

SCENARIOECO

Economic and sectoral research department

MORE LIFE IN THE EXPANSION

- We expect the economic momentum to be upheld in 2018. Tax cuts in the United States, still accommodative monetary policies and the dynamics of the cycle offer further life to the global expansion.
- From 2019, global growth is likely to decelerate amid with the gradual normalisation of monetary policies in the major advanced economies, fading impetus from the US tax cuts and moderately higher inflation.
- High corporate debt levels pose a threat to the continuity of the growth cycle as central banks tighten policy. Other risks come from a wide range of geopolitical issues, including Brexit, tensions on the Korean peninsula and in the Middle East.

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Outlook Summary

GLOBAL ECONOMY	<ul style="list-style-type: none"> ➤ The global economy is enjoying a synchronised upturn, with firm growth momentum in most of the major economic regions and strong international trade flows. We expect global growth to clock in at 3.7% in 2018 after 3.6% in 2017. ➤ In 2018, growth will continue to benefit from a low interest rate environment and risk-on investor appetite. Tax cuts in the US will extend the maturing cycle, lifting both consumer spending and investment. In China, the authorities continue to pursue rebalancing policies but mindful of the their goal to double GDP between 2010 and 2020. As such, China will remain supportive for global growth. ➤ Some supporting factors will weaken from 2019. Monetary policies will remain accommodative, but gradually less so, as monetary policy normalises in the United States and the ECB gradually reins in its stimulus measures from late 2018. Private consumption in key countries will soften amid a gradual rise in inflation that will weight on disposable incomes and the fading impetus of US tax cuts. ➤ Alongside expansion, corporate debt levels have increased and stand at record levels in several economies. Although the corporate bond default rate fell in 2017, high debt levels pose a threat to the continuity of the growth cycle, and need to be watched closely.
DEVELOPED ECONOMIES	<ul style="list-style-type: none"> ➤ Growth accelerated once again in developed countries in Q3 2017 and confidence indices remain very high. The exception is the UK, with uncertainties surrounding Brexit weighing on the economy. ➤ In the US, growth will remain solid in 2018, with tax cuts for households and companies in the pipeline for the start of the year. With the economy is nearing full employment, inflation is set to pick up, albeit moderately over the coming quarters. ➤ In the euro area, activity should continue to benefit from slightly expansionary fiscal policies, accommodative monetary policies and the decline in unemployment. While a window of opportunity to relaunch European integration seemed to open following the French elections, the fragmented German political landscape casts doubt over Germany's capacity to serve as a driving force.
EMERGING ECONOMIES	<ul style="list-style-type: none"> ➤ The cyclical recovery in emerging markets is taking hold, underpinned by the rebound in Chinese demand and the return of capital flows that began in early 2017. The terms of trade of commodity-exporting countries have improved slightly, and their revenues are increasing. Growth has also rebounded in countries such as Mexico and Turkey, which export to dynamic markets. ➤ In China, the strategy of rebalancing growth and reducing financial risks is likely to be resumed leading to a gradual slow down in GDP growth
CENTRAL BANKS	<ul style="list-style-type: none"> ➤ The normalisation of monetary policies will remain very gradual. After raising interest rates three times in 2017, the Fed is planning three further rises in 2018 and 2019, and is set to gradually reduce its balance sheet. ➤ The ECB has announced the gradual withdrawal of its asset purchase programme and the end hereof in October 2018. The ECB is unlikely to hike interest rates before 2019. The Bank of Japan is set to continue its quantitative easing and is expected to maintain negative deposit rates.
FINANCIAL MARKETS	<ul style="list-style-type: none"> ➤ In a bullish economic environment, equity market valuations have remained close to record levels. Risk premiums on the credit markets are extremely low. ➤ If inflation figures produce even a moderate surprise in certain countries and central banks (as we would expect in such a scenario) respond by tightening their monetary policy, financial markets could suffer a significant correction.

Emerging Markets Focus

AFRICA

- The growth outlook for the continent has been impacted by continual downside adjustments to oil and metals prices since 2014. After plunging to 2.2% in 2016, regional growth is expected to remain below the average for the past decade, at 3.5% in 2017 and 3.7% in 2018, which is below the level that would constitute a genuine recovery.
- The growth outlook for North African countries improved in 2017, thanks to the rebound in growth in Egypt and Morocco, and the recovery of exports to the European Union. In Morocco, exports were driven by the emergence of new industrial export sectors, including electronics, automotive and aviation.
- Nigeria, Algeria and Angola were affected oil prices weakness since 2014 and will continue to have to adjust, as will the central African franc region.
- However, the difficulties suffered by the major oil producing countries have masked solid growth in more diversified nations, including Senegal, Côte d'Ivoire and Kenya. In Senegal and Côte d'Ivoire, growth remained close to 7% in 2017, and was underpinned by investments. In Kenya, despite a contested presidential election and the resulting uncertainty, growth remains above 5%.

LATIN AMERICA

- Growth in Latin America is expected to pick up in 2018 to 2%, on the back of the favourable international backdrop and the end of macroeconomic adjustments in certain countries. The region is benefiting from better terms of trade and foreign demand that remains solid. Furthermore, low inflation means that most countries are adopting accommodative financial conditions and neutral fiscal policies. However, growth is expected to slip back slightly in Mexico, where consumption is slowing down due to high inflation, while uncertainties over the future of NAFTA and a restrictive policy mix are hampering investment.
- The electoral calendar is packed: Colombia will hold general elections in May 2018, followed by Mexico in July and Brazil in October. Financial-market volatility may well increase during these election times.
- One significant risk is still a quicker-than-expected tightening of monetary policy by the Fed, which could increase volatility of capital flows into the region. The substantial foreign exchange reserves held by most countries should stabilise any potential currency shifts and thereby limit the impact on the real economy.

EMERGING ASIA

- After expanding 6.1% in 2017, economic growth in emerging Asia is expected to slow to 5.8% in 2018 and 5.6% in 2019 due to slower exports. The region will nonetheless remain the most buoyant in the world.
- In China, economic growth is expected to decline from 6.8% in 2017 to 6.3% in 2018 and 5.8% in 2019 with a slowdown in investment in 2018 and 2019. As debt reduction has become a priority, the boost to the economy provided by lending is expected to moderate.
- Major public infrastructure projects in the Philippines, Thailand and Indonesia are expected to underpin growth in South-East Asia.
- Some central banks (South Korea, Malaysia and Thailand) have indicated that monetary policy will take a more restrictive direction against a backdrop of high domestic debt and monetary policy normalisation by the Fed.
- A sharper than expected slowdown in Chinese demand or a deterioration in the geopolitical situation with North Korea could seriously hamper regional trade and drag down the growth outlook.

MIDDLE EAST

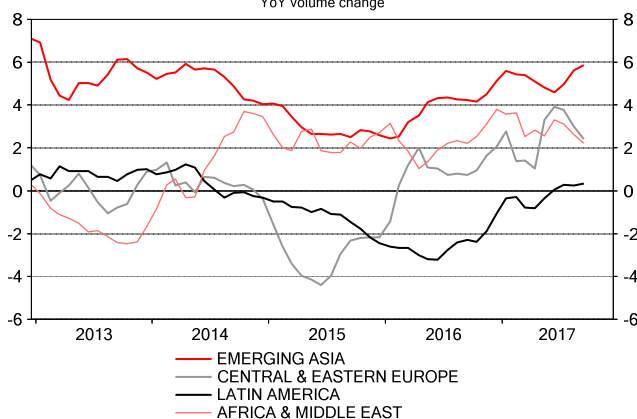
- Rising oil prices improved the economic outlook for the Gulf states. Activity indicators are beginning to improve (i.e. PMIs in Saudi Arabia and the United Arab Emirates) and export revenues are increasing, reducing the need for budget consolidation. However, budget deficits will remain high in Saudi Arabia, Oman and Bahrain. The risk of a hard landing in Oman and Bahrain is not insignificant and tensions on the currency market should not be ruled out.
- The perception of political risk in the region has increased with the diplomatic crisis in Qatar. A close eye should also be kept on the continuing military conflict in Yemen and regional, unemployment-fuelled tensions in some countries.
- Governments in the Gulf States have announced ambitious structural reforms that aim to diversify the economy. In light of the scale of structural obstacles, both on the labour market and in terms of government-level administration, the success of these diversification initiatives remains uncertain.

CENTRAL AND EASTERN EUROPE & TURKEY

- GDP growth surprised on the upside in Q3-17 and should remain well oriented in 2018. Growth is well-balanced across countries. Private consumption still benefits from the decrease in unemployment rates and from pro-cyclical fiscal policies (Poland, Hungary, Romania). After declining in 2016, investment has started to recover thanks to the utilization of EU structural funds. Exports have continued to increase in the region driven by the euro area dynamism, but some deceleration is expected in the coming two years.
- Wages have surged in the region since the beginning of the year, outstripping productivity growth in Romania, Hungary and Bulgaria. Against this backdrop, inflation has increased. Up to now, only the Czech National Bank increased its key rate in August 2017 but several central banks in the region could follow in 2018 (notably in Poland, Romania). Despite strong growth and accelerating inflation, long term rates remain low.
- Looking forward, overheating risk could appear in some countries. Contrary to other emerging markets, inflationary pressures are looming in the region, mainly driven by demand pressures. Romania is the most concerned with a consumption boom and a deterioration of twin deficits that must be monitored.
- After a sharp rebound in 2017, the Turkish economy is expected to slow, with less support from public policies. With the economy dependent on external financing, persistent inflation could cause the markets to lower their guidance and generate currency volatility.

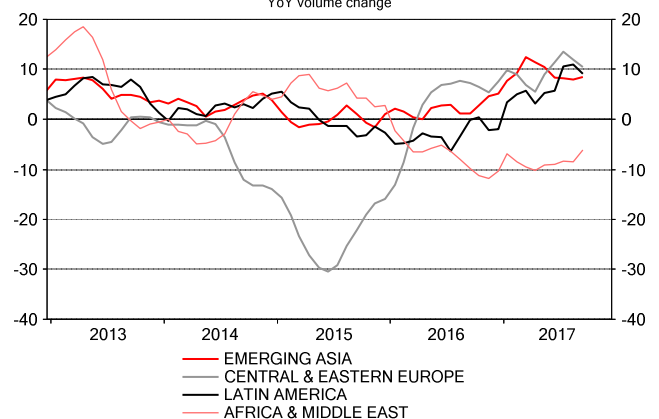
INDUSTRIAL PRODUCTION

YoY volume change



IMPORTS

YoY volume change



Economic Forecasts

	2015	2016	2017 (f)	2018 (f)	2019 (f)	Share of world GDP 2016 (As %)		GDP - 2016 USDbn
						Purchasing power parities ²	Current exchange rates	Current exchange rates
Real GDP (growth rate, as %)¹								
Industrialised countries	2,2	1,6	2,2	2,0	1,6	37,8	57,1	43 013
United States	2,9	1,5	2,3	2,4	1,7	15,5	24,8	18 624
Japan	1,1	1,0	1,5	1,1	1,0	4,4	6,6	4 947
Euro area	2,0	1,8	2,3	1,9	1,6	11,6	15,7	11 931
Germany	1,5	1,9	2,5	1,9	1,7	3,3	4,6	3 473
France	1,0	1,1	1,9	1,8	1,7	2,3	3,3	2 464
Italy	0,9	1,1	1,5	1,3	1,1	1,9	2,5	1 860
Spain	3,4	3,3	3,0	2,4	2,1	1,4	1,6	1 238
United Kingdom	2,3	1,8	1,6	1,3	1,3	2,3	3,5	2 655
Emerging countries	4,0	4,1	4,5	4,6	4,7	62,2	42,9	31 218
Asia	6,1	5,9	6,1	5,8	5,5	35,0	24,8	18 694
China	6,9	6,7	6,8	6,3	5,8	17,8	14,9	11 190
India	8,0	7,1	6,5	7,0	7,3	7,3	3,0	2 190
Africa	2,7	0,1	1,9	2,9	3,4	3,9	2,3	1 151
Latin America	-0,3	-0,8	1,6	2,5	2,8	7,9	6,6	4 796
Brazil	-3,8	-3,6	1,0	2,0	2,5	2,6	2,4	1 811
Eastern Europe (incl. Turkey, ex. Russia)	3,4	2,6	4,3	3,3	2,8	4,8	3,1	2 333
Russia	-2,8	-0,2	1,5	1,2	2,2	3,2	1,7	1 296
Middle East	2,4	4,2	2,4	3,3	3,9	7,4	4,3	2 949
World - Purchasing power parities weights	3,3	3,1	3,6	3,7	3,5	100		
World - Current exchange rates weights	3,0	2,6	3,2	3,1	2,9		100	74 231
Oil price (Brent USD/Barrel)	53	44	53	55	60			
Consumer prices index (growth rate, as %)								
United States	0,1	1,3	2,0	2,3	1,6			
Japan	0,8	-0,1	0,5	0,8	1,3			
Euro area	0,0	0,2	1,5	1,4	1,6			
Germany (HICP)	0,1	0,4	1,6	1,6	1,7			
France (CPI)	0,1	0,2	1,0	1,4	1,7			
Italy (HICP)	0,7	0,5	0,9	1,3	1,4			
Spain (HICP)	-0,5	-0,2	2,0	1,3	1,5			
United Kingdom	0,0	0,7	2,6	2,6	2,1			

¹ The annual numbers are seasonally 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

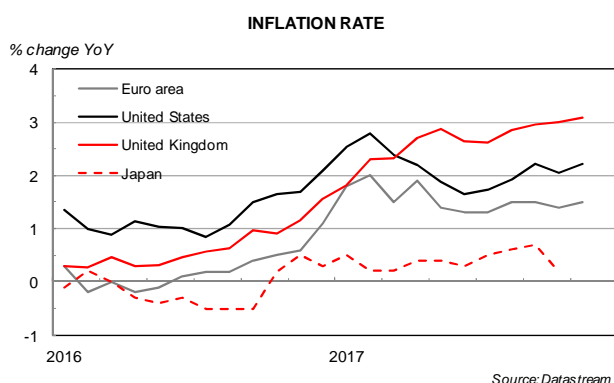
	15/12/2017	Jun 2018	Dec 2018	Dec 2019	2016	2017 (f)	2018 (f)	2019 (f)
Interest rates								
United States								
Fed Funds target rate	1.25-1.5	1.75-2	2-2.25	2.25-2.5	0.40	1.00	1.80	2.35
10 year Gvt Bonds	2.4	2.7	2.9	3.1	1.9	2.4	2.7	3.1
Japan								
Complementary Deposit Facility rate	-0.10	-0.10	-0.10	-0.10	-0.08	-0.10	-0.10	-0.10
10 year Gvt Bonds	0.0	0.1	0.2	0.4	0.0	0.1	0.1	0.3
United Kingdom								
Bank rate	0.50	0.50	0.75	0.75	0.40	0.30	0.60	0.75
10 year Gvt Bonds	1.2	1.5	1.5	1.5	1.3	1.2	1.5	1.5
Euro area								
Refinancing rate	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.30
10 year Gvt Bonds								
Germany	0.3	0.7	1.2	1.5	0.1	0.4	0.8	1.5
France	0.5	1.0	1.5	1.7	0.5	0.8	1.1	1.7
Italy	1.8	2.4	2.9	3.2	1.5	2.1	2.5	3.2
Spain	1.5	1.9	2.2	2.4	1.4	1.6	1.9	2.3
Exchange rates								
EUR / USD	1.18	1.15	1.18	1.10	1.11	1.13	1.15	1.10
EUR / GBP	0.88	0.90	0.90	0.89	0.82	0.88	0.90	0.89
EUR / JPY	132	130	130	118	120	127	130	119
GBP / USD	0.00	1.28	1.31	1.24	1.35	1.29	1.28	1.24
USD / JPY	113	113	110	107	109	112	112	108

Low inflation, but mind the Philips curve gap

- The economic recovery has been accompanied by some increase of inflation in the developed countries, but so far it has been very modest and is mainly due to the rise in energy prices over the past year.
- Structural factors, such as the development of global value chains, radical changes in the labour market and online commerce, continue to work in favour of low global inflation.
- That said, if even moderate inflation-related surprises crop up in a few key countries, the financial markets could suffer a significant correction.

In spite of the recovery, inflation is still low

A key feature of the global economic recovery, which began in mid-2016, is that it has only had a very limited impact on inflation. Despite ultra-accommodating monetary policy, inflation remains modest in most of the world's economies, even in those that are close to full employment, such as the United States and Germany. Moreover, the moderate gains to headline inflation today appears to be linked primarily to higher energy prices, with oil prices rising from \$44 in 2016 to \$55 in 2017.



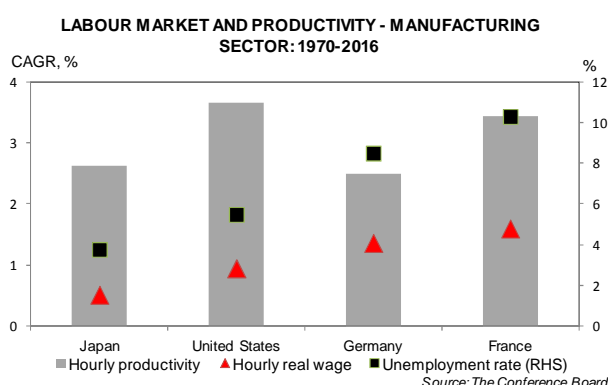
Among the major economies, only the United Kingdom is experiencing high inflation. Pressures on prices do not actually stem from an “endogenous” dynamic through which growth creates tightness in the labour market, wage pressures and higher prices. Rather, UK inflation is primarily being generated by higher prices for imported goods due to Sterling depreciation on the back of Brexit-related uncertainties.

Structural factors

There are several structural explanations for low inflation that are common to all countries. Globalisation has resulted in the fragmentation of value chains and made it possible for producers to buy intermediate goods from countries where it is most efficient (less costly) to produce them. Globalisation has also generated greater competitive discipline on business, which has also contributed to more stable prices.

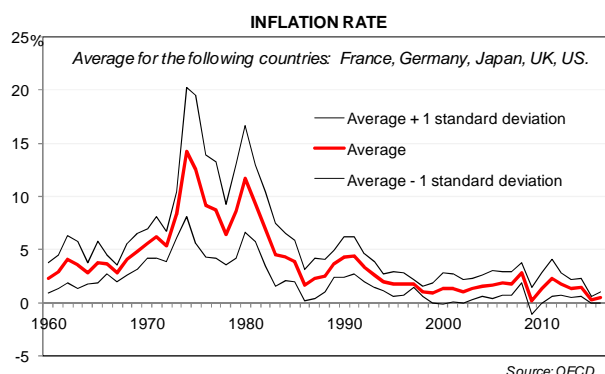
As barriers to trade in goods and services fall, the negotiating power of workers is challenged and life-long learning policies hold the key to workers moving up the value chain. This is all the more true in countries where union power has declined. In countries where there is

greater indexation of wages, unemployment rates are generally higher. The rapid progress of automation, which reduces the need for low-skilled workers, has also put pressure on wages.



Lastly, the spread of technological advances in transport and communications has also been a contributing factor to lower inflation. For instance, digital platforms are powerful tools for price comparisons and for purchases made by the final consumer (the Amazon effect) as well as e-commerce.

With the possibility of fairly quickly reorganising production worldwide to adjust to shocks, it is not surprising to see “Philips curves” (negative relationship between the rate of wage increases and the rate of unemployment) flatten. The great moderation of inflation since the 1980s and co-movements of inflation in the developed countries provide evidence of the powerful role of global factors. It is important to note that globalisation has also brought very significant gains lifting millions out of poverty in emerging economies.



Beware the “ketchup effect”?

The existence of structural effects must not lead us to think that cyclical effects have vanished. Although it is true that the economy is approaching full employment, the recent economic growth in the United States has not yet translated into higher core inflation, which, in the words of the Fed Chair Yellen, is a mystery. Temporary factors, such as the increase in the labour force – the proportion of persons of working age who are actively looking for a job – partially accounts for the lack of strong pressures on the labour market. Although it is taking more time than in the past, tightness in the labour market may re-emerge if the current growth cycle continues, which is likely due to the upcoming tax cuts.

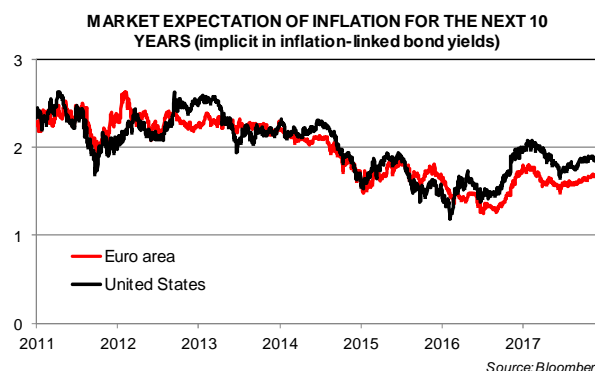
In a robust economic climate in the euro area, inflation could well return. In Germany in particular, the economy is approaching full employment and wages look set to accelerate in connection with wage negotiations that are likely to be based on higher inflation than in the past. According to a preliminary estimate from the German Federal Statistics Office, the growth rate of negotiated wages increased 2.3% in Germany in 2017 relative to last year, which is the largest gain in the past three years.

Both the consensus of economists and financial market pricing, suggest continued low inflation. But there are risks to this outlook and notably one of a “ketchup effect”: the sauce stays in the bottle no matter how much you shake it. Then it all comes flooding out at once.

Central banks have been injecting massive amounts of money for years to avoid deflation and in a fruitless attempt to restore inflation to pre-crisis levels.

As global spare capacity is further absorbed, inflation might re-emerge and trigger mechanisms that could snowball and take the central banks and financial markets by surprise.

It is more likely that the central banks will attempt to normalise their monetary policy and take advantage of even a temporary rise in inflation to put strategies in place to phase out their accommodative policies faster than expected, triggering an adjustment to financial market risk premia.



As long as the structural factors referred to above exist – globalisation, automatization and structural shifts on labour markets – the scenario of a limited rise in inflation seems to be more likely, but it is still a good idea to be mindful of the risks

EURO AREA

— 2017 is set to mark the strongest euro area growth rate in a decade. Given (1) further spare capacity, (2) an accommodative policy-mix and (3) firm global demand, we see further life in the cycle, albeit at a more moderate pace.

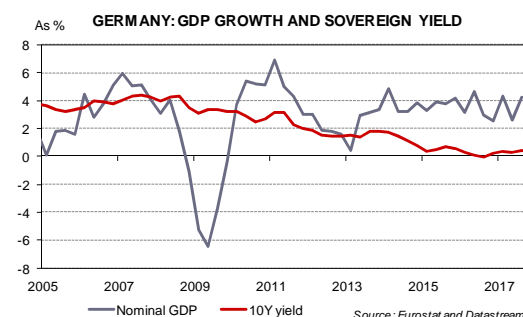
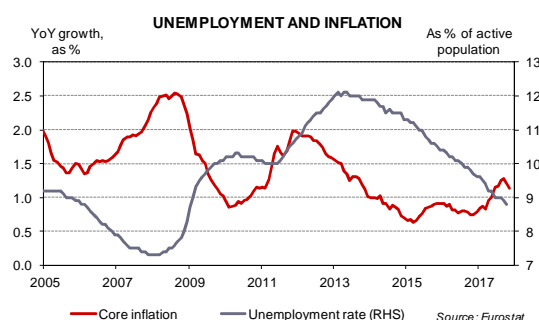
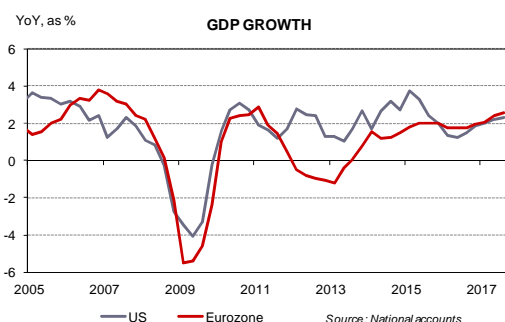
— While the structural aspects of the low inflation conundrum are set to remain in place, the impact of tighter labour markets should nonetheless lift core CPI back toward the 1.5% mark.

The memory of the euro area debt crisis is now fading well and truly into the distant past as the region prepares to register its third year of above trend growth. The euro area still enjoys spare capacity, suggesting room for further expansion. Nonetheless, heading into 2018, we expect to see some loss of growth momentum notably from the Brexit driven slowdown in the UK and a gradual tightening of the policy-mix.

With core inflation set to see only a modest recovery, the ECB should be able to pursue a very gradual exit strategy, concluding QE in 4Q18 and delivering the first rate hike in early 2019. Somewhat ironically, higher-than-expected inflation ranks amongst one of the more important risk factors across the advanced economies. In the euro area, focus is on the upcoming German wage talks.

A repricing of inflation expectations across the advanced economies has the potential to catalyze a potentially destabilizing repricing of financial market risk premia.

The euro area also faces several political risks in 2018. Top of the list is the risk that Germany fails to agree a new government and heads to new elections that could deliver an even more fragmented Bundestag. This is an important issue in terms of the euro area reform agenda, albeit that even in a positive scenario we expect modest advances only. Next up is the Italian general election due by May, but widely expected to take place on 3 March 2018. Much can change in a few months in politics, but at present opinion polls suggest little risk of 5-star winning a majority. The risk rather is one of a government incapable of delivering reform.



As %	2015	2016	2017 (p)	2018 (p)	2019 (p)
Real GDP	2.0	1.8	2.3	1.9	1.6
Household consumption	1.8	2.0	1.7	1.7	1.7
Investment	3.0	4.5	3.9	3.1	2.3
Exports	6.1	3.3	4.7	4.0	3.8
Imports	6.5	4.7	4.7	4.4	4.0
Contribution of inventories to growth	0.0	-0.1	0.1	0.1	0.0
Purchasing power of disposable income	1.5	1.9	1.6	1.6	1.4
Unemployment rate	10.9	10.0	9.0	8.4	8.0
Saving rate	12.4	12.1	12.1	12.1	11.8
Inflation rate	0.0	0.2	1.5	1.4	1.6
Public sector balance (as % of GDP)	-2.1	-1.5	-1.2	-1.0	-1.0
Current account balance (as % of GDP)	3.2	3.3	3.2	3.1	3.1

GERMANY

- After posting its strongest growth in 2017 since 2011, the German economy is forecast to slow in 2018 and 2019 due to a moderation in global demand and gradually weaker consumption.
- However, we expect wages to accelerate under wage negotiations that will be based on higher inflation than in the past.
- The main risk is that of a prolonged political deadlock, if the negotiations between the main political forces fail to form a new majority government.

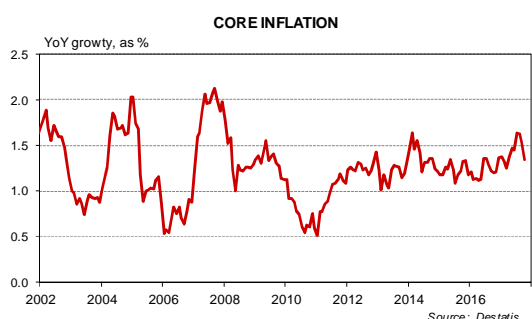
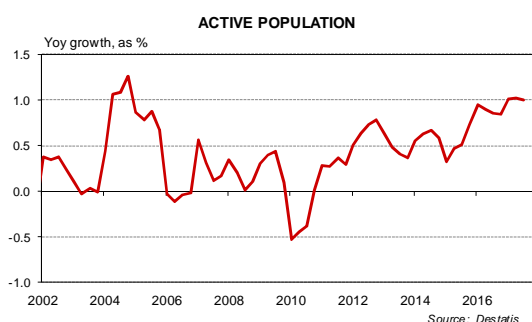
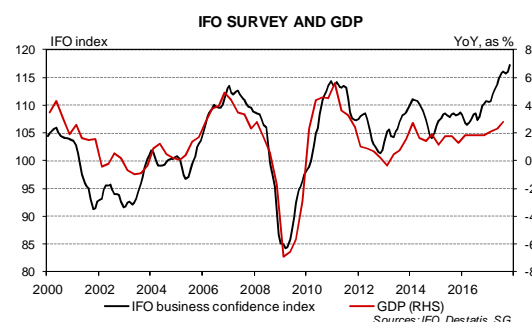
After an exceptional year in 2017 when activity was bolstered both by robust external demand and dynamic investment, the German economy is expected to gradually slow in 2018 and 2019, with growth still above its potential.

Although slowing, private consumption is likely to remain dynamic, underpinned by still firm disposable income growth. With the economy approaching full employment, wages look set to accelerate under wage negotiations that will be based on higher inflation than in the past.

Reducing the weight of public debt is a priority in Germany. The outgoing government had set a structural deficit target of 0% over the period 2015-2019. The budget surplus looks set to persist despite a controlled increase in spending (notably health and long-term care).

Despite the expected rise in energy prices and dynamic imports, Germany will continue to post considerable trade surpluses. Germany's current account surplus is expected to diminish slightly in 2018, but subsequently stabilise at a still very high level.

The main risk weighing on the German economy is that of a prolonged political deadlock, after the failure of the first round of negotiations for a coalition government following the federal elections in September 2017. If the negotiations between the CDU-CSU and the SPD were to fail or in the case of a minority government, new general elections cannot be ruled out, increasing the risk of seeing the emergence of more eurosceptic parties.



As %	2015	2016	2017 (p)	2018 (p)	2019 (p)
Real GDP	1.5	1.9	2.5	1.9	1.7
Household consumption	1.6	1.9	2.4	2.0	1.9
Investment	1.0	2.9	4.3	2.4	2.2
Exports	4.7	2.4	4.7	3.8	3.6
Imports	5.2	3.8	5.2	4.5	4.1
Contribution of inventories to growth	-0.3	-0.1	-0.1	0.2	0.0
Purchasing power of disposable income	1.9	2.2	2.4	2.3	1.8
Unemployment rate	6.4	6.1	5.7	5.5	5.3
Saving rate	9.6	9.7	9.8	10.1	10.0
Inflation rate	0.1	0.4	1.6	1.6	1.7
Public sector balance (as % of GDP)	0.7	0.8	0.9	1.0	1.0
Current account balance (as % of GDP)	8.6	8.2	7.8	7.5	7.5

FRANCE

- Growth is expected to remain robust in 2018-2019, driven principally by consumption and to a lesser extent by investment, against a backdrop of a rise in employment and credit.
- Inflation looks set to gradually increase, underpinned by domestic demand.
- Fiscal tightening is set to weigh only modestly on growth, but it could be further increased to enable the public deficit to return below the threshold of 3% of GDP on a long-term basis.

French GDP growth remained strong in Q3 17 (0.5% Q/Q after 0.6% in Q2) on the back of dynamic domestic demand, and in particular investment. The very high level of confidence indices suggests this dynamic growth will continue in the short term.

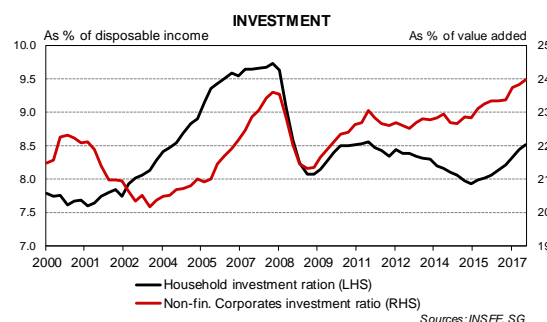
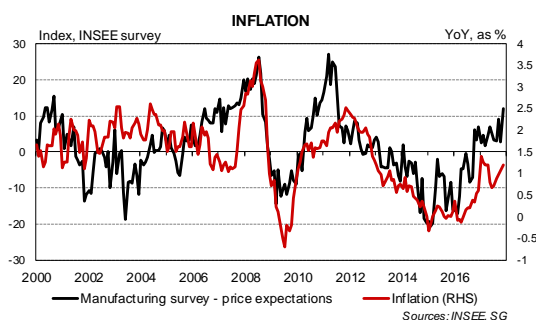
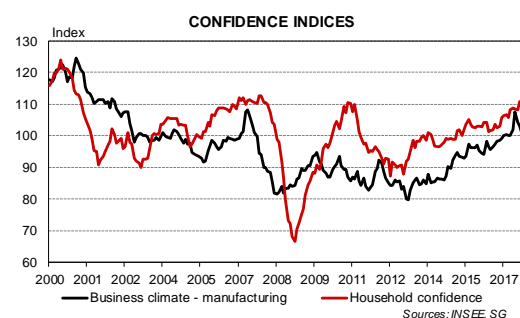
Although slightly lower than in 2017, growth will remain within a range of 1.5% to 2.0% in 2018-2019.

Private consumption is expected to be the main growth driver. Households are set to benefit from the ongoing recovery in employment, even though the modest fiscal tightening planned by the government is likely to contain the increase in disposable income. This healthy trend in demand, against a backdrop of gradually rising oil prices, is likely to fuel a limited pick in inflation.

Investment is expected to remain strong but gradually lose some of its momentum. In particular, corporate investment efforts are already historically high and look set to cease increasing in a context of already high debt and a slight rise in interest rates. Household investment is expected to grow more modestly after a significant catching up in 2016 and 2017.

Finally, our assumption is that the recent and scheduled reforms (labour market, professional training, etc.) will enable France to stabilise its export market share and to benefit from continued dynamic external demand in coming years.

A revaluation of fiscal consolidation efforts in 2018-2019 constitutes one of the uncertainties weighing on this scenario, the European Commission having warned France about the risk of non-compliance of its medium-term public finance plan with its European commitments.



As %	2015	2016	2017 (p)	2018 (p)	2019 (p)
Real GDP	1,0	1,1	1,9	1,8	1,7
Household consumption	1,3	2,1	1,2	1,6	1,9
Investment	0,9	2,7	3,6	2,7	2,0
Exports	4,0	1,9	2,7	3,9	4,0
Imports	5,5	4,2	4,6	3,9	3,8
Contribution of inventories to growth	0,3	-0,1	0,7	0,1	0,0
Purchasing power of disposable income	0,8	1,8	1,7	1,5	1,7
Unemployment rate	10,1	9,8	9,3	9,0	8,6
Saving rate	14,2	14,0	14,4	14,3	14,2
Inflation rate	0,1	0,2	1,0	1,4	1,7
Public sector balance (as % of GDP)	-3,6	-3,4	-2,9	-2,8	-3,0
Current account balance (as % of GDP)	-0,4	-0,9	-1,6	-1,1	-1,1

ITALY

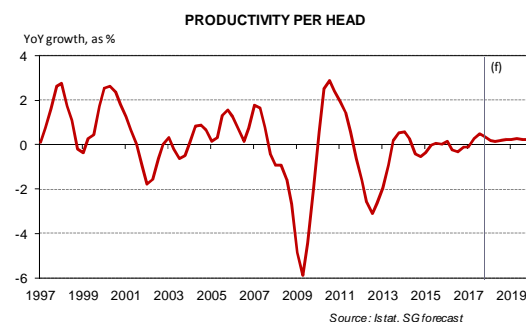
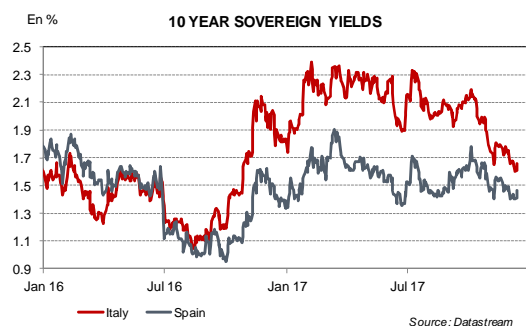
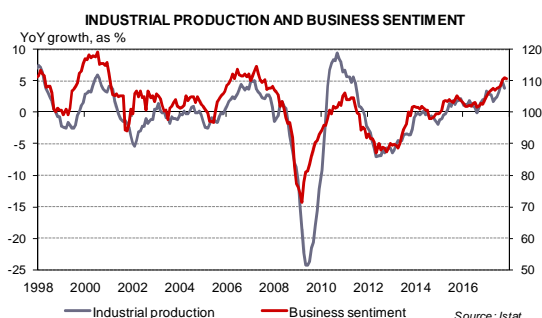
- Our growth outlook has been upgraded for 2017 and 2018, due to a marked improvement in domestic demand and a still favourable external environment.
- However, growth is unlikely to be sufficient to allow a significant decline in the public deficit and the public debt to GDP ratio is only likely to improve very gradually.
- There is still substantial uncertainty given the fragmentation of the political landscape four months away from the general elections.

Italy finally seems to be benefiting from the economic recovery in the euro area. Investment in machinery and equipment has taken off strongly and leading indicators are flashing green, particularly for the manufacturing sector. In 2017, exports are expected to show their strongest growth since 2011.

However, growth looks set to slow in 2018 and 2019 due to a moderation in global trade and household consumption, as a result of an ongoing contained increase in disposable income. Still favourable financing conditions and an improvement in companies' financial health are expected to support investment in 2018. However, investment is forecast to slow in 2019. Inflation is expected to remain contained at around 1.4%, without any acceleration in underlying core inflation.

Public finances are likely to continue to benefit from the decline in interest expenses, enabling a slightly expansionary fiscal policy in 2019. The budget deficit is forecast to remain close to 2%, preventing a significant reduction in public debt. With debt close to 130% of GDP, Italy remains very sensitive to any increase in sovereign yields.

Finally, the upcoming elections (expected in March) are likely to result in a fragmented parliament, with no major party being able to win this election alone under the new electoral law. It would therefore be difficult for the government to make progress on the reforms needed to improve the economy's productivity and boost companies' competitiveness.



As %	2015	2016	2017 (p)	2018 (p)	2019 (p)
Real GDP	0.9	1.1	1.5	1.3	1.1
Household consumption	2.0	1.5	1.5	1.2	1.1
Investment	1.7	3.0	3.2	2.9	1.8
Exports	4.2	2.6	5.1	4.2	3.7
Imports	6.6	3.3	5.6	4.9	4.1
Contribution of inventories to growth	0.0	-0.3	-0.1	0.0	0.0
Purchasing power of disposable income	0.4	1.2	1.0	0.9	0.9
Unemployment rate	11.9	11.7	11.3	10.7	10.3
Saving rate	10.5	10.6	10.2	10.0	9.9
Inflation rate	0.1	-0.1	1.4	1.2	1.4
Public sector balance (as % of GDP)	-2.6	-2.5	-2.2	-2.0	-2.0
Current account balance (as % of GDP)	1.5	2.7	2.7	2.6	2.5

SPAIN

- The economy remained very dynamic until Q3 2017, but is likely to be impacted by the uncertainty related to the Catalan crisis as from Q4. Whereas this year GDP has returned to its pre-crisis level, activity is forecast to converge towards its trend potential over the coming years.
- The medium-term risks are related to the high level of public debt, the economy's low productivity and the structurally high unemployment rate, with the addition of the political risk.

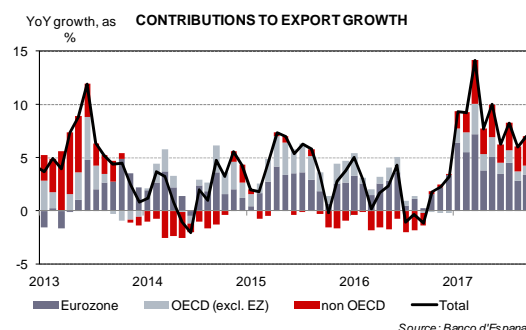
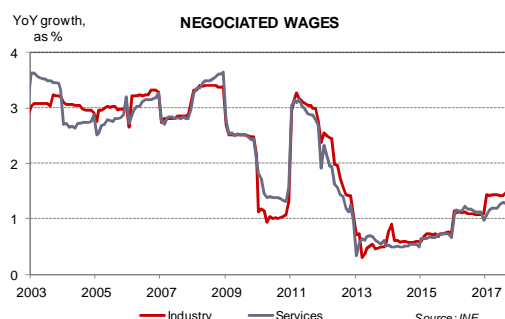
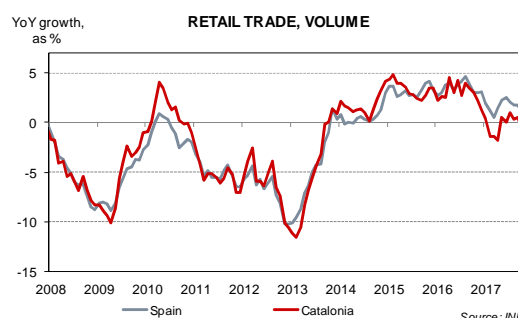
After three years of strong growth, activity in Spain looks set to slow from 2018. It is likely to remain above its potential, with robust domestic demand, which is expected to come primarily from a robust investment performance. However, consumption is forecast to be less dynamic than in the past, with households stabilising their savings rate, which is currently at a historic low. Household income is expected to be supported by a slight acceleration in wages, but job creation is likely to be less dynamic.

Investment looks set to increase at a more moderate pace, impacted in the short term by the uncertainty related to the Catalan crisis and in the medium term by a gradual tightening of monetary conditions. After a very dynamic 2017, external demand is also expected to slow.

Inflation is forecast to slow in 2018 due to a decline in energy prices at the beginning of the year. It is then expected to accelerate in line with wage increases against the backdrop of a gradual reduction in unemployment.

Fiscal policy is likely to be neutral in 2018 and 2019 and the public deficit is expected to reduce due to economic growth. Public debt is forecast to reach 96% in 2019, or 4 points less than its 2014 peak.

Spain is not immune from a political crisis that could erupt again in relation to Catalonia. Catalan separatists obtained a majority of seats in the parliament and the negotiations with Madrid will be complex. The risk of the Rajoy government being forced to resign leading to new general elections cannot be ruled out.



As %	2015	2016	2017 (p)	2018 (p)	2019 (p)
Real GDP	3.4	3.3	3.0	2.4	2.1
Household consumption	3.0	3.0	2.4	2.1	1.8
Investment	6.5	3.3	4.8	3.6	3.5
Exports	3.9	3.1	4.9	3.6	4.0
Imports	6.1	1.3	4.7	3.7	3.5
Contribution of inventories to growth	0.6	0.1	0.3	0.2	0.0
Purchasing power of disposable income	2.3	2.0	1.2	2.0	1.7
Unemployment rate	22.1	19.7	17.2	15.4	14.2
Saving rate	8.6	7.7	6.8	6.8	6.8
Inflation rate	-0.5	-0.2	2.0	1.3	1.5
Public sector balance (as % of GDP)	-5.3	-4.5	-3.1	-2.5	-2.0
Current account balance (as % of GDP)	1.1	1.9	1.8	1.8	2.0

UNITED KINGDOM

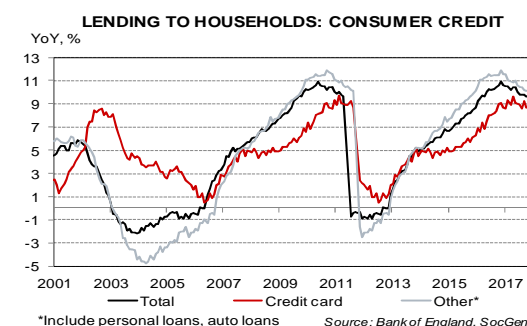
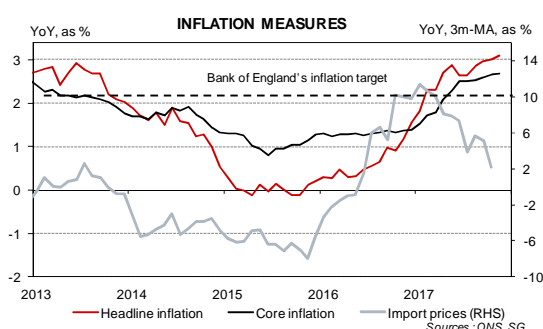
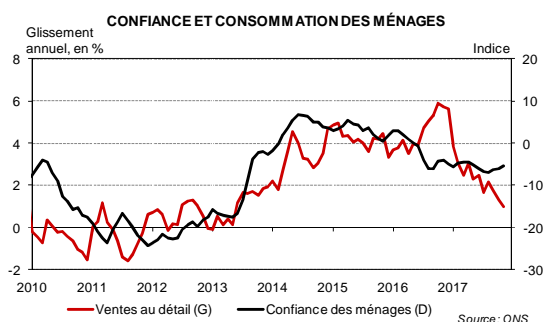
- Brexit negotiations will remain an ongoing source of uncertainty for the UK economy.
- We anticipate a slowdown in real GDP growth in 2018, against the backdrop of political uncertainty weighing on private investment and household consumption.
- Monetary policy is likely to remain accommodative in 2018. However, the Bank of England is expected to toughen macro-prudential policy to slow the increase in consumer credit.

The UK is likely to secure a transition agreement (keeping the UK in the Single Market for an additional two years after March 2019) and a declaration of intent on a future trade arrangement during 2018. The negotiations are complex, however, and are likely to remain a source of uncertainty. This uncertainty is expected to weigh on private investment and economic growth.

While most of the impact of sterling's depreciation on inflation has already occurred, inflation is not expected to accelerate and is likely to remain between 2.5% and 3% over the forecast horizon. Households' weakened purchasing power would leave little room for further consumption. The global economic upturn will benefit exports and thus partially offset the slowdown in domestic demand.

The Bank of England is likely to implement a rate hike of 25bp in 2018, maintaining an accommodative monetary policy. However, the stronger than expected depreciation of sterling could fuel inflation and lead the central bank to implement additional monetary tightening. This is a risk that needs to be monitored.

Following a sharp increase in consumer credit, total household debt has risen, which is a source of risk for financial stability. To deal with this situation, the authorities have already announced a further tightening of macro-prudential policy which will occur by increasing the countercyclical capital buffer, from 0.5% to 1% in June 2018, after an initial increase of 50bp in November.



As %	2015	2016	2017 (p)	2018 (p)	2019 (p)
Real GDP	2.3	1.8	1.6	1.3	1.3
Household consumption	2.6	2.8	1.7	1.3	1.0
Investment	2.8	1.3	2.4	0.5	0.8
Exports	5.0	1.1	4.8	3.4	4.9
Imports	5.1	4.3	2.9	2.8	3.9
Contribution of inventories to growth	0.1	-0.1	-0.6	0.1	0.0
Purchasing power of disposable income	5.3	0.3	-0.5	1.7	2.2
Unemployment rate	5.3	4.9	4.3	4.4	4.6
Saving rate	9.2	7.1	5.2	5.2	6.2
Inflation rate	0.0	0.7	2.6	2.6	2.1
Public sector balance (as % of GDP)	-4.3	-2.9	-2.2	-2.6	-3.5
Current account balance (as % of GDP)	-5.2	-5.9	-4.6	-4.2	-4.1

UNITED STATES

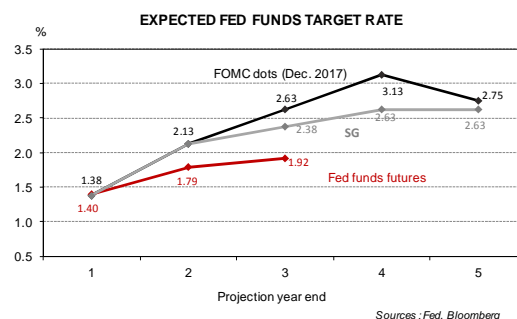
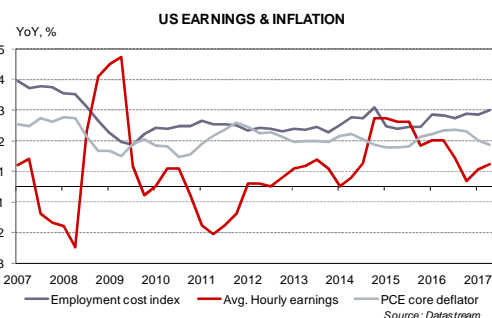
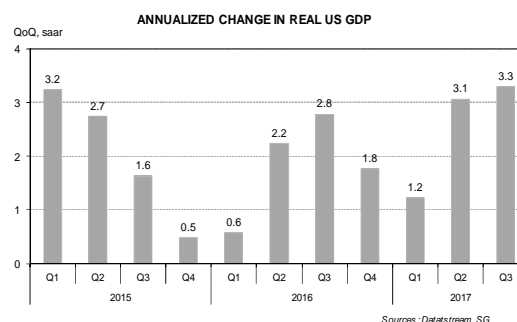
- GDP growth has firmed throughout 2017. The ongoing momentum is likely to continue in 2018.
- Policy uncertainty has faded. Tax cuts are now in the pipeline for 2018 and the Fed will continue the process of monetary policy normalization under upcoming Chair Powell.
- The eight-year old US economic expansion is progressively maturing and stronger inflation pressures are expected in the coming quarters.

In 2017, consumer spending, private fixed investment and net trade have all positively contributed to GDP growth. A favourable labour market and buoyant consumer confidence should support further strength in households' expenditures, even though a decade-low saving rate will moderately limit the progression of private consumption. The synchronised expansion of growth at global level is likely to boost exports and corporate profits.

The Trump administration received approval from Congress on tax cuts. Net cost estimates of the Tax Cuts & Jobs Act (TCJA) at roughly \$1.5tn over a decade are consistent with our own estimate of a boost to GDP growth of 0.3pp in 2018, enough to accelerate GDP growth to 2.4%.

While the TCJA is key to extend the now eight-year old expansion cycle, other reforms areas, including financial regulation, will provide a lift to economic growth over the long-run by boosting credit. Upcoming Fed Chair J. Powell has indicated that regulation is 'tough enough' and could push toward easing some capital requirements on smaller-sized banks.

Monetary policy normalization is set to continue in 2018, with three 25bp rate hikes anticipated by the Fed, well above market's expectation of just over one 25bp rate hike. Barring any shock, our central scenario acknowledges the Fed is able to deliver three rate increases. Wage growth is set to accelerate in the back of a tight labour market, contributing to firming inflation pressures. Upside risk on inflation could prompt the Fed to tighten monetary policy faster than expected. In a context of elevated nonfinancial corporate debt, tighter financial conditions may trigger a global risk repricing which could have the potential to spark debt sustainability concerns.



As %	2015	2016	2017 (p)	2018 (p)	2019 (p)
Real GDP	2.9	1.5	2.3	2.4	1.7
Household consumption	3.6	2.7	2.7	2.9	1.8
Investment	3.8	0.6	3.8	3.2	1.8
Exports	0.4	-0.3	3.3	3.5	3.2
Imports	5.0	1.3	3.4	3.5	2.5
Contribution of inventories to growth	0.2	-0.4	-0.1	-0.1	0.0
Purchasing power of disposable income	3.1	0.8	1.4	3.1	1.3
Unemployment rate	5.3	4.9	4.4	3.6	4.3
Saving rate	6.1	4.9	3.5	3.5	3.9
Inflation rate	0.1	1.3	2.0	2.3	1.9
Public sector balance (as % of GDP)	-4.3	-5.0	-4.8	-5.2	-5.9
Current account balance (as % of GDP)	-2.4	-2.4	-2.4	-3.0	-2.1

JAPAN

- Economic activity is expected to ease in 2018 and in 2019 with the scheduled increase in consumption tax (CT).
- Inflation looks set to remain low, well below the 2% target set by the Bank of Japan (BoJ).
- Monetary policy is expected to be accommodative while fiscal consolidation efforts are likely to adversely affect economic growth.

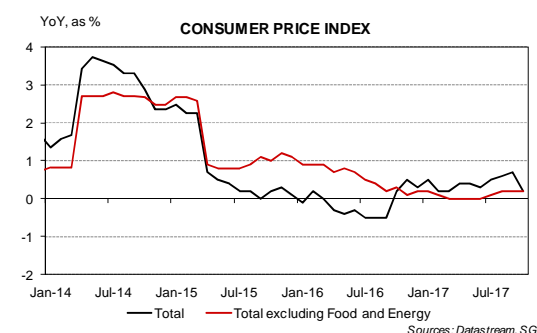
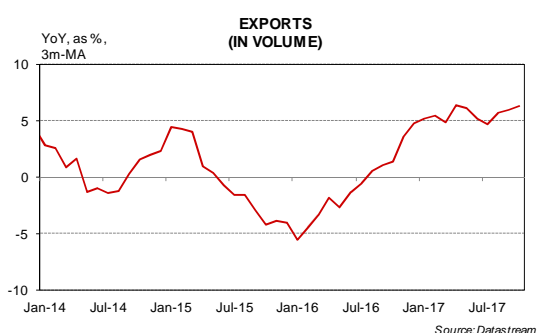
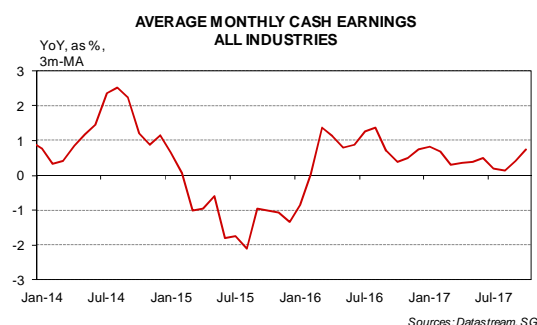
Growth is expected to decline to 1.1% in 2018 and to 1.0% in 2019. The gradual rise in wages against the backdrop of a tight labour market is expected to support private consumption in 2018. However, this latter is subsequently likely to be hampered, especially after the rise in CT from 8% to 10% scheduled for October 2019.

Despite the impetus from the organization of the 2020 Olympic Games, investment looks set to slow. Exports are likely to remain robust despite the expected weaker external demand momentum.

Inflation looks set to increase to 0.8% in 2018 with the economic recovery and to 1.3% in 2019, but remaining below the 2% target set by the BoJ.

Whereas fiscal support is projected to ease in 2018, the Quantitative and Qualitative Easing (QQE) policy, with a negative interest rate (-0.1%) and control of the yield curve, looks set to remain in place until the inflation target is achieved. After the victory of the Liberal Democratic Party (LDP) in the October elections, Mr. Kuroda (whose mandate expires in April 2018) is expected to be reappointed as the Governor of the BoJ, further ensuring the continuity of the QQE.

The risks weighing on this scenario are related to the geopolitical uncertainty of the Korean Peninsula, a potential increase in US protectionism and a stronger than expected slowdown in global trade (slowdown in Chinese and/or US demand).



As %	2015	2016	2017 (p)	2018 (p)	2019 (p)
Real GDP	1.1	1.0	1.5	1.1	1.0
Household consumption	-0.3	0.4	1.0	0.6	0.6
Investment	0.1	1.0	2.4	1.0	0.6
Exports	3.0	1.1	6.0	4.8	4.2
Imports	0.7	-2.3	2.7	2.7	1.7
Contribution of inventories to growth	0.6	-0.3	-0.5	0.0	0.0
Purchasing power of net disposable income	0.8	2.2	1.7	1.0	1.4
Unemployment rate	3.4	3.1	2.9	2.8	2.8
Saving rate	3.1	4.9	5.5	5.9	6.7
Inflation rate	0.8	-0.1	0.5	0.8	1.3
Public sector balance (as % of GDP)	-3.5	-4.6	-4.8	-4.1	-3.6
Current account balance (as % of GDP)	3.1	3.7	4.2	4.4	4.6

CHINA

— Economic growth is expected to moderate to 6.3% in 2018 and to 5.8% in 2019 with the less dynamic investment and exports.

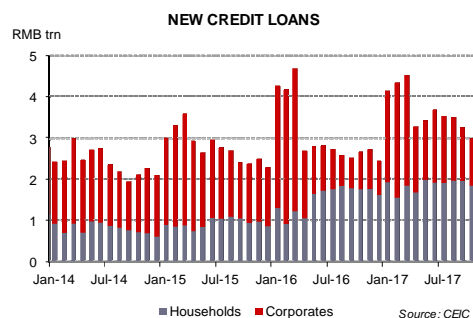
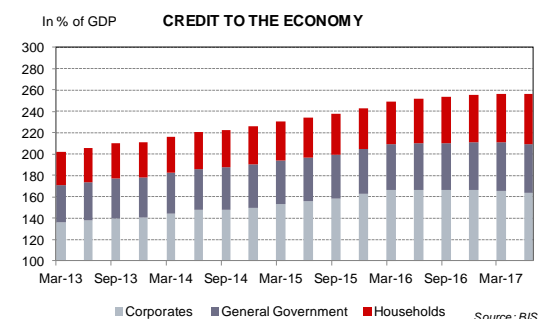
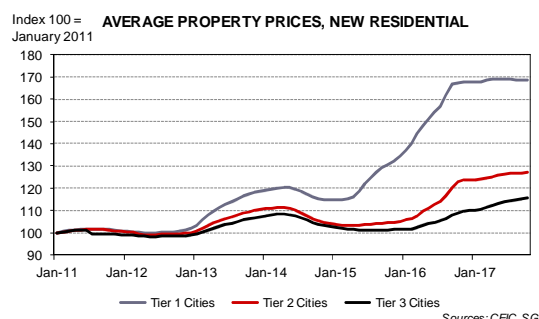
— Deleveraging has become a priority. In addition, the authorities have overcome the quantitative binding economic growth target.

Growth is expected to ease to 6.3% in 2018 and to 5.8% in 2019. Private consumption, underpinned by the increase in disposable income, is projected to remain the main growth driver. Manufacturing investment looks set to remain lacklustre due to stricter environmental constraints and reductions in production capacities. Property investment is likely to be adversely affected by the tightening of prudential measures in several cities. However, infrastructure investment is expected to remain strong. Exports are projected to slow in line with the decline in global demand.

Inflation looks set to remain around 2.5% in the next two years, mainly driven by food prices along with the rise in consumption.

As reiterated at the 19th Party Congress in October 2017, the slowdown of the economy's leverage will remain the authorities' priority. Macro-prudential control and monetary policy will be its two pillars. The People's Bank of China will have to balance between: (i) monetary tightening to support the slowdown of the economy's leverage and (ii) more targeted monetary easing measures (as the decline in the reserve requirement ratio for loans to SMEs and the agricultural sector in January 2018). Against this backdrop, the success of the slowdown of debt is not guaranteed. Fiscal policy is expected to remain loose but to a lesser extent than that associated with the stimulus in 2016-2017.

The downside risks that would jeopardize the growth trajectory include: (i) on the domestic front: a too sharp slowdown in investment and too strong prudential tightening leading to rising liquidity tensions and risks of bankruptcy, especially for the smallest banks; (ii) on the external front: an increase in US protectionism and the resumption of capital flights in the event of a stronger than expected rise in US rates.



As %	2015	2016	2017 (p)	2018 (p)	2019 (p)
Real GDP	6.9	6.7	6.8	6.3	5.8
Consumption	8.1	8.4	9.1	9.3	9.5
Investment	6.2	6.3	4.5	3.1	2.2
External trade (contrib. to growth, pp)	-0.1	-0.5	0.1	0.1	-0.1
Inflation rate	1.4	2.0	1.8	2.4	2.5
General Government Balance (as % of GDP)	-2.8	-3.7	-3.7	-3.7	-3.9
General Government Debt (as % of GDP)	41.1	44.3	47.6	50.8	53.9
External Debt (as % of GDP)	11.8	12.0	13.0	14.0	15.0
Current Account Balance (as % of GDP)	2.7	1.7	1.4	1.2	0.9

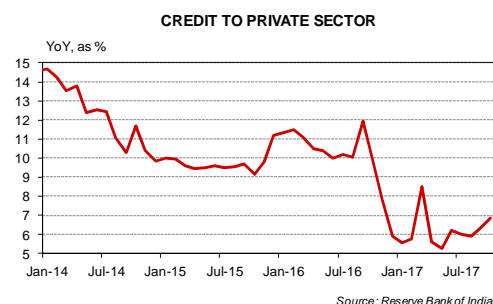
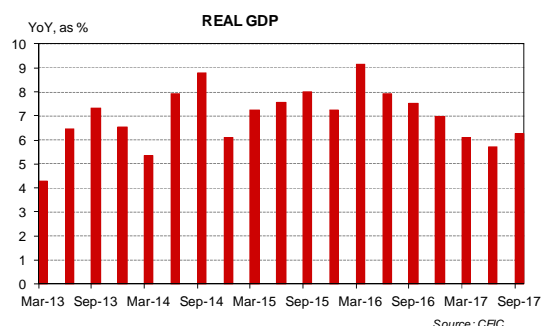
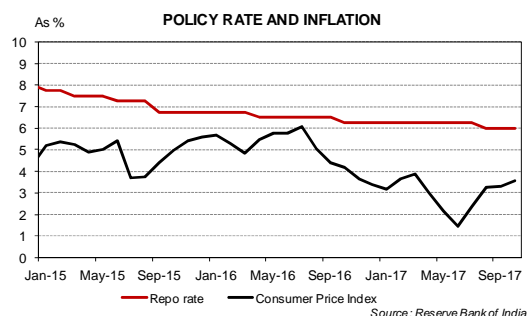
INDIA

- After a sharp slowdown in 2017, the economy is expected to rebound and increase above 7% in the next two years mainly thanks to the gradual pick-up in investment.
- Given weak public finances, monetary policy is likely to be the only tool to support activity provided the inflationary risk remains controlled.

The negative impacts on the economy of the demonetization in November 2016 and the implementation of the Tax on Goods and Services (GST) in July 2017 should start to fade from Q4-17. Growth is expected to increase to 7.0% in 2018 and 7.3% in 2019. Private consumption is expected to remain the main growth driver. Investment will also rebound after several sluggish years, supported by large public infrastructure projects. Private investment is projected to benefit from the standardization of taxation between the States following the implementation of the GST. It is also likely to be bolstered by the improvement in banks' balance sheets with the recent announcement of the recapitalization programme for public banks (1.3% of GDP) and the enactment of a new bankruptcy law.

The gradual recovery in activity is expected to be accompanied by an increase in inflation, which is nevertheless likely to remain around 5% and therefore within the target of the Reserve Bank of India (RBI).

By limiting tax evasion, demonetization should result in an increase in fiscal revenues. However, this positive impact on public finances is likely to be offset by the rise in civil servants' wages and the cost of public support to the agricultural sector in some States. The risk of fiscal slippage will restrict the RBI to pursuing its cycle of rates cuts (currently at 6%). There is an inflationary risk related to demand pressures due to persistent bottlenecks.



As %	2015	2016	2017 (p)	2018 (p)	2019 (p)
Real GDP	8.0	7.1	6.5	7.0	7.3
Household consumption	6.1	8.7	6.1	7.6	7.9
Investment	6.5	2.4	2.7	3.9	7.6
Exports	-5.3	4.5	5.3	7.7	7.4
Imports	-5.9	2.3	1.5	4.8	10.0
Inflation rate	6.0	4.5	4.6	4.7	4.8
General Government Balance (as % of GDP)	-7.1	-6.6	-6.4	-6.2	-5.9
General Government Debt (as % of GDP)	69.5	69.6	68.7	67.1	65.2
External Debt (as % of GDP)	22.7	21.4	19.3	22.3	22.1
Current Account Balance (as % of GDP)	-1.1	-0.7	-1.4	-1.5	-1.6

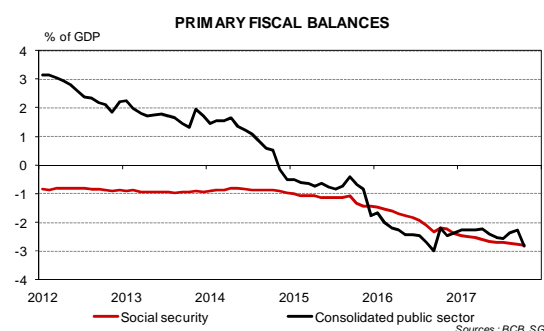
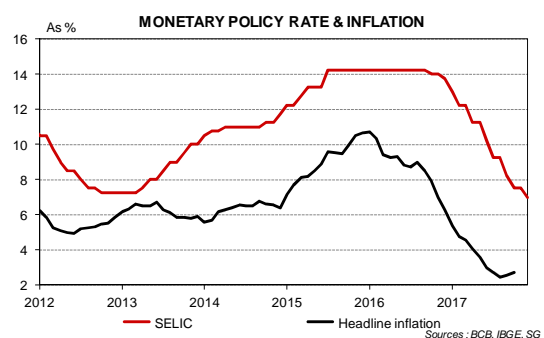
BRAZIL

- The economic recovery has gained ground driven by private consumption and exports. The rebound of real investment is expected to help the economy accelerate in 2018.
- The BCB ended its easing cycle after lowering the policy rate to 7%. Given the prospects of a moderate recovery and stable inflation, financial conditions would remain favourable through 2018
- A lack of progress in the fiscal adjustment and increasing uncertainties regarding the 2018 General elections could however lead the BCB to pre-emptively tighten monetary policy, damaging the economic recovery.

The economic recovery continues to firm up with all the components of GDP heading upwards. Private consumption will continue to be the main driver of growth in 2018 benefiting from the progressive improvement of labour market conditions and low inflation. Exports will remain robust thanks to stronger commodity demand and the regional growth upturn. Investment would finally rebound (it turned positive in Q3 after 15 consecutive quarters of contraction) supported by looser financial conditions and rising business confidence.

The BCB reduced in December its policy rate by 50 bps to 7%, bringing it to its lowest level since 2000. Given the moderate growth prospects and the benign inflation outlook, the BCB is expected to maintain financial conditions loose throughout much of 2018. Inflation, currently at 2.8% YoY, should progressively converge towards the 4.5% central bank target, driven by increasing food and energy prices.

The fiscal accounts are the only element that has yet to show signs of improvement, and hence the main risk to the recovery. The primary fiscal deficit remains high (2.8% of GDP in October) largely driven by the worsening of the Social Security deficit. The authorities are pressing a reform of the retirement benefits to consolidate Social Security accounts. However, it's still unclear if the Government could pass this reform before the start of the electoral cycle (general elections are scheduled for October 2018). Lack of reform would prevent the government to comply with the constitutional cap of primary expenditures growth (3% for 2018). All in all, a failure to pass this reform and a rapid increase of public debt could translate into higher financial volatility and higher inflation, damaging the ongoing recovery.



As %	2015	2016	2017 (p)	2018 (p)	2019 (p)
Real GDP	-3.8	-3.6	1.0	2.0	2.5
Household consumption	-3.9	-4.2	1.2	2.0	2.4
Investment	-13.9	-10.0	-1.0	4.7	6.0
Exports	6.3	1.7	5.5	4.0	3.8
Imports	-14.1	-9.6	3.0	3.5	4.0
Inflation rate	9.5	8.0	3.7	4.5	4.5
General Government Balance (as % of GDP)	-10.3	-8.5	-7.5	-7.0	-6.0
General Government Debt (as % of GDP)	57.2	66.5	71.0	75.0	79.0
External Debt (as % of GDP)	25.6	29.0	27.0	26.5	26.0
Current Account Balance (as % of GDP)	-3.3	-1.5	-0.5	-1.0	-1.5

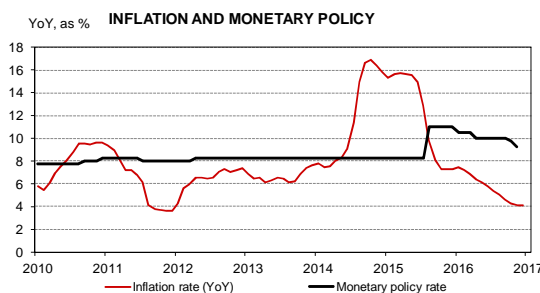
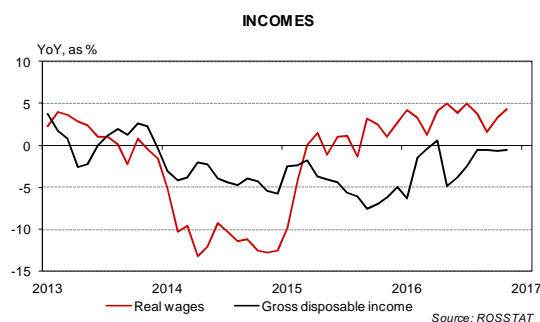
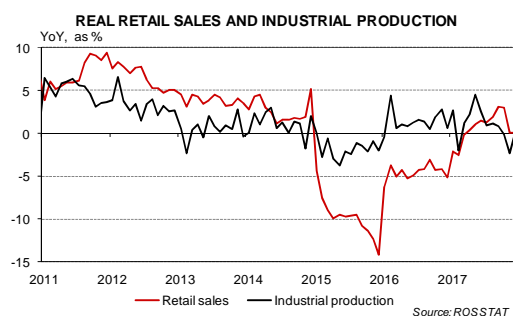
RUSSIA

- Growth is expected to come in under 2% over the next two years due to the meagre rise in household income. Investment is likely to continue suffering from persistently restrictive financial conditions.
- Inflation may bounce back slightly in 2018, while remaining moderate under the impact of weak demand and the expected stability of the rouble.
- No support will be had from economic policy, as the Central Bank is expected to hold on to its restrictive bias in a bid to anchor inflation expectations. Fiscal policy will be aimed at managing the deficit over the long term to keep public debt contained.

Growth is once again showing signs of weakness, liable to persist in the coming quarters. Consumption is struggling to get back on track amid stagnating household income. Unlike the past, fiscal policy is unlikely to come to the rescue by way of pension hikes, creation of government jobs or pay rises for civil servants. That said, consumption should improve somewhat on the back of modest growth in real wages. Investment is liable to flag as profit margins slowly fall, given that wages are climbing faster than productivity (wage tensions are constant as a result of the decline in the working population). What's more, financial conditions are still relatively restrictive for companies, with a persistently high cost of capital.

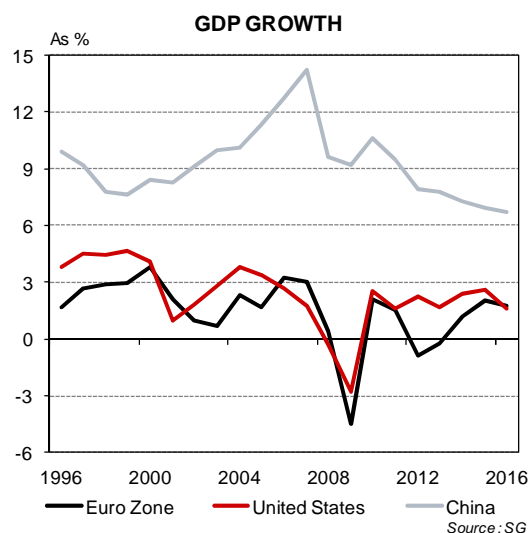
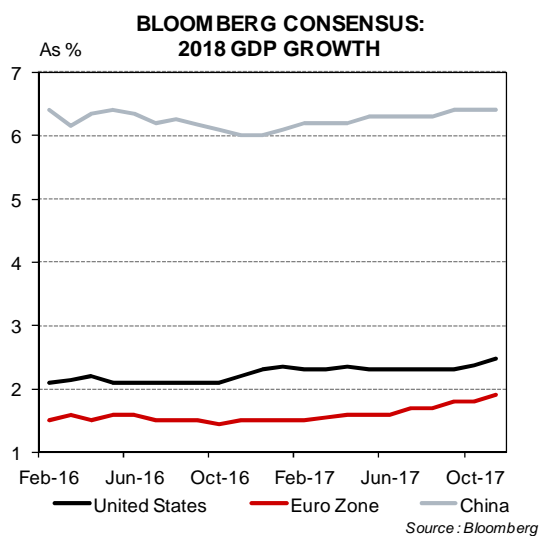
Help will not come from economic policy. Even though inflation has hit levels not seen since the Soviet era, Russia's Central Bank is maintaining high interest rate levels with the aim of firmly establishing inflation expectations. The economy is still exposed to financial volatility in the event of oil price fluctuations, disappointment in emerging markets or additional sanctions. All else being equal, we do not expect inflationary pressures to return. The Bank of Russia may further ease its monetary policy rate, but only while keeping real rates at high levels.

Fiscal policy will remain subject to a restrictive bias. The 2018-2019 budget calls for a reduction of 1.5% of GDP in the government budget balance (before debt service payments) over the period. The government authorities are focusing their strategy on keeping a low debt ratio.



As %	2015	2016	2017 (p)	2018 (p)	2019 (p)
Real GDP	-2.8	-0.2	1.5	1.2	1.2
Household consumption	-9.8	-4.5	1.5	2.0	2.0
Investment	-9.9	-1.8	3.0	2.0	2.5
Exports	3.7	3.1	3.0	2.0	2.0
Imports	-25.9	-3.8	4.0	4.0	4.0
Inflation rate	15.7	7.2	4.5	4.2	4.2
General Government Balance (as % of GDP)	-3.5	-3.7	-2.5	-2.0	-1.5
General Government Debt (as % of GDP)	13.0	14.0	16.0	18.0	19.0
External Debt (as % of GDP)	28.0	37.7	40.0	34.0	35.0
Current Account Balance (as % of GDP)	2.9	4.9	1.9	2.0	2.6

Economic Data



As %	2010	2011	2012	2013	2014	2015	2016	2017 (f)	2018(f)	2019(f)
GDP, volume										
World	4,2	3,2	2,5	2,7	2,9	2,8	2,6	3,2	3,1	2,9
United States	2,5	1,6	2,2	1,7	2,6	2,9	1,5	2,3	2,4	1,7
Japan	4,2	-0,1	1,5	2,0	0,2	1,1	1,0	1,5	1,1	1,0
United Kingdom	1,9	1,5	1,3	1,9	3,1	2,2	1,8	1,6	1,3	1,3
Eurozone	2,0	1,7	-0,8	-0,2	1,4	2,0	1,8	2,3	1,9	1,6
Germany	3,9	3,7	0,7	0,6	1,9	1,5	1,9	2,5	1,9	1,7
France	1,9	2,1	0,2	0,6	1,0	1,0	1,1	1,9	1,8	1,7
Italy	1,6	0,7	-2,9	-1,7	0,2	0,9	1,1	1,5	1,3	1,1
Spain	0,0	-1,0	-2,9	-1,7	1,4	3,4	3,3	3,0	2,4	2,1
China	10,6	9,5	7,9	7,8	7,3	6,9	6,7	6,8	6,3	5,8
India	10,3	6,6	5,5	6,4	7,5	8,0	7,1	6,5	7,0	7,3
Brazil	7,5	4,0	1,9	3,0	0,5	-3,8	-3,6	1,0	2,0	2,5
Russia	4,5	5,1	3,7	1,8	0,7	-2,8	-0,2	1,5	1,2	1,2

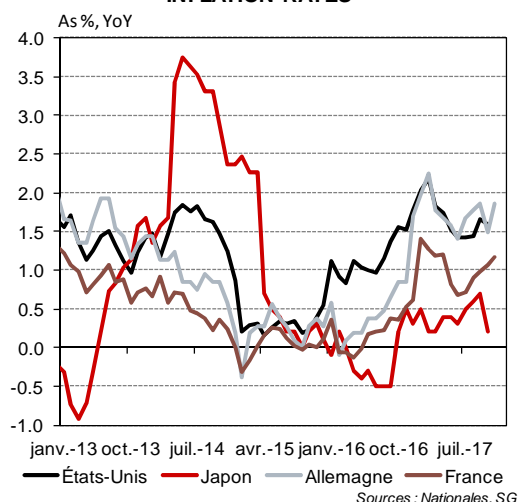
Investment, volume

World*	-0,7	4,2	3,4	4,2	3,7	3,5	3,2	2,4	2,8	2,4
United States	-16,7	1,5	6,3	9,8	5,0	6,2	3,8	0,6	3,8	3,2
Japan	-9,6	-1,6	1,7	3,5	5,0	2,7	0,1	1,0	2,4	1,0
United Kingdom	5,0	1,9	2,3	3,2	6,7	3,4	0,5	2,4	0,9	1,8
Eurozone	-0,5	1,6	-3,3	-2,4	1,9	3,0	4,5	3,9	3,1	2,3
Germany	5,0	7,4	-0,1	-1,2	3,7	1,0	2,9	4,3	2,4	2,2
France	1,8	2,2	0,3	-0,7	0,0	0,9	2,7	3,6	2,7	2,0
Italy	-0,6	-1,7	-9,4	-6,6	-2,2	1,7	3,0	3,2	2,9	1,8
Spain	-4,9	-6,9	-8,6	-3,4	4,7	6,5	3,3	4,8	3,6	3,5
China	7,1	9,1	7,2	6,2	6,3	6,2	6,3	4,5	3,1	2,2
India	15,2	11,5	2,4	2,5	2,5	6,5	2,4	2,7	3,9	7,6
Brazil	17,9	6,8	0,8	5,8	-4,2	-13,9	-10,0	-1,0	4,7	6,0
Russia	6,4	9,2	5,9	1,3	-2,7	-9,9	-1,8	3,0	2,0	2,5

Sources: Datastream, IMF, OECD, SG computations and forecasts

* Weighted average of the 11 countries shown here

INFLATION RATES



WORLD TRADE VOLUME



As %	2010	2011	2012	2013	2014	2015	2016	2017 (f)	2018(f)	2019(f)
Inflation										
World*	2.3	3.6	2.7	2.4	2.3	1.7	1.7	2.1	2.3	2.3
United States	1.6	3.1	2.1	1.5	1.6	0.1	1.3	2.0	2.3	1.9
Japan	-0.7	-0.3	-0.1	0.3	2.8	0.8	-0.1	0.5	0.8	1.3
United Kingdom	3.3	4.5	2.8	2.6	1.5	0.0	0.7	2.7	2.7	2.2
Eurozone	1.6	2.7	2.5	1.4	0.4	0.0	0.2	1.5	1.4	1.6
Germany	1.1	2.5	2.1	1.6	0.8	0.1	0.4	1.6	1.6	1.7
France	1.6	2.2	1.9	0.8	0.4	0.1	0.2	1.0	1.4	1.7
Italy	1.5	2.1	2.2	1.3	0.7	0.7	0.5	0.9	1.3	1.4
Spain	1.8	3.2	2.4	1.4	-0.2	-0.5	-0.2	2.0	1.3	1.5
China	3.3	5.4	2.6	2.6	2.0	1.4	2.0	1.8	2.4	2.5
India	9.5	9.5	10.0	9.4	5.8	4.9	4.5	3.5	4.7	4.8
Brazil	5.0	6.6	5.4	6.2	6.3	9.5	8.0	3.7	4.5	4.5
Russia	6.9	8.4	5.1	6.8	7.8	15.7	7.2	4.5	4.2	4.2

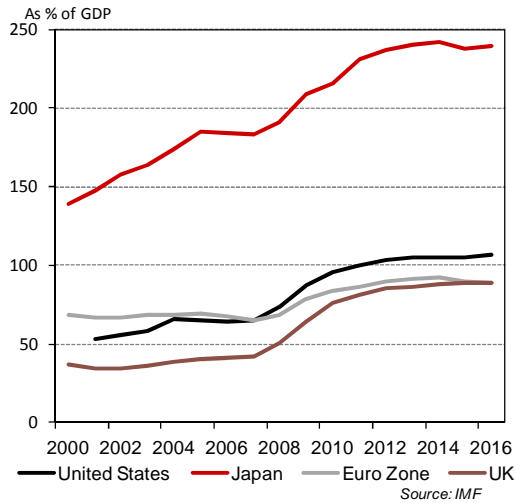
Current account balance (as % of GDP)

United States	-2.9	-2.9	-2.6	-2.1	-2.1	-2.4	-2.4	-2.4	-3.0	-2.1
Japan	3.9	2.1	1.0	0.9	0.8	3.1	3.7	4.2	4.4	4.6
United Kingdom	-2.8	-1.8	-3.7	-4.4	-4.7	-4.3	-4.6	-3.4	-2.7	-2.1
Eurozone	-0.1	-0.1	1.4	2.2	2.4	3.2	3.3	3.2	3.1	3.1
Germany	5.4	6.0	7.1	6.8	7.5	8.6	8.2	7.8	7.5	7.5
France	-0.8	-1.0	-1.2	-0.9	-1.3	-0.4	-0.9	-1.6	-1.1	-1.1
Italy	-3.4	-3.0	-0.3	1.0	1.9	1.5	2.7	2.7	2.6	2.5
Spain	-3.9	-3.2	-0.2	1.5	1.1	1.1	1.9	1.8	1.8	2.0
China	3.9	1.8	2.5	1.5	2.2	2.7	1.7	1.4	1.2	0.9
India	-2.8	-4.2	-4.8	-1.7	-1.3	-1.1	-0.7	-1.4	-1.5	-1.6
Brazil	-3.4	-2.9	-3.0	-3.0	-4.2	-3.3	-1.5	-0.5	-1.0	-1.5
Russia	4.1	4.7	3.2	1.5	2.8	2.9	4.9	1.9	2.0	2.6

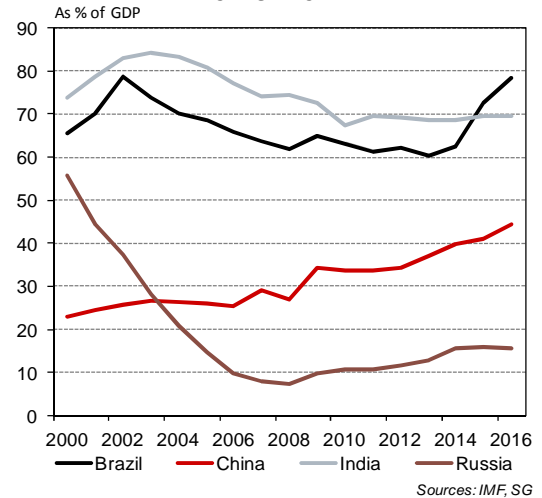
Sources: Datastream, IMF, SG computations and forecasts

* Weighted average of the 11 countries shown here

DEVELOPED MARKETS: PUBLIC DEBT



BRIC: PUBLIC DEBT

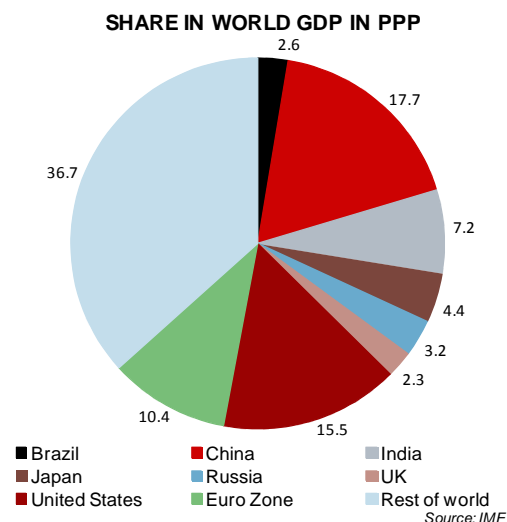
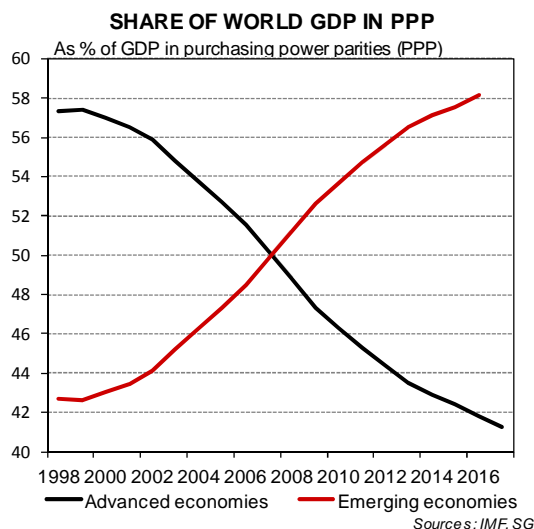


As % of GDP	2010	2011	2012	2013	2014	2015	2016	2017 (f)	2018(f)	2019(f)
Public sector balance										
United States	-12.2	-10.7	-9.0	-5.5	-4.9	-4.3	-5.0	-4.8	-5.2	-5.9
Japan	-9.1	-9.1	-8.3	-7.6	-5.4	-3.5	-4.6	-4.8	-4.1	-3.6
United Kingdom	-9.5	-7.5	-8.2	-5.6	-5.7	-4.3	-3.0	-2.8	-3.0	-3.0
Eurozone	-6.2	-4.2	-3.6	-3.0	-2.6	-2.1	-1.5	-1.2	-1.0	-1.0
Germany	-4.2	-1.0	0.0	-0.2	0.3	0.7	0.8	0.9	1.0	1.0
France	-6.8	-5.1	-4.8	-4.0	-3.9	-3.6	-3.4	-2.9	-2.8	-3.0
Italy	-4.2	-3.7	-2.9	-2.9	-3.0	-2.6	-2.5	-2.2	-2.0	-2.0
Spain	-9.4	-9.6	-10.5	-7.0	-6.0	-5.3	-4.5	-3.1	-2.5	-2.0
China	-0.4	-0.1	-0.3	-0.8	-0.9	-2.8	-3.7	-3.7	-3.7	-3.9
India	-8.6	-8.3	-7.6	-7.0	-7.2	-7.1	-6.6	-6.4	-6.2	-5.9
Brazil	-2.7	-2.5	-2.5	-3.0	-5.4	-10.3	-8.5	-7.5	-7.0	-6.0
Russia	-3.2	1.4	0.4	-1.2	-1.1	-3.5	-3.7	-2.5	-2.0	-1.5
Public debt*										
United States	89.5	94.4	98.9	101.2	102.1	101.2	105.0	103.7	104.4	106.3
Japan	184.2	199.6	206.2	210.0	214.5	214.7	217.7	221.0	223.3	224.3
United Kingdom	76.0	81.6	85.1	86.2	88.1	86.6	87.8	83.0	81.8	80.4
Eurozone	84.0	86.2	89.6	91.5	92.0	90.1	89.1	86.7	85.2	83.4
Germany	80.9	78.6	79.8	77.4	74.6	70.9	68.1	64.6	61.5	58.5
France	81.6	85.2	89.5	92.3	94.9	95.6	96.3	96.7	96.7	96.8
Italy	115.4	116.5	123.4	129.0	131.8	131.5	132.0	131.2	130.2	129.1
Spain	60.1	69.5	85.7	95.5	100.4	99.4	99.0	98.4	97.6	96.3
China	33.7	33.6	34.3	37.0	39.9	41.1	44.3	47.6	50.8	53.9
India	67.5	69.6	69.1	68.5	68.5	69.5	69.6	68.7	67.1	65.2
Brazil	63.0	61.2	62.2	60.2	62.3	57.2	66.5	71.0	75.0	79.0
Russia	10.6	10.8	11.5	12.7	15.6	13.0	14.0	16.0	18.0	19.0

Sources: Datastream, IMF, SG computations and forecasts

* BRIC: source IMF; Developed countries: national sources (Maastricht methodology for EU countries)

Structural Data



In 2016	GDP in \$ (USDbn)	GDP p. capita (\$, at PPP)	Population (Millions)	Credit (% GDP)*	Ext. Position, net** (% GDP)	Openness ratio***
United States	18 624	57 608	323	151	-45	21
Euro Zone	11 923	37 071	341	163	-7	67
Germany	3 479	48 449	82	106	52	69
France	2 466	42 336	65	189	-15	44
Italy	1 851	36 823	61	115	-9	47
Spain	1 233	36 347	46	166	-80	48
Netherlands	778	51 249	17	231	66	139
China	11 232	15 395	1 383	211	16	33
Japan	4 937	41 220	127	159	61	25
United Kingdom	2 629	42 421	66	168	-1	40
India	2 264	6 694	1 300	57	-16	28
Brazil	1 799	15 238	206	66	-34	18
Canada	1 530	46 441	36	218	8	53
South Korea	1 411	37 730	51	193	20	64
Russia	1 283	26 926	143	68	17	37
Australia	1 262	48 712	24	204	-59	32
Mexico	1 047	18 935	122	44	-44	74
Indonesia	932	11 717	259	40	-36	30
Turkey	863	24 986	80	85	-41	40
Switzerland	669	60 374	8	212	125	87
Saudi Arabia	646	55 331	32	65	94	49

Sources: World Bank, BIS, IMF, Datastream

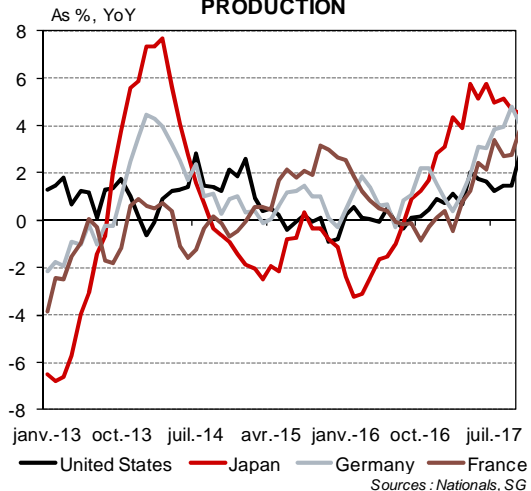
*Bank loans and debt securities of the non financial private sector

** Foreign assets, net of liabilities to the rest of the world

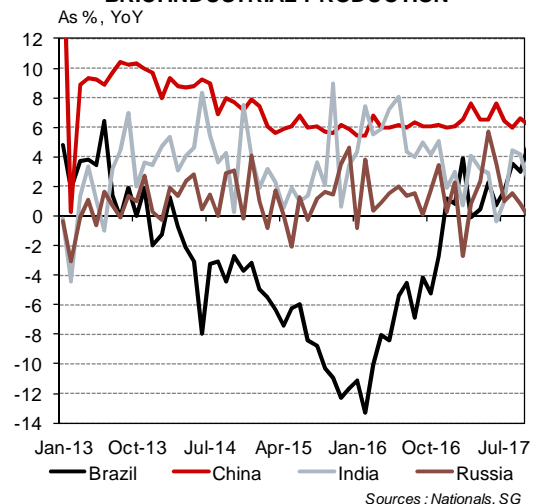
*** Sum of imports and exports, divided by GDP

Cyclical Data

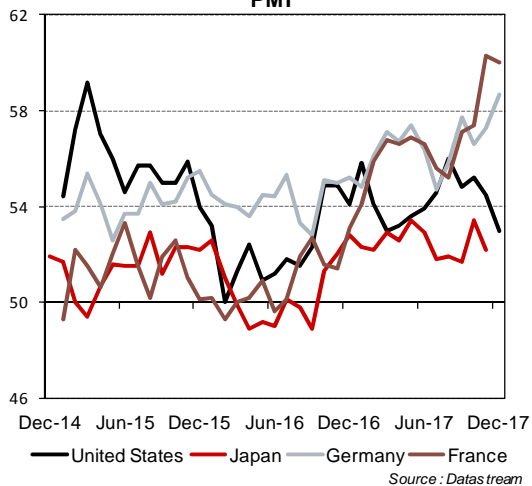
DEVELOPED MARKETS: INDUSTRIAL PRODUCTION



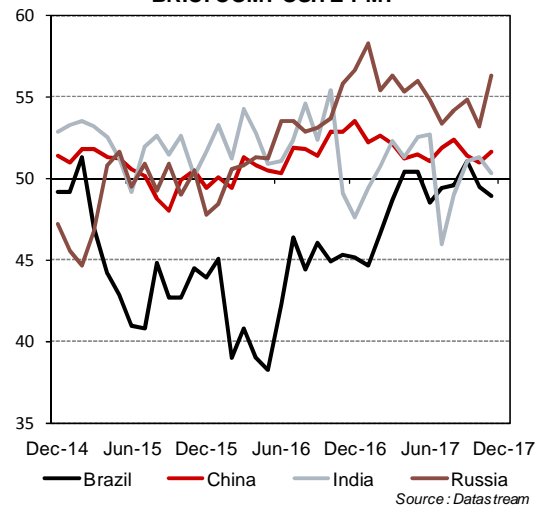
BRIC: INDUSTRIAL PRODUCTION



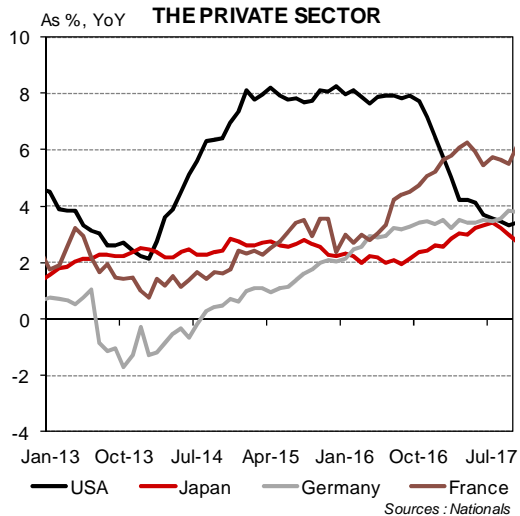
DEVELOPED MARKETS: COMPOSITE PMI



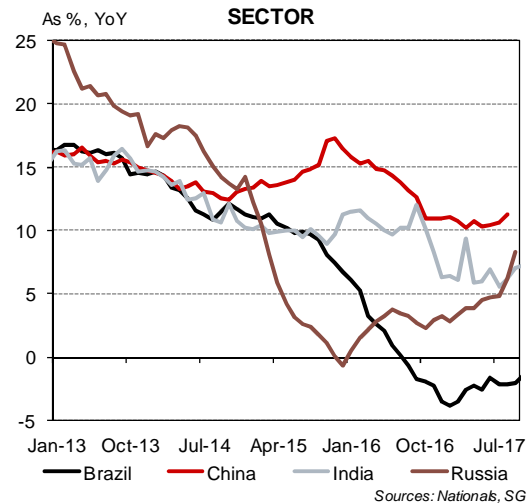
BRIC: COMPOSITE PMI



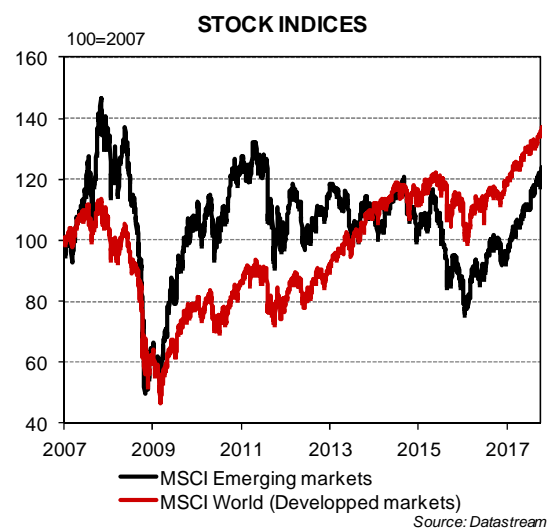
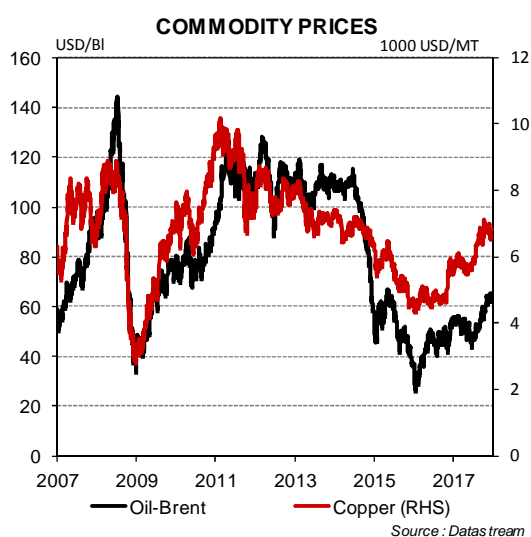
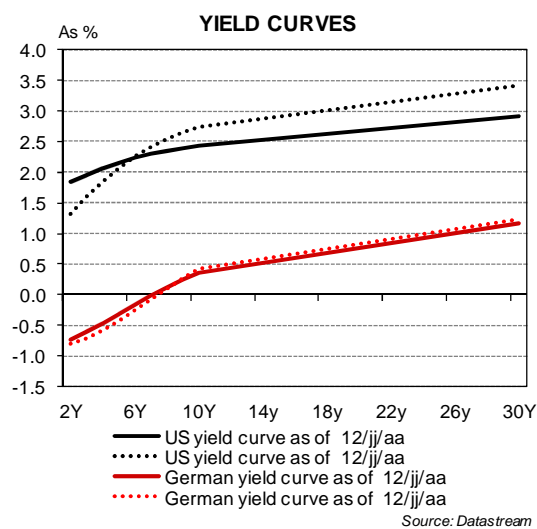
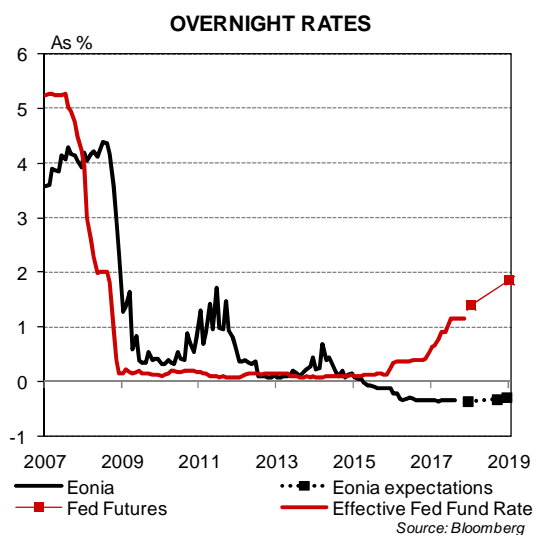
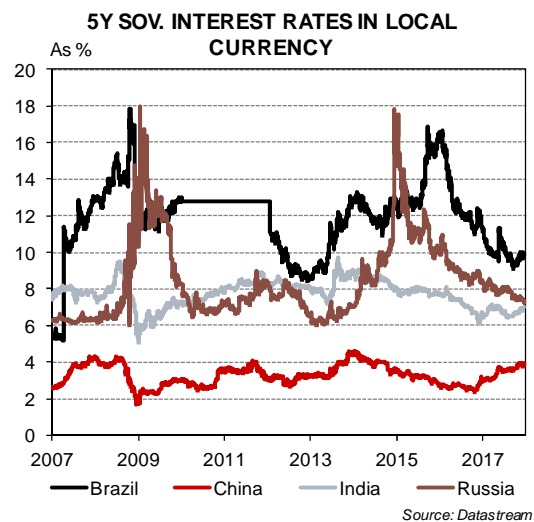
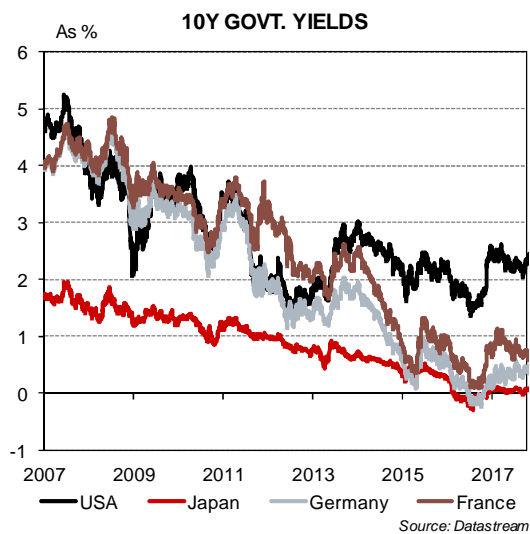
DEVELOPED MARKETS: CREDIT TO THE PRIVATE SECTOR

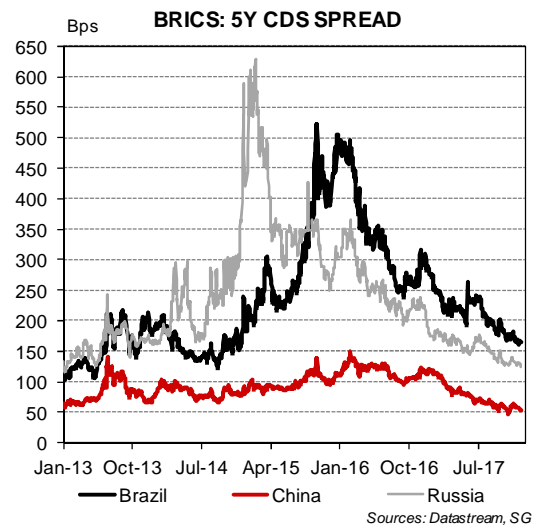
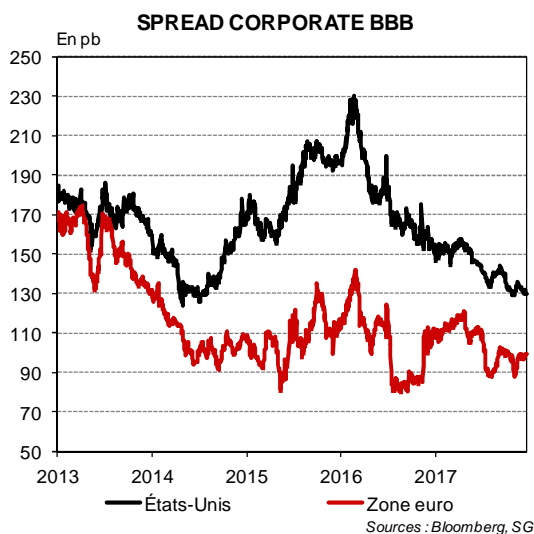
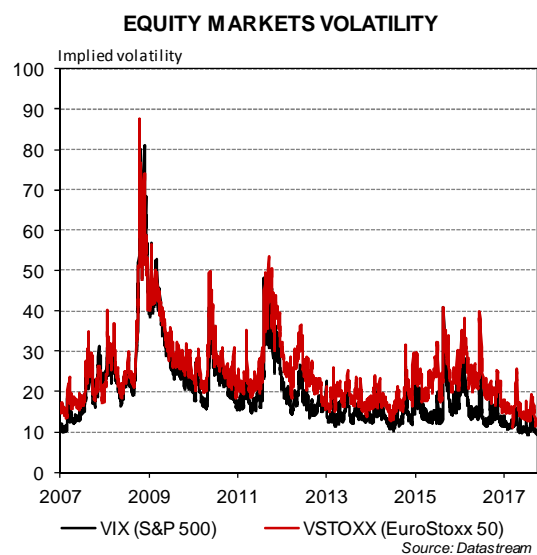
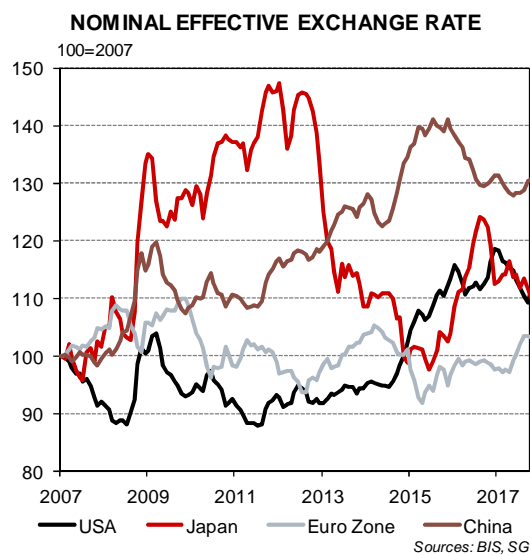
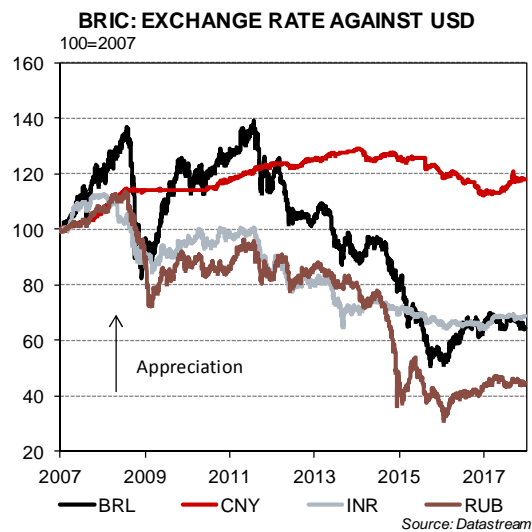
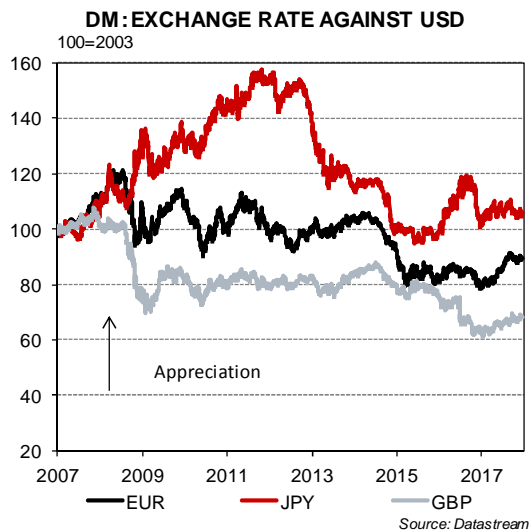


BRIC: CREDIT TO THE PRIVATE SECTOR



Financial Data





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