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Emerging Markets Quarterly: Q1 2022

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The global economy is set for another year of above-trend growth of 4.0% in 2022. Although high inflation will likely moderate through 2022, monetary policy conditions will change significantly, with the end of central bank asset purchases and with policy rates rising in many countries. This context will likely prove challenging for many emerging economies, particularly those with large financing needs. We project annual average real GDP growth of 4.7% in the emerging economies we cover, down from 6.9% in 2021, partly reflecting an unfavorable base effect.

In this report we present our detailed 2022 views for 18 countries in Latin America, EEMEA, and Asia.

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All the estimates and projections in this publication are based on information available through 7 January 2022.

We would like to acknowledge the contribution made by Pawel Chmielniak, an employee of CRISIL Global Research and Analytics, a business division of CRISIL Limited, a third-party provider of research services to Credit Suisse, in compiling the information and data tables presented at the end of this report.

After the storm

- **The global economy is set for a year of above-trend growth, high inflation and tightening monetary policy.**
- **But it will start on a weak note as a number of headwinds – Omicron, high energy prices, fiscal tightening – will impair growth in Q1. Strong fundamentals should support a rebound thereafter.**
- **The close correlation of economic activity and policy across regions since the start of the pandemic has ended. Different economies are set to follow different cyclical and policy paths.**

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CS House View - 2022 Economic Outlook: The great transition
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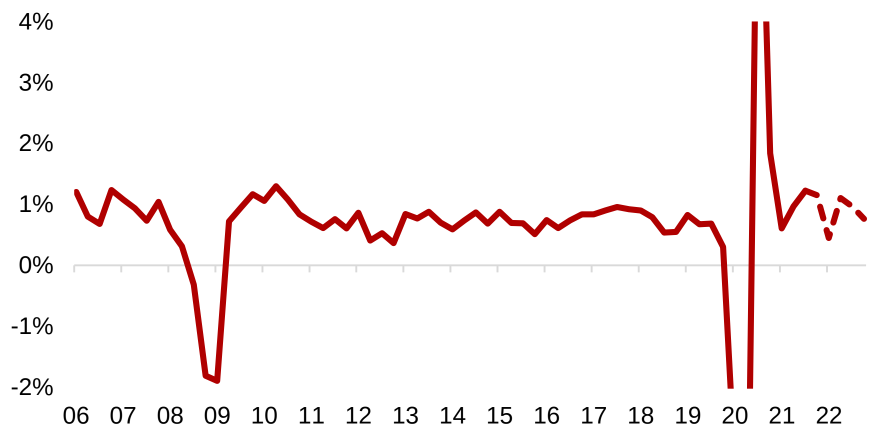
The global economy is set for another year of solid, above-trend growth in 2022 as the recovery from the pandemic continues. We forecast global GDP to rise 4.0% this year, after 5.8% in 2021. But that upbeat forecast belies a diverging prospect for growth and economy policy at the regional level with plenty of cross-currents and volatility. And at the aggregate level, a material shift in economic policy.

Figure 1: After a bumpy start, another year of solid global growth

Global GDP, q/q%, with CS forecasts



Source: Credit Suisse, Haver Analytics®

From stagflation to goldilocks

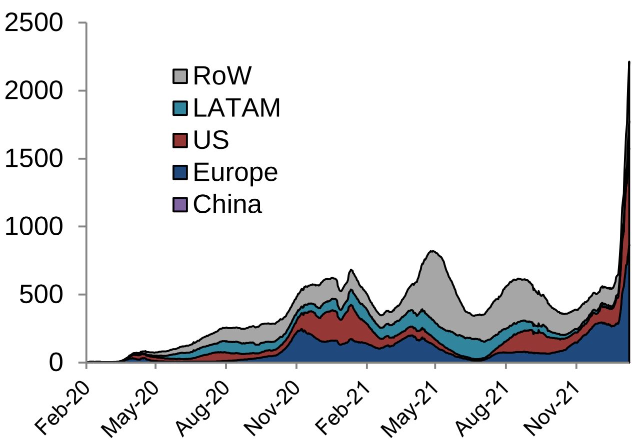
The year is set to start on a weak note, with the global economy facing a number of near-term headwinds.

One is Covid. Many countries are seeing new waves of infection driven by the Omicron variant. We think its impact could be material, but short-lived. It appears to lead to less severe illness than previous variants, but is considerably more infectious. Surges in infections can still overwhelm health care systems and precipitate greater social distancing, as seems to be the case in parts of Europe. This variant's greater infectiousness may also make a zero Covid policy in economies like China more costly to pursue.

But rising immunity (from vaccines and past infections) should mean this wave is short-lived. The hit to economic activity from each successive wave of infections – and associated restrictions – has diminished.

Figure 2: The Omicron variant is leading to a massive wave of infections that will likely disrupt activity

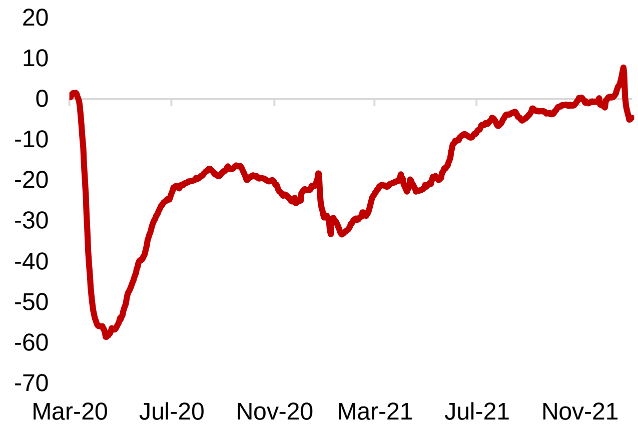
Daily Covid cases, thousands



Source: Credit Suisse, JHU

Figure 3: But economies have become increasingly resilient to waves of infection, so the damage should be slight

Global visits to retail and recreation locations compared to a January baseline, GDP weighed



Source: Credit Suisse, Google Community Mobility Reports

There are other headwinds. In the US, there may be a modest but abrupt fiscal tightening to start the year as child tax credits are cut, putting some near-term downside risks to consumer spending. In Europe, natural gas and electricity prices remain painfully high and volatile.

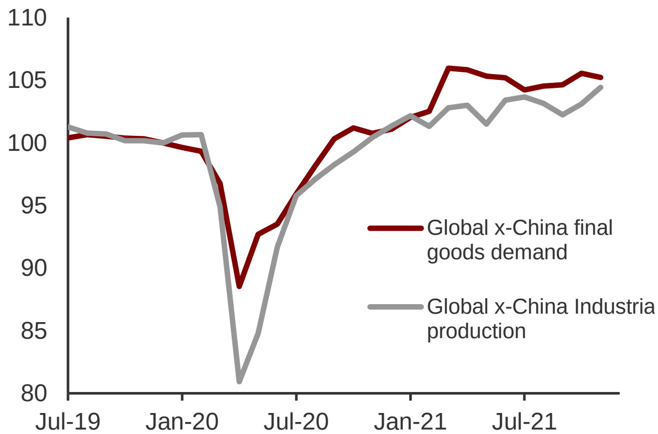
We expect these risks to concentrate in the first quarter, and then abate. For many economies the fundamentals from stronger demand – high savings rates, strong private sector balance sheets (see Figures 28 and 29 on page 18 for example), robust spending intentions – are still in place. Tightening labour markets should supply households with solid income growth. So growth should strengthen as those headwinds abate.

The industrial sector is likely to have a better year. Global industrial production effectively stagnated in Q2 and Q3 last year, starting to grow again in Q4. That weakness (Figure 4) was not for want of demand, but a consequence of several disruptions to global supply chains. That caused output to run below demand, leading to a sharp decline in inventories and sharp rise in some tradable goods prices (Figure 5).

There are clear signs that those constraints on supply are easing. Semiconductors are becoming more widely available, allowing car production to begin its recovery (Figure 6), and shipping costs are falling, as are supplier delivery times (Figure 7). Consequently, global industrial production is now rising and although it may see a peak in short-term momentum in the next month or so, on average it should see stronger growth throughout this year.

Figure 4: Global goods demand was strong last year, but factory supply is only starting to catch up

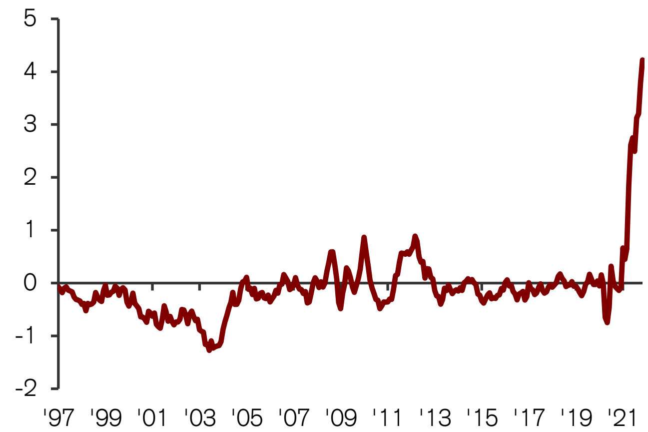
Global ex-China final goods demand and industrial production; Index Q4 2019=100



Source: Credit Suisse, Haver Analytics®

Figure 5: Strong demand and constrained supply led to surging goods prices

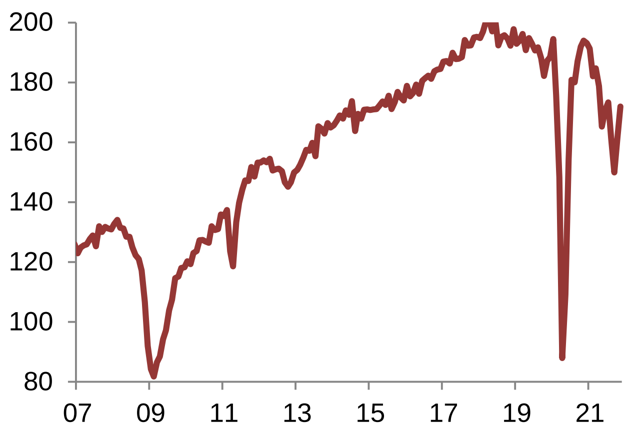
G7 core goods inflation (%)



Source: Credit Suisse, Haver Analytics®

Figure 6: Auto production is starting to improve, but has a lot of ground to recover

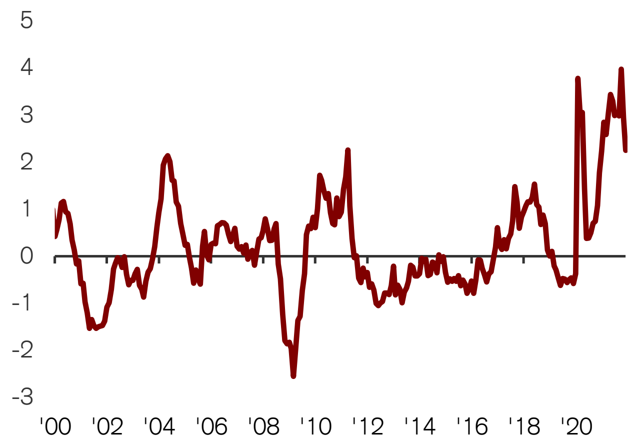
Global auto industrial production. 2000=100



Source: Credit Suisse, Haver Analytics®

Figure 7: Indicators on supplier delivery times have improved in recent months

PMI supplier delivery time, weighted average of regional z-scores

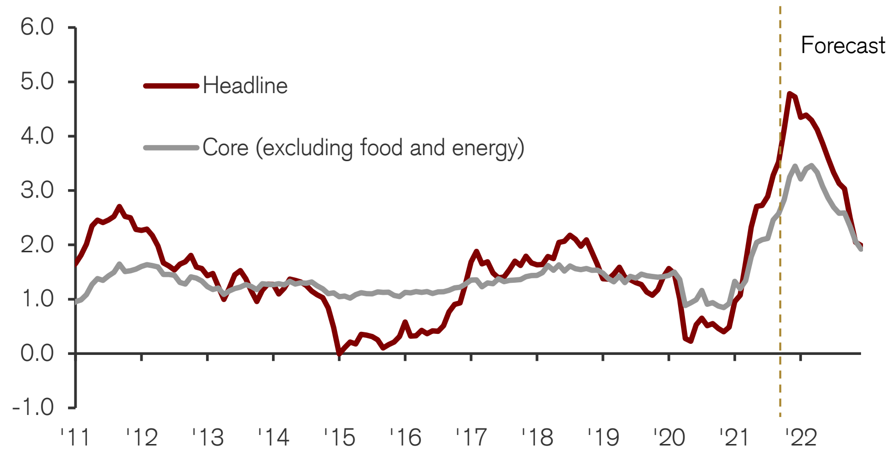


Source: Credit Suisse, the BLOOMBERG PROFESSIONAL™ service

Given the extent to which goods shortages have contributed to inflation in many economies, the recovery in industrial production could assuage that inflationary pressure. Thanks to bottlenecks, high energy prices and base effects, headline inflation starts the year at an extremely high rate. But it is likely close to its peak (Figure 8) and should fall from Q2 onwards. The risks to inflation are balanced, not skewed to the upside. As discussed, it is quite possible that more bountiful industrial supply leads to a sharp fall in goods inflation, in turn precipitating a steeper drop in inflation later this year.

Figure 8: Inflation in developed economies is close to its peak, but will remain high compared to the past decade

G7 headline and core inflation rates, with CS forecasts (%)



Source: Credit Suisse, Haver Analytics®

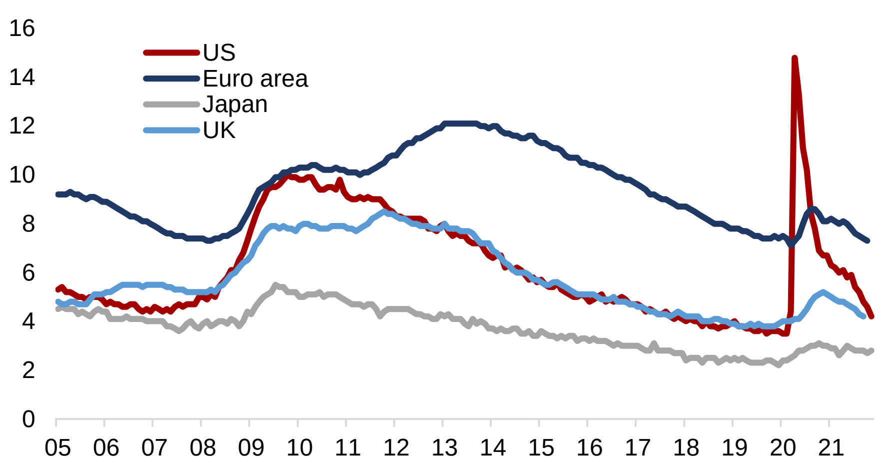
Consequently, after a fairly 'stagflationary' turn of the year – with material headwinds to growth accompanied by exceptionally high inflation – the global economy could see a brief 'Goldilocks' period in the middle of the year where stronger output growth is accompanied by falling inflation.

Tighter labour markets, tighter money

Above-trend growth in most developed economies should mean another year of tightening labour markets. As Figure 9 shows, unemployment rates are now close to their pre-pandemic levels. Absent an improvement in labour supply (which is possible, as we discuss on pages 14-19), they will likely fall to new cyclical lows this year.

Figure 9: Unemployment rates are close to where they were before the pandemic. Above-trend growth should mean they keep falling

US, euro area, Japanese and UK unemployment rates (%)



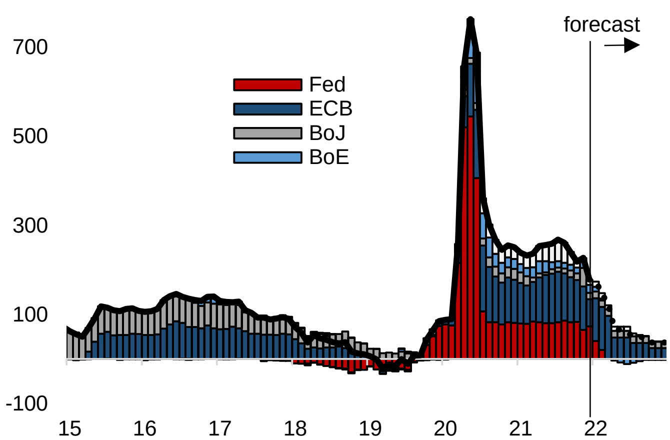
Source: Credit Suisse, Haver Analytics®

This tightening in labour markets is generally set to push central banks in a less stimulative, more restrictive direction. That will mean a sudden stop to the massive, concerted bond buying that started with the pandemic. As Figure 10 shows, central banks bought bonds at a monthly rate of often well over $200bn between the start of the pandemic and the end of last year. As the world's central banks end their asset purchase programmes this year, that flood will slow to a trickle.

Policy rates will rise. We expect the US Federal Reserve to raise rates by 75bp this year, starting in June. Many other central banks have either begun increasing rates, or will follow suit. Figure 11 suggests 2022 will be a year of broad-based monetary tightening.

Figure 10: The flood of central bank bond purchases seen since the pandemic began will slow to a trickle

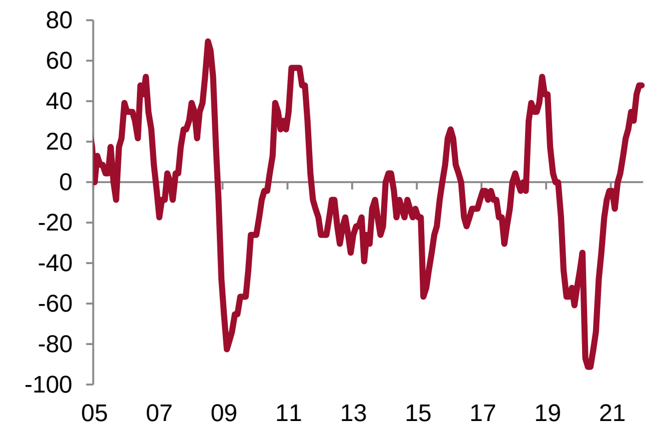
Central bank asset purchases per month, $bn



Source: Credit Suisse, Haver Analytics®

Figure 11: By the end of last year many central banks were hiking. More are set to join in 2022

Net % of global central banks raising (+) or cutting (-) policy rates in the past three months



Source: Credit Suisse, Haver Analytics®

It's possible that this dramatic shift in monetary policy conditions precipitates some turbulence in markets this year, despite it being well anticipated. Although policy rates in developed economies are not expected to approach levels we would regard as tight, tighter monetary policy in some emerging market economies – particularly in Latin America, as we discuss below – is set to weigh on growth. A clear risk for emerging markets is that this trend is broader and even more impactful than expected. Indeed, as we discuss on pages 20-24, high inflation in many emerging market economies may well augur a period of weaker growth.

The correlation breaks down

The initial shock of the pandemic brought economies around the world, and their policymakers, into close synchronization in 2020 as output plummeted at much the same time, and economic policy responded. The global economy then saw a fairly synchronized recovery into 2021 as social distancing measures eased. Economic policies remained broadly supportive of economic activity through to the end of last year.

2022 offers a much less correlated outlook. Indeed, what's notable is the extent to which the prospect for the **United States** – solid, above-trend growth accompanied by tightening monetary policy – is not a template for other economies. The path of US policy may have implications for them, but the narrative is not a broad one.

Cyclically, the **euro area** is set to follow a similar path. Strong fundamentals mean growth should strengthen to an above-trend pace after a winter of weakness. But although unemployment is set to fall, it remains high and is generating little wage inflation. Consequently, the ECB is set to keep rates on hold and sustain bond buying until the end of the year. Policy rates are only set to rise in 2023.

Policy rates are rising in most **Latin American** economies, often quite steeply, in response to high inflation. A combination of tighter monetary and fiscal policies, combined with political uncertainty, implies a sharp slowdown in the region, and recession in Brazil. Latin America is not set to enjoy above-trend growth this year.

There are powerful downwards pressures on **Chinese** growth this year, be they sluggish consumer spending or deteriorating real estate investment. That will mean an ongoing deceleration of growth, of close to 6% this year and 5% next. But monetary and fiscal policy should ease, sufficient to prevent a sharper, less orderly slowdown. An imminent end to the implementation of new regulations should also reduce uncertainty and provide another cushion to growth.

Elsewhere in **Asia**, the easing of supply chain bottlenecks and associated recovery in industrial production should mean growth remains strong, or even improves, in 2023. An absence of serious inflation pressures should mean monetary policy tightening, when it comes later this year, will not be abrupt.

Policies and growth paths are set to diverge. That may, in turn, add more turbulence to the outlook.

EM disinflation

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- **Inflation in most emerging markets is more persistent than previously thought and will remain higher than central banks' inflation targets this year.**
- **Lower credibility of monetary and fiscal policies, high political risks, and high inertia in emerging markets increase inflation persistence and the economic losses associated with a disinflation policy action. This is reflected by previous disinflation processes in these countries.**
- **Furthermore, our forecast of long and costly disinflation processes in emerging markets could deteriorate if inflation in developed markets is even more persistent, triggering greater and faster tightening in those countries.**

This is an exact excerpt from
CS House View - 2022 Economic Outlook: The great transition
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Inflationary processes in emerging markets have been very intense, as most of the main emerging markets observed a perfect storm since the start of the pandemic: currency depreciation, due the global flight to quality and idiosyncratic problems of each emerging market; huge contraction in supply combined with fiscal stimulus; easing of monetary policy; and sharp increases in commodity prices.

In comparison to their inflation target, the countries most penalized by inflation were Turkey (with accumulated above-target inflation of 32.1% since January 2020), Brazil (12.8%), Russia (10.1%), Romania (9.4%), Poland (9%), and Mexico (8.8%). With the exception of Romania, all these countries observed sharp depreciation in the nominal exchange rate against the USD since 2019, notably Turkey (USD/TRY increased more than 160%), Brazil (37%) and Russia (17%), heavy fiscal and monetary policy stimulus, and high political instability. For example, in 2020, Brazil and Russia cut policy interest rates to the lowest level in history, while Turkey's monetary policy has increasingly been exposed to political influence since the presidential elections in mid-2018.

In most of these countries, the spike in inflation, first perceived by central bankers as temporary, is expected to be persistent, keeping inflation next year above target. Most of the main emerging markets are expected to post inflation higher than target in 2022, even though tightening cycles have begun, with the exception of Turkey, which cut its policy rate by 500 bps to 14.00% between September and December while inflation surged from 19.6% to 36.1%. Furthermore, year-on-year inflation in Brazil, Chile, Mexico, Peru and Poland has reached high levels even by historical terms[1].

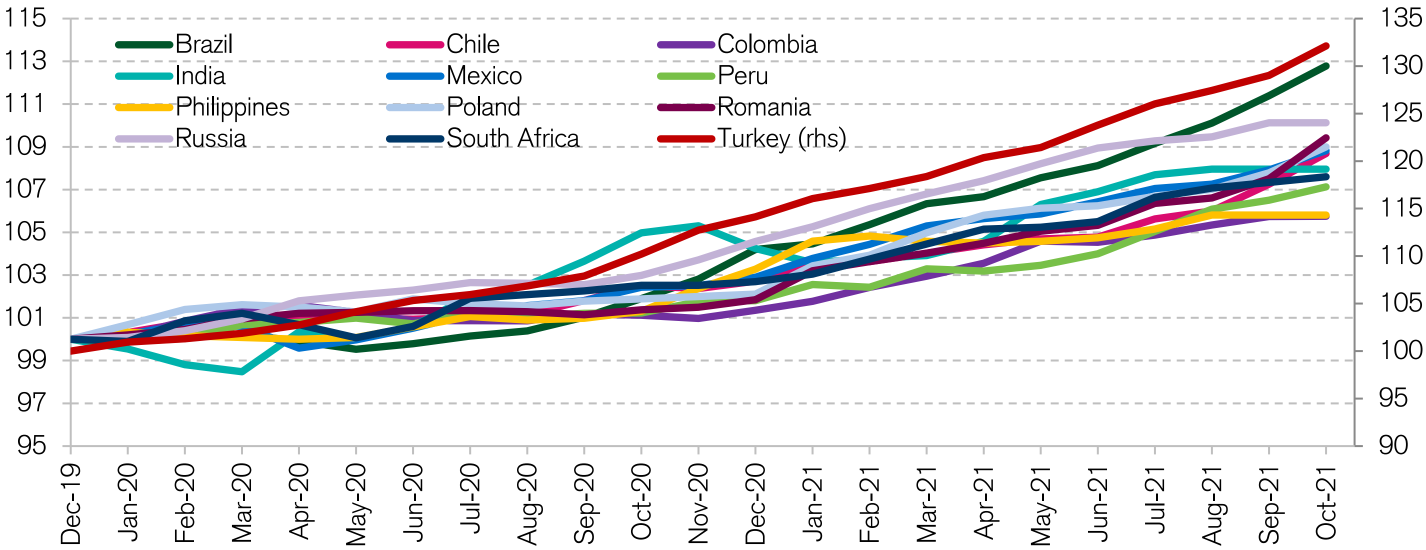
A key question for emerging markets is what combination of conditions could cause inflation to be more persistent, including the possibility that expectations become de-anchored and help spark a self-fulfilling upward spiral for prices. Such episodes in the past have been associated with sharp depreciation in the exchange rate due to fiscal or balance-of-payments crises. Increases in government long-term spending and external shocks could also contribute to the de-anchoring of expectations, especially in economies with central banks that are not believed to be able or willing to contain inflation.

[1] Year-on-year terms inflation in each of these countries surpassed the historical median by one standard deviation.

As shown below in greater detail, past disinflation processes in emerging markets have been very long and in most cases costly in terms of output, with either an increase in idle capacity during the disinflation process or an extension of an already high idle capacity at the beginning of the monetary tightening process.

Figure 12: Excess of inflation above target

(%, accumulated since January 2020)



Source: FRED, Brazilian Statistics Bureau (IBGE), Central Bank of Brazil, Credit Suisse

For 12 emerging markets, we surveyed 30 inflationary processes since 2000, defined as the period when year-on-year inflation surpasses the median by one historical standard deviation and the month when it returns to the median. The average and median durations of an inflationary process are 27 and 22 months, with the shortest inflationary process being in India in 2001 (only 5 months) and the longest in Romania between 2000 and 2006 (82 months).

The latter witnessed a long disinflation process with inflation declining from 30% at the beginning of the period to gradually converge to around 5%. The countries with the sharpest spikes in inflation include:

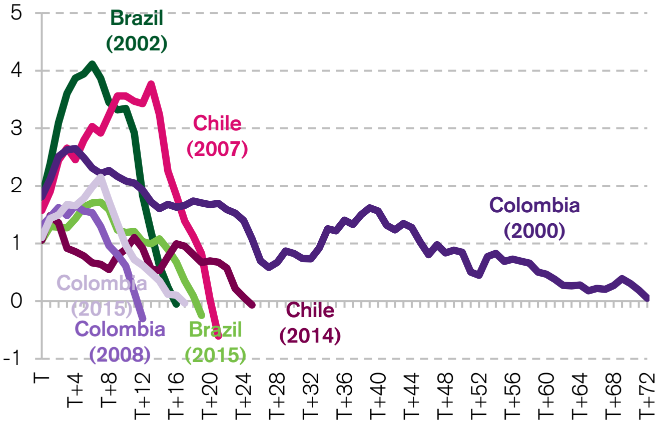
(i) Brazil in 2002: inflation reached 4 standard deviations (17% in year-on-year terms) after 6 months into the cycle, when the country faced a total 73% devaluation in domestic currency against the USD, from trough to peak, as a result of a confidence crisis triggered by the presidential election;

(ii) Turkey in 2000: the already high inflation in the early 2000s sharply increased to more than 4 standard deviations in 2002 (73% in year-on-year terms) as a result of the financial crisis in 2001;

(iii) Mexico in 2000: the country suffered a long period of high inflation after the 1994 financial crisis, triggered by political instability and sharp devaluation of the domestic currency, with inflation reaching 52% in 1995 and remaining in double digits until 2000, before declining to 4% in 2001.

Figure 13: Disinflation cycles in selected emerging markets

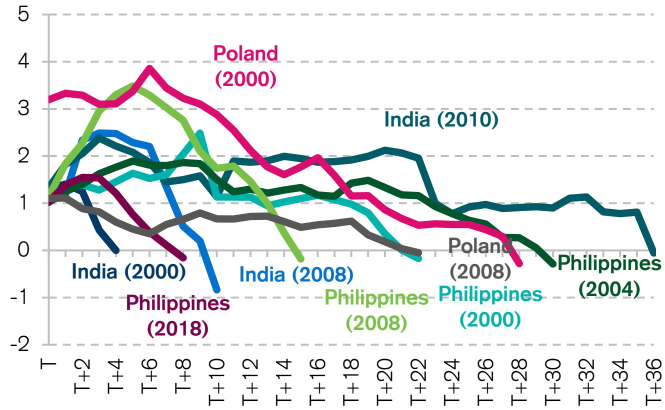
(z-score of annual inflation, T = inflation surpasses one standard deviation)



Source: Bank of International Settlements, Credit Suisse

Figure 14: Disinflation cycles in selected emerging markets

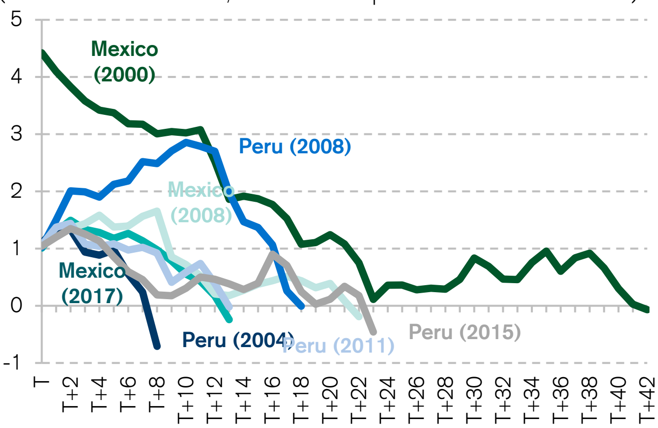
(z-score of annual inflation, T = inflation surpasses one standard deviation)



Source: Bank of International Settlements, Credit Suisse

Figure 15: Disinflation cycles in selected emerging markets

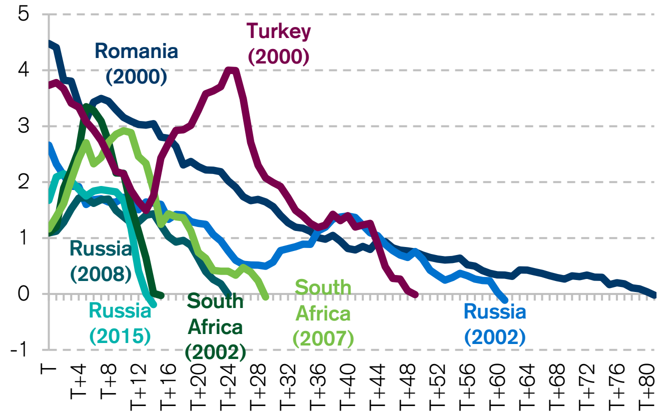
(z-score of annual inflation, T = inflation surpasses one standard deviation)



Source: Bank of International Settlements, Credit Suisse

Figure 16: Disinflation cycles in selected emerging markets

(z-score of annual inflation, T = inflation surpasses one standard deviation)



Source: Bank of International Settlements, Credit Suisse

Disinflation in the majority of these cycles was associated with a high economic output loss. In 86% of these cases, the economy saw either an extension of or an increase in the already idle capacity at the beginning of the cycle (Figures 17 and 18). The median of the output gap (i.e., the difference between GDP and potential GDP) declined from 1.2% before the start of the cycle to -0.6% after the end of the cycle (Figures 19 and 20). Nonetheless, some economies could have faced greater economic losses if other inflation drivers (such as the exchange rate and inflation expectations) had not contributed to the disinflation process. We highlight three different types of disinflation cycles in emerging markets:

i) Tightening of monetary policy that was able to increase economic slack, appreciate the currency and reduce inflation expectations (e.g., Brazil in 2015, Chile in 2014, Philippines in 2008, and Turkey in 2000).

ii) Tightening of monetary policy that was not able to appreciate the currency but pushed idle capacity even higher and anchored inflation expectations (e.g., Mexico in 2000). In 2004, the Philippines saw higher real rates with high idle capacity (i.e., output gap of -6.1%), reducing inflation.

iii) Tightening of monetary policy, with already high idle capacity, that was able to appreciate the currency and anchor inflation expectations faster (Brazil 2002).

Figure 17: Inflation, exchange rate, output gap, real interest rates, and inflation expectations in previous inflationary cycles

		Inflation start of cycle	Inflation in peak	Inflation end period	Change in exchange rate in 6 months prior inflation peak	Change in exchange rate in 6 months prior end of cycle	Output gap before start	Output gap in end period	Real rates before	Real rates in end period	Inflation expectations before	Inflation expectations in end period
Brazil	11/1/2002	10.9	17.2	5.9	63.7	-15.3	-4.8	-3.2	8.0	14.7	10.7	5.5
Brazil	6/1/2015	8.9	10.7	5.4	19.9	-19.1	3.2	-1.9	3.2	8.7	6.2	4.7
Chile	9/1/2007	5.8	9.9	1.9	-3.6	30.8	2.0	2.1	-0.7	3.6	3.5	2.2
Chile	9/1/2014	4.9	5.7	2.8	4.7	-2.3	8.5	1.8	-0.8	0.6	3.2	3.0
Colombia	1/1/2000	8.3	10.0	4.2	11.3	-1.4	2.6	3.8	8.4	2.1	n.a.	4.4
Colombia	6/1/2008	7.2	7.9	3.8	-13.3	30.1	3.9	-1.5	2.3	4.7	5.3	4.5
Colombia	12/1/2015	6.8	9.0	4.4	23.5	3.4	3.0	0.1	-2.0	3.0	4.6	3.7
India	12/1/2000	8.5	8.7	5.4	n.a.	n.a.	2.6	-7.4	-0.7	2.4	n.a.	n.a.
India	4/1/2008	8.0	11.2	3.5	0.0	n.a.	1.2	-1.1	-0.2	4.2	6.3	9.6
India	1/1/2010	8.5	11.0	5.3	-2.5	8.2	-0.2	5.2	-3.7	2.8	11.9	13.3
Mexico	1/1/2000	11.0	11.0	4.1	-0.8	8.1	-5.8	-7.7	9.8	2.9	10.6	4.1
Mexico	10/1/2008	5.8	6.5	3.9	-0.8	8.6	1.2	-1.1	2.0	1.9	4.2	5.0
Mexico	4/1/2017	5.8	6.8	3.9	0.4	0.5	3.0	2.7	-0.7	3.9	3.8	4.2
Peru	6/1/2004	4.3	4.6	1.7	0.3	1.0	-5.9	0.0	n.a.	1.1	n.a.	n.a.
Peru	1/1/2008	4.1	6.7	2.7	-5.9	-2.6	-0.6	0.8	0.6	2.7	n.a.	n.a.

Source: FRED, Bloomberg, central banks of the main emerging markets, Credit Suisse

Figure 18: Inflation, exchange rate, output gap, real interest rates, and inflation expectations in previous inflationary cycles

		Inflation start of cycle	Inflation in peak	Inflation end period	Change in exchange rate in 6 months prior inflation peak	Change in exchange rate in 6 months prior end of cycle	Output gap before start	Output gap in end period	Real rates before	Real rates in end period	Inflation expectations before	Inflation expectations in end period
Peru	10/1/2011	4.2	4.7	2.7	-1.3	10.8	7.6	9.1	-0.4	1.6	n.a.	n.a.
Peru	11/1/2015	4.2	4.6	2.0	4.2	-1.3	7.7	6.2	-0.8	2.0	n.a.	n.a.
Philippines	3/1/2000	5.8	8.6	3.3	3.2	-4.0	-4.7	-6.6	3.3	5.7	n.a.	n.a.
Philippines	8/1/2004	5.6	7.4	3.0	0.7	5.0	-6.1	1.0	1.1	4.5	n.a.	n.a.
Philippines	3/1/2008	5.9	10.6	3.2	-12.0	-0.8	0.5	-2.8	0.1	2.0	n.a.	n.a.
Philippines	7/1/2018	5.7	6.7	3.3	5.4	8.2	9.1	10.2	-2.6	0.9	n.a.	4.9
Poland	1/1/2000	10.0	11.6	1.7	5.6	3.6	-3.3	-4.6	4.0	10.3	n.a.	n.a.
Poland	7/1/2008	5.0	5.0	2.2	-12.4	2.7	0.5	-0.6	0.3	1.3	n.a.	n.a.
Romania	1/1/2000	56.8	56.8	4.8	14.1	-13.5	-3.3	-0.7	n.a.	3.6	n.a.	n.a.
Russia	1/1/2002	19.0	19.0	7.6	3.6	-5.1	-4.6	1.0	6.0	3.7	n.a.	n.a.
Russia	1/1/2008	12.6	15.2	8.0	-5.1	-5.1	0.5	-0.6	-2.4	2.8	n.a.	n.a.
Russia	1/1/2015	15.0	16.9	7.3	64.5	-1.3	4.0	-1.3	-5.8	4.2	16.6	14.7
South Africa	5/1/2002	7.8	13.0	5.1	19.3	11.1	-1.6	-2.2	2.8	7.9	n.a.	n.a.
South Africa	10/1/2007	7.9	12.0	5.1	-3.4	-22.0	3.2	2.5	1.4	2.2	n.a.	6.7
Turkey	1/1/2000	68.9	73.2	9.5	28.2	-24.5	3.2	-1.3	n.a.	22.7	44.4	11.7

Source: FRED, Bloomberg, central banks of the main emerging markets, Credit Suisse

These historical patterns for inflationary processes reinforce our concern about inflation and economic growth in emerging markets in 2022, especially for those that are already facing high levels of inflation. As in most of the previous cycles, we expect a long disinflation process in several of the emerging markets that we cover (e.g., Brazil, Chile, and Colombia). Furthermore, we do not expect a disinflation process in Turkey in our forecast horizon, as monetary policy has not responded to economic fundamentals; the monetary policy rate was reduced while headline inflation accelerated to 36.1% in December 2021, inflation expectations are heading towards 45%, and the economy is operating above capacity.

Inflation in emerging markets is stickier than in developed markets due to the lower credibility of monetary and fiscal policy, high political risks, and high inertia (Figure 21). A long period of high inflation led economic agents to create hedging mechanisms against unexpected price increases, such as price contracts adjusted for past inflation. The stickier the inflation, the greater the economic loss associated with the reduction in price pressures.

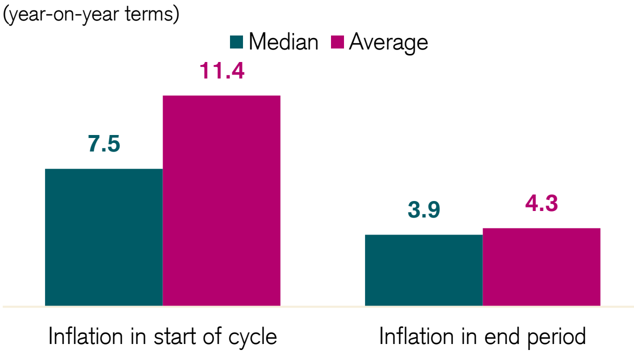
Furthermore, several countries will face idiosyncratic factors in 2022 that could hinder an improvement of inflation drivers such as the exchange rate and inflation expectations; for example, presidential elections in Brazil and Colombia.

Finally, risks to our scenario are tilted to the downside (e.g., higher inflation and lower GDP growth), as inflation in developed markets can be challenging. Emerging markets could potentially face negative spillovers, as faster tightening in advanced economies is likely to pressure the exchange rate and then require EM central banks to tighten interest rates even more.

As we have argued, economic growth is usually strongly impacted by the robust monetary policy action necessary to tame inflation. Furthermore, countries with fragile fundamentals (i.e., low monetary policy credibility and weak fiscal or external accounts) that hinder either an anchoring of inflation expectations or an appreciation of the domestic exchange rate are positioned to observe higher economic losses.

Figure 19: Median and average inflation at start and end of disinflation cycles

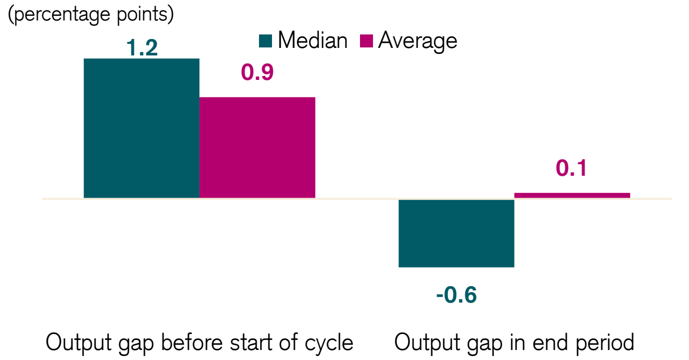
(year-on-year terms)



Source: Bank of International Settlements, Credit Suisse

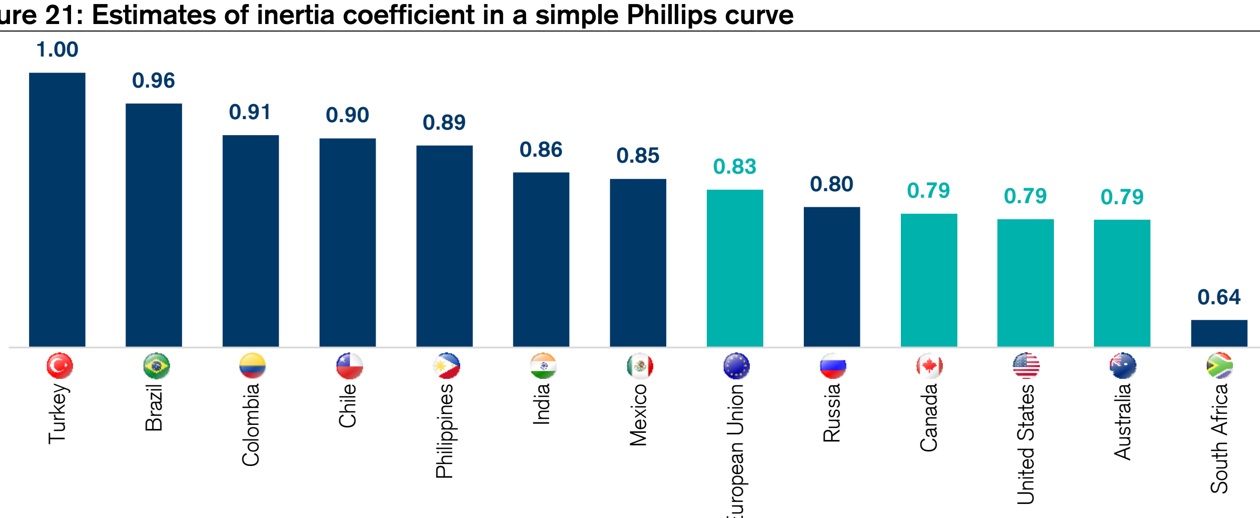
Figure 20: Median and average output gap at start and end of disinflation cycles

(percentage points)



Source: FRED, Credit Suisse

Figure 21: Estimates of inertia coefficient in a simple Phillips curve



Source: FRED, Bloomberg, central banks of the main emerging markets, Credit Suisse

Latin America: Back to its slow ways

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This is an exact excerpt from *CS House View - 2022 Economic Outlook: The great transition* published 11 January 2022

- **We project 2022 regional real GDP growth of 1.3%, after an expansion of 6.7% last year; weakness in Brazil and Mexico is the main reason behind our low growth expectation.**
- **We forecast regional annual headline inflation of 5.0% at year-end 2022, down from an estimated 8.3% in December 2021; above target inflation in most countries will likely lead to restrictive monetary policies, in our view.**
- **Latin America's vaccination efforts have been quite successful so far and were what partly led to the stronger-than-expected recovery last year; pandemic risks to the economy seem low for now.**

We forecast that Latin America's real GDP will grow at an annual average rate of 1.3% in 2022, slowing down from a 6.7% estimated average growth in 2021. The performance of the region's two largest economies, Brazil and Mexico, which constitute roughly two-thirds of regional GDP, will likely be the reason behind the much lower growth in 2022. For Brazil, we are expecting a real GDP contraction due to a very tight monetary stance, high inflation undermining real wages, and the concerns surrounding the 2 October presidential elections. In Mexico, policy uncertainty is likely to continue having a negative effect on private sector investment. This, coupled with a generally tight fiscal stance and higher domestic interest rates, makes it difficult for us to foresee growth beyond 2.0% in 2022, down from an estimated 5.0% last year. Meanwhile, the other LatAm countries under our coverage, on average, are likely to grow about 3%, still benefiting from some base effects.

Consumer prices have surprised on the upside in all countries we cover, with prices of foodstuffs and energy items being the main inflation drivers. At the time of writing, all inflation-targeting countries in the region have annual headline inflation rates above their respective central bank's target range. We forecast that annual regional inflation (excluding Argentina and Venezuela) closed last year at 8.3%, up from our earlier forecast of 7.2% three months ago; for year-end 2022, we expect regional headline inflation to stand at 5.0%, higher than our previous estimate of 4.3%. At this point, it seems quite clear to us that most LatAm central banks will reach a restrictive monetary policy stance before year-end, partly due to inflation stickiness and partly due to the potential effects of the US Fed's hikes on global markets.

On the pandemic front, the LatAm countries under our coverage have been quite successful in their vaccination campaigns, more so than we expected a few months ago. We estimate that, in our LatAm region of study, roughly 75% of the population received one Covid vaccine dose by year-end 2021 and that 65% of the population was fully immunized. Note that in LatAm the adult population constitutes about 80% of the total population. The vaccination efforts were partly behind the strong acceleration of the economy last year and the faster-than-expected return of pre-pandemic output levels in several countries of the region (i.e., Argentina, Chile, Colombia, and Peru). The Omicron variant is of course a cause for concern. However, while acknowledging the fluidity of the situation surrounding Omicron, a somewhat fully vaccinated population and a lack of appetite from authorities for lockdowns suggest to us that risks to the economy seem low for now.

Below we provide a summary of the highlights in the countries under our coverage.

In **Argentina**, market focus will be on the potential for an IMF deal. Our estimates continue to suggest that the government's liquidity could be extremely compromised if authorities do not reach an agreement with the IMF before the end of March 2022. However, the information so far suggests that Alberto Fernandez's administration has been slower to find a compromise with the IMF than market participants would like. We think that this is likely due to complicated political negotiations within the Frente de Todos ruling coalition. In our view, some sort of deal will be accomplished but one that likely does not tackle head-on the country's structural deficiencies. Both the authorities and the IMF seem to be in the search of an agreement that allows the country to muddle through until the next administration (which would start in late 2023).

In **Brazil**, we forecast an economic recession in 2022 due to the strong monetary tightening cycle, high inflation, and uncertain political outlook. GDP growth is likely to decelerate from 4.6% in 2021 to -0.5% in 2022. We expect inflation to remain above the upper limit of the central bank's inflation target range again in 2022, as inertia should maintain pressure on prices, especially those of services. Several years of very high inflation have led economic agents to create hedging mechanisms against unexpected price increases, such as price contracts adjusted for past inflation. We expect the central bank to keep increasing the Selic policy rate, with hikes of 150bps in February, 100bps in March, and 50bps in May to 12.25%. The presidential election should be the key event of this year, given the main candidates are likely to focus on social programs that alleviate the high levels of unemployment, inflation, and poverty, instead of focusing on the structural solutions to these problems. Nevertheless, we believe that the incoming administration will not be able to avoid structural reforms, particularly the fiscal consolidation process. Without a credible fiscal framework that ensures the reversal of primary deficits and a stabilization of gross debt, the economic recession could worsen. We expect a mild increase in the current account deficit as result of higher expenditures for travel, transportation, and remittance of profits and dividends. The low current account deficit and foreign debt, coupled with high international reserves, reduce the risk of a balance of payment crisis, in our view.

In **Chile**, the economy will likely slow down materially in 2022, after the unexpectedly strong performance in 2021. Some of the factors behind the slowdown include tighter fiscal and monetary policies, the absence of renewed stimulus from pension withdrawals, and subdued business confidence on the back of the presidential transition and ongoing re-writing of the Constitution.

In **Colombia**, the economy's performance has been much stronger than expected in recent quarters. Meanwhile, inflation has continued to accelerate, albeit at a slower pace than other countries in the region. In this context, the central bank has been clear that a reduction in the monetary stimulus is necessary. For now, we are calling for consecutive 75bps hikes at the next two monetary policy meetings; this implies a policy rate of 4.5% by the end of March. Thereon, we think that further tightening is likely, but the pace of it will be highly dependent on global market conditions, inflation levels, the possibility of US Fed hikes, and risk appetite toward Colombian assets. On this latter factor, the country will likely be vulnerable to bouts of risk aversion owing to its high twin deficits and the upcoming presidential election (May 2022). For now, the leading presidential candidate is Gustavo Petro, whose economic platform is not positively viewed by most market participants. We think that Colombia could have a bumpy first few months of the year given the uncertainty surrounding who will be the next president.

For **Mexico**, we project that the economy will continue to struggle in the absence of meaningful policy stimulus. The only clear tailwinds we can think of would be the projected strength of the US economy and a solution to supply shortages in manufacturing. Headwinds, however, will include a tighter monetary policy stance, no additional fiscal stimulus relative to 2021, and subdued investor confidence, particularly as Congress debates a market unfriendly electricity reform. Lastly, a main source of uncertainty in 2022 will lie in the leadership of the central bank, given that the new governor appears to lack relevant monetary policy experience.

In **Peru**, the administration of President Pedro Castillo has demonstrated so far that radical constitutional changes will likely not take place in the near to medium term. Structurally, Peru is the same country it has been over the past few decades, with sound macroeconomic policies, a credible and independent central bank, and an economy that generally outperforms that of its regional peers. However, unusual policy decisions from the Castillo administration are a risk that has materialized, that will likely remain, and that has kept fueling the country's persistent political noise. Fortunately, we think that a robust global economy and high commodity prices will continue driving the economy via the external trade channel. We are forecasting 2022 real GDP growth of 3.5%, after an estimated expansion of 13.4% last year. Investors' attention in the coming quarters should be focused on the political realm, as frictions between the executive and the legislative branches will likely keep being a source of market volatility.

Finally, in **Venezuela**, Chavismo has created a political system in which, despite its lack of popular support, its de facto rule is likely to persist for years to come, in our view. In the recent regional elections, electoral conditions were marginally better than in previous years. However, divisions among the opposition and arbitrary hurdles were key in sustaining the power grip of the ruling PSUV party nationwide. The traditional Venezuelan opposition parties – and their leaders – seem to be losing the support of many followers due to their inability to secure a change within the country. In the meantime, we believe the economy's growth this year is highly likely given improvements in oil output and domestic demand. Will this growth bring about economic development? Or will it be sustainable? We do not think so. However, it was not sustainable during the Chavez years either.

Latin America

Argentina: There should be a deal

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- **The Argentine authorities have started to show intentions to reduce fiscal excesses and to improve monetary conditions.** The government's purpose seems to be convincing the IMF that it will do as much it can (within its political limitations) to accomplish certain fiscal and monetary targets. Finance Minister Martin Guzman recently said that, there are "profound understandings" with the IMF's staff, and that the "Argentine government has a complete interest in accomplishing a deal as soon as possible." Moreover, the IMF recently stated that the 2018 Stand-By arrangement "did not fulfill the objectives of restoring confidence in fiscal and external viability while fostering economic growth." We think both parties are displaying some sympathy for each other, which is a positive development. Yes, in our view, there should be a deal. Everyone should hurry up, though, as Argentina's liquidity is running low.

- **As of now, the Argentine government must pay to the IMF a total of $4.0bn by the end of March 2022, according to our estimates.** This is not a feasible endeavor, as our calculations suggest that net reserves closed 2021 at $2.5bn[2]. We continue to estimate that in order to make these payments, the government would need to tap into certain USD sources, which would lead to a negative net reserve position – something that, while it has happened in the past, is not sustainable. Negotiations will need to become more fluid in January and February in order to avoid this scenario. However, we think that a final deal might not be reached until the *eleventh hour*; Finance Minister Guzman has hinted that there still is a lack of "international consensus", as certain members of the IMF's executive board are not convinced just yet. Argentina wants a slow fiscal adjustment, with real GDP growth boosting fiscal revenues. However, it is difficult for dynamism to show up when economic disequilibria are not tackled and policy uncertainty dampens domestic and foreign investment.

- **In a recent press statement, the IMF was clear on what it wants to see from Argentina.** The IMF's staff, after its December meetings with the authorities, clarified that there were "general understandings on the need to gradually and sustainably improve public finances." The Fund added on the importance of tackling inflation, reducing the monetary financing of the deficit, and enforcing a monetary policy with positive real interest rates. In late 2021, the government announced that it would increase electricity and natural gas prices in 2022 (fewer subsidies). Moreover, local media has reported that sources within the central bank suggest that the pace of depreciation will accelerate and that there is an ongoing analysis about increasing interest rates. Additionally, Finance Minister Guzman already announced that growth of the monetary base this year will be in line with that of nominal GDP growth, providing an anchor on monetary expansion. It seems authorities will indeed implement certain "orthodox" policy changes in the coming weeks; these, while painful, will be required in order to get the necessary goodwill in order to accomplish a deal with the IMF.

[2] Net reserves = gross reserves minus repos with China and with multilaterals, private USD deposits, and gold.

- **We maintain our 2022 real GDP growth forecast at 2.2%, unchanged versus the previous EM Quarterly.** Note that we have increased our 2021 real GDP growth estimate to 9.4%, from a previous expectation of 7.2%, as the economy was much stronger than expected in 2H 2021. We estimate that carry-over growth, given low base effects, would account for about 2.0 percentage points (p.p.). Hence, our growth estimate implies that, in fact, the economy will expand merely because of arithmetical factors and not due to real dynamism in the period. It is hard to be optimistic about growth 2022; there are just too many macro distortions in place, business sentiment is extremely weak, and Brazil—Argentina's main trading partner—is likely to have a GDP contraction in 2022.
- **In terms of consumer prices, we project 2022 year-end annual headline inflation of 55.6% versus an estimated 51.1% in 2021.** As a reference, over the past four years monthly inflation in Argentina has averaged 3.3%. We are adding a bit of pressure to that historical seasonality this year – somewhere around 0.5 p.p.; this in order to account for the likely acceleration in peso depreciation, the expected increase in certain government administered tariffs, and the fact that monthly core inflation has been sticky and higher than expected. Annual inflation above 50% is bound to erode the capacity for private consumption and investment to contribute positively to growth, in our view.
- **On the fiscal front, the government's 2022 budget proposal called for a primary deficit of 3.3% of GDP.** Note that Argentina likely over-delivered on its 2021 budget, reaching an estimated primary deficit of 3.5% of GDP, versus an initial target of a deficit of 4.0% of GDP. Accomplishing this year's goal – will be highly dependent on whatever is agreed on with the IMF. Hence, our base-case is that the so far announced targets will be delivered. This will not be an easy feat, though, as growth will likely be much more subdued and higher than expected tax revenues seem somewhat challenging. The authorities recently presented a fiscal consolidation path that expects a primary balance by 2027; this means that the government wants to reduce the primary deficit by roughly 0.5 p.p. of GDP per year – a pace that may be too moderate in the IMF's eyes.
- **We forecast a 2022 current account surplus of $2.5bn (0.4% of GDP), after an estimated surplus $10.2bn (2.1% of GDP) last year.** In our view, external gap issues are not a concern in the near-term. The current account has benefitted strongly from high commodity prices; we estimate that merchandise exports reached over $75bn last year, their highest figure in nearly ten years. Moreover, we have also noticed that income account outflows have become more contained; this is largely due to the complications of capital controls on companies' ability to repatriate dividends and profits, and also due to the reduction in the near-term foreign debt service profile. We think these dynamics are likely to persist in 2022.
- **The Covid situation has deteriorated, with new cases ballooning in the final days of 2021, likely due to the Omicron variant.** For now, there have been no renewed lockdown measures, but they are certainly a risk. On the positive side, Argentina has nearly all its adult population fully immunized and is one of the LatAm countries that has advanced the most in terms of boosters, with about 11% of the population having received one.
- **Negotiations with the IMF, and details of an eventual program, will be the main event to watch in upcoming weeks. Stay tuned.**

Argentina: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	2.7	-2.1	2.8	-2.6	-2.0	-9.9	9.4	2.2	1.5
Growth in real private consumption (%)	3.7	-0.8	4.2	-2.2	-7.3	-13.8	9.5	3.4	0.4
Growth in real fixed investment (%)	3.5	-5.8	13.4	-5.7	-15.9	-12.9	31.0	-0.4	-1.2
Fixed investment (% of GDP)	19.4	19.5	18.8	20.7	20.1	17.2	16.6	19.9	19.4
Nominal GDP ($bn)	644.2	557.1	642.9	543.4	455.1	389.4	482.6	588.4	639.7
Population (mn)	43.1	43.6	44.0	44.5	44.9	45.4	45.8	46.2	46.7
GDP per capita ($)	14,936	12,781	14,596	12,212	10,128	8,581	10,534	12,727	13,711
Unemployment (% of labor force, end-year)	n.a.	7.60	7.20	9.10	8.90	11.00	8.50	9.00	8.00
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	26.9	41.0	24.8	47.6	53.8	36.1	51.1	55.6	47.4
CPI inflation (%, average)	26.5	41.4	26.5	34.3	53.5	42.0	48.4	51.5	51.0
Exchange rate (ARS per USD, end-year)	12.9	15.9	18.9	37.7	59.9	84.1	102.7	143.0	203.8
Exchange rate (ARS per USD, average)	9.2	14.8	16.5	28.1	48.1	70.5	95.1	120.7	171.6
REER (% change, December to December) (1)	8.5	-6.0	3.3	-36.9	-3.9	-0.1	17.2	28.8	30.6
Nominal wage growth (% year-on-year change, average) (2)	n.a.	n.a.	n.a.	25.0	39.3	37.0	42.2	49.8	52.3
Reference rate (%, end-year) (3)	n.a.	24.8	28.8	59.3	55.0	38.0	38.0	45.0	45.0
Fiscal data									
General government fiscal balance (% of GDP)	-7.2	-6.7	-6.8	-5.3	-4.0	-8.2	-5.1	-4.4	-3.6
General government primary fiscal balance (% of GDP)	-4.9	-4.8	-4.2	-1.9	0.0	-5.9	-3.3	-2.7	-2.1
General government expenditure (% of GDP)	43.1	43.3	42.9	39.7	38.7	42.5	41.7	40.5	40.1
Federal government fiscal balance (% of GDP)	-6.2	-5.8	-5.9	-4.9	-3.8	-8.3	-4.9	-4.3	-3.4
Federal government primary fiscal balance (% of GDP)	-4.1	-4.2	-3.8	-2.3	-0.4	-6.4	-3.5	-2.9	-2.2
Gross general government debt (% of GDP, end-year) (4)	42.7	56.8	57.6	68.9	79.7	96.6	79.6	65.4	60.3
Net general government debt (% of GDP, end-year) (4) (5)	19.2	28.3	31.2	43.3	48.5	58.5	47.4	39.8	37.4
Money supply and credit									
Broad money supply (M2, % of GDP)	17.3	14.9	15.1	12.6	11.5	16.8	16.4	16.0	15.6
Broad money supply (M2, % year-on-year change)	37.0	19.1	30.9	16.2	34.8	84.3	62.5	51.1	50.4
Domestic credit (% of GDP)	22.8	22.1	24.2	25.6	21.9	29.8	24.8	22.6	20.8
Domestic credit (% year-on-year)	34.9	33.9	42.0	46.0	26.4	71.7	39.7	40.8	42.0
Domestic credit to private sector (% of GDP)	14.1	13.2	15.4	15.2	12.6	13.3	9.9	8.0	6.5
Domestic credit to private sector (% year-on-year)	36.0	29.8	50.7	36.8	22.0	33.3	25.0	24.7	24.7
Balance of payments									
Exports (goods and non-factor services, % of GDP)	10.9	12.8	11.5	14.2	17.6	16.5	18.2	13.8	12.3
Imports (goods and non-factor services, % of GDP)	11.9	13.5	13.9	16.0	14.6	13.3	14.3	11.8	9.9
Exports (goods and non-factor services, % change in $ value)	-14.4	1.9	3.9	4.0	3.6	-19.5	36.7	-7.6	-3.4
Imports (goods and non-factor services, % change in $ value)	-5.3	-1.6	18.4	-2.8	-23.3	-21.9	32.8	0.4	-8.9
Net balance of factor income ($bn)	-12.1	-12.2	-16.4	-18.7	-17.9	-10.2	-10.2	-10.9	-11.7
Current account balance ($bn)	-17.6	-15.1	-31.2	-27.1	-3.7	3.3	10.2	2.5	5.1
Current account (% of GDP)	-2.7	-2.7	-4.8	-5.0	-0.8	0.9	2.1	0.4	0.8
Net FDI ($bn)	10.9	1.5	10.4	10.0	5.1	2.7	5.0	4.3	4.0
Scheduled debt amortization ($bn)	11.7	15.9	23.3	25.3	21.8	4.9	9.5	19.7	20.5
Foreign debt and reserves									
Foreign debt ($bn, end-year)	167.4	181.4	234.5	277.8	278.5	271.4	265.8	262.5	255.5
Public ($bn)	101.7	122.0	161.3	197.3	197.4	193.8	189.9	187.5	182.5
Private ($bn)	65.8	59.4	73.3	80.5	81.1	77.7	75.9	75.0	73.0
Foreign debt (% of GDP, end-year)	26.0	32.6	36.5	51.1	61.2	69.7	55.1	44.6	39.9
Foreign debt (% of exports of goods and services)	239.1	254.2	316.2	360.1	348.5	421.9	302.2	322.9	325.4
Central bank gross FX reserves ($bn)	25.6	39.3	55.1	65.8	44.8	39.4	39.5	42.5	45.0
Central bank net FX reserves ($bn) (6)	0.5	10.2	27.7	29.3	13.4	3.0	2.5	5.4	7.9
Central bank gross non-gold FX reserves ($bn)	23.5	37.2	52.8	63.5	42.2	35.6	36.0	39.0	41.5

(1) Increase indicates appreciation. (2) Weighted average of wages in the formal and informal private sector and the public sector. (3) Central bank's 7-day repo rate until 2014, 35-day Lebac rate for 2015 and 2016, 7-day interbank rate starting in 2017. (4) Includes compensatory interest and residual value of GDP warrants starting in 2015. (5) Net of intra-public sector debt holdings. (6) Net of borrowing from the BIS and other bilateral lenders and reserve requirements on dollar deposits

Source: INDEC, Central Bank, Ministry of Economy, Credit Suisse

Brazil: A challenging year ahead

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- **Economy to enter a recession again in 2022:** The substantial tightening of monetary conditions, associated with elevated inflation and high political uncertainty, is likely to more than offset the ongoing recovery of the labor market, pushing the economy into its fourth recession in less than eight years. We expect GDP to contract by 0.5% in 2022, after a rebound of 4.6% in 2021. The recession will likely be a result of contracting private domestic demand, as external demand should make a marginal positive contribution due the still-benign outlook for global growth. The risks to economic activity should tend toward the downside, as the inflationary process in the country may be more persistent than current expectations and high uncertainty due to the presidential election and the fiscal consolidation process will likely weigh on growth.
- **Despite the likely recession, inflation should remain higher than the central bank's inflation target range for the second consecutive year in 2022:** We maintain our forecasts for IPCA inflation of 6.0% in 2022 and 3.8% in 2023. Inflation in Brazil is highly inertial, as many prices are contractually or implicitly linked to past inflation. Furthermore, sharp increases in input costs (e.g., fuel, electricity, and food prices) and prices frozen during the pandemic (e.g., educational courses and healthcare plans) are likely to be an important source of inflation pressure, despite the reduction in demand and increase in economic slack. Industrial inflation should also remain under pressure owing the effects of production bottlenecks remaining strong in certain segments. Other inflation drivers such as the exchange rate and inflation expectations are not expected to help reduce inflation, as uncertainty has historically been high during election years. We still see upside risks for inflation in 2022 despite the fact that some downside factors are also in place, notably commodity prices, inventory normalization, and monetary policy effects.
- **The central bank is likely to increase the interest rate to 12.25% by May 2022:** Inflation will likely remain under pressure until May 2022, and we expect sharp price adjustments at the beginning of the year due to specific items that are adjusted according to previous inflation. After that, inflation should decelerate due to the end of the extraordinary energy price tax (provided the water supply improves as expected) but still remain higher than the central bank's target range. We expect the monetary authority to increase the basic interest rate by 150 basis points (bps) in February, 100 bps in March, and 50 bps in May. Real rates should have to stay much higher than the neutral rate of around 3.5% until at least year-end 2022 in order to guarantee that inflation converges towards the target in 2023 and 2024. For 2023, we expect the Selic rate to fall toward less restrictive levels, as inflation should tend to move closer to the target due the lagged effects of rising interest rates and economic slack (especially in the labor market). More precisely, we believe that the Selic rate should drop towards 7.5% by year-end 2023. The potential for this reduction in interest rates will, of course, depend on future economic policy.
- **Election likely to keep risk aversion elevated, as presidential candidates are unlikely to focus on the much-needed reforms:** The incumbent President Bolsonaro currently has around 20% of voter intentions vs. former President Lula, who has near 45% of voter intentions. Both candidates will tend to focus on social programs during the campaign, in line with voters' main demands. Some advancement of a third candidate in the presidential race is possible if the economy and the government's popularity wane further. Furthermore, history shows that voter intentions (as in 1994, 2010, and 2018) and the political scenario (as in 2014) change substantially during an election year, so a strong call now regarding who will win the race seems premature.

- **The incoming administration will not have the luxury to depart from the agenda of reforms:** Despite the unknown result and non-reformist presidential speeches, we believe that the main candidates (Bolsonaro, Lula, and a potential third candidate) will push for the main economic reforms in the first of year of their new administration, especially the public accounts agenda. Without cuts to mandatory expenditures and a redesign of the fiscal framework to re-anchor economic agents' expectations on the sustainability of public accounts, it is likely that the economy will slip deeper into recession, reducing the administration's popularity and governability. The silver lining to the context is that the main presidential candidates understand the importance of these reforms and that, in Brazil, presidents in their first year of a new term have historically been successful in winning congressional approval of unpopular reforms.
- **The central government's primary deficit is expected to total 1.5% of GDP in 2022, its ninth consecutive deficit:** The higher deficit we forecast will likely be driven by lower real revenues, due to the economic recession, and an increase in expenditures, due to higher social benefits and constituent-friendly budget amendments. Higher expenditures became possible only after the weakening of the spending cap last year, which was the government's final remaining fiscal rule that had credibility. Political pressure on the government to increase expenditures should remain high next year due to elevated inflation and unemployment and the expected economic recession. The most imminent risks are increases in the salaries of public-sector employees, which have been frozen since 2019, and in social benefits. An adjustment equal to last year's inflation (10%) could increase the primary deficit by 0.4 pps, to 1.9% of GDP in 2023.
- **The gross debt-to-GDP ratio should increase in the coming years due to higher interest rates and persistent primary deficits:** Gross debt is likely to increase from 80.6% of GDP in 2021 to 85.3% of GDP in 2022 due to a higher primary deficit and higher interest rate payments. We expect a sharp increase in the cost of debt, as short-term rates are likely to keep increasing and long-term rates are likely to remain high due to the uncertainty over the fiscal consolidation process while the presidential election campaign is ongoing. Gross debt stabilization is expected to be reached only in 2026 if the spending cap is not breached and neutral real rates do not increase further, both of which depend on a resumption of the fiscal consolidation agenda. In 2023, we believe the incoming administration will need to cut mandatory expenditures by way of administrative reform (e.g., new rules for the entitlements of the majority of public-sector employees) and by reducing the earmarking of federal revenues in the budget.
- **The current account deficit should remain limited next year:** We forecast a slight increase in the current account deficit, from 1.8% of GDP in 2021 to 2.0% of GDP in 2022. The higher deficit should again be a result of services and income accounts (e.g., travel, transportation, and profits and dividends). Nevertheless, the current account deficit should be much smaller than previous pre-pandemic deficits. Inward direct investments of 3.4% of GDP in 2022 will likely be more than enough to finance the current account deficit. Nevertheless, inflows in the capital accounts (e.g., portfolio investments) are likely to depend on local and global risk aversion. Domestic uncertainty, combined with a global outlook that has been challenging for risky assets (increased global inflationary pressures and anticipation of higher interest rates in the US), puts pressure on the currency, even in a context of a rising Selic rate. However, we believe that there is a low risk of a balance-of-payment crisis, as external debt is low and FX reserves remain at a reasonable level. Brazil's sovereign credit rating will likely depend on the outcome of the presidential election and the economic policy of the incoming president, particularly their commitment to advancing the structural reforms.

Brazil: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	-3.5	-3.3	1.3	1.8	1.2	-3.9	4.6	-0.5	2.1
Growth in real private consumption (%)	-3.2	-3.8	2.0	2.4	2.6	-5.4	3.6	-0.6	2.3
Growth in real fixed investment (%)	-13.9	-12.1	-2.6	5.2	4.0	-0.5	17.7	-2.7	4.3
Fixed investment (% of GDP)	17.8	15.5	14.6	15.1	15.5	16.6	18.7	18.3	18.7
Nominal GDP (USD bn)	1795.8	1799.9	2063.2	1915.9	1872.5	1447.8	1591.9	1675.1	1864.9
Population (mn)	203.5	205.2	206.8	208.5	210.1	211.8	211.8	211.8	211.8
GDP per capita, USD	8,826	8,773	9,977	9,189	8,910	6,837	7,517	7,910	8,807
Unemployment (% of labor force, year-end)	9.1	12.2	11.9	11.7	11.1	14.2	11.6	11.1	10.3
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	10.7	6.3	2.9	3.7	4.3	4.5	10.0	6.0	3.8
CPI inflation (%, average)	9.0	8.8	3.5	3.7	3.7	3.2	8.3	8.3	4.9
Exchange rate (BRL per USD, year-end)	3.90	3.26	3.31	3.87	4.03	5.20	5.57	5.50	5.10
Nominal wage growth (% year-on-year change) (1)	8.1	5.4	5.3	6.9	6.3	0.1	8.6	9.1	6.7
Exchange rate (BRL per USD, average) (2)	3.34	3.48	3.19	3.65	3.94	5.16	5.40	5.41	5.15
REER (% change, December to December)	-24.8	19.1	3.13	-16.53	-3.35	-21.96	-9.87	-3.15	3.13
Selic interest rate (%, year-end)	14.25	13.75	7.50	6.50	4.50	2.00	9.25	12.25	7.50
Fiscal data									
General government fiscal balance (% of GDP)	-8.6	-7.6	-7.0	-6.1	-5.4	-13.6	-5.9	-9.7	-7.2
General government primary balance (% of GDP)	-1.9	-2.5	-1.8	-1.7	-1.2	-10.0	-0.6	-1.5	-1.1
General government expenditure (% of GDP) (3)	42.3	41.1	40.1	39.3	38.6	43.2	38.2	39.2	38.7
Gross general government debt (% of GDP, year-end) (4)	65.5	69.8	73.7	75.3	74.3	88.8	80.6	85.3	87.6
Net general government debt (% of GDP, year-end) (5)	35.6	46.1	51.4	52.8	54.6	62.7	59.5	64.2	66.5
Money supply and credit									
Broad money supply (M2, % of GDP)	38.9	39.0	39.2	40.7	41.8	53.5	48.5	47.5	48.4
Broad money supply (M2, % year-on-year change)	6.8	4.8	5.6	10.2	8.5	29.4	4.3	3.3	8.0
Domestic credit (% of GDP)	99.0	99.9	103.7	106.9	110.4	125.7	122.8	124.0	131.2
Domestic credit (% year-on-year)	11.5	5.6	9.0	9.5	8.9	15.2	12.5	6.5	12.1
Domestic credit to private sector (% of GDP) (6)	54.0	50.0	47.6	48.1	47.9	54.6	53.9	53.1	56.9
Domestic credit to private sector (% year-on-year)	6.7	-3.2	0.0	7.3	5.1	15.3	13.5	4.0	13.6
Balance of payments									
Exports (goods and non-factor services, % of GDP)	12.5	12.1	12.2	14.6	13.8	16.5	19.4	18.8	17.1
Imports (goods and non-factor services, % of GDP)	13.5	11.3	11.3	14.2	14.3	15.7	18.2	17.4	16.2
Exports (goods and non-factor services, % change in USD)	-15.2	-2.8	16.1	8.9	-5.4	-8.0	29.8	1.8	1.4
Imports (goods and non-factor services, % change in USD)	-23.7	-16.3	14.7	14.6	0.6	-15.3	27.8	0.4	3.7
Current account balance (USD bn)	-54.8	-24.5	-22.0	-51.5	-65.0	-24.5	-28.7	-33.7	-42.7
Current account (% of GDP)	-3.1	-1.4	-1.1	-2.7	-3.5	-1.7	-1.8	-2.0	-2.3
Net FDI (USD bn) (7)	61.6	59.6	47.5	76.1	46.4	41.3	26.1	39.0	45.0
FDI (USD bn) (8)	64.7	74.3	68.9	78.2	69.2	37.8	52.9	62.0	68.0
Scheduled debt amortization (USD bn) (9)	76.3	69.4	64.4	68.9	71.8	54.4	44.0	62.3	72.1
Foreign debt and reserves									
Foreign debt (USD bn, year-end)	540.5	548.6	545.1	559.2	573.6	554.9	554.9	554.9	554.9
Public (USD bn)	64.1	70.4	71.6	71.0	78.3	84.8	84.8	84.8	84.8
Private (USD bn) (10)	476.4	478.3	473.6	488.2	495.3	470.1	470.1	470.1	470.1
Foreign debt (% of GDP, year-end)	30.1	30.5	26.4	29.6	30.5	38.3	34.7	33.0	29.6
Foreign debt (% of exports of goods and services)	241.6	252.2	215.9	203.4	220.6	231.9	178.7	175.5	173.2
Central bank gross FX reserves (USD bn)	356.5	365.0	374.0	374.7	356.9	355.6	355.6	355.6	355.6
Central bank gross FX reserves, including FX swaps (USD bn)	248.4	338.5	350.2	305.9	322.0	297.4	297.4	297.4	297.4
Central bank gross non-gold FX reserves (USD bn)	354.2	362.5	371.2	371.9	354.1	352.8	352.8	352.8	352.8

(1) Average annual growth in nominal wages. (2) Real effective exchange rate. Deflator: CPIs. Increase indicates appreciation. (3) Total government expenditures; includes interest payments. (4) Figures related to the Central Bank's new methodology. (5) Net of international reserves, Worker's Fund (FAT) assets, Central Bank holdings of government securities, social security system holdings of government securities. (6) Includes bank lending to individuals and private corporate debt (debentures and bank loans to the sector). (7) Net FDI inflow minus Brazilian investments abroad. (8) Net inflow of foreign-owned companies. (9) Scheduled amortizations for public and private sectors. (10) Included intercompany loans. (11) Data prior to 2014 follow previous balance-of-payments methodology.

Source: Brazilian Statistics Bureau (IBGE), Central Bank of Brazil, Credit Suisse.

Chile: Unusually uncertain

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- **Chile's macro and political outlook for 2022 appears unusually uncertain for the country's standards.** How various pending issues are resolved could be key in re-shaping the country's medium-term prospects. On the macro front, will President Boric be fiscally responsible and eliminate emergency support measures, as outlined in the budget? What will be his stance towards business groups? Will he inspire business confidence? On the political front, what will be the main contents of the new Constitution? Will Chilean voters approve it? We will gradually find out. For now, last year indeed appears to have marked an inflection point for Chile, at least as to how investors view it. Its economy and political landscapes are no longer as stable and predictable as they were for the past decades. Is this a blip, or a new normal?
- **On the political front, President-elect Gabriel Boric will take office in March with high levels of support.** A recent poll by Cadem shows that 63% of Chileans have a positive or very positive opinion of him, compared to 27% who have a negative or very negative one. Support is particularly strong among Chileans aged 34 and under, and in the lower income segments of the population. Currently, only 16% of those polled by Cadem think that Boric's government will perform poorly.
- **We think that this context will allow President Boric to follow a conservative stance at least early on in his administration.** This would include the naming of a Minister of Finance who is "approved" by financial markets, who endorses a return to fiscal discipline this year, and who does not pursue major revenue-enhancing reforms right away. All of this would make life easier for the central bank, which continues to fight against inflation, and help calm fears among domestic investors.
- **A bigger unknown, however, is the content of the new Constitution, due in early July.** We think that this is the biggest development to watch this year. What will the proposed Constitution look like? Will it include adverse elements to the central bank's autonomy, or to foreign investment prospects in sectors including mining and utilities? Will it carry permanent adverse fiscal implications if it entitles Chileans to receive generous public services at low costs (or free)? Those in charge of drafting the Constitution will most likely want to see their hard work being approved by Chileans during the popular vote. For this reason, they will probably have incentives to incorporate many of the demands of Boric's strongest support groups, namely the younger and lower-income segments. But at what cost?
- **We think that President Boric will be fiscally prudent in 2022, partly thanks to his approval levels, and given the eventual end of the sanitary emergency.** Our central scenario is that the fiscal deficit will narrow to 2.7% of GDP in 2022 from an estimated deficit of 9.7% of GDP last year. This implies the end of most of the fiscal support measures undertaken due to the health crisis, which last year alone totaled the equivalent to close to 9% of GDP. Most of this support (77%) was in the form of the emergency income for households program (IFE), which is set to end this year. We would reassess our central scenario, if the new administration were to maintain a very loose fiscal stance.

- **We project average annual real GDP growth of 2.3% in 2022, versus an estimated growth of 12% in 2021.** Three months ago, our 2021 and 2022 growth forecasts were 11.0% and 2.0%, respectively. The projected 2.3% growth rate for 2022 is misleading, as it benefits greatly from a positive base effect. If output were to remain unchanged in 2022 at the estimated level of the final quarter of 2021, average annual growth would be 4.5%, taking advantage of lower output levels in early 2021. Therefore, the fact that our forecast is lower than this figure implies that we are projecting a contraction in the first half of the year, followed by a modest recovery in the second half. Headwinds to growth include the projected fiscal tightening, diminished benefits to private consumption from large and recent pension withdrawals, and subdued fixed investment due to political uncertainty.
- **We project that annual consumer price inflation will fall to 4.7% at year-end 2022, from 7.2% at the end of 2021.** These figures are significantly higher than we were expecting three months ago. Luckily, we had company. For instance, the year-end 2021 annual inflation result of 7.2% was a full 30bps higher than the central bank was projecting as recently as 7 December, the date in which it prepared its central scenario for the latest quarterly monetary policy report. We think that two of the main factors that will help lower inflation in 2022 will be the softening of private consumption relative to last year (21% real growth in 2021 versus a projection of 2% in 2022), and some stability in the currency, after last year's sharp depreciation of 16% against the US dollar.
- **Stubbornly high inflation will likely lead the central bank to continue to increase the monetary policy rate.** We think that the bank will increase this rate by a cumulative 250bps to 6.5% in 2022. We think that the bank will reach this rate by May, with rate increases of 125bps, 75bps and 50bps in each of the next three meetings (26 January, 29 March and 5 May). Our forecast is close to the upper end of the confidence interval for the policy rate that the bank published in its latest monetary policy report, and compares to median estimates of 5.0% and 5.75% in the surveys carried out by the central bank among economists and traders, respectively.
- **We project a narrowing of the current account deficit from an estimated 4.7% of GDP last year, to a deficit of 3.3% of GDP in 2022.** This adjustment will likely be a function of a clear moderation in import growth, consistent with the weakening of domestic demand. This, along with the ongoing monetary policy tightening cycle, should help ease weakening pressures on the Chilean peso. From a real exchange rate perspective, the Chilean peso is currently some 15% cheap to its 10-year average, the highest level of depreciation in close to two decades.
- **From a ratings standpoint, we think that the threat of a one-notch downgrade by Moody's is in place for upcoming months.** The last time Moody's took a ratings action on Chile was in mid-2018. Clearly, economic and political visibility have worsened notably, along with the fiscal accounts, to continue to justify an A1 rating on the long-term foreign currency debt. Moody's has had a negative outlook on the rating since August 2020.
- **Lastly, and on a positive note, Chile continues to stand out globally in its fight against Covid.** Close to 90% of the population is fully immunized against the virus, well above the regional average, which may help explain the still subdued number of new cases in recent weeks.

Chile: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	2.3	1.7	1.2	3.7	0.9	-5.8	12.0	2.3	1.3
Growth in real private consumption (%)	2.1	2.7	3.4	3.8	1.0	-7.0	21.0	2.0	1.5
Growth in real fixed investment (%)	-0.3	-1.3	-3.1	5.1	4.4	-13.0	17.0	0.0	0.0
Fixed investment (% of GDP)	22.6	21.9	21.0	21.3	22.0	20.7	21.6	21.1	20.9
Nominal GDP ($bn)	243.6	250.8	277.0	297.2	279.5	253.1	312.2	298.0	309.7
Population (mn)	18.0	18.2	18.4	18.8	19.1	19.5	19.7	19.8	20.0
GDP per capita ($)	13,554	13,805	15,038	15,848	14,627	13,007	15,867	15,029	15,514
Unemployment (% of urban labor force, average year) (1)	6.4	6.6	6.9	7.3	7.2	10.6	8.8	7.3	7.0
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	4.4	2.7	2.3	2.6	3.0	3.0	7.2	4.7	3.3
CPI inflation (%, average)	4.3	3.8	2.2	2.4	2.3	3.0	4.5	6.5	4.1
Exchange rate (CLP per USD, end-year)	710.0	670.0	615.4	694.0	744.6	711.2	850.3	875.0	875.0
Exchange rate (CLP per USD, average)	655.0	676.0	649.0	642.2	702.6	792.2	759.3	863.0	875.0
REER (% year-on-year change, annual average) (2)	1.1	2.9	2.6	1.3	-4.7	-8.2	-0.2	-9.2	0.0
Nominal wage growth (% year-on-year change, average) (3)	6.2	5.2	5.7	4.5	4.7	3.7	5.7	7.5	6.1
Monetary policy rate (%, end-year)	3.50	3.50	2.50	2.75	1.75	0.50	4.00	6.50	5.50
Fiscal data									
General government fiscal balance (% of GDP)	-2.1	-2.7	-2.8	-1.7	-2.9	-7.3	-9.7	-2.7	-2.3
Central government primary fiscal balance (% of GDP)	-1.5	-2.0	-1.9	-0.8	-1.9	-6.3	-8.8	-1.8	-1.3
Central government expenditure (% of GDP)	23.2	23.5	23.7	23.7	24.5	27.3	33.0	23.7	23.2
Gross central government debt (% of GDP, end-year) (4)	17.3	21.0	23.6	25.6	28.2	32.5	34.9	35.0	35.2
Net central government debt (% of GDP)	-3.4	0.9	4.4	5.7	8.0	13.4	17.2	18.2	19.4
Money supply and credit									
Broad money supply (M2, % of GDP)	70.3	70.8	70.1	73.5	77.0	79.4	75.4	73.7	73.4
Broad money supply (M2, % year-on-year change)	12.0	7.0	5.1	11.2	7.8	5.4	12.3	6.0	5.0
Domestic credit (% of GDP)	72.8	74.7	74.0	75.3	77.9	81.6	74.2	71.2	71.6
Domestic credit (% year-on-year)	10.2	9.0	5.0	8.0	6.5	7.0	7.5	4.0	6.0
Domestic credit to private sector (% of GDP)	67.3	68.6	68.5	70.2	74.6	78.0	70.1	66.6	66.4
Domestic credit to private sector (% year-on-year)	10.9	8.3	5.9	8.7	9.4	6.7	6.3	3.0	5.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	29.4	28.0	28.4	28.5	28.0	31.5	31.7	34.2	33.2
Imports (goods and non-factor services, % of GDP)	29.4	27.4	27.1	28.6	28.7	26.2	30.4	31.6	31.0
Exports (goods and non-factor services, % change in $ value)	-16.5	-1.8	11.9	7.6	-7.5	2.1	24.0	3.0	1.0
Imports (goods and non-factor services, % change in $ value)	-13.6	-4.2	9.3	13.3	-5.6	-17.3	43.0	-1.0	2.0
Current account balance ($bn)	-5.7	-5.0	-6.4	-11.6	-10.5	3.4	-14.6	-9.8	-9.0
Current account (% of GDP)	-2.4	-2.0	-2.3	-3.9	-3.7	1.3	-4.7	-3.3	-2.9
Net FDI ($bn)	4.9	3.8	2.6	6.5	3.2	-3.2	4.7	4.0	4.0
Scheduled debt amortization ($bn) (5)	15.6	16.8	21.6	25.5	25.5	22.0	24.3	25.4	25.0
Foreign debt and reserves									
Foreign debt ($bn, end-year)	160.9	164.8	180.4	183.3	197.2	209.0	236.8	255.0	271.0
Public ($bn)	31.8	35.4	47.3	51.2	59.5	67.8	80.7	90.0	96.0
Private ($bn)	129.1	129.4	133.2	132.2	137.7	141.2	156.1	165.0	175.0
Foreign debt (% of GDP, end-year)	66.1	65.7	65.1	61.7	70.6	82.6	75.8	85.6	87.5
Foreign debt (% of exports of goods and services)	224.9	234.6	229.5	216.9	252.3	261.9	239.3	250.2	263.3
Central bank gross non-gold FX reserves ($bn)	38.6	40.5	39.0	39.9	40.7	39.2	53.4	54.4	55.5

(1) Adjusted for seasonality (2) Real effective exchange rate, increase indicates appreciation (3) General compensation index (includes fringe benefits) (4) Excludes debt of the central bank (5) Scheduled amortizations for public and private sectors

Source: Central Bank, INE, Budget Office, Ministry of Finance, Credit Suisse

Colombia: Many unknowns

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- **Colombia's recent macro performance has not brought many surprises.** In upcoming months, an important development to watch will be the legislative elections, which are scheduled to take place in March, as they may serve as a preview of the May Presidential elections. Currently, Senator Gustavo Petro continues leading the polls, with his closest competitors trailing by more than 20 percentage points. Who will Colombian voters elect as their new President? Will he or she offer a continuation of recent policies or material changes? At this moment we think there are too many unknowns. As such, in this note we will focus on what we do know.
- **In terms of the pandemic, new Covid cases have been increasing recently, likely due to Omicron.** In terms of vaccinations, by year-end 2021, 75% of Colombians had received one Covid vaccine dose, 55% had been fully immunized, and 6.0% had received a booster shot. In our view, by the end of 1Q 2022, all Colombian adult population should be fully vaccinated. As in all other countries, a sudden surge in hospitalization related to a virus variant is a risk; authorities remain watchful, but less aggressive toward lockdown measures than in the past, in our view. Moreover, we believe selected confinement restrictions would be appropriately managed by economic agents given the know-how acquired during the pandemic.
- **We are leaving our 2022 real GDP growth forecast at 4.2%, unchanged versus three months ago.** We acknowledge that our estimate is on the conservative side, considering that base-effects would facilitate an annual growth of at least 3.0 percentage points. However, risks related to Omicron, tighter monetary conditions, policy uncertainty in an electoral year, and the possibility of budget under-execution given a new administration in 2H 2022, are factors that lead us to take a more conservative stance. We have fine-tuned our 2021 real GDP growth estimate to 9.5%, from a previous projection of 9.3%. We note that growth last year was fueled by double-digit annual growth prints in both industrial GDP and services GDP; primary GDP posted a rather modest growth of about 1.0% to 2.0%.
- **Fiscal metrics have benefitted from robust economic activity.** Moreover, we have clearly noticed a reduction of the fiscal profligacy that took place in the pandemic. Our estimates suggest that, in real terms, central government (CG) fiscal revenues rose about 9.0% in 2021, while expenses increased roughly 1.5%; we expect real fiscal revenues to keep exceeding expenses in 2022 and forecast a central government fiscal deficit of 5.5% of GDP, well below the nominal deficit target of 7.0% of GDP. We are optimistic on this front, since the government seems to have over-delivered last year; we estimate that the 2021 CG deficit was of 6.2% of GDP versus an initial target of a deficit of 8.6% of GDP. We estimate that the gross-debt-to-GDP ratio will increase to about 64% by year-end 2022, from 62% in the previous year, a few percentage points below the estimates of the Medium-Term Fiscal Framework. We do not foresee the recovery of investment grade in our forecast horizon, nor do we expect negative rating actions in the near term.

- **The bad news is that strong GDP growth has meant a wide current account deficit.** We forecast a 2022 current account deficit of $14.6bn (4.6% of GDP), following an estimated deficit of 5.3% of GDP last year. A steaming-hot domestic demand in 2021, likely resulted in merchandise imports of over $50bn. Yes, exports increased too, but not nearly enough to fully compensate for imports' growth. Moreover, income account outflows of close to 3.0% of GDP have kept being the norm. Colombia has been unable to diversify the economy in such a way that either its exports result in stronger USD inflows, or its domestic demand can be satisfied more efficiently by local goods. These dynamics are a problem because net FDI in 2022-23, as per our estimates, is expected to cover just 50% of the external gap. Reliance on portfolio flows comes at a cost, particularly as there should be a more restrictive monetary policy in the global economy. Add to the mix, the upcoming electoral worries, and the result is that the Colombian peso could be one of the most vulnerable EM currencies in 2022.
- **On consumer prices, the upward pressures in foodstuffs and energy items have been more persistent than initially expected.** Moreover, we have started to notice second-round effects in certain CPI categories (restaurants and hotels), as economic agents are seemingly repricing as the economy improves. In line with these developments, 12-months ahead inflation expectations deteriorated to 3.9% in December 2021, the highest level in over four years. Our inflation projections suggest that annual headline inflation will continue increasing and peak at 5.9% in February (above our estimate of 5.0% three months ago); for year-end 2022 we forecast annual headline inflation of 4.0%. We do not expect inflation to return within the target range (3% ±1.0 p.p.) until 2023.
- **We think that the central bank will speed up the pace of monetary policy normalization in the next couple meetings.** As a reference, there will be policy rate decisions on 28 January, 31 March, and 29 April; throughout these meetings we expect annual headline inflation to average 5.8%, slightly higher than its 2021 year-end result of 5.6%. Thus, the bank only has arguments to keep on tightening. We think that the central bank will hike the reference rate by increments of 75bps in January and March, and then continues tightening, but at a slower pace. Our base-case is then that the policy rate will be at 5.00% by the end of April 2022 and close the year at 6.0%.
- **Legislative elections on 13 March should give us a hint of what is to come in the Presidential elections.** The new Colombian president, whoever he/she ends up being, needs the support of at least 55 senators and 87 Lower House lawmakers; this guarantees simple majorities in both chambers. A government without a strong backing of the legislature will continue displaying weak governability, which would difficult countering the ongoing erosion in key economic indicators. Senator Gustavo Petro continues leading the polls by a margin of more than 20 percentage points, with some of his main contenders being Sergio Fajardo and Oscar Ivan Zuluaga. We believe markets could face volatility given the unknowns that a potential Petro administration could entail. Though Mr. Petro's rhetoric has moderated in the past four years, if he were to be elected, he would need market-friendly actions to foster business confidence. Words are not enough.

Colombia: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	3.0	2.1	1.4	2.6	3.3	-6.8	9.5	4.2	3.5
Growth in real private consumption (%)	3.1	1.6	2.1	3.2	3.9	-5.6	13.4	4.3	2.6
Growth in real fixed investment (%)	2.8	-2.9	1.9	1.0	3.1	-20.6	9.9	3.3	0.9
Fixed investment (% of GDP)	23.4	22.2	22.3	22.0	22.0	18.7	18.8	18.6	18.2
Nominal GDP ($bn)	294.6	283.6	311.8	334.1	323.2	272.3	311.2	313.8	319.6
Population (mn)	47.0	47.5	48.1	48.6	49.1	49.6	50.1	50.6	51.1
GDP per capita ($)	6,266	5,965	6,486	6,876	6,581	5,487	6,208	6,197	6,249
Unemployment (% of labor force, average) (1)	8.9	9.2	9.4	9.7	10.5	16.1	13.8	11.8	9.8
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	6.8	5.7	4.1	3.2	3.8	1.6	5.6	4.0	3.5
CPI inflation (%, average)	5.0	7.5	4.3	3.2	3.5	2.5	3.3	4.6	3.8
Exchange rate (COP per USD, end-year)	3,149	3,001	2,984	3,250	3,277	3,433	3,981	4,250	4,300
Exchange rate (COP per USD, average)	2,742	3,055	2,951	2,956	3,281	3,693	3,744	4,010	4,237
REER (% change, December to December) (2)	-17.5	15.1	-2.8	-1.8	-3.1	-3.7	-8.7	-3.8	-3.1
Nominal wage growth (% year-on-year change, average) (3)	10.9	0.7	24.7	-3.3	-4.4	-24.0	14.5	9.9	8.8
Reference rate (%, end-year)	5.75	7.50	4.75	4.25	4.25	1.75	3.00	6.00	4.50
Fiscal data									
Central government's fiscal balance (% of GDP)	-2.9	-3.8	-3.3	-3.1	-2.2	-8.1	-6.2	-5.5	-3.9
Central government primary fiscal balance (% of GDP)	-0.5	-1.1	-0.8	-0.3	0.4	-4.9	-3.7	-2.8	-1.2
Central government expenditure (% of GDP)	19.0	18.7	18.9	18.2	18.4	23.3	21.1	20.7	20.4
General government fiscal balance (% of GDP)	-3.4	-2.3	-2.7	-2.6	-2.4	-7.8	-6.0	-5.4	-3.7
General government expenditure (% of GDP)	30.0	29.8	29.4	32.4	31.8	36.0	34.5	33.9	33.5
Gross general government debt (% of GDP, end-year)	44.6	45.6	46.4	49.3	50.3	66.2	61.9	64.2	66.7
Net general government debt (% of GDP, end-year) (4)	41.8	43.2	43.8	46.3	48.3	61.1	57.5	60.2	63.1
Money supply and credit									
Broad money supply (M2, % of GDP)	47.5	47.3	47.5	46.5	47.0	56.9	52.3	51.6	51.0
Broad money supply (M2, % year-on-year change)	12.5	6.9	7.1	5.0	8.7	14.3	7.1	6.3	6.3
Domestic credit (% of GDP)	52.1	51.8	54.3	53.9	55.1	62.2	59.1	59.5	60.1
Domestic credit (% year-on-year)	19.4	6.6	11.7	6.7	9.7	6.7	10.6	8.7	8.7
Domestic credit to private sector (% of GDP)	48.5	48.3	50.6	49.8	50.2	54.9	51.4	51.7	52.2
Domestic credit to private sector (% year-on-year)	20.3	6.9	11.5	5.6	8.4	3.3	9.0	8.6	8.6
Balance of payments									
Exports (goods and non-factor services, % of GDP)	16.0	15.1	15.8	16.1	15.9	14.0	15.6	16.7	14.0
Imports (goods and non-factor services, % of GDP)	22.4	19.8	18.6	19.2	20.3	18.8	21.6	21.8	21.5
Exports (goods and non-factor services, % change in $ value)	-28.2	-9.0	15.3	8.9	-4.5	-25.7	27.3	8.2	-14.8
Imports (goods and non-factor services, % change in $ value)	-15.1	-14.8	3.3	10.7	1.9	-21.6	31.1	1.9	0.4
Current account balance ($bn)	-18.7	-12.6	-9.9	-14.0	-14.8	-9.6	-16.6	-14.6	-18.0
Current account (% of GDP)	-6.3	-4.4	-3.2	-4.2	-4.6	-3.5	-5.3	-4.6	-5.6
Net transfers ($bn)	5.8	6.2	6.9	8.0	9.1	8.8	10.6	12.0	13.5
Net FDI ($bn)(5)	7.4	9.3	10.0	6.2	10.8	5.8	6.9	8.5	7.2
Scheduled debt amortization ($bn) (6)	2.4	1.1	2.7	1.0	2.5	1.8	3.0	4.0	5.0
Foreign debt and reserves									
Foreign debt ($bn, end-year)	111.9	120.4	124.8	132.2	138.7	154.5	167.2	179.2	184.2
Public ($bn)	66.2	71.1	71.9	73.0	73.8	89.7	100.2	110.2	115.2
Private ($bn)	45.8	49.3	52.9	59.2	64.8	64.8	67.0	69.0	69.0
Foreign debt (% of GDP, end-year)	38.0	42.5	40.0	39.6	42.9	56.7	53.7	57.1	57.6
Foreign debt (% of exports of goods and services)	238.1	281.5	253.0	246.1	270.2	405.0	344.3	341.2	411.8
Central bank gross FX reserves ($bn)	46.7	46.7	47.6	48.4	53.2	59.0	58.5	57.0	55.0
Central bank gross non-gold FX reserves ($bn)	46.6	46.5	47.2	47.9	52.5	58.8	58.5	57.0	55.0

(1) Average for the year (2) Increase indicates appreciation (3) Minimum wage (4) Non-financial public sector debt net of intergovernmental loans and holdings of public sector bonds by public sector entities (5) Net FDI measured on an accrued basis (flows reported on a cash-basis may be significantly different; for example, in 2010, net FDI on a cash basis was $9.1bn) (6) Scheduled amortizations for public sector

Source: DANE, Central Bank, Ministry of Finance and Public Credit, Credit Suisse

Mexico: Underwhelming growth

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- **We anticipate that 2022 will be another year of underwhelming growth for Mexico.** We project that real GDP growth will surprise to the downside and that it will leave Mexico as one of the few countries globally whose real GDP in 2022 will remain below pre-pandemic levels. But weak growth is unlikely to prompt a change in macro policy this year, as the President enjoys an approval level of over 65%. We think he will use his popularity to help secure congressional approval of his electricity reform proposal. This will likely be the main political development to watch this year. Our central scenario is that the opposition will seek to make changes to the proposed bill. Whether these changes are substantial or cosmetic will be key in assessing the impact to investor confidence.
- **On the health front, Mexico's management of the pandemic remains underwhelming.** Mexico continues to compare unfavorably to regional peers on many fronts, including access to vaccines (full and partial doses), tests, positivity rates and, more importantly, excess deaths. The government's response to the current Omicron wave has discouraged people from getting tests, even if they have symptoms; notably, authorities have also not restricted mobility or daily activities materially. Will subdued growth and the handling of the health crisis eventually hurt the President's popularity? Time will tell.
- **Economic activity ended 2021 on a weak note.** Real GDP unexpectedly fell in the third quarter and was probably unchanged in the fourth quarter. Although weakness was particularly steep in the professional services sector, due to changes in the outsourcing law, the reality is that output in many other sectors also weakened as the year progressed. On the whole, Mexico's real GDP likely grew at an average annual rate of just 5.0% last year, well below peak median expectations of 6.2% as of last September.
- **Real GDP growth will likely disappoint this year, partly due to base effects.** We are forecasting that real GDP will grow at an annual average rate of just 1.7% in 2022. This forecast is clearly lower than median market expectations of 2.8% (central bank survey), and official forecasts of 4.1% (government) and 3.2% (central bank). Though we project average quarterly growth rates in 2022 that are higher than those in 2021 (0.7% versus 0.5%), the decline in GDP in the second half of 2021 relative to the first half will make it challenging for the average value of this year's GDP to be significantly above last year's average. A favorable base effect boosted average growth in 2021, but an unfavorable base effect will hurt it in 2022.
- **Two factors are behind our optimism on the economic recovery from the late 2021 slump.** On one hand, distortions in the services sector due to the change in the outsourcing law seem to be diminishing. For instance, monthly output in the professional services sector fell by 18% on average between June and September, but only by 3% in October. On the other hand, we think that the manufacturing sector—vehicles in particular—should start to benefit from the eventual recovery in supply chains globally. These factors, along with the steady and strong flow of remittances, should help mitigate the adverse impact from lower real wage gains, higher domestic interest rates, and the lack of a fiscal stimulus.

- **We project that consumer price inflation will fall to 4.2% by year-end 2022, from 7.4% at the end of 2021.** We project a decline in both core and non-core inflation throughout the year. An improvement in agricultural supply conditions and a moderation in energy price increases should ease non-core inflation pressures. Meanwhile, at the core level, we project that most of the disinflation will come in the merchandises category, as supply conditions normalize. Our annual core inflation projections for most of the year are similar to the latest ones from the central bank, but slightly higher in the case of headline inflation.
- **On the monetary policy front, we project a cumulative increase of 125bps in the overnight rate in 2022, to 6.75%.** We think that the central bank will increase the overnight rate by just 25bps in the first policy meeting of the year (10 February), even though the bank's most recent move was an increase of 50bps. We think that the central bank will note that its projections suggest that inflation is slowing down, when viewed from a quarterly standpoint and with the proper seasonal adjustment. We also think that the bank will link itself to the US Fed in the February statement, noting that, at least in the near term, it will likely match any change in the Fed Funds rate with the corresponding increase in Mexico's overnight rate.
- **We do not anticipate surprises on the fiscal front and continue to project modest imbalances.** Specifically, we project a primary deficit of 0.6% of GDP in 2022 and an overall deficit of 3.2% of GDP – both in line with last year's estimated results. Despite the underwhelming pace of economic growth, we think that President Lopez Obrador will continue to prioritize fiscal discipline in years five and six of his administration (2023 and 2024). Since public sector revenues are unlikely to increase materially in the absence of a fiscal reform, spending pressures on Pemex, pensions, and on the President's projects and programs, will be funded by corresponding declines in "other" spending categories.
- **On the external front, we forecast a current account deficit equivalent to 0.5% of GDP in 2022.** In dollar terms, this deficit would be equivalent to $5.8bn and would be financed by net foreign direct investment flows. For the Mexican peso, we are anticipating weakening pressure to emerge from the projected increases to the Fed Funds rate and the likely adverse impact this will likely have on risk appetite towards emerging market assets. We project that the peso could weaken to 22.0 per US dollar by year-end 2022, from 20.40 at present.
- **Lastly, on the sovereign ratings front, we think that at least one of the three leading ratings agencies could potentially downgrade Mexico's foreign currency debt by one notch.** Moody's rates Mexico at Baa1, the highest of the three leading agencies, and has had a negative outlook on the rating since April 2020. Although fiscal metrics have been stronger-than-expected in recent years, we think that a possible downgrade could come from disappointing growth and growth prospects, along with governance issues associated, for example, with adverse legislation developments. S&P also has a negative outlook on the debt, but has recently re-affirmed the rating at BBB. A clear reason for S&P to potentially lower the rating would be the approval in Congress of the electricity bill, in our view.

Mexico: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	3.3	2.6	2.1	2.2	-0.2	-8.2	5.0	1.7	2.6
Growth in real private consumption (%)	2.7	3.7	3.2	2.6	0.4	-10.5	7.1	2.0	2.6
Growth in real fixed investment (%)	4.8	0.8	-1.2	0.8	-4.7	-17.8	9.9	3.0	2.0
Fixed investment (% of GDP)	21.6	21.2	20.5	20.2	19.3	17.3	18.1	18.3	18.2
Nominal GDP ($bn)	1,170	1,077	1,159	1,223	1,270	1,074	1,264	1,279	1,311
Population (mn)	119.9	121.1	122.3	123.5	124.8	126.0	127.3	128.5	131.2
GDP per capita ($)	9,756	8,890	9,477	9,895	10,176	8,520	9,928	9,952	9,994
Unemployment (% of labor force, end-year)	4.3	3.9	3.4	3.3	3.5	4.4	4.2	4.1	4.1
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	2.1	3.4	6.8	4.8	2.8	3.2	7.4	4.2	4.0
CPI inflation (%, average)	2.7	2.8	6.0	4.9	3.6	3.4	5.7	5.2	4.0
Exchange rate (MXN per USD, end-year)	17.21	20.64	19.66	19.67	18.89	19.95	20.53	22.00	23.00
Exchange rate (MXN per USD, average)	15.87	18.69	18.92	19.24	19.26	21.49	20.29	21.50	22.50
REER (% change, December to December) (1)	-10.5	-14.7	8.9	0.1	5.9	-4.2	-1.5	4.8	3.4
Nominal wage growth (% year-on-year change, average) (2)	4.3	4.2	4.7	5.4	5.8	5.2	5.0	5.0	4.7
Reference rate (%, end-year)	3.25	5.50	7.25	8.25	7.25	4.25	5.50	6.75	6.75
Fiscal data									
General government fiscal balance (% of GDP) (3)	-3.4	-2.5	-1.1	-2.0	-1.7	-2.9	-3.2	-3.2	-3.2
General government primary fiscal balance (% of GDP)	-1.2	-0.1	1.4	0.6	1.1	0.1	-0.6	-0.6	-0.5
General government expenditure (% of GDP)	26.3	26.6	23.6	23.8	23.7	26.0	26.4	26.0	26.0
Oil-related revenues (% of total public sector revenues)	19.8	16.3	16.7	19.1	17.7	11.3	18.2	18.8	19.0
Gross general government debt (% of GDP, end-year) (4)	45.4	49.4	46.9	46.8	46.7	53.9	53.1	52.7	52.5
Money supply and credit									
Broad money supply (M2, % of GDP)	36.5	38.1	38.3	37.5	38.1	45.0	44.5	43.6	43.4
Broad money supply (M2, % year-on-year change)	6.5	13.2	9.5	5.0	5.8	11.3	10.0	5.0	7.0
Domestic credit (% of GDP)	38.6	38.8	38.4	38.4	38.6	43.4	40.1	38.5	37.5
Domestic credit (% year-on-year)	10.7	9.0	7.8	7.3	4.6	5.9	2.8	3.0	4.5
Domestic credit to private sector (% of GDP)	28.8	30.7	31.3	31.8	31.5	33.9	30.8	29.3	28.1
Domestic credit to private sector (% year-on-year)	15.0	15.7	11.1	8.9	3.1	1.4	1.0	2.0	3.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	34.5	37.0	37.7	39.3	38.8	40.4	41.9	45.7	48.2
Oil exports (% of GDP)	2.0	1.7	2.0	2.5	2.0	1.6	2.2	2.4	2.4
Imports (goods and non-factor services, % of GDP)	36.5	38.9	39.4	41.2	39.0	38.2	44.2	47.6	49.7
Exports (goods and non-factor services, % change in $ value)	-3.6	-1.3	9.8	9.8	2.6	-11.9	21.9	10.5	13.3
Imports (goods and non-factor services, % change in $ value)	-1.5	-1.8	8.9	10.3	-1.8	-17.0	36.0	9.1	7.0
Current account balance ($bn)	-31.1	-24.4	-20.4	-25.1	-4.0	26.2	-7.3	-5.8	-3.0
Current account (% of GDP)	-2.7	-2.3	-1.8	-2.1	-0.3	2.4	-0.6	-0.5	-0.2
Net transfers ($bn)	24.3	27.1	30.1	33.4	36.2	40.1	49.7	51.6	51.6
Net FDI ($bn)	24.8	31.0	30.3	25.6	23.6	25.0	23.0	23.0	23.0
Scheduled debt amortization ($bn) (5)	12.3	15.5	15.0	15.4	16.5	17.0	18.0	18.5	13.7
Foreign debt and reserves									
Foreign debt ($bn, end-year)	296.4	314.2	333.4	343.0	355.8	373.0	390.0	410.0	430.0
Public ($bn) (6)	162.2	181.0	194.0	202.0	204.7	223.6	240.0	250.0	260.0
Private ($bn)	134.2	133.2	139.4	141.0	151.1	149.4	150.0	160.0	170.0
Foreign debt (% of GDP, end-year)	25.3	29.2	28.8	28.1	28.0	34.7	30.9	32.1	32.8
Foreign debt (% of exports of goods and services)	73.4	78.8	76.2	71.4	72.2	85.9	73.7	70.1	68.0
Central government gross FX reserves ($bn)	176.7	176.5	172.8	174.8	180.9	195.7	202.4	200.4	198.4
Central bank gross non-gold FX reserves ($bn)	172.6	172.1	167.8	169.8	175.0	188.4	195.4	193.4	191.4

(1) Real effective exchange rate, increase indicates appreciation. (2) Contractual wage increases at a national level in the public and private sectors (excludes fringe benefits). (3) Narrow definition that excludes off-balance expenditures. (4) Includes all contingent liabilities associated with IPAB, Pidiregas, FARAC, financial intermediation and other debtor support programs. (5) Scheduled short- and long-term market and non-market amortizations for public and private sectors. (6) Includes the total stock of Pidiregas debt.

Source: INEGI (Government's statistics agency), Banco de Mexico, Ministry of Finance, Credit Suisse

Peru: Lingering uncertainty

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- **The administration of President Pedro Castillo has demonstrated so far that radical constitutional changes will likely not take place in the near- to medium-term.** Structurally, Peru is the same country it has been over the past few decades, with sound macroeconomic management, a credible and independent central bank, and an economy that typically outperforms that of its regional peers. However, unusual policy decisions from the Castillo administration are a risk that has materialized, that will likely remain, and that has kept fueling the country's persistent political noise. Fortunately, we think that a robust global economy and high commodity prices will continue driving the economy via the external trade channel. Investors' attention in the coming quarters should focus on the political realm, as frictions between the executive and the legislature will likely remain a source of concern. Uncertainty will linger, in our view.
- **In terms of the Covid pandemic, the Omicron variant already raised concerns to authorities.** Before the year-end holidays, the government tightened certain mobility restrictions and decided to speed up the administration of booster vaccine shots. As a reference, by 2021 year-end, about 75% of the population had received one vaccine dose and 65% of Peruvians had been fully immunized. We acknowledge that the sudden rise in Covid infections could have an impact on the economy. However, we think that the negative effect should be much lower than before as economic agents have adjusted to the persistence of the virus. Moreover, a slower recovery should not affect the central bank's resolution to combat inflation via higher rates, in our view.
- **We are fine-tuning our 2022 real GDP growth forecast to 3.5%, from the previous forecast of 3.2%.** Our higher projection is partly due to base effects as the economy performed much stronger than expected in the second half of 2021; we estimate that economic growth last year was of 13.4%. As a reference, the carry-over growth this year should be of about 2.0 percentage points (p.p.); this implies that we are assuming that economic dynamism (beyond base effects) will contribute just 1.5 p.p. to the annual result. Our conservative forecast accounts for subdued private investment due to policy uncertainty and political noise. As a reference, the central bank forecasts zero growth in private sector investment this year.
- **On the consumer price front, inflation has been much higher than expected in recent months.** In 2H 2021, average monthly inflation was four to five times higher than in the 2015-2019 period. In line with what has happened in the region, upside pressures in prices have been highly concentrated in foodstuffs and energy items, such as liquefied gas and gasoline; in our view, inflationary risks remain high. For now, we forecast 2022 year-end annual headline inflation of 3.7%, up from our projection of 2.1% three months ago. In our view, 12-month ahead inflation expectations are likely to reach 4.0% soon and inertia risks might start to become a concern. Consequently, we are forecasting policy rate hikes of 50bps in all monthly central bank meetings through June; this implies a policy rate of 5.50% by the end of 1H 2022. Thereon, further rate moves will depend on the inflation outlook and global financial conditions, in our view.

- **We forecast a 2022 current account deficit of $2.4bn (1.5% of GDP), following an estimated deficit of $4.6bn last year.** The slight narrowing of the deficit will likely be related to a deceleration of imports after their sharp rebound last year; we also expect that outflows from the income account should somewhat subside as the economy slows down. Regardless, we remain unconcerned about Peru's external gap as net FDI, though lower than in previous years, still comfortably funds the deficit. Moreover, higher commodity prices and a sharper deceleration of domestic demand could actually lead the current account to a surplus this year (this is not our central scenario, though). As a reference, we estimate that net FDI last year likely reached $6.5bn, roughly 1.4 times the current account deficit; we expect similar dynamics in 2022.

- **Meanwhile, fiscal consolidation has been much faster than we and the authorities expected.** The nominal fiscal deficit target for 2021 was equivalent to 4.7% of GDP, but Finance Minister Pedro Francke said in late October that the deficit would be actually closer to 4.0% of GDP. In fact, we estimate a fiscal deficit of 2.9% of GDP, as tax revenues have been growing much stronger than expected – in line with economic activity. Note that the fiscal deficit in 2020 was nearly 9.0% of GDP; the improvement in Peru's fiscal accounts has been notable. For 2022, the fiscal rule will once again be in place; the government's fiscal deficit target is 3.7% of GDP. We think that the fiscal outperformance will persist, as it has historically been the case; consequently, we forecast a fiscal deficit of 2.3% of GDP this year. The public debt-to-GDP ratio will likely close 2022 at about 35%, largely unchanged versus 2021.

- **We think that S&P could be the next rating agency to downgrade the country's sovereign debt rating.** As a reference, last October, S&P affirmed Peru's rating at BBB+, but placed the outlook as negative. S&P underlined that the negative outlook expresses the possibility of a downgrade if political challenges, due to issues between Congress and the executive, lead to weak economic performance and undermine the country's financial profile. Note that last year both Moody's and Fitch lowered Peru's rating by one notch. We think that in a situation of political turmoil, or if it starts to become clear in the second half of the year that economic performance is slacking, then S&P could announce a one notch downgrade.

- **On the political front, volatility is the name of the game.** A good political backdrop is one that is boring; Peru, though, has been nothing but that in recent months. The news-flow every week seems to bring something unexpected. Over the past few months there was: a mining policy announcement that was completely unexpected and triggered a market selloff; an attempt from Congress to impeach President Castillo; the beginning of a legal investigation to President Castillo due to alleged lack of transparency; and, the resignation of several cabinet members, including the Prime Minister Guido Bellido. In this context, we think that business sentiment is bound to remain depressed, likely leading to negative effects on private investment and potential GDP growth.

- **However, the good news is that there are no extremely bad news.** The main concern of investors not long ago was that there would be radical adjustments to Peru's legal framework. The reality is that Mr. Castillo has somewhat moderated, that Congress will likely not allow for constitutional modifications, and that the head of the Constitutional Court said recently that this is not the time for legal changes. In relative terms, Peru's outlook has improved versus a few months ago.

Peru: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	3.3	4.0	2.5	4.0	2.2	-11.1	13.4	3.5	3.2
Growth in real private consumption (%)	4.0	3.7	2.6	3.8	3.2	-8.8	14.0	5.7	3.0
Growth in real fixed investment (%)	-7.2	-4.5	1.3	4.7	2.8	-15.6	44.9	4.6	1.0
Fixed investment (% of GDP)	24.1	22.2	21.9	22.1	22.2	21.1	26.9	27.2	26.6
Nominal GDP ($bn)	191.3	194.5	214.3	225.4	231.0	205.2	222.3	225.3	233.7
Population (mn)	31.2	31.5	31.8	32.2	32.5	32.8	33.2	33.5	33.8
GDP per capita ($)	6141.6	6178.1	6734.4	7,009	7,108	6,251	6,704	6,728	6,911
Unemployment (% of urban labor force, average year) (1)	6.5	6.7	6.9	6.7	6.6	13.9	10.9	6.8	5.6
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	4.4	3.2	1.4	2.2	1.9	2.0	6.4	3.7	2.3
CPI inflation (%, average)	3.5	3.6	2.8	1.3	2.1	1.8	3.7	5.3	2.8
Exchange rate (PEN per USD, end-year)	3.4	3.4	3.2	3.37	3.31	3.62	4.10	4.25	4.30
Exchange rate (PEN per USD, average)	3.2	3.4	3.3	3.29	3.34	3.50	3.88	4.18	4.28
REER (% change, December to December) (2)	-10.2	0.7	3.7	-3.3	-0.1	-6.7	-12.7	-3.5	-2.0
Nominal wage growth (% year-on-year change, average) (3)	0.0	8.9	4.1	7.1	2.2	0.0	0.6	6.9	5.0
Reference rate (%, end-year)	3.8	4.3	3.3	2.75	2.25	0.25	2.50	5.50	4.00
Fiscal data									
General government fiscal balance (% of GDP)	-1.9	-2.3	-3.0	-2.3	-1.6	-8.9	-2.9	-2.3	-2.2
General government primary fiscal balance (% of GDP)	-0.9	-1.2	-1.8	-0.9	-0.2	-7.3	-1.4	-1.0	-0.9
General government expenditure (% of GDP)	21.3	19.9	20.0	20.1	20.0	24.7	22.0	21.0	20.4
Gross public sector debt (% of GDP, end-year)	23.4	23.9	24.9	25.8	26.8	34.7	35.1	34.6	33.0
Net public sector debt (% of GDP, end-year) (4)	5.5	6.9	9.5	11.3	13.0	22.3	24.0	23.9	22.5
Money supply and credit									
Broad money supply (M2, % of GDP)	42.9	40.5	41.0	40.7	42.7	60.4	61.4	63.0	65.3
Broad money supply (M2, % year-on-year change)	13.0	1.7	7.9	5.3	9.1	32.0	22.0	12.0	10.0
Domestic credit (% of GDP) (5)	47.7	46.4	46.0	47.2	48.6	58.8	53.8	51.8	50.8
Domestic credit (% year-on-year)	15.0	4.6	5.5	9.0	7.0	12.7	10.0	5.0	4.0
Domestic credit to private sector (% of GDP)	41.9	41.0	40.4	42.0	43.0	52.6	47.3	45.1	43.7
Domestic credit to private sector (% year-on-year)	13.9	5.1	5.1	10.3	6.4	14.0	8.0	4.0	3.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	21.3	22.3	24.6	24.9	24.1	22.5	30.4	42.7	42.5
Imports (goods and non-factor services, % of GDP)	23.9	22.4	22.2	22.9	22.4	20.6	26.6	36.5	35.6
Exports (goods and non-factor services, % change in $ value)	-10.5	6.6	21.3	6.6	-0.7	-17.1	37.8	4.1	0.5
Imports (goods and non-factor services, % change in $ value)	-6.8	-4.9	9.3	8.8	0.1	-18.6	32.3	1.5	-1.6
Net balance of factor income ($bn)	-7.9	-9.0	-11.5	-11.9	-9.8	-6.5	-16.5	-16.2	-16.2
Current account balance ($bn)	-9.5	-5.1	-2.8	-3.9	-2.2	1.6	-4.6	-2.4	-1.0
Current account (% of GDP)	-5.0	-2.6	-1.3	-1.7	-0.9	0.8	-2.2	-1.5	-0.6
Net transfers ($bn)	3.3	4.0	3.6	3.6	3.7	4.1	4.0	4.1	4.3
Net FDI ($bn)	8.1	5.6	6.4	6.9	6.8	0.9	6.5	5.0	3.5
Scheduled debt amortization ($bn) (6)	1.2	2.0	4.5	1.6	2.2	0.9	0.4	0.7	1.5
Foreign debt and reserves									
Foreign debt ($bn, end-year)	73.1	74.6	76.5	78.2	80.2	88.8	98.1	101.1	113.1
Public ($bn)	26.8	29.7	33.1	35.1	39.3	48.8	60.2	63.2	65.2
Private ($bn)	46.4	44.9	43.4	43.1	40.9	39.9	37.9	37.9	47.9
Foreign debt (% of GDP, end-year)	38.2	38.3	35.7	34.7	34.7	43.3	46.8	65.2	72.2
Foreign debt (% of exports of goods and services)	179.5	171.7	145.2	139.2	143.9	192.1	154.1	152.5	169.8
Central bank gross FX reserves ($bn)	61.5	61.7	63.7	60.3	68.4	74.9	78.5	75.0	70.0
Central bank gross non-gold FX reserves ($bn)	60.4	60.5	62.3	58.9	66.7	72.8	76.5	73.0	68.0

(1) Average for the year. (2) Real effective exchange rate, increase indicates appreciation. (3) Minimum wage. (4) Public sector debt net of public sector deposits in the financial system. (5) Total credit of financial system to private sector. (6) Scheduled amortizations for public sector only.

Source: Central Bank, INEI, Ministry of Finance, Credit Suisse

Venezuela: Chavismo for a while

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- **Chavismo has created a political system in which, despite its lack of popular support, its de-facto rule is likely to persist for years to come, in our view.** Electoral conditions were marginally better in the recent regional elections, but divisions in the opposition and arbitrary hurdles were key in sustaining the power grip of the ruling PSUV party nationwide. The historical Venezuelan opposition parties—and its leaders—seem to be losing the support of many given their inability to secure a change in the country. In the meantime, we believe the economy's growth this year is highly likely given improvements in oil output and domestic demand. Will this growth bring about economic development? Or will it be sustainable? We do not think so. However, it was not sustainable during the Chavez years either.

- **Chavismo will keep implementing un-democratic practices to continue ruling the country, in our view.** The European Union's electoral mission stated that there were "concrete improvements" in the recent electoral process, versus those in recent years. However, the EU underlined that certain problems persisted, including the lack of judicial independence and arbitrary political disqualifications. These factors undermine the fairness of the electoral processes and the credibility for voters. Thus, even though if the majority of Venezuelans do not side with the ruling PSUV party, winning at the polls is a difficult objective. Democracy has a long history of disenfranchisement practices that benefit some and hurt others; Venezuela is now one more example of that. In this context, our central scenario is that Chavismo will remain in power, and only an unexpected and significant change in the social and political framework would change our view.

- **We think that holders of Venezuela's foreign debt should be clear that the probability of recovering any money back in the near term is extremely low.** A political change has always been the main hope, since the expectation was that a future market-friendly administration would try to solve the defaulted debt situation. In our view, the newfound stability of Chavismo in its power grip makes that future scenario very unlikely. Moreover, we highlight that Venezuela's international reserves are below $6bn (excluding the IMF's SDR allocation), while the total hard currency bond debt (including past due coupon payments) is roughly $100bn. Additionally, Venezuela has lost 20% of its population and its economy is barely a quarter of what it was in the early 2010s, making prospects for debt recovery rather remote.

- **We are leaving our real GDP growth forecast for 2022 unchanged at 4.5%.** Most of this growth rate will really reflect carry-over from 2021. If output levels stay somewhat unchanged throughout 2022 at their estimated level in late 2021, then accomplishing real GDP growth near 3% yoy should be feasible. For 2021, we now estimate average real GDP growth was 8.5%, up from our previous estimate of 5.5%. Our revision stems largely from the improvement in oil output, which has kept surprising us to the upside. Available data shows that oil GDP increased roughly 9.0%-10.0% yoy in 2021, more than doubling our estimate of three months ago. A deepening of dollarization, increasing imports, improving tax revenues, rising mobility, are all among the other factors that support our vision of economic growth in the country.

- **The economy's price formation process, while still very much distorted, seems to be improving.** Monthly inflation rates were in the single digits from September through December 2021, a remarkable development after several years of hyperinflation. The use of foreign currencies in everyday activities and the improvement in the supply of goods likely have had a favorable effect. But the key in the recent improvement in inflation has been the central bank's intervention in the FX market, which is keeping the exchange rate contained and providing a nominal anchor to the economy. The ability of the central bank to do this is in line with the increased USD liquidity stemming from oil exports; this will be sustainable as long as the oil sector continues providing the funds for it. We forecast annual headline inflation to close 2022 at roughly 150%, down from 686% in 2021.
- **Fiscal data is one of the few hard data points we have to demonstrate Venezuela's economic improvement.** We analyze tax revenues in USD terms to avoid the distortions caused by high inflation. We estimate that tax revenues fell 28% yoy in 2020, which is in line with our 25% yoy real GDP contraction estimate for that year. Note that for 2021, we estimate that tax revenues rose 55% versus 2020 and 12.0% versus 2019.
- **In the external sector, we forecast a somewhat balanced current account in 2022.** The increase in USD inflows related to higher oil exports will likely be balanced out by rising imports, owing to the improvement in domestic demand. In this context, we expect international reserves to remain near $5bn-$6bn (excluding the IMF's SDR allocation), as any excess liquidity will likely be used for FX interventions or not included at all in the central bank's balance sheet, in our view.
- **The Covid situation has evolved largely in line with that of regional peers.** We acknowledge that authorities were slow in order to access and distribute vaccines in the country. However, roughly 75% of Venezuelans had received at least one vaccine dose by the end of last year; about 50% of the population had been fully immunized. The Omicron variant is of course a risk and administering booster shots could face issues. However, Venezuela's mobility, relative to the Jan/Feb 2020 pre-pandemic base, is now higher than in any other of the LatAm countries under our coverage. We interpret that in two ways: (1) the negative effects of the pandemic on the real sector have largely been overcome; (2) the higher mobility, relative to peers, is another indicator of an acceleration in economic activity after bottoming out in 2020.
- **Venezuela's status-quo does not have any reason to change.** There needs to be some sort of catalyst that leads to a new political leadership or a new way of thinking from the opposition. The ruling PSUV's plan is clear: have elections, create an unleveled playing field during the process, promote distrust and hence abstention from the electorate, and use all the resources at its disposal to get more votes than their adversaries and remain in control. If the opposition does not participate in the elections, then Chavismo wins. If the opposition participates with divisions and unwillingness from voters to cast their ballots, then Chavismo wins. What is the solution? Clearly, something different than what has been tried so far. An innovative strategy, perhaps pushed by new leaders with greater credibility. The majority of the country does not support the ruling PSUV party or Maduro's allies. In unity lies the strength, some have said; however, accomplishing it seems easier said than done.

Venezuela: Selected economic indicators

	2015	2016	2017	2018	2019E	2020E	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	-6.2	-17.0	-15.7	-19.6	-35.0	-25.0	8.5	4.5	3.0
Growth in real private consumption (%)	-8.9	-19.4	-16.2	-20.1	-37.2	-26.1	8.9	4.8	3.1
Growth in real fixed investment (%)	-20.4	-45.1	-45.3	-37.5	-42.8	-22.3	31.0	8.0	4.8
Fixed investment (% of GDP)	23.4	15.5	10.0	7.8	6.1	4.8	6.8	n.a.	n.a.
Nominal GDP ($bn)	151.6	120.0	85.3	91.9	94.8	77.6	138.9	n.a.	n.a.
Population (mn)	30.6	30.5	28.5	27.5	25.5	25.5	25.0	25.5	25.5
GDP per capita ($)	4,959	3,934	2,994	3,342	3,718	3,043	5,556	n.a.	n.a.
Unemployment (% of labor force, end-year)	6.3	7.0	6.7	6.8	n.a.	n.a.	n.a.	n.a.	n.a.
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	180.9	350.0	844.4	130015.0	9585.3	2959.8	686.4	151.8	79.6
CPI inflation (%, average)	121.7	270.6	433.3	65133.0	19906.2	2355.1	1588.5	190.6	105.3
Exchange rate (VEB per USD, end-year) (1)	47.67	121.97	2152.41	700	54700	1108000	4.6	n.a.	n.a.
Exchange rate (VEB per USD, average) (1)	61.82	255.37	2232.13	115	12847	325000	3.2	n.a.	n.a.
Fiscal data									
Consolidated public sector overall balance (% of GDP)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Consolidated public sector primary balance (% of GDP)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Consolidated public sector expenditure (% of GDP)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Money supply and credit									
Broad money supply (M2, % of GDP)	42.9	33.9	66.7	7.2	3.3	2.3	0.6	n.a.	n.a.
Broad money supply (M2, % year-on-year change)	100.0	160.0	1122.1	63232.0	4945.6	1286.8	620.3	n.a.	n.a.
Domestic credit (% of GDP)	33.9	40.1	21.9	6.2	2.0	3.3	2.4	n.a.	n.a.
Domestic credit (% year-on-year)	111.5	139.9	585.6	964.0	2376.6	2465.8	467.0	n.a.	n.a.
Domestic credit to private sector (% of GDP)	33.3	39.5	21.4	5.9	1.9	3.2	2.3	n.a.	n.a.
Domestic credit to private sector (% year-on-year)	112.7	140.6	580.1	933.3	2337.5	2506.9	467.0	n.a.	n.a.
Balance of payments									
Exports (goods and non-factor services, % of GDP)	24.6	22.8	39.9	36.6	19.5	7.2	9.0	n.a.	n.a.
Imports (goods and non-factor services, % of GDP)	22.0	13.6	14.1	13.9	6.5	8.1	5.9	n.a.	n.a.
Exports (goods and non-factor services, % change in $ value)	-50.1	-26.4	24.2	-1.0	-45.0	-70.0	125.0	20.0	5.0
Imports (goods and non-factor services, % change in $ value)	-29.5	-50.9	-26.6	6.3	-52.0	3.0	30.0	20.0	20.0
Current account balance ($bn)	-16.1	-3.9	8.7	8.6	1.6	-1.3	0.3	0.8	-0.8
Current account (% of GDP)	-10.6	-3.2	10.2	9.4	1.7	-1.6	0.2	n.a.	n.a.
Net FDI ($bn)	-3.4	0.4	0.0	-2.3	0.2	-0.3	-0.2	0.0	0.0
Scheduled debt amortization ($bn)	4.7	3.6	4.6	2.9	4.1	6.1	3.8	4.7	3.7
Foreign debt and reserves									
Foreign debt ($bn, end-year)	151.0	149.9	150.0	148.4	148.4	148.4	148.4	148.4	148.4
Public ($bn)	129.2	128.1	128.8	128.5	128.5	128.5	128.5	128.5	128.5
Private ($bn)	21.8	21.8	21.2	19.9	19.9	19.9	19.9	19.9	19.9
Foreign debt (% of GDP, end-year)	99.6	124.9	175.7	161.5	156.6	191.3	106.9	n.a.	n.a.
Central bank gross FX reserves ($bn)	16.4	11.0	9.5	9.2	7.5	6.3	5.8	6.0	6.0
Central bank gross non-gold FX reserves ($bn)	6.3	3.3	3.0	3.7	2.6	2.2	2.0	2.1	2.1

(1) Expressed in VEF through 2017 and VEB starting in 2018; 2015-2019 estimates represent a weighted average exchange rate across official and unofficial foreign exchange markets; VES starting 2021.

Source: Central Bank, IMF, INE, Ministry of Finance, PDVSA, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Emerging Europe, Middle East and Africa

CEE3: Above neutral

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- **The economies of Central Europe are facing similar challenges, but their responses should each be slightly different.** In 2021, the economies of the Czech Republic, Poland, and Hungary fully recovered from the Covid shock of 2020. Moreover, taking into account Covid-related supply-side restrictions that limit real GDP growth in the near term, we believe that a negative output gap has closed in these economies. At the same time, however, the CEE3 economies are facing the global issue of supply chain and production disruptions. In particular, this has been mostly noticed in the industrial sector, for which total output deteriorated and export volumes fell in 2H 2021. Like for many other countries across the world, this was also when the central European countries faced another pandemic wave, albeit with much lower hospitalization and death rates than in all the previous. The restrictions imposed by the government were also milder, with businesses by then having better adjusted to the new pandemic environment. Therefore, the newest wave toward the end of last year had a limited negative impact on the economy. In our view, each successive pandemic wave has had less of an impact on domestic consumer demand, but they are still negatively affecting global supply chains and therefore limiting real GDP growth in the small open economies of Central Europe.
- **We expect the global supply chain disruptions to continue affecting economic growth in Central Europe in 1H 2022, and potentially beyond.** However, once the shortage of materials and equipment is resolved, we believe these countries are set for stronger real GDP growth. In the Czech Republic, we expect real GDP growth to increase from 2.1% in 2021 to 3.7% in 2022 and 3.8% in 2023. In Poland, we expect real GDP growth to slow from 5.7% in 2021 to 5.1% in 2022 and stabilize at 4.9% in 2023. In Hungary, we expect the economy to grow by 5.4% in 2022 and 4.1% in 2023, following an expansion of 7.7% in 2021.
- **The labour market recovered strongly during 2021.** The unemployment rate is currently at its lowest level since the start of the pandemic, only marginally above 2019. A swift normalization in the labour market pushed nominal wages higher in 2021, aided by the still substantial support from accommodative fiscal policy. In 2022, we expect the labour market to be tighter, with the unemployment rate falling further. Given the recent spike in CPI inflation and inflation expectations, households will likely be seeking increases to salaries, which would create an additional challenge for monetary policy.
- **The increase in energy prices in Europe was another shock for Central European economies.** A sharp surge in energy prices in 4Q, and especially in natural gas prices, pushed headline CPI inflation significantly above the central bank's target in each country of the region. In the Czech Republic, headline CPI inflation was at 6.0% yoy in November (relative to the 2.0% target), while fuel price inflation reached 34.5% yoy in November. In Poland, headline CPI inflation reached 8.6% yoy in 2021 (versus the 2.5% target), while fuel price inflation reached 32.9% yoy in 2021. In Hungary, headline CPI inflation was 7.4% yoy in November (relative to the 3.0% target), with fuel price inflation at 15.1% yoy in November.

- **As mentioned earlier, the increase in energy prices was not the only factor behind this surge in CPI inflation.** Core inflation (net of food and energy prices) and various measures of underlying inflation also increased sharply in 2021, supported by strong consumer demand and a tight labour market. Producer price inflation was also on the rise due to the global supply chain restrictions.
- **To address the problem of rising energy prices, the governments of the Czech Republic and Poland have introduced special measures that permit a temporary exemption from VAT and excise taxes on fuels and gas.** On both of the governments' and central banks' estimates, this measure will help to reduce CPI inflation by 1.0-1.5 pps, but only temporarily. Its further efficiency will depend on the longevity of the energy price shock that these governments expect to dissipate by the spring.
- **The belated central bank reaction to growing inflation risks unsettled households' inflation expectations.** According to the European Commission business and consumer survey, households' inflation expectations surged to their highest level in a decade. Therefore, all regional central banks will be under pressure to introduce additional tightening to contain second-round effects and re-anchor inflation expectations. In practical terms, this will likely mean that each central bank in the region will have to hike the policy rate above its neutral level and stay at this level for longer.
- **The Czech National Bank (CNB) maintained its reputation as a credible central bank that is vigilant to inflation risks.** The board of the CNB has been hiking the policy rate since June, raising it by 350bps, to 3.75% by the end of 2021. The recent inflation data surprised the CNB to the upside, suggesting the CNB will continue hiking the policy rate at the beginning of this year. We expect the CNB to bring the policy rate to 4.50% in 1H 2022, keeping it at this level throughout 2022 and starting to cut it only in 2023. We think CPI inflation will remain well above the CNB's target on average throughout 2022, although it should fall by the end of this year to 5.0% yoy. In our view, CPI inflation will return to the target only in 2023.
- **In Hungary, the central bank (MNB) started normalizing its policy almost at the same time as in the Czech Republic.** The MNB raised its base rate from 0.05% to 2.40% by the end of 2021. However, the central bank delivered the bulk of tightening through hiking the interest rate on one-week deposit actions (the main liquidity management tool in the banking system) from 0.75% to 4.0% by the end of 2021. We believe the MNB is actively using its complicated set of interest rate tools to address short-term volatility in the FX market while ignoring a more structural increase in inflation risks. In our view, the increase in the one-week deposit rate will not transmit efficiently into the real economy, thus leaving it exposed to rising inflation risks. We expect the MNB to continue raising its base rate, taking it to 3.00% in 2022 and 2023. We also do not expect CPI inflation to return to target until 2023.
- **The National Bank of Poland (NBP) was late to react to rising inflation, claiming the surge was transitory.** The NBP delivered its first hike in September, taking the policy rate from 0.05% to 2.25% by early 2022. The NBP left the door open for more hikes, although it remains unclear to what extent the MPC is willing to increase its policy rate further.

The NBP also remains sensitive to the zloty exchange rate fluctuations. We think the NBP will hike the policy rate to at least 3.00% in 2022 before stabilizing it at 2.50% in 2023. In our view, the NBP will not be able to bring inflation back to target in 2022 but may succeed by the end of 2023.

- **The exchange rate remains a crucial element of the monetary policy in each of these countries.** In 2H and especially in 4Q, the zloty and the forint were under weakening pressure due to profoundly negative real interest rates and deteriorating current account balances on the back of the rising energy prices and global supply chain disruptions. The current account was in a deficit in all three Central European countries, and we project the deficit will stay in place in 2022. Therefore, the central banks will likely be under additional pressure to hold a credible monetary policy, being responsive to changes to global financial conditions (especially to a potentially faster and earlier policy normalization by the Fed and ECB) or a further deterioration in the terms of trade (e.g., rising energy prices). In our view, the zloty and the forint could be under additional weakening pressure, as we believe their central banks may have been partly behind the curve in their policy normalization cycle.

Czech Republic: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
Real GDP growth (%)	5.4	2.5	5.2	3.2	3	-5.8	2.1	3.7	3.8
Nominal GDP ($bn)	186.8	195.3	213.2	248.8	252.5	245.4	278.5	328.0	356.4
GDP per capita, $	17728.7	18505.6	20152.4	23468.4	23820.0	22931.1	26031.8	30654.6	33306.6
CPI inflation (%, December to December)	0.1	2	2.4	2	3.2	2.3	6.5	5	2.5
Exchange rate (CZK per EUR, average)	27.3	27.0	26.3	25.6	25.7	26.5	25.6	24.2	23.9
Policy rate (Repo, %)	0.05	0.05	0.5	1.75	2	0.25	3.75	4.50	4.00
General government fiscal balance (% of GDP) (2)	-0.6	0.7	1.5	1.0	0.2	-5.7	-6.8	-4.5	-3.1
Current account (% of GDP)	0.3	1.6	1.7	0.4	0.3	3.6	-0.7	-0.7	0.4

(1) Consolidated fiscal accounts of the broadly defined general government on an accrual basis; excluding one-off transfers from pension funds to the government budget.

Source: GUS, Eurostat, the BLOOMBERG PROFESSIONAL™ service, Czech National Bank, IMF, JEDH, Credit Suisse

Poland: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
Real GDP growth (%)	3.8	3.1	4.8	5.4	4.7	-2.5	5.7	5.1	4.9
Nominal GDP ($bn)	477.3	471.2	527.0	587.2	597.4	597.1	656.7	695.1	752.8
GDP per capita, $	12560	12411	13713	15286	15563	15556	17110	18109	19605
CPI inflation (%, December to December)	-0.5	0.8	2.1	1.1	3.4	2.4	8.6	5.5	3.8
Exchange rate (PLN per EUR, average)	4.2	4.4	4.3	4.3	4.3	4.4	4.6	4.7	4.7
Policy rate (Repo, %)	1.5	1.5	1.5	1.5	1.5	0.1	1.75	3.00	2.50
General government fiscal balance (% of GDP) (2)	-2.6	-2.4	-1.5	-0.2	-0.7	-9.3	-5.3	-2.8	-1
Current account (% of GDP)	-0.6	-0.3	0	-1.0	1.1	2.0	-0.7	-2.1	1.8

(1) Consolidated fiscal accounts of the broadly defined general government on an accrual basis; excluding one-off transfers from pension funds to the government budget.

Source: GUS, Eurostat, the BLOOMBERG PROFESSIONAL™ service, National Bank of Poland, IMF, JEDH, Credit Suisse

Hungary: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
Real GDP growth (%)	3.7	2.2	4.3	5.4	4.6	-4.7	7.7	5.4	4.1
Nominal GDP ($bn)	122.8	129.1	152.3	160.5	163.5	155.1	171.7	191.5	206.9
GDP per capita, $	12462	13137	15531	16376	16685	15824	17698	19737	21335
CPI inflation (%, December to December)	0.9	1.8	2.1	2.7	4.00	2.70	7.50	5.00	3.50
Exchange rate (HUF per EUR, average)	309.9	311.4	309.2	318.8	325.3	351.2	358.5	365.0	365.0
Policy rate (base rate, %)	2.1	1.35	0.9	0.9	0.9	0.6	2.4	3.00	3.00
General government fiscal balance (% of GDP) (2)	-1.5	-1.8	-2.0	-2.0	-1.9	-8.1	-7.2	-5.9	-3.8
Current account (% of GDP)	3.5	4.5	2.1	0.0	-0.2	-0.1	-1.4	-2.1	0.8

(1) Consolidated fiscal accounts of the broadly defined general government on an accrual basis; excluding one-off transfers from pension funds to the government budget.

Source: GUS, Eurostat, the BLOOMBERG PROFESSIONAL™ service, National Bank of Hungary (MNB), IMF, JEDH, Credit Suisse

Russia: Kicking off a new investment cycle

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- **The economy fully recovered from the Covid shock in 2021, operating at its potential level in many sectors, with the exception of mining due to oil production remaining constrained by the OPEC+ agreement.** The recovery in other sectors was robust until 3Q, when various industries experienced the consequences of supply chain disruptions. As a result, according to Rosstat's preliminary estimate, real GDP growth was 4.3% yoy in 3Q, which was consistent with a slowdown in real GDP growth on our seasonally adjusted estimate (from 1.4% qoq in 2Q to 0.9% qoq in 3Q).
- **On the expenditure side, the recovery was concentrated in the domestic economy at the expense of more contained growth in the external sector.** In fact, the recovery in expenditure on imports of goods and services was more acute than that of exports. However, in nominal US dollar value terms, the recovery in exports of goods and services was much more robust thanks to favourable terms of trade. An increase in final consumer demand expenditure was supported by accommodative fiscal and monetary policy that was also reflected in strong lending growth. Fixed capital investment growth accelerated during the course of 2021, having picked up by 4.9% in 2021.
- **The labour market fully recovered from the Covid shock in 2021, with some sectors experiencing a staff shortage.** According to Rosstat, the unemployment rate fell to 4.3% in November from 5.8% at the beginning of 2021. This level was below 4.6% before the Covid pandemic started. The deficit in the labour market pushed nominal wage growth higher, to 8.8% yoy in October, after average growth of 5.8% yoy in the previous year. However, this increase in nominal wages was fully offset by the sharp rise in CPI inflation. As a result, real wage growth slowed to 0.6% yoy in October, compared with 2.6% yoy growth on average this year. In our view, the labour market will remain tight, especially in the hospitality, construction, and trade industries. We expect the unemployment rate to fall to around 4.0% by the end of this year and below 4.0% in 2023, adding to the overall high inflation pressure in the economy.
- **Our outlook for 2022 implies a slowdown in private consumer demand expenditures but still rather strong gross fixed capital formation growth due to the government's investment of the National Wealth Fund (NWF) in the domestic economy.** The size of the government's investment is not particularly large (around 0.3%-0.4% of GDP per year), but it is critical for private investment. In our view, domestic companies have sufficient resources to invest, especially after the bumper year in 2021, when export prices surged sharply. As for external demand, we expect growth in imports (in real terms) to continue to outperform exports, thus contributing negatively to real GDP growth beyond 2021.
- **As a result, we expect real GDP growth to slow to 2.4% in 2022 from 4.4% in 2021, followed by marginally stronger growth of 2.7% in 2023.** We believe the risk to our view is slightly to the upside due to resilient and strong consumer demand and a more positive impact from fixed capital investment growth.

- **Inflation risks will likely remain high but lower than in 2021 as supply-side pressure moderates.** Headline CPI inflation ended up registering at 8.4% yoy in 2021, much higher than we had expected at the beginning of 2021 and materially above the CBR's 4.0% target. The increase in CPI inflation was a result of a combination of factors, predominantly driven by numerous supply shocks during the post-Covid recovery. However, at the same time, we should not underestimate the strong domestic demand that helped enable producers to pass their rising costs onto final consumers of goods and services. Another notable contribution to higher CPI inflation into the year-end was related to a less-favourable harvest that pushed food prices much higher.
- **In our view, the situation will improve only marginally this year.** The economy should be operating close to its full capacity, which implies only marginal support to contain inflation from the demand side and the labour market. Therefore, the focus will remain on supply shocks, the harvest and the efficiency of the transmission mechanism in the economy. In 2022, we expect a slowdown in retail lending growth due to the CBR's prompt policy rate increase from the previous year. Alongside the interest rate channel, the CBR will likely impose additional macro-prudential tools that allow it to impose direct limits on commercial banks' unsecured lending.
- **During this recent surge in inflation, the CBR lost a significant amount of control over households' inflation expectations, which spiked to their highest level since 2016.** According to the CBR's survey, households' one-year ahead inflation expectations were at 14.8% in December, much higher than around 10% at the beginning of 2021 and the highest since February 2016. The increase in inflation expectations came about despite a prompt reaction from the CBR, which began to increase the policy rate in March 2021 and raised it by a cumulative 425bps to 8.50% by the end of the year. Higher unanchored inflation expectations imply higher inflation risks from second-round effects and a more gradual return of CPI inflation to target. Since we do not expect any abrupt disruptions to the Russian economy that could significantly weaken consumer demand, we think the return of CPI inflation to target will take longer and not materialize until 2023. That said, we do expect CPI inflation to drop from its peak of above 8.0% yoy in December to around 5.0% yoy in 2022 and 4.0% yoy in 2023.
- **To achieve this target, we believe the central bank will have to keep its policy tighter for longer.** Following its December decision to hike the policy rate by 100bps, to 8.50%, the central bank left the door open for more hike(s) this year. These additional hikes will likely depend on the pace of inflation returning to the target and additional supply shocks that may arise in the post-Covid global economy. The latter is a risk beyond the central bank's control but still something to which it will certainly respond. Therefore, in our base case, we expect the central bank to not hike the policy rate further, but at the same time, we think it will also refrain from any cuts in 2022. The risk to this scenario is symmetrical, as the CBR may consider a symbolic cut in the policy rate in 4Q, as well as a hike if the economy is facing another severe supply shock that undermines households' inflation expectations. **In 2023, we expect the central bank to be more open to cuts due to a better balance between demand and supply. We expect the policy rate to be at 7.00% by the end of 2023.**

- **In our view, NWF investments are crucial for medium- and long-term economic growth prospects.** We believe the government's initiatives may unlock private investments that have been set to the side for a while. In 2021, many commodity export-oriented companies enjoyed a sharp improvement in the terms of trade, increasing their profits that could be now invested this year alongside the investments from the government. Since the NWF has been saved in foreign currency, its investment in the domestic economy would imply its automatic conversion into the rouble in the open market with the help of the central bank. As in previous episodes, the CBR will likely aim to minimize the impact of these transactions on the rouble by evenly distributing them over the year. Still, the NWF's investments would be marginally positive for the prospects of the rouble strengthening in 2022. If complemented by private investments, the rouble may outperform many other emerging market currencies.
- **Geopolitical risk is the elephant in the room.** Following months of relative stability, Russia is seeking to revise the status quo with the West. The new negotiations over "red lines" damaged investor sentiment and affected the prices of local assets. As highlighted by the US and its allies, an escalation of the conflict with Ukraine will give rise to severe sanctions, which we believe would make the country uninvestable. Although this tail risk is minimal, its negative implications are highly distressing for the prices of Russian assets. Therefore, it would be difficult to ignore this event entirely. We cannot rule out that negotiations between Russia and the West are just at early stages, and that time could enable them to bridge their mutual interests. Until a new agreement is achieved, we think that Russian assets will be trading with a substantial risk premium while companies delay their investment decisions. Overall, however, we remain optimistic and expect the framework of a new agreement to be finalized by the end of 1Q 2022.

Russia: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	-2.0	0.2	1.8	2.8	2.2	-2.7	4.5	2.4	2.7
Growth in real private consumption (%)	-9.4	-1.9	3.2	1.8	3.2	-8.6	5.0	3.5	3.5
Growth in real fixed investment (%)	-11.2	0.7	5.5	2.9	1.5	-6.2	5.5	4.2	4.5
Fixed investment (% of GDP)	20.8	21.9	22.0	20.4	21.2	21.6	21.8	22.2	22.6
Nominal GDP ($bn)	1368.4	1281.3	1527.5	1653.4	1688.5	1478.5	1685.6	1885.2	1981.9
Population (mn)	143.9	144.0	144.0	144.0	143.9	143.8	143.6	143.5	143.5
GDP per capita, $	9510.2	8900.0	10608.2	11482.0	11734.1	10281.8	11738.1	13137.3	13811.0
Unemployment (% of labor force, end-year)	5.8	5.3	5.1	4.8	4.6	6.5	4.3	4.0	3.9
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	12.9	5.4	2.5	4.3	3.1	4.9	8.4	5.1	4.0
CPI inflation (%, average)	15.6	7.1	3.7	2.9	4.5	3.4	6.7	6.7	3.8
Nominal wage growth (% year-on-year change)	3.4	8.3	8.9	7.3	10.1	5.0	11.7	7.0	7.0
Exchange rate (RUB per USD, average)	61.3	67.0	58.3	62.8	64.7	72.3	73.7	72.0	73.0
REER (% change, December to December) (1)	-1.9	24.3	-2.9	-9.7	11.1	-15.5	8.6	4.0	-2.0
1-week repo rate (%, end-year)	11.00	10.00	7.75	7.75	6.25	4.25	8.50	8.50	7.00
Fiscal data									
General government fiscal balance (% of GDP) (2)	-3.4	-3.7	-1.5	2.9	1.9	-4.0	-0.2	1.0	0.2
General government primary fiscal balance (% of GDP)	-3.1	-3.2	-1.0	3.4	2.7	-3.2	0.8	2.1	1.2
General government expenditure (% of GDP) (2)	35.1	36.5	35.3	33.0	34.2	39.7	37.7	35.3	35.2
Gross general government debt (% of GDP, end-year)	15.9	15.8	15.1	14.2	14.2	17.7	17.8	19.1	19.9
Money supply and credit									
Broad money supply (M2, % of GDP)	42.3	44.9	46.2	45.4	47.3	54.8	51.5	52.3	54.0
Broad money supply (M2, % year-on-year change)	11.3	9.2	10.5	11.0	9.7	13.5	9.0	11.0	10.0
Domestic credit (% of GDP)	120.4	115.8	114.8	112.2	111.2	126.1	123.7	125.7	129.7
Domestic credit (% year-on-year)	10.6	-0.9	6.3	10.5	10.1	11.0	14.0	11.0	10.0
Domestic credit to private sector (% of GDP)	104.0	99.6	99.3	95.9	102.1	117.9	124.8	133.7	140.5
Domestic credit to private sector (% year-on-year)	13.5	3.7	12.0	13.0	12.0	13.0	23.0	17.0	12.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	28.7	25.7	26.9	30.6	28.5	25.7	32.2	30.7	26.9
Exports (goods and non-factor services, % change in $ value)	3.7	3.1	24.8	23.1	-4.9	-21.0	42.6	6.8	-7.9
Imports (goods and non-factor services, % of GDP)	20.6	20.6	21.4	19.9	20.9	20.6	22.2	21.2	20.6
Imports (goods and non-factor services, % change in $ value)	-25.8	-3.8	23.9	0.6	7.3	-13.9	23.0	6.7	2.5
Current account balance ($bn)	68.8	25.5	35.0	113.0	70.6	33.0	121.0	105.0	70.0
Current account (% of GDP)	5.0	2.0	2.3	6.8	4.2	2.2	7.2	5.6	3.5
Net FDI ($bn)	-15.2	10.2	-8.0	-22.2	10.1	-3.0	2.0	2.0	2.0
Foreign debt and reserves									
Foreign debt ($bn, end-year) (5)	518.5	511.8	518.4	455.1	491.3	467.1	495.0	504.0	511.0
Public ($bn) (6)	42.2	51.2	70.1	56.1	83.8	78.0	100.0	103.0	105.0
Private ($bn)	476.3	460.5	448.3	399.0	407.6	389.1	395.0	401.0	406.0
Foreign debt (% of GDP, end-year)	37.9	39.9	33.9	27.5	29.1	31.6	29.4	26.7	25.8
Foreign debt (% of exports of goods and services)	132.0	155.4	126.1	89.9	102.1	122.9	91.3	87.0	95.9
Central bank gross non-gold FX reserves ($bn)	319.8	317.5	356.1	381.6	444.0	457.0	489.8	531.8	579.8

(1) Real effective exchange rate (deflator: CPI), increase indicates appreciation. (2) Net of bank recapitalization costs. (3) Net of official fiscal reserves (Stabilization Fund assets through 2007, thereafter the sum of the Reserve Fund and the National Welfare Fund). (4) Long-term and medium-term amortization of both the private and public sectors. (5) Based on the location of the creditor. (6) Liabilities of the central and regional governments and the central bank.

Source: Rosstat, Central Bank of Russia, Finance Ministry of the Russian Federation, Credit Suisse

South Africa: The year of bumper revenues has now passed

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- **The economy of South Africa is lagging behind its European peers in terms of its recovery from the Covid shock.** However, despite a slower recovery in 2021, the improvement in trade terms helped improve its fiscal and external position. The current account surplus widened to 5.1% of GDP in 2Q before narrowing to 3.6% in 3Q under the pressure of higher energy prices and supply chain disruptions from the Zuma-related social riots in July. The latter also had negative implications for the economic recovery, partly leading its contraction in 3Q. The improvement in fiscal policy was brought forward by more than one year (compared to the initial forecasts at the beginning of 2021) thanks to better revenue collection from the industrial sector and upside revisions in the national accounts. In our view, the latter was a more important factor behind the sharply better debt trajectory, although higher revenue forecasts also contributed to this improvement.
- **Our outlook on the economy remains roughly balanced.** We see the economy continuing to recover from the Covid shock at a moderate pace, slower than that of other emerging and developed peers. A more acute recovery would likely be contained by structural shortfalls, including irregular load shedding, labour strikes, and pandemic outbreaks. The outbreak of the Omicron strain at the end of 2021 once again underscored the importance of vaccination rates, which for South Africa remain significantly below many other countries. (According to the official data, only 27% of the population has received two vaccine doses, while in many other emerging and developed economies, governments are making good progress with either the third shot or booster distribution).
- **We expect the economy to recover from the Covid shock by the end of 2022, with the risk that it may take slightly longer.** We also take note of the South Africa Reserve Bank's (SARB) downside revision to potential output in the economy, taking into account a protracted period of underinvestment. This new estimate implies the economy will be operating at its full capacity by the end of this year, even considering a moderate pace of economic growth. We expect real GDP growth to slow from 5.1% in 2021 to 2.5% in 2022 and 1.7% in 2023. In our view, the main focus will remain on an increase in fixed capital investment that has been subdued despite the government's efforts.
- **The return of the economy to its full capacity (at the end of this year) should justify the SARB's move forward with gradual policy normalization.** At its last meeting of 2021 (on 11 November), the Monetary Policy Committee surprised the market by raising the policy rate by 25bps, to 3.75%. Although the increase was unexpected and was supported by a split vote, it was a thoughtful and credible move by the SARB, in our view. Given the increase in inflation risks globally and rising expectations of earlier policy normalization across major central banks, the MPC decided to bring forward its own cycle. At the same time, we would like to highlight that actual CPI inflation remained well within the SARB's target range (3.0%-6.0%) in 2021, with core inflation (net of food and energy prices) at the lower edge of that range (3.3% yoy in November). In our view, the subdued domestic demand and well-anchored inflation expectations will prevent CPI inflation from increasing outside of the

targeted range in 2022 despite stronger pressure from supply-side factors. We expect headline CPI inflation to remain at around 5.0% yoy during the course of 2022 and beyond, while core inflation should increase from 3.0% yoy on average in 2021 to 4.0% yoy in 2022. In our view, the MPC will increase the policy rate by 100bps in 2022, to 4.75%, and by another 50bps in 2023, to 5.25%. This cycle is well priced in by the market, according to forward rate agreements.

- **The government this year will take advantage of the material yet temporary improvement in the revenue collection in 2021.** A sharp increase in commodity prices fueled industrial sector profits and budget revenues that increased above initial projections from the beginning of 2021. According to the latest estimates by the National Treasury, the main budget revenue will increase by R284.7bn (6.5% of GDP) in the three years through 2024 relative to the 2021 Budget forecasts.
- **The government will use part of the windfall revenue to finance the increase in spending that includes one-off social grants worth R 26.7bn and the extension to end-March 2022 of the special Covid social relief of distress grant (R5bn).** The social grants were part of the public sector wage agreement that includes a 1.5% increase and a one-off cash gratuity of R1000 per person per month (after tax). Although it kept the total increase in compensation to the public sector below inflation, the agreement was made for one year only. Moreover, if the government fails to reach an agreement with the public sector in 2022, the government will continue paying one-off cash gratuity in fiscal year 2022. In our view, the unresolved issue with the public wage agreement will remain an obstacle to investors having confidence in the long-term sustainability of government finances. Therefore, we expect the long-dated government bonds to continue trading with a substantial premium to short-dated bonds.
- **The improvement in the external position reached a peak in 1H and has since been deteriorating gradually.** According to the SARB's estimate, the current account surplus narrowed to 3.6% of GDP in 3Q after a peak of 5.1% in the previous quarter. This deterioration was consistent with less favorable terms of trade and the damage to trade from the Zuma-related social riots. In our view, the current account balance will continue deteriorating in 2022, consistent with the recovery in consumer and investment demand for imports and less favorable terms of trade. We project the current account surplus to be at 0.5% of GDP in 2022, much lower than our estimated surplus of 4.6% in 2021. In our view, the deterioration in the current account surplus will not be critical for the rand. However, all else unchanged, the rand should be more vulnerable to a potentially faster normalization of monetary policy by the Federal Reserve and ECB. Should that be the case, the pressure would be on the MPC to bring forward its increase in the policy rate. We expect the rand to trade on average weaker in 2022, at 16.5 against US dollar, relative to 14.8 in 2021.

South Africa: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	1.3	0.7	1.2	1.5	0.1	-6.4	5.1	2.5	1.7
Growth in real private consumption (%)	2.2	0.7	1.7	2.4	1.1	-6.5	5.7	2.2	2.0
Growth in real fixed investment (%)	1.3	-1.9	-2.0	-1.8	-2.4	-14.9	2.0	3.5	3.4
Fixed investment (% of GDP)	18.0	17.4	16.4	15.9	15.4	13.7	13.3	13.4	13.7
Nominal GDP ($bn)	317.7	295.7	349.3	404.2	387.9	335.4	413.6	400.6	429.8
Population (mn)	55.4	56.3	57.1	57.9	58.7	59.7	60.6	61.5	62.0
GDP per capita, $	5733.9	5256.7	6117.6	6977.1	6608.2	5618.9	6825.8	6513.2	6931.8
Unemployment (% of labor force, end-year)	25.2	26.5	26.7	27.1	29.1	32.5	34.0	32.0	30.0
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	5.3	6.8	4.7	4.5	4.0	3.1	5.3	4.2	4.5
CPI inflation (%, average)	4.5	6.3	5.3	4.6	4.1	3.3	4.5	4.4	4.5
Nominal wage growth (% year-on-year change)	5.2	5.3	5.1	5.2	4.4	3.5	3.0	3.0	3.0
Exchange rate (ZAR per USD, average)	12.8	14.7	13.3	13.3	14.4	16.5	14.8	16.5	16.5
REER (% change, December to December) (1)	-6.3	2.9	6.6	2.1	5.3	-9.0	8.0	-6.0	0.0
1-week repo rate (%, end-year)	6.25	7.00	6.75	6.75	6.50	3.50	3.75	4.75	5.25
Fiscal data									
General government fiscal balance (% of GDP) (2)	-4.8	-4.1	-4.5	-3.9	-5.9	-10.1	-7.8	-5.7	-5.0
General government primary fiscal balance (% of GDP)	-1.6	-0.7	-1.0	-1.0	-2.0	-5.9	-3.4	-0.9	0.0
General government expenditure (% of GDP) (2)	32.9	32.7	32.9	30.8	33.1	35.7	34.8	31.4	30.0
Gross general government debt (% of GDP, end-year)	49.3	51.6	52.7	52.0	58.4	71.3	70.5	71.8	72.5
Money supply and credit									
Broad money supply (M2, % of GDP)	55.2	54.7	55.3	54.0	54.1	63.2	60.5	59.9	60.3
Broad money supply (M2, % year-on-year change)	9.6	6.6	7.9	3.2	4.8	15.0	6.0	7.0	8.0
Domestic credit (% of GDP)	123.0	123.0	123.2	125.3	130.6	144.7	141.0	140.3	141.3
Domestic credit (% year-on-year)	11.1	7.7	6.9	7.3	9.0	9.1	8.0	7.5	8.0
Domestic credit to private sector (% of GDP)	75.9	74.1	72.9	72.1	72.8	73.7	69.2	68.5	69.6
Domestic credit to private sector (% year-on-year)	10.2	4.8	5.2	5.7	2.7	-0.6	4.0	7.0	9.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	30.2	30.7	29.8	27.5	27.3	27.8	31.9	27.2	24.0
Exports (goods and non-factor services, % change in $ value)	-13.2	-5.4	14.7	6.8	-4.6	-12.1	41.5	-17.2	-5.6
Imports (goods and non-factor services, % of GDP)	31.5	30.2	28.4	27.0	26.8	23.3	24.5	23.9	22.6
Imports (goods and non-factor services, % change in $ value)	-4.5	-10.7	11.0	10.3	-4.8	-24.7	29.5	-5.6	1.3
Current account balance ($bn)	-13.9	-9.6	-7.9	-12.0	-10.1	6.7	18.8	2.1	-6.0
Current account (% of GDP)	-4.3	-2.7	-2.4	-3.0	-2.6	2.0	4.6	0.5	-1.4
Net FDI ($bn)	-4.0	-2.3	-5.4	1.5	1.5	-5.0	5.0	4.0	4.0
Foreign debt and reserves									
Foreign debt ($bn, end-year) (5)	124.1	142.8	173.3	172.5	185.4	170.4	178.4	183.4	188.4
Public ($bn) (6)	57.9	74.4	96.3	90.4	104.0	112.1	117.1	119.1	121.1
Private ($bn)	66.3	68.4	77.0	82.1	81.4	58.3	61.3	64.3	67.3
Foreign debt (% of GDP, end-year)	39.1	48.3	49.6	42.7	47.8	50.8	43.1	45.8	43.8
Foreign debt (% of exports of goods and services)	40.7	53.2	47.7	38.4	45.1	54.5	32.7	42.0	42.5
Central bank gross non-gold FX reserves ($bn)	41.5	42.7	45.5	46.5	48.9	47.4	51.1	50.0	50.0

(1) Real effective exchange rate (deflator: CPI), increase indicates appreciation. (2) Net of bank recapitalization costs. (3) Net of official fiscal reserves. (4)Long-term and medium-term amortization of both the private and public sectors. (5) Based on the location of the creditor (6) Liabilities of the central and regional governments and the central bank.

Source: Statistics of South Africa, South African Reserve Bank, National Treasury of the Republic of South Africa, IMF, World Bank, Credit Suisse

Turkey: Unanchored

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- **Turkey's recent monetary policy decisions have not been based on conventional economic principles.** The country's MPC cut the policy rate by a cumulative 500bps to 14.00% in less than three months in late 2021, as year-on-year headline inflation surged from 19.6% in September to 36.1% in December. This pace of monetary policy easing was considerably faster than we expected in *Turkey: What next?*. That said, we had noted then that the timing and the magnitude of the expected monetary policy easing at the time was difficult to forecast with any precision in the absence of a credible policy reaction function.
- **The authorities have responded to the lira's recent sharp depreciation with two main measures so far.** First, as the lira traded as weak as 18.36 against the US dollar on 20 December in response to the monetary policy decisions, President Erdogan announced a scheme to protect the lira depositors from currency depreciation. The scheme is in essence a structured product with a built-in option to compensate lira depositors against further depreciation. (Only retail investors are eligible to participate in this scheme.) The participants in this scheme will be compensated by the government/Treasury if they have moved their savings from regular lira deposits and by the central bank if they have moved their savings from FX deposits. Secondly, the central bank intervened heavily in the FX market in December. (See below for details.)
- **Only about 5% of the lira deposits have moved into the announced scheme so far.** The scheme has reduced the local FX demand but not completely eradicated it. Available data show that the residents' FX deposits increased by about $5.5bn in the week that ended on 17 December (before the scheme was announced) and by about $1.5bn in the week that ended on 24 December. While households' FX deposits increased by $0.4bn in the week that ended on 31 December, corporates' FX deposits declined by $2.9bn. (FX deposits accounted for about 64% of the total deposits as of 31 December.) We think that the lira deposit scheme is a sensible financial product, but it poses various risks (albeit not imminent) to the government's and the central bank's balance sheets. It moves the currency depreciation risk to the government's balance sheet (from the depositors who kept their savings in regular lira deposits previously). It also implies an automatic expansion of money supply – driven by the size of the savings that move from FX deposits into this scheme – if the lira depreciates. The scheme has reduced somewhat the still-low risk of financial instability, in our view. However, this risk has to be monitored closely in the coming period.
- **The authorities have also introduced other ad hoc/administrative measures in December and early January.** For example, the central bank also started to offer USDTRY NDFs to exporters and importers (announced on 21 December and started on 29 December) with maturities of one month and three months, and it announced on 3 January a 25% surrender requirement for exporters' FX receipts.
- **Against this backdrop, the overall visibility and predictability remain low, and there is a large margin of error around our base-case forecasts, some of which we refer to below.**
- **In particular, the inflation outlook is challenging, with significant upside risks to our indicative forecasts.** Headline inflation will likely move towards 45% in the next couple of months. It might increase further towards 48% or so in 2Q, on the back of the continuing pass-through from

the lira's depreciation to inflation, the prevailing cost-push factors (captured by PPI inflation of just under 80% yoy in December), recently announced increases in electricity and natural gas prices (52%-127% for the former and 25% for the latter) that became effective on 1 January and the minimum wage increase of 50% (announced on 16 December). Headline inflation will likely remain well above 40% through November. There might be a base-effect-driven decline in inflation to below 30% in December only if the lira remains well-behaved, which is subject to considerable uncertainty.

- **The real policy rate will move deeper into negative territory in the coming period, in the absence of a policy adjustment.** Following its decision to cut the policy rate further by 100bps to 14.00% on 16 December, the MPC said that the "cumulative impact of the recent policy decisions will be monitored in the first quarter of 2022", which suggests to us that the MPC will likely remain on hold in 1Q. The conseqent decline in the real policy rate deeper into negative territory in the coming period will leave the lira vulnerable to further depreciation and keep the risks to our inflation forecasts firmly to the upside. We also think that the uncertainty around the pass-through dynamics from the lira's depreciation to inflation is larger now compared to the previous episodes that drive our estimates.
- **The authorities will probably continue to implement ad hoc measures in order to sustain, for as long as they can, this ultimately unsustainable policy stance.** As we noted previously in *Turkey: Unpredictable and exposed* and *Turkey: What next?*, the political backdrop and the ongoing institutional erosion continue to suggest to us that rational and credible policies that are required to rebuild Turkey's policy credibility and buffers are unlikely in the foreseeable future.
- **The timing of the policy adjustment required for price (and financial) stability is impossible to predict given the authorities' approach to policymaking and a conventional policy adjustment will likely be delivered if/when ad hoc measures, including administrative measures to limit local FX demand, have been exhausted.** Our end-2022 policy rate forecast of 14.00% reflects this view. The timing of a conventional policy adjustment will also crucially hinge, in our view, on political considerations, in particular the presidential/parliamentary elections that will be held no later than in mid-2023. In case President Erdogan's ruling alliances decide to call early elections, a conventional (post-election) policy adjustment might occur earlier.
- **The central bank's gross FX reserves declined to $72.6bn on 31 December from $87.0bn on 26 November, while its gross gold reserves remained broadly stable around $38.5bn.** We also calculate that the central bank's net foreign assets, adjusting for its swap book, declined by $17.6bn in December and stood at -$65.6bn on 31 December.
- **Turkey's capacity to meet its external liabilities will remain under the spotlight in the coming period.** We tentatively forecast a broadly balanced current account in 2022 as domestic demand slows and export performance remains broadly resilient. The country's scheduled medium-/long-term external debt repayments stand at $9.8bn for the government and $37.1bn for the corporate sector (including state banks), and there is about $15bn in "genuine" short-term debt. It is also worth highlighting that the total stock of equities and local currency government bonds held by non-residents is $18.4bn and $3.5bn, respectively. After accounting for its swap deals with Qatar and China, which are denominated in local currencies, the central bank's gross "hard currency" FX reserves are around $51-52bn. We also estimate the local banks' outstanding FX liquidity at about $30-35bn.

Turkey: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	6.1	3.3	7.5	3.0	0.9	1.8	10.4	2.5	3.1
Growth in real private consumption (%)	5.2	3.7	5.9	0.5	1.5	3.2	9.0	1.5	1.5
Growth in real fixed investment (%)	9.3	2.2	8.3	-0.2	-12.4	7.2	8.0	3.0	3.0
Fixed investment (% of GDP)	29.6	29.1	29.9	29.7	25.9	26.1	26.0	26.5	26.5
Nominal GDP ($bn)	864.3	869.4	859.1	781.4	761.6	720.3	788.7	702.3	800.0
Population (mn)	78.2	79.3	80.3	81.3	82.4	83.5	84.5	85.5	86.5
GDP per capita ($)	11,050	10,966	10,697	9,607	9,245	8,627	9,334	8,213	9,244
Unemployment (% of labor force, end-year)	10.4	10.9	11.1	10.8	13.7	13.2	12.4	13.7	13.5
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	8.8	8.5	11.9	20.3	11.8	14.6	36.1	27.7	21.0
CPI inflation (%, average)	7.7	7.8	11.1	16.3	15.2	12.3	19.6	43.5	19.6
Exchange rate (TRY per USD, end-year)	2.91	3.53	3.81	5.26	5.94	7.34	12.98	16.00	18.50
Exchange rate (TRY per USD, average)	2.72	3.02	3.65	4.81	5.67	7.01	8.83	15.25	17.25
Nominal wage growth (% year-on-year change)(1)	13.7	22.0	9.0	18.6	25.6	16.6	25.0	40.0	20.0
REER (% change, December to December)(2)	-6.3	-5.6	-7.7	-11.5	-0.2	-18.4	-23.1	2.4	3.3
One-week repo rate (%, end-year)(3)	10.75	8.50	12.75	24.00	12.00	17.00	14.00	14.00	23.00
Fiscal data									
Central government's fiscal balance (% of GDP)(4)	-1.7	-2.1	-1.9	-3.1	-4.9	-4.7	-3.3	-3.8	-3.5
Central government primary fiscal balance (% of GDP) (4)	0.4	-0.5	-0.5	-1.5	-3.0	-2.5	-0.7	-1.2	-1.0
Central government expenditure (% of GDP) (4)	21.5	22.3	21.5	22.2	23.1	23.8	22.0	23.1	23.3
General government expenditure (% of GDP) (4)	33.4	35.1	33.6	34.6	35.3	36.0	34.2	35.3	35.5
Gross central government debt (% of GDP, end-year)	28.8	29.0	28.1	28.4	30.8	35.9	39.3	32.6	30.8
Money supply and credit									
Broad money supply (M2, % of GDP)	50.6	53.6	52.0	51.6	56.6	65.9	72.7	73.3	67.1
Broad money supply (M2, % year-on-year change)	17.1	18.3	15.7	19.1	26.1	36.0	52.2	55.0	18.0
Domestic credit (% of GDP)	71.9	73.7	73.5	72.4	73.2	86.3	84.2	90.7	81.6
Domestic credit (% year-on-year)	17.8	14.6	19.0	18.1	16.1	37.8	34.7	65.6	16.1
Domestic credit to private sector (% of GDP)	61.9	64.2	64.6	61.4	59.9	68.8	67.5	63.5	59.1
Domestic credit to private sector (% year-on-year)	19.9	15.8	20.1	13.9	12.0	34.3	35.4	44.7	20.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	24.3	22.9	25.9	30.4	32.2	28.3	35.5	42.1	38.0
Imports (goods and non-factor services, % of GDP)	26.5	25.1	29.7	31.7	29.9	31.9	36.0	40.5	37.2
Exports (goods and non-factor services, % change in $ value)	-10.7	-5.4	11.9	6.7	3.1	-16.8	37.2	5.7	3.0
Imports (goods and non-factor services, % change in $ value)	-14.3	-4.8	16.7	-2.7	-8.2	1.1	23.5	0.0	4.9
Current account balance ($bn)	-27.3	-27.0	-40.8	-21.7	5.3	-35.6	-15.2	0.9	-3.8
Current account (% of GDP)	-3.2	-3.1	-4.8	-2.8	0.7	-4.9	-1.9	0.1	-0.5
Net FDI ($bn)	14.2	10.7	8.3	9.2	6.3	4.3	6.0	4.0	4.0
Scheduled debt amortization ($bn)(5)	36.4	59.4	63.8	59.9	59.1	50.8	47.6	47.0	37.5
Foreign debt and reserves									
Foreign debt ($bn, end-year)(6)	402.0	406.1	451.1	427.0	416.2	433.0	443.8	445.0	450.4
Public ($bn)	118.1	125.0	138.2	149.0	168.1	198.0	199.8	204.2	208.7
Private ($bn)	283.9	281.0	312.9	278.0	248.0	235.0	244.0	240.8	241.8
Foreign debt (% of GDP, end-year)(6)	46.5	46.7	52.5	54.6	54.6	60.1	56.3	63.4	56.3
Foreign debt (% of exports of goods and services)	191.1	204.1	202.6	179.8	169.9	212.5	158.7	150.6	148.0
Central bank gross FX reserves ($bn)(7)	110.5	106.3	107.7	91.9	106.3	94.6	111.1	111.1	111.1
Central bank gross non-gold FX reserves ($bn)(7)	92.9	92.2	84.1	72.0	81.2	51.6	72.6	72.6	72.6

(1) Based on the hourly earnings index (2015=100) for industry, construction, trade and services. (2) Real effective exchange rate, increase indicates appreciation. (3) The central bank reinstated the one-week repo rate as its policy rate on 28 May 2018. The data for the previous period reflect the marginal rate at which the central bank provided funding. The central bank's average funding rate has been above its one-week repo rate between August 2020 and November 2020 when the monetary policy framework was simplified again. (4) The central government's budget balance data are calculated using the IMF-defined primary balance and net interest spending data. The historical data for general government spending are from the IMF's World Economic Outlook database. (5) Of medium- and long-term debt, including repayments to the IMF. (6) Based on the location of debt issuance, not the location of creditor. (7) Not adjusted for the central bank's forward book.

Source: Statistics Office, Central Bank, Treasury, IMF, Credit Suisse

Non-Japan Asia

China: A new regulatory era

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- **We expect GDP growth to decelerate to 5.9% in 2022 from 8.1% in 2021.** Regulatory uncertainty should decrease noticeably this year, as the establishment of a new and enhanced regulatory framework is expected to be mostly completed by the end of Q1. Both monetary and fiscal policy stances are expected to be more accommodative than those of 2021. Finally, ongoing and noticeable growth deceleration beyond 2022 will almost certainly continue and our forecast for 2023 GDP growth currently stands at 4.9%.

- **China's economy is facing challenges on multiple fronts** (lackluster household consumption, decelerating real estate investment, etc.) as we enter 2022, a politically important year. Its growth is expected to decelerate noticeably and the key debate is by how much. As always, the magnitude of deceleration hinges on government attitude, formally to be communicated via the various official targets during the "two-sessions." Our GDP forecast of 5.9% assumes sufficient policy support to achieve a goal of greater than potential growth for a year in which economic and social stability are particularly important.

- **In 2022, the regulatory dust will likely settle by the end of Q1/beginning of Q2, with the new regulatory landscape mostly in place.** In 2021, the authorities took advantage of the economic overshoot, which was partially mechanically guaranteed by the base effects from 2020, to aggressively enhance its regulatory framework in addition to normalizing monetary and fiscal policies. Of course, this is not to say that there won't be new regulatory changes beyond Q2, but the pace of change should be much slower. If correct, then this would substantially decrease regulatory uncertainty and bring about the typical reactions associated with lower uncertainty, namely greater investment growth than that in a higher-uncertainty environment, especially in the strategic sectors. To be clear, the new regulatory environment is one of heavier regulation relative to the one it is replacing. It has already noticeably affected the growth outlooks of all of the strategic sectors, but the end of the regulatory transition is in sight and lower uncertainty can be expected.

- **The policy stance is also expected to be more supportive as growth and stability will likely be the key policy priorities for this year.** We expect a modest acceleration to M2 growth from 8.8% in 2021 to 9.1% in 2022. More specifically, there will likely be additional targeted policy support to increase credit access by SMEs and selectively mitigate the recently strained financial conditions of real estate developers. In our baseline, we expect one RRR cut of 50bps in H122, and if growth surprises on the downside and slows down faster than we expect, we would expect both a 50bps RRR cut and interest rate reductions (LPR/MLF) in H122 to stabilize growth. On the fiscal front, we expect the official deficit in 2022 to expand by around 0.3-0.5% of GDP from 3.2% in 2021. Beyond the official deficit, we expect the annual quota for special purpose bonds to remain broadly stable. Special treasury bonds at the central government level might return as well. Abstracting away from any multiplier effect, the fiscal boost in 2022 relative to that of 2021 will likely be around 1% of GDP.

- **Against this policy backdrop, we anticipate a noticeable deceleration to REI**, but as we see the gap closing between housing starts and completions, there should still be a positive annual growth. Specifically, REI is expected to grow at 3.1% in 2022, much slower than our anticipated growth for 2021 (5.8%). Although we do think the property sector deserves constant attention from policymakers, we believe the drag from REI on overall GDP growth will be manageable. With lower regulatory uncertainty, annual investment growth for manufacturing should stay solid, despite a deceleration relative to 2021. More specifically on real estate, while the authorities may dial back part of their property curbs, the major restrictive measures, especially the “Three Red Lines”, are expected to be retained. There will likely be some fine-tuning to those measures as well, but not a full reversal. Furthermore, the authorities going forward are likely to be more mindful of the unintended negative consequences of policy discoordination when enforcing the regulatory measures.
- **We expect manufacturing FAI to slow down to around 8% in 2022 from approximately 15% in 2021.** We expect infrastructure investment growth to improve modestly from around 3% in 2021 to 5.5% in 2022. However, instead of traditional infrastructure investments like roads and bridges, we expect more “new infrastructure investment projects” and green capex to accelerate.
- **We expect CPI inflation in China to shift higher to 2.4% in 2022 after staying muted in 2021** (0.9% for 2021). We also expect the PPI to moderate to mid-single digit growth in 2022. As such, the gap between CPI and PPI should be narrowed gradually. The main risk to the PPI outlook is the global supply chain bottlenecks in production and shipping.
- **In the near term, continued growth pressures in China should incentivize Chinese policymakers to limit USD/CNY downside,** as this would curb excessive CNY strength in order to bolster exports. We thus see the pair at around 6.38 over H122 as the USD stays robust. We expect the USDCNY to drift lower to 6.33 near the end of 2022.
- **Moving beyond 2022, we continue to anticipate three key policy categories to be emphasized: technology advancement and green investment, labor productivity, and land reform.** Within the third category, we have three key expectations regarding the property tax implementation. First, a family’s first flat (or primary residence) will likely be effectively not taxed. Second, we think the effective tax rate will be lower if the property were rented out rather than sitting idle. Third, we do not think there will be a nationwide implementation within five years. We also anticipate differentiated implementation across regions when the nationwide rollout occurs. Specifically, different regions will likely incur different effective tax rates (including a zero tax rate in some lower tier cities).

China: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	7.0	6.8	6.9	6.7	6.0	2.3	8.1	5.9	4.9
Growth in real private consumption (%) (1)	7.4	8.9	7.2	7.5	6.5	-2.0	7.5	4.6	4.4
Growth in real fixed investment (%) (2)	6.6	7.3	6.1	7.4	5.2	4.3	5.2	4.2	4.0
Fixed investment (% of GDP)	43.1	42.3	41.9	42.2	41.9	42.7	41.5	40.9	40.5
Nominal GDP ($bn)	11062	11233	12310	13895	14280	14730	17382	19468	21415
Population (mn)	1383.3	1392.3	1400.1	1405.4	1410.1	1411.8	1410.6	1413.0	1416.0
GDP per capita ($)	7997	8068	8792	9887	10127	10434	12322	13778	15123
Unemployment (% of urban labor force, average year)	4.1	4.0	3.9	3.8	3.6	4.2	3.8	3.8	4.8
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, December over December)	1.6	2.1	1.8	1.9	4.5	0.2	1.5	2.1	1.9
CPI inflation (% change in average index for the year)	1.4	2.0	1.6	2.1	2.9	2.5	0.9	2.4	2.0
Exchange rate (CNY per USD spot rate, end-year)	6.49	6.94	6.53	6.86	6.98	6.52	6.36	6.33	6.35
Exchange rate (CNY per USD, average)	6.24	6.65	6.74	6.63	6.89	6.89	6.40	6.35	6.35
REER (% year-on-year change, December to December) (3)	9.8	-4.9	-2.9	1.4	-0.7	2.1	8.6	2.8	2.4
Nominal wage growth (% year-on-year change, average)	10.1	8.9	10.0	10.9	9.8	7.6	10.7	8.1	7.3
3-month interbank rate (%, end-year)	3.09	3.27	4.91	3.35	3.02	3.20	3.20	3.20	3.20
1-year LPR (%, end-year)	4.30	4.30	4.30	4.31	4.15	4.35	3.80	3.80	3.80
Fiscal data									
General government primary fiscal balance (% of GDP)	-2.4	-2.9	-2.9	-2.6	-2.8	-3.6	-3.2	-3.6	-3.2
General government fiscal balance (% of GDP)	-2.9	-3.6	-3.6	-3.4	-3.7	-4.6	-4.1	-4.5	-4.2
General government expenditure (% of GDP)	31.6	31.9	31.6	32.9	34.1	37.0	33.3	32.7	32.1
Gross government debt (% of GDP, end-year) (4)	41.5	44.3	46.4	48.8	57.1	66.8	68.9	72.1	74.5
Money supply and credit									
Broad money supply (M2, % of GDP)	192.3	198.8	196.5	192.6	194.5	208.3	192.1	187.1	185.7
Broad money supply (M2, % year-on-year change)	11.9	12.0	10.2	8.3	8.4	10.3	8.8	9.1	9.2
Domestic credit (% of GDP) (5)	193.5	214.4	214.0	213.8	220.3	240.2	222.7	218.7	217.3
Domestic credit (% year-on-year change)	23.7	20.1	11.3	10.4	10.6	12.3	9.4	10.0	9.3
Domestic credit to the private sector (% of GDP)	179.2	192.6	189.3	186.5	190.8	206.7	190.6	185.8	184.1
Domestic credit to the private sector (% year-on-year change)	20.8	16.5	9.6	8.8	9.8	11.5	8.8	9.2	9.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	21.3	19.6	19.7	19.1	18.4	18.6	20.4	19.9	19.1
Imports (goods and non-factor services, % of GDP)	18.1	17.3	18.0	18.3	17.5	16.0	16.6	16.7	16.1
Exports (goods and non-factor services, % year-on-year change in $ value) (6)	-4.2	-6.9	10.5	9.1	-0.8	3.9	29.9	9.2	5.3
Imports (goods and non-factor services, % year-on-year change in $ value) (7)	-10.7	-3.0	13.9	15.2	-1.9	-5.5	22.4	12.7	5.6
Current account balance ($bn)	304.2	202.2	195.1	25.5	102.9	274.0	326.0	315.0	310.0
Current account balance (% of GDP)	2.7	1.8	1.6	0.2	0.7	1.9	1.9	1.6	1.4
Net FDI inflows ($bn)	68.1	-41.7	27.8	92.3	50.3	102.6	206.1	191.7	172.5
Scheduled external debt amortization ($bn) (8)	118.0	134.1	133.6	145.8	176.3	177.6	237.7	264.8	281.5
Foreign debt and reserves									
Foreign debt ($bn, end-year)	1383.0	1415.8	1758.0	1982.8	2070.8	2400.8	2520.8	2621.7	2726.5
Public ($bn)	154.4	179.4	192.1	261.8	307.3	417.6	437.9	455.0	472.8
Private ($bn)	1228.6	1236.4	1565.9	1721.0	1763.5	1983.2	2082.9	2166.7	2253.7
Foreign debt (% of GDP, end-year)	12.5	12.6	14.3	14.3	14.5	16.3	14.5	13.5	12.7
Foreign debt (% of exports of goods and services)	58.6	64.4	72.4	74.8	78.7	87.8	71.0	67.6	66.8
Central bank foreign reserve assets ($bn)	3406.1	3097.8	3235.9	3168.0	3222.9	3356.5	3398.9	3432.9	3450.1
Central bank FX reserves ($bn)	3330.4	3010.5	3139.9	3072.7	3107.9	3216.5	3222.4	3228.8	3232.1

*All the projections are based on the central case scenario assumption that there is no credit default event in China.

(1) (2) Calculated based on annual GDP data released by the NBS. (3) Real effective exchange rate: increase indicates appreciation. (4) The National Audit Office (NAO) for the first time released the gross government debt data on 30 Dec 2013. The data point released by the NAO is 2012. Historical data and forecasts are based on the NAO's measures, which include debt that government holds repayment obligation and the contingent liabilities. (5) Domestic credit follows the IMF consolidated monetary survey definition. (6) (7) Exports and imports growth figures are based on SAFE's BoP data. (8) Scheduled and estimated amortizations for public and private sectors.

Source: Haver Analytics®, IMF, National Bureau of Statistics, People's Bank of China, CEIC, Credit Suisse

ASEAN-6: Light at the end of the tunnel

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- **We are cautiously optimistic on ASEAN growth prospects this year. We project ASEAN-6 GDP expanding by 5.6% in 2022, following the disappointing 3.5% rise we estimate was recorded last year.**
- **Our outlook envisages moderately stronger demand-pull price pressure, with regional CPI inflation rising to 2.7% in 2022, from our 2021 expectation of 2.1%.**

- ASEAN growth momentum is likely to have posted a sharp synchronized rebound in Q421, following Q321's Delta waves. But the arrival of Omicron has clouded the near-term economic outlook, shifting the risks around our baseline to the downside. Indeed, there is still significant uncertainty around Omicron and how regional policymakers and, in turn, mobility will respond it.
- Our regional annual growth projection of 5.6% in 2022, the same as in our previous quarterly outlook, implies a limited impact on full-year prospects. At this juncture, we have incorporated a moderate drag from looming Omicron waves to our Q122 quarterly growth forecasts across all ASEAN-6 countries. However, upside Q421 GDP surprises in Singapore and Vietnam provide a stronger numerical carryover for aggregate 2022 growth, and a similar pattern could emerge for other countries as they release their figures.
- Our projections assume less disruption to domestic activity from shorter-lived Omicron waves compared to last year's Covid surges. Wider vaccination coverage and increased natural immunity should help to cushion pressures on health systems. Though Indonesia and the Philippines still lag behind, the average full vaccination rate across the ASEAN-6 stood at 64% in early January, compared with 10% at the start of Q321. The shift across the region towards "living with Covid" reduces the likelihood of the re-imposition of strict lockdowns. Instead, targeted and calibrated measures appear more probable.
- Beyond Q122 and through the remainder of this year, we maintain our narrative of delayed service sector normalisation spurring above-trend growth momentum across countries. In our view, the reopening impulse, as well improving confidence and labour incomes, should more than offset modest fiscal consolidation and a reduced, albeit still positive, contribution from goods trade. Our global team's expectations for still-favourable global industrial production growth this year, above its 2015-19 average, should enable regional manufacturing exports to continue to trend upwards, though at slower rate than last year's elevated pace.
- The region's sizable spare capacity will likely gradually narrow this year, moderately strengthening demand-pull price pressures. Meanwhile, the reversal of last year's adverse base effects should help to limit upward pressure on headline CPI inflation, which we expect to rise to 2.7% in 2022, from 2.1% last year, on an aggregate basis. Our inflation outlook is conditional on the largely contained food price pressure that the region (excl. Philippines) enjoyed in 2021 persisting through 2022. We also assume Malaysia and Indonesia's fuel price caps are not hiked, helping limit energy price pressures.
- Firmer core inflation, as well as our US team's expectation of the Fed commencing its hiking cycle in June, should prompt most ASEAN-6 central banks to begin gradually lifting policy rates. We expect 50bps of hikes in Indonesia, Malaysia, the Philippines, and Vietnam in H222. Elsewhere, we look for the Monetary Authority of Singapore (MAS) to further steepen its

S$NEER policy band in April. On the other hand, the lagged recovery in Thailand, coupled with more subdued core inflation there, mean we do not anticipate the Bank of Thailand raising policy rates until 2023.

Below we provide a summary for the ASEAN countries under our coverage.

- In **Indonesia,** stronger private demand should outweigh less supportive net goods trade and fiscal policy, lifting GDP growth to 5.3% this year. We have lowered our 2022 fiscal deficit forecast to 4.0% of GDP, from 4.8% previously, as a result of recently announced tax reforms. Importantly, the improved fiscal outlook makes the government's target of re-implementing its 3% deficit cap in 2023 more feasible and reduces the likelihood of Bank Indonesia (BI) monetary financing being extended beyond the end of 2022, when the current "Burden Sharing" scheme is due to end. Whilst we anticipate stronger capex and a moderation in the terms of trade to push the current account back into deficit (0.9% of GDP) this year, we think it will be well above the 2.9-3.2% troughs reached in 2013 and 2018.
- We expect **Malaysia** to record one of the largest increases in GDP growth this year in the region. The high 79% full vaccination rate, coupled with a greater reliance on tourism from within Southeast Asia (especially Singapore), rather than China, suggests stronger external reopening prospects than most other ASEAN countries. Our above-consensus forecast projects 6.3% GDP growth in 2022, from 3.1% last year, against a backdrop of loose fiscal policy. The next general election must be held by July 2023. Moreover, under the current pact between the government and opposition (MoU), the election could take place sooner, from August 2022 onwards. So, whilst a benign political environment should persist through H122, the potential for instability to resurface later in the year is a key downside risk to our outlook.
- In the **Philippines**, growth should accelerate this year, driven by stronger household consumption and fixed investment. But despite supportive monetary and fiscal policy, as well as ample spare capacity, we see a number of factors constraining the pick-up in growth at 7.0%, from our 2021 projection of 5.0%.
- January's re-tightening of mobility curbs in response to the Omicron wave is likely to dent sequential growth in Q122, though less than last year's protracted restrictions. Even so, the slow vaccine rollout (48% of the population is double-jabbed) suggests a bumpier reopening trend compared with most of the region. Additionally, there is potential for increased uncertainty associated with May's general election to dampen capex and FDI. Downside risks to budget disbursement and local government capacity also suggest public spending, in particular infrastructure investment, may disappoint.
- Even so, with CPI inflation likely to track in the upper half of the central bank's (BSP) 2-4% target range, we think an improving growth outlook will push BSP to begin its hiking cycle this year. But it has room to wait until H222. Our projections imply it will take until Q322 for real GDP to surpass pre-Covid levels, the latest in the region apart from in Thailand. So, elevated labour market slack should help to contain core price pressure. At the same time, reversing adverse base effects and easing food supply constraints will likely limit headline CPI. Overall, we expect annual inflation to ease this year to 3.2% from 4.4% last year, but note risks are tilted towards upside surprises. These could crystallise if oil prices overshoot our expectations (2022 average of $73p/b) or if December's Typhoon Rai worsens food price pressures.

- **Singapore** was the region's bright spot last year, clocking the fastest pace of GDP growth across the ASEAN-6, at 7.2%. On a sequential basis, Q421 growth accelerated across services and manufacturing sectors. Given the numerical spillover of Q4's stronger-than-expected reading, we have revised up our full-year 2022 GDP growth projection to 4.5%, from 4.3%, even after dampening our Q122 growth forecast to incorporate Omicron headwinds.
- This year, the government will likely implement the goods and services tax hike (from 7% to 9%), which it pushed out because of the pandemic. Even so, we do not think tighter macroeconomic policies will preclude above-trend growth in 2022. We expect further progress in normalising services activity and strengthening household incomes to support private demand, whilst the manufacturing outlook still remains favourable.
- Amid narrowing labour market slack and higher imported costs, core CPI inflation is likely to rise modestly above its long-run average, to around 2%yoy in Q122. Consequently, we expect the MAS to further tighten monetary policy settings in April, with another 50bps steepening in the S$NEER policy band. But we do note the risk of a more aggressive tightening has risen, given the increase in sequential core price pressures over Q421.
- In response to the emergence of Omicron, within the region we have made our largest downward revision to **Thailand**, shaving 0.3pp off our 2022 growth forecast owing to its greater sensitivity to international travel setbacks. That said, conditional on Omicron headwinds fading over the coming few months, we attach a high probability to the government reverting to its ambitious border reopening, paving the way for a material recovery in depressed foreign arrivals to begin in H222. Hence, we still expect a sizable improvement in growth this year, to 4.2%, from the weak 1.2% rebound we project in 2021. Unlike for most other ASEAN countries, we also anticipate an improvement in its current account balance this year, which we now see moving back to a moderate surplus of 1.2% of GDP, from the 2.4% deficit we estimate in 2021.
- **Vietnam's** recovery regained the leadership across the ASEAN-6 in Q421, amid looser activity constraints and improved mobility. GDP posted a very sharp, broad-based rebound, which left output 9.1% above pre-Covid levels. Quarterly growth recorded 13.2%qoq sa, more than reversing the previous quarter's 8.6% contraction, resulting from Q321's Delta wave. Still, this left annual growth in 2021 at 2.5%, down from 2.9% in 2020.
- We project GDP expanding by 8.2%, faster than the government's 6.0-6.5% forecast, and up from our previous 7.5% projection. Our above-consensus forecast, in part, reflects last year's low base and the strong carryover from Q4's outturn. But we also expect growth momentum to normalise around potential this year and experience fewer setbacks than in 2021. Continued integration into regional supply chains, stronger FDI, and further fiscal support will be key growth drivers, in our view.
- In the manufacturing sector, supply bottlenecks should continue to ease amid improving supplier delivery times and workers returning to factories. A re-imposition of movement controls, in response to increased Covid cases over Q421 and Omicron, could dent growth in the short term. But production disruption should be less than in Q321, as restrictions are unlikely to prohibit manufacturing activity, amid significant vaccination progress; at least 70% of the population will likely have been fully vaccinated by the end of January.

Singapore: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
Real GDP Growth (%)	3.0	3.3	4.5	3.5	1.3	-5.4	7.2	4.5	3.4
Nominal GDP ($bn)	338.4	347.6	344.9	367.1	369.9	347.8	387.2	413.4	440.2
GDP per capita, $	55,655	56,870	61,197	66,677	65,656	59,807	71,000	75,054	78,746
CPI inflation (%, annual)	-0.5	-0.5	0.6	0.4	0.6	-0.2	2.3	2.8	1.5
Exchange rate (SGD per USD, average)	1.25	1.27	1.37	1.38	1.38	1.35	1.34	1.34	1.32
3-month SIBOR (EOP, %)	1.19	0.97	1.50	1.89	1.77	0.41	0.44	0.75	1.55
Government fiscal balance (1) (% of GDP)	-1.0	1.4	2.3	0.7	0.2	-13.9	-2.0	0.5	0.9
Current account (% of GDP)	18.7	17.6	17.3	15.4	14.3	17.6	20.2	17.8	16.0

(1) Central government balance, fiscal year.

Source: Haver Analytics®, Credit Suisse

Philippines: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
Real GDP Growth (%)	6.3	7.1	6.9	6.3	6.1	-9.6	5.0	7.0	6.5
Nominal GDP ($bn)	306.4	318.6	328.5	346.8	376.8	361.5	389.7	424.9	471.7
GDP per capita, $	3,037	3,105	3,152	3,278	3,515	3,329	3,547	3,830	4,252
CPI inflation (%, annual)	0.7	1.3	2.9	5.2	2.5	2.6	4.4	3.2	3.3
Exchange rate (PHP per USD, average)	45.5	47.5	50.4	52.7	51.8	49.6	49.5	50.0	49.5
Policy rate (Overnight reverse repo, % EOP)	4.00	3.00	3.00	4.75	4.00	2.00	2.00	2.50	3.25
Government fiscal balance(1) (% of GDP)	-0.9	-2.3	-2.1	-3.1	-3.4	-7.7	-8.0	-7.3	-6.3
Current account (% of GDP)	2.4	-0.4	-0.7	-2.6	-0.8	3.1	-1.1	-1.9	-2.3

(1) Central government balance.

Source: Haver Analytics®, Credit Suisse

Vietnam: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
Real GDP Growth (%)	6.7	6.2	6.8	7.1	7.0	2.9	2.5	8.2	6.5
Nominal GDP ($bn)	191.4	201.4	220.5	240.8	260.0	271.0	286.8	320.9	358.0
GDP per capita, $	2,097	2,202	2,373	2,570	2,714	2,779	2,921	3,243	3,591
CPI inflation(%, annual)	0.6	2.7	3.5	3.5	2.8	3.2	1.8	2.5	3.4
Exchange rate (VND per USD, average)	21,909	22,355	22,705	23,012	23,224	23,223	22,900	22,643	22,314
Policy rate (Discount rate, % EOP)	6.50	6.50	6.25	6.25	6.00	4.00	4.00	4.50	5.00
Government fiscal balance(1) (% of GDP)	-4.3	-3.6	-2.7	-2.8	-2.7	-4.0	-3.6	-3.4	-3.3
Current account (% of GDP)	-1.1	0.3	-0.7	2.4	4.7	4.6	-1.4	1.4	3.0

(1) General government balance.

Source: Haver Analytics®, Credit Suisse

For Indonesia, Malaysia and Thailand forecast detail, please see these countries' individual sections within this quarterly report.

Indonesia: Better than last year

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- **Overall, we maintain our GDP growth projection of 5.3% in 2022, from an estimated 3.3% in 2021.** The reopening of the economy should enable private demand and services activity to accelerate, supported by stronger sentiment and credit growth. We think these growth drivers will more than offset the less accommodative fiscal stance and the probable weakening growth impulse from goods trade.
- **Indonesia likely entered 2022 with strong growth momentum.** Covid headwinds resulted in sequential GDP growth slowing over the first three quarters of 2021 and turning negative in Q321. But the economy should have rebounded sharply in Q421, amid improved Covid trends, looser activity controls and retail and recreation mobility surpassing pre-Covid levels in December. We see upside risks around our Q421 GDP estimate, creating potential for stronger-than-expected numerical carryover into annual 2022 growth.
- **Compared to before the emergence of the Omicron variant, we now pencil in a sharper loss of sequential momentum in Q122.** But, at this stage, we envisage the hit to growth largely being recovered over the rest of this year.
- **We acknowledge the downside skew and increased uncertainty around our forecast.** Our outlook is premised on a relatively mild impact from looming Omicron cases. This rests on high natural immunity, low compliance with potential renewed restrictions, as well as the government avoiding the re-implementation of strict mobility curbs. Still, we do note that low vaccination coverage could result in a more disruptive infection wave. Despite higher vaccine coverage in large cities, only 42% of the population has been double-jabbed. The earlier start to the slow vaccine rollout, which has relied on Sinovac shots, may also mean virus protection is eroding quickly, creating potential for re-infections.
- **We have revised lower our 2022 fiscal deficit forecast to 4.0% (of GDP), from our prior expectation of 4.8%, and 2021's 4.65% print.** We expect the tax reforms passed by parliament in October to result in a 0.6pp increase in revenues (as a % GDP) this year. The reforms include (i) a 1pp VAT hike from April 2022 to 11%, which is set to rise to 12% by Jan 2025, (ii) reduced VAT exemptions, (iii) lower VAT registration thresholds, (iv) another tax amnesty program and (v) a higher income tax rate for higher wage earners. Strengthening activity, easing Covid spending pressures, and excess financing in 2021 also tilt risks towards the deficit undershooting the Finance Minister's 4.1% expectation for 2022.
- **Despite placing a moderate drag on growth next year, October's tax reforms are an important structural improvement.** They provide a much-needed boost to the government revenue ratio, which is the lowest across the ASEAN-6, and stood at 12% of GDP in 2020, compared to the 19% averaged across the other ASEAN-6, and the 17% Indonesia recorded in 2011. There is significant room to improve tax collection further, which would ease capital spending and potential growth constraints.
- **The government's target of re-implementing the 3% fiscal deficit cap in 2023 looks more feasible.** We see some potential for modest fiscal slippage and project a deficit of 3.2% in 2023. Nevertheless, the improved fiscal outlook does reduce the likelihood of Bank Indonesia's (BI)

providing monetary financing beyond the end of 2022, when the current 'burden-sharing' plan, renewed last year, is due to expire. Under the current plan, BI is able to purchase government bonds, at below market rates, amounting to 1.1% of GDP, to help ease pressure on government debt interest payments.

- **But not all structural reform developments have been positive.** In November, the constitutional court ruled that if 2020's Job Creation Law were not revised within two years, it would be judged as permanently unconstitutional and the law revoked. The increased uncertainty around the regulatory environment likely limits the potential for upside FDI risks to crystallise. This reinforces our baseline view, even before the ruling, that FDI inflows will follow a gradual uptrend, rather than surge higher in the short term. Hence, BI will likely remain sensitive to global financial conditions and capital flight risks over our forecast horizon.
- **Despite revising our 2021 current account estimate higher, we still expect a gradual deterioration this year.** We now estimate that Indonesia posted its first full-year current account surplus (of 0.3% of GDP) since 2011, off the back of sluggish private demand, stronger commodity prices and buoyant metals shipments. Strengthening capex and our expectations for a moderation in the terms of trade, resulting from softer coal and palm oil prices in 2002 than in 2021, suggest a narrower trade surplus is likely to push the current account back into deficit. Even so, the structural improvement in base metals export capacity and constraints to infrastructure-related imports from fiscal consolidation should cushion the decline. Overall, our projection is for a 2022 current account deficit of 0.9%, well below the 2.9-3.2% troughs reached during the 2013 taper tantrum and BI's 2018 tightening cycle.
- **January's coal export ban, in response to domestic shortages, will weigh on the near-term trade balance.** This could cause a sharper deterioration in the external balances than we forecast. Whilst we note the uncertainty around the fluid regulatory backdrop, for now, we maintain our narrative of an only moderate current account decline, and look for coal shipments to recovery later in Q122 as inventories are rebuilt.
- **Given reduced macro vulnerabilities and moderate inflationary pressure, we still expect BI to wait until H222 before starting its hiking cycle.** Given our US team's forecast of 75bps of Fed rate hikes over June-Dec 2022, followed by another 100bps in 2023, we maintain our call that BI will hike rates by 50bps in H222 in order to buffer the currency against capital outflow risks. Prior to this, we expect BI will begin tightening liquidity conditions in Q222, to move effective rates back towards the current 3.5% policy rate, from around 50-75bps below currently.
- **Our CPI projection is for annual inflation to rise to 3.1% in 2022, from 1.6% last year.** Inflation has trended upwards since troughing in H121, but both core and headline inflation were still below the lower bound of BI's 2-4% target range in December. Strengthening demand should result in gradually building core price pressures. Moreover, April's upcoming 1pp VAT hike will likely cause a temporary jump in yoy CPI readings, to around 3.7% in late-2022, before inflation drops towards 3%yoy over 2023. Risks to our CPI forecast are tilted upwards. We assume fuel and electricity rates are not hiked and food prices, which helped contain 2021 headline CPI and accounts for 26% of the basket, remains moderate.

Indonesia: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	4.9	5.0	5.1	5.2	5.0	-2.1	3.3	5.3	5.2
Growth in Real private consumption (%)	5.0	5.0	4.9	5.1	5.0	-2.6	2.3	5.3	5.2
Growth in Real fixed investment (%)	5.0	4.5	6.2	6.7	4.5	-4.9	3.7	5.6	6.4
Fixed investment (% of GDP)	32.4	32.2	32.6	33.0	32.9	31.9	32.0	32.1	32.5
Nominal GDP ($bn)	861	932	1,016	1,042	1,119	1,058	1,154	1,280	1,398
Population (mn)	258.4	261.6	264.7	267.7	270.6	273.5	276.4	279.1	281.9
GDP per capita ($)	3,368	3,605	3,886	3,945	4,193	3,917	4,175	4,585	4,958
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, December over December)	3.4	3.0	3.6	3.1	2.6	1.7	1.9	3.6	3.0
CPI inflation (% change in average index for the year)	6.4	3.5	3.8	3.2	2.8	2.0	1.6	3.1	3.2
Exchange rate (IDR per USD, end-year)	13,855	13,417	13,557	14,497	14,017	14,166	14,329	14,100	14,150
Exchange rate (IDR per USD, average)	13,389	13,309	13,381	14,238	14,148	14,582	14,310	14,213	14,126
REER (% year-on-year change, December over December) (1)	-1.7	7.3	-4.8	-2.0	4.0	-3.7	-0.1	-1.6	-1.6
Nominal wage growth (% year-on-year change) (2)	8.6	23.0	2.8	5.2	4.1	-5.1	-2.5	2.4	4.0
7-Day reverse repo rate	7.50	4.75	4.25	6.00	5.00	3.75	3.50	4.00	5.00
Fiscal data(3)									
Central government fiscal balance (% of GDP)	-2.7	-2.6	-2.6	-1.9	-2.2	-6.3	-4.7	-4.0	-3.2
Central government primary fiscal balance, % of GDP	-1.3	-1.1	-1.0	-0.2	-0.5	-4.2	-2.6	-1.8	-1.0
Central government expenditure (% of GDP)	15.7	15.0	14.8	14.9	14.6	16.8	16.9	15.2	14.1
Central government revenue (% of GDP)	13.0	12.5	12.2	13.0	12.3	10.6	12.1	11.2	10.9
General government fiscal balance (% of GDP)	-2.6	-2.5	-2.5	-1.8	-2.2	-5.9	-4.3	-3.6	-2.8
Gross general government debt (% of GDP, end-year) (4)	27.0	28.0	29.4	30.4	30.6	36.6	41.2	41.8	41.4
Money supply and credit									
Broad money supply (M2, % of GDP)	39.5	40.4	39.9	38.8	38.8	44.7	46.1	45.6	44.3
Broad money supply (M2, % year-on-year change)	9.0	10.0	8.3	6.3	6.5	12.4	10.3	8.1	6.3
Domestic credit (% of GDP)	29.3	29.9	28.5	29.1	29.2	33.6	34.8	34.6	33.8
Domestic credit (% year-on-year change)	9.9	9.9	4.6	11.4	7.2	12.1	10.9	8.6	6.8
Domestic credit to the private sector (% of GDP)	33.2	33.2	32.5	32.8	32.5	33.2	32.6	32.6	32.1
Domestic credit to the private sector (% year-on-year change)	9.6	7.7	7.2	10.3	5.8	-0.5	4.9	9.4	7.6
Balance of payments									
Exports (goods and non-factor services, % of GDP)	19.9	18.0	19.1	20.3	17.9	16.8	21.4	22.9	21.9
Imports (goods and non-factor services, % of GDP)	19.3	17.1	18.0	21.0	18.2	15.1	18.9	21.5	21.7
Exports (goods and non-factor services, % year-on-year change in $ value)	-13.8	-2.1	15.7	9.1	-5.6	-10.9	38.4	17.9	5.3
Imports (goods and non-factor services, % year-on-year change in $ value)	-17.8	-3.9	14.6	19.6	-6.6	-21.8	36.5	25.5	10.7
Current account balance ($bn)	-17.5	-17.0	-16.2	-30.6	-30.3	-4.5	3.1	-11.5	-25.4
Current account (% of GDP)	-2.0	-1.8	-1.6	-2.9	-2.7	-0.4	0.3	-0.9	-1.8
Net FDI inflows ($bn)	10.7	16.1	18.5	12.5	20.5	13.9	17.0	17.4	18.9
Foreign debt and reserves									
Foreign debt ($bn)	310.7	320.0	352.5	375.4	403.6	416.4	422.5	433.5	446.5
Public ($bn)	142.6	158.3	180.6	186.3	202.9	209.2	214.1	216.3	221.0
Private ($bn)	168.1	161.7	171.8	189.2	200.7	207.2	208.4	217.2	225.5
Foreign debt (% of GDP)	36.1	34.3	34.7	36.0	36.1	39.3	36.6	33.9	31.9
Foreign debt (% of exports of goods and services)	181.3	190.7	181.5	177.1	201.7	233.6	171.3	149.0	145.8
Central bank gross FX reserves ($bn)	100.1	110.3	123.6	114.2	122.1	127.7	131.8	135.3	137.5
Central bank net non-gold FX reserves ($bn)	97.4	107.5	120.2	111.0	118.2	123.0	127.3	130.7	132.7

(1) Real effective exchange rate (CPI-deflated); increase indicates appreciation. (2) Average net wage per month, interpolated. (3) Refers to the central government. (4) Excludes SOE and BI debt.

Source: Bank Indonesia, Ministry of Finance, Haver Analytics®, CEIC, World Bank, Credit Suisse

Malaysia: Cyclical overshoot

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- **We expect Malaysia to record one of the biggest increases in GDP growth across ASEAN this year**. Our above-consensus outlook, projects 2022 growth rising above trend to 6.3%, from 3.1% last year. We maintain our 2022 narrative of faster GDP growth being driven by stronger domestic demand and services activity, resulting in a more balanced recovery.
- **Factoring in a drag from Omicron, for now, we trimmed our updated 2022 GDP growth forecast by 0.1pp.** At this stage, our baseline scenario anticipates a modest knock to Q122 activity from the emergence of Omicron, which is largely recovered through Q222. At the same time, despite the temporary hit from recent widespread flooding since mid-December, we see potential for the sharp rebound in Q421 activity to result in GDP overshooting our estimate for the quarter. Indeed, industrial production beat expectations in November and grew 6.7% over Oct and Nov, versus Q321. Even so, we do note the increased uncertainty and shift in the balance of risks around 2022 outlook to the downside.
- **Improved resilience of economic activity to infection outbreaks should mitigate the impact of the pending Omicron wave.** Whilst the spread of Omicron will likely dent near-term mobility, for now, we think this should be shorter-lived and less severe than last year's Covid surges. In our view, the government will be reluctant to reinstate the same strict, protracted, lockdowns as in 2021, given high vaccinations rates and its shift towards an endemic Covid strategy. Increased digitization and e-commerce should also continue to help buffer consumer spending.
- **Household consumption should provide the greatest contribution to GDP growth this year.** Over H122, we think private consumption in Malaysia will likely benefit from a stronger reopening impulse, than most other regional economies. 79% of the population has been fully vaccinated, the second highest in the region after Singapore, with 24% of the population having received a booster dose. At the same time, there remains significant scope for catch-up spending on services (which accounted for around half of 2019 overall private consumption) as the sector reopens. Furthermore, household incomes are benefitting from strengthening employment, which moved 2% above pre-Covid levels in November.
- **The 2022 Budget's fiscal stance remains expansionary.** We project a modest decline in the fiscal deficit (as a % of GDP) from 6.5% in 2021 to 6.0% this year. Meanwhile, we look for the public debt ratio to rise by 0.3pp to 64%, remaining below the upwardly adjusted statutory debt cap of 65%. Whilst S&P's negative watch on Malaysia's A- sovereign rating means downside rating risks will persist, the government's aim of reducing the deficit to 3-3.5% by 2025 should help to contain these pressures, if policy continuity can be sustained.
- **A strong cyclical fixed investment rebound through H122 is a key driver of our growth outlook.** Machinery and equipment capex is likely to remain supported by the still-positive manufacturing outlook and semiconductor sector capacity expansion. Indeed, the surge in manufacturing FDI over the first three quarters of 2021, well above the subdued levels of the 2018-2019 period, augurs well for near-term business capex momentum.

- **Election-related uncertainty may weigh on business investment in H222, but construction and public infrastructure projects should provide some offset.** Structures investment stood 34.5% below pre-Covid levels at the end of Q321, leaving plenty of space for it to normalise, amid looser restrictions. A likely easing of construction sector migrant labour shortages, as border restrictions are slowly loosened, should also help. With fiscal spending receiving a push from the political cycle and the government aiming to narrow the infrastructure gap between regions, development expenditure in Budget 2022 is projected to grow 22.5% from 2021. We also note recent reassurance from the Finance Minister on mega project implementation, such as MRT3 and the rollout of 5G by DNB.
- **Goods exports should provide a positive, albeit reduced, contribution to growth this year.** We still anticipate growth in exports receipts this year, albeit at a slower pace than during the period since H220, given the shift in advanced economy demand away from goods and towards services. The key electronics cluster should also be buffered by the persisting chip shortage, with broader manufacturing exports supported by the ongoing rebound in global IP growth momentum, which we expect to remain above 2015-19 levels in 2022. We expect favourable and broadly stable energy prices to support the terms of trade this year. But the moderation in in palm oil prices we anticipate through this year is likely to compress overall commodity export receipts.
- **Gradual tourism improvement should cushion the current account from the likely smaller goods trade surplus this year.** We think the government will revert to border reopening once Omicron headwinds fade, possibly later in Q122. Malaysia’s lower reliance on tourism from China - where we expect stricter border controls to persist at least through H122 - and greater exposure to arrivals from Singapore suggests it could experience a faster return of tourism activity than other ASEAN countries.
- **We project annual CPI inflation easing this year, to 2.2%, from an estimated 2.5% in 2021.** Moderating headline inflation is likely to be driven by the fading of last year’s adverse base effects. The decline should be limited by firming core inflation, amid strengthening services sector demand. Supply chain bottlenecks and migrant labour shortages mean risks around our inflation outlook are tilted to the upside. Importantly, a lifting of the cap on gasoline prices, which we assume will remain in place through 2022, would result in higher-than-expected price pressures.
- **Monetary policy normalisation is likely to begin this year.** We think the central bank (BNM) is likely awaiting confirmation of sustainable and entrenched growth momentum, before hiking policy rates by 25bps in Q322. Should our above-trend growth outlook materialise, we think the door will open for another 25bps hike in Q422 and, amid a maturing recovery, we expect the OPR to reach 2.75% at the end of 2023.
- **Political uncertainty could intensify in H222.** The Memorandum of Understanding (MoU) between the government and opposition provides a stable political environment over H122. However, the next general election must take place by July 2023 and will come into greater focus over this year. Moreover, under the MoU, the election could be held from August 2022 onwards. The potential resurfacing of political instability poses downside risks to our growth, policy rate and sovereign rating outlook.

Malaysia: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	5.0	4.4	5.8	4.8	4.4	-5.6	3.1	6.3	5.0
Growth in Real private consumption (%)	5.9	5.9	6.9	8.0	7.7	-4.3	1.1	6.2	5.9
Growth in Real fixed investment (%)	3.7	2.6	6.1	1.4	-2.1	-14.5	-1.7	7.1	3.9
Fixed investment (% of GDP)	25.9	25.4	25.5	24.6	23.1	20.9	19.9	20.1	19.9
Nominal GDP ($bn)	301.5	301.8	319.3	359.0	365.4	337.2	371.5	405.9	439.9
Population (mn)	31.2	31.6	32.0	32.4	32.5	32.6	32.7	32.7	32.8
GDP per capita ($)	9,667	9,540	9,970	11,087	11,236	10,350	11,377	12,407	13,415
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, December over December)	2.7	1.7	3.5	0.2	1.0	-1.4	3.0	2.2	2.1
CPI inflation (% change in average index for the year)	2.1	2.1	3.8	1.0	0.7	-1.1	2.5	2.2	2.1
Exchange rate (MYR per USD, end-year)	4.29	4.49	4.06	4.14	4.09	4.01	4.21	4.13	4.10
Exchange rate (MYR per USD, average)	3.90	4.14	4.30	4.03	4.14	4.20	4.14	4.16	4.11
REER (% year-on-year change, March over March)(1)	-12.3	-1.6	5.6	-0.5	-0.8	-3.7	-1.0	0.2	0.4
Nominal wage growth (% year-on-year change)(2)	3.6	2.8	3.4	2.8	2.0	-0.9	-0.9	1.8	2.9
Overnight policy rate (%, end-year)(3)	3.25	3.00	3.00	3.25	3.00	1.75	1.75	2.25	2.75
Fiscal data(4)									
Federal government budget balance (% of GDP)	-3.2	-3.1	-2.9	-3.7	-3.4	-6.2	-6.5	-6.0	-4.9
Federal government primary fiscal balance (% of GDP)	-1.1	-1.0	-0.9	-1.6	-1.2	-3.8	-4.0	-3.4	-2.4
Federal government expenditure (% of GDP)	21.8	20.1	19.0	19.8	20.9	19.4	21.4	19.7	18.7
Federal government revenue (% of GDP)	18.6	17.0	16.1	16.1	17.5	15.9	14.9	13.7	13.8
Gross federal government debt (% of GDP, end-year)	53.6	51.9	50.0	51.2	52.4	62.1	63.7	64.0	64.7
Money supply and credit									
Broad money supply (M2, % of GDP)	133.5	129.0	123.4	125.4	125.9	141.4	140.6	135.0	132.5
Broad money supply (M2, % year-on-year change)	5.9	2.6	5.0	7.3	4.9	5.2	8.0	5.4	5.1
Domestic credit (% of GDP)	142.4	143.0	138.4	143.4	143.5	162.2	156.6	151.0	148.3
Domestic credit (% year-on-year change)	7.7	6.6	6.3	9.4	4.6	5.8	4.9	5.9	5.2
Domestic credit to the private sector (% of GDP)	133.4	132.9	127.8	131.6	132.0	146.2	140.7	136.0	133.8
Domestic credit to the private sector (% year-on-year change)	8.0	5.8	5.6	8.6	4.9	3.6	4.6	6.1	5.4
Balance of payments									
Exports (goods and non-factor services, % of GDP)	69.4	66.8	70.0	68.6	65.3	61.4	68.5	67.6	67.0
Imports (goods and non-factor services, % of GDP)	61.9	60.1	63.1	61.8	57.7	55.0	61.9	62.7	63.1
Exports (goods and non-factor services, % year-on-year change in $ value)	-16.1	-3.8	10.9	10.1	-3.1	-13.1	22.8	7.8	7.5
Imports (goods and non-factor services, % year-on-year change in $ value)	-14.5	-2.8	11.1	10.1	-5.0	-12.1	24.0	10.7	9.0
Current account balance ($bn)	9.0	7.2	8.9	8.0	12.8	14.3	13.0	12.3	12.5
Current account balance (% of GDP)	3.0	2.4	2.8	2.2	3.5	4.2	3.5	3.0	2.8
Net FDI inflows ($bn)	-0.5	3.3	3.8	2.5	1.6	0.7	9.4	8.5	8.2
Foreign debt and reserves									
Foreign debt ($bn)	195.0	203.8	217.9	223.0	231.0	238.8	246.2	256.2	265.2
Public ($bn)	53.4	50.5	52.9	46.3	53.8	59.8	60.3	62.7	64.9
Private ($bn)	141.6	153.4	165.0	176.7	177.2	179.1	185.9	193.5	200.3
Foreign debt (% of GDP)	64.7	67.5	68.3	62.1	63.2	70.8	66.3	63.1	60.3
Foreign debt (% of exports of goods and services)	93.1	101.2	97.5	90.6	96.9	115.3	96.8	93.4	90.0
Central bank gross FX reserves ($bn)	95.3	94.5	102.4	101.5	103.6	107.6	116.7	119.2	121.7
Central bank gross non-gold FX reserves ($bn)	94.0	93.1	100.9	99.9	101.7	105.3	114.3	117.0	119.5

(1) Real effective exchange rate (CPI-deflated); increase indicates appreciation. (2) Weighted average of salaries and wages in the services, manufacturing, and rubber sectors. (3) BNM changed the policy rate from the intervention rate to the overnight rate in May 2004. (4) Refers to the federal government's financial position.

Source: Bank Negara Malaysia, Haver Analytics®, CEIC, Credit Suisse

South Korea: A gradual normalization with uncertainties

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- **We expect economic growth to moderate from 4.0% in 2021 to 3.4% in 2022** owing mainly to the memory chip down-cycle in Q421-Q222 and a shift in global demand from goods to service consumption. Facilities investment will likely moderate in 2022 as well after aggressive private investment in chip facilities during 2020-21. The recovery of services activities and construction investment will likely be offsets to the decline in growth. Policy should become less accommodative with additional rate hikes and negative fiscal impulse.

- **The evolutionary path of Covid remains highly uncertain.** Korea's Covid cases have been rising recently after adopting a "Living with Covid" policy. The government announced on Dec 3 that it would temporarily implement tighter quarantine measures throughout December. Yet the measures are less tight compared to last winter, and we believe the country will continue to focus on administering more booster shots than imposing stricter social distancing measures. Though the moderate tightening might only marginally disrupt service activities, we see two tail risks that could change the outlook. On the downside, a tail risk of another decline in mobility due to the potential of wider contagion with the new Omicron variant could weaken the service GDP rebound over the coming quarters. (The original "Living with Covid" policy planned a stepwise easing of restrictions every six weeks, in early Nov, mid-Dec, and late Jan 2022). If the virus mutation becomes more vaccine resistant and prompts another round of tightening measures, this could pose a significant threat to the gradual normalization story. In a worst-case scenario in which the country is again forced into lockdown, supply-side constraints and bottlenecks should be further exacerbated. On the upside tail risk, if the virus is under control, supply chain constraints should ease and growth could recover faster than we expect.

- **The fiscal impulse should shift to being negative in 2022 after remaining positive over the past three years.** Based on the latest 2022 Budget passed on Dec 3, the fiscal deficit will narrow meaningfully to -2.5% of GDP in 2022 from -4.4% of GDP (including the supplementary budget) in 2021 owing mostly to government cuts in fiscal spending and the increase in tax revenues. The two main candidates for the upcoming presidential election on March 9, 2022, have quite different views on fiscal policy. The more right-wing candidate from the main opposition party, Yoon Seok-youl favors a more conservative fiscal policy. If the left-wing ruling Democratic Party candidate, Lee Jae-myung, wins the election (he has a 60% chance of winning), he will likely seek a relatively expansionary fiscal policy with a supplementary budget, and he also pledged to roll out a "universal basic income" plan to address the inequality issue, which could lead to a deterioration in fiscal soundness.

- **We will still see some of the supply chain and capacity constraints (auto chips and shipping containers) going into 2022.** The supply chain bottlenecks are taking longer than expected to resolve, as the auto chips shortage began in Q420, and the problem remains. The capacity utilization in the auto sector in 2021 is roughly 10ppt less than the 2019 average, which translates into roughly 10% of auto gross value added (GVA). Auto production is around 3% of total GVA, and the direct impact of the auto shortage could be around 0.3ppt of GVA. With the indirect impact of the decline in auto production likely to be felt across supply chains, the sector's total impact on GVA growth in 2022 could be around 0.4-0.5ppt, by our estimate. Supply conditions could be easing gradually from H122. We think the auto sector's capacity utilization should rebound in Q421 given that sector analysts expect to see improvement in sales in autos from Nov-Dec21 and a sequential recovery in auto production after a trough in Oct21. However, we still see higher uncertainties around the magnitude and pace of recovery. First, if the production of a few critical components remains yet to catch up, the mismatch could result in some components showing oversupply and other key inputs showing shortages due to stalled production. To be more specific, the memory chip market is behaving quite differently from logic semiconductors. Memory chips have not had the same supply constraints and actually appear over-shipped somewhat in the near term, which has created some excess inventory and dampened the price, according to our tech sector analysts. One major factor though is that logistics constraints on certain logic ICs and substrates are limiting hardware from being shipped, which slows the sales of memory units but has also resulted in their recent price cut. Second, any logistic disruptions will likely affect overall manufacturing and production. Supply chain issues appeared to resurface in November based on the PMI for suppliers' delivery times, which fell to the second-lowest print in the series (Dec: 38.8 vs. Oct: 43.5 vs. Apr'20: 38.4), above only the record low seen in April 2020. We believe demand for Asian tech exports this year could actually be stronger than in 2021 if the shipping logistics were to not become a problem. Based on the soft indicators, the PMI index for manufacturing backlogs of work (which provides a proxy on the volume of orders received that firms have to start work on or complete) still remained at elevated levels in Dec21, at 53.6 (the 2020 average was 47.7), evidencing further production bottleneck pressure.

- **We expect nominal export growth to moderate from double-digit growth in 2021 to single-digit growth in 2022**. A few factors should contribute to the moderation in Korea's export growth, including the memory chip down-cycle during Q421-Q122 (the largest export items), the slowdown in smartphone and PC demand, and unfavorable base effects. However, we don't believe all tech demand is waning. The above-mentioned mismatch issues in memory chips and hardware should gradually improve, and we are still positive on structural applications like data centers and auto chips, which should support Korea's tech exports for 2022. Specifically, the still robust demand for data center investment will likely accelerate even further from H222 owing to the platform upgrade cycle for tech firms, and this in turn could lift chip prices over H222.
- **We expect private consumption to grow around 3.6-4.0% in 2022,** with gradually easing quarantine restrictions likely contributing to a recovery in services and overall employment, which in turn could support consumption and service activities, assuming the "Living with Covid" policy is implemented throughout the year. While the risks of other virus mutations and a surge in cases linger, we expect any additional mobility restrictions to have only a marginal impact on overall economic activities. In the meanwhile, the upside from private consumption, assuming a faster-than-expected recovery in services activities, should be limited, given Korea's increasing household debt, tighter financial conditions (more regulations on borrowing in personal loans), and stagnant income growth. Based on BIS data, Korea's private nonfinancial credit-to-GDP ratio rose to 218.1% in Q221 from 196.2% in Q419, which is much wider than the UK and EU.

- **We expect the headline CPI to remain at a high level and stay above the BoK's 2% inflation target in H122.** We forecast the headline CPI to inch down from 2.5% in 2021 to 2.3% in 2022. We see a continued buildup in inflationary pressures from both the supply and demand side. On the supply side, the main inflationary pressure comes from the recent upside risks on global energy and food prices, which could be partially offset by the government's temporary fuel tax cut in Nov21-Apr22 and import duties cut on LNG, eggs, and corn. Korea's import price inflation in USD terms rose to 29.9%yoy in Oct-Nov21 from 26.1%yoy in Q321, consistent with the elevated input costs across raw materials, freight, and energy. The December PMI also showed increased cost pressure for manufacturers. The fact that the input prices PMI rose much more than output prices PMI suggests that inflationary pressures are accumulating from the supply side. It is also likely that these supply chain disruptions are obstructing production, as seen by the elevated gap between new orders PMI and output PMI. On the demand side, we see inflationary pressure from a rise in rental prices, higher wages, a gradual increase in service prices, and higher inflation expectations (at 2.6% in Dec21).
- **In our baseline, we think the inflationary pressure and financial imbalances will support an earlier monetary move in January 2022,** with one additional rate hike after January 2022 in this hiking cycle, which would take the policy rate to 1.5% by the end of this year. (The starting point of the rate-cutting cycle in July19 was 1.75%.) However, the recent uncertainty around the Omicron variant and a surge in critically ill cases amid limited hospital capacity could cloud the near-term outlook. A delay or reversal to the reopening process could delay the potential timing of a third hike to February 2022. The BoK would need time to assess the outlook following the November 2021 hike and potentially hint at the pace of rate hiking. We will be closely watching the January MPB meeting with BoK Governor Lee's press conference on Jan 14, 2022.

South Korea: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	2.8	2.9	3.2	2.9	2.2	-0.9	4.0	3.4	2.6
Growth in real private consumption (%)	2.2	2.3	2.8	3.1	2.1	-5.2	3.2	3.6	2.5
Growth in real fixed investment (%)	5.4	6.6	9.8	-2.2	-2.1	2.6	2.9	1.6	2.6
Fixed investment (% of GDP)	29.0	30.0	32.0	30.4	25.9	26.9	27.3	25.1	23.0
Nominal GDP ($bn)	1467.2	1501.8	1626.2	1726.8	1718.3	1,726.0	1799.7	1909.4	2100.4
Population (mn)	51.0	51.2	51.4	51.6	51.7	51.8	51.8	51.8	51.8
GDP per capita ($)	28760	29323	31661	33461	33230	33,334	34728	36829	40512
Unemployment (% of urban labor force, average year)	3.6	3.7	3.7	3.8	3.8	3.9	2.6	3.2	3.6
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, December over December)	1.1	1.3	1.4	1.3	0.7	0.5	2.8	1.6	1.3
CPI inflation (% change in average index for the year)	0.7	1.0	1.9	1.5	0.4	0.5	2.5	2.3	1.7
Exchange rate (KRW per USD spot rate, end-year)	1172.0	1208.5	1071.4	1118.1	1180.0	1060.0	1165.0	1145.0	1145.0
Exchange rate (KRW per USD, average)	1131.0	1160.8	1131.0	1100.2	1165.4	1180.3	1126.5	1155.0	1145.0
Nominal wage growth (% year-on-year change)	3.4	3.8	2.7	5.1	3.3	0.7	4.8	2.3	1.2
REER (% year-on-year change) (1)	0.5	-1.2	3.2	0.8	-4.5	-1.1	0.9	0.5	0.6
Overnight base rate (%, end-year)	1.50	1.25	1.50	1.75	1.25	0.50	0.75	1.50	2.00
Fiscal data									
Consolidated government fiscal balance (% of GDP) (2)	-2.8	-2.2	-1.6	-1.7	-2.2	-3.7	-4.4	-2.5	-2.9
Consolidated government primary fiscal balance (% of GDP)	-2.5	-2.0	-1.2	-1.2	-1.7	-3.2	-4.0	-2.3	-2.8
Consolidated government expenditure (% of GDP)	22.4	22.1	22.1	22.9	25.2	28.4	28.6	27.0	27.1
Consolidated government debt (% of GDP, end-year)	44.0	43.1	41.0	41.6	43.8	43.9	47.3	50.2	50.3
Money supply and credit									
Broad money supply (M2, % of GDP)	135.5	138.3	137.8	142.3	151.4	165.5	168.9	175.9	177.1
Broad money supply (M2, % year-on-year change)	8.2	7.1	5.1	6.7	7.9	9.8	11.9	10.5	10.7
Domestic credit (% of GDP)	149.2	152.1	151.9	157.8	170.6	186.2	188.9	195.9	196.4
Domestic credit (% year-on-year change)	7.6	7.0	5.4	7.4	9.6	9.7	11.2	10.0	10.3
Domestic credit to the private sector (% of GDP)	155.3	158.7	160.0	167.0	179.6	195.0	196.6	202.4	201.2
Domestic credit to the private sector (% year-on-year change)	7.6	7.3	6.3	7.9	8.5	8.5	10.5	9.2	9.4
Balance of payments									
Exports (goods and non-factor services, % of GDP)	43.7	40.5	41.3	42.3	38.4	35.2	37.0	36.7	35.1
Imports (goods and non-factor services, % of GDP)	36.5	33.8	36.5	37.6	35.4	31.3	32.3	32.7	31.7
Exports (goods and non-factor services, % year-on-year change in $ value)	-11.7	-5.3	10.4	8.9	-9.5	-8.1	9.6	5.2	5.3
Imports (goods and non-factor services, % year-on-year change in $ value)	-16.7	-5.1	16.9	9.5	-6.4	-11.0	7.3	7.4	6.6
Current account balance ($bn)	105.1	97.9	75.2	77.5	59.7	75.3	93.7	86.4	84.5
Current account balance (% of GDP)	7.2	6.5	4.6	4.5	3.6	4.6	5.2	4.5	4.0
Net FDI inflows ($bn)	-19.6	-17.8	-16.2	-26.0	-25.6	-23.3	25.0	27.2	29.0
Scheduled external debt amortization ($bn) (3)	36.5	34.7	37.0	39.5	41.9	48.2	50.7	52.2	54.8
Foreign debt and reserves									
Foreign debt ($bn, end-year) (4)	396.1	382.1	412.0	441.2	470.7	544.9	572.4	589.7	619.2
Public ($bn) (5)	123.1	109.6	129.5	141.2	148.8	182.9	160.0	173.9	189.1
Private ($bn)	273.0	272.5	282.5	299.9	322.0	362.1	412.4	415.8	430.1
Foreign debt (% of GDP, end-year)	27.0	25.5	25.4	25.6	27.4	31.6	31.81	30.88	29.48
Foreign debt (% of exports of goods and services)	61.8	63.0	61.5	60.4	71.3	89.8	86.0	84.2	84.0
Central bank gross FX reserves ($bn) (6)	368.0	371.1	389.3	403.7	408.8	443.1	463.9	483.8	503.2
Central bank gross non-gold FX reserves ($bn)	363.2	366.3	384.5	398.9	404.0	438.3	459.1	478.8	498.0

(1) Real effective exchange rate (CPI-deflated); increase indicates appreciation. (2) Consolidated fiscal balance (net of social security contribution). (3) Scheduled amortizations of medium- and long-term external debt of both the public and private sectors. (4) Liabilities vis-à-vis non-residents (i.e., includes FX-denominated and local-currency debt). (5) Includes government and central bank. (6) Central bank forex reserves minus monetary authorities' other liabilities.

Source: CEIC, National Statistical Office, Bank of Korea, Ministry of Strategy and Finance, Credit Suisse

Taiwan: Growth to moderate but with tech demand still remaining constructive

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- **We expect Taiwan's economy to moderate from 6.1% in 2021 to 3.3% in 2022,** boosted by a recovery in private consumption, support from net exports, and higher government spending on green and renewable infrastructure projects. (Exports and investment were the main drivers of growth last year.) The key downside risk to the outlook this year is the Omicron variant. We will closely monitor its impact on the global economy and if it could, in turn, affect the growth forecast for Taiwan over the coming months.
- **We expect the recovery momentum in private consumption to continue throughout 2022** alongside the increase in vaccination rates and rise in income growth. Taiwan will likely reach a 70% fully vaccinated rate by Q122 and further expand its launch of booster shots this year. Taiwan's Executive Yuan approved a 4% pay raise for public sector workers that will be implemented in 2022 on October 28, the highest pay increase for public sector employees in 25 years. Private corporates also announced wage hikes. The total employment for all industries and services has recovered to pre-pandemic levels. The saving rate rose from 21.7% in 2018 to 24.5% in 2020. We expect the release of pent-up savings to be spent on personal services and leisure activities, which have been depressed during the pandemic. However, Taiwan will likely continue to follow a zero-Covid policy in 2022, with border quarantines and potentially intermittent local lockdowns that could weigh on its tourism and service sectors.
- **High-frequency economic data indicators have recently shown mixed signals on the demand for Taiwanese technology goods.** On one hand, the export orders data and manufacturing PMI have shown a cautious signal that tech demand may be waning. The export orders overseas production ratio has also been declining recently. On the other hand, the November custom exports surprised on the upside, expanding strongly and showing a notable sequential pickup. The still lengthening suppliers' delivery time and supply chain bottlenecks might have contributed to the data's cautious signal. In addition, the production mismatch between memory chips and hardware (i.e., logic integrated circuits [ICs] and substrates) is limiting hardware from being shipped. The highly intertwined global supply chains have shown that delays or shortages of one component can create potential stress in the whole supply chain. Taiwan's overseas production facilities might have also been constrained by the supply chain bottlenecks, as more orders were produced in Taiwan last year rather than overseas.
- **We still remain constructive on the export outlook in 2022, though the growth rate will likely moderate to single-digit growth.** Recent guidance from Taiwanese tech companies indicated that they believe the mismatch will gradually improve and still remain positive on structural applications (e.g., cloud servers, IoT, data centers and auto chips, and 5G networks) owing to their increasing use. Moreover, strong pricing powers amid still tight markets continue to support Taiwan's tech sector. The key concerns from tech companies are over-ordering (owing to still such long lead times) and if their supply will be able to meet customers' demand. In other words, the potential upside on Taiwan's exports has been somewhat restrained by the supply chain bottlenecks. Exports should, thus, be supported by easing global logistics bottlenecks that have curtailed pent-up demand.

- **We expect the current account continue to increase to USD116-120bn in 2022**, given that further price increases in non-memory chip prices could push up exports this year despite the expected moderation in export volume growth for the tech sector. (Credit Suisse tech sector analysts expect wafer prices to hike by another round of 5-10% in H122 owing to limited supply tightness and lean inventory levels.)
- **Investment momentum will likely continue in 2022.** Taiwan's economy has outperformed other economies in the region in recent years, benefiting from the US-China trade tensions and the pandemic. Private investment in recent years has been led by tech firms re-shuffling their manufacturing facilities back to Taiwan. Yet, we believe there is still momentum for Taiwan to continue to expand non-China production capacity to cater to the global demand for cybersecurity and green energy. Domestic supply chain private investment for high-end semiconductors and other traditional industrials should also continue. In terms of electricity production in 2020, 45% was generated by coal, 36% by LNG, 11% by nuclear, and 5% by renewables. With additional electricity needs owing to higher economic growth, green investment could also help to sustain fiscal support to the economy. We will likely see higher government infrastructure expenditure this year to support the transition to green and renewable resources, as well as switch to LNG and IPP electricity generation to phase out the nuclear power plants.
- **We expect headline CPI to tick higher from 1.9% in 2021 to 2.1% in 2022.** CPI will likely remain elevated in H122, as we see imported inflation remaining elevated, including high commodity prices and global transportation costs. Further recovery will also likely support modest wage growth and modestly push up the CPI. The Ministry of Economic Affairs announced that it will keep electricity prices unchanged through March 2022 despite the higher energy costs in October. However, if the price pressure from energy persists, it could pose an upside risk to utilities inflation in the second half of 2022. In our baseline, with the economy recovering steadily, and amidst sustained high inflation and Fed delivering rate hike this year, we expect the central bank to deliver three 12.5bps hikes starting from June.

Taiwan: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	1.5	2.2	3.3	2.8	3.1	3.4	6.1	3.3	3.2
Growth in real private consumption (%)	2.9	2.6	2.7	2.1	2.3	-2.5	-0.9	4.3	2.7
Growth in real fixed investment (%)	2.7	3.4	-0.3	3.2	11.1	5.9	15.9	6.0	4.5
Fixed investment (% of GDP)	22.7	22.9	22.2	22.2	23.7	24.2	26.4	27.1	27.4
Nominal GDP ($bn)	537.2	544.6	591.3	609.8	612.7	671.2	726.4	765.9	801.9
Population (mn)	23.5	23.5	23.6	23.6	23.6	23.6	23.6	23.6	23.6
GDP per capita ($)	22400	22592	24408	25026	25941	28371	30780	32455	33980
Unemployment (% of urban labor force, average year)	3.8	3.9	3.8	3.7	3.7	3.8	3.7	3.6	3.6
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, December over December)	0.1	1.7	1.2	-0.1	1.1	0.0	2.3	2.0	1.6
CPI inflation (% change in average index for the year)	-0.3	1.4	0.6	1.3	0.6	-0.2	1.9	2.1	1.5
Exchange rate (TWD per USD spot rate, end-year)	32.8	32.0	30.0	30.8	30.3	28.2	27.4	27.2	27.2
Exchange rate (TWD per USD, average)	31.8	32.2	30.4	30.1	30.9	29.4	27.8	27.3	27.2
Nominal wage growth (% year-on-year change, average)	2.5	0.5	2.5	3.8	2.4	0.9	3.9	2.7	2.0
REER (% year-on-year change, December to December) (1)	-1.5	-2.2	3.3	-0.9	-2.8	-1.5	6.7	2.0	0.7
Overnight rate (%, end-year)	0.28	0.17	0.18	0.18	0.18	0.18	0.18	0.18	0.18
Rediscount rate (%, end-year)	1.625	1.375	1.375	1.375	1.375	1.125	1.125	1.500	1.750
Fiscal data (2)									
General government fiscal balance (% of GDP)	0.1	-0.3	-0.1	0.0	0.1	-0.7	-2.2	-1.2	-0.6
General government primary fiscal balance (% of GDP)	0.8	0.3	0.4	0.6	0.6	-0.2	-1.8	-0.9	-0.3
General government expenditure (% of GDP)	19.1	19.2	18.5	20.0	19.2	21.2	22.6	22.9	23.1
Gross government debt (% of GDP, end-year)	41.8	41.0	39.3	38.5	37.1	39.6	38.5	38.2	38.4
Money supply and credit									
Broad money supply (M2, % of GDP)	234.0	235.4	238.0	239.1	242.4	253.8	242.6	248.5	255.9
Broad money supply (M2, % year-on-year change)	5.8	3.6	3.6	2.6	4.5	9.3	8.5	8.0	7.8
Domestic credit (% of GDP)	142.3	143.1	146.2	150.5	153.2	157.0	156.5	159.2	162.4
Domestic credit (% year-on-year change)	3.4	3.5	4.7	5.2	4.9	7.0	7.8	7.2	6.8
Domestic credit to the private sector (% of GDP)	130.7	132.6	136.5	140.8	143.8	148.0	147.7	150.6	153.9
Domestic credit to the private sector (% year-on-year change)	4.2	4.4	5.4	5.4	5.3	7.5	7.9	7.5	7.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	71.0	64.3	65.5	64.9	62.5	62.5	69.9	69.0	68.9
Imports (goods and non-factor services, % of GDP)	59.3	53.2	53.3	55.0	53.9	49.8	55.7	56.0	56.1
Exports (goods and non-factor services, % year-on-year change in $ value)	-9.9	-8.1	10.6	2.2	-3.3	0.0	32.4	4.1	4.6
Imports (goods and non-factor services, % year-on-year change in $ value)	-14.9	-9.0	8.8	6.4	-1.6	-7.7	32.7	6.0	4.8
Current account balance ($bn)	72.8	71.3	83.1	70.8	65.2	94.3	108.4	116.3	110.8
Current account balance (% of GDP)	13.8	13.4	14.5	12.0	10.7	14.2	14.9	15.2	13.8
Net FDI inflows ($bn)	12.3	8.3	8.2	10.9	3.5	5.5	3.5	4.2	4.0
Scheduled external debt amortization ($bn) (3)	6.1	7.4	7.6	9.2	18.1	8.8	8.8	8.9	8.9
Foreign debt and reserves									
Foreign debt ($bn, end-year) (4)	159.0	172.2	181.9	191.2	184.7	189.9	215.9	221.3	226.8
Public ($bn) (5)	1.1	1.1	0.3	0.2	0.6	1.4	1.7	1.2	0.6
Private ($bn)	157.8	171.1	181.6	191.0	184.0	188.4	214.2	216.8	219.4
Foreign debt (% of GDP, end-year)	29.7	31.7	30.8	31.4	30.2	28.4	29.7	28.9	28.3
Foreign debt (% of exports of goods and services)	41.7	49.2	46.9	48.3	48.2	49.6	42.5	41.9	41.0
Central bank gross FX reserves ($bn) (6)	426.0	434.2	451.5	461.8	478.1	529.9	547.3	568.1	586.9
Central bank gross non-gold FX reserves ($bn)	421.4	429.4	446.3	456.8	473.0	524.5	544.9	562.9	579.8

Note: (1) Real effective exchange rate (CPI-deflated), increase indicates appreciation. (2) General government statistics as interpreted by the Taiwan government. (3) Scheduled amortization of medium- and long-term external debt of both the public and private sectors. (4) Liabilities vis-à-vis non-residents (i.e., includes FX-denominated and local-currency debt). (5) Includes Government and central bank. (6) Central bank forex reserves minus monetary authorities' other liabilities.

Source: Haver Analytics®, Directorate-general of Budget, Accounting and Statistics, Central Bank of China, Ministry of Finance, CEIC, Credit Suisse

Thailand: Delayed take-off

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- **We project disappointing GDP growth of 1.2% in 2021, rising to 4.2% this year.** Our forecast envisages the drivers of growth shifting from public spending, to service sector reopening and private consumption. Given the currently depressed tourism sector accounted for around 20% of 2019 GDP, the growth outlook will remain highly sensitive to how prospects for international travel evolve.
- **The nascent tourism recovery is facing further setbacks.** In response to the emergence of the Omicron variant, the government suspended its quarantine-free travel system in December. Earlier in Q421, it had lifted quarantine restrictions for fully vaccinated tourists from over 60 countries and jurisdictions.
- **As a result, our updated 2022 growth forecast incorporates a 0.3pp downward revision from our prior projection.** We do expect the government to revert to an ambitious border reopening and reinstate the Test-and-Go system after the Omicron wave has passed. Even so, a significant recovery in foreign arrivals is now unlikely to materialise until H222, reducing the likelihood of 2022 tourist arrivals reaching our projection of 35% of 2019 levels.
- **The improvement in domestic conditions since Q321 helps limit the adjustment to our growth forecast.** Indeed, the economy is likely to have entered 2022 with strong momentum. We see upside risks to our expectations for a 1.7%qoq sa rebound in Q421, following the previous quarter's 1.1%qoq sa Delta-driven contraction. On the production-side, given the loosening of activity constraints over the last quarter, manufacturing production jumped 5.7% over October and November versus Q321. Over the same period, the recovery in mobility, with retail and recreation surpassing pre-Covid levels in November, helped drive a 6.9% bounce in the private consumption index.
- **We expect less disruption to domestic activity from Omicron, compared to last year's Covid waves.** The government has so far taken a more calibrated approach to imposing restrictions compared to previous infection waves. Moreover, the likelihood of strict containment measures and factory closures, of a scale similar to Q321, has fallen. Vaccine progress has left 65% of the population double-jabbed, compared with 4% at the start of Q321, which should cushion health capacity pressures. Likewise, last year's Covid waves are likely to have boosted natural immunity against serious illness. So, whilst we expect growth momentum to decelerate in Q122, for now, we still think it will remain positive and rebound above trend over Q222 and through second half of the year.
- **In contrast to most other ASEAN countries, the full-year current account balance should improve this year, and we look for a moderate 1.2% of GDP surplus.** In 2021, we estimate that the current account fell to -2.4% – the first annual deficit since 2013 – driven lower by the plunge in the services balance. However, the current account is likely to have troughed in Q321 and has rebounded since August, turning slightly positive in November, on a monthly basis.
- **Our view on the external balances rests on a gradual recovery in net service exports, more than offsetting the narrower goods trade surplus we anticipate this year.** We look for growth in the import bill to

outpace export receipts this year, amid faster domestic demand growth and higher average oil prices in 2022 than in 2021. That said, goods exports should continue to contribute positively to overall growth, supported by loosening production constraints in the auto sector, which accounts for a larger share of Thailand's merchandise exports than its ASEAN peers. Last year's elevated inventory accumulation, which tends to precede net trade improvements, also bodes well for export shipments.

Moreover, the gradual tourism recovery we anticipate, coupled with easing freight costs, should see the services balance deficit move back into surplus at the end of 2022. After declining 7%yoy in trade-weighted terms in December, this suggests a better supported THB. We anticipate USD/THB moving to 32.5 towards the end of this year.

- **Fiscal support is set to fade in this year.** We estimate that THB310bn of 2021's THB500bn (off-budget) borrowing decree was spent last year. Fiscal spending in FY21 was also supported by THB710bn of 2020's THB1tn borrowing plan. As such, FY22 government spending growth is likely to fall sharply and we estimate the effective (including off-budget items) fiscal deficit narrowing, from 8.9% of GDP in FY21, to 5.8% in FY22.

  We do not expect another borrowing decree to be announced this year, given the strengthening growth outlook. But September's public debt cap increase, to 70% of GDP from 60%, does leave space for increased fiscal spending should downside risks curtail the recovery, especially in the context of the next general election (which must be called by March 2023) drawing closer. Indeed, should policymakers decide to provide further stimulus, they are likely to lean on fiscal and credit support measures, rather than monetary policy. Our baseline forecast is for public debt to reach 58.8% at the end of FY22.

- **We maintain our view that the Bank of Thailand (BoT) will be the last ASEAN-6 central bank to tighten monetary policy.** Against the backdrop of subdued core inflation, well below the BoT's 1-3% target range, and this year's less supportive fiscal stance, the central bank will likely keep policy rates on hold until 2023 to support demand. Indeed, despite the stronger growth we expect this year, Thailand's recovery will likely continue to lag the region. Our forecast implies Thailand's GDP will only surpass it pre-Covid level of output in Q322, the latest across the ASEAN-6, along with the Philippines.

- **Whilst our annual CPI forecast is for inflation to rise to 2.0% in 2022, from 1.2% last year, demand-pull pressure remains weak.** Headline CPI has been pushed higher by September's electricity subsidy adjustment, and, to a lesser extent, stronger food prices over Q421. So, even with the large monthly decline in transportation costs in December, CPI inflation stood at 2.2%yoy in December, from 0%yoy in August. Looking ahead, we look for yoy inflation to track between 2-3% until the base effect from September's electricity tariff change drops out of the readings, causing inflation to drop to the bottom end of the BoT's target range in Q422. This transitory thesis is predicated on contained sequential food and energy price growth. At the time, we believe labor market slack and limited producer pricing power will result in an only gradual pick-up in core inflation, to around 1%yoy in late 2022, from December's subdued 0.3%yoy.

Thailand: Selected economic indicators

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
National accounts, population and unemployment									
Real GDP growth (%)	3.1	3.4	4.2	4.2	2.2	-6.2	1.2	4.2	4.4
Growth in real private consumption (%)	2.6	2.9	3.1	4.6	4.0	-1.0	0.6	4.5	3.7
Growth in real fixed investment (%)	4.4	2.9	1.8	3.9	2.0	-4.8	3.9	3.2	3.0
Fixed investment (% of GDP)	24.5	23.7	23.1	22.8	22.6	23.2	23.1	23.6	23.8
Nominal GDP ($bn)	401.4	413.6	456.6	506.8	544.2	499.7	510.9	519.5	565.3
Population (mn)	65.7	65.9	66.2	66.4	66.6	66.2	66.3	66.4	66.5
GDP per capita, $	6,107	6,273	6,899	7,632	8,177	7,550	7,710	7,826	8,502
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	-0.9	1.1	0.8	0.4	0.9	-0.3	2.2	0.9	1.1
CPI inflation (%, average)	-0.9	0.2	0.7	1.1	0.7	-0.8	1.2	2.0	1.0
Exchange rate (THB per USD, end-year)	36.0	35.8	32.6	32.7	30.2	30.1	33.6	32.5	32.0
Exchange rate (THB per USD, average)	34.2	35.3	33.9	32.3	31.0	31.3	32.0	33.2	32.2
REER (% year-on-year change)(1)	-4.5	2.1	3.2	2.0	7.0	-4.5	-7.8	1.9	2.3
Nominal wage growth (% year-on-year change)(2)	1.2	1.3	0.1	0.8	1.5	2.8	-0.4	1.4	2.4
One-day repurchase rate (%, end-year)	1.50	1.50	1.50	1.75	1.25	0.50	0.50	0.50	1.00
Fiscal data (3)									
Central government budget balance (% of GDP)	-2.9	-2.8	-3.5	-3.0	-3.0	-5.2	-4.8	-4.1	-3.9
Central government primary fiscal balance (% of GDP)	-1.9	-1.9	-2.6	-2.0	-2.0	-4.3	-3.5	-2.8	-2.6
Central government expenditure (% of GDP)	19.1	19.6	19.0	18.6	18.1	19.9	20.0	18.6	17.9
Public debt (% of GDP, end-year)(4)	42.6	41.8	41.8	42.0	41.0	49.4	58.2	58.8	58.9
General government fiscal balance (% of GDP)	0.2	0.4	-0.4	0.1	-0.8	-4.7	-4.3	-3.6	-3.4
Money supply and credit									
Broad money supply (M2, % of GDP)	127.7	125.4	124.0	122.8	123.4	146.8	147.1	145.8	143.3
Broad money supply (M2, % year-on-year change)	4.4	4.2	5.0	4.7	3.6	10.1	4.7	4.6	3.8
Domestic credit (% of GDP)	128.1	126.1	124.4	123.3	122.8	142.6	147.4	146.4	144.1
Domestic credit (% year-on-year change)	5.2	4.5	4.7	4.8	2.7	7.4	8.0	4.8	4.0
Domestic credit to the private sector (% of GDP)	122.8	120.7	119.1	118.7	117.8	132.8	132.0	131.8	130.3
Domestic credit to the private sector (% year-on-year change)	5.6	4.3	4.7	5.4	2.4	4.3	3.9	5.4	4.4
Balance of payments									
Exports (goods and non-factor services, % of GDP)	67.6	67.0	66.7	64.6	59.5	51.8	57.6	63.9	65.7
Imports (goods and non-factor services, % of GDP)	57.2	53.5	54.3	56.3	50.1	46.6	57.5	60.3	59.4
Exports (goods and non-factor services, % year-on-year change in $ value)	-2.6	2.1	9.9	7.6	-1.2	-20.1	13.7	12.9	11.8
Imports (goods and non-factor services, % year-on-year change in $ value)	-9.8	-3.7	12.0	15.1	-4.3	-14.6	26.1	6.6	7.2
Current account balance ($bn)	27.8	43.4	44.0	28.4	38.0	21.2	-12.5	6.1	22.7
Current account (% of GDP)	6.9	10.5	9.6	5.6	7.0	4.2	-2.4	1.2	4.0
Net FDI ($bn)	3.9	-9.9	-5.9	-4.2	-5.3	-23.2	-3.8	-6.4	-7.2
Foreign debt and reserves									
Foreign debt ($bn, end-year)	131.1	132.8	155.9	163.1	171.9	190.7	181.9	188.1	194.0
Public ($bn)	20.6	22.6	31.6	35.7	38.0	37.2	38.7	41.0	43.0
Private ($bn)	110.5	110.2	124.4	127.4	133.9	153.5	143.1	147.1	151.0
Foreign debt (% of GDP, end-year)	32.7	32.1	34.2	32.2	31.6	38.2	35.6	36.2	34.3
Foreign debt (% of exports of goods and services)	48.3	47.9	51.2	49.8	53.1	73.7	61.8	56.6	52.3
Central bank gross FX reserves ($bn)	156.5	171.9	202.6	205.6	224.3	258.1	243.0	248.5	255.6
Central bank gross non-gold FX reserves ($bn) (5)	151.3	166.2	196.1	199.3	216.8	248.7	229.2	234.9	242.2

Note: (1) Real effective exchange rate (CPI-deflated); increase indicates appreciation. (2) From Labor Force Survey: Average Monthly Wage in the private sector. (3) Data for central government, based on fiscal year ending September. (4) Includes central government, non-financial SOEs and financial institution development fund. (5) Not including forward FX purchases.

Source: Bank of Thailand, National Economic & Social Development Board, CEIC, Credit Suisse

Long–term sovereign FX debt ratings

(pos) Outlook positive (neg) Outlook negative No sign indicates stable outlook

	Moody's	S&P	Fitch
LATIN AMERICA			
Argentina	Ca	CCC+	CCC
Brazil	Ba2	BB–	BB– (neg)
Chile	A1 (neg)	A	A–
Colombia	Baa2	BB+	BB+
Ecuador	Caa3	B–	B–
Mexico	Baa1 (neg)	BBB (neg)	BBB–
Panama	Baa2	BBB (neg)	BBB– (neg)
Peru	Baa1	BBB+ (neg)	BBB
Venezuela	C	NR	WD
EASTERN EUROPE, MIDDLE EAST & AFRICA			
Czech Republic	Aa3	AA–	AA–
Hungary	Baa2	BBB	BBB
Kazakhstan	Baa2	BBB–	BBB
Nigeria	B2	B–	B
Poland	A2	A–	A–
Russia	Baa3	BBB–	BBB
South Africa	Ba2 (neg)	BB–	BB–
Turkey	B2 (neg)	B+ (neg) (u) [1]	BB– (neg)
Ukraine	B3	B	B (pos)
EMERGING ASIA			
China	A1	A+	A+
India	Baa3	BBB– (u) [1]	BBB– (neg)
Indonesia	Baa2	BBB (neg)	BBB
Malaysia	A3	A– (neg)	BBB+
Philippines	Baa2	BBB+	BBB (neg)
Singapore	Aaa	AAA (u) [1]	AAA
South Korea	Aa2	AA	AA–
Taiwan	Aa3 (pos)	AA (pos) (u) [1]	AA
Thailand	Baa1	BBB+	BBB+

	Moody's rating scale		S&P rating scale		Fitch rating scale	
	Investment grade	Sub-investment grade	Investment grade	Sub-investment grade	Investment grade	Sub-investment grade
	Aaa	Ba1	AAA	BB+	AAA	BB+
	Aa1	Ba2	AA+	BB	AA+	BB
	Aa2	Ba3	AA	BB–	AA	BB–
	Aa3	B1	AA–	B+	AA–	B+
	A1	B2	A+	B	A+	B
	A2	B3	A	B–	A	B–
	A3	Caa	A–	CCC	A–	CCC
	Baa1	Ca	BBB+	CC	BBB+	CC
	Baa2		BBB		BBB	
	Baa3		BBB–		BBB–	

(1) "u" denotes "unsolicited".

Source: Standard & Poor's, Moody's and Fitch

Long–term sovereign FX debt ratings

Investment Grade

	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Moody's	South Korea UAE	Czech Republic Hong Kong Qatar Taiwan +	Chile – China Estonia Israel Kuwait Saudi Arabia –	Lithuania Poland Slovakia	Botswana Latvia Malaysia Slovenia	Bulgaria Mexico – Peru Thailand	Colombia – Hungary Indonesia Kazakhstan Panama Philippines Portugal Uruguay	India Indonesia Romania Russia
	AA	AA–	A+	A	A–	BBB+	BBB	BBB–
S&P	South Korea Taiwan +	Czech Republic Estonia + Israel Qatar Slovenia	China Kuwait – Latvia Lithuania Slovakia	Chile	Malaysia – Poland Saudi Arabia	Botswana Peru Philippines Thailand	Bulgaria Hungary Indonesia – Mexico – Panama – Portugal Uruguay	Croatia Cyprus + India Kazakhstan Romania Russia
Fitch	Kuwait – Taiwan	Czech Republic Estonia Hong Kong Qatar South Korea UAE	China Israel	Lithuania Saudi Arabia Slovakia Slovenia	Chile Latvia Poland	Malaysia Thailand	Bulgaria + Croatia + Hungary Indonesia Kazakhstan Peru Philippines – Portugal Russia	Cyprus India – Mexico Panama – Romania – Uruguay

Sub-Investment Grade

	Ba1	Ba2	Ba3	B1	B2	B3	Caa1 and below
Moody's	Croatia Cyprus Morocco –	Azerbaijan + Brazil Serbia South Africa –	Greece Oman Vietnam +		Bahrain – Egypt Nigeria Turkey –	Belarus – Ghana – Pakistan Ukraine	Argentina Ecuador El Salvador – Gabon Lebanon Sri Lanka Tunisia – Venezuela
	BB+	BB	BB–	B+	B	B–	CCC+ and below
S&P	Azerbaijan Colombia Morocco Serbia +	Greece + Vietnam +	Brazil South Africa	Bahrain Oman + Turkey –	Belarus – Egypt Ukraine	Ecuador El Salvador – Ghana Nigeria Pakistan	Argentina Lebanon – Sri Lanka –
Fitch	Azerbaijan Colombia Morocco Serbia	Greece Vietnam +	Brazil – Oman South Africa Turkey –	Bahrain Egypt	Belarus – Ghana – Nigeria Ukraine +	Ecuador El Salvador – Gabon Pakistan Tunisia –	Argentina Lebanon Sri Lanka Venezuela

Source: Standard & Poor's, Moody's & Fitch   + Outlook positive   – Outlook negative   No sign indicates stable outlook

Gross financing needs for 2022

	Balance of payments financing needs for 2022 (% of GDP)		Government financing needs for 2022 (% of GDP)
	inc. short-term debt amortization	exc. short-term debt amortization	
LATIN AMERICA	**9.2**	**5.7**	**16.2**
Argentina	10.8	7.3	16.5
Brazil	11.4	7.1	25.0
Chile	13.7	3.3	4.3
Colombia	13.2	10.2	9.2
Mexico	2.3	1.8	9.0
Peru	9.3	4.3	2.6
EEMEA	**6.5**	**-0.1**	**2.5**
Russia	-1.3	-3.2	-0.2
South Africa	10.7	2.0	7.4
Turkey	24.4	7.0	6.5
EMERGING ASIA	**11.8**	**1.8**	**15.2**
China	10.1	1.9	7.4
Indonesia	10.6	6.7	6.8
Korea	9.5	-0.1	82.0
Malaysia	25.3	-0.8	13.0
Taiwan	13.5	-12.7	33.0
Thailand	19.5	5.7	4.1
Emerging Markets	**10.9**	**1.9**	**14.1**

Source: Credit Suisse forecasts

Appendix

- Emerging Markets Quarterly: Q1 2022 – Key Dates
- Emerging Markets Quarterly: Q1 2022 – Balance of payments financing needs
- Emerging Markets Quarterly: Q1 2022 – Government funding needs

Summary macroeconomic data: GDP growth

	Nominal GDP ($bn)			Real GDP growth (% year on year)								
	2021E	2022F	2023F	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
LATIN AMERICA	**4,184**	**4,380**	**4,679**	**0.3**	**-0.6**	**1.8**	**1.7**	**0.7**	**-6.5**	**6.7**	**1.3**	**2.3**
Argentina	**482.6**	**588.4**	**639.7**	2.7	-2.1	2.8	-2.6	-2.0	-9.9	9.4	2.2	1.5
Brazil	**1,592**	**1,675**	**1,865**	-3.5	-3.3	1.3	1.8	1.2	-3.9	4.6	-0.5	2.1
Chile	**312.2**	**298.0**	**309.7**	2.3	1.7	1.2	3.7	0.9	-5.8	12.0	2.3	1.3
Colombia	**311.2**	**313.8**	**319.6**	3.0	2.1	1.4	2.6	3.3	-6.8	9.5	4.2	3.5
Mexico	**1,264**	**1,279**	**1,311**	3.3	2.6	2.1	2.2	-0.2	-8.2	5.0	1.7	2.6
Peru	**222.3**	**225.3**	**233.7**	3.3	4.0	2.5	4.0	2.2	-11.1	13.4	3.5	3.2
EEMEA	**3,995**	**4,203**	**4,528**	**1.9**	**1.7**	**3.8**	**3.2**	**2.3**	**-2.4**	**5.9**	**3.1**	**3.2**
Czech Republic	**278.5**	**328.0**	**356.4**	5.4	2.5	5.2	3.2	3.0	-5.8	2.1	3.7	3.8
Hungary	**171.7**	**191.5**	**206.9**	3.7	2.2	4.3	5.4	4.6	-4.7	7.7	5.4	4.1
Poland	**656.7**	**695.1**	**752.8**	3.8	3.1	4.8	5.4	4.7	-2.5	5.7	5.1	4.9
Russia	**1,686**	**1,885**	**1,982**	-2.0	0.2	1.8	2.8	2.2	-2.7	4.5	2.4	2.7
South Africa	**413.6**	**400.6**	**429.8**	1.3	0.7	1.2	1.5	0.1	-6.4	5.1	2.5	1.7
Turkey	**788.7**	**702.3**	**800.0**	6.1	3.3	7.5	3.0	0.9	1.8	10.4	2.5	3.1
EMERGING ASIA	**21,944**	**24,349**	**26,720**	**6.1**	**6.0**	**6.2**	**6.1**	**5.3**	**1.5**	**7.2**	**5.6**	**4.7**
China	**17,382**	**19,468**	**21,415**	7.0	6.8	6.9	6.7	6.0	2.3	8.1	5.9	4.9
Indonesia	**1,154**	**1,280**	**1,398**	4.9	5.0	5.1	5.2	5.0	-2.1	3.3	5.3	5.2
South Korea	**1,800**	**1,909**	**2,100**	2.8	2.9	3.2	2.9	2.2	-0.9	4.0	3.4	2.6
Malaysia	**371.5**	**405.9**	**439.9**	5.0	4.4	5.8	4.8	4.4	-5.6	3.1	6.3	5.0
Taiwan	**726.4**	**765.9**	**801.9**	1.5	2.2	3.3	2.8	3.1	3.4	6.1	3.3	3.2
Thailand	**510.9**	**519.5**	**565.3**	3.1	3.4	4.2	4.2	2.3	-6.1	1.2	4.2	4.4
Emerging Markets	**30,123**	**32,931**	**35,927**	**4.4**	**4.2**	**5.0**	**4.9**	**4.1**	**-0.2**	**6.9**	**4.7**	**4.2**
US	**22,939.6**	**24,796.1**	**25,938.2**	2.7	1.7	2.3	2.9	2.3	-3.4	5.6	3.4	2.1
Euro area	**14,160.8**	**15,201.6**	**15,948.2**	1.9	1.8	2.8	1.8	1.6	-6.5	5.0	3.8	2.3
Japan	**5,103.1**	**5,383.7**	**5,735.3**	1.6	0.8	1.7	0.6	-0.2	-4.5	2.0	2.0	1.2
Developed markets	**56,086.7**	**60,273.9**	**63,292.9**	2.3	1.7	2.4	2.2	1.7	-4.7	5.0	3.4	2.2
Global	**94,935.1**	**102,404.0**	**108,582.1**	3.1	2.7	3.5	3.4	2.7	-3.3	5.8	4.0	3.0
EM nominal GDP according to the IMF ($bn) (1)				**31,110.8**	**31,014.9**	**33,614.8**	**35,596.0**	**37,074.3**	**39,884.2**	**42,843.3**	**45,920.1**	**49,227.4**
EM nominal GDP as a share of global nominal GDP (%) (1)				41.7	41.0	41.9	42.0	42.5	43.2	44.0	44.7	45.4
EM PPP GDP according to the IMF ($bn) (1)				**61,777.9**	**64,128.6**	**67,984.4**	**72,666.2**	**76,573.2**	**74,870.2**	**81,080.7**	**86,670.3**	**92,571.7**
uEM PPP GDP as a share of global PPP GDP (%) (1)				55.6	55.6	55.9	56.5	56.9	57.5	58.0	58.5	59.1

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

(1) Based on GDP data (historical and forecast) from the IMF's latest World Economic Outlook. We have amended the group of countries that the IMF classifies as emerging markets to include the Czech Republic, Hong Kong, Israel, South Korea, Singapore and Taiwan; note that the IMF's group of emerging markets countries includes many (typically small) economies that are not included in the table above.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, IMF World Economic Outlook, Credit Suisse

Summary macroeconomic data: GDP growth

	Nominal GDP ($bn)			Real GDP growth (% quarter on quarter, seasonally adjusted annual rate)								
	2021E	2022F	2023F	4Q21E	1Q22F	2Q22F	3Q22F	4Q22F	1Q23F	2Q23F	3Q23F	4Q23F
LATIN AMERICA	**4,183.7**	**4,379.8**	**4,679.0**	**1.3**	**0.8**	**1.1**	**-0.1**	**2.4**	**3.2**	**2.7**	**1.9**	**2.4**
Argentina	482.6	588.4	639.7	-1.9	2.4	6.1	-4.6	-0.8	5.4	5.0	-3.3	0.8
Brazil	1,591.9	1,675.1	1,864.9	2.0	0.0	-2.4	-2.0	2.8	3.2	3.2	1.8	1.6
Chile	312.2	298.0	309.7	9.3	-5.9	-3.9	0.8	2.0	2.8	-3.3	6.0	3.8
Colombia	311.2	313.8	319.6	-1.1	5.8	5.3	2.4	1.7	4.3	4.0	4.5	3.9
Mexico	1,263.6	1,279.2	1,311.5	0.4	1.3	3.7	2.6	3.4	2.3	2.3	2.0	3.1
Peru	222.3	225.3	233.7	0.8	3.2	2.4	2.8	2.8	3.2	3.2	3.6	4.1
EEMEA	**3,994.9**	**4,202.6**	**4,527.8**	**5.3**	**1.9**	**1.7**	**2.8**	**2.8**	**3.4**	**3.4**	**3.8**	**3.7**
Czech Republic	278.5	328.0	356.4	-3.9	10.0	2.8	4.1	4.1	4.1	4.1	3.2	2.8
Hungary	171.7	191.5	206.9	8.2	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Poland	656.7	695.1	752.8	6.1	1.0	3.6	6.3	6.7	3.9	4.0	5.9	3.9
Russia	1,685.6	1,885.2	1,981.9	6.1	2.0	2.0	2.0	2.0	2.8	2.8	3.2	3.6
South Africa	413.6	400.6	429.8	14.2	0.2	-1.3	1.0	1.3	2.8	2.8	2.8	2.8
Turkey	788.7	702.3	800.0	1.2	0.0	0.0	2.0	1.2	4.1	4.1	4.1	4.1
EMERGING ASIA	**21,944.2**	**24,348.6**	**26,719.8**	**3.5**	**3.2**	**3.2**	**5.0**	**4.4**	**4.4**	**4.5**	**4.5**	**4.4**
EMERGING ASIA ex China	**4,562.3**	**4,880.8**	**5,305.2**	**8.4**	**4.6**	**4.9**	**4.8**	**3.9**	**3.6**	**4.4**	**4.3**	**3.7**
China	17,382.0	19,467.8	21,414.6	2.4	2.8	2.8	5.1	4.5	4.6	4.6	4.6	4.6
Indonesia	1,153.8	1,279.9	1,397.8	9.1	6.3	6.1	5.7	5.2	5.1	5.1	5.1	5.0
South Korea	1,799.7	1,909.4	2,100.4	2.3	2.0	2.8	2.4	1.2	1.6	3.6	3.2	2.4
Malaysia	371.5	405.9	439.9	29.1	7.0	5.7	5.1	5.0	4.9	4.9	4.9	4.9
Taiwan	726.4	765.9	801.9	7.8	3.2	3.6	4.5	4.1	2.4	2.4	2.8	2.0
Thailand	510.9	519.5	565.3	7.0	5.2	5.7	6.6	5.3	4.1	3.4	3.3	3.3
Emerging Markets	**30,122.8**	**32,930.9**	**35,926.6**	**3.5**	**2.7**	**2.7**	**4.0**	**3.9**	**4.1**	**4.1**	**4.0**	**4.0**
Emerging Markets ex China	**12,740.8**	**13,463.1**	**14,512.0**	**4.9**	**2.4**	**2.5**	**2.5**	**3.0**	**3.4**	**3.5**	**3.3**	**3.3**
US	**22,939.6**	**24,796.1**	**25,938.2**	5.6	0.7	4.7	3.0	3.0	2.1	2.1	2.1	2.1
Euro area	**14,160.8**	**15,201.6**	**15,948.2**	1.2	1.2	5.3	4.1	2.0	1.8	1.8	1.6	1.6
Japan	**5,103.1**	**5,383.7**	**5,735.3**	12.4	-1.1	1.3	1.6	-0.9	2.6	0.8	1.5	1.4
Global	**94,935.1**	**102,404.0**	**108,582.1**	4.7	1.8	4.5	3.9	3.1	3.0	2.7	2.8	2.8

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: Inflation

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
	CPI inflation (%, December to December)								
LATIN AMERICA	**9.9**	**9.8**	**6.8**	**9.1**	**8.7**	**7.0**	**13.2**	**11.8**	**9.7**
Argentina	26.9	41.0	24.8	47.6	53.8	36.1	51.1	55.6	47.4
Brazil	10.7	6.3	2.9	3.7	4.3	4.5	10.0	6.0	3.8
Chile	4.4	2.7	2.3	2.6	3.0	3.0	7.2	4.7	3.3
Colombia	6.8	5.7	4.1	3.2	3.8	1.6	5.6	4.0	3.5
Mexico	2.1	3.4	6.8	4.8	2.8	3.2	7.4	4.2	4.0
Peru	4.4	3.2	1.4	2.2	1.9	2.0	6.4	3.7	2.3
EEMEA	**8.0**	**5.4**	**4.9**	**6.9**	**5.0**	**6.0**	**13.4**	**8.9**	**6.9**
Czech Republic	0.1	2.0	2.4	2.0	3.2	2.3	6.5	5.0	2.5
Hungary	0.9	1.8	2.1	2.7	4.0	2.7	7.5	5.0	3.5
Poland	-0.5	0.8	2.1	1.1	3.4	2.4	8.6	5.5	3.8
Russia	12.9	5.4	2.5	4.3	3.1	4.9	8.4	5.1	4.0
South Africa	5.3	6.8	4.7	4.5	4.0	3.1	5.3	4.2	4.5
Turkey	8.8	8.5	11.9	20.3	11.8	14.6	36.1	27.7	21.0
EMERGING ASIA	**1.6**	**2.0**	**1.9**	**1.8**	**3.8**	**0.3**	**1.7**	**2.1**	**1.9**
China	1.6	2.1	1.8	1.9	4.5	0.2	1.5	2.1	1.9
Indonesia	3.4	3.0	3.6	3.1	2.6	1.7	1.9	3.6	3.0
South Korea	1.1	1.3	1.4	1.3	0.7	0.5	3.7	1.2	1.5
Malaysia	2.7	1.7	3.5	0.2	1.0	-1.4	3.0	2.2	2.1
Taiwan	0.1	1.7	1.2	-0.1	1.1	0.1	2.3	2.0	1.6
Thailand	-0.9	1.1	0.8	0.4	0.9	-0.3	2.2	0.9	1.1
Emerging Markets	**4.2**	**4.0**	**3.2**	**3.8**	**4.7**	**2.0**	**4.9**	**4.2**	**3.5**
US	0.7	2.1	2.1	1.9	2.3	1.4	7.1	2.7	2.4
Euro area	0.3	1.1	1.3	1.5	1.3	-0.3	4.6	1.8	1.6
Japan (1)	0.6	-0.3	0.5	0.9	0.6	-0.2	-0.2	0.7	0.3
Global ex-Venezuela	1.7	2.1	2.4	2.6	2.5	1.8	5.1	3.1	2.6

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

(1) Inflation excluding fresh food.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: Wage inflation

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
					Nominal wage (%, December to December)				
LATIN AMERICA	**6.6**	**4.8**	**6.6**	**7.8**	**8.4**	**4.0**	**11.2**	**13.2**	**12.4**
Argentina (1)	na	na	na	25.0	39.3	37.0	42.2	49.8	52.3
Brazil (2)(3)	8.1	5.4	5.3	6.9	6.3	0.1	8.6	9.1	6.7
Chile (4)	6.2	5.2	5.7	4.5	4.7	3.7	5.7	7.5	6.1
Colombia (5)	10.9	0.7	24.7	-3.3	-4.4	-24.0	14.5	9.9	8.8
Mexico (6)	4.3	4.2	4.7	5.4	5.8	5.2	5.0	5.0	4.7
Peru (5)	0.0	8.9	4.1	7.1	2.2	0.0	0.6	6.9	5.0
EEMEA	**6.3**	**10.5**	**8.4**	**9.4**	**12.0**	**7.4**	**12.3**	**12.3**	**8.9**
Czech Republic	3.2	4.4	6.7	8.2	6.4	3.2	5.6	5.7	5.0
Hungary	5.7	5.7	12.9	10.9	11.4	9.7	8.5	9.0	7.5
Poland	3.1	2.7	7.3	6.1	7.2	5.3	8.4	8.2	8.0
Russia	3.4	8.3	8.9	7.3	10.1	5.0	11.7	7.0	7.0
South Africa (7)	5.2	5.3	5.1	5.2	4.4	3.5	3.0	3.0	3.0
Turkey (8)	13.7	22.0	9.0	18.6	25.6	16.6	25.0	40.0	20.0
EMERGING ASIA	**8.7**	**8.7**	**8.1**	**9.3**	**8.3**	**5.8**	**8.8**	**6.9**	**6.3**
China	10.1	8.9	10.0	10.9	9.8	7.6	10.7	8.1	7.3
Indonesia (9)	8.6	23.0	2.8	5.2	4.1	-5.1	-2.5	2.4	4.0
South Korea	3.4	3.8	2.7	5.1	3.3	0.7	4.8	2.3	1.2
Malaysia (10)	3.6	2.7	3.4	2.8	2.0	-0.9	-0.9	1.8	2.9
Taiwan	2.5	0.5	2.5	3.8	2.4	0.9	3.9	2.7	2.0
Thailand (11)	3.2	2.5	-0.5	0.4	3.5	2.8	-0.4	1.4	2.4
Emerging Markets	**8.0**	**8.3**	**7.9**	**9.1**	**8.8**	**5.7**	**9.6**	**8.5**	**7.4**

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

(1) Weighted average of wages in the formal and informal private sector and the public sector. (2) Average annual growth in nominal wages. (3) Measured by the National Household Sample Survey (PNADC). (4) General compensation index (includes fringe benefits). (5) Minimum wage. (6) Contractual wage increases at a national level in the public and private sectors (excludes fringe benefits). (7) Based on remuneration per worker, index 2000=100. (8) Based on the hourly labor cost index (2015=100) for industry, construction, trade and services. (9) Average net wage per month, interpolated (10) Weighted average of salaries and wages in the services, manufacturing and rubber sectors. (11) From Labor Force Survey: Average Monthly Wage in the private sector.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, IMF World Economic Outlook, Credit Suisse

Summary macroeconomic data: Current account balance

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
	Current account balance (% of GDP)								
LATIN AMERICA	**-3.2**	**-2.1**	**-2.0**	**-3.0**	**-2.3**	**0.0**	**-1.5**	**-1.5**	**-1.5**
Argentina	-2.7	-2.7	-4.8	-5.0	-0.8	0.9	2.1	0.4	0.8
Brazil	-3.1	-1.4	-1.1	-2.7	-3.5	-1.7	-1.8	-2.0	-2.3
Chile	-2.4	-2.0	-2.3	-3.9	-3.7	1.3	-4.7	-3.3	-2.9
Colombia	-6.3	-4.4	-3.2	-4.2	-4.6	-3.5	-5.3	-4.6	-5.6
Mexico	-2.7	-2.3	-1.8	-2.1	-0.3	2.4	-0.6	-0.5	-0.2
Peru	-5.0	-2.6	-1.3	-1.7	-0.9	0.8	-2.2	-1.5	-0.6
EEMEA	**0.9**	**-0.1**	**-0.2**	**1.9**	**1.9**	**0.7**	**2.9**	**2.1**	**1.7**
Czech Republic	0.3	1.6	1.7	0.4	0.3	3.6	-0.7	-0.7	0.4
Hungary	3.5	4.5	2.1	0.0	-0.2	-0.1	-1.4	-2.1	0.8
Poland	-0.6	-0.3	0.0	-1.0	1.1	2.0	-0.7	-2.1	1.8
Russia	5.0	2.0	2.3	6.8	4.2	2.2	7.2	5.6	3.5
South Africa	-4.3	-2.7	-2.4	-3.0	-2.6	2.0	4.6	0.5	-1.4
Turkey	-3.2	-3.1	-4.8	-2.8	0.7	-4.9	-1.9	0.1	-0.5
EMERGING ASIA	**3.4**	**2.7**	**2.4**	**1.0**	**1.3**	**2.5**	**2.4**	**2.2**	**1.9**
China	2.7	1.8	1.6	0.2	0.7	1.9	1.9	1.6	1.4
Indonesia	-2.0	-1.8	-1.6	-2.9	-2.7	-0.4	0.3	-0.9	-1.8
South Korea	7.2	6.5	4.6	4.5	3.6	4.6	5.2	4.5	4.0
Malaysia	3.0	2.4	2.8	2.2	3.5	4.2	3.5	3.0	2.8
Taiwan	13.8	13.4	14.5	12.0	10.7	14.2	14.9	15.2	13.8
Thailand	6.9	10.5	9.6	5.6	7.0	3.5	-2.4	1.2	4.0
Emerging Markets	**1.8**	**1.4**	**1.2**	**0.5**	**0.8**	**1.9**	**1.9**	**1.7**	**1.5**
US	-2.2	-2.1	-1.9	-2.1	-2.2	-3.0	-3.5	-3.5	-3.2
Euro area	2.7	3.1	3.1	2.9	2.3	2.0	3.1	3.2	3.4
Japan	3.1	3.8	4.2	3.5	3.4	2.9	3.1	3.4	3.5

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: Exports

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
	Exports of goods and services (% of GDP)								
LATIN AMERICA	**19.7**	**20.3**	**20.2**	**22.7**	**22.9**	**24.8**	**27.3**	**28.1**	**27.3**
Argentina	10.9	12.8	11.5	14.2	17.6	16.5	18.2	13.8	12.3
Brazil	12.5	12.1	12.2	14.6	13.8	16.5	19.4	18.8	17.1
Chile	29.4	28.0	28.4	28.5	28.0	31.5	31.7	34.2	33.2
Colombia	16.0	15.1	15.8	16.1	15.9	14.0	15.6	16.7	14.0
Mexico	34.5	37.0	37.7	39.3	38.8	40.4	41.9	45.7	48.2
Peru	21.3	22.3	24.6	24.9	24.1	22.5	30.4	42.7	42.5
EEMEA	**35.9**	**35.0**	**34.7**	**36.9**	**36.8**	**34.7**	**39.6**	**38.8**	**35.6**
Czech Republic	81.0	79.5	81.0	77.2	73.8	70.9	72.7	64.6	61.0
Hungary	90.2	89.5	81.2	83.6	82.2	80.0	82.7	77.1	75.6
Poland	49.5	52.3	42.5	39.7	44.2	41.8	43.3	41.3	39.3
Russia	28.7	25.7	26.9	30.6	28.5	25.7	32.2	30.7	26.9
South Africa	30.2	30.7	29.8	27.5	27.3	27.8	31.9	27.2	24.0
Turkey	24.3	22.9	25.9	30.4	32.2	28.3	35.5	42.1	38.0
EMERGING ASIA	**27.6**	**25.5**	**25.8**	**25.2**	**23.8**	**23.1**	**25.1**	**24.7**	**23.7**
China	21.3	19.6	19.7	19.1	18.4	18.6	20.4	19.9	19.1
Indonesia	19.9	18.0	19.1	20.3	17.9	16.8	21.4	22.9	21.9
South Korea	43.7	40.5	41.3	42.3	38.4	37.0	37.0	36.7	35.1
Malaysia	69.4	66.8	70.0	68.6	65.3	61.4	68.5	67.6	67.0
Taiwan	71.0	64.3	65.5	64.9	62.5	57.0	69.9	69.0	68.9
Thailand	67.6	67.0	66.7	64.7	59.5	51.6	57.6	63.9	65.7
Emerging Markets	**27.3**	**25.9**	**26.1**	**26.4**	**25.5**	**24.9**	**27.4**	**26.9**	**25.7**

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: Fiscal balance

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
				General government fiscal balance (% of GDP)					
LATIN AMERICA	**-6.0**	**-5.3**	**-4.8**	**-4.2**	**-3.6**	**-8.7**	**-5.2**	**-5.9**	**-4.8**
Argentina	-7.2	-6.7	-6.8	-5.3	-4.0	-8.2	-5.1	-4.4	-3.6
Brazil	-8.6	-7.6	-7.0	-6.1	-5.4	-13.6	-5.9	-9.7	-7.2
Chile	-2.1	-2.7	-2.8	-1.7	-2.9	-7.3	-9.7	-2.7	-2.3
Colombia	-3.4	-2.3	-2.7	-2.6	-2.4	-7.8	-6.0	-5.4	-3.7
Mexico (1)	-3.4	-2.5	-1.1	-2.0	-1.7	-2.9	-3.2	-3.2	-3.2
Peru	-1.9	-2.3	-3.0	-2.3	-1.6	-8.9	-2.9	-2.3	-2.2
EEMEA	**-2.8**	**-2.8**	**-1.7**	**0.2**	**-0.9**	**-5.9**	**-3.2**	**-1.8**	**-1.6**
Czech Republic (2)	-0.6	0.7	1.5	1.0	0.2	-5.7	-6.8	-4.5	-3.1
Hungary (3)	-1.5	-1.8	-2.0	-2.0	-1.9	-8.1	-7.2	-5.9	-3.8
Poland (3)	-2.6	-2.4	-1.5	-0.2	-0.7	-9.3	-5.3	-2.8	-1.0
Russia (4)	-3.4	-3.7	-1.5	2.9	1.9	-4.0	-0.2	1.0	0.2
South Africa (5)	-4.8	-4.1	-4.5	-3.9	-5.9	-10.1	-7.8	-5.7	-5.0
Turkey (6)	-1.7	-2.1	-1.9	-3.1	-4.9	-4.7	-3.3	-3.8	-3.5
EMERGING ASIA	**-2.7**	**-3.2**	**-3.2**	**-3.0**	**-3.3**	**-4.5**	**-4.1**	**-4.2**	**-3.9**
China	-2.9	-3.6	-3.6	-3.4	-3.7	-4.6	-4.1	-4.5	-4.2
Indonesia	-2.6	-2.5	-2.5	-1.8	-2.2	-5.9	-4.3	-3.6	-2.8
South Korea (7)	-2.8	-2.2	-1.6	-1.7	-2.2	-3.7	-4.4	-2.5	-2.9
Malaysia(8)	-3.2	-3.1	-2.9	-3.7	-3.4	-6.2	-6.5	-6.0	-4.9
Taiwan (9)	0.1	-0.3	-0.1	0.0	0.1	-1.0	-2.2	-1.2	-0.6
Thailand (10)	-2.9	-2.8	-3.5	-3.0	-3.0	-5.2	-4.8	-4.1	-3.9
Emerging Markets	**-3.4**	**-3.5**	**-3.3**	**-2.8**	**-3.0**	**-5.3**	**-4.1**	**-4.1**	**-3.7**
US (11)	-2.4	-3.2	-3.6	-3.8	-4.6	-14.9	-12.4	-5.4	-3.8
Euro area	-2.0	-1.4	-0.9	-0.4	-0.6	-7.2	-7.1	-3.9	-2.4
Japan (11)	-3.6	-3.5	-2.9	-2.4	-3.1	-13.6	-4.6	-3.5	-3.4

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

(1) Narrow definition that excludes off-balance expenditures. (2) Consolidated fiscal accounts of the broadly defined general government on an accrual basis. (3) Consolidated fiscal accounts of the broadly defined general government on an accrual basis; excluding one-off transfers from pension funds to the government budget. (4) Net of bank recapitalization costs. (5) Data for fiscal years starting 1 April. Selected data refer to the government's consolidated fiscal balances from 2009. (6) The central government's budget balance data are calculated using the IMF-defined primary balance and net interest spending data. The historical data for general government spending are from the IMF's World Economic Outlook database. (7) Consolidated fiscal balance (net of social security contribution). (8) Refers to the federal government position. (9) General government statistics as interpreted by the Taiwan government. (10) General government statistics as interpreted by the Taiwan government. (10) Data for central government, based on cash basis prior to 2004, based on fiscal year ending September. (11) Fiscal year in Japan lasts from April to March, e.g. FY2019 is from April 2019 to March 2020. In the US, fiscal year is October 1 of the prior year through September 30. For example, FY 2018 began on October 1, 2017.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: Government expenditure

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
	General government expenditure (% of GDP)								
LATIN AMERICA	**35.3**	**34.8**	**33.8**	**32.7**	**32.0**	**35.4**	**33.5**	**33.2**	**33.0**
Argentina	43.1	43.3	42.9	39.7	38.7	42.5	41.7	40.5	40.1
Brazil (1)	42.3	41.1	40.1	39.3	38.6	43.2	38.2	39.2	38.7
Chile	23.2	23.5	23.7	23.7	24.5	27.3	33.0	23.7	23.2
Colombia	30.0	29.8	29.4	32.4	31.8	36.0	34.5	33.9	33.5
Mexico	26.3	26.6	23.6	23.8	23.7	26.0	26.4	26.0	26.0
Peru	21.3	19.9	20.0	20.1	20.0	24.7	22.0	21.0	20.4
EEMEA	**36.3**	**37.0**	**36.3**	**35.5**	**36.4**	**40.9**	**38.2**	**36.4**	**35.8**
Czech Republic	41.7	39.4	39.3	40.7	41.3	48.0	49.5	47.0	46.0
Hungary	49.6	46.9	49.8	49.6	48.2	52.0	50.0	49.0	47.0
Poland	41.7	41.1	41.1	41.0	41.0	46.7	45.3	44.3	42.0
Russia (2)	35.1	36.5	35.3	33.0	34.2	39.7	35.2	31.9	31.9
South Africa (3)	32.9	32.7	32.9	30.8	33.1	35.7	34.8	31.4	30.0
Turkey (4)	33.4	35.1	33.6	34.6	35.3	36.0	34.2	35.3	35.5
EMERGING ASIA	**28.7**	**28.8**	**28.6**	**29.8**	**30.9**	**33.4**	**31.2**	**30.5**	**30.0**
China	31.6	31.9	31.6	32.9	34.1	36.5	33.3	32.7	32.1
Indonesia	15.7	15.0	14.8	14.9	14.6	16.8	16.9	15.2	14.1
South Korea	22.4	22.1	22.1	22.9	25.2	28.4	28.6	27.0	27.1
Malaysia(5)	21.8	20.1	19.0	19.8	20.9	19.4	21.4	19.7	18.7
Taiwan (6)	19.1	19.2	18.5	20.0	19.2	21.1	22.6	22.9	23.1
Thailand (7)	19.1	19.6	19.0	18.6	18.1	19.9	20.0	18.6	17.9
Emerging Markets	**31.1**	**31.1**	**30.7**	**31.1**	**31.9**	**34.7**	**32.5**	**31.6**	**31.1**

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

(1) Total government expenditures; includes interest payments. (2) Net of bank recapitalization costs. (3) Data for fiscal years starting 1 April. Selected data refer to the government's consolidated fiscal balances from 2009. (4) The central government's budget balance data are calculated using the IMF-defined primary balance and net interest spending data. The historical data for general government spending are from the IMF's World Economic Outlook database. (5) Refers to the federal government position. (6) General government statistics as interpreted by the Taiwan government. (7) This indicator reflects central government expenditure.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: Government debt

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
	Consolidated gross government debt (% of GDP)								
LATIN AMERICA	**50.7**	**56.0**	**57.8**	**59.2**	**59.8**	**70.7**	**64.9**	**65.6**	**66.4**
Argentina (1)	42.7	56.8	57.6	68.9	79.7	96.6	79.6	65.4	60.3
Brazil (2)	65.5	69.8	73.7	75.3	74.3	88.8	80.6	85.3	87.6
Chile (3)	17.3	21.0	23.6	25.6	28.2	32.5	34.9	35.0	35.2
Colombia	44.6	45.6	46.4	49.3	50.3	66.2	61.9	64.2	66.7
Mexico (4)	45.4	49.4	46.9	46.8	46.7	53.9	53.1	52.7	52.5
Peru	23.4	23.9	24.9	25.8	26.8	34.7	35.1	34.6	33.0
EEMEA	**31.0**	**31.7**	**30.5**	**29.9**	**30.1**	**37.7**	**38.6**	**37.2**	**37.4**
Czech Republic (5)	40.0	36.8	34.2	32.6	30.8	37.8	42.6	42.6	43.6
Hungary (6)	74.0	73.3	72.0	70.5	66.3	80.0	77.5	76.0	75.0
Poland (6)	51.3	54.2	50.6	48.8	45.7	59.3	59.4	57.8	57.0
Russia	15.9	15.8	15.1	14.2	14.2	17.7	17.8	19.1	19.9
South Africa (7)	49.3	51.6	52.7	52.0	58.4	71.3	70.5	71.8	72.5
Turkey	28.8	29.0	28.1	28.4	30.8	35.9	39.3	32.6	30.8
EMERGING ASIA	**41.2**	**43.1**	**44.5**	**46.6**	**53.0**	**61.6**	**64.4**	**67.3**	**69.3**
China (8)	41.5	44.3	46.4	48.8	57.1	66.3	68.9	72.1	74.5
Indonesia (9)	27.0	28.0	29.4	30.4	30.6	36.6	41.2	41.8	41.4
South Korea	44.0	43.1	41.0	41.6	43.8	49.4	47.3	50.2	50.3
Malaysia (10)	53.6	51.9	50.0	51.2	52.4	62.1	63.7	64.0	64.7
Taiwan (11)	41.8	41.0	39.3	38.5	37.1	36.8	38.5	38.2	38.4
Thailand (12)	42.6	41.8	41.8	42.0	41.0	49.4	58.2	58.8	58.9
Emerging Markets	**41.5**	**43.9**	**44.9**	**46.3**	**50.9**	**59.7**	**61.0**	**63.2**	**64.9**
US (13)	72.9	76.7	76.4	77.8	79.2	100.1	102.7	105.6	102.9
Euro area	93.0	90.1	87.7	87.5	85.5	99.3	100.0	97.9	97.0
Japan (13)	235.9	234.6	232.8	237.8	238.0	255.0	254.1	256.6	*na*

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

(1) Includes compensatory interest and residual value of GDP warrants starting in 2015. (2) Figures related to the Central Bank's new methodology. (3) Excludes debt of the central bank. (4) Includes all contingent liabilities associated with IPAB, Pidiregas, FARAC, financial intermediation and other debtor support programs. (5) Consolidated fiscal accounts of the broadly defined general government on an accrual basis. (6) Consolidated fiscal accounts of the broadly defined general government on an accrual basis; excluding one-off transfers from pension funds to the government budget. (7) Data for fiscal years starting 1 April. Selected data refer to the government's consolidated fiscal balances from 2009. (8) Gross debt comprises all government gross liabilities for both residents and non-residents; general government should reflect a consolidated account of central government plus state, provincial, or local governments. The data are calculated by the IMF. (9) Excludes SOE and BI debt (10) Refers to the federal government's financial position. (11) General government statistics as interpreted by the Taiwan government. (12) Includes central government, non-financial SOEs and financial institution development fund. (13) Fiscal year in Japan lasts from April to March, e.g. FY2020 is from April 2020 to March 2021. In the US, fiscal year is October 1 of the prior year through September 30. For example, FY 2021 began on October 1, 2020.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: Foreign debt

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
	Total foreign debt (% of GDP)								
LATIN AMERICA	**31.1**	**33.7**	**32.0**	**34.9**	**36.6**	**45.4**	**41.0**	**41.2**	**39.8**
Argentina	26.0	32.6	36.5	51.1	61.2	69.7	55.1	44.6	39.9
Brazil (1)	30.1	30.5	26.4	29.6	30.5	38.3	34.7	33.0	29.6
Chile	66.1	65.7	65.1	61.7	70.6	82.6	75.8	85.6	87.5
Colombia	38.0	42.5	40.0	39.6	42.9	56.7	53.7	57.1	57.6
Mexico	25.3	29.2	28.8	28.1	28.0	34.7	30.9	32.1	32.8
Peru	38.2	38.3	35.7	34.7	34.7	43.3	46.8	65.2	72.2
EEMEA	**46.4**	**48.4**	**48.5**	**42.8**	**43.2**	**47.4**	**42.9**	**41.5**	**39.2**
Czech Republic (2)	67.1	69.7	96.4	79.1	76.6	81.9	68.2	58.5	55.0
Hungary (2)	105.6	90.4	83.2	77.0	72.6	86.1	74.6	67.9	62.8
Poland (2)	52.4	54.1	53.9	45.2	43.1	45.1	42.5	41.6	39.8
Russia	37.9	39.9	33.9	27.5	29.1	31.6	29.4	26.7	25.8
South Africa (3)	39.1	48.3	49.6	42.7	47.8	50.8	43.1	45.8	43.8
Turkey (4)	46.5	46.7	52.5	54.6	54.6	60.1	56.3	63.4	56.3
EMERGING ASIA	**17.6**	**17.6**	**18.9**	**18.6**	**19.0**	**21.0**	**19.0**	**17.7**	**16.8**
China	12.5	12.6	14.3	14.3	14.5	16.3	14.5	13.5	12.7
Indonesia	36.1	34.3	34.7	36.0	36.1	39.3	36.6	33.9	31.9
South Korea	27.0	25.5	25.4	25.6	27.4	33.2	31.8	30.9	29.5
Malaysia	64.7	67.5	68.3	62.1	63.2	70.8	66.3	63.1	60.3
Taiwan	29.7	31.7	30.8	31.4	30.2	28.2	29.7	28.9	28.3
Thailand	32.7	32.1	34.2	32.2	31.6	37.9	35.6	36.2	34.3
Emerging Markets	**24.5**	**25.1**	**25.7**	**24.9**	**25.3**	**28.0**	**25.2**	**23.9**	**22.6**

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

(1) Included intercompany loans. (2) Based on the location of debt-holders. (3) Including rand-denominated debt held by non-residents. (4) Based on the location of debt issuance, not the location of creditor.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: Exchange rates

	2015	2016	2017	2018	2019	2020	2021	2022F	2023F
					Exchange rate (end-year)				
LATIN AMERICA									
Argentina (per USD)	12.95	15.93	18.93	37.67	59.88	84.15	102.74	142.95	203.82
Brazil (per USD)	3.90	3.26	3.31	3.87	4.03	5.20	5.57	5.50	5.10
Chile (per USD)	710.00	670.00	615.43	694.00	744.62	711.24	850.25	875.00	875.00
Colombia (per USD)	3,149	3,001	2,984	3,250	3,277	3,433	3,981	4,250	4,300
Mexico (per USD)	17.21	20.64	19.66	19.67	18.89	19.95	20.53	22.00	23.00
Peru (per USD)	3.41	3.36	3.24	3.37	3.31	3.62	4.10	4.25	4.30
EEMEA									
Czech Republic (per EUR)	27.02	27.02	25.51	25.72	25.42	26.24	24.89	24.00	24.00
Hungary (per EUR)	315.40	309.41	310.79	321.10	331.04	362.61	369.21	370.00	370.00
Poland (per EUR)	4.26	4.40	4.18	4.29	4.25	4.56	4.55	4.72	4.72
Russia (per USD)	72.52	61.54	57.69	69.35	61.95	74.04	75.17	71.00	73.00
South Africa (per USD)	15.47	13.74	12.38	14.35	14.00	14.69	15.94	16.50	16.50
Turkey (per USD)	2.91	3.53	3.81	5.26	5.94	7.34	12.98	16.00	18.50
EMERGING ASIA									
China (per USD)	6.49	6.94	6.53	6.86	6.98	6.52	6.36	6.33	6.35
Indonesia (per USD)	13,855	13,417	13,557	14,497	14,017	14,166	14,329	14,100	14,150
South Korea (per USD)	1,172	1,209	1,071	1,118	1,180	1,088	1,165	1,145	1,145
Malaysia (per USD)	4.29	4.49	4.06	4.14	4.09	4.01	4.21	4.13	4.10
Taiwan (per USD)	32.79	32.00	29.95	30.78	30.26	28.20	27.40	27.20	27.20
Thailand (per USD)	35.99	35.78	32.62	32.71	30.20	30.08	33.56	32.50	32.00

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: Interest rates

	2015	2016	2017	2018	2019	2020	2021	2022F	2023F
					Interest rate (end-year, %)				
LATIN AMERICA	**8.84**	**11.60**	**9.69**	**12.69**	**10.17**	**6.29**	**10.22**	**13.86**	**11.90**
Argentina - Reference rate (1)	na	24.75	28.75	59.25	55.00	38.00	38.00	45.00	45.00
Brazil - Selic interest rate	14.25	13.75	7.50	6.50	4.50	2.00	9.25	12.25	7.50
Chile - Monetary policy rate	3.50	3.50	2.50	2.75	1.75	0.50	4.00	6.50	5.50
Colombia - Reference rate	5.75	7.50	4.75	4.25	4.25	1.75	3.00	6.00	4.50
Mexico - Reference rate	3.25	5.50	7.25	8.25	7.25	4.25	5.50	6.75	6.75
Peru - Reference rate	3.75	4.25	3.25	2.75	2.25	0.25	2.50	5.50	4.00
EEMEA	**8.18**	**7.14**	**7.22**	**9.32**	**6.17**	**5.64**	**7.39**	**7.59**	**8.49**
Czech Republic - 2-week repo rate	0.05	0.05	0.50	1.75	2.00	0.25	3.75	4.50	4.00
Hungary - Reference rate	2.10	1.35	0.90	0.90	0.90	0.60	2.40	3.00	3.00
Poland - 1-week reference rate	1.50	1.50	1.50	1.50	1.50	0.10	1.75	3.00	2.50
Russia - 1-week repo rate	11.00	10.00	7.75	7.75	6.25	4.25	8.50	8.50	7.00
South Africa - Repo rate	6.25	7.00	6.75	6.75	6.50	3.50	3.75	4.75	5.25
Turkey - Policy rate (2)	10.75	8.50	12.75	24.00	12.00	17.00	14.00	14.00	23.00
EMERGING ASIA	**4.01**	**3.81**	**3.81**	**3.97**	**3.73**	**3.72**	**3.33**	**3.46**	**3.58**
China - 1-year LPR	4.30	4.30	4.30	4.31	4.15	4.35	3.80	3.80	3.80
Indonesia - 7 Day Reverse Repo Rate	7.50	4.75	4.25	6.00	5.00	3.75	3.50	4.00	5.00
South Korea - Overnight base rate	1.50	1.25	1.50	1.75	1.25	0.50	0.75	1.50	2.00
Malaysia - Overnight policy rate (3)	3.25	3.00	3.00	3.25	3.00	1.75	1.75	2.25	2.75
Taiwan - Rediscount rate	1.63	1.38	1.38	1.38	1.38	1.13	1.13	1.50	1.75
Thailand - 1-day repurchase rate (4)	1.50	1.50	1.50	1.75	1.25	0.50	0.50	0.50	1.00
Emerging Markets	**5.48**	**5.75**	**5.43**	**6.24**	**5.14**	**4.34**	**4.83**	**5.37**	**5.29**

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

(1) Central bank's 7-day repo rate until 2014, 35-day Lebac rate for 2015 and 2016, 7-day interbank rate starting in 2017. (2) The central bank reinstated the one-week repo rate as its policy rate on 28 May 2018. The data for the previous period reflect the marginal rate at which the central bank provided funding. The central bank's average funding rate has been above the one-week repo rate between August 2020 and November 2020 when the monetary policy framework was simplified again. (3) BNM changed the policy rate from the intervention rate to the overnight rate in May 2004. (4) Through 2006, the policy rate was the 14-day repo rate.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: Interest rates

	4Q21	1Q22F	2Q22F	3Q22F	4Q22F	1Q23F	2Q23F	3Q23F	4Q23F
	Interest rate (end-quarter, %)								
LATIN AMERICA	**6.60**	**8.21**	**8.72**	**8.85**	**8.96**	**8.38**	**7.62**	**6.96**	**6.61**
Brazil - Selic interest rate	9.25	11.75	12.25	12.25	12.25	11.25	9.75	8.25	7.50
Chile - Monetary policy rate	4.00	5.75	6.50	6.50	6.50	6.25	6.00	5.75	5.50
Colombia - Reference rate	3.00	4.50	5.25	5.75	6.00	5.00	4.50	4.50	4.50
Mexico - Reference rate	5.50	6.00	6.25	6.50	6.75	6.75	6.75	6.75	6.75
Peru - Reference rate	2.50	4.00	5.50	5.50	5.50	4.75	4.00	4.00	4.00
EEMEA	**7.39**	**7.65**	**7.73**	**7.75**	**7.78**	**7.58**	**7.40**	**8.96**	**8.86**
Czech Republic - 2-week repo rate	3.75	4.50	4.50	4.50	4.50	4.25	4.00	4.00	4.00
Hungary - Reference rate	2.40	2.70	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Poland - 1-week reference rate	1.75	2.75	3.00	3.00	3.00	3.00	2.50	2.50	2.50
Russia - 1-week repo rate	8.50	8.50	8.50	8.50	8.50	8.00	7.75	7.25	7.00
South Africa - Reference rate	3.75	4.00	4.25	4.50	4.75	5.00	5.25	5.25	5.25
Turkey - Policy rate	14.00	14.00	14.00	14.00	14.00	14.00	14.00	23.00	23.00
EMERGING ASIA	**3.33**	**3.35**	**3.36**	**3.40**	**3.44**	**3.46**	**3.50**	**3.52**	**3.56**
China - 1-year LPR	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
Indonesia - 7-day reverse repo rate	3.50	3.50	3.50	3.75	4.00	4.25	4.50	4.75	5.00
South Korea - Overnight base rate	0.75	1.00	1.00	1.25	1.50	1.50	1.75	1.75	2.00
Malaysia - Overnight policy rate	1.75	1.75	1.75	2.00	2.25	2.25	2.50	2.50	2.75
Taiwan - Rediscount rate	1.13	1.13	1.25	1.38	1.50	1.50	1.50	1.63	1.75
Thailand - 1-day repurchase rate	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Emerging Markets	**4.29**	**4.54**	**4.62**	**4.67**	**4.72**	**4.63**	**4.54**	**4.68**	**4.66**

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: Domestic credit

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
	Domestic credit (% of GDP)								
LATIN AMERICA	**64.5**	**66.4**	**68.8**	**69.8**	**71.4**	**79.6**	**74.5**	**73.5**	**77.0**
Argentina	22.8	22.1	24.2	25.6	21.9	29.8	24.8	22.6	20.8
Brazil	99.0	99.9	103.7	106.9	110.4	125.7	122.8	124.0	131.2
Chile	72.8	74.7	74.0	75.3	77.9	81.6	74.2	71.2	71.6
Colombia	52.1	51.8	54.3	53.9	55.1	62.2	59.1	59.5	60.1
Mexico	38.6	38.8	38.4	38.4	38.6	43.4	40.1	38.5	37.5
Peru (1)	47.7	46.4	46.0	47.2	48.6	58.8	53.8	51.8	50.8
EEMEA	**113.3**	**112.2**	**111.3**	**111.1**	**110.1**	**122.6**	**119.4**	**120.7**	**120.1**
Czech Republic	131.5	128.9	124.9	124.9	117.5	129.0	128.9	122.8	118.2
Hungary	177.6	171.7	161.4	154.4	152.4	175.2	162.3	153.2	150.2
Poland	138.0	143.1	134.6	132.3	125.9	129.1	121.9	116.2	116.2
Russia	120.4	115.8	114.8	112.2	111.2	126.1	123.7	125.7	129.7
South Africa	123.0	123.0	123.2	125.3	130.6	144.7	141.0	140.3	141.3
Turkey	71.9	73.7	73.5	72.4	73.2	86.3	84.2	90.7	81.6
EMERGING ASIA	**174.6**	**190.1**	**189.8**	**191.8**	**197.7**	**217.0**	**205.0**	**202.7**	**201.7**
China (2)	193.5	214.4	214.0	213.8	220.3	240.2	222.7	218.7	217.3
Indonesia	29.3	29.9	28.5	29.1	29.2	33.6	34.8	34.6	33.8
South Korea	149.2	152.1	151.9	157.8	170.6	186.2	188.9	195.9	196.4
Malaysia	142.4	143.0	138.4	143.4	143.5	162.2	156.6	151.0	148.3
Taiwan	142.3	143.1	146.2	150.5	153.2	156.8	156.5	159.2	162.4
Thailand	128.1	126.1	124.4	123.4	122.8	142.0	147.4	146.4	144.1
Emerging Markets	**144.0**	**155.7**	**155.3**	**159.3**	**164.4**	**185.1**	**175.5**	**175.0**	**175.2**

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

(1) Total credit of financial system to private sector. (2) Domestic credit follows the IMF consolidated monetary survey definition.

Source: IMF International Financial Statistics, the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

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Summary macroeconomic data: Domestic credit to the private sector

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
	Domestic credit to the private sector (% of GDP)								
LATIN AMERICA	**41.1**	**40.7**	**40.2**	**41.0**	**41.2**	**45.6**	**42.5**	**40.5**	**41.6**
Argentina	14.1	13.2	15.4	15.2	12.6	13.3	9.9	8.0	6.5
Brazil (1)	54.0	50.0	47.6	48.1	47.9	54.6	53.9	53.1	56.9
Chile	67.3	68.6	68.5	70.2	74.6	78.0	70.1	66.6	66.4
Colombia	48.5	48.3	50.6	49.8	50.2	54.9	51.4	51.7	52.2
Mexico	28.8	30.7	31.3	31.8	31.5	33.9	30.8	29.3	28.1
Peru	41.9	41.0	40.4	42.0	43.0	52.6	47.3	45.1	43.7
EEMEA	**86.2**	**84.8**	**84.7**	**83.3**	**86.0**	**95.2**	**96.5**	**100.7**	**101.3**
Czech Republic	86.7	87.9	88.3	91.5	85.9	90.4	89.5	86.1	83.6
Hungary	94.9	89.9	83.8	82.2	82.2	91.3	83.7	79.1	77.5
Poland	83.6	86.6	81.8	81.5	83.6	86.2	82.3	80.1	76.1
Russia	104.0	99.6	99.3	95.9	102.1	117.9	124.8	133.7	140.5
South Africa	75.9	74.1	72.9	72.1	72.8	73.7	69.2	68.5	69.6
Turkey	61.9	64.2	64.6	61.4	59.9	68.8	67.5	63.5	59.1
EMERGING ASIA	**163.9**	**173.9**	**171.6**	**171.3**	**175.5**	**190.8**	**179.1**	**176.0**	**174.6**
China	179.2	192.6	189.3	186.5	190.8	206.7	190.6	185.8	184.1
Indonesia	33.2	33.2	32.5	32.8	32.5	33.2	32.6	32.6	32.1
South Korea	155.3	158.7	160.0	167.0	179.6	195.0	196.6	202.4	201.2
Malaysia	133.4	132.9	127.8	131.6	132.0	146.2	140.7	136.0	133.8
Taiwan	130.7	132.6	136.5	140.8	143.8	147.8	147.7	150.6	153.9
Thailand	122.8	120.7	119.1	118.7	117.8	132.3	132.0	131.8	130.3
Emerging Markets	**128.4**	**136.1**	**133.9**	**136.2**	**140.6**	**157.7**	**149.2**	**148.3**	**148.1**

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

(1) Includes bank lending to individuals and private corporate debt (debentures and bank loans to the sector).

Source: IMF International Financial Statistics, the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: Fixed investment

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
					Fixed investment (% of GDP)				
LATIN AMERICA	**20.0**	**18.7**	**17.9**	**18.4**	**18.3**	**17.6**	**18.9**	**19.2**	**19.1**
Argentina	19.4	19.5	18.8	20.7	20.1	17.2	16.6	19.9	19.4
Brazil (1)	17.8	15.5	14.6	15.1	15.5	16.6	18.7	18.3	18.7
Chile	22.6	21.9	21.0	21.3	22.0	20.7	21.6	21.1	20.9
Colombia	23.4	22.2	22.3	22.0	22.0	18.7	18.8	18.6	18.2
Mexico	21.6	21.2	20.5	20.2	19.3	17.3	18.1	18.3	18.2
Peru	24.1	22.2	21.9	22.1	22.2	21.1	26.9	27.2	26.6
EEMEA	**23.1**	**23.0**	**22.9**	**22.1**	**21.7**	**21.1**	**21.0**	**21.4**	**21.8**
Czech Republic	27.0	25.6	25.4	26.4	26.0	25.6	26.0	26.8	26.8
Hungary	21.9	19.6	22.2	25.2	28.0	19.0	18.5	18.9	18.9
Poland	20.1	18.0	17.5	18.2	18.5	16.5	16.6	17.1	17.6
Russia	20.8	21.9	22.0	20.4	21.2	21.6	21.8	22.2	22.6
South Africa	18.0	17.4	16.4	15.9	15.4	13.7	13.3	13.4	13.7
Turkey	29.6	29.1	29.9	29.7	25.9	26.1	26.0	26.5	26.5
EMERGING ASIA	**39.4**	**38.8**	**38.8**	**39.0**	**38.3**	**39.3**	**38.6**	**38.0**	**37.6**
China	43.1	42.3	41.9	42.2	41.9	42.7	41.5	40.9	40.5
Indonesia	32.4	32.2	32.6	33.0	32.9	31.9	32.0	32.1	32.5
South Korea	29.0	30.0	32.0	30.4	25.9	28.5	27.3	25.1	23.0
Malaysia	25.9	25.4	25.5	24.6	23.1	20.9	19.9	20.1	19.9
Taiwan	21.5	21.7	21.1	21.8	23.9	24.2	26.4	27.1	27.4
Thailand	24.5	23.7	23.1	22.8	22.5	23.1	23.1	23.6	23.8
Emerging Markets	**33.2**	**32.8**	**32.5**	**33.0**	**32.7**	**33.8**	**33.5**	**33.4**	**33.2**

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

(1) Gross fixed capital formation plus change in inventories.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: FX reserves

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
	Central bank gross non-gold FX reserves ($bn)								
LATIN AMERICA	**695.8**	**719.2**	**740.2**	**751.9**	**731.1**	**747.6**	**764.1**	**759.6**	**759.2**
Argentina	23.5	37.2	52.8	63.5	42.2	35.6	36.0	39.0	41.5
Brazil	354.2	362.5	371.2	371.9	354.1	352.8	352.8	352.8	352.8
Chile	38.6	40.5	39.0	39.9	40.7	39.2	53.4	54.4	55.5
Colombia	46.6	46.5	47.2	47.9	52.5	58.8	58.5	57.0	55.0
Mexico	172.6	172.1	167.8	169.8	175.0	188.4	195.4	193.4	191.4
Peru	60.4	60.5	62.3	58.9	66.7	72.8	68.1	63.0	63.0
EEMEA	**640.0**	**672.7**	**765.6**	**780.1**	**867.9**	**876.7**	**942.5**	**989.4**	**1,032**
Czech Republic	64.2	85.3	147.6	142.1	149.5	165.5	162.0	163.0	163.0
Hungary	30.2	24.4	23.3	26.3	27.0	32.1	32.0	32.0	32.0
Poland	91.4	110.6	109.0	111.7	117.2	123.0	135.0	140.0	135.0
Russia	319.8	317.5	356.1	381.6	444.0	457.0	489.8	531.8	579.8
South Africa	41.5	42.7	45.5	46.5	48.9	47.4	51.1	50.0	50.0
Turkey (1)	92.9	92.2	84.1	72.0	81.2	51.6	72.6	72.6	72.6
EMERGING ASIA	**4,458**	**4,173**	**4,388**	**4,339**	**4,422**	**4,656**	**4,697**	**4,753**	**4,804**
China	3,330	3,011	3,140	3,073	3,108	3,217	3,222	3,229	3,232
Indonesia	97.4	107.5	120.2	111.0	118.2	123.0	127.3	130.7	132.7
South Korea	363.2	366.3	384.5	398.9	404.0	438.3	459.1	478.8	498.0
Malaysia	94.0	93.1	100.9	99.9	101.7	105.3	114.3	117.0	119.5
Taiwan	421.4	429.4	446.3	456.8	473.0	524.5	544.9	562.9	579.8
Thailand (2)	151.3	166.2	196.1	199.3	216.8	248.7	229.2	234.9	242.2
Emerging Markets	**5,793**	**5,565**	**5,894**	**5,870**	**6,021**	**6,281**	**6,404**	**6,502**	**6,596**

Aggregates for regions and total emerging markets represent the sums of individual country data. The data for India are for fiscal years.

(1) Not adjusted for the central bank's forward book. (2) Not including forward FX purchases.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

Summary macroeconomic data: FX reserves

	2015	2016	2017	2018	2019	2020	2021E	2022F	2023F
	Central bank gross non-gold FX reserves (% of GDP)								
LATIN AMERICA	**16.0**	**17.3**	**15.9**	**16.6**	**16.5**	**20.5**	**18.3**	**17.3**	**16.2**
Argentina	3.6	6.7	8.2	11.7	9.3	9.2	7.5	6.6	6.5
Brazil	19.7	20.1	18.0	19.4	18.9	24.4	22.2	21.1	18.9
Chile	15.9	16.1	14.1	13.4	14.5	15.5	17.1	18.3	17.9
Colombia	15.8	16.4	15.1	14.3	16.2	21.6	18.8	18.2	17.2
Mexico	14.8	16.0	14.5	13.9	13.8	17.5	15.5	15.1	14.6
Peru	31.5	31.1	29.1	26.1	28.9	35.5	30.6	28.0	27.0
EEMEA	**19.2**	**20.8**	**21.1**	**20.3**	**22.5**	**24.8**	**23.6**	**23.5**	**22.8**
Czech Republic	34.3	43.7	69.2	57.1	59.2	67.5	58.2	49.7	45.7
Hungary	24.6	18.9	15.3	16.4	16.5	20.7	18.6	16.7	15.5
Poland	19.2	23.5	20.7	19.0	19.6	20.6	20.6	20.1	17.9
Russia	23.4	24.8	23.3	23.1	26.3	30.9	29.1	28.2	29.3
South Africa	13.1	14.4	13.0	11.5	12.6	14.1	12.4	12.5	11.6
Turkey (1)	10.8	10.6	9.8	9.2	10.7	7.2	9.2	10.3	9.1
EMERGING ASIA	**30.5**	**28.0**	**26.9**	**23.9**	**23.7**	**24.6**	**21.4**	**19.5**	**18.0**
China	30.1	26.8	25.5	22.1	21.8	21.8	18.5	16.6	15.1
Indonesia	11.3	11.5	11.8	10.6	10.6	11.6	11.0	10.2	9.5
South Korea	24.8	24.4	23.6	23.1	23.5	26.7	25.5	25.1	23.7
Malaysia	31.2	30.8	31.6	27.8	27.8	31.2	30.8	28.8	27.2
Taiwan	78.4	78.9	75.5	74.9	77.3	78.0	75.0	73.5	72.3
Thailand (2)	37.7	40.2	42.9	39.3	39.8	49.6	44.9	45.2	42.8
Emerging Markets	**26.0**	**24.9**	**23.9**	**22.1**	**22.4**	**24.0**	**21.3**	**19.7**	**18.4**

Aggregates for regions and total emerging markets are weighted by nominal GDP figures in US dollars.

(1) Not adjusted for the central bank's forward book. (2) Not including forward FX purchases.

Source: the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, Credit Suisse

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