Macroeconomic picture

	JANUARY	
AMERICAS		**RISK FACTORS**
UNITED STATES	**Extension of the growth cycle against a backdrop of major political uncertainty** > The economy has rebounded in H2 under the impact of volatile components (inventories, external trade, investment). > The improvement in the labour market is continuing and wage increases are being confirmed. > Donald Trump has promised a policy of stimulus (tax cuts for businesses and households, infrastructure spending) and protectionist measures. However, he will only be able to implement part of this programme due to Congressional Republicans' hostility towards increasing the deficit. > The measures that are pushed through (probably above all the tax cuts) will have a stimulative (albeit unspectacular) impact on the economy, which will be more apparent in 2018 than 2017. The uncertainty surrounding potential protectionist measures is significant and is causing new risks over international trade to surface.	**> Major uncertainty surrounding the new administration's decisions** **> Growth potential stunted for the foreseeable future ("secular stagnation")** **> Erosion of corporate margins**
BRAZIL	> In terms of macroeconomic data, Q3 GDP came out at -2.9% yoy, compared to -3.6% in Q2. Investment, which turned positive in Q2, contracted once more. > Inflation slowed considerably and the BCB began a cycle of monetary policy easing which, in light of the weakness of cyclical indicators, could accelerate if the real stabilises against the dollar. > The Government submitted a proposal to reform the social security system to Congress which, if adopted, is expected to improve the current system. > The Government is continuing to move forward with its political reforms and anti-corruption plans, with measures that have already been voted on in Parliament.	**> Still ongoing political crisis** **> Downward pressure on the exchange rate and rising inflation**
EUROPE		
EUROZONE	**Slight deceleration, impacted by the erosion of temporary factors and political risk** > Q4's figures were good. The recovery will continue, and will be underpinned by the positive credit and employment cycles. > There is a possibility of a slight deceleration, due to the dissipation of the support provided by the decline in oil prices and the euro. > The upcoming packed political calendar in the eurozone (elections in the Netherlands, France and Germany in 2017, uncertain situation in Italy) and the uncertainty over Brexit and US government policy may also encourage companies to defer certain investments.	**> Political risk (packed election calendar, rise of anti-establishment parties, Brexit)** **> Contagion of the emerging world's economic and/or financial hardships**
UNITED KINGDOM	**The economy is doing better than expected. However, political uncertainty will be a drag in 2017** > The lack of visibility over the future framework for relations with Europe will be a weight on the economy. Activity indicators remain encouraging, for now. but activity will slow down in 2017. > Private investment (corporate, real estate) and consumption will be impacted. In addition to uncertainty, they will suffer from the impact of rising inflation due to the depreciation of the pound.	**> Shock of uncertainty related to the Brexit** **> Public and foreign deficits still very high**
ASIA		
CHINA	**China: global economic and currency stabilisers in 2017** > We think Chinese economic stabilisation is sustainable till end of 2017. > Reasons for Chinese economic stabilisation are both bottom up, where the private sector is showing green shoots, and top down where infrastructure investment will take a major lead in stabilising the Chinese economy in 2017 during a political transition year. > We do not think China meets any of the six Chinese hard landing factors that we have defined, and that, relatively speaking, China would be most successful in delaying the problems by attempting to solve issues such as the global debt and property bubbles.	**> Global economic stabiliser in 2017** **> Global currency stabiliser in 2017**
INDIA	**India: a steady growth engine for Asia in 2017** > India is positioned on steady growth improvement but bottlenecks are keeping the country from releasing growth potential as it should be along with current policy uncertainties. > Inflation moderation is sustainable in 2017. > We continue to hold the view that the RBI will remain accommodative for longer than expected, and ease bigger than the market expects.	**> Indian growth is positioned to pick up** **> Inflation moderation is sustainable**
JAPAN	**The recovery is continuing, with growth above potential.** > The depreciation of the yen is expected to benefit the export sector. Consumption should remain underpinned by lower food prices and a rise in real wages. Combined with the stabilisation in China, the budget stimulus plan and the lower corporate tax rate are supporting factors.	**> Exposure to Chinese slowdown** **> Negative interest rate policy**

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