

The NewsLine

October 31, 2016

} MACROECONOMICS | FINANCIAL MARKETS | ECONOMIC POLICY | SECTORS

EUROZONE

Moderate upswing continues

The eurozone economy remains on a moderate growth path. The Brexit vote has so far had little impact on growth momentum. In our opinion, concerns about a slowdown in the second half of the year can now be ditched.

According to the flash estimate published by Eurostat today, the eurozone economy grew by 0.3% qoq in the third quarter. Detailed country figures are only partially available so far. France, for instance, returned to growth in the third quarter (0.2% qoq), but only avoided a further negative figure thanks to a hefty contribution to growth from inventories (0.6 percentage points). The Spanish economy, by contrast, continued its upswing almost unabated in the third quarter (0.7% qoq).

In our view it is now time to ditch the concerns seen in the summer about a slowdown in the second half of 2016. In the short term at least, the Brexit vote in late June had scant impact on the eurozone economy. Eurozone sentiment surveys (PMI, IFO) suggest that the economy moved up a gear at the start of the fourth quarter. The Italian referendum on constitutional reform scheduled for early December could, in the event of a No vote, cast a slight pall on economic sentiment, but we judge the direct economic repercussions to be low. In 2016 average GDP growth in the eurozone is likely to come in at 1.5%.

Next year political developments could pose more of a downside risk for the eurozone economy again. Although we are expecting a stronger increase in investment, the Brexit negotiations between the UK and the EU in particular could fuel more economic uncertainty and weigh on investment activity in the eurozone. Private consumption is likely to remain the main driver of growth in the eurozone economy next year, although consumer spending is likely to slow slightly in the face of rising inflation. Exports on the other hand should be substantially more dynamic than this year. Overall, we are penciling in a GDP increase of 1.6% in 2017.

Katharina Utermöhl
Phone +49.69.24431-3790
katharina.uterhoehl@allianz.com
Allianz SE
<https://www.allianz.com/economic-research/en>

 Allianz Research
<https://twitter.com/AllianzResearch>

The NewsLine

October 31, 2016

These assessments are, as always, subject to the disclaimer provided below.

ABOUT ALLIANZ

Together with its customers and sales partners, Allianz is one of the strongest financial communities. About 85 million private and corporate customers insured by Allianz rely on its knowledge, global reach, capital strength and solidity to help them make the most of financial opportunities and to avoid and safeguard themselves against risks. In 2015, around 142,000 employees in over 70 countries achieved total revenues of 125.2 billion euros and an operating profit of 10.7 billion euros. Benefits for our customers reached 107.4 billion euros.

This business success with insurance, asset management and assistance services is based increasingly on customer demand for crisis-proof financial solutions for an aging society and the challenges of climate change. Transparency and integrity are key components of sustainable corporate governance at Allianz SE.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the euro/US-dollar exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

NO DUTY TO UPDATE

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.