

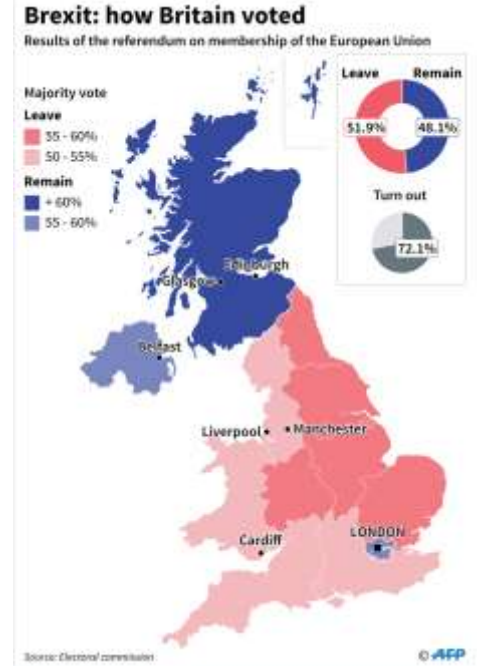


Christian Rebernig
Turin, 27th January 2017

www.iucab.com 

The GLOBAL and the EUROPEAN Economic Outlook

The influences in 2017...



Three crucial elections

Anti-immigration, anti-establishment parties seek breakthrough

NETHERLANDS

March 15 Parliamentary elections



Geert Wilders

Freedom Party (VVD)

Anti-immigration, anti-Islam. Wants to 'kick out Moslems, ban Sharia law and close EU and Muslim migrants, close borders and leave eurozone. Leading in opinion polls. But how to mainstream right-wing candidate anti-Islam? (BBC), (The Guardian)

FRANCE

April 23 Presidential election



Marine Le Pen

National Front (FN)

Anti-immigration. Pro-euro. Wants to 'kick out Moslems, leave euro zone and EU, and abolish 'France first' economic policies. Tipped to reach 2nd round of presidential poll but how to mainstream right-wing candidate anti-Islam? (BBC), (The Guardian)

GERMANY

September 24 Parliamentary elections



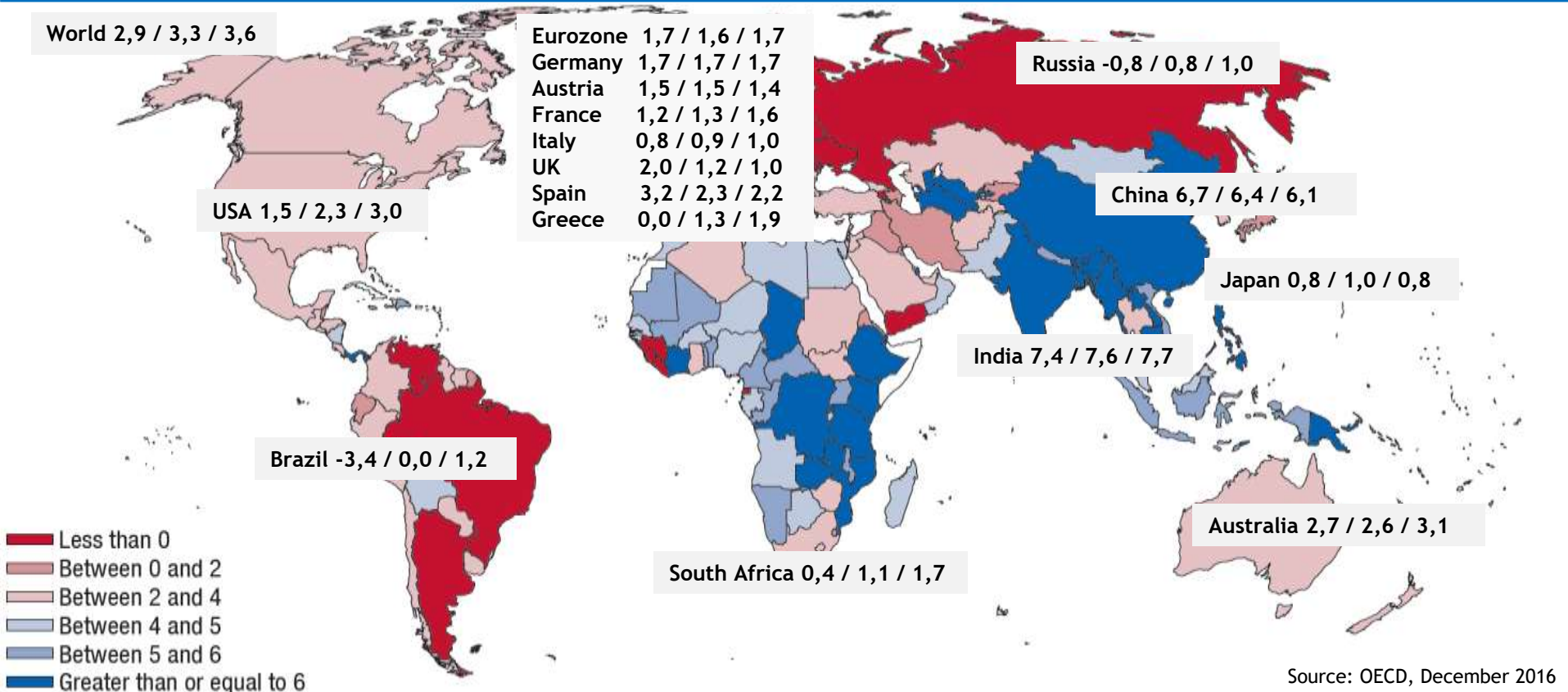
Frauke Petry

Alternative for Germany (AfD)

Anti-immigration, anti-Islam, anti-euro, economically liberal. Would win around 13%. AfD could win the 2nd round party to win but how to mainstream right-wing candidate anti-Islam? (BBC), (The Guardian)

Growth forecasts

2016, 2017 and 2018



Source: OECD, December 2016

World economy: recovery

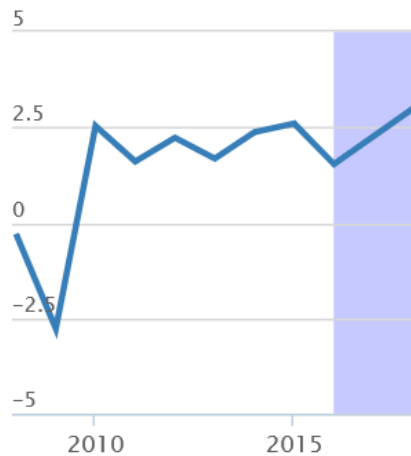
- Two price developments affect the further development: oil price and the dollar
- USA remains the driving engine of the world economy.
- Eurozone: comeback, out of recession, but still high unemployment, inflation
- BRIC: crisis in Russia and China, less influence than years ago

GDP Growth and unemployment rate

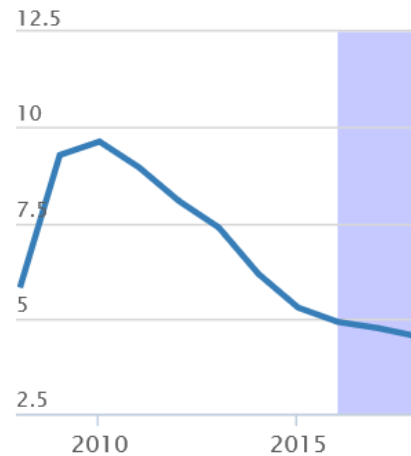
2008 - 2018, in % change year on year

USA

GDP growth

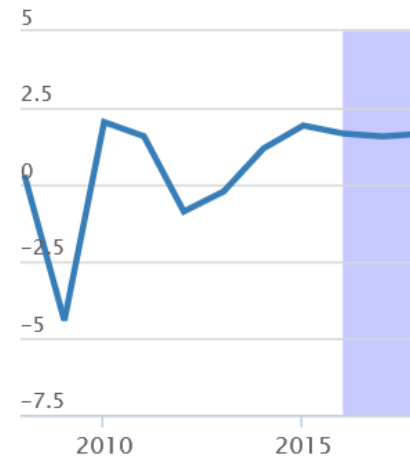


Unemployment rate

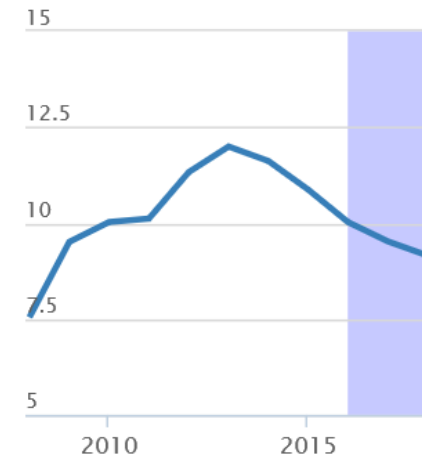


Eurozone

GDP growth



Unemployment rate



Source: OECD, December 2016

- GDP growth of 2.3% in 2017
- US dollar strength and weak global demand will reduce exports
- Consumption will be supported by a strong labour market
- effects of the election

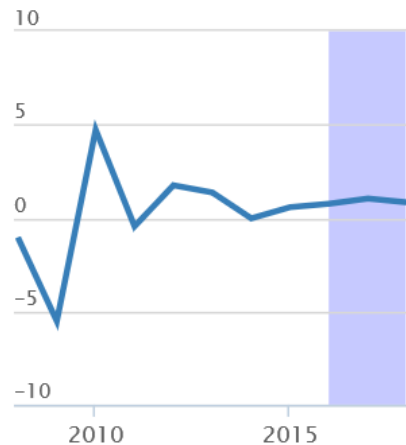
- GDP growth of 1.6% in 2017
- Higher oil prices and the weakening of the euro against the dollar
- Brexit
- upcoming election
- Migration has emerged as the main political issue in Europe

GDP Growth and unemployment rate

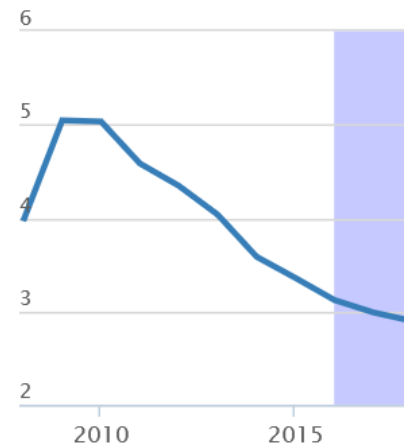
2008 - 2018, in % change year on year

Japan

GDP growth

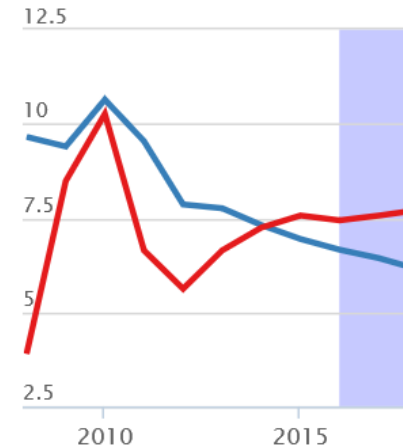


Unemployment rate

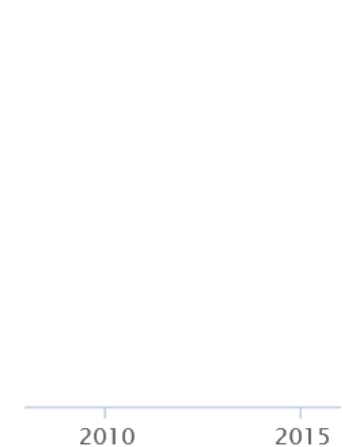


China & India

GDP growth



Unemployment rate



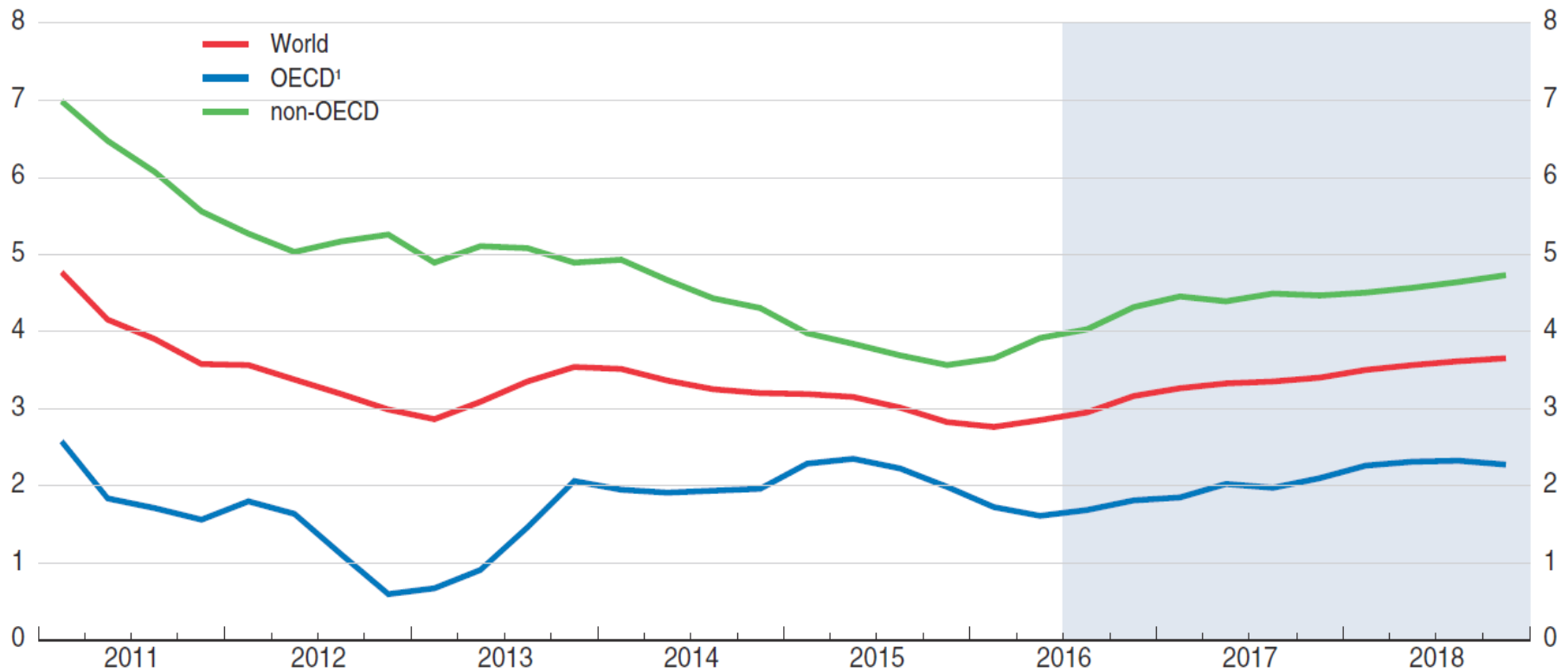
Source: OECD, December 2016

- GDP growth of 1% in 2017
- increase in the consumption tax to 10% in 2017

- The main focus is the slowdown in China (6.4% in 2017)
- A structural slowdown will reduce Chinese GDP growth to 5% by 2020.

3 speed recovery

Real GDP growth in %



- Emerging market and developing economies are still going strong
- Advanced economies: smaller gap between the United States and euro area

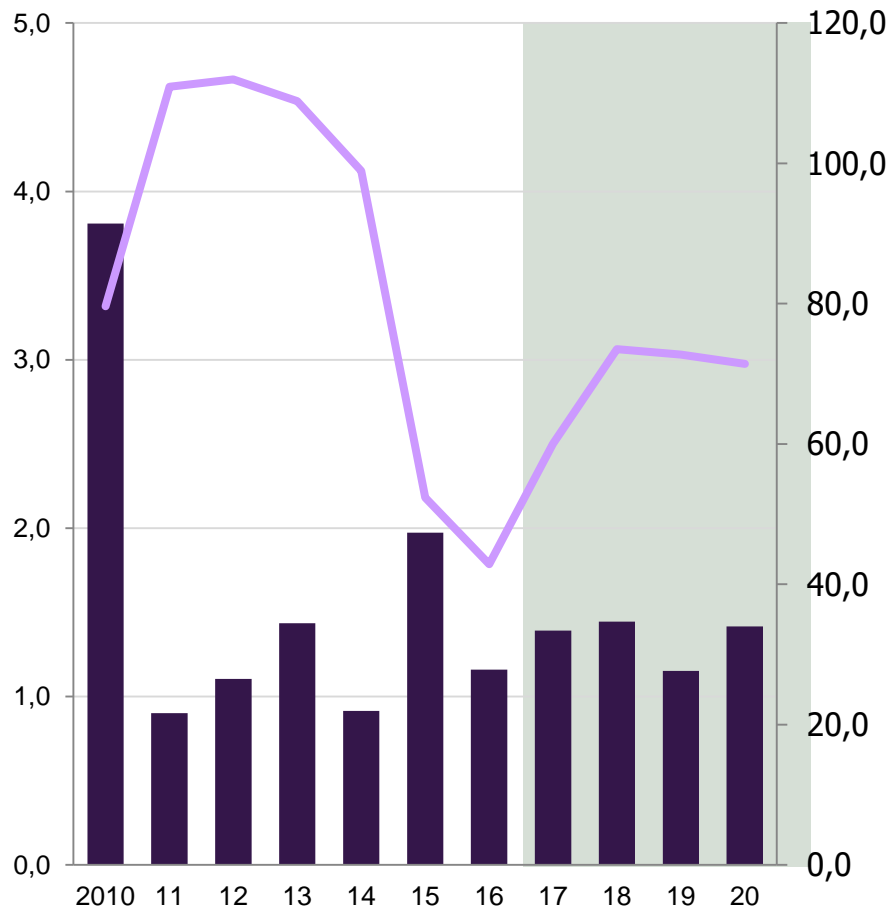
GDP Growth Forecasts in Europe

2017



- Eastern European countries with higher growth rates
- Germany, France, Austria stable their speed
- In periphery countries (Spain, Ireland) recovery due to recovery programs and reform

Oil prices and demand



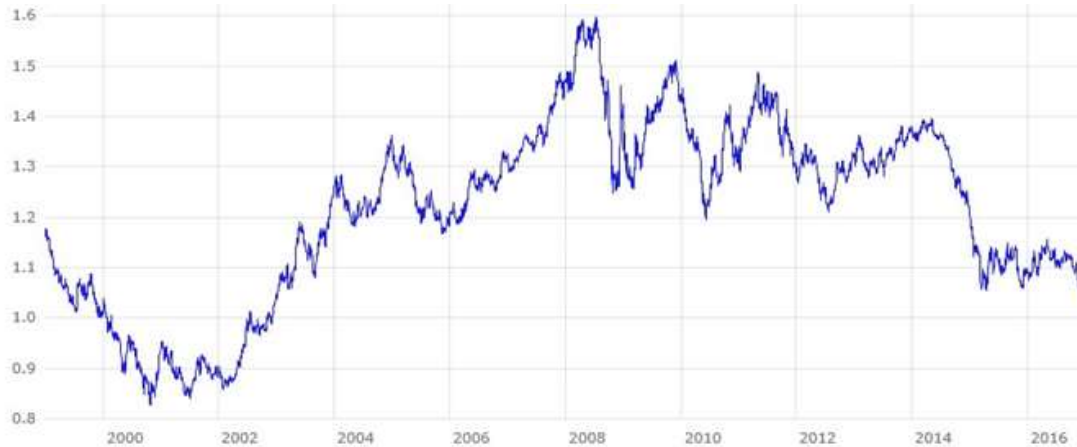
- Brent fell below US\$ 30/b in January 2016
- Price weakness has slowed output growth in 2016 (US production)
- markets remained oversupplied
- moderating demand growth
- reduction of the production in OPEC
- Prices average US\$ 60/b in 2017, down from US\$ 43/b in 2016

Required oil prices for a balanced budget

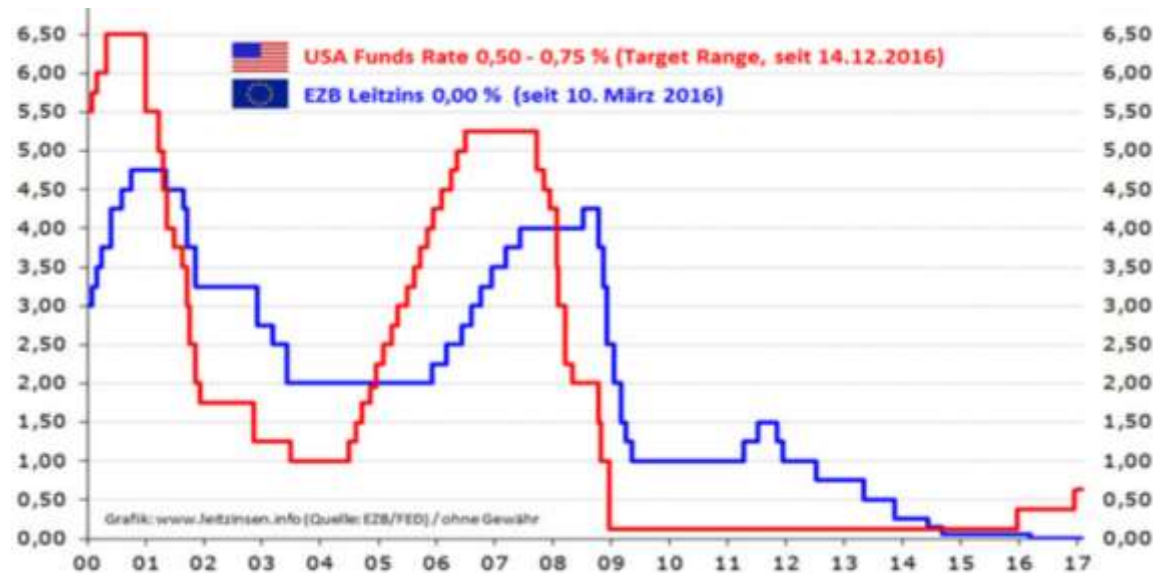


Favorable conditions

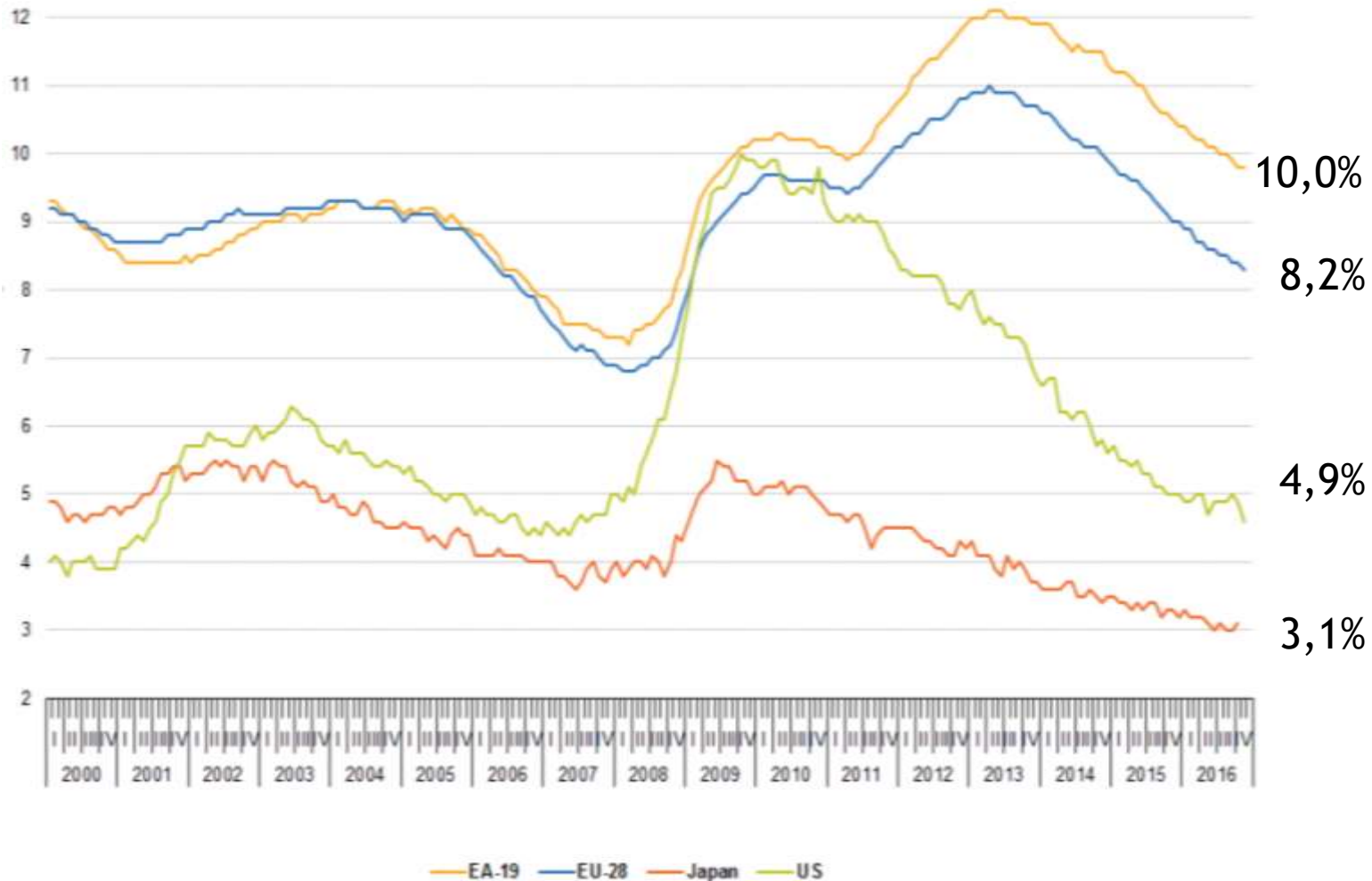
US \$/€ exchange rate



Interest rates in %

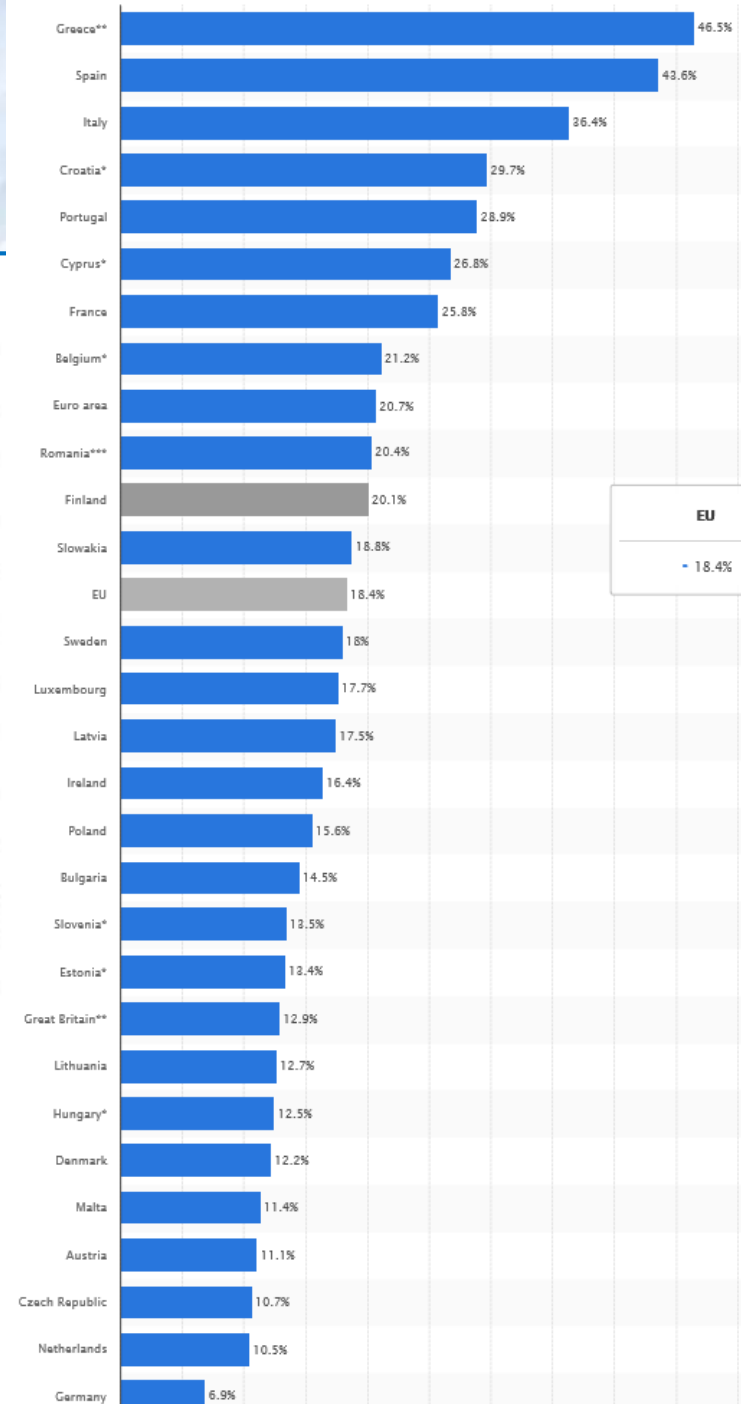
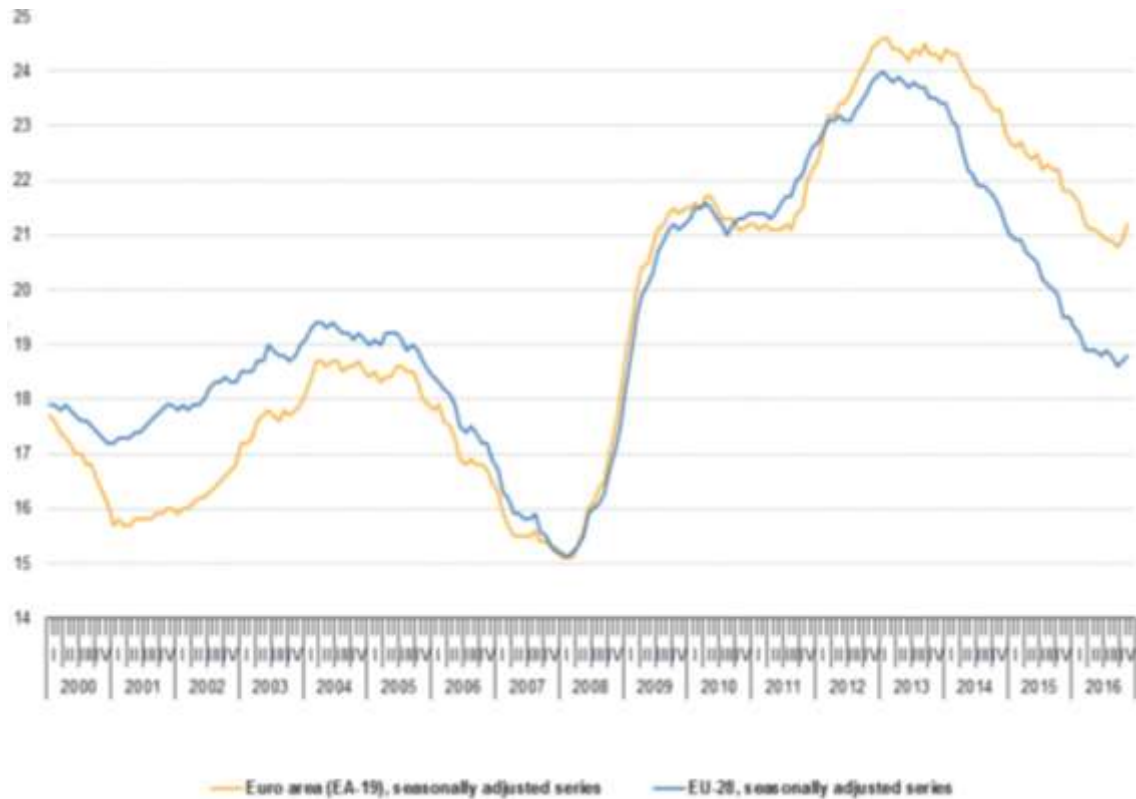


Unemployment falls, but from high levels



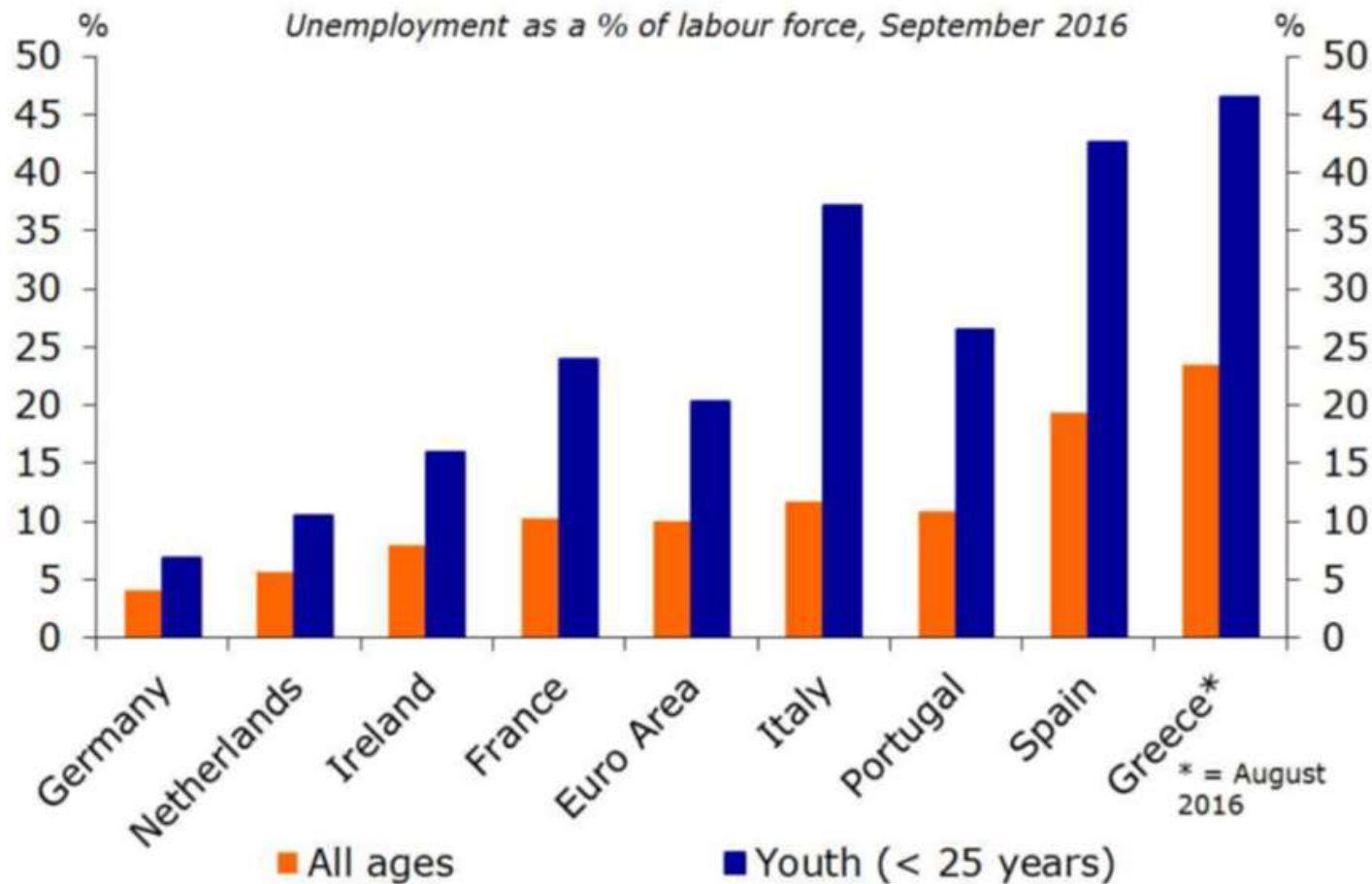
Youth Unemployment rate

Young people up to 25 years



Unemployment rate in Europe

All ages and young people

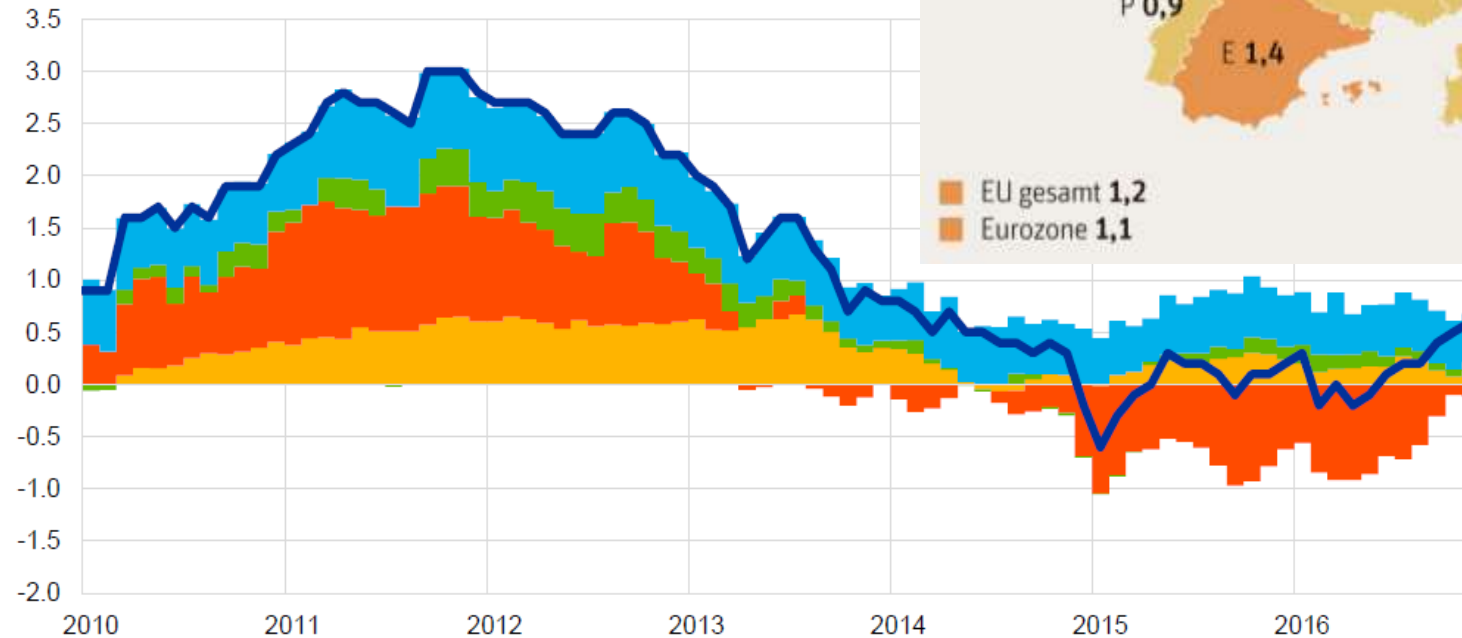


Increasing inflation in the euro area

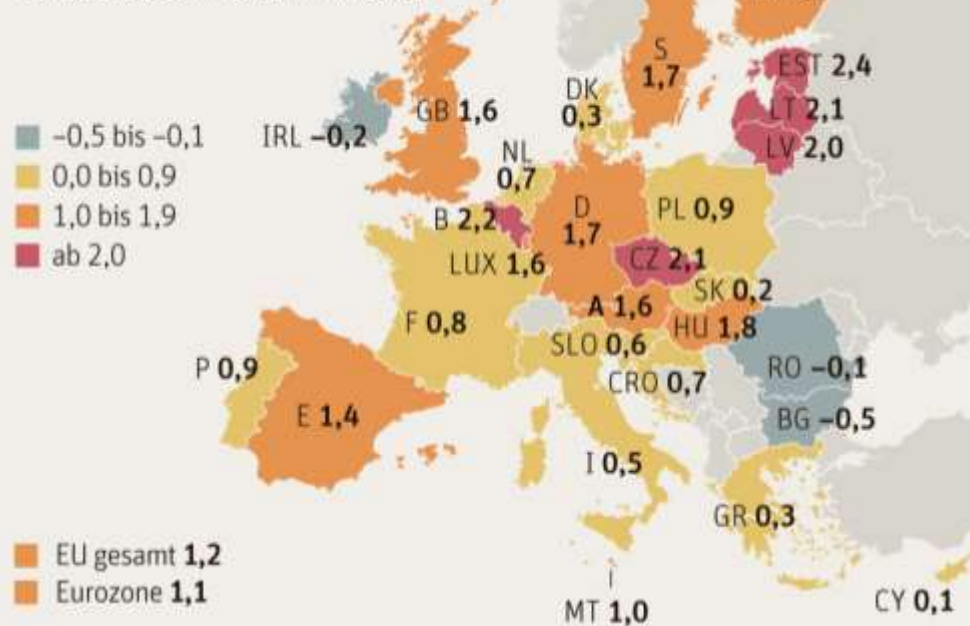
Contributions of components to euro area headline

(annual percentage changes; percentage point contributions)

- HICP
- food
- energy
- non-energy industrial goods
- services



Dezember 2016, Veränderung zum Vorjahr in Prozent



EU gesamt 1,2
Eurozone 1,1

Weather at the end of 2016



- USA: 1,5%, strong dollar, exports are falling
- Eurozone: 1,7%, badly but improving, weak euro, low oil prices
- Russia: -0,8%, recession
- China: 6,7%, but slowing down

Weather forecast ... for 2017



- The global economy is expected to grow at a rate of around three per cent in 2017
- The election of Trump has increased uncertainty worldwide
- There is uncertainty regarding both his proposals for a protectionist trade policy and the geopolitical effect of his plans
- Europe is also entering a period of political uncertainty and faces serious challenges
- The Chinese economy appears to be stabilising but still has its problems