal posts

During the September post-meeting press conference, Yellen was asked about looking for an "excuse" not to do anything and whether she was constantly changing the goalposts. Her response included the comment that "we're generally pleased with how the US economy is doing." But she still did not say what it would take for the committee to move rates higher. We don't know the answer, either, because policymakers operate with preliminary and incomplete information and constantly face new risks and uncertainties.

Election will likely keep Fed on hold in November

Clearly, a few policymakers want to see more progress on inflation, but three dissents at the September meeting indicate there is a growing divide among the voting members. Comments made by voting and non-voting policymakers hinted that the November meeting is a "live" meeting, but with the presidential election the following week, the case for raising rates next month would have to be overwhelming for the Fed to act. That's why we still think the next hike will come at the December 13–14 meeting.

Europe Outlook

Modest growth and low core inflation set to continue

Little has happened in recent weeks to alter our view of the euro-area outlook. In September, the composite PMI for manufacturing and services fell to 52.6. Although this is the weakest reading since January of last year, it is only just outside the narrow range of 52.9 and 53.2 seen between February and August. This is broadly consistent with quarterly GDP growth of 0.3% to 0.4% per quarter. As we noted last month, there is nothing much wrong with this—it's around trend or even slightly higher for the euro area—except that it is eating only very slowly into spare capacity. Hence, while energy-price developments and base effects are now acting to push headline inflation higher, core inflation continues to track sideways at just below 1.0%.

Further monetary easing highly likely

With headline inflation likely to rise above 1.0% in coming months, some members of the ECB's Governing Council may think the central bank is beginning to win the battle against low inflation. But with core inflation anchored below 1.0% and inflation expectations still close to record lows, we think that most Council members will see a compelling case to extend the central bank's asset purchase program.

The big question is whether or not it will keep the monthly purchase pace at €80 billion. With the battle to get inflation back to target likely to be a long one, we think the ECB is likely to lower this amount at some point. But we're probably not there yet, and we expect the ECB to announce a six-month extension of the existing program, together with some technical modifications, in December.

UK data resilient

In the UK, recent data have confirmed the resilient picture that started to emerge in August. Consumer confidence is now back at pre-referendum levels, while the composite PMI rose to 53.9 in September from 53.6 in August and a low of 47.6 in July. The relationship between the PMI and GDP growth is not as strong in the UK as it is in the euro area, but at current levels the PMI is consistent with quarterly growth of 0.4% to 0.5%. With hard data for August painting a similar picture, it looks as if the near-term hit to the economy from Brexit will be considerably smaller than initially feared. Not only does this make a further easing of monetary policy less likely, at

least in the near term, it also suggests that the fiscal response to Brexit will come more in the form of targeted measures to support infrastructure spending and housing than flat-out stimulus.

Difficult path lies ahead

On the political front, Prime Minister Theresa May announced that she will trigger Article 50 of the EU Treaty by the end of March 2017, thus setting the clock ticking on a two-year path to EU exit. The recent rhetoric from the UK government has been quite hawkish. While much of this should be seen in the context of the domestic debate and the need for the British government to establish a negotiating position with the rest of the EU, it does also seem that the risk of a hard Brexit (i.e., one in which the UK leaves the single market and loses passporting rights for financial services) is increasing. And with this risk likely to weigh on investment spending, it would be premature to assume that the economy has escaped Brexit unscathed.

Japan Outlook

BoJ changes tack again…

Last month's change in BoJ policy—an attempt to target both price (yield-curve level and shape) and quantity (monetary base)—is an acknowledgement of two things.

First, it suggests the BoJ realizes that as time goes on, it will face more and more questions about the sustainability of the QE/NIRP program—questions about the bank's ability to carry out purchases and the effectiveness of the negative rates policy.

Second, it hints that the current program has failed to boost stubbornly low inflation expectations by as much as the BoJ had hoped it would. The "shock and awe" of the initial QQE program and the expectation that the credibility of the new policy regime would drive a big change in thinking have not been successful.

…targeting the yield curve…

The objective of the new policy framework is to address both of these issues. The sustainability side has been managed by introducing dual targets: a yield-curve target and a monetary base target. And, by making the targets "fuzzy," the BoJ hopes it will be able to move away from the quantity target without suggesting that the bank is tapering asset purchases.

The BoJ argument is that it has always said that the main impact of the "quantity" part of QQE would be felt through driving nominal yields lower across the yield curve, hence taking real rates lower, too. In that sense, the quantity of purchases is just a means to an end: achieving lower yields. The BoJ is hoping the market will decide that it doesn't matter whether it flattens the yield curve through forward guidance and QE or through explicit intervention to fix yields at a specific level. The effect on behavior should be the same. Whether market participants will buy the BoJ's argument is not clear.

That's partly because there are questions about implementation. Among them: Is this a commitment to carry out an unlimited amount of fixed-rate purchase operations if yields are being pushed higher? Or is it a target? What are the parameters of that target? Will the BoJ buy and sell Japanese government bonds to keep yields within a particular range?

We think the regime will prove to be closer to a cap than a target, but at this stage that's not clear.

There's also a legitimate debate about whether the quantity part matters—and not just from a flows perspective. It is, in fact, also part of the BoJ's own description of

monetary policy transmission via the signal that the monetary base target provides about the central bank's commitment to raise inflation.

…and committing to an inflation overshoot

So as the monetary base target becomes "fuzzy," there needs to be some other vehicle to shift inflation expectations: a de facto change in the inflation target (2% as a floor, not a midpoint) and an explicit commitment to allow inflation to overshoot.

Even though this hasn't garnered a lot of commentary, we think it's a big change. In effect, that commitment is putting the onus on fiscal policy or other policies (like wages or incomes policies) to boost inflation. There's an explicit message that the BoJ will accommodate higher inflation. It also implies that the BoJ will offset any pressure that higher inflation might have on yields by using the yield cap to keep them under control. That's an acknowledgement that monetary policy is now a facilitator, not a driver.

Does this matter in the short run? In terms of its impact on the economy, it's difficult to argue that the change in policy parameters makes a material difference to monetary policy effectiveness in the short term. But it's worth noting three things.

First, it does significantly reduce the chances of a near-term spike in Japanese government bond yields: we think you have to take the BoJ's commitment to cap yields at face value. In turn, that provides a continued incentive to the drive for yield outside Japan.

Second, it also removes the potential for another "shock and awe" policy move to meaningfully shift the yen. The dollar/yen exchange rate has been a hostage to global events and risk sentiment rather than Japan-specific factors. In other words, monetary policy is now reactive—and only if we get $/Y at 85-90 (most likely in the context of a big risk-off episode) does the prospect of meaningful addition stimulus come back to the table.

Third, it's a clear illustration of passing the baton to fiscal policy—and of monetary policy's ongoing role in facilitating that shift via financial repression. So Japan continues to be a template for the choices that other central banks face, including the ECB.

Australasia Outlook

Growth looking better, but will it last?

We recently upgraded the growth outlook for Australia and New Zealand, partly because of the incoming economic data. In both economies, the labor market has generally been doing better than expected, business and consumer sentiment has improved, and the GDP has been running above 3% (3.3% year-over-year in Australia, 3.6% in New Zealand). Somewhat better news on commodity prices also factored into our decision. Prices have been improving for dairy, iron ore and coal. At the margin, at least, this helps to assuage downside fears.

However, core measures of inflation continue to hover near or below the bottom end of the central banks' target bands. That provides justification for policymakers to maintain an easing bias. Record low wage growth reinforces that justification. So does the appreciation of the Australian and New Zealand dollars this year, since stronger currencies will increase deflation in traded goods in the coming quarters.

How much weight to give these two issues—stronger growth and stubbornly low core inflation—represents somewhat of a quandary. But it seems to us that we're nearing the point where stronger growth numbers (in concert with housing-influenced

financial stability concerns) will convince the central banks to stand pat on interest rates.

Even so, our baseline scenario has the Reserve Bank of Australia cutting rates again next year. But further cuts are contingent upon how disorderly the housing adjustment becomes. We think there will be enough stress in that sector next year to justify another couple of rate cuts.

Canada Outlook

Expecting a GDP rebound

What comes down usually goes back up—at least when it comes to economic data. The expected rebound in economic activity in the third quarter is finally showing up in the data.

First, real GDP increased 0.5% in July, following the 0.6% gain in June. As expected, non-conventional oil production recovered from the shutdown following the Alberta wildfires in May. The large surge in oil extraction (19% month-over-month) more than offset the continued weakness in the cyclical sectors, including construction and auto manufacturing.

Another supportive factor for economic activity during the quarter was trade: the trade deficit narrowed from C$2.2 billion in July to C$1.9 billion in August. Export growth was primarily driven by energy products related to the production boost, and imports continued to decline. Overall, we see growth trending in line with our forecast of 3.1% for the quarter.

BoC to stay on hold

Bank of Canada (BoC) policymakers have been concerned about the pace of economic growth and the softening of economic conditions for the past few months. Recently, senior officials have signaled that the bank is expecting rates to remain lower for longer. However, positive news from the energy sector and a likely rebound in international trade this quarter have tempered expectations of a rate cut at the bank's next meeting. We expect the BoC to keep its policy rate unchanged at 0.5% through the end of the year.

Policymakers are clearly still preoccupied with the housing market. Home sales in Vancouver fell 32.6% in September, a month after British Columbia's provincial government introduced a 15% tax on foreign buyers. Prices are still up almost 30% compared to last year, but we expect the market to correct over the medium term. But Toronto, the other hot property market in Canada, keeps getting hotter; year-over-year sales were up 21.5% and prices were up 18% in September.

Taking aim at housing-related risks

Policymakers in Ottawa have been increasingly concerned about the rapid rise in home prices and the risks it poses to financial stability. In September, Finance Minister Bill Morneau announced a series of measures to address these risks, including higher qualifying standards for fixed-rate mortgages and the closing of a tax loophole for non-residents. These efforts may cool the national housing market over the medium term.

Emerging-Market Outlook

Latin America: Emerging-market assets attracted sizable inflows in September as investors looked for an alternative to the low developed-market yields.

Brazil: Advances in fiscal consolidation

President Michel Temer's main priority is fiscal consolidation, which he hopes will unleash investment and increase actual and potential growth. In the short term, his administration sees freezing real spending as the first step toward achieving this goal. In addition, the government plans to unlink education and health expenditures from other outlays. Later on, the government plans an ambitious social security reform that would raise the retirement age and establish a minimum period of contributions to the system.

Chances are good that Brazil's lower house of Congress will approve the spending freeze in late October, with the Senate likely to follow in December. The social security reform is a more profound policy change that will require more congressional discussion—and eventually a constitutional amendment. So it's unlikely to be approved before the second half of 2017.

Headline inflation is declining but is still well above the central bank's target range. The central bank is expected to ease monetary policy but only after disinflation is evident. Its latest communiques, however, suggest that rate cuts could start before year end.

Mexico: More hikes to offset currency pressures

Banxico, meanwhile, raised its target funding rate by 50 b.p. to 4.75% in September. Recent peso weakness, which threatens to disrupt financial stability, forced the bank's hand. Officials indicated that the rate hike is not the beginning of a tightening cycle and that the decision was made to complement the recent announcement of fiscal adjustment (both fiscal and monetary discipline are needed to anchor expectations and strengthen fundamentals in today's difficult global environment). The move provided some support for the peso, although another sell-off would be likely if Donald Trump's standing in pre-US election polls improves as the November vote nears. If the peso does start to weaken again, the bank may resort to direct intervention in the foreign exchange market. In the meantime, the peso curve is likely to flatten.

Colombia: Plebiscite surprise

In Colombia, voters surprisingly rejected a peace accord with the FARC guerrillas in a recent plebiscite. The result represents a significant political defeat for President Juan Manuel Santos and a victory for the political hawks led by former president Álvaro Uribe. The result is not supportive for asset prices because it creates uncertainty about the next institutional steps and scares away investors. If a peace accord is delayed, prospects for an ambitious fiscal reform originally expected for later this year become blurred, thus risking a one-notch rating downgrade.

Colombia's fiscal deficit is expected to be 3.9% of GDP this year, but the government has targeted annual reductions in the fiscal imbalance until it converts to 1% of GDP by 2022. To achieve this, the government would have to institute a comprehensive tax reform that could generate more than 2% of GDP in additional revenue over the next few years through permanent tax increases. The reform must increase net revenue and shift the fiscal burden from corporations to individuals. That makes it an unpopular initiative, especially with elections scheduled for 2018. Since Santos cannot run for reelection, he had been expected to spend whatever political capital he might have gained through the peace process by having the tax changes approved in Congress. That may no longer be the case. The peace process was arguably the main political justification for the personal tax hikes, as the population was going to be asked to "contribute for peace." Although incentives are probably still aligned to have a tax reform this year, there are now concerns about the extent to which such reform can be diluted.

Improvement in electronics exports could end soon

Asia ex Japan: Overall, manufacturing across countries continued to diverge. Regional manufacturers in the supply chain for Apple's new products, such as Taiwan, saw an increase in activity. But growth was more tepid for other manufactured goods. The September PMI survey painted a mixed picture: Taiwan outperformed, Chinese manufacturing was flat and South Korea's deteriorated. But even in Taiwan, the data show that most activity was tied to Apple's launch of new generations of two products. That suggests the flood of orders may start to dry up soon.

South Korea's manufacturing data remain disappointing. September's PMI dipped into contractionary territory. New export orders were particularly weak. Overall, exports contracted 5.9% year over year, though one-time factors such as labor strikes in the auto industry and the recall of a Samsung smartphone were big contributors. China's Caixin and official PMIs showed little change.

External demand to provide limited support

We're still not seeing any signs of a real and sustainable manufacturing recovery. We doubt external demand in the quarters ahead will provide much support for regional growth. As a result, we expect the central banks of export-oriented Asian economies to keep policy rates at their current low levels, which should support local-currency debt.

China's better August activity data under fiscal support

Chinese activity data rebounded marginally in August after a very poor reading in July. This was thanks largely to targeted fiscal measures, including fast-track funding for a few infrastructure projects and the public-private partnership program. Modest improvement in retail sales and housing investment also helped. But private-sector investment remains sluggish.

The government's piecemeal initiatives to kick-start infrastructure projects remain the biggest support for growth. The latest round is likely to be less aggressive than many in the market expect because of the restraints associated with local government debt restructuring and state-owned enterprise reform. We don't think the recent improvement is sustainable. Sluggish external demand, slower housing investment and ongoing manufacturing investment weakness will continue to create headwinds.

Liquidity goes to wrong side of the economy

Credit growth recovered somewhat, but that was mainly driven by lending in an already frothy property market by non-bank financial institutions for financial investment purposes. The Chinese have used leverage to buy assets and for speculative investments. But very little has found its way into the real economy. This puts the People's Bank of China in a difficult situation and could make the bank more hesitant to ease policy further.

Moody's downgrades Turkey, but outlook "stable"

Emerging Europe, Middle East and Africa: Moody's downgraded Turkey by a notch to BB+ (with a "stable" outlook), thrusting the country into sub-investment-grade territory for the first time since 2013. That the agency assigned a "stable" outlook indicates it does not expect the fundamental and political situation to deteriorate rapidly, an assessment with which we agree. Moody's highlighted that Turkey's fundamental and institutional profile had already been weakening for some time ahead of this year's attempted coup. But Moody's justified the downgrade by saying that recent events had worsened the growth outlook. Relative fiscal discipline and a lean government balance sheet are still credit strengths.

Weak spots remain

Despite limited crisis risks, we still have concerns about Turkey's institutional strength and commitment to structural reform. The government's response to the

attempted coup has raised questions—particularly the large-scale dismissal or suspension of hundreds of thousands of teachers and civil servants. This risks impairing Turkish policymaking. More importantly, it also threatens to undermine Turkey's ability to continue its structural reform program. This program already appeared to be behind schedule even before the attempted coup. The government's clamp down on the Gulenist movement is also a concern because it's likely to have a negative impact on private investment and business sentiment.

Fiscal and monetary easing likely

We lowered our 2016 and 2017 real GDP growth forecasts to 2.8% and 2.5%, respectively, reflecting some of the structural weaknesses highlighted above and, more importantly, some recent downside surprises in headline indicators. The government will try to counter weaker real activity by increasing fiscal expenditures, with the 2017 fiscal deficit now expected to increase to 2%–2.5% of GDP. While the fiscal trajectory is deteriorating, overall deficit levels remain manageable and underlying government debt dynamics are still positive, especially when compared to countries such as South Africa. The Central Bank of the Republic of Turkey (CBRT) will retain a dovish bias, helped by recent downside surprises in core inflation. We no longer expect it to make a symbolic policy rate hike this year. We do think, however, that the CBRT has come very close to the end of its easing cycle and will announce the completion of its "normalization process" with a single policy rate (7.50%) and a narrow interest corridor (+/–50 b.p.) around it.

Rate cuts possible in Russia, South Africa in 2017

Elsewhere on the monetary policy front, we now expect the Central Bank of Russia (CBR) to wait until the first quarter of 2017 before easing policy again. The CBR explicitly stated that further easing in the fourth quarter is unlikely given recent elevated inflation expectations. We forecast policy rates to be kept on hold at 10.00% over the next three to four months, followed by 150 b.p. of cumulative cuts in the first half of 2017. Noticeable further oil-price and ruble strength pose risks of slightly larger cuts next year. In South Africa, we have expected for some time that the South African Reserve Bank (SARB) would be able to cut interest rates later in 2017. The bank's latest signals about when the tightening cycle might end support that view. We now expect the SARB to keep rates on hold at 7.00% during the remainder of 2016, then to cut them by 50 b.p. in the second half of 2017.

Oil prices stabilize as OPEC to detail production freeze

Frontier Markets: Oil prices have started to rise, and many now expect OPEC to strike an agreement with Russia on a production freeze once individual caps are established, which could happen by the end of November. After two and a half years of non-intervention in the oil market, any stabilization of prices that production caps might bring should benefit African oil producers such as Angola, Gabon, Cameroon, Ghana and Nigeria. However, the benefits will be asymmetric. Nigeria has been struggling to pull itself out of a recession caused by lower oil prices and militant attacks on the country's oil infrastructure. When deciding oil production caps, OPEC will have to take into account volatile production numbers, macroeconomic stability (reserve account) and each country's political outlook. We must stress that efforts to diversify economies away from commodities will still have to speed up even if oil prices rise. This is because we do not anticipate a return to the high price levels that prevailed for much of the last decade. Countries will have to develop other revenue streams and growth drivers to keep on a strong development path.

AB Global Economic Forecast

October-16

	Real Growth (%)		Inflation (%)		Official Rates[1] (%)		Long Rates[1] (%)	
					EOP	EOP	EOP	EOP
	2016F	2017F	2016F	2017F	2016F	2017F	2016F	2017F
Global	2.6	2.7	2.1	2.3	2.45	2.27	2.64	2.77
(PPP Weighted)	(3.2)	(3.3)	(2.6)	(2.7)				
Industrial Countries	1.6	2.0	0.9	1.9	0.34	0.69	0.98	1.44
Emerging Countries	3.6	3.9	3.6	3.2	4.84	4.47	5.01	5.00
United States	1.7	2.8	1.4	2.7	0.63	1.50	1.90	2.65
Canada	1.3	2.3	1.7	2.3	0.50	0.75	1.60	2.50
Europe	1.7	1.3	0.6	1.4	0.04	0.04	0.17	0.42
Euro Area	1.6	1.3	0.2	1.2	0.00	0.00	0.00	0.25
United Kingdom	1.9	1.1	1.7	2.1	0.25	0.25	0.75	1.00
Sweden	3.2	2.4	1.0	1.5	-0.50	-0.50	0.25	0.50
Norway	0.8	1.5	3.2	2.3	0.50	0.50	1.00	1.25
Japan	0.7	1.4	-0.1	0.9	-0.10	-0.10	0.00	0.00
Australia	2.8	2.0	1.1	1.6	1.50	1.00	2.05	2.50
New Zealand	3.1	2.2	0.6	1.4	2.00	2.00	2.45	2.75
Asia ex Japan	5.7	5.1	2.3	2.2	2.90	2.86	3.22	3.24
China[2]	6.4	5.6	2.2	1.7	2.60	2.50	2.75	2.50
Hong Kong[3]	1.7	2.2	2.6	2.4	0.75	1.50	1.04	1.34
India[4]	6.8	6.7	5.3	5.4	6.50	6.50	7.00	7.80
Indonesia[5]	5.1	5.5	3.5	4.2	4.75	4.75	6.60	6.75
Korea[6]	3.0	2.3	0.7	1.1	0.75	0.75	1.00	1.20
Thailand[7]	3.2	3.0	0.2	1.3	1.50	1.50	1.90	1.90
Latin America[8]	-0.9	1.7	6.2	5.0	9.68	8.44	9.32	8.91
Argentina	-1.3	2.6	28.0	19.0				
Brazil	-3.3	1.1	8.3	6.3	13.75	11.25	12.00	11.00
Chile	1.9	2.6	4.3	3.7	3.50	3.75	4.60	4.90
Colombia	2.2	2.7	7.2	5.3	7.75	6.75	7.10	7.50
Mexico	2.4	2.7	2.8	3.1	4.75	5.25	6.40	6.60
EEMEA	1.0	1.8	6.2	5.8	7.69	6.89	7.84	8.14
Hungary	2.3	2.2	0.8	2.2	0.90	1.00	3.10	3.40
Poland	3.4	3.4	-0.2	1.8	1.50	1.75	3.05	3.30
Russia	-0.4	1.2	7.6	6.2	10.00	8.50	8.50	8.90
South Africa	0.4	1.1	6.4	6.1	7.00	6.50	8.90	9.10
Turkey	2.8	2.5	7.9	7.8	7.50	7.50	9.80	9.90

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
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.