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Financial market and economic outlook 2016

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Financial market and economic outlook 2016

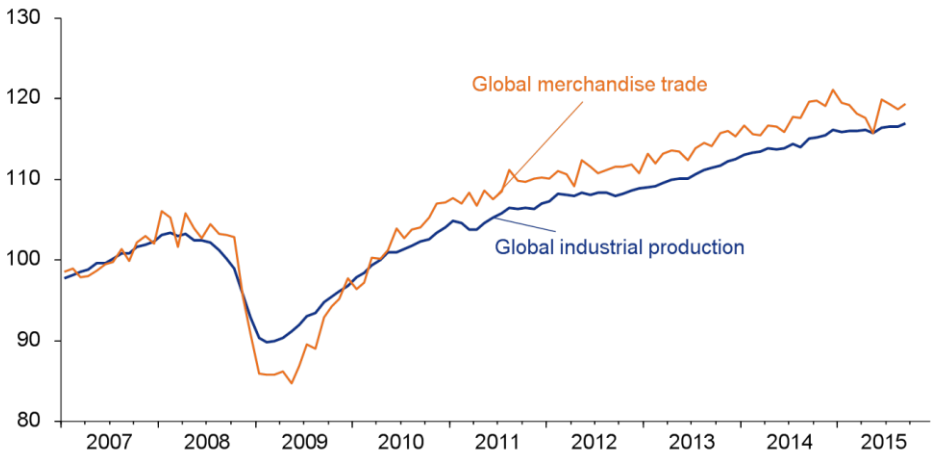
In 2015 the global economy offered both light and shade. Geopolitical tensions, crises and acts of terrorism created a difficult backdrop. The slide in the oil price and other commodity prices had a marked impact on global income flows. Many advanced economies benefited from purchasing power gains, whereas a host of emerging markets saw revenues plummet. However, alongside the development in commodity prices, structural factors also lie behind the economic weakness in the emerging markets. The lack of economic reforms is not a monopoly of the advanced economies.

The further stabilization in the eurozone economy was among the positive aspects seen in 2015. The decline in commodity prices and the lower euro, but also progress on the reform front in the former crisis countries, have bolstered the upward trend. In the USA the six-year long upswing continued but, given the strength of the dollar, growth did not accelerate. Broadly speaking, consumption was the driver of growth in the industrial countries, investment has so far provided little impetus.

In 2015 the world economy grew by an estimated 2.5%, global merchandise trade by contrast by only around 1%. For a number of years now the old rule of thumb that global trade expanded at twice the rate of global output has no longer applied. The pace of globalization in merchandise trade has evidently abated.

Marked slowdown in world trade in 2015

Global industrial production vs. global merchandise trade (Index 2007=100)



Sources: Thomson Reuters Datastream, CPB.

Financial market developments in 2015 continued to be characterized by extremely low interest rates, a strong US dollar and rising, if increasingly volatile, equity markets. Looking ahead to 2016, the recent rate hike by the Fed, the first in almost ten years, will add additional spice to the financial backdrop. Interesting developments are on the cards. This also applies to the outlook for the real economy. We believe that the following issues will take center stage in 2016:

- Will the commodities slump continue?
- Will the economy in key emerging markets bounce back?
- Will the eurozone upswing gather further momentum?
- To what extent will the monetary policy of the major central banks diverge?
- Will the central banks continue calling the shots for the financial markets?

In our view there is nor need for skepticism with regard to the economic outlook for 2016. Despite falling commodity prices, deflationary risks in Europe continue to subside. Businesses and consumers are a lot more optimistic now than, say, one or two years ago. The domestic economy has got back into gear, with the number of jobs decidedly on the up. In 2016, the eurozone economy is likely to slightly outperform the rate of growth seen in 2015 (+1.5%) at 1.8%. We expect to see another increase of 2.5% in US GDP in 2016, carrying on from 2015. Growth in the emerging markets is likely to be somewhat more pronounced in 2016 than in 2015, with values of 3.8% and 3.3%, respectively. This can be chiefly attributed to the fact that the magnitude of the economic slump in Brazil and Russia is unlikely to be as severe in 2016 as the year before. We expect China to report positive economic developments on a more regular basis in 2016 as a result of economic policy stimulating the economy, even if official sources state that economic growth is still losing slight momentum. On the whole, there is likely to be a slight acceleration in global economic growth, with a figure of 2.8% predicted for 2016. In light of this, we can hardly expect commodity prices to continue falling sharply. On the contrary, we think it probable that a slight increase in prices will follow, resulting in the price of oil rising to over 50 USD per barrel again in the course of 2016.

However, we must not lose sight of the fact that considerable risks stand in the way of our cautiously optimistic economic forecast. The geopolitical situation, for instance, is anything but stable - an escalation in the Near or Middle East could well put a severe damper on the global economy.

The geopolitical imponderables, the divergent monetary policies of the Fed and the ECB, the modest yield outlook in many asset classes and the large gap in emerging market performance suggest capital flows will be extremely volatile next year. Even if individual asset classes such as European equities doubtless offer upward potential, a one-way upwards trend on these markets is not on the cards. Next year is likely to see frequent swings on the financial markets. And probably on the bond markets in particular.

Global economy: Stable growth in industrialized countries, moderate acceleration in emerging markets

	Gross domestic product (real)[1]				Consumer prices[1]			
	2014	2015	2016	2017	2014	2015	2016	2017
Industrialized countries	**1.7**	**1.9**	**2.1**	**2.0**	**1.4**	**0.3**	**1.4**	**2.0**
Euro area	0.9	1.5	1.8	1.8	0.4	0.1	0.9	1.6
Germany	1.6	1.7	2.2	1.9	0.9	0.3	1.1	1.7
USA	2.4	2.5	2.5	2.3	1.6	0.1	1.8	2.4
Japan	-0.1	0.6	1.2	1.0	2.8	0.8	0.8	2.1
Emerging Markets	**4.2**	**3.3**	**3.8**	**4.5**	**6.2**	**8.2**	**9.5**	**6.5**
Asia	6.3	6.0	5.9	5.5	3.2	2.3	3.0	3.5
China	7.3	6.8	6.5	6.0	2.0	1.5	2.3	3.0
Latin America	0.6	-1.6	-0.3	2.6	12.3	17.9	24.7	12.7
Eastern Europe	1.4	-1.1	1.0	2.7	4.3	9.3	5.6	5.2
World	**2.7**	**2.5**	**2.8**	**3.0**	**2.7**	**2.3**	**3.6**	**3.3**

[1] % change over previous year.

Source: Group Economic Research.

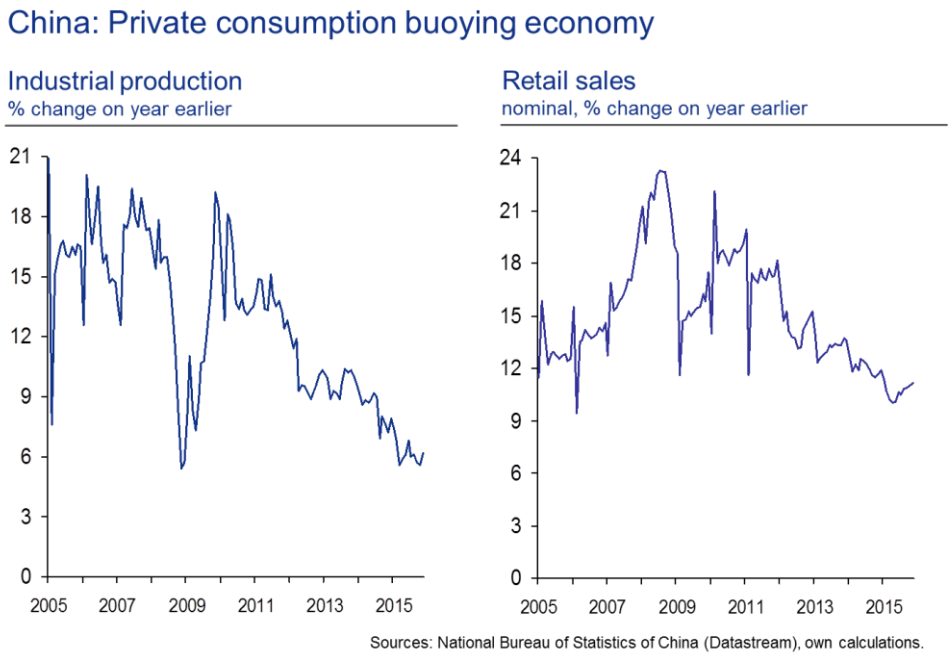
Emerging markets: Higher growth, but no genuine economic recovery

Over the past five years, there has been a continuous slowdown in the growth momentum in the emerging markets. This can be partly attributed to structural, partly to cyclical factors. In 2015, growth is likely to come in at 3.3%. If we ignore 2009, the year of the global recession, this is the weakest rise in no less than 15 years. Whether or not the emerging markets manage to turn the corner in the course of next year and their economies bounce back slightly will be primarily determined by further economic developments in the regional heavyweights.

Brazil, the largest economy in Latin America, is currently battling a severe crisis. The country is mired in a deep recession, inflation stands at over 10% and state finances are spiraling out of control. The state's cumulative budget deficit came in at 9.5% of GDP in the first ten months of the year. The various corruption scandals, now also tarring the government, are also weighing on the economy. Impeachment proceedings against Rousseff, Brazil's president, were instigated only recently. Even though the outcome of these proceedings is completely open, they severely hamper the government's ability to act. Following this year's GDP slump of around 3.5%, we expect a further fall of around 2% in 2016.

In contrast to Brazil, the economic picture in the eastern European heavyweight, Russia, is showing signs of improvement, illustrated inter alia by the more upbeat results of the purchasing managers' index for the manufacturing industry of late. The slump in energy prices and the consequences of economic sanctions targeting the country mean that this year the Russian economy is likely to shrink by 4% in real terms. We expect to see growth rates return to marginally positive territory in the course of 2016. Nonetheless, the annual average would still come in at around -1%.

In China the gradual slowdown in the economy is likely to continue in the coming year, but we are not expecting real growth rates to plummet. The consolidation process in the manufacturing industry will certainly continue well beyond the year 2016, while the excess capacity in a number of sectors means investment activity is likely to continue losing steam. By contrast, private consumption looks set to continue to perform well in 2016, as suggested by the ongoing robust retail sales data. Another reason to be optimistic is the assessment of the service sector, which, unlike that of the manufacturing industry, is continuously favorable. In the meantime, over 51% of all macroeconomic activity has shifted to the service sector, an increase from 41% in 2001. The fact that the Chinese government and the country's central bank still have enough room for maneuver from an economic policy point of view, which makes it possible for them to mitigate an excessive slowdown of the economy, is of no minor significance. Nevertheless, it is becoming increasingly challenging for the Chinese government to keep the economy on the straight and narrow, that is, moving towards a "a controlled slowdown in economic growth." Taking more economic stimulus measures, for example launching new public investment projects, could eventually result in existing macroeconomic imbalances becoming even more drastic, further postponing the adjustment processes that are actually much-needed. We expect to see GDP growth of 6.5% next year, following on from this year's figure of 6.8%. Real GDP growth is then likely to amount to a "meager" figure of approximately 6% in 2017.



All in all, we expect the emerging markets to grow by 3.8% in 2016, at a rate slightly more buoyant than the one seen this year. In spite of the above, a widespread acceleration in economic in activity is still out of the question. The higher growth is mainly due to the assumption that the economic slump in a number of major emerging markets will not continue to quite the same extent next year as in the years before. 2017 should hopefully see Russia and Brazil return to positive annual growth on average. Consequently, we expect GDP growth to pick up again in 2017, bringing it up to around 4.5%.

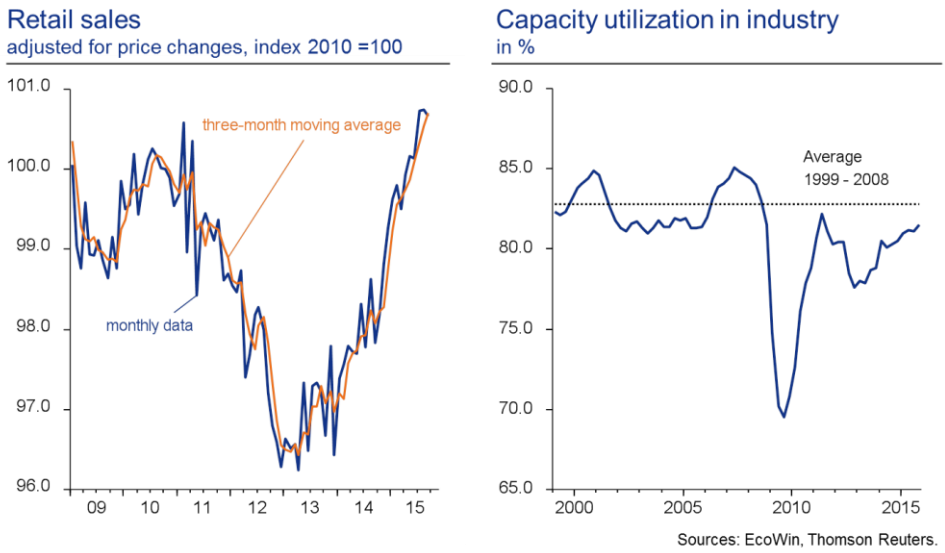
USA: Consumer-driven upturn continues

Despite the hefty burden placed on it by external trade and a considerable cutback in investment spending in the domestic oil sector, over the course of the year the US economy was able to achieve growth that outstrips the trend slightly. The solid expansion in the domestic end-consumer demand can be largely attributed to private consumption, with the latter supported by a substantial increase in real income. The potential for the consumer-driven upturn to continue is far from being exhausted completely - some still remains for the coming quarters. There is considerable scope for an increase in consumer spending, indicated especially by the savings rate of private households, which recently came in at 5.6%, a figure well above the average recorded over the past two and a half years. The improvements in the income situation may well also promote a return to normal as far as the establishment of new households is concerned, simultaneously providing sustained stimulus for residential construction, which, in relation to gross domestic product, continues to sit well below the long-term average. For the first time since 2009, government spending is also expected to make a clearly positive contribution to growth. This can be attributed to Congress agreeing to lift the upper threshold for federal budget spending at the beginning of November. The fact that in the meantime, the corporate sector as a whole is operating at good capacity utilization levels is likely to facilitate investment activity. At the same time, however, we do not expect growth to move up a gear in 2016, especially considering that the appreciation of the US dollar will continue to have an impact next year. External trade is likely to deliver another perceptible blow to growth in the coming year. While external trade burdens may well abate in 2017, higher inflation is likely to result in a more moderate consumer momentum.

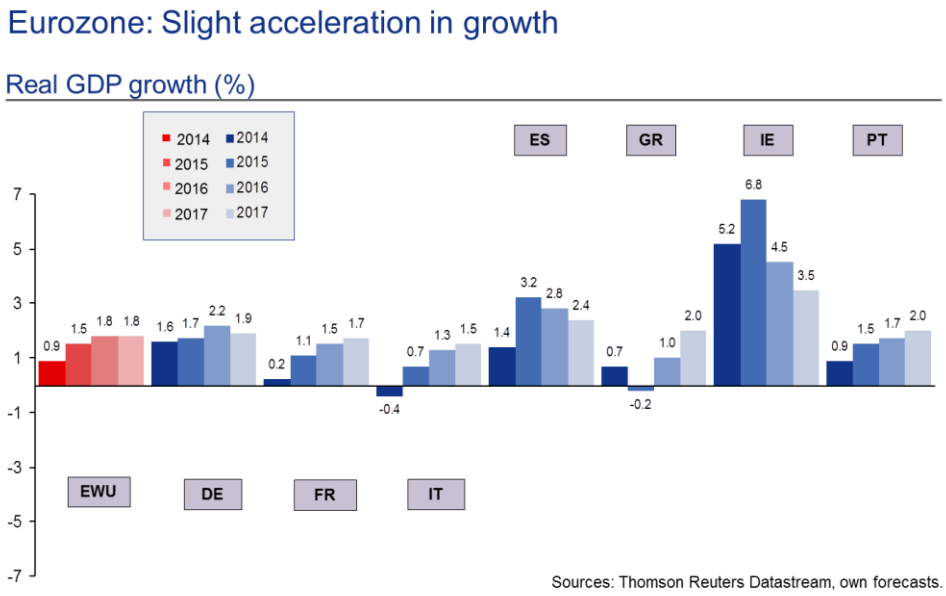
Eurozone: Upturn increasingly self-sustained

2016 promises to be a good year for the eurozone economy. The economic upswing which has been in progress since the middle of 2013, driven mainly by temporary factors in the first instance, is expected not only to gain ground and increase its scope in 2016, but also to become more stable. Given the continued low oil prices, the sluggish increase in inflation and with an improved labor market situation looming on the horizon, private consumption is likely to remain the main driving force behind the growth of the eurozone economy in the coming year. We can also expect a less restrictive fiscal policy to provide positive impetus. We see the following issues as the main culprits: additional expenses incurred by some EMU countries in order to resolve the refugee crisis and the increase in security spending in response to the terrorist attacks in Paris. Unlike this dynamic development in consumption, the extent to which foreign trade influences economic activity is expected to be somewhat subdued in 2016 in light of the difficult global environment. Having said that, the depreciation of the euro may well cushion the blow delivered by the slump in global demand.

Eurozone: Private consumption driving economic recovery



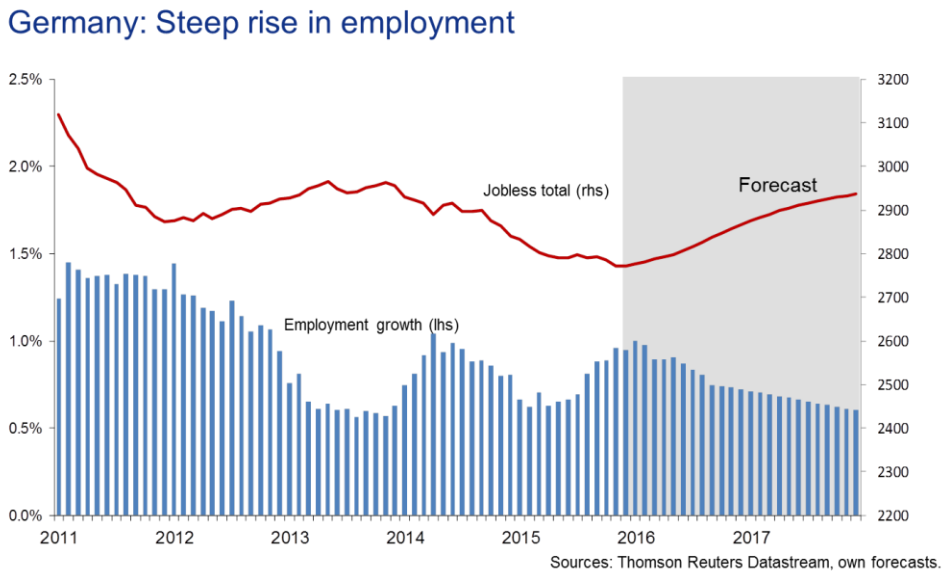
We expect self-reinforcing positive effects to become increasingly significant in the course of the year, with the upturn in the eurozone economy becoming more and more self-sustained as a result. The favorable economic development and the concomitant increase in capacity utilization are likely to encourage companies within the EMU area to finally start investing more again. In 2016, investment is expected to rise by around 3% - the largest increase since 2007. The fall in unemployment is likely to provide tailwind for the already robust economy, allowing for a further improvement in the favorable outlook for private consumption. On average, we expect 2016 to bring with it a surge in economic growth, rising to 1.8% from its current value of 1.5%. Germany remains the growth engine for the EMU, while former program countries continue playing economic catch-up, their progress almost impossible to hold back. Although economic growth in heavyweights such as France and Italy has finally begun to gather steam, it is still likely to continue to sit below the EMU average. In the first quarter of 2016, gross domestic product across the eurozone will most likely return to its pre-crisis level for the first time in eight years. With the upturn in the eurozone economy increasingly stable and gaining momentum of its own, it is possible for economic growth to reach almost 2% in 2017.



While the eurozone has finally bidden farewell to the crisis mode, at least from an economic point of view, the risks it faces in 2016 are primarily political in nature. Together with the refugee issues, the financial and economic crisis of the recent years has resulted in the political spectrum edging away from the center towards the periphery. Independence movements as well as euroskeptic protest parties speaking out against the course of reform and austerity programs have gained significant ground, something which is another legacy of the above phenomenon. The mounting domestic policy challenges give rise to a Europe with an increasingly weak foreign policy - an area where demands (crisis in the Ukraine, international terrorism, influx of refugees, etc.) are currently higher than ever before. In this respect, finding a sustainable solution on a European level will prove crucial, especially when it comes to matters like the refugee crisis. Moreover, heightened political uncertainty is slamming the brakes on the process of European integration, thereby jeopardizing the further development of the EMU, which is necessary at all costs. Our only hope is that integrative powers continue to hold the upper hand.

Germany: Economic impetus greater than necessary

The German economy is currently experiencing a stable upswing: employment is on the rise in almost all major sectors of the economy, growth has been recorded in all expenditure components of GDP. This being the case, there is actually no need for any further economic policy impetus. As well as the continuation of a strongly expansive monetary policy, however, 2016 will be characterized by additional demand impetus generated by fiscal policy due to the decision to implement expansive measures (investment measures, income tax relief) and higher spending resulting from refugee immigration. This is compounded by the fact that in spite of a slowdown in the global economy, the export economy has retained fairly positive price competitiveness, aided by the relatively low external value of the euro. All in all, we expect to see the upswing gain more ground in the course of next year. Gross domestic product is likely to increase by 2.2% in 2016, followed by growth to the tune of 1.9% in 2017.



For the time being, the outlook for the consumer-oriented sectors of the German economy is extremely favorable. The buoyant population growth aided by immigration, the considerable pension adjustment looming on the horizon for the middle of next year, as well as the consistently upward trend in income from employment are all boosting consumer demand. Public consumption, however, is growing (2015: 2.5%, 2016: 2.7%) at a rate even higher than that of private consumption (2015: 2.0%, 2016: 2.2%), and is likely to continue to do so next year. Following a marginal increase in construction investment in 2015, which can be traced back to falling commercial and public investment, we expect to see growth of 2.5% in 2016 and a figure just shy of 3% in 2017. Strong expansion is on the cards for residential construction as well as for public investment, both in 2016 and 2017. In spite of the buoyancy of the domestic economy, favorable earnings, very low interest rates and the extremely positive overall environment these create, equipment investment is likely to remain on an upward trajectory that is moderate at best (2016: 3.4%, 2017: 3.9%). Having slackened considerably in the second half of 2015, the pace of export growth is likely to gradually pick up in the course of 2016, at least if the economic recovery in the eurozone continues and no prolonged crisis in the emerging markets occurs - which is what we expect. We estimate that exports will rise by 3.9% in the coming year and by 4.4% in the year that follows.

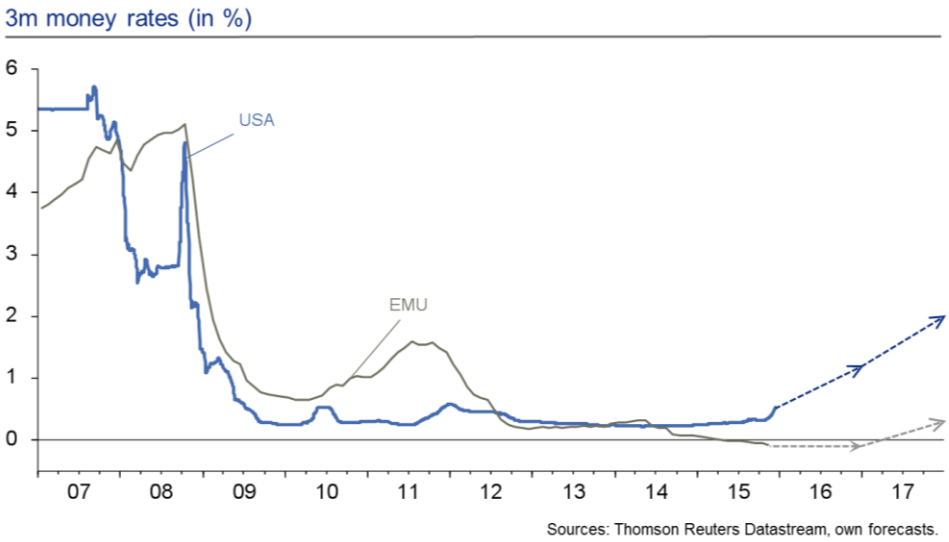
Diverging monetary policy approaches

At the beginning of December, the ECB decided to implement a bundle of additional monetary easing measures. Although this came as a disappointment to the markets, said bundle was nevertheless extensive, encompassing the following: cutting the deposit rate by 10 basis points to a value of -0.3%, extending the duration of the bond-purchasing program until the end of March 2017 instead of the end of September 2016 as originally planned (in other words, increasing the current value of 1,140 billion euros by 360 billion euros), expanding purchases of bonds to include bonds of local and regional public authorities (sub-sovereign bonds), reinvesting repayment amounts for securities purchased as part of APP when those amounts fall due, extending the unlimited liquidity for banks as far into the future as the end of 2017 (thereby substituting the money market). Lowering the deposit rate is likely to be felt largely via exchange rates. Purchasing additional bonds will provide a kind of shield for the yield level, protecting it from the upward pressure emanating from the other side of the Atlantic, a consequence of the increasing divergence between US and EMU monetary policy.

There is no indication that changes will be made to EMU monetary policy next year. Tapering is unlikely to be introduced before 2017, whereas a cautious exit from the zero interest rate policy should not be expected any earlier than the turn of the year 2017/2018. Since national fiscal policy across the whole of the eurozone no longer needs to be quite as frugal as during the crisis, there is a risk that monetary and fiscal policy may come together to produce too much stimulus for the economic recovery currently taking place. In EMU countries such as Ireland, which are growing at a relatively rapid rate, there is a real danger that the ECB monetary policy will be expansionary for far too long, bringing about another boom and bust cycle.

We expect the ECB to start being "called to account" regarding a necessary exit from what is now an intensified crisis mode. There is a strong possibility that EMU inflation rates will remain below the ECB target for some time, while the ultra-expansive monetary policy is likely to prove that you really can have too much of a good thing, especially if it is measured against economic development in the EMU. Nevertheless, it will be tricky to galvanize support for adjusting the inflation target of the ECB (say back to the 0-2% margin that was in place before 2003). Credibility is the main issue at a time when targets are being missed all over the place. Even so, the ECB should not shy away from changing its mandate. Recent experience has shown that setting the mark at 2% is too high given the changes in the overall framework, and that any influence the ECB may be able to exert over developments in inflation is not sufficiently direct. In light of this, a more flexible approach should be taken to preserving price stability (for instance, an approach similar to that of the Fed, whereby other benchmarks should be explored in spite of all the difficulties/inadequacies).

Monetary policy: Cautious Fed course correction curbs rate gap with eurozone

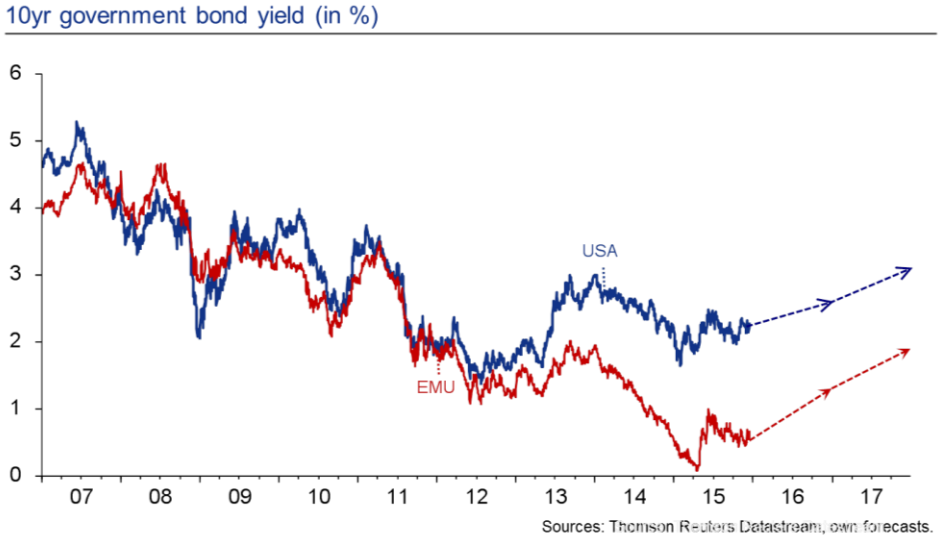


Any changes in the course of the US monetary policy are expected to come about tentatively at best. Efforts to structure monetary policy currently vary considerably across the globe, with various economies also at very different places in the economic cycle. The two combined mean that the Fed has its work cut out trying to estimate the financial conditions likely to come about as a result of the key rate hike. Consequently, it will most likely eschew adhering to a rigid pattern when it comes to adjusting key interest rates in favor of responding to the data available in a flexible manner. The opposite holds true for the cycle of rate hikes we have behind us. We predict a target range of 0.75%-1% for the Federal Funds Rate by the end of 2016.

Financial market outlook: The future is rosy for European equities

In recent years, developments in long-term interest rates had been largely determined by monetary factors. The zero interest rate policy and the major central banks purchasing enormous amounts of securities were the anchor holding yields firmly in place - at a very low level. The conclusion of the US zero interest rate policy could signal a return to rising interest rates on the European markets, as generated via the international network. The ECB's bond-purchasing program being extended until the spring of 2017 and a further reduction in the deposit rate do, nonetheless, form an additional obstacle that will prevent the yield level on the European bond market from climbing up considerably. Taking our econometric estimations as basis, we have calculated that quantitative easing is currently reducing the yield on ten-year German government bonds by around 60-70 basis points. Experience of the US bond-purchasing program has shown, however, that market expectations of an end to the purchase program in the future may well crash and burn into fairly severe yield corrections. Given the positive development across the eurozone we are counting on, these kinds of expectations are likely to intensify in the second half of 2016 at the latest. As such, we reckon ten-year EMU benchmark bonds will climb up by around three quarters of a percentage point to 1.3% in the course of 2016. It cannot be ruled out that this increase will come about almost in the blink of an eye. In general, the upswing in yields is set to continue in 2017, with yields approaching, but not surpassing, the 2% mark.

USA-EMU: Spread set to narrow slightly over medium term



After starting last year on a high, with strong performance in the first few months, the stock markets have relinquished a significant proportion of the gains made during this boom period again. This is a reflection of the concerns about the fall in commodity prices, the real magnitude of weakness in the emerging markets, as well as related phenomena, such as the danger of capital being shifted and devaluation races and the uncertainty surrounding the tightening of the monetary reins embarked upon by the Fed. Nevertheless, we still do not interpret the drop in commodity prices as a sign of an impending downward spiral in the global economy, and therefore do not consider the dramatic price slumps that have occurred on the stock markets in the last few weeks to be fundamentally justified. In the light of the continuation of favorable valuations and an economy with an increasing momentum of its own and characterized by continuously low interest rates, it is likely that there is still a great deal of potential on most European stock markets. In the coming year, the European stock markets are

expected to outperform the average in an international comparison. Still, it is important to bear in mind that market expectations remain volatile.

	as of December 15, 2015	End December 2016	End December 2017
Interest rates (in %)			
EMU-3m money market rate	-0.1	0.0	0.3
German-10yr government bond yield	0.6	1.3	1.9
US-3m money market rate	0.5	1.2	2.0
US-10yr government bond yield	2.2	2.6	3.1
Stocks			
DAX	10,450	12,000	12,500
Euro Stoxx 50	3,242	3,700	3,900
S&P 500	2,043	2,150	2,250
Exchange rate			
USD/EUR	1.10	1.12	1.18
Commodities			
Brent (USD/barrel)	38.0	55.0	60.0

Germany: Economic indicators and forecast*

		2014				2015				2016				2017							
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2014	2015e	2016f	2017f
GDP real		0.7	-0.1	0.2	0.6	0.3	0.4	0.3	0.3	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.4	1.6	1.7	2.2	1.9
Private consumption		0.3	-0.1	0.6	1.0	0.4	0.1	0.6	0.5	0.6	0.6	0.5	0.4	0.4	0.4	0.4	0.3	0.9	2.0	2.2	1.6
Government spending		0.4	0.6	0.6	0.5	0.4	0.7	1.3	0.5	0.8	0.6	0.4	0.4	0.4	0.3	0.3	0.3	1.7	2.5	2.7	1.5
Investment in machinery/equipment		-0.2	0.9	-1.9	2.6	1.9	0.5	-0.8	1.0	1.1	1.2	1.0	1.0	1.0	1.0	1.0	1.0	4.5	3.6	3.4	3.9
Construction		4.4	-3.8	-0.4	0.6	1.8	-1.3	-0.3	1.0	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	2.9	0.5	2.5	2.9
Domestic demand		0.8	0.1	-0.4	1.0	0.5	-0.2	0.7	0.5	0.6	0.6	0.6	0.4	0.4	0.4	0.4	0.4	1.3	1.6	2.3	1.6
Exports		0.4	0.4	1.5	1.4	1.5	1.8	0.2	0.3	1.1	1.2	1.2	1.2	1.2	1.1	1.0	0.8	4.0	5.3	3.9	4.4
Imports		0.6	0.9	0.4	2.3	2.1	0.5	1.1	0.8	1.1	1.4	1.3	1.1	1.1	1.0	0.9	0.9	3.7	5.7	4.6	4.2
Industrial production (excl. construction)**		0.6	-0.7	0.0	0.9	0.4	0.4	-0.3	-0.3	0.8	0.6	0.5	0.4	0.5	0.6	0.6	0.6	1.3	1.3	1.5	2.1
Unemployment rate (EU def.)	%	5.1	5.0	5.0	4.9	4.8	4.7	4.6	4.5	4.5	4.5	4.6	4.6	4.6	4.7	4.7	4.7	5.0	4.6	4.5	4.7
Unemployment rate (nat. def.)	%	6.8	6.7	6.7	6.6	6.5	6.4	6.4	6.4	6.4	6.4	6.5	6.6	6.6	6.7	6.7	6.7	6.7	6.4	6.5	6.7
Employed persons (national def.)	y-o-y	0.8	1.0	0.9	0.8	0.7	0.6	0.8	0.9	1.0	0.9	0.8	0.7	0.7	0.7	0.6	0.6	0.9	0.8	0.8	0.7
Consumer prices	y-o-y	1.2	1.1	0.8	0.5	0.0	0.5	0.1	0.5	1.0	0.7	1.2	1.6	1.7	1.7	1.7	1.7	0.9	0.3	1.1	1.7
Consumer prices (HICP)	y-o-y	1.0	0.9	0.8	0.4	-0.1	0.4	0.0	0.4	0.9	0.7	1.2	1.6	1.7	1.7	1.7	1.7	0.8	0.2	1.1	1.7
Producer prices	y-o-y	-1.0	-0.9	-0.8	-1.2	-2.0	-1.4	-1.7	-2.0	-0.5	0.1	1.1	2.2	2.0	1.9	1.9	2.0	-1.0	-1.8	0.7	2.0
Current account balance	EUR bn	51.3	50.0	57.9	57.0	60.5	62.3	67.2	65.0	63.0	62.0	61.0	60.0	59.0	58.0	57.0	56.0	212.1	254.9	246.0	230.0
	% of GDP																	7.3	8.4	7.9	7.1
Budget balance	EUR bn																	8.9	25.9	12.3	13.4
(Maastricht-definition)	% of GDP																	0.3	0.9	0.4	0.4

*) quarterly figures: percentage change over previous period, seasonally and working day adjusted, except where noted, yearly figures: percentage change, not working day adjusted; **) yearly average working day adjusted.

e = estimate, f = forecast.

Euro area: Economic indicators and forecasts*

		2014				2015				2016				2017							
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2014	2015e	2016f	2017f
GDP real		0.2	0.1	0.3	0.4	0.5	0.4	0.3	0.4	0.5	0.4	0.4	0.4	0.5	0.4	0.5	0.4	0.9	1.5	1.8	1.8
Private consumption		0.0	0.2	0.4	0.5	0.5	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.3	0.8	1.7	1.6	1.5
Government spending		0.2	0.2	0.3	0.2	0.5	0.3	0.6	0.2	0.4	0.2	0.5	0.3	0.3	0.3	0.3	0.3	0.8	1.4	1.5	1.3
Investment		0.4	-0.5	0.4	0.6	1.5	0.1	0.0	0.8	1.0	0.9	0.6	0.6	0.8	0.8	0.7	0.7	1.3	2.3	2.8	3.0
Exports		0.8	1.0	1.6	1.2	1.3	1.6	0.2	0.8	1.2	1.1	1.1	1.0	1.1	1.2	1.2	1.1	4.1	4.8	4.0	4.5
Imports		1.2	1.1	1.5	1.2	1.9	0.9	0.9	0.9	1.3	1.2	1.2	1.0	1.1	1.4	1.0	1.1	4.5	5.2	4.5	4.7
Industrial production (excl. construction)		0.1	0.1	-0.3	0.4	1.1	-0.1	0.2	0.5	0.7	0.6	0.4	0.4	0.6	0.7	0.6	0.5	0.8	1.5	2.0	2.2
Unemployment rate	%	11.8	11.6	11.6	11.5	11.2	11.0	10.8	10.6	10.5	10.3	10.2	10.0	9.9	9.8	9.8	9.7	11.6	10.9	10.3	9.8
Consumer prices	y-o-y	0.7	0.6	0.4	0.2	-0.3	0.2	0.1	0.2	0.7	0.6	0.8	1.4	1.5	1.5	1.7	1.7	0.4	0.1	0.9	1.6
Producer prices	y-o-y	-1.6	-1.1	-1.4	-1.9	-2.9	-2.1	-2.6	-2.5	-0.6	-0.5	0.8	2.0	1.9	2.0	2.1	2.0	-1.5	-2.5	0.4	2.0
Current account balance	EUR bn, nsa	58.4	51.1	66.3	69.8	81.1	79.0	73.5	75.0	70.0	70.0	70.0	70.0	65.0	65.0	65.0	65.0	245.6	308.6	280.0	260.0
	% of GDP																	2.4	3.0	2.6	2.4
Budget balance	% of GDP																	-2.6	-2.1	-1.8	-1.6
3m money market rate**	%	0.3	0.2	0.1	0.1	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.1	0.3	0.2	0.0	-0.1	0.0
10yr gov. bond yield***	%	1.6	1.3	0.9	0.5	0.2	0.8	0.6	0.6	0.5	0.7	1.0	1.3	1.4	1.6	1.7	1.9	1.2	0.5	0.8	1.6

*) quarterly values: percentage change over previous period, seasonally adjusted, except where noted; annual GDP not adjusted; foreign trade incl. intra-trade.
) end of quarter, yearly average. *) Germany as benchmark; end of quarter, yearly average.

e = estimate, f = forecast.

USA: Economic indicators and forecasts*

		2014				2015				2016				2017							
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2014	2015e	2016f	2017f
GDP real		-0.9	4.6	4.3	2.1	0.6	3.9	2.1	2.1	2.5	2.7	2.4	2.4	2.3	2.2	2.0	2.0	2.4	2.5	2.5	2.3
Private consumption		1.3	3.8	3.5	4.3	1.7	3.6	3.0	2.8	3.0	2.6	2.5	2.5	2.4	2.5	2.4	2.3	2.7	3.1	2.8	2.5
Fixed investment		6.0	5.6	7.9	2.5	3.3	5.1	3.4	6.5	4.4	6.1	6.1	6.1	4.9	4.5	4.1	3.6	5.3	4.4	5.4	5.1
Inventory change	USD bn	36.9	77.1	80	78	113	114	90	60	61	67	65	65	66	67	68	69	68.0	94	65	68
Government spending		0.0	1.2	1.8	-1.4	-0.1	2.6	1.7	1.6	2.0	1.4	1.0	0.8	0.8	0.8	0.4	0.4	-0.6	0.8	1.6	0.8
Gross domestic demand		0.5	4.7	3.9	2.9	2.5	3.7	2.3	2.4	3.1	3.1	2.8	2.8	2.6	2.6	2.4	2.2	2.5	3.1	2.9	2.6
Exports		-6.7	9.8	1.8	5.4	-6.0	5.1	0.9	2.1	1.0	1.9	2.6	2.8	3.2	3.2	3.2	3.4	3.4	1.4	1.9	3.0
Imports		2.8	9.6	-0.8	10.3	7.1	3.0	2.1	4.6	4.9	5.1	5.1	5.1	5.1	5.1	5.1	4.8	3.8	5.3	4.5	5.1
Net exports	USD bn	-434.0	-443.3	-429.1	-463.6	-541.1	-534.6	-544.1	-563.0	-590.0	-614.0	-634.5	-654.3	-672.3	-690.6	-709.2	-724.9	-442.5	-545.7	-623.2	-699.3
Industrial production		3.6	5.7	3.9	4.7	-0.3	-2.3	2.9	-2.1	2.2	2.4	2.7	3.0	2.3	2.4	2.5	3.0	3.7	1.4	1.3	2.6
Unemployment rate	%	6.7	6.2	6.1	5.7	5.6	5.4	5.2	5.0	4.9	4.8	4.8	4.7	4.7	4.7	4.7	4.7	6.2	5.3	4.8	4.7
Consumer prices		2.1	2.4	1.2	-0.9	-3.1	3.0	1.6	0.5	1.6	2.5	2.1	2.3	2.2	2.6	2.5	2.4	1.6	0.1	1.8	2.4
Producer prices		2.3	2.2	1.2	-0.6	-4.8	1.1	1.1	-2.1	1.9	2.5	2.1	2.3	2.2	2.6	2.5	2.4	1.6	-0.9	1.1	2.4
Current account balance	USD bn	-96.4	-92.0	-98	-103	-118	-110	-107	-113	-122	-130	-136	-143	-151	-161	-173	-187	-390	-448	-531	-671
	% of GDP	-2.3	-2.1	-2.2	-2.3	-2.7	-2.4	-2.4	-2.5	-2.6	-2.8	-2.9	-3.0	-3.1	-3.3	-3.5	-3.8	-2.2	-2.5	-2.8	-3.4
Federal budget	FY, USD bn																	-483	-439	-475	-490
	% of GDP																	-2.8	-2.5	-2.6	-2.6
3-month money market rate**	%	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.6	0.7	0.9	1.1	1.2	1.5	1.7	1.8	2.0	0.2	0.4	0.9	1.6
10-year treasury yield**	%	2.7	2.5	2.5	2.2	1.9	2.3	2.0	2.4	2.4	2.5	2.5	2.6	2.8	3.0	3.1	3.1	2.5	2.1	2.5	2.9
Exchange rate**	USD per EUR	1.38	1.37	1.26	1.21	1.08	1.12	1.12	1.10	1.07	1.09	1.11	1.12	1.12	1.14	1.16	1.18	1.33	1.11	1.10	1.14

*) Percent change over previous period, seasonally adjusted annual rates, except where noted; **) End of quarter, yearly average.

e = estimate; f = forecast.

Growth rates in main economic regions

GDP, real % change over previous year

	2010	2011	2012	2013	2014	2015e	2016f	2017f
Industrialized countries	**2.6**	**1.5**	**1.1**	**1.0**	**1.7**	**1.9**	**2.1**	**2.0**
European Union	2.1	1.7	-0.5	0.2	1.4	1.8	2.0	2.0
Euro area	2.0	1.6	-0.8	-0.3	0.9	1.5	1.8	1.8
Germany	4.1	3.7	0.4	0.3	1.6	1.7	2.2	1.9
USA	2.5	1.6	2.2	1.5	2.4	2.5	2.5	2.3
Japan	4.7	-0.5	1.7	1.6	-0.1	0.6	1.2	1.0
Emerging markets	**7.5**	**6.4**	**4.7**	**4.7**	**4.2**	**3.3**	**3.8**	**4.5**
Asia	9.6	7.7	6.3	6.5	6.3	6.0	5.9	5.5
Latin America	5.9	4.7	3.0	2.6	0.6	-1.6	-0.3	2.6
Central and Eastern Europe	3.6	4.0	2.2	1.5	1.4	-1.1	1.0	2.7
World	**4.3**	**3.3**	**2.5**	**2.4**	**2.7**	**2.5**	**2.8**	**3.0**

e = estimate, f = forecast.

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

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