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SCENARIOECO

Societe Generale
Economic and sectoral studies department

MORE VOLATILITY

The year began with the impression that the divergences in growth regimes, between the United States and the rest of the world, as well as in monetary policies were set to last. Doubts have emerged on all these factors over the last three months causing a correction in bond markets and a curb on the dollar's appreciation against all currencies. That said, US growth seems to be strengthening even though downside risks remain. Eurozone growth is expected to gradually accelerate but is likely to remain subject to uncertainties, such as a deepening of the Greek crisis. Emerging countries look set to continue on their trend towards a gradual slowdown even though bad news from China cannot be ruled out. In this environment, the conduit of monetary policies is likely to become complicated. The keyword for the coming months is therefore likely to be volatility.

FROM CERTAINTY TO DOUBT…

At the beginning of 2015, a number of certainties seemed to punctuate the global scenario. They were linked to the opposition between the United States and the rest of the world on several levels (i) durable divergence of growth regimes at a time when US growth appeared to be robust in contrast to the sluggish activity in the eurozone, Japan and the structural slowdown in all emerging countries; (ii) divergence of monetary policies with the expected start of the raising of rates in the United States whereas the rest of the world was essentially in a monetary expansion phase. All of which resulted in the strengthening of the dollar against all currencies driving the US currency to its highest level in ten years.

USD EFFECTIVE EXCHANGE RATE

Source: Datastream

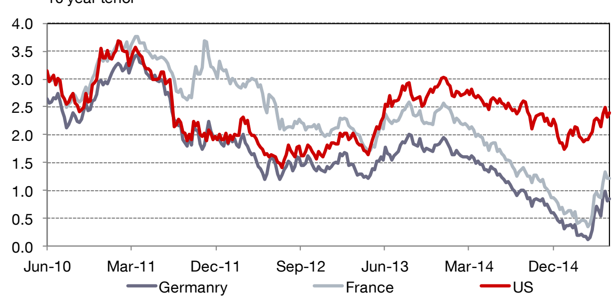
In addition to these contextual factors, there was the decline in oil prices and fears of deflation in the eurozone which contributed to pushing long-term nominal interest rates into negative territory.

Since April, numerous doubts have resurfaced over US growth, the timetable for the rise in Fed rates, the structural strength of the dollar, deflation risks in the eurozone (against the backdrop of a slight recovery in commodity prices and the implementation of quantitative easing by the ECB) and durably low interest rates in all developed countries.

…AND TO MORE VOLATILITY.

All these new doubts have affected the leniency observed in the markets since last year. Accordingly, there has been a substantial correction in the bond markets of all the major developed regions since April, and the dollar has stopped appreciating against all currencies. This environment of greater market volatility could last over the coming quarters as underlined by the president of the ECB at the beginning of June.

LONG TERM RATES



Source: Datastream

Uncertainty over the timetable for monetary normalisation in the United States as well as over deflationary risks in the eurozone are therefore likely to cause recurrent turbulence in the markets. This turbulence could be exacerbated by the fact that the valuation of assets, notably stock market assets, have reached levels that are equal to or even exceed pre-

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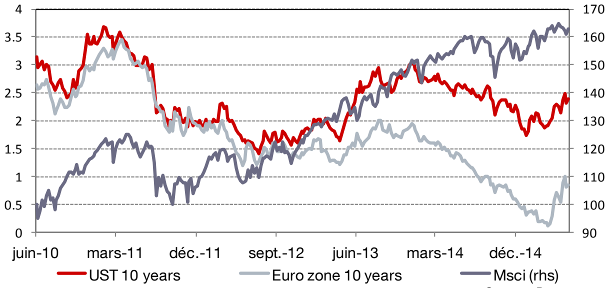
crisis levels. Since 2012, stock market prices in the main developed regions have literally exploded: +50% for Japan, +70% for the eurozone and +80% for the United States. However, the profits of listed companies have not experienced the same progression at all over the period.

More broadly, inflated asset prices increasingly make trickier the implementation of unconventional monetary policies. The exit mechanisms for this type of policy have never been tested and any initial fears of monetary tightening could result in, sometimes considerable, market shocks.

EQUITIES AND INTEREST RATES



Source: Datastream

MORE VOLATILITY, LESS LIQUIDITY

The relatively violent movements observed in the markets over the past recent years, even intraday, raise questions over the nature of liquidity. Admittedly, the major central banks have injected considerable liquidity since 2010 but it has been partially recycled in increasingly segmented, risky and sometimes illiquid markets, against the backdrop of a search for yield. In addition, massive purchases by central banks create sudden shortage effects in some market segments of the yield curve. Moreover, the banking sector, which was a significant provider of market liquidity, notably for the bond markets, has reduced its market-making activities for regulatory reasons. In this environment, prices in fixed income markets are subject to substantial distortions and are no longer formed according to the usual mechanisms.

The financial context therefore appears to be paradoxical. On the one hand, huge amounts of liquidity injected by central banks, and on the other hand liquidity risks related to structural market trends. The combination of constantly rising asset prices over the last five years in developed countries, uncertainty over US monetary policy and doubts over the liquidity of some markets constitute a cocktail that needs to be closely monitored. More particularly, with regard to the possible consequences of higher volatility on emerging markets. Surprises (upwards or downwards) regarding activity in the United States and the timing of Fed's rate hikes for the raising of rates look set to last over the coming quarters and continue to fuel sudden market movements.

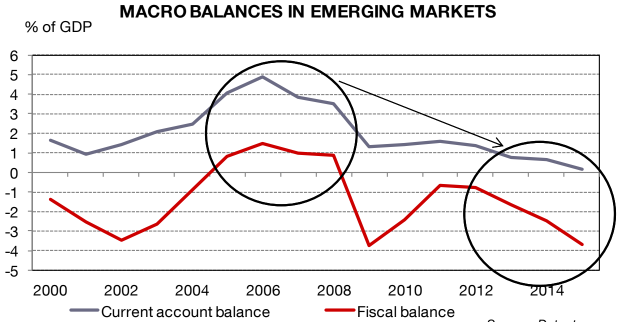
GLOBAL GROWTH COULD SUFFER FROM POTENTIAL MARKET SHOCKS

Markets vulnerability is a key risk factor, particularly in the United States where the financing of the economy and confidence are more dependent upon markets. This may partially explain the Fed's reluctance to initiate the famous phase of raising rates. Anticipations of excessive tightening could have harmful effects on asset prices and jeopardise US growth.

In the eurozone, even though growth is accelerating slightly, it remains fragile and deflationary risks have not disappeared. In the United Kingdom, growth seems to be running out of steam. An additional shock on European interest rates could undermine the timid recovery in some countries. In a very low inflation (or deflationary) environment, real interest rates still remain high. Japan has emerged from recession but the question over the effectiveness of "Abenomics" remains open.

More volatile financial markets are expected to complicate the situation of some emerging countries that remain exposed to market shocks (Turkey, Brazil, Indonesia, South Africa). More generally, emerging countries look set to continue their "gradual landing" phase initiated nearly five years ago. It is important to note that the emerging market economies are facing fragilities which are primarily domestic rather than external. The question is to know how to stabilise and boost activity in countries where the growth model is running out of steam. This question is especially sensitive since the leeway on economic policy is now more limited than at the time of the Lehman shock.

MACRO BALANCES IN EMERGING MARKETS



Source: Datastream

MACROECONOMIC FORECASTS

Real GDP (growth rate, as %)[1]	2012	2013	2014	2015 (f)	2016 (f)	Share of world GDP 2013 (As %) Purchasing power parities[2]	Share of world GDP 2013 (As %) Current prices rates	GDP - 2013 USDbn Current prices rates
Industrialised countries	**1.1**	**1.3**	**1.7**	**1.8**	**2.1**	**39.7**	**57.1**	**43,129**
United States	2.3	2.2	2.4	2.3	2.8	16.3	22.2	16,768
Japan	1.7	1.6	-0.1	0.9	1.3	4.6	6.5	4,927
Euro area	-0.8	-0.3	0.9	1.3	1.6	12.3	17.3	13,091
Germany	0.6	0.2	1.6	1.6	1.8	3.5	4.9	3,738
France	0.2	0.7	0.2	1.0	1.5	2.5	3.7	2,809
Italy	-2.8	-1.7	-0.4	0.7	1.0	2.0	2.8	2,137
Spain	-2.1	-1.2	1.4	2.6	1.9	1.5	1.8	1,393
United Kingdom	0.7	1.7	2.8	2.2	2.0	2.4	3.6	2,680
Emerging countries	**4.7**	**4.7**	**4.4**	**4.1**	**5.0**	**60.3**	**42.9**	**31,731**
Asia	6.2	6.5	6.4	6.1	6.1	32.0	21.4	16,403
China	7.7	7.7	7.4	6.8	6.6	15.7	12.5	9,576
India	5.1	6.9	7.3	7.5	8.0	6.6	2.5	1,885
Africa	3.7	4.1	4.1	3.7	4.5	3.9	2.6	1,621
Latin America	2.9	2.9	1.0	0.5	2.6	8.8	7.8	5,939
Brazil	1.8	2.7	0.1	-1.5	1.0	3.1	3.2	2,393
Eastern Europe (incl. Turkey, ex. Russia)	1.5	2.7	2.2	2.1	3.8	4.8	3.7	2,688
Russia	3.4	1.3	0.6	-3.5	0.5	3.4	2.8	2,093
Middle East	3.9	1.8	2.2	3.1	4.0	7.4	4.6	2,987
World - Purchasing power parities ponderation	**3.2**	**3.3**	**3.4**	**3.2**	**3.9**	**100**		
World - Current prices rates ponderation	**2.6**	**2.7**	**2.8**	**2.9**	**3.4**		**100**	**74,860**
Oil price (Brent USD/Barrel)	**111**	**112**	**100**	**60**	**65**			
Consumer prices index (growth rate, as %)								
United States	2.1	1.5	1.6	-0.5	1.7			
Japan (CPI national)	0.0	0.4	2.7	0.8	1.0			
Euro area	2.5	1.4	0.4	0.2	1.2			
Germany (HICP)	2.1	1.6	0.8	0.3	1.5			
France (CPI)	2.0	0.9	0.5	0.3	1.2			
Italy (HICP)	3.3	1.3	0.2	0.2	1.0			
Spain (HICP)	2.4	1.4	-0.1	-0.4	0.8			
United Kingdom (HICP)	2.8	2.6	1.5	0.1	1.9			

[1] *The annual numbers are seasonnaly and working-day adjusted and hence may differ from the basis used for official projections.*

[2] *Purchasing Power Parity (PPP) is the monetary exchange rate that equalises the cost of a standardised basket of goods between different countries. The GDP weighting of different countries as a share of world GDP expressed in PPP is based on the latest estimates by the World Bank*

	Jun 15	Dec 2015	Jun 2016	Dec 2016	2014	2015 (f)	2016 (f)
Interest rates							
United States							
Fed Funds target rate	0.25	0.50	1.00	1.75	0.25	0.30	1.05
10 year Gvt Bonds	2.4	2.8	3.0	3.2	2.5	2.4	3.0
Japan							
Intervention rate	0.08	0.05	0.05	0.05	0.07	0.05	0.05
10 year Gvt Bonds	0.4	0.5	0.7	0.8	0.6	0.5	0.7
United Kingdom							
Bank rate	0.50	0.50	0.75	1.00	0.50	0.50	0.75
10 year Gvt Bonds	2.1	2.2	2.5	2.7	2.5	2.0	2.5
Euro area							
Refinancing rate	0.05	0.05	0.05	0.05	0.16	0.05	0.05
10 year Gvt Bonds							
Germany	0.8	1.0	1.2	1.5	1.2	0.7	1.3
France	1.2	1.3	1.5	1.8	1.7	1.0	1.6
Italy	2.1	2.2	2.4	2.7	2.9	1.9	2.5
Spain	2.1	2.2	2.4	2.7	2.7	1.9	2.5
Exchange rates							
EUR / USD	1.12	1.05	1.05	1.10	1.33	1.10	1.07
EUR / GBP	0.71	0.70	0.70	0.70	0.81	0.72	0.70
EUR / JPY	139	131	131	138	140	134	133
GBP / USD	1.58	1.50	1.50	1.57	1.65	1.52	1.52
USD / JPY	124	125	125	125	106	122	125

EURO AREA: CONVERGENCE

The euro area's economy has finally accelerated and this rebound would be confirmed in 2015 and 2016, with growth of around 1.5%. In addition, this recovery would be accompanied by a reduction in the differences in performance between the major euro area economies. However, some volatility, both in terms of markets and economic performances, would persist within the region.

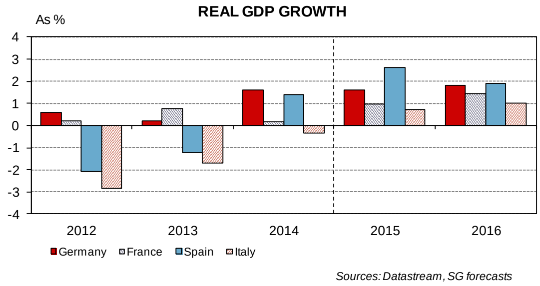
Overall, the euro area's economy has accelerated very gradually: in Q1 2015, growth amounted to +1.3% year-on-year. For the rest, the ongoing improvement in the business climate suggests the continuation of this trend. The effects of this recovery, even if it remains very gradual, are starting to be felt in the labour market: compared with the peak reached in 2013, the unemployment rate has fallen by one point, although it remains 4 points higher than the pre-crisis level.

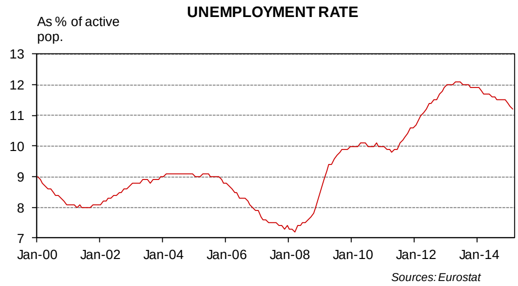
This strengthening of activity and employment, as well as the support that low inflation gives to households' purchasing power, would enable the pick-up in consumption to continue. And the gradual improvement in the demand outlook, as well as very accommodative monetary and financial conditions, would support a gradual pick-up in investment.

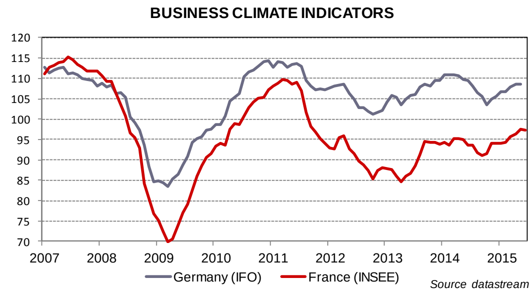
All in all, Euro area growth would gain momentum, albeit moderately, in 2015-2016.

A notable difference compared with previous years is the tendency for the divergences within the region to diminish. Accordingly, the German recovery has recently proved to be less robust than expected, Spain has provided further confirmation of its rebound even if it looks set to moderate, the Italian economy is taking off again and France is gradually accelerating.

However, this trend could conceal some volatility, in terms of both interest and exchange rates and growth performances, as illustrated recently.







As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**-0.8**	**-0.3**	**0.9**	**1.3**	**1.6**
Household consumption	-1.3	-0.6	1.0	1.7	1.5
Total investment	-3.5	-2.3	1.2	1.8	2.5
Exports	2.9	2.1	3.7	3.7	4.0
Imports	-0.6	1.3	4.0	4.5	4.1
Contribution of inventories to growth	-0.8	0.0	0.0	0.0	0.0
Households					
Purchasing power of disposable income	-1.7	-0.5	1.0	1.7	1.0
Unemployment rate	11.4	12.0	11.6	10.9	10.5
Saving rate	12.4	12.6	12.8	13.0	12.5
Inflation rate	**2.5**	**1.4**	**0.4**	**0.2**	**1.2**
Public sector balance (as % of GDP)	**-3.6**	**-2.9**	**-2.4**	**-2.2**	**-2.0**
Current account balance (as % of GDP)	**1.5**	**2.1**	**2.4**	**2.4**	**2.4**

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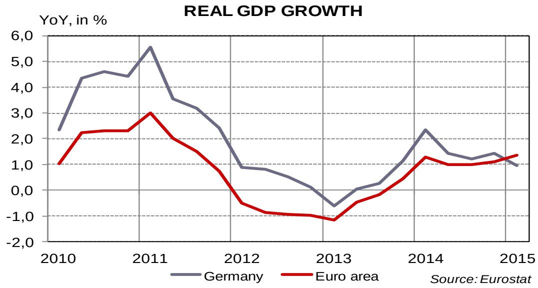
GERMANY: THE LOCOMOTIVE IS RUNNING OUT OF STEAM

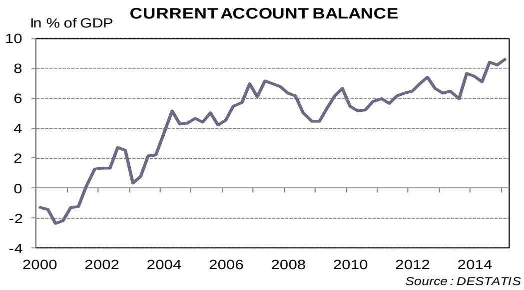
After a new cold spell in Q1 2015, Germany no longer appears to be a locomotive for the euro area, both now having virtually similar growth rates. This trend would persist in 2015-2006. That said, Germany continues to stand out from its euro area partners on account of its historically low unemployment rate, and its healthier public finances.

Germany stands out significantly from its euro area partners through its labour market, with an unemployment rate that is at an all-time low, and healthier public finances, with a breakeven budget and a debt that has been declining for several years. However, it no longer stands out in terms of the dynamism, or rather lack of dynamism, of its growth. Accordingly, in Q1 2015, the year-on-year growth in German GDP fell below the 1% mark while the euro area finally moved above this mark. Consequently, Germany no longer appears to be a locomotive for the euro area.

The decline in inflation in 2015 in the wake of oil prices would bolster households' purchasing power, while the historically low unemployment rate is expected to encourage households to consume this additional purchasing power. That said, they would smooth their consumption slightly between 2015 and 2016 through a one-off increase in savings. In addition, over the last few quarters, the rebound in domestic demand has been accompanied by the renewed dynamism of imports, which has hampered growth. Conversely, despite the decline in the euro, German exports seem to have suffered from the slowdown in emerging economies.

Still buoyed by extremely accommodative financing conditions and companies' healthy financial situation, the rebound in investment would continue but without managing to accelerate, adversely affected by the uncertainty surrounding the demand outlook. This uncertainty is notably illustrated by the last few quarters where both exports and investment experienced uneven trends.





As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**0.6**	**0.2**	**1.6**	**1.6**	**1.8**
Household consumption	0.6	0.9	1.2	2.2	1.9
Capital goods investment	-2.3	-2.1	4.2	2.7	3.1
Construction investment	1.6	0.1	3.4	1.9	2.4
Exports	3.5	1.7	3.7	4.1	4.1
Imports	0.4	3.2	3.4	5.0	4.7
Contribution of inventories to growth	-1.4	0.2	-0.2	-0.3	0.0
Households					
Purchasing power of disposable income	0.0	0.2	1.5	1.8	1.4
Unemployment rate	6.8	6.9	6.7	6.4	6.1
Saving rate	9.4	9.1	9.4	9.0	8.5
Inflation rate	**2.1**	**1.6**	**0.8**	**0.3**	**1.5**
Public sector balance (as % of GDP)	**0.1**	**0.1**	**0.0**	**0.2**	**0.3**
Current account balance (as % of GDP)	**6.9**	**6.6**	**7.8**	**8.1**	**7.8**

FRANCE: BETTER BUT…

After almost four years of near stagnation, 2015 has begun on a positive note with a sharp rebound in growth. However, this good performance appears fragile: it is based primarily on strong energy consumption and inventory rebuilding. In 2015 and 2016, the acceleration is likely to remain limited, with growth of around 1% in 2015 and 1.5% in 2016.

With growth of 0.6% Q/Q, a rate that it had no longer experienced for nearly two years, activity in France provided a positive surprise in Q1 2015. However, growth appears less robust than this good figure would suggest. It was based primarily, at the beginning of 2015, on inventory rebuilding and buoyant energy consumption by households. On the hand, exports slowed, corporate investment virtually stagnated for the 5th consecutive quarter and household investment continued on the downtrend that began four years ago now.

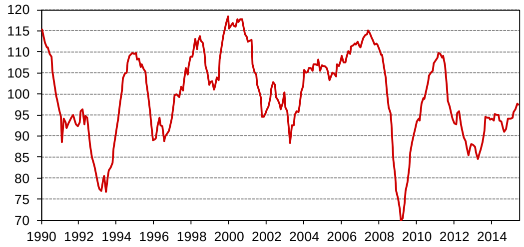
For the rest, the INSEE business climate index has improved significantly but remains set below its long-term average, corroborating the scenario of an improvement in the French economy that would remain modest.

Persistently high unemployment would continue to hamper household demand. However, household consumption would be underpinned by purchasing power gains resulting notably from the decline in oil prices but household investment would stabilise very gradually in 2016.

Corporate investment is finally expected to take off again, underpinned by the improvement in the demand outlook and extremely favourable financing conditions. However, this pick-up would remain gradual due to a margin ratio that remains very deteriorated despite the initial effects of the implementation of the CICE (tax credit to bolster competitiveness and jobs).

All in all, activity would slowly accelerate, amounting to around 1% in 2015, and 1.5% in 2016.

BUSINESS CLIMATE INDEX

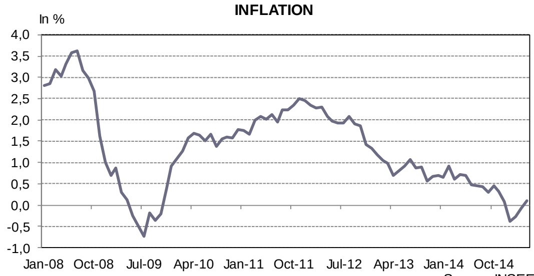


Sources: INSEE

UNEMPLOYMENT RATE

Sources: INSEE

INFLATION



Source: INSEE

As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**0.2**	**0.7**	**0.2**	**1.0**	**1.5**
Household consumption	-0.2	0.5	0.6	1.6	1.5
Corporate investment	-0.1	0.8	2.0	1.1	3.3
Household investment	-2.1	-1.5	-5.3	-4.2	1.5
Exports	2.6	1.8	2.4	4.8	4.2
Imports	0.8	1.8	3.9	6.1	4.0
Contribution of inventories to growth	-0.6	0.2	0.2	0.4	0.0
Households					
Purchasing power of disposable income	-0.9	-0.1	1.1	1.6	1.1
Unemployment rate	9.4	9.9	9.9	10.0	9.7
Saving rate	15.1	14.7	15.1	15.0	14.7
Inflation rate	**2.0**	**0.9**	**0.5**	**0.3**	**1.2**
Public sector balance (as % of GDP)	**-4.8**	**-4.1**	**-4.0**	**-4.0**	**-3.8**
Current account balance (as % of GDP)	**-1.5**	**-1.4**	**-1.0**	**-1.2**	**-1.2**

ITALY: MIXED SIGNALS

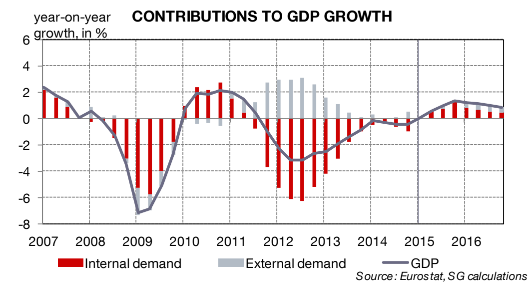
The Q1 GDP report confirmed the return to growth of the Italian economy after three years of recession. However, the situation in the labour market remains fragile and the economic indicators are mixed. Growth is not expected to exceed 1% in 2015 and 2016, which would be insufficient to reduce public debt and bring down unemployment.

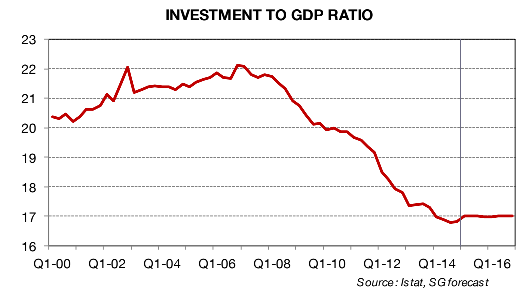
Italy posted its best quarterly performance since 2011, with 0.3% growth in Q1 2015. The reconstitution of stocks after substantial destocking at end-2014 is the main reason for this rebound, whereas the external contribution was negative. While confidence indicators, both for consumers and business executives, are healthy, the recovery is slow to gather momentum.

Retail sales have been stagnating at their lowest level since 2002, industrial production is still 25% below its pre-crisis level and the investment rate is at its lowest level. Recent export performances are disappointing, with Italy suffering from competitiveness damaged by wage rises that have been higher than productivity for several years. However, the euro's depreciation is likely to provide exporting SMEs with some breathing room.

In terms of good news, the unemployment rate has started to decline, returning to 12.4% in April after peaking at 13% in November. Slightly higher job creations, real wages returning to positive growth and tax measures in favour of households are expected to bolster purchasing power in 2015.

The Constitutional Court decision invalidating the temporary freeze on the revaluation of pensions is only expected to have a limited impact on Italian public finances (0.13 points of GDP in 2015), since the Italian government is only likely to implement a partial and gradual restoration of pensions. The Italian budget deficit deteriorated in 2014 despite a decrease in interest expenses and is only expected to be reduced slowly. With growth of 0.7% in 2015 and 1% in 2016, we do not anticipate a reduction in public debt by 2016.





As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**-2.8**	**-1.7**	**-0.4**	**0.7**	**1.0**
Household consumption	-4.0	-2.8	0.3	0.5	0.7
Capital goods investment	-6.5	-5.4	-1.6	-0.2	2.0
Construction investment	-9.5	-7.1	-4.7	-0.6	0.0
Exports	2.0	0.7	2.4	3.1	3.2
Imports	-8.3	-2.2	1.7	3.2	2.0
Contribution of inventories to growth	-1.2	0.3	-0.1	0.0	0.0
Households					
Purchasing power of disposable income	-4.4	-0.6	0.3	1.0	0.5
Unemployment rate	10.6	12.1	12.6	12.3	12.3
Savings rate	11.7	13.3	13.3	13.7	13.5
Inflation rate	**3.3**	**1.3**	**0.2**	**0.2**	**1.0**
Public sector balance (as % of GDP)	**-3.0**	**-2.9**	**-3.0**	**-2.7**	**-2.5**
Current account balance (as % of GDP)	**-0.4**	**0.9**	**1.9**	**2.5**	**2.9**

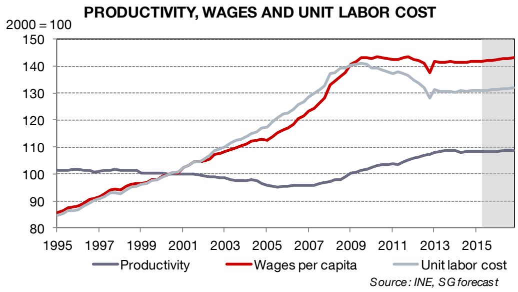
SPAIN: IMBALANCED

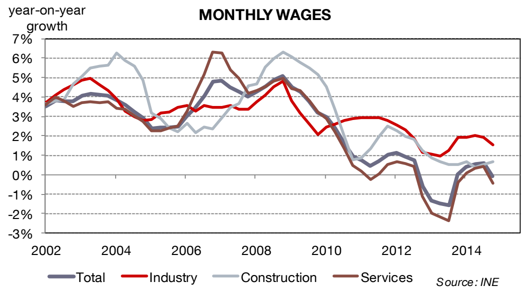
The year got off to a very strong start in Spain with 0.9% growth in Q1. Robust employment underpin household consumption, especially as nominal wages are picking up against a backdrop of virtually zero inflation. However, productivity has been stagnating for two years, which is worrying for the Spanish economy's growth potential.

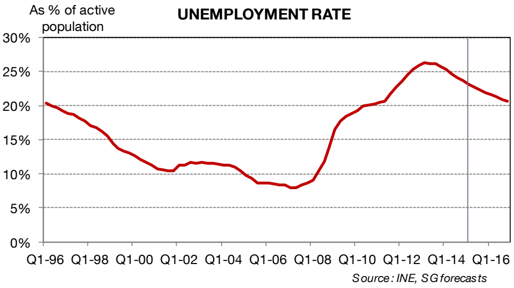
GDP has been accelerating in Spain for a year. Growth amounted to 2.6% year-on-year in Q1 2015, vs. an average of 1% in the eurozone. The recovery was initially driven by capital goods investment, which has risen by 17% since the beginning of 2013. Job creations subsequently helped household consumption take over, underpinned by wages that stopped shrinking in 2014 and prices that have been declining for a year. Finally, activity picked up in the construction sector in Q2 2014, with an increase in construction investment of nearly 5% year-on-year.

However, this recovery, driven by domestic demand, does not enable a sufficient rebalancing of the Spanish economy, which would require a phase of debt reduction by private and public agents and a sufficient current account surplus to reduce the external debt. Exports of goods and services have constituted a support factor, but their growth has remained moderate since 2011 (average of 3% each year) and failed to generate a positive foreign trade contribution in 2014 given the strong growth in imports (+6.3% in 2014).

Finally, while unemployment has reduced, it is to the detriment of labour productivity, which has declined slightly since mid-2014. The main concern is focused on the medium-term growth outlook, when unemployment has returned to its structural level. GDP is nevertheless expected to increase by 2.6% in 2015 and 1.9% in 2016, on the back of investment and private consumption. The unemployment rate is expected to return to below 21% by the end of 2016.







As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**-2.1**	**-1.2**	**1.4**	**2.6**	**1.9**
Household consumption	-2.9	-2.3	2.4	2.9	1.9
Total investment	-8.1	-3.8	3.4	5.4	4.4
Exports	1.2	4.3	4.2	5.0	4.4
Imports	-6.3	-0.5	7.6	5.7	5.3
Contribution of inventories to growth	-0.1	0.0	0.2	-0.2	0.0
Households					
Purchasing power of disposable income	-5.1	-1.1	1.5	3.6	1.6
Unemployment rate	24.8	26.1	24.5	22.5	21.1
Savings rate	10.4	10.2	9.5	10.2	9.9
Inflation rate	**2.4**	**1.4**	**-0.1**	**-0.4**	**0.8**
Public sector balance (as % of GDP)	**-10.4**	**-6.9**	**-5.8**	**-4.5**	**-3.9**
Current account balance (as % of GDP)	**-0.3**	**1.4**	**0.8**	**1.5**	**1.3**

UNITED KINGDOM: COLD SPELL REGARDING GROWTH

After a dynamic year in 2014 but where the first signs of a slowdown emerged, UK growth experienced a cold spell at the beginning of 2015. Even if the economy were to regain some strength as from Q2, this heralds more moderate growth in the future. In addition, persistent imbalances carry risks for the future.

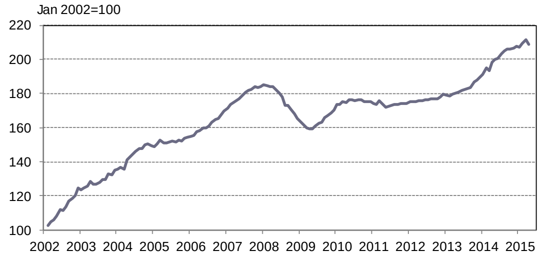
The UK economy was particularly dynamic in 2014, posting growth of 2.8%. That said, this performance concealed a slowdown during the year, with growth that went from 0.9% in Q1 to 0.6% in the last quarter. And the UK economy experienced a real cold spell at the beginning of 2015, with growth that fell back to 0.3%: the very poor performance of foreign trade more than offset the pick-up in domestic demand after a very poor Q4 2014.

The accumulation of signs of a slowdown points to less dynamic growth in the future. However, the rebound in investment and a likely correction in foreign trade after a Q1 marked by particularly strong imports and distinctly flagging exports, suggest a rebound in growth in the short term. All in all, UK growth is expected to be around 2% in 2015-2016.

Against this backdrop of a slowdown in activity, while consumer prices have fallen slightly (-0.1% in April 2015), the tightening of monetary policy by the Bank of England no longer appears to be on the card for the forecast horizon.

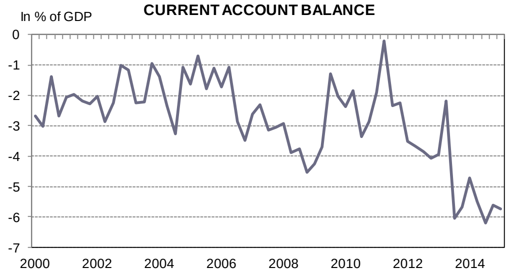
In addition, the persistent imbalances pose a risk for the future trajectory of the UK economy. Accordingly, public debt is not expected to stabilise before 2017, the current account deficit has reached worrying levels, of more than 5% of GDP, and the property bubble continues inflating with house prices that have again increased by nearly 10% year-on-year.

HOUSE PRICE INDEX



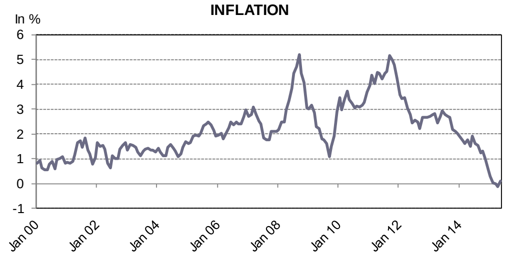
Source: ONS

CURRENT ACCOUNT BALANCE



Source : ONS

INFLATION



Source : datastream

As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**0.7**	**1.7**	**2.8**	**2.2**	**2.0**
Household consumption	1.1	1.7	2.5	2.3	2.0
Non residential fixed investment	4.2	5.3	7.5	3.3	3.0
Residential investment	-3.1	6.2	9.0	4.0	4.8
Exports	0.7	1.5	0.6	4.4	3.3
Imports	3.1	1.4	2.2	5.2	3.2
Contribution of inventories to growth	0.1	0.2	0.2	0.1	0.0
Households					
Purchasing power of disposable income	1.6	0.1	0.6	3.5	1.8
Unemployment rate	8.0	7.5	6.1	5.8	5.8
Saving rate	8.0	6.4	6.0	6.3	5.9
Inflation rate (HICP)	**2.8**	**2.6**	**1.5**	**0.1**	**1.9**
Public sector balance (as % of GDP)	**-8.3**	**-5.7**	**-5.7**	**-4.7**	**-4.0**
Current account balance (as % of GDP)	**-3.8**	**-4.4**	**-5.5**	**-5.6**	**-5.4**

UNITED STATES: TEMPORARY SOFT SPOT?

Apart from sharp fluctuations from one quarter to the next, the underlying trend of US growth nevertheless remains between 2% and 2.5% on an annual basis. We continue to anticipate an acceleration in growth over the next few quarters, but downside risks attached to this forecast have increased. Against this backdrop, the Federal Reserve is expected to start raising its key rate in H2 15, only if data on activity, prices and wages show clear signs of improvement.

GDP shrank by -0.7% Q/Q on an annualised basis in Q1 2015. A large part of this contraction is due to technical and temporary factors as persistent seasonal effect, specific weather and strikes. However, uncertainty continues regarding a more lasting slowdown, especially as the restrictive effects of the dollar's appreciation will be felt over the next few quarters. Moreover, leading indicators for Q2 remain mixed for the moment.

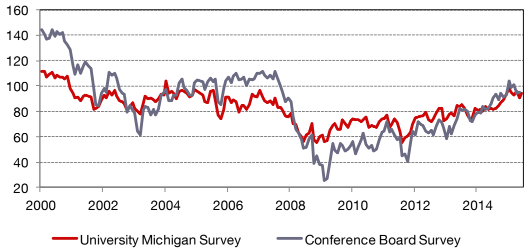
Some of the uncertainty stems from consumer behaviour. In Q1, consumption slowed despite purchasing power gains generated by declining energy prices. We expect this savings surplus to be spent over the following quarters, but household confidence indicators do not show a notable improvement.

Another point of uncertainty relates to the diagnosis of the labour market. Unemployment rate continues to decline and job creations recently appeared to be more dynamic than the trend in activity would suggest. That said, there is still no sign of a significant acceleration in wages. Against this backdrop, the Fed is only likely to start raising its key rate in H2 15 if economic data showed tangible signs of improvement between now and then.

BUSINESS CONFIDENCE (ISM SURVEYS)

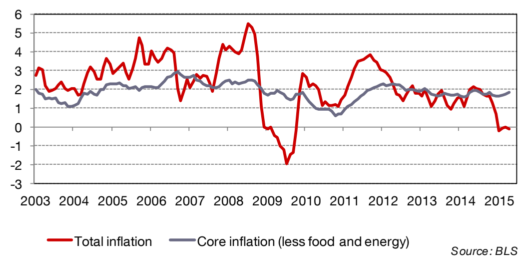
Source: ISM

HOUSEHOLDS CONFIDENCE



Source: Datastream

INFLATION



Source: BLS

As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**2.3**	**2.2**	**2.4**	**2.3**	**2.8**
Household consumption	1.8	2.4	2.5	3.2	2.9
Non residential fixed investment	7.2	3.0	6.3	4.4	6.4
Residential fixed investment	13.5	11.9	1.6	5.3	4.9
Exports	3.3	3.0	3.2	1.2	4.3
Imports	2.3	1.1	4.0	6.1	4.7
Contribution of inventories to growth	0.1	0.0	0.0	0.2	0.0
Households					
Purchasing power of disposable income	3.0	-0.2	2.5	4.1	2.9
Unemployment rate	8.1	7.4	6.2	5.3	4.9
Saving rate	7.2	4.9	4.9	5.6	5.7
Inflation rate	**2.1**	**1.5**	**1.6**	**-0.5**	**1.7**
Public sector balance (as % of GDP)	**-9.0**	**-5.7**	**-4.6**	**-4.3**	**-4.0**
Current account balance (as % of GDP)	**-2.9**	**-2.4**	**-2.4**	**-3.1**	**-3.3**

JAPAN: EPHEMERAL INFLATION

Economic activity is expected to moderately expand by 0.9% in 2015 and 1.3% in 2016. Inflation is likely to remain low at around 1%, leading the Bank of Japan (BoJ) to postpone from April 2016 to April 2017, its objective of bringing inflation to 2%.

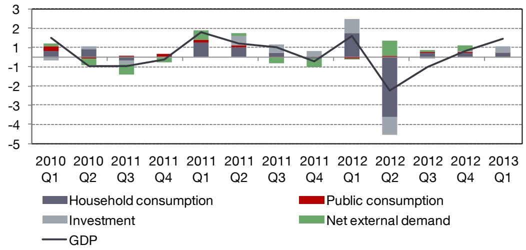
The exit from recession was confirmed in Q1 15 with a sharp acceleration of the GDP by 1% Q/Q (2.5% YoY), underpinned by a rebound in non residential investment. Yet, wage and export (in volume) trends, which were encouraging at the beginning of the year, have become unfavourable. Against this backdrop, economic growth is likely to remain moderate at 0.9% in 2015 and 1.3% in 2016.

Inflation sharply declined to 0.6% YoY in April 2015, reflecting the fading out of the VAT increase base effects last year. Moreover, weak economic activity and moderate energy prices are likely to limit the rise in consumer price index to an average of 1% over the next two years. Consequently, the BoJ has pushed back its 2% inflation target from April 2016 to April 2017. However, this target is still difficult to achieve, even on this more distant time horizon.

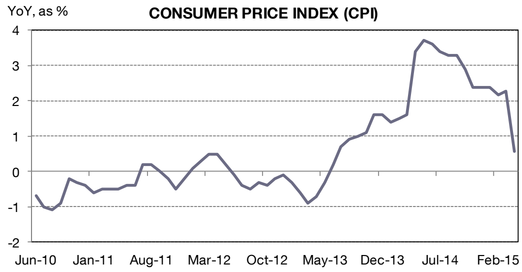
Weak growth in nominal GDP poses certain risks for the public debt sustainability (226% of GDP). If sufficiently credible tax measures to offset the postponement to April 2017 of the second VAT increase were not announced in the July 2015 budget strategy then investor confidence could be damaged.

The reduction in energy imports (due to the decline in prices) has led to a significant improvement in the current account surplus, which is expected to average 3% of GDP over the next two years (vs. 0.5% in 2014). Four years after Fukushima, Japanese local and regulatory authorities only authorised the restarting of two nuclear reactors (out of a potential total of 43) in May. Therefore, Japan's dependency on energy imports is not about to rapidly decline.

REAL GDP GROWTH CONTRIBUTION

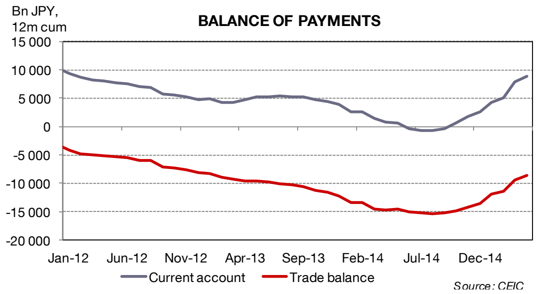


CONSUMER PRICE INDEX (CPI)



Source: Datastream

BALANCE OF PAYMENTS



Source: CEIC

As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**1.7**	**1.6**	**-0.1**	**0.9**	**1.3**
Household consumption	2.3	2.1	-1.3	0.3	1.5
Non residential fixed investment	3.6	0.6	3.6	1.2	1.8
Residential investment	3.2	8.7	-4.9	-2.5	3.8
Exports	-0.2	1.1	8.4	7.4	5.8
Imports	5.3	3.0	7.4	4.7	4.5
Contribution of inventories to growth	0.2	-0.4	0.1	0.3	0.0
Households					
Purchasing power of net disposable income	0.8	1.1	0.3	1.7	1.6
Unemployment rate	4.3	4.0	3.6	3.4	3.3
Saving rate	1.1	0.1	1.8	3.2	3.3
Inflation rate (CPI)	**0.0**	**0.4**	**2.7**	**0.8**	**1.0**
Public sector balance (as % of GDP)	**-8.7**	**-8.5**	**-7.7**	**-6.8**	**-5.8**
Current account balance (as % of GDP)	**1.0**	**0.8**	**0.5**	**2.8**	**3.1**

SOCIETE GENERALE

CHINA: POLICY EASING STARTS TO WORK

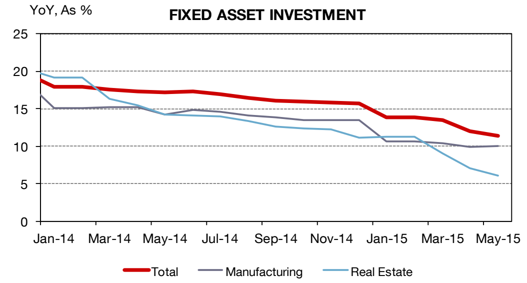
Real GDP is projected to gradually slow to 6.8% and 6.6% in 2015 and 2016. The policy stimulus undertaken since end-2014 has started to have some positive impact. It would help the authorities to achieve the "new normal" with lower and better growth.

The economy continued to show a weak pace into the year: exports have been contracting since March, financing sources of the economy (bank credit and non bank credit) declined by 21% in the first four months of 2015 (compared to the same period a year ago), and retail sales and investment further slowed in April. The only silver lining is a recovery in property prices with an increasing number of cities showing a MoM increase thanks to relaxation of prudential measures.

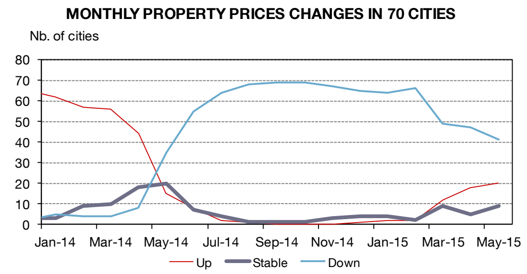
Low inflation (1.5% YoY in April) has helped the People's Bank of China (PBoC) to relax monetary policy by cutting the 1-year deposit and lending rates by 25bps, to 2.25% and 5.1% respectively in May. The PBoC also made further steps towards interest rate liberalization and launched the deposit insurance scheme. The overnight interbank rate significantly dropped to 1% early June (from 3.5% three months ago), suggesting that the monetary easing undertaken in the recent months has started to work.

The trend in the stock market has been decoupled from trends in the real economy. Low deposit interest rate and depressed real estate market have led share prices to skyrocket. The rapid increase in the number of small investors and the rise in trading on margin have increased market volatility and have raised some concerns on the (shadow) banking system from which investors have borrowed their money to buy stocks.

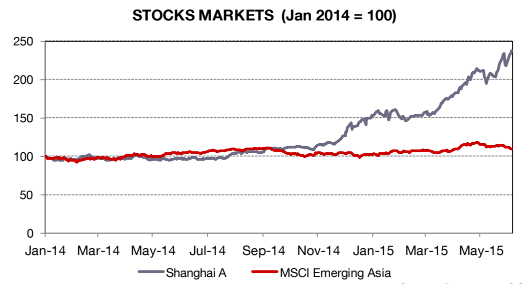
Against this backdrop, growth is expected to gradually decline to 6.8% in 2015 and to 6.6% in 2016. Private consumption would remain the key driver. Private investment would be supported by better financing conditions and improved situation in the real estate sector. Public infrastructure projects would also remain sustained. More fiscal and monetary easing is not ruled out in the face of further slowdown of the economy.



Source: CEIC



Source: National Bureau of Statisctics



Source: Datastream, SG

As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**7.7**	**7.7**	**7.4**	**6.8**	**6.6**
Consumption (contrib. to growth, pp)	4.2	4.1	3.8	3.8	3.8
Investment (contrib. to growth, pp)	3.5	3.7	3.6	3.0	2.8
External trade (contrib. to growth, pp)	0.4	-0.2	0.0	0.0	0.0
Inflation rate	**2.6**	**2.6**	**2.0**	**1.5**	**2.0**
General Government Balance (as % of GDP)	**0.2**	**-1.1**	**-1.1**	**-1.9**	**-2.2**
General Government Debt (as % of GDP)	**37.3**	**39.4**	**41.1**	**43.5**	**46.2**
External Debt (as % of GDP)	**9.0**	**10.4**	**10.7**	**11.0**	**11.5**
Current Account Balance (as % of GDP)	**2.6**	**1.9**	**2.0**	**1.8**	**1.6**

INDIA: PRIORITY IS GIVEN TO GROWTH

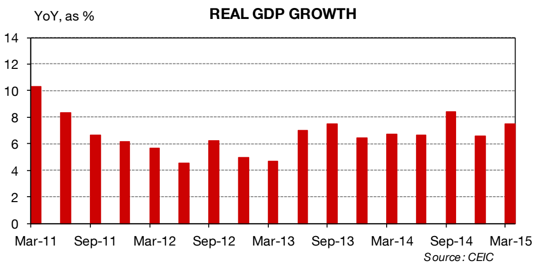
After two years devoted to reducing macroeconomic vulnerabilities, monetary policy, which has been accommodative since the beginning of the year, is expected to underpin the gradual recovery of economic activity.

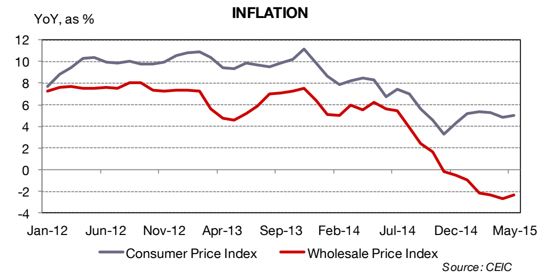
Real GDP continued to expand in Q1-15 (7.5% YoY) taking growth for the 2014 fiscal year (which ended on 31 March 2015) to 7.3% vs. 6.9% in 2013. Private consumption remains the main growth driver. Private investment strongly rebounded, underpinned by more accommodative monetary conditions and renewed investor confidence in the structural reforms' agenda announced in May 2014. While progress has been made in some areas (reduction of corruption, opening up to foreign direct investment), it is still disappointing in other areas (recapitalisation of public banks, implementation of Goods and Services Tax).

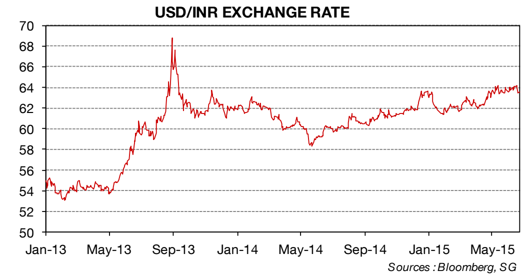
Inflation continued to decline (4.9% YoY in April 2015) mainly due to weaker food prices prompting the Reserve Bank of India (RBI) to further ease its monetary policy by lowering its key rate by 25bp to 7.25% in June 2015, bringing a total cumulative of 75bp since the beginning of the year.

Economic growth is expected to reach 7.5% in 2015. Private consumption and investment are likely to remain the main growth drivers. Public investment, notably in infrastructure (road and railways projects) is also likely to be an engine for growth. Meanwhile, exports are projected to gradually improve with the recovery in global demand.

Yet, the weak monsoon at the beginning of this year poses a downside risk for growth and upside risk for inflation. The negative impact on the consumption of the rural population which accounts for 68% of the total population is likely to hamper the economic recovery. The increase in agricultural prices and world oil (which accounts for 32% of total imports) prices, combined with the depreciation of the INR (9% vs. USD over the last year), could lead to renewed inflationary tensions.







As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**5.1**	**6.9**	**7.3**	**7.5**	**8.0**
Private consumption	5.5	6.2	6.3	8.0	8.6
Gross Fixed Capital Formation	-0.3	3.0	4.6	9.1	10.3
Exports	6.7	7.3	-0.8	8.6	9.5
Imports	6.0	-8.4	-2.1	1.0	1.2
Inflation rate	**10.2**	**9.5**	**6.0**	**5.3**	**5.5**
General Government Balance (as % of GDP)	**-7.5**	**-7.2**	**-7.2**	**-7.2**	**-7.1**
General Government Debt (as % of GDP)	**67.5**	**65.5**	**65.0**	**64.4**	**63.3**
External Debt (as % of GDP)	**21.7**	**23.2**	**22.6**	**22.6**	**22.0**
Current Account Balance (as % of GDP)	**-4.8**	**-1.7**	**-1.4**	**-1.3**	**-1.6**

SOCIETE GENERALE

BRAZIL: CHALLENGING FIRST HALF

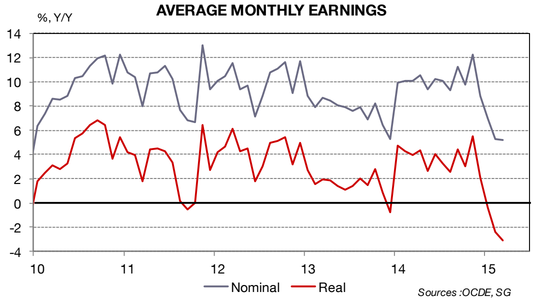
Activity looks set to remain anaemic over the next few months against the backdrop of a general contraction in domestic demand. Despite the fiscal and monetary adjustment initiated at the beginning of the year, inflation and the public deficit are likely to remain high.

The growth momentum remains sluggish. GDP shrank by 1.6% year-on-year in Q1-15 with, notably, a 1% decline in private consumption year-on-year (its first decline since 2003) and a 7.8% decline in investment year-on-year. The fall in private consumption, the country's main growth driver, reflects principally the drop in real incomes. The external sector was the only growth factor, supported by the fall in the BRL and a slight improvement in the terms of trade. Therefore, against a backdrop where domestic demand looks likely to remain lacklustre and the external environment is expected to become less favourable, activity looks set to decline over the next few months.

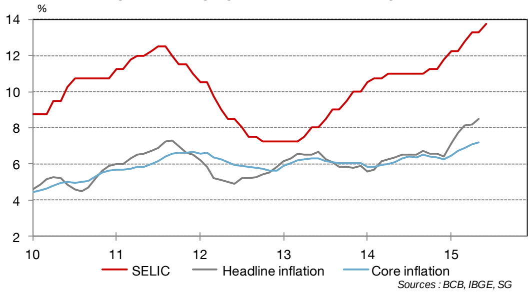
The BCB continued its monetary tightening cycle increasing, for the fifth consecutive time, its key rate to 13.75% with the aim of bringing down the inflation rate to 4.5% by the end-2016. However, inflation, which increased to 8.4% year-on-year in May, is only expected to decline gradually due to the adjustment of regulated prices (14.1% in May year-on-year) and subsidised interest rates (8.7% in May) as well as the different nominal rigidities present in the economy.

The public accounts of April showed no major change in trend. The total deficit stabilised at 7.5% of GDP, with a primary deficit of 0.8% of GDP (vs. 0.7% the previous month). The progressive deterioration in the primary balance illustrates principally the sharp slowdown in public revenue. Revenue has only risen by 3% on average since the beginning of the year vs. 13% for the previous year. Therefore, the target announced by the authorities of posting a primary surplus of 1.2% of GDP in 2015 is unlikely to be achieved.

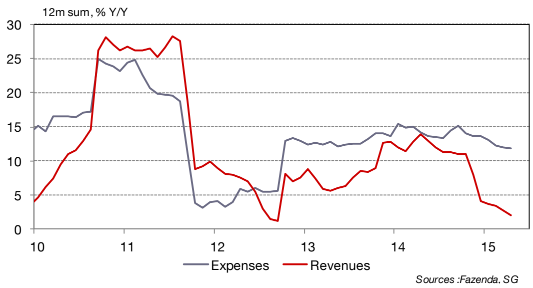
AVERAGE MONTHLY EARNINGS



MONETARY POLICY RATE AND INFLATION



CENTRAL GOVERNMENT EXPENSES AND REVENUES



As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**1.8**	**2.7**	**0.1**	**-1.5**	**1.0**
Households consumption	3.2	2.6	1.1	-0.8	0.7
Government consumption	3.3	2.0	2.0	-1.2	0.1
Investment	-4.0	5.2	-7.0	-5.9	2.2
Exports	0.5	2.5	-0.8	2.2	3.3
Imports	0.2	8.4	-1.0	-0.8	2.2
Inflation rate (CPIA)	**5.4**	**6.2**	**6.4**	**8.5**	**5.5**
Public balance (as % of GDP)	**-2.4**	**-3.3**	**-6.2**	**-5.7**	**-4.0**
Current account balance (as % of GDP)	**-2.4**	**-3.6**	**-4.5**	**-4.2**	**-3.8**

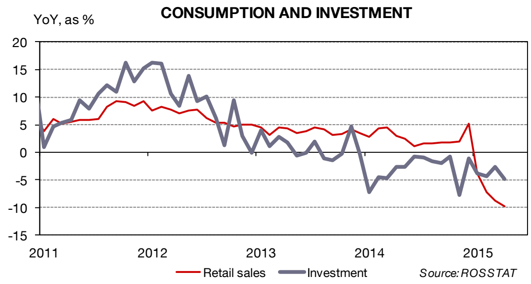
RUSSIA: THE ROUBLE REMAINS KEY

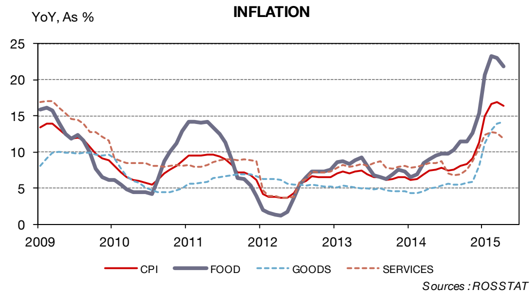
Activity continues to shrink even if Q1 data are less negative than expected. The contraction of real wages and companies' "wait-and-see" attitude are likely to adversely affect Russian performance over the coming quarters. Lower rouble volatility remains the key factor for stabilising the economy.

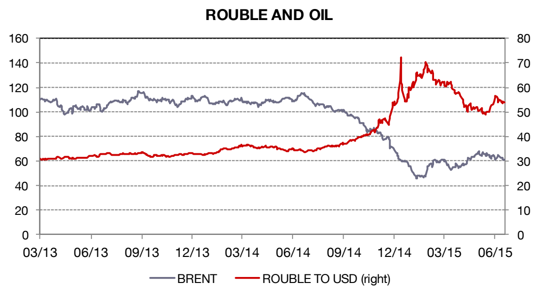
The Russian economy proved more resilient than expected in Q1. Industrial production, notably manufacturing production, held up well due to the sharp devaluation of the rouble which encouraged local production. This helped partially offset the shock due to the rates hike at end-2014. However, since April, there has been a substantial appreciation of the rouble against the dollar of nearly 25%, placing the exchange rate at its level of November 2014. This appreciation is the result of oil prices recovering by more than 30% since January. Moreover, the high level of interest rates has attracted speculative capital. This sharp appreciation seems to have adversely affected manufacturing production which plummeted in April by 7% year-on-year (vs. -1.9% in March). Without a gradual depreciation of the rouble, the contraction of activity is likely to remain pronounced over the coming quarters.

In light of the pressures concerning the appreciation of the rouble, the Central Bank of Russia (CBR) has again intervened on the foreign exchange market. However, this goes against its policy of inflation targeting and therefore the free fluctuation of the rouble. The CBR is therefore likely to remain active in order to maintain an exchange rate level that is compatible with a recovery in domestic activity. This would make it possible to contain the budget deficit but could result in a higher inflation regime.

On the other hand, the rouble's appreciation has helped initiate a decline in inflation. This is because of the significant transmission of the exchange rate path through in Russia, especially when the rouble is very volatile, due to the level of dollarisation of the economy. The slowdown in prices looks set to continue over the next few months which would enable the CBR to pursue its monetary easing policy. This will only be possible if the rouble stabilises.







As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**3.4**	**1.3**	**0.6**	**-3.5**	**0.5**
Private consumption	6.0	6.8	1.5	-3.5	1.0
Public spending	2.5	-0.2	1.0	-1.0	0.5
Gross Fixed Capital Formation	7.0	6.0	-4.0	-15.0	-5.0
Exports of goods and services	1.4	4.2	-0.1	0.0	1.0
Imports of goods and services	8.8	3.7	-5.0	-10.0	-3.0
Consumer prices (CPI)	**8.4**	**5.0**	**6.5**	**14.0**	**9.0**
Foreign debt (as % of GDP)	**31.0**	**32.0**	**32.0**	**40.0**	**38.0**
Budget balance (as % of GDP)	**0.8**	**0.0**	**-0.1**	**-3.0**	**-0.5**
Public debt (as % of GDP)	**11.0**	**12.0**	**13.0**	**14.0**	**16.0**

EURO AREA FORECAST

EURO AREA

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**-0.8**	**-0.3**	**0.9**	**1.3**	**1.6**
Total domestic demand	**-2.3**	**-0.7**	**0.9**	**1.6**	**1.5**
Private consumption	-1.3	-0.6	1.0	1.7	1.5
Public consumption	-0.1	0.2	0.6	1.0	0.8
Total investment	-3.5	-2.3	1.2	1.8	2.5
Contrib. of inventories to GDP growth	-0.8	0.0	0.0	0.0	0.0
External trade contribution	**1.5**	**0.4**	**0.0**	**-0.2**	**0.1**
Exports of goods and services	2.9	2.1	3.7	3.7	4.0
Imports of goods and services	-0.6	1.3	4.0	4.5	4.1
Consumer prices	**2.5**	**1.4**	**0.4**	**0.2**	**1.2**
% Change year-on-year, end of period	2.2	0.8	-0.2	0.8	1.4
Real Disposable income (% Change)	**-1.7**	**-0.5**	**1.0**	**1.7**	**1.0**
Unemployment rate (% average)	**11.4**	**12.0**	**11.6**	**10.9**	**10.5**

(National accounts adjusted for seasonal and calendar effects)

GROSS DOMESTIC PRODUCT

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Germany	0.6	0.2	1.6	1.6	1.8
Austria	1.0	0.1	0.4	0.8	1.5
Belgium	0.1	0.3	1.1	1.0	1.3
Cyprus	-2.4	-5.4	-2.8	-0.5	1.4
Spain	-2.1	-1.2	1.4	2.6	1.9
Finland	-1.4	-1.3	-0.1	0.7	1.3
France	0.2	0.7	0.2	1.0	1.5
Greece	-6.6	-3.9	0.8	0.5	1.5
Ireland	-0.3	0.2	4.8	3.6	3.5
Italy	-2.8	-1.7	-0.4	0.7	1.0
Luxembourg	-0.1	2.0	3.0	3.1	2.5
Malta	2.5	2.7	3.5	3.6	3.2
Netherlands	-1.6	-0.7	0.9	1.7	1.5
Portugal	-4.0	-1.6	0.9	1.6	1.8
Slovakia	1.6	1.4	2.4	3.0	3.4
Slovenia	-2.6	-1.0	2.6	2.3	2.1

FRANCE

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**0.2**	**0.7**	**0.2**	**1.0**	**1.5**
Domestic demand (incl. inventories)	**-0.3**	**0.8**	**0.7**	**1.4**	**1.4**
Private consumption	-0.2	0.5	0.6	1.6	1.5
General gov. consumption expenditure	1.6	1.7	1.5	1.1	0.7
GFCF of non financial enterprises	-0.1	0.8	2.0	1.1	3.3
GFCF of households	-2.1	-1.5	-5.3	-4.2	1.5
GFCF of general government	1.8	0.2	-6.9	-1.7	0.5
Contrib. of inventories to GDP growth	-0.6	0.2	0.2	0.4	0.0
External trade contribution	**0.5**	**0.0**	**-0.5**	**-0.5**	**0.0**
Exports of goods and services	2.6	1.8	2.4	4.8	4.2
Imports of goods and services	0.8	1.8	3.9	6.1	4.0
Consumer prices (CPI)	**2.0**	**0.9**	**0.5**	**0.3**	**1.2**
% change year-on-year, end of period	1.3	0.7	0.1	1.0	1.2
Employment	**0.1**	**-0.6**	**-0.2**	**0.1**	**0.3**
Unemployment rate (ILO)	**9.4**	**9.9**	**9.9**	**10.0**	**9.7**
Real Disposable income	**-0.9**	**-0.1**	**1.1**	**1.6**	**1.1**
Household saving rate	**15.1**	**14.7**	**15.1**	**15.0**	**14.7**

GERMANY

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**0.6**	**0.2**	**1.6**	**1.6**	**1.8**
Domestic demand (incl. inventories)	**-0.9**	**0.8**	**1.4**	**1.9**	**2.1**
Private consumption	0.6	0.9	1.2	2.2	1.9
Public consumption	1.2	0.7	1.2	1.9	1.5
GFCF of capital goods	-2.3	-2.1	4.2	2.7	3.1
GFCF of construction	1.6	0.1	3.4	1.9	2.4
GFCF of general government	1.4	1.3	9.0	6.0	6.0
Contrib. of inventories to GDP growth	-1.4	0.2	-0.2	-0.3	0.0
External trade contribution	**1.4**	**-0.5**	**0.3**	**-0.1**	**0.0**
Exports of goods and services	3.5	1.7	3.7	4.1	4.1
Imports of goods and services	0.4	3.2	3.4	5.0	4.7
Consumer prices (HICP)	2.1	1.6	0.8	0.3	1.5
% change year-on-year, end of period	2.0	1.2	0.1	1.1	1.6
Employment	**1.1**	**0.6**	**0.8**	**0.6**	**0.7**
Unemployment rate	**6.8**	**6.9**	**6.7**	**6.4**	**6.1**
Unemployment rate (ILO)	**5.4**	**5.2**	**5.0**	**4.7**	**4.4**
Real Disposable income	**0.0**	**0.2**	**1.5**	**1.8**	**1.4**
Household saving rate	**9.4**	**9.1**	**9.4**	**9.0**	**8.5**

ITALY

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**-2.8**	**-1.7**	**-0.4**	**0.7**	**1.0**
Domestic demand (incl. inventories)	**-5.7**	**-2.5**	**-0.6**	**0.7**	**0.6**
Private consumption	-4.0	-2.8	0.3	0.5	0.7
Public consumption	-1.2	-0.3	-1.0	0.3	0.0
Expenditure on capital goods	-6.5	-5.4	-1.6	-0.2	2.0
Expenditure on construction	-9.5	-7.1	-4.7	-0.6	0.0
Total investment	-9.4	-5.8	-3.2	1.5	1.0
Contrib. of inventories to GDP growth	-1.2	0.3	-0.1	0.0	0.0
External trade contribution	**2.9**	**0.8**	**0.2**	**0.1**	**0.4**
Exports of goods and services	2.0	0.7	2.4	3.1	3.2
Imports of goods and services	-8.3	-2.2	1.7	3.2	2.0
Consumer prices (CPI)	**3.3**	**1.3**	**0.2**	**0.2**	**1.0**
% change year-on-year, end of period	2.6	0.7	0.1	0.3	1.4
Employment	**-0.1**	**-1.5**	**0.2**	**0.4**	**0.4**
Unemployment rate	**10.6**	**12.1**	**12.6**	**12.3**	**12.3**
Real Disposable income	**-4.4**	**-0.6**	**0.3**	**1.0**	**0.5**
Household saving rate	**11.7**	**13.3**	**13.3**	**13.7**	**13.5**

SPAIN

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**-2.1**	**-1.2**	**1.4**	**2.6**	**1.9**
Domestic demand (incl. inventories)	**-4.2**	**-2.7**	**2.3**	**2.8**	**2.1**
Private consumption	-2.9	-2.3	2.4	2.9	1.9
Public consumption	-3.7	-2.9	0.1	0.7	0.5
Total investment	-8.1	-3.8	3.4	5.4	4.4
Contrib. of inventories to GDP growth	-0.1	0.0	0.2	-0.2	0.0
External trade contribution	**2.2**	**1.4**	**-0.8**	**-0.1**	**-0.2**
Exports of goods and services	1.2	4.3	4.2	5.0	4.4
Imports of goods and services	-6.3	-0.5	7.6	5.7	5.3
Consumer prices (CPI)	**2.4**	**1.4**	**-0.1**	**-0.4**	**0.8**
% change year-on-year, end of period	2.9	0.2	-1.0	0.6	1.0
Employment	**-4.3**	**-2.8**	**1.4**	**2.5**	**1.8**
Unemployment rate	**24.8**	**26.1**	**24.5**	**22.5**	**21.1**
Real Disposable income	**-5.1**	**-1.1**	**1.5**	**3.6**	**1.6**
Household saving rate	**10.4**	**10.2**	**9.5**	**10.2**	**9.9**

(National accounts adjusted for seasonal and calendar effects)

OUTSIDE EURO AREA FORECAST

UNITED STATES

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**2.3**	**2.2**	**2.4**	**2.3**	**2.8**
Domestic demand (incl. inventories)	**2.2**	**1.9**	**2.5**	**3.0**	**3.0**
Personal consumption	1.8	2.4	2.5	3.2	2.9
Public consumption	-1.4	-2.0	-0.2	0.3	0.5
Residential fixed investment	13.5	11.9	1.6	5.3	4.9
Nonresidential fixed investment	7.2	3.0	6.3	4.4	6.4
Contrib. of inventories to GDP growth	0.1	0.0	0.0	0.2	0.0
External trade contribution	**0.0**	**0.2**	**-0.2**	**-0.8**	**-0.2**
Exports of goods and services	3.3	3.0	3.2	1.2	4.3
Imports of goods and services	2.3	1.1	4.0	6.1	4.7
Consumer prices, excl. fresh food (CPI)	**2.1**	**1.5**	**1.6**	**-0.5**	**1.7**
% change year-on-year, end of period	1.9	1.2	1.4	-0.2	2.0
Employment	**1.7**	**1.7**	**1.9**	**2.2**	**1.9**
Unemployment rate	**8.1**	**7.4**	**6.2**	**5.3**	**4.9**
Real disposable income	**3.0**	**-0.2**	**2.5**	**4.1**	**2.9**
Household saving rate	**7.2**	**4.9**	**4.9**	**5.6**	**5.7**

UNITED KINGDOM

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**0.7**	**1.7**	**2.8**	**2.2**	**2.0**
Domestic demand (incl. inventories)	**1.4**	**1.8**	**3.3**	**2.4**	**2.0**
Private consumption	1.1	1.7	2.5	2.3	2.0
Public spending	1.5	-1.1	2.2	1.6	1.0
Housing investment	-3.1	6.2	9.0	4.0	4.8
Business investment	4.2	5.3	7.5	3.3	3.0
Total investment	0.7	3.4	7.8	3.4	2.9
Contrib. of inventories to GDP growth	0.1	0.2	0.2	0.1	0.0
External trade contribution	**-0.8**	**0.0**	**-0.5**	**-0.4**	**-0.1**
Exports of goods and services	0.7	1.5	0.6	4.4	3.3
Imports of goods and services	3.1	1.4	2.2	5.2	3.2
Consumer prices (HCPI)	**2.8**	**2.6**	**1.5**	**0.1**	**1.9**
% change year-on-year, end of period	2.7	2.0	0.5	0.7	2.4
Employment	**0.6**	**1.2**	**1.7**	**1.2**	**0.8**
Unemployment rate (ILO)	**8.0**	**7.5**	**6.1**	**5.8**	**5.8**
Real disposable income	**1.6**	**0.1**	**0.6**	**3.5**	**1.8**
Household saving rate	**8.0**	**6.4**	**6.0**	**6.3**	**5.9**

JAPAN

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**1.7**	**1.6**	**-0.1**	**0.9**	**1.3**
Domestic demand (incl. inventories)	**2.6**	**1.9**	**-0.1**	**0.5**	**1.0**
Private consumption	2.3	2.1	-1.3	0.3	1.5
Public spending	1.7	2.9	0.9	-0.3	-1.0
Residential investment	3.2	8.7	-4.9	-2.5	3.8
Business investment	3.6	0.6	3.6	1.2	1.8
Contrib. of inventories to GDP growth	0.2	-0.4	0.1	0.3	0.0
External trade contribution	**-0.8**	**-0.2**	**0.3**	**0.5**	**0.4**
Exports of goods and services	-0.2	1.1	8.4	7.4	5.8
Imports of goods and services	5.3	3.0	7.4	4.7	4.5
Consumer prices	**0.0**	**0.4**	**2.7**	**0.8**	**1.0**
% change year-on-year, end of period	-0.1	1.6	2.4	2.3	0.8
Employment	**-0.3**	**0.7**	**0.6**	**0.3**	**0.1**
Unemployment rate	**4.3**	**4.0**	**3.6**	**3.4**	**3.3**
Purchasing power of net disposable income	**0.8**	**1.1**	**0.3**	**1.7**	**1.6**
Household saving rate	**1.1**	**0.1**	**1.8**	**3.2**	**3.3**

CHINA

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**7.7**	**7.7**	**7.4**	**6.8**	**6.6**
Final consumption (contrib. ppt of GDP)	4.2	4.1	3.8	3.8	3.8
Gross fixed capital formation (contrib. ppt of GDP)	3.5	3.7	3.6	3.0	2.8
Foreign trade (contrib. ppt of GDP)	0.4	-0.2	0.0	0.0	0.0
Consumer prices	**2.6**	**2.6**	**2.0**	**1.5**	**2.0**
General Government Balance (as % of GDP)	**0.2**	**-1.1**	**-1.1**	**-1.9**	**-2.2**
General Government Debt (as % of GDP)	**37.3**	**39.4**	**41.1**	**43.5**	**46.2**
External debt (as % of GDP)	**9.0**	**10.4**	**10.7**	**11.0**	**11.5**
Current account balance (as % of GDP)	**2.6**	**1.9**	**2.0**	**1.8**	**1.6**

INDIA

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**5.1**	**6.9**	**7.3**	**7.5**	**8.0**
Private consumption	5.5	6.2	6.3	8.0	8.6
Gross Fixed Capital Formation	-0.3	3.0	4.6	9.1	10.3
Exports	6.7	7.3	-0.8	8.6	9.5
Imports	6.0	-8.4	-2.1	1.0	1.2
Consumer prices	**10.2**	**9.5**	**6.0**	**5.3**	**5.5**
General Government Balance (as % of GDP)	**-7.5**	**-7.2**	**-7.2**	**-7.2**	**-7.1**
General Government Debt (as % of GDP)	**67.5**	**67.5**	**65.5**	**65.0**	**64.4**
External Debt (as % of GDP)	**21.7**	**23.2**	**22.6**	**22.6**	**22.0**
Current Account Balance (as % of GDP)	**-4.8**	**-1.7**	**-1.4**	**-1.3**	**-1.6**

(Fiscal year start 1st April)

SOCIETE GENERALE

BRAZIL

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**1.8**	**2.7**	**0.1**	**-1.5**	**1.0**
Private consumption	3.2	2.6	1.1	-0.8	0.7
Government consumption	3.3	2.0	2.0	-1.2	0.1
Gross Fixed Capital Formation	-4.0	5.2	-7.0	-5.9	2.2
Exports of goods and services	0.5	2.5	-0.8	2.2	3.3
Imports of goods and services	0.2	8.4	-1.0	-0.8	2.2
Consumer prices (CPI)	**5.4**	**6.2**	**6.4**	**8.5**	**5.5**
Public balance (as % of GDP)	**-2.4**	**-3.3**	**-6.2**	**-5.7**	**-4.0**
Current account (as % of GDP)	**-2.4**	**-3.6**	**-4.5**	**-4.2**	**-3.8**

RUSSIA

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**3.4**	**1.3**	**0.6**	**-3.5**	**0.5**
Private consumption	6.0	6.8	1.5	-3.5	1.0
Public spending	2.5	-0.2	1.0	-1.0	0.5
Gross Fixed Capital Formation	7.0	6.0	-4.0	-15.0	-5.0
Exports of goods and services	1.4	4.2	-0.1	0.0	1.0
Imports of goods and services	8.8	3.7	-5.0	-10.0	-3.0
Consumer prices (CPI)	**8.4**	**5.0**	**6.5**	**14.0**	**9.0**
Foreign debt (as % of GDP)	**31.0**	**32.0**	**32.0**	**40.0**	**38.0**
Budget balance (as % of GDP)	**0.8**	**0.0**	**-0.1**	**-3.0**	**-0.5**
Public debt (as % of GDP)	**11.0**	**12.0**	**13.0**	**14.0**	**16.0**

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