DEVELOPED COUNTRIES

Macroeconomic outlook

Data as of 28/04/2021

Annual averages (%)	Real GDP growth %			Inflation (CPI, yoy, %)		
	2020	2021 range	2022 range	2020	2021	2022
World	**-3.5**	**5.7/6.5**	**3.7/4.5**	**2.6**	**2.9**	**3.1**
Developed countries	**-5.2**	**4.7/5.6**	**3.2/3.9**	**0.7**	**1.8**	**1.8**
US	**-3.5**	**6.5/7.9**	**3.5/4.4**	**1.3**	**2.6**	**2.5**
Japan	**-4.9**	**4.0/4.6**	**1.4/2.0**	**0.0**	**0.1**	**0.2**
UK	**-9.9**	**3.8/4.4**	**4.6/5.2**	**0.9**	**1.7**	**2.0**
Eurozone	**-6.8**	**3.0/3.6**	**3.2/3.9**	**0.3**	**1.4**	**1.5**
Germany	-5.0	2.8/3.4	2.6/3.2	0.5	1.8	1.5
France	-8.2	4.0/4.6	3.2/3.8	0.5	1.2	1.6
Italy	-8.9	3.0/3.6	2.7/3.3	-0.1	1.0	1.4
Spain	-11.0	3.9/4.5	4.2/4.8	-0.3	1.1	1.2

Source: Amundi Research

- **United States:** Thanks to an extremely accommodative policy mix, the US economy should return to pre-pandemic levels by mid-year. The easing of restrictions and broader vaccination campaigns, plus the build-up of extra savings, pose upside risks to our 2021 growth and inflation projections. The Build Back Better plan, with $2-4 Trn of infrastructure spending in 10 years, could lift GDP from next year while boosting potential growth in the medium to long term. Inflation is rising and should overshoot in the current quarter on transitory factors, before stabilising from 2022 at rates that should be slightly higher than before the pandemic.
- **Eurozone:** The speed of vaccination campaigns remains key. While it was resilient during the autumn-winter lockdowns, the economic recovery is likely to suffer setbacks due to the extension of restrictions into Q1 and Q2, a continued bumpy road to recovery and a very gradual reopening. We will probably see a significant acceleration in economic performance from the summer. Governments will continue to offer fiscal support until the recovery is on track, while the European Central Bank remains accommodative. Inflation should progress upward, remaining volatile on transitory factors, while also remaining below target at the end of the forecast horizon.
- **Japan:** The economic recovery is likely to outpace that of the Eurozone but underperform the US in 2021. We expect the export sector to remain the main driver of growth, benefiting from the global upcycle in capex. This was reflected in the surge of machinery orders early this year. However, the slow pace of vaccination and repeated outbreaks in major cities cast a shadow over the outlook for domestic demand. Hence, we expect inflation to stay close to zero. The pass-through of imported inflation from a weaker yen and rising commodity prices will be limited.
- **United Kingdom:** We expect the UK economy to contract in Q1 but its rapid vaccination campaign, covering 50% of the population by mid-April, has enabled the government to start gradually lifting restrictions and to plan for a full reopening by June 21. We expect the economy to pick up from Q2 and enjoy strong momentum in the second half of the year. Inflation should move higher on transitory factors, while remaining within target overall and not compromising the supportive monetary policy stance, which should work in tandem with the recently enhanced fiscal policy to steadily underpin the recovery.

Key interest rate outlook

	23-04 2021	Amundi +6M	Consensus +6M	Amundi +12M	Consensus +12M
US	**0.13**	**0/0.25**	**0.15**	**0/0.25**	**0.16**
Eurozone	**-0.52**	**-0.50**	**-0.52**	**-0.50**	**-0.52**
Japan	**-0.10**	**-0.1**	**-0.01**	**-0.1**	**-0.06**
UK	**0.10**	**0.1**	**0.11**	**0.1**	**0.13**

Source: Amundi Research

- **Fed:** In March the FOMC upgraded its projections of economic growth, employment and inflation but made no change in its projected path of interest rates, with still no rate hike until 2024 in the dots. The Fed was determined to signal patience, with a strong emphasis on its new reaction function and its commitment to sticking to near-zero rates until inflation is clearly headed above 2% and full employment has returned. The Fed reiterated that it will see the forthcoming strong inflation numbers as transitory, while, on the other hand, there was a strong focus on the full employment mandate. The growth assumption for 2021 could be revised upward if the FOMC lowers its Covid risk assessment in the next few months.
- **ECB:** As expected, the April meeting did not deliver any policy news, but the ECB remained dovish and reconfirmed its very accommodative monetary policy stance. The ECB President indicated a likely guidance close to EUR 85bn monthly PEPP purchases over the next few months, dismissed discussion about an eventual tapering as premature, and underlined with respect to other jurisdictions the need to maintain monetary stimulus for quite some time, as the economy still has a long way to go until it has "crossed the pandemic bridge". Despite some diverging views within the ECB about perspective stimulus as the economic recovery starts, the latest meeting confirmed an overall dovish stance.
- **BoJ:** The BoJ made several small changes to its policies at the March meeting, stressing policy sustainability. It confirmed an exit from frequent purchases of ETFs and J-REITs, communicated a wider band for 10yr JGB at +/-25bp around 0%, and enhanced the subsidy program to mitigate the impacts of NIRP. Since then, the BoJ has reduced JGB purchases and refrained from purchasing ETFs for most of April. In view of an export-led economic recovery amid a global capex upcycle in 2021, we expect the BoJ to continue to roll down its asset purchases on average.
- **BoE:** The March meeting saw no policy changes and a dovish tone persisted, although the BoE appears to be cautiously optimistic in its outlook. Like the Fed, the BoE does not look alarmed about the recent months' curve steepening, in line with Governor Bailey's comments, suggesting that rising yields reflect better growth prospects. At the same time, until trends in the economic picture are clearer, the BoE will keep targeting quite easy financing conditions, with the policy focus on QE rather than on other policy tools.

Monetary policy agenda

Central banks	Next meeting
Federal Reserve FOMC	**June 16**
ECB Governing Council	**June 10**
Bank of Japan MPM	**June 18**
Bank of England MPC	**May 6**

Source: Amundi Research

EMERGING COUNTRIES

Macroeconomic outlook

Data as of 28/04/2021

Annual averages (%)	Real GDP growth %			Inflation (CPI, yoy, %)		
	2020	2021 range	2022	2020	2021	2022
World	-3.5	5.7/6.5	3.7/4.5	2.6	2.9	3.1
Emerging countries	-2.2	6.3/7.1	4.0/5.0	4.0	3.8	4.0
Brazil	-4.1	3.1/4.1	1.5/3.5	3.2	6.5	4.0
Mexico	-8.2	4.4/5.4	1.9/3.9	3.4	4.3	3.3
Russia	-3.1	3.0/4.0	2.0/3.5	3.4	5.1	4.2
India	-7.1	9.0/10.2	5.2/6.6	6.6	5.2	6.1
Indonesia	-2.0	3.8/4.6	4.4/5.4	2.0	2.1	3.2
China	2.3	8.9/9.5	4.9/5.5	2.5	1.2	2.4
South Africa	-6.9	3.1/4.1	2.1/3.1	3.2	4.1	4.6
Turkey	1.6	3.6/4.6	3.7/4.7	12.3	15.7	11.6

Source: Amundi Research

- **China:** GDP grew 18.3% YoY in Q1, thanks to the low base last year. In sequential terms, growth eased to around 1.2% QoQ, seasonally adjusted, in Q1 from 3.4% in Q4 2020, based on our estimation, due to slower construction and services activities. With vaccinations accelerating and the pandemic under control, we expect services sector growth to pick up again and drive the overall economy in the rest of year. Recovering consumer demand and reduced slack in the labour market will strengthen core CPI gradually, while declining pork prices should keep headline inflation under control.
- **India:** the number of new daily infections in the country reached new records in April, including 350K in late April. Daily mobility figures have strongly decelerated, and lockdown enforcements are increasing marginally. Still, as the government is not keen to enforce a national lockdown as it did during the first wave, the impact on the economy is expected to be more limited than in 2020. In the meantime, the vaccination campaign has lately accelerated, even though the lack of doses per day could reduce the campaign pace. Universal vaccination is unlikely to arrive earlier than in 2022.
- **Brazil:** A number of inflection points are currently underway in Brazil. Covid dynamics are inflecting lower at elevated levels, while mobility is grinding higher, as social restrictions are eased. That should, in turn, allow the economy to pick up slack after softer March and April data. Annual inflation will not peak until the summer months and way above the target, but sequential inflation is already trending lower. That's good news for the BCB, which is trying to catch up with the curve by hiking in 75bps clips. Finally, the budget has finally been signed with partial vetoes in place.
- **Colombia:** Another Covid wave required tightening of mobility restrictions, which is likely to lean on growth at the turn of 1/2Q, which was otherwise doing quite well. Thanks to benign inflation dynamics, BanRep is in no hurry to renormalise, though base effects will take inflation towards the target over 2Q. Meanwhile, the authorities have announced the parameters of the much-needed tax reform that looks to enhance revenues by 1.4% of GDP (via VAT and income tax base broadening), to widen the safety net and to strengthen the fiscal rule. The proposal is very likely to be diluted, but to avoid a credit downgrade to sub-IG, net revenues will need to stay fairly close to 1% of GDP.

Key interest rate outlook

	27-04 2021	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
China	3.85	3.85	3.85	3.90	3.85
India	4.00	4.00	4.00	4.50	4.15
Brazil	2.75	5.50	5.00	6.00	5.60
Russia	5.00	5.75	5.00	6.00	5.20

Source: Amundi Research

- **PBoC (China):** Policies to defuse debt risks have gained traction, indicating that moderate deleverage is likely in 2021 under the overarching goal to control macro leverage. Specifically, while regulators warned of risks involving local financial institutions, the Ministry of Finance released new rules to contain contingent local government debt, encouraging local financing to detach further from LGFVs. Against the backdrop of tighter credit conditions, interbank liquidity is holding steady, and we expect the PBoC to continue to anchor rates around its desired levels to avoid over-tightening.
- **RBI (India):** On 7 April, the MPC unanimously held the policy repo rate at 4%. In the latest period, India went through a resurgence in the virus, weakening its economic recovery, and a still mild spike in prices (with the commodity-driven WPI spiking at 7.4% YoY in March). As far as domestic economic conditions and global financial conditions are concerned, we reiterate our conviction for the RBI in the current year. On the liquidity front, the RBI laid out the strategy for 2021-22 and introduced a secondary market G-sec acquisition programme (G-SAP 1.0).
- **BCB (Brazil):** The bigger-than-expected hike by in March (75bps vs 50bps) to 2.75% was accompanied by another pre-announced hike of the same size at the next meeting on 5 May. The front-loading, according to the BCB, is needed to prevent fast-rising inflation (base- and energy-driven, mostly) from moving above the target in 2022. Importantly, however, the BCB sees the current adjustment as merely a part of partial renormalisation. We partially agree but see rates rising faster and closer to neutral this year (5.50%) on account of build-up of inflationary pressures and rising inflation expectations.
- **CBR (Russia):** On 23 April, the CBR hiked its policy rate again by 50bps to 5%, slightly higher than expected. The CBR mentioned in its press release a number of factors leading to this decision, including a faster-than-expected recovery in domestic demand, better external demand prospects, and elevated inflationary expectations and pro-inflationary risks. Inflation was 5.8% YoY in March and is expected to be at 5.5% in April. The CBR had a more hawkish tone and remains open to further increases in the policy rate. It now expects inflation to return to the 4% target only in late H1-2022. We now expect no more than 100bps in hikes over the next 12 months.

Monetary policy agenda

Central banks	Next communication
PBoC	**May 20**
RBI	**June 4**
BCB Brazil	**May 5**
CBR	**June 11**

Source: Amundi Research

MACRO AND MARKET FORECASTS

Macroeconomic forecasts (28 April 2021)

Annual averages (%)	Real GDP growth % 2020	2021 range	2022 range	Inflation (CPI, yoy, %) 2020	2021	2022
US	**-3.5**	**6.5/7.9**	**3.5/4.4**	**1.3**	**2.6**	**2.5**
Japan	**-4.9**	**4.0/4.6**	**1.4/2.0**	**0.0**	**0.1**	**0.2**
Eurozone	**-6.8**	**3.0/3.6**	**3.2/3.9**	**0.3**	**1.4**	**1.5**
Germany	-5.0	2.8/3.4	2.6/3.2	0.5	1.8	1.5
France	-8.2	4.0/4.6	3.2/3.8	0.5	1.2	1.6
Italy	-8.9	3.0/3.6	2.7/3.3	-0.1	1.0	1.4
Spain	-11.0	3.9/4.5	4.2/4.8	-0.3	1.1	1.2
UK	**-9.9**	**3.8/4.4**	**4.6/5.2**	**0.9**	**1.7**	**2.0**
Brazil	**-4.1**	**3.1/4.1**	**1.5/3.5**	**3.2**	**6.5**	**4.0**
Mexico	**-8.2**	**4.4/5.4**	**1.9/3.9**	**3.4**	**4.3**	**3.3**
Russia	**-3.1**	**3.0/4.0**	**2.0/3.5**	**3.4**	**5.1**	**4.2**
India	**-7.1**	**9.0/10.2**	**5.2/6.6**	**6.6**	**5.2**	**6.1**
Indonesia	**-2.0**	**3.8/4.6**	**4.4/5.4**	**2.0**	**2.1**	**3.2**
China	**2.3**	**8.9/9.5**	**4.9/5.5**	**2.5**	**1.2**	**2.4**
South Africa	**-6.9**	**3.1/4.1**	**2.1/3.1**	**3.2**	**4.1**	**4.6**
Turkey	**1.6**	**3.6/4.6**	**3.7/4.7**	**12.3**	**15.7**	**11.6**
Developed countries	**-5.2**	**4.7/5.6**	**3.2/3.9**	**0.7**	**1.8**	**1.8**
Emerging countries	**-2.2**	**6.3/7.1**	**4.0/5.0**	**4.0**	**3.8**	**4.0**
World	**-3.5**	**5.7/6.5**	**3.7/4.5**	**2.6**	**2.9**	**3.1**

Key interest rate outlook

Developed countries

	23/04/2021	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
US	**0.13**	**0/0.25**	**0.15**	**0/0.25**	**0.16**
Eurozone	**-0.52**	**-0.50**	**-0.52**	**-0.50**	**-0.52**
Japan	**-0.10**	**-0.1**	**-0.01**	**-0.1**	**-0.06**
UK	**0.10**	**0.1**	**0.11**	**0.1**	**0.13**

Emerging countries

	27/04/2021	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
China	**3.85**	**3.85**	**3.85**	**3.90**	**3.85**
India	**4.00**	**4.00**	**4.00**	**4.50**	**4.15**
Brazil	**2.75**	**5.50**	**5.00**	**6.00**	**5.60**
Russia	**5.00**	**5.75**	**5.00**	**6.00**	**5.20**

Long rate outlook

2Y. Bond yield

	23/04/2021	Amundi +6M	Forward +6M	Amundi +12 M	Forward +12 M
US	**0.16**	**0.15/0.25**	**0.31**	**0.20/0.35**	**0.46**
Germany	**-0.69**	**-0.70/-0.50**	**-0.72**	**-0.70/-0.50**	**-0.73**
Japan	**-0.13**	**-0.20/-0.10**	**-0.15**	**-0.20/-0.10**	**-0.16**
UK	**0.05**	**0/0.25**	**0.12**	**0/0.25**	**0.22**

10Y. Bond yield

	23/04/2021	Amundi +6M	Forward +6M	Amundi +12 M	Forward +12 M
US	**1.58**	**1.5/1.8**	**1.70**	**1.8/2.0**	**1.84**
Germany	**-0.25**	**-0.40/-0.20**	**-0.19**	**-0.20/-0.0**	**-0.14**
Japan	**0.07**	**0/0.20**	**0.11**	**0/0.20**	**0.15**
UK	**0.76**	**0.7/0.9**	**0.90**	**0.9/1.1**	**0.99**

Currency outlook

	26/04/2021	Amundi Q3 2021	Consensus Q3 2021	Amundi Q1 2022	Consensus Q1 2022
EUR/USD	**1.21**	**1.18**	**1.20**	**1.16**	**1.22**
USD/JPY	**108**	**112**	**108**	**114**	**107**
EUR/GBP	**0.87**	**0.84**	**0.85**	**0.86**	**0.86**
EUR/CHF	**1.10**	**1.12**	**1.11**	**1.12**	**1.12**
EUR/NOK	**10.02**	**9.64**	**9.90**	**10.16**	**9.80**

	26/04/2021	Amundi Q3 2021	Consensus Q3 2021	Amundi Q1 2022	Consensus Q1 2022
EUR/SEK	**10.13**	**9.97**	**10.00**	**10.31**	**9.87**
USD/CAD	**1.24**	**1.22**	**1.25**	**1.26**	**1.25**
AUD/USD	**0.78**	**0.80**	**0.78**	**0.75**	**0.79**
NZD/USD	**0.72**	**0.72**	**0.73**	**0.68**	**0.74**
USD/CNY	**6.49**	**6.50**	**6.50**	**6.60**	**6.42**

Source: Amundi Research

DISCLAIMER TO OUR FORECASTS

The uncertainty around the macro forecasts is very high, and it triggers frequent reassessments any time fresh high frequency data are available. Our macroeconomic forecasts at this point include a higher qualitative component, reducing the statistical accuracy and increasing the uncertainty through wider ranges around them.

METHODOLOGY

– **Scenarios**

The probabilities reflect the likelihood of financial regimes (central, downside and upside scenario) which are conditioned and defined by our macro-financial forecasts.

– **Risks**

The probabilities of risks are the outcome of an internal survey. Risks to monitor are clustered in three categories: Economic, Financial and (Geo)politics. While the three categories are interconnected, they have specific epicentres related to their three drivers. The weights (percentages) are the composition of highest impact scenarios derived by the quarterly survey run on the investment floor.

Amundi Research Center

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