Global Economic Outlook

October 13, 2004

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Overview

Global Economy – The global economy appears to have slowed a bit from the fast pace early in the year, yet, in the aggregate, real GDP growth is still estimated to be around 4.0% for 2004, and a tad less for 2005. The wild card: oil.

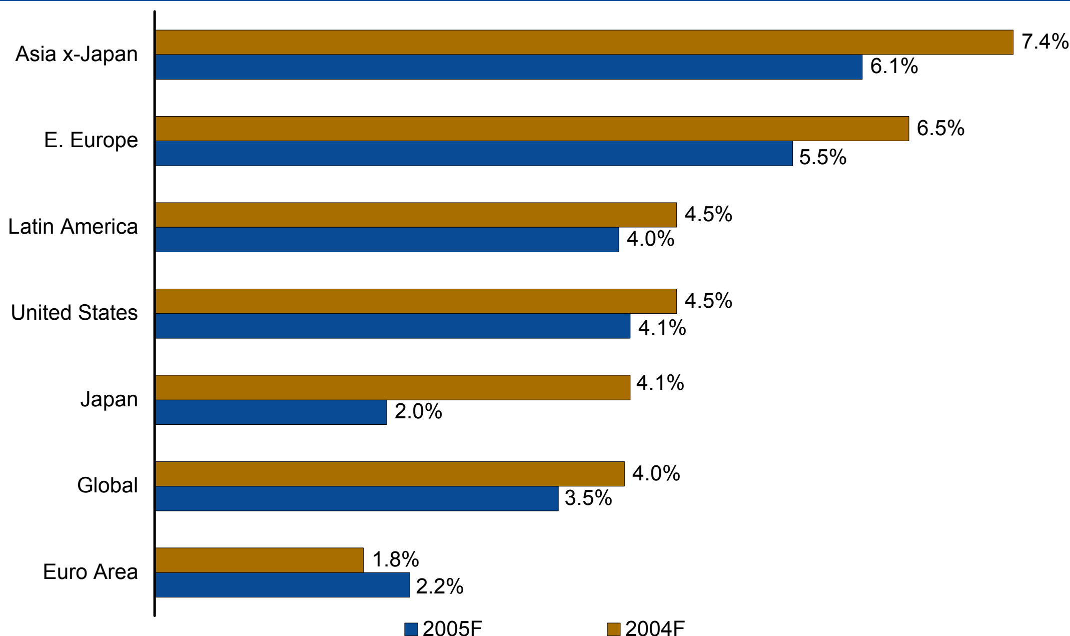
United States – Although payroll employment growth has lagged, real GDP growth is estimated to be around 4% in the second half. In the short run, growth trends, not employment trends, will compel the Fed to continue to raise rates at a measured pace.

Japan – The economy is reaching a critical turning point, changing its direction much earlier than we anticipated and prompting us to make drastic changes to our growth outlook. We have downgraded our GDP forecast fairly significantly.

China – Upside growth risk in Q4 on the back of a potential rebound in investment growth. Policy risk will increase further down the road and chances are high of a renewed tightening in 2005 if Beijing's selective relaxation becomes too excessive over the next few months.

Europe – We have moderately downgraded our euro-area growth forecasts to reflect weaker than expected Q1 growth and the likelihood that oil prices will stay close to current levels for longer than we previously thought. The ECB will probably still raise rates in Q1 2005, but this will require signs that growth is again gaining traction.

World Economic Growth



Source: Alliance Fixed Income

Global Outlook

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Global economy has slowed a bit

The global economy appears to have slowed a bit from the fast pace early in the year, yet, in the aggregate, real GDP growth is still estimated to be around 4.0% for 2004, and a tad less for 2005. The wild card: oil.

Although global growth estimates have not changed much for 2004 or 2005, the mix has changed somewhat. China is now expected to grow slightly faster in 2005 (8.0% vs. 7.5%) than expected. At the same time, Japan's recovery looks to be losing pace, and 2004 growth of 4.1% is expected to be followed by a modest 2.0% advance in 2005. This weaker-than-expected growth also includes a downward revision to official and market interest rates in Japan.

Price of oil is a big risk to the global economic recovery

The big risk to the global economic recovery is the ongoing rise in the price of oil, which hit an all-time high of $53 a barrel in early October. At this time, analysts are not inclined to lower growth estimates, nor raise inflation estimates very much. Yet, the risk of a bigger rise in headline inflation and a negative hit to real economic activity grows with every passing day.

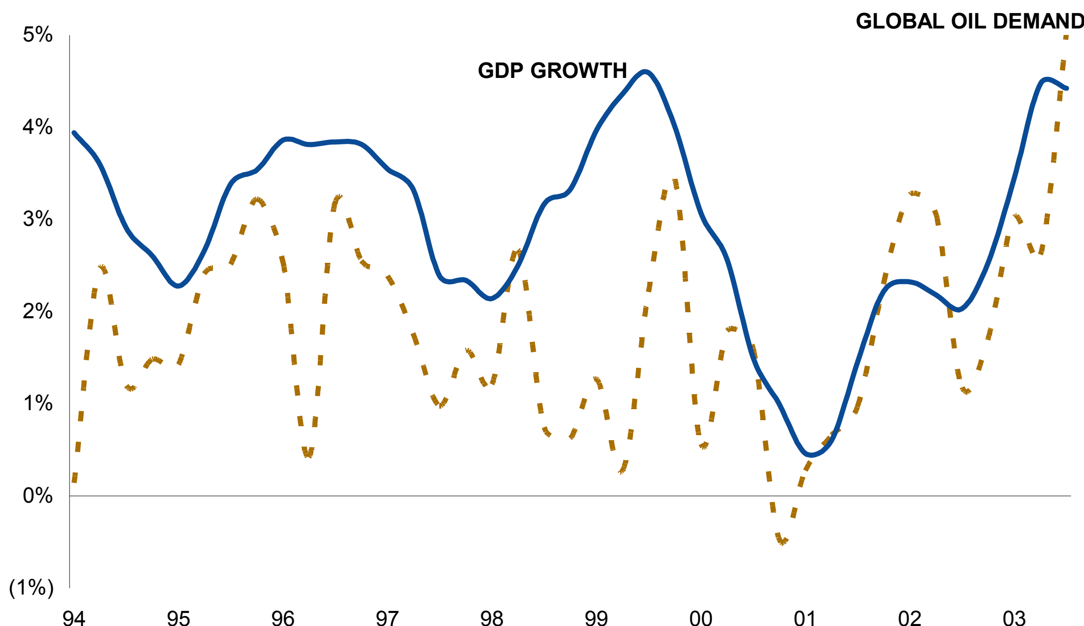
Clearly, the consequences of today's higher oil prices would seem to be different from past episodes because this spike has been triggered largely by users instead of suppliers. As shown in the accompanying chart, global demand is running at a record 5% over year-ago levels—about 1% to 2% above analyst expectations. It is difficult at this time to determine whether the rise in demand is related to the building of so-called safety stocks, or reflects a permanent shift in demand. We think it reflects some intentional building of inventory, especially among Asian countries.

Triggers of past oil price spikes are not present this time

The conditions associated with past oil price spikes—limited supply and rising interest rates—are not present this time. Nonetheless, high oil prices can hardly be good for the global economy. Time will tell if the recent spike is merely due to intentional inventory building along with current production and processing disruptions in the Gulf of Mexico resulting from Hurricane Ivan. If that turns out to be the case, then the negative impact of high oil prices on the global economy will fade away in early 2005.

Trend-shift? The rise in global oil demand in 2004 seems to be too large in relation to GDP growth

Oil Demand and GDP Growth



Source: International Energy Agency, DataStream and Bloomberg

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US Outlook

Payroll gains remain modest

Payroll employment rose a modest 96,000 in September, extending the string of sub-par job gains. Civilian unemployment, meanwhile, remained at 5.4%—the low point for the year and the business cycle. The Labor Department indicated that severe weather appears to have retarded job creation, but not enough to “change materially” their estimate of the employment situation for the month.

Even so, it’s too early to conclude with any certainty the impact from the series of hurricanes that hit the southern part of the US between mid-August and mid-September. In September 1999, when Hurricane Floyd hit the southern part of the US, the Bureau of Labor Statistics (BLS) made no official estimate of the impact. But it did indicate that weather-related disruptions may have contributed to employment declines or below-average growth in a number of industries. The initial estimate on the September 1999 payroll was a negative 8,000, and it now stands at plus 187,000.

Impact from bad weather might be bigger than BLS officials suggest

Unpublished reports from the household survey indicate that as many as 150,000 to 200,000 jobs could have been temporarily lost last month. This data shows that as a result of bad weather, 205,000 people reported they couldn’t work in September, up from 28,000 a year ago, and that 1.9 million full-time workers had to work part time, up from only 250,000 a year ago. Clearly, there is a huge weather effect in the data, but it will take several months to ascertain its full impact.

Q3 hours worked is strongest since 1997

While the size and scope of new-job creation is very important, what matters most for wage and salary income growth are trends in hours and wages. Every 0.1 hour increase in the average workweek creates as much wage and salary income as the hiring of 350,000 workers, while every 0.1 cent increase in the average wage equates to another 100,000 workers. Importantly, in the third quarter companies lengthened the workweek and raised the average pay of their workers. In fact, the 3.3% annualized gain in hours worked was the fastest in seven years, while average hourly earnings rose 3.1%, the best gain since 2002. All this points to a relatively strong increase in wage and salary income in the quarter, estimated to be up around 5.5% in the third quarter—more than enough to support the ongoing gains in consumer spending.

Long hours usually leads to more hiring

Although income and spending trends held up in the third quarter, investors nonetheless remained worried that the consumer-spending cycle is at risk without adequate new job creation. But if companies were in fact planning to stop hiring, they would not be extending hours and increasing wages—let alone listing ever more job openings. To be sure, a longer workweek is historically a harbinger of more jobs because companies tend to lengthen the hours of existing employees before hiring new ones.

A change in inventory behavior

Although the recent payroll data show that corporations remain somewhat hesitant to hire, there does appear to be a change in the attitude toward inventory policy. Ideally, the level of inventories should be kept as low as feasible so as to minimize the cost of storage and the amount of money tied up in inventory. Yet, as the economy grows and begins to approach capacity limits, the desired level of inventory tends to rise as firms try to protect production schedules against shortages and sudden price spikes. Clearly, the contemplation of inadequate stock levels weighs very heavily on purchasing policies. That said, in the last several months, lead times for production materials have risen quite dramatically (see chart on next page). This tells us that firms are becoming more concerned about the rise in materials prices as well as the availability of those materials down the road. It also suggests that the hefty inventory build in the second quarter was intentional, and further large inventory builds are likely in the third and fourth quarters.

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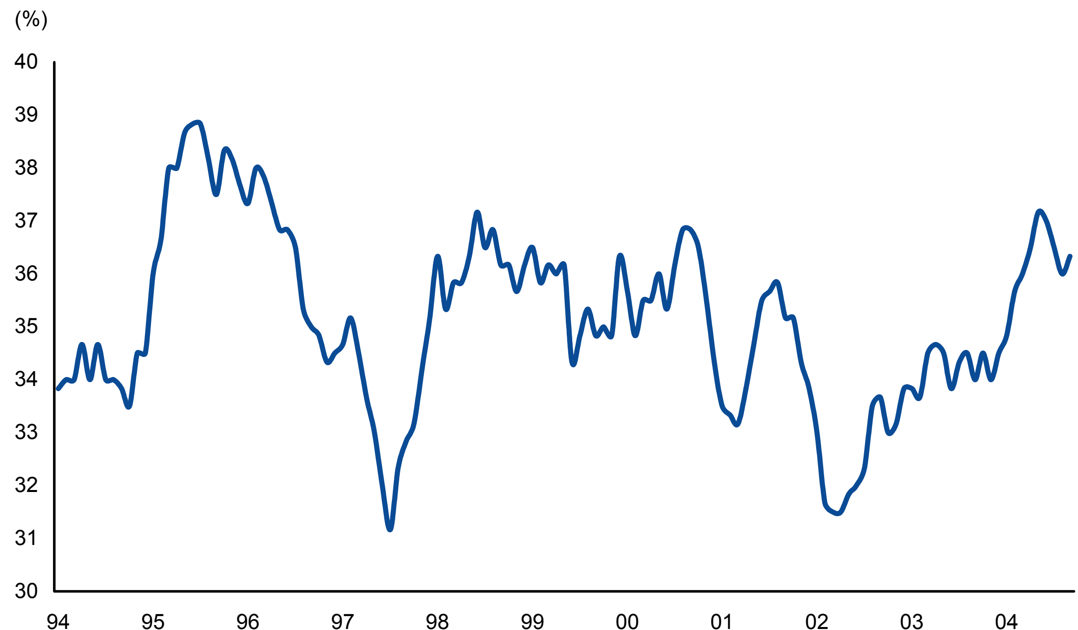
In the aggregate, the rising costs of materials have not been pushed through the supply chain. So far, most of those materials price increases have been absorbed at the manufacturer level. But with productivity growth slowing, it's only a matter of time before consumer prices reflect the higher cost of production. Thus, policymakers will be compelled to continue to raise official rates at a measured pace. We see the target on the federal funds rate at 2% at year-end 2004, and at 2.5% in six months.

Lead times are rising, suggesting businesses are worried about either rising prices, adequate supplies, or both

**ISM Purchasing Managers Survey:
Production Materials Commitments of 60 Days and Over**



Source: Institute for Supply Management and Haver Analytics

European Outlook

Modest downgrades to euro-area growth forecasts

We have moderately downgraded our growth forecasts for 2004 and 2005 to reflect the weight of evidence pointing to weak third quarter growth and our belief that the oil price is likely to remain close to current levels for longer than we previously thought. We now expect euro-area growth to average 1.8% in 2004 and 2.2% in 2005 (2.0% and 2.5% previously). Both numbers are close to trend and this does not materially affect our view that the ECB will raise interest rates in the new year. However, there is a risk that the timing could slip, especially if the dollar were to weaken further.

Q3 growth is likely to slip back below trend

Recent data for the euro area have been weak, with the composite PMI slipping to 54.1 in September from a peak of 56.2 in July. Although the latest reading is consistent with growth close to trend, the recent direction suggests the economy may be losing some momentum. It is now clear that third quarter growth will struggle to match the annualized growth rate of 2.1% recorded in the first half of the year. Retail sales for July/August are running flat on Q2 and the data on industrial production point to a significant slowdown from Q2's 0.9% gain. There are also signs that export growth is slowing.

The ECB is still likely to raise rates in Q1 2005, but risks of delay have growth

The ECB's latest press conference adopted a less hawkish tone. The central bank sees the continued need for "strong vigilance", reflecting above target monetary growth and the fact that the risks to inflation are still on the upside. However, the ECB admitted to growing concerns about the growth outlook, reflecting the soft tone of recent data and the continued

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strength of the oil price. We still expect the ECB to raise rates in the first quarter of next year, but this will require evidence that growth is again gaining traction.

The market is starting to think UK rates have peaked

In the UK, recent data suggest that GDP could grow by as little as 0.4-0.5% in the third quarter. This would be the first sub-trend performance since the first quarter of 2003 and would be below the 0.9% assumed in the Bank of England's August Inflation Report. With signs that the housing boom is drawing to a close, the market is beginning to speculate that base rates have peaked.

We think this is premature

We believe this is premature. One of the main reasons for this is that monetary policy is still accommodative. At 4.75%, base rates are below our estimate of neutral (5.0%–5.5%) and the differential with nominal GDP growth (6.1%) remains unusually wide. Moreover, since the Bank of England last raised interest rates at the beginning of August, the equity market has risen 6%, short-dated bond yields have fallen by 40 basis points and sterling's trade-weighted exchange rate has dropped by 4% points. These changes represent a powerful additional stimulus.

Japan Outlook

The Japanese economy is reaching a critical turning point, changing its direction much earlier than we anticipated and prompting us to make drastic changes to our growth outlook. Despite the positive signs from the September Tankan survey, growth momentum in exports has evidently peaked. Add to that the drastic slowdown in private consumption, with little improvement in employment, income and equity prices. As a result, industrial production growth shows signs that it is reaching a peak in the current cycle.

The Bank of Japan's Tankan survey of business sentiment's diffusion index for large manufacturers jumped to +26 in September from +22 in June, better than the consensus forecast of +23 and the highest reading since May 1991. We remain on alert, however, as the three-month outlook shows a significant worsening to +21. This may imply that the index is peaking in the current economic cycle.

Industrial production is peaking

Warning signals are actually seen in industrial production. Month-over-month growth in industrial production was narrowly positive, up by 0.3% in August, after June's –1.3% and flat growth in July. This was significantly below the Ministry of Economy, Trade and Industry (METI) outlook of +1.5% and weaker than market expectations of +0.6%.

Although the METI outlook expects industrial production to grow 1.3% in September, the actual numbers could disappoint. In fact, given the average gap of 1.8% between the METI forecast and actual results during the five months from April to August, September results are likely to show negative growth. This means that industrial production in the July-September quarter will result in negative quarter-over-quarter growth for the first time in five quarters. The METI's forecast for October –0.5% month-over-month (also exposed to downside risks), implying to us that industrial production is reaching its peak in the current economic cycle.

Exports slowing, private consumption losing steam

Shipments also appear to have shifted to a downward trend since June. Exports are showing a pronounced deceleration in growth, reaching a seven-year high of +19.4% year-over-year in June, but slowing to +14.3% in July and further down to +10.4% in August. In particular, exports to China slowed evidently in August, at +13.2%—about a third of June's nine-month high of +36.3% and the slowest growth in two and a half years.

At the same time, private consumption, a main pillar of domestic demand, has slowed drastically. Although private consumption surged in the first half of 2004 and provided a dramatic boost to GDP growth, it appears to be losing steam. In real terms, salaried-

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workers' household consumption declined 0.2% year-over-year in August—a worsening from July's disappointing +2.9%, and a sharp slowdown from April's +7.2% and May's +5.6%.

Moreover, despite good news in August, Japan's employment environment has barely improved during the past three months. The unemployment rate worsened significantly in July, from June's 4.6% to 4.9%. More importantly, overall employment declined again in July, by 0.1% year-over-year—down for two consecutive months after six straight months of increases from December to May. In August, however, the unemployment rate fell back slightly to 4.8%, and overall employment rose for the first time in three months, up by 0.5%.

Adding to consumers' woes, the average salary for all industries continues to fall, down 0.2% year-over-year in August, and firms' welfare expenses have been cut drastically. Furthermore, weaker equity prices are diminishing the wealth effect, hurting consumer sentiment. What is worse, special income tax breaks introduced in 1999 are now being reviewed by the government as part of the budget process for the next fiscal year.

GDP, CPI and JGB yield forecasts revised down

Given this environment, we have downgraded our GDP forecast fairly significantly, from +4.8% to +4.1% in 2004, and from +3.5% to +2.0% in 2005. Based on such a pronounced downward shift in our economic outlook, we have revised down our CPI forecast for 2005 from +0.5% to flat growth, and have also changed our JGB yield forecast. Our new six-month target for 10-year JGB yield is 1.45%, down from 1.80%. As for BOJ policy, chances clearly are getting thinner that it will move during 2005, and the timing of the start in the exit process is likely to be postponed into 2006.

Currency scenario reviewed for weaker yen

Given the significantly weaker growth outlook, we have also reviewed our currency forecast. Our six-month target for yen/dollar rates is now 108, revised from 105. Recent thinner capital inflows (particularly into the equity market) and a declining trade surplus are additional reasons for the revision. Japan's trade surplus declined 26.0% year-over-year in August, down for the first time in 14 months. This was attributable to a pronounced deceleration in exports and surging oil imports (at higher oil prices), a trend that could continue going forward.

Australian Outlook

Economic data have been generally weaker than expected over recent months

While Australia's consumer-related data have disappointed recently, business surveys continue to suggest that the economy remains robust, with capacity utilization close to record highs. Yet in general, recent economic data have come in weaker than market expectations. In particular, retail sales have been on the soft side in each of the past three months. Employment has also followed this pattern, with outcomes on the low side of expectations in each of the past four months.

Boost from fiscal stimulus appears to be less than expected

Most analysts expected that the significant fiscal stimulus announced in the May federal budget (e.g., tax cuts and family assistance measures) would provide a large boost to growth, commencing in June. The retail sector was expected to be a key beneficiary of this stimulus; however, retail sales data—although volatile—currently suggest households may have saved a large proportion of the stimulus so far, limiting the boost to growth. Thus, third quarter GDP growth may be softer than we previously expected.

Nevertheless, by all appearances, the Australian economy is growing at an underlying pace of between 3.0% and 3.5%.

The RBA appears to be walking a fine line in terms of its current tightening cycle. This is evident in the following quote from its recently released *Financial Stability Review* of

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September 21, 2004:

> *"A pronounced fall in house prices…could prompt…a period of unusually weak consumption. In the other direction, there is a risk that the continued strong growth of the economy…could again reignite the housing market."*

Previously, we anticipated that the RBA would raise the cash rate by 25 basis points to 5.5% by the end of this year. However, recent soft economic data both at home and abroad, coupled with higher oil prices, has reduced the pressure on the central bank and the probability of a tightening has fallen.

The expected tightening by the RBA has been pushed to March 2005 and the probability of tightening has fallen

We anticipate that employment growth, which has been significantly weaker than implied by indicators of labour demand, will bounce noticeably during the next three months or so. Other indicators which have been through a "soft patch" (such as retail sales) are also likely to strengthen. In an environment of relatively tight capacity, this should see the RBA maintain its tightening bias. But the RBA is grappling with the aftermath of a big asset price bubble, which will demand caution. This means that the rate-rise hurdle is relatively high, and we now expect policy to remain on hold, at least for the next six months.

Canada Outlook

Growth expected to moderate in coming quarters

In nearly every category of domestic demand including housing, numbers are consistent with growth at or just above 3% for the third and fourth quarters of this year. Thus, after a strong second quarter, we expect a moderation of growth in Canada. A key wild card will be export growth, where US moderation could lead to a slowdown in exports, providing some downside to that forecast in the fourth quarter. Yet exports to China have soared—up 53% year-over-year—so the odds of a serious slip are small. September's job number, though it represented a rebound from August, reinforces this impression, as much of the growth occurred in the public sector.

The strong currency dampens pressure for more rate hikes

The currency is now at a level where we think it becomes a primary factor in decision-making for the central bank. And, recent statements by bank officials have suggested this is the case. An October rate hike seems a given, but the stronger currency—coupled with poor productivity in Canada—cannot be ignored in the 2005 outlook. Core inflation remains well behaved, so with growth at or near potential (as opposed to well beyond it) we continue to see no need for an extended tightening cycle. Therefore we see official rates perhaps peaking at 2.75%, even as the Fed continues to hike.

Emerging Markets Outlook

With growth continuing, other issues are beginning to come to the fore for individual countries

Latin America: Major Latin American countries continue to show considerable growth momentum, aided by the commodity price story in most cases.

In Brazil, growth momentum may be leveling off slightly but we see no serious hurdles. Importantly, inflation numbers have begun to come in on the positive side, and we think the central bank's tightening cycle will be short-lived. Some reform progress beginning this quarter will be necessary to really sustain bond price momentum.

Commodity prices continue to hold

In Argentina, it is increasingly clear that the debt restructuring will be mostly done this quarter. A positive outcome with broad participation would be a substantial boost to the credit. Growth there has clearly moderated, though 4% for next year seems attainable. Mexico continues to struggle to contain inflation and multiple monetary tightenings may eventually moderate growth, though fiscal accounts are in excellent shape. Venezuela continues a policy turn to the left, but high oil prices and capital controls make financing a

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smaller countries together

foregone conclusion and political noise has diminished as the opposition melts away. Colombia needs to pass tax and pension reform to address a shaky fiscal outlook despite 4% growth this year; we expect compromises that limit the effectiveness of new measures. Ecuador appears to have found multiple paths to finance themselves, a positive outcome as reform efforts are probably dead until the next elections.

Asia's GDP growth is boosted by China's resilient economic expansion

Asia ex-Japan: We have slightly adjusted our GDP and inflation forecasts for the region. Weighted average real GDP growth has revised up marginally to 7.4% in 2004 and 6.1% in 2005 (against 7.2% and 6% previously). Growth in China, Hong Kong, Singapore, and Malaysia has revised up while that for Korea and Thailand has adjusted down. The inflation numbers have not changed much from our previous forecast, basically averaging at around 3.9% in 2004 and 3.7% in 2005 (versus 4% in 2004 and 3.8% in 2005 previously). Our view continues to be that while softer growth next year should lead to an easing of demand-pull inflation, high oil prices will underpin cost-push pressure, at least in the next few quarters. On balance, we expect a marginally lower regional inflation number in 2005 (3.7% vs. 3.9% in 2004) mainly because of our expectation of a peak in China's inflation cycle toward end-2004 thanks to the persistent fall in grain prices. Excluding China and India, we expect the average inflation rate will increase from 3.3% in 2004 to 3.5% in 2005.

China's policy risk will rise if investment rebounds in 4Q

China did not back down at the G7 meeting. Against market expectations, Beijing reiterated its commitment to the currency peg and its gradualist approach to exchange-rate reform. It also played down the need for an imminent interest rate hike. This has reinforced our forecast for no near-term interest rate and currency policy shifts, and Beijing will try to selectively relax credit in the coming quarter in a bid to support the 'productive' sectors of the economy. Overall, we expect upside risk to growth in the fourth quarter on the back of a potential rebound in fixed asset investment growth in November and December. But policy risk will increase further down the road and chances are high of a renewed tightening in 2005 if the relaxation becomes excessive over the next few months. Foreign firms and countries depending on China's investment are likely to see a rebound of activity in the coming quarter or so, but may suffer from the impact of a renewed tightening in 2005.

Emerging Europe: In Hungary, a new cabinet consists of mostly untested officials. The markets' optimism about Finance Minster Draskovic keeping his job may be short-lived, as he is likely to be sacrificed either during budget debates or early next year. The government suggestion of extra taxation of the financial industry and investors is unlikely to bring much revenue, and fiscal problems should remain until the 2006 elections. On the other hand, a strong forint brought further disinflation and the MNB is likely to continue to cut rates in small steps.

Poland's tightening is close to the end

In Poland, a stronger currency and tightening by the National Bank are likely to bring inflation within the target of 3.5% by early 2005. Improved exports and lower unemployment have led to fiscal improvement, while polls indicate that there is a strong chance of forming a pro-Euro and fiscally prudent center-right coalition led by the Civil Platform after early elections sometime in the second quarter of next year. Political volatility is likely to persist until then, bringing buying opportunities in the domestic bond market.

Russian de-leveraging continue to impress, but warning signs are

The recent wave of terrorist attacks and half-baked "anti-terrorism"—i.e., authoritarian measures clouded by the long-term priorities of Putin's administration—has raised public discontent (albeit to a relatively safe level). But record oil prices and fiscal paranoia about

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mounting

building reserves wherever possible continues to improve ability to service debts. Next year we expect total reserves (foreign exchange + stabilization fund) to reach above $120 billion under a conservative scenario. Moody's move to a positive outlook on Russia was based on these factors, while S&P is likely to wait another several months or even a year, motivated by lack of structural reforms and plenty of political uncertainties. Increasing capital flight to the tune of $17 to $20 billion and growing corporate exposure to foreign currency are no immediate reasons for concern when the current account surplus is $65 billion a year, but may bring disaster under less rosy oil prices.

The situation in the Ukraine is likely to stabilize when elections are held in late October to mid-November, regardless of who wins, improving the outlook for Ukrainian bonds on the side.

South Africa's economy shows strength

Emerging Economies: In the month following the surprise August rate-cut by the South African Reserve Bank, events are making it appear to have been an excellent decision. The economy is growing at a steady pace with GDP up 4% on very strong domestic demand, as indicated by rising retail sales and vehicle sales. The upturn is maturing with investment and inventories adding to growth. Money supply and domestic credit are rising at a healthy pace. The main negative factor has been the trade balance, with import growth far exceeding the rise in exports. This later factor had led to concern over Rand appreciation. Since mid-August, the Rand has depreciated about 7%, making overall monetary conditions appear to be much less restrictive than they had been. Meanwhile, inflation has moderated considerably with CPIX inflation at 3.7%, near the bottom of the target range. The overall macroeconomic performance of South Africa is better than could be expected.

Turkey receives nod from EU

The EU Progress Report on Turkey proffered a highly conditional invitation to start accession talks. The main point is that the report was unanimously accepted by the EU Commission and the Turkish government is willing to begin negotiations on the basis of the document, emphasizing the positive overall view rather than the highly negative details. At the same time, the EU Commission made it clear that they consider Turkey a special case that will receive special handling. No other candidate has been subject to these kinds of restrictions. The report rules out membership for 10 years and places unspecified preconditions for opening negotiations on acquis chapters. The report states that negotiations are open-ended and may not result in membership. Furthermore it envisages permanent restrictions on Turkish immigration into other EU countries, a somewhat shocking concept within the EU. It is safe to assume that negotiations will be long and drawn-out, subject to suspensions and delays. The Turkish government has taken solace in the fact that the EU Commission has given support for starting membership negotiations, after 40 years of procrastination.

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	Real Growth			Inflation			Official Rates			Long Rates		
	2003	2004F	2005F	2003	2004F	2005F	2003	2004F	2005F	2003	2004F	2005F
Global	2.7%	4.0%	3.5%	2.3%	2.8%	2.6%	3.31%	2.73%	3.54%	3.85%	4.06%	4.71%
United States	3.1%	4.5%	4.1%	2.3%	3.5%	3.0%	1.00%	2.00%	3.50%	4.27%	4.50%	5.50%
Euro Area	0.4%	1.8%	2.2%	2.1%	2.2%	2.0%	2.00%	2.00%	3.25%	4.29%	4.50%	5.00%
Japan	2.5%	4.1%	2.0%	-0.3%	-0.2%	0.0%	0.00%	0.00%	0.00%	1.37%	1.50%	1.75%
Canada	1.7%	3.1%	3.0%	2.6%	2.3%	2.3%	2.50%	2.50%	2.50%	5.30%	5.00%	5.25%
United Kingdom	2.3%	3.3%	2.6%	1.4%	1.5%	1.9%	3.75%	4.75%	5.00%	4.80%	5.25%	5.50%
Sweden	1.6%	3.4%	3.5%	1.3%	1.5%	2.0%	2.75%	2.25%	3.00%	4.78%	5.07%	5.40%
Norway	0.5%	2.5%	3.0%	0.6%	1.1%	2.0%	2.25%	1.75%	3.00%	4.65%	5.05%	5.10%
Latin America	2.3%	4.5%	4.0%	8.0%	7.5%	6.0%	--	--	--	--	--	--
Argentina	9.3%	7.0%	4.0%	9.0%	7.0%	7.0%	--	--	--	30.00%	28.00%	22.00%
Brazil	-0.3%	5.0%	3.5%	9.2%	7.5%	6.0%	16.50%	16.50%	15.00%	5.50%	5.00%	5.50%
Mexico	1.5%	4.0%	3.3%	3.8%	4.3%	4.0%	6.50%	8.00%	6.75%	2.25%	1.75%	1.75%
Asia x-Japan	6.4%	7.4%	6.1%	2.1%	3.9%	3.7%	--	--	--	--	--	--
Australia	3.0%	3.5%	3.6%	2.8%	2.4%	2.7%	4.75%	5.25%	5.25%	5.50%	5.85%	6.00%
China	9.1%	9.0%	8.0%	1.2%	4.5%	3.5%	1.99%	2.50%	3.00%	2.80%	2.80%	3.25%
Hong Kong	3.3%	7.8%	4.5%	-2.6%	-0.1%	1.8%	2.50%	3.50%	4.25%	4.37%	4.00%	4.50%
India	8.1%	8.0%	7.0%	4.0%	4.0%	5.0%	6.00%	6.25%	6.50%	5.30%	6.50%	7.00%
Indonesia	4.1%	4.5%	4.0%	6.8%	6.2%	6.5%	8.00%	7.50%	8.00%	10.24%	7.50%	8.25%
Korea	3.1%	4.7%	3.5%	3.5%	3.9%	3.5%	3.75%	3.25%	3.00%	4.85%	3.60%	4.00%
Thailand	6.7%	6.5%	5.5%	1.8%	3.2%	3.5%	1.25%	1.80%	2.30%	2.81%	3.90%	4.30%
Poland	3.5%	6.0%	5.5%	1.5%	4.0%	3.2%	6.75%	7.00%	6.25%	5.56%	7.00%	6.50%
Russia	7.2%	8.0%	7.0%	15.0%	12.0%	13.0%	11.00%	12.00%	11.00%	7.00%	7.50%	8.00%
South Africa	1.9%	2.8%	4.0%	6.0%	4.5%	5.5%	8.00%	7.50%	9.00%	9.00%	9.75%	10.50%
Turkey	5.7%	8.0%	4.0%	18.0%	12.0%	9.0%	29.70%	19.00%	18.00%	28.00%	24.00%	22.00%

NOTES:
Growth and inflation forecasts are reported on a calendar year/calendar year basis.
Official and long rates are end-of-year forecasts. Long rates are 10-year yields unless otherwise indicated.
Argentina, Brazil, Mexico long-term rates are spreads to Treasuries.
Korea official rate is overnight call rate and long rate is 3-year government bond yield.
Turkey long rate is 1-year rate.

Source: Alliance Fixed Income

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