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Global growth continues to disappoint. We have lowered our 2016 global GDP growth forecast to 2.4% from 2.9%, putting it in line with the average of the last few years. The downgrade has been broad-based, across both developed (to 1.7% from 2.1%) and emerging (3.6% from 3.9%) economies. Although expectations of stronger growth have failed to materialize, pessimistic scenarios for this year – a hard landing in China, or US recession – look increasingly unlikely. Global growth is unlikely to weaken further from here, in our view.

Consequently, our forecast suggests the multi-year decline in emerging markets growth is ending. Risks look increasingly balanced. Steady developed market demand, stabilization in China and the recent rise in commodity prices should provide some upside. But rising US core inflation and the prospect of faster policy normalization from the Federal Reserve pose a risk of further financial stress.

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All the estimates and projections in this publication are based on information available through 10 March 2016.

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.

Not as weak as feared, not as strong as hoped

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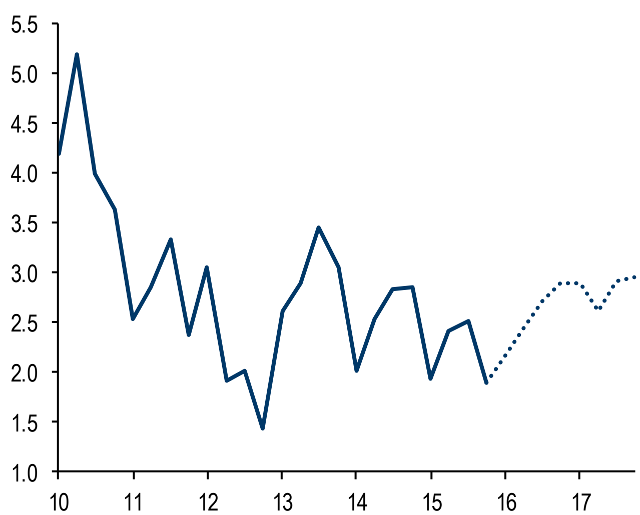
Although the year is still young, 2016 looks set to be another year when relatively optimistic expectations for global growth will be disappointed. Our forecasts for global GDP this year have been cut to 2½%, from 2.9% last November. This time a year ago we were looking for 3.2% (Exhibit 2). But although we're now no longer forecasting stronger growth in 2016, materially weaker global growth remains unlikely. Fears of a recession in the US or a disruptive downturn in China have not been realized.

The downgrades to our forecasts have largely come on the back of weak global GDP and industrial production growth in the past six months. That weakness has been common to both developed and emerging economies. Cyclical indicators such as the PMIs suggest that weakness is broad-based and likely to continue into the second quarter.

Exhibit 1: Global GDP growth remains weak

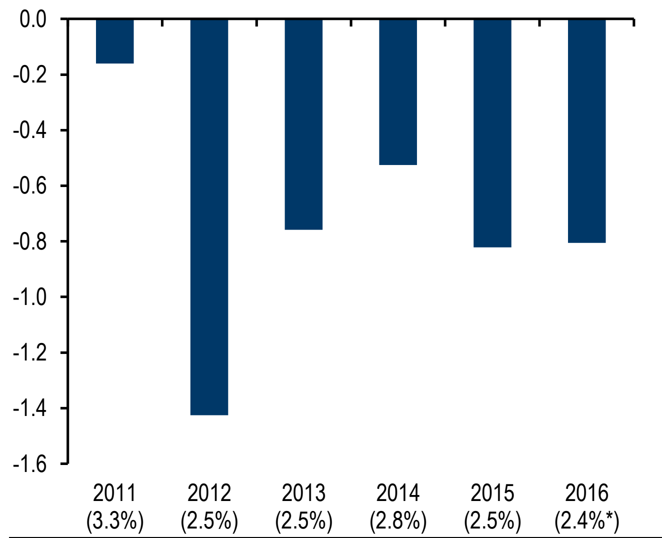
Global real GDP, q/q saar%, with CS forecast



Source: Credit Suisse

Exhibit 2: Global growth continues to disappoint

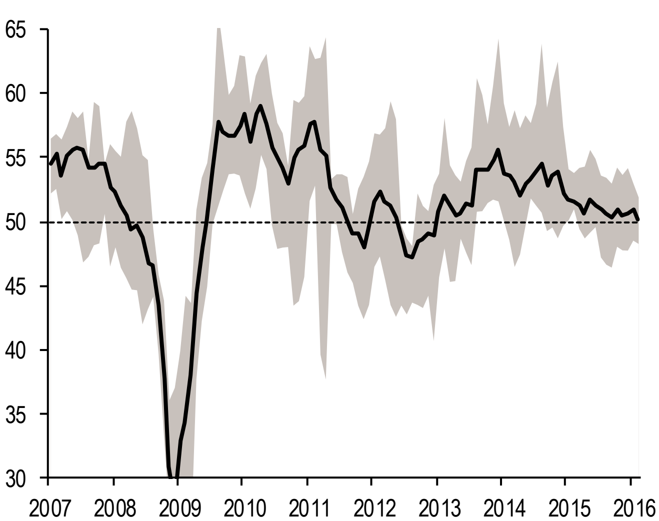
Difference between CS global GDP growth forecast in June of the prior year and final outturn



Source: Credit Suisse

Exhibit 3: Weak growth momentum pervasive

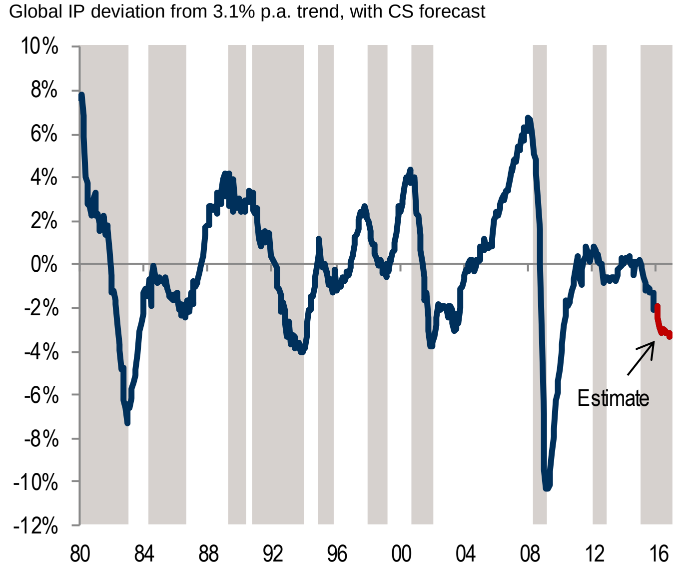
Global manufacturing PMI new orders, swathe of strongest to weakest



Source: Credit Suisse

Exhibit 4: Global production growing below trend

Global IP deviation from 3.1% p.a. trend, with CS forecast



Source: Credit Suisse

Global industrial production has been growing at a below-trend pace for over a year. In general, that weakness has been broad-based across regions, but particularly acute amongst commodity producers (see Exhibits 6-9).

The global economy looks stuck in a prolonged episode of weak production, trade and GDP growth. We expect a modest upswing in global production momentum in the second half of the year, also reflected in our GDP forecast, because goods demand has proved more resilient than production, particularly in developed economies (as discussed in our latest Global Cycle Notes). But we believe the speed-up in industrial production won't be enough for it to reach its previous trend pace. Volatility aside, lackluster growth should persist.

The ongoing reversion of hitherto optimistic GDP forecasts to a 2½% mean, while disappointing, increasingly suggests this weakness is structural. That is corroborated by steady falls in unemployment rates in developed economies. Indeed, the pace of falling unemployment implies that recent GDP growth in developed economies – of just below 2% – has in fact been modestly above potential.

As well as lacking vigor, global growth has recently lacked volatility, and has been stuck at a pedestrian rate of around 2½% since 2011. Despite that, this low growth, low volatility global economy has several features capable of delivering financial volatility.

First of all, this environment remains consistent with considerable economic and policy divergence. Markets have priced the "divergence trade" with varying levels of conviction over the last few years. In general, periods of concern over the downside risks to global growth – such as the last few months – have been periods when that theme has failed to resonate. Conversely, when those concerns abate, such as may be likely over the next few months, divergent economic fundamentals can reassert themselves in market pricing.

The main story remains one of a divergence between the path of economic policy in the US, where it is likely to tighten further this year, and many other regions – notably Europe and Asia – where policy should loosen in 2016. And we'd note that despite extremely weak economic activity, economic policy remains set on a restrictive path in Latin America.

We expect the **US economy** to remain on a path consistent with further normalization of monetary policy from the Federal Reserve. Although a weak global economy has been a headwind to US growth through net trade and some areas of weakness in business investment, a virtuous cycle of solid jobs growth and robust consumer outlays has managed to sustain growth at a pace consistent with ongoing tightening in the US labor market. So far, there has been no evidence of this pattern ending. The US expansion remains solid and self-sustaining, in our view.

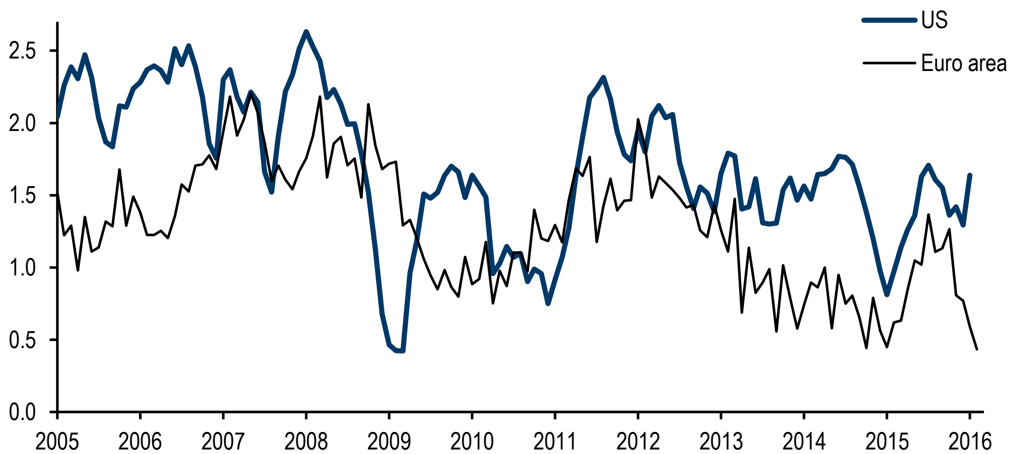
Although a tight labor market – with the unemployment rate likely to fall to just 4.5% by year-end – has failed to generate significant wage inflation, other measures of inflation are now on the rise. That may partly be due to the disinflationary forces from the dollar's appreciation in 2014-2015 starting to abate. But the fact that core CPI inflation has risen above 2% and the core PCE deflator has risen to just below it makes a compelling case for further normalization. So we look for two 25bp rate increases from the Fed in the second half of this year, followed by a further 100bp worth of hikes in 2017.

Inasmuch as the dollar's appreciation bore down on the net trade contribution to growth in the US, the euro area saw its exports outperform in 2015 on the back of the euro's prior fall. Solid above-trend growth has also been sustained by strong domestic fundamentals: pent-up consumer demand has been realized as real incomes surged due to lower oil prices and an improving labor market. Easing financial conditions have provided yet another tailwind, and banks have materially eased credit standards after several years of deleveraging.

Those dynamics are changing. In particular, the external stimulus from the weaker euro is waning. Domestic demand still has the capacity to grow rapidly, but recent financial volatility may endanger both easier bank lending conditions and business' investment plans. The ECB's latest policy measures, which aimed at easing domestic financial conditions rather than putting downward pressure on the euro, look well calibrated to sustain a recovery increasingly dependent on domestic demand.

Exhibit 5: Divergent inflation trends to widen cross-Atlantic policy divergence

US core PCE deflator and euro area core CPI, 6m annualized change (%)



Source: Credit Suisse

Further policy easing is also likely in **Japan**. We've cut our forecasts for Japanese growth and inflation on the back of the stronger yen. Its negative impact on corporate earnings is likely to feed through to weaker investment and wages. The Bank of Japan has already taken the radical step of taking policy rates negative, and we expect further cuts this year (down to -0.5%). And though we don't expect it, easier fiscal policy is also possible: the government could boost public investment projects this year or postpone next year's scheduled VAT hike.

Our longer-term views on **China** have not changed. Its economy is still in the midst of an ongoing structural slowdown that still has a considerable way to run. Financial deleveraging, the reduction of excess capacity in the industrial sector and clearance of housing inventory should continue to provide a firm headwind to growth over the next year or two, as well as posing financial stability risks.

But policy looks set to support demand growth through that process. Easier monetary and fiscal policies aimed at boosting investment from depressed levels look to have gained some traction on the real economy, meaning our forecasts for Chinese growth this year have bucked the global trend and have been revised marginally upwards. Consequently the Chinese slowdown looks set to remain orderly rather than precipitous. Market fears of a sharper downturn since last summer's market volatility have failed to materialize.

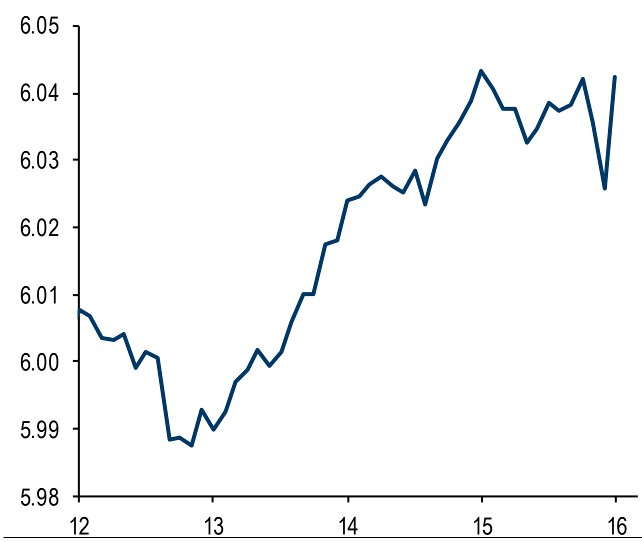
Policy is likely to ease further, and we anticipate both lower rates and a wider fiscal deficit by the end of the year. That should put downward pressure on the currency. We think the authorities will offset that through tighter capital controls, rather than further large falls in reserves or FX depreciation. But the risk of further abrupt drops in the yuan – such as those of last summer and the start of this year – remains high.

Indeed, against the backdrop of lackluster trade growth, monetary and fiscal policy is being deployed to shore up domestic demand across **the rest of Asia**. The only economy where we see little space for policy easing is Malaysia. So those economies with less exposure to China – the Philippines, Indonesia, Vietnam and India – could all see reasonable growth this year. Elsewhere, downdrafts from China will be more challenging, but looser policy will aim to offset that. Given that policy support, the downside risks to global growth from this region look limited.

For commodity producers, and much of **Latin America** in particular, the picture is different. Economic performance has been poor. Spectacularly so in Brazil, but across the rest of the region growth forecasts have been cut, with the exception of Argentina and Peru. And policy remains tight. In Brazil there is still little capacity for fiscal or monetary policy to alleviate the worst recession in over a century. Policymakers in Mexico have announced a concerted tightening of fiscal and monetary policy; policy is also being tightened in Chile, Columbia and Peru. Given how low this year's GDP forecast for the region is – a contraction of 1.4% – there may not be much scope for further downgrades. But given how universally tight policy is, there's little room for upside surprises.

Exhibit 6: Developed markets industrial production

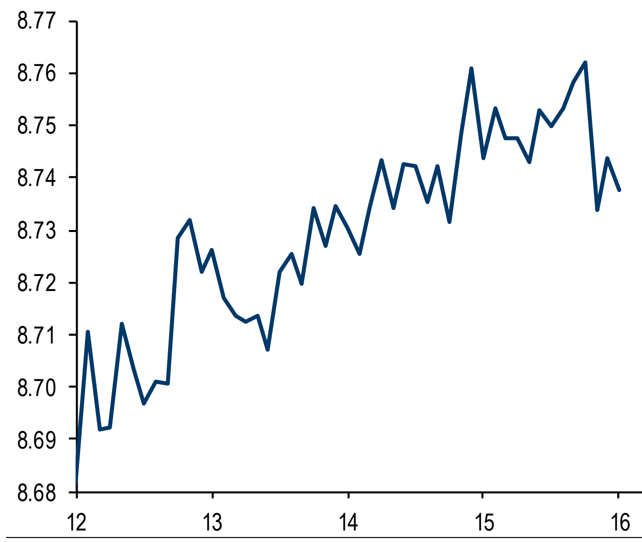
Index, log levels



Source: Credit Suisse

Exhibit 7: Asia ex-China and Japan ind production

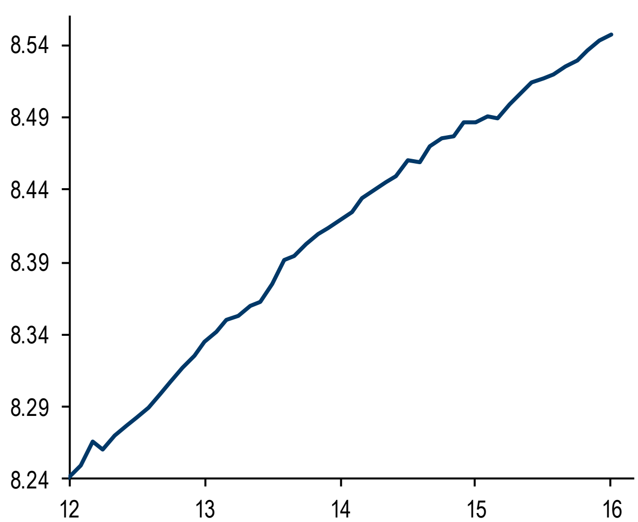
Index, log levels



Source: Credit Suisse

Exhibit 8: Chinese industrial production

Index, log levels



Source: Credit Suisse

Exhibit 9: Latin America industrial production

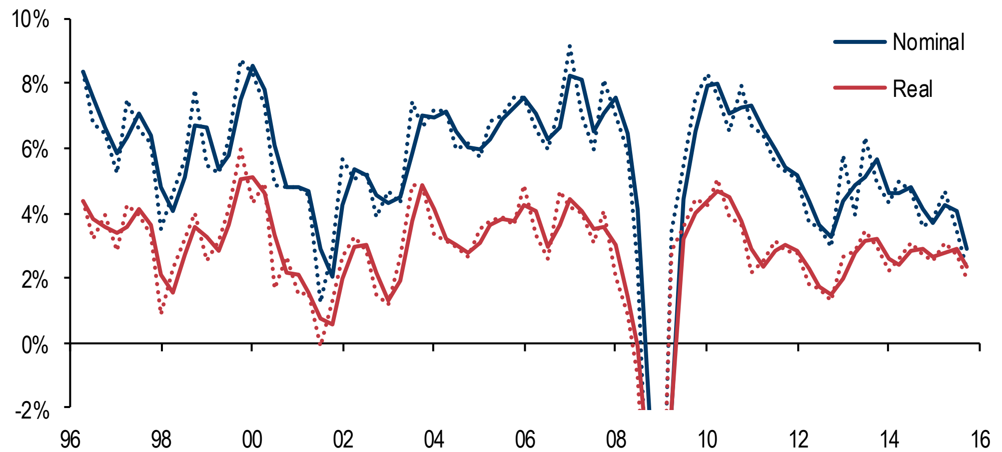
Index, log levels

Source: Credit Suisse

The second source of volatility from this low growth environment relates to the profound weakness of global nominal GDP growth. In cash terms, global growth has been volatile, and the slowdown over the last couple of years has been pronounced. We estimate that global nominal GDP grew at an annualized pace of just 2.3% in Q4 2015, having run at double that pace (4.8%) in 2013-2014 (Exhibit 10).

Exhibit 10: Global nominal growth has slowed materially in recent years

Global real and nominal GDP, q/q% annualized (and 2 quarter moving average)



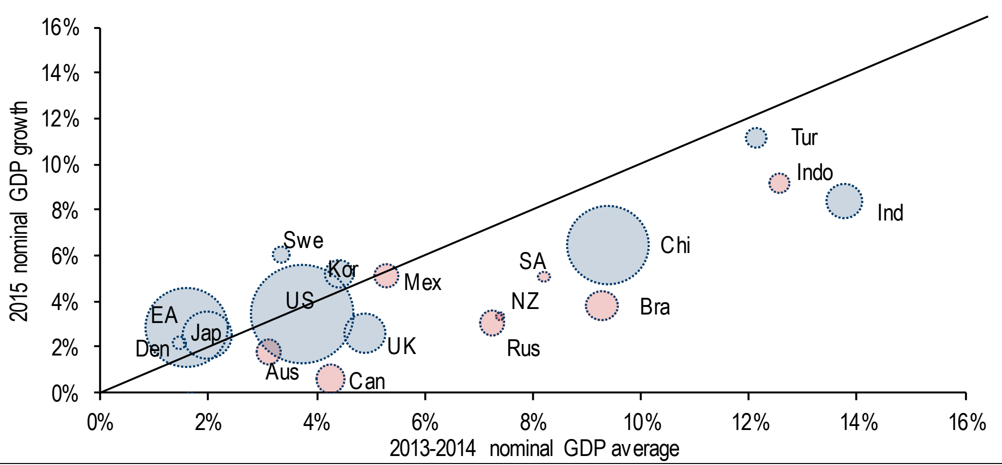
Source: Credit Suisse

Weak nominal growth has been a function of that lackluster real GDP growth and ongoing disinflation. The latter is only partly a commodity story: it suggests wage and corporate margin growth has been squeezed beyond the commodity complex.

Importantly, it also represents a material slowdown in global nominal demand. For commodity producers and other economies that experienced a negative terms-of-trade shock, weaker nominal growth should not be a surprise. But for the global economy as a whole to experience such a slowdown suggests the shock to global demand from falling commodity prices has been more asymmetric than expected: weaker nominal growth for commodity producers has not been offset by significantly stronger growth elsewhere. That asymmetry is captured in the two charts below. The first shows the performance of nominal growth in various economies in 2015, comparted to its average pace in 2013 -2014.

Exhibit 11: Trends in nominal GDP growth around the world

Nominal GDP growth in 2013-14 and 2015; size of bubble represents relative size of economy; blue are net commodity importers; red net commodity exporters



Source: Credit Suisse

The chart shows that:

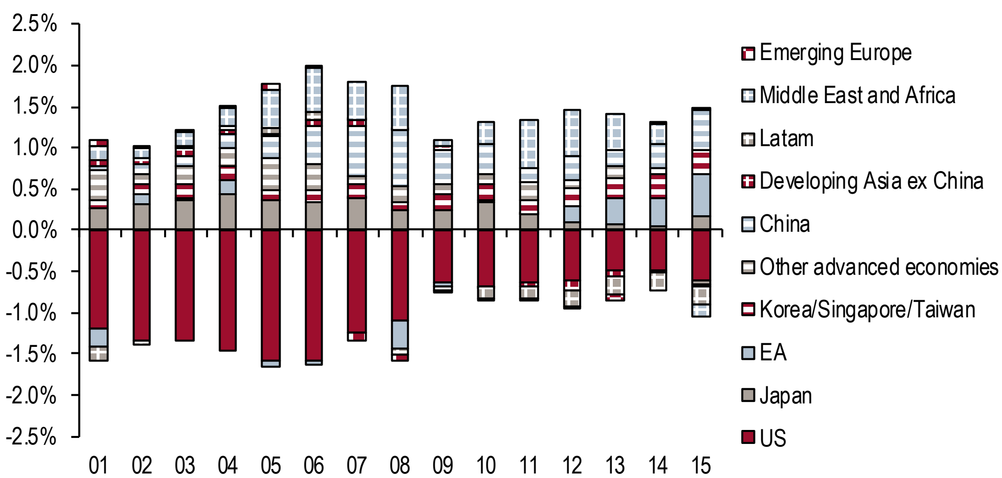
- Commodity producers have seen a pronounced slowdown in nominal growth, as expected.
- Related to that, the slowdown in Chinese nominal demand has also been considerable, and contributed materially to weaker global nominal growth. That is likely to be structural and persist.
- Economies that benefitted from the positive terms-of-trade shock – developed commodity importers – have not moved much above the 45-degree line. The one major economy that has – the euro area – was recovering from recession.

So much of the potential stimulus from the fall in commodity prices has not yet been manifested in stronger nominal demand. Indeed, economies such as Korea were poised to benefit substantially from lower energy prices, but there's no evidence of meaningfully stronger nominal demand.

The distribution of global current account balances is another manifestation of that problem. In theory, the fall in oil prices could have reduced imbalances as lower surpluses of oil producers were offset by smaller deficits elsewhere. But, as the chart shows, imbalances have risen. In particular, current account surpluses in Europe and Asia have risen. That suggests that at least some of the boost to incomes from the lower energy prices has been saved in those energy-importing economies.

Exhibit 12: Current account imbalances widened in 2015

% of Global GDP



Source: Credit Suisse

This weakness in nominal growth is salient for markets for a number of reasons. First of all, it implies sluggish household and/or corporate cash income growth.

In turn, that makes it tougher for households, firms and governments to reduce debt ratios where they are high, for example in parts of Europe and some emerging markets. And it consequently slows any cyclical improvement in bank asset quality, in turn restraining the capacity of banks to ease financial conditions.

Furthermore, against a backdrop of slow potential growth and tighter labor markets, it is likely to restrain growth in corporate profits: revenues growth is weak and labor costs stubborn. It's a world of low returns and one in which the risk of a material setback in business investment – as firms seek to improve cashflows – will remain high.

Finally, it poses a considerable challenge to monetary policy. In theory, central banks should be able to counter an undesired slowdown in nominal demand with easier monetary policy. Indeed, in the textbooks monetary policy works by influencing nominal, not real, demand. In that respect, the slowdown in nominal growth in the last couple of years suggests that the overall stance of global monetary policy over that period has been too restrictive.

True, aside from the US Federal Reserve, many central banks have eased policy in the past year. But a growing issue for markets has been the diminishing potency of monetary policy at the zero bound. And in particular, the proliferation and intensification of the use of negative interest rates.

As we discussed in our 2016 Global Outlook, and as Bank of England Governor Carney argued recently, the problem with negative policy rates is that their capacity to stimulate domestic demand is limited at best, and counter-productive at worst. The benefit to economies that have introduced them has largely come through keeping exchange rates lower than they otherwise would be. At the global level, then, they appear to be a zero-sum game, with little scope to generate stronger nominal demand in aggregate.

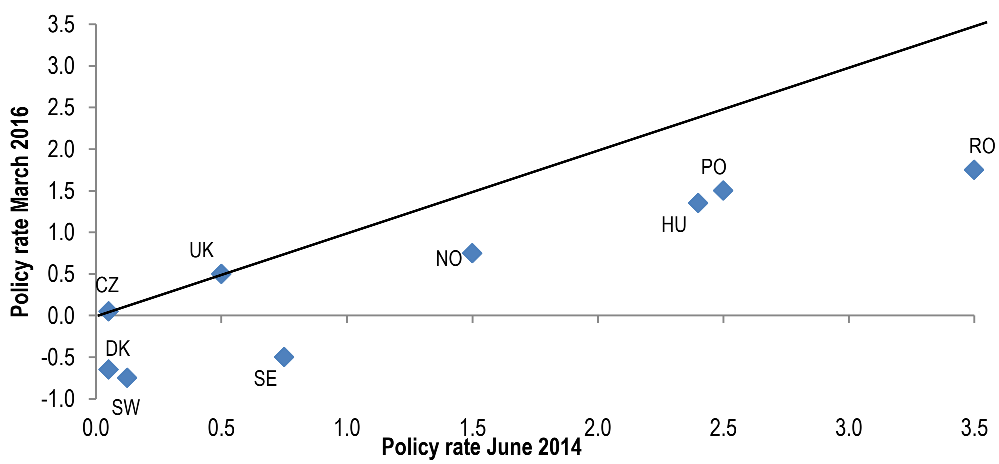
Indeed, there's a clear risk that such policies become counter-productive if negative rates impair banks' profitability and consequently their appetite and capacity to lend. Our Japanese economists are of the view that the Bank of Japan's move to negative rates will prove contractionary to bank lending.

And, as we've observed, there's a tendency for negative rates to act as a powerful gravitational force in regions they are implemented in, putting downward pressure on the policy rate structure globally. That has been apparent since the ECB took rates negative in mid-2014 (Exhibit 13).There's a clear possibility we see that happen in Asia in the wake of the Bank of Japan's move to negative rates.

Indeed, the growing prevalence and depth of negative rates amongst the major central banks raises the question of whether that gravitational pull will operate at the global level and prove a constraint – through a stronger dollar – on Fed tightening. In that regard, the ECB's recent signal that further cuts deeper into negative rates may be unlikely is a constructive development.

Exhibit 13: The downward pull of negative interest rates

Changes in European policy rates since the ECB introduced a negative deposit rate in June 2014



Source: Credit Suisse

Consequently, the longer weak nominal growth is sustained, the greater the risk of a shift to genuinely negative financial and economic outcomes either through slower corporate earnings precipitating a change in business spending behavior or a major co-ordination failure amongst central banks that becomes increasingly pernicious to expectations of bank profitability.

Given these financial and economic problems that slow nominal growth pose, and the apparent incapacity of monetary policy to change that, a key question for markets is whether there's scope for nominal demand to accelerate meaningfully in coming quarters.

We think there are a couple of promising developments that could lead to an improvement in nominal demand in the coming year.

Firstly, there is scope for stronger nominal demand growth in those economies and sectors where savings have risen in the past year. In particular, fundamentals in the euro area remain supportive of stronger domestic demand. Consumer spending is solid and against a backdrop of easier financing conditions, a more meaningful pick-up in business spending looks overdue.

Secondly, although a large, coordinated fiscal stimulus is very unlikely, the direction of travel globally now seems to be in the direction of modestly easier fiscal policy. As we discussed in the outlook, evidence suggests fiscal policy remains potent. In Asia, China's deficit is set to widen and public spending is picking up in several other economies, notably Taiwan, Thailand and Indonesia. It's also possible that Japanese fiscal policy becomes more expansionary. In Europe rapidly falling debt interest costs and the refugee crisis has prompted fiscal policy to ease for the first time since 2010. In a presidential election year significant US fiscal stimulus is unlikely, but 2016 should still see a slight easing. The exceptions are Latin America, where as we discussed above, policy remains extremely restrictive, and the UK.

So the pendulum of global fiscal policy looks to be shifting in a more expansionary direction, a trend that may be amplified early in the next US administration.

As well as the capacity for market volatility from the various economic cross-currents beneath slow but stable real global growth, political risk is likely to heighten in coming months, especially in developed markets. There's a clear risk that both the US presidential election and UK referendum on its membership of the EU deliver market-unfriendly results. In peripheral Europe political instability may lead to another round of elections in Spain, Portugal and Ireland.

Much of this uncertainty is a consequence of a growing appetite for populist parties, leaders and policies in the North Atlantic region. In that context it is interesting to note that the tide of political populism may be turning in several Latin American countries.

Latin America

Latin America: Running on fumes

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We now expect a deeper regional real GDP contraction in 2016. We have revised our forecast to -0.6% from -0.1% previously. This is driven by lower projections in six out of the eight countries we cover in the region (Brazil, Chile, Colombia, Ecuador, Mexico and Venezuela). Forecasts for the other two countries (Argentina and Peru) are unchanged relative to our last quarterly report. Specifically, Brazil's economy is expected to decline by 4.2% in real terms this year versus the 3.5% drop we projected back in December, which influences our aggregate forecast considerably. We also revised our 2016 growth forecast for Mexico down to 2.5% from 3.0% due to weaker-than-expected momentum in late 2015, a difficult first quarter so far and reduced fiscal spending.

Exhibit 14. Latin America: Credit Suisse 2015-2016 real GDP growth and inflation forecasts

	2015 real GDP growth		2016 real GDP growth		2015 inflation		2016 inflation	
	Dec-15	Mar-16	Dec-15	Mar-16	Dec-15	Mar-16	Dec-15	Mar-16
Argentina	1.5	1.5	0.3	0.3	16.4	20.0	37.8	27.5
Brazil	-3.7	-3.8	-3.5	-4.2	10.7	10.7	8.0	8.0
Chile	2.2	2.1	2.8	1.9	4.5	4.4	3.9	4.3
Colombia	3.2	3.2	3.2	2.5	6.6	6.8	3.9	5.2
Ecuador	-0.1	-0.1	-1.9	-2.5	3.1	3.4	2.2	2.1
Mexico	2.5	2.5	3.0	2.5	2.2	2.1	3.3	3.1
Peru	2.9	3.3	3.8	3.8	4.1	4.4	2.7	3.0
Venezuela	-8.0	-5.7	-5.0	-6.5	246.9	180.9	282.3	326.5
Latin America	**-0.5**	**-0.3**	**-0.1**	**-0.6**	**14.8**	**12.8**	**17.3**	**16.3**

IMF PPP weights are used to compute regional aggregate figures.

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

Our regional inflation forecast for 2016 was reduced to 16.3% yoy from 17.3% yoy in December. A lower projection for Argentina almost fully explains this revision. Meanwhile, Venezuela will likely continue to post the highest official inflation among all emerging market economies we cover. There we foresee 12-month inflation of 326.5% yoy, up from 180.9% yoy in 2015. Excluding Argentina and Venezuela the aggregate calculation yields regional inflation estimates of 5.5% and 6.8% in 2015 and 2016, respectively. Our 2016 inflation forecast for Colombia saw a notable 1.3 percentage point upward revision to 5.2% driven by persistent pass-through from peso depreciation. There were also smaller increases to our projections for Chile and Peru, while our estimates for Mexico and Ecuador were fine-tuned downward and Brazil's was maintained at 8.0%.

Our 2016 regional current account deficit projection widened to 2.7% of GDP from 2.3% previously. The move was mainly driven by expectations of a larger current account deficit in Venezuela following downward revisions to our oil price assumption and the release of long-awaited external accounts figures for 2015. We also foresee significant deteriorations in Argentina's and Colombia's current account shortfalls. This is due to expected revisions to official data in the former and as a consequence of the terms of trade adjustment in the latter. Meanwhile, we now anticipate narrower current account deficits in Ecuador, Mexico and Chile in comparison to our December estimates.

Exhibit 15. Latin America: Credit Suisse 2016 current account, fiscal balance, government debt and foreign debt forecasts

% of GDP

	2016 current account		2016 fiscal balance		2016 government debt		2016 foreign debt	
	Dec-15	Mar-16	Dec-15	Mar-16	Dec-15	Mar-16	Dec-15	Mar-16
Argentina	-1.5	-3.1	-6.3	-7.4	65.1	58.7	42.9	38.6
Brazil	0.0	0.0	-8.0	-8.0	72.0	72.0	38.1	37.2
Chile	-2.8	-2.4	-3.5	-2.4	17.2	17.4	67.2	64.6
Colombia	-5.5	-6.3	-2.5	-2.5	45.5	51.9	43.7	45.7
Ecuador	-2.9	-2.3	-2.9	-3.7	36.2	35.4	28.3	29.2
Mexico	-3.5	-3.3	-3.2	-3.2	46.9	47.6	28.5	28.7
Peru	-3.9	-4.0	-3.1	-2.6	25.6	24.8	38.0	38.7
Venezuela	-9.1	-22.2	-11.2	-11.3	75.6	93.4	100.3	137.1
Latin America	**-2.3**	**-2.7**	**-5.5**	**-5.6**	**56.0**	**56.4**	**39.6**	**39.7**

Source: Credit Suisse

The 2016 regional fiscal deficit forecast is slightly larger at 5.6% of GDP versus 5.5% in our previous *EM Quarterly*. Wider fiscal deficit projections in Argentina and Ecuador were virtually balanced against improved expectations in Chile and Peru. We project a regional debt-to-GDP ratio of 56.4% of GDP this year, essentially unchanged from 56.0% in December. In this case, substantially higher debt-to-GDP ratios in Colombia and Venezuela almost entirely compensated for the downward revision to our forecast for Argentina. Finally, our 2016 foreign debt-to-GDP estimate was basically unchanged at 39.7%. This is due to higher ratios in Colombia, Ecuador, Mexico, Peru and Venezuela, which offset the lower foreign debt burden now estimated in Argentina, Chile and Brazil.

The most relevant macro and political stories in Latin America will likely continue varying from country to country. Below we provide a summary.

The economic policy adjustment should continue in the second quarter, but we remain constructive on Argentina's medium-term prospects. We expect 12-month inflation to remain over 30% for much of 2016 before declining to 27.5% by year-end. Additionally, we maintain our real GDP growth forecasts of 0.3% this year and 3.7% in 2017, while identifying the situation in Brazil as a key downside risk. Our projections are consistent with the Macri administration's gradual approach to fiscal consolidation, which is banking on access to external capital markets. This could be unlocked by mid-April, but then the government is counting on investors to absorb as much as $27.5bn of new bond issuance this year across the sovereign, province and corporates. Otherwise, it could be forced to choose between additional spending cuts and inflationary deficit financing.

We expect Brazil's GDP to decline by -4.2% in 2016, after dropping -3.8% in 2015. This will be the deepest and most prolonged recession since 1901. As in 2015, the sharp GDP contraction in 2016 will be explained by the components of domestic demand. High interest rates, low business and consumer confidence, and the growing fiscal deficit, which reduced the leeway for stimulus measures coming from monetary and fiscal policies, will hinder a substantial recovery of the local economy in the coming quarters. The dynamics of fiscal accounts will remain unfavorable, putting pressure on the exchange rate, inflation, and interest rates. Recent developments on the political front might reduce even further the government's ability to approve austerity measures in Congress. Despite our expectation of a zero current account deficit in 2016 and a substantial increase in the trade surplus, the external sector's contribution to growth will likely be lower than in previous recessions as a consequence of the higher weight of basic products in total exports and the slower growth of Brazil's main trading partners.

The Chilean economy continues to face domestic and external headwinds. Domestically, the central bank has started a monetary policy tightening cycle while the government has vowed to keep the fiscal accounts in check. Also, confidence levels remain low among businesses and households, and there is no hope for a quick recovery. Externally, low global growth, weak copper prices and substantial uncertainty about China are also negatively affecting Chile's outlook. We have lowered our real GDP growth forecast for 2016 from 2.8% to 1.9% to reflect this. We had hoped that the fourth quarter of 2015 and the start of 2016 would be more promising, but it just did not happen. If we are right, this would be the third consecutive year with real GDP growth hovering around 2.0%.

Colombian policymakers have implemented a coherent macroeconomic policy response to the ongoing terms of trade shock. Fiscal, monetary and FX policies have been aimed at ensuring an orderly adjustment to the impact from lower oil prices on government revenues, external accounts and inflation. We think that Colombia's imbalances will be corrected in due time, although perhaps at a slower pace than some observers would prefer. In the meantime, they will likely continue to generate uncertainty in 2016, in our view.

Ecuador's macroeconomic situation has deteriorated further since our last quarterly report. The disbursements from China that the government is counting on have yet to arrive and it continues using central bank credit to bridge its short term liquidity needs. The government is also making efforts to cover arrears with the private sector and announced upcoming budget cuts. We think that the planned measures are still insufficient and that a more severe adjustment will be needed if external financing fails to materialize. We project that the economy will contract 2.5% in 2016.

Meanwhile, investors have re-focused on Mexico following another drop in oil prices, further currency weakness and a major policy surprise last month. We are forecasting real GDP growth of 2.5% in 2016, the same as in 2015, in a context of low inflation (3.2% at year-end). Policy uncertainty has increased notably on the back of the new FX intervention rules and following the surprise interest rate increase of 50bps in an emergency monetary policy meeting. We think that these elements will make Mexico a less boring story than we envisioned in our previous *EM Quarterly*. We also expect investors to increasingly scrutinize the fiscal accounts—based on the steady rise in the debt-to-GDP ratio—and the external accounts, as the sum of current account deficit and the errors and omissions line will likely be in 2016 the widest, as a percentage of GDP, since 1994.

Peru is about to elect a new president for the next five years. The presidential election will take place on 10 April. A runoff vote will occur in early-June, if needed. None of the leading candidates represents a threat to the macroeconomic, social and political status quo, in our view. We believe that most candidates would follow a similar agenda in terms of safeguarding Peru's macroeconomic stability and continuing down the path of pragmatism and prudence that previous leaders have followed. Still, there are economic challenges that the next President will have to tackle to avoid falling into a low growth trip similar to the one Peru is currently experiencing.

Finally, Venezuela will likely remain cornered by low oil prices and politics in the near term. The policy response thus far has been inadequate, in our view, and sustained depletion of public sector assets continues to suggest considerable risk of a credit event in the fourth quarter of 2016 unless a liability management operation is conducted. Social conditions will probably keep deteriorating as the country endures one of the world's deepest economic contractions and triple-digit inflation. Specifically, we expect real GDP to decline by 6.5% in 2016, which would mark a third consecutive year of retrenchment, and annual inflation to exceed 325% by year-end. Meanwhile, the opposition's efforts to remove President Nicolas Maduro from office could increase pressure, but will likely be hindered by interference from Chavista-controlled political institutions.

Argentina: No pain, no gain

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- **We remain constructive on Argentina's medium-term prospects, although the economic policy adjustment should remain palpable in the second quarter.** It will likely be several more months before monthly inflation prints fall below 2% and the green shoots of an investment-led economic recovery appear. Sporadic public demonstrations could occur in the interim, but the potential for a governability-impairing backlash seems relatively low for now, in our view. The Macri administration is well aware of this risk, as indicated by its gradual fiscal consolidation strategy. This approach requires external capital markets access, which could be unlocked imminently. The government is counting on investors to absorb a large volume of issuance. Otherwise, it could be forced to choose between additional spending cuts and inflationary deficit financing.

- **Argentina aims to have finalized settlements with the largest holdout creditors by mid-April.** This is a crucial step towards normalizing Argentina's international financial situation. The government seems to have managed the negotiations skillfully and has signed agreements in principle worth nearly $8bn with over 85% of *pari passu* holdouts. This accounts for around two-thirds of the $6.2bn of unrestructured principle outstanding. Argentina's congress must approve the deal and repeal any legal impediments such as the "Lock Law" and the "Sovereign Payments Law." Subsequently, the government intends to pay the settlements in cash with funds raised abroad.

- **The *pari passu* injunctions should be vacated once the legislative changes and the initial payments are completed, as per US Judge Thomas Griesa's orders**. The $3.5bn of past-due interest on defaulted exchange bonds should then be released. Remaining holdouts may still appeal Judge Griesa's ruling and pursue attachment. We think that they would be unlikely to get much traction with Judge Griesa, though. He and Special Master Daniel Pollack now appear supportive of Argentina's good-faith willingness to negotiate and are focused on concluding this litigation. One key uncertainty is whether the Second Circuit Court of Appeals could be willing, at the request of persistent holdouts who present appeals, to stay the order lifting the injunctions long enough to interfere significantly with Argentina's timeline. However, our understanding from legal experts is that appeals courts generally defer to lower courts with regards to injunctions.

- **We expect the legislation required to settle with holdouts to be approved by early April, if not sooner.** The bill was submitted to the lower house on 4 March. Congressional leaders we met with recently suggested that it could take roughly two weeks to move the proposal through the lower house followed by another two weeks in the Senate. Divisions within the opposition, including the defection of some pragmatists from former President Cristina Kirchner's FPV party, should help ease the bill's passage. Additionally, many governors' incentives are aligned with the central government's in terms of increasing their financing flexibility, which should translate into Senate votes.

- **Substantial and sustained capital market access is critical to the government's gradual fiscal consolidation plan.** The federal government's primary deficit will remain large this year, although the Macri administration aims to narrow it by one percentage point to 4.8% of GDP. It plans to achieve this primarily through subsidy cuts, over one-half of which have already been implemented, and efficiency gains. We are slightly more cautious, especially in the absence of a detailed expenditure and financing program, and project a 5.0% of GDP primary shortfall and a 6.5% of GDP overall deficit in 2016. Central bank transfers will cover ARS 160mn (2.3% of GDP) of this gap. The remaining roughly $18bn must come from domestic and international borrowing if the government wants to avoid a larger fiscal adjustment or reverting to monetization. We have penciled in $7.5bn of fiscal financing from external markets along with $2.5bn of net new lending from multilaterals. We note upside risks to the former should the latter not materialize.

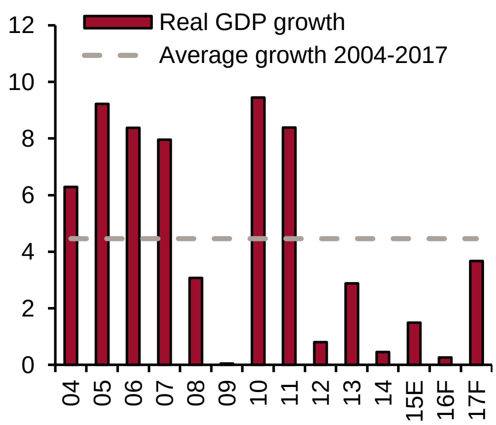
- **We expect total external debt issuance of around $27.5bn across the Argentine sovereign, provinces and corporates this year.** The total cost of settling with holdouts could be almost $12bn, according to the government. Argentina will also need $3bn to cover the past due interest on exchange bonds that is not already held at Bank of New York unless that is paid with international reserves. To this, we add the aforementioned $7.5bn for budgetary financing and $4bn-$5bn for provinces and corporates.
- **This hefty issuance pipeline is a significant concern, particularly because the government's economic policy program hinges on it.** Still, demand from investors could be high if pricing is attractive and as the new bonds are added to the main Emerging Markets indices. We estimate that net general government debt will rise to a modest 34.5% of GDP this year from 23.3% in 2015. This would compare favorably with many "B"-rated sovereigns; ratings agencies have said that Argentina could be upgraded to this range once its default situation has been resolved.
- **Monetary policy is doing the heavy lifting on the inflation front.** Lowering inflation is the central bank's top priority and its primary tactic is to reduce growth of the monetary base via its weekly auctions of short-term Lebac notes. On average, the monetary base expanded by 25.3% yoy in February versus 40.1% yoy in December. The quasi-fiscal cost of this strategy is growing, though the central bank plans to implement a formal inflation targeting regime eventually. We expect monthly inflation to peak in February, when electricity tariff increases probably added at least 1.5 percentage points to keep it over 4.0% for a third consecutive month. Twelve-month inflation will likely remain over 30% for much of 2016, according to our projections, before declining to 27.5% by year-end. This is slightly above the government's target range of 20%-25%.
- **The central bank may also keep trying to curb currency depreciation for now.** It intervened aggressively in the spot market after the peso weakened nearly 12% in February even though the pass-through to inflation appears to be weaker than in 2014. It also hiked interest rates on 35-day Lebac notes by almost 600bp to 37.0% on 1 March. We expect rates to remain elevated at least until seasonal agricultural-related foreign exchange inflows increase in April. This is partly because the central bank's capacity to sell large amounts of dollars is limited as its gross and net international reserves currently stand at $28.2bn and $1.6bn, respectively. Additionally, the central bank is still paying the mark-to-market cost of foreign exchange futures contracts sold under its previous leadership, many of which expire by the end of March. It may also face pressure from the government in the context of ongoing wage negotiations.
- **We maintain our real GDP growth projections of 0.3% this year and 3.7% in 2017.** This compares with the government's assumptions of 0.5% growth in 2016 and 4.5% next year. We foresee an over 2.0% contraction in the first half of this year as consumption is affected by real wage losses and industrial production remains hampered by weak demand and Brazil's recession. Investment should lead the recovery that we expect to take hold in the second half of 2016 and accelerate into 2017. During our recent trip to Buenos Aires, our contacts reported increased interest from foreign investors, particularly in real estate, energy, mining and financial services. We think that the main risk to our growth forecasts is an even deeper and more protracted than expected economic contraction in Brazil, Argentina's largest trading partner.
- **We expect governability to remain intact for the time being.** The ongoing economic adjustment is a substantial test, but the Macri administration has wisely implemented many unpopular measures during its honeymoon period. Its decision to pursue more gradual corrections in some areas is understandable given political and social limitations, although it may be suboptimal from a purely economic standpoint. President Macri has also done well to maintain his electoral alliance with the *Radical* and *Coalición Cívica* parties, while building one with Sergio Massa of the *Frente Renovador/UNA* bloc. Massa's evolution will be relevant for Macri's success over the course of his term, as well as the future of the Peronist party, which is in the process of redefining its leadership. We think that he may remain willing to cooperate in the near term, before potentially trying to distinguish himself ahead of next-year's midterm legislative elections.

Argentina's economic growth could rebound nicely in 2017 if President Macri's program is implemented successfully.

Confidence in the government fell slightly in February, but remains strong enough to suggest room to continue correcting policies in the near term.

Exhibit 16: Annual real GDP growth

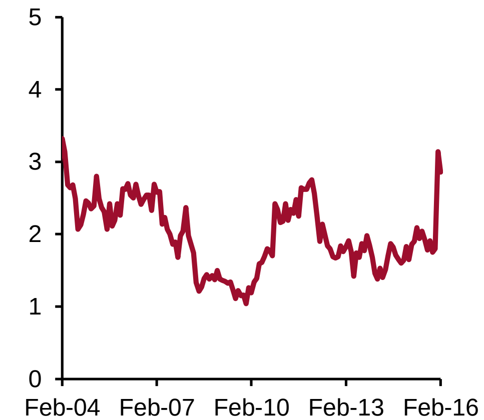
%



Source: INDEC, Credit Suisse

Exhibit 17: Confidence in government

Headline index level

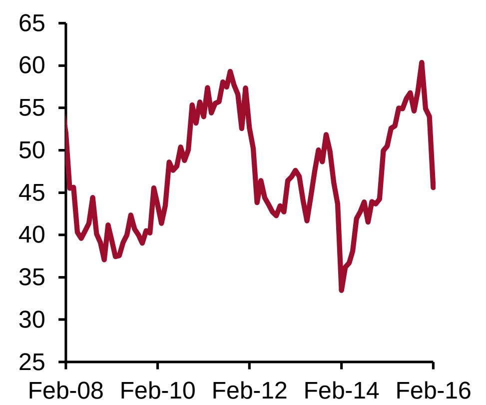


Source: UTDT, Credit Suisse

Consumer confidence and private sector credit growth, on the other hand, have plummeted in the context of real wage losses and higher interest rates.

Exhibit 18: Consumer confidence

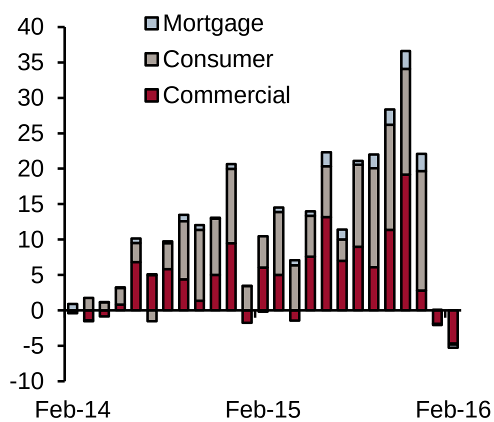
Headline index level



Source: UTDT, Credit Suisse

Exhibit 19: Private sector credit

Monthly change in ARS bn



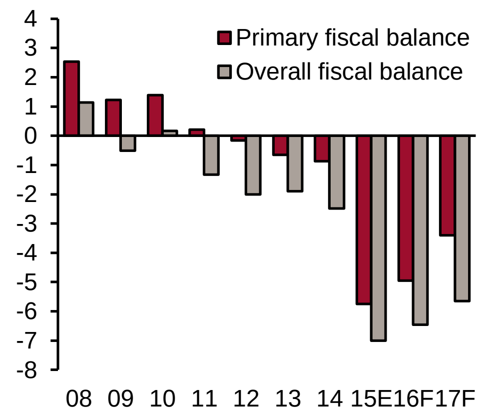
Source: Central bank, Credit Suisse

The new administration has opted for a gradual fiscal consolidation strategy, whereby it will target primary deficits of 4.8% of GDP and 3.3% of GDP in 2016 and 2017, respectively.

Financing fiscal deficits with debt rather than monetization is an important component of the government's efforts to reduce inflation, as is managing wage negotiations with labor unions.

Exhibit 20: Federal government fiscal balance

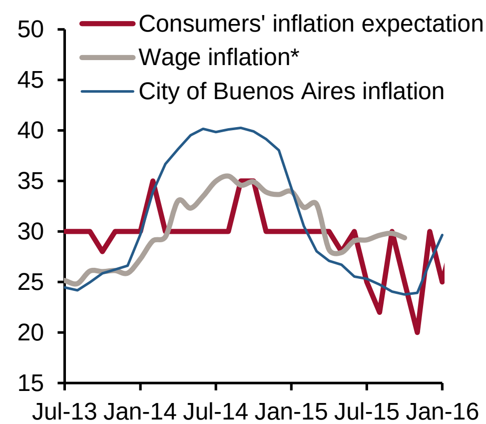
% of GDP



Source: Ministry of Treasury and Finance, INDEC, Credit Suisse

Exhibit 21: Consumer price and wage inflation

% change yoy



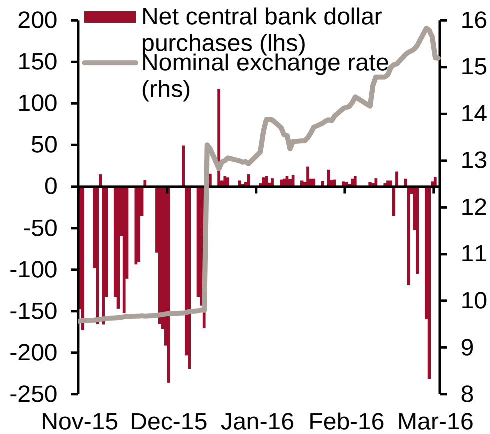
*Average of public and private sector, series temporarily suspended
Source: UTDT, INDEC, City of Buenos Aires Statistics Department, Credit Suisse

The central bank began intervening aggressively as the nominal exchange rate approached 16 pesos per dollar.

It also increased interest rates sharply, potentially aiming to curb its use of reserves and contain the pass-through to inflation while also reinforcing ongoing efforts to reduce the rate of expansion of the monetary base.

Exhibit 22: Nominal exchange rate and net dollar purchases

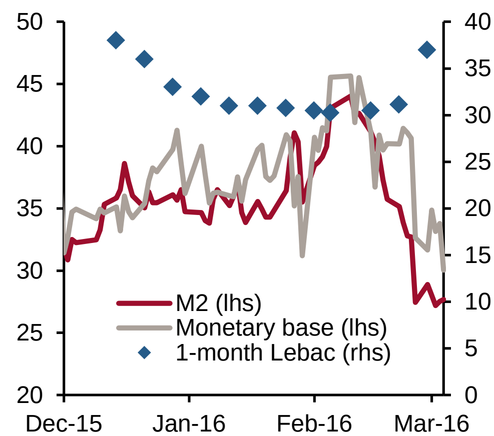
$mn (lhs), USDARS (rhs)



Source: The BLOOMBERG PROFESSIONAL™ service, central bank, Credit Suisse

Exhibit 23: Monetary aggregates and interest rates

Yoy (lhs), % (rhs)



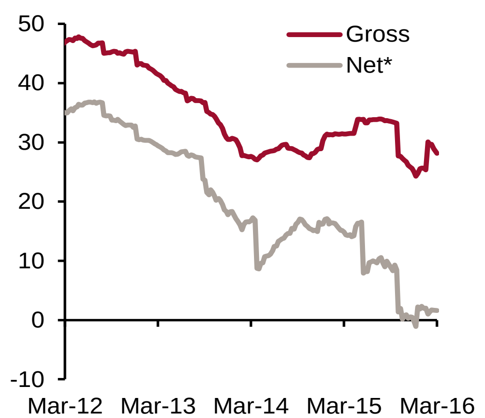
Source: Central bank, Credit Suisse

International reserves fell $1.9bn in February, mainly due to spot market intervention, but could recover somewhat by year-end assuming greater inflows.

Scheduled debt service to private creditors is modest this year, but settling with holdouts and financing the fiscal deficit will be costly.

Exhibit 24: International reserves

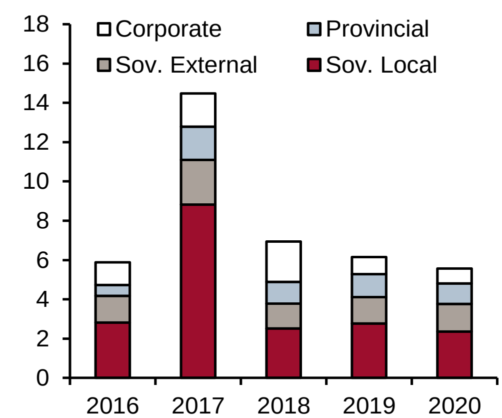
$bn



*Net of reserve requirements on dollar deposits in the banking system, IFI loans and dollar-denominated central bank Lebac notes and repos.
Source: Central bank, Credit Suisse

Exhibit 25: Foreign currency debt service to private creditors

$bn, interest and amortization



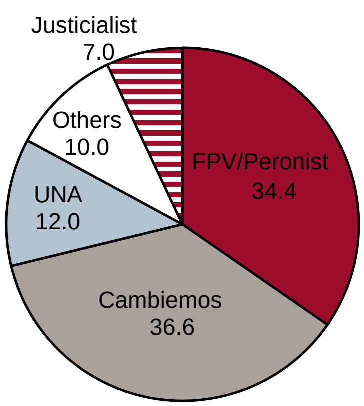
Source: The BLOOMBERG PROFESSIONAL™ service, Ministry of Treasury and Finance, Credit Suisse

President Macri's party must build a coalition in order to pass important legislation, including its proposed settlement with holdouts creditors.

The defection of numerous lawmakers from former President Cristina's Kirchner's FPV party will likely make this easier, at least in the near term.

Exhibit 26: Lower house composition

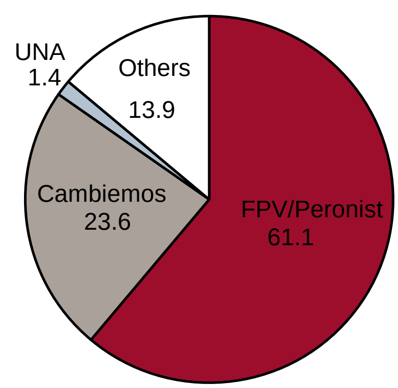
% of seats



Source: National electoral office, Credit Suisse

Exhibit 27: Senate composition

% of seats



Source: National electoral office, Credit Suisse

Argentina: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	0.1	9.5	8.4	0.8	2.9	0.5	1.5	0.3	3.7
Growth in real private consumption (%)	3.4	8.1	10.2	4.3	4.3	-0.5	-0.1	0.7	5.0
Growth in real fixed investment (%)	-14.6	22.0	19.4	-7.0	3.1	-5.5	3.2	7.6	10.0
Fixed investment (% of GDP)	18.5	20.6	22.7	21.0	21.0	19.8	20.1	21.6	22.9
Nominal GDP ($bn)	378.5	462.8	559.8	607.7	621.8	543.0	578.3	432.5	495.7
Population (mn)	40.1	40.8	41.3	41.7	42.2	42.7	43.1	43.6	44.1
GDP per capita, $	9,431	11,347	13,568	14,560	14,732	12,726	13,408	9,920	11,246
Unemployment (% of labor force, end-year) (1)	8.4	7.3	6.7	6.9	6.4	6.9	6.5	7.5	7.0
Prices, interest rates and exchange rates									
CPI inflation (%, December to December) (2)	7.7	10.9	9.5	10.8	10.9	23.9	20.0	27.5	18.5
CPI inflation (%, average) (2)	6.3	10.4	9.8	10.0	10.6	29.9	16.4	30.9	20.2
Exchange rate (ARS per USD, end-year)	3.80	3.98	4.30	4.92	6.52	8.47	12.93	17.25	19.00
Exchange rate (ARS per USD, average)	3.73	3.91	4.13	4.55	5.48	8.14	9.25	16.25	18.07
REER (% change, December to December) (3)	-15.9	-3.5	2.3	-5.5	-13.6	-3.4	-21.5	-5.9	6.1
Nominal wage growth (% year-on-year change, average) (4)	19.7	22.3	27.7	26.9	25.0	32.7	30.0	25.0	20.0
Central bank's 7 day repo rate (%, end-year)	11.50	11.50	11.50	11.50	11.50	17.00	27.00	30.00	17.50
Fiscal data									
General government fiscal balance (% of GDP)	-1.3	0.3	-1.8	-2.8	-2.9	-3.5	-8.1	-7.4	-6.6
General government primary fiscal balance (% of GDP)	0.7	1.9	0.1	-0.5	-1.2	-1.4	-6.4	-5.5	-3.9
General government expenditure (% of GDP)	29.7	30.6	32.8	35.2	35.9	38.5	44.9	42.6	41.7
Federal government fiscal balance (% of GDP)	-0.5	0.2	-1.3	-2.0	-1.9	-2.5	-7.0	-6.5	-5.7
Federal government primary fiscal balance (% of GDP)	1.2	1.4	0.2	-0.2	-0.7	-0.9	-5.8	-5.0	-3.4
Gross general government debt (% of GDP, end-year) (5)	51.7	42.0	37.3	37.4	37.5	45.1	41.4	58.7	54.6
Net general government debt (% of GDP, end-year) (6) (5)	40.5	30.9	26.2	25.2	24.1	27.6	23.3	34.5	33.6
Money supply and credit									
Broad money supply (M2, % of GDP)	16.2	17.5	17.0	19.2	19.4	19.4	21.2	19.8	18.2
Broad money supply (M2, % year-on-year change)	16.7	38.7	23.5	35.1	25.0	29.8	31.8	22.5	17.5
Domestic credit (% of GDP)	22.7	23.2	24.9	29.2	32.6	35.6	45.0	48.0	50.8
Domestic credit (% year-on-year)	26.8	31.4	37.0	40.0	37.7	41.9	52.7	40.0	35.0
Domestic credit to private sector (% of GDP)	11.0	11.6	13.2	14.5	15.5	14.3	16.1	16.0	16.9
Domestic credit to private sector (% year-on-year)	9.4	36.1	44.8	31.5	31.2	20.2	36.4	30.0	35.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	17.6	17.7	17.8	15.7	15.5	15.8	13.0	17.8	16.3
Imports (goods and non-factor services, % of GDP)	13.1	14.9	15.9	13.7	14.3	14.7	13.2	18.0	16.2
Exports (goods and non-factor services, % change in $ value)	-18.9	22.8	21.8	-4.2	1.1	-10.9	-12.6	2.5	4.6
Imports (goods and non-factor services, % change in $ value)	-27.4	39.6	29.0	-6.3	7.0	-10.6	-4.1	1.7	3.1
Net balance of factor income ($bn)	-9.1	-13.9	-13.8	-12.9	-11.0	-12.0	-12.0	-12.6	-12.3
Current account balance ($bn)	10.9	-1.5	-3.7	-1.3	-4.6	-5.9	-13.5	-13.5	-11.7
Current account (% of GDP)	2.9	-0.3	-0.7	-0.2	-0.7	-1.1	-2.3	-3.1	-2.4
Net FDI ($bn)	3.3	10.4	9.2	14.3	10.4	2.8	5.0	8.0	10.8
Scheduled debt amortization ($bn)	4.3	5.4	9.0	5.8	6.2	5.3	9.6	5.1	12.3
Foreign debt and reserves									
Foreign debt ($bn, end-year) (5)	134.5	137.6	149.2	150.2	148.1	150.9	148.7	167.1	179.9
Public ($bn) (5)	80.7	77.7	81.3	80.1	78.6	84.7	82.3	100.2	112.9
Private ($bn)	53.8	59.8	67.9	70.2	69.5	66.2	66.4	66.9	67.0
Foreign debt (% of GDP, end-year) (5)	35.5	29.7	26.7	24.7	23.8	27.8	25.7	38.6	36.3
Foreign debt (% of exports of goods and services) (5)	201.8	168.1	149.7	157.4	153.5	175.5	197.9	216.8	223.3
Central bank gross FX reserves ($bn)	48.0	52.2	46.4	43.3	30.6	31.4	26.6	32.3	36.4
Central bank net FX reserves ($bn) (7)	36.4	41.1	35.3	30.5	17.7	17.1	1.9	5.1	14.2
Central bank gross non-gold FX reserves ($bn)	46.0	49.7	43.2	40.0	28.2	29.1	24.5	29.9	33.9

(1) Starting in 2003, people participating in the "Jefes de Hogar" subsidy program are counted as employed; adjusting the data by Jefes de Hogar, the unemployment rate is 2-4 points higher. (2) Reflects official national CPI series beginning in 2014. (3) Increase indicates appreciation. REER estimates use the official inflation series. (4) Weighted average of wages in the formal and informal private sector, and the public sector. (5) Debt data assume that Paris Club debt remains in arrears until repayment begins in 2014. (6) Net of Brady guarantees (through 2003), the Bogar bond, government bonds held by Central Bank and by the social security agency (ANSES), and estimated government cash holdings. (7) 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: Recession amid high political uncertainty

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- **GDP contraction of -4.2% in 2016 and -1.0% in 2017.** As in 2015, the expected sharp GDP contraction in 2016 should be explained by the domestic demand components, with household consumption and investments driving the downturn. The high uncertainty regarding economic and political prospects should drive a 13.7% contraction in investments in 2016, after a 14.1% decline in 2015. Deteriorated labor market conditions and the substantial deceleration in lending to individuals should keep household consumption on a downward trend. This highly negative performance of domestic demand components will likely more than offset the greater contribution from the external sector to GDP growth in 2016.

- **National unemployment rate should increase to 11.2% in 2016 and 12.6% in 2017.** This would represent a sharp increase in comparison with the average of 6.8% in 2014 and 8.3% in 2015. The higher unemployment rate should be explained by a decline in the employed population in a scenario of subdued economic activity in the coming quarters. Moreover, the participation rate (ratio of workforce to the working-age population) is expected to increase, which would also contribute to a rise in unemployment. A return of the participation rate to a level close to its historical average more quickly than we assume would increase the unemployment rate even further. We also expect real wages to decline by -3.0% in 2016 and -1.0% in 2017.

- **We see downside risks for fiscal accounts in 2016.** Since we put together our forecast of a primary deficit of -1.4% of GDP in 2016 last December, we have revised up our projection for GDP contraction. We think the government acknowledges this risk by announcing deductions from the official target in 2016, allowing the government's primary target to vary from -1.0% of GDP to 0.3% of GDP. The negative surprises in revenues in the first few months of 2016 and the deeper recession might lead to lower revenues than we assume for 2016. Moreover, the higher uncertainty regarding the political environment, with the recent developments of the investigation into wrongdoing by government officials and politicians, reduces the probability of the austerity measures needed to curb additional increases in public debt being approved by Congress in the short term.

- **We expect a sharp increase in gross debt in the next few years.** The significant payment of interest on the public debt and recurring primary deficit will likely keep the nominal deficit at a much higher level than the historical average since the implementation of the Fiscal Responsibility Act in the late 1990s. The expected decline in the nominal deficit, from 10.8% of GDP in 2015 to 8.0% of GDP in 2016, should be driven by lower losses from the swap positions held by the central bank in a scenario of possibly more moderate local currency depreciation. Gross debt is likely to remain on an upward trend, moving from 57.1% of GDP in 2014 to more than 80% of GDP in 2018, an increase of more than 23pp of GDP since the beginning of the second term of President Rousseff in 2015. The surge in general government gross debt will likely be persistent, as the primary surplus should remain much lower than the minimum primary surplus required to stabilize the gross debt.

- **We keep our view that the current-account balance will improve significantly in 2016 and 2017.** We project that the current account will move from a deficit of -3.3% of GDP in 2015 to a zero deficit in 2016, as a result of the deep recession and the significant BRL depreciation. The trade balance is expected to increase, from USD20bn in 2015 to USD50bn in 2016, mainly due to the sharp contraction in imports. The change in the composition of the country's exports, with lower weight of manufactured products, and the slower growth of the country's main trading partners, will likely prevent a surge in exports this year. The local currency depreciation and sluggish economic activity should also contribute to a decline in the deficit in the income and services account. We also expect foreign investment to decline owing to the worse economic prospects for the coming years. We expect inward direct investment to drop from USD75 billion in 2015 to USD48 billion in 2016.

- **We expect the exchange rate to depreciate to BRL4.30/USD at the end of 2016.** The local currency should depreciate further as a result of the deterioration in domestic fundamentals, with unfavorable fiscal balances and very high domestic inflation. Further deterioration in the fiscal results, without approval of any significant fiscal measures by Congress, may lead to sharper depreciation of the local currency than the FX forecast currently embeds.
- **We believe inflation in Brazil will remain very high in the next few years.** IPCA consumer price inflation is expected to decline from 10.7% in 2015 to 8.0% in 2016, still much higher than the upper limit of the inflation target of 6.5%. The growing inflation persistence, tax hikes, deteriorated inflation expectations, and BRL depreciation should keep inflation high, despite the recession. The deceleration in administered prices is expected to be the main driver of a decline in IPCA inflation this year, mainly as a result of the significant deceleration in electricity tariffs. Services inflation will also decline in 2016, due to the sharp increase in the unemployment rate and the decline in the real wage bill. However, the high inflation inertia in these last two groups will likely contain greater decline in IPCA inflation.
- **We expect the Selic rate to remain stable at 14.25% p.a. in 2016 and 2017.** The strong recession and the central bank's comments on the possible impacts of the global scenario on the Brazilian economy suggest to us that the Monetary Policy Committee (Copom) will likely keep the policy rate stable for a prolonged period. However, the balance of risks for inflation deteriorated further at the beginning of this year, as a result of the strong increase in inflation expectations, negative surprises in current inflation results, and unfavorable fiscal results. Market consensus for IPCA inflation has increased sharply in recent months. The median market forecast for IPCA inflation in 2016 increased from 6.7% in December to 7.6% on March 4, and for 2017 from 5.1% to 6.0% in the same period.
- **Political uncertainty has increased considerably in the past several quarters**. Discussions of the impeachment process at Congress will probably become more frequent in the second quarter, owing to the developments of the witness testimony allegedly provided by the former leader of the government in the Senate, who has supposedly mentioned that President Rousseff was aware of illegalities at Petrobras, the Brazilian oil giant. Developments in the current investigation by the federal police might make the government's ability to implement austerity measures even weaker. Furthermore, there is high uncertainty regarding the next developments of the federal police investigations. The increase in political turmoil might lead to an even deeper recession, with further deterioration in fiscal results.
- **Brazil's sovereign and local debt is now rated speculative grade by S&P, Fitch, and Moody's.** Brazil was downgraded by S&P two notches to BB, with a negative outlook, in February 2016, by Moody's two notches to Baa2, with a negative outlook, and by Fitch one notch to BB+, with a negative outlook. Given our scenario for the local economy in the next few quarters, we expect these rating agencies to further downgrade Brazil over the next several quarters.

As in 2015, the sharp GDP contraction in 2016 will likely be driven by the domestic demand components. The higher contribution from external sector will likely not be sufficient to avoid the sharpest recession since 1901.

The environment of very high political and fiscal uncertainty should keep consumer and business confidence relatively stable at a low level, preventing a substantial recovery of the domestic economy.

Exhibit 28: GDP growth on demand side

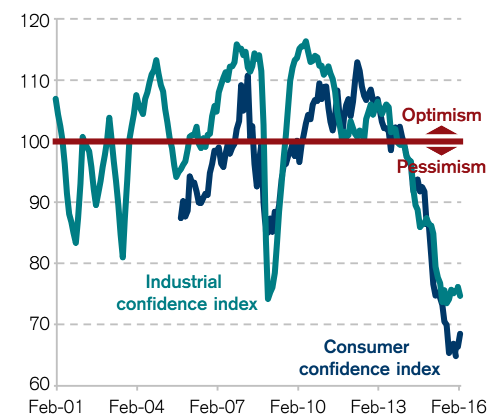
%, annual change

	GDP	Household consumption	Government consumption	Investments	Exports	Imports
Weight (%)	100.0	62.4	19.5	20.2	11.2	13.9
2011	3.9	4.7	2.2	6.7	4.8	9.4
2012	1.9	3.5	2.3	0.8	0.3	0.7
2013	3.0	3.5	1.5	5.8	2.4	7.2
2014	0.1	1.3	1.2	-4.5	-1.1	-1.0
2015	-3.8	-4.0	-1.0	-14.1	6.1	-14.3
2016e	-4.2	-4.5	-0.7	-13.7	3.5	-14.8
2017e	-1.0	-1.1	1.3	-3.3	3.1	-1.9

Source: IBGE, Credit Suisse

Exhibit 29: Business and consumer confidence

Index number with seasonal adjustment



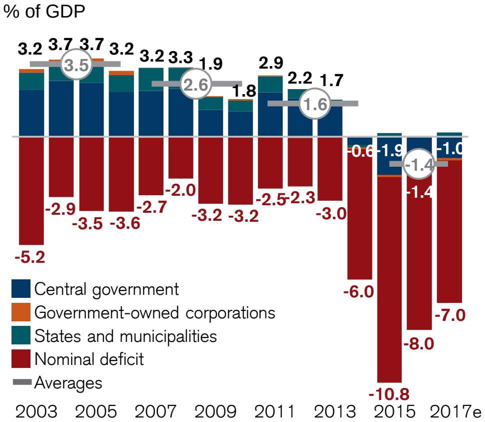
Source: Getulio Vargas Foundation (FGV), Credit Suisse

The significant interest payment on public debt and recurring primary deficit should keep the nominal deficit at a much higher level than the average seen since implementation of the Fiscal Responsibility Act.

The chances of public debt increasing indefinitely will likely rise.

Exhibit 30: Primary surplus of public sector and nominal balance

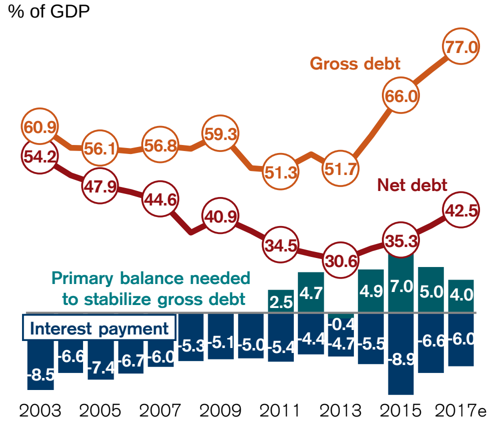
% of GDP



Source: Central Bank of Brazil, Credit Suisse

Exhibit 31: Debt, interest, and primary surplus needed to stabilize debt

% of GDP



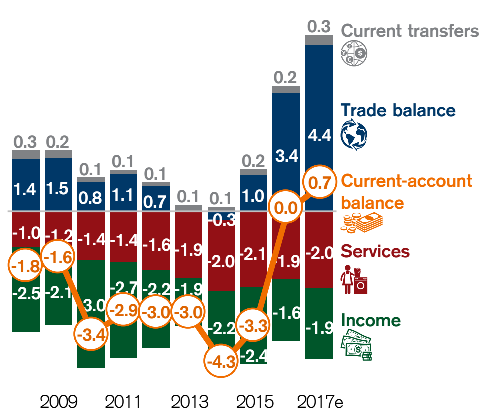
Source: Central Bank of Brazil, Credit Suisse

The current account adjustment should result from the deep recession and sharp BRL depreciation. The improvement will likely be due mainly to the significant contraction in imports. The change in the composition of the country's exports should prevent a surge in exports.

Inward direct investment should decline as a result of the economic downturn and the more adverse outlook for the domestic growth trend.

Exhibit 32: Current-account balance

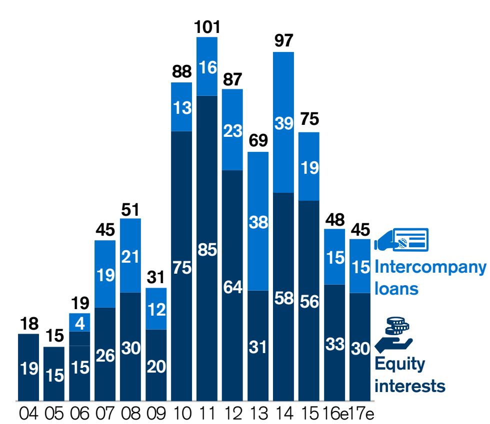
% of GDP



Source: Central Bank of Brazil, Credit Suisse

Exhibit 33: Inward direct investment

USD billion



Source: Central Bank of Brazil, Credit Suisse

IPCA inflation should remain well above the upper limit of the target range in 2016. High inflation inertia, tax hikes, and BRL depreciation will likely contribute to continued high consumer inflation.

We expect the Selic basic interest rate to remain unchanged at 14.25% p.a. until the end of 2017. The high political uncertainty will likely keep the policy rate on hold.

Exhibit 34: Inflation results and forecasts

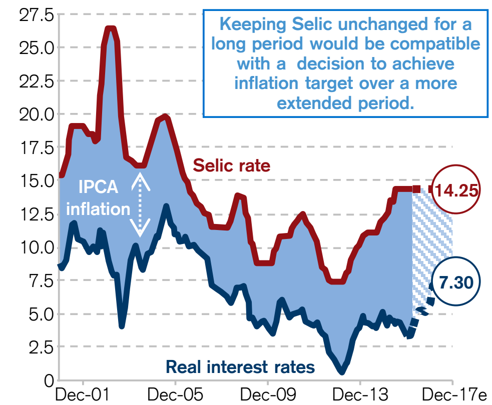
%

	Weight	11	12	13	14	15	16e	17e
IPCA	100	6.5	5.8	5.9	6.4	10.7	8.0	6.5
Market prices	75.8	6.8	6.5	7.3	6.7	8.5	7.1	6.2
Food	16.1	5.4	10.0	7.6	7.1	12.9	9.3	7.8
Services	35.5	9.7	8.7	8.7	8.3	8.1	7.4	6.5
Industrial	24.2	3.6	1.8	5.2	4.3	6.2	5.1	4.8
Administered prices	24.2	5.6	3.7	1.5	5.3	18.1	10.9	7.2

Source: Brazilian Statistics Bureau (IBGE), Credit Suisse

Exhibit 35: Selic basic interest rate

%, p.a.



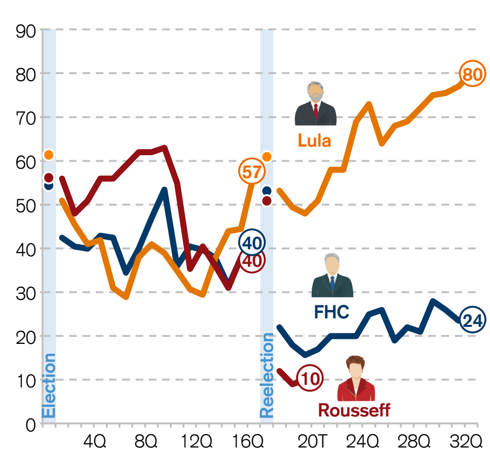
Source: Brazilian Statistics Bureau (IBGE), Central Bank of Brazil, Credit Suisse

The low approval rating of President Dilma Rousseff and the growing political uncertainty prevent significant legislative production and, consequently, a more definitive improvement in the fiscal accounts.

Despite the low approval rating, the governing coalition is still large.

Exhibit 36: Approval rating of federal administration

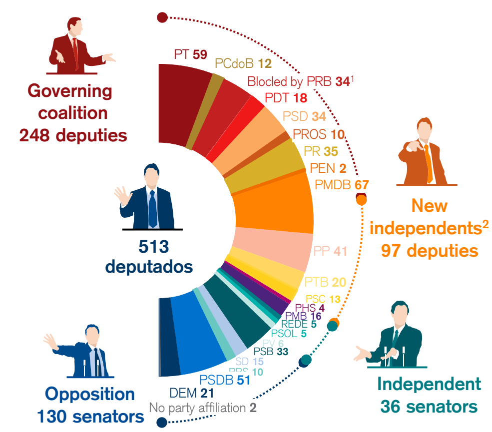
% of respondents rating the administration "good" or "excellent"



Source: CNI/Ibope, Credit Suisse

Exhibit 37: Party representation at Chamber of Deputies

as declared by party leaders



¹ PRB, 19; PTN, 9; PTC, 1; PSL, 2 ; PTdoB, 3.
² In addition to 23 PMDB deputies, this bloc includes the bloc led by PP (PP, PTB, PSC, PHS).

Source: Chamber of Deputies, Credit Suisse

Brazil: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	-0.2	7.6	3.9	1.9	3.0	0.1	-3.8	-4.2	-1.0
Growth in real private consumption (%)	4.2	6.4	4.7	3.5	3.5	1.3	-4.0	-4.5	-1.1
Growth in real fixed investment (%)	-1.9	17.8	6.7	0.8	5.8	-4.5	-14.1	-13.7	-3.3
Fixed investment (% of GDP)	18.8	21.8	21.8	21.4	21.7	20.9	18.2	17.1	16.7
Nominal GDP ($bn)	1673	2210	2613	2459	2461	2416	1769	1490	1465
Population (mn)	193.5	195.5	197.4	199.2	201.0	202.8	204.5	206.1	207.7
GDP per capita, $	8,627	11,298	13,233	12,338	12,239	11,915	8,651	7,143	6,862
Unemployment (% of labor force, end-year)	na	na	na	7.3	7.2	6.8	8.3	11.2	12.6
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	4.3	5.9	6.5	5.8	5.9	6.4	10.7	8.0	6.5
CPI inflation (%, average)	4.9	5.0	6.6	5.4	6.2	6.3	9.0	9.1	7.2
Nominal wage growth (% year-on-year change)(1)	na	na	na	na	9.7	7.4	11.0	5.0	5.5
Exchange rate (BRL per USD, end-year)	1.74	1.67	1.88	2.04	2.35	2.65	3.90	4.30	4.50
Exchange rate (BRL per USD, average)	2.00	1.76	1.67	1.95	2.16	2.35	3.33	4.10	4.40
REER (% change, December to December)(2)	25.7	7.2	-7.6	-12.0	-8.50	-10.00	-27.60	-4.00	-3.00
Selic interest rate (%, end-year)	8.75	10.75	11.00	7.25	10.00	11.75	14.25	14.25	14.25
Fiscal data									
General government fiscal balance (% of GDP)	-3.2	-3.2	-2.5	-2.3	-3.0	-6.0	-10.8	-8.0	-7.0
General government primary balance (% of GDP)	1.9	1.8	2.9	2.2	1.7	-0.6	-1.9	-1.4	-1.0
General government expenditure (% of GDP)(3)	35.6	35.1	35.2	34.7	35.3	37.2	40.9	38.2	37.8
Gross general government debt (% of GDP, end-year)(4)	59.3	51.8	51.3	53.8	51.7	57.1	66.0	72.0	77.0
Net general government debt (% of GDP, end-year)(5)	40.9	38.0	34.5	32.3	30.6	33.1	35.3	38.7	42.5
Money supply and credit									
Broad money supply (M2, % of GDP)	35.1	35.1	37.0	36.7	36.8	37.8	38.5	38.8	38.8
Broad money supply (M2, % year-on-year change)	8.8	16.7	18.7	9.1	10.9	9.9	5.6	4.5	5.5
Domestic credit (% of GDP)	104.3	96.5	98.4	103.6	102.9	109.7	119.1	119.9	119.8
Domestic credit (% year-on-year)	12.2	8.0	14.9	15.6	9.9	14.1	12.8	4.1	5.4
Domestic credit to private sector (% of GDP)(6)	50.7	52.2	55.1	58.7	60.7	63.2	64.9	65.4	65.3
Domestic credit to private sector (% year-on-year)	12.4	20.3	18.6	17.1	14.4	11.4	6.5	4.3	5.3
Balance of payments									
Exports (goods and non-factor services, % of GDP)	10.8	10.5	11.2	11.4	11.4	10.9	12.7	14.5	15.8
Imports (goods and non-factor services, % of GDP)	10.4	11.0	11.6	12.4	13.2	13.2	13.8	13.1	13.5
Exports (goods and non-factor services, % change in $ value)	-20.9	29.1	26.1	-3.9	-0.5	-5.6	-15.2	-3.3	6.9
Imports (goods and non-factor services, % change in $ value)	-20.9	39.8	24.0	0.6	7.1	-2.1	-23.7	-19.7	1.0
Current account balance ($bn)	-26.3	-75.8	-77.0	-74.2	-74.8	-104.2	-58.9	0.0	10.0
Current account (% of GDP)	-1.6	-3.4	-2.9	-3.0	-3.0	-4.3	-3.3	0.0	0.7
Net FDI ($bn)(7)	36.0	61.7	85.1	81.4	54.2	70.9	61.6	38.0	30.0
FDI ($bn)(8)	31.5	88.5	101.2	86.6	69.2	96.9	75.1	48.0	45.0
Scheduled debt amortization ($bn)(9)	26.3	30.6	34.5	37.6	58.0	49.6	76.5	62.0	60.0
Foreign debt and reserves									
Public Foreign Debt ($bn)	96.4	105.5	104.3	115.5	120.5	136.9	138.0	135.0	135.0
Private Foreign Debt ($bn)(10)	181.2	246.4	311.2	339.8	366.2	423.5	422.0	420.0	415.0
Foreign debt (% of GDP, end-year)	16.6	15.9	15.9	18.5	19.8	23.2	31.7	37.2	37.5
Foreign debt (% of exports of goods and services)	153.7	151.4	142.0	162.3	173.7	212.8	249.6	256.6	237.3
Central bank gross FX reserves ($bn)	239.1	288.6	352.0	378.6	375.8	374.1	368.7	368.7	368.7
Central bank gross FX reserves, including forward FX transactions ($bn)	239.1	288.6	353.6	376.5	300.7	264.5	260.6	260.6	260.6
Central bank gross non-gold FX reserves ($bn)	237.9	287.1	350.4	375.0	373.2	371.5	366.4	366.7	366.7

(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.

Source: IBGE, Central Bank of Brazil, Credit Suisse

Chile: Growth still stuck near 2.0%

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- **The Chilean economy continues to face domestic and external headwinds.** Domestically, the central bank has started a monetary policy tightening cycle while the government has vowed to keep the fiscal accounts in check. Also, confidence levels remain low among businesses and households, and there are no hopes for a quick recovery. Externally, low global growth, weak copper prices and substantial uncertainty about China are also negatives affecting Chile's outlook.

- **We are lowering our real GDP growth forecast for 2016 from 2.8% to 1.9%.** We had hoped that the fourth quarter of 2015 and the start of 2016 would be more promising, but it just did not happen. If our latest forecast is correct, this would be the third consecutive year with real GDP growth hovering around 2.0%. Our latest growth forecast is in line with market expectations, as per the latest central bank survey. As per the profile of the recovery, we project average annual real GDP growth of 1.6% in the first half of 2016 and 2.2% in the second half.

- **Subdued growth will likely restrain inflationary pressures in 2016, though annual readings will likely remain high for some time.** Another factor that should help on the inflation front is the renewed stability of the exchange rate, particularly after last year's sharp depreciation. We forecast that annual inflation will be at 4.3% at year-end 2016, down from 4.7% at present. We think that inflation will hit a low point of 4.1% in August. For year-end 2017 we anticipate convergence to the 3.0% target. On the exchange rate front, we project a year-end rate of 710 pesos per dollar, the same as the one recorded in December 2015. From a real exchange rate standpoint, the current level is approximately 6% cheap to the ten-year average.

- **We project that the central bank will increase the overnight rate by a cumulative 50bps to 4.0% between now and December.** We think that this will most likely happen through two increases of 25bps each. In our view, the central bank's main motivation will be to anchor medium-term inflation expectations, given the prospects that inflation will likely remain outside of the upper-end of the interval around the 3.0% inflation target. We think that the tightening cycle will remain in place in 2017, given prospects of a more meaningful recovery next year, led by expectations of political change. We anticipate an additional 50bps of hikes in 2017. The swaps curve seems to be in disagreement with our view, as it is pricing in just one more rate hike of 25bps in 2016 and an additional one in 2017. We think the swaps curve is too flat and that, without prospects for a rate cut, investor interest on it will remain low, unless rates sell off for some reason.

- **On the external accounts front we do not anticipate problems with the financing of the current account deficit.** We project a current account gap equivalent to 2.4% of GDP in 2016, or $5.7bn in dollar terms, which we anticipate will be fully financed by net foreign direct investment flows that we project at $5.8bn. Meanwhile, on the fiscal accounts we anticipate a modest widening of the deficit to 2.4% of GDP from a deficit of 2.2% of GDP last year, despite the recent spending cutback announced by the Minister of Finance. We project slightly lower growth rates for revenues and expenditures relative to previous years, but spending to continue to outpace revenue growth. Our specific estimates are 2.8% revenue growth in real terms and 3.5% growth in expenditures.

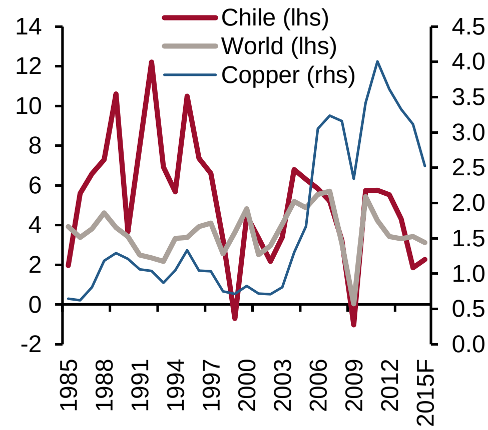
- **Finally, we do not anticipate changes to Chile's long-term foreign-currency sovereign debt ratings in 2016.** Given the subdued growth and the steady increase in the government debt to GDP ratio, we would not be surprised to see one rating agency putting a negative outlook on the debt . The most likely candidates in our opinion are S&P and Moody's, which currently rate Chile's sovereign debt at AA-.

The Chilean economy remains vulnerable to low global growth and weak copper prices.

We were hopeful for a better domestic performance in late 2015 and early 2016, but this did not materialize.

Exhibit 38: GDP growth in Chile and in the world vs. average copper prices

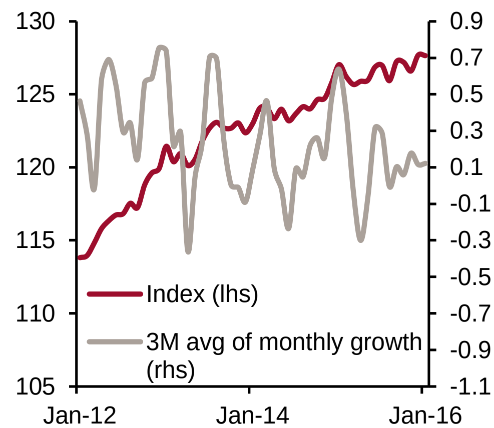
Growth in % in real terms (lhs); price per pound in $ (rhs)



Source: IMF, Credit Suisse

Exhibit 39: Real GDP proxy

2008 = 100; seasonally adjusted, growth in %



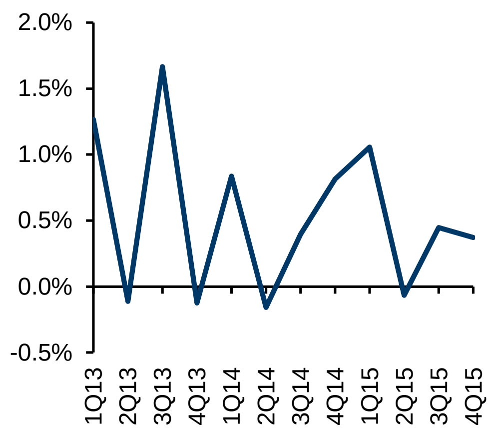
Source: Central bank, Credit Suisse

Volatility in quarterly real GDP numbers has declined somewhat in recent months, as growth has remained weak.

Monthly confidence indicators have also been less volatile and seem to be stabilizing in pessimistic territory (sub 50).

Exhibit 40: Quarterly real GDP growth

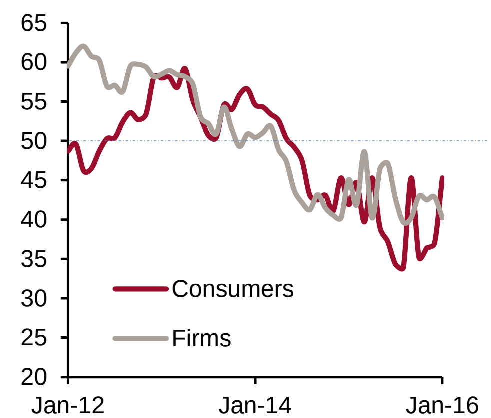
%, non-annualized and seasonally adjusted



Source: Central bank, Credit Suisse

Exhibit 41: Economic perceptions

Confidence indices; readings above 50 denote optimism



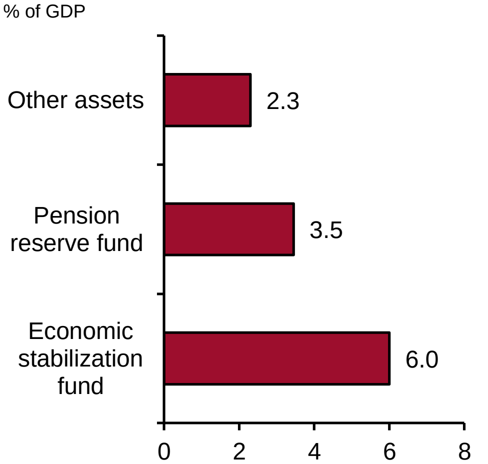
Source: Central bank, Adimark, Credit Suisse

The government's external savings position remains strong, but these savings are unlikely to be used to spur growth.

The current account gap has narrowed on the back of weak growth, but also by the stabilization in the terms of trade, and a decline in import volumes.

Exhibit 42: External savings

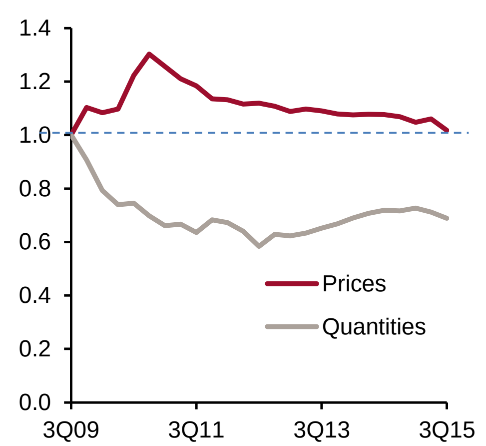
% of GDP



Source: Ministry of Finance, Credit Suisse

Exhibit 43: Export, import quantities and prices

Seasonally adjusted, 3Q09 = 100

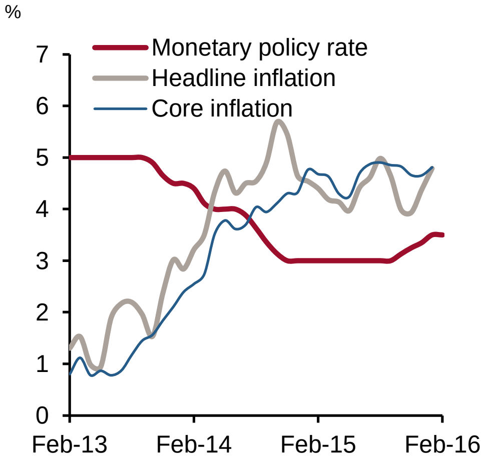


Source: Central bank, Credit Suisse

We project that annual inflation will remain above 4.0% in the balance of 2016, but below 5.0%. An inflation surprise and/or a worsening in inflation expectations would likely lead the central bank to hike the policy rate at a faster pace than is currently expected.

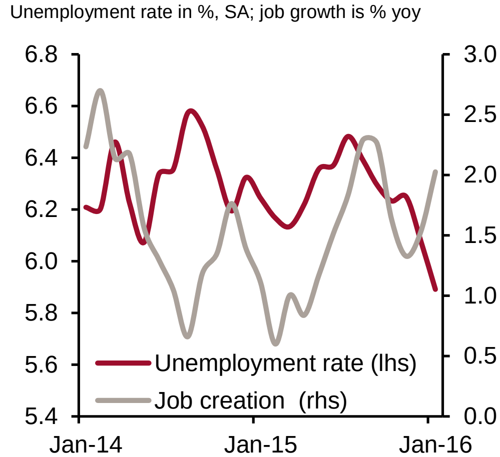
The labor market has remained resilient, but wage growth has receded.

Exhibit 44: Consumer price inflation and monetary policy rate



Source: INE, Central bank, Credit Suisse

Exhibit 45: Unemployment rate vs. growth in job creation

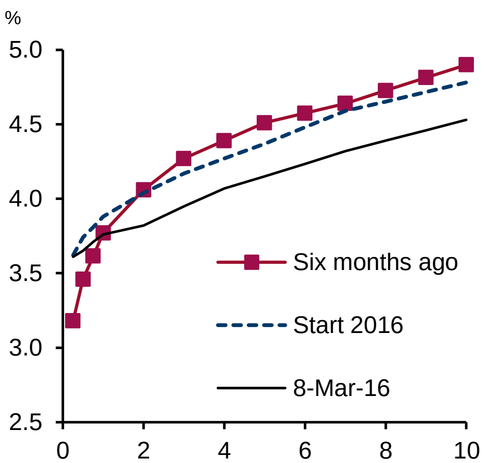


Source: INE, Credit Suisse

We think that the swaps curve is too flat, discounting just one more 25bps rate increase in each 2016 and 2017.

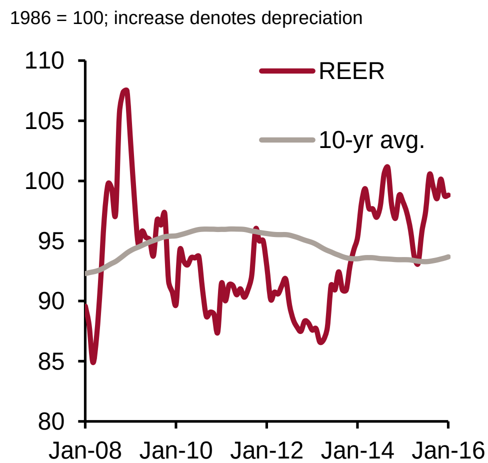
The real exchange rate is cheap to its own historical average.

Exhibit 46: Swaps curve



Source: Credit Suisse

Exhibit 47: Real exchange rate

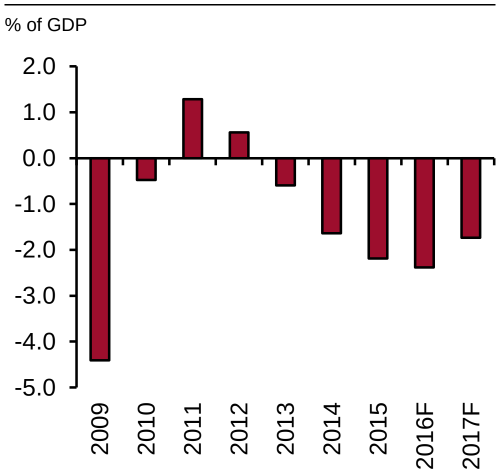


Source: Central bank, Credit Suisse

The fiscal deficit was narrower than expected in 2015. We anticipate a slight widening this year, with expenditures outpacing revenue growth.

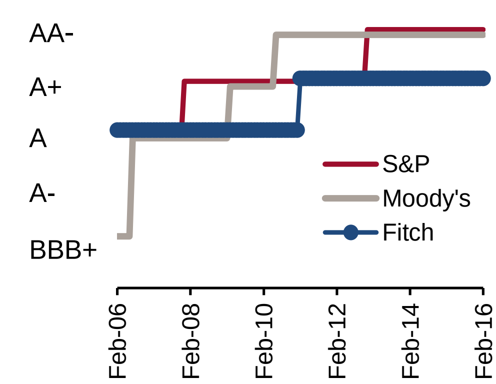
Weak GDP growth for three years in a row and a higher government debt to GDP ratio may lead rating agencies to put a negative outlook on the country's sovereign debt rating.

Exhibit 48: Fiscal Balance



Source: Ministry of Finance, Credit Suisse

Exhibit 49: Long-term foreign-currency sovereign credit rating



Source: Rating agencies, Credit Suisse

Chile: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	-1.0	5.8	5.8	5.5	4.2	1.9	2.1	1.9	3.0
Growth in real private consumption (%)	-0.8	10.8	8.9	6.1	5.9	2.2	1.7	2.2	3.5
Growth in real fixed investment (%)	-12.1	11.6	15.0	11.6	2.1	-6.1	-0.2	2.9	5.0
Fixed investment (% of GDP)	21.9	23.2	25.2	26.6	26.1	24.0	23.5	23.8	24.2
Nominal GDP ($bn)	172.6	217.7	251.2	268.4	280.1	258.3	238.0	234.4	248.7
Population (mn)	16.9	17.1	17.3	17.4	17.6	17.8	18.0	18.2	18.4
GDP per capita, $	10,227	12,754	14,556	15,385	15,888	14,495	13,220	12,884	13,534
Unemployment (% of urban labor force, average year) (1)	10.5	8.3	7.2	6.5	6.0	6.3	6.3	6.5	6.8
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	-1.4	3.0	4.4	1.5	3.0	4.6	4.4	4.3	3.0
CPI inflation (%, average)	1.6	1.4	3.3	3.0	1.8	4.4	4.3	4.4	3.5
Exchange rate (CLP per USD, end-year)	507.45	468.00	521.46	479.20	525.45	606.45	710.00	710.00	700.00
Exchange rate (CLP per USD, average)	558.78	510.00	483.71	486.34	495.34	570.95	655.00	705.00	705.00
REER (% year-on-year change, annual average) (2)	0.5	4.6	-0.5	2.4	0.2	-9.1	0.9	-4.0	0.5
Nominal wage growth (% year-on-year change, average) (3)	6.4	3.6	5.9	6.4	5.7	6.6	6.2	5.5	5.0
Monetary policy rate (%, end-year)	0.50	3.25	5.25	5.00	4.50	3.00	3.50	4.00	4.50
Fiscal data									
General government fiscal balance (% of GDP)	-4.4	-0.5	1.3	0.6	-0.6	-1.6	-2.2	-2.4	-1.7
Central government primary fiscal balance (% of GDP)	-3.9	0.0	1.8	1.1	0.0	-1.0	-1.5	-1.6	-1.0
Central government expenditure (% of GDP)	23.4	22.0	21.4	21.5	21.4	22.4	23.6	24.1	24.0
Gross central government debt (% of GDP, end-year) (4)	5.8	8.6	11.1	11.9	12.7	15.1	16.3	17.4	16.4
Net central government debt (% of GDP)	-10.6	-7.0	-8.6	-6.8	-5.6	-4.4	-4.3	-2.0	-1.7
Money supply and credit									
Broad money supply (M2, % of GDP)	53.6	50.9	55.1	55.2	59.4	61.5	65.5	69.9	75.1
Broad money supply (M2, % year-on-year change)	-5.3	9.3	18.5	7.6	14.5	10.1	12.5	13.0	14.0
Domestic credit (% of GDP)	76.0	71.1	76.0	79.5	82.3	82.1	83.9	86.3	89.5
Domestic credit (% year-on-year)	0.0	7.8	16.9	12.4	10.1	6.0	8.0	9.0	10.0
Domestic credit to private sector (% of GDP)	60.4	56.9	58.6	61.4	63.2	65.6	68.3	70.2	74.1
Domestic credit to private sector (% year-on-year)	2.9	8.4	12.7	12.6	9.5	10.3	10.0	9.0	12.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	37.1	37.8	37.6	33.6	31.7	33.5	30.7	32.1	31.7
Imports (goods and non-factor services, % of GDP)	29.3	31.3	34.5	33.8	32.3	32.0	30.7	32.7	33.0
Exports (goods and non-factor services, % change in $ value)	-15.0	28.6	14.9	-4.6	-1.4	-2.6	-15.8	3.0	5.0
Imports (goods and non-factor services, % change in $ value)	-28.1	34.8	26.9	4.6	-0.1	-8.7	-11.6	5.0	7.0
Current account balance ($bn)	3.5	3.8	-3.1	-9.6	-10.1	-3.0	-3.8	-5.7	-8.2
Current account (% of GDP)	2.0	1.7	-1.2	-3.6	-3.6	-1.2	-1.6	-2.4	-3.3
Net FDI ($bn)	6.2	6.0	3.1	7.9	9.0	10.0	1.5	5.8	8.0
Scheduled debt amortization ($bn) (5)	10.3	13.9	21.3	17.4	18.1	17.6	18.3	17.8	13.0
Foreign debt and reserves									
Foreign debt ($bn, end-year)	71.9	85.0	99.3	120.5	132.6	145.7	147.9	151.5	154.0
Public ($bn)	13.2	17.5	21.1	26.2	24.9	28.6	30.1	31.0	32.0
Private ($bn)	58.7	67.5	78.2	94.4	107.7	117.0	117.8	120.5	122.0
Foreign debt (% of GDP, end-year)	41.7	39.0	39.5	44.9	47.3	56.4	62.1	64.6	61.9
Foreign debt (% of exports of goods and services)	112.5	103.3	105.0	133.7	149.1	168.1	202.7	201.5	195.1
Central bank gross non-gold FX reserves ($bn)	25.4	27.9	42.0	41.7	41.1	40.4	38.6	39.3	40.0

(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: A united policy front

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- **Colombian policymakers have implemented a coherent macroeconomic policy response to the ongoing terms-of-trade shock.** Fiscal, monetary, and FX policies have been aimed at ensuring orderly adjustment to the impact from lower oil prices on government revenues, external accounts, and inflation. We think that Colombia's imbalances will close in due time, although perhaps at a slower pace than some Colombia watchers would like to see. For the time being, however, we think these imbalances will likely continue to cause uncertainty in 2016.

- **The current account deficit has become the most pressing issue on policymakers' minds.** Both fiscal and monetary authorities have consistently underscored their concern with the widening current account deficit, especially in a moment when low oil prices and financial market volatility raise concerns about its financing. These concerns are not unfounded, in our view. We estimate that the current account deficit reached 6.8% of GDP in 2015 and will only narrow to 6.3% of GDP in 2016, before showing a more decisive decline in 2017.

- **The slow adjustment in percentage of GDP terms conceals a more meaningful adjustment in dollar terms.** In fact, the current account deficit in dollar terms was likely the same in 2015 than in 2014 due to lower imports and lower outflows from the income account. The deterioration to 6.8% of GDP from 5.2% of GDP in 2014 is a result of a lower dollar-denominated GDP resulting from a weaker exchange rate. In our view, this reflects that an adjustment in external accounts has indeed taken place, though it is still insufficient for them to become sustainable.

- **Simultaneously, the financing of the deficit has deteriorated as net FDI flows declined from their 2013 peaks, while portfolio flows and other investments took precedence.** Capital account flows, however, have continued to cover most of the deficit and the central bank has lost very little reserves. We expect this to continue to be the case and probably improve as the deficit narrows and capital inflows are enhanced. In our view, FDI flows could be supported by the 4G projects and the sale of ISAGEN this year, while portfolio flows could intensify at the end of 2016 and in early 2017 if the government reduces the withholding tax to foreign investors in local bonds in the upcoming fiscal reform, as the authorities have suggested.

- **We do not anticipate a faster adjustment of the current account deficit for several reasons.** Colombia is unlikely to fall into recession, in our view, and the start of the 4G infrastructure projects will likely help avoid a sharper decline in either private consumption or investment growth in 2016 and 2017. Meanwhile, non-traditional exports have not reacted to a weaker exchange rate at the speed policymakers expected, partly perhaps due to weaker-than-expected global demand. Although we do expect a recovery in non-traditional exports in 2016, it may not be strong enough to offset the negative impact from low oil prices. In this context, monetary and fiscal policies' strategies designed to overcome the challenges that the oil price shock created on inflation and fiscal accounts, respectively, are also consistent with helping external imbalances narrow.

- **The government has announced spending cuts of around 0.7% of GDP from the approved 2016 budget.** Our baseline scenario is that the government will successfully meet its target fiscal deficit of 3.6% of GDP. In our view, the government is fully committed to showing fiscal discipline and will continue to implement policies to guarantee the improvement in its fiscal stance. Presenting the fiscal reform in the second half of the year would be key to this objective. While we warned about the risks of delaying the reform in our recent Trip Notes, we still believe the government is fully committed to implementing it this year, as it works to avoid negative sovereign rating actions.

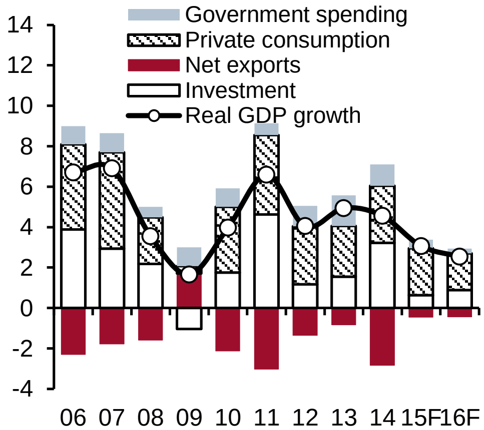
- **Meanwhile, we now believe that the central bank may increase the policy rate to 6.75% with two additional 25bps rate hikes in March and April.** Our previous call was that the central bank would leave the policy rate at 6.5% after a 25bps rate hike in March, and start lowering the policy rate at the end of the year. However, central bank communication has continued to send an unequivocal and unidirectional message that the policy rate should continue to rise. Thus, we believe that the board will want to see more evidence of stabilization and improvement in inflation expectations before deciding to pause. Some board members favor an even faster pace of policy rate increases, making the possibility of a pause in the cycle even less likely in the near term.
- **In our view, the current hiking cycle is close to ending and was designed to contain inflation expectations from reacting to observed inflation.** We reaffirm our view that the central bank will start lowering the policy rate by the end of the year and continue onto 2017 as observed inflation and inflation expectations show a rapid and decisive decline. We expect annual headline inflation to fall to 5.2% by the end of the year and to 3.5% by the end of 2017, from 7.6% at present. We think the terminal rate will reach 5.0% in 2017, conducive to a real rate closer to neutral.
- **Regarding the exchange rate, we are revising our year-end forecast to 3,350 pesos per dollar from 3,500 pesos per dollar.** The central bank has allowed the peso to float freely and absorb the terms-of-trade shock. In fact, the depreciation of the peso since the summer of 2014 has been in line with the decline in terms of trade over the same period, and oil prices have been the main determinant in its value. A seeming bottoming-out in oil prices and a more gradual hiking cycle by the Fed than previously expected should be supportive of the peso relative to our previous forecast. Furthermore, our global FX team now has a less bullish view on the US dollar, which also favors a stronger forecast for the peso.
- **On the growth front, we forecast that real GDP will expand 2.5% in 2016 and 3.3% in 2017.** Domestic demand will likely continue to slow down as private consumption adapts to higher interest rates and the depreciation of the peso, and as budget cuts translate into lower public sector spending. We expect fixed investment to strengthen relative to 2015 as the construction phase of the 4G roads start. There could be downside risks from lower investment in the oil sector if oil prices reverse recent gains. We expect net exports to remain slightly negative as imports and exports continue to adjust to lower oil prices and a weaker exchange rate.
- **Peace negotiations could come to an end in the near term.** Late last year the government announced that peace could be signed by late March, leading to a two-month period of demobilization of guerrilla members. Our local contacts expect a plebiscite on peace to be presented by the summer and see a high probability it will pass. We share the view that the plebiscite will likely pass once it takes place. However, we do not rule out the possibility that the peace treaty could take longer to close than authorities expect. We also continue to believe that the benefits of a peace agreement will only be felt over the medium term. In fact, much of the economic benefits have likely already been internalized during the past decade as the FARC became decimated. Alternatively, the associated costs of peace could be felt in the short term, and the government will likely need to include them in its upcoming fiscal reform.

Real GDP growth will likely decelerate further in 2016 as the terms-of-trade shock continues to unravel.

The government now foresees lower oil production in 2016 relative to 2015, which will likely impact the mining sector's growth.

Exhibit 50: Real GDP growth by component

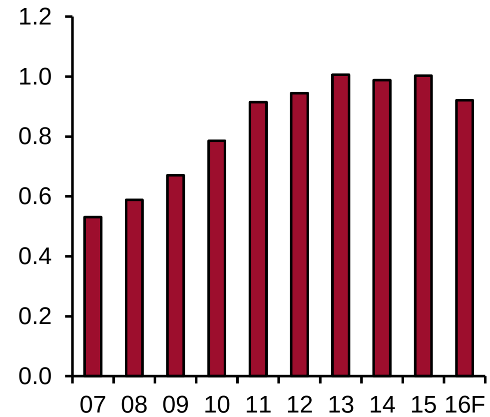
% yoy



Source: DANE, Credit Suisse

Exhibit 51: Oil production

Millions of barrels per day, average

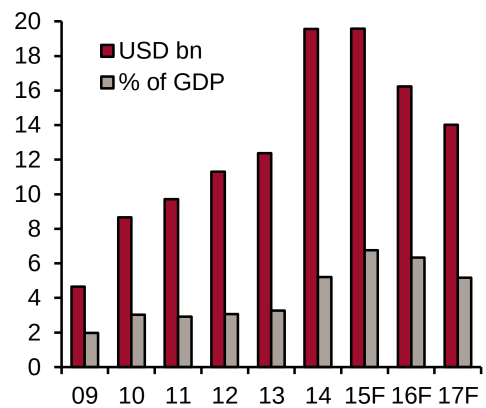


Source: ANH, Credit Suisse

The current account deficit has become the key concern in the minds of Colombia watchers and of policymakers alike.

Although the deficit remains financed, its composition has deteriorated as net FDI flows lost prominence versus portfolio and other flows.

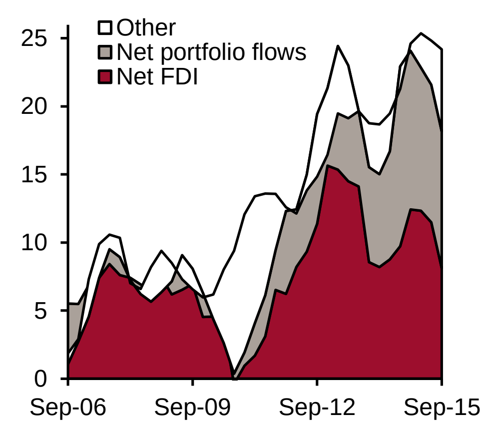
Exhibit 52: Current account deficit



Source: Central bank, Credit Suisse

Exhibit 53: Net capital flows

$bn, 4-quarters accumulated



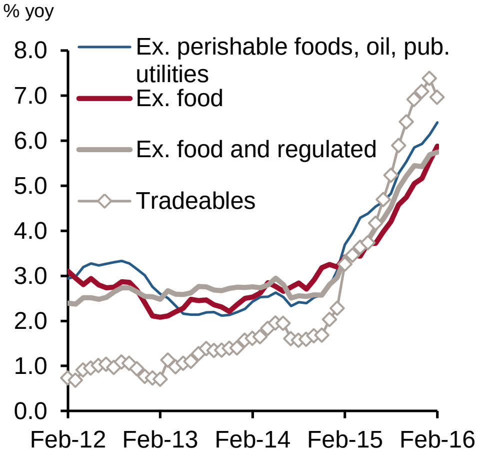
Source: Central bank, Credit Suisse

The central bank will likely continue increasing the policy rate in the short term as high observed inflation threatens to affect inflation expectations.

Once inflation starts to decline and inflation expectations improve, the central bank will likely start unwinding the current interest rate hikes.

Exhibit 54: Tradeable and selected core inflation indices

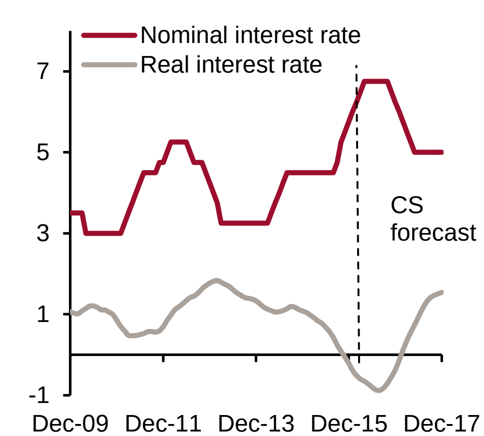
% yoy



Source: DANE, Credit Suisse

Exhibit 55: Nominal and real interest rates

%, real interest rate is annual 12-month average



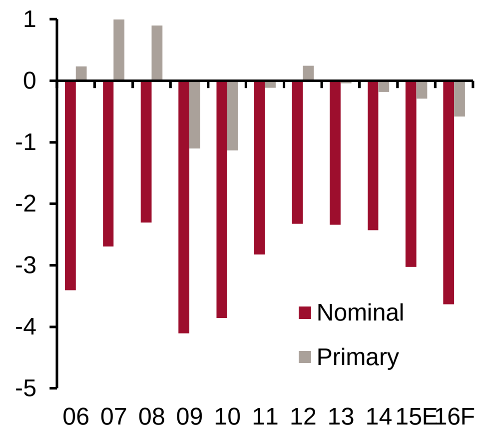
Source: Central bank, DANE, Credit Suisse

The government will likely strive to keep its fiscal deficit capped at 3.6% to convince the markets and rating agencies of its commitment to fiscal discipline.

The fiscal reform expected for the second half of the year is key to guaranteeing the convergence of the nominal deficit to its structural target over the coming years.

Exhibit 56: Central government balance

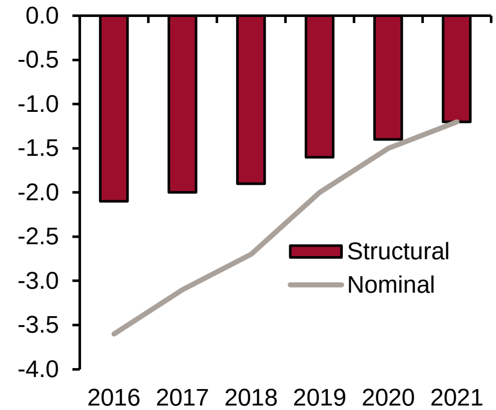
% of GDP



Source: Finance Ministry, Credit Suisse

Exhibit 57: Expected convergence path to structural fiscal deficit

% of GDP



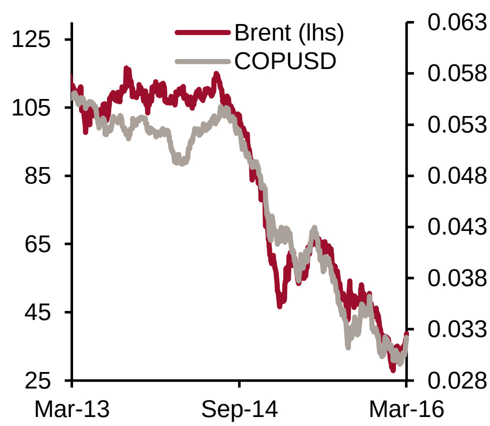
Source: Finance Ministry, Credit Suisse

The peso has continued to float in unison with oil prices, absorbing the terms-of-trade shock.

The central bank has an FX intervention mechanism in place to provide liquidity to the market in moments of high volatility, which hasn't been triggered yet.

Exhibit 58: COPUSD and Brent price

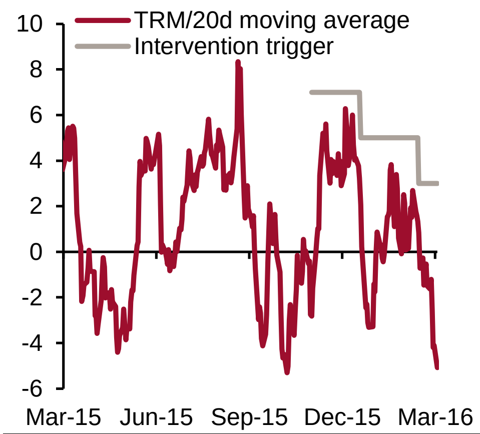
Brent is dollars per barrel



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Exhibit 59: FX intervention rule

% deviation of TRM from its 20 day moving average



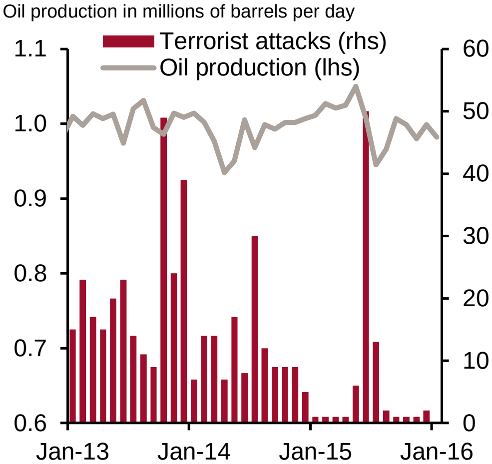
Source: Central bank, Credit Suisse

A peace agreement could help reduce attacks on oil infrastructure in the future, helping oil production.

The risk of a downgrade to Colombia's sovereign credit ratings is contingent on the government presenting and approving the fiscal reform this year, in our view.

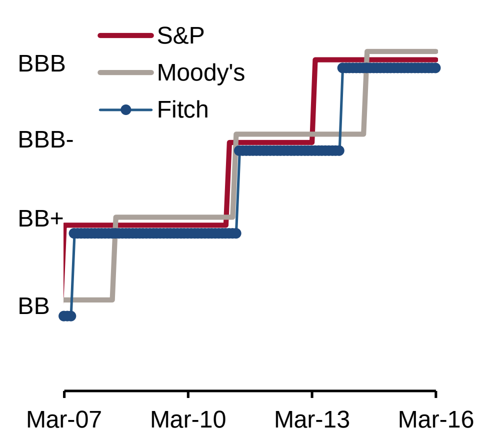
Exhibit 60: Terrorist attacks and oil production

Oil production in millions of barrels per day



Source: ANH, Ministry of Defense, Credit Suisse

Exhibit 61: Sovereign debt ratings



Source: Rating agencies, Credit Suisse

Colombia: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	1.7	4.0	6.6	4.0	4.9	4.6	3.2	2.5	3.3
Growth in real private consumption (%)	0.6	5.0	6.0	4.4	3.8	4.4	3.6	2.8	2.6
Growth in real fixed investment (%)	-4.1	7.4	18.9	4.3	5.6	11.7	2.1	3.0	7.0
Fixed investment (% of GDP)	23.7	24.5	27.4	27.4	27.6	29.5	29.2	29.4	30.4
Nominal GDP ($bn)	233.9	286.1	335.5	369.5	380.0	378.0	291.3	256.0	271.1
Population (mn)	45.0	45.5	46.0	46.6	47.2	47.7	48.1	48.6	49.1
GDP per capita, $	5,201	6,286	7,287	7,929	8,060	7,925	6,055	5,268	5,521
Unemployment (% of labor force, average)(1)	12.0	11.8	10.8	10.4	9.6	9.1	8.9	9.6	9.6
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	2.0	3.2	3.7	2.4	1.9	3.7	6.8	5.2	3.5
CPI inflation (%, average)	4.2	2.3	3.4	3.2	2.0	2.9	5.0	6.9	3.7
Exchange rate (COP per USD, end-year)	2,044	1,914	1,943	1,770	1,927	2,392	3,175	3,350	3,200
Exchange rate (COP per USD, average)	2,157	1,905	1,848	1,798	1,869	2,000	2,742	3,323	3,369
REER (% change, December to December)(2)	6.7	6.2	0.3	6.4	-6.3	-15.0	-22.4	-5.0	4.5
Nominal wage growth (% year-on-year change, average)(3)	7.7	3.6	4.0	5.8	4.0	4.5	4.6	7.0	5.0
Reference rate (%, end-year)	3.50	3.00	4.75	4.25	3.25	4.50	5.75	6.25	5.00
Fiscal data									
Central government's fiscal balance (% of GDP)	-4.1	-3.9	-2.8	-2.3	-2.3	-2.4	-3.0	-3.6	-2.9
Central government primary fiscal balance (% of GDP)	-1.1	-1.1	-0.1	0.2	0.0	-0.2	-0.3	-0.6	-0.5
Central government expenditure (% of GDP)	19.0	17.2	17.2	18.0	19.0	18.9	19.3	19.0	18.3
General government fiscal balance (% of GDP)	-2.4	-3.3	-1.8	0.5	-0.9	-1.7	-2.4	-2.5	-1.8
Consolidated public sector overall balance (% of GDP)	-2.6	-3.3	-2.0	0.3	-0.9	-1.8	-2.4	-2.4	-1.8
Gross general government debt (% of GDP, end-year)	45.1	46.2	43.1	40.6	43.1	46.0	50.7	51.9	50.3
Net general government debt (% of GDP, end-year)(4)	34.8	35.6	34.1	32.6	34.6	38.3	43.5	45.1	43.8
Money supply and credit									
Broad money supply (M2, % of GDP)	39.1	40.4	41.9	45.2	47.9	49.1	51.9	54.6	57.3
Broad money supply (M2, % year-on-year change)	7.1	11.4	18.1	15.6	13.2	9.2	11.6	12.0	12.7
Domestic credit (% of GDP)	37.2	39.8	41.1	44.0	45.2	47.9	54.1	56.4	59.7
Domestic credit (% year-on-year)	9.9	15.3	17.5	14.8	9.6	13.0	19.3	11.0	13.6
Domestic credit to private sector (% of GDP)	30.8	33.6	35.9	38.8	40.5	43.6	49.2	51.3	54.3
Domestic credit to private sector (% year-on-year)	0.5	17.7	21.5	16.0	11.6	14.6	19.3	11.0	13.6
Balance of payments									
Exports (goods and non-factor services, % of GDP)	16.3	16.0	19.1	18.4	17.8	17.0	15.6	14.6	16.3
Imports (goods and non-factor services, % of GDP)	16.7	16.7	18.8	18.7	18.5	20.0	21.9	22.3	22.1
Exports (goods and non-factor services, % change in $ value)	-10.4	19.0	39.3	6.5	-1.3	-4.9	-29.2	-17.5	18.5
Imports (goods and non-factor services, % change in $ value)	-13.2	21.2	31.8	9.4	1.5	7.5	-15.6	-10.1	5.3
Current account balance ($bn)	-4.6	-8.7	-9.7	-11.3	-12.4	-19.6	-19.6	-16.2	-14.0
Current account (% of GDP)	-2.0	-3.0	-2.9	-3.1	-3.3	-5.2	-6.8	-6.3	-5.2
Net transfers ($bn)	4.6	4.4	4.8	4.6	4.6	4.4	5.0	4.8	4.9
Net FDI ($bn)(5)	4.5	0.9	6.2	15.6	8.6	12.4	7.0	8.5	9.7
Scheduled debt amortization ($bn)(6)	1.1	1.7	1.2	1.9	1.5	2.4	2.4	1.0	2.4
Foreign debt and reserves									
Foreign debt ($bn, end-year)	53.7	64.7	75.6	78.7	92.0	101.3	109.3	114.7	117.5
Public ($bn)	37.1	39.5	42.4	46.1	52.1	59.7	65.3	69.8	72.4
Private ($bn)	16.6	25.2	33.1	32.7	39.9	41.6	44.0	44.9	45.2
Foreign debt (% of GDP, end-year)	22.7	22.4	22.8	21.3	24.2	26.8	37.5	45.7	45.4
Foreign debt (% of exports of goods and services)	139.3	141.1	118.3	115.7	137.0	158.6	241.6	290.7	239.2
Central bank gross FX reserves ($bn)	25.4	28.5	32.3	37.5	43.6	47.3	46.7	46.2	45.7
Central bank gross non-gold FX reserves ($bn)	24.6	28.3	31.9	36.9	43.1	46.7	46.2	45.7	45.2

(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

Ecuador: Empty promises

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- **Ecuador's macroeconomic situation has continued to deteriorate since our last quarterly report.** The disbursements from China that the government has been expecting are yet to arrive, and the government has continued to use central bank credit to bridge its short-term liquidity needs. It is also making efforts to cover arrears with the private sector and announced upcoming budget cuts. We think the announced measures are still insufficient and that a more severe adjustment will be needed if external financing fails to arrive. We project the economy will contract 2.5% in 2016.
- **The liquidity crisis has continued, as promised external financing has not arrived.** At the end of 2015, Vice President Jorge Glass and Finance Minister Fausto Herrera announced that $2.8bn in disbursements would arrive from China by the end of February. Through February, money from China only reached $0.9bn in an operation that, as we understand it, will be repaid with oil. The only other external funds Ecuador received were from the upfront $1.0bn payment made by a foreign oil services company as part of the deal to operate the Auca oil field.
- **We think that the government will look for new ways to raise liquidity in 2016 given the drying out of traditional sources.** Net bilateral financing has dramatically diminished since 2013, when it reached almost $2bn, to just $0.2bn last year. High international financing costs will likely deter the government from issuing bonds in international financial markets. Also, pledging oil barrels to loan facilities is not possible anymore, according to Petroecuador staff. Thus, multilateral lending will likely need to play an even larger role in 2016 than in the past. We fear, however, that lenders such as IDB or CAF could see their exposure limits to Ecuador become binding if the credit quality of the sovereign continues to deteriorate.
- **The government could award more oil fields to private sector companies in deals that include frontloaded disbursements.** In these deals, private sector oil companies commit to invest in both capex and opex and get paid a tariff for every barrel of oil they produce. In addition, companies disburse an initial payment which has a repayment schedule based on a portion of the tariff per oil barrel produced. This could give the government around $1bn in extra liquidity this year, which we still think is insufficient.
- **The central bank has also continued to use its balance sheet to help bridge public sector liquidity needs until external financing arrives.** Central bank credit to the government reached $2.1bn through 4 March, up from $1.3bn at the end of 2015. As we wrote in our recent Trip Notes, we think this strategy could add pressure on reserves as well as continue deteriorating the central bank's balance sheet, risking a confidence shock in the economy. Central bank authorities stated in March 2015 that these operations, which started in December 2014, would not be repeated in 2015. Moreover, IMF staff warned in its Article IV against these operations and government officials stated they would be discontinued by the end of 2015, which did not happen.
- **We estimate that the government may need to adjust the budget by 2.6% of GDP in 2016 in the absence of enough financing.** Government officials already announced potential budget cuts of 0.8% of GDP this year. The government continues to target a 2.5% of GDP fiscal deficit, which reaches 3.4% of GDP when the $0.9bn payment to Occidental is included. We project, after the announced spending cut takes place, a fiscal deficit plus the Occidental payment of 4.6% of GDP, total financing needs of 13.4% of GDP, and a financing gap of 2.6% of GDP. The deficit could shrink as liquidity constraints limit the government's ability to spend.
- **Lowering spending would be a more optimal strategy to cope with the liquidity shock than running arrears with the private sector or inflating the central bank's balance sheet, in our view.** Finance Minister Fausto Herrera has stated that the government has been working on catching up on late payments to the private sector,

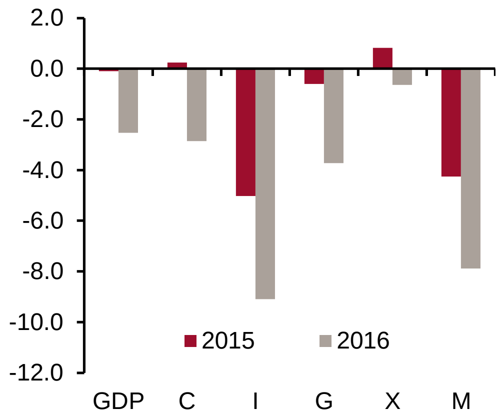
private oil companies, and regional governments, which reached around $3.3bn. In our view, these arrears have been in part responsible for the $3.2bn decline in private banks' deposits in 2015. We think that the government will need to keep around $2bn in arrears in 2016, which may contribute to further deposits' decline as the year moves forward. The government could avoid this by securing financing or reducing spending.

- **Under current conditions, we think the government may need to seek IMF support sooner rather than later.** According to the Finance Ministry's staff, IMF support would be necessary if money from China does not arrive as planned. However, we continue to believe that this would be a last-resort option. If the government manages to shore up some liquidity in the short term it may be able to muddle through and delay seeking assistance, but the deterioration in macroeconomic fundamentals would persist. We think the government would need a liquidity injection of no less than $5bn (or 5% of GDP) to cover this year's financing gap and arrears with the private sector. This could help reignite economic activity, replenish private banks' deposits, reactivate credit channels, and strengthen Ecuador's international reserve position.
- **We now project a current account deficit of 2.4% of GDP in 2016, down from 2.9% of GDP previously**. In our view, imports will remain constrained by weak economic activity. Government officials have also said that if oil prices continue to fall, import tariffs that were scheduled to be dismantled by June could be extended. According to central bank data, non-oil imports fell $3.4bn in 2015, of which 65% was related to products subject to these tariffs. Another alternative that we do not rule out is that the government implements the *timbre cambiario* in the short term to contain import growth.
- **Real exchange rate appreciation will likely be a medium-term concern for the balance of payments.** According to official data, Ecuador would need to undertake a real depreciation of around 40% to regain competitiveness against Colombia, for instance, which competes in around 35% of Ecuador's non-oil exports. The government already sent a labor market reform to the National Assembly that would allow companies to lower wages under specific circumstances for as long as twelve months. We think this reform would be positive to help the economy adjust better to the terms of trade shock. In our view, however, the labor market reform should be structural rather than temporary, consistent with the external shock. This initiative could also bring significant savings to the government if applied to the public sector.
- **The economic downturn has taken a toll on President Correa's popularity.** According to the latest Cedatos poll, Correa's approval rating fell to 40% in January 2016 from 60% in January 2015, while his disapproval rating increased to 51% from 34%. Moreover, other polls show that most Ecuadoreans now blame the economic crisis on Correa's economic mismanagement rather than on lower oil prices. Under the current laws, Correa is not allowed to run for another term in 2017, and he has stated that he does not intend to run for Congress either. However, we continue to believe that he will be the most prominent and influential politician over the next year.
- **Higher oil prices would help Ecuador's economic situation somewhat.** However, a significant and permanent increase is needed to make Ecuador's fiscal and external situation sustainable. According to our estimates, oil revenues would only reach the budget after averaging at least $50 per barrel, as the government is under the obligation to first cover contingent debt with oil companies which accumulates when oil prices fall below a specific threshold. We think that S&P and Fitch, which currently have a B rating on Ecuador's sovereign debt, one notch above Moody's, could lower Ecuador's sovereign credit rating this year if no meaningful reforms take place.

The economy will likely continue to suffer the impact of the terms of trade shock as the government's lack of liquidity trickles down to the real sector.

Exhibit 62: Real GDP growth and demand-side components

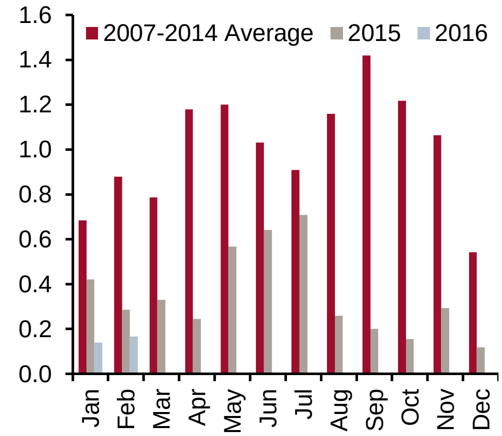
% yoy



Source: Central bank, Credit Suisse

Exhibit 63: Treasury deposits at the central bank

$bn

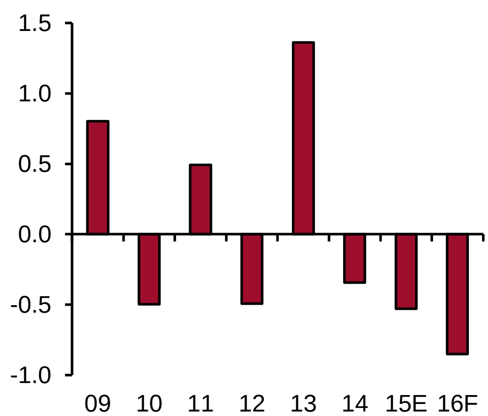


Source: Central bank, Credit Suisse

Traditional sources of external financing are seemingly drying out, forcing the government to find alternative sources.

Exhibit 64: Net oil-presale financing

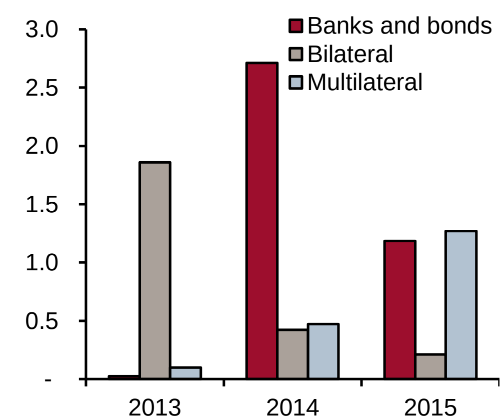
$bn



Source: Central bank, Credit Suisse

Exhibit 65: Net external financing

$bn



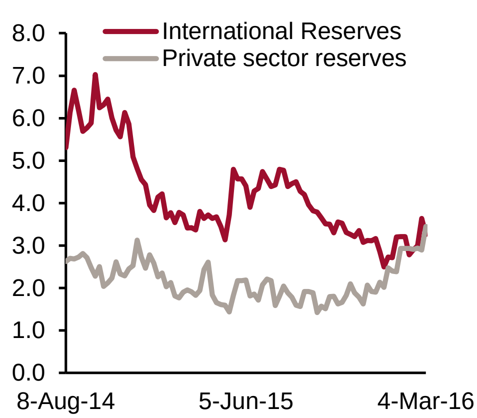
Source: Central bank, Credit Suisse

International reserves have fallen to a point of barely covering private sector deposits at the central bank.

Central bank lending to the government could impose further pressure on international reserves.

Exhibit 66: Private sector deposits at central bank and intl. reserves

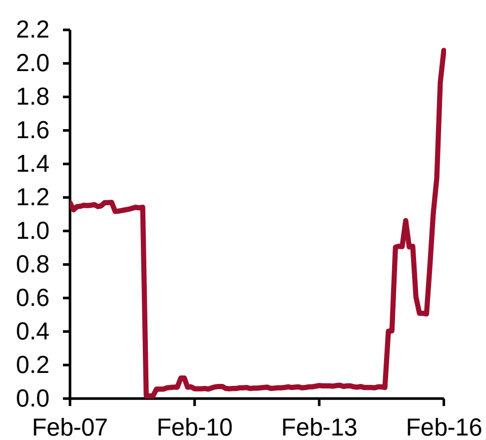
$bn



Source: Central bank, Credit Suisse

Exhibit 67: Central bank credit to the government

$bn



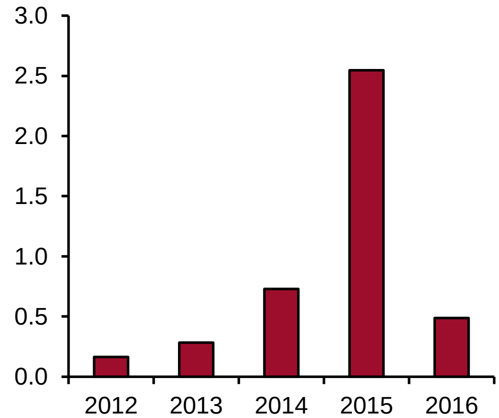
Source: Central bank, Credit Suisse

The government has started to cover late payments from 2015, but is creating new arrears in the process.

Arrears with the private sector have likely contributed to the decline in private banks' deposits, which has driven banks to cut lending and safeguard liquidity.

Exhibit 68: Government pending budget payments

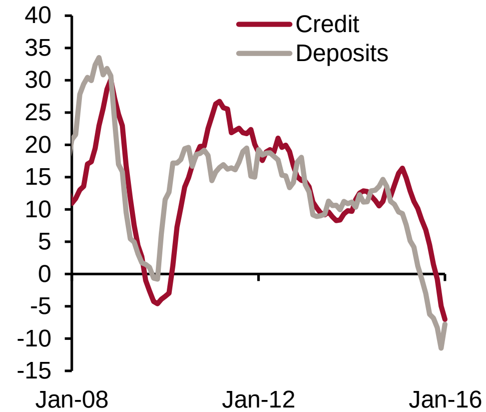
$bn, 2016 data through 3 March



Source: Finance Ministry, Credit Suisse

Exhibit 69: Private banks deposits and lending

% yoy, 12-month average



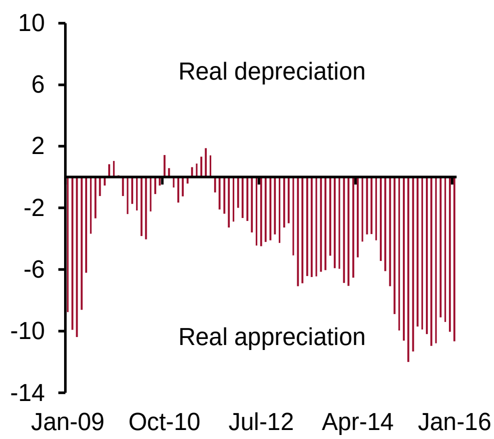
Source: Banks Superintendence, Credit Suisse

The appreciation of the real exchange rate is a key medium-term risk for the balance of payments.

Labor market flexibility could help the economy adjust better to the terms of trade shock as it regains competitiveness relative to its peers.

Exhibit 70: Multilateral real effective exchange rate

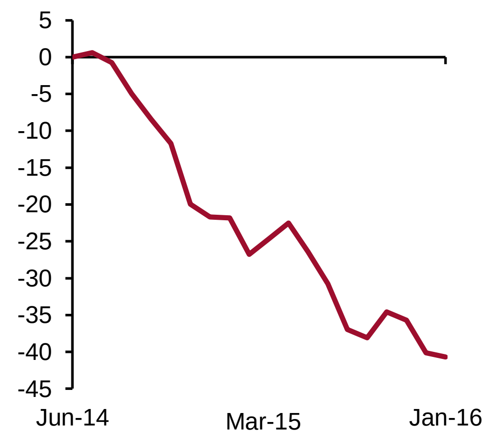
% deviation from 10 year trend



Source: Central bank, Credit Suisse

Exhibit 71: Real bilateral exchange rate versus Colombia

% change vs. June 2014



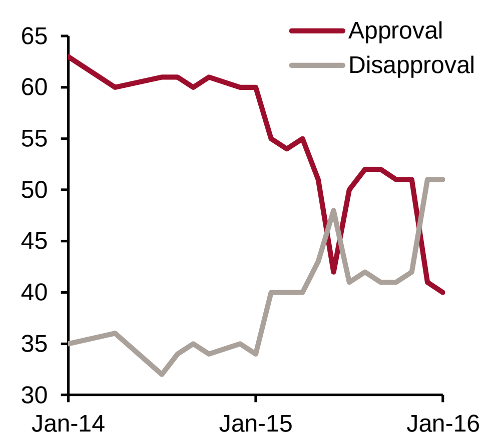
Source: Central bank, Credit Suisse

The approval rating of President Correa may continue to suffer if the economy remains weak.

We see the possibility of a rating downgrade by S&P or Fitch in the next 12 months given the deterioration of macroeconomic fundamentals and lack of financing sources.

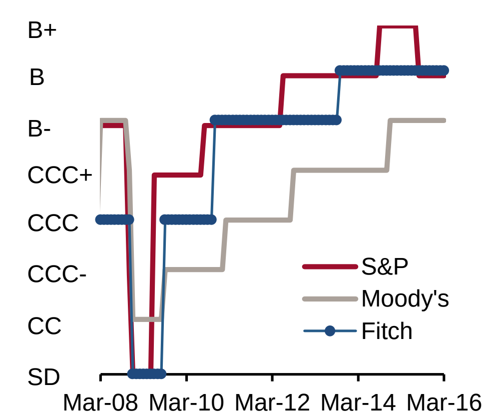
Exhibit 72: Approval rating of President Correa

%



Source: Cedatos Gallup, Credit Suisse

Exhibit 73: Sovereign debt ratings



Source: Rating agencies, Credit Suisse

Ecuador: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	0.6	3.5	7.9	5.6	4.6	3.7	-0.1	-2.5	1.4
Growth in real private consumption (%)	-1.0	7.7	5.1	2.8	3.5	3.5	0.2	-2.9	0.7
Growth in real fixed investment (%)	-3.6	10.2	14.3	10.6	10.7	5.3	-2.1	-8.1	0.2
Fixed investment (% of GDP)	22.6	21.7	23.1	24.5	25.6	27.1	27.6	26.9	25.4
Nominal GDP ($bn)	62.5	69.6	79.3	87.9	94.8	100.9	101.3	100.7	105.4
Population (mn)	14.7	15.0	15.3	15.5	15.8	16.0	16.3	16.5	16.8
GDP per capita, $	4,253	4,633	5,193	5,665	6,008	6,297	6,224	6,095	6,281
Unemployment (% of labor force, average)(1)	8.5	7.6	6.0	4.9	4.7	5.1	5.4	6.8	7.5
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	4.3	3.3	5.4	4.2	2.7	3.7	3.4	2.1	3.5
CPI inflation (%, average)	5.2	3.6	4.5	5.1	2.7	3.6	4.0	2.0	3.1
REER (% year-on-year change, annual average)(2)	-6.7	0.1	0.8	-2.6	-2.5	-0.5	-5.9	-0.2	1.8
Nominal wage growth (% year-on-year change, average)(3)	9.0	10.1	10.0	10.6	8.9	6.9	4.1	3.0	3.0
Interest rate (%, end-year)(4)	9.20	9.03	8.35	8.17	8.17	8.12	8.10	8.10	9.10
Fiscal data									
Non-financial public sector fiscal balance (% of GDP)	-3.6	-1.3	-0.1	-0.9	-4.6	-5.3	-5.0	-3.7	-1.8
Non-financial public sector primary fiscal balance (% of GDP)	-3.0	-0.7	0.5	-0.2	-3.6	-4.3	-3.7	-2.1	-0.1
Non-financial public sector expenditure (% of GDP)	33.0	34.7	39.5	40.3	43.9	43.9	38.2	31.4	30.7
Central government's fiscal balance (% of GDP)	-4.2	-1.6	-1.6	-2.0	-5.8	-6.4	-3.8	-3.7	-2.8
Central government primary fiscal balance (% of GDP)	-3.5	-0.9	-0.7	-1.0	-4.5	-5.0	-2.0	-2.0	-1.0
Central government expenditure (% of GDP)	22.7	23.3	23.3	24.2	27.3	26.6	23.8	21.9	20.0
Gross non-financial public sector debt (% of GDP, end-year)	16.4	19.2	18.4	21.3	24.2	29.9	33.1	35.4	39.2
Money supply and credit									
Broad money supply (M2, % of GDP)	29.7	31.9	33.5	35.2	37.0	39.7	39.1	39.3	38.7
Broad money supply (M2, % year-on-year change)	8.2	19.4	19.7	16.4	13.4	14.4	-1.3	0.0	2.9
Domestic credit (% of GDP)	14.9	16.8	18.6	19.6	19.6	21.0	19.2	19.3	19.4
Domestic credit (% year-on-year)	4.8	25.1	26.2	17.1	7.6	14.3	-8.4	0.3	5.0
Domestic credit to private sector (% of GDP)	15.6	17.2	18.5	19.1	19.3	20.1	18.7	18.7	18.8
Domestic credit to private sector (% year-on-year)	-2.5	22.6	22.2	14.9	9.0	10.9	-6.7	-0.3	5.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	25.2	28.2	31.1	30.0	29.2	28.7	21.0	17.2	18.4
Imports (goods and non-factor services, % of GDP)	27.0	32.5	33.5	31.5	31.3	30.0	23.6	20.1	20.5
Exports (goods and non-factor services, % change in $ value)	-24.7	24.5	25.8	6.9	5.1	4.4	-26.5	-18.3	11.9
Imports (goods and non-factor services, % change in $ value)	-19.3	34.0	17.2	4.5	7.2	1.8	-20.9	-15.2	6.9
Net balance of factor income ($bn)	-1.3	-1.0	-1.3	-1.3	-1.4	-1.6	-1.6	-1.6	-1.6
Current account balance ($bn)	0.3	-1.6	-0.4	-0.2	-1.0	-0.6	-2.0	-2.4	-1.7
Current account (% of GDP)	0.5	-2.3	-0.5	-0.2	-1.0	-0.6	-2.0	-2.3	-1.6
Net transfers ($bn)	2.7	2.5	2.7	2.5	2.4	2.3	2.1	2.1	2.1
Net FDI ($bn)	0.3	0.2	0.6	0.6	0.7	0.8	0.7	1.0	1.2
Scheduled debt amortization ($bn)(5)	3.5	0.6	1.0	1.1	1.2	1.7	2.1	2.8	2.5
Foreign debt and reserves									
Foreign debt ($bn, end-year)	13.5	14.0	15.3	16.0	18.8	24.1	27.2	29.4	31.7
Public ($bn)	7.4	8.7	10.1	10.9	12.9	17.6	20.2	22.9	25.4
Private ($bn)	6.1	5.3	5.3	5.2	5.9	6.5	7.0	6.5	6.3
Foreign debt (% of GDP, end-year)	21.6	20.1	19.3	18.2	19.8	23.9	26.8	29.2	30.1
Foreign debt (% of exports of goods and services)	53.7	49.6	49.2	53.4	64.3	84.1	129.4	170.6	171.9
Central bank gross FX reserves ($bn)	3.8	2.6	3.0	2.5	4.4	3.9	2.5	3.0	3.4
Central bank gross non-gold FX reserves ($bn)	2.9	1.4	1.7	1.1	3.3	3.0	1.9	2.4	2.8

(1) Average for the year (2) Real effective exchange rate, increase indicates appreciation (3) Minimum wage (4) Reference rate for corporate loan operations (5) Scheduled amortizations for public sector only

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

Mexico: Not so boring anymore

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- **Investors have re-focused on Mexico following another drop in oil prices, further peso weakness earlier this year and a major policy surprise in mid-February.** This is no longer the boring story we thought it would be three months ago.
- **We recently cut our real GDP growth forecast for 2016 from 3.0% to 2.5%.** We made this revision on the back of lower growth expectations for US GDP and industrial production growth, as well as on the expected headwinds from Mexico's oil sector, with oil output expected to fall by 5% or an additional 100,000 barrels per day this year. Our new forecast is in line with reduced market expectations, as per the latest central bank survey. Our growth profile suggests real GDP will expand at an annual average growth rate of 2.6% in the first half of the year and by approximately 2.4% in the second half. In quarterly terms, we forecast average growth of 0.55% in the first half, non-annualized, and 0.70% in the second half.
- **By supply-side sector, we project that services will continue to fuel growth.** Specifically, for 2016 we project 3.4% real growth in services GDP, 2.0% growth in primary output and 1.0% growth in industrial GDP. These figures are similar to the ones from 2015. From the demand side, we anticipate a slight acceleration in private consumption to 3.0% from an estimated 2.7% in 2015, which will be partly offset by somewhat lower growth in gross fixed investment, from the estimated 5.4% last year to 3.9% in 2016. Also, net exports of goods and services will likely subtract from real GDP growth this year, as opposed to its slight contribution in 2015.
- **Risks to growth are still mainly external: The health of the US economy and oil prices.** Our working assumptions for US growth are 2.0% real GDP growth in 2016 and 1.0% growth in industrial production. These are about 0.7 percentage points lower than just three months ago. Additional material revisions to these expectations would likely have repercussions on our Mexico forecasts. As per oil prices, we are using prices implied in the futures market which yield averages of $36.0 per barrel of Brent in 2016 and $43.0 per barrel in 2017. Lower oil prices, depending on the extent of the adjustment, could lead to further spending cutbacks at state-owned oil company Pemex, in order for it to comply with financial result guidelines approved by Congress.
- **Recent high-frequency indicators have continued to be mixed.** On the positive side we highlight the growth in remittances in peso terms, strong growth in commercial bank lending across segments and favorable results from retailers particularly for January, as anecdotal evidence suggests February results were worse. On the negative side, however, several sentiment indicators, including the PMI, producer confidence across sectors and consumer confidence have been either flat or trending lower. Additionally, the vehicle industry appears to have been off to a rough start with consecutive monthly declines (seasonally adjusted) in output and exports in the first two months of the year. Meanwhile, manufacturing exports have remained sluggish, largely reflecting subdued external demand, particularly in countries other than the US.
- **Our inflation forecasts for 2016 are largely unchanged relative to three months ago, despite the additional depreciation of the peso.** We anticipate a year-end 2016 annual inflation rate around 3.2% at the headline level and of 2.7% in the case of core. Our working assumption is that gasoline prices will remain at the low end of the band set by the government and that the rebound in US gasoline prices will be insufficient to move local prices within the band. The main risks of higher inflation come from the depreciation of the peso and the adverse impact on agricultural crops from abnormally adverse weather conditions in January and February. Meanwhile, the main risk of lower inflation comes from the expected change in the consumer price index due this Fall and the impact that it may have on telecommunication prices. Specifically, we think that the new index may give a larger weight to telecommunication services in which competition has intensified in aspects such as post-payment plans and data packages.

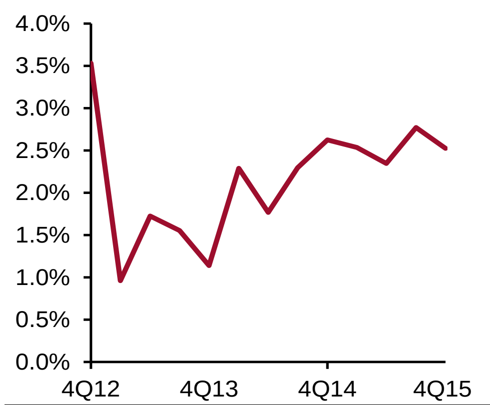
- **The central bank's guidance on the monetary policy front is sharply different from the one three months ago.** Gone is the message that the central bank would largely follow changes in the US Fed's policy stance. Following the surprise interest rate increase of 50bps to 3.75% last 17 February, via a unanimous vote in an emergency meeting, the door is now open for further moves, regardless of the Fed's actions. In our central scenario we have the central bank increasing the overnight rate twice more by 25bps each time to 4.25% by year-end. We think that these moves will come on the back of US Fed hikes later this year which will largely be triggered if US labor market data remains strong. In this sense, we think that the Mexican peso would have to weaken sharply again, on low liquidity and to levels witnessed right before mid-February, around 19.40 pesos per dollar, for the central bank to contemplate increasing the overnight rate again. The one scenario that we rule out, regardless of peso levels, is that the central bank of Mexico stays on hold at a time in which the US Fed is hiking the Fed Funds rate.
- **On the exchange rate policy the guidance from the Foreign Exchange Commission (FEC) is also completely different from that prevailing until mid-February.** Gone is the predictability of certain dollar sales, at certain times of the day and under certain conditions. The new guidance is that the central bank can intervene by surprise at any time, if market conditions warrant it. We think that these conditions include a disorderly depreciation of the peso on relatively low liquidity which may or may not be accompanied by an underperformance of the peso versus other emerging or developed market currencies. We think that FX interventions by the FEC will be rather infrequent, as we remain constructive on the peso, particularly following the surprise policy moves last month and, more importantly, the recovery in oil prices.
- **We anticipate a lot of investor scrutiny of the fiscal accounts throughout 2016.** In our view, this will be motivated by several factors, including: (1) the increase in the public sector debt to GDP to 48% of GDP last year; (2) the increase of 5.2% in real terms in public sector spending in 2016, despite the spending cutback announcement made in January 2015 and the sharp fall in oil prices; (3) the uncertainty as to whether the government complied with the fiscal rule that mandated a growth cap of 2.0% in real terms in "current structural expenditures"; and, (4) the uncertainty as to whether state-owned oil company Pemex will be able to deliver on its adjustment program and whether it will receive further support by the government in the near term. On this last point, we think that by May the government will likely capitalize Pemex with some of the proceeds from the central bank's transfer of part of its operating profits from last year, and that it will also reduce the tax burden for certain projects that are unprofitable at current prices. More generally, we think that the government will meet its goal to reduce the broadest definition of the fiscal deficit by 0.5% of GDP to 3.5%.
- **We also anticipate investor attention to center on the external accounts, following the widening of the current account gap and the still bulky errors and omissions line (1.5% of GDP).** We are anticipating a current account gap of 3.3% of GDP in 2016, or $35.5bn, of which almost two-thirds should be financed by net foreign direct investment flows.
- **Finally, on the political front, gubernatorial elections in twelve states will take place on 5 June.** We do not think that these elections will be a "market-moving" event. We will follow closely, the performance of the left-of-center parties (MORENA and PRD), as well as the PRI's performance in the states of Veracruz and Oaxaca, where a PRI victory is not a foregone conclusion. Of the main political parties, the ruling PRI has most to lose, as it is currently in power in nine of the twelve states holding elections.

We project that annual real GDP growth will stabilize near 2.5% throughout 2016.

Growth will likely continue to be fueled by private consumption on the demand side, and by services on the supply side. Retail sales have remained strong, but investment has shown signs of weakness.

Exhibit 74: Real GDP growth

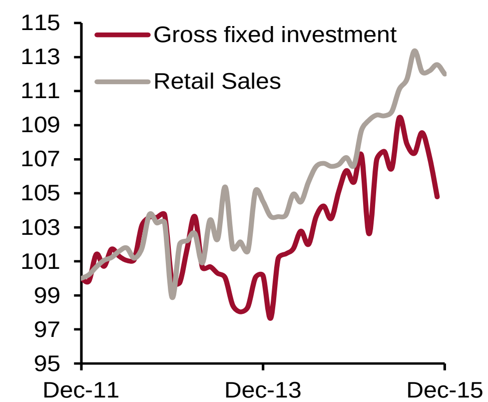
%; yoy



Source: INEGI, Credit Suisse

Exhibit 75: Retail sales and investment

Dec-11 = 100; seasonally adjusted



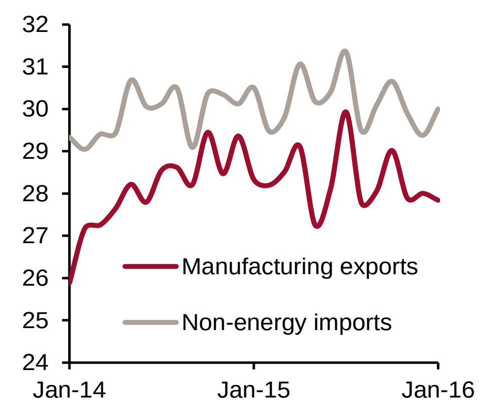
Source: INEGI, Credit Suisse

Manufacturing exports have failed to grow for much of the past year, largely due to subdued external demand.

Some of the high-frequency indicators that have continued to do well include bank lending and remittances.

Exhibit 76: Manufacturing exports and non-energy imports

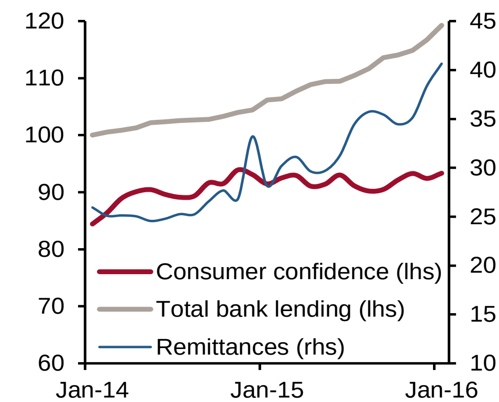
US$ billions; seasonally adjusted



Source: INEGI, Credit Suisse

Exhibit 77: Consumer confidence, bank lending and remittances

Remittances in bn pesos; consumer confidence index set at 100 in 2003, seasonally adjusted; bank lending in real terms and seasonally adjusted, Jan-14 = 100



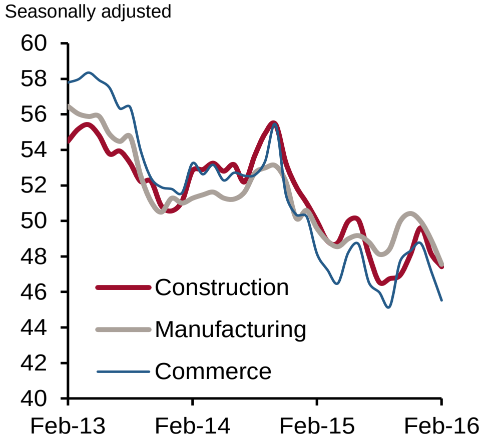
Source: Central bank, INEGI, Credit Suisse

On the negative front, several confidence indicators are trending lower and some are also near multi-year lows.

Lower oil output will likely be another headwind to GDP growth this year.

Exhibit 78: Producer confidence by sector

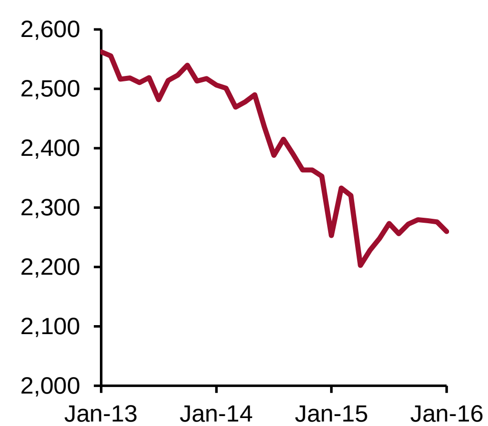
Seasonally adjusted



Source: INEGI, Credit Suisse

Exhibit 79: Daily oil output

Thousands of barrels



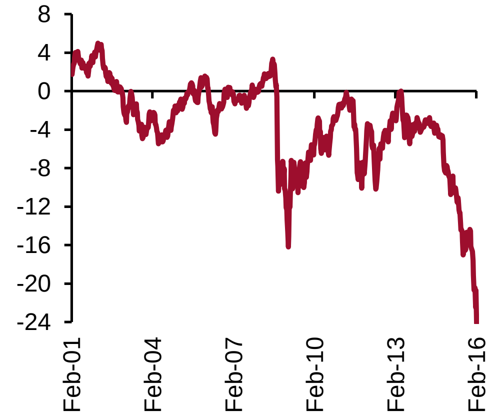
Source: PEMEX, Credit Suisse

Monetary conditions remain very loose, despite the surprise rate increase last month. This is mainly a reflection of the real exchange rate trend.

Despite the weakness of the peso, inflation remains in-check at the headline and core levels.

Exhibit 80: Monetary conditions index

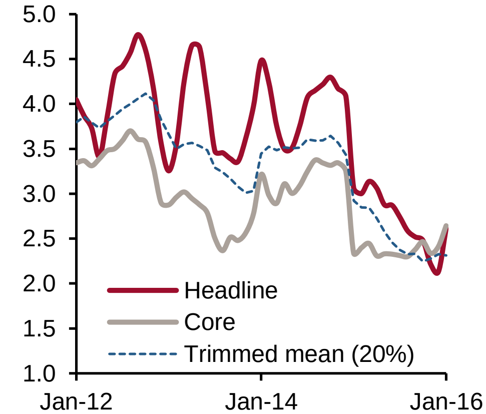
Increase (decrease) denotes tighter (looser) conditions



Source: BEA, INEGI, Central bank, Credit Suisse

Exhibit 81: Consumer price inflation

%,year-over-year



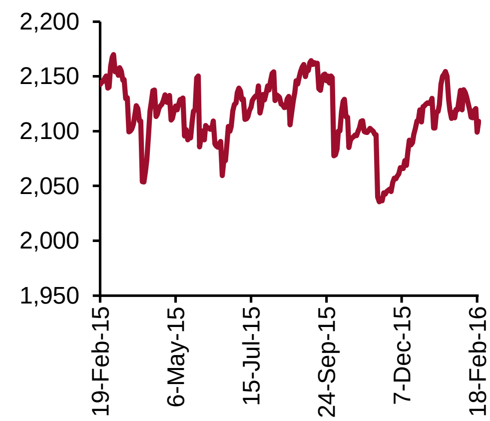
Source: INEGI, Credit Suisse

Foreign holdings of government securities have been range bound for the past year, despite increased financial market volatility.

The resilience of foreign holdings of MBonos is reflected relatively stable bond yields.

Exhibit 82: Daily foreign holdings of total government securities

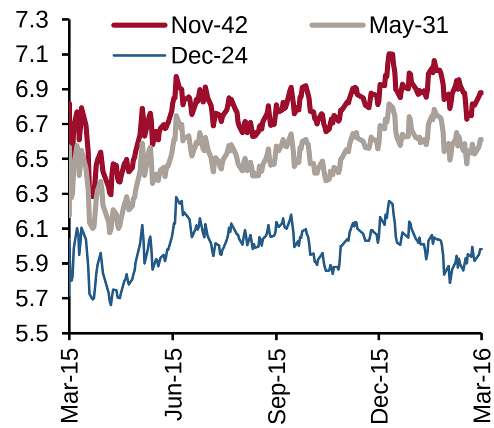
Bn pesos



Source: Credit Suisse

Exhibit 83: Yields in selected Mbono maturities

%

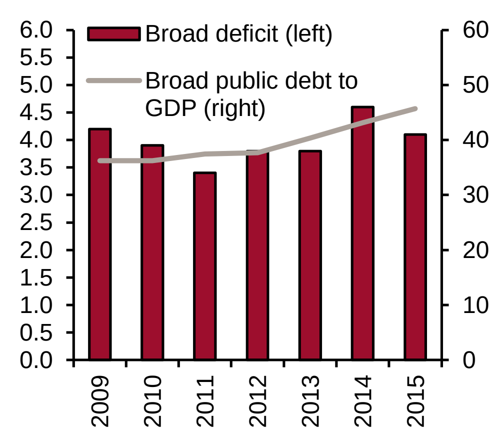


Source: Credit Suisse

Investors are focusing on Mexico's fiscal and external accounts for the first time in many years. This is partly due to the rise in the country's debt burden and to the widening of the current account gap.

Exhibit 84: Fiscal account indicators

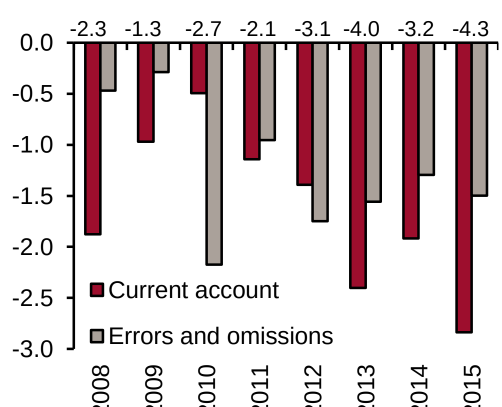
% of GDP



Source: INEGI, Ministry of Finance, Credit Suisse

Exhibit 85: External account indicators

% of GDP



Source: INEGI, Ministry of Finance, Credit Suisse

Mexico: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	-4.7	5.1	4.0	4.0	1.3	2.3	2.5	2.5	3.1
Growth in real private consumption (%)	-6.5	5.7	4.8	4.9	2.3	2.0	2.7	3.0	3.3
Growth in real fixed investment (%)	-9.3	1.3	7.8	4.8	-1.6	2.3	4.4	3.7	4.4
Fixed investment (% of GDP)	22.0	21.2	22.0	22.1	21.5	21.5	21.9	22.1	22.4
Nominal GDP ($bn)	895.1	1,055	1,173	1,191	1,262	1,296	1,142	1,081	1,141
Population (mn)	110.5	114.3	115.7	117.1	118.4	119.7	121.0	122.3	123.6
GDP per capita, $	8,100	9,229	10,143	10,171	10,657	10,829	9,437	8,840	9,236
Unemployment (% of labor force, end-year)	5.5	5.4	5.2	4.9	4.9	4.8	4.4	4.2	3.9
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	3.6	4.4	3.8	3.6	4.0	4.1	2.1	3.1	3.5
CPI inflation (%, average)	5.3	4.2	3.4	4.1	3.8	4.0	2.7	2.9	3.5
Exchange rate (MXN per USD, end-year)	13.08	12.37	13.97	12.87	13.09	14.75	17.21	18.40	17.50
Exchange rate (MXN per USD, average)	13.51	12.60	12.40	13.13	12.77	13.31	15.88	17.81	17.95
REER (% change, December to December)(1)	2.5	5.6	-9.7	8.3	2.1	-4.6	-10.4	-5.5	4.1
Nominal wage growth (% year-on-year change, average)(2)	4.5	4.6	4.5	4.5	4.3	4.2	4.3	4.4	4.6
Reference rate (%, end-year)	4.50	4.50	4.50	4.50	3.50	3.00	3.25	4.25	4.50
Fiscal data									
General government fiscal balance (% of GDP)(3)	-2.2	-2.8	-2.5	-2.8	-2.6	-3.2	-3.5	-3.2	-3.0
General government primary fiscal balance (% of GDP)	-0.1	-0.9	-0.6	-0.7	-0.4	-1.2	-1.2	-0.6	-0.2
General government expenditure (% of GDP)	25.5	25.1	25.0	25.1	25.9	26.2	27.0	28.8	30.7
Oil-related revenues (% of total public sector revenues)	30.9	34.7	38.0	39.4	35.4	30.7	19.7	14.5	16.8
Gross general government debt (% of GDP, end-year)(4)	36.2	36.2	37.5	37.7	40.4	43.2	47.6	47.6	48.5
Money supply and credit									
Broad money supply (M2, % of GDP)	55.1	54.2	55.4	55.9	59.0	61.1	63.5	65.0	66.7
Broad money supply (M2, % year-on-year change)	6.2	8.1	12.0	8.4	8.8	10.9	9.2	9.0	10.0
Domestic credit (% of GDP)	35.4	34.8	34.6	33.1	34.4	35.0	37.3	39.4	41.4
Domestic credit (% year-on-year)	10.2	8.0	8.8	3.0	7.0	9.0	12.0	12.0	12.0
Domestic credit to private sector (% of GDP)	24.1	23.8	24.8	25.3	26.8	27.0	29.5	31.1	32.7
Domestic credit to private sector (% year-on-year)	1.5	8.6	13.9	9.7	9.4	7.7	14.8	12.0	12.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	27.3	29.8	31.2	32.6	31.8	32.3	35.4	37.9	37.4
Oil exports (% of GDP)	3.4	4.0	4.8	4.5	3.9	3.3	1.9	1.6	1.9
Imports (goods and non-factor services, % of GDP)	29.0	31.1	32.5	33.7	32.7	33.5	37.4	40.1	39.0
Exports (goods and non-factor services, % change in $ value)	-20.9	28.3	16.4	6.0	3.4	4.5	-3.6	1.3	4.3
Imports (goods and non-factor services, % change in $ value)	-22.4	26.0	16.5	5.2	2.9	5.1	-1.5	1.5	2.7
Current account balance ($bn)	-8.7	-5.2	-13.4	-16.6	-30.3	-24.8	-32.4	-35.5	-32.5
Current account (% of GDP)	-1.0	-0.5	-1.1	-1.4	-2.4	-1.9	-2.8	-3.3	-2.8
Net transfers ($bn)	21.6	21.5	23.0	22.6	21.7	22.9	24.3	25.6	26.6
Net FDI ($bn)	8.3	11.3	11.1	-2.2	32.6	17.3	20.3	23.0	25.0
Scheduled debt amortization ($bn)(5)	26.3	30.8	29.5	17.7	19.3	10.8	12.3	15.5	15.0
Foreign debt and reserves									
Foreign debt ($bn, end-year)	161.4	195.3	210.7	224.6	257.0	282.3	296.3	310.0	325.0
Public ($bn)(6)	96.4	110.4	116.4	125.7	134.4	147.7	163.4	170.0	180.0
Private ($bn)	65.0	84.9	94.3	98.9	122.6	134.6	132.9	140.0	145.0
Foreign debt (% of GDP, end-year)	18.0	18.5	18.0	18.9	20.4	21.8	25.9	28.7	28.5
Foreign debt (% of exports of goods and services)	65.9	62.2	57.6	58.0	64.1	67.4	73.4	75.8	76.2
Central government gross FX reserves ($bn)	90.8	113.6	142.5	163.5	176.5	193.2	175.4	180.0	194.0
Central bank gross non-gold FX reserves ($bn)	90.5	113.3	137.3	156.9	171.8	188.5	171.1	175.0	187.0

(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: Same, but different

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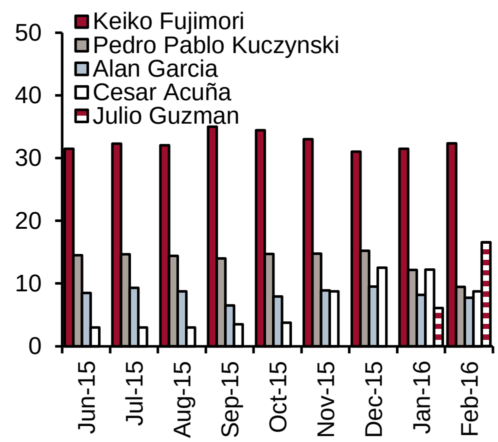
- **Peru is about to elect a new president for the next five years.** The presidential election will take place on 10 April, and a runoff vote will take place in early June if needed. None of the leading candidates represents a threat to the macroeconomic, social, and political status quo, in our view. We believe that most candidates will follow a similar agenda in terms of safeguarding Peru's macroeconomic stability and continue down the path of pragmatism and prudence that previous leaders have followed. Yet, there are economic challenges that the next president will have to tackle to avoid falling into a trap of low growth similar to the one Peru is going through right now.
- **Keiko Fujimori continues to lead the race with around 30% of vote intentions, according to the most recent polls.** Fujimori's vote intentions have been relatively stable at these levels since early 2015. Newcomer Julio Guzman is currently in second place with 18% of vote intentions, and Pedro Pablo Kuczynski is in third place with 9%. In order to win the election in the first voting round, a candidate needs over 50% of the vote. Hence, recent polls suggest that a runoff vote will be necessary to define who the next president will be. Runoff vote scenarios show Keiko Fujimori still holds a small lead over Guzman, and a slightly wider lead against Kuczynski. Other notable candidates are former Presidents Alan Garcia and Alejandro Toledo, and Cesar Acuña. By the time we wrote this report, two legal processes were still underway that could ban Julio Guzman and Cesar Acuña from running.
- **It is still early to call the election outcome, in our view.** According to local consultants, over 40% of Peruvians decide who to vote for one week before the election. This makes the likely outcome of the coming presidential election highly unpredictable. What we can address, however, is the macroeconomic scenario that the new president will face in the very short term, and the likely obstacles he or she will need to overcome in order to foster rapid growth rates.
- **Under President Humala, the economy grew at an average annual rate of 4.8**%. This was lower than the 6.9% average annual growth rate during the Garcia administration (2006-2010), but higher than the 4.3% average annual growth rate during the Toledo administration (2001-2005). The price of copper was the highest during the Humala administration, averaging $3.3/lb, which was higher than the $3.0/lb average during the Garcia administration, and more than triple the $1.0/lb average price during the Toledo years. We think it is unlikely that copper prices will reach levels similar to those of the past ten years.
- **Yet, the new president will likely enjoy the benefits on growth from higher copper production.** In fact, accelerating copper output is a key element of our 3.8% real GDP growth forecast for 2016 and our above-consensus 5.1% forecast for 2017. The median consensus estimates are that real GDP growth will reach 3.2% in 2016 and 4.0% in 2017. Peru is expected to increase copper output by around 20% yoy in both 2016 and 2017 as key mining projects actually start production.
- **Higher copper production will likely contribute to the narrowing of the current account deficit.** We project a 4.0% of GDP deficit in 2016, lower than 4.4% of GDP in 2015, thanks in part to stronger traditional exports (mainly copper and gold). A faster improvement in external balances will be unlikely unless copper prices remain at current levels for the remainder of the year. We expect long-term capital flows to match the current account deficit in 2016, after falling short of fully financing it in 2014 and 2015.
- **However, 2015 dynamics also showed us that the mining sector alone cannot do it all.** Weakness in the construction and manufacturing sectors were key deterrents to higher GDP growth during 2015 and offset the positive impact of a stronger mining sector on GDP growth. While challenges in the manufacturing sector could be more related to supply side issues in key sectors like fishing or weakness in global demand, we believe the construction sector's underperformance had domestic roots.

- **Weak public sector and private sector investment likely have been the main reasons behind weak construction sector data.** Public investment has been affected by the under-execution of local and regional investment budgets, while weakness in private sector investment has likely been linked to sentiment. In our view, the new government could help business sentiment improve and help private sector investment recover. As we highlighted in our recently published *Trip Notes*, most of our local contacts believe that a Kuczynski, Garcia, or Fujimori administration would be the most supportive of private sector investment. Our baseline scenario is that both public and private sector investment will grow in 2016 after two consecutive years of contraction.
- **We think that the central bank will remain independent under the new government.** The central bank's strategy will likely continue to be focused on the de-dollarization of the economy and the control of exchange rate volatility. As we have stated in the past, the dollarization of the economy removes degrees of freedom and efficacy from monetary policy, and is the biggest vulnerability of the Peruvian economy, in our view. Thus, we expect central bank intervention in the FX market if excessive depreciation pressures resume. We have kept our year-end forecast of the sol unchanged at 3.75 soles per dollar despite the recent rally. In our view, it is too early to tell if this rally in risky assets is sustainable or just a temporary one. Tail risks to the global economy related to China, the US, and Europe remain in place, and may hurt emerging market assets as they unfold throughout the year.
- **The central bank will likely increase the policy rate further this year.** Our baseline scenario is that the bank will increase the policy rate 25bps twice more and take it to 4.75%, where it will likely stay until late 2017. We think that the bank will have room to increase the policy rate as long as growth is accelerating, inflation excluding food and energy prices is high, and inflation expectations remain above the 3% ceiling of the bank's target range. Currently, all three conditions are being met, increasing the likelihood that these rate hikes could be frontloaded. However, we continue to believe that the last two hikes will not be consecutive, as the bank turns more data dependent.
- **Fiscally, Peru will likely continue to be one of the most solid credits in the region.** We expect the fiscal deficit to reach 2.6% of GDP this year. This would be wider than the 2.2% of GDP deficit in 2015 but lower than the 3.0% deficit previously targeted by the government. Financing conditions for 2016 have already been met and the government has started to pre-finance the 2017 budget with bond issuances in the euro market. We think this is evidence of the comfortable fiscal position Peru enjoys, even while posting a fiscal deficit. The main fiscal risk is that the upcoming administration shows a less-conservative fiscal approach and looks to add more fiscal stimulus to the economy, either through larger deficits, longer deviations from the fiscal rule, or even the use of fiscal savings to spur growth, in an extreme scenario. However, we think that candidates will find it more difficult to detach from fiscal conservatism than what some campaign promises may suggest, as established checks-and-balances mechanisms are in place.
- **Finally, we think Peru's sovereign credit rating will be unchanged in 2016.** We continue to believe that a one-notch downgrade by Moody's is likely in the next one to two years in the context of weaker external accounts and commodity prices. This would bring Moody's rating to Baa1 from A3, which would be in line with Fitch's and S&P's rating of BBB+.

Keiko Fujimori remains as the favorite candidate to win the presidential election, according to recent polls, although uncertainty is still high.

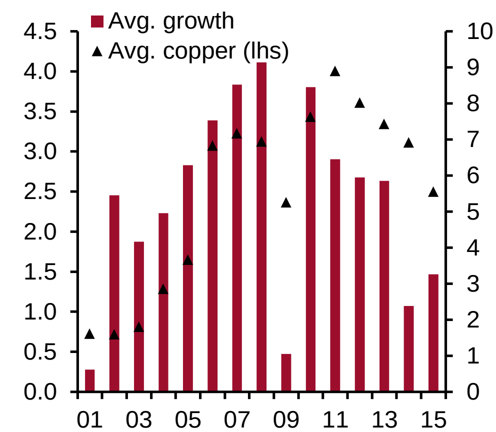
The incoming president will inherit an accelerating economy and lower copper prices, which will be a challenge to growth after 2017.

Exhibit 86: Average vote intentions for 2016 presidential election



Source: Datum, CPI, IDICE, GFK, IPSOS, Credit Suisse

Exhibit 87: Real GDP growth and copper prices

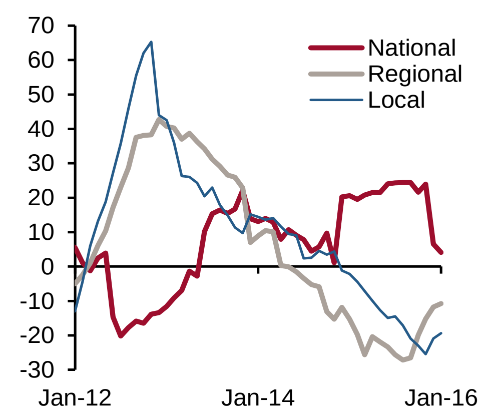


Source: The BLOOMBERG PROFESSIONAL™ service, Central bank, Credit Suisse

Weak private and public sector investment were the main obstacles to GDP growth in 2014 and 2015.

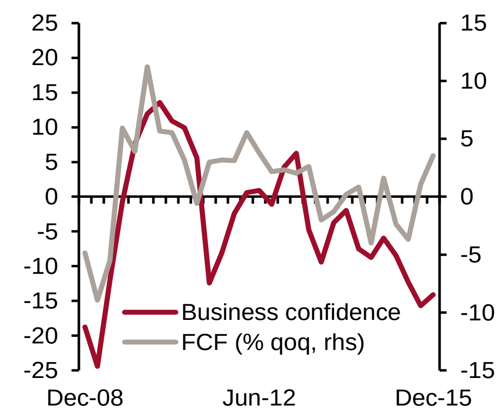
We expect both to have a positive contribution to GDP growth in 2016.

Exhibit 88: Public sector capital spending



Source: Central bank, Credit Suisse

Exhibit 89: Business confidence and private sector investment

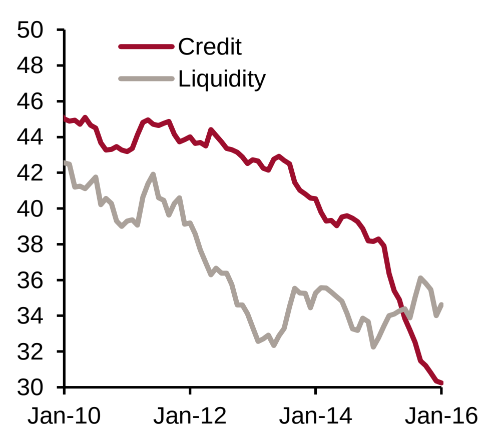


Source: Central bank, Credit Suisse

The central bank's main focus will likely continue to be on FX policy as it works to lower dollarization levels in the economy.

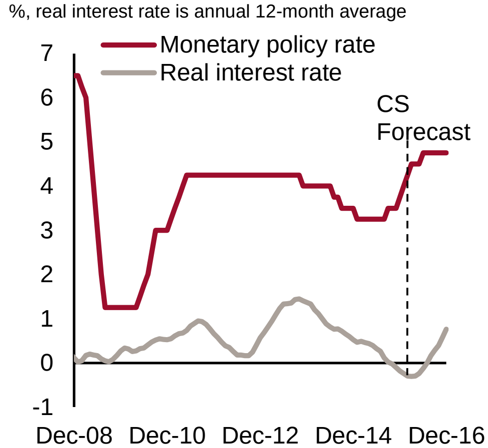
On the monetary front, we expect further rate hikes in 2016 as inflation expectations remain high and economic activity accelerates.

Exhibit 90: Dollarization levels



Source: Central bank, Credit Suisse

Exhibit 91: Nominal and real interest rates



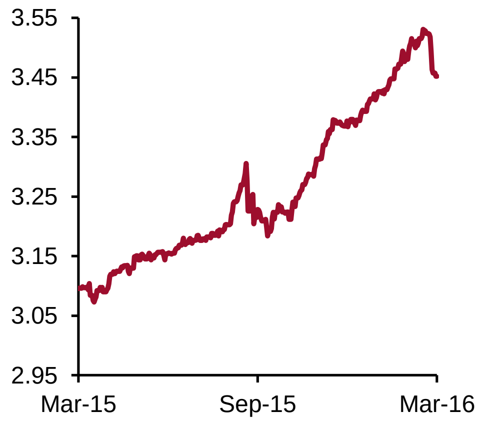
Source: Central bank, Credit Suisse

We expect the sol to weaken towards the end of the year despite the recent rally, as risks and uncertainty in the global economy and international financial markets have yet to unfold.

The central bank has at its disposal a variety of instruments it can use to avoid excessive volatility in the currency.

Exhibit 92: Nominal exchange rate

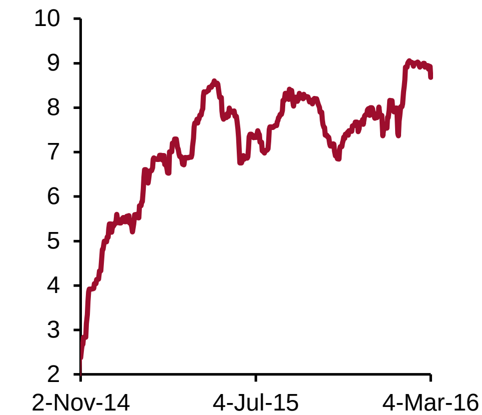
Soles per dollar



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Exhibit 93: Outstanding currency swaps

Net notional dollar amount, $bn



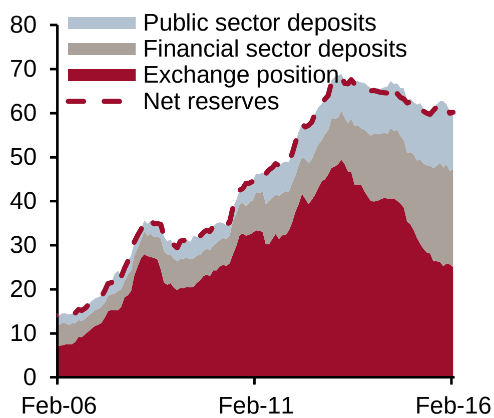
Source: Central bank, Credit Suisse

The central bank's exchange position is still robust enough to intervene in the currency market through direct spot purchases.

In our view, intervention will continue to be aimed at reducing volatility but not at fighting a trend in the currency determined by changes in fundamentals.

Exhibit 94: International reserves

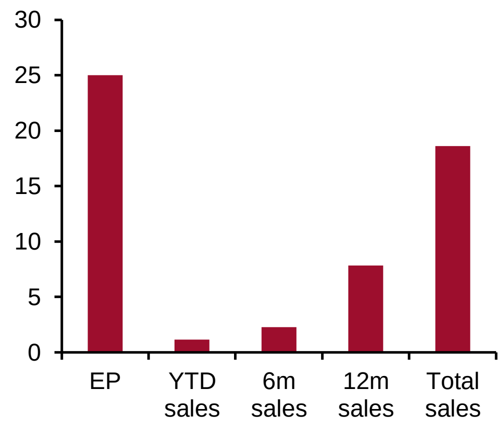
$bn



Source: Central bank, Credit Suisse

Exhibit 95: Exchange position and dollar sales by central bank

$bn, dollar sales started in July 2013



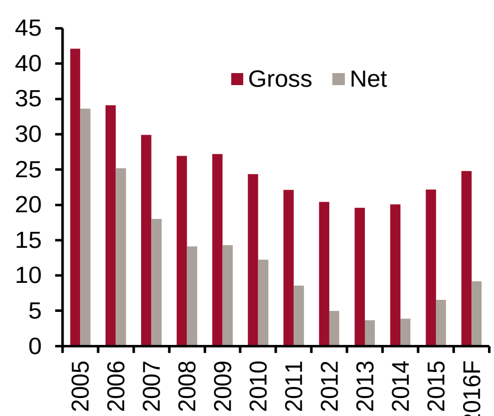
Source: Central bank, Credit Suisse

Ongoing fiscal stimulus, coupled with lower commodity prices, will likely translate into slightly higher levels of government debt.

We still think Moody's could eventually downgrade Peru's long-term sovereign debt rating to Baa1 from A3, in line with Fitch and S&P.

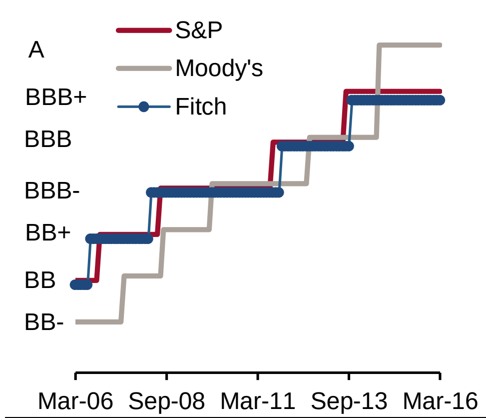
Exhibit 96: Public sector debt

% of GDP



Source: Central bank, Credit Suisse

Exhibit 97: Sovereign debt ratings



Source: Rating agencies, Credit Suisse

Peru: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	1.0	8.5	6.5	6.0	5.9	2.4	3.3	3.8	5.1
Growth in real private consumption (%)	2.8	8.7	6.0	6.1	5.3	4.1	3.4	4.3	4.1
Growth in real fixed investment (%)	-1.6	22.8	5.8	16.3	7.3	-2.1	-4.9	3.0	6.4
Fixed investment (% of GDP)	22.6	25.6	25.4	27.9	28.3	27.1	24.9	24.7	25.0
Nominal GDP ($bn)	121.7	148.7	170.8	193.0	202.0	202.9	192.1	183.5	195.6
Population (mn)	29.1	29.5	29.8	30.1	30.5	30.8	31.2	31.5	31.9
GDP per capita, $	4,183	5,040	5,731	6,412	6,623	6,589	6,158	5,825	6,140
Unemployment (% of urban labor force, average year) (1)	8.4	7.9	7.7	6.8	5.9	5.9	6.9	7.4	7.3
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	0.2	2.1	4.7	2.6	2.9	3.2	4.4	3.0	2.6
CPI inflation (%, average)	3.0	1.5	3.4	3.7	2.8	3.2	3.5	3.8	2.8
Exchange rate (PEN per USD, end-year)	2.88	2.82	2.70	2.57	2.79	2.96	3.39	3.75	3.55
Exchange rate (PEN per USD, average)	3.01	2.83	2.75	2.64	2.70	2.84	3.19	3.60	3.64
REER (% change, December to December) (2)	-0.2	0.1	5.4	4.6	-6.4	0.4	-2.4	-9.4	5.5
Nominal wage growth (% year-on-year change, average) (3)	0.0	0.5	13.4	14.7	4.3	0.0	0.0	5.8	7.2
Reference rate (%, end-year)	1.25	3.00	4.25	4.25	4.00	3.50	3.75	4.75	4.25
Fiscal data									
General government fiscal balance (% of GDP)	-1.5	-0.1	2.0	2.1	0.7	-0.3	-2.2	-2.6	-2.4
General government primary fiscal balance (% of GDP)	-0.2	1.1	3.2	3.1	1.8	0.8	-1.2	-1.4	-1.2
General government expenditure (% of GDP)	21.4	21.0	19.8	20.3	21.6	22.6	22.2	22.2	21.9
Gross public sector debt (% of GDP, end-year)	27.2	24.3	22.1	20.4	19.6	20.1	22.2	24.8	27.2
Net public sector debt (% of GDP, end-year) (4)	14.3	12.2	8.6	5.0	3.7	3.9	6.6	9.2	11.6
Money supply and credit									
Broad money supply (M2, % of GDP)	32.5	34.7	34.7	36.7	40.2	40.1	42.5	44.5	46.7
Broad money supply (M2, % year-on-year change)	5.2	22.6	11.9	14.4	17.6	5.3	13.0	12.8	13.3
Domestic credit (% of GDP)	21.3	22.5	21.8	22.7	22.2	25.3	25.9	27.0	28.3
Domestic credit (% year-on-year)	29.7	21.7	8.5	12.3	5.1	20.4	8.9	12.2	13.4
Domestic credit to private sector (% of GDP)	28.5	29.0	31.5	33.0	36.3	39.1	42.0	44.8	48.0
Domestic credit to private sector (% year-on-year)	5.0	16.7	21.6	13.3	18.4	13.5	14.5	14.9	15.7
Balance of payments									
Exports (goods and non-factor services, % of GDP)	25.2	26.6	29.7	27.1	24.1	22.4	21.1	22.3	22.3
Imports (goods and non-factor services, % of GDP)	21.2	23.4	25.6	25.1	24.8	24.0	23.7	24.1	23.8
Exports (goods and non-factor services, % change in $ value)	-11.4	28.6	28.2	3.3	-7.0	-6.7	-10.7	0.8	7.0
Imports (goods and non-factor services, % change in $ value)	-24.4	35.0	25.2	11.0	3.2	-2.8	-6.4	-2.7	5.6
Net balance of factor income ($bn)	-8.4	-11.2	-13.4	-12.4	-10.6	-9.3	-6.8	-7.8	-7.7
Current account balance ($bn)	-0.6	-3.5	-3.2	-5.2	-8.6	-8.1	-8.4	-7.3	-6.6
Current account (% of GDP)	-0.5	-2.4	-1.9	-2.7	-4.3	-4.0	-4.4	-4.0	-3.4
Net transfers ($bn)	2.9	3.0	3.2	3.3	3.3	4.4	3.3	3.9	4.1
Net FDI ($bn)	6.0	8.2	7.5	11.8	9.2	7.8	6.7	5.5	5.6
Scheduled debt amortization ($bn) (5)	1.8	3.9	0.8	1.2	2.4	1.5	1.2	0.9	0.7
Foreign debt and reserves									
Foreign debt ($bn, end-year)	35.2	43.7	48.1	59.4	60.8	64.5	68.2	71.0	76.5
Public ($bn)	20.2	23.0	24.3	26.5	24.1	23.9	27.2	28.4	31.9
Private ($bn)	14.9	20.7	23.8	32.9	36.7	40.6	41.1	42.6	44.6
Foreign debt (% of GDP, end-year)	28.9	29.4	28.2	30.8	30.1	31.8	35.5	38.7	39.1
Foreign debt (% of exports of goods and services)	114.5	110.6	95.0	113.5	125.0	142.1	168.2	173.7	175.6
Central bank gross FX reserves ($bn)	33.2	44.2	48.9	64.0	65.7	62.4	61.5	60.3	59.8
Central bank gross non-gold FX reserves ($bn)	32.0	42.6	47.1	62.2	64.4	61.0	60.4	58.8	58.3

(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) Scheduled amortizations for public sector only

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

Venezuela: Desperate times, desperate measures

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- **Venezuela will likely remain cornered by low oil prices and politics in the near term.** The policy response thus far has been insufficient to forestall the deterioration in Venezuela's macroeconomic fundamentals. Social conditions will likely keep worsening as one of the world's deepest economic contractions is compounded by a foreign exchange shortage and triple-digit inflation. The sustained depletion of public sector assets continues to suggest considerable risk of a credit event in the fourth quarter of 2016 or shortly thereafter unless a serious liability management operation is conducted. Meanwhile, the political opposition is considering various strategies to seek President Nicolas Maduro's removal from office. This could be a complex and lengthy endeavor, but would increase pressure on an already unpopular leader nonetheless.

- **The government recently announced several policy adjustments, including the first gasoline price increase in nearly 20 years.** Gasoline prices rose 1,328% and 6,085% for 91-and 95-octane, respectively, in February. This is a positive development, although the fiscal benefits are limited by the fact that current prices remain below the cost of production. Moreover, they are probably still cheapest in the world as most tanks can be filled for less than $1.00 (at the over 1,100 bolivares per dollar parallel exchange rate).

- **The Maduro administration is also finally willing to recognize the need for a weaker currency.** In February, the exchange rate used for priority imports, now called Dipro, was devalued to 10 bolivares per dollar from the 6.3 rate used since 2013. The authorities also renewed their promise to allow the complementary exchange rate, recently renamed Dicom, to float starting from 206 bolivares per dollar. Additionally, PDVSA can now sell oil export proceeds in the Dicom market. This could potentially result in a substantial depreciation of the weighted average exchange rate and higher bolivar-denominated cash flows for PDVSA. However, implementation risks are significant as the government still appears to generally favor strict economic controls, may want to limit the inflationary fallout of these measures and is unlikely to accompany them with additional monetary and fiscal tightening, in our view.

- **We expect real GDP to contract for a third consecutive year in 2016.** Official data indicate that the Venezuelan economy shrank 5.7% last year following a 3.9% decline in 2014. Last year's result was driven by a sharp drop in investment, while both private and public consumption also fell. These trends will likely be sustained in 2016, in our view, as substantial real wages losses and considerable political and economic uncertainty continue to stifle domestic demand. Additional import compression will probably further inhibit economic activity this year as well. Our projections call for another 6.5% retrenchment in 2016.

- **Annual inflation likely exceeds 200% and is accelerating rapidly.** The central bank reported 12-month headline inflation of 180.9% in December.[1] Price increases grew at double-digit rates from July through November and nearly 9% in December, mainly driven by restaurants and hotels, food and non-alcoholic beverages and transportation. Local press has reported monthly inflation of 14% in January, citing central bank sources. The recent gasoline price hikes and devaluation will likely be followed by other administered price increases and, in turn, stronger inflationary pressure. Monetary financing of the overall public sector deficit will probably also push prices higher this year. We project headline inflation of 326.5% at year-end.

- **Foreign exchange liquidity will probably remain severely impaired unless oil prices recover sooner and more strongly than expected.** We estimate that cash-generating crude oil export revenues will fall an additional 32.4% yoy to $19.7bn this

[1] We note that the central bank's 2015 consumer price index figures, which were published after a long lag, included methodological changes that appeared to revise the weighting of some more-inflationary items lower.

year.[2] This is based on an average Venezuelan oil basket price of $30.60/barrel. The government will likely continue reducing imports in order to narrow the foreign exchange financing gap. Nevertheless, we calculate that it faces a $37.4bn shortfall in 2016. This is very worrisome from a debt service perspective, and also due to the adverse economic and social impact. A $5/barrel change in the Venezuelan oil mix price is worth $3.2bn in annual export revenues, on average, as per our figures. Thus, a significant rebound in oil prices would be needed for Venezuela's situation to improve substantially.

- **Public sector authorities are still seeking to avoid default on dollar-denominated debt, though.** The government has recently demonstrated its willingness to pay through repeated insistence by government officials and settling its arbitration dispute with Gold Reserve Inc. PDVSA President Eulogio Del Pino has also publicly expressed interest in refinancing upcoming maturities, although current market conditions and Venezuela's difficult situation could make this a challenging and expensive prospect. Swiss customs data suggest that more gold reserves have been moved out of Venezuela, making them easier to monetize. The government could also roll over intra-public sector debt holdings and aim to secure additional borrowing from China (we would assume renewal of existing facilities only). Still, the public sector's liquid foreign assets are dwindling rapidly; international reserves have already declined $2.8bn this year to $13.6bn.
- **The soonest that Venezuela could default would be the fourth quarter of 2016, in our view.** This would be barring the aforementioned oil price recovery or liability management possibilities, of course. Nearly half of the $10.1bn in public sector debt service payments due this year fall in the fourth quarter when PDVSA has a $1.0bn local law maturity and another $2.1bn amortization payment on its "new" 2017 bond. PDVSA also faces the $3.0bn maturity of its "old" 2017 bond the following April if it manages to remain current until then. Resolving a default could be a complicated and protracted process, in our view. The market-friendliness of a potential work-out could depend on who is in power and their willingness to implement unpopular structural reforms.
- **The opposition aims to remove President Maduro from office.** The MUD opposition coalition has indicated that it will pursue a constitutional amendment that would shorten the presidential term, try to organize a recall referendum and campaign for Maduro's resignation.[3] Various opposition leaders have endorsed each of these tactics, providing further evidence of the different currents running through their coalition and likely hampering decision making. An amendment could be approved fairly quickly, but its retroactivity provision's legality would likely be challenged in the Chavista-dominated courts. The recall referendum process would take at least six months. Moreover, it could easily be delayed by the Chavista-controlled electoral authority, which is well aware that the constitution stipulates that if Maduro were removed in 2017 or beyond, the Vice President would serve out the remainder of his term.
- **In the meantime, the political situation will likely remain polarized and paralyzed, with growing risk of social unrest.** We expect the Maduro administration to continue using the political institutions it controls, such as the Supreme Court and the National Electoral Council, to frustrate the opposition-led National Assembly's initiatives. The combination of political confrontation, policy inaction and economic turmoil could lead social tensions to boil over at some point, in our view. These conditions could potentially undermine the current administration more rapidly than the opposition could successfully conclude any of the constitutional procedures to remove President Maduro. The various dynamics could also reinforce each other, particularly if support for President Maduro erodes further and the government remains more inclined to combat political challenges than economic ones.

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2 This figure accounts for domestic market sales, deliveries to China for debt service, and shipments under petro-diplomacy programs.

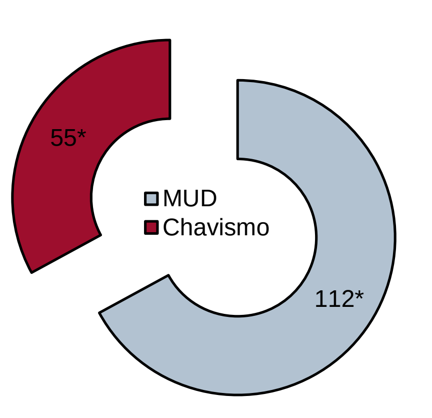
3 Please see Venezuela: Not an easy task for more details on the ways the opposition could try to remove the president.

The executive branch has circumscribed the MUD opposition coalition's legislative powers thus far despite its super-majority in the National Assembly.

We expect real GDP to contract by another 6.5% this year, which could contribute to a further reduction of popular support for President Maduro.

Exhibit 98: Composition of the National Assembly as of 5 January 2016

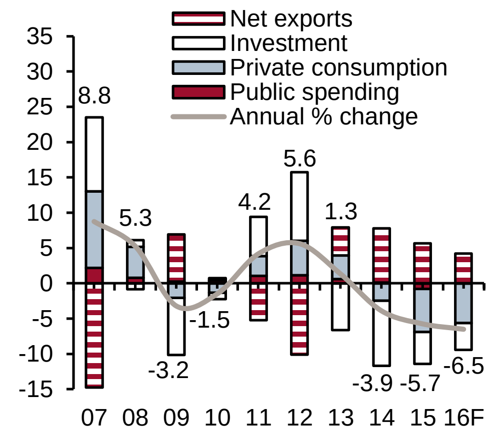
Number of seats



*1 PSUV and 3 MUD lawmakers have been suspended by the Supreme Court due to alleged irregularities in the electoral process.
Source: CNE, Credit Suisse

Exhibit 99: Real GDP growth

Contributions to real GDP, p.p.

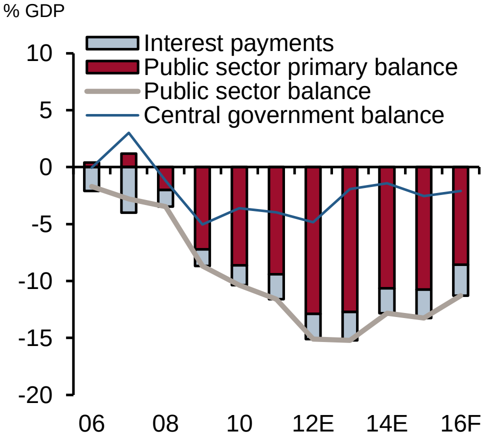


Source: Central bank, Credit Suisse

Monetization of the public sector deficit could continue to underpin inflation and pressure the parallel exchange rate.

Exhibit 100: Consolidated public sector fiscal balance

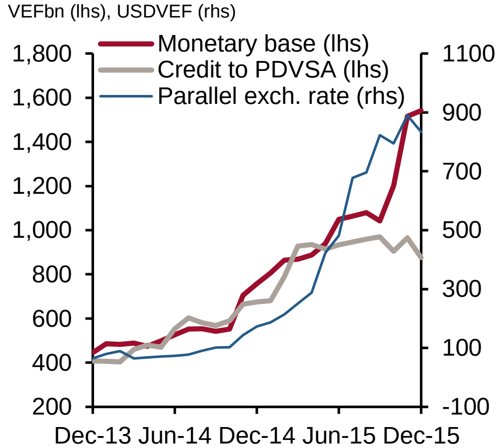
% GDP



Source: Ministry of Finance, Credit Suisse

Exhibit 101: Monetary aggregates and parallel exchange rate

VEFbn (lhs), USDVEF (rhs)



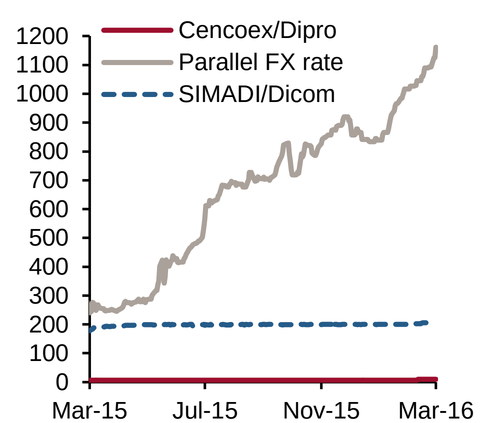
Source: Central bank, dolartoday.com, Credit Suisse

The recently re-christened Dicom exchange rate is meant to float from a starting point of 206 bolivares per dollar while the parallel exchange rate is over 1,100 bolivares per dollar.

Official data indicate that annual inflation reached 180.9% in 2015, although methodological changes suggest that it actually may have been higher.

Exhibit 102: Official and parallel exchange rates

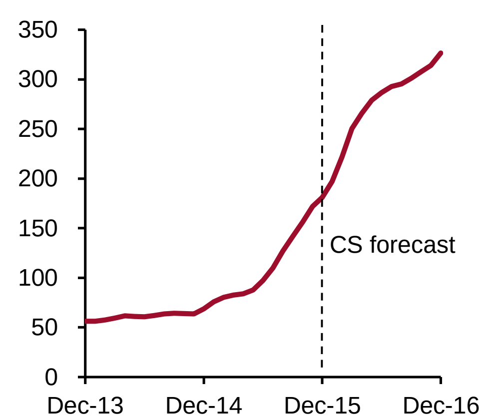
Bolivares per dollar, as of 9 March



Source: Central bank, dolartoday.com, Credit Suisse

Exhibit 103: Headline inflation

% yoy, national CPI



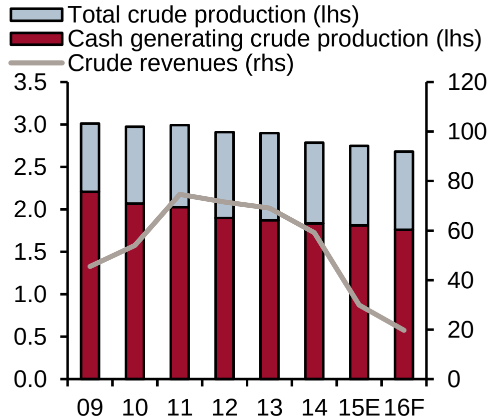
Source: Central bank, Credit Suisse

Foreign exchange liquidity will probably continue to be quite tight as we expect cash-generating crude export revenues to fall below $20bn this year.

We believe that the public sector's capacity to continue servicing its dollar-denominated debt could be in jeopardy by late-2016 unless maturities are extended.

Exhibit 104: Crude production and revenues

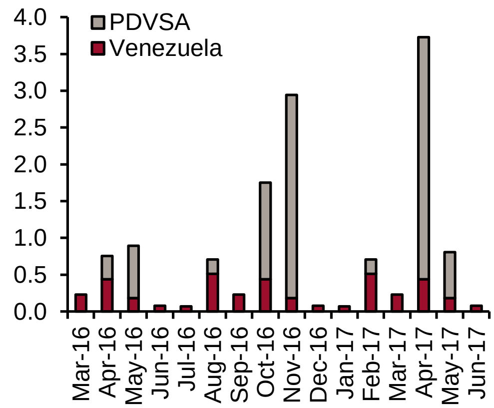
Mn bpd (lhs), $bn (rhs)



Source: PDVSA, Credit Suisse

Exhibit 105: Monthly public sector external debt service payments

$bn, principal and interest



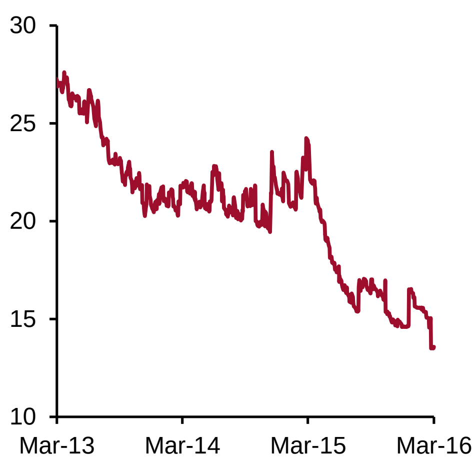
Source: Ministry of Finance, PDVSA, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

We estimate that the public sector had $20.5bn in liquid foreign assets at year-end 2015, but international reserves have fallen another $2.8bn to $13.6bn since then.

Data on these assets are subject to limited transparency, which reduces our confidence regarding their availability for debt service purposes.

Exhibit 106: Gross international reserves

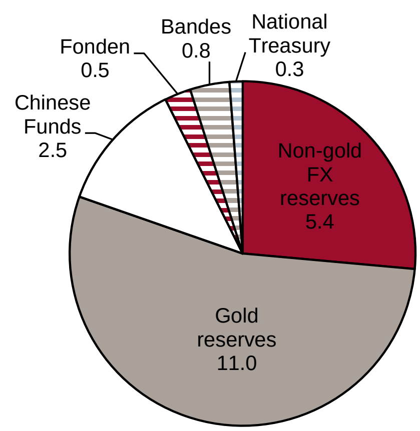
$bn



Source: Central bank, Credit Suisse

Exhibit 107: Public sector liquid foreign assets

$bn, year-end 2015 estimate



Source: Central bank, Ministry of Finance, Credit Suisse

Venezuela faces a $37.4bn foreign exchange financing shortfall in 2016 under our current assumptions.

Additional bilateral borrowing, debt rollover and depletion of foreign assets would likely be needed to cover this deficit, which we believe is a challenging prospect.

Exhibit 108: Foreign exchange source and uses

$bn

	2015E	2016F
Average Venezuelan oil mix price ($ per barrel)	*45.2*	*30.6*
Sources	**54.8**	**22.4**
Cash generating oil production	29.9	19.7
Non-oil exports	2.4	2.7
Borrowing (Incl. bond sales, China loans, rollover)	11.3	-
Asset sales (incl. Petrocaribe debt)	11.2	-
Uses	**62.3**	**59.8**
Imports	36.9	33.7
Services deficit	12.6	10.1
Debt service (bond debt and loans)	13.5	13.1
Capital flight	(0.8)	2.9
Balance	**(7.4)**	**(37.4)**

Source: the BLOOMBERG PROFESSIONAL™ service, central bank, PDVSA, Credit Suisse

Venezuela: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	-3.2	-1.5	4.2	5.6	1.3	-3.9	-5.7	-6.5	-4.0
Growth in real private consumption (%)	-2.9	-1.9	4.0	7.0	4.7	-3.4	-8.3	-7.9	-5.0
Growth in real fixed investment (%)	-8.3	-6.3	4.4	23.3	-9.0	-16.9	-18.0	-15.8	-11.7
Fixed investment (% of GDP)	31.9	30.3	30.4	35.5	31.8	27.5	24.0	21.6	19.8
Nominal GDP ($bn)(1)	329.4	236.5	315.7	381.5	291.2	190.2	108.5	100.9	94.2
Population (mn)	28.2	28.6	29.1	29.5	29.9	30.1	30.6	30.9	31.2
GDP per capita, $(1)	11,689	8,259	10,859	12,924	9,724	6,310	3,547	3,265	3,019
Unemployment (% of labor force, end-year)	6.6	6.5	6.5	5.9	5.6	5.5	6.0	6.5	6.8
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	25.1	27.2	27.6	20.1	56.2	68.5	180.9	326.5	353.5
CPI inflation (%, average)	27.1	28.2	26.1	21.1	40.6	62.2	121.7	288.4	333.0
Nominal wage growth (% year-on-year change)(2)	21.2	22.3	31.0	28.8	31.9	45.0	97.4	150.0	200.0
Exchange rate (VEB per USD, end-year)(3)	2.15	4.30	4.30	4.30	9.95	24.52	100.25	298.39	1,342
Exchange rate (VEB per USD, average)(3)	2.15	4.30	4.30	4.30	8.03	19.16	70.17	274.16	1,221
REER (% change, December to December)(4)	16.4	-38.5	25.6	16.0	-2.0	-76.5	-144.5	-2.3	-12.5
90 day deposit rate (%, end-year)	15.0	15.0	14.5	14.6	14.7	14.5	15.1	14.8	15.0
Fiscal data									
Consolidated public sector overall balance (% of GDP)(6)	-8.7	-10.4	-11.6	-15.1	-15.2	-12.8	-13.2	-11.3	-10.1
Consolidated public sector primary balance (% of GDP)(6)	-7.2	-8.6	-9.4	-12.9	-12.7	-10.6	-10.7	-8.6	-7.6
Consolidated public sector expenditure (% of GDP)(6)	33.3	31.6	39.5	40.5	40.7	38.8	39.0	38.5	37.9
Central government balance (% of GDP)	-5.0	-3.6	-4.0	-4.8	-1.9	-1.4	-2.5	-2.1	-1.6
General government and PDVSA debt (% of GDP, end-year)(5)	24.7	35.1	36.2	36.5	42.6	61.6	93.3	93.4	88.9
Money supply and credit									
Broad money supply (M2, % of GDP)	35.2	29.2	32.9	43.8	52.2	54.9	52.7	47.2	45.4
Broad money supply (M2, % year-on-year change)	14.3	19.1	50.6	61.0	69.7	64.0	100.7	225.0	300.0
Domestic credit (% of GDP)	32.9	27.6	30.8	40.1	47.7	49.7	44.8	30.8	22.2
Domestic credit (% year-on-year)	20.1	20.3	49.2	57.4	69.5	62.4	88.3	150.0	200.0
Domestic credit to private sector (% of GDP)	22.9	18.6	20.4	25.1	28.6	32.8	33.3	25.2	19.7
Domestic credit to private sector (% year-on-year)	14.9	16.4	46.2	48.7	62.5	79.2	112.2	175.0	225.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	18.1	28.6	30.0	26.1	31.2	40.3	35.9	27.7	34.4
Imports (goods and non-factor services, % of GDP)	15.6	20.9	18.9	19.3	24.7	31.8	44.8	44.3	44.4
Exports (goods and non-factor services, % change in $ value)	-38.5	13.1	40.1	5.0	-8.6	-15.8	-49.1	-28.4	16.0
Imports (goods and non-factor services, % change in $ value)	-16.0	-3.7	20.9	23.3	-2.1	-16.0	-19.7	-8.0	-6.4
Current account balance ($bn)	2.3	8.8	24.4	11.0	4.6	3.6	-18.2	-22.4	-19.1
Current account (% of GDP)	0.7	3.7	7.7	2.9	1.6	1.9	-16.7	-22.2	-20.3
Net FDI ($bn)	-4.4	0.1	4.9	0.8	1.9	-0.7	2.6	1.3	2.2
Scheduled debt amortization ($bn)(7)	1.1	3.2	4.7	0.7	3.3	4.5	4.7	4.6	5.1
Foreign debt and reserves									
Foreign debt ($bn, end-year)	84.6	102.4	118.3	130.8	132.4	135.8	137.6	138.3	139.3
Public ($bn)	68.5	88.7	103.1	113.1	112.1	117.2	118.6	119.1	119.8
Private ($bn)	16.1	13.7	15.1	17.7	20.3	18.6	19.0	19.2	19.5
Foreign debt (% of GDP, end-year)	25.7	43.3	37.5	34.3	45.5	71.4	126.8	137.1	147.9
Foreign debt (% of exports of goods and services)	141.6	151.4	124.9	131.4	145.5	177.3	352.8	495.0	429.7
Central bank gross FX reserves ($bn)	35.0	29.5	29.9	29.9	21.5	22.1	16.4	6.4	3.4
Central bank gross non-gold FX reserves ($bn)	21.7	13.1	9.9	9.9	6.0	7.3	5.4	1.1	0.5
Gap between public sector's external assets and liabilities ($bn, end-year)	40.9	17.0	27.2	10.2	10.3	12.4	4.2	-5.8	-8.8
Gap between public sector's external assets and liabilities (% of GDP, end-year)	12.4	7.2	8.6	2.7	3.5	6.5	3.8	-5.7	-9.4

(1) Forecasts based on a projected weighted average exchange rate across official FX markets (CENCOEX, SICAD and SIMADI) and the unofficial FX market. (2) Public and private sector wages. (3) Expressed in strong bolivares for all years; 2014-2017 estimates and forecasts represent a weighted average exchange rate across official FX markets (CENCOEX, SICAD and SIMADI) and the unofficial FX market. (4) Real effective exchange rate, increase indicates appreciation. (5) Consolidation of Central Government, PDVSA, Non-Financial Public Enterprises, Venezuelan Social Security Institute and Deposit and Guarantee Fund for 2005-2009; preliminary consolidation of central government and PDVSA 2010-2011. (6) Central government, regional governments, PDVSA; does not include liabilities of other public institutions such as the Central bank, National Development Bank, Foreign Trade Bank, Industrial Bank of Venezuela and Andean Region Development Bank. (7) Central government only for 2008-2009.

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

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Emerging Europe, Middle East and Africa

Emerging Europe, Middle East and Africa: Two-speed region

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We forecast that the EEMEA region's real GDP growth rate will edge modestly higher to 1.9% in 2016 from a multi-year low of 1.4% in 2015. This is despite our projection for another year of recession in **Russia**, which is driven by our lower oil price assumption for 2016. When we published the December *Emerging Markets Quarterly*, our average Brent oil price assumption for 2016 was $50/bbl, compared to our revised oil price assumption of $36/bbl now, and we had expected a more notable pick-up in the EEMEA region's economic activity in 2016. Lower commodity prices led to downward revisions in our 2016 growth outlook for **Russia** and **South Africa** since December. Meanwhile, we revised our real GDP growth forecasts for **Turkey** and **Poland** higher, mainly because of the domestic demand outlook in these countries; lower commodity prices and the ongoing recovery in the euro area also support these revisions.

Exhibit 109. EEMEA: Real GDP growth rates

%, annual

	December 2015 *Quarterly*			March 2016 *Quarterly*		
	2015E	2016F	2017F	2015E	2016F	2017F
EEMEA	**1.1**	**2.3**	**2.9**	**1.3**	**1.9**	**2.7**
Czech Republic	4.4	2.6	2.7	4.3	2.8	3.1
Hungary	2.5	2.1	2.3	2.6	2.5	2.7
Israel	2.6	3.5	3.5	2.6	3.1	3.5
Kazakhstan	-0.1	0.5	2.4	-0.1	0.5	2.4
Nigeria	3.2	4.8	5.4	2.8	3.9	4.6
Poland	3.6	3.6	3.4	3.6	4.0	3.8
Russia	-3.8	0.0	1.0	-3.7	-1.5	1.0
Saudi Arabia	3.4	2.5	3.4	3.4	1.7	2.7
South Africa	1.4	1.6	2.0	1.3	0.9	2.0
Turkey	3.1	3.5	3.5	3.9	4.1	3.5
Ukraine	-8.5	1.8	2.9	-9.8	0.5	2.0
United Arab Emirates	3.1	2.7	3.6	3.3	2.2	2.9

Source: National authorities, IHS Global Insight, Credit Suisse

- In **Russia**, despite tentative signs of stabilization in economic activity in 4Q 2015, the sharp drop in oil prices late last year and earlier this year will likely lead to a 1.0%-1.5% qoq drop in real GDP in 1Q 2016, in our view. We are expecting full-year real GDP to contract 1.5% in 2016, which we think will be followed by 1.0% growth in 2017. The contraction we expect in real GDP in 2016 will be driven by the same factors as in 2015: a further drop in consumer and investment demand. Meanwhile, net exports will be the only component that will contribute positively to real GDP (due to a drop in demand for goods and services imports).
- In **South Africa**, we revised our real GDP growth forecast for 2016 to 0.9% from 1.6% previously. We expect weaker growth across all components of GDP: (i) consumer confidence is likely to remain weak, affected by higher inflation and higher borrowing rates, (ii) business confidence is likely to remain fragile, impacted by domestic policy uncertainty, and (iii) exporters, in particular commodity suppliers, face weaker external demand and generally lower prices than in 2015.
- In **Turkey**, the strong upside surprise in 3Q 2015 GDP (which was released after the publication of the December *Quarterly*) and the preliminary indicators for 4Q 2015 led us to revise our full-year real GDP growth forecast for 2015 to 3.9%. Given the higher carry-over to 2016, we also revised our full-year real GDP growth forecast higher for 2016 to 4.1% from 3.5%. Domestic demand will drive Turkey's growth this year, in our view, given the wage increases and lower oil prices.

- In **Poland**, preliminary indicators suggest that real GDP might grow 1.0% qoq in 1Q 2016, broadly unchanged from 4Q 2015. However, we calculate that the new child subsidy which will be introduced from April this year should help sequential real GDP growth to accelerate for a couple of quarters. We expect real GDP to grow 4.0% in 2016, up from our previous forecast of 3.6%.

We expect the regional headline inflation to edge lower in 2016, mainly due to the disinflation we expect in Russia. We keep our end-2016 inflation unchanged for **Russia** despite the weaker rouble, while we tweak it higher for **Turkey** and **South Africa** and revise it lower for **CE3** countries due to lower oil prices. Compared to the December *Quarterly*, we have weaker exchange rate forecasts for **Russia** and **South Africa** now, while our end-2016 exchange rate forecasts for **Poland** and **Turkey** remain unchanged.

Exhibit 110. EEMEA: CPI inflation rates

%, end-period

	December 2015 *Quarterly*			March 2016 *Quarterly*		
	2015E	2016F	2017F	2015	2016F	2017F
EEMEA	**7.5**	**6.0**	**5.1**	**7.1**	**6.2**	**5.2**
Czech Republic	0.6	1.7	2.5	0.1	1.2	1.9
Hungary	1.2	2.5	3.4	0.9	1.9	2.8
Israel	-0.4	1.5	1.3	-1.0	0.4	1.0
Kazakhstan	13.8	8.2	7.1	13.8	8.2	7.1
Nigeria	9.7	10.2	9.0	9.6	11.2	9.6
Poland	0.3	1.6	2.5	-0.5	0.9	1.6
Russia	12.7	9.0	6.0	12.9	9.0	6.2
Saudi Arabia	2.3	3.0	3.1	2.3	4.3	4.6
South Africa	5.2	6.2	5.4	5.2	6.4	6.7
Turkey	8.5	7.5	7.2	8.8	7.8	7.2
Ukraine	44.0	14.0	7.0	43.3	16.0	7.0
United Arab Emirates	4.3	2.9	3.6	3.6	4.2	3.2

Source: National authorities, IHS Global Insight, Credit Suisse

- In **Russia**, neither the weaker rouble nor the trade restrictions imposed by Russia against Turkey and Ukraine had any adverse impact on inflation so far this year. Given the further drop in households' incomes, we do not anticipate any demand-driven inflationary pressure either. In the absence of any further significant impact from the weaker rouble and trade restrictions, we expect inflation to pick up to 9.0% yoy by the end of 2016 after it bottoms out at about 7.5%-8.0% yoy in 1Q.
- We revised our end-2016 inflation forecast for **Turkey** modestly higher, given the upside surprise in January. The slowdown in headline inflation in February (from its peak of 9.6% yoy in January) will likely continue in March-April before the base effects turn unfavorable in June-July. The run-rate of core inflation has been slowing since October-November last year, as the lira has been broadly stable and the impact of the minimum wage hike remains muted for now. The core inflation outlook hinges crucially on the lira (which, in turn, depends on the global investor sentiment and conduct of monetary policy in Turkey), but we think headline inflation will decline to 7.8% yoy by end-2016 from 8.8% yoy at end-2015 as long as the lira remains well-behaved.
- In **South Africa**, headline inflation breached the upper end (6.0%) of the inflation target range in January. The impact of the weaker rand on inflation will be partially mitigated by the decline in oil prices and continued weak domestic demand in the coming period. Nevertheless, our current forecasts for inflation in 2016-2017 are higher than what we published in the December *Quarterly*.
- In **Poland**, inflation gradually increased between September and December last year, driven mainly by food prices and fuel inflation, but the benign January print and our lower oil price assumptions have led us to lower our end-2016 inflation forecast. We expect inflation to gradually rise over the forecasting period as consumer prices in the euro area slowly pick up, the negative output in Poland disappears and oil prices recover.

Against this backdrop, some country-specific details for the monetary policy outlook in the EEMEA region are as follows:

- We think the Central Bank of **Russia** (CBR) may be able to cut the policy rate (one-week repo rate) by 100bps to 10.00% in 2H 2016. In January, the CBR left the policy rate unchanged at 11.00%, but surprised the market with a hawkish statement in which it mentioned the remote probability of monetary policy tightening should the situation in external markets threaten financial stability and the attainability of its inflation targets.
- In **Turkey**, the normalization we expected in the monetary policy framework in December was delayed due to the MPC's expectation of higher volatility in global markets which turned out to be right. We still expect the MPC to normalize its monetary policy framework (in a policy-neutral fashion) in 2H 2016, based on our US economists' view that the Fed will tighten further then and in 2017 at a more steady pace. The possibility of further calls by President Erdogan for lower interest rates before the inflation outlook improves and the expiration of Governor Basci's mandate on 19 April are factors that cloud the monetary policy outlook in Turkey, in our view.
- In **South Africa**, the MPC hiked the repo rate by 50bps to 6.75% on 28 January given the deteriorating inflation outlook. Weak real GDP outlook will be a constraint on the MPC in its effort to keep inflation expectations low following the sharp fall in the rand, but we think the MPC will have to hike the repo rate further, by 25bps in March and 25bps in September this year, given the expected prolonged breach of the inflation target.
- In **Poland**, the eight new MPC members who were appointed in January and February do not favor monetary policy easing in the short term and believe that deflation is driven by external forces, beyond the influence of monetary policy. We now expect the MPC to keep the policy rate flat at 1.50% in 2016. We see a possibility for a policy rate cut if deflation starts to have second-round effects on wages and the zloty appreciates significantly from the current levels.

Exhibit 111. EEMEA: Policy rates

%, end-period

	December 2015 *Quarterly*			March 2016 *Quarterly*		
	2015E	2016F	2017F	2015	2016F	2017F
EEMEA	**6.63**	**6.25**	**6.45**	**6.28**	**6.24**	**5.93**
Czech Republic	0.05	0.05	3.50	0.05	0.05	1.00
Hungary	1.35	1.35	2.00	1.35	1.35	1.35
Israel	0.10	0.50	1.50	0.10	0.10	1.00
Kazakhstan	16.00	12.00	8.00	16.00	12.00	8.00
Nigeria	11.00	11.00	11.00	11.00	11.00	11.00
Poland	1.50	1.75	3.00	1.50	1.50	1.75
Russia	10.50	9.00	10.00	11.00	10.00	9.00
Saudi Arabia	0.84	1.99	3.05	0.88	1.99	3.00
South Africa	6.25	6.75	7.00	6.25	7.25	7.75
Turkey*	8.75	8.75	8.25	7.50	8.75	8.25
Ukraine	20.00	16.00	10.00	22.00	18.00	10.00
United Arab Emirates	0.79	2.01	2.95	0.79	1.45	2.32

* Under the assumption of a normalized monetary policy framework in 2016.
Source: National authorities, IHS Global Insight, Credit Suisse

Hungary: Further monetary stimulus despite strong growth

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- **We expect real GDP growth to remain solid in 2016 and 2017.** We forecast that real GDP in 2016 will grow at a similar pace to 2015, supported by the fall in oil prices, tightening labor market, some fiscal stimulus and accelerating demand in the euro area. Inflationary pressures should remain subdued this year as the recent fall in oil prices offsets the increase in core inflation driven by the closing negative output gap. This will allow the dovish Monetary Council (MC) to ease monetary policy this year, using unconventional measures aimed at flattering the yield curve, in our view. (The MC leaves the room open for conventional and unconventional easing, as we discuss below.) Real GDP growth in 2017 will be supported by the government's new housing program, stronger EU funds inflows and accelerating growth in the euro area, in our view. Under the terms of the new housing program, the government will provide direct transfers and subsidized loans for house purchases to families who plan to have three or more children. We believe this program should primarily support investment growth.
- **We revise higher our real GDP forecasts.** There are two main reasons for our upward revisions. First, we have lowered our oil price assumptions for this and next year. We now expect the average Brent oil price to be $36 /bbl in 2016 and $43/bbl in 2017, down from $50/bbl and $56/bbl respectively, in the December issue of the *Emerging Markets Quarterly*. We also believe that the recent oil price fall is still primarily driven by higher supply, with global demand playing a secondary role. Since Hungary is a net importer of oil, the fall in oil prices acts as a positive terms of trade shock. It allows the country to purchase more foreign goods with its export revenues, and boosts potential output growth through lower costs. Secondly, stronger-than-expected real GDP growth of 1.0% qoq in 4Q 2015 will carry over to economic activity in 2016. We expect sequential real GDP growth to slow to 0.5% qoq in 1H 2016 due to lower inflows of EU funds and accelerate to 0.6%-0.7% qoq in 2H 2016. Overall, we forecast that real GDP will grow 2.5% in 2016, up from 2.1% previously, and 2.7% in 2017, up from 2.3% previously. Consumption will be the main driver of real GDP growth supported by tightening labor market, low inflation and an income tax cut this year. Investment is likely to fall 3.8% in 2016 due to lower EU funds inflows and a high base effect and grow 3.1% in 2017 as foreign demand accelerates, capacity constraints increase and the new housing programme starts to bear fruit.
- **The market share of Hungarian exporters is likely to stagnate over the forecasting period due to structural problems.** We believe that Hungarian exporters will not be able to fully capture benefits of accelerating growth in the euro area given the country's structural problems. First, we do not see any large-scale investment projects in the exporters' pipeline. Secondly, Hungary is less attractive to foreign direct investment (the key driver of export growth, in our view) than its CE3 peers. We believe that it is foreign direct investment that primarily drives export market share gains in CE3 countries.
- **Weaker-than-expected growth in the euro area is the key risk to our forecast.** Our European Economics team forecasts that real GDP growth in the euro area, the key destination of Hungarian exports, will gradually accelerate to 1.7% in 2016 and 2.0% in 2017 from 1.5% in 2015 supported by the recent fall in oil prices, weakening euro, loose monetary conditions and on-going structural reforms. However, downside risks are building up: support from external factors looks to be waning, as measures of industrial and trade growth outside the euro area remain weak, and the benefits of the euro's fall fade. If growth in the euro area disappoints, this will have a significant negative effect on real GDP growth in Hungary through the export channel. However, we expect the MC will ease monetary policy further under that scenario.
- **Our lower oil price assumptions lead us to revise our inflation forecasts lower.** Inflation remained unchanged in January at 0.9% yoy, after four months of steady increase as a reduction in the VAT rate on pork products fed significantly into food prices. However, the decline in food price inflation in January was offset by slowly rising fuel price and core inflation. Given the sharp decline in oil prices recently, we expect year-on-year fuel price inflation to fall in the coming few months. Moreover, food price inflation might continue to surprise to the downside as the VAT rate cut for pork spills over into other food categories in the coming months. This will be only partially offset by rising core inflation that is driven

by the shrinking negative output gap. As a result, we now expect end-2016 CPI inflation to be 1.9% yoy (down from 2.6% in the December *Quarterly*) and end-2017 inflation to stay at 2.8% yoy (down from 3.4% in the December *Quarterly*).

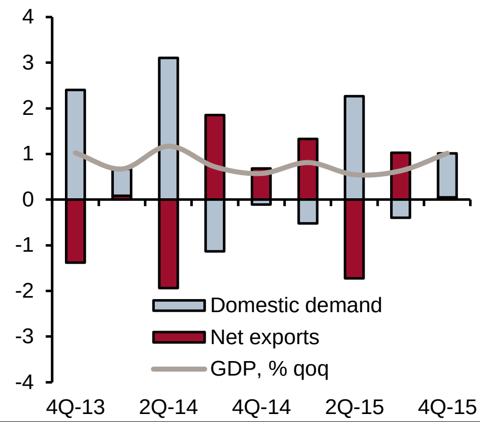
- **We still expect the MC to keep the policy rate unchanged at 1.35% in 2016-17 and ease monetary conditions in March using unconventional tools.** The MC stated in its two latest press releases that it will consider monetary policy easing if the European Central Bank does the same. The MC's February press release leaves the room open for both conventional and unconventional easing. We believe that the weak transmission of policy rate cuts into economic activity will convince the MC to adopt unconventional policies. As a result, we anticipate the MC to increase the use of its IRS facility to flatten the yield curve further in March, after the ECB loosens monetary policy on 10 March.
- **We expect the stock of domestic credit to the private sector to rise in 2016 for the first time after five years of contraction.** The falling stock of loans remains the key drag on economic activity and prevents conventional monetary policy easing from transmitting effectively into economic activity, in our view. We believe that the high proportion of non-preforming loans (NPL) is the key reason for the lack of credit growth. The high level of NPLs is a burden on banks' balance sheets and a drag on profitability. The bad bank ("MARK") has already started to purchase bad corporate real estate project loans, the largest source of NPLs, after the recent approval from the EU. Moreover, the central bank has introduced a new regulation (taking effect from 1 January 2017), which will require banks to hold more capital against NPLs. This should force banks to sell their NPLs to the bad bank and realize losses on those bad loans which cannot be sold. This, combined with a cut in the bank levy in 2016 (and possibly in 2017), should allow the stock of domestic credit to the private sector to grow 0.5% in 2016 and 2.0% in 2017, after falling 10.5% in 2015, in our view.
- **The global oil price decline will widen the current account surplus in 2016.** There is currently a significant discrepancy between monthly and quarterly current account data due to recent methodological changes to the quarterly data. Our estimates – based on the available monthly data for 4Q 2015 - suggest that the full-year current account surplus was around 4.2% of GDP in 2015, wider than our previous forecast of 3.7% of GDP. We expect the current account surplus to edge modestly higher to 4.4% of GDP in 2016 as the oil price fall is likely to be partially saved. The current account surplus is likely to shrink marginally in 2017, in our view, to 4.1% of GDP as import growth picks up.
- **The forint should weaken slightly in the short term, in our view.** We believe that further unconventional monetary easing as well as slowing sequential real GDP growth will prevent the forint from strengthening significantly below 310 against the euro. We also believe that the MC is ready to react to the excessive appreciation of the forint with more monetary easing. Given the very open nature of the Hungarian economy, a strong exchange rate is likely to cause slower real GDP growth and lower inflation in the short term.
- **Fiscal policy should become supportive in 2016, but the deficit will still be within the 3% of GDP limit.** Based on the national methodology, the budget deficit was 3.1% of GDP in 2015, but this estimate excludes some revenues related to the EU funds. On the ESA methodology, the 2015 deficit is likely to be less than 2.4% of GDP in 2015, according to the government's estimates. We expect the budget deficit (on the ESA basis) to rise modestly to 2.5% of GDP due to the housing program, the cut in the VAT rate on some products and activities as well as a reduction in the income tax rates and the bank levy. We expect the budget deficit to fall modestly to 2.3% of GDP in 2017 as there is no plan to increase spending and the real GDP growth and inflation rates will be stronger.
- **We expect Hungary's sovereign credit rating to be upgraded to investment grade this year, by at least two agencies.** All three agencies have Hungary's credit rating one notch below the investment grade level at present. We expect Moody's and S&P, both of which have the rating on positive outlook, to upgrade the country to the investment grade level this year on declining external vulnerabilities and strong real GDP growth. Moreover, we expect Fitch to revise the outlook to positive from stable in 2016 and upgrade Hungary's rating to BBB- in early 2017.

We revise our real GDP forecasts for 2016-2017 higher for two main reasons: lower assumption for oil prices and stronger-than-expected real GDP growth in 4Q 2015.

Exports are an important driver of real GDP growth in Hungary. However, we believe that the country's structural problems will prevent it from increasing the share of world exports.

Exhibit 112: Contributions to quarter-on- quarter real GDP growth

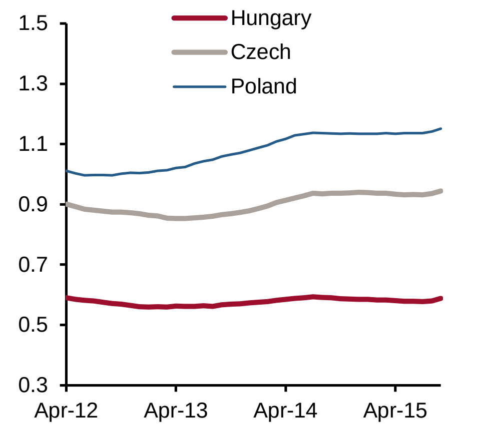
pps, with the exception of GDP



Source: KSH, Haver Analytics®, Credit Suisse

Exhibit 113: The share of world exports

%



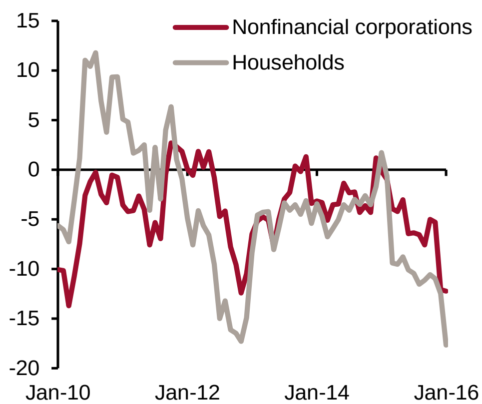
Source: Eurostat, KSH, Haver Analytics®, Credit Suisse

The stock of loans to corporates and households continues to contract on the year-on-year basis despite the monetary stimulus.

We believe that the high proportion of NPLs is the key reason for the lack of credit growth. The government and the central bank are taking measures to clean up the banks' balance sheets which should bear fruit already this year.

Exhibit 114: Lending to private sector

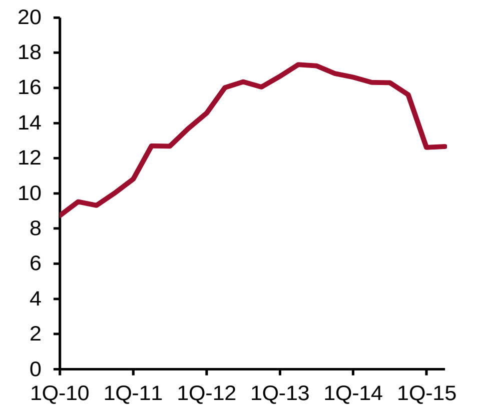
% yoy



Source: MNB, Haver Analytics®, Credit Suisse

Exhibit 115: Non-performing loans (NPL)

% of total loans

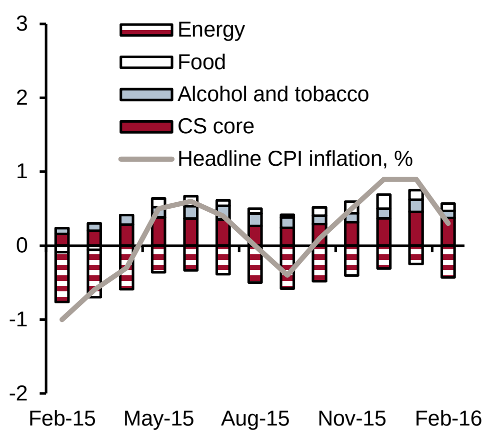


Source: IMF, Credit Suisse

Given the sharp decline in oil prices recently, we expect year-on-year fuel price inflation to fall in the coming few months. Moreover, food price inflation might be lower than we previously expected despite a bad harvest last year. This will be only partially offset by the shrinking negative output gap. We now expect end-year CPI inflation at 1.9% yoy in 2016 and 2.8% yoy in 2017.

Exhibit 116: Contributions to year-on-year CPI inflation

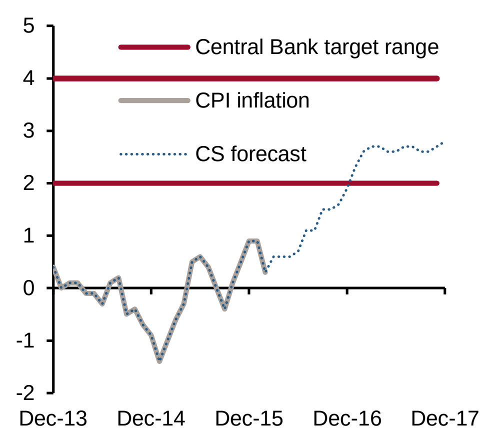
pps (with the exception of headline inflation)



Source: Eurostat, KSH, Haver Analytics®, Credit Suisse

Exhibit 117: CPI inflation

%

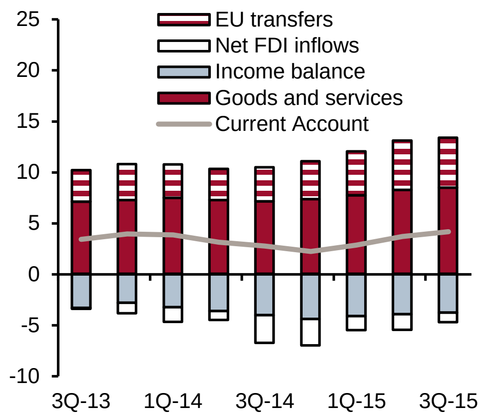


Source: MNB, Haver Analytics®, Credit Suisse

Our estimates suggest that the full-year current account surplus was around 4.2% of GDP in 2015. We expect it to widen to 4.4% of GDP in 2016 as the oil price fall is likely to be partially saved. The current account surplus is likely to shrink marginally in 2017 to 4.1% of GDP as import growth picks up.

Exhibit 118: Selected components of balance of payments

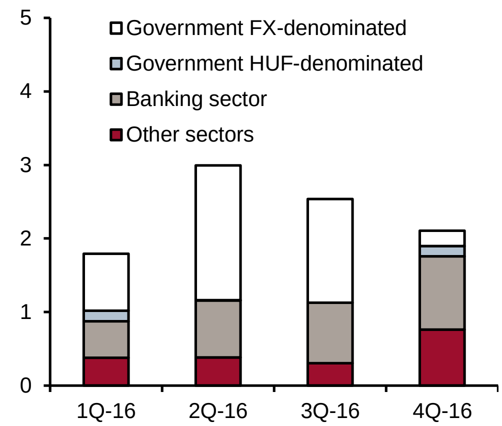
Four-quarter rolling, % of GDP



Source: MNB, KSH, Haver Analytics®, Credit Suisse

Exhibit 119: Maturity profile of medium-and long-term debt

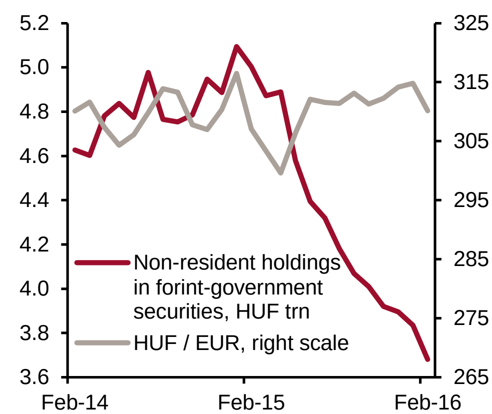
$bn



Source: MNB, Credit Suisse

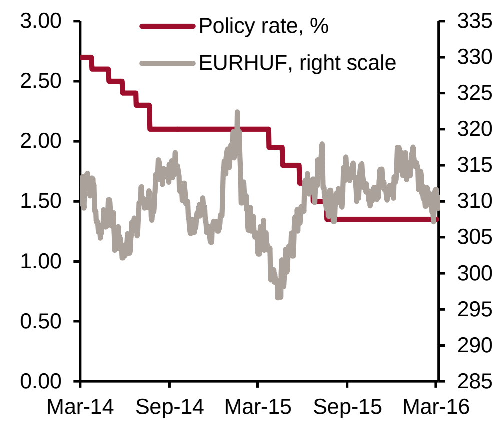
The foreign holdings of local government debt have been dropping steadily since February 2015. We think this process might slow slightly if the ECB eases monetary policy. However, looser monetary policy in the euro area is likely to be followed by an extension of unconventional easing in Hungary. This, as well as slowing real GDP growth, will prevent the forint from strengthening below 310 against the euro, in our view.

Exhibit 120: Foreign holdings of local debt and the forint's exchange rate



Source: AKK, the BLOOMBERG PROFESSIONAL service

Exhibit 121: Exchange rate and policy rate

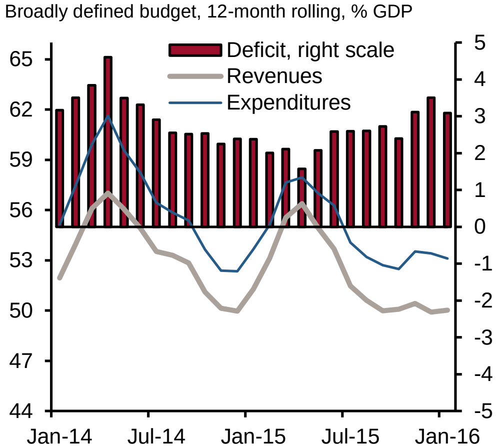


Source: KSH, MNB, the BLOOMBERG PROFESSIONAL™ service

On the ESA methodology, the 2015 budget deficit is likely to be less than 2.4% of GDP in 2015, according to the government's estimates. We expect the budget deficit to increase slightly to 2.5% of GDP this year due to the expenditures on the housing program, and some tax cuts. We expect the deficit to fall to 2.3% in 2017 as no fiscal stimulus is planned for next year.

Exhibit 122: General Government budget deficit

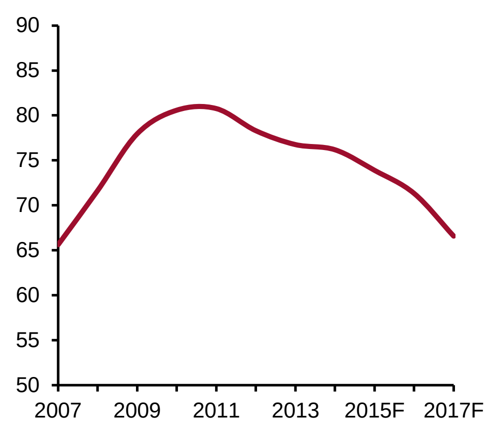
Broadly defined budget, 12-month rolling, % GDP



Source: KSH, Ministry for National Economy, Credit Suisse

Exhibit 123: Government debt

General government debt, % of GDP



Source: Eurostat, Credit Suisse

Hungary: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	-6.4	0.7	1.8	-1.7	2.0	3.6	2.6	2.5	2.7
Growth in real private consumption (%)	-6.7	-2.8	0.8	-2.2	0.3	1.8	2.7	2.4	2.8
Growth in real fixed investment (%)	-8.3	-9.5	-1.3	-4.4	7.3	11.2	-0.7	-3.8	3.1
Fixed investment (% of GDP)	22.6	20.3	19.7	19.1	20.1	21.6	20.9	19.6	19.7
Nominal GDP ($bn)	131.4	130.2	140.2	127.3	134.5	138.2	119.9	121.4	127.3
Population (mn)	9.9	9.9	9.8	9.8	9.8	9.7	9.7	9.7	9.6
GDP per capita ($)	13,312	13,218	14,259	12,989	13,756	14,185	12,346	12,551	13,196
Unemployment (% of labor force, end-year)	10.8	11.1	11.1	11.0	8.7	7.3	6.1	5.7	5.4
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	5.6	4.7	4.1	5.0	0.4	-0.9	0.9	1.9	2.8
CPI inflation (%, average)	4.2	4.9	3.9	5.7	1.7	-0.2	-0.1	1.1	2.6
Exchange rate (HUF per USD, average)	202.34	207.94	201.05	225.10	223.70	232.60	279.33	285.51	287.27
Nominal wage growth (% year-on-year change)	0.6	1.3	5.2	4.7	3.4	3.0	4.2	4.9	4.7
Exchange rate (HUF per EUR, end-year)	270.84	278.75	311.13	291.29	296.91	314.89	313.12	315.00	317.00
Exchange rate (HUF per EUR, average)	280.57	275.32	279.27	289.34	297.01	308.66	309.90	314.06	316.00
REER (% change, December to December) (1)	2.4	-4.4	-7.5	8.0	-2.9	-6.2	-2.9	0.1	0.7
2-week deposit rate (%, end-year)	6.25	5.75	7.00	5.75	3.00	2.10	1.35	1.35	1.35
Fiscal data									
General government expenditure (% of GDP)	50.7	49.6	49.7	48.6	49.5	49.9	50.1	50.2	50.5
General government budget balance (% of GDP) (2)	-4.6	-4.5	-5.5	-2.3	-2.5	-2.5	-2.4	-2.5	-2.3
General government primary balance (% of GDP) (2)	-0.1	-0.4	-1.3	2.3	2.0	1.5	1.6	1.5	1.7
General government debt, ESA95 (% of GDP, end-year) (2)	78.0	80.6	80.8	78.3	76.8	76.2	73.9	71.5	67.1
General government revenue (% of GDP) (2)	46.1	45.0	44.3	46.3	47.0	47.4	47.7	47.7	48.2
Money supply and credit									
Broad money supply (M2, % of GDP)	54.7	53.0	54.6	53.0	52.7	53.9	55.6	58.2	60.3
Broad money supply (M2, % year-on-year change)	1.8	0.0	7.1	-1.2	4.4	9.4	7.4	8.4	9.2
Domestic credit (% of GDP)	67.5	68.3	65.6	56.0	51.0	46.6	39.8	38.6	37.3
Domestic credit (% year-on-year)	-3.5	4.1	-0.1	-13.2	-4.2	-2.3	-11.1	0.5	2.0
Domestic credit to private sector (% of GDP)	66.0	66.2	63.1	53.7	48.4	44.8	38.5	37.4	36.2
Domestic credit to private sector (% year-on-year)	-3.7	3.3	-0.8	-13.5	-5.4	-0.8	-10.5	0.5	2.0
Balance of payments									
Imports (goods and non-factor services, % of GDP)	70.2	76.9	81.0	80.1	80.6	82.2	85.2	88.6	91.6
Exports (goods and non-factor services, % change in $ value)	-22.4	9.8	14.1	-9.5	6.9	4.8	-9.4	5.2	7.6
Imports (goods and non-factor services, % change in $ value)	-26.2	8.6	13.4	-10.2	6.4	4.8	-10.2	5.4	8.4
Current account balance ($bn)	-1.0	0.3	1.1	2.2	5.4	3.1	4.2	4.4	4.1
Current account (% of GDP)	-0.7	0.3	0.8	1.7	4.0	2.3	3.7	3.7	3.5
Net FDI ($bn)	0.2	0.8	1.0	2.1	1.0	2.7	0.6	-0.3	0.4
Scheduled debt amortization ($bn) (3)	12.0	12.6	17.9	14.7	13.5	5.3	5.6	8.1	7.9
Foreign debt and reserves									
Foreign debt ($bn, end-year) (4)	193.3	186.3	188.2	164.1	159.0	158.4	135.0	133.0	130.3
Public ($bn)	60.6	60.2	66.9	66.2	63.9	65.1	55.2	54.5	53.5
Private ($bn)	132.7	126.1	121.3	98.0	95.1	93.3	79.8	78.5	76.8
Foreign debt (% of GDP, end-year) (4)	147.2	143.0	134.3	128.9	118.2	114.6	112.6	109.5	102.4
Foreign debt (% of exports of goods and services) (4)	198.3	174.0	154.1	148.4	134.5	127.8	120.3	112.7	102.6
Central bank gross FX reserves ($bn)	44.2	45.0	48.8	44.7	46.5	42.0	33.1	31.2	29.5

(1) Real effective exchange rate (CPI-deflated), increase indicates appreciation. (2) ESA95 represents the consolidated fiscal accounts of the broadly defined general government on an accrual basis; excluding one-off transfers from pension funds to the government budget. (3) Scheduled amortizations of medium- and long-term external debt of both the public and private sector. (4) Based on the location of the debt-holders.

Sources: AKK, National Bank of Hungary, Ministry for National Economy, KSH, IMF, JEDH, the BLOOMBERG PROFESSIONAL™ service, Haver Analytics®, Credit Suisse

Israel: No urgency to resume the easing cycle

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- **Real GDP growth accelerated in 4Q, driven by domestic demand[4].** (All figures quoted below are in seasonally adjusted and annualized terms.) Real GDP growth rose to 3.3% qoq in 4Q from 2.5% qoq in 3Q and a multi-quarter low of 0.4% qoq in 2Q. Household spending was solid – up 5.8% qoq in 4Q (after 2.2% qoq in 3Q) – on the back of a bounce in consumption of durable goods. Investment spending growth also rose to 6.8% qoq in 4Q, recording the first positive reading in a year. Government spending jumped 14.5% qoq (after 3.6% qoq in 3Q) as a result of looser fiscal policy following the legislation of the 2015/16 budget in November. Net exports contributed negatively to real GDP growth. Export growth (in volume terms) accelerated in 4Q and was up 7.6% qoq (from 3.6% qoq in 3Q), but there was a sizable increase in import volumes (up 25.0% qoq in 4Q from a mere 0.2% qoq in 3Q).
- **Pace of economic activity probably remained solid in 1Q, in our view.** We estimate that sequential real GDP growth probably stayed within the range of 3.0%-3.5% qoq in 1Q. Economic indicators for January – such as retail sales and consumer confidence – point toward a continuation of good momentum in household spending. We think that this momentum is partly a result of an increase in households' disposable income due to lower oil prices and an electricity tariff cut which was implemented in 2H 2015. By contrast, the manufacturing sector shows some signs of cyclical slowdown compared to 4Q.
- **However, we scale down our full-year real GDP forecast for 2016 due to weak external demand.** We revise our 2016 real GDP growth forecast to 3.1% from 3.5% previously. We continue to expect exports and investment spending to lead to faster real GDP growth in 2016 than the 2.6% real GDP growth recorded in 2015. However, the real GDP growth dynamics in the US and Europe lead us to believe that a potential bounce in Israeli exports is likely to be more moderate than we previously expected.
- **Headline inflation rose to -0.6% yoy in January from a multi-month low of -1.0% yoy in December.** The increase was largely a result of positive base effects in energy inflation which added 0.24pp to year-on-year headline inflation in January. The remaining 0.15pp increase in year-on-year headline inflation between December and January was largely driven by a rise in year-on-year core inflation which was in turn driven by an increase in year-on-year rent inflation.
- **We expect year-on-year headline inflation to stay in negative territory for most of 2016 before rising above zero in 4Q.** We estimate that the government's regulatory price cuts – as part of its agenda to bring down "the cost of living" – will largely offset the positive base effects arising from energy prices. On our estimations, these government measures – including a cut in public transportation, car insurance and water tariffs – will cumulatively shave about 0.4pp off headline year-on-year inflation. In any event, these offsetting factors should keep headline inflation in the range of -0.3% yoy to -0.7% yoy in the remainder of 1H 2016. We expect headline inflation to rise to an average of 0.2% yoy in 4Q.
- **Housing price inflation has been increasing since 2Q 2015.** Housing price inflation rose almost steadily to 8.0% yoy in November-December 2015 from a low of 3.9% yoy in April-May 2015. Our measure for housing price inflation momentum shows that the bulk of the acceleration took place after August – our measure rose to 10.5% in November-December from its recent low of 6.9% in August-September. We think that housing price inflation could decelerate somewhat in the near term, given the rise in mortgage rates since the middle of 2015. However, fundamentally, pressure on housing prices remains on the upside given an overall low interest rate environment, rise in real wages and limited housing supply. (We calculate the housing price inflation momentum as the annualized three-month moving average of the month-on-month change in the de-seasonalized HPI index.)

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[4] All data in this section are as of 9 March.

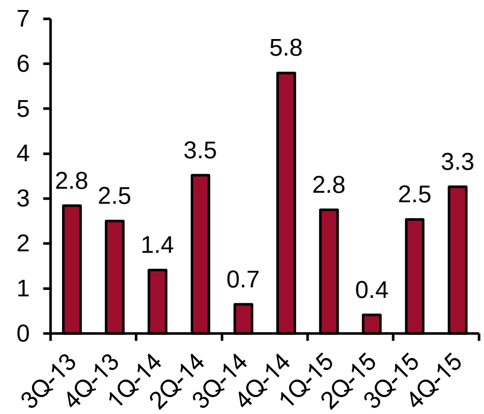
- **The full-year current account surplus probably increased in 2015 and is likely to widen further in 2016.** We estimate that the four-quarter rolling current account surplus was 4.3% of GDP in 4Q (based on the national account data for 4Q) – same as in 3Q and up from the full-year surplus of 3.7% of GDP in 2014. (The official balance of payments data for 4Q will be published on 10 March.) The increase in the current account surplus in 2015 was probably driven by a significant narrowing of the goods trade deficit, thanks to the sharp decline in imports on the back of lower commodity prices. We expect the current account surplus to remain sizable and potentially reach around 5.0% of GDP in 2016 and 2017. A sharp bounce in commodity prices poses a downside risk to our forecasts.
- **If the slowdown in domestic investors' off-shore portfolio investments in 2H continues, it could put stronger appreciation pressure on the shekel, in our view.** Domestic residents recorded net portfolio inflows of $1.1bn in 2H 2015, in stark contrast to their structural and consistent outflows over the past years. For example, portfolio outflows in 1H 2015 amounted to $8.5bn. We think that the halt in outflows recorded in 2H 2015 is temporary, rather than representative of a structural change. Still, if this trend continues, it could lead to stronger appreciation pressure on the shekel – given that portfolio outflows, as well as FX purchases by the central bank, have been the main balancing item for the strong current account surplus and net FDI inflows.
- **Strong fiscal performance led to a decent decline in the government's debt-to-GDP ratio in 2015.** The government recorded a full-year budget deficit of 2.1% of GDP in 2015. This outcome – led by an increase in tax revenues – was substantially better than its 2.9% of GDP target and the 2.7% of GDP deficit recorded in 2014. Combined with relatively solid real GDP growth and low funding costs, this helped to push the government's debt-to-GDP ratio to around 65% (from 67% in 2014). We expect the 12-month rolling budget deficit to widen throughout 2016 from 2.1% of GDP in February and maintain our full-year deficit forecast at 2.9% of GDP.
- **We maintain our view that the Monetary Committee (MC) will keep the policy rate unchanged at 0.10% this year.** The MC has kept its 0.10% policy rate on hold for the last 12 months. It has also maintained its soft guidance, according to which "monetary policy will remain accommodative for a considerable time." This guidance was first introduced at the 23 November meeting. Its expectation for an increase in headline inflation is the core reason behind our view that the MC is unlikely to resume an easing cycle.
- **However, the risks to our call for a first policy rate hike in 1Q 2017 have increased against the recent global wave of monetary policy easing.** In our view, further stimulus by the world's major central banks and potential delays in the Fed's next policy rate hike could also lead to a delay in the policy rate normalization that we expect to take place in Israel. Meanwhile, we think that the MC will potentially accelerate its FX purchases to reduce the potential appreciation pressure on the shekel which could arise from global monetary policy easing – especially a potential appreciation of the shekel against the euro.
- **The USDILS has been range-trading since August 2015; we remain of the view that it will find a new base above 4.00 over the medium term.** Our US economists expect the Fed to hike again in September and potentially again in December. Further tightening by the Fed is likely to lead to a wider policy rate differential between the US dollar and the shekel and push the USDILS higher, in our view.
- **Israel's creditworthiness has been improving, but not enough to lead to a credit rating upgrade in the foreseeable future, in our view.** The decline in the government's debt-to-GDP ratio and the sequential improvement in Israel's international investment position – due to the sizable current account surplus – both strengthen Israel's creditworthiness, in our view. Meanwhile, the domestic security situation, which has been unfavorable since September 2015, does not seem to have impacted economic activity significantly.

Real GDP growth rose to 3.3% qoq in 4Q from 2.5% qoq in 3Q and a multi-quarter low of 0.4% qoq in 2Q.

Household spending was solid – up 5.8% qoq in 4Q (after 2.2% qoq in 3Q) – on the back of a bounce in consumption of durable goods.

Exhibit 124: Real GDP growth

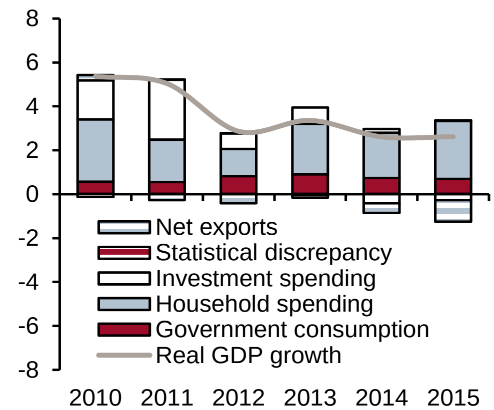
% qoq and annualized change in seasonally adjusted real GDP



Source: Central Bureau of Statistics, Credit Suisse

Exhibit 125: Contributions to real GDP growth

pps, with the exception of real GDP growth



Note: Statistical discrepancy includes changes in inventories.

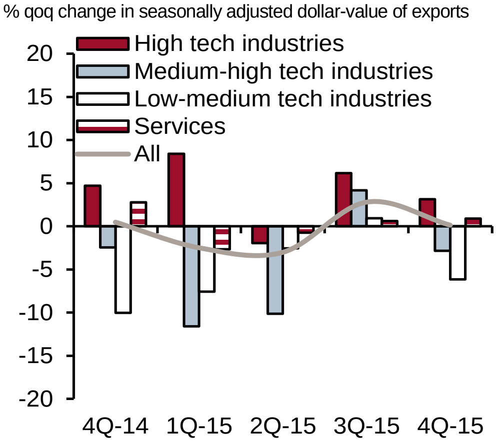
Source: Central Bureau of Statistics, Credit Suisse

We estimate that sequential real GDP growth probably stayed within the range of 3.0%-3.5% qoq in 1Q.

Economic indicators for January point toward a continuation of good momentum in household spending. By contrast, the manufacturing sector shows some signs of cyclical slowdown compared to 4Q.

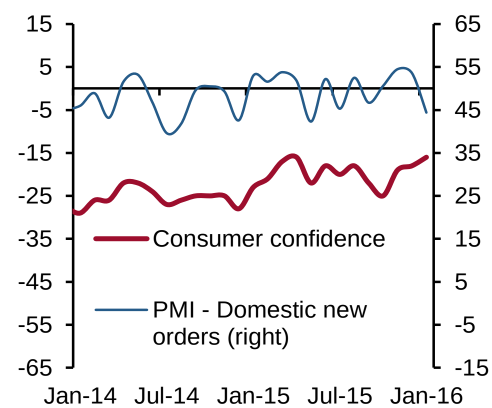
Exhibit 126: Export performance

% qoq change in seasonally adjusted dollar-value of exports



Source: Central Bureau of Statistics, Haver Analytics®, Credit Suisse

Exhibit 127: Leading indicators



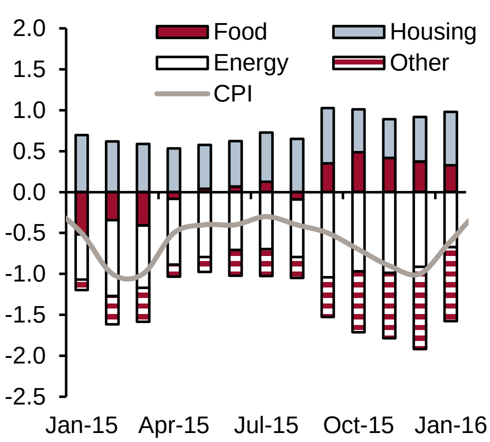
Source: Central Bureau of Statistics, Haver Analytics®, Credit Suisse

Headline inflation rose to -0.6% yoy in January from a multi-month low of -1.0% yoy in December largely as a result of positive base effects in energy inflation.

We project headline inflation to hover between -0.3% yoy and -0.7% yoy in the remainder of 1H 2016, before rising to an average of 0.2% yoy in 4Q.

Exhibit 128: Contributions to year-on-year CPI inflation

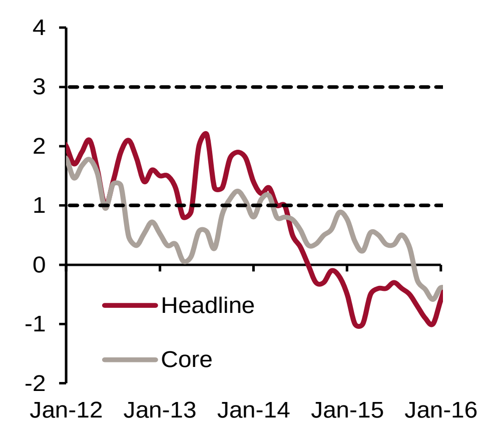
pps, with the exception of CPI



Source: Central Bureau of Statistics, Credit Suisse

Exhibit 129: Headline and core inflation

Doted lines represent the central bank's inflation target band (yoy, %)

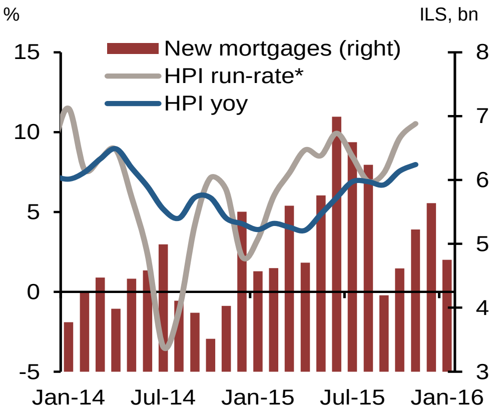


Source: Central Bureau of Statistics, Credit Suisse

We think that housing price inflation could decelerate somewhat in the near term, given the rise in mortgage rates since the middle of 2015. However, fundamentally, pressure on housing prices remains on the upside.

The increase in the current account surplus in 2015 was probably driven by a significant narrowing of the goods trade deficit, thanks to the sharp decline in imports on the back of lower commodity prices.

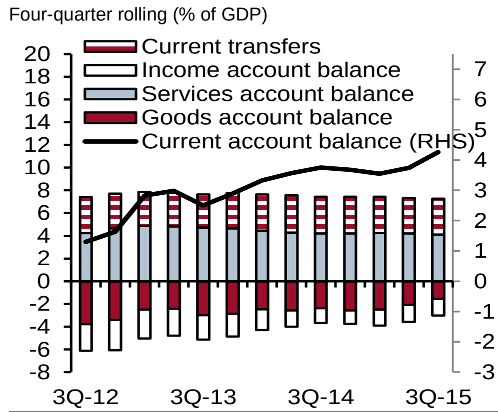
Exhibit 130: The Housing Price Index (HPI) and new mortgages taken by households



*We calculate the run-rate of housing price inflation as the annualized three-month moving average of the month-on-month change in the de-seasonalized HPI.

Source: Bank of Israel, Central Bureau of Statistics, Credit Suisse

Exhibit 131: Current account balance

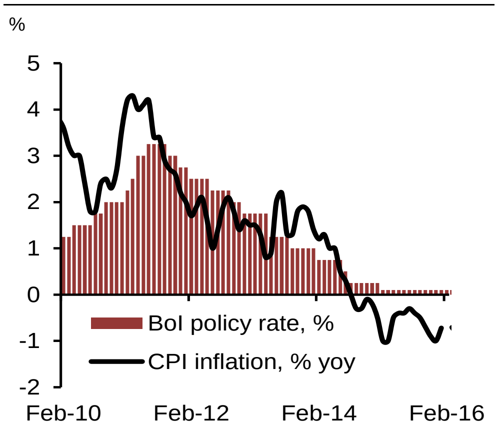


Source: Central Bureau of Statistics, Credit Suisse

We maintain our view that the Monetary Committee will keep the policy rate unchanged at 0.10% this year.

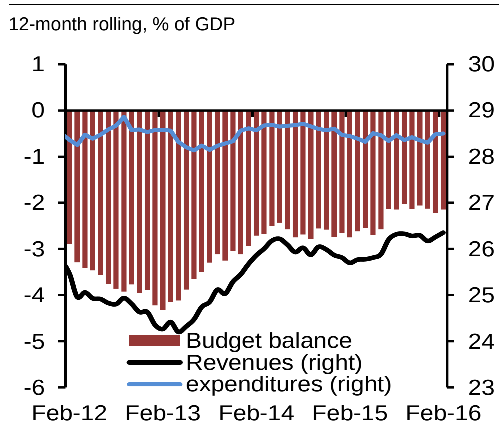
The government recorded a full-year budget deficit of 2.1% of GDP in 2015 – substantially better than its 2.9% of GDP target.

Exhibit 132: BoI policy rate and CPI inflation



Source: Central Bureau of Statistics, Bank of Israel, Credit Suisse

Exhibit 133: Central government fiscal balance



Note: The definition of fiscal balance excludes net credit.

Source: Ministry of Finance, Credit Suisse

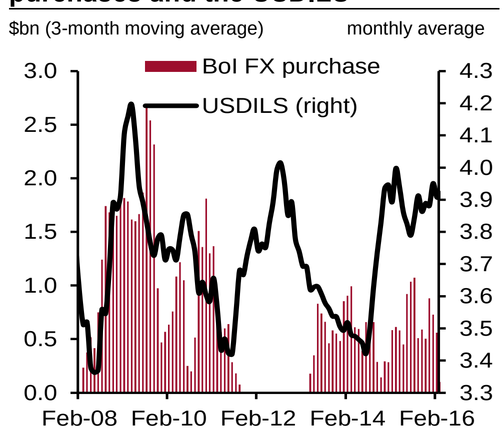
The USDILS has been range-trading since August 2015; we remain of the view that it will find a new base above 4.00 over the medium term. Our view is based on policy rate divergence between the BoI and the Fed.

Exhibit 134: The shekel's Nominal Effective Exchange Rate (NEER)

Note: Nominal effective exchange rate is a weighted average index composed of 28 currencies reflecting 38 of Israel's trade partners.

Source: Bank of Israel, Credit Suisse

Exhibit 135: Central bank's FX purchases and the USDILS



Source: Bank of Israel, Credit Suisse

Israel: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	1.2	5.4	5.0	2.9	3.4	2.6	2.6	3.1	3.5
Growth in real private consumption (%)	0.9	4.9	3.4	2.2	4.1	3.6	4.7	2.8	3.0
Growth in real fixed investment (%)	-3.6	10.0	14.7	3.7	3.6	-2.0	-1.5	3.5	3.5
Fixed investment (% of GDP)	18.4	18.6	20.2	20.6	20.1	19.3	18.5	18.8	19.0
Nominal GDP ($bn)	208.1	234.7	261.8	259.6	292.4	305.7	296.1	299.7	306.8
Population (mn)	7.6	7.7	7.8	8.0	8.1	8.3	8.5	8.6	8.8
GDP per capita ($)	27,549	30,491	33,403	32,514	35,947	36,842	34,980	34,745	34,932
Unemployment (% of labor force, end-year)	9.0	7.9	6.7	6.8	5.8	5.7	5.1	5.5	5.5
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	3.9	2.7	2.2	1.6	1.8	-0.2	-1.0	0.4	1.0
CPI inflation (%, average)	3.3	2.7	3.5	1.7	1.5	0.5	-0.6	-0.3	0.8
Exchange rate (ILS per USD, end-year)	3.78	3.55	3.82	3.73	3.47	3.89	3.90	4.05	4.05
Exchange rate (ILS per USD, average)	3.93	3.73	3.58	3.86	3.61	3.58	3.89	3.97	4.05
Nominal wage growth (% year-on-year change)	1.7	4.8	3.3	4.5	1.2	1.4	1.8	3.5	3.5
REER (% change, December to December)	12.0	6.3	-5.0	-1.7	7.6	-6.3	5.5	-3.7	-3.8
Base rate (%, end-year)	1.00	2.00	2.75	1.75	1.00	0.25	0.10	0.10	1.00
Fiscal data									
Central government's fiscal balance (% of GDP)	-4.8	-3.4	-3.1	-3.9	-3.1	-2.7	-2.1	-2.9	-2.5
Central government primary fiscal balance (% of GDP)	0.2	1.4	1.7	0.8	1.4	1.8	2.1	1.4	1.7
Central government expenditure (% of GDP)	29.9	28.9	28.5	28.5	28.6	28.6	28.3	29.0	28.9
Gross general government debt (% of GDP, end-year)	74.6	70.7	68.8	67.9	67.2	67.0	65.0	66.3	67.1
Net general government debt (% of GDP, end-year) (1)	45.4	40.5	40.2	38.6	39.3	38.9	34.4	34.2	33.5
Money supply and credit									
Broad money supply (M2, % of GDP)	55.5	50.4	52.1	52.7	53.3	55.7	60.2	62.8	63.8
Broad money supply (M2, % year-on-year change)	13.5	3.6	10.5	8.2	6.6	8.4	13.6	8.0	6.0
Domestic credit (% of GDP)	83.8	84.5	85.2	81.8	79.1	78.7	75.4	74.0	72.1
Domestic credit (% year-on-year)	0.0	8.0	7.8	2.7	2.0	3.0	0.8	1.4	1.7
Domestic credit to private sector (% of GDP) (2)	43.7	43.2	42.3	39.2	35.7	34.4	32.2	30.5	28.8
Domestic credit to private sector (% year-on-year)	-6.8	6.0	4.8	-1.0	-4.0	-0.1	-1.7	-1.9	-1.2
Balance of payments									
Exports (goods and non-factor services, % of GDP)	32.8	35.0	36.1	36.9	33.2	32.3	30.8	32.1	32.4
Imports (goods and non-factor services, % of GDP)	30.4	32.8	35.4	35.6	31.4	30.7	28.2	29.1	29.3
Exports (goods and non-factor services, % change in $ value)	-16.7	20.3	14.9	1.3	1.5	1.6	-7.6	5.3	3.5
Imports (goods and non-factor services, % change in $ value)	-24.9	21.9	20.4	-0.4	-0.5	1.9	-10.9	4.4	3.0
Current account balance ($bn)	7.3	8.1	6.8	4.3	8.5	11.2	12.9	14.3	15.3
Current account (% of GDP)	3.5	3.5	2.6	1.6	2.9	3.7	4.3	4.8	5.0
Net FDI ($bn)	2.7	-1.3	-0.4	5.2	6.9	3.1	7.2	4.4	5.4
Scheduled debt amortization ($bn) (3)	5.3	6.0	4.7	5.9	6.5	6.5	6.3	6.8	6.5
Foreign debt and reserves									
Foreign debt ($bn, end-year)	93.5	107.8	105.6	102.0	101.3	96.2	92.1	89.8	89.4
Public ($bn)	31.2	40.3	36.3	31.6	29.6	30.1	29.1	28.5	28.3
Private ($bn)	62.2	67.5	69.2	70.4	71.6	66.0	63.0	61.3	61.0
Foreign debt (% of GDP, end-year) (4)	44.9	45.9	40.3	39.3	34.6	31.5	31.1	30.0	29.1
Foreign debt (% of exports of goods and services)	136.7	131.2	111.8	106.6	104.2	97.4	101.0	93.5	89.9
Central bank gross non-gold FX reserves ($bn)	60.6	70.9	74.9	75.9	81.8	86.1	90.6	96.0	103.0

(1) Net of central bank FX reserves. (2) Principal repayments of public and private sector. (3) Not including credit to households. (4) Based on the location of the creditor (i.e. including local currency liabilities held by non-residents).

Source: Central Statistical Bureau, Bank of Israel, Ministry of Finance, Credit Suisse

Nigeria: Policy teething troubles for the Buhari administration

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- **We foresee a number of teething problems for President Buhari's administration in 2016, chief amongst them FX policy.** Tight dollar liquidity could arguably be resolved to some extent if administrative controls were relaxed, in our view. If relaxed, the return of foreign capital to Nigeria's shores may be attained, thereby offering a feedback boost to foreign reserves. Other major business constraints – including the energy supply deficit and high lending rates, according to a central bank survey – will need to be overcome through policy initiatives. The former may only be resolved in the long term. On the latter, the central bank has already taken aggressive steps to ease lending conditions.
- **Barring speedy resolutions, we think these teething issues (amongst others) are likely to keep economic growth of this oil-dependent economy below trend and leave inward capital flows light.** As long as protectionist FX policies in particular are pursued by the central bank and supported by the government, market uncertainty will remain elevated with resultant low levels of job creation and private-sector lending, in our view. That is not to say that progress has not been made during the first nine months of President Buhari's tenure. We have seen constructive action taken in the areas of security, administration of government funds and strengthening of bilateral relationships. Buhari's development agenda is seemingly centered around import substitution, economic diversification and large-scale infrastructure outlays, which should be pro-growth in the long run.
- **Our medium-term macro forecasts for Nigeria have been tweaked down slightly.** To some extent this incorporates downwards adjustments to our oil price assumptions since we published *Nigeria: Macro outlook downgrade* on 19 January. Our assumptions for the Bonny Light oil price are $36.3/bbl and $43.3/bbl for 2016 and 2017 respectively, down from $38.7/bbl and $45.5/bbl previously.
- **Local production is being prioritized by the administration, but policymakers are dragging their feet on further currency devaluation.** President Buhari's administration has signalled that the development agenda will be centred around economic diversification and pro-local production initiatives, especially in the frontier solid minerals sector. However, policymakers are seemingly unconvinced that further currency devaluation would be an instantaneous solution to inducing a u-turn on relatively low economic growth. We think the protectionist FX policies – as long as they remain in place – will result in renewed weakness in the manufacturing sector in particular, as firms struggle to import inputs on tight FX supply. To this point, high-frequency PMI data signal that manufacturing production (10% of real GDP in 2015) may have already contracted in January and February. Meanwhile, according to the Manufacturers Association of Nigeria, some manufacturers will run out of raw materials as early as April if the central bank does not provide direct dollar supply. The association further believes that "thousands of jobs are on the line" (as reported by Bloomberg on 7 March).
- **Real GDP growth looks likely to stay below trend over the medium term.** Our point forecasts for real GDP growth have been lowered slightly to 3.9% and 4.6% for 2016 and 2017, respectively, but still compare favorably to the ultra-low 2.8% recorded in 2015. Industrial sectors such as mining and manufacturing shaved off GDP growth for a good part of 2015. Agriculture, industry and services sectors contributed 23%, 24% and 53% to real GDP in 2015, respectively. Furthermore, the rate of nominal GDP growth recorded for 2015 was nearly half of the 11.3% recorded in 2014. We think nominal and real GDP growth – although recovering slowly – will likely remain below trend on continued weakness in the oil sector and negative feedback to non-oil sectors.

- **While the economy adjusts to import substitution, inflation is likely to flare upward and erode household purchasing power.** CPI inflation remained at a three-year high of 9.6% yoy in January 2016, mainly driven by food-price pressures, especially those related to imported products. We think it will accelerate further to 11.2% yoy by end-2016. The administrative FX controls on certain imports, including manufacturing inputs and agricultural goods, have since their introduction in mid-2015 led to short supply in the local market and higher imported inflation. Looking ahead, the combination of higher inflation and lacklustre hiring is likely to erode the purchasing power of consumers. Consequently, we foresee subpar growth in real consumption of households especially.

- **We are of the view that the Monetary Policy Rate will be left unchanged for the foreseeable future.** The expected combination of above-average unemployment and inflation rates in 2016 poses a dual challenge to policy makers. In late 2015, the Central Bank of Nigeria eased aggressively in support of an economic recovery: the Monetary Policy Rate was cut to a four-year low of 11.00% and the Cash Reserve Requirement (CRR) reduced by 500bps to 20% in November 2015. Anecdotal evidence suggests that the additional liquidity has found a home in federal debt securities as opposed to the hands of households and firms. Sequential momentum in private credit extension in fact stalled further in January, possibly due to tightened lending by banks on heightened uncertainty around Nigeria's macro outlook. The next Monetary Policy Committee meeting is scheduled for 21-22 March. Even if the benchmark Monetary Policy Rate is left unchanged as we forecast, the Bank may be prone to experiment with the interest-rate corridor (currently +200bps and -700bps) and the CRR to reach desired higher lending levels. Moreover, we think the Bank may introduce targeted lending policies to shock credit into what Governor Emefiele has labelled "job-intensive" sectors of the economy, such as infrastructure, agriculture and solid minerals.

- **We still think the central bank will be required to devalue the naira by 30% to NGN260/$ in the official market by year-end.** We believe this will be essential to counter further declines in the dollar oil price, allowing for a marginal recovery in naira-denominated export and government revenues. A cumulative balance-of-payments funding requirement of $18bn for 2016 may, in our view, be financed primarily through reserve depletion and additional borrowing. On our estimates, gross foreign reserves may consequently be drawn down by $6bn, to $23.1bn by end-2016 (4.4 months of import cover). So far, the finance ministry has communicated plans to raise up to $5bn internationally: up to $4bn from multilateral lenders, and a possible $1bn from a Eurobond that is on track for marketing in March.

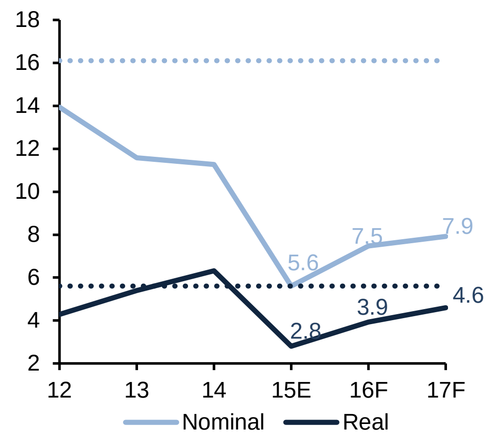
- **The government's financing requirement will be large in 2016, with or without help from possible devaluation.** The expansionary federal budget proposed for 2016, alongside a large amount of sovereign debt expiring, means the government will need to roll over or issue the equivalent of $32bn in debt during 2016, on our estimates. Apart from the multilateral lending plans referred to above, the government will likely roll over or raise a significant proportion of financing in the local-currency debt market, which up to now has taken up additional offerings easily, based on recent auction data from the Debt Management Office. We forecast that Nigeria's government debt will increase to 17.6% of GDP in 2016, from 13.7% of GDP in 2015 and 12.4% of GDP in 2014.

- **A poorer outlook for Nigeria's fiscal metrics on lower oil revenue expectations and growing financing risks will likely prompt negative rating actions, in our view.** We still think that Moody's and Fitch will likely downgrade Nigeria's long-term debt ratings by one notch in 2016. This would bring their ratings in line with S&P's rating of four notches below investment grade. Moody's put Nigeria's Ba3 long-term sovereign ratings on review for downgrade on 4 March. The review will reportedly be concluded over the next two months. Moody's said that Nigeria's ratings could be downgraded if: "the review were to conclude that the government's plans are unlikely to be adequate to sustain Nigeria's economic or government balance sheet strength," and/or "signs of acute fiscal or balance-of-payments deterioration [emerge]."

Mining and manufacturing shaved off GDP growth for a good part of 2015. Real GDP growth – albeit recovering slowly – will likely remain below trend over the medium term, on continued weakness in the oil sector and negative feedback to non-oil sectors. In the near term, tight FX supply will induce renewed weakness in the manufacturing sector in particular, in our view. PMI data signal that manufacturing production may have contracted in early 2016.

Exhibit 136: Gross domestic product

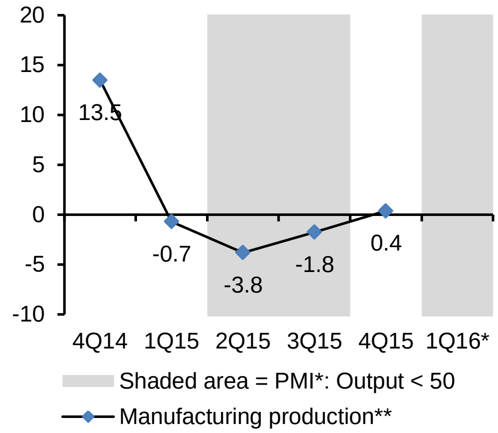
% yoy; dotted lines refer to 2010-2015E period averages



Source: Credit Suisse estimates, National Bureau of Statistics, International Monetary Fund, Haver Analytics®

Exhibit 137: Manufacturing activity

% yoy (constant prices)



*1Q16 reflects the average for January and February.

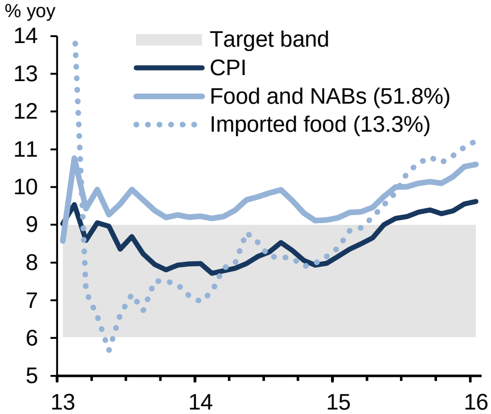
**Manufac-turing accounted for 10% of real GDP in 2015.

Source: FBN Capital, National Bureau of Statistics, Credit Suisse, Haver Analytics®

The combination of above-average unemployment and inflation rates in 2016 will pose a challenge to policy makers. CPI inflation remained at a three-year high of 9.6% yoy in January 2016 and we think it will accelerate further to 11.2% yoy by end-2016. Further, the unemployment rate may remain relatively high over the medium term as firms delay hiring plans due to macro uncertainty.

Exhibit 138: CPI and food inflation

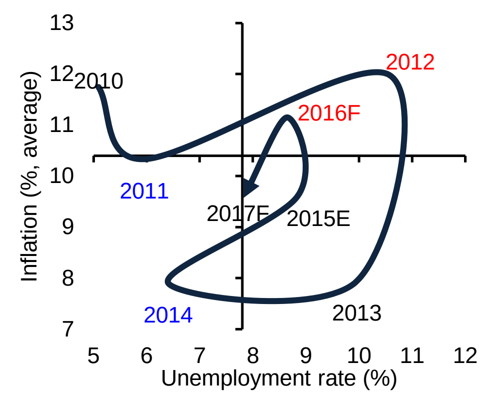
% yoy



Source: National Bureau of Statistics, Haver Analytics®, Credit Suisse

Exhibit 139: Unemployment and inflation

Axes cross at 2010-2015E period averages

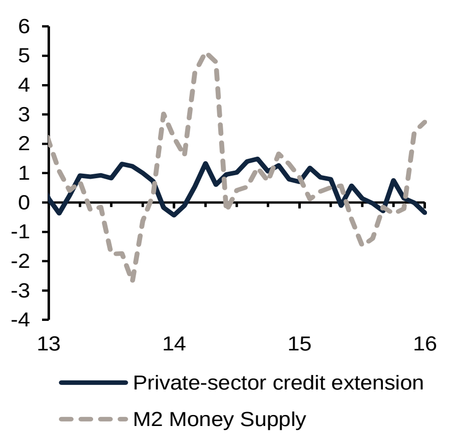


Source: Credit Suisse estimates, National Bureau of Statistics, Haver Analytics®

In November 2015, the central bank eased aggressively in support of economic recovery. In spite of this, sequential momentum in credit extension has stalled further in the new year as banks have tightened lending on heightened uncertainty around Nigeria's macro outlook. We think balanced risks to growth and inflation are likely to induce no change in the Monetary Policy Rate for the foreseeable future.

Exhibit 140: Private credit extension

3mma, % mom



Source: Credit Suisse, Central Bank of Nigeria, Haver Analytics®

Exhibit 141: Monetary policy decisions

Date	Monetary Policy Rate	Official FX target	Cash Reserve Requirement	FX reserves ($ bn)
26-Jan-16	11.00% (+2%; -7%)	197.0	dual CRR 20%	28.4
24-Nov-15	11.00% (+-2%)	197.0	dual CRR 20%	30.2
22-Sep-15	13.00% (+-2%)	197.0	dual CRR 25%	30.6
24-Jul-15	13.00% (+-2%)	197.0	dual CRR 31%	29.9
19-May-15	13.00% (+-2%)	197.0	dual CRR 31%	29.8
24-Mar-15	13.00% (+-2%)	197.0	private 20%; public 50%	29.9
20-Jan-15	13.00% (+-2%)	NGN168/$ (+- 5%)	private 20%; public 75%	34.5
25-Nov-14	13.00% (+-2%)	NGN168/$ (+- 5%)	private 20%; public 75%	37.0
19-Sep-14	12.00% (+-2%)	NGN155/$ (+- 3%)	private 15%; public 75%	39.6

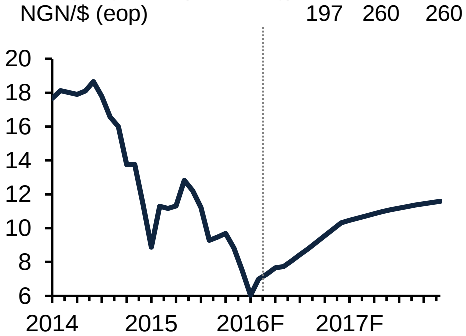
Source: Central Bank of Nigeria, Credit Suisse, Haver Analytics®

It remains our view that the central bank will be required to devalue the naira by 30% to NGN260/$ in the official market during 2016. We believe this will be vital to counter further declines in the dollar oil price and allow for some recovery in naira-denominated export and government revenues. A cumulative balance-of-payments funding requirement of $18bn for 2016 may, in our view, be financed primarily through reserve depletion and additional borrowing.

Exhibit 142: Naira-denominated oil price

NGN 000s

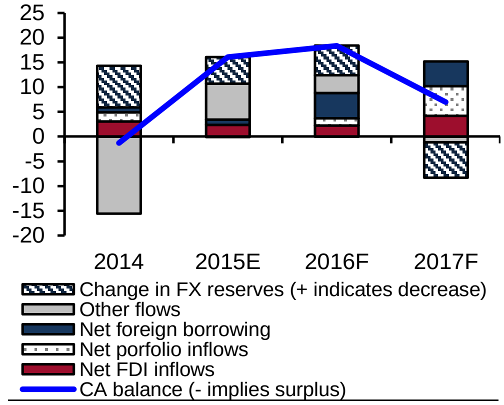
Assumptions	15	16F	17F
Bonny Light oil ($/bbl, avg)	52.7	36.3	43.3
NGN/$ (eop)	197	260	260



Source: Credit Suisse estimates, Central Bank of Nigeria, the BLOOMBERG PROFESSIONAL™ service

Exhibit 143: External account funding

$bn



Source: Credit Suisse estimates, Central Bank of Nigeria, Haver Analytics®

The expansionary federal budget proposed for 2016, alongside the large amount of sovereign debt expiring, means the government will need to roll over or issue the equivalent of $32bn in debt during 2016, on our estimates.

Exhibit 144: Federal government budget

Projections (fiscal year beginning 1 January)

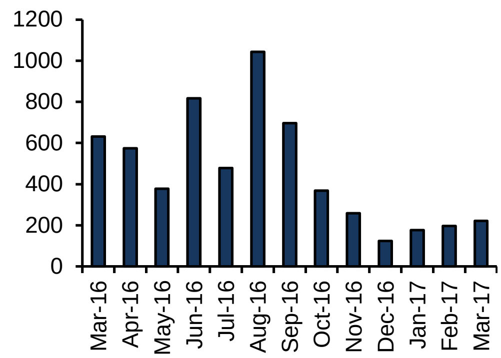
Assumptions	CS 15E	CS 16F	Budget 16*
Oil price ($/bbl, avg)	52.7	36.3	38.0
FX rate (NGN/$, avg)	197.7	228.5	197.0
Oil production (mbd)	2.1	1.9	2.2
NGNbn, unless stated otherwise			
Retained revenue	3212	3520	3860
Expenditure	4530	6263	6080
Budget balance	-1319	-2743	-2220
% of GDP	-1.4	-2.7	-2.2
Memo items			
Debt service (% of GDP)	1.1	1.2	1.3

*Budget Office of the Federation, Haver Analytics®.

Source: Credit Suisse estimates, Debt Management Office, Ministry of Finance

Exhibit 145: Sovereign debt maturity

NGNbn



Data as at 07 March 2016.

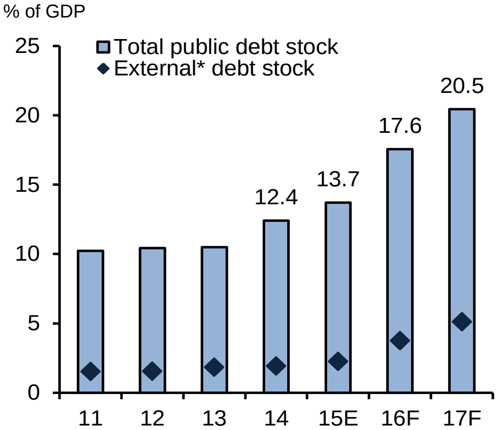
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

We forecast that Nigeria's government debt will increase to 17.6% of GDP in 2016, from 13.7% of GDP in 2015 and 12.4% of GDP in 2014.

We still think that Moody's and Fitch will likely downgrade Nigeria's long-term debt ratings by one notch in 2016. This would bring their ratings in line with S&P's rating of four notches below investment grade.

Exhibit 146: General government debt

% of GDP

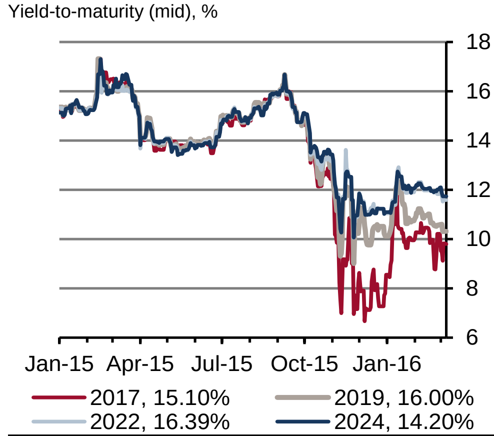


*Based on location of debt issuance.

Source: Credit Suisse estimates, Debt Management Office, National Bureau of Statistics, Haver Analytics®

Exhibit 147: Local-currency bond yields

Yield-to-maturity (mid), %



Data as at 07 March 2016.

Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Nigeria: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%) (1)	9.0	10.0	4.9	4.3	5.4	6.3	2.8	3.9	4.6
Growth in real private consumption (%) (1)	na	na	-3.1	0.0	21.2	1.9	4.7	2.3	2.7
Growth in real fixed investment (%) (1)	na	na	-8.2	2.6	7.9	13.4	7.3	8.1	8.3
Fixed investment (% of GDP) (1)	na	16.6	15.5	14.2	14.2	15.1	16.9	18.4	20.0
Nominal GDP ($bn) (1)	270.5	373.8	418.8	467.1	521.8	545.7	477.0	447.2	424.1
Population (mn)	151.9	156.1	160.3	164.8	169.3	173.9	178.7	183.6	188.7
GDP per capita ($) (1)	1,781	2,396	2,612	2,835	3,082	3,137	2,669	2,435	2,248
Unemployment (% of labor force, end-year) (2)	na	5.1	6.0	10.6	10.0	6.4	8.8	8.6	7.8
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	13.9	11.7	10.3	12.0	7.9	7.9	9.6	11.2	9.6
CPI inflation (%, average)	12.5	13.7	10.8	12.2	8.5	8.0	9.0	10.7	10.0
Exchange rate (NGN per USD, end-year)	149.50	152.00	162.30	156.15	160.30	183.45	199.30	260.00	260.00
Exchange rate (NGN per USD, average)	149.85	151.04	155.90	158.83	159.24	165.18	197.74	228.50	260.00
Nominal wage growth (% year-on-year change) (3)	na	na	17.7	16.1	11.7	10.5	7.3	7.1	7.8
REER (% change, December to December) (4)	-12.7	9.7	1.7	9.7	6.4	6.4	-1.9	-15.5	4.3
Monetary policy rate (%, end-year)	6.00	6.25	12.00	12.00	12.00	13.00	11.00	11.00	11.00
Fiscal data									
General government consolidated debt (% of GDP, end-year)	15.1	9.5	10.2	10.4	10.5	12.4	13.7	17.6	20.5
Oil-related revenues (% total federally collected revenues)	na	73.9	79.9	75.3	69.8	67.5	55.9	48.3	42.2
Federal government expenditure (% of GDP) (5)	na	7.6	7.4	6.3	6.4	4.7	4.8	6.1	5.9
Federal government primary balance (% of GDP) (5)	na	-1.2	-1.0	-0.4	-0.4	-0.1	-0.3	-1.5	-0.7
Federal government fiscal balance (% of GDP) (5)	na	-2.0	-1.8	-1.3	-1.4	-1.1	-1.4	-2.7	-1.9
Money supply and credit									
Broad money supply (M2, % of GDP)	na	20.8	20.9	21.3	19.4	21.0	21.1	22.2	25.7
Broad money supply (M2, % year-on-year change)	17.6	6.9	15.4	16.4	1.3	20.6	5.8	13.0	25.4
Domestic credit (% of GDP)	na	15.3	21.5	17.5	17.9	20.9	22.7	27.2	28.4
Domestic credit (% year on year)	58.8	8.1	61.0	-7.2	14.5	29.8	14.5	28.6	12.7
Domestic credit to private sector (% of GDP)	na	17.7	22.3	20.9	20.0	20.1	19.7	21.9	23.3
Domestic credit to private sector (% year-on-year)	26.8	-3.8	44.3	6.8	6.9	11.9	3.3	19.6	15.0
Balance of payments									
Bonny Light Oil assumption ($/bbl, average)	63.9	80.9	113.8	113.7	111.0	100.4	52.7	36.3	43.3
Exports (goods and non-factor services, % of GDP)	21.8	21.8	24.0	20.7	18.7	14.7	10.2	8.9	12.2
Imports (goods and non-factor services, % of GDP)	31.0	17.4	21.5	12.9	13.0	12.5	14.3	13.9	14.7
Exports (goods and non-factor services, % change in $ value)	-33.4	38.3	23.2	-3.8	0.8	-13.3	-40.1	-18.5	30.0
Imports (goods and non-factor services, % change in $ value)	-22.6	36.6	27.2	-10.8	-4.7	16.5	-11.3	-9.6	0.1
Current account balance ($bn)	14.0	14.6	12.7	18.9	20.1	1.3	-16.1	-18.4	-6.9
Current account (% of GDP)	8.3	3.6	2.6	3.8	3.7	1.1	-3.3	-4.1	-1.6
Net FDI ($bn)	7.1	5.2	8.1	5.6	4.4	3.1	2.4	2.2	4.2
Scheduled debt amortization ($bn)	0.3	0.8	0.4	0.2	0.2	0.1	0.2	0.1	0.5
Foreign debt and reserves									
Foreign debt ($bn, end-year) (6)	3.9	4.6	6.4	7.2	9.5	10.5	11.6	16.7	21.7
Public ($bn) (6)	3.9	4.6	5.7	6.5	8.8	9.7	10.7	15.6	20.5
Private ($bn) (6)	na	na	0.7	0.7	0.7	0.8	0.9	1.1	1.2
Foreign debt (% of GDP, end-year) (6)	na	na	1.5	1.5	1.8	1.9	2.2	3.7	5.1
Foreign debt (% of exports of goods and services) (6)	na	na	6.3	7.5	10.0	12.9	23.7	41.9	41.9
Central bank gross FX reserves ($bn)	42.4	32.3	32.6	43.8	42.8	34.5	29.1	23.1	30.2

(1) Other than the line item for real GDP growth, data do not reflect 4Q 2015 GDP supply-side data which were published on 8 March 2016. (2) The National Bureau of Statistics has adopted a new methodology to calculate the unemployment rate which has relayed into a significant downward revision in the official rate of unemployment. (3) Based on nominal compensation of employees in the income approach to national accounts. (4) Real effective exchange rate index (2010 = 100), increase indicates appreciation. (5) Data refer to the federal government's budget. (6) Foreign debt is based on the location of debt issuance.

Source: National Bureau of Statistics, IMF, the BLOOMBERG PROFESSIONAL™ service, Central Bank of Nigeria, Ministry of Finance, Debt Management Office, Credit Suisse

Poland: Still solid

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- **Developments in Poland since the parliamentary elections in October have led investors to question the extent of deterioration in the country's political and economic fundamentals, but we remain broadly constructive about the country's outlook.** The constitutional court and media laws that were approved by the parliament recently were criticized by the EU as being undemocratic. However, Poland's existing checks and balances, strong institutions and the broad-based support for democracy will prevent the country from further slipping away from the EU's democratic standards, in our view. The new government's fiscal proposals, including a banking tax and the child subsidy, new media and constitutional court laws, appointment of new members to the Monetary Policy Council (MPC) earlier this year, and the President's proposal on Swiss franc mortgage conversion also led to concerns about the country's economic direction. We remain broadly constructive on all of these issues. We forecast that the budget deficit will remain below 3.0% of GDP in 2016-2017, and the impact of the banking tax on loan growth will be limited. Meanwhile, the new MPC members turned out to be less dovish than some market participants expected, and we expect the MPC to keep the policy rate unchanged at 1.50% for an extended period despite very low inflation. We also expect the Swiss franc mortgage loan conversion plan to be softened. S&P surprised the markets by downgrading Poland's sovereign credit rating and outlook on 15 January. Although Moody's might follow S&P, we do not expect this to have a significant impact on financial markets.

- **The government's current fiscal stance will be supportive for growth in the short term, but damaging for potential output in the longer run, in our view.** The combination of higher government spending on the child subsidy and higher taxes on the banking and retail sectors should support economic activity in the short term, in our view. Households are more likely to spend rather than save the new child subsidy, as it will be extended to a significant extent to poor households. Moreover, tax hikes are likely to be smoothed in the short run. For example, we think the new asset tax on the banking system will encourage the off-shore parent banks – rather than the Polish subsidiaries – to extend loans to the Polish corporate sector. Even if overall corporate loan growth slows because of the new tax, this will have a limited effect on investment in the short term, in our view, as companies have a significant amount of cash on their balance sheets. However, the combination of child subsidy and higher taxes will be negative for potential output. First, the subsidy will reduce parents' incentive to work, with a limited impact on the demographics, in our view. Secondly, higher taxes will likely reduce the willingness to invest and add value in the medium term.

- **We expect real GDP growth in 2016-2017 to be stronger than we forecast.** Real GDP grew 1.1% qoq in 4Q, up from 0.9% qoq in 3Q and 0.6% qoq in 2Q, driven mainly by private consumption on the back of the tightening labor market and the fall in oil prices. January retail sales and industrial production data point to around a 1.0% qoq increase in real GDP in 1Q 2016, on our estimates. However, we calculate that the new child subsidy which will be introduced from April this year should help sequential real GDP growth to accelerate for a couple of quarters. Moreover, we revised down our assumptions for oil prices for both 2016 and 2017. We believe that stronger supply is still the main driver of lower oil prices. Since Poland is a net importer of fuel, the fall in oil prices allows it to purchase more foreign goods with its export revenues, and boosts its potential output growth through lower costs. This means that, with lower oil prices, real GDP growth should be higher. However, rising oil prices and the closing of the negative output gap will cause real GDP growth to slightly decelerate in 2017 compared to 2016. Overall, we expect real GDP to grow 4.0% in 2016, up from 3.6% in the December issue of the *Emerging Markets Quarterly,* and 3.8% in 2017, up from 3.4% in the December *Quarterly*. (We published an interim update of our forecasts on 12 January 2016, following the December *Quarterly.* Please see *CE3: Implication of lower oil prices* for more details.)

- **The president's proposal on the Swiss franc mortgage conversion poses a significant downside risk to the growth outlook, in our view.** The central bank estimates that the latest proposal from the president's office that defines a procedure for the conversion of Swiss franc mortgage loans can cost the banking sector as much as PLN44bn (about 2.4% of GDP and more than three times the banking sector's profits in 2015). This, combined with a new banking tax on assets (excluding government bonds), would destabilize the sector with an adverse effect on real GDP growth. That said, our baseline forecast assumes that the Swiss franc mortgage loan conversion plan will be softened and its impact on the banking sector will be limited. We think the conversion can be implemented over several years starting from 2017 with priority given to higher loan-to-value mortgages first.

- **Poland's growth outlook also hinges on economic activity in the euro area.** Our European Economics team expects real GDP growth in the euro area to accelerate to 1.7% in 2016 and 2.0% in 2017 from 1.5% in 2015. However, significant downside risks are emerging: support from external factors looks to be waning, as measures of industrial and trade growth outside the euro area remain weak, and the benefits of the euro's fall fade. Slower-than-expected real GDP growth in the euro area will have a negative effect on Poland's economic activity mainly through the export channel. However, this is likely to be less significant than in Hungary, as Poland relies on exports less than Hungary does. Slower-than-expected growth in the euro area will also result in lower inflation and trigger a policy rate cut in Poland, in our view.

- **Inflation over the forecasting period will be lower than we expected.** Inflation gradually increased between September and December last year, driven mainly by food price and fuel inflation, but the headline index fell to -0.7% yoy in January from -0.5% yoy in December. This decline was probably driven by utility prices and core inflation (the full breakdown of the January data has not been published yet). The January print and our lower assumptions for oil prices have led us to revise down our inflation forecast. We still expect inflation to rise gradually over the forecasting period as consumer prices in the euro area slowly pick up, the negative output in Poland disappears and oil prices recover. Finally, the new retail tax which is likely to take the form of a turnover tax will also drive prices higher as some of the costs are likely to be passed on to consumers. As a result, we revise our end-2016 and end-2017 forecasts to 0.9% yoy and 1.6% yoy, respectively, from 1.6% yoy and 2.5% yoy in the December *Quarterly*. (Our current forecast for end-2016 inflation represents a modest revision to our interim forecast of 1.1% yoy.)

- **We expect the Monetary Policy Council (MPC) to keep the policy rate unchanged at 1.50% this year for an extended period.** All eight new MPC members who were appointed in January and February are technocrats, mostly with an academic background. Judging from their recent statements, these MPC members do not favor monetary policy easing in the short term (although some market participants expected the new MPC members to be dovish) and believe that deflation is driven by external forces, beyond the influence of monetary policy. As a result, we expect the MPC to keep the policy rate flat at 1.50% in 2016 and hike it by 25bps in 4Q 2017 to keep the real policy rate in positive territory. That said, we see a possibility for a policy rate cut if deflation starts to have second-round effects on wages and the zloty appreciates significantly from current levels.

- **The new banking or retail tax is unlikely to trigger conventional or unconventional monetary policy easing, in our view.** Some market participants believe that the MPC will have to cut the policy rate or use a LTRO-type unconventional policy to offset the negative effect of a banking tax on lending growth. We disagree with this opinion. We view the tax hikes imposed on the banking and retail sectors in 2016 as a transfer of wealth from banks and retail firms to households with a net favorable impact on economic activity and inflation.

- **The lower oil prices will continue to have a favorable impact on Poland's current account balance.** The 12-month rolling current account deficit narrowed to 0.1% of GDP in December 2015 from 0.4% of GDP in September and 2.0% of GDP in December 2014. This decline was driven by a fall in oil prices which was partially saved, in our view. We expect the current account balance to turn into a surplus of 0.3% of GDP this year as the fall in oil price is again likely to be partially saved. We expect the current account balance to turn negative again, to -0.2% of GDP in 2017, as import growth accelerates and oil prices recover slightly. Our new forecasts for the current account balance are more favorable than those in the December *Quarterly* (-0.7% of GDP in 2016 and -1.0% of GDP in 2017) and our interim revisions (-0.5% of GDP in 2016 and -0.8% of GDP in 2017).

- **We see room for the zloty to appreciate further against the euro.** The zloty weakened sharply against the euro following the S&P's unexpected sovereign credit rating downgrade on 15 January. Since then, however, continuing strong economic growth, abating political risks and improving risk sentiment toward EM drove the zloty stronger. We believe the zloty might appreciate even further against the euro due to the positive interest rate differential with the euro area, further monetary easing by the ECB and stronger productivity growth in Poland.

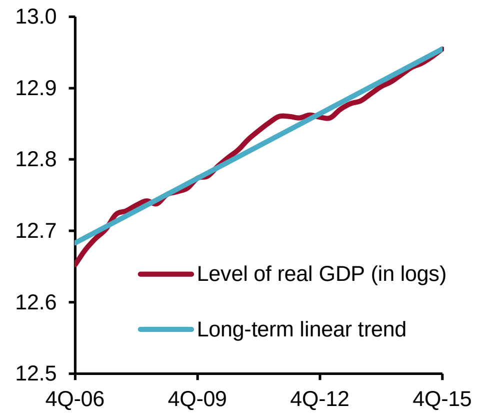
- **We expect the budget deficit to be below 3.0% of GDP both in 2016 and 2017.** Despite very low inflation, strong real GDP growth and one-off revenues from the sale of telecom license should allow the budget deficit to stay below 3.0% of GDP this year. We also expect the government to slightly trim government expenditures in 2017 to keep the budget deficit at a level similar to 2016. However, there are risks to our forecast for next year. If some of the election promises made by the government and President Duda (such as a cut in retirement age and an increase in the tax free allowance) are implemented without offsetting measures, then the budget deficit might overshoot the 3% of GDP threshold next year.

- **Government debt relative to GDP will remain broadly flat over the forecasting horizon.** Given loose fiscal policy this year and next, we expect government debt to remain around the 50% of GDP level over the forecasting period. This is a relatively low level by EU standards, but it might increase quickly if a set of negative shocks hit Poland (for example, the Swiss franc mortgage loan conversion proposed by the president and slower-than-expected growth in the euro area). With the policy interest rate near the zero lower bound, it is fiscal policy which will be primarily responsible for providing stimulus to the economy.

- **Moody's is likely to cut Poland's credit rating by one notch to A3, in our view.** S&P surprised the markets on 15 January by downgrading Poland's sovereign credit rating to BBB+ (with a negative outlook) from A- (with a positive outlook). This downgrade reflected the S&P's view that "Poland's system of institutional checks and balances has been eroded significantly as the independence and effectiveness of key institutions, such as the constitutional court and public broadcasting, is being weakened by various legislative measures." We now expect Moody's to cut Poland's sovereign credit rating by one notch to A3 this year as it currently has Poland's rating two notches above S&P and one notch above Fitch. That said, we do not anticipate a Moody's downgrade to have as significant an effect on financial markets as the S&P downgrade did in January.

January retail sales and industrial production data point to slightly slower sequential real GDP growth in 1Q (around 1% qoq, on our estimate). However, the new child subsidy, which will be introduced from April this year, should help sequential real GDP growth to accelerate from 2Q as households are likely to spend it, in our view.

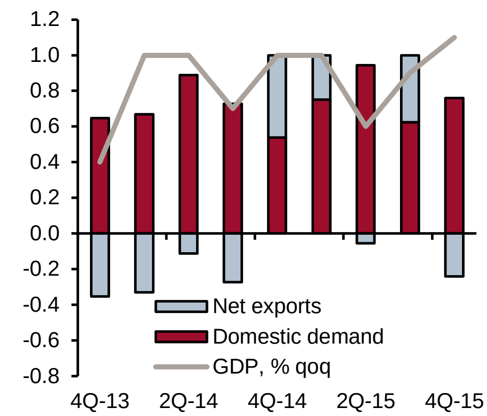
Exhibit 148: Level of real GDP and its long-term trend



Source: GUS, Haver Analytics®, Credit Suisse

Exhibit 149: Contributions to quarter-on-quarter real GDP growth

pps, with the exceptions of GDP



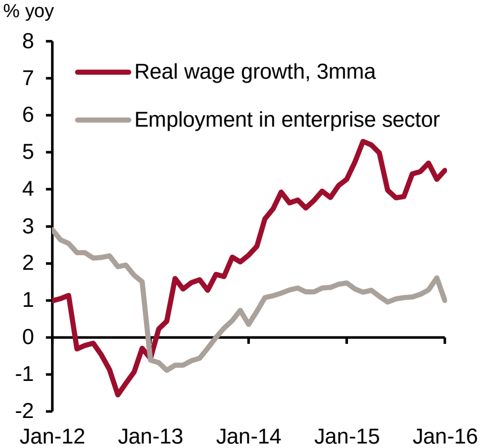
Source: GUS, Haver Analytics®, Credit Suisse

Real GDP growth in Poland is based on solid fundamentals. Consumption growth continues to be driven primarily by employment and real wages.

We think the new asset tax on the banking system will encourage the off-shore parent banks – rather than the Polish subsidiaries – to extend loans to the Polish corporate sector.

Exhibit 150: Employment and real wages

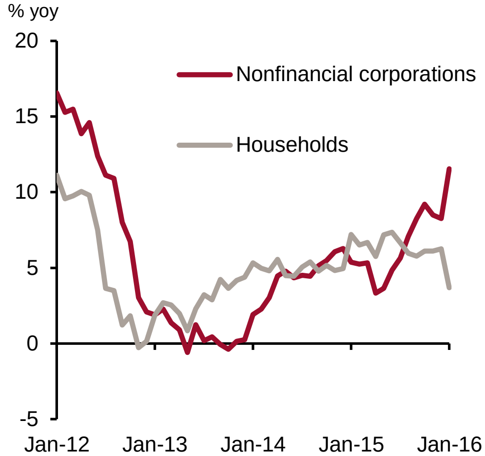
% yoy



Source: GUS, Haver Analytics®, Credit Suisse

Exhibit 151: Lending to private sector

% yoy

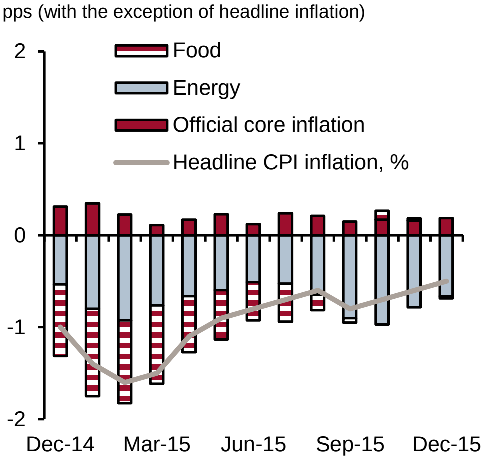


Source: NBP, Haver Analytics®, Credit Suisse

We expect end-2016 and end-2017 inflation to be 0.9% yoy and 1.6% yoy. We expect inflation to rise gradually over the forecasting period as inflation in the euro area picks up, the negative output disappears and oil prices recover. Finally, the new retail tax will drive prices higher as it is likely to be partially passed on to consumers.

Exhibit 152: Contributions to year-on year CPI inflation

pps (with the exception of headline inflation)

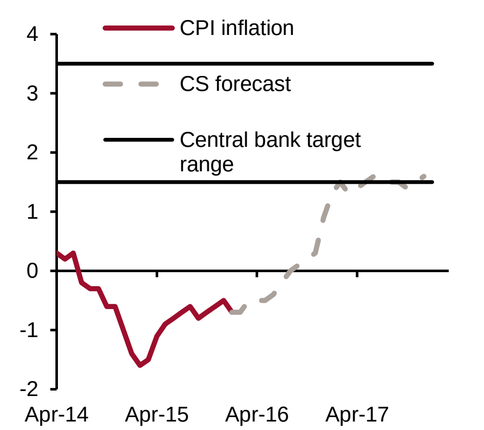


Note: We define the run-rate as the annualized three-month moving average of the month-month change in the seasonally adjusted price index.

Source: Eurostat, GUS, Haver Analytics®, Credit Suisse

Exhibit 153: CPI inflation

%

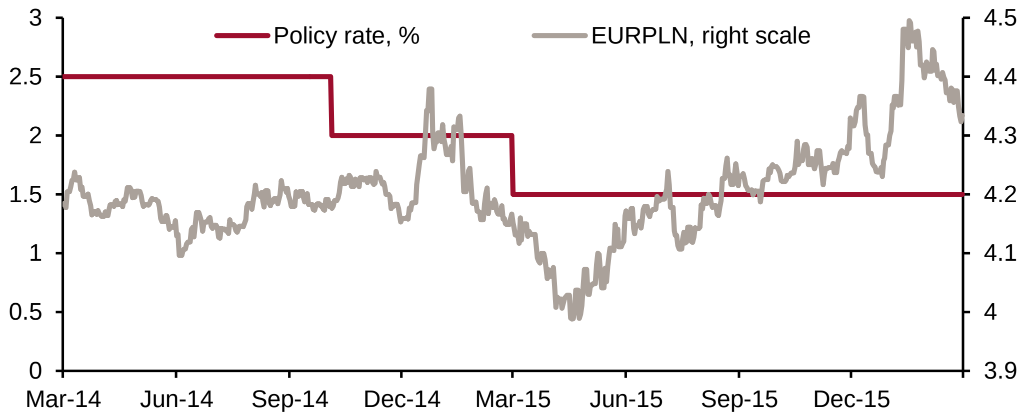


Source: GUS, Haver Analytics®, Credit Suisse

We expect the MPC to keep the policy rate unchanged at 1.50% this year and hike it 25bps in 4Q 2017.

We believe the zloty might appreciate even further against the euro due to the positive interest rate differential with the euro area, further monetary easing by the ECB and stronger productivity growth in Poland.

Exhibit 154: Exchange rate and central bank policy rate

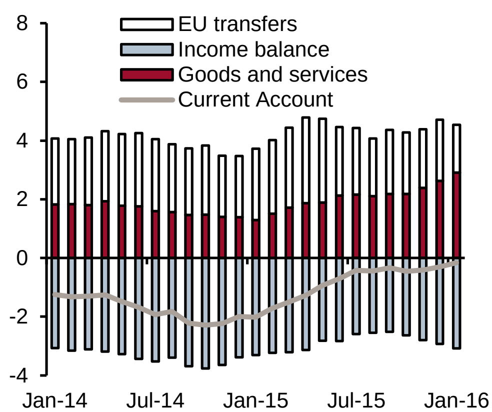


Source: NBP, the BLOOMBERG PROFESSIONAL ™ service

We expect the current account balance deficit to turn into a surplus of 0.3% of GDP this year as the fall in oil price is again likely to be partially saved. We expect the current account balance to turn negative again to -0.2% of GDP in 2017 as import growth accelerates and oil prices recover slightly.

Exhibit 155: Current and capital account

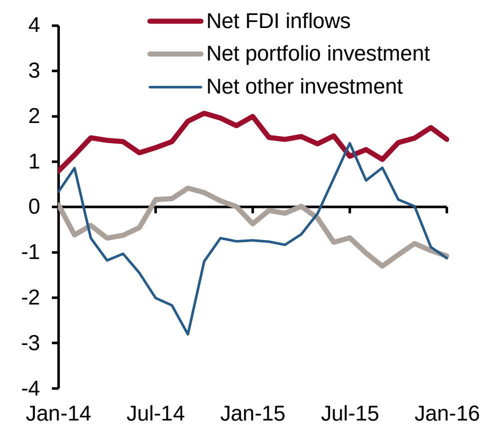
12-month rolling, % of GDP



Source: NBP, Haver Analytics®, Credit Suisse

Exhibit 156: Financial account

12-month rolling, % of GDP

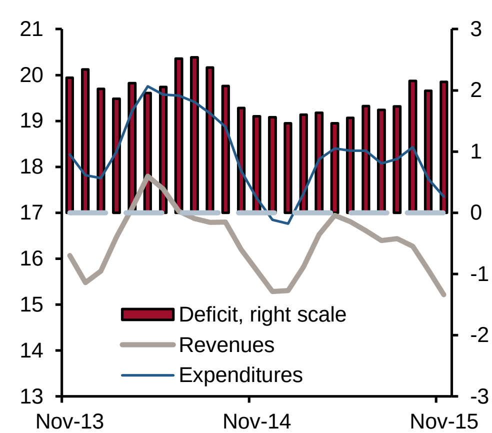


Source: NBP, Haver Analytics®, Credit Suisse

Despite very low inflation, strong real GDP growth and one-off revenues from the sale of telecom license should allow the budget deficit to stay below 3.0% of GDP this year. We also expect the government to slightly trim government expenditures in 2017 to keep the budget deficit at a level similar to 2016.

Exhibit 157: Government budget deficit

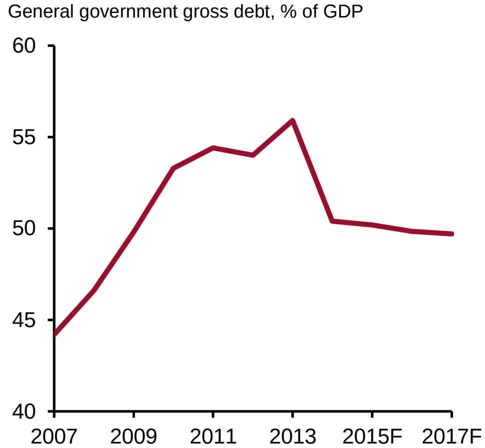
Narrowly defined budget, 12-month rolling, % of GDP



Source: GUS, Ministry of Finance, Haver Analytics®, Credit Suisse

Exhibit 158: General government debt

General government gross debt, % of GDP



Source: Eurostat, Haver Analytics®, Credit Suisse

Poland: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	2.4	3.7	5.0	1.5	1.2	3.4	3.6	4.0	3.8
Growth in real private consumption (%)	3.5	2.6	3.3	0.8	0.3	2.6	3.1	3.3	3.7
Growth in real fixed investment (%)	-1.9	-0.4	8.8	-1.8	-1.1	9.9	6.2	5.0	6.4
Fixed investment (% of GDP)	21.0	20.1	20.9	20.2	19.7	21.0	21.5	21.7	22.2
Nominal GDP ($bn)	441.3	480.2	528.6	500.7	524.7	544.6	474.1	493.2	543.0
Population (mn)	38.6	38.6	38.6	38.6	38.6	38.6	38.6	38.6	38.6
GDP per capita ($)	11,448	12,448	13,697	12,970	13,588	14,102	12,278	12,780	14,080
Unemployment (% of labor force, end-year)	9.0	9.5	9.9	10.4	10.0	8.2	7.1	6.6	6.4
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	3.5	3.1	4.6	2.4	0.7	-1.0	-0.5	0.9	1.6
CPI inflation (%, average)	3.8	2.6	4.2	3.7	1.1	0.1	-0.9	-0.2	1.5
Exchange rate (PLN per USD, average)	3.12	3.02	2.96	3.26	3.16	3.15	3.77	3.76	3.55
Nominal wage growth (% year-on-year change)	4.2	3.6	4.9	3.5	2.6	3.8	3.5	4.3	5.3
Exchange rate (PLN per EUR, end-year)	4.11	3.96	4.42	4.09	4.15	4.26	4.26	4.02	3.90
Exchange rate (PLN per EUR, average)	4.33	3.99	4.12	4.19	4.20	4.18	4.18	4.14	3.96
REER (% change, December to December) (1)	-0.2	-0.5	-9.4	8.4	0.5	-3.6	-4.9	6.5	3.4
1-week reference rate (%, end-year)	3.50	3.50	4.50	4.25	2.50	2.00	1.50	1.50	1.75
Fiscal data									
General government expenditure (% of GDP)	45.1	45.5	43.5	42.6	42.5	42.1	41.4	42.7	43.4
General government budget balance (% of GDP) (2)	-7.3	-7.5	-4.8	-3.7	-4.1	-3.2	-2.7	-2.9	-2.9
General government primary balance (% of GDP) (2)	-4.8	-5.1	-2.4	-1.1	-1.5	-1.2	-0.7	-0.9	-0.9
General government debt, ESA95 (% of GDP, end-year) (2)	49.8	53.3	54.4	54.0	55.9	50.4	50.2	49.8	49.7
General government revenue (% of GDP) (2)	37.8	38.1	38.8	38.9	38.3	38.9	38.7	39.8	40.5
Money supply and credit									
Broad money supply (M2, % of GDP)	52.5	53.6	55.1	55.3	58.0	60.8	64.0	64.4	64.5
Broad money supply (M2, % year-on-year change)	8.3	8.4	11.5	4.2	6.7	8.8	9.7	4.5	5.4
Domestic credit (% of GDP)	52.3	54.2	57.4	56.1	57.2	58.6	60.1	59.6	58.8
Domestic credit (% year-on-year)	10.0	9.9	14.8	1.7	3.7	6.2	6.8	3.0	3.9
Domestic credit to private sector (% of GDP)	49.1	50.1	52.5	51.2	52.5	54.0	55.4	54.9	54.2
Domestic credit to private sector (% year-on-year)	7.2	8.4	13.4	1.5	4.2	6.7	6.8	2.9	3.8
Balance of payments									
Imports (goods and non-factor services, % of GDP)	39.6	42.1	44.8	45.0	44.4	46.2	47.0	49.6	51.4
Exports (goods and non-factor services, % change in $ value)	-20.1	10.3	17.3	-1.3	9.1	6.6	-10.8	8.6	13.4
Imports (goods and non-factor services, % change in $ value)	-27.5	15.7	17.1	-4.9	3.5	8.0	-11.4	9.8	14.0
Current account balance ($bn)	-15.1	-25.8	-27.4	-18.5	-6.7	-11.1	-1.4	-2.5	-4.3
Current account (% of GDP)	-3.4	-5.4	-5.2	-3.7	-1.3	-2.0	-0.3	-0.5	-0.8
Net FDI ($bn)	6.1	6.5	9.8	4.7	3.2	8.2	3.5	3.5	3.7
Scheduled debt amortization ($bn) (3)	12.7	26.2	18.5	53.1	57.3	59.4	60.7	57.7	55.5
Foreign debt and reserves									
Foreign debt ($bn, end-year) (4)	270.5	316.7	349.0	359.6	370.5	387.3	339.8	348.4	360.0
Public ($bn)	83.7	110.9	125.6	148.0	148.7	158.1	137.3	141.2	148.5
Private ($bn)	186.7	205.8	223.4	211.6	221.8	229.2	202.5	207.2	211.5
Foreign debt (% of GDP, end-year) (4)	61.3	66.0	66.0	71.8	70.6	71.1	71.7	70.6	66.3
Foreign debt (% of exports of goods and services) (4)	155.3	164.9	154.9	161.7	152.6	149.6	147.3	139.1	126.7
Central bank gross FX reserves ($bn)	79.6	93.5	97.9	108.9	106.2	100.4	94.9	95.3	96.7

(1) Real effective exchange rate (CPI-deflated), increase indicates appreciation. (2) ESA95 represents the consolidated fiscal accounts of the broadly defined general government on an accrual basis. (3) Scheduled amortizations of medium- and long-term external debt of both the public and private sector. (4) Based on the location of the debt-holders.

Sources: GUS, Ministry of Finance, National Bank of Poland, IMF, JEDH, the BLOOMBERG PROFESSIONAL™ service, Haver Analytics®, Credit Suisse

Russia: Muddling through fiscal uncertainty

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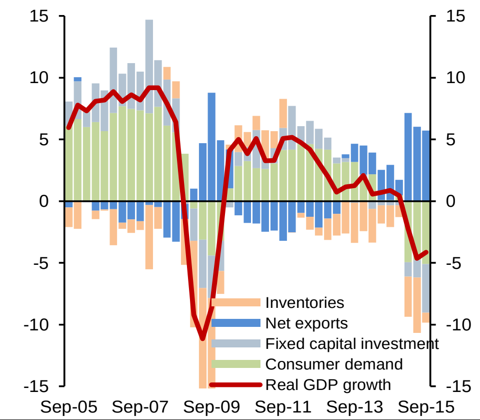
- **It will be difficult to avert a recession in 2016.** Given the further drop in global oil prices late last year and earlier this year, Russia is facing another year of contraction in economic activity, in our view. (Our new average Brent oil price assumptions are $36/bbl for 2016 and $43/bbl for 2017, compared to $50/bbl and $56/bbl, respectively, in the December issue of the *Emerging Markets Quarterly*.) Meanwhile, the government will have to find the right balance between pursuing prudent fiscal policy and providing adequate stimulus to economic activity. The external environment remains challenging, not only with regards to commodity markets but also in geopolitics where conflicts in Ukraine and Syria remain unresolved. These are leaving the regime of sanctions imposed against Russia intact for now. However, in our view, Russia still has the opportunity to ease its political and economic isolation, in case its foreign policy in the Middle East succeeds and there is no further escalation of conflict in Ukraine. That said, the consequences of the involvement of Turkey in the Syrian conflict are still uncertain.
- **Despite tentative signs of stabilization in economic activity in 4Q 2015, lower oil prices will delay the recovery in economic activity, in our view.** The real GDP data for 4Q 2015 have not been released yet, but the economy showed tentative signs of stabilization in 4Q which lead us to expect that real GDP was flat during that period in seasonally adjusted terms, following 0.6% qoq contraction in 3Q and 1.3% qoq contraction in 2Q. That said, the sharp drop in oil prices late last year and earlier this year will likely lead to a 1.0%-1.5% qoq drop in real GDP in 1Q 2016. Earlier this year, we revised our real GDP growth forecasts for 2016 and 2017 lower. We are expecting real GDP to contract 1.5% in 2016, which we think will be followed by 1.0% growth in 2017. (Our previous forecasts were zero growth in 2016 and 0.8% growth in 2017.) The contraction we expect in real GDP in 2016 will be driven by the same factors as in 2015: a further drop in consumer and investment demand. Meanwhile, net exports will be the only component that will contribute positively to real GDP (due to a drop in demand for goods and services imports). The recovery in economic activity which we forecast for 2017 will be driven by a combination of factors, including a gradual pick-up in oil prices and the impact of forced deleveraging by the private sector which we expect will have a positive impact on potential growth from 2017-18.
- **Despite our lower oil price assumption, we expect the current account to remain in a surplus of 5.0% of GDP in 2016, on par with 5.0% of GDP in 2015.** This is due to a further compression in the dollar value of imports, which we expect will be around 16.4% compared to 40% in 2015. Besides the contraction in consumer and investment demand and the weaker rouble, the contraction we expect in imports in 2016 will be driven by administrative restrictions on purchases of imported equipment by the SOEs and trade bans on imports from Turkey and Ukraine. Additionally, the government's restrictions on charter flights to Turkey and Egypt, the two most popular travel destinations for Russians, will lead to a decline of $7-8bn in imports of services, on our estimates. We expect capital outflows to drop to around 4.0% of GDP in 2016 (compared to roughly 7.0% of GDP in 2015), assuming a roll-over ratio for maturing external debt of 30%-40% - similar to the outcome in 2015.
- **We expect the government to revise fiscal policy in order to limit its negative impact on inflation.** Russia's fiscal policy has become the main source of uncertainty for investors, in our view. This is because the government has limited flexibility to cut its social- and military-related spending. The government has not revealed the final version of its fiscal targets for 2016, but we would like to highlight a couple of important considerations on this topic. First, the government has enough resources to finance this year's budget deficit, regardless of its size. However, the government has to be prepared to muddle through a three-year period, at least until 2018, when the next presidential elections will be held. Second, the government has identified several funding sources, including the Reserve Fund (the stock of which amounted to 5.0% of GDP at end-2015), privatization (through which the government wants to raise financing worth 1.2% of GDP) and borrowing in the domestic and external markets. Of those sources, only the former corresponds to an increase in the money supply (if it is not sterilized), while the others are neutral for money supply.

- **We think the government and the central bank (CBR) have all the means to control the money supply if the federal budget deficit exceeds the 3.0% of GDP target.** In the preliminary version of the amendments to the 2016 federal budget law, the government expects the budget deficit to be 4.2% of GDP in 2016 on the assumption that the rouble price of oil will average 2728. This version incorporates spending cuts of 0.5% of GDP compared to the original budget law and shows overall spending at 20.0% of GDP. Taking into account our marginally weaker rouble and higher inflation forecasts, we forecast the federal budget deficit may be around 3.6% of GDP in 2016. For 2017, we expect the federal budget deficit to remain at the same level of 2.4% of GDP. It is worth noting here that fiscal policy has been very tight so far this year, as the government delayed the execution of expenditures given the uncertainty around the amendments to the federal budget law.
- **The current account surplus and the tight policy mix should support the rouble's gradual strengthening in 1H, in our view.** We think the rouble may remain strong, trading around 70.0 against the dollar in 1H. The first quarter is historically the strongest season for the current account surplus, but the favorable period for the rouble may be extended into 2Q, thanks to lower demand for dollars ahead of the summer vacation period (due to a ban on travel to Turkey and Egypt). In our view, the rouble will also remain stable in 3Q due to the parliamentary elections (September 2016) ahead of which the government will be more interested in socio-economic stability. In 4Q, the domestic and external environment will become less supportive for the rouble, in our view. The rouble will be under pressure from a more accommodative fiscal policy (that may be accompanied by monetary policy easing), lower current account surplus and higher capital outflows driven by the scheduled redemptions of external debt. Eventually, however, these adverse factors may be offset with higher oil prices (as we assume in our base case scenario) and that is why we do not expect the rouble to weaken significantly beyond 80.0 against the dollar this year. We expect the rouble to weaken to 78.0 against the dollar on average in 2016 and 81.0 in 2017 (compared to our previous forecasts of 67.0 and 70.1, respectively).
- **So far in 2016, headline inflation surprised marginally to the downside despite the adverse external environment.** Neither the weaker rouble nor the trade restrictions imposed by Russia against Turkey and Ukraine had any adverse impact on inflation so far this year. Headline inflation dropped sharply to 8.3% yoy in February 2016 from 12.9% in December 2015 thanks to a favorable base effect. The run-rate of core inflation dropped to 6.4% in February from 6.8% in January and the local peak of 9.0% in 4Q 2015. Given the further drop in households' incomes, we do not anticipate any demand-driven inflationary pressure. However, it is worth highlighting the following two inflationary sources/risks. First, the government's revenue-enhancing measures will push inflation higher. The parliament has recently approved a petrol excise tax hike, which will add up to 0.5pp to headline inflation, on our estimates. Second, a more accommodative fiscal policy might turn out to be inflationary. In our base case, we expect the CBR to keep monetary aggregates under control through its sterilization tools even if fiscal policy turns out to be accommodative. In the absence of any further significant impact from the weaker rouble and trade restrictions, we expect inflation to pick up to 9.0% yoy by the end of 2016 after it bottoms out at about 7.5%-8.0% yoy in 1Q and slow to 6.2% yoy by the end of 2017.
- **The CBR may consider cutting the one-week repo rate only in 2H 2016, in our view.** In January, the CBR left the policy rate unchanged at 11.00%, in line with expectations. However, it surprised the market with a very hawkish statement in which it mentioned the remote possibility of monetary policy tightening should the situation in external markets threaten financial stability and the attainability of its inflation targets. There are three reasons for the CBR to remain cautious in the near term, in our view: (i) fiscal policy has not been adjusted to lower oil prices yet and remains under discussion; (ii) the external environment remains unfavorable for Russia; and (iii) the CBR's 4% inflation target for 2017 is ambitious and requires tighter monetary policy for longer. We think the CBR may be able to cut the policy rate (one-week repo rate) by 100bps in 2H 2016 and a further 100bps in 2017. In 2016, we expect the banking sector's rouble liquidity to move into a surplus. This will be the first time since 2010 when the CBR's main task will be to sterilize excess rouble liquidity that is coming from accommodative fiscal policy. With regards to this change, the effective policy rate will, in fact, be the deposit rate, which is 100bps below the one-week repo rate.

According to the preliminary estimate, full-year real GDP contracted 3.7% in 2015, after an expansion of 0.6% in 2014. We estimate real GDP growth was around zero in seasonally adjusted terms in 4Q, after a drop of 0.1% qoq in 3Q. Following the revision of our oil price assumption, we forecast that real GDP will drop 1.5% in 2016 followed by an expansion of 1.0% in 2017. We estimate that the negative output gap was at 1.6% in 4Q 2015.

Exhibit 159: Demand side breakdown of real GDP growth

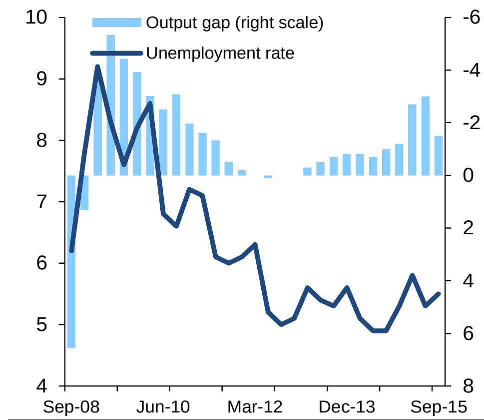
pps, except for real GDP growth



Source: Rosstat, Credit Suisse

Exhibit 160: Output gap and unemployment

Actual versus potential GDP growth (based on HP filter)



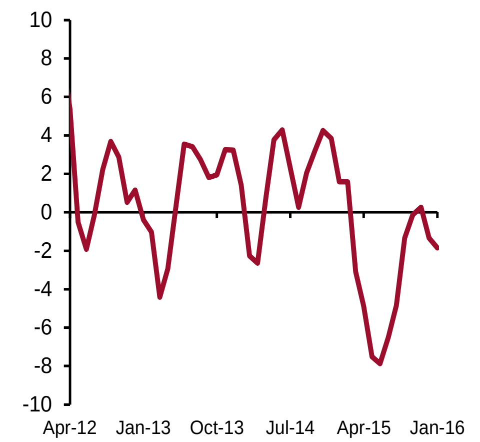
The latest available unemployment reading (January 2016) is 5.8%.

Source: Rosstat, Credit Suisse

Industrial output growth momentum (3m/3m seasonally adjusted annualized growth rate) dropped to -1.9% in January from -1.3% in December and some stabilization around zero in October-November. Although January data showed some stabilization in consumer demand, we expect it to weaken in 1H. Investment demand stabilized at very subdued levels and will not recover without a rebound in oil prices, in our view.

Exhibit 161: IP growth momentum

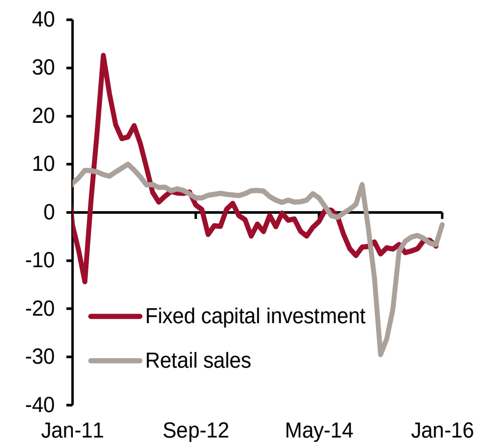
%, 3m/3m seasonally adjusted and annualized



Source: Rosstat, Credit Suisse

Exhibit 162: Real sector indicators

%, 3m/3m seasonally adjusted and annualized

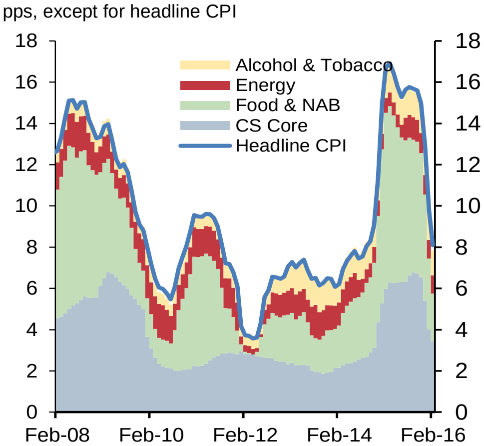


Source: Rosstat, Credit Suisse

Headline inflation dropped sharply to 8.3% yoy in February 2016 from 12.9% in December 2015 thanks to a favorable base effect. The run-rate of core inflation on our definition (net of all food and energy prices) dropped to 6.4% in February from 6.8% in January and the local peak of 9.0% in 4Q 2015.

Exhibit 163: Contributions to year-on-year CPI inflation

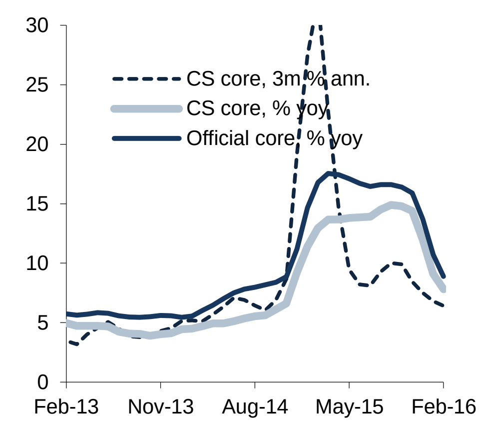
pps, except for headline CPI



Source: Rosstat, Credit Suisse

Exhibit 164: Core inflation, including run-rate of CS core measure

3mma of sa % mom change, annualized (run-rate)

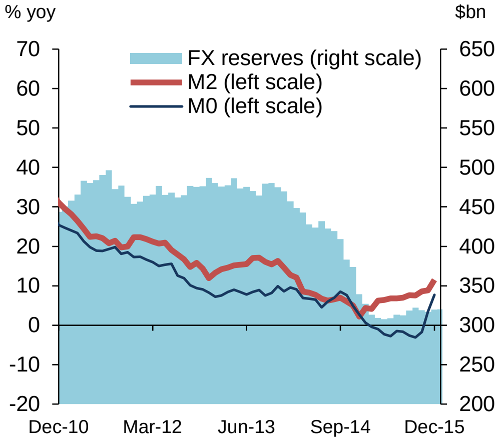


Official core CPI is net of fruit and vegetables, includes most other food items. CS core CPI is net of all food and energy items.

Source: Rosstat, Credit Suisse

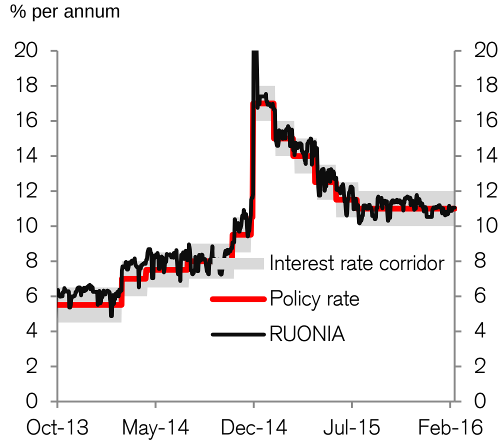
We still expect the stock of FX reserves to pick up by roughly $10bn-$15bn in 2016, thanks to interventions in the FX market and redemptions of FX repo. We expect the CBR to remain on hold in 1H 2016. It may cut the one-week repo rate by as much as 100bps to 10.00% in 2H 2016 and by a further 100bps in 2017. Further policy rate cuts will be subject to the fiscal stance and the external environment.

Exhibit 165: FX reserves and money



Source: Central Bank of Russia, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

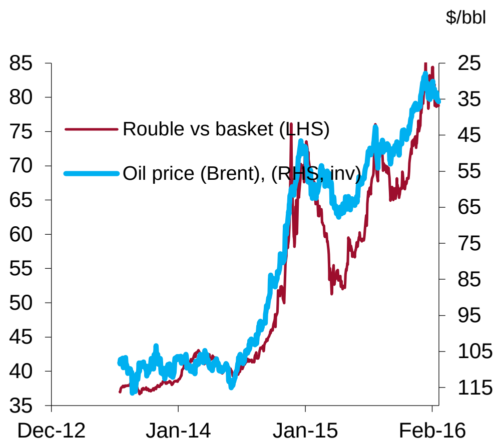
Exhibit 166: Interest rates



Source: Central Bank of Russia, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

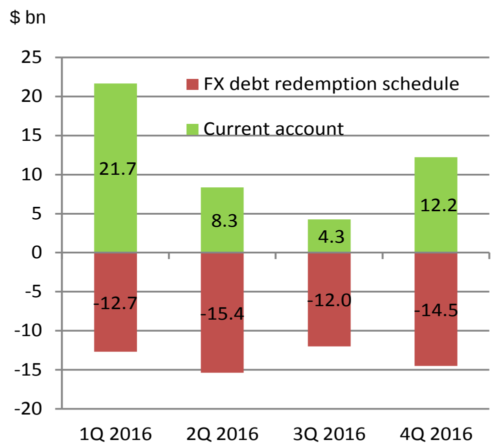
We expect the rouble to weaken to 78.0 against the dollar on average in 2016 and 81.0 in 2017 (compared to our previous forecasts of 67.0 and 70.1, respectively). The rouble may strengthen towards 70.0 in 1H 2016 on the back of the strong current account surplus, lighter schedule of FX debt redemptions and still tight monetary and fiscal policies. In 2H 2016, we expect the rouble to weaken towards 80.0 against the dollar on the back of a more accommodative fiscal and monetary policy.

Exhibit 167: Rouble and Brent oil price



Source: CBR, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

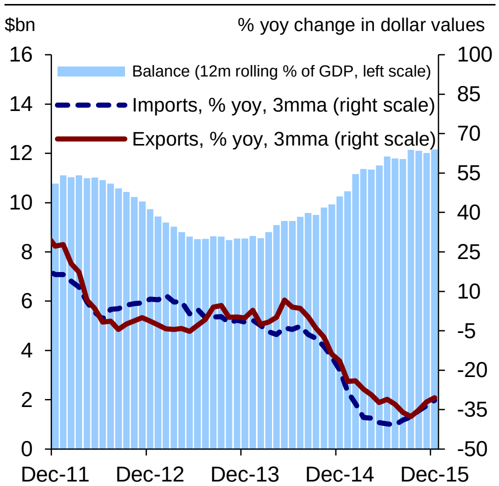
Exhibit 168: Balance of payments components forecast



Source: CBR, Credit Suisse

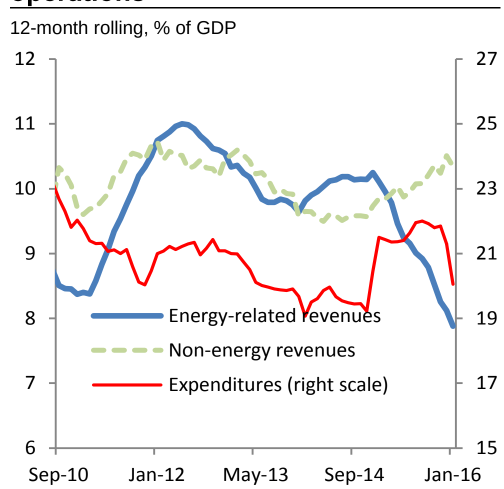
On our seasonally adjusted estimates, January data were consistent with an annualized budget deficit of around 1.0% of GDP (compared to a deficit of 2.6% of GDP in 2015). On a 12-month rolling basis, the federal budget deficit narrowed to 1.8% of GDP in January from 2.6% of GDP in December 2015. The narrowing of the deficit was driven by a sharp drop in expenditures that were down to 16.4% of GDP (in seasonally adjusted terms) from 19.0%-20.0% of GDP on average in 2015.

Exhibit 169: Merchandise trade



Source: Central Bank of Russia, Credit Suisse

Exhibit 170: Federal budget operations



Source: Finance Ministry, Credit Suisse

Russia: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	-7.8	4.5	4.3	3.4	1.3	0.7	-3.7	-1.5	1.0
Growth in real private consumption (%)	-5.1	5.5	6.8	7.4	3.7	1.7	-10.1	1.0	1.5
Growth in real fixed investment (%)	-14.4	5.9	9.1	3.9	-7.3	-6.1	-18.3	-1.5	2.5
Fixed investment (% of GDP)	17.3	20.8	23.1	22.9	21.1	21.1	20.9	18.7	19.1
Nominal GDP ($bn)	1,369	1,621	1,854	2,205	2,171	1,385	1,103	1,100	1,154
Population (mn)	142.8	142.9	143.0	143.3	143.7	146.3	146.3	143.8	143.8
GDP per capita ($)	9,584	11,342	12,966	15,388	15,108	9,464	7,541	7,649	8,022
Unemployment (% of labor force, end-year)	8.2	7.2	6.1	5.1	5.6	5.3	5.8	6.0	5.8
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	8.8	8.8	6.1	6.6	6.5	11.4	12.9	9.0	6.2
CPI inflation (%, average)	11.7	6.9	8.4	5.1	6.8	7.8	15.1	8.3	7.8
Exchange rate (RUB per USD, end-year)	30.24	30.48	32.20	30.37	32.73	56.26	68.00	80.00	83.00
Exchange rate (RUB per USD, average)	31.74	30.37	29.38	30.84	31.84	38.38	60.94	78.00	81.00
Nominal wage growth (% year-on-year change)	10.2	15.6	18.2	11.9	9.3	6.9	1.6	7.5	5.5
REER (% change, December to December) (1)	-4.1	7.0	3.8	5.2	-2.9	-27.4	1.0	0.3	-2.0
Overnight deposit rate (%, end-year)	3.50	2.75	4.00	4.50	4.50	16.00	10.00	9.00	8.00
1-week repo rate (%, end-year)	6.00	5.00	5.25	5.50	5.50	17.00	11.00	10.00	9.00
Fiscal data									
General government fiscal balance (% of GDP) (2)	-6.3	-3.4	1.4	0.4	-1.2	-1.1	-3.5	-3.8	-3.3
General government expenditure (% of GDP) (2)	40.8	37.4	33.5	34.6	35.6	35.4	36.4	33.8	31.5
Federal government primary fiscal balance (% of GDP)	-5.5	-3.3	1.2	0.4	0.1	0.2	-1.7	-3.0	-2.3
Federal government fiscal balance (% of GDP) (2)	-5.9	-3.9	0.7	-0.1	-0.5	-0.4	-2.4	-3.6	-2.4
Gross general government debt (% of GDP, end-year)	7.0	7.5	7.7	8.6	9.0	9.5	9.4	9.3	9.1
Net general government debt (% of GDP, end-year) (3)	-7.1	-2.2	-0.1	-0.8	-1.9	-5.0	-4.1	-1.2	1.1
Money supply and credit									
Broad money supply (M2, % of GDP)	39.3	43.2	41.0	40.9	44.2	41.2	44.5	45.1	44.5
Broad money supply (M2, % year-on-year change)	17.7	31.1	22.3	11.9	14.6	2.2	6.6	8.0	7.5
Domestic credit (% of GDP)	56.0	54.4	52.0	55.2	60.3	67.0	69.8	70.6	72.0
Domestic credit (% year-on-year)	3.7	15.9	23.3	19.0	16.0	21.7	7.6	8.0	11.0
Domestic credit to private sector (% of GDP)	47.5	44.9	44.6	47.0	52.8	57.9	59.4	60.2	61.6
Domestic credit to private sector (% year-on-year)	2.6	12.9	28.1	24.5	16.0	11.5	6.0	8.0	11.5
Balance of payments									
Exports (goods and non-factor services, % of GDP)	28.2	29.3	28.4	27.4	26.1	27.8	29.5	29.5	29.7
Imports (goods and non-factor services, % of GDP)	20.7	21.2	20.4	20.4	21.1	20.5	21.3	20.9	25.6
Exports (goods and non-factor services, % change in $ value)	-34.0	29.3	29.1	3.1	-1.8	-3.3	-31.0	-16.5	5.5
Imports (goods and non-factor services, % change in $ value)	-31.1	27.5	28.1	7.1	6.5	-11.8	-32.5	-18.1	28.3
Current account balance ($bn)	48.6	71.0	98.8	81.3	33.0	56.7	65.8	55.0	53.0
Current account (% of GDP)	4.0	4.7	4.9	3.7	1.5	2.8	5.0	5.0	4.6
Net FDI ($bn)	-6.7	-9.4	-11.8	1.8	-17.3	-33.5	-13.8	0.0	8.0
Scheduled debt amortization ($bn) (4)	63.5	67.1	45.6	56.7	53.1	125.0	113.0	72.0	60.0
Foreign debt and reserves									
Foreign debt ($bn, end-year) (5)	466.3	488.5	538.9	636.4	728.9	599.0	515.3	476.6	444.9
Public ($bn) (6)	41.0	40.0	36.9	41.7	43.1	33.6	30.6	31.9	30.2
Private ($bn)	425.2	448.5	502.0	594.7	685.8	565.4	484.7	444.7	414.7
Foreign debt (% of GDP, end-year)	34.1	30.1	29.1	28.9	33.6	43.3	46.7	43.3	38.6
Foreign debt (% of exports of goods and services)	120.7	103.0	102.5	105.5	128.5	155.7	158.3	146.6	129.7
Central bank gross non-gold FX reserves ($bn)	416.6	443.6	453.9	486.6	469.6	339.4	319.8	334.8	351.9

(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

Saudi Arabia: Growth slowdown to continue

Prepared by Bryan Plamondon
of IHS Global Insight for Credit Suisse

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- **We think the pace of economic activity will slow further in 2016 against a backdrop of lower global oil prices.** We expect Saudi Arabia's real GDP growth to ease to 1.7% in 2016 from 3.4% in 2015. Higher oil production levels, due to Saudi Arabia and other Gulf OPEC members (United Arab Emirates and Kuwait) opting to protect market share as the oil prices slid, provided a lift to headline GDP growth in 2015, but we expect modest output gains in 2016. According to data from the International Energy Agency, Saudi Arabia's crude oil production increased 6.2% in 2015, averaging 10.1mn bpd. We expect crude production to edge only slightly higher in 2016, averaging 10.2mn bpd for the year. Consequently, we project that Saudi Arabia's oil GDP growth will ease to 0.9% in 2016 from 2.3% in 2015.
- **Non-oil economic activities will underpin headline GDP in 2016.** We expect the kingdom's non-oil GDP growth to soften in 2016 to 2.2%. Non-oil GDP growth has averaged 5.7% during the last five years, with a low of 4.0% in 2015. Saudi authorities have leveraged the country's sizable foreign asset position to support non-oil economic activity as oil income has slumped. We expect the major development projects in housing, transport, and infrastructure to continue to move forward given their importance to the kingdom's medium-term development plans. The government is scaling back its capital spending given the impact from lower oil prices. However, in a bid to help offset the cuts, authorities are looking to attract greater investment flows through public-private partnerships (PPPs) as a means to keep projects in the pipeline. While some projects will face further delay and/or cancellation given the government's current fiscal challenges, others may find new life under PPPs. Business sentiment has thus far held up despite the difficult environment. The PMI softened through 2015 and weakened further in January 2016, to 54 index points, but continues to signal expanding non-oil private sector activity. New export orders were particularly weak, reflecting the current shadow over global economic conditions. Credit growth has also trended down, but remains in the high-single digits both overall and in terms of credit to the private sector. Retail sales data have shown a similar softening, and we expect that trend to continue as consumers adjust to higher fuel and utility costs.
- **Real GDP growth should begin to bounce back in 2017, in our view.** The oil sector's contribution to headline GDP will remain limited as production growth remains subdued. We expect non-oil GDP growth to recover next year, albeit remain moderate as reforms targeting greater private sector participation and attracting more foreign investment gain momentum. Overall, we expect real GDP to expand 2.7% in 2017. That said, downside risks to the kingdom's economic outlook will remain elevated. We assume the average price of Brent oil to edge up to $43/bbl next year (from $36/bbl this year), as the market contends with slowing demand (from China) and Iran's return from sanctions. Regional geopolitical turmoil remains a concern as well, importantly threats posed by the Islamic State and engagement in regional conflicts.
- **Slumping oil income will keep the kingdom's fiscal balance under strain.** The kingdom's fiscal deficit surged to 15.0% of GDP in 2015 as oil income dropped sharply. We expect oil revenues to contract again in 2016 as oil prices slide lower, on our assumption that the average price of Brent oil will be $36/bbl in 2016. We expect non-oil revenues to soften, following a strong performance in 2015, but remain supported by measures to generate increased income from business licenses and fees, as well as the tax on unused land (the so-called White Land Tax). Potential privatization of state-owned enterprises would add further support to the kingdom's non-oil revenues, with authorities considering PPPs as mentioned above. Meanwhile, we also expect government spending to contract again in 2016. Saudi authorities have signaled further cuts to capital spending, with non-essential projects being delayed or shelved. The government has also moved to reduce fuel and utility subsidies, and should also see some savings from reduced costs for goods and services. Nevertheless, we project the

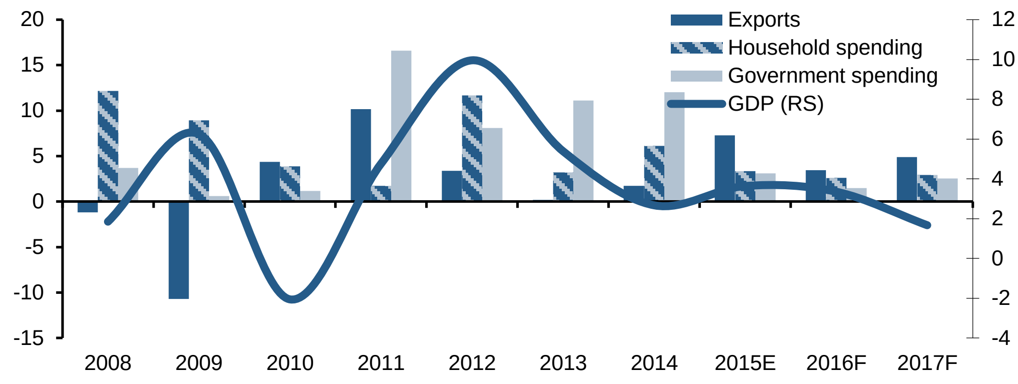
kingdom's fiscal deficit to edge up to 15.5% of GDP in 2016, and remain elevated at 12.3% of GDP in 2017. If oil prices were to average $10/bbl lower than our base case, the fiscal deficit would worsen to 20.2% of GDP this year. Should oil prices rise to an average of $46/bbl in 2016, Saudi Arabia's fiscal gap would narrow to 11.7% of GDP. Downside risk to the fiscal outlook will revolve around oil price volatility and the potential for another slide in prices.

- **Financing the fiscal gap will further squeeze Saudi Arabia's foreign assets and push public debt higher.** The government tapped its sizable foreign assets and issued public debt in order to finance its fiscal deficit last year. Saudi Arabia's net foreign assets, held on the government's behalf by the Saudi Arabian Monetary Agency (SAMA), declined $115.4bn in 2015 to $608.9bn, or about 93% of GDP. The kingdom's foreign assets will be squeezed further as the government leverages its reserve position to backstop its public spending and underpin economic activity amid low oil prices. We expect a further reduction of $89.1bn in Saudi Arabia's foreign asset position during 2016. Additionally, we expect public debt to rise to 10.8% of GDP this year, from 5.8% of GDP in 2015, as the government looks to alleviate some pressure on its reserve base by issuing more domestic debt. Our base case sees about a third of the fiscal deficit covered through debt issuance, which is assumed to be entirely domestic. At present, the sovereign has no external liabilities, but authorities have discussed the option of borrowing externally. A significant tightening in credit conditions would increase the likelihood of seeking financing abroad, and is a signpost we will be monitoring closely.
- **External balances will remain under pressure in 2016.** We expect the kingdom's current account deficit to widen to $55.6bn (9.1% of GDP) in 2016, given lower oil prices, and only narrow modestly to $39.4bn (5.8% of GDP) in 2017. On our average Brent oil price assumptions of $36/bbl in 2016 and $43/bbl in 2017, we expect the kingdom's current account to be in the red in the next two years. That said, countries with large financial buffers like Saudi Arabia are better-positioned to manage through a period of weak oil prices. If oil prices were to average $10/bbl lower than our base case, at $26/bbl, the current-account would dive deeper into the red at $84.5bn (14.9% of GDP) in 2016. Under a higher oil price scenario of $46/bbl, the kingdom would generate a smaller current account deficit of $41.3 billion (6.3% of GDP) this year.
- **Higher fuel and utility prices will boost near-term inflation.** Consumer price inflation accelerated to a 4.3% annual rate in January 2016, its highest rate since 2011. Reductions to fuel and utility subsidies drove up prices for housing and transportation in January. Housing prices jumped 4.8% from the previous month and 8.3% yoy, while transportation prices surged 10.4% on a monthly basis and 12.6% yoy in January. Higher fuel and utility prices will boost headline inflation this year, as base effects from the subsidy cuts work their way through the economy. Indeed, housing and transportation are the largest contributors to our inflation forecast of 4.3% for 2016, a near doubling from the 2.2% annual average in 2015. Lower global commodity prices and a strong US dollar, to which the Saudi riyal is pegged, will help limit the overall rise in consumer prices this year, particularly for food and other imported goods.
- **We expect Saudi authorities to maintain the current dollar peg of 3.75 in the near term.** Concerns about the slow growth of the world economy has prompted central banks around the globe to take a very measured approach to tightening monetary policy, and in some cases central banks have reversed course. We expect the SAMA to follow the US Fed in raising interest rates during the coming quarters, given the kingdom's peg to the US dollar. The SAMA raised its reverse repo rate to 0.5% in December 2015, from 0.25% previously, in response to the Fed's December rate hike, but left its main policy rate (repo rate) unchanged at 2.0% where it has been since January 2009. The timing and number of rate hikes is in question given recent market turmoil, with the Fed likely to move more cautiously than previously expected over the coming year.

We expect real GDP growth to slow to 1.7% in 2016 from 3.4% in 2015. However, it should begin to recover in 2017 as consumption and investment stage a moderate pick-up.

Exhibit 171: Real GDP and selected demand-side components

% year-on-year change

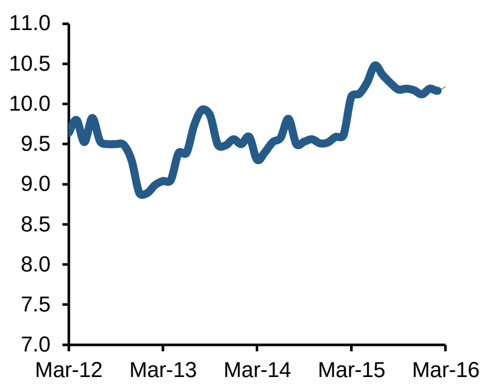


Source: Saudi Arabian Monetary Agency, General Authority for Statistics, IHS Global Insight

Saudi Arabia's oil GDP will ease on the back of modest production gains in 2016, after the elevated 2015 output, while non-oil growth will soften as public spending and investment are scaled back amid lower oil prices.

Exhibit 172: Crude oil output

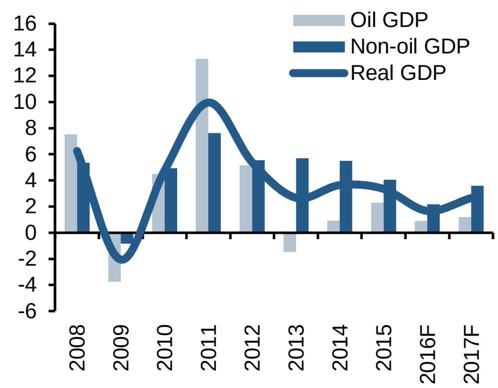
mn barrels per day



Note: Thin line indicates IHS Global Insight estimates or forecasts.
Source: International Energy Agency, IHS Global Insight

Exhibit 173: Oil and non-oil GDP

% year-on-year change

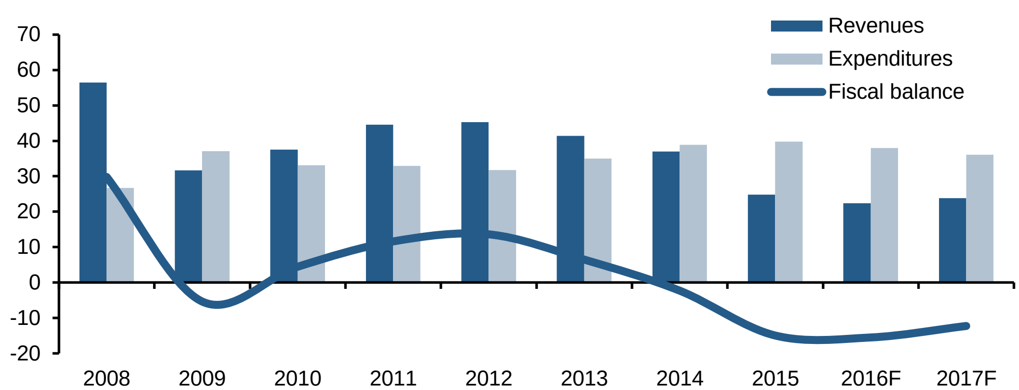


Source: Saudi Arabian Monetary Agency, General Authority for Statistics, IHS Global Insight

Slumping oil income will keep the kingdom's fiscal balance under strain, with authorities drawing down reserves and issuing public debt to finance the gap. We forecast the fiscal deficit will edge up to 15.5% of GDP in 2016 from 15.0% of GDP in 2015.

Exhibit 174: Fiscal performance

% of GDP

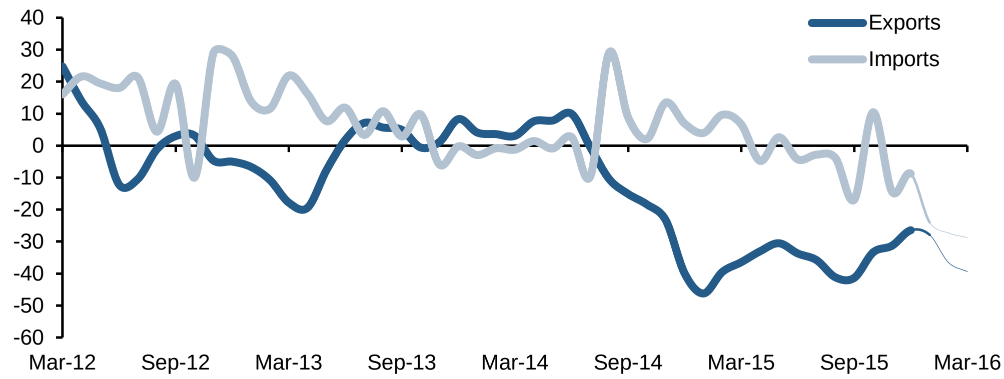


Source: Saudi Arabian Monetary Agency, IHS Global Insight

Exhibit 175: Merchandise trade

% year-on-year change in dollar values

Saudi exports will contract again in 2016 owing to lower oil-export earnings. We expect imports to also decline, given lower global commodity prices (especially for food) and weaker domestic demand.

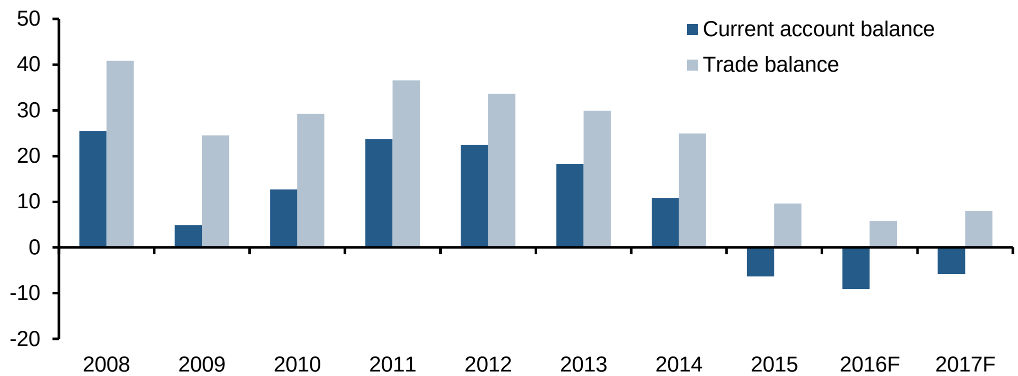


Note: Thin line indicates IHS Global Insight estimates or forecasts.
Source: Direction of Trade Data (IMF), General Authority for Statistics, IHS Global Insight

Exhibit 176: Current account and trade balances

% of GDP

Saudi Arabia's external balances will remain under pressure in 2016. We expect the kingdom's current account deficit to widen to $55.6bn (9.1% of GDP) in 2016, given lower oil prices, and narrow only modestly to $39.4bn (5.8% of GDP) in 2017.

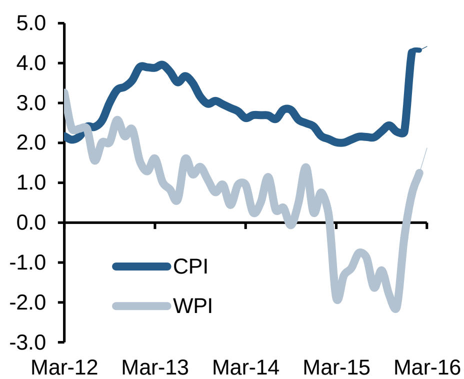


Source: IMF, Saudi Arabian Monetary Agency, IHS Global Insight

Higher fuel and utility prices will boost near-term inflation. However, lower global commodity prices and a strong US dollar, to which the Saudi riyal is pegged, will help limit the overall rise in consumer prices.

Exhibit 177: Consumer and wholesale prices

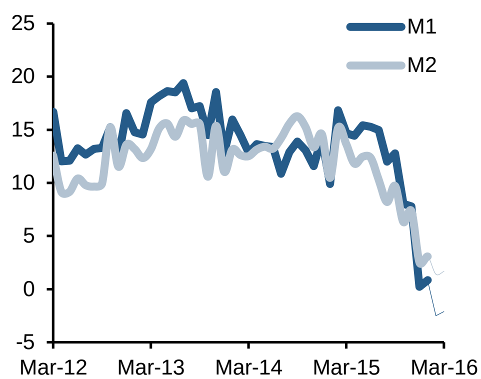
% year-on-year change



Note: Thin line indicates IHS Global Insight estimates or forecasts.
Source: General Authority for Statistics, IHS Global Insight

Exhibit 178: Money supply

% year-on-year change



Note: Thin line indicates IHS Global Insight estimates or forecasts.
Source: Saudi Arabian Monetary Agency, IHS Global Insight

Saudi Arabia: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	-2.1	4.8	10.0	5.4	2.7	3.6	3.4	1.7	2.7
Growth in real private consumption (%)	8.9	3.9	1.7	11.7	3.2	6.1	3.4	2.6	2.9
Growth in real fixed investment (%)	-4.7	10.6	15.6	5.0	5.6	7.5	-2.8	1.1	4.6
Fixed investment (% of GDP)	25.8	24.5	22.7	22.3	23.7	25.3	28.2	29.5	29.4
Nominal GDP ($bn)	429.1	526.8	669.5	734.0	744.3	753.8	653.2	613.7	678.7
Population (mn)	27.4	28.1	28.8	29.5	30.2	30.9	31.5	32.2	32.7
GDP per capita ($)	15,655	18,754	23,256	24,883	24,646	24,406	20,711	19,083	20,727
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	4.2	5.4	4.2	3.6	3.0	2.4	2.3	4.3	4.6
CPI inflation (%, average)	5.1	5.3	5.7	2.6	3.5	2.7	2.2	4.3	4.4
Exchange rate (SAR per USD, end-year)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Exchange rate (SAR per USD, average)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
3-month deposit rate (annual average, %)	1.33	0.74	0.69	0.92	0.95	0.94	0.88	1.99	3.00
Fiscal data									
Central government's fiscal balance (% of GDP)	-5.4	4.4	11.6	13.6	6.5	-2.3	-15.0	-15.5	-12.3
Central government primary fiscal balance (% of GDP)	-5.3	4.5	11.7	13.6	6.5	-2.3	-14.9	-15.4	-12.0
Government expenditure (% of GDP)	37.1	33.1	32.9	31.7	35.0	38.9	39.8	37.9	36.1
Government debt (% of GDP)	14.0	8.5	5.4	3.6	2.2	1.6	5.8	10.8	13.5
Money supply and credit									
Broad money supply (M2, % of GDP)	52.5	46.8	42.5	44.0	48.2	54.5	64.5	72.1	70.1
Broad money supply (M2, % year-on-year change)	6.5	9.3	15.4	13.6	11.1	14.6	2.5	5.0	7.5
Domestic credit (% of GDP)	45.8	39.2	34.1	36.3	40.1	44.2	55.6	62.6	61.3
Domestic credit (% year-on-year)	-1.1	5.2	10.5	16.7	12.0	11.6	8.9	5.8	8.3
Domestic credit to private sector (% of GDP)	44.0	37.6	32.9	34.9	38.6	42.6	54.0	61.0	59.7
Domestic credit to private sector (% year-on-year)	-0.6	4.8	11.0	16.4	12.1	11.9	9.8	6.1	6.1
Balance of payments									
Exports (goods and non-factor services, % of GDP)	47.1	49.7	56.2	54.4	52.1	47.2	33.2	27.6	29.0
Imports (goods and non-factor services, % of GDP)	37.8	33.1	29.6	29.3	30.9	33.4	35.3	32.1	30.6
Exports (goods and non-factor services, $bn)	202.1	261.8	376.2	399.4	387.8	355.5	217.2	169.5	196.8
Imports (goods and non-factor services, $bn)	162.1	174.2	198.0	215.2	230.0	252.0	230.7	197.3	207.5
Exports (goods and non-factor services, % change in $ value)	-37.4	29.6	43.7	6.2	-2.9	-8.3	-38.9	-22.0	16.1
Imports (goods and non-factor services, % change in $ value)	-8.3	7.5	13.6	8.7	6.9	9.6	-8.5	-14.5	5.2
Current account balance ($bn)	21.0	66.8	158.5	164.8	135.5	81.2	-41.3	-55.6	-39.4
Current account (% of GDP)	4.9	12.7	23.7	22.4	18.2	10.8	-6.3	-9.1	-5.8
Net FDI ($bn)	34.3	25.3	12.9	7.8	3.9	2.6	2.2	1.7	1.8
Total external debt service ($bn)	5.0	5.1	5.5	3.0	3.9	2.5	3.8	4.2	5.3
Foreign debt and reserves									
Foreign debt ($bn, end-year)	85.8	90.6	87.5	83.6	83.3	84.0	86.9	89.9	93.1
Foreign debt (% of GDP, end-year)	20.0	17.2	13.1	11.4	11.2	11.1	13.3	14.6	13.7
Foreign debt (% of exports of goods and services)	42.5	34.6	23.3	20.9	21.5	23.6	40.0	53.1	47.3
Total net foreign assets of Saudi Arabian Monetary Agency ($bn) (1)	405.3	440.4	535.2	647.6	716.7	724.3	608.9	519.8	436.8
Central bank gross non-gold FX reserves ($bn)	34.4	37.8	53.2	58.4	60.1	64.0	68.4	51.5	54.8

(1) Net foreign assets of the Saudi Arabian Monetary Authority.

Source: Saudi Arabian Monetary Agency, United Nations, Global Insight, IMF, IHS Global Insight

South Africa: Urgency and action needed

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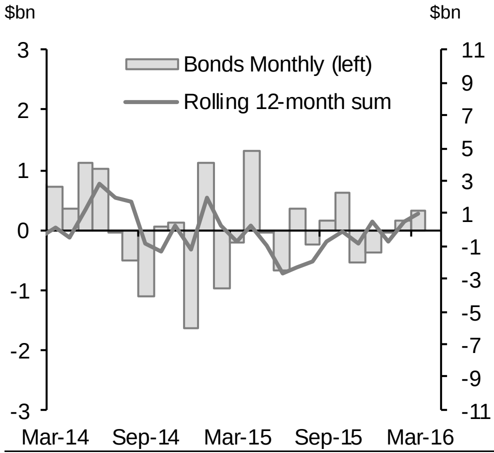
- **The actions by the monetary and fiscal authorities in recent months appear to have eased somewhat the concerns of investors and credit rating agencies.** This has been reflected in a partial recovery in domestic bond and equity prices, CDS spreads, the country's external debt prices and the rand. The risk now, in our view, is that the sense of urgency that prevailed in the ANC and government following the dismissal of Nhlanhla Nene as finance minister on 9 December will dissipate. We think that this is a risk for the following reasons. First, Finance Minister Gordhan may not have sufficient political support to deliver on the National Treasury's commitments, in our assessment. Second, the upcoming municipal and local government elections could lead to a delay in the announcement of structural reforms. Third, the relatively favorable reaction (in our view) of the credit ratings agencies to the budget presentation of 24 February could be misconstrued by some in government that the pressure is off. Fourth, the recent rally in the prices of some of South Africa's commodity exports could weaken the sense of urgency that is needed in structural reforms.
- **In the near term, progress needs to be made in five policy areas, in our view. First, the re-engagement between government and business, which started after the crisis of the dismissal of the finance minister in December 2015, needs to produce results.** A plan of action, to help avert a credit downgrade to sub-investment grade in 2016 and to help lift economic growth in the near term, is urgent. There is already scepticism about the substance of this re-engagement and what it can produce that is different to what has been proposed in the past. The National Development Plan (NDP) was supported and adopted by government, parliament and business in 2012, and yet its implementation has been weak. According to our analysis, most of the legislation adopted by parliament since 2012 has been inconsistent with, and in some cases contrary to, the NDP. The recent meetings between government and business have been organized around three work streams: a 'ratings' work stream, which is focussed on avoiding a downgrade; an 'entrepreneurial fund' work stream, which is assessing ways in which government and business can help entrepreneurs; and an 'investment' work stream, which is seeking projects for co-investment (between government and business) and ways to attract foreign investment.
- **Second, current negotiations on a national minimum wage, ballots for strikes and the role of arbitration should be accelerated.** Some of these have been in discusion since the end of 2014. The country is once again entering a period of wage negotiations, with the platinum sector's three-year wage agreement expiring at the end of June 2016, and numerous sectoral negotiations due in 2017. The current discussions on amendments to the labor legislation at the National Economic Development and Labour Council (NEDLAC) look unlikely to be finalized in time to influence the negotiations in the platinum sector this year, but an agreement in the near term would go a long way to reducing the risks of violent prolonged strikes next year and beyond.
- **Third, legislation governing the mining sector should be finalized quickly, in our view.** This applies in particular to the Mineral and Petroleum Resources Development Act (MPRDA) Amendment Bill, which was first proposed in 2012 and introduced in parliament in June 2013. President Zuma referred the Bill back to parliament in January 2015 for reconsideration. For a sector battered by labor disruptions, the slow passage of this important legislation has further delayed fixed investment, in our view. Two sections of the Amendment Bill remain contentious: Section 11, which states that "a prospecting right, part of a prospecting right, a mining right, part of a mining right, an interest in an unlisted or listed company that holds prospecting or mining rights or has an interest in any such rights may not be ceded, transferred or disposed of without written consent of the Minister" (source: *Mining Weekly*); and Section 26, which seeks to impose on a company the requirement that it undertakes beneficiation of its minerals. A second policy area requiring clarity and finalization is the tax regime for the sector. The Davis Tax Committee submitted its first interim report on mining to the minister of finance in July 2015, with a number of recommendations.

- **Fourth, some early announcements on how the government will reduce the debt and guarantee burden that state-owned enterprises have placed on the National Treasury would likely be well-received by investors and credit rating agencies.** We think the near-term prospects for this are not good. The borrowing requirements of state-owned companies look likely to remain high and returns on equity low. Attracting private sector participation in state-owned companies looks likely to be difficult, as would wholesale privatization of some assets. However, the public sector needs the private sector if it is to fulfill its ambitious plans for, in particular, energy, transport and water infrastructure. We believe these sectors should be further deregulated to attract private sector investment, and to reduce the burden on already struggling state-owned companies. Most urgent is the need for more private sector investment in electricity generation capacity. Progress on the 'Coal Baseload' Independent Power Producer (IPP) procurement programme and the 'Gas to Power' IPP programme is particularly important.
- **Fifth, we believe monetary policy will need to be tightened further by the Reserve Bank given the likely prolonged breach of the inflation target.** Our inflation profile is lower than what the Bank published on 28 January. Its profile shows a quarterly breach of the inflation target throughout 2016 and 2017. Our's shows a breach in 1Q 2016 and then a breach during the period between 4Q 2016 and 3Q 2017. At its next policy interest rate annoucement on 17 March, the MPC may well publish marginally lower forecasts for inflation, but the prolonged breach is likely to remain. A revision lower would be justified due to: a stronger rand since the MPC last met; the announcement of a lower-than-expected electricity tariff adjustment for 2016; a decline in domestic agricultural prices; and no new estimates for inflation expectations. The one renewed upside risk to inflation is the rally in international oil prices, which are up 18% since the Bank's MPC last met. CPI inflation data for February are due to be published on 23 March. The data are likely to show a near-term peak of 6.6% yoy, according to our estimates. We expect that headline inflation will decline back below the upper end of the target until September, at which time we expect that the Bank will raise rates again.
- **There are a number of political obstacles, in our view, that could slow or stop progress on the first four policy areas that we discussed above.** First, there appear to be tensions within the ANC between those who support Finance Minister Gordhan's efforts to avert a credit downgrade of the sovereign to sub-investment grade, and those who supported President Zuma's decision to appoint member of parliament David van Rooyen as minister of finance in December 2015. Second, these tensions could heighten if the constitutional court finds that Zuma failed to uphold his oath of office to protect the constitution when he failed to follow the recommendations of the public protector to compensate the state for expenses incurred at his private residence, and/or if the high court finds that the dismissal of corruption charges against Zuma by the National Prosecuting Authority in April 2009 was irrational. Third, trade unions could well oppose many of the initiatives that are required, in our view, to protect the country's investment grade status. Fourth, the new socio-political movement, with no affiliation to political parties, that has emerged in the past year has potentially created a far less stable political environment. An example of this was the successful student protests against higher university fees; demonstrations against colonial symbols; and expressions of dissatisfaction about elements of the political settlement that was agreed to in 1994, which delivered democracy, but, in the opinion of some, did not deliver economic equality. Fifth, all of these four developments look likely to have some impact on the municipal and local government elections that need to be conducted during the period 18 May – 16 August.
- **The risk of a credit downgrade in 2016 to sub-investment grade has increased, in our view.** However, we do not think that the risk is imminent. We think that Moody's, which is due to visit the country this month, will act on its negative outlook and downgrade the country to Baa3, the last rung of investment grade, during 2016. We think that Fitch and S&P will maintain their outlooks (stable and negative, respectively) and ratings (BBB-) during their reviews in early June. The risk of a downgrade to sub-investment grade then shifts towards the end of 2016, in our view.

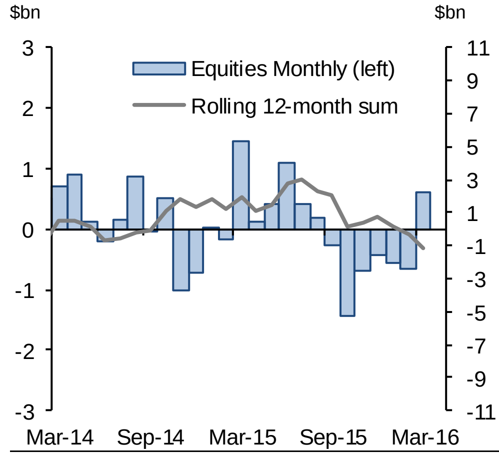
International investors were net buyers of South African government bonds in February and early March, following three months of net selling. Buying of equities by international investors only resumed in March, following six months of net selling. The rally in metals prices in February and early March helped the resources sector on the Johannesburg Stock Exchange, which in dollar terms was up 6.5% as at 9 March.

Exhibit 179: International net inflows into South African bonds



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

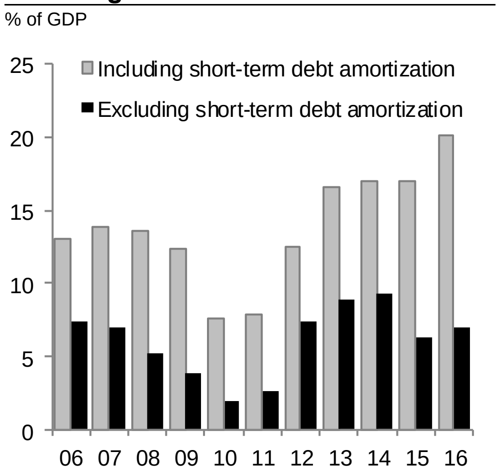
Exhibit 180: International net inflows into South African equities



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

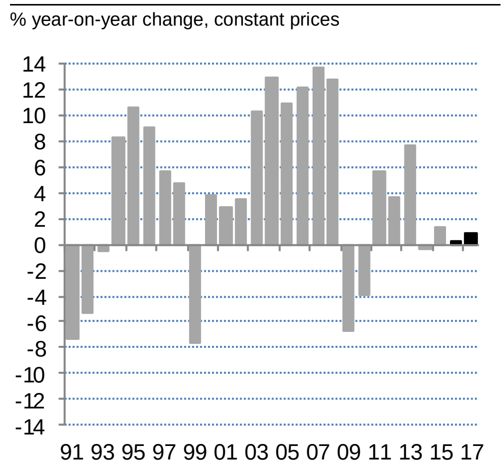
South Africa's financing needs remain large. The current account deficit is widening once again. Fiscal consolidation is likely to be slow in 2016. The financing needs of the broader public sector (including state-owned companies) remain high. The appetite for fixed investment by the private sector remains low due to political and policy uncertainties.

Exhibit 181: Balance of payments financing needs



Source: SARB, National Treasury, Credit Suisse estimates

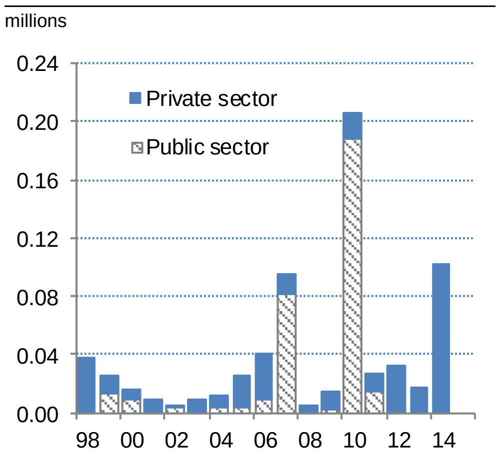
Exhibit 182: Gross fixed capital formation



Source: SARB, Credit Suisse estimates

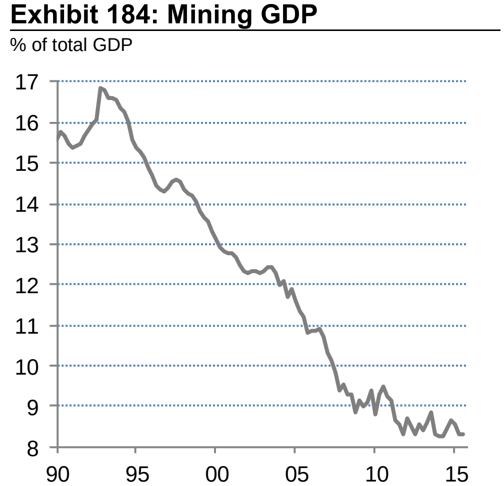
We believe the country needs urgent action on a number of policy fronts, to boost economic activity, encourage investment, and to avoid a downgrade to sub-investment grade. The key policy areas, on which work has already been done but which needs to be finalized, are labor reform, mining legislation, and the functioning of state-owned companies.

Exhibit 183: Working days lost to strikes



Source: Department of Labor, Credit Suisse

Exhibit 184: Mining GDP

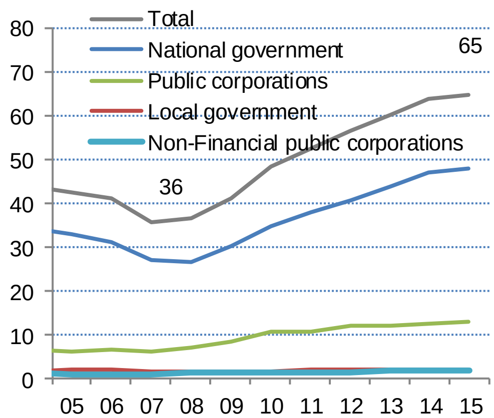


Source: SARB, Credit Suisse

The appetite of the ruling party and government to relieve the taxpayer of the burden of loss-making state-owned companies is not evident, in our view. We think that the near-term prospects for privatization of any kind are not good.

Exhibit 185: Total public sector debt

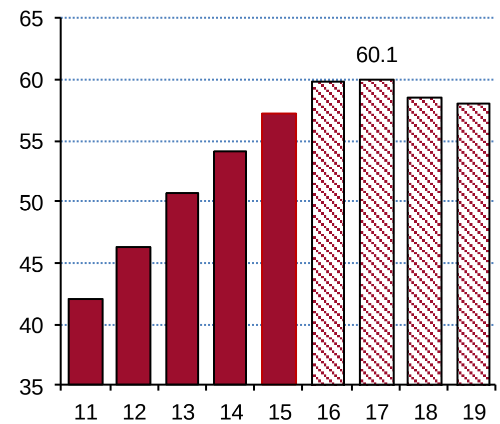
% of GDP



Source: SARB, National Treasury, Credit Suisse

Exhibit 186: Government 'net loans, provisions and contingent liabilities'

% of GDP, fiscal year ending 31 March

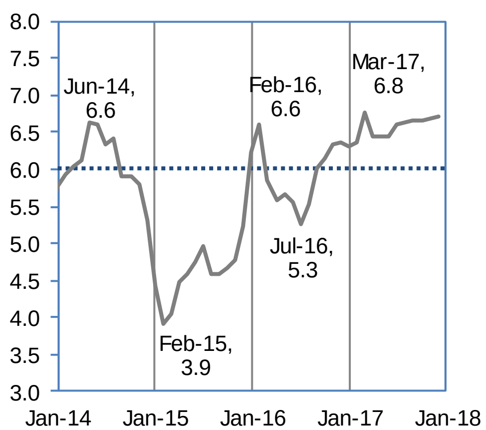


Source: SARB, National Treasury, Credit Suisse estimates

We think that the Reserve Bank will need to undertake additional monetary tightening in 2016. Real interest rates remain low and a higher premium for risk will likely still be demanded by investors. Furthermore, inflation looks likely to breach the upper end of the inflation target for a prolonged period.

Exhibit 187: Consumer price index

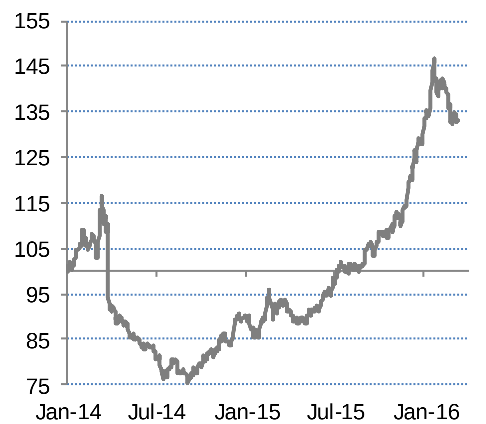
% year-on-year change



Source: Statistics South Africa, Credit Suisse estimates

Exhibit 188: Local agricultural prices

Jan-2014 = 100, maize, wheat, soybeans, sunflower

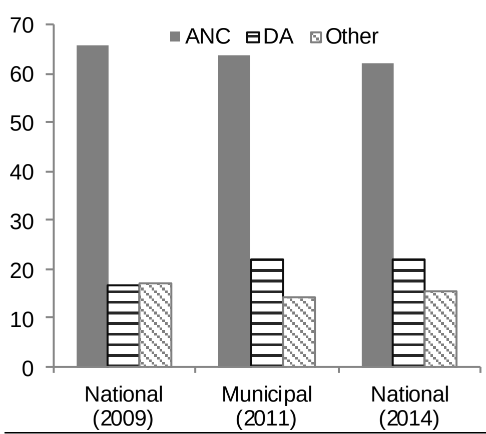


Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

There are a number of political obstacles, in our view, that could slow or stop progress on the policy areas that we discuss above. These include tensions within the ruling ANC, President Zuma's legal challenges, trade union resistance, civil disobedience, and the municipal and local government elections.

Exhibit 189: Election results

% of total vote



Source: Independent Electoral Commission, Credit Suisse

Exhibit 190: Upcoming events

Monetary Policy Committee meeting	17-Mar-16
Monetary Policy Committee meeting	19-May-16
Municipal Government elections	18-May/16-Aug.
Sovereign rating review by S&P	03-Jun-16
Sovereign rating review by Fitch	03-Jun-16
Monetary Policy Committee meeting	21-Jul-16
Monetary Policy Committee meeting	22-Sep-16
Medium Term Budget Policy Statement	Week 17-Oct
Monetary Policy Committee meeting	24-Nov-16
Sovereign rating review by S&P	02-Dec-16
Sovereign rating review by Fitch	

Source: Credit Suisse

South Africa: Selected economic indicators

National accounts, population and unemployment	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
Real GDP growth (%)	-1.5	3.0	3.2	2.2	2.2	1.5	1.3	0.9	2.0
Growth in real private consumption (%)	-2.6	3.9	4.9	3.4	2.9	1.4	1.5	0.7	1.2
Growth in real fixed investment (%)	-6.7	-3.9	5.7	3.6	7.6	-0.4	1.1	0.3	0.9
Fixed investment (% of GDP)	21.5	19.3	18.7	18.8	20.0	20.3	20.6	20.5	20.3
Nominal GDP ($bn)	297.9	375.4	416.5	397.5	366.2	350.0	315.1	264.8	267.8
Population (mn)	50.2	50.9	51.6	52.3	53.0	54.0	55.0	55.5	56.1
GDP per capita ($)	6,039	7,509	8,233	7,765	6,912	6,482	5,733	4,770	4,777
Unemployment (% of labor force, end-year)	24.1	23.9	23.8	24.5	24.1	24.3	24.5	25.5	25.7
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	6.3	3.5	6.1	5.7	5.4	5.3	5.2	6.4	6.7
CPI inflation (%, average)	7.1	4.3	5.0	5.7	5.8	6.1	4.6	5.9	6.6
Exchange rate (ZAR per USD, end-year)	7.38	6.63	8.09	8.48	10.52	11.57	15.48	17.01	17.50
Exchange rate (ZAR per USD, average)	8.42	7.32	7.26	8.21	9.65	10.85	12.77	16.24	17.46
Nominal wage growth (% year-on-year change) (1)	15.5	10.0	6.6	6.7	11.1	7.3	8.0	8.0	7.0
REER (% change, December to December) (2)	22.1	10.0	-13.7	-2.7	-11.3	4.2	-9.7	-7.4	-4.4
Repo rate (%, end-year)	7.00	5.50	5.50	5.00	5.00	5.75	6.25	7.25	7.75
Fiscal data (3)									
General government fiscal balance (% of GDP)	-6.3	-4.1	-3.6	-4.1	-3.8	-3.6	-3.9	-3.5	-3.3
General government expenditure (% of GDP)	32.3	31.1	30.9	31.4	31.7	32.2	33.9	33.5	33.5
General government primary balance (% of GDP)	-4.0	-1.8	-1.1	-1.4	-1.0	-0.6	-0.7	-0.2	0.0
Gross general government debt (% of GDP, end-year)	31.6	35.1	38.6	41.0	43.9	46.8	50.5	51.5	50.7
Net general government debt (% of GDP, end-year)	26.4	28.7	31.9	34.7	38.2	41.1	45.7	47.1	46.6
Money supply and credit									
Broad money supply (M2, % of GDP)	63.3	61.1	59.5	57.3	58.0	58.6	60.7	59.7	59.7
Broad money supply (M2, % year-on-year change)	1.6	5.7	7.2	3.9	9.7	8.6	9.7	5.1	8.8
Domestic credit (% of GDP)	87.9	85.2	84.2	85.7	83.6	85.3	88.9	88.4	88.4
Domestic credit (% year on year)	2.0	6.2	8.9	9.8	5.7	9.6	10.4	6.3	8.8
Domestic credit to private sector (% of GDP)	78.9	76.0	73.3	74.8	73.3	74.0	76.9	76.4	76.5
Domestic credit to private sector (% year on year)	-0.1	5.5	6.2	10.1	6.1	8.5	10.2	6.2	8.8
Balance of payments									
Exports (goods and non-factor services, % of GDP)	27.9	28.6	30.4	29.7	31.0	31.3	30.8	30.8	30.7
Imports (goods and non-factor services, % of GDP)	27.5	27.4	29.6	31.0	33.2	33.1	31.8	30.6	30.2
Exports (goods and non-factor services, % change in $ value)	-18.7	29.2	18.0	-6.8	-4.0	-3.6	-11.3	-15.9	0.7
Imports (goods and non-factor services, % change in $ value)	-23.4	25.4	19.9	0.1	-1.2	-4.8	-13.6	-19.1	-0.3
Current account balance ($bn)	-8.1	-5.6	-9.0	-19.7	-21.1	-19.0	-13.0	-13.3	-13.6
Current account (% of GDP)	-2.7	-1.5	-2.2	-5.0	-5.8	-5.4	-4.4	-5.0	-5.1
Net FDI ($bn)	6.4	3.7	4.5	1.6	1.7	-1.9	-1.1	1.2	1.1
Scheduled debt amortization ($bn) (4)	2.1	1.8	2.3	6.7	5.0	5.6	4.2	5.2	3.6
Foreign debt and reserves									
Foreign debt ($bn, end-year) (5)	82.9	111.3	118.2	141.8	136.5	145.1	134.5	138.5	142.7
Public ($bn)	27.9	43.4	53.7	71.6	69.5	70.6	64.6	67.7	70.8
Private ($bn)	55.0	67.9	64.5	70.2	67.0	74.5	69.9	70.9	71.9
Foreign debt (% of GDP, end-year)	27.8	29.6	28.4	35.7	37.3	41.4	42.7	52.3	53.3
Foreign debt (% of exports of goods and services)	99.7	103.6	93.2	120.0	120.3	132.6	138.5	169.7	173.5
Central bank gross non-gold FX reserves ($bn)	35.3	38.2	42.6	44.0	44.8	44.3	41.5	42.3	44.5
Central bank gross FX reserves, including forward FX transactions ($bn)	39.7	43.8	48.9	50.7	49.6	49.1	45.8	46.6	49.1
Central bank net FX reserves ($bn)	39.0	43.4	47.9	47.9	45.5	42.7	40.7	41.5	44.0

(1) Based on remuneration per worker, index 2000 = 100. (2) Real effective exchange rate, increase indicates appreciation. (3) Data for fiscal years starting 1 April. Selected data refer to the government's consolidated fiscal balances from 2009. (4) Of medium- and long-term debt only. (5) Including rand-denominated debt held by non-residents.

Source: South African Reserve Bank, Statistics South Africa, National Treasury, Credit Suisse

Turkey: In the run-up to 19 April

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- **Turkey lacks a domestic policy anchor to take full advantage of the various benefits that the current global environment bestows on it, in our view.** Low commodity prices, recovery in the euro area (which is Turkey's main trading partner), ECB's loose monetary policy and the likely delay in the Fed's policy normalization create a supportive environment for Turkey to address its structural and policy shortcomings. However, it is still uncertain whether the government will make progress with its structural reform agenda and address the credibility gap on the monetary policy front given the upcoming change at the helm of the central bank. In the absence of these fortifying steps, the country will remain at the mercy of the fluctuations in the global financial conditions and the risk sentiment, in our view. We argued in the December *Emerging Markets Quarterly* that the AKP government's deeds – not its words – will be the key gauge of its policy direction and structural reform commitment. Developments over the last three months have not led us to change our view.

- **The government will face an important test of credibility, in our view, in the run-up to the expiration of Central Bank Governor Basci's mandate on 19 April.** We have noted previously that President Erdogan maintains a strong influence over the government, which raises the question of harmony with Prime Minister Davutoglu in the administration of the country. Accordingly, it remains to be seen whether Erdogan and Davutoglu will be able to agree on a solid name to lead the central bank. Given Erdogan's clash with Basci last year, we think Erdogan might prefer a pro-growth governor who agrees with his unorthodox views on the relationship between interest rates and inflation. We expect the appointment of a new governor (or the re-appointment of Basci) to be clarified only shortly before 19 April. If a new governor is appointed (which we think is more likely than Basci's re-appointment), market participants will probably want to test his/her independence from Erdogan or the government for a while after the appointment.

- **We think there are a number of upside and downside risks to the broader macro outlook.** Progress with structural reforms (for which a calendar was announced on 10 December 2015) and Turkey's re-engagement with the EU (not only on the Syrian migrants, but also on the re-unification efforts in Cyprus) represent upside risks to Turkey's outlook, in our view. Meanwhile, we think the possibility of escalating geopolitical tensions in Syria and security issues in Turkey (both with respect to the PKK and the ISIS) represent downside risks to the outlook. Developments over the last three months also suggest that Erdogan's ambitions for executive presidency might dominate Davutoglu's agenda which appears to be more focused on structural reforms and economic progress and divert attention from economic priorities.

- **Domestic demand will drive growth in 2016, in our view.** Strong upside surprise in 3Q GDP (which was released after the publication of our December *Quarterly*) and the preliminary indicators for 4Q led us to revise our full-year real GDP growth forecast for 2015 to 3.9%. (Real GDP data for 4Q 2015 will be released on 31 March.) Given the higher carry-over to 2016, we also revised our full-year real GDP growth forecast for 2016 higher to 4.1% from 3.5%. Although credit growth remains muted (within 8%-10% in February), wage increases (after the government's decision to hike the minimum wage by 30% as of 1 January) and lower oil prices will boost domestic demand, in our view. On the 3m/3m basis, industrial output growth momentum slowed to 0.2% in January from 0.8% in December and 1.0% in September, but the slowdown was mainly driven by the export-oriented sectors. While exports remain supported by the ongoing recovery in the euro area, oil-producing export destinations (such as Russia and Iraq) remain under pressure and exert an adverse impact on Turkey's export performance.

- **Although the current account deficit narrowed in 2015, its sequential dynamics have deteriorated somewhat since October-November.** The full-year current account deficit declined to about 4.4% of GDP in 2015 from 5.5% of GDP in 2014, primarily driven by cheaper oil imports. On our seasonally adjusted estimates, however, the annualized run-rate of the current account deficit (on the three-month moving average of the deseasonalized current account deficit) widened to about 3.5% of GDP in January from just under 3.0% of GDP in October-November. This was mainly driven by weaker exports and some pick-up in imports in the aftermath of the November elections. As domestic demand is likely to pick up this year, some of Turkey's export markets remain adversely affected by low oil prices and the Russian sanctions on Turkey's tourism sector kick in, we forecast the current account deficit will edge modestly higher to $34.8bn (4.6% of GDP) in 2016, despite the favorable impact on Turkey's imports of low oil prices.

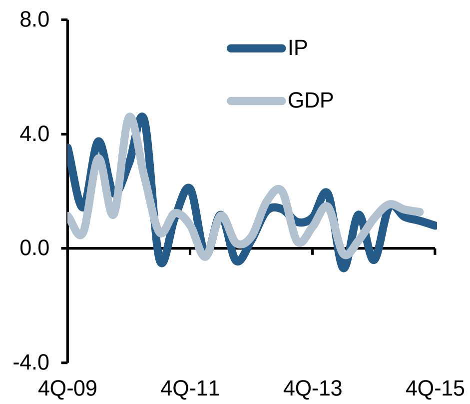
- **The run-rate of core inflation has been slowing since October-November last year, owing to the broad stability of the lira.** Year-on-year core inflation has been increasing since mid-2015 and reached 9.7% in February. That said, on our seasonally adjusted estimates, the run-rate of core inflation peaked in October-November, at about 11.0%, and slowed to about 9.0% in February. (We calculate the run-rate of core inflation as the annualized three-month moving average of the month-on-month change in the seasonally adjusted core index I.) The inflation data for January and February suggest that the transmission of the 30% minimum wage hike to core inflation remains muted. Further decline in the run-rate of core inflation requires ongoing stability of the lira, in our view. The lira benefits from the supportive global environment at present, but remains vulnerable to changes in the global risk sentiment in the absence of a strong domestic policy anchor.
- **Headline inflation seems to have peaked in January and will likely continue to slow in the next couple of months.** Headline inflation increased to 9.6% yoy in January, with the tobacco tax hike and the increase in electricity tariffs adding about 0.6pp to inflation during that month. (In an effort to keep the fiscal deficit under control in the face of the pre-election spending promises, the government increased some utility prices and taxes as of 1 January.) Subsequently, a large downside surprise in food prices pulled inflation to its end-December level of 8.8% yoy in February. The base effects from last year's unusually high food price inflation (14.0%-14.7% yoy between February and April) will likely continue to play out favorably this year and bring headline inflation lower in March-April. It is worth highlighting that the base effects from food price inflation turn unfavorable in June and July, and the long-term weather forecasts are warning for a drought in Turkey this summer. We forecast inflation will broadly hover around 8.0% this year, and end the year at 7.8%, provided the lira remains well-behaved and food prices evolve in line with historical averages.
- **The key uncertainty for the monetary policy outlook is the expiration of Basci's mandate on 19 April.** At its meeting on 24 March (likely to be the last meeting chaired by Basci), we expect the monetary policy committee (MPC) to remain on hold. However, further easing by the ECB on 10 March and continuing favorable sentiment towards EM assets might lead the MPC to ease lira liquidity within the existing corridor (7.25%-10.75%). The normalization we expected in the monetary policy framework in December was delayed due to the MPC's expectation of higher volatility in global markets which turned out to be right. We still expect the MPC to normalize its monetary policy framework (in a policy-neutral fashion) in 2H 2016, based on our US economists' view that the Fed will tighten further then and in 2017 at a more steady pace. The possibility of further calls by Erdogan for lower interest rates before the inflation outlook improves and the uncertainty about the next central bank governor are factors that cloud the monetary policy outlook in Turkey, in our view.
- **The medium-term outlook for Turkey's credit ratings hinges crucially on the government's and the central bank's policy direction, in our view.** Fitch affirmed Turkey's sovereign credit rating and outlook on 26 February. We also expect Moody's to affirm its rating and outlook on 8 April. The more critical credit rating reviews are those scheduled for August by both Fitch and Moody's, in our view.

Strong upside surprise in 3Q GDP and the preliminary indicators for 4Q led us to revise our full-year real GDP growth forecast for 2015 to 3.9%. We expect real GDP growth to be driven by domestic demand in 2016 and reach 4.1%.

On the 3m/3m basis, industrial output growth momentum slowed to 0.2% in January from 0.8% in December and 1.0% in September, but the slowdown was mainly driven by the export-oriented sectors.

Exhibit 191: Gross domestic product and industrial output

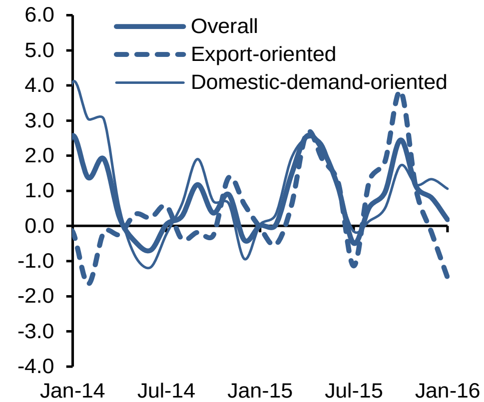
% qoq, seasonally and workday adjusted



Note: GDP data for 4Q 2015 will be released on 31 March.
Source: Statistics Office, Credit Suisse

Exhibit 192: Industrial output growth momentum

%, 3m/3m, seasonally and workday adjusted



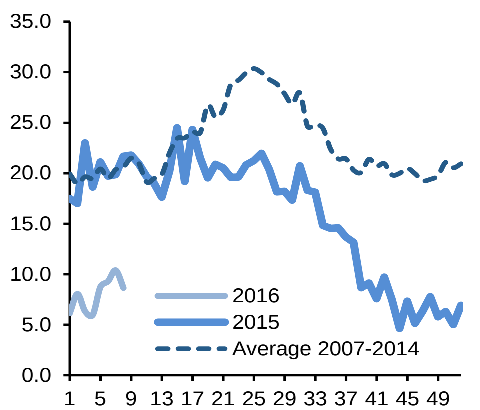
Source: Statistics Office, Credit Suisse

Overall credit growth momentum was within 8.0%-10.0% in February, compared to about 6.0% in late 2015.

Although credit growth remains muted, wage increases, supportive fiscal policy and lower oil prices will boost domestic demand growth in 2016, in our view.

Exhibit 193: Overall loan growth

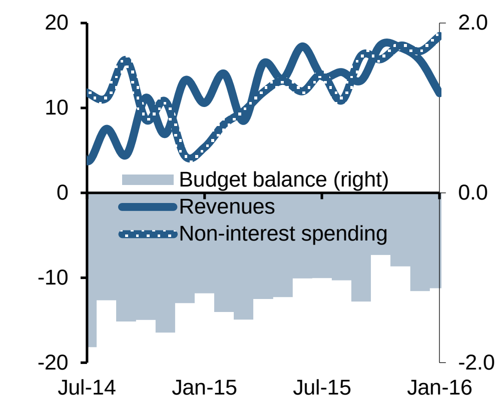
%, annualized, 13-week moving average, week-on-week change in loan stock



Source: Banking Regulation and Supervision Agency, Central Bank, Credit Suisse

Exhibit 194: Fiscal performance

3mma, % yoy 12-month rolling, % of GDP



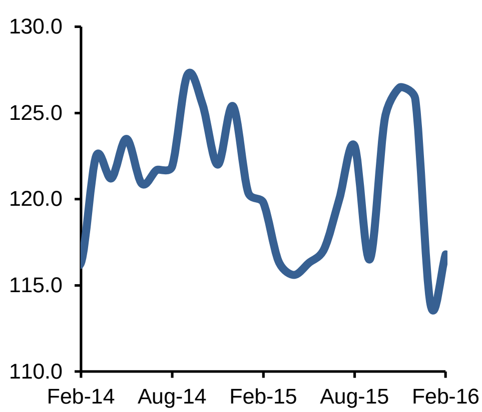
Source: Ministry of Finance, Credit Suisse

While exports remain supported by the ongoing recovery in the euro area, oil-producing export destinations (such as Russia and Iraq) remain under pressure and exert an adverse impact on Turkey's export performance.

On our seasonally adjusted estimates, the annualized run-rate of the current account deficit widened to about 3.5% of GDP in January from just under 3.0% of GDP in October-November.

Exhibit 195: Three-month ahead export orders

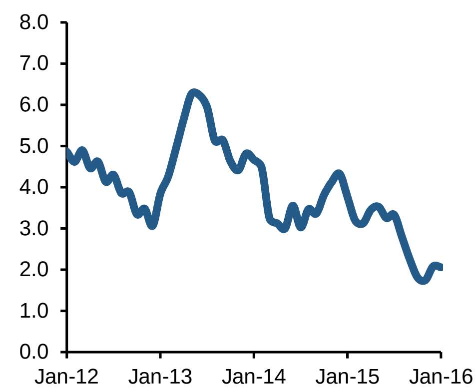
Seasonally adjusted



Source: Central Bank

Exhibit 196: Current account deficit

$bn, seasonally adjusted, 3mma



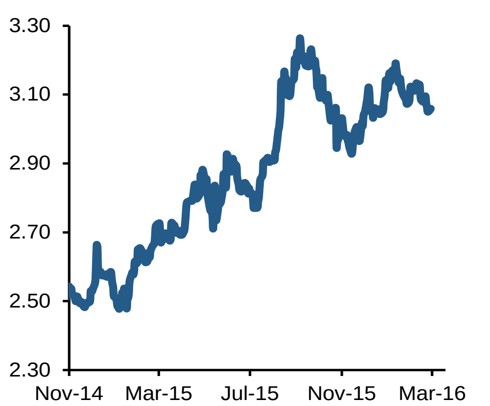
Source: Central Bank, Credit Suisse

Low commodity prices, recovery in the euro area (which is Turkey's main trading partner), ECB's loose monetary policy and the likely delay in the Fed's policy normalization create a supportive environment for the lira.

Despite the lira's broad stability since late last year, inflation expectations remain unanchored.

Exhibit 197: Lira's nominal basket exchange rate

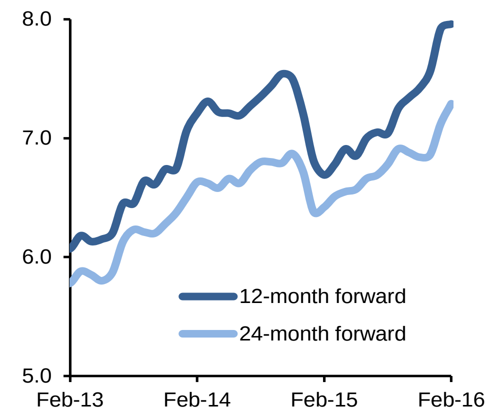
Average of USDTRY and EURTRY



Source: Central Bank, Credit Suisse

Exhibit 198: Inflation expectations

%

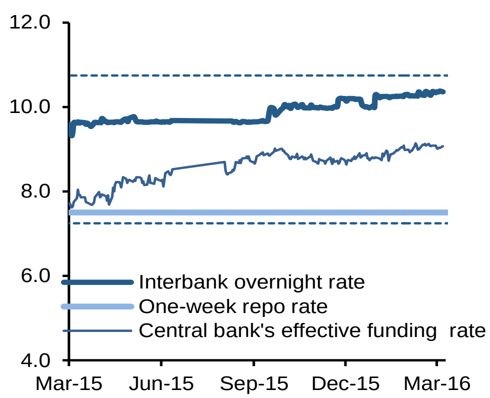


Source: Central Bank

The interbank overnight rate has been close to the upper end of the interest rate corridor (10.75%) since mid-March 2015. The share of one-week repo funding in the central bank's overall funding has stabilized around 50% most recently, and the central bank's real effective funding rate was barely in the positive territory, at 9.03% on 8 March, compared to the one-week repo rate of 7.50%.

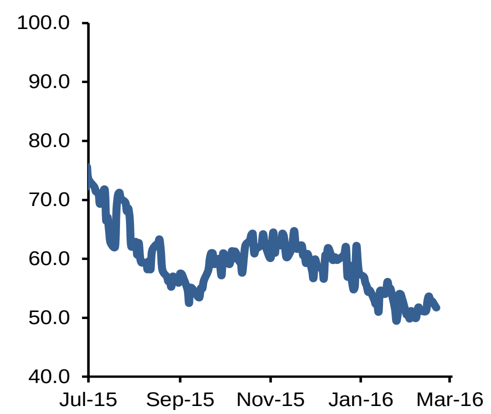
Exhibit 199: Short-term interest rates

%



Source: Borsa Istanbul, Central Bank, Credit Suisse

Exhibit 200: Share of one-week repo funding in total central bank funding



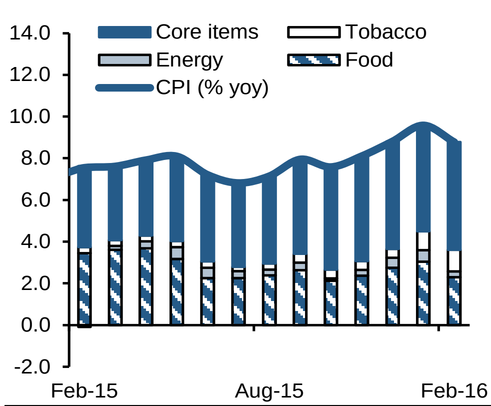
Source: Central Bank, Credit Suisse

Headline inflation seems to have peaked at 9.6% yoy in January, with the tobacco tax hike and the increase in electricity tariffs adding about 0.6pp to inflation during that month. Subsequently, a large downside surprise in food prices pulled inflation to its end-December level of 8.8% yoy in February.

The run-rate of core inflation has been slowing since October-November last year, owing to the broad stability of the lira.

Exhibit 201: Contributions to headline year-on-year inflation

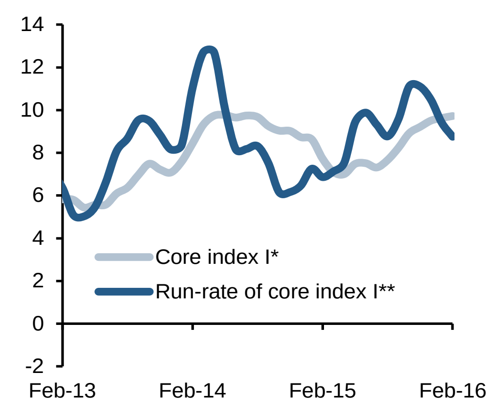
pps, with the exception of CPI



Note: The energy component of CPI is not released officially. We simulate it using the officially released core indicator excluding energy.
Source: Statistics Office, Central Bank, Credit Suisse

Exhibit 202: Core prices

%, annual



*Core index I excludes food, energy, tobacco products, alcoholic beverages and gold from the CPI basket. ** Calculated as the annualized three-month moving average of the month-on-month changes in the seasonally adjusted core index I.
Source: Statistics Office, Credit Suisse

Turkey: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	-4.8	9.2	8.8	2.1	4.2	2.9	3.9	4.1	3.5
Growth in real private consumption (%)	-2.3	6.7	7.7	-0.5	5.1	1.4	4.5	4.0	3.3
Growth in real fixed investment (%)	-19.0	30.5	18.0	-2.7	4.4	-1.3	3.0	7.0	8.0
Fixed investment (% of GDP)	16.9	18.9	21.8	20.3	20.3	20.1	20.0	20.5	21.0
Nominal GDP ($bn)	615.7	732.4	777.1	790.4	824.3	798.7	727.5	750.1	817.1
Population (mn)	71.4	71.8	72.2	72.6	73.0	73.4	73.8	74.3	74.7
GDP per capita ($)	8,624	10,200	10,762	10,885	11,289	10,876	9,852	10,100	10,940
Unemployment (% of labor force, end-year)	13.0	11.3	9.3	8.5	9.1	9.9	10.4	10.1	10.0
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	6.5	6.4	10.4	6.2	7.4	8.2	8.8	7.8	7.2
CPI inflation (%, average)	6.3	8.6	6.5	8.9	7.5	8.9	7.7	7.9	7.5
Exchange rate (TRY per USD, end-year)	1.51	1.55	1.91	1.78	2.13	2.32	2.91	3.00	3.09
Exchange rate (TRY per USD, average)	1.55	1.50	1.67	1.79	1.90	2.19	2.72	2.97	3.04
Nominal wage growth (% year-on-year change) (1)	8.9	9.0	9.0	10.5	12.7	9.1	10.0	12.0	10.0
Exchange rate (TRY against the basket, end-year) (2)	1.83	1.80	2.18	2.07	2.54	2.57	3.04	3.15	3.35
REER (% change, December to December) (3)	1.7	5.9	-13.8	7.3	-9.1	4.6	-6.9	3.0	6.9
One-week repo rate (%, end-year) (4)	7.11	6.50	5.75	5.50	4.50	8.25	7.50	8.75	8.25
Fiscal data									
General government fiscal balance (% of GDP) (5)	-4.9	-3.2	-1.0	-1.7	-1.0	-1.0	-1.2	-1.5	-1.1
General government primary balance (% of GDP) (5)	-0.6	0.2	1.5	0.6	0.8	0.5	0.4	-0.1	0.1
General government expenditure (% of GDP) (5)	37.3	34.8	32.2	33.5	34.0	33.7	33.5	34.1	33.9
Central government's fiscal balance (% of GDP)	-6.4	-4.2	-1.6	-2.3	-1.5	-1.5	-1.6	-1.9	-1.5
Central government primary fiscal balance (% of GDP)	-1.5	-0.4	1.3	0.4	0.9	0.5	0.5	-0.1	0.1
Central government expenditure (% of GDP)	28.2	26.8	24.2	25.5	26.0	25.7	25.5	26.1	25.9
Gross central government debt (% of GDP, end-year)	46.3	43.1	40.0	37.6	37.4	35.0	34.7	32.6	30.8
Net general government debt (% of GDP, end-year) (6)	32.5	28.9	22.3	17.0	12.6	10.7	10.4	8.3	6.5
Money supply and credit									
Broad money supply (M2, % of GDP) (7)	51.8	53.4	52.0	52.4	57.9	58.1	60.1	59.9	60.0
Broad money supply (M2, % year-on-year change)	13.0	19.1	14.8	10.2	22.2	11.9	17.1	12.0	12.0
Domestic credit (% of GDP)	61.9	68.0	66.6	69.4	78.6	82.2	85.6	85.3	83.9
Domestic credit (% year-on-year)	20.1	26.6	15.7	13.8	25.3	16.5	17.9	12.0	10.0
Domestic credit to private sector (% of GDP)	36.0	43.9	49.3	54.1	65.3	69.5	73.6	73.5	72.4
Domestic credit to private sector (% year-on-year)	13.4	40.4	32.8	19.8	33.5	18.7	19.9	12.3	10.1
Balance of payments									
Exports (goods and non-factor services, % of GDP)	23.6	21.5	23.6	26.0	25.4	27.6	27.3	26.1	24.5
Imports (goods and non-factor services, % of GDP)	24.6	26.9	32.4	31.4	32.2	32.2	30.5	29.6	27.8
Exports (goods and non-factor services, % change in $ value)	-18.3	8.1	16.6	12.0	2.1	5.3	-10.1	-1.3	2.4
Imports (goods and non-factor services, % change in $ value)	-28.5	30.0	28.1	-1.7	7.2	-3.1	-13.7	0.0	2.4
Current account balance ($bn)	-11.4	-44.6	-74.4	-48.0	-63.6	-43.6	-32.2	-34.8	-35.3
Current account (% of GDP)	-1.8	-6.1	-9.6	-6.1	-7.7	-5.5	-4.4	-4.6	-4.3
Net FDI ($bn)	7.0	7.6	13.8	9.2	8.8	5.5	11.5	9.0	9.0
Scheduled debt amortization ($bn) (8)	47.1	45.9	40.6	42.5	44.5	37.7	35.8	37.1	35.8
Foreign debt and reserves									
Foreign debt ($bn, end-year) (9)	268.9	292.0	303.9	339.0	389.1	402.5	418.9	429.7	435.8
Public ($bn)	96.7	100.7	103.6	111.1	121.2	120.2	119.2	120.0	118.0
Private ($bn)	172.3	191.4	200.3	227.9	267.9	282.3	299.7	309.7	317.8
Foreign debt (% of GDP, end-year) (9)	43.7	39.9	39.1	42.9	47.2	50.4	57.6	57.3	53.3
Foreign debt (% of exports of goods and services)	185.0	185.8	165.9	165.2	185.7	182.5	211.3	219.6	217.4
Central bank gross FX reserves ($bn)	74.8	86.0	88.3	119.2	131.0	127.3	110.5	110.0	110.0
Central bank gross non-gold FX reserves ($bn)	70.7	80.7	78.5	99.9	110.9	106.9	92.9	93.0	93.0

(1) Based on the hourly labor cost index (2010=100) for the overall economy. (2) The basket exchange rate is the average of USDTRY and EURTRY exchange rates. Our forecasts for USDTRY are derived from our basket exchange rate forecasts and the previous month's EURUSD average. (3) Real effective exchange rate, increase indicates appreciation. (4) One-week repo rate has been the central bank's policy rate since 18 May 2010 but it has lost relevance since late 2010. Our forecast for 2016 is based on an expectation of the normalization of the monetary policy framework. (5) The definition of the consolidated government comprises the central government, extra-budgetary funds, state-owned enterprises, social security institutions and the Unemployment Insurance Fund. The data for government spending and gross debt are for the central government. (6) Gross general government debt minus the central bank's net assets, public sector's deposits/securities and the assets of the Unemployment Insurance Fund. (7) Central bank's old definition of M2 is used for both 2004 and 2005 due to lack of data on the new definition. (8) Of medium- and long-term debt, including repayments to the IMF. (9) Based on the location of debt issuance, not the location of creditor.

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

Ukraine: Local politics challenge the IMF program

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- **The conflict among the parties that comprise the parliamentary coalition continues to weigh on Ukraine's economic outlook.** In our December *Emerging Markets Quarterly,* we anticipated that Ukraine's domestic politics would complicate the authorities' cooperation with the IMF and delay the disbursement of future loan tranches from the IMF. In our view, the resolution of the political conflict remains crucial for the financial and economic stability of Ukraine, which depends critically on international financial support.

- **The resignation of Minister of Economic Development Abromavicius on 3 February triggered a wave of political developments which worsened the political outlook, in our view.** In his resignation speech, Abromavicius claimed that a lawmaker from the pro-president Block Petro Poroshenko attempted to block his ministry's work. Abromavicius' resignation raised concerns about the fate of the government under Prime Minister Yatsenyuk. Ahead of Yatsenyuk's testimony to parliament on 16 February about the government's performance in 2015, President Poroshenko asked Yatsenyuk to resign and Block Petro Poroshenko initiated a no-confidence motion in parliament against Yatsenyuk on the basis that the government's performance in 2015 was unsatisfactory.

- **Prime Minister Yatsenyuk survived the no-confidence vote by a small margin, but this did not alleviate the conflict between him and President Poroshenko.** Somewhat surprisingly, in our view, Yatsenyuk was also supported by the minority Opposition Block party (mainly consisting of former lawmakers from the Regions of Ukraine party that had a constitutional majority under President Yanukovich). As parliament cannot initiate a no-confidence vote for a second time in one parliamentary session, Yatsenyuk's government appears to have secured its position until September 2016. Although this outcome initially looked like a victory for Yatsenyuk, it did not provide any resolution to the conflict between Yatsenyuk and Poroshenko – the leaders of two largest parties in the parliamentary coalition. Against this backdrop, it now looks very difficult for Yatsenyuk's government to get parliamentary support for unpopular reforms. Accordingly, the likelihood of a coalition breakdown and early parliamentary elections has increased, in our view.

- **Minority parties left the parliamentary coalition soon after the failure of the no-confidence vote, leaving it short of a parliamentary majority.** The Fatherland party (which is led by Yulia Timoshenko and holds 19 seats in the 450-seat parliament) left the coalition the day after the no-confidence motion failed, followed by another minority party, Samopomich ("Self-Reliance"), which holds 33 seats. The departure of these two parties means the remaining parties in the coalition no longer have a parliamentary majority (226 votes). Although the relevant parliamentary committee did not confirm the de-jure breakdown of the coalition, it does seem to have broken down in reality. Against this backdrop, we highlight three political options below.

- **The first option is early parliamentary elections.** However, neither of the two major parties is in favor of this option. The result of the regional elections (in November 2015) showed that both parties have lost support during their tenure. Perhaps in recognition of this, Poroshenko emphasized recently that he would do everything in his power to avoid early parliamentary elections. Yatsenyuk also expressed a similar view afterwards.

- **As a second option, Poroshenko could negotiate the voluntary resignation of Yatsenyuk.** With regards to this option, however, Poroshenko has to resolve two issues. First, he would have to find a successor who would be supported both by the local politicians and the Western countries that support Ukraine financially. Second, he would have to find a new position for Yatsenyuk. The local press claimed recently that Finance Minister Jaresko could replace Yatsenyuk.

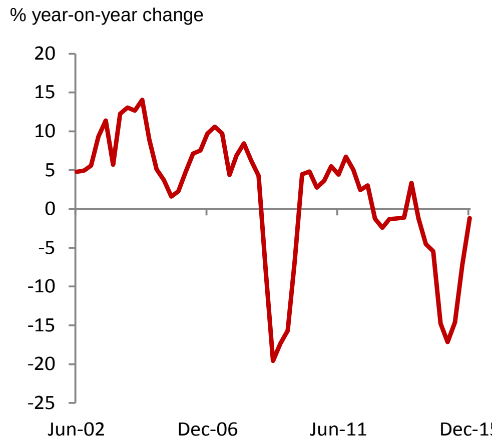
- **The third option is a stalemate, in which the status quo continues until September 2016 (when parliament could initiate another no-confidence vote against Yatsenyuk).** This would be the least favorable outcome of the current political conflict in terms of the execution of the IMF program, in our view. This scenario also assumes a serious reshuffle in the government.
- **In our base case scenario, we lean towards the last two options and rule out early parliamentary elections in the next six months at least.** In this scenario, we expect the IMF to disburse at least two loan tranches amounting to $3.4bn in 2016. More tranches and additional support from the Western countries and IFIs may be disbursed if there is a positive resolution of the current political crisis in Ukraine (in line with the above-mentioned second option, for instance).
- **We expect real GDP to grow modestly this year, following the estimated 9.8% contraction in 2015.** Real GDP growth was positive both in 3Q and 4Q 2015, for the first time in more than two years. On official seasonally adjusted estimates, real GDP was up 1.5% qoq in 4Q, after a moderate pick-up of 0.5% qoq in 3Q. This followed six quarters of contraction when real GDP declined by a total of 15%. On our estimates, the quarterly data are consistent with a full-year real GDP contraction of 9.8% in 2015. In 2016, we expect that real GDP growth will be constrained by trade restrictions imposed by Russia (including the most recent incidents when both countries limited the transit of goods by heavy trucks) and the drop in commodity prices (steel and iron ore). We lower our full-year real GDP growth forecast for 2016 to 0.5% from 1.0% previously and expect real GDP growth to pick up to 2.0% in 2017.
- **The current account deficit will likely widen this year.** The full-year current account deficit narrowed to 0.3% of GDP in 2015 from 3.4% of GDP in 2014. On our seasonally adjusted estimates, the current account balance moved to a surplus of $0.7bn in 4Q 2015 from $0.1bn in 3Q on the back of an improvement in the goods trade balance and primary income, due to the sharp slowdown in economic activity, hryvnia devaluation and lower gas purchases. The current account balance was in a deficit of $0.3bn in 1H 2015. The National Bank of Ukraine (NBU) expects the current account deficit to widen to almost 3.0% of GDP this year, on the back of the sharp drop in commodity prices. We assume that part of this negative terms-of-trade shock will be absorbed by the hryvnia, which we expect to weaken gradually to 30 against the dollar in 2016 before it stabilizes around this level in 2017. We expect the current account deficit to widen to 2.0% of GDP in 2016 before it narrows towards 1.5% of GDP in 2017.
- **The NBU may extend the pause in its easing cycle.** Headline inflation dropped to 40.3% yoy in January from as high as 60.9% yoy in April 2015. The government's decision to increase electricity tariffs (by 25% from 1 March) might delay a further slowdown in inflation. The NBU has remained on hold at 22.0% for five months after cutting the policy rate by 500bps on 24 September 2015. A weaker currency (the hryvnia has lost 15% against the dollar so far in 2016), an unfavorable external environment and the continuing political crisis will probably lead the NBU to stay on hold until any of the above issues are resolved. We expect the NBU to resume easing in 2Q-3Q 2016, the pace of which will be subject to a combination of external and internal factors. We raise our 2016 inflation forecast to 16.0% yoy (from 14.0% yoy previously) due to the weaker hryvnia and higher tariffs. By end-2017, we expect inflation to drop to 7.0% yoy. On the back of this inflation profile, we expect the NBU to cut the policy rate from 22.0% at present to 18.0% by end-2016 and 10.0% by end-2017.
- **As we expected, Ukraine announced on 20 December a moratorium on the repayment of its $3bn Eurobond to Russia.** Both sides continued negotiations (through mediators) after the deadline (31 December 2015), but failed to reach an agreement. In February, the Russian Finance Ministry filed a lawsuit in London against Ukraine with regards to the default on Ukraine's $3bn Eurobond. This lawsuit is unlikely to have any impact on Ukraine's IMF program, but could complicate Ukraine's access to the international capital markets if this issue remains unresolved.

Real GDP growth was positive in both 3Q and 4Q 2015, for the first time in more than two years. On official seasonally adjusted estimates, real GDP was up 1.5% qoq in 4Q, after a moderate pick-up of 0.5% qoq in 3Q. We lower our full-year real GDP growth forecast for 2016 to 0.5% from 1.0% previously and expect real GDP growth to pick up to 2.0% in 2017.

Exhibit 203: Output indicators (industrial output and a GDP proxy)

Note: The central bank's proxy indicator covers some 72% of GDP.
Source: State Statistics Agency, Central Bank, Credit Suisse

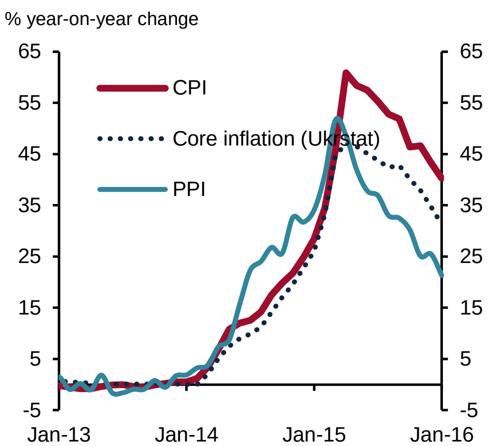
Exhibit 204: Real GDP growth



Source: State Statistics Agency, Credit Suisse

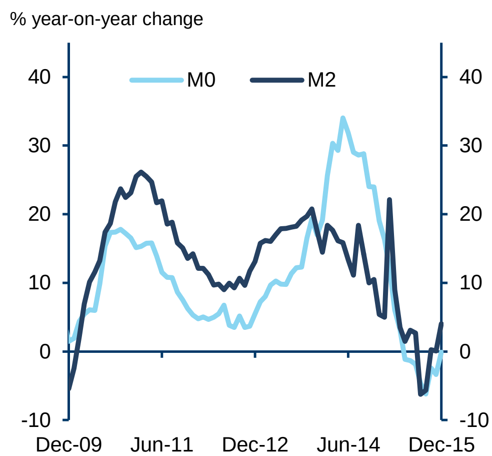
CPI and PPI inflation slowed to 40.3% yoy and 21.3% yoy respectively in January (from peaks of 60.9% yoy and 51.6% yoy respectively), thanks to favorable base effects and tight monetary policy. The government's decision to increase electricity tariffs (by 25% from 1 March) might delay a further slowdown in inflation. We raise our 2016 inflation forecast to 16.0% yoy (from 14.0% yoy) due to the weaker hryvnia and higher tariffs. By end-2017, we expect inflation to drop to 7.0% yoy.

Exhibit 205: Consumer, producer, and core prices



Source: State Statistics Agency, Credit Suisse

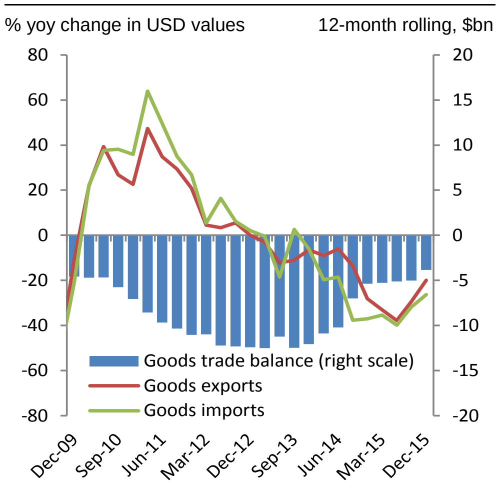
Exhibit 206: Monetary aggregates



Source: National Bank of Ukraine, Credit Suisse

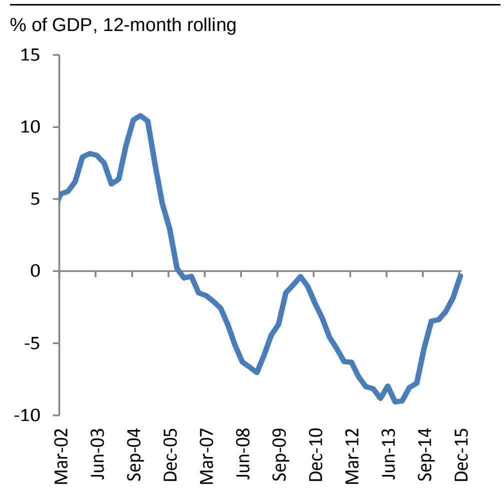
The full-year current account deficit narrowed to 0.3% of GDP in 2015 from 3.4% of GDP in 2014. The National Bank of Ukraine (NBU) expects the current account deficit to widen to almost 3.0% of GDP this year, on the back of the sharp drop in commodity prices. We assume that part of this negative terms-of-trade shock will be absorbed by the hryvnia. We expect the current account deficit to widen to 2.0% of GDP in 2016 before it narrows towards 1.5% of GDP in 2017.

Exhibit 207: Merchandise trade



Source: State Statistics Agency, Credit Suisse

Exhibit 208: Current account balance

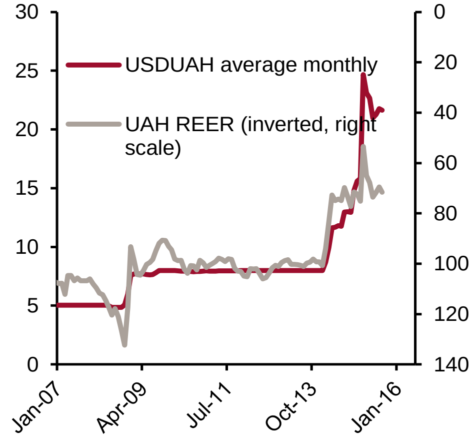


Note: the latest reserves data, of $15.8bn, are for end-August 2014.
Source: National Bank of Ukraine, Credit Suisse

The NBU has remained on hold at 22.0% for five months after cutting the policy rate by 500bps on 24 September 2015. A weaker currency (the hryvnia has lost 15% against the dollar so far in 2016), an unfavorable external environment and the continuing political crisis will probably lead the NBU to stay on hold until any of the above issues are resolved. We expect the NBU to resume easing in 2Q-3Q 2016, the pace of which will be subject to a combination of external and internal factors.

Exhibit 209: Hryvnia's exchange rates

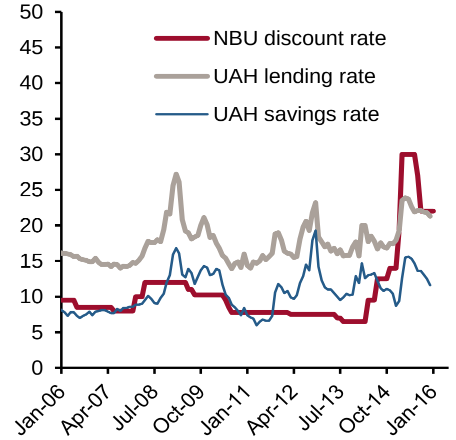
UAH REER* (2001 = 100) UAH per USD, spot



Source: the BLOOMBERG PROFESSIONAL ™ Service, Credit Suisse

Exhibit 210: Interest rates

% p.a.

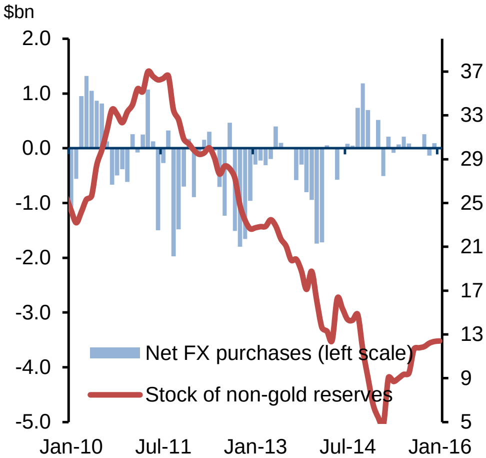


Source: National Bank of Ukraine, Credit Suisse

The stock of FX reserves stabilized at above $13.0bn in February, having increased only marginally from $12.6bn in August due to delayed disbursement of tranches from the IMF. We expect the stock of FX reserves to pick up to $21.2bn by the end of 2016 due to a resumption of financing from the IMF and other IFIs.

Exhibit 211: FX reserves, interventions

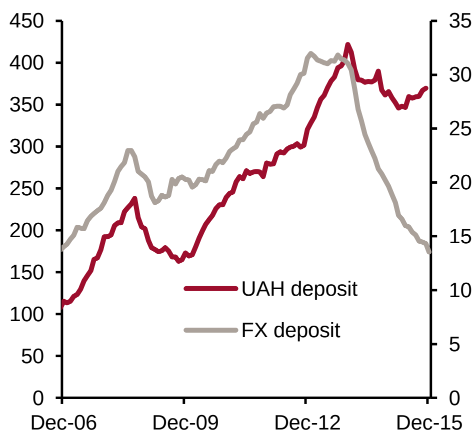
$bn



Source: National Bank of Ukraine, Credit Suisse

Exhibit 212: Stock of residents' deposits in commercial banks

UAH bn USD bn

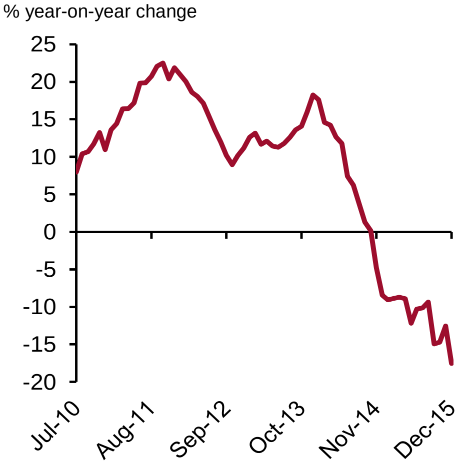


Source: National Bank of Ukraine, Credit Suisse

Execution of the state budget was better than expected in 2015. On a 12-month rolling basis, the deficit narrowed to 2.3% of GDP in December 2015 from 4.7% in January 2015. This improvement was related to lower expenditures and higher revenue collection. In 2016, we expect the deficit of the state budget will be limited to 3.3% of GDP.

Exhibit 213: Banks' claims on residents in local currency terms

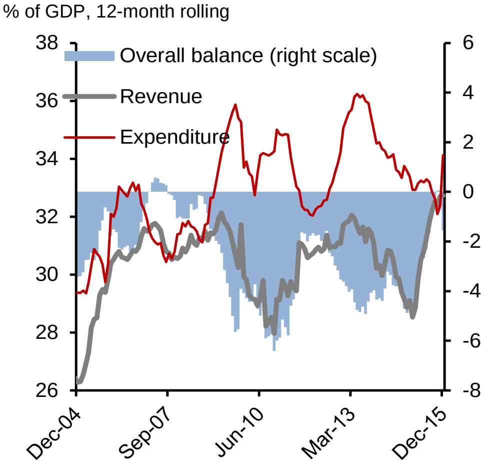
% year-on-year change



Source: National Bank of Ukraine, Credit Suisse

Exhibit 214: State budget

% of GDP, 12-month rolling



Source: Economy Ministry, Credit Suisse

Ukraine: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	-14.8	4.1	5.2	0.2	0.0	-6.6	-9.8	0.5	2.0
Growth in real private consumption (%)	-15.6	7.0	15.7	8.4	6.9	-8.3	-10.0	0.3	1.8
Growth in real fixed investment (%)	-49.7	3.2	8.5	5.0	-8.4	-24.0	-15.0	1.0	2.5
Fixed investment (% of GDP)	17.4	17.0	17.6	19.0	16.9	14.0	12.0	13.0	14.0
Nominal GDP ($bn)	121.6	136.0	163.2	175.8	183.3	133.3	91.1	86.0	84.5
Population (mn)	46.0	45.8	45.6	45.6	45.4	45.3	44.9	44.6	44.4
GDP per capita ($)	2,645	2,971	3,575	3,859	4,036	2,943	2,030	1,929	1,903
Unemployment (% of labor force, end-year)	8.8	9.0	7.9	7.5	7.9	9.3	12.0	11.0	10.0
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	12.3	9.1	4.6	-0.2	0.5	24.9	43.3	16.0	7.0
CPI inflation (%, average)	15.9	9.4	8.0	0.6	-0.3	12.1	48.5	29.7	11.5
Exchange rate (UAH per USD, end-year)	7.99	7.96	7.99	7.99	7.99	15.77	24.00	30.00	30.00
Exchange rate (UAH per USD, average)	7.79	7.94	7.97	7.99	7.99	11.90	21.87	27.00	30.00
Nominal wage growth (% year-on-year change)	11.6	17.7	16.2	10.6	7.2	10.9	30.4	10.0	7.0
REER (% change, December to December) (1)	4.4	8.1	2.7	-6.9	-1.8	-21.5	8.0	-6.0	5.0
Discount rate (%, end-year)	10.25	7.75	7.75	7.50	6.50	14.00	22.00	18.00	10.00
Fiscal data									
State government fiscal balance (% of GDP)(2)	-3.8	-6.0	-1.8	-3.8	-4.4	-4.9	-2.3	-3.3	-2.5
State government primary fiscal balance (% of GDP) (2)	-2.5	-4.6	-0.1	-1.8	-2.2	-1.6	2.1	1.7	2.4
State government expenditure (% of GDP)	25.6	28.1	25.7	28.2	27.5	27.1	29.0	28.8	28.5
State government debt (% of GDP, end-year)	33.6	40.1	36.4	36.8	39.9	69.4	78.9	66.7	63.1
Money supply and credit									
Broad money supply (M2, % of GDP)	51.2	55.3	52.4	54.9	61.9	60.3	50.1	48.8	47.5
Broad money supply (M2, % year-on-year change)	-5.4	23.1	14.2	13.1	17.5	5.6	4.5	7.0	7.5
Domestic credit (% of GDP)	85.4	79.7	74.4	73.7	82.3	76.9	62.6	61.5	60.7
Domestic credit (% year-on-year)	3.9	6.3	12.3	7.1	16.4	1.2	2.5	8.0	9.6
Domestic credit to private sector (% of GDP)	71.3	62.8	56.6	54.7	56.2	57.4	47.6	47.9	47.2
Domestic credit to private sector (% year on year)	-3.1	0.4	8.5	4.3	7.3	10.5	4.4	10.5	9.5
Balance of payments									
Exports (goods and non-factor services, % of GDP)	39.9	48.3	58.5	60.3	56.9	48.9	52.0	48.0	50.5
Imports (goods and non-factor services, % of GDP)	41.4	51.2	65.6	70.3	67.8	52.4	53.3	50.8	52.8
Exports (goods and non-factor services, % change in $ value)	-36.9	26.0	27.5	3.4	-5.5	-19.9	-27.6	-12.9	3.4
Imports (goods and non-factor services, % change in $ value)	-44.2	28.8	34.8	7.5	-3.5	-28.1	-30.7	-10.0	2.1
Current account balance ($bn)	-1.7	-3.0	-10.2	-14.3	-16.5	-4.6	-0.3	-1.7	-1.2
Current account (% of GDP)	-1.3	-2.2	-7.2	-10.0	-11.5	-3.4	-0.3	-2.0	-1.5
Net FDI ($bn)	4.7	5.8	7.0	7.2	4.1	0.3	3.1	1.5	2.5
Scheduled debt amortization ($bn) (3)	17.4	19.2	23.7	23.2	19.7	22.6	11.9	12.5	10.0
Foreign debt and reserves									
Foreign debt ($bn, end-year)	98.3	111.5	117.9	124.2	130.9	117.1	115.4	115.4	117.4
Public ($bn)	24.0	32.5	33.4	32.2	31.7	35.1	42.6	50.6	56.6
Private ($bn)	74.3	79.0	84.6	92.0	99.2	82.0	72.8	64.8	60.8
Private debt net of trade loans and inter-company loans ($bn)	70.7	75.3	64.1	70.7	77.4	63.3	49.8	50.3	51.2
Foreign debt (% of GDP, end-year)	80.9	81.9	72.3	70.7	71.4	87.8	126.7	134.2	138.9
Foreign debt (% of exports of goods and services)	188.8	169.8	141.0	143.5	160.2	178.9	243.5	279.6	275.1
Central bank gross FX reserves ($bn)	26.0	34.6	31.8	24.5	20.4	7.5	13.3	21.2	26.2
Central bank non-gold FX reserves ($bn)	25.6	33.3	30.4	22.7	18.8	6.6	12.4	20.3	25.3

(1) Real effective exchange rate, increase indicates appreciation. (2) Excluding impact of bank recapitalization and transfers to Naftogaz. Estimate for 2011 expenditure includes 0.8% of GDP of additional allocations for settlement of VAT arrears accumulated in 2010. (3) Scheduled amortization of the private and the public sectors

Source: State Statistics Agency, the BLOOMBERG PROFESSIONAL™ service, National Bank of Ukraine, Finance Ministry of Ukraine, IMF, Credit Suisse

Non-Japan Asia

Non-Japan Asia: Time to use your policy space

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Key messages

- In **China**, we have recently revised upwards our 2016 GDP growth forecast slightly to 6.6% from 6.5% earlier to account for the likely shift in policy emphasis towards boosting demand. We note, however, that this has not changed our cautious view on China's medium- and long-term growth outlook.
- A marginal improvement in Chinese growth in the short term has not changed our view that global growth will remain lackluster this year. We have revised down our GDP expectations for the export-oriented economies, especially those with high exposure to China, including **Korea**, **Malaysia**, **Singapore**, **Taiwan**, and **Thailand**. This puts us further below consensus for these economies.
- We continue to think economies with less trade exposure and that have domestic policy catalysts will outperform market expectations, and hence maintain our above consensus growth forecasts for the **Philippines** (6.2% vs 5.9%) and **Indonesia** (5.2% vs 4.9%) in 2016. We continue to think **India**'s growth will improve gradually, though it will be difficult to beat the already demanding consensus. We have also started to cover **Vietnam** and think it will see robust real economic growth of 6.3%, though slower than last year's 6.7%.
- We think virtually all Asian economies except **Malaysia** have sufficient policy space to pursue pro-growth fiscal and monetary policies to support domestic demand. We now look for a further 75bps of cuts in **China**, 50bps in **Indonesia** (vs our forecast of 25bps earlier) and **Vietnam**, 25bps in **India**, **Korea**, and **Thailand**, and 37.5bps in **Taiwan** (vs our forecast of 12.5bps earlier).

More demand-side stimulus in China

We think Beijing's focus in terms of macro policies is shifting back to demand-side stimulus measures, after a few months of talk about supply-side reforms, though the government insists that it is pursuing both sides. On the back of more pro-growth policies boosting investment from a depressed level, we have recently revised upwards slightly our 2016 GDP growth forecast to 6.6% from 6.5% earlier.

We now expect a little more front-loaded investment for the 13th five year plan. We caution though that this would not be a repeat of the 2009 stimulus – the scale and effectiveness would be different. On the monetary policy front, we expect three interest rate cuts (25bps each time) and three RRR cuts (50bps each time) over the rest of this year.

We note, however, that this has not changed our cautious view on China's medium- and long-term growth outlook. We still expect that China needs to go through a period of financial deleveraging at some stage over the next three years, which may lead to rising default risks and NPL ratios. The country still has a long way to go in terms of cutting industrial capacity and reducing housing inventory. And advancing reforms is critical for China to move back to a self-sustaining growth path, in our view.

Weak external demand outlook the key challenge

While the expected improvement in Chinese growth momentum in 2Q/3Q is helpful for the rest of Asia, we note two important reasons why we are still taking a more cautious view on growth in the region broadly speaking.

- Our medium-term view on China remains the same – the economy is still on a trend slowdown path with financial deleveraging and capacity reduction acting as drags on growth.
- Meanwhile, the tightening of financial conditions in developed economies earlier has also put some pressure on economic recovery in the US and euro area. Our US team had earlier cut its US GDP growth forecast to 2.1% yoy in 2016 from 2.7%, and versus 2.4% in 2015. Our European economics team has also shaved its 2016 real GDP growth forecast to 1.5% from 1.8%.

As such, we have cut our growth forecasts for Korea, Malaysia, Singapore, Taiwan, and Thailand, putting us further below consensus (see Exhibit 215).

Exhibit 215: Credit Suisse growth forecasts versus latest consensus

Green for above consensus; red for below consensus; brackets for old forecasts as per EMQ 1Q2016

	2015	2016 CS latest forecast	2016 consensus
China	6.8	6.6 (6.5)	6.5
HK	2.4	2.0 (2.0)	1.9
India	7.7	7.8 (7.8)	7.7
Indonesia	4.8	5.2 (5.2)	4.9
Korea	2.5	2.6 (3.0)	2.7
Malaysia	5.0	4.2 (4.4)	4.3
Philippines	5.8	6.2 (6.2)	5.9
Singapore	2.0	1.7 (1.9)	2.0
Taiwan	0.7	1.7 (2.3)	1.9
Thailand	2.8	2.7 (2.9)	3.0
Vietnam	6.7	6.3 (NA)	6.5

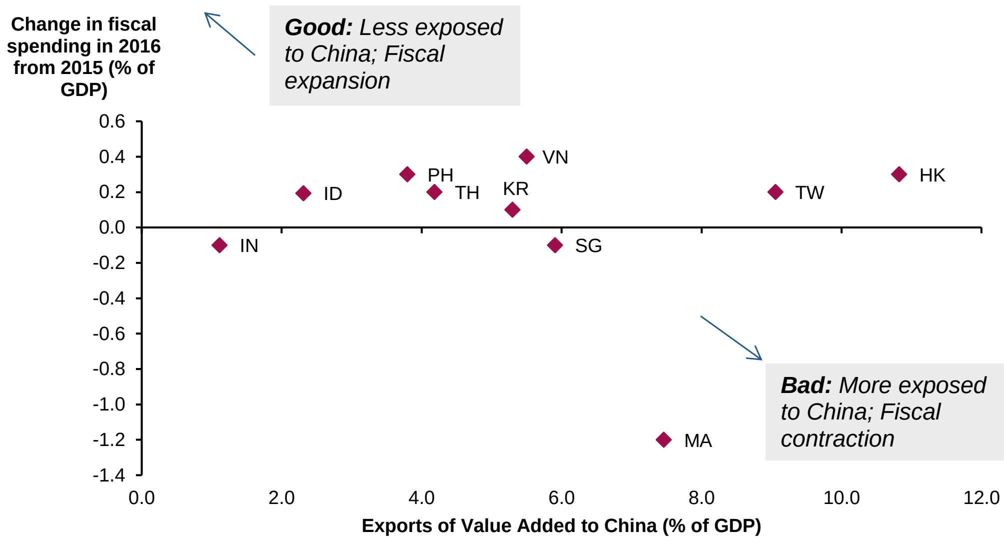
Source: CEIC, Consensus Economics, Credit Suisse

Economies with less exposure to China and more fiscal policy catalysts could outperform

We think the economies that could outperform market expectations are those with smaller exposure to China's slowdown and that have fiscal policy catalysts (Exhibit 216). We generally view fiscal policy as a more important driver of growth this year than monetary policy, because the latter tends to help an economy only with significant lags.

Exhibit 216: Indonesia and the Philippines look better positioned as they are less exposed to China, and have domestic fiscal policy catalysts

All based on calendar year except for India (fiscal year April-March); General government figures for India



Source: Credit Suisse estimates, CEIC, the BLOOMBERG PROFESSIONAL™ service

In particular, we sort EM Asian economies ex China into three groups based on likely growth performance, as summarized in Exhibit 217.

Exhibit 217: EM Asia ex China divided into three groups based on likely growth performance

Expected growth performance	Relative real exposure to China	Expected change in fiscal support vs 2015	Expected additional changes in monetary policy
Outperformer			
Philippines	Low	High	No cut
Indonesia	Low/Medium	Medium/High	Cut 50bps
Vietnam	Low	Medium	Cut 50bps
Neutral			
India	Very low	Low	Cut 25bps
Korea	Medium/High	Medium	Cut 25bps
Thailand	Medium/High	Medium/High	Cut 25bps
Vulnerable			
Singapore	High	Medium	No change
Taiwan	Very high	Medium/High	Cut 37.5bps
Malaysia	Very high	Very low	No cut
Hong Kong	Very high	High	No change

Source: Credit Suisse estimates

- We continue to think the **Philippines** and **Indonesia**'s growth could surprise the market on the upside as both have smaller direct trade exposure to China and will likely see an increase in government spending. **Vietnam** is also relatively well positioned, with room to ease monetary policy to help offset some headwinds from trade exposure to China.
- We also expect **India**'s GDP growth to stay relatively resilient, though the consensus forecast is already quite demanding.
- **Korea** and **Thailand** lie in the middle – we think the fiscal stimulus in both economies should help reduce downside risk to GDP, but not fully.
- Among the likely underperformers, **Hong Kong** and **Taiwan** should see some increase in fiscal spending, but this is unlikely to be sufficient to offset high exposure to China. **Malaysia** looks vulnerable, with a high exposure to China and a likely decline in government spending due to a budget squeeze. **Singapore** also belongs to this group, though it is not as directly exposed to China as the other three cases.

Cutting our inflation forecasts, and we expect more rate cuts in China, India, Indonesia, Korea, Taiwan, and Thailand

We have revised downwards our headline inflation forecasts for most Asian economies, putting our projections generally below the market consensus (Exhibit 218). This reflects both lower oil price expectations as well as smaller currency depreciations than we previously forecast.

Lower inflation would result in higher real interest rates, defined here as the policy rate minus headline inflation, amidst a sluggish economic recovery. This should provide greater room for rate cuts for Asian monetary authorities. In addition, with the US Fed rate hike likely to be pushed out to the second half of this year, we think many central banks will seize the opportunity to lower rates in 1H 2016.

Exhibit 218: More downward pressure on 2016 CPI due to lower oil prices

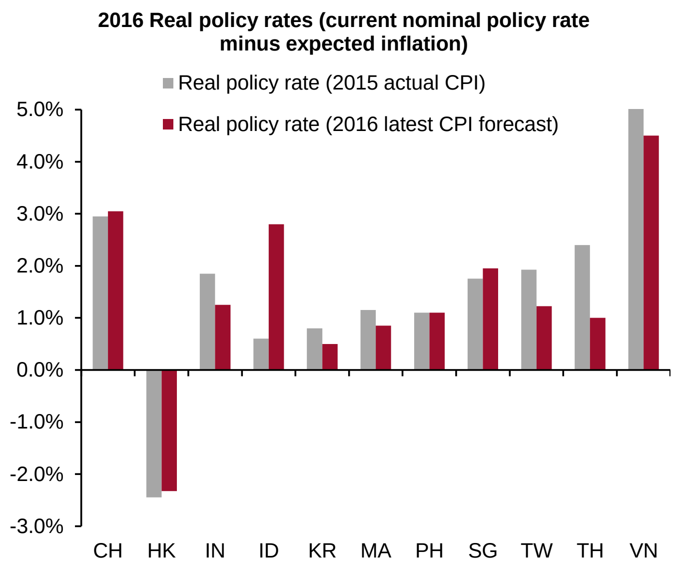
Green for above consensus; red for below consensus; brackets for old forecasts as per EMQ 1Q2016

Inflation forecasts versus consensus (year average)

	2015	2016 CS latest forecast	2016 consensus
China	1.4	**1.3** (1.3)	1.5
HK	3.0	**2.9** (2.9)	2.3
India	4.9	**5.5** (5.5)	5.3
Indonesia	6.4	**4.2** (4.7)	4.4
Korea	0.7	**1.0** (1.2)	1.3
Malaysia	2.1	**2.4** (3.4)	2.8
Philippines	1.4	**1.4** (2.4)	2.4
Singapore	-0.5	**-0.7** (0.1)	0.2
Taiwan	-0.3	**0.4** (1.4)	0.9
Thailand	-0.9	**0.5** (1.3)	0.9
Vietnam	0.6	**2.0** (NA)	2.9

Source: CEIC, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Exhibit 219: Asian central banks have space to cut rates further



Source: CEIC, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse estimates

We continue to look for a further 25bps rate cut in India, Korea, and Thailand, and 37.5bps in Taiwan. We have now added one more rate cut in Indonesia, thinking it will cut the BI rate further by 50bps instead of 25bps (to 6.5%). We also see a good chance it could cut RRR again this year by 50bps-100bps. The Philippines is an exception – while the BSP has room to cut, we think robust growth and fiscal spending would obviate the need to do so.

Exhibit 220: Policy rates vs consensus

Green for above consensus; red for below consensus; brackets for old forecasts

	2015	2016 CS latest forecast	2016 consensus (median)*
China	4.35	**3.60** (3.60)	3.85
India	6.75	6.50 (6.50)	6.50
Indonesia	7.50	**6.50** (6.75)	6.75
Korea	1.50	**1.25** (1.25)	1.50
Malaysia	3.25	3.25 (3.25)	3.25
Philippines	4.00	4.00 (4.00)	4.00
Taiwan	1.63	**1.25** (1.50)	1.50
Thailand	1.50	**1.25** (1.25)	1.50

*Based on Bloomberg Consensus
Source: Credit Suisse, the BLOOMBERG PROFESSIONAL™ service

We also maintain our view that most of these central banks would be willing to allow further currency weakness to help absorb shocks to exports.

China: Back to demand-side policies with better stability, for now

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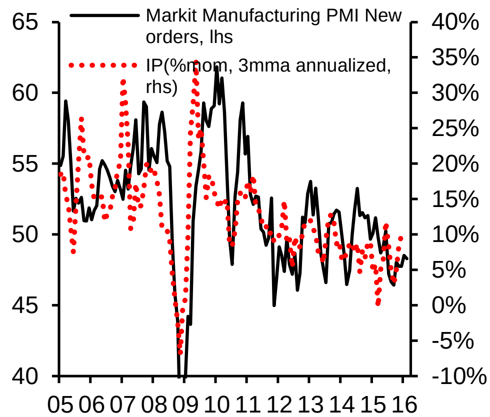
- **Growth momentum continues to trends down, so the policy emphasis seems to be shifting from supply-side reforms to demand-side stimulus.** There was a major switch in policy in 4Q 2015, as Beijing pursued "supply-side economics", e.g., cutting industrial over-capacity, lowering the housing inventory, financial deleveraging, along with structural reforms. Apparently, the policy focus is shifting back to demand-side measures, highlighted by the reserve ratio cut, new infrastructure programs, surging bank lending, and the government's plan to channel savings into the housing market. This should help reduce the short-term risks of a hard landing, but the country still needs reforms and deleveraging to return to a self-sustainable growth path, in our view.
- **Beijing has finally started to shut down some excess capacity in the steel, coal and cement industries.** The government plans to reduce the number of employees by 600,000 in the steel sector and 1,200,000 in the coal sector over a five-year period, along with more than an additional 3,000,000 jobs in other sectors. Cutting excess capacity is inevitable, in our view, but this does create short-term deflationary pressure and social stress. As China moves into a post-industrialization era, we expect the shrink in demand for commodities going beyond business cycle. That means the pain in heavy industry may be bigger and longer than expected.
- **On the other hand, private consumption remains robust, especially in the services area.** Chinese consumers are more exposed to online shopping than the world average, so we suspect the Chinese consumption statistics, which are based on traditional shopping, may have understated the dynamism of consumption. Further, as the younger generation of consumers gains weight in the consumer population, shopping habits, spending mix and savings rates are all changing, in our view. Activities in the sharing-economy are growing rapidly, to the cost of some traditional segments of commerce, but broadly benefiting consumers.
- **That said, the old economy is struggling.** Chinese consumers spent RMB1.2tn abroad last year, on milk powder from Australia, medicines from Japan and boarding schools in the US, among other things, yet the country's economy is focused more on producing steel and cement. We believe the issue is not that China lacks demand, but that it has a mismatch between demand and supply. The right prescription, to us, would be breaking the SOEs' monopolies and allowing private investment to produce what the new generation of consumers want to buy. However, the SOE reforms are progressing slowly, held back by vested interests. The government's stimulus measures could boost growth in the short run, but are unlikely to generate new kinds of supply to meet new areas of demand, and may cause further imbalances that undermine financial stability.
- **The government budgeted for a fiscal deficit to GDP ratio of 3% for 2016, versus its 2.3% target and the estimated actual result of 3.5% for 2015.** We believe that the target is relatively modest because the fiscal balance is under increasing scrutiny by international investors and ratings agencies. We expect the actual fiscal deficit to reach around 4%. The ministry of finance (MoF) is set to conduct a round of tax cuts. Corporate tax is expected to be cut by 2pps while the corporate tax regime is likely to be converted to a VAT regime. The effective tax rate for individual tax is likely to be lowered by 1pps-2pps, with a higher entry level. Fiscal reforms are progressing more slowly than expected, but we expect the process to accelerate in 2016. The successful debt swap was the MoF's highlight last year, with RMB3.2tn of local debt rolled over with much lower funding costs. We expect RMB5tn-RMB6tn this year.
- **The PBoC has set its 2016 M2 growth target at 13%, higher than the previously reported 12%.** The central bank seems to have become more accommodative after the Chinese New Year. This is partly because of the more accute need for pro-growth measures and partly because of the stabilizing RMB exchange rate. We look for three more rate cuts this year, each of 25bps, and three more RRR cuts, each of 50bps, in the rest of 2016. Still, we think that the PBoC probably will rely more on selective easing,

injecting liquidity through open market operations, and delivering liquidity to targeted financial institutions – policy banks in particular. Funding costs in the interbank market and bond market have declined sharply over the past two years, due to the PBoC's open market operations, despite infrequent interest rate cuts.

- **FX reserves declined by US$29bn in February, much better than the average drop of $100bn per month over the past few months.** We believe that the worst of the falls in FX reserves is behind us now, as the process of companies shifting dollar debt to domestic debt is largely over. Individuals are likely to continue shifting deposits into foreign currencies, but Beijing has tightened administrative capital controls. That should lead to improved stability of the RMB in the near future, in our view, especially if the USD does not strengthen significantly. It seems clear to us that the PBoC prefers implicit capital controls over a one-off devaluation, so we expect a steady exchange rate against a currency basket benchmark, with a weakening bias. We believe the medium-term outlook for the RMB depends on the growth outlook and domestic debt dynamics.
- **The housing market has seen a strong rebound in pricing and volumes in the large cities.** Too much liquidity and too few investment options, along with a favorable policy background, are behind the rally. We expect this rally to continue in the coming quarters, spreading gradually to second- and some third-tier cities. Property developers are likely to increase their construction and land acquisition activity, from low levels. However, we do not think the current momentum is enough to digest the housing inventory, currently estimated at 6.5 years of sales, mostly in low tier cities. While the large cities are seeing more growth and jobs, the majority of the excess housing supply is in the smaller cities. Beijing has tolerated property price increases, but we believe it would prefer to boost purchasing power in lower tier cities.
- **Onshore prices for agricutural products and commodities experienced a round of rallies recently.** We believe the rate of PPI deflation will be capped at around -6% yoy, and we expect PPI deflation to narrow towards -4% in the coming months. On the other hand, we doubt if we will see a significant and persistent upswing in CPI inflation. Export data appeared to be rather weak during the first two months of the year, but we believe the underlying growth may have been slightly better than the headline figures due to calendar effects. However, we expect export activity continue to be weak given the uncertainties regarding global growth. Imports have improved in recent months with the expectation of more pro-growth policy measures. While we expect some improvment, we do not expect a strong turnaround in China's demand growth.
- **Overall, we expect a period of stabilization in China, compared to the uncertainty experienced since the middle of last year.** This should be helped by more proactive and accommodative counter-cyclical policies, improved sentiment in the property market, a stabilization in the exchange rate and FX reserves, and the successful rollover of local government debt. We believe that the risk of a hard landing or a sharp fall in the exchange rate is remote in the short term. We recently revised our 2Q16 GDP growth forecast from 6.4% yoy to 6.5% and our full-year 2016 forecast from 6.5% to 6.6%. However, we believe that the real issue in China has not been addressed, and that China should re-engage private investment, deleverage, and pursue structural reforms. We would become more positive on the long-term outlook if progress could be made in these areas, beyond demand-side policy moves.
- **Moody's recently revised its outlook on China's sovereign bond rating (currently at Aa3).** The negative outlook is based on weakened fiscal metrics, falling FX reserves and stagnation in implementing reforms. These are all relevant issues, especially in a down cycle, and we share Moody's concerns. However, we note that China's debt issue is predominantly a domestic one with a closed capital account, more similar to Japan than to Korea in 1997, the US in 2008, or Greece in 2011. We believe the ultimate challenge for Beijing is to stabilize debt and gradually deleverage. The medium-term risks remain high during this process, in our view.

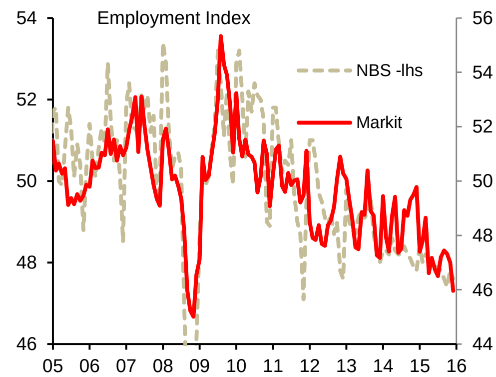
Growth momentum is weakening again, and PMI employment indices fell further. Policy emphasis seems to be shifting from supply-side reforms to demand-side stimulus measures.

Exhibit 221: PMI New Orders vs. IP momentum



Source: Markit Economics, CEIC, Credit Suisse

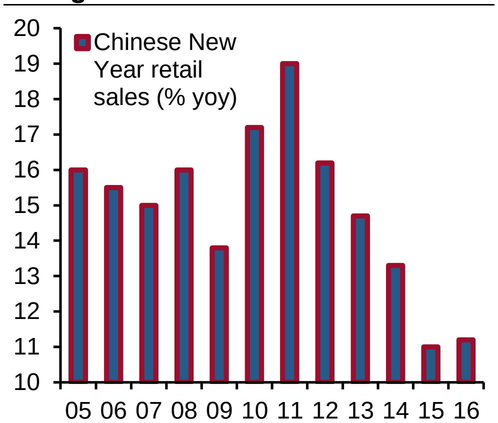
Exhibit 222: PMI employment indices



Source: Markit Economics, CEIC, Credit Suisse

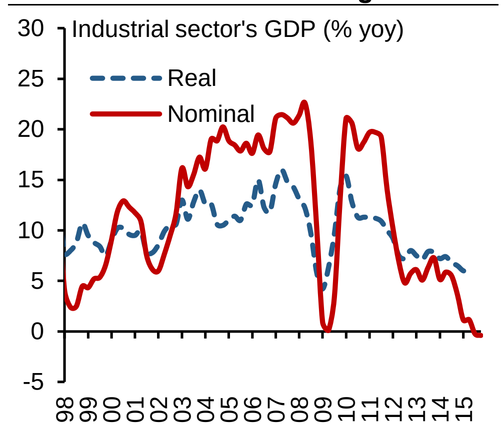
Private consumption has been holding up relatively well. However, the old economy is struggling. Nominal industrial GDP recorded a year-on-year contraction in the past two quarters.

Exhibit 223: Retail sales growth during the Chinese New Year



Source: CEIC, Credit Suisse

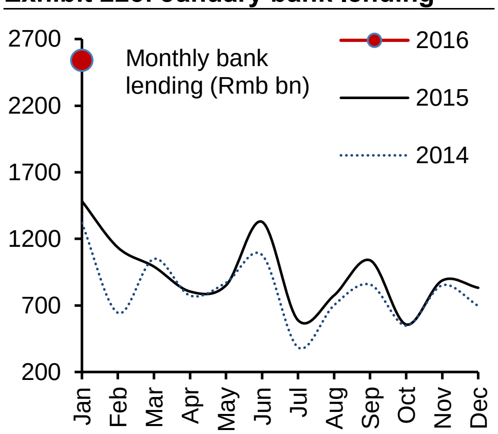
Exhibit 224: Industrial GDP growth



Source: CEIC, Credit Suisse

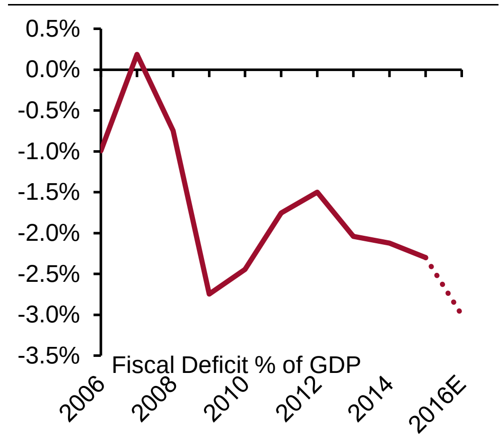
January bank lending hit a historical high. The fiscal deficit has expanded further.

Exhibit 225: January bank lending



Source: CEIC, Credit Suisse

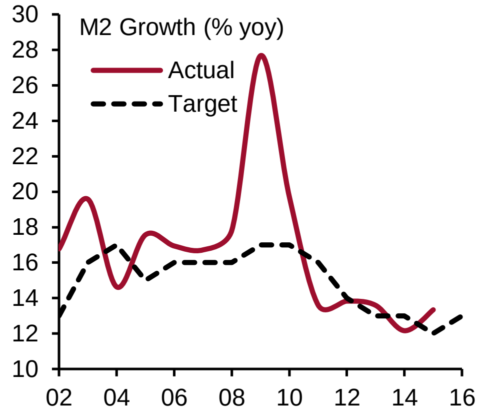
Exhibit 226: Fiscal deficit



Source: NPC, CEIC, Credit Suisse estimates

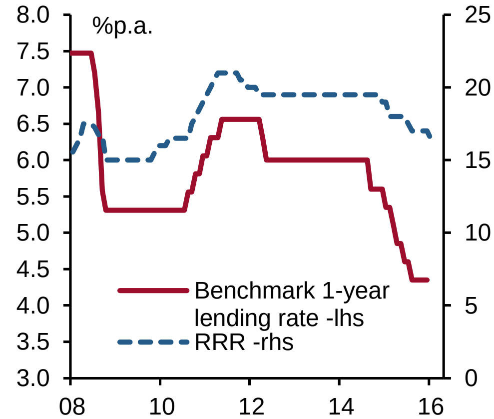
The government is lifting its M2 growth target slightly. We expect more interest rate and RRR cuts this year.

Exhibit 227: M2 Growth: actual vs. target



Source: NPC, CEIC, Credit Suisse

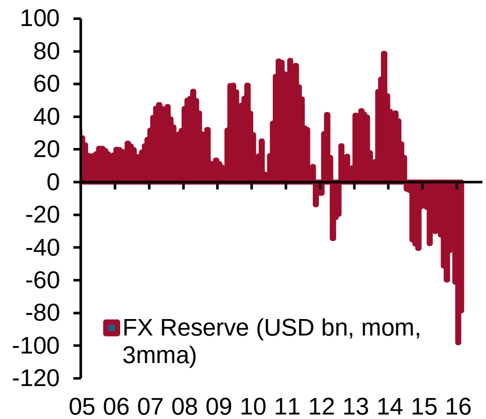
Exhibit 228: Interest rate vs. RRR



Source: CEIC, Credit Suisse

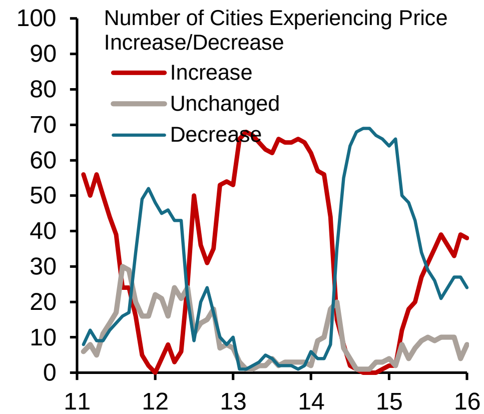
The fall in FX reserves seemed to be stabilizing. Housing prices have been on a rally.

Exhibit 229: FX reserves



Source: CEIC, Credit Suisse

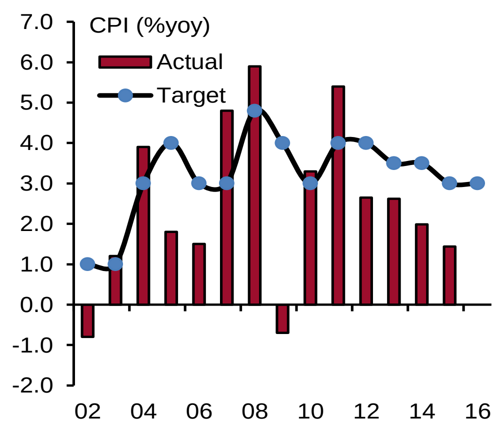
Exhibit 230: Housing prices



Source: CEIC, Credit Suisse

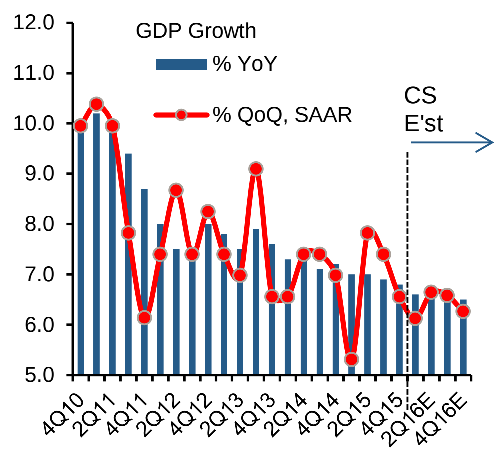
The government is maintaining its inflation upper bound at 3% although actual inflation has been trending down; this leaves room for more monetary easing. We expect growth to improve in the coming quarter.

Exhibit 231: CPI: actual vs. target



Source: NPC, CEIC, Credit Suisse

Exhibit 232: GDP growth



Source: CEIC, Credit Suisse

China: Selected economic indicators*

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	9.1	10.3	9.2	7.7	7.7	7.3	6.9	6.6	6.5
Growth in real private consumption (%) (1)	10.3	9.5	11.5	8.3	7.0	8.1	8.9	7.4	7.6
Growth in real gross fixed capital formation (%) (2)	24.2	12.4	8.5	8.8	9.1	7.1	5.3	4.8	4.6
Fixed investment (% of GDP)	44.2	44.3	44.2	44.5	44.7	44.5	41.8	41.2	40.5
Nominal GDP ($bn)	5,063	6,079.1	7,464.9	8,489.6	9,554.3	10,323.2	10,721.0	10,931.8	11,222.5
Population (mn)	1,335	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,375.5	1,382.7	1,389.4
GDP per capita ($)	3,794	4,533.6	5,540.4	6,269.8	7,021.5	7,547.2	7,794.4	7,906.3	8,077.2
Unemployment (% of urban labor force, average year)	4.3	4.1	4.1	4.2	4.1	4.1	4.1	4.3	4.1
Prices, interest rates and exchange rates									
CPI inflation (%, December over December)	1.9	4.6	4.1	2.5	2.5	1.5	1.3	1.4	1.8
CPI inflation (% change in average index for the year)	15.1	15.0	14.4	13.5	2.6	2.0	1.4	1.3	1.7
Exchange rate (RMB per USD, end-year)	6.83	6.62	6.35	6.24	6.07	6.20	6.43	6.78	6.95
Exchange rate (RMB per USD, average)	6.83	6.73	6.49	6.29	6.15	6.16	6.31	6.61	6.87
REER (% year-on-year change December to December) (3)	-2.9	2.9	6.9	0.8	7.5	5.3	3.3	-2.0	-2.0
Nominal wage growth (% year-on-year change, average)	11.6	13.3	14.4	11.9	10.1	9.4	7.5	6.5	7.0
1-year lending rate (%, end-year)	5.31	5.31	5.81	6.56	6.00	5.60	4.35	3.60	3.60
3-month interbank rate (%, end-year)	1.83	4.62	5.47	5.22	5.56	4.66	3.31	2.96	3.00
Fiscal data									
General government fiscal balance (% of GDP)	-2.7	-2.4	-1.8	-1.5	-2.0	-2.1	-2.3	-3.0	-2.7
General government primary fiscal balance (% of GDP)	-2.0	-1.7	-1.1	-0.8	-1.4	-1.4	-1.7	-2.4	-2.0
General government expenditure (% of GDP)	22.1	22.0	22.6	23.6	23.8	23.9	24.5	25.3	25.0
Gross general government debt (% of GDP, end-year) (4)	53.1	54.3	51.8	53.5	56.2	53.4	55.6	58.7	61.1
Money supply and credit									
Broad money supply (M2, % of GDP)	175.4	177.5	174.2	181.6	188.2	193.0	205.5	217.6	229.4
Broad money supply (M2, % year-on-year change)	28.4	18.9	17.3	14.4	13.6	12.2	13.3	13.0	12.5
Domestic credit (% of GDP) (5)	139.9	143.6	142.1	150.8	157.6	169.4	193.6	209.1	224.5
Domestic credit (% year-on-year change)	27.5	21.5	17.1	17.1	15.1	16.2	21.6	15.3	14.6
Domestic credit to the private sector (% of GDP)	125.5	127.6	124.1	130.0	135.4	141.9	151.1	158.2	163.9
Domestic credit to the private sector (% year-on-year change)	33.2	20.3	15.1	15.6	14.7	13.3	13.3	11.7	10.5
Balance of payments									
Exports (goods and non-factor services, % of GDP)	24.7	26.4	26.9	25.6	24.7	24.0	22.2	22.7	23.3
Imports (goods and non-factor services, % of GDP)	20.3	22.7	24.5	22.9	22.2	21.2	18.7	18.3	19.3
Exports (goods and non-factor services, % increase in $ value) (6)	-16.4	28.3	25.2	8.3	8.3	5.1	-4.1	4.6	5.2
Imports (goods and non-factor services, % increase in $ value) (7)	-10.2	34.1	32.3	6.4	9.1	3.4	-8.4	-0.2	8.0
Current account balance ($bn)	243.3	237.8	136.1	215.4	148.2	219.7	293.2	350.4	300.8
Current account (% of GDP)	4.8	3.9	1.8	2.5	1.6	2.1	2.7	3.2	2.7
Net FDI ($bn)	87.2	185.7	231.7	176.3	218.0	208.7	77.1	67.1	52.1
Scheduled external debt amortization ($bn) (8)	30.6	34.3	33.0	31.7	30.4	27.4	47.4	69.4	35.4
Foreign debt and reserves									
Foreign debt ($bn, end-year)	428.6	548.9	695.0	737.0	863.2	895.5	625.9	448.9	421.5
Public ($bn) (9)	130.9	174.1	249.3	241.3	297.7	307.9	246.3	209.4	198.9
Private ($bn)	297.7	374.8	445.7	495.7	565.4	587.5	379.5	239.5	222.6
Foreign debt (% of GDP, end-year)	8.5	9.0	9.3	8.7	9.0	8.7	5.8	4.1	3.8
Foreign debt (% of exports of goods and services)	34.3	34.2	34.6	33.9	36.6	36.2	26.3	18.1	16.1
Central bank gross FX reserves ($bn)	2,453.2	2,914.2	3,255.8	3,387.9	3,880.4	3,899.3	3,406.3	3,167.1	3,086.0
Central bank gross non-gold FX reserves ($bn)	2,399.2	2,847.3	3,181.1	3,311.6	3,821.3	3,843.0	3,330.4	3,096.5	3,025.3

*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. (9) Public debt defined as direct loans by government, state banks and SOEs, excluding trade credit.

Source: National Bureau of Statistics, People's Bank of China, CEIC, Credit Suisse

Hong Kong: Growth slows, HKD peg remains intact

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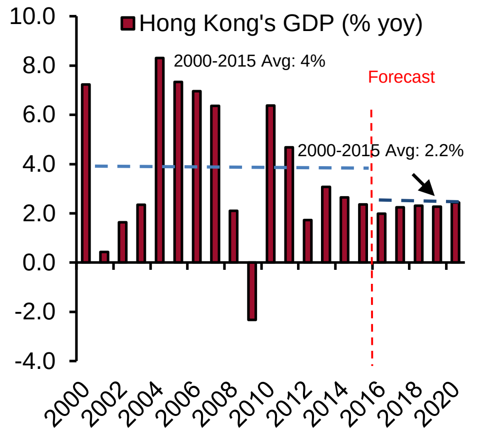
- **4Q15 GDP growth was in line with our expectation, and we maintain our view that the economy is entering a structural downturn.** GDP grew 1.9% yoy in 4Q15 and full-year 2015 saw 2.4% growth. Growth was supported by a 3.2% gain in private and government consumption, but gross fixed capital investment (-9.7% yoy) was dragged down by the slowdown in public construction and private business investment. Exports fell 0.9% yoy, weighed down by the weakness in merchandise and service exports.
- **The weak retail sales in January suggest that private consumption and service exports are likely to remain under pressure in 1Q16.** Retail sales volume fell 5.2% yoy in January, mainly due to the weakness in both tourist and local consumption items. We expect continued weakness in the tourism sector and the correction in property prices to negatively impact tourist receipts and have a negative wealth effect on local consumers. We expect Hong Kong's GDP growth to weaken further to 2% in 2016 from 2.4% last year, and to hover around a similar level in the years to come.
- **While the selling pressure on the HKD has abated for the time being, we remain cautious that a resumption of RMB weakness and/or a revival in US rate hike expectations would trigger renewed pressure.** We maintain our view that the USDHKD peg will hold and acknowledge that Hong Kong's interbank system remains excessively flush with a very large amount of capital inflows. We expect Hong Kong to have sufficient foreign currency to meet the demand for future potential outflows, though the monetary base would shrink from its current size to a more moderate level during the process.
- **We expect Hong Kong's residential property prices to remain under pressure, but the recent spike in demand for homes in China's tier-1 cities may help cushion the negative sentiment.** We maintain our view that Hong Kong's property market will face three growing headwinds: (1) rising HKD interest rates; (2) rising new home completions; and (3) the prospect of a weaker labor market. But, that said, renewed residential property demand in China's tier-1 cities and a slower-than-expected US interest rate normalization process could help to cushion the downtrend. We also believe that the excessive amount of liquidity in the banking system would prevent a sharp spike in HIBOR that could trigger a very rapid correction in residential property prices.
- **We do not expect the government to ease the existing property sector control measures unless residential property prices show a persistent downtrend.** In his Policy Address, Chief Executive Leung Chun-ying said that "while it is the Government's responsibility to provide land and public housing to cater for the housing needs of the public, it is not the Government's duty to ensure that property prices can only go up." He elaborated that "the current property price and rental levels are still beyond what people can afford." Leung's comments suggest that the likelihood of the government altering its existing housing policy at this juncture remains relatively low, in our view.
- **The government has maintained an expansionary fiscal policy stance in 2016.** In view of the fiscal surplus achieved and the challenging growth outlook, Financial Secretary John Tsang raised the total amount of fiscal benefits in this year's Budget to HKD38.8bn (1.6% of GDP), estimating that they will boost 2016's GDP growth by 1.1 percentage points. Tsang turned more cautious on the outlook for Hong Kong's economy in his speech and forecast that real GDP growth in 2016 will range between 1% and 2%. We concur with Tsang's cautious view on the economy and expect growth to face a structural slowdown in the years to come.
- **The outlook for Hong Kong's ratings appears stable.** An adjustment remains unlikely over the next six months, in our view. Hong Kong is rated Aa1 (Moody's), AAA (S&P) and AA+ (Fitch).

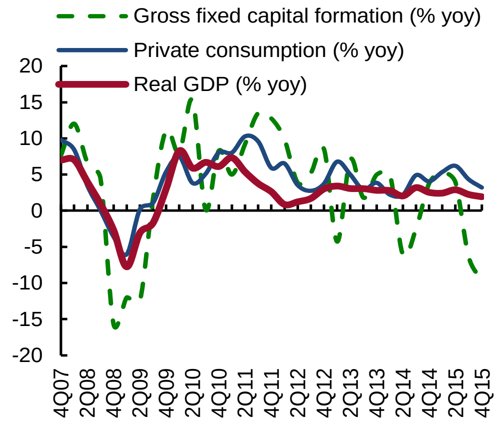
4Q15 GDP growth was in line with our expectation, and we maintain our view that the economy is entering a structural downturn.

Exhibit 233: Potential growth rate



Source: Census and Statistics Dept., CEIC, Credit Suisse estimates

Exhibit 234: Real GDP components

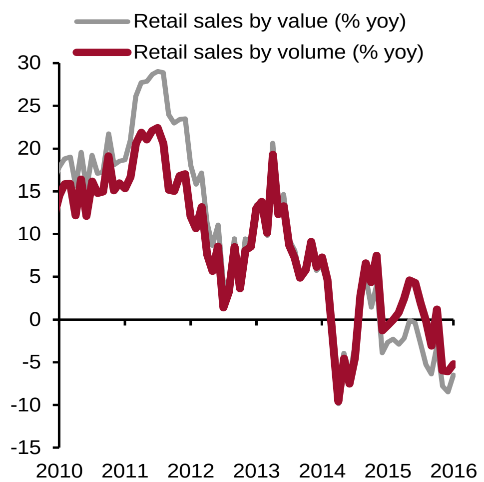


Source: & Census and Statistics Dept, Credit Suisse

The weak retail sales in January suggest that private consumption and service exports are likely to remain under pressure in 1Q16.

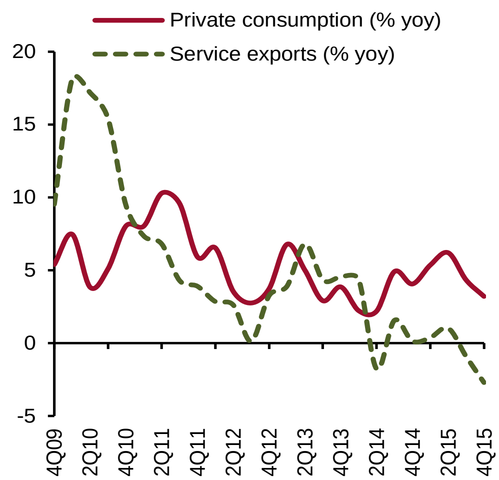
We expect Hong Kong's GDP growth to weaken further to 2% in 2016 from 2.4% last year, and to hover around a similar level in the years to come.

Exhibit 235: Retail sales



Source: Census and Statistics Dept, Credit Suisse

Exhibit 236: Consumption and service exports

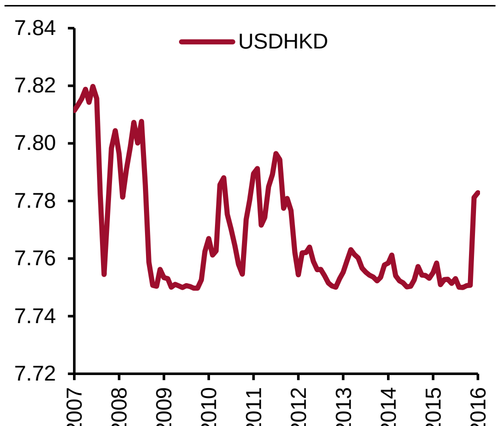


Source: NBS, CEIC, Credit Suisse estimates

While the selling pressure on the HKD has abated for now, we remain cautious that it could resume.

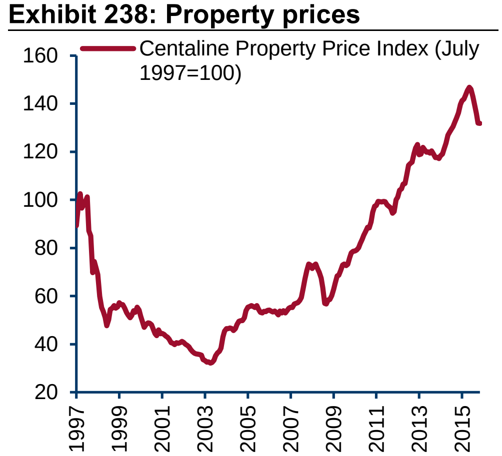
We maintain our view that Hong Kong's property market will face growing headwinds from: (1) rising HKD interest rates; (2) rising new home completions; and (3) the prospect of a weaker labor market.

Exhibit 237: USDHKD



Source: Census and Statistics Dept, HKMA, Credit Suisse

Exhibit 238: Property prices



Source: Centaline Property, Credit Suisse

Hong Kong: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	-2.2	6.8	4.6	1.7	3.1	2.5	2.4	2.0	2.2
Growth in real private consumption (%)	0.2	6.1	8.4	4.1	4.6	3.2	4.8	2.6	2.4
Growth in real fixed investment (%)	-3.5	7.7	10.2	6.8	2.6	-0.2	-2.2	1.9	0.2
Fixed investment (% of GDP)	21.7	21.9	23.1	24.2	24.1	23.5	22.4	22.4	21.9
Nominal GDP ($bn)	212.7	227.7	248.0	261.2	274.2	289.2	308.0	316.4	320.8
Population (mn)	7.0	7.1	7.1	7.1	7.1	7.2	7.2	7.2	7.3
GDP per capita ($)	30,277	32,281	35,010	36,716	38,390	40,324	42,774	43,759	44,184
Unemployment (% of labor force, end-year)	5.5	4.0	3.2	3.5	3.3	3.3	3.3	3.8	4.0
Prices, interest rates and exchange rates									
CPI inflation (%, December over December)	1.3	3.0	5.7	3.7	4.3	4.9	2.5	1.3	1.5
CPI inflation (% change in average index for the year)	0.5	2.4	5.3	4.1	4.3	4.4	3.0	2.9	1.4
Exchange rate (HKD per USD, end-year)	7.76	7.77	7.78	7.76	7.76	7.76	7.75	7.80	7.80
Exchange rate (HKD per USD, average)	7.75	7.77	7.78	7.76	7.76	7.76	7.75	7.78	7.80
REER (% year-on-year change December to December) (1)	-1.9	-4.4	0.6	2.4	3.3	3.4	2.1	1.7	0.1
Nominal wage growth (% year-on-year change, average)	-1.0	2.5	6.0	2.0	3.3	3.9	1.5	0.3	0.5
3-month HIBOR (%, end-year)	0.1	0.3	0.3	0.4	0.4	0.4	0.6	1.0	1.5
Fiscal data									
General government fiscal balance (% of GDP)	1.6	4.2	3.8	3.2	1.0	3.7	1.3	0.5	0.6
General government primary fiscal balance (% of GDP)	1.6	4.3	3.8	3.2	1.0	3.7	1.3	0.5	0.6
General government expenditure (% of GDP)	17.6	17.0	18.8	18.5	20.3	17.6	17.8	19.7	19.7
Gross general government debt (% of GDP, end-year) (2)	0.7	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Money supply and credit									
Broad money supply (HKD M2, % of GDP)	210.3	211.6	219.0	231.8	249.0	260.0	256.0	263.0	272.0
Broad money supply (HKD M2, % year-on-year change)	5.3	8.0	12.9	11.1	12.8	10.1	4.8	5.8	5.2
Domestic credit (% of GDP)	165.1	196.2	207.5	202.8	225.8	237.8	215.6	215.4	217.8
Domestic credit (% year-on-year change)	30.3	27.5	15.4	2.5	16.9	11.0	-3.4	2.9	2.8
Domestic credit to the private sector (% of GDP)	154.8	192.2	208.8	218.8	231.9	235.0	213.6	215.4	219.8
Domestic credit to the private sector (% year-on-year change)	6.5	33.2	18.6	9.9	11.3	6.9	-3.2	3.9	3.8
Balance of payments									
Exports (goods and non-factor services, % of GDP)	191.2	219.4	225.5	225.6	228.0	219.4	201.2	198.0	197.0
Imports (goods and non-factor services, % of GDP)	183.4	213.5	221.6	224.4	227.4	219.3	198.8	196.7	195.5
Exports (goods and non-factor services, % increase in $ value)	-11.0	22.8	11.9	5.4	6.1	1.7	-2.5	1.1	0.9
Imports (goods and non-factor services, % increase in $ value)	-10.3	24.7	13.0	6.6	6.4	1.9	-3.6	1.7	0.7
Current account balance ($bn)	21.2	15.9	13.8	4.1	4.1	5.4	11.8	10.8	13.7
Current account (% of GDP)	9.9	7.0	5.6	1.6	1.5	1.9	3.8	3.4	4.3
Net FDI ($bn)	-3.7	-15.6	0.2	-13.2	-6.4	-39.2	-39.0	-39.0	-39.0
Scheduled external debt amortization ($ bn) (3)	10.3	11.4	11.8	11.9	12.0	12.1	12.2	12.3	12.4
Foreign debt and reserves									
Foreign debt ($bn, end-year) (4)	79.0	100.7	125.8	146.1	171.0	213.2	260.5	314.4	375.0
Public ($bn)	1.7	1.7	1.5	1.9	1.7	1.5	2.0	2.5	3.1
Private ($bn)	77.3	98.9	124.3	144.1	169.4	211.7	258.5	311.9	371.9
Foreign debt (% of GDP, end-year)	37.1	44.2	50.7	55.9	62.4	73.7	84.6	99.4	116.9
Foreign debt (% of exports of goods and services)	19.4	20.1	22.5	24.8	27.4	33.6	42.0	50.2	59.3
Central bank gross FX reserves ($bn)	255.8	268.7	285.4	317.3	324.8	342.6	367.2	390.9	417.6
Central bank gross non-gold FX reserves ($bn)	255.8	268.7	285.4	317.3	324.8	342.6	367.2	390.9	417.6

(1) Real effective exchange rate, increase indicates appreciation. (2) Also includes debt issued under the Government Bond Program. Excludes debt guaranteed by the government. (3) Scheduled and estimated amortizations for total medium- and long-term public and private sector debt. (4) Non-bank foreign debt to Hong Kong entities.

Source: Census and Statistics Department, Hong Kong Monetary Authority, CEIC, Credit Suisse

India: Macro-stability over growth

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- **Maintain view on gradual recovery.** We believe that growth will strengthen only gradually and that headwinds from weak domestic private investment and sluggish export growth remain. Recent high frequency data suggest improving manufacturing new orders, higher coal and cement production, and consumer credit growth, which should bode well for a sequential pick-up in growth in 4Q FY2015-16. However, we see downside risk to our growth estimate of 7.8% yoy for FY2016-17 on disappointing investment growth and the possibility of a staggered pay commission roll-out.

- **Macro-stability over growth.** In the Union budget for FY2016-17 announced on 29 February, the government declared its commitment to meeting its fiscal deficit to GDP target of 3.9% for 2015-16 and sticking to its roadmap for the future. It retained its fiscal deficit target of 3.5% of GDP for FY2016-17 and 3.0% for subsequent years against expectations of a likely slip. However, the quality of spending is likely to suffer as expected, with capital expenditure budgeted to fall from 1.8% of GDP in FY2015-16 to 1.6% in FY2016-17, highlighting the limited ability of the government to ramp up capex significantly. Hence, we continue to be less constructive on investment growth in FY2016-17, projecting 6.2% yoy versus the Bloomberg consensus of 7.1%.

- **Higher public sector capex not enough for investment recovery.** Gross fixed capital formation growth slowed down to 2.8% yoy in the quarter ending December 2015 from 7.6% in the previous quarter, despite robust growth in central government capital expenditure (31% yoy). This reflected: 1) slower on-the-ground implementation of new orders, likely because of policy issues such as land acquisition; and 2) a sluggish recovery in private corporate investment, which accounts for 40% of total fixed capital formation against the public sector's share of 24%. Thus, despite the higher capex by the public sector (government plus public sector enterprises) budgeted for FY2016-17 (4.3% of GDP vs. 4.1% in FY2015-16), we think overall investment growth will likely disappoint the consensus.

- **Boost to consumption could be lower if pay commission roll-out is staggered.** The full impact of the seventh pay commission was estimated to add 0.6% of GDP to government expenditure in FY2016-17. From the government budget, we estimate that roughly half of the expenditure has likely been deferred to next year, which was probably necessary to attain the fiscal consolidation target. This will likely limit the expected acceleration in private consumption growth next year. This, together with any further cuts in fiscal spending to make up for the likely shortfall in non-tax revenue, could result in downside to our growth estimate of 7.8% for FY2016-17.

- **Lower net market borrowing alleviates some concerns about supply.** We expect net market borrowing to fall by 3% yoy against the market expectation of an 8% gain, which is a reflection of a lower-than-expected fiscal deficit. This would be a positive for the bond market, which had been reeling under the supply pressure.

- **Structural inflation still persistent.** Although the RBI's CPI inflation target of 6% and expectation of 5.8% for January 2016 were met, the food inflation pressures appear to be more persistent, led by higher protein inflation. Month-on-month changes in fuel inflation continue to be positive, once again highlighting the muted impact of lower global oil prices on retail fuel prices. Moreover, inflation expectations continued to inch higher in the quarter ending December 2015. We think the risks to the RBI's forecast of 5% in March 2017 are tilted to the upside. We believe the RBI's assumptions of a normal monsoon and that the current level of international oil prices will persist could prove too optimistic.

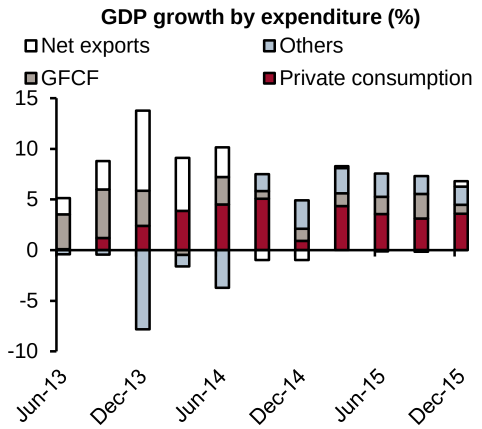
- **We continue to expect the RBI to cut rates by 25bps in April.** From a monetary policy perspective, the union government adhering to its fiscal consolidation targets for FY2016-17 was a positive. Moderately lower CPI inflation from February-March 2016 should also help. We continue to expect the RBI to cut the repo rate by 25bps in the April policy review. Beyond that, however, risks to inflation and budget implications should limit the room for further monetary easing.
- **Maintain our above-consensus current account deficit (CAD) forecast for FY2016-17; currency volatility could continue.** We estimate that the CAD is on track to narrow to our forecast of 1.0% this year, but the balance of payments surplus should moderate to USD16bn from USD61bn in FY2014-15 due to short-term capital outflows. We reiterate that support for the current account balance from factors other than oil imports has been waning. The trade balance excluding oil and gold imports continued to deteriorate on a 12-month rolling basis in January, suggesting a sharper contraction in exports vs. non-oil and gold imports. We think there are risks the current account deficit could widen in FY2016-17 to 1.6% of GDP from the economic downturn in the Middle East affecting exports and remittances negatively (see below). As such, our FX strategists expect the INR to depreciate to 70/USD in three months and 71/USD in 12 months.
- **Remittances could fall as Gulf Cooperation Council (GCC) growth corrects.** The GCC accounts for about 37% of total remittances to India, and an important feature of remittances has been that they have proven to be one of the most stable forms of external flows to India. Our concern is that a lower new normal for global oil prices could mean a sharp cut in fiscal spending by the oil-exporting countries. The UAE and Saudi Arabia have already announced cuts in government spending in 2015 and 2016 respectively via measures including increases in retail petroleum prices and cuts in subsidies for electricity and fuel.

  Given the bulk of migration from India has been in low-skilled occupations such as construction, remittances are likely to be hit if fixed investment slows in the GCC as a result of sustained lower oil prices. Oman has already put a tax on expat remittances. Moreover, the risk of capital outflows from sovereign wealth funds has also become higher as the oil exporters redeem their savings.
- **Moderation in Indian exports to the GCC already underway.** Given high downside risks to GCC growth – the IMF recently sharply downgraded its forecast for Saudi Arabian GDP growth by one percentage point to 1.2% yoy in 2016 (vs. 3.4% in 2015) – and sharp cuts in government subsidies, we think slower domestic demand in the GCC could drive another bout of correction in India's exports via lower volumes. However, we think this should be more limited to exports other than petroleum, gems and jewellery.
- **Tax amnesty scheme announced.** The government in its budget announced the first tax amnesty scheme since 1997. The window for declaring assets will open on 1 June for four months and taxpayers can get an exemption from prosecution by paying levies of 45%, including a penalty and surcharge, on the undisclosed income. A similar scheme last year to target illicit assets overseas yielded revenue of only about 0.02% of GDP (against expectations of 25%). Given the failure of such schemes launched earlier and in the absence of any new stringent measures against tax evaders, the scheme is unlikely to generate significant revenue, in our view.
- **Progress on reforms.** Among other big announcements in the budget, the government plans to table a comprehensive bankruptcy code in parliament, to aid the speedy recovery of assets. It also announced that it will amend the Reserve Bank of India Act to add a monetary policy framework and a monetary policy committee in fiscal 2016-17. In line with our view, the government is set to miss the 1 April 2016 rollout date for GST, and it seems unlikely be implemented in FY2016-17.

Unlike the current year, when expansion will likely be investment-led, we expect growth next year to be driven by private consumption.

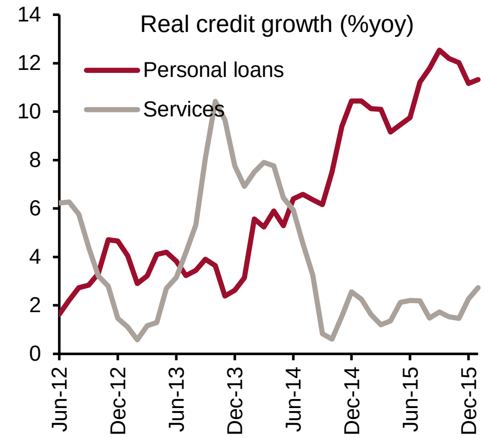
Total bank credit growth rose to 11.6% yoy in February. Within total bank credit growth, personal loans have been among the most robust.

Exhibit 239: GDP growth by sectors



Source: CEIC, Credit Suisse

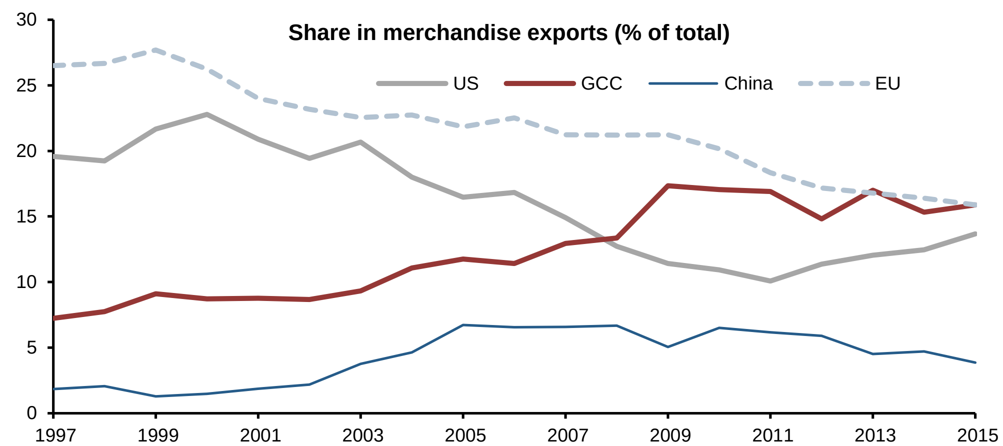
Exhibit 240: Consumer loans



Source: CEIC, Credit Suisse

A moderation in India's exports to the GCC is already under way. We think the correction may have further to run.

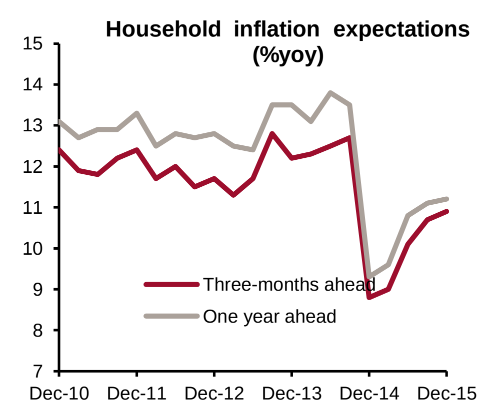
Exhibit 241: Share of GCC in India's exports now higher than the US and on par with the EU



Source: CEIC, Credit Suisse

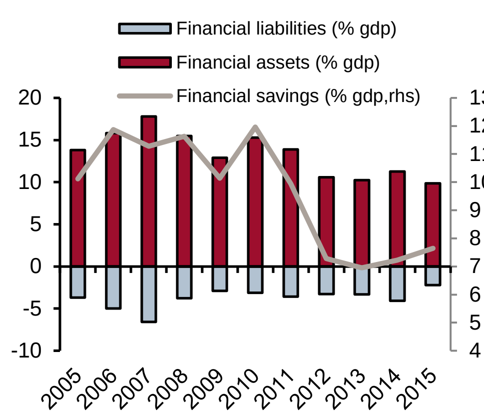
Still high inflation expectations and lack of a pick-up in financial assets may cause the RBI to take a more cautious stance on cutting rates going forward.

Exhibit 242: Inflation expectations



Source: CEIC, Credit Suisse

Exhibit 243: Household financial assets

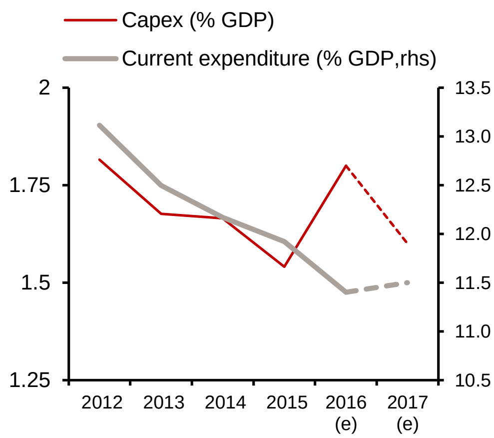


Source: CEIC, Credit Suisse

Surge in capital expenditure by the government in FY2015-16 is budgeted to slow down as per our expectations.

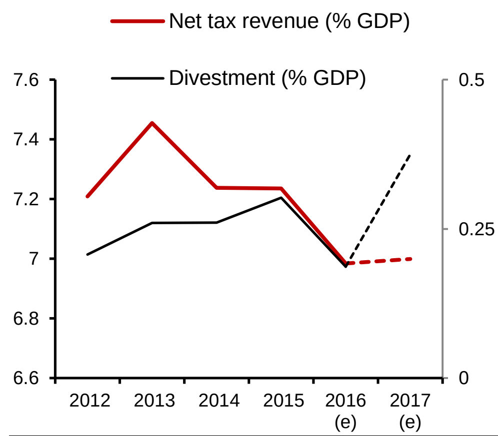
Jump in divestments expected to bridge part of the fiscal deficit. For the central government, we see a risk that the fiscal deficit target of 3.5% may not be met in FY2016-17.

Exhibit 244: Government expenditure



Source: CEIC, Credit Suisse estimates

Exhibit 245: Government revenue

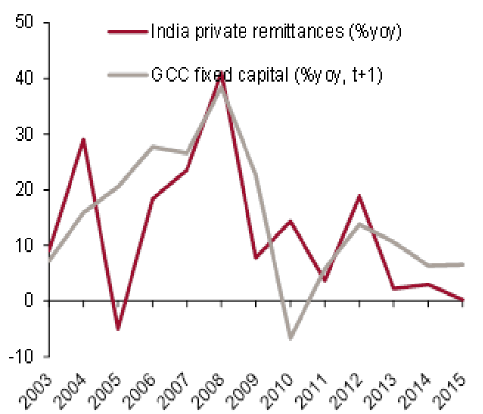


Source: CEIC, Credit Suisse estimates

Investment cuts in the GCC could impact remittances to India.

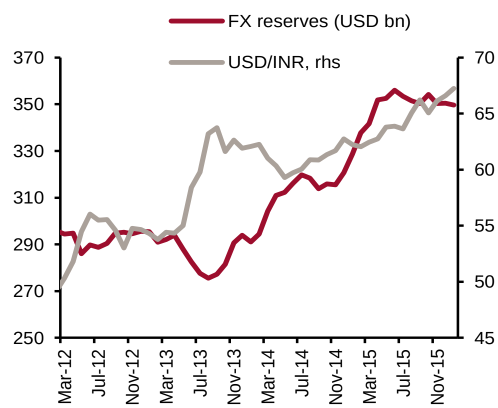
FX reserves have been falling and currency volatility has gathered pace.

Exhibit 246: Remittances



Source: CEIC, Credit Suisse

Exhibit 247: FX reserves

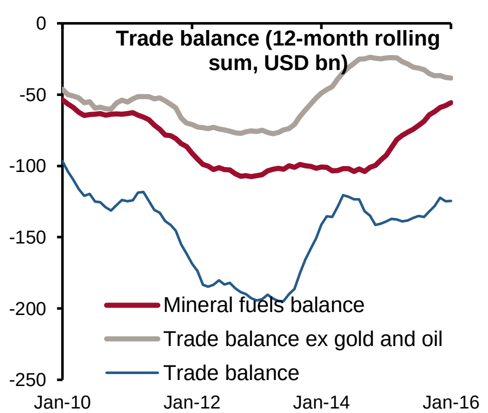


Source: CEIC, Credit Suisse

The lack of an export recovery is holding back an improvement in the trade balance despite lower oil imports.

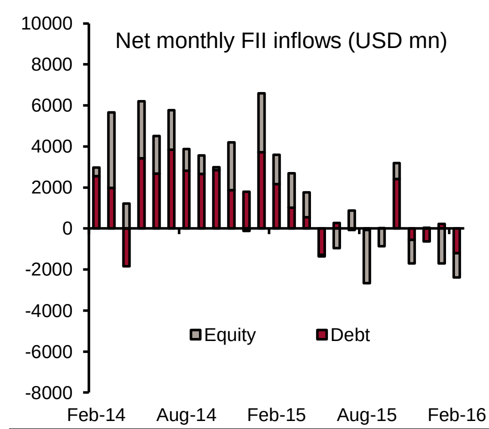
The balance of payments surplus could surprise on the downside in the current year following higher capital outflows.

Exhibit 248: Trade balance



Source: CEIC, Credit Suisse

Exhibit 249: FII flows



Source: CEIC, Credit Suisse

India: Selected economic indicators

(Fiscal year beginning April) [1]	2009	2010	2011	2012	2013	2014	2015F	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%) [2]	8.6	8.9	6.7	5.1	6.9	7.3	7.7	7.8	8.2
Growth in agricultural GDP (%)	0.8	8.6	5.0	1.7	3.8	1.1	1.5	2.3	2.5
Growth in industrial GDP (%)	9.2	7.6	7.8	2.3	4.4	5.6	7.0	7.5	7.5
Growth in services GDP (%)	10.5	9.7	6.6	8.0	9.1	10.9	9.5	9.5	10.0
Growth in real private consumption (%)	7.4	8.7	9.3	5.5	6.2	6.3	7.0	8.2	8.6
Growth in real fixed investment (%)	7.7	11.0	12.3	-0.3	3.0	4.6	6.2	6.2	8.0
Fixed investment (% of GDP)	31.4	32.0	33.6	31.9	30.7	30.0	29.6	29.1	29.1
Nominal GDP ($bn)	1,396	1,696	1,755	1,836	1,875	2,056	2,077	2,205	2,470
Population (mn)	1,170	1,186	1,220	1,235	1,251	1,267	1,282	1,297	1,311
GDP per capita ($)	1,193	1,430	1,439	1,487	1,499	1,623	1,620	1,701	1,884
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, fiscal year - March over March)	11.8	9.7	9.4	10.4	8.3	5.3	5.1	5.5	5.7
CPI inflation (% change in average index for the year)	10.6	9.5	9.5	10.2	9.5	5.9	4.9	5.5	5.7
Exchange rate (INR per USD, end-year)	45.5	45.0	50.3	54.4	61.0	62.5	68.0	71.0	68.5
Exchange rate (INR per USD, average)	47.4	45.6	47.9	54.4	60.5	61.0	65.5	68.5	68.5
REER (% year-on-year change, March over March) [3]	14.2	3.1	-5.2	-2.7	-7.2	5.1	-1.1	1.1	2.2
Repo rate (%, end-year) [4]	5.00	6.75	8.50	7.50	8.00	7.50	6.75	6.50	6.50
Reverse repo rate (%, end-year) [4]	3.50	5.75	7.50	6.50	7.00	6.50	5.75	5.50	5.50
Fiscal data									
General government fiscal balance (% of GDP)	-9.5	-7.0	-7.8	-6.9	-7.1	-6.9	-6.7	-6.5	-5.8
General government expenditure (% of GDP)	32.1	30.9	30.1	29.4	30.2	30.9	31.0	30.9	30.6
General government revenue (% of GDP)	22.6	23.9	22.3	22.5	23.1	24.0	24.3	24.4	24.8
Gross general government debt (% of GDP, end-year)	72.0	66.9	66.6	66.3	65.5	66.8	66.3	65.5	65.0
Central government fiscal balance (% of GDP) [5]	-6.6	-4.9	-5.8	-4.9	-4.4	-4.1	-3.9	-3.7	-3.4
Central government budget balance (% of GDP) excl. disinvestment receipts [5]	-7.0	-5.2	-6.1	-5.2	-4.7	-4.4	-4.1	-4.1	-3.6
Central government primary fiscal balance (% of GDP)	-3.2	-1.8	-2.8	-1.8	-1.1	-0.8	-0.7	-0.4	-0.4
Money supply and credit									
Broad money supply (M3, % of GDP)	88.2	85.2	83.6	84.0	83.9	84.1	86.4	87.0	87.4
Broad money supply (M3, % year-on-year change)	16.9	16.1	13.5	13.6	13.4	10.8	11.5	11.8	12.5
Domestic credit (% of GDP)	85.1	85.2	86.5	87.6	87.3	83.8	84.8	84.8	85.6
Domestic credit (% year-on-year change)	19.9	20.3	17.5	14.5	13.2	6.2	9.8	11.0	13.0
Domestic credit to the private sector (% of GDP)	58.9	59.2	59.6	60.5	60.5	59.9	60.9	61.2	62.0
Domestic credit to the private sector (% year-on-year change)	15.7	20.9	16.6	14.7	13.5	9.5	10.4	11.5	13.5
Balance of payments									
Exports (goods and non-factor services, % of GDP)	19.9	22.5	25.7	24.6	25.1	23.0	19.3	19.1	18.8
Imports (goods and non-factor services, % of GDP)	25.8	27.4	32.8	31.8	29.1	26.3	22.6	23.0	23.0
Exports (goods and non-factor services, % year-on-year change in $ value)	-4.4	37.5	17.9	0.3	3.9	0.4	-15.0	5.0	10.0
Imports (goods and non-factor services, % year-on-year change in $ value)	-0.1	28.8	24.2	1.1	-6.6	-0.7	-13.0	8.0	12.0
Current account balance ($bn)	-38.4	-46.0	-78.2	-87.8	-32.4	-27.5	-20.0	-36.0	-45.0
Current account balance (% of GDP)	-2.8	-2.7	-4.5	-4.8	-1.7	-1.3	-1.0	-1.6	-1.8
Net FDI inflows ($bn)	18.0	9.4	22.1	19.8	21.6	32.6	33.0	40.0	43.0
Foreign debt and reserves									
Foreign debt ($bn)	261	318	361	409	446	476	499	520	550
Foreign debt (% of GDP)	18.7	18.7	20.6	22.3	23.8	23.1	24.0	23.6	22.3
Foreign debt (% of exports of goods and services)	93.9	83.2	80.0	90.5	94.9	100.8	124.3	123.4	118.6
Central bank gross FX reserves ($bn)	279.1	304.8	294.4	292.0	304.2	341.6	350.0	360.0	375.0
Central bank gross non-gold FX reserves ($bn)	261.1	281.8	267.4	266.4	282.7	322.6	332.0	343.0	355.0

(1) The years above are fiscal years beginning in April and ending in March, i.e., 2010 refers to the period of April 2010-March 2011, also written as FY2010/11. (2) New GDP series with base 2011-12. All historical ratios expressed as % of GDP may appear smaller since the revised GDP values in the new series (with base year of 2004) are higher. (3) Real effective exchange rate: an increase indicates appreciation. (4) The RBI uses a mix of instruments such as the repo rate, reverse repo rate, CRR (Cash Reserve Ratio), etc. (5) Note, effective from 2010, the central government includes proceeds from disinvestments as revenue in calculating the fiscal deficit.

Source: Ministry of Finance, Reserve Bank of India, CSO, CEIC, Credit Suisse

Indonesia: Keeping our above-consensus GDP call

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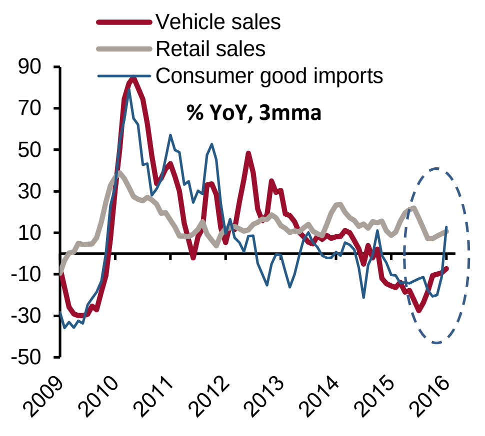
- **Balance of risk to growth forecast is on the upside.** We maintain our view that GDP growth will likely surprise the market consensus on the upside, keeping our 5.2% forecast versus the consensus of 4.9% (see *Indonesian economy in 2016*). While we think exports will likely be weaker, we think consumption could be more resilient than initially expected. We also continue to be constructive on investment growth, despite some likely cutbacks on government capex due to revenue shortfalls.
- **Lower inflation and rates to support consumption.** We think lower inflation and more aggressive monetary easing via both rate and RRR cuts will likely provide a larger boost to consumption than we had initially anticipated. At the margin, recovery in palm oil prices should also add to farm income recovery. We have raised our private consumption growth forecast to 5.2% from 5.0% earlier, placing us above consensus (5.0%). The recovery in consumption should be visible in both staples and durables, the latter from a depressed level.
- **Fiscal first, monetary policy second.** Our view remains that the turn in macroeconomic policies will be the key driver of domestic growth this year. We think fiscal policy will do more heavy lifting in the first half of the year, given the likely significant improvement in capex disbursement versus very depressed levels last year. The capex budget realization for the Ministry of Public Work and Housing in the first two months was 5% versus 2% during the same period last year. We suspect though that the policy driver of growth will gradually shift towards monetary policy in the second half of the year. This is because fiscal spending will likely run into some funding and potentially implementation constraints. Meanwhile, the impact of monetary easing – the recent 50bps rate cuts and 150bps of RRR – would take a few quarters to help boost real economic activity.
- **Cutting inflation forecast, adding monetary easing.** We have cut our average CPI inflation projection for 2016 to 4.2% from 4.7% earlier, mainly to account for lower-than-expected oil prices. This will open up room for more monetary easing, and hence we are adding one more 25bps cut to the profile, seeing further 50bps decline in BI rates to 6.5% this year. We are once again more dovish than the consensus on both inflation and rates. In addition, we also see a good chance that BI may cut RRR again by around 50bps to bring the statutory requirement to 6.0%. We think the central bank wants to ensure the banking system has sufficient domestic liquidity to support a pick-up in credit growth. If we are right in thinking that the government will see some budget slippage (see below), then the RRR cut could also help support demand for government bonds.
- **Continue to look for material budget slippage**. We maintain our view that revenue collection will materially undershoot the government's target, especially with lower oil prices. We had also been conservative in projecting the likely increase in capex spending – we look for around a 20% yoy increase in government investment versus around 50% implied by its budget target. As such, we do not view the upcoming revisions to the budget as a major downside risk to our growth view. On the other hand, we continue to think the government will in the end prioritize economic recovery over budget consolidation, and allow the fiscal deficit to reach 2.7% of GDP, wider than the government's current target of 2.2% and the 2015 figure of 2.5%. We have not incorporated potential gains from the tax amnesty scheme into our forecasts, though that could help add to revenue if the law is passed (see our report on the tax amnesty).
- **IDR outperformance to see some headwinds.** While we think improving macro stability and growth should continue to attract short-term capital flows to fund basic balance deficits of around USD4bn, IDR outperformance might be capped going forward. We think BI will use this opportunity to accumulate more foreign reserves for later when capital flows might become less favorable. We think the central bank had started the process by intervening in the FX market in February, adding around USD1.9bn to the buffer. Also note that while fixed income flows have been strong (+USD2.4bn ytd), the gains have recently slowed. Lastly, the expected further cuts in rates and RRR will likely weigh on the currency, though we do not expect a sharp depreciation of the IDR.

Consumption indicators have shown signs of improvement from a low base. Lower inflation and rates should provide further support.

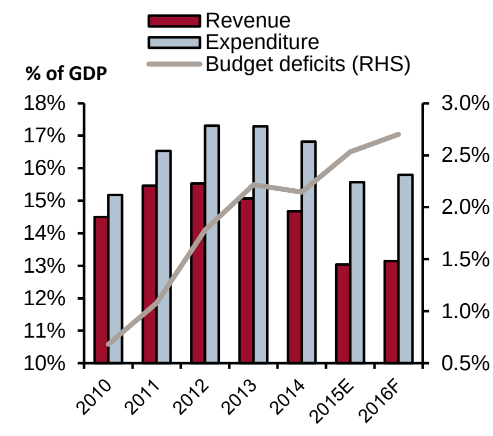
We expect the budget deficit to reach 2.7% of GDP as the government pushes for capex while revenue undershoots its target.

Exhibit 250: Consumption indicators



Source: CEIC, Credit Suisse estimates

Exhibit 251: Budget position

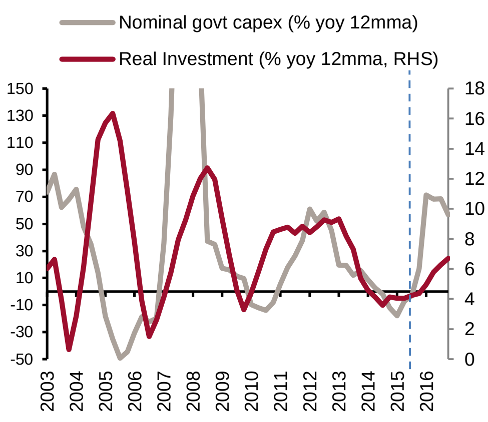


Source: CEIC, Credit Suisse estimates

Even with funding constraints, we think government capex will be materially stronger than last year, supporting investment growth.

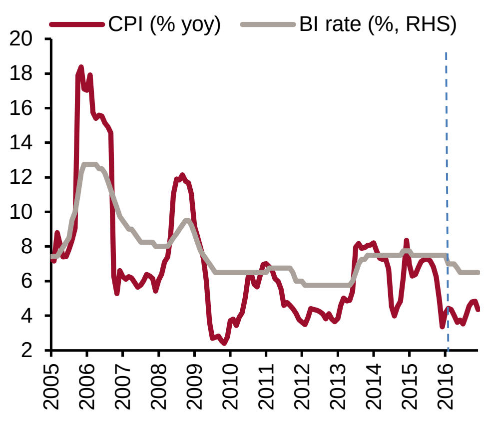
Inflation should stay lower for longer thanks to weaker oil prices, enabling BI to cut rates by another 50bps to 6.5%.

Exhibit 252: State capex & investment



Source: CEIC, Credit Suisse estimates

Exhibit 253: inflation and policy rate

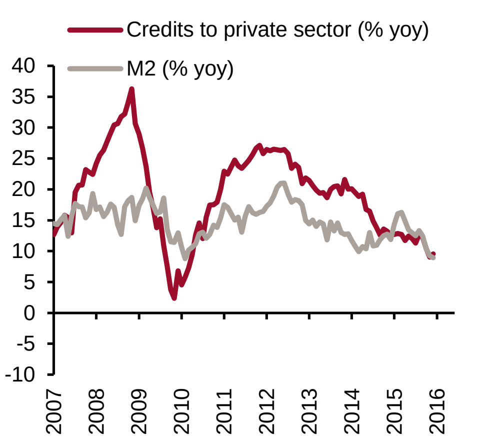


Source: CEIC, Credit Suisse estimates

Credit and money growth reached the weakest level since the GFC. This should support the case for further monetary easing, which may include RRR cuts.

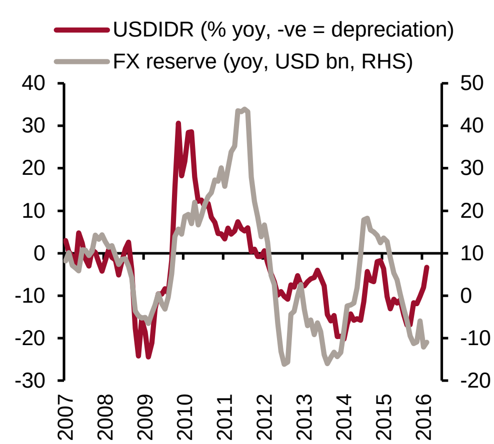
Recent IDR outperformance is unlikely to last as BI will likely take the opportunity to accumulate reserves by intervening more aggressively in the FX market.

Exhibit 254: Money and credit growth



Source: CEIC, Credit Suisse

Exhibit 255: FX and reserves



Source: CEIC, Credit Suisse

Indonesia: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015F	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	5.6	7.7	6.2	6.0	5.6	5.0	4.8	5.2	5.4
Growth in real private consumption (%)	4.9	4.8	5.1	5.5	5.4	5.3	4.8	5.2	5.0
Growth in real fixed investment (%)	3.3	8.5	8.9	9.1	5.3	4.1	5.1	6.4	7.1
Fixed investment (% of GDP)	31.1	32.0	31.9	32.6	31.7	31.7	33.2	33.5	34.1
Nominal GDP ($bn)	580.6	756.1	892.7	914.8	901.7	887.1	857.6	886.5	938.9
Population (mn)	228.5	231.4	237.6	242.0	245.4	248.8	252.2	255.5	259.0
GDP per capita ($)	2,541	3,268	3,756	3,780	3,674	3,565	3,401	3,470	3,625
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, December over December)	2.8	7.0	3.8	3.7	8.1	8.4	3.4	4.4	4.6
CPI inflation (% change in average index for the year)	4.8	5.1	5.3	4.0	6.4	6.4	6.4	4.2	4.7
Exchange rate (IDR per USD, end-year)	9,400	8,991	9,068	9,670	12,189	12,440	13,795	14,700	14,900
Exchange rate (IDR per USD, average)	10,354	9,078	8,773	9,419	10,563	11,885	13,458	14,248	14,800
REER (% year-on-year change, December over December) (1)	15.8	6.0	-1.2	-5.4	-11.6	10.0	-1.6	-0.5	-1.0
Nominal wage growth (% year-on-year change) (2)	5.3	12.2	3.4	20.4	14.9	13.8	5.0	5.0	5.0
Overnight rate (%, end-year) (3)	6.50	6.50	6.00	5.75	7.50	7.75	7.50	6.50	6.50
Fiscal data (4)									
General government fiscal balance (% of GDP)	-1.5	-0.7	-1.1	-1.8	-2.2	-2.2	-2.5	-2.7	-2.6
General government primary fiscal balance (% of GDP)	0.1	0.6	0.1	-0.6	-1.1	-1.0	-1.4	-1.6	-1.5
General government expenditure (% of GDP)	15.6	15.2	16.5	17.3	17.3	16.9	15.6	15.8	16.0
General government revenue (% of GDP)	14.1	14.5	15.5	15.5	15.1	14.7	13.0	13.1	13.4
Gross general government debt (% of GDP, end-year) (5)	29.1	24.7	22.3	22.4	21.6	23.6	26.2	28.9	31.0
Money supply and credit									
Broad money supply (M2, % of GDP)	35.6	36.0	36.7	38.4	39.2	39.6	39.4	40.3	41.4
Broad money supply (M2, % year-on-year change)	13.0	15.4	16.4	15.0	12.8	11.9	8.9	12.0	13.0
Domestic credit (% of GDP)	24.3	23.4	25.1	27.2	28.5	29.1	29.5	30.2	31.2
Domestic credit (% year on year change)	12.2	9.9	22.4	19.2	16.1	12.8	11.1	12.0	13.5
Domestic credit to the private sector (% of GDP)	23.4	24.5	27.0	30.0	32.5	33.1	33.1	33.7	34.8
Domestic credit to the private sector (% year-on-year change)	6.8	20.0	25.8	21.9	20.0	12.6	9.6	11.5	13.5
Balance of payments (6)									
Exports (goods and non-factor services, % of GDP)	22.9	23.1	23.9	23.1	22.7	22.4	19.9	19.4	18.7
Imports (goods and non-factor services, % of GDP)	19.2	20.3	21.2	23.3	23.4	22.8	19.3	19.0	18.9
Exports (goods and non-factor services, % year-on-year change in $ value)	-14.2	25.5	27.8	-0.9	-2.8	-3.0	-14.4	1.0	2.0
Imports (goods and non-factor services, % year-on-year change in $ value)	-23.0	30.3	29.9	12.7	-0.8	-4.5	-18.0	2.0	5.0
Current account balance ($bn)	10.6	5.1	1.7	-24.4	-29.1	-27.5	-17.8	-19.4	-24.4
Current account balance (% of GDP)	1.8	0.7	0.2	-2.7	-3.2	-3.1	-2.1	-2.2	-2.6
Net FDI inflows ($bn)	2.6	11.1	11.5	13.7	13.7	15.9	15.9	16.0	18.0
Scheduled external debt amortization ($bn)	17.1	18.7	23.0	42.0	38.8	38.8	38.8	45.0	45.0
Foreign debt and reserves									
Foreign debt ($bn)	172.9	202.4	225.4	252.4	266.1	293.9	310.7	300.0	290.0
Public ($bn)	99.3	118.6	118.6	126.1	123.5	129.7	143.0	130.0	130.0
Private ($bn)	73.6	83.8	106.7	126.2	142.6	164.1	167.7	170.0	160.0
Foreign debt (% of GDP)	32.1	28.5	26.7	28.8	29.5	33.1	36.2	33.8	30.9
Foreign debt (% of exports of goods and services)	140.3	123.4	111.7	124.8	129.8	147.8	182.5	174.5	165.4
Central bank gross FX reserves ($bn)	66.1	96.2	110.1	112.8	99.4	111.9	105.9	102.0	98.0
Central bank net non-gold FX reserves ($bn)	63.6	92.9	106.5	108.8	96.4	108.8	103.3	99.0	95.0

(1) Real effective exchange rate, increase indicates appreciation. (2) Nominal wage: manufacturing. (3) BI changed its policy target from 1m SBI rate to overnight rate in 2008. (4) Refers to central government. The government assumed an oil price of $61 per barrel for 2009 in its revised budget announced in June 2009. (5) Excludes SOE and BI debt. (6) BoP numbers from 2004 onwards have been revised; exports & imports include credits & debits on net income, respectively, in 2000-03.

Source: Bank Indonesia, Ministry of Finance, Central Bureau Statistics, CEIC, World Bank, Credit Suisse

Korea: Weakening growth prompts more easing

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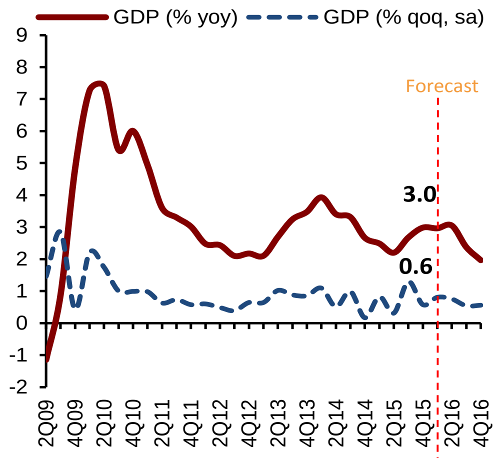
- **Korea posted advanced 4Q15 GDP growth of 3% yoy, helped by recovery in domestic demand conditions.** On a seasonally adjusted basis, GDP grew 0.6%qoq in 4Q, slowed from the 1.3%qoq growth in 3Q, which bounced from the impact of MERS in the prior quarter. In the domestic sector, both private consumption growth (3.2%yoy) and government consumption growth (3.9%yoy) improved. Support from gross fixed capital formation (5.1% yoy) appeared to be waning, however. External demand was not as weak as reflected by the monthly trade data, with total exports up 1.9% yoy (+% 2.1%qoq, sa) and total imports up 1.8% yoy (2.8%qoq, sa).
- **We believe that 2016's GDP growth is likely to be weaker than we previously expected, however.** We have revised down our 2016 GDP growth forecast to 2.6%, from 3% anticipated before. We have also turned more conservative on our outlook for the Korean economy and revised down our 2017 forecast to 2.9% from 3.2% expected before. While we previously expected the recovery in consumption and investments to remain, the latest high-frequency data suggest risk to our sanguine outlook.
- **Gross fixed capital investments are weakening.** Details of the 4Q GDP growth shows that GFCF contracted 2.8%qoq, sa, reversing from the 3.1%qoq, sa bounce seen in the prior quarter. The monthly equipment investment index shows a similar trend, with the very strong sequential bounce in August and September ceasing by January this year. On a year-on-year basis, equipment investments turned contractionary since November after 12 months of positive gains. We think the persistent outward direct investment flows from Korea has pressured investment activities in Korea despite a low interest rate environment.
- **Consumption and consumer confidence are moderating**. In 4Q15 private consumption still managed to grow 1.5%qoq, sa, but the monthly retail sales index shows that its momentum is weakening. On a year-on-year basis, retail sales growth slowed to 3.9% yoy in December from over 8%yoy in October. Sequential growth also became more volatile towards the end of 4Q15, and fell 1.4%MoM, sa in January. Looking at the consumer confidence index, we found that confidence level has dropped back below 100 in February (98), erasing gains seen after the dissipation of MERS last summer.
- **Property transaction is slowing.** Property transaction volume was down 21% yoy in January 2016, signalling a slowdown in sentiment in the domestic property market. Our equity research analyst expects Korea's housing transaction volume in 2016 to contract by around 20% yoy after a record high in the prior year. Looking forward, we expect the lukewarm atmosphere in the property market to continue throughout 2016. We suspect the recent tightening in mortgage loan arrangement process and increased uncertainties in macro outlook may hinder further recovery in the domestic property market.
- **External demand remains under pressure and is showing signs of deterioration.** External trade growth deteriorated in January-February, down sharply by 15.5% yoy for exports and over 17.6%yoy for imports in USD terms. In volume terms, we found that exports continued to contract from a year ago, down 7.4% yoy in January. The sharp drop in electrical and electronic equipment exports and machinery exports were the main drivers. We believe this reflects pressure from the global semiconductor inventory correction and sluggish global demand in capital investments.

- **On a geographic basis, exports to most destinations contracted from a year ago.** With the exception of EU (which was helped by a weak statistical base), Korea's exports to all other major destinations such as China, ASEAN, US and Japan all dropped from a year ago in January-February. Although momentum may improve in 2Q (as suggested by the improvement in CRB Metal Index), confidence among Korean manufacturers remains very weak. The February BoK's Business Survey Index shows has fallen to 63, the lowest level in seven years.
- **We see a high chance that the BoK will cut the policy base rate again (by 25bp) in March or 2Q16, bringing it down to 1.25%.** According to our estimation, Korea's potential growth rate is already on a moderating trend, but the recent pressure on external and domestic demand may widen the negative output gap further. We believe the BoK's expectation of a gradual recovery path is increasingly under challenge, prompting it to cut the policy rate again to make monetary condition even more accommodative.
- **The lack of inflationary pressures, contained by the low global crude oil prices and a sub-trend growth, allows the BoK to ease further.** Without rising price pressure, the only constraint on further monetary easing would come from the risk of rising financial instability amidst rising household debt level (which has reached KRW 1,200 trillion (79% of GDP) by end-2015). While we reckon that it is a prudent concern, we think the government and the BoK view that safeguarding the current recovery momentum should remain the top priority for now. Risk from an elevated household debt level is likely to be addressed through stronger prudential measures on mortgage approvals and shifting more new mortgages to fixed-rate loans.
- **We think the bias for further monetary easing in Korea will continue to exert downward pressure on the KRW.** Our FX strategy team expects USDKRW to rise to 1250 in 2H16. Despite increased volatility in the USD, we believe a weak growth outlook in Korea is difficult to argue for a recovery in the KRW until the current account seasonality turns positive in the latter half of this year. We now expect Korea's current account surplus to surpass USD127.3bn (10% of GDP) in 2016, up from USD106bn in 2015, in reflection of further weakness in global crude oil prices.
- **We think the successive rate cuts carried out by the BoK have helped support credit growth, even though its direct effect on stimulating consumption and investments is not conspicuous.** We share with the BoK's skepticism that the effectiveness of rate cuts on stimulating domestic demand remain limited. That said, thanks to the start of the monetary easing since July 2012, bank loan growth bottomed at end-2012 at around 3% yoy and climbed up to around 8% in recent months. Without the rise in credit growth, we believe Korea's overall growth condition is likely to be even worse. The rise in household loan growth, for example, has been driven by the rise in property purchases due to improved affordability amidst lower mortgage costs. This has helped supported the property market and led to the rise in new home constructions in 2015.
- **In combination of monetary easing, we think the government will strengthen its support through fiscal policy easing to keep growth afloat as well.** With the global demand on Korea's exports still remaining sluggish and the effort of structural reform not bearing immediate results, we believe the government will need to strength its cyclical growth support through greater fiscal policy easing. The MoSF's recent decision to front-load 2016's fiscal spending to 1Q16 is a prime example, and we expect there is a good chance that the government may introduce a supplementary budget this year again to support growth. We expect Korea's managed fiscal deficit to widen towards 3.5% of GDP in the next two years.
- **We do not expect changes in Korea's ratings over the next six months.** Korea is currently rated Aa3 (Moody's), AA- (S&P) and AA- (Fitch).

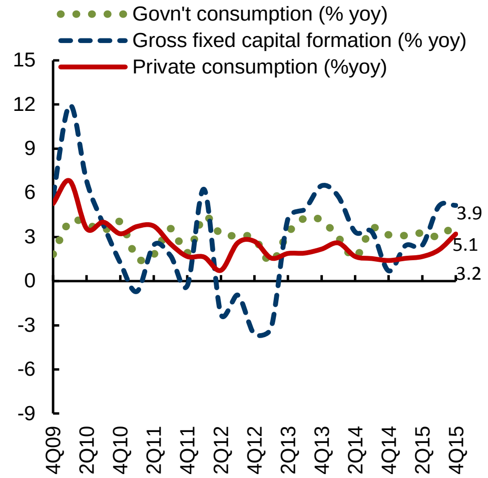
Korea posted advanced 4Q15 GDP growth of 3% yoy, in line with consensus estimates. On a seasonally adjusted basis, GDP grew 0.6%qoq in 4Q.

Exhibit 256: GDP growth



Source: CEIC, NSO, Credit Suisse

Exhibit 257: Domestic demand

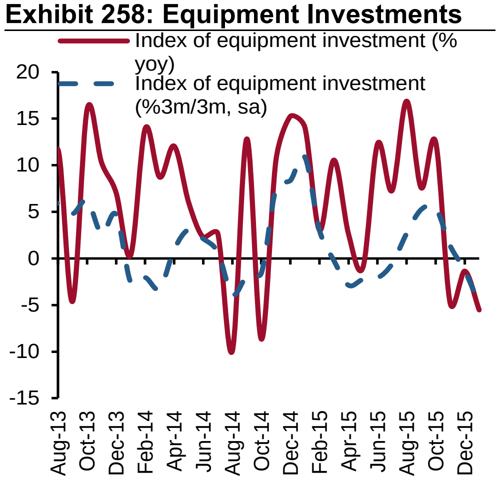


Source: CEIC, NSO, Credit Suisse

On a year-on-year basis, equipment investments turned contractionary since November after 12 months of positive gains.

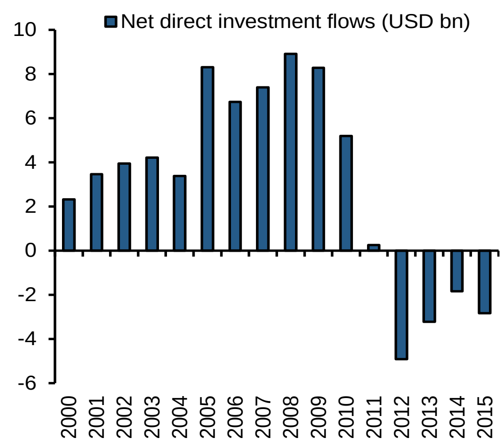
We think the persistent outward direct investment flows from Korea has pressured investment activities in Korea.

Exhibit 258: Equipment Investments



Source: CEIC, Credit Suisse

Exhibit 259: Outward direct investments

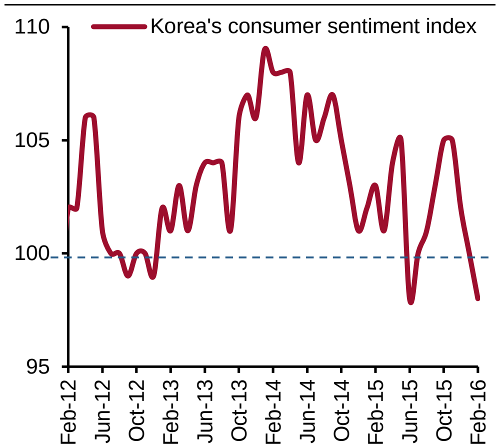


Source: CEIC, Credit Suisse

The consumer confidence index level has dropped back below 100 in February, erasing the gains seen after the dissipation of MERS last summer.

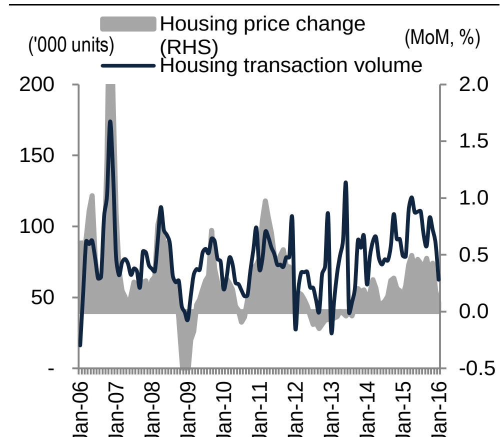
We expect the lukewarm atmosphere in the property market to continue throughout 2016.

Exhibit 260: Consumer sentiment index



Source: CEIC, Credit Suisse

Exhibit 261: Slowing property transaction

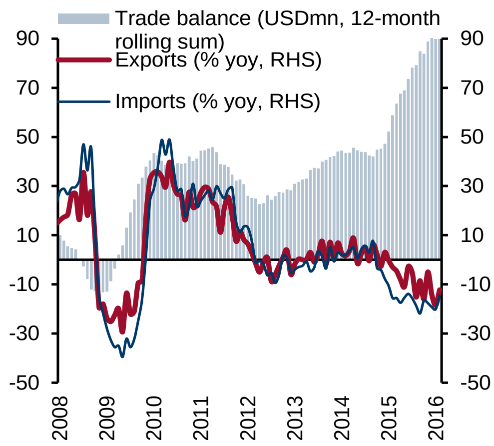


Source: MoLIT, Credit Suisse

External demand remains under pressure and is showing signs of deterioration.

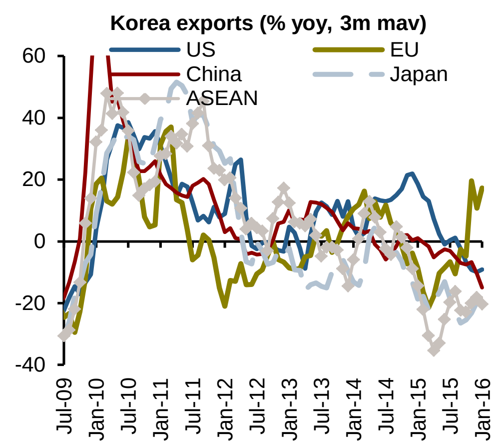
On a geographic basis, exports to most destinations contracted from a year ago.

Exhibit 262: Merchandise trade



Note: Data are smoothed for the lunar new year effect
Source: MOTIE, Credit Suisse

Exhibit 263: Geographic breakdown

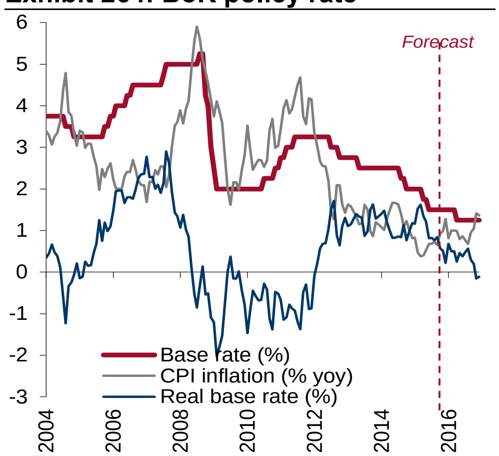


Source: CEIC, Credit Suisse

We see a high chance that the BoK will cut the policy base rate again (by 25bp) in March or 2Q16, bringing it down to 1.25%.

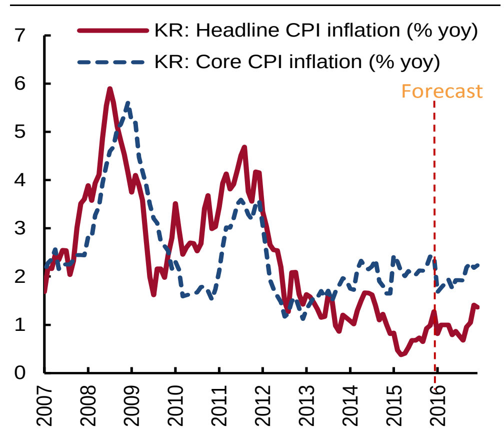
The lack of inflationary pressures, contained by the low global crude oil prices and sub-trend growth, allows the BoK to ease further.

Exhibit 264: BoK policy rate



Source: CEIC, NSO, BoK, Credit Suisse

Exhibit 265: CPI inflation

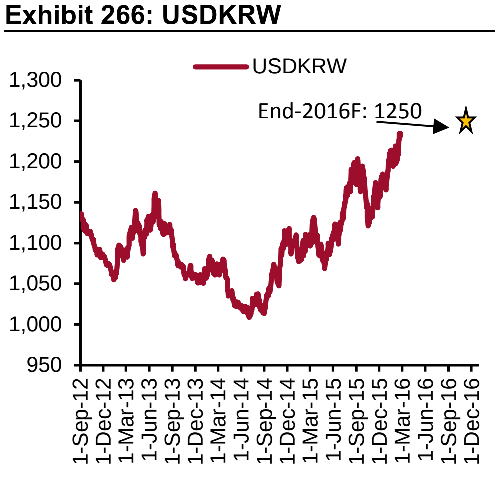


Source: MoSF, Credit Suisse

We think the bias for further monetary easing in Korea will continue to exert downward pressure on the KRW and expect USDKRW to rise to 1250 in 2H16.

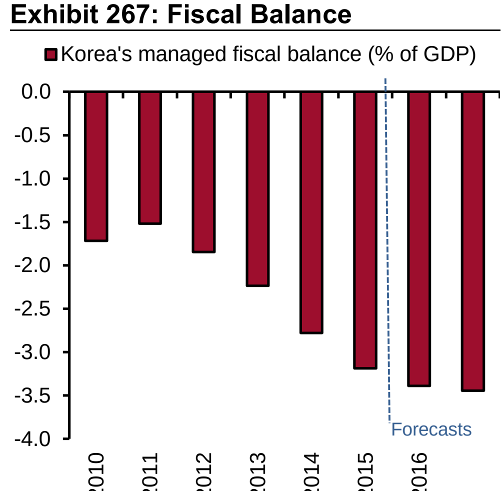
We expect Korea's managed fiscal deficit to widen towards 3.5% of GDP in the next two years.

Exhibit 266: USDKRW



Source: CEIC, Credit Suisse

Exhibit 267: Fiscal Balance



Source: CEIC, Credit Suisse

Korea: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	0.7	6.5	3.7	2.3	3.0	3.3	2.5	2.6	2.9
Growth in real private consumption (%)	1.3	4.3	2.8	2.3	2.0	1.7	1.8	2.3	2.7
Growth in real fixed investment (%)	0.3	5.5	0.8	-0.5	0.0	5.3	3.3	3.3	3.5
Fixed investment (% of GDP)	26.9	26.5	25.8	25.1	24.4	24.9	25.1	25.3	25.4
Nominal GDP ($bn)	898.8	1091.3	1202.8	1242.7	1306.4	1378.1	1337.0	1287.1	1287.2
Population (million)	48.7	48.9	49.0	49.2	49.3	49.5	49.6	49.8	49.9
GDP per capita ($)	18437.6	22328.9	24535.2	25274.0	26489.4	27859.4	26948.4	25864.2	25790.5
Unemployment (% of labor force, end-year)	3.4	3.4	3.1	3.0	3.1	3.5	3.4	3.4	3.4
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, December over December)	2.8	3.0	4.2	1.4	1.1	1.0	1.1	1.4	1.5
CPI inflation (% change in average index for the year)	2.8	2.9	4.0	2.2	1.3	1.3	0.7	1.0	1.4
Exchange rate (KRW per USD, end-year)	1167.6	1138.9	1153.0	1063.9	1055.3	1100.0	1170.0	1250.0	1250.0
Exchange rate (KRW per USD, average)	1281.4	1159.4	1108.0	1108.4	1094.2	1077.7	1135.0	1210.0	1250.0
REER (% year-on-year change) (1)	7.0	0.5	-2.7	9.8	2.0	-3.1	-4.9	-5.0	1.5
Nominal wage growth (% year-on-year change)	2.6	6.8	0.9	5.4	3.9	2.6	0.9	1.3	2.0
Overnight base rate (%, end year)	2.0	2.5	3.3	2.8	2.5	2.0	1.5	1.3	1.3
Fiscal data									
Consolidated government fiscal balance, (% of GDP) (2)	-4.5	-1.7	-1.5	-1.8	-2.2	-2.8	-3.2	-3.4	-3.4
Consolidated government primary balance, (% of GDP)	-3.5	-0.7	-0.4	-0.8	-1.3	-1.8	-2.2	-2.5	-2.6
Consolidated government expenditure, (% of GDP)	23.3	20.1	20.5	21.3	21.0	21.0	21.3	21.4	21.5
Consolidated government debt, (% of GDP, end-year) (3)	37.3	37.1	38.5	39.4	41.6	46.4	46.2	45.8	45.0
Money supply and credit									
Broad money supply (M2, % of GDP)	136.0	131.2	131.4	133.3	134.4	139.9	148.1	157.1	166.5
Broad money supply (M2, % year-on-year change)	9.9	6.0	5.5	4.8	4.6	8.1	8.2	8.9	9.5
Domestic credit (% of GDP)	103.7	95.6	96.1	95.5	94.9	98.3	104.1	110.5	117.0
Domestic credit (% year-on-year change)	3.6	1.3	5.8	2.8	3.1	7.7	8.2	8.9	9.5
Domestic credit to the private sector (% of GDP)	99.3	93.5	94.3	92.9	92.4	95.5	102.9	111.2	120.0
Domestic credit to the private sector (% year-on-year change)	2.4	3.4	6.2	1.8	3.2	7.4	10.2	10.9	11.5
Balance of payments									
Exports (goods and non-factor services, % of GDP)	48.6	50.1	56.4	56.9	55.3	52.6	48.4	50.9	52.3
Imports (goods and non-factor services, % of GDP)	44.3	47.0	55.0	53.3	49.4	46.4	40.5	41.0	42.0
Exports (goods and non-factor services, % year-on-year change in $ value)	-16.7	25.3	23.9	4.3	2.1	0.4	-10.8	1.3	2.7
Imports (goods and non-factor services, % year-on-year change in $ value)	-23.2	28.8	28.8	0.3	-2.6	-0.9	-15.3	-2.7	2.5
Current account balance ($bn)	33.6	28.9	18.7	50.8	81.1	84.4	105.9	127.6	128.7
Current account balance (% of GDP)	3.7	2.6	1.6	4.1	6.2	6.1	7.9	9.9	10.0
Net FDI inflows ($bn)	-8.4	-18.8	-19.9	-21.1	-15.6	-18.8	-22.6	-21.6	-20.6
Scheduled debt amortization ($bn) (4)	30.5	33.7	34.3	35.2	36.1	37.0	37.9	38.8	39.7
Foreign debt and reserves									
Foreign debt ($bn) (5)	345.4	360.0	398.7	408.9	423.5	425.4	396.6	395.9	395.2
Public ($bn) (6)	80.2	95.6	103.8	122.6	131.8	131.3	131.4	131.4	131.4
Private ($bn)	265.2	264.4	294.9	286.3	291.7	294.1	265.2	264.5	263.8
Foreign debt (% of GDP)	38.4	33.0	33.1	32.9	32.4	30.9	29.7	30.8	30.7
Foreign debt (% of exports of goods and services)	79.1	65.8	58.8	57.8	58.7	58.7	61.3	60.4	58.7
Central bank gross FX reserves ($bn)	270.0	291.6	306.4	327.0	346.5	363.6	368.0	404.0	443.1
Central bank gross non-gold FX reserves ($bn) (7)	269.9	291.5	304.2	323.2	341.7	358.8	363.2	399.2	438.3

(1) Real effective exchange rate (CPI-deflated); increase indicates appreciation. (2) Managed fiscal balance (exclude social security contribution) (3) Include Grain Securities, Seoul Metro bonds, National Housing Bonds, Seoul Metro Subway Bonds, and Industrial Finance Debentures (4) Scheduled amortizations of medium- and long-term external debt of both the public and private sectors. (5) Liabilities vis-à-vis non-residents (i.e., includes FX-denominated and local-currency debt). (6) Includes government and central bank. (7) Central bank forex reserves minus monetary authorities' other liabilities.

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

Malaysia: Room to ease on monetary policy

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- **We have cut our 2016 GDP growth forecast slightly to 4.2% (from 4.4% previously).** We have cut our growth forecast for four main reasons. 1) Fiscal spending reductions: Government expenditure will likely decline by 1.2% of GDP, more than the 1% of GDP assumed at the end of last year, reflecting lower oil prices (see *Malaysia: what if oil prices don't rebound*). 2) New negative shocks to consumption, which are partly fiscal-related. These include recent public rail fare increases, electricity tariff hikes, alcohol excise duty increase, on top of the 40% tobacco duty hike and highway toll hikes implemented in 4Q last year. There will also be a minimum wage hike in July. 3) Weaker labour market, with unemployment rate inching up, albeit from robust levels (3.1%, from 2.7% in 2014). The recent freeze in foreign labour inflows, and also potential hike in foreign worker levy bears watching too. 4) Slower global growth. The rise in palm oil prices, EPF employee contribution cuts, and also domestic fuel price cuts will partly offset these negatives.

- **GDP consensus has come down significantly:** While we maintain our long-held below consensus growth forecast, we note that the consensus has been cut sizeably to 4.3% in February, down from 5% in August last year. Hence, we no longer see material downside risk to the consensus projections.

- **We have cut our inflation forecasts to 2.4%, from 3.4% previously:** This reflects the lower trajectory for oil prices, and with that, the larger than expected Ron95 and diesel fixing cuts (8% of CPI weight). Nonetheless, fiscal adjustments mentioned above will limit inflation gains. This also builds in some moderate inflation impact from the recent foreign worker levy hike and also the minimum wage hike scheduled in July. With these, we see inflation peaking at 3.7% in the February print, before moderating to trough at 1.4% in July. Oil price trajectory is one obvious source of uncertainty surrounding our inflation forecasts.

- **We have lowered our current account forecast to 2.9% of GDP (USD8.1bn), from 3.8% of GDP previously: L**ower trajectory for oil prices, which will weigh on LNG exports with around four to six months lag. Imports could also pick up somewhat due to construction of more import-intensive public infrastructure starting this year. This will likely overwhelm the positive impact from higher palm oil prices.

- **Ringgit still vulnerable:** The ringgit has traded remarkably well since the start of the year. Our FX team believes some of the improvement in MYR reflects repatriation of government investment funds' sales of overseas assets, including London property, together with 1MDB-related flows (see *FX Strategist*). These should have exhausted itself, and as such will unlikely provide the same support moving forward, unless we see further incremental overseas asset sales by government funds. These, coupled with the weaker current account prospect, and also the expected fed fund rate hikes in September will provide less support for the currency for the rest of this year.

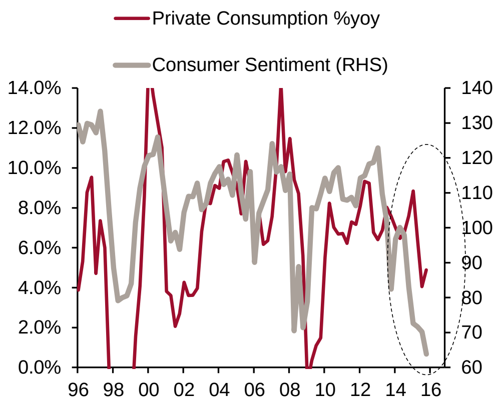
- **No change for BNM policy rate (3.25%). Risk now tilted towards easing:** We continue to forecast BNM to keep its policy rate on hold at 3.25% as our base case scenario. However, the risk has tilted towards easing for three reasons. 1) Lower oil prices capping inflation, and more so the second half of this year. 2) Weaker growth trajectory, partly driven by global factors. 3) The strong performance of ringgit in 2016, which helps allay fears on capital outflows. Nonetheless, we believe that BNM will move cautiously given that Fed rate hikes are still in play this year, coupled with continued concerns over household debt. As such, we view SRR cuts as more likely than policy rate cuts. The recent 50bps cut in the SRR has brought interbank rates down to 3.71%, from 3.79% in February, without a corresponding negative impact to the currency.

- **The change in BNM governor is a key market risk to watch out for.** Governor Zeti's successor is likely to take over by end-April. Most mentioned names as likely successors are Abdul Wahid Omar, Awang Adek Hussin, Mohd Irwan Abdullah, and Deputy Governor Muhammad Ibrahim.

We continue to expect growth to moderate this year. The story is partly fiscal related, with spending expected to be cut by more than 1% of GDP.

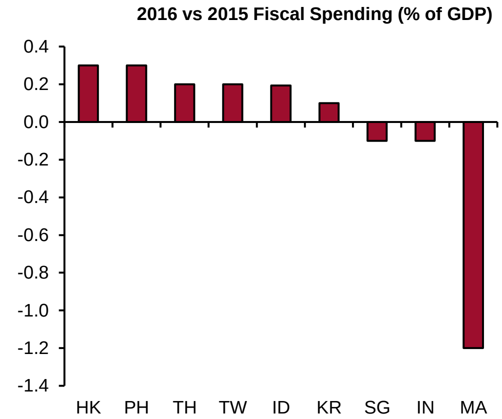
Consumer sentiment continues to be low, and has fallen further below the Asian Financial Crisis lows.

Exhibit 268: Consumer sentiment continues to be low



Source: CEIC, Credit Suisse

Exhibit 269: Fiscal spending to be cut substantially in 2016

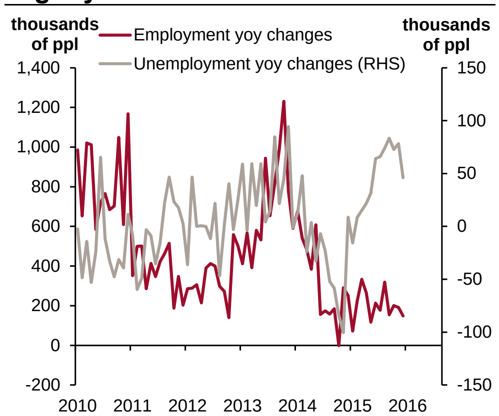


Source: CEIC, Credit Suisse

The labour market also looks slightly weaker, with the unemployment rate inching up, albeit from rather robust levels previously.

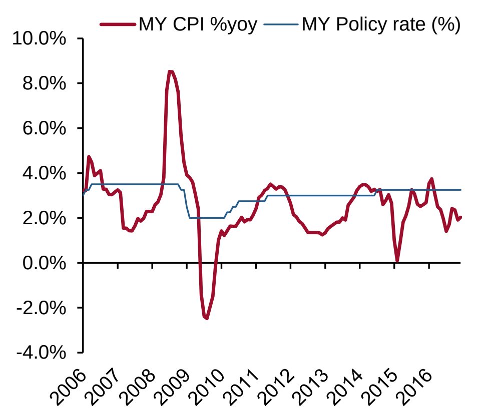
Inflation is expected to remain contained this year, on the back of lower oil prices. Fiscal adjustments will nonetheless limit gains through lower oil prices.

Exhibit 270: Labour market looks slightly weaker



Source: CEIC, Credit Suisse

Exhibit 271: Inflation expected to peak in 1Q2016

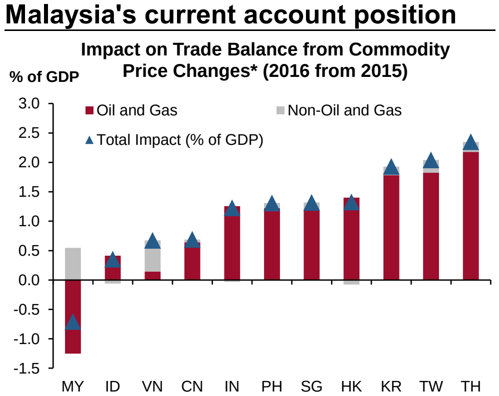


Source: CEIC, Credit Suisse

We have lowered our current account forecast for Malaysia due to the impact of lower oil prices on LNG exports. Nonetheless, higher palm oil prices will help to offset that.

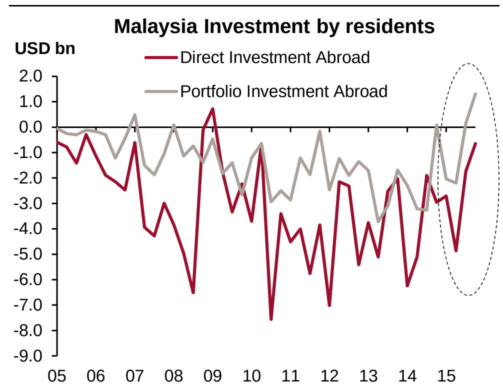
The outperformance in the ringgit thus far has been partly due to asset repatriation by residents, driven by government-linked funds.

Exhibit 272: Lower oil prices will cut Malaysia's current account position



Source: CEIC, Credit Suisse

Exhibit 273: Resident investment abroad have slowed



Source: CEIC, Credit Suisse

Malaysia: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%) (1)	-1.5	7.4	5.3	5.5	4.7	6.0	5.0	4.2	4.8
Growth in real private consumption (%)	0.6	6.9	6.9	8.3	7.2	7.0	6.0	4.4	5.0
Growth in real fixed investment (%)	-2.8	11.9	6.4	19.0	8.2	4.8	3.7	1.4	3.0
Fixed investment (% of GDP)	21.5	22.4	22.7	25.6	26.4	26.1	25.8	25.1	24.7
Nominal GDP ($bn)	208.5	255.2	298.2	314.4	323.4	338.1	285.0	280.7	292.3
Population (mn)	28.3	28.7	29.2	29.6	30.1	30.1	30.9	31.4	31.8
GDP per capita ($)	7,374	8,883	10,219	10,612	10,755	11,243	9,207	8,945	9,189
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, December over December)	1.0	2.1	3.0	1.3	3.0	2.8	2.7	2.0	3.7
CPI inflation (% change in average index for the year)	0.6	1.7	3.2	1.7	2.1	3.1	2.1	2.4	3.4
Exchange rate (MYR per USD, end-year)	3.42	3.08	3.18	3.06	3.28	3.50	4.29	4.40	4.40
Exchange rate (MYR per USD, average)	3.52	3.22	3.06	3.09	3.15	3.27	4.06	4.31	4.40
REER (% year-on-year change, December over December) (2)	-1.6	5.7	-2.1	1.7	-1.5	0.0	-12.1	-1.0	1.0
Nominal wage growth (% year-on-year change) (3)	2.5	8.5	3.8	6.5	7.8	4.7	5.9	5.0	4.0
Overnight policy rate (%, end-year) (4)	2.00	2.75	3.00	3.00	3.00	3.25	3.25	3.25	3.25
Fiscal data (5)									
General government budget balance (% of GDP)	-6.5	-5.3	-4.7	-4.3	-3.8	-3.4	-3.2	-3.1	-2.9
General government primary fiscal balance (% of GDP)	-4.5	-3.4	-2.7	-2.3	-1.7	-1.3	-1.1	-0.9	-0.7
General government expenditure (% of GDP)	28.1	24.7	25.0	25.7	24.7	23.3	22.2	21.0	21.3
General government revenue (% of GDP)	21.6	19.4	20.3	21.4	20.9	19.9	19.0	17.9	18.4
Gross general government debt (% of GDP, end-year)	49.3	49.6	50.0	51.6	53.0	52.7	54.5	55.4	55.2
Money supply and credit									
Broad money supply (M2, % of GDP)	133.9	128.3	132.6	136.5	141.0	139.6	137.4	135.9	132.4
Broad money supply (M2, % year-on-year change)	9.5	7.2	14.7	9.7	8.4	7.5	2.9	3.5	3.5
Domestic credit (% of GDP)	126.6	122.6	123.5	128.8	136.6	139.5	143.1	145.6	145.9
Domestic credit (% year-on-year change)	9.0	8.2	11.8	11.1	11.3	10.9	7.2	6.5	6.5
Domestic credit to the private sector (% of GDP)	118.9	116.6	117.8	123.7	129.7	130.1	134.8	136.5	136.2
Domestic credit to the private sector (% year-on-year change)	6.2	9.7	12.1	11.9	9.9	8.9	8.3	6.0	6.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	88.7	86.9	85.3	79.3	75.6	73.8	71.0	72.3	72.5
Imports (goods and non-factor services, % of GDP)	69.1	71.0	69.7	68.5	67.1	64.6	63.4	64.6	64.2
Exports (goods and non-factor services, % year-on-year change in $ value)	-19.6	19.9	14.6	-1.9	-1.9	2.1	-19.0	0.3	4.5
Imports (goods and non-factor services, % year-on-year change in $ value)	-19.3	25.9	14.7	3.7	0.7	0.7	-17.3	0.5	3.5
Current account balance ($bn)	31.4	25.7	32.5	16.2	11.3	14.5	8.4	8.1	10.9
Current account balance (% of GDP)	15.1	10.1	10.9	5.2	3.5	4.3	2.9	2.9	3.7
Net FDI inflows ($bn)	-6.3	-4.3	-3.1	-7.9	-2.0	-5.6	0.1	2.0	1.0
Scheduled external debt amortization ($bn)	6.2	6.8	7.4	7.7	7.5	7.0	7.0	7.0	7.0
Foreign debt and reserves									
Foreign debt ($bn)	113.9	138.8	170.1	197.2	214.4	215.0	194.3	190.0	190.0
Public ($bn)	38.5	52.6	60.4	72.2	73.4	69.9	70.9	70.9	70.9
Private ($bn)	75.4	86.2	109.7	125.0	141.0	145.1	123.4	119.1	119.1
Foreign debt (% of GDP)	54.6	54.4	57.1	62.7	66.3	63.6	68.2	67.7	65.0
Foreign debt (% of exports of goods and services)	61.6	62.6	66.9	79.1	87.7	86.1	96.0	93.6	89.6
Central bank gross FX reserves ($bn)	96.7	106.5	133.6	139.7	134.9	115.9	95.3	95.0	100.0
Central bank gross FX reserves, including forward FX transactions ($bn)	97.3	114.3	140.2	147.0	138.1	115.9	95.3	95.0	100.0
Central bank gross non-gold FX reserves ($bn) (6)	95.4	104.9	131.8	137.8	133.5	114.6	94.0	93.7	98.7

(1) Real GDP from 2015 has been rebased to 2010 = 100. (2) Real effective exchange rate, increase indicates appreciation. (3) Salaries and wages in the manufacturing sector. (4) BNM changed the policy rate from the intervention rate to the overnight rate in May 2004. (5) Refers to the federal government's financial position. The government assumed an oil price of $70 per barrel for 2009 in its revised budget announced in November 2008. (6) Not including forward FX purchases.

Source: Bank Negara Malaysia, CEIC, Credit Suisse

Philippines: Still the best macro story in ASEAN

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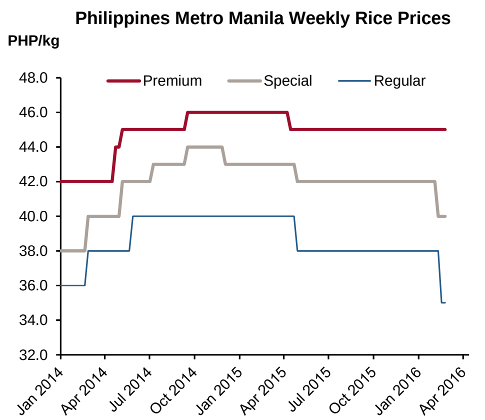
- **We have kept our above-consensus 2016 GDP forecast at 6.2% (consensus: 5.9%):** We have raised our consumption forecasts slightly to 6.6% (from 6.5% previously; consensus: 6%), reflecting the further decline in both oil and rice prices since the start of the year. We continue to see private consumption surprising on the upside for three reasons: 1) 10% boost to government salaries this year; 2) Lower inflation; and 3) A tighter labour market, with the unemployment rate down to a low of 5.7%. Risks to our positive view on private consumption could come through a sharp slowdown in remittances. Nonetheless, we disagree with market concerns that remittance slowdown will have a significant negative impact on the Philippines' growth. For one, remittances have a weak statistical relationship with private consumption growth. Second, remittances in local currency terms continue to look strong (see Philippines: Impact to growth from remittances slowdown exaggerated, and Two conjectures on remittances).
- **Normalisation of exports likely:** We continue to expect some normalisation in goods exports, post the very weak performance seen in 2015. We attribute part of the weakness in exports to temporary factors such as El-Nino related impact to agriculture exports, and also more frequent than usual Typhoons impacting supply chains. FDI inflows continues to be quite strong, with a large portion of this into the manufacturing sector, which will also help support export performance.
- **Investment to moderate post elections; import demand to moderate:** As we have highlighted previously, investment spending tends to correct around an election year, partly due to uncertainty surrounding the incoming administration's priorities. Moving forward, we expect investment to slow to around 7%yoy in 2016, from a very strong 14%yoy in 2015. This will also help lower imports in 2016 relative to 2015.
- **Current account forecast lowered to 3.6% of GDP (10.7bn), from 4% of GDP previously:** Our forecast change largely reflects the past, given the weaker-than-expected goods balance in 2015. We nonetheless continue to expect the current account to improve in 2016 from 2015**.** In addition to slightly better exports and weaker capital imports mentioned above, lower oil prices will also help the current account.
- **Inflation forecast lowered to 1.4%, from 2.4% previously; BSP to keep rates on hold in 2016:** Our CPI forecast reduction reflects lower oil and rice prices, as discussed above. Although inflation is likely to fall below the central bank's inflation target (2% to 4%) for the second year in a row, the BSP's public statements have thus far remained relatively neutral. We continue to expect the central bank to keep its key policy and SDA rates on hold in 2016, based on our expectation that domestic demand will remain robust for the rest of this year.
- **Implementation of interest rate corridor key uncertainty for monetary policy:** If anything, the BSP's plan to implement the interest rate corridor system in 2Q 2016 could lead to a tighter monetary policy stance in 2016, by tightening liquidity and pulling market rates closer to the SDA and policy rate. This uncertainty is also compounded by a proposal to phase out trust fund access to the SDA, which will push out liquidity into the banking system. The net impact to liquidity will depend on the timing and pace of implementation of these above measures.
- **Presidential election risks at the forefront:** Developments remain very fluid, with some surveys suggesting a tight four-way race among Binay, Grace Poe, Duterte and Roxas. The Supreme Court has recently ruled that Senator Grace Poe can now run for the Presidential elections, following the disqualification cases against her. As published, we do not see the presidential elections undoing the good macro story in the Philippines. The macro fundamentals such as strong current account surplus, prudent monetary and fiscal policy and strong BPO sectors are largely independent of who is at the top. Nonetheless, we continue to highlight that the perception of good governance could change quite quickly depending on the new leadership, which could increase the political risk premium (see Post Aquino: can the good economic performance be sustained).

Rice prices continue to decline at the start of the year, in spite of the El Nino impact.

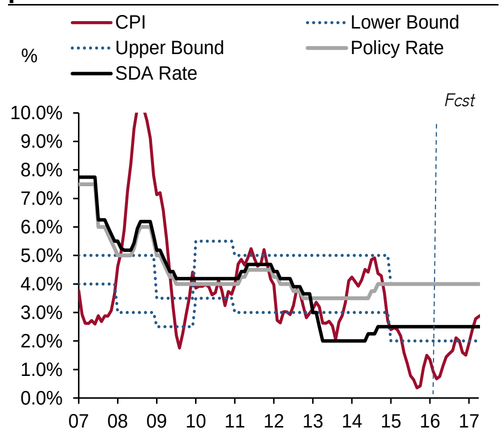
We cut our inflation forecasts to 1.4%, from 2.4% previously, reflecting lower oil and rice prices.

Exhibit 274: Rice prices have continued to decline in 2016



Source: CEIC, Credit Suisse

Exhibit 275: We cut our inflation forecasts to reflect lower oil and rice prices

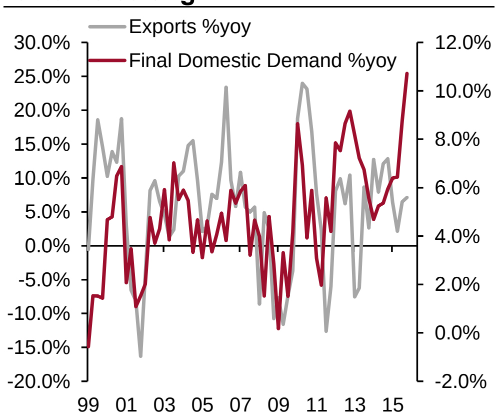


Source: CEIC, Credit Suisse

Domestic demand has been strong so far in 2015. We expect private consumption to drive growth in 2016, helped by lower oil and rice prices, and also the 10% boost to government salaries.

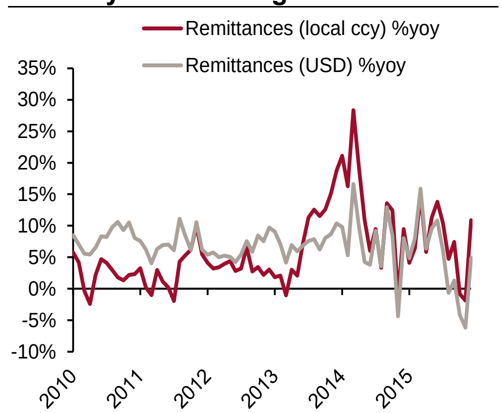
Remittances have moderated, but looks stronger in local currency terms.

Exhibit 276: Domestic demand remains strong



Source: CEIC, Credit Suisse

Exhibit 277: Remittances in local currency looks stronger

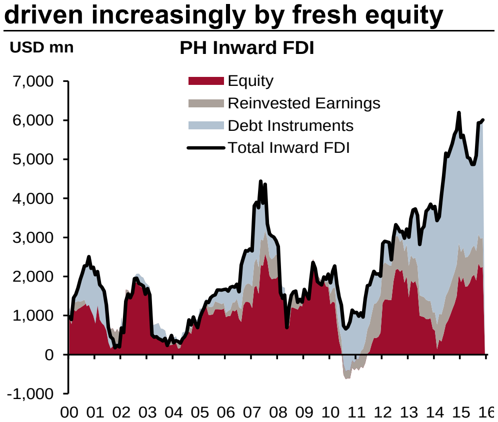


Source: CEIC, Credit Suisse

Inward FDI remained strong in 2015, which should help support export performance over the next few years.

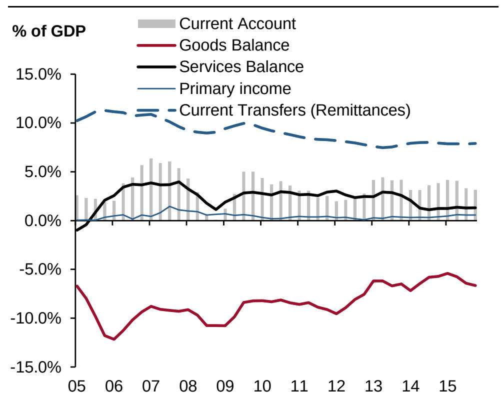
While goods balance has moderated in 2015, we expect this to improve in 2016, due to lower capital goods imports, and the fall in oil prices.

Exhibit 278: Inward FDI is strong, driven increasingly by fresh equity



Source: CEIC, Credit Suisse

Exhibit 279: Current account moderated due to weaker goods balance



Source: CEIC, Credit Suisse

Philippines: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	1.1	7.6	3.9	6.7	7.1	6.1	5.8	6.2	6.0
Growth in real private consumption (%)	2.3	3.4	6.3	6.6	5.6	5.4	6.2	6.6	6.0
Growth in real fixed investment (%)	-1.7	19.1	-1.9	10.8	12.2	6.8	14.0	6.9	8.0
Fixed investment (% of GDP)	19.0	20.5	19.6	20.4	21.4	21.5	23.1	23.3	23.7
Nominal GDP ($bn)	168.5	199.6	224.1	250.2	272.1	283.5	288.7	297.6	320.8
Population (mn)	91.9	93.4	95.1	96.7	98.3	99.8	101.3	102.8	104.4
GDP per capita ($)	1,824	2,132	2,358	2,588	2,767	2,841	2,850	2,894	3,074
Prices, interest rates and exchange rates									
CPI inflation (%, December to December)	4.4	3.6	4.2	3.0	4.1	2.7	1.5	1.5	3.5
CPI inflation (%, average)	4.2	3.8	4.7	3.2	2.9	4.2	1.4	1.4	3.0
Exchange rate (PHP per USD, end-year)	46.4	43.9	43.9	41.2	44.4	44.6	47.2	48.6	48.6
Exchange rate (PHP per USD, average)	47.6	45.1	43.3	42.2	42.4	44.6	46.0	48.1	48.6
REER (% change, December to December) (2)	1.8	4.0	0.6	7.3	-0.7	6.6	1.2	-1.0	-1.0
Nominal wage growth (% year-on-year change) (1)	2.2	3.4	6.0	4.7	4.6	1.6	2.4	6.0	5.0
Overnight borrowing rate (%, end-year)	4.00	4.00	4.50	3.50	3.50	4.00	4.00	4.00	4.00
Special Deposit Account rate (%, end-year)	4.19	4.19	4.69	3.66	2.00	2.50	2.50	2.50	2.50
Fiscal data									
Central government budget balance (% of GDP)	-3.7	-3.5	-2.0	-2.4	-1.4	-0.6	-1.2	-1.2	-1.3
Central government budget balance including privatization receipts (% of GDP)	-3.7	-3.5	-2.0	-2.3	-1.4	-0.6	-0.7	-1.2	-1.3
Central government primary fiscal balance (% of GDP)	-0.2	-0.2	0.8	0.7	1.4	2.0	1.7	1.6	1.5
Central government expenditure (% of GDP)	17.7	16.9	16.0	16.8	16.3	15.7	16.8	17.0	17.0
Central government revenue (% of GDP)	14.0	13.4	14.0	14.5	14.9	15.1	16.1	15.8	15.7
Gross government debt (% of GDP)	62.4	58.5	56.9	56.2	53.3	48.8	48.0	47.8	47.5
Net central government debt (% of GDP)	54.8	52.4	51.0	51.5	49.2	44.7	43.9	43.7	43.4
Money supply and credit									
Broad money supply (M2, % of GDP)	48.4	47.6	47.2	47.5	58.0	58.5	60.7	61.5	61.5
Broad money supply (M2, % year-on-year change)	9.6	10.4	7.0	9.4	33.5	10.5	9.1	9.0	9.0
Domestic credit (% of GDP)	51.2	49.7	52.0	51.3	51.9	55.8	59.2	61.6	63.2
Domestic credit (% year on year)	8.4	8.9	12.7	7.3	10.6	17.8	11.4	12.0	12.0
Domestic credit to private sector (% of GDP)	30.4	29.9	31.9	33.6	35.8	39.3	41.9	44.0	45.6
Domestic credit to private sector (% year on year)	5.9	10.2	14.9	14.8	16.5	19.9	12.1	13.0	13.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	25.7	27.3	25.5	26.7	24.7	26.3	24.6	25.0	24.4
Imports (goods and non-factor services, % of GDP)	31.0	32.9	31.7	31.8	28.8	30.2	29.5	29.5	29.0
Exports (goods and non-factor services, % change in $ value)	-9.4	26.2	4.8	16.9	0.5	11.0	-4.7	4.5	5.5
Imports (goods and non-factor services, % change in $ value)	-19.0	25.8	8.2	12.0	-1.4	12.0	-0.5	3.0	6.0
Current account balance ($bn)	8.4	7.2	5.6	6.9	9.4	11.8	9.3	10.7	10.2
Current account (% of GDP)	5.0	3.6	2.5	2.8	3.5	4.1	3.2	3.6	3.2
Net FDI ($bn) (3)	0.2	-1.6	-0.3	-1.0	0.2	-1.0	-0.7	-0.7	-0.7
Foreign debt and reserves									
Foreign debt ($bn)	64.7	73.6	75.6	79.9	78.5	77.7	75.0	75.0	75.0
Public ($bn)	43.2	46.2	46.4	45.2	40.5	39.3	38.0	38.0	38.0
Private ($bn)	21.5	27.4	29.2	34.8	38.0	38.3	37.0	37.0	37.0
Foreign debt (% of GDP, end-year)	38.4	36.9	33.7	31.9	28.8	27.4	26.0	25.2	23.4
Foreign debt (% of exports of goods and services)	149.8	134.9	132.2	119.6	116.9	104.2	105.5	101.0	95.7
Central bank gross FX reserves ($bn)	44.2	62.4	75.3	83.8	83.2	80.0	80.7	81.0	81.0
Central bank gross FX reserves, including forward FX purchases ($bn)	57.8	80.1	81.3	87.8	87.2	82.0	82.7	83.0	83.0
Central bank gross non-gold FX reserves ($bn) (4)	38.8	55.4	67.3	73.5	76.2	73.0	73.7	74.0	74.0

(1) Nominal minimum wage in non-agricultural sector. Figures from 2005 onwards also include cost of living allowance and daily equivalent of 13th month pay. (2) Real effective exchange rate, increase indicates appreciation. (3) 2007 number includes a large direct investment abroad in the amount of $2.7bn. (4) Not including forward FX purchases.

Source: CEIC, Bangko Sentral Ng Pilipinas, Ministry of Finance, Credit Suisse

Singapore: Trundling along

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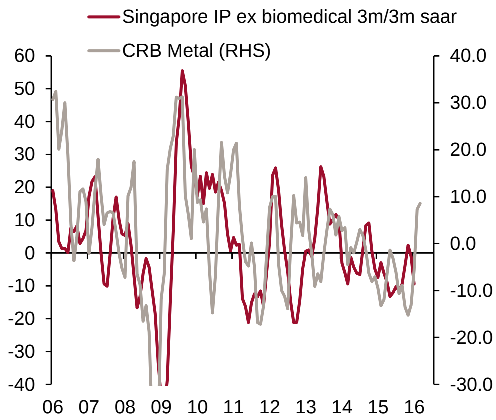
- **We have lowered our 2016 GDP growth forecast to 1.7% (from 1.9% previously), and coming from 2% in 2015:** This puts us further below consensus, which has already fallen to 2% as of February. Our growth forecast change reflects a weaker global growth assumption, with US, Europe and also Japan's 2016 outlook cut since the end of last year. The offshore and marine sector also looks weaker due to the further fall in oil prices, which could have negative knock-on impact to other sectors. We highlight three key offsetting factors. 1) Our preferred lead indicator, the CRB metal price index, suggest that industrial activity should pick up later in 2Q from a very weak 1Q, although the extent of the bounce is still unclear at this stage. 2) Our China economist has upgraded his growth forecast marginally to 6.6% (from 6.5%), reflecting stimulus measures. 3) Our US team has also pushed out its Fed rate hike expectation to September, instead of June previously. The slower pace of fed fund rate hikes will reduce the pace of Sibor increases, and hence support private consumption slightly. We now expect Sibor to end 2016 at 1.75%, from 2% previously.
- **Labour market to trend weaker:** We have been consistently pointing out the risks arising from the weak labour market data. While the unemployment rate has remained relatively well behaved at 1.9%, broader labour market details continue to point to weak underlying labour demand. Among others, job vacancy rates have fallen, hours worked have moderated, retrenchments have picked up, and labour turnover ratios remain weak. The forward-looking surveys, such as the Manpower Group outlook, also point to a further deterioration in employment propsects in 2016. Some of these are sector-specific, for instance in the offshore and marine and also finance sectors. However, we think the broad weakness also reflect reduced labour demand from rising cost of hiring due to low productivity and higher wages. We expect the labour market to deteriorate gradually in 2016, and expect the unemployment rate to rise to 2.2% by end-2016, from 1.9% in end-2015:
- **Lowering our below-consensus inflation forecast even further:** We have reduced our headline inflation forecast to -0.7% from +0.1% previously (consensus: +0.2%), and our MAS core inflation forecast to +0.6% from +0.9%. Our inflation forecast cut reflects two main factors. 1) More than 20% COE premiums fall since the start of the year, and assuming COE premiums remain flat from here. 2) The decline in oil prices, which is reflected in electricity tariffs with a lag, and to a smaller extent fuel prices.
- **Walking a tightrope - Budget 2016 to focus on economy, while also maintaining fiscal prudence:** Comments from the new Finance Minister suggests that the focus of the upcoming Budget will be on supporting companies and the economy, while at the same time maintaining fiscal prudence. While we see the government maintaining the current slew of social policies (eg. Silver support scheme, Medishield Life etc.), we doubt there will be new policies introduced to support households. Additional revenue from Temasek through the Net Investment Returns Contribution (NIRC) framework is also key. This is expected to add around 1% of GDP to revenue in FY2016.
- **We see MAS keeping its exchange rate policy stance on hold in April 2016:** The central bank has set a rather high bar to further policy easing, highlighting that outright recession and/or widespread price are key triggers for further exchange rate policy moves. On that note, the central bank's decision to keep its current MAS core inflation forecast unchanged at +0.5% to +1.5%, while cutting its headline inflation forecast to -1% to 0% is important, as it signals that the central bank does not expect widespread deflation. The fiscal impulse estimates in the upcoming Budget will be important too, to the extent the relative mix of macro policy support for the economy.
- **Concerns about leverage and the credit cycle:** Investor concerns about Singapore's banking sector and leverage have risen given the continued slowdown in China and also the precipitous fall in commodity prices, including oil. While the good news is that both households and corporates tend to have sufficient cash buffers in aggregate, NPLs will likely trend up gradually over the next two years.

Our favourite lead indicator for industrial activity in the region point to a weak 1Q, before a potential bounce in activity moving into the 2nd and 3rd quarter of the year.

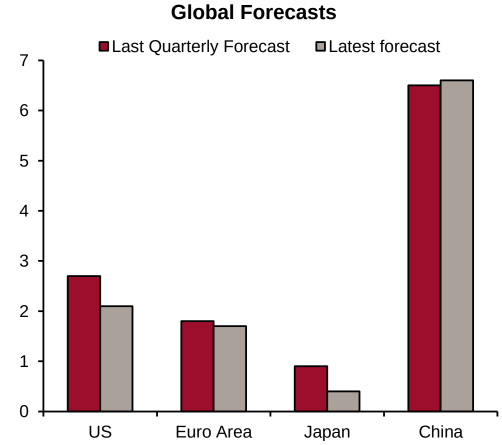
We have cut our year average growth forecast to 1.7%, from 1.9%, reflecting the weaker global growth environment.

Exhibit 280: Lead indicators point to weak 1Q, before a bounce later in 2Q



Source: CEIC, Credit Suisse

Exhibit 281: Global growth forecasts have been cut since the last quarterly

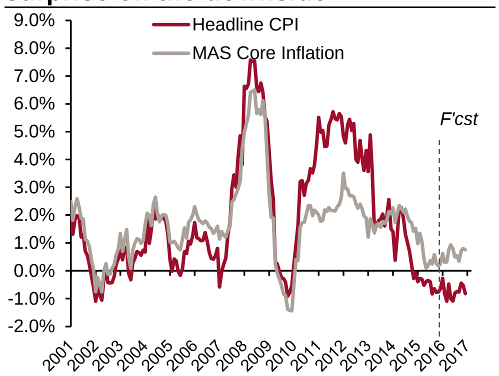


Source: Credit Suisse estimates

Inflation to surprise on the downside this year, reflecting the 20% drop in COE premiums, coupled with lower oil prices.

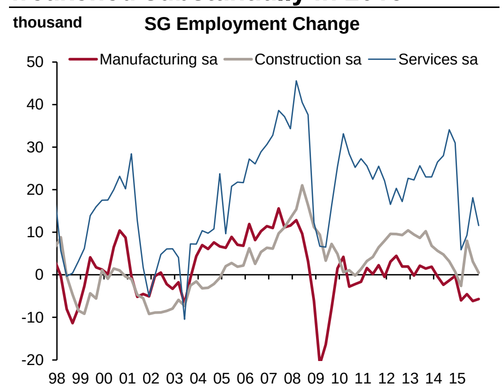
The labour market has weakened substantially in 2015, reflecting weakness in manufacturing sector, together with rising cost of doing business in Singapore.

Exhibit 282: We expect inflation to surprise on the downside



Source: CEIC, Credit Suisse

Exhibit 283: Labour market has weakened substantially in 2015

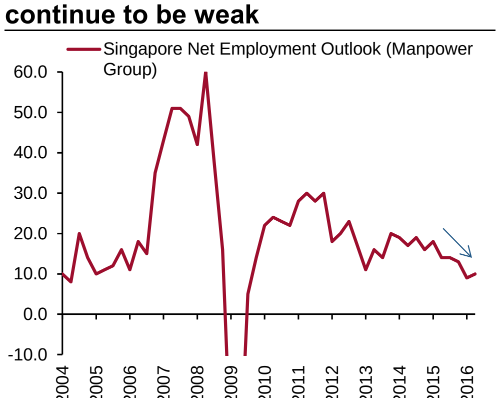


Source: CEIC, Credit Suisse

Forward-looking employment surveys show that the outlook has weakened into 2016.

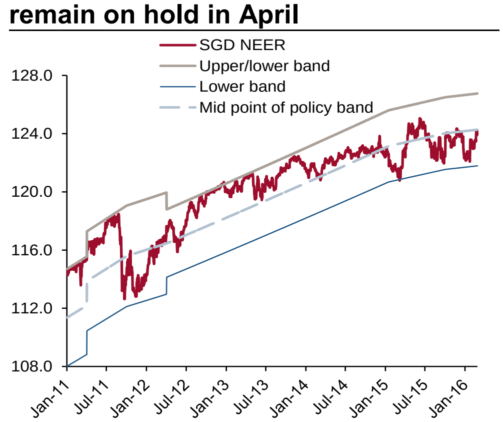
Our forecast is for MAS to remain on hold in April, given our expectation for growth to remain subdued but avoid recession in 2016.

Exhibit 284: Forward-looking surveys continue to be weak



Source: CEIC, MOM, Credit Suisse

Exhibit 285: Base case is for MAS to remain on hold in April



Source: CEIC, Credit Suisse

Singapore: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015	2016F	2017F
National accounts, population, and unemployment									
Real GDP growth (%)	-0.6	15.2	6.2	3.7	4.7	3.3	2.0	1.7	1.8
Growth in real private consumption (%)	-1.1	5.9	4.3	3.5	3.1	2.2	4.5	2.6	1.5
Growth in real fixed investment (%)	3.7	7.8	5.2	8.3	5.7	-2.6	-1.0	2.2	0.7
Fixed investment (as % of GDP)	27.9	26.1	25.9	27.0	27.3	25.7	25.0	25.1	24.9
Nominal GDP ($bn)	192.4	236.6	275.4	289.4	300.4	306.4	292.8	290.0	294.5
Population (mn)	5.0	5.1	5.2	5.3	5.4	5.5	5.5	5.6	5.7
GDP per-capita ($)	38,585	46,596	53,118	54,483	55,633	56,012	52,896	51,710	51,865
Unemployment (% of labor force, end-year)	2.3	2.2	2.1	1.8	1.8	2.0	1.9	2.2	2.3
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, December over December)	-0.5	4.6	5.5	4.3	1.5	0.1	-0.6	-0.8	0.4
CPI inflation (% change in average index for the year)	0.6	2.8	5.3	4.6	2.4	1.0	-0.5	-0.7	0.4
Exchange rate (SGD per USD, end-year)	1.40	1.31	1.30	1.22	1.27	1.32	1.41	1.41	1.41
Exchange rate (SGD per USD, average)	1.45	1.36	1.26	1.25	1.25	1.27	1.37	1.40	1.41
REER (% year-on-year change, December to December) (1)	-1.9	6.4	2.6	7.8	-0.4	-0.8	-1.9	-1.5	-1.0
Nominal wage growth (% year-on-year change)	-2.7	5.6	6.0	2.3	4.3	2.3	3.5	2.5	2.0
3-month SIBOR (%, end-year)	0.69	0.44	0.38	0.38	0.40	0.46	1.19	1.75	2.25
Fiscal data									
Central government fiscal balance (% of GDP)	-0.3	0.3	1.2	1.6	1.2	0.0	-1.4	0.3	0.3
Central government primary fiscal balance (% of GDP) (2)	-0.8	0.2	1.3	1.9	1.4	1.1	-0.7	-0.3	-0.3
Central government expenditure (% of GDP)	14.3	13.7	13.4	13.6	13.7	14.8	16.9	16.5	16.7
Central government revenue (% of GDP)	13.5	14.0	14.7	15.5	15.1	15.9	16.2	16.2	16.4
Money supply and credit									
Broad money supply (M2, % of GDP)	132.6	125.0	128.1	131.5	132.0	132.0	129.3	130.6	130.3
Broad money supply (M2, % year-on-year change)	11.3	8.6	10.0	7.2	4.3	3.3	1.5	2.0	2.0
Domestic credit (% of GDP)	129.4	124.9	134.7	144.4	155.1	161.3	158.8	161.9	163.2
Domestic credit (% year-on-year change)	6.0	11.1	15.8	12.0	11.6	7.4	2.1	3.0	3.0
Domestic credit to the private sector (% of GDP)	97.7	96.2	106.3	115.2	127.1	132.1	129.7	130.4	129.5
Domestic credit to the private sector (% year-on-year change)	2.0	13.4	18.6	13.2	14.6	7.4	1.8	1.5	1.5
Balance of payments									
Exports (goods and non-factor services, % of GDP)	191.9	199.3	201.4	195.9	192.8	192.1	176.5	178.2	178.1
Imports (goods and non-factor services, % of GDP)	168.4	172.8	175.0	173.2	169.4	167.7	149.6	149.5	148.7
Exports (goods and non-factor services, % year-on-year change in $ value)	-16.6	27.6	17.6	2.3	2.1	1.6	-12.2	0.0	1.5
Imports (goods and non-factor services, % year-on-year change in $ value)	-19.5	26.2	17.8	4.1	1.5	0.9	-14.7	-1.0	1.0
Current account balance ($bn) (3)	32.4	56.0	60.6	49.8	54.1	53.2	57.6	61.3	64.8
Current account balance (% of GDP)	16.8	23.7	22.0	17.2	18.0	17.4	19.7	21.1	22.0
Net FDI inflows ($bn)	-2.4	21.7	23.5	41.5	36.0	29.4	20.0	18.0	15.0
Foreign debt and reserves									
Central bank gross FX reserves ($bn)	187.8	225.8	237.7	259.3	273.1	256.9	247.7	245.0	245.0
Central bank gross FX reserves, including forward FX transactions ($bn)	244.6	306.0	356.5	365.9	341.3	298.6	273.3	285.0	285.0
Central bank gross non-gold FX reserves ($bn) (4)	187.6	225.5	237.5	259.1	272.9	256.6	247.5	244.8	245.0

(1) Real effective exchange rate, increase indicates appreciation. (2) Operating revenue minus total expenditure. (3) Current account data were revised in early 2008, leading to a downward revision of around 6pp of GDP in the 2007 current account balance. The adjustment mostly reflected revisions to the income balance. (4) Not including forward FX purchases.

Source: Monetary Authority of Singapore, CEIC, Credit Suisse

Taiwan: More cautious view on 2016's growth

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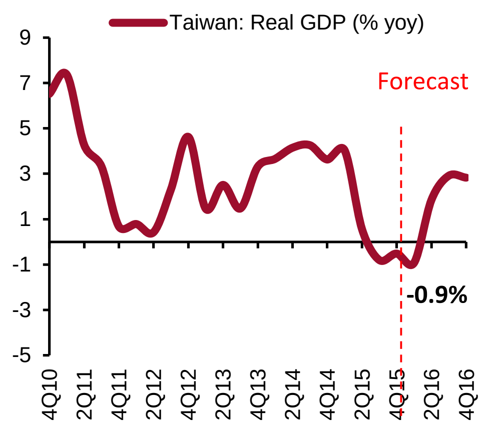
- **Recent macro data show that Taiwan's growth momentum has remained sluggish, prompting us to adopt a more cautious outlook on 1Q 2016 and 2016's full-year growth.** The latest trend fits with our expectation that Taiwan's growth is likely to stay weak before improving in the latter part of the year, weighted down by sluggish global demand and the inventory destocking process in the semiconductor sector. We think 1Q 2016 GDP is likely to remain contractionary, possibly more than the -0.5% yoy decline in 4Q 2015. We have revised down our forecast for Taiwan's 2016 GDP growth again to 1.7% (from 2.3% expected before) and lowered 2017's growth forecast to 2% (from 2.1% before).
- **External trade remained weak, showing very limited sign of improvement in the beginning of 2016.** Taiwan's merchandise exports and imports fell 12.5% yoy and 12.3% yoy in the first two months of the year, still sharp when compared to the 14% yoy-15% yoy drop seen in the prior quarter. Details of the product breakdown show that all major export categories remain contractionary from a year ago. Electronic part exports, which represent almost one-third of Taiwan's export value, dropped 7.1% yoy in February on a three-month moving average basis. Information and communication equipment also fell 8.4% yoy, while non-tech products such as chemicals and machinery dropped by double-digit levels.
- **We maintain our view that export growth, especially for tech, is likely to remain depressed until 2Q this year.** As we argued before, our tech analyst expects the net sales of Taiwan Semiconductor Manufacturing Company (TSMC) to weaken further in 1Q16 before improving from 2Q16 onwards. In view of the close correlation between TSMC's net sales and Taiwan's electronic part exports, we suspect Taiwan's external demand condition is likely to be going through a trough at this juncture. Weakness in the production and exports of tech components this year also prompts us to remain cautious on 1Q export growth and the strength of recovery in the coming quarters.
- **The weakness in external trade has pressured Taiwan's industrial production activities and the sentiment in the manufacturing sector.** Taiwan's industrial production contracted 5.7% yoy in January, still very weak since 3Q last year. The contraction in export orders is even worse, down 12.4% yoy in January, similar to the extent in December but deteriorated from the months before. Leading indicators also suggest continued deterioration in manufacturing activities. The Manufacturing Industry Sentiment Index published by the Taiwan Institute of Economic Research has fallen to a multi-year low level in January, while the Nikkei Taiwan Manufacturing PMI has dipped below 50 (49.4) again in February.
- **Consumption activities saw some improvement in recent months, helped by the government's consumption-stimulating measures.** Retail trade growth improved to 2.6% yoy in February on a three-month moving average basis, rebounded from an over 1% yoy contraction several months ago. In our view, the recent rebound was helped by the launch of the consumption subsidy package by the Executive Yuan back in late October, which is scheduled to last until end-February. The consumer confidence index shows some improvement in February but has not climbed back to its height in the beginning of 2015. We think the overall consumer sentiment in Taiwan remains weak, pressured by a sluggish global demand condition and the continued correction in home prices. The bounce in retail sales seen lately may also experience a correction in the coming months, in our view, once the support from the subsidy package dissipates.
- **Gross fixed investments remain sluggish, however, dragged down by the lack of public sector projects and construction investment activities.** The 4Q 2015 GDP report shows that Taiwan's gross fixed capital formation was able to attain 2.5% yoy growth. Investments from private enterprises grew 6.8% yoy, but the momentum was capped by a 9% yoy contraction in public sector investments. From an industry perspective, investments in construction remain sluggish, down 2.1% yoy in 4Q, though the momentum in other sectors such as transport equipment, machinery and intangible fixed assets managed to grow positively.

- **We expect the Central Bank of China to continue easing the policy rediscount rate in the face of continued pressures over external and domestic demand condition.** We have maintained our view for the CBC to make another policy rediscount rate cut in the March board meeting to 1.5% and expect the CBC to continue cutting the policy rediscount rate by 12.5bp in each of the June and September board meetings to bring the rate down to 1.25% by the end of 2016. In our view, the weaker-than-expected growth condition expected in 2016 and 2017 is likely to drag down Taiwan's growth further below its potential level. Based on our revised growth forecasts, we estimated that the Taiwanese economy may record a 0.5% negative output gap this year and another 0.4% negative output gap in 2017, both widened from those seen in the previous years.
- **The overnight call-loan rate has declined continuously since 3Q last year, reflecting the market's anticipation of easier monetary conditions.** The overnight rate has been falling from 0.39% before August 2015 to 0.2%, and we expect that it may continue falling to a historical low of 0.1% (seen in 2009) in the near future. We think this reflects the market expectation that the CBC will continue easing monetary conditions by lowering the policy rediscount rate until growth resumes a gradual recovering trend again.
- **We do not think the surge in February's CPI has changed our view that price pressure in Taiwan remains too modest to inhibit the CBC from easing monetary conditions further.** CPI surged unexpectedly by 2.4% yoy in February, but when taking away the effect from food price move inflation remained very modest at 0.15% yoy. Excluding the effect from oil prices as well, core inflation was higher but still remained low at 0.82% yoy. In our view, the inflationary pressure in Taiwan is expected to stay very muted in 2016. Continued weakness in global crude oil prices and the widening of the negative output gap are factors that will restrain a sustainable rise in price pressure, in our view. We have lowered our CPI inflation forecasts to 0.4% in 2016 and 1.3% in 2017.
- **We expect to see further USDTWD upside in view of a resumption in USD strength and pressure for more monetary easing in Taiwan.** We have maintained our view for USDTWD to rise to 34.4 by end-2016, providing more breathing room to Taiwanese exporters. But despite our expectation of a weaker TWD, we believe the continued weakness in global crude oil prices may further widen Taiwan's current account surplus this year from the record amount attained last year. We have revised up our forecast for Taiwan's current account surplus to USD85.3bn (17% of GDP) in 2016, up from the USD76.2bn surplus in 2015. Our forecast is based on the assumption that global crude oil prices will remain stable at around USD35 per barrel this year.
- **President-elect Tsai Ing-wen will inaugurate on 20 May but we expect limited near-term impact on the economy.** As anticipated, the Democratic Progressive Party (DPP) won the presidency and a majority in the Legislative Yuan at the 16 January elections, marking the first time the DPP controls both the executive and legislative branch of the government. We do not think the election result will have a near-term impact on our outlook for the Taiwanese economy. Weak global demand, especially those from China and a weak tech product cycle will still be the main drivers for Taiwan's growth this year, in our view. Over the medium term, we believe the DPP victory will have implication over (1) cross-strait relations; (2) industrial policy; and (3) tax and pension reform. We expect President-elect Tsai Ing-wen to "maintain the status quo" in cross-strait relations during her term. We remain cautious on Tsai's plan to transform Taiwan's industrials and expect her to initiate tax and pension system reforms when she assumes office.
- **Only Fitch maintains a positive outlook on Taiwan's ratings.** Moody's and S&P have a stable rating outlook on the economy. Taiwan is currently rated at Aa3 (Moody's), AA- (S&P) and A+ (Fitch).

Recent macro data show that Taiwan's growth momentum has remained sluggish, prompting us to adopt a more cautious outlook on 1Q 2016 and 2016's full-year growth..

We have revised down our forecast for Taiwan's 2016 GDP growth again to 1.7% and lowered 2017's growth forecast to 2%.

Exhibit 286: Real GDP growth



Source: NSO, CEIC, Credit Suisse

Exhibit 287: Forecast summary

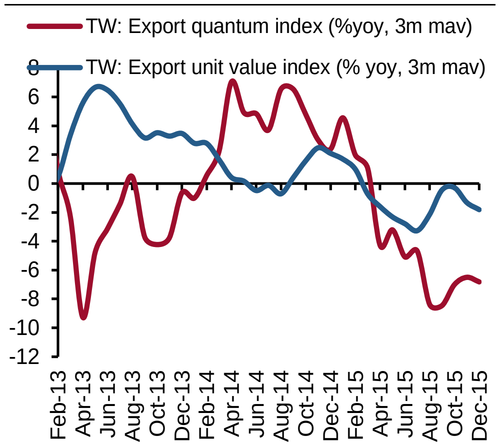
	2015E	CS Forecast 2016F	2017F
GDP	0.7	1.7	2.0
Private consumption	2.3	1.9	2.1
Government consumption	-0.4	1.2	0.9
Gross capital formation	1.5	1.9	2.3
Exports of goods & services	-0.2	1.4	2.5
Imports of goods & services	0.9	1.7	2.5
GDP drivers:			
Domestic demand contribution	1.4	1.7	1.8
Net trade contribution	-0.7	-0.1	0.2
Current account balance ($ bn)	76.2	85.3	85.0
CPI inflation	-0.3	0.4	1.3

Source: Directorate-general for Budget, Accounting and Statistics, Credit Suisse

Export weakness remained predominantly driven by volume contractions.

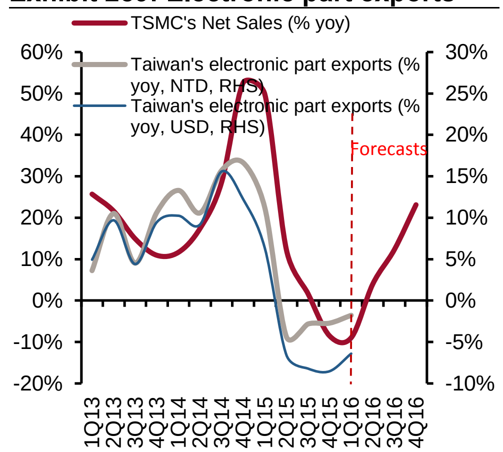
We maintain our view that export growth, especially for tech, is likely to remain depressed until 2Q this year.

Exhibit 288: Export volume vs. unit value



Source: NSO, CEIC, Credit Suisse

Exhibit 289: Electronic part exports



Source: Company data, Credit Suisse estimates

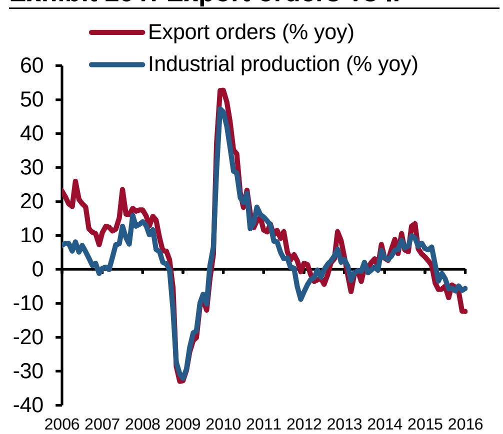
External trade remained weak, showing very limited sign of improvement in the beginning of 2016.

The weakness in external trade has pressured Taiwan's export orders and industrial production activities.

Exhibit 290: Merchandise exports

Source: NSO, CEIC, Credit Suisse

Exhibit 291: Export orders vs IP

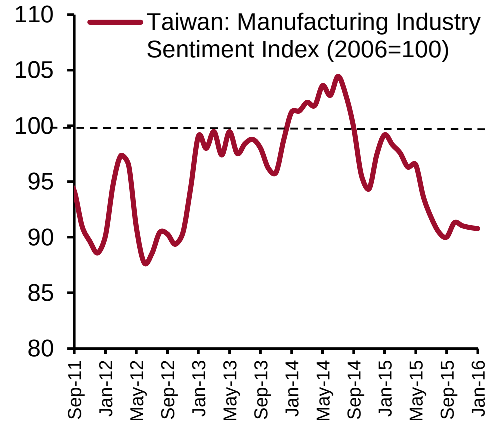


Source: CEIC, Credit Suisse

The Manufacturing Industry Sentiment Index has fallen to a multi-year low level in January.

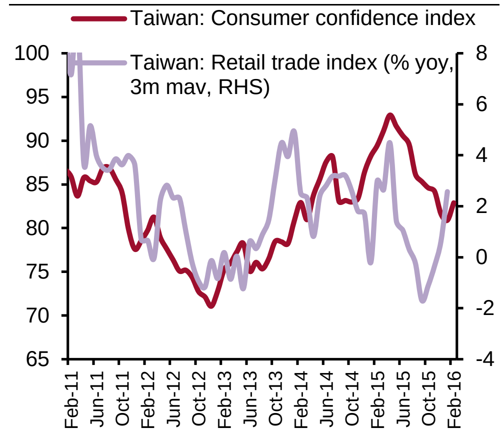
The recent rebound in retail trade was helped by the launch of the consumption subsidy package back in late October, which is scheduled to last until end-February.

Exhibit 292: Manufacturing Industry Sentiment Index



Source: NSO, CEIC, Credit Suisse

Exhibit 293: Consumer confidence and retail sales

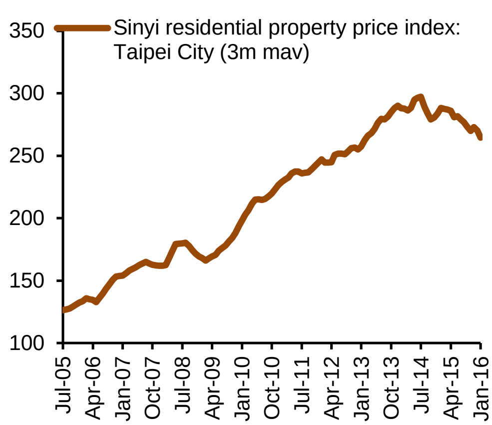


Source: CEIC, Credit Suisse

We think the overall consumer sentiment in Taiwan remains weak, pressured by a sluggish global demand condition and the continued correction in home prices.

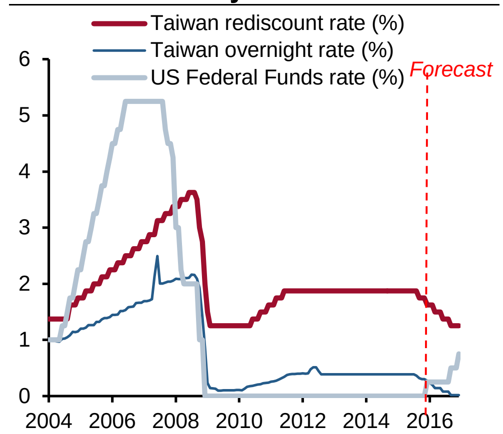
We expect the CBC to continue easing the policy rediscount rate in the face of continued pressures over external and domestic demand condition.

Exhibit 294: Property sector



Source: Sinyi Realty, CEIC, Credit Suisse

Exhibit 295: Policy rediscount rate

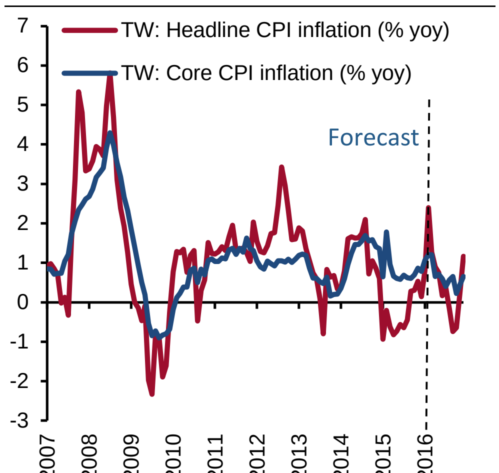


Source: CBC, Credit Suisse

We do not think the surge in February's CPI has changed our view that price pressure in Taiwan remains too modest to inhibit the CBC from easing monetary conditions further.

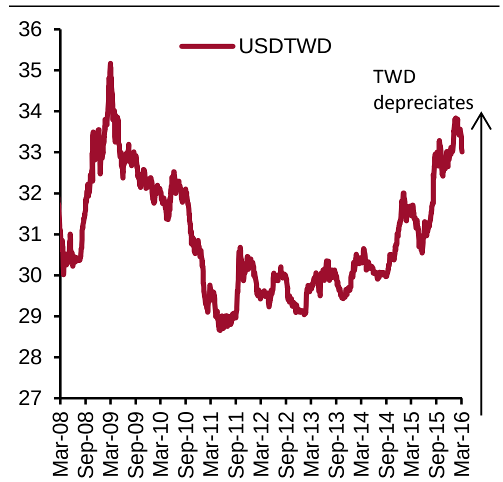
We expect to see further USDTWD upside in view of a resumption in USD strength and pressure for more monetary easing in Taiwan.

Exhibit 296: CPI inflation



Source: DGBAS, Credit Suisse

Exhibit 297: USDTWD



Source: MoF, CEIC, Credit Suisse

Taiwan: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	-1.8	10.7	4.1	2.1	2.2	3.9	0.7	1.7	2.0
Growth in real private consumption (%)	0.8	3.7	3.1	1.8	2.3	3.3	2.3	1.9	2.1
Growth in real fixed investment (%)	-11.2	24.0	-1.2	-2.6	5.3	1.8	1.5	1.9	2.3
Fixed investment (% of GDP)	18.2	20.5	19.9	19.1	19.7	19.8	20.0	20.0	20.1
Nominal GDP ($bn)	392.1	446.1	485.2	495.0	518.4	526.3	518.4	500.9	502.0
Population (mn)	23.1	23.2	23.2	23.3	23.4	23.4	23.5	23.6	23.6
GDP per capita ($)	16,960	19,262	20,890	21,230	22,179	22,460	22,083	21,271	21,248
Unemployment (% of labor force, end-year)	5.8	4.7	4.2	4.2	4.1	4.1	4.1	4.1	4.1
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, December over December)	-0.2	1.0	2.0	1.6	0.3	0.6	0.1	1.1	1.5
CPI inflation (% change in average index for the year)	-0.9	1.0	1.4	1.9	1.0	1.2	-0.3	0.4	1.3
Exchange rate (TWD per USD, end-year)	32.3	30.5	30.3	29.0	29.7	31.5	33.0	34.4	34.4
Exchange rate (TWD per USD, average)	33.1	31.6	29.5	29.7	29.4	30.6	32.2	33.7	34.4
REER (% year-on-year change) (1)	2.5	6.7	2.8	5.9	-1.9	-4.9	-4.6	-3.0	1.5
Nominal wage growth (% year-on-year change)	-2.1	1.6	1.3	1.3	1.0	1.8	1.0	-0.8	1.5
Rediscount rate (end-year, %)	1.25	1.63	1.88	1.88	1.88	1.88	1.63	1.25	1.25
Overnight rate (%, end year)	0.1	0.3	0.4	0.4	0.4	0.4	0.3	0.2	0.2
Fiscal data									
Consolidated government fiscal balance, (% of GDP) (2)	-4.3	-3.2	-2.1	-2.4	-1.4	-0.8	-1.0	-1.5	-1.8
Consolidated government primary balance, (% of GDP) (2)	-3.9	-2.7	-1.6	-2.0	-0.8	-0.2	-0.4	-1.0	-1.3
Consolidated government expenditure, (% of GDP) (2)	20.6	18.2	18.3	18.2	17.5	16.4	16.4	16.8	17.0
Consolidated government debt, (% of GDP, end-year) (2)	46.6	46.3	47.5	48.4	48.9	48.4	47.4	48.2	48.7
Money supply and credit									
Broad money supply (M2, % of GDP)	226.5	219.2	226.7	228.6	229.5	230.8	234.6	246.3	256.5
Broad money supply (M2, % year-on-year change)	5.8	5.4	4.8	3.5	5.7	6.3	5.5	6.1	6.5
Domestic credit (% of GDP)	143.5	140.7	146.5	147.4	150.5	151.7	154.4	162.5	169.5
Domestic credit (% year-on-year change)	0.8	6.8	5.5	3.3	5.9	6.5	5.7	6.3	6.7
Domestic credit to the private sector (% of GDP)	126.2	124.3	129.8	131.7	135.5	137.5	141.1	149.6	157.3
Domestic credit to the private sector (% year-on-year change)	-0.4	7.2	5.9	4.1	6.7	7.3	6.5	7.1	7.5
Balance of payments									
Exports (goods and non-factor services, % of GDP)	60.0	70.4	72.5	71.3	69.5	71.2	65.9	66.4	66.9
Imports (goods and non-factor services, % of GDP)	51.7	63.9	66.3	64.3	61.4	61.5	53.8	51.4	51.4
Exports (goods and non-factor services, % year-on-year change in $ value)	-19.4	33.6	12.0	0.3	2.0	4.0	-8.8	-2.7	1.0
Imports (goods and non-factor services, % year-on-year change in $ value)	-25.3	40.7	12.7	-0.9	-0.1	1.6	-13.8	-7.7	0.2
Current account balance ($bn)	42.9	39.9	39.9	47.3	53.1	63.8	76.2	85.3	85.0
Current account balance (% of GDP)	10.9	8.9	8.2	9.6	10.2	12.1	14.7	17.0	16.9
Net FDI inflows ($bn)	-3.1	-9.1	-14.7	-9.9	-10.7	-9.9	-12.4	-12.4	-12.4
Scheduled debt amortization ($bn) (3)	-0.5	4.8	9.7	6.8	6.3	4.7	-0.5	0.0	0.5
Foreign debt and reserves									
Foreign debt ($bn) (4)	81.9	101.6	122.5	130.8	170.1	177.9	174.3	170.0	165.2
Public ($bn) (5)	5.9	8.0	4.5	3.3	2.3	1.9	1.9	1.9	1.9
Private ($bn)	76.0	93.5	118.0	127.5	167.8	176.1	172.4	168.2	163.3
Foreign debt (% of GDP)	20.9	22.8	25.3	26.4	32.8	33.8	33.6	33.9	32.9
Foreign debt (% of exports of goods and services)	34.8	32.3	34.8	37.0	47.2	47.5	51.0	51.1	49.2
Central bank gross FX reserves ($bn)	348.2	382.0	385.5	403.2	416.8	419.0	426.0	443.6	460.3
Central bank gross non-gold FX reserves ($bn) (6)	343.4	376.8	380.5	397.9	411.6	413.7	420.8	438.4	455.1

(1) Real effective exchange rate (CPI-deflated), increase indicates appreciation. (2) General government statistics as interpreted by the Taiwan government. (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: Directorate-general of Budget, Accounting and Statistics, Central Bank of China, Ministry of Finance, CEIC, Credit Suisse

Thailand: Another year of sub-3% GDP growth

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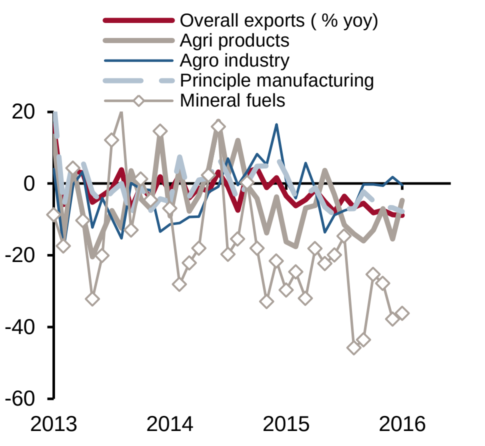
- **Trimming our 2016 real GDP forecast.** We have shaved our 2016 GDP growth forecast to 2.7% from 2.9%, putting us further below the BoT's 3.5% and the *Consensus Economics'* consensus, which has recently come down to 3.0%. We have also nudged down our 2017 GDP growth forecast to 3.1% from 3.3%. We maintain our view that the economic recovery will be uneven, with tourism and public spending doing the heavy lifting but facing a tougher base for year-on-year growth, while exports, consumption and private capex disappoint (see *Thailand: A narrow and bumpy economic recovery*). What has changed is that the export outlook has deteriorated due to global growth concerns, while the drought looks likely to persist for longer than expected.
- **Exports are still struggling, and not just due to commodity prices.** Recent export data suggest that the slump has not been all about declining prices, but has also reflected weaker volumes. With global manufacturing activity likely to remain anemic this year, we see a good chance that nominal merchandise exports will contract again, after shrinking around 6% last year.
- **Drought drags consumption.** The prolonged drought, which is now expected to last possibly until mid-2016, will likely continue to put pressure on farm incomes and consumer spending, despite recent government support measures. In a more extreme scenario where the drought also affects the production of key crops in 4Q 2016, the direct hit to GDP could be 0.5%-0.7% of GDP, according to the Thai University Chamber of Commerce. January consumption indicators support our view that consumer spending will likely experience a double-dip after the front loading of spending in 4Q 2015 due to the stimulus measures and the change in excise duty structure.
- **Public investment not enough to boost private capex.** We think government infrastructure investment momentum will continue to be robust, though the statistical base will likely mean that year-on-year growth is softer this year than last year's decade-high 31%. The key issue is that private investment, which accounts for three quarters of the total investment, has failed to respond meaningfully to higher state capex. We think this will continue for two reasons. First, a weak export outlook has tended historically to cap business investment in Thailand. Second, and more importantly, we think the loss of competitiveness has already resulted in a significant decline in FDI – in USD terms 2015 FDI inflows were roughly half of the 2010-2014 average. Meanwhile, Thai companies are investing more abroad, resulting in a negative net direct investment account.
- **More support from fiscal policy.** The government recently announced two sets of economic stimulus measures: (1) the supplementary budget of Bt56bn (around 0.4% of GDP), and (2) soft loans to farmers to improve the agriculture sector worth Bt93bn (0.7%). Of the two, we think the supplementary budget is a more direct measure to stimulate the economy. However, we believe the amount is insufficient to completely offset the downside risk to growth. We also see a risk of implementation delays should the government choose to spend the funds by allocating them to village-level leadership (see our note on the programs).
- **Baht should remain resilient.** The current account surplus overshot even our above-consensus forecast last year, coming in close to 9% of GDP, and we expect another surplus of above 8% of GDP in 2016. This is owing to a combination of low oil prices, weak import demand and robust tourism. The current account flows will likely continue to support the baht despite the sluggish economy, prompting the central bank to intervene more aggressively and accumulate more foreign reserves in the process. Reserves surged in February to USD168bn from USD157bn at the end of last year. Ultimately, we think this will be the trigger for another rate cut later this year.
- **Another 25bps rate cut still on the table.** We have cut our average headline inflation forecast for 2016 to 0.5% from 1.3% due to a lower oil price assumption, putting us again below the *Consensus Economics'* consensus of 0.9%. While the consensus forecast is still for no change in rates this year, we still see a good chance that the BoT will change its stance later this year due to a combination of growth and inflation disappointment as well as a strong currency.

Weakness in exports was not all about the decline in prices but also a moderation in key manufacturing exports including electronics and machinery.

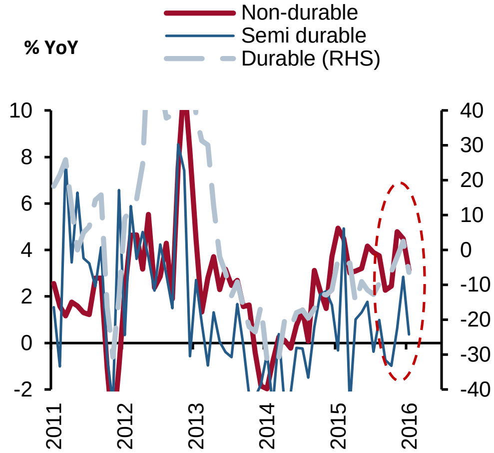
Private consumption already showed signs of a dip after the front loading of purchases in 4Q due to stimulus measures and the change in the car tax structure.

Exhibit 298: Weak industrial exports



Source: CEIC, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Exhibit 299: Dip in consumption

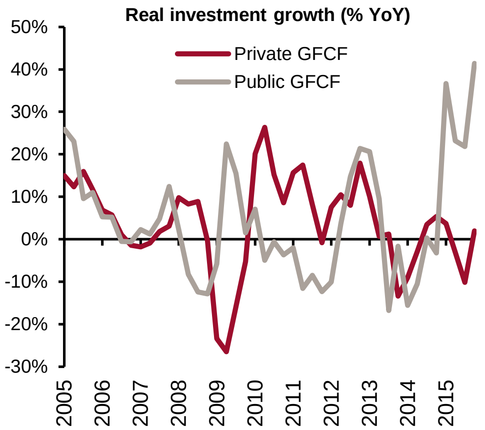


Source: CEIC, Credit Suisse

Public investment surged in 2015, but private investment failed to respond. We expect a similar pattern this year.

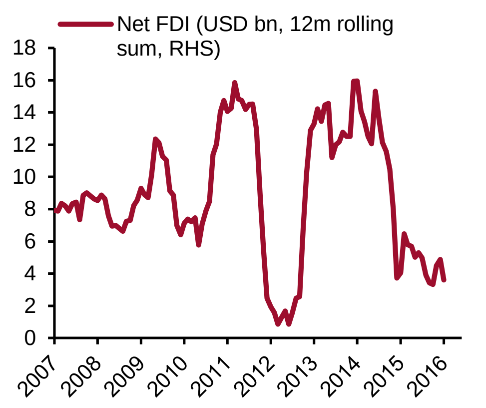
One of the headwinds facing private capex is the decline in competitiveness, partly reflected in the sharp fall in FDI.

Exhibit 300: Public v private investment



Source: MOF, CEIC, Credit Suisse

Exhibit 301: Decline in FDI

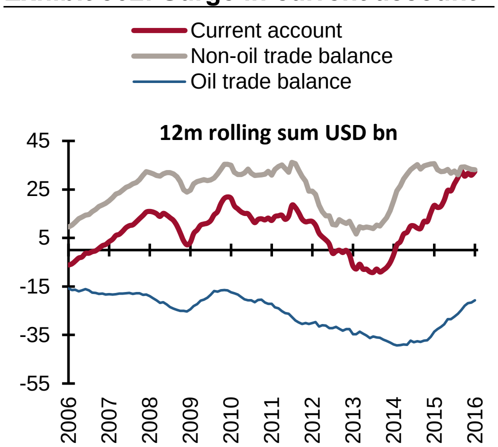


Source: MOF, CEIC, Credit Suisse

The current account surged in 2015, owing to lower oil prices, weak investment, and strong tourism. We expect the current account to print above 8% of GDP again this year for similar reasons.

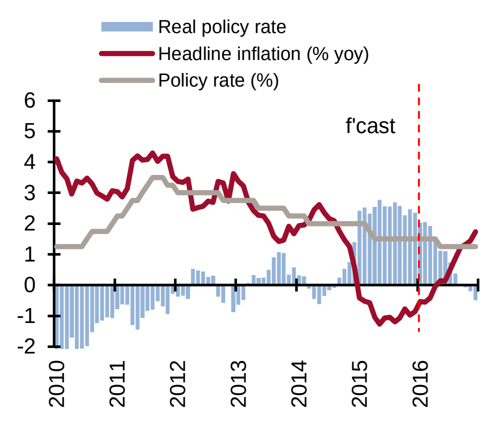
With the baht likely to stay resilient, inflation averaging below 1%, and growth sluggish, we expect the BoT to cut rates around 2Q/3Q this year.

Exhibit 302: Surge in current account



Source: CEIC, Credit Suisse

Exhibit 303: Low inflation, high real rates



Source: CEIC, Credit Suisse estimates

Thailand: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015F	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	-2.2	7.8	0.8	7.2	2.7	0.8	2.8	2.7	3.1
Growth in real private consumption (%)	-1.1	4.8	1.8	6.7	1.0	0.6	2.1	2.0	2.5
Growth in real fixed investment (%)	-9.0	9.4	4.9	10.7	-1.0	-2.4	4.7	3.3	5.0
Fixed investment (% of GDP)	20.5	20.8	25.9	27.0	25.4	24.8	24.9	25.1	25.5
Nominal GDP ($bn)	263.8	318.8	366.9	366.0	414.8	404.1	391.3	386.1	399.3
Population (mn)	63.5	63.9	64.1	64.5	64.8	65.1	65.7	66.1	66.0
GDP per capita ($)	4,152.5	4,990.4	5,117.0	5,394.5	6,403.2	6,204.5	5,952.6	5,844.2	6,050.5
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, December over December)	3.5	3.0	3.5	3.6	1.7	0.6	-0.9	1.7	2.1
CPI inflation (% change in average index for the year)	-0.8	3.3	3.8	3.0	2.2	1.9	-0.9	0.5	2.0
Exchange rate (THB per USD, end-year)	33.2	30.1	31.0	30.6	32.7	32.9	36.0	36.4	37.2
Exchange rate (THB per USD, average)	34.3	31.7	30.8	31.1	31.1	32.5	34.6	36.2	36.8
REER (% year-on-year change, December over December) (1)	2.5	8.0	0.2	0.3	6.2	2.0	-1.0	-2.0	-0.5
Nominal wage growth (% year-on-year change) (2)	-2.5	6.5	7.5	12.1	10.0	9.0	4.0	3.0	3.0
Overnight policy rate (%, end-year) (3)	1.25	2.00	3.25	2.75	2.25	2.00	1.50	1.25	1.50
Fiscal data (4)									
General government budget balance (% of GDP)	-5.7	-0.9	-2.5	-2.6	-1.9	-2.9	-3.0	-3.4	-3.2
General government primary fiscal balance (% of GDP)	-4.4	0.3	-1.1	-1.4	-0.9	-1.9	-2.0	-2.5	-3.0
General government expenditure (% of GDP)	21.7	18.0	19.3	18.6	18.6	18.7	19.2	19.9	19.9
General government revenue (% of GDP)	15.9	17.1	16.7	16.0	16.8	15.8	16.2	16.5	16.7
Gross general government debt (% of GDP, end-year) (5)	45.2	42.6	39.4	40.0	42.1	43.3	43.3	45.6	43.7
Money supply and credit									
Broad money supply (M2, % of GDP)	117.4	116.6	128.7	131.7	124.3	129.2	132.8	138.3	142.7
Broad money supply (M2, % year-on-year change)	6.8	10.9	15.1	10.3	7.3	5.8	6.0	7.5	8.5
Domestic credit (% of GDP)	113.7	113.4	125.6	131.2	138.1	142.7	145.4	148.7	151.3
Domestic credit (% year-on-year change)	5.2	11.5	15.5	12.6	10.0	5.2	5.0	5.6	7.0
Domestic credit to the private sector (% of GDP)	111.1	110.2	122.1	128.9	136.3	140.4	142.3	146.1	148.7
Domestic credit to the private sector (% year-on-year change)	5.0	10.9	15.6	13.8	10.5	4.8	4.5	6.0	7.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	68.5	71.4	72.9	75.3	68.5	69.3	69.2	68.1	67.2
Imports (goods and non-factor services, % of GDP)	59.1	65.0	70.0	74.6	66.0	62.7	58.5	60.2	59.9
Exports (goods and non-factor services, % year-on-year change in $ value)	-13.4	26.0	17.5	2.9	3.1	-1.4	-3.4	-2.8	2.0
Imports (goods and non-factor services, % year-on-year change in $ value)	-23.7	33.0	24.0	6.3	0.3	-7.4	-9.7	1.5	3.0
Current account balance ($bn)	21.9	14.8	8.9	-1.5	-5.2	15.4	34.8	32.8	31.1
Current account balance (% of GDP)	8.3	4.6	2.4	-0.4	-1.2	3.8	8.9	8.5	7.8
Net FDI inflows ($bn)	0.7	4.5	-4.7	-1.4	3.8	-0.6	-3.8	-3.0	-3.0
Scheduled external debt amortization ($bn)	11.0	11.0	8.8	13.3	11.1	10.5	8.0	7.0	7.0
Foreign debt and reserves									
Foreign debt ($bn)	75.3	100.5	106.6	133.2	141.9	144.0	140.1	135.0	128.0
Public ($bn)	15.4	11.0	16.6	22.1	25.2	22.1	19.0	15.0	15.0
Private ($bn)	59.9	89.5	90.0	111.1	116.7	121.9	121.1	120.0	113.0
Foreign debt (% of GDP)	28.5	30.4	29.1	36.4	34.2	35.6	35.8	35.0	32.1
Foreign debt (% of exports of goods and services)	41.7	42.6	39.8	48.4	50.0	51.4	51.8	51.3	47.7
Central bank gross FX reserves ($bn)	138.4	172.1	175.1	181.6	167.2	157.1	158.0	175.0	170.0
Central bank gross FX reserves, including forward FX transactions ($bn)	154.1	191.7	194.7	201.2	190.2	180.2	181.1	198.1	193.1
Central bank gross non-gold FX reserves ($bn) (6)	135.5	167.5	167.4	173.3	161.3	151.3	152.2	169.2	164.2

(1) Real effective exchange rate, increase indicates appreciation. (2) From *Labor Force Survey: Average Monthly Wage* in the private sector. (3) Through 2006, the policy rate was the 14-day repo rate. (4) Data for central government, based on cash basis prior to 2004, based on fiscal year ending September. (5) Includes central government, non-financial SOEs and financial institution development fund. (6) Not including forward FX purchases.

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

Vietnam: A slower but 'safer' kind of growth

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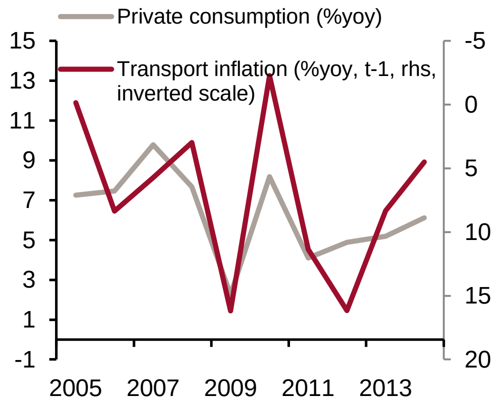
- **GDP growth should moderate but remain the strongest in ASEAN.** We expect real GDP growth to soften to 6.3% yoy in 2016, from 6.7% in 2015, led by a moderation in car sales, export and investment growth. General consumption should remain supported by still-low inflation and potential further rate cuts, though car sales will likely weaken post the surge to front-run the changes in tax calculations early this year. Investment by the state and domestic businesses will be constrained by funding issues, leaving FDI to do the heavy lifting. The expected slowdown in the US and China would be a drag on exports.
- **Constrained fiscal space.** We see the budget deficit widening slightly to 5.5% of GDP from 5.4% last year. Likely weaker revenue from the oil sector and customs, accounting for around a third of total state income, could cap government spending. Meanwhile, public debt is not too far away from the legal limit of 65% of GDP. With gradually declining access to concessional borrowing, we believe this fiscal constraint will limit the government's ability to boost capex, which accounts for around 40% of total investment.
- **Pick-up in inflation should limit the scope for aggressive easing by SBV.** CPI inflation corrected sharply to an average of 0.6% yoy in 2015 (vs. 4.1% in 2014), primarily driven by lower transportation prices while real interest rates remain high. We expect a gradual pick-up in inflation to 3.0% yoy by year-end 2016 because of the following factors:

  1) Strong private consumption growth. While headline CPI averaged 0.6% yoy in 2015, core CPI was much higher at 1.4%, indicating stronger inflationary pressures for services. We expect these pressures to persist. 2) **El Nino impact on food**. Food is 36% of the CPI basket and we think a major part of the disinflation in food is over. The El Nino weather phenomenon, which is expected to last until the 2Q 2016, is likely to have a negative impact on food supply. 3) **Anticipated increases in electricity, healthcare and education prices**. The government is likely to gradually reduce subsidies in these areas, which would likely send CPI inflation higher. 4) **Pass-through from weaker VND**. Last year, the VND depreciated 5% against the US dollar and we expect a further grind down to 23,400 in 12 months, which should result in higher imported inflation.
- **Further monetary easing likely, but banks' lending capacity capped.** Based on our CPI view, we do not expect SBV to cut rates aggressively. We expect the central bank to lower the refinance rate by a further 50bps to 6% by the end of this year. Despite this, however, we see the boost to credit growth being limited as banks are capital constrained – the total CAR of the six major listed banks will fall from 10.8% to 9.7% this year if lending expands 18% yoy, according to our equity research team (see report).
- **FDI expected to stay strong, but a sharp pick-up is unlikely.** We expect FDI flows to stay robust, while some moderation is likely after the very strong 17.4% yoy surge in 2015. Manufacturing, which contributed 24% of GDP growth in 2015, accounted for a 57% share of total FDI inflows. We generally expect this trend to continue, and Vietnam should also get an FDI boost from joining the TPP agreement (see our report on the Trans Pacific Partnership (TPP)) as well as signing the FTA with the EU last year, making it an attractive destination for export-oriented manufacturing FDI.
- **Slower domestic growth could reduce pressure on the external balance.** We see **the** current account slipping into a mild deficit of USD1.3bn (-0.6% of GDP), from a surplus of USD1.9bn in 2015. While Vietnam should continue to see a healthy basic balance, owing to forecast net FDI of over USD8bn, we note rising resident deposit and currency outflows, which reached more than USD15bn last year. This resulted in a decline in foreign reserves, which cover less than three months of imports. For these reasons, some moderation in import growth that reduces pressure on the external balance may be desirable.
- **Gradual depreciation in USDVND.** We expect USDVND to follow a gradual depreciation path to 23,400 in 12 months. This is based on our view that the central bank will likely allow VND to trade on the weak side of its reference basket of currencies. A weaker current account position, further monetary easing, and potential Chinese RMB depreciation should translate into depreciation of the Vietnamese currency, in our view.

Broad consumer spending should remain resilient, supported by positive income effects from lower oil prices and expected rate cuts.

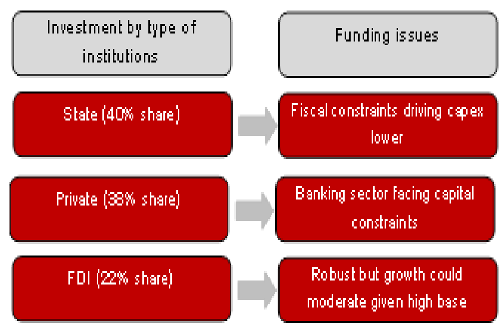
We expect funding constraints will drive investment growth down to 6.5% this year from 8% in 2015.

Exhibit 304: Consumption to stay robust



Source: CEIC, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Exhibit 305: Investment outlook

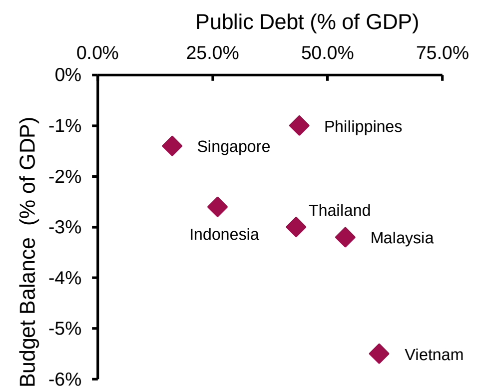


Source: CEIC, Credit Suisse

High public debt and the fiscal deficit should further constrain fiscal space to support growth.

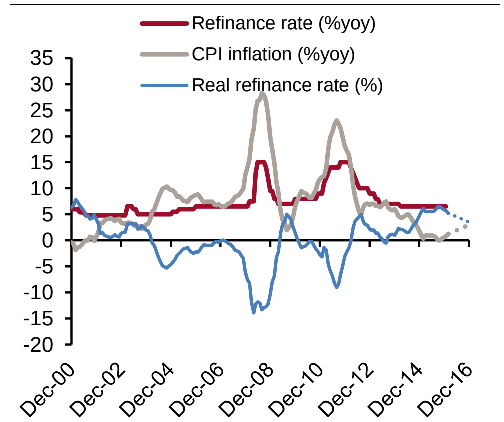
We expect the central bank to cut the refinance rate by 50bps to 6% in 2016 given low inflation and high real interest rates.

Exhibit 306: Limited fiscal space



Source: CEIC, Credit Suisse

Exhibit 307: Low inflation

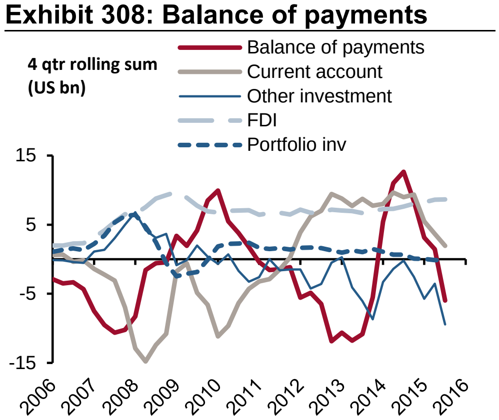


Source: CEIC, Credit Suisse

The balance of payments turned negative last year due to a sharp fall in the current account surplus and short-term capital outflows.

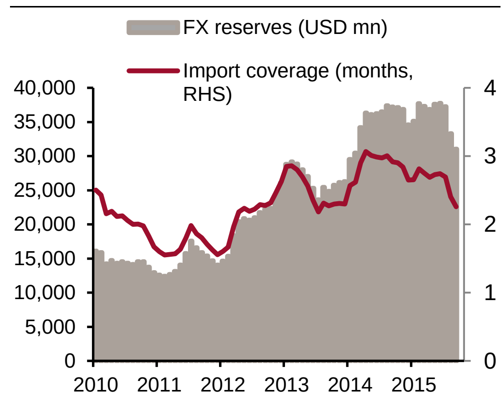
While Vietnam's foreign reserves have improved significantly from 2011, when the currency was under severe pressure, import coverage is still less than three months.

Exhibit 308: Balance of payments



Source: CEIC, Credit Suisse

Exhibit 309: FX reserves



Source: CEIC, Credit Suisse

Vietnam: Selected economic indicators

	2009	2010	2011	2012	2013	2014	2015F	2016F	2017F
National accounts, population and unemployment									
Real GDP growth (%)	5.4	6.4	6.2	5.2	5.4	6.0	6.7	6.3	6.2
Growth in real fixed investment (%)	8.7	10.9	-7.8	1.9	5.3	9.3	8.0	6.5	6.5
Fixed investment (% of GDP)	33.9	32.6	26.8	24.2	23.6	23.8	24.2	23.7	23.1
Nominal GDP ($bn)	106.0	116.0	135.5	155.8	171.2	186.2	198.3	212.6	230.0
Population (mn)	86.0	86.9	87.9	88.8	89.8	90.7	91.5	92.5	93.4
GDP per capita ($)	1232	1334	1543	1755	1908	2052	2167	2298	2463
Prices, interest rates and exchange rates									
CPI inflation (% year-on-year change, December over December)	6.7	9.2	18.7	9.1	6.6	4.1	0.6	3.0	4.0
CPI inflation (% change in average index for the year)	6.5	11.8	18.1	6.8	6.0	1.8	0.6	2.0	3.0
Exchange rate (VND per USD, end-year)	17,942	18,932	20,812	20,828	21,036	21,246	22,529	23,400	24,336
Exchange rate (VND per USD, average)	17,063	18,609	20,511	20,828	20,933	21,148	21,900.	22,776	23,500
Nominal wage growth (% year-on-year change)	12.0	7.7	15.8	18.3	15.1	6.9	7.0	6.5	6.0
Refinance rate (%, end year)	8.00	9.00	15.00	9.00	7.00	6.50	6.5	6.0	6.0
Fiscal data									
Consolidated government fiscal balance, (% of GDP)	-6.3	-5.1	-4.0	-5.4	-5.0	-5.7	-5.4	-5.5	-5.6
Consolidated government expenditure, (% of GDP)	31.0	36.5	25.4	28.2	28.8	29.6	29.3	29.7	29.8
Consolidated government debt (% of GDP, end-year)		51.7	50.1	50.8	54.5	59.6	61.3	62.5	63.5
Money supply and credit									
Broad money supply (M2, % of GDP)	105.6	114.9	99.8	106.5	117.0	127.5	140.2	151.0	162.7
Broad money supply (M2, % year-on-year change)	26.2	29.7	11.9	24.5	21.4	19.7	17.0	18.0	19.0
Domestic credit (% of GDP)	112.8	124.7	110.2	104.9	108.2	113.8	125.7	133.1	139.7
Domestic credit (% year-on-year change)	45.3	31.9	13.9	11.1	13.9	15.5	17.6	16.0	16.0
Domestic credit to the private sector (% of GDP)	103.3	114.7	101.8	94.8	96.8	100.3	109.3	114.8	119.4
Domestic credit to the private sector (% year-on-year change)	39.6	32.4	14.3	8.8	12.7	13.8	16.0	15.0	15.0
Balance of payments									
Exports (goods and non-factor services, % of GDP)	59.3	68.7	78.1	79.8	83.4	86.6	87.1	86.8	85.9
Imports (goods and non-factor services, % of GDP)	68.7	75.3	80.6	75.0	80.1	81.9	86.0	87.2	87.6
Exports (goods and non-factor services, % year-on-year change in $ value)	-9.8	26.8	32.7	17.5	14.8	12.9	7.1	6.9	7.1
Imports (goods and non-factor services, % year-on-year change in $ value)	-12.6	19.8	25.1	7.0	17.3	11.2	11.9	8.7	8.7
Current account balance ($bn)	-6.6	-4.3	0.2	9.4	7.7	9.5	1.9	-1.3	-2.5
Current account balance (% of GDP)	-6.2	-3.7	0.2	6.1	4.5	5.1	1.0	-0.6	-1.1
Net FDI inflows ($bn)	6.9	7.1	6.5	7.2	6.9	8.1	8.7	8.1	8.0
Foreign debt and reserves									
Foreign debt ($bn)	33.1	44.9	53.1	59.1	65.5	71.9	76.9	84.0	91.3
Public ($bn)	23.9	27.4	31.1	33.5	34.8	35.9	39.2	43.7	45.7
Private ($bn)	9.1	17.5	22.0	25.7	30.7	36.0	37.7	40.3	45.7
Foreign debt (% of GDP)	31.2	38.7	39.2	37.9	38.2	38.6	38.8	39.5	39.7
Foreign debt (% of exports of goods and services)	52.6	56.4	50.2	47.6	45.9	44.6	44.6	45.5	46.2
Central bank gross FX reserves ($bn)	16.8	12.9	14.0	26.1	26.3	34.6	31.0	29.0	28.0
Central bank gross non-gold FX reserves ($bn)	16.4	12.5	13.5	25.6	25.9	34.2	30.7	28.6	27.7

Source: Ministry of Finance, State Bank of Vietnam, General Statistical Office, 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	Caa1 (pos)	SD(u) (1)	RD
Brazil	Ba2 (neg)	BB (neg)	BB+ (neg)
Chile	Aa3	AA–	A+
Colombia	Baa2	BBB (neg)	BBB
Ecuador	B3	B	B
Mexico	A3	BBB+	BBB+
Panama	Baa2	BBB	BBB
Peru	A3	BBB+	BBB+
Venezuela	Caa3 (neg)	CCC (neg)	CCC
EASTERN EUROPE, MIDDLE EAST & AFRICA			
Czech Republic	A1	AA–	A+
Hungary	Ba1 (pos)	BB+	BB+ (pos)
Israel	A1	A+	A
Kazakhstan	Baa2	BBB– (neg)	BBB+
Nigeria	Ba3 (neg)	B+	BB– (neg)
Poland	A2	BBB+ (neg)	A–
Russia	Ba1	BB+ (neg)	BBB– (neg)
Saudi Arabia	Aa3	A–	AA (neg)
South Africa	Baa2 (neg)	BBB– (neg)	BBB-
Turkey	Baa3 (neg)	BB+(u) (1) (neg)	BBB–
Ukraine	Caa3	B–	CCC
United Arab Emirates	Aa2		
EMERGING ASIA			
China	Aa3 (neg)	AA–	A+
Hong Kong	Aa1	AAA	AA+
India	Baa3 (pos)	BBB–(u) (1)	BBB–
Indonesia	Baa3	BB+ (pos)	BBB–
Korea	Aa2	AA–	AA–
Malaysia	A3	A–	A–
Philippines	Baa2	BBB	BBB– (pos)
Singapore	Aaa	AAA(u) (1)	AAA
Taiwan	Aa3	AA–(u) (1)	A+ (pos)
Thailand	Baa1	BBB+	BBB+
Vietnam	B1	BB–	BB–

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
Aa1	Ba1	AAA	BB+	AAA	BB+
Aa2	Ba2	AA	BB	AA	BB
Aa3	Ba3	AA–	BB–	AA–	BB–
A1	B1	A+	B+	A+	B+
A2	B2	A	B	A	B
A3	B3	A–	B–	A–	B–
Baa1	Caa1	BBB+	CCC+	BBB+	CCC+
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	Korea Kuwait Qatar United Arab Emirates	Chile China – Saudi Arabia Taiwan	Czech Republic Estonia Israel	Botswana Poland Slovakia	Latvia Lithuania Malaysia Mexico Oman Peru	Thailand	Bulgaria Colombia Kazakhstan Panama Philippines South Africa – Uruguay	Bahrain – India + Indonesia Romania + Slovenia Turkey –
	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
S&P	Kuwait Qatar	Chile China Czech Republic Estonia Korea Taiwan	Israel Slovakia		Botswana Latvia Lithuania Malaysia Saudi Arabia Slovenia +	Mexico Peru Poland – Thailand	Colombia – Panama Philippines Uruguay	India Kazakhstan – Morocco Oman Romania South Africa –
Fitch	Kuwait Qatar Saudi Arabia –	Korea	Chile China Czech Republic Estonia Slovakia Taiwan +	Israel	Latvia Lithuania Malaysia Poland	Kazakhstan Mexico Peru Slovenia + Thailand	Colombia Panama	Bahrain – Bulgaria India Indonesia Morocco Philippines + Romania Russia – South Africa Turkey Uruguay

Sub-Investment Grade

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

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

Key websites

GENERAL WEBSITES	
Central bank websites	www.bis.org/cbanks.htm
World Federation of Stock Exchanges	www.world-exchanges.org
National statistical offices	unstats.un.org
Global election calendar	www.electionguide.org
LATIN AMERICA	
ARGENTINA	
Central Bank	www.bcra.gov.ar
Ministry of Economy	www.economia.gob.ar
Statistical Office	www.indec.mecon.ar
ANSES	www.anses.gob.ar
Federal tax agency	www.afip.gob.ar
Di Tella University	www.utdt.edu
National Electoral Bureau	www.elecciones.gob.ar
News sources	www.ambito.com – www.cronista.com – www.clarin.com – www.lanacion.com.ar – www.infobae.com
BRAZIL	
Central Bank	www.bcb.gov.br
Statistics Office	www.ibge.gov.br
Ministry of Finance	www.fazenda.gov.br
National Treasury	www.tesouro.fazenda.gov.br
Brazilian Federal Revenue Service	www.receita.fazenda.gov.br
Development, Industry and Trade Ministry	www.mdic.gov.br
Planning Ministry	www.planejamento.gov.br
Economic Research Official Bureau	www.ipea.gov.br
CHILE	
Central Bank	www.bcentral.cl
Office of the President	www.gob.cl
Ministry of Finance and Office of the Budget	www.hacienda.cl – www.dipres.gob.cl
Statistical Office	www.ine.cl
Pension Fund Regulator	www.safp.cl
National Emergencies Office / Ministry of the Interior	www.onemi.cl
News sources	www.latercera.cl – www.emol.com – impresa.elmercurio.com – www.df.cl – www.pulso.cl
COLOMBIA	
Central Bank	www.banrep.gov.co
Ministry of Finance	www.minhacienda.gov.co
Statistical Office	www.dane.gov.co
Financial Regulator	www.superfinanciera.gov.co
News sources	www.elpais.com.co – www.elespectador.com – www.eltiempo.com – www.portafolio.co – www.larepublica.co – www.semana.com – www.dinero.com
ECUADOR	
Central Bank	www.bce.fin.ec
Ministry of Finance	www.finanzas.gob.ec
Statistical Office	www.ecuadorencifras.gob.ec
Office of the President	www.presidencia.gob.ec
Financial Regulator	www.sbs.gob.ec
News sources	www.eluniverso.com – www.elcomercio.com – www.lahora.com.ec – www.revistagestion.ec – www.elciudadano.gob.ec – www.larepublica.ec – ecuadorenvivo.com – www.eltelegrafo.com.ec
EL SALVADOR	
Central Bank	www.bcr.gob.sv
Finance Ministry	www.mh.gob.sv
Legislative Assembly	www.asamblea.gob.sv
Bank Superintendence	www.ssf.gob.sv
News Sources	www.elsalvador.com – www.laprensagrafica.com – elmundo.com.sv – www.elfaro.net

Source: Credit Suisse

Key websites

LATIN AMERICA (cont'd)

MEXICO	
Central Bank	www.banxico.org.mx
Office of the President	www.gob.mx/presidencia
Ministry of Finance	www.gob.mx/hacienda
Fiscal accounts statistics	www.shcp.gob.mx/POLITICAFINANCIERA/FINANZASPUBLICAS/Estadisticas_Oportunas_Finanzas_Publicas/Paginas/unica2.aspx
National Electoral Institute	www.ine.mx
Ministry of Energy	www.gob.mx/sener
Government's Statistics Agency (INEGI)	www.inegi.org.mx
National Banking Commission	www.cnbv.gob.mx
Lower House	www.diputados.gob.mx
Senate	www.senado.gob.mx
Pension Fund Regulator	www.consar.gob.mx
Pemex	www.pemex.com
National Hydrocarbons Commission	www.cnh.gob.mx
News sources	www.eluniversal.com.mx – www.milenio.com – www.radioformula.com.mx – www.elfinanciero.com.mx – www.reforma.com – www.excelsior.com.mx – www.jornada.unam.mx – www.enfoquenoticias.com.mx - eleconomista.com.mx – www.cronica.com.mx – www.sdpnoticias.com
PANAMA	
Ministry of Finance	www.mef.gob.pa
Statistical Office	www.contraloria.gob.pa/inec
Bank Superintendence	www.superbancos.gob.pa
National Assembly	www.asamblea.gob.pa
Pollster	www.dichter-neira.com/encuesta_opinion.php
News sources	www.prensa.com – laestrella.com.pa
PERU	
Central Bank	www.bcrp.gob.pe
Ministry of Finance	www.mef.gob.pe
Statistical Office	www.inei.gob.pe
Bank and Pension Fund Superintendence	www.sbs.gob.pe
Tax and Customs Superintendence	www.sunat.gob.pe
Ministry of Mining and Energy	www.minem.gob.pe
National Electoral Office	www.jne.gob.pe
Pollster	www.ipsos-apoyo.com.pe
News sources	elcomercio.pe – gestion.pe – larepublica.pe – www.andina.com.pe – peru21.pe – semanaeconomica.com
URUGUAY	
Central Bank	www.bcu.gub.uy
Office of the President	www.presidencia.gub.uy
Ministry of Finance	www.mef.gub.uy
Statistical Office	www.ine.gub.uy
News sources	www.elobservador.com.uy – www.lr21.com.uy – brecha.com.uy – www.espectador.com
VENEZUELA	
Central Bank	www.bcv.org.ve
Ministry of Finance	www.mefbp.gob.ve
Statistical Office	www.ine.gov.ve
National Electoral Council	www.cne.gov.ve
National Public Credit Office	www.oncp.gob.ve
PDVSA	www.pdvsa.com
News sources	www.el-nacional.com – www.eluniversal.com – unionradio.net – www.avn.info.ve - www.ultimasnoticias.com.ve – www.elmundo.com.ve – www.lapatilla.com

Source: Credit Suisse

Key websites

EASTERN EUROPE, MIDDLE EAST & AFRICA	
CZECH REPUBLIC	
Czech National Bank	www.cnb.cz
Czech Statistical Office	www.czso.cz
Ministry of Finance	www.mfcr.cz
Parliament	www.psp.cz
News sources	www.radio.cz – www.praguepost.com
EGYPT	
Central Bank of Egypt	www.cbe.org.eg
Finance Ministry	www.mof.gov.eg
Statistics Office	www.capmas.gov.eg
News sources	www.businesstodayegypt.com – english.ahram.org.eg – www.almasryalyoum.com/en
GCC	
Central Bank of Kuwait	www.cbk.gov.kw
Ministry of Finance Kuwait	www.mof.gov.kw
Qatar Central Bank	www.qcb.gov.qa
Ministry of Finance Qatar	www.mof.gov.qa
Saudi Arabian Monetary Agency	www.sama.gov.sa
Ministry of Finance Saudi Arabia	www.mof.gov.sa/en
Central Bank of the UAE	www.centralbank.ae
Ministry of Finance and Industry UAE	www.mofi.gov.ae
News sources GCC	www.arabianbusiness.com
HUNGARY	
National Bank of Hungary	www.mnb.hu
Website of the Hungarian Government	www.kormany.hu
Ministry for National Economy	www.ngm.gov.hu
Government Debt Management Agency	akk.hu
Central Statistical Office	www.ksh.hu
Parliament	www.parlament.hu
Hungarian Financial Supervisory Authority	www.pszaf.hu
News sources	www.budapesttimes.hu – www.portfolio.hu
ISRAEL	
Central Bank of Israel	www.bankisrael.gov.il
Central Bureau of Statistics	www.cbs.gov.il
Ministry of Finance	www.financeisrael.mof.gov.il
Israel Securities Authority	www.isa.gov.il
News sources	www.haaretz.com
KAZAKHSTAN	
National Bank of Kazakhstan	www.nationalbank.kz
Ministry of Finance	mf.minfin.kz
Statistical Agency	www.stat.kz
Ministry of Economy and Budget Planning	www.minplan.kz
Financial Services Supervisory Agency	www.afn.kz
Official site of the president	www.akorda.kz
News sources	www.kt.kz

Source: Credit Suisse

Key websites

EASTERN EUROPE, MIDDLE EAST & AFRICA (cont'd)

NIGERIA	
Central Bank of Nigeria	www.cenbank.org
National Bureau of Statistics	www.nigerianstat.gov.ng
Budget Office of the Federation	www.budgetoffice.gov.ng
Ministry of Finance	www.finance.gov.ng
Debt Management Office	www.dmo.gov.ng
National Assembly	www.nassnig.org
Nigerian National Petroleum Corporation	www.nnpcgroup.com
The Nigerian Stock Exchange	www.nse.com.ng
News sources	www.thisdayonline.com – www.ngrguardiannews.com – www.allafrica.com – www.leadership.ng
POLAND	
National Bank of Poland	www.nbp.pl
Ministry of Finance	www.mf.gov.pl
Central Statistical Office	www.stat.gov.pl
Polish Financial Supervision Authority	www.knf.gov.pl
Parliament	www.sejm.gov.pl
News sources	www.polandmonthly.pl – www.warsawvoice.pl
ROMANIA	
Central Bank	www.bnr.ro
Statistics Office	www.insse.ro
Ministry of Finance	www.mfinante.ro
RUSSIA	
Central Bank of Russia	www.cbr.ru
Finance Ministry	www.minfin.ru
State Statistics Agency	www.gks.ru
Economic Expert Group	www.eeg.ru
The State Duma	www.duma.ru
News sources	www.themoscowtimes.com
SOUTH AFRICA	
South African Reserve Bank	www.reservebank.co.za
National Treasury	www.treasury.gov.za
Statistics South Africa	www.statssa.gov.za
South Africa Revenue Services	www.sars.gov.za
Bureau for Economic Research	www.ber.sun.ac.za
Bond Exchange of South Africa	www.bondexchange.co.za
Johannesburg Stock Exchange	www.jse.co.za
News sources	www.businessday.co.za – www.mg.co.za – www.financialmail.co.za – www.thestar.co.za
TURKEY	
Central Bank	www.tcmb.gov.tr
Treasury	www.treasury.gov.tr
Ministry of Finance	www.maliye.gov.tr
Ministry of Development	www.dpt.gov.tr
State Institute of Statistics	www.tuik.gov.tr
News sources	www.ntvmsnbc.com.tr – www.turkishdailynews.com.tr
UKRAINE	
National Bank of Ukraine	www.bank.gov.ua
Finance Ministry	www.minfin.gov.ua
Economy Ministry	www.me.gov.ua
State Statistics Agency	www.ukrstat.gov.ua
News sources	www.kyivpost.com

Source: Credit Suisse

Key websites

EMERGING ASIA

CHINA	
Central Bank	www.pbc.gov.cn/english
Statistics Office	www.stats.gov.cn
Ministry of Finance	www.mof.gov.cn
News sources	www.chinadaily.com – english.peopledaily.com.cn – www.xinhuanet.com
HONG KONG	
Central Bank	www.info.gov.hk/hkma
Statistics Office	www.info.gov.hk/censtatd
Treasury Department	www.try.gov.hk
News sources	www.scmp.com – www.thestandard.com.hk
INDIA	
Central Bank	www.rbi.org.in
Ministry of Finance	finmin.nic.in
Government press releases	www.pib.nic.in
Ministry of Statistics	www.mospi.nic.in
Ministry of Commerce & Industry	www.commerce.nic.in
INDONESIA	
Central Bank	www.bi.go.id
Investment Coordinating Board	www.bkpm.go.id
News sources	www.thejakartapost.com – www.antara.co.id
KOREA	
Central Bank	www.bok.or.kr
Statistics Office	www.nso.go.kr/eng – www.mocie.go.kr
Ministry of Finance	english.mofe.go.kr
News sources	times.hankooki.com – english.chosun.com – www.koreaherald.co.kr – www.koreapost.com - www.theseoultimes.com – english.yna.co.kr – joongangdaily.joins.com - english.donga.com – english.yna.co.kr
MALAYSIA	
Central Bank	www.bnm.gov.my
Ministry of Finance	www.treasury.gov.my/englishversionbaru
Department of Statistics	www.statistics.gov.my
News sources	thestar.com.my – www.nst.com.my – www.bernama.com – www.theedgedaily.com
PHILIPPINES	
Central Bank	www.bsp.gov.ph
National Statistics Office	www.census.gov.ph
Department of Finance	www.dof.gov.ph
Department of Budget and Management	www.dbm.gov.ph
News sources	www.bworld.com.ph – www.inq7.net – www.gmanews.tv/business
SINGAPORE	
Central Bank	www.mas.gov.sg
Department of Statistics	www.singstat.gov.sg
Department of Finance	www.mof.gov.sg
News sources	www.asiaone.com.sg – www.channelnewsasia.com

Source: Credit Suisse

Key websites

EMERGING ASIA (cont'd)

TAIWAN	
Central Bank	www.cbc.gov.tw
Statistics Offices	eng.dgbas.gov.tw – eng.stat.gov.tw – www.moea.gov.tw – www.cepd.gov.tw
Ministry of Finance	www.mof.gov.tw
News sources	www.taipeitimes.com – www.chinapost.com.tw – www.taiwanheadlines.com
	www.etaiwannews.com – news.cens.com – www.cna.com.tw – taiwansnews.net
THAILAND	
Central Bank	www.bot.or.th
National Statistical Office	www.nso.go.th
Ministry of Finance	www2.mof.go.th
News sources	www.nationmultimedia.com – www.bangkokpost.net
VIETNAM	
Vietnam Economic News	www.ven.org.vn
Ministry of Finance	www.mof.gov.vn
World Bank in Vietnam	web.worldbank.org.vn
Vietnam Economic Portal	www.vnep.org.vn

Source: Credit Suisse

Previous publications

From Credit Suisse's Economics Team since the last *Emerging Markets Quarterly*

GLOBAL EMERGING MARKETS

Weekly Emerging Markets Forecasts Details, B. Bayazitoglu, A. Cervera, D. Tao, N. Teixeira

Weekly Emerging Markets Fixed Income Views, K. Bartholdy, R. Farris, D. Chodos, N. Mevorach, A. Agrawal, M. Yu, A. Ruiz

Monthly Emerging Markets: Non-residents' holdings in local currency government bonds, D. Chodos, N. Mevorach, A. Agrawal, M. Yu, A. Ruiz

04 Feb 2016 EM Fixed Income Strategy: Inflation and rates implications of lower oil prices, N. Mevorach, D. Chodos, A. Agrawal

LATIN AMERICA

22 Feb 2016 Latin America economic outlook, A. Cervera, C. Reckman, J.L. Maldonado, A. Rojas

20 Jan 2016 Latin America economic outlook, A. Cervera, C. Reckman, J.L. Maldonado, A. Rojas

ARGENTINA

29 Feb 2016 Argentina: Trip notes, C. Reckman, D. Chodos

22 Feb 2016 Argentina: Green light from Griesa, C. Reckman, D. Chodos

16 Dec 2015 Argentina: And they're off, C. Reckman, D. Chodos

BRAZIL

02 Feb 2016 Brazil: Inflation above 10% until February, N. Teixeira, P. Coutinho, I.Ferrao

CHILE

09 Feb 2016 Chile: Long 3-year breakeven inflation, D. Chodos, A. Cervera

COLOMBIA

22 Feb 2016 Colombia: No need for Banrep to move like Banxico

11 Feb 2016 Colombia: Trip notes, J.L. Maldonado, D. Chodos

11 Jan 2016 Colombia: Inflation momentum won't last forever, J.L. Maldonado

ECUADOR

04 Feb 2016 Ecuador: Trip notes, J.L. Maldonado

MEXICO

25 Feb 2016 Mexico: $17bn of errors and omissions, A. Cervera

23 Feb 2016 Mexico: Cutting our growth forecast for 2016, A. Cervera

17 Feb 2016 Mexico: Boom, clap, for real, A. Cervera

04 Feb 2016 Mexico: The peso is now the main monetary policy driver, A. Cervera

02 Feb 2016 Mexico: Central bank preview, A. Cervera

06 Jan 2016 Mexico: It's all about the Fed, A. Cervera

17 Dec 2015 Mexico: Blame it on the Fed, A. Cervera

16 Dec 2015 Mexico: Central bank preview, A. Cervera

PERU

16 Feb 2016 Peru: Trip notes, J.L. Maldonado, D. Chodos

VENEZUELA

03 Feb 2016 Venezuela: Not an easy task, C. Reckman, A. Rojas

Source: Credit Suisse

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From Credit Suisse's Economics Team since the last *Emerging Markets Quarterly*

EASTERN EUROPE, MIDDLE EAST & AFRICA

Weekly Sub-Saharan Africa Snapshot, C. Johnson, C. Teixeira

01 March 2016 EEMEA: Regional PMI unchanged in February, South Africa still weak, B. Bayazitoglu, M. Liluashvili

25 Feb 2016 EEMEA Hard Currency Debt Monitor, N. Mevorach, A. Ruiz

01 Feb 2016 EEMEA: January PMI broadly unchanged, South Africa disappoints again, B. Bayazitoglu, M. Liluashvili

18 Jan 2016 EEMEA Hard Currency Debt Monitor, N. Mevorach, A. Ruiz

12 Jan 2016 CE3: Implications of lower oil price, M. Liluashvili

HUNGARY

08 Mar 2016 Hungary: Low February inflation to encourage further monetary stimulus, M. Liluashvili

23 Feb 2016 Hungary: MC – Hinting a rate cut, M. Liluashvili

11 Feb 2016 Hungary: Downside surprise in January inflation due to pork prices, M. Liluashvili

26 Jan 2016 Hungary: MC on hold, but risk of unconventional easing is rising, M. Liluashvili

14 Jan 2016 Hungary: Higher headline, stable core inflation in December , M. Liluashvili

15 Dec 2015 Hungary: MC – Further unconventional easing becomes more likely, M. Liluashvili

NIGERIA

09 Mar 2016 Nigeria: Real GDP growth disappoints in 4Q on renewed weakness in the oil sector, C. Johnson

26 Jan 2016 Nigeria : No move from central bank on rates or FX, C. Johnson

19 Jan 2016 Nigeria: Macro outlook downgrade, C. Johnson, C. Teixeira

18 Jan 2016 Nigeria : CPI inflation rose to 9.6% in December on food price pressures, C. Johnson

15 Jan 2016 Nigeria: A step closer to a free(r) currency regime, C. Johnson, C. Teixeira

15 Dec 2015 Nigeria: Review of the medium-term budget, C. Johnson, C. Teixeira

14 Dec 2015 Nigeria: CPI inflation surprised above the consensus expectation in November, C. Johnson

POLAND

03 Feb 2016 Poland: MPC – Acknowledging rates to remain unchanged for some time, M. Liluashvili

15 Dec 2015 Poland: November inflation lower than the flash estimate, M. Liluashvili

RUSSIA

04 Mar 2016 Russia: February inflation and stronger rouble open the door to a rate cut in April, A. Pogorelov

08 Feb 2016 Russia: Favorable base effect pushed January headline inflation below 10.0% yoy, A. Pogorelov

29 Jan 2016 Russia: Lower oil prices to postpone the central bank's easing cycle, A. Pogorelov

15 Jan 2016 Russia**:** Adjusting to the new reality-2, A. Pogorelov

13 Dec 2016 Russia**:** The central bank postponed policy easing to the next year

SOUTH AFRICA

1 Mar 2016 South Africa: Economy continues to record weak GDP growth, C. Teixeira

24 Feb 2016 South Africa: Budget Speech – Not enough of a pull back from the brink, C. Teixeira

23 Feb 2016 South Africa: Budget Speech – Opportunity to pull back from the brink, C. Teixeira

12 Feb 2016 South Africa rates: Take profits on 2y rate receivers, Mevorach, A. Ruiz

11 Feb 2016 South Africa: Industrial production up in December; flat quarter on quarter, C. Teixeira

28 Jan 2016 South Africa: Monetary Policy Committee responds to a significantly higher inflation profile, C. Teixeira

20 Jan 2016 South Africa: Retail sales bounce; 4Q likely to have been strong, C. Teixeira

20 Jan 2016 South Africa: CPI inflation resumes its sharp acceleration, C. Teixeira

12 Jan 2016 South Africa: From bad to worse, C. Teixeira

Source: Credit Suisse

Previous publications

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SOUTH AFRICA (cont'd)

04 Jan 2016 South Africa: International investors continue to sell bonds and equities, C. Teixeira

14 Dec 2015 South Africa: Finance Minister Gordhan says all the correct things; but re-building confidence will take time, C. Teixeira

14 Dec 2015 South Africa: President Zuma reappoints Pravin Gordhan as finance minister, C. Teixeira

10 Dec 2015 South Africa: President Zuma dismisses Nhlanhla Nene as finance minister, C. Teixeira

10 Dec 2015 South Africa rates: Close long rates positions, Mevorach, A. Ruiz

TURKEY

08 Mar 2016 Turkey local markets: The rally has legs, N. Mevorach, A. Ruiz

03 Mar 2016 Turkey: Inflation slowed sharply in February, B. Bayazitoglu

03 Feb 2016 Turkey: Inflation outlook is more uncertain than usual, B. Bayazitoglu

19 Jan 2016 Turkey - MPC: Even more obscure, B. Bayazitoglu

22 Dec 2015 Turkey - The MPC delivers nothing despite the August road map, B. Bayazitoglu

Source: Credit Suisse

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EMERGING ASIA

16 Feb 2016 Asia rates: Non-resident flows - January 2016, A. Agarwal, M. Yu

05 Feb 2016 Asia: Hail to the doves, S. Sathirathai, M. Wan

20 Jan 2016 Asia rates: Non-resident flows - December 2015, A. Agarwal, M. Yu

06 Jan 2016 Asia: Follow China, not the Fed, S. Sathirathai, D. Bhargava, M. Wan

16 Dec 2015 Asia rates: Non-resident flows - November 2015, A. Agarwal, M. Yu

CHINA

02 Mar 2016 China: From supply side back to demand side, D.Tao, W.Deng

02 Mar 2016 China: Moody's lowered outlook for China government bond to negative, D.Tao, W.Deng

29 Feb 2016 China: PBoC cut reserve requirement ratio again, D.Tao, W.Deng

26 Feb 2016 China: Governor Zhou speaks at the G20, D.Tao, W.Deng

16 Feb 2016 China: Is PBoC behind the curve?, D.Tao, W.Deng

15 Feb 2016 China: PBoC governor sends out an important policy signal on exchange rate, D.Tao, W.Deng

21 Jan 2016 China: PBoC is active in managing short-term liquidity conditions, D.Tao, W.Deng

19 Jan 2016 China: December data showed signs of weakness again, D.Tao, W.Deng

18 Jan 2016 China: The PBoC is implementing RRR for CNH deposits placed in onshore clearing banks, D.Tao, W.Deng

14 Jan 2016 China: Doubts about recent trade data, D.Tao, W.Deng

14 Jan 2016 China: A-Share strategy, W.Deng, L.Chen, V.Chan, S.Hu

13 Jan 2016 China: Assessing risks of sharp currency devaluation, D.Tao, W.Deng

11 Jan 2016 China: The NDRC is likely to kick off the 2016 specific fund programme soon, D.Tao, W.Deng

04 Jan 2016 China: The People's Daily interview highlights policy direction for 2016, D.Tao, W.Deng

21 Dec 2015 China: The Economic Working Conference sets the tone for 2016, D.Tao, W. Deng

HONG KONG

24 Feb 2016 Hong Kong: Financial Secretary John Tsang turned more cautious on growth in his annual budget speech, C.Tuntono

02 Feb 2016 Hong Kong: Retail sales volume dropped 6.1% YoY in December, dragged down by weakened tourism and consumption demand, C.Tuntono

26 Jan 2016 Hong Kong: Merchandise trade remained contractionary in December, C.Tuntono

20 Jan 2016 Hong Kong: HKD HIBOR started to rise, C.Tuntono

15 Jan 2016 Hong Kong: 1998 revisited, D.Tao, C.Tuntono

13 Jan 2016 Hong Kong: Chief Executive CY Leung commits to maintaining the existing housing and land policy in the Policy Address, C.Tuntono

INDIA

01 Mar 2016 India Budget 2016-17: stuck to consolidation, less ambitious on spending, D. Bhargava

01 Mar 2016 Asia Rates Flash: India – no 'fiscal' shocks a modest positive…, A. Agarwal, M. Yu

23 Feb 2016 India: Budget Preview: Risks to consolidation remain despite revenue gains, D. Bhargava

03 Feb 2016 Asia rates: India – stay long bonds, A. Agarwal, M. Yu

26 Jan 2016 India: Assessing risks from the Middle-East, D. Bhargava

INDONESIA

19 Feb 2016 Asia Rates Flash: Indonesia – policy supports bullish outlook…, A. Agarwal, M. Yu

01 Feb 2016: Indonesia: Tax Amnesty - the process, impact and implications, S. Sathirathai

KOREA

02 Mar 2016 Korea: Another rate cut on the way: Better cyclical support, limited help on fundamentals, C.Tuntono

02 Mar 2016 Korea: Weaker-than-expected industrial production in January may trigger another policy rate cut soon, C.Tuntono

Source: Credit Suisse

Previous publications

From Credit Suisse's Economics Team since the last *Emerging Markets Quarterly*

KOREA (cont'd)

01 Mar 2016 Korea: Exports fell 15.5% YoY in Jan-Feb, dragged down by the continued deterioration in external demand, C.Tuntono

16 Feb 2016 Korea: The BoK kept the rate on hold again in February but has turned more pessimistic on global and domestic economies, C.Tuntono

03 Feb 2016 Korea: The new fiscal stimulus package may help support 1Q growth, but its effect is not likely to be sustainable, C.Tuntono

01 Feb 2016 Korea: Exports fell 18.5% YoY in January, aggravated by the lunar new year effect, C.Tuntono

01 Feb 2016 Korea and Taiwan: The negative interest rate policy in Japan may prompt the BoK and CBC to adopt a more dovish bias in monetary policy, C.Tuntono

26 Jan 2016 Korea: Advanced 4Q15 GDP growth was in line with consensus, up 3% YoY, C.Tuntono

14 Jan 2016 Korea: The BoK has kept rate on hold in January but lowered its growth and inflation forecasts, C.Tuntono

MALAYSIA

13 Jan 2016: Malaysia: What if oil prices don't rebound?, S. Sathirathai

TAIWAN

29 Feb 2016 Taiwan: Industrial production remained weak in January, down 5.7% YoY, C.Tuntono

24 Feb 2016 Taiwan: January export orders dropped 12.4% YoY, suggesting that 1Q GDP growth shall remain challenging, C.Tuntono

16 Feb 2016 Taiwan: Exports dropped 13% YoY in January, reflecting the continued weakness in electronics and overall external demand, C.Tuntono

01 Feb 2016 Korea and Taiwan: The negative interest rate policy in Japan may prompt the BoK and CBC to adopt a more dovish bias in monetary policy, C.Tuntono

28 Jan 2016 Taiwan: Advanced 4Q15 GDP was weak but better than expected, helped by the resilience in private consumption, C.Tuntono

18 Jan 2016 Taiwan: The DPP won the presidency and a majority in the Legislative Yuan as widely anticipated, C.Tuntono

Source: Credit Suisse

Key dates

LATIN AMERICA

ARGENTINA

Deadline to finalize settlement with large holdout creditors	14 April 2016
End of ordinary session in Congress	30 November 2016

BRAZIL

Monetary policy decision	27 April 2016
Monetary policy decision	8 June 2016
Monetary policy decision	20 July 2016
Monetary policy decision	31 August 2016
Monetary policy decision	19 October 2016
Monetary policy decision	30 November 2016

CHILE

Monetary policy decision	17 March 2016
Monetary policy minutes	4 April 2016
Monetary policy decision	12 April 2016
Monetary policy minutes	27 April 2016
Beginning of ordinary session in Congress	21 May 2016
Monetary policy decision	17 May 2016
Monetary policy minutes	1 June 2016
Monetary policy decision	16 June 2016
Monetary policy minutes	4 July 2016
Monetary policy decision	14 July 2016
Monetary policy minutes	29 July 2016
Monetary policy decision	11 August 2016
Monetary policy minutes	29 August 2016
End of ordinary session in Congress	18 September 2016

COLOMBIA

Monetary policy minutes	11 March 2016
Beginning of second ordinary session in Congress	16 March 2016
Monetary policy decision	18 March 2016
Monetary policy minutes	1 April 2016
Monetary policy decision	29 April 2016
Monetary policy minutes	13 May 2016
Monetary policy decision	27 May 2016
Monetary policy minutes	10 June 2016
End of second ordinary session in Congress	20 June 2016
Monetary policy decision	22 June 2016
Monetary policy minutes	8 July 2016
Beginning of first ordinary session in Congress	20 July 2016
Monetary policy decision	29 July 2016
Monetary policy minutes	12 August 2016
Monetary policy decision	31 August 2016
Monetary policy minutes	16 September 2016
Monetary policy decision	30 September 2016
Monetary policy minutes	14 October 2016
Monetary policy decision	28 October 2016
Monetary policy minutes	11 November 2016
Monetary policy decision	25 November 2016
Monetary policy minutes	9 December 2016
End of first ordinary session in Congress	16 December 2016
Monetary policy decision	16 December 2016
Monetary policy minutes	30 December 2016

Source: Credit Suisse

Key dates

MEXICO	
Beginning of second ordinary session in Congress	15 March 2016
Monetary policy decision	18 March 2016
Monetary policy minutes	1 April 2016
End of second ordinary session in Congress	30 April 2016
Monetary policy decision	5 May 2016
Monetary policy minutes	19 May 2016
Quarterly inflation report	25 May 2016
Gubernatorial elections in twelve states	5 June 2016
Monetary policy decision	30 June 2016
Monetary policy minutes	14 July 2016
Monetary policy decision	11 August 2016
Monetary policy minutes	25 August 2016
Quarterly inflation report	31 August 2016
Beginning of first ordinary session in Congress	1 September 2016
Monetary policy decision	29 September 2016
Monetary policy minutes	13 October 2016
Monetary policy decision	17 November 2016
Quarterly inflation report	23 November 2016
Monetary policy minutes	1 December 2016
End of first ordinary session in Congress	15 December 2016
Monetary policy decision	15 December 2016
Monetary policy minutes	29 December 2016
PERU	
Monetary policy decision	10 March 2016
Quarterly inflation report	18 March 2016
Presidential elections	10 April 2016
Monetary policy decision	14 April 2016
Monetary policy decision	12 May 2016
Second round presidential elections (if needed)	5 June 2016
Monetary policy decision	9 June 2016
End of second ordinary session in Congress	15 June 2016
Quarterly inflation report	17 June 2016
Monetary policy decision	14 July 2016
Beginning of first ordinary session in Congress	27 July 2016
Elected president takes office	28 July 2016
Monetary policy decision	11 August 2016
Monetary policy decision	8 September 2016
Quarterly inflation report	16 September 2016
Monetary policy decision	13 October 2016
Monetary policy decision	10 November 2016
End of first ordinary session in Congress	15 December 2016
Monetary policy decision	15 December 2016
Quarterly inflation report	16 December 2016
VENEZUELA	
End of first ordinary session in Congress	15 August 2016
Beginning of second ordinary session in Congress	15 September 2016
End of second ordinary session in Congress	15 December 2016
Gubernatorial elections	TBD

Source: Credit Suisse

Key dates

EASTERN EUROPE, MIDDLE EAST & AFRICA

CZECH REPUBLIC

Czech National Bank Board policy rate decision	31 March 2016
Czech National Bank Board policy rate decision	5 May 2016

HUNGARY

Monetary Council rate-setting meeting	22 March 2016
Monetary Council rate-setting meeting	26 April 2016
Monetary Council rate-setting meeting	24 May 2016

ISRAEL

Monetary Committee rate-setting meeting and release of quarterly staff forecast	28 March 2016
Monetary Committee rate-setting meeting	21 April 2016
Monetary Committee rate-setting meeting	23 May 2016
Monetary Committee rate-setting meeting and release of quarterly staff forecast	27 June 2016

NIGERIA

Sovereign credit rating review by S&P	18 March
Monetary Policy Committee meeting	21-22 March
Monetary Policy Committee meeting	23-24 May

POLAND

Monetary Council rate-setting meeting	6 April 2016
Monetary Council rate-setting meeting	13 May 2016
Monetary Council rate-setting meeting	8 June 2016

RUSSIA

Central bank policy meeting	18 March 2016
Publication of the central bank's monetary policy report	18 March 2016
Central bank's press conference	18 March 2016
Central bank policy meeting	29 April 2016
Central bank policy meeting	10 June 2016
Publication of the central bank's monetary policy report	10 June 2016
Central bank's press conference	10 June 2016
Parliamentary elections	18 September 2016

SOUTH AFRICA

Monetary Policy Committee meeting	15-17 March 2016
Monetary Policy Committee meeting	17-19 May 2016
Municipal Government Elections	18 May | 16 Aug
Sovereign credit rating review by S&P	3 June 2016
Monetary Policy Committee meeting	19-21 July 2016
Monetary Policy Committee meeting	20-22 September 2016
Medium Term Budget Policy Statement	Week 17 October 2016
Monetary Policy Committee meeting	22-24 November 2016
Sovereign credit rating review by S&P	2 December 2016

TURKEY

Monetary policy committee meeting	24 March 2016
Sovereign credit rating review by Moody's	8 April 2016
Monetary policy committee meeting	20 April 2016
Release of the quarterly inflation report	26 April 2016
Sovereign credit rating review by S&P	6 May 2016
Monetary policy committee meeting	24 May 2016
Monetary policy committee meeting	21 June 2016
Monetary policy committee meeting	19 July 2016

Source: Credit Suisse

Key dates

TURKEY (cont'd)	
Release of the quarterly inflation report	26 July 2016
Sovereign credit rating review by Moody's	5 August 2016
Sovereign credit rating review by Fitch	19 August 2016
Monetary policy committee meeting	23 August 2016
Monetary policy committee meeting	22 September 2016
Monetary policy committee meeting	20 October 2016
Release of the quarterly inflation report	27 October 2016
Sovereign credit rating review by S&P	4 November 2016
Monetary policy committee meeting	24 November 2016
Sovereign credit rating review by Moody's	2 December 2016
Announcement of the 2017 monetary policy framework	6 December 2016
Monetary policy committee meeting	20 December 2016
UKRAINE	
Parliamentary vote on constitutional reform	March-April 2016
Donbass regional elections	April 2016
National Bank of Ukraine rate-setting decision	21 April 2016
National Bank of Ukraine rate-setting decision	26 May 2016

Source: Credit Suisse

Key dates

EMERGING ASIA

CHINA	
National People's Congress	March 2016
Economic Working Conference for 2017	December 2016
HONG KONG	
Legislative Council election	September 2016
INDIA	
RBI policy review	5 April 2016
INDONESIA	
Bank Indonesia Monetary Policy meeting	16-17 March 2016
Bank Indonesia Monetary Policy meeting	20-21 April 2016
Bank Indonesia Monetary Policy meeting	18-19 May 2016
Bank Indonesia Monetary Policy meeting	15-16 June 2016
KOREA	
Bank of Korea Monetary Policy meeting	10 March 2016
National Assembly Election	13 April 2016
Bank of Korea Monetary Policy meeting	19 April 2016
Bank of Korea Monetary Policy meeting	13 May 2016
Bank of Korea Monetary Policy meeting	9 June 2016
MALAYSIA	
Bank Negara Monetary Policy meeting	19 May 2016
PHILIPPINES	
Banko Sentral ng Pilipinas Monetary Policy meeting	23 March 2016
Banko Sentral ng Pilipinas Monetary Policy meeting	12 May 2016
Banko Sentral ng Pilipinas Monetary Policy meeting	23 June 2016
SINGAPORE	
Monetary Authority of Singapore meeting	April 2016
TAIWAN	
Central Bank of China quarterly Monetary Policy meeting	24 March 2016
Tsai Ing-wen's presidential inauguration	20 May 2016
Central Bank of China quarterly Monetary Policy meeting	June 2016
THAILAND	
Bank of Thailand Monetary Policy Committee meeting	23 March 2016
Bank of Thailand Monetary Policy Committee meeting	11 May 2016
Bank of Thailand Monetary Policy Committee meeting	22 June 2016

Source: Credit Suisse

Gross financing needs for 2016

	Balance of payments financing needs for 2016 (% of GDP)		Government financing needs for 2016 (% of GDP)
	inc. short-term debt amortization	exc. short-term debt amortization	
LATIN AMERICA	**9.7**	**6.5**	**11.0**
Argentina	11.4	5.6	14.8
Brazil	8.5	4.9	14.6
Chile	20.4	14.0	2.7
Colombia	14.1	10.4	6.6
Ecuador	10.5	6.4	11.9
Mexico	5.6	4.8	8.3
Peru	9.9	6.0	3.2
Venezuela	26.7	26.7	16.6
EEMEA	**16.6**	**6.3**	**7.1**
Czech Republic	32.7	5.4	6.8
Hungary	16.4	6.8	22.0
Israel	12.6	-0.7	8.5
Nigeria	4.5	4.5	8.3
Poland	22.3	12.8	7.6
Russia	7.1	2.5	4.5
South Africa	20.2	7.0	10.3
Turkey	26.1	10.0	5.9
Ukraine	51.7	17.1	9.1
NON-JAPAN ASIA	**11.3**	**0.2**	**7.3**
China	3.0	-0.9	8.1
Hong Kong	344.6	49.4	0.1
India	8.0	4.5	6.5
Indonesia	15.7	9.2	4.4
Korea	3.9	-4.6	9.1
Malaysia	15.4	-1.0	7.4
Philippines	8.1	2.7	3.5
Taiwan	17.7	-14.1	3.7
Thailand	-3.4	-21.5	3.0
Emerging Markets	**11.8**	**2.1**	**7.8**

Source: Credit Suisse forecasts

Balance of payments financing needs

LATIN AMERICA

ARGENTINA

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**38.4**	**30.4**	**34.9**	**45.5**	**55.1**	**49.4**
Funding need (excluding short-term debt amortization)	**18.9**	**12.8**	**17.3**	**19.1**	**29.5**	**24.4**
Current account deficit	3.7	1.3	4.6	5.9	13.5	13.5
FDI outflows	1.5	1.1	0.9	1.8	1.5	2.0
Medium- and long-term debt amortization	13.7	10.5	11.9	11.4	14.5	9.0
Public	9.0	5.8	6.2	5.3	9.6	5.1
Private	4.6	4.7	5.7	6.1	4.9	3.9
Short-term debt(1)	19.5	17.6	17.5	26.4	25.6	25.0
Funding sources (including gross short-term borrowing)	**38.4**	**30.4**	**34.9**	**45.5**	**55.1**	**49.4**
FDI inflows	10.8	15.3	11.3	4.6	6.5	10.0
Net portfolio investments	4.3	3.2	-0.1	4.8	5.0	10.0
Government borrowing from IFIs, excluding the BIS	2.6	2.2	2.2	2.3	2.3	4.9
Central bank borrowing from BIS and bilateral lenders	-0.1	1.7	0.1	1.5	10.4	2.5
Medium-term private sector borrowing	5.7	3.1	-2.2	2.2	3.0	4.5
Short-term private sector borrowing	17.6	17.5	26.4	25.6	25.0	25.0
Other capital flows, including capital flight(2)	-8.3	-17.5	-15.7	3.8	-12.4	-4.2
Change in FX reserves net of borrowing from the BIS and bilateral lenders (- indicates increase)	5.8	4.8	12.8	0.6	15.2	-3.2

(1) The IMF's data dissemination system reports that Argentina has a larger stock of short-term debt, but our understanding is that the IMF number includes debt that has been in arrears since 2001 and is not being serviced. (2) This includes accumulation of new arrears and capital flight.

Source: Central Bank, INDEC, Credit Suisse

BRAZIL

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**184.9**	**157.2**	**180.4**	**212.4**	**206.6**	**124.8**
Funding need (excluding short-term debt amortization)	**127.6**	**117.0**	**147.8**	**179.8**	**148.9**	**72.0**
Current account deficit	77.0	74.2	74.8	104.2	58.9	0.0
FDI outflows	16.1	5.2	14.9	26.0	13.5	10.0
Medium- and long-term debt amortization	34.5	37.6	58.0	49.6	76.5	62.0
Public	10.9	4.6	6.2	4.5	4.8	9.3
Private	23.6	33.0	51.8	45.1	71.8	52.7
Short-term debt amortization	57.3	40.1	32.6	32.6	57.6	52.8
Funding sources (including gross short-term borrowing)	**184.9**	**157.2**	**180.4**	**212.4**	**206.6**	**124.8**
FDI inflows	101.2	86.6	69.2	96.9	75.1	48.0
Portfolio investments	14.1	20.8	46.6	44.8	26.4	-21.0
Stocks	7.2	5.6	11.6	11.8	10.0	-6.0
Fixed income	5.3	11.4	31.0	27.1	16.3	-15.0
Government bonds	1.7	3.9	4.1	6.0	0.1	0.0
Borrowing by the government (from other sources than the IMF)	2.8	5.8	6.9	5.7	2.2	2.0
Medium- and long-term borrowing by the private sector	77.7	46.7	49.6	59.5	70.7	50.0
Short-term debt contracted from abroad (gross)	40.1	32.6	32.6	57.6	52.8	47.8
Other capital inflows and errors and omissions	7.7	-16.4	-30.4	-41.3	-19.0	-2.0
Change in international net reserves (- indicates increase)	-58.6	-18.9	5.9	-10.8	-1.6	0.0

Source: Central Bank, Ministry of Finance, Credit Suisse

Balance of payments financing needs

CHILE

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**64.2**	**70.7**	**59.0**	**53.7**	**48.4**	**47.9**
Funding need (excluding short-term debt amortization)	**44.7**	**47.6**	**38.6**	**35.5**	**32.5**	**32.9**
Current account deficit	3.1	9.6	10.1	3.0	3.8	5.7
FDI outflows	20.3	20.6	10.3	12.1	10.3	10.2
Medium- and long-term debt amortization	21.4	17.5	18.1	20.5	18.5	17.0
Short-term debt amortization	19.4	23.1	20.5	18.1	15.9	15.0
Funding sources (including gross short-term borrowing)	**64.2**	**70.7**	**59.0**	**53.7**	**48.4**	**47.9**
FDI inflows	23.3	28.5	19.3	22.0	11.8	16.0
Net portfolio flows	11.5	-4.0	5.0	3.7	3.8	2.0
Portfolio outflows	-0.8	15.0	10.5	8.7	0.3	8.0
Portfolio inflows	10.7	11.1	15.6	12.4	4.1	10.0
External debt issuance	12.4	20.1	14.9	15.0	15.0	10.0
Other loans	20.7	20.6	16.0	12.0	11.7	12.1
Residual	10.4	5.2	3.2	0.4	4.4	8.5
Change in gross reserves (- indicates increase)	-14.1	0.3	0.6	0.6	1.8	-0.7
Memo items:						
Nominal GDP ($ bn)	251	268	280	258	238	234

Source: Central Bank, Credit Suisse

COLOMBIA

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**26.9**	**25.6**	**32.1**	**51.2**	**37.5**	**36.1**
Funding need (excluding short-term debt amortization)	**22.6**	**20.4**	**25.0**	**32.0**	**30.9**	**26.6**
Current account deficit	9.7	11.3	12.4	19.6	19.6	16.2
FDI outflows	8.4	-0.6	7.7	3.9	4.6	4.9
Medium- and long-term debt amortization	4.5	9.7	5.0	8.5	6.7	5.4
Public sector	1.2	1.9	1.5	2.4	2.4	1.0
IFIs	0.8	0.7	0.9	1.4	1.2	0.9
Non-IFIs	0.5	1.2	0.6	1.0	1.2	0.1
Private sector	3.3	7.8	3.5	6.1	4.3	4.5
Non-financial private sector	2.2	7.6	2.9	5.0	3.8	3.9
Financial private sector	1.1	0.2	0.6	1.1	0.5	0.5
Short-term debt amortization	4.3	5.2	7.0	19.2	6.6	9.5
Funding sources (including gross short-term borrowing)	**26.9**	**25.6**	**32.1**	**51.2**	**37.5**	**36.1**
FDI inflows	14.6	15.0	16.2	16.3	11.5	13.4
IFI lending	1.1	0.8	1.4	2.1	2.8	2.7
Public sector borrowing (excluding IFI lending)*	2.0	1.6	3.5	3.0	4.0	1.5
Net portfolio investments	6.1	5.7	7.0	11.7	10.4	4.9
Medium-term private sector borrowing	7.7	6.7	8.7	5.5	5.5	5.5
Short-term financing	7.3	5.6	8.8	20.6	8.2	9.4
Other capital flows/errors and omissions	-8.1	-4.7	-7.4	-4.3	-5.5	-1.7
Change in FX reserves (- indicates increase)	-3.8	-5.2	-6.2	-3.7	0.6	0.5

* Includes pre-financing operations done in 2013, 2014, and 2015

Source: Central Bank, Ministry of Finance, Credit Suisse

Balance of payments financing needs

ECUADOR

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**7.4**	**7.7**	**7.0**	**7.2**	**9.0**	**10.6**
Funding need (excluding short-term debt amortization)	**2.2**	**2.1**	**3.2**	**4.3**	**5.9**	**6.5**
Current account deficit	0.4	0.2	1.0	0.6	2.0	2.4
FDI outflows	0.0	0.0	0.0	0.0	0.0	0.0
Medium- and long-term debt amortization	1.8	2.0	2.2	3.7	4.0	4.1
Public sector	1.0	1.1	1.2	1.7	2.1	2.8
External market debt amortization	0.0	0.0	0.0	0.0	0.7	0.0
Other external loans' amortization	1.0	1.1	1.2	1.7	1.4	2.8
Private sector	0.8	0.8	1.0	2.0	1.9	1.3
Short-term debt amortization	5.2	5.6	3.8	2.9	3.0	4.1
Funding sources (including gross short-term borrowing)	**7.4**	**7.7**	**7.0**	**7.2**	**9.0**	**10.6**
FDI inflows	0.6	0.6	0.7	0.8	0.7	1.0
Net portfolio investments	0.0	0.1	-0.9	1.5	0.3	0.0
Public sector external bond issuance	0.0	0.0	0.0	2.0	1.5	0.0
Other external loans	2.3	2.0	3.3	4.4	4.2	5.5
Medium-term private-sector borrowing	0.9	1.1	1.9	2.8	1.5	0.8
Short-term financing	0.0	4.6	4.2	3.2	3.7	3.5
Other	3.9	-1.1	-0.4	-7.9	-4.4	0.4
Change in FX reserves (- indicates increase)	-0.3	0.5	-1.9	0.4	1.5	-0.5

Source: Central Bank, Ministry of Finance, Credit Suisse

MEXICO

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**56.1**	**56.7**	**59.8**	**46.8**	**61.2**	**60.0**
Funding need (excluding non-market debt amortization)	**32.0**	**41.6**	**47.6**	**38.6**	**47.6**	**51.9**
Current account deficit	13.4	16.6	30.3	24.8	32.4	35.5
FDI outflows	12.6	22.5	13.1	8.3	8.1	9.0
Medium- and long-term market debt amortization	6.0	2.6	4.1	5.4	7.1	7.4
Public	5.4	1.7	3.7	3.7	2.7	3.3
Private	0.6	0.9	0.4	1.7	4.4	4.1
Public sector non-market debt payments	3.6	8.0	7.9	4.5	9.6	6.1
Private sector non-market debt amortization*	20.5	7.1	4.3	3.7	4.0	2.0
Funding sources (including gross short-term borrowing)	**56.1**	**56.7**	**59.8**	**46.8**	**61.2**	**60.0**
FDI inflows	23.7	20.3	45.7	25.6	28.4	32.0
Net portfolio investments	47.8	73.3	49.0	46.3	28.0	20.0
Medium- and long-term borrowing	12.7	8.4	6.0	7.3	4.5	8.8
Short-term loans	11.7	10.4	6.0	3.1	10.5	10.8
Other	0.2	-13.9	-14.3	-2.1	-11.0	10.0
Error and omissions	-11.2	-20.8	-19.7	-16.8	-17.1	-17.0
Change in net international reserves (- indicates increase)	-28.9	-21.0	-13.0	-16.7	17.9	-4.6
Memo items:						
Nominal GDP ($ bn)	1,173	1,191	1,262	1,296	1,142	1,081

* Reflects credit lines from suppliers, commercial bank loans and external trade loans. We do not have data on the exact original maturity of these loans, but we assume that they were typically less than one year, so that it fits with the "short-term" debt definition.

Source: Central Bank, Ministry of Finance, Credit Suisse

Balance of payments financing needs

PERU

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**12.0**	**15.7**	**23.2**	**19.8**	**19.6**	**18.2**
Funding need (excluding short-term debt amortization)	**5.7**	**9.3**	**14.3**	**13.3**	**12.6**	**11.1**
Current account deficit	3.2	5.2	8.6	8.1	8.4	7.3
FDI outflows	0.1	0.1	0.1	0.1	0.1	0.1
Medium- and long-term debt amortization	2.4	4.0	5.5	5.2	4.0	3.7
Public sector	0.8	1.2	2.4	1.5	1.2	0.9
IFIs	0.6	0.7	2.2	0.4	0.4	0.4
Paris Club	0.3	0.2	0.2	0.2	0.2	0.1
External market debt amortization	0.0	0.3	0.0	0.9	0.6	0.3
Private sector	1.5	2.8	3.1	3.7	2.8	2.8
Short-term debt amortization	6.3	6.4	8.9	6.4	7.0	7.1
Funding sources (including gross short-term borrowing)	**12.0**	**15.7**	**23.2**	**19.8**	**19.6**	**18.2**
FDI inflows	7.7	11.9	9.3	7.9	6.9	5.5
Net portfolio investments	-1.2	-0.1	4.7	-1.8	-0.7	-0.1
IFI lending (excluding IMF)	0.7	0.4	0.4	0.2	1.3	0.7
Paris Club lending to Peru's government sector	0.3	0.1	0.0	0.3	0.0	0.3
Public sector external bond issuance*	0.0	0.5	0.0	0.5	2.9	1.1
Medium-term private-sector borrowing	4.5	6.8	4.1	4.2	4.1	4.7
Short-term financing	6.4	8.9	6.4	7.0	7.1	7.4
Other	-1.6	2.3	-0.1	-1.8	-2.7	-2.7
Change in FX reserves (- indicates increase)	-4.7	-15.2	-1.7	3.4	0.8	1.2

"* Includes prefinancing operations done in 2014 and 2015

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

VENEZUELA

$bn	2011	2012	2013	2014	2015	2016F
Funding need (excluding short-term debt amortization)	**-20.8**	**-7.9**	**-0.5**	**1.9**	**21.7**	**26.9**
Current account deficit	-24.4	-11.0	-4.6	-3.6	18.2	22.4
FDI outflows	-1.1	2.5	0.8	1.0	-1.1	0.0
Medium- and long-term debt amortization	4.7	0.7	3.3	4.5	4.7	4.6
Funding sources (including net short-term borrowing)	**-20.8**	**-7.9**	**-0.5**	**1.9**	**21.7**	**26.9**
FDI inflows	3.8	3.2	2.7	0.3	2.1	1.2
Net portfolio investments	2.0	4.0	-0.6	3.0	-4.2	0.6
Other investment	-31.7	-13.6	-7.1	-3.1	13.5	14.4
Trade credits	-8.2	-8.6	0.0	3.4	1.1	3.9
Loans	11.0	2.1	0.8	0.2	8.9	4.6
Currency and deposits	-31.1	1.9	-1.3	-3.4	2.7	7.2
Other assets	-3.5	-8.9	-6.7	-3.2	0.7	-1.2
Other, including errors and omissions	5.5	-1.5	-3.9	2.2	4.7	0.7
Change in gross reserves (- indicates increase)	-0.4	0.0	8.4	-0.6	5.7	10.0

Source: Central Bank, Credit Suisse

Balance of payments financing needs

EASTERN EUROPE, MIDDLE EAST AND AFRICA

CZECH REPUBLIC

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**51.0**	**54.3**	**57.2**	**49.9**	**61.5**	**61.8**
Funding need (excluding short-term debt amortization)	**11.3**	**10.6**	**12.9**	**0.8**	**11.3**	**10.2**
Current account deficit	4.8	3.2	1.2	-1.4	-1.6	-1.9
FDI outflows	1.5	3.4	7.7	-1.8	3.5	3.0
Medium- and long-term external debt amortization	5.0	4.0	4.0	4.0	9.4	9.0
Short-term external debt amortization	39.6	43.7	44.4	49.1	50.2	51.7
Funding sources (including gross short-term borrowing)	**51.0**	**54.3**	**57.2**	**49.9**	**61.5**	**61.8**
Net EU transfers (capital account)	0.6	2.8	4.3	1.6	4.5	2.5
FDI inflows	4.1	9.6	7.3	4.8	2.0	3.5
Net portfolio equity inflows	0.1	-0.4	-0.4	-1.3	0.5	0.7
Medium- and long-term borrowing (incl. bonds)	1.5	15.1	8.9	-9.4	8.5	8.1
Short-term borrowing (incl. bills)	43.7	44.4	49.1	50.2	51.7	48.6
Financial derivatives	-0.2	0.6	0.3	0.4	0.0	0.0
Other items (net errors and omissions)	-1.0	-13.2	-0.9	2.0	4.3	1.4
Change in reserves (- indicates increase)	2.2	-4.6	-11.3	1.7	-10.0	-3.0
Roll-over ratios:						**Assumptions**
Medium- and long-term debt	0.3	3.8	2.2	-2.3	0.9	0.9
Short-term debt	1.1	1.0	1.1	1.0	1.0	0.9

Note: These data are based on the location of debt-holders.

Source: IMF, Central Bank, Credit Suisse

HUNGARY

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**54.4**	**47.1**	**36.1**	**30.0**	**25.6**	**19.9**
Funding need (excluding short-term debt amortization)	**21.6**	**15.5**	**13.2**	**6.9**	**6.2**	**8.2**
Current account deficit (- indicates surplus)	-1.1	-2.2	-5.4	-3.1	-4.2	-4.4
FDI outflows	4.8	3.0	5.1	4.8	4.7	4.5
Medium- and long-term external debt amortization	17.9	14.7	13.5	5.3	5.7	8.1
Short-term external debt amortization	32.8	31.6	22.9	23.0	19.4	11.6
Funding sources (including gross short-term borrowing)	**54.4**	**47.1**	**36.1**	**30.0**	**25.6**	**19.9**
Net EU transfers (capital account)	3.3	3.2	4.8	5.2	3.8	5.3
FDI inflows	6.2	5.7	6.4	8.4	5.3	4.2
Net portfolio equity inflows	2.3	1.6	0.4	-1.6	0.9	0.8
Medium- and long-term borrowing (incl. bonds)	24.9	7.2	5.4	8.8	4.6	5.7
- o/w IMF-EU-WB funding	0.0	0.0	0.0	0.0	0.0	0.0
Short-term borrowing (incl. bills)	31.6	22.9	23.0	19.4	11.6	5.8
Financial derivatives	-1.1	0.4	0.8	-0.4	0.0	0.0
Other items (incl. errors and omissions)	-9.0	1.8	-3.0	-14.3	-9.5	-3.9
Change in reserves (- indicates increase)	-3.8	4.2	-1.8	4.5	8.9	1.9
Roll-over ratios:						**Assumptions**
Medium- and long-term debt	1.4	0.5	0.4	1.7	0.8	0.7
Short-term debt	1.0	0.7	1.0	0.8	0.6	0.5

Note: These data are based on the location of debt-holders.

Source: National Bank of Hungary, Ministry for National Economy, IMF, JEDH, Credit Suisse

Balance of payments financing needs

ISRAEL

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**58.0**	**48.8**	**45.8**	**40.9**	**39.7**	**37.9**
Funding need (excluding short-term debt amortization)	**7.0**	**4.9**	**3.5**	**-1.1**	**-1.3**	**-2.1**
Current account deficit	-6.8	-4.3	-8.5	-11.2	-12.9	-14.3
FDI outflows	9.2	3.3	5.5	3.7	5.3	5.4
Medium- and long-term debt amortization	4.7	5.9	6.5	6.5	6.3	6.8
Public sector	1.4	3.4	3.4	3.1	2.6	1.4
Private sector	3.3	2.5	3.1	3.4	3.7	5.4
Short-term debt amortizations	51.0	43.9	42.2	42.0	41.0	40.0
Funding sources (including gross short-term borrowing)	**58.0**	**48.8**	**45.8**	**40.9**	**39.7**	**37.9**
FDI inflows	8.7	8.5	12.4	6.7	12.5	9.8
Portfolio investments, net	-8.8	-10.9	-7.6	-0.8	-12.6	-8.1
Medium- and long-term borrowing	3.8	5.5	9.2	8.3	4.9	6.5
Public sector	1.5	3.0	3.5	3.4	1.2	1.1
Private sector	2.3	2.5	5.8	4.9	3.7	5.4
Short-term debt financing	43.9	42.2	42.0	41.0	41.4	40.4
Errors and omissions	14.4	4.5	-4.5	-10.0	-2.0	-5.2
Change in reserves (- indicates increase)	-4.0	-1.0	-5.9	-4.3	-4.5	-5.4
Rollover ratios:						
Medium- and long-term debt						**Assumptions**
Public sector	1.0	0.9	1.0	1.1	0.5	0.8
Private sector	0.7	1.0	1.0	1.0	1.0	1.0
Short-term debt	0.9	1.0	1.0	1.0	1.0	1.0

Source: BoI, Ministry of Finance, Credit Suisse

NIGERIA

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**-9.8**	**-15.1**	**-15.5**	**3.9**	**18.0**	**20.3**
Funding need (excluding short-term debt amortization)	**-9.8**	**-15.2**	**-15.5**	**3.8**	**18.0**	**20.2**
Current account deficit (- implies surplus)(1)	-12.7	-18.9	-20.1	-1.3	16.1	18.4
FDI outflows	0.8	1.5	1.2	1.6	0.2	0.8
Portfolio outflows	1.6	2.1	3.2	3.4	1.5	1.0
Debt amortization(2)	0.4	0.2	0.2	0.1	0.2	0.1
Funding sources (including gross short-term borrowing)	**-9.8**	**-15.1**	**-15.5**	**3.9**	**18.0**	**20.3**
FDI inflows	8.9	7.1	5.6	4.7	2.6	3.0
Portfolio inflows	5.2	17.2	13.7	5.3	1.4	2.5
External borrowing by the public sector(3)	1.5	1.0	2.4	1.0	1.3	5.0
External borrowing by the private sector(3)	.	0.0	0.0	0.1	0.1	0.2
Other flows, including errors and omissions	-25.1	-29.3	-38.2	-15.6	7.2	3.6
Change in net reserves owing to BOPs (- indicates increase)	-0.3	-11.2	1.0	8.4	5.4	6.0

(1) Historical balance of payments data reflect revisions by the Central Bank of Nigeria since the December 2015 Emerging Markets Quarterly (2) A large proportion of private sector debt is issued in local currency, so the estimated public-sector external debt amortization is used as a proxy for total external debt amortization (3) Based on stock data (and amortization).

Source: Central Bank of Nigeria, Ministry of Finance, Budget Office of Nigeria, the BLOOMBERG PROFESSIONAL™ service, Haver Analytics®, Credit Suisse

Balance of payments financing needs

POLAND

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**99.0**	**117.8**	**127.6**	**139.6**	**114.5**	**110.1**
Funding need (excluding short-term debt amortization)	**50.6**	**73.0**	**60.6**	**76.7**	**62.3**	**63.2**
Current account deficit	27.4	18.5	6.7	11.1	1.4	2.5
FDI outflows	4.7	1.4	-3.4	6.1	0.2	3.0
Medium- and long-term external debt amortization	18.5	53.1	57.3	59.4	60.7	57.7
Short-term external debt amortization	48.4	44.8	67.0	62.9	52.2	47.0
Funding sources (including gross short-term borrowing)	**99.0**	**117.8**	**127.6**	**139.6**	**114.5**	**110.1**
Net EU transfers (capital account)	10.0	10.9	11.9	13.3	7.8	10.0
FDI inflows	18.2	7.3	0.8	17.3	7.3	6.5
Net portfolio equity inflows	3.7	3.0	1.5	0.7	-7.8	1.2
Medium- and long-term borrowing (incl. bonds)	24.0	69.7	66.1	56.7	54.6	54.8
Short-term borrowing (incl. bills)	44.8	67.0	62.9	52.2	47.0	37.6
Financial derivatives	-0.2	2.8	0.7	0.0	0.9	0.0
Other items (incl. net errors and omissions)	2.7	-31.9	-18.9	-6.5	-0.8	0.4
Change in reserves (- indicates increase)	-4.4	-11.0	2.7	5.8	5.5	-0.4
Roll-over ratios:						**Assumptions**
Medium- and long-term debt	1.3	1.3	1.2	1.0	0.9	1.0
Short-term debt	0.9	1.5	0.9	0.8	0.9	0.8

Note: These data are based on the location of debt-holders.

Source: National Bank of Poland, Ministry of Finance, IMF, JEDH, Credit Suisse

RUSSIA

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**73.3**	**79.2**	**188.1**	**208.0**	**118.7**	**78.0**
Funding need (excluding short-term debt amortization)	**13.6**	**24.2**	**106.6**	**122.8**	**67.7**	**27.0**
Current account deficit	-98.8	-81.3	-33.0	-56.7	-65.8	-55.0
FDI outflows	66.9	48.8	86.5	54.5	20.5	10.0
Medium- and long-term debt amortization	45.6	56.7	53.1	125.0	113.0	72.0
Public	4.8	2.8	3.0	2.2	3.0	3.0
Private	40.8	53.9	50.1	122.8	110.0	69.0
Short-term debt amortization	59.7	55.0	81.5	85.2	51.0	51.0
Funding sources (including gross short-term borrowing)	**73.3**	**79.2**	**188.1**	**208.0**	**118.7**	**78.0**
FDI inflows	55.1	50.6	69.2	18.5	6.7	10.0
Portfolio investments	-15.3	17.0	-11.0	-39.9	-12.2	7.0
Medium- and long-term borrowing	34.3	18.1	75.9	86.6	72.4	47.0
Short-term loans	68.2	81.5	85.2	51.0	51.0	51.0
Other flows, including errors and omissions	-58.7	-55.4	-53.3	-15.7	-19.2	-22.0
Change in net international reserves (- indicates increase)	-10.4	-32.6	22.1	107.5	20.0	-15.0
Memo items:						
Nominal GDP ($ bn)	1,854	2,205	2,171	1,385	1,103	1,100

Source : IMF, IIF, Central Bank of Russia, Credit Suisse

Balance of payments financing needs

SOUTH AFRICA

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**32.9**	**49.9**	**60.7**	**59.6**	**53.7**	**53.4**
Funding need (excluding short-term debt amortization)	**11.1**	**29.4**	**32.8**	**32.3**	**19.7**	**18.5**
Current account deficit	9.0	19.7	21.1	19.0	13.0	13.3
FDI outflows	-0.3	3.0	6.7	7.7	2.4	0.0
Medium- and long-term debt amortization	2.3	6.7	5.0	5.6	4.2	5.2
Public	0.7	1.7	3.1	2.1	1.1	2.6
Private	1.6	4.9	1.9	3.5	3.1	2.6
Short-term debt amortization (1)	21.8	20.5	27.9	27.2	34.0	34.9
Funding sources (including gross short-term borrowing)	**32.9**	**49.9**	**60.7**	**59.6**	**53.7**	**53.4**
FDI inflows	4.2	4.6	8.3	5.8	1.3	1.2
Portfolio investments	4.5	10.2	6.0	4.6	4.2	2.5
Medium- and long-term borrowing by public sector (2)	10.2	17.8	-2.0	0.8	-5.9	3.1
Medium- and long-term borrowing by private sector (2)	-2.0	-1.6	-2.6	1.0	-0.8	1.0
Short-term loans	20.5	27.9	27.2	34.0	34.9	35.7
Other (3)	0.1	-8.0	24.2	15.0	16.3	2.8
Change in net reserves owing to BOPs (- indicates increase)	-4.7	-1.1	-0.4	-1.5	3.7	7.1
Roll-over ratios:						
Medium- and long-term debt	3.5	2.4	-0.9	0.3	-1.6	0.8
Short-term debt	0.9	1.4	1.0	1.2	1.0	1.0

(1) Includes non-residents' deposits. (2) Estimates based on stock data. (3) Includes residents' portfolio and other investments, transfers and net errors and omissions. Repatriation of $8.6bn from abroad and net errors and omissions of $10.6bn are behind the unusually large figure in 2008.

Source: Reserve Bank, Credit Suisse

Balance of payments financing needs

TURKEY

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**191.8**	**174.1**	**211.1**	**218.7**	**204.9**	**196.0**
Funding need (excluding short-term debt amortization)	**114.6**	**92.6**	**110.9**	**88.3**	**73.1**	**74.9**
Current account deficit	74.4	48.0	63.6	43.6	32.2	34.8
External debt amortization	37.8	40.5	43.6	37.7	35.8	37.1
Public (excluding scheduled payments to the IMF)	4.7	5.2	4.5	6.2	5.6	6.7
Of which: Eurobonds	1.8	2.3	1.5	3.1	2.8	2.8
Of which: Medium-term loans	2.9	2.9	3.0	3.1	2.8	3.9
Private	33.2	35.3	39.2	31.5	30.2	30.4
Banks	6.9	9.4	9.0	9.2	11.6	11.3
Non-bank corporates	26.2	25.9	30.2	22.3	18.7	19.1
FDI outflows	2.4	4.1	3.6	7.0	5.1	3.0
Short-term debt amortization(1)	77.2	81.6	100.2	130.4	131.7	121.1
Funding sources (including gross short-term borrowing)	**191.8**	**174.1**	**211.1**	**218.7**	**204.9**	**196.0**
FDI inflows	16.2	13.3	12.4	12.5	16.6	12.0
Portfolio investments	18.1	31.4	14.6	13.6	-5.9	12.5
Equity	-1.0	6.3	0.8	2.6	-2.4	2.0
Local bonds	14.8	16.8	4.1	0.4	-7.7	2.0
Eurobonds (government)	4.3	7.1	6.1	7.3	3.0	4.5
Eurobonds (banks and non-bank corporates)	0.0	1.2	3.5	3.3	1.1	4.0
Loans to public sector (non-IMF)	5.0	2.8	3.0	2.2	1.6	3.0
Medium- and long-term borrowing by private sector	43.7	41.3	48.3	45.3	67.2	52.1
Banks	12.6	10.4	17.9	17.3	37.8	28.3
Non-bank corporates	31.1	30.9	30.5	28.1	29.4	23.9
Short-term loans	81.6	100.2	130.4	132.8	121.1	115.3
Other(2)	28.3	8.0	13.2	11.8	0.6	4.0
Change in net reserves (- indicates increase)	-1.0	-22.8	-10.8	0.5	3.8	-3.0
Change in gross reserves (- indicates increase)	1.8	-20.8	-9.9	0.5	3.8	-3.0
IMF (net)	-2.8	-2.0	-0.9	0.0	0.0	0.0
Principal payments to the IMF	-2.8	-2.0	-0.9	0.0	0.0	0.0
Loans from the IMF	0.0	0.0	0.0	0.0	0.0	0.0
Roll-over ratios:						**Assumptions**
Medium- and long-term debt – Banks	1.82	1.11	1.98	1.88	3.27	2.50
Medium- and long-term debt – Non-bank corporates	1.18	1.19	1.01	1.26	1.57	1.25
Short-term debt	1.06	1.23	1.30	1.02	0.92	0.95

(1) Short-term debt amortizations are based on the debt stock figures from a year ago; they include the non-residents' deposits. (2) All flows that are not specified above, including residents' portfolio and other investments abroad, and net errors/omissions.

Source: Central Bank, Credit Suisse

Balance of payments financing needs

UKRAINE

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**59.8**	**70.7**	**73.6**	**64.7**	**44.3**	**44.5**
Funding need (excluding short-term debt amortization)	**27.1**	**38.0**	**40.4**	**27.7**	**12.3**	**14.7**
Current account deficit	10.2	14.3	16.4	4.6	0.3	1.7
External debt amortization	23.7	23.2	23.5	22.6	11.9	12.5
Public	5.1	6.3	6.0	7.2	0.8	0.8
Private	18.6	16.9	17.5	15.4	11.1	11.7
FDI outflows	0.2	0.5	0.5	0.5	0.1	0.5
Short-term debt	25.6	32.7	33.2	37.0	32.0	29.8
Funding sources (including gross short-term borrowing)	**59.8**	**70.7**	**73.6**	**64.7**	**44.3**	**44.5**
FDI inflows	7.2	8.5	3.8	0.8	3.2	3.0
Portfolio investments	0.5	2.6	3.0	-2.7	0.3	0.0
Medium- and long-term borrowing	16.9	22.3	25.1	13.8	8.6	11.3
including the sovereign's Eurobond issuance and bank loans	2.8	4.9	6.3	0.0	0.0	0.0
Arreas and rescheduling (+ build-up, - clearance)	0.0	0.0	0.0	0.0	3.0	0.5
Short-term borrowing and other flows	32.7	33.2	37.6	32.0	29.8	31.8
Other (including multilateral financing)	0.0	0.0	0.0	7.0	5.1	5.8
Change in international reserves (- indicates increase)	2.5	4.2	4.1	13.8	-5.7	-7.9
Memo items:						
Nominal GDP ($ bn)	163.2	175.8	183.3	133.3	91.1	86.0

Source: Central Bank, IMF, Credit Suisse

Balance of payments financing needs

EMERGING ASIA

CHINA

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**321.1**	**382.2**	**496.1**	**564.8**	**604.7**	**332.0**
Funding need (excluding short-term debt amortization)	**-54.6**	**-118.7**	**-44.8**	**-111.8**	**-78.6**	**-101.4**
Current account deficit	-136.1	-215.4	-148.2	-219.7	-293.2	-350.4
FDI outflows	48.4	65.0	73.0	80.4	167.1	179.6
Medium- and long-term debt amortization	33.0	31.7	30.4	27.4	47.4	69.4
Short-term debt amortization	375.7	500.9	540.9	676.6	683.4	433.4
Funding sources (including gross short-term borrowing)	**321.1**	**382.2**	**496.1**	**564.8**	**604.7**	**332.0**
FDI inflows	280.1	241.2	290.9	289.1	244.2	220.2
Net portfolio inflows	19.6	47.8	52.9	82.4	-30.8	40.6
Short-term debt borrowing	500.9	540.9	676.6	683.4	433.4	307.9
Medium- and long-term borrowings	53.9	33.7	20.9	52.9	27.9	17.9
Other capital flows / errors and omissions	-145.6	-384.9	-113.9	-425.2	-413.0	-15.3
Changes in reserves (- indicates increase)	-387.8	-96.6	-431.4	-117.8	343.0	-239.2

Source: People's Bank of China, Credit Suisse

HONG KONG

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**740.9**	**810.2**	**838.2**	**1017.8**	**1082.6**	**1090.4**
Funding need (excluding short-term debt amortization)	**93.7**	**95.4**	**90.7**	**161.2**	**155.0**	**156.4**
Current account deficit	-13.8	-4.1	-4.1	-5.4	-11.8	-10.8
FDI outflows	95.7	87.6	82.9	154.5	154.7	154.8
Medium- and long-term debt amortization	11.8	11.9	12.0	12.1	12.2	12.3
Short-term debt amortization	647.3	714.9	747.5	856.6	927.6	934.0
Funding sources (including gross short-term borrowing)	**740.9**	**810.2**	**838.2**	**1017.8**	**1082.6**	**1090.4**
FDI inflows	95.9	74.5	76.4	115.3	115.7	115.8
Net portfolio inflows	-1.4	-4.1	-49.5	20.1	20.3	20.4
Short-term loans	714.9	747.5	856.6	927.6	934.0	940.4
Medium- and long-term borrowings	39.6	21.5	27.8	58.7	66.4	74.2
Other capital flows / errors & omissions	-97.0	-4.9	-65.8	-86.0	-29.1	-36.8
Changes in reserves (- indicates increase)	-11.1	-24.2	-7.4	-17.8	-24.6	-23.6

Source: Census and Statistics Department, Credit Suisse

INDIA*

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**185.2**	**222.1**	**211.5**	**172.6**	**173.8**	**176.1**
Funding need (excluding short-term debt amortization)	**120.3**	**143.9**	**114.8**	**80.9**	**89.2**	**99.5**
Current account deficit	78.2	87.8	32.4	27.5	20.0	36.0
FDI outflows	10.9	7.1	9.2	2.9	4.2	4.5
Portfolio outflows	0.2	0.9	0.2	0.0	17.0	7.0
Medium- and long-term debt amortization**	31.0	48.0	73.0	50.0	48.0	52.0
Short-term debt at beginning of period	64.9	78.2	96.7	91.7	84.6	76.6
Funding sources (including gross short-term borrowing)	**185.2**	**222.1**	**211.5**	**172.6**	**173.8**	**176.1**
FDI inflows	33.0	27.0	30.8	34.4	37.0	44.5
Portfolio inflows	16.8	27.6	5.0	41.0	14.0	15.0
Medium- and long-term debt borrowings	29.7	30.1	42.0	36.5	31.0	30.0
Short-term borrowing	13.2	18.5	-5.1	-7.0	-8.0	-9.0
Other inflows/errors and omissions	11.1	2.4	-12.2	-37.4	-10.0	-10.0
Change in reserves (- indicates increase)	81.4	116.5	151.0	105.1	109.8	105.6

* Years are fiscal years beginning April. For instance 2010 is April 2010 to March 2011. ** Years are calendar year ending December

Source: Reserve Bank of India, Credit Suisse

Balance of payments financing needs

INDONESIA

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**64.6**	**111.7**	**117.4**	**133.6**	**129.9**	**139.4**
Funding need (excluding short-term debt amortization)	**31.6**	**73.5**	**73.1**	**86.2**	**74.9**	**81.4**
Current account deficit	-1.7	24.4	29.1	27.5	17.8	19.4
Medium- and long-term debt amortization	26.5	36.4	34.6	42.0	43.0	44.0
FDI outflows	9.0	7.5	9.7	9.7	5.1	7.0
Portfolio outflows	1.2	5.5	1.3	7.0	8.0	9.0
Short-term debt (original maturity) at beginning of period	33.0	38.2	44.3	47.4	55.0	58.0
Unclassified capital outflows and E&O	-3.4	-0.3	-1.6	0.0	1.0	2.0
Funding sources (including gross short-term borrowing)	**64.6**	**111.7**	**117.4**	**133.6**	**129.9**	**139.4**
FDI inflows	20.5	21.2	23.4	25.6	21.0	23.0
Portfolio inflows	5.0	14.7	11.1	23.3	15.5	2.0
Portfolio equity inflows	-0.3	1.7	-1.9	3.2	0.5	3.0
Portfolio debt inflows	5.3	13.0	14.0	20.1	15.0	-1.0
Loan disbursements	3.2	1.2	1.7	2.0	2.0	2.0
Short-term debt inflows	28.3	48.4	40.7	40.7	48.0	48.0
Other inflows	9.8	32.7	4.0	31.2	23.3	56.8
Change in reserves (- indicates increase)	-13.9	-2.7	13.4	-12.5	4.6	5.6
Memo items:						
BI FX reserves, including valuation changes	110.1	112.8	99.4	111.9	105.9	102.0
ST external debt (remaining maturity)	59.5	74.6	78.9	89.4	98.0	102.0
Central bank FX reserves-to-ST external debt (%)	288.4	254.9	209.8	203.4	182.6	170.0
Rollover ratios (ST debt, times)*	1.06	0.79	1.13	0.86	0.87	0.83

*1998-2003 BOP data were based on old classification. Short-term debt figures came from IMF 2008 Article IV Consultation report published September 2008 on Indonesia.

Source: Bank Indonesia, CEIC, Credit Suisse

KOREA

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**184.7**	**152.4**	**111.2**	**92.4**	**75.0**	**49.6**
Funding need (excluding short-term debt amortization)	**45.3**	**15.0**	**-16.7**	**-19.3**	**-40.3**	**-59.2**
Current account deficit	-18.7	-50.8	-81.1	-84.4	-105.9	-127.6
FDI outflows	29.7	30.6	28.4	28.0	27.6	29.6
Medium- and long-term debt amortization	34.3	35.2	36.1	37.0	37.9	38.8
Short-term debt amortization	139.4	137.4	127.9	111.7	115.3	108.7
Funding sources (including gross short-term borrowing)	**184.7**	**152.4**	**111.2**	**92.4**	**75.0**	**49.6**
FDI inflows	9.8	9.5	12.8	9.3	5.0	8.0
Net portfolio inflows	13.1	6.7	-9.3	-30.6	-48.6	-49.6
Short-term loans	154.4	147.4	139.1	124.2	129.0	123.7
Medium- and long-term borrowings	11.5	-13.1	-6.3	10.9	-2.1	-4.1
Other capital flows / errors and omissions	9.8	15.0	-8.8	-3.5	3.6	7.5
Changes in reserves (- indicates increase)	-14.0	-13.2	-16.3	-17.9	-12.1	-36.0

Source: Bank of Korea, Credit Suisse

Balance of payments financing needs

MALAYSIA

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**35.3**	**60.7**	**64.8**	**72.3**	**65.6**	**43.3**
Funding need (excluding short-term debt amortization)	**10.0**	**27.9**	**34.5**	**32.9**	**19.7**	**-2.7**
Current account deficit	-32.5	-16.2	-11.3	-14.5	-8.4	-8.1
FDI outflows	18.1	16.8	13.3	16.2	8.9	6.0
Other investment outflows	2.1	-20.5	-3.4	-7.2	-10.0	-5.0
Short-term external debt (beginning of period)	25.4	32.8	30.3	39.4	45.9	46.0
Other and unclassified items	22.2	47.8	35.9	38.3	29.2	4.4
Funding sources (including gross short-term borrowing)	**35.3**	**60.7**	**64.8**	**72.3**	**65.6**	**43.3**
FDI inflows	15.0	8.9	11.3	10.6	9.0	8.0
Net portfolio inflows	14.6	27.6	9.2	-3.2	-10.0	-10.0
Short-term external borrowing	32.8	30.3	39.4	45.9	46.0	45.0
Change in net reserves (- indicates increase)	-27.1	-6.1	4.8	19.0	20.6	0.3
Memo items:						
BNM FX reserves, including forward purchases	133.6	139.7	134.9	115.9	95.3	95.0
Short-term external debt (end of period)	32.8	30.3	39.4	45.9	46.0	45.0
Medium- and long-term external debt	137.3	166.9	175.0	169.1	148.3	145.0
Actual and assumed debt rollover ratios (short-term debt, times)	1.3	0.9	1.3	1.2	1.0	1.0

Source: Bank Negara Malaysia, CEIC, Credit Suisse

PHILIPPINES

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**9.5**	**18.2**	**24.6**	**25.5**	**23.3**	**24.2**
Funding need (excluding short-term debt amortization)	**-0.8**	**-4.6**	**-1.4**	**4.9**	**9.3**	**8.0**
Current account deficit	-5.6	-6.9	-9.4	-11.8	-9.3	-10.7
FDI outflows	2.4	4.2	3.6	7.0	5.2	5.7
Medium- and long-term external debt amortization*	5.5	4.2	4.2	4.2	4.2	4.2
Public sector	1.6	1.5	1.8	1.8	1.8	1.8
Private sector	3.9	2.6	3.4	3.4	3.4	3.4
Resident lending abroad	-3.6	-2.3	1.4	2.0	2.0	2.0
Currency and deposit outflows	2.3	-1.5	1.4	4.5	4.5	4.5
Trade credits and unclassified items	0.7	2.0	1.0	6.0	8.0	8.0
Funding sources (including net short-term borrowing)	**9.5**	**18.2**	**24.6**	**25.5**	**23.3**	**24.2**
FDI inflows	2.0	3.2	3.7	6.2	4.5	5.0
Portfolio inflows	3.7	3.2	1.0	-2.5	1.0	1.0
Equity	1.0	1.7	-0.1	1.0	0.5	0.5
Debt	2.6	1.5	1.1	-3.4	0.5	0.5
Medium- and long-term external borrowing	4.8	3.8	2.3	2.3	2.3	2.3
of which: government	1.7	1.4	1.5	1.6	1.6	1.6
Net short-term borrowing (including by the BSP)	12.1	16.5	16.9	16.2	16.2	16.2
Change in reserves (- indicates increase)	-13.0	-8.5	0.6	3.2	-0.7	-0.3
Memo items:						
BSP FX spot reserves	75.3	83.8	83.2	80.0	80.7	81.0
Short-term external debt (original maturity, eop)	12.1	16.5	16.9	16.2	16.2	16.2
Central bank FX reserves-to-short-term external debt (%)	625	510	492	492	497	499

*Including external debt pre-payments.

Source: BSP, CEIC, IIF, Credit Suisse

Balance of payments financing needs

TAIWAN

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**66.2**	**80.4**	**84.0**	**109.3**	**101.4**	**88.6**
Funding need (excluding short-term debt amortization)	**-17.5**	**-27.3**	**-32.5**	**-46.4**	**-61.9**	**-70.5**
Current account deficit	-39.9	-47.3	-53.1	-63.8	-76.2	-85.3
FDI outflows	12.8	13.1	14.3	12.7	14.8	14.8
Medium- and long-term debt amortization	9.7	6.8	6.3	4.7	-0.5	0.0
Short-term debt amortization	83.7	107.8	116.5	155.6	163.3	159.2
Funding sources (including gross short-term borrowing)	**66.2**	**80.4**	**84.0**	**109.3**	**101.4**	**88.6**
FDI inflows	-2.0	3.2	3.6	2.8	2.4	2.4
Net portfolio inflows	-35.7	-42.1	-28.8	-44.2	-57.7	-57.7
Short-term loans	87.9	119.6	129.5	156.0	159.2	154.9
Medium- and long-term borrowings	-5.2	-5.1	-7.0	-4.9	0.5	0.0
Other capital flows / errors and omissions	27.3	20.3	-1.9	12.6	12.1	6.6
Changes in reserves (- indicates increase)	-6.2	-15.5	-11.3	-13.0	-15.0	-17.6

Source: Central Bank of China, Credit Suisse

THAILAND

$bn	2011	2012	2013	2014	2015	2016F
Funding need (including short-term debt amortization)	**9.9**	**46.0**	**31.1**	**13.0**	**-1.0**	**-13.1**
Funding need (excluding short-term debt amortization)	**-40.8**	**-1.3**	**-27.1**	**-48.9**	**-66.0**	**-83.1**
Current account deficit	-8.9	1.5	5.2	-15.4	-34.8	-32.8
FDI outflows	7.2	14.3	12.1	4.2	8.1	4.0
Medium- and long-term debt amortization	8.8	13.3	11.1	10.7	4.0	4.0
Government	1.2	0.8	1.2	1.2	1.0	1.0
SOEs and private sector	7.6	12.6	9.8	9.5	10.0	10.0
Short-term external debt (beginning of period)	50.7	47.3	58.2	61.9	65.0	70.0
Resident lending abroad	8.3	5.1	8.5	7.0	0.0	0.0
Currency and deposit outflows	-6.4	-4.3	-4.3	-4.3	-4.3	-4.3
Trade credits, unclassified items, residual	-49.9	-31.1	-59.6	-51.0	-39.0	-54.0
Funding sources (including gross short-term borrowing)	**9.9**	**46.0**	**31.1**	**13.0**	**-1.0**	**-13.1**
FDI inflows	3.9	12.9	15.9	3.6	4.3	9.0
Portfolio inflows	2.9	12.9	-4.5	-2.8	-0.5	0.0
Asset (resident flows)	0.0	0.0	0.0	0.0	0.0	-0.5
Equity (nonresident flows)	-0.4	2.7	-6.4	-4.1	-1.5	1.5
Debt (nonresident flows)	3.3	10.3	1.9	1.3	1.0	-1.0
External borrowing (excluding short-term borrowing)	6.1	26.6	8.7	2.1	-3.9	-5.1
Government	5.6	5.5	3.1	-3.1	-3.1	-4.0
SOEs and private sector	0.5	21.1	5.6	5.2	-0.8	-1.1
Short-term external borrowing	-3.4	10.9	3.7	3.1	5.0	1.0
Change in net reserves (- indicates increase)	-3.0	-6.5	11.0	10.0	-0.9	-17.0
Memo items:						
BoT FX reserves, including forward purchases	194.7	201.2	190.2	180.2	181.1	198.1
Short-term external debt (end of period)	47.3	58.2	61.9	65.0	70.0	71.0
Total external debt	106.6	133.2	141.9	144.0	140.1	135.0
Government debt	16.6	22.1	25.2	22.1	19.0	15.0
SOEs and private sector	90.0	111.1	116.7	121.9	121.1	120.0
Actual and assumed rollover ratios (medium- and long-term debt)	0.7	2.0	0.8	0.2	0.0	0.0
Actual and assumed rollover ratios (short-term debt)	-0.1	0.2	0.1	0.1	0.1	0.0

Source: Bank of Thailand, Credit Suisse

Government funding needs

LATIN AMERICA

ARGENTINA	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**45.5**	**7.3**	**53.8**	**9.9**	**83.6**	**15.4**	**64.0**	**14.8**
Overall fiscal deficit*	11.8	1.9	13.5	2.5	40.5	7.0	27.9	6.5
Primary fiscal deficit	4.1	0.7	4.7	0.9	33.3	5.8	21.4	5.0
Interest payments	7.7	1.2	8.8	1.6	7.2	1.3	6.5	1.5
Total amortization payments on medium- and long-term debt	33.7	5.4	40.3	7.4	43.1	7.9	36.1	8.3
Domestic debt	27.5	4.4	35.0	6.5	33.5	6.2	31.0	7.2
External debt	6.2	1.0	5.3	1.0	9.6	1.8	5.1	1.2
Funding sources	**45.5**	**7.3**	**53.8**	**9.9**	**83.6**	**15.4**	**64.0**	**14.8**
Central bank FX reserves	7.1	1.1	8.6	1.6	6.7	1.2	0.0	0.0
IFIs	2.2	0.4	2.3	0.4	2.3	0.4	4.9	1.1
International capital markets	0.0	0.0	0.0	0.0	0.0	0.0	7.5	1.7
Domestic financing (including intra-public sector)	36.1	5.8	42.9	7.9	74.6	13.7	51.6	11.9

*Federal government

Source: Ministry of Finance, INDEC, Credit Suisse

BRAZIL	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**278.8**	**11.3**	**356.1**	**14.7**	**335.1**	**18.9**	**216.8**	**14.6**
Overall fiscal deficit	72.1	2.9	143.0	5.9	191.2	10.9	115.9	7.9
Primary fiscal deficit	-42.5	-1.7	13.0	0.5	29.7	1.7	20.1	1.4
Interest payments	114.6	4.7	130.0	5.4	161.6	9.1	95.9	6.5
Debt amortization	206.7	8.4	213.1	8.8	140.2	7.9	100.9	6.9
Domestic debt	200.6	8.2	210.5	8.7	138.2	7.8	99.5	6.8
External debt	6.1	0.2	2.6	0.1	2.0	0.1	1.4	0.1
Funding sources	**278.8**	**11.3**	**356.1**	**14.7**	**335.1**	**18.9**	**216.8**	**14.6**
New privatization proceeds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfer of privatization proceeds from previous year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External bonds	4.1	0.2	6.0	0.3	1.0	0.1	2.0	0.1
IFIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project finance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic debt issuance	274.7	11.2	350.1	14.5	334.1	18.9	214.8	14.4

Source: IMF, Central Bank, Credit Suisse

CHILE	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**1.7**	**0.6**	**4.9**	**1.9**	**6.7**	**2.8**	**6.3**	**2.7**
Overall fiscal deficit	1.7	0.6	4.1	1.6	5.2	2.2	5.6	2.4
Primary fiscal deficit	0.3	0.1	2.6	1.0	3.6	1.5	3.7	1.6
Interest payments	1.4	0.5	1.5	0.6	1.7	0.7	1.9	0.8
Debt amortization	0.0	0.0	0.8	0.3	1.4	0.6	0.7	0.3
Domestic debt	0.0	0.0	0.8	0.3	1.4	0.6	0.7	0.3
External debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Funding sources	**1.7**	**0.6**	**4.9**	**1.9**	**6.7**	**2.8**	**6.3**	**2.7**
Domestic	1.7	0.6	3.1	1.2	4.8	2.0	4.7	2.0
External	0.0	0.0	1.8	0.7	1.4	0.6	1.2	0.5
Repatriation from stabilization funds	0.0	0.0	0.0	0.0	0.5	0.2	0.5	0.2

Source: IMF, Central Bank, Credit Suisse

Government funding needs

COLOMBIA	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**22.0**	**5.8**	**25.4**	**6.7**	**20.9**	**7.2**	**17.0**	**6.6**
Overall fiscal deficit*	9.0	2.4	9.2	2.4	8.8	3.0	9.3	3.6
Primary fiscal deficit	0.2	0.0	0.7	0.2	0.8	0.3	1.5	0.6
Interest payments	8.8	2.3	8.5	2.2	8.0	2.7	7.8	3.1
Quasi fiscal deficit	0.1	0.0	0.6	0.2	0.9	0.3	1.6	0.6
FEPC debt**	0.0	0.0	1.6	0.4	0.0	0.0	0.0	0.0
Debt amortization	10.8	2.8	11.1	2.9	9.7	3.3	5.1	2.0
Domestic debt	9.3	2.4	8.7	2.3	7.3	2.5	4.0	1.6
External debt	1.5	0.4	2.4	0.6	2.4	0.8	1.1	0.4
Treasury operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Final availability	2.0	0.5	2.9	0.8	1.5	0.5	1.0	0.4
Funding sources	**22.0**	**5.8**	**25.5**	**6.7**	**20.9**	**7.2**	**17.0**	**6.6**
IFIs	1.4	0.4	2.1	0.5	2.8	1.0	2.7	1.1
External bonds	2.5	0.7	2.0	0.5	2.5	0.9	3.0	1.2
Domestic financing	16.4	4.3	16.6	4.4	11.3	3.9	8.1	3.2
Initial availability	1.1	0.3	1.8	0.5	2.2	0.7	1.2	0.5
Treasury operations	0.0	0.0	2.2	0.6	2.2	0.7	1.4	0.5
Privatizations and other	0.5	0.1	0.8	0.2	0.0	0.0	0.6	0.2

*Central government, **Fuel Price Stabilization Fund

Source: Central Bank, Credit Suisse

ECUADOR	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**5.9**	**6.2**	**8.4**	**8.4**	**9.9**	**9.8**	**12.0**	**11.9**
Overall fiscal deficit*	4.3	4.6	5.3	5.3	5.1	5.0	3.7	3.7
Primary fiscal deficit	3.4	3.6	4.3	4.3	3.7	3.7	2.1	2.1
Interest payments	1.0	1.0	1.0	1.0	1.4	1.3	1.6	1.6
Debt amortization	1.6	1.7	3.1	3.1	4.8	4.8	8.3	8.2
Domestic debt	0.4	0.4	1.4	1.4	2.7	2.7	5.5	5.5
External debt**	1.2	1.2	1.7	1.7	2.1	2.0	2.8	2.8
Funding sources	**5.9**	**6.2**	**8.4**	**8.4**	**9.8**	**9.7**	**12.0**	**11.9**
Domestic financing***	1.7	1.8	1.4	1.4	4.2	4.1	3.0	3.0
External bond issuance	0.0	0.0	2.0	2.0	1.5	1.5	0.0	0.0
External loans	3.3	3.5	4.4	4.4	4.2	4.1	5.5	5.5
Net oil-presale financing	1.4	1.4	-0.3	-0.3	-0.5	-0.5	-0.8	-0.8
Floating debt and discrepancies****	-0.4	-0.4	1.0	1.0	0.5	0.5	4.3	4.3

* Non-financial public sector. ** Includes $0.9bn payment to Occidental Petroleum Corp in 2016. ***Includes net financing with Central Bank. ****Central bank publishes accrued data that must be consistent above and below the line. Arrears with private sector are likely included in discrepancies

Source: Central Bank, Credit Suisse

Government funding needs

MEXICO	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**104.7**	**8.3**	**117.9**	**9.1**	**102.7**	**9.0**	**86.3**	**8.3**
Overall fiscal deficit	30.3	2.4	35.0	2.7	34.2	3.0	26.0	2.5
Primary fiscal deficit	10.1	0.8	14.3	1.1	13.7	1.2	7.3	0.7
Interest payments	20.2	1.6	20.7	1.6	20.5	1.8	18.7	1.8
Debt amortization	74.4	5.9	82.9	6.4	68.5	6.0	60.3	5.8
Domestic debt	70.6	5.6	77.8	6.0	63.9	5.6	58.2	5.6
External debt	3.8	0.3	5.2	0.4	4.6	0.4	2.1	0.2
Funding sources	**104.7**	**8.3**	**117.9**	**9.1**	**102.7**	**9.0**	**86.3**	**8.3**
Domestic	99.6	7.9	101.1	7.8	84.4	7.4	70.7	6.8
External	5.0	0.4	16.8	1.3	18.3	1.6	15.6	1.5

Source: IMF, Central Bank, Credit Suisse

PERU	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirement	**1.4**	**0.7**	**3.4**	**1.7**	**6.5**	**3.4**	**5.9**	**3.2**
Overall fiscal deficit*	-1.5	-0.7	0.5	0.3	4.2	2.2	4.8	2.6
Primary fiscal deficit	-3.7	-1.8	-1.6	-0.8	2.3	1.2	2.6	1.4
Interest payments	2.2	1.1	2.1	1.0	1.9	1.0	2.2	1.2
Debt amortization	2.8	1.4	2.9	1.4	2.3	1.2	1.1	0.6
Domestic	0.4	0.2	1.4	0.7	1.1	0.6	0.2	0.1
External	2.4	1.2	1.5	0.7	1.2	0.6	0.9	0.5
Funding sources	**1.4**	**0.7**	**3.4**	**1.7**	**6.5**	**3.4**	**5.9**	**3.2**
Domestic financing	1.0	0.5	3.0	1.5	4.7	2.5	2.0	1.1
External bonds	0.0	0.0	0.0	0.0	0.5	0.3	2.9	1.6
IFIs & Paris Club	0.4	0.2	0.5	0.2	1.3	0.7	1.0	0.5

* General government

Source: National authorities, Credit Suisse

VENEZUELA	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirement	**48.1**	**16.5**	**29.6**	**15.6**	**19.8**	**18.2**	**16.7**	**16.6**
Overall fiscal deficit*	44.3	15.2	24.4	12.8	14.4	13.2	11.4	11.3
Primary fiscal deficit	37.0	12.7	20.2	10.6	11.7	10.7	8.7	8.6
Interest payments	7.3	2.5	4.2	2.2	2.7	2.5	2.7	2.7
Debt amortization	3.8	1.3	5.2	2.7	5.4	5.0	5.4	5.3
External	3.3	1.1	4.5	2.4	4.7	4.3	4.6	4.5
Domestic	0.5	0.2	0.7	0.4	0.7	0.6	0.8	0.8
Funding sources	**48.1**	**16.5**	**29.6**	**15.6**	**19.8**	**18.2**	**16.7**	**16.6**
Dollar denominated debt-placements	4.5	1.5	8.0	4.2	0.0	0.0	0.0	0.0
Bolivar denominated debt placements	12.8	4.4	15.1	7.9	12.6	11.6	12.2	12.1
Public sector external assets	30.8	10.6	6.5	3.4	7.2	6.6	4.6	4.5

*Consolidation of Central Government, PDVSA, Non-Financial Public Enterprises, Venezuelan Social Security Institute and Deposit and Guarantee Fund.

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

Government funding needs

EASTERN EUROPE, MIDDLE EAST & AFRICA

CZECH REPUBLIC	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**18.5**	**8.9**	**17.2**	**8.4**	**12.6**	**6.9**	**12.8**	**6.8**
General government budget deficit	2.6	1.3	4.0	1.9	2.4	1.3	1.3	0.7
Primary deficit	-0.4	-0.2	1.3	0.6	0.0	0.0	-1.2	-0.6
Interest payments	3.0	1.4	2.7	1.3	2.4	1.3	2.5	1.3
Debt amortization	6.0	2.9	7.1	3.5	5.5	3.0	7.5	4.0
CZK-denominated bonds (incl. retail securities)	6.0	2.9	2.8	1.4	5.2	2.8	7.0	3.7
FX-denominated debt	0.0	0.0	4.3	2.1	0.3	0.2	0.5	0.2
Stock of T-bills at the beginning of the period	9.9	4.8	6.1	3.0	4.7	2.6	4.0	2.1
Funding sources	**18.5**	**8.9**	**17.2**	**8.4**	**12.6**	**6.9**	**12.8**	**6.8**
Bond issuance	9.5	4.6	7.1	3.5	10.0	5.5	9.5	5.0
CZK-denominated bonds (incl. retail securities)	9.5	4.6	7.1	3.5	10.0	5.5	9.5	5.0
FX-denominated bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of T-bills at the end of the period	6.1	2.9	4.7	2.3	4.0	2.2	3.5	1.9
Other international financing (incl. EIB loans)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in government cash reserves (- indicates increase)	5.0	2.4	0.4	0.2	0.0	0.0	0.0	0.0
Other sources / change in public assets (- indicates increase)	-2.1	-1.0	5.0	2.4	-1.4	-0.8	-0.2	-0.1
Memo item:								
GDP ($bn)	208.3		205.3		181.9		188.9	

Source: Ministry of Finance, Haver Analytics, Credit Suisse

HUNGARY	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements*	**33.5**	**24.9**	**38.8**	**28.1**	**27.9**	**23.3**	**26.8**	**22.0**
General government budget deficit**	3.3	2.5	3.5	2.5	2.9	2.4	3.0	2.5
Primary deficit (- indicates surplus)	-2.8	-2.0	-2.1	-1.5	-2.0	-1.6	-1.9	-1.5
Interest payments	6.1	4.5	5.6	4.0	4.8	4.0	4.9	4.0
Debt amortization and redemptions	21.1	15.7	25.8	18.6	17.1	14.3	15.7	13.0
HUF-denominated bonds (incl. retail securities)	11.3	8.4	18.9	13.7	14.4	12.0	10.4	8.6
FX-denominated debt (incl. EU/IMF repayment)	9.8	7.3	6.9	5.0	2.7	2.2	5.3	4.4
Stock of T-bills at the beginning of the period	9.1	6.8	9.6	6.9	7.9	6.6	8.0	6.6
Funding sources	**33.5**	**24.9**	**38.8**	**28.1**	**27.9**	**23.3**	**26.8**	**22.0**
Bond issuance	23.9	17.8	25.7	18.6	21.4	17.9	18.7	15.4
HUF-denominated bonds (incl. retail securities)	15.1	11.2	25.1	18.1	20.9	17.4	16.7	13.8
FX-denominated bonds (incl. on domestic market)	8.8	6.5	0.7	0.5	0.6	0.5	1.9	1.6
Stock of T-bills at the end of the period	9.6	7.1	7.9	5.7	8.0	6.7	10.0	8.2
Other international financing (incl. IFI loans)	1.0	0.7	1.0	0.7	0.2	0.2	0.0	0.0
Change in government cash reserves (- indicates increase)	2.8	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Other sources / change in public assets (- indicates increase)	-3.7	-2.8	4.1	3.0	-1.7	-1.5	-1.9	-1.6
Memo item:								
GDP ($bn)	134.5		138.2		119.9		121.4	

*Excluding additional debt reduction due to pension reform. **Excluding one-off transfers from pension funds to the government.

Source: Ministry of Finance, Haver Analytics, Credit Suisse

Government funding needs

ISRAEL	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**27.7**	**9.5**	**29.1**	**9.5**	**20.8**	**7.0**	**25.5**	**8.5**
Overall fiscal deficit	9.1	3.1	8.4	2.7	6.3	2.1	8.7	2.9
Primary fiscal deficit	-4.1	-1.4	-5.4	-1.8	-6.4	-2.1	-4.2	-1.4
Interest payments*	13.2	4.5	13.8	4.5	12.7	4.3	12.9	4.3
Debt amortization	18.6	6.4	20.7	6.8	14.4	4.9	16.8	5.6
Domestic	15.2	5.2	17.6	5.8	11.8	4.0	15.4	5.1
External	3.4	1.2	3.1	1.0	2.6	0.9	1.4	0.5
Funding sources	**27.7**	**9.5**	**29.1**	**9.5**	**20.8**	**7.0**	**25.5**	**8.5**
Bond issuance	32.7	11.2	29.8	9.7	19.4	6.5	26.2	8.7
Domestic	29.2	10.0	26.4	8.6	18.2	6.1	25.1	8.4
External	3.5	1.2	3.4	1.1	1.2	0.4	1.1	0.4
Privatization	0.3	0.1	0.8	0.3	0.4	0.1	0.5	0.2
Other domestic financing	-3.3	-1.1	-3.0	-1.0	2.0	0.7	-1.2	-0.4
Change in cash reserves** (- indicates increase)	-1.9	-0.7	1.5	0.5	-1.1	-0.4	0.0	0.0
Memo item:								
GDP ($bn)	292.4		305.7		296.1		299.7	

*Including repayment of loans to National Insurance Institute. **Positive/negative number indicates a decline/increase in the government's cash reserves.

Source: IMF, Central Bank, Credit Suisse

NIGERIA*	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements*	**26.6**	**5.1**	**25.5**	**4.7**	**27.2**	**5.7**	**37.0**	**8.3**
Overall federal fiscal deficit(+)/Surplus(-)	7.2	1.4	5.9	1.1	6.7	1.4	12.0	2.7
Primary federal fiscal deficit	2.0	0.4	0.4	0.1	1.4	0.3	6.8	1.5
Interest payments	5.2	1.0	5.5	1.0	5.3	1.1	5.2	1.2
Debt amortization	19.3	3.7	19.6	3.6	20.5	4.3	25.0	5.6
Domestic debt**	19.2	3.7	19.5	3.6	20.3	4.3	24.9	5.6
External debt***	0.2	0.0	0.1	0.0	0.2	0.1	0.1	0.0
Funding sources	**26.6**	**5.1**	**25.5**	**4.7**	**27.2**	**5.7**	**37.0**	**8.3**
Foreign Financing****	2.4	0.5	1.0	0.2	1.3	0.3	5.0	1.1
Domestic Financing****	23.2	4.4	20.8	3.8	18.1	3.8	32.0	7.2
Other funds*****	0.2	0.0	0.1	0.0	0.6	0.1	0.0	0.0
Change in cash reserves****** (- indicates increase)	0.8	0.1	3.6	0.7	7.3	1.5	0.0	0.0
Memo item:								
GDP ($bn)	521.8		545.7		477.0		447.2	

Note: Foreign debt data is based on location of debt issuance. *2015 data reflect the latest debt statistics as published in the 2014 Annual Report of the Debt Management Office. ** Based on previous year's stock of debt with up to 1 year maturity remaining. *** Principle repayments only. **** Based on stock data (and amortization). ***** Includes public, special and trust funds, treasury clearance funds, excess reserves, etc. ****** The federal government can utilize reserves from various financing items, including but not limited to: privatization proceeds, signature bonuses, the stabilization fund account, development of natural resources account and other special accounts. For 2015 and earlier, the change in cash reserves also accounts for a residual balancing item.

Source: Debt Management Office, Budget Office of Nigeria, Ministry of Finance, Central Bank of Nigeria, Haver Analytics®, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Government funding needs

POLAND	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements*	**54.3**	**10.3**	**59.6**	**10.9**	**21.3**	**4.5**	**37.6**	**7.6**
General government budget deficit**	21.6	4.1	17.6	3.2	12.8	2.7	14.3	2.9
Primary deficit	8.1	1.5	6.7	1.2	3.3	0.7	4.4	0.9
Interest payments	13.5	2.6	10.9	2.0	9.5	2.0	9.9	2.0
Debt amortization	30.7	5.9	42.0	7.7	8.5	1.8	23.3	4.7
PLN-denominated bonds	25.6	4.9	36.2	6.6	5.9	1.2	21.4	4.3
FX-denominated debt (incl. IFI loan repayments)	5.1	1.0	5.8	1.1	2.7	0.6	1.9	0.4
Stock of T-bills at the beginning of the period	2.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Additional debt reduction due to pension reform	na	na	42.0	7.7	na	na	na	na
Funding sources	**54.3**	**10.3**	**101.6**	**18.6**	**21.3**	**4.5**	**37.6**	**7.6**
Bond issuance	45.5	8.7	39.4	7.2	14.1	3.0	31.0	6.3
PLN-denominated bonds	42.3	8.1	33.9	6.2	11.3	2.4	22.5	4.6
FX-denominated bonds	3.2	0.6	5.5	1.0	2.8	0.6	8.5	1.7
Stock of T-bills at the end of the period	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other international financing (incl. IFI loans)	3.7	0.7	4.6	0.8	4.5	0.9	3.7	0.8
Change in government cash reserves (- indicates increase)	0.1	0.0	-5.0	-0.9	0.0	0.0	0.0	0.0
Other sources / change in public assets (- indicates increase)	5.0	1.0	13.1	2.4	2.8	0.6	2.9	0.6
Transfers from private pension funds	na	na	49.5	9.1	na	na	na	na
Memo item:								
GDP ($bn)	524.7		544.6		474.1		493.2	

*Excluding additional debt reduction due to pension reform. **Excluding one-off transfers from pension funds to the government.

Source: Ministry of Finance, Haver Analytics, Credit Suisse

RUSSIA	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirement	**26.6**	**1.3**	**20.8**	**1.1**	**49.3**	**3.7**	**49.6**	**4.5**
Overall fiscal deficit*	9.7	0.5	10.2	0.5	31.9	2.4	39.3	3.6
Primary fiscal deficit	-1.6	-0.1	-0.6	0.0	23.4	1.8	31.0	2.8
Interest payments	11.3	0.5	10.8	0.5	8.5	0.6	8.3	0.8
Debt amortization	16.9	0.8	10.6	0.6	17.4	1.3	10.4	0.9
Domestic	14.8	0.7	8.6	0.5	13.5	1.0	9.0	0.8
External	2.0	0.1	1.9	0.1	3.9	0.3	1.4	0.1
Funding sources	**26.6**	**1.3**	**20.8**	**1.1**	**48.3**	**3.9**	**49.6**	**4.5**
Bond issuance	32.8	1.5	35.0	1.9	8.3	0.7	17.1	1.6
Domestic	25.7	1.2	35.0	1.9	8.3	0.7	14.1	1.3
External	7.1	0.3	0.0	0.0	0.0	0.0	3.0	0.3
Privatization	1.3	0.1	0.8	0.0	0.1	0.0	12.0	1.1
Other domestic financing	2.3	0.1	-6.9	-0.4	-1.4	-0.1	-1.5	-0.1
Other international financing	-3.5	-0.2	-1.9	-0.1	-1.9	-0.2	-1.9	-0.2
Change in cash reserves	-6.3	-0.3	-6.3	-0.3	43.1	3.5	23.9	2.2
Memo item:								
GDP ($bn)	2,171		1,385		1,103		1,100	

*Excluding bank recapitalization

Source: IMF, Central Bank, Credit Suisse

Government funding needs

SOUTH AFRICA*	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Consolidated budget borrowing requirements	**36.2**	**10.1**	**34.7**	**10.0**	**30.5**	**10.3**	**27.1**	**10.3**
Overall fiscal deficit	13.4	3.8	12.4	3.6	11.4	3.9	9.2	3.5
Primary fiscal deficit	3.4	1.0	2.1	0.6	2.2	0.7	0.6	0.2
Interest payments	10.0	2.8	10.4	3.0	9.3	3.1	8.6	3.3
Debt amortizations	22.7	6.4	22.3	6.4	19.1	6.5	17.9	6.8
Domestic debt	2.1	0.6	3.1	0.9	2.0	0.7	3.5	1.3
T-bill stock at the end of the previous year	18.7	5.2	17.9	5.2	16.7	5.7	13.5	5.1
External debt	1.9	0.5	1.3	0.4	0.3	0.1	0.9	0.4
Funding sources	**36.1**	**10.1**	**34.7**	**10.0**	**30.5**	**10.3**	**27.1**	**10.3**
External	1.9	0.5	2.1	0.6	1.2	0.4	1.4	0.5
Domestic debt	15.5	4.4	14.8	4.3	12.6	4.3	12.2	4.6
T-bills	19.8	5.5	18.7	5.4	17.5	5.9	13.6	5.2
Net extraordinary receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in cash reserves (- indicates increase)	-1.1	-0.3	-0.8	-0.2	-0.7	-0.3	-0.1	0.0
Memo item:								
GDP ($bn), fiscal year*	356.5		347.3		295.1		262.6	

*Fiscal year starting on 1 April of the year specified in the column heading.

Source: IMF, Central Bank, Credit Suisse

TURKEY	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirement	**90.9**	**11.0**	**78.9**	**9.9**	**46.7**	**6.4**	**42.9**	**5.9**
Overall fiscal deficit*	19.0	2.3	19.4	2.4	17.0	2.3	19.0	2.6
Primary fiscal deficit	-7.3	-0.9	-3.9	-0.5	-3.5	-0.5	0.5	0.1
Interest payments	26.3	3.2	23.3	2.9	20.4	2.8	18.5	2.5
Debt amortization	70.0	8.5	59.5	7.5	29.7	4.1	23.9	3.3
Government bonds	65.4	7.9	53.8	6.7	24.8	3.4	19.0	2.6
External debt	4.5	0.5	5.7	0.7	5.0	0.7	4.9	0.7
Stock of T-bills at the beginning of the period	1.9	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Funding sources	**90.9**	**11.0**	**78.9**	**9.9**	**46.7**	**6.4**	**42.9**	**5.9**
Bond issuance	80.4	9.7	68.8	8.6	36.8	5.1	33.5	4.6
Domestic	74.3	9.0	61.5	7.7	33.8	4.6	29.0	4.0
External	6.1	0.7	7.3	0.9	3.0	0.4	4.5	0.6
T-bill issuance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other domestic financing	14.8	1.8	10.3	1.3	9.9	1.4	9.4	1.3
Other international financing	1.0	0.1	-0.2	0.0	0.0	0.0	0.0	0.0
Change in cash reserves (- indicates increase)	-5.2	-0.6	0.0	0.0	0.0	0.0	0.0	0.0
Memo item:								
GDP ($bn)	824.3		798.7		727.5		750.1	

* The difference between the overall fiscal deficit figures here and the central government budget deficit figures presented in the Selected Economic Indicators table for Turkey is due to interest revenues. The government's interest revenues are included in other financing in this presentation.

Source: IMF, Central Bank, Credit Suisse

Government funding needs

UKRAINE	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirement	**19.4**	**10.6**	**22.4**	**16.8**	**16.0**	**17.6**	**7.8**	**9.1**
Overall fiscal deficit*	7.9	4.3	5.9	4.5	2.1	2.3	2.8	3.3
Primary fiscal deficit	3.4	1.8	1.5	1.2	-1.8	-2.0	-1.5	-1.7
Interest payments	4.5	2.5	4.4	3.3	3.9	4.2	4.3	5.0
Total amortization payments	8.1	4.4	9.1	6.9	11.1	12.2	5.0	5.8
Domestic debt	4.0	2.2	4.3	3.2	5.4	5.9	4.5	5.2
External debt**	4.1	2.2	4.9	3.6	5.8	6.3	0.5	0.6
Naftogaz operational deficit	3.4	1.9	7.3	5.5	2.8	3.1	0.0	0.0
Funding sources	**19.4**	**10.6**	**22.4**	**16.8**	**16.0**	**17.6**	**7.8**	**9.1**
External	6.5	3.5	8.0	6.0	10.8	11.9	4.4	5.2
Domestic financing sources, of which	12.7	6.9	14.4	10.8	4.8	5.3	3.0	3.5
Gross domestic borrowing	11.9	6.5	14.5	10.9	4.8	5.3	3.6	4.2
Drawdowns on fiscal deposits	0.8	0.4	-0.1	-0.1	0.0	0.0	-0.6	-0.7
Privatization	0.3	0.1	0.1	0.1	0.4	0.4	0.3	0.4
Memo item:								
GDP ($bn)	183.3		133.3		91.1		86.0	

*Excluding bank recapitalization costs. **Net of central bank's repayments to the IMF.

Source: IMF, Central Bank, Credit Suisse

Government funding needs

NON-JAPAN ASIA

CHINA	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirement	**357.4**	**6.5**	**712.2**	**6.9**	**813.8**	**7.6**	**880.7**	**8.1**
Overall fiscal deficit	-70.3	2.0	219.2	2.1	245.6	2.3	333.1	3.0
Primary fiscal deficit	-132.6	1.4	148.3	1.4	184.1	1.7	265.0	2.4
Interest payments	62.4	0.7	70.9	0.7	61.5	0.6	68.1	0.6
Debt amortization	427.6	4.5	493.0	4.8	568.3	5.3	547.6	5.0
Domestic	427.3	4.5	492.6	4.8	567.9	5.3	547.2	5.0
External	0.4	0.0	0.4	0.0	0.4	0.0	0.4	0.0
Funding sources	**622.6**	**6.5**	**712.2**	**6.9**	**813.8**	**7.6**	**880.7**	**8.1**
Domestic	622.6	6.5	712.2	6.9	813.8	7.6	880.7	8.1
Memo items:								
GDP ($bn)	9554.3		10323.2		10721.0		10931.8	
Average exchange rate (USDCNY)	6.2		6.2		6.3		6.6	

Source: IMF, Central Bank, Credit Suisse

HONG KONG	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirement	**-2.8**	**-1.0**	**-10.6**	**-3.7**	**-3.9**	**-1.3**	**0.4**	**0.1**
Overall fiscal deficit	-2.8	-1.0	-10.6	-3.7	-3.9	-1.3	-1.5	-0.5
Primary fiscal deficit	-2.9	-1.0	-10.6	-3.7	-4.0	-1.3	-1.5	-0.5
Interest payments	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
Debt amortization	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.4
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.2
External	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.2
Government bond program	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.2
Funding sources	**-2.8**	**-1.0**	**-10.6**	**-3.7**	**-3.9**	**-1.3**	**0.4**	**0.1**
Drawdown on fiscal reserves	-2.8	-1.0	-10.6	-3.7	-3.9	-1.3	-0.2	-0.1
Domestic debt issuance	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.2
Memo items:								
Fiscal reserves (year-end, $bn)	96.0		106.6		110.5		110.7	
GDP ($bn)	274.2		289.2		308.0		316.4	
Average exchange rate (USDHKD)	7.8		7.8		7.8		7.8	

Source: IMF, Central Bank, Credit Suisse

Government funding needs

INDIA*	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**133.2**	**7.1**	**141.5**	**6.9**	**137.8**	**6.6**	**143.0**	**6.5**
General government fiscal deficit (incl. disinvestment proceeds)	133.1	7.1	142.3	6.9	138.9	6.7	143.1	6.5
o/w Central government fiscal deficit (incl. disinvestment proceeds)	83.1	4.4	84.0	4.1	81.6	3.9	81.8	3.7
Primary fiscal deficit	21.3	1.1	16.6	0.8	14.1	0.7	9.8	0.4
Interest payments	61.9	3.3	67.4	3.3	67.6	3.3	71.9	3.3
Funding sources	**133.2**	**7.1**	**141.5**	**6.9**	**137.8**	**6.6**	**143.0**	**6.5**
Domestic	132.0	7.0	139.9	6.8	136.2	6.6	140.2	6.4
Debt issuance	111.5	5.9	131.3	6.4	125.8	6.1	123.4	5.6
Others**	20.5	1.1	8.7	0.4	10.3	0.5	16.8	0.8
Foreign Borrowings***	1.2	0.1	1.6	0.1	1.7	0.1	2.8	0.1
Memo items:								
GDP ($bn)	1875.1		2055.9		2077.4		2205.0	
Average exchange rate (USDINR)	60.5		61.0		65.5		68.5	
Disinvestment proceeds****	4.8	0.3	5.1	0.2	3.9	0.2	8.2	0.4

*Fiscal year beginning April. For instance, 2010 is April 2010 to March 2011. ** 'Others' includes small savings, state provident funds and changes in cash. ***Foreign borrowings are net of repayments. ****The central government has decided to include proceeds from disinvestments as revenue in calculating the fiscal deficit. Proceeds are to be used to fund certain social sector schemes that lead to capital formation. This is effective from 2009.

Source: IMF, Central Bank, Credit Suisse

INDONESIA	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**33.0**	**3.7**	**33.8**	**3.8**	**37.1**	**4.3**	**39.3**	**4.4**
Overall fiscal deficit	18.0	2.2	19.1	2.1	21.7	2.5	24.2	2.7
Primary fiscal deficit	7.5	1.1	9.0	1.0	11.9	1.4	14.4	1.6
Interest payments	10.5	1.1	10.1	1.1	9.8	1.1	9.8	1.1
Amortization	15.0	1.7	14.8	1.7	15.4	1.8	15.1	1.7
Loans	8.0	0.9	7.9	0.9	7.6	0.9	7.8	0.9
Securities	7.0	0.8	6.9	0.8	7.8	0.9	7.2	0.8
Funding sources	33.0	3.7	33.8	3.8	38.1	4.3	39.3	4.4
Loans	**8.0**	**0.9**	**4.7**	**0.5**	**11.6**	**1.4**	**12.8**	**1.4**
Program loans	3.5	0.4	3.4	0.4	3.3	0.4	3.4	0.4
Project loans	4.5	0.5	1.3	0.1	8.3	1.0	9.4	1.1
Bond Issuances	26.0	2.9	30.2	3.4	27.6	3.1	27.5	3.1
Of which: foreign	2.0	0.2	0.9	0.1	0.4	0.1	0.4	0.1
Standby loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in other assets (-indicates increase)	-1.0	-0.1	-1.1	-0.1	-1.0	-0.1	-1.1	-0.1
Memo items:								
GDP ($bn)	903.8		889.0		857.6		886.5	
Average exchange rate (USDIDR)	10,563		11,885		13,458		14,248	

Source: IMF, Central Bank, Credit Suisse

Government funding needs

KOREA	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirement	**95.4**	**7.3**	**117.8**	**8.5**	**119.8**	**9.0**	**117.3**	**9.1**
Overall fiscal deficit	29.2	2.2	38.3	2.8	42.6	3.2	43.6	3.4
Primary deficit	17.0	1.3	25.3	1.8	29.0	2.2	31.6	2.5
Interest payments	12.2	0.9	13.0	0.9	13.6	1.0	12.1	0.9
Debt amortization	66.2	5.1	79.5	5.8	77.2	5.8	73.6	5.7
Domestic	61.0	4.7	73.7	5.3	70.7	5.3	67.0	5.2
External	5.2	0.4	5.8	0.4	6.4	0.5	6.6	0.5
Funding sources	**95.4**	**7.3**	**117.8**	**8.5**	**119.8**	**9.0**	**117.3**	**9.1**
Domestic	90.7	6.9	112.1	8.1	113.5	8.5	110.7	8.6
External	4.8	0.4	5.7	0.4	6.3	0.5	6.5	0.5
Memo items:								
GDP ($bn)	1,306.4		1,378.1		1,337.0		1,287.1	
Average exchange rate (USDKRW)	1,094		1,078		1,135		1,210	

Source: IMF, Central Bank, Credit Suisse

MALAYSIA	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**28.8**	**8.9**	**25.9**	**7.7**	**21.3**	**7.5**	**20.7**	**7.4**
Overall fiscal deficit	12.2	3.8	11.4	3.4	9.1	3.2	8.7	3.1
Primary fiscal deficit	5.7	1.7	4.5	1.3	3.1	1.1	2.5	0.9
Interest payments	4.3	2.0	6.9	2.0	6.0	2.1	6.2	2.2
Debt amortization	16.5	5.1	14.4	4.3	12.2	4.3	12.0	4.3
Domestic	14.6	4.5	12.6	3.7	10.6	3.7	10.4	3.7
External	1.9	0.6	1.9	0.6	1.6	0.6	1.5	0.6
Funding sources	**28.8**	**8.9**	**25.9**	**7.7**	**21.3**	**7.5**	**20.7**	**7.4**
Domestic bonds issuance	26.0	8.0	19.8	5.9	16.7	5.9	16.4	5.9
External loans	1.8	0.5	1.4	0.4	1.2	0.4	1.2	0.4
Change in cash (- indicates increase)	1.0	0.3	4.7	1.4	3.4	1.2	3.4	1.2
Memo items:								
GDP ($bn)	323.4		338.1		285.0		280.7	
Average exchange rate (USDMYR)	3.15		3.27		4.06		4.31	

Source: IMF, Central Bank, Credit Suisse

Government funding needs

PHILIPPINES	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**16.7**	**6.1**	**10.2**	**3.6**	**10.7**	**3.7**	**10.4**	**3.5**
Overall fiscal deficit	3.9	1.4	1.7	0.6	2.0	0.7	3.6	1.2
Primary fiscal deficit	-3.8	-1.4	-5.6	-2.0	-4.9	-1.7	-4.8	-1.6
Interest payments	7.7	2.8	7.2	2.6	6.9	2.4	8.3	2.8
Debt amortization	12.8	4.7	8.5	3.0	8.7	3.0	6.8	2.3
Domestic	9.3	3.4	5.7	2.0	5.8	2.0	4.5	1.5
External	3.5	1.3	2.8	1.0	2.9	1.0	2.4	0.8
Funding sources	**16.7**	**6.1**	**10.2**	**3.6**	**10.7**	**3.7**	**10.4**	**3.5**
External borrowing	3.5	1.3	3.7	1.3	3.8	1.3	3.9	1.3
Program and project loans	1.4	0.5	1.4	0.5	1.4	0.5	1.5	0.5
Bonds and other inflows	2.2	0.8	2.3	0.8	2.3	0.8	2.4	0.8
Domestic borrowing	10.9	4.0	8.5	3.0	8.7	3.0	7.4	2.5
Privatization receipts	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1
Change in cash (- indicates increase)	2.1	0.8	-2.2	-0.8	-1.9	-0.7	-1.1	-0.4
Memo items:								
GDP ($bn)	272.1		283.5		288.7		297.6	
Average exchange rate (USDPHP)	42.4		44.6		46.0		48.1	

Source: IMF, Central Bank, Credit Suisse

TAIWAN	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirement	**16.4**	**3.2**	**13.7**	**2.6**	**17.1**	**3.4**	**17.9**	**3.7**
Overall fiscal deficit	7.1	1.4	4.5	0.8	5.1	1.0	7.6	1.5
Primary fiscal deficit	4.2	0.8	1.3	0.2	2.2	0.4	4.9	1.0
Interest payments	2.9	0.6	3.2	0.6	3.0	0.6	2.7	0.5
Debt amortization	9.4	1.8	9.2	1.8	8.8	1.7	8.4	1.7
Domestic	9.4	1.8	9.2	1.8	8.8	1.7	8.4	1.7
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Funding sources	**16.4**	**3.2**	**13.7**	**2.6**	**13.9**	**2.7**	**16.0**	**3.2**
Domestic	16.4	3.2	13.7	2.6	13.9	2.7	16.0	3.2
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo items:								
GDP ($bn)	518.4		526.3		518.4		500.9	
Average exchange rate (USDTWD)	29.4		30.6		32.2		33.7	

Source: IMF, Central Bank, Credit Suisse

THAILAND*	2013		2014		2015		2016F	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP	$ bn	% of GDP
Total borrowing requirements	**7.7**	**1.9**	**11.8**	**2.9**	**11.6**	**3.0**	**13.2**	**3.4**
Overall fiscal deficit**	7.7	1.9	11.8	2.9	11.6	3.0	13.2	3.4
Primary fiscal deficit	3.7	0.9	7.9	1.9	7.9	2.0	9.7	2.5
Interest payments	4.0	1.0	4.0	1.0	3.8	1.0	3.8	1.0
Funding sources	7.7	1.9	11.8	2.9	11.6	3.0	13.2	3.4
Net domestic borrowing	**9.6**	**2.3**	**7.6**	**1.9**	**7.8**	**2.0**	**9.7**	**2.5**
Net foreign borrowing	0.5	0.1	1.5	0.4	0.2	0.1	1.2	0.3
Change in cash (- indicates increase)	-2.4	-0.6	2.7	0.7	3.6	0.9	2.4	0.6
Memo items:								
GDP ($bn)	414.8		404.1		391.3		386.1	
Average exchange rate (USDTHB)	31.1		32.5		34.6		36.2	

*Fiscal year ending September. **Including the principal payments on outstanding debts.

Source: National authorities, Credit Suisse

Quarterly and annual forecasts

		2016F				2017F				Q4/Q4				Annual average			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	14	15E	16F	17F	14	15E	16F	17F
Global	Real GDP (y/y)	2.2	2.4	2.7	2.9	2.9	2.6	2.9	3.0	2.6	2.3	2.6	2.9	2.8	2.5	2.4	2.8
	IP (y/y)	0.5	-0.6	1.8	2.2	…	…	…	…	3.2	1.2	1.2	…	3.7	1.9	0.8	…
	Inflation (y/y)	3.6	3.8	3.9	4.3	4.6	4.6	4.8	5.0	2.5	3.1	4.3	5.0	2.8	2.6	3.9	4.7
DM	Real GDP (y/y)	1.8	1.5	2.0	2.1	2.2	1.5	2.0	2.0	1.7	1.6	1.8	1.9	1.7	1.8	1.7	2.0
	Inflation (y/y)	0.6	0.3	0.3	0.7	1.2	1.3	1.5	1.7	1.0	0.4	0.7	1.7	1.3	0.2	0.5	1.4
US	Real GDP (q/q ann)	2.4	2.0	2.2	2.4	2.6	2.3	2.2	2.2	2.5	1.9	2.2	2.3	2.4	2.4	2.1	2.3
	IP (y/y)	0.8	1.1	2.2	2.7	…	…	…	…	4.4	-0.8	1.7	…	3.7	1.3	0.4	…
	Inflation (y/y)	1.0	0.6	0.4	0.7	1.3	1.4	1.8	2.2	1.2	0.4	0.7	2.2	1.6	0.1	0.7	1.7
Japan	Real GDP (q/q ann)	0.9	0.5	1.2	1.0	2.0	-4.4	-0.3	0.2	-1.0	0.7	0.9	1.8	0.0	0.5	0.4	0.0
	IP (y/y)	-0.9	3.5	3.1	1.1	2.9	-3.1	1.1	-0.1	-1.4	-0.6	1.7	0.2	2.2	-0.9	0.3	1.1
	Inflation ex. fresh food (y/y)	-0.2	-0.4	-0.5	-0.3	0.0	1.0	1.0	1.2	2.7	0.0	-0.3	-0.1	2.6	0.6	-0.4	0.8
Euro Area	Real GDP (q/q ann)	1.6	1.2	1.9	1.8	2.1	2.0	2.1	2.2	0.9	1.5	2.0	-0.8	0.9	1.5	1.5	2.0
	IP (y/y)	3.2	2.4	3.6	3.5	…	…	…	…	0.4	1.1	0.0	…	0.8	1.3	-0.2	…
	Inflation (y/y)	0.0	-0.2	0.0	0.5	1.2	1.1	1.2	1.2	0.2	0.2	0.5	2.5	0.4	0.0	0.1	1.2
UK	Real GDP (q/q ann)	1.6	1.3	2.0	2.6	2.4	2.4	2.4	2.5	2.7	2.7	2.2	0.7	2.9	2.2	1.8	2.3
	Inflation (y/y)	0.3	0.5	0.7	1.2	1.7	1.7	1.7	1.7	0.9	0.1	1.2	2.8	1.5	0.1	0.7	0.7
EM	Real GDP (q/q ann)	2.9	3.9	3.8	4.4	4.1	4.4	4.5	4.6	4.3	3.5	3.9	4.7	4.5	3.6	3.6	4.3
	Inflation (y/y)	9.0	10.0	10.3	10.6	10.4	10.3	10.5	10.7	5.4	8.3	10.6	10.7	5.2	6.4	9.3	9.8
NJA	Real GDP (q/q ann)	5.5	6.1	5.6	5.7	5.7	6.3	6.0	6.0	6.2	6.0	5.7	6.0	6.4	6.0	5.9	5.9
	Inflation (y/y)	2.3	2.2	2.0	2.2	2.3	2.4	2.5	2.6	1.8	2.1	2.2	2.6	2.7	1.9	2.0	2.4
China	Real GDP (q/q ann)	6.1	6.5	6.6	6.3	6.2	6.6	6.7	6.3	7.1	6.8	6.8	6.8	7.3	6.9	6.6	6.5
	IP (y/y)	3.7	1.5	2.3	3.8	…	…	…	…	7.4	5.8	2.8	…	8.3	6.1	4.1	…
	Inflation (y/y)	1.8	1.6	1.3	1.4	1.5	1.6	1.8	1.9	1.5	1.5	1.4	2.6	2.0	1.4	1.3	1.7
India*	Real GDP (q/q ann)	7.9	8.5	7.2	7.9	9.2	8.5	7.2	7.9	6.7	8.1	7.8	5.1	7.3	7.7	7.8	8.2
	Inflation (y/y)	5.0	5.6	5.7	5.8	5.7	5.7	5.7	5.7	0.6	8.1	7.8	8.2	6.0	4.9	5.5	5.7
EEMEA	Real GDP (q/q ann)	-0.2	1.9	2.8	4.3	2.3	1.8	3.3	3.8	1.4	0.6	2.2	3.1	2.2	0.6	1.3	2.4
	Inflation (y/y)	6.9	6.7	6.9	7.0	6.9	6.6	6.1	5.6	6.9	8.9	7.0	4.6	5.3	8.2	6.1	5.4
Russia	Real GDP (q/q ann)	-5.9	0.0	2.0	5.3	-1.6	0.0	1.2	1.2	-0.5	-3.1	0.3	0.2	0.7	-3.7	-1.5	1.0
	Inflation (y/y)	7.6	7.8	8.5	9.0	8.6	8.4	7.1	6.2	9.6	12.9	9.0	6.2	7.8	15.1	8.6	7.6
Turkey	Real GDP (q/q ann)	2.8	2.8	2.8	2.8	3.6	4.1	4.1	4.1	2.7	5.4	4.0	2.8	2.9	3.9	4.1	3.5
	Inflation (y/y)	7.8	8.1	7.4	7.8	8.1	7.5	7.3	7.2	8.8	8.8	7.8	7.2	8.9	7.7	8.2	7.2
LATAM	Real GDP (q/q ann)	-1.6	-0.2	-0.2	0.8	0.7	1.8	2.9	4.6	0.6	-2.4	-0.3	3.0	0.8	-1.0	-1.4	0.9
	Inflation (y/y)	28.5	33.5	35.2	36.5	35.2	34.7	36.1	37.5	12.4	22.8	36.5	37.5	13.0	18.2	35.3	37.4
Brazil	Real GDP (q/q ann)	-3.6	-3.2	-2.0	-1.2	0.0	0.0	0.0	0.0	-0.7	-5.9	-2.6	-0.1	0.1	-3.8	-4.2	-1.0
	Inflation (y/y)	9.7	8.8	8.6	8.0	7.1	7.3	7.1	6.5	6.5	10.7	8.0	6.5	6.3	9.0	9.1	7.2
Mexico	Real GDP (q/q ann)	2.4	2.0	2.4	3.2	3.2	3.2	3.2	3.2	2.5	2.4	2.5	3.2	2.3	2.5	2.5	3.1
	Inflation (y/y)	2.9	2.9	3.0	3.2	3.2	3.5	3.5	3.5	4.2	2.1	3.2	3.5	4.0	2.7	2.9	3.5

Note: IMF nominal weights are used to compute regional and global aggregate figures. *Annual figures for India are on a fiscal year basis.

Source: Credit Suisse estimates, Thomson Reuters DataStream, Haver Analytics®

Summary macroeconomic data for developed countries: Real GDP

	Nominal GDP ($bn) (1)			Real GDP growth (% year on year)							
	2015E	2016F	2017F	2010	2011	2012	2013	2014	2015E	2016F	2017F
US	17,968	18,698	19,556	2.5	1.6	2.3	2.2	2.4	2.4	2.1	2.3
Canada	1,573	1,592	1,682	3.4	2.5	1.7	2.0	2.4	1.0	1.1	1.5
Euro area	11,323	11,672	12,126	2.0	1.7	-0.9	-0.3	0.9	1.5	1.5	2.0
Austria	373	386	403	1.8	3.0	0.8	0.3	0.4	0.8	1.6	1.9
Belgium	459	474	492	2.5	1.6	0.2	0.0	1.3	1.4	1.5	2.0
Finland	231	237	246	3.0	2.6	-1.4	-1.1	-0.4	-0.3	0.9	1.7
France	2,423	2,488	2,587	1.9	2.1	0.2	0.7	0.2	1.1	1.2	1.9
Germany	3,371	3,473	3,595	3.9	3.7	0.4	0.3	1.6	1.4	1.4	1.8
Greece	193	193	201	-5.3	-8.9	-7.3	-3.2	0.7	-0.7	0.6	2.9
Ireland	227	240	254	0.2	2.5	0.2	1.4	5.2	6.9	4.8	4.2
Italy	1,819	1,868	1,933	1.7	0.7	-2.8	-1.7	-0.4	0.6	1.1	1.7
Luxembourg	58	61	65	5.7	2.6	-0.7	4.3	4.1	4.7	3.8	4.4
Netherlands	751	783	818	1.3	1.7	-1.1	-0.5	1.0	1.9	1.5	2.1
Portugal	198	204	212	1.9	-1.8	-4.0	-1.1	0.9	1.5	1.6	2.2
Spain	1,221	1,265	1,319	0.0	-0.6	-2.6	-1.7	1.4	3.2	2.6	2.4
Norway	398	395	415	1.8	1.9	3.5	2.2	2.3	1.1	0.9	1.9
Sweden	484	499	520	5.7	2.7	0.1	1.2	2.4	3.8	4.0	3.1
United Kingdom	2,865	3,055	3,232	1.9	1.6	0.7	2.2	2.9	2.2	1.8	2.3
Switzerland	677	688	708	3.0	1.8	1.1	1.8	1.9	0.9	1.0	1.5
Japan	4,116	4,171	4,342	4.7	-0.5	1.7	1.4	0.0	0.4	0.4	0.0
Australia	1,241	1,253	1,317	2.2	2.6	3.6	2.4	2.6	2.5	2.5	2.7
New Zealand	171	165	172	1.5	2.0	2.6	2.4	3.7	2.4	2.5	2.6
Emerging Markets(2)	26,684	26,322	27,427	7.7	6.4	4.9	4.9	4.6	4.1	4.2	4.8
Latin America(2)	4,421	3,879	4,017	6.4	4.8	3.0	2.8	1.1	-0.3	-0.6	1.6
EEMEA(2)	4,988	4,849	5,132	5.1	5.6	3.2	2.5	2.7	1.3	1.9	2.7
Emerging Asia(2)	17,275	17,595	18,278	9.4	7.4	6.3	6.6	6.4	6.1	6.0	6.0

(1) IMF World Economic Outlook projections as of April 2015. (2) Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars.

Source: Thomson Reuters DataStream, Consensus Economics, European Commission, IMF, National Statistical Offices, Credit Suisse

Summary macroeconomic data for developed countries: Inflation

	Nominal GDP ($bn) [1]			HICP/CPI inflation (% year on year, annual average)							
	2015E	2016F	2017F	2009	2010	2011	2012	2013	2014	2015E	2016F
US	**17,968**	**18,698**	**19,556**	-0.3	1.6	3.1	2.1	1.5	1.6	0.1	0.7
Canada	**1,573**	**1,592**	**1,682**	0.3	1.8	2.9	1.5	0.9	1.9	1.4	1.5
Euro area	**11,323**	**11,672**	**12,126**	0.3	1.6	2.7	2.5	1.3	0.4	0.0	0.1
Austria	**373**	**386**	**403**	0.4	1.7	3.6	2.6	2.1	1.5	1.0	1.8
Belgium	**459**	**474**	**492**	0.0	2.3	3.4	2.6	1.2	0.5	0.7	1.5
Finland	**231**	**237**	**246**	1.6	1.7	3.3	3.2	2.2	1.2	0.0	1.5
France	**2,423**	**2,488**	**2,587**	0.1	1.7	2.3	2.2	1.0	0.6	0.2	1.1
Germany	**3,371**	**3,473**	**3,595**	0.2	1.1	2.5	2.2	1.6	0.8	0.3	1.4
Greece	**193**	**193**	**201**	1.4	4.7	3.1	1.0	-0.9	-1.4	-1.4	0.4
Ireland	**227**	**240**	**254**	-1.7	-1.6	1.2	1.9	0.5	0.3	0.2	1.5
Italy	**1,819**	**1,868**	**1,933**	0.8	1.6	2.9	3.3	1.3	0.2	0.1	0.9
Luxembourg	**58**	**61**	**65**	0.0	2.8	3.7	2.9	1.7	0.7	0.2	2.1
Netherlands	**751**	**783**	**818**	1.0	0.9	2.5	2.8	2.6	0.3	0.5	1.3
Portugal	**198**	**204**	**212**	-0.9	1.4	3.6	2.8	0.4	-0.2	0.7	1.5
Spain	**1,221**	**1,265**	**1,319**	-0.2	2.0	3.1	2.4	1.5	-0.2	-0.4	0.7
Norway	**398**	**395**	**415**	2.2	2.4	1.3	0.7	2.1	2.0	2.2	2.8
Sweden	**484**	**499**	**520**	-0.3	1.3	2.6	0.9	0.0	-0.2	0.0	0.7
United Kingdom	**2,865**	**3,055**	**3,232**	2.2	3.3	4.5	2.8	2.6	1.5	0.1	0.7
Switzerland	**677**	**688**	**708**	-0.5	0.7	0.2	-0.7	-0.2	0.0	-1.1	-0.5
Japan[2]	**4,116**	**4,171**	**4,342**	-1.3	-1.0	-0.2	-0.1	0.4	2.6	0.6	-0.4
Australia	**1,241**	**1,253**	**1,317**	1.8	2.9	3.4	1.7	2.4	3.0	2.3	2.4
New Zealand	**171**	**165**	**172**	2.1	2.3	4.0	1.1	1.1	1.2	0.3	0.8
Emerging Markets[3]	**26,684**	**26,322**	**27,427**	4.7	5.8	5.6	4.5	4.7	4.5	4.6	4.9
Latin America[3]	**4,421**	**3,879**	**4,017**	5.7	6.7	7.1	6.3	8.1	9.4	12.8	16.3
EEMEA[3]	**4,988**	**4,849**	**5,132**	6.5	6.4	5.9	5.3	4.8	6.2	7.1	6.2
Emerging Asia[3]	**17,275**	**17,595**	**18,278**	3.5	5.1	4.8	3.6	3.4	2.3	1.8	2.1

(1) IMF World Economic Outlook projections as of April 2015. (2) Inflation ex. fresh food. (3) Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars.

Source: Thomson Reuters DataStream, Consensus Economics, European Commission, IMF, National Statistical Offices, Credit Suisse

Summary macroeconomic data for developed countries: Current account balance

	Nominal GDP ($bn) [1]			Current account balance (% of GDP)							
	2015E	2016F	2017F	2010	2011	2012	2013	2014	2015E	2016F	2017F
US	**17,968**	**18,698**	**19,556**	-3.0	-3.0	-2.7	-2.3	-2.2	-2.6	-3.0	-3.2
Canada	**1,573**	**1,592**	**1,682**	-3.5	-2.8	-3.3	-3.0	-2.2	-2.9	-2.0	-2.0
Euro area[2]	**11,323**	**11,672**	**12,126**	0.1	0.1	1.9	2.5	3.0	3.7	3.6	3.4
Austria[2]	**373**	**386**	**403**	2.9	1.6	1.7	2.1	2.1	3.3	3.5	3.6
Belgium[2]	**459**	**474**	**492**	1.8	-1.1	1.4	1.0	0.8	1.6	2.1	2.5
Finland[2]	**231**	**237**	**246**	1.2	-1.8	-1.9	-1.7	-0.9	0.0	0.4	0.7
France[2]	**2,423**	**2,488**	**2,587**	-0.8	-1.0	-2.9	-2.6	-2.3	-1.4	-1.5	-2.0
Germany[2]	**3,371**	**3,473**	**3,595**	5.6	6.1	7.2	6.7	7.8	8.8	8.6	8.3
Greece[2]	**193**	**193**	**201**	-9.9	-9.9	-4.2	-2.2	-3.0	-1.8	-1.4	-0.9
Ireland[2]	**227**	**240**	**254**	-0.8	-1.2	-1.5	3.1	3.6	3.6	3.7	3.1
Italy[2]	**1,819**	**1,868**	**1,933**	-3.5	-3.1	-0.4	0..9	2.0	2.2	2.1	2.1
Luxembourg[2]	**58**	**61**	**65**	6.9	5.8	6.1	5.7	5.5	4.8	4.9	4.2
Netherlands[2]	**751**	**783**	**818**	7.4	9.1	10.2	11.0	10.6	10.4	9.9	9.4
Portugal[2]	**198**	**204**	**212**	-10.1	-6.0	-2.0	0.7	0.3	0.7	1.1	1.1
Spain[2]	**1,221**	**1,265**	**1,319**	-3.9	-3.2	-0.4	1.5	1.0	1.5	1.4	1.3
Norway[2]	**398**	**395**	**415**	10.9	12.4	12.4	10.2	11.9	11.2	12.4	12.4
Sweden[2]	**484**	**499**	**520**	6.0	6.9	6.6	6.0	5.4	6.8	6.5	6.5
United Kingdom	**2,865**	**3,055**	**3,232**	-2.6	-1.7	-3.7	-4.5	-5.1	-4.3	-4.3	-4.0
Switzerland	**677**	**688**	**708**	14.0	6.8	9.9	11.1	7.3	7.1	5.6	6.4
Japan	**4,116**	**4,171**	**4,342**	4.0	2.2	1.0	0.8	0.5	3.3	2.7	1.4
Australia	**1,241**	**1,253**	**1,317**	-3.5	-2.8	-4.4	-3.4	-3.0	-4.0	-1.1	-3.3
New Zealand	**171**	**165**	**172**	-2.3	-2.8	-3.9	-3.2	-3.1	-3.6	-4.5	-5.0
Emerging Markets[3]	**26,684**	**26,322**	**27,427**	1.8	1.4	1.6	1.2	1.4	1.4	1.8	1.7
Latin America [3]	**4,421**	**3,879**	**4,017**	-1.8	-1.5	-1.9	-2.4	-3.0	-3.5	-2.7	-2.1
EEMEA[3]	**4,988**	**4,849**	**5,132**	1.6	3.4	3.8	2.4	2.1	-0.6	-1.0	-0.2
Emerging Asia[3]	**17,275**	**17,595**	**18,278**	3.3	1.8	2.0	1.9	2.5	3.2	3.6	3.1

(1) IMF World Economic Outlook projections as of April 2015. (2) European Commission estimates. (3) Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars.

Source: Thomson Reuters DataStream, ECB, Eurostat, OECD, IMF, National Statistical Offices, Credit Suisse

Summary macroeconomic data for developed countries: Fiscal balance

	Nominal GDP ($bn) (1)			Fiscal balance (% of GDP)							
	2015E	2016F	2017F	2010	2011	2012	2013	2014	2015E	2016F	2017F
US(2)	**17,968**	**18,698**	**19,556**	-9.0	-8.7	-7.0	-4.1	-2.8	-2.5	-3.2	-2.7
Canada	**1,573**	**1,592**	**1,682**	-4.9	-3.7	-3.4	-2.8	-1.8	-1.6	-1.5	-1.4
Euro area	**11,323**	**11,672**	**12,126**	-6.1	-4.1	-3.7	-3.0	-2.6	-2.0	-1.8	-1.6
Austria	**373**	**386**	**403**	-4.5	-2.6	-2.2	-1.3	-2.7	-1.9	-1.6	-1.3
Belgium	**459**	**474**	**492**	-4.0	-4.1	-4.1	-2.9	-3.1	-2.7	-2.6	-2.3
Finland	**231**	**237**	**246**	-2.6	-1.0	-2.1	-2.5	-3.3	-3.2	-2.7	-2.4
France	**2,423**	**2,488**	**2,587**	-6.8	-5.1	-4.8	-4.1	-3.9	-3.7	-3.4	-3.0
Germany	**3,371**	**3,473**	**3,595**	-4.1	-0.9	-0.1	-0.1	0.3	0.9	0.5	0.5
Greece	**193**	**193**	**201**	-10.7	-9.8	-8.8	-12.4	-3.6	-4.0	-3.6	-2.2
Ireland	**227**	**240**	**254**	-10.7	-9.1	-8.0	-5.7	-3.9	-2.2	-1.5	-1.2
Italy	**1,819**	**1,868**	**1,933**	-4.2	-3.5	-3.0	-2.9	-3.0	-2.6	-2.3	-2.0
Luxembourg(3)	**58**	**61**	**65**	-0.5	0.4	0.2	0.7	1.4	0.2	0.5	0.5
Netherlands	**751**	**783**	**818**	-5.1	-4.3	-3.9	-2.4	-2.4	-2.1	-1.5	-1.2
Portugal	**198**	**204**	**212**	-9.1	-7.5	-5.7	-4.8	-7.2	-3.0	-2.6	-2.2
Spain	**1,221**	**1,265**	**1,319**	-9.4	-9.4	-10.4	-6.9	-5.9	-4.7	-3.7	-3.4
Norway(3)	**398**	**395**	**415**	11.0	13.4	13.8	10.8	9.1	9.1	7.7	7.5
Sweden(3)	**484**	**499**	**520**	0.0	-0.1	-0.9	-1.4	-1.7	-0.8	0.1	-0.7
United Kingdom	**2,865**	**3,055**	**3,232**	-8.6	-7.0	-7.2	-5.7	-4.9	-4.2	-2.5	-1.2
Switzerland	**677**	**688**	**708**	0.3	0.5	0.0	-0.2	-0.1	0.2	0.0	0.0
Japan(4)	**4,116**	**4,171**	**4,342**	-8.4	-8.8	-8.6	-7.6	-5.2	-5.6	-6.5	-6.4
Australia(5)	**1,241**	**1,253**	**1,317**	-5.1	-4.5	-3.5	-2.8	-2.8	-2.4	-1.8	-0.9
New Zealand	**171**	**165**	**172**	-3.2	-9.0	-4.4	-2.0	-1.2	0.2	-0.2	0.1
Emerging Markets(6)	**26,684**	**26,322**	**27,427**	-3.0	-1.9	-1.9	-2.3	-2.9	-3.9	-4.0	-3.5
Latin America(6)	**4,421**	**3,879**	**4,017**	-2.9	-2.5	-2.8	-3.1	-4.6	-7.1	-5.6	-4.9
EEMEA(6)	**4,988**	**4,849**	**5,132**	-3.3	-0.2	-0.1	-0.7	-2.0	-4.7	-5.3	-4.2
Emerging Asia(6)	**17,275**	**17,595**	**18,278**	-2.8	-2.4	-2.2	-2.6	-2.6	-2.8	-3.3	-3.0

(1) IMF World Economic Outlook projections as of April 2015. (2) Federal government deficit . (3) European Commission estimates. (4) Fiscal year, general government (central + local + social security), special factors adjusted. (5) Commonwealth budget. (6) Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars.

Source: Thomson Reuters DataStream, European Commission, OECD, IMF, National Statistical Offices, Credit Suisse

Summary macroeconomic data for developed countries: Government debt

	Nominal GDP ($bn) (1)			Gross government debt (% of GDP)							
	2015E	2016F	2017F	2010	2011	2012	2013	2014	2015E	2016F	2017F
US(2)	**17,968**	**18,698**	**19,556**	62.9	67.8	72.5	72.0	74..4	74.1	76.2	76.4
Canada	**1,573**	**1,592**	**1,682**	84.6	85.9	88.0	87.6	87.9	90.4	91.0	91.5
Euro area	**11,323**	**11,672**	**12,126**	83.9	86.5	91.3	93.4	94.5	93.5	92.7	91.3
Austria	**373**	**386**	**403**	82.4	82.1	81.6	80.8	84.2	85.9	85.1	84.0
Belgium	**459**	**474**	**492**	99.5	102.0	104.1	105.1	106.7	106.1	106.6	105.6
Finland	**231**	**237**	**246**	47.1	48.5	52.9	55.6	59.3	62.7	65.0	66.2
France	**2,423**	**2,488**	**2,587**	81.7	85.2	89.6	92.3	95.6	96.2	96.8	97.1
Germany	**3,371**	**3,473**	**3,595**	80.5	77.9	79.7	77.4	74.9	71.6	69.2	66.8
Greece	**193**	**193**	**201**	146.0	171.3	159.4	177.0	178.6	179.0	185.0	181.8
Ireland	**227**	**240**	**254**	87.4	111.2	120.2	120.0	107.5	98.4	93.9	91.5
Italy	**1,819**	**1,868**	**1,933**	115.3	116.4	123.2	128.8	132.3	132.8	132.4	130.6
Luxembourg(3)	**58**	**61**	**65**	19.6	19.1	22.1	23.4	23.0	21.3	22.7	22.0
Netherlands	**751**	**783**	**818**	59.0	61.3	66.4	67.9	68.2	66.8	66.2	65.1
Portugal	**198**	**204**	**212**	96.2	111.1	126.2	129.0	130.2	129.1	128.5	127.2
Spain	**1,221**	**1,265**	**1,319**	60.1	69.2	85.4	93.7	99.3	100.7	101.2	100.1
Norway(3)	**398**	**395**	**415**	41.7	27.5	29.2	29.3	26.6	26.6	28.5	29.8
Sweden(3)	**484**	**499**	**520**	36.8	36.2	36.6	39.8	44.9	44.7	44.0	43.3
United Kingdom	**2,865**	**3,055**	**3,232**	76.9	82.7	85.4	86.6	88.2	88.3	88.0	86.9
Switzerland	**677**	**688**	**708**	48.5	48.7	49.1	49.4	46.3	46.4	46.4	46.0
Japan(4)	**4,116**	**4,171**	**4,342**	216.4	231.3	240.9	243.1	250.2	248.8	257.6	264.6
Australia(5)	**1,241**	**1,253**	**1,317**	20.5	24.3	27.9	30.9	33.8	36.0	37.3	37.6
New Zealand	**171**	**165**	**172**	27.4	35.5	37.5	36.0	35.0	35.8	35.6	37.5
Emerging Markets(6)	**26,684**	**26,322**	**27,427**	43.0	41.8	42.2	43.8	45.6	48.2	50.5	51.5
Latin America (6)	**4,421**	**3,879**	**4,017**	42.8	42.3	42.8	42.9	48.0	52.4	56.5	57.5
EEMEA(6)	**4,988**	**4,849**	**5,132**	26.6	25.2	23.6	24.1	26.3	28.0	28.9	28.5
Emerging Asia(6)	**17,275**	**17,595**	**18,278**	50.7	49.1	50.4	52.4	51.6	53.1	55.3	56.8

(1) IMF World Economic Outlook projections as of April 2015. (2) Fiscal year, general government. (3) European Commission estimates. (4) Fiscal year, general government (central + local + social security), special factors adjusted. (5) OECD estimates. (6) Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars.

Source: Thomson Reuters DataStream, European Commission, OECD, IMF, National Statistical Offices, Credit Suisse

Summary macroeconomic data: GDP growth

	Nominal GDP ($bn)			Real GDP growth (% year on year)								
	2015E	2016F	2017F	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
LATIN AMERICA	**4,420.6**	**3,878.8**	**4,016.8**	**-1.3**	**6.4**	**4.8**	**3.0**	**2.8**	**1.1**	**-0.3**	**-0.6**	**1.6**
Argentina	**578.3**	**432.5**	**495.7**	0.1	9.5	8.4	0.8	2.9	0.5	1.5	0.3	3.7
Brazil	**1,769.0**	**1,490.0**	**1,465.0**	-0.2	7.6	3.9	1.9	3.0	0.1	-3.8	-4.2	-1.0
Chile	**238.0**	**234.4**	**248.7**	-1.0	5.8	5.8	5.5	4.2	1.9	2.1	1.9	3.0
Colombia	**291.3**	**256.0**	**271.1**	1.7	4.0	6.6	4.0	4.9	4.6	3.2	2.5	3.3
Ecuador	**101.3**	**100.7**	**105.4**	0.6	3.5	7.9	5.6	4.6	3.7	-0.1	-2.5	1.4
Mexico	**1,142.0**	**1,080.8**	**1,141.2**	-4.7	5.1	4.0	4.0	1.3	2.3	2.5	2.5	3.1
Peru	**192.1**	**183.5**	**195.6**	1.0	8.5	6.5	6.0	5.9	2.4	3.3	3.8	5.1
Venezuela	**108.5**	**100.9**	**94.2**	-3.2	-1.5	4.2	5.6	1.3	-3.9	-5.7	-6.5	-4.0
EEMEA	**4,988.1**	**4,848.9**	**5,131.8**	**-3.6**	**5.1**	**5.6**	**3.2**	**2.5**	**2.7**	**1.3**	**1.9**	**2.7**
Czech Republic	**181.9**	**188.9**	**197.6**	-4.7	2.1	2.0	-0.8	-0.5	2.0	4.3	2.8	3.1
Hungary	**119.9**	**121.4**	**127.3**	-6.4	0.7	1.8	-1.7	2.0	3.6	2.6	2.5	2.7
Israel	**296.1**	**299.7**	**307.0**	1.2	5.4	5.0	2.9	3.4	2.6	2.6	3.1	3.5
Kazakhstan	**169.8**	**135.6**	**142.2**	1.2	7.3	7.5	5.0	5.9	4.3	-0.1	0.5	2.4
Nigeria (1)	**477.0**	**447.2**	**424.1**	9.0	10.0	4.9	4.3	5.4	6.3	2.8	3.9	4.6
Poland	**474.1**	**493.2**	**543.0**	2.4	3.7	5.0	1.5	1.2	3.4	3.6	4.0	3.8
Russia	**1,103.3**	**1,099.9**	**1,153.6**	-7.8	4.5	4.3	3.4	1.3	0.7	-3.7	-1.5	1.0
Saudi Arabia	**653.2**	**613.7**	**678.7**	-2.1	4.8	10.0	5.4	2.7	3.6	3.4	1.7	2.7
South Africa	**315.1**	**264.8**	**267.8**	-1.5	3.0	3.2	2.2	2.2	1.5	1.3	0.9	2.0
Turkey	**727.5**	**750.1**	**817.1**	-4.8	9.2	8.8	2.1	4.2	2.9	3.9	4.1	3.5
Ukraine	**91.1**	**86.0**	**84.5**	-14.8	4.1	5.2	0.2	0.0	-6.6	-9.8	0.5	2.0
United Arab Emirates	**379.1**	**348.4**	**389.0**	-5.2	1.6	5.2	6.9	4.3	4.6	3.3	2.2	2.9
EMERGING ASIA	**17,275.4**	**17,594.8**	**18,278.0**	**6.3**	**9.4**	**7.4**	**6.3**	**6.6**	**6.4**	**6.1**	**6.0**	**6.0**
China	**10,721.0**	**10,931.8**	**11,222.5**	9.1	10.3	9.2	7.7	7.7	7.3	6.9	6.6	6.5
Hong Kong	**308.0**	**316.4**	**320.8**	-2.2	6.8	4.6	1.7	3.1	2.5	2.4	2.0	2.2
India (2)	**2,077.4**	**2,205.0**	**2,469.6**	8.6	8.9	6.7	5.1	6.9	7.3	7.7	7.8	8.2
Indonesia	**857.6**	**886.5**	**938.9**	4.7	7.7	6.2	6.0	5.6	5.0	4.8	5.2	5.4
Korea	**1,337.0**	**1,287.1**	**1,287.2**	0.7	6.5	3.7	2.3	3.0	3.3	2.5	2.6	2.9
Malaysia (3)	**285.0**	**280.7**	**292.3**	-1.5	7.4	5.3	5.5	4.7	6.0	5.0	4.2	4.8
Philippines	**288.7**	**297.6**	**320.8**	1.1	7.6	3.9	6.7	7.1	6.1	5.8	6.2	6.0
Singapore	**292.8**	**290.0**	**294.5**	-0.6	15.2	6.2	3.7	4.7	3.3	2.0	1.7	1.8
Taiwan	**518.4**	**500.9**	**502.0**	-1.8	10.7	4.1	2.1	2.2	3.9	0.7	1.7	2.0
Thailand	**391.3**	**386.1**	**399.3**	-2.2	7.8	0.8	7.2	2.7	0.8	2.8	2.7	3.1
Vietnam	**198.3**	**212.6**	**230.0**	5.4	6.4	6.2	5.2	5.4	6.0	6.7	6.3	6.2
Emerging Markets	**26,684.1**	**26,304.5**	**27,386.7**	**2.2**	**7.7**	**6.4**	**4.9**	**4.9**	**4.6**	**4.1**	**4.2**	**4.8**
EM nominal GDP according to the IMF ($bn) (4)				**19,913.4**	**23,871.8**	**27,985.2**	**29,535.2**	**31,014.1**	**31,935.3**	**30,740.0**	**32,101.1**	**34,488.0**
EM nominal GDP as a share of global nominal GDP (%)(4)				33.4	36.5	38.6	40.0	41.1	41.3	41.8	42.1	42.7
EM PPP GDP according to the IMF ($bn) (4)				**45,633.2**	**49,616.4**	**53,695.6**	**57,193.9**	**60,915.1**	**64,679.6**	**67,767.9**	**71,577.8**	**76,315.8**
EM PPP GDP as a share of global PPP GDP (%)(4)				55.0	56.0	57.1	57.9	58.8	59.5	59.9	60.4	61.0

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(1) Other than the line item for real GDP growth, other data do not reflect 4Q 2015 GDP supply-side data which were published on 8 March. (2) Revised GDP series with base 2004-05. All historical ratios expressed as % of GDP may appear smaller since the revised GDP values in the new series (with base year of 2004) are higher. (3) Real GDP from 2001 has been rebased to 2000 = 100. (4) Real GDP from 2001 has been rebased to 2000 = 100. (4) 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, 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, IHS Global Insight, Credit Suisse

Summary macroeconomic data: GDP growth

				1Q 15	2Q 15	3Q 15	4Q 15E	1Q 16F	2Q 16F	3Q 16F	4Q 16F	1Q 17F
	Nominal GDP ($bn)			Real GDP growth (% quarter on quarter, seasonally adjusted annual rate)								
	2015E	2016F	2017F									
LATIN AMERICA	**4,420.6**	**3,878.8**	**4,016.8**	**-1.0**	**-3.3**	**-2.9**	**-2.5**	**-1.6**	**-0.2**	**-0.2**	**0.8**	**1.1**
Argentina	**578.3**	**432.5**	**495.7**	2.8	2.0	-6.0	-1.4	-4.2	5.0	8.9	4.3	-3.1
Brazil	**1,769.0**	**1,490.0**	**1,465.0**	-3.3	-8.0	-6.7	-5.5	-3.6	-3.2	-2.0	-1.2	0.0
Chile	**238.0**	**234.4**	**248.7**	4.3	-0.3	1.8	1.6	2.0	2.0	2.0	3.2	2.6
Colombia	**291.3**	**256.0**	**271.1**	3.5	2.1	5.1	2.6	2.6	6.1	-4.1	0.7	7.2
Ecuador	**101.3**	**100.7**	**105.4**	-0.2	-2.5	-1.7	-4.8	-2.9	-1.5	-1.2	-1.6	2.5
Mexico	**1,142.0**	**1,080.8**	**1,141.2**	2.1	2.5	3.0	2.0	2.4	2.0	2.4	3.2	3.2
Peru	**192.1**	**183.5**	**195.6**	3.4	3.6	4.3	7.2	4.3	3.1	-2.0	5.7	8.1
Venezuela	**108.5**	**100.9**	**94.2**	-9.6	-9.3	-7.6	-9.9	-6.4	-4.1	-4.8	-2.4	-3.3
EEMEA	**3,955.7**	**3,886.8**	**4,064.2**	**-1.4**	**-1.3**	**2.6**	**1.7**	**-0.3**	**1.7**	**2.6**	**4.2**	**2.1**
Czech Republic	**181.9**	**188.9**	**197.6**	13.0	4.2	2.2	0.8	3.6	3.6	3.2	3.2	3.2
Hungary	**119.9**	**121.4**	**127.3**	3.1	1.9	2.3	4.1	2.0	2.0	2.4	2.8	2.8
Israel	**296.1**	**299.7**	**307.0**	2.1	0.4	2.5	3.3	3.2	3.5	3.3	3.0	4.4
Kazakhstan	**169.8**	**135.6**	**142.2**	-2.0	0.8	-1.2	-3.9	1.2	1.2	2.0	2.4	2.4
Nigeria	**477.0**	**447.2**	**424.1**	-4.5	4.7	6.4	0.8	7.1	2.8	2.8	7.1	8.1
Poland	**474.1**	**493.2**	**543.0**	4.1	2.4	3.6	4.5	4.1	4.3	4.3	3.6	3.6
Russia	**1,103.3**	**1,099.9**	**1,153.6**	-6.2	-8.1	-0.4	-0.4	-5.9	0.0	2.0	5.3	-1.6
South Africa	**315.1**	**264.8**	**267.8**	1.4	-1.3	0.7	0.6	1.3	1.3	1.3	1.3	2.5
Turkey	**727.5**	**750.1**	**817.1**	6.3	5.5	5.2	4.7	2.8	2.8	2.8	2.8	3.6
Ukraine	**91.1**	**86.0**	**84.5**	-21.9	-3.6	23.4	14.8	-9.6	-2.0	4.1	3.2	4.1
NON-JAPAN ASIA	**17,275.4**	**17,594.8**	**18,278.0**	**4.5**	**4.2**	**4.5**	**5.8**	**4.7**	**5.5**	**4.1**	**4.9**	**5.1**
NJA ex-China	**6,554.4**	**6,662.9**	**7,055.5**	**3.0**	**1.8**	**3.7**	**4.7**	**3.2**	**4.2**	**2.7**	**3.5**	**3.2**
NJA ex-China and India	**4,477.0**	**4,458.0**	**4,585.9**	**4.7**	**6.3**	**6.5**	**6.1**	**5.4**	**5.9**	**5.6**	**5.6**	**5.5**
China	**10,721.0**	**10,931.8**	**11,222.5**	5.3	7.8	7.4	6.6	6.1	6.5	6.6	6.3	6.2
Hong Kong	**308.0**	**316.4**	**320.8**	3.8	0.2	3.8	1.9	5.1	1.4	-0.2	0.8	-7.0
India	**2,077.4**	**2,205.0**	**2,469.6**	7.9	9.6	6.0	8.4	7.9	8.5	7.2	7.9	9.2
Indonesia	**857.6**	**886.5**	**938.9**	3.2	4.8	5.1	7.2	5.2	4.7	4.0	4.8	6.4
Korea	**1,337.0**	**1,287.1**	**1,287.2**	2.7	1.7	4.4	3.1	3.2	3.0	2.2	2.3	3.2
Malaysia	**285.0**	**280.7**	**292.3**	4.7	4.5	2.6	6.3	2.5	4.2	5.4	5.3	2.9
Philippines	**288.7**	**297.6**	**320.8**	3.5	8.0	5.7	8.2	4.9	8.4	0.9	9.7	3.4
Singapore	**292.8**	**290.0**	**294.5**	0.2	-1.6	2.3	6.2	-0.2	1.4	0.1	2.5	4.2
Taiwan	**518.4**	**500.9**	**502.0**	2.5	-5.7	-1.2	2.0	1.0	6.0	3.0	1.3	3.0
Thailand	**391.3**	**386.1**	**399.3**	2.0	1.7	4.0	3.4	0.9	3.8	2.7	3.3	2.1
Emerging Markets	**25,651.7**	**25,360.4**	**26,359.0**	**2.6**	**3.0**	**3.7**	**3.6**	**3.0**	**4.0**	**3.9**	**4.4**	**4.1**
EM ex-China	**14,930.7**	**14,428.5**	**15,136.5**	**0.9**	**0.0**	**1.5**	**1.8**	**1.1**	**2.5**	**2.3**	**3.3**	**2.9**
EM ex-China and India	**12,853.3**	**12,223.6**	**12,666.9**	**0.0**	**-1.1**	**0.9**	**1.0**	**0.3**	**1.7**	**1.6**	**2.7**	**2.1**

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

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

Summary macroeconomic data: Inflation

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
				CPI inflation (%, December to December)					
LATIN AMERICA	**5.7**	**6.7**	**7.1**	**6.3**	**8.1**	**9.4**	**12.8**	**16.3**	**14.7**
Argentina (1)	7.7	10.9	9.5	10.8	10.9	23.9	20.0	27.5	18.5
Brazil	4.3	5.9	6.5	5.8	5.9	6.4	10.7	8.0	6.5
Chile	-1.4	3.0	4.4	1.5	3.0	4.6	4.4	4.3	3.0
Colombia	2.0	3.2	3.7	2.4	1.9	3.7	6.8	5.2	3.5
Ecuador	4.3	3.3	5.4	4.2	2.7	3.7	3.4	2.1	3.5
Mexico	3.6	4.4	3.8	3.6	4.0	4.1	2.1	3.1	3.5
Peru	0.2	2.1	4.7	2.6	2.9	3.2	4.4	3.0	2.6
Venezuela	25.1	27.2	27.6	20.1	56.2	68.5	180.9	326.5	353.5
EEMEA	**6.5**	**6.4**	**5.9**	**5.3**	**4.8**	**6.2**	**7.1**	**6.2**	**5.2**
Czech Republic	1.0	2.3	2.4	2.4	1.4	0.1	0.1	1.2	1.9
Hungary	5.6	4.7	4.1	5.0	0.4	-0.9	0.9	1.9	2.8
Israel	3.9	2.7	2.2	1.6	1.8	-0.2	-1.0	0.4	1.0
Kazakhstan	6.2	7.8	7.4	6.0	4.8	7.4	13.8	8.2	7.1
Nigeria	13.9	11.7	10.3	12.0	7.9	7.9	9.6	11.2	9.6
Poland	3.5	3.1	4.6	2.4	0.7	-1.0	-0.5	0.9	1.6
Russia	8.8	8.8	6.1	6.6	6.5	11.4	12.9	9.0	6.2
Saudi Arabia	4.2	5.4	4.2	3.6	3.0	2.4	2.3	4.3	4.6
South Africa	6.3	3.5	6.1	5.7	5.4	5.3	5.2	6.4	6.7
Turkey	6.5	6.4	10.4	6.2	7.4	8.2	8.8	7.8	7.2
Ukraine	12.3	9.1	4.6	-0.2	0.5	24.9	43.3	16.0	7.0
United Arab Emirates	-0.3	1.7	0.2	0.6	1.4	3.1	3.6	4.2	3.2
EMERGING ASIA	**3.5**	**5.1**	**4.8**	**3.6**	**3.4**	**2.3**	**1.8**	**2.1**	**2.5**
China	1.9	4.6	4.1	2.5	2.5	1.5	1.3	1.4	1.8
Hong Kong	1.3	3.0	5.7	3.7	4.3	4.9	2.5	1.3	1.5
India	11.8	9.7	9.4	10.4	8.3	5.3	5.1	5.5	5.7
Indonesia	2.8	7.0	3.8	3.7	8.1	8.4	3.4	4.4	4.6
Korea	2.8	3.0	4.2	1.4	1.1	1.0	1.1	1.4	1.5
Malaysia	1.0	2.1	3.0	1.3	3.0	2.8	2.7	2.0	3.7
Philippines	4.4	3.6	4.2	2.6	4.1	2.7	1.5	1.5	3.5
Singapore	-0.5	4.6	5.5	4.3	1.5	0.1	-0.6	-0.8	0.4
Taiwan	-0.2	1.0	2.0	1.6	0.3	0.6	0.1	1.1	1.5
Thailand	3.5	3.0	3.5	3.6	1.7	0.6	-0.9	1.7	2.1
Vietnam	6.7	9.2	18.7	9.1	6.6	4.1	0.6	3.0	4.0
Emerging Markets	**4.7**	**5.8**	**5.6**	**4.5**	**4.7**	**4.5**	**4.6**	**4.9**	**4.8**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(1) Reflects official national CPI series beginning in 2014.

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

Summary macroeconomic data: Wage inflation

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
	Nominal wage (%, December to December)								
LATIN AMERICA	**10.0**	**9.3**	**12.6**	**13.0**	**10.5**	**10.0**	**12.6**	**11.0**	**11.6**
Argentina (1)	19.7	22.3	27.7	26.9	25.0	32.7	30.0	25.0	20.0
Brazil (2)(3)	na	na	na	na	9.7	7.4	11.0	5.0	5.5
Chile (4)	6.4	3.6	5.9	6.4	5.7	6.6	6.2	5.5	5.0
Colombia (5)	7.7	3.6	4.0	5.8	4.0	4.5	4.6	7.0	5.0
Ecuador (5)	9.0	10.1	10.0	10.6	8.9	6.9	4.1	3.0	3.0
Mexico (6)	4.5	4.6	4.5	4.5	4.3	4.2	4.3	4.4	4.6
Peru (5)	0.0	0.5	13.4	14.7	4.3	0.0	0.0	5.8	7.2
Venezuela (7)	21.2	22.3	31.0	28.8	31.9	45.0	97.4	150.0	200.0
EEMEA	**8.5**	**10.8**	**12.3**	**10.0**	**8.4**	**7.0**	**5.7**	**7.4**	**6.7**
Czech Republic	3.4	2.2	2.5	2.5	-0.1	2.3	3.2	3.6	4.5
Hungary	0.6	1.3	5.2	4.7	3.4	3.0	4.2	4.9	4.7
Israel	1.7	4.8	3.3	4.5	1.2	1.4	1.8	3.5	3.5
Kazakhstan (8)	10.8	14.9	15.9	13.5	6.8	10.7	8.0	7.5	10.0
Nigeria (9)	na	na	17.7	16.1	11.7	10.5	7.3	7.1	7.8
Poland	4.2	3.6	4.9	3.5	2.6	3.8	3.5	4.3	5.3
Russia	10.2	15.6	18.2	11.9	9.3	6.9	1.6	7.5	5.5
South Africa (10)	15.5	10.0	6.6	6.7	11.1	7.3	8.0	8.0	7.0
Turkey (11)	8.9	9.0	9.0	10.5	12.7	9.1	10.0	12.0	10.0
Ukraine	11.6	17.7	16.2	10.6	7.2	10.9	30.4	10.0	7.0
EMERGING ASIA	**7.9**	**10.9**	**10.6**	**10.8**	**9.1**	**8.2**	**6.1**	**5.4**	**5.9**
China (12)	11.6	13.3	14.4	11.9	10.1	9.4	7.5	6.5	7.0
Hong Kong	-1.0	2.5	6.0	2.0	3.3	3.9	1.5	0.3	0.5
Indonesia (13)	5.3	12.2	3.4	20.4	14.9	13.8	5.0	5.0	5.0
Korea	2.6	6.8	0.9	5.4	3.9	2.6	0.9	1.3	2.0
Malaysia (14)	2.5	8.5	3.8	6.5	7.8	4.7	5.9	5.0	4.0
Philippines (15)	2.2	3.4	6.0	4.7	4.6	1.6	2.4	6.0	5.0
Singapore	-2.7	5.6	6.0	2.3	4.3	2.3	3.5	2.5	2.0
Taiwan	-2.1	1.6	1.3	1.3	1.0	1.8	1.0	-0.8	1.5
Thailand (16)	-2.5	6.5	7.5	12.1	10.0	9.0	4.0	3.0	3.0
Vietnam (17)	12.0	7.7	15.8	18.3	15.1	6.9	7.0	6.5	6.0
Emerging Markets	**8.4**	**10.6**	**11.3**	**10.9**	**9.3**	**8.4**	**7.3**	**6.7**	**7.0**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(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) Public and private sector wages. (8) Annual average of monthly average wages in the economy. (9) Based on nominal compensation of employees in the income approach to national accounts. (10) Based on remuneration per worker, index 2000 = 100. (11) Based on the hourly labor cost index (2010 = 100) for the overall economy. (12) Data are from the official average wage index published by the NBS which include the basic wages of government civil servants and staffs and workers of large SOEs, but exclude their allowances and the wages of township and village enterprises and private enterprises. We do not think the series accurately reflects the extent of wage increases in China. (13) For the manufacturing sector. (14) Salaries and wages in the manufacturing sector. (15) Nominal minimum wage in the non-agricultural sector. Figures from 2005 onwards also include cost of living allowance and daily equivalent of 13th month pay. (16) From Labor Force Survey: Average Monthly Wage in the private sector. (17) Real effective exchange rate (CPI-deflated); increase indicates appreciation.

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

Summary macroeconomic data: Current account balance

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
	Current account balance (% of GDP)								
LATIN AMERICA	**-0.6**	**-1.8**	**-1.5**	**-1.9**	**-2.4**	**-3.0**	**-3.5**	**-2.7**	**-2.1**
Argentina	2.9	-0.3	-0.7	-0.2	-0.7	-1.1	-2.3	-3.1	-2.4
Brazil	-1.6	-3.4	-2.9	-3.0	-3.0	-4.3	-3.3	0.0	0.7
Chile	2.0	1.7	-1.2	-3.6	-3.6	-1.2	-1.6	-2.4	-3.3
Colombia	-2.0	-3.0	-2.9	-3.1	-3.3	-5.2	-6.8	-6.3	-5.2
Ecuador	0.5	-2.3	-0.5	-0.2	-1.0	-0.6	-2.0	-2.3	-1.6
Mexico	-1.0	-0.5	-1.1	-1.4	-2.4	-1.9	-2.8	-3.3	-2.8
Peru	-0.5	-2.4	-1.9	-2.7	-4.3	-4.0	-4.4	-4.0	-3.4
Venezuela	0.7	3.7	7.7	2.9	1.6	1.9	-16.7	-22.2	-20.3
EEMEA	**1.5**	**1.6**	**3.4**	**3.8**	**2.4**	**2.1**	**-0.7**	**-1.0**	**-0.2**
Czech Republic	-2.4	-3.7	-2.1	-1.6	-0.6	0.7	0.9	1.0	0.8
Hungary	-0.7	0.3	0.8	1.7	4.0	2.3	3.7	3.7	3.5
Israel	3.5	3.5	2.6	1.6	2.9	3.7	4.3	4.8	5.0
Kazakhstan	-3.7	1.0	5.7	0.5	0.4	2.3	-3.5	1.1	0.6
Nigeria	8.3	3.6	2.6	3.8	3.7	1.1	-3.3	-4.1	-1.6
Poland	-3.4	-5.4	-5.2	-3.7	-1.3	-2.0	-0.3	-0.5	-0.8
Russia	4.0	4.7	4.9	3.7	1.5	2.8	5.0	5.0	4.6
Saudi Arabia	4.9	12.7	23.7	22.4	18.2	10.8	-6.3	-9.1	-5.8
South Africa	-2.7	-1.5	-2.2	-5.0	-5.8	-5.4	-4.4	-5.0	-5.1
Turkey	-1.8	-6.1	-9.6	-6.1	-7.7	-5.5	-4.4	-4.6	-4.3
Ukraine	-1.3	-2.2	-7.2	-10.0	-11.5	-3.4	-0.3	-2.0	-1.5
United Arab Emirates	3.1	2.5	14.6	21.4	18.4	13.7	1.2	0.6	3.6
EMERGING ASIA	**4.2**	**3.3**	**1.8**	**2.0**	**1.9**	**2.5**	**3.2**	**3.6**	**3.1**
China	4.8	3.9	1.8	2.5	1.6	2.1	2.7	3.2	2.7
Hong Kong	9.9	7.0	5.6	1.6	1.5	1.9	3.8	3.4	4.3
India	-2.8	-2.7	-4.5	-4.8	-1.7	-1.3	-1.0	-1.6	-1.8
Indonesia (1)	2.0	0.7	0.2	-2.7	-3.2	-3.1	-2.1	-2.2	-2.6
Korea	3.7	2.6	1.6	4.1	6.2	6.1	7.9	9.9	10.0
Malaysia	15.1	10.1	10.9	5.2	3.5	4.3	2.9	2.9	3.7
Philippines	5.0	3.6	2.5	2.8	3.5	4.1	3.2	3.6	3.2
Singapore	16.8	23.7	22.0	17.2	18.0	17.4	19.7	21.1	22.0
Taiwan	10.9	8.9	8.2	9.6	10.2	12.1	14.7	17.0	16.9
Thailand	8.3	4.6	2.4	-0.4	-1.2	3.8	8.9	8.5	7.8
Vietnam	-6.2	-3.7	0.2	6.1	4.5	5.1	1.0	-0.6	-1.1
Emerging Markets	**2.5**	**1.8**	**1.4**	**1.6**	**1.2**	**1.4**	**1.4**	**1.8**	**1.7**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(1) Balance of payments numbers from 2004 onwards have been revised; exports & imports include credits & debits on net income, respectively, in 2000-03.

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

Summary macroeconomic data: Exports

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
	Exports of goods and services (% of GDP)								
LATIN AMERICA	**18.1**	**18.8**	**19.8**	**19.8**	**19.7**	**19.9**	**20.9**	**23.3**	**23.9**
Argentina	17.6	17.7	17.8	15.7	15.5	15.8	13.0	17.8	16.3
Brazil	10.8	10.5	11.2	11.4	11.4	10.9	12.7	14.5	15.8
Chile	37.1	37.8	37.6	33.6	31.7	33.5	30.7	32.1	31.7
Colombia	16.3	16.0	19.1	18.4	17.8	17.0	15.6	14.6	16.3
Ecuador	25.2	28.2	31.1	30.0	29.2	28.7	21.0	17.2	18.4
Mexico	27.3	29.8	31.2	32.6	31.8	32.3	35.4	37.9	37.4
Peru	25.2	26.6	29.7	27.1	24.1	22.4	21.1	22.3	22.3
Venezuela	18.1	28.6	30.0	26.1	31.2	40.3	35.9	27.7	34.4
EEMEA	**36.7**	**37.3**	**40.3**	**40.1**	**39.2**	**40.6**	**37.9**	**37.5**	**38.5**
Czech Republic	59.9	66.0	70.1	77.8	76.8	82.2	84.0	87.6	90.2
Hungary	74.2	82.2	87.1	86.9	87.9	89.6	93.6	97.2	99.8
Israel	32.8	35.0	36.1	36.9	33.2	32.3	30.8	32.1	32.4
Kazakhstan	41.7	44.2	47.6	45.1	39.1	39.5	30.0	35.4	35.9
Nigeria	21.8	21.8	24.0	20.7	18.7	14.7	10.2	8.9	12.2
Poland	39.5	40.0	42.6	44.4	46.3	47.5	48.7	50.8	52.3
Russia	28.2	29.3	28.4	27.4	26.1	27.8	29.5	29.5	29.7
Saudi Arabia	47.1	49.7	56.2	54.4	52.1	47.2	33.2	27.6	29.0
South Africa	27.9	28.6	30.4	29.7	31.0	31.3	30.8	30.8	30.7
Turkey	23.6	21.5	23.6	26.0	25.4	27.6	27.3	26.1	24.5
Ukraine	39.9	48.3	58.5	60.3	56.9	48.9	52.0	48.0	50.5
United Arab Emirates	79.7	78.8	90.3	100.6	101.3	98.0	84.1	82.9	82.2
EMERGING ASIA	**37.9**	**40.1**	**41.2**	**39.5**	**38.1**	**36.7**	**33.5**	**33.7**	**33.8**
China	24.7	26.4	26.9	25.6	24.7	24.0	22.2	22.7	23.3
Hong Kong	191.2	219.4	225.5	225.6	228.0	219.4	201.2	198.0	197.0
India	19.9	22.5	25.7	24.6	25.1	23.0	19.3	19.1	18.8
Indonesia (1)	24.7	23.1	23.9	23.1	22.7	22.4	19.9	19.4	18.7
Korea	48.6	50.1	56.4	56.9	55.3	52.6	48.4	50.9	52.3
Malaysia	88.7	86.9	85.3	79.3	75.6	73.8	71.0	72.3	72.5
Philippines	25.7	27.3	25.5	26.7	24.7	26.3	24.6	25.0	24.4
Singapore	191.9	199.3	201.3	195.9	192.8	192.1	176.5	178.2	178.1
Taiwan	60.0	70.4	72.5	71.3	69.5	71.2	65.9	66.4	66.9
Thailand	68.5	71.4	72.9	75.3	68.5	69.3	69.2	68.1	67.2
Vietnam	59.3	68.7	78.1	79.8	83.4	86.6	87.1	86.8	85.9
Emerging Markets	**33.3**	**34.7**	**36.2**	**35.5**	**34.7**	**34.3**	**32.2**	**32.9**	**33.2**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(1) Balance of payments numbers from 2004 onwards have been revised; exports & imports include credits & debits on net income, respectively, in 2000-03.

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

Summary macroeconomic data: Fiscal balance

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
	General government fiscal balance (% of GDP)								
LATIN AMERICA	**-3.2**	**-2.9**	**-2.5**	**-2.8**	**-3.1**	**-4.6**	**-7.1**	**-5.6**	**-4.8**
Argentina	-1.3	0.3	-1.8	-2.8	-2.9	-3.5	-8.1	-7.4	-6.6
Brazil	-3.2	-3.2	-2.5	-2.3	-3.0	-6.0	-10.8	-8.0	-7.0
Chile	-4.4	-0.5	1.3	0.6	-0.6	-1.6	-2.2	-2.4	-1.7
Colombia	-2.4	-3.3	-1.8	0.5	-0.9	-1.7	-2.4	-2.5	-1.8
Ecuador	-3.6	-1.3	-0.1	-0.9	-4.6	-5.3	-5.0	-3.7	-1.8
Mexico (1)	-2.2	-2.8	-2.5	-2.8	-2.6	-3.2	-3.5	-3.2	-3.0
Peru	-1.5	-0.1	2.0	2.1	0.7	-0.3	-2.2	-2.6	-2.4
Venezuela (2)	-8.7	-10.4	-11.6	-15.1	-15.2	-12.8	-13.2	-11.3	-10.1
EEMEA	**-6.3**	**-3.3**	**-0.2**	**-0.1**	**-0.7**	**-2.0**	**-4.7**	**-5.3**	**-4.2**
Czech Republic (3)	-5.5	-4.4	-2.7	-4.0	-1.3	-1.9	-1.3	-0.7	-0.3
Hungary (4)	-4.6	-4.5	-5.5	-2.3	-2.5	-2.5	-2.4	-2.5	-2.3
Israel	-4.8	-3.4	-3.1	-3.9	-3.1	-2.7	-2.1	-2.9	-2.5
Kazakhstan (5)	-3.0	-2.5	-2.1	-3.0	-2.1	-2.9	-4.9	-4.8	-3.6
Nigeria (6)	na	-2.0	-1.8	-1.3	-1.4	-1.1	-1.4	-2.7	-1.9
Poland (4)	-7.3	-7.5	-4.8	-3.7	-4.1	-3.2	-2.7	-2.9	-2.9
Russia (7)	-5.9	-3.9	0.7	-0.1	-0.5	-0.4	-2.4	-3.6	-2.4
Saudi Arabia	-5.4	4.4	11.6	13.6	6.5	-2.3	-15.0	-15.5	-12.3
South Africa (8)	-6.3	-4.1	-3.6	-4.1	-3.8	-3.6	-3.9	-3.5	-3.3
Turkey (9)	-4.9	-3.2	-1.0	-1.7	-1.0	-1.0	-1.2	-1.5	-1.1
Ukraine (10)	-3.8	-6.0	-1.8	-3.8	-4.4	-4.9	-2.3	-3.3	-2.5
United Arab Emirates	-16.8	-5.9	-5.6	-4.9	-2.0	-5.4	-12.6	-14.5	-11.2
EMERGING ASIA	**-4.0**	**-2.8**	**-2.4**	**-2.2**	**-2.6**	**-2.6**	**-2.8**	**-3.3**	**-3.0**
China	-2.7	-2.4	-1.8	-1.5	-2.0	-2.1	-2.3	-3.0	-2.7
Hong Kong	1.6	4.2	3.8	3.2	1.0	3.7	1.3	0.5	0.6
India (11)	-9.5	-7.0	-7.8	-6.9	-7.1	-6.9	-6.7	-6.5	-5.8
Indonesia (12)	-1.6	-0.7	-1.1	-1.8	-2.2	-2.1	-2.5	-2.7	-2.6
Korea (13)	-4.5	-1.7	-1.5	-1.8	-2.2	-2.8	-3.2	-3.4	-3.4
Malaysia (14)	-6.5	-5.3	-4.7	-4.3	-3.8	-3.4	-3.2	-3.1	-2.9
Philippines	-3.7	-3.5	-2.0	-2.4	-1.4	-0.6	-1.2	-1.2	-1.3
Singapore	-0.3	0.3	1.2	1.6	1.2	0.0	-1.4	-0.4	-0.2
Taiwan (15)	-4.3	-3.2	-2.1	-2.4	-1.4	-0.8	-1.0	-1.5	-1.8
Thailand (16)	-5.7	-0.9	-2.5	-2.6	-1.9	-2.9	-3.0	-3.4	-3.2
Vietnam (17)	-6.3	-5.1	-4.0	-5.4	-5.0	-5.7	-5.4	-5.5	-5.6
Emerging Markets	**-4.4**	**-3.0**	**-1.9**	**-1.9**	**-2.3**	**-2.9**	**-3.9**	**-4.0**	**-3.5**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(1) Narrow definition that excludes off-balance expenditures. (2) Consolidation of Central Government, PDVSA, Non-Financial Public Enterprises, Venezuelan Social Security Institute and Deposit and Guarantee Fund for 2005-2009; preliminary consolidation of central government and PDVSA 2010-2011. (3) Consolidated fiscal accounts of the broadly defined general government on an accrual basis. (4) Consolidated fiscal accounts of the broadly defined general government on an accrual basis; excluding one-off transfers from pension funds to the government budget. (5) Consists of the state budget and the National Oil Fund. (6) Data refer to the federal government's budget. (7) Net of bank recapitalization costs. (8) Data for fiscal years starting 1 April. Selected data refer to the government's consolidated fiscal balances from 2009. (9) The definition of the consolidated government comprises the central government, extra-budgetary funds, state-owned enterprises, social security institutions and the Unemployment Insurance Fund. The data for government spending and gross debt are for the central government. (10) Excluding impact of bank recapitalization and transfers to Naftogaz. Estimate for 2011 expenditure includes 0.8% of GDP of additional allocations for settlement of VAT arrears accumulated in 2010. (11) Prior to 2006 and again effective from 2009, these estimates include revenue from disinvestments (in line with government methodology). (12) Refers to central government. (13) Includes Grain Securities, Seoul Metro bonds, National Housing Bonds, Seoul Metro Subway Bonds, and Industrial Finance Debentures. (14) Refers to the federal government's financial position. The government assumed an average oil price of $85 per barrel for 2011 in its 2011 budget. (15) General government statistics as interpreted by the Taiwan government. (16) Data for central government, based on cash basis prior to 2004, based on fiscal year ending September. (17) General government statistics as interpreted by the Vietnam government.

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

Summary macroeconomic data: Government expenditure

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
	General government expenditure (% of GDP)								
LATIN AMERICA	**31.5**	**31.1**	**31.8**	**31.9**	**32.5**	**33.6**	**35.7**	**34.1**	**34.3**
Argentina	29.7	30.6	32.8	35.2	35.9	38.5	44.9	42.6	41.7
Brazil (1)	35.6	35.1	35.2	34.7	35.3	37.2	40.9	38.2	37.8
Chile	23.4	22.0	21.4	21.5	21.4	22.4	23.6	24.1	24.0
Colombia	35.3	34.4	33.3	33.5	35.5	36.7	36.7	35.9	35.3
Ecuador	33.0	34.7	39.5	40.3	43.9	43.9	38.2	31.4	30.7
Mexico	25.5	25.1	25.0	25.1	25.9	26.2	27.0	28.8	30.7
Peru	21.4	21.0	19.8	20.3	21.6	22.6	22.2	22.2	21.9
Venezuela (2)	33.3	31.6	39.5	40.5	40.7	38.8	39.0	38.5	37.9
EEMEA	**38.9**	**34.0**	**32.2**	**32.4**	**32.8**	**32.7**	**33.1**	**32.9**	**32.3**
Czech Republic	43.6	43.0	42.9	44.5	42.6	42.6	42.1	41.7	41.8
Hungary	50.7	49.6	49.7	48.6	49.5	49.9	50.1	50.2	50.5
Israel	29.9	28.9	28.5	28.5	28.6	28.6	28.3	29.0	28.9
Kazakhstan (3)	24.4	23.5	22.7	23.2	21.0	22.6	22.6	21.7	21.1
Nigeria (4)	na	7.6	7.4	6.3	6.4	4.7	4.8	6.1	5.9
Poland	45.1	45.5	43.5	42.6	42.5	42.1	41.4	42.7	43.4
Russia (5)	40.8	37.4	33.5	34.6	35.6	35.4	36.4	33.8	31.5
Saudi Arabia	37.1	33.1	32.9	31.7	35.0	38.9	39.8	37.9	36.1
South Africa (6)	32.3	31.1	30.9	31.4	31.7	32.2	33.9	33.5	33.5
Turkey (7)	37.3	34.8	32.2	33.5	34.0	33.7	33.5	34.1	33.9
Ukraine	25.6	28.1	25.7	28.2	27.5	27.1	29.0	28.8	28.5
United Arab Emirates	42.0	32.7	35.3	35.0	34.7	34.6	34.9	36.4	33.5
EMERGING ASIA	**23.2**	**22.3**	**22.4**	**23.1**	**23.3**	**23.4**	**23.9**	**24.5**	**24.3**
China	22.1	22.0	22.6	23.6	23.8	23.9	24.5	25.3	25.0
Hong Kong	17.6	17.0	18.8	18.5	20.3	17.6	17.8	19.7	19.7
India	32.1	30.9	30.1	29.4	30.2	30.9	31.0	30.9	30.6
Indonesia (8)	16.7	15.2	16.5	17.3	17.3	16.8	15.6	15.8	16.0
Korea	23.3	20.1	20.5	21.3	21.0	21.0	21.3	21.4	21.5
Malaysia (9)	28.1	24.7	25.0	25.7	24.7	23.3	22.2	21.0	21.3
Philippines	17.7	16.9	16.0	16.8	16.3	15.7	16.8	17.0	17.0
Singapore	14.3	13.7	13.4	13.6	13.7	14.8	16.9	16.8	16.8
Taiwan (10)	20.6	18.2	18.3	18.2	17.5	16.4	16.4	16.8	17.0
Thailand (11)	21.7	18.0	19.3	18.6	18.6	18.7	19.2	19.9	19.9
Vietnam (12)	31.0	36.5	25.4	28.2	28.8	29.6	29.3	29.7	29.8
Emerging Markets	**28.8**	**27.1**	**26.9**	**27.2**	**27.4**	**27.3**	**27.6**	**27.4**	**27.3**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(1) Total government expenditures; includes interest payments. (2) Consolidation of Central Government, PDVSA, Non-Financial Public Enterprises, Venezuelan Social Security Institute and Deposit and Guarantee Fund for 2005-2009; preliminary consolidation of central government and PDVSA 2010-2011. (3) Consists of the state budget and the National Oil Fund. (4) Data refer to the federal government's budget. (5) Net of bank recapitalization costs. (6) Data for fiscal years starting 1 April. Selected data refer to the government's consolidated fiscal balances from 2009. (7) The definition of the consolidated government comprises the central government, extra-budgetary funds, state-owned enterprises, social security institutions and the Unemployment Insurance Fund. The data for government spending and gross debt are for the central government. (8) Refers to central government. (9) Refers to the federal government's financial position. The government assumed an average oil price of $85 per barrel for 2011 in its 2011 budget. (10) General government statistics as interpreted by the Taiwan government. (11) Data for central government, based on cash basis prior to 2004, based on fiscal year ending September. (12) General government statistics as interpreted by the Vietnam government.

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

Summary macroeconomic data: Government debt

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
	Consolidated gross government debt (% of GDP)								
LATIN AMERICA	**45.3**	**42.8**	**42.3**	**42.8**	**42.9**	**48.0**	**52.4**	**56.4**	**57.3**
Argentina (1)	51.7	42.0	37.3	37.4	37.5	45.1	41.4	58.7	54.6
Brazil (2)	59.3	51.8	51.3	53.8	51.7	57.1	66.0	72.0	77.0
Chile (3)	5.8	8.6	11.1	11.9	12.7	15.1	16.3	17.4	16.4
Colombia	45.1	46.2	43.1	40.6	43.1	46.0	50.7	51.9	50.3
Ecuador	16.4	19.2	18.4	21.3	24.2	29.9	33.1	35.4	39.2
Mexico (4)	36.2	36.2	37.5	37.7	40.4	43.2	47.6	47.6	48.5
Peru	27.2	24.3	22.1	20.4	19.6	20.1	22.2	24.8	27.2
Venezuela (5)	24.7	35.1	36.2	36.5	42.6	61.6	93.3	93.4	88.9
EEMEA	**27.8**	**26.6**	**25.2**	**23.6**	**24.1**	**26.3**	**28.0**	**28.9**	**28.5**
Czech Republic (6)	34.1	38.2	39.9	44.7	45.2	42.7	41.0	39.3	37.3
Hungary (7)	78.0	80.6	80.8	78.3	76.8	76.2	73.9	71.5	67.1
Israel	74.6	70.7	68.8	67.9	67.2	67.0	65.0	66.3	67.1
Kazakhstan	13.5	15.4	12.7	13.4	13.3	15.5	16.1	17.2	16.5
Nigeria	15.1	9.5	10.2	10.4	10.5	12.4	13.7	17.6	20.5
Poland (7)	49.8	53.3	54.4	54.0	55.9	50.4	50.2	49.8	49.7
Russia	7.0	7.5	7.7	8.6	9.0	9.5	9.4	9.3	9.1
Saudi Arabia	14.0	8.5	5.4	3.6	2.2	1.6	5.8	10.8	13.5
South Africa (8)	31.6	35.1	38.6	41.0	43.9	46.8	50.5	51.5	50.7
Turkey	46.3	43.1	40.0	37.6	37.4	35.0	34.7	32.6	30.8
Ukraine	33.6	40.1	36.4	36.8	39.9	69.4	78.9	66.7	63.1
United Arab Emirates	24.1	22.2	17.6	17.0	15.9	15.7	22.1	25.0	21.5
EMERGING ASIA	**50.9**	**50.7**	**49.1**	**50.4**	**52.4**	**51.6**	**53.1**	**55.3**	**56.8**
China (9)	53.1	54.3	51.8	53.5	56.2	53.4	55.6	58.7	61.1
Hong Kong (10)	0.7	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5
India	72.0	66.9	66.6	66.3	65.5	66.8	66.3	65.5	65.0
Indonesia (11)	31.4	24.7	22.3	22.4	21.6	23.6	26.2	28.9	31.0
Korea (12)	37.3	37.1	38.5	39.4	41.6	46.4	46.2	45.8	45.0
Malaysia (13)	49.3	49.6	50.0	51.6	53.0	52.7	54.5	55.4	55.2
Philippines	62.4	58.5	56.9	56.2	53.3	48.8	48.0	47.8	47.5
Taiwan (14)	46.6	46.3	47.5	48.4	48.9	48.4	47.4	48.2	48.7
Thailand (15)(16)	45.2	42.6	39.4	40.0	42.1	43.3	43.3	45.6	43.7
Vietnam (17)	0.0	51.7	50.1	50.8	54.5	59.6	61.3	62.5	63.5
Emerging Markets	**43.8**	**43.0**	**41.8**	**42.2**	**43.8**	**45.6**	**48.2**	**50.5**	**51.5**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(1) Debt data assume that Paris Club debt remains in arrears until repayment begins in 2014. (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) Central government, regional governments, PDVSA; does not include liabilities of other public institutions such as the Central bank, National Development Bank, Foreign Trade Bank, Industrial Bank of Venezuela and Andean Region Development Bank. (6) Consolidated fiscal accounts of the broadly defined general government on an accrual basis. (7) Consolidated fiscal accounts of the broadly defined general government on an accrual basis; excluding one-off transfers from pension funds to the government budget. (8) Data for fiscal years starting 1 April. Selected data refer to the government's consolidated fiscal balances from 2009. (9) Includes Treasury bonds, foreign state debt owed by the State Council, and local government bonds. (10) Also includes debt issued under the Government Bond Program. Excludes debt guaranteed by the government. (11) Refers to central government. (12) Includes social security funds. (13) Refers to the federal government's financial position. The government assumed an average oil price of $85 per barrel for 2011 in its 2011 budget. (14) General government statistics as interpreted by the Taiwan government. (15) Data for central government, based on cash basis prior to 2004, based on fiscal year ending September. (16) Includes central government, non-financial SOEs and financial institution development fund. (17) General government statistics as interpreted by the Vietnam government.

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

Summary macroeconomic data: Foreign debt

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
					Total foreign debt (% of GDP)				
LATIN AMERICA	**21.5**	**21.2**	**20.6**	**22.2**	**23.8**	**27.2**	**33.8**	**39.7**	**39.3**
Argentina (1)	35.5	29.7	26.7	24.7	23.8	27.8	25.7	38.6	36.3
Brazil (2)	16.6	15.9	15.9	18.5	19.8	23.2	31.7	37.2	37.5
Chile	41.7	39.0	39.5	44.9	47.3	56.4	62.1	64.6	61.9
Colombia	22.7	22.4	22.8	21.3	24.2	26.8	37.5	45.7	45.4
Ecuador	21.6	20.1	19.3	18.2	19.8	23.9	26.8	29.2	30.1
Mexico	18.0	18.5	18.0	18.9	20.4	21.8	25.9	28.7	28.5
Peru	28.9	29.4	28.2	30.8	30.1	31.8	35.5	38.7	39.1
Venezuela	25.7	43.3	37.5	34.3	45.5	71.4	126.8	137.1	147.9
EEMEA	**46.0**	**42.8**	**37.1**	**37.1**	**39.0**	**43.3**	**46.4**	**47.6**	**45.0**
Czech Republic (3)	49.5	55.2	54.8	60.3	63.5	66.6	58.8	57.1	54.8
Hungary (3)	147.2	143.0	134.3	128.9	118.2	114.6	112.6	109.5	102.4
Israel (4)	44.9	45.9	40.3	39.3	34.6	31.5	31.1	30.0	29.1
Kazakhstan	102.3	83.3	70.1	70.2	67.9	76.6	91.5	116.5	111.1
Nigeria (5)	na	na	1.5	1.5	1.8	1.9	2.2	3.7	5.1
Poland (3)	61.3	66.0	66.0	71.8	70.6	71.1	71.7	70.6	66.3
Russia (6)	34.1	30.1	29.1	28.9	33.6	43.3	46.7	43.3	38.6
Saudi Arabia	20.0	17.2	13.1	11.4	11.2	11.1	13.3	14.6	13.7
South Africa (7)	27.8	29.6	28.4	35.7	37.3	41.4	42.7	52.3	53.3
Turkey (8)	43.7	39.9	39.1	42.9	47.2	50.4	57.6	57.3	53.3
Ukraine	80.9	81.9	72.3	70.7	71.4	87.8	126.7	134.2	138.9
United Arab Emirates	59.6	52.4	43.8	44.6	45.7	50.4	53.8	58.9	53.0
EMERGING ASIA	**17.4**	**17.3**	**17.9**	**17.9**	**18.2**	**17.9**	**16.2**	**15.2**	**14.9**
China	8.5	9.0	9.3	8.7	9.0	8.7	5.8	4.1	3.8
Hong Kong	37.1	44.2	50.7	55.9	62.4	73.7	84.6	99.4	116.9
India	18.7	18.7	20.6	22.3	23.8	23.1	24.0	23.6	22.3
Indonesia	32.1	28.5	26.7	28.8	29.4	33.0	36.2	33.8	30.9
Korea	38.4	33.0	33.1	32.9	32.4	30.9	29.7	30.8	30.7
Malaysia	32.7	28.4	57.1	62.7	66.3	63.6	68.2	67.7	65.0
Philippines	38.4	36.9	33.7	31.9	28.8	27.4	26.0	25.2	23.4
Taiwan	20.9	22.8	25.3	26.4	32.8	33.8	33.6	33.9	32.9
Thailand	28.5	30.4	29.1	36.4	34.2	35.6	35.8	35.0	32.1
Vietnam	31.2	38.7	39.2	37.9	38.2	38.6	38.8	39.5	39.7
Emerging Markets	**25.3**	**24.2**	**23.2**	**23.5**	**24.2**	**25.0**	**24.9**	**24.9**	**24.2**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(1) Debt data assume that Paris Club debt remains in arrears until repayment begins in 2014. (2) Included intercompany loans. (3) Based on the location of debt-holders. (4) Based on the location of the creditor (i.e. including local currency liabilities held by non-residents). (5) Foreign debt is based on the location of debt issuance. (6) Based on the location of the creditor. (7) Including rand denominated debt held by non-residents. (8) Based on the location of debt issuance, not the location of creditor.

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

Summary macroeconomic data: Exchange rates

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
	Exchange rate (end-year)								
LATIN AMERICA									
Argentina (per USD)	3.80	3.98	4.30	4.92	6.52	8.47	12.93	17.25	19.00
Brazil (per USD)	1.74	1.67	1.88	2.04	2.35	2.65	3.90	4.30	4.50
Chile (per USD)	507.45	468.00	521.46	479.20	525.45	606.45	710.00	710.00	700.00
Colombia (per USD)	2,044	1,914	1,943	1,770	1,927	2,392	3,175	3,350	3,200
Mexico (per USD)	13.08	12.37	13.97	12.87	13.09	14.75	17.21	18.40	17.50
Peru (per USD)	2.88	2.82	2.70	2.57	2.79	2.96	3.39	3.75	3.55
Venezuela (per USD) (1)	2.15	4.30	4.30	4.30	9.95	24.52	100.25	298.39	1,342
EEMEA									
Czech Republic (per EUR)	26.47	25.06	25.80	25.14	27.43	27.73	27.03	27.00	27.20
Hungary (per EUR)	270.84	278.75	311.13	291.29	296.91	314.89	313.12	315.00	317.00
Israel (per USD)	3.78	3.55	3.82	3.73	3.47	3.89	3.90	4.05	4.05
Kazakhstan (per USD)	148.36	147.40	148.04	150.27	153.61	182.35	330.00	350.00	350.00
Nigeria (per USD)	149.50	152.00	162.30	156.15	160.30	183.45	199.30	260.00	260.00
Poland (per EUR)	4.11	3.96	4.42	4.09	4.15	4.26	4.26	4.02	3.90
Russia (per USD)	30.24	30.48	32.20	30.37	32.73	56.26	68.00	80.00	83.00
Saudi Arabia (per USD)	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
South Africa (per USD)	7.38	6.63	8.09	8.48	10.52	11.57	15.48	17.01	17.50
Turkey (against basket) (2)	1.83	1.80	2.18	2.07	2.54	2.57	3.04	3.15	3.35
Ukraine (per USD)	7.99	7.96	7.99	7.99	7.99	15.77	24.00	30.00	30.00
United Arab Emirates (per USD)	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67
EMERGING ASIA									
China (per USD)	6.83	6.62	6.35	6.24	6.07	6.20	6.43	6.78	6.95
Hong Kong (per USD)	7.76	7.77	7.78	7.76	7.76	7.76	7.75	7.80	7.80
India (per USD)	45.50	44.99	50.32	54.40	61.01	62.50	68.00	71.00	68.50
Indonesia (per USD)	9,400	8,991	9,068	9,670	12,189	12,440	13,795	14,700	14,900
Korea (per USD)	1,168	1,139	1,153	1,064	1,055	1,100	1,170	1,250	1,250
Malaysia (per USD)	3.42	3.08	3.18	3.06	3.28	3.50	4.29	4.40	4.40
Philippines (per USD)	46.36	43.89	43.93	41.19	44.41	44.62	47.17	48.60	48.60
Singapore (per USD)	1.40	1.31	1.30	1.22	1.27	1.32	1.41	1.41	1.41
Taiwan (per USD)	32.28	30.55	30.30	29.04	29.72	31.45	33.00	34.40	34.40
Thailand (per USD)	33.20	30.10	31.00	30.60	32.70	32.90	35.99	36.40	37.20
Vietnam (per USD)	17,942	18,932	20,812	20,828	21,036	21,246	22,529	23,400	24,336
Emerging Markets									

(1) Expressed in strong bolivares for all years; 2014-2017 estimates and forecasts represent a weighted average exchange rate across official FX markets (CENCOEX, SICAD and SIMADI) and the unofficial FX market. (2) The basket exchange rate is the average of USDTRY and EURTRY exchange rates. Our forecasts for USDTRY are derived from our basket exchange rate forecasts and the previous month's EURUSD average.

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

Summary macroeconomic data: Interest rates

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
	Interest rate (end-year, %)								
LATIN AMERICA	**7.65**	**8.54**	**8.97**	**7.23**	**7.97**	**8.96**	**11.36**	**11.46**	**10.01**
Argentina - Central bank's 7 day repo rate	11.50	11.50	11.50	11.50	11.50	17.00	27.00	30.00	17.50
Brazil - Selic interest rate	8.75	10.75	11.00	7.25	10.00	11.75	14.25	14.25	14.25
Chile - Monetary policy rate	0.50	3.25	5.25	5.00	4.50	3.00	3.50	4.00	4.50
Colombia - Reference rate	3.50	3.00	4.75	4.25	3.25	4.50	5.75	6.25	5.00
Ecuador - Interest rate (1)	9.20	9.03	8.35	8.17	8.17	8.12	8.10	8.10	9.10
Mexico - Reference rate	4.50	4.50	4.50	4.50	3.50	3.00	3.25	4.25	4.50
Peru - Reference rate	1.25	3.00	4.25	4.25	4.00	3.50	3.75	4.75	4.25
Venezuela - 90 day deposit rate	15.00	15.00	14.50	14.55	14.73	14.52	15.07	14.75	15.00
EEMEA	**5.00**	**4.46**	**4.92**	**4.82**	**4.45**	**7.75**	**6.28**	**6.24**	**5.93**
Czech Republic - 2-week repo rate	1.00	0.75	0.75	0.05	0.05	0.05	0.05	0.05	1.00
Hungary - 2-week deposit rate	6.25	5.75	7.00	5.75	3.00	2.10	1.35	1.35	1.35
Israel - Base rate	1.00	2.00	2.75	1.75	1.00	0.25	0.10	0.10	1.00
Kazakhstan - Refinancing rate (2)	7.00	7.00	7.50	5.50	5.50	5.50	16.00	12.00	8.00
Nigeria - Monetary policy rate	6.00	6.25	12.00	12.00	12.00	13.00	11.00	11.00	11.00
Poland - 1-week reference rate	3.50	3.50	4.50	4.25	2.50	2.00	1.50	1.50	1.75
Russia - 1-week repo rate	6.00	5.00	5.25	5.50	5.50	17.00	11.00	10.00	9.00
Saudi Arabia - 3-month deposit rate	1.33	0.74	0.69	0.92	0.95	0.94	0.88	1.99	3.00
South Africa - Repo rate	7.00	5.50	5.50	5.00	5.00	5.75	6.25	7.25	7.75
Turkey - 1-week repo rate (3)	7.11	6.50	5.75	5.50	4.50	8.25	7.50	8.75	8.25
Ukraine - Discount rate	10.25	7.75	7.75	7.50	6.50	14.00	22.00	18.00	10.00
United Arab Emirates - 3-month deposit rate	2.40	2.22	1.72	1.42	0.97	0.73	0.79	1.45	2.32
EMERGING ASIA	**2.32**	**4.29**	**5.15**	**4.76**	**5.08**	**4.47**	**3.50**	**3.22**	**3.31**
China - 3-month interbank rate	1.83	4.62	5.47	5.22	5.56	4.66	3.31	2.96	3.00
Hong Kong - 3-month HIBOR	0.13	0.30	0.30	0.40	0.40	0.40	0.60	1.00	1.50
India - Reverse repo rate (4)	3.50	5.75	7.50	6.50	7.00	6.50	5.75	5.50	5.50
Indonesia - Overnight rate (5)	6.50	6.50	6.00	5.75	7.50	7.75	7.50	6.50	6.50
Korea - Overnight base rate	2.00	2.50	3.25	2.75	2.50	2.00	1.50	1.25	1.25
Malaysia - Overnight policy rate (6)	2.00	2.75	3.00	3.00	3.00	3.25	3.25	3.25	3.25
Philippines - Overnight borrowing rate	4.00	4.00	4.50	3.50	3.50	4.00	4.00	4.00	4.00
Singapore - 3-month SIBOR	0.69	0.44	0.38	0.38	0.40	0.46	1.19	1.75	2.25
Taiwan - Overnight rate	0.11	0.25	0.40	0.40	0.40	0.40	0.25	0.20	0.20
Thailand - Overnight repo rate (7)	1.25	2.00	3.25	2.75	2.25	2.00	1.50	1.25	1.50
Vietnam - Refinance Rate	8.00	9.00	15.00	9.00	7.00	6.50	6.50	6.00	6.00
Emerging Markets	**4.15**	**5.26**	**5.94**	**5.29**	**5.50**	**6.00**	**5.32**	**4.99**	**4.77**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(1) Reference rate for corporate loan operations. (2) The central bank 1-month deposit rate equals half of the refinancing rate and until the banking crisis in the summer of 2007 represented a more effective policy instrument. (3) One-week repo rate has been the central bank's policy rate since 18 May 2010, but it has lost relevance since late 2010. Our forecast for 2016 is based on an expectation of the normalization of the monetary policy framework. (4) The RBI uses a mix of instruments, such as the repo rate, reverse repo rate, CRR (cash reserve ratio), etc. (5) BI changed its policy target from 1m SBI rate to overnight rate in 2008. (6) BNM changed the policy rate from the intervention rate to the overnight rate in May 2004. (7) Through 2006, the policy rate was the 14-day repo rate.

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

Summary macroeconomic data: Interest rates

	2Q 15	3Q 15	4Q 15	1Q 16E	2Q 16F	3Q 16F	4Q 16F	1Q 17F	2Q 17F
	Interest rate (end-quarter, %)								
LATIN AMERICA	**9.85**	**10.80**	**11.31**	**12.32**	**12.17**	**11.99**	**11.96**	**11.48**	**10.93**
Argentina - Central bank's 7 day repo rate	17.00	24.00	27.00	35.00	32.50	30.00	30.00	25.00	20.00
Brazil - Selic interest rate	13.75	14.25	14.25	14.25	14.25	14.25	14.25	14.25	14.25
Chile - Monetary policy rate	3.00	3.00	3.50	3.50	3.70	4.00	4.25	4.50	4.50
Colombia - Reference rate	4.50	4.50	5.75	6.50	6.75	6.75	6.25	5.50	5.00
Ecuador - Interest rate (1)	8.10	8.10	9.10	9.10	9.50	9.50	9.50	9.50	9.50
Mexico - Reference rate	3.00	3.00	3.25	3.75	4.00	4.25	4.25	4.50	4.50
Peru - Reference rate	3.25	3.50	3.75	4.50	4.75	4.75	4.75	4.75	4.50
Venezuela - 90 day deposit rate	14.51	14.82	15.07	15.00	14.90	14.80	14.75	14.80	14.90
EEMEA	**8.07**	**8.14**	**7.95**	**8.05**	**8.02**	**7.78**	**7.65**	**7.49**	**7.21**
Czech Republic - 2-week repo rate	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Hungary - 2-week deposit rate	1.50	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Israel - Base rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.50
Kazakhstan - Refinancing rate (2)	5.50	12.00	16.00	17.00	17.00	15.00	12.00	10.00	8.00
Nigeria - Monetary policy rate	13.00	13.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Poland - 1-week reference rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Russia - 1-week repo rate	11.50	11.00	11.00	11.00	11.00	10.50	10.00	10.00	9.50
South Africa - Repo rate	5.75	6.00	6.25	7.00	7.00	7.25	7.25	7.75	7.75
Turkey - 1-week repo rate (3)	7.50	7.50	7.50	7.50	7.50	7.50	8.75	8.75	8.75
Ukraine - Discount rate	30.00	27.00	22.00	22.00	21.00	20.00	18.00	14.00	12.00
EMERGING ASIA	**3.46**	**3.48**	**3.59**	**3.38**	**3.30**	**3.17**	**3.28**	**3.34**	**3.42**
China - 3-month interbank rate	3.11	3.12	3.31	3.10	3.00	2.80	2.96	3.06	3.16
Hong Kong - 3-month HIBOR	0.40	0.40	0.60	0.60	0.60	0.80	1.00	1.00	1.50
India - Reverse repo rate (4)	6.75	6.75	6.75	6.50	6.50	6.50	6.50	6.50	6.50
Indonesia - Overnight rate (5)	7.50	7.50	7.50	7.00	6.75	6.50	6.50	6.50	6.50
Korea - Overnight base rate	1.50	1.50	1.50	1.25	1.25	1.25	1.25	1.25	1.25
Malaysia - Overnight policy rate (6)	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Philippines - Overnight borrowing rate	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Singapore - 3-month SIBOR	0.82	1.14	1.19	1.25	1.25	1.50	1.75	1.75	2.00
Taiwan - Overnight rate	0.40	0.40	0.28	0.20	0.20	0.20	0.20	0.20	0.20
Thailand - Overnight repo rate (7)	1.50	1.50	1.50	1.50	1.25	1.25	1.25	1.25	1.25
Emerging Markets	**5.54**	**5.75**	**5.89**	**5.98**	**5.90**	**5.74**	**5.78**	**5.69**	**5.58**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(1) Reference rate for corporate loan operations. (2) The central bank 1-month deposit rate equals half of the refinancing rate and until the banking crisis in the summer of 2007 represented a more effective policy instrument. (3) One-week repo rate has been the central bank's policy rate since 18 May 2010 but it has lost relevance since late 2010. Our forecast for 2016 is based on an expectation of the normalization of the monetary policy framework. (4) The RBI uses a mix of instruments, such as the repo rate, reverse repo rate, CRR (cash reserve ratio), etc. (5) BI changed its policy target from 1m SBI rate to overnight rate in 2008. (6) BNM changed the policy rate from the intervention rate to the overnight rate in May 2004. (7) Through 2006, the policy rate was the 14-day repo rate.

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

Summary macroeconomic data: Domestic credit

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
				Domestic credit (% of GDP)					
LATIN AMERICA	**64.9**	**63.7**	**65.4**	**66.8**	**67.5**	**71.6**	**73.9**	**73.9**	**73.7**
Argentina	22.7	23.2	24.9	29.2	32.6	35.6	45.0	48.0	50.8
Brazil	104.3	96.5	98.4	103.6	102.9	109.7	119.1	119.9	119.8
Chile	76.0	71.1	76.0	79.5	82.3	82.1	83.9	86.3	89.5
Colombia	37.2	39.8	41.1	44.0	45.2	47.9	54.1	56.4	59.7
Ecuador	14.9	16.8	18.6	19.6	19.6	21.0	19.2	19.3	19.4
Mexico	35.4	34.8	34.6	33.1	34.4	35.0	37.3	39.4	41.4
Peru	21.3	22.5	21.8	22.7	22.2	25.3	25.9	27.0	28.3
Venezuela	32.9	27.6	30.8	40.1	47.7	49.7	44.8	30.8	22.2
EEMEA	**62.9**	**58.3**	**56.2**	**56.4**	**60.0**	**62.6**	**66.2**	**68.9**	**69.1**
Czech Republic	50.3	51.3	53.0	54.1	55.4	55.0	56.2	59.5	62.4
Hungary	67.5	68.3	65.6	56.0	51.0	46.6	39.8	38.6	37.3
Israel	83.8	84.5	85.2	81.8	79.1	78.7	75.4	74.0	72.0
Kazakhstan	58.8	49.4	44.5	45.4	44.6	43.5	39.5	42.0	43.0
Nigeria	na	15.3	21.5	17.5	17.9	20.9	22.7	27.2	28.4
Poland	52.3	54.2	57.4	56.1	57.2	58.6	60.1	59.6	58.8
Russia	56.0	54.4	52.0	55.2	60.3	67.0	69.8	70.6	72.0
Saudi Arabia	45.8	39.2	34.1	36.3	40.1	44.2	55.6	62.6	61.3
South Africa	87.9	85.2	84.2	85.7	83.6	85.3	88.9	88.4	88.4
Turkey	61.9	68.0	66.6	69.4	78.6	82.2	85.6	85.3	83.9
Ukraine	85.4	79.7	74.4	73.7	82.3	76.9	62.6	61.5	60.7
United Arab Emirates	102.9	92.5	77.6	74.8	84.6	87.1	99.2	114.9	110.8
EMERGING ASIA	**119.2**	**119.6**	**121.1**	**128.0**	**134.5**	**142.6**	**159.1**	**169.6**	**178.9**
China	139.9	143.6	142.1	150.8	157.6	169.4	193.6	209.1	224.5
Hong Kong	165.1	196.2	207.5	202.8	225.8	237.8	215.6	215.4	217.8
India	84.1	84.0	84.7	87.6	87.3	83.8	84.8	84.8	85.6
Indonesia	24.3	23.4	25.1	27.2	28.5	29.0	29.5	30.2	31.2
Korea	103.7	95.6	96.1	95.5	94.9	98.3	104.1	110.5	117.0
Malaysia	126.6	122.6	123.5	128.8	136.6	139.5	143.1	145.6	145.9
Philippines	51.2	49.7	52.0	51.3	51.9	55.8	59.2	61.6	63.2
Singapore	129.4	124.9	134.6	144.4	155.1	161.3	158.8	161.9	163.2
Taiwan	143.5	140.7	146.5	147.4	150.5	151.7	154.4	162.5	169.5
Thailand	113.7	113.4	125.6	131.2	138.1	142.7	145.4	148.7	151.3
Vietnam	112.8	124.7	110.2	104.9	108.2	113.8	125.7	133.1	139.7
Emerging Markets	**93.7**	**92.3**	**93.1**	**97.9**	**103.7**	**112.6**	**127.6**	**136.9**	**142.9**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.
Source: IMF International Financial Statistics, the BLOOMBERG PROFESSIONAL™ service, National Statistical Offices, IHS Global Insight, Credit Suisse

Summary macroeconomic data: Domestic credit to the private sector

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
	Domestic credit to the private sector (% of GDP)								
LATIN AMERICA	**36.3**	**38.0**	**40.1**	**41.7**	**43.5**	**45.5**	**45.7**	**46.5**	**46.7**
Argentina	11.0	11.6	13.2	14.5	15.5	14.3	16.1	16.0	16.9
Brazil (1)	50.7	52.2	55.1	58.7	60.7	63.2	64.9	65.4	65.3
Chile	60.4	56.9	58.6	61.4	63.2	65.6	68.3	70.2	74.1
Colombia	30.8	33.6	35.9	38.8	40.5	43.6	49.2	51.3	54.3
Ecuador	15.6	17.2	18.5	19.1	19.3	20.1	18.7	18.7	18.8
Mexico	24.1	23.8	24.8	25.3	26.8	27.0	29.5	31.1	32.7
Peru	28.5	29.0	31.5	33.0	36.3	39.1	42.0	44.8	48.0
Venezuela	22.9	18.6	20.4	25.1	28.6	32.8	33.3	25.2	19.7
EEMEA	**51.0**	**47.1**	**46.5**	**47.0**	**50.5**	**52.5**	**55.5**	**57.7**	**58.0**
Czech Republic	48.6	49.6	51.5	52.5	54.0	53.6	55.3	59.0	62.5
Hungary	66.0	66.2	63.1	53.7	48.4	44.8	38.5	37.4	36.2
Israel	43.7	43.2	42.3	39.2	35.7	34.4	32.2	30.5	28.8
Kazakhstan	55.0	43.2	39.1	39.7	39.1	37.6	36.2	38.6	39.0
Nigeria	na	17.7	22.3	20.9	20.0	20.1	19.7	21.9	23.3
Poland	49.1	50.1	52.5	51.2	52.5	54.0	55.4	54.9	54.2
Russia	47.5	44.9	44.6	47.0	52.8	57.9	59.4	60.2	61.6
Saudi Arabia	44.0	37.6	32.9	34.9	38.6	42.6	54.0	61.0	59.7
South Africa	78.9	76.0	73.3	74.8	73.3	74.0	76.9	76.4	76.5
Turkey	36.0	43.9	49.3	54.1	65.3	69.5	73.6	73.5	72.4
Ukraine	71.3	62.8	56.6	54.7	56.2	57.4	47.6	47.9	47.2
United Arab Emirates	77.7	68.6	57.1	53.6	59.2	64.1	73.4	84.8	81.9
EMERGING ASIA	**104.8**	**105.2**	**105.7**	**111.0**	**116.5**	**121.3**	**128.3**	**133.6**	**137.2**
China	125.5	127.6	124.1	130.0	135.4	141.9	151.1	158.2	163.9
Hong Kong	154.8	192.2	208.8	218.8	231.9	235.0	213.6	215.4	219.8
India	58.2	58.4	58.2	60.5	60.5	59.9	60.9	61.2	62.0
Indonesia	23.4	24.5	27.0	30.0	32.5	33.0	33.1	33.7	34.8
Korea	99.3	93.5	94.3	92.9	92.4	95.5	102.9	111.2	120.0
Malaysia	118.9	116.6	117.8	123.7	129.7	130.1	134.8	136.5	136.2
Philippines	30.4	29.9	31.9	33.6	35.8	39.3	41.9	44.0	45.6
Singapore	97.7	96.2	106.2	115.2	127.1	132.1	129.8	130.4	129.5
Taiwan	126.2	124.3	129.8	131.7	135.5	137.5	141.1	149.6	157.3
Thailand	111.1	110.2	122.1	128.9	136.3	140.4	142.3	146.1	148.7
Vietnam	103.3	114.7	101.8	94.8	96.8	100.3	109.3	114.8	119.4
Emerging Markets	**76.8**	**76.2**	**76.9**	**81.1**	**86.5**	**92.7**	**101.0**	**106.8**	**109.2**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(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, IHS Global Insight, Credit Suisse

Summary macroeconomic data: Fixed investment

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
	Fixed investment (% of GDP)								
LATIN AMERICA	**21.2**	**22.3**	**23.0**	**23.4**	**23.0**	**22.3**	**21.1**	**20.9**	**21.2**
Argentina	18.5	20.6	22.7	21.0	21.0	19.8	20.1	21.6	22.9
Brazil (1)	18.8	21.8	21.8	21.4	21.7	20.9	18.2	17.1	16.7
Chile	21.9	23.2	25.2	26.6	26.1	24.0	23.5	23.8	24.2
Colombia	23.7	24.5	27.4	27.4	27.6	29.5	29.2	29.4	30.4
Ecuador	22.6	21.7	23.1	24.5	25.6	27.1	27.6	26.9	25.4
Mexico	22.0	21.2	22.0	22.1	21.5	21.5	21.9	22.1	22.4
Peru	22.6	25.6	25.4	27.9	28.3	27.1	24.9	24.7	25.0
Venezuela	31.9	30.3	30.4	35.5	31.8	27.5	24.0	21.6	19.8
EEMEA	**20.5**	**20.8**	**21.5**	**21.2**	**20.7**	**21.0**	**21.3**	**21.2**	**21.7**
Czech Republic	27.3	26.9	26.7	26.1	25.5	25.5	26.3	26.3	26.0
Hungary	22.6	20.3	19.7	19.1	20.1	21.6	20.9	19.6	19.7
Israel	18.4	18.6	20.2	20.6	20.1	19.3	18.5	18.8	18.9
Kazakhstan	28.8	25.4	21.8	23.0	22.0	20.8	19.6	18.2	18.1
Nigeria (2)	na	16.6	15.5	14.2	14.2	15.1	16.9	18.4	20.0
Poland	21.0	20.1	20.9	20.2	19.7	21.0	21.5	21.7	22.2
Russia	17.3	20.8	23.1	22.9	21.1	21.1	20.9	18.7	19.1
Saudi Arabia	25.8	24.5	22.7	22.3	23.7	25.3	28.2	29.5	29.4
South Africa	21.5	19.3	18.7	18.8	20.0	20.3	20.6	20.5	20.3
Turkey	16.9	18.9	21.8	20.3	20.3	20.1	20.0	20.5	21.0
Ukraine	17.4	17.0	17.6	19.0	16.9	14.0	12.0	13.0	14.0
United Arab Emirates	28.9	25.0	21.7	22.5	22.6	23.7	22.3	22.2	23.1
EMERGING ASIA	**36.3**	**36.6**	**37.1**	**37.5**	**37.7**	**37.6**	**36.2**	**35.8**	**35.3**
China	44.2	44.3	44.2	44.5	44.7	44.5	41.8	41.2	40.5
Hong Kong	21.7	21.9	23.1	24.2	24.1	23.5	22.4	22.4	21.9
India	31.4	32.0	33.6	31.9	30.7	30.0	29.6	29.1	29.1
Indonesia	31.1	31.0	31.3	32.7	32.0	32.6	33.2	33.5	34.1
Korea	26.9	26.5	25.8	25.1	24.4	24.9	25.1	25.3	25.4
Malaysia	21.5	22.4	22.7	25.6	26.4	26.1	25.8	25.1	24.7
Philippines	19.0	20.5	19.6	20.4	21.4	21.5	23.1	23.3	23.7
Singapore	27.9	26.1	25.9	27.0	27.3	25.7	25.0	25.1	24.9
Taiwan	18.2	20.5	19.9	19.1	19.7	19.8	20.0	20.0	20.1
Thailand	20.5	24.0	25.9	27.0	25.4	24.8	24.9	25.1	25.5
Vietnam	33.9	32.6	26.8	24.2	23.6	23.8	24.2	23.7	23.1
Emerging Markets	**29.2**	**29.6**	**30.2**	**30.6**	**30.8**	**31.3**	**30.9**	**30.9**	**30.7**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(1) Gross fixed capital formation plus change in inventories. (2) Other than the line item for real GDP growth, other data do not reflect 4Q 2015 GDP supply-side data which were published on 8 March.

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

Summary macroeconomic data: FX reserves

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
	Central bank gross non-gold FX reserves ($bn)								
LATIN AMERICA	**481.0**	**563.4**	**663.5**	**723.6**	**731.1**	**747.6**	**714.4**	**718.8**	**734.5**
Argentina	46.0	49.7	43.2	40.0	28.2	29.1	24.5	29.9	33.9
Brazil	237.9	287.1	350.4	375.0	373.2	371.5	366.4	366.7	366.7
Chile	25.4	27.9	42.0	41.7	41.1	40.4	38.6	39.3	40.0
Colombia	24.6	28.3	31.9	36.9	43.1	46.7	46.2	45.7	45.2
Ecuador	2.9	1.4	1.7	1.1	3.3	3.0	1.9	2.4	2.8
Mexico	90.5	113.3	137.3	156.9	171.8	188.5	171.1	175.0	187.0
Peru	32.0	42.6	47.1	62.2	64.4	61.0	60.4	58.8	58.3
Venezuela	21.7	13.1	9.9	9.9	6.0	7.3	5.4	1.1	0.5
EEMEA	**1,269**	**1,378**	**1,498**	**1,688**	**1,782**	**1,639**	**1,502**	**1,425**	**1,378**
Czech Republic	41.6	42.5	40.3	44.9	56.2	54.5	64.5	67.5	65.0
Hungary	44.2	45.0	48.8	44.7	46.5	42.0	33.1	31.2	29.5
Israel	60.6	70.9	74.9	75.9	81.8	86.1	90.6	96.0	103.0
Kazakhstan	20.6	25.2	25.2	22.1	19.2	21.5	20.7	20.1	19.6
Nigeria	42.4	32.3	32.6	43.8	42.8	34.5	29.1	23.1	30.2
Poland	79.6	93.5	97.9	108.9	106.2	100.4	94.9	95.3	96.7
Russia	416.6	443.6	453.9	486.6	469.6	339.4	319.8	334.8	351.9
Saudi Arabia (1)	405.3	440.4	535.2	647.6	716.7	724.3	608.9	519.8	436.8
South Africa	35.3	38.2	42.6	44.0	44.8	44.3	41.5	42.3	44.5
Turkey	70.7	80.7	78.5	99.9	110.9	106.9	92.9	93.0	93.0
Ukraine	25.6	33.3	30.4	22.7	18.8	6.6	12.4	20.3	25.3
United Arab Emirates	26.1	32.8	37.3	47.0	68.2	78.4	93.7	82.0	82.8
EMERGING ASIA	**4,067**	**4,726**	**5,143**	**5,395**	**5,948**	**6,019**	**5,515**	**5,377**	**5,396**
China	2,399	2,847	3,181	3,312	3,821	3,843	3,330	3,096	3,025
Hong Kong	255.8	268.7	285.4	317.3	324.8	342.6	367.2	390.9	417.6
India	261.1	282.5	267.4	266.4	282.7	322.6	332.0	343.0	355.0
Indonesia	63.6	92.9	106.5	108.8	96.4	108.8	103.3	99.0	95.0
Korea (2)	269.9	291.5	304.2	323.2	341.7	358.8	363.2	399.2	438.3
Malaysia (3)	95.4	104.9	131.8	137.8	133.5	114.6	94.0	93.7	98.7
Philippines (3)	38.8	55.4	67.3	73.5	76.2	73.0	73.7	74.0	74.0
Singapore (3)	187.6	225.5	237.5	259.1	272.9	256.6	247.5	244.8	245.0
Taiwan (2)	343.4	376.8	380.5	397.9	411.6	413.7	420.8	438.4	455.1
Thailand (3)	135.5	167.5	167.4	173.3	161.3	151.3	152.2	169.2	164.2
Vietnam	16.4	12.5	13.5	25.6	25.9	34.2	30.7	28.6	27.7
Emerging Markets	**5,816**	**6,667**	**7,304**	**7,806**	**8,461**	**8,406**	**7,731**	**7,521**	**7,509**

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

(1) Net foreign assets of the Saudi Arabian Monetary Authority. (2) Central bank forex reserves minus monetary authorities' other liabilities. (3) Not including forward FX purchases.

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

Summary macroeconomic data: FX reserves

	2009	2010	2011	2012	2013	2014	2015E	2016F	2017F
	Central bank gross non-gold FX reserves (% of GDP)								
LATIN AMERICA	**12.4**	**12.0**	**12.1**	**13.0**	**13.1**	**13.9**	**16.2**	**18.5**	**18.3**
Argentina	12.2	10.7	7.7	6.6	4.5	5.4	4.2	6.9	6.8
Brazil	14.2	13.0	13.4	15.3	15.2	15.4	20.7	24.6	25.0
Chile	14.7	12.8	16.7	15.5	14.7	15.7	16.2	16.8	16.1
Colombia	10.5	9.9	9.5	10.0	11.3	12.4	15.9	17.8	16.7
Ecuador	4.6	2.1	2.1	1.2	3.5	2.9	1.9	2.3	2.6
Mexico	10.1	10.7	11.7	13.2	13.6	14.5	15.0	16.2	16.4
Peru	26.3	28.6	27.6	32.2	31.9	30.1	31.4	32.1	29.8
Venezuela	6.6	5.6	3.1	2.6	2.1	3.9	5.0	1.1	0.6
EEMEA	**28.5**	**26.3**	**25.0**	**26.2**	**27.1**	**28.4**	**30.1**	**29.4**	**26.9**
Czech Republic	20.1	20.5	17.7	21.7	27.0	26.5	35.5	35.7	32.9
Hungary	33.6	34.5	34.8	35.1	34.6	30.4	27.6	25.7	23.2
Israel	29.1	30.2	28.6	29.2	28.0	28.2	30.6	32.0	33.5
Kazakhstan	18.7	17.8	14.1	11.3	8.7	10.5	12.2	14.8	13.8
Nigeria	15.7	8.7	7.8	9.4	8.2	6.3	6.1	5.2	7.1
Poland	18.0	19.5	18.5	21.8	20.2	18.4	20.0	19.3	17.8
Russia	30.4	27.4	24.5	22.1	21.6	24.5	29.0	30.4	30.5
Saudi Arabia (1)	94.5	83.6	79.9	88.2	96.3	96.1	93.2	84.7	64.4
South Africa	11.8	10.2	10.2	11.1	12.2	12.6	13.2	16.0	16.6
Turkey	11.5	11.0	10.1	12.6	13.5	13.4	12.8	12.4	11.4
Ukraine	21.0	24.5	18.6	12.9	10.2	5.0	13.6	23.6	29.9
United Arab Emirates	10.3	11.5	10.7	12.6	17.6	19.6	24.7	23.5	21.3
EMERGING ASIA	**43.1**	**41.4**	**38.5**	**36.9**	**37.4**	**35.4**	**31.9**	**30.6**	**29.5**
China	47.4	46.8	42.6	39.0	40.0	37.2	31.1	28.3	27.0
Hong Kong	120.3	118.0	115.1	121.5	118.4	118.5	119.2	123.5	130.2
India	18.7	16.7	15.2	14.5	15.1	15.7	16.0	15.6	14.4
Indonesia	11.8	12.3	11.9	11.9	10.7	12.2	12.0	11.2	10.1
Korea (2)	30.0	26.7	25.3	26.0	26.2	26.0	27.2	31.0	34.1
Malaysia (3)	45.8	41.1	44.2	43.8	41.3	33.9	33.0	33.4	33.8
Philippines (3)	23.0	27.7	30.0	29.4	28.0	25.7	25.5	24.9	23.1
Singapore (3)	97.5	95.3	86.2	89.5	90.8	83.8	84.5	84.4	83.2
Taiwan (2)	87.6	84.5	78.4	80.4	79.4	78.6	81.2	87.5	90.6
Thailand (3)	51.4	52.5	45.6	47.4	38.9	37.4	38.9	43.8	41.1
Vietnam	15.5	10.8	10.0	16.4	15.1	18.4	15.5	13.5	12.0
Emerging Markets	**32.7**	**31.2**	**29.4**	**29.3**	**30.1**	**29.9**	**29.0**	**28.6**	**27.4**

Aggregates for regions and total emerging markets are weighted by IMF's nominal GDP figures in US dollars. The data for India are for fiscal years.

(1) Net foreign assets of the Saudi Arabian Monetary Authority. (2) Central bank forex reserves minus monetary authorities' other liabilities. (3) Not including forward FX purchases.

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

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Disclosure Appendix

Analyst Certification

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