Economic Perspectives

December 2017

Highlights

- 2017 has been characterised by a remarkably strong global recovery. The latest data have confirmed the continuation of the general optimism in the global economy. As a result, the prospects for 2018 look bright. Sentiment indicators, in particular for some of the developed economies, have reached new multi-year highs with subcomponents pointing to a healthy growth pace going forward. However, emerging economies have been lagging behind somewhat. We don't think this is a major cause for concern as domestic consumption data as well as global trade data have been solid. Moreover, investment is picking up and the Chinese economy seems to be holding up well.

- Political uncertainties have faded somewhat of late while positive economic news is currently seen as more influential than remaining political and policy uncertainties. The German deadlock that followed the failure of talks to form a so-called Jamaica coalition seems to have been resolved with the prospect of a grand coalition again in focus. Brexit negotiations are progressing but it remains hard to find solutions that are acceptable for all parties involved. In general, financial markets don't seem too perturbed about such issues, although the British pound has remained vulnerable.

- The US economy continues to surprise in a positive way. Moreover, it seems likely that a final tax reform bill will soon be approved. This policy change might provide some additional boost to the US economy in the short to medium term. However, the positive impact might be rather limited compared to earlier expectations, especially in the longer run. In response, the Fed will probably be somewhat more inclined to tighten monetary policy. Taking these factors into consideration, we increased our US growth forecast for 2018 slightly from 2.4% to 2.6%.

- Focus article - Japan: Five years of *Abenomics* are starting to pay off.

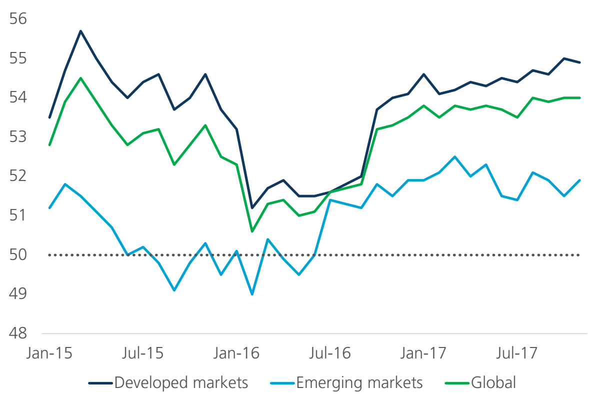
Global Economy

Developed economies taking the lead

2017 has been a year with plenty of positive surprises, economically speaking. Incoming growth and activity data have repeatedly surprised to the upside with the result that forecasts have continuously been revised upwards for the majority of economies. The latest data once more confirm the general optimism towards the global economy. Sentiment indicators, in particular for some of the developed economies, have reached new multi-year highs with subcomponents suggesting a healthy growth pace will be sustained in coming months. Improving global demand is reflected in strong domestic consumption growth as well as in solid international trade data. Moreover, evidence that the investment cycle is finally picking up is now accumulating. Hence, growth is becoming more broadly-based which further suggests a continuation of the robust momentum in 2018.

All major developed markets are part of this upward cycle. For the euro area we stick to our above-potential growth forecasts of 2.3% next year. A further strengthening of the euro area economy depends very much on successful economic reforms and further investment growth. Given some uncertainties surrounding the national reform agendas, we remain optimistic, but cautiously so for the euro area. The US economic cycle, although in an advanced stage, appears likely to gain some further strength, supported by upcoming tax reforms and the persistence of accommodative monetary policy. Finally, Japan is slowly but surely exiting from its long deflationary period.

Figure 1 - Emerging markets lagging behind developed economies
(composite PMI sentiment indicators, 50 = neutral)



Source: KBC Economic Research based on Markit (2017)

Despite this synchronised expansion across developed markets, emerging economies have been lagging behind somewhat. In particular the gap between sentiment indicators for developed and emerging markets has widened (figure 1). This seems somewhat puzzling to us in the context of the ongoing global expansion. Nevertheless, as global trade data have been good, investment is picking up and the Chinese economy seems to be holding up well, we are not too worried about this. Rather, it seems likely that emerging markets will increasingly benefit from the strong global recovery and that improvement should help sustain the global cycle in the future.

Yet again, it's the economy

2017 has been notable for significant political turmoil, although importantly, this didn't destabilise the improving economic cycle. Even major geopolitical conflicts such as military confrontations in the Middle East or the North Korean crisis failed to disrupt the bright economic outlook. In general, positive economic news has been dominating political uncertainties and financial markets don't seem too unsettled by these uncertainties. The favourable macro-economic environment underpinned by confidence that central banks will remain willing and able to offer decisive support if and when this is needed continues to outweigh concerns about geo-political risks for now.

Political uncertainties have even receded somewhat in recent weeks. A German political deadlock, after talks between the CDU/CSU, the Free Democratic Party (FDP) and the Greens - a so-called Jamaica-coalition - broke down, seems likely to be short-lived. A renewal of the grand coalition between chancellor Merkel's CDU/CSU and the SPD is now back on the table. Such a coalition might be more favourably disposed towards the EU project than a Jamaica-coalition would have been. SPD leader Martin Schulz has already stated he wants to aim for a "refoundation of Europe", a common European tax policy and the appointment of a EU finance minister. As a large part of the SPD is still reluctant to renew a coalition with the CDU/CSU, Schulz will have to drive a hard bargain. Merkel will hence have to make severe concessions if she wants the SPD on board to prolong her 12-year reign. Whether the turmoil will weigh on sentiment remains to be seen in the new December data for the ifo business climate index that are expected next week. A slight December drop in the indicator seems likely in any case as the ifo reached a record high last month, but the strong PMI figures for December suggest that current political uncertainties are not spilling over into weaker business sentiment. Hence, good economic news is overriding political and policy uncertainty.

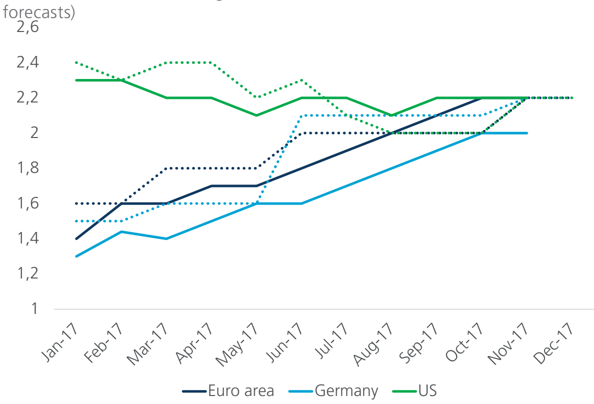
Meanwhile, Brexit negotiations appear to be muddling through but with alternating bouts of optimism and pessimism as to how successful or disruptive the final outcome might be. A deal seems to have been reached on the financing bill that the UK will have to pay the EU. However, reaching an agreement on the future status of the border between Ireland and Northern Ireland proved to be a substantial hurdle for the Brexit negotiations. Despite an apparently agreed compromise between UK Prime Minister Theresa May and the Irish government, the pro-Brexit Democratic Unionist party (DUP), which provides May with a majority in the UK parliament, initially rejected the proposal. Nevertheless, a compromise was reached in the end. The next phase of the negotiation process - which will contain discussions about future EU-UK trade negotiations and a transition deal - can now begin. In any case, recent developments have provided evidence of the UK government's difficulty in finding an agreement that will be acceptable to the very different views of various factions within its parliamentary support. The surrounding uncertainty will continue to cause GBP exchange rate volatility.

The European Renaissance in 2017: solid growth, disappointing inflation

For Europe in particular, 2017 was a year in which economic growth surprised repeatedly and significantly to the upside. The euro area economy performed much better than initially expected. Figure 2 indicates that euro area growth continuously outperformed forecasts through 2017, which led to regular upgrades to consensus growth expectations throughout the year. Despite some political events that could have had some serious macro-economic implications - such as French and German elections or global uncertainties regarding the possible direction and impact of President Trump's policies - their impact proved to be very limited in the past year. Instead, a recovery of world trade and strong dynamics in both manufacturing and services, led to an unexpectedly firm global economic environment in 2017.

In spite of notably stronger growth momentum, inflation remained stubbornly low. In the euro area, this was more or less expected. The ECB decision to continue quantitative easing, albeit at a reduced pace, until September 2018 is a clear signal of prudence in the face of this disconnect between accelerating economic growth and weak price developments. Global upward price pressures are still lacking due to continued overcapacity in industrial sectors and substantial competition. Services inflation is limited too, mainly due to very limited wage growth across the euro area. Recent inflation developments and current inflation expectations justify the dovish ECB stance. Nevertheless, there are growing concerns about the negative

Figure 2 - Euro area outperformed expectations over the year
(consensus annual real GDP growth forecasts for 2017, dotted lines are KBC forecasts)



Source: KBC Economic Research based on Consensus Economics (2017)

side effects of its unconventional monetary policy, including an increase in debt accumulation and speculative investment in certain sectors of the economy that have resulted in sharp asset price increases. The risks are increasing which the ECB cannot neglect forever, not even if inflation remains substantially below its target level. Hence, throughout 2018 all lights will be on inflation prospects. Any uptick in inflation may motivate a faster exit from current monetary policy.

In the meantime, continued quantitative easing has suppressed market interest rates further, in particular at longer maturities. It also reduced intra-EMU spreads again. The latter may not prove sustainable in the longer run, as limited spreads are inconsistent with substantial risk differences across euro area economies. Moreover, low interest rates may reduce pressure on governments to implement necessary reforms. In time, this may cause renewed concerns about the sustainability of public finances and the coherence of the euro area.

America rules: Republicans are trumping intra-party differences

For the US economy, 2017 has proven to be yet another year of solid economic growth. As the current expansion phase has reached the point where it is now the third longest in US history, many wonder how long this positive evolution can be maintained. Nevertheless, recent figures suggest that the boom could even strengthen further due to the expectation of more supportive policy stances.

On the fiscal side, Republican members in the US Senate have managed to reach a deal on a tax reform proposal. The House members already did so earlier. The next step in the tax reform process is the construction of a final bill, which will be some merger of the House and Senate proposals. A special conference committee will aim to complete this task before year end. This timing is quite ambitious as several hurdles still need to be overcome. First, the final bill will have to comply with the Byrd rule. This rule states that the tax bill can only increase the deficit by 1.5 trillion USD in the first 10 years and can't increase the national debt beyond that time horizon. If compliant with this rule, Republicans can pass legislation that isn't subject to a filibuster and needs only 51 votes in the Senate. If not, Republicans would need Democratic support, which is highly unlikely given their intense opposition to the proposal. As the current House version doesn't meet the stipulated requirements, adjustments will have to be made. Beside this consideration, there are several aspects on which the Senate and House proposals differ (e.g. individual tax brackets, estate tax, etc.). A consensus on these issues will have to be found. Despite these remaining hurdles, we expect some final form of the tax bill to be passed in coming weeks or months.

In our view, the included reduction of the corporate tax rate and tax cuts for individuals will give a small boost to economic activity in the short to medium term. However, we don't expect the stimulus to be very large, especially not in the longer run. After all, the main benefits will go to the richest persons in American society. They are less likely to spend all their additional income on goods and services. Instead, a significant amount of any incremental spending may be on asset accumulation which is not reflected in GDP growth figures. Furthermore, the stimulating measures come at a time when the US economy is already late-cyclical and doesn't really need such support. Hence, there is a risk of overheating in the economy. This might induce the Fed to upgrade their economic forecasts and be more aggressive in their rate hike cycle. In response, we have marginally revised up our growth forecast for annual US real GDP up from 2.4% to 2.6% for next year. Aside from the economic effects, the budgetary impact of the tax reforms will not be negligible. Several non-partisan estimates have shown that the proposed reform would raise government debt even more than under a constant-policy scenario. These expectations will lead to another heated debate on the US debt ceiling as a temporary agreement between President Trump and the Democratic Party to raise the ceiling is about to expire this month.

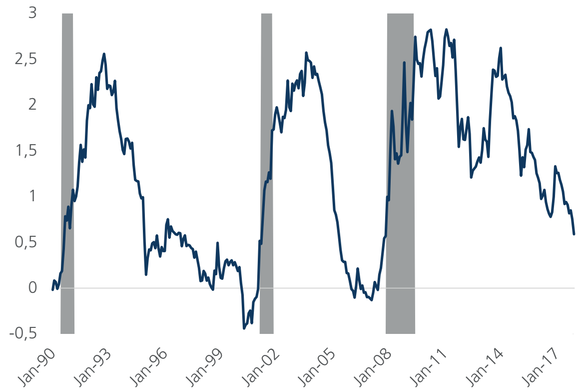
On the monetary policy side, the stimulus to the US economy is fading but still remains significant. US price increases remained unexpectedly moderate in 2017 with a drop in both headline and core inflation. This was largely due to temporary factors such as a sharp fall in mobile phone service prices. Also the Federal Reserve has suggested this inflation blip is transitory. Nevertheless, it prompted concerns among some members of the Fed Board and this raised cautiousness about the appropriate pace of policy normalisation. Given favourable US growth results, is still seems likely that the Fed will hike its policy rate at its December meeting. This would imply the Fed will have increased the policy rate three times in 2017. This is exactly the number of hikes the Fed announced at the end of 2016. Actually, for the first time in several years, the Fed will have done what they initially planned and not less. It remains to be seen whether a similar transparency and predictability will be in place once the new Fed chair takes office and the remaining vacant Fed board chairs are filled.

The continued divergence between the ECB and the Fed monetary policy stances is likely to offer some support to the USD during the upcoming months. The recent U-turn of the EUR-USD exchange rate, in line with our earlier predictions, is likely to be followed by a similar U-turn. In the longer run we continue to believe in a gradual further strengthening of the Euro, given the strong performance of the euro area economy and the expected monetary policy normalisation by the ECB.

Flatter US yield curve doesn't signal near-term recession yet

The slope of the US yield curve, meaning the difference between the yields on long-term and short-term government bonds, is often regarded as a possible pointer towards a looming US recession. Indeed, in an historical perspective an inverted yield curve, or a negative difference between long-term and short-term bond yields, often preceded an economic downturn (figure 3). The flattening of the yield curve has been ongoing for several years now and fears have grown that a recession is on the way. However, in our view these fears may be overdone. After all, the yield curve has flattened but not inverted. Moreover, in the past it took on average 18 months after inversion before an actual recession hit. The recent curve flattening has been the

Figure 3 - Flatter US yield curve, but no near-term recession in sight
(difference between 10y and 2y US treasury yields in % points, shaded areas indicate recession periods)



Source: KBC Economic Research based on Datastream, NBER (2017) consequence of two factors. First, short-term yields have been adjusting to Fed policy decisions. Since the Fed has increased its policy rate several times in recent years, the short-term bond yield moved up accordingly. Long-term bond yields have also risen, but not at the same pace. They seem to be capped on the upside at roughly 3%. There are several reasons for this. Financial markets are starting to discount lower trend growth going forward as growth has shown a clear tendency to drift well below pre-crisis trend growth. Moreover, Fed forecasts for the neutral interest rate have been consistently lowered in recent years. We expect long-term US yields to rise gradually but the yield curve may flatten further. Nevertheless, risks for long-term yields are predominantly to the upside. A fiscal boost in the US seems likely now that tax reforms are taking shape. This may spark a new round of the reflation trade, similar to what we saw after President Trump's election. Furthermore, the reduction in the Federal Reserve's balance sheet could also push bond yields higher if such action has a symmetrical effect on bond yields to the previous balance sheet expansion (through quantitative easing).

Bulgarian Economy

According to preliminary data for the third quarter of 2017, Bulgaria's real GDP increased by 0.9% qoq and by 3.9% yoy. Increased domestic demand was the main growth supporting factor. Final consumption in the country grew by 4.6% yoy. Furthermore, Bulgaria has benefitted from a strong tourist season, which is one of the reasons why retail trade has performed well. Rising household incomes, increasing employment and a declining unemployment rate are the main drivers of solid private consumption. For example, the average gross salary increased by 11.4% in the third quarter and the number of employees is also rising rapidly. Compared to the same period last year, there was an increase of 172.3 thousand, the strongest rise in the last decade. The unemployment rate reached its pre-crisis low at 5.8%, while the number of people outside the workforce also declined.

In the third quarter of 2017, the long-awaited recovery of investment started. The annual change in gross fixed capital formation was positive for the second consecutive quarter, reaching 4.2% between July and September, compared to 3.9% in the second quarter of 2017. Much of this increase is thanks to the construction sector. Low interest rates are stimulating investment in real estate. Activity in the sector is just beginning - building permits are currently at pre-crisis levels, meaning that these buildings are still under construction. In the last quarter of 2017, higher government spending is expected, and much of it will be investment.

Annual inflation reached 1.5% in October. In its latest forecast for Bulgaria, the EC expects this indicator to remain at similar levels in the coming year. The main impetus is likely to come from strong domestic demand, higher administrative prices for utilities, and the rebound in commodity prices and fuels. We project annual inflation to be at 1.5% for 2018 and 1.7% for 2019, respectively.

In January - September 2017, the surplus on the current and capital account of the balance of payments decreased by EUR 753.6 million, mainly reflecting lower transfers for EU programs and trade balance deficit rise. Similar to other small open economies, stronger household expenditures have triggered substantial import growth. As a result, the rate of increase in imports outpaced exports for the second consecutive quarter, with export growth gradually slowing down compared to the first half of the year. The total value of foreign investment at the end of the third quarter equalled EUR 744 million and is still below the level of 2016. At the same time, in October 2017, there was a significant decline in foreign exchange reserves. The reason for this is that the Bulgarian National Bank (BNB) changed the interest rate on the excess reserves of banks from -0.4% to -0.6%, which led to the withdrawal of BGN 4.5 billion bank deposits from BNB for one month only.

Detailed forecasts for the Bulgarian economy	2016	2017	2018
Real GDP growth (in %)	3.9	3.4	3.1
Inflation (in %, harmonised CPI)	-1.3	1.3	1.5
Unemployment rate (in %, end of year, Eurostat definition)	7.6	6.8	6.6
Government budget balance (in % of GDP)	0.0	-1.0	-0.3
Gross Public debt (in % of GDP)	29.5	29.0	28.0
Current account balance (in % of GDP)	2.9	1.6	1.6
House prices (avg annual %-change, total dwellings, Eurostat definition)	7.6	6.0	5.0

Focus article - Japan: Five years of Abenomics are starting to pay off

In December 2012, Prime Minister Abe emerged victorious from the Japanese parliamentary elections. Together with the new governor of the Bank of Japan, Mr Kuroda, Mr Abe launched an ambitious economic reform plan called *Abenomics*. In the recent parliamentary elections, Mr Abe won his second mandate to continue these policies. In essence, this project combines structural reforms and fiscal and monetary policies in order to tackle the most pressing problems facing the Japanese economy.

Three objectives

Abenomics has three main objectives, often referred to as the three 'arrows'. First, the adverse demographic evolution of the Japanese population that threatens to undermine future economic growth. In order to combat this, structural reforms, particularly in the labour market, are needed to compensate for the negative economic impact of the ageing population. Second, the Japanese economy has been in a deflationary environment for many years. For real economic performance, this has turned out to be no problem. The deflationary environment does, however, have other more severe implications. In particular, it may aggravate the country's debt problem if deflation increases the real burden of a nominal stock of debt (the so-called debt deflation). Consequently, monetary policy is aiming for reflation. The debt problem brings us directly to the third objective of *Abenomics*: fiscal policy should aim for the improvement of public debt sustainability on a longer term horizon.

How has *Abenomics* performed so far in terms of these three related objectives ?

Growth potential

Real economic growth has been relatively robust in recent quarters. For example, in the third quarter of 2017, the Japanese economy grew at an annualised pace of 1.4%, after an even stronger pace of 2.6% in the second quarter. This is well above the potential growth rate of the Japanese economy, which the IMF estimates to be around 1%. As a result of this above-potential growth rate, the unemployment rate fell to near the 3% threshold, the estimated natural rate of unemployment, which is consistent with full employment.

The driving factors behind these growth figures are increasingly found in domestic demand. In the second quarter, growth was mainly based on private consumption and investment growth. However, the fact that third quarter growth was predominantly driven by growth of net exports, highlights the continuing fragility of domestic demand.

The potential growth rate of 1% is quite remarkable for Japan. This rate is not far below the potential growth rate of the euro area economy (1.2%), although the Japanese demographic evolution is much worse in terms of potential labour supply growth.

According to IMF estimates, Japanese potential growth is not only relatively high, but, unusually, it is also set on an increasing trend. Perhaps more importantly, all three main components of the potential growth rate are contributing: the number of employed workers (labour input), the capital stock (capital input) and total factor productivity (a measure of technological progress). While growth of the capital stock is boosted by investment growth, the potential growth contribution coming from labour input is more remarkable. So far, the labour market reforms have boosted the participation rate of the working age population by enough to partly offset the decline of this age group as a percentage of the total population. In particular, this can be seen in the increased participation of Japanese women in the labour market.

Ending deflation

As far as the second objective of *Abenomics* is concerned, the ending of the deflationary threat to the Japanese economy, the achievements are more disappointing than the achievements in relation to growth. *Abenomics*, drawing on an accommodative monetary policy, has not been able to lift inflation (expectations) anywhere near the Bank of Japan's inflation target of 2%. Although inflation has left the negative territory it reached after the start of the Financial Crisis, both headline and underlying core inflation have been moving just above 0% of late.

Inflation expectations, as measured by inflation swaps, paint the same picture. Near zero inflation expectations seem to be deeply rooted in the Japanese economy. These views also have an effect on wage bargaining and explain in part why nominal wage growth remains rather subdued despite full employment. However, to the extent that low inflation is widely expected and largely incorporated in inflation expectations and therefore price and wage settings, they have become the norm and, hence, any distorting effect on the real economy is now probably rather limited. This is apparent in the favourable Japanese growth and labour market performance.

The long term inability of the Japanese central bank to move inflation away sustainably from 0% is remarkable. Indeed, since the burst of the Japanese equity market bubble in the early 1990s, the Bank of Japan has steadily stepped up its accommodating policy stance to unprecedented levels, not only by Japanese standards but also in comparison with other major central banks.

In response to the Japanese crisis in the early 1990s, the Japanese central bank lowered its policy rate substantially. By the end of the 1990s it was the first major central bank to implement a Zero Interest Rate Policy (ZIRP). Thereafter, quantitative easing was stepped up and developed into the so-called Quantitative and Qualitative Easing (QQE) framework. Negative Interest Rate Policy (NIRP) was added to the monetary toolbox and the latest addition is the QQE with Yield Curve Control (YCC). This latter policy allows the Bank of Japan to target both short term and long term interest rates by open market interventions with a view to encouraging inflation to overshoot its 2% target in a durable way.

With the introduction of QQE with YCC, the Bank of Japan has gone further than the US Federal Reserve, the ECB and the Bank of England in terms of policy intervention. First, the Japanese central bank effectively ensures that 10 year Japanese government bond yields are close to 0% and stands ready to intervene to this end on the bond market with any amount it takes. The Bank of Japan expects that the necessary interventions to achieve this will amount to about 60 billion US dollar per month on average. This also means that following the recent announcement of the ECB's downscaling of the Asset Purchase Programme from January 2018 on, the Bank of Japan will be the largest injector of liquidity into the global financial system and we do not expect this policy to be ended any time soon.

Second, the 'QQE with YCC' framework also includes the objective for the inflation to overshoot its 2% target for an extended period of time — an idea that surpasses the Bank of Japan's western peers. While targeting an overshooting of the inflation target may seem a little odd, it is based on the the concept of price level targeting which posits that price levels should be targeted rather than annual inflation rates. As such, annual inflation should be higher if necessary to compensate for previously lower inflation rates. Since this approach potentially obscures the central bank's inflation target for any specific year, this may undermine the central bank's credibility and destabilise inflation expectations. Mainly for this reason, neither the ECB nor the Bank of England have seriously considered this policy option.

Consolidation of public finances

For the third objective of *Abenomics*, the consolidation of public finances, there is still a considerable amount of work to be done. The structural government deficit is, together with that of the US, among the highest in western economies as percentage of the (potential) GDP. The Japanese gross public debt ratio (as percentage of GDP) is unrivalled by most advanced economies. Research by the IMF points to the unsustainability of this debt level and its projected future path.

However, when looking at the state of Japan's public finances, three qualifications seem appropriate. First, the gross public debt ratio in 2017 is projected by the IMF to be 240% of GDP. However, the IMF also estimates that the net debt ratio, which takes into account Japan's publicly owned assets, amounts to around 121% of GDP in 2017, only about half of the gross debt ratio.

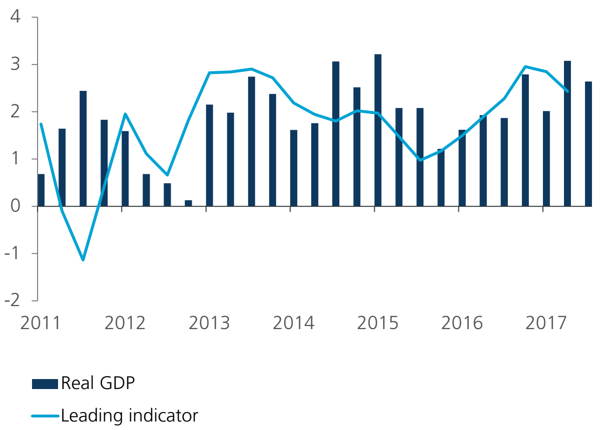
A second and related issue is the negative experience of past increases in tax rates in general, and VAT rate hikes in particular. The adverse impact of such rate hikes on Japanese cyclical growth has been remarkably high. For example, after the VAT rate hikes in 1997 and 2014, Japanese economic growth deteriorated considerably. Bearing this experience in mind, more recent plans to further raise the VAT rate in 2017 were postponed until (at least) October 2019. This illustrates Japan's particular difficulty in actually increasing the overall tax receipts, while limiting adverse impact on economic growth.

When assessing the sustainability of the Japanese public debt, one should also take into account the Bank of Japan's role as 'buyer of first resort' of Japanese government bonds. Although it is inconsistent with economic orthodoxy, this role in practice amounts to monetary financing of public debt. For example, although the gross public debt ratio is the highest among western economies, the public interest burden as percentage of GDP is among the lowest. Moreover, the current environment of inflation (expectations) suggests that there is no reason why the Bank of Japan would stop this monetary financing any time soon.

Conclusion

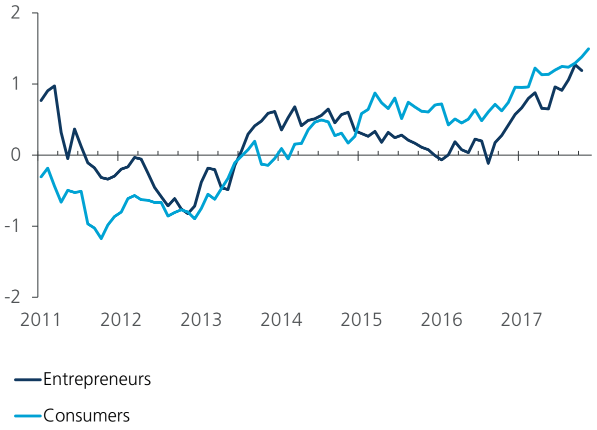
To sum up, five years of *Abenomics* have led to significant progress in terms of the first and main policy objective of boosting the growth potential of the Japanese economy against the background of adverse demographics. In terms of the second objective, lifting inflation away from the deflationary zone, the achievements are disappointing despite extraordinary efforts by monetary policy. However, since all market expectations seem to have incorporated this low inflation environment, the negative impact on real economic performance appears to be limited. The third target, putting public finances on a sustainable trajectory, appears not to be reached at first sight. However, given the current extreme monetary policy framework and its likely persistence for the foreseeable future, this does not seem to be the most pressing problem for Prime Minister Abe in his second term in office.

Figure 1 - Economic activity in the OECD
(annualised quarterly change in %)



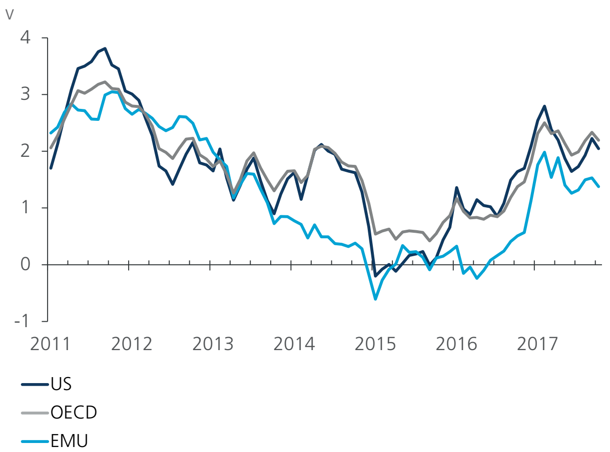
Source: OECD

Figure 2 - G4 confidence
(standard deviation from the long-term average)



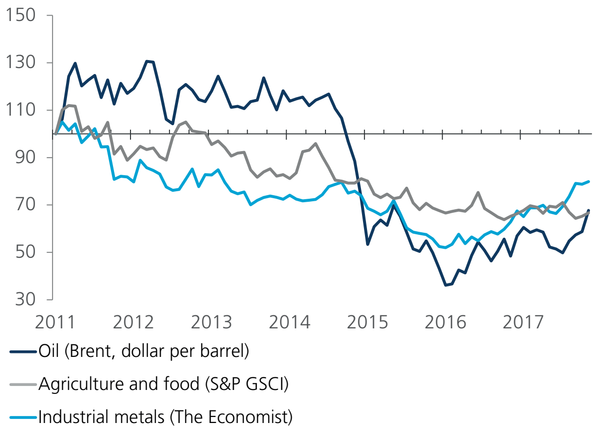
Source: National sources

Figure 3 - Inflation
(consumer price index, y-o-y change, in %)



Source: Eurostat, BLS and OECD

Figure 4 - Commodity prices
(January 2011 = 100)



Source: ICIS pricing and S&P

Figure 5 - Interest rate movements US
(in %)

Source: Fed and Datastream

Figure 6 - Interest rate movements euro area
(in %)

Source: ECB and Datastream

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Outlook world economies

	Real GDP growth		Inflation	
	2017	2018	2017	2018
US	2.2	2.6	2.1	2.3
Euro area	2.2	2.3	1.5	1.5
Belgium	1.7	1.8	2.2	1.5
Germany	2.2	2.2	1.7	1.6
Ireland	4.0	3.5	0.3	0.9
UK	1.5	1.2	2.7	2.6
Sweden	3.2	2.7	1.8	1.6
Norway	1.7	1.9	2.0	2.0
Switzerland	1.4	1.7	0.5	0.6
Slovakia	3.2	3.5	1.2	1.6
Poland	4.2	3.0	1.9	2.5
Czech Republic	4.3	3.0	2.4	2.2
Hungary	3.9	3.5	2.4	3.0
Bulgaria	3.4	3.1	1.3	1.5
Russia	1.4	1.5	4.3	4.1
Turkey	3.9	3.2	10.6	8.1
Japan	1.5	1.3	0.5	1.0
China	6.7	6.3	1.7	2.2
Australia	2.3	2.7	2.1	2.2
New Zealand	2.6	3.3	1.8	1.9
Canada	2.7	2.0	1.7	2.0
World	3.3	3.4	-	-

10-year rates	4/12/17	+3m	+6m	+12m
US	2.40	2.50	2.60	2.80
Germany	0.34	0.50	0.70	1.30
Belgium	0.53	0.75	0.95	1.70
Ireland	0.56	0.75	1.05	1.80
UK	1.29	1.50	1.80	2.45
Sweden	0.70	0.90	1.10	1.70
Norway	1.49	1.65	1.85	2.45
Switzerland	-0.14	0.00	0.20	0.80
Slovakia	0.71	0.90	1.10	1.75
Poland	3.32	3.50	3.55	3.75
Czech Republic	1.49	1.80	2.00	2.40
Hungary	2.15	2.40	2.80	3.80
Bulgaria	1.30	1.40	1.60	2.20
Russia	7.64	7.75	7.85	8.05
Turkey	11.73	11.20	11.00	11.00
Japan	0.04	0.00	0.00	0.00
China	3.91	4.00	4.00	4.00
Australia	2.57	2.70	2.80	3.00
New Zealand	2.79	2.90	3.00	3.20
Canada	1.94	2.05	2.15	2.35

Policy rates	4/12/17	+3m	+6m	+12m
US	1.25	1.50	1.75	2.25
Euro area (refi rate)	0.00	0.00	0.00	0.00
Euro area (depo rate)	-0.40	-0.40	-0.40	-0.40
UK	0.50	0.50	0.75	0.75
Sweden	-0.50	-0.50	-0.50	-0.25
Norway	0.50	0.50	0.50	0.50
Switzerland*	-0.75	-0.75	-0.75	-0.75
Poland	1.50	1.50	1.50	2.00
Czech Republic	0.50	0.75	1.00	1.25
Hungary	0.90	0.90	0.90	0.90
Romania	1.75	1.75	1.75	1.75
Russia	8.25	8.25	8.00	7.50
Turkey	8.00	8.00	8.00	8.00
Japan	-0.10	-0.10	-0.10	-0.10
China	4.35	4.35	4.35	4.35
Australia	1.50	1.50	1.50	1.75
New Zealand	1.75	1.75	2.00	2.25
Canada	1.00	1.00	1.25	1.50

*Mid target range

Exchange rates	4/12/17	+3m	+6m	+12m
USD per EUR	1.18	1.14	1.15	1.21
GBP per EUR	0.88	0.90	0.93	0.95
SEK per EUR	9.96	9.75	9.50	9.25
NOK per EUR	9.85	9.50	9.35	9.25
CHF per EUR	1.17	1.17	1.18	1.20
PLN per EUR	4.20	4.25	4.23	4.20
CZK per EUR	25.58	25.40	25.50	25.20
HUF per EUR	313.18	316.00	313.00	308.00
BGN per EUR	1.96	1.96	1.96	1.96
RUB per EUR	69.75	65.27	65.55	68.67
TRY per EUR	4.62	4.45	4.54	4.84
JPY per EUR	133.76	128.82	133.40	142.78
RMB per USD	6.62	6.65	6.68	6.70
USD per AUD	0.76	0.74	0.74	0.78
USD per NZD	0.69	0.65	0.65	0.72
CAD per USD	1.27	1.25	1.23	1.20

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