Global Economic Outlook

January 2013

Contents

Overview

Global Economy – The relaxation of worries over major macroeconomic events should result in faster global economic growth in 2013.

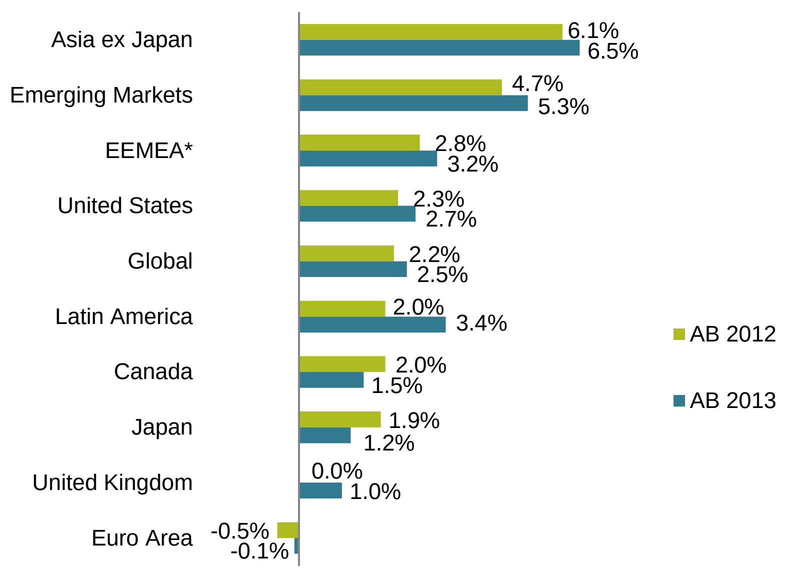
United States – The fiscal deal reached at year-end has resulted in a relatively small tax increase in 2013; our 2013 growth forecast of 2.7% is unchanged.

Europe – We expect a broadly flat performance from the euro-area economy in 2013, but divergence is likely to remain high and risks are probably still skewed to the downside.

Japan – Economic data continued to soften into year-end but the focus remains on the political front and the possibility of significant policy change.

China – New urbanization and reform drives will help support domestic demand amid external weakness, but it won't provide a real boost to overall growth.

AllianceBernstein World Economic Growth Forecasts



*Emerging Europe, Middle East and Africa
Source: AllianceBernstein

Global Economic Research Contributors

Joseph Carson
x1-6886
Guy Bruten
+61 3 8630 2207
Anthony Chan
+852 2918 7846
Kenneth Colangelo
x1-3619
Christian DiClementi
x1-1649
Lars Pedersen
x1-3420
Alexander Perjessy
x1-5986
Vincent Tsui
+852 2918 7846
Darren Williams
+44 20 7959 4543

Global Outlook

Global economy is poised for faster growth in 2013…

The global economy is expected to grow somewhat faster in 2013, following disappointing performance in 2012. Several macroeconomic issues weighed heavily on global growth last year including the leadership transition in China and fears of a hard landing for its economy, the survivability of the euro, the US elections and the fiscal cliff issue. Now that policymakers have responded to dampen or resolve much of the uncertainty surrounding each of these issues, we expect the powerful forces of risk-taking in the business cycle, such as capital spending and hiring, to recover, especially in the world's largest economies, the US and China.

…as policymakers have responded to major macro events

In 2013, we estimate that global gross domestic product (GDP) will grow by 2.5% compared with a 2.2% gain in 2012. The calendar-year projections do not fully reflect the expected acceleration in the pace of global growth. However, comparative growth estimates from the fourth quarter of 2012 to the fourth quarter of 2013 fully capture the momentum within any given year by measuring growth from the start to the end of the year. Indeed, we estimate that global economic growth will expand by 3.2% when measured from the fourth quarter of 2012 to the fourth quarter of 2013—a substantial increase from the 1.9% advance in 2012.

Broad-based acceleration in growth is expected

The acceleration in global growth is expected to be broadly based, as every major country and region is likely to show stronger growth over the four quarters of 2013 when compared with their performance in 2012. The sharpest acceleration is expected in Japan, Latin America, eastern Europe and the US. While the expected acceleration in China is modest when compared with other areas, we still forecast robust growth of 8.1%—the fastest in the world. In Europe, growth will turn slightly positive, but it is still the weakest region in the world economy.

Major policy change in Japan points to continued yen weakness

The faster pace of global growth is not expected to trigger any change in monetary policy. For example, the US Federal Reserve has stated explicitly that monetary policy will remain overly accommodative until the labor market substantially improves. In Europe, recessionary pressures and the lack of inflation will keep the European Central Bank (ECB) in an accommodative mode. Perhaps the biggest change in monetary policy will come in Japan, as the new political leadership change will probably force the central bank to adopt strict inflation targets in order to reverse deflationary pressures. We expect this will also lead to a much weaker yen throughout 2013.

US Outlook

Fiscal deal mitigates tax-hike damage to economy

After tense negotiations through the New Year holiday, the Senate and House of Representatives finally agreed to a comprehensive deal to avert a record large tax increase and avoid pushing the US economy back toward recession. The final package still results in a tax increase in 2013, but it has significantly mitigated the damage that would have been inflicted had Congress failed to enact legislation

Moderate tax increase hits in 2013

Based on our analysis, the fiscal deal will result in an aggregate tax increase of $192 billion for calendar year 2013. On the surface, that might appear to be a relatively large tax increase. But it includes a payroll tax hike of $115 billion and a healthcare tax increase of $34 billion, two items that were never part of the fiscal cliff negotiations and were widely expected to go into effect anyway. The remaining tax increase of $58 billion, which stems from an increase in marginal tax rates on upper income households (with earnings in excess of $450,000) and a five percentage point tax increase on capital gains and dividends, was much lower than we had expected. As a result, we see no reason to change our above-consensus estimate of a 2.7% gain in real GDP growth for 2013 at this time.

Momentum Going into 2013

US economy has a lot of momentum going into 2013

While the fiscal deal was very important for the 2013 outlook, underlying trends in the economy are also crucial. Surprisingly, the US economy had more momentum at year-end 2012 than one might have expected, given all the uncertainty surrounding the fiscal cliff.

In December, payroll employment rose by 155,000 following revised gains of 161,000 in November and 137,000 in October. Gains in private payrolls were stronger, rising 168,000 in December, following increases of 171,000 and 203,000 in the previous two months. In the fourth quarter, private payrolls averaged 180,000 per month.

Strong labor markets

Importantly, December's job gains were tilted towards more of the cyclically sensitive industries, with construction and manufacturing payrolls rising by a combined 55,000, the best monthly gain since January 2012. In addition to adding workers, all companies lengthened the average workweek by 0.1 hour to 34.5 hours (matching the highest level of the year) and increased wages 0.3%. The combination of jobs and increased hours and wages points to a very solid gain in wage and salary income of 0.7% in December.

Overall, the labor market data for December and for the fourth quarter show little, if any, business uncertainty because of the fiscal cliff. In fact, 63% of all companies added workers in December, the second highest reading since March, and not something to be expected if firms feared a major disruption to business at the start of 2013 because of the fiscal cliff.

Rebound in orders is a positive signal for companies' growth expectations

A similar picture emerges from the business surveys for December. The ISM manufacturing index rose 1.2 percentage points to 50.7, moving above the all-important 50% threshold. The ISM nonmanufacturing index showed even more strength, rising 1.4 points to 56.1. And new orders for nondefense goods were rebounding early in the fourth quarter, even before companies knew that a fiscal agreement would be reached. Based on these trends, we believe that the economic recovery is gaining speed and breadth and the resolution of the fiscal cliff issue should allow these positive forces to gain momentum in 2013.

Europe Outlook

The ECB's intervention has helped ease market tension

Despite a difficult year in 2012, the euro area actually experienced a fairly mild recession—at least at the aggregate level—and ended the period with a full complement of members. Much of the credit rests with the ECB and its new bond-purchase program, Outright Monetary Transactions (OMTs). The ECB's intervention has led to an easing of tension in sovereign-debt markets, while reducing borrowing costs and stemming a potentially catastrophic outflow of capital from the periphery.

Stability is possible in 2013

Looking ahead, we remain hopeful that the regional economy will start to stabilize in the first half of 2013. To understand why, we need to consider all the factors that have weighed on growth over the past year. The most obvious has been aggressive fiscal tightening in the periphery. However, the impact was exacerbated last year by a dramatic tightening of credit conditions in the periphery and by the negative impact that the crisis had on consumer and business confidence in fundamentally sound countries like Germany.

In our view, these negative factors should begin to dissipate if the recent stabilization in financial conditions can be sustained. This, in turn, should help heal the monetary transmission mechanism in the periphery—already evident, to some extent, in borrowing costs for households and firms—and help restore consumer and business confidence in the core countries. Indeed, the recent turnaround in German business expectations provides tentative evidence that this is already starting to happen.

Divergence likely to remain high

In aggregate, we expect the euro-area economy to contract by just 0.1% in 2013, after shrinking by 0.5% in 2012. But we would make three important observations about this forecast. First, divergence is likely to remain high. We expect the German economy to expand by 0.8% and the French economy to post a small positive number of +0.2%. But Italy and Spain are again likely to contract sharply, by 1.3% and 1.9% respectively. Steep contractions are also likely in smaller peripheral countries, like Portugal and Greece, raising the specter of further fiscal slippage and disappointing progress on deficit reduction. Second, domestic demand is likely to be weaker than overall economic growth—we expect final domestic demand to contract by 0.6% in 2013—which means the euro area will continue to be a net drag on the global economy. Third, the risks to our central forecast are skewed to the downside. Indeed, it is still much easier to envisage scenarios in which the economy fares far worse than expected than it is to imagine scenarios in which growth beats expectations by a wide margin.

Sovereign-debt crisis still the biggest risk to the outlook

Foremost among the risks to the outlook is an escalation of the sovereign-debt crisis. As mentioned earlier, the announcement of the ECB's OMT program has had a big impact on investor sentiment. So much so, that it has provided the longest period of bond-market stability since the beginning of the crisis. This is evident in the narrowing of the spread between Spanish and German 10-year bond yields, which has already lasted longer than a year, since the ECB's provision of unlimited liquidity to euro-area banks—via two special longer-term refinancing operations (LTROs)—temporarily soothed markets.

We still have some reservations about the ECB's willingness to act as a lender of last resort for distressed euro-area sovereigns. But it is clear that the OMT program has, for the time being, reduced the risk of a systemic crisis in the euro area. Moreover, the calendar for the opening months of 2013 is relatively free of obvious catalysts for an escalation of the crisis—though the Italian general election at the end of February warrants close attention. Hence, it is possible that the current period of calm could continue for some time yet—especially if global risk appetite continues to improve.

Spreads likely to remain volatile

Nonetheless, it is important to remember that many underlying problems have not been addressed. Most of the periphery countries remain in deep recession/depression and still face arduous fiscal journeys. The ECB's intervention may have reduced the risk of a near-term systemic crisis, but it is still not clear that these countries will ultimately be able to stabilize their public finances without some form of debt relief. Moreover, should this be required, a key question is whether it would be provided by other euro-area governments (in the form of debt mutualization) or involve losses for private sector bond holders. Until these questions can be answered—which is unlikely to happen anytime soon—sovereign spreads in the euro area are likely to remain volatile.

Japan Outlook

Economic data continue to soften…

The weaker tone in the Japanese economic data—which has been evident since the second quarter—continued into year-end. A general slowdown in global trade, the relative strength of the yen and China-Japan political tensions all contributed to weakness in the manufacturing export sector. Some slowing in domestic demand is also underway as some of the earlier fiscal stimulus fades, and another negative GDP reading seems likely for the fourth quarter, in our view.

…but the focus remains upon the political front...

But the incoming Liberal Democratic Party government of prime minister Shinzo Abe, with its so-called "supermajority," opens the way for substantial policy change. Much of that has been directed at generating more aggressive monetary policy action from the Bank of Japan (BoJ) including a higher inflation target, with more accountability, under a new governor (from April). But there's also likely to be increased fiscal stimulus in the form of both a supplementary budget for fiscal year 2012 and the actual budget for fiscal year 2013. The combination of more aggressive monetary policy (including a weaker yen) and a fiscal boost is likely to give some impetus to economic growth from mid-2013. In addition, some spending is also likely to be brought forward ahead of a consumption tax increase in early 2014. Our latest calendar-year average GDP forecasts are 1.9% for 2012, 1.2% for 2013 and 2.0% for 2014 (preliminary). However, note that the profile of growth is better captured by the 4Q/4Q numbers: –0.1% to Dec 2012, 3.3% to Dec 2013 and 0.9% to Dec 2014.

...driving substantial moves in currency and equity markets

The expectation that something different may happen on the policy front has already triggered a significant reaction in financial markets. The yen is around 13% weaker on a trade-weighted basis, and the equity market has rallied sharply by more than 20% since the election was called in mid-November. We expect yen weakness to continue; our latest forecasts have USD/JPY at 92 in six months. But this is contingent upon expectations of meaningful policy change becoming a reality. There's clearly some potential for disappointment.

The fundamental story continues to line up in favor of higher yields. Apart from the higher probability of success in achieving inflation, it is likely that the downward pressure on Japan's sovereign rating will increase, given the "growth first, austerity later" approach, as well as additional Japanese Government Bond supply. These are all factors that, all else being equal, would make us think about higher yields and a "bear steepening" of the yield curve. But, in the near term, this needs to be balanced against the potential for more aggressive BoJ action, which may include an expansion of the asset-purchase program (APP), both in size and the tenor of purchases. In other words, we have much higher expectation of a weaker currency than we do of higher yields.

Australia/New Zealand Outlook

Mixed outlook for Australia, as concerns about mining investment and monetary policy potency persist

The outlook for Australia in 2013 remains mixed. Outside the general global environment, there have been three areas of controversy.

The first is the peak in the commodity cycle and, in particular, whether mining sector investment spending is approaching its own "cliff." Some of the concerns on that front have dissipated—helped by the fact that the spot iron ore price has bounced back from lows of around $90/tonne in the third quarter last year to more than

$150/tonne. Still, the big picture of investment flattening out (at a high level) from here and falling as we enter 2014 remains the right playbook, in our view.

The second area of controversy has been on the fiscal front, where the government's commitment to achieving a balanced budget in the fiscal year ended June 2012—particularly against the backdrop of revenue slippage—would have represented a substantial degree of tightening. The government's decision just before Christmas to abandon that commitment has relieved some of that downside risk, but certainly not completely, particularly when fiscal austerity at the state government level is taken into account.

The final area of concern is about the effectiveness of monetary policy. The response to the easing by the Reserve Bank of Australia (RBA) over the last year or so has been relatively muted. Measures of business and consumer confidence remain subdued, household credit growth and retail spending are relatively soft, and the housing market (prices, auction clearance rates) is patchy. Outside the mining sector, there are few signs of a pickup in business investment activity. This is partly a reflection of the squeeze being imposed by the AUD, partly a reflection of deleveraging pressure and partly a reflection of a continued softening in labor market conditions. The latter factor, and the likelihood of some drift higher in the unemployment rate, remains the key to further easing from the RBA.

NZ script unchanged: outside reconstruction activity growth continues to disappoint, and RBNZ remains on hold

For the New Zealand economic outlook, the script has generally remained unchanged for some time. The rebuilding process following the Christchurch earthquakes of 2010 and 2011 continues to slowly unfold. House sales, prices and starts are all recovering. And dwelling investment made a big contribution to GDP growth in both the second and third quarters. Aside from this, however, GDP growth remains disappointing: nonfarm, nonhousing GDP showed virtually no growth over those two quarters. That is, the spillover from Christchurch rebuilding to the broader economy has been limited, and some of the constraints on monetary policy effectiveness discussed above—such as a high currency, deleveraging pressure and softening labor market conditions—are in play in the New Zealand economy as well. Coupled with continuing low inflation, this remains a recipe for the Reserve Bank of New Zealand to stay on hold throughout 2013.

Canada Outlook

Waiting for a pull from the US

Economic activity indicators in Canada remained mixed toward year-end. Possible concern about fiscal uncertainties in the US may have held back investment. But US demand for autos has helped support car assemblies for the North American market. Tilting our view slightly to the upside for the final quarter and early 2013 are the improved household employment statistics, and importantly, the apparent rise in real wage income that followed. The combination of employment and income improvements should support spending and further jobs for some time. It also increases the upside potential for Canadian growth, despite the steady weakening of economic activity through the third quarter and into October, when monthly GDP was expanding at an annual rate of just 1.1%.

Headwinds for the Canadian economy that may outweigh higher incomes include obstacles to investment, the prospective tightening of provincial spending and the potential for a slowdown in housing. Investment in oil sands is slowing as products back up in the central US at prices that have fallen sharply to at least $35 below comparable US oil prices. At the same time, Quebec's new provincial government has made a major effort to bring it back to operating balance by 2013–2014, and Ontario may have to begin considering similar measures. Lastly, the housing boom seems to be slowing in terms of new sales, and rising unsold homes. On balance, we see a grudging recovery from the midyear pause and little reason for the Bank of Canada to raise interest rates despite recent hints that such a move was possible.

Emerging Markets Outlook

Brazil's long expected recovery is unfolding slowly

Latin America: At the end of 2012, a tax holiday on car sales in Brazil was finally ended after a delay, prompting a boost to last-minute December sales. But car producers appeared to see through the transitory character of the sales and reduced production in the month. Industrial production was already down in November, and purchasing manager surveys softened in December. So the long-awaited recovery in growth from a long and deeply disconcerting pause in 2012 is still likely. However, the recovery is likely to continue to unfold more slowly than the hyperactive managers of its economy are hoping. As a result of slow growth, there has been strain on maintaining the Brazilian government's primary budget balance, a long-standing and central target of fiscal policy. To quell fears that it might be losing control, the administration concocted a series of year-end operations to create non-deficit financing in December. Even if growth is not as strong as expected, rate cuts from the current level of 7.25% are going to be grudging. For one thing, Brazil seems to remain in a full-scale housing bubble with prices rising 14% in Rio and elsewhere during 2012. While that may be lower than 2011, it's still in bubble territory, and is not a situation that is conducive to a central bank easily cutting rates.

Mexico's reform program unfolds

In Mexico, economic growth is being supported by hope for an important supply-side shock to be passed by the fresh Peña Nieto administration. The prospect of such shocks should support investment spending now, which is apparently happening, and may get a further boost if the US avoids a disruptive fiscal accident. One difficulty with forecasting another strong growth year, however, has been the pressure on inflation in food and gasoline prices, which may erode real incomes and consumption in the low-wage Mexican economy. In this regard, administered gasoline prices rose 11 centavos per liter at end-December, up from the 9 centavo monthly catch-up pace earlier. If prices move up at this rate, they will probably delay the expected drop in inflation. (Fuel is 3.8% of the CPI basket, so this higher adjustment rate adds about 0.4% to annual inflation.) The gasoline price hikes are part of broader fiscal and oil sector reforms that are pending amid considerable discussion, because the use of government subsidies for gasoline seems wasteful when compared with other uses and the costs of raising revenues. All parties agree that more taxes are needed in Mexico to fund basic state programs that are missing today. But using VAT to raise more revenue means unifying rates and possibly harming the poor who now get low taxes on basic food and other items.

Mixed export performance reflects still volatile external demand

Asia ex Japan: A spate of economic data released over the past month continued to confirm that economic activity growth in the fourth quarter of 2012 has firmed up at a steady pace. The recovery has not extended to the entire region and we are mindful of the different base-effect and product-specific forces at play in influencing some of the export trends (for example, the recent bounce in Taiwan's exports). Indeed, mixed trends in export growth as well as export orders in the Purchasing Mangers' Index (PMI) surveys are signaling a continued risk of external volatility. We think there is a risk that the demand recovery in late 2012 might not carry through to 2013, unless demand conditions in the US, Europe and China turn decisively better.

Domestic demand will stay firm but short of a boost to growth

Domestic demand across Asia has been steady and is unlikely to become a key catalyst for growth in 2013. China's new reform initiatives and an urbanization drive by the new administration will mostly help support growth (amid external weakness), rather than a repeat of the 2009 style of domestic demand reflation. Korea's new government is expected to be more supportive on the fiscal front with a supplementary budget later in the year. However, we see little chance of an upside surprise on overall fiscal stimulation. Malaysia's election-related spending boost is also expected to wane given our anticipation that the general election will be held sometime in the first half of 2013. Indonesia's investment and consumption demand should continue to stay firm in 2013, but domestic demand will not provide much additional boost to GDP expansion. India represents the second-largest domestic demand force outside China in this region (ex Japan), but the government will still need to work very hard on fiscal consolidation in order to prevent a sovereign rating downgrade in the coming year.

Steady growth and tame inflation will result in policy inaction in many places

On a more positive note, inflation remains benign and we still think that some analysts may have overstated the potential inflation risk—in terms of timing and scale—in 2013 unless Asia's growth greatly surprises on the upside. At this juncture, we still expect that both the energy and food price cycles will remain pretty neutral to overall inflation in the coming year, thereby helping to sustain inflation at around 3% in the region.

Overall, we expect policymakers across Asia to remain largely cautious in policy easing, with the exception of India where we still think the central bank will need to cut policy rate by 100 basis points (b.p.) in 2013. Korea should still have room to further trim interest rates by another 25 b.p. as long as economic data remain uninspiring. For the rest of the region, we expect monetary authorities probably to stay put, though Indonesia has a relatively higher chance of being the first to kick-start a rate-hike cycle, with a 25 b.p. increase in its policy rate likely during the second half of 2013.

EEMEA's economic slowdown deepened in 4Q…

…and inflation slowed…

…allowing most central banks to trim policy rates

Emerging Europe, Middle East and Africa: The economic data released during the past couple of months revealed two key trends in the EEMEA region: a further deepening of the economic slowdown during the fourth quarter of last year, which was accompanied by a long-awaited drop in year-over-year inflation rates. Russia and South Africa were the only exceptions to the latter, due to still very firm domestic demand pull (in contrast with the rest of the region). But even there, inflation in November and December was very close to the September readings. All in all, this has allowed the region's central banks to ease monetary policy during the past quarter: the Czech National Bank cut its key repo rate by 20 basis points (b.p.) to a record low of 0.05%, the Hungarian National Bank lowered the base rate by 75 b.p. to 5.75%, the National Bank of Poland cut its policy rate by 50 b.p. to 4.25%, and the Central Bank of Turkey delivered a 25 b.p. repo rate cut to 5.50%, combined with a decrease in the upper band of its policy rate corridor by 100 b.p. to 9.00%. In Russia and South Africa, the central banks remained on hold, but softened their rhetoric noticeably.

Domestic demand drivers will remain weak in 2013…

Looking ahead into the rest of 2013, we don't really see strong domestic demand drivers across the region. Fiscal policy will either remain a drag or stay neutral in the coming months: in all the major economies of the region the governments are planning to tighten budgets. Only in Russia is the deficit expected to increase moderately, but that is due to a rather conservative oil price assumption. Meanwhile, real wage growth is likely to remain very subdued in central Europe (after being negative in the past two quarters). This contrasts with more healthy growth in Turkey, South Africa and Russia, but even there it has been decelerating during the past few quarters. And a somewhat similar picture also appears in domestic credit

…especially in central Europe

growth: new private sector credit extension remains very limited in central Europe (owing to a lack of domestic demand and continued bank deleveraging), and we expect only a very modest improvement on the back of the ongoing easing by the central banks. In Turkey, Russia and South Africa the credit impulse is relatively robust (although decelerating in Turkey), but it remains to be seen to what extent this stimulus will translate into stronger output growth or instead spill into higher imports and hence a deteriorated current account balance. This has generally been the story in Russia and South Africa during the past two years.

So we see only a modest pickup in GDP growth this year

Ultimately, much will depend on the strength of external demand and whether export volume growth accelerates later this year from what appears to be the slowest pace since late 2009. In line with a modest acceleration of growth that we forecast for advanced industrial economies, we anticipate that in 2013, EEMEA growth will pick up modestly to about 3.2% from an estimated 2.8% in 2012 and 3.9% in 2011. This path should allow a few more rate cuts in Hungary and Poland, but elsewhere the room for further monetary easing remains limited.

AllianceBernstein Global Economic Forecast

Jan-13

	Real Growth (%)				Inflation (%)				Official Rates[1] (%)		Long Rates[1] (%)	
	4Q/4Q		Calendar		4Q/4Q		Calendar		EOP	EOP	EOP	EOP
	2012F	2013F	2012F	2013F	2012F	2013F	2012F	2013F	2012F	2013F	2012F	2013F
Global	1.9	3.2	2.2	2.5	2.3	2.3	2.5	2.3	1.86	1.83	2.59	3.05
(PPP Weighted)	(2.7)	(3.8)	(2.9)	(3.2)	(2.7)	(2.6)	(2.9)	(2.6)				
Industrial Countries	0.7	2.2	1.2	1.4	1.7	1.8	1.9	1.7	0.49	0.50	1.60	2.13
Emerging Countries	5.0	5.7	4.7	5.3	3.9	3.8	4.1	3.9	5.47	5.33	5.23	5.50
United States	2.0	3.2	2.3	2.7	1.8	2.4	2.1	2.1	0.13	0.13	1.75	2.50
Canada	1.4	1.8	2.0	1.5	1.3	1.9	1.7	1.6	1.00	1.25	1.80	2.00
Europe	-0.4	0.9	-0.3	0.2	2.3	1.6	2.4	1.8	0.74	0.76	1.59	2.09
Euro Area	-0.7	0.8	-0.5	-0.1	2.3	1.6	2.5	1.7	0.75	0.75	1.50	2.00
United Kingdom	0.3	1.0	0.0	1.0	2.7	2.1	2.8	2.6	0.50	0.50	2.00	2.50
Sweden	1.7	2.1	1.3	1.6	1.1	1.5	1.0	1.3	1.00	1.25	1.65	2.15
Norway	3.0	2.6	3.3	2.5	0.9	1.4	0.4	1.4	1.50	2.00	2.25	2.75
Japan	-0.1	3.3	1.9	1.2	-0.2	0.3	0.0	-0.2	0.10	0.10	0.79	0.95
Australia	2.8	3.0	3.5	2.7	2.5	2.3	1.8	2.6	3.00	2.50	3.10	3.40
New Zealand	2.4	3.1	2.4	3.1	1.7	1.9	1.3	1.7	2.50	2.50	3.45	3.75
Asia ex Japan	6.5	6.6	6.1	6.5	3.0	3.1	3.4	3.0	5.34	5.18	4.09	4.38
China[2]	7.8	8.2	7.7	8.1	2.1	2.6	2.7	2.4	6.00	6.00	3.60	4.00
Hong Kong[3]	1.9	3.8	1.3	3.2	2.4	3.5	3.7	2.8	0.50	0.50	0.70	1.25
India[4]	5.1	5.7	5.3	5.5	7.3	4.9	7.5	5.6	7.75	7.00	8.10	7.70
Indonesia[5]	6.1	5.1	6.2	5.4	4.3	4.9	4.2	4.6	5.75	6.00	5.30	5.80
Korea[6]	1.8	3.4	2.1	2.9	1.4	2.7	2.1	2.2	2.75	2.50	3.20	3.60
Thailand[7]	16.5	4.3	5.9	4.2	3.2	3.4	3.0	3.5	2.75	2.50	3.60	4.00
Latin America	2.1	4.0	2.0	3.4	5.2	4.8	4.9	5.1	6.19	5.94	8.06	7.77
Argentina	1.0	3.4	1.9	2.7								
Brazil	1.7	4.1	1.0	3.5	5.8	5.4	5.3	5.8	7.25	7.00	9.50	9.00
Mexico	3.3	4.1	4.0	3.5	4.2	3.6	4.1	3.8	4.25	4.00	5.40	5.50
EEMEA	2.8	4.2	2.8	3.2	6.0	5.0	5.9	5.8	5.26	5.27	6.44	7.15
Hungary	-1.5	1.2	-1.3	0.4	5.3	4.3	5.8	4.0	6.00	5.25	7.00	7.25
Poland	6.4	5.1	2.3	2.2	2.9	2.8	3.8	3.0	4.25	3.75	4.00	4.75
Russia[8]	1.8	4.0	3.3	3.2	6.8	5.2	5.1	6.6	5.50	5.75	6.80	7.00
South Africa	2.3	3.3	2.5	2.8	5.8	5.5	5.8	5.7	5.00	5.00	7.10	8.40
Turkey[9]	3.5	5.0	3.0	4.8	6.8	6.2	9.0	6.6	5.50	5.50	7.00	8.55

1) Official and long rates are end-of-year forecasts.
Long rates are 10-year yields unless otherwise indicated.
2) China: Official rates are 1-year benchmark lending rates and 10-year government bond yield.
3) Hong Kong: Base rate and 10-year exchange funds yield
4) India: Overnight repo rate and 10-year government bond yield
5) Indonesia: Intervention rate and 10-year government bond yield
Source: AllianceBernstein

6) Korea: Overnight call rate and 10-year government bond yield
7) Thailand: 1-day repo rate and 10-year bond yield
8) Russia: Longest fixed-rate government bond until April 11, 2011; 10-year bond thereafter.
Official rates: CBR's O/N fixed deposit rate until Oct 2011, then 1-day repo rate
9) Turkey: Since Oct 2011, the official policy rate no longer accurately reflects the central bank's monetary policy stance.
Note: Real growth aggregates represent 27 country forecasts, not all of which are shown.
Note: Blanks in Argentina are due to the distorted domestic financial system so we don't forecast.