AllianceBernstein

Global Economic Research

Global Macro Outlook

Third Quarter 2026

The Macro Picture

Contents

The war in Iran was the dominant theme in the global economy and financial markets in the second quarter. Rising and volatile energy prices pushed global inflation higher and threatened the growth outlook, particularly in regions that rely heavily on commodity imports. Still, oil prices stayed below levels we think would be likely to cause a recession in major economies. A growth impact is inevitable, but we expect it to be manageable and for the global economy to continue to expand.

While inflation is up, it's largely limited to the direct impact of higher energy prices, which is a matter of simple math. What comes next, however, is less certain and raises questions about the medium-term outlook. Will rising prices spread? Will higher transportation costs lead to a broader increase in prices? Economists and central bankers tend to focus most on "pass-through" or "second-round effects" to describe what can happen when energy prices rise. This is because when pass-through happens it tends to be more durable and thus more alarming. It's too early to know how much pass-through there will be, and it can differ among economies. The stronger the growth outlook, the more likely that businesses will be able to pass their own higher costs on to end users.

The differences are already manifesting themselves in monetary policy divergence. Central banks in the euro area and Japan raised interest rates in the second quarter, with the former explicitly describing their rate hike as a pre-emptive strike on second-round effects. Meanwhile the Federal Reserve (Fed) and other central banks have remained on hold, preferring to wait and see the extent to which oil-induced inflationary pressures may broaden.

In our view, like the growth impact, the pass through from headline inflation into core inflation measures is likely to be limited. That could change if the geopolitical turmoil re-escalates. But for the time being we think that this shock, like the others that have buffeted the global economy in recent years, is unlikely to change the fundamental picture in a durable way. That means we don't believe that monetary policy needs to be durably tighter in response to the shock.

That said, we no longer expect Fed rate cuts for the remainder of this year. Part of the reason is risk management around the energy shock. Of greater significance are signs that the economy is stronger than expected and that the labor market has rebounded. The biggest change in our outlook from last quarter has been the explosion in AI-related capital spending by the corporate sector. Technology-sector capital expenditures have surged with no sign of slowing. That's making a large contribution to growth that has offset more conservative household consumption as energy prices have risen. As these hyperscalers diversify their sources of funding to include bond sales and new equity raises, the fuel for capital expenditures continues to increase and, so too, the demand for the output of that spending. While one can debate whether current investments will pay off in the form of profits and growth in the medium term, they're clearly supporting growth currently.

Encouragingly, the surge in AI investment does not appear to be causing the labor market to deteriorate broadly. To be sure, there are industries and demographic groups which are finding the labor market increasingly challenging as AI adoption increases, but in aggregate there is little sign of broad weakness. Hiring rates have risen meaningfully in 2026 compared with late 2025's weakness, and the unemployment rate has fallen after rising late last year. With the labor market on firmer footing and growth stable, we see little reason for the Fed to resume interest-rate cuts. Nor do we see a strong case for hikes, given expectations for stable inflation and the likelihood that the pass-through of higher headline inflation into core inflation will be manageable. That leaves us expecting no change in rates—at least through 2026.

In Europe, the European Central Bank (ECB) has raised rates as expected in a preemptive move to limit second-round effects. Given the nature of its mandate, that solely focuses on price stability, a hike could be justified. This time though, monetary policy is unlikely to be tightened aggressively and should be brought to its neutral stance next year. Meanwhile, the Bank of England (BoE) will likely keep its Bank rate unchanged for an extended time before resuming its easing cycle in 2027.

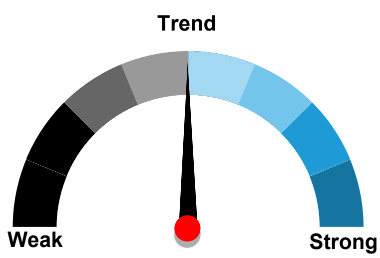
Despite the oil price shock, emerging-market (EM) growth has proved more resilient than expected, supported by AI-driven capital expenditure and consumption. EM economies stand to benefit both indirectly—through spillovers from strong US growth—and directly, as key suppliers of the minerals, manufacturing and infrastructure underpinning the AI buildout. With inflation risks tilted to the upside, monetary tightening has become the dominant policy response, with rate hikes broadly priced in across EM. The key risk to watch is the US dollar: having been a tailwind for EM assets, it could turn to headwind if the Fed tightens more aggressively.

From a market perspective, geopolitical turbulence has not had a meaningful impact. Investors, especially in equity markets, have been more focused on the longer term than on near-term disruptions. In the US, optimism about the future impact of AI on productivity, growth and eventually profits has outweighed near-term worries. While there is—and we believe should be—healthy debate about whether the market's optimism is exaggerated, that question won't be answered in the next few quarters. Rather, it will take years to assess whether today's investments are efficient or excessive. Whether markets have run too far in the near term or not is a question better answered by behavioral finance than economics, so we remain agnostic. However, we do think the economy may be more vulnerable than usual to swings in market sentiment. Increasing inequality in wealth distribution means that the investor class is responsible for the largest percentage of consumption in at least 100 years—especially in the US. Both the current level and growth rate of spending in the US have diverged by wealth stratification in ways not seen before. Thus, if markets pull back, higher-end consumers could curtail their spending in a way that triggers a broader slowdown. That said, market performance has been so exceptionally strong the past few years that it might take quite a large market drawdown to prompt a consumption response. While we don't see a fundamental reason for such a drawdown to occur, we're mindful that it's often the unexpected developments that prove the most impactful. Clearly, we believe investors should remain watchful in the coming months.

We sum it up where we began: despite several unexpected developments this year, to say nothing of the shocks of recent years, the economy remains quite resilient. We expect that resilience to continue in the coming months.

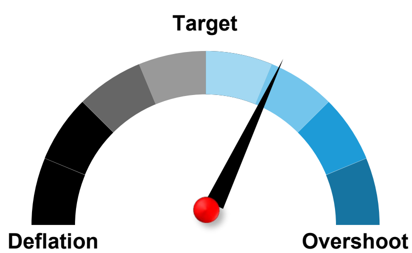
Global Macro Outlook: The Next Six Months

Economic Activity



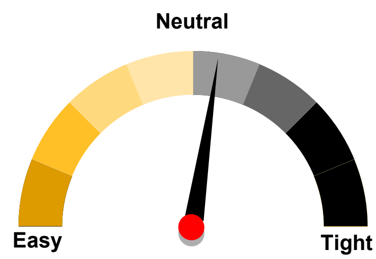
- Underlying growth dynamics seem stable, but the risk of persistently higher energy prices threatens to slow growth.

Inflation



- The lagged impact of the energy price increases of the past few months will keep year-over-year measures of inflation elevated for the remainder of the year.

Monetary Policy



- Higher energy costs have pushed some central banks into rate hikes. We believe the need for more hikes is limited barring a reacceleration in energy prices, but some further tightening remains likely.

Global Forecast

Forecast Overview

Key Assumptions

- **Financial:** We assume that financial conditions will not tighten in a way that disrupts the outlook.
- **Geopolitical:** We assume persistent geopolitical tension but also expect it will not meaningfully impact the global economy or markets.
- **Monetary Policy:** Rising oil prices mean that rate cuts are less likely, especially in the US, but we don't expect durably tighter policy across the forecast horizon.

Central Narrative

- **Global Growth:** Growth will remain positive in 2026 despite higher energy costs, with AI-related spending providing an important offset to weakness.
- **Inflation:** Inflation will be higher as a result of energy costs.
- **Yields:** Regions where central banks have hiked rates in response to rising oil prices may offer opportunities as growth slows.
- **USD:** We expect a continuation of the recent largely directionless trading in USD FX markets, rather than a strong move higher or lower.

Key Upside Risks

- AI could boost productivity and growth, allowing for lower interest rates along the way.
- Sharply lower oil prices, should geopolitics permit, would provide a boost to growth.

Key Downside Risks

- Renewed geopolitical tension could push oil prices back up.
- AI could prove disruptive to labor markets.
- Market complacency suggests vulnerability in the event of a shock.

AB Growth and Inflation Forecasts (Percent)

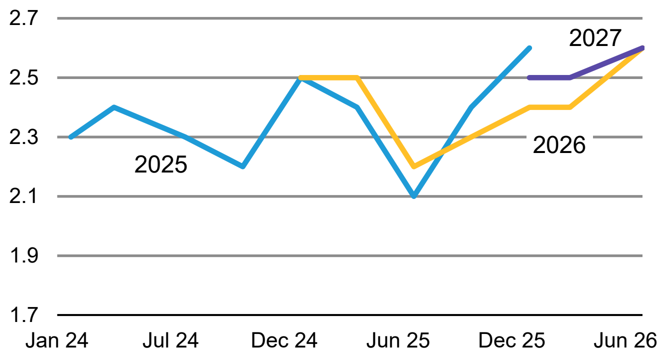
	Real GDP Growth		CPI Inflation	
	2026	2027	2026	2027
US	2.2	2.2	3.3	2.4
Euro Area	0.7	1.0	3.0	2.4
Japan	1.0	1.0	2.5	2.0
China	4.5	4.3	1.0	1.5
Global	2.6	2.6	3.5	2.9
Industrial Countries	1.6	1.7	3.2	2.4
Emerging Countries	3.8	3.8	4.1	3.6
EM ex China/Russia	3.6	3.6	7.2	5.8

*US GDP forecasts presented as 4Q/4Q; others YoY; US CPI reflects core inflation; others are headline. As of June 30, 2026
Source: AllianceBernstein (AB)

Current analysis and forecasts do not guarantee future results.

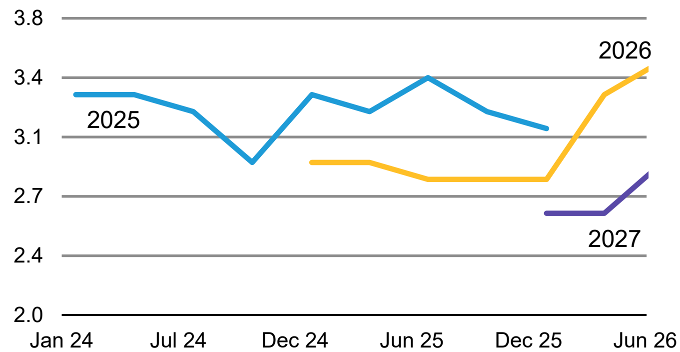
Forecasts Through Time

AB Global Growth Forecasts by Vintage



As of June 30, 2026
Source: AB

AB Global Inflation Forecasts by Vintage



As of June 30, 2026
Source: AB

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US

	Real GDP (%)		Inflation (%)		Policy Rate (%)		10-Yr. Bond Yield (%)	
	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F
US	2.2	2.2	3.3	2.4	3.63	3.38	4.25	4.50

- The US economy continues to expand smartly despite an ever-increasing list of headwinds. Elevated energy prices in the second quarter were not enough to cause enough demand destruction to move the macro needle. With prices more subdued at mid-year, we expect the consumer to remain resilient in the second half.
- AI-related investment has been a major source of economic strength, offsetting whatever weakness higher energy prices might have caused. As yet, it doesn't appear that AI has caused labor market weakness; indeed, the most encouraging development of the first half of the year has been an employment rebound after last year's weakness.
- The cost of solid growth has been persistent inflation. Price gains have run above the Fed's target for several years in a row, and, with the labor market on a more solid footing, that has eliminated the near-term probability of rate cuts. Indeed, we now think a hike is more likely than a cut in the coming quarters.

Risk Factors

- Financial markets have been exceptionally strong, generating significant wealth for upper-income earners and asset holders. With consumption increasingly concentrated among the wealthy, a market pullback could have a disproportionate impact on growth compared with history.
- AI-related capex could prove to be excessive, and if there is too much spare capacity it could impair the economy.
- Geopolitics have created one shock after another in the last few years, and, with the mid-term elections around the corner, another shock could emerge.

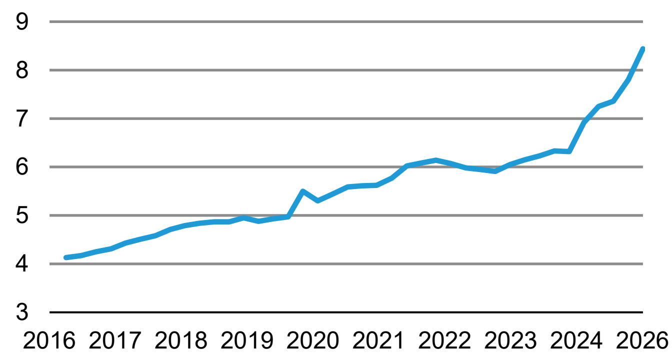
Overview

As it has been, so shall it be. Faced with yet another shock in the form of higher oil prices, the US economy continued to plug along in last quarter, just as it has in the face of the many other shocks of the past few years. The nature of US expansion is evolving, however. AI and the investment required to make it work have taken on an outsized role in generating growth. Capital investment in AI-related infrastructure has surged far beyond our initial expectations and shows no signs of slowing. That investment, however, brings risks. If it proves to be excessive, a sharp slowdown in capex would likely follow, bringing growth down with it. Tech-related investment also appears to be crowding out other forms of investment, leaving the economy more vulnerable to a specific shock. Encouragingly, however, AI does not appear to be destroying jobs. The labor market has picked up momentum this year after slowing late last year. While certain sectors may be suffering from AI-related competition with human workers, in aggregate it is very difficult to see a net negative effect on employment.

With growth solid and the labor market improving, there is no reason for the Fed to contemplate rate cuts, in our view. Indeed, with price pressures elevated, the momentum is in the other direction: a rate hike is more likely than a cut in the coming months. That said, the case for a hike isn't clear-cut. Yes, inflation is elevated. But much of that has to do with the energy price shock, which seems likely to fade and, in any case, isn't really a matter for monetary policy to address. Inflation expectations remain well-anchored, which suggests that there is little urgency for the Fed to act. The Fed has characterized its policy stance as "well-positioned" to respond to the evolution of the outlook, and we agree.

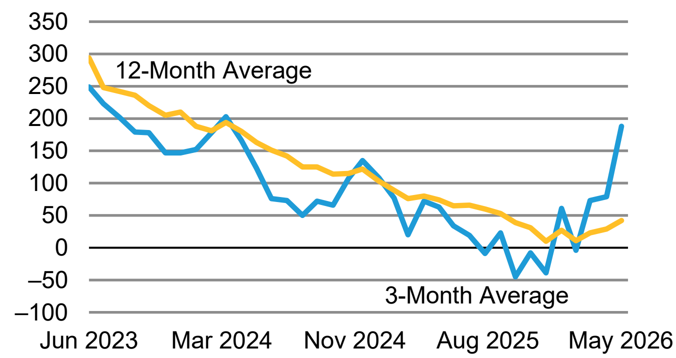
Over the longer term, profound questions about the nature of the economy are emerging. It's too early to tell if AI will be truly transformative, but financial markets appear eager to price for that possibility. It's worth remembering that we are only at the early stages of this potential evolution and it seems inevitable that there will be bumps in the road ahead. Still, the prospect of greater productivity brings with it the possibility of more rapid growth over time, something that all investors should welcome.

Real Private Technology Investment as a Percent of GDP



As of June, 2026
Source: Bloomberg and AB

Moving Average Monthly Change in Employment



As of June, 2026
Source: Bloomberg

China

	Real GDP (%)		Inflation (%)		Policy Rate (%)		10-Yr. Bond Yield (%)		FX Rates vs. USD	
	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F
China	4.5	4.3	1.0	1.5	1.00	1.25	2.00	2.25	6.85	6.90

Outlook

- China's economy is a tale of two sectors. Externally facing sectors, especially technology, remain strong even as domestically focused industries struggle with still-weak internal demand.
- Higher global energy prices have had only a limited impact on the Chinese economy, with lower domestic food prices offsetting much of the external pressure. Deflation remains a more significant concern than inflation for the time being.

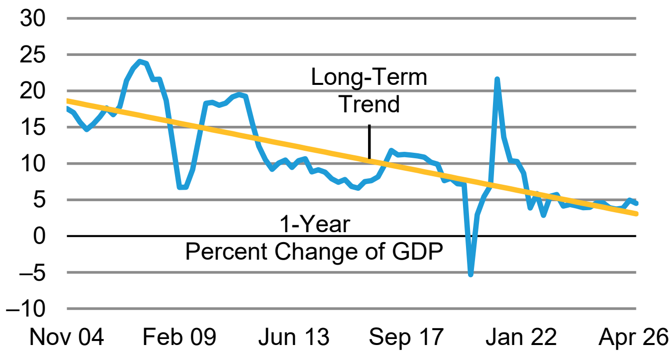
Risk Factors

- Persistently high global energy prices would eventually erode domestic buffers and represent a further headwind to growth.
- Weak domestic demand has been durable; it is unclear what policymakers can do to address the sluggish consumer behavior weighing on growth.

Overview

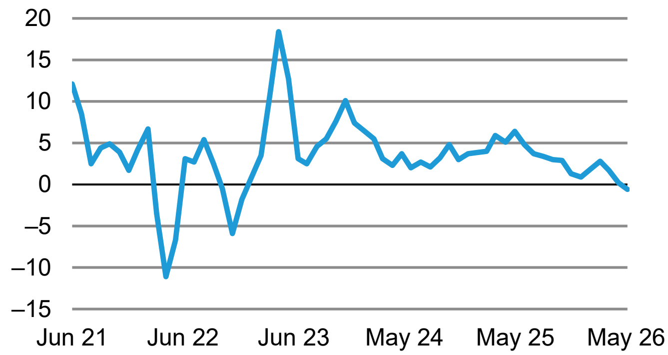
China's economic outlook is bifurcated. High-tech and other externally focused sectors are performing relatively well, boosted by AI-related investment. At the same time, however, domestic investment, consumption and real estate remain challenged. Retail sales have been particularly weak, and low domestic demand is keeping inflation very low. Headline GDP is likely to meet official targets, but the domestic economy feels considerably weaker than the data suggest. Nonetheless, we think the likelihood of aggressive stimulus is low. The economy is treading water rather than sinking and, in an environment replete with external risks in the form of trade and energy uncertainty, policymakers remain likely to keep their powder dry for the time being. That should keep the economy stable, if unexciting, for the next few quarters.

China Economic Growth (Percent)



As of June, 2026
Source: Bloomberg

China Retail Sales (Year-over-Year Percent Change)



As of June, 2026
Source: Bloomberg

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Euro Area

	Real GDP (%)		Inflation (%)		Policy Rate (%)		10-Yr. Bond Yield (%)		FX Rates vs. USD	
	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F
Euro Area	0.7	1.0	3.0	2.4	2.50	2.00	2.75	2.60	1.13	1.15

Outlook

- Downside risks to growth persist as the oil shock hits consumers and companies.
- Energy prices fell lately, but the damage already done will take time to reverse.
- Headline inflation will remain above target in 2026 before easing back to target in 2027.
- Meanwhile, mild second round effects started to show, but broader passthrough should remain limited.
- The European Central Bank (ECB) has raised its policy rates and is likely to raise rates again, though the timing is uncertain. Rates should be cut back to neutral next year as inflation normalizes.

Risk Factors

- A lengthier and/or more severe war in Iran would have a more prolonged inflationary impact and weigh on growth.
- Meanwhile, a lasting resolution would limit the stagflationary impact and lower the need for policy makers to act.
- Germany's fiscal spending is running behind and might fell short of the targets set by the government for infrastructure and defense spending.
- While the hiking cycle should be limited in size, further monetary policy tightening beyond what we expect would worsen the impact on growth.

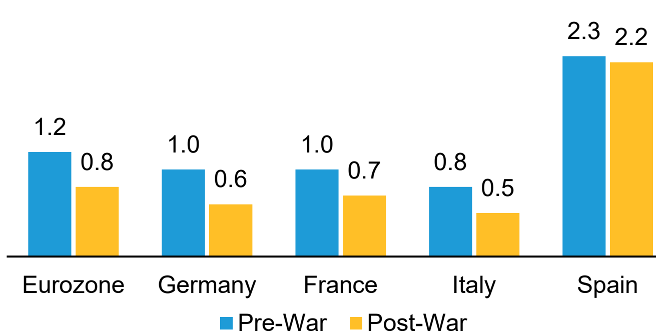
Overview

Risks to growth remain tilted to the downside, and most pre-war forecasts have been revised consequently. Final growth numbers for the first quarter show activity contracted by 0.2% quarter over quarter, driven by negative contributions from net trade and investment. Household consumption remained a positive contributor but nevertheless slowed relative to the end of 2025. Survey indicators point to protracted weakness into the second quarter that could turn into a drag for activity. Real incomes were still growing in the first quarter, but as nominal wage growth continues to ease while energy inflation creeped higher, the loss in purchasing power probably intensified. Meanwhile, momentum in industrial production remains negative and weakened further since February while confidence fell. Heterogeneity will continue to show in growth data: Spain continues to outperform while other economies struggle. In Germany, growth should finally turn positive this year, but the implementation of the infrastructure and defense funds is too slow to fully offset the hit from the energy shock. While a deal between Iran and the US is welcome, the damage already done will take some time to reverse.

Higher energy prices have already boosted inflation since the war started. Headline inflation increased to 3.2% in May, an important jump away from target, which so far has not led to severe second-round effects. Core inflation has also printed higher in May at 2.6% on the back of a jump in services prices. Services inflation tends to be volatile month to month; but its accelerating momentum may reflect early second-round effects. Nevertheless, rising prices for energy-exposed items should be expected; broader second-round effects will take longer to materialize, if they do. While we expect pass-through to be more muted than in 2022, a wage-price spiral seems very unlikely. Wage growth continues to be on a downward path and is expected to ease further by the end of the year. In addition, while the unemployment rate remains at historically low levels, job vacancies and other labor market indicators show markedly more slack than in 2022. In this environment of weaker labor market, employees' bargaining power is significantly constrained as well as their wage revendication.

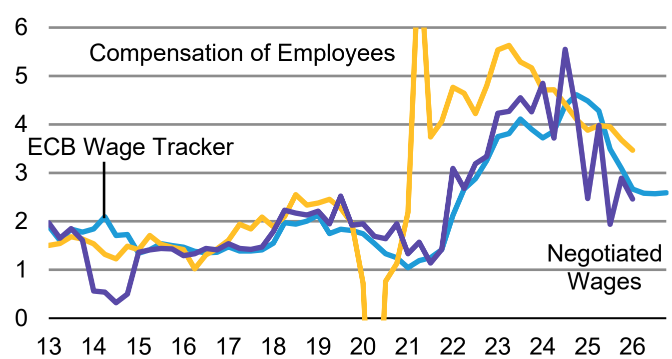
As expected, the European Central Bank (ECB) hiked its key interest rates by 25 basis points in June. The ECB also revised inflation higher in 2026 and 2027, to 3% and 2.3% respectively though it should converge back to target in the second half of 2027. Core inflation is also expected to print higher at 2.5% in 2026 and 2027, before easing to 2.2% in 2028. The ECB considers the risks to inflation to be tilted to the upside, but its assessment is highly uncertain. While the decision was justified by new forecasts showing inflation overshooting the target until 2028, albeit mildly, President Lagarde also recognized that longer-term inflation expectations remain broadly well anchored. Given staff projections and the ECB’s reaction function since the war in Iran started, another interest rate hike seems warranted. In line with acting preemptively, the most logical policy move for the ECB would be to raise rates back-to-back, delivering another hike in July. That said, forward guidance lacks any clear signal, and all doors are kept open. The ECB is likely to tighten monetary policy again, but the timing is uncertain. However, a pause in July would lower the probability of another hike given the latest geo-political developments. In the medium term, the market assumes the ECB will keep rates higher for longer, which looks unreasonable. Inflation should converge back to target in 2027, and the macro-outlook does not justify keeping rates restrictive for too long.

GDP Growth Forecasts (YoY %)



As of June 30, 2026
Source: Bloomberg and AB

Wage Measures (Quarterly %)



As of May, 2026
Source: Eurostat, ECB and AB

Current analysis and forecasts do not guarantee future results.

UK

	Real GDP (%)		Inflation (%)		Policy Rate (%)		10-Yr. Bond Yield (%)		FX Rates vs. USD	
	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F
UK	0.8	1.0	3.6	2.7	3.75	3.00	4.85	4.10	1.33	1.34

Overview

The Bank of England (BoE) remained on hold in June, while holding a tightening bias. The MPC stands ready to act to ensure CPI inflation remains on track to meet BoE's target. Nevertheless, the bar for hikes has moved higher with latest data continuing to show a weak labor market, inflation surprising on the downside and a conflict resolution that should bring some relief. CPI inflation will increase further in the second half of the year, given how the energy price cap is set in the UK, but will probably peak at a lower level. The main drivers would be lower energy prices but also food inflation that remains surprisingly contained so far. Meanwhile, activity should remain soft with risks tilted to the downside, as the labor market is unlikely to pick up soon. Second-round effects have not materialized, and tightening policy further is too costly and could unnecessarily widen the output gap. The starting point is also important: absent the energy shock, headline inflation would probably be at target, while economic slack was already building before the war started. Monetary policy remains restrictive, assuming a neutral rate of 3%. As long as inflation expectations remain anchored and underlying disinflation is not derailed, the majority of the MPC feels comfortable with the current policy stance. This was reflected in Andrew Bailey's comments that temporarily above-target inflation is tolerable. Meanwhile, political uncertainty persists as PM Starmer could face a leadership contest in the next few weeks or months. This could coincide with the timing of the next Autumn Budget and increase risks that fiscal rules might be challenged again. Overall, the market remains focused on the risks that another PM could shift to a more left-wing fiscal agenda.

Japan

	Real GDP (%)		Inflation (%)		Policy Rate (%)		10-Yr. Bond Yield (%)		FX Rates vs. USD	
	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F
Japan	1.0	1.0	2.5	2.0	1.00	1.25	2.50	2.25	160	150

Overview

Japan's economic performance has largely met expectations, with domestic demand keeping overall growth on track. The labor market is tight enough to generate solid nominal wage growth, which has allowed households to keep pace with rising inflation. That combination, however, has prompted the Bank of Japan (BOJ) to raise interest rates over recent quarters. While we don't think that there is scope for aggressive tightening, we do believe that a continuation of the gradual, modest tightening now underway is likely. Political constraints will limit the BOJ's freedom to act. But with the days of deflation more convincingly in the past, the Japanese economy and its policy settings are gravitating toward a more typical framework by international standards. The currency remains very weak, but the very gradual path of monetary tightening means that weakness is likely to persist, especially if other global central banks tighten faster.

Emerging Markets

	Real GDP (%)		Inflation (%)		Policy Rate (%)		10-Yr. Bond Yield (%)		FX Rates vs. USD	
	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F
EM ex China/Russia	3.6	3.6	7.2	5.8	9.54	8.39	9.25	8.71	—	—
Asia	5.0	5.2	4.0	3.4	4.50	4.51	5.81	5.76	—	—
LATAM	1.8	1.6	7.1	5.8	12.42	11.18	10.14	9.66	—	—
EEMEA	2.0	2.3	11.4	8.7	15.65	11.67	9.99	8.74	—	—

Outlook

- The balance of inflation risks remains skewed to the upside, while economic growth is projected to remain resilient as AI-related capital expenditure and wealth-effect-driven consumption provide strong offsets to the energy shock.

- Rate hikes have been delivered and are priced in broadly across the EM universe.

Risk Factors

- EM hiking cycles are expected to be measured, but that calculus could shift if the Fed moves more forcefully.

- The tailwinds from the US dollar may be at risk of reversing should the Fed embark on a hiking cycle.

Emerging-market (EM) economies continue to navigate an uncertain macroeconomic and geopolitical environment, but the contours of the outlook have shifted meaningfully over the past quarter. The risk of a sustained oil-price shock has partially receded, easing inflation concerns to some extent. Inflation forecasts for most EM economies have naturally risen relative to pre-war forecasts, but the food-price shock that has also moved onto our radar has not yet played out to any significant degree (see Display 1). Risks to food prices stem from the upward shift in energy and fertilizer prices, while El Niño-related weather disruptions remain a live risk that could fuel food prices over the coming months. Term contracts in the food processing chain may delay the impact, but the combination of pressure points is expected to push food inflation higher over the next 12 months. The balance of inflation risks is therefore still skewed to the upside, even as the immediate pressure has moderated from the peaks feared a few months ago.

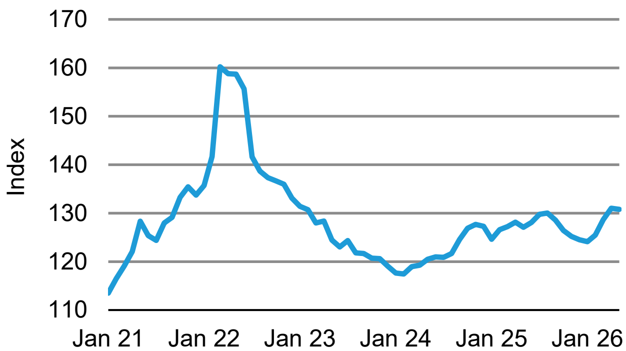
The growth picture is, however, more resilient than might have been expected against the backdrop of an extraordinary oil-price shock. AI-related capital expenditure and wealth-effect-driven consumption are providing meaningful offsets to the energy shock. EM growth has continued to surprise to the upside while developed market growth is once again beating expectations. While AI's growth benefits appear more direct and more pronounced in developed markets—the US in particular—they are, in our view, shaping the medium-term growth outlook for EM, too. In addition to the indirect spillovers from strong US growth, EM economies are a key source of the physical build-out of the AI ecosystem, spanning critical minerals, manufacturing, semiconductors and infrastructure. There is therefore both a cyclical growth component and a structural infrastructure-investment component to the AI theme for EM. This could create significant divergence across the asset class, with some countries positioned to benefit considerably more than others.

Several EM governments have introduced temporary measures—including fuel levy cuts, value-added tax reductions and direct subsidies—to cushion consumers from elevated energy prices, and these have helped smooth the transmission of the shock into domestic demand. That said, the growth outlook remains susceptible to the roll-off of these fiscal counterbalances at a time when monetary tightening could be gaining traction.

The policy rate response has been the starkest change relative to what was anticipated before the conflict in Iran. Monetary tightening has become the dominant theme across EM central banks, driven by a combination of currency pressure and precautionary concern about inflation expectations becoming unanchored. Rate hikes are now priced-in broadly across the EM universe. For most EM economies, hiking cycles are expected to be measured in both magnitude and timing—but that calculus could shift if developed market central banks, the Fed in particular, move more forcefully. Over the past year or so, the US dollar has generally been a tailwind for EM assets, easing financial conditions and lowering the effective burden of external debt. That tailwind may be at risk of reversing should the Fed embark on a hiking cycle, and this potential shift from dollar tailwind to headwind may be the single most important macro variable to monitor over the coming quarter (see Display 2).

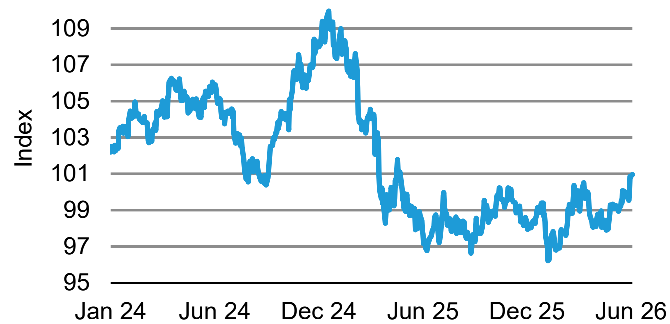
Looking ahead, the range of outcomes remains wide, but the distribution has shifted relative to a few months ago. Growth resilience amid AI investment and productivity gains points toward reflation rather than stagflation, and the dollar headwind risk has become more prominent. EM economies enter this period of uncertainty from a position of greater resilience than in previous cycles, but that resilience is not unconditional.

Global Food Prices Remain Upside Risk to Inflation



As of June 22, 2026
Source: Bloomberg

US Dollar Strength Could Challenge Emerging Markets



As of June 22, 2026
Source: Bloomberg

Current analysis and forecasts do not guarantee future results.

Forecast Table

	Real Growth (%)		Inflation (%)		Official Rates (%)		Long Rates (%)		FX Rates vs. USD	
	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F
Global	2.6	2.6	3.5	2.9	4.08	3.64	4.27	4.21	—	—
Global ex Russia	2.6	2.6	3.5	2.8	3.86	3.50	4.35	4.31	—	—
Industrial Countries	1.6	1.7	3.2	2.4	3.09	2.76	3.72	3.69	—	—
Emerging Countries	3.8	3.8	4.1	3.6	5.57	4.97	5.11	5.00	—	—
EM ex China	3.3	3.4	7.0	5.6	9.90	8.44	8.16	7.65	—	—
EM ex China/Russia	3.6	3.6	7.2	5.8	9.54	8.39	9.25	8.71	—	—
US	2.2	2.2	3.3	2.4	3.63	3.38	4.25	4.50	—	—
Percent of Year-over-Year Methodology	2.4	2.2								
Canada	1.0	1.5	2.7	2.0	2.25	2.00	3.25	3.00	1.40	1.42
Europe	0.7	1.0	3.2	2.5	2.77	2.20	3.18	2.90	1.18	1.19
Euro Area	0.7	1.0	3.0	2.4	2.50	2.00	2.75	2.60	1.13	1.15
UK	0.8	1.0	3.6	2.7	3.75	3.00	4.85	4.10	1.33	1.34
Japan	1.0	1.0	2.5	2.0	1.00	1.25	2.50	2.25	160	150
Australia	2.3	2.1	3.3	2.5	4.35	4.10	5.00	4.50	0.72	0.75
New Zealand	1.7	2.5	3.3	2.5	2.50	2.75	4.50	4.00	0.60	0.63
China	4.5	4.3	1.0	1.5	1.00	1.25	2.00	2.25	6.85	6.90
Asia ex Japan & China	5.0	5.2	4.0	3.4	4.50	4.51	5.81	5.76	—	—
India	6.7	6.9	5.0	4.6	5.25	5.25	7.00	6.80	95.0	96.0
Indonesia	4.9	5.1	3.2	2.6	5.75	5.25	6.70	6.50	17,500	17,600
Korea	2.5	2.0	2.7	2.2	3.00	3.25	3.80	3.90	1,450	1,400
Thailand	1.8	2.2	2.5	1.5	1.00	1.00	2.00	1.70	33.0	34.0
Latin America	1.8	1.6	7.1	5.8	12.42	11.18	10.14	9.66	—	—
Argentina	3.5	3.0	30.0	20.0	35.00	30.00	—	—	1,550.00	1,750.00
Brazil	1.8	1.0	4.7	4.3	13.75	12.25	12.75	12.00	5.40	5.20
Chile	2.4	2.6	3.6	3.3	4.50	5.00	5.45	5.00	880	850
Colombia	2.5	2.3	5.9	5.1	12.00	11.00	11.00	10.50	3,400	3,300
Mexico	0.9	1.3	4.0	3.9	6.50	6.00	9.00	8.50	18.0	18.3
EEMEA	2.0	2.3	11.4	8.7	15.65	11.67	9.99	8.74	—	—
Hungary	1.8	2.5	3.0	3.6	6.00	5.00	5.90	5.50	300	300
Poland	3.4	3.0	3.1	2.8	3.75	3.50	5.20	5.00	3.50	3.50
Russia	0.9	1.4	5.5	4.5	12.50	9.00	—	—	77.0	95.0
South Africa	1.0	1.3	4.4	3.2	7.25	7.25	8.30	8.70	16.0	16.8
Turkey	3.0	3.5	31.0	23.0	34.00	25.50	30.60	26.50	50.00	59.00

Growth and inflation forecasts are calendar-year averages except US GDP, which is forecast as 4Q/4Q. 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 forecast due to distortions in the local financial market; Russia is not forecast because the local market is inaccessible to foreign investors.

Real growth aggregates represent 29 country forecasts, not all of which are shown.

Current analysis and forecasts do not guarantee future results.

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