Goldman Sachs | Economics Research

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EM Macro Navigator

EM Outlook 2024: Over the Hump

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- We expect EM growth to hold up well at 4.0% next year, only slightly lower than 2023 despite a further slowdown in China and (to varying degrees) in other BRIC economies. We expect faster growth in much of CEEMEA (particularly Central and Eastern Europe and the Persian Gulf) and a few export-oriented Asian EMs.
- Inflation should continue to decline across most of EM. As in developed markets, we forecast a large disinflation of about 2pp (full-year average basis) in 2024 in emerging markets. This figure excludes China, which could see a modest increase in inflation (to still-low levels) as food prices rise somewhat.
- Monetary policy also looks to be "over the hump": Q3 was the first quarter since 2020 when more EM central banks eased than tightened. We see EM rate differentials declining in 2024, with just over a 100bp (GDP-weighted) drop in policy rates in EM ex-China in 2024 vs. a 29bp decline in DM.
- From a market perspective, EM local rates look expensive—with a low and declining spread over DM rates—but other EM asset classes appear fairly valued or slightly undervalued. So the case for further local rate outperformance is limited, and we expect positive returns across more balanced asset exposures in 2024.

Recommended Trades and Conviction Views

- **Rates:** Long 1Y CGB (FX hedged), Sell Indonesia 10Y vs. Buy India 10Y government bonds
- **FX:** Short IDR 10y vs INR 10y government bonds, Short MTR/THB, Short TWD/KRW
- **Equities:** Overweight China A, India, Thailand, Japan, Korea
- **Credit:** Idiosyncratic opportunities across regions

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EM Outlook 2024: Over the Hump

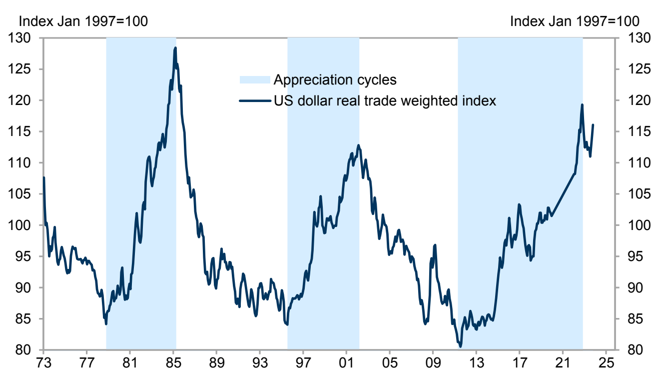
In this edition of the *EM Macro Navigator*, we summarize our views on emerging market economies in 2024, drawing on our recently published country and regional outlooks. We expect growth to be relatively steady for the emerging market universe overall, albeit with some rotation from the largest to smaller EMs. Inflation and policy rates are both “over the hump” — disinflation is likely to continue, and the decline in policy rates to continue and broaden in 2024. From an investment perspective we advocate a more balanced asset allocation and expect moderate returns next year.

A managed China deceleration; growth to improve in many open economies

Emerging economies performed better than many forecasters had feared at the outset of 2023. Indeed, the BRIC economies (China, India, Russia, Brazil) all look on track to beat consensus GDP growth expectations at beginning of the year handily – China and India by a half-point each, Brazil by a little more, and Russia by several percentage points.[1]

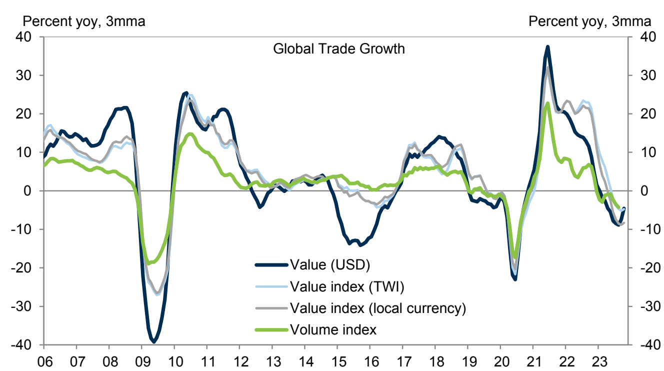
However, small open economies were less impressive – typically underperforming or growing roughly in line with muted consensus expectations. We view this as largely reflecting the challenging backdrop for EM economies in 2023 – with rising US interest rates, a US dollar near multi-decade highs (Exhibit 1), weak global trade (Exhibit 2), and heightened geopolitical uncertainty. Fading service-sector growth following post-Covid reopening was also a headwind to growth in many economies (Exhibit 3). We expect external conditions to improve slightly in 2024, and indeed our Current Activity Indicators suggest a modest pickup on net in many smaller economies in recent months, but the clouds over the EM outlook are unlikely to clear quickly or easily.

Exhibit 1: The US dollar remains near multi-decade highs...



Source: Federal Reserve Board, Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 2: ...and global trade activity has faded since early 2022



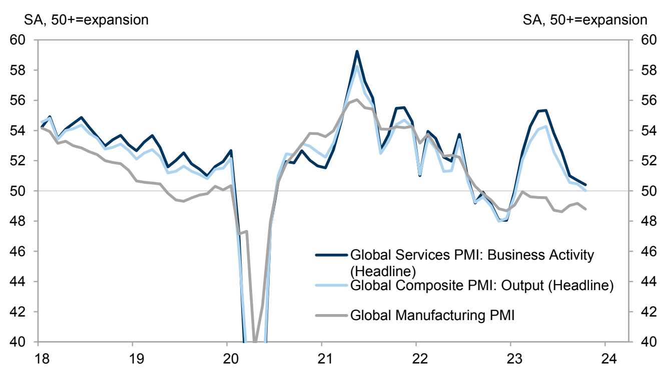
Source: CPB World Trade Monitor, Haver Analytics, Goldman Sachs Global Investment Research

In 2024, we expect EM growth to hold up fairly well despite these challenges, at 4.0% (from an expected 4.2% in 2023; a full table of growth and inflation forecasts is available on page 12). With our forecast of steady DM growth around 1.6-1.7% over the next few

[1] Russia appears likely to grow about 2% in real terms, versus a consensus of about -3% at the beginning of 2023.

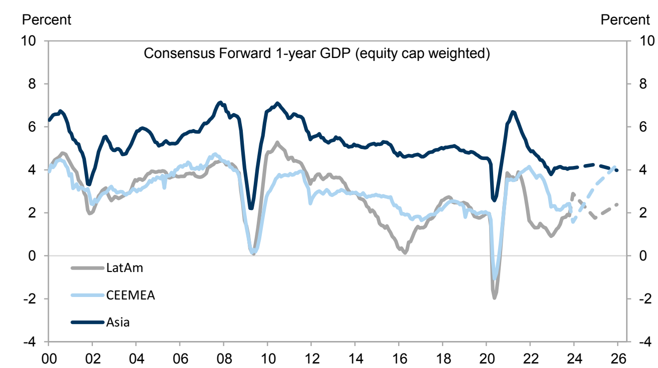
years, this means only a marginal decline in the EM-DM growth differential. The respectable EM performance we expect is despite what looks like a near-inevitable deceleration in China, which faces a number of economic headwinds, in particular a prolonged property sector downturn. Our outlook envisions a slowdown in China's official real GDP growth from 5.3% in 2023 to 4.8% in 2024, as policymakers provide fiscal and other support to help stabilize housing activity at lower levels and to boost other areas of investment. The weakness in China looks largely idiosyncratic, with spillovers that should be fairly manageable for most EMs – given that property investment has less import content than most other forms of investment. Separately, given increased focus on "de-risking" and supply chain diversification, EM Asia ex-China—particularly South and Southeast Asia—may see a larger share of regional FDI inflows going forward based on recent trade shifts. We forecast slowdowns in the other BRIC economies as well, with India's minimal (0.1pp deceleration) but Russia's (0.8pp) and Brazil's (1.5pp) more significant.

Exhibit 3: Service-sector growth faded in 2023 while manufacturing cycle still soft



Source: Haver Analytics, Goldman Sachs Global Investment Research

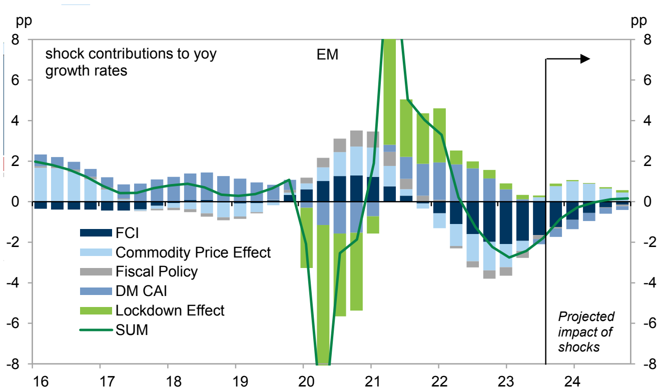
Exhibit 4: CEEMEA expected to see the strongest rebound among the major EM regions



Source: Goldman Sachs Global Investment Research

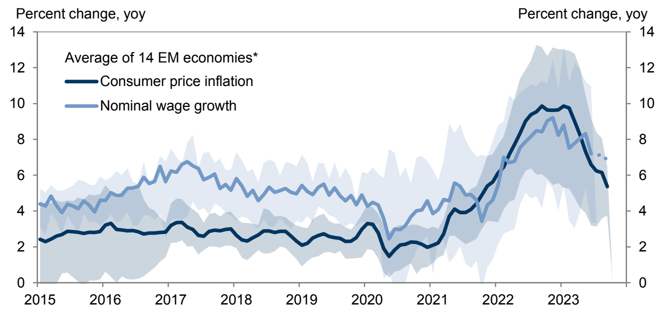
On the brighter side, we expect faster growth in many CEEMEA economies (particularly Central and Eastern Europe and the Persian Gulf) and a few export-oriented Asian EMs—on balance, consensus forecasts do as well (Exhibit 4). One common theme is diminished drag from tightening financial conditions (Exhibit 5), which should come along with at least some marginal improvement in global goods trade activity—in both respects, we think we are "over the hump" of the most challenging conditions. With inflation falling and labor markets relatively tight in many economies, household real income growth (and consequently consumption) could be well-supported (Exhibit 6), a theme that has been a highlight of our forecasts for the United States and Europe. We expect the CEE economies to rebound in 2024 from the energy shock after the Russian invasion of Ukraine, which has pushed growth down near zero in 2023. We expect an acceleration of just over 3pp in real GDP growth in the CEE region. In the Middle East, we expect growth in three key Persian Gulf energy producers – Saudi Arabia, the UAE, and Qatar – to accelerate by at least 2pp each on higher energy production and revenues. Finally, in EM Asia we see moderate export recovery in a few economies, with South Korea, Taiwan, and Vietnam accelerating by 0.8-1.3pp each on better tech goods exports, and Thailand by 0.6pp on continued recovery in tourism (as well as looser fiscal policy).

Exhibit 5: The drag on growth from financial conditions should ebb



Source: Goldman Sachs Global Investment Research

Exhibit 6: Inflation has fallen below wage growth in the average EM for the first time since the invasion of Ukraine



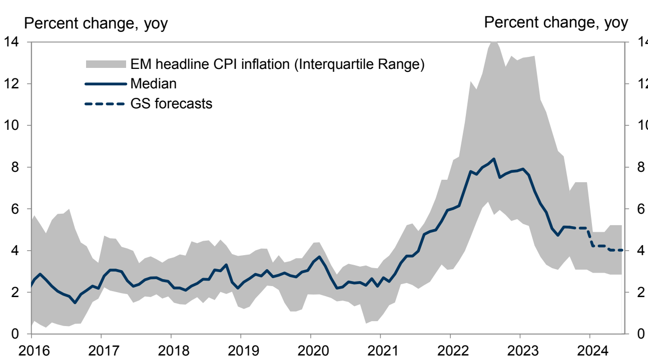
*Mexico, Chile, Colombia, Brazil, Hungary, Poland, Czechia, SA, Israel, India, Indonesia, Malaysia, Thailand, Korea.
Note: Shaded areas are interquartile ranges; dotted lines signal partial data.

Source: Goldman Sachs Global Investment Research

Disinflation continues in 2024

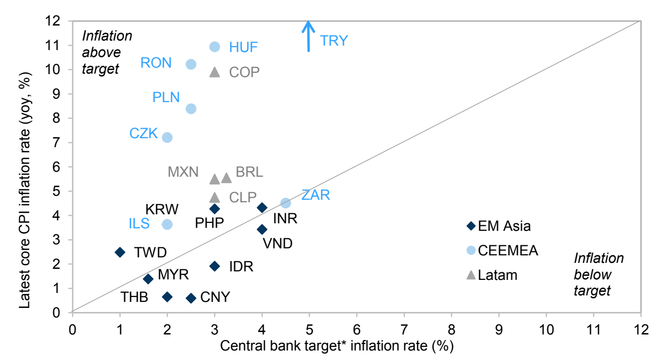
We forecast a large disinflation of about 2pp (full-year average basis) in 2024 both in developed markets and emerging markets ex-China.[2] Some of this reflects base effects from the decline in recent months, but in a number of cases sequential inflation should also decline (Exhibit 7). Energy and many other commodity prices should remain well below mid-2022 peaks, even if they rise a bit further from here (our commodities research team expects Brent crude oil prices to rise to $95/bbl in twelve months' time). Supply chain bottlenecks have largely been resolved, helping ease goods-sector price pressures. And while labor markets remain tight in many economies, "catch-up" wage increases from the highest inflation period of the pandemic appears to have been implemented for the most part. In EM Asia, inflation has largely returned to target or below, while in Latam and CEEMEA there is still further work to do in 2024 (Exhibit 8).[3]

Exhibit 7: EM inflation well off the peak, and should decline further in 2024



Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 8: More disinflation needed in Latam and CEEMEA



*Historical average when formal target not available.

Source: Haver Analytics, Goldman Sachs Global Investment Research

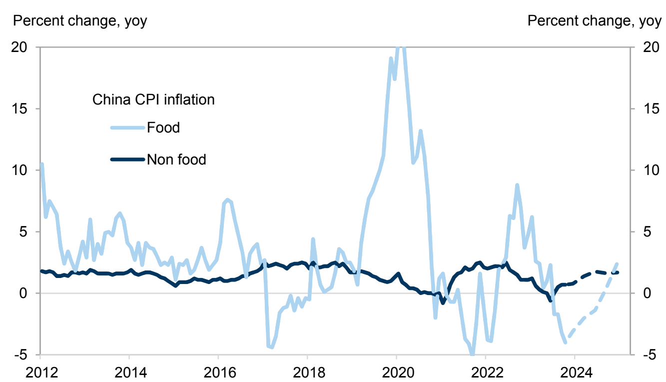
[2] To be specific, our DM aggregate has a change of -2pp in the headline CPI and -1.8 for core CPI, while in EM ex-China it is -1.5pp headline and -2.5pp for core CPI.

[3] In economies where the central bank does not have a formal inflation target, we assume a target broadly in line with pre-Covid average figures as a proxy.

China stands apart with a very different cyclical picture and inflation outcome: its most recent CPI inflation reading was -0.2% yoy. The biggest disinflationary force has been food (particularly pork) prices (Exhibit 9). Aside from this, core inflation is moderately positive at 0.6% yoy and service price inflation a little higher. Factory gate deflation (producer prices) also has been easing somewhat in recent months.

Key risks to the inflation outlook include labor markets and commodity prices. Labor markets look fairly tight – of 23 significant EMs we looked at with regular unemployment data, 10 are within just one-third a point of 20yr lows, while only 6 are more than 1pp above the 20yr low in unemployment. This suggests the possibility that solid wage increases could keep service price inflation above target, particularly where subsidies are lacking or need to be cut back. Our forecasts have unemployment rates flat on average in DM and marginally (0.2pp) lower in EM in 2024. As for the commodity price outlook, recent years have given ample evidence for the role of supply shocks – ongoing conflict in Ukraine and the potential for a broadening of the Israel-Hamas conflict both could present downside risk to supplies.

Exhibit 9: China headline CPI inflation should rise modestly in 2024

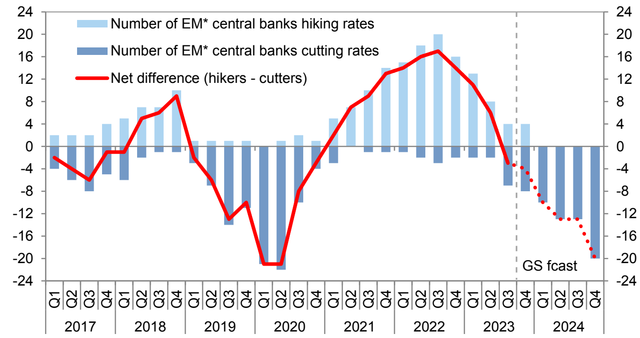


Source: Haver Analytics, Goldman Sachs Global Investment Research

Monetary policy easing to broaden and deepen

Monetary policy looks to be "over the hump" across EM, with more EM central banks easing than tightening in Q3 (Exhibit 10) and the average policy rate in EM beginning to fall (Exhibit 11). We see EM rate differentials (vs DM) declining in 2024, with just over a 100bp (GDP-weighted) decline in policy rates in EM ex-China in 2024 vs a 29bp decline in DM. (In 2025, the numbers are more similar, -77bp in EM and -89bp in DM). Still, policy rates will remain restrictive in many economies through much or all of the year. In China the multiyear housing bust and declining growth potential mean that policy will need to stay supportive, but fiscal policy will be the main tool; monetary policymakers are conservative and rates are likely to grind lower only slowly (we anticipate an additional 20bp of policy rate cuts by the end of 2024 and quarterly 25bp RRR cuts through most of the year).

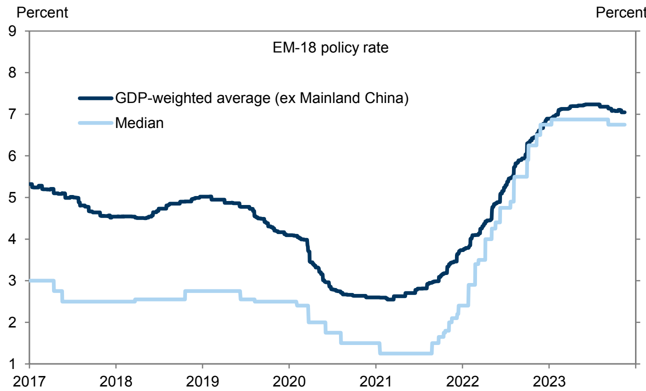
Exhibit 10: EM monetary easing cycle has begun...



*Includes 24 emerging market economies in GS coverage

Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 11: ...but policy rates still near peaks

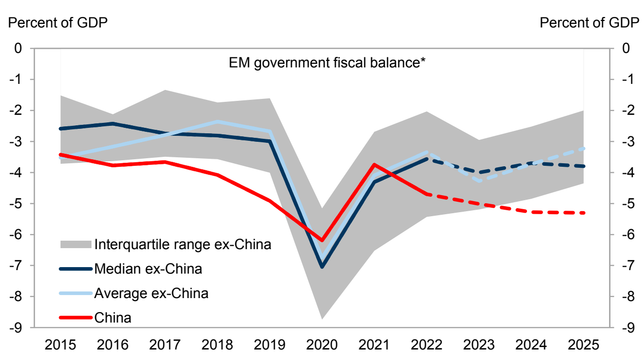


Source: Bloomberg, Goldman Sachs Global Investment Research

On the fiscal policy side the picture is mixed. The IMF's latest Fiscal Monitor envisions some moderate tightening in parts of CEEMEA and Latam, but limited changes in Asia. Our forecasts have a bit more tightening in Asia, with reduction of more than 1pp in the deficit Korea and the Philippines and more modest changes in Taiwan and India (we envision fiscal consolidation in India starting only in earnest after the national elections in Q2).

EM current accounts have swung back and forth since the pandemic period. Initially, Covid lockdowns and relatively modest fiscal support meant a contraction in domestic demand and improvement in many EM current account positions early in the pandemic. But after the Russian invasion of Ukraine pushed commodity prices higher, the median and the weaker "tail" of EMs saw large current account deteriorations, followed by some improvement more recently as energy prices eased (Exhibit 13).

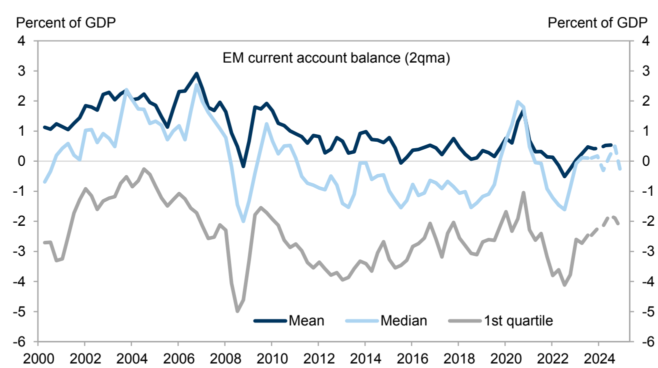
Exhibit 12: Fiscal deficits remain a bit wider than pre-Covid period



*Dashed lines denote GS forecasts

Source: Goldman Sachs Global Investment Research

Exhibit 13: The 'tail' in EM current accounts swung from strong in 2020 to weak in 2022



Source: Haver Analytics, Goldman Sachs Global Investment Research

A more general barometer of EM imbalances and creditworthiness is our Sovereign Risk Score (SRS) framework. Overall the picture has changed relatively little since the sharp decline in the first half of 2022, following the Russian invasion of Ukraine, with the average SRS hovering around one standard deviation below the average score over the past decade. Despite a modest recent decline, in the SRS framework MENA remains the most creditworthy EM region on average.

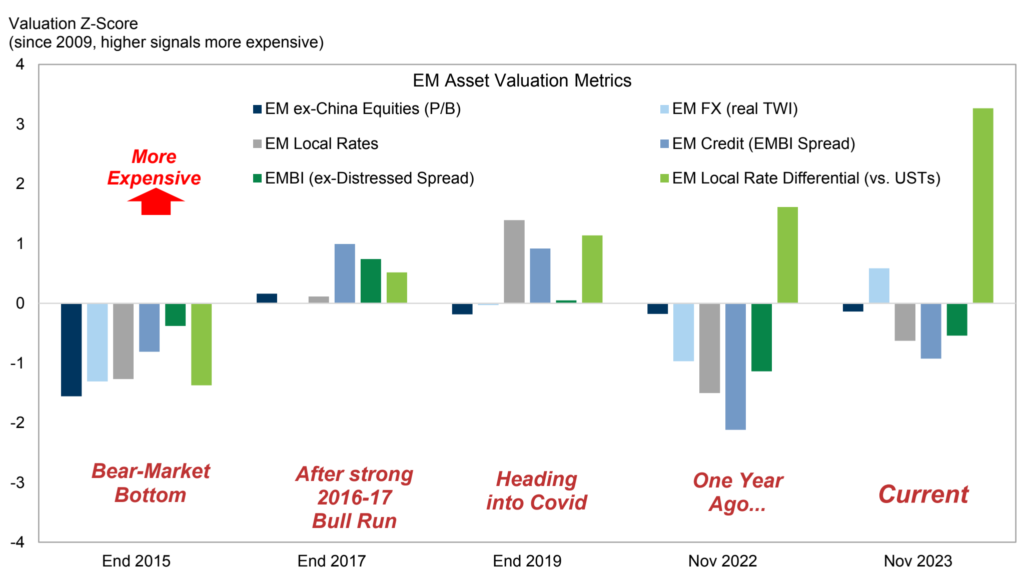
We also note the unusually large number of elections in emerging markets next year, some of which are highlighted in the map of EM events below. Taiwan's election in January is already in focus given potential for a coalition among two of the opposition parties and its possible implications for relations with mainland China, but it is just the beginning of a busy calendar in 2024. And of course the result of the US election in November could have significant implications for many EMs as well.

EM markets – fading headwinds but still selective

Large asset price moves in the US and China in 2023 have masked a relatively good year for EM performance. The rally in US large-cap equities, rise in US interest rates, and strength in the US dollar have contrasted with slowing Chinese growth, poor equity performance, and a weaker renminbi. But EM ex-China has proved resilient in 2023, and fared well in comparison to DM ex-US.

Going forward, there is a case for some moderation in the prevailing EM headwinds — US rates have come off a bit and we expect Fed easing by Q4 2024 (and more EM easing over the year), Dollar strength is slowly eroding, and global trade may be bottoming out. China's deceleration should continue but at a gradual pace. The somewhat more benign global and EM macro outlook should be a positive for EM assets in 2024. Against this, however, valuations do not look particularly cheap (Exhibit 14).

Exhibit 14: EM local rates look relatively "expensive", but other asset classes nearer or below typical values



Source: Goldman Sachs Global Investment Research

Given the combination of fading headwinds but mixed to expensive (in local rates) valuations, we expect a more balanced return profile across EM asset classes in 2024 (Exhibit 15). An upside scenario could unfold if easing inflation (rather than recession) leads to Fed cuts earlier in the year.

- In **local rates,** the risks around our base case argue for a more balanced return profile relative to last year, and we no longer prefer local to hard currency rates. Disinflation-led outperformance and higher US rates have left EM local rate spreads at exceptionally tight levels, though from an absolute perspective rates are high and we still expect them to move lower. More dovish pricing for the Fed/earlier cuts could lead to further outperformance of the LatAm rate complex, with scope for meaningful rate relief in Mexico and Brazil, or in Eastern Europe including long-end bonds in Poland and the belly of Hungarian rates on improving structural stories.
- **Equity** dispersion (both fundamental and in performance) is likely to remain wide. We prefer a value strategy featuring EMs such as Mainland China, South Africa, and Thailand.
- **Sovereign Credit** spreads are tight so there is only modest scope for compression; we see total return of just over 10% including 5% carry. The best opportunities look to be in BB-rated credits and extending duration in IG. Overall, the investment-grade part of the universe continues to screen the most expensive relative to their own credit fundamentals. Among sovereigns where left-tail risks are higher, our NPV haircut model suggests that a couple of sovereigns still offer value, including Pakistan and Ecuador.
- In **EM FX** valuations are richer. We see high carry Latam FX as likely to outperform low-carry EM Asia.

Exhibit 15: More balanced prospective returns across EM asset classes

EM Targets and Returns (12-months)	Current Level	Yield	Dur.	Target	Total Return	Sharpe
MSCI EM	952	3.2%	-	1050	13.8%	1.02
EM ex-China					9.0%	
GBI-EM	6.7%	6.7%	5.6	6.6%	10.9%	1.52
High Yielders	10.3%	10.3%	4.6	9.9%	16.1%	
Low Yielders	4.4%	4.4%	6.4	4.3%	8.6%	
EMBIG-DIV	435 bp	9.0%	6.8	410 bp	10.5%	1.60
(excess ret.)		4.3%	6.8		5.0%	0.90
HY (excess)	789 bp		5.4	742 bp	8.4%	1.33
IG (excess)	138 bp		7.4	130 bp	1.9%	0.24

DM Target Comparison	Current Level	Yield	Dur.	Target	Total Return
S&P 500	4412	1.5%		4700	8.2%
EM FX vs. USD		1.3%		3.7%	5.1%
US 10yr	4.61%	4.6%	10	4.50%	5.7%
Oil (Brent)	$82			$93	13%
Copper	$8,112			$10,000	23%
US HY (excess)	397 bp		3.4	370 bp	4.9%
US IG (excess)	125 bp		6.7	115 bp	1.9%

Source: Goldman Sachs Global Investment Research

The EM Economics Team

Summary of GS EM Forecasts and Market Views

We summarize our latest views by region below. The tables on pages 12-13 review our growth, inflation, policy rate, and FX forecasts, and page 14 summarizes our conviction market views by region and asset class.

China's economy performed somewhat better in Q3, aided by an acceleration in consumption (in turn supported by a reduction in the household saving rate to pre-Covid levels). Growth is clearly on track to exceed policymakers' "around 5%" GDP target for this year (we estimate 5.3%). Downward pressures from the housing market downturn persist, but recent policy signals—including the issuance of a 1tn RMB special government bond—suggest Beijing's desire to avoid too much deceleration into 2024. We forecast 4.8% growth next year, conditional on a large (11% of GDP) "augmented fiscal deficit" and some incremental improvement in trade/export conditions. CPI inflation was negative in the latest reading, but this is due entirely to food prices; core inflation is 0.6% yoy and we expect inflation to move slightly higher in 2024. Still, inflation will clearly not be an obstacle to further policy easing, and we expect additional reserve requirement cuts (and another small policy rate cut) in 2024. Policymakers will likely continue to resist significant RMB depreciation against the USD.

Economic fortunes are diverging across **EM Asia**, as the global shocks of Covid and the 2022 commodities surge give way to forces such as supply chain reconfiguration, varying degrees of export recovery, and different policy responses. Growth has been soft in many of the export-oriented economies, reflecting weak global trade and manufacturing activity. However, tech goods exports have improved a little in recent months and we expect Korea, Taiwan, and Vietnam to benefit further from them in 2024. Meanwhile, continued normalization in regional tourism should benefit a number of Southeast Asian economies, particularly Thailand. We expect India to maintain strong, above 6% growth despite near-term political uncertainty. Inflation is now well off the peak in most Asia EMs, but most central banks will remain conservative in H1 2024 given high US rates and the strong USD.

For **LatAm** in 2024 we forecast, in broad terms, the continuation and consolidation of the 2023 macro rebalancing dynamics. The half-time picture shows that the peak-descent from multi-year high inflation has evolved slightly better than forecasted, the downshifting of growth has been smoother than expected, and central banks were more conservative than anticipated. There was also visible progress towards macro balancing on other fronts: economies with positive output gaps and large current account imbalances at year-end 2022, Chile and Colombia, saw those gaps closing meaningfully throughout 2023. The political environment was also less noisy and market-unfriendly than feared, as some governments had to walk back from aggressive reform proposals. Argentina was the exception to the broader macro rebalancing trend across LatAm given the very significant and unsettling deterioration of the macro and financial picture. Overall, so far there have been no major hiccups or visible damage to either fiscal or monetary frameworks, though Brazil flirted with the idea of increasing the inflation target and the new fiscal rule is perceived as weak and porous.

Notwithstanding the progress towards macro rebalancing in 2023, particularly on inflation, there is more (hard) work ahead. For 2024, we forecast inflation to move further down to closer to target levels, policy rates to move gradually down, but with monetary stances remaining in restrictive territory, and activity, after surprising to the upside in 2022 and the notable resilience of 1Q-3Q 2023, to shift to a more moderate growth track given, among other things, lack of significant spare capacity in both the goods and labor markets. The key issues to watch in 2024, are the fiscal dynamics, income tax overhaul, and enabling legislation for the VAT reform in Brazil, the inflation and fiscal backdrop in Colombia, the post election policy direction in Argentina and Ecuador, and the political transition in Mexico.

Economic growth in **CEEMEA** has remained resilient this year in the face of severe headwinds from tight financial conditions, geopolitical conflict and, in parts of the region, a loss of access to external funding. As we approach the close of 2023, sequential growth has risen to an above-trend pace, and we expect annual growth to accelerate in 2024. However, this relatively rosy aggregate picture masks considerable cross-country rotation, with recent strong growth performers (Turkey and Russia) poised to slow and the current growth laggards (CEE, South Africa, and MENA) set to accelerate.

Much of this growth rotation is being driven by divergent inflation cycles. Central banks that reacted decisively to last year's inflation shock (CEE and South Africa) are now seeing inflation return to target and can start to ease policy. By contrast, countries that either did not react sufficiently early to inflation (Turkey, Nigeria) or that are experiencing largely idiosyncratic shocks (Russia) are hiking rates now.

In the CEE-4, we forecast a sharp decline in rates through 2024 (and we are lowering our end-2024 rate forecasts further). In South Africa, we expect the first cut in 2024Q1 and cuts at a pace of 25bp/quarter. Set against this, we expect further tightening in the coming months in Turkey and Russia.

We have increased our neutral nominal policy rate assumptions across CEEMEA to reflect changes in our DM neutral rate assumptions. In the CEE-4, we are raising neutral rates by 50bp, to +3.5% in Poland, +3.0% in Czechia, and +4.0% in Hungary and Romania. In Russia, we have increased neutral nominal rates by 100bp to +6.5%, in Turkey by 150bp to +11.5%, and in South Africa by 100bp to +6.5%. The rise in US yields and ongoing strength of the Dollar imply that financing conditions will remain tight for high-yielding credits. Countries attempting to stabilise debt ratios (Sub-Saharan Africa, South Africa) will need larger adjustments to their primary balances, while those seeking to stabilise international investment positions (Kenya, Egypt, Turkey) will require larger current account adjustments.

GS Growth, Inflation, and Policy Rate Forecasts

Region	Country	Growth (Real GDP)* Latest	GS 2024	Cons 2024	Inflation (CPI)* Latest	GS 2024	Cons 2024	Policy Interest Rate^ Latest	GS End-24	Cons End-24
Latam	Mexico	3.3	2.1	*1.8*	4.3	4.4	*4.3*	11.25	9.50	*8.95*
	Colombia	-0.3	1.3	*1.8*	10.5	7.5	*5.8*	13.25	9.50	*7.95*
	Peru	-0.5	1.9	*2.4*	4.3	3.1	*3.2*	7.00	5.75	*4.40*
	Chile	-1.1	1.7	*2.0*	5.0	4.2	*3.5*	9.00	6.25	*5.00*
	Brazil	3.4	1.6	*1.6*	4.8	4.5	*4.0*	12.25	9.50	*8.90*
	Argentina	-4.9	-0.7	*-1.0*	142.7	155.3	*157.1*	-	-	-
CEEMEA	Poland	-1.1	3.6	*2.6*	6.1	4.3	*5.7*	5.75	4.00	*4.65*
	Czech Rep.	-1.1	2.5	*2.1*	8.5	3.2	*2.5*	7.00	3.25	*4.20*
	Hungary	-0.4	3.2	*2.8*	9.9	3.1	*5.2*	12.25	5.00	*6.20*
	Romania	0.2	3.9	*3.4*	8.1	5.6	*5.5*	7.00	4.50	*5.25*
	Russia	5.5	2.1	*1.3*	6.7	9.2	*5.6*	15.00	13.00	*9.80*
	Ukraine	19.5	7.0	*5.0*	5.3	6.3	*9.7*	16.00	12.00	*14.00*
	Turkey	3.8	2.8	*2.7*	61.4	49.6	*52.3*	35.00	25.00	*36.15*
	South Africa	1.6	1.8	*1.3*	5.5	4.1	*4.8*	8.25	7.25	*7.30*
	Israel	3.5	2.3	*3.2*	3.7	2.8	*2.8*	4.75	4.00	*3.55*
Asia ex-Japan	China	4.9	4.8	*4.5*	-0.2	1.3	*1.7*	1.80	1.60	-
	Korea	1.4	2.3	*2.1*	3.8	2.8	*2.4*	3.50	3.00	*2.75*
	Taiwan	2.3	2.5	*2.9*	3.0	1.7	*1.6*	1.88	1.75	*1.70*
	Vietnam	5.3	6.0	*6.3*	3.6	3.5	*3.1*	4.50	4.50	*4.20*
	Thailand	1.8	3.4	*3.6*	-0.3	1.1	*1.9*	2.50	2.50	*2.25*
	Malaysia	3.3	4.3	*4.5*	1.9	2.9	*2.5*	3.00	3.00	*2.95*
	India	7.8	6.3	*6.0*	4.9	5.1	*4.7*	6.50	6.25	*5.90*
	Indonesia	4.9	5.0	*5.0*	2.6	2.8	*3.0*	6.00	6.00	*5.40*
	Philippines	5.9	5.9	*5.6*	4.9	4.2	*3.7*	6.50	6.25	*5.70*
G3	US	2.9	2.1	*1.0*	3.7	2.6	*2.7*	5.38	5.13	*4.45*
	Euro Area	0.1	0.9	*0.7*	4.3	2.7	*2.7*	4.00	3.50	*3.65*
	Japan	1.7	1.4	*1.0*	3.0	3.1	*2.2*	-0.10	0.00	*0.00*

*The latest growth/inflation figures refer to the yoy growth of the latest quarter/month available; Annual average data are used for GS forecasts and consensus

^End of year forecasts and consensus for policy rates:

LATAM: Mexico: TdF bancario; Colombia:Overnight target rate; Peru: Central bank reference rate; Chile: Overnight target rate; Brazil: SELIC target rate;

CEEMEA: Poland: 7-day intervention rate; Czech Rep.: 2-week limit repo rate; Hungary: 2-week repo rate; Romania: one week repo rate;
Russia: CBR 1-week repo rate; Ukraine: Discount rate; Turkey: one week repo rate;
South Africa: Repo avg rate; Israel: discount rate;

AEJ: China: 7-day OMO rate; Korea: 7-day repo;Taiwan: rediscount rate; Thailand: 1-day repo; Vietnam: refinance rate;
Malaysia: overnight policy rate; India: repo rate; Indonesia: 7-day reverse repo rate; Philippines: repo rate.

G3: US: Federal Funds Target Rate; Euro Area: ECB deposit facility rate; Japan: Policy deposit rate.

Red shading indicates GS forecast meaningfully above consensus, blue shading indicates below.

Up triangles indicate upward adjustments in GS forecasts since the last publication and vice versa.

Source: Goldman Sachs Global Investment Research, Bloomberg, Consensus Economics

GS Exchange Rate Forecasts

		FX (against USD*)										GSDEER	GSFEER
		Spot 16-Nov	GS 3-month		Forward 3-month	GS 6-month		Forward 6-month	GS 12-month		Forward 12-month		
Latam	Mexico	17.3	17.0		17.5	17.0	▼	17.8	17.3		18.3	18.7	17.8
	Colombia	4025	4000	▲	4168	3900	▲	4248	3800	▲	4390	3293	4042
	Peru	3.79	3.75	▼	3.78	3.70	▼	3.78	3.65	▼	3.79	3.36	3.33
	Chile	887	880	▲	890	860	▲	894	840	▲	898	675	855
	Brazil	4.86	4.80	▲	4.91	4.70	▲	4.95	4.60	▲	5.04	4.16	4.61
	Argentina	352.8	800.0	▲	893.5	1000.0	▲	1188.5	800.0	▼	1543.5	--	--
CEEMEA	Poland (v EUR)	4.39	4.40	▼	4.40	4.35	▼	4.42	4.30	▼	4.48	4.71	4.49
	Czech Rep. (v EUR)	24.5	24.6	▲	24.7	24.8	▲	24.8	25.0	▲	24.9	30.4	25.8
	Hungary (v EUR)	377	375	▲	383	375	▲	388	380	▲	395	398	406
	Romania (v EUR)	4.96	4.95		5.00	4.95		5.02	5.00		5.07	--	--
	Russia	89.2	98.0	▲	94.6	105.0	▲	99.2	110.0	▲	108.9	67.4	70.1
	Ukraine	36.30	36.0	▼	38.4	40.0	▼	40.7	42.0	▼	46.8	--	--
	Turkey	28.68	29.00	▲	31.22	31.00	▲	33.98	34.00	▲	40.78	16.40	22.37
	South Africa	18.2	18.5	▲	18.5	18.3	▲	18.7	17.5	▲	19.0	12.5	14.6
	Israel	3.79	3.90	▲	3.72	3.85	▲	3.69	3.80	▲	3.65	3.40	3.11
Asia ex-Japan	China	7.26	7.30		7.15	7.30	▲	7.13	7.15	▲	7.06	5.53	6.11
	Korea	1301	1320	▲	1285	1280	▲	1278	1250	▲	1266	1191	1161
	Taiwan	32.1	33.0	▲	31.4	32.5	▲	31.0	32.0	▲	30.4	26.7	26.5
	Thailand	35.6	35.5	▲	34.9	35.0	▲	34.6	34.0	▲	34.1	32.4	31.4
	Malaysia	4.67	4.80	▲	4.62	4.70		4.59	4.60		4.54	3.43	4.07
	India	83.2	84.0	▲	83.4	83.0	▲	83.8	82.0		84.6	77.5	74.3
	Indonesia	15535	15800	▲	15494	15600	▲	15511	15400	▲	15566	13896	13662
	Philippines	55.8	58.0	▲	55.6	57.0	▲	55.7	56.0	▲	55.7	56.9	55.1
G3	Euro Area	1.08	1.04	▼	1.09	1.06	▼	1.09	1.10	▼	1.10	1.21	1.25
	Japan	151.0	155	▲	148	155		146	150		142	94.0	115

*Poland, Czech Republic, Hungary, and Romania are expressed vs EUR.

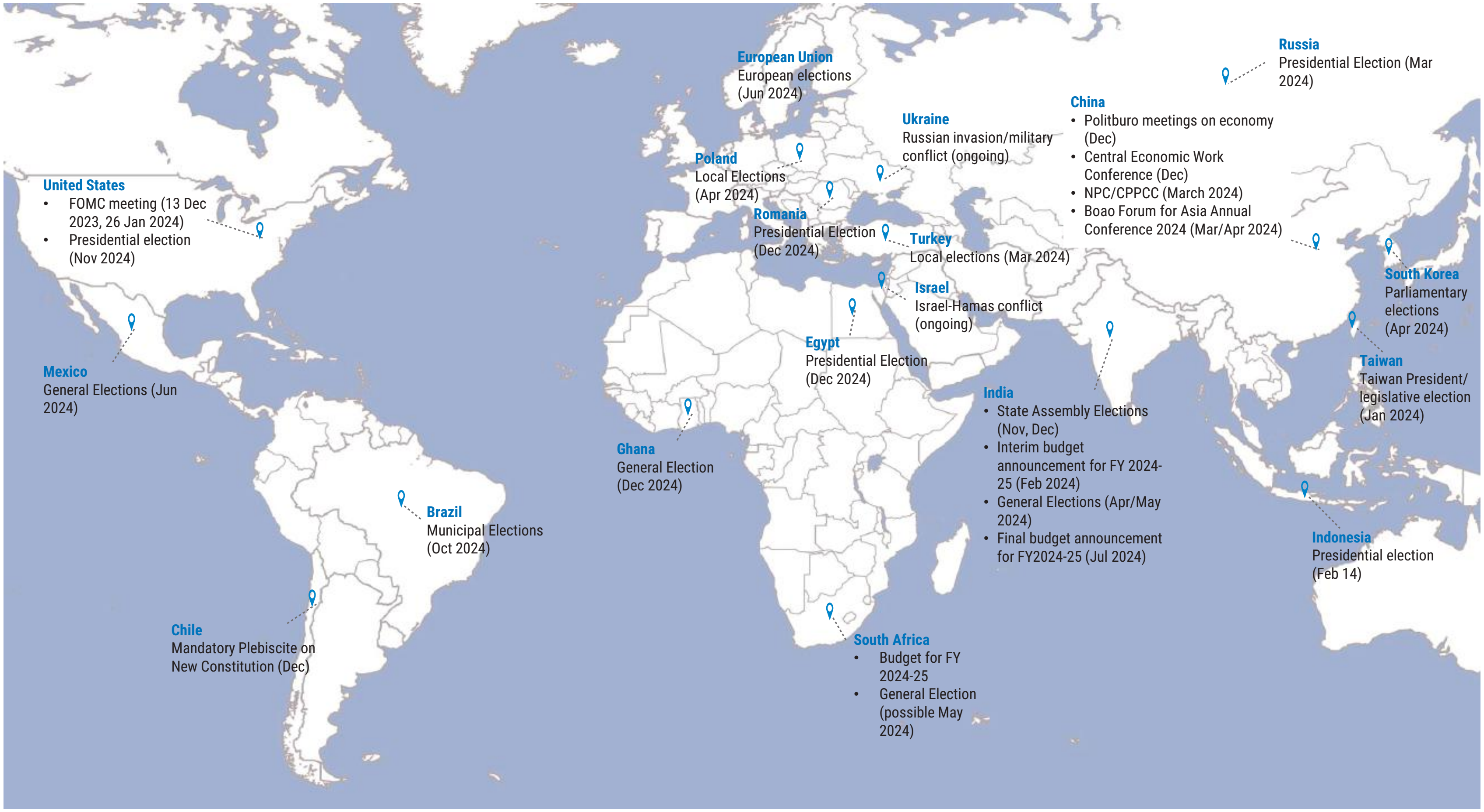
Source: Goldman Sachs Global Investment Research, Bloomberg

GS Conviction Views in EM

Source: Goldman Sachs Global Investment Research

	RATES	FX	EQUITIES	CREDIT
LATAM			Prefer Colombia	Stay long Mexican Corporates
CEEMEA			Prefer South Africa	HY: barbell approach to Egypt credit
CHINA	Long 1Y CGB (FX hedged)		Overweight on China A Overweight on TMT and mass-market Consumer	Preference for IG over HY for China Property. Cautious on China AMC and LGFV
EM ASIA- EX-CHINA	Sell Indonesia 10Y vs. Buy India 10Y government bonds Receive SGD 2Y SORA OIS vs. paying a basket of global 2Y rates	Short IDR 10y vs INR 10y government bonds Short MYR/THB Short TWD/KRW on diverging BoP outlooks	Overweight on India, Thailand, Japan, Korea; Underweight on Hong Kong, Australia, Malaysia, Philippines Overweight on autos, internet, semiconductors, tech hardware, telecom services; Underweight on chemicals, China banks, metals & mining, real estate, software	IG: BBB+/BBB for 7-10yr credits and A for 30yr credits, and see value in BBB- credits for 1-3yr. Value in Indonesia corporates HY: Preference for BB rated corporates is at the 1-3yr part of the curve. Value in Commodities HY, limited value in Financials
G3/GLOBAL	Receive 1y USD OIS Short 10y Bund vs OIS 6m2y/6m10y JPY OIS steepener 1y1y/5y5y AUD swap curve flattener			

Key upcoming events for EM investors



Source: Compiled by Goldman Sachs Global Investment Research

The EM Bookshelf: Recent GS EM Macro Research

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- Physical headwinds: *Metal Views* (October 16)

EM Spotlight: 2024 Outlooks

This section provides one-page summaries for some of our recently published work. For this edition we highlight our various regional and market reports on the 2024 outlook.

- In China 2024 Outlook: Striking the Policy Put we explain why we see policymakers' stepped-up support as the key recent development, likely reflecting a desire to limit deceleration in 2024.
- India 2024 Outlook: Port of calm in a "Higher for Longer" world makes the case for continued 6%+ real GDP growth, but also a firmer policy rate path than markets expect.
- Several open economies should benefit from an improvement in exports (particularly technology goods) next year. We discuss them in 2024 Macro Outlook: Korea, Taiwan, and Vietnam—External Tailwinds and Domestic Headwinds.
- After a difficult 2023, many CEE and Persian Gulf economies could rebound next year, as explained in CEEMEA 2024 Outlook — Inflation Dispersion, Policy Divergence, and Higher Neutral Rates.
- In LatAm 2024-25 Macro Outlook: Reduce Speed, Maintain Altitude, Limited Visibility Ahead, we envision further modest deceleration in growth (but also lower inflation and interest rates).
- EM Market Outlook 2024: The Other Side of the Storm draws out the market implications from these macroeconomic views.

LatAm 2024-25 Macro Outlook: Reduce Speed, Maintain Altitude, Limited Visibility Ahead

LatAm 2024-25 Macro Outlook: Reduce Speed, Maintain Altitude, Limited Visibility Ahead

- **Entering Stage II of the Macro Adjustment:** The LatAm multi-year macroeconomic rebalancing is set to continue in 2024. **Stage I** of the adjustment (2023), the peak-descent from very high inflation, evolved better than anticipated. Inflation trended down smoothly, real activity was more resilient than our above-consensus expectations, and central banks were more conservative than anticipated. Notwithstanding the progress, there is more hard work ahead. In **Adjustment Stage II (2024)** we expect further progress on the inflation front, moderate rate cuts, and a shift to moderate growth.
- **Back to a Modest Growth Path:** Growth seems bound to return to the modest path it was trending pre-pandemic. Real GDP growth for the LA7 economies is expected to downshift to a modest 1.5% in 2024 given the still-tight domestic and external financial conditions, exigent credit conditions, tight labor markets, low levels of economic slack, lingering political and policy uncertainty, and subdued consumer and business sentiment.
- **Further Progress on Inflation:** Inflation is expected to continue to moderate throughout 2024 but broad realignment with central banks' targets is expected only for 2025. With tight labor markets and high wage growth in some places, core and in particular services inflation are expected to remain sticky. Inflation among the five inflation-targeting economies (LA-IT5) is expected to moderate from 5.1% by end 2023 to a still above-target 4.2% in 2024; and in Argentina is expected to remain in triple digits.
- **Conservative Rate Easing Cycles:** The central banks of Brazil, Chile, and Peru have already started to cut rates, and we anticipate Mexico and Colombia will join in 2024. We expect central banks to remain conservative with the pace and depth of the easing cycles a function of progress on the disinflation front, the evolution of the overall balance of risk, and global monetary and financial conditions. Monetary stances will remain restrictive (above-neutral).

CEEMEA 2024 Outlook — Inflation Dispersion, Policy Divergence, and Higher Neutral Rates

CEEMEA 2024 Outlook — Inflation Dispersion, Policy Divergence, and Higher Neutral Rates

- Economic growth in CEEMEA has remained resilient this year in the face of severe headwinds from tight financial conditions, geopolitical conflict and, in parts of the region, a loss of access to external funding. As we approach the close of 2023, sequential growth has risen to an above-trend pace, and we expect annual growth to accelerate in 2024. However, this relatively rosy aggregate picture masks considerable cross-country rotation, with recent strong growth performers (Turkey and Russia) poised to slow and the current growth laggards (CEE, South Africa, and MENA) set to accelerate.
- Much of this growth rotation is being driven by divergent inflation cycles. Central banks that reacted decisively to last year's inflation shock (CEE and South Africa) are now seeing inflation return to target and can start to ease policy. By contrast, countries that either did not react sufficiently early to inflation (Turkey, Nigeria) or that are experiencing largely idiosyncratic shocks (Russia) are hiking rates now.
- In the CEE-4, we forecast a sharp decline in rates through 2024 (and we are lowering our end-2024 rate forecasts further). In South Africa, we expect the first cut in 2024Q1 and cuts at a pace of 25bp/quarter. Set against this, we expect further tightening in the coming months in Turkey and Russia.
- We are increasing our neutral nominal policy rate assumptions across CEEMEA to reflect changes in our DM neutral rate assumptions. In the CEE-4, we are raising neutral rates by 50bp, to +3.5% in Poland, +3.0% in Czechia, and +4.0% in Hungary and Romania. In Russia, we are increasing neutral nominal rates by 100bp to +6.5%, in Turkey by 150bp to +11.5%, and in South Africa by 100bp to +6.5%.
- The rise in US yields and ongoing strength of the Dollar imply that financing conditions will remain tight for high-yielding credits. Countries attempting to stabilise debt ratios (Sub-Saharan Africa, South Africa) will need larger adjustments to their primary balances, while those seeking to stabilise international investment positions (Kenya, Egypt, Turkey) will require larger current account adjustments.

China 2024 Outlook: Striking the Policy Put

China 2024 Outlook: Striking the Policy Put

- After a short-lived rebound in Q1, China's economic growth quickly softened and will only register 5.3% real GDP growth this year despite the sizeable reopening boost. With the property sector drag persisting, consumer and business sentiment weak, and local governments deleveraging, growth next year would slow sharply without a policy offset. In addition, another year of sluggish growth may further erode longer-term growth expectations. Therefore, we think a "policy put" has been triggered in China and we expect the central government to step up easing materially in coming months. We forecast 4.8% real GDP growth for 2024.
- We expect real household consumption to grow 6.0% in 2024, as disposable income growth outpaces GDP growth and the savings rate continues to gradually move lower. This represents a moderate slowdown after a likely 8.5% rebound this year on the back of the reopening boost.
- On property, although new housing starts have fallen 65% from the peak, total new homes under construction have only dropped 13%, implying further weakening in construction activity in coming years. We expect the government to use public housing and urban village renovation as instruments to smooth the ongoing drag from the property slump.
- We expect investment to pick up, with gross fixed capital formation (GFCF) growth increasing from 3.5% in 2023 to 4.5% in 2024. Manufacturing and infrastructure investment growth should accelerate on fiscal and credit support, while the contraction in property investment should narrow moderately on public housing construction and urban village renovation.
- Both import and export values dropped in 2023, whereas import and export volumes actually rose. We expect trade prices to stabilize in 2024 and volumes to grow steadily, resulting in low single-digit growth in import and export values next year. We forecast China's current account surplus to decline from 1.9% to 1.6% of GDP, and expect net FDI and portfolio investment outflows to continue.
- We expect macro policy to remain supportive, with the augmented fiscal deficit (AFD) staying unchanged at 11.0% of GDP in 2024 after contracting from 2022 to 2023. Total social financing (TSF) stock growth is likely to pick up from 9.3% this year to 10% next year. As such, policy support to growth should be larger in 2024 compared to 2023. To facilitate government bond issuance and demand-side stimulus, the PBOC will need to implement further RRR and policy rate cuts.
- We expect policy easing to be front-loaded and growth momentum to be stronger in the first half of 2024. But even with stepped-up policy help from the central government, inflation is likely to stay benign. We forecast headline CPI inflation to increase from 0.3% in 2023 to 1.3% in 2024. Although our 2024 growth forecast is above the current sell-side consensus, we maintain our cautious view on China's medium to long-term growth outlook as the weight of deteriorating demographics, property and local government deleveraging, and global supply chain de-risking will be felt by the Chinese economy for years to come.

India 2024 Outlook: Port of calm in a "Higher for Longer" world

India 2024 Outlook: Port of calm in a "Higher for Longer" world

- **Steady growth:** In 2024, we expect macro-economic resilience to continue in India amidst steady growth at 6.3% yoy. The year will likely be a tale of two halves: Pre-elections, government spending will likely be the growth driver. Post-elections, we expect investment growth to re-accelerate, especially from the private side.
- **A floor on core inflation:** Repeated supply shocks are likely to keep headline inflation above target at 5.1% yoy (average) in 2024. We expect government intervention to keep a lid on food inflation, where possible, in an election year. We expect core inflation to only decline to 4.5% yoy (average) in 2024 from an estimated 5.1% in 2023 given food and oil supply shocks and a steady growth outlook.
- **A "hawkish hold" in a "higher for longer" world:** Somewhat elevated inflation relative to target will limit the room for monetary easing — we forecast the RBI to stay on hold until Q4 2024 and then cut only 50bp cumulatively by early 2025. The "higher-for-longer" global scenario and elevated inflation domestically will mean continued hawkish guidance and tight banking system liquidity from the RBI.
- **Low external vulnerability:** Higher oil prices, slower growth in trading partners, and steady domestic growth is likely to increase the current account deficit by 60bp to 1.9% of GDP in 2024. While services exports have peaked (as a share of GDP) in our view, they will continue to cushion a wide goods trade deficit in 2024. Foreign portfolio inflows from India's inclusion in a global bond index should help fund the current account deficit.
- **INR: A port of calm:** Nearly $600bn of FX reserves should continue to allow the RBI to intervene promptly and keep the USD/INR stable. We expect the USD/INR to hover around 83.0 – 84.0 over the next 3-6 months, and expect it to appreciate slightly to 82.0 over 12 months, driven by our US economics/FX research colleagues' expectation of Fed cuts beginning in Q4 2024 and a softer broad USD by then.

2024 Macro Outlook: Korea, Taiwan, and Vietnam—External Tailwinds and Domestic Headwinds

2024 Macro Outlook: Korea, Taiwan, and Vietnam—External Tailwinds and Domestic Headwinds

- In 2023, the regional tech exporters (Korea, Taiwan and Vietnam) grew below potential with moderating inflation, broadly in line with our expectations in late 2022. Consumption was resilient, boosted by normalizing services demand, but the momentum has recently slowed on decade-high interest rates. Exports remained subdued in H1 but began to recover in H2, led by tech products.
- We expect inflation to moderate further in all three economies on subdued import price inflation and weakening domestic demand. Our inflation model points to disinflation to mid-2% in Korea and mid-1.5% in Taiwan by mid-2024, with further progress towards inflation targets in H2. Inflation in Vietnam should also trend down after a brief overshoot in Q2 on base effects.
- We expect GDP growth to improve meaningfully in 2024 on exports recovery. Our growth forecasts are 2.3% for Korea, slightly above consensus, and 2.5% and 6.0% for Taiwan and Vietnam (both below consensus). Exports are likely to recover from post-pandemic goods recession caused by a swing in pandemic-era consumption patterns. In addition, idiosyncratic AI-related demand should help boost tech exports from Korea and Taiwan with positive domestic spillovers. Headwinds could come from high interest rates, fiscal consolidation, and slowing credit expansion. Current accounts should remain strong in Taiwan and improve in Korea on rebound in tech demand and gains in the terms of trade.
- We expect monetary policy to ease in Korea in Q2, followed by Taiwan in Q4. The macro backdrop of weak domestic demand and rebounding exports could allow more flexibility in monetary policy, less constrained by US monetary policy and associated forex pressure. Under our baseline scenario of soft-landing of the global hiking cycle, KRW and TWD should gain vs USD, with KRW outperforming in the region given Korea's procyclicality and upsides in exports and the current account. Potential risks to our views include energy prices, geopolitical issues, and elections in Taiwan and Korea.

EM Market Outlook 2024: The Other Side of the Storm

EM Market Outlook 2024: The Other Side of the Storm

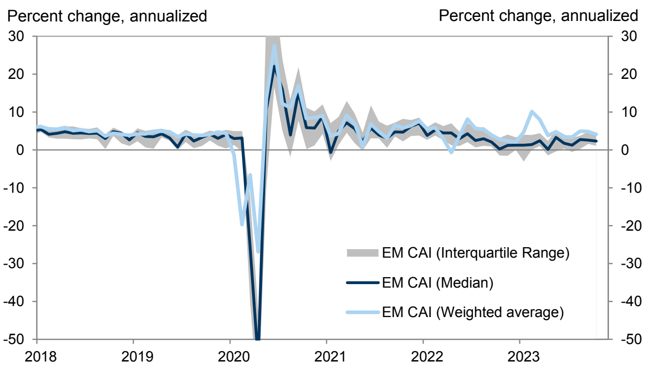
- **A Better Global Macro Backdrop for EM Assets ...** Over the last couple of years, EM assets have had to absorb the "triple whammy" of higher US interest rates, a strong Dollar and slower China growth. For the most part, they have weathered this storm with resilience and remarkably have even managed to eke out narrow sleeves of outperformance. With disinflation progressing well globally, and the US (and other G10 central banks) largely done hiking rates, what lies on the other side of this storm for EM assets? A more benign global and EM macro outlook – with steady growth, lower inflation and the potential for rate cuts.
- **... Combined with Average Valuations, Argues for Balanced Positive Returns.** The flip side of EM resilience is that valuations do not look particularly cheap. As a result, we expect a more balanced return profile across EM assets, with more broad upside if non-recessionary US rate cuts materialise earlier in the year. Compared with last year, when we had a strong preference for EM local relative to hard currency EM fixed income, the risks around our base case argue for a more balanced return profile.
- **EM Local Rates: Bittersweet Outperformance, Appealing Asymmetries.** Disinflation-led outperformance and higher US rates have left EM local rate spreads at exceptionally tight levels, setting a high bar for outright outperformance. Further disinflation and supportive fundamentals should keep spreads tight, and instead we think there are appealing asymmetries within local rates. Hawkish risks from higher core rates or commodity price increases would challenge EM cutting cycles and could cause cracks in EMs with weaker external positions. By contrast, earlier cut pricing for the Fed could lead to further outperformance of the LatAm rate complex, with scope for meaningful rate relief in Mexico and Brazil, where real rates are priced high despite ongoing disinflation. Other idiosyncratic stories we like are FX-hedged front-end bonds in China on expected policy easing, long-end bonds in Poland and the belly of Hungarian rates on improving structural stories, and long-end bonds in India (relative to Indonesia) on sounder fundamentals and index inclusion.
- **EM FX: Total Returns Rely on Dollar Trajectory; LatAm still the best combination of carry, cyclicality and commodity exposure.** Against the differentiated Dollar backdrop of 2023, EM FX total returns have continued to outperform G9 FX through most of the year even as the carry differential has narrowed. As a result, real trade-weighted valuations for EM FX no longer look cheap, meaning further spot appreciation will depend increasingly on the Dollar trajectory. Against a more benign macro backdrop, LatAm high-yielding currencies should continue to outperform given an attractive combination of cyclical and commodity exposure, whereas other high-beta currencies (namely, ZAR and CLP) and Asian currencies probably require a more sustained recovery in China's growth prospects to open up the right tail. Idiosyncratic developments could lead to more substantial FX appreciation of the Polish Zloty as the upcoming change in government leads to increased capital inflows, and of the undervalued Israeli Shekel (though with more geopolitical uncertainty). We think the Turkish Lira could

outperform the elevated risk premium in year-ahead forwards as real rates turn positive.

- **EM Equities: Modest Return Potential Awaiting EPS 'Lift-Off'.** Sluggish EPS growth and limits to valuation expansion are likely to constrain EM equity upside, and we expect low single-digit returns in EM ex-China. Dispersion is likely to be key to unlock EM equity alpha and, looking into 2024, we forecast better earnings outcomes in China, South Africa, and MENA, which is consistent with the patterns of annual rotation in recent years. Furthermore, our scenario analysis in terms of hawkish or dovish outcomes suggests that Korea, Colombia, China, South Africa and Thailand appear best-positioned given strong modal returns and insulated downside risks if growth data weaken.
- **EM Sovereign Credit: Modest Spread Tightening and Total Returns ...** We expect total returns of ~10.5%, driven by coupons with yields now at the higher end of the historical range, and only modest spread compression to ~410bp over the next 12 months. While we expect US HY spreads to outperform the EMBI Global Diversified next year, EM sovereign credit spreads tend to outperform US HY spreads when US growth underperforms, which means that EM credit can act as a hedge against lingering fears that a US recession could still materialise.
- **... Leave Ample Room for Credit Selection.** Within EM credit, we think the best carry opportunities can be found among BB-rated credits (South Africa, Oman, Brazil, Costa Rica and the Dominican Republic), and by extending duration in IG (such as UAE, Saudi Arabia, Qatar and Indonesia). Moreover, we see room for spreads to outperform among select HY and distressed credits (i.e., Colombia, Nigeria, Pakistan and Ghana), and underperform across IG and HY (i.e., Panama, Jordan, Angola, Kenya and Turkey). Finally, among Frontier markets, the risk/reward for currency longs continues to look unattractive in a world of higher for longer DM rates, with many local real rates still low or negative.

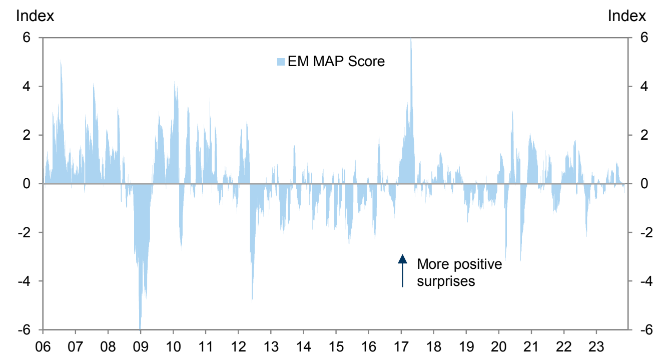
EM Chartpack

Exhibit 16: EM Current Activity Indicator



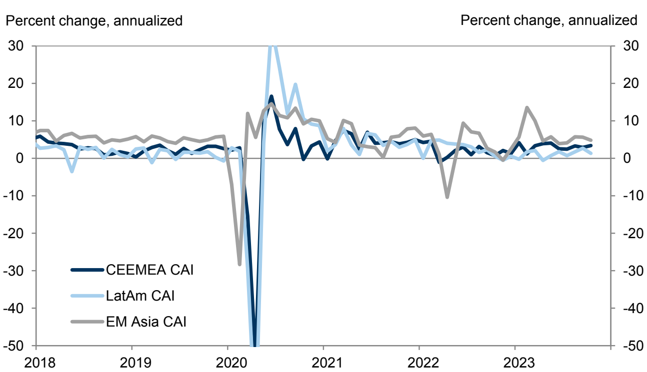
Source: Goldman Sachs Global Investment Research

Exhibit 17: EM Growth Surprises



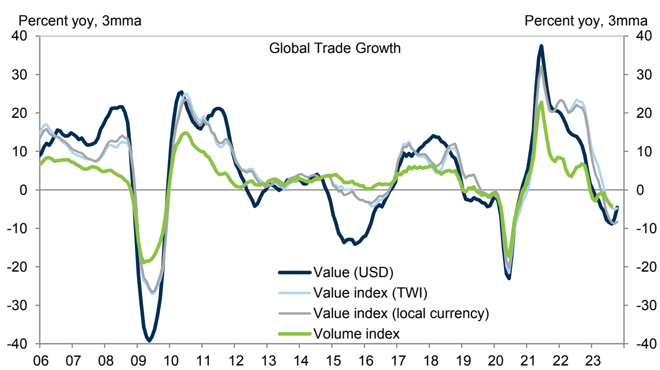
Source: Goldman Sachs Global Investment Research

Exhibit 18: EM Regional CAIs



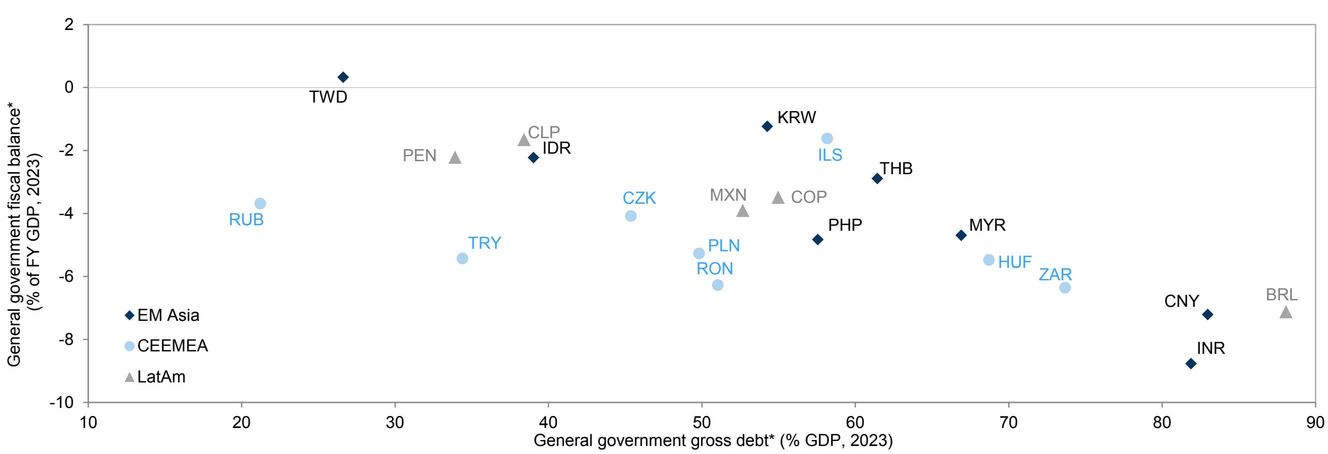
Source: Goldman Sachs Global Investment Research

Exhibit 19: Global Trade Growth



Source: CPB World Trade Monitor, Haver Analytics, Goldman Sachs Global Investment Research

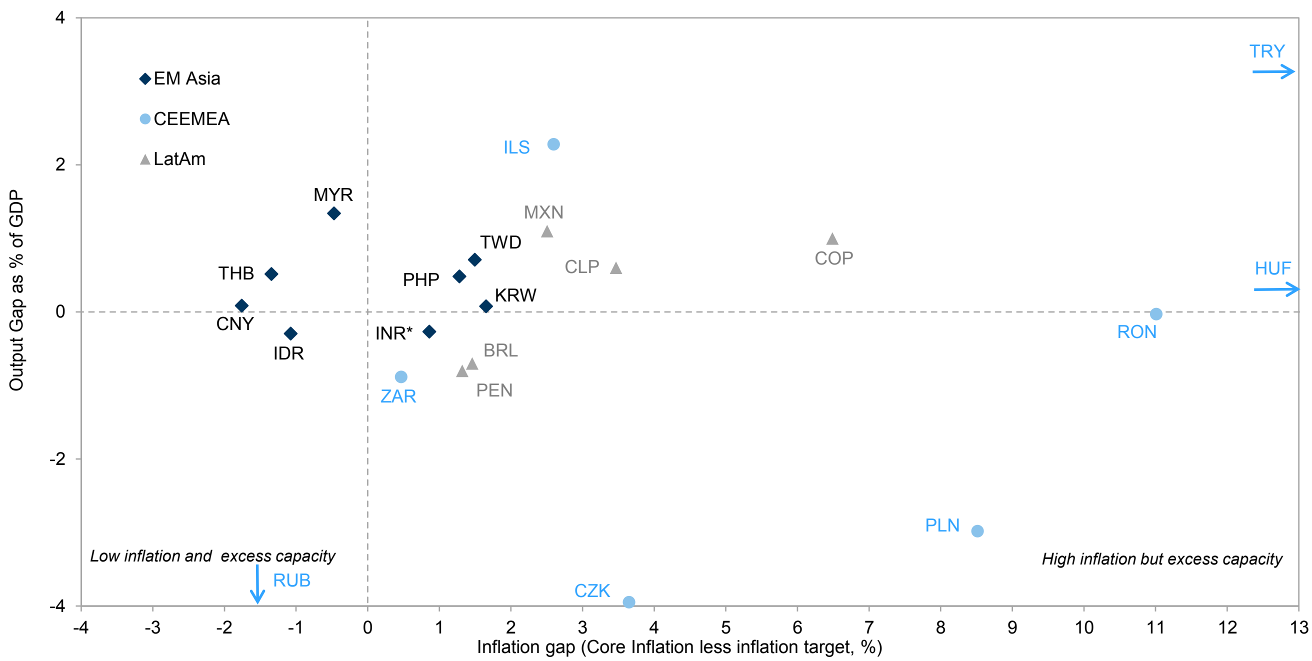
Exhibit 20: EM Government Debt/Deficits



*General government fiscal balance and general government debt based on October IMF estimations;
China general government balance based on GS estimates of China effective on-budget fiscal balance and government special bond issuance in 2023

Source: IMF, Goldman Sachs Global Investment Research

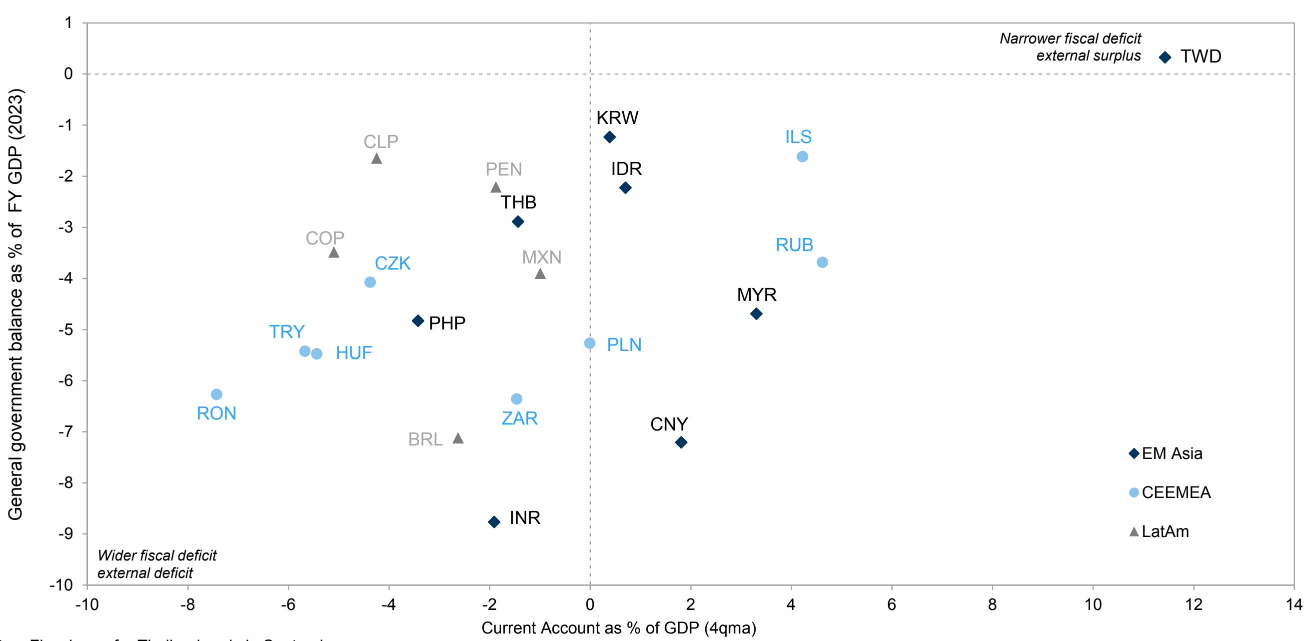
Exhibit 21: EM Output Gap vs Inflation Gap



Note: China inflation target of 3% more like a ceiling in practice; we use target of 2.25% here.
Output gap is calculated based on latest GDP release
*Headline CPI used for India inflation gap

Source: Haver Analytics, Goldman Sachs Global Investment Research

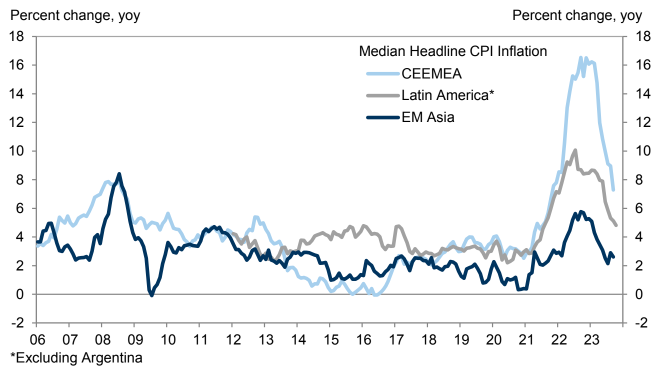
Exhibit 22: EM Fiscal vs External Balance



Notes: Fiscal year for Thailand ends in September.
China general government balance based on GS estimates of China effective on-budget fiscal balance and government special bond issuance in 2023

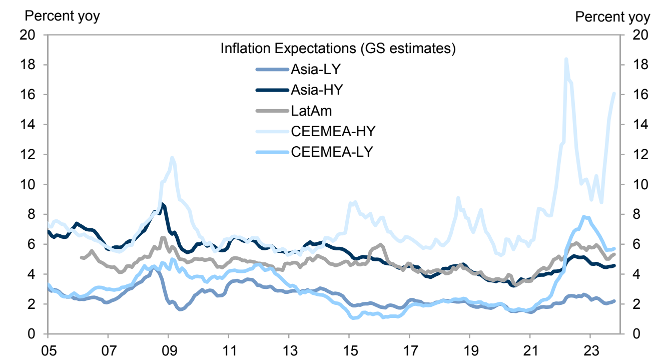
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 23: EM Inflation by Region



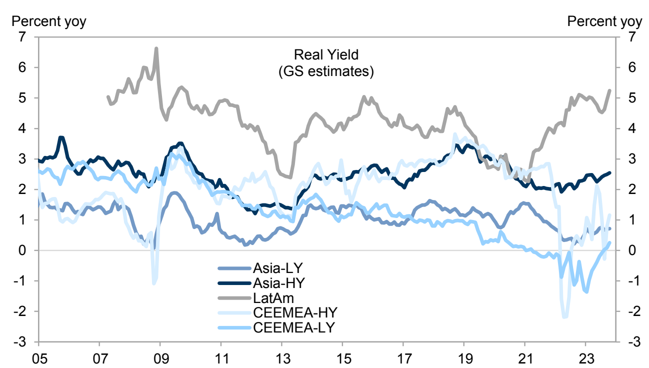
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 24: EM Inflation Expectations



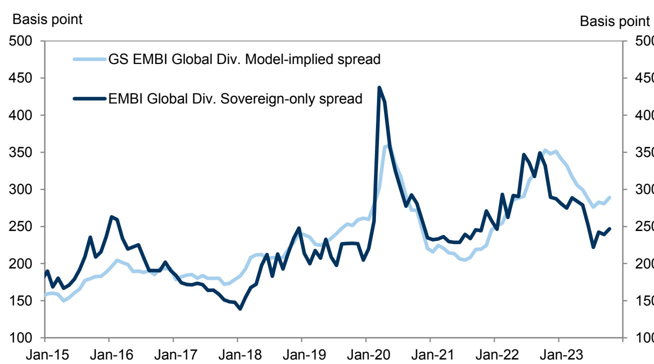
Source: Goldman Sachs Global Investment Research

Exhibit 25: EM Real Yields



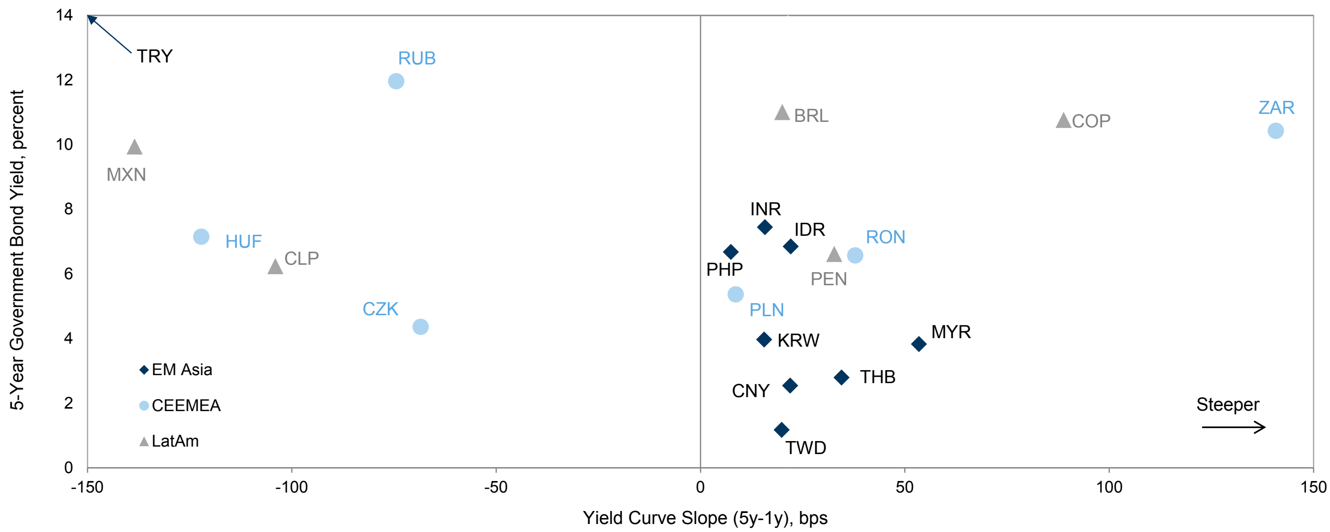
Source: Goldman Sachs Global Investment Research

Exhibit 26: Sovereign Bond Spreads



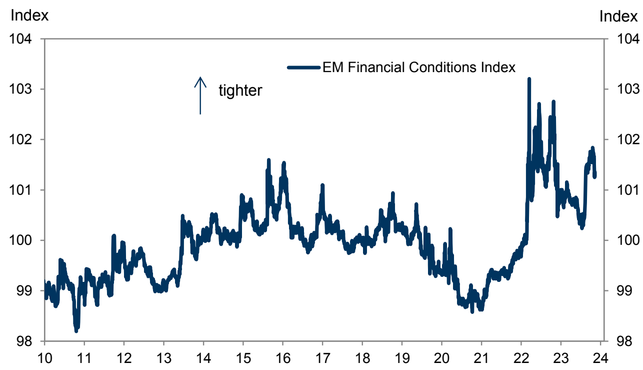
Source: Goldman Sachs Global Investment Research, Datastream

Exhibit 27: EM Yield Curves



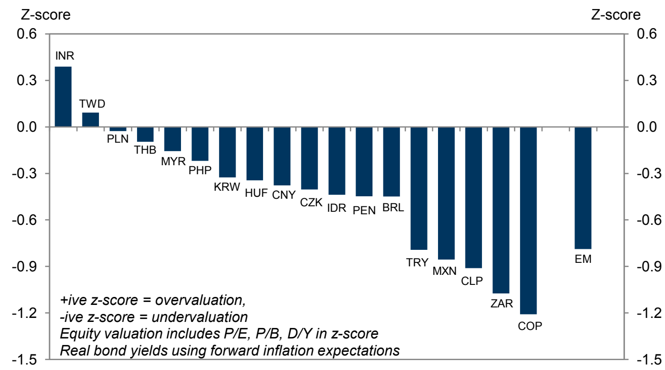
Source: Goldman Sachs Global Investment Research

Exhibit 28: EM Financial Conditions



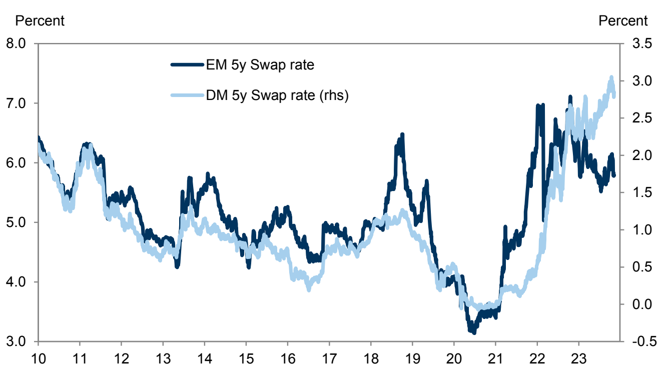
Source: Goldman Sachs Global Investment Research

Exhibit 29: EM Cross Asset Valuation



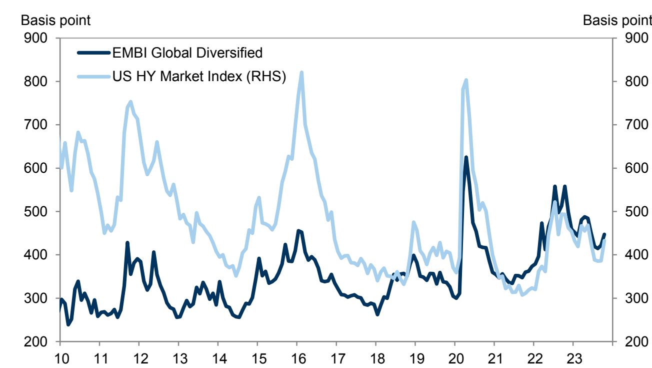
Source: FactSet, Datastream, Goldman Sachs Global Investment Research

Exhibit 30: EM Swap Rates



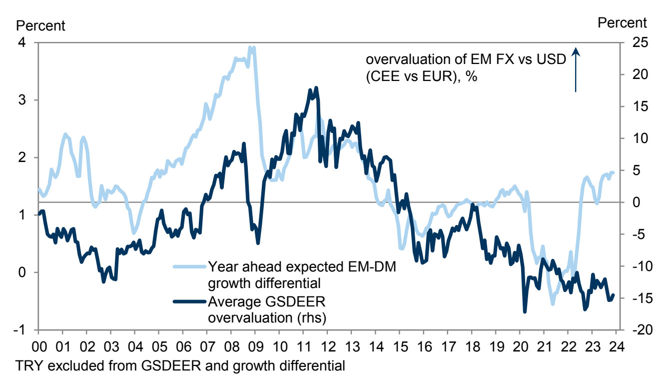
Source: Goldman Sachs Global Investment Research

Exhibit 31: High-Yield Credit Spreads



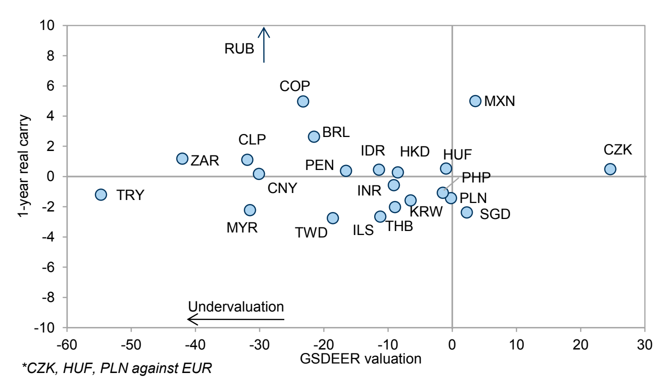
Source: Goldman Sachs Global Investment Research, Datastream, ICE-BAML

Exhibit 32: EM FX Valuation



Source: Consensus Economics, Goldman Sachs Global Investment Research

Exhibit 33: EM FX Carry vs. Valuation



Source: Consensus Economics, Goldman Sachs Global Investment Research

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Disclosure Appendix

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We, Andrew Tilton, Kamakshya Trivedi, Kevin Daly, Clemens Grafe, Kenneth Ho, Goohoon Kwon, CFA, Caesar Maasry, Andrew Matheny, Alberto Ramos, Hui Shan and Danny Suwanapruti, hereby certify that all of the views expressed in this report accurately reflect our personal views, which have not been influenced by considerations of the firm's business or client relationships.

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