26 July 2023

Investment Institute Macroeconomics

Monthly Investment Strategy

Ahead after the first half…

Key points

- Economic growth proved more resilient than expected, particularly in North America. While also true in Europe, recent Eurozone activity has surprised to the downside.
- Inflation has continued to fall across developed and emerging economies, driven by energy, food and in some cases stronger domestic currencies. Core disinflation has been slower to emerge, reflecting tight labour markets in some cases, but weak productivity growth in others.
- Resistant core inflation has kept developed central banks on the front foot, the Fed, ECB and BoE all expected to hike further. Elsewhere peaks are emerging. Some first-mover EMs are considering easier policy this year.
- Markets have made significant recovery from 2022 losses. The second half outlook will depend on whether growth and inflation continue their benign courses. We suggest a more challenging close to the year.

Global Macro Monthly

AXA Investment Managers

26 July 2023

Ahead after the first half…

Global Macro Monthly Summary July 2023

David Page
Head of Macro Research
Macro Research – Core Investments

A broad easing of inflation concerns

Our Theme of the Month focuses on a broad review of market developments across the first half of this year. This has been characterised by economies that have performed more resiliently than expected so far and, despite headline disinflation, have exhibited a stickiness in core measures. In turn, this has seen many central banks continuing to tighten monetary policy to restore price stability. This has provided a headwind to markets, but performance has been solid.

As we move into the second half of 2023, there are growing signs that markets' perceptions of inflation risks are starting to fade, impacting central bank rate outlooks. Headline inflation has fallen sharply. In the US, inflation fell to 3.0% in June, from a peak of 9.1% a year before. It was lower in Canada at 2.8%, with Eurozone headline inflation also falling sharply to 5.5%. Emerging markets (EM) have seen the same trend and several economies' inflation rates are now at or below target levels. In many cases the fall in inflation is occurring faster than its rise – in the US it took 15 months for inflation to rise from 2.6% to 9.1%, but only 12 for it to fall back to 3.0%.

Much of the coincident fall in headline inflation reflects energy prices, combining outright easing with the 'transitory' component of the annual price shock. Core inflation has been stickier and remains more elevated than headline, particularly in the Eurozone, UK and Canada where there is questionable momentum in core disinflation. These economies share concerns over productivity growth, in turn keeping unit labour costs elevated and their central banks have remained amongst the most cautious. Meanwhile, stickier core prices are falling in most areas. In the US, June's price falls were well dispersed, if the larger impacts were still from food and energy. The same was true for lagging UK disinflation. Moreover, there is no hard and fast distinction between headline and core measures, with sharp falls in the former leading to disinflation in the latter.

The latest releases have also had an impact on future inflation perceptions. 5-year/5-year breakeven inflation rates have retreated from highs across the Eurozone and the UK, easing in the US – although longer-term survey-based expectations edged higher in the latest US releases. Broader market sentiment can also be judged by expectations for central banks. Federal Reserve (Fed) rate expectations have eased since employment surveys posted a falsely strong impression of US jobs growth in July, while UK peak rate expectations eased 60bps over the same period, a quarter of that in the two days after the latest CPI release.

Central banks will avoid complacency. The latest data follows years of upward inflation surprises and in the main, banks will require more tangible evidence of ingrained disinflation before relaxing entirely. The Fed and ECB both appear to have clearly committed to 25bp hikes in July. The Bank of England (BoE) looks likely to follow suit in August (easing inflation expectations reduces the chances of another 50bp increase). Thereafter, policymakers enter a more uncertain phase. We expect the ECB and BoE to hike again in September, the former suggesting this is more open to debate than we had considered. The Bank of Canada (BoC) is a close call, but on balance we think it is at a peak. We expect the Fed to fall short of delivering the second of June's forecast hikes. Instead, we think authorities will settle for a phase of policy restrictiveness by keeping rates elevated for longer, rather than hiking further, although risks for further increases remain.

A broader question is whether central banks will have tightened too much by the end of the cycle. Insofar as we only now see a growing widespread acceptance that inflation pressures might be abating, this likely justifies policy tightening to date. But only time will tell whether expected peaks will deliver inflation at policy targets over the coming years. We suggest that with central banks necessarily gauging policy on inflation expectations and backward-looking data, some degree of overtightening is almost inevitable. The BoE's own central forecasts point to inflation locked well below target (around 1%) from mid-next year; the Fed expects a mild recession around the turn of this year. A slew of data over the coming weeks will leave us in a better position to judge underlying economic strength across H2, particularly after the summer.

This in turn is likely to prompt a rate easing cycle. We are closely watching EM central banks that were swift to start the tightening cycle and could loosen policy this year – in Latin America, Chile, Brazil, Peru and Colombia and in Central and Eastern Europe, the Czech Republic. For developed economies, we see this as a story for next year, looking for the Fed to cut rates in March, the BoC in April, BoE in May and ECB in June. The easing is likely to be gentle compared to the tightening and we envisage it continuing through 2025.

26 July 2023

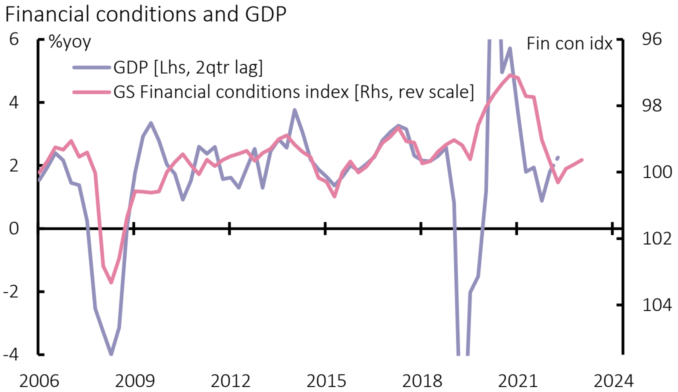
Global Macro Monthly – US

David Page
Head of Macro Research
Macro Research – Core Investments

Momentum and buffers

We are publishing before the first official estimate of Q2 GDP is released but at the time of writing, the Atlanta GDP tracker suggests 2.4% growth (annualised) – a little more than trend – and the consensus forecast is for growth of 1.8%. Our own view is this should be a little softer at 1.4%, reflecting a material deceleration in consumer spending to just over 1%, from 4.2% in Q1, although the precise data will reflect the vagaries of the more erratic net trade and inventory contributions. Importantly though, the economy is still expanding, the expected recession is still ahead of us and there are some signs of a strengthening in activity.

Exhibit 1: Financial conditions support growth outlook



Source: Bloomberg and AXA IM Research, July 2023

Several factors have driven a more upbeat assessment. Housing starts have firmed, and even after June's sharp 8% drop are still 6.5% ahead. However, the broad trend in housing is reflected by the fall in the far bigger existing home sales (June down 3.3%). Investment intentions rose in many of June's surveys, although preliminary evidence for July has seen this reverse. And the recent easing in financial conditions is consistent with growth remaining around 2%, something that we acknowledge is a renewed tailwind to growth (Exhibit 1). Moreover, the labour market – while clearly now slowing – is still resilient with payrolls rising in excess of 200k in trend terms. Accordingly, with pay remaining elevated and inflation having retreated, real disposable income growth is likely to be firmer over the coming quarters, reducing the contraction in consumer spending that we had expected.

In broad terms, the top-down signals of yield curve inversion and tighter credit conditions still suggest a recession is likely over the coming quarters. However, we will need to see the erratic components of Q2's GDP to judge whether output will drop in Q3 – as we currently expect – or whether this expectation will once again be deferred, in line with the Federal Reserve's (Fed) current view of recession only in Q4 2023 and Q1 2024. The persistent uncertainty of excess saving in both household and corporate sectors goes a long way to explain the delayed onset of recession so far and continues to overhang our outlook for the future. For now, we forecast GDP growth of 1.4% and 0.6% – a shift from 1.0% and 1.1% previously, reflecting the further delaying of expected weakness (consensus 1.3% and 0.7%).

Inflation progress to secure the Fed

Inflation during June dropped to an annual rate of 3.0% – a substantial improvement from the peak a year before at 9.1% – and faster disinflation than the previous cycle (it took inflation 15 months to climb from 2.6% to 9.1%, and only 12 to retreat a similar distance). The Fed will not be complacent about the outlook. Most of the improvement reflects the (transitory) adjustment of energy, with food and shelter prices adding to disinflation this month. Core inflation remained elevated at 4.8% and market (5-year-5-year breakevens) and long-term consumer expectations have edged higher recently. Moreover, despite the sharp disinflation in 2023, headline inflation looks likely now to be anchored around the 3% mark for the rest of this year. However, with June reflecting a broad dispersion of disinflation and our expectation of ongoing improvement in core measures, there is now clear evidence that restrictive policy is reining in price rises. The outstanding question for the Fed is how much more it needs to do to return inflation to target over the next year to 18 months.

The Fed left the Fed Funds Rate (FFR) unchanged at 5-5.25% at its June monetary policy meeting – the first pause since March 2022 after 500bps of tightening. However, Chair Jerome Powell described June's hiatus as a "skip" and the Committee forecasts two more hikes by year-end. We have been in little doubt since that the Fed intended to tighten policy again in July. However, we believe the ongoing softening in the economy and the broadening disinflation should be consistent with the Fed leaving rates on hold. Markets consider the Fed switching to an alternative meeting pattern, pricing the greatest risk of a further hike in November. But by November we expect material evidence of economic deceleration will see the market considering when in 2024 the Fed will ease. For now, we expect the first cut in March 2024 seeing the FFR close 2024 at 4.00%. We reiterate our expectation is for only a mild recession and do not expect the Fed to ease aggressively as it did during the past three cycles, with our forecast for easing to gradually continue into 2025. However, further resilience in the economic data could see the Fed leaving policy on hold for longer.

Global Macro Monthly – Eurozone

François Cabau,
Senior Eurozone Economist
Macro Research – Core Investments

Hugo Le Damany,
Eurozone Economist
Macro Research – Core Investments

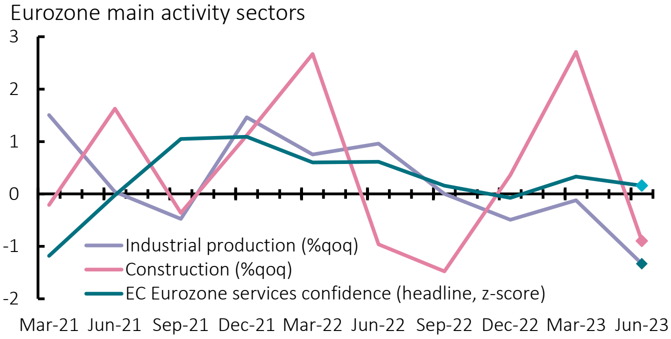
Does recession end in Q2?

Recent activity indicators have confirmed our expectation of broadly stagnating growth: Euro area industrial production has not recovered from previous drops, implying a large -1.3% Q2 carry over. Meanwhile, service business surveys suggest a weakening of the Eurozone's main growth engine. Furthermore, after a strong Q1, construction is set to resume contracting (Exhibit 2). All in, these highlight downside risks to our baseline 0.1% quarter-on-quarter Q2 GDP growth forecast, such that we cannot rule out another slight negative reading, similar to Q4 2022 and Q1 2023.

Such an outcome would confirm our stagflationary scenario, projecting anaemic growth of 0.4% this year and 0.5% next, affected by a purchasing power squeeze as well as lagged monetary and fiscal policy effects. The outlook is also marked by a weak international environment. However, we think that industrial sector normalisation, ongoing labour market strength and reviving household purchasing power in the second half of the year should prevent a slide into a continued and more meaningful recession. That said, we maintain that risks to our 0.5% 2024 GDP forecast – below the consensus of 0.9% – are skewed to the downside.

Exhibit 2: Weak performance across sectors in Q2

Eurozone main activity sectors



Source: Refinitiv and AXA IM Research, 24 July 2023. Diamonds represent Q2 carry over for industrial production and construction with data up to May, and actual data up to June for European Commission headline service survey

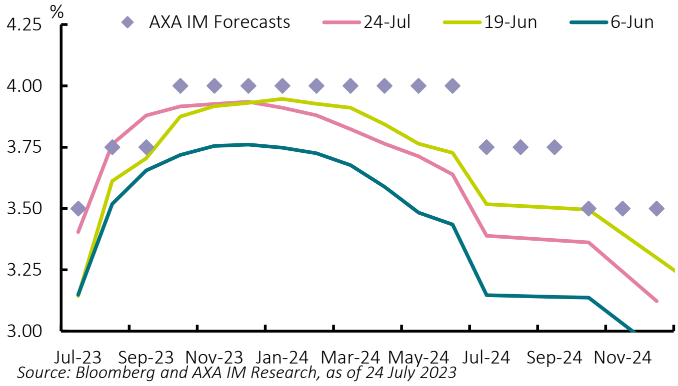
ECB to keep a hawkish tilt

While our growth forecasts remain much more conservative than the European Central Bank's (ECB) for 2023 and 2024 (0.9% and 1.5%), ECB policy orientation should remain dictated by underlying inflation developments, rather than growth. June's core inflation rose by 0.2 percentage points to 5.5% year-on-year, closer to its 5.7% peak. We think this is sufficient to for President Christine Lagarde to act on the ECB's pre-commitment at the June meeting to hike the deposit rate by 25 basis points (bp) to 3.75% in July.

We think a split ECB Governing Council will emphasise data dependence rather than pre-committing again ahead of the September meeting, in line with a more open debate emerging ahead of the July meeting. We nonetheless expect a hawkish tone to continue following the Sintra Symposium, driven by increased inflation pressures from June's upward revisions to unit labour costs and little convincing evidence of a downward trend in core inflation. Such messaging would be consistent with our base case that the ECB is likely to hike again by 25bp in September to a peak rate of 4% (Exhibit 3).

Exhibit 3: ECB: Destination 4%

ECB Market pricing



Source: Bloomberg and AXA IM Research, as of 24 July 2023

Snap electoral cycle in full swing

Spain snap-general elections left the country in limbo. None of the possible coalitions have enough seats to form a government with an absolute majority. At the time of writing, it seems that either a weak minority government will take charge, or fresh elections will be called.

Elsewhere, the Dutch government resigned earlier this month due to irreconcilable differences around immigration within the coalition. New elections are set to take place in the autumn. Government coalition talks can nonetheless take several months and it is unclear whether a caretaker government will be able to sign off on the new fiscal rules, making the ratification of the new regulations before 1 January 2024 almost impossible.

Global Macro Monthly – UK

Modupe Adegbembo
Junior Economist (G7)
Macro Research – Core Investments

Small win on inflation ahead of BoE rate decision

June's CPI release ended the recent run of upside surprises to inflation. Inflation slowed to 7.9%, below expectations for a decline to 8.2%, from 8.7% in May. Whilst it remains early to declare victory, the decline adds conviction to our call that the Bank of England (BoE) will be able to slow its pace of hikes following June's 'forceful' 50bp hike. The decline was primarily driven by falling petrol prices, but declines were broad-based, with core and services CPI also easing to 6.9% and 7.2%. If these trends continue, with food inflation moderating and the contribution of energy set to decline rapidly over the coming months, inflation is likely to ease to around 4.5% by end-2023.

Ongoing tightness of the UK labour market remains a key upside risk to our call. Unemployment rose to 4.3% in May, driven by a sharp 141k drop in inactivity. Headline employment remains strong, but we think there are growing signs of deceleration. Employment rose by 103k, driven by part-time employment, but a full-time drop of 16k. Furthermore, employment surveys such as the KPMG/REC survey continue to point to a slowing in hiring and a pickup in redundancies.

Growth momentum remains muted. The smaller-than-expected fall in output following May's additional bank holiday means GDP growth is now likely to remain flat in Q2 – with risks to the upside – compared to expectations for a modest fall. Over the coming years the lagged impact of mortgage rate increases will slow consumption further. Some 1.3 million residential fixed mortgage deals end over the next year, impacting around 5% of households but buy-to-let mortgage increases may put pressure on renters (one-third of households). We expect annual GDP growth of 0.2% and 0.3% in 2023 and 2024 respectively.

The BoE next meets on 3 August, when we expect it to deliver a 25bp hike alongside its updated economic projections. The risk of a 50bp hike remains, but the improvement in core and services inflation and the fall in inflation expectations reduces some of the immediate pressure for additional 50bp hikes, especially given that Bank Rate already stands at 5%. We expect a further 25bp hike from the BoE in September, bringing Bank Rate to 5.50% where we expect it to peak. Following the recent inflation data, markets have pared back their expectations for rates – now expecting a peak around 5.75% compared to near 6.5% at the start of the month.

Global Macro Monthly – Canada

David Page
Head of Macro Research
Macro Research – Core Investments

BoC reacts to more resilient economy

Firm Q1 GDP growth of 3.1% (annualised) and a surprise catch-up in employment in June (up 60k, with full-time work up 110k) added to the Bank of Canada's (BoC) concerns that the economy remained in excess demand for longer than expected. The balance of policy has leaned towards not having done enough, rather than too much. The BoC raised rates again by 0.25% in July to 5.0% and said it was "prepared to go further".

Underpinning the central bank's assessment was a more upbeat view of GDP, with growth revised up to 1.8% for 2023 from 1.4% 3 months ago. We are more cautious and see growth softer than the 1.5% (annualised) the BoC estimates in Q2 and Q3, leaving our forecast at 1.6% for 2023 (also up from 1.4%) and 0.9% for 2024 (compared to the BoC's 1.2%). This reflects a softening in consumer spending – evident in lacklustre retail sales volume growth; an unwind in the Q1 net trade boost and caution on the business investment front.

Significant uncertainties surround the outlook. We expect a US recession in H2 2023 to dampen activity, but as discussed elsewhere this remains uncertain. Canadian household excess savings contributed to the Q1 boost to consumer spending – the saving rate dropped to 2.9%. It remains uncertain how this will underpin spending in the immediate future. Finally, immigration is boosting demand – but also supply. Despite the rise in June's employment, unemployment rose to 5.4% – a 16-month high. Such an easing in the labour market should soften inflation. However, the BoC noted immigration was boosting inflation in some sectors, while alleviating it in others. In June, core CPI measures rose further. We forecast headline inflation to average 3.9% and 2.8% in 2023 and 2024, stickier than the BoC's 3.7% and 2.5%.

We see the BoC's latest hike as its last. It is considering the lagged impact of previous tightening as mortgage rates reset over the coming years. Moreover, although warning that it was "prepared to go further", the BoC added it didn't "want to do more than necessary". Given economic and policy surprises in recent months, we are cognisant of ongoing upside risks to our 5% peak outlook but concur with current market pricing of a less than 50% likelihood over the coming months. If our more cautious outlook for growth emerges, we think the BoC will likely begin to gently ease policy from next spring, but now see rates closing 2024 at a still-restrictive 4.25%.

26 July 2023

Global Macro Monthly – Japan

Modupe Adegbembo
Junior Economist (G7),
Macro Research – Core Investments

Improving price dynamics should see July YCC tweak

It remains challenging to predict the timing of yield curve control (YCC) adjustments as officials have admitted they are unlikely to signal any changes in advance. In the absence of any such indications, we continue to focus on the economic conditions and signs of a shift in domestic pricing dynamics. This assessment suggests an improvement in the inflation outlook, as exemplified by recent key data, and does justify some adjustment to the Bank of Japan's (BoJ) super-accommodative monetary policy. We continue to expect an adjustment to occur in July, although this call is finely balanced and the risk of a more cautious BoJ delaying until October remains.

Headline inflation continues to moderate as energy base effects drop out of the annual comparison, but core inflation remains elevated. In June, core Consumer Price Index inflation, excluding fresh foods and energy, eased to 4.2%. Inflation expectations also appear to have shifted higher - respondents to the second quarter BoJ Tankan survey continue to expect inflation to remain above 2% one, three and five years out despite the recent easing in headline price rises. The survey also confirmed the continued strength of Japan's ongoing economic recovery, with business sentiment improving for both manufacturing and non-manufacturing firms.

Wage growth – key to driving medium-term inflation – is also picking up. Final figures for the Shunto spring wage negotiations confirmed a 2.1% base pay hike on average for the 2023-2024 fiscal year. May's wages rose above expectations following some disappointment in April's lacklustre numbers. Annual cash earnings rose by 1.8% – the highest since 1995 – echoing the Shunto negotiations. We expect this momentum to continue as more companies adjust their pay in the coming months.

We think on balance the BoJ will adjust its YCC policy at its next meeting (27-28 July), lowering its tenor of target to five-year bonds from 10-year currently. This meeting comes alongside the publication of the BoJ's Quarterly Monetary Policy Report where we expect it to revise its inflation forecast upwards. However, there is a considerable risk the BoJ remains on hold. We think communication will likely remain dovish irrespective of the outcome as even if YCC is adjusted, we would expect monetary policy to remain accommodative for some time. As markets weigh the chances of a policy tweak, we have seen the yen appreciate against the US dollar to ¥141.2 from ¥144.9. Adjustments to the BoJ's YCC policy in July would likely provide further support.

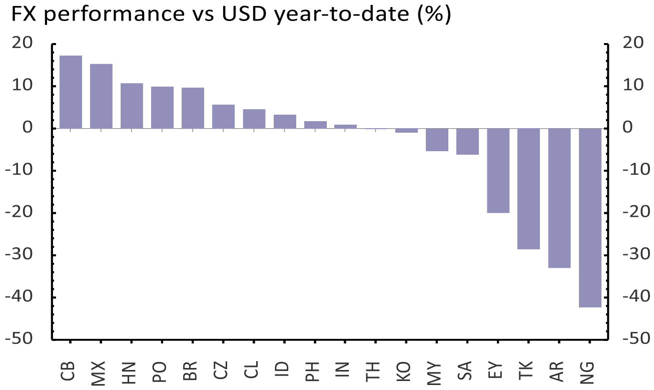
Global Macro Monthly – EM

Irina Topa-Serry,
Senior Economist (Emerging Markets),
Macro Research – Core Investments

A disinflationary virtuous circle in emerging markets?

Headline inflationary pressures have continued to ease over recent weeks, often surprising expectations. Inflation rates have moved closer to, or even within, their respective central banks' target bands in many Asian countries, like Thailand (0.2% year-on-year), Malaysia (2.8%), Indonesia (3.5%) or South Korea (2.7%), and Brazil where inflation reached 3.2% in June – its lowest since September 2020. The fall in headline inflation was predominantly due to a decline in energy and food prices, but core disinflation has generally also started, albeit less vigorously. Even in Central Europe, where the inflation overshoot was considerable, we note an acceleration in disinflation, with headline Consumer Price Index inflation now below 10% in the Czech Republic, but still hovering at 11.5% in Poland and 20.1% in Hungary during June. An additional important contributor to this disinflation has been currency strength in many emerging countries, although this is not a feature shared by many frontier markets (Exhibit 4).

Exhibit 4: Divergent currency trends push for different central banks' reaction functions



Source: Refinitiv Datastream and AXA IM Research 12/07/2023

While some selected emerging market central banks could start envisaging a policy pivot in the second half of 2023 given hefty real rates, falling inflation expectations and currency strength, we expect monetary policy to tread cautiously, looking for rate cuts mostly in 2024. Meanwhile certain central banks within frontier markets will be caught between balancing their decisions in a context of slowing growth, sustained inflationary pressures and the effects of fiscal dominance on rising debt servicing costs.

26 July 2023

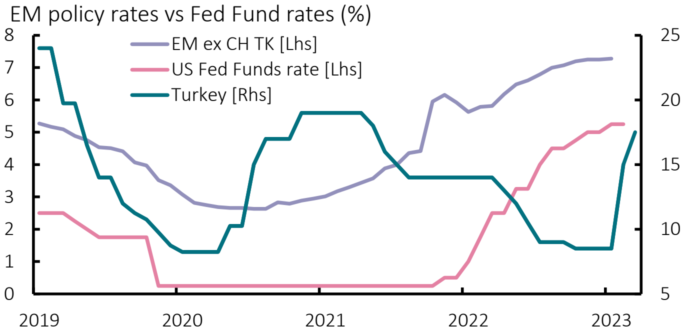
Global Macro Monthly – Turkey

Irina Topa-Serry,
Senior Economist (Emerging Markets),
Macro Research – Core Investments

Turkey's (very) gradual monetary tightening

Among big emerging economies, Turkey continues to stand out as an outlier in many respects. While countries worldwide started hiking interest rates as inflation began rising in 2021, Turkey decided to cut policy rates from 19% in August 2021 to 8.5% in February 2023, despite a massive surge in consumer prices to +85% year-on-year at their peak in October 2022. At present, while some developing countries are starting to envisage the monetary policy pivot after more than a year into policy tightening, Turkey's central bank has just embarked on a normalisation of monetary policy. The first rate-hike in June of 650 basis points (bp) and July (250bp) brought the policy rate to 17.5% – still below an already-weak market expectation – and raising the odds of an incomplete and insufficient policy tightening (Exhibit 5).

Exhibit 5: Divergent monetary policy trends



*Source: Refinitiv Datastream and AXA IM Research, as of July 2023. *EM proxy is GDP PPP weighted measure for 18 countries (Korea, Taiwan, India, Indonesia, Malaysia, Thailand, Philippines, Brazil, Mexico, Chile, Peru, Colombia, Russia, South Africa, Poland, Czech, Hungary, Romania).*

Multiple imbalances have accumulated over these past years, such as an overheated credit-fuelled economy; massive external financing needs; insufficient central bank reserves; a significant slippage in public finances; an accumulation of contingent liabilities; excessively high inflation and overall inflation expectations. These have all led to a massive depreciation of Turkey's currency in search of an anchor. In the absence of a strong and decisive move on interest rates, the central bank aims to gradually adjust the micro and macroprudential framework, through quantitative tightening and selective credit tightening to support the monetary policy stance. However, this all risks being too little, too late.

Global Macro Monthly – Colombia

Luis Lopez Vivas,
Economist (Latin America),
Macro Research – Core Investments

Positive momentum in Colombia… will it last?

In recent months, Colombia has witnessed several positive developments in both its economic and political landscapes, signalling encouraging trends for the country's near-term future. While challenges persist, numerous indicators reflect progress in key areas.

Despite concerns about inflation and tight financial conditions, economic activity demonstrated resilience in Q1 2023, with growth accelerating to 3.0% year-on-year, surpassing market expectations. The increase was mainly driven by private consumption and net exports. However, recent high-frequency indicators suggest a slowdown has commenced. Consequently, we anticipate the Colombian economy to decelerate to 1.7% this year down from 7.3% last.

Meanwhile, Colombia's macroeconomic imbalances have started to correct. Annual inflation has fallen for three consecutive months thanks to lower food prices while producer price inflation is already in negative territory, suggesting further disinflation in the coming months. The current account deficit has also been improving on the back of a lower trade deficit. Though the deficit remains high at 4.2% of GDP, foreign direct investment inflows now fully finance the deficit, contributing to a more stable external position.

The fiscal side saw some progress as well, with the government's fiscal deficit improving in recent quarters, although it remains elevated at 4.8% of GDP. The primary balance hovers close to zero. However, the impact of Congress approving additional resources for this year's budget, leading to increased spending, warrants close monitoring.

In the political arena, risks have diminished significantly due to President Gustavo Petro's compromised ability to pass radical reforms. His disapproval rate reached 60% and conflicts with Congress have resulted in the fracturing of the government's coalition. A recent scandal involving alleged wiretapping and illegal campaign funding has further complicated Petro's governing conditions and led to a rally in Colombian assets.

Despite the recent positive developments, challenges remain for Colombia´s future, including how to reactivate growth next year in the absence of high oil prices and how to preserve political stability in the face of declining support for Petro.

Macro forecast summary

Real GDP growth (%)	2022		2023*		2024*	
	AXA IM	*Consensus*	AXA IM	*Consensus*	AXA IM	*Consensus*
World	3.4		2.8		2.7	
Advanced economies	2.7		1.1		0.7	
US	2.1	2.1	1.4	1.3	0.6	0.5
Euro area	3.6	3.2	0.4	0.6	0.5	0.9
Germany	1.8	1.8	-0.5	-0.2	0.3	1.1
France	2.6	2.6	0.6	0.6	0.5	0.9
Italy	3.7	3.8	1.2	1.0	0.4	0.8
Spain	5.5	5.5	2.2	1.8	1.0	1.5
Japan	1.1	1.0	1.3	1.1	1.3	1.0
UK	4.0	4.0	0.2	0.1	0.3	0.8
Switzerland	2.1	2.1	0.7	0.7	1.0	1.4
Canada	3.4	3.4	1.4	1.2	0.9	1.0
Emerging economies	3.9		3.9		3.9	
Asia	4.3		5.0		4.6	4.0
China	3.0	3.0	5.3	5.7	5.0	4.9
South Korea	2.6	2.6	1.5	1.1	2.0	2.1
Rest of EM Asia	6.0		5.0		4.4	
LatAm	4.0		2.1		2.3	
Brazil	2.9	2.9	1.9	1.2	1.3	1.6
Mexico	3.1	3.1	2.3	1.8	1.9	1.7
EM Europe	0.9		1.5		2.3	
Russia	-2.1		1.7		1.3	1.3
Poland	4.9	4.9	1.0	0.7	2.9	3.1
Turkey	5.6	5.6	2.1	2.2	3.1	2.6
Other EMs	4.9		3.1		3.7	

Source: Datastream, IMF and AXA IM Macro Research – As of 24 July 2023
**Forecast*

CPI Inflation (%)	2022		2023*		2024*	
	AXA IM	*Consensus*	AXA IM	*Consensus*	AXA IM	*Consensus*
Advanced economies	7.4		4.6		2.6	
US	8.0	8.0	4.0	4.1	2.8	2.6
Euro area	8.4	8.5	5.5	5.4	2.7	2.4
China	1.9	2.0	1.0	1.3	2.0	2.3
Japan	2.5	2.5	2.7	2.8	1.5	1.5
UK	9.1	9.1	7.3	7.3	2.5	3.2
Switzerland	2.8	2.8	2.4	2.4	1.5	1.4
Canada	6.8	6.8	3.9	3.7	2.8	2.3

Source: Datastream, IMF and AXA IM Macro Research – As of 24 July 2023
**Forecast*

These projections are not necessarily reliable indicators of future results

Forecast summary

Central bank policy Meeting dates and expected changes (Rates in bp / QE in bn)		Current	Q3-23	Q4-23	Q1-24
United States - Fed	Dates	5.25	25-26 Jul 19-20 Sep	31-1 Oct/Nov 12-13 Dec	30-31 Jan 19-20 Mar
	Rates		+0.25 (5.50)	unch (5.50)	-0.25 (5.25)
Euro area - ECB	Dates	3.50	27 Jul 14 Sep	26 Oct 14 Dec	25 Jan 7 Mar
	Rates		+0.50 (4.00)	unch (4.00)	unch (4.00)
Japan - BoJ	Dates	-0.10	27-28 Jul 21-22 Sep	30-31 Oct 18-19 Dec	Jan Mar
	Rates		unch (-0.10%)	unch (-0.10)	unch (-0.10)
UK - BoE	Dates	5.00	3 Aug 21 Sep	2 Nov 14 Dec	1 Feb 21 Mar
	Rates		+0.50 (5.50)	unch (5.50)	unch (5.50)
Canada - BoC	Dates	5.00	06-sept	25 Oct 6 Dec	Jan Mar
	Rates		unch (5.00)	unch (5.00)	unch (5.00)

Source: AXA IM Macro Research - As of 24 July 2023

These projections are not necessarily reliable indicators of future results

Download the full slide deck of our July Investment Strategy

26 July 2023

Our Research is available online: www.axa-im.com/investment-institute
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