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Economic and financial market outlook 2016: No grounds for pessimism

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Economic and financial market outlook 2016: No grounds for pessimism

Equity markets plummeted in the early weeks of this year. Even talk of the risk of a global financial crisis did the rounds. This was fueled by deep concerns about the outlook for the global economy. The economic slowdown in China, capital outflows from the emerging markets, the related downward pressure on their currencies and moderate economic momentum in the USA dominated the headlines. And the steep slide in the oil price was seen as an indicator of very weak global economic activity.

However, the oil price fulfils this function only at first glance. It is certainly true that the buoyant upswing in the emerging markets over more than ten years stoked the demand for oil and contributed to the commodity price boom. With emerging-market growth now more subdued, demand for energy is expanding only moderately and weighing on the oil price. But it is also undisputed that, helped by modern production methods, the supply of oil has expanded sharply, leading to an oversupply. On top of this, the interests of the oil-exporting countries currently differ widely and OPEC has not responded to the slide in prices by cutting back production quotas. To this extent, the situation resembles the oil price collapse seen in the mid-1980s when discord within OPEC and an increase in Saudi Arabian output saw the oil price tumble by one-third. Back then the low oil price prevailed for several years, granting industrial countries hefty real income gains.

Even if today's global economic situation is not fully comparable with back then, the impression arises that the financial markets are currently peering too gloomily into the future. All told, despite the structural problems in a number of emerging markets, the backdrop for the world economy is by no means bad: budgetary and external imbalances in many countries are substantially lower than a few years ago, financing conditions are broadly favorable and low energy prices are bolstering consumer purchasing power. However, considerable risks currently hang over the economic outlook. The relatively high forecast uncertainty stems from a host of potential shocks which could emanate from the current political flashpoints and the feared instabilities in the international financial system.

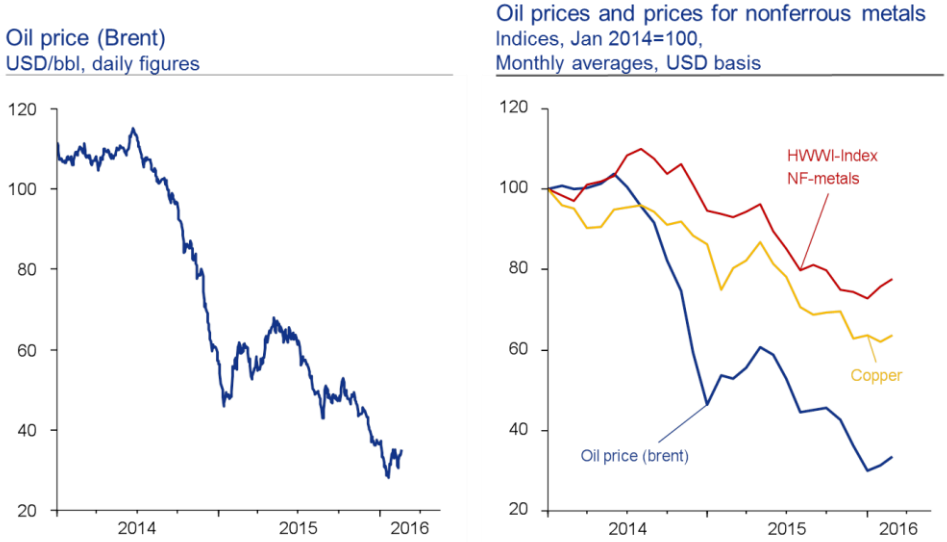
Against this backdrop it seems appropriate to take another look at the forecasts we published at the end of last year. A number of parameters have changed. Significant adjustments to inflation and interest-rate forecasts are called for given even lower commodity prices and looser monetary policy. We currently see little need to alter our forecasts for economic activity.

Oil prices: Only a gradual recovery

After plunging even further south from the middle of December onwards, oil prices have now fallen to levels not seen since early 2004. The oil market remains characterized by excess supply. Despite reports from the International Energy Agency that oil demand growth was up on previous years in 2015, supply growth remained robust due to higher production from OPEC countries. So far, the cartel has remained true to its strategy of defending market shares. Outside of OPEC, however, adjustments are starting to be made. At the end of 2015, crude oil production in the US was already a good 5% down on the peaks reported in April of last year. Given that investment spending in the energy sector has been slashed across the globe, oil supply in the non-OPEC countries is actually likely to dip this year, putting a significant damper on total supply growth. All told, however, any improvement in the supply/demand ratio is likely to be gradual, with large

inventories still to be used up. As a result, we have marked our oil price forecast down for both 2016 and 2017. Even by the end of next year, oil prices are unlikely to exceed the USD 50/bbl mark and in the short term the market is likely to remain highly volatile. There is still some uncertainty regarding how quickly, and to what extent, Iran will be able to ramp up its oil exports now that sanctions have been lifted. It is also not entirely clear how successful oil companies will be in tapping into productivity reserves to whittle costs down further in the short term.

Commodity price trends



Sources: Thomson Reuters Datastream, own calculations.

Inflation: Target to remain out of reach until 2017

The drop in oil prices and the substantial downward revision to our oil price forecast also call for an adjustment to our forecast for the rate of inflation in 2016, which we now expect to be much lower than we did two months ago (see table below). The latest slide in oil prices has more or less eliminated the base effect of the oil price slump seen at the end of 2014. As a result, inflation rates in the eurozone are likely to continue to hover around the zero mark until well into the third quarter, with average inflation in 2016 now forecast to come in at only 0.4%. This means that the ECB will fall well short of its inflation target for the fourth year running. In the medium term, however, we can still expect inflation to edge back up towards the 2% mark, with a rate of 1.6% on the cards for 2017. While inflation on the other side of the Atlantic is expected to be higher this year, coming in at an estimated 1%, the rate is still some way off the central bank target here too, and it is likely to take longer than initially expected for the rate of inflation to bounce back to anywhere in the region of the Fed's target.

Inflation and financial market outlook

	as of February 19, 2016[1]	Forecast Dec 2015[2]		Forecast February 2016[2]	
		End-2016	End-2017	End-2016	End-2017
Inflation (annual change, in %)					
EMU	0.4	**0.4**	**1.6**	0.9	1.6
Germany	0.5	**0.5**	**1.7**	1.1	1.7
USA	1.3	**1.0**	**2.2**	1.8	2.4
Commodities					
Brent (USD/barrel)	34	**45.0**	**50.0**	55.0	60.0
Interest rates (in %)					
EMU 3m money market rate	-0.2	**-0.1**	**0.2**	0.0	0.3
German 10yr government bond yield	0.2	**0.8**	**1.5**	1.3	1.9
US 3m money market rate	0.6	**1.2**	**2.0**	1.2	2.0
US 10yr government bond yield	1.7	**2.3**	**3.1**	2.6	3.1
Stocks					
DAX	9,390	**11,000**	**12,000**	12,000	12,500
Euro Stoxx 50	2,870	**3,300**	**3,600**	3,700	3,900
S&P 500	1,920	**2,050**	**2,150**	2,150	2,250
Exchange rate					
USD/EUR	1.11	**1.10**	**1.15**	1.12	1.18

1) Inflation rate in January 2016, y/y.
2) Annual inflation rate.

Monetary policy: Normalization too cautious and/or too late

The change in the inflation outlook has prompted a reassessment of the monetary policy side of things. After ECB President Draghi left little doubt about the prospect of further easing measures in March at the central bank's last press conference, we expect to see a further cut in the deposit rate to -0.4% and/or an increase in the monthly bond purchase volume to somewhere in the range of EUR 75bn to EUR 80bn. The only thing that could presumably stand in the way of these moves would be a significant recovery in oil prices or a slide in the euro. As things stand, we do not believe that there is any justification whatsoever for stepping up the “crisis mode” approach to monetary policy yet again: the acute phase of the euro debt crisis is over and financing conditions in the eurozone are favorable, the economy has picked up and become more resilient, and fiscal policy has dropped its restrictive stance. Our current environment is one in which inflation is not actually an issue, but in which we are confronted with various factors putting a damper on prices, meaning that the 2% inflation target is likely to remain out of reach for the foreseeable future. As a result, the ECB is struggling to justify its policy. With regard to the central bank's credibility, shifting to more flexible inflation targeting at a time when targets are being missed would appear problematic. But pretending to be able to control something that it cannot influence directly to a sufficient degree is hardly in the interests of the ECB's credibility either.

While the ECB is expected to leave its monetary policy unchanged after March (in terms of both key interest rates and unconventional measures), we still expect the Fed to implement two rate hikes of 25 basis points each – albeit not until the second half of the year. We believe that the Federal Reserve's decision, taken in December 2015, to put an end to its zero interest rate policy was warranted, if not long overdue, especially given that ongoing solid job growth has almost brought the labor market back to full employment. Further changes are likely to be very gradual. With monetary policies across the globe differing considerably and economies also at different stages of the economic cycle, the Fed is finding it difficult to gauge the impact of rate hikes. Consequently, it will most likely eschew adhering to a rigid pattern when it comes to adjusting key interest rates in favor of responding flexibly to the incoming data. The Fed is likely to adopt a 'wait and see' policy in the first half of 2016. From a global perspective, the ideal situation would be one in which the major central banks create more leeway for

themselves again by (cautiously) guiding their monetary policy back to normal as soon as the situation stabilizes, as we expect it to. Excessive caution in scaling back monetary expansion, not to mention engaging in competitive devaluation via monetary policy, are tactics that have virtually no impact on economic growth but come hand-in-hand with numerous nasty side effects. Should new crises emerge, the central banks would have no room to act.

Yields: Sizeable transatlantic spread becoming entrenched

Although the yield correlation between the eurozone and the US has not been broken entirely, it is being distorted by divergent monetary policy. Given that the ECB is now likely to loosen its monetary policy reins even further and maintain its ultra-expansive approach for longer than we had assumed, we have also made a downward revision to our yield forecast for 10-year German government bonds. We do, however, feel that the most recent "flight to quality", which pushed yields as low as 0.2% at times, was overdone. We expect yields on 10-year German bonds to rise to around 0.8% by the end of the year. The trend towards higher US yields that should come hand in hand with the Fed's normalization of monetary policy is likely to create a certain amount of upward pressure, even though the ECB's unconventional measures will serve as a form of anchor for German yields. What is more, any indication of imminent tapering by the ECB, or of higher inflation, could result in substantial yield corrections.

USA – EMU: Divergent monetary policy results in relatively large spread

Yield on 10yr government bonds (in %)

Source: Thomson Reuters Datastream.

The spreads on government bonds of the eurozone problem countries over their German counterparts have widened appreciably of late, but are still low compared with the peak of the crisis. Despite an uncertain political climate in Portugal and Spain, for example, it would appear that QE, in particular, is keeping a lid on any spread reactions. We see room for spreads to narrow slightly if the flight to safety wanes, the Greek crisis continues to ease and the uncertainty following the elections in Portugal and Spain dissipates. On the other hand, the financial markets could be thrown into turmoil by a scenario of mounting tensions within the EU, such as the erosion of the Schengen agreement or a Brexit (although neither is featured in our base scenario).

Stock markets: Rebound potential after false start

Erratic mood swings on the stock markets are not uncommon. Nevertheless, the extent of the gloom witnessed at the start of the year was unusual given that the 2015 accounts had long been closed and virtually no information indicating the likely course of business development in the new year had been released. Leaving the oil price and its implications for inflation aside, the macroeconomic indicators released in the first few weeks of the year did not really throw anything new into the mix either.

The fact that major central banks like the ECB and the Japanese central bank remain stuck in crisis mode, or are even taking it to the next level, is doubtless influencing market expectations. The stance taken by the central banks points towards certain risks that cautious investors will want to take into consideration. However, as in the zero interest rate environment only risky forms of investment promise returns, many investors find themselves in a dilemma. While risk appetite is a must, it could lead investors down the path to erroneous decisions. This explains why financial market players react so swiftly and sharply to any presumed or actual bad news, such as the tumbling oil price, which is being (wrongly, in our view) assigned the status of a global economic indicator. In the first few weeks of the year, for example, there were times when oil price movements and changes on European equity indices were moving completely in tandem with each other on a daily basis. Experience shows that, when new correlation patterns like these emerge on the financial markets, they rarely last. As a result, we expect stock market performance to fall closer back into line with conventional indicators as the year progresses. Given the favorable valuations of many listed companies, what we deem to be a moderate, but robust eurozone economy and the continued very low interest rates, we believe that the European stock markets have considerable potential for recovery. Prospects are good that stock market indices will end the year higher than at the start of the year.

Economic outlook for 2016: Little need for correction

Despite the turmoil on the financial markets, we do not see any reason to make fundamental changes to our economic outlook for 2016. We do not expect the economic slowdown on the emerging markets to intensify and believe that 2016 growth in the advanced economies will be roughly on a par with 2015. Most economies will reap the benefits of low oil prices. Nevertheless, uncertainty emanating from the financial markets and, in particular, from exchange rate fluctuations, is likely to dampen the global propensity to invest. However, we had already factored subdued investment activity into our previous forecasts for 2016.

Growth rates in main economic regions
GDP, real % change over previous year

	2011	2012	2013	2014	2015e	2016f	2017f
Industrialized countries	**1.5**	**1.1**	**1.0**	**1.7**	**1.8**	**2.0**	**2.0**
European Union	1.8	-0.5	0.2	1.4	1.8	2.0	2.0
Euro area	1.6	-0.9	-0.3	0.9	1.5	1.7	1.8
Germany	3.7	0.4	0.3	1.6	1.7	2.2	1.9
USA	1.6	2.2	1.5	2.4	2.4	2.3	2.3
Japan	-0.5	1.7	1.4	0.0	0.5	1.0	0.9
Emerging markets	**6.4**	**4.8**	**4.7**	**4.2**	**3.3**	**3.7**	**4.5**
Asia	7.7	6.3	6.5	6.3	6.0	5.8	5.5
Latin America	4.7	3.1	2.7	0.6	-1.7	-0.7	2.7
Central and Eastern Europe	4.0	2.3	1.5	1.4	-0.9	1.0	2.8
World	**3.3**	**2.5**	**2.4**	**2.7**	**2.4**	**2.7**	**3.0**

e = estimate, f = forecast.

Emerging markets: Performance not great, but less bad

In 2015, the emerging markets recorded disappointing economic growth overall, expanding by only 3.3% - the smallest increase since the global recession of 2009. Although we expect to see a return to stronger growth of 3.7% this year, this can hardly be viewed as a broad acceleration in economic activity. The forecast of higher economic growth rests primarily on the assumption that the economic slump in a number of major emerging markets will not continue to quite the same extent this year. Unlike Brazil, which is still mired in a deep recession and is likely to see its economy contract significantly again by around 2½% this year (2015 estimate: -3½%), the regional heavyweight in eastern Europe, Russia, is currently witnessing a gradual economic stabilization. The somewhat more upbeat results of the purchasing managers' index for the manufacturing industry of late point in this direction. We expect to see a return to slightly positive growth rates in the course of 2016. On average for the year as a whole, this would still leave a decline of around 1% after a drop of 3.8% in 2015.

Overall emerging-market growth is largely determined by China. In 2015, 38% of the economic output of all emerging markets was attributable to China, which now accounts for more than 15% of global economic output. It is therefore understandable that the financial markets watch developments in the Chinese economy like a hawk. The turmoil on the financial markets at the beginning of 2016 was triggered first and foremost by fears surrounding the Chinese economy. Although we share these concerns in general, we do not see any need to panic. It is clear that the economic slowdown will continue in 2016. The only question is how pronounced the slowdown will be. Restructuring the Chinese growth model and reining in the imbalances that have arisen is no easy task. The consolidation process in the manufacturing industry is bound to last well beyond 2016, while investment activity will slow further given the ongoing excess capacity in a number of sectors. But this is unlikely to trigger a crash. The Chinese government and the central bank still have enough leeway to prevent an excessively hard landing. Private consumption is likely to provide an increasing boost to growthin 2016, as indicated by the recent robust retail sales data. We are also encouraged by the fact that sentiment in the service sector, which now accounts for just over 50% of the overall economy (compared to only 41% in 2001), remains favorable, unlike in the manufacturing industry. All in all, we expect to see GDP growth of 6.5% this year, compared with 6.9% in 2015.

USA: Consumption remains key driver of economic activity

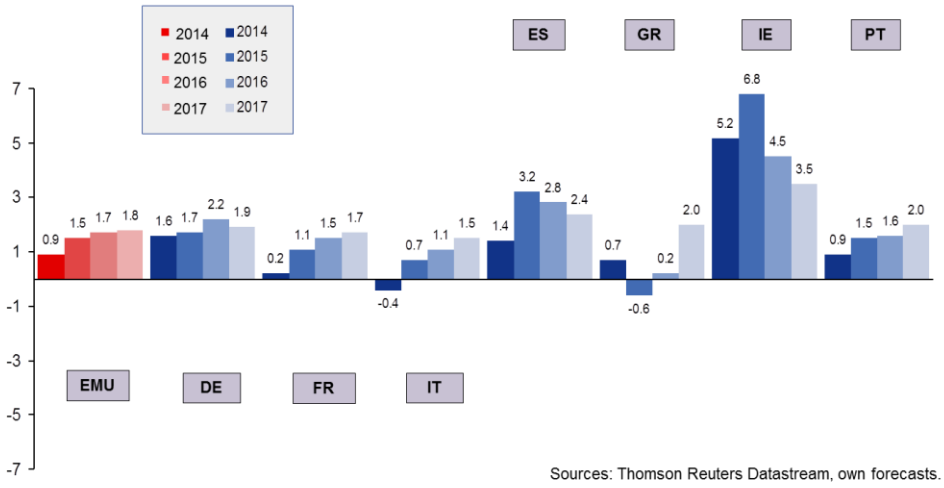
US economic growth in 2015 was up slightly on the average rate of expansion since the start of the economic recovery in mid-2009, at 2.4%. Economic activity nevertheless remained extremely volatile in the individual quarters. As at the beginning of the year, overall output rose only marginally in the closing quarter of 2015. The initial data for this year suggest that the general upward trend for the US economy remains intact. Consumption, in particular, started the new year with fresh momentum. As the situation on the labor market remains solid, a trend that is increasingly feeding though into wage momentum, and falling gasoline prices translate into substantial increases in purchasing power, private consumption is likely to remain one of the main pillars driving the economy in the quarters to come, too. We also expect to see an ongoing recovery in the residential construction sector, which is still below the longer-term average in relation to gross domestic product. By contrast, exports are likely to show only moderate growth given the further rise in the US dollar seen in recent months. And with oil prices falling further, adjustments in the oil sector will weigh on business investment for longer than previously expected. Real gross domestic product is likely to expand by 2.3% in 2016.

EMU: Positive surprises from the labor market

There is no doubt that the eurozone economy has picked up, expanding by 1.5% last year (compared with 0.9% in 2014). Nevertheless, uncertainty stemming from ever-changing sources is the main factor preventing the economy from really taking off. As before, we remain convinced that the euro area economy will gain momentum, breadth and stability in 2016, bolstered by low oil prices and the relatively weak euro. Following the publication of the data for the closing quarter of 2015, we have made only a "technical" downward adjustment of one-tenth to our GDP forecast, bringing it down to 1.7%. Next year we also expect to see tidy eurozone growth of 1.8% (once again marginally above the potential growth rate).

Eurozone: Growth set to accelerate slightly

Real GDP growth (%)



Sources: Thomson Reuters Datastream, own forecasts.

The upswing is expected to become increasingly self-sustaining thanks not least to a

pickup in investment and ongoing improvement on the labor market. The eurozone unemployment rate has fallen to 10.4% most recently compared with a peak of 12.1% in the spring of 2013, and will probably retreat further to around 9¾% by the end of 2016. It is noteworthy that the drop in unemployment has outstripped our expectations and we have adjusted our forecasts accordingly. We now expect to see an average unemployment rate of 10.1% this year - two-tenths less than only two months ago. (By way of comparison: the average unemployment rate for 2016 included in the projections published by the ECB in December stood at 10.5%, dropping to 10.1% in 2017.)

Germany: Even stronger domestic demand

The German economy showed only moderate growth at the end of 2015. Whereas domestic demand supplied considerable impetus, a slight drop in exports exerted a substantial drag. The outlook for domestic demand remains very positive with an increase of almost 2.5% on the cards for 2016, representing another considerable increase compared with 2015 (+1.6%). The renewed sharp drop in oil prices will see income purchasing power grow to a greater degree than previously expected. We now expect to see inflation of only 0.5% in 2016, down from our forecast of 1.1% at the end of last year. This will push the real incomes of private households up by almost 3% in 2016. The rate of growth in real private consumption, which we predict will come to 2.2%, is actually expected to be outshone by the rate of growth in real public consumption (+3.1%) in 2016. Having expanded by a mere 0.2% last year, construction investment this year looks set to increase by 2.5% thanks to a substantial increase in residential construction and public-sector investment.

Although there is still a certain degree of uncertainty regarding how exports will develop, we do not expect the current global economic slowdown to become further entrenched. Thanks to the healthy price competitiveness of German exporters, exports are likely to get back into their stride in the course of the year. Real average export growth in 2016 is expected to come in at around 3% following an increase of 5.4% last year. We are sticking to our forecast of economic growth to the tune of 2.2% this year.

Germany: Impact of refugee migration on government finances and the labor market

The influx of a large number of refugees continued at the beginning of 2016. After around 1.1 million refugees were registered in Germany last year, with around 480,000 people applying for asylum, decisions being made on approximately 280,000 asylum applications and around 140,000 people being recognized as having the legal status of "refugee", it remains virtually impossible to arrive at any reliable forecast of how things will develop in the future. Any predictions have to work with assumptions. We have assumed that the influx of refugees will slow slightly both this year and next, with 800,000 new refugees being registered this year and 500,000 next year.

Within this context, a whole number of questions remain unresolved and the answers are difficult to predict: how many double registrations were there in 2015? How many asylum applications have not yet been submitted due to bottlenecks within public authorities? Some estimates put the number at 300,000. How many registered refugees have moved on to other countries or are staying in Germany without having applied for asylum? The numbers involved are likely to be considerable. We estimate that around 800,000 of the refugees who arrived last year will apply for asylum. This means that 2016 is likely to bring significant catch-up effects as far as the number of asylum applications is concerned. We predict a total of 900,000 asylum applications this year,

and 500,000 next year.

Common immigration scenarios[1] and own estimates of population and labor market trends

	2015[2]	2016	2017
Refugees (in 1000s)			
Newly arrived refugees (EASY applications[3])	1,092	800	500
Asylum applications (at Ministry for Migration - BAMF)	477	900	500
Decisions about asylum applications	283	800	700
Refugee status granted (change on previous year)	141	500	550
Population (in 1000s)			
Total net immigration	1,000	1,400	750
of which:			
from the European Union (EU)	450	350	300
Refugees[4]	400	1,000	400
Balance of births and deaths	-200	-200	-200
Change in population	800	1,200	550
Change in potential labor force due to migration	400	550	550
Asylum source countries (annual change in 1000s)			
Registered people of working age	+100	+300	+300
Unemployed	+33	+100	+175
Employed (liable to social insurance)	+50	+75	+125

1) Scale of immigration similar to Council of Economic Experts and Institut der deutschen Wirtschaft Köln.
2) Population indicators and number of people employed liable to social insurance estimated.
3) Initial distribution of asylum-seekers.
4) Underrecorded in 2015 due to administrative bottlenecks, hence overrecording in 2016.

Sources: Bundesamt für Migration und Flüchtlinge, Statistisches Bundesamt, Bundesagentur für Arbeit, IAB.

The number of asylum decisions made is expected to increase considerably in 2016 and 2017 now that the Federal Office for Migration and Refugees (BAMF) has increased its capacity. We have assumed that the backlog of pending proceedings, which currently comes to around 370,000, will have been reduced considerably by the end of 2017 and that a total of 1.5 million decisions will be made in both years. The protection rate is expected to increase significantly (2017: around 80%), because immigration from so-called safe countries of origin is likely to taper off further. All in all, we estimate that around 1.2 million people will be recognized as having the legal status of "refugee" in the period from 2015 until 2017.

It is not, however, the gross inflow of refugees that will be decisive when it comes to determining the implications of the influx on public budgets and the labor market. The decisive parameter will be net immigration, i.e. how many refugees, including their families, actually remain in Germany. This gives rise to another series of difficult questions: how quickly will migrants who have their asylum applications declined leave the country? Will recognized refugees move back to their country of origin if the situation there improves? How much immigration is likely to come as a result of family members joining relatives who have already moved to Germany? In our estimate of the economic implications of migration, we have assumed net immigration of 1.8 million refugees (incl. family reunion) in the period between 2015 and 2017.

In addition to the arrival of refugees, Germany is also still witnessing significant net immigration from other EU countries. This means that, despite a negative birth ratio of around 200,000 a year, the German population is expected to expand by around 2.5 million, or around 3%, between 2015 and 2017.

Refugee immigration: Cost scenario

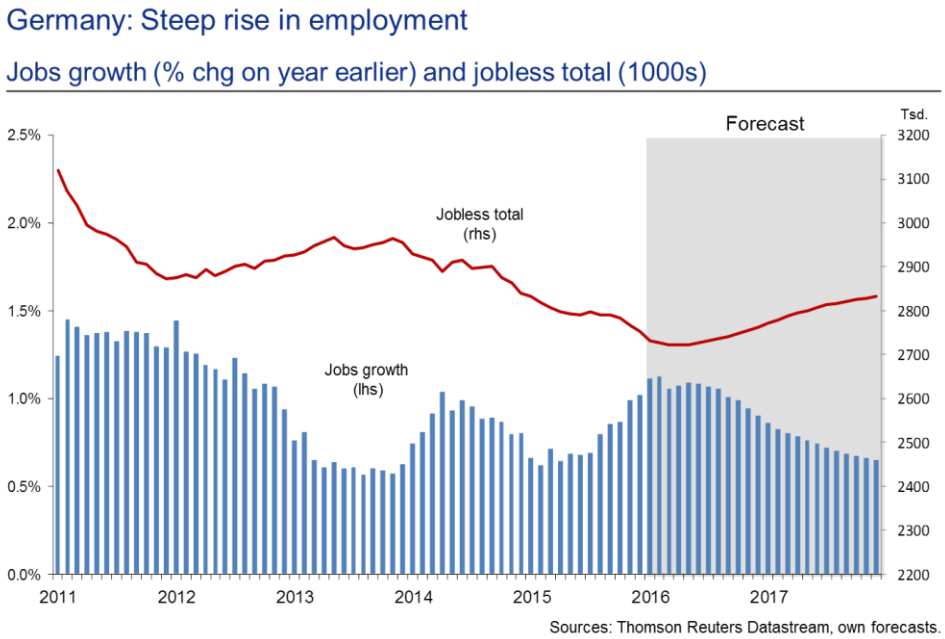
	2015	2016	2017
Refugees (in 1000s)			
Net immigration (annual average, accumulated)	400	1,100	1,600
Change in number in work (annual average, accumulated)	10	70	200
Additional government spending[1] (in EUR bn)			
including integration measures	6.0	16.5	24.0
adjusted for costs eliminated thanks to employment takeup	5.9	15.8	22.0
Additional government revenue[2] (in EUR bn)	1.2	3.5	5.5
Government balance (change in EUR bn)	-4.7	-12.3	-16.5

1) Assumption EUR 15,000 per refugee per year, after employment EUR 5,000 per year.
2) Additional tax take thanks to boost to demand from additional government spending and refugee labor income.

In order to estimate the impact of refugee migration on government finances, we have looked at average cumulative net immigration for the year. Our scenario suggests that average cumulative population growth in 2017 will come to around 1.6 million people compared with 2014. We have put the annual government costs for accommodation and care, as well as integration measures, at EUR 15,000 per refugee. We expect the costs per refugee to be slightly higher than the EUR 1,000 a month that is most commonly cited at the moment, particularly because of the plans to step up the integration measures. Based on these assumptions, we arrive at gross additional government spending of EUR 16.5bn this year and EUR 24.0bn next year. These costs will, however, fall if refugees find work. Initially, however, refugees are more often likely to find part-time jobs and/or jobs paying relatively low salaries, meaning that they will still have certain entitlements to social benefits from the state. Further training measures and language courses will also come at a cost. As a result, even for those refugees who find work we still see additional state spending of EUR 5,000 a year.

A large proportion of the refugees are of working age. Many of the ones who have their status recognized will not, however, be able to register as seeking work right away due to the need to complete training measures such as language and further training courses. Consequently, we estimate a cumulative increase in the number of registered refugees of working age of 700,000 in the period leading up to 2017. Around 200,000 can be realistically expected to have found a job by 2017. Taking into account the costs saved by the state as a result, additional state spending will still come to just under EUR 16bn this year and EUR 22bn next year.

In many estimates of the costs associated with refugee migration, this is where the calculation ends. It is important, however, to bear in mind that the revenue from tax and levies will increase thanks to the demand impetus provided by the additional government spending and refugee labor income. We have cautiously calculated a self-financing effect of 20-25% of the additional spending. Consequently, the government's financial balance is expected to deteriorate by a good EUR 12bn in 2016 and EUR 16.5bn in 2017, i.e. to a lesser extent than based on the additional government spending alone.



As mentioned above, the impact that the inflow of refugees will have on the German labor market will take some time to emerge. What is more, the very positive situation on the German labor market in recent months means that the increase in the number of unemployed people from the asylum source countries has been more than offset by the drop in the number of German people who are out of work. This situation is, however, likely to change in the long run. We expect the seasonally adjusted jobless total to start creeping up from around the middle of 2016, a trend that will continue in 2017. Contrary to previous forecasts, however, the average number of people out of work in 2016 will drop by a good 50,000 as against 2015 and is unlikely to be significantly higher than the 2015 level (2.79 million) in 2017 either.

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	2015	2016f	2017f
GDP real		0.7	-0.1	0.2	0.6	0.4	0.4	0.3	0.3	0.6	0.7	0.7	0.6	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	0.3	0.7	0.7	0.6	0.5	0.4	0.4	0.4	0.3	0.9	1.9	2.3	1.8
Government spending		0.4	0.6	0.6	0.5	0.5	0.7	0.5	1.0	1.0	0.6	0.4	0.4	0.4	0.3	0.3	0.3	1.7	2.4	3.0	1.5
Investment in machinery/equipment		-0.2	0.9	-1.9	2.6	1.9	0.6	0.2	1.0	1.1	1.2	1.0	1.0	1.0	1.0	1.0	1.0	4.5	4.8	4.0	3.8
Construction		4.4	-3.8	-0.4	0.6	1.4	-1.8	-0.2	2.2	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	2.9	0.3	3.1	3.2
Domestic demand		0.8	0.1	-0.4	0.9	0.6	-0.2	0.6	0.8	0.6	0.7	0.7	0.5	0.4	0.4	0.4	0.4	1.3	1.6	2.6	1.6
Exports		0.4	0.4	1.5	1.4	1.5	1.8	0.3	-0.6	0.8	1.2	1.2	1.2	1.2	1.1	1.0	0.8	4.0	5.4	3.0	4.1
Imports		0.7	0.9	0.4	2.1	2.2	0.6	1.1	0.5	1.1	1.4	1.3	1.1	1.1	1.0	0.9	0.9	3.7	5.8	4.4	3.9
Industrial production (excl. construction)**)		0.6	-0.8	0.0	1.1	0.3	0.3	-0.1	-1.1	0.9	1.1	0.6	0.4	0.2	0.5	0.5	0.6	1.4	1.2	1.5	1.9
Unemployment rate (EU def.)	%	5.1	5.0	5.0	4.9	4.8	4.7	4.6	4.6	4.4	4.4	4.5	4.5	4.5	4.6	4.6	4.6	5.0	4.7	4.5	4.6
Unemployment rate (nat. def.)	%	6.8	6.7	6.7	6.6	6.5	6.4	6.4	6.3	6.2	6.2	6.2	6.3	6.3	6.4	6.4	6.5	6.7	6.4	6.2	6.4
Employed persons (national def.)	y-o-y	0.8	1.0	0.9	0.8	0.7	0.7	0.8	1.0	1.1	1.1	1.0	0.9	0.8	0.8	0.7	0.7	0.9	0.8	1.0	0.7
Consumer prices	y-o-y	1.2	1.1	0.8	0.5	0.0	0.5	0.1	0.3	0.3	0.1	0.6	1.1	1.7	1.7	1.7	1.7	0.9	0.3	0.5	1.7
Consumer prices (HICP)	y-o-y	1.0	0.9	0.8	0.4	-0.1	0.4	0.0	0.2	0.2	0.0	0.5	1.1	1.7	1.7	1.7	1.7	0.8	0.1	0.4	1.7
Producer prices	y-o-y	-1.0	-0.9	-0.8	-1.2	-2.0	-1.4	-1.7	-2.3	-1.5	-1.0	0.0	1.5	2.0	1.9	1.9	2.0	-1.0	-1.9	-0.3	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	19.4	5.9	6.8
(Maastricht-definition)	% of GDP																	0.3	0.6	0.2	0.2

*) 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				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	0.3	0.5	0.4	0.5	0.4	0.5	0.4	0.5	0.4	0.9	1.5	1.7	1.8
Private consumption		0.0	0.2	0.4	0.5	0.5	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.8	1.6	1.5	1.6
Government spending		0.2	0.2	0.3	0.2	0.5	0.3	0.6	0.2	0.4	0.4	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	0.7	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	0.7	1.2	1.1	1.1	1.0	1.1	1.2	1.2	1.1	4.1	4.8	3.9	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	0.5	1.1	-0.1	0.2	-0.1	0.4	0.6	0.6	0.4	0.6	0.7	0.6	0.5	0.8	1.3	1.3	2.2
Unemployment rate	%	11.8	11.6	11.6	11.5	11.2	11.0	10.7	10.5	10.3	10.1	10.0	9.8	9.7	9.7	9.6	9.5	11.6	10.9	10.1	9.6
Consumer prices	y-o-y	0.7	0.6	0.4	0.2	-0.3	0.2	0.1	0.2	0.1	0.1	0.3	1.0	1.5	1.5	1.6	1.7	0.4	0.0	0.4	1.6
Producer prices	y-o-y	-1.6	-1.1	-1.4	-1.9	-2.9	-2.1	-2.6	-3.1	-2.1	-1.9	-0.6	1.3	2.0	2.0	2.1	2.0	-1.5	-2.7	-0.8	2.0
Current account balance	EUR bn, nsa	57.0	52.7	64.9	71.0	79.9	79.5	76.5	78.0	70.0	70.0	70.0	70.0	65.0	65.0	65.0	65.0	245.6	313.9	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	-0.2	-0.2	-0.2	-0.1	-0.1	0.0	0.1	0.2	0.2	0.0	-0.2	0.0
10yr gov. bond yield***)	%	1.6	1.3	0.9	0.5	0.2	0.8	0.6	0.6	0.3	0.4	0.6	0.8	1.0	1.2	1.4	1.5	1.2	0.5	0.5	1.2

*) 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	2015	2016f	2017f
GDP real		-0.9	4.6	4.3	2.1	0.6	3.9	2.0	1.0	2.4	2.8	2.4	2.4	2.3	2.2	2.0	2.0	2.4	2.4	2.3	2.3
Private consumption		1.3	3.8	3.5	4.3	1.7	3.6	3.0	2.0	3.5	2.7	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	3.7	0.1	4.4	6.1	6.1	6.1	4.9	4.5	4.1	3.6	5.3	4.0	4.2	5.1
Inventory change	USD bn	36.9	77.1	80	78	113	114	86	82	61	67	65	65	66	67	68	69	68.0	98	65	68
Government spending		0.0	1.2	1.8	-1.4	-0.1	2.6	1.8	-0.1	2.6	1.6	1.0	0.8	0.8	0.8	0.4	0.4	-0.6	0.7	1.5	0.8
Gross domestic demand		0.5	4.7	3.9	2.9	2.5	3.7	2.2	1.3	3.0	3.2	2.8	2.8	2.6	2.6	2.4	2.2	2.5	3.0	2.6	2.6
Exports		-6.7	9.8	1.8	5.4	-6.0	5.1	0.7	-2.7	1.0	1.9	2.6	2.8	3.2	3.2	3.2	3.4	3.4	1.1	1.0	3.0
Imports		2.8	9.6	-0.8	10.3	7.1	3.0	2.3	-0.6	4.7	5.1	5.1	5.1	5.1	5.1	5.1	4.8	3.8	4.9	3.4	5.1
Net exports	USD bn	-434.0	-443.3	-429.1	-463.6	-541.1	-534.6	-546.1	-556.8	-582.2	-605.8	-626.1	-645.7	-663.4	-681.5	-699.8	-715.4	-442.5	-544.7	-614.9	-690.0
Industrial production		3.6	5.7	3.9	4.7	-0.3	-2.3	2.7	-3.3	1.5	2.7	2.5	2.4	1.7	2.0	2.5	3.0	3.7	1.3	0.9	2.2
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		2.4	1.9	0.9	-0.3	-2.9	2.4	1.4	0.8	-0.4	1.5	2.2	2.2	2.1	2.5	2.5	2.4	1.6	0.1	1.0	2.2
Producer prices		2.3	2.2	1.2	-0.7	-4.6	1.0	0.6	-1.8	-0.1	1.5	2.2	2.1	1.3	2.2	2.5	2.4	1.6	-0.9	0.5	2.0
Current account balance	USD bn	-96.4	-92.0	-98	-103	-118	-111	-124	-114	-122	-129	-135	-142	-149	-158	-170	-184	-390	-467	-528	-661
	% of GDP	-2.3	-2.1	-2.2	-2.3	-2.7	-2.5	-2.7	-2.5	-2.7	-2.8	-2.9	-3.0	-3.1	-3.3	-3.5	-3.7	-2.2	-2.6	-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	0.6	0.7	0.9	1.2	1.5	1.7	1.8	2.0	0.2	0.4	0.8	1.6
10-year treasury yield**)	%	2.7	2.5	2.5	2.2	1.9	2.3	2.0	2.3	2.0	2.1	2.2	2.3	2.5	2.7	2.9	3.1	2.5	2.1	2.2	2.7
Exchange rate**)	USD per EUR	1.38	1.37	1.26	1.21	1.08	1.12	1.12	1.09	1.08	1.09	1.09	1.10	1.12	1.13	1.14	1.15	1.33	1.11	1.09	1.13

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

f = forecast.

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