1. **World GDP growth remains on a solid footing albeit being less synchronized**

Three shocks since Q1: stronger than expected yields, higher commodity prices and higher (geo)political risk

- The growth peak seems behind us
- Diverging growth engines as:
  - Political risk is expected to persist
  - The Fed will continue pushing global rates higher
  - Effects from old fiscal stimulus measures start to fade away (China, Japan, US) but new one kicks-in (Europe)
  - Multi-speed normalization of monetary policies will diverge the trend in financial conditions
  - FDI flows soften amid higher protectionism

2. The markets are likely to increasingly sanction the weakest in the loop:

Stress for currencies in some of the vulnerable emerging markets: Turkey and Argentina


4. A temporary surge in **inflation** expected in Q3 18 on the back of higher oil prices and depreciating currencies.

5. **USD to further appreciate** in the next 6 months (+4.5%). EUR/USD: 1.10 at end-2018; 1.17 at end-2019.

---

### Global GDP growth forecasts (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tbody>
<tr>
<td>Latest forecast</td>
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</table>

* Weights in global GDP at market price, 2017

NB: The revisions refer to the changes in our forecasts since the last quarter
 Fiscal year for India

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Sources: IHS, Euler Hermes, Allianz Research
We expect our Global Insolvency Index to remain oriented on the upside for a second consecutive year in 2018 (+8% from +6% in 2017) and to keep on increasing in 2019 (+4%). However, this global trend will reflect different trends by regions and countries: the decrease in insolvencies to loose momentum in North America and Western Europe, but to soften faster in Western Europe than in the US; the improvement in Latam to be more obvious in 2019 than in 2018; the surge in insolvencies to continue in China, notably re ‘zombie companies, and to boost the regional overall figures; the quasi-stabilization in Central and Eastern Europe to mask an increase in Poland and Turkey.

(*) Historical data are not fully consistent because of changes in law or national figures
Sources: National statistics, Euler Hermes, Allianz Research
OIL PRICES TO DECLINE TO 69 USD/BBL IN 2019

We expect oil prices to be broadly stable until the end of 2018 and decline thereafter on the back of abundant supply absorbing net losses linked to Venezuela and Iran situation.

The copper to oil ratio is a good advanced indicator of global activity. Our 2019 GDP growth scenario suggests that the market will anticipate a deceleration of global demand and therefore exert downward pressures on oil prices.

Our global inflationary pressure index suggests that the upcoming surge of global inflation should be temporary as the contribution of energy prices is significant.
US: CLOSER TO OVERHEATING DUE TO FISCAL STIMULUS

US GDP growth is expected at 2.4% y/y in 2019 compared with 2.9% y/y in 2018. Higher rates will weigh on consumption and residential investment at a 2-year horizon.

Amid a favorable investment cycle, demand for jobs is strong. For the first time since 1970s the number of US job offers is above the number of unemployed people, meaning that this unemployment is frictional only.

US non-financial corporate sector is already stretched in terms of debt, suggesting an elevated sensitiveness to any shock on interest rates.

Sources: Euler Hermes, Allianz Research
Financial de-regulation inflates bubbles. This time, small banks (and therefore SMEs depending on their financing) heavily exposed to commercial real estate, are particularly exposed.
The Fed is expected to hike twice in 2H18 and 2019. The US 10-yr Treasury yield should reach a level of 3.8% at the end of 2019 based on a progressive tightening of the monetary policy and increasing public deficit.

The US monetary policy will remain expansionary in 2018 but turn restrictive in 2019. This tightening of the monetary policy will have notable effects on foreign economies.

Capital flow back to the US. Yet beware of their nature.
### Protectionism: Between Trade Games and Trade Feud

#### Trade Game (55%)
- Negligible on global trade (>4% volume)
- US real GDP growth cut by -0.1pp; negligible impact on US inflation
- US current account deficit: -0.6pp to -3.0% of GDP
- US fiscal deficit: -1.1pp to -4.5% of GDP in 2019
- Europe’s ongoing recovery not impacted
- China remains on soft landing trajectory

#### Trade Feud (40%)
- Global trade slows down (-2pp)
- US growth cut by -0.5pp
- US inflation durably up by +0.1pp
- US CA deficit: -0.9pp to -3.3% of GDP(*)
- US fiscal deficit: -1.6pp to -5.0% of GDP
- Europe growth cut by -0.6pp
- China growth cut by -0.3pp, CNY depreciation similar to 2015 (-10%)

#### Trade War (5%)
- Global trade contracts (-6pp from +4%)
- US growth cut by -1.7pp
- US inflation durably up by +0.4pp
- US CA deficit: +0.7pp to -1.7% of GDP (*)
- US fiscal deficit: +4.6pp to -8.6% of GDP
- Europe growth cut by -1.9pp
- China growth cut by -1pp only on the back of stabilizing policies; CNY depreciation (-20%)
- EM broad recession

### Milestone
- US $50bn of Chinese imported products at 25% tariffs & 25% import tariffs on steel imported products & 10% import tariffs on aluminum imported products

### Current US Tariff
- 3.5%

### Milestones
- US $50bn of Chinese imported products at 25% tariffs & US $200bn of Chinese imported products at +10% import tariffs or
- US $200bn of US automotive imports targeted by +25% import tariffs in addition to the US $50bn of Chinese imports and US $10bn of steel and aluminum

### Current US Tariff
- 4.0%

### Milestones
- US $50bn of Chinese imported products at 25% tariffs & US $200bn of Chinese imported products at +10% import tariffs or
- US $200bn of US automotive imports targeted by +25% import tariffs in addition to the US $50bn of Chinese imports and US $10bn of steel and aluminum

### Current US Tariff
- 4.5%

### Milestones
- US $50bn of Chinese imported products at 25% tariffs & US $200bn of Chinese imported products at +10% import tariffs or
- US $200bn of US automotive imports targeted by +25% import tariffs in addition to the US $50bn of Chinese imports and US $10bn of steel and aluminum

### Current US Tariff
- 6.0%

### Milestones
- US $50bn of Chinese imported products at 25% tariffs & US $200bn of Chinese imported products at +10% import tariffs or
- US $200bn of US automotive imports targeted by +25% import tariffs in addition to the US $50bn of Chinese imports and US $10bn of steel and aluminum

### Current US Tariff
- 11.2%

### Milestones
- US $50bn of Chinese imported products at 25% tariffs & US $200bn of Chinese imported products at +10% import tariffs or
- US $200bn of US automotive imports targeted by +25% import tariffs in addition to the US $50bn of Chinese imports and US $10bn of steel and aluminum

*Source: Euler Hermes scenarios*
Global trade is expected to decelerate to 4.1% in volume in 2018 and to 3.7% in 2019, but to grow at a healthy pace.

China tends to absorb a growing share of world demand despite its domestic deceleration via an increasing opening of its market.

Front-loading strategies have been clearly at work before the implementation of tariffs in the US explaining the deepening of deficit.

Sources: IHS, Datastream, Allianz Research
**MARKETS SANCTIONED EMERGING MARKETS**

**Divergence:** Countries with wider current account deficits (Argentina and Turkey) have suffered the most. Second-round effects should trigger more depreciation in China, but in a benign way (-2%). USD is expected to appreciate by +4% against most currencies over the 6 coming months.

**Diversion:** What goes to the US (more short-term capital flows), no longer goes to the Emerging Markets (EM). Capital flows to EMs went below historical average from February (after a record level in January).

**Disruption:** EM Exchange rates and commodity prices show the same kind of disconnect than during the US Fed tapering aftermath. EM exchange rates and commodity prices should converge in the medium-run.

**Abbreviations:**
- **EM** = Emerging Markets
- **USD** = United States Dollar
- **S&P GSCI** = Standard & Poor’s Global Commodity Index
- **Fed tapering** = Federal Reserve tapering of quantitative easing

**Sources:**
- Bloomberg
- Allianz Research
- IHS Global Insight

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EMERGING MARKETS: WHO’S NEXT?

**Emerging Markets foreign currency debt (% of GDP)**

- **Foreign denominated public debt (% GDP)**
- **Foreign-denominated NFC debt (% GDP)**

![Emerging Markets foreign currency debt chart]

Sources: IHS, Euler Hermes, Allianz Research

**Refinancing needs**: Argentina is topping foreign currency denominated (FCD) public debt ranking and the announced USD 50bn IMF program tackled it through direct fiscal support. Turkey shows the highest FCD corporate debt, but Hungary and Chile are not far.

**Foreign exchange reserves in Emerging Markets, in % of liquidity needs**

![Foreign exchange reserves chart]

Sources: IHS, Bloomberg, Allianz Research

*Total excluding China and Russia

**Liquidity gaps**: Weak foreign reserve levels expose countries to the risk of sudden disruptions. The usual suspects are there: Ukraine, Pakistan. Other economies like Hungary, Poland and Turkey are also in the vulnerability area. The dilemma is depreciation pressures vs. monetary policy tightening in overheating economies or with a maturing cycle.
**Latin America: Volatility & Downgraded Outlook**

- **Downside revision of regional growth** by -0.36pp to +2.0% in 2018 (after +1.2% in 2017) and by -0.4pp to +2.4% in 2019
- **Due to downside revisions in Brazil and Argentina** despite acceleration in Chile and Colombia (desynchronization)

**Argentina, case in point:** twin deficits and high inflation; Now under control:
(i) IMF USD 50bn stand-by arrangement to increase reserve adequacy and help provide for the country’s financing needs; (ii) Argentina back in the MSCI emerging markets index, which rewards Macri’s reforms

- **Tight fiscal consolidation** (achieve primary balance by 2020), persistent inflation (>25%), less favorable global and local financial conditions and heightened political uncertainty should slow growth

*Sources: IMF, Euler Hermes, Allianz Research*
**Latin America: Mexico and Brazil Under the Radar**

- **Econo**: no more slack in the economy: wage growth has accelerated, unemployment has reached lows (3.40%)
- Industrial production still at a high level thanks to US cycle, but confidence starts receding

- **Volatility** continues, but **sound policy management** helps (rates up at 7.75%)
- Left-wing candidate expected to win, but fiscal slippage to be institutionally constrained. **Main risk for 2019: mind NAFTA & energy sector** where reforms could be unwound

**Brazil**: public debt, fiscal and primary balance (% GDP)

- **Brazil recovery took a hit**, public finances are weak. But Brazil should prove resilient to volatility in 2018 thanks to strong external position and central bank buffers (20 months of import cover)
- **Policy uncertainty remains**: we should monitor official campaign this summer

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## CHINA: A MULTIFACETED STRATEGY IN RESPONSE TO THE US

<table>
<thead>
<tr>
<th>Economic patriotism</th>
<th>• Anti-US campaign and boycott of US products (as done with South Korea), tighter regulation at the borders and different treatment for US corporates</th>
</tr>
</thead>
</table>
| Diplomatic retaliations | • Partnership against US strategy to increase (with Asian markets such as Japan and South Korea, with the EU)  
• Potential leverage on Korean Peninsula issue |
| Protectionism on services | • Measures to reduce trade deficit in services to be considered. First in line would be financial services. |
| Mild RMB depreciation with RMB per USD kept below 6.9 | • Currency depreciation to be used carefully to keep national purchasing power in check.  
• Marginal depreciation expected with RMB/USD at 6.6 in H2 2018 (-4% from H1) and 6.7 in 2019 |
| Threats on US Treasuries | • Threats (some turbulences) but no significant sell off is expected |
**CHINA: THE ECONOMY WOULD BE ABLE TO MAINTAIN A GROWTH AROUND +6.5%**

**Households:** solid income growth (8%+) will continue to support private consumption

**Corporates:** strong balance sheet will act as a buffer for debt repayments and tighter financing conditions

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### Policy tracker

<table>
<thead>
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<th></th>
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<tbody>
<tr>
<td>Benchmark lending rate (eop)</td>
<td>4.35</td>
<td>4.35</td>
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<tr>
<td>M2 growth</td>
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<tr>
<td>Reserve requirement ratios*</td>
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<td>RMB per USD (average)</td>
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<td>RMB per USD (eop)</td>
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### Monetary Policy

<table>
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<th>Capital account liberalization progress</th>
<th>Inward</th>
<th>Outward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modest</td>
<td>Significant</td>
<td>Modest</td>
</tr>
</tbody>
</table>

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* For large banks

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Policymakers to adopt a defensive strategy:

- Fiscal support to increase
- Central bank to keep liquidity in-check (RRR cut) but maintain deleveraging efforts through regulation
- Capital liberalization progress to be maintained but with further moves on inflows (financial opening)
Activity - Economic growth is set to slow to +4.9% in 2018 (revised up from +4.8%) and +4.8% in 2019 as China’s soft landing continues, Japan’s fiscal stimulus effects fade away. Emerging ASEAN to maintain firm growth rate supported by strong domestic demand solid export growth.

Financing conditions - Financing conditions tighten to reduce debt (China, e.g.), because of inflation (South Korea, Malaysia, Philippines, e.g.) and to reduce pressure on the currency (India, Indonesia).

Inflation – Upward pressures to increase especially from the second half of the year as a result of (i) currency depreciation, (ii) oil prices, and (iii) tight(er) job markets.

Countries vulnerabilities check-up. Risk on growth is limited in large economies thanks to solid buffers, high in frontier markets more vulnerable.

- Currency risk - Twin deficits countries to remain under pressure (India, Indonesia). Risk of policy mistakes in Malaysia and Philippines is also under watch.

- Confidence and risk on growth – This concerns frontier and twin deficits markets such as Sri Lanka and Pakistan as buffers to keep growth in check are really thin.
ASIA: CURRENCY TURBULENCES BUT LIMITED IMPACT ON GROWTH

Expect some turbulences on the currencies of twin deficits markets. Yet, pre-emptive tightening should ease tensions going forward. Moreover, if push were to shove, the region has enough buffer to keep growth in-check.
EMERGING EUROPE: WHO IS THE MOST VULNERABLE (1)

Nominal wage growth Q1 2018 (% y/y)

- Turkey: 14.8%
- Romania: 12.7%
- Hungary: 12.4%
- Latvia: 8.6%
- Czechia: 8.6%
- Lithuania: 8.4%
- Estonia: 7.7%
- Bulgaria: 7.1%
- Poland: 6.9%
- Slovakia: 6.5%
- Slovenia: 4.8%
- Croatia: 4.8%

Local currency vs. USD and EUR (% YTD; “-” indicates depreciation)
- Ukraine: LCU vs. USD: 7.3%, LCU vs. EUR: 8.7%
- Romania: LCU vs. USD: 0.8%, LCU vs. EUR: 0.7%
- Croatia: LCU vs. USD: -1.0%, LCU vs. EUR: 1.1%
- Czech Republic: LCU vs. USD: -3.5%, LCU vs. EUR: -3.6%
- Poland: LCU vs. USD: -3.6%, LCU vs. EUR: -3.2%
- Hungary: LCU vs. USD: -0.4%, LCU vs. EUR: 0.1%
- Russia: LCU vs. USD: -6.8%, LCU vs. EUR: -5.3%
- Turkey: LCU vs. USD: -14.1%, LCU vs. EUR: -16.2%

CPI inflation (% y/y)
- Turkey: 12.1%
- Romania: 5.4%
- Hungary: 2.8%
- Slovakia: 2.6%
- Russia: 2.5%
- Latvia: 2.3%
- Slovenia: 2.0%
- Croatia: 1.4%
- Ukraine: 11.7%
- Estonia: 3.0%
- Lithuania: 2.9%
- Bulgaria: 2.6%
- Czechia: 2.2%
- Serbia: 2.1%
- Poland: 1.7%

Sources: National statistics, IHS Markit, Allianz Research

- Nominal wage growth has been well above productivity growth in most Emerging European countries.
- So far, wage growth has not yet stoked inflation as firms have absorbed higher wage costs by accepting smaller profit margins, rather than raising their prices.
- The exceptions are Turkey and Romania where inflation is now well above targets. In Turkey, sharp currency depreciation has contributed as well. Hungary needs to be watched.
- Ukraine has been in crisis for many years and will remain so.
EMERGING EUROPE: WHO IS THE MOST VULNERABLE (2)

- **Turkey**, **Ukraine** and **Romania** have relatively large twin deficits and very high external financing requirements in relation to their FX reserves.
- **Hungary** has a current account surplus and acceptable fiscal deficit. Its external financing needs are also adequate.
- **Poland** has external financing requirements in relation to its FX reserves but otherwise relatively solid macro fundamentals (e.g. twin surplus, low inflation).

*Defined as sum of current account deficit and external debt maturing within the next 12 months.*

Sources: National statistics, IMF, IHS Markit, Allianz Research

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RUSSIA – HIGHER OIL PRICES MORE THAN OFFSET ANY IMPACT FROM NEW US SANCTIONS

Exchange rate and Brent oil price

- The latest sanctions (imposed by US on 6 April) seem to be the first ones that have an impact on the USD/RUB rate.
- But markets have calmed as President Trump drew back from further new sanctions (which many had expected) in mid-April.
- RUB has stabilized around 62-63 vs. USD which is adequate and supportive for exports.
- The imposed sanctions will certainly affect the targeted companies, but Russian authorities have pledged to help if needed.
- And the higher oil price is positive news for the Russian economy. Activity indicators point to strengthening momentum in Q2.
- Overall, we forecast GDP growth of +1.8% in both 2018 and 2019 (after +1.5% in 2017).
• After sharply deteriorating in the wake of low oil prices in 2014-2017, fiscal and external accounts are rebalancing in 2018 as oil prices are rising.  
• Bahrain and Oman are weaker and lagging.

Likewise, public and external debt levels have risen markedly since 2014 across the GCC.

• Debt risks in UAE and Qatar are offset by large SWFs which make them net external creditors.
• Again, Bahrain and Oman are the weak spots as their smaller SWFs provide less cushion.

Principal and interest payments have risen over the past years but are still adequate on average (12% of export earnings).

• Bahrain with an external debt service ratio of 21% is borderline.
AFRICA: KEEP ON RUNNING, TRULY, MADLY, BLINDLY

Growth in Africa, per region

<table>
<thead>
<tr>
<th>Region</th>
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<th>2017</th>
<th>2018</th>
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<td>3.9</td>
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</tbody>
</table>

*Egypt is included to Africa; Libya excluded from regional average
Sources: Allianz Research

Countries with the poorest liquidity levels are vulnerable to capital flows reversals.

Growth is accelerating in Africa, particularly in key Eastern and Western economies.

However, too much financing through debt may derail the growth momentum.
EUROPE: SLOWER GROWTH BUT STILL ABOVE POTENTIAL

The soft-patch is not as severe as it may seem: Manufacturing PMIs remain in expansionary territory and suggest moderate growth in activity.

Intra-EU trade shows more resilience and offsets part of the external trade shock, partly linked to protectionism.

Boosting the domestic engines: public spending in Germany is expected to accelerate in 2019 while the European reform agenda is back in the forefront.

Source: IHS, Euler Hermes Allianz Research
Europe becomes more fiscally expansionary, notably in 2019. This is the case for Germany.

Europe is at the start of the WS/PS loop which will allow households to benefit from higher real purchasing power starting in H2 2018. This is the case for France.

Margins remain at a relatively high level, but they are expected to have peaked at end-2017, notably in Spain and Italy.

Turnover growth has cooled down but remains above pre-crisis average. Spain enjoys high growth.
Spain: Policy uncertainty index and GDP growth (y/y)

Spain: Political uncertainty has a negligible impact on activity. +3.1% in 2017, expect +2.7% in 2018 and +2.4% in 2019. Moderate deceleration of private consumption in sight. Fiscal policy a bit more expansionary in the next 2 years.

Germany: Nominal income and selected components (percentage change y/y)

Germany: Economic soft-patch temporary. Employment growth, tax relief and additional monetary social benefits key drivers of strong rise in disposable income and thus of private consumption.

France: Household consumption was hit hard by inflation. Wage growth acceleration should close the purchasing power gap from H2 and drive GDP growth to +1.8% in 2018 and +2% in 2019.

France: Unemployment, wages and inflation

- Unemployment rate (%): [Graph]
- Wages (y/y change in %): [Graph]
- Inflation (y/y): [Graph]
AREAS OF TENSION

Diverging growth prospects and monetary policy should drag the EUR/USD to 1.10 at end-2018.

Sources: Euler Hermes, Allianz Research

Bond spreads are contained (except in Italy as they reflect the political stress). Downside risk could come from a generalized spread widening.

Sources: Euler Hermes, Allianz Research

Diverging growth prospects and monetary policy should drag the EUR/USD to 1.10 at end-2018.

Sources: Euler Hermes, Allianz Research

Contained inflation (+1.7% in 2018-19) and softer growth justify a progressive normalization by the ECB.

Sources: Euler Hermes, Allianz Research

The private sector should still enjoy very low interest rates until H2 2019.

Sources: Euler Hermes, Allianz Research
ITALY: FINANCIAL STRESS IS HERE TO STAY

Economic and financial scenarios

**Scenario**
- **Upside:** Mild Fiscal Expansion & Conducive EU Stance
- **Baseline:** U-Turn After Significant Fiscal Expansion & Moderately Confrontational Stance with EU
- **Downside:** Marked Fiscal Expansion & Confrontational EU Stance
- **Tailrisk:** Marked Fiscal Expansion & Extreme Confrontational EU Stance leading to Italexit

**Probability**
- 30%: 20% of fiscal plans implemented in 2019 budget. Constructive stance towards Europe.
- 50%: 30% of fiscal plans implemented in 2019 budget. Relatively constructive EU stance.
- 15%: 60% of fiscal plans as soon as 2019. Confrontational EU Stance.
- <5%: More than 60% of fiscal plans as soon as 2019. Extreme confrontational EU Stance.

**Policies**
- Markets are reassured but the regime switch will maintain spreads above pre-election level (>180bp).
- Spreads remain high (180-250bp) given the announced fiscal spending plans in Fall and a one-notch credit rating downgrade.
- Downgrade to non-IG by end-2019, spreads climb above +400bp and banks lose access to ECB liquidity, which forces an ESM program.
- Downgrade to non-IG in H1 2019, spreads climb above +700bp and banks lose access to ECB liquidity but Italian government refuses an ESM program.

**Financial markets**
- Mild fiscal expansion helps prop up economic activity in the short-run: GDP growth expected at 0.8% in 2019.
- Economy in multi-year recession (GDP contraction greater than -2% in 2020).
- Deep recession (-3% fall in GDP in 2019).

**Economic consequences**
- Significant contagion to the periphery. Eurozone in mild recession (-0.5%): No. ECB rate hike in 2019/2020, new TLTROs & OMT for Italy after signed ESM program.

**Portfolio net inflows vs ECB QE Italian bond purchases**

- Sources: Bank of Italy, Allianz Research

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**EUROPEAN REFORM ROADMAP: A FIRST COMPROMISE - THE MESEBERG DECLARATION BY MACRON AND MERKEL**

**EU Summit: 28-29 June**
- ESM goes EMF which will allow faster financial interventions
- Agreement on an Eurozone budget as part of the EU multi-annual budget to be implemented by 2021
- Agreement to establish a European unemployment stabilization fund
- Security: Agreement on giving more resources to the EU border police, Frontex — and to create a common European asylum system
- Agreement to work on a common corporation tax regime
- Agreement on majority voting instead of unanimity when making foreign policy decisions so as to increase the effectiveness of EU policymaking

**EU Summit: 18-19 October**
- Agreement on the size of the Eurozone budget
- Agreement on the Single Bank Resolution being part of the EMF
- Progress on Capital Market Union
- European Defense Fund

**EU Summit: 13-14 December**
- Agreement on a time schedule for implementing the Common Deposit Guarantee Scheme once the EBA stress tests prove the reduction of banking risk across all Eurozone banks
- Agreement on the financing sources of the Eurozone budget (regular transfers made by individual countries or a tax on financial transactions or a levy on digital companies)
- Agreement on the Brexit deal

---

**June 22:** The Eurogroup agreed on further debt relief for Greece and the right to use the EUR24.1bn cash buffer
**Higher probability of a soft Brexit**

- Brexeters showed they are capable to compromise and avoid a political deadlock as they showed during the last two ‘meaningful votes’ in the Parliament.
- The Parliament will have a say on the deal before it goes to the European Parliament.
- The ultimate deadline for a deal fixed to end-2018 to allow enough time for ratification.
- An EU Association Agreement (Ukraine-style) is likely. It will sets the framework but gets the details later. This would concern topics like trade, internal security, thematic cooperation.

**Extensive FTA?**

- The UK needs to publish the White Paper explaining their preferred position. Staying in the Custom Union would be an easier fix to the Northern Ireland issue.
- EU takes a pragmatic stance and looks capable for compromise.

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**Economic forecasts**

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<th>Weight</th>
<th>2016</th>
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<td><strong>Consumer Spending</strong></td>
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<td>Public Spending</td>
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<td>Investment</td>
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<td>Net exports</td>
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<td>Current account</td>
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<td>Current account (% of GDP)</td>
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<td>Unemployment rate</td>
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<td>Nominal GDP</td>
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</tbody>
</table>

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Slowest GDP growth since 2009 with below potential consumer spending.

---

The BoE relatively hawkish stance to limit the downward move on the currency: -4% depreciation of the GBP vs. the USD and -1% vs. the EUR at end-2018.

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Sources: Bloomberg, Allianz Research
THANK YOU!

Economic Research Department

26.06.2018