



ECONOMIC RESEARCH DEPARTMENT

Summary

Global

2017 outlook

We have raised our outlook for US growth, inflation and interest rates for the horizon 2017 and 2018.

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France

Could growth be stronger in 2017 than in 2016?

Will growth succeed in accelerating in 2017, even mildly? There is no shortage of obstacles but a slightly higher growth is within the realms of possibility.

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Brazil

A slow recovery in the making

Despite persistent economic recession in Q3 2016, the financial markets are still "bullish" on the new president's reform programme. A stronger real (BRL), disinflation and monetary policy easing should underpin a slow recovery in real GDP throughout 2017.

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Market overview

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Summary of forecasts

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Also in



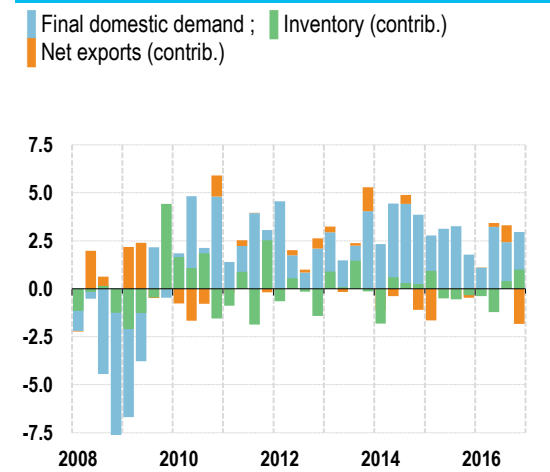
Do not follow the leader!

■ US growth slowed in end-2016 ■ Final domestic demand rebounded ■ 2016 as a whole was particularly weak

The first estimate for end-2016 GDP growth proved disappointing in the US. After a bounce in Q3 (+3.5%, quarterly annualised rate), activity slowed to 1.9% in Q4. On top of that, 1 point of growth was due to surging inventories, meaning that final demand grew by just 0.9%. Still, details are more encouraging, as the main negative contribution came from international trade: after a surge in Q3, exports decreased while imports gained 8.2%. Final domestic demand actually accelerated, up 2.7% in Q4, after 2.1% in Q3, with strong demand from households and a rebound in business spending on equipment and software.

2016 as a whole marked a slowdown. The average annual growth stands at 1.6%, the second weakest performance since the US emerged from the Great Recession. In nominal terms, 2016 was the worst year. This is quite conflicting with the apparent strength of the labour market. In December 2016, the unemployment rate was as low as 4.7%, as close to 2.5 million jobs have been created. How come employment can be dynamic in a soft economy? Answering that question is long and complex while not always consensual. What is unquestionable is that 2016 saw Corporate America spending cutting on investment while hiring: less capital and more labour. This is clearly the recipe for actual and projected productivity. Consequences are clear but how about causes? Well, it might be interesting to think in terms of relative prices, having in mind how weak real wages have been in the recent past.

US GDP GROWTH COMPONENTS



Source: US Department of Commerce

THE WEEK ON THE MARKETS

Week 20-1-17 > 26-1-17

| | | | |
|--------------------|-------|---------|----------|
| ↗ CAC 40 | 4 851 | ▶ 4 867 | +0.3 % |
| ↗ S&P 500 | 2 271 | ▶ 2 297 | +1.1 % |
| ↘ Volatility (VIX) | 11.5 | ▶ 10.6 | -0.9 % |
| ↗ Euribor 3M (%) | -0.33 | ▶ -0.33 | +0.0 bp |
| ↘ Libor \$ 3M (%) | 1.04 | ▶ 1.04 | -0.6 bp |
| ↗ OAT 10y (%) | 0.90 | ▶ 1.05 | +14.5 bp |
| ↗ Bund 10y (%) | 0.42 | ▶ 0.49 | +6.4 bp |
| ↗ US Tr. 10y (%) | 2.47 | ▶ 2.51 | +4.1 bp |
| ↘ Euro vs dollar | 1.07 | ▶ 1.07 | -0.1 % |
| ↘ Gold (ounce, \$) | 1 202 | ▶ 1 187 | -1.2 % |
| ↗ Oil (Brent, \$) | 55.7 | ▶ 56.5 | +1.4 % |

Source: Thomson Reuters