



# The GLOBAL and the EUROPEAN Economic Outlook

Winterthur (CH), 19<sup>th</sup> January 2018



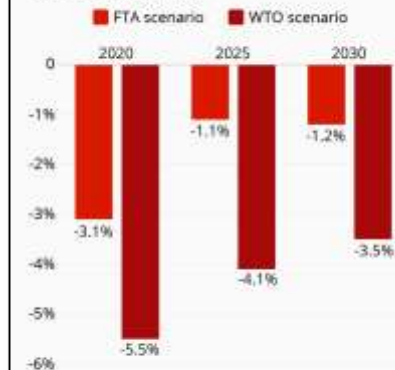


# The influences in 2018 ...

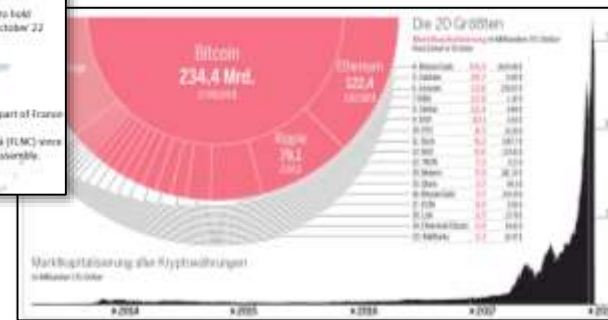


## The economic impact of Brexit

% difference in real UK GDP compared to 'remain' scenario, by Brexit type



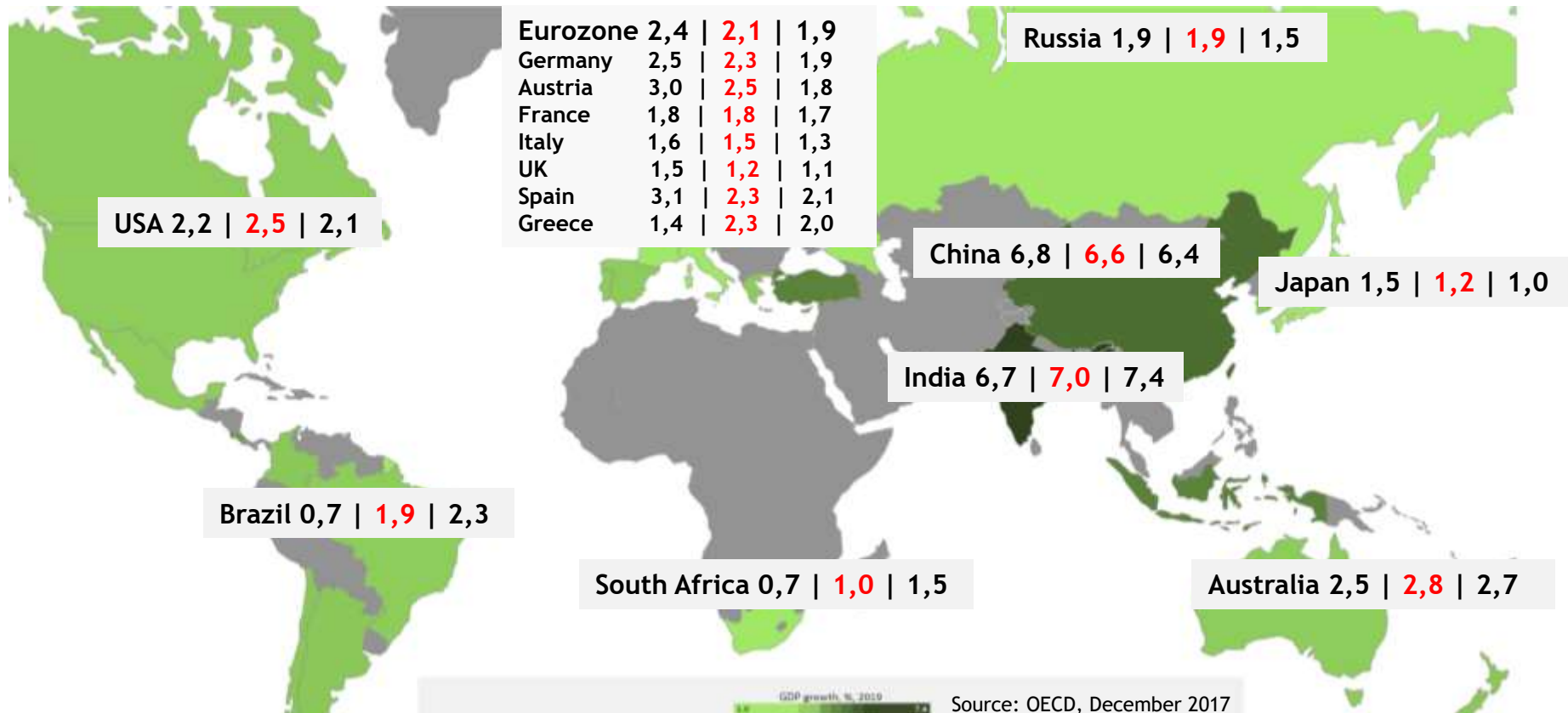
\* FTA = Free Trade Agreement, WTO = World Trade Organisation (most-favored-nation)  
Source: PwC, CBI



# GDP Growth forecast

## 2017, 2018 and 2019

World 3.6 | 3,7 | 3,6



GDP growth, % 2019

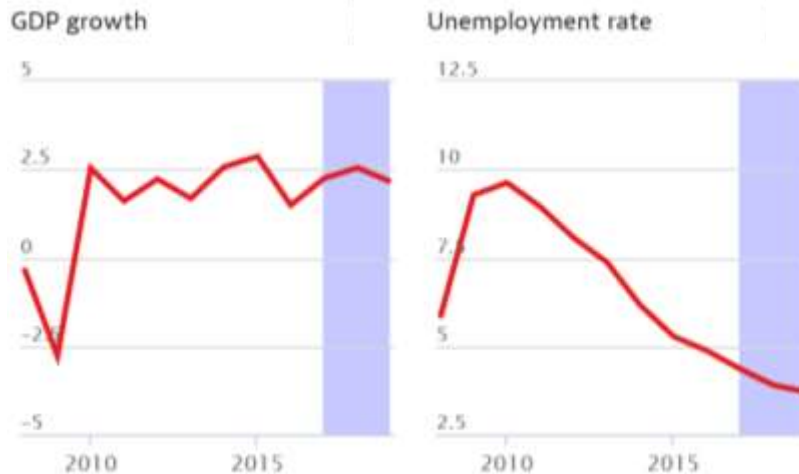
Source: OECD, December 2017

### World economy: recovery

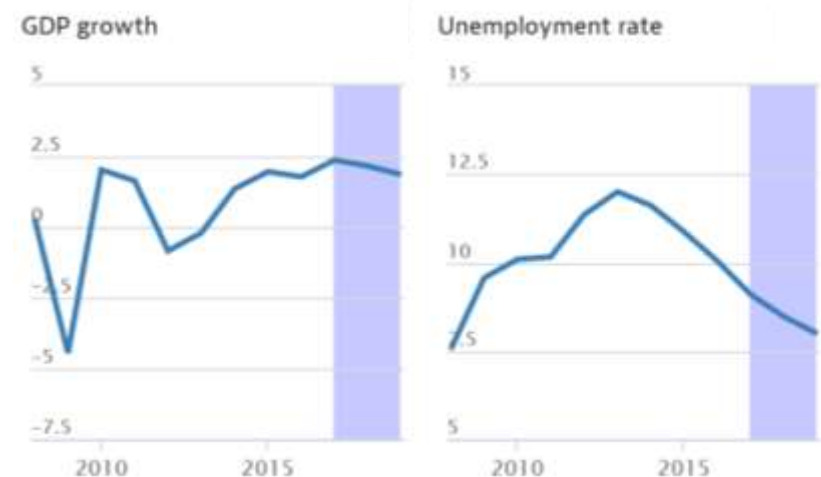
- Two price developments affect the further development: oil price and the dollar
- USA remains the driving engine of the world economy.
- Eurozone: strengthening, out of recession, unemployment is falling, inflation, Brexit
- BRIC: rebound from crisis in Russia and China, Brazil exit recession, less influence

# GDP Growth and unemployment rate 2008 - 2019, in % change year on year

## USA



## Eurozone



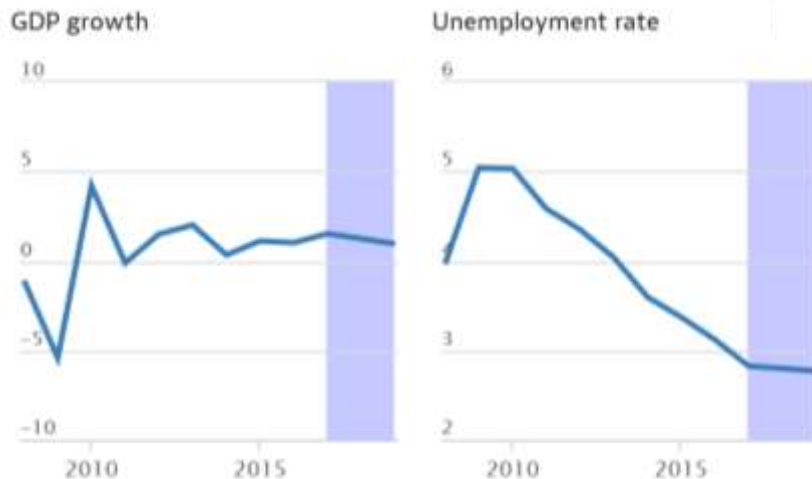
Source: OECD, December 2017

- GDP growth of 2.2% in 2017
- US dollar weaker and global demand will increase exports
- effects of the election
- GDP growth rise to 2.5% in 2018

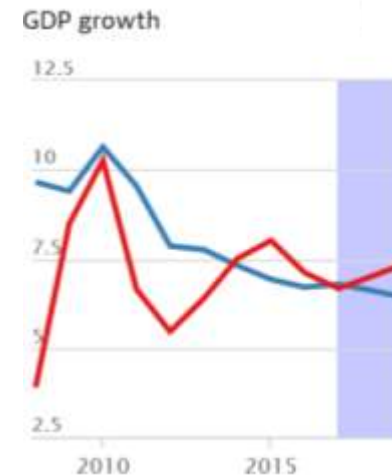
- GDP growth of 2,4% in 2017 (stronger as expected)
- stronger euro against the dollar and pound
- (upcoming) election, Brexit, migration, unemployment is falling
- GDP growth of 2,1% in 2018

# GDP Growth and unemployment rate 2008 - 2019, in % change year on year

## Japan



## China & India



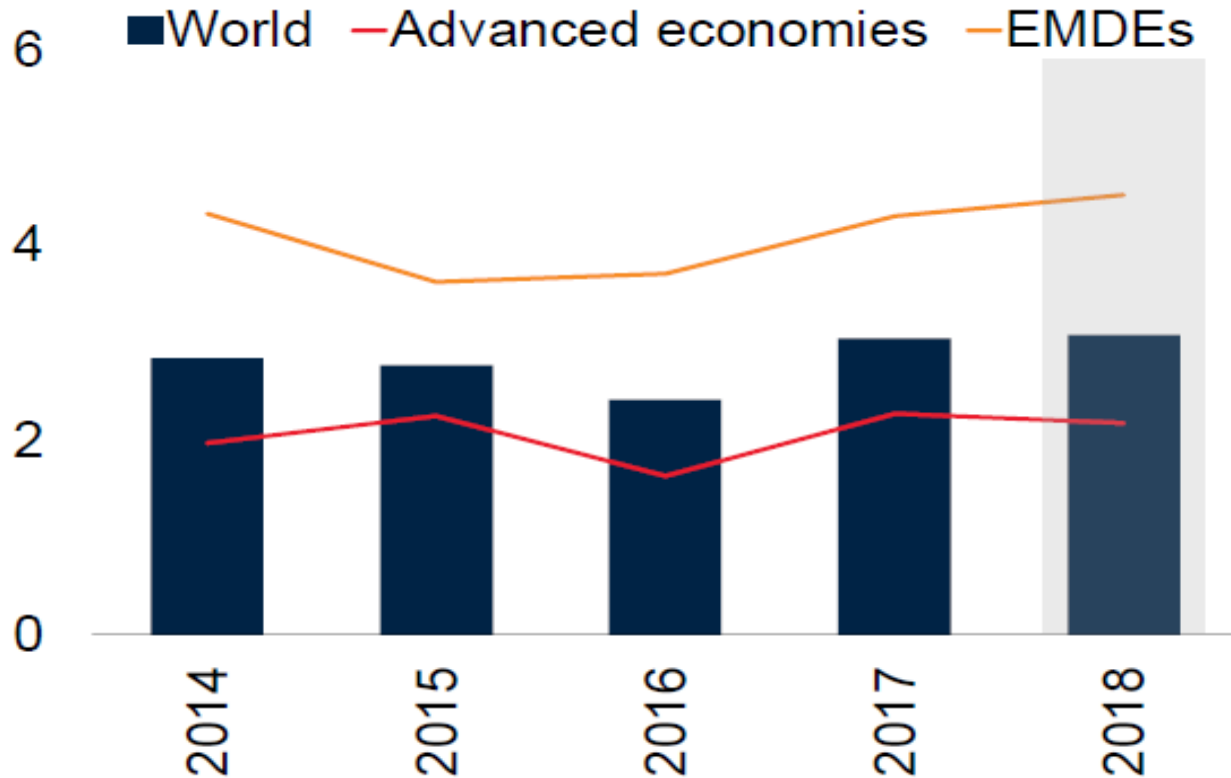
Source: OECD, December 2017

- GDP growth of 1,5% in 2017
- decline in the working-age population
- GDP growth of 1,2% in 2018

- slowdown in China (6,6% in 2018)
- A structural slowdown will reduce Chinese GDP growth to 5% by 2020.
- India reforms to boost investment, productivity (7% in 2018)

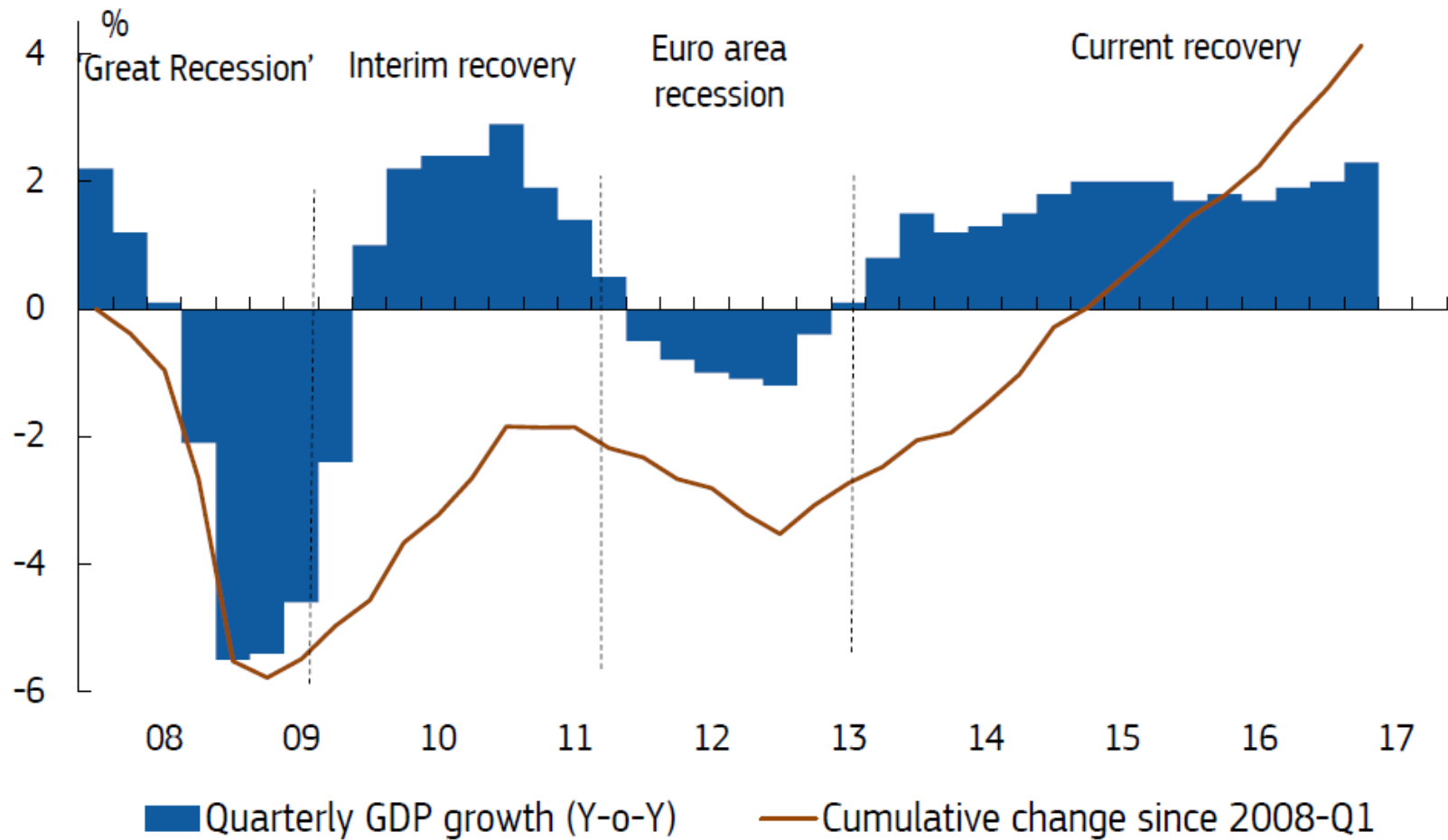
### 3 speed recovery

Real GDP growth in %



- Emerging market and developing economies are growing strongly
- Advanced economies: smaller gap between the United States and Euro Area

# Euro Area GDP 2008-2017



# Annual GDP Forecasts in Europe 2018

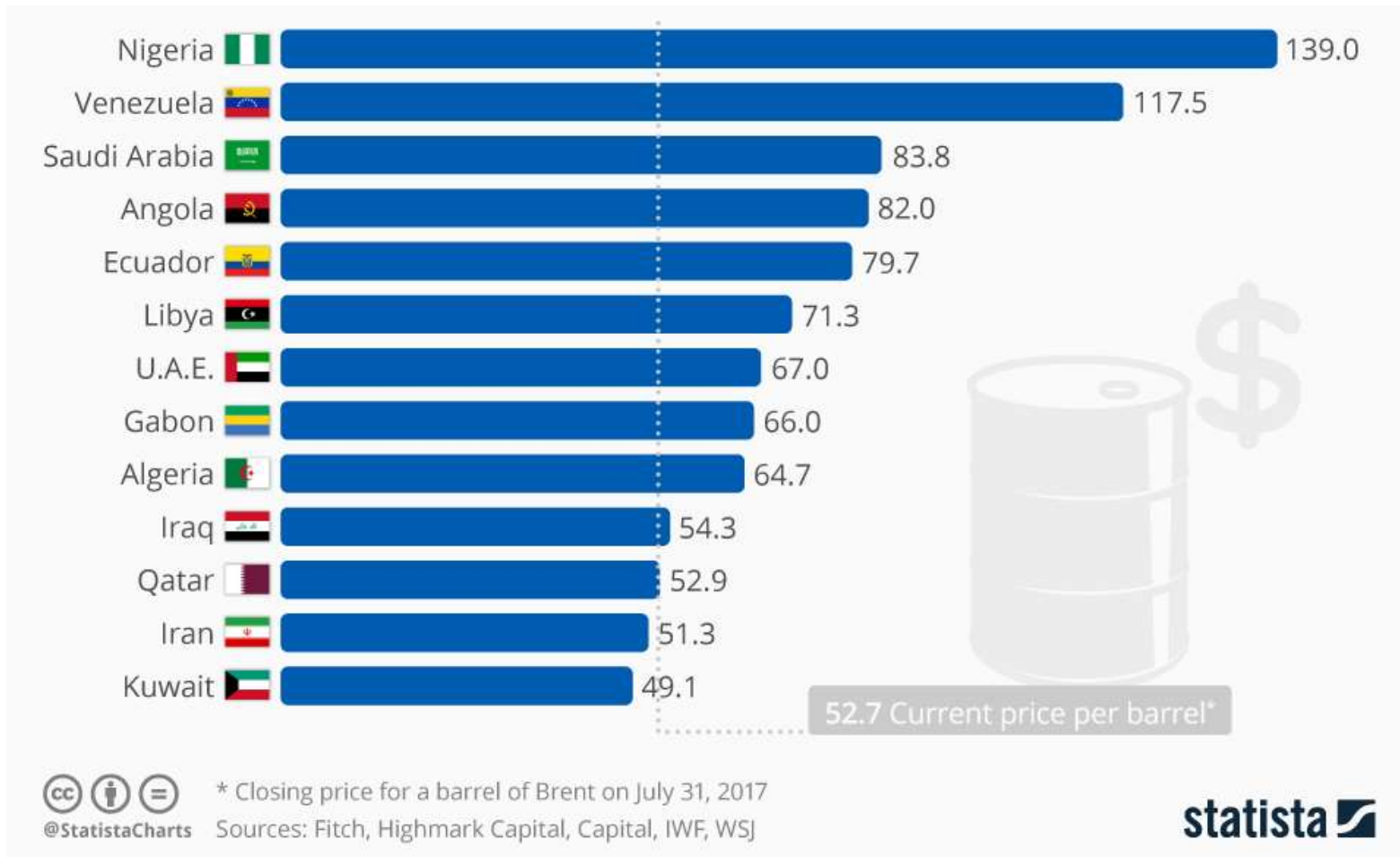


Source: OECD, December 2017

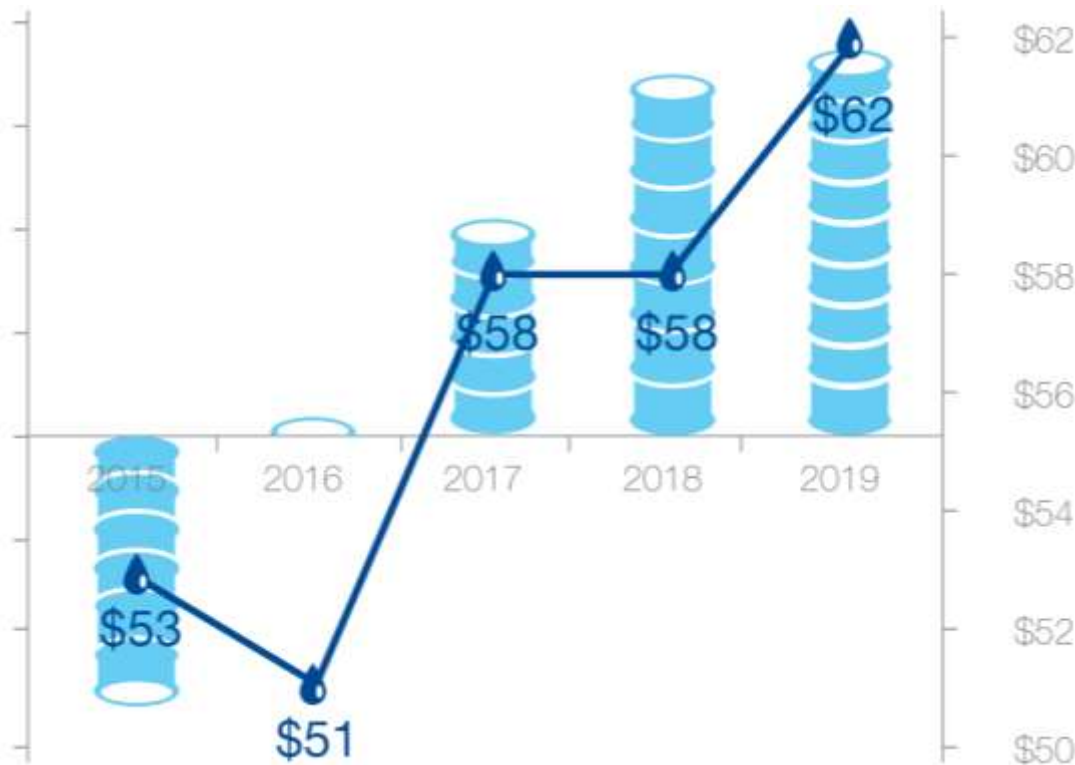
- Eastern European countries with higher growth rates
- Germany, France, Austria stable their speed, rising employment, stronger consumption
- In periphery countries (Spain, Ireland) recovery due to recovery programs and reform



# Oil prices needed to balance the budget in US \$



## Oil price in US \$



- markets remained oversupplied
- moderating demand growth
- Prices average US\$ 58/b in 2017, increase estimated up to US\$ 62/b

# Exchange rates

## € becoming stronger

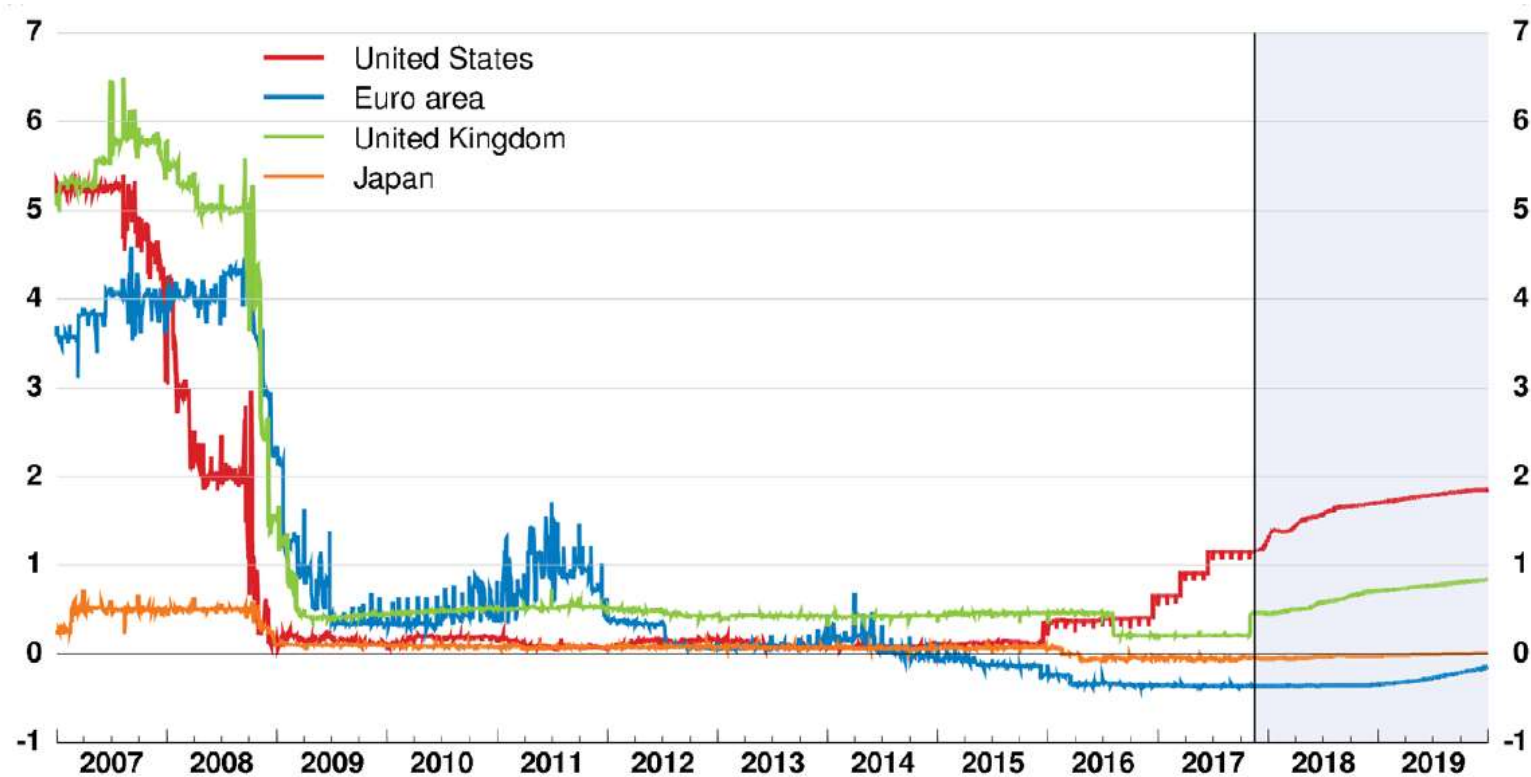
Euro in US Dollar | 1,22 (17 Jan 18)

Euro in British Pound | 0,89 (17 Jan)

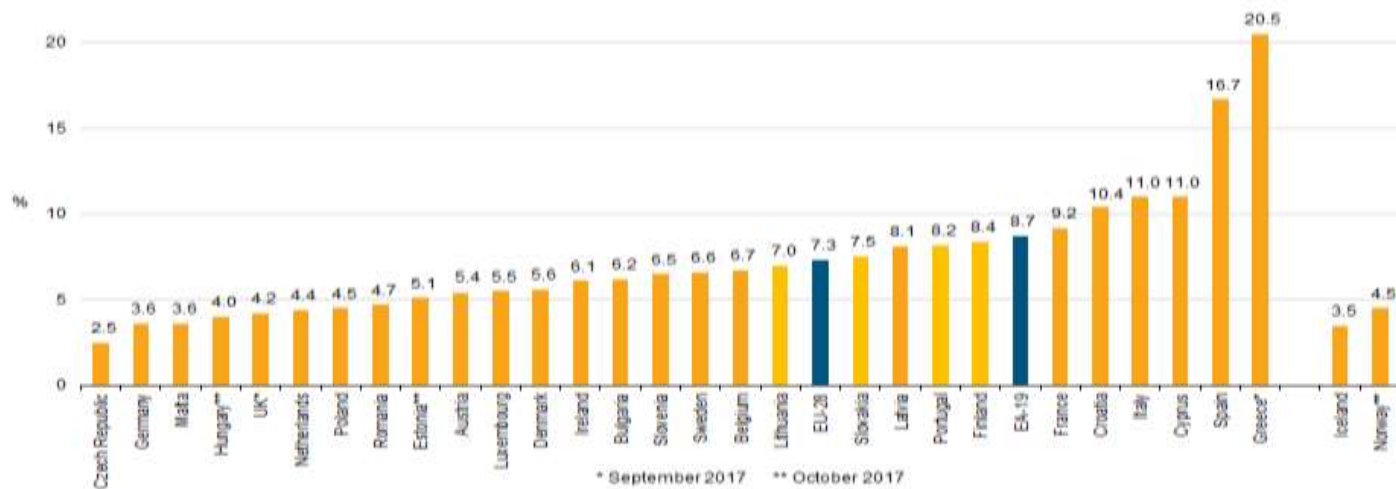
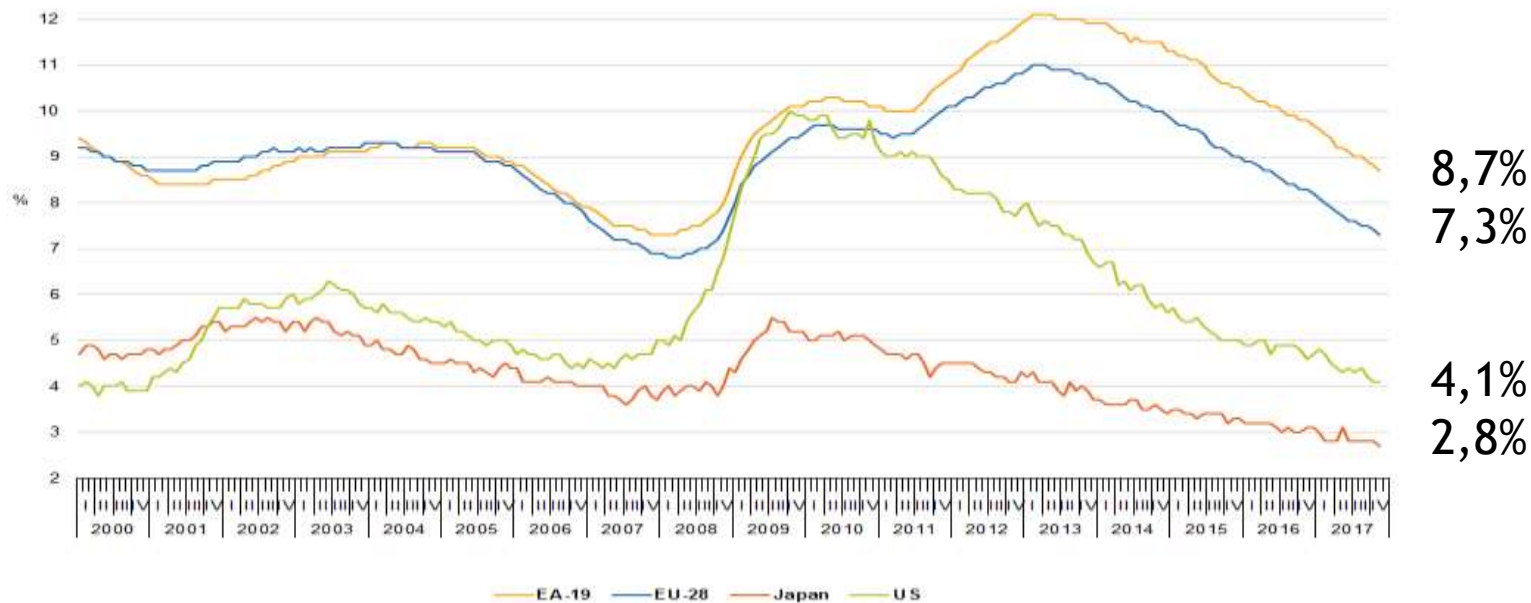


# Interest rates in %

US interest rate raise while Europe still negative rate

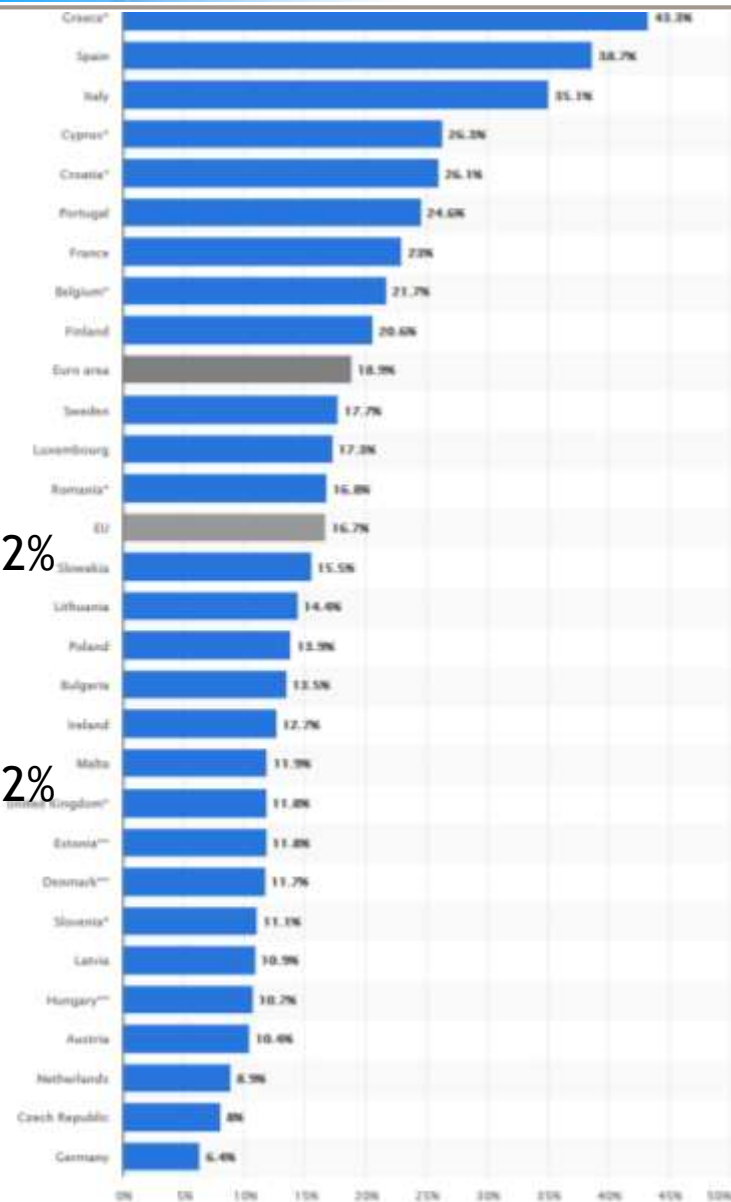
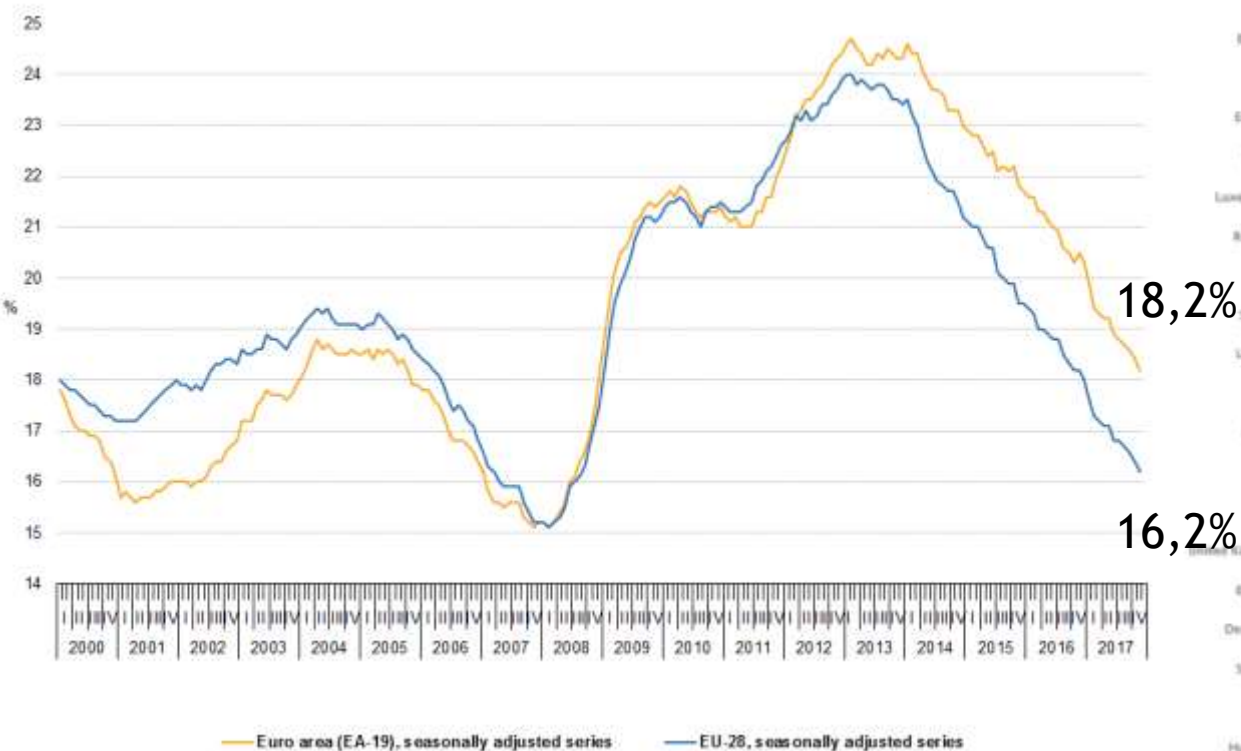


# Unemployment falls, but from high levels



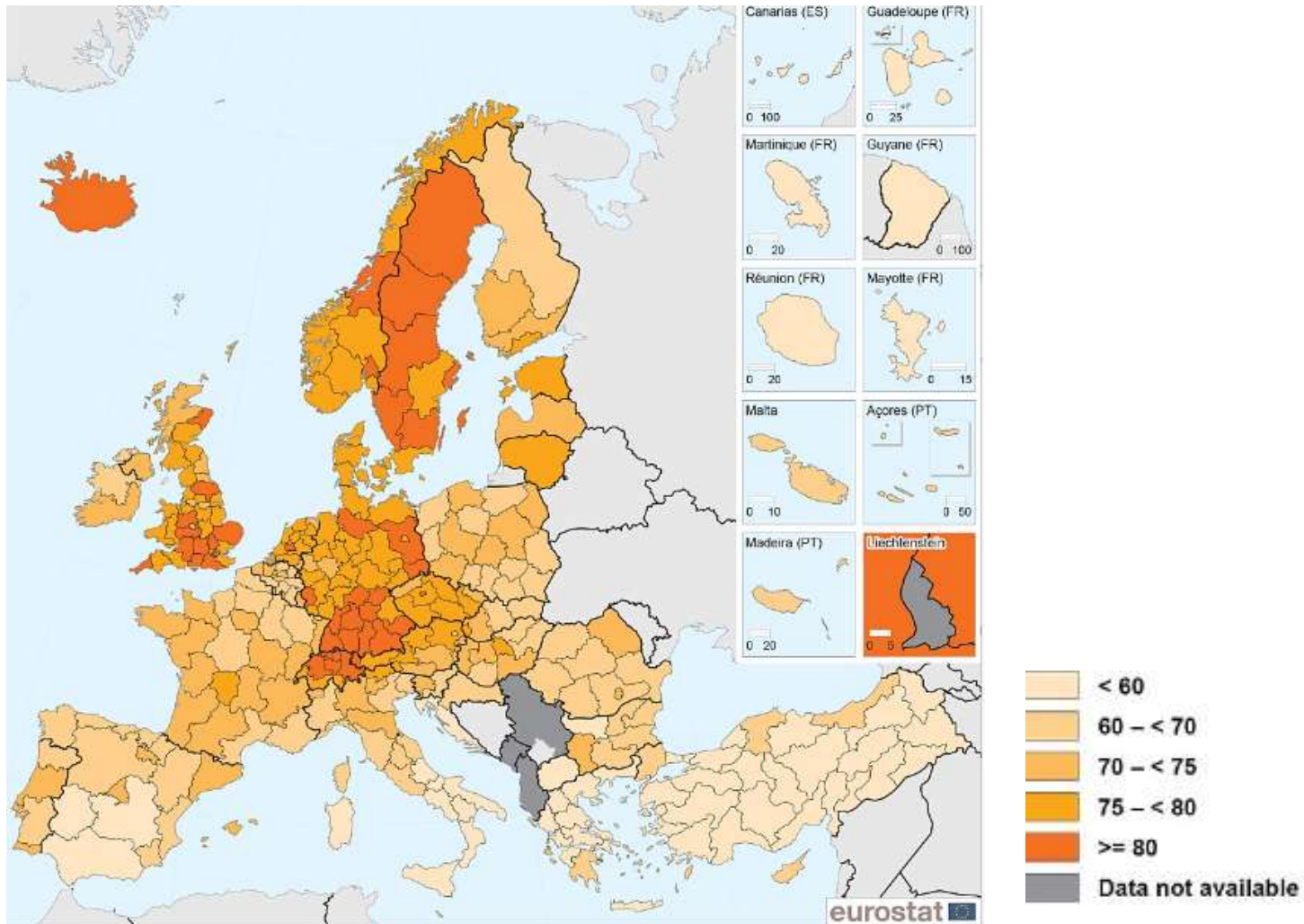
# Youth Unemployment rate

## Young people up to 25 years

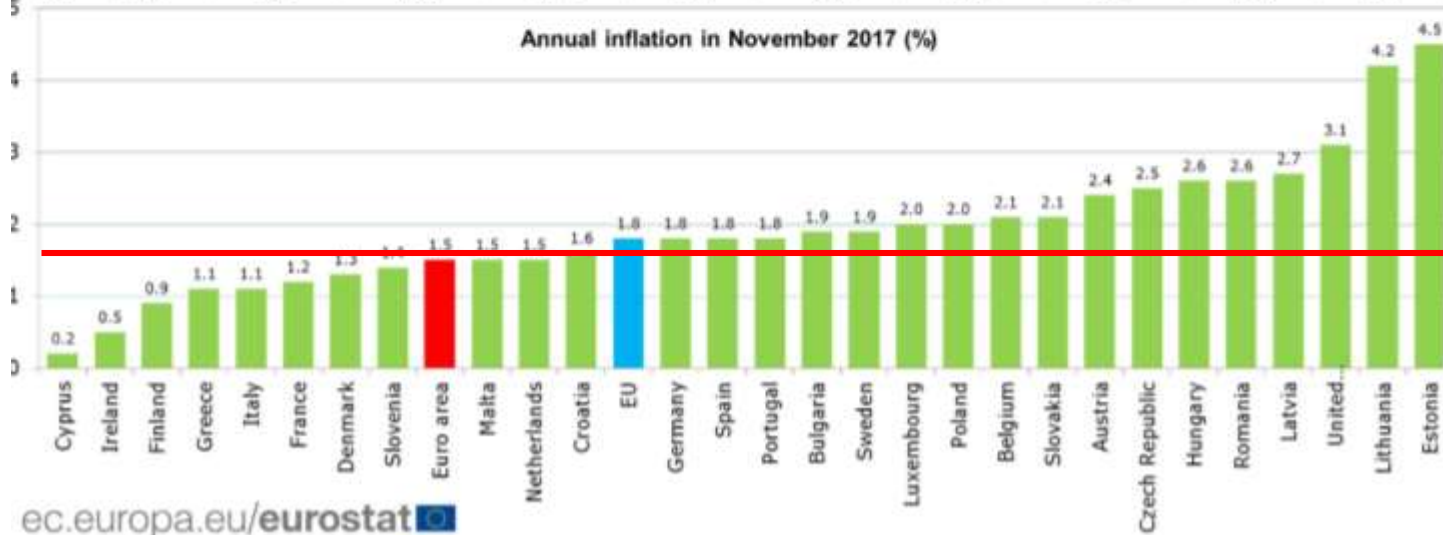
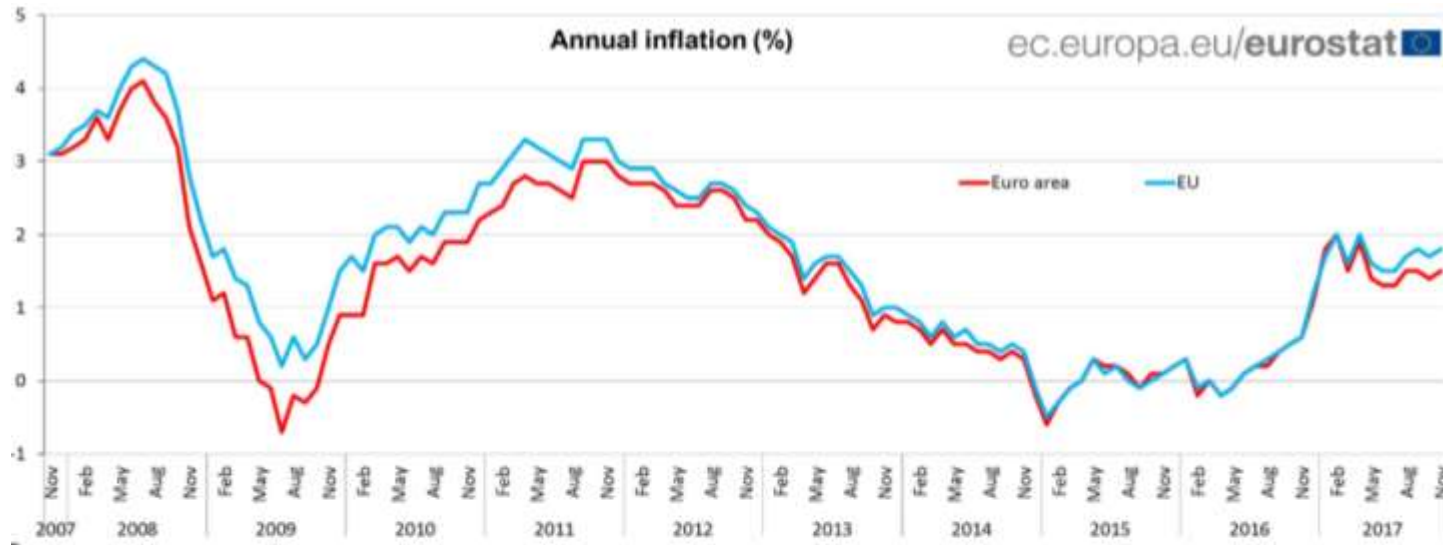


Source: Eurostat

# Employment rate



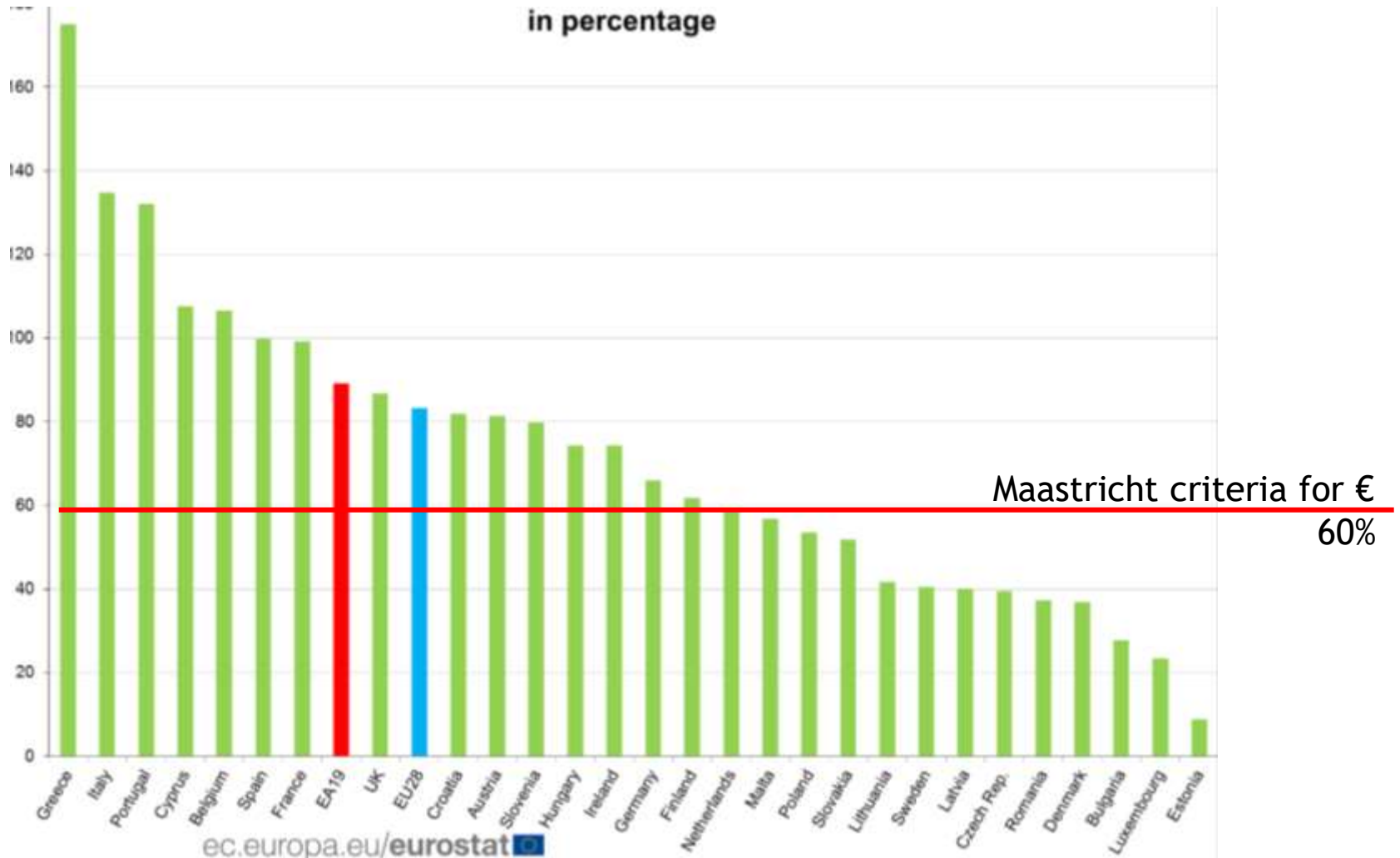
# Increasing inflation in the euro area



Maastricht  
criteria for €  
1,5%



# Government dept to GDP ration 2017 in %



## Weather at the end of 2017



- USA: 2,2%, weak dollar, elections, exports are increasing
- Eurozone: 2,4%, improving, stringer euro, low oil prices, unemployment is falling
- Russia: 1,9%, out of recession
- China: 6,8%, but slowing down

## Weather forecast ... for 2018



- The global economy is expected to grow at a rate of 3,7% in 2018
- US President causes uncertainty worldwide
- Europe is also in a period of political uncertainty and faces serious challenges
- The Chinese economy appears to be stabilizing but still has its problems
- SUMMARY: Economy is strengthening, but remains below the pre-crisis period