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SCENARIOECO

Economic and Sector Studies

SLOWER AND LESS BALANCED EXPANSION

- The expansion under way since mid-2016 continues, but has lost momentum and, just like a bicycle moving at less speed, is now in greater danger of losing balance. Boosted by fiscal expansion, the US economy has resisted the headwinds of Fed tightening and political uncertainty, but activity in the euro area and China has slowed more markedly. We expect global growth to clock in at 3.7% in 2018 and to slow to 3.5% and 3.4% in 2019 and 2020 respectively.

- Risks to global growth are skewed to the downside in a context of heightened policy uncertainty. Some relief came from US/China talks on the side-lines of the G20, where the increase of US tariffs, initially scheduled for January 2019, was put on hold for 90 days. The risk of new headwinds from global trade tensions, a no-deal Brexit and euro area politics, not least with the European Parliamentary elections in late May, remains elevated. And this, against the backdrop of elevated debt levels and choppy financial markets.

- Global corporate bond market conditions are tightening and overall market volatility has increased. A global repricing of risk premia could lead major central banks to adopt a less hawkish tone and pause or delay monetary normalization. 2019 is set to be marked increasingly by the question of how policymakers, in an environment of still historically low interest rates, bloated central bank balance sheets and high public debt, will navigate the next downturn.

SOCIETE GENERALE

Document completed on 20 December 2018

Outlook Summary

GLOBAL ECONOMY

- The expansion under way since mid-2016 continues, but has lost momentum and is now less well balanced. The US is still delivering firm growth but activity in other major economies has slowed against the backdrop of global trade tensions and political uncertainty.
- Risks to global growth are skewed to the downside in a context of elevated policy uncertainty. While monetary conditions remain accommodative, financial conditions have tightened reflecting market concerns on the viability of the current expansion. Some relief came from US/China talks during the G20 meetings, where an increase of tariff rates in January 2019 was put on hold, but uncertainties persist as US complaints against China are not easily resolvable. Moreover, the threat of US auto tariffs levied against imports from the EU remains present. The risk of no-deal Brexit and uncertainties in European politics (social movements, waning support for mainstream parties) are also sources of market concern.
- The recent decline in oil prices is good news for most advanced economies. Brent dropped to $57/b (19 December), more than 30% down from the peak of over $85/b back in early October.

ADVANCED ECON-OMIES

- The US economy is supported by a large fiscal stimulus aimed at lifting corporate investment and jobs. Resilient employment growth has been a key driver of the current expansion. US GDP is set to slow significantly in 2020 as the fiscal impulse fades in 2H19 and monetary tightening takes effect.
- Growth is decelerating in the euro area. The downturn stems partly from manufacturing, with Germany being hit by weaker automotive output and lackluster exports, and partly from uncertainties related to Italy's debt trajectory and from the impact of social protests in France. A headwind is also blowing in from across the channel with the risk of a no-deal Brexit on 29 March 2019.
- Inflation is set to remain below the BoJ target when stripping out the consumption tax hike expected in October 2019

EMERGING MARKETS

- Chinese authorities have eased monetary policy to avoid further deceleration with the result of pausing efforts to contain leverage.
- Activity in emerging markets is on a weaker footing going into 2019, amidst a slowdown in world demand and tighter global financial conditions. Despite softer activity, Emerging Asia remains the fastest-growing region. Central and Eastern Europe also exhibit a high degree of resilience to the slowdown in the euro area.
- The Turkish economy remains fragile, but the improvement in the Turkey-US bilateral relations has helped ease financial market tensions. The IMF agreed to increase a support package to Argentina, relieving market concerns over the country's public debt trajectory. In Brazil, the election of M. Bolsonaro has triggered fears over nationalistic policies, but the appointment of a pro-market economic team has been well-received.

CENTRAL BANKS

- The Fed is firmly engaged in the unwinding of its balance sheet and is expected to continue raising interest rates during 2019, albeit at a slower pace. Yet, the recent increase in financial market volatility and a global repricing in risk premia could lead the Fed to freeze further monetary policy tightening.
- The ECB confirmed that it would end its net asset purchases from January 2019, but is not expected to raise its key rates until after the summer 2019.
- The BoJ will keep its policy framework targeting a 0% of interest rates and reveal an exit strategy only when the core inflation target of 2% is achieved. Which is not something that we forecast over our outlook horizon.

FINANCIAL MARKETS

- Global market conditions are tightening, following a general rise in risk aversion. The spread of high-yield debt instruments has widened and volatility in equity market has increased.
- In line with a bear market, government bond yields have declined. The benchmark 10-year Bund yields, a proxy for risk-free borrowing in the euro area, fell below 0.3% in December. US Treasuries also slipped amidst lower inflation expectations.
- Unlike previous turbulence episodes, market fears now seem less focused on emerging markets. Emerging-market spreads remain stable and large emerging markets like Mexico, Turkey, South Africa and India continue to receive international capital inflows.

End of growth cycle? Not quite yet

- **The task of central banks appears increasingly difficult**
- **Signs of economic slowdown are present but there is still room for growth in 2019 …**
- **… and upward inflationary surprises cannot be ruled out.**

Keynes vs Minsky

Since the Fed ant the ECM announced the gradual normalization of their monetary policies (2015 for the Fed, 2018 for the ECB), several questions about the timing and the risks related to the exit of unconventional policies have emerged. From the macroeconomic point of view; Where do we stand in the global growth cycle? What is the level of trend GDP and growth potential? What is the right, "Goldilocks", level of interest rates? Beyond the questions related to the real business cycle, we have also seen a new post-crisis debate emerge on the financial cycle. This question, far less well explored in economic theory, has motivated the introduction of macro-prudential supervision at the level of central banks. The topics at stake include the pace of credit growth, financial asset prices, real estate prices, the level of indebtedness and finally the vulnerability of the financial system. Here again, the question of the right level of interest rates seems crucial. It is clear, that there is a significant burden on the shoulders of central banks today. But are they properly equipped to weather these cycles? Are we at risk of a serious policy error?

Decision-making tools for economic policy were partly developed to cope with the effects of the 1929 crisis, and were inspired by Keynes's work according to which the economy has no sufficient self-regulation mechanisms and public intervention is therefore essential. There are on two main assumptions here: (i) the existence of economic cycles and ii) the phases of expansion and contraction must be controlled by the public authorities (via fiscal and / or monetary policy) because of the existence of suboptimal equilibria (which could entail durably high unemployment).

For several decades, central banks were relatively well equipped to enforce their policies. They had the tools to try to situate the position of the economy in the cycle by observing prices pressures on goods and services and to react accordingly. But their main gauge of the relationship between the job market and inflation seems to have been less effective since the early 2000s. For example, despite a steady improvement in the US job market since 2009, wage pressures and, by extension, inflation has so far been well contained.

However, asset prices have steadily increased over the same period. And this is precisely the reproach that was made to the monetary policy led by Alan Greenspan before the subprime crisis in 2007: too much focus on the prices of goods and services and not enough on asset prices. In the wake of the crisis, the major central banks were forced to conduct unconventional policies (quantitative easing) to avoid excessive deflation of asset prices, and not least after the Lehman crisis. Central banks are now managing a very gradual exit of their unconventional policies and treading carefully in their communication (forward guidance) to avoid unwanted financial shocks.

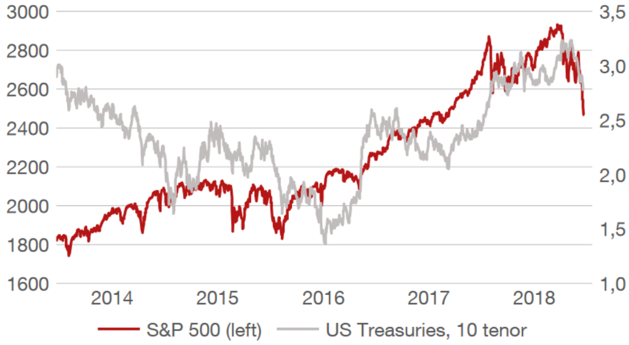
Expansionary monetary policies of recent years have also resulted in higher levels of indebtedness. Several observers warn of the risks associated with excessive indebtedness that could lead, at a certain point, to debt service tracking above investments returns. This, combined with the risk of a poorly calibrated monetary tightening, could lead to an abrupt tightening of financial conditions, rapid deleveraging and a slump in real investment. This explanation of the economic cycles through indebtedness dynamics developed by Hyman Minsky in the 80s and was brought back into the economic debate after the crisis.

As such, between the difficulty of tracking inflationary pressures and the overall level of financial fragility, central banks will have to continue to evolve on a ridge.

Slowdown signs but not recession yet

In recent months, global activity has somewhat cooled. Global trade has slowed down, activity indicators in the euro area are softening and China is also showing signs of weakness that have sparked worry amongst the leadership. In the United States, the signals contradict one another depending on whether one looks at the "real economy" where the indicators are still well oriented, or financial markets, which point to more pessimism. Indeed, after a sharp rise until September, the US equity market has dropped to its lowest level in over a year. So much so that the Fed has had to adjust its rate hike forecast for 2019 even though it still retains a tightening bias. More generally, stock market volatility has spiked and led to a flight to quality with a general decline in long-term sovereign benchmark yields. Market concerns are evidently growing about the possibility of an earlier than expected end of the growth cycle.

Higher risk aversion



Source: Thomson Reuters Datastream

However, global macroeconomic fundamentals do not allow us to conclude that we are on the eve of a recession. The US growth cycle should still benefit from the fiscal expansion, whose positive effects should not start to erode until late 2019. In China, growth has lost momentum but the authorities still want to manage a moderate slowdown and avoid a hard landing of the economy. In the euro area, even though activity indicators have deteriorated, there is no reason to believe that a sharper deterioration is set to follow based purely on the economics; political risks, however, remain biased to the downside. Indeed, the major macroeconomic imbalances in the region, that in the past led to growth shocks (fiscal deficits, trade deficits, credit booms, etc.), have been considerably reduced. From this point of view, the euro area is in a much stronger position than at the time of the Lehman and sovereign debt crises. Growth could thus slow down under the effect of confidence but without heading into recession. In emerging market economies, momentum remains strong, with some signs of a moderate slowdown in Central and Eastern Europe.

In addition, several factors could revive the economy. On the financial side, the current tensions have resulted in a decline in long-term interest rates without major widening of credit spreads. Moreover, despite the rise in risk aversion, there has been no sudden and sharp overshoot of the dollar against other currencies, which moderates the impact of current financial strains at the global level. Finally, the sharp drop in oil prices in the fourth quarter is likely to loosen the constraint on the purchasing power over the coming months.

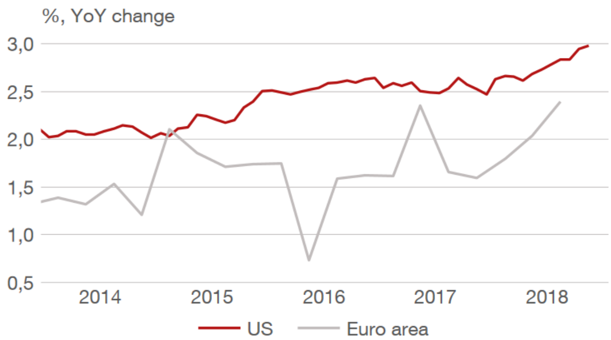
Oil prices

Source: Thomson Reuters Datastream

Over our forecast period, risks could come from a further tightening of financial conditions, for example related to still ongoing fears around the trade war, the situation in the euro area or the risks of hard Brexit.

On the other hand, one should keep in mind the risks associated with possible upward surprises on inflation. Indeed, wages are accelerating in the United States and the euro area in a context of full employment, in a number of member states. Any surge in price dynamics could quickly have an impact on interest rates and precipitate a more abrupt slowdown in global growth.

Hourly wages



Source: Thomson Reuters Datastream

Economic Forecasts

Real GDP growth (annual, %)	2016	2017	2018 (f)	2019 (f)	2020 (f)	Share of world GDP 2017 (%) Purchasing power parities[1]	Share of world GDP 2017 (%) Current exchange rates	GDP - 2017 USDbn Current exchange rates
Developed markets	**1.7**	**2.2**	**2.2**	**1.8**	**1.3**	**37.3**	**56.1**	**44 831**
United States	1.6	2.2	2.9	2.4	1.5	15.3	24.3	19 485
Japan	1.0	1.7	0.9	1.0	0.5	4.3	6.1	4 875
Euro area	1.9	2.5	1.9	1.4	1.1	11.5	15.7	12 637
Germany	2.2	2.5	1.5	1.3	0.9	3.3	4.6	3 693
France	1.1	2.3	1.6	1.5	1.2	2.2	3.2	2 591
Italy	1.3	1.6	0.9	0.6	0.6	1.8	2.4	1 942
Spain	3.2	3.0	2.5	2.1	1.6	1.4	1.6	1 315
United Kingdom	1.8	1.7	1.4	1.2	1.1	2.3	3.3	2 631
Emerging markets	**4.2**	**4.6**	**4.7**	**4.5**	**4.6**	**62.7**	**43.9**	**34 332**
Asia	6.0	6.2	6.1	5.8	5.6	35.8	25.4	20 530
China	6.7	6.9	6.6	6.2	5.8	18.3	15.1	12 265
India	7.1	6.7	7.2	7.1	7.0	7.5	3.3	2 508
Sub-Saharan Africa	0.9	2.4	3.0	3.7	4.3	3.9	2.3	1 283
Latin America	-0.6	1.5	1.6	2.1	2.9	7.7	6.9	4 089
Brazil	-3.5	1.0	1.2	2.0	2.5	2.6	2.6	2 055
Eastern Europe (incl. Turkey, ex. Russia)	2.6	5.2	3.8	2.4	3.0	4.9	3.2	5 324
Russia	-0.2	1.5	1.5	1.2	1.5	3.2	1.9	1 578
North Africa and Middle East	5.3	1.9	2.9	3.3	3.7	7.3	4.2	3 107
World - Weighted by PPP rates	**3.2**	**3.7**	**3.7**	**3.5**	**3.4**	**100**	**100**	
World - At current exchange rates	**2.7**	**3.3**	**3.3**	**3.0**	**3.3**			**79 164**
Oil price (Brent USD/Barrel)	**52.5**	**54.0**	**71.0**	**65.0**	**70.0**			

Consumer prices index (annual growth rate, %)	2016	2017	2018 (f)	2019 (f)	2020 (f)
United States	1.3	2.1	2.4	2.4	2.0
Japan	-0.1	0.5	1.1	1.7	2.1
Euro area	0.2	1.5	1.7	1.2	1.7
Germany (HICP)	0.5	1.7	1.8	1.5	1.9
France (CPI)	0.2	1.0	1.9	1.3	1.8
Italy (HICP)	-0.1	1.3	1.2	0.7	1.3
Spain (HICP)	-0.2	2.0	1.7	1.0	1.5
United Kingdom	0.0	0.7	2.6	2.6	2.4

[1] Purchasing Power Parity (PPP) rates are used to equalise 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.

	20/12/2018	dec 2018	june 2019	dec 2019	2017	2018	2019 (f)	2020 (f)
Interest rates					Yearly average			
United States								
Fed Funds target rate	2.25-2.5	2,25-2,5	2.75-3	2,75-3	0,95	1,80	2,70	2,75
10 year Gvt Bonds	2,79	2,85	3,50	3,65	2,35	2,90	3,50	3,50
Japan								
Complementary Deposit Facility rate	-0,10	-0,10	-0,10	-0,10	-0,10	-0,10	-0,10	-0,10
10 year Gvt Bonds	0,03	0,04	0,25	0,40	0,05	0,07	0,25	0,35
United Kingdom								
Bank rate	0,75	0,75	0,75	0,75	0,30	0,60	0,75	0,75
10 year Gvt Bonds	1,27	1,25	1,50	1,50	1,20	1,45	1,50	1,50
Euro area								
Refinancing rate	0,00	0,00	0,00	0,25	0,00	0,00	0,10	0,50
10 year Gvt Bonds								
Germany	0,23	0,25	0,80	0,95	0,36	0,45	0,75	1,20
France	0,67	0,70	1,10	1,30	0,80	0,75	1,10	1,60
Italy	2,75	2,95	3,45	3,55	2,05	2,60	3,45	3,30
Spain	1,38	1,45	1,85	1,95	1,55	1,45	1,80	2,10
Exchange rates								
EUR / USD	1,15	1,14	1,17	1,20	1,13	1,18	1,18	1,22
EUR / GBP	0,90	0,90	0,93	0,94	0,88	0,88	0,93	0,95
EUR / JPY	128	128	129	132	127	130	129	135
GBP / USD	1,27	1,27	1,27	1,27	1,29	1,34	1,27	1,30
USD / JPY	111	112	110	110	112	110	110	110

Euro Area

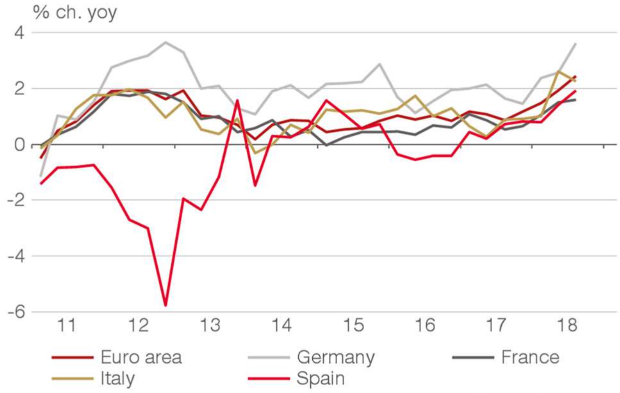
- **We have cut our growth forecasts for 2019-2020 by 0.3pp to 1.4% and 1.1%, respectively.**
- **The ECB is expected to hike rates in late 2019, but risks are tilted to the downside.**
- **A no-deal Brexit and intensification of political crises on the continent remain the main risks.**

After a very dynamic year in 2017, growth slowed in 2018. In 3Q18, GDP increased by only 0.2% qoq (1.7% yoy). This is mainly due to weak exports, amplified by difficulties in the German automotive sector and a contraction of activity in Italy on the back of political uncertainties. The leading indicators point to just a modest rebound of growth in 4Q18. As a result, we are revising down our annual forecasts for 2018 and 2019 to 1.9% and 1.4% respectively (versus 2.1% and 1.7% previously). In 2020, we anticipate a more substantial slowdown (1.1%) due to the cyclical downturn expected in the US.

In light of persistent uncertainty at international level, we do not expect a rebound in global trade in 2019-2020. Exports should nevertheless grow at an average pace of slightly below 3% over the forecast horizon. Household consumption will hold up well, underpinned by job creation and wage increases. But investment growth looks set to moderate in 2019-2020. The growing uncertainty around the length of the cycle could prompt companies and households to postpone some of their spending.

Conditions are tightening on the labour market and wage gains continue to lift unit labour costs. As a result, core inflation is expected to accelerate over our forecast horizon. Against this backdrop, and despite the deterioration in the macroeconomic environment, the ECB confirmed in December that it was going to end its net asset purchases by the end of 2018. That said, if the outlook deteriorates further in 1H19, it will postpone its normalisation policy. Under this scenario, it would likely defer its first interest rate hike from September to December 2019 replace maturing TLTRO II with new long-term refinancing operations.

Unit labour costs



Source: Thomson Reuters Datastream

There are several risks to our baseline scenario, the foremost of which are a disorderly Brexit and/or an intensification of Italian sovereign debt sustainability concerns (leading to a loss of confidence on the financial markets) which, if they materialise, would significantly weigh on growth prospects in the euro area. On a more structural level, social discontent in France threatens the reform agenda of the government and, by extension, weakens the position of France in the negotiations with Germany on reforming the euro area.

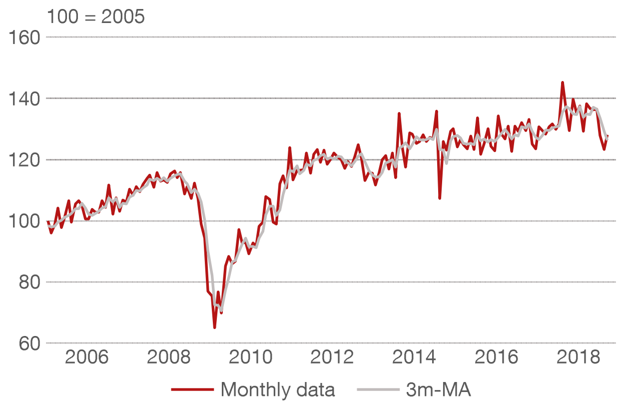
	2016	2017	2018 (f)	2019 (f)	2020 (f)
Real GDP, % ch	**1.9**	**2.5**	**1.9**	**1.4**	**1.1**
Household consumption	1.9	1.7	1.3	1.3	1.1
Public consumption	1.8	1.2	1.0	1.3	1.2
Investment	4.0	2.9	3.1	2.1	1.6
Exports	3.0	5.4	2.7	3.1	2.7
Imports	4.2	4.0	2.6	3.7	3.1
Inflation rate, %	**0.2**	**1.5**	**1.7**	**1.2**	**1.7**
Purchasing power of disposable income, % ch	**1.8**	**1.3**	**2.0**	**1.9**	**0.9**
Households saving rate, % of disposable income	**12.4**	**11.9**	**12.5**	**12.9**	**12.7**
Unemployment rate, %	**10.0**	**9.1**	**8.4**	**8.0**	**7.9**
Fiscal balance, % of GDP	**-1.6**	**-1.0**	**-1.0**	**-1.1**	**-0.9**
Current account balance, % of GDP	**3.2**	**3.2**	**3.2**	**3.0**	**2.9**

Germany

- **Growth slowed markedly in 2018 and is set to weaken further in 2019-2020**
- **Inflation is forecast to remain close to 2% over our forecast horizon**
- **Trade protectionism, a disorderly Brexit and euro area uncertainty are still the main risks**

Growth contracted by 0.2% sequentially in 3Q18 (1.2% yoy, versus 1.9% in 2Q18), mainly under the impact of one-off factors. Some difficulty encountered by the automotive sector in adapting to new European emission standards have negatively impacted export growth, while household consumption surprisingly contracted. Due to this poor performance, we have revised down our annual growth forecast for 2018 from 2% initially to 1.5% (despite a forecast rebound in activity in 4Q18). In 2019, growth is set to remain broadly stable at 1.3% before slowing to 0.9% in 2020 under the impact of an anticipated slowdown in global growth and compressed profit margins.

Automotive production



Source: Thomson Reuters Datastream, Destatis, SG

Since the start of 2018, exports have suffered from a less favourable external environment. Growth in exports is set to remain firm in 2019 but will decline sharply compared to 2017. It will slow down significantly in 2020 under the effect of the anticipated economic downturn in the US. Moreover, persistent uncertainties at international level will weigh on corporate investment. Although private investment held up well during the early part of the year, we expect its growth to moderate.

Household consumption is set to hold up well in 2018-2020 but will not be as strong as it was in 2016-2017. The rebound in oil prices in 2017-2018 made a dent in the growth in purchasing power, but the labour market is set to remain strong, particularly in 2019. Unemployment should bottom out in 2019 (4.8%) before rising slightly from 2020. Wage increases will continue over our forecast horizon, but they will start to dip from 2020. Against this backdrop, inflation will remain close to 2% over our forecast horizon.

Fiscal policy will be slightly expansionary in 2018-2019, with increased public investment and social benefits for families. The government will nevertheless maintain a budget surplus.

The main risks to our scenario are the continued rise in protectionism, a disorderly Brexit and euro area uncertainties. In the longer term, very moderate growth in the working population and weak efficiency gains will weigh on the economy's trend potential.

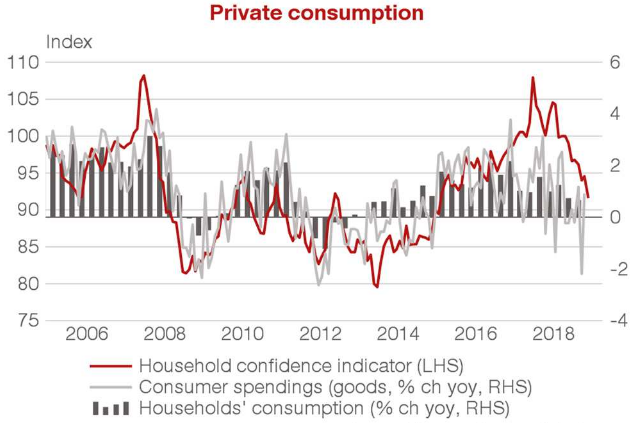
	2016	2017	2018 (f)	2019 (f)	2020 (f)
Real GDP, % ch	**2.2**	**2.5**	**1.5**	**1.3**	**0.9**
Household consumption	1.9	2.0	1.1	1.1	0.7
Public consumption	4.0	1.6	0.9	1.9	1.8
Investment	3.4	3.6	3.1	2.2	1.7
Exports	2.1	5.3	2.1	2.6	2.1
Imports	4.0	5.3	3.5	4.3	2.8
Inflation rate, %	**0.5**	**1.7**	**1.8**	**1.5**	**1.9**
Purchasing power of disposable income, % ch	**2.2**	**1.9**	**1.6**	**1.5**	**1.1**
Households saving rate, % of disposable income	**9.8**	**9.9**	**10.3**	**10.7**	**11.1**
Unemployment rate, %	**6.1**	**5.7**	**5.2**	**4.9**	**5.0**
Fiscal balance, % of GDP	**0.8**	**1.0**	**1.0**	**1.0**	**0.8**
Current account balance, % of GDP	**8.5**	**8.0**	**7.4**	**6.4**	**6.2**

France

- **Growth will remain stable at 1.5% in 2019, before slowing in 2020**
- **Fiscal stimulus will offset the negative impact of social protest on growth**
- **Uncertainty surrounding the progress of reforms has risen**

Growth rebounded in 3Q18 (0.4% qoq and 1.5% yoy) after a significant slowdown in 1H18 due to one-off factors. The "yellow vest" discontent is likely to have weighted on activity in 4Q18, with growth slowing down to 0.3-0.2% qoq. Accordingly, we have revised down our forecast for 2019 from 1.7% to 1.5%. We anticipate a stronger deceleration in 2020 (1.2%), on the back of slower domestic investment growth.

Private consumption



Source: Thomson Reuters Datastream

Household consumption will rebound in 2019, partly due to the government's social and fiscal measures announced in December. We nevertheless expect social distrust to persist in 2019, limiting the positive effect of the stimulus on activity. The significant increase in gross disposable income observed in 4Q18 (notably due to the rebate of the housing tax and the second cut in social contributions of employees) is likely to be have been saved, as social discontent will have negatively impacted consumption.

As consumer confidence is set to remain low in a tense social environment, we expect that the revenue saved in 4Q18 will be spent only partially and very gradually over the course of 2019.

Investment is set to decelerate in 2019-2020. The growing uncertainty in the euro area on the robustness of the cycle and the expected slowdown in the US will prompt companies to delay spending. The prospects around residential investment also remain modest. Export growth will remain firm, underpinned notably by the aerospace and luxury sectors.

From 2019, unemployment is set to stabilise at around 8.5%. As growth cools and wage growth picks up, the rise in unit labour costs will gradually be reflected in core inflation, which we expect to reach 1.8% in 2020.

The measures announced in December will most likely be financed by tax hikes and a more cautious approach on expenditures. Our scenario nevertheless anticipates lower GDP growth than forecast in the 2019 budget (1.5% vs the government's forecast of 1.7%), likely to push deficit slightly above 3% of GDP in 2019 (versus 2.8 % for the government).

The risks to our scenario have increased. The biggest include a disorderly Brexit, a sharp rise in oil prices, a steady rise in non-financial private debt, and labour shortages. In addition, growing social discontent could delay the reform agenda. The introduction of income tax withholding in January 2019 could also impact the quarterly profile of household consumption.

	2016	2017	2018 (f)	2019 (f)	2020 (f)
Real GDP, % ch	**1.1**	**2.3**	**1.6**	**1.5**	**1.2**
Household consumption	2.0	1.1	0.8	1.8	1.3
Public consumption	1.4	1.4	1.1	1.2	1.1
Investment	2.7	4.7	2.9	2.1	1.5
Exports	1.5	4.7	2.6	2.8	2.8
Imports	3.1	4.1	0.8	3.0	3.0
Inflation rate, %	**0.2**	**1.0**	**1.9**	**1.3**	**1.8**
Purchasing power of disposable income, % ch	**1.8**	**1.4**	**1.3**	**2.6**	**1.2**
Households saving rate, % of disposable income	**14.0**	**14.2**	**14.6**	**15.4**	**15.2**
Unemployment rate, %	**9.8**	**9.1**	**8.8**	**8.5**	**8.6**
Fiscal balance, % of GDP	**-3.5**	**-2.7**	**-2.6**	**-3.2**	**-2.0**
Current account balance, % of GDP	**-0.8**	**-0.6**	**-0.8**	**-0.6**	**-0.8**

Italy

- **Growth is slowing and is set to remain subdued in 2019 and 2020**
- **The fiscal stimulus is likely to have little impact on growth due to the widening of yield spreads**
- **The main risk is that of a significant increase in banks' funding cost**

The Italian economy is showing more widespread signs of a slowdown than the rest of the euro area, after a decrease in internal demand since the summer. After a contraction in Q3, we anticipate a further fall in GDP in Q4, as indicated in the latest PMI indicators.

PMI composite

Source: Thomson Reuters Datastream

The stimulus plan anticipated by the Italian government is set to support household purchasing power, primarily through the introduction of a universal income and by increasing pensions. Households are likely to take advantage of the increase in their disposable income to bolster their savings in a climate of uncertainty linked to the dispute with Brussels. The overall effect on private consumption may turn out to be modest despite the anticipated increase in real incomes.

Corporate investment is likely to suffer from a decline in order books and higher interest rates. State support through the public investment set out in the budget should be marginal and only have a small impact on growth. Exports are likely to improve in 2019 and 2020, helping to maintain current account in surplus.

Italy has reached an agreement with the European Commission on the draft budget for 2019, which provides for a public deficit of 2% of GDP in 2019 instead of 2.4% in the initial draft. The fiscal stimulus will be smaller, but it will still widen the budget deficit and we expect it to reach 2.9% in 2019. This figure is much higher than projected by the Italian government, as we see a much smaller lift to growth from the measures planned and are concerned that a number of measures will not have the expected effects on revenue growth (new taxes on financial transactions and digital activities, fight against tax evasion).

Government bond yields have eased since the agreement, but remain 100bp higher than last year. The widening of spreads is a headwind offsetting the positive impact of fiscal stimulus on growth and we believe that the fiscal multiplier on growth (0.5pp of GDP for the government) would be largely eroded by the impact of financial pressure on the economy, particularly on investment.

While the prospect of an excessive deficit procedure triggered by the Commission has been ruled out for now, the markets are worried about the level of public debt, which is at 130% of GDP, and rising. A significant risk is that a high level of interest rates will increase banks' funding costs and slow credit supply.

	2016	2017	2018 (f)	2019 (f)	2020 (f)
Real GDP, % ch	**1.3**	**1.6**	**0.9**	**0.6**	**0.6**
Household consumption	1.3	1.5	0.6	0.5	0.9
Public consumption	0.3	-0.1	0.1	0.3	0.1
Investment	3.7	4.4	3.8	0.9	0.6
Exports	2.3	6.3	0.9	2.8	2.3
Imports	3.9	5.6	1.9	3.1	2.8
Inflation rate, %	**-0.1**	**1.3**	**1.2**	**0.7**	**1.3**
Purchasing power of disposable income, % ch	**1.1**	**0.6**	**0.5**	**0.8**	**0.3**
Households saving rate, % of disposable income	**10.4**	**9.7**	**9.8**	**10.1**	**9.7**
Unemployment rate, %	**11.7**	**11.3**	**10.5**	**10.3**	**10.3**
Fiscal balance, % of GDP	**-2.5**	**-2.4**	**-2.3**	**-2.9**	**-3.1**
Current account balance, % of GDP	**2.5**	**2.8**	**2.5**	**2.3**	**2.2**

Spain

- **After five strong years, growth is set to slow to 2.1% in 2019 and 1.5% in 2020**
- **The budget deficit is set to be only be marginally reduced to 2.4% of GDP**
- **The PSOE government is a minority one and early elections are likely**

Following the slowdown in growth in Europe and the soft patch in global trade in the first half of 2018, growth is set to reach 2.1% in 2019 and 1.5% in 2020, a rate still above the euro area average.

Tourism in Spain

Source: Thomson Reuters Datastream

Household consumption is likely to suffer from a decline in the rate of job creation and the end of the post-crisis catch-up in purchases of durable goods. Per-capita wages, however, should accelerate in 2019 after an announced 22% increase in the minimum wage in the budget. The household savings rate looks set to improve after sharply declining in recent years, ceasing to support consumption. Spain's economic growth is also declining because of weaker exports. Furthermore, international tourist numbers are decreasing with tourists favouring the Maghreb countries and Turkey.

The unemployment rate is expected to return to 14% in 2019, close to its structural level. Core inflation is likely to gradually accelerate from 1.2% in 2018 to 1.7% in 2021 with the rise in wage pressures.

Growth in investment should return to a normalised level after the strong momentum of the last two years, which was significant for capital goods. The increase in interest rates linked to monetary tightening by the ECB could give rise to an erosion of corporate margins.

The budget sent to Brussels entails a slightly restrictive fiscal policy. It is essentially based on an increase in taxation (0.5% of GDP): a hike in the corporate tax on large companies and in the tax on profits made from foreign subsidiaries; increase in income tax for high-income households, increase in tax on diesel and the introduction of new taxes on financial transactions and digital activities. In terms of expenditure, the measures announced are expected to lead to a GDP increase of 0.1pp (indexation of pensions and social security contributions). However, the budget has not yet reached Parliament treatment and we anticipate a deficit close to 2.4% of GDP after 2.8% in 2018 if the budget law is rejected. The government draft budget forecasts a smaller deficit: 1.8% in 2019.

Although the political situation in Catalonia has returned to normal, the region continues to seek a referendum on independence, which Madrid has rejected. That said, the Sanchez government relies on support from Catalan and Basque representatives for its government majority. As such, the likelihood of early elections before spring 2020 remains high.

	2016	2017	2018 (f)	2019 (f)	2020 (f)
Real GDP, % ch	**3.2**	**3.0**	**2.5**	**2.1**	**1.6**
Household consumption	2.9	2.5	2.4	1.9	1.6
Public consumption	1.0	1.9	2.2	1.8	1.4
Investment	2.9	4.8	6.1	2.9	2.1
Exports	5.2	5.2	1.7	2.8	2.4
Imports	2.9	5.6	3.7	2.9	2.7
Inflation rate, %	**-0.2**	**2.0**	**1.7**	**1.0**	**1.5**
Purchasing power of disposable income, % ch	**1.9**	**1.5**	**1.8**	**2.2**	**1.5**
Households saving rate, % of disposable income	**7.8**	**7.1**	**6.6**	**6.9**	**6.7**
Unemployment rate, %	**19.7**	**17.2**	**15.4**	**14.5**	**14.0**
Fiscal balance, % of GDP	**-4.5**	**-3.1**	**-2.8**	**-2.4**	**-2.2**
Current account balance, % of GDP	**2.3**	**1.8**	**0.8**	**0.8**	**0.7**

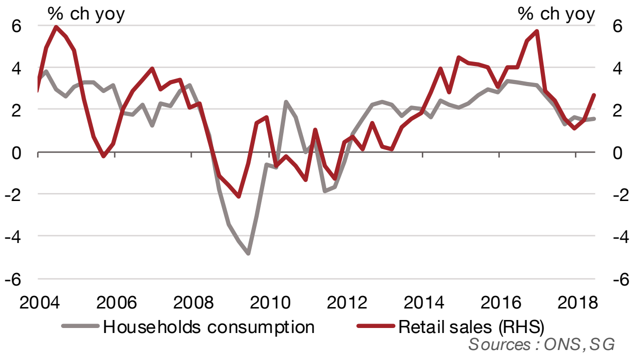
United Kingdom

- **GDP growth is set to slow further in 2019-2020 on the back of subdued domestic demand**
- **Our working assumption is that May's Brexit deal will pass, but risks remain high.**
- **Monetary policy will remain accommodative through 2020 when the next rate rise is expected**

GDP growth recovered in 3Q18 after a tepid H1, on the back of a revival in private consumption. Yet, this pick-up is not sustainable as a record-low saving rate and rising indebtedness offer little scope for stronger household consumption over the medium-term. Recent weakness in business investment is set to worsen, reflecting Brexit uncertainty whilst the withdrawal from the EU's single market will deteriorate the business environment in the long-term. Although a falling fiscal deficit allows greater public expenditures to somewhat offset Brexit headwinds in the short-term, an expected global slowdown in 2020 will weigh on GDP growth, which should remain below potential for an extended period.

On the back of a tight labour market and inflation measures nearing 2%, monetary policy is likely to remain accommodative throughout Brexit. We expect the BoE to proceed with only one rate hike of 25bp by year-end 2020. Should a no-deal scenario occur, sterling depreciation is likely to feed a surge inflation, forcing the BoE to face a very difficult choice, where it may be forced to hike rates simply to defend the currency.

Households consumption and retail sales



Sources : ONS, SG

Our baseline assumes a Withdrawal agreement is in early 2020, including provisions for a 21-month transition period with the possibility of a one-off extension. Yet, we also see a greater risk of a no-deal Brexit scenario given the current domestic political landscape. A no-deal Brexit could see the UK lose 4pp of GDP and the euro area 1pp in the first year after the shock, absent any offsetting actions. In this respect, no-deal preparations are reassuring.

The UK Parliament vote on the Brexit agreement concluded with the EU27 is now scheduled for the week of 14 January. As we head to press, uncertainty remains high and both a no-deal Brexit and a new referendum remain possible outcomes, but time is very short. Even if our working assumption of May's Brexit deal being accepted holds true, uncertainty over the future relationship between the UK and the EU27 will remain elevated. Indeed, the current text offers little in the way of concrete proposals, whilst mentioning a trading relationship that remains 'as close as possible on goods', though with many caveats on regulatory checks and feasible solutions to avoid the need of implanting a 'backstop' between Northern-Ireland and mainland Britain.

As such, considerable uncertainty will remain a forceful headwind on the UK economy, even if a costly no-deal Brexit is averted. Moreover, the risk of an early general election before May 2022 remains elevated. At present opinion polls show a close race between the conservatives and Labour. For the real economy, political uncertainty comes at a high cost.

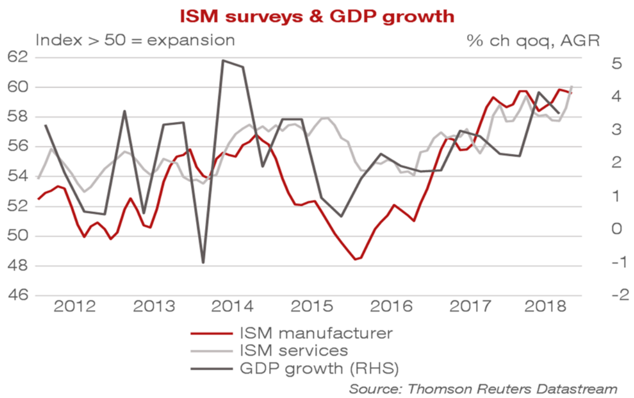
	2016	2017	2018 (f)	2019 (f)	2020 (f)
Real GDP, % ch	**1.8**	**1.7**	**1.4**	**1.2**	**1.1**
Household consumption	3.1	1.8	1.5	0.2	1.0
Public consumption	0.8	-0.1	0.7	1.8	2.0
Investment	2.3	3.3	0.0	-0.8	2.2
Exports	1.0	5.7	1.4	2.1	1.3
Imports	3.3	3.2	0.2	-0.4	1.4
Inflation rate, %	**0.7**	**2.6**	**2.6**	**2.4**	**1.7**
Purchasing power of disposable income, % ch	**0.0**	**-0.2**	**1.5**	**1.3**	**0.8**
Households saving rate, % of disposable income	**6.8**	**5.5**	**5.3**	**5.6**	**5.4**
Unemployment rate, %	**4.9**	**4.4**	**4.1**	**4.3**	**4.9**
Fiscal balance, % of GDP	**-3.0**	**-1.8**	**-1.1**	**-1.7**	**-2.2**
Current account balance, % of GDP	**-5.3**	**-3.8**	**-3.3**	**-2.5**	**-3.0**

United States

- **GDP is set to slow significantly in 2020 after the fiscal impulse fades in 2H19.**
- **Monetary tightening is set to continue but downside risks in 2019 could freeze the Fed.**
- **A hardening in trade tensions could weaken corporate profits and investment.**

The US economy delivered another strong print in 3Q18, with GDP growth bolstered by consumer spending. The sizeable fiscal package – tax cuts and higher government spending - still supports growth, but the effect is expected to fade from 2H19. We expect real GDP growth to average 3% in 2018 before slowing to 2.5% in 2019 and to 1.5% in 2020.

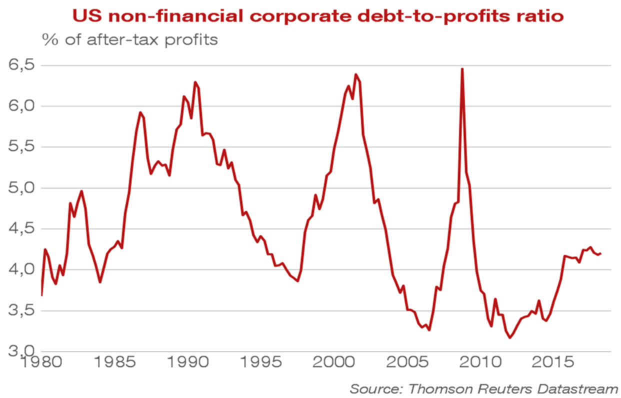
Resilient employment growth has been a key driver of the current expansion cycle. However, as labour cost increases, financial conditions tighten, and revenues plateaus, the corporate sector is likely to reduce profitability. The ongoing tariff tensions are also creating supply constraints, weighing also on capital expenditures.



Wage growth acceleration is expected to feed core inflation but the stabilization of oil prices would limit the upward trend in headline CPI and PCE figures. Inflation expectations derived from inflation-linked government bonds and household surveys stand at 2% in 2019.

The Fed is firmly engaged in the unwinding of its balance sheet and after the December 25bp rate hike, it has signalled that its expects two further hikes in 2019 that will set the policy rate in the range of 2.75-3%., in line with our own baseline. Yet, the recent increase in financial market volatility and a global repricing in risk premia could lead the Fed to pause or reduce the rhythm of its monetary tightening.

Trade tensions between the US and its main trading partners remain the main risk to this scenario. A surge in input costs and uncertainty would further weakened the outlook of corporate profits. Yet, the divided Congress – with a Democratic House and a Republican Senate – could limit the scope of the protectionist measures taken by the executive. An example of this is the new NAFTA treaty (USMCA), where its ultimate implementation requires a vote in Congress.



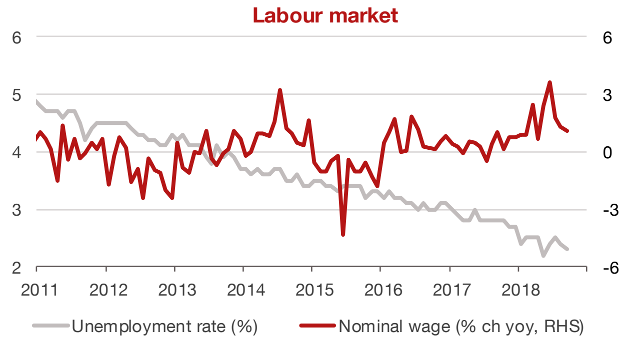
	2016	2017	2018 (f)	2019 (f)	2020 (f)
Real GDP, % ch	**1.6**	**2.2**	**2.9**	**2.4**	**1.5**
Household consumption	2.7	2.5	2.7	2.3	1.3
Public consumption	1.4	-0.1	1.9	3.2	2.0
Investment	2.4	3.0	3.4	2.6	1.5
Exports	-0.1	3.0	4.2	2.2	1.9
Imports	1.9	4.6	4.7	4.4	2.3
Inflation rate, %	**1.3**	**2.1**	**2.4**	**2.4**	**2.0**
Purchasing power of disposable income, % ch	**1.1**	**2.7**	**3.0**	**2.3**	**1.6**
Households saving rate, % of disposable income	**6.7**	**6.7**	**6.7**	**6.3**	**6.4**
Unemployment rate, %	**4.9**	**4.4**	**3.9**	**3.7**	**4.0**
Fiscal balance, % of GDP	**-5.4**	**-4.9**	**-6.6**	**-7.3**	**-7.8**
Current account balance, % of GDP	**-2.3**	**-2.3**	**-2.3**	**-3.1**	**-3.6**

Japan

- **Growth is expected to inch up in 2019 and to decelerate in 2020**
- **Inflation is set to remain below the BoJ target when stripping out the consumption tax hike**
- **New trade tensions and a steep slowdown in China are the major risks to our scenario**

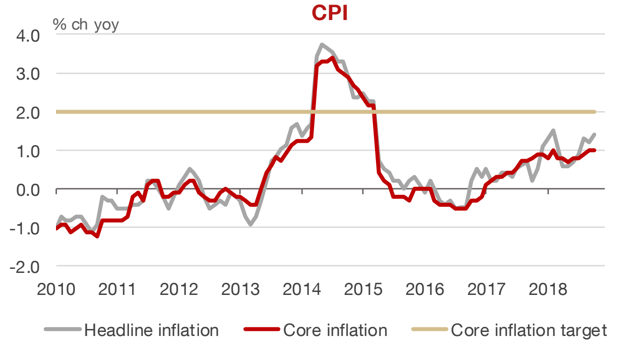
Domestic demand remains robust, activity is expected to inch up in 2019 compared to 2018 despite the 3Q18 contraction (-0.3% qoq) due to successive natural disasters (historical rainfall, earthquake, typhoon Jebi) affecting large metropolitan areas.

Investment is expected to pursue the momentum in 2019, partially due to planned projects related to the 2020 Olympic Games (0.6% and 0.4% of GDP in 2018 and 2019). Household expenditures are well-oriented thanks to a 24-year-low unemployment rate, combined with a higher labour participation rate (particularly among women).



Source : CEIC, Société Générale

Inflation remains however halfway below the target. Indeed, the average real wage growth barely turned positive in 1H18 albeit the fact that the overall nominal wage compensation surged by more than 4% during the same period. More than 50% of this overall compensation growth is due to job creations. After several years of deflation, inflation expectations of Japanese households remain weak. A stable increase in real income over the long term is therefore necessary to change these expectations and to achieve an inflation rate of 2% (excluding fresh foods). This is hardly achievable in the foreseeable future.



Source : CEIC, Société Générale

The policy mix remains accommodative. The BoJ is expected to continue its current accommodation by maintaining the 10Y JGB yield target at 0% even though it seems to now allow more fluctuation. Against a background of lower than expected inflation and global economic uncertainties, the BoJ will not take the next policy move until it can better assess the effects of the next consumption tax hike. In other words, beyond 2019.

On the fiscal front, measures intended to help the human resources development are designed to address the country's demographic challenge. The fiscal consolidation target (primary surplus) was scaled back from 2020 to 2025.

The main risks stem from a possible shock in international trade caused either by trade tensions or a steep slowdown in China.

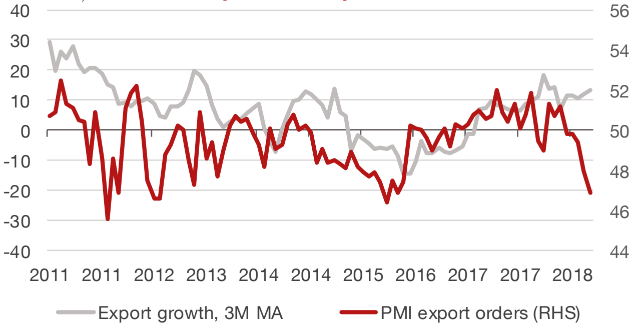
	2016	2017	2018 (f)	2019 (f)	2020 (f)
Real GDP, % ch	**1.0**	**1.7**	**0.9**	**1.0**	**0.5**
Household consumption	0.1	1.0	0.5	1.0	0.5
Investment	1.1	3.8	2.6	1.7	-0.1
Exports	1.7	6.8	3.0	3.0	2.8
Imports	-1.6	3.5	2.8	3.0	2.1
Inflation rate, %	**-0.1**	**0.5**	**1.1**	**1.7**	**2.1**
Purch. power of net disposable income, % ch	**1.4**	**1.1**	**0.7**	**0.1**	**-0.7**
Saving rate, % of net disposable income	**2.2**	**2.2**	**2.5**	**1.8**	**0.6**
Unemployment rate, %	**3.1**	**2.8**	**2.8**	**2.8**	**2.8**
Fiscal balance, % of GDP	**-4.2**	**-4.1**	**-3.8**	**-3.0**	**-2.8**
Current account balance, % of GDP	**3.8**	**4.0**	**3.3**	**3.0**	**2.9**

China

- **GDP growth is likely to further decelerate despite current easing measures**
- **Fiscal policy is expected to play a more important countercyclical role**
- **Risks still come from deleveraging and US-China tensions**

China's GDP growth is expected to slow from 6.5% in 2018 to 6.2% in 2019 and 5.8% in 2020. After years of credit-intensive expansion, the deleveraging process is driving down growth prospects. Trade tensions are also increasing uncertainty and weighing on economic sentiment. Eased monetary policy combined with numerous fiscal measures (effective and forthcoming) will help prevent a significant downtrend.

Export and export orders

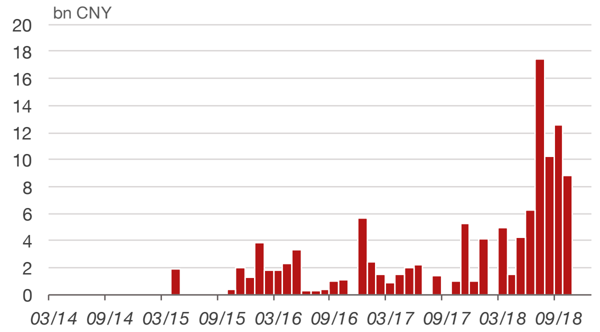


Source : NBS, Société Générale

In parallel with the deleveraging, credit risk has been on the rise, especially for private sector that usually borrows from shadow banking sector. Faced with both financial and growth risks, the Chinese authorities are easing monetary policy. They are likely to make a pause in the deleveraging process to safeguard short term stability. However, monetary policy will soon reach its limits.

Against the background of high debt stock, there is a little room to stimulate growth by credit. Moreover, the monetary policy transmission mechanism has yet to reduce the structural bias in favour of public borrowers. The authorities have recently guided banks in allocating more lending to the private sector, banks however seem reluctant to increase that exposure.

Defaulted bonds



Source : Bloomberg, Société Générale

Fiscal policy is expected to play a countercyclical role. The central government is conducting fiscal reforms by cutting different taxes and fees. These measures target especially SMEs and lower income households. Some of them are already effective while others will be starting 1 January 2019. Contrary to the large investment stimulus conducted by local governments in the past, these fiscal measures are having only a moderate growth impact. Some infrastructure investments will still be supported but on a small scale because only formal financing (such as special bonds issuance) is encouraged. Informal borrowing is still excluded with a pressure for more transparency in local government debt management. More fiscal easing is expected should the hard landing risk remain.

Core inflation is likely to remain moderate around 2% despite upward food prices. As part of the growth rebalancing process, a greater role of household consumption in domestic demand is likely to weaken the current account balance in the future, and even drag it into negative territory in 2020. This should translate into less support to the external value of the Renminbi.

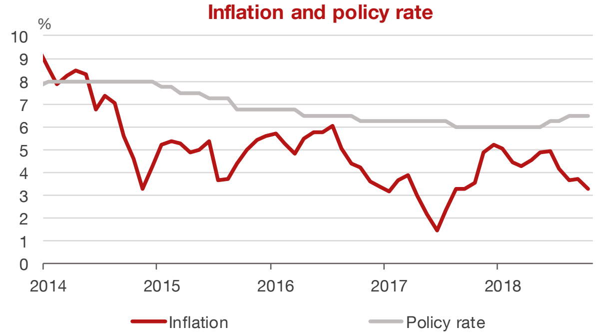
	2016	2017	2018 (f)	2019 (f)	2020 (p)
Real GDP, % ch	**6.7**	**6.9**	**6.6**	**6.2**	**5.8**
Household consumption	8.6	7.0	9.0	7.4	7.3
Public consumption	8.9	9.5	9.3	8.4	7.7
Investment	6.7	5.1	4.7	5.0	4.3
Exports	0.6	7.7	2.9	3.0	0.8
Imports	4.4	5.2	5.1	4.0	1.6
Inflation rate, %	**2.0**	**1.6**	**2.2**	**2.2**	**2.0**
General government balance, % of GDP	**-3.1**	**-3.0**	**-2.6**	**-3.0**	**-3.0**
General government debt, % of GDP	**36.8**	**36.3**	**36.5**	**36.8**	**37.0**
External debt , % of GDP	**12.7**	**13.9**	**14.0**	**14.0**	**13.6**
Current account balance, % of GDP	**1.8**	**1.3**	**0.6**	**0.0**	**-0.4**

India

- **The economy is expected to maintain a fast pace of growth**
- **Inflation set to move higher even though the food inflation is currently low**
- **Risks lie in trade balance deterioration and financial system weakening**

GDP growth is expected to remain close to 7%. Buoyant domestic demand from both investment and consumption will continue to support the activity.

Inflation and policy rate



Sources : CEIC, RBI, Société Générale

Different factors point to higher inflationary risk in 2019, even though inflation surprised downside (less than 4% yoy over the past three months) due to lower-than-expected food inflation: 1/ core-inflation remains substantially stable; 2/ cash in circulation recently recovered from the demonetization shock of end-2016; 3/ the government may increase spending before next general elections in April or May 2019, especially following the recent defeat of BJP, the ruling party, in State elections in three key jurisdictions, which suggests difficulties ahead for the PM Modi's party. Moreover, the Indian economy is highly exposed to volatility in agricultural output or energy prices.

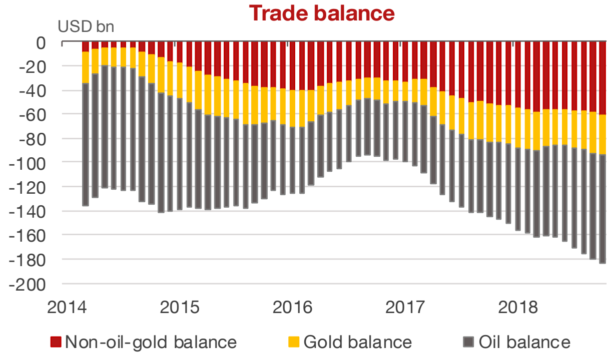
The surprise resignation of the central bank's governor Urjit Patel is reportedly due to government pressure to loosen monetary policy, adding uncertainty to monetary autonomy and the country's inflation outlook.

In such a context, two risk factors are worth noting.

1. The non-oil-and-gold trade balance has been persistently deteriorating since 2017, adding to the already structurally current account imbalances related to oil and gold dependence. The Indian economy is becoming also more exposed to fluctuations of capital flows. Despite being one of the most vulnerable countries to changes in international financing conditions in emerging Asia, strong FDIs and external buffers (large FX reserves) would help moderate the impact of external shocks.

2. The soundness of domestic financial system has been weakened by governance issues. The NPL ratio of the state-owned banks (11.7%) is set to rise amid revealed frauds. Non-banking financial corporations are also facing liquidity pressures as showed by the default of IL&FS, one of the largest Indian non-bank financial institutions.

Trade balance



Source: CEIC, Société Générale

	2016	2017	2018 (f)	2019 (f)	2020 (p)
Real GDP, % ch (fiscal year)	**7.1**	**6.7**	**7.2**	**7.1**	**7.0**
Household consumption	7.3	6.6	6.9	7.1	7.1
Investment	10.1	7.6	9.6	7.8	8.7
Exports	5.0	5.6	12.7	6.3	3.6
Imports	4.0	12.4	20.0	8.7	7.0
Inflation rate, %	**4.5**	**4.6**	**4.9**	**4.8**	**4.9**
General government balance, % of GDP	**-6.6**	**-6.4**	**-6.2**	**-5.9**	**-5.8**
General government debt, % of GDP	**69.6**	**68.7**	**67.1**	**65.2**	**63.3**
External debt , % of GDP	**20.0**	**19.4**	**19.0**	**18.4**	**17.5**
Current account balance, % of GDP	**-0.7**	**-1.4**	**-1.5**	**-1.6**	**-1.8**

Brazil

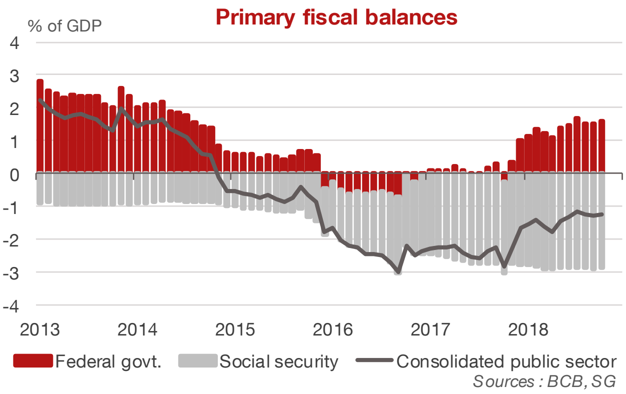
- **Activity should progressively accelerate in 2019**
- **Low inflation pressures will help the BCB keep policy rates low**
- **The new administration will push a pension reform, key to address sizeable fiscal imbalances**

GDP growth is forecast at 1.2% in 2018, still a sluggish recovery from the 2015-2016 recession. We expect growth to pick up moderately in 2019 amid firmer domestic demand. On the one hand, investment is already gaining momentum helped by the fading of political uncertainties after the General elections (and prospects of market-friendly reforms with the arrival of Mr Bolsonaro to the Presidency) and still ease domestic financial conditions. On the other hand, consumption is set to accelerate, supported by the progressive improvement of the job market and stable inflation. Exports, especially from the primary sector, will also support growth. In 2020, the activity recovery is expected to continue, helping the economy reach its potential growth rate (estimated at 2.5%).

The inflation picture remains comfortable. Consumer prices rose 4% in November, under the BCB target, supported by higher food and energy prices. However, prices of services continue to trend down (3.3% in November) pointing to still moderate inflation pressures. We expect stable inflation in 2019-2020 at current levels, which will allow monetary authority to keep its policy rate at 6.5% in the coming quarters. Since monetary authorities are planning a gradual reduction in the inflation target to 3.75% by 2021, policy rates could be adjusted upwards to maintain the credibility of the new target.

The next administration has announced a pension reform to address the (significant) deficit of the social security regime. The privatization plan of non-strategic public firms will remain also in the agenda. Such announcements have fuelled a rally on Brazilian assets since September. Investors will remain cautious though as the government needs a 2/3rd majority in Congress to pass the pension reform.

The main risk to the outlook is related to fiscal sustainability. Although the budget deficit is narrowing, it remains very high at 6.3% of GDP. Failure to pursue fiscal consolidation could undermine confidence in debt sustainability, leading to higher government bond yields and financial volatility.



	2016	2017	2018 (f)	2019 (f)	2020 (f)
Real GDP, % ch	**-3.5**	**1.0**	**1.2**	**2.0**	**2.5**
Household consumption	-4.3	1.0	1.2	2.0	3.1
Public consumption	-0.1	-0.6	-0.3	0.0	0.0
Investment	-10.3	-1.8	3.5	5.0	3.5
Exports	1.9	5.2	3.2	3.8	2.5
Imports	-10.2	5.0	4.0	5.0	3.0
Inflation rate, %	**8.0**	**3.7**	**4.0**	**4.5**	**4.5**
General government balance, % of GDP	**-9.2**	**-7.9**	**-7.0**	**-6.0**	**-5.5**
General government debt, % of GDP	**70.0**	**74.0**	**75.0**	**77.0**	**79.0**
External debt , % of GDP	**29.0**	**27.0**	**26.5**	**26.0**	**0.0**
Current account balance, % of GDP	**-1.3**	**-0.5**	**-1.0**	**-1.5**	**-2.0**

Russia

- **GDP will decelerate in 2019 due to slower private consumption and still sluggish investment**
- **Inflation will increase further next year due to the one-off effect of the VAT hike in January 2019**
- **A new escalation of sanctions remains the main risk and could lead to financial volatility**

Russia's economic growth is expected to remain weak in 2019 and 2020 (1.2% and 1.5% respectively) amid low investment, structural bottlenecks linked to an outdated capital stock, lagging productivity and uncertainties regarding US sanctions. Quarterly data points to a deceleration of growth (GDP expanded 1.3% yoy in 3Q18 vs in 1.7% yoy in 2Q18) in a context of sluggish retail trade (mostly for food products) and industrial production especially manufacturing and utilities segments.

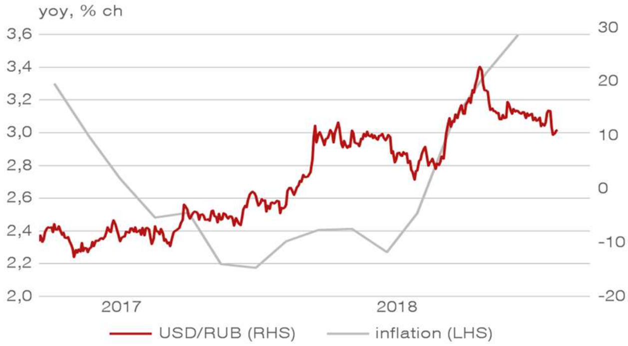
The planned VAT hike from 18% to 20% from Jan. 2019 onwards and the pension reform (increase in retirement age from 60 to 65 for men and from 55 to 60 for women) will erode households' purchasing power and hurt private consumption growth next year, despite an improvement in the labour market. Wages' growth is expected to decelerate as the Russian political cycle is now well over. Finally, retail loans could decelerate as the CBR tightened retail lending standards in Sept 2018.

Despite some state infrastructure projects planned (renovation of the city of Moscow, etc.), investment is expected to remain weak due to low corporate margins, limited access to foreign financing and heightened uncertainties around new sanctions.

By contrast, exports are likely to continue to post strong performance in 2019, benefiting from still dynamic growth in Asia, Europe and the positive effect on exporters' margins of the RUB depreciation in 2018. Thanks also to higher oil prices on average in 2018, the current account surplus reached USD 89bn over twelve months as of 3Q18 (its highest level since 2012).

Inflation has picked up since July 2018 due the pass-through from the RUB depreciation pressures following extended sanctions implemented in 2018. In this context, the Central Bank of Russia (CBR) raised its key rate twice in Sept. and Dec. to 7.75% and extended its suspension of foreign-currency purchases until end December. Inflation could continue to pick up in 2019 mainly due to the VAT increase.

USD/RUB and inflation



Source: Thomson Reuters Datastream

Sanctions risk has escalated recently with the broadening of sanctions to a larger list of oligarchs and entities in April and with the implementation of new sanctions in August for the alleged Skripal poisoning in the UK. A new escalation of sanctions can in addition emerge in the short term as several bills are currently under discussion (for example a bi-partisan bill entitled *Defending American Security from Kremlin Aggression Act of 2018* includes a very large list of tough sanctions). In this context, the Russian sovereign yield curve shifted upward by 100 to 150 bp on average in the past 6 months. The currency depreciated by 8% in August but stabilized since October at around 66 RUB per USD.

While the short-term effects from international sanctions on the macroeconomic situation seem rather marginal, in the longer term, they may have a significant negative impact on potential growth. Long-lasting sanctions and lower access to foreign financing would weigh on the business climate and on investment.

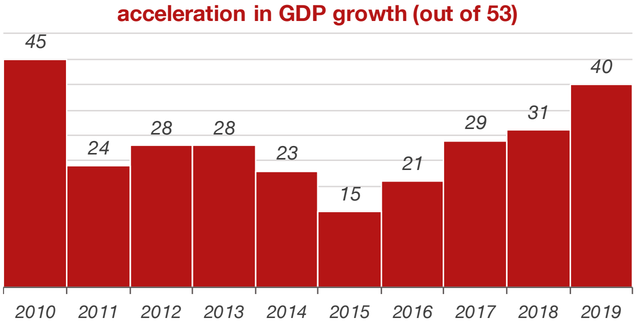
	2016	2017	2018 (f)	2019 (f)	2020 (f)
Real GDP, % ch	**0.7**	**1.5**	**1.5**	**1.2**	**1.5**
Household consumption	-1.5	2.6	1.4	0.9	1.3
Investment	1.7	4.7	0.5	0.5	0.7
Exports	3.2	5.1	6.5	4.9	4.6
Imports	-3.8	17.4	6.0	4.0	4.0
Inflation rate, %	**7.1**	**3.7**	**2.8**	**4.0**	**4.0**
General government balance, % of GDP	**-3.4**	**-1.4**	**2.4**	**3.0**	**2.5**
General government debt, % of GDP	**16.3**	**15.3**	**14.3**	**14.4**	**14.0**
External debt , % of GDP	**39.8**	**32.9**	**32.3**	**32.8**	**34.1**
Current account balance, % of GDP	**1.9**	**2.2**	**6.0**	**6.2**	**5.0**

Africa

- **Despite a less favourable international environment, the overall trend in the region remains**
- **However, differences between countries and/or regions seem to be strengthening**
- **In particular, “large” countries, barring Egypt, continue to show weak growth**

The gradual deterioration in the global environment, which has been the main driver of the rebound in growth recorded in the region since 2017, means that “internal” trends within the various African countries are taking on increasing significance. As such, while the continent’s overall trend remains good (average regional growth still expected at around 4% in 2019 versus 3.5% in 2018; acceleration of growth anticipated in 2019 for 40 of the 53 African countries), the differences between countries and/or regions seem to be getting stronger. On the one hand, there is a majority of “small” or “medium-sized” countries (notably in west and east Africa) whose growth remains high overall (21 countries are expected to see growth in excess of 5% in 2019), and which benefit among other things from still robust public demand (expansionist budgetary policies). On the other hand, the economies of the “large” countries remain broadly sluggish.

# of African countries registering an acceleration in GDP growth (out of 53)



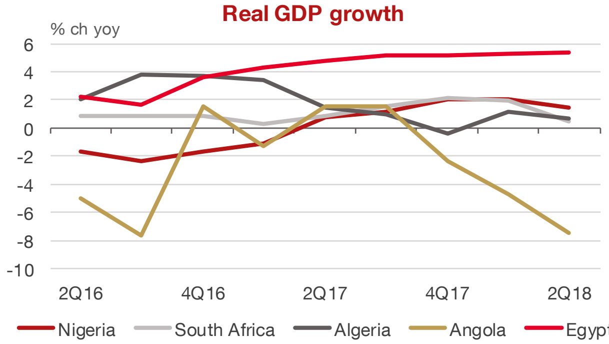
Sources: IMF, Société Générale

Among the top five economies of the region (Nigeria, South Africa, Egypt, Algeria, Angola – which account for just under 60% of Africa’s GDP), only **Egypt** shows a positive dynamic, with growth expected to reach around 5.5% in 2019. Significant structural reforms and financial aid under the IMF plan signed at the end of 2016 (USD 8bn has already been disbursed since the start of the plan) have helped to significantly improve macroeconomic conditions. Activity is now expected to benefit from the rebound underway in the tourism sector and an increase in gas production (earlier than expected start of the Zohr field). Each of the other four main African economies shows mediocre growth rates.

In **South Africa**, despite a (very) short “honeymoon” period in 1Q18 after Ramaphosa came to power following the resignation of Zuma (rebound of the stock market and the ZAR, improvement in confidence indicators, etc.), GDP grew by a mere 1% in 9M18 in year-on-year terms. In 2019, public demand is expected to remain restricted by a lack of budgetary leeway, while private demand will continue to suffer from persistent uncertainties (economic and political) surrounding the impending general elections (2Q19). While growth is expected to accelerate slightly to 1.5% in 2019, this pace is still lower than the average of 2.5% recorded between 2010 and 2014.

In **Nigeria**, **Angola** and **Algeria**, the region's main oil and gas producing countries, growth (expected at around 2% in all three countries in 2019) continues to be restricted mainly by ongoing contractions in the hydrocarbon sectors due to a combination of recurrent technical problems, past underinvestment, the limited financial and technical capacities of national companies, and - in Algeria - a persistently strained business climate. In these three countries, the non-hydrocarbon sectors are growing stronger (with growth rates generally accelerating), but they continue to be constrained by ongoing weak business climates. The necessary reforms (sometimes detectable in Angola and Nigeria) continue to be delayed due to unfavourable political situations (presidential elections in February 2019 in Nigeria and April 2019 in Algeria; still fragile political bedrock for Lourenço in Angola).

Real GDP growth



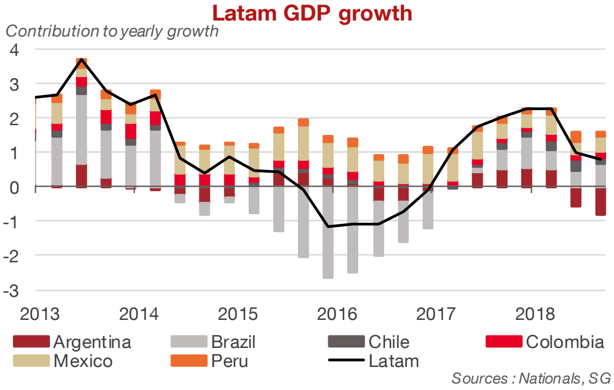
Source: Société Générale

Latin America

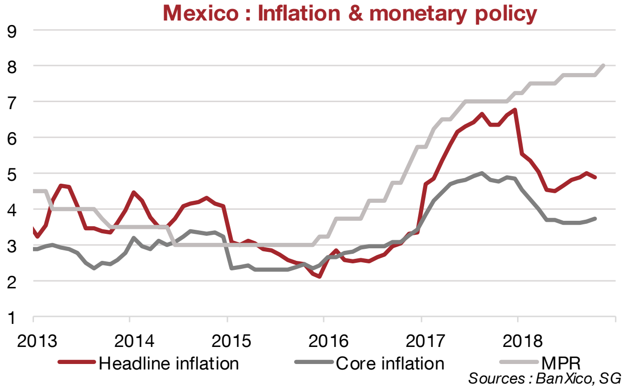
- **Growth is set to slightly accelerate in 2019**
- **With the exception of Argentina, the inflation dynamic in the region remains favourable**
- **The main risk would come from the lack of fiscal consolidation**

After a disappointing 2018, mainly for the larger economies of the region, growth in Latin America is expected to accelerate progressively in 2019. However, this acceleration masks important heterogeneity performances across the region while risks are mostly tilted to the downside. Besides the need to consolidate fiscal accounts in many countries, a worsening of global financial conditions and a marked slowdown in Chine would have an adverse impact on growth prospects.

Latam GDP growth



Mexico : Inflation & monetary policy



In Brazil, the economy is set to accelerate in 2019 on the back of the recovery of consumption and investment as the political uncertainties following the General elections fade. Additionally, inflation is expected to remain contained, allowing the Central bank to keep its interest rate at a low level. However, the investment pace growth will depend on the ability of the government to pass the social security reform, seen as essential to keep the improvement of business confidence and favourable financial conditions.

In Argentina, the GDP contraction accelerated in Q3-18 (-5.8% yoy). This trend is expected to continue in 2019, although at a softer pace, in a context of a restrictive policy-mix. As part of this IMF Stand-by agreement, the Central Bank has pledged to keep the monetary base constant until June 2019 and to keep interest rates above 60% until inflation, currently at 42%, is significantly trending down. On the fiscal side, the government has pledged to post a primary balance equilibrated in 2019, against 1.7% currently, and surpluses thereafter. To meet these fiscal targets, the government is adjusting real expenditures and counting on a better soybean harvest that will help increase revenues. All in all, these measures, as well the IMF funding until 2020, have allowed a stabilization of the country financial variables, the ARS appreciating by 10% since September without major intervention of the Central bank.

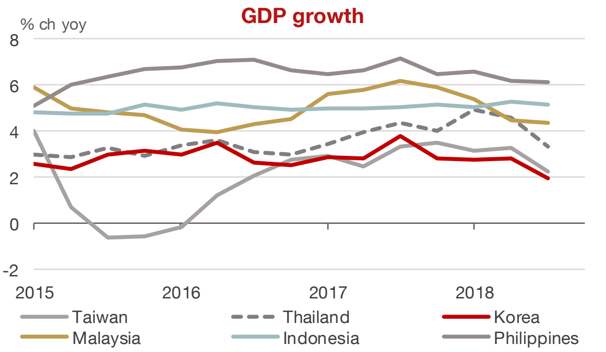
In Mexico, financial volatility has significantly increased following some decisions of the government that has been associated with a perceived deterioration of the business climate, like the decision by the new government to halt the construction of the new airport and to implement a regulation to curb bank fees. In response to this, the Central bank increased its policy rate to 8% despite a low core inflation (3.6% in October). The new government, which has a large majority in Congress, has pledged to increase public capital spending (namely in the oil sector) and to expand social programs while respecting the fiscal discipline. All in all, the economy is expected to accelerate modestly in 2019 underpinned by a resilient private consumption and strong demand from the US. The main risk to the outlook relates to the NAFTA overhaul given the strong dependence of Mexican producers to the US market. The market reaction to Lopez Obrador policy agenda could also on investment prospects.

Finally, the growth and inflation outlook in Chile, Colombia and Peru is likely to remain favourable in 2019. Growth is still supported by resilient domestic demand while inflation expectations remain anchored

Emerging Asia

- **While still solid, GDP growth is expected to moderately slow in 2019**
- **Inflation remains benign in the region except in the Philippines**
- **Risk still lies in uncertainty related to Sino-US trade war**

Growth in emerging Asia (excluding China and India) decelerated from 4.2% in 2Q to 3.6% in 3Q 2018. The region faces headwinds as growth in China losses momentum and liquidity conditions in international markets are less supportive. Although growth in most countries is losing steam, the overall slowdown will remain moderate in 2019.



Source : Datastream, Société Générale

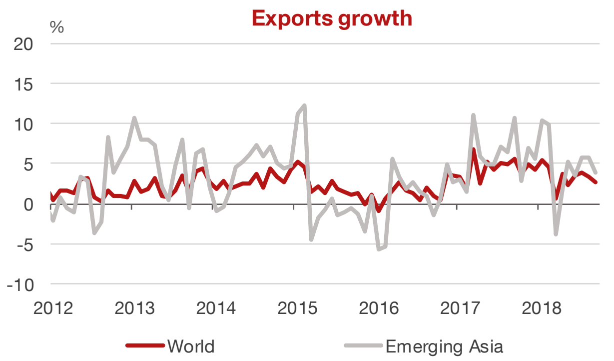
Inflation in most economies in the region has been benign, staying near Central bank's targets. The exception is found in the Philippines where inflation surged to 6.7% in October, a 10 year high, well above the central bank's range of 2-4% targeted in 2018. In 2019, the start of the harvest season and improved weather conditions might drive down pressure on rice prices and help ease inflationary pressures. The Central Bank has risen interest rates by 175bp in the past 7 months, which is also expected to cool down prices.

Indonesia also raised its interest rates by 175bp, but the focus was more on offsetting currency pressures. Albeit higher funding costs, economic growth has kept the momentum and investment is still well oriented.

Thanks to overall healthier external fundamentals (positive or almost balanced current account, smaller reliance on external financing), most countries are resilient to international financial conditions tightening. As inflation is likely to stay subdued, we do not anticipate monetary tightening in other economies.

Trade tensions between the US and China have been identified as a major risk in the region. Although Presidents Trump and Xi concluded a 90 days truce during the G20 Summit, the outlook remains uncertain. Being export-oriented and highly linked to China through value chains, emerging Asia appears to be the most exposed region in case of rising protectionism.

Export data shows the region has not yet been hit by already-implemented tariff hikes. Independently of how the current tensions will unfold, external demand is set to cool down alongside the growth slowdown in the US and China in 2019. Among the economies highly dependent on exports such as Malaysia, Taiwan, Thailand and South Korea, economic activity has already significantly weakened since early 2018. Trade-tension-related uncertainty added to foreseeable deceleration in external demand are leading to higher slowdown risk in those economies.



Sources : CPB, Société Générale

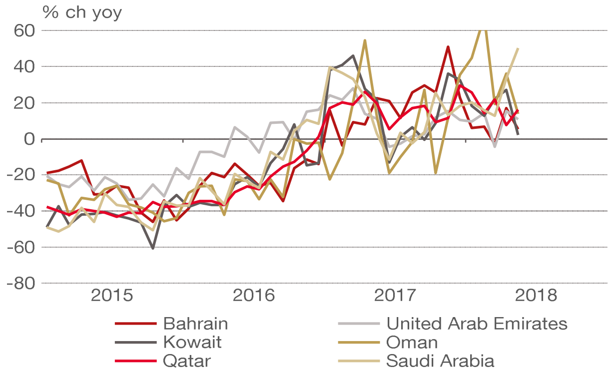
Trade tensions might also be a double-edged sword for some export-oriented economies in case of relocation of production capacity from China. Vietnam, Thailand, Malaysia are likely to benefit from trade deviation, but the benefit might be seen only in the medium and long term.

Gulf States

- **The outlook for the Gulf states has improved thanks to higher export revenues**
- **The growth outlook remains constraint by tepid credit growth and geopolitical uncertainties**
- **Recent oil price volatility recalls that the reforms remains critical**

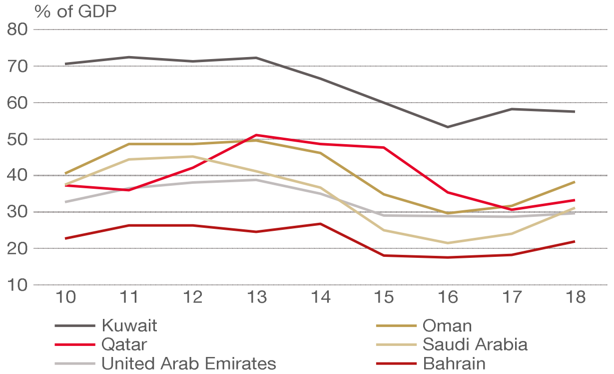
The outlook for the Gulf states has improved thanks to higher oil prices (70$/b on average in 2018 versus 54$/b in 2017). The increase in export revenues has gradually boosted activity through additional public spending and the improvement in private sector confidence. Growth in the region is expected to recover to 3% in 2019, following a 0.4% contraction in 2017 and a 2.4% expansion in 2018, driven by non-hydrocarbon activities.

Value of monthly exports



Source: Thomson Reuters Datastream

Government revenues



Source: Thomson Reuters Datastream

Thanks to the increase in tax revenues from oil exports, the budget deficit of Gulf states looks set to gradually reduce from 9% of GDP on average in 2017 to 5% of GDP between now and 2020. However, sovereign bond issuance in the international markets remains very high: USD 37bn in 2016, USD 37bn in 2017 and USD 35bn between in 2018.

International investors are looking kindly on these debt issuances. The oil monarchies have plenty of resources (savings in sovereign funds, oil wealth) which is reassuring. Even non-investment grade issuers with fragile macroeconomic fundamentals, such as Bahrain, were successful with their sovereign eurobond placements in early 2018.

One risk is that ultimately Gulf-state debt must be refinanced at less favourable international market conditions and/or in a context of lower oil prices. The sharp drop in oil prices, from $87/b in early October to below $60/b in December reminds that any complacency regarding fiscal consolidation may put Gulf States (notably Oman and Bahrain) in a fragile situation.

On the medium-term, the main weak link is structural, with revenues heavily skewed towards the oil and gas sectors. In the face of a downward adjustment to international oil prices, the Gulf states would have very limited leeway to react to the economic backdrop.

During the last years, governments in the region have presented national development plans with 20- to 25-year “visions” to develop sectors such as tourism, commercial and financial services, and logistics and try to diversify the economy. They have also reduced energy subsidies and announced the introduction of a 5% VAT in 2018. For now, only Saudi Arabia and the United Arab Emirates have introduced the tax, while Bahrain, Kuwait and Oman postponed the introduction until 2019.

The growth outlook is also constraint by political issues. In Saudi Arabia, the biggest country in the region, the authorities have stepped up efforts to improve the business environment, but recurrent diplomatic tensions and a growing sense of policy unpredictability are impediments to a broader involvement of the private sector in the economy. As for Qatar's blockade, the Emir's absence from the annual GCC summit (9 December) to which he had been invited by Saudi Arabia sounded the death knell for hopes of rapid reconciliation in the Gulf.

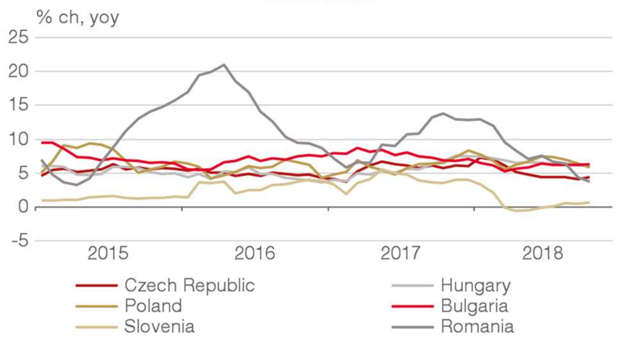
Vision 2030’s ambitious targets assume a growing role of the private sector and may eventually fail without it. Indeed, Saudi authorities have made steps to open up the economy for foreign investment, but FDI has declined in recent years.

Central and Eastern Europe

- **First signs of deceleration have emerged in the region since the beginning of 2018**
- **Inflationary pressures should increase further and lead to monetary policy tightening**
- **Trade tensions are a risk due to the strong integration of regional firms to global value chains**

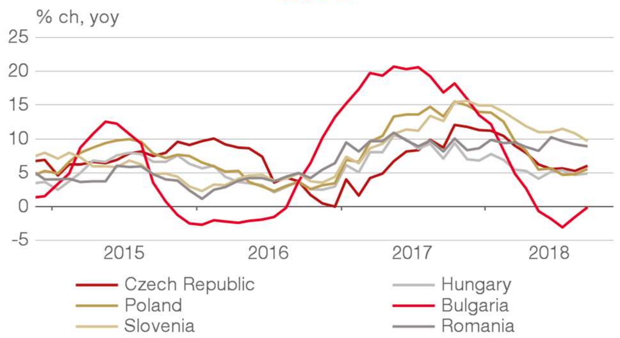
First signs of activity deceleration have emerged overall in the region since the beginning of 2018. Retail sales, exports and consequently industrial production have slowed down. Czech Republic and Romania posted the most notable deceleration in 2018, while Poland and Hungary have forged ahead at a sound pace.

Retail sales



Source: Thomson Reuters Datastream

Exports



Source: Thomson Reuters Datastream

Activity in the region should further moderate in 2019 against the backdrop of a less supportive external environment (slower growth in CEE's key trading partner, the Euro area) and more restrictive domestic monetary policies.

Regional growth will however remain above the potential as it is the case since 2017. Private consumption will be backed by employment gains and wage increases. In addition, the impact of higher interest rates on investment should be at least partially offset by the absorption of EU structural funds. Poland, Hungary, Romania and Slovenia are expected to remain the region's top performers 2019, each expanding around 3.5%.

Inflation is likely to continue to surge in 2019 from low levels in a context of higher oil prices and increasing wages. Wages have indeed been increasing for three years in a context of labour force shortages (decreasing unemployment rates and ageing population), especially in Romania, Hungary and Bulgaria. So far, only the Czech National Bank and the Romanian National Bank have increased policy rates but other central banks would also follow.

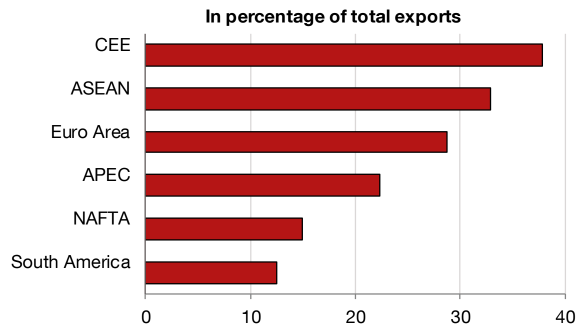
Looking forward, several risks must be monitored in the region.

In Romania, the rise in inflation coupled with the widening of fiscal and current account deficits increases the risks of currency volatility.

Market sentiment has improved in Oct/Nov 2018, following a rapprochement of US and Turkey (release of Pastor Brunson and Turkey being among the 8 countries that received temporary relief from sanctions on Iranian oil imports). As such, the probability of a full-blown crisis has decreased. Still, Turkey's sizable amortization payments will continue to expose the economy to rollover risk through 2019.

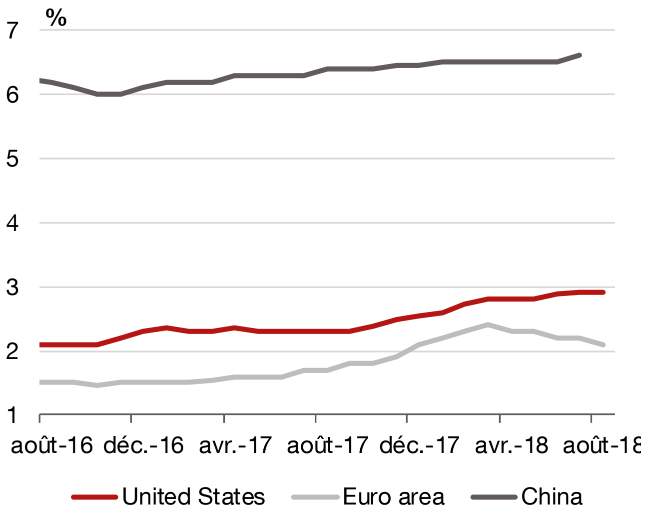
A main risk for the region would be the escalation of trade tensions and more precisely tariffs on car sector. Indeed, Central and Eastern Europe is strongly integrated into global value chains with the highest share of imported intermediate goods in exports, especially in car industry. Indeed, the share of imported inputs in Central and Eastern European exports reached 38% vs. 33% for the Association of South Eastern Asian Nations that is usually cited as the most vertically integrated region (especially in the electronics sector).

Share of imported inputs in exports



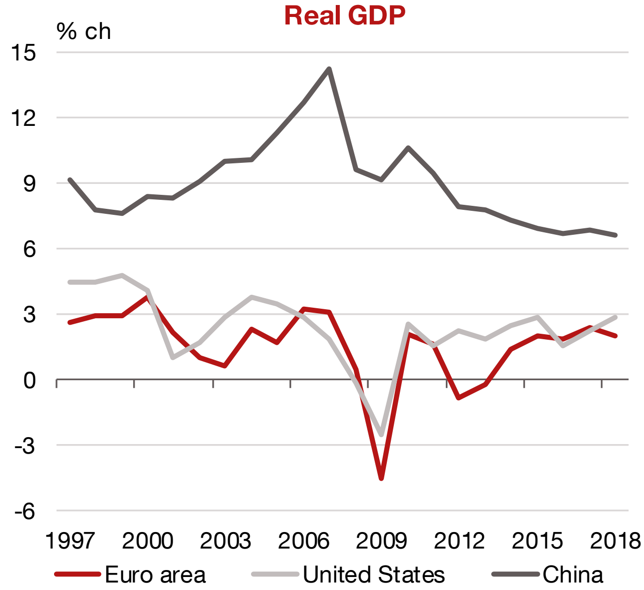
Economic Data

Bloomberg consensus: 2018 GDP growth



Source : Bloomberg

Real GDP



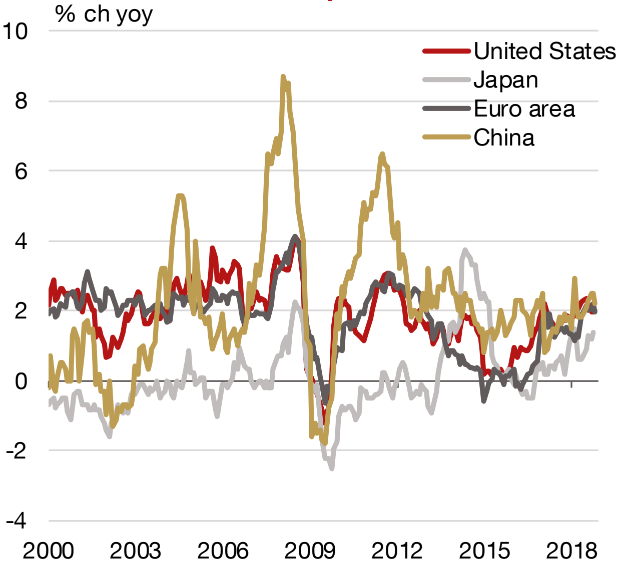
Sources: national statistics, SG

	2012	2013	2014	2015	2016	2017	2018(f)	2019(f)	2020 (f)	2021(f)	2022(f)
Real GDP, % ch											
World	**2.6**	**2.7**	**2.9**	**2.9**	**2.7**	**3.3**	**3.3**	**3.0**	**2.7**	**2.5**	**2.5**
United States	2.2	1.8	2.5	2.9	1.6	2.2	2.9	2.4	1.5	1.0	1.0
Japan	1.5	2.0	0.3	1.4	1.0	1.7	0.9	1.0	0.5	0.4	0.4
United Kingdom	1.4	2.0	2.9	2.3	1.8	1.7	1.4	1.2	1.1	0.9	0.9
Euro area	-0.8	-0.2	1.4	2.0	1.9	2.5	1.9	1.4	1.1	0.9	1.0
Germany	0.7	0.6	2.2	1.5	2.2	2.5	1.5	1.3	0.9	0.9	1.0
France	0.4	0.6	1.0	1.0	1.1	2.3	1.6	1.5	1.2	1.0	1.1
Italy	-2.9	-1.8	0.2	0.8	1.3	1.6	0.9	0.6	0.6	0.6	0.7
Spain	-2.9	-1.7	1.4	3.6	3.2	3.0	2.5	2.1	1.5	1.3	1.3
China	7.9	7.8	7.3	7.8	6.7	6.9	6.6	6.2	5.8	5.4	5.2
India	5.5	6.4	7.4	8.2	7.1	6.7	7.2	7.1	7.0	7.0	6.8
Brazil	1.9	3.0	0.5	-3.5	-3.5	1.0	1.2	2.0	2.5	2.2	2.1
Russia	3.7	1.8	0.7	1.8	0.7	1.5	1.5	1.2	1.5	1.5	1.5
Real investment, % ch											
World*	**2.2**	**2.3**	**3.3**	**3.5**	**3.4**	**3.7**	**3.7**	**3.2**	**2.5**	**2.1**	**2.0**
United States	2.7	1.9	3.6	3.4	2.4	3.0	3.4	2.6	1.5	1.0	1.0
Japan	3.5	5.0	2.9	1.8	1.1	3.8	2.6	1.7	-0.1	-0.2	0.3
United Kingdom	2.1	3.4	7.2	3.4	2.3	3.3	0.0	-0.8	2.2	2.3	0.9
Euro area	-3.3	-2.3	1.7	4.6	4.0	2.9	3.1	2.2	1.6	1.1	0.9
Germany	-0.1	-1.1	3.9	1.0	3.4	3.6	3.1	2.2	1.7	1.3	1.1
France	0.4	-0.7	0.0	0.9	2.7	4.7	3.0	2.4	1.5	0.8	0.7
Italy	-9.4	-6.6	-2.2	1.9	3.7	4.4	3.8	0.9	0.6	0.5	0.8
Spain	-8.6	-3.4	4.7	6.7	2.9	4.8	6.1	2.9	2.1	1.6	1.6
China	7.2	6.2	6.4	6.6	6.7	5.1	4.7	5.0	4.3	4.0	3.9
India	2.4	2.5	1.9	5.2	7.1	6.7	7.2	7.1	7.0	7.0	6.8
Brazil	0.8	5.8	-4.2	-13.9	-10.3	-1.8	3.5	5.0	3.5	3.8	3.8
Russia	5.9	1.3	-2.7	-10.4	1.7	4.7	0.5	0.5	0.7	0.7	0.7

Sources: IMF, OECD, National statistics, SG computations and forecasts
** Weighted average of the 11 countries shown here*

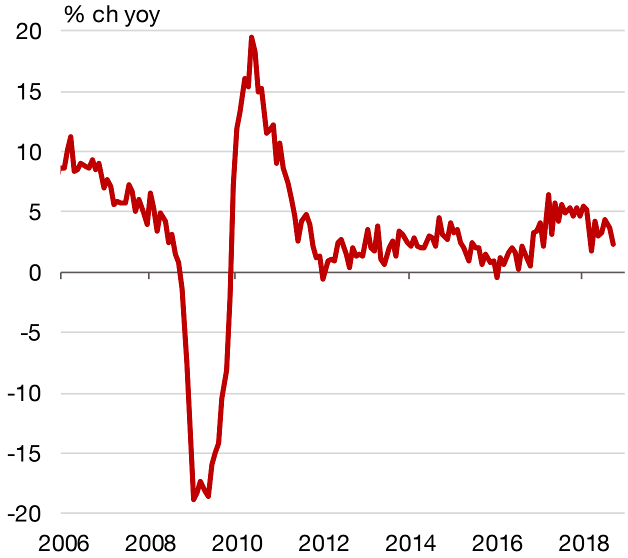
Economic Data

Consumer price index



Sources : national statistics, SG

World trade volume



Sources: CPB, SG

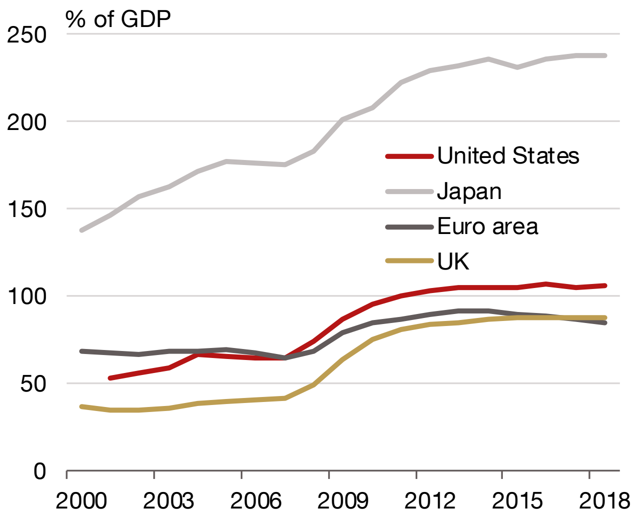
	2012	2013	2014	2015	2016	2017	2018(f)	2019(f)	2020 (f)	2021(f)	2022(f)
Inflation, %											
World*	**2.7**	**2.4**	**2.2**	**1.4**	**1.6**	**2.0**	**2.3**	**2.3**	**2.2**	**1.9**	**1.8**
United States	2.1	1.5	1.6	0.1	1.3	2.1	2.4	2.4	2.0	1.3	1.2
Japan	-0.1	0.3	2.8	0.8	-0.1	0.5	1.1	1.7	2.1	0.5	0.5
United Kingdom	2.8	2.6	1.5	0.0	0.7	2.6	2.6	2.4	1.7	1.5	1.0
Euro area	2.5	1.4	0.4	0.0	0.2	1.5	1.7	1.2	1.7	1.7	1.7
Germany	2.0	1.5	0.9	0.2	0.5	1.7	1.8	1.5	1.9	2.0	1.7
France	2.0	0.9	0.5	0.0	0.2	1.0	1.9	1.3	1.8	1.8	1.7
Italy	3.3	1.2	0.2	0.1	-0.1	1.3	1.2	0.7	1.3	1.4	1.3
Spain	2.4	1.4	-0.2	-0.5	-0.2	2.0	1.7	1.0	1.5	1.5	1.5
China	2.6	2.6	2.0	1.4	2.0	1.6	2.1	2.1	2.0	2.0	2.0
India	10.0	9.4	5.8	4.9	4.5	3.8	4.9	4.8	4.9	5.0	5.0
Brazil	5.4	6.2	6.3	9.5	8.0	3.7	4.0	4.5	4.5	4.5	4.5
Russia	5.1	6.8	7.8	15.2	7.1	3.7	2.8	4.0	4.0	4.0	4.0
Current account balance, % of GDP											
United States	-2.6	-2.1	-2.1	-2.2	-2.3	-2.3	-2.3	-3.1	-3.6	-2.9	-2.7
Japan	1.0	0.9	0.8	3.1	3.8	4.0	3.3	3.0	2.9	2.8	2.8
United Kingdom	-3.8	-5.2	-5.0	-5.0	-5.3	-3.8	-3.3	-2.5	-3.0	-3.9	-3.0
Euro area	1.4	2.3	2.5	2.9	3.2	3.2	3.2	3.0	2.9	2.8	2.8
Germany	7.1	6.8	7.5	9.0	8.5	8.0	7.4	6.4	6.2	5.9	5.8
France	-1.0	-0.5	-1.0	-0.4	-0.8	-0.6	-0.8	-0.6	-0.8	-0.9	-1.1
Italy	-0.3	1.0	1.9	1.5	2.5	2.8	2.5	2.3	2.2	2.2	2.1
Spain	-0.2	1.5	1.1	1.2	2.3	1.8	0.8	0.8	0.7	0.7	0.7
China	2.5	1.5	2.2	-2.5	-3.1	-3.0	-2.6	-2.6	-3.0	-3.1	-2.8
India	-4.8	-1.7	-1.3	-1.1	-0.7	-1.4	-1.5	-1.6	-1.8	-2.0	-2.4
Brazil	-3.0	-3.0	-4.2	-3.3	-1.3	-0.5	-1.0	-1.5	-2.0	-2.0	-2.0
Russia	3.2	1.5	2.8	4.9	1.9	2.2	6.0	6.2	5.0	5.0	5.0

Sources: IMF, National statistics, SG computations and forecasts

** Weighted average of the 11 countries shown here*

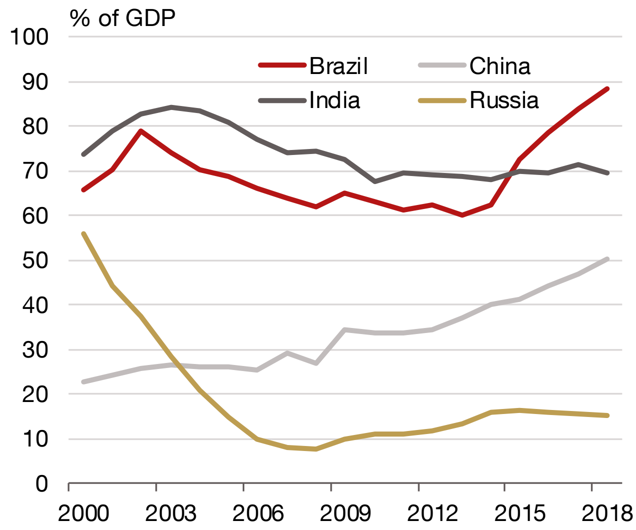
Economic Data

Public debt - Developed markets



Source: IMF

Public debt - Emerging markets

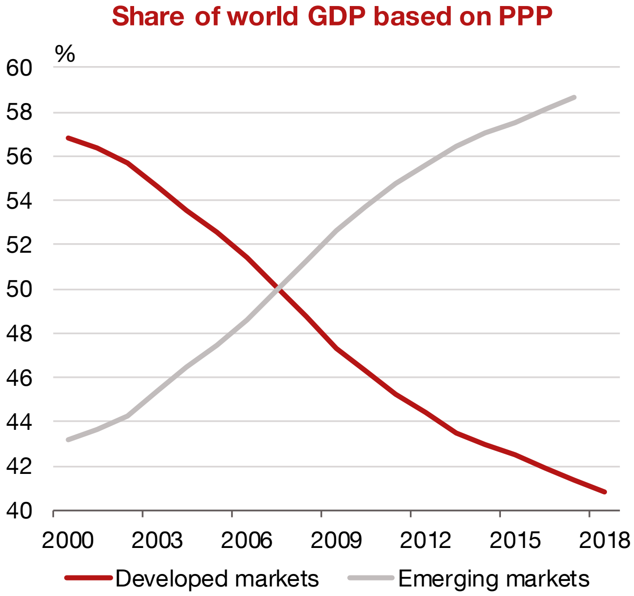


Source: IMF

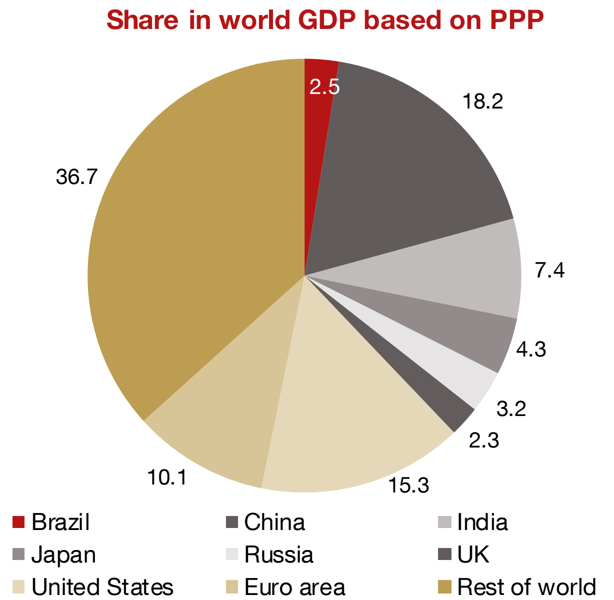
	2012	2013	2014	2015	2016	2017	2018(p)	2019(p)	2020(p)	2021(p)	2022(p)
Solde budgétaire, % du PIB											
États-Unis	-9,3	-5,9	-5,2	-4,7	-5,4	-4,9	-6,6	-7,3	-7,8	-7,8	-7,4
Japon	-8,3	-7,6	-5,4	-3,6	-4,2	-4,1	-3,8	-3,0	-2,8	-2,8	-2,8
Royaume-Uni	-8,1	-5,4	-5,4	-4,3	-3,0	-1,8	-1,1	-1,7	-2,2	-3,3	-4,2
Zone euro	-3,7	-3,1	-2,5	-2,1	-1,6	-1,0	-1,0	-1,1	-0,9	-1,1	-1,2
Allemagne	0,0	-0,2	0,3	0,7	0,8	1,0	1,0	1,0	0,8	0,5	0,4
France	-5,0	-4,1	-3,9	-3,6	-3,5	-2,7	-2,6	-3,2	-2,0	-2,5	-2,8
Italie	-2,9	-2,9	-3,0	-2,6	-2,5	-2,4	-2,3	-2,9	-3,1	-3,1	-3,1
Espagne	-10,5	-7,0	-6,0	-5,3	-4,5	-3,1	-2,8	-2,4	-2,2	-2,2	-2,1
Chine	-0,3	-0,8	-0,9	-2,5	-3,1	-3,0	-2,6	-2,6	-3,0	-3,1	-2,8
Inde	-7,6	-7,0	-7,1	-7,1	-6,6	-6,4	-6,2	-5,9	-5,8	-5,6	-5,4
Brésil	-2,5	-3,0	-5,4	-10,3	-9,2	-7,9	-7,0	-6,0	-5,5	-5,0	-4,8
Russie	0,4	-1,2	-1,1	-2,3	-3,4	-1,4	2,4	3,0	2,5	1,9	1,4
Dette publique, % du PIB											
États-Unis	99	101	102	101	105	103	104	106	110	115	121
Japon	210	213	218	217	222	224	226	228	228	228	229
Royaume-Uni	84	85	87	88	88	87	86	87	87	89	91
Zone euro	90	92	92	90	89	87	85	83	82	81	80
Allemagne	80	77	75	71	68	64	61	58	56	54	52
France	91	93	95	96	97	97	97	98	97	97	97
Italie	123	129	132	132	131	131	131	132	133	133	134
Espagne	86	96	100	99	99	98	98	97	96	96	95
Chine	34	37	40	37	37	36	37	37	37	37	38
Inde	69	69	68	70	70	69	67	65	63	61	60
Brésil	62	60	62	66	70	74	75	77	79	79	78
Russie	12	13	16	16	16	15	14	14	14	14	14

Sources : FMI, Statistiques nationales (méthodologie Maastricht pour les pays de l'UE), Prévisions et calculs SG

Structural Data



Sources: IMF, SG



Source : IMF

As of 2017	GDP in $ (USDbn)	GDP p. capita ($, at PPP)	Population (Millions)	Credit (% GDP)*	International investment position, net** (% GDP)	Openness ratio***
United States	19 391	59 501	326	152	-40	20
Euro area	12 607	38 322	341	160	-2	70
Germany	3 685	50 425	83	107	63	71
France	2 584	43 761	65	192	-21	45
Italy	1 938	38 140	61	112	-7	50
Spain	1 314	38 286	46	158	-86	51
Netherlands	826	53 635	17	221	64	148
China	12 015	16 660	1 390	209	15	34
Japan	4 872	42 832	127	161	60	28
United Kingdom	2 625	44 118	66	171	-8	42
India	2 611	7 183	1 317	56	-16	29
Brazil	2 055	15 603	208	69	-33	18
Canada	1 652	48 265	37	214	21	52
South Korea	1 538	39 434	51	193	16	69
Russia	1 527	27 834	144	66	18	37
Australia	1 380	50 334	25	197	-56	35
Mexico	1 149	19 903	124	43	-48	73
Indonesia	1 015	12 377	262	39	-33	32
Turkey	849	26 893	81	85	-54	46
Switzerland	679	61 422	8	241	128	84
Saudi Arabia	684	54 777	32	60	82	51

Sources: World Bank, BIS, IMF

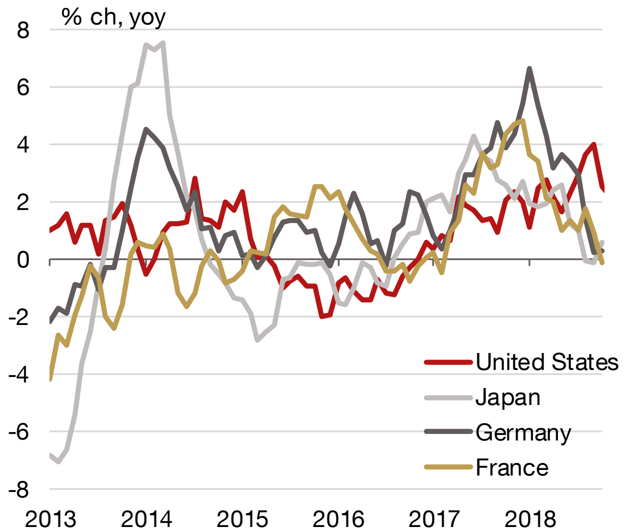
**Bank loans and debt securities of the non financial private sector*

*** Total external financial assets minus total external liabilities*

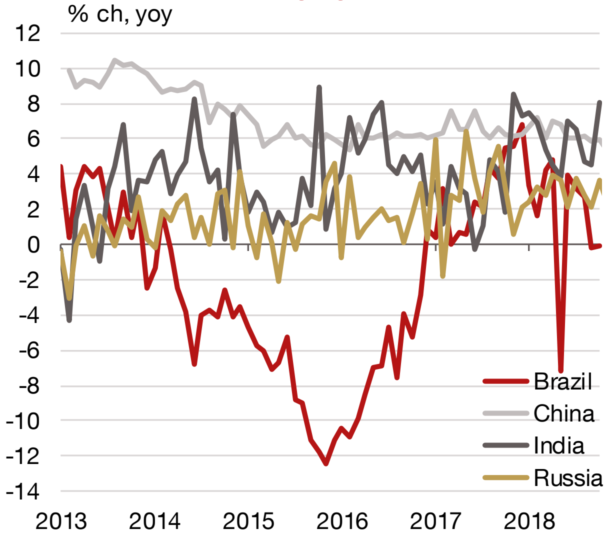
**** Sum of imports and exports, divided by GDP*

Cyclical Data

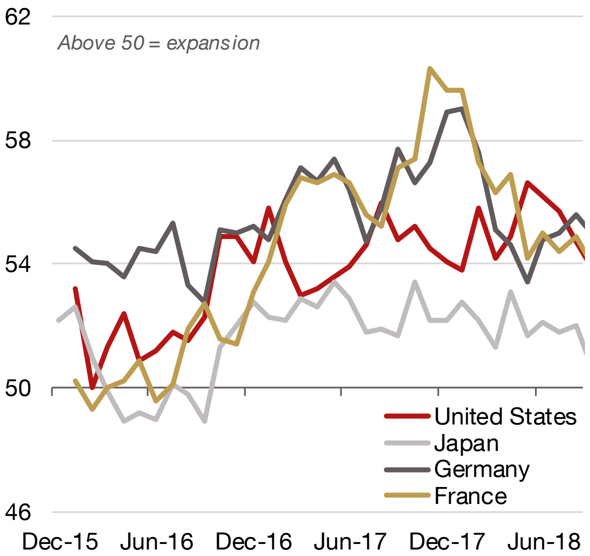
Industrial production Developed markets



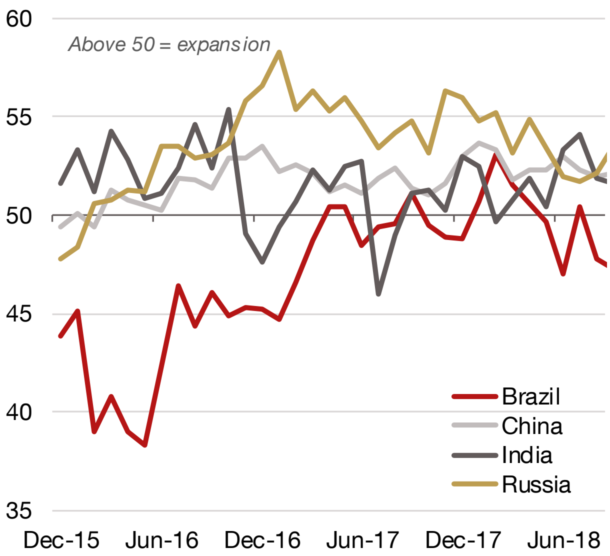
Industrial production Emerging markets



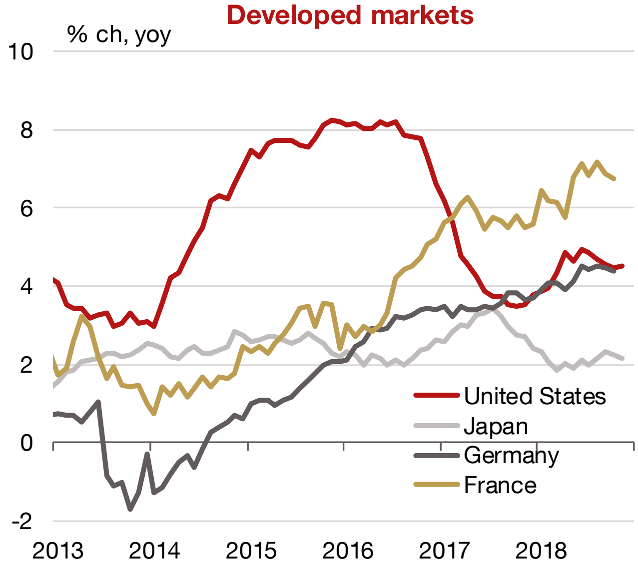
PMI composite - Developed markets



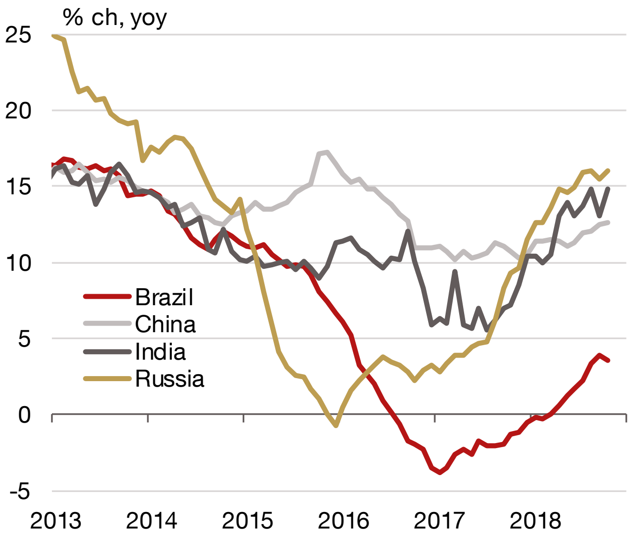
PMI composite - Emerging markets



Credit to the private sector Developed markets

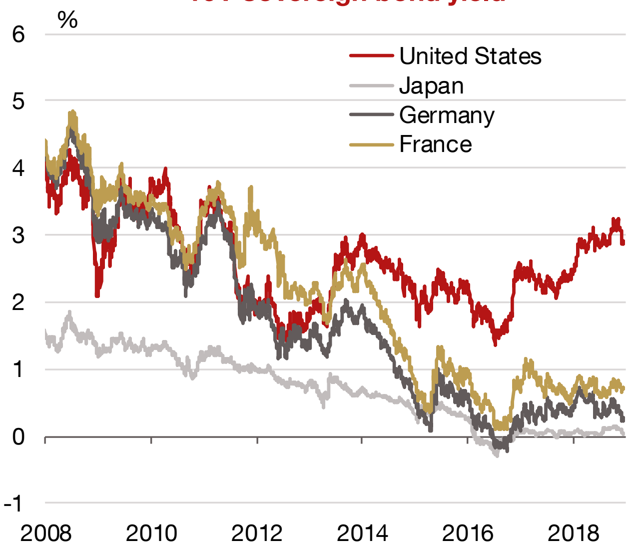


Credit to the private sector Emerging markets

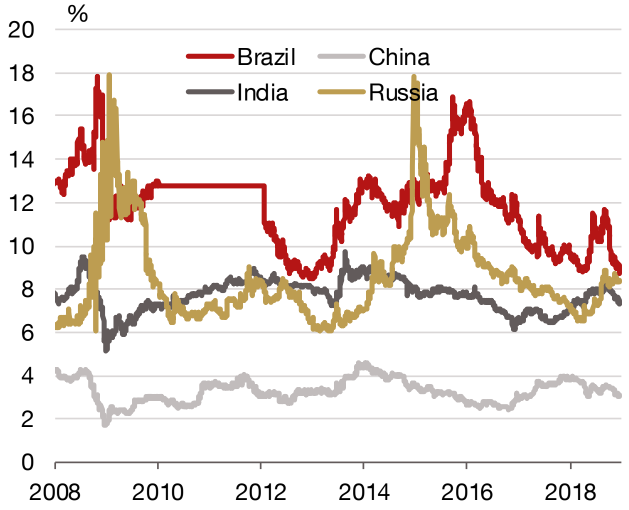


Financial Data

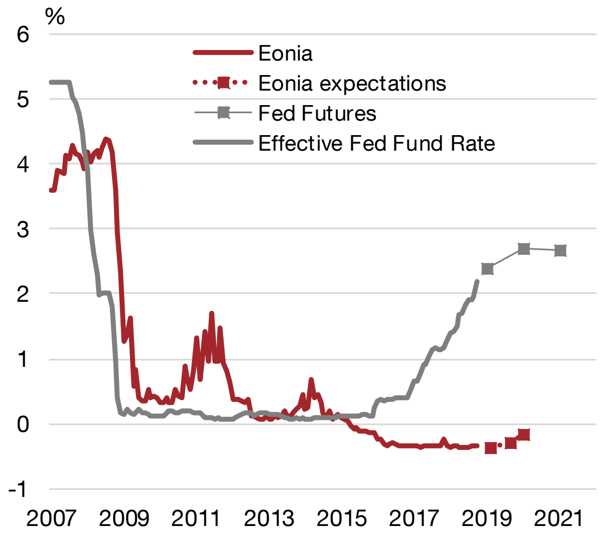
10Y sovereign bond yield



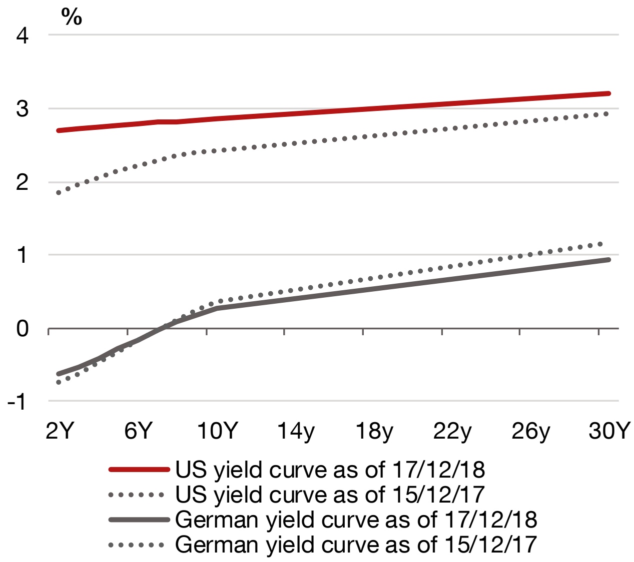
5Y sovereign bond yield in local currency



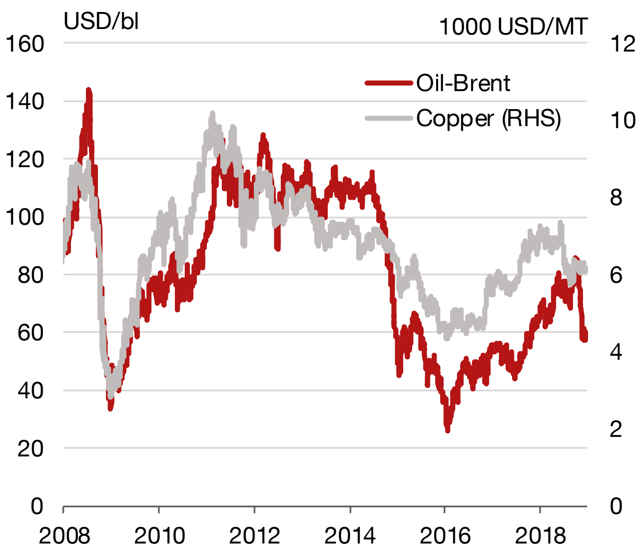
Overnight interest rates



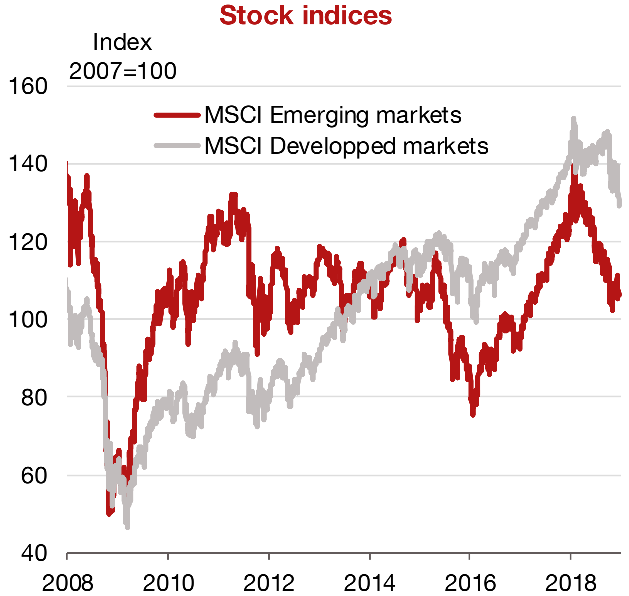
Yield curves



Commodity prices

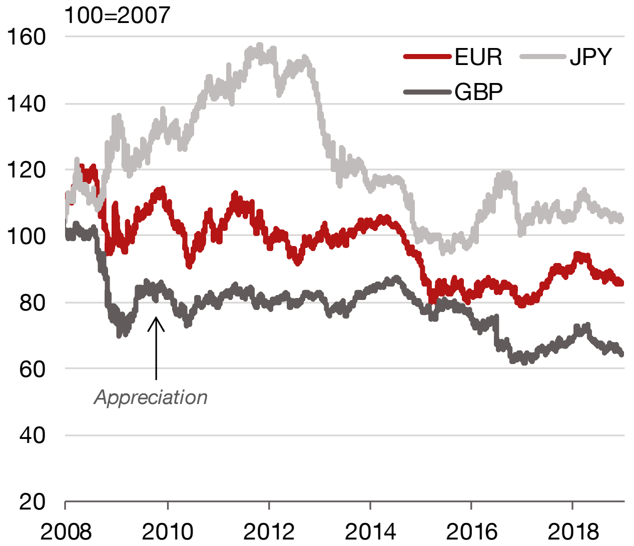


Stock indices

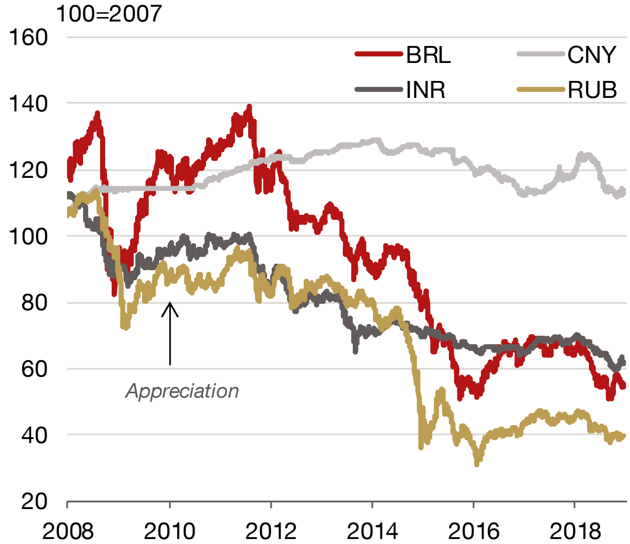


Financial Data

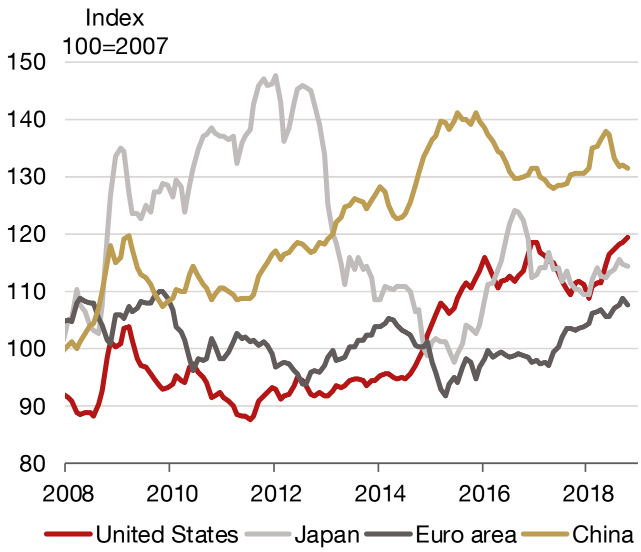
Exchange rates against USD



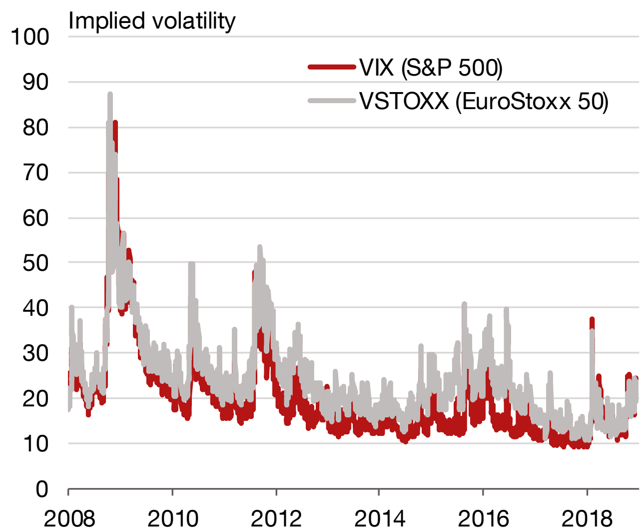
Exchanges rates against USD



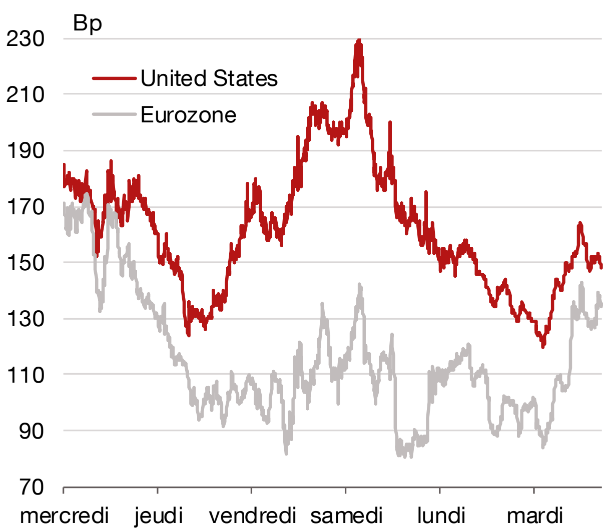
Nominal effective exchange rate



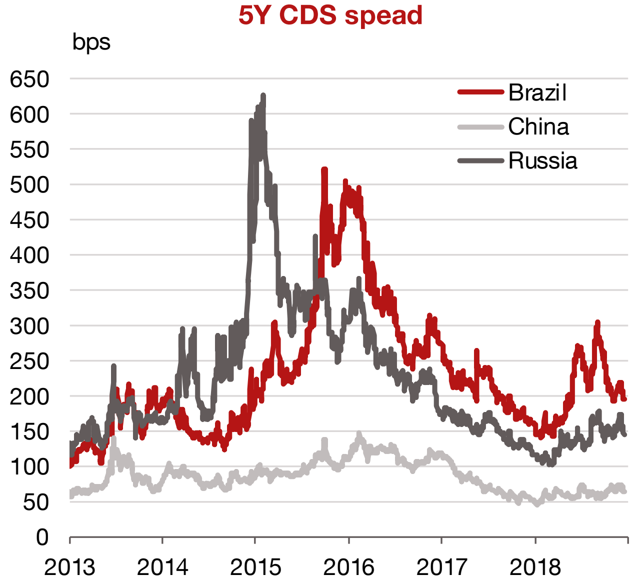
Equity markets volatility



High yield corporate spread



5Y CDS spead



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