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Gregor Eder, Thomas Hofmann, Dr. Rolf Schneider, Katharina Utermöhl

Bumpy recovery and volatile  
financial markets

**AUTHORS:**

GREGOR EDER  
Tel: +49.69.24431-3358  
gregor.eder@allianz.com

THOMAS HOFMANN  
Tel: +49.69.24431-4912  
t.hofmann@allianz.com

DR. ROLF SCHNEIDER  
Tel: +49.69.24431-5790  
rolf.schneider@allianz.com

KATHARINA UTERMÖHL  
Tel: +49.69.24431-3790  
katharina.utermoehl@allianz.com

## Bumpy recovery and volatile financial markets

At the start of the year prospects were fairly good that global economic growth in 2015 would be appreciably stronger than in 2014. But following the bumpy start to the year, things have changed. Our latest estimates show global output rising by 2.6% in 2015, only marginally up on the 2.5% seen in 2014. The US economy, which looked to be returning to past strong form, stagnated in the first quarter. Major emerging markets are showing signs of weakness – see China – or, like Brazil and Russia, have actually slipped into recession. Economic parameters, such as the oil price, have seen a surprisingly strong correction. Having bottomed out in January, the oil price has since bounced back sharply. The hefty purchasing power gains enjoyed by oil-importing industrial countries and emerging markets are melting away again, at least in part. In the eurozone, where overall growth accelerated slightly in the first quarter, Germany, the largest economy, recorded lower momentum. In addition, eurozone bond markets have been on a roller-coaster ride since the beginning of the year. Initially yields on long-term German government bonds headed swiftly towards zero, then, in the course of April and early May, despite massive ECB bond purchases, prices tumbled and yields shot up by more than half a percentage point. The external value of the euro has also been see-sawing. While in March it seemed only a question of time until it fell to parity with the dollar, it is now back at about USD 1.10. All this suggests that economic agents are plagued by uncertainty and unsure what the future holds.

	Gross domestic product (real) <sup>1)</sup>				Consumer prices <sup>1)</sup>			
	2013	2014	2015	2016	2013	2014	2015	2016
<b>Industrialized countries</b>	<b>1.2</b>	<b>1.6</b>	<b>1.9</b>	<b>2.1</b>	<b>1.2</b>	<b>1.2</b>	<b>0.4</b>	<b>1.6</b>
EMU	-0.4	0.9	1.5	1.6	1.4	0.4	0.2	1.3
Germany	0.1	1.6	2.0	1.6	1.5	0.9	0.6	1.5
USA	2.2	2.4	2.4	2.6	1.5	1.6	0.3	2.2
Japan	1.6	-0.1	1.1	1.4	0.4	2.7	1.0	1.2
<b>Emerging Markets</b>	<b>4.6</b>	<b>4.2</b>	<b>3.7</b>	<b>4.5</b>	<b>5.4</b>	<b>5.9</b>	<b>6.9</b>	<b>6.3</b>
Asia	6.4	6.3	6.1	6.1	4.1	3.3	2.8	3.0
China	7.7	7.4	6.8	6.5	2.6	2.0	1.7	2.3
Latin America	2.6	0.6	0.2	2.4	9.5	13.1	15.5	14.9
Eastern Europe	1.5	1.4	-0.7	1.2	3.2	3.0	6.3	3.9
<b>World</b>	<b>2.4</b>	<b>2.5</b>	<b>2.6</b>	<b>2.9</b>	<b>2.3</b>	<b>2.5</b>	<b>2.1</b>	<b>2.9</b>

<sup>1)</sup> % change over previous year.

### Emerging markets: No improvement in sight to date

On the economic front, 2014 was on the disappointing side for emerging markets. Gross domestic product rose by a mere 4.2%, almost two percentage points below the average of the past ten years. To date a turn for the better is not in sight. Rather, after the first few months of this year, it looks as though growth will slow further to 3.7%. The reasons are as mixed as the group of emerging markets itself. In China, the world's second largest economy, the fundamentally healthy trend towards more moderate growth continued in the first quarter of 2015. However, the latest indicators, particularly on production and foreign trade, prompt concern that the slowdown in growth is gathering momentum. Government and central bank are taking corresponding countermeasures. We are now penciling in growth of "only" 6.8% this year after 7.4% last year.

In Latin America Brazil is paying the price for the failings of recent years. The budgetary consolidation launched to stabilize government finances is just as necessary as the monetary policy tightening to tackle well-above-target inflation. However, in the short-

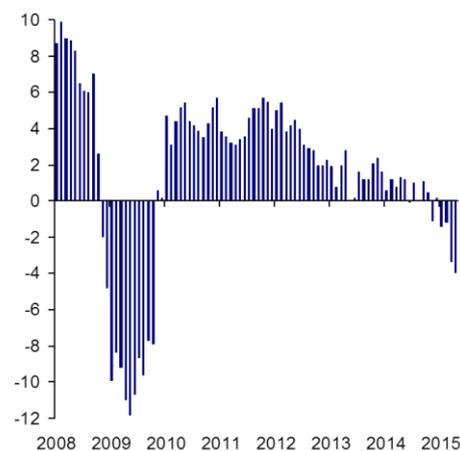
term at least, these measures are exacerbating the economic downswing. The Brazilian economy looks set to shrink by around 1% this year. In Venezuela the situation is substantially worse: years of government mismanagement and the oil price collapse have pushed the country to the brink of default. The Venezuelan economy will probably contract by around 6% in 2015.

In Eastern Europe the region's largest economy, Russia, is in recession. The main reason for this are the economic sanctions imposed on the country in connection with the Russia-Ukraine conflict, together with the oil price collapse. We expect GDP to slide by 4% real this year. In the case of Ukraine the collapse is likely to be even more pronounced, with the economy rocking under the consequences of the armed conflict in the east of the country. In the first quarter of 2015 alone, Ukrainian economic output tumbled more than 17% on a year earlier.

### Russia: Sharp recession

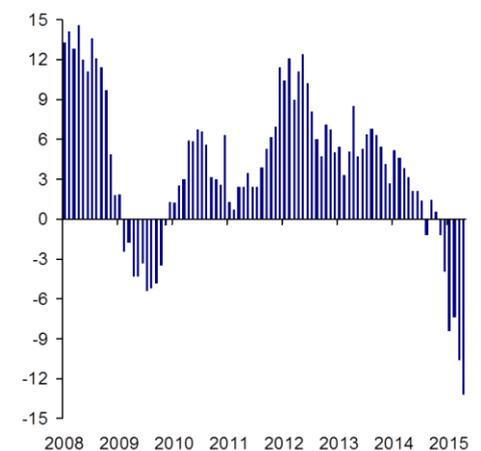
#### Overall production

(Indicator, % change on previous year)



#### Real wages

(% change on previous year)



Sources: Ministry for Economic Development of Russia, Rosstat, EcoWin.

For 2016 we above all see the economic situation stabilizing in the major Latin American emerging markets and in Russia. At the same time, the eastern European EU members will continue to benefit from the rosier economic situation in the eurozone. Against this backdrop, the group of emerging markets is likely to record stronger growth than this year. We are expecting an increase of 4.5%.

### US economy: The confounded first quarter

In the USA the upward trend in the economy stalled in early 2015. As in early 2014, extremely adverse weather conditions hampered economic activity. On top of this came strikes in the west coast ports, wreaking erratic swings in imports and causing net exports to drag down growth substantially. Finally, with investment spending in the oil sector being cut back sharply, the negative effects of lower oil prices stole the show. The stimulating impact via rising private household real incomes has yet to feed through in full. Rather, the savings rate rose appreciably. Regardless of the special factors, given the frequently disappointing growth data at the start of the year in recent years, concerns have been expressed that purely seasonal factors in the data are not being adequately filtered out. The Bureau of Economic Analysis is currently examining i.a. the possibility of

“residual seasonality” in the data. However, potentially improved seasonally adjusted estimates will not be incorporated until the annual revision of the national accounts in July.

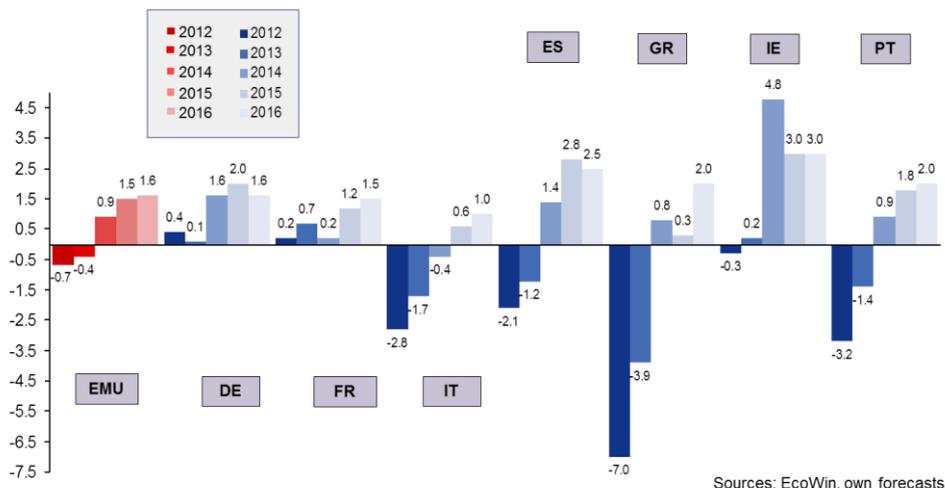
We see the US economy getting back into stride. However, at the start of the second quarter economic indicators were still very mixed. The sharp rebound in housing starts – up in April by 16.5% on their average first-quarter level – already points to catch-up effects as the weather returns to normal. Above all, however, the ongoing improvement on the labor market indicates that upward trend in the US economy is still intact. The number of job vacancies in March was almost 19% up on a year earlier.

Against the backdrop of mixed economic signals to date and the subdued core inflation rate of the price index for private consumer spending, the US central bank is likely to remain on hold for the time being. However, the unemployment rate has already fallen to 5.4% of late, pretty close to the figures the Fed deems normal (5.0%-5.2%). If the labor market picture continues to improve, the Fed is likely to launch the initial key-rate corrections in September.

### **Eurozone: Private consumption buoys economy**

The eurozone economy is finally gathering momentum. With quarter-on-quarter growth of 0.4% in the first quarter, the economy recorded the strongest increase for almost two years. The acceleration is being buoyed primarily by external factors: the ongoing weakness of the euro, the still low oil price and the ECB’s ultra-loose monetary policy. We expect positive thrusts above all on the domestic front. Private consumption is likely to grow strongly on the back of rising real household earnings and we are also upbeat about the outlook for fixed capital formation. By contrast, external trade is likely to make a negative contribution to growth, with dynamic private consumption stoking import demand, causing imports to grow more strongly than exports. In 2015 average growth in the eurozone is set to come in at 1.5%. In 2016 it will be difficult to step up the pace of growth. The positive backdrop comprising oil price, exchange rate and low interest rates will continue to have a positive impact on the eurozone economy next year – but to a substantially diminishing degree. We are assuming that the euro will not close in on the 1.15 mark until the end of next year, while the oil price will average 75 USD/barrel. As inflation picks up again, households are likely to be slightly less willing to splash out. For 2016 we are penciling in GDP growth of 1.6%. Given the shift in growth forces in the eurozone, the periphery (ex Greece) will increasingly emerge as the pillar of the economy: Spain and Ireland will continue their economic catch-up process and maintain their position at the top of the eurozone growth league, while Italy and France will enjoy only a moderate pickup in the economy and core countries like Finland and Austria will falter.

### Euro area: Growth set to accelerate slightly in 2015, stabilization in 2016 Real GDP growth (%)



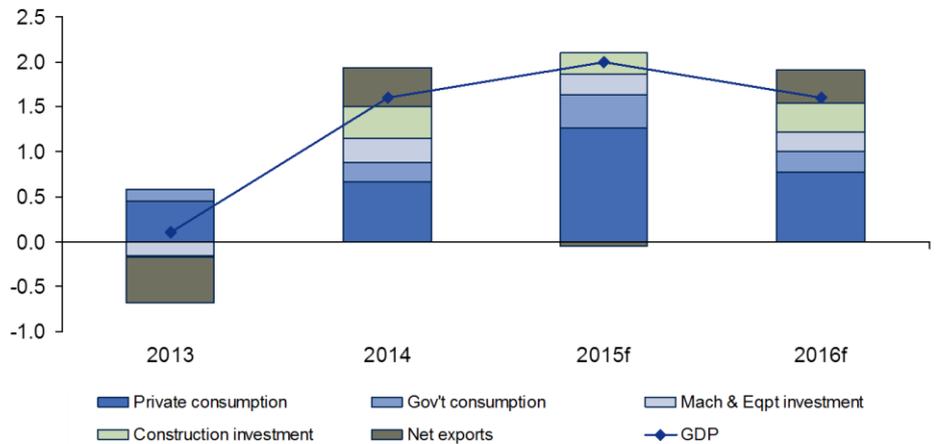
The positive economic outlook and the pickup in inflation we are expecting suggest that the ECB’s government bond purchasing program, scheduled to last until September 2016, will be wound down or ended ahead of time. Moreover, given the growing risks emanating from the low interest rate policy, we see the possibility of a rate hike as early as 2016.

### German economy: Upswing with blemishes

Following the slightly disappointing first quarter 2015 with growth of only 0.3%, the German economy is likely to expand appreciably more strongly over the rest of the year. The first-quarter slowdown was primarily attributable to a sharp rundown in inventories, probably a one-off blip. All major demand components – consumption, equipment, construction and exports – look set to remain on an upward path in the course of the year. By far the largest contribution to growth in 2015 will come from private consumption. Average GDP growth of around 2% in 2015 is still within reach. However, there are some blemishes. The impact of the minimum wage on employment – and not only on the number of low-wage earners but on employment as a whole – is turning out to be more than negligible. In addition, the rebound in inflation on the back of rising oil prices and wage cost increases is eroding some of the household purchasing power gains. And the recent wave of strikes is unlikely to boost Germany’s attractiveness as an investment location. All told therefore, we expect economic momentum to ease off again gradually, with the German economy growing by only 1.6% in 2016.

### Germany: Private consumption in the driving seat

Real GDP (annual % change) and growth contributions of selected components (in %-points) to GDP

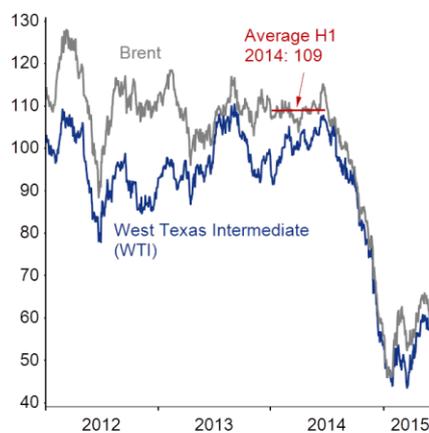


Sources: Statistisches Bundesamt, own forecasts.

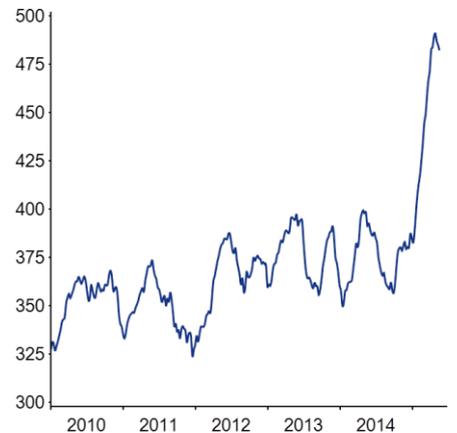
### Crude oil prices: No further upward potential in the short term

Having bottomed out in January, crude oil prices have firmed up in recent months amid hefty swings. In recent weeks prices have hovered around 65 USD/barrel (Brent), giving an average of just under 57 USD/Barrel in the first five months of this year. Like the strong rebound seen in February, the recent pickup in prices seems to be driven by expectations. Above all, persistent indications of sharp cutbacks in investment activity in the North American oil industry are evidently playing a role here. To date, however, oil supplies still appear to be plentiful. Crude oil stocks in the US have dipped slightly, but they remain at a record level; still some 25% above the average level for the season over the past five years. Against this backdrop, a further unhindered rise in oil prices does not look very likely in the short term. Rather, prices are more likely to head down again, as long as geopolitical developments do not cause disruptions on the supply side.

Crude oil prices (USD/bbl, daily)



US crude oil stocks Barrels m, (excl. strategic oil reserve)



Source: EcoWin.

## Fluctuations on the financial markets set to continue

In terms of its scale, the slide in prices on the bond market in April/May can be viewed as a normal correction of an excessive price level, but the speed of the adjustment was worrying. This points to extreme volatility on the markets, as ECB director Benoit Coeure remarked. It is hard to disagree.

Even after the correction, yields on top-grade eurozone government bonds are in our view still distorted by monetary policy. Using a quantitative approach, we have established that the ECB's QE has lowered yields on 10yr German government bonds by an estimated 80 basis points. On top of this comes the downward pressure on yields from the ECB's zero interest rate policy. According to our estimates, a 100 basis point change in key rates results in a shift in German long-term yields of around 40 basis points in the same direction. An end to the bond purchases and an exit from the zero interest rate policy could prompt hefty reactions on the bond market. The ECB justifies its bond purchases with the aim of stabilizing inflation expectations at close to 2%. For this reason the markets are currently keeping a very close eye on every change in the inflation outlook as this is evidently the key parameter for the future course of monetary policy. Since January the consumer price index in the eurozone has been rising again, in the last three months at an annualized rate of no less than around 2.5%. Although this development cannot be projected into the future, it does show that a pickup in inflation can occur more swiftly and more strongly than expected, removing the ECB's justification for its ultra-loose policy. Against this backdrop market jitters are understandable and they could intensify in the second half of 2015 when year-on-year inflation rates also start to rise appreciably. Over the rest of this year we see yields on 10yr German government bonds largely in a range of 0.5 - 1%, with the ongoing ECB bond purchases arguing against a really strong pickup in yields.

The volatility on the bond markets is likely to spill over onto the equity markets. However, the key factor for the underlying trend on the equity markets will be how the economy develops going forward. And, despite the tussles over Greece, for the eurozone there is every reason for optimism. The earnings of European corporations should rise strongly in 2015. Three effects come into play here: the cyclically-induced expansion in sales volumes, higher profit margins thanks to the improvement in the terms of trade (relationship of export prices to import prices) and the exchange-rate induced boost to profits generated outside the eurozone. The liquidity-driven rally on the European stock markets is therefore likely, at least in part, to shift into a cyclically-driven rally. Over the course of the year we by all means see upside potential on the leading European stock indices of around 10%. But as market swings will tend to increase, year-end forecasts are fraught with even more uncertainty than usual.

	as of May 29, 2015	End December 2015	End December 2016
<b>Interest rates (in %)</b>			
EMU-3m money market rate	0.0	0.0	0.3
German-10yr government bond yield	0.5	0.8	1.4
US-3m money market rate	0.3	0.7	1.5
US-10yr government bond yield	2.1	2.4	2.9
<b>Stocks</b>			
DAX	11,414	12,800	13,200
Euro Stoxx 50	3,571	4,000	4,200
S&P 500	2,107	2,200	2,250
<b>Exchange rate</b>			
USD/EUR	1.10	1.10	1.15
<b>Commodities</b>			
Brent (USD/barrel)	63.9	65.0	75.0

## Germany: Economic indicators and forecasts\*

	2014				2015				2016				2014	2015f	2016f	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
GDP real	0.8	-0.1	0.1	0.7	0.3	0.7	0.5	0.4	0.3	0.3	0.3	0.3	1.6	2.0	1.6	
Private consumption	0.8	0.0	0.7	0.7	0.6	0.5	0.5	0.4	0.3	0.2	0.2	0.2	1.1	2.3	1.4	
Government spending	0.0	0.7	0.6	0.3	0.7	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.2	1.9	1.2	
Investment in machinery/equipment	2.0	0.6	-1.4	0.4	1.5	1.5	1.0	1.0	0.8	0.6	0.5	0.5	4.3	3.5	3.4	
Construction	4.5	-3.7	-1.5	1.3	1.7	0.8	0.8	0.8	0.8	0.8	0.6	0.6	3.4	2.5	3.2	
Domestic demand	0.9	-0.3	-0.3	1.1	0.5	0.6	0.4	0.3	0.3	0.3	0.2	0.2	1.3	2.1	1.3	
Exports	0.1	1.0	1.5	1.0	0.8	1.2	1.3	1.2	0.8	0.7	0.7	0.7	3.8	4.7	3.9	
Imports	0.2	0.7	0.8	1.9	1.5	1.2	1.2	1.0	0.9	0.6	0.6	0.6	3.5	5.6	3.6	
Industrial production (excl. construction)**	0.6	-0.7	0.0	0.9	0.2	0.5	1.0	0.8	0.3	0.1	0.3	0.3	1.5	2.0	2.0	
Unemployment rate (EU def.)	%	5.1	5.0	5.0	4.9	4.7	4.7	4.7	4.7	4.7	4.6	4.6	5.0	4.7	4.7	
Unemployment rate (nat. def.)	%	6.8	6.7	6.7	6.6	6.5	6.4	6.4	6.4	6.3	6.3	6.3	6.7	6.4	6.3	
Employed persons (national def.)	y-o-y	0.7	0.9	0.8	0.9	0.7	0.5	0.4	0.3	0.4	0.3	0.3	0.8	0.5	0.3	
Consumer prices	y-o-y	1.2	1.1	0.8	0.5	0.0	0.6	0.5	1.2	1.6	1.3	1.5	1.5	0.9	0.6	1.5
Consumer prices (HICP)	y-o-y	1.0	0.9	0.8	0.4	-0.2	0.5	0.4	1.1	1.6	1.4	1.5	1.5	0.8	0.5	1.5
Producer prices	y-o-y	-1.0	-0.9	-0.8	-1.2	-2.0	-1.1	-0.5	0.4	1.9	1.9	1.9	1.9	-1.0	-0.8	1.9
Current account balance	EUR bn	54.0	51.5	61.1	60.4	64.4	60.0	57.0	54.0	53.0	53.0	53.0	219.7	235.4	212.0	
	% of GDP												7.6	7.9	6.8	
Budget balance	EUR bn												18.0	20.1	16.7	
(Maastricht-definition)	% of GDP												0.6	0.7	0.5	

\*) 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.

f = forecast

## Euro area: Economic indicators and forecasts\*

	2014				2015				2016				2014	2015f	2016f	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
GDP real	0.3	0.1	0.2	0.3	0.4	0.5	0.4	0.3	0.5	0.4	0.4	0.4	0.9	1.5	1.6	
Private consumption	0.5	0.2	0.5	0.4	0.5	0.4	0.4	0.3	0.4	0.3	0.3	0.3	1.2	1.8	1.4	
Government spending	0.4	0.2	0.2	0.2	0.3	0.3	0.2	0.3	0.2	0.2	0.3	0.3	0.8	1.1	1.0	
Investment	0.7	-0.5	0.0	0.4	0.5	0.8	0.6	0.6	0.8	0.8	0.5	0.6	1.2	1.7	2.8	
Exports	0.7	1.3	1.5	0.8	0.9	1.1	0.9	0.8	1.2	1.0	1.1	1.0	4.0	4.1	4.2	
Imports	0.9	1.3	1.7	0.4	1.5	1.2	0.9	0.9	1.3	1.1	1.0	1.0	4.2	4.6	4.4	
Industrial production (excl. construction)	0.1	0.0	-0.1	0.5	0.9	0.4	0.5	0.6	0.6	0.5	0.4	0.4	0.8	2.0	2.2	
Unemployment rate	%	11.8	11.6	11.5	11.5	11.3	11.1	10.9	10.8	10.7	10.5	10.4	10.3	11.6	11.0	10.5
Consumer prices	y-o-y	0.7	0.6	0.4	0.2	-0.3	0.0	0.2	0.9	1.3	1.4	1.2	1.3	0.4	0.2	1.3
Producer prices	y-o-y	-1.6	-1.1	-1.4	-1.9	-2.9	-1.5	-0.6	0.8	2.5	2.0	1.8	1.8	-1.5	-1.0	2.0
Current account balance	EUR bn, nsa	49.1	46.1	56.7	65.2	76.5	70.0	65.0	60.0	65.0	60.0	60.0	217.2	271.5	245.0	
	% of GDP												2.1	2.6	2.3	
Budget balance	% of GDP												-2.4	-2.0	-1.8	
3m money market rate**)	%	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.3	0.2	0.0	0.2
10yr gov. bond yield***)	%	1.6	1.3	0.9	0.5	0.2	0.5	0.6	0.8	0.9	1.0	1.2	1.4	1.2	0.5	1.1

\*) 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.

f = forecast.

## USA: Economic indicators and forecasts\*

	2014				2015				2016				2014	2015f	2016f	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
GDP real	-2.1	4.6	5.0	2.2	-0.7	2.9	4.0	2.9	1.9	2.7	2.4	2.4	2.4	2.4	2.4	2.6
Private consumption	1.2	2.5	3.2	4.4	1.8	2.8	3.8	3.1	2.0	2.4	2.4	2.4	2.4	2.5	3.0	2.6
Fixed investment	0.2	9.5	7.7	4.5	-1.3	2.8	6.5	6.5	6.3	6.6	6.1	6.1	5.3	3.8	6.2	
Inventory change	35.2	84.8	82	80	95	80	90	88	73	78	78	78	70.6	88.3	76.8	
Government spending	-0.8	1.7	4.4	-1.9	-1.1	2.6	2.1	0.0	0.8	0.2	0.0	0.0	-0.2	0.7	0.7	
Gross domestic demand	-0.5	4.7	4.1	3.2	1.2	2.4	4.1	3.0	2.1	2.8	2.6	2.6	2.5	2.8	2.8	
Exports	-9.2	11.0	4.6	4.5	-7.6	9.3	3.9	5.1	4.0	4.5	4.1	4.1	3.2	2.5	4.6	
Imports	2.2	11.3	-0.9	10.4	5.6	4.4	4.9	5.1	5.1	5.1	5.1	5.1	4.0	5.6	5.0	
Net exports	USD bn	-447.2	-460.4	-431.3	-471.4	-548.4	-530.1	-541.7	-548.5	-561.3	-571.6	-584.3	-597.2	-452.6	-542.2	-578.6
Industrial production	3.9	5.7	4.1	4.6	-1.0	1.8	3.7	3.7	3.5	3.7	3.7	3.7	4.2	2.5	3.5	
Unemployment rate	%	6.7	6.2	6.1	5.7	5.6	5.4	5.3	5.2	5.2	5.1	5.0	5.0	6.2	5.4	5.1
Consumer prices	2.1	2.4	1.2	-0.9	-3.1	2.4	2.8	2.2	1.9	2.1	2.1	2.1	1.6	0.3	2.2	
Producer prices	4.2	3.4	0.5	-5.0	-11.6	2.7	2.8	2.2	1.9	2.1	2.1	2.1	1.9	-2.7	2.2	
Current account balance	USD bn	-101.0	-97.3	-99	-113	-120	-115	-116	-120	-124	-128	-133	-137	-411	-471	-522
	% of GDP	-2.4	-2.2	-2.2	-2.6	-2.7	-2.6	-2.6	-2.6	-2.7	-2.7	-2.8	-2.9	-2.4	-2.6	-2.8
Federal budget	FY, USD bn													-483	-470	-470
	% of GDP													-2.8	-2.6	-2.5
3-month money market rate**)	%	0.2	0.2	0.2	0.3	0.3	0.4	0.6	0.9	1.1	1.3	1.5	1.7	0.2	0.5	1.3
10-year treasury yield**)	%	2.7	2.5	2.5	2.2	1.9	2.1	2.3	2.4	2.5	2.6	2.7	2.9	2.5	2.1	2.6
Exchange rate**)	USD per EUR	1.38	1.37	1.26	1.21	1.08	1.05	1.07	1.10	1.11	1.12	1.14	1.15	1.33	1.09	1.12

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

f = forecast.

## China: Economic indicators and forecasts\*

		2012	2013	2014	2015e	2016f
Domestic economy	GDP change in % (real)	7.7	7.7	7.4	6.8	6.5
	GDP (USD bn)	8,234	9,561	10,332	11,096	12,167
External sector	Inflation in % (annual average)	2.7	2.6	2.0	1.7	2.3
	Budget balance in % of GDP	-1.6	-1.9	-1.8	-2.3	-2.5
(USD bn)	Merchandise exports	1,798.8	2,147.5	2,277.0	2,335.0	2,450.0
	Merchandise imports	1,585.9	1,795.8	1,840.0	1,850.0	2,000.0
	Current account balance	215.4	182.8	225.0	237.0	178.0
	Current account balance in % of GDP	2.6	1.9	2.2	2.1	1.4
	Net foreign direct investment	178.3	185.0	190.0	180.0	170.0
	Gross foreign debt	750.4	979.0	1,110.0	1,200.0	1,350.0
	Short-term foreign debt	0.0	0.0	0.0	0.0	0.0
	Foreign debt in % of exports*	33	38	41	43	47
	Foreign debt service in % of exports*	0.0	0.0	0.0	0.0	0.0
	Foreign exchange reserves excl. gold	3,331.1	3,839.5	3,859.2	4,050.0	4,300.0
Import cover in months*	19.5	19.6	18.8	19.3	19.0	
Interest rates	Time deposit rate (1 year, annual average)	3.2	3.0	3.0	2.2	2.0
Stock market	Shanghai Composite index (year-end, 2015: 05/28)	2,269	2,116	3,235	4,620	
Exchange rate	Year-end (CNY per USD)	6.23	6.05	6.20	6.22	6.15
	Annual average (CNY per USD)	6.31	6.15	6.16	6.23	6.19

\*Goods, services and income

e = estimate; f = forecast

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 2014, around 147,000 employees in over 70 countries achieved total revenues of 122.3 billion euros and an operating profit of 10.4 billion euros. Benefits for our customers reached 104.6 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.