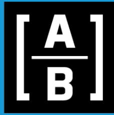

**AllianceBernstein®**

Global Economic Research

# Global Macro Outlook

Third Quarter 2022

### The Macro Picture

The global economic outlook deteriorated sharply in the second quarter. Inflation remains persistent in the West, with few signs that meaningful moderation is imminent. Central bankers have had no choice but to respond with aggressively tighter monetary policy. The Fed has raised rates by 150 basis points (b.p.), the Bank of England by 125 b.p., and the European Central Bank (ECB) is set to start a tightening cycle next month. Central banks from Australia to Canada and emerging markets (EM) have also tightened policy to fight inflation, and expectations for more have ratcheted up as well.

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Tighter monetary policy means slower growth; indeed, growth typically feels the impact of tighter policy before inflation does. Not surprisingly, financial markets are increasingly concerned that higher rates will lead to a recession because central banks aren't in a position to respond to slower growth until inflation eases.

While this outcome isn't a certainty, the probability of meaningfully slower, or even negative growth, has increased materially in recent months as inflation has stayed high. We have both upgraded our inflation forecasts and downgraded our growth forecasts, and we now expect GDP to expand at a rate well below potential in 2023 globally and in almost every major economy. It wouldn't surprise us to see contraction in the major economies at various times in the coming quarters, even if our base case forecast is for growth to remain marginally positive for the year. Whether the economy slows enough to meet the technical definition of a recession or not, the next few quarters aren't going to feel good—until inflation eases enough for central banks to slow the pace of rate increases, we don't expect durable financial market relief.

Complicating the issue is the reality that many of the forces pushing prices higher are beyond the control of monetary policy. For example, supply chain disruptions remain impactful as the global economy struggles to reboot from COVID-19 shutdowns. Higher commodity prices, too, driven both by supply disruptions and the war in Ukraine, have exacerbated inflation pressures. Central banks can't heal the supply chain or end the war through rate hikes and balance-sheet reduction. All that they can do is to bring demand down toward current supply levels.

Calibrating that process, however, will be very difficult. Tightening too little, or too slowly, would risk allowing inflation expectations to de-anchor, potentially heralding an era of unmoored inflation. Tightening too much, however, would trigger a recession and, if the supply side eventually heals, possible deflation. Central banks started this cycle trying to split the difference—tightening, but only gradually. They hoped that a balanced approach would keep expectations anchored while allowing time for the supply side to recover, thus minimizing the necessary amount of demand destruction.

But, given inflation's persistence, monetary policy is quickly veering toward the aggressive end of the spectrum. Can a more aggressive, more front-loaded cycle be calibrated carefully enough to minimize downside risk? There is good reason to be skeptical. Although we believe that there is still a path to a soft landing, we think the path gets narrower with each passing month of high inflation. Unless the supply side improves more rapidly and provides some relief on the prices that monetary policy can't control, central banks will have little choice but to stay aggressive in slowing demand, even if doing so forces a negative growth outcome.

Given the challenging macro environment, it's no surprise that financial markets have struggled. Indeed, that struggle is a critical part of rebalancing the economy. Monetary policy works through the financial system via markets. Higher rates, wider credit spreads

and lower equity prices all contribute to reducing demand, which is exactly what policymakers are trying to do. Therefore, we do not expect most central banks to provide support for markets in the near term and, with growth set to slow still further and inflation high, we expect continued volatility.

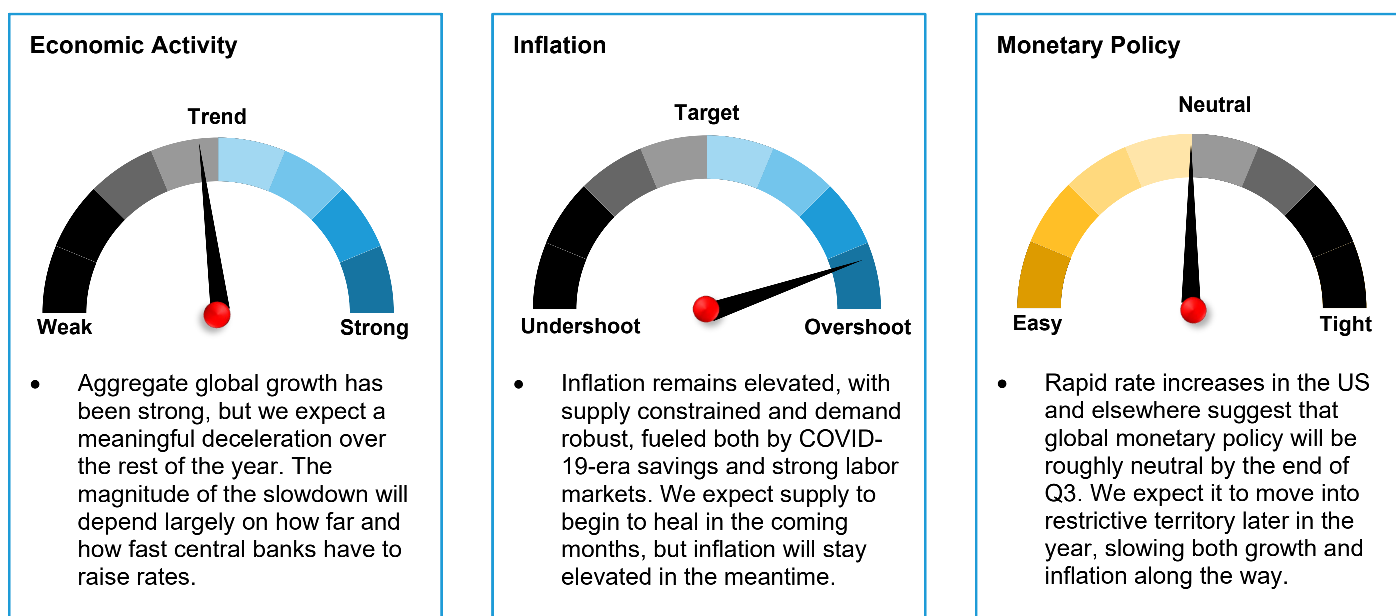
While the near-term outlook is challenging, it is important to keep things in perspective. Not all economic downturns are catastrophic; this may be hard to remember given that the last two downturns (COVID-19 and the 2008 global financial crisis) were so severe. A more typical business cycle slowdown is likely to be shallower than those episodes, particularly since the starting point is strong this time around. Households around the world still enjoy a solid financial position—savings are elevated, the labor market is strong and aggregate income remains robust. That should allow for demand to slow without collapsing, at least for the next several quarters. The rapid speed of this cycle also means the corporate sector doesn't appear to have built up the excess leverage that often characterizes the beginning of economic downturns. This, too, is an important source of resilience that should limit the damage in coming months.

Also important, high inflation is not universal. Large parts of Asia are not seeing the same sort of price pressure that dominates elsewhere. Indeed, while Western central banks tighten, policy in Japan remains extremely accommodative. Chinese policymakers, both fiscal and monetary, are easing to get their economy on track. Once inflation comes down in the West, supportive policy in Asia should help to reboot the global economy.

China remains a critical part of the system. One of the major overhangs of the past few months has been the country's zero-COVID policy and concomitant shutdowns. In a world full of disrupted supply chains, getting China back online would be a major contributor to returning the global economy to normal footing. It's in its early days, but after several months of disappointment, Chinese economic data rebounded late in the quarter, suggesting that the growth picture there is improving. We continue to forecast growth above the market consensus, believing Chinese policymakers will do what's necessary to hit their official 5.0% to 5.5% GDP growth target for the year.

All in all, the outlook is challenging. Inflation is high and likely to persist for the time being, even as growth slows. Central banks have no good options—fighting inflation slows growth but supporting growth boosts inflation. For now, the obvious tilt is toward fighting inflation, even if that means slower growth and poor financial market performance. The key variables to monitor at this stage of the cycle are inflation and inflation expectations. Once inflation moderates, which we expect it eventually to do, as long as inflation expectations remain anchored central banks will be able to pivot and worry more about growth. We expect that pivot will be the signal that a recovery—both economic and financial—is in sight. In the meantime, we expect volatility to remain the dominant theme across financial markets.

## The Global Cycle for 3Q:2022



## Global Forecast

### Forecast Overview

**Key Assumptions**

- **Geopolitical:** The war in Ukraine is likely to keep commodity prices elevated for some time.
- **COVID-19:** Caseloads may wax and wane, but we do not expect widespread economic disruption.
- **Fiscal policy:** European fiscal policy may mitigate some downside risk from the war.
- **Monetary policy:** Rates will move higher and faster than previously anticipated.

**Central Narrative**

- **Global growth:** Challenged consumers will have to allocate more money to commodity-based essential goods and reduce discretionary spending.
- **Inflation:** Rising commodity prices will push inflation higher and keep it there for longer.
- **Yields:** Tighter monetary policy will push yields up and flatten yield curves.
- **USD:** With most major central banks now moving toward higher rates, we believe the dollar is likely to move broadly sideways against most other currencies.

**Key Upside Risks**

- Lower commodity prices—either due to demand destruction or geopolitical events, could ease the pressure on inflation.
- A fuller reopening in China could help global supply chains heal.

**Key Downside Risks**

- Tighter monetary policy could have a larger-than-expected impact on growth.
- Spillovers from poor financial market performance could impede growth.

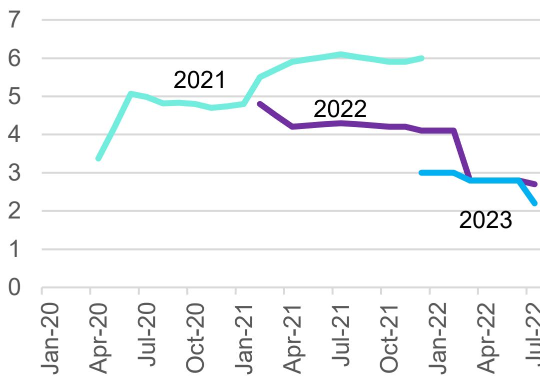
**AB Growth and Inflation Forecasts (Percent)**

| | Real GDP Growth | | CPI Inflation | |
|---|---|---|---|---|
| | 2022 | 2023 | 2022 | 2023 |
| US | 2.5 | 1.0 | 5.4 | 3.2 |
| Euro Area | 1.5 | 0.7 | 7.0 | 2.5 |
| Japan | 2.0 | 2.0 | 2.0 | 1.9 |
| China | 5.0 | 5.4 | 2.1 | 2.6 |
| Global | 2.8 | 2.4 | 6.2 | 3.7 |
| Industrial Countries | 2.2 | 1.1 | 5.8 | 2.8 |
| Emerging Countries | 3.7 | 4.1 | 6.8 | 4.9 |
| EM ex China/Russia | 3.9 | 3.4 | 10.9 | 7.0 |

As of June 30, 2022
Source: AB

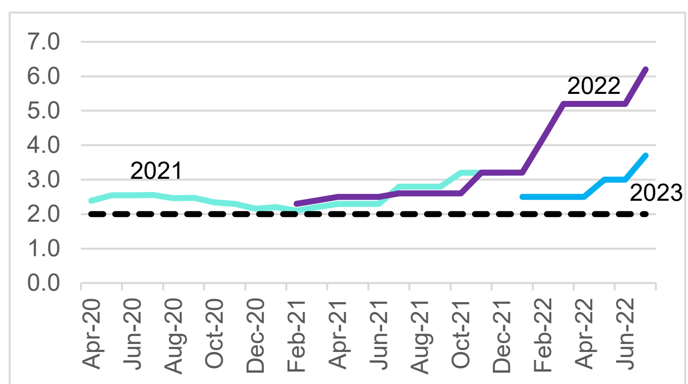
### Forecasts Through Time

**AB Global Growth Forecasts by Vintage**




As of June 30, 2022
Source: AB

**AB Global Inflation Forecasts by Vintage**




As of June 30, 2022
Source: AB

## US

| | Real GDP (%) | | Inflation (%) | | Policy Rate (%) | | 10-Yr. Bond Yield (%) | |
|---|---|---|---|---|---|---|---|---|
| | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F |
| **US** | 2.5 | 1.0 | 5.4 | 3.2 | 3.88 | 4.13 | 4.00 | 4.00 |

### Outlook

- Inflation is running significantly above target and is likely to do so across the forecast horizon. Both supply and demand imbalances are contributing to rising prices, making it difficult to be precise about when inflation will meaningfully moderate.
- Higher prices will, over time, push growth lower as households reallocate income toward necessities like food and energy and away from discretionary purchases that have a larger impact on the macroeconomy.
- The Fed is raising rates aggressively and is likely to continue doing so for several months. That means growth is likely to slow, and we expect it to be below potential through at least 2023.

### Risk Factors

- Calibrating monetary policy in an unprecedented environment is extremely difficult, and the Fed could err in either direction: too easy and inflation could become even more durable; too tight and a recession would ensue.
- Geopolitics have kept commodity prices elevated, limiting the scope for disinflation from that channel. Should the war in Ukraine further intensify, or just persist, commodity prices could push inflation higher even as monetary policy tightens.

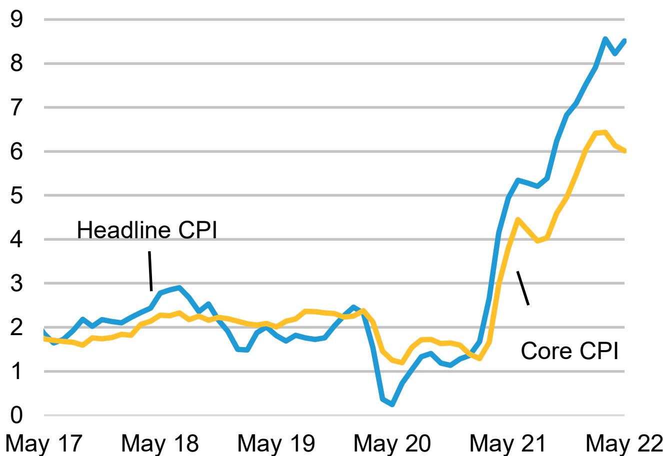
### Overview

With each month of elevated inflation, the path toward an economic soft-landing narrows. Rather than moderating, inflation remains high, and that has forced the Fed to raise rates much more sharply than anybody had anticipated. The knock-on effects of that tightening have reverberated through financial markets and will soon start to have an impact on the real economy. Tighter financial conditions mean slower growth, which is exactly what we expect going forward.

Inflation has moved well beyond being the result of supply chain disruptions, but healing supply chains is still a critical factor in the forward outlook. If supply chains do not ease and goods prices do not normalize, it's improbable that the Fed can generate a significant enough fall in demand to rebalance inflation—or at least it's not likely they can do so without causing a recession. Just a little supply chain healing would go a long way, and that is what we assume in forecasting an economy that skates by without a significant recession in the next few quarters. But it's a close call; if the supply chain doesn't meaningfully improve in short order, a recession in the next 18 months will become close to inevitable.

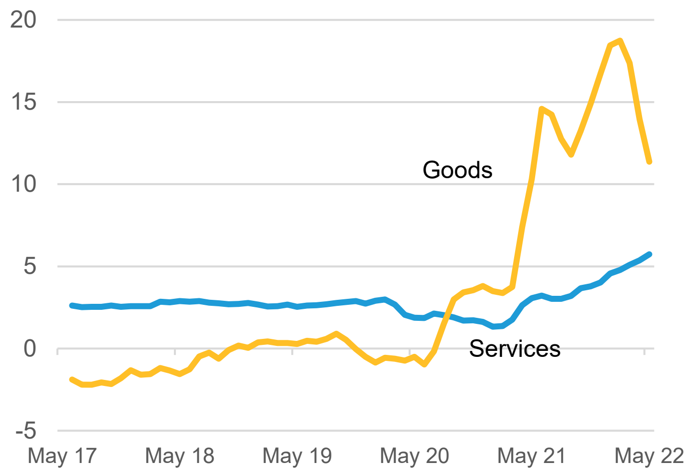
The next few months will be critical. If prices start to moderate such that the Fed can slow the pace of rate hikes, that should give the economy enough breathing room to find its feet, albeit at a slower rate of growth. If not, however, interest rates will have to rise still higher. Such uncertainty will pose a challenge for financial markets. Vacillating between concerns about inflation and a recession is a recipe for market volatility. And with both inflation and recession very much possible in the medium term, it's hard to see market turbulence easing in the near term.

**US CPI and Core CPI (% Change YoY)**




Through May 2022
Source: Refinitiv Datastream

**Goods and Services Inflation (% Change YoY)**




Through May 2022
Source: Refinitiv Datastream

## China

| | Real GDP (%) | | Inflation (%) | | Policy Rate (%) | | 10-Yr. Bond Yield (%) | | FX Rates vs. USD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F |
| **China** | 5.0 | 5.4 | 2.1 | 2.6 | 2.10 | 2.10 | 3.00 | 3.10 | 6.55 | 6.40 |

**Outlook**

- Following a deep trough in the second quarter, China's economic growth should rebound significantly in the second half of the year. But there is a divergence of views on the slope of the rebound and accordingly on the annual growth rate. The significant and unexpected shock from the latest COVID-19 outbreak has made it harder for the government to achieve its 2022 growth target and led to material uncertainty around its desirable growth rate. July's politburo meeting will be very important to providing an update on the government's thinking around growth and policy in the coming quarters.
- Heading into the meeting, forecasting Chinese growth in the second half is somewhat binary. Our baseline 2022 growth outlook assumes additional strong demand stimulus beyond what has been announced. We think this additional effort is necessary if the government wants to achieve a growth rate close to 5%, which, based on information at this point, may be the lower bound of desirable growth. It's possible that the government may not announce additional policy as large or quickly as we expect. In this case, it could suggest China's desirable growth may be adjusted lower, and our best guess would be that the government might try to achieve an average year-over-year growth rate in the second half close to potential growth. However, to achieve even this lower desirable growth rate, additional policy efforts, albeit smaller than we factored, are still needed.

**Risk Factors**

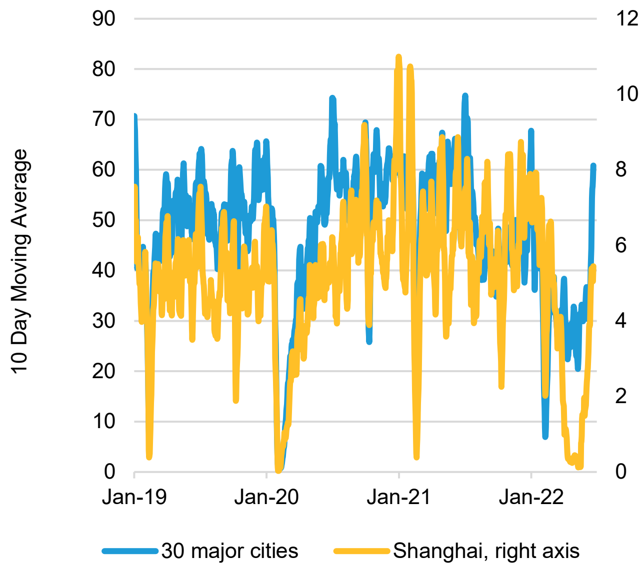
- Material uncertainty remains around COVID-19 developments, although our baseline assumes no more outbreaks like Shanghai's and less draconian local restrictions.
- If the government falls short of announcing additional policy stimulus as large/quickly as we expect, for instance, probably owing to intertemporal considerations, we may need to revise downward our growth forecast this year.

**Overview**

June activity momentum should show more improvement, following May's rebound from the deep trough seen in April; a rebound in housing sales in major cities and overall auto sales in June suggest this. Fiscal policy, especially infrastructure investment, is the biggest policy variable affecting the slope of the growth rebound in the coming months. In the near term, China's top priority is to implement what they announced as soon as possible, such as using all local government special bond proceeds before August, and to frontload policy bank lending. Importantly, additional financing is needed to support growth in the fourth quarter. Overall, in our baseline, we expect the broad fiscal deficit ratio to GDP, which captures both on-budget and quasi-fiscal policy, to rise, and we expect RMB2 trillion of additional special bonds issuance to support public investment.

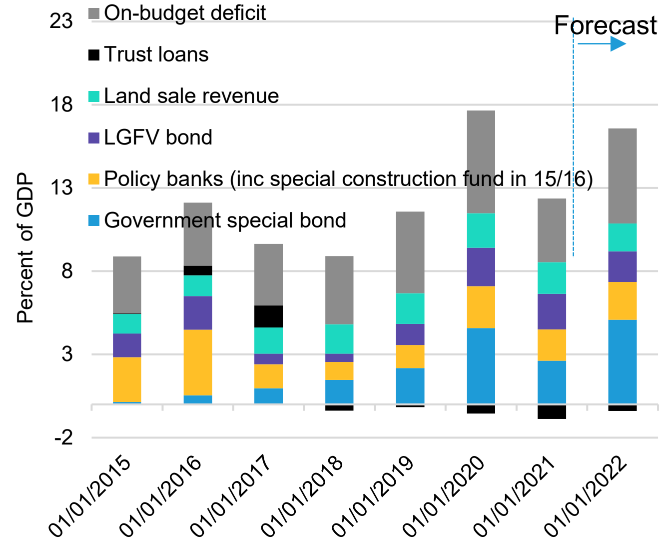
Housing recovery is also important. This housing cycle has been different, with slower recovery than in previous cycles. In recent months, this recovery was disrupted by the COVID-19 outbreak, but there have also been fundamental factors driving housing demand weakness, such as a negative shock to income during the lockdowns and downward expectation on housing prices. To offset those shocks, there have been incremental policy efforts, such as lower benchmark rates and mortgage rate floors for first homes, as well as more local relaxations in restrictions on purchases and credit. We believe there is room for more easing. For housing sales to improve sustainably, a combination of reliable mortgage supply, less restrictive local housing policies, and improvement in consumer expectation/sentiment with a brighter income outlook, is needed, so that more people are eligible and want to buy and have the money to do it.

**China Daily Housing Sales in Major Cities**




Through June 2022
Source: Refinitiv Datastream

**China Fiscal/Quasi-Fiscal Policy**




Through June 2022
Source: Refinitiv Datastream

## Euro Area

| | Real GDP (%) | | Inflation (%) | | Policy Rate (%) | | 10-Yr. Bond Yield (%) | | FX Rates vs. USD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F |
| **Euro Area** | 1.5 | 0.7 | 7.0 | 2.5 | 1.25 | 1.00 | 1.75 | 1.00 | 1.05 | 1.02 |

**Overview**

The European economy has held up better than we had expected through the early months of the war in Ukraine. Despite significant disruption to energy markets, growth has remained stable. With inflation increasing, stable growth is sufficient for the ECB to embark on a tightening cycle, which we expect to start in July and proceed through at least year-end.

While the last few months of growth are a pleasant surprise, we don't think that Europe is out of the woods. Real incomes are negative, and still-rising natural gas prices mean that households are increasingly struggling to maintain their lifestyles. That challenge will only get more pronounced in the next few quarters, which our rather gloomy growth forecasts make clear.

The ECB will raise rates in the coming months, but we expect, over time, the growth impact of the Ukraine war, as well as the lower long-term sustainable rate of growth in Europe, to limit the scope of the tightening cycle. We expect growth will slow enough that rate cuts will be a possibility in 2023, assuming of course that inflationary pressures abate over time as we anticipate.

## UK

| | Real GDP (%) | | Inflation (%) | | Policy Rate (%) | | 10-Yr. Bond Yield (%) | | FX Rates vs. USD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F |
| **UK** | 2.0 | 0.7 | 10.0 | 3.0 | 2.50 | 2.25 | 3.25 | 3.00 | 1.30 | 1.35 |

**Overview**

The UK economy is being pulled apart. Inflation is high and rising, and changes to regulated commodity prices ensure a spike in prices in October. That means that any hope for a near-term peak in inflation has dissipated. We now forecast inflation to peak at close to 10% later this year.

At the same time, the growth outlook has deteriorated significantly. Even before Russia invaded Ukraine, real incomes were falling—and rising energy prices will make the situation even worse. The government is poised to respond with a series of measures designed to support those most impacted by the decline in real incomes. But if prices continue to rise, more will be needed to avert a broader economic slowdown than our already below-consensus forecasts envision.

The Bank of England (BoE), like other major central banks, has little choice but to continue raising rates. As in the euro area, diminishing household financial wherewithal may limit the scope of rate hikes somewhat, but if inflation gets as high as it is likely to be, we think the BoE will persist at least through year-end.

## Japan

| | Real GDP (%) | | Inflation (%) | | Policy Rate (%) | | 10-Yr. Bond Yield (%) | | FX Rates vs. USD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F |
| **Japan** | 2.0 | 2.0 | 2.0 | 1.9 | (0.10) | 0.25 | 0.35 | 0.75 | 128 | 120 |

**Overview**

Japan is an outlier. Inflation has yet to reach 2.0% on a sustainable basis, leaving the Bank of Japan as the only major developed-market central bank not to move toward tighter policy. That has led to a sharp depreciation of the yen, which is likely a necessary precondition for a durable rise in inflation.

Nonetheless, we think it improbable that the Bank of Japan will be able to resist the global tide indefinitely. Growth will continue to benefit from the lagged effect of the current accommodative policy setting. That should pave the way for the BOJ to be more flexible in its yield-curve control regime this year and allow for modest rate hikes to take place next year.

## Emerging Markets

| | Real GDP (%) | | Inflation (%) | | Policy Rate (%) | | 10-Yr. Bond Yield (%) | | FX Rates vs. USD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F |
| **EM ex China/Russia** | 3.9 | 3.4 | 10.9 | 7.0 | 8.28 | 7.62 | 8.39 | 7.63 | — | — |
| Asia | 5.0 | 4.5 | 4.7 | 3.6 | 3.81 | 4.31 | 5.57 | 5.19 | — | — |
| LATAM | 1.8 | 1.1 | 13.0 | 9.4 | 16.53 | 13.62 | 10.79 | 9.39 | — | — |
| EEMEA | (2.6) | 0.8 | 23.8 | 12.8 | 9.08 | 8.89 | 8.17 | 7.39 | — | — |

### Outlook

- The global growth outlook is deteriorating as central banks struggle to get ahead of the inflation curve.
- While our downwardly revised growth forecasts imply a widening gap between EM (excluding China and Russia) and developed markets (DM) in 2023, this shouldn't be interpreted as a positive sign for EM.
- Record negative real policy rates point to deep dislocations, which we think argue for cautious and highly selective positioning in EM assets in the second half of the year.

### Risk Factors

- Elevated inflation presents social risks and could contribute to fiscal deterioration.
- The longer it takes to control inflation, the greater the risk of fiscal fragmentation.
- Accelerated tightening of global financial conditions would also challenge EM.

### Overview

The global growth outlook is deteriorating as central banks struggle to get ahead of the inflation curve as reflected by deeply negative real policy rates. Some EM central banks (particularly in Europe and Latin America) seem to be approaching the end of their tightening cycles. But until there are tangible signs of disinflation, EM central banks can't afford to let their guard down. This inflation cycle is unique as several shocks (oil, food, shipping costs, etc.) with varying elasticities and speeds of decay have set an inflation spiral in motion. It has gained so much momentum that a de-anchoring of inflation expectations—in EM and DM—is possible. In fact, inflation risks have increased to the extent that central banks now seem willing to sacrifice growth to stop the spiral.

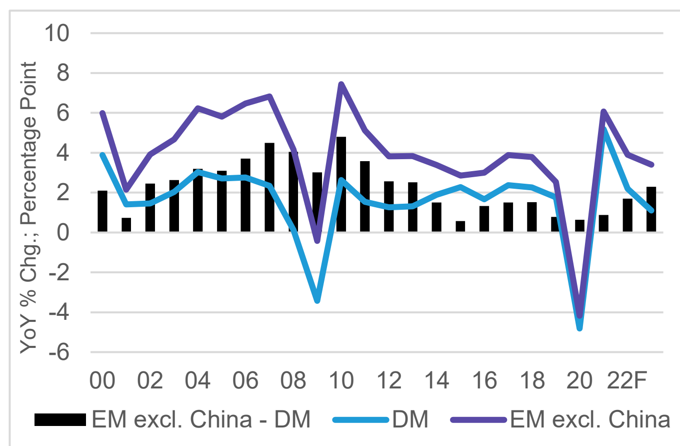
We've trimmed our EM (excluding China and Russia) growth forecasts. While our growth forecasts imply a widening gap between EM (excluding China and Russia) and DM in 2023, this should not be interpreted as a positive sign for EM (see left chart below). Economic growth in both groups is projected to be below average next year. And, with DM central banks stepping up tightening, EM central banks might be forced to extend their tightening cycles to maintain healthy nominal interest rate buffers. That keeps the balance of risks to the EM growth outlook to the downside.

Average nominal policy rate differentials (versus the US) look very healthy in LATAM, respectable in Emerging Europe, Middle East, and Africa (EEMEA), but Asia is losing ground (see right chart below). Record negative real policy rates, however, point to deep dislocations which we think support cautious and highly selective positioning in EM assets in the second half of the year.

Another rather unusual feature of this cycle is the positive relationship between commodity prices and the US dollar. A hard global economic landing should weigh on commodity prices, but the US dollar might remain relatively strong as this unfolds. That combination (lower commodity prices/strong dollar) should, on balance, be disinflationary. The speed and magnitude of disinflation might, however, be weak by historical standards owing to persistent food supply challenges caused by the war in Ukraine and the risk of increased exchange rate pass-through in EM. Exchange rate pass-through in EM decreased in the wake of the global financial crisis, but that effect was different, and largely linked to declining global inflation. Today, the sharp increase in global inflation could lead to more powerful exchange rate pass-through, which might reinforce the inflation spiral in EM.

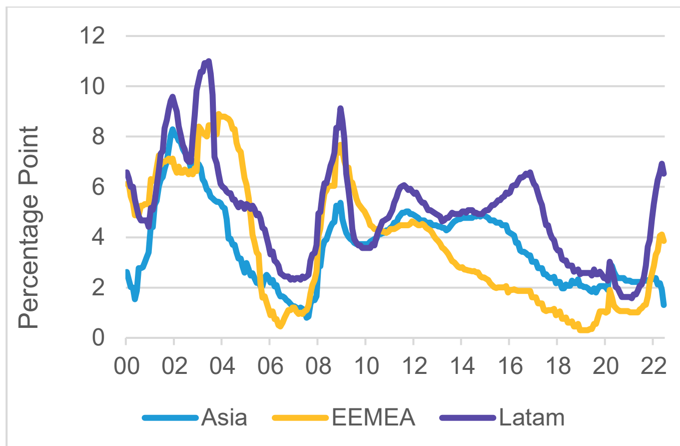
Elevated inflation presents social risks and could contribute to fiscal deterioration. This is already playing out in several EM countries where inflationary shocks are being absorbed through higher subsidies or where disposable income is being supplemented through extensions of pandemic-related social grants. The longer it takes to control inflation, the greater the risk of fiscal fragmentation. Accelerated tightening of global financial conditions—to stop the inflation spiral—would, however, also challenge EM. EM asset prices could, therefore, remain at a crossroads until the stagflation bind moderates.

**Economic Growth: Decelerating, with Downside Risks***




* The EM growth forecasts shown in the chart also exclude Russia in 2022 and 2023.
Source: Haver Analytics and AB

**Nominal Policy Rates: EM versus US****




** Asia: ID, IN, KR, MY, PH; EEMEA: CZ, HU, PL, RO, ZA; Latam: BR, CL, CO, MX, PE. Equally weighted averages.
Source: Bloomberg, Haver Analytics and AB

| | Real Growth (%) | | Inflation (%) | | Official Rates (%) | | Long Rates (%) | | FX Rates vs USD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F |
| **Global** | 2.8 | 2.4 | 6.2 | 3.7 | 3.62 | 3.57 | 3.83 | 3.58 | - | - |
| **Global ex Russia** | 3.1 | 2.4 | 6.0 | 3.5 | 3.51 | 3.46 | 3.91 | 3.67 | - | - |
| **Industrial Countries** | 2.2 | 1.1 | 5.8 | 2.8 | 2.52 | 2.68 | 2.90 | 2.72 | - | - |
| **Emerging Countries** | 3.7 | 4.1 | 6.8 | 4.9 | 5.25 | 4.85 | 5.22 | 4.83 | - | - |
| **EM ex China** | 2.4 | 2.8 | 11.5 | 7.3 | 8.35 | 7.76 | 7.49 | 6.74 | - | - |
| **EM ex China/Russia** | 3.9 | 3.4 | 10.9 | 7.0 | 8.28 | 7.62 | 8.39 | 7.63 | - | - |
| **United States** | 2.5 | 1.0 | 5.4 | 3.2 | 3.88 | 4.13 | 4.00 | 4.00 | - | - |
| **Canada** | 3.8 | 2.5 | 5.7 | 2.6 | 3.00 | 3.50 | 3.80 | 3.50 | 1.28 | 1.30 |
| **Europe** | 1.6 | 0.7 | 7.5 | 2.6 | 1.47 | 1.23 | 2.02 | 1.36 | 1.09 | 1.08 |
| Euro Area | 1.5 | 0.7 | 7.0 | 2.5 | 1.25 | 1.00 | 1.75 | 1.00 | 1.05 | 1.02 |
| United Kingdom | 2.0 | 0.7 | 10.0 | 3.0 | 2.50 | 2.25 | 3.25 | 3.00 | 1.30 | 1.35 |
| **Japan** | 2.0 | 2.0 | 2.0 | 1.9 | (0.10) | 0.25 | 0.35 | 0.75 | 128 | 120 |
| **Australia** | 4.0 | 2.8 | 5.0 | 3.0 | 2.50 | 3.75 | 4.00 | 3.75 | 0.75 | 0.75 |
| **New Zealand** | 3.5 | 2.5 | 5.5 | 2.5 | 3.00 | 3.25 | 4.00 | 3.75 | 0.66 | 0.66 |
| **China** | 5.0 | 5.4 | 2.1 | 2.6 | 2.10 | 2.10 | 3.00 | 3.10 | 6.55 | 6.40 |
| **Asia ex Japan & China** | 5.0 | 4.5 | 4.7 | 3.6 | 3.81 | 4.31 | 5.57 | 5.19 | - | - |
| Hong Kong | 0.5 | 0.5 | 2.2 | 2.1 | 4.25 | 4.50 | 3.75 | 3.50 | 7.80 | 7.80 |
| India | 7.3 | 6.7 | 6.2 | 5.5 | 6.00 | 6.50 | 7.85 | 7.25 | 79.0 | 80.0 |
| Indonesia | 5.0 | 4.1 | 3.8 | 3.4 | 4.00 | 4.50 | 7.80 | 7.20 | 15,000 | 15,200 |
| Korea | 2.5 | 2.4 | 4.6 | 2.6 | 2.75 | 3.25 | 3.56 | 3.20 | 1,240 | 1,180 |
| Thailand | 3.5 | 4.3 | 4.9 | 1.9 | 1.00 | 2.25 | 3.25 | 3.25 | 33.5 | 32.2 |
| **Latin America** | 1.8 | 1.1 | 13.0 | 9.4 | 16.53 | 13.62 | 10.79 | 9.39 | - | - |
| Argentina | 2.0 | 1.5 | 55.0 | 45.0 | 62.00 | 47.00 | - | - | 160.0 | 240.0 |
| Brazil | 1.2 | 0.7 | 8.5 | 5.0 | 13.50 | 11.00 | 13.50 | 11.00 | 5.00 | 5.00 |
| Chile | 2.0 | 0.5 | 9.9 | 5.1 | 9.75 | 7.50 | 6.25 | 6.50 | 845 | 800 |
| Colombia | 6.5 | 3.2 | 8.2 | 4.8 | 9.00 | 8.00 | 10.75 | 9.50 | 3,800 | 3,900 |
| Mexico | 1.2 | 0.8 | 7.2 | 4.7 | 9.25 | 8.25 | 8.75 | 8.35 | 20.5 | 21.3 |
| **EEMEA** | (2.6) | 0.8 | 23.8 | 12.8 | 9.08 | 8.89 | 8.17 | 7.39 | - | - |
| Hungary | 3.5 | 3.0 | 11.0 | 9.0 | 7.90 | 6.00 | 8.60 | 6.20 | 400 | 400 |
| Poland | 4.5 | 3.0 | 11.5 | 9.0 | 6.50 | 6.00 | 8.00 | 6.75 | 4.75 | 4.60 |
| Russia | (10.0) | (2.0) | 17.0 | 10.5 | 9.00 | 9.00 | - | - | 65.0 | 65.0 |
| South Africa | 1.9 | 1.3 | 6.5 | 5.6 | 5.75 | 6.25 | 11.00 | 10.10 | 16.4 | 16.7 |
| Turkey | 2.5 | 3.5 | 63.5 | 28.0 | 14.00 | 14.00 | 25.00 | 24.00 | 19.00 | 20.00 |

Growth and inflation forecasts are calendar year averages.
Interest rate and FX rates are year end forecasts.
Long rates are 10-year yields unless otherwise indicated.
The long rates aggregate excludes Argentina and Russia; Argentina is not forecasted due to distortions in the local financial market; Russia is not forecasted because local market is inaccessible to foreign investors.
Real growth aggregates represent 29 country forecasts not all of which are shown

## Contributors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### Investment Risks to Consider

**The value of an investment can go down as well as up and investors may not get back the full amount they invested. Past performance does not guarantee future results.**


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