N°17 | DECEMBER 2014

SCENARIOECO

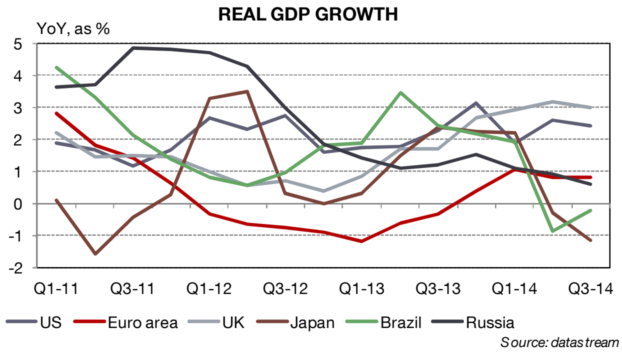
Societe Generale
Economic and sectoral studies department

OIL PRICE: ONE'S LOSS, ANOTHER'S GAIN

Against the backdrop of a difficult pick-up in activity in developed countries and a slowdown in emerging countries, the oil price has fallen by more than 40% in six months, whereas it remained stubbornly around $110/barrel for more than 3 years. This decline, combined with accommodative monetary policies, would bolster the activity of developed countries but it is problematic for some producer countries.

DEVELOPED ECONOMIES ARE STRUGGLING TO TAKE OFF AGAIN…

After a disappointing H1 2014, growth data were not really better in developed countries in Q3. In particular, euro area growth was again much weakened, less than 1% year-on-year. And Japan has fallen back into a deep recession.



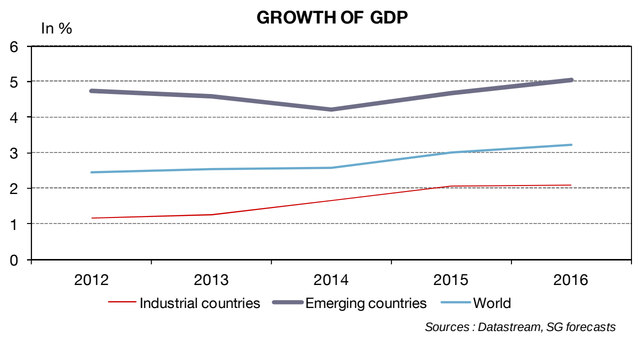
However, US growth was once again robust, even though it has not yet managed to reach the rate of 3% year-on-year. Moreover, there has been a significant improvement in the labour market. The United Kingdom seems to have completely escaped the depressed climate, with sustained growth. However, it is at the expense of growing imbalances. In particular, its current account deficit is rapidly widening, now amounting to 5% of GDP. And the government has not managed to control its public deficit, which is expected to widen in 2014 and to rank among the three highest in the European Union, despite a much more favourable economic environment.

… WHEREAS EMERGING ECONOMIES ARE SLOWING

Overall, the major emerging economies are currently going through a slowdown phase. That said, this overall trend conceals disparities. The first type of disparity relates to whether this process is endured or more or less chosen: China tends to belong to the second category, with a government that is seeking to limit the excesses in the property and construction sectors while at the same time providing some support activity; on the other hand, in the case notably of Brazil or Russia, the decline in activity is clearly endured.

Secondly, there are also differences of positioning in the economic cycle: for example, India is currently experiencing a cyclical recovery phase after two difficult years. However, the underlying trend is still slowing.

All in all, between certain developed countries that would fail to clearly rebound and emerging countries experiencing a slowdown, global activity would remain weakened.



LOW INFLATION AND PRICE OF OIL

In the wake of this weak activity, the oil price has, finally, fallen sharply. Finally since, for three years, it remained stubbornly around $110 per barrel of Brent despite a much weakened global economy. At around $60 currently, this represents a decline of more than 40%.

Ended the 18th of December 2014
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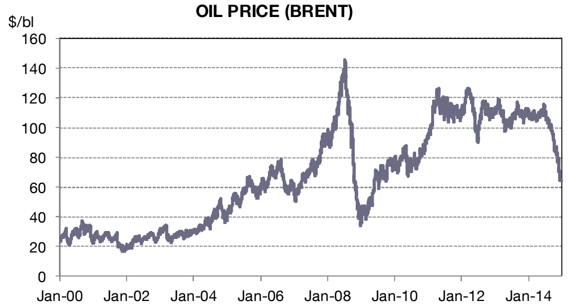
This decline is particularly welcome, in the current environment of weak activity, for importing countries. For them, this provides an immediate stimulus for activity. On the other hand, it can represent a fairly important problem for producer countries, according to their dependency on hydrocarbon exports. Russia is particularly affected, mainly because its economy was already weakened even before this oil price fall. All in all, the net impact on global growth is generally positive: the propensity to consume is greater in energy importing countries than in exporting countries.

OIL PRICE (BRENT)



Source: datastream

In developed countries, the decline in the oil price is pushing further down (or even below zero) the already very low inflation rates. However, this is unlikely to increase deflation risk, since this shock is boosting demand, by reducing the levy on the national economy represented by the energy bill.

In emerging economies that are oil importers, the decline in the oil price is also likely to drive down inflation. This is observed particularly in Asia and Central and Eastern Europe. However, in other countries such as Brazil, Argentina or Turkey, inflationary tensions generated by the trend towards depreciation of the currency are gaining the upper hand and inflation remains stubbornly high. Note also the case of countries where the weight of energy subsidies is substantial (Morocco, Tunisia, Egypt, Indonesia, etc.): their public finances are significantly reduced as a result.

Within energy exporting countries, two cases need to be distinguished. Those countries whose currency is pegged to the dollar (such as Gulf countries) are adjusting by reducing their spending or drawing on their assets. Others are adjusting by letting their currency decline, but at the expense of a sharp increase in inflation.

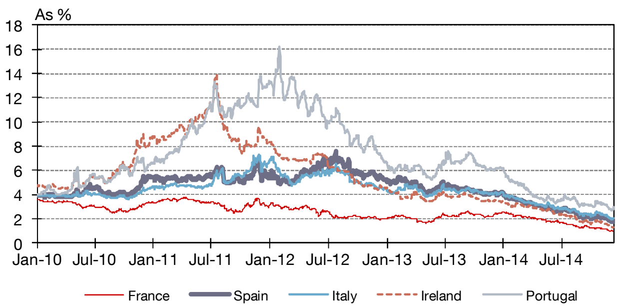
SUPPORT FROM CENTRAL BANKS AND LOW NOMINAL INTEREST RATES…

In this environment of weakened global activity and low inflation, the major central banks continue to support activity.

And even the prospects of the beginning of a rise in interest rates by the Federal Reserve and the Bank of England have been postponed: this move is now expected for the second half of 2015 at the earliest. As for the ECB, it is even a new move towards easing that is anticipated, with probably additional quantitative easing measures in the form of government debt securities purchases.

As a result of weak activity and generally ultra-accommodative monetary policies, nominal interest rates look set to remain very low. In the euro area and Japan, the quantitative policies carried out by central banks would aim, as far as possible, to exercise downward pressure on the entire yield curve. In the United States and United Kingdom, the anticipated rise in policy rates would have a relatively limited impact on longer term bond yields, due to the indirect dampening effects of policies carried out in the euro area and Japan.

SOVEREIGN DEBT: 10-YEAR INTEREST RATE



Sources: Datastream

However, it is important to put low nominal interest rates into perspective. Because of low inflation, real interest rates are not that low. For example, in Italy, they stand currently at 2%, much higher than the growth in activity in volume, which has not been able to move back above zero. And this continuation of relatively high real interest rates complicates any debt reduction process.

A VERY, VERY GRADUAL ACCELERATION IN GLOBAL ACTIVITY

All in all, the decline in the oil price and generally still ultra-accommodative monetary policies, combined with a declining fiscal drag in developed countries, are likely to enable global growth to recover. That said, this recovery would remain very gradual, so that it still seems difficult to classify it as a real recovery.

MACROECONOMIC FORECASTS

Real GDP (growth rate, as %)[1]	2012	2013	2014 (f)	2015 (f)	2016 (f)	Share of world GDP 2012 (As %) Purchasing power parities[2]	Share of world GDP 2012 (As %) Current prices rates	GDP - 2012 USDbn Current prices rates
Industrialised countries	**1.2**	**1.3**	**1.7**	**2.1**	**2.1**	**42.5**	**59.4**	**42,828**
United States	2.3	2.2	2.3	3.0	2.8	19.5	22.4	16,163
Japan	1.7	1.6	0.3	0.8	0.9	5.5	8.2	5,939
Euro area	-0.7	-0.4	0.8	1.1	1.4	14.9	17.4	12,532
Germany	0.6	0.2	1.5	1.4	1.7	4.2	4.9	3,535
France	0.4	0.4	0.4	0.7	1.2	3.0	3.7	2,686
Italy	-2.3	-1.9	-0.4	0.4	1.0	2.5	2.9	2,091
Spain	-2.1	-1.2	1.3	1.9	1.7	1.8	1.8	1,322
United Kingdom	0.7	1.7	3.0	2.6	2.1	2.7	3.6	2,624
Emerging countries	**4.7**	**4.6**	**4.2**	**4.7**	**5.0**	**57.5**	**40.6**	**29,237**
Asia	6.1	6.2	6.0	6.2	6.1	36.2	20.2	14,566
China	7.7	7.7	7.3	7.0	6.8	17.9	11.4	8,241
India	4.7	5.0	5.5	6.5	6.8	7.7	2.4	1,710
Africa	3.9	4.0	3.9	4.4	4.7	3.1	2.1	1,536
Latin America	2.6	2.7	0.8	2.0	3.1	9.7	7.8	5,623
Brazil	1.0	2.5	0.1	1.1	2.0	3.5	3.1	2,249
Eastern Europe (incl. Turkey, ex. Russia)	1.5	2.6	2.1	3.0	4.3	5.2	3.5	2,532
Russia	3.4	1.3	0.6	-1.0	0.5	4.1	2.8	2,000
Middle East	4.1	2.2	2.4	4.1	4.3	5.8	4.1	2,980
World - Purchasing power parities ponderation	**3.2**	**3.2**	**3.1**	**3.6**	**3.8**	**100**		
World - Current prices rates ponderation	**2.5**	**2.5**	**2.6**	**3.0**	**3.2**		**100**	**72,065**
Oil price (Brent USD/Barrel)	**111**	**112**	**100**	**75**	**77**			
Consumer prices index (growth rate, as %)								
United States	2.1	1.5	1.7	1.0	1.1			
Japan (CPI national)	0.0	0.4	2.8	1.3	1.1			
Euro area	2.5	1.4	0.5	0.4	1.1			
Germany (HICP)	2.1	1.6	0.8	0.6	1.0			
France (CPI)	2.0	0.9	0.5	0.5	1.3			
Italy (HICP)	3.3	1.3	0.2	-0.1	0.6			
Spain (HICP)	2.4	1.4	-0.2	-0.3	0.6			
United Kingdom (HICP)	2.8	2.6	1.6	1.5	2.1			

[1] The annual numbers are seasonnaly and working-day adjusted and hence may differ from the basis used for official projections.

[2] Purchasing Power Parity (PPP) is the monetary exchange rate that equalises the cost of a standardised basket of goods between different countries. The GDP weighting of different countries as a share of world GDP expressed in PPP is based on the latest estimates by the World Bank

	12/16/2014	Jun 2015	Dec 2015	Dec 2016	2013	2014 (f)	2015 (f)	2016 (f)
Interest rates								
United States								
Fed Funds target rate	0.25	0.25	0.75	2.00	0.25	0.25	0.40	1.50
10 year Gvt Bonds	2.1	2.8	3.3	3.6	2.3	2.6	2.9	3.5
Japan								
Intervention rate	0.07	0.10	0.10	0.25	0.08	0.05	0.10	0.20
10 year Gvt Bonds	0.4	0.5	0.5	1.0	0.7	0.6	0.5	0.8
United Kingdom								
Bank rate	0.50	0.75	1.00	1.75	0.50	0.50	0.70	1.50
10 year Gvt Bonds	1.8	2.8	3.0	3.0	2.4	2.6	2.8	3.0
Euro area								
Refinancing rate	0.05	0.05	0.05	0.05	0.55	0.15	0.05	0.05
10 year Gvt Bonds								
Germany	0.6	1.0	1.1	1.4	1.6	1.3	1.0	1.3
France	0.9	1.3	1.4	1.7	2.2	1.7	1.3	1.6
Italy	2.0	2.3	2.4	2.7	4.3	2.9	2.3	2.6
Spain	1.8	2.2	2.3	2.6	4.6	2.8	2.2	2.5
Exchange rates								
EUR / USD	1.25	1.20	1.20	1.20	1.33	1.33	1.20	1.20
EUR / GBP	0.80	0.75	0.75	0.75	0.85	0.81	0.75	0.75
EUR / JPY	146	144	144	144	130	140	144	144
GBP / USD	1.57	1.60	1.60	1.60	1.56	1.65	1.60	1.60
USD / JPY	116	120	120	120	98	106	120	120

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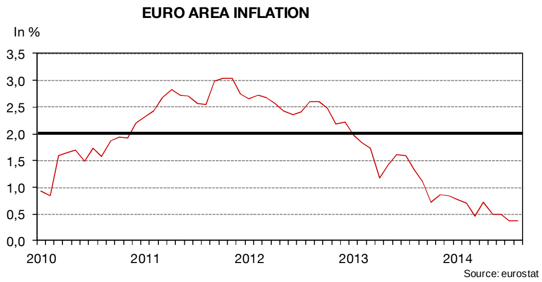
EURO AREA: THE ECB ONCE AGAIN TO THE RESCUE?

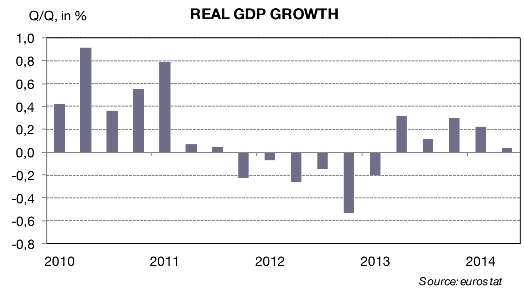
Quarter after quarter, there is confirmation of the euro area's diagnosis: sluggish growth is equalled only by the weakness of inflation. All hopes are once again focused on the ECB. It is expected to further ease its monetary policy, probably by purchasing public debt securities. This action would help maintain long rates at a very low level but they would not fundamentally change the situation.

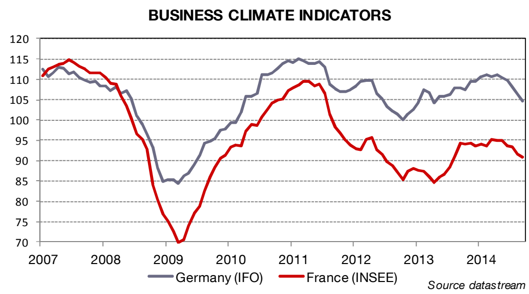
There was further confirmation of the euro area's sluggish growth in Q3 2014: yet again, it failed to move above the 1% yearly growth rate. At the same time, inflation also failed to pick up, despite the series of support measures taken by the ECB until now. Indeed, it fell to only 0.3% in November while underlying inflation has now stood at below 1% for more than a year. The business climate, as reflected in economic surveys, does not point to a rapid improvement: although it has recently improved in Germany and France, it remains morose.

Against this background, all eyes are once again focused on the ECB, even though it has already acted on several occasions this year, by lowering its interest rates (with a negative deposit facility rate) and launching a private asset purchase programme. In addition, market interest rates, both short and long, are already extremely low. It seems more and more likely that the ECB will implement a public debt securities purchase programme in 2015, so as not to disappoint expectations and given its intention to increase its balance sheet by EUR 1 trn.

Against the prospect of monetary tightening in the United States in 2015, this ECB policy would help prevent a rise in interest rates. Both prices and activity look set to accelerate only very gradually: euro area growth and inflation are expected to remain below 2% on a long-term basis, complicating the necessary deleveraging. The main upside risk can be found in the decline in the oil price which, if prolonged, would provide support to activity.







As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**-0.7**	**-0.4**	**0.8**	**1.1**	**1.4**
Household consumption	-1.3	-0.6	0.9	1.4	1.3
Total investment	-3.2	-2.4	0.7	0.9	2.2
Exports	2.6	2.1	3.4	3.8	3.9
Imports	-1.0	1.2	3.5	4.0	4.0
Contribution of inventories to growth	-0.7	-0.1	-0.1	0.0	0.0
Households					
Purchasing power of disposable income	-1.6	-0.2	0.6	1.8	1.1
Unemployment rate	11.3	12.0	11.6	11.3	11.0
Saving rate	12.6	13.0	13.1	13.4	13.2
Inflation rate	**2.5**	**1.4**	**0.5**	**0.4**	**1.1**
Public sector balance (as % of GDP)	**-3.7**	**-3.1**	**-2.7**	**-2.5**	**-2.1**
Current account balance (as % of GDP)	**1.4**	**2.1**	**2.6**	**2.6**	**2.6**

GERMANY: ENGINE SEIZED UP

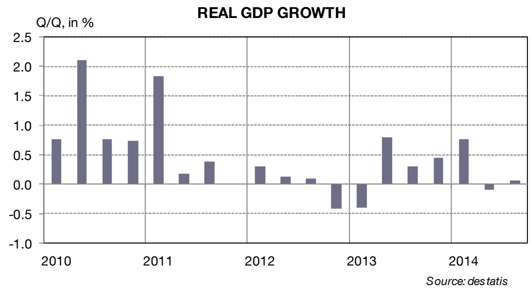
After the Q2 correction, the German economy failed to bounce back in Q3. More worrying, this stems mainly from a decline in investment in capital goods. Therefore, it now appears that the German slowdown goes beyond the impact of one-offs. Consequently, growth is expected to remain around 1.5% per year, thus converging the average euro area growth rate in 2016.

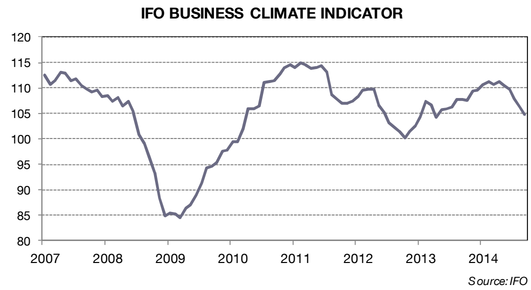
The absence of a rebound in the German economy in Q3 was disappointing. It virtually stagnated (+0.1%) after falling slightly in Q2 (-0.1%), despite the strong acceleration in household consumption and dynamic exports: investment declined for the second quarter in a row and destocking occurred. Therefore, it is now clear that the German slowdown goes beyond the simple after-effects of the good Q1 figures. Especially as the decline in investment in Q3 was concentrated in capital goods.

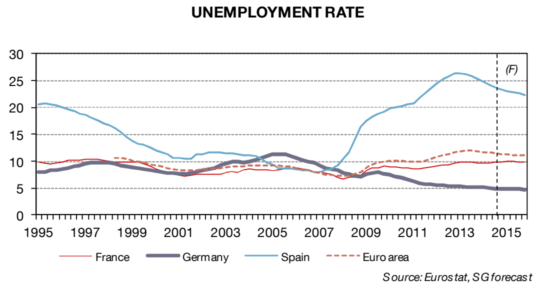
These signs of a slowdown are confirmed by the business climate: admittedly, it improved slightly in November, but the improvement remains limited given the deterioration in the previous months.

All in all, the German economy would struggle to pick up speed. It would remain stuck on a rate of around 1.5% per year, slightly less in 2015, slightly more in 2016. Consequently, by 2016, it looks set to return to the ranks of the euro area, after five years of significant outperformance.

That said, Germany would continue to significantly stand out in one respect: the unemployment rate would remain historically low, even though its decline is now likely to be extremely limited. This would enable the rebound in consumption to gain strength. The healthy financial situation of German companies and favourable financing conditions would also enable a rebound in investment.







As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**0.6**	**0.2**	**1.5**	**1.4**	**1.7**
Household consumption	0.6	0.9	1.1	1.6	1.6
Capital goods investment	-2.3	-2.1	3.5	2.2	3.4
Construction investment	1.6	0.1	3.1	0.2	2.4
Exports	3.5	1.7	3.9	4.6	4.1
Imports	0.4	3.2	3.7	4.6	4.6
Contribution of inventories to growth	-1.4	0.1	-0.3	-0.2	0.0
Households					
Purchasing power of disposable income	0.0	0.2	1.3	2.0	1.8
Unemployment rate	6.8	6.9	6.7	6.6	6.5
Saving rate	9.4	9.1	9.3	9.4	9.6
Inflation rate	**2.1**	**1.6**	**0.8**	**0.6**	**1.0**
Public sector balance (as % of GDP)	**0.1**	**0.0**	**-0.1**	**-0.2**	**0.0**
Current account balance (as % of GDP)	**7.2**	**6.8**	**7.5**	**7.7**	**7.5**

FRANCE: AWAITING GROWTH

Despite a positive growth surprise in Q3, there are still no signs of a French recovery on the horizon. All demand components, and notably investment, remain weakened and the signs of improvement remain tenuous. Activity therefore would accelerate only very gradually. On the public finances front, the deficit is unlikely to start declining before 2016…

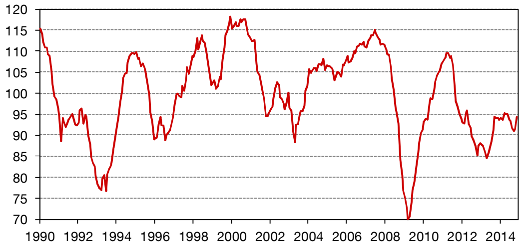
After a slight decline in H1 2014, French GDP data surprised on the upside in Q3, with a growth of 0.3%. However, this rebound does not indicate a sustainable recovery since it was entirely based on public consumption and inventory rebuilding, whereas household consumption was lacklustre and investment remained on a downtrend.

For the rest, the indicators tend to be mixed. While the INSEE business climate index improved significantly in November, this improvement has merely corrected the depressed situation of the previous 5 months so that it remains well below its long term average. On the investment front, managers of industrial companies do not foresee any improvement, but on the contrary a relapse in 2015.

All in all, the economy would improve very gradually by 2016. Activity would slowly accelerate, to reach slightly less than 1% in 2015, and slightly more in 2016. Consumption would continue to be hampered by the ongoing difficult situation in the labour market, with an unemployment rate that is unlikely to really fall before end-2016. Corporate investment would be penalised by the sluggish and uncertain prospects for activity.

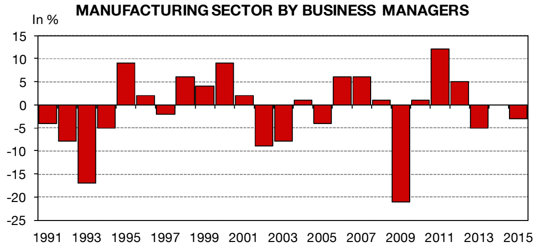
On the public finances front, faced with weaker economy and inflation lower than expected, the government has postponed its public deficit reduction targets. Consequently, the deficit as a percentage of GDP is unlikely to be reduced before 2016, at the earliest.

BUSINESS CLIMATE INDEX



Sources: INSEE

FORECASTS OF NOMINAL INVESTMENT IN THE MANUFACTURING SECTOR BY BUSINESS MANAGERS



Source: INSEE

UNEMPLOYMENT RATE

Sources: INSEE, SG forecasts

As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**0.4**	**0.4**	**0.4**	**0.7**	**1.2**
Household consumption	-0.5	0.3	0.3	1.2	1.5
Corporate investment	0.3	-0.6	-0.2	1.2	2.8
Household investment	-2.2	-3.1	-6.3	-3.8	0.6
Exports	1.2	2.4	2.1	3.6	4.2
Imports	-1.2	1.9	3.1	3.9	4.1
Contribution of inventories to growth	-0.6	-0.2	0.4	0.1	0.0
Households					
Purchasing power of disposable income	-0.9	0.0	1.2	1.5	1.3
Unemployment rate	9.4	9.9	9.8	10.0	9.9
Saving rate	15.3	15.1	15.8	16.0	15.9
Inflation rate	**2.0**	**0.9**	**0.5**	**0.5**	**1.3**
Public sector balance (as % of GDP)	**-4.9**	**-4.1**	**-4.5**	**-4.5**	**-4.0**
Current account balance (as % of GDP)	**-1.5**	**-1.4**	**-1.4**	**-1.4**	**-1.4**

SOCIETE GENERALE

ITALY: "DUM SPIRO, SPERO"

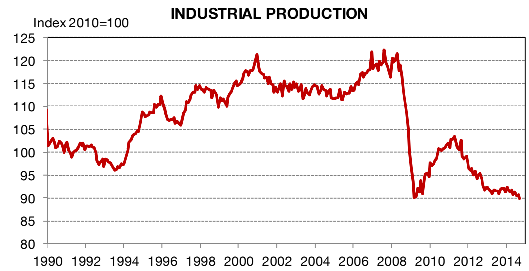
The Q3 results confirm our September analysis: Italy will remain in recession this year. Investment is shrinking and household consumption is stable, while unemployment continues to rise. Declining interest rates on public debt provide some breathing room for the budget outlook, but growth prospects remain very dependent on the strength of foreign demand.

Growth was down -0.1% in Q3, with a negative contribution from domestic demand (-0.3%). The contraction in investment is particularly alarming, since it amounts to 28% since the beginning of the crisis. All components are affected: capital goods, construction, and transport. Property prices have been shrinking for two years and no improvement can be expected as long as households face an adverse environment.

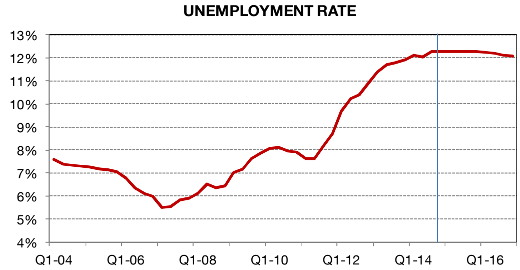
Productive investment could only rebound on the back of more favourable financing conditions and an upswing in global demand, creating incentives for Italian companies to invest. This combination of factors could occur next year: the results of the asset quality review have removed uncertainty on the Italian banking sector while the prospect of Quantitative Easing in the euro area is contributing to the easing of financing conditions.

However, this expected pick-up in investment is unlikely to be sufficient to generate enough jobs and to cause a decline in unemployment. Moreover, household consumption is unlikely to accelerate, despite the purchasing power gains generated by the fall in the oil price. GDP is forecast to increase by only 0.4% next year and 1% in 2016.

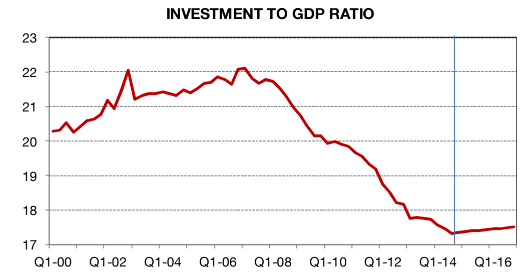
Weak growth combined with virtually zero inflation and a slower fiscal consolidation is causing a rapid deterioration in the public debt ratio, which has increased from 122% to 132% of GDP in the last two years and is expected to reach 134% next year.



Source: Istat



Source: Istat, SG forecast



Source: Istat, SG forecast

As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**-2.3**	**-1.9**	**-0.4**	**0.4**	**1.0**
Household consumption	-4.1	-2.7	0.3	0.5	0.5
Capital goods investment	-8.5	-5.0	-2.3	0.4	1.5
Construction investment	-6.8	-6.8	-3.0	0.3	1.5
Exports	1.6	0.9	1.8	1.9	2.8
Imports	-8.2	-2.6	0.4	1.2	1.5
Contribution of inventories to growth	-0.8	-0.1	-0.5	-0.1	0.0
Households					
Purchasing power of disposable income	-4.4	-0.7	0.3	1.1	0.9
Unemployment rate	10.3	11.7	12.2	12.3	12.1
Savings rate	11.7	13.3	13.4	13.8	14.2
Inflation rate	**3.3**	**1.3**	**0.2**	**-0.1**	**0.6**
Public sector balance (as % of GDP)	**-3.0**	**-2.8**	**-3.0**	**-2.7**	**-2.2**
Current account balance (as % of GDP)	**-0.5**	**1.0**	**1.6**	**2.0**	**2.5**

SPAIN: PROVING RESILIENT, BUT FOR HOW LONG?

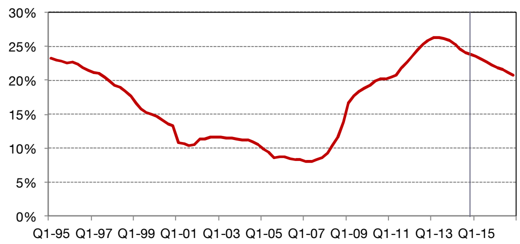
Spanish growth is proving resilient to the sluggishness in the euro area. Domestic demand remains the main growth driver, supported by household consumption and productive investment. However, Spain's fragile recovery would suffer from the absence of a pick-up in activity in the rest of the euro area and from the slowdown in emerging economies.

The economy kept on creating jobs in Q3 at a rate of 0.4%, amounting to a 1.6% year-on-year increase. Unemployment therefore declined to 24.1% in Q3 vs. 24.6% in Q2, and it is expected decrease to 20.7% at end-2016. The improvement in the labour market fuelled an increase in household consumption by a further 0.8% in Q3 after 0.9% in Q2. Car registrations have been particularly strong, up 30% year-on-year.

However, the consumer confidence index has edged down since June 2014, auguring renewed caution and likely to result in a rise in the saving rate. That said, plummeting oil prices would restore purchasing power to Spanish households. The consumer price index would decline by -0.3% in 2015 and only pick up moderately in 2016 (+0.6%).

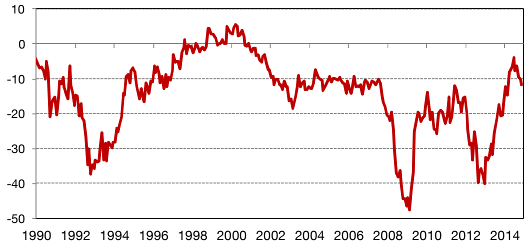
Exports outside Europe have been declining for more than a year, reflecting the slower momentum in emerging economies. As a consequence, the Spanish current account balance has deteriorated again, which prevents the country from reducing its external debt. Moreover, the recovery is taking place without productivity gains. This helps to reduce unemployment but could ultimately deteriorate the business sector profit margins. Regarding public finances, the deficit is only being reduced at a moderate pace while weak nominal growth adversely affects the debt ratio dynamics. Public debt would amount to 103% of GDP in 2016 vs. 94% in 2013.

UNEMPLOYMENT RATE



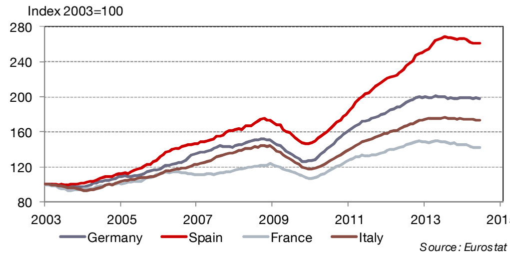
Source: INE, SG forecasts

CONSUMER CONFIDENCE INDICATOR



Source: OCDE

EXPORTS TO EXTRA-EU COUNTRIES



Source: Eurostat

As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**-2.1**	**-1.2**	**1.3**	**1.9**	**1.7**
Household consumption	-2.9	-2.3	2.3	2.3	1.8
Total investment	-8.1	-3.8	2.6	3.8	3.3
Exports	1.2	4.3	4.6	6.1	4.4
Imports	-6.3	-0.5	7.9	7.2	4.9
Contribution of inventories to growth	-0.1	0.0	0.1	0.0	0.0
Households					
Purchasing power of disposable income	-5.1	-0.2	2.3	2.3	1.2
Unemployment rate	24.8	26.1	24.5	22.9	21.3
Savings rate	10.4	11.0	11.2	11.3	10.7
Inflation rate	**2.4**	**1.4**	**-0.2**	**-0.3**	**0.6**
Public sector balance (as % of GDP)	**-10.4**	**-6.9**	**-5.7**	**-4.5**	**-3.5**
Current account balance (as % of GDP)	**-0.3**	**1.4**	**-0.3**	**-0.4**	**-0.5**

UNITED KINGDOM: UNBALANCED GROWTH

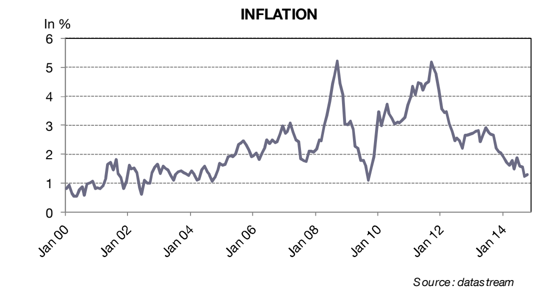
The dynamic economic recovery in the United Kingdom continues: it has stood at a rate of 3% per year for several quarters. That said, the growth is accompanied by imbalances: the public deficit remains high and is struggling to adjust, the current account deficit has reached levels that are starting to be worrying, the construction sector is booming and property prices go from record to record. A slowdown is therefore likely, or even desirable.

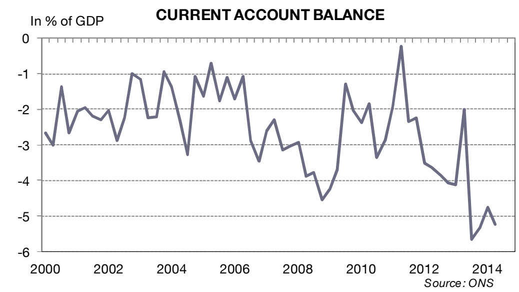
UK growth has not weakened: it remained on an annual rate of around 3% per year. The unemployment rate has also continued to decline, to 6.0% in August vs. 8.5% in October 2011. Nevertheless, the Bank of England has postponed its prospective increase in interest rates to the second half of 2015 due to persistently weak inflation.

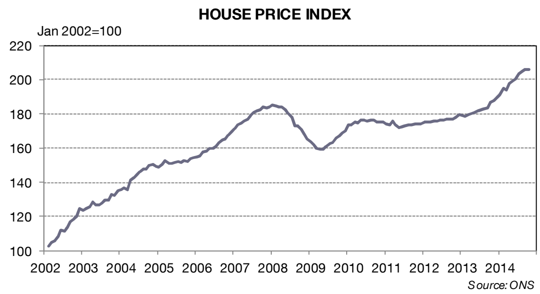
However, this recovery conceals growing imbalances. In particular, the current account balance shows an increasingly worrying deficit, at around 5% of GDP. Property market has picked up as was the case before the crisis, with double-digit growth rates for housing investment and house prices. In addition, the rebound in employment has come at the expense of a decline in productivity. And, despite strong growth, the public deficit remains high and is virtually no longer declining.

All in all, the UK recovery appears to be based, at least in part, on dynamics that are not sustainable in the long-term. Consequently, a growth slowdown in the years to come seems likely, or even desirable.

In particular, investment (both corporate and household) looks set to moderate after rising sharply in 2014. And the announced further decline in public spending (to offset continuing weak revenues) is also likely to adversely affect economic activity.







As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**0.7**	**1.7**	**3.0**	**2.6**	**2.1**
Household consumption	1.1	1.6	2.2	2.3	2.0
Non residential fixed investment	4.2	4.8	7.2	4.1	3.5
Residential investment	-3.1	6.1	12.1	5.8	4.8
Exports	0.7	0.5	-1.5	2.8	3.3
Imports	3.1	0.5	-0.8	3.2	3.2
Contribution of inventories to growth	0.1	0.3	0.3	0.2	0.0
Households					
Purchasing power of disposable income	1.6	-0.2	1.5	2.9	2.3
Unemployment rate	8.0	7.5	6.1	5.1	4.6
Saving rate	8.0	6.4	6.3	6.5	6.6
Inflation rate (HICP)	**2.8**	**2.6**	**1.6**	**1.5**	**2.1**
Public sector balance (as % of GDP)	**-6.1**	**-5.8**	**-5.6**	**-5.0**	**-4.0**
Current account balance (as % of GDP)	**-3.8**	**-4.3**	**-5.1**	**-4.9**	**-4.7**

UNITED STATES: STANDING OUT

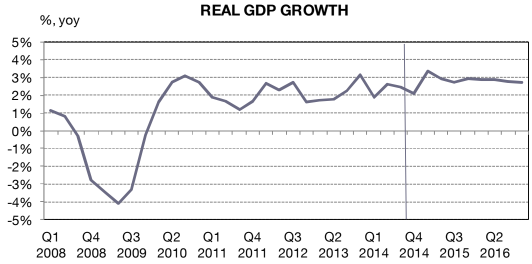
There has been further confirmation of activity improvement in Q3. The backdrop of a global slowdown is unlikely to jeopardise the continuation of this improvement over the coming quarters. The Fed's monetary policy is thus expected to gradually become less accommodative. It would mark a decoupling relative to ECB's and Bank of Japan's monetary policies.

Growth strengthened in Q3, partially sustained by temporary factors (military spending in particular), but nevertheless confirming healthy underlying final demand. Growth is expected to remain fairly solid for the forecast horizon, benefiting from the still extremely accommodative monetary and financial conditions. In particular, companies would be more prove to increase capital in an environment of more favorable demand, rising capacity utilization rates and the ageing of capital stock.

However, the slowdown in global activity and the rise in the US dollar exchange rate are likely to limit the pick-up in exports. In addition, the marked decline in oil prices could adversely affect corporate investment, which until now was sustained by the energy sector (oil and shale gas). However, in the short-term, the drop in the oil price would have a positive net effect, particularly on household consumption, as the country remains a net energy importer.

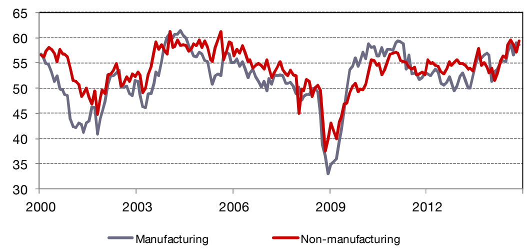
The labor market is expected to continue to gradually improve. Yet, the employment rate would remain poor, thus preventing significant rises in wages. Against this backdrop of an improvement in activity and still contained price pressures, the Federal Reserve is expected to keep the size of its balance sheet stable and start raising its key interest rate from mid-2015.

REAL GDP GROWTH



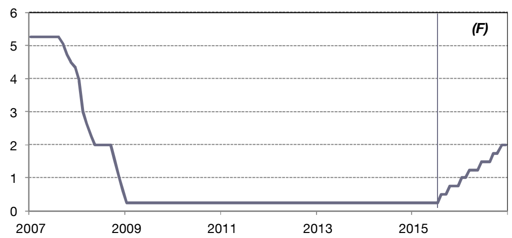
Sources: BEA, SG

BUSINESS CONFIDENCE (ISM SURVEYS)



Source: ISM

FEDERAL FUND RATE



Source: Fed, SG

As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**2.3**	**2.2**	**2.3**	**3.0**	**2.8**
Household consumption	1.8	2.4	2.3	2.6	2.6
Non residential fixed investment	7.2	3.0	6.1	6.8	6.2
Residential fixed investment	13.5	11.9	1.6	5.8	4.9
Exports	3.3	3.0	3.3	4.1	4.3
Imports	2.3	1.1	3.5	3.7	4.0
Contribution of inventories to growth	0.1	0.0	0.0	0.1	0.0
Households					
Purchasing power of disposable income	3.0	-0.2	2.4	3.1	2.3
Unemployment rate	8.1	7.4	6.2	5.5	5.1
Saving rate	7.2	4.9	5.0	5.4	5.1
Inflation rate	**2.1**	**1.5**	**1.7**	**1.0**	**1.1**
Public sector balance (as % of GDP)	**-9.0**	**-5.7**	**-4.6**	**-4.3**	**-4.0**
Current account balance (as % of GDP)	**-2.9**	**-2.4**	**-2.5**	**-2.6**	**-2.7**

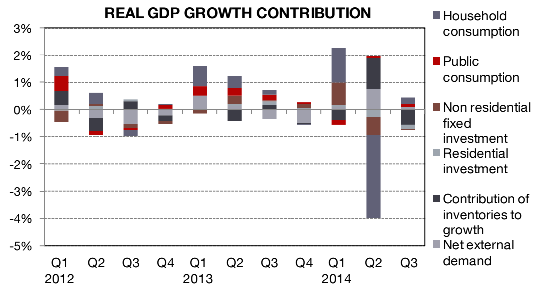
JAPAN: ABENOMICS 2.0

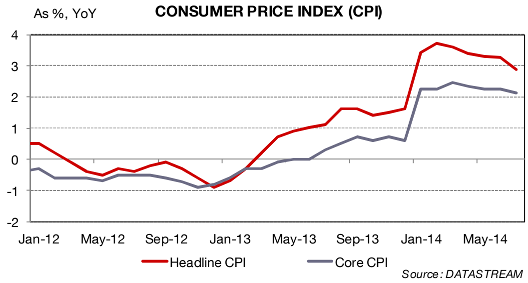
GDP decline in Q3 has put the economy back in recession. After the full pass-through of the consumption tax (CT) hike, inflation has continued to decline. Policy easing undertaken in Q3 and the victory of PM Abe's coalition at the recent elections have been instrumental to reinvigorate the Abenomics.

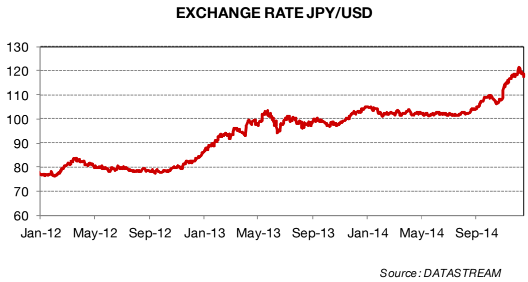
Real GDP contracted in Q3-14 for the second consecutive quarter, implying a technical recession. Notably, residential and non residential investment continued to decline (- 6.7% QoQ and – 0.2% QoQ respectively). After having reached 3.7% YoY in May, inflation receded to 2.9% YoY in October, reflecting in part the fall in world oil prices.

The authorities have reinvigorated the Abenomics. In October, the BoJ expanded and extended its "Quantitative and Qualitative Easing" program, by targeting an increase of the monetary base to around JPY 80trn per year, primarily through expanded purchases of governments bonds. In November, the government announced that the second phase of the consumption tax hike (from 8% to 10%), originally set for October 2015, would be postponed by 18 months to April 2017 and that a supplementary budget of about JPY 3trn (0.6% of GDP) would be implemented for FY 2014. In December, PM Abe's coalition victory at the elections is likely to make it easier to pass legislation to promote structural reforms.

After a sharp slowdown to 0.3% in 2014, economic growth is expected to rebound but to remain below 1% in 2015 and 2016. Private consumption would remain the main driver. Exports would benefit from the JPY depreciation and from gradual improvements in external demand. Inflation is projected to average 1.2% over the next two years as base effects of the consumption tax hike would fade out and as import prices of energy would remain contained. Given the delay of the second consumption tax hike, the target of achieving a primary surplus by FY 2020 is more challenging, posing some risks on the sustainability of the already high level of public debt (230% of GDP).







As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**1.7**	**1.6**	**0.3**	**0.8**	**0.9**
Household consumption	2.3	2.1	-1.0	1.1	1.3
Non residential fixed investment	3.6	0.5	4.9	2.1	3.1
Residential investment	3.2	8.7	-5.3	-1.4	3.6
Exports	-0.1	1.5	7.8	6.0	6.6
Imports	5.3	3.1	7.1	6.6	6.5
Contribution of inventories to growth	0.2	-0.4	0.1	0.0	0.0
Households					
Purchasing power of disposable income	0.7	1.1	0.4	1.1	1.2
Unemployment rate	4.3	4.0	3.6	3.5	3.5
Saving rate	1.1	0.1	1.6	1.5	1.4
Inflation rate (CPI)	**0.0**	**0.4**	**2.8**	**1.3**	**1.1**
Public sector balance (as % of GDP)	**-8.7**	**-9.0**	**-8.3**	**-7.3**	**-6.3**
Current account balance (as % of GDP)	**1.1**	**0.7**	**0.1**	**0.8**	**1.1**

CHINA: MONETARY POLICY TO THE RESCUE

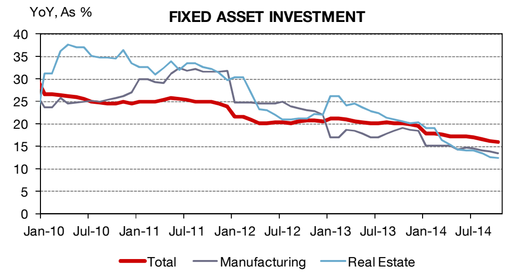
Real GDP growth is projected to decline at 7.3% in 2014. It is expected to gradually ease to 7.0% and 6.8% in 2015 and 2016 due to weaker investment. The authorities have resorted to interest rates cuts for the first time since July 2012 to further support growth.

Real GDP growth declined to 7.3% in Q3-14 due to weaker investment. The latest batch of activity indicators suggests that the slowdown trend would remain. In October, property prices and financing sources of the economy (bank credit and non bank credit) continued to decline/ease. Industrial production and exports also decelerated. While remaining in the expansion territory, the PMI has deteriorated rapidly since July 2014.

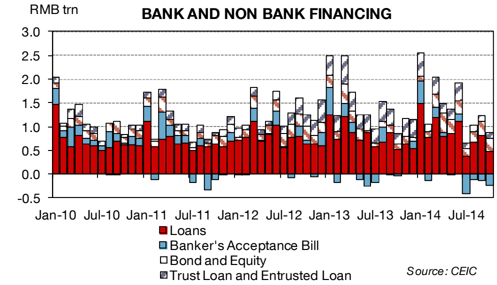
Inflation continued to fall to 1.6% YoY in October. It is expected to average 2% in 2014, and to remain subdued, at 2.5-3% in 2015-2016.

Against this backdrop, the authorities further relaxed monetary policy in November by cutting the 1-year deposit and lending rates by 25 and 40bps, to 2.75% and 5.6% respectively. Fiscal measures have also been adopted to support growth including infrastructures and social housing investments. However, the authorities have refrained from a massive policy easing, reflecting their concerns on rising financial fragilities of the economy.

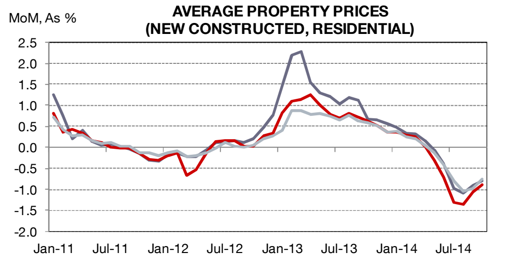
Growth would remain weak at 7.3% in 2014 and gradually decline to 7.0% in 2015 and to 6.8% in 2016 mainly due to weaker investment. The risk to the near-term economic outlook is a stronger than expected deterioration in the housing market as the property/construction sector and its upstream industries represent nearly 30% of GDP. Furthermore, slack credit expansion could be a serious drag on the economy as domestic credit to the private sector amounts to 140% of GDP.



Source: CEIC



Source: CEIC



Sources: CEIC, SG

As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**7.7**	**7.7**	**7.3**	**7.0**	**6.8**
Consumption (contrib. to growth, pp)	4.2	4.1	3.8	3.7	3.7
Investment (contrib. to growth, pp)	3.5	3.7	3.4	3.2	3.0
External trade (contrib. to growth, pp)	0.4	-0.2	0.0	0.0	0.0
Inflation rate	**2.6**	**2.6**	**2.0**	**2.5**	**2.9**
General Government Balance (as % of GDP)	**0.2**	**-0.9**	**-1.0**	**-0.8**	**-0.8**
General Government Debt (as % of GDP)	**37.4**	**39.4**	**40.8**	**41.8**	**42.9**
External Debt (as % of GDP)	**8.8**	**9.1**	**9.5**	**9.6**	**10.5**
Current Account Balance (as % of GDP)	**2.6**	**1.9**	**1.8**	**1.9**	**2.2**

INDIA: FIGHT AGAINST INFLATION BEARS FRUIT

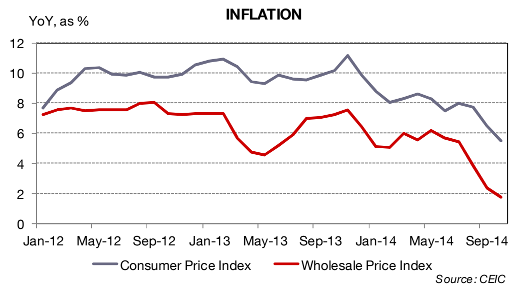
Tight monetary policy coupled with falling world oil prices and moderation in food prices has brought down inflation. Economic growth remains weak but is expected to gradually improve to 6.5% in 2015 and to 6.8% in 2016.

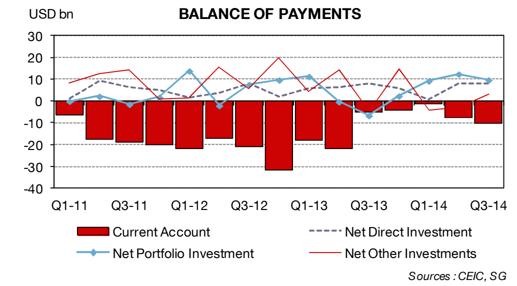
The consumer price index (CPI) continued to sharply decelerate to 5.5% YoY in October 2014 (from 10.2% a year ago), led by lower food prices and the pass through of energy prices declines. Inflation is expected to further decline in November due to base effects. Meanwhile, a weak monsoon would drive up food prices. More encouragingly, the core CPI has also eased suggesting that structural inflation may have also come down. Inflation is expected to remain below the RBI's inflation targets of 8% by January 2015 and 6% by January 2016.

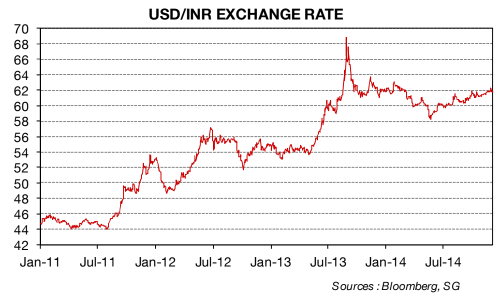
Real GDP grew by 6.0% YoY (5.3% YoY at factor costs) in Q3-14 supported by private consumption. While the latest PMI points to an improvement in business outlook, industrial production, retail sales, and credit are decelerating. Despite the INR depreciation, exports have also slowed down since mid-2014.

In this context, there is a strong call for the RBI to cut its policy rate, kept unchanged at 8% since January 2014 (when the CPI was standing at 8.8% YoY). Economic growth is expected to gradually improve to 6.5% in 2015 and to 6.8% in 2015. Private consumption would remain the main driver. Meanwhile, private investment would be boosted by regained investors' confidence in structural reforms and exports would gradually improve in line with the recovery in external demand.

The main risk would be that some fiscal slippage to support growth translates into rising inflation and widening current account deficit and puts increasing pressures on the budget deficit which is projected to average 6.5% of GDP in 2015-16 while the public debt remains high (60% of GDP).







As %	2012	2013	2014	2015 (f)	2016 (f)
Gross Value Added (at factor cost)	**4.5**	**4.7**	**5.5**	**6.5**	**6.8**
Real GDP (at market prices)	**4.7**	**5.0**	**5.5**	**6.5**	**6.8**
Private consumption	5.0	4.8	5.3	6.0	6.0
Gross Fixed Capital Formation	0.8	-0.1	6.1	9.0	11.2
Exports	5.0	8.4	9.6	9.8	10.4
Imports	6.6	-2.5	7.8	9.3	11.2
Inflation rate	**10.2**	**9.5**	**7.8**	**7.5**	**6.7**
Public Sector Balance (as % of GDP)	**-7.4**	**-7.2**	**-7.2**	**-6.7**	**-6.5**
Public Debt (as % of GDP)	**66.6**	**61.5**	**60.5**	**59.5**	**58.5**
External Debt (as % of GDP)	**21.3**	**24.8**	**25.9**	**25.5**	**25.1**
Current Account Balance (as % of GDP)	**-4.7**	**-1.7**	**-2.0**	**-2.2**	**-2.5**

BRAZIL: IMBALANCES

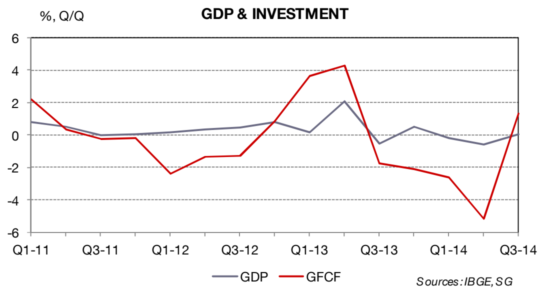
The economy has emerged from the recession in H1 14 but the prospects remain morose. The country is in an unbalanced situation of weak growth and strong inflation. At the same time, public and external deficits continue to deteriorate, making the economy vulnerable to renewed volatility.

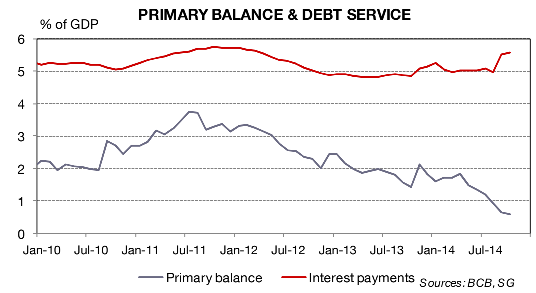
Activity remained very sluggish in Q3 14 and would only experience a slight rebound in 2015. GDP rose by 0.1%, supported by public consumption (+1.3% Q/Q) and the pick-up in investment (+1.3% Q/Q), which recorded its first quarter of expansion since Q2 13. Private consumption, which represents 2/3rds of GDP, shrank by 0.3% Q/Q while the external sector's contribution was negative.

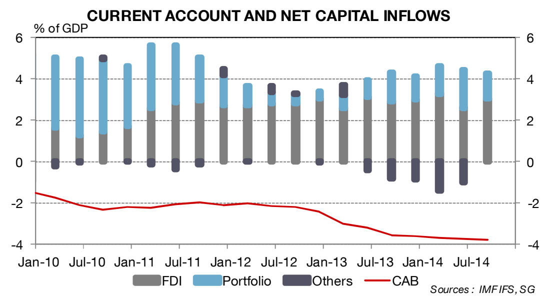
Inflation reached 6.6% year-on-year in November, mainly driven by the increase in food prices and the depreciation of the Brazilian Real. In response, Brazil's Central Bank has raised its key interest rate by a total of 75 bps since October to 11.75%. However, inflation would remain high in 2015 due to the strong indexation of the economy, the gradual increase in administered prices and the depreciation of the Brazilian Real.

The fiscal situation continues to deteriorate. The primary budget balance showed a surplus of 0.6% of GDP in October, its lowest point since 2009, due to the decline in tax revenues and the increase in public spending. The gradual erosion of the primary balance and the increase in debt interests have resulted in a rise in public debt of 4 points of GDP since the beginning of the year to 62% of GDP. The new government has announced a primary surplus target of 1.2% of GDP for 2015 without, however, specifying the details of the finance bill.

In terms of the external accounts, the current account showed a deficit of 3.7% of GDP in Q3 14. However, it would gradually reduce over the next few quarters. If FDI entries remain stable (3% of GDP in Q3 14), they will no longer be sufficient alone to finance the current account deficit. Consequently, the economy has become more dependent on portfolio flows, making it more vulnerable to renewed volatility in the international markets.







As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**1,0**	**2,5**	**0,1**	**1,1**	**2,0**
Households consumption	3,2	2,6	1,1	1,2	2,0
Government consumption	3,3	2,0	2,0	0,6	0,7
Investment	-4,0	5,2	-7,0	1,0	3,4
Exports	0,5	2,5	2,0	3,0	3,3
Imports	0,2	8,4	0,0	2,5	2,8
Inflation rate (CPIA)	**5,4**	**6,2**	**6,4**	**6,0**	**5,5**
Public balance (as % of GDP)	**-2,4**	**-3,3**	**-5,0**	**-4,3**	**-3,5**
Current account balance (as % of GDP)	**-2,4**	**-3,6**	**-4,0**	**-3,4**	**-3,0**

SOCIETE GENERALE

RUSSIA: RESILIENCE?

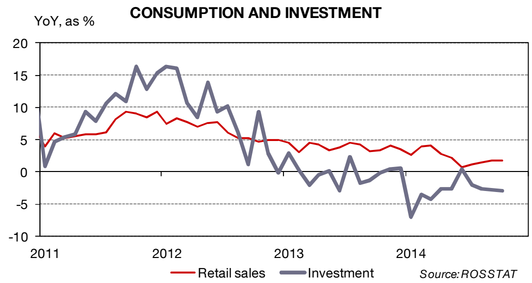
Up until now, economic activity, even though weakening, has proved resilient to escalating inflation, the ruble's devaluation, capital flight and the stagnation of real wages. Despite the different shocks suffered by the Russian economy, consumption is growing as is manufacturing output. However, this resilience could erode over the next few months if oil prices and the ruble continue to decline.

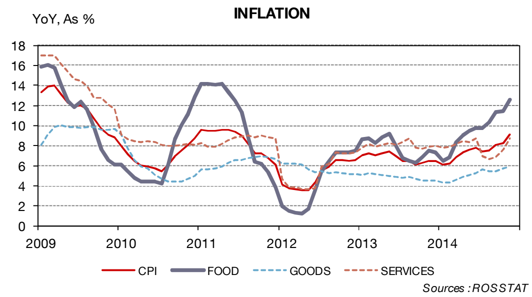
The content of this page has been written prior to the CBR rate hike and market turmoil mid December.

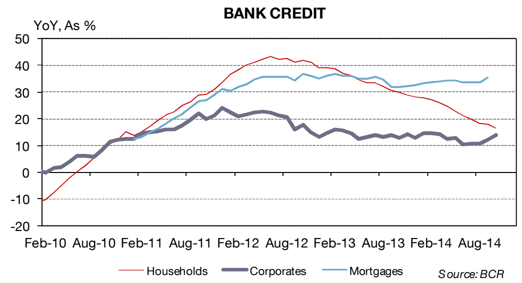
Economic activity proved surprisingly resilient in the second half of 2014. GDP grew by 0.7% year-on-year in Q3 and Q4 indicators suggest further slightly positive growth. Industrial production continues to grow, notably in the manufactured products segment. This indicates that there is a form of imports substitution under way in the wake of the ruble plummeting 50% against the dollar since the beginning of the year. That said, this devaluation is likely to result in higher inflation (already at work) and the probable shrinking of real wages in 2015. If we add the contraction still under way of investment, this points to recession next year before the stabilisation of GDP in 2016. Obviously, all this is dependent on the development of the Ukrainian crisis and crude oil prices.

Russia is actually enduring a double shock related to sanctions and the 40% plunge in crude oil prices. The first has resulted in the country being cut off from external financing and the second has prompted the ruble's massive devaluation. This implies that, for the Russian budget (more than 40% dependent on oil-related revenues), the effect remains neutral for the moment. The Central Bank (CBR) is expected to continue to raise rates, without however excessively restricting ruble liquidity. This would enable banks to access CBR liquidity and continue to lend even at higher rates. It is noticeable that domestic credit continues to grow.

Inflation and the stability of the ruble will remain the principal issues for the Russian authorities over the next few quarters. Against this backdrop, it is probable that administered price adjustments will be postponed until a later date. At this stage, the weapon to support activity remains fiscal policy which could be more expansionary over the next two years.







As %	2012	2013	2014	2015 (f)	2016 (f)
Real GDP	**3.4**	**1.3**	**0.6**	**-1.0**	**0.5**
Private consumption	6.0	6.8	1.5	0.5	0.5
Public spending	2.5	-0.2	1.0	0.0	1.0
Gross Fixed Capital Formation	7.0	6.0	-4.0	-3.0	0.0
Exports of goods and services	1.4	4.2	0.6	-1.0	2.0
Imports of goods and services	8.8	3.7	-5.0	-2.0	0.0
Consumer prices (CPI)	**8.4**	**5.0**	**6.5**	**7.0**	**9.0**
Foreign debt (as % of GDP)	**31.0**	**32.0**	**32.0**	**32.0**	**32.0**
Budget balance (as % of GDP)	**0.8**	**0.0**	**-0.1**	**-0.5**	**-0.8**
Public debt (as % of GDP)	**11.0**	**12.0**	**13.0**	**13.0**	**14.0**

EURO AREA

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**-0.7**	**-0.4**	**0.8**	**1.1**	**1.4**
Total domestic demand	**-2.2**	**-0.9**	**0.8**	**1.0**	**1.4**
Private consumption	-1.3	-0.6	0.8	1.3	1.3
Public consumption	-0.2	0.2	1.0	0.6	0.6
Total investment	-3.2	-2.4	0.3	0.8	2.2
Contrib. of inventories to GDP growth	-0.7	0.0	0.1	0.0	0.0
External trade contribution	**1.5**	**0.4**	**0.0**	**0.1**	**0.1**
Exports of goods and services	2.6	2.1	3.8	4.1	3.9
Imports of goods and services	-1.0	1.2	4.0	4.2	4.0
Consumer prices	**2.5**	**1.4**	**0.5**	**0.4**	**1.1**
% Change year-on-year, end of period	2.2	0.8	0.1	0.7	1.4
Real Disposable income (% Change)	**-1.6**	**-0.2**	**0.6**	**1.6**	**1.0**
Unemployment rate (% average)	**11.3**	**12.0**	**11.6**	**11.3**	**11.0**

(National accounts adjusted for seasonal and calendar effects)

GROSS DOMESTIC PRODUCT

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Germany	0.6	0.2	1.5	1.4	1.7
Austria	0.7	0.4	1.5	1.8	1.8
Belgium	0.1	0.3	1.0	1.0	1.3
Cyprus	-2.4	-5.4	-2.8	0.4	1.5
Spain	-2.1	-1.2	1.3	1.9	1.7
Finland	-1.0	-1.3	-0.1	1.4	0.8
France	0.4	0.4	0.4	0.7	1.2
Greece	-7.0	-3.9	0.5	2.0	2.5
Ireland	-0.3	0.2	4.6	3.2	3.2
Italy	-2.3	-1.9	-0.4	0.4	1.0
Luxembourg	-0.2	2.1	2.7	2.1	2.3
Malta	2.0	2.5	2.8	2.5	2.5
Netherlands	-1.6	-0.7	0.7	0.6	1.5
Portugal	-3.3	-1.4	0.9	1.3	1.5
Slovakia	1.6	1.4	2.4	2.5	2.8
Slovenia	-2.6	-1.0	2.4	1.7	2.0

FRANCE

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**0.4**	**0.4**	**0.4**	**0.7**	**1.2**
Domestic demand (incl. inventories)	**-0.3**	**0.3**	**0.7**	**0.8**	**1.2**
Private consumption	-0.5	0.3	0.3	1.2	1.5
General gov. consumption expenditure	1.7	2.0	2.0	0.7	0.3
GFCF of non financial enterprises	0.3	-0.6	-0.2	1.2	2.8
GFCF of households	-2.2	-3.1	-6.3	-3.8	0.6
GFCF of general government	1.6	1.1	-0.4	-0.8	0.0
Contrib. of inventories to GDP growth	-0.6	-0.2	0.4	0.1	0.0
External trade contribution	**0.7**	**0.1**	**-0.3**	**-0.1**	**0.0**
Exports of goods and services	1.2	2.4	2.1	3.6	4.2
Imports of goods and services	-1.2	1.9	3.1	3.9	4.1
Consumer prices (CPI)	**2.0**	**0.9**	**0.5**	**0.5**	**1.3**
% change year-on-year, end of period	1.3	0.7	0.1	1.2	1.4
Employment	**0.1**	**-0.6**	**-0.3**	**-0.3**	**0.2**
Unemployment rate (ILO)	**9.4**	**9.9**	**9.8**	**10.0**	**9.9**
Real Disposable income	**-0.9**	**0.0**	**1.2**	**1.5**	**1.3**
Household saving rate	**15.3**	**15.1**	**15.8**	**16.0**	**15.9**

GERMANY

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**0.6**	**0.2**	**1.5**	**1.4**	**1.7**
Domestic demand (incl. inventories)	**-0.9**	**0.8**	**1.2**	**1.2**	**1.8**
Private consumption	0.6	0.9	1.1	1.6	1.6
Public consumption	1.2	0.7	1.2	1.2	1.2
GFCF of capital goods	-2.3	-2.1	3.5	2.2	3.4
GFCF of construction	1.6	0.1	3.1	0.2	2.4
GFCF of general government	-5.2	4.0	9.0	6.0	6.0
Contrib. of inventories to GDP growth	-1.4	0.1	-0.3	-0.2	0.0
External trade contribution	**1.4**	**-0.5**	**0.3**	**0.3**	**0.1**
Exports of goods and services	3.5	1.7	3.9	4.6	4.1
Imports of goods and services	0.4	3.2	3.7	4.6	4.6
Consumer prices (HICP)	2.1	1.6	0.8	0.6	1.0
% change year-on-year, end of period	2.0	1.2	0.8	0.2	1.6
Employment	**1.1**	**0.6**	**0.9**	**0.8**	**0.7**
Unemployment rate	**6.8**	**6.9**	**6.7**	**6.6**	**6.5**
Unemployment rate (ILO)	**5.4**	**5.2**	**5.0**	**4.9**	**4.8**
Real Disposable income	**0.0**	**0.2**	**1.3**	**1.9**	**1.8**
Household saving rate	**9.4**	**9.1**	**9.3**	**9.4**	**9.5**

ITALY

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**-2.3**	**-1.9**	**-0.4**	**0.4**	**1.0**
Domestic demand (incl. inventories)	**-5.1**	**-2.9**	**-0.8**	**0.1**	**0.6**
Private consumption	-4.1	-2.7	0.3	0.5	0.5
Public consumption	-1.5	-0.7	-0.3	-0.5	0.1
Expenditure on capital goods	-8.5	-5.0	-2.3	0.4	1.5
Expenditure on construction	-6.8	-6.8	-3.0	0.3	1.5
Total investment	-7.5	-5.4	-2.3	0.3	1.5
Contrib. of inventories to GDP growth	-0.8	-0.1	-0.5	-0.1	0.0
External trade contribution	**2.8**	**1.0**	**0.4**	**0.2**	**0.4**
Exports of goods and services	1.6	0.9	1.8	1.9	2.8
Imports of goods and services	-8.2	-2.6	0.4	1.2	1.5
Consumer prices (CPI)	**3.3**	**1.3**	**0.2**	**-0.1**	**0.6**
% change year-on-year, end of period	3.3	1.2	0.5	-0.1	0.6
Employment	**-0.9**	**-1.7**	**-0.1**	**0.2**	**0.3**
Unemployment rate	**10.3**	**11.7**	**12.2**	**12.3**	**12.1**
Real Disposable income	**-4.4**	**-0.7**	**0.3**	**1.1**	**0.9**
Household saving rate	**11.7**	**13.3**	**13.4**	**13.8**	**14.2**

SPAIN

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**-2.1**	**-1.2**	**1.3**	**1.9**	**1.7**
Domestic demand (incl. inventories)	**-4.2**	**-2.7**	**2.2**	**2.1**	**1.8**
Private consumption	-2.9	-2.3	2.3	2.3	1.8
Public consumption	-3.7	-2.9	0.8	0.0	0.5
Total investment	-8.1	-3.8	2.6	3.8	3.3
Contrib. of inventories to GDP growth	-0.1	0.0	0.1	0.0	0.0
External trade contribution	**2.2**	**1.4**	**-0.8**	**-0.2**	**-0.1**
Exports of goods and services	1.2	4.3	4.6	6.1	4.4
Imports of goods and services	-6.3	-0.5	7.9	7.2	4.9
Consumer prices (CPI)	**2.4**	**1.4**	**-0.2**	**-0.3**	**0.6**
% change year-on-year, end of period	2.9	0.2	-1.3	1.0	0.6
Employment	**-4.3**	**-2.8**	**1.0**	**1.8**	**1.6**
Unemployment rate	**24.8**	**26.1**	**24.5**	**22.9**	**21.3**
Real Disposable income	**-5.1**	**-0.2**	**2.3**	**2.3**	**1.2**
Household saving rate	**10.4**	**11.0**	**11.2**	**11.3**	**10.7**

(National accounts adjusted for seasonal and calendar effects)

UNITED STATES

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**2.3**	**2.2**	**2.3**	**3.0**	**2.8**
Domestic demand (incl. inventories)	**2.2**	**1.9**	**2.3**	**3.0**	**2.8**
Personal consumption	1.8	2.4	2.3	2.6	2.6
Public consumption	-1.4	-2.0	-0.2	0.7	0.5
Residential fixed investment	13.5	11.9	1.6	5.8	4.9
Nonresidential fixed investment	7.2	3.0	6.1	6.8	6.2
Contrib. of inventories to GDP growth	0.1	0.0	0.0	0.1	0.0
External trade contribution	**0.0**	**0.2**	**-0.1**	**0.0**	**-0.1**
Exports of goods and services	3.3	3.0	3.3	4.1	4.3
Imports of goods and services	2.3	1.1	3.5	3.7	4.0
Consumer prices, excl. fresh food (CPI)	**2.1**	**1.5**	**1.7**	**1.0**	**1.1**
% change year-on-year, end of period	1.9	1.2	1.7	0.8	1.3
Employment	**1.7**	**1.7**	**1.8**	**2.1**	**1.9**
Unemployment rate	**8.1**	**7.4**	**6.2**	**5.5**	**5.1**
Real disposable income	**3.0**	**-0.2**	**2.4**	**3.1**	**2.3**
Household saving rate	**7.2**	**4.9**	**5.0**	**5.4**	**5.1**

UNITED KINGDOM

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**0.7**	**1.7**	**3.0**	**2.6**	**2.1**
Domestic demand (incl. inventories)	**1.4**	**1.9**	**3.2**	**2.7**	**2.1**
Private consumption	1.1	1.6	2.2	2.3	2.0
Public spending	1.5	-0.1	1.7	1.8	1.5
Housing investment	-3.1	6.1	12.1	5.8	4.8
Business investment	4.2	4.8	7.2	4.1	3.5
Total investment	0.7	3.2	7.6	4.1	3.3
Contrib. of inventories to GDP growth	0.1	0.3	0.3	0.2	0.0
External trade contribution	**-0.8**	**0.0**	**-0.2**	**-0.2**	**-0.1**
Exports of goods and services	0.7	0.5	-1.5	2.8	3.3
Imports of goods and services	3.1	0.5	-0.8	3.2	3.2
Consumer prices (HCPI)	**2.8**	**2.6**	**1.6**	**1.5**	**2.1**
% change year-on-year, end of period	2.7	2.0	1.3	1.5	2.5
Employment	**0.6**	**1.2**	**1.6**	**1.7**	**1.3**
Unemployment rate (ILO)	**8.0**	**7.5**	**6.1**	**5.1**	**4.6**
Real disposable income	**1.6**	**-0.2**	**1.5**	**2.9**	**2.3**
Household saving rate	**8.0**	**6.4**	**6.3**	**6.5**	**6.6**

JAPON

Taux de croissance. en %	2012	2013	2014 (p)	2015 (p)	2016 (p)
Produit intérieur brut (PIB)	**1.7**	**1.6**	**0.3**	**0.8**	**0.9**
Demande intérieure (y.c. stocks)	**2.6**	**1.8**	**0.3**	**0.7**	**0.8**
Consommation privée	2.3	2.1	-1.0	1.1	1.3
Dépenses publiques	1.7	2.9	1.0	-0.8	-2.2
Investissement logement	3.2	8.7	-5.3	-1.4	3.6
Investissement en biens d'équipement	3.6	0.5	4.9	2.1	3.1
Contribution des stocks à la croissance	0.2	-0.4	0.1	0.0	0.0
Contribution du commerce extérieur	**-0.7**	**-0.2**	**0.2**	**0.0**	**0.1**
Exportations de biens et services	-0.1	1.5	7.8	6.0	6.6
Importations de biens et services	5.3	3.1	7.1	6.6	6.5
Prix à la consommation (IPC)	**0.0**	**0.4**	**2.8**	**1.3**	**1.1**
Glissement annuel en fin de période	-0.1	1.6	2.6	0.5	0.5
Emploi	**-0.3**	**0.7**	**0.6**	**-0.1**	**-0.2**
Taux de chômage	**4.3**	**4.0**	**3.6**	**3.5**	**3.5**
Pouvoir d'achat du revenu disponible brut	**0.7**	**1.1**	**0.4**	**1.1**	**1.2**
Taux d'épargne	**1.1**	**0.1**	**1.6**	**1.5**	**1.4**

CHINE

Taux de croissance, en %	2012	2013	2014 (p)	2015 (p)	2016 (p)
Produit intérieur brut (PIB)	**7.7**	**7.7**	**7.3**	**7.0**	**6.8**
Consommation (contrib. pts de PIB)	4.2	4.1	3.8	3.7	3.7
Investissement (contrib. pts de PIB)	3.5	3.7	3.4	3.2	3.0
Commerce extérieur (contrib. pts de PIB)	0.4	-0.2	0.0	0.0	0.0
Prix à la consommation	**2.6**	**2.6**	**2.0**	**2.5**	**2.9**
Solde public (en % du PIB)	**0.2**	**-0.9**	**-1.0**	**-0.8**	**-0.8**
Dette publique (en % du PIB)	**37.4**	**39.4**	**40.8**	**41.8**	**42.9**
Dette externe (en % du PIB)	**8.8**	**9.1**	**9.5**	**9.6**	**10.5**
Balance courante (en % du PIB)	**2.6**	**1.9**	**1.8**	**1.9**	**2.2**

INDE

Taux de croissance, en %	2012	2013	2014 (p)	2015 (p)	2016 (p)
Valeur Ajoutée (au prix de base)	**4.5**	**4.7**	**5.5**	**6.5**	**6.8**
Produit intérieur brut (PIB) (au prix du marché)	**4.7**	**5.0**	**5.5**	**6.5**	**6.8**
Consommation privée	5.0	4.8	5.3	6.0	6.0
Formation Brute de Capital Fixe	0.8	-0.1	6.1	9.0	11.2
Exportations	5.0	8.4	9.6	9.8	10.4
Importations	6.6	-2.5	7.8	9.3	11.2
Prix à la consommation	**10.2**	**9.5**	**7.8**	**7.5**	**6.7**
Solde public (en % du PIB)	**-7.4**	**-7.2**	**-7.2**	**-6.7**	**-6.5**
Dette publique (en % du PIB)	**66.6**	**61.5**	**60.5**	**59.5**	**58.5**
Dette externe (en % du PIB)	**21.3**	**24.8**	**25.9**	**25.5**	**25.1**
Solde courant (en % du PIB)	**-4.7**	**-1.7**	**-2.0**	**-2.2**	**-2.5**

(L'année fiscale commence le 1er avril)

BRAZIL

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**1.0**	**2.5**	**0.1**	**1.1**	**2.0**
Private consumption	3.2	2.6	1.1	1.2	2.0
Government consumption	3.3	2.0	2.0	0.6	0.7
Gross Fixed Capital Formation	-4.0	5.2	-7.0	1.0	3.4
Exports of goods and services	0.5	2.5	2.0	3.0	3.3
Imports of goods and services	0.2	8.4	0.0	2.5	2.8
Consumer prices (CPI)	**5.4**	**6.2**	**6.4**	**6.0**	**5.5**
Public balance (as % of GDP)	**-2.4**	**-3.3**	**-5.0**	**-4.3**	**-3.5**
Current account (as % of GDP)	**-2.4**	**-3.6**	**-4.0**	**-3.4**	**-3.0**

RUSSIA

Annual % change	2012	2013	2014	2015 (f)	2016 (f)
Gross Domestic Product (GDP)	**3.4**	**1.3**	**0.6**	**-1.0**	**0.5**
Private consumption	6.0	6.8	1.5	0.5	0.5
Public spending	2.5	-0.2	1.0	0.0	1.0
Gross Fixed Capital Formation	7.0	6.0	-4.0	-3.0	0.0
Exports of goods and services	1.4	4.2	0.6	-1.0	2.0
Imports of goods and services	8.8	3.7	-5.0	-2.0	0.0
Consumer prices (CPI)	**8.4**	**5.0**	**6.5**	**7.0**	**9.0**
Foreign debt (as % of GDP)	**31.0**	**32.0**	**32.0**	**32.0**	**32.0**
Budget balance (as % of GDP)	**0.8**	**0.0**	**-0.1**	**-0.5**	**-0.8**
Public debt (as % of GDP)	**11.0**	**12.0**	**13.0**	**13.0**	**14.0**

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