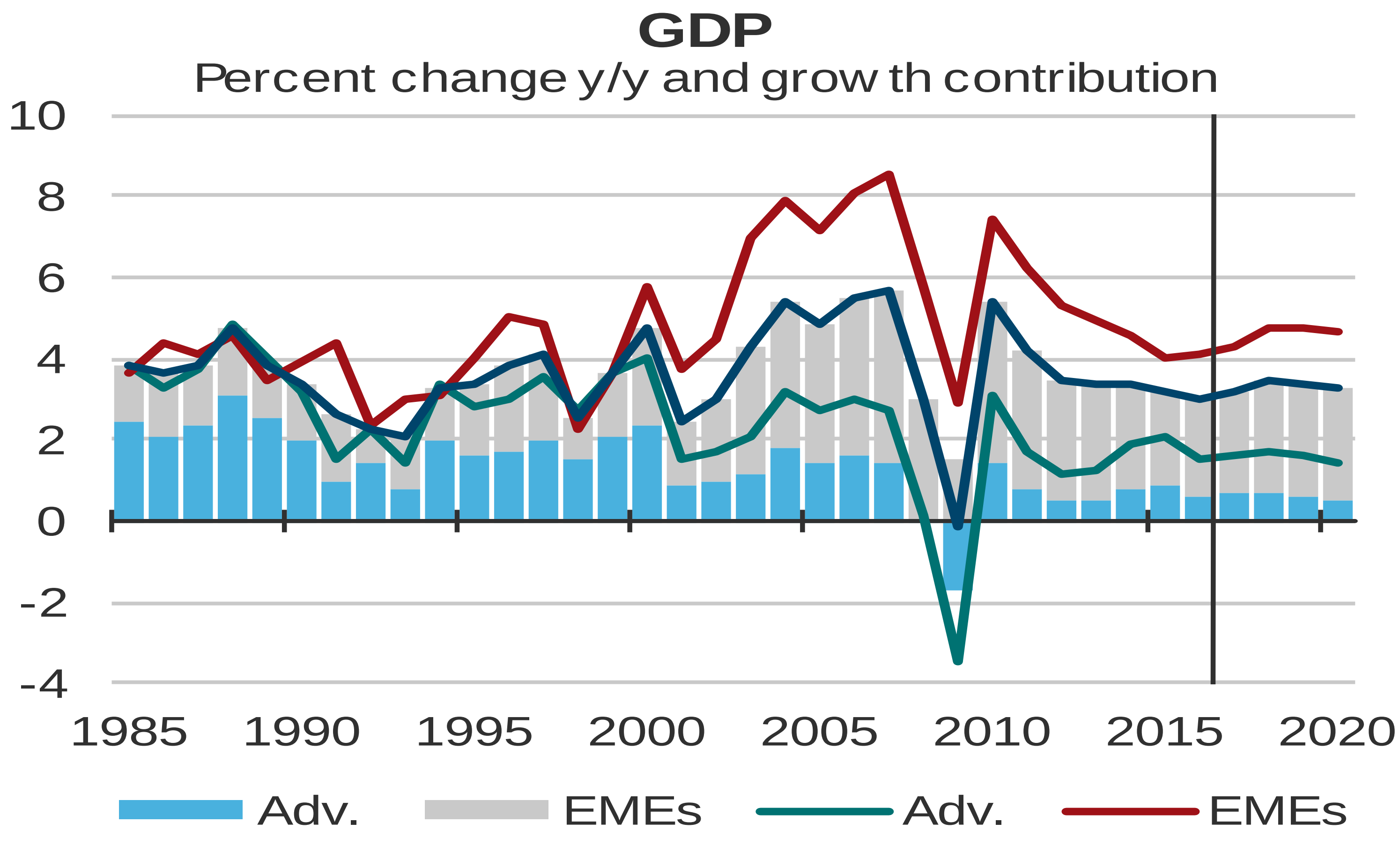
Economic Outlook for 2017 & beyond

Marine Money Conference, 25 January 2017

Senior Economist, Knut A. Magnussen, DNB Markets

EMEs lifting global growth once again

Higher global growth, despite higher risk



Source: IMF WEO/Thomson Datastream/DNB Markets

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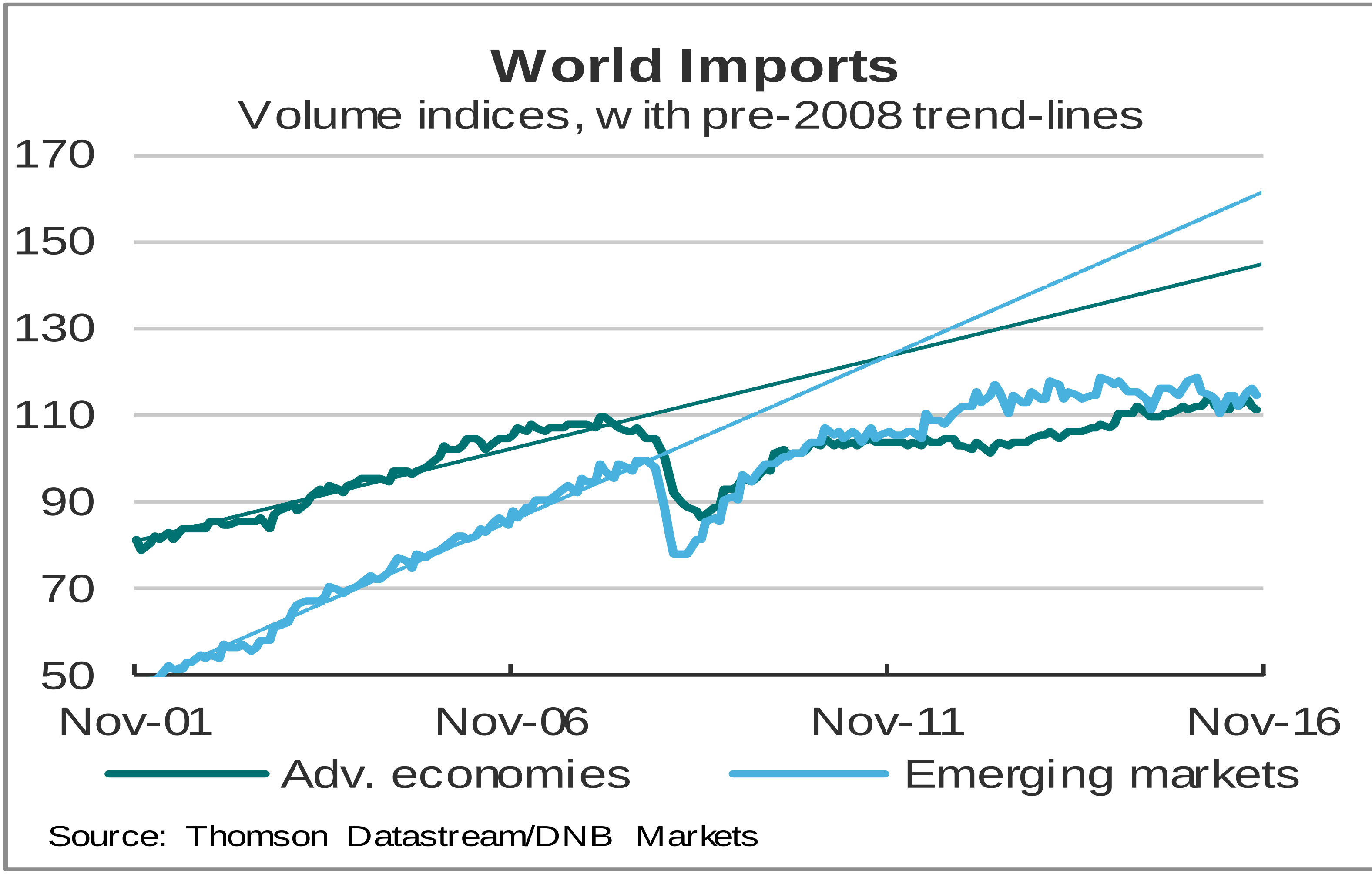
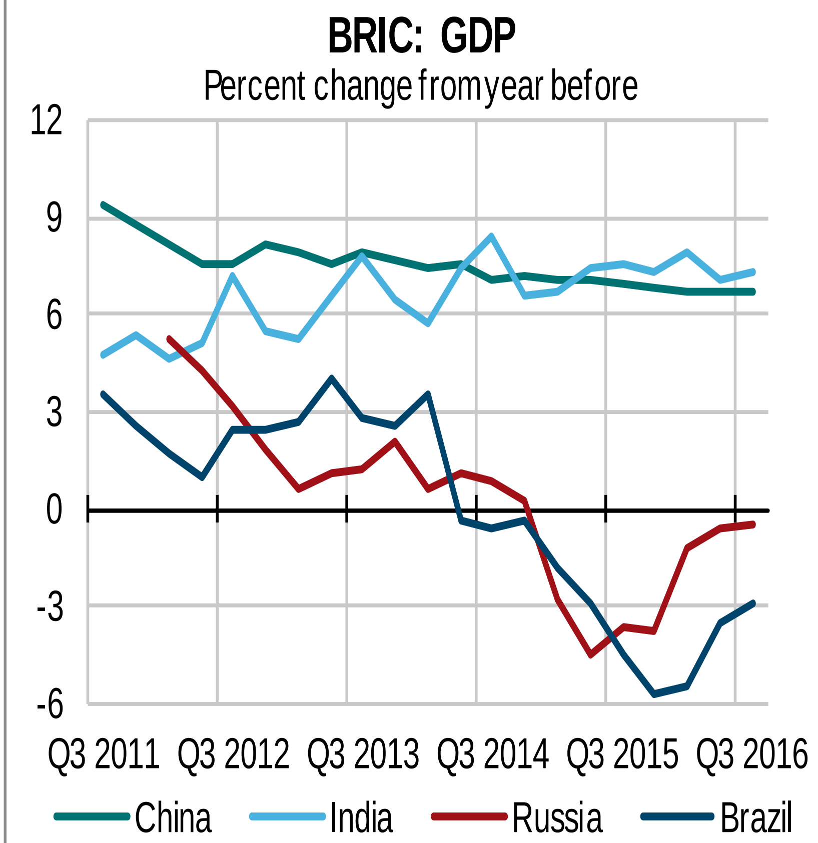
Protectionism not the answer - redistribution is

But, global trade much weaker than before

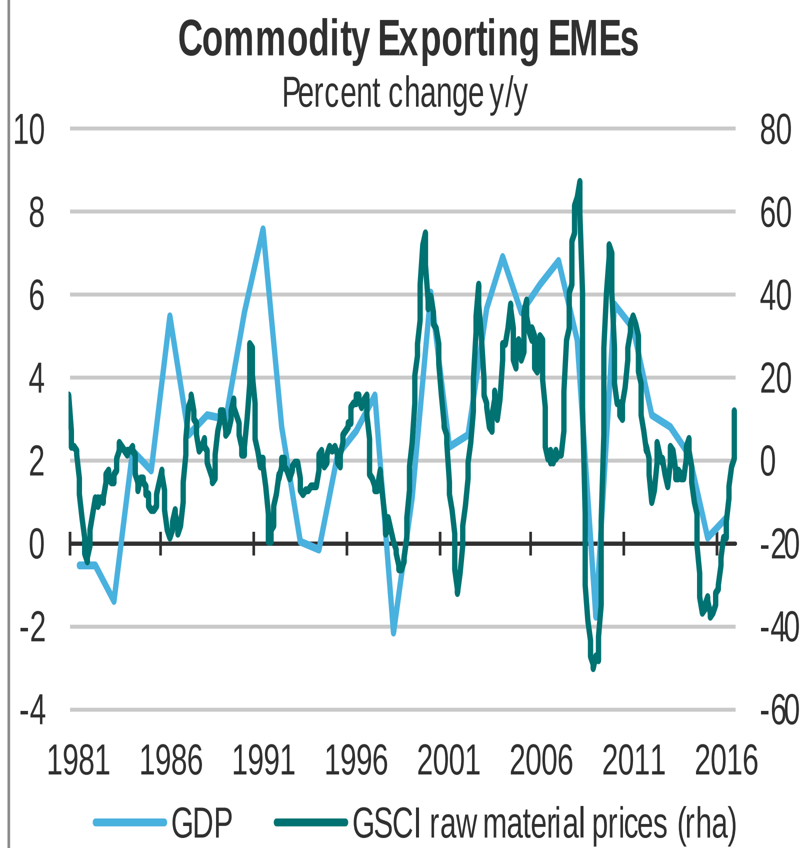


Brazil and Russia are finally escaping recession

EMEs: Lifted by commodity prices



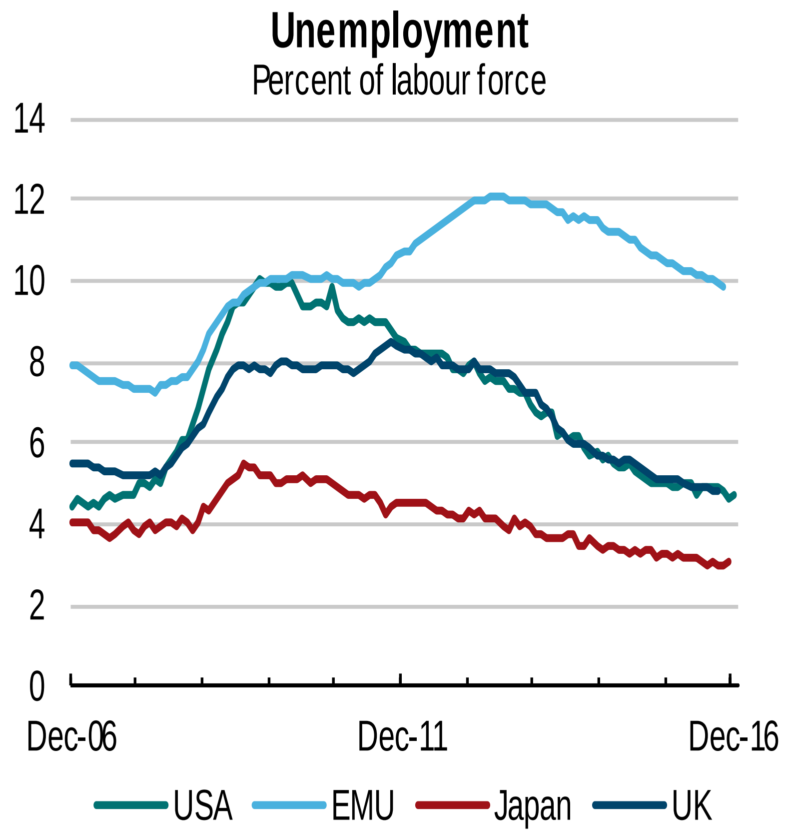
Source: Thomson Datastream/DNB Markets.
BRICs account for 53% av EMEs, 30% of world



Source: Thomson Datastream/DNB Markets

Massive stimulus is finally paying off

OECD: Unemployment falling, inflation rising



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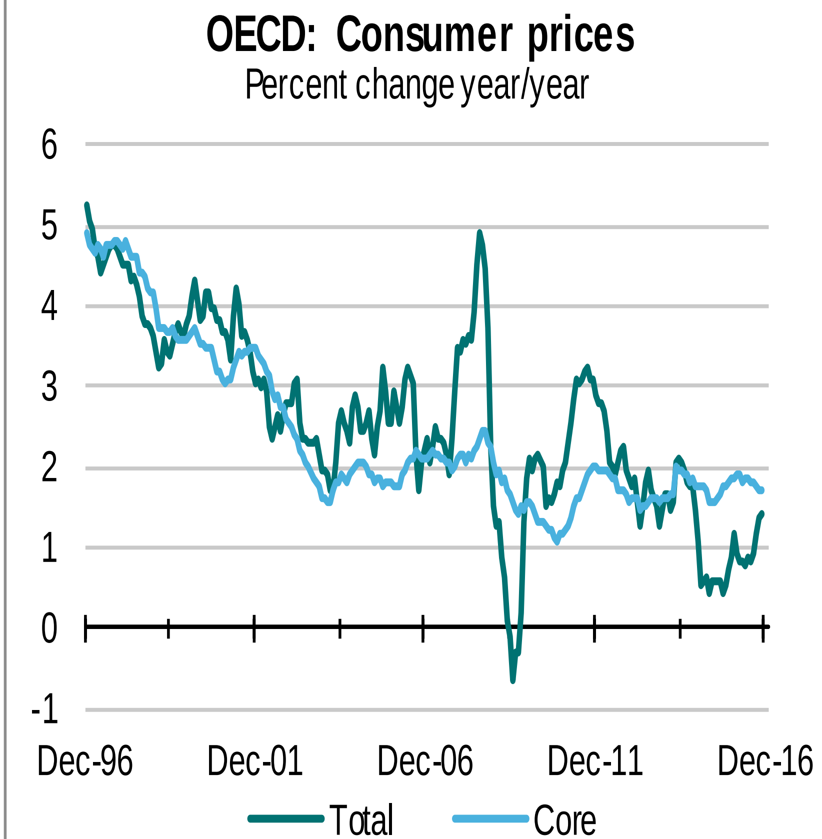

Source: Thomson Datastream/DNB Markets

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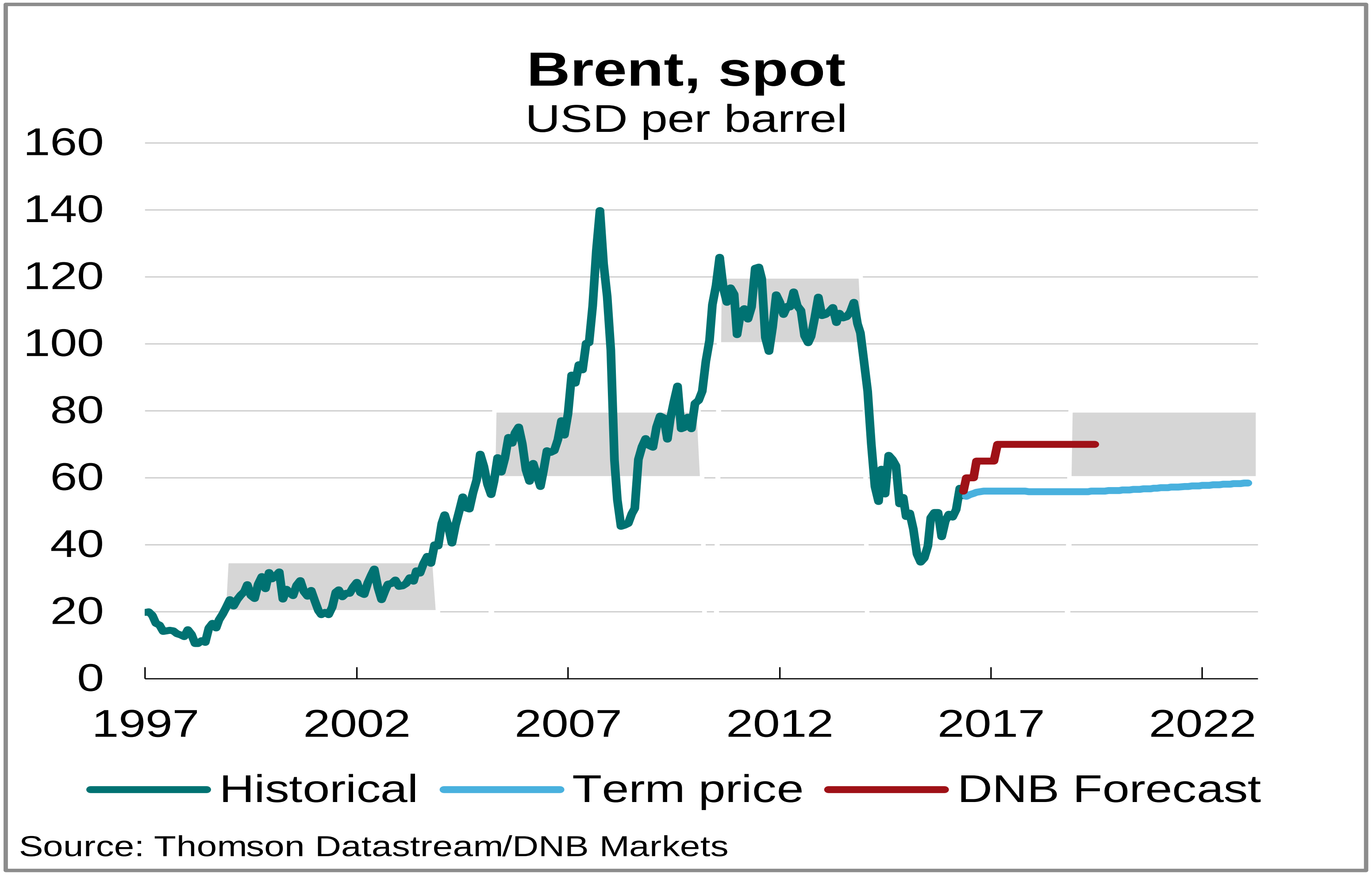
Brent to reach 65$/b in 2017 and 70$/b in 2018

Oil market back in balance



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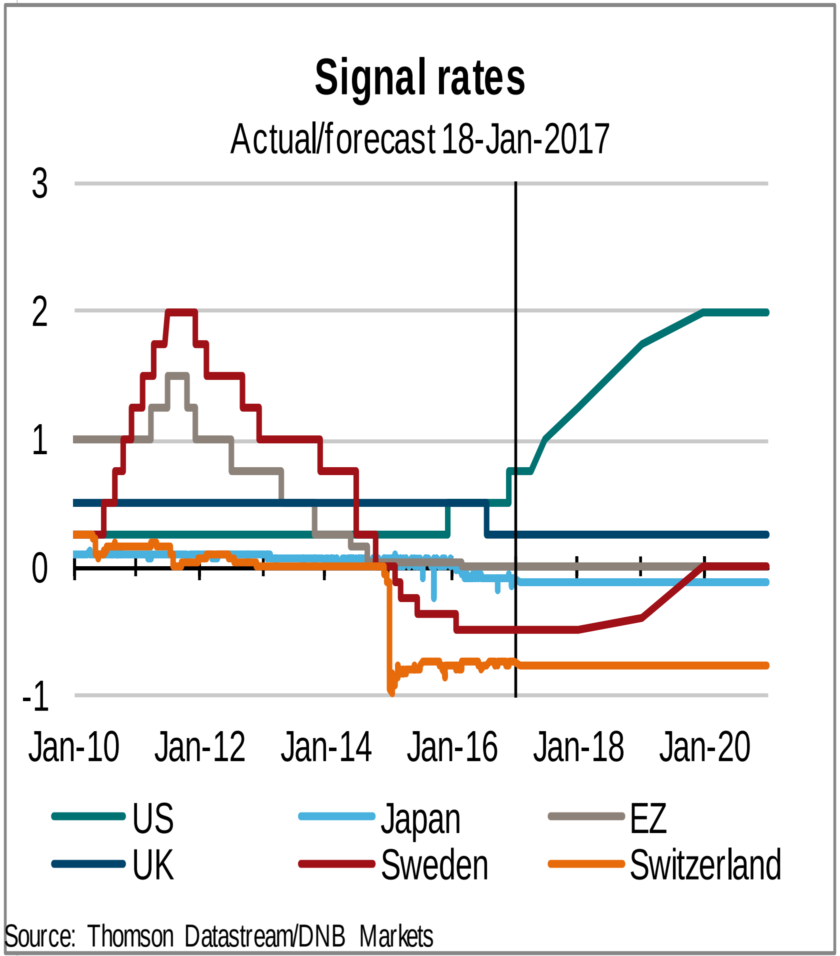
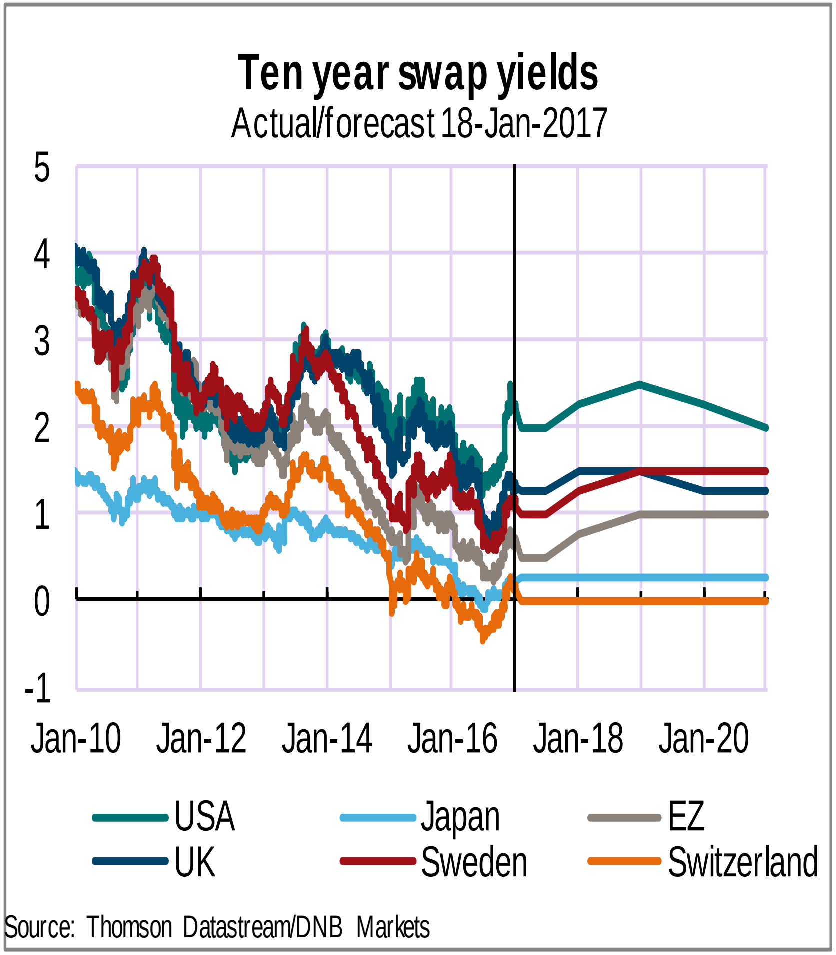
QE to be scaled down very gradually

Still very easy monetary policy



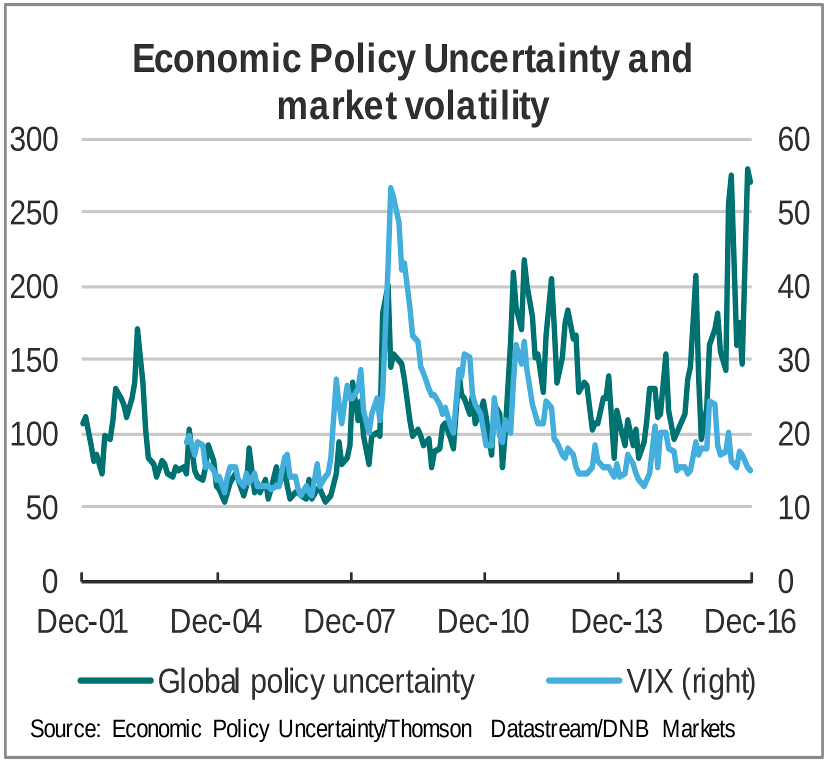


Political risk factors high on the agenda

1. Trade barriers and protectionism
2. Elections in Europe
3. “Hard” Brexit

4. Chinese corporate credit
5. More aggressive Fed tightening
6. European banks

7. Geopolitical tensions (Russia, China, Middle-East, terrorism, refugee crisis)



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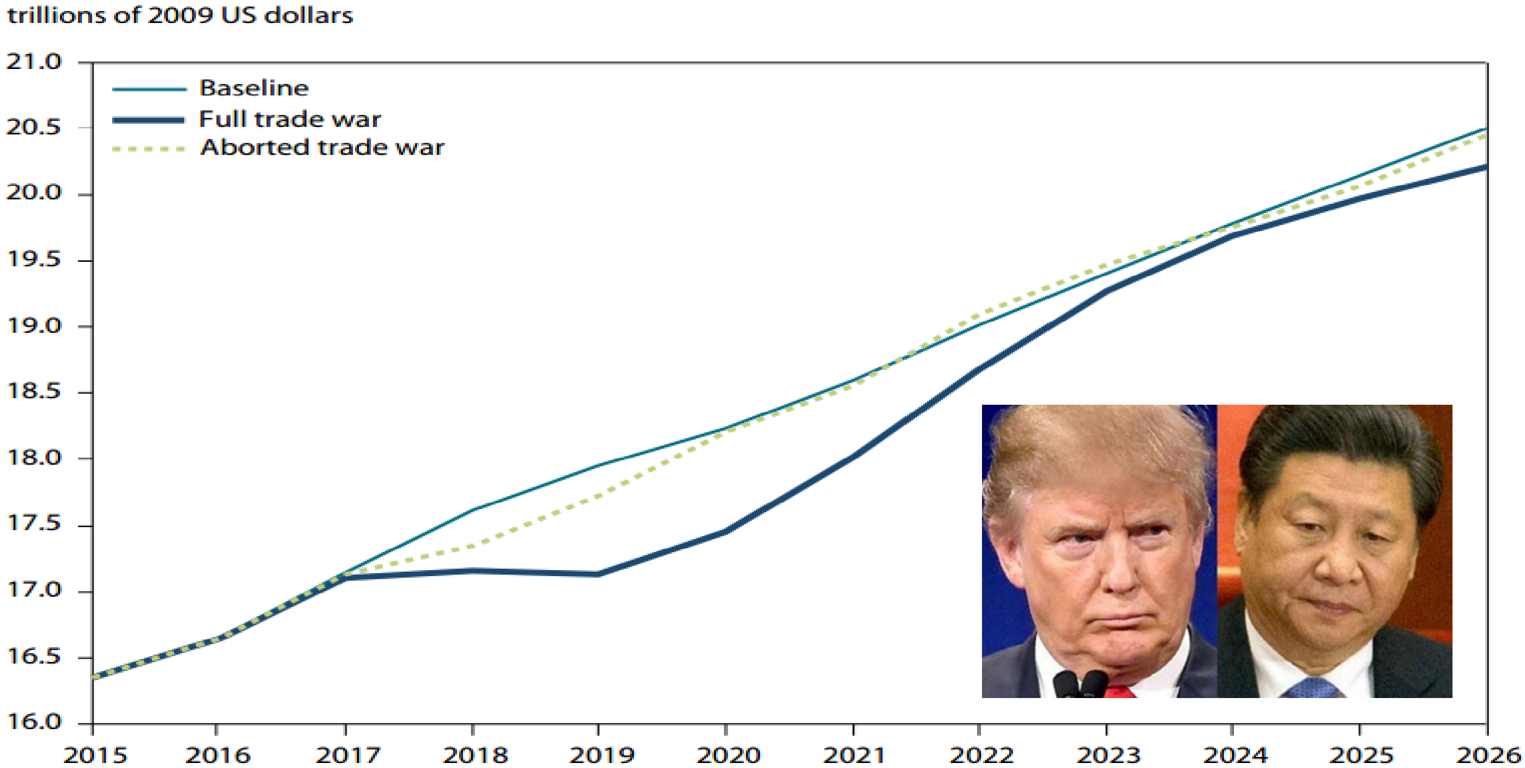
Trade war my cause a US recession

Figure 2.2 Projected US GDP under baseline, full trade war, and aborted trade war scenarios, 2015–26



Source: Authors' calculations.

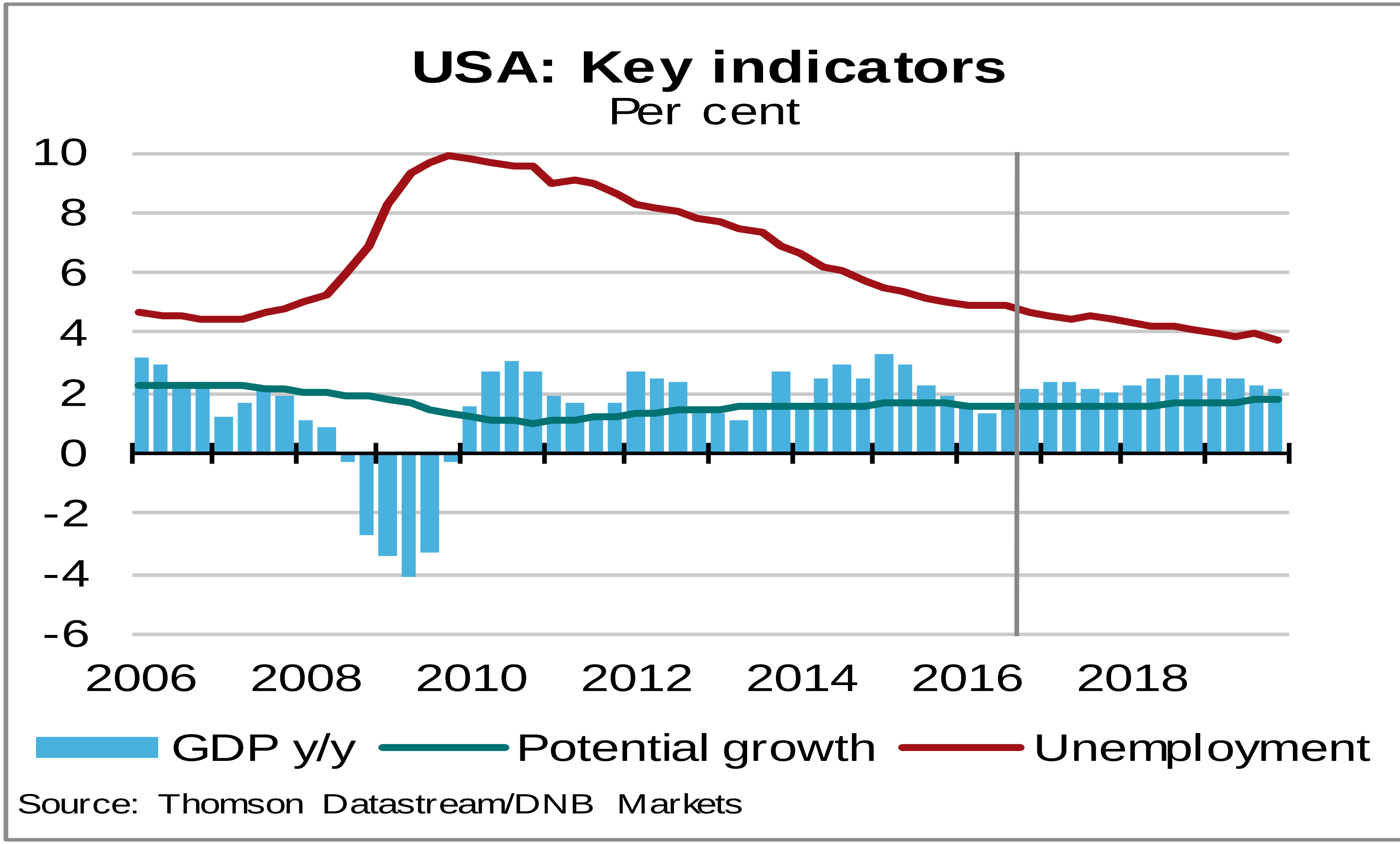
Election-year: Italy and France most at risk

Country	Support for main eurosceptic party	Policy of main eurosceptic party	Approval for the euro	Average GDP growth since 2008	Unempl. (latest)	Youth unempl (latest)
Italy	29%	Euro referendum	54%	-0.2%	10%	39.4%
France	26%	EU referendum	69%	1.1%	7.8%	25.9%
Netherlands	21%	EU referendum	77%	1.0%	4.7%	10.3%
Germany	13%	EU referendum	73%	2.0%	3.8%	6.7%

Source: Thomson Datastream/Eurobarometer/DNB Markets

Trump to launch fiscal package

Risk of US overheating



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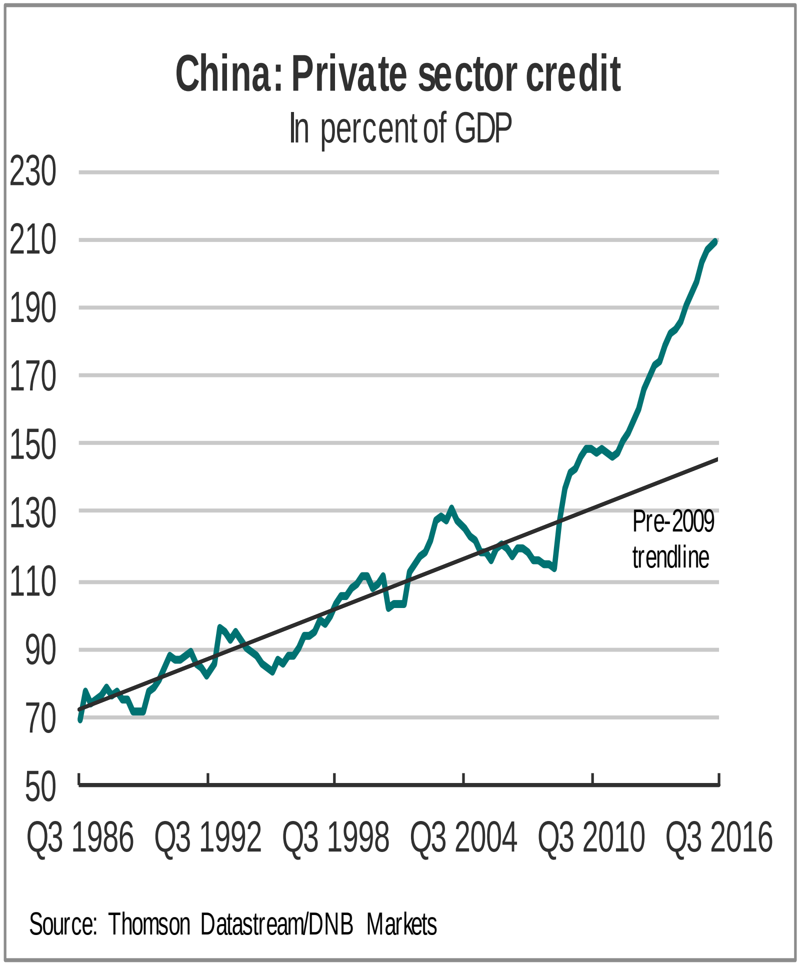
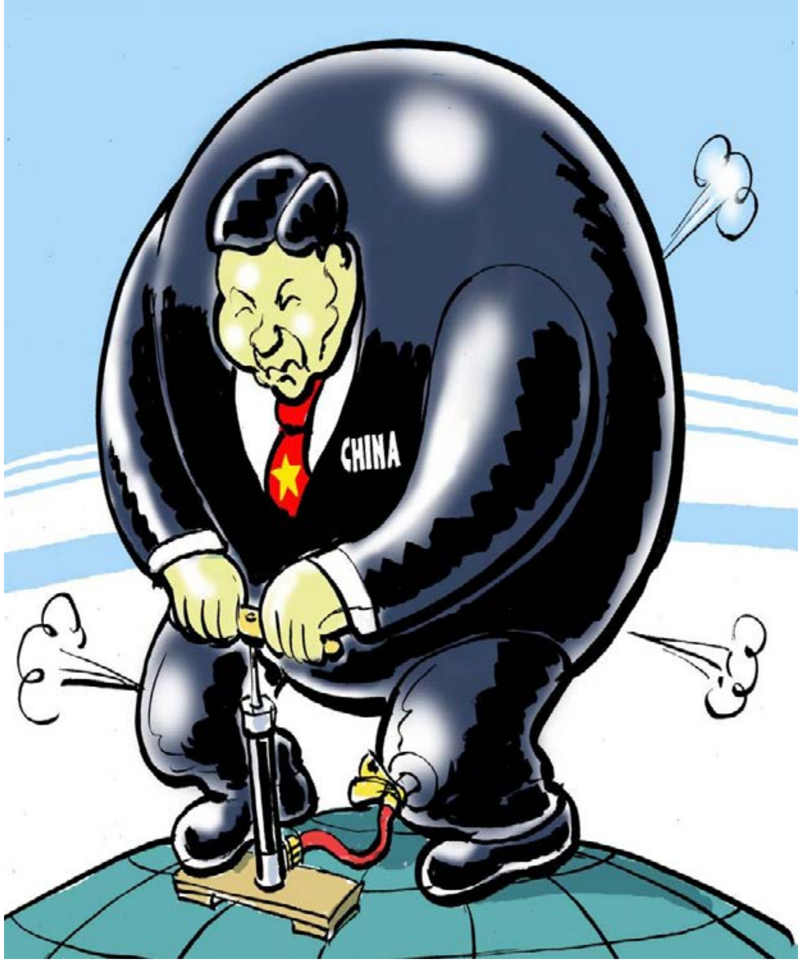
Corporate debt bubble in China?





Memo: Global forecasts

GDP. Per cent change from preceding year

						Change Aug 2016				Consensus	
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2017	2018
World	3.0	3.2	3.4	3.4	3.3	0.1	0.0	0.1	0.0	3.6*	3.7*
Advanced economies	1.5	1.6	1.7	1.6	1.4	0.1	0.3	0.2	0.1	1.8**	1.8**
USA	1.7	2.2	2.5	2.4	1.9	0.2	0.5	0.6	0.2	2.3	2.3
Eurozone	1.7	1.4	1.3	1.3	1.3	0.1	0.1	0.1	0.1	1.4	1.5
UK	2.0	1.9	1.4	1.1	0.8	0.0	1.0	0.2	-0.7	1.4	1.4
Japan	0.9	0.7	0.5	0.5	0.4	0.4	0.0	-0.1	0.0	1.1	0.9
Emerging economies	4.1	4.3	4.7	4.8	4.7	0.1	-0.3	-0.1	0.0	5.4***	5.6***
China	6.8	6.6	6.3	5.9	5.7	0.0	0.0	0.0	0.0	6.4	6.1
India	7.6	6.5	8.0	8.0	8.0	0.0	-1.0	0.5	0.5	6.8	7.5
Brazil	-3.5	-0.9	1.0	2.0	2.0	0.0	-1.4	-0.5	0.0	0.8	2.5
Russia	-0.6	1.0	1.5	1.5	1.5	0.0	0.0	0.0	0.0	1.1	1.6

Source: DNB Markets

*Weighted average of industrialized economies and BRIC

**Weighted average of G3, UK, Norway and Sweden

***Weighted average of the BRIC-countries

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