

## DEVELOPED COUNTRIES

## Macroeconomic outlook

Annual averages (%)	Data as of 22/06/2021					
	Real GDP growth %			Inflation (CPI, yoy, %)		
	2020	2021	2022 range	2020	2021	2022
<b>World</b>	-3.5	5.9/6.7	3.7/4.6	2.6	3.2	3.2
<b>Developed countries</b>	-5.2	5.3/6.0	3.4/4.1	0.7	2.3	2.0
<b>US</b>	-3.5	6.9/8.1	3.5/4.5	1.3	3.5	2.7
<b>Japan</b>	-4.9	2.9/3.1	2.8/3.4	0.0	-0.4	0.6
<b>UK</b>	-9.8	5.5/6.1	4.5/5.1	0.9	1.6	2.2
<b>Eurozone</b>	-6.7	4.1/4.7	3.2/3.9	0.3	2.0	1.6
<b>Germany</b>	-5.1	2.7/3.4	3.6/4.2	0.5	2.5	1.6
<b>France</b>	-8.0	5.6/6.4	3.5/4.1	0.5	1.7	1.6
<b>Italy</b>	-8.9	4.0/4.9	3.2/3.8	-0.1	1.5	1.5
<b>Spain</b>	-10.8	4.6/5.4	4.6/5.2	-0.3	1.9	1.4

Source: Amundi Research

- **United States:** thanks to an extremely accommodative policy mix, the US economy will continue to recover strongly. While GDP most likely has reached pre-pandemic levels already, the labour market is recovering at a slower pace, which should pick up from Q3. While inflation is expected to peak in Q2 and then progressively decelerate, we have revised up our inflation outlook for 2021-22 on signs of somewhat more persistent, yet transitory in nature, upside pressures. The Fed will most likely keep considering these developments in line with its goal and keep an accommodative policy stance..
- **Eurozone:** after contracting in Q1 as a consequence of restrictions implemented in several countries, we expect moderate growth in Q2 as restrictions are removed, followed by a stronger acceleration from the summer as restrictions are broadly lifted, vaccination campaigns progress, and consumer and business confidence improve. Fiscal and monetary policy mix will remain accommodative, underpinning the recovery. Inflation should progress along an upward trend, due mainly to a transitory effect, overshooting in Q4 before reverting again below trend in 2022
- **Japan:** after the Q1 GDP miss and the low vaccination rate, we now expect Japan to grow at a relatively slower pace than the other DMs in 2021. Herd immunity is likely to be achieved at the end of the year, delaying any meaningful consumption recovery to early 2022. Meanwhile, Japan will continue to benefit from resilient external demand, in particular machinery orders from China and capital goods orders from the US. Global capex cycle bodes well for Japanese corporate earnings growth. Inflation will stay depressed, due to a soft recovery in domestic demand.
- **United Kingdom:** although the government has postponed the full reopening of the economy into mid-July to counter the spread of a new virus variant, signals of economic revival persist strong, confirming our expectations for growth to pick up from Q2, with strong momentum in the second half of the year. Inflation, which recently surprised on the upside for several transitory factors, is expected to persist above the target this year and next, yet without compromising the supportive monetary and fiscal policy mix.

## Key interest rate outlook

	25-06 2021	Amundi +6M	Consensus +6M	Amundi +12M	Consensus +12M
<b>US</b>	0.13	0/0.25	0.11	0/0.25	0.19
<b>Eurozone</b>	-0.50	-0.50	-0.51	-0.50	-0.51
<b>Japan</b>	-0.03	-0.1	-0.04	-0.1	-0.04
<b>UK</b>	0.10	0.1	0.11	0.1	0.23

Source: Amundi Research

- **Fed:** the Fed is preparing the ground for a normalisation of its QE policy. It should start talking about QE in August/September and start tapering asset purchases in early 2022. The language on inflation has shifted to more explicitly acknowledging upside risks. The dots now show two rate hikes in 2023, but we should keep in mind that they are not a forward guidance but individual projections. The big uncertainty remains on how inflation will involve and what kind of inflationary pressure could result from a strong expansion and a tightening of resource utilisation across the whole economy and how long could it last.
- **ECB:** at its June meeting the ECB confirmed its PEPP purchases at a significantly higher pace than in the first months of the year. As broadly pre-announced, there is no sign of tapering for now, and policy remains ultra-easy. Revisions to the economic outlook improved for 2021 and 2022, while still pointing to unchanged and lower-than-targeted inflation levels in 2023. Monetary stimulus is expected to remain in place and, in this respect, the September meeting is likely to provide more guidance on stimulus deployment in Q4-'21 and in 2022.
- **BoJ:** on 18 June, BoJ left major policies unchanged, and extended corporate financing support by another six months to March 2022, as expected. The support includes the special financing program in response to Covid-19, with a current amount of JPY 68.6trn, and up to JPY 20trn in purchases of commercial paper and corporate bonds. Governor Kuroda maintains a cautiously optimistic outlook, noting that the economy is improving and that inflation will eventually pick up after vaccinations reach a critical level. With current slow vaccination, BoJ will stay behind the curve in 2021.
- **BoE:** at its latest meeting, the Bank of England kept the overall target for its asset purchase programme unchanged at GBP 895bn, despite one member's voting in favour of reducing the overall size. At the same time, since QE in the UK is not open-ended and since its bond buying is well ahead of schedule, the BoE announced a slowdown in its pace of bond buying. Despite a notable upward revision to the 2021 GDP forecast, from 5% to 7.25%, the MPC sent an overall dovish message as tightening remains a long way off.

## Monetary policy agenda

Central banks	Next meeting
<b>Federal Reserve FOMC</b>	July 28
<b>ECB Governing Council</b>	July 22
<b>Bank of Japan MPM</b>	July 16
<b>Bank of England MPC</b>	August 5

Source: Amundi Research

## EMERGING COUNTRIES

## Macroeconomic outlook

Annual averages (%)	Data as of 22/06/2021					
	Real GDP growth %			Inflation (CPI, yoy, %)		
	2020	2021	2022	2020	2021	2022
		range				
World	-3.5	5.9/6.7	3.7/4.6	2.6	3.2	3.2
Emerging countries	-2.2	6.4/7.2	4.0/4.9	4.0	3.9	4.1
China	2.3	8.6/9.2	5.1/5.7	2.5	1.1	2.4
Brazil	-4.1	4.9/5.9	1.0/3.0	3.2	6.9	4.3
Mexico	-8.3	5.8/6.8	2.0/4.0	3.4	5.1	4.1
Russia	-3.1	3.0/4.5	2.0/3.5	3.4	5.5	4.4
India	-7.1	9.0/10.2	4.6/6.0	6.6	5.5	6.0
Indonesia	-2.0	3.8/4.6	4.6/5.6	2.0	2.1	3.2
South Africa	-6.9	3.6/4.6	2.0/3.0	3.2	4.4	4.7
Turkey	1.6	4.3/5.3	3.7/4.7	12.3	15.3	11.4

Source: Amundi Research

- **China:** growth was once again weaker than expected in May. Industrial output growth also slid at a faster-than-expected rate, but we believe part of the weakness can be attributed to supply restrictions in the run-up to the 100th CCP anniversary on 1 July. That said, consumption growth was soft and the tourism recovery stalled in June due to renewed restrictions amid outbreaks in Southern China. As a result, we have downgraded our full-year growth forecast by 0.3 pt to 8.9%. On the inflation front, we expect commodity inflation risks to ease and CPI to remain weak in Q3 given falls in pork prices.
- **India:** the deceleration of the pandemic and partial lifting of restrictions has triggered a gradual yet persistent recovery in mobility data. Few monthly figures are available, but they still pointed to economic moderation in May and are consistent with a downward GDP revision in the range of 9%-10% YoY for FY22. The unexpected sharp rise in inflation (from Input prices to Core Prices) leaves little leeway in terms of monetary policy, while on the fiscal front small schemes have been announced or extended (Food program until November, free Vaccine for all, Rural jobs scheme).
- **Brazil:** mobility and activity have rebounded, and consensus revised '21 GDP forecast visibly higher – we see growth slightly north of 5%. Inflation already above 8%Y has yet to peak and also showing signs of second-order effects. BCB mindful of upside risk to price creation has dropped 'partial' w.r.t. renormalisation, hiked by 75 bp (to 4.25%) and 'pre-announced' another 75 bp hike (but is ready to quicken the pace if necessary). The administration will likely extend emergency income by another 3 months but further fiscal slippage is less concerning in light of lower debt ratio (on higher denominator) and progressing macro/micro reforms.
- **Russia:** the Russian economy is in rapid recovery mode, with real GDP expected to return to its pre-crisis level in Q2-2021. GDP growth is expected to be around 3.5% or even higher in 2021. While supply is expanding, demand pressures – both domestic and international – have been stronger, leading to an acceleration in inflation. May inflation reached 6% yoy, accelerating from 5.8% in April -- well above the target range of 4%. The CBR hiked the policy rate again by 50 bp to 5.5% on 11 June. According to the CBR, inflation is expected to return to target only in H2-2022. Given that the balance of risk is tilted toward more pro-inflationary risks, we expect more hikes at the July meeting.

## Key interest rate outlook

	28-06 2021	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
China	3.85	3.85	4.02	3.95	4.27
India	4.00	4.25	4.00	4.50	4.20
Brazil	4.25	7.00	6.25	7.00	6.45
Russia	5.50	6.25	6.10	6.25	6.10

Source: Amundi Research

- **PBoC (China):** at the Lujiazui Forum, PBoC Governor Yi conveyed a clear message that the Bank will look at average inflation rates instead of the recent high levels in the PPI. Hence, we expect the PBoC to stay behind the curve in H2, in particular as growth recovery momentum has slowed and inflation risks are easing. We expect two 5bp hikes in the LPR in H1 2022, when core CPI rises over 2%. In the interbank market, the PBoC has become less accommodative than a month ago, withdrawing from injecting extra liquidity amid rising government bond issuance, which caused rates to rise gradually.
- **RBI (India):** the RBI confirmed its dovish stance in early June, leaving the reference rate unchanged at 4% while announcing the extension of its QE programme (G-SAP) for Q2 FY22 (INR 1.2tn – slightly larger than in Q1 FY22). On top of that, the RBI has opened a new window of fresh lending for contact-sensitive sectors and for micro/small and medium enterprises through the Small Industries Development Bank. Since then, a set of higher inflation figures (headline inflation announced at 6.3% YoY in May) came as a surprise, paving the way for a shift towards a more neutral stance from the RBI.
- **BCB (Brazil):** while the Fed was busy reshuffling dots, the BCB was preoccupied with hiking (a further 75bps hike to 4.25%) – 'pre-announcing' another hike of a similar size in August (though it is ready to quicken the pace of normalisation if inflation expectations continue to deteriorate) and dropping its reference to 'PARTIAL' normalisation. Its policy committee Copom is now steadily heading back to neutral to dampen inflation pressures and second order effects. We are pencilling in a full/6.50% normalisation by October and see a fair chance of another hike in December (of 50bps), which would make the stance slightly less neutral and more contractionary.
- **CBR (Russia):** the CBR hiked the policy rate again by 50bps to 5.5% on 11 June. The tone was more hawkish than in the past, as according to the CBR, inflationary pressures have intensified. While real GDP will return to its pre-crisis level in Q2, demand, both domestically and internationally, is outpacing supply. May inflation reached 6% yoy, up from 5.8% in April and well above the target of 4%. According to the CBR, inflation is only expected to return to target in H2-2022. Given that the balance of risk is tilted toward more pro-inflationary risks, we expect more rate hikes at the July meeting.

## Monetary policy agenda

Central banks	Next communication
PBoC	July 20
RBI	August 6
BCB Brazil	August 4
CBR	July 23

Source: Amundi Research

## MACRO AND MARKET FORECASTS

## Macroeconomic forecasts

(22 June 2021)

Annual averages (%)	Real GDP growth %			Inflation (CPI, yoy, %)		
	2020	2021	2022	2020	2021	2022
	range					
US	-3.5	6.9/8.1	3.5/4.5	1.3	3.5	2.7
Japan	-4.9	2.9/3.1	2.8/3.4	0.0	-0.4	0.6
Eurozone	-6.7	4.1/4.7	3.2/3.9	0.3	2.0	1.6
Germany	-5.1	2.7/3.4	3.6/4.2	0.5	2.5	1.6
France	-8.0	5.6/6.4	3.5/4.1	0.5	1.7	1.6
Italy	-8.9	4.0/4.9	3.2/3.8	-0.1	1.5	1.5
Spain	-10.8	4.6/5.4	4.6/5.2	-0.3	1.9	1.4
UK	-9.8	5.5/6.1	4.5/5.1	0.9	1.6	2.2
China	2.3	8.6/9.2	5.1/5.7	2.5	1.1	2.4
Brazil	-4.1	4.9/5.9	1.0/3.0	3.2	6.9	4.3
Mexico	-8.3	5.8/6.8	2.0/4.0	3.4	5.1	4.1
Russia	-3.1	3.0/4.5	2.0/3.5	3.4	5.5	4.4
India	-7.1	9.0/10.2	4.6/6.0	6.6	5.5	6.0
Indonesia	-2.0	3.8/4.6	4.6/5.6	2.0	2.1	3.2
South Africa	-6.9	3.6/4.6	2.0/3.0	3.2	4.4	4.7
Turkey	1.6	4.3/5.3	3.7/4.7	12.3	15.3	11.4
Developed countries	-5.2	5.3/6.0	3.4/4.1	0.7	2.3	2.0
Emerging countries	-2.2	6.4/7.2	4.0/4.9	4.0	3.9	4.1
World	-3.5	5.9/6.7	3.7/4.6	2.6	3.2	3.2

## Key interest rate outlook

## Developed countries

	25/06/2021	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
US	0.13	0/0.25	0.11	0/0.25	0.19
Eurozone	-0.50	-0.50	-0.51	-0.50	-0.51
Japan	-0.03	-0.1	-0.04	-0.1	-0.04
UK	0.10	0.1	0.11	0.1	0.23

## Emerging countries

	28/06/2021	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
China	3.85	3.85	4.02	3.95	4.27
India	4.00	4.25	4.00	4.50	4.20
Brazil	4.25	7.00	6.25	7.00	6.45
Russia	5.50	6.25	6.10	6.25	6.10

## Long rate outlook

## 2Y. Bond yield

	25/06/2021	Amundi +6M	Forward +6M	Amundi +12 M	Forward +12 M
US	0.27	0.20/0.35	0.47	0.35/0.50	0.68
Germany	-0.65	-0.70/-0.50	-0.67	-0.70/-0.50	-0.66
Japan	-0.11	-0.20/-0.10	-0.11	-0.20/-0.10	-0.14
UK	0.08	0/0.25	0.22	0.25/0.5	0.31

## 10Y. Bond yield

	25/06/2021	Amundi +6M	Forward +6M	Amundi +12 M	Forward +12 M
US	1.49	1.8/2.0	1.64	2.1/2.3	1.76
Germany	-0.18	-0.20/-0.0	-0.13	-0.10/+0.1	-0.06
Japan	0.05	0/0.20	0.10	0/0.20	0.13
UK	0.75	0.9/1.1	0.93	1.1/1.3	1.01

## Currency outlook

	25/06/2021	Amundi Q4 2021	Consensus Q4 2021	Amundi Q2 2022	Consensus Q2 2022
EUR/USD	1.19	1.17	1.21	1.16	1.24
USD/JPY	111	113	109	114	110
EUR/GBP	0.86	0.85	0.85	0.85	0.85
EUR/CHF	1.09	1.11	1.12	1.11	1.13
EUR/NOK	10.14	9.83	9.83	10.19	9.80
	25/06/2021	Amundi Q4 2021	Consensus Q4 2021	Amundi Q2 2022	Consensus Q2 2022
EUR/SEK	10.13	9.97	9.95	10.23	9.90
USD/CAD	1.23	1.20	1.22	1.24	1.21
AUD/USD	0.76	0.79	0.78	0.74	0.79
NZD/USD	0.71	0.71	0.74	0.68	0.75
USD/CNY	6.46	6.55	6.39	6.65	6.30

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



Find out more about  
Amundi publications  
[research-center.amundi.com](https://research-center.amundi.com)

Emerging Private Equity  
Money Markets Find Monetary  
Foreign Top-down Policies  
Exchange Corporate Equities Bottom-up  
Sovereign Bonds Forecasts  
ESG Fixed Income Yield Real Estate  
Quant Investment Asset  
Strategies Allocation

### DISCLAIMER

This document is solely for informational purposes.

This document does not constitute an offer to sell, a solicitation of an offer to buy, or a recommendation of any security or any other product or service. Any securities, products, or services referenced may not be registered for sale with the relevant authority in your jurisdiction and may not be regulated or supervised by any governmental or similar authority in your jurisdiction.

Any information contained in this document may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices.

Furthermore, nothing in this document is intended to provide tax, legal, or investment advice.

Unless otherwise stated, all information contained in this document is from Amundi Asset Management SAS and is as of 29 June 2021. Diversification does not guarantee a profit or protect against a loss. This document is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The views expressed regarding market and economic trends are those of the author and not necessarily Amundi Asset Management SAS and are subject to change at any time based on market and other conditions, and there can be no assurance that countries, markets or sectors will perform as expected. These views should not be relied upon as investment advice, a security recommendation, or as an indication of trading for any Amundi product. Investment involves risks, including market, political, liquidity and currency risks.

Furthermore, in no event shall any person involved in the production of this document have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

Date of first use: 2 July 2021.

Document issued by Amundi Asset Management, "société par actions simplifiée"- SAS with a capital of €1,086,262,605 - Portfolio manager regulated by the AMF under number GP04000036 - Head office: 90 boulevard Pasteur - 75015 Paris - France - 437 574 452 RCS Paris - [www.amundi.com](http://www.amundi.com)

Photo credit: ©MDelporte - iStock/Getty Images Plus - Thongkoch Chutpattarachai

### Chief editor

**BLANQUÉ Pascal**, Group Chief Investment Officer

### Editor

**DEFEND Monica**, Global Head of Research

### Deputy-Editors

**BLANCHET Pierre**, Head of Investment Intelligence

**BOROWSKI Didier**, Head of Global Views

### With Global Research contributors

**AINOUZ Valentine**, Deputy Head of Developed Markets Strategy Research, CFA

**BERARDI Alessia**, Head of Emerging Macro and Strategy Research

**BERTONCINI Sergio**, Senior Fixed Income Research Strategist

**BLANCHET Pierre**, Head of Investment Intelligence

**BOROWSKI Didier**, Head of Global Views

**CESARINI Federico**, Head of DM FX, Cross Asset Research Strategist

**DROZDZIK Patryk**, Senior EM Macro Strategist

**GEORGES Delphine**, Senior Fixed Income Research Strategist

**HERVÉ Karine**, Senior EM Macro Strategist

**HUANG Claire**, Senior EM Macro Strategist

**PERRIER Tristan**, Global Views

**PORTELLI Lorenzo**, Head of Cross Asset Research

**USARDI Annalisa**, Senior Economist Cross Asset Research

**VANIN GREGORIO**, Cross Asset Research Analyst

**VARTANESYAN Sisi**, Senior Sovereign Analyst

### With the Amundi Insights Unit contribution

**BERTINO Claudia**, Head of Amundi Investment Insights Unit

**CARULLA POL**, Amundi Investment Insights Unit

**FIOROT Laura**, Deputy Head of Amundi Investment Insights Unit

**DHINGRA Ujjwal**, Amundi Investment Insights Unit

**PANELLI Francesca**, Amundi Investment Insights Unit

### Conception & production

**BERGER Pia**, Research

**PONCET Benoit**, Research

Document for the exclusive attention of professional clients, investment services providers and any other professional of the financial industry