

DEVELOPED COUNTRIES

Macroeconomic outlook

Annual averages (%)	Data as of 28/09/2021							
	Real GDP growth %				Inflation (CPI, yoy, %)			
	2020	2021	2022	2023	2020	2021	2022	2023
World	-3.3	6.0	4.1	3.3	2.6	3.6	3.6	3.2
Developed countries	-5.1	5.1	3.7	2.0	0.8	2.8	2.5	2.1
US	-3.4	6.0	3.6	2.0	1.3	4.3	3.2	2.7
Japan	-4.9	2.4	2.6	0.9	0.3	-0.4	0.6	0.6
UK	-9.8	6.6	4.7	2.4	0.9	2.4	3.6	2.3
Eurozone	-6.5	4.7	4.1	2.3	0.3	2.4	2.1	1.8
Germany	-4.9	2.9	3.9	2.0	0.4	3.1	2.1	1.7
France	-8.0	6.2	3.8	1.9	0.5	2.0	2.3	1.8
Italy	-8.9	6.1	4.6	1.8	-0.1	1.7	2.2	1.7
Spain	-10.8	6.3	6.2	3.3	-0.3	2.5	2.3	1.8

Source: Amundi Research

- **United States:** the economy is progressively decelerating towards a more sustainable pace of growth although remains at a pace still above potential. High-frequency indicators point to a flattening of activity in Q3, likely due in part to the fading of fiscal support and in part to the virus resurgence. Yet, the outlook for US consumer and domestic demand remains solid as the labour market progressively improves. Inflation is expected to show persistence above 3% (headline CPI) till mid-2022, without derailing our Fed outlook. Negotiations are still progressing on the debt ceiling and the sizing of the infrastructure plan.
- **Eurozone:** after a positive surprise in Q2, the Eurozone economy is expected to post another strong Q3 GDP, although high-frequency indicators now point to flattering levels still below pre-crisis ones. Recovery in the service sector is still lagging, like services consumption. Looking ahead, the implementation of the NGEU plans will support above-potential growth leading to a faster recovery to pre-pandemic levels (by mid-2022). Inflation will keep rising across the Eurozone, receiving a further boost from gas and energy prices, especially as the winter season approaches. We have revised up our inflation projections for 2022.
- **Japan:** the Delta variant and supply chain constraints have disrupted Japan's recovery in Q3. The state of emergency has been extended, causing falls in mobility and household confidence, while the auto sector has had to cut production due to component supply bottlenecks. Inflation readings remain negative, due to the one-off rebasing and previous change in mobile phone charges. That said, the outlook has brightened up as reopening moves closer. The country is on track for a 75% full vaccination rate in October, paving the way for a lift of social distancing rules.
- **United Kingdom:** despite the spread of the Delta variant, the UK economy is progressing along its recovery path, although activity indicators show a flattening below pre-pandemic levels, in line with what is happening in other European countries. The labour market is improving but with the expiring of furlough schemes it will be crucial to see next month's developments to evaluate the full impact on domestic demand. The economy is projected to experience a more pronounced period of above-target inflation in the near term as the rapid recovery in demand has eroded spare capacity, while energy and other base effects persists on top of supply bottlenecks.

Key interest rate outlook

	29-09 2021	Amundi +6M	Consensus +6M	Amundi +12M	Consensus +12M
US	0.13	0/0.25	0.13	0/0.25	0.24
Eurozone	-0.50	-0.50	-0.51	-0.50	-0.47
Japan	-0.04	-0.1	-0.04	-0.1	-0.03
UK	0.10	0.10	0.11	0.35	0.59

Source: Amundi Research

- **Fed:** at the September FOMC meeting, Powell signalled that the reduction in asset purchases could begin as early as November, to end the program by mid-2022. The Fed is expected to reduce its purchases at a rate of \$15 billion per month until June. In addition, median interest rate projections by FOMC members rose more than expected. The Fed is increasingly confident that it will start raising rates towards the end of 2022 or early 2023, at a pace of three to four hikes per year. Inflation forecasts have been revised upwards, with Core PCE at 2.3% in 2022 and 2.2% in 2023. Inflation is likely to be the determining factor in the timing of the first rate hike and the pace of further rate hikes. If core inflation surprises on the upside in 2022, the first rate hike could take place at the end of 2022.
- **ECB:** at its September meeting the ECB announced the recalibration of its PEPP for the remainder of the year, postponing to December any decision on 2022 QE. An only "moderately lower" path is likely to mean a slowdown in Q4 to higher levels than in Q1, probably close to a EUR 70bn monthly path. A lower level of purchases vs Q2's and Q3's EUR 80bn would be consistent with the combination of current financing conditions and the improved macro picture. We expect the ECB to keep its dovish stance and its stimulus beyond March next year, mainly by increasing the size of APP.
- **BoJ:** the BoJ left policies unchanged as expected at its September monetary policy meeting, noting that some exports and production have been affected by supply-side constraints. We expect the BoJ to remain on put while other DM central banks forge ahead with tapering later this year. It is too early for BoJ to start the discussion on policy normalisation, since Japan's economic recovery has been slower than other DMs, and inflation remains negative. It is projected to rise gradually in the medium term but is still a long way from reaching the 2% target.
- **BoE:** at its most recent meeting, the MPC voted to maintain unchanged the full QE programme to be conducted by yearend, confirming the current stimulus in place, but at the same time the minutes were surprising hawkish on forward guidance on rates, hinting at an earlier tightening. In light of this shift, we expect the BoE to start normalising rates in Q3 next year, likely to calibrate the timing mainly on the back of labour market developments over the next months, as most of the uncertainties are still focused on the impact of the approaching end of the furlough scheme on unemployment.

Monetary policy agenda

Central banks	Next meeting
ECB Governing Council	October 28
Bank of Japan MPM	October 28
Federal Reserve FOMC	November 3
Bank of England MPC	November 4

Source: Amundi Research

EMERGING COUNTRIES

Macroeconomic outlook

Data as of 28/09/2021									
Annual averages (%)	Real GDP growth %				Inflation (CPI, yoy, %)				
	2020	2021	2022	2023	2020	2021	2022	2023	
World	-3.3	6.0	4.1	3.3	2.6	3.6	3.6	3.2	
Emerging countries	-2.0	6.7	4.4	4.2	3.9	4.2	4.4	4.0	
China	2.3	8.3	4.9	4.8	2.5	0.9	2.1	1.7	
Brazil	-4.1	5.3	1.2	1.6	3.2	8.0	6.2	3.5	
Mexico	-8.3	6.3	2.7	2.0	3.4	5.4	3.9	4.1	
Russia	-3.1	4.2	2.6	2.5	3.4	6.1	4.6	4.0	
India	-7.1	8.6	6.5	5.9	6.6	5.1	6.1	6.4	
Indonesia	-2.0	3.5	4.3	4.9	2.0	1.6	2.9	3.4	
South Africa	-6.9	4.6	2.7	2.3	3.2	4.4	4.2	3.8	
Turkey	1.6	7.8	4.4	4.0	12.3	17.3	13.1	10.2	

Source: Amundi Research

- **China:** growth numbers have broadly surprised on the downside in Q3, with exports being the only exception. Policy tightening, self-imposed restraints (zero tolerance Covid-19 policy and decarbonisation policies), and the global chip shortage have all contributed to the slowdown. We are downgrading our growth forecasts again and no longer expect growth to recover to trend in Q4 2021. August PPI surprised on the upside again and is likely to stay high for longer, due to supply constraints. CPI inflationary pressures remain subdued as services consumption has been hit hard.
- **Indonesia:** the number of new Covid cases fell sharply in August and September, and this has coincided with a gradual lifting in the restrictions. Mobility data have been strongly accelerating, but the still-slow vaccination process is putting the reopening process at risk, as well as, perhaps, future growth dynamics. Amundi's expectations at 3.5% YoY for 2021 are close to the lower band of the official forecasts (3.5%-4.3%). Weak inflation (below 2.0% YoY) and still sound external accounts, together with a very gradual normalisation in the global financial conditions, are allowing BI to continue with its dovish stance.
- **Brazil:** mobility and economy are normalising and synchronising thanks to the improving Covid situation primarily – we see GDP expanding by over 5% this year, but the 2022 outlook looks far less benign. Inflationary pressures, meanwhile – a side-effect of robust growth but also a slew of one-off supply shocks to volatile components and spillover effects – are not abating (now in double digits YoY), despite an aggressive monetary response. The government is focused on resolving the fiscal trilemma (expanding Bolsa Familia while staying under the spending cap that will likely involve parking 'precatorios' under the cap), which is seen as likely but not without some hiccoughs.
- **Turkey:** despite inflation at 19.25% YoY last August, the CBRT cut rates by 100bp to 18% and removed hawkish language from its press release. The CBRT justifies its rate cut decision by the fact that inflationary pressures should be transitory and due merely to the reopening of economies. It also said that in this context core inflation, which is indeed slightly lower (18.45% YoY), is more relevant than headline inflation. We believe that the next CBRT decisions will depend largely on market pressures on the Turkish lira. If these are not strong, then further cuts can be expected.

Key interest rate outlook

	28-09 2021	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
China	3.85	3.85	3.85	3.85	3.85
India	4.00	4.25	4.05	4.50	4.30
Brazil	6.25	8.75	8.35	8.75	8.35
Russia	6.75	7.00	7.00	6.75	6.45

Source: Amundi Research

- **PBoC (China):** the PBoC rolled over the MLF by the full amount in September and increased its OMO size to an eight-month high before the Mid-Autumn Festival. We expect the central bank to keep liquidity loose in the interbank market and cut the RRR again in October. The RRR cut alone won't do much to lift growth, given the prevailing constraints on sector credit allocation and the push to lower energy intensity toward yearend, but the authorities have been reluctant to ease more. We expect policy rates to hold unchanged, coupled with targeted easing programme for SMEs.
- **RBI (India):** in an interesting speech in mid-September, RBI Deputy Governor M. Patra emphasised the importance of the letter F in the Flexible Inflation Target framework. Backing up the importance of maintaining an accommodative stance, he said that 'flexibility ... in the form of measuring the target (inflation) in terms of quarterly averages rather than single monthly readings worked well'. An envisaged glidepath has been announced, with inflation reaching 4% (target pivot) only in FY24 (5.7% in FY22 and below 5% in FY23). The path announced remains more benign than our internal forecasts.
- **BCB (Brazil):** the BCB hiked yet again, by 100bps (to 6.25%) in September and pre-announced another 100bps rate hike at the next meeting in October. In addition, the central bank acknowledged that the policy rate needed to rise to contractionary levels (prev. referred to as above neutral) due to inflationary pressures not showing signs of abating and as clearly confirmed by the latest inflation print (for the first half of September). We agree on the (upside) risks to inflation and see rates rising to 9% in February (prev.: 8.50%). What's there preventing them from reaching double digits? In short, a softer economic outlook and peaking inflation (in %y terms).
- **CBR (Russia):** the CBR hiked the policy rate again by 25bps to 6.75% on September 10th, as inflationary pressures continue to persist and inflation expectations remain at multi-year highs. While real GDP returned to its pre-crisis level in Q2-2021, growth in domestic demand continues to outpace growth in supply. August YoY inflation reached 6.7%, accelerating from 6.5% in July – well above the target range of 4%. According to the CBR, annual inflation is expected to slow down to 4-4.5% in 2022 and stay close to 4% from 2023 onwards. The CBR left the door open for further rate hikes in the future. For the time being, we expect a final 25bps hike before yearend. We now expect the hawkish stance of the CBR, together with twins surpluses, to be supportive of the RUB.

Monetary policy agenda

Central banks	Next communication
RBI	October 8
PBoC	October 20
CBR	October 22
BCB Brazil	October 26

Source: Amundi Research

MACRO AND MARKET FORECASTS

Macroeconomic forecasts

(28 September 2021)

Annual averages (%)	Real GDP growth %				Inflation (CPI, yoy, %)			
	2020	2021	2022	2023	2020	2021	2022	2023
US	-3.4	6.0	3.6	2.0	1.3	4.3	3.2	2.7
Japan	-4.9	2.4	2.6	0.9	0.3	-0.4	0.6	0.6
Eurozone	-6.5	4.7	4.1	2.3	0.3	2.4	2.1	1.8
Germany	-4.9	2.9	3.9	2.0	0.4	3.1	2.1	1.7
France	-8.0	6.2	3.8	1.9	0.5	2.0	2.3	1.8
Italy	-8.9	6.1	4.6	1.8	-0.1	1.7	2.2	1.7
Spain	-10.8	6.3	6.2	3.3	-0.3	2.5	2.3	1.8
UK	-9.8	6.6	4.7	2.4	0.9	2.4	3.6	2.3
China	2.3	8.3	4.9	4.8	2.5	0.9	2.1	1.7
Brazil	-4.1	5.3	1.2	1.6	3.2	8.0	6.2	3.5
Mexico	-8.3	6.3	2.7	2.0	3.4	5.4	3.9	4.1
Russia	-3.1	4.2	2.6	2.5	3.4	6.1	4.6	4.0
India	-7.1	8.6	6.5	5.9	6.6	5.1	6.1	6.4
Indonesia	-2.0	3.5	4.3	4.9	2.0	1.6	2.9	3.4
South Africa	-6.9	4.6	2.7	2.3	3.2	4.4	4.2	3.8
Turkey	1.6	7.8	4.4	4.0	12.3	17.3	13.1	10.2
Developed countries	-5.1	5.1	3.7	2.0	0.8	2.8	2.5	2.1
Emerging countries	-2.0	6.7	4.4	4.2	3.9	4.2	4.4	4.0
World	-3.3	6.0	4.1	3.3	2.6	3.6	3.6	3.2

Key interest rate outlook

Developed countries

	29/09/2021	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
US	0.13	0/0.25	0.13	0/0.25	0.24
Eurozone	-0.50	-0.50	-0.51	-0.50	-0.47
Japan	-0.04	-0.1	-0.04	-0.1	-0.03
UK	0.10	0.10	0.11	0.35	0.59

Emerging countries

	28/09/2021	Amundi +6M	Consensus +6M	Amundi +12 M	Consensus +12 M
China	3.85	3.85	3.85	3.85	3.85
India	4.00	4.25	4.05	4.50	4.30
Brazil	6.25	8.75	8.35	8.75	8.35
Russia	6.75	7.00	7.00	6.75	6.45

Long rate outlook

2Y. Bond yield

	29/09/2021	Amundi +6M	Forward +6M	Amundi +12 M	Forward +12 M
US	0.30	0.45/0.60	0.55	0.70/0.85	0.79
Germany	-0.69	-0.70/-0.55	-0.70	-0.70/-0.55	-0.71
Japan	-0.12	-0.20/-0.10	-0.13	-0.20/-0.10	-0.12
UK	0.39	0.3/0.5	0.51	0.5/0.65	0.60

10Y. Bond yield

	29/09/2021	Amundi +6M	Forward +6M	Amundi +12 M	Forward +12 M
US	1.51	1.6/1.8	1.65	1.8/2.0	1.77
Germany	-0.22	-0.3/-0.1	-0.13	-0.3/-0.1	-0.07
Japan	0.08	0/0.20	0.12	0/0.20	0.16
UK	0.97	0.9/1.1	1.07	1.1/1.3	1.14

Currency outlook

	30/09/2021	Amundi Q1 2022	Consensus Q1 2022	Amundi Q3 2022	Consensus Q3 2022
EUR/USD	1.16	1.14	1.18	1.14	1.19
USD/JPY	111	112	112	113	112
EUR/GBP	0.86	0.84	0.85	0.85	0.85
EUR/CHF	1.08	1.08	1.10	1.08	1.12
EUR/NOK	10.13	10.01	10.00	10.49	9.85
EUR/SEK	10.14	10.12	10.05	10.49	9.98
USD/CAD	1.27	1.26	1.24	1.28	1.22
AUD/USD	0.72	0.74	0.75	0.70	0.76
NZD/USD	0.69	0.70	0.72	0.67	0.73
USD/CNY	6.44	6.55	6.42	6.65	6.43

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.

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Date of first use: 1st October 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

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