Global Economic Research
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Global Economic Outlook

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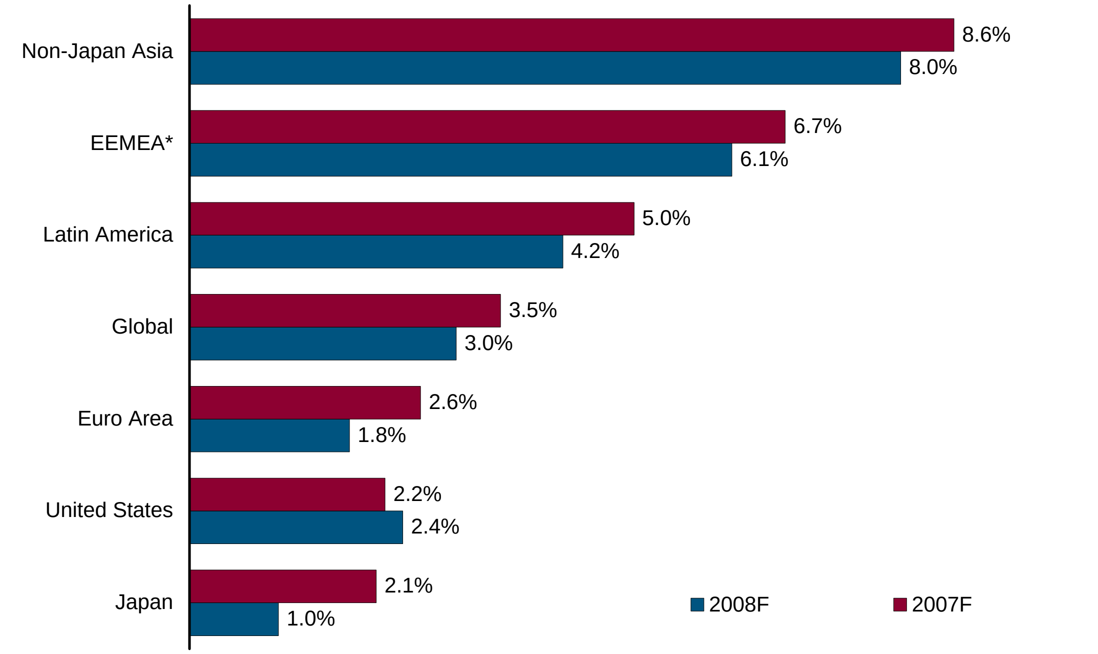
World Economic Growth



*Eastern Europe, Middle East and Africa
Source: AllianceBernstein

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Global Outlook

Global growth cycle still on track

Worries have grown that the turn in the credit cycle will trigger a recession in the US, with negative ramifications throughout the globe. Yet, at this writing—notwithstanding the sharp sell-off in the financial markets since the start of the year—incoming data suggest that the global growth cycle remains on track, with global growth still at 3%. Any financial market recovery will be prolonged, to be sure, but we believe the cumulative force of monetary and fiscal stimulus can carry the US economy through the rough patch.

Downside risks to US growth are increasing

There is no denying that the downside risks to US growth are increasing. Tightening credit standards along with rising losses at financial firms have led to acute pressure on banks and other financial intermediaries, reducing the credit available to firms and households. And, though the substantial easing of monetary policy over the past five months was intended to offset the effect of this credit tightening, financial conditions continue to deteriorate. Clearly, the Federal Reserve will be forced to make additional changes to monetary policy, probably lowering the federal funds target by 25 or 50 basis points at this month's meeting of the Federal Open Market Committee.

…but strong trade flows and robust demand from emerging markets make us upbeat

Our upbeat view on the global growth cycle still rests on robust demand trends within emerging-market economies and in strong trade flows. Indeed, global trade data for early 2008 not only show double-digit gains, but also, that a fundamental shift in the direction of trade is underway. Flows to the US market are off substantially because of the sharp slowdown in domestic demand growth, yet shipments and cargo *from* the US are rising sharply. The shift in trade flows is readily apparent in recent surveys of purchasing agents. US survey results show export orders running at very high levels, while import orders have slumped to levels last seen during the 2001 recession. Conversely, export orders in countries like Germany have slowed, owing to the weakness in the US and changes in currency markets. With global trade flows still expanding at a rate of around 10%, the shift in shares is still manageable, in our view.

One of the by-products of the financial problems in the US has been a continual fall in the value of the dollar and attendant rise in the value of commodities—no doubt due, in part, to a flight in money toward goods, one of the classic examples of a shift in inflation expectations. This process has further to run, in our view, because the Fed has indicated that downside risks to growth continue to outweigh short-run inflation concerns. Accordingly, we expect the US dollar to continue to undergo more downside pressure in coming months—moving lower against all currencies, with the bulk of the fall likely occurring against non-Japan Asia, a region where growth is fast and interest rates are still on the rise.

US Outlook

Rising inflation threatens economic growth

Inflation worries are escalating in the US and posing additional threats to the pace of real economic growth. Both consumer and producer prices posted relatively large gains in January, triggering the largest combined annual increase in years. Consumer prices rose 4.4% in the past year, while producer prices have climbed 7.7%.

Pressure is building in the pipeline

Although food and energy are the main inflationary culprits, price increases have spread to a wide range of retail and manufactured products in recent months. Moreover, pressures are building in the pipeline, as prices at the lower stages of processing within the farm and manufacturing sectors are rising faster than finished product prices. Import prices are also on the rise, owing to the declining dollar and the fast pace of rising prices elsewhere in the world. Designing a strategy to confront this surge must be balanced by policymakers' concerns about reviving economic growth after GDP advanced just 0.6% in the fourth quarter.

Much of the current run-up in inflation is demand-driven, emanating primarily from outside the US, and especially the emerging markets. This compounds the US economy's challenge to overcome rising prices because it resembles the effect of a supply shock, which reduces purchasing power in the process, especially for households. As a result, first-quarter real consumer spending may struggle to reach our 1% estimate.

The Fed views this inflation environment as a temporary phenomenon that will probably turn around as the economy slows. Federal Reserve Vice Chairman Donald L. Kohn said this week that he expects the jump in headline inflation to be reversed and core inflation to head down over the next year or so. His forecast is based on the assumption that "greater slack in the economy should reduce pressure on prices and wages," while data from the futures market suggest "energy and commodity prices will level out."

Kohn's position, however, is brimming with contradictions. He also expects economic activity to improve by mid-year as the lagged effects from official rate cuts kick in, tax rebates begin to flow to households in the spring and the rate of decline in housing eases. We don't disagree. These factors are likely to feed into economic growth as the year unfolds. However, this implies that improvements in the domestic economy will add to the demand pressures emanating from outside the US, perhaps prolonging the inflation cycle beyond expectations.

Rates decline despite rising commodity prices

Many analysts are discounting the long-term inflationary consequences of commodity prices based on experiences of the last two business cycles. During the 1980s and 1990s, commodity price cycles were more muted and shorter than in the 1970s. In addition, the effect of commodity inflation on general inflation was greatly reduced as technological breakthroughs raised productivity while globalization proffered new capacity almost on demand.

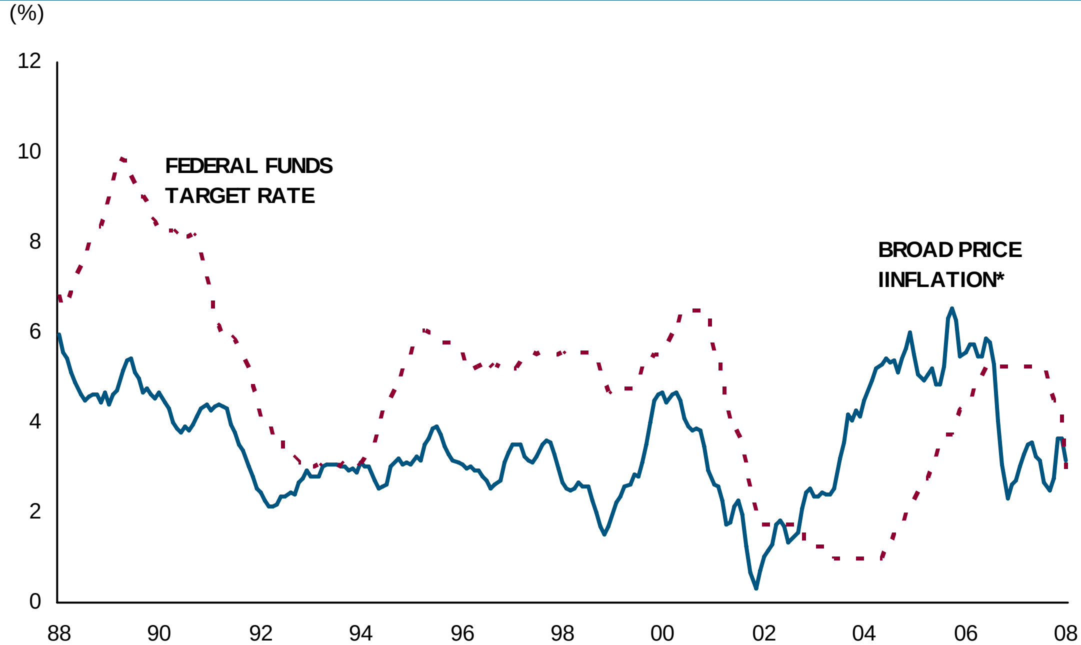
Yet, despite these disinflationary tendencies, the contour of official rates generally mimicked the cyclical pattern of commodity prices in the 1980s and 1990s, as policymakers tried to eliminate or curb imbalances that pushed inflation up (or in some cases down.) Changes in official rates were more proportional in the 1970s when the linkage from commodity prices to general inflation was more direct and concurrent.

Clearly, today's rapidly rising commodity prices amid an abrupt decline in official rates is markedly different from patterns of the 1980s and 1990s, and even somewhat different from the 1970s. First, in the 1980s and 1990s, commodities prices moved in a narrow band and never exceeded the highs of the1970s. The current cycle resembles that of the 1970s, with price levels moving steadily higher to record levels. The current cycle is also unique because official rates have declined against the backdrop of fast increases in commodity prices.

The latter point should not be overlooked because our analysis shows that the fast rise in commodity prices is lifting the change in the aggregate price level in the economy. Our broad price index, which helps distinguish between relative and absolute price movements, and includes commodity prices (with a very low weight) along with consumer prices, finished producer prices and real and financial assets prices, has gained 3.5%—50 basis points over the target on the Fed funds rate.

Display: Fed's Quick Action Narrows Gap

Broad Inflation and Interest Rates



*Year-on-year percent change, three-month moving average of Broad Price Index. The broad price index consists of consumer prices, all three stages of producer prices, new and existing home prices and stock prices. Food and energy prices are excluded from the two lower stages of producer prices.

Source: Federal Reserve Board and AllianceBernstein

Only twice in the past 20 years (1993 and 2002) has the funds rate matched the rate of increase in the broad price index (**Display**). In each case, two different policy responses prompted dramatically different outcomes. In 1994, the Fed jacked up interest rates by 300 basis points over 12 months, staving off a cyclical rise inflation in the process. But in 2002, the Fed left rates at unusually low levels and then cut rates again in 2003, which helped fuel an inflation cycle that was expressed mainly in an explosion in real asset prices.

History shows that inflation cycles can appear in products, services or commodities that consumers and business buy, or in other types of assets such as stocks, bonds or real estate. But every type of inflation cycle is rooted in an easy monetary policy.

In this week's testimony on monetary policy before the House Committee on Financial Services Federal Reserve, Chairman Ben S. Bernanke hinted that additional rate cuts may be in store to ward off further downside risks to growth. However, maintaining this type of accommodative policy increases the risk of generating an inflationary cycle on the other side of the slowdown. In the short run, we still expect financial markets to focus more on the economy's growth performance than on inflation risks. But when economic growth is restored as we expect in the second half, inflation tendencies will probably move to front and center because the financial kindling being added today will help extend the current cycle of rising prices.

Europe Outlook

Recent economic data have been resilient, suggesting that euro-area growth is not running far below trend. The risks in the near term are skewed to the downside, especially given the latest rise in the euro and drop in equity markets. However, we continue to think that the absence of any major domestic imbalances in the euro area as a whole significantly reduces the risks of a hard-landing. With inflation running at 3.2%, the highest in over a decade, and money and credit growth buoyant, we believe the scope for rate cuts is much lower than currently priced into markets.

The ECB's reluctance to cut interest rates stands in stark contrast to the aggressive easing seen from the Fed. In part, this is because the euro area is much less exposed to a housing-led downturn. However, it also highlights the challenge central banks face in trying to gauge the correct monetary response at a time when growth is slowing and inflation is rising. The Fed's dual mandate requires it to give equal consideration to both inflation and growth, but the ECB's mandate requires it to give overriding priority to price stability. This means the ECB, in common with most other central banks in Europe, is unwilling to assume that lower growth will, by itself, ensure that inflation returns to target. In our view, growth will have to be much weaker than we expect for the ECB to seriously contemplate rate cuts.

While we expect the euro area as a whole to escape a serious downturn, some countries may be more exposed than others. For example, Spanish growth has been heavily supported by housing and consumption in recent years and is therefore vulnerable to a reversal of these trends. Spain has also experienced a big deterioration in competitiveness, in part because of very weak productivity growt. Recent data have not been enouraging. Consumer confidence is at a 13-year low, while the manufacturing PMI has fallen to 46.7 in Spain compared with 52.3 for the euro area as a whole and 54.3 for Germany. Spain faces a challenging outlook, and this is reflected in the recent widening of the yield spread between Spain and Germany.

Data in the UK have confirmed that housing is slowing and that this is beginning to spill-over into weaker consumer spending. There is little doubt that the Bank of England will cut rates further in coming months, but the high level of many key inflation gauges suggests that this will be a gradual process. One important limiting factor is likely to be the exchange rate, which could fall further as the economy continues to rebalance away from housing and consumption towards exports and investment.

Japan Outlook

2008 GDP growth to be below potential

Real GDP is expected to grow only 1% this year, below Japan's economic potential. Economic conditions continue to deteriorate and, in fact, the risk of recession is growing.

Q4 Real GDP growth misleading

Headline real GDP growth was surprisingly robust in the fourth quarter, at 3.7% quarter-on-quarter annualized. We believe this was misleading, however, as 2.5 percentage points were attributable to the plunging GDP deflator, which was mainly pulled down by the net export factor. Nominal growth was actually only 1.2% annualized, with year-on-year growth just 0.7%, the lowest in more than two years, pointing to the fact that underlying economic conditions are weak.

Indeed, in January, the economy watchers current conditions index fell to the lowest level since late 2001, when Japan had been in recession. Moreover, despite solid exports, the latest industrial production data show a clear sign of downturn: output fell sharply in January, by 2% month-on-month, and the METI outlook has output dropping 2.5% in the first quarter—the first decline in a year.

As a result, we have reduced our nominal GDP growth forecast for this year to 0.8% (from 1.3%) and lowered our six-month target on the 10-year JGB yield to 1.50% (from 1.55%). We now expect the central bank to remain on hold throughout the year, with an outside chance of a rate cut, rather than a rate hike.

Political tension raises risk that BOJ governor seat will be vacant temporarily

The question of who will become the new central bank governor after Toshihiko Fukui's departure on March 19 is a critical focus this month. Risk has risen significantly that the new governor may not be appointed or approved before March 19, because of deepening political conflicts between the Liberal Democratic Party (LDP) and Democratic Party of Japan (DPJ). On February 29, the LDP forcedly passed fiscal 2008 budget and tax reform in the lower house by taking advantage of the party's two-thirds majority and turning a deaf ear to the DPJ party's demand for several more days of discussion. Admittedly, it is crucial that final approval on the budget and tax reform happen before the fiscal year ends at the end of March. Still, it did provoke the DPJ party. Since appointment of a new central bank governor requires parliamentary approval in both upper and lower houses, and since the upper house is dominated by the DPJ, we won't be surprised if DPJ members assume a defiant stance toward any proposal from the LDP regarding the new governor. In fact, the seat could remain empty for some time after Fukui's departure.

Short term, we do not believe it will be serious for the bank to do without a governor, as the rest of the board or executive directors can do most of the governor's job and policy change is feasible. But there is a high risk of it having a negative psychological impact on the financial markets and cause market volatility, particularly given the country's flagging economy. The financial markets may believe that without a governor, the bank will fail to respond smoothly and quickly enough to economic deterioration or other shocks.

Australia Outlook

2007 was a solid year....

Fourth-quarter GDP numbers confirm that the Australian economy was growing at a relatively fast clip going into the end of 2007. Private demand increased by 1.4% in the quarter (or 6.0% year-on-year), driven by a solid increase in household spending. This strong demand growth was reflected in import volumes; and with exports again disappointing, the trade balance detracted 1% from growth in the quarter. This left overall GDP up by 0.6% in the quarter or 3.9% year-on-year.

....but 2008 looks like being softer....

It is important to note, however, that these figures are rather dated, effectively giving us a snapshot of the economy as at mid-November last year. The data since then are consistent with a softening in demand, in our view. Business and consumer confidence have slipped sharply since the start of the year. Retail spending was relatively soft in both December and January. And, credit growth to households has slowed markedly.

....under the weight of tighter financial conditions

Importantly, these datapoints do not reflect the full impact of tighter financial conditions. The central bank has hiked by 100 basis points over the last 9 months (August, November, February and March)—the most aggressive phase in a tightening cycle that began in 2002. The global credit crunch has also had a meaningful impact on the funding costs of domestic banks. These costs are being passed on to borrowers, and represent an additional 40 basis points or so of tightening. And, with a number of non-bank lenders facing funding constraints, there has been a marked reduction in competition, and a resultant tightening in credit availability.

We expect to see further signs that spending is slowing in coming months, and with it a deterioration in labour market indicators. This should help to allay some of the central bank's fears over the inflation outlook. Accordingly, we expect that 7.25% will represent the peak in cash rates in this cycle.

Canada Outlook

Growth, which is now anemic, should increase in the second half

Canadian growth numbers were quite soft in December, and the first quarter will be more of the same. Much of the drag will come from manufacturing, but domestic demand is not deteriorating, and while external accounts may soften, we are not as pessimistic about them as the market. We expect a growth recovery in the second half of the year, assuming US stimulus starts to kick in and financial markets stabilize.

Inflation is tame thanks to the currency

Though headline inflation has risen, core prices have dropped well-below forecast thanks to the currency. Import prices have plummeted, and food prices have also fallen in contrast to virtually the rest of the world. Therefore, policymakers have ample room to respond to the risks that the US story causes below-forecast Canadian growth.

The future of the rate cycle depends on the US

We write this prior to this week's central bank meeting, where we anticipate a 50 basis-point cut in the official rate. If the statement accompanying the decision focuses on the future impact of policy stimulus in the US, the central bank may make just one more 25 basis-point cut, but if the focus remains on current US weakness, further cuts are likely.

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.*

Growth will slow somewhat due to less favorable external accounts

Latin America: Growth in the region remains relatively resilient to financial cross-currents. Domestic demand is holding up, but smaller trade surpluses will trim overall growth in selected countries. A key risk will be that surpluses decline more rapidly than forecast, and currency volatility returns with lower capital inflows resulting from that scenario. High commodity prices continue to underpin the growth story throughout the region. Those countries that are closest to the US in terms of trade ties will face the greatest downside growth risks.

The primary risk to major country growth is negative inflation surprises, and resulting tighter policy

Brazilian growth will probably fall slightly in 2008 but stay above 4% after what was probably over 5% growth in 2007. 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. This could become a major issue before the end of the year. Dollar reserve growth has been steady, but is occurring at levels about half that of the first half of 2007. We believe that the central bank is likely to stay on hold for an extended period, though domestic rates are forecasting a hiking cycle.

We think **Argentine** growth will slow, but stay elevated because of robust spending. The trade surplus remains a key positive for the country, as recent export revenues have been phenomenal. Primary fiscal accounts are likely to have a comfortable surplus as export tax revenue soars. High inflation, and a potential policy response that slams on the brakes, remains a key risk here.

Mexican growth is steady but unspectacular at around 3% for both 2007 and probably slightly lower for 2008. The central bank probably will remain on hold despite slower growth as inflation will likely decline only quite slowly.

Andean country politics, led by Venezuela, is a key risk

For Venezuela, we see continuing deterioration. Recent saber-rattling from Chavez is only the latest sign the president is seeking to distract the population from the stalling economy as goods shortages and inflation rise. Risks that Chavez could miscalculate will affect the entire region's prospects.

In Ecuador, growth is slow but the country is not spending the oil windfall at anywhere near the Venezuelan rate. Just by standing still, the country's debt ratios will improve markedly relative to the rest of the region.

Colombian growth will moderate, with risks that the high interest rates needed to curb inflation will cause growth to slow sharply. The deterioration in trade balances remains a key risk.

Risk of growth slippage remains low but inflation has risen faster than expected

Non-Japan Asia: The Asian export expansion remained firm at the beginning of 2008, with upside growth surprises seen in China, South Korea, Singapore and Thailand thanks to continued strength in non-US growth. Although the risk of a growth slippage in the coming year looks slim, inflation across the region generally has risen faster than expected due to high food and energy related price pressures. Accordingly, while we maintain the region's GDP growth forecast at 8% for 2008, our projection for inflation has been revised up to 4.6% (from 4% previously). In our view, it will remain difficult for Asian central banks to follow the US Federal Reserve's aggressive easing because of heightened domestic inflation risk. The possible outcome is that Asian currencies will remain under significant upward appreciation pressure thanks to a more restrictive monetary stance compared to the US.

China must maintain a prudent policy stance to check inflation and liquidity growth despite snow storms

In China, the big bounce in CPI (up 7.1% year-on-year) and the 42% year-on-year jump in new loans in January have evaporated hope of any meaningful credit relaxation despite the dampening impact from severe snow storms in January-February. The focus is now on the upcoming National People's Congress in early March, where the new lineup of top policymakers will be formally announced, along with the economic strategy for the coming year. We expect the leadership, while allowing very selective policy easing to the snow-affected areas for infrastructure reconstruction, will adopt a prudent policy stance in view of rising inflation risk and lingering excess liquidity. Although an interest rate hike may be postponed to the second quarter, Beijing seems to be more willing to take on an accelerated pace of currency appreciation in a bid to combat inflation; already, the RMB/US$ exchange rate has gained some 2.5% in the year to date vs. an annual appreciation of a little less than 8% for full-year 2007. We maintain our forecast for an annual 9-10% appreciation of RMB/US$ during the next 12 months.

South Korean bond market may have overpriced the chance of a rate cut amid firm growth and inflation

Local-currency bonds in South Korea have rallied over the past two months as US interest rates have fallen steeply. In our view, the rally is not supported by economic fundamentals and effectively misreads a shift in the central bank's policy focus, from controlling inflation to promoting growth. Lingering concern about external growth prospects and the bank's recent switch to a pro-growth stance may keep domestic bond yields low for the next quarter or so, but we think a correction is likely as soon as inflation accelerates, triggering expectations of a return to a rate-tightening cycle during the second half of 2008.

Cost inflation is major monetary policy concern

Emerging Europe, Middle East and Africa: The growth outlook for the region remains largely unchanged, with activity expected to slow modestly, but remain robust and above-trend. Strong domestic demand and elevated commodity prices remain the main drivers of growth, while smaller countries are more susceptible to a slowdown given their greater dependence on foreign capital. Higher inflation, lead by rising cost inflation from higher food, energy and administrative prices, remains a central near-term monetary policy challenge. In response, most central banks are poised to tighten rates to some degree, but the magnitude of policy responses is likely to differ based on the perceived risks to second-round inflation and the degree of expected growth slowdown. Nevertheless, many central banks seem increasingly willing to tolerate above-target headline inflation so long as the growth outlook remains uncertain and provided that core inflation is not contaminated.

Russia's central bank should accelerate the pace of tightening

In Russia**,** growth indicators remain robust through the start of the year. GDP growth was an estimated 7.4% year-over-year in January and PMI readings remain elevated at 54.6. The strength of domestic demand, aided by high oil prices, has so far been surprisingly resiliant to global credit market woes. Strong growth is fueling higher inflation (both on the cost and demand sides) which has risen to 12.6% year-over-year. With the end-2008 target of 8.5% already looking out of reach and presidential elections completed, the government should accelerate the pace of monetary policy tightening through a combination of higher interest rates, ruble appreciation and administrative measures.

In Poland, rising cost inflation should prompt some additional tightening

In Poland, survey indicators and hard data show continued economic strength in the first two months of the year. Rising cost inflation from food, energy, and electricity prices continues to drive headline inflation higher, prompting the central bank to raise its forecast for 2008 to an average of 4.2% from 2.9%. As a result, we now expect the bank to hike rates to 6.00% (our prior forecast was 5.75%) but this is still less than currently anticipated by the market, which has priced in 6.25% to 6.50% in additional tightening. In our view, the central bank is likely to tolerate some degree of above-target inflation given a) the dovish stance of half of the rate-setting members, b) slowing exports, c) a strong exchange rate at six-year highs, and d) 150 basis points of cumulative tightening since April 2007.

Hungary will guard against inflation risks while fundamentals improve

In Hungary, growth is expected to remain below trend for the second year in a row and inflation is likely to have peaked in February. We expect the central bank to hike rates by 50 basis points, which is less than the market is anticipating, to guard against further exchange-rate weakness and risks of higher cost inflation. These risks were noted in the bank's upward revision to its inflation forecast. Importantly, however, the current period of weakness is occurring alongside enhanced policy credibility and fundamental improvements in the real economy, including no signs to date of second-round inflation, softening labor markets, productivity improvements, substantial fiscal tightening, and a decade-high trade surplus. Given these improvements, the current pessimism toward Hungary in the financial markets is overdone, in our view.

South Africa economy takes a hit

South Africa's economy is headed down. Sales are falling, the purchasing managers' index is declining, and housing prices are stagnant. The electricity crisis will harm the economy further as everyone is required to cut electricity usage by 10% to 15%. The recent drop in the PMI reflects the impact from the electricity shortage to some extent, and the situation no doubt will also hurt exports, weaken the currency, and raise inflation. The general slowdown could help control inflation and lower imports; however, overall, the economic prospects for South Africa are bleak.

Turkey's currency vulnerability

Turkey's currency is clearly overvalued. The lira has appreciated in past years in both nominal and real terms, bringing the current account balance to a deficit of 8% of GDP from balance six years ago, before the currency strengthened so much. During the past four months, capital account financing has weakened, with less reliance on foreign direct investment and portfolio inflows and more reliance on corporate borrowing. Monetary policy has been on a loosening trend. Domestic interest rates remain high, offering a large carry. If a currency correction does take place, however, the carry advantage will be lost. Past improvements in government and central bank asset positions make Turkey less vulnerable to a financial crisis.

AllianceBernstein Global Economic Forecast

March 2008

	Real Growth[1]			Inflation[1]			Official Rates[2]			Long Rates[2]		
	2006	2007F	2008F	2006	2007F	2008F	2006	2007F	2008F	2006	2007F	2008F
Global	3.7%	3.5%	3.0%	2.9%	2.8%	3.4%	4.57%	4.51%	4.18%	4.34%	4.36%	4.48%
Global (PPP)	4.8%	4.7%	4.2%									
United States	2.9%	2.2%	2.4%	3.2%	2.9%	3.3%	5.25%	4.25%	3.25%	4.71%	4.05%	4.25%
Canada	2.7%	2.5%	2.2%	2.2%	2.4%	2.3%	4.25%	4.25%	3.50%	3.95%	4.60%	5.10%
Euro Area	2.9%	2.6%	1.8%	2.2%	2.1%	2.8%	3.50%	4.00%	4.00%	3.95%	4.31%	4.50%
United Kingdom	2.9%	3.1%	1.7%	2.3%	2.3%	2.7%	5.00%	5.50%	4.75%	4.74%	4.51%	4.75%
Japan	2.4%	2.1%	1.0%	0.3%	0.0%	0.6%	0.25%	0.50%	0.50%	1.69%	1.51%	1.60%
Australia	2.8%	3.8%	3.0%	3.5%	2.3%	3.6%	6.25%	6.75%	7.25%	5.88%	6.33%	5.85%
Non-Japan Asia	8.3%	8.6%	8.0%	3.2%	3.9%	4.6%	--	--	--	--	--	--
China[3]	11.1%	11.5%	10.6%	1.5%	4.8%	5.3%	6.12%	7.47%	8.01%	3.06%	4.46%	4.40%
Hong Kong[4]	6.8%	6.3%	5.8%	2.0%	2.0%	4.0%	6.75%	5.75%	4.00%	3.73%	3.40%	3.75%
India[5]	9.1%	9.0%	8.5%	6.3%	5.0%	4.5%	6.00%	6.00%	5.50%	7.61%	7.76%	7.30%
Indonesia[6]	5.5%	6.3%	6.0%	13.1%	6.4%	6.5%	9.75%	8.00%	7.50%	9.88%	10.02%	9.50%
Korea[7]	5.0%	5.0%	4.8%	2.2%	2.5%	3.8%	4.50%	5.00%	5.25%	5.00%	6.05%	5.75%
Thailand[8]	5.0%	4.8%	5.0%	4.6%	2.2%	3.5%	4.89%	3.25%	3.25%	5.09%	4.53%	4.30%
Latin America	4.8%	5.0%	4.2%	6.0%	5.3%	5.9%	--	--	--	--	--	--
Argentina[9]	8.5%	8.0%	7.5%	10.5%	20.0%	20.0%	--	--	--	--	5.50%	6.00%
Brazil[10]	2.9%	5.2%	4.8%	3.2%	4.1%	4.5%	13.25%	11.25%	11.25%	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%
Others	6.1%	5.9%	5.1%	5.8%	5.9%	7.3%	--	--	--	--	--	--
Sweden	4.4%	2.8%	2.5%	1.2%	1.2%	2.1%	3.00%	4.00%	4.25%	3.79%	4.35%	4.60%
Norway	4.8%	6.0%	3.9%	0.8%	1.5%	2.4%	3.50%	5.25%	5.50%	4.33%	4.69%	5.00%
Poland	6.1%	6.5%	5.6%	1.0%	2.4%	4.3%	4.00%	5.00%	6.00%	5.22%	5.92%	5.65%
Russia	7.4%	8.1%	7.6%	9.7%	9.0%	12.9%	2.25%	2.75%	3.75%	6.46%	6.29%	7.00%
South Africa	5.4%	5.1%	3.2%	4.6%	6.5%	8.2%	9.00%	11.00%	10.50%	7.75%	8.39%	8.40%
Turkey[11]	6.1%	3.3%	3.5%	9.6%	8.8%	7.0%	17.50%	15.75%	14.75%	18.50%	15.90%	14.20%

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