AllianceBernstein

Global Economic Research

# Global Macro Outlook

First Quarter 2022

## The Macro Picture

Contents



The COVID-19 pandemic was the dominant driver of the global economy over the past two years, and it looks set to extend into the first part of 2022. While, sadly, it's not new for the pandemic to dominate the near-term outlook, how the virus is likely to impact the global economy has evolved over time. In its initial stages, COVID-19 was largely a demand shock. Economic activity screeched to a halt as people retreated into their homes. Consumption plummeted and policymakers scrambled to preserve household incomes so families could socially distance and still meet their basic needs.

At this point, however, the demand shock is far in the past. Fiscal policy provided massive support to household income, especially in the US. And when the economy was able to reopen, the demand side came roaring back, boosted by the combination of fiscal stimulus and monetary accommodation.

Entering 2022, COVID-19 has become a supply shock. Global supply chains have proved more fragile than expected. Businesses have struggled to source raw materials and other important inputs, especially for manufactured goods. Health, safety, and childcare concerns, as well as topped-up household savings accounts, have allowed workers to be choosy about when they will rejoin the labor force and at what compensation. All this leaves businesses scrambling to attract employees and meet higher wage requirements.

With demand robust and supply constrained, prices have risen. Inflation has reached levels not seen in decades, and there is little reason to expect near-term relief. Supply chains remain snarled, labor is in short supply and COVID-19 still imposes restrictions on business activity in some parts of the world. It is going to take time for the global economy to fully reboot, and the omicron variant looks likely to extend the horizon to normalcy even further. Meanwhile, price pressures are likely to persist.

That leaves policymakers in an awkward position. Because, worldwide, central bankers were forced to respond aggressively to the initial demand shock, global monetary policy is extremely accommodative. With prices surging, very low interest rates policies and persistent quantitative easing (QE) are no longer appropriate. But can central banks tighten without pushing economies back into the sluggish growth environment that prevailed pre-COVID-19? Can they raise rates without triggering disorder in financial markets? Those two questions will dominate 2022, and we expect to get preliminary answers in the first quarter as the biggest central banks in the world start to tighten policy.

Emerging-market (EM) central banks have already begun that process and we think more will come. While China is slightly off-cycle with the rest of the world—and policy there is unlikely to tighten meaningfully in 2022—we don't expect Chinese growth to accelerate in a way that will ease the pain for developing markets already facing tighter monetary conditions. We do see scope for EM to come out of the storm at some point and regain a meaningful growth differential with the developed world. But that is likely several quarters away and we think it's premature to have high hopes for EM assets at this stage.

Our broad outlook for the year reflects our belief that tighter monetary policy will have an impact on the global economy, particularly with fiscal support waning. We expect growth to slow significantly from the heady levels of 2021, driven largely by tighter policy and fading fiscal support. While our forecast for global growth remains above the long-term trend in 2022, we expect growth to be front-loaded. By the second half of the year, we expect most major economies to have decelerated to their long-term potential and believe risk stems from even slower growth in 2023. That's the bad news.

The good news is that the decline in growth will be accompanied by decreasing price pressures. Inflation is going to stay elevated in the early part of the year; there was no reason to expect supply chains to recover during the holiday season, after all. But as the year progresses and demand moderates, the global supply chain should heal, allowing price pressures to ease. Gradually diminishing demand should allow for an eventual return to equilibrium. We expect that equilibrium will still see inflation above what we're accustomed to, but not so much as to cause undue alarm or require an aggressive monetary policy response in the developed world. There is, of course, a thinner cushion of comfort in EM, where inflation expectations are not as well anchored, which could require their central banks to move into truly restrictive territory.

If we are right, the scope of central bank interest-rate increases is likely to be fairly limited. We anticipate that rate hikes, like growth, will be front-loaded and by the end of the year the pace of tightening will slow. Tighter monetary policy and slower growth are not a great environment for financial markets. But as long as the magnitude of tightening is limited and the pace fairly predictable, we expect bouts of volatility to be fairly short-lived. Overall return levels are very likely to be lower in 2022 than in 2021, but we think the global growth outlook is solid enough to prevent financial markets from rolling over completely.

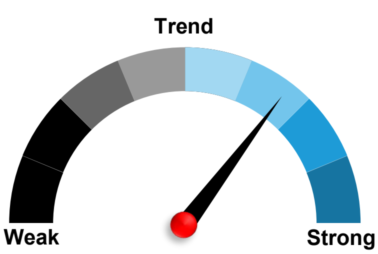
With both growth and inflation slowing as the year progresses, we again see only limited scope for longer-dated interest rates to rise. 2021's inflation shock didn't push rates sharply higher, leaving us to believe that it would take either a true de-anchoring of inflation expectations or a comprehensive end to the COVID-19 pandemic to do so. With central banks having pivoted toward tighter policy, the former seems unlikely. An end to the pandemic is something we hope for but don't expect. As a result, we anticipate another modest rise in 10-year yields globally, and we expect yield curves to flatten as central banks raise rates.

Foreign exchange markets seem unlikely to be on the cusp of a secular trend toward any one direction, given that most major economies are at similar points in their economic cycles. Currencies will likely gyrate as markets try to time rate hikes from different central banks, and a choppy risk environment will make FX that much harder to predict. Many EM currencies are beginning to look appealing from a valuation perspective, but we think it is still premature to allocate significant risk to the asset class.

How central banks respond will depend on their tolerance for higher inflation and how firmly inflation expectations are anchored. That's likely to mean greater dispersion—some smaller central banks have already tightened.

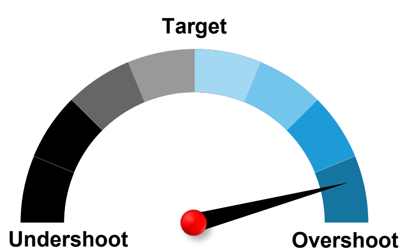
## The Global Cycle for 1Q:2022

### Economic Activity



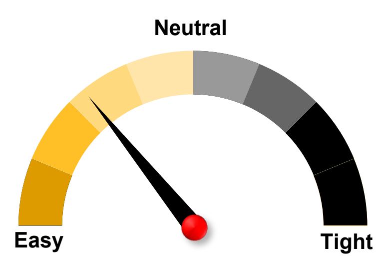

- Growth is likely to remain strong early in the year, though the omicron variant may restrain services activity somewhat. Tighter monetary and fiscal policies will slow growth later in the year.

### Inflation




- Inflation is at multi-decade highs and is likely to stay there for the next several months before beginning to fade later in the year.

### Monetary Policy




- The Fed seems set to raise rates in early 2022, but overall policy setting in developed markets remains accommodative.
- EM central banks are well into tightening cycles in many cases, with more to come.

# Global Forecast

## Forecast Overview

**Key Assumptions**

- **COVID-19:** the omicron variant will extend supply disruptions, keeping prices elevated for now.
- **Fiscal policy:** fiscal policy is unlikely to provide a pro-growth impulse in most jurisdictions as inflation concerns predominate.
- **Monetary policy:** central bankers have pivoted toward tighter policy, moving in that direction until inflation eases.
- **Secular backdrop:** long-term demographic trends remain unfavorable and populism is likely to impact policymaking.

**Central Narrative**

- **Global growth:** robust early in the year but likely to decelerate as tighter fiscal and monetary policy bite later.
- **Inflation:** elevated for the first part of the year but likely to come off the boil in the second half of the year.
- **Yields:** gradually moving higher, but slower growth and inflation to keep yields historically low throughout the year.
- **USD:** stronger against the euro and the yen, where monetary policy will be slower to react. Mixed to weaker against other currencies.

**Key Upside Risks**

- If inflation falls faster than expected, central banks may not need to tighten much.
- A transition to a durable world in which COVID-19 is endemic not pandemic could reduce economic headwinds.

**Key Downside Risks**

- Tighter monetary policy could bite harder than expected.
- A more pernicious COVID-19 variant could undo much of the progress made in the last year.
- Political sclerosis in the US.

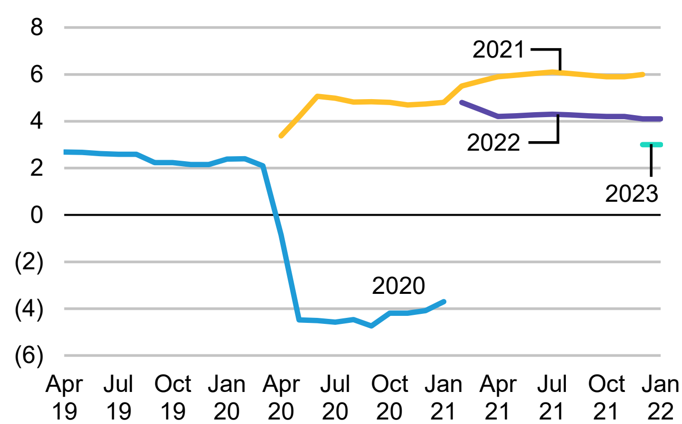
**AB Growth and Inflation Forecasts (Percent)**

| | Real GDP Growth | | CPI Inflation | |
|---|---|---|---|---|
| | 2022 | 2023 | 2022 | 2023 |
| US | 3.4 | 1.9 | 2.7 | 1.9 |
| Euro Area | 4.3 | 2.2 | 2.5 | 1.8 |
| Japan | 3.2 | 2.0 | 1.0 | 1.0 |
| China | 5.3 | 5.4 | 1.9 | 2.3 |
| Global | 4.1 | 3.0 | 3.2 | 2.5 |
| Industrial Countries | 3.7 | 2.1 | 2.5 | 1.8 |
| Emerging Countries | 4.7 | 4.5 | 4.3 | 3.6 |
| EM ex China | 4.1 | 3.7 | 6.5 | 4.9 |

As of December 31, 2021
Source: AB

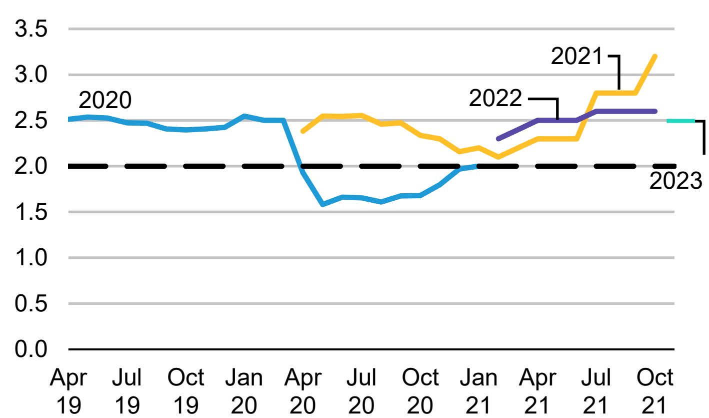
## Forecasts Through Time

**AB Global Growth Forecasts by Vintage**




As of December 31, 2021
Source: AB

**AB Global Inflation Forecasts by Vintage**




As of December 31, 2021
Source: AB

## US

| | Real GDP (%) | | Inflation (%) | | Policy Rate (%) | | 10-Yr. Bond Yield (%) | |
|---|---|---|---|---|---|---|---|---|
| | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F | 2022F | 2023F |
| **US** | 3.4 | 1.9 | 2.7 | 1.9 | 0.88 | 1.38 | 1.75 | 2.00 |

### Outlook

- The US outlook will likely be quite different in early 2022 compared with later in the year. Despite the renewed circulation of the COVID-19 virus, we expect that growth will remain robust for the first few months, with strong household balance sheets and elevated savings rates keeping consumption on track.
- But COVID-19 is likely to have a larger impact on prices. Supply constraints related to global production and domestic labor availability will keep inflation elevated for the time being, and omicron has the potential to further extend that period of elevated prices.
- With growth solid and inflation high, the stage is set for the Fed to move from providing incremental support to the economy and instead start to raise rates to slow things down. We expect they'll be successful, hence our below-consensus forecast for the second half and into 2023.

### Risk Factors

- COVID, COVID, COVID. 2022 starts just like 2021, with the virus front of mind. If omicron proves more durable or more impactful than currently anticipated, all bets are off for a strong recovery.
- The political cycle is likely to lead to near-total policy stagnation ahead of the 2022 mid-term elections, which could themselves prove disruptive.

### Overview

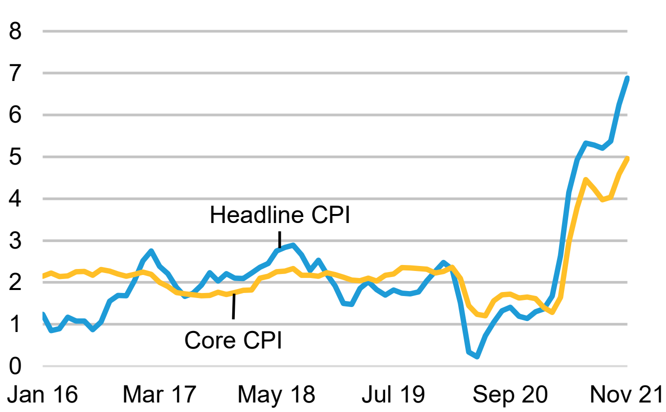
Last quarter we led this section with a discussion of the delta variant; this time it's omicron. While we are operating under the assumption that omicron will be no more disruptive in economic terms than delta, it is a timely reminder that most of what has driven the economy for the past couple of years lies well beyond the expertise of economists.

Given that uncertainty, we expect the economy to continue to grow at a rapid clip for the next few months. The labor market is strong, and incomes are rising, financial markets are buoyant and household finances are robust. All of that argues for strong demand but in what form? Omicron suggests that demand for travel and other services may again be limited. Not only that, high-touch service industries are finding it difficult to maintain full staffing, particularly with rising infection rates limiting worker availability. All this is likely to push more consumption into goods markets. Of course, that's exactly where supply shortages are the most intense, which means that we expect inflation to remain elevated well into the year.

With inflation already elevated and likely to stay that way, we expect the Fed to follow through on the pivot it started last year. QE will end in the first quarter and rate hikes should follow. While raising rates can't change inflation's course in the near term, it may mitigate the risks that economic actors begin to expect inflation to be permanent. That should reduce the risk of longer-term inflation running too hot. In our view, inflation is likely to fade late in the year as growth slows, and the likelihood of a sharp, tightening cycle that would push policy rates back to historical norms is unlikely. We anticipate instead a front-loaded cycle, with the pace of hikes likely to be slower in 2023 than 2022.

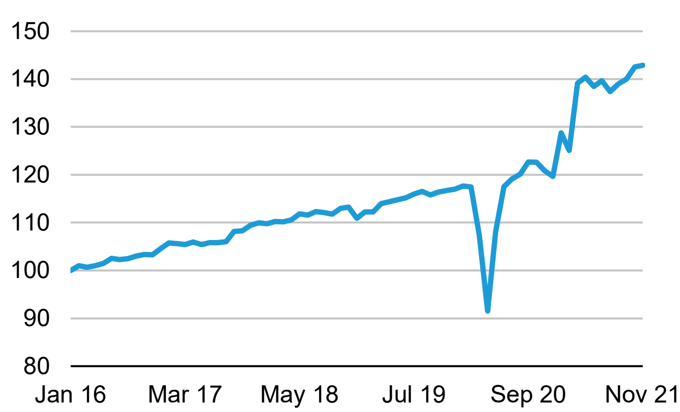
Primarily because inflation is elevated, fiscal policy is set to provide a negative impulse to growth in 2022 and is increasingly unlikely to offer a boost thereafter. With midterm elections approaching, we anticipate an extended period of policy sclerosis in Washington. As long as no major shocks hit the economy, stagnant policy isn't a near-term disaster. But if new risks emerge, the ability of politicians to act in a timely fashion remains an open question.

**Inflation (%)**




Through November 2021
Source: Refinitiv Datastream

**Retail Sales (1/1/16=100)**




Through November 2021
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** | 5.3 | 5.4 | 1.9 | 2.3 | 2.20 | 2.20 | 3.10 | 3.20 | 6.30 | 6.20 |

### Outlook

- China's policy framework will transition to prioritizing "growth normalization" in 2022 from "policy normalization" in 2021. The evolution emphasizes that the key objective for the government will be growth stability. We anticipate that the official GDP target for 2022 will be between 5.0% and 5.5%, and our growth forecast of 5.3% is somewhat above consensus as a result.
- To achieve the growth objective, we expect fiscal policy will become the key economic variable with monetary policy playing a secondary role in economic support. We don't expect fiscal policy to take the form of aggressive stimulus, necessarily, but instead anticipate a focus on steady expansion. Consistent with that, we don't expect a strong boost to housing activity. Instead, we think the focus will be on limiting the downside from the well-known risks in that sector rather than trying to boost activity.

### Risk Factors

- Certainly, the risks around our above-consensus growth forecast are slightly tilted to the downside. Renewed COVID-19 circulation among China's trading partners could limit foreign demand, and rising infection rates in China could slow recovery in domestic consumption.
- While it's possible that authorities could lose control of the property market, the probability isn't high.

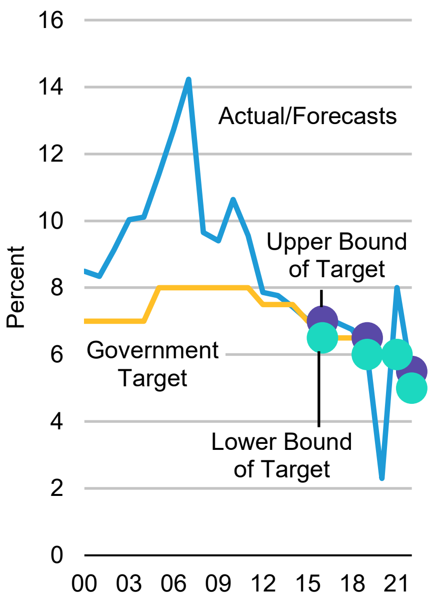
### Overview

China's economy looks set for a year of stability after the COVID-19-induced volatility of the last few years. Developments outside China's borders will evolve over the course of the year, with strong pent-up demand for export goods early in 2022 giving way to more modest demand as the global economy moderates. Within China, we expect household consumption to rebound to pre-COVID-19 growth rates as the savings rate approaches normal levels. We also expect that input prices for corporates will diminish, and the combination of stable economic demand and improved production conditions should help private investment recover. We don't anticipate an investment boom, however, given the still challenging environment abroad and the persistence of domestic imbalances, particularly in the property sector.

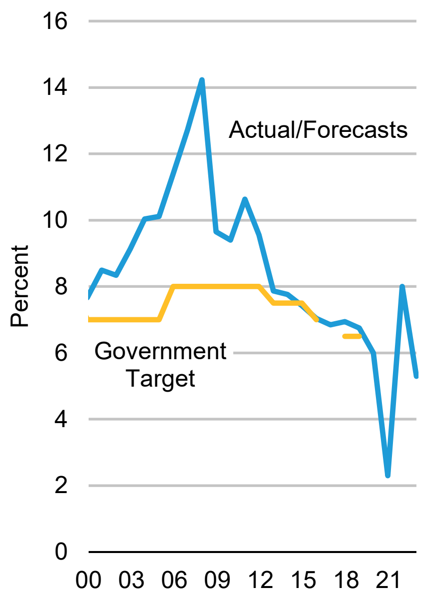
There have been some preliminary signs of stabilization in housing sales in sequential terms, on the back of the government's efforts to stabilize mortgage loans. But stable doesn't mean strong. And we expect property sector activity to remain relatively weak on average during the year, but without a hard landing. Production restrictions have been somewhat eased, but these supply shocks may remain headwinds on growth for sectors that cause heavy pollution given the government's longer-term focus on environmental issues.

Decent cyclical policy support is needed to achieve what our forecasts envision, and we expect it will be delivered. Public investment growth will likely be higher in 2022, supported by strong local government special bond issuance, with part of the annual bond quota already pre-allocated to projects that should boost the economy in short order. Monetary policy should remain supportive, with robust credit growth to accommodate expansionary fiscal policy and to support some key areas, such as small and medium enterprises, decarbonization and manufacturing upgrading. We expect the People's Bank of China to keep policy rates unchanged and at accommodative levels to anchor borrowing cost in the real economy.

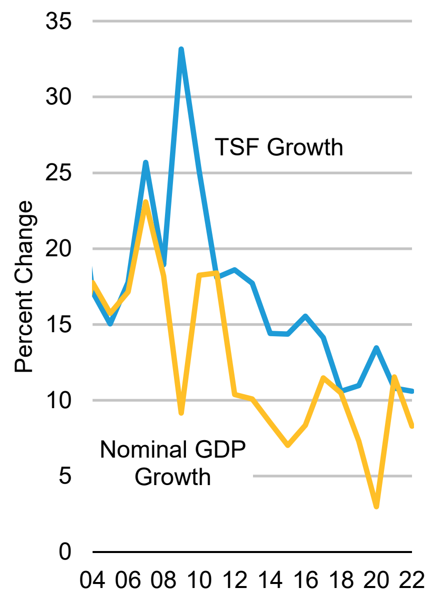
**China GDP Growth Target**




**China GDP Growth Target**




**China Credit Growth and Nominal GDP Growth**



## 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** | 4.3 | 2.2 | 2.4 | 1.7 | (0.50) | (0.50) | 0 | 0 | 1.05 | 1.02 |

**Overview**

The euro area is slightly off-cycle with the rest of the global economy. Because it was slower to see the full benefit of the reopening from COVID-19, we expect growth to improve in 2022 from its 2021 pace. It is, however, a matter of timing rather than destination; we still anticipate that the full magnitude of the recovery in Europe will be lower than in other major economic regions. As a result, policy support is likely to be withdrawn more slowly, and we expect the region's growth to outperform developed-market peers this year as a result. But over the medium term, the structural impediments to a more robust growth picture remain in place. Those same factors, and what is likely to be an incomplete recovery, mean inflation is more likely to remain too low than too high over time.

While many other central banks are pivoting toward tighter policy, the European Central Bank seems likely only to reduce crisis-era emergency support programs in the near term, followed by its asset purchases gradually if everything goes well. Rate hikes remain a distant prospect, so we think there is scope for the euro to weaken against the dollar.

## 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** | 4.5 | 2.2 | 3.0 | 2.3 | 1.00 | 1.00 | 1.65 | 1.65 | 1.40 | 1.35 |

**Overview**

Assuming that the omicron wave doesn't trigger renewed lockdowns or a large shift in consumer behavior, the UK near-term growth outlook is solid. Consumption remains robust and household finances should allow that to continue. The challenge in the UK, as elsewhere, will be the impact of consumption on prices. The UK has already seen more than its share of price pressures, and more inflation is on the way in the near term. Regulated energy prices will reset in the second quarter, meaning that the peak in inflation is unlikely before mid-year at best. With labor already in short supply, the omicron wave could lead to additional production constraints and impact the service industry in particular, pushing prices still higher.

Recognizing the deteriorating inflation picture, the Bank of England raised rates in December and is likely to continue its tightening cycle in 2022. We think the global tightening cycle is likely to be brief and the bank's rate hikes fairly limited. But there is significant uncertainty around that expectation—it won't be until the second half that inflation's persistence (or lack of it) becomes clear.

## 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** | 3.2 | 2.0 | 1.0 | 1.0 | (0.10) | (0.10) | 0.00 | 0.00 | 122 | 120 |

**Overview**

Japan's economy remains distinctive among developed markets. Inflation, which is the primary concern of global policymakers, remains muted in Japan. That gives Japan's policymakers more maneuvering room, which the Japanese government is set to use by providing a large fiscal package to support growth. Fueled by that fiscal support, as well as solid domestic demand and accommodative monetary policy, we forecast above-trend growth for Japan in 2022. Even so, inflation there seems likely to remain subdued across the forecast horizon.

As long as inflation remains below target, there's little reason to expect a meaningful change in Bank of Japan monetary policy. When interest rates are at, or below, zero, fiscal policy is the only game in town.

## 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** | 4.1 | 3.7 | 6.5 | 4.9 | 6.81 | 6.01 | 6.86 | 6.87 | — | — |
| Asia | 5.4 | 4.6 | 3.3 | 3.0 | 2.97 | 3.36 | 4.49 | 4.76 | — | — |
| LATAM | 2.4 | 2.5 | 10.0 | 7.4 | 13.44 | 10.33 | 8.61 | 8.29 | — | — |
| EEMEA | 3.0 | 3.0 | 8.9 | 6.1 | 7.12 | 6.72 | 9.72 | 9.67 | — | — |

### Outlook

- We expect economic growth in EM (excluding China) to be broadly on par with developed markets in 2022. EM's growth trajectory could also remain relatively uninspiring in 2023, with the COVID-19 pandemic inflicting deep economic scars and debt burdens weighing on potential growth.
- EM real policy rates held very low through 2021, despite sharp interest-rate increases. We think gradual real policy rate normalization is in the cards for 2022 based on our expectation that hiking cycles will grow longer legs while inflation stabilizes.

### Risk Factors

- The prospective withdrawal of global liquidity and fading external (trade) tailwinds point to a potentially challenging environment for EM.
- The risk of debt restructuring in fundamentally vulnerable countries could continue to weigh on the EM high-yield sector through 2022.

### Overview

At the start of 2021, the stars seemed to align for EM. Pandemic-induced risks started to dissipate, external tailwinds gained momentum and valuations (EM high yield in particular) seemed compelling from a historical perspective. The constructive global growth outlook for 2021 paved the way for higher core yields, but because inflation pressures were expected to be transitory—allowing central banks to look through projected peaks in inflation—it still looked like a Goldilocks environment for EM. EM high yield recovered its lost ground in early 2021, but the growth and inflation mix became increasingly challenging as the year progressed. Higher inflation forced many EM central banks to start normalizing policy rates despite incomplete economic recoveries. In 2022, the fading global growth impulse, economic scarring from COVID-19, elevated debt ratios and rising debt service costs all point to a challenging environment for EM. And we expect little or no growth differential between developed and emerging economies, in aggregate.

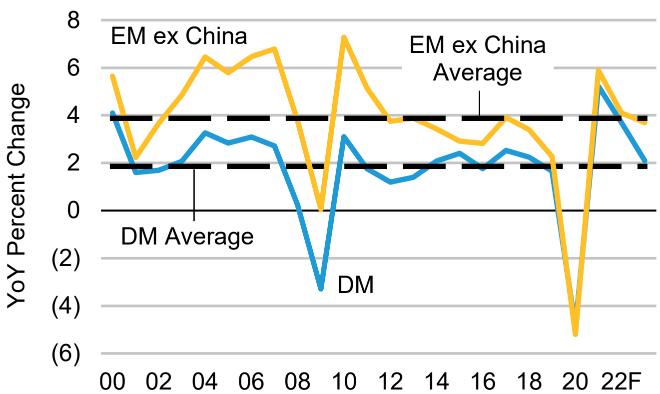
Thus far, monetary tightening has largely been limited to EM, where many central banks have been forced into rate hikes to control inflation expectations. The likelihood that eventual developed-market (DM) monetary tightening would put pressure on EM currencies (and further fuel inflation) contributed to a sense of urgency to build real and relative interest rate buffers in 2021. Despite sharp interest-rate hikes last year, EM real policy rates remain very low versus history. We expect additional policy normalization in 2022 and the stabilization of inflation to push real rates higher.

There have been meaningful differences in the speed of monetary policy normalization across EM, with Asia and other manufacturing-driven economies generally lagging behind, while commodity producers took the lead. With currencies of the latter group generally driven by US policy and US asset price changes, the Fed's actions over the next few months will set the tone for EM central banks and EM asset prices in 2022.

Higher debt burdens and rising financing costs call for fiscal consolidation in 2022. With the possibility that tighter global financial conditions could also lead to private sector deleveraging, the balance of risks to the growth outlook is tilted to the downside. The pandemic exacerbated inequality and poverty, which could fuel public discontent—especially if economic growth disappoints and inflation stays elevated. Over the next year, several EM nations will also go to the polls, and the results could alter political and policy trajectories. Potentially controversial elections loom in Brazil, Colombia, India, and Kenya, for example. Political risks, however, will not be confined to just those countries with scheduled elections. Spontaneous political shifts driven by rising discontent might become normal in a post-pandemic world. Pressure for change could push politicians across EM to pursue populist policies and thereby delay fiscal consolidation. We think monetary and fiscal policy credibility could be key differentiating factors for EM in 2022.

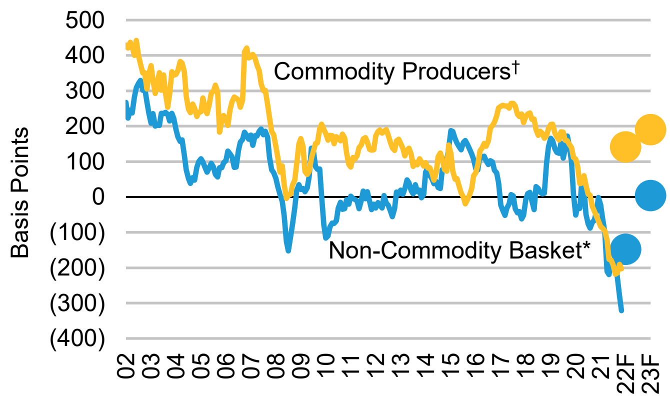
Multilateral support for vulnerable EM countries will remain generous this year, but as the G20 Debt Service Suspension Initiative expired at the end of 2021, liquidity constraints could reemerge. Although the G20 Common Framework provides a vehicle to navigate insolvency and liquidity challenges, it's not been very successful—Chad, Ethiopia and Zambia are the only countries that have applied for debt relief and progress has been slow. The risk of debt restructuring in fundamentally vulnerable countries could, in our view, continue to weigh on sections of the EM high-yield sector in 2022.

**EM and DM GDP Growth**




Source: Haver Analytics and AB

**EM Real Policy Rates**




*Non-Commodity Basket (unweighted average): CZ, HU, IN, KR, MX, MY, PH, PL, TH, TR, TW
†Commodity Producer Basket (unweighted average): BR, CL, CO, ID, PE, RU, ZA
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** | 4.1 | 3.0 | 3.2 | 2.5 | 2.03 | 2.00 | 2.66 | 2.70 | - | - |
| **Industrial Countries** | 3.7 | 2.1 | 2.5 | 1.8 | 0.37 | 0.61 | 1.16 | 1.21 | - | - |
| **Emerging Countries** | 4.7 | 4.5 | 4.3 | 3.6 | 4.57 | 4.11 | 4.99 | 5.00 | - | - |
| **EM ex China** | 4.1 | 3.7 | 6.5 | 4.9 | 6.81 | 6.01 | 6.86 | 6.87 | - | - |
| **United States** | 3.4 | 1.9 | 2.7 | 1.9 | 0.88 | 1.38 | 2.00 | 2.00 | - | - |
| **Canada** | 3.6 | 2.2 | 3.4 | 2.1 | 1.20 | 1.25 | 1.75 | 2.00 | 1.24 | 1.20 |
| **Europe** | 4.3 | 2.2 | 2.5 | 1.8 | (0.20) | (0.20) | 0.34 | 0.35 | 1.59 | 1.57 |
| Euro Area | 4.3 | 2.2 | 2.4 | 1.7 | (0.50) | (0.50) | 0.00 | 0.00 | 1.05 | 1.02 |
| United Kingdom | 4.5 | 2.2 | 3.0 | 2.3 | 1.00 | 1.00 | 1.65 | 1.65 | 1.40 | 1.35 |
| Sweden | 3.4 | 2.1 | 2.0 | 2.0 | 0.00 | 0.00 | 0.80 | 0.95 | 10.0 | 10.0 |
| Norway | 3.9 | 1.9 | 2.2 | 1.9 | 1.00 | 1.25 | 2.00 | 2.20 | 9.7 | 9.7 |
| **Japan** | 3.2 | 2.0 | 1.0 | 1.0 | (0.10) | (0.10) | 0.00 | 0.00 | 122 | 120 |
| **Australia** | 4.5 | 2.8 | 2.8 | 2.3 | 0.20 | 0.50 | 2.00 | 2.50 | 0.68 | 0.72 |
| **New Zealand** | 3.3 | 2.8 | 3.0 | 2.0 | 1.50 | 1.75 | 2.75 | 3.25 | 0.68 | 0.68 |
| **China** | 5.3 | 5.4 | 1.9 | 2.3 | 2.20 | 2.20 | 3.10 | 3.20 | 6.30 | 6.20 |
| **Asia ex Japan & China** | 5.4 | 4.6 | 3.3 | 3.0 | 2.97 | 3.36 | 4.49 | 4.76 | - | - |
| Hong Kong | 2.9 | 2.8 | 2.0 | 2.1 | 1.25 | 1.75 | 1.80 | 2.10 | 7.80 | 7.80 |
| India | 8.0 | 7.3 | 5.5 | 5.2 | 5.00 | 5.50 | 6.90 | 7.25 | 77.0 | 78.0 |
| Indonesia | 5.1 | 4.7 | 3.2 | 2.8 | 4.25 | 5.00 | 7.00 | 7.25 | 14,500 | 14,700 |
| Korea | 3.0 | 2.0 | 2.0 | 1.7 | 1.50 | 1.50 | 2.30 | 2.50 | 1,160 | 1,160 |
| Thailand | 4.4 | 3.1 | 1.2 | 1.3 | 0.50 | 1.00 | 2.00 | 2.25 | 31.8 | 31.8 |
| **Latin America** | 2.4 | 2.5 | 10.0 | 7.4 | 13.44 | 10.33 | 8.61 | 8.29 | - | - |
| Argentina | 2.5 | 2.5 | 50.0 | 40.0 | 54.00 | 45.00 | - | - | 170.0 | 250.0 |
| Brazil | 0.9 | 2.0 | 5.0 | 3.5 | 11.50 | 6.50 | 10.50 | 10.00 | 5.00 | 4.50 |
| Chile | 4.0 | 3.0 | 5.0 | 4.0 | 5.50 | 5.50 | 6.00 | 6.00 | 780 | 800 |
| Colombia | 4.5 | 3.8 | 4.4 | 4.0 | 5.50 | 5.50 | 8.00 | 7.60 | 4,000 | 4,100 |
| Mexico | 3.6 | 2.5 | 5.5 | 3.6 | 6.25 | 6.50 | 7.00 | 7.00 | 21.5 | 21.0 |
| **EEMEA** | 3.0 | 3.0 | 8.9 | 6.1 | 7.12 | 6.72 | 9.72 | 9.67 | - | - |
| Hungary | 5.1 | 3.9 | 5.2 | 3.2 | 3.60 | 3.00 | 4.40 | 4.40 | 350 | 340 |
| Poland | 4.0 | 4.3 | 5.6 | 3.6 | 2.75 | 2.00 | 3.10 | 3.10 | 4.50 | 4.40 |
| Russia | 2.9 | 2.1 | 6.5 | 4.0 | 7.50 | 7.00 | 8.40 | 8.40 | 70.0 | 68.0 |
| South Africa | 1.6 | 2.0 | 4.8 | 4.5 | 4.50 | 5.00 | 10.20 | 10.20 | 16.8 | 17.0 |
| Turkey | 2.5 | 4.0 | 20.3 | 15.0 | 13.00 | 13.00 | 21.00 | 21.00 | 15.00 | 15.00 |

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; Argentina is not forecasted due to distortions in the local financial market.
Real growth aggregates represent 31 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.**