



# Economic Overview

February 2017

## Economic Outlook

- **Global** – Global economic output is forecast to expand 2.8% in 2017, up from 2.5% last year.
- **Eurozone** – Eurozone GDP growth is forecast to moderate slightly this year, held back by structural issues and increasing political uncertainty.
- **Advanced Markets** – President Donald Trump's envisaged fiscal stimulus is likely to increase US GDP growth in 2017, but political uncertainty is likely to dampen 2017 growth in the UK.
- **Emerging Markets** – A number of key emerging markets are likely to emerge from recession in 2017. However, the Trump presidency poses significant downward risks to some through trade and tighter financing.
- **Credit and insolvencies** – The corporate insolvency environment is forecast to remain subdued in 2017, especially in the UK and the Eurozone, triggered by rising uncertainty surrounding Brexit. Political uncertainty and US monetary policy tightening will weigh on the business environment in many emerging markets.
- **Risks** – There are several key risks to global economic growth in 2017. See chart on next slide.

# Risks to outlook

	Risk issue	Symptoms	Effects	Probability	Impact
1	Misguided Fed monetary policy	<ul style="list-style-type: none"> <li>Financial market turbulence</li> <li>reversal of capital flows from EMEs</li> </ul>	<ul style="list-style-type: none"> <li>Tighter credit access for EM firms</li> </ul>	low	high
2	Eurozone growth slide	<ul style="list-style-type: none"> <li>High uncertainty/turbulence</li> <li>Confidence plummets</li> <li>Deflation and low bank lending</li> <li>Unstable banking sector, credit constraints</li> </ul>	<ul style="list-style-type: none"> <li>Low growth, possibly recession</li> <li>EU integration pressure</li> <li>Lower trade growth</li> </ul>	low	high
3	China hard landing	<ul style="list-style-type: none"> <li>Capital outflow acceleration</li> <li>Pressure on currency</li> </ul>	<ul style="list-style-type: none"> <li>Financial market volatility</li> <li>Spillover into dependent (EM) economies</li> </ul>	low	high
4	No trade recovery	<ul style="list-style-type: none"> <li>Regional trade deals</li> <li>Existing trade arrangements coming under pressure</li> </ul>	<ul style="list-style-type: none"> <li>Pressure on GDP growth</li> </ul>	moderate	moderate
5	Rapid rise in oil price	<ul style="list-style-type: none"> <li>Oil price increase quickly largely above USD 50 per barrel Brent</li> </ul>	<ul style="list-style-type: none"> <li>Windfall for exporters</li> <li>Higher costs for importers</li> <li>Overall net negative impact</li> </ul>	moderate	moderate

Source: Atradius Economic Research

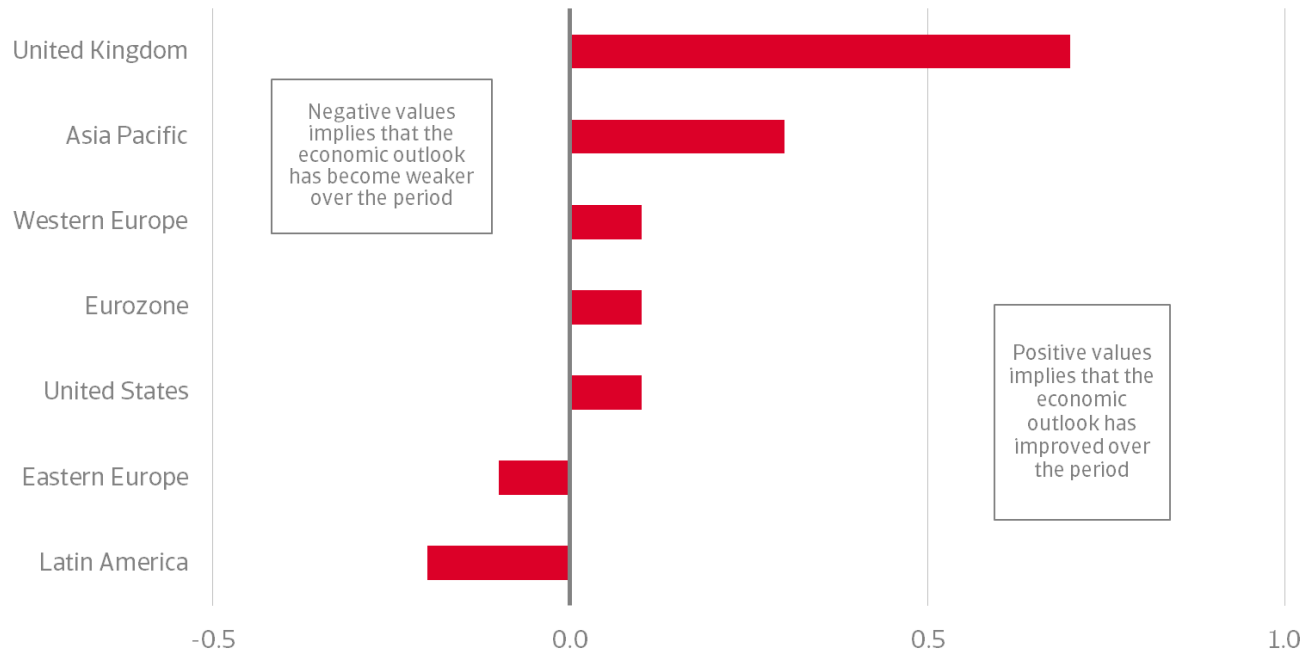
## Consensus GDP projections

### Real GDP growth (annual percentage change)

	2016	2017	2018
Major Markets			
France	1.2	1.3	1.4
Germany	1.8	1.3	1.5
Italy	0.9	0.7	0.9
Japan	0.9	1.1	0.9
Netherlands	2.1	1.7	1.6
Spain	3.2	2.4	2.0
United Kingdom	2.0	1.4	1.4
United States	1.6	2.3	2.3
Major Regions			
Western Europe	1.7	1.4	1.5
Eastern Europe	1.4	2.3	2.6
Eurozone	1.6	1.4	1.5
Asia Pacific	4.7	4.7	4.5
Latin America	-0.5	1.8	2.7
World total	2.5	2.8	2.9

Source: Consensus Forecasts (Jan 2017)

# Change in 2017 GDP growth expectations between July 2016 and January 2017

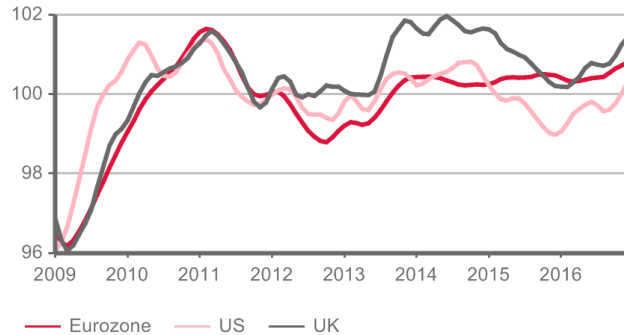


Sources: Consensus Economics, Atradius Economic Research

# Leading indicators

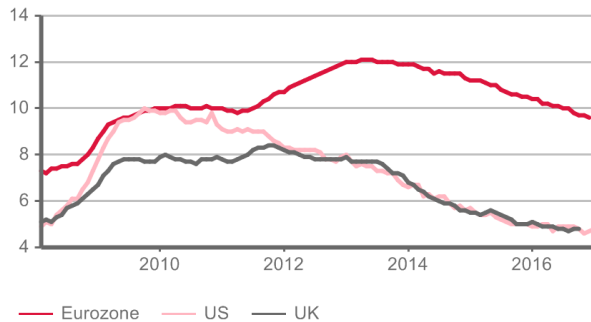
## Industrial confidence

(Manufacturing confidence index, 100 = neutral)



## Unemployment

(Percentage rate of total workforce)



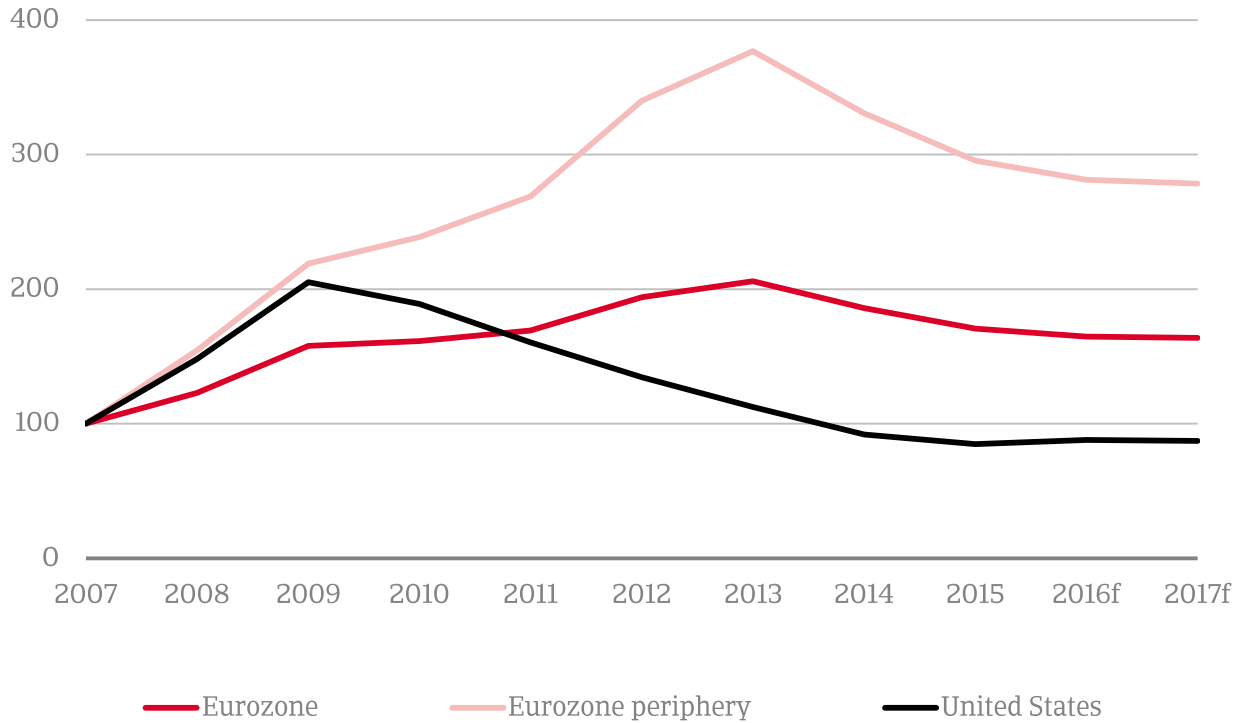
- Industrial confidence in advanced markets maintains upward trend since August.
- Business confidence in the US has turned optimistic since November.

- Eurozone unemployment has fallen to 9.6% in December 2016, the lowest level since August 2009.
- The labour markets in the US and UK are relatively strong. The unemployment rate in the US has fallen to 4.8%. The UK experienced a slight uptick in unemployment in September, to 4.8%.

# Atradius insolvency forecasts

## Insolvency rate developments – regional aggregate

Index 2007=100



Source: Atradius Economic Research

Note: Forecasts are based on the outcome of statistical models and expert opinion. All views expressed here are those of Atradius Economic Research (updated November 2016).

## Aggregate insolvency projections: percentage change y-o-y

### Insolvency growth (% per annum)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016f	2017f
Australia	-4	18	3	-1	5	1	4	-22	10	2	3
Austria	-6	0	9	-8	-8	3	-10	-1	-5	3	0
Belgium	1	10	11	2	7	4	11	-9	-9	-5	-2
Canada	-7	-2	-12	-20	-11	-12	-2	-2	-1	2	-1
Denmark	21	54	54	13	-15	0	-10	-20	1	4	-1
Finland	-1	16	25	-13	3	0	11	-11	-22	8	0
France	7	8	14	-5	-1	3	2	0	0	0	2
Germany	-15	0	12	-2	-6	-6	-8	-7	-4	-2	0
Greece	0	30	40	30	33	30	10	3	10	6	3
Ireland	19	100	50	10	7	3	-19	-15	-10	0	2
Italy	-35	18	29	21	8	14	16	10	-6	-2	0
Japan	6	11	-1	-14	-4	-5	-11	-10	-9	0	0
Luxembourg	5	-13	17	33	5	8	2	-20	6	1	1
Netherlands	-23	1	73	-10	-1	21	10	-19	-24	-10	-3
New Zealand	-5	-35	45	-6	-12	-8	-13	-7	4	3	3
Norway	-6	28	38	-12	-2	-12	20	-5	-7	6	2
Portugal	-12	54	36	16	18	42	8	-9	12	-6	0
Spain	10	100	50	-2	14	38	13	-30	-25	-12	-5
Sweden	-5	7	20	-4	-4	7	5	-7	-9	0	1
Switzerland	-5	-2	24	20	7	3	-5	-7	7	4	2
United Kingdom	-5	24	23	-16	5	-4	-7	-6	-9	2	4
United States	2	52	41	-7	-15	-16	-17	-19	-8	4	-1

The values in the table show the annual growth in insolvencies.

Values for 2016 and 2017 are forecast estimates from the ERD.

Positive values mean that the insolvencies for the full year are expected to increase compared to last year – i.e. higher frequency risk.

Source: National bureaus, Atradius Economic Research  
f=forecast

Note: Forecasts are based on the outcome of statistical models and expert opinion. All views expressed here are those of Atradius Economic Research (updated November 2016).



# Insolvency matrix 2017

<b>Deteriorating</b>	New Zealand	Australia, United Kingdom	Greece
	Austria, Canada, Finland, Germany, Japan, Sweden	Norway, Switzerland, United States	Belgium, Denmark, France, Ireland, Italy, Luxembourg, Portugal
	Netherlands		Spain
	<b>Low</b>	<b>Average</b>	<b>High</b>

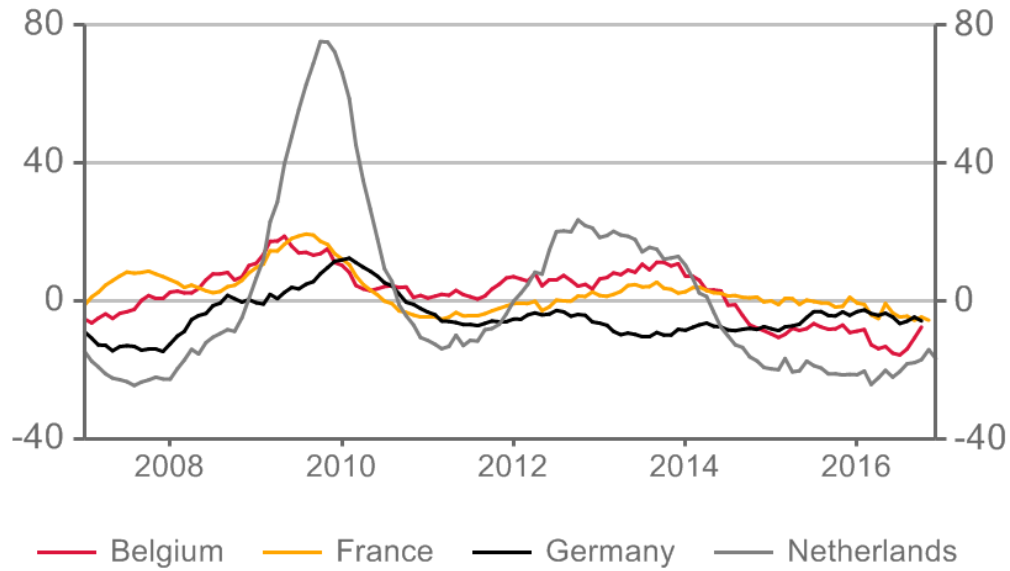
Source: Atradius Economic Research.

Note: Horizontal axis indicates absolute level of insolvencies and vertical axis indicates the expected change in insolvencies. Forecasts are based on the outcome of statistical models and expert opinion. All views expressed here are those of Atradius Economic Research (updated November 2016).

# Eurozone markets

## Insolvency growth: Eurozone core

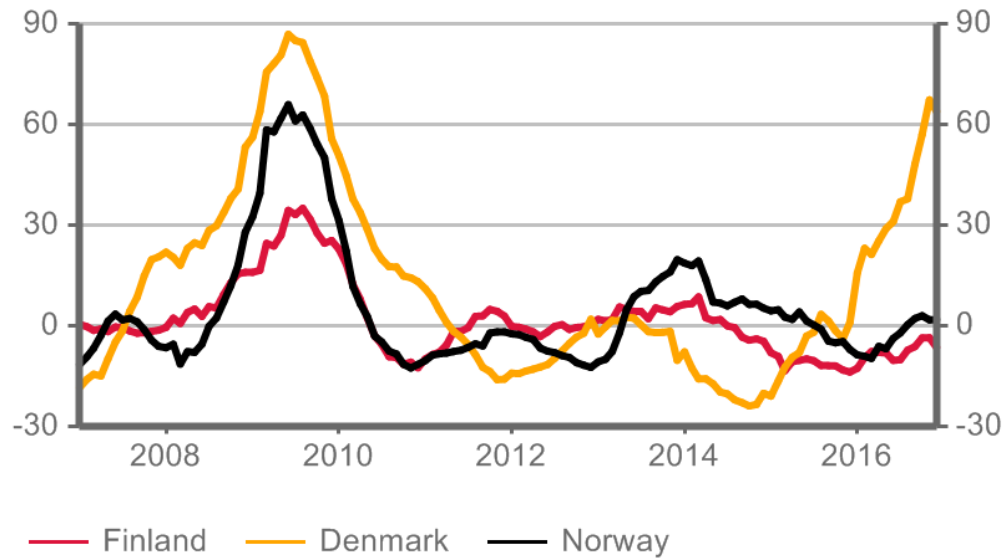
(Annual percentage change; 1-year moving average)



Sources: IHS; Atradius Economic Research.

## Insolvency growth: Nordic region

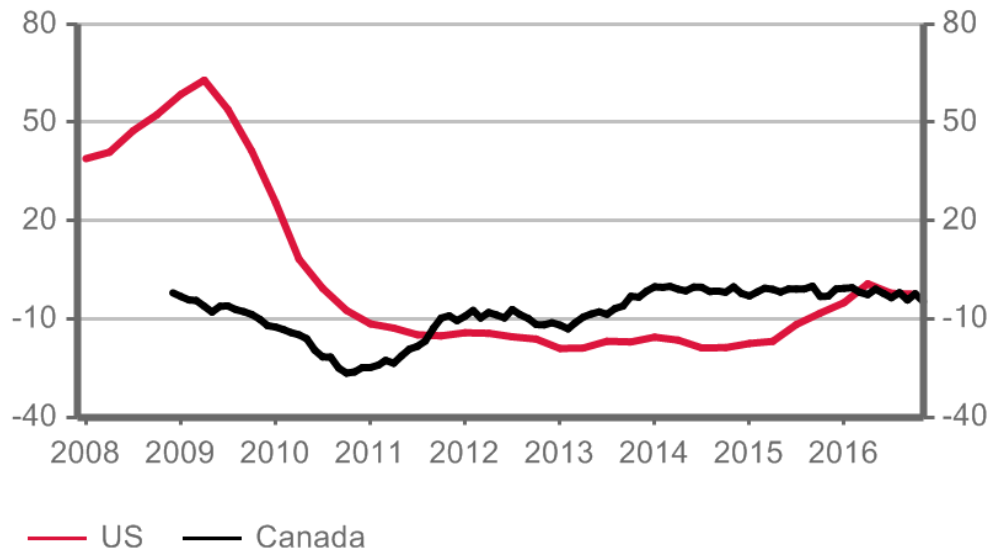
(Annual percentage change, 1-year moving average)



Sources: IHS; Atradius Economic Research.

## Insolvency growth: North America

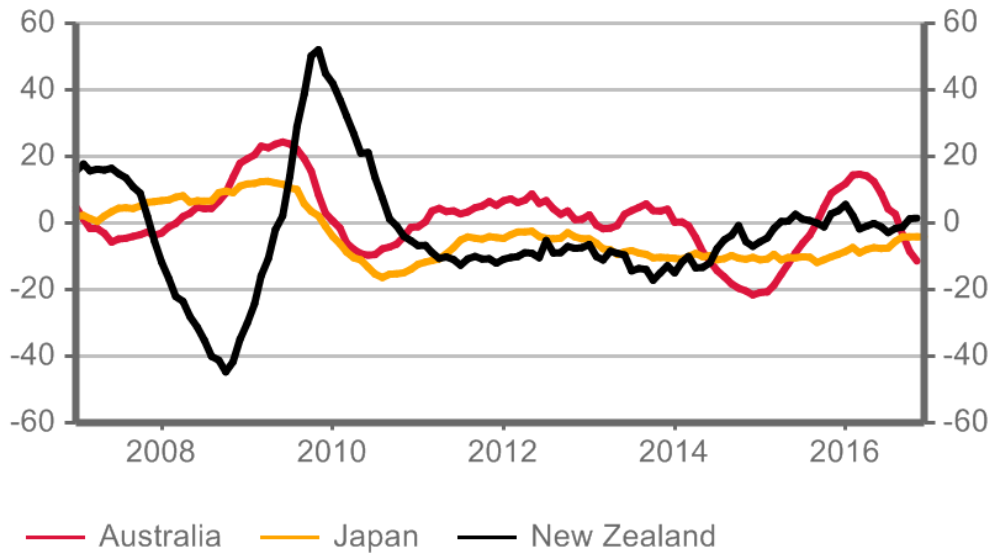
(Annual percentage change, 1-year moving average)



Sources: IHS; Administrative Office of U.S. Courts; Industry Canada; Atradius Economic Research.

### Insolvency growth: Asia-Pacific region

(Annual percentage change, 1-year moving average)



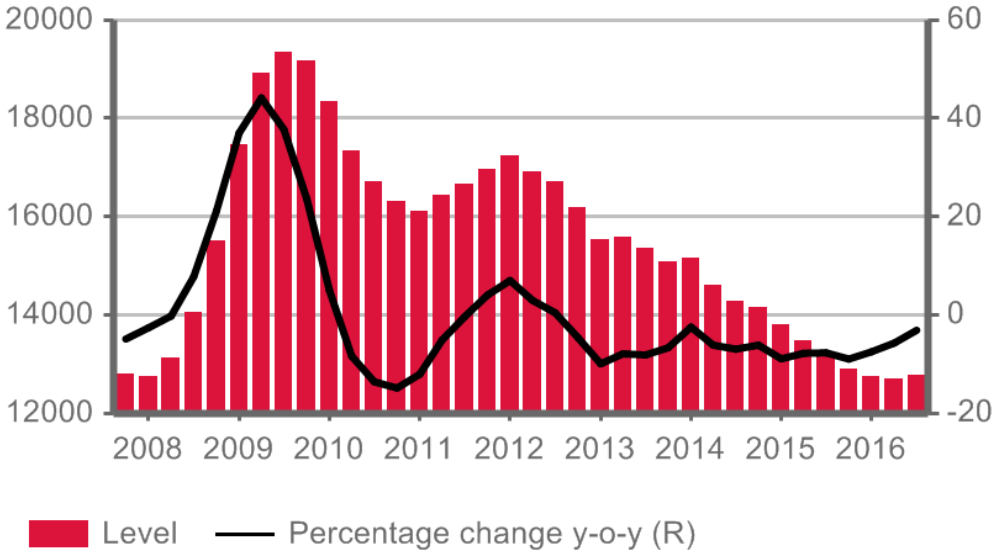
Sources: IHS; Atradius Economic Research.

## Appendix: Insolvency charts

- In this appendix, you can find insolvency trends for individual countries
- You can pick and use the ones that are relevant to your customer/prospect

## Insolvency trends: United Kingdom

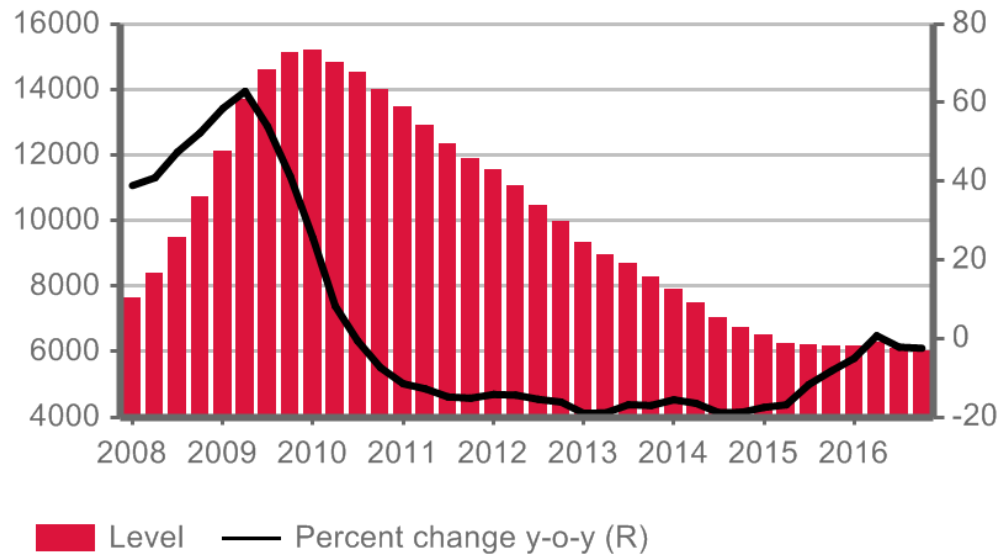
(1-year trailing sum of insolvency counts, quarterly data)



Sources: IHS; The Insolvency Service; Atradius Economic Research.

## Insolvency trends: United States

(1-year trailing sum of insolvency counts, quarterly data)

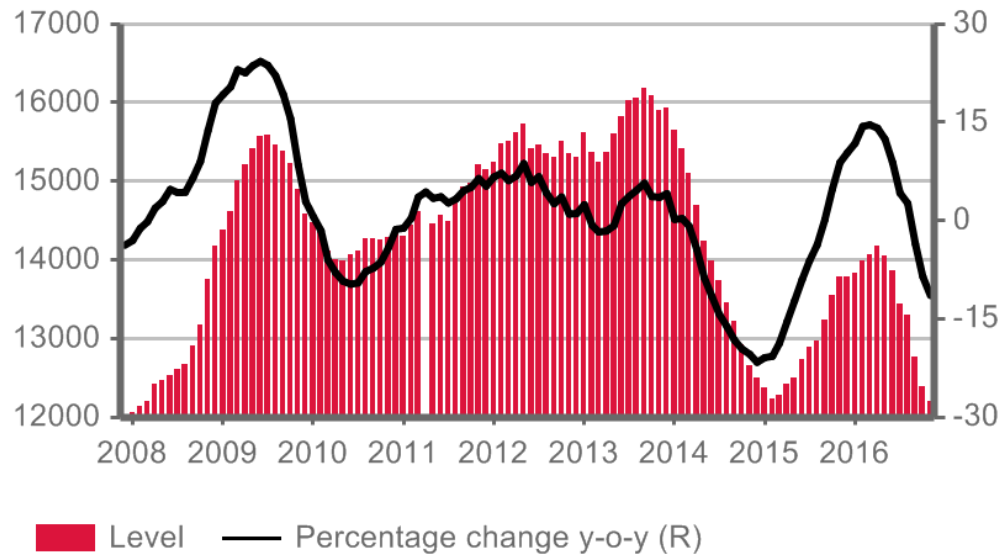


Sources: IHS; Administrative Office of U.S. Courts; Atradius Economic Research.



## Insolvency trends: Australia

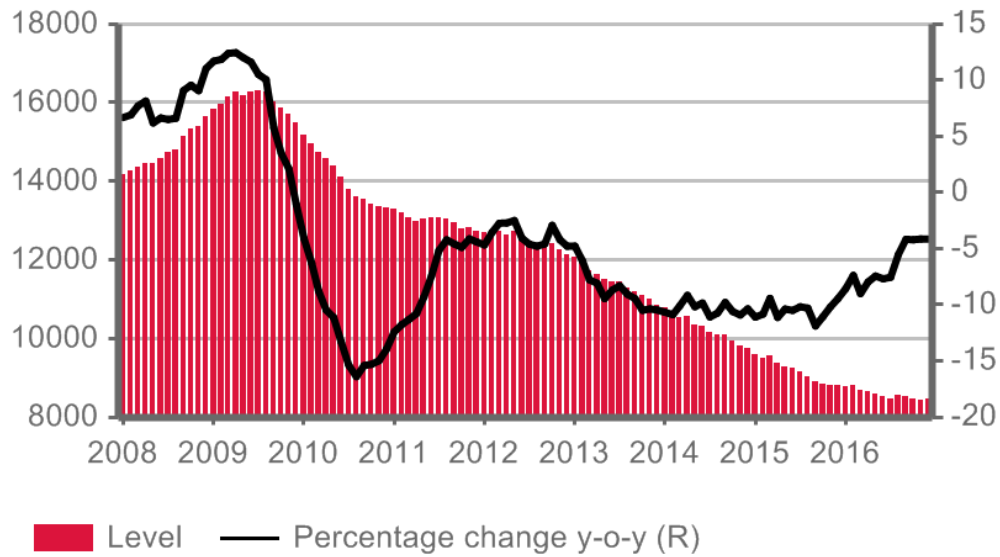
(1-year trailing sum of insolvency counts, monthly data)



Sources: IHS; Australian Securities and Investments Commission; Atradius Economic Research.

## Insolvency trends: Japan

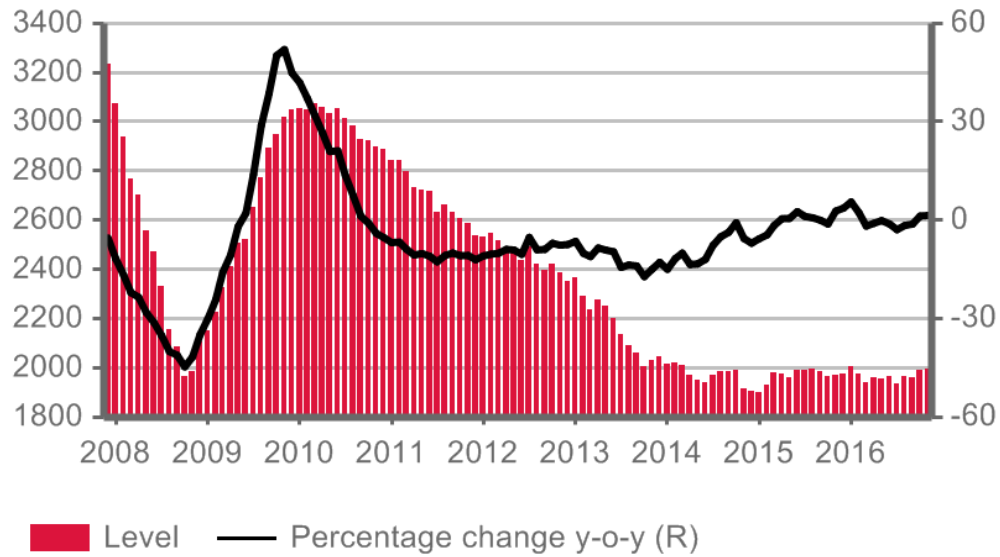
(1-year trailing sum of insolvency counts, monthly data)



Sources: IHS; Teikoku Databank; Atradius Economic Research.

## Insolvency trends: New Zealand

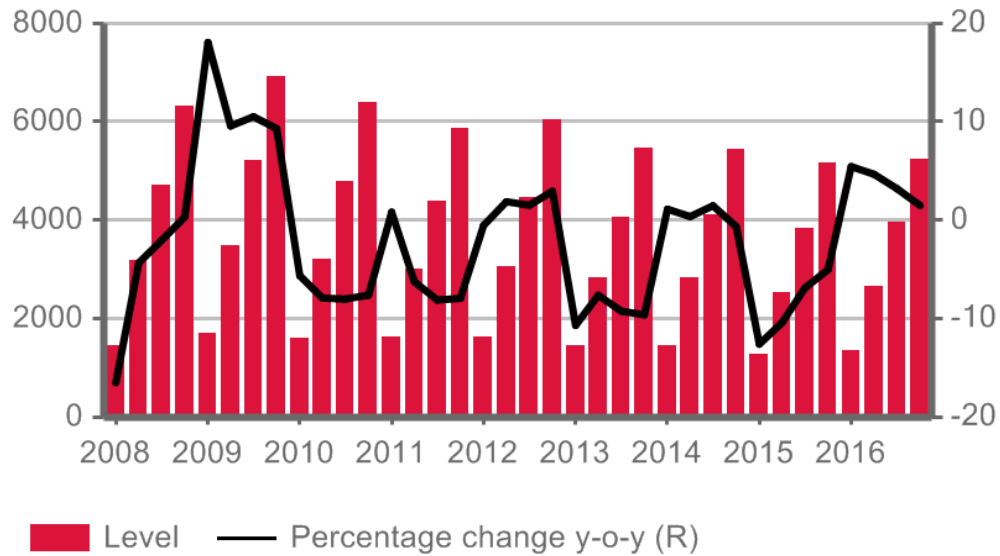
(1-year trailing sum of insolvency counts, monthly data)



Sources: IHS; Ministry of Economic Development, New Zealand; Atradius Economic Research.

## Insolvency trends: Austria

(Calendar trailing sum of insolvency counts, quarterly data)

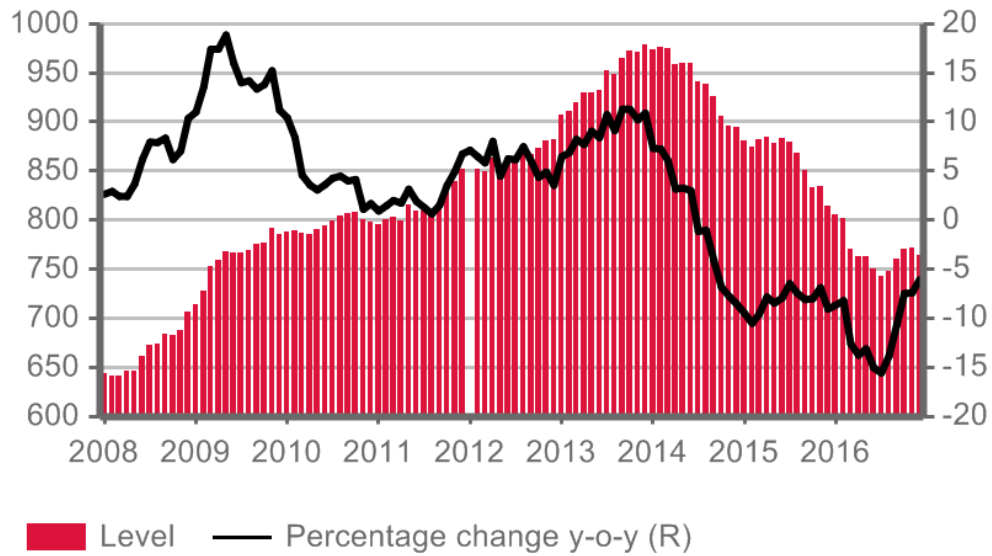


Sources: IHS; KSV Information GmbH; Atradius Economic Research.

Note: The insolvency counts displayed in the chart (at quarterly frequency) represent cumulative values within calendar years. This means that the Q1 values include the total number of insolvencies taking place in the first quarter, Q2 values represent the total number of insolvencies taking place in the first half of the year, and so forth. As only Q4 values represent an annual sum of insolvencies, the associated "annual" growth rate series should be treated as an approximation.

## Insolvency trends: Belgium

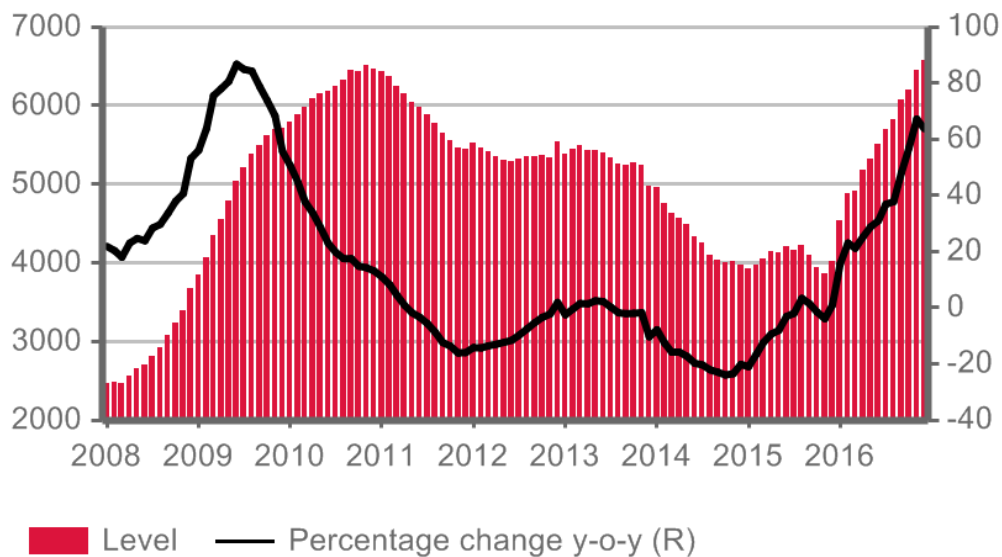
(1-year trailing sum of insolvency counts, monthly data)



Sources: IHS; Statistics Belgium; Atradius Economic Research.

## Insolvency trends: Denmark

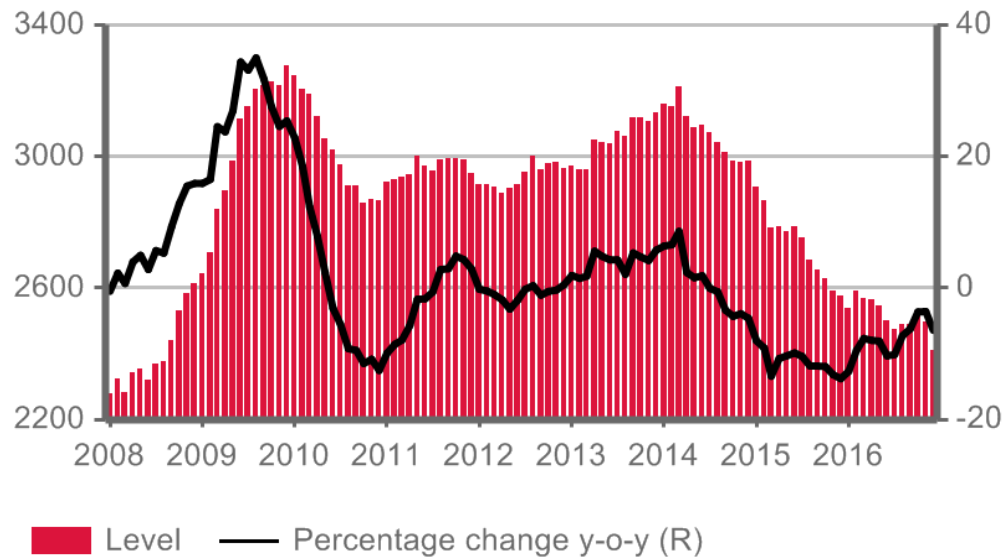
(1-year trailing sum of insolvency counts, monthly data)



Sources: IHS; Statistics Denmark; Atradius Economic Research.

## Insolvency trends: Finland

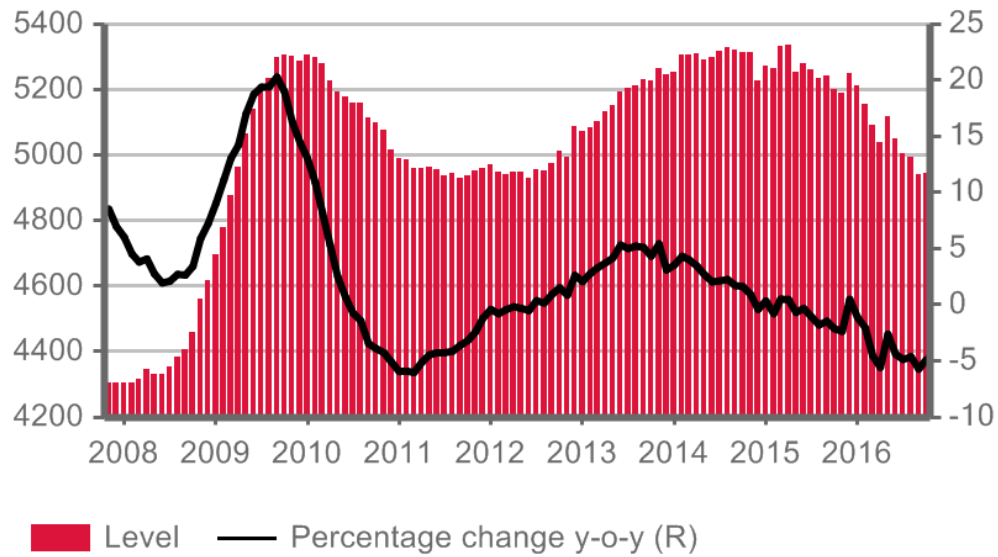
(1-year trailing sum of insolvency counts, monthly data)



Sources: IHS; Statistics Finland; Atradius Economic Research.

## Insolvency trends: France

(1-year trailing sum of insolvency counts, monthly data)

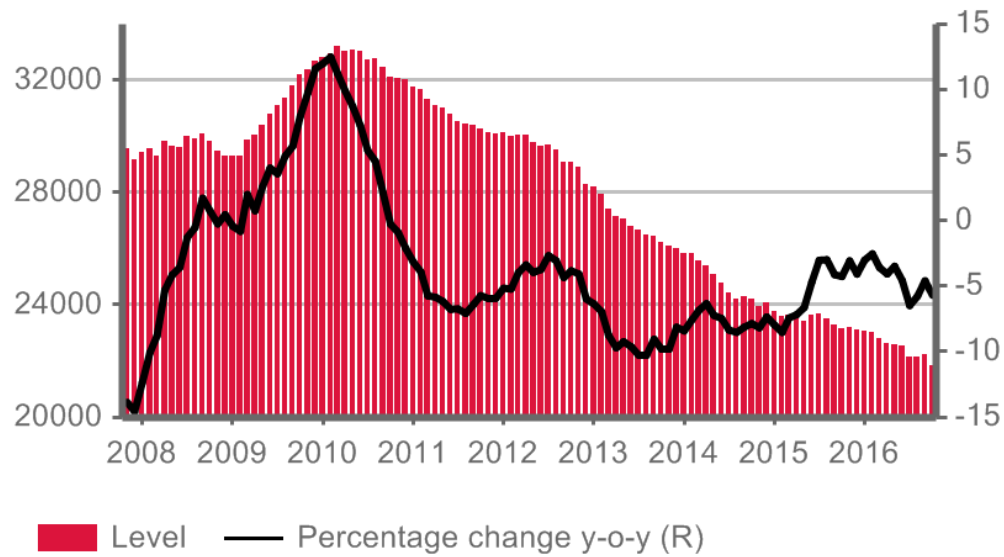


Sources: IHS; National Institute for Statistics and Economic Studies (INSEE).



## Insolvency trends: Germany

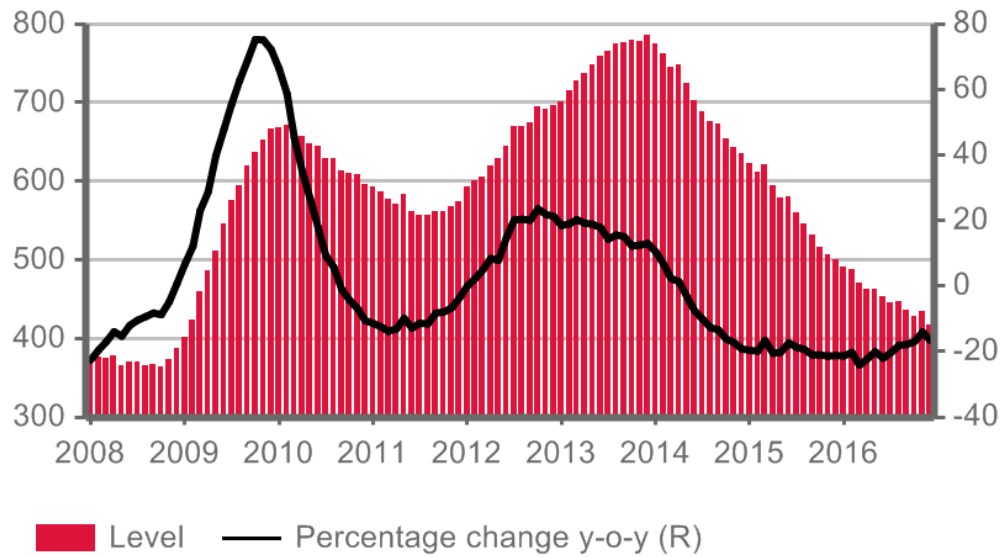
(1-year trailing sum of insolvency counts, monthly data)



Sources: IHS; Statistisches Bundesamt; Atradius Economic Research.

## Insolvency trends: Netherlands

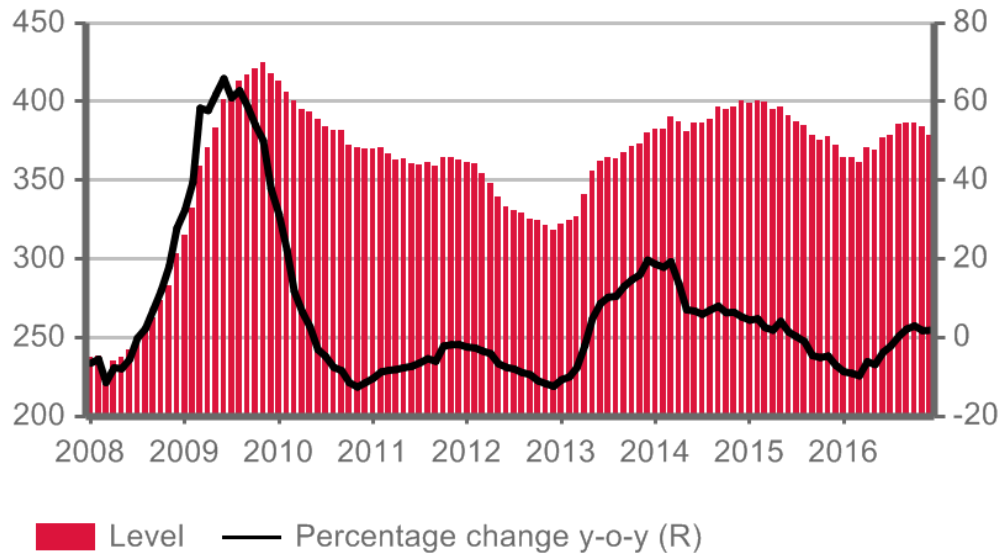
(1-year trailing sum of insolvency counts, monthly data)



Sources: IHS; Statistics Netherlands; Atradius Economic Research.

## Insolvency trends: Norway

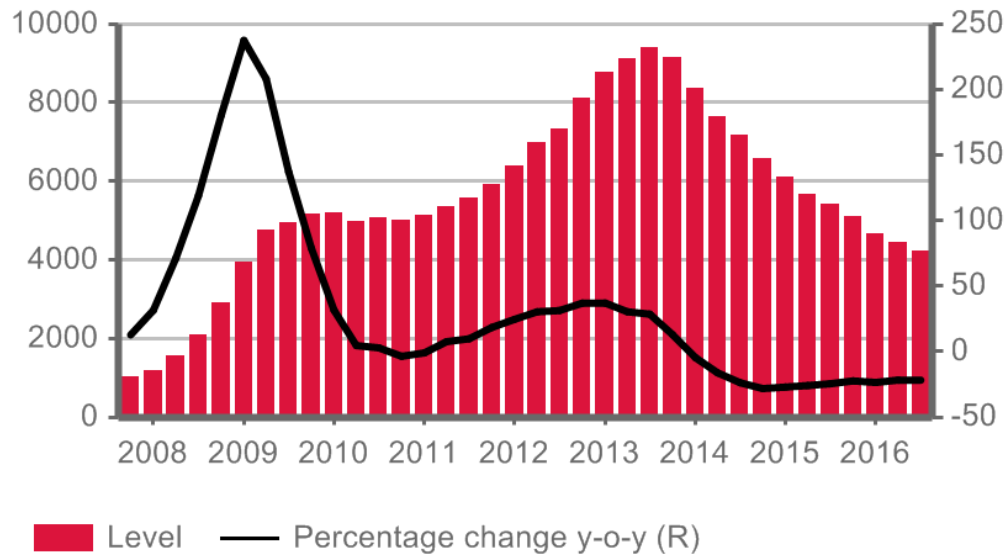
(1-year trailing sum of insolvency counts, monthly data)



Sources: IHS; Statistics Norway; Atradius Economic Research.

## Insolvency trends: Spain

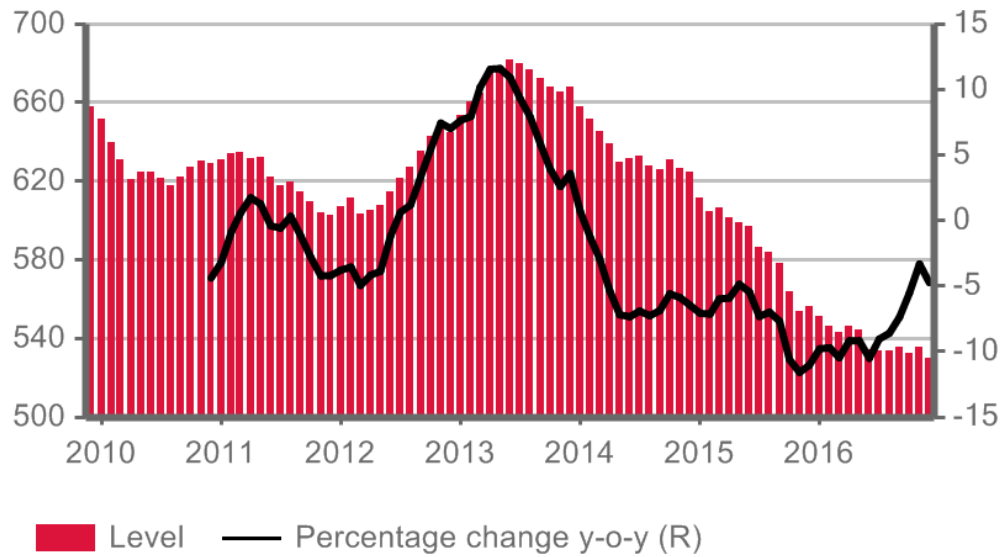
(1-year trailing sum of insolvency counts, quarterly data)



Sources: IHS; Statistics Spain; Atradius Economic Research.

## Insolvency trends: Sweden

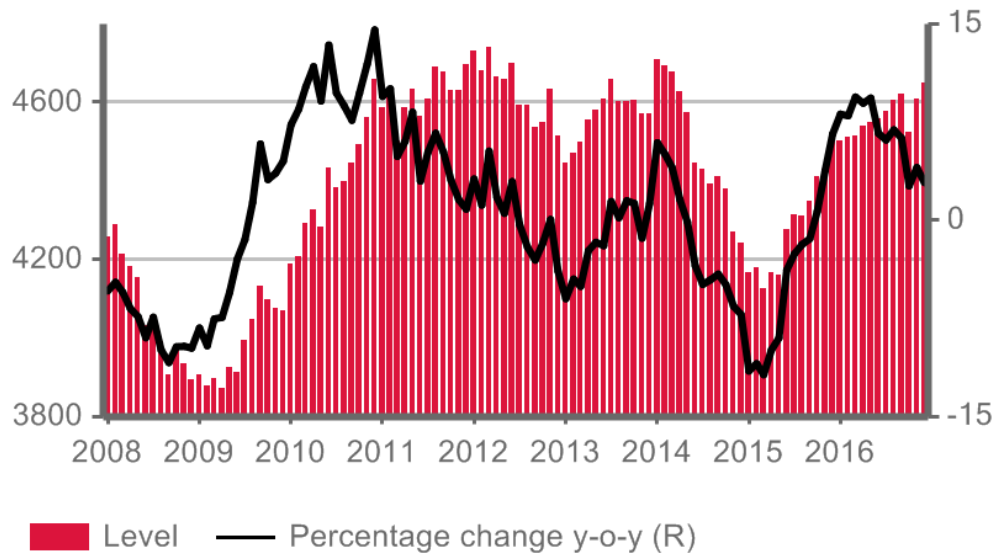
(1-year trailing sum of insolvency counts, monthly data)



Sources: IHS; Statistics Sweden; Atradius Economic Research.

## Insolvency trends: Switzerland

(1-year trailing sum of insolvency counts, monthly data)



Sources: IHS; Credit Reform (Switzerland); Atradius Economic Research.