

# Global Economic Outlook

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## Global Economic Research

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## Overview

**Global Economy** – Strong growth in emerging-market economies should sustain the global growth cycle in 2008.

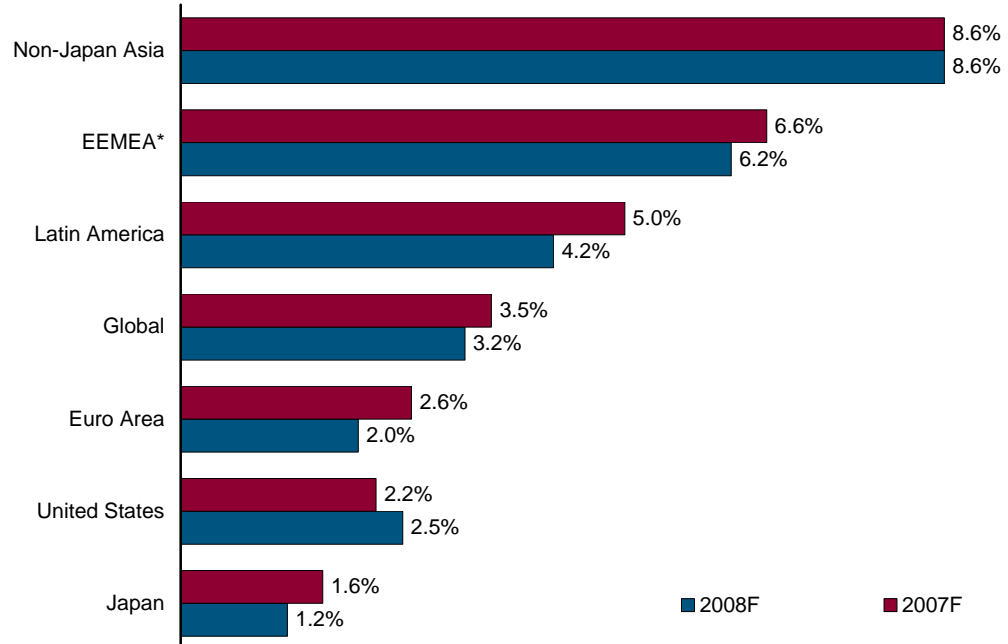
**United States** – Tighter credit conditions should lead to slower consumer spending, but not retrenchment.

**Japan** – Dwindling domestic demand is expected to keep 2008 GDP growth below potential. The next rate hike is now likely to occur in the third quarter of next year, instead of the first.

**China** – The central bank is expected to fully utilize its sterilization tools, which should include a 10% cumulative RMB/US\$ appreciation in 2008.

**Europe** – Growth is softening, but not by enough to offset the ECB’s concerns about medium-term inflation risks. Interest rates are likely to remain on hold.

## World Economic Growth



\*Eastern Europe, Middle East and Africa  
 Source: AllianceBernstein

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## Global Outlook

Global decoupling continues as economic growth slows in industrial countries

At mid-year, our theme of global **recoupling** in 2008 reflected forecasts that the US economy would improve modestly during the year, closing the gap between US growth and that of other economies. Six months later, the **decoupling** story remains in place—not because the US economy isn't realizing our forecast, but because a slowdown is now expected throughout industrialized economies in 2008.

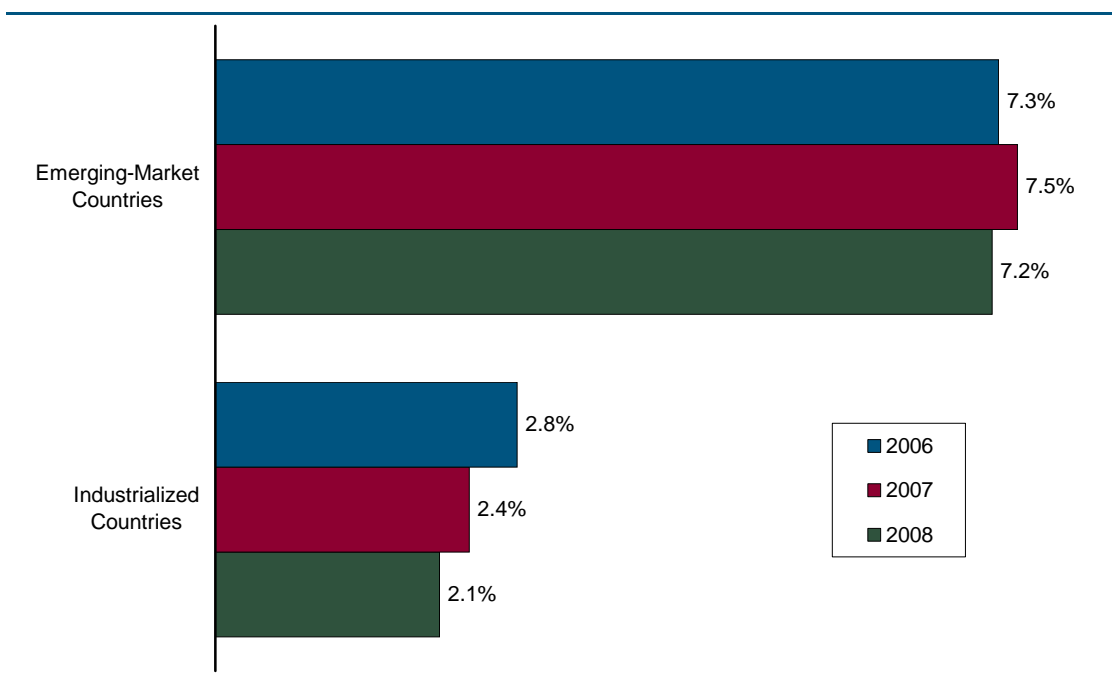
Economic growth is now expected to slow in Japan, UK, Europe, Canada and Australia over the next 12 months as strength in these currencies leads to slower export growth, dampening overall growth in the process. The exception to the rule is Japan where domestic demand weakness, especially in the housing sector, will weigh on growth. Overall, we expect industrialized economies to grow just 2.1% in 2008, down from a 2.4% gain in 2007. At the low end of the scale will be Japan at 1.2% and at the high end will be Australia at 3.6%. The US is expected to beat the average slightly, expanding 2.4% in the year.

Industrialized countries now rely on emerging-market demand

Until now, emerging-market growth was more or less the by-product of domestic demand in developed economies which ultimately drove global growth. Today, the scale has tipped: industrialized economies must bank on demand growth within emerging-market countries to keep their cycles moving forward.

And indeed, strength in emerging-market economies will keep the global economy from slowing much—to 3.2% in 2008 vs. 3.4% in 2007. As a group, we see these economies expanding 7.2% in 2008, very close to their performance in 2006 and 2007 (**Display, front cover**). Emerging-market strength remains centered in non-Japan Asia, where growth is pegged at 8.6%, the same as in 2007. But growth in Eastern Europe will stay strong as well, rising 6.2%, while Latin America is expected to continue to expand at a good 4.2%, down from this year's 5% gain.

### Display: Industrialized Economies Are Banking on Emerging-Market Demand Annual Real GDP Growth



Source: Haver Analytics and AllianceBernstein

The dramatic shift in global growth expectations brings with it important changes in our interest rate and currency views. We now expect official rate cuts in Canada and the UK in the early part of 2008, while monetary policy should remain on hold in other industrialized countries.

The combination of slower growth and official rate cuts tells us that, from a fundamental valuation, the US dollar correction vis-à-vis major currencies has run its course. We still look for currency appreciation in a number of emerging-market countries, however, especially those of non-Japan Asia, where fast growth and official rate increases are on tap. For example, the renminbi is expected to appreciate 10% versus the US dollar in 2008.

## US Outlook

So far, the US subprime mortgage meltdown has not triggered the disastrous price declines in housing one would have expected if forced sellers were driving the market, nor as dramatic a slowdown in consumer credit use. Indeed, tighter lending standards have not choked consumer credit markets and banks are still inclined to lend enough to support moderate growth in consumer spending through 2008.

Further house price declines lie ahead, to be sure, but a slow and steady fall in stock levels, as discouraged “opportunistic sellers” pull their homes off the market and overall sales edge up from the lowest levels in a decade, should help mitigate the severity of the house price adjustment. In turn, this would reduce pressure on household budgets and consumer finances.

This isn't to say that tougher housing and credit conditions will not affect household cash flows in 2008. But credit is still available and reasonably priced. Moreover, the slowdown in consumer spending has been much more moderate than we had expected. Real consumer spending advanced 2.7% in the first three quarters of 2007, about 1 percentage point faster than our prediction at the start of the year. The pace was only slightly below the 3% gain in 2006 and 3.2% in 2005.

### Display: Cash Flows Endure Housing Chaos US Household Balance Sheet (\$ Billions)

	2004	2005	2006	2007
Personal Income	9,727.2	10,301.1	10,983.4	11,685.0
Less Taxes	1,046.3	1,209.1	1,354.3	1,487.0
Disposable Income	8,680.9	9,092.0	9,629.1	10,198.0
Plus Mortgage Equity Withdrawal	381.7	302.1	318.6	175.0
Plus Consumer Credit	115.0	94.3	105.6	125.0
<b>Total Cash Flow</b>	<b>9,177.6</b>	<b>9,488.4</b>	<b>10,053.3</b>	<b>10,498.0</b>
Personal Spending	8,195.9	8,707.8	9,224.5	9,715.0
Less PCE Rent & Lease Payments	1,175.6	1,242.9	1,322.3	1,410.0
Plus Financial Obligations	1,607.7	1,729.1	1,860.1	1,967.0
<b>Total Outlays</b>	<b>8,627.9</b>	<b>9,194.0</b>	<b>9,762.3</b>	<b>10,272.0</b>
<b>Difference (Cash Flow Less Outlays)</b>				
As of November 29, 2007	549.6	294.4	291.0	226.0
As of March 29, 2007	563.8	323.6	-0.3	60.0

Source: Federal Reserve Board, Haver Analytics and AllianceBernstein

US dollar correction vis-à-vis major countries has run its course

Subprime crisis has not triggered the dramatic declines in housing and consumer credit use we expected

Housing to improve as stock levels decline

Credit is still available and reasonably priced

Part of the increase can be attributed to healthy incomes. Income data were revised up over \$100 billion for 2006 and underlying income growth has continued to run above our initial expectations for the first 10 months of 2007.

Household cash flow  
will increase in 2008

In 2008, total household cash flows is estimated to increase by 4% to 4.5%, down from 5%-plus in 2007. That estimate is based on modest gains in employment and wages, and less equity being extracted from housing. We expect most of the softness to be centered in big-ticket durable goods items, since people tend to pay for these purchases with credit—the very items that benefited during the housing boom and relaxed credit conditions. We estimate that real consumer spending on durable goods will grow 1% in 2008, or half the gain in overall spending as lower interest rates offset some of the effects of tighter standards. No major hit to employment is expected.

## Europe Outlook

Growth is softening...

The next few months are likely to be difficult for the European Central Bank (ECB). Recent data suggest that fourth quarter growth will be softer than the 0.7% gain seen in the third quarter. Moreover, the longer the credit crisis lasts, the more likely it is to have an adverse impact on companies' investment and employment plans. Clearly, there is a risk that growth indicators will soften further in the new year and this could put pressure on the ECB to cut interest rates.

...but inflation risks still  
on the upside

But evidence of softer growth needs to be balanced against the latest inflation and monetary developments. In November, for example, inflation reached a six-year high of 3.0%. This means that unless there is a speedy reversal in energy or food prices, inflation is likely to remain above its 2.0% target for much of 2008, possibly putting upward pressure on wage growth. On the monetary side, M3 is now growing at an annual 12.3%, the strongest growth in at least 25 years, and credit growth remains buoyant. Against this backdrop, the ECB would probably not regard signs of weaker economic growth as a sufficient condition for lower interest rates.

An insight into the current policy debate can be gained by comparing economic conditions today with those at the start of the last easing cycle in May 2001. At that time, inflation was running at 3.0% and the manufacturing Purchasing Managers' Index (PMI) had just dropped to 49.3. This means high inflation need not be a barrier to lower rates if growth is weak. Today, the manufacturing PMI stands at 52.8, well above rate-cutting territory. But does the experience of 2001 mean that the ECB will ease policy if the PMI drops below 50?

ECB rates are firmly on  
hold

We do not believe so. When the ECB lowered rates in May 2001, monetary indicators were on a well-established downward trend. Indeed, M3 growth was close to its 4.5% target and the ECB was able to declare that "monetary developments no longer pose a risk to price stability". Today, with M3 growth at its highest for a quarter of a century and credit growth buoyant, the situation could not be more different. Of course, economic growth could slow so sharply next year that such concerns get pushed to the sidelines. However, we attach a low probability to a slowdown of that magnitude, and therefore continue to expect interest rates to remain on hold.

UK rates set to fall, but  
timing may disappoint

In the UK, the only question now seems to be timing. Evidence of a housing slowdown has become compelling and economic growth is likely to slow sharply over the coming year. In the past, the Bank of England might have looked to pre-empt this slowdown by cutting interest rates early in the cycle. However, the Bank is now so concerned about upside risks

to inflation that it is unlikely to ease policy until there is concrete evidence that the economy is slowing quickly enough to ensure that it hits its inflation target. We expect UK rates to fall by 75 basis points next year, but the market may be disappointed by the timing.

## Japan Outlook

2008 GDP growth to be below potential

Although GDP rose 2.6% annualized in the third quarter—a significant improvement over second-quarter growth of -1.6%—we expect growth to turn negative again in the fourth quarter and be below potential in 2008.

To be sure, domestic demand continues to weaken. Consumer spending clearly has lost steam on still-falling wages, softening employment, soaring gasoline prices, a heavier tax burden, and the sluggish equity market. Given that consumers are under pressure on all fronts at the moment, further weakness in consumption looks inevitable.

October housing starts rebounded, but impact of regulatory changes should linger

Although housing starts are showing signs of bottoming, having rebounded in October after a 50% drop in the three months until September, the October level was still 40% below June. At this writing, it is highly uncertain whether starts can recover to normal levels in the coming year. Because of a shortage of inspection staff for newly introduced procedures, bottlenecks created by regulatory changes are likely to linger more or less for a while, possibly through 2008.

Meanwhile, all-industry capital spending declined 1.2% year-on-year in the ministry of finance third-quarter corporate survey, down for two consecutive quarters for the first time since 2003.

Corporate profit growth negative for the first time since 2002

Even more alarming, recurring profit growth worsened sharply, showing negative growth for the first time since early 2002, which could aggravate the already softening spending trend. If profit growth in the financial and construction sectors had been included, we estimate that overall profit growth would have been even worse. (No doubt, a much bigger impact from the construction slump will be seen in profits during the next two quarters.)

Exports underpin economy

The main propeller keeping the economy from slipping into a downward spiral remains buoyant exports, which maintained double-digit growth of 13.9% year-on-year in October, despite sluggish US-bound shipments. As a result, industrial production has maintained an upward trend while manufacturer confidence remains upbeat.

Inflation on the rise

With regard to inflation, we are sticking to our forecast for 2008 at 0.3%, mainly on soaring gasoline prices, which helped core nationwide CPI rise 0.1% year-on-year in October, up for the first time in 10 months. We expect inflation to rise 0.4% or so in November.

Rate hike expected in 3Q08

Our inflation outlook supports central bank hopes for a near-term rate hike. Nonetheless, dwindling economic growth prospects should force the bank to remain on hold until as far out as the third quarter of next year.

## Australia Outlook

Robust growth continued in Q3

Third-quarter GDP numbers emphasise that the Australian economy travelled at a reasonable pace going into the second half of 2007. GDP increased by 1.0% in the quarter, taking year-on-year growth to 4.3%. Private-sector domestic demand growth was again strong (up 6.2% year-on-year), while inventory build also made a large contribution.

Such strong activity numbers coupled with inflation worries are, of course, the reason why the central bank hiked in both August and November. At 6.75%, the official cash rate is at the highest level in over a decade. And, market rates remain under pressure—and this is being passed through by the banks—in effect adding additional monetary tightening.

...but higher rates are beginning to bite

There are tentative signs that higher rates are beginning to bite. This is most apparent in household credit growth, which has slowed markedly in the last four months (the annual pace of growth is now the slowest since the late 1990s). Retail spending was also softer than expected in October, a trend we expect to consolidate in coming months.

...and the terms-of-trade effect is waning

There are also some indications that the impact of the resources boom has begun to wane. In AU\$ terms, non-rural commodity prices fell 11% over the year to October, reflecting the combined impact of the rising currency and flat to falling world prices for many base metals. This is already having an impact on earnings in the mining sector—gross operating profits fell 11.5% in the third quarter to be 15% lower than a year earlier. And, while there is still a big pipeline of capex to work through from the sector, it seems that we have reached an inflection point in the impact of the terms-of-trade boom on the domestic economy.

The combination of these factors, coupled with the heightened uncertainty surrounding the global outlook, reinforce our view that Australian policymakers will leave rates on hold at 6.75%.

## Canada Outlook

Trade will be a big drag on growth

The trade surplus is shrinking dramatically as Canadian consumers shop across the border and manufacturing slows in response to the currency's rally. New orders and unfilled orders have started to turn lower. This, no doubt, will be a drag to growth going forward.

The currency is keeping a lid on inflation

Nonetheless, the consumer remains in good shape and we expect job growth to be ok, but not as strong as in prior quarters.

We see two BoC rate cuts

Though headline inflation has risen, core prices have dropped well below forecast thanks to the currency. Import prices have plummeted by 5.5% in the most recent reading.

We think the central bank will cut rates twice in the next six months. The extent of the growth slowdown will determine the amount and timing of rate cutting, as the inflation story gives the bank a clear green light. We also expect the currency to stay in a fairly narrow range, and bond underperformance versus the US to end in the coming months.

## Emerging Markets Outlook

**Summary:** We think that the JPMorgan EMBI Global spread will stay in its current range. *This is consistent with a bottom-up analysis of each analyst's spread forecasts for his particular country.*

The region remains surprisingly resilient to financial cross-currents. However, we believe we will see lower trade surpluses next year and a slower accumulation of dollar reserves, though growth should slow only modestly in most countries.

Growth shows tentative signs of slowing throughout the region

Major country growth is solid for now, but risks are rising

Andean countries could test markets' risk tolerance

Growth momentum firm in non-Japan Asia

...thanks to resilient non-US global growth

**Latin America:** Growth in the region remains solid, though some slowdown is becoming evident. Growth in Venezuela and Argentina is still suspect going forward, and will depend on forgiving markets. Growth in Brazil and Colombia is quite solid. Ecuador is lagging, and Mexican growth will lag given the uncertainties over US growth.

**Brazilian** growth could approach 5% this year as domestic demand accelerates. The trade surplus is declining, and we think it could shrink by half next year, which would send the current account into a small deficit from surplus this year. Dollar reserve growth has been steady, and the central bank is intervening sporadically to support this. The central bank is likely on hold for an extended period, though any slowdown in growth would probably be seen as a reason to cut rates.

We think **Argentine** risk will slowly increase. We continue to believe the trade surplus will decline faster than most believe, as energy exports are falling sharply, and imports remain very high. The government is increasingly reliant on exports for new revenue to support the fiscal surplus. A key issue will be inflation which appears to be accelerating as the government refuses to acknowledge the increasingly apparent price rises.

**Mexican** growth seems to be more at risk of slowing. The central bank is likely on hold despite the fact that inflation will remain above target for the entirety of 2008.

For **Venezuela**, the surprise rejection of a referendum on new policies and the president's re-election will likely modify the worst of Chavez, but not tempt him to steer a new course. The country is increasingly reliant on ever-higher oil prices as exportable oil slowly declines.

In **Ecuador**, growth is slow but the country is not spending the oil windfall at anywhere near the Venezuelan rate, and is actually improving infrastructure though politics remain uncertain as the constitution gets rewritten in coming months.

**Colombia** continues to enjoy good growth by contrast, but the deterioration in trade balances remains a key risk. We see the central bank here on hold after a surprise hike in November.

**Non-Japan Asia:** As the year draws to a close, growth momentum in non-Japan Asia remains solid, despite fears that the global credit crunch will intensify and the fact that near-term weakness of the US economy is becoming more apparent.

Indeed, the resilience of non-US global growth supports a relatively sanguine view of the region's economic prospects in 2008. Asian exports have remained strong right up to October, underlining how strength in European and emerging-market demand have more than offset slowing US imports. The trend extends across the region, including China. In fact, Asia is more vulnerable to a European recession than a US one—and at this writing, we see little risk of a marked economic downturn outside the US.

Real GDP growth in non-Japan Asia is expected to stay robust at 8.6%, mainly supported by China and India. Export growth no doubt will soften a little, but we expect domestic demand to become a bigger driver of economic growth as consumption continues to recover across the region, particularly in China, Hong Kong, South Korea, Singapore and Indonesia. Even in Thailand, where lingering political uncertainty has depressed consumer spending, we expect sentiment to improve after general elections take place this month.

The investment outlook is relatively mixed. Key economies like China and India are expected to maintain their robust capital expansion. In China's overheated sectors (steel, aluminum and cement) the addition of new capacity may slow; but construction—particularly the supply of low-cost housing in major cities—is expected to stay firm. Capital investment in India—important to ease economic bottlenecks in the country—will remain strong. South Korea's capital expenditure will remain low for the next few quarters, but the rebound in October construction orders points to a firm recovery in the sector in coming months.

Food disinflation is key to 2008 outlook as energy and commodity price pressure rises

Currency revaluation remains alive

With regard to inflation, food disinflation will be a major counterweight to upward price pressure from energy and commodities. History shows that food inflation triggered by a supply shock tends to be short-lived: As supply—driven by the prospect of higher profit—improves, the potential for downward price adjustment typically has a large downward effect on the consumer price index. Moreover, US dollar weakness and strong external inflows mean that Asian revaluation trades will continue. Indeed, high imported oil prices will prompt Asian central banks to ease foreign-exchange interventions, allowing currencies to strengthen, thereby checking inflation. Thus, although growing oil-induced inflation worries will boost interest rates and currencies in the majority of Asian countries, we predict overall inflation in the region will peak at 4% this year and ease slightly to 3.8% next year.

Asia's decoupling from the US means that official interest rates in the region will be less influenced than in previous cycles by the potential of a US rate cut. The policy stance will be mixed, however, with China, South Korea, Malaysia, Taiwan and Thailand expected to tighten, Indonesia and India likely to hold their policy rates unchanged and the Philippines inclined to ease rates over the next 3-6 months.

EEMEA growth outlook remains solid and should slow only slightly

**Emerging Europe, Middle East and Africa:** The growth outlook next year remains solid given the strength of domestic demand and money and credit growth, and we continue to expect economic activity for the region to slow only modestly next year. The impact to growth from tighter global liquidity conditions—primarily through the external and domestic credit growth channels—is expected to be modest for those countries with lower external financing requirements or substantial policy loosening, such as Russia. At the same time, some of the smaller countries with large current account deficits are highly vulnerable to a prolonged slowdown in available external funding. The potential for significant stress in one of these countries to spill over throughout the region represents a key downside risk factor. In addition, inflation continues to rise on the back of higher food prices and above-trend growth, and has further complicated the monetary policy environment.

Russian growth outlook remains well supported

A slowdown in **Russian** growth from tight global credit conditions and a higher cost of capital should be modest. While credit growth is expected to slow as private banks face increased funding constraints, the growth outlook is supported by high oil prices, strong domestic demand growth momentum, significant fiscal and monetary stimulus, and state-owned and foreign banks' capabilities to sustain lending. Indeed, activity in October was extremely strong, with monthly GDP rising to 7.5% year-over-year from 5.6% in September and 6.3% in August. On the back of above-trend growth, higher food prices, and government liquidity support to the banking system, inflation has surged to well-above the official target. Rising inflation increases the likelihood of ruble appreciation next year, which is the central bank's main tightening tool.

Growth in Poland remains robust

The outlook for growth in **Poland** remains strong, though some slowing should occur next year due to additional monetary policy tightening and a modest slowing in Europe.

Economic growth was better than expected in the third quarter at 6.4% year-over-year, marking the sixth straight quarter of growth above 6%. Robust domestic demand and higher food prices continue to underpin rising inflation, which led the central bank to hike interest rates for the fourth time this year for a cumulative 100 basis points of tightening this year. The central bank should continue to tighten its policy stance next year, though the pace of rate hikes is still expected to be gradual given ongoing differences of opinion at the central bank over the risks of inflation.

Despite a pause, the fundamental drivers of rate cuts in Hungary remain intact

In **Hungary**, rising food prices and concerns over wage settlements early next year have delayed the anticipated easing cycle. However, the central bank should resume gradual rate cuts next year given that the underlying drivers of the current cycle—tighter fiscal policy, below-trend growth, and declining non-food inflation—remain intact. Indeed, growth in the second quarter was worse than expected at 1.6% year-over-year, a slight improvement over 1.2% in the second quarter but still at the lowest level since 1996. The probability of the government passing new fiscal tightening rules for 2009 remains higher than what is priced into the market, and is still the most important medium-term driver of lower interest rates.

Inflation rising in South Africa

In **South Africa** inflation is reasserting itself as a challenging problem. For a while, inflation increases seemed to be reflecting just food and energy. More recently, second-round effects have become more obvious. Non-traded goods prices are rising, with service costs increasing in particular, reflecting higher wages. CPIX inflation is now 7.3% and headline inflation is 7.9%, outside of the 3% to 6% target. The central bank, through its infrequent meetings and measured approach, has failed to raise real interest rates throughout the 1½-year tightening cycle. The bank has moved so slowly that it has stayed behind inflation throughout. Policymakers will have to pick up the pace of tightening if they plan to catch up.

Turkey's monetary policy headed in the wrong direction

**Turkey** is once again proving how hard it is to lower moderate inflation, which has been stuck in a range of 7% to 10% for 3½ years, with policymakers unable to close the gap to the central bank's 4% target. Since hitting a 30-year inflation low of 6.9%, inflation has risen steadily for the last 5 months and should keep rising. Paradoxically, the bank has chosen this moment to bring official rates down. The reasoning is that rates of 16.25% are simply too high and the level needs to be corrected. Furthermore, policymakers have claimed that most of the recent inflation acceleration is due to temporary factors: administered price increases, food price increases, and energy increases. In reality, other prices have started to move up and expectations are moving against the bank. The increase in inflation is a signal that tighter monetary policy is needed, not looser. In our view, the bank is far too optimistic, refusing to acknowledge that standard monetary policy signals indicate that they should reverse direction.

	Real Growth <sup>1</sup>			Inflation <sup>1</sup>			Official Rates <sup>2</sup>			Long Rates <sup>2</sup>		
	2006	2007F	2008F	2006	2007F	2008F	2006	2007F	2008F	2006	2007F	2008F
<b>Global</b>	3.7%	3.5%	3.2%	2.9%	2.7%	3.0%	4.57%	4.54%	4.67%	4.36%	4.36%	4.78%
Global (PPP)	4.8%	4.7%	4.4%									
<b>United States</b>	2.9%	2.2%	2.5%	3.2%	2.8%	3.0%	5.25%	4.25%	4.50%	4.71%	4.25%	5.00%
<b>Canada</b>	2.7%	2.5%	2.1%	2.2%	2.4%	2.3%	4.25%	4.50%	4.00%	3.95%	4.60%	5.00%
<b>Euro Area</b>	2.9%	2.6%	2.0%	2.2%	2.1%	2.4%	3.50%	4.00%	4.25%	3.95%	4.00%	4.50%
<b>United Kingdom</b>	2.8%	3.1%	1.9%	2.3%	2.3%	2.3%	5.00%	5.75%	5.00%	4.74%	4.55%	5.00%
<b>Japan</b>	2.2%	1.6%	1.2%	0.3%	0.0%	0.3%	0.25%	0.50%	0.75%	1.69%	1.55%	1.60%
<b>Australia</b>	2.7%	4.5%	3.6%	3.5%	2.3%	3.0%	6.25%	6.75%	6.75%	5.88%	6.40%	6.50%
<b>Non-Japan Asia</b>	8.3%	8.6%	8.6%	3.2%	4.0%	3.8%	--	--	--	--	--	--
China <sup>3</sup>	11.1%	11.6%	11.3%	1.5%	4.7%	3.8%	6.12%	7.56%	7.83%	3.06%	4.65%	4.75%
Hong Kong <sup>4</sup>	6.8%	6.3%	5.8%	2.0%	1.7%	2.8%	6.75%	5.75%	5.50%	3.73%	3.50%	4.20%
India <sup>5</sup>	9.1%	9.0%	8.5%	6.3%	6.5%	5.8%	6.00%	6.00%	5.50%	7.61%	7.80%	7.60%
Indonesia <sup>6</sup>	5.5%	6.2%	6.5%	13.1%	6.2%	5.5%	9.75%	8.25%	8.25%	9.88%	10.00%	9.50%
Korea <sup>7</sup>	5.0%	5.0%	5.5%	2.2%	2.5%	2.7%	4.50%	5.00%	5.50%	5.00%	5.80%	5.90%
Thailand <sup>8</sup>	5.0%	4.7%	5.5%	4.6%	2.0%	2.5%	4.89%	3.25%	3.50%	5.09%	4.80%	4.90%
<b>Latin America</b>	4.8%	5.0%	4.2%	6.0%	5.3%	5.9%	--	--	--	--	--	--
Argentina <sup>9</sup>	8.5%	8.0%	5.0%	10.5%	18.0%	18.0%	--	--	--	--	5.50%	6.00%
Brazil <sup>10</sup>	2.9%	5.0%	4.8%	3.2%	4.0%	4.2%	13.25%	11.25%	10.50%	1.80%	1.80%	1.50%
Mexico	4.8%	3.0%	2.8%	4.0%	3.9%	3.4%	7.00%	7.50%	7.50%	7.20%	7.90%	8.20%
<b>Others</b>	5.8%	5.8%	5.2%	5.8%	5.9%	6.9%	--	--	--	--	--	--
Sweden	4.5%	3.3%	2.6%	1.2%	1.2%	2.1%	3.00%	4.00%	4.25%	3.79%	4.15%	4.65%
Norway	4.6%	5.5%	3.2%	0.8%	1.5%	2.4%	3.50%	5.25%	5.50%	4.33%	4.70%	5.25%
Poland	6.1%	6.3%	5.6%	1.0%	2.3%	3.4%	4.00%	5.00%	5.75%	5.22%	5.57%	5.55%
Russia	6.7%	7.3%	6.8%	9.7%	9.0%	11.1%	2.25%	2.75%	3.25%	6.46%	6.35%	6.40%
South Africa	5.0%	5.0%	4.7%	4.6%	6.8%	6.9%	9.00%	11.00%	11.50%	7.75%	8.40%	8.30%
Turkey <sup>11</sup>	6.1%	4.9%	5.6%	9.6%	8.8%	7.8%	17.50%	16.00%	15.25%	20.30%	16.80%	16.10%

## NOTES:

1) Growth and inflation forecasts are reported on a calendar year/calendar year basis. For Norway and Sweden, inflation is underlying.

2) Official and long rates are end-of-year forecasts. Long rates are 10-year yields unless otherwise indicated.

3) China: Official rates are 1-year benchmark lending rates and 10-year government bond yield

4) Hong Kong: Base rate and 10-year exchange funds yield

5) India: Reverse repo rate and 10-year government bond yield

6) Indonesia: Intervention rate and 5-year government bond yield

7) Korea: Overnight call rate and 5-year government bond yield

8) Thailand: 1-day repo rate and 5-year bond yield

9) Argentina: Discount bond spread

10) Brazil –37 Spread

11) Turkey: Long term rates are 5-year rates

Source: AllianceBernstein