

## Bloomberg Intelligence

# Global Economic 2022 Outlook



Tom Orlik  
Team: Economics  
BE Chief Economist

## 1. Is It Over Yet? 2022 Global Economic Outlook

Contributing Analysts Bjorn Van Roye (Economics)

(Bloomberg Intelligence) -- The global economy heads into 2022 with hopes for a return to normality and fears that it will - once again - be delayed. Bloomberg Economics' base case is the recovery remains robust, inflation moves back to target, and central banks

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begin to normalize policy. With the virus refusing to quit, the Fed preparing for liftoff, and China attempting to deflate a McMansion size real estate bubble, a lot could go wrong.

Scroll through the screens below and click on the links for Bloomberg Economics' latest forecasts for growth, inflation, and macro policy across major economies. (12/31/21)

## Global Outlook

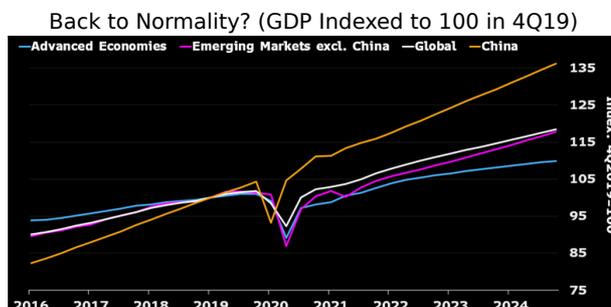
### Analysis

## 2. Omicron, Broken Crystal Balls and 2022 Outlook

Contributing Analysts Bjorn Van Roye (Economics)

In August 2020, the U.S. Federal Reserve -- high priests of the global economic system -- unveiled a new framework designed to combat what its leaders thought would be a world of persistently low unemployment and even lower inflation. At the end of 2021, they find themselves facing a world of high inflation and falling unemployment that their policy regime is ill-suited to address. That mismatch between expectations and outcome is emblematic of a pandemic that has underscored the limitations of economic foresight.

That said, after the tribulations of 2021, our base case is that 2022 brings the beginning of a return to normality, with growth slowing toward potential and inflation coming back under control. Click the Text tab for Bloomberg Economics' global outlook. (12/06/21)



Source: Bloomberg Economics

## Majors

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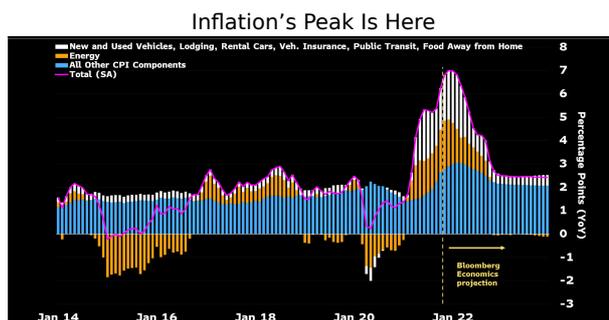
### U.S.

#### 3. Here's Why Inflation Won't Kill the U.S. Recovery

Contributing Analysts Anna Wong (Economics) & Andrew Husby

It's a grim reality that inflation will most likely be elevated until early next year. What is more uncertain is whether that will bite into growth. Our answer: not necessarily, if the Federal Reserve stays on its slow-moving policy path. Historically, expectations of higher inflation tend to enhance growth in the short term before becoming a drag. Headline CPI inflation will likely peak at close to 7% in December due to a combination of base effects and elevated energy and shelter prices.

Gross domestic product is likely to expand 7.2% in 2021 and grow at a brisk pace of 5.2% in 1H22, as households and businesses are resilient in the face of to higher inflation. Growth will slow in 2H to 2.7%, as the Fed began to tighten policy rates. Click the Text tab for the full report. (12/06/21)



Source: Bloomberg Economics; BLS

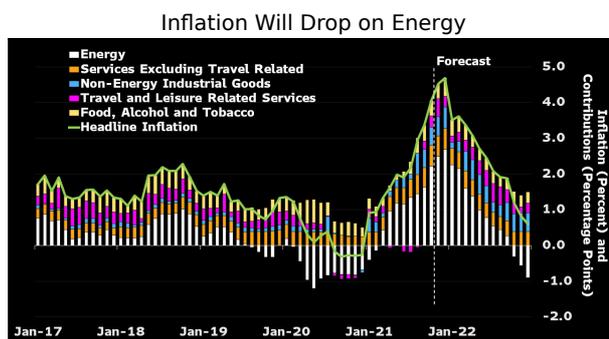
### Euro Area

#### 4. Peak Price Panic in Euro Area -- 2022 Rate Bets Wrong

Contributing Analysts Jamie Rush (Economics) & Maeva Cousin (Economics)

With euro-area inflation racing through 4%, markets are betting that price gains will stick, potentially forcing the ECB to act by the end of next year. We disagree -- by then we forecast inflation will have slowed to about 1%. As the headline rate falls back, the narrative on monetary policy will shift. Peak inflation fear is about to pass.

Inflation has been pushed up by energy costs and we expect it to fall back to around 3% in 1H22, 2% in 3Q and 1% in 4Q. What matters on an underlying basis are supply constraints and slack. The former will probably keep adding to inflation in 2022, the latter probably won't. Click the Text tab for the full report. (12/06/21)



Source: Bloomberg Economics

### China

#### 5. Property, Policy Hold the Key to China 2022 Outlook

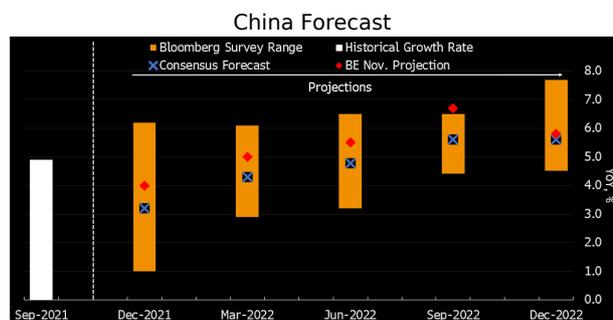
Contributing Analysts Chang Shu (Economics) & David Qu (Economics)

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In any plausible scenario, China's economy is heading for a sharp slowdown in 2022. Given the number and force of the challenges -- from Covid outbreaks to power shortages and stress in the real estate sector -- risks are to the downside. In 2021, policy played a secondary role in setting the growth trajectory. In 2022, it will be pivotal.

The extent of the slowdown will hinge largely on what balance China strikes between supporting short-term growth and advancing long-term reforms. We expect the government to set the growth target for 2022 in a 5-6% range, and growth for the year to come in at 5.7%. Click the Text tab for the full report. (12/06/21)



Source: NBS, Bloomberg, Bloomberg Economics

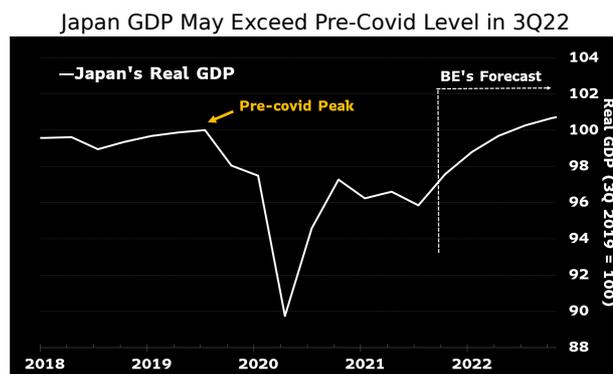
## Japan

### 6. Japan Growth to Quicken on Fiscal Kick - 2022 Outlook

Contributing Analysts Yuki Masujima (Economics)

Japan's recovery is set to pick up in 2022, propelled by a fiscal push and pent-up demand. With Prime Minister Fumio Kishida's party retaining a majority in parliament after a general election, record stimulus is in the pipeline. Wide vaccination coverage reduces the risk of further virus restrictions and should encourage consumers and firms to increase spending.

We forecast GDP growth to come in at 1.9% in 2021, lower than our projection of 2.3% in September, then accelerate to 3.4% in 2022, higher than our previous forecast of 3.1%. Click the Text tab for the full report. (12/06/21)



Source: Bloomberg Economics, Cabinet Office

## U.K.

### 7. Think U.K. Inflation Is High in 2021? Wait for 2022

Contributing Analysts Dan Hanson (Economics)

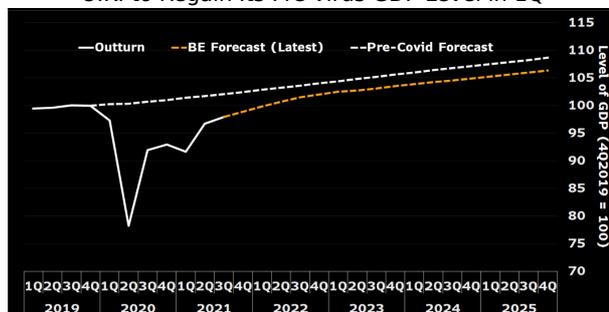
Inflation will continue to rumble through the U.K. economy next year. Soaring energy prices and the severe logjam in global supply chains will keep pushing prices higher until the second half of 2022. This will squeeze household incomes, forcing many to draw on their savings to maintain spending. The Bank of England is likely to nudge rates higher in an effort to cool price pressure.

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Inflation will probably reach its peak of a little above 5% in April before slowing in the second half of 2022. We expect annual CPI to finish the year at 2.5% before moving below the BOE's 2% target in 2023 as energy prices exert a drag. Click the Text tab for the full report. (12/06/21)

U.K. to Regain Its Pre-Virus GDP Level in 1Q



Source: Bloomberg Economics, ONS

### India

#### 8. Gradual Recovery in India, Tighter Policy - 2022 Outlook

Contributing Analysts Abhishek Gupta (Economics)

India's wide vaccination coverage is supporting a swift reopening of the economy. This should boost consumer and business sentiment and increase capacity utilization -- setting in motion an investment-led recovery in 2022. A pullback of pandemic-period fiscal and monetary stimulus, both domestically and globally, could temper the rebound's strength.

Click the Text tab for the full report. (12/06/21)

GDP Likely Rebounded in 3Q, Gradual Recovery Ahead



Source: Bloomberg Economics, MoSPI

### Emerging Markets

#### 9. Hawks, Doves, BEASTs -- Emerging Markets in 2022

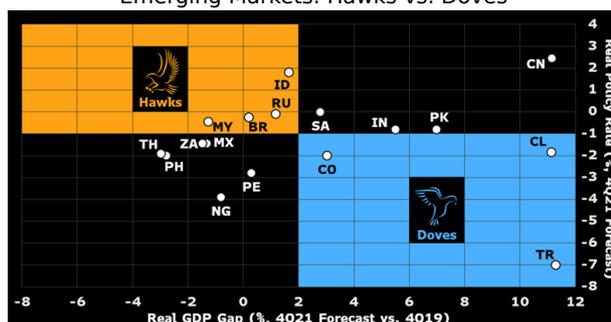
Contributing Analysts Ziad Daoud (Economics) & Scott Johnson (Economics)

Higher interest rates in advanced economies risk destabilizing emerging markets in 2022. In these countries, policy makers will face a difficult choice between preventing capital flight and sustaining the recovery. We expect hawks to outnumber doves, keeping the average EM policy rate rising ahead of action from the Federal Reserve.

Excluding China, EMs are set to grow 4.8% in 2022. That's almost 2 percentage points lower than 2021, when base effects accounted for an unusually large share of the annual expansion. But it's well above the average growth rate in the five years prior to the pandemic. Click the Text tab for the full report. (12/06/21)

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Emerging Markets: Hawks vs. Doves



Source: Bloomberg Economics

## Americas

### Canada

#### 10. Bank of Canada Hikes Coming, But May Have to Wait -- Outlook

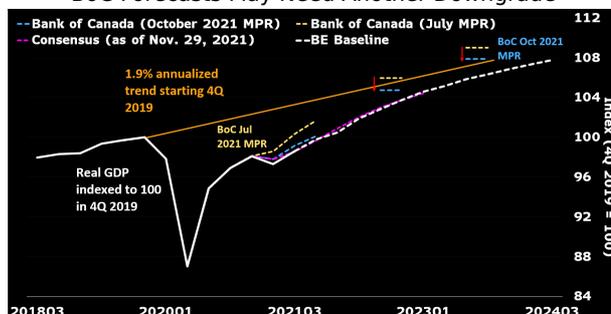
Contributing Analysts Andrew Husby

As inflation heads toward 5% to close out 2021, markets are betting the Bank of Canada will be forced to hike in early 2022. We think liftoff will come around midyear, though much depends on whether prices stay on a track toward the 2.0%-2.5% range by the end of next year, as we envision.

A consumer-led, third-quarter GDP surprise was good news, yet downward revisions mean recovery is looking less impressive. We have downgraded 2021 growth to 4.6% from 5.0%, which may be followed by an expansion of 3.8% in 2022 (previously 4.1%). Click the Text tab for the full report.

(12/06/21)

BoC Forecasts May Need Another Downgrade



Source: Bloomberg Economics, Bank of Canada, Bloomberg

### Brazil

#### 11. Recession and Inflation Make for a Grueling 2022 in Brazil

Contributing Analysts Adriana Dupita (Economics)

The Brazilian economy is again in a technical recession -- before fully recovering from the 2015-16 episode. Once more, high inflation and fiscal issues limit room for policy support -- pointing to a slow recovery along 2022.

We expect growth growth of 4.5% in 2021, before a dip to 0.6% next year. This will produce relatively high unemployment and a significant output gap. Click the Text tab for the full report.

(12/06/21)

## Bloomberg Intelligence

Brazil Back in Recession Before 2015-16 Recovery



Source: IBGE

### Mexico

#### 12. Mexico Policy Constraints Tie Outlook to the U.S.

Contributing Analysts Felipe Hernandez (Economics)

The government's nationalist rhetoric will continue limiting Mexico's chances to attract more investment and remain a drag on domestic demand and activity in 2022. High domestic inflation and waning monetary accommodation in the U.S. point to Banxico increasing rates. The muted fiscal response to the pandemic has been a drag, but will pay off relative to peers next year. Mexico will continue to benefit from positive U.S. growth.

Activity is likely to rebound in 4Q after an unexpected drop in 3Q. That brought our 2021 growth estimate down to 5.9% from 6.2% prior. We see 2022 growth close to 3.0%, up from our previous projection of 2.7%. The negative output gap will narrow in 2022, and activity should return to its pre-pandemic level in 2Q. Click the Text tab for the full report. (12/06/21)

Nationalist Rhetoric Will Continue to Weigh on Investment



Source: INEGI, Bloomberg Economics

### Argentina

#### 13. Deal or No Deal? IMF Agreement With Argentina to Shape 2022

Contributing Analysts Adriana Dupita (Economics)

The next few weeks are critical to shaping Argentina's near- and medium-term outlook. President Fernandez expects to submit a new economic plan to Congress in early December. This should illuminate how the government intends to tackle high inflation, fiscal insolvency and unstable growth.

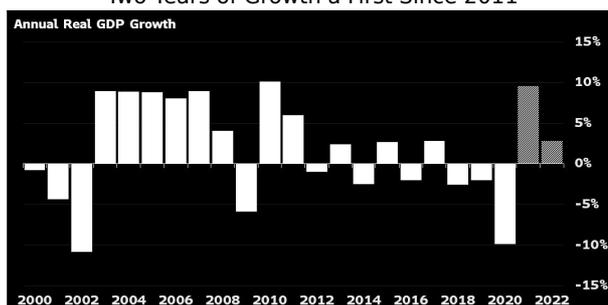
Our forecasts assume Argentina and the IMF reach an agreement. Inertia, a weaker official peso, and some price realignment should keep inflation high (46.7% in 2022, after an expected 52.5% expected this year). Higher rates and lower public spending will likely help to curb inflation, but also slow growth to 2.8% next year from 9.6% in 2021. Click the Text tab for the full report.

(12/06/21)

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Two Years of Growth a First Since 2011



Source: INDEC, Bloomberg Economics

### Chile

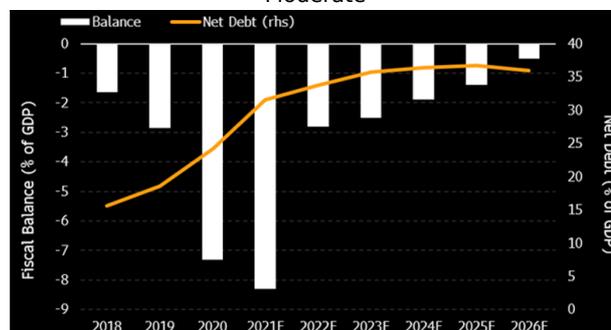
#### 14. Adjustment Necessary in Chile, Challenging Outlook in 2022

Contributing Analysts Richard Marquit (Economics)

Chile's public debt levels are still manageable but have increased sharply in the past three years. A large fiscal adjustment will be a drag on domestic demand and activity in 2022, but is necessary to reverse the worrisome debt trend. Details will depend on the next government, with possible scenarios all challenging due to economic and political constraints. The potential adoption of a new constitution next year adds uncertainty. High inflation and activity already above potential point to the central bank tightening monetary conditions.

Activity is likely to decelerate in 4Q after a sharp increase in 3Q, with a further slowdown expected in 2022. We see growth falling to 2.5% next year from 11.9% in 2021. That compares with our previous estimate of 10.8% this year and 2.0% in 2022. (12/06/21)

Sharp Fiscal Adjustment Needed for Debt Uptrend to Moderate



Source: DIPRES, Bloomberg Economics

### Colombia

#### 15. Big Adjustment in Colombia, Little Room for Error in 2022

Contributing Analysts Felipe Hernandez (Economics)

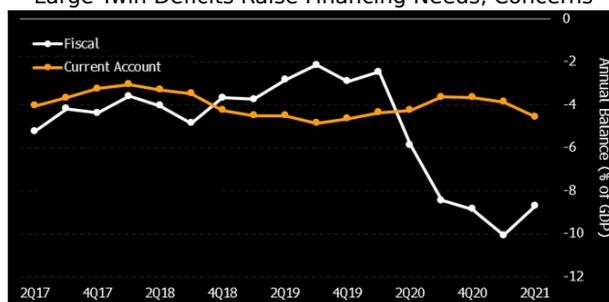
The outcome of the presidential election in May will help shape the outlook for the next four years. A potential departure from market-friendly policies that have attracted investment and boded well for Colombia in the past three decades raises concerns. It is a particularly bad time for experiments, with high inflation already limiting monetary policy and large twin deficits demanding a prompt adjustment. There is little room for slippage.

We have raised our GDP growth forecast for 2021 to 9.3% from 7.6% prior to account for significantly stronger-than-anticipated activity through 3Q. The uptrend is likely to moderate in 4Q and next year. We see growth in 2022 close to 3.2%, up from our previous projection of 2.3%. Activity is already above its pre-pandemic level and the outlook implies a small positive output gap. (12/06/21)

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Large Twin Deficits Raise Financing Needs, Concerns



Source: Banco de la Republica, MHCP, Bloomberg Economics

### Peru

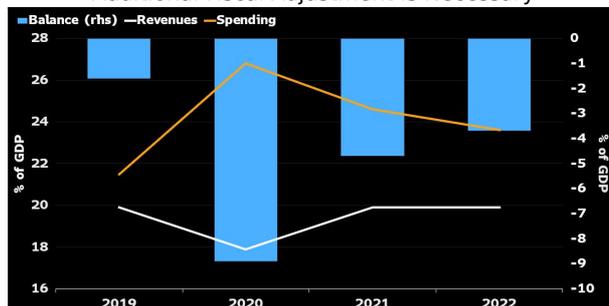
#### 16. Political Noise in Peru Adds to Challenging 2022 Outlook

Contributing Analysts Felipe Hernandez (Economics)

Tighter fiscal and monetary policies, necessary to moderate the public debt uptrend and anchor inflation expectations, will be a drag on Peru next year. Along with political uncertainty and challenging external conditions that signals weaker growth in 2022. A lack of adjustments would raise concerns about long-term sustainability and further erode the outlook.

We see growth slowing in 4Q21 after a sharp increase in 3Q. For the full year, we expect GDP growth of 13.8%, followed by 3.9% in 2022. That's up from our previous forecasts of 12.3% and 2.0% respectively. Activity has already climbed above its pre-pandemic level, but is poised to remain below potential. Click the Text tab for the full report. (12/06/21)

Additional Fiscal Adjustment Is Necessary



Source: MEF; Bloomberg Economics

### EMEA

#### Russia

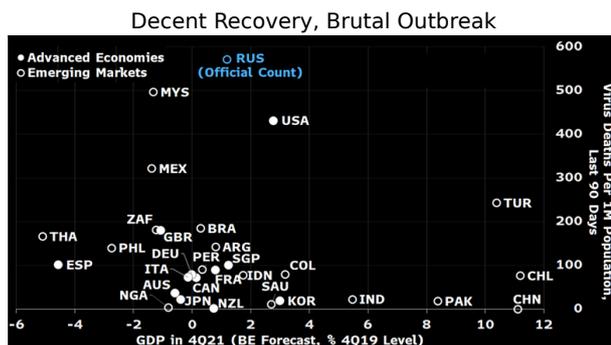
#### 17. Price of Resilience in Russia? Higher Rates, Slower Growth

Contributing Analysts Scott Johnson (Economics)

Many countries are struggling to tame the virus and unspool supply chains. Russians have it worse than most. They're bearing a high human cost because of lagging vaccinations and lax containment measures. The flip side for the economy has been buoyant demand, but that's driving inflation higher. We expect a hawkish central bank to weigh on growth next year.

Another rate hike is likely in December, after 325 bps of tightening this cycle, and that will contribute to a slowdown in growth next year. Our updated forecast is 2.3% in 2022, with risks tilted to the downside. Click the Text tab for the full report. (12/06/21)

## Bloomberg Intelligence



Source: Bloomberg Economics, Bloomberg News, Johns Hopkins

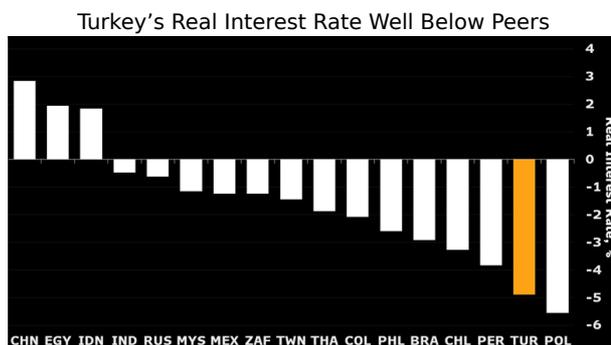
### Turkey

#### 18. Lower Rates in Turkey Today Will Mean Higher Rates in 2022

Contributing Analysts Ziad Daoud (Economics)

Turkey's policy of excessively easy monetary policy is rapidly backfiring. The lira is collapsing as foreigners dump the currency and locals switch to dollars to store their wealth. The economic reality is likely to kick in ahead of elections in 2023 and force a tightening of policy to stabilize the currency.

We forecast the economy will post growth of 3.3% in 2022 compared with a roaring expansion of almost 10% this year. But the risks are skewed to the downside: higher interest rates could slow the expansion while the alternative of a freefalling currency will hurt consumption and investment. Click the Text tab for the full report. (12/06/21)



Source: Bloomberg Economics

### South Africa

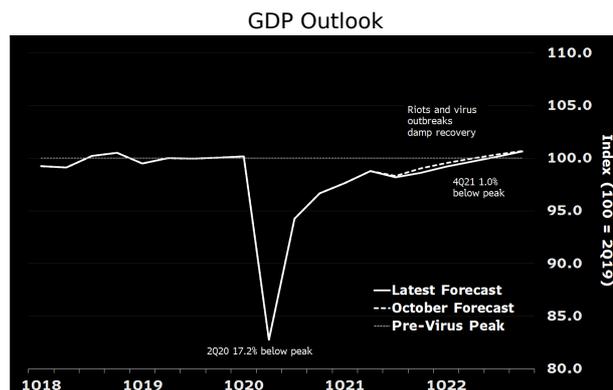
#### 19. World Slams Door Shut on South Africa on Omicron Fears

Contributing Analysts Boingotlo Gasealahwe (Economics)

South Africa's discovery of the new omicron variant has been met with widespread travel bans, dealing a blow to the country's tourism sector ahead of the local summer season. That will trim 0.2 percentage points off growth in 2022, but the costs could rise if the government imposes stringent lockdowns, something it's trying to avoid.

The health impact of omicron is still uncertain. Our baseline case assumes a more infectious variant but carrying mild symptoms. The main channel hitting the economy will be international travel bans, which could persist until June 2022. Under this scenario, the economy will grow 1.6% in 2022 and the central bank will continue to hike rates. Click the Text tab for the full report. (12/06/21)

## Bloomberg Intelligence



Source: Bloomberg Economics, StatsSA

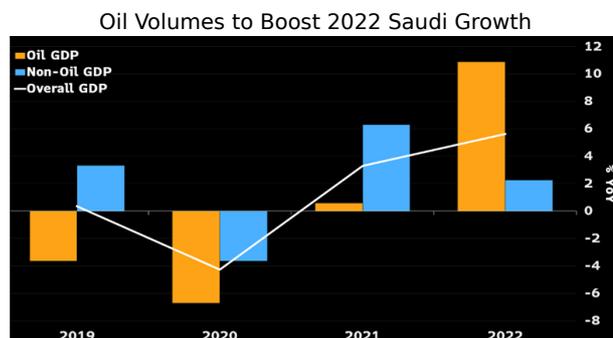
### Saudi Arabia

#### 20. Saudi Arabia, the Global Central Bank of Oil to Ride Price Boom

Contributing Analysts Ziad Daoud (Economics)

Saudi Arabia may not have an independent central bank -- the currency peg ties its monetary policy to the U.S. -- but it acts as the global central bank of oil, adding and withdrawing barrels from the system. As such, the Saudi economy will get a big leg up next year as the world demands more crude to fuel its recovery from the pandemic.

We expect Saudi Arabia to expand by 5.6% in 2022 thanks to a surge in oil output. Petrodollars meanwhile should fund growth of the non-hydrocarbon economy. Click the Text tab for the full report. (12/06/21)



Source: General Authority for Statistics, Bloomberg Economics forecast

### Asia

#### South Korea

##### 21. South Korea 2022 Outlook Lifted as Recovery Drivers Shift

Contributing Analysts Justin Jimenez (Economics)

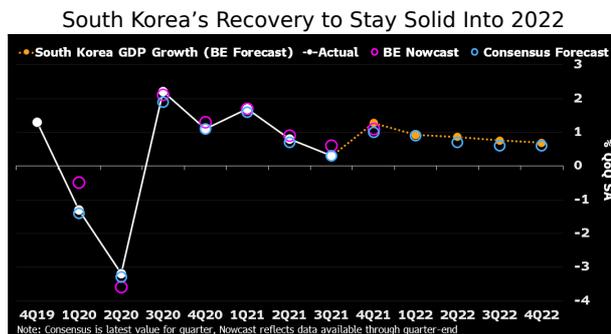
South Korea's growth is poised to remain solid in 2022, with domestic demand turning into a bigger driver as export tailwinds moderate. Behind that shift will be the ongoing transition toward "living with Covid-19." The recovery in demand adds to upside risks to inflation on top of supply-side price pressures. But our view is for inflation to ease back toward the BOK's target from 1Q, allowing a gradual pace of policy normalization next year.

Bloomberg Economics forecasts GDP to grow a sequential 1.3% in 4Q21 after a slower-than-expected 0.3% expansion in 3Q. That would leave full-year growth at 4.0%. Heading into 2022, we expect a rebound in consumption and resilient external demand to sustain growth momentum.

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We've upgraded our forecast for next year to 3.5% from 3% previously. Click the Text tab for the full report. (12/06/21)



Source: Bloomberg Economics

### Australia

#### 22. Pivot From Covid Zero to Cap Australia's Growth

Contributing Analysts James McIntyre (Economics)

Australia's transition away from Covid-zero settings will see the economy rebound modestly over 1H22, while re-opened borders will keep inflation pressure contained as labor supply increases. Capping the overall pace of growth will be the reintegration between Covid-free (less vaccinated) regions and previously locked-down (highly vaccinated) areas. The gap in vaccination rates means varying degrees of virus restrictions and public caution will likely remain for some time.

We forecast GDP to expand 3.1% this year. Our outlook is broadly unchanged from our September projection, which incorporated the impact of the delta outbreak and lockdowns in Australia's two largest cities. We expect 2022 growth to slow to 2.8% as Covid-free regions of the economy adjust to living with the virus. Click the Text tab for the full report. (12/06/21)



Source: Australian Bureau of Statistics, Bloomberg Economics

### New Zealand

#### 23. New Zealand's Soft Rebound to Keep Lid on RBNZ Rates

Contributing Analysts James McIntyre (Economics)

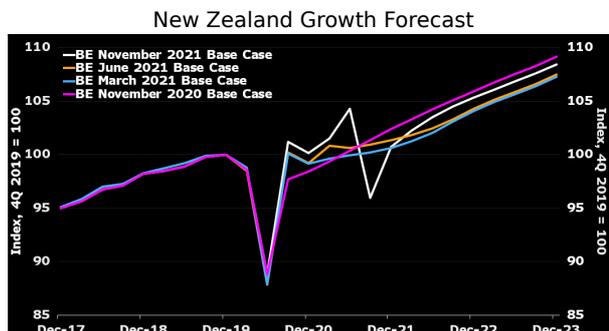
New Zealand's economy is recovering from the delta outbreak, which forced lockdowns as the government sought to suppress transmission until vaccines have been widely distributed. After a steep 3Q GDP decline, we expect the initial rebound to be mild until vaccine thresholds enable the removal of restrictions. The next impetus for growth may come in mid-2022, when international borders reopen and travel resumes.

We forecast GDP to expand by 3.5% in 2021. Our outlook is broadly unchanged from our September projection, which incorporated the impact of lockdowns to constrain local transmission of the delta variant. For 2022 we expect growth to remain strong, with GDP expanding 3.3%.

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Looking ahead, the revival of international tourism from mid-2022 should sustain growth at 3.2% in 2023. Click the Text tab for the full report. (12/06/21)



Source: Stats NZ, Bloomberg Economics

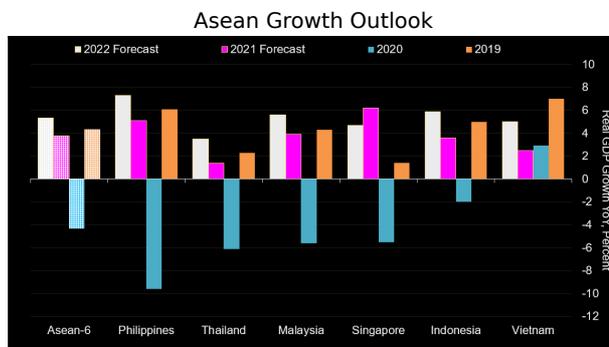
### Asean

#### 24. Vaccine Push, Lockdown Resilience Lift Asean Outlook

Contributing Analysts Tamara Mast Henderson (Economics)

Pent-up demand is being unleashed across Southeast Asia thanks to accelerated vaccinations, which have contributed to ebbing Covid-19 cases and looser social distancing measures. Against this backdrop, we have nudged up our growth forecasts for 2021 and 2022. For this year in particular, greater resilience amid third-quarter lockdowns has helped push up the region's outlook.

Bloomberg Economics now expects Southeast Asia's six-largest economies to expand by 3.8% on average in 2021, up from our September forecast of 3.5%. For 2022, our growth forecast has been raised to 5.3% from 5.2%. Click the Text tab for the full report. (12/06/21)



Source: Bloomberg Economics

### Hong Kong

#### 25. Border Opening Holds Key to Pre-Covid GDP in 2022

Contributing Analysts Eric Zhu (Economics)

Hong Kong's economy is poised to reclaim its pre-pandemic level of activity in 2022, lifted by a progressive resumption of quarantine-free cross-border travel, especially with mainland China. This would revive tourism-related businesses, restarting a key engine of growth.

Bloomberg Economics forecasts GDP to expand 5.1% year on year in the fourth quarter of 2021 following 5.4% growth in 3Q. That would bring growth to 6.5% this year, after the economy suffered back-to-back contractions in the previous two years. Click the Text tab for the full report. (12/06/21)

## Bloomberg Intelligence

Hong Kong GDP and Forecasts



Source: Census and Statistics Department Hong Kong, Bloomberg Economics

### Pakistan

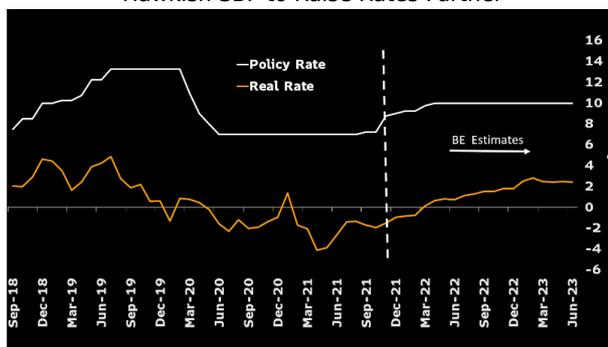
#### 26. Pakistan Faces Less Policy Support, Slower Recovery in 2022

Contributing Analysts Ankur Shukla (Economics)

Two developments have led us to trim our outlook for Pakistan's growth -- a central bank turning increasingly hawkish to counter rising inflation and a widening external deficit, and fiscal conditions agreed with the IMF to secure a \$1 billion loan. The first means higher interest rates, the second higher taxes and less government spending than we had expected for 2022. Both will damp growth.

The central bank surprised the market by raising the policy rate by 150 basis points to 8.75% on Nov. 19. We expect it to hike rates by another 25 bps at its December meeting, and take the policy rate to 10% by end-June 2022. Click the Text tab for the full report. (12/06/21)

Hawkish SBP to Raise Rates Further



Source: Bloomberg Economics, State Bank of Pakistan

To contact the analyst for this research:  
Tom Orlik at [torlik4@bloomberg.net](mailto:torlik4@bloomberg.net)