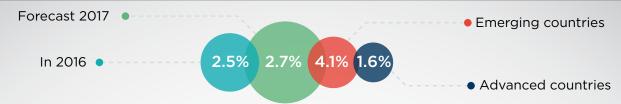


2017: AN ECONOMIC UPTURN IN THE FACE OF **POLITICAL RISK**

JANUARY 2017

GLOBAL GROWTH



4 MAJOR RISKS FOR 2017



Political risk

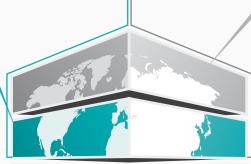
 Uncertainties around several decisive political deadlines in Europe



-0.7pt Impact of a shock similar to Brexit on French and German GDP

 Donald Trump's economic and foreign policies: what effect?

ADVANCED COUNTRIES





- The end of low inflation which advanced countries have benefited from
- Real wage increase will slow down in the eurozone and the United States. It could even be zero in the UK
- Further hikes in rates by the Fed planned in 2017



Political and protectionism risk

- Political risk sharply rising in Russia, Turkey, Saudi Arabia
- **Security risk** increasing in India, Turkey and Russia (risk of war and terrorism)
- Protectionism risk

The major exporters to the United States likely to be affected: Mexico, El Salvador, Honduras, Vietnam, Thailand





Banking risk

- Very high and rising corporate debt in China and Turkey
- Sharp increase in bad debts in Russia, China, Brazil and India
- Tightening of bank credit facilities in all emerging regions except Central Europe

BUT SOME POSITIVE POINTS ...



The recovery still has good days ahead if political risk does not materialize

Upgrade: Spain A3



Upgrades: Bulgaria A4 Serbia B Bosnia C Estonia A2



Expected cyclical rebound in emerging countries: exits from recession in Russia and Brazil



Small countries are in better shape than big ones

Upgrades: Ghana B Kenya A4