International Commentary — April 19, 2024

International Economic Outlook: April 2024

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Summary

Forecast Changes

- We have revised our global GDP forecast higher from a month ago. We now expect the global economy to grow 3.0% in 2024, only a modest slowdown from the 3.2% growth seen in 2023. Stronger growth trends in the U.S. and China, and to a lesser extent the United Kingdom, account for the majority of the global growth upgrade.
- We have made some notable revisions to our outlook for global monetary policy, in part reflecting lingering inflation concerns. We have pushed back our expected timing for interest rate cuts from the Federal Reserve to September, Bank of England to August, and the Reserve Bank of Australia and Reserve Bank of India to Q4. We also believe the European Central Bank (ECB), Bank of England (BoE) and the Chilean Central Bank will adopt a more gradual pace of easing than previously anticipated.
- Given our forecast for a later initial Fed rate cut, we now look for a more sustained period of U.S. dollar strength out to Q3-2024. However, we maintain our view for a trend of broad and gradual dollar depreciation beginning in Q4. Within the G10, we are less positive on the euro, yen and Canadian dollar than last month.

Key Themes

- Global growth prospects are showing encouraging resilience, with U.S. activity holding up in early 2024, China's economy showing reasonably solid activity around the turn of the year, and the Eurozone and United Kingdom economies moving toward gradual recovery phases. While U.S. growth may slow later this year as international growth trends firm, the global economy should hold up quite well overall. Our forecast of global GDP growth of 3.0% for 2024 is only slightly slower than the 3.2% global GDP growth for 2023.
- Expectations for when central banks around the world will ease monetary policy are starting to diverge. Several G10 and emerging central banks—including in the U.S., U.K., Australia and India—will likely initiate monetary easing cycles later than previously forecast. We also expect a more gradual pace of easing from central banks that are yet to ease, such as the ECB and BoE, and from central banks that are already on an easing path, such as the Chilean Central Bank.
- U.S. economic resilience and elevated Fed policy rates have supported the greenback in early 2024, and are factors that could remain supportive for the time being. We still expect a trend of U.S. dollar deprecation to emerge from late 2024 as U.S. economic outperformance fades. Fed rate cuts combined with a U.S. soft landing and relatively benign financial market conditions should also contribute to an overall dollar downtrend against many G10 and emerging market currencies, a trend likely to persist through much of 2025.

Table of Contents

I. Global Economic Growth Remains Resilient

II. Central Banks Continue to Exercise Patience

III. Fed Higher for Longer = U.S. Dollar Stronger for Longer

IV. High Conviction Views

V. Economic Forecast

VI. Interest Rate Forecast

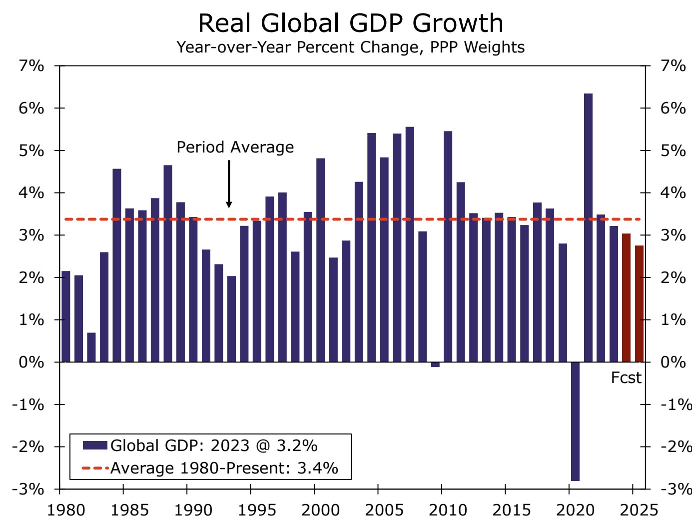
VII. FX Forecast

Global Economic Growth Remains Resilient

Before diving into detail of our global economic outlook, we want to acknowledge the events taking place in the Middle East. In short, *we do not think the Israel-Iran military strikes of the past week alter the global economic, monetary policy or markets landscape, and we have not made any adjustments to our economic, central bank or FX forecasts as a result of Middle East escalations.* In our view, while Iran's retaliation to Israel's strike on an Iranian consulate in Syria as well as Israel's response to that Iranian retaliation escalates tensions, we continue to believe a full-scale Israel-Iran war will be avoided. We also believe that, while tensions will remain high, de-escalation is more likely than escalation going forward. In that sense, we do not envision a spike in oil prices, a renewed inflation shock or a sustained bout of financial market volatility purely on the back of geopolitical events. We highlighted this view in a note published earlier this week following Iran's retaliatory strike, and even with Israel's latest actions, our geopolitical views have not changed. As more details have been revealed, we continue to believe Iran's strike on Israel was more symbolic and a face-saving effort rather than an attempt to inflict maximum damage on Israel. And while information around Israel's latest strike in Iran is less available at this time, we believe Israel's actions are more of a warning with a sense of symbolism rather than an effort to start a regional conflict or direct war with Iran. Should circumstances change materially and tensions escalate to a point where we feel the world is changing for the worse, we will provide ad hoc commentary and forecast adjustments as necessary.

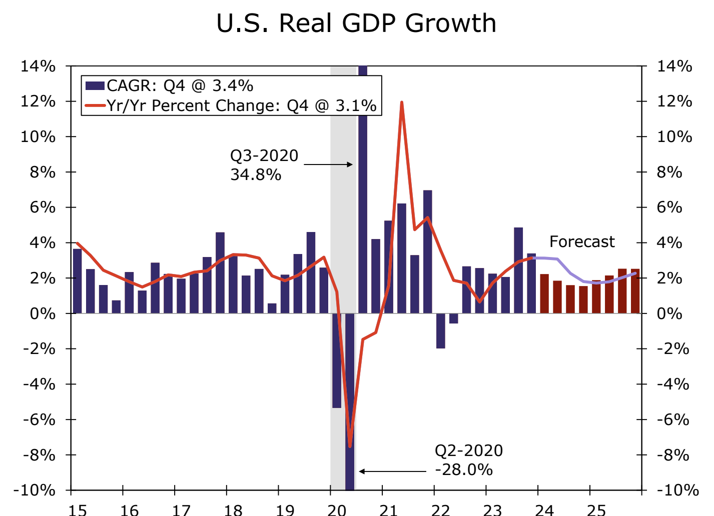
As we shift into the second quarter, we have become increasingly confident in the resilience of the global economy. In that sense, we have revised our global GDP forecast higher again this month, and continue to believe global GDP growth can remain broadly in line with the expansion experienced in 2023. We now forecast the global economy to grow 3.0% in 2024, and while global growth this year would be modestly slower relative to the 3.2% expansion of last year, this year could mark the fourth consecutive year that the global economy grew at least 3% (Figure 1). Our revised global growth outlook this month is driven by upward revisions for multiple economies around the world, not just centered around one specific country. Over the past month, we have revised higher our 2024 growth forecast for both the U.S. and Chinese economies, and now anticipate the U.S. economy to grow 2.6% and China's economy to expand 5.1%. In Europe, we now forecast U.K. GDP growth of 0.5% for this year, and while we kept our Eurozone growth forecast steady, we believe risks are now tilted toward a stronger growth profile in light of improving sentiment and trends in real household incomes. Aside from economies where we made explicit forecast adjustments, we continue to believe growth in economies such as India and Mexico can remain sturdy and contribute to the overall theme of resilient global economic activity.

Figure 1



Source: International Monetary Fund and Wells Fargo Economics

Figure 2



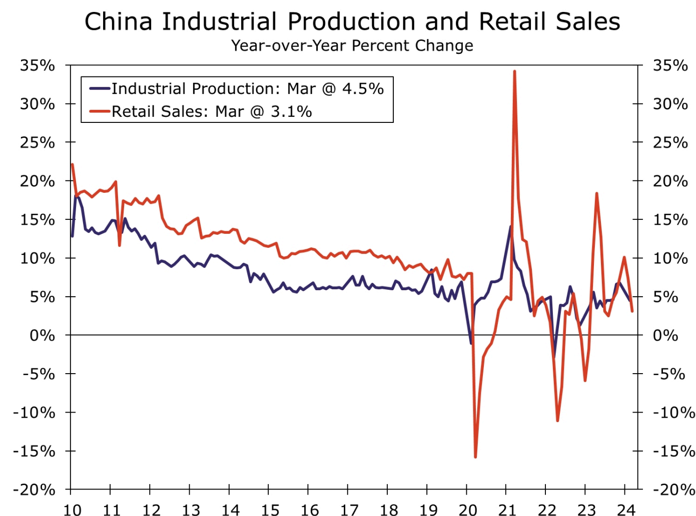
Source: U.S. Department of Commerce and Wells Fargo Economics

Few economies represent resilience quite like the United States economy. The U.S. economy ended last year on a solid note, expanding at a 3.4% quarterly annualized pace in the fourth quarter. Labor market trends have also remained sturdy, with nonfarm payrolls expanding by 303,000 in March

and averaging 276,000 per month over the course of Q1-2024. U.S. consumers also continue to demonstrate an eagerness to spend, especially on services-related activities. February personal spending data showed the biggest monthly jump in real services spending since the summer of 2021. More recently, March retail sales data beat consensus forecasts by a wide margin, and indicated the staying power of American consumers. Even the manufacturing sector, which has struggled as of late, may finally be turning a corner. To that point, the ISM manufacturing index crossed back into expansion territory in March for the first time since late 2022. Overall, the strength of the U.S. economy continues to be a bright spot within the global economy, and our U.S. GDP outlook reflects this. Since our March International Economic Outlook publication, not only did we upgrade our U.S. economic growth forecast, but we are increasingly confident that the U.S. economy will avoid recession and achieve a "soft landing." We still believe the second half of 2024 will mark a slowdown in U.S. growth, but the likelihood of recession in 2024, barring any unforeseen exogenous shock, has dissipated significantly (Figure 2).

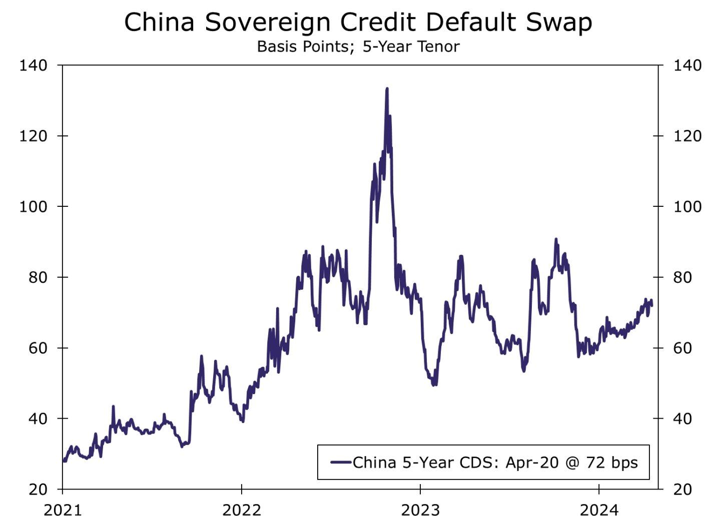
Internationally, China's economy has also exhibited a degree of resilience in early 2024, albeit to a lesser extent than the United States. Toward the end of last year, Chinese authorities moved forward with modest fiscal stimulus, which, combined with easier monetary policy, appears to have had a positive impact on growth momentum in early 2024. In Q1-2024, China's economy expanded 5.3% year-over-year, a more robust pace of growth than we forecast. Incorporating Q1 GDP data into our forecast outlook, we now believe China's economy can expand 5.1% in 2024, up from 4.7% previously. While headline Q1 growth data was better than expected, the latest batch of activity and sentiment data are mixed. In March, retail sales and industrial production were underwhelming (Figure 3), while home prices took another leg lower last month. On the other hand, the official manufacturing PMI crossed back above 50 for the first time in six months, and the non-manufacturing index firmed in March.

Figure 3



Source: Bloomberg Finance L.P. and Wells Fargo Economics

Figure 4



Source: Bloomberg Finance L.P. and Wells Fargo Economics

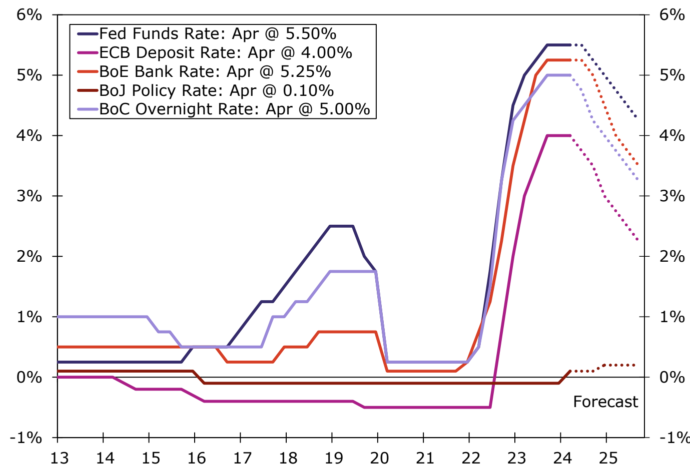
Going forward, we have our doubts that China's economy continues to outperform over the long term. While PBoC policymakers are likely to ease monetary policy for the foreseeable future, only moderate fiscal stimulus combined with structural headwinds to growth complicate China's growth prospects and make the medium- to longer-term outlook for China less-than-rosy. Poor demographics remain in place and are unlikely to change course, China's property sector continues to deteriorate amid elevated private sector debt, while China continues to be isolated and removed from the global supply chain amid persistent geopolitical tensions. This uninspiring long-term outlook was highlighted by Fitch, which revised their outlook on China's sovereign credit rating to "negative" from "stable." While Fitch maintained its "A+" rating, its revised assessment cited economic uncertainty, widening fiscal deficits and rising government debt, along with geopolitical tensions. While not primarily driven by ratings agencies shifting to a "negative outlook" on China's sovereign debt, sovereign CDS spreads have risen over the past few years as economic and political fundamentals have weakened (Figure 4). All told, we

believe firmness in China's economy can continue in the very near term, but due to various challenges we still expect a deterioration in China's growth outlook starting in H2-2024 and in the coming years.

Central Banks Continue to Exercise Patience

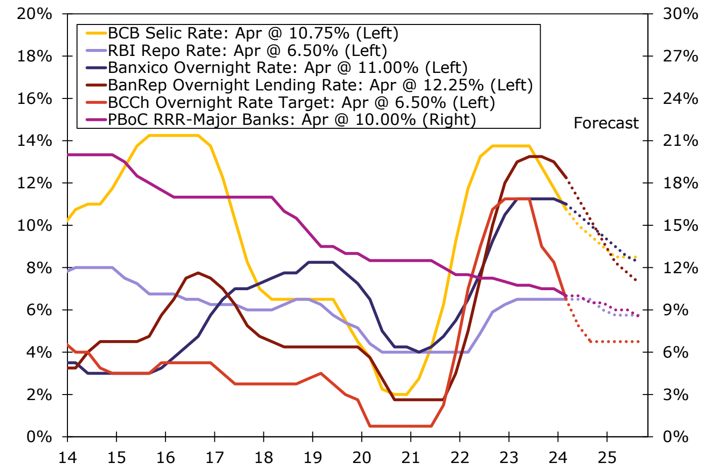
In the context of a benign global growth environment in 2024 and a global economy that has yet to completely defeat inflation, our view remains that central banks around the world are still likely to proceed cautiously when considering shifts to easier monetary policy. We believe this theme will play out across the advanced economies—where most central banks have already demonstrated caution —as well as in the emerging markets, where policymakers have been cutting interest rates, but in our view, have also exhibited a degree of prudence. Keeping with this gradual easing theme, we now expect several major central banks to initiate monetary easing cycles later, or act more cautiously, than we previously forecast. In that regard, we have pushed our forecast for an initial 25 bps Fed rate cut to September from June, and now also expect a more cautious pace of easing over the longer term. Our updated Fed forecast stems from continued U.S. economic resilience as well as lingering inflation concerns. Concerns around sticky inflation have been prevalent in recent communications from Fed officials, particularly from Fed Chair Jerome Powell at his latest public speaking engagement. Powell indicated that progress on disinflation has stalled and that rates in the U.S. may need to be kept higher for longer to ensure inflation converges toward the Fed's 2% target. Indeed, inflation data have been stronger than expected in recent months, with March headline and core CPI surprising to the upside driven by still-elevated services prices. The Fed's preferred measure of inflation, the PCE deflator, also pointed to some stalling out in the journey back to 2% inflation. While the core PCE deflator came in at 2.8% year-over-year in February, the index rose at a 3.5% annualized pace over the three months ending in February, suggesting a recent acceleration in core price growth. Taking both recent data and commentary into consideration, we believe FOMC members will ultimately exercise caution, and we believe September will mark the Fed's official pivot to rate cuts. Further out, we look for the Fed to cut rates in 25 bps increments at every other meeting through the end of 2025. If realized, this would put the target range for the fed funds rate at 3.75%-4.00% at the end of 2025.

Figure 5



Source: Bloomberg Finance L.P. and Wells Fargo Economics

Figure 6



Source: Bloomberg Finance L.P. and Wells Fargo Economics

In keeping with this theme of later and/or more gradual central bank easing, we have also pushed back the timing of when we expect to see initial rate cuts from select major G10 (Figure 5) and emerging market central banks (Figure 6). As far as G10 institutions, in the United Kingdom, we now look for an initial 25 bps Bank of England (BoE) rate cut in August and a somewhat measured pace of rate cuts through the rest of 2024 and 2025. The potential for economic recovery and still above-target inflation should, in our view, put less pressure on BoE policymakers to cut interest rates as early and as quickly as previously expected. While price pressures have generally eased in recent months, March inflation data were stronger than expected. The combination of recovering activity and still elevated U.K. inflation are the primary drivers contributing to our revised view for more cautious BoE easing. We believe a similar story is taking shape for the Eurozone economy. The economic growth environment

for the region is looking better as we head further into 2024, and while there has been progress on headline and core inflation, services inflation has not shown the same signs of slowing. We now expect the deposit rate to sit at 3.00% at the end of this year, up from 2.75% previously. Down under, Reserve Bank of Australia (RBA) officials expressed concern over inflation and noted "the Board expects that it will be some time yet before inflation is sustainably in the target range." Taking this guidance into account, alongside a solid labor market and still-elevated inflation, as well as recent economic strength in China—Australia's top export destination—we believe the RBA will now feel comfortable waiting a bit longer to deliver rate cuts. We now look for an initial 25 bps RBA rate cut to be delivered in November, as opposed to our previous August forecast.

In the developing world, we now believe the Reserve Bank of India (RBI) will extend its patient stance on interest rates and wait until Q4-2024 to deliver an initial rate cut. Growth in India is strong, with the latest GDP data revealing the economy expanded 8.4% year-over-year in the final quarter of 2023. While strong growth is likely to contribute to RBI policymakers keeping rates on hold until Q4, concerns around the potential path for inflation—particularly food and energy prices—and the possibility of currency depreciation from the RBI easing before the Fed remain the primary sources of caution for RBI policymakers. Both headline and core inflation are currently in the RBI's inflation target band, but with elevated external geopolitical tensions, the possibility of an oil and/or food price-related shock is also elevated. Should Middle East or Eastern European tensions escalate, India would be vulnerable to higher oil and food prices, leading to a renewed bout of inflation. As far as the rupee, modest volatility in global financial markets has pushed the rupee to an all-time low against the U.S. dollar. In an environment of broad U.S. dollar strength and a weaker rupee, we believe RBI policymakers will also choose to wait until the Fed delivers rate cuts to initiate their easing cycle to protect against further rupee weakness and imported inflation. In Chile, while the pace of Chilean Central Bank (BCCh) rate cuts has varied at times, we now believe policymakers will take a far-more gradual easing approach going forward. In early April, BCCh officials opted to reduce the policy rate by 75 bps to 6.50% and released an accompanying statement that leaned less dovish in tone. The announcement highlighted early 2024 GDP and inflation data that were stronger than expected. Policymakers also highlighted potential risks to inflation coming from currency depreciation and higher import costs. Accordingly, we have adjusted our BCCh forecast and now see Chile's terminal policy rate at 4.50% at the end of 2024, up from 3.75% previously. We also believe persistent services inflation and renewed fiscal risks will result in a less dovish stance from the Brazilian Central Bank, and continue to believe the BCB will slow its pace of easing in the coming months. And while we have not made major changes to our Colombian Central Bank forecast, we note our view that local policymakers are unlikely to pick up the pace of easing amid global uncertainty and renewed peso depreciation pressures.

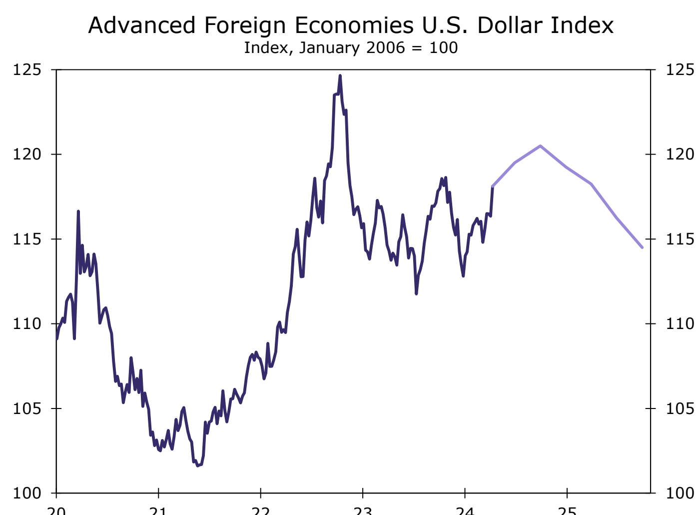
Fed Higher for Longer = U.S. Dollar Stronger for Longer

FX market volatility has picked up since our previous monthly publication, as Fed speak has turned less dovish and market participants have pushed out the timing for when the FOMC will likely start delivering rate cuts. In addition, geopolitical tensions in the Middle East have escalated with Israel-Iran engaging in military conflict and rattling global risk sentiment. While Middle East geopolitics, as well as geopolitical tensions elsewhere, are concerning and come with risks, as of now, we believe economic and monetary policy trends will be the driving force of currency markets over the medium to longer term. In that context, our revised monetary policy outlook, especially related to our revised view on the Federal Reserve, has important implications for our currency forecasts. To start, our view for later and more gradual Fed easing should now provide interest rate support to the greenback for longer than we previously expected. With the Fed now unlikely to ease monetary policy before September and many foreign central banks likely to move earlier, interest rate differentials should now be a source of dollar strength into Q3-2024 (Figure 7). Under previous Fed and international central bank forecasts, we believed the dollar would peak in Q2-2024, meaning we now expect dollar strength for a lengthier period of time. In the context of U.S. dollar strength into Q3, there are select currencies that we view as potentially more susceptible to underperformance: the euro, Canadian dollar and, to a lesser extent, the Japanese yen. As far as the euro, an ECB that is likely to cut interest rates ahead of the Fed should, in our view, weigh on the euro in the coming quarters with interest rate differentials the primary source of euro depreciation. The Canadian dollar may also face similar depreciation pressures stemming from divergences between the Fed and the Bank of Canada. And as for the yen, while the currency has already weakened ~9% this year, we believe yen sensitivity to U.S. economic trends and yields leaves room for modest further depreciation. However, Japanese officials may decide to intervene in FX

markets to support the currency, a dynamic that potentially limits the amount of depreciation the yen could experience.

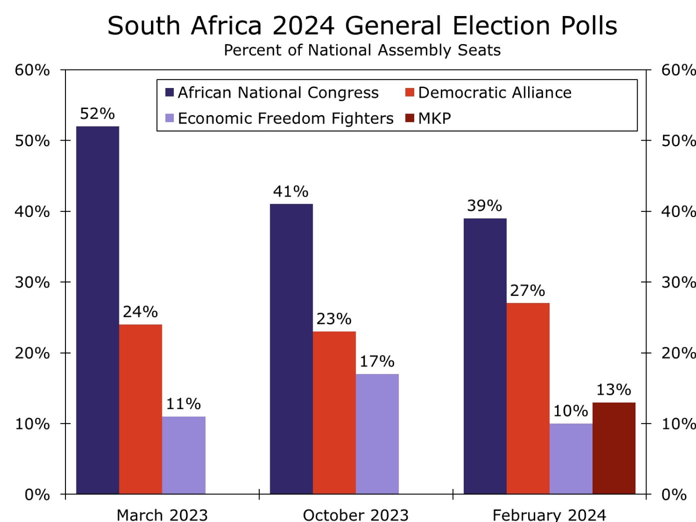
After maintaining its stronger trend for the time being, we maintain our view that the U.S. dollar can weaken over the medium to longer term. In our view, the dollar could reach an inflection point by Q4-2024 and begin a period of cyclical depreciation against G10 and emerging market currencies. As far as our rationale, a modest slowdown in U.S. economic growth as the year progresses should coincide with economic recoveries in the Eurozone, U.K. and other major advanced economies. Over time, growth differentials could prove more supportive of foreign currencies and weigh on the U.S. dollar. Also, while the Fed is likely to take its time shifting to rate cuts, eventual Fed monetary easing is likely to place downward pressure on the greenback even as foreign central banks are continuing their monetary easing cycles. And finally, a combination of Fed rate cuts and the U.S. economy slowing, but still experiencing a soft landing, should lead to relatively benign overall global financial conditions. A backdrop of accommodative financial conditions should support risk sentiment and direct capital flows toward foreign currencies and away from the “safe- haven” U.S. dollar. We believe this combination should see the U.S. dollar weaken against most foreign currencies starting around the end of 2024, a trend that can continue into 2025.

Figure 7



Source: Bloomberg Finance L.P. and Wells Fargo Economics

Figure 8



Source: Brenthurst Foundation, SABI Strategy and Wells Fargo Economics

In an environment of medium- to longer-term dollar depreciation, there are a few currencies that have potential for medium-term resilience. First, given we pushed back our expected timing for initial rate cuts for the Reserve Bank of Australia and Reserve Bank of India to the fourth quarter, we believe the Australian dollar and Indian rupee can enjoy support from "higher for longer" interest rates. Also, for the rupee, India's strong economic growth can facilitate a longer-term rupee recovery, while policy continuity under Prime Minister Modi post-election can also attract capital flows toward India and into rupee-denominated assets. We also maintain our relative optimism on the Mexican peso, and despite recent volatility driven by external developments, the currency continues to have multiple pillars of support. Mexican economic growth will remain reasonably steady going forward as the U.S. economy enjoys economic expansion. We also expect Mexico's central bank to proceed with rate cuts at a gradual and cautious pace rather than an accelerated one, and will likely communicate a hawkish stance on monetary policy even while lowering policy rates. Furthermore, we believe policy continuity after Mexico's presidential and legislative elections can also provide stability/support to the peso. We continue to believe MORENA candidate Claudia Sheinbaum will win office in a relative landslide come June. Sheinbaum's victory would ensure policy continuity, but also a stronger sense of policymaking pragmatism that Mexico and the peso can benefit from over the longer-term. With that said, the peso remains at stretched valuations and is vulnerable to correction should global developments lead to a risk-off environment. Also, with the U.S. election coming in November, an adverse U.S. policy mix post-elections could upend Mexico's economy via disrupted trade and immigration policy. While we are still

not baking any U.S. election-related volatility into our forecast profile, U.S. political risk is a vulnerability hovering over the peso that cannot be ignored.

Even in an environment of broad dollar depreciation, there are still currencies that can continue to weaken or at a minimum, fail to strengthen all that materially. As far as currencies that can continue to depreciate for the foreseeable future, the Argentine peso is top of mind. No major surprise there. With that said, Argentine President Milei has hit congressional roadblocks to implementing his policy agenda, which in our view, should lift devaluation risks off the currency for the time being. We now expect a managed depreciation in line with central bank guidance through late 2025 rather than another large devaluation centered around the lifting of capital controls. Should conditions in Argentina change to the point of where devaluation looks imminent, we will adjust our USD/ARS exchange rate forecast to reflect the magnitude of potential peso depreciation. We are also increasingly concerned about—and have flagged these concerns in a string of monthly publications—the South African rand. Toward the end of May, South Africa will host presidential elections. Typically, elections generate uncertainty and rand volatility, and we believe the 2024 election will likely lead to outsized volatility both in the lead-up to voting and post-election. Our pessimistic rand outlook is twofold, but nevertheless centered around local politics. We have our doubts that the South African government can hit fiscal targets, and we expect fiscal slippage ahead of the election as the African National Congress (ANC) tries to recoup support for the party. In addition, despite using the fiscal playbook ahead of the election, we now have stronger concerns that the ANC could lose its majority (Figure 8). The populist and market-unfriendly Economic Freedom Fighters have gathered more support in recent polls, while former head of the ANC and South African president Jacob Zuma's new MKP political party is also gaining momentum. While Zuma himself is unlikely to become president again, his party may pull voters away from the ANC and potentially force the ANC into a political alliance with the populist and market-unfriendly Economic Freedom Fighters (EFF). EFF ideologies lean heavily populist and could create a risk-off sentiment toward South African financial markets and the currency. With the economy stagnating, political risk set to rise, and the central bank potentially set to cut rates after the election, we go so far as to say the probability of a rand currency crisis scenario is rising. Not our base case, but far from a non-zero chance of materializing.

High Conviction Views

- **Resilient global growth in 2024.** Our outlook remains for a resilient global economy, and we have again raised our forecast for global GDP growth this year. The U.S. economy maintains notable resilience for now, including gains in employment and consumer spending. In China, fiscal stimulus and monetary easing have contributed to strength in the economy early this year, prompting us to lift our Chinese GDP growth forecast for 2024. Improving sentiment surveys also point to firmer economic conditions in Europe as the year progresses and, indeed, we have become more constructive on the U.K. growth outlook. If realized, our 2024 global GDP forecast would represent only a modest slowdown from the 3.2% global growth of last year, and would be the fourth year in a row global GDP growth will have reached or exceeded 3%. Increasingly, we see a relatively steady, and more balanced, outlook for global economic growth in 2024.
- **Emerging monetary policy divergence.** As many key central banks approach a monetary easing cycle, it is becoming increasingly clear those institutions will take varying approaches to removing policy accommodation. Given significant progress on disinflation, the European Central Bank and Bank of Canada should cut rates as soon as June, while lingering inflation concerns could see the Bank of England wait until August to lower rates. Resilient growth and persistent services inflation could see that Fed wait until September for rate cuts, while the Reserve Bank of Australia and Reserve Bank of India could move even later. The varying pace of central bank action will likely contribute to increase foreign exchange volatility from the second half of this year. Moreover, the gradual easing by the Fed (relatively to many of its peers) will likely contribute to U.S. dollar strength through 2024, ahead of U.S. dollar softness through 2025.
- **Euro softness to extend further.** The Eurozone economy is only just emerging from a period of stagnation, while substantial disinflation progress and cooling wage growth have seen the European Central Bank adopt a more dovish outlook. In contrast, resilient U.S. growth and stubborn inflation trends have seen Fed officials signal the need for interest rates to stay higher for longer. The ECB has sent clear signals of a June rate cut, and we expect a cumulative 100 bps of erasing this year. For the Fed, we see an initial September rate cut and only 50 bps of easing this year. Against this backdrop we believe the euro could soften further, to as low as $1.0400 by Q3-2024.
- **India to remain the fastest growing major emerging economy in 2024.** We are optimistic on the prospects for India's economic growth this year. The uncertainties around global economic growth and lagged effects of monetary policy tightening are not as relevant and present in India, and India is also not directly involved in many geopolitical scenarios currently affecting the global economy. In the absence of such uncertainties and large vulnerabilities, we believe India can achieve the fastest growth rate of the major emerging economies, around 7%.

Currency	Forecasted % Change to Q4-24*	
Brazilian Real (BRL)	2.9%	most bullish
Israeli Shekel (ILS)	2.2%	
Turkish Lira (TRY)	1.8%	
Australian Dollar (AUD)	1.3%	
Mexican Peso (MXN)	1.2%	
Russian Ruble (RUB)	1.1%	
Japanese Yen (JPY)	1.0%	
Trade Weighted Dollar (USD)	1.0%	
South Korean Won (KRW)	0.9%	
Colombian Peso (COP)	0.5%	
Indian Rupee (INR)	0.3%	
Polish Zloty (PLN)	0.1%	
Peruvian Sol (PEN)	0.0%	
Chinese Renminbi (CNH)	0.0%	
Chinese Renminbi (CNY)	-0.1%	
Norweigian Krone (NOK)	-0.2%	
Indonesian Rupiah (IDR)	-0.2%	
Hungarian Forint (HUF)	-0.4%	
Singapore Dollar (SGD)	-0.6%	
Taiwan Dollar (TWD)	-0.7%	
Philippine Peso (PHP)	-0.7%	
Thai Baht (THB)	-1.0%	
Canadian Dollar (CAD)	-1.0%	
Swedish Krona (SEK)	-1.1%	
British Pound (GBP)	-1.2%	
Euro (EUR)	-1.6%	
New Zealand Dollar (NZD)	-1.6%	
Swiss Franc (CHF)	-1.8%	
Chilean Peso (CLP)	-2.2%	
Czech Koruna (CZK)	-2.3%	
South African Rand (ZAR)	-4.3%	
Argentine Peso (ARS)	-8.3%	most bearish

Forecast as of: April 19, 2024
*Percentage Change Against USD, Q4-24 Vs. Current Spot Rate

Source: Bloomberg Finance L.P. and Wells Fargo Economics

Wells Fargo International Economic Forecast

	GDP				CPI			
	2022	2023	2024	2025	2022	2023	2024	2025
Global (PPP Weights)	3.5%	3.2%	3.0%	2.8%	8.7%	4.5%	3.7%	3.4%
Advanced Economies[1]	2.6%	1.6%	1.8%	2.0%	7.3%	4.9%	2.9%	2.4%
United States	1.9%	2.5%	2.6%	2.0%	8.0%	4.1%	3.3%	2.4%
Eurozone	3.4%	0.5%	0.6%	1.6%	8.4%	5.4%	2.2%	2.1%
United Kingdom	4.3%	0.1%	0.5%	1.6%	9.1%	7.3%	2.9%	2.2%
Japan	1.0%	1.9%	0.8%	1.2%	2.5%	3.3%	2.3%	1.7%
Canada	3.8%	1.1%	1.2%	1.8%	6.8%	3.9%	2.2%	2.0%
Switzerland	2.7%	0.8%	1.3%	1.6%	2.8%	2.2%	1.4%	1.2%
Australia	3.8%	2.1%	1.4%	2.1%	6.6%	5.6%	3.4%	2.7%
New Zealand	2.4%	0.6%	0.8%	2.3%	7.2%	5.8%	3.3%	2.2%
Sweden	2.7%	0.0%	0.4%	1.7%	8.1%	8.6%	2.9%	1.9%
Norway	3.0%	1.1%	0.8%	1.5%	5.8%	5.5%	3.4%	2.5%
Developing Economies[1]	4.1%	4.3%	3.9%	3.3%	9.8%	4.1%	4.2%	4.2%
China	3.0%	5.2%	5.1%	4.3%	2.0%	0.2%	0.9%	1.6%
India	6.5%	7.7%	7.2%	6.6%	6.7%	5.7%	5.0%	4.5%
Mexico	3.9%	3.2%	2.3%	2.0%	7.9%	5.5%	4.2%	3.9%
Brazil	3.0%	2.9%	1.5%	2.0%	9.3%	4.8%	4.0%	3.6%

Forecast as of: April 19, 2024

[1]Aggregated Using PPP Weights

Source: International Monetary Fund and Wells Fargo Economics

Wells Fargo International Interest Rate Forecast

(End of Quarter Rates)

Central Bank Key Policy Rate	2024				2025		
	Current	Q2	Q3	Q4	Q1	Q2	Q3
United States	5.50%	5.50%	5.25%	5.00%	4.75%	4.50%	4.25%
Eurozone[1]	4.00%	3.75%	3.50%	3.00%	2.75%	2.50%	2.25%
United Kingdom	5.25%	5.25%	5.00%	4.50%	4.00%	3.75%	3.50%
Japan	0.10%	0.10%	0.10%	0.20%	0.20%	0.20%	0.20%
Canada	5.00%	4.75%	4.25%	4.00%	3.75%	3.50%	3.25%
Switzerland	1.50%	1.25%	1.00%	1.00%	1.00%	1.00%	1.00%
Australia	4.35%	4.35%	4.35%	4.10%	3.85%	3.60%	3.35%
New Zealand	5.50%	5.50%	5.25%	4.75%	4.50%	4.00%	3.75%
Sweden	4.00%	3.75%	3.50%	3.00%	2.75%	2.50%	2.25%
Norway	4.50%	4.50%	4.00%	3.75%	3.50%	3.25%	3.25%
China[3]	10.00%	10.00%	9.50%	9.50%	9.00%	9.00%	8.50%
India	6.50%	6.50%	6.50%	6.00%	5.75%	5.75%	5.75%
Mexico	11.00%	10.50%	10.00%	9.50%	9.00%	8.50%	8.25%
Brazil	10.75%	10.00%	9.50%	9.00%	8.50%	8.50%	8.50%
Chile	6.50%	5.25%	4.50%	4.50%	4.50%	4.50%	4.50%
Colombia	12.25%	11.25%	10.25%	9.25%	8.25%	7.75%	7.25%

2-Year Note	2024				2025		
	Current	Q2	Q3	Q4	Q1	Q2	Q3
United States	4.97%	4.80%	4.40%	4.05%	3.85%	3.70%	3.55%
Eurozone[2]	3.02%	2.90%	2.80%	2.55%	2.45%	2.35%	2.25%
United Kingdom	4.48%	4.40%	4.20%	3.90%	3.65%	3.55%	3.45%
Japan	0.27%	0.25%	0.25%	0.25%	0.30%	0.30%	0.30%
Canada	4.24%	4.15%	3.85%	3.70%	3.55%	3.45%	3.35%

10-Year Note	2024				2025		
	Current	Q2	Q3	Q4	Q1	Q2	Q3
United States	4.60%	4.40%	4.20%	4.00%	3.90%	3.85%	3.80%
Eurozone[2]	2.51%	2.40%	2.35%	2.25%	2.25%	2.20%	2.20%
United Kingdom	4.27%	4.20%	4.05%	3.85%	3.70%	3.60%	3.55%
Japan	0.85%	0.85%	0.90%	1.00%	0.95%	0.90%	0.90%
Canada	3.72%	3.65%	3.50%	3.45%	3.40%	3.35%	3.35%

Forecast as of: April 19, 2024

[1] ECB Deposit Rate [2] German Government Bond Yield [3] Reserve Requirement Ratio Major Banks

Source: Bloomberg Finance L.P. and Wells Fargo Economics

Wells Fargo International FX Forecast

Currency Pair*	Current Rate	Q2-2024	Q3-2024	Q4-2024	Q1-2025	Q2-2025	Q3-2025
G10							
EUR/USD	1.0666	1.0500	1.0400	1.0500	1.0600	1.0800	1.1000
USD/JPY	154.58	155.00	156.00	153.00	151.00	150.00	149.00
GBP/USD	1.2452	1.2400	1.2300	1.2300	1.2400	1.2600	1.2800
USD/CHF	0.9083	0.9250	0.9375	0.9250	0.9100	0.8900	0.8725
USD/CAD	1.3757	1.3900	1.4000	1.3900	1.3800	1.3600	1.3400
AUD/USD	0.6419	0.6400	0.6400	0.6500	0.6600	0.6700	0.6800
NZD/USD	0.5895	0.5800	0.5700	0.5800	0.5900	0.6000	0.6100
USD/NOK	11.0245	11.1425	11.2025	11.0475	10.8950	10.6475	10.4100
USD/SEK	10.9241	11.1425	11.2025	11.0475	10.8950	10.6475	10.4100
Asia							
USD/CNY	7.2405	7.2600	7.2800	7.2500	7.2300	7.2100	7.1900
USD/CNH	7.2486	7.2600	7.2800	7.2500	7.2300	7.2100	7.1900
USD/IDR	16260	16350	16350	16300	16200	16000	15800
USD/INR	83.47	83.50	83.50	83.25	83.00	82.50	82.00
USD/KRW	1382.08	1380.00	1380.00	1370.00	1360.00	1350.00	1340.00
USD/PHP	57.61	58.00	58.25	58.00	57.75	57.25	57.00
USD/SGD	1.3612	1.3700	1.3800	1.3700	1.3600	1.3500	1.3400
USD/TWD	32.53	32.75	33.00	32.75	32.50	32.00	31.50
USD/THB	36.88	37.00	37.50	37.25	37.00	36.75	36.50
Latin America							
USD/BRL	5.2496	5.2000	5.2000	5.1000	5.0000	4.9000	4.8000
USD/CLP	958.86	980.00	990.00	980.00	970.00	950.00	930.00
USD/MXN	17.2041	17.2500	17.2500	17.0000	16.7500	16.5000	16.5000
USD/COP	3943.77	3975.00	3975.00	3925.00	3900.00	3850.00	3800.00
USD/ARS	870.74	890.00	920.00	950.00	980.00	1010.00	1040.00
USD/PEN	3.7300	3.7500	3.7500	3.7300	3.7000	3.6700	3.6400
Eastern Europe/Middle East/Africa							
USD/CZK	23.70	24.25	24.75	24.25	23.75	23.25	22.50
USD/HUF	369.87	381.00	384.50	371.50	363.25	351.75	341.00
USD/PLN	4.0511	4.1425	4.1350	4.0475	3.9625	3.8425	3.7275
USD/RUB	93.05	92.00	90.00	92.00	94.00	96.00	98.00
USD/ILS	3.7603	3.7000	3.7000	3.6800	3.6600	3.6400	3.6200
USD/ZAR	19.1422	20.0000	20.5000	20.0000	19.7500	19.5000	19.2500
USD/TRY	32.5894	33.0000	32.5000	32.0000	31.0000	30.0000	29.0000
Euro Crosses							
EUR/JPY	164.88	162.75	162.25	160.75	160.00	162.00	164.00
EUR/GBP	0.8566	0.8475	0.8450	0.8525	0.8550	0.8575	0.8600
EUR/CHF	0.9688	0.9700	0.9750	0.9700	0.9650	0.9600	0.9600
EUR/NOK	11.7587	11.7000	11.6500	11.6000	11.5500	11.5000	11.4500
EUR/SEK	11.6516	11.7000	11.6500	11.6000	11.5500	11.5000	11.4500
EUR/CZK	25.28	25.50	25.75	25.50	25.25	25.00	24.75
EUR/HUF	394.50	400.00	400.00	390.00	385.00	380.00	375.00
EUR/PLN	4.3206	4.3500	4.3000	4.2500	4.2000	4.1500	4.1000

Forecast as of: April 19, 2024

Source: Bloomberg Finance L.P. and Wells Fargo Economics

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