

The International Environment of Europe

AIECE Autumn Meeting 3-4 November 2016



The world economic growth slows in 2016, contrary to the past expectations. The recovery is expected for 2017

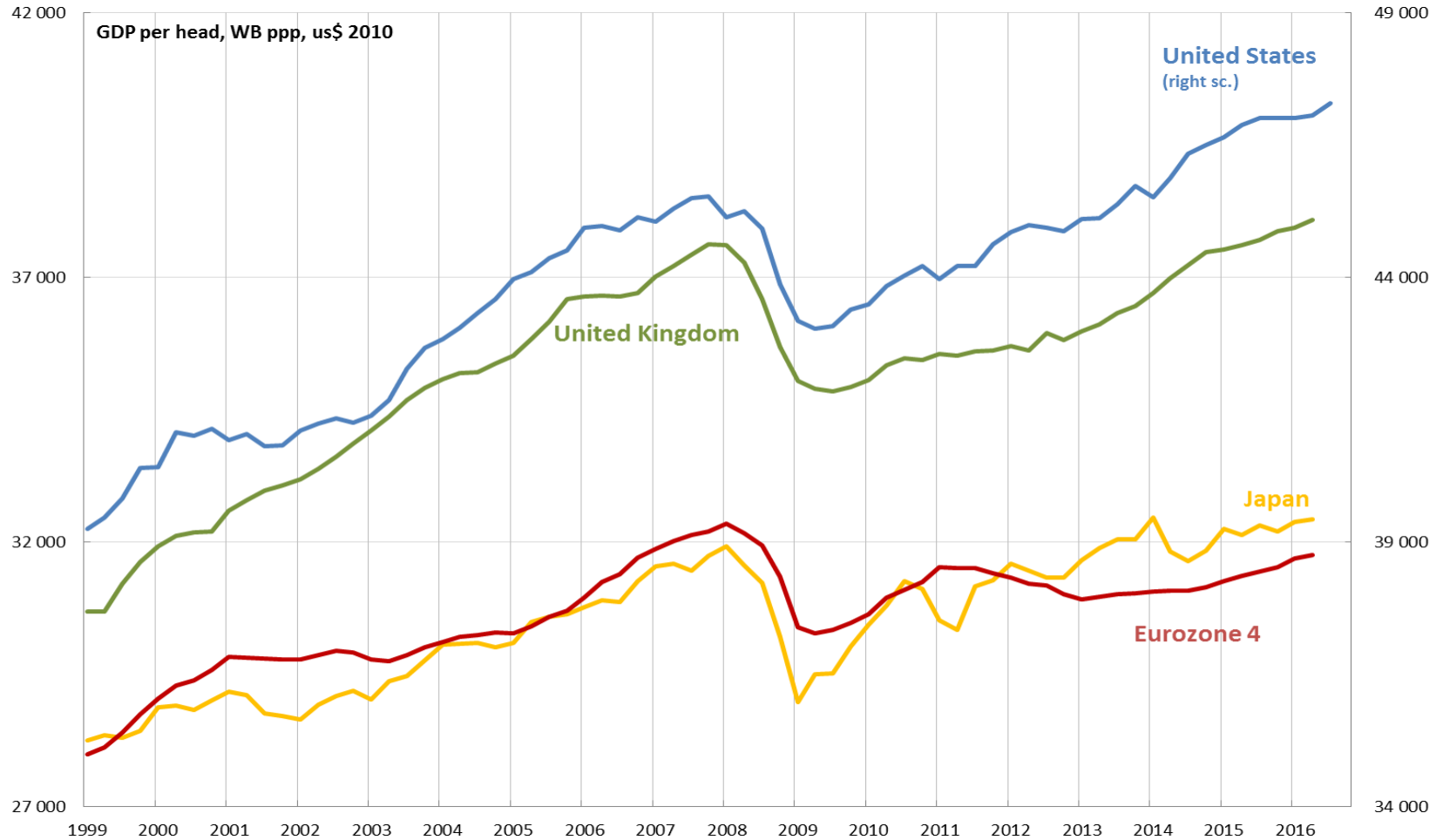
- No acceleration of the world growth in 2016
- Revision of 0,5 point in relation with the october 2015 IMF projections, especially for the advanced economies (United States, Japan) and the Latin America
- The low point of the world growth should occur in 2016

	Weight 2014	2014	projections IMF oct 2016		Revisions / oct 2015	
			2015	2016	2015	2016
World	100	3,4	3,2	3,1	0,1	-0,5
Advanced economies	42,9	1,9	2,1	1,6	0,1	-0,6
European Union	14,6	1,6	2,3	1,9	0,4	0,0
United States	15,9	2,4	2,6	1,6	0,0	-1,2
Japan	4,4	0,0	0,5	0,5	-0,1	-0,5
Emerging market and developing economies	57,1	4,6	4,0	4,2	0,0	-0,3
Commonwealth of Independent States	4,7	1,1	-2,8	-0,3	-0,1	-0,8
Emerging and developing Asia	29,9	6,8	6,6	6,5	0,1	0,1
Emerging and developing Europe	3,3	2,8	3,6	3,3	0,6	0,3
Latin America and the Caribbean	8,6	1,0	0,0	-0,6	0,3	-1,4
Middle East and North Africa	7,6	2,6	2,1	3,2	-0,2	0,4
Sub-Saharan Africa	3,1	5,1	3,4	1,4	0,4	2,9

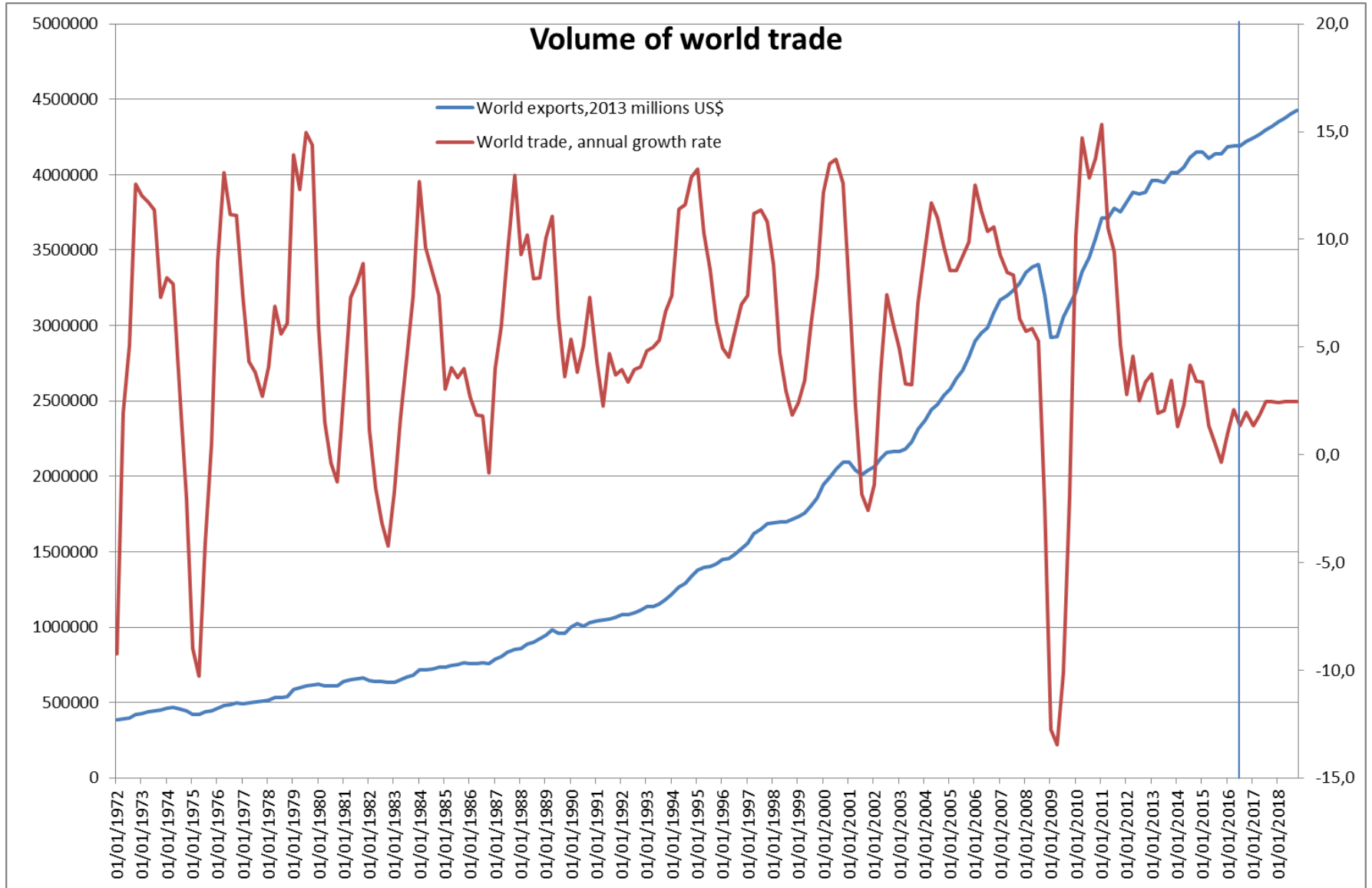


In the developed countries, growth remains desperately moderated

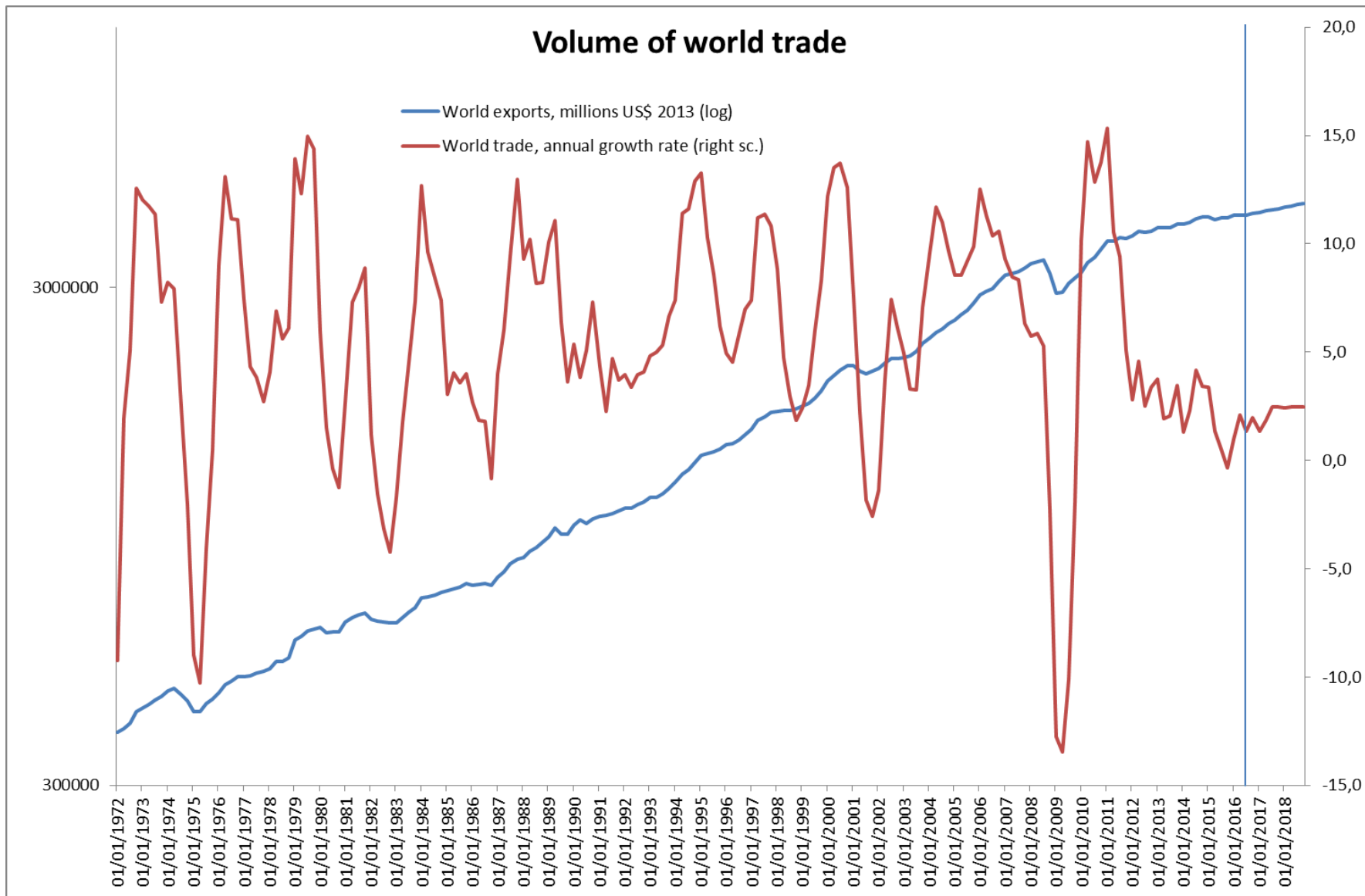
- Sharp slowdown in the US since the end of 2014
- Little or no inflation pressures



And a world trade rhythm which seems definitely lower than in the past



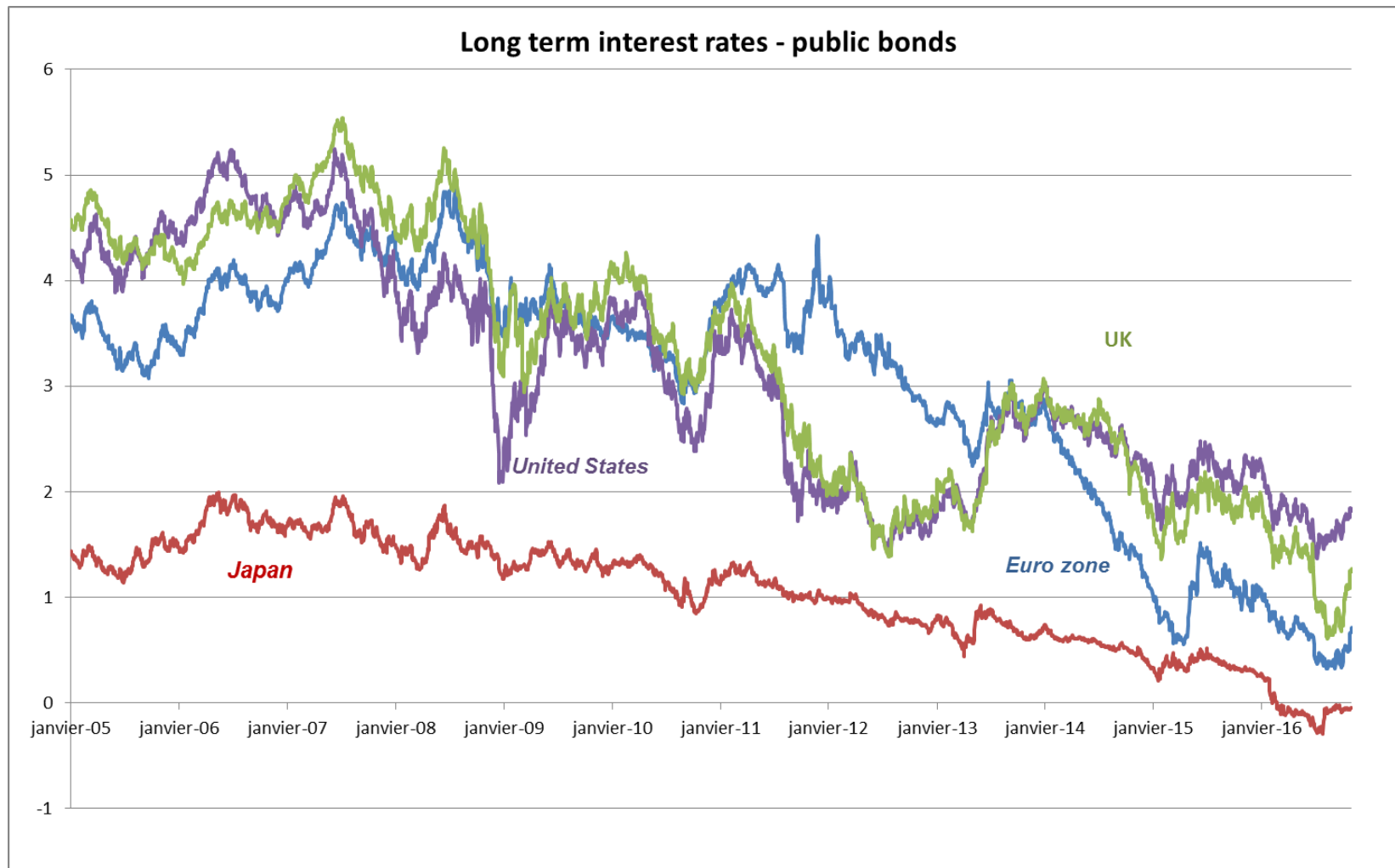
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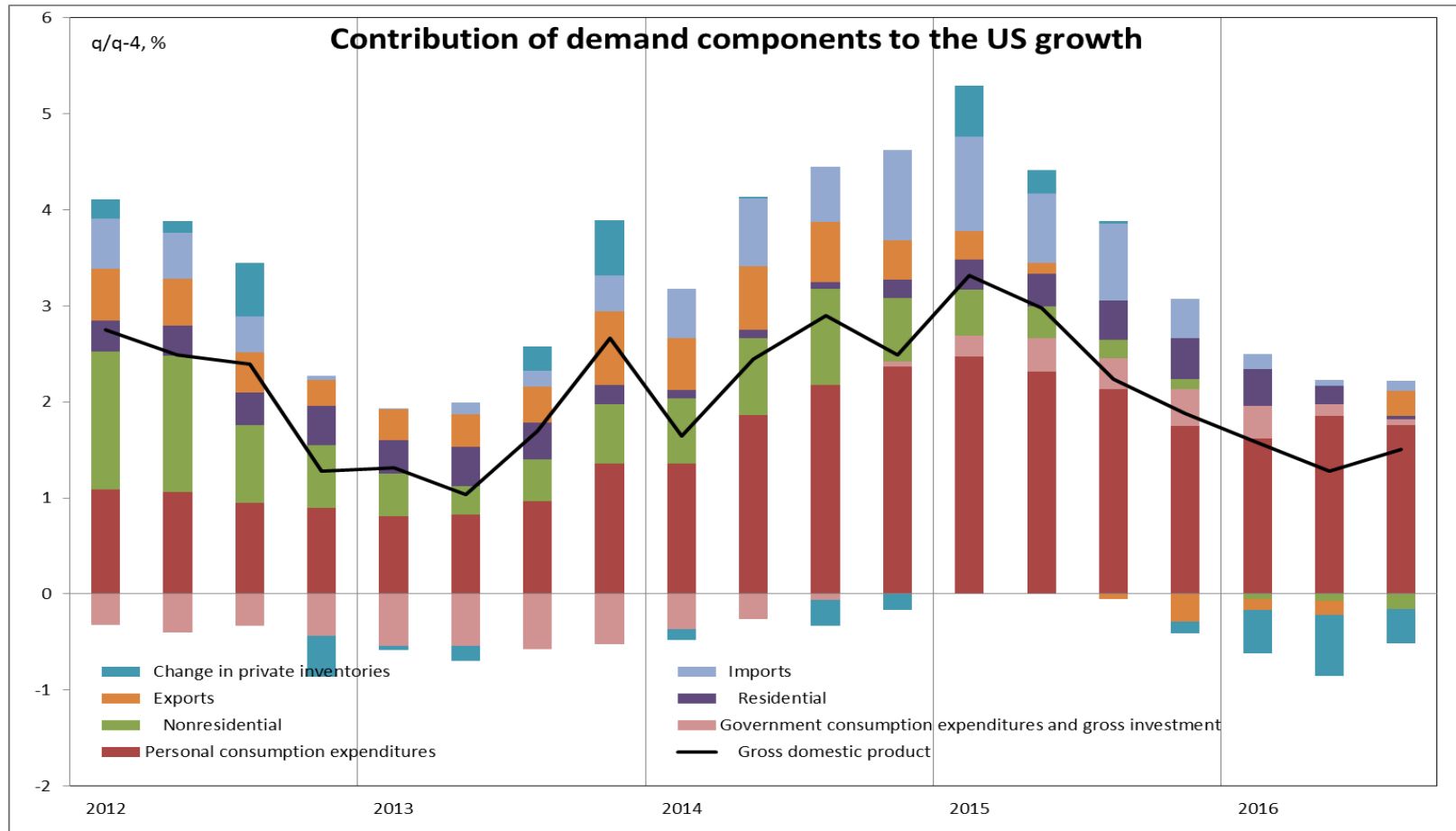
In this context, monetary policies are very accommodative

- Mainly in Europe
- The increase of the Fed Funds in US is more a normalization process than a monetary tightening
- Long term interest rates continued to decrease even in the US until the UK referendum results



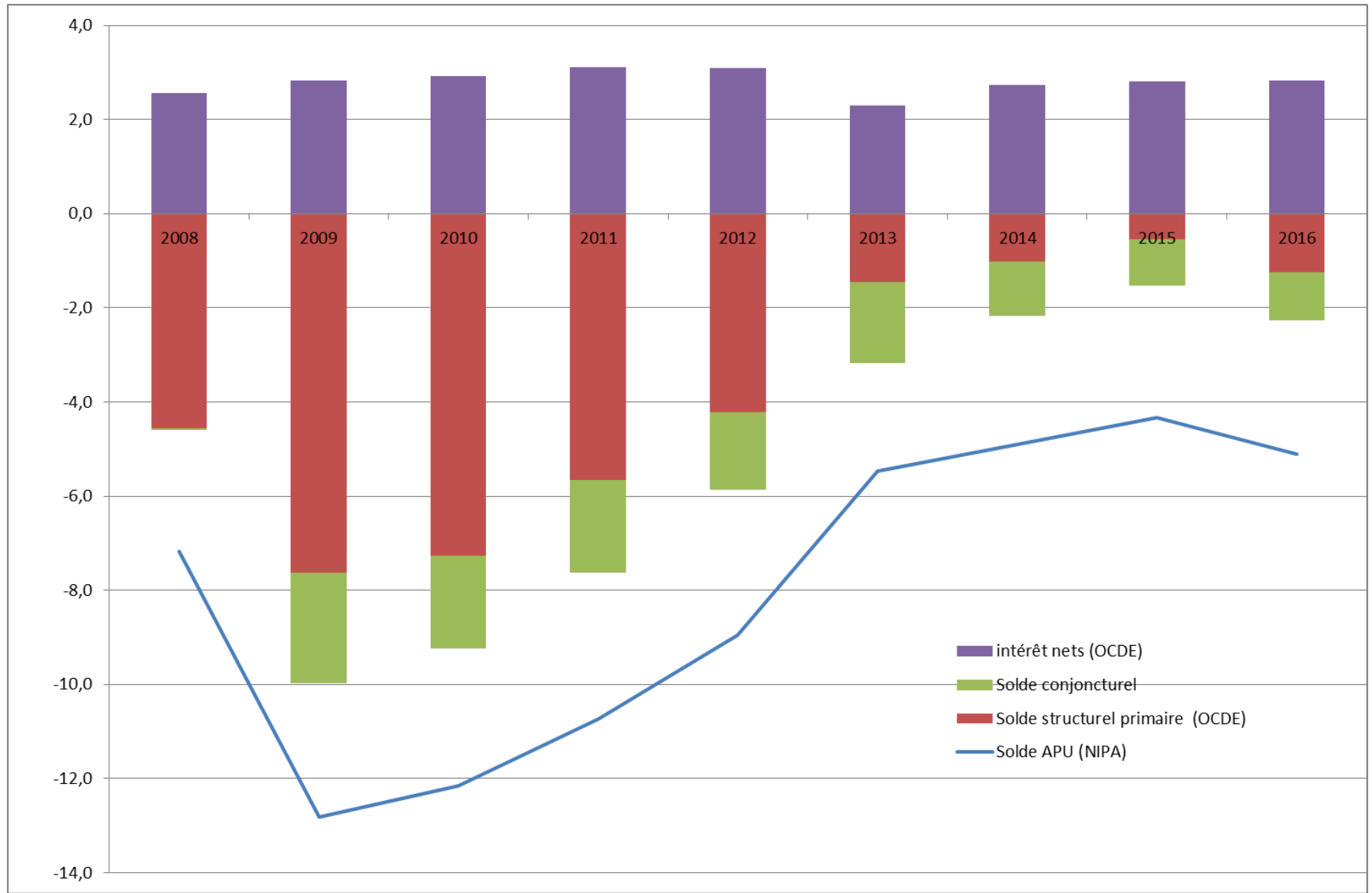
United States: cyclic turnaround or just a short pause ?

- Despite a strong annual average in 2015 (2,6 %), the US growth has sharply slowed since the end of 2014
- Households consumption is supporting the growth from 2014 (more than 2,5 % in annual growth)
- but the residential investment cycle stopped at the beginning of the 2015 .
- Exports have had a negative contribution to the growth until the Q2 2016
- And above all, private investment of corporates is sharply contracting
- Inventories contribution is negative



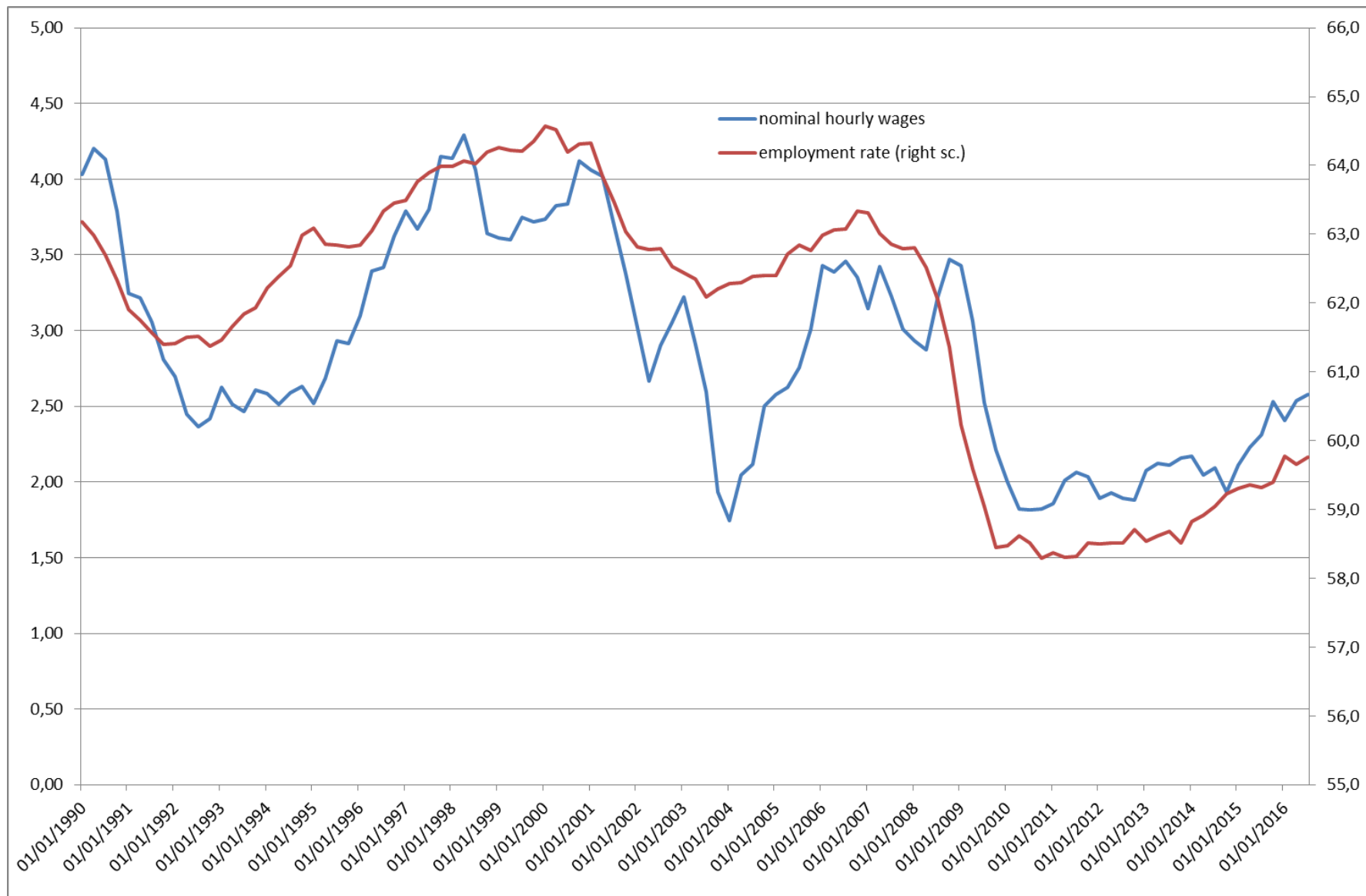


In 2016, the US economy is supported by the budgetary policy, more than in 2015 and probably 2017...



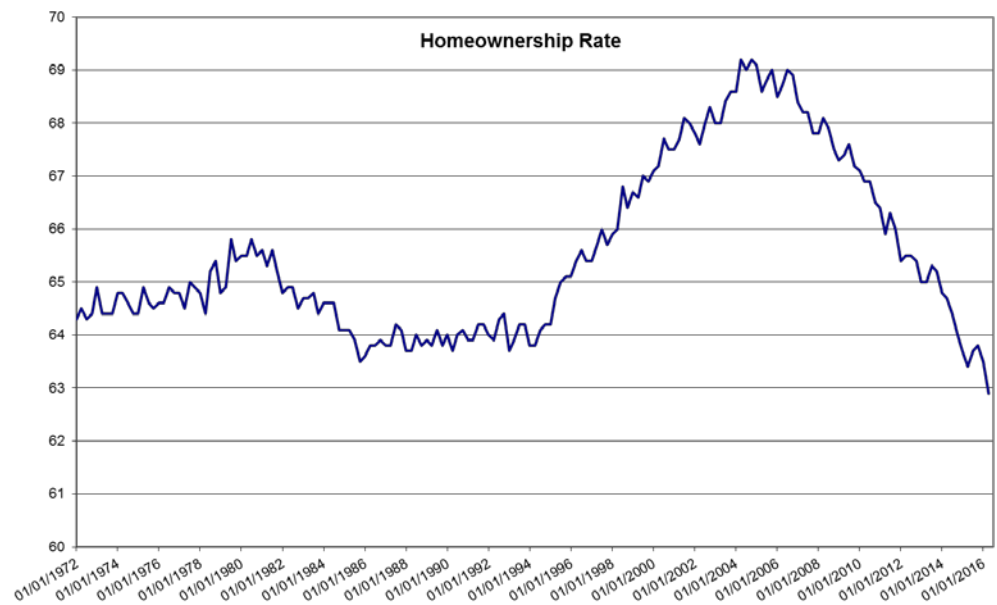
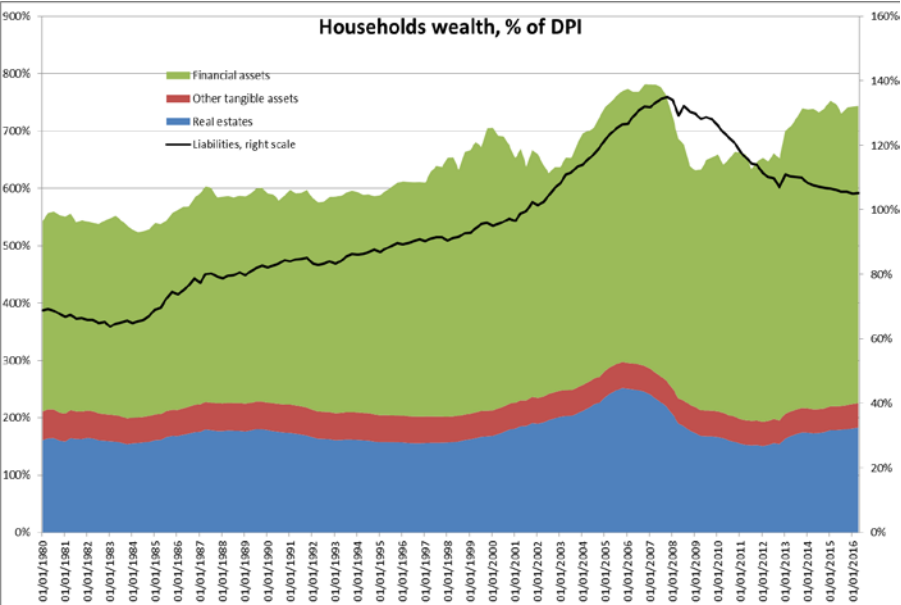
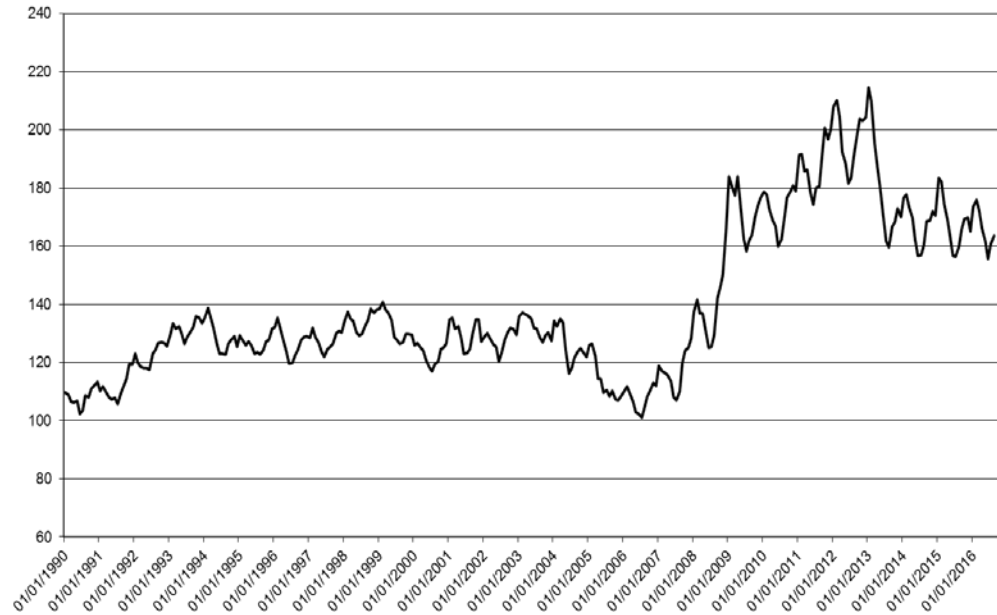
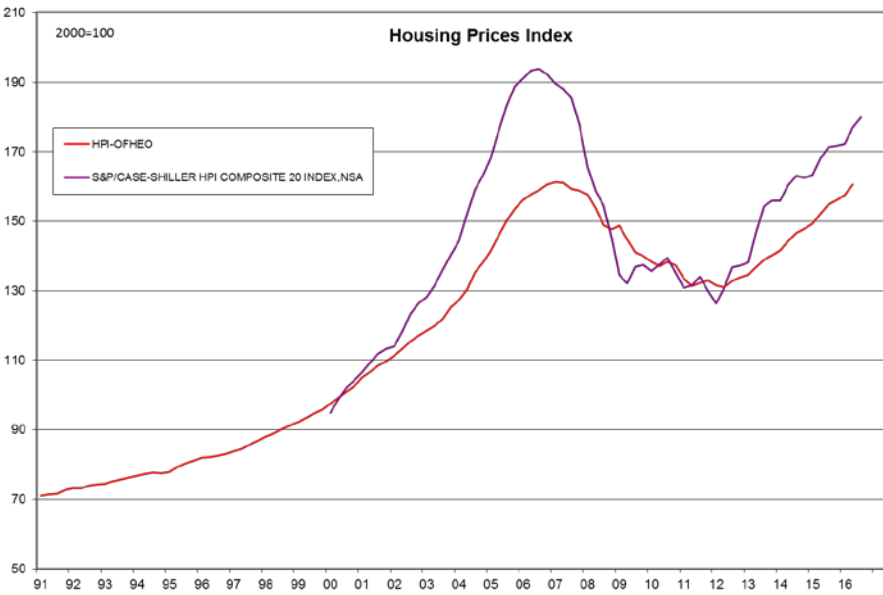


Households benefit from the strenghtening of the labour market to consume



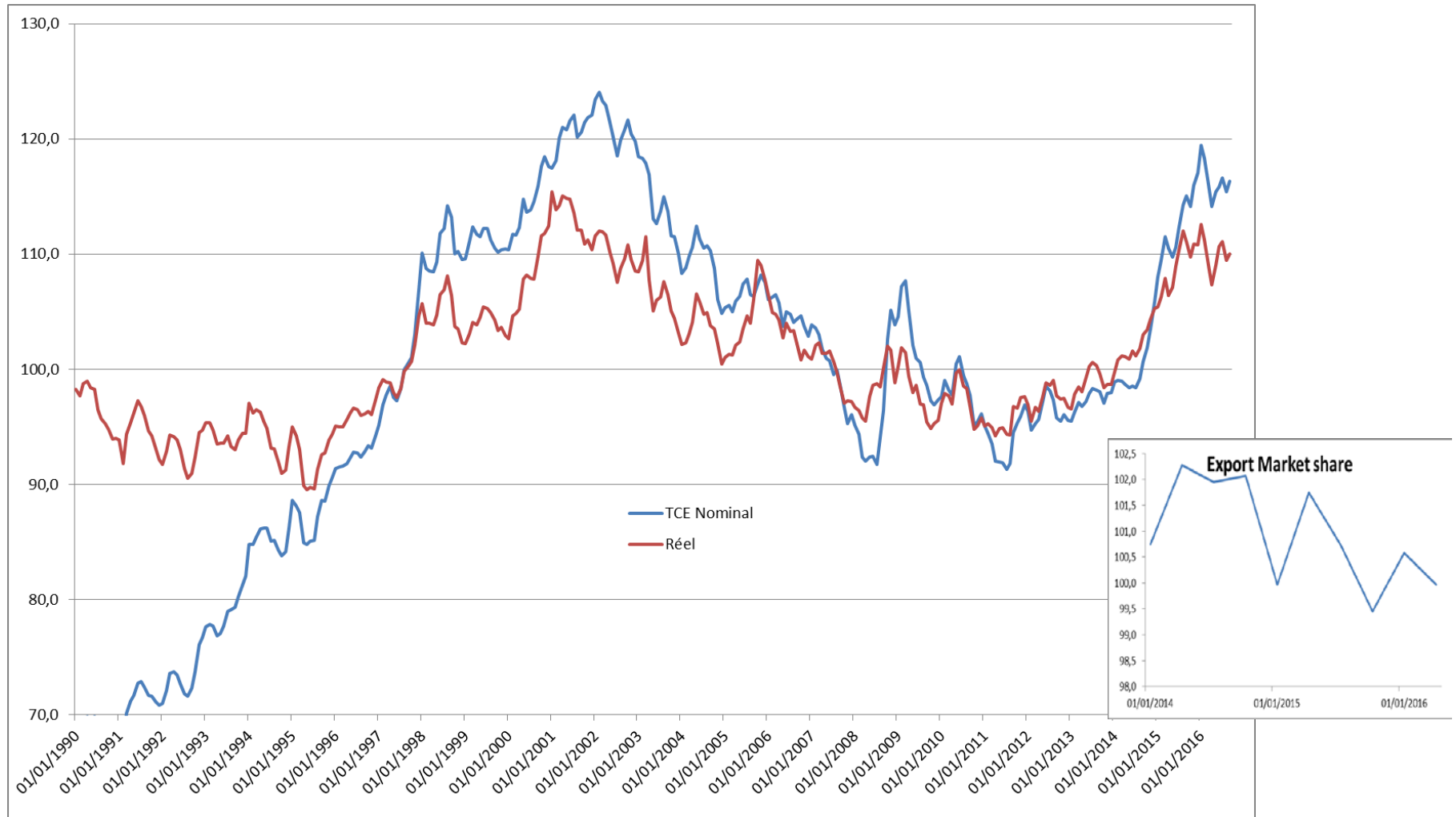
But the housing market still remains very vulnerable

affordability index



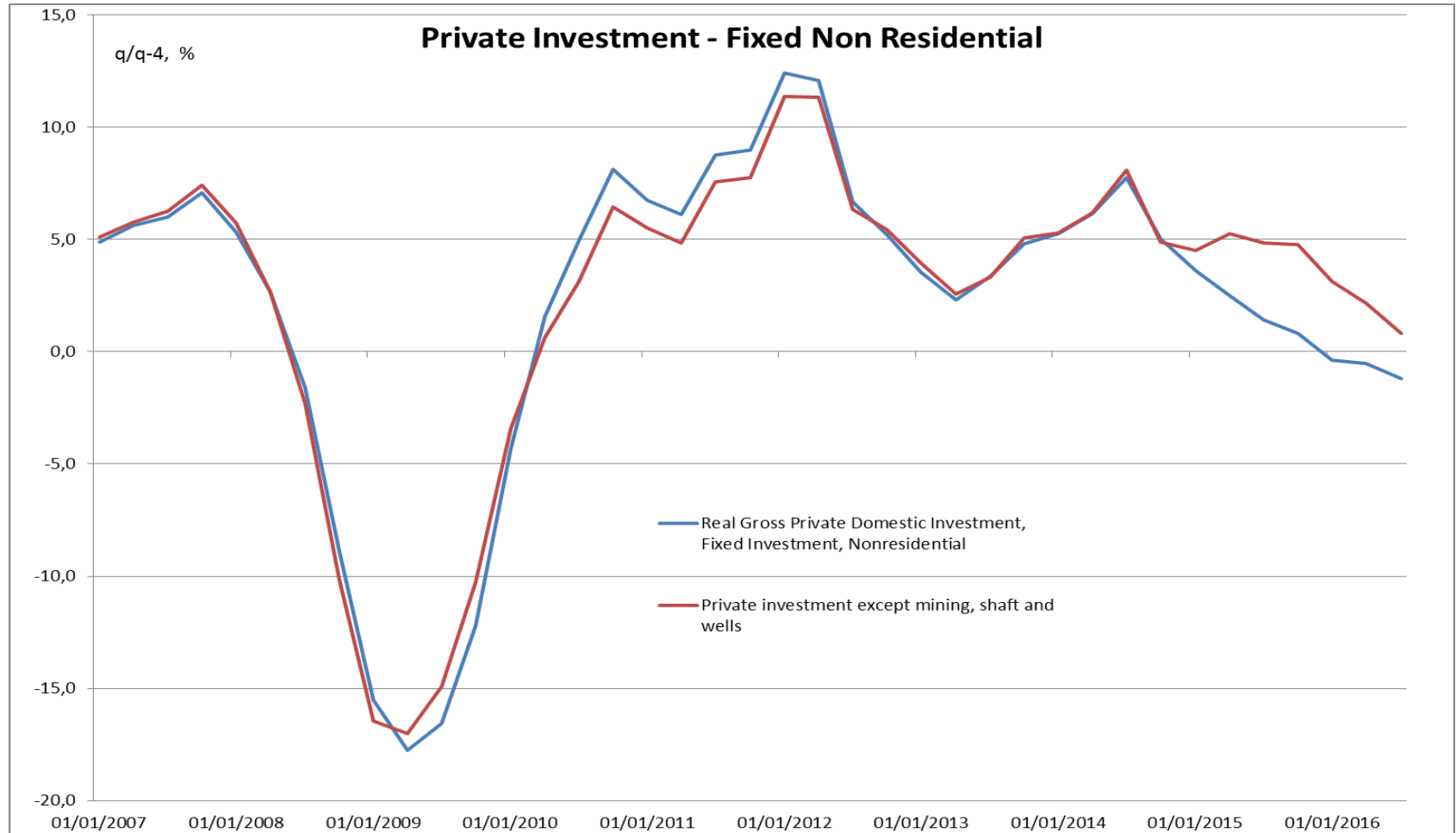
The increase of the US\$ exchange rate puts pressure on the external performances

- - 0,5 point growth in 2015 and -0,5 point in 2016
- Decline of the export market share at a times the world trade progresses at around 1,5 % /year



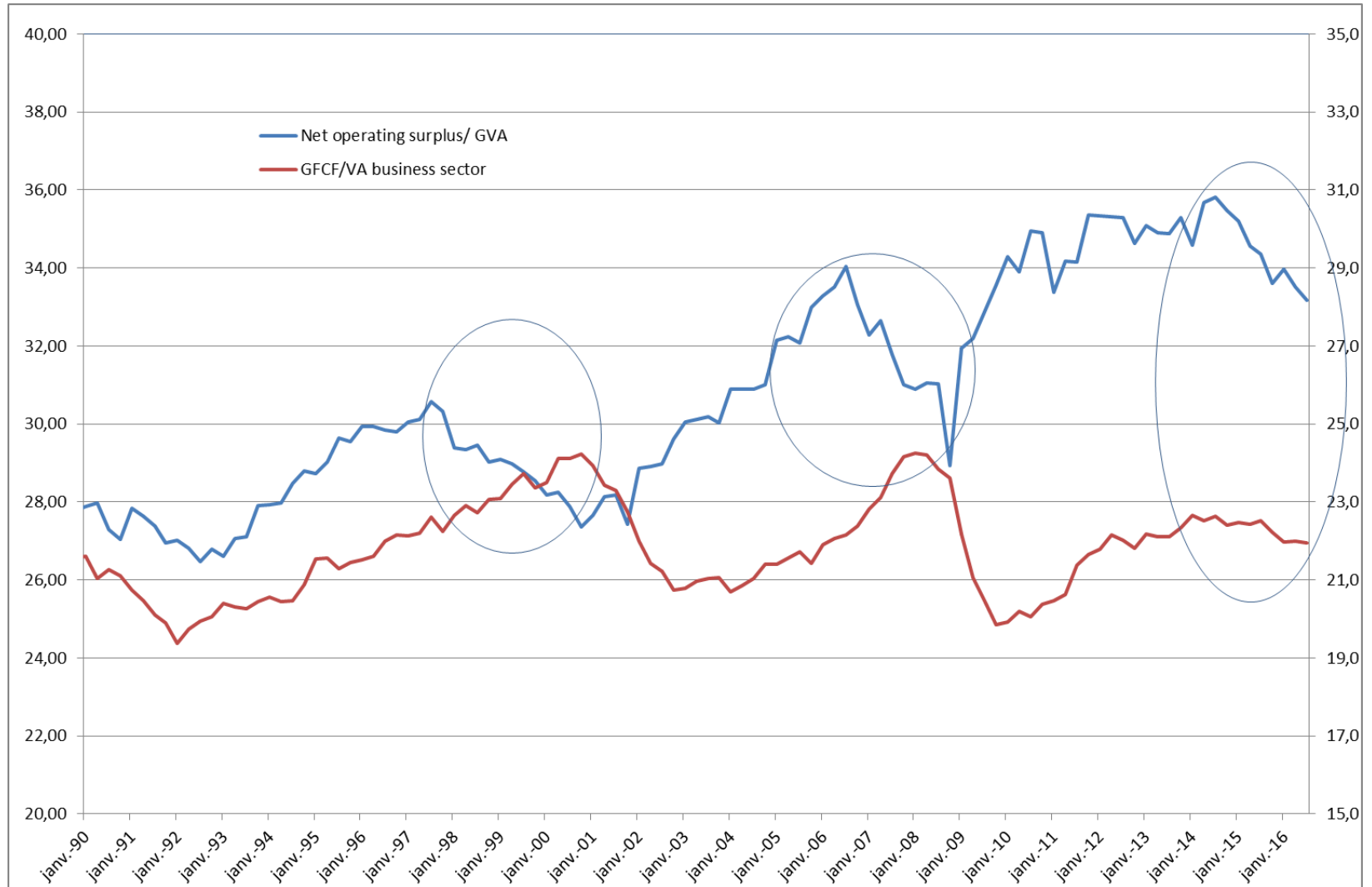
Non residential investment : have the US corporates reached the top of the investment cycle ? (1)

- The 70% fall of the oil price has had a strong and immediate negative effect on the investment in the US shale industry.
- Except this sectorial effect, the private investment rate decreased significantly in 2016 : 0,8 % in Q3 2016/Q3 2015 after 5,2 % in Q2 2015/Q2 2014



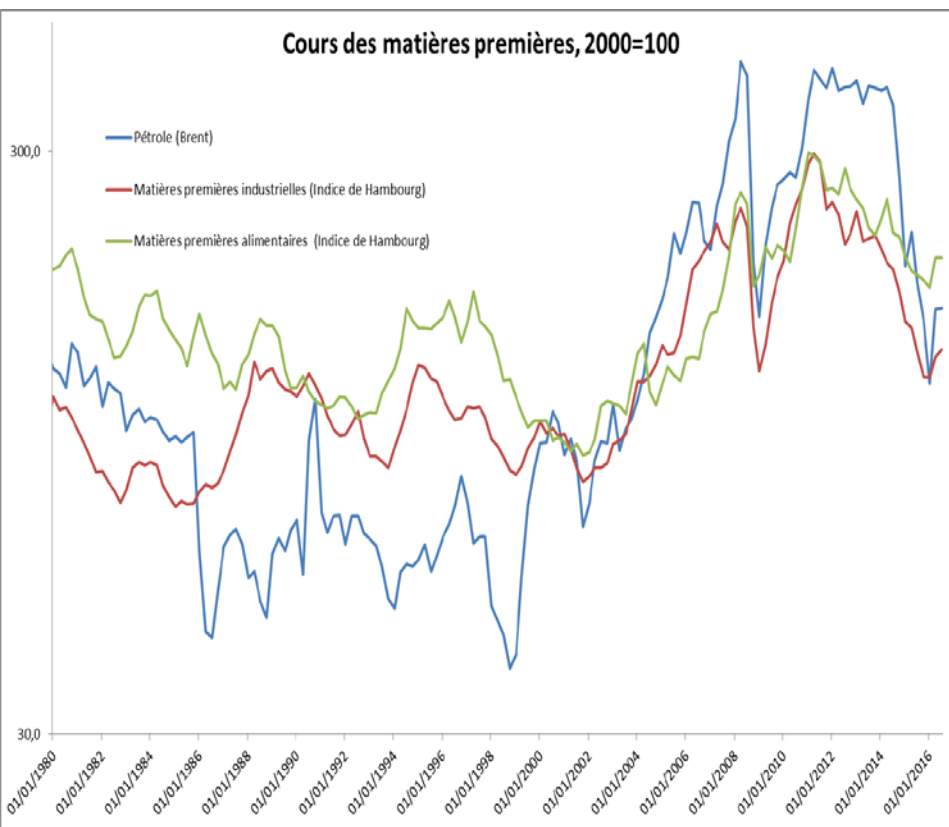
Non residential investment : have the US corporates reached the top of the investment cycle ? (2)

- The margin rate downturned in 2014 with the increase of the labor costs.
- This downturn occurs traditionnaly 2 or 3 years before the decrease of the investment rate.



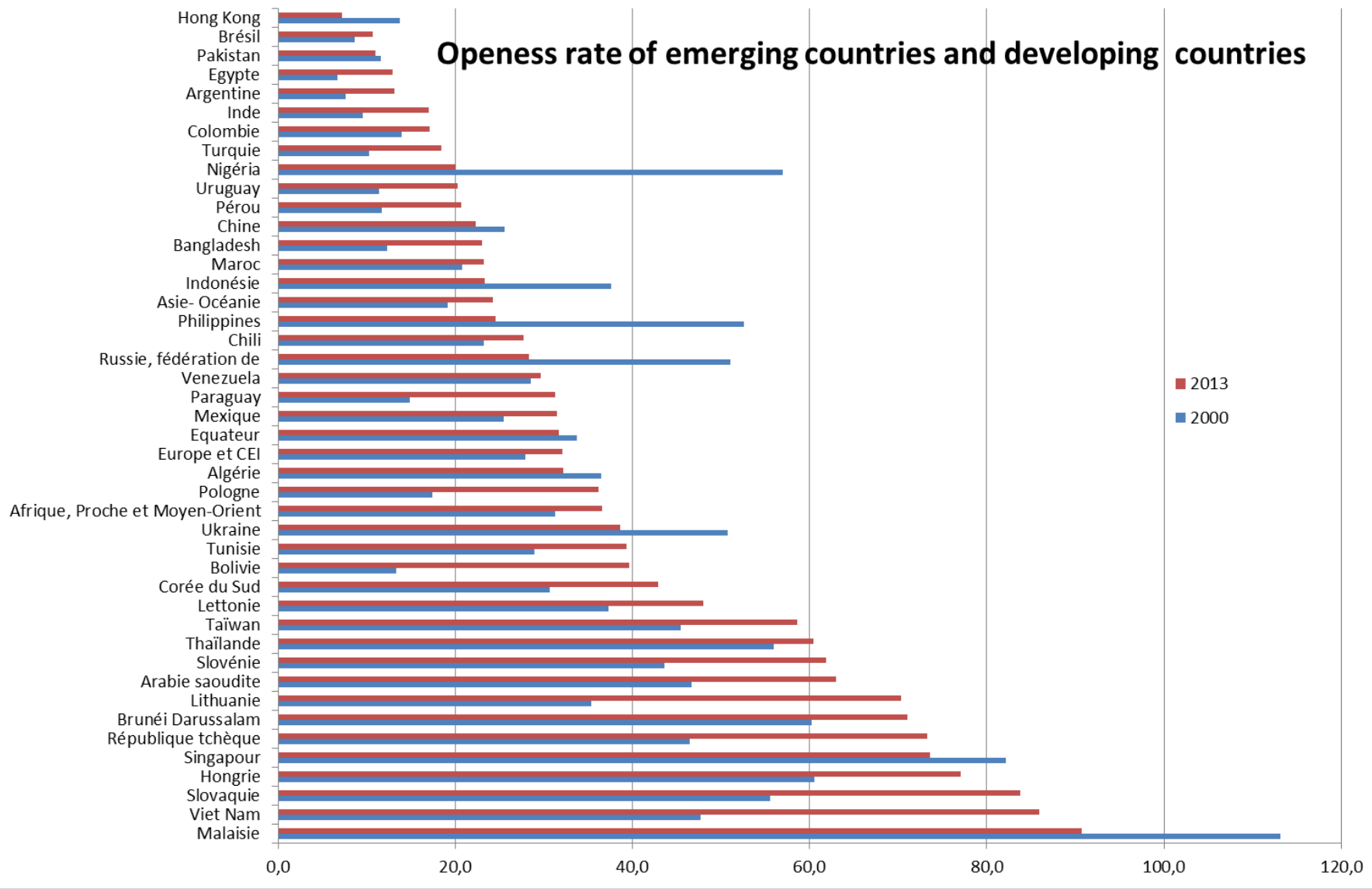
The emerging word is affected by an unfavorable environment since 2012

- **Growth : 4 % in 2015-2016 after 6 % in average during the exceptional period of 2000's**
- **Several factors explain this slowdown:**
 - The transformation of the chinese growth regime: capital intensive growth to domestic consumption led growth
 - The fall of the raw materials prices for exporters countries
 - The tightening of international financial conditions

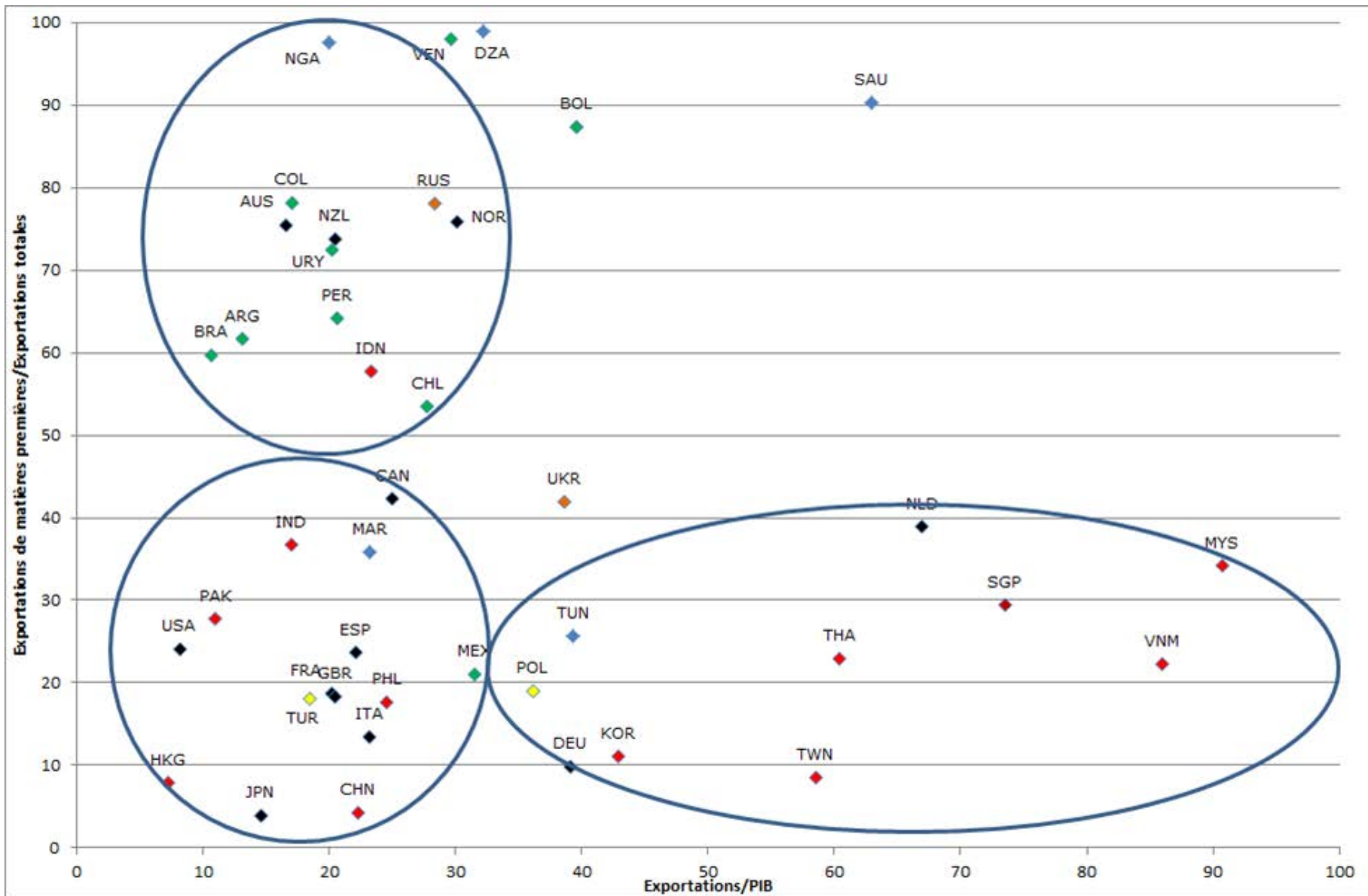


Vulnerability to external trade has increased during the 2000's

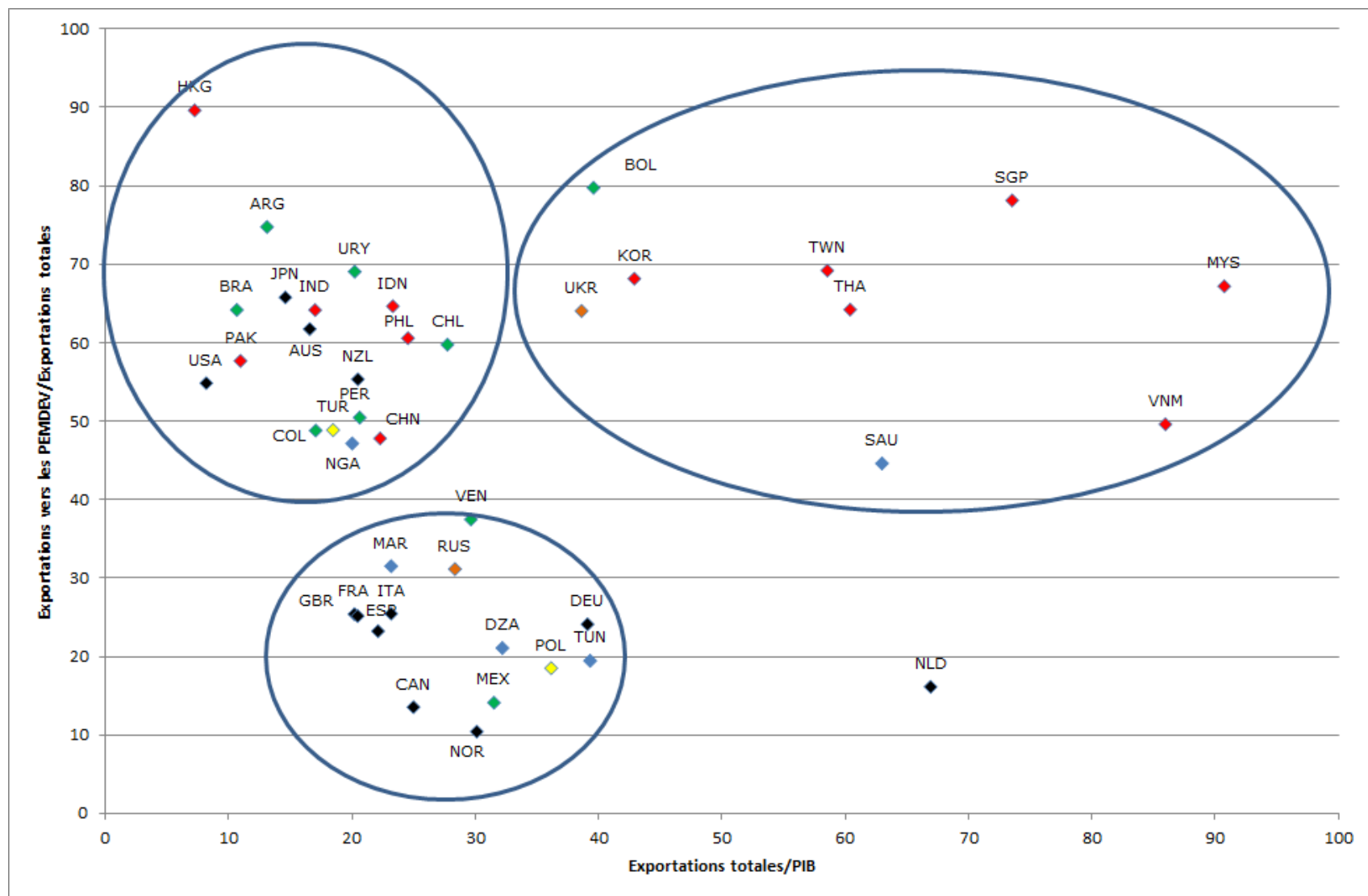
Openness rate of emerging countries and developing countries



A specialization on primary products that makes difference



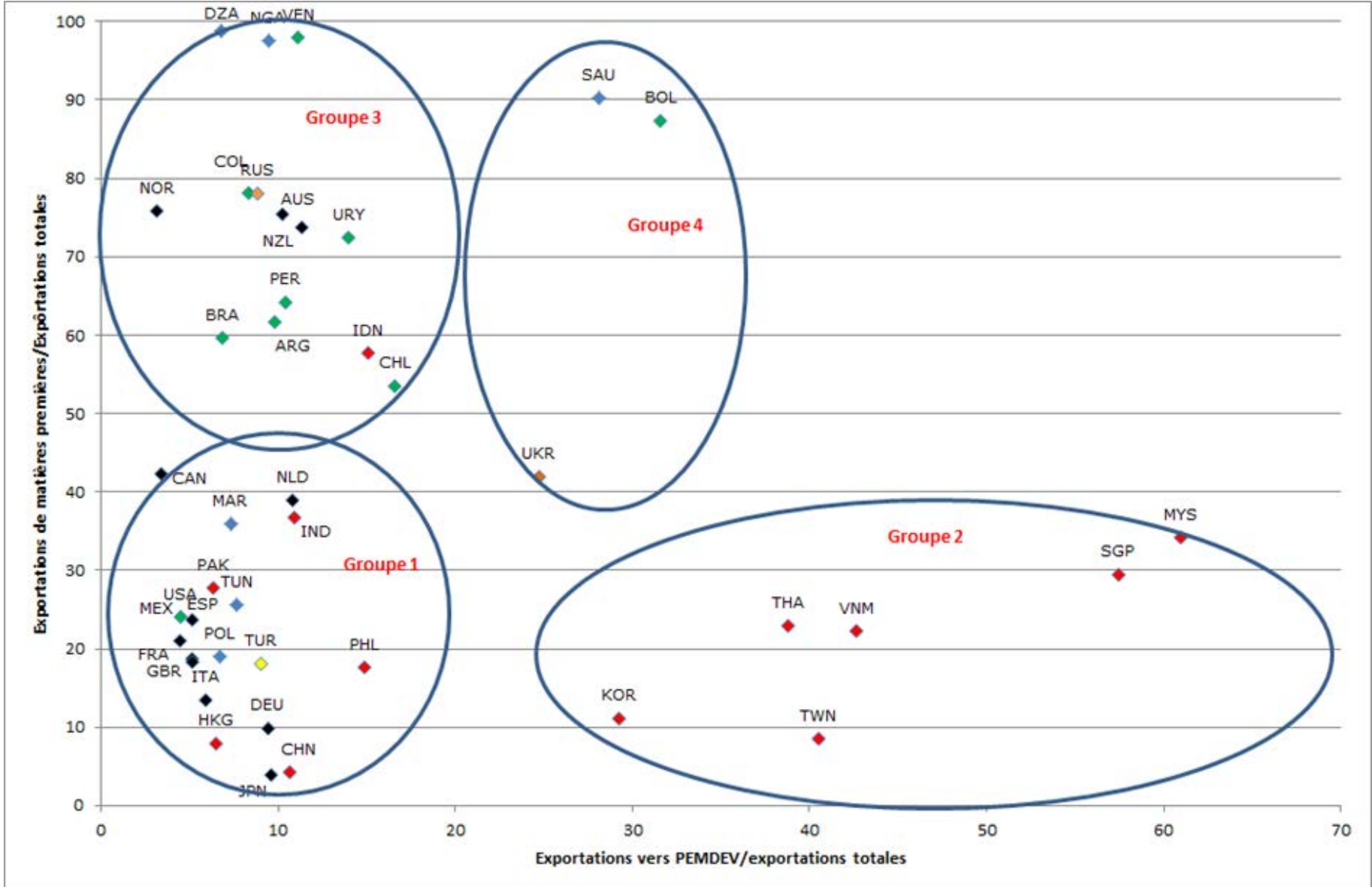
Graphique 5 : Poids des exportations des pays développés et des pays émergents vers les PEMDEV





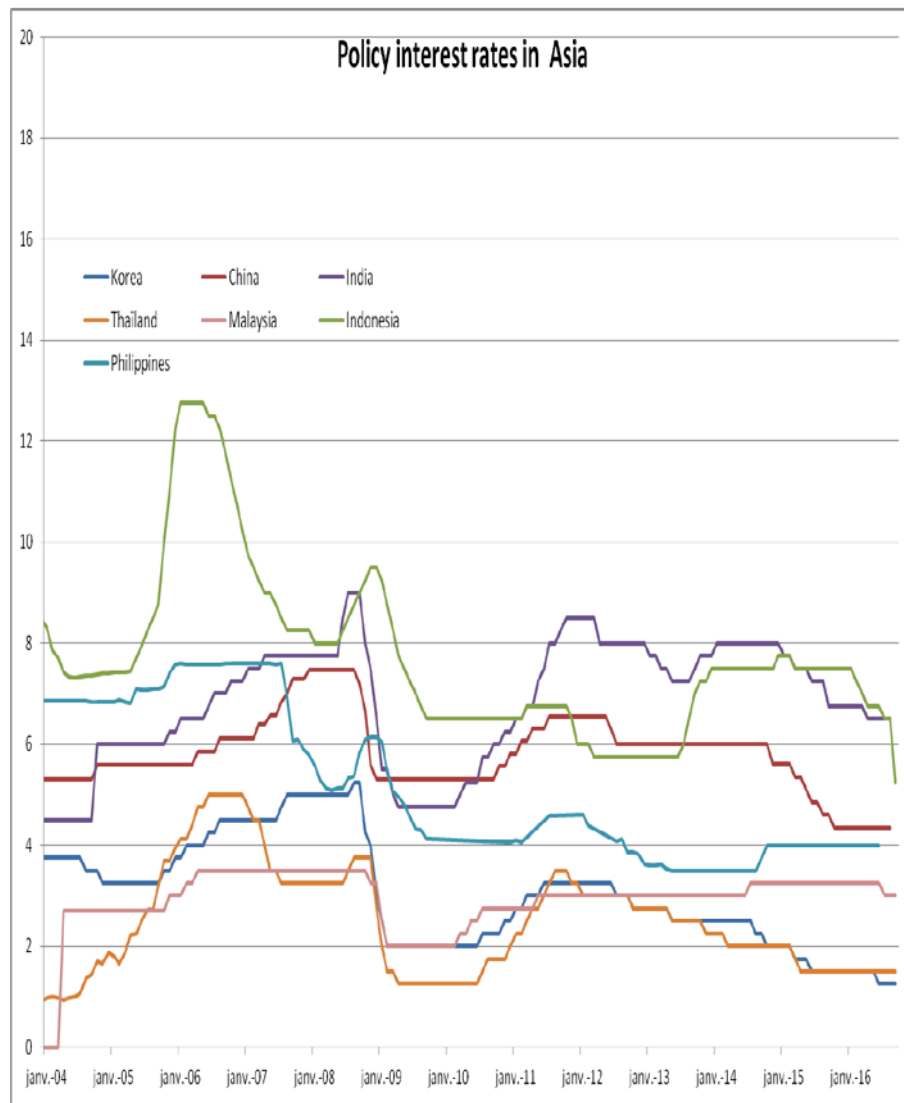
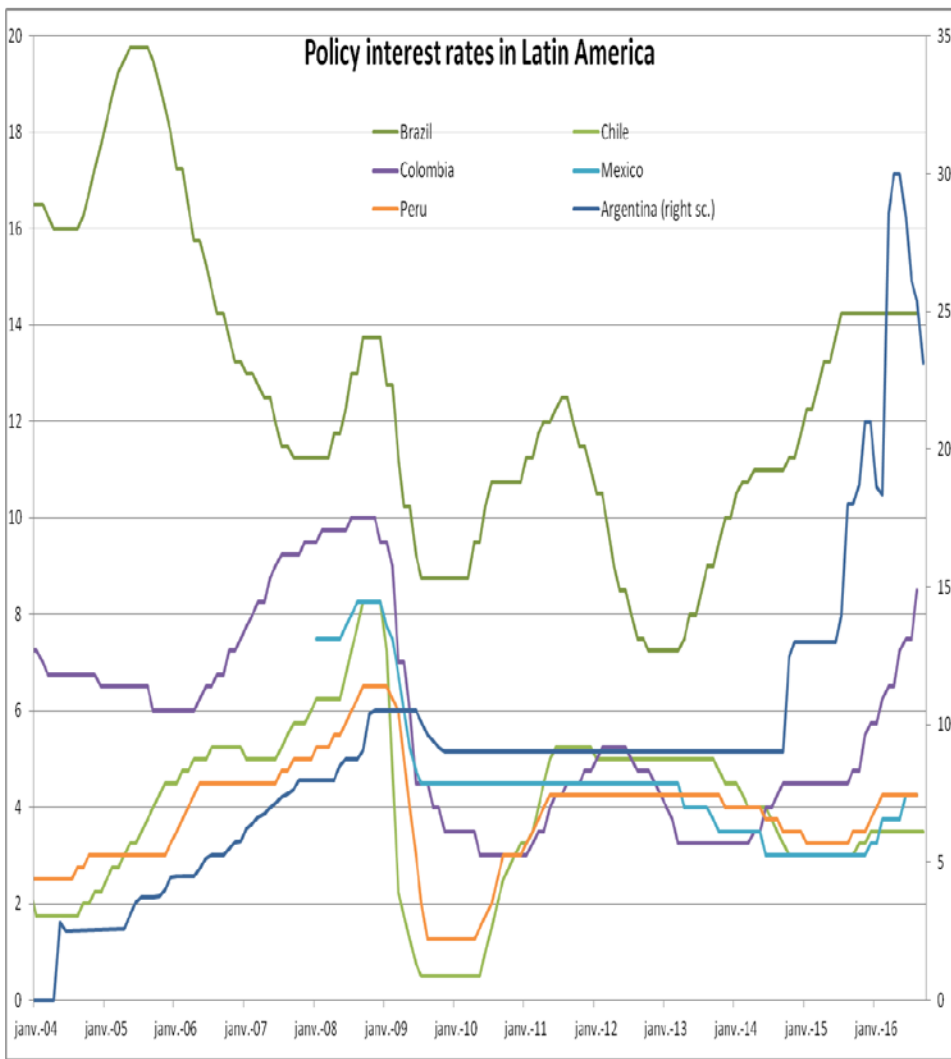
Finally, the dependance to raw materials prices is concentrated in LA (except Mexico)+Indonesia.

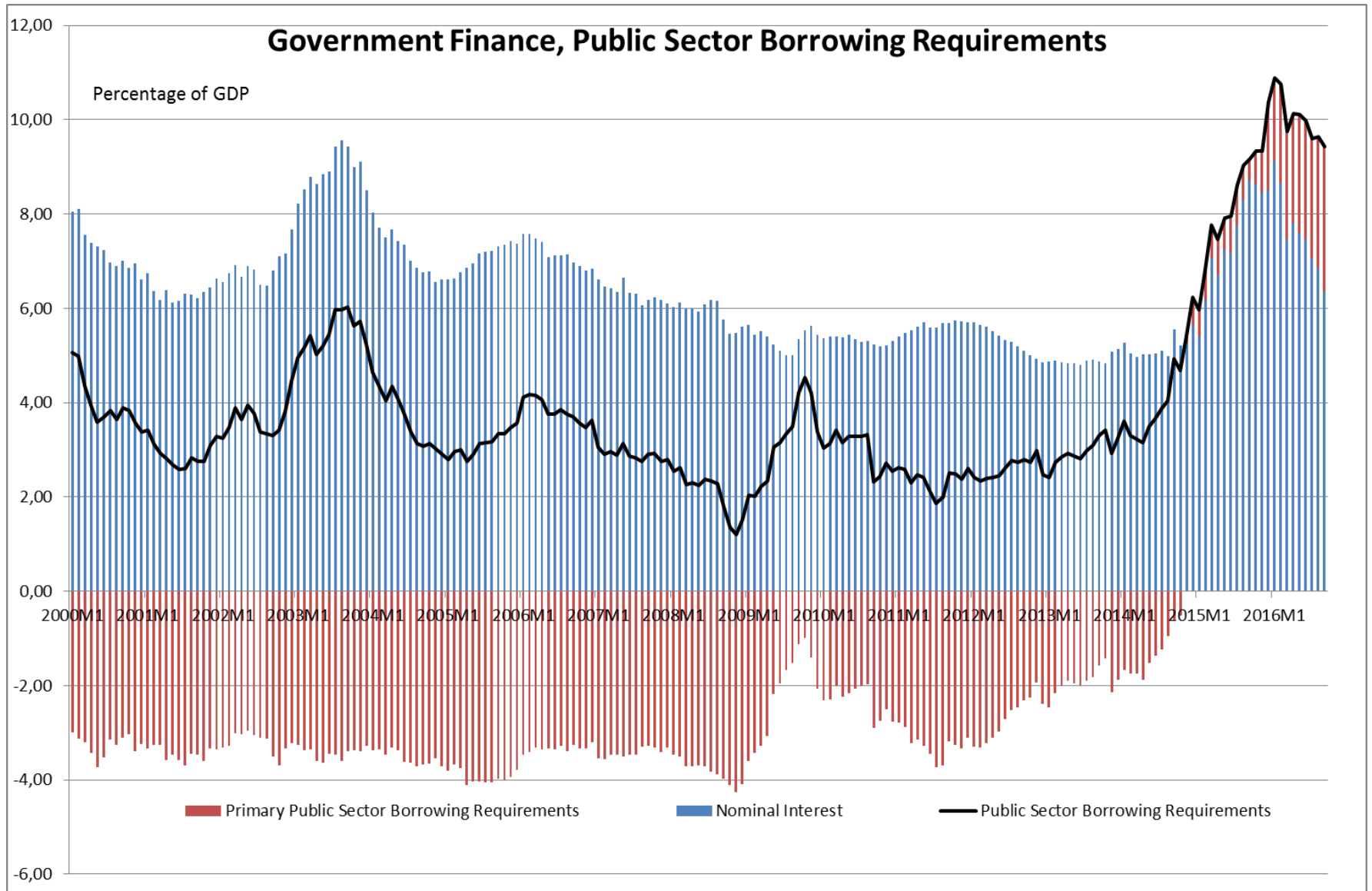
Asia trade is highly integrated



Matters are different: weak growth and strong inflation pressures in LA . Asia resists to the contraction of trade with China and benefits from the fall of commodities prices.

Monetary policies are restrictive in LA and more accomodative in Asia





China: a development led by services, much less by industry

