



Christian Keller
+44 (0)20 7773 2031
christian.keller@barclays.com
Barclays, UK

Economic Outlook: And the beat goes on

November 2017

Global Outlook

- The global growth recovery continues, well synchronized across all regions and broadening into investment:
 - US growth has remained decent and could be pushed higher through fiscal stimulus, even if only temporary.
 - Europe and Japan have surprised on the upside and the outlook remains robust.
 - China has likely peaked, but its slowdown seems controlled; in the meantime other EMs like Brazil are improving.
- Inflation remains weak in core economies, despite declining unemployment. This raises doubts about fundamental economic relationships (e.g. Phillips curve), and pointing to structural factors related to globalization and technology.
- Central banks are thus normalizing policies only very gradually, cautious not to disrupt the economic recovery. Continued economic expansion should help to further reduce slack and eventually push inflation higher.
- However, this also creates financial stability risks, as the combination of improving growth, loose policies and low volatility encourages risk taking and rising valuations.
- The favorable baseline scenario could be disrupted by (geo)political events or a sudden change in the common narrative of ‘inflation-less growth’.

Global recovery continues, well synchronized across regions

Business confidence strong in DM countries...

...and catching up in EM countries



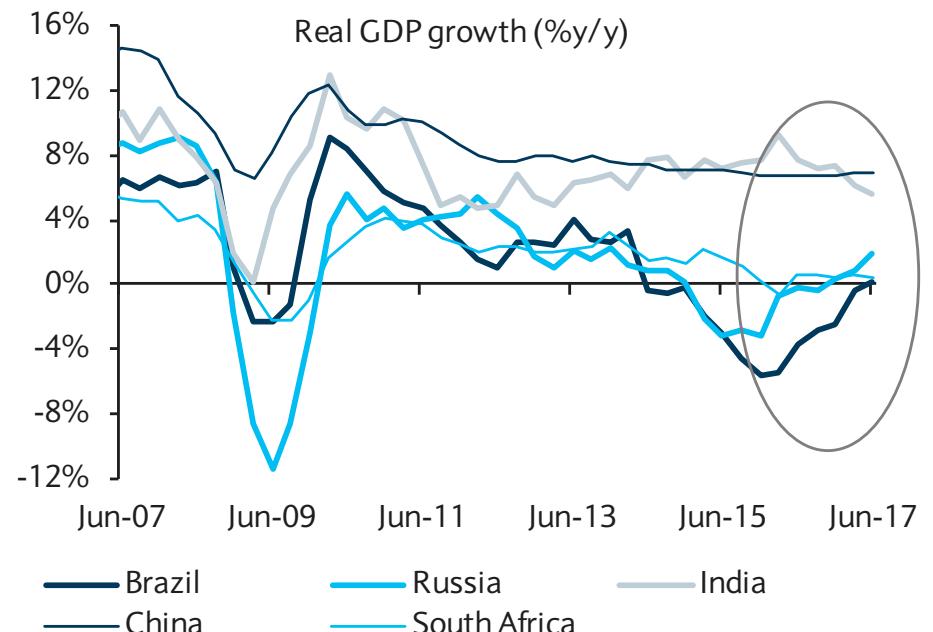
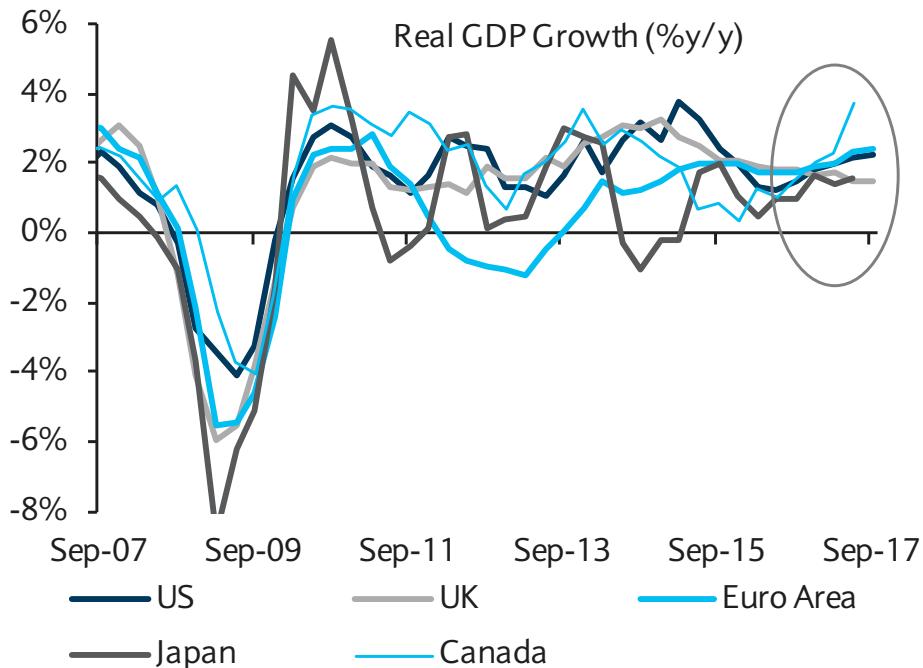
Source: Markit, Haver Analytics, Barclays Research

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Global recovery continues, well synchronized across regions

Growth in DM economies is driving global recovery

...but some large EM commodity-exporters are recovering slowly from deep recessions

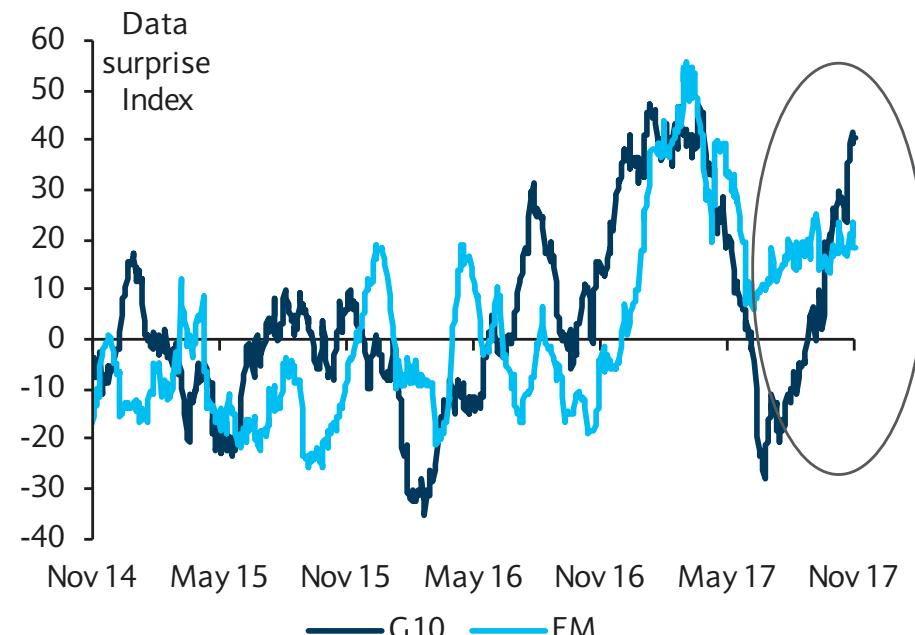


Source: Haver Analytics, Barclays Research

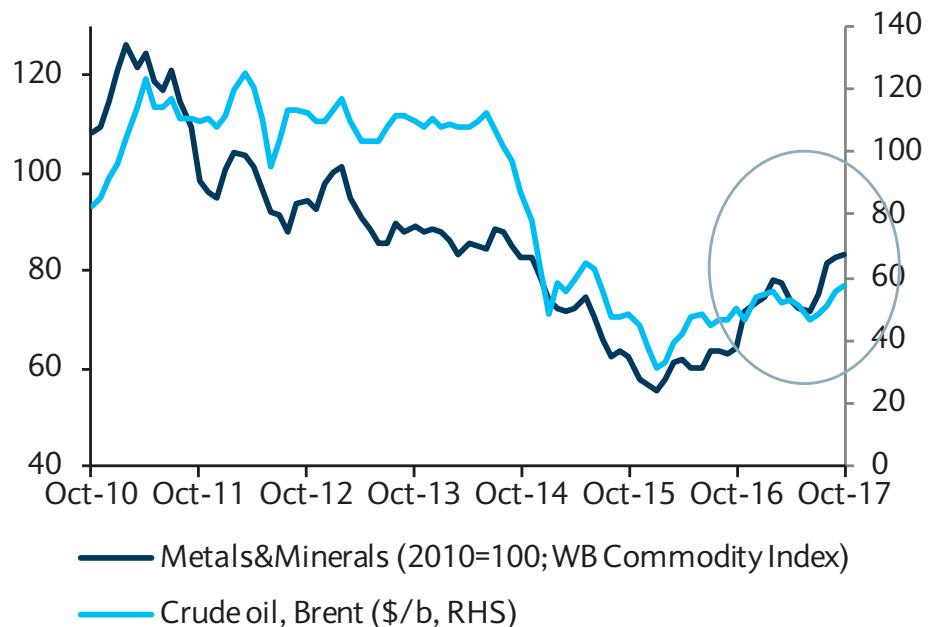
Source: Haver Analytics, Barclays Research

Global recovery continues, well synchronized across regions

Recent data surprised on the upside again



Commodity prices continue on upward trend

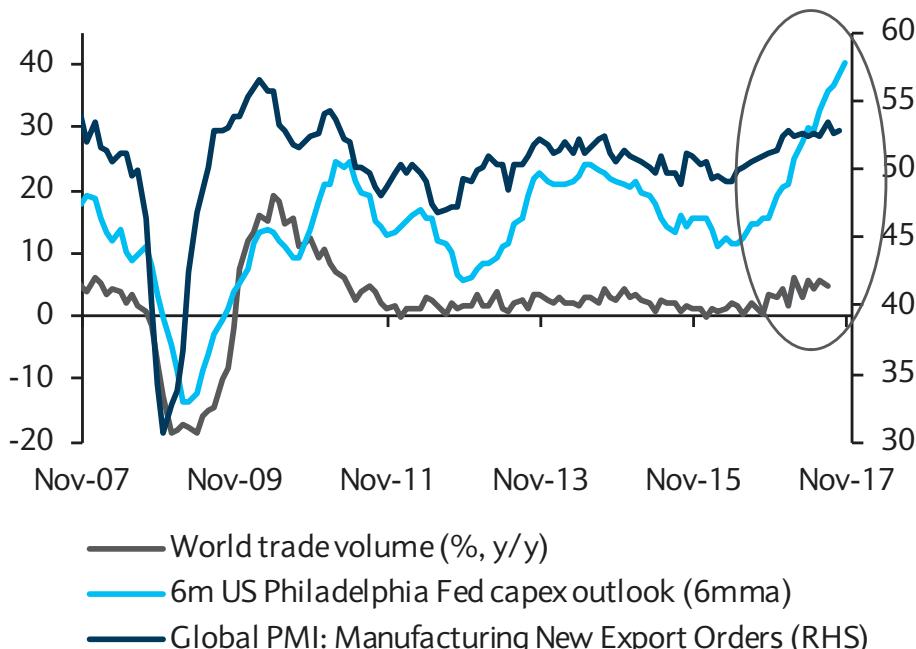


Source: Bloomberg, Barclays Research

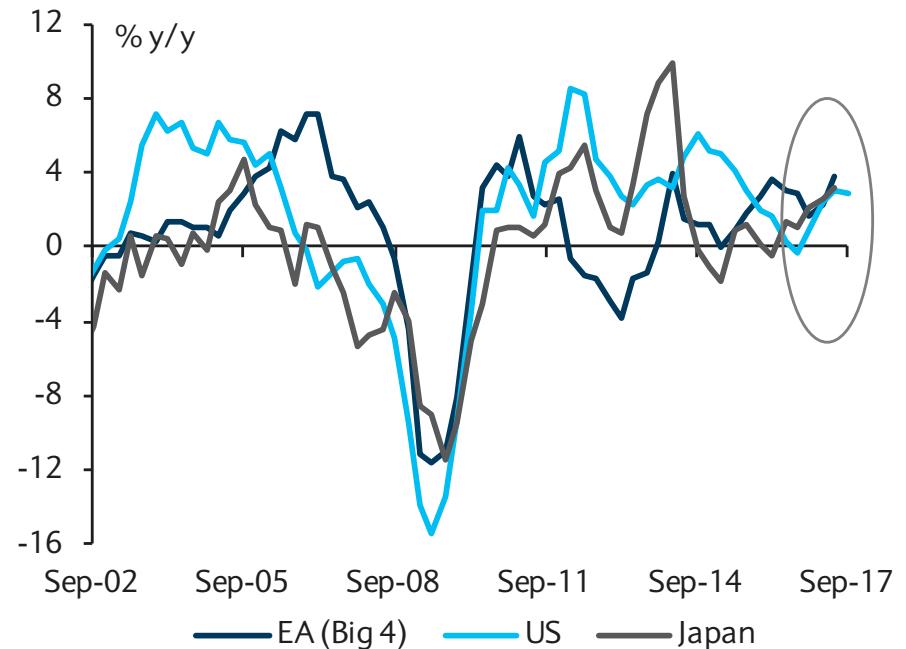
Source: Haver Analytics, Worldbank, HWI, Barclays Research

Global trade supported by some recovery in investment

Global trade looks supported beyond commodities



...a investment in advanced economies pick up

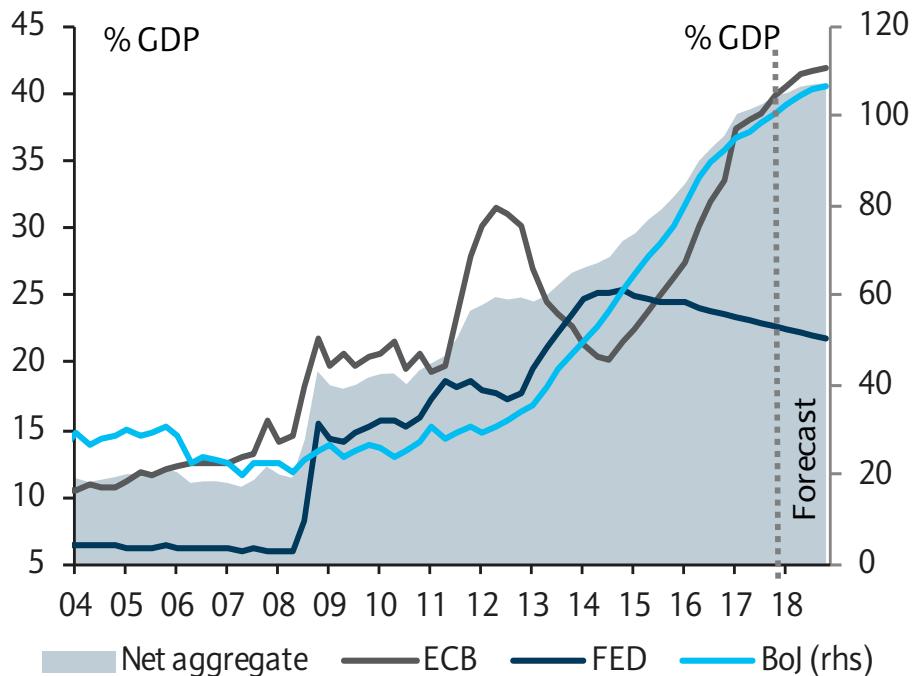


Source: Haver Analytics, Barclays Research

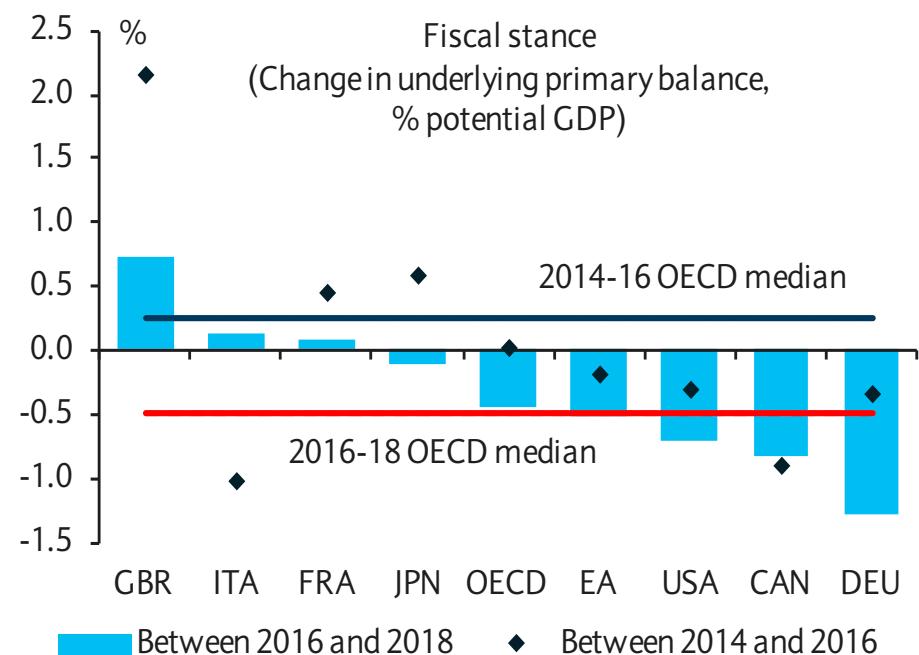
Source: Haver Analytics, Barclays Research

Monetary and fiscal policy remain supportive

Core central bank balance sheets still expand in aggregate



Fiscal stances are expansionary in most economies



Source: Haver Analytics, Barclays Research

Source: OECD, Barclays Research

Growth and inflation forecasts

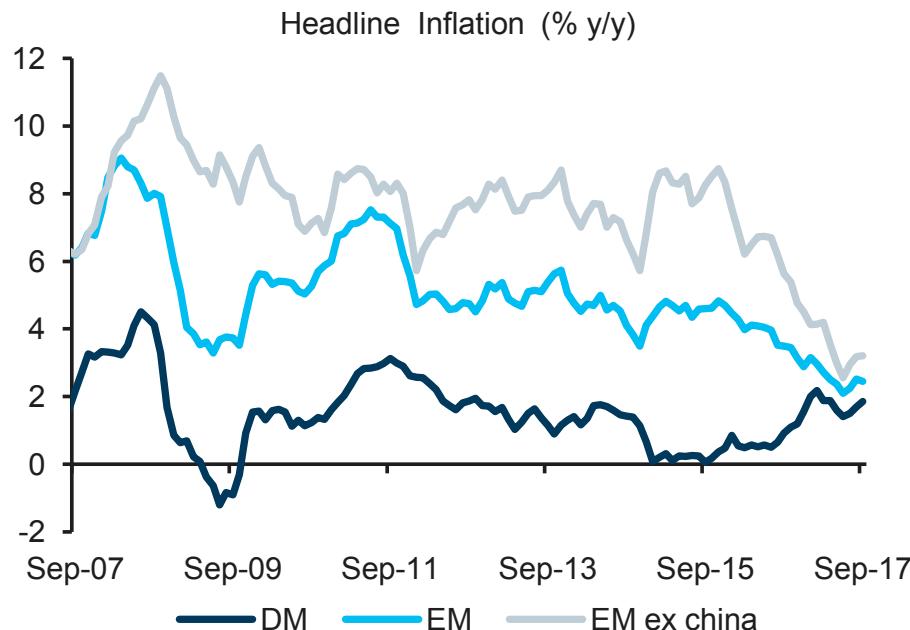
	* Real GDP (% change)												Inflation (% annual change)								
	Barclays						vs.Jun. GO						Barclays			vs.Jun. GO					
	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	2016	2017	2018	Q2 17	Q3 17	Q4 17	Q1 18	2016	2017	2018	2016	2017	2018	2016	2017	2018
Global [#]	4.1	4.0	3.8	3.9	3.8	3.3	3.8	3.9	-0.2	0.2	0.6	0.2	0.0	0.0	0.1	1.7	2.1	2.1	0.0	-0.1	-0.1
United States	3.0	1.5	3.0	2.0	2.0	1.5	2.1	2.2	0.5	-0.5	1.0	0.0	-0.1	0.1	-0.1	1.3	2.1	2.1	0.0	0.2	0.1
Japan	2.5	1.3	1.7	1.5	1.0	1.0	1.6	1.5	0.5	-0.2	0.8	0.5	0.0	0.3	0.3	-0.3	0.5	0.6	0.0	-0.1	-0.1
United Kingdom	1.2	0.9	0.8	1.5	1.6	1.8	1.5	1.3	0.2	-0.1	0.0	-0.1	0.0	0.1	0.0	0.7	2.6	2.0	0.0	0.0	-0.1
Euro area	2.6	2.1	2.0	1.8	1.9	1.8	2.2	2.0	0.7	0.5	0.3	0.0	0.1	0.2	0.1	0.2	1.5	1.3	0.0	-0.1	0.0
Advanced	2.7	1.7	2.4	1.9	1.9	1.6	2.0	2.0	0.6	-0.1	0.7	0.1	0.0	0.1	0.0	0.7	1.8	1.7	0.0	0.1	0.0
Emerging [#]	5.1	5.6	4.9	5.4	5.2	4.6	5.2	5.2	-0.9	0.3	0.6	0.4	0.0	0.0	0.0	3.3	2.6	2.8	0.0	-0.4	-0.3
Brazil	1.0	3.2	1.2	1.6	1.6	-3.6	1.0	1.7	0.6	3.2	-0.4	-0.6	0.0	0.5	0.2	8.7	3.5	4.0	0.0	-0.2	-0.4
Mexico	2.3	-0.4	2.8	3.2	2.8	2.3	2.1	2.4	1.5	-2.0	0.4	0.4	0.0	-0.2	-0.1	2.8	6.0	3.7	0.0	0.1	0.2
China	6.9	6.5	6.3	6.1	6.6	6.7	6.8	6.4	0.3	0.2	0.2	0.2	0.0	0.1	0.1	2.0	1.5	2.0	0.0	-0.7	-0.3
India	4.2	11.0	6.4	9.5	6.0	7.9	6.4	7.7	-8.7	3.2	3.6	1.3	0.0	-1.0	-0.2	4.9	3.3	4.9	0.0	0.1	0.0
South Korea	2.4	3.2	2.1	2.6	2.8	2.8	2.9	2.7	0.4	-0.4	-0.4	0.4	0.0	0.0	-0.1	1.0	2.0	1.9	0.0	0.0	0.0
Indonesia	5.6	5.5	5.3	5.5	5.2	5.0	5.1	5.5	-0.4	-0.2	-0.7	0.0	0.0	-0.2	-0.2	3.5	3.8	3.5	0.0	-0.2	-0.8
Poland	1.0	3.7	5.7	3.6	2.0	2.7	3.9	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.7	2.0	1.8	0.0	0.0	0.0
Russia	6.7	0.2	0.9	1.4	4.2	-0.2	2.0	1.8	3.1	-3.0	-0.3	0.6	0.0	0.2	0.3	7.1	4.0	4.2	0.0	-0.2	-0.2
Turkey	4.8	2.3	3.5	4.0	3.9	3.2	5.2	3.8	0.8	-2.9	0.3	0.4	0.3	1.0	0.0	7.8	10.7	7.8	0.0	0.1	0.2
Brent, US\$/bbl	51	51	54	51	48	45	53	52													
Fed policy rate, %	1.0-1.25	1.0-1.25	1.25-1.5	1.25-1.5	1.5-1.75	0.5-0.75	1.25-1.5	1.75-2.0													

Note: *Aggregates for CPI exclude Argentina and Venezuela inflation rates; aggregates for real GDP exclude Venezuela real GDP. Forecasts as of 2nd October 2017.

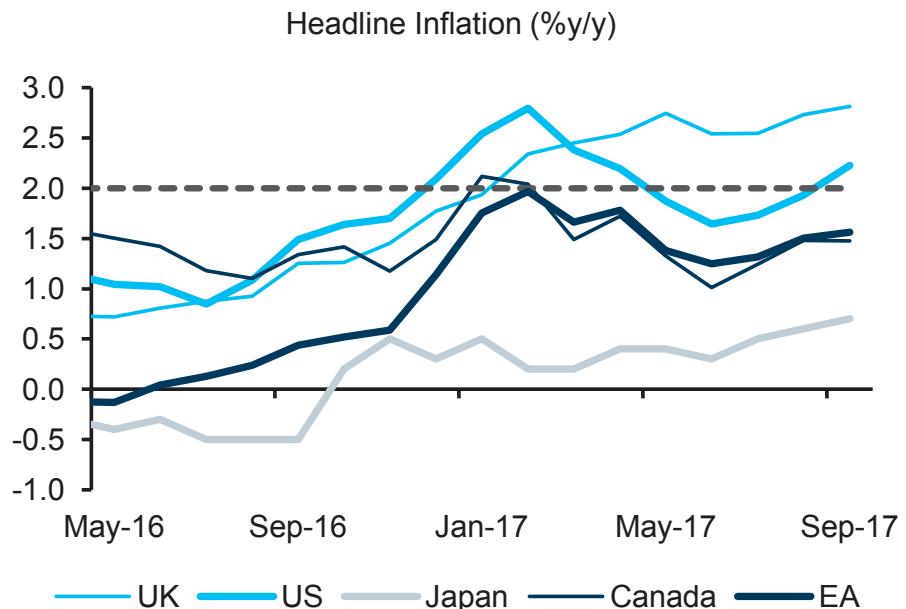
Source: Haver Analytics, Barclays Research

Inflation pressures still absent, despite global expansion

Low and converging inflation in DM and EM



Headline CPI rebound in DM economies recently

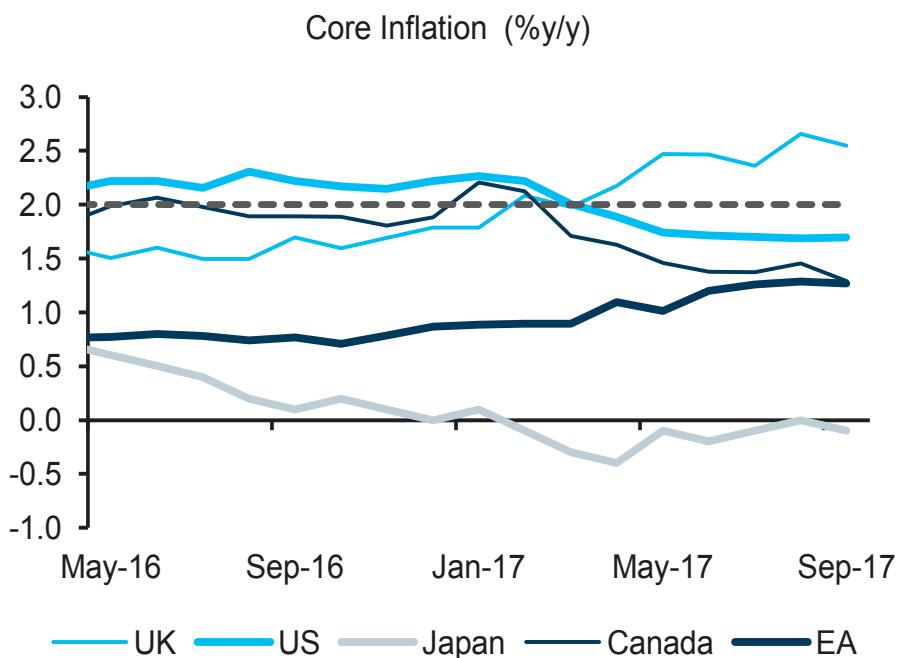


Source: Haver Analytics, Barclays Research

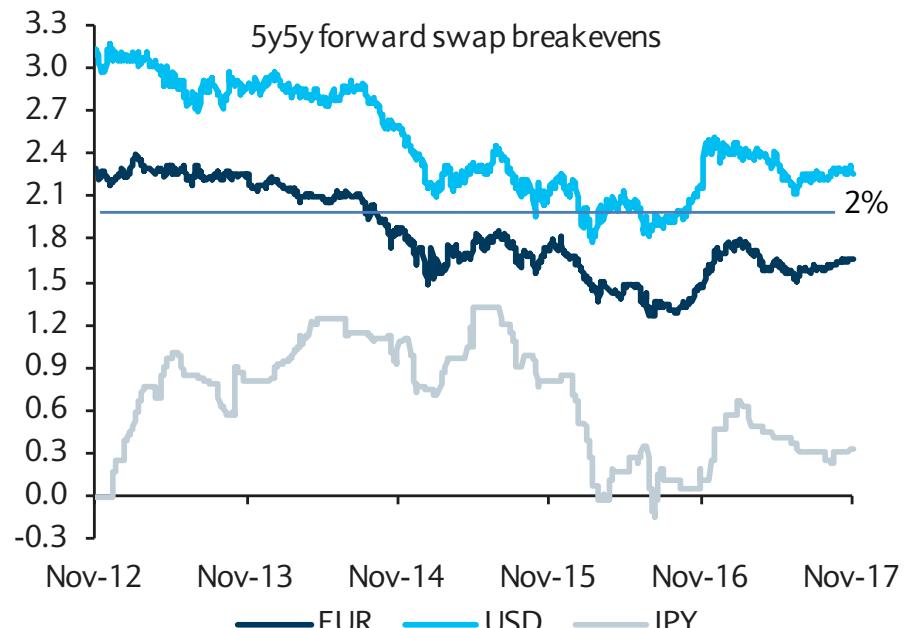
Source: Haver Analytics, Barclays Research

Inflation pressures still absent, despite global expansion

US core inflation trends remain unconvincing



Inflation expectations remain subdued



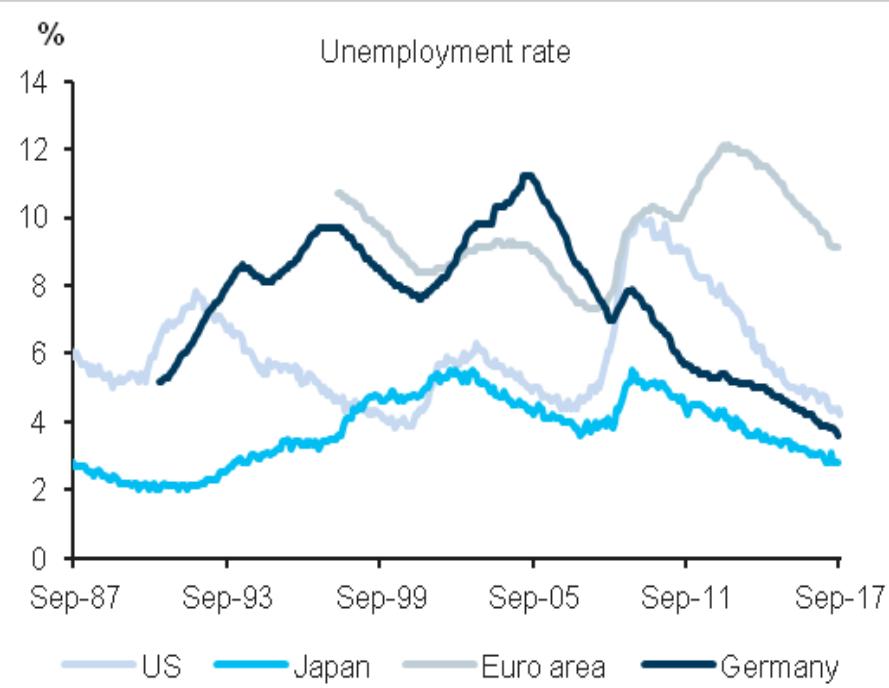
Source: Haver Analytics, Bloomberg, Barclays Research

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Wage growth subdued, despite labour market tightening

While unemployment rates decline to pre-crisis lows

... wage growth remains relatively weak

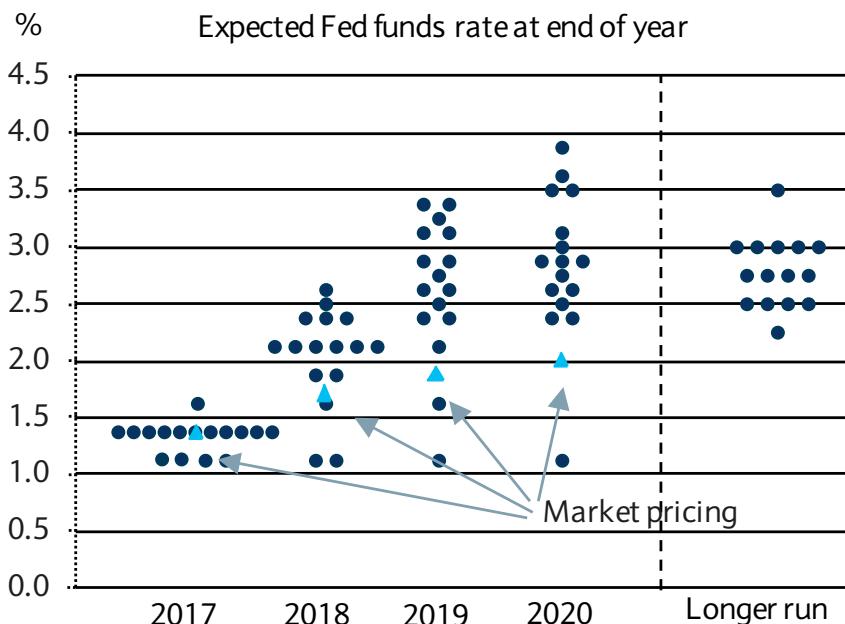


Source: Haver Analytics, Barclays Research

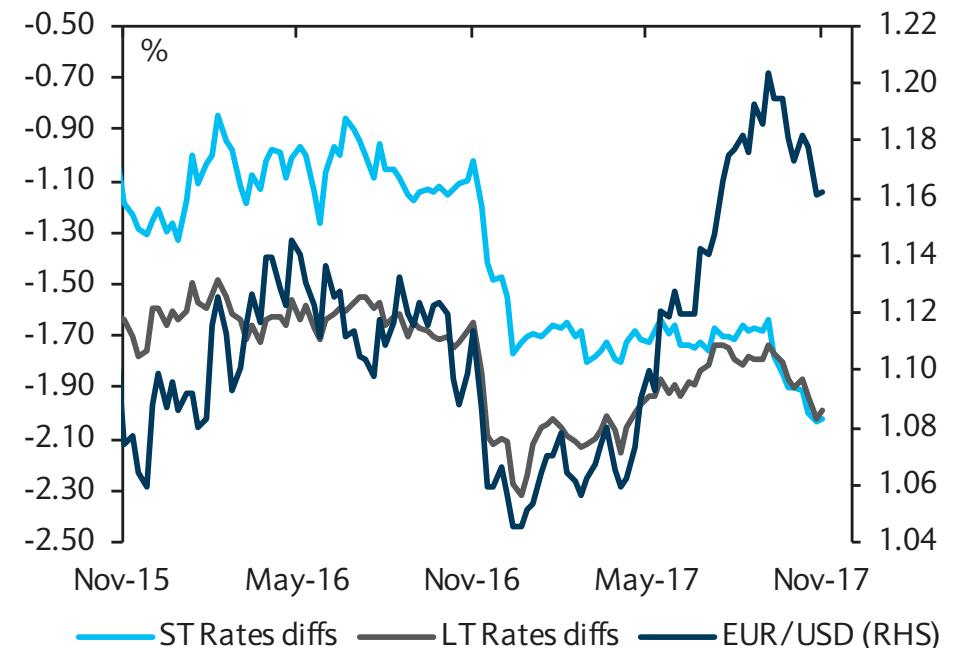
Source: Haver Analytics, Barclays Research

Fed leads policy normalization, but not in a vacuum

Fed rate expectations still not matched by markets



Fed will not ignore rates' impact on USD



Source: Haver Analytics, Bloomberg, Barclays Research

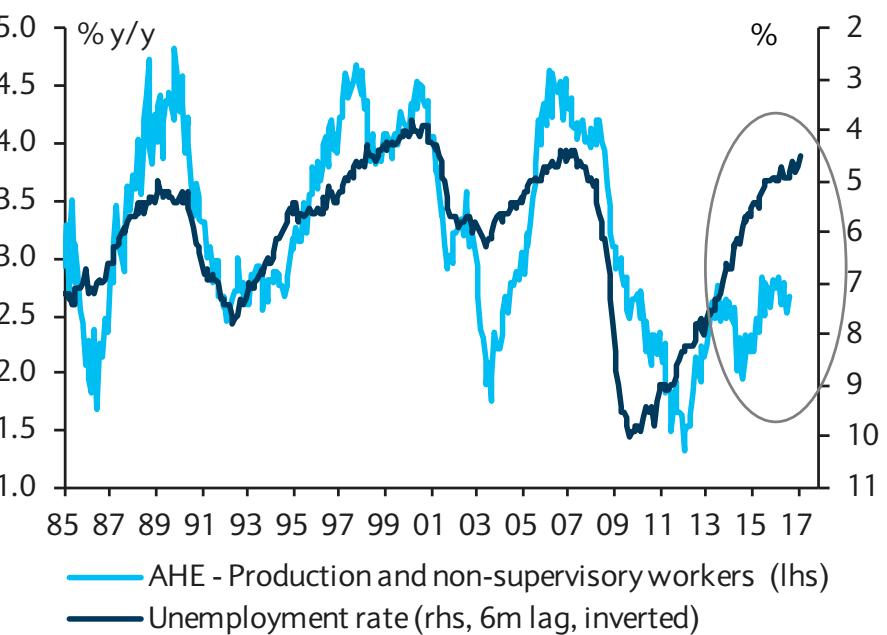
Source: Haver Analytics, Bloomberg, Barclays Research

Fed faces seemingly broken link between UR and wage growth

Fed rate expectations still not matched by markets



Fed will not ignore rates' impact on USD

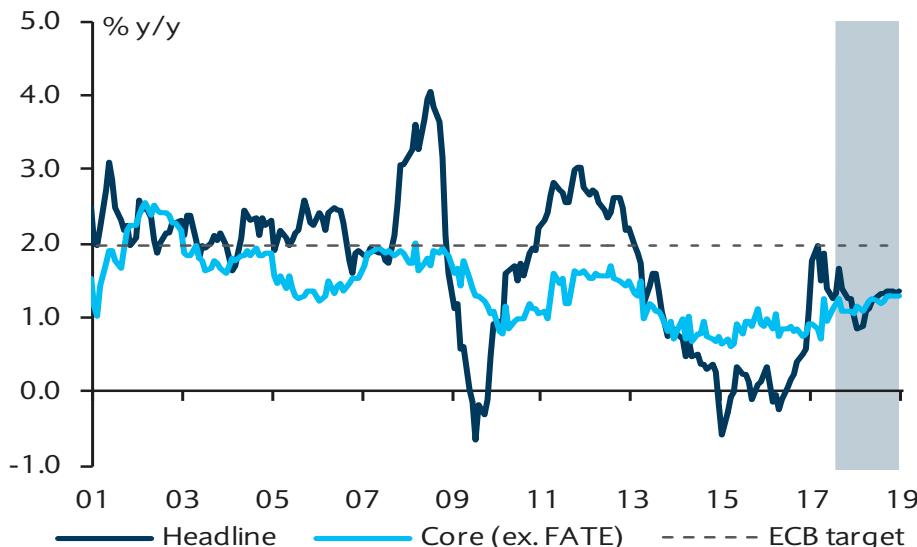


Source: Haver Analytics, Bloomberg, Barclays Research

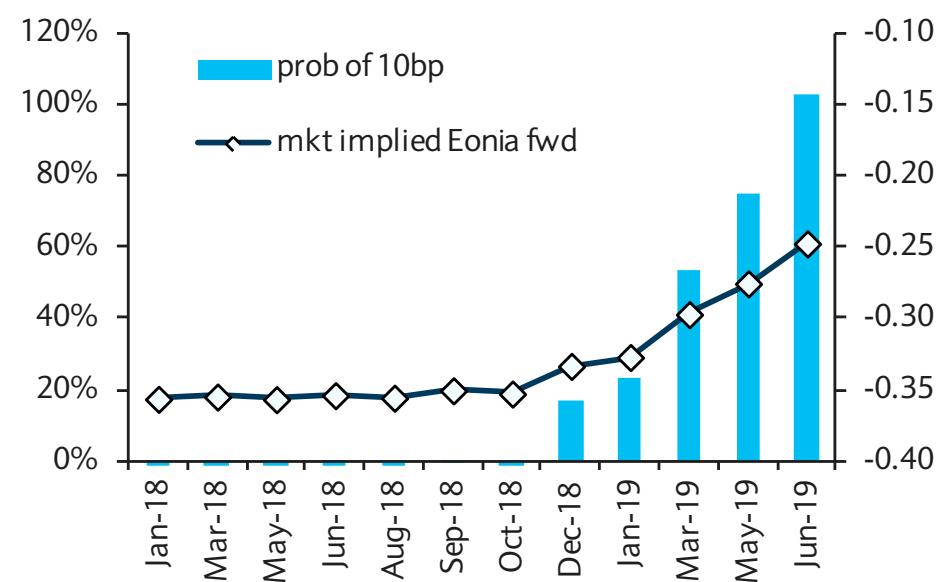
Source: Haver Analytics, Bloomberg, Barclays Research

ECB remains dovish, as inflation forecasts remain subdued

Both headline and core inflation forecasted to remain below 2% target over 2018-19



Depo rate hikes in 2018 are thus seen as low probability by market

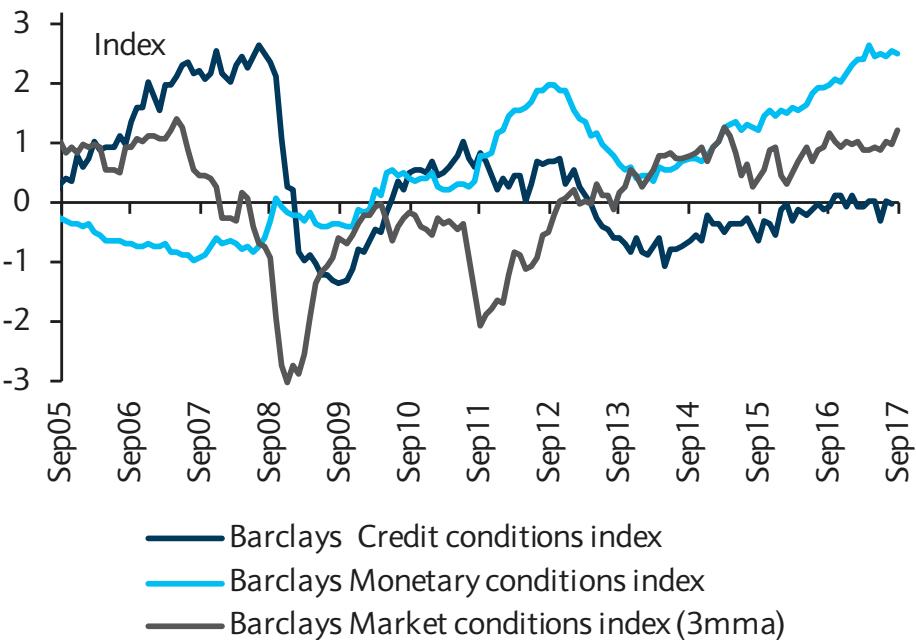


Source: Haver Analytics, Bloomberg, Barclays Research

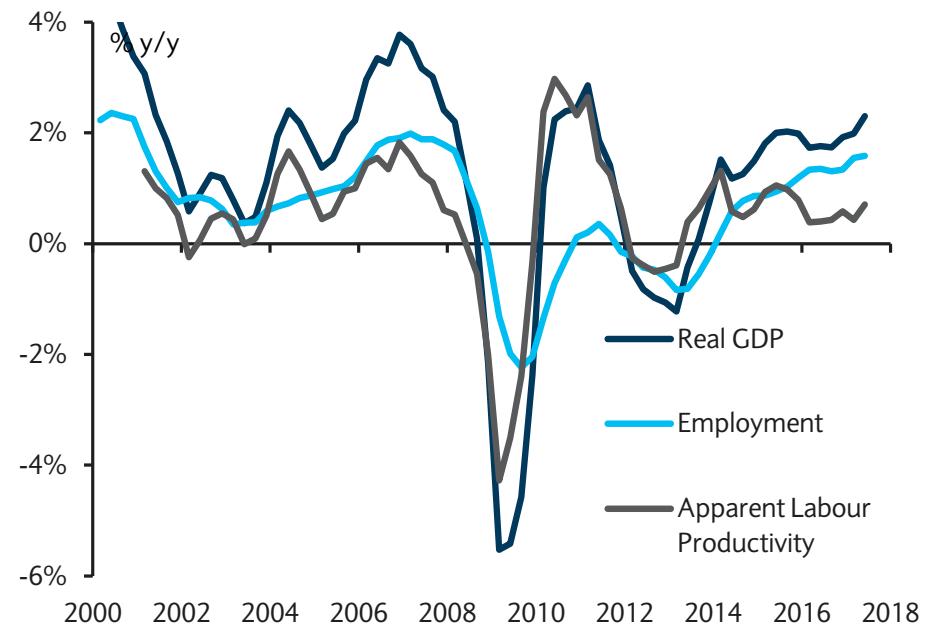
Source: Haver Analytics, Bloomberg, Barclays Research

ECB could adjust forward guidance, if recovery pace continues

As ECB continues to support loose financial conditions ...



a continuing recovery GDP and employment growth could make ECB more confident in 2018

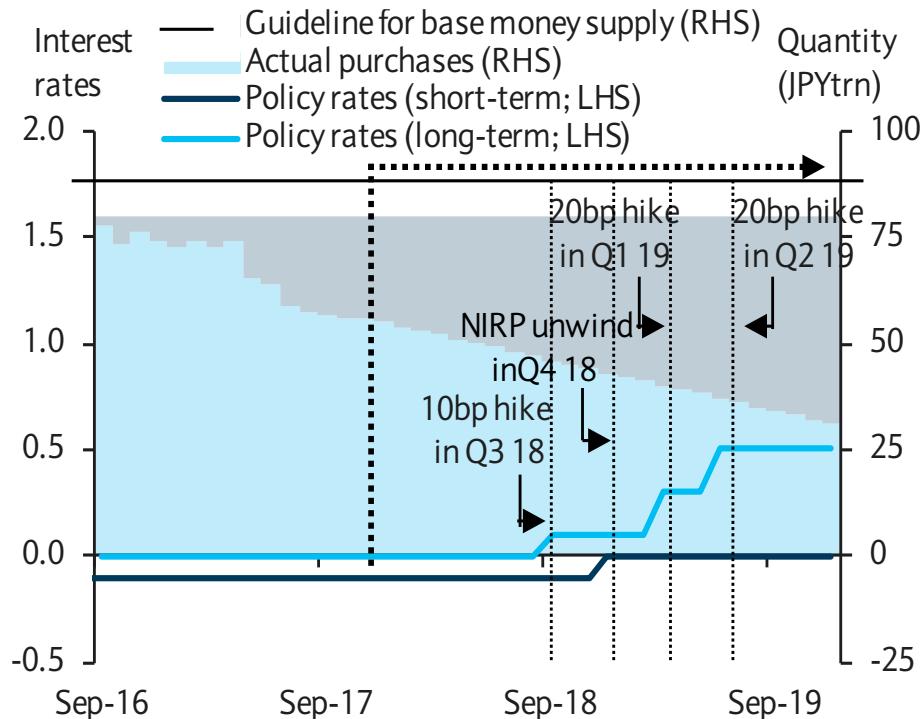


Source: Haver Analytics, Bloomberg, Barclays Research

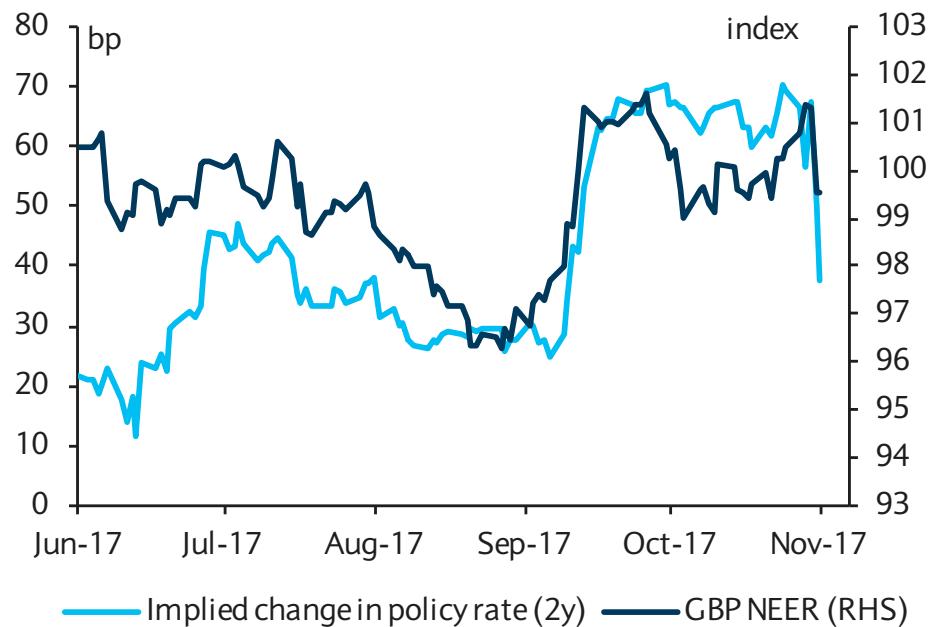
Source: Haver Analytics, Bloomberg, Barclays Research

BoJ carries on and follows; BoE has its own challenges

BoJ : buying fewer JGBs and could lift YCC in 2018



BoE: Market not convinced in future rate hikes



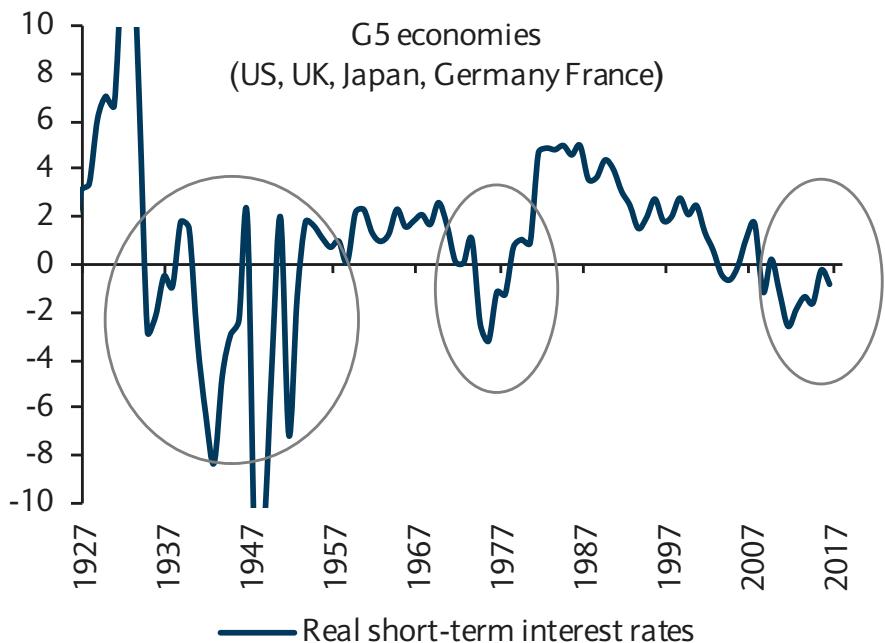
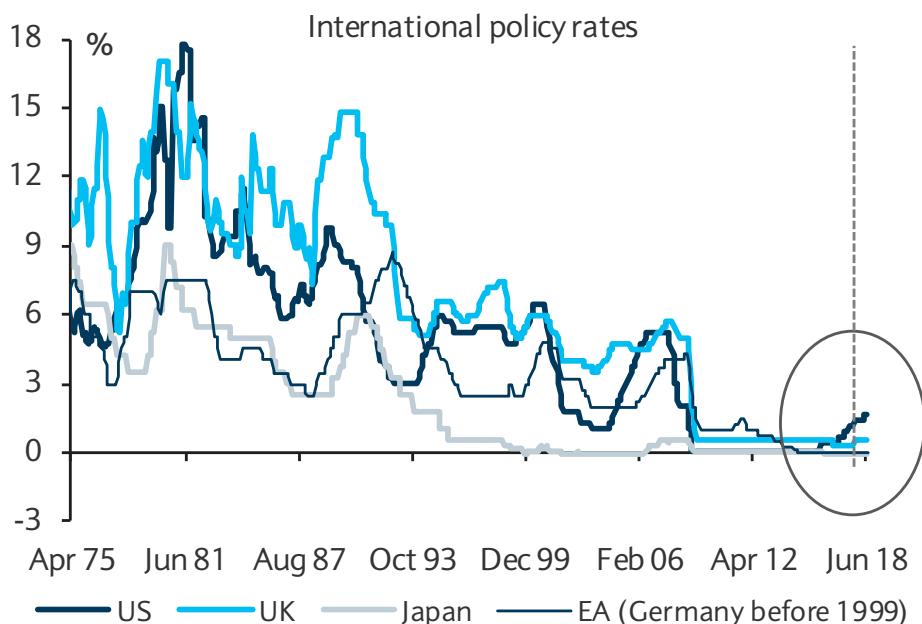
Source: Haver Analytics, Bloomberg, Barclays Research

Source: Haver Analytics, Bloomberg, Barclays Research

A potential future policy shock?

What would happen if other CBs join the Fed ?

... possibly marking also the end of a historical period of negative short-term real rates

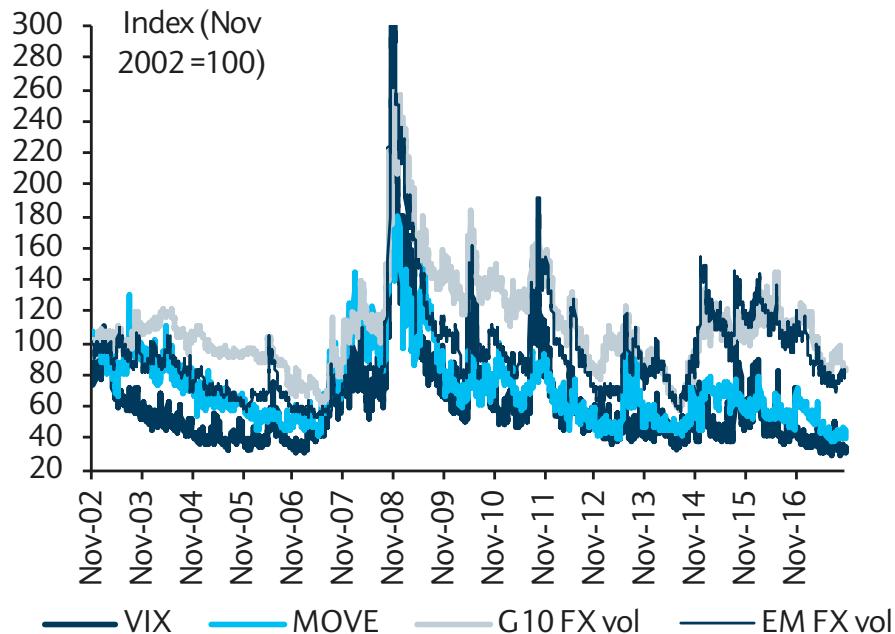


Source: Haver Analytics, Bloomberg, Barclays Research

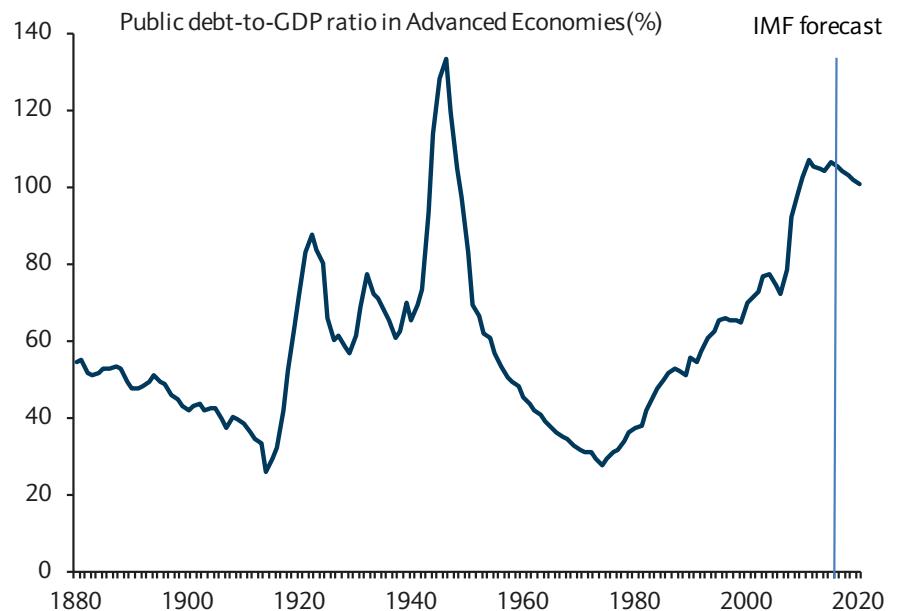
Source: Haver Analytics, Bloomberg, Boe, IMF, ECB, and inflation data beyond 2013 from BLS, ESTAT, Barclays Research

A potential future policy shock?

Low volatility, in particular in equity and rates markets



... and historical record-high public debt in peace time



Source: Haver Analytics, Bloomberg, Barclays Research

Source: IMF, Barclays Research

Country Outlooks

US: economic projections

% Change q/q saar	2016				2017				2018				Calendar year avg			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2016	2017	2018	
Real GDP	0.6	2.2	2.8	1.8	1.2	3.1	2.5	2.5	2.0	2.0	2.0	2.0	1.5	2.2	2.2	
Real GDP (% y/y)	1.4	1.2	1.5	1.8	2.0	2.2	2.1	2.3	2.5	2.3	2.1	2.0				
Private consumption	1.8	3.8	2.8	2.9	1.9	3.3	2.5	2.5	2.0	2.0	2.0	2.0	2.7	2.7	2.2	
Public consump and invest.	1.8	-0.9	0.5	0.2	-0.6	-0.2	1.0	1.0	1.0	1.0	1.0	1.0	0.8	0.0	0.9	
Residential investment	13.4	-4.7	-4.5	7.1	11.1	-7.3	-6.0	3.0	3.0	3.0	2.0	2.0	5.5	1.0	0.9	
Equipment investment	-13.1	-0.6	-2.1	1.8	4.4	8.8	4.0	4.0	2.5	2.5	2.0	2.0	-3.4	3.5	3.2	
Intellectual property investment	6.3	11.1	4.2	-0.4	5.7	3.7	2.5	2.5	2.0	2.0	2.0	2.0	6.3	3.7	2.3	
Structures investment	2.3	0.5	14.3	-2.2	14.8	7.0	-5.0	6.0	5.0	4.0	2.0	2.0	-4.1	5.9	3.2	
Exports	-2.6	2.8	6.4	-3.8	7.3	3.5	1.5	4.4	4.5	4.5	3.4	3.5	-0.3	3.1	3.8	
Imports	-0.2	0.4	2.7	8.1	4.3	1.5	-1.0	3.0	3.0	3.0	2.5	2.5	1.3	3.2	2.3	
Net exports (contr to GDP, pp)	-0.3	0.3	0.4	-1.6	0.2	0.2	0.3	0.1	0.1	0.1	0.0	-0.1	-0.2	-0.1	0.1	
Ch. inventories (contr to GDP, pp)	-0.6	-0.7	0.2	1.1	-1.5	0.1	0.3	0.0	0.0	0.0	0.0	0.0	-0.4	-0.1	0.0	
Final sales to domestic purchasers	1.5	2.6	2.2	2.3	2.4	2.7	1.8	2.5	2.0	2.0	1.9	1.9	2.1	2.4	2.1	
GDP price index	0.3	2.4	1.4	2.0	2.0	1.0	1.9	2.6	2.2	1.9	2.0	2.3	1.3	1.8	2.1	
Nominal GDP	0.8	4.7	4.2	3.8	3.3	4.1	4.5	5.2	4.3	4.0	4.1	4.3	2.8	4.0	4.4	
Employment (avg mthly chg, K)	196	164	239	148	166	187	91	200	175	175	150	150	187	161	163	
Unemployment rate (%)	5.0	4.9	4.9	4.7	4.7	4.4	4.3	4.2	4.1	4.0	3.9	3.9	4.9	4.4	4.0	
CPI inflation (%y/y)	1.1	1.0	1.1	1.8	2.5	1.9	2.0	2.0	1.7	2.3	2.3	2.1	1.3	2.1	2.1	
Core CPI (%y/y)	2.2	2.2	2.2	2.2	2.2	1.8	1.7	1.7	1.6	2.1	2.2	2.2	2.2	1.8	2.0	
PCE price index (% y/y)	1.0	1.0	1.2	1.6	2.0	1.6	1.5	1.6	1.5	1.9	1.9	1.8	1.2	1.7	1.8	
Core PCE price index (%y/y)	1.6	1.7	1.8	1.9	1.8	1.5	1.4	1.4	1.4	1.7	1.8	1.8	1.8	1.5	1.7	
Current account (%GDP)	-2.6	-2.3	-2.4	-2.4	-2.4	-2.3	-2.3	-2.3	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	
Federal budget bal. (%GDP)														-3.2	-3.2	-3.2
Government debt (%GDP)														107.5	109.5	108.5
Federal funds, target range (%)	0.25-0.5	0.25-0.5	0.25-0.5	0.5-0.75	0.75-1.0	1.0-1.25	1.0-1.25	1.25-1.5	1.25-1.5	1.5-1.75	1.5-1.75	1.75-2.0				

Note: All numbers expressed in q/q saar % unless otherwise specified. Bold fed funds indicate quarter of projected rate increase. The budget balance is fiscal year. Forecasts as of 27th October 2017. Source: BEA, BLS, Federal Reserve, US Treasury, Barclays Research.

Euro area: economic projections

% change q/q	2016				2017				2018				Calendar year average			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2015	2016	2017E	2018E
Real GDP	0.5	0.3	0.5	0.6	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	...	...	...	...
Real GDP (saar)	2.1	1.2	1.9	2.5	2.2	2.6	2.2	2.1	1.8	1.9	1.9	2.0	...	...	...	...
Real GDP (y/y)	1.7	1.7	1.7	1.9	2.0	2.3	2.4	2.3	2.2	2.0	1.9	1.9	1.9	1.8	2.2	2.0
Private consumption	0.7	0.3	0.3	0.6	0.4	0.5	0.4	0.4	0.3	0.4	0.4	0.4	1.7	2.0	1.8	1.6
Public consumption	0.8	0.2	0.2	0.4	0.2	0.5	0.3	0.3	0.3	0.3	0.2	0.2	1.3	1.7	1.2	1.2
Investment	0.3	2.7	0.1	1.3	-0.3	0.9	0.9	0.9	0.8	1.1	1.2	1.3	2.9	4.3	2.8	4.0
Inventories contribution (pp)	-0.1	-0.3	0.2	0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0
Final dom. demand cont.(pp)	0.6	0.8	0.3	0.7	0.2	0.6	0.5	0.5	0.4	0.5	0.5	0.5	1.8	2.4	1.9	2.0
Net exports contribution (pp)	0.0	-0.2	0.0	-0.2	0.4	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1	-0.5	0.4	0.1
Industrial output (ex construct.)	-0.1	0.3	1.1	0.8	0.2	0.4	0.3	0.3	0.3	0.4	0.4	0.4	2.0	1.6	2.0	1.4
Employment (q/q)	0.3	0.4	0.3	0.4	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3	1.0	1.4	1.6	1.3
Unemployment rate %	103	10.1	9.9	9.7	9.5	9.2	8.9	8.7	8.5	8.3	8.1	8.0	10.9	10.0	9.1	8.2
CPI inflation y/y	0.0	-0.1	0.3	0.7	1.8	1.5	1.5	1.4	1.1	1.4	1.4	1.3	0.0	0.2	1.5	1.3
Core CPI (ex food/energy) y/y	1.0	0.8	0.8	0.8	0.8	1.1	1.2	1.1	1.1	1.2	1.2	1.3	0.8	0.9	1.0	1.2
Nominal GDP (y/y)	...	...	...	...	...	...	...	...	...	...	...	...	3.3	2.6	3.4	3.2
Current account % GDP	3.6	4.0	3.5	2.8	3.3	2.7	2.9	3.0	3.0	2.9	2.9	2.9	3.2	3.5	3.0	2.9
Governmentbalance % GDP	...	...	...	...	...	...	...	...	...	...	...	...	-2.1	-15	-12	-1.1
Gross public debt % GDP	...	...	...	...	...	...	...	...	...	...	...	...	925	913	91.0	88.9
Refi rate(period end %)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00

Note: All numbers expressed in q/q saar % unless otherwise specified. Bold fed funds indicate quarter of projected rate increase. The budget balance is fiscal year. Forecasts as of 27th October 2017. Source: Haver Analytics, Barclays Research

Japan: economic projections

% change q/q	2016				2017				2018				Calendar year average			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2015	2016	2017E	2018E
Real GDP	0.5	0.5	0.2	0.4	0.3	0.6	0.3	0.4	0.4	0.3	0.4	0.5				
Real GDP (q/q, saar)	2.1	2.0	0.9	1.6	1.2	2.5	1.3	1.7	1.5	1.0	1.4	1.9				
Real GDP (y/y)	0.5	0.9	1.1	1.7	1.5	1.4	1.7	1.7	1.8	1.4	1.4	1.5	1.1	1.0	1.6	1.5
Private consumption	0.3	0.1	0.4	0.1	0.4	0.8	-0.2	0.2	0.3	0.3	0.3	0.4	-0.3	0.4	1.3	1.1
Public consumption	1.4	-1.3	0.2	0.0	-0.1	0.4	0.2	0.2	0.2	0.2	0.2	0.2	1.7	1.3	0.2	0.9
Residential investment	1.0	3.2	2.8	0.2	1.0	1.3	0.0	-0.5	-0.5	0.2	0.2	0.4	-1.6	5.6	4.1	-0.2
Public investment	0.0	-0.6	-0.9	-2.4	0.4	6.0	0.5	0.0	-0.8	-2.5	0.0	0.2	-2.1	-3.0	2.5	-0.7
Capital Investment	-0.1	1.4	-0.3	2.0	0.5	0.5	0.5	0.7	0.8	0.7	0.6	0.6	1.1	1.3	3.1	2.7
Net exports (q/q cont.)	0.4	0.1	0.4	0.3	0.1	-0.3	0.2	0.1	0.1	0.0	0.1	0.1	0.4	0.6	0.3	0.3
Exports	-0.0	-0.9	2.1	3.1	1.9	-0.5	0.9	1.0	0.9	0.8	1.0	1.3	2.9	1.2	5.5	3.4
Imports	-2.0	-1.2	-0.2	1.4	1.3	1.4	-0.3	0.5	0.6	0.6	0.7	0.8	0.8	-2.3	3.0	2.2
Ch. Inventories (q/q cont.)	-0.3	0.4	-0.5	-0.2	-0.1	-0.0	0.1	0.1	0.0	0.0	-0.0	-0.0	0.6	-0.3	-0.4	0.2
Nominal GDP	0.9	0.2	-0.0	0.5	-0.1	0.7	0.5	0.7	0.5	0.6	0.7	1.0	3.2	1.3	1.3	2.5
Industrial output	-0.9	0.2	1.6	1.9	0.2	2.1	0.3	1.6	1.1	0.9	0.9	1.1	-1.2	-0.2	4.5	4.5
Employment	0.4	0.1	0.5	-0.0	0.6	0.5	0.2	0.2	0.2	0.2	0.1	0.1	0.4	1.1	1.5	1.0
Unemployment rate (%)	3.2	3.2	3.0	3.1	2.9	2.9	2.8	2.8	2.7	2.7	2.7	2.6	3.4	3.1	2.8	2.7
CPI inflation (y/y)	-0.1	-0.4	-0.5	-0.3	0.2	0.4	0.7	0.7	0.6	0.4	0.6	0.7	0.5	-0.3	0.5	0.6
Core CPI ex food/energy (y/y)	0.6	0.5	0.2	0.1	-0.1	-0.2	0.0	0.0	0.2	0.2	0.3	0.4	1.0	0.3	-0.1	0.3
Current account (% GDP)	3.9	3.5	3.6	3.8	4.0	3.5	3.7	3.7	3.8	3.9	3.9	4.0	3.1	3.7	3.7	3.9
Government balance (%GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-3.5	-4.6	-5.0	-4.4
Overnight call rate (% EOP)	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	0.00	0.10	-0.10	-0.10	0.00
BoJ 10y yield target (% EOP)	-	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.10	-	0.00	0.00	0.10

Note: All numbers expressed in q/q saar % unless otherwise specified. Bold fed funds indicate quarter of projected rate increase. The budget balance is fiscal year. Forecasts as of 27th October 2017. Source: Haver Analytics, Barclays Research

China: economic projections

% change y/y	2016				2017				2018				Calendar year average			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	2015	2016	2017E	2018E
Real GDP	6.7	6.7	6.7	6.8	6.9	6.9	6.8	6.7	6.5	6.4	6.4	6.4	6.9	6.7	6.8	6.4
Real GDP (q/q, saar)	6.6	7.1	6.8	6.6	7.3	6.7	6.6	6.3	6.1	6.6	6.4	6.3	...	...	...	...
Real GDP (% y/y, YTD)	6.7	6.7	6.7	6.7	6.9	6.9	6.9	6.8	6.5	6.4	6.4	6.4	...	...	...	...
Consumption* (pp)	5.6	4.9	4.8	4.3	5.3	4.4	4.5	4.4	4.4	4.3	4.3	4.2	4.1	4.3	4.4	4.2
Investment* (pp)	2.5	2.5	2.5	2.8	1.3	2.3	2.3	2.2	2.0	2.0	2.0	2.0	2.9	2.8	2.2	2.0
Net exports contribution* (pp)	-1.4	-0.7	-0.5	-0.5	0.3	0.3	0.1	0.2	0.1	0.1	0.1	0.2	-0.1	-0.5	0.2	0.2
Industrial output	5.9	6.1	6.1	6.1	6.7	6.9	6.3	6.2	6.0	6.0	6.0	5.9	6.2	6.0	6.5	6.0
CPI inflation	2.1	2.1	1.7	2.2	1.4	1.4	1.6	1.7	2.0	2.0	2.0	1.9	1.4	2.0	1.5	2.0
Unemployment rate (%)	4.0	4.1	4.1	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Current account (% GDP)	1.6	2.3	2.4	0.4	0.7	1.8	1.3	1.6	0.7	1.9	1.1	1.2	2.7	1.7	1.5	1.4
Government balance (% GDP)													-2.8	-3.7	-4.0	-4.2
General government debt (% GDP)													42.6	46.2	49.3	52.0
Key CB rate (period end, %)	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35

Note: All numbers expressed in q/q saar % unless otherwise specified. Bold fed funds indicate quarter of projected rate increase. The budget balance is fiscal year. Forecasts as of 27th October 2017. Source: Haver Analytics, Barclays Research

Barclays: UK economic projections

% Change q/q	2016				2017				2018				Calendar year average			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3 F	Q4 F	Q1 F	Q2 F	Q3 F	Q4 F	2015	2016	2017F	2018F
Real GDP	0.2	0.6	0.5	0.7	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	...	...	...	...
Real GDP (saar)	0.8	2.4	2.0	2.8	1.0	1.2	1.2	1.2	1.3	1.3	1.4	1.3	...	...	...	...
Real GDP (y/y)	1.9	1.8	1.8	1.6	1.8	1.5	1.4	1.2	1.2	1.3	1.3	1.3	2.3	1.8	1.5	1.3
Private consumption	0.7	0.9	0.5	0.4	0.3	0.2	0.2	0.1	0.1	0.2	0.2	0.2	2.6	2.8	1.4	0.6
Public consumption	1.0	-0.1	0.0	0.2	0.2	0.1	0.3	0.3	0.2	0.2	0.3	0.3	0.6	1.1	0.7	0.9
Investment	0.6	1.9	0.8	0.4	0.5	0.6	0.6	0.2	0.3	0.3	0.3	0.3	2.8	1.3	2.5	1.4
Inventories (pp)	-0.1	-0.7	0.2	-0.5	0.1	-0.3	-0.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	-0.6	0.0
Net exports (pp)	-0.7	0.4	-1.4	1.7	-0.4	0.4	0.1	0.1	0.1	0.1	0.1	0.1	-0.1	-0.9	0.7	0.5
Nominal GDP (y/y)	3.3	3.1	4.0	4.9	4.3	3.7	3.6	3.3	2.9	3.4	3.1	3.1	2.8	3.8	3.7	3.1
Employment (Mn)	31.6	31.7	31.8	31.8	31.9	32.1	32.0	32.0	32.0	31.9	31.9	31.9	31.3	31.7	32.0	31.9
Employment growth	0.1	0.5	0.1	0.1	0.4	0.4	-0.2	0.0	-0.1	-0.2	0.0	0.1	1.7	1.4	0.9	-0.2
Unemployment rate (%)	5.1	4.9	4.8	4.8	4.6	4.4	4.5	4.6	4.7	4.9	5.1	5.2	5.4	4.9	4.5	5.0
CPI inflation (y/y)	0.3	0.4	0.7	1.2	2.1	2.7	2.8	2.8	2.4	2.1	1.8	1.7	0.0	0.7	2.6	2.0
Current account (% GDP)	-6.5	-5.8	-6.7	-4.6	-4.4	-4.6	-4.3	-4.1	-4.0	-3.9	-3.9	-3.8	-5.2	-5.9	-4.4	-3.9
Government balance (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	-3.9	-2.3	-2.6	-2.3
Government debt (% GDP)	...	...	...	...	...	...	...	...	...	...	...	...	83.5	86.8	91.4	92.3
Bank Rate (EOP)	0.50	0.50	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.25	0.50	0.50

Note: All numbers expressed in q/q saar % unless otherwise specified. Bold fed funds indicate quarter of projected rate increase. The budget balance is fiscal year. Forecasts as of 27th October 2017. Source: Haver Analytics, Barclays Research

General government gross debt/GDP ratios and Barclays Research projections

Gross government debt ratio (% GDP)															
	2012	2013	2014	2015	2016	2017F	2018F	2012	2013	2014	2015	2016	2017F	2018F	
Americas								Europe and Africa							
United States	102.5	104.8	105.0	105.8	107.5	109.5	108.5	Euro area	91.4	93.7	94.3	92.5	91.3	91.0	88.9
Latin America								Belgium	104.3	105.6	106.7	106.0	105.9	104.3	103.3
Argentina	40.4	43.5	44.7	53.5	54.2	53.4	54.4	France	89.5	92.3	94.6	95.3	95.7	96.6	95.6
Brazil	53.7	51.5	56.3	65.5	69.5	75.3	79.1	Germany	79.9	77.5	74.9	71.2	67.9	64.6	61.8
Colombia	40.6	43.1	45.6	48.1	48.8	49.6	49.7	Greece	159.6	177.4	179.7	177.4	179.0	177.9	172.2
Mexico	35.2	38.3	41.8	46.2	50.8	47.9	46.7	Ireland	120.1	120.0	107.5	93.8	91.0	88.4	86.1
Peru	21.1	18.8	19.3	22.3	23.2	25.4	27.0	Italy	123.3	129.0	131.9	132.3	132.8	133.0	131.6
Venezuela	25.7	33.5	23.9	37.4	46.4	50.2	57.4	Netherlands	66.4	67.9	68.2	65.1	64.1	61.1	58.2
Asia/Pacific								Portugal	126.2	129.0	130.6	129.0	130.4	129.3	127.0
Japan	205.7	208.6	214.6	219.3	222.2	225.9	227.9	Spain	85.7	95.5	100.4	99.8	99.4	97.9	96.5
Australia	33.9	35.9	41.3	44.7	49.7	54.8	57.0	United Kingdom [#]	79.1	81.2	83.6	83.5	86.8	90.5	91.6
Emerging Asia								EM Europe & Africa							
China*	14.4	14.6	14.9	15.5	16.1	16.7	17.2	Poland	54.4	55.5	50.0	51.1	54.4	54.1	53.3
Hong Kong	0.5	0.5	0.1	0.1	0.1	0.1	0.1	Russia	12.7	13.1	15.9	16.4	17.1	17.7	18.0
India**	66.6	66.8	67.4	66.0	66.0	65.5	65.5	Turkey	32.6	31.3	28.6	27.5	28.3	29.2	30.2
Indonesia	23.5	24.2	25.8	29.3	30.1	31.8	33.0	Israel	68.3	67.0	66.0	64.1	62.1	61.0	60.0
South Korea	30.9	32.5	33.9	35.7	38.3	39.6	39.6								
Malaysia	51.6	53.0	52.7	54.5	52.7	51.5	51.0								
Philippines	57.5	54.4	49.7	48.8	45.7	45.2	45.0								
Singapore	106.5	103.1	99.2	103.2	112.9	114.0	116.0								
Taiwan	35.4	34.7	33.9	31.7	31.4	33.3	32.7								
Thailand	40.2	42.2	42.8	44.4	42.2	41.3	40.8								

Forecasts – FX and Rates

Official interest rates and Barclays Research projections

Official rate % per annum (unless stated)	Start of cycle			Last move	Next move expected	Forecasts			
	Current	date	level			Q4 17	Q1 18	Q2 18	Q3 18
Advanced									
Fed funds rate	1.00-1.25	Tightening: 16 Dec 15	0-0.25	Jun 17 (+25)	Q4 17 (+25)	1.25-1.50	1.25-1.50	1.50-1.75	1.50-1.75
BoJ rate of policy-rate balances	-0.10	Easing: 30 Oct 08	0.50	Jan 16 (-20-0)	Q4 18	-0.10	-0.10	-0.10	-0.10
BoJ target of 10y JGB yields	0.00	Easing: 21 Sep 16	-	Sep 16 (0)	Q3 18 (+10)	0.00	0.00	0.00	0.10
ECB main refinancing rate	0.00	Easing: 3 Nov 11	1.50	Mar 16 (-5)	-	0.00	0.00	0.00	0.00
ECB deposit facility rate	-0.40	Easing: 3 Nov 11	0.75	Mar 16 (-10)	Q2 18 (+10)	-0.40	-0.40	-0.30	-0.30
BOE bank rate	0.25	Easing: 6 Dec 07	5.75	Aug 16 (-25)	Nov 17 (+25)	0.50	0.50	0.50	0.50
RBA cash rate	1.50	Easing: 3 Feb 15	2.50	Aug 16 (-25)	Q3 18 (+25)	1.50	1.50	1.50	1.75
RBNZ cash rate	1.75	Easing: 10 Jun 15	3.50	Nov 16 (-25)	Beyond 2018	1.75	1.75	1.75	1.75
Emerging									
China: 1y bench. lending rate	4.35	Easing: 21 Nov 14	6.00	Oct 15 (-25)	Beyond Q3 18	4.35	4.35	4.35	4.35
India: Repo rate	6.00	Easing: 15 Jan 15	8.00	Aug 17 (-25)	-	6.00	6.00	6.00	6.00
Indonesia: 7 day reverse repo	4.25	Easing: 17 Feb 15	-	Sep 17 (-25)	Q4 17 (-25)	4.00	4.00	4.00	4.00
Korea: Base rate	1.25	Easing: 12 Jul 12	3.25	Jun 16 (-25)	Nov 17 (+25)	1.50	1.50	1.50	1.50
Hungary: 2w deposit rate	0.90	Easing: 22 Mar 16	1.35	May 16 (-15)	Beyond Q2 18	0.90	0.90	0.90	0.90
Poland: 2w repo rate	1.50	Easing: 4 Mar 15	2.00	Feb 15 (-50)	Beyond Q2 18	1.50	1.50	1.50	1.50
Russia: One-week repo rate	8.50	Easing: 30 Jan 15	17.00	Sep 17 (-50)	Oct 17 (-50)	7.50	7.50	7.00	7.00
Turkey: Late Liquidity Window O/N L	12.25	Tightening: 24 Jan 17	10.00	April 17 (+50)	Beyond Q2 18	12.25	12.25	12.25	12.25
Turkey: O/N lending rate	9.25	Tightening: 24 Nov 16	8.25	Jan 17 (+75)	Beyond Q2 18	9.25	9.25	9.25	9.25
Turkey: One-week repo rate	8.00	Tightening: 24 Nov 16	7.50	Nov 16 (+50)	Beyond Q2 18	8.00	8.00	8.00	8.00
Brazil: SELIC rate	8.25	Easing: 19 Oct 16	14.25	Sep 17 (-100)	Oct 17 (-75)	7.25	7.25	7.25	7.25
Mexico: Overnight rate	7.00	Tightening: 17 Dec 15	3.00	June 17 (+25)	Beyond Q2 18	7.00	7.00	7.00	7.00



Note: Rates as of COB 26 September 2017 in % per annum (unless stated). #Philippines adopted a new monetary policy framework, effective from 3 June 2016, by setting the overnight borrowing rate as the new benchmark policy rate (previously: reverse repo rate at 4%). Source: Central Banks, Barclays Research

Barclays Bond Yield forecasts

US Treasuries							
%	Fed funds	3m Libor	2y	5y	10y	30y	10y BE
Q4 17	1.25-1.50	1.63	1.60	1.95	2.30	2.85	1.75
Q1 18	1.25-1.50	1.68	1.75	2.05	2.40	2.90	2.00
Q2 18	1.50-1.75	1.85	1.85	2.10	2.40	2.90	2.10
Q3 18	1.50-1.75	1.93	1.90	2.10	2.40	2.90	2.20

US swap spreads					
bp	2y	5y	10y	30y	
Q4 17	20	10	0	-30	
Q1 18	20	15	5	-25	
Q2 18	20	15	10	-20	
Q3 18	20	15	10	-15	

Euro government (Germany) bond yield							
%	Deposit Rate	3m Euribor	2y	5y	10y	30y	10y BE
Q4 17	-0.40	-0.33	-0.60	-0.15	0.55	1.30	1.20
Q1 18	-0.40	-0.33	-0.55	-0.10	0.60	1.35	1.20
Q2 18	-0.40	-0.33	-0.50	-0.05	0.65	1.35	1.30
Q3 18	-0.40	-0.23	-0.45	0.00	0.75	1.35	1.40

Euro area swap spreads					
bp	2y	5y	10y	30y	
Q4 17	45	45	40	35	
Q1 18	40	40	35	30	
Q2 18	40	40	35	30	
Q3 18	40	40	35	30	

UK government							
%	Bank rate	3m	2y	5y	10y	30y	10y BE
Q4 17	0.50	0.57	0.55	0.90	1.40	2.00	3.10
Q1 18	0.50	0.58	0.60	1.00	1.45	2.05	3.10
Q2 18	0.50	0.58	0.65	1.05	1.55	2.10	3.15
Q3 18	0.50	0.58	0.65	1.05	1.55	2.10	3.15

UK swap spreads					
bp	2y	5y	10y	30y	
Q4 17	45	30	-10	-30	
Q1 18	47	30	-12	-30	
Q2 18	47	30	-15	-30	
Q3 18	49	32	-17	-32	

Japan government							
%	IOER	3m Libor	2y	5y	10y	30y	10y BE
Q4 17	-0.10	0.00	-0.15	-0.10	0.05	0.90	0.40
Q1 18	-0.10	0.00	-0.10	-0.05	0.10	0.95	0.40
Q2 18	-0.10	0.00	-0.10	-0.05	0.10	0.95	0.40
Q3 18	-0.10	0.00	-0.10	0.00	0.15	1.00	0.45

Japan swap spreads					
bp	2y	5y	10y	30y	
Q4 17	15	20	20	0	
Q1 18	15	20	20	0	
Q2 18	15	20	20	0	
Q3 18	15	20	20	0	

Source: Barclays Research

Barclays FX forecasts – G10

	Forecasts						Forecast vs. Outright Forward				
	Spot	End Q4 17	End Q1 18	End Q2 18	End Q3 18	End Q4 18	End Q4 17	End Q1 18	End Q2 18	End Q3 18	End Q4 18
G10 countries											
EURUSD	1.17	1.19	1.19	1.21	1.24	1.26	0.7%	0.1%	1.2%	3.1%	4.1%
USDJPY	113.95	110	110	108	106	103	-3.0%	-2.6%	-3.8%	-5.0%	-7.2%
GBPUSD	1.32	1.32	1.32	1.34	1.38	1.48	0.4%	0.1%	1.5%	3.7%	11.3%
USDCNH	0.99	0.97	0.97	0.97	0.97	0.97	-1.0%	-0.3%	-0.4%	0.4%	1.1%
USDCAD	1.26	1.27	1.25	1.23	1.22	1.21	0.4%	-1.1%	-2.6%	-3.4%	-4.1%
AUDUSD	0.78	0.77	0.76	0.76	0.77	0.78	-0.9%	-2.2%	-2.1%	-0.7%	0.6%
NZDUSD	0.70	0.70	0.71	0.72	0.73	0.74	1.6%	3.2%	4.8%	6.3%	7.9%
EURJPY	133.77	131	131	131	131	130	-2.4%	-2.4%	-2.6%	-2.1%	-3.3%
EURGBP	0.89	0.90	0.90	0.90	0.90	0.85	0.2%	0.0%	-0.3%	-0.6%	-6.4%
EURCHF	1.16	1.16	1.16	1.17	1.20	1.22	-0.3%	-0.2%	0.8%	3.5%	5.3%
EURSEK	9.65	9.55	9.45	9.40	9.30	9.20	-1.1%	-2.1%	-2.6%	-3.7%	-4.7%
EURNOK	9.39	9.33	9.28	9.23	9.18	9.13	-1.0%	-1.8%	-2.7%	-3.5%	-4.4%

Source: Barclays Research

Barclays FX forecasts – EM

	Forecasts						Forecast vs. Outright Forward				
	Spot	End Q4 17	End Q1 18	End Q2 18	End Q3 18	End Q4 18	End Q4 17	End Q1 18	End Q2 18	End Q3 18	End Q4 18
Emerging Asia											
USDCNY	6.64	6.60	6.60	6.60	6.50	6.45	-1.0%	-1.6%	-2.1%	-4.1%	-5.4%
USDHKD	7.80	7.80	7.80	7.80	7.80	7.80	0.1%	0.3%	0.4%	0.5%	0.6%
USDINR	65.03	65.00	64.80	64.50	64.20	64.00	-1.1%	-2.3%	-3.7%	-5.0%	-6.2%
USDDIDR	13,543	13,500	13,250	13,150	13,050	13,050	-1.3%	-4.1%	-5.9%	-7.7%	-8.7%
USDKRW	1,130	1,140	1,130	1,115	1,100	1,095	1.0%	0.2%	-1.0%	-2.1%	-2.4%
USDMYR	4.24	4.20	4.10	4.05	4.00	3.95	-0.7%	-3.2%	-4.7%	-6.2%	-7.8%
USDPHP	51.52	51.60	51.50	51.40	51.30	51.20	-0.9%	-1.9%	-2.6%	-3.3%	-4.0%
USDSGD	1.363	1.340	1.340	1.330	1.310	1.290	-1.5%	-1.4%	-2.0%	-3.3%	-4.7%
USDTHB	33.19	33.30	32.40	32.10	31.80	31.70	0.5%	-2.2%	-3.0%	-3.8%	-4.0%
USDTWD	30.26	30.30	30.00	29.90	29.80	29.80	0.5%	0.0%	0.0%	0.0%	0.4%
Latin America											
USDBRL	3.19	3.19	3.21	3.25	3.30	3.35	-3.0%	-3.5%	-3.3%	-3.0%	-2.6%
USDCOP	2,937	2,950	3,000	3,075	3,025	3,000	-1.4%	-0.5%	1.2%	-1.2%	-2.8%
USDMXN	19.01	19.00	19.25	20.00	19.50	19.20	-2.2%	-2.3%	0.1%	-3.8%	-6.6%
EMEA											
EURHUF	310	312	315	315	315	315	0.8%	1.7%	1.6%	1.6%	1.5%
EURPLN	4.23	4.23	4.23	4.25	4.25	4.22	-0.7%	-1.2%	-1.2%	-1.8%	-3.0%
USDRUB	57.49	57.00	57.00	56.50	56.00	55.50	-2.2%	-3.4%	-5.5%	-7.5%	-9.4%
USDTRY	3.71	3.70	3.70	3.67	3.65	3.60	-2.8%	-5.3%	-8.4%	-11.2%	-14.6%
USDILS	3.49	3.51	3.51	3.50	3.50	3.49	0.5%	0.9%	1.1%	1.6%	1.8%
USDZAR	13.73	14.00	13.80	13.65	13.60	13.60	0.8%	-2.0%	-4.4%	-6.1%	-7.3%

Source: Barclays Research

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