EM Macro Navigator

Inflation to Peak Soon, But Remain Higher for Longer

- **EM growth holding up relatively well (for now):** While DM growth is slowing substantially, average EM growth has remained surprisingly resilient. Nevertheless, we expect tighter global financial conditions and higher commodity prices to result in slower EM growth in late 2022 and into 2023.
- **A global (rather than EM-specific) inflation shock:** EM inflation continues to set fresh multi-year highs but median inflation has risen by less than in DMs, implying that this is a global rather than an EM-specific shock. Inflation dynamics remain worrying in LatAm and CEEMEA economies, but are less severe in Asia.
- **Peak inflation soon, but remaining higher for longer:** Oil prices have declined by 25% since June, increasing our confidence that inflation will peak in most EM economies in the coming months. However, there has been a significant broadening of inflationary pressures in LatAm and CEEMEA, with the result that inflation is likely to remain higher for longer across these regions.
- **Global relief for EM rates, but lower inflation needed for green light:** EM rates have fallen in recent weeks, in response to a more dovish tilt from the Fed and weaker US CPI data. But, in our view, EM inflation needs to peak for there to be a sustained and broad-based rally in EM local rates.

Recommended Trades and Conviction Views

- **China:** Overweight H (offshore) and A (onshore) shares
- **EM Asia:** Long SGDTWD; overweight Indonesia/Singapore equities
- **CEEMEA:** Overweight Saudi Arabia and prefer Poland equities
- **LatAm:** Long BRL steepener; prefer Brazil equities

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EM Macro Focus: Inflation to Peak Soon, But Remain Higher for Longer

In this *Macro Focus*, we review the latest EM growth and inflation dynamics, highlight the global nature of the inflation shock, and draw implications for markets.

EM Resilience in the Face of High Macro Volatility and Tighter Financial Conditions

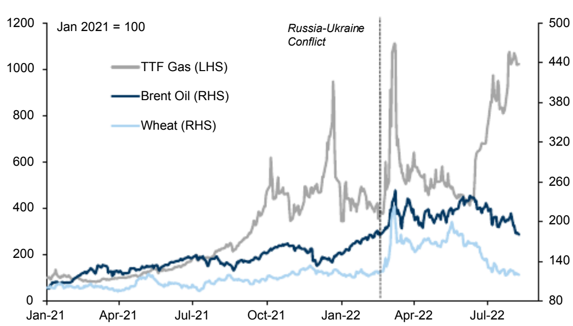
2022 remains a year of extreme macro volatility. Even before Russia's invasion of Ukraine in late February, global inflationary pressures had risen sharply, as the supply side of the world economy struggled to keep pace with the speed of the post-pandemic recovery. The war pushed commodity prices higher and created additional supply-chain disruptions, adding to those inflationary pressures (Exhibit 1). In response, DM and EM central banks alike have accelerated the pace of rate increases, resulting in a sharp tightening in DM and EM financial conditions (Exhibit 2).

Set against such a challenging backdrop, EM economies and EM assets have performed surprisingly well to date. Some EM economies have struggled – notably those with relatively fragile balance sheets (e.g., Turkey, Ghana, Sri Lanka, Pakistan, and Ecuador) and those particularly exposed to the effects of the Russia-Ukraine war (e.g., the CEE-4). But, on average across EM economies, growth has held up relatively well, inflation has risen by less than in DMs, and trade-weighted exchange rates have been broadly stable (they have weakened against the Dollar, but this reflects Dollar strength rather than EM exchange rate weakness).

Looking forward, the challenges facing EM economies remain severe, in particular from tighter global financial conditions and higher commodity prices. We expect growth to slow and, although inflation is likely to peak in the coming months, significant further tightening will be required in both EMs and DMs to bring global inflation rates back to more 'normal' levels. Nevertheless, the resilience that most EMs have displayed to date is notable.

Exhibit 1: Oil and Agricultral Commodity Prices Off the Highs, But Remain Above 2021 Levels

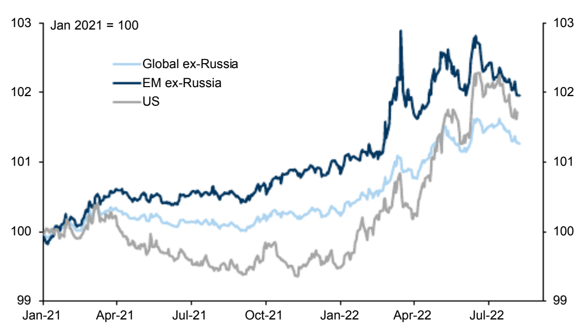
Commodity price indices (Jan 2021=100), TTF Gas (LHS), Brent Oil (RHS), Wheat (RHS)



Source: Goldman Sachs Global Investment Research, Bloomberg

Exhibit 2: Financial Conditions Have Tightened This Year, But Some Recent Easing

GS Real Financial Conditions Index



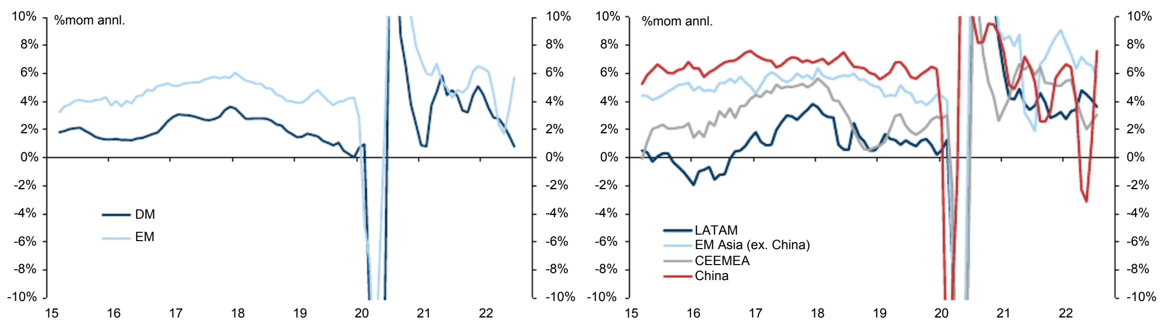
Source: Goldman Sachs Global Investment Research

Relatively Resilient EM Growth, But Stiffer Headwinds Ahead

GDP growth was relatively strong in H1 across the majority of EM economies, with the notable exceptions of China (due to Covid-related restrictions) and Russia (following its invasion of Ukraine). Moreover, while DM growth is slowing sharply, EM growth remained relatively robust at the start of H2 – Exhibit 3 (LHS) displays our EM and DM aggregate Current Activity Indicators (CAIs).

At a regional level, growth remains particularly strong across Asia – although the volatility generated by China's lockdowns (which had a large negative effect on activity in the first half of the year) makes the trend more difficult to discern. Meanwhile, growth in LatAm and CEEMEA appears close to trend (Exhibit 3, RHS).

Exhibit 3: EM Growth Has So Far Held Up Better than DM Growth
GS Current Activity Indicators (CAI), 3-month moving average



Source: Goldman Sachs Global Investment Research

To help us gauge the trajectory of future GDP growth across EM economies, we combine estimates of the impact of five factors on EM growth: (1) the Covid-19 lockdowns (as captured by our ELIs); (2) DM growth; (3) financial conditions; (4) commodity prices, and (5) fiscal policy.[1] The resulting GDP growth impulse estimates are set out in Exhibit 4.

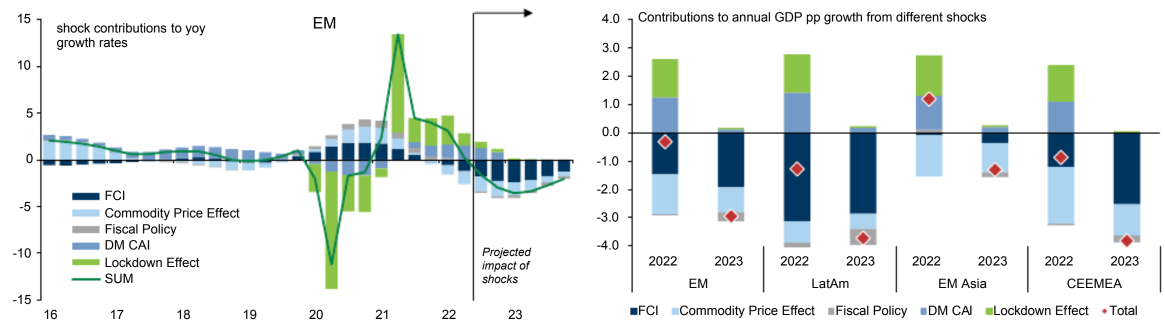
EM economies currently face the following economic forces:

- **Tighter financial conditions:** Notwithstanding some recent easing, financial conditions have tightened significantly across EMs (CEEMEA and LatAm, in particular) and the global economy more generally. As we approach the end of 2022, we expect that this tightening will increasingly weigh on activity, resulting in a sequential slowdown in growth in H2 and into 2023.
- **Higher average commodity prices:** Although oil prices have fallen by close to 25% since June, they have nevertheless risen materially over the past year. Taken in aggregate, we find that higher commodity prices are negative for EM growth. But this pattern is far from uniform, with a large drag on growth in net commodity importers and a boost to growth in commodity exporters (notably MENA and LatAm).

[1] Our growth impulse estimates cover 18 EM economies. A full description of the methodology, together with individual country estimates, can be found in "Post-COVID — The Trajectory of EM Growth", *EM Macro Themes*, 20 October 2020.

- **Fading support from the easing in Covid-related restrictions:** Set against these headwinds, the easing of Covid-related restrictions represents a tailwind for services sector growth in many economies (especially tourism). China is an outlier in this regard, given its Zero Covid policy. Equally, however, it is likely to see the biggest boost to future growth from the eventual easing of this policy.

Exhibit 4: FCI Tightening and Negative Commodity Price Effects to Act as a Drag on Future Growth
Contributions to yoy growth rates relative to trend from different shocks, unweighted regional averages



Source: Goldman Sachs Global Investment Research, Haver Analytics

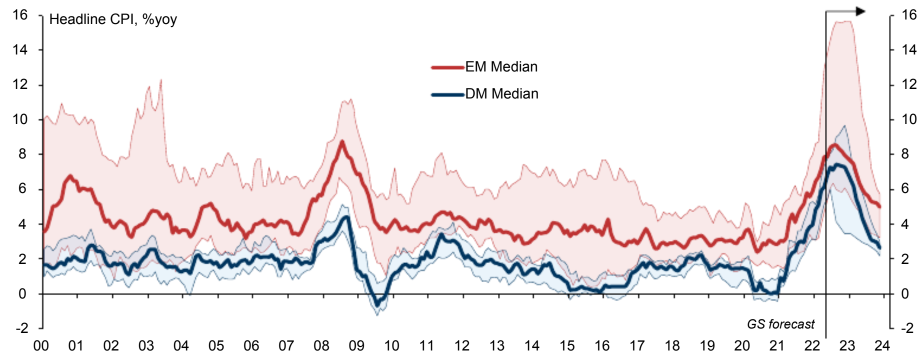
A Global (Rather than EM-Specific) Inflation Shock

Inflation continues to set new multi-year highs across many EM economies, surpassing our above-consensus forecasts.

The fact that inflation in developed and emerging economies has moved higher in tandem suggests that the current inflation shock is global rather than EM-specific. Indeed, since the end of 2020, median inflation in EM economies has risen 5.7pp, less than the 7.1pp increase recorded in DM economies, despite a larger weighting of energy and food prices in EM inflation baskets (Exhibit 5). This is an important feature in understanding the causes of the current high rates of inflation. But, because it implies the need for (even) tighter global financial conditions, it is likely to make it *more* challenging for EM policymakers to address than if inflation were EM-specific.

Exhibit 5: This is a Global Inflation Shock: Inflation in EM and DM Has Moved Higher in Tandem and We Expect Both are Close to Their Peaks

Median and 25-75% quartiles of EM and DM headline inflation, based on the 26 EM and 15 DM economies in our forecast coverage; historical - monthly, GS forecasts - quarterly



Source: Goldman Sachs Global Investment Research, Haver Analytics

Looking forward, the 25% decline in oil prices that has taken place since June has increased our confidence that inflation will peak globally, and in the majority of EMs economies in the coming months. However, there has been a significant broadening of inflationary pressures in LatAm and CEEMEA, with the result that inflation is likely to remain higher for longer across these regions.

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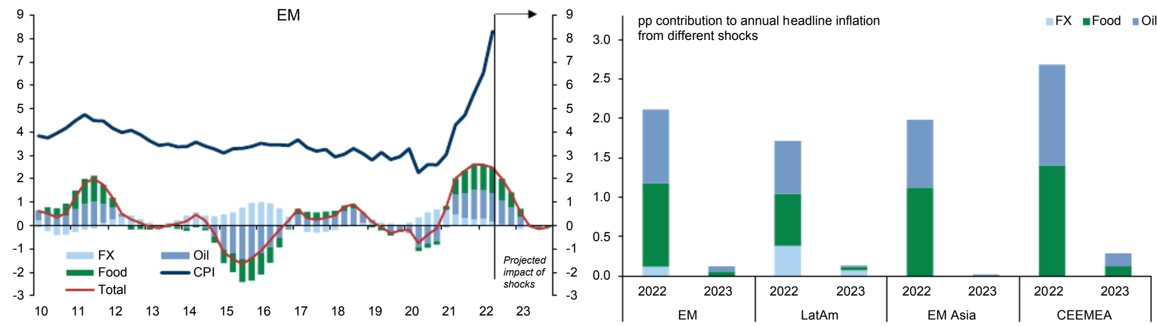
In Exhibit 6, we use our estimates of the contribution of changes in (1) oil prices, (2) food commodity prices and (3) exchange rate pass-through to EM inflation to project forward the impact of these three factors on future inflation.[2]

The first point to highlight is how important oil and food prices have been in accounting for the rise in EM inflation rates since the end of 2020. Our projections assume that commodity prices evolve in line with forward pricing and, on this basis, the contribution from these sources should fall sharply across EM economies as we head into 2023 (Exhibit 6; RHS). Our commodity strategists have a more bullish view of commodity prices, implying some upside risks to these projections. Nevertheless, if we assume that prices rise in line with their forecasts, the largest year-on-year gains in commodity prices are still behind us, implying a much smaller contribution to future CPI inflation.

[2] Our estimates cover 24 EM economies in Asia, LatAm and CEEMEA. A full description of the methodology together with individual country estimates can be found in "Modelling EM Inflation — Domestic Weakness, But Commodities to Drive Headline Higher", *EM Macro Themes*, 16 March 2021.

Exhibit 6: Recent Declines in Commodity Prices Suggest A Sharp Fall in the Contributions from Oil and Food Prices
Headline CPI vs. projected impact on yoy inflation from different shocks, unweighted regional averages



Source: Goldman Sachs Global Investment Research, Haver Analytics

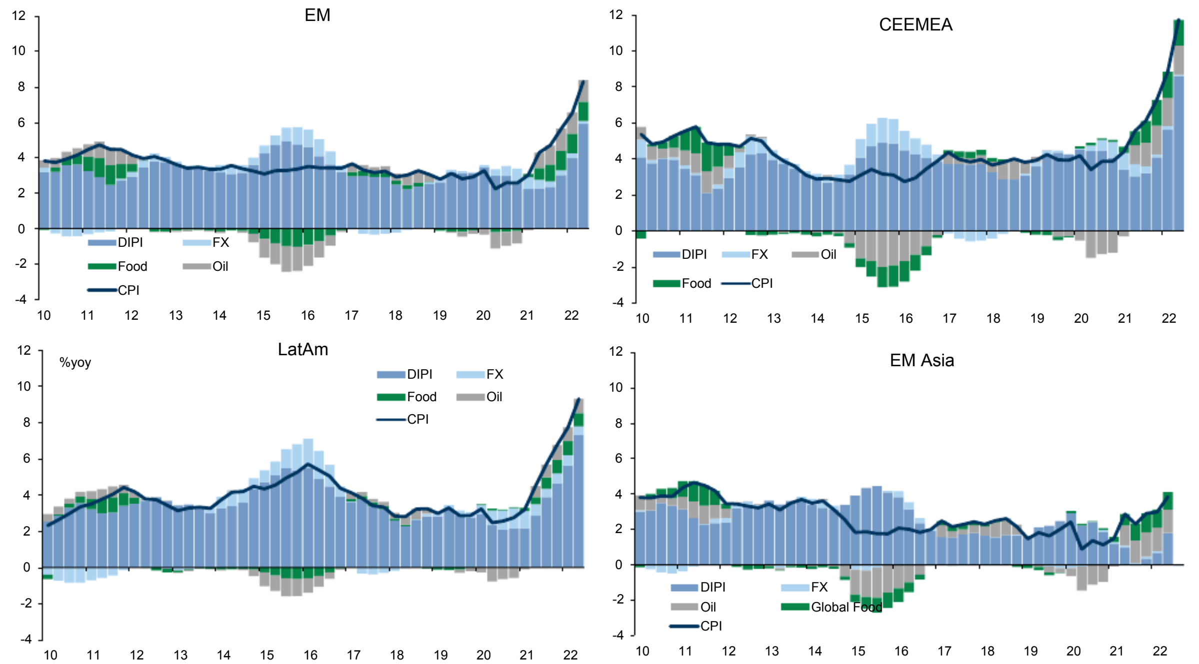
Until the start of this year, rising oil and food prices accounted for almost all of the increase in EM inflation, and underlying domestic inflationary pressures remained muted across the majority of EM economies.

Exhibit 7 displays our Domestic Inflationary Price Indices (DIPIs) for EM economies, which strip out the effects of changes in oil prices, global food commodity prices and exchange rates. Our DIPIs suggest that underlying inflation dynamics were running below central bank targets across the majority of EMs until the end of last year. However, underlying inflationary pressures have risen sharply in LatAm and CEEMEA economies this year, reflecting a broadening of price pressures away from energy and food costs and towards core goods and services. This broadening of price pressures has been accompanied by (and, in our view, likely caused by) a large increase in inflation expectations, both short- and medium-term, and rising wage pressures. As a consequence, while we expect inflation across LatAm and CEEMEA to peak in the coming months as a result of base effects in energy and food prices, it is nevertheless likely to remain higher for longer than previously appeared likely.

For Asian economies, the rise in overall inflation has been more limited to date and it remains the case that this increase is almost entirely accounted for by higher energy and food prices. With the recent moderation in energy prices, we observe early signs of downside surprises in inflation in low-yield economies (mainland China, Korea, Taiwan and Thailand), although this is not the case with inflation in high-yield economies. While there is no guarantee that underlying domestic inflationary pressures will remain muted, at this stage there is much less evidence of a broader inflation problem in Asian economies.

Exhibit 7: Domestic Inflationary Pressures Have Risen in LatAm and CEEMEA, But (So Far) Remain Weak in Asia

Inflation decomposition to oil, food and FX shocks. DIPI - domestic inflationary pressures index



Source: Goldman Sachs Global Investment Research, Haver Analytics

Global Relief for EM Rates, But Lower Inflation Needed for Green Light

The combination of a more dovish tilt from the 27 July FOMC meeting and weaker July US CPI data has resulted in a decline in global rates and a significant rally in global risk assets in the past two weeks. This has generated a healthy backdrop for EM assets, offering particular relief to the EM local curves most exposed to external market spillovers, and finally lending some support to the credit risk component embedded in EM local rates.

However, in our view, inflation needs to peak for there to be a more sustained and broad-based rally in EM local rates, so we believe that it still makes sense to be selective in receiving rates. Some EMs appear close to this point. A first case is possibly in the making in BRL rates, where domestic inflation may have already peaked. Meanwhile, MXN rates look well-placed to continue to outperform, with elevated inflation-related risk premia and also more exposure to external (US) financial conditions. But, for the majority of EMs, we are not quite there yet. With peak inflation still some months away across most of CEEMEA and with the risk that inflation may rise from relatively low levels across much of Asia, we remain warier of receiving rates in the majority of these markets.

Kevin Daly, Tadas Gedminas, Basak Edizgil*, and Jonas Schmitten*

**Basak and Jonas are interns in the CEEMEA economics team.*

Summary of GS EM Forecasts and Market Views

We summarize our latest views by region below. The tables on pages 11-12 review our growth, inflation, policy rate, and FX forecasts, and page 13 summarizes our conviction market views by region and asset class.

China's economy is rebounding from lockdowns in Shanghai and other conurbations in April-May, but will fall well short of the authorities' 5.5% real GDP target for the year (we forecast 3.3%). In addition to still-strict Covid policies, a severe property downturn is weighing on domestic activity and the export impulse is fading as global demand slows and rebalances towards services. Inflation has crept higher but, at 2.7% yoy for the CPI (and less than 1% yoy for core CPI inflation), remains under control and far below rates in most of the rest of the world. With senior political leadership focused on the autumn's 20th Communist Party Congress, macro policy remains focused on avoiding further downside risks rather than maximizing near-term growth performance.

In EM Asia ex-China, growth has generally skewed to "later reopeners" in south and southeast Asia, which are still benefiting from declining Covid restrictions even as the pace of global goods production and exports decelerates. Inflation is generally still surprising to the upside across the region, though less uniformly so. The highest inflation rates (over 6% yoy) have been in particularly open economies (e.g. Korea, Thailand) and/or places that had left real policy rates at particularly stimulative levels (e.g. India, Philippines). In general, though, domestic inflation pressures have been more contained than in CEEMEA or Latam. The regional interest rate hiking cycle has broadened to almost all economies—with the Bank of Thailand implementing its first hike last week and Bank Indonesia likely to start at its next meeting.

Real activity in **LatAm** was remarkably resilient during 1Q2022, particularly in Brazil, Colombia and Mexico. Activity surprised to the upside again during 2Q, driven in part by terms of trade gains, additional fiscal stimulus (particularly in Brazil and Chile), firmer labor markets, and continuing tailwinds from Covid reopening. Despite the stronger than expected activity momentum, we expect the LA7 economies' real GDP growth to moderate going forward given high inflation, the lagged effects of the significant tightening of monetary and financial conditions, a further weakening of the external impulse to growth, and significant political uncertainty (left-wing Gustavo Petro was sworn in as Colombia's president in August, a constitutional plebiscite in Chile will take place in September, Brazil will hold general elections in October, and President Castillo in Peru is facing a criminal investigation). All in all, we expect real GDP growth to downshift to a modest 2.8% in 2022 and decelerate further to 1.0% in 2023.

Inflationary pressures across LatAm remain intense and are highly disseminated. Core and services inflation is still accelerating in most places and reaching new cyclical highs. Inflation expectations deteriorated further and in some places there is early evidence that nominal wage growth is also starting to pick up as new contracts embed cost-of-living adjustments (e.g., Chile). This will likely render inflation dynamics more persistent even after peaking in most places this quarter. Excluding Argentina and dollarized Ecuador, headline inflation for the LA-IT5 economies should moderate gradually from 9.6% yoy in July, to a forecasted 7.8% yoy by the end of 2022 and a still-above target 5.1% by end-2023. In Argentina, inflation remains high and the acceleration of the ARS crawl and revision of some heavily repressed public tariffs will likely push inflation above 80% by the end of 2022.

Resilient growth, high inflation, rising inflation expectations, and heightened political and policy risk premia are likely to prompt the LA-IT5 central banks to remain on the offensive, despite softening global growth. Nevertheless, following early and aggressive rate hikes, most central banks are now entering the later stage of the hiking cycle. We forecast additional rate hikes in Chile (+100bp, to 10.75%), Colombia (+75bp, to 9.75%), Mexico (+100bp, to 9.50%; potentially more depending on the FOMC stance), and Peru (+50bp to 7.00%), and anticipate rates will remain in a restrictive stance for a reasonable period of time. In Brazil the Copom hiked the Selic rate to a highly restrictive 13.75% and moved to a data dependent stance, with the bar for a final 25bp hike in September set at a relatively high level.

In **CEEMEA**, economic growth is holding up better than we expected since Russia's invasion of Ukraine on February 24. Outside of Russia and Ukraine themselves, activity data has shown only moderate signs of slowing to date and even in Russia output appears to be declining by less than we previously forecast. In our view, this resilience is due to the ongoing impetus from the post-Covid normalisation of economic activity. Nevertheless, given the combination of much tighter financial conditions and a commodity-driven squeeze on household incomes, we expect that the slowdown has been delayed rather than avoided.

Inflation continues to set new multi-year highs across much of the region, surpassing our above-consensus forecasts. Although food and energy prices remain key drivers of these increases, inflationary pressures have also broadened to core goods and services. For most CEEMEA economies, peak inflation remains some months away on our forecasts, with the timing mostly driven by strong base effects in fuel prices. Given the recent decline in oil prices, our confidence in calling for these peaks in the autumn has risen. Equally, given the broadening of price pressures to core goods and services and evidence of rising inflation expectations, it is likely to be some time before inflation returns to more 'normal' levels.

		Growth (Real GDP)*				Inflation (CPI)*				Policy Interest Rate^			
		Latest	GS 2022		Cons 2022	Latest	GS 2022		Cons 2022	Latest	GS End-22		Cons End-22
Latam	Mexico	2.1	2.1	▲	1.9	8.2	7.9		7.6	8.50	9.50		9.50
	Colombia	8.5	7.0	▲	6.0	10.2	9.4	▲	9.1	9.00	9.75	▲	9.50
	Peru	3.8	2.2	▲	2.8	8.7	7.8	▲	6.9	6.50	7.00		6.50
	Chile	7.2	2.3	▲	2.1	13.1	11.5	▲	10.8	9.75	10.75	▲	10.63
	Brazil	1.7	2.1	▲	1.6	10.1	9.9	▼	9.8	13.75	14.00	▲	13.75
	Argentina	6.0	3.4	▼	3.0	71.0	67.9	▲	63.4	-	-		-
CEEMEA	Poland	9.4	5.9	▼	4.6	15.7	13.3	▼	13.6	6.50	8.00	▲	7.25
	Czech Rep.	5.1	3.0	▼	2.0	17.5	16.3	▲	13.7	7.00	8.00	▲	6.50
	Hungary	8.2	5.4		4.3	13.7	12.7	▲	10.0	10.75	13.00	▲	7.73
	Romania	6.5	5.8	▼	3.8	15.0	13.2	▲	12.3	5.50	8.00	▲	5.75
	Russia	-4.0	-7.0		-8.0	15.1	17.3		14.6	8.00	8.00	▼	7.38
	Ukraine	-15.1	-30.0		-35.0	22.2	18.0		20.0	25.00	10.00		20.00
	Turkey	7.3	3.5		3.4	79.6	75.2	▲	71.1	14.00	14.00		14.00
	South Africa	3.0	2.9		2.1	7.4	6.9	▲	6.7	5.50	6.50	▲	6.75
	Israel	9.6	4.7	▲	4.9	4.4	4.4	▲	4.0	1.25	2.50	▲	1.75
Asia ex-Japan	China	0.4	3.3	▼	3.9	2.7	2.3	▼	2.3	2.10	2.10		-
	Korea	2.9	2.4	▲	2.7	6.3	5.1	▲	5.0	2.25	2.75		2.75
	Taiwan	3.0	3.0	▼	3.4	3.4	3.0		3.0	1.50	1.75		1.88
	Vietnam	7.7	7.2		6.8	3.1	3.2		3.5	4.00	4.50		4.38
	Thailand	2.2	4.1	▲	3.5	7.6	6.4	▼	5.1	0.75	1.25		0.75
	Malaysia	8.9	8.8	▲	6.1	3.4	3.9	▲	2.8	2.25	2.75	▲	2.50
	India	4.1	7.7		7.1	6.7	7.0	▼	6.8	5.40	6.00		5.75
	Indonesia	5.4	5.6	▼	5.2	4.9	4.3	▲	4.0	3.50	4.75		4.25
	Philippines	7.4	6.7	▼	7.0	6.4	5.4	▲	4.9	3.25	4.50	▲	3.00
G3	US	1.6	1.5	▼	2.0	8.5	8.3	▲	8.0	2.38	3.38		3.50
	Euro Area	4.0	2.9		2.7	8.6	8.4	▲	7.5	0.00	1.00		0.50
	Japan	0.7	1.4	▼	1.6	2.3	2.2	▲	2.0	-0.10	-0.10		-0.10

*The latest growth/inflation figures refer to the yoy growth of the latest quarter/month available; Annual average data are used for GS forecasts and consensus

^End of year forecasts and consensus for policy rates:

LATAM: Mexico: TdF bancario; Colombia:Overnight target rate; Peru: Central bank reference rate; Chile: Overnight target rate; Brazil: SELIC target rate;

CEEMEA: Poland: 7-day intervention rate; Czech Rep.: 2-week limit repo rate; Hungary: 2-week repo rate; Romania: one week repo rate;
Russia: CBR 1-week repo rate; Ukraine: Discount rate; Turkey: one week repo rate;
South Africa: Repo avg rate; Israel: discount rate;

AEJ: China: 7-day OMO rate; Korea: 7-day repo;Taiwan: rediscount rate; Thailand: 1-day repo; Vietnam: refinance rate;
Malaysia: overnight policy rate; India: repo rate; Indonesia: 7-day reverse repo rate; Philippines: repo rate.

G3: US: Federal Funds Target Rate; Euro Area: ECB deposit facility rate; Japan: Policy deposit rate.

Red shading indicates GS forecast meaningfully above consensus, blue shading indicates below.

Up triangles indicate upward adjustments in GS forecasts since the last publication and vice versa.

Source: Goldman Sachs Global Investment Research, Bloomberg, Consensus Economics

		FX (against USD*)										GSDEER	GSFEER
		Spot 12-Aug	GS 3-month		Forward 3-month	GS 6-month		Forward 6-month	GS 12-month		Forward 12-month		
Latam	Mexico	19.9	21.0	▲	20.2	20.5	▲	20.6	20.0	▲	21.2	19.1	20.3
	Colombia	4162	4800	▲	4233	4500	▲	4311	4200	▲	4466	2512	3773
	Peru	3.86	4.00	▲	3.90	3.95	▲	3.93	3.70		3.98	3.15	3.25
	Chile	876	1050	▲	893	950	▲	907	850	▲	931	610	772
	Brazil	5.07	5.50	▲	5.19	5.30	▲	5.31	5.00		5.51	3.82	4.36
	Argentina	134.6	130.0		178.1	145.0		215.0	180.0		280.3	--	--
CEEMEA	Poland (v EUR)	4.66	4.90	▲	4.76	4.80	▲	4.85	4.40		5.01	4.26	4.99
	Czech Rep. (v EUR)	24.4	24.8		24.8	24.5		25.2	24.5		25.8	29.9	27.2
	Hungary (v EUR)	393	420	▲	404	410	▲	416	380	▲	440	334	390
	Romania (v EUR)	4.89	5.00		4.98	5.05		5.08	5.10		5.25	--	--
	Russia	61.1	80.0		67.1	90.0		69.9	100.0		72.0	63.6	46.9
	Ukraine	36.60	36.6	▲	40.0	36.6	▲	43.3	36.6	▲	46.8	--	--
	Turkey	17.93	19.00	▲	19.34	21.00	▲	21.21	22.00	▲	25.41	8.10	11.65
	South Africa	16.2	18.0	▲	16.3	17.5	▲	16.5	16.0	▲	16.7	10.6	12.2
	Israel	3.23	3.50	▲	3.22	3.40	▲	3.19	3.30	▲	3.16	3.51	2.69
Asia ex-Japan	China	6.74	6.75		6.73	6.60	▲	6.71	6.50	▲	6.68	5.47	5.72
	Korea	1301	1320	▲	1299	1280	▲	1295	1260	▲	1289	1254	1058
	Taiwan	30.0	30.1	▲	29.7	29.7		29.5	29.5	▲	29.0	27.1	24.0
	Thailand	35.3	36.5	▲	35.1	35.0	▲	34.9	34.0	▲	34.5	34.4	33.1
	Malaysia	4.44	4.40		4.44	4.30		4.44	4.20		4.42	3.24	3.87
	India	79.6	80.0	▲	80.3	81.0	▲	80.9	81.0	▲	82.2	77.3	71.9
	Indonesia	14664	15200	▲	14700	15000	▲	14755	14700	▲	14885	14114	12079
	Philippines	55.7	56.0	▲	56.0	55.5	▲	56.3	54.5	▲	56.8	53.4	56.6
G3	Euro Area	1.03	0.99	▼	1.03	1.02	▼	1.04	1.15		1.06	1.21	1.40
	Japan	133.0	125		132	125		131	123		128	99.0	116

*Poland, Czech Republic, Hungary, and Romania are expressed vs EUR.

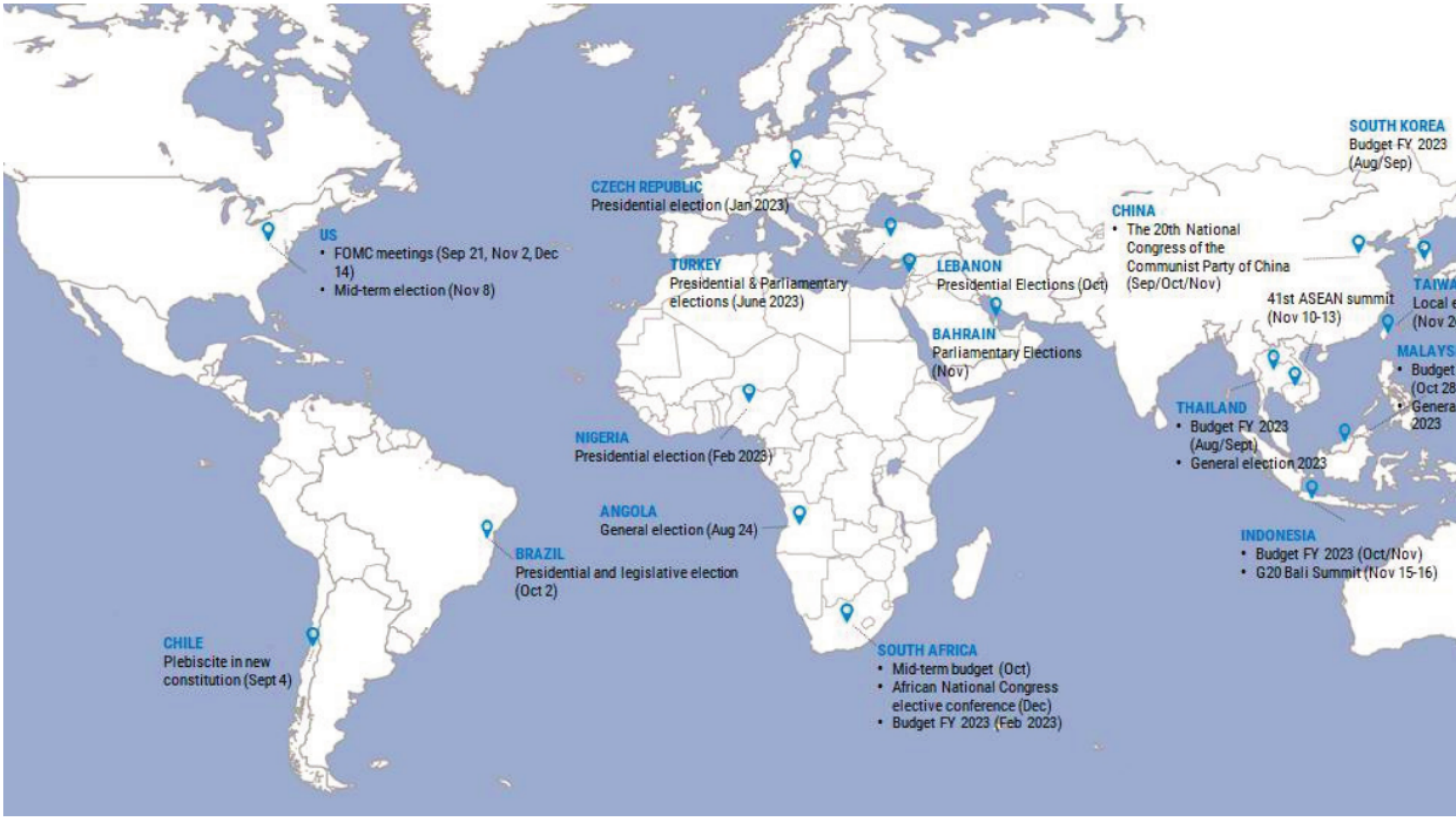
Source: Goldman Sachs Global Investment Research, Bloomberg

GS Conviction Views in EM

Source: Goldman Sachs Global Investment Research

	Rates	FX	Equities	Credit
LatAm	Long BRL DI Jan24s-Jan27s steepeners		Prefer Brazil over Mexico	IG: prefer Chile, Mexico, cautious on Panama
CEEMEA	Short 10-year HGBs on ASW		Overweight Saudi Arabia Prefer Poland within CE-3	IG: prefer oil exporters (Saudi Arabia, Qatar, UAE and Kazakhstan) HY: prefer oil exporters with stronger fiscal balances (Angola, Oman, Azerbaijan and Gabon), cautious on Turkey and food inflation exposed countries (Egypt, Ghana and Morocco)
China		Cautious near-term but expect CNY appreciation medium-term, as China growth strengthens and USD weakens	Overweight H and A shares	IG: prefer shorter dated A-rated corporates and financials; relative value in 30yr China A-rated corporates HY: cautious on overall China property sector; relative value in longer dated bonds for the best China property credits
EM Asia ex-China		Long SGD vs. TWD	Overweight Indonesia and Singapore; Underweight Taiwan	IG: prefer shorter dated A-rated corporates including Hong Kong, Korea, and Taiwan; cautious on India HY: prefer shorter-dated credits; relative value in Macau Gaming and Commodities sectors; cautious on India BB corporates; neutral on frontier sovereigns
G3/Global	Long ERH3ERH4 flatteners vs SFIH3SFIH4 Sell 3m 5s10s USD curve straddles Add 6m20y A/A+25 JPY payer spreads Long 5y5y HICP inflation swaps	Buy 6m USD/JPY digital puts Short NZD/CAD	Favor Interest-Rate Sensitive EMs	

Key upcoming events for EM investors



Source: Compiled by Goldman Sachs Global Investment Research

The EM Bookshelf: Recent GS EM Macro Research

ECONOMICS

EM/Global

- Food, fuel, and the cost-of-living crisis: *Top of Mind* (July 29)
- Revisiting Recession Facts: *Global Economics Analyst* (July 6)
- Repricing inflation and rates across EM: *EM Macro Navigator* (June 21)

China

- China: H2 monetary policy outlook: Low-profile easing to be maintained: *Asia in Focus* (August 5)
- China EPMI, a good leading indicator for manufacturing PMIs: *China Data Insights* (July 21)
- Unresolved Problems: *China Matters* (July 17)
- Understanding the recent rise and fall of high-frequency property sales data: *China Data Insights* (July 14)
- China: H2 fiscal policy outlook: New challenges and new solutions: *Asia in Focus* (July 6)
- China: Front-end liquidity remains flush with back-end bond yields range bound: *Asia in Focus* (July 5)
- A Pulse Check on Chinese Household Consumption Growth: Still Sluggish: *Asia Economics Analyst* (July 4)
- FAQs on China Covid Policy: *Asia in Focus* (June 29)
- From Domestic to External Risks: *China Matters* (June 19)

MARKETS

Cross-asset

- EM ex-China: Finding a Pocket Insulated from China and Rate Risk: *Global Markets Daily* (August 3)
- EM local rates vs credit as recession risks rise: *The EM Trader* (June 23)
- Asset Allocation Implications from a Peak in Inflation: *Global Markets Daily* (June 22)

Rates/FX

- FCI Loop and Hiking Fatigue: *EM Local Rates Monitor* (August 10)
- Global relief for EM rates, but lower local inflation needed for green light: *The EM Trader* (August 3)
- EM Inflation & Rates — Divergence and Convergence: *Global Markets Daily* (July 28)
- Rising risks of USD/CNY upside: The next leg of EM FX weakness?: *The EM Trader* (July 21)
- EM FX: How Much More Downside?: *Global Markets Daily* (July 13)
- Where to Play Defence: *EM Local Rates Monitor* (July 9)
- Assessing EM FX vulnerabilities as recession risks rise: *The EM Trader* (July 7)
- From inflation to recession risks - Implications for NJA markets: *EM Asia FX/Rates Views* (June 24)
- Finding Value Amid the Rates Volatility: Receive KRW vs pay HKD 2Y IRS: *Global Markets Daily* (June 24)

ECONOMICS

LatAm

- Colombia: New Government, New Policies, Old Challenges: *Latin America Economics Analyst* (August 5)
- Chile: A Taxing Tax Reform and a New Constitution That Pleases Neither Left Nor Right: *Latin America Economics Analyst* (July 15)
- Colombia: A Brave New World, Higher Growth and Rates: *Latin America Economics Analyst* (July 2)

CEEMEA

- Trip Notes from Accra —The (Longer) Road Ahead: *CEEMEA in Focus* (August 9)
- A Simple Framework for Thinking Through the Trade-Off Between FX Levels and Local Yields in Egypt: *CEEMEA in Focus* (August 2)
- Israel Trip Notes — Sound Fundamentals, but Rising Inflation and FX Pressures to Support Further Rate Hikes: *CEEMEA in Focus* (August 2)
- A Scenario-Based Approach to Estimating Egypt's IMF Funding Requirement: *CEEMEA Economics Analyst* (July 18)
- Record Inflation, Rising Inflation Expectations and FX Weakness Add to CEE Rate Pressures: *CEEMEA Economics Analyst* (July 15)
- Four Challenges the GCC Faces As Oil Rally Lifts the Economic Outlook: *CEEMEA Economics Analyst* (July 13)
- Kenya: Moderate Fiscal Risks Despite Food Security and Foreign Financing Challenges: *CEEMEA in Focus* (July 12)
- Israel — More Rate Hikes as Hawkish External Backdrop Continues to Put Pressure on the Shekel: *CEEMEA in Focus* (July 12)
- South Africa: Higher Inflation, Tighter Policy, Weaker Growth: *CEEMEA Economics Analyst* (July 8)
- Tourism May Offer a Summer Reprieve But Significant Tightening Needed to Avoid an Autumn Storm: *CEEMEA Economics Analyst* (June 23)
- CEE Trip Notes — High Inflation and DM Tightening Drive Hawkish Message: *CEEMEA in Focus* (June 21)
- Ghana: 'Muddle-Through' Strategy Under Pressure From Rising Balance of Payments Risks: *CEEMEA in Focus* (June 20)
- South African Fiscal Policy: Structural and Cyclical Tailwinds: *CEEMEA Economics Analyst* (June 16)

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Equities

- Cross-strait tensions at the forefront: *China Musings* (August 4)
- Aug '22 pulse check: ERLI forecasts earnings downgrades may persist and intensify: *Asia-Pacific Strategy* (August 2)
- Steering through summer snags: *Asia-Pacific Portfolio Strategy* (July 28)
- EM Equities Anticipating Lower Local Rates: *Global Markets Daily* (July 6)
- How far are EMs from Pricing a US Recession?: *EM in Focus* (July 1)
- Equity Corrections in Recessions: *Global Markets Daily* (June 23)

Credit

- Shifting To Neutral Across IG & HY, Still Focused on Short End Carry: *Asia Credit Trader* (August 12)
- Taking stock of the EM Credit rally: *EM Sovereign Credit Monitor* (August 4)
- Q2 2022 Sovereign Risk Score (SRS) Update: External Headwinds Drive Declines, Except in GCC Oil Exporters: *EM in Focus* (August 3)
- Policy Support Could Limit Tail Risk But Unlikely To Stop Defaults For China Property Sector: *Global Markets Daily* (August 1)
- Drilling into EM Debt Dynamics: *EM in Focus* (July 28)
- China Real Estate Fund A Step In The Right Direction, But Limited Help to China Property HY: *Asia Credit Notes* (July 26)
- No signs of credit contagion in China, but risks abound: *Asia Credit Trader* (July 23)
- EM Sovereign Credit Issuance - Impaired outlook for H2: *Global Markets Daily* (July 18)
- Strong External Balances Provide Some Buffer For Asia Credit: *Global Markets Daily* (July 5)
- Taking stock after a tough H1: *EM Sovereign Credit Monitor* (July 5)
- Are Duration And Asia HY Oversold?: *Asia Credit Trader* (June 30)
- Fosun Issues Not A Sign of China Credit Contagion: *Asia Credit Trader* (June 25)
- EM Sovereign Credit — Stay Cautious as Front-Loaded DM Tightening Impairs Market Access: *Global Markets Daily* (June 16)

ECONOMICS

EM Asia ex-China

- Taiwan: Evaluating Cross-Strait Economic Linkages: *Asia in Focus* (August 10)
- Discovering India's potential: *Asia Economics Analyst* (August 5)
- More inflation, more tightening: *Asia Views* (July 18)
- Higher Interest Rates and Commodity Prices—Implications for Korean Households: *Asia Economics Analyst* (July 10)
- Reassessing risks to inflation and policy rates in ASEAN-5: *Asia in Focus* (July 8)
- Keeping the carry: India's adjustment to weaker external balances: *Asia in Focus* (June 30)

MARKETS

Commodities

- Down but not out: *Oil* (August 7)
- LNG Latest - In Charts: *Natural Gas* (August 5)
- Modest OPEC hike expected, risks skewed to less: *Oil* (August 3)
- Potential NS1 drop brings upside risk to our TTF forecast: *Natural Gas* (July 26)
- From scarcity to glut: *Iron Ore* (July 26)
- FAQ on our outlook for Russian gas: *Natural Gas* (July 20)
- What happens to base metals if Europe's gas flows don't recover?: *Metal Views* (July 18)
- Stress testing our bullish view: *Oil* (July 14)
- How low can we go?: *Copper* (July 12)
- Commodities oversold on recession fears: *Real Asset Investing* (July 8)
- Increased supply risks lead us to raise our TTF forecasts: *Natural Gas* (July 5)
- Closures and disruptions generate a refining bull market with few quick fixes: *Oil* (July 4)
- An unsustainable mispricing: *Aluminium* (July 2)
- A summer of discontent: *Metal Views* (July 2)
- US acreage report shows no quick fix to grains bull market: *Agriculture* (July 1)
- Recession fears overtake fundamentals, for now: *Commodity Views* (June 25)
- Carbon is the eye of the storm: *Commodity Watch* (June 22)

Thematic Spotlight: Seeking the EM Inflation Peak

This section provides one-page summaries for some of our recently published work related to EM inflation:

- Inflation continues to rise in much of the CEEMEA region, particularly Central and Eastern Europe. In "Record Inflation, Rising Inflation Expectations and FX Weakness Add to CEE Rate Pressures", the peak is still several months away.
- In "Asia Views: More inflation, more tightening" we discuss the pattern of inflation developments across Asia and the consequent step-up in the pace of policy tightening by several regional central banks.
- "Reassessing risks to inflation and policy rates in ASEAN-5" summarizes the state of play in inflation and pushes our policy rate forecasts modestly higher in some economies.
- "EM Inflation & Rates — Divergence and Convergence" notes that, relative to developments in DM, EM rates have moved up more than EM inflation, and explores potential market opportunities from this divergence.

Record Inflation, Rising Inflation Expectations and FX Weakness Add to CEE Rate Pressures

Record Inflation, Rising Inflation Expectations and FX Weakness Add to CEE Rate Pressures

- Three key developments are increasing pressures for higher policy rates across the CEE-4 (Poland, Hungary, the Czech Republic and Romania):
- **The latest inflation data have been particularly worrying:** Headline inflation rose to new multi-year highs across the CEE-4 in Q2 and continued to surprise central bank expectations materially to the upside. While food and energy prices remain important drivers of these increases, inflationary pressures have also broadened to core goods and services.
- **There is increasing evidence of a de-anchoring of inflation expectations across the CEE-4:** This can be seen in household and business surveys, asset prices, the broadening of price pressures, the increased frequency with which companies are changing their prices, and evidence that companies are increasing their prices in a more forward-looking manner.
- **FX depreciation pressures:** While global recession risks imply the need for less monetary tightening in developed economies, they are causing EM exchange rates to sell off. The weakness of CEE exchange rates – especially the Forint – is adding to rate pressures on CEE central banks.
- The MNB has indicated its preparedness to continue tightening monetary policy in the coming months, but the NBP and CNB rate guidance has been more dovish. However, faced with the combination of exceptionally high inflation, rising inflation expectations and weak exchange rates, we think that CEE-4 central banks have little choice other than to maintain a proactive approach in tightening monetary policy.
- We are therefore raising our terminal policy rate forecast from 11.50% to 13.00% in Hungary (currently 9.75%), from 7.00% to 8.00% in both Poland (currently 6.50%) and the Czech Republic (currently 7.00%), and from 6.50% to 8.00% in Romania (currently 4.75%).

Asia Views: More inflation, more tightening

More inflation, more tightening

1. Inflation continues to rise across the Asia-Pacific. Half of the economies we cover are reporting CPIs up more than 5% yoy, and most are above policymakers' explicit or implicit inflation targets. Pressures are greatest in a) smaller open economies that more readily import global price pressures, b) those that are reopening, and c) where policymakers implemented aggressive stimulus or were slower to begin unwinding it. China stands out as a place where none of these conditions hold: overall CPI inflation is a moderate 2.5% yoy, with the core CPI up just 1% yoy.

2. Even as inflation rises across the region, the growth impulse from reopening has likely peaked. Our Effective Lockdown Indexes (ELIs) have fallen to very low levels in most economies though are still above 10 in China, Hong Kong, and Taiwan. (We recently ceased publication of our regular global ELI updates for the same reason, though we still monitor China's in our weekly activity and policy tracker.) A burst of activity is evident in some of the economies that have reopened, but sequential growth will likely slow later in the year and into early 2023 in much of the region ex-China as the reopening boost fades and macro policy tightens.

3. Policy tightening picked up speed in the past week with two unscheduled moves on the same day: the Philippines central bank announced a 75bp hike under new governor Felipe Medalla, and the Monetary Authority of Singapore recentered its SGD exchange rate band. This followed 50bp hikes from the Bank of Korea and RBNZ the day before. BOK's governor suggested subsequent moves were more likely to be at a 25bp clip, perhaps reflecting concerns around household sensitivity to rate shifts given high levels of floating-rate debt. However, this is contingent on CPI inflation (already at a post-Asia Financial Crisis high of 6% yoy) staying roughly in line with projections—hardly a given in the current environment. While Asian central banks' rate hikes had so far largely been driven by domestic conditions (Exhibit 3), FX weakness appears to have played a role in some of the most recent decisions (e.g. Philippines), a theme that we are also seeing elsewhere in global EM. In turn, markets are increasingly focusing on the implications of tighter policy for growth—both directly in the region, and indirectly through rising recession risk in the US and Europe. Our expectations for policy rates in Asia-Pacific are generally above consensus forecasts, but in some cases still below market pricing.

Reassessing risks to inflation and policy rates in ASEAN-5

Reassessing risks to inflation and policy rates in ASEAN-5

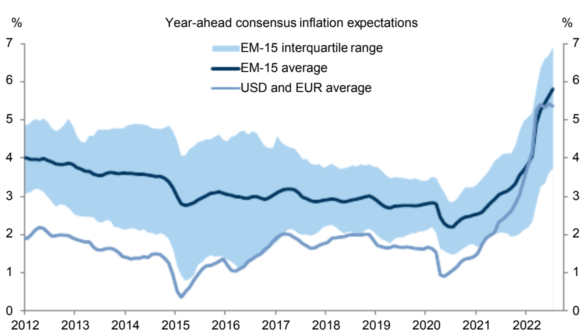
- As global energy prices continue to rise and food prices remain elevated, governments around the world are utilizing various tools to manage people's costs of living.
- Upside risks to the ASEAN inflation outlook include moderation/removal of price controls/subsidies (Indonesia, Malaysia, Thailand), increasing business costs stemming from higher import costs, wages and rental costs that are likely to be passed-through to consumer as post-reopening demand continues to be strong.
- We are revising up our inflation projection in Indonesia and Singapore while the risks to our inflation forecasts in the Philippines, Malaysia, and Thailand remain balanced. In Indonesia, we now expect 2022 headline inflation to average 4.3% (vs. 3.5% previously) on earlier increase in effective retail fuel prices. Singapore's persistently strong rental market and increasing business cost pass-through are likely to push headline inflation forecast even higher to 6.2% (vs. 5.6% previously).
- We expect ASEAN central banks to tighten policy further despite rising global recession risks. Specifically, we expect **Bank Indonesia** to kick start its tightening cycle in August, delivering a cumulative 125bp of rate hikes this year and another 100bp next year, bringing the policy rate to 5.75% by mid-2023. We are revising our forecast for **Bank Negara Malaysia** and now expect three consecutive hikes in September, November and Q1 next year of 25bps each to reach a terminal rate of 3.0% (previously, we expected a pause in Q4 and Q1 to reach terminal rate in Q2 2023). We are also revising our baseline forecast for **Monetary Authority of Singapore** and now expecting a 50bp hike to the SGD NEER slope and re-centering to the prevailing rate (vs only a slope increase previously). Elsewhere, we continue to expect **Bangko Sentral ng Pilipinas** to deliver a 25bp hike in every meeting until it reaches a terminal rate of 4.0% in Q1 2023 and **Bank of Thailand** to start its hiking cycle in its August meeting with 25bp and continue at a 25bp/meeting pace until it reaches a terminal level of 2.5% in Q3 2023.

EM Inflation & Rates — Divergence and Convergence

EM Inflation & Rates — Divergence and Convergence

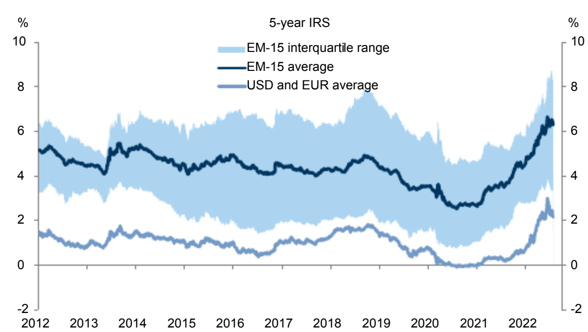
- The macro volatility around the pandemic and its unwind has put an abrupt end to a two-decade period of EM inflation moving lower towards DM levels.
- Still, the striking thing is that inflation rates have not diverged on average, with domestic inflation acceleration in DM economies comparable to EM. Despite that, local rates in EM and DM have diverged: local EM rates spreads to DM have widened meaningfully over this cycle, and EM breakeven inflation rates (where available) remain relatively high.
- This raises the prospect that EM rates could offer better inflation risk premia than core markets over the medium term, should the current moderation in commodity price inflation, the easing in global supply bottlenecks and moderating US breakeven inflation rates usher in a moderation in global inflationary pressures.
- Any moderation in inflationary pressures would likely produce a differentiated market response among EM countries. And a recession-induced moderation in global inflation might see delayed dovish spillovers onto EM high-beta curves, as well as maintain more conservative EM inflation pricing for longer than in DM.
- We show how the EM curves likely embedding more inflation-related risk premia have become considerably more volatile (riskier) post-Covid, and offer worse carry profiles for outright receivers (due to curve inversion).
- **CZK and PLN rates** offer an attractive combination of cyclical defensiveness and higher inflation-related buffers, but the repricing of the last few weeks and signs of de-anchoring expectations make for a challenging entry point. **MXN rates** remain the cleaner beneficiary in EM HY from any moderation in global inflation, while the case for receivers in the 'early hiker' **BRL** remains limited to the front end, amid domestic fiscal challenges (we prefer **DI steepeners**).

The inflation acceleration has not been more acute in EM than DM – on average



Source: Consensus Economics, Goldman Sachs Global Investment Research

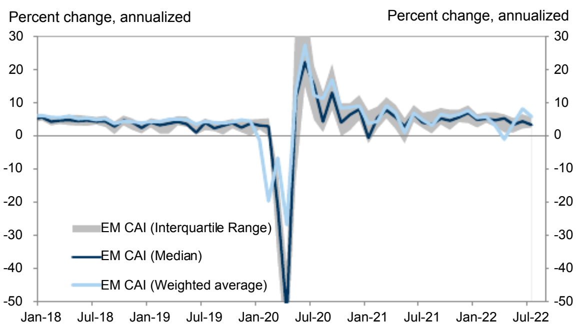
But EM rate markets (and central banks) have reacted more hawkishly ...



Source: Bloomberg, Goldman Sachs, Goldman Sachs Global Investment Research

EM Chartpack

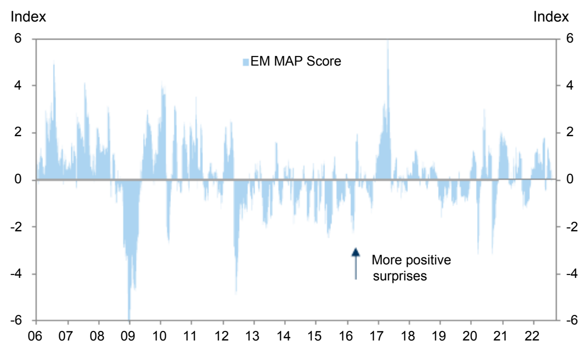
Exhibit 8: EM Current Activity Indicator



*We recently updated our Current Activity Indicators globally

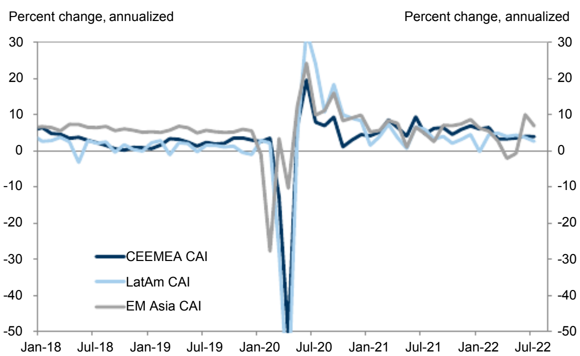
Source: Goldman Sachs Global Investment Research

Exhibit 9: EM Growth Surprises



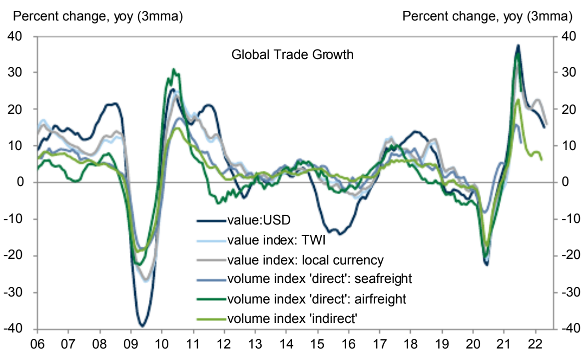
Source: Goldman Sachs Global Investment Research

Exhibit 10: EM Regional CAIs



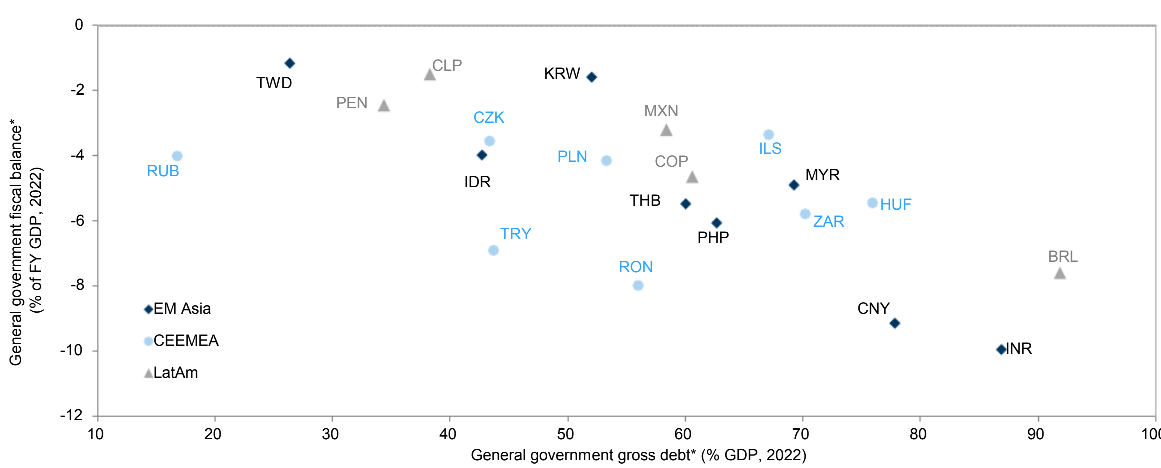
Source: Goldman Sachs Global Investment Research

Exhibit 11: Global Trade Growth



Source: CPB World Trade Monitor, Haver Analytics, Goldman Sachs Global Investment Research

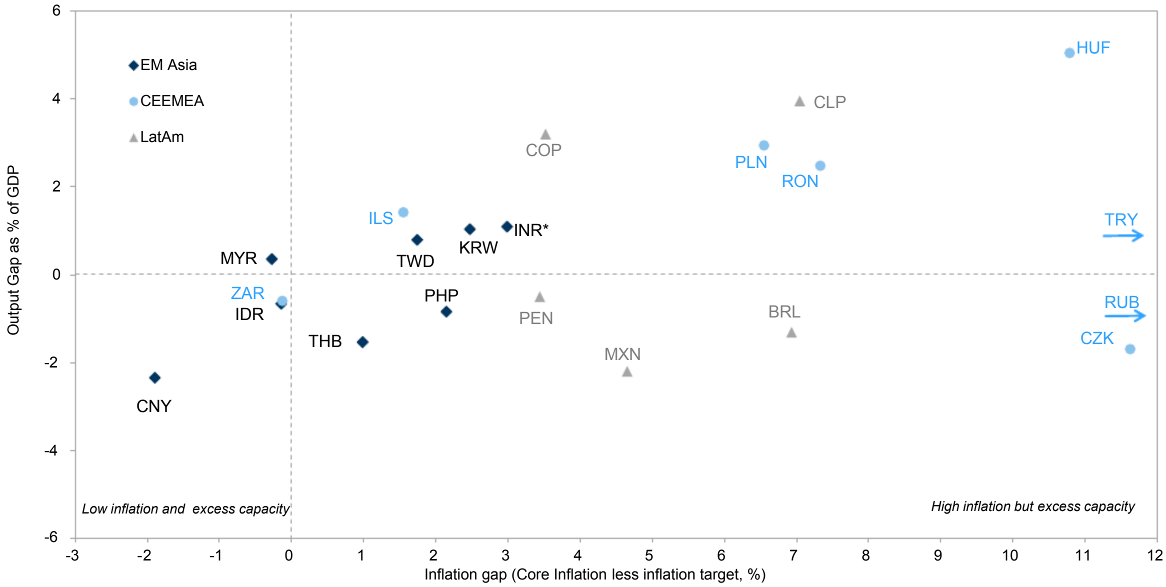
Exhibit 12: EM Government Debt/Deficits



*General government fiscal balance and general government debt based on April IMF estimations;
China general government balance based on GS estimates of China effective on-budget fiscal balance and government special bond issuance in 2022

Source: IMF, Goldman Sachs Global Investment Research

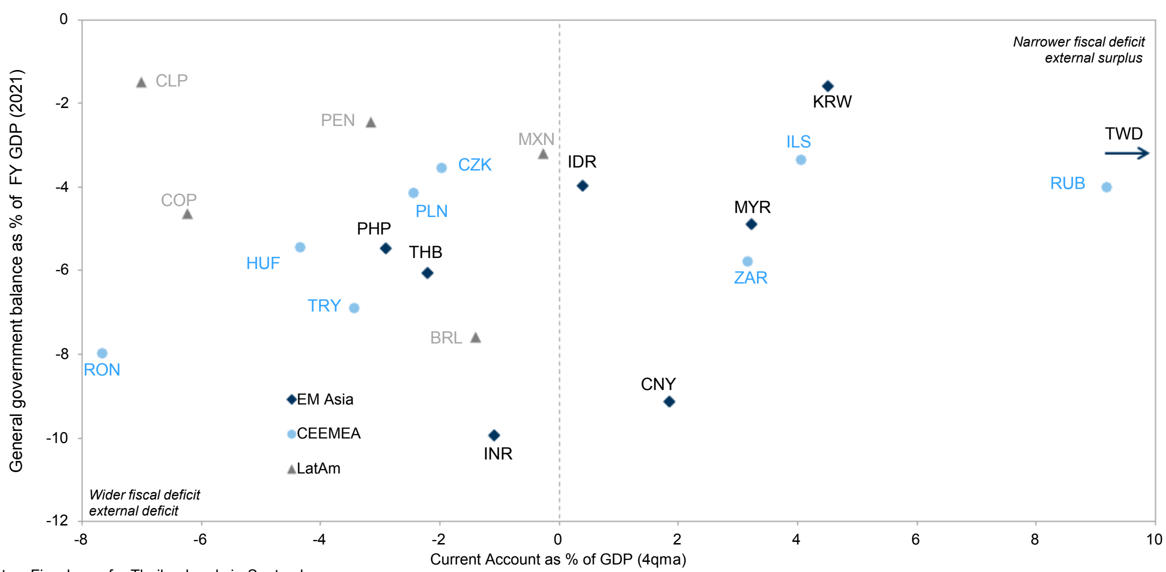
Exhibit 13: EM Output Gap vs Inflation Gap



Note: China inflation target of 3% more like a ceiling in practice; we use target of 2.25% here.
Output gap is calculated based on 2022 Q2 GDP except for LATAM countries.
*Headline CPI used for India inflation gap

Source: Haver Analytics, Goldman Sachs Global Investment Research

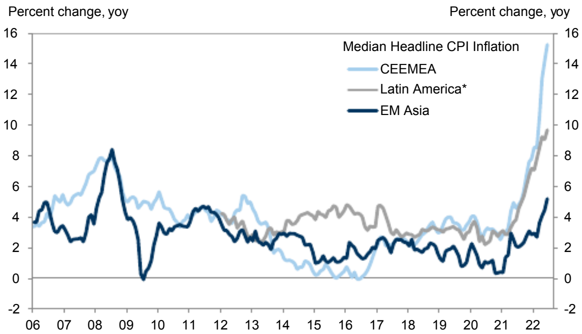
Exhibit 14: EM Fiscal vs External Balance



Notes: Fiscal year for Thailand ends in September.

Source: Haver Analytics, Goldman Sachs Global Investment Research

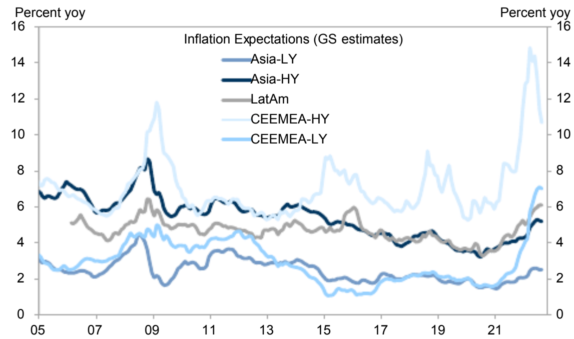
Exhibit 15: EM Inflation by Region



*Excluding Argentina

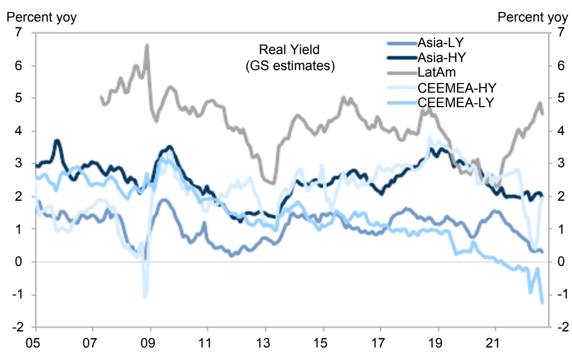
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 16: EM Inflation Expectations



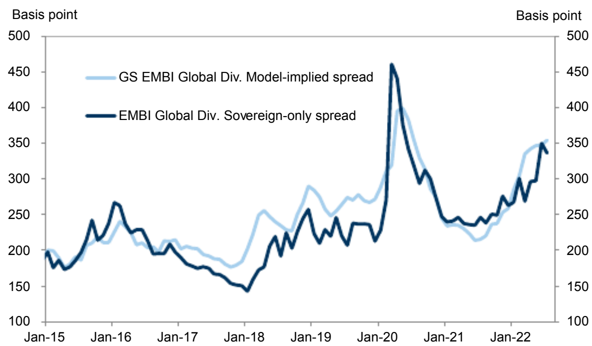
Source: Goldman Sachs Global Investment Research

Exhibit 17: EM Real Yields



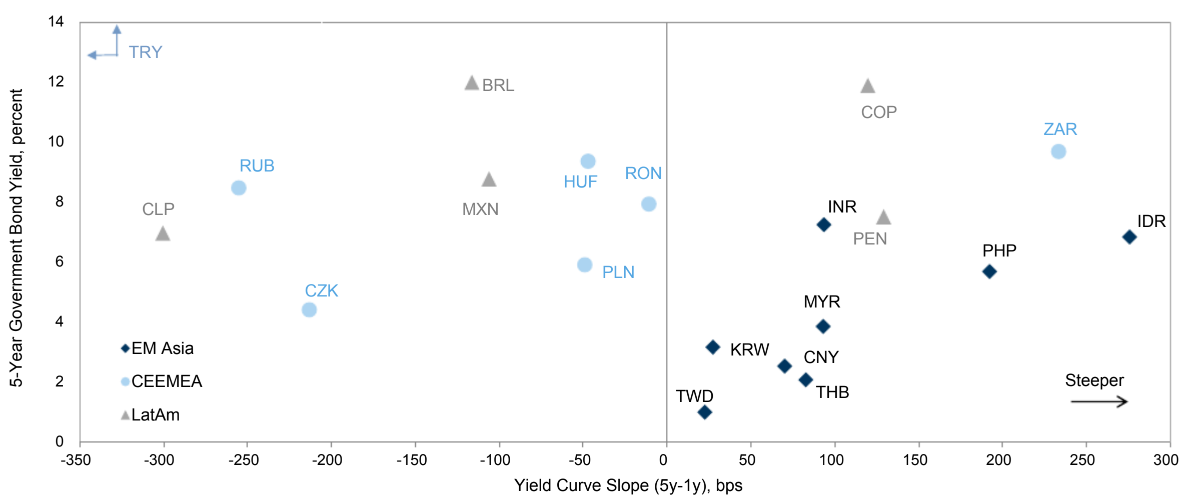
Source: Goldman Sachs Global Investment Research

Exhibit 18: Sovereign Bond Spreads



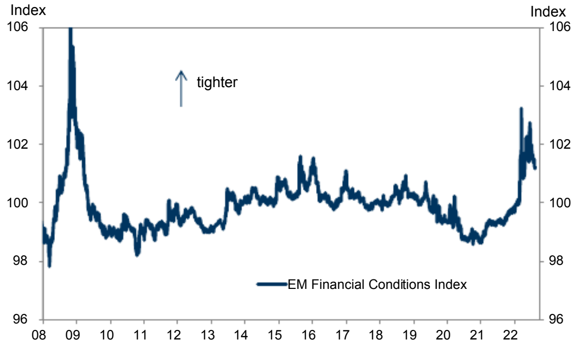
Source: Goldman Sachs Global Investment Research, Datastream

Exhibit 19: EM Yield Curves



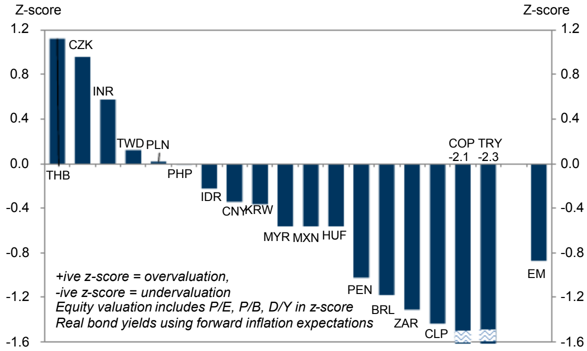
Source: Goldman Sachs Global Investment Research

Exhibit 20: EM Financial Conditions



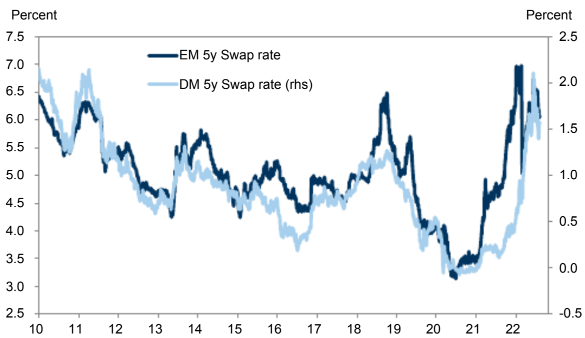
Source: Goldman Sachs Global Investment Research

Exhibit 21: EM Cross Asset Valuation



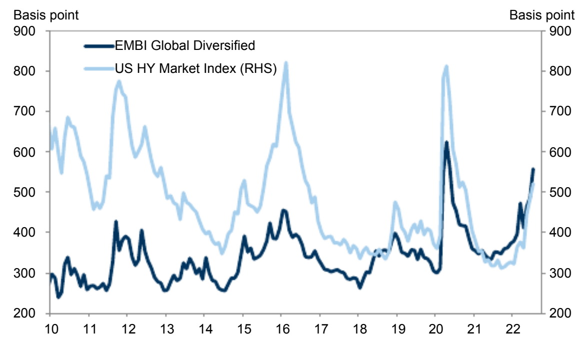
Source: FactSet, Datastream, Goldman Sachs Global Investment Research

Exhibit 22: EM Swap Rates



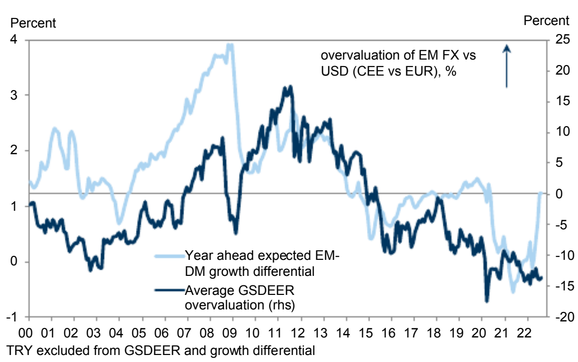
Source: Goldman Sachs Global Investment Research

Exhibit 23: High-Yield Credit Spreads



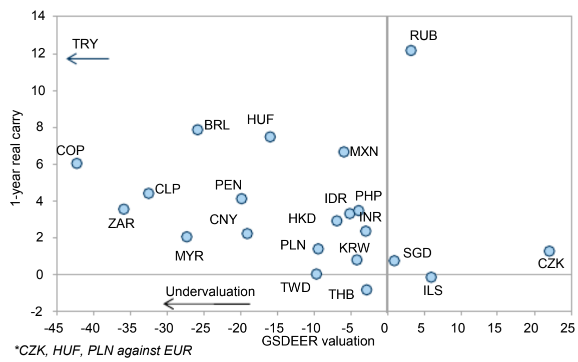
Source: Goldman Sachs Global Investment Research, Datastream, ICE-BAML

Exhibit 24: EM FX Valuation



Source: Consensus Economics, Goldman Sachs Global Investment Research

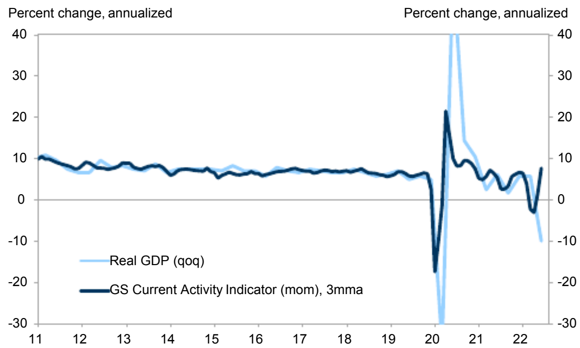
Exhibit 25: EM FX Carry vs. Valuation



Source: Consensus Economics, Goldman Sachs Global Investment Research

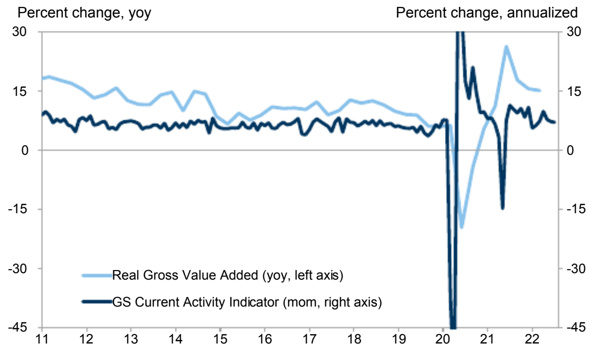
Data Monitor – EM Asia

Exhibit 26: China Activity Growth



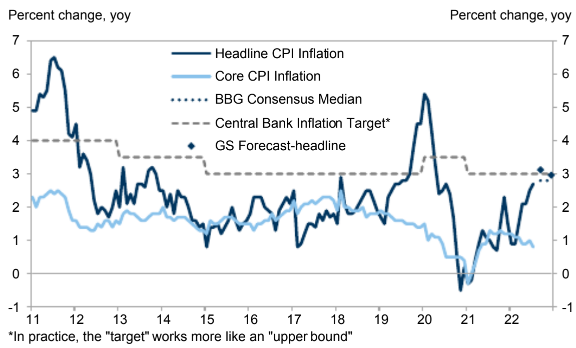
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 27: India Activity Growth



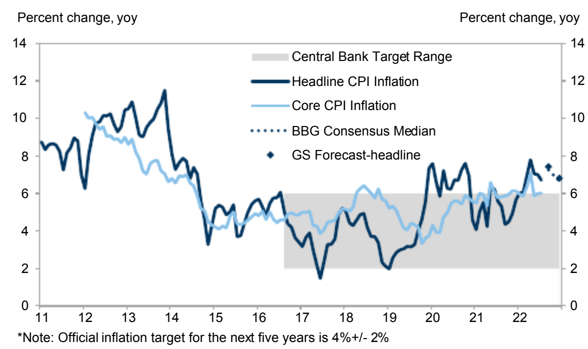
Source: Haver Analytics, CEIC, Goldman Sachs Global Investment Research

Exhibit 28: China Inflation



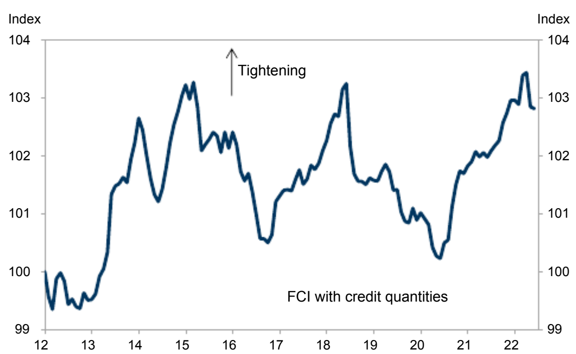
Source: Goldman Sachs Global Investment Research, Bloomberg, PBOC

Exhibit 29: India Inflation



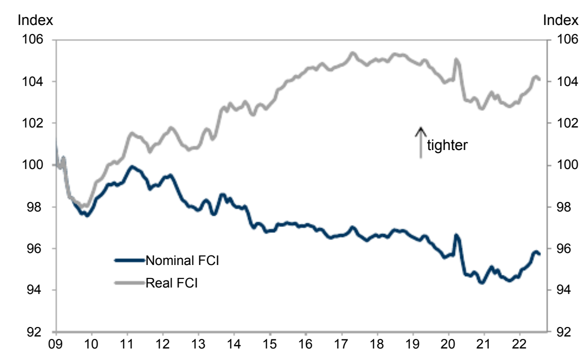
Source: Goldman Sachs Global Investment Research, Haver Analytics, Bloomberg, RBI

Exhibit 30: China Financial Conditions



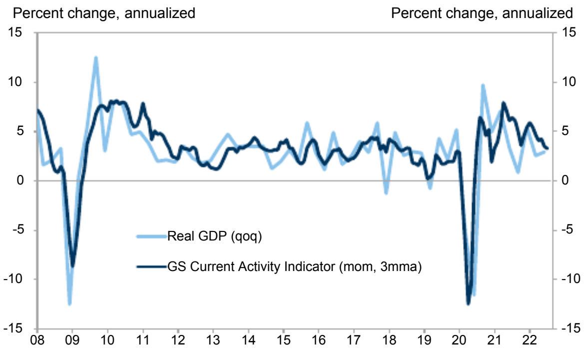
Source: Goldman Sachs Global Investment Research

Exhibit 31: India Financial Conditions



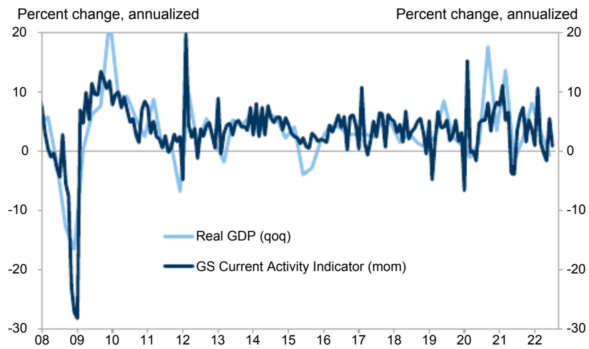
Source: Goldman Sachs Global Investment Research

Exhibit 32: Korea Activity Growth



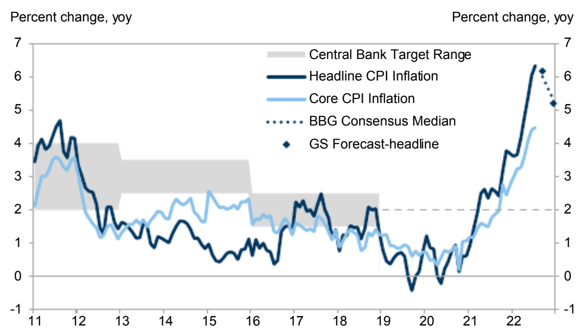
Source: Goldman Sachs Global Investment Research, Haver Analytics, CEIC

Exhibit 33: Taiwan Activity Growth



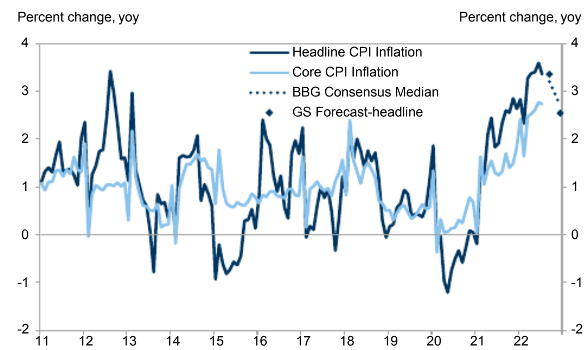
Source: Goldman Sachs Global Investment Research, Haver Analytics, CEIC

Exhibit 34: Korea Inflation



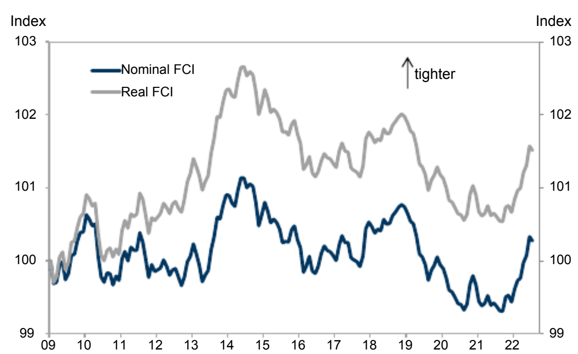
Source: Goldman Sachs Global Investment Research, Haver Analytics, Bloomberg, BOK

Exhibit 35: Taiwan Inflation



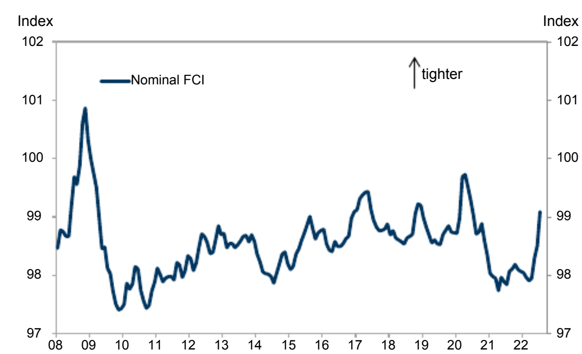
Source: Goldman Sachs Global Investment Research, Haver Analytics, Bloomberg

Exhibit 36: Korea Financial Conditions



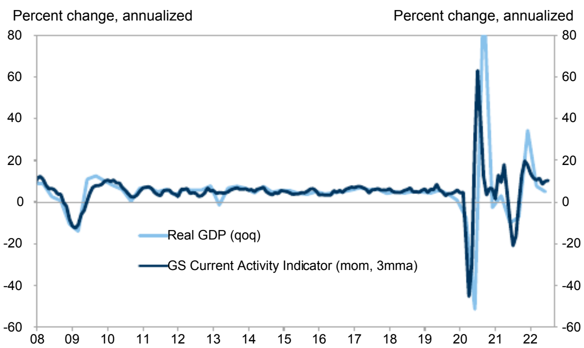
Source: Goldman Sachs Global Investment Research

Exhibit 37: Taiwan Financial Conditions



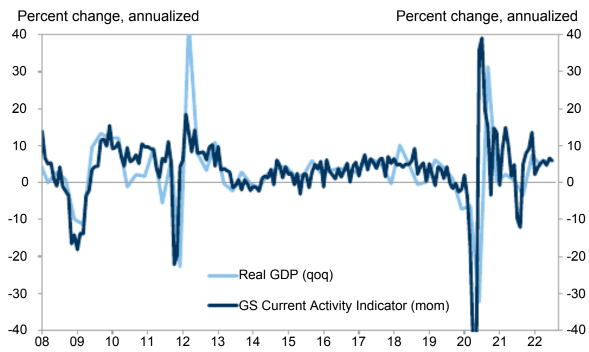
Source: Goldman Sachs Global Investment Research

Exhibit 38: Malaysia Activity Growth



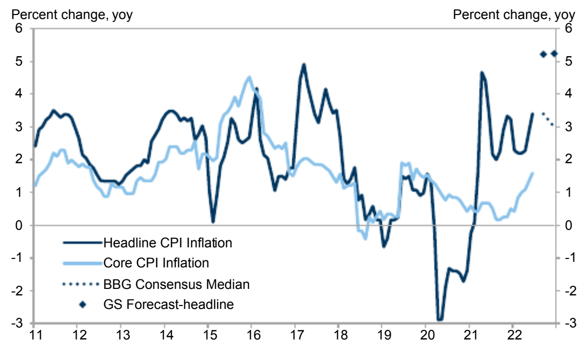
Source: Goldman Sachs Global Investment Research, Haver Analytics, CEIC

Exhibit 39: Thailand Activity Growth



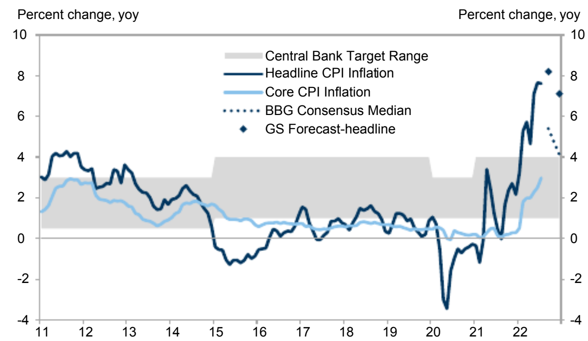
Source: Goldman Sachs Global Investment Research, Haver Analytics, CEIC

Exhibit 40: Malaysia Inflation



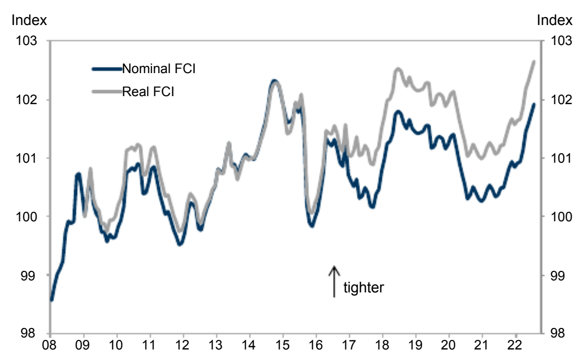
Source: Goldman Sachs Global Investment Research, Haver Analytics, Bloomberg

Exhibit 41: Thailand Inflation



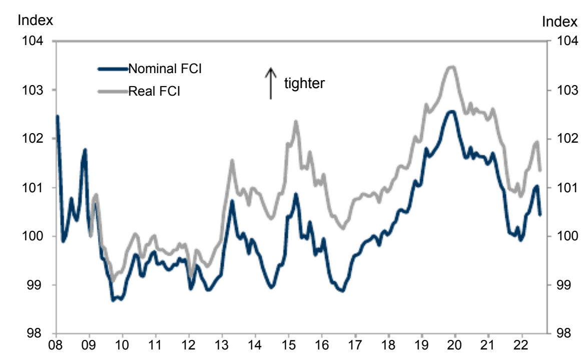
Source: Goldman Sachs Global Investment Research, Haver Analytics, Bloomberg, BOT

Exhibit 42: Malaysia Financial Conditions



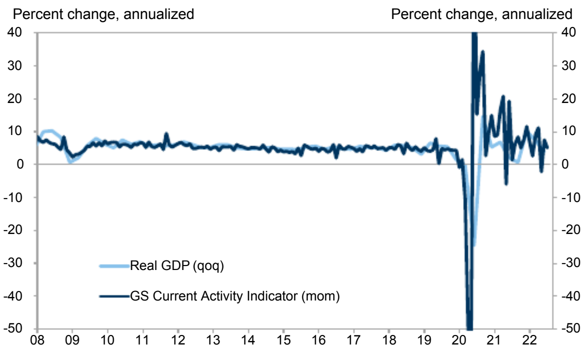
Source: Goldman Sachs Global Investment Research

Exhibit 43: Thailand Financial Conditions



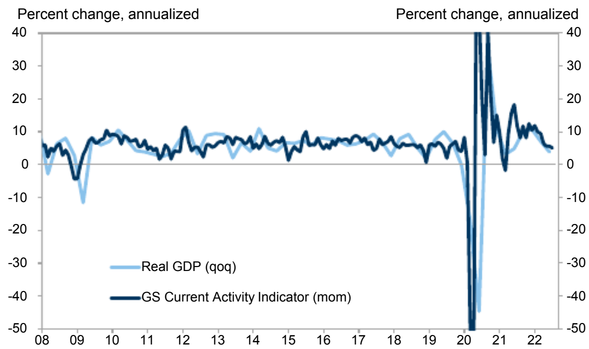
Source: Goldman Sachs Global Investment Research

Exhibit 44: Indonesia Activity Growth



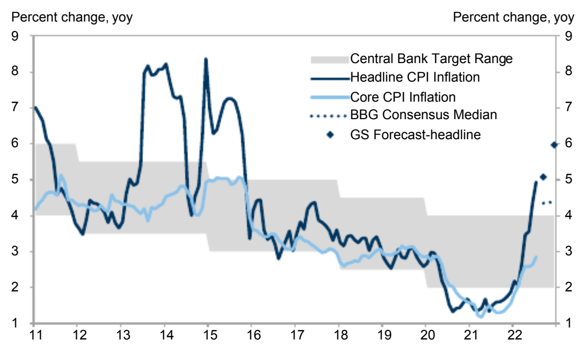
Source: Goldman Sachs Global Investment Research, Haver Analytics, CEIC

Exhibit 45: Philippines Activity Growth



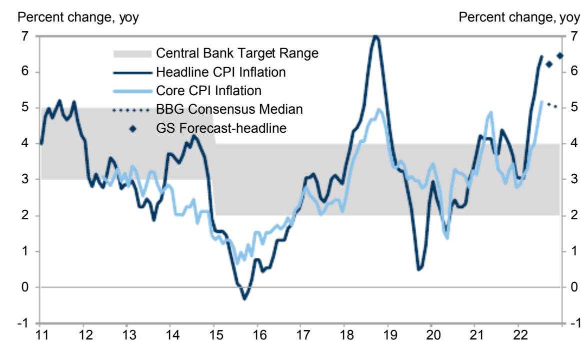
Source: Goldman Sachs Global Investment Research, Haver Analytics, CEIC

Exhibit 46: Indonesia Inflation



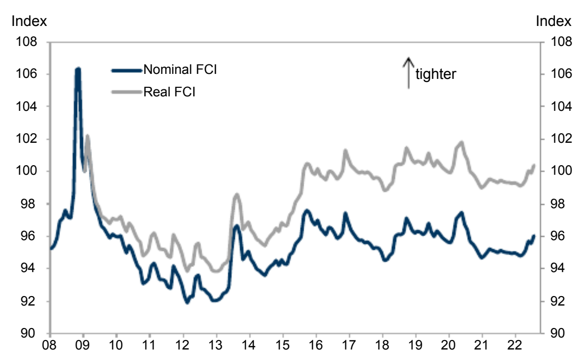
Source: Goldman Sachs Global Investment Research, Haver Analytics, Bloomberg, BI

Exhibit 47: Philippines Inflation



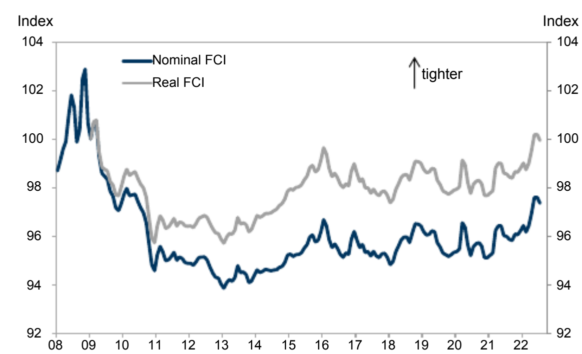
Source: Goldman Sachs Global Investment Research, Haver Analytics, Bloomberg, BSP

Exhibit 48: Indonesia Financial Conditions



Source: Goldman Sachs Global Investment Research

Exhibit 49: Philippines Financial Conditions



Source: Goldman Sachs Global Investment Research

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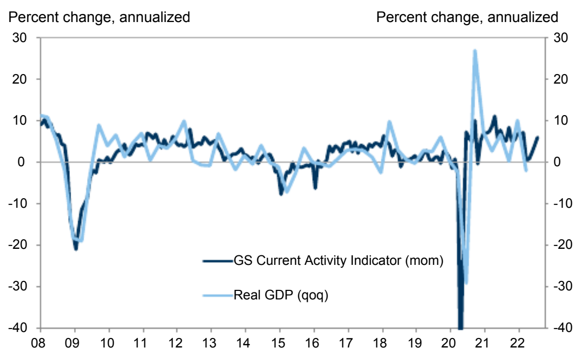
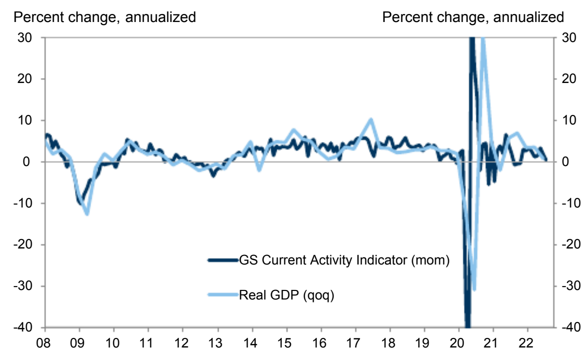
Exhibit 50: Russia Activity Growth



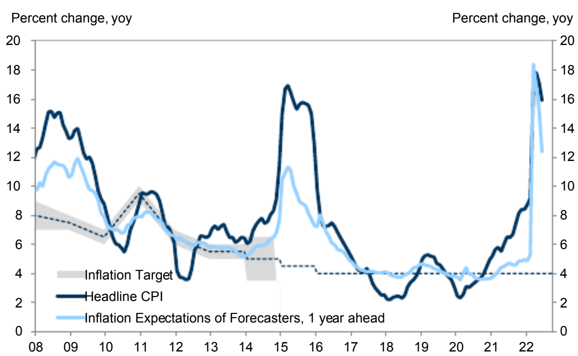
Source: Goldman Sachs Global Investment Research

Exhibit 51: Czech Republic Activity Growth



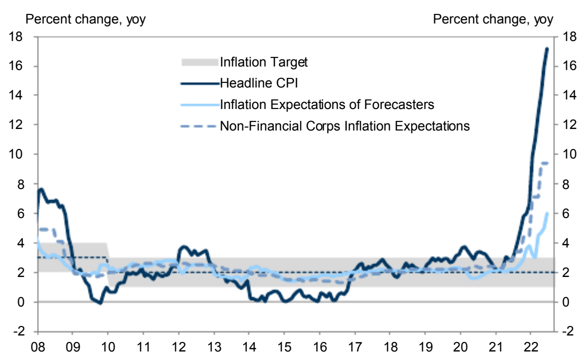
Source: Goldman Sachs Global Investment Research

Exhibit 52: Russia Inflation



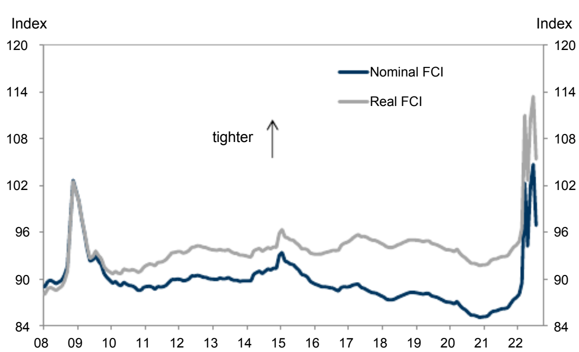
Source: Goldman Sachs Global Investment Research, Haver Analytics

Exhibit 53: Czech Republic Inflation



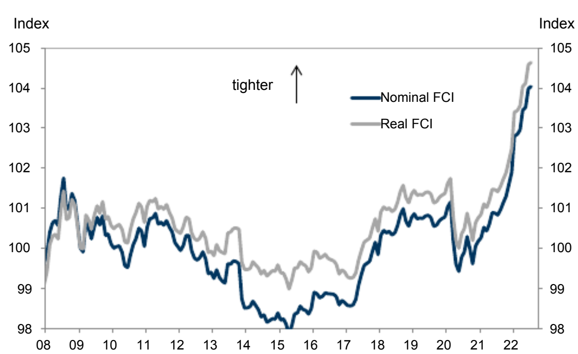
Source: Goldman Sachs Global Investment Research, Haver Analytics

Exhibit 54: Russia Financial Conditions



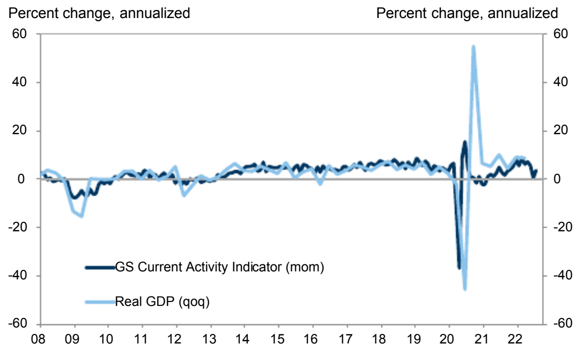
Source: Goldman Sachs Global Investment Research

Exhibit 55: Czech Republic Financial Conditions



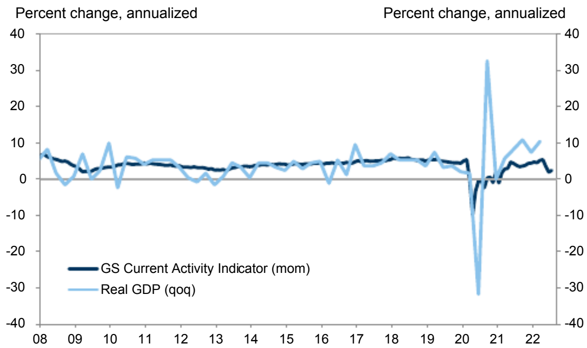
Source: Goldman Sachs Global Investment Research

Exhibit 56: Hungary Activity Growth



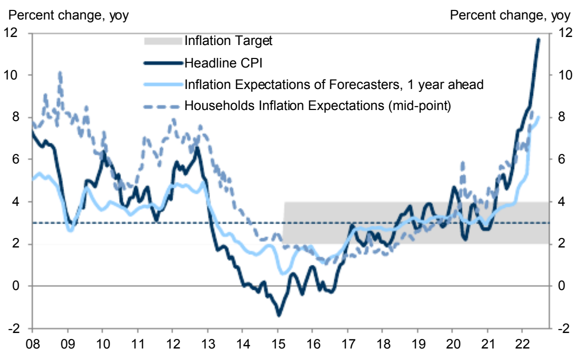
Source: Goldman Sachs Global Investment Research

Exhibit 57: Poland Activity Growth



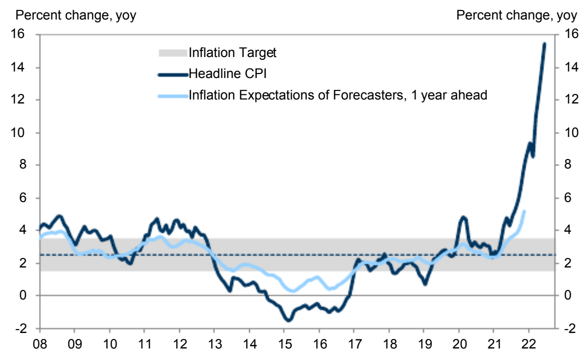
Source: Goldman Sachs Global Investment Research

Exhibit 58: Hungary Inflation



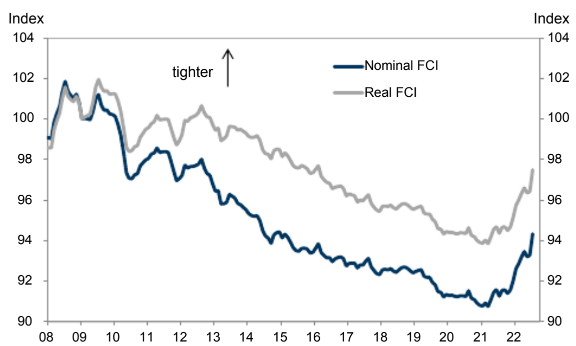
Source: Goldman Sachs Global Investment Research, Haver Analytics

Exhibit 59: Poland Inflation



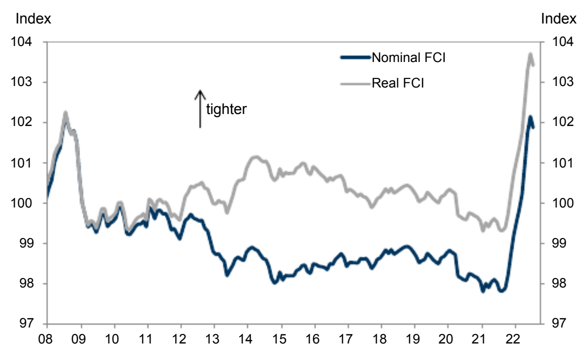
Source: Goldman Sachs Global Investment Research, Haver Analytics

Exhibit 60: Hungary Financial Conditions



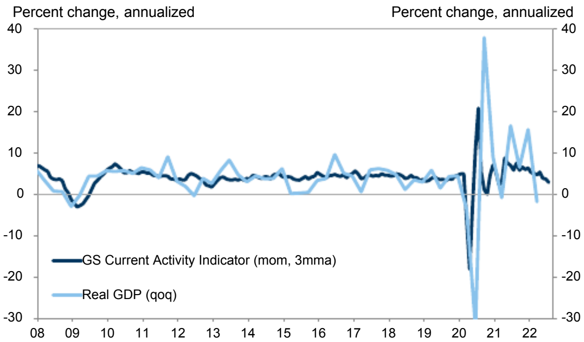
Source: Goldman Sachs Global Investment Research

Exhibit 61: Poland Financial Conditions



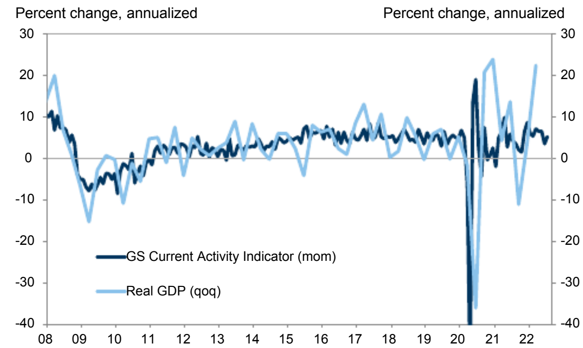
Source: Goldman Sachs Global Investment Research

Exhibit 62: Israel Activity Growth



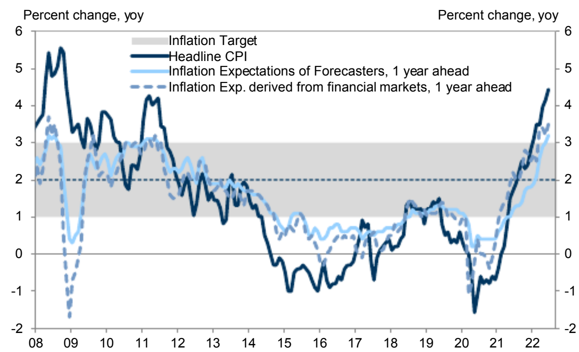
Source: Goldman Sachs Global Investment Research

Exhibit 63: Romania Activity Growth



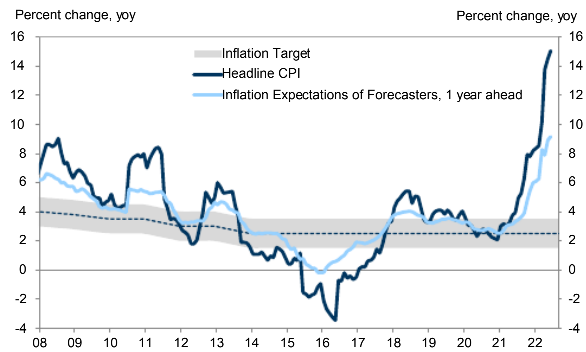
Source: Goldman Sachs Global Investment Research

Exhibit 64: Israel Inflation



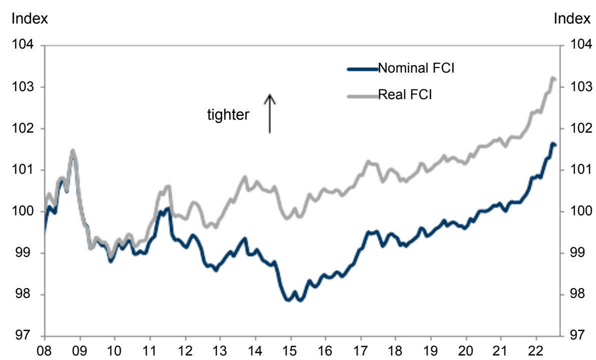
Source: Goldman Sachs Global Investment Research, Haver Analytics

Exhibit 65: Romania Inflation



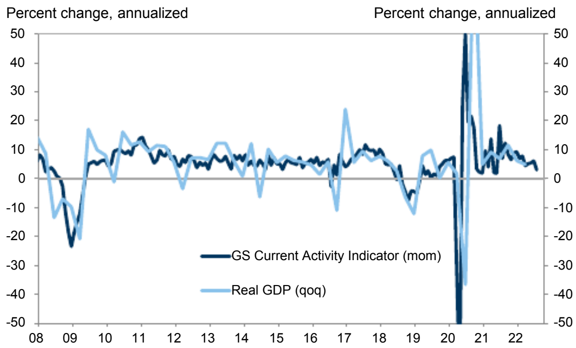
Source: Goldman Sachs Global Investment Research, Haver Analytics

Exhibit 66: Israel Financial Conditions



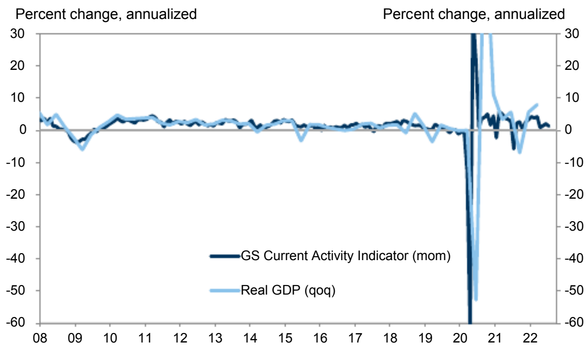
Source: Goldman Sachs Global Investment Research

Exhibit 67: Turkey Activity Growth



Source: Goldman Sachs Global Investment Research

Exhibit 68: South Africa Activity Growth

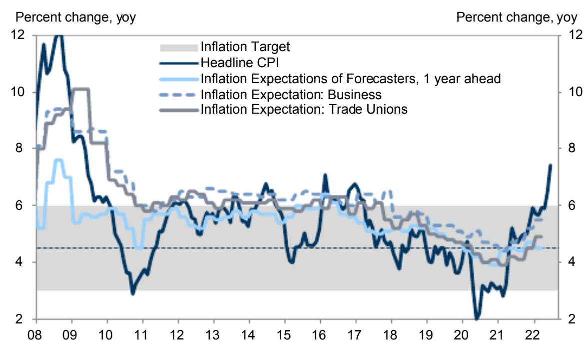


Source: Goldman Sachs Global Investment Research

Exhibit 69: Turkey Inflation

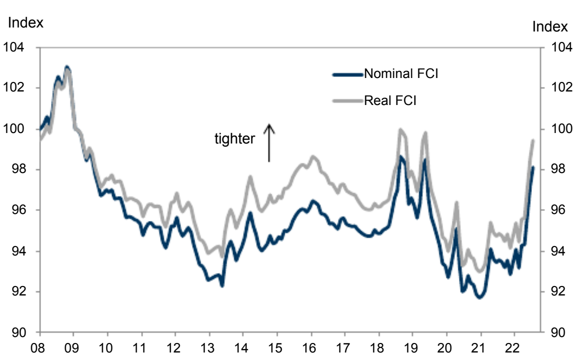
Source: Goldman Sachs Global Investment Research, Haver Analytics

Exhibit 70: South Africa Inflation



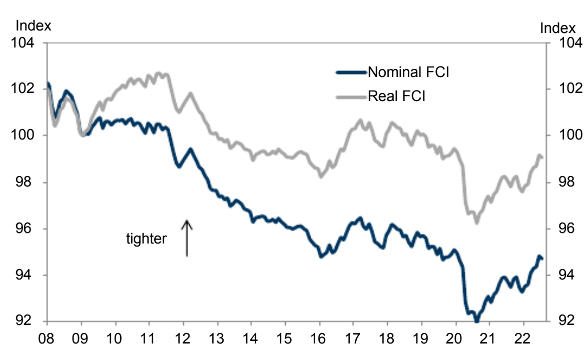
Source: Goldman Sachs Global Investment Research, Haver Analytics

Exhibit 71: Turkey Financial Conditions



Source: Goldman Sachs Global Investment Research

Exhibit 72: South Africa Financial Conditions



Source: Goldman Sachs Global Investment Research

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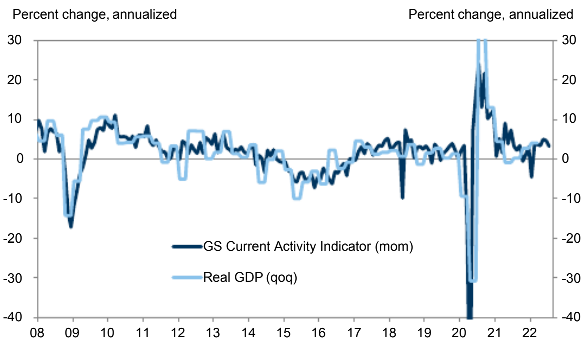
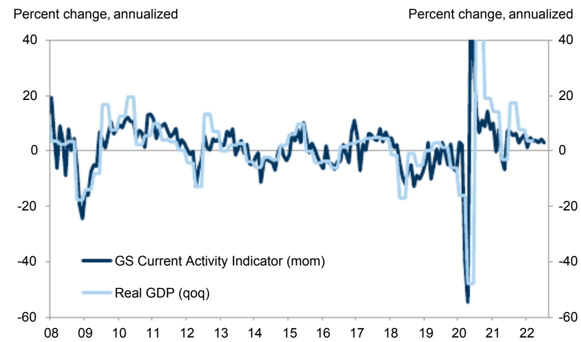
Exhibit 73: Brazil Activity Growth



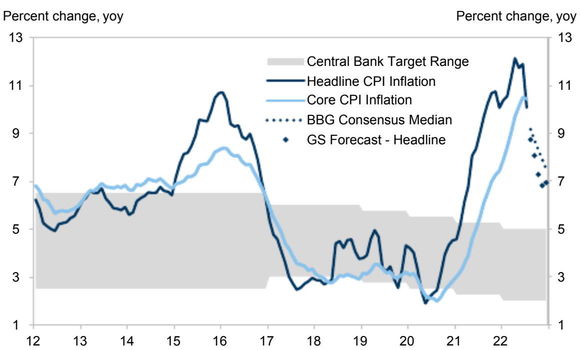
Source: Goldman Sachs Global Investment Research

Exhibit 74: Argentina Activity Growth



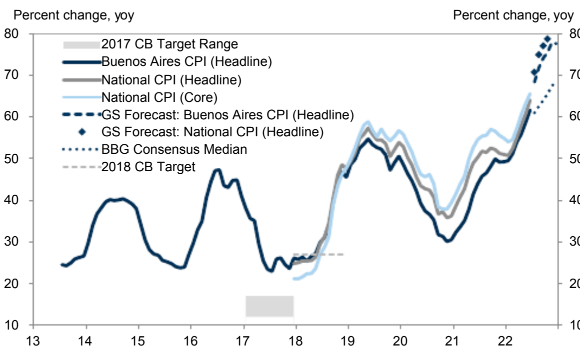
Source: Goldman Sachs Global Investment Research

Exhibit 75: Brazil Inflation



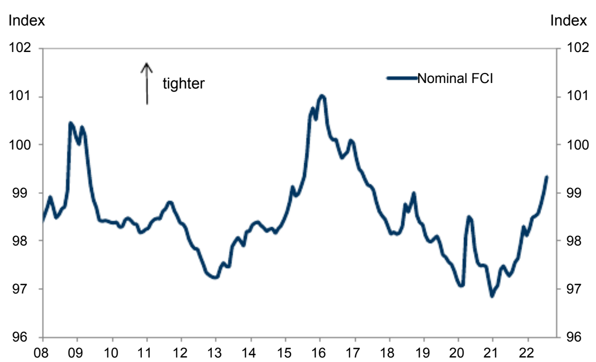
Source: Bloomberg, Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 76: Argentina Inflation



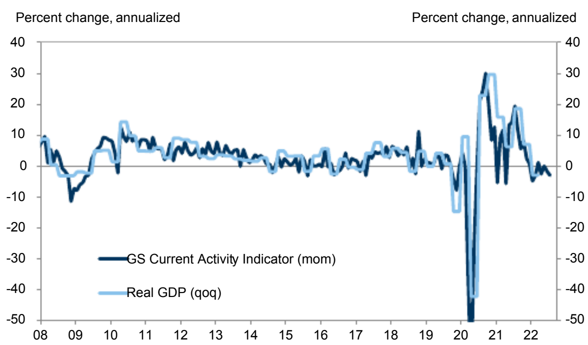
Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 77: Brazil Financial Conditions



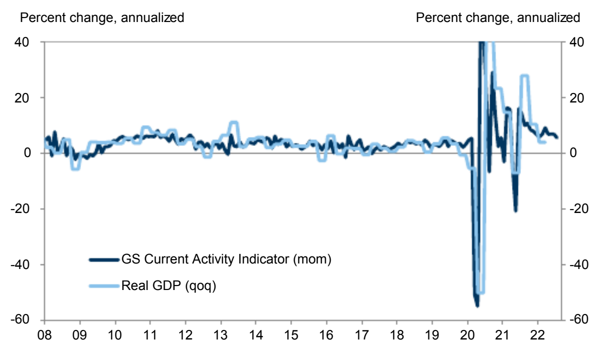
Source: Goldman Sachs Global Investment Research

Exhibit 78: Chile Activity Growth



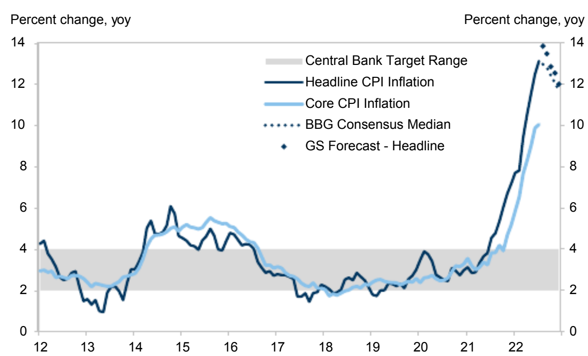
Source: Goldman Sachs Global Investment Research

Exhibit 79: Colombia Activity Growth



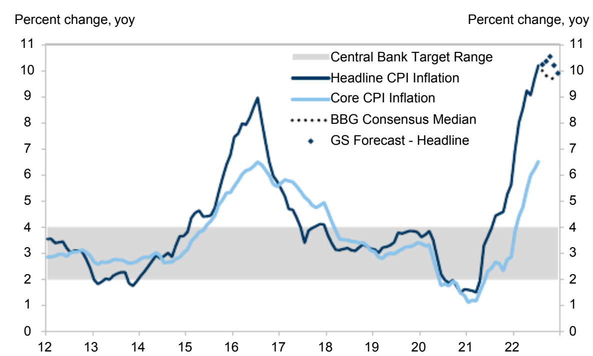
Source: Goldman Sachs Global Investment Research

Exhibit 80: Chile Inflation



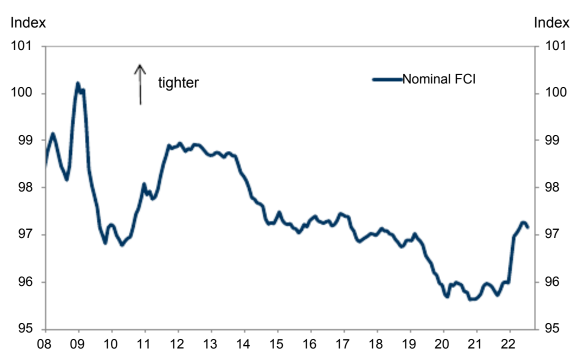
Source: Haver Analytics, Goldman Sachs Global Investment Research, Bloomberg

Exhibit 81: Colombia Inflation



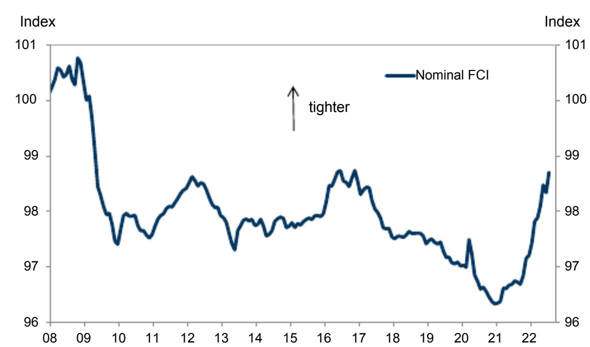
Source: Haver Analytics, Goldman Sachs Global Investment Research, Bloomberg

Exhibit 82: Chile Financial Conditions



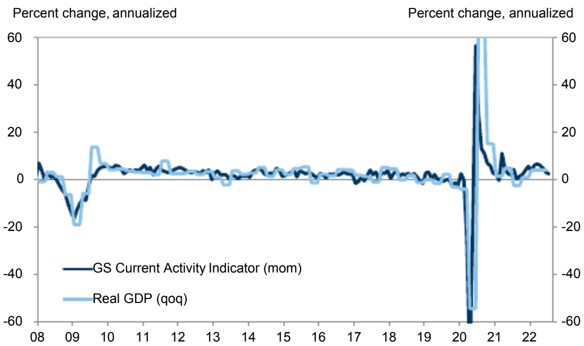
Source: Goldman Sachs Global Investment Research

Exhibit 83: Colombia Financial Conditions



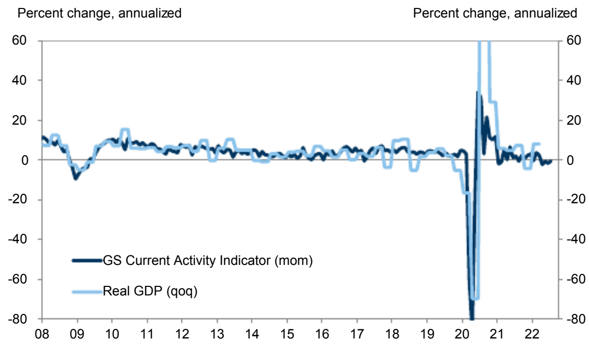
Source: Goldman Sachs Global Investment Research

Exhibit 84: Mexico Activity Growth



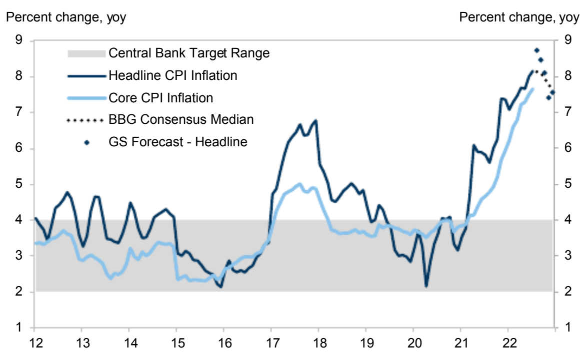
Source: Goldman Sachs Global Investment Research

Exhibit 85: Peru Activity Growth



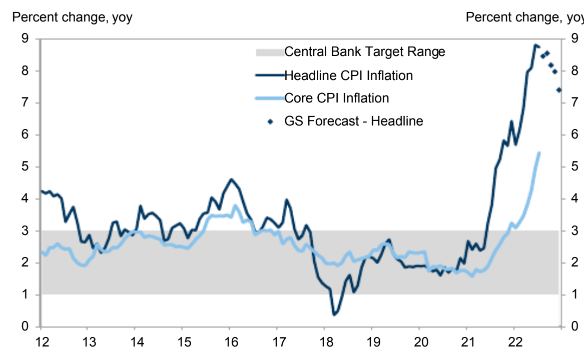
Source: Goldman Sachs Global Investment Research

Exhibit 86: Mexico Inflation



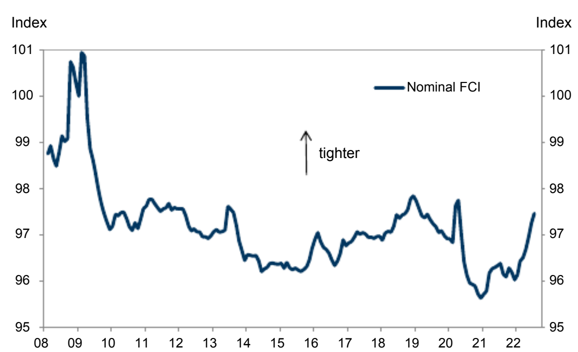
Source: Haver Analytics, Goldman Sachs Global Investment Research, Bloomberg

Exhibit 87: Peru Inflation



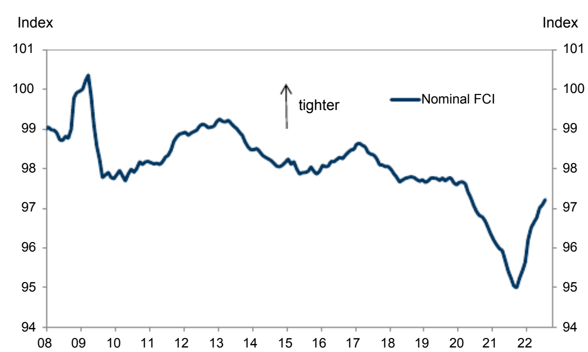
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 88: Mexico Financial Conditions



Source: Goldman Sachs Global Investment Research

Exhibit 89: Peru Financial Conditions



Source: Goldman Sachs Global Investment Research

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Disclosure Appendix

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We, Andrew Tilton, Kamakshya Trivedi, Kevin Daly, Clemens Grafe, Kenneth Ho, Goohoon Kwon, CFA, Caesar Maasry, Andrew Matheny, Alberto Ramos, Hui Shan and Danny Suwanapruti, hereby certify that all of the views expressed in this report accurately reflect our personal views, which have not been influenced by considerations of the firm's business or client relationships.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

Disclosures

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