

CONSENSUS FORECASTS®

A Digest of International Economic Forecasts

% GDP € CPI FX C/A \$ % GDP € CPI FX

Survey Date
October 10, 2016

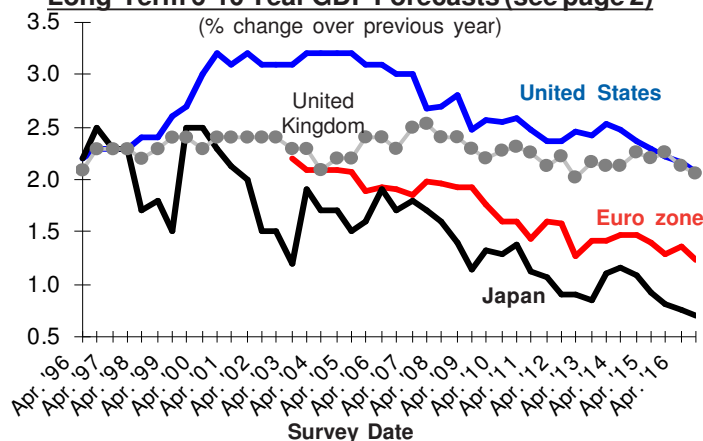
Every month, Consensus Economics surveys over 250 prominent financial and economic forecasters for their estimates of a range of variables including future growth, inflation, interest rates and exchange rates. More than 20 countries are covered and the reference data, together with analysis and polls on topical issues, is rushed to subscribers by express mail and e-mail.

Survey Highlights

- ◆ The **UK** outlook has slightly improved following upwardly revised Q2 GDP and solid services data in July. However, the **UK pound** (page 27) has been battered by government pronouncements about Brexit, highlighting concern about single-market access. UK exchange rate weakness has lifted the potential competitiveness of exports, but also created investment uncertainties.
- ◆ Unconfirmed reports say that the **ECB** could be looking to trim QE amid concerns about the implications of long-term negative interest rates.
- ◆ OPEC's discussions of output cuts have propelled **oil prices** (page 27) above US\$50 per barrel.

Our next issue of **Consensus Forecasts** will be available at the end of the day on **Thursday, November 10, 2016** and will include **Corporate Profits and Real Interest Rates**.

United States, Japan, United Kingdom and Euro zone – Long-Term 6-10 Year GDP Forecasts (see page 2)

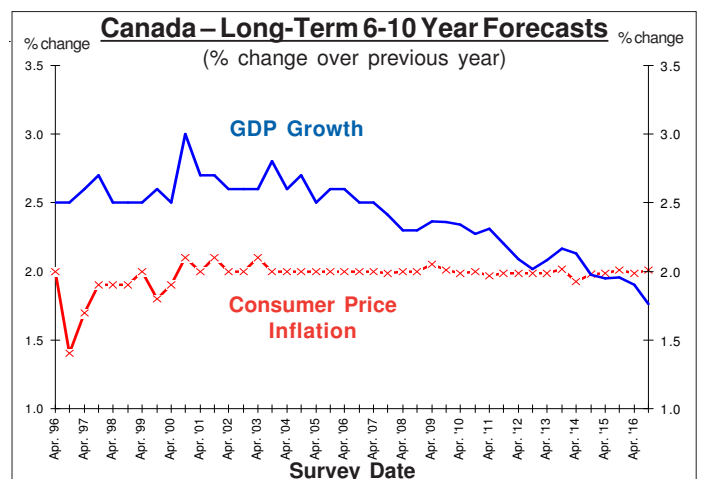
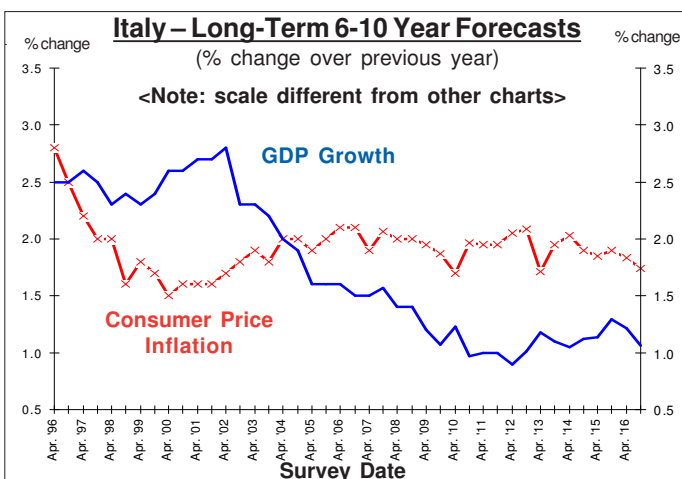
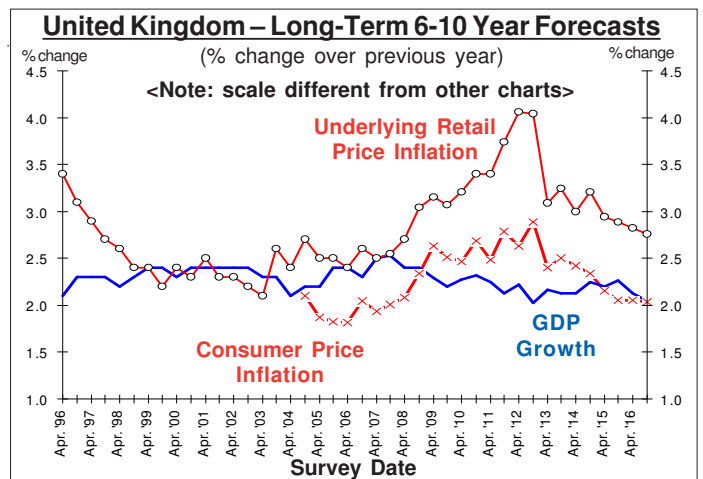
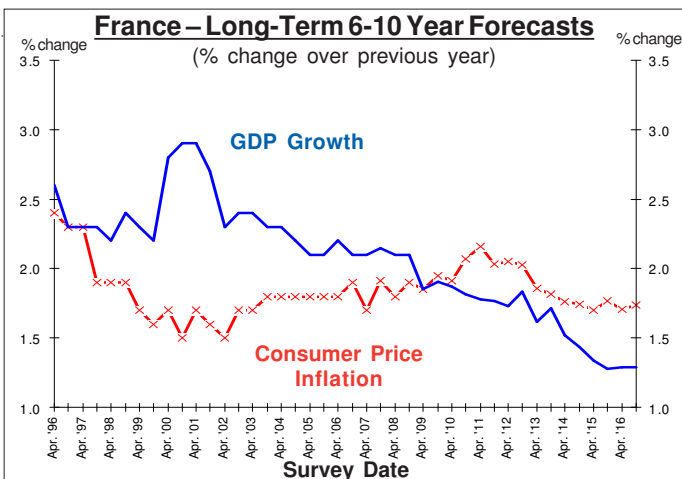
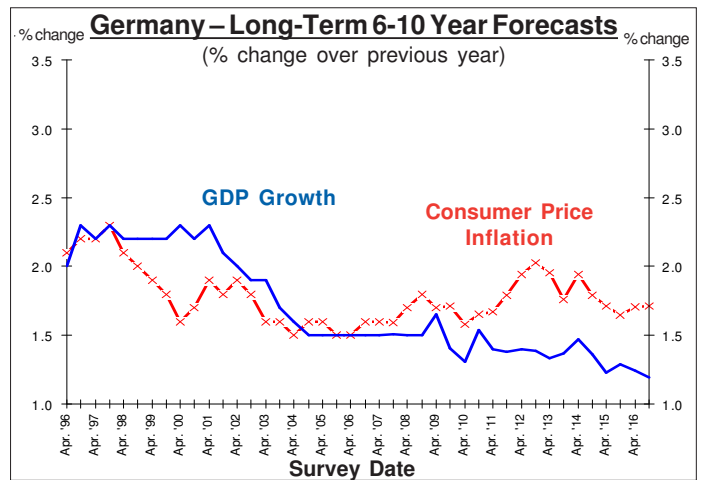
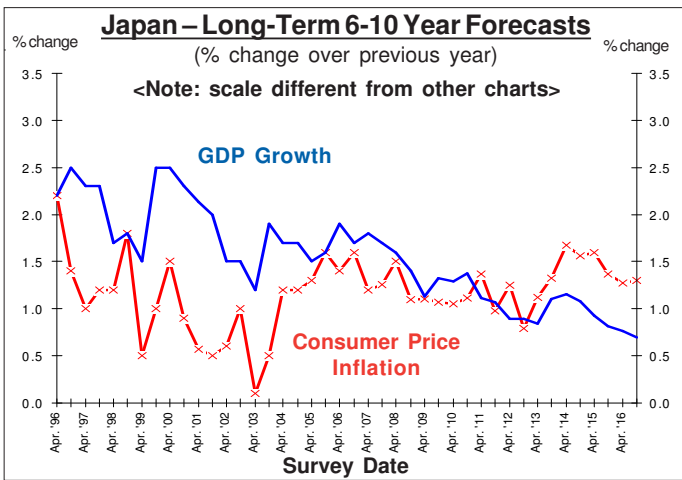
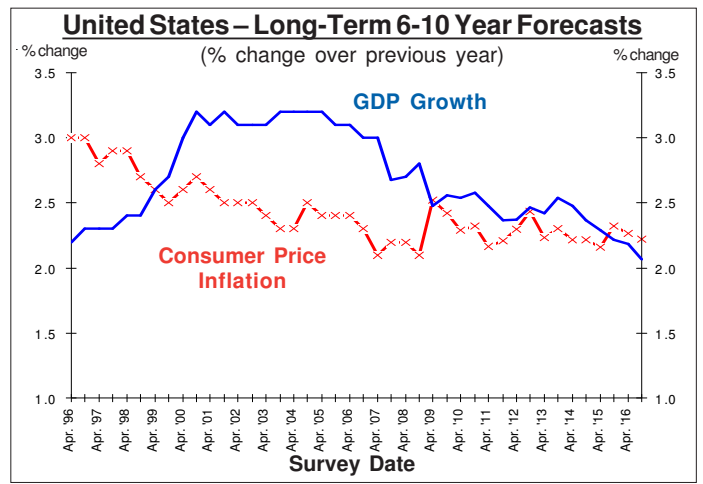


This month's special survey is our regular compilation of **Long-Term Forecasts** (pages 3, 28, and 29) for the next 6-10 years. Moreover, our **Significant Changes** section (page 2) contrasts long-term aggregate forecasts for 2022-2026 with previous aggregates going back to April 1996, allowing an examination of trends in long-term GDP and inflation expectations.

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This month, we chart **Significant Changes in Long-Term Forecast Trends for GDP and Inflation for the US, Japan, Germany, France, the UK, Italy and Canada.** Long-term projections for the 6-10 year period average (in this case 2022-2026) are contrasted with those long-term aggregates published all the way back to April 1996. It is this rolling 6-10 year trendline average which we show in the charts below. The 6-10-year trend averages shown in these charts are a measure of changes in potential growth and inflation expectations. This construct has two problems, however. One is that the 6-10 year horizon is a moving target shifting forward one year, each year. The other is that the number of panellists responding to our long-term surveys is smaller and therefore less representative than the numbers responding to our one and two-year surveys on pages 4-24.



In addition to their regular forecasts, country panellists were asked to provide longer-term forecasts covering the period until 2026 for growth in real GDP, consumer spending, investment and industrial production, along with consumer price inflation, current account balances and long-term bond yields. All definitions correspond to those used in the individual country pages.

| United States | | | | | | | | | | | |
|---|------------|------|------|------|---------------------|------------------|------|------|------|------|------------------------|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ |
| Gross Domestic Product* | 2.2 | 1.7 | 2.4 | 2.6 | 1.5 | 2.2 | 2.1 | 2.0 | 2.0 | 2.0 | 2.1 |
| Personal Consumption* | 1.5 | 1.5 | 2.9 | 3.2 | 2.6 | 2.5 | 2.2 | 2.1 | 2.1 | 2.1 | 2.2 |
| Business Investment* | 9.0 | 3.5 | 6.0 | 2.1 | -0.4 | 2.8 | 3.4 | 3.4 | 3.3 | 3.3 | 3.3 |
| Industrial Production* | 2.8 | 1.9 | 2.9 | 0.3 | -0.8 | 1.7 | 2.1 | 2.0 | 2.1 | 2.0 | 2.1 |
| Consumer Prices* | 2.1 | 1.5 | 1.6 | 0.1 | 1.2 | 2.3 | 2.3 | 2.3 | 2.3 | 2.2 | 2.2 |
| Current Account Balance (USbn) | -447 | -366 | -392 | -463 | -484 | -511 | -540 | -569 | -593 | -627 | -736 |
| 10 Year Treasury Bond Yield, % ² | 1.8 | 3.0 | 2.2 | 2.2 | 1.8 ³ | 2.2 ⁴ | 2.8 | 3.1 | 3.4 | 3.5 | 3.8 |

¹Signifies average for period ²End period ³End January 2017 ⁴End October 2017

The growth trajectory for many **G-7 and Western European economies** in 2016 has been lethargic, eight years on from the Great Recession. Economies still struggle with a cycle of lacklustre growth and job gains, structural problems and widespread disinflation. Despite fiscal expansion in the early days of the recession, governments and markets alike took fright at the accumulating debt load and focused instead on fiscal consolidation. The onus was therefore on the **G-7** central banks alone to kickstart activity. Monetary conditions have been extremely loose: the **US Federal Reserve** has only attempted to lift interest rates once since the onset of the 2008 crisis. Indeed, the Fed was the first to usher in an extended period of quantitative easing (QE) which flushed the world financial markets with liquidity. QE is still in place in **Japan** and over the past year has been adopted by the **European Central Bank**. More recently, the **Bank of England** expanded monetary conditions in the wake of the Brexit vote, in a bid to stabilise the plunging **UK** pound. The question is whether such extensive monetary easing has actually

worked for the **G-7**. Judging by soft growth, scaled-back investment and negligible inflation, the **G-7** appears to be stuck in a liquidity trap. This is worrisome as investment is the foundation for lifting longer-term growth. With a 'new economy' which tends to conserve capital, the IMF and OECD are calling for a fiscal switch to target underperforming investment. Why are governments (other than **Canada's**) not doing more on the fiscal front? Partly because countries like **Germany** have a fear of building up even bigger deficits to burden future generations. The **G-7** faces significant demographic challenges: a post-WW2 baby-boom generation on the cusp of retirement; significantly lower birth rates; sizeable pension liabilities; lower tax receipts and smaller working-age populations to support such liabilities; punitive savings returns; and less job opportunities as automation spreads. Some observers suggest that automation may be a solution to declining working populations; others have cited immigration as an answer. Both are unpopular choices, sparking angry rebuttal in the polls and society at large.

Tables continue on pages 28-29

| Japan | | | | | | | | | | | |
|---|------------|------|------|------|---------------------|------|------|------|------|------|------------------------|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ |
| Gross Domestic Product* | 1.7 | 1.4 | -0.1 | 0.6 | 0.6 | 0.9 | 0.8 | 0.9 | -0.1 | 0.5 | 0.7 |
| Private Consumption* | 2.3 | 1.7 | -0.9 | -1.2 | 0.4 | 0.8 | 0.9 | 0.9 | -0.6 | 0.6 | 0.8 |
| Business Investment* | 3.6 | -0.3 | 2.8 | 1.6 | 0.5 | 1.2 | 1.5 | 2.2 | 0.2 | -0.1 | 1.0 |
| Industrial Production* | 0.2 | -0.6 | 2.1 | -1.2 | -1.0 | 1.4 | 1.8 | 2.0 | -1.5 | 0.1 | 0.7 |
| Consumer Prices* | -0.1 | 0.3 | 2.8 | 0.8 | -0.2 | 0.4 | 0.9 | 1.2 | 1.4 | 0.8 | 1.3 |
| Current Account Balance (¥tn) | 4.9 | 4.5 | 4.1 | 16.3 | 18.6 | 17.4 | 19.2 | 17.8 | 17.8 | 17.3 | 13.2 |
| 10 Year Treasury Bond Yield, % ² | 0.8 | 0.7 | 0.3 | 0.3 | -0.1 | -0.1 | 0.1 | 0.2 | 0.3 | 0.5 | 1.2 |

| Germany | | | | | | | | | | | |
|---|------------|------|------|------|---------------------|------------------|------|------|------|------|------------------------|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ |
| Gross Domestic Product* | 0.5 | 0.5 | 1.6 | 1.7 | 1.8 | 1.3 | 1.5 | 1.4 | 1.5 | 1.3 | 1.2 |
| Private Consumption* | 1.3 | 0.7 | 0.9 | 2.0 | 1.7 | 1.4 | 1.3 | 1.3 | 1.3 | 1.1 | 0.8 |
| Machinery & Eqpt Investment* | -3.2 | -2.1 | 5.5 | 3.7 | 2.0 | 1.5 | 2.7 | 2.2 | 2.3 | 2.0 | 1.4 |
| Industrial Production* | -0.4 | 0.1 | 1.5 | 0.5 | 1.1 | 1.2 | 1.3 | 1.2 | 1.4 | 1.5 | 1.1 |
| Consumer Prices* | 2.0 | 1.5 | 0.9 | 0.3 | 0.4 | 1.5 | 1.7 | 1.8 | 1.8 | 1.8 | 1.7 |
| Current Account Balance (Euro bn) | 194 | 190 | 213 | 256 | 269 | 258 | 252 | 235 | 223 | 211 | 196 |
| 10 Year Treasury Bond Yield, % ² | 1.5 | 1.9 | 0.5 | 0.6 | 0.0 ³ | 0.2 ⁴ | 0.6 | 1.1 | 1.5 | 2.0 | 2.7 |

¹Signifies average for period ²End period ³End January 2017 ⁴End October 2017

| | Average % Change on Previous Calendar Year | | | | | | | | | | Annual Total | | | | | | | | | |
|----------------------------|--|------------|----------------------|------------|---------------------|------------|-----------------------------|------------|-----------------------|------------|-----------------|------------|-----------------|------------|------------------|------------|---|-------------|---------------------------|-------------|
| | Gross Domestic Product | | Personal Consumption | | Business Investment | | Pre - Tax Corporate Profits | | Industrial Production | | Consumer Prices | | Producer Prices | | Employment Costs | | Auto & Light Truck Sales (inc. imports, mn units) | | Housing Starts (mn units) | |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| Inforum - Univ of Maryland | 1.6 | 2.4 | 2.6 | 2.6 | -0.4 | 2.9 | -2.1 | 3.6 | -0.8 | 1.9 | 1.2 | 2.2 | 0.5 | 2.1 | 2.3 | 2.7 | 17.2 | 17.3 | 1.18 | 1.28 |
| Moody's Analytics | 1.6 | 2.9 | 2.7 | 3.2 | -0.6 | 2.9 | -3.2 | 0.7 | -0.7 | 2.0 | 1.2 | 2.4 | -1.0 | 3.1 | 2.3 | 2.7 | 17.3 | 17.2 | 1.19 | 1.56 |
| Econ Intelligence Unit | 1.6 | 2.3 | 2.7 | 2.8 | na | na | na | na | na | na | na | na | na | na | na | na | na | na | na | na |
| General Motors | 1.6 | 2.2 | 2.6 | 2.4 | -0.4 | 3.2 | -2.8 | 2.9 | -0.9 | 1.8 | 1.3 | 2.7 | -1.1 | 2.7 | na | na | na | na | 1.17 | 1.32 |
| Bank of America - Merrill | 1.6 | 2.2 | 2.6 | 2.5 | -0.4 | 2.0 | -0.7 | 5.0 | -0.9 | 1.3 | 1.3 | 2.5 | na | na | 2.3 | 2.5 | 17.3 | 17.7 | 1.16 | 1.25 |
| Swiss Re | 1.6 | 2.2 | 2.7 | 2.8 | -0.5 | 3.1 | -2.2 | 4.5 | -0.6 | 2.8 | 1.3 | 2.3 | -1.3 | 1.1 | na | na | 16.9 | 16.2 | 1.17 | 1.25 |
| Ford Motor Company | 1.6 | 2.2 | 2.5 | 2.6 | -0.2 | 3.2 | na | na | -0.8 | 1.5 | 1.3 | 2.5 | -1.1 | 2.7 | na | na | na | na | 1.18 | 1.31 |
| Univ of Michigan - RSQE | 1.6 | 2.4 | 2.6 | 2.5 | -0.3 | 2.2 | -2.3 | 4.5 | -0.8 | 1.8 | 1.1 | 1.7 | -1.1 | 2.0 | na | na | 17.3 | 17.2 | 1.19 | 1.26 |
| Robert Fry Economics | 1.6 | 2.5 | 2.7 | 2.7 | -0.3 | 3.2 | -2.7 | 2.7 | -0.8 | 2.0 | 1.2 | 2.0 | -1.3 | 1.7 | 2.3 | 2.9 | 17.3 | 17.3 | 1.18 | 1.32 |
| JP Morgan | 1.5 | 2.0 | 2.6 | 2.2 | -0.3 | 2.9 | -1.8 | 2.6 | 0.2 | 1.7 | 1.3 | 2.5 | 0.5 | 2.1 | 2.4 | 3.2 | 17.3 | 17.3 | 1.17 | 1.25 |
| PNC Financial Services | 1.5 | 2.3 | 2.6 | 2.6 | -0.6 | 2.2 | na | na | -0.7 | 1.9 | 1.2 | 2.2 | -1.0 | 2.0 | na | na | 17.3 | 17.2 | 1.17 | 1.21 |
| RDQ Economics | 1.5 | 1.9 | 2.6 | 2.1 | -0.6 | 2.8 | -2.3 | 3.2 | -0.7 | 2.1 | 1.2 | 2.5 | na | na | na | na | 17.5 | 18.0 | 1.15 | 1.20 |
| Goldman Sachs | 1.5 | 2.1 | 2.6 | 2.4 | -0.3 | 2.9 | na | na | -0.8 | 1.8 | 1.2 | 2.0 | na | na | na | na | na | na | 1.18 | 1.28 |
| Action Economics | 1.5 | 2.1 | 2.6 | 2.5 | -0.5 | 1.9 | -2.0 | 4.0 | -0.9 | 1.4 | 1.3 | 2.3 | 0.4 | 1.7 | 2.2 | 2.4 | 17.3 | 17.5 | 1.16 | 1.26 |
| Nat Assn of Home Builders | 1.5 | 2.4 | 2.5 | 2.6 | 0.1 | 3.0 | na | na | -1.0 | 1.2 | 1.2 | 1.9 | na | na | 2.2 | 2.5 | 17.3 | 17.1 | 1.16 | 1.26 |
| Standard & Poor's | 1.5 | 2.4 | 2.7 | 2.6 | -0.5 | 3.5 | -2.5 | 1.6 | -0.9 | 2.0 | 1.4 | 2.5 | -1.1 | 2.0 | 2.3 | 2.7 | 17.3 | 17.5 | 1.19 | 1.33 |
| Eaton Corporation | 1.5 | 2.1 | 2.6 | 2.2 | -1.2 | 2.9 | na | na | -0.8 | 2.2 | 1.3 | 2.4 | -0.9 | 2.8 | na | na | 17.2 | 16.7 | 1.18 | 1.26 |
| Fannie Mae | 1.5 | 2.0 | 2.6 | 2.3 | -0.4 | 2.3 | -1.4 | 3.5 | -0.7 | 1.8 | 1.3 | 2.6 | -1.3 | 2.4 | na | na | 17.2 | 17.1 | 1.17 | 1.31 |
| First Trust Advisors | 1.5 | 2.5 | 2.6 | 2.4 | -0.5 | 3.9 | na | na | -0.7 | 1.8 | 1.2 | 2.5 | -1.3 | 1.8 | na | na | na | na | 1.17 | 1.26 |
| HSBC | 1.5 | 2.1 | 2.6 | 2.4 | -0.5 | 2.6 | na | na | -0.8 | 1.3 | 1.3 | 1.8 | na | na | 2.2 | 2.6 | 17.3 | 17.4 | 1.18 | 1.26 |
| Wells Capital Mgmt | 1.5 | 2.4 | 2.7 | 2.7 | -0.5 | 2.4 | -1.2 | 3.7 | -0.7 | 2.6 | 1.2 | 2.0 | 0.3 | 2.5 | 2.3 | 2.8 | 17.3 | 17.0 | 1.17 | 1.23 |
| Wells Fargo | 1.5 | 2.2 | 2.6 | 2.6 | -0.3 | 3.3 | -2.5 | 1.9 | -0.8 | 2.1 | 1.2 | 2.2 | na | na | 2.3 | 2.6 | 17.3 | 17.0 | 1.16 | 1.21 |
| Citigroup | 1.5 | 2.2 | 2.6 | 2.4 | -0.8 | 3.0 | na | na | -1.0 | 1.8 | 1.3 | 2.5 | na | na | na | na | na | na | na | na |
| Macroeconomic Advisers | 1.5 | 2.2 | 2.6 | 2.4 | -0.4 | 3.2 | -2.8 | 2.9 | -0.9 | 1.8 | 1.3 | 2.7 | -1.1 | 2.7 | na | na | 17.3 | 16.7 | 1.17 | 1.32 |
| The Conference Board | 1.5 | 1.9 | 2.6 | 2.3 | -0.5 | 1.6 | -3.4 | -2.0 | -0.7 | 1.9 | 1.2 | 2.3 | na | na | 2.6 | 3.1 | 17.3 | 16.9 | 1.17 | 1.23 |
| Northern Trust | 1.5 | 2.0 | 2.6 | 2.4 | -0.3 | 2.0 | -3.3 | -0.6 | -1.0 | 1.3 | 1.1 | 2.1 | na | na | na | na | 17.3 | 17.2 | 1.18 | 1.32 |
| Georgia State University | 1.5 | 2.3 | 2.7 | 2.6 | -0.2 | 2.7 | -1.4 | 7.1 | -0.8 | 1.3 | 1.3 | 2.3 | -1.0 | 2.9 | 2.2 | 2.6 | 17.1 | 16.6 | 1.16 | 1.22 |
| Oxford Economics | 1.5 | 2.0 | 2.7 | 2.5 | -0.5 | 2.0 | -2.5 | -0.3 | -0.8 | 1.3 | 1.2 | 2.1 | -1.3 | 1.7 | 2.3 | 2.4 | 17.3 | 17.4 | 1.17 | 1.25 |
| IHS Markit | 1.4 | 2.2 | 2.7 | 2.5 | -0.1 | 4.1 | -3.3 | 3.9 | -1.0 | 1.1 | 1.3 | 2.5 | -1.2 | 2.8 | 2.2 | 2.7 | 17.4 | 17.5 | 1.16 | 1.20 |
| UBS | 1.4 | 2.4 | 2.6 | 2.7 | -0.5 | 3.7 | na | na | -1.0 | 1.2 | 1.3 | 2.3 | na | na | 2.4 | 3.4 | na | na | 1.17 | 1.35 |
| Consensus (Mean) | 1.5 | 2.2 | 2.6 | 2.5 | -0.4 | 2.8 | -2.3 | 2.8 | -0.8 | 1.7 | 1.2 | 2.3 | -0.8 | 2.3 | 2.3 | 2.7 | 17.3 | 17.2 | 1.17 | 1.28 |
| Last Month's Mean | 1.5 | 2.3 | 2.7 | 2.6 | -0.7 | 2.8 | -2.7 | 2.2 | -0.7 | 1.9 | 1.2 | 2.2 | -0.6 | 2.2 | 2.3 | 2.7 | 17.3 | 17.1 | 1.18 | 1.30 |
| 3 Months Ago | 1.9 | 2.2 | 2.7 | 2.5 | -0.4 | 3.1 | -1.9 | 2.7 | -0.8 | 2.0 | 1.3 | 2.3 | -0.7 | 2.1 | 2.3 | 2.7 | 17.3 | 17.3 | 1.19 | 1.33 |
| High | 1.6 | 2.9 | 2.7 | 3.2 | 0.1 | 4.1 | -0.7 | 7.1 | 0.2 | 2.8 | 1.4 | 2.7 | 0.5 | 3.1 | 2.6 | 3.4 | 17.5 | 18.0 | 1.19 | 1.56 |
| Low | 1.4 | 1.9 | 2.5 | 2.1 | -1.2 | 1.6 | -3.4 | -2.0 | -1.0 | 1.1 | 1.1 | 1.7 | -1.3 | 1.1 | 2.2 | 2.4 | 16.9 | 16.2 | 1.15 | 1.20 |
| Standard Deviation | 0.1 | 0.2 | 0.0 | 0.2 | 0.2 | 0.6 | 0.7 | 2.1 | 0.2 | 0.4 | 0.1 | 0.3 | 0.7 | 0.5 | 0.1 | 0.3 | 0.1 | 0.4 | 0.01 | 0.07 |
| Comparison Forecasts | | | | | | | | | | | | | | | | | | | | |
| CBO (Aug. '16) | 2.5 | 2.6 | | | | | | | | | 1.4 | 2.4 | | | 2.6 | 3.0 | | | | |
| OMB (Jul. '15) | 3.0 | 2.8 | | | | | | | | | 1.9 | 2.0 | | | | | | | | |
| IMF (Oct. '16) | 1.6 | 2.2 | 2.9 | 2.7 | | | | | | | 1.2 | 2.3 | | | | | | | | |
| OECD (Sep. '16) | 1.4 | 2.1 | | | | | | | | | | | | | | | | | | |

Government and Background Data

President - Mr. Barack Obama (Democrat). **Congress** - Republicans have a majority with 244 seats in the House of Representatives (lower house) and in the Senate (upper house) with 53 seats. **Next Elections** - November 8, 2016 (Presidential and Congressional). **Nominal GDP** - US\$17,947bn (2015). **Population** - 321.8mn (mid-year, 2015).

Quarterly Consensus Forecasts

Historical Data and Forecasts (bold italics) From Survey of September 12, 2016

| | 2016 | | | | 2017 | | | | 2018 | | | |
|------------------------|------|-----|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Gross Domestic Product | 1.6 | 1.2 | 1.4 | 1.8 | 2.2 | 2.5 | 2.3 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Personal Consumption | 2.4 | 2.7 | 2.8 | 2.9 | 3.0 | 2.5 | 2.4 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| Consumer Prices | 1.1 | 1.1 | 1.1 | 1.5 | 2.2 | 2.1 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |

Percentage Change (year-on-year).

Historical Data

| | *% change on previous year | | | |
|--|----------------------------|------|------|------|
| | 2012 | 2013 | 2014 | 2015 |
| Gross Domestic Product* | 2.2 | 1.7 | 2.4 | 2.6 |
| Personal Consumption* | 1.5 | 1.5 | 2.9 | 3.2 |
| Business Investment* | 9.0 | 3.5 | 6.0 | 2.1 |
| Pre - Tax Corporate Profits* | 10.0 | 1.7 | 5.9 | -3.0 |
| Industrial Production* | 2.8 | 1.9 | 2.9 | 0.3 |
| Consumer Prices* | 2.1 | 1.5 | 1.6 | 0.1 |
| Producer Prices* | 1.9 | 1.2 | 1.9 | -3.3 |
| Employment Costs* | 1.9 | 1.9 | 2.1 | 2.1 |
| Auto & Light Truck Sales (inc. imports), mn | 14.4 | 15.5 | 16.4 | 17.4 |
| Housing Starts, mn | 0.78 | 0.93 | 1.00 | 1.11 |
| Unemployment Rate, % | 8.1 | 7.4 | 6.2 | 5.3 |
| Current Account, US\$ bn | -447 | -366 | -392 | -463 |
| Federal Budget Balance, fiscal years, US\$ bn | -1087 | -680 | -485 | -438 |
| 3 mth Treasury Bill, % (end yr) | 0.1 | 0.1 | 0.0 | 0.2 |
| 10 Year Trsy Bond, % (end yr) | 1.8 | 3.0 | 2.2 | 2.2 |

| Year Average | | Annual Total | | Fiscal Years (Oct-Sep) | | Rates on Survey Date | | | |
|-----------------------|---------------------------|--------------|------|------------------------|----------|--------------------------------|---------------------------------|------|-----|
| Unemployment Rate (%) | Current Account (US\$ bn) | 2016 | 2017 | FY 15-16 | FY 16-17 | 0.3% | | 1.7% | |
| | | | | | | 3 month Treasury Bill Rate (%) | 10 Year Treasury Bond Yield (%) | | |
| 4.9 | 4.6 | na | na | na | na | 0.5 | 1.1 | 1.9 | 2.5 |
| 4.9 | 4.8 | -520 | -658 | -531 | -609 | 0.2 | 0.5 | 2.2 | 3.3 |
| 4.8 | 4.5 | -464 | -511 | -594 | -611 | 0.5 | 0.7 | 2.0 | 2.2 |
| 4.9 | 4.5 | -495 | -515 | -520 | -530 | 0.5 | 0.9 | 1.8 | 2.3 |
| 4.9 | 4.8 | -538 | -580 | -590 | -610 | na | na | na | na |
| 4.8 | 4.6 | -441 | -442 | -651 | -525 | 0.4 | 0.8 | 1.7 | 2.2 |
| 4.9 | 4.6 | na | na | -452 | -529 | na | na | 1.9 | 2.2 |
| 4.9 | 4.8 | na | na | na | na | 0.5 | 1.0 | 1.9 | 2.4 |
| 4.9 | 4.7 | -485 | -525 | -540 | -550 | 0.6 | 1.3 | 1.8 | 2.6 |
| 4.9 | 4.7 | -490 | -552 | -590 | -595 | na | na | na | na |
| 4.9 | 4.7 | na | na | na | na | 0.6 | 0.9 | 1.8 | 2.0 |
| 4.8 | 4.3 | na | na | -550 | na | 0.7 | 1.3 | 2.1 | 2.6 |
| 4.9 | 4.6 | -402 | -430 | -575 | -600 | 0.5 | 1.3 | 2.1 | 2.4 |
| 4.9 | 4.7 | -497 | -515 | -583 | -656 | na | na | na | na |
| 4.9 | 4.8 | -460 | -451 | -536 | -559 | na | na | na | na |
| 4.8 | 4.5 | -468 | -461 | -485 | -579 | 0.6 | 0.8 | 2.1 | 2.3 |
| 5.0 | 4.9 | na | na | na | na | na | na | na | na |
| 4.9 | 4.6 | -474 | -474 | -521 | -577 | 0.7 | 0.9 | 1.7 | 1.8 |
| 4.9 | 4.8 | -479 | -491 | -588 | -594 | 0.6 | 1.0 | 2.1 | 2.6 |
| 4.9 | 4.7 | -509 | -547 | -587 | -597 | 0.3 | 0.5 | 1.5 | 1.4 |
| 4.8 | 4.6 | -490 | -525 | -520 | -540 | 0.4 | 1.1 | 1.9 | 2.4 |
| 4.9 | 4.7 | -522 | -635 | -575 | -620 | 0.5 | 0.9 | 1.9 | 2.0 |
| 4.9 | 4.6 | -502 | -570 | -590 | -587 | 0.8 | 1.3 | 1.7 | 1.7 |
| 4.9 | 4.5 | -498 | -515 | na | na | na | na | na | na |
| 4.9 | 4.6 | na | na | na | na | 0.5 | 1.0 | 1.8 | 1.9 |
| 4.9 | 4.8 | -477 | -498 | -481 | -579 | 0.6 | 1.2 | 1.6 | 2.4 |
| 4.9 | 4.9 | -448 | -392 | -592 | -490 | 0.3 | 0.6 | 1.8 | 2.2 |
| 4.9 | 4.7 | -499 | -522 | -481 | -574 | 0.5 | 0.7 | 1.9 | 2.1 |
| 4.9 | 4.8 | -474 | -400 | -593 | -576 | 0.6 | 0.9 | 1.9 | 2.3 |
| 4.8 | 4.6 | -508 | -553 | -544 | -561 | 1.0 | 1.3 | 1.5 | 1.5 |
| 4.9 | 4.7 | -484 | -511 | -553 | -576 | 0.5 | 1.0 | 1.8 | 2.2 |
| 4.9 | 4.6 | -482 | -517 | -544 | -563 | | | | |
| 4.8 | 4.6 | -493 | -538 | -522 | -539 | | | | |
| 5.0 | 4.9 | -402 | -392 | -452 | -490 | 1.0 | 1.3 | 2.2 | 3.3 |
| 4.8 | 4.3 | -538 | -658 | -651 | -656 | 0.2 | 0.5 | 1.5 | 1.4 |
| 0.0 | 0.1 | 30 | 66 | 48 | 37 | 0.2 | 0.2 | 0.2 | 0.4 |
| 4.8 | 4.5 | | | -590 | -594 | | | | |
| 4.9 | 4.6 | | | -429 | -436 | | | | |
| 4.9 | 4.8 | -469 | -519 | | | | | | |

Muted August for Industry; Possible September Rebound

The third release of Q2 GDP upgraded growth from a previously-reported 1.1% (q-o-q annualized) to 1.4%, almost doubling the 0.8% pace reported in Q1. However, for the first half of 2016, growth rose by only 1.1%. The good news is that real disposable income and personal consumption continued supporting activity. Moreover, the decline in business investment (for a third consecutive quarter) appears to be ebbing. Investment fell by -1.0%, up from a -3.4% drop in Q1. Going into Q3, the impetus behind growth may be strengthening. Stronger exports, consumption and more positive capital spending have all contributed to keeping our panel's 2016 GDP forecast at 1.5% this month. On the export side, the trade balance actually worsened in August, from US\$-39.5bn in July to US\$-40.7bn, but this was due to higher imports of capital goods and record-high spending on services from abroad. The former signals some good news for business spending, while the latter was boosted by a one-off factor: broadcasting from the Rio Olympics. Sales of consumer goods, particularly pharmaceuticals and industry, helped to buoy exports in August. Despite the dollar's relative strength, export demand may be gaining traction, thanks to relatively better global conditions compared with the start of the year, as well as recent weakness in the US dollar.

Both manufacturing and industrial production as a whole contracted in m-o-m terms in August (by -0.4% and -0.5%, respectively). However, the forward-looking ISM survey for manufacturing showed that September bounced back from August's below-50 level to 51.5, helped by expanding new orders, output and employment in the sector. Despite this, the consensus forecast for production has worsened slightly.

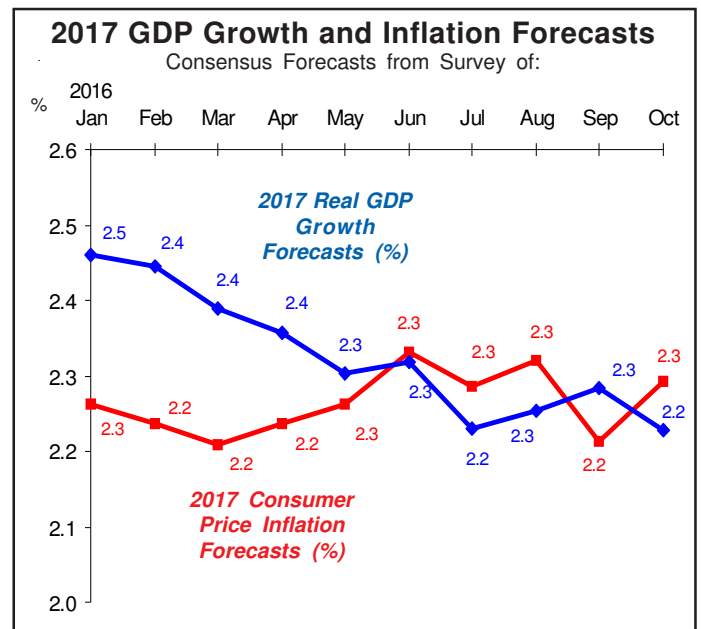
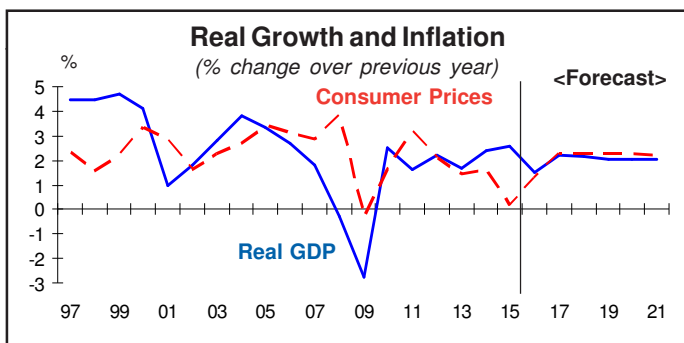
Likelihood of a Federal Reserve Interest Rate Change
 Our panel's estimated average probability of a change in the **Fed Funds rate (currently 0.25-0.50%) at or before the next FOMC meeting (Nov. 2, 2016)** was:

| | | | | | |
|-----------------|---|------------------|---|-----------------|---------|
| INCREASE | | NO CHANGE | | DECREASE | |
| 9.3 | + | 89.2 | + | 1.5 | = 100 % |

Most likely rate change mentioned: **None**

Direction of Trade – 2015

| Major Export Markets (% of Total) | | Major Import Suppliers (% of Total) | |
|-----------------------------------|------|-------------------------------------|------|
| Canada | 18.6 | China | 20.9 |
| Mexico | 15.7 | Canada | 12.8 |
| China | 7.7 | Mexico | 12.8 |
| Latin America | 25.8 | Asia (ex. Japan) | 29.0 |
| EU | 18.2 | EU | 18.5 |
| Asia (ex. Japan) | 12.4 | Latin America | 17.8 |



| | Average % Change on Previous Calendar Year | | | | | | | | | | | | Annual Total | | | | | |
|-------------------------------|--|------------|---------------------|------------|---------------------|------------|-----------------------|------------|-----------------|------------|---------------------------------|------------|-------------------------------|------------|----------------------------|------------|---------------------|-------------|
| | Gross Domestic Product | | Private Consumption | | Business Investment | | Industrial Production | | Consumer Prices | | Domestic Corporate Goods Prices | | Total Cash Earnings (nominal) | | New Car Registrations (mn) | | Housing Starts (mn) | |
| | 国内総生産 | | 民間消費 | | 民間設備投資 | | 鉱工業生産 | | 消費者物価 | | 卸売物価 | | 現金給与総額 (名目) | | 新車登録台数 (百万台) | | 新設住宅着工 (百万戸) | |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| Mizuho Securities | 0.9 | 1.0 | 0.5 | 1.6 | 1.3 | 4.4 | -0.5 | 3.0 | -0.4 | 0.8 | -3.6 | 0.1 | 1.0 | 0.8 | na | na | 0.92 | 1.03 |
| Barclays | 0.7 | 1.2 | 0.4 | 0.6 | 0.9 | 3.1 | na | na | -0.3 | 0.6 | na | na | na | na | na | na | na | na |
| Mitsubishi UFJ Research | 0.7 | 1.0 | 0.4 | 0.8 | 0.4 | 1.0 | -0.8 | 1.0 | -0.3 | 0.2 | -3.6 | -0.3 | 0.6 | 0.2 | na | na | 0.98 | 0.97 |
| Nomura Securities | 0.7 | 1.0 | 0.4 | 0.8 | 0.7 | 2.2 | -1.4 | 1.1 | -0.2 | 0.2 | -3.5 | -0.5 | 0.3 | 0.5 | na | na | na | na |
| Mitsubishi Research Institute | 0.6 | 0.9 | 0.4 | 0.8 | 0.5 | 1.0 | -1.4 | 1.3 | na | na | -3.2 | 1.4 | na | na | na | na | 0.95 | 0.88 |
| Bank of Tokyo-Mitsubishi UFJ | 0.6 | 0.8 | 0.4 | 0.7 | 0.5 | 1.4 | -1.2 | 1.3 | -0.2 | 0.4 | -3.4 | 0.6 | na | na | na | na | na | na |
| Citigroup Japan | 0.6 | 0.8 | 0.5 | 0.6 | 0.1 | 0.8 | -1.2 | 2.0 | -0.1 | 0.3 | na | na | na | na | na | na | na | na |
| Dai-ichi Life Research | 0.6 | 0.8 | 0.3 | 0.5 | 0.2 | 1.2 | -0.5 | 2.2 | -0.3 | 0.4 | na | na | na | na | na | na | na | na |
| HSBC | 0.6 | 0.9 | 0.4 | 0.7 | 0.2 | -0.4 | -0.5 | 2.6 | -0.2 | 0.4 | -3.4 | -0.6 | 0.9 | 1.0 | na | na | na | na |
| Morgan Stanley | 0.6 | 0.8 | 0.4 | 1.3 | -0.1 | 0.2 | -1.2 | 0.9 | -0.3 | 0.3 | na | na | na | na | na | na | na | na |
| Toyota Motor Corporation | 0.6 | 0.7 | 0.3 | 0.4 | 0.8 | 1.7 | na | na | -0.1 | 0.6 | na | na | na | na | na | na | na | na |
| Deutsche Securities | 0.6 | 0.9 | 0.4 | 1.0 | 0.2 | 0.5 | -1.4 | 1.5 | -0.2 | 0.5 | -3.4 | 0.3 | 0.5 | 1.0 | na | na | na | na |
| Japan Ctr for Econ Research | 0.6 | 0.9 | 0.4 | 0.9 | 0.4 | 1.0 | -1.4 | 0.9 | -0.1 | 0.6 | -3.3 | 0.1 | 0.5 | 0.4 | na | na | 0.95 | 0.86 |
| Goldman Sachs | 0.6 | 1.0 | 0.3 | 0.7 | 0.4 | 0.8 | -1.5 | 0.7 | -0.2 | 0.3 | -3.6 | -0.1 | na | na | na | na | na | na |
| IHS Markit | 0.6 | 0.7 | 0.5 | 0.9 | 0.5 | 0.8 | -0.7 | 1.6 | -0.3 | 0.5 | -3.4 | 0.6 | na | na | na | na | 0.96 | 0.95 |
| Oxford Economics | 0.6 | 0.6 | 0.5 | 1.1 | 0.1 | -1.5 | -1.2 | 0.0 | -0.2 | 0.2 | -3.5 | -0.5 | 1.3 | 0.4 | na | na | 0.97 | 0.96 |
| ITOCHU Institute | 0.5 | 0.9 | 0.4 | 0.8 | 0.3 | 0.5 | -0.3 | 2.8 | -0.3 | 0.7 | -3.5 | 1.0 | 0.4 | 0.2 | 2.8 | 2.8 | 0.96 | 0.87 |
| UBS | 0.5 | 1.2 | 0.5 | 1.0 | 1.0 | 3.1 | -0.2 | 0.1 | -0.2 | 0.3 | na | na | na | na | na | na | na | na |
| Credit Suisse | 0.5 | 0.6 | 0.4 | 0.6 | 0.1 | -0.3 | -1.1 | -0.2 | -0.3 | -0.4 | na | na | na | na | na | na | na | na |
| Econ Intelligence Unit | 0.5 | 0.4 | 0.6 | 0.5 | na | na | -1.5 | 0.3 | -0.1 | 0.4 | -3.4 | 1.3 | na | na | na | na | na | na |
| Mizuho Research Institute | 0.5 | 0.7 | 0.5 | 0.9 | 0.4 | 1.5 | -0.8 | 2.4 | -0.2 | 0.8 | -3.5 | 0.5 | 0.7 | 0.8 | na | na | 0.97 | 0.91 |
| NLI Research Institute | 0.5 | 0.8 | 0.6 | 1.2 | 0.1 | 1.2 | -1.3 | 1.2 | -0.2 | 0.5 | -3.2 | 0.2 | 0.4 | 0.9 | na | na | 0.97 | 0.96 |
| Nippon Steel & Sumikin Rsrch | 0.5 | 1.2 | 0.3 | 1.0 | 1.1 | 2.8 | -1.2 | 2.0 | -0.1 | 0.4 | -3.3 | 0.2 | 1.0 | 1.5 | 2.8 | 2.9 | 0.95 | 0.87 |
| Consensus (Mean) | 0.6 | 0.9 | 0.4 | 0.8 | 0.5 | 1.2 | -1.0 | 1.4 | -0.2 | 0.4 | -3.4 | 0.3 | 0.7 | 0.7 | 2.8 | 2.8 | 0.96 | 0.93 |
| Last Month's Mean | 0.6 | 0.8 | 0.4 | 0.8 | 0.4 | 1.0 | -1.1 | 1.4 | -0.2 | 0.4 | -3.4 | 0.2 | 0.6 | 0.7 | 2.7 | 2.9 | 0.96 | 0.92 |
| 3 Months Ago | 0.5 | 0.8 | 0.2 | 0.8 | 0.8 | 1.3 | -1.0 | 1.6 | -0.1 | 0.6 | -3.1 | 0.5 | 0.7 | 0.7 | 2.8 | 2.8 | 0.94 | 0.91 |
| High | 0.9 | 1.2 | 0.6 | 1.6 | 1.3 | 4.4 | -0.2 | 3.0 | -0.1 | 0.8 | -3.2 | 1.4 | 1.3 | 1.5 | 2.8 | 2.9 | 0.98 | 1.03 |
| Low | 0.5 | 0.4 | 0.3 | 0.4 | -0.1 | -1.5 | -1.5 | -0.2 | -0.4 | -0.4 | -3.6 | -0.6 | 0.3 | 0.2 | 2.8 | 2.8 | 0.92 | 0.86 |
| Standard Deviation | 0.1 | 0.2 | 0.1 | 0.3 | 0.4 | 1.3 | 0.4 | 0.9 | 0.1 | 0.3 | 0.1 | 0.6 | 0.3 | 0.4 | 0.0 | 0.0 | 0.02 | 0.05 |
| Comparison Forecasts | | | | | | | | | | | | | | | | | | |
| IMF (Oct. '16) | 0.5 | 0.6 | | | | | | | -0.2 | 0.5 | | | | | | | | |
| OECD (Sep. '16) | 0.6 | 0.7 | | | | | | | | | | | | | | | | |

Government and Background Data

Prime Minister - Mr. Shinzo Abe of the Liberal Democratic Party of Japan (LDP) was elected as Prime Minister in December 2014. **Parliament** - President Abe's LDP won 291 of the 475 seats of the Lower House of Parliament and has formed a coalition with the minority party, Komeito Party. **Next Elections** House of Representatives (on or before December 13, 2018). **Nominal GDP** - ¥499.3tn (2015). **Population** - 126.6mn (mid-year, 2015). **Yen/\$ Exchange Rate** - 121.02 (average, 2015).

Quarterly Consensus Forecasts

Historical Data and Forecasts (bold italics) From Survey of September 12, 2016

| | 2016 | | 2017 | | | | 2018 | | | |
|------------------------|------|------|-------------|-------------|------------|------------|------------|------------|------------|------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Gross Domestic Product | 0.1 | 0.8 | 0.4 | 1.0 | 0.8 | 0.9 | 1.0 | 1.0 | 0.9 | 1.0 |
| Private Consumption | -0.3 | 0.5 | 0.3 | 1.2 | 0.8 | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 |
| Consumer Prices | 0.0 | -0.3 | -0.3 | -0.1 | 0.2 | 0.4 | 0.7 | 0.8 | 0.8 | 0.9 |

Percentage Change (year-on-year).

Historical Data

| * % change on previous year | 2012 | 2013 | 2014 | 2015 |
|--|-------|-------|-------|---------|
| Gross Domestic Product* | 1.7 | 1.4 | -0.1 | 0.6 |
| Private Consumption* | 2.3 | 1.7 | -0.9 | -1.2 |
| Business Investment* | 3.6 | -0.3 | 2.8 | 1.6 |
| Industrial Production* | 0.2 | -0.6 | 2.1 | -1.2 |
| Consumer Prices* | -0.1 | 0.3 | 2.8 | 0.8 |
| Domestic Corporate Goods Prices* | -0.9 | 1.3 | 3.2 | -2.3 |
| Total Cash Earnings (nominal)* | -0.9 | -0.4 | 0.4 | 0.1 |
| New Car Registrations, mn | 3.0 | 2.9 | 2.9 | 2.7 |
| Housing Starts, mn | 0.88 | 0.98 | 0.89 | 0.91 |
| Unemployment Rate, % | 4.3 | 4.0 | 3.6 | 3.4 |
| Current Account, ¥tn | 4.9 | 4.5 | 4.1 | 16.3 |
| General Govt Budget Balance, SNA basis, fisc. years, ¥tn | -41.0 | -36.8 | -25.4 | -23.5 e |
| 3 mth TIBOR, % (end yr) | 0.3 | 0.2 | 0.2 | 0.2 |
| 10 Yr Govt Bond, % (end yr) | 0.8 | 0.7 | 0.3 | 0.3 |

e = consensus estimate based on latest survey

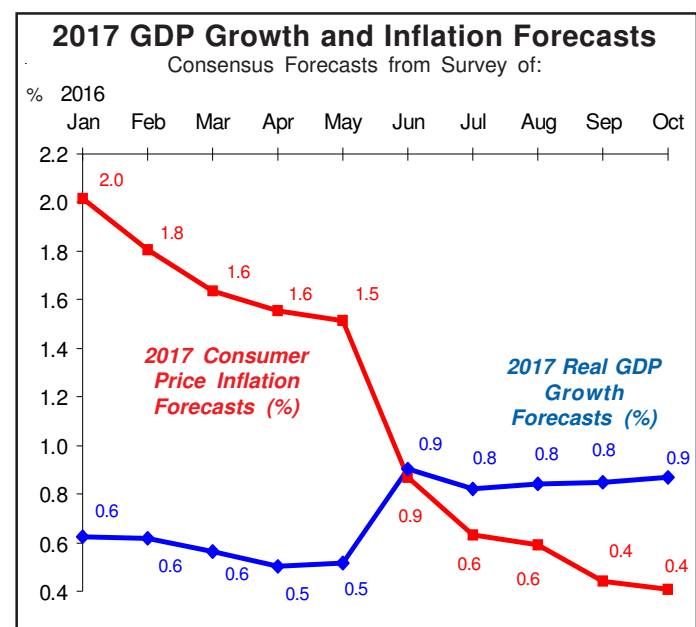
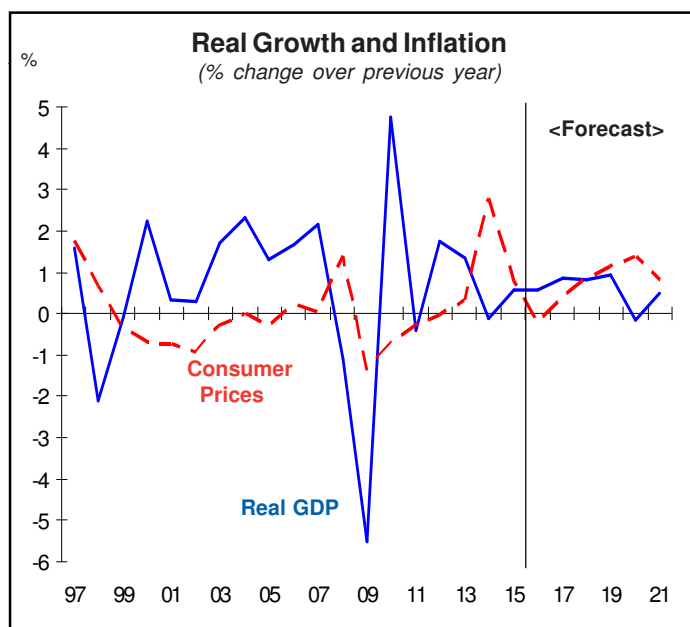
| Year Average | Annual Total | | Fiscal Years (Apr-Mar) | | Rates on Survey Date | | | | |
|-----------------------|-----------------------|---|------------------------|---------------------------|----------------------|-----------------------------|------------|-------------|-------------|
| | | | | | 0.1% | | -0.1% | | |
| Unemployment Rate (%) | Current Account (¥tn) | General Government Budget Balance (¥tn) | | 3 month Yen TIBOR Rate(%) | | 10 Year Govt Bond Yield (%) | | | |
| 失業率 | 経常収支 | 一般政府 財政収支 (SNA ベース、兆円) | | 3ヵ月物 円建 譲渡性預金 | | 10年物 国債利回り | | | |
| 2016 | 2017 | 2016 | 2017 | FY 16-17 | FY 17-18 | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 |
| 3.1 | 2.9 | 19.4 | 19.4 | na | na | na | na | -0.3 | -0.1 |
| 3.1 | 2.8 | na | na | na | na | na | na | na | na |
| 3.2 | 3.2 | 19.0 | 18.1 | -28.6 | -26.2 | 0.1 | 0.1 | -0.1 | 0.0 |
| 3.1 | 3.0 | 20.5 | 20.7 | na | na | na | na | 0.0 | 0.0 |
| 3.2 | 3.0 | 18.8 | 19.8 | na | na | na | na | -0.1 | -0.1 |
| na | na | 18.0 | 15.1 | na | na | 0.1 | 0.1 | -0.1 | 0.0 |
| 3.1 | 2.8 | 18.7 | 16.7 | -28.3 | -26.5 | -0.1 | -0.2 | -0.1 | -0.2 |
| 3.1 | 3.0 | 18.5 | 17.5 | na | na | 0.1 | 0.1 | -0.1 | -0.1 |
| 3.2 | 3.1 | 16.9 | 15.0 | -20.7 | -19.6 | -0.2 | -0.2 | -0.1 | -0.1 |
| 3.2 | 3.1 | na | na | na | na | na | na | -0.4 | na |
| 3.2 | 3.2 | na | na | na | na | na | na | na | na |
| 3.1 | 3.0 | 19.1 | 18.5 | -19.8 | -19.3 | na | na | -0.1 | -0.1 |
| 3.1 | 3.0 | 20.0 | 18.1 | -23.2 | -26.1 | na | na | -0.1 | -0.1 |
| 3.1 | 2.8 | 20.2 | 20.9 | na | na | na | na | na | na |
| 3.2 | 3.3 | 18.3 | 16.7 | na | na | 0.1 | 0.1 | -0.1 | 0.0 |
| 3.0 | 2.7 | 19.8 | 19.3 | -29.9 | -33.6 | 0.0 | 0.0 | -0.1 | 0.0 |
| 3.2 | 3.0 | 19.7 | 15.3 | -27.4 | -27.6 | 0.0 | 0.0 | -0.1 | 0.0 |
| 3.0 | 2.9 | 14.0 | 15.7 | na | na | na | na | na | na |
| 3.2 | 3.0 | 16.5 | 8.5 | na | na | 0.1 | 0.1 | -0.1 | -0.2 |
| 3.1 | 2.9 | na | na | na | na | na | na | na | na |
| 3.2 | 3.1 | 18.8 | 18.3 | na | na | 0.1 | 0.1 | -0.1 | -0.1 |
| 3.1 | 3.0 | 17.0 | 14.7 | -22.9 | -22.8 | 0.1 | 0.0 | -0.1 | -0.1 |
| 3.0 | 2.5 | 20.5 | 22.3 | na | na | 0.1 | 0.1 | 0.0 | 0.0 |
| 3.1 | 3.0 | 18.6 | 17.4 | -25.1 | -25.2 | 0.0 | 0.0 | -0.1 | -0.1 |
| 3.1 | 3.0 | 18.4 | 17.1 | -25.3 | -25.3 | | | | |
| 3.2 | 3.1 | 18.5 | 17.1 | -24.8 | -24.1 | | | | |
| 3.2 | 3.3 | 20.5 | 22.3 | -19.8 | -19.3 | 0.1 | 0.1 | 0.0 | 0.0 |
| 3.0 | 2.5 | 14.0 | 8.5 | -29.9 | -33.6 | -0.2 | -0.2 | -0.4 | -0.2 |
| 0.1 | 0.2 | 1.6 | 3.1 | 3.9 | 4.6 | 0.1 | 0.1 | 0.1 | 0.1 |
| 3.2 | 3.2 | | | | | | | | |

Key Economic Indicators Weak

Following the relatively strong 0.8% (y-o-y) expansion seen in Q2, the Japanese economy has been hit by a spate of sub-par data in recent weeks. The Q3 Tankan survey revealed that confidence amongst large manufacturers was unchanged from the previous poll, and that sentiment amongst large non-manufacturing producers worsened slightly. Elsewhere, retail sales fell by -2.1% (y-o-y) in August, and the services PMI declined to 48.2 in September. As Prime Minister Shinzo Abe looks to press ahead with long-awaited labour and agricultural reforms, doubts have resurfaced with regards to the accuracy of Japan's national accounts figures after a report suggested that GDP was significantly undervalued in 2014. An official cabinet office investigation has been launched, with some believing that the change to the sales tax rate may have led to a misreporting of output by some firms.

At the end of last month, the Bank of Japan (BoJ) introduced a new strategy in its efforts to battle long-term deflationary pressures, with the central bank imposing a cap on 10-year bond government yields of 0% in order to generate a steeper yield curve. In addition to this, BoJ governor Haruhiko Kuroda has not only reinforced his commitment to hitting the 2% core inflation target by March 2018, but has vowed to continue asset purchases until core inflation remains stable above the desired level. Latest CPI data reveal that the prospect of the inflationary objective being achieved still appears a long way off, with figures for August showing that both the core and headline rates now sit deep in negative territory at -0.5% (y-o-y) for both. In view of this, some investors seemingly doubt the credibility of these pledges in the present environment.

| Direction of Trade – 2015 | | | |
|-----------------------------------|------|-------------------------------------|------|
| Major Export Markets (% of Total) | | Major Import Suppliers (% of Total) | |
| United States | 20.2 | China | 24.8 |
| China | 17.5 | United States | 10.5 |
| South Korea | 7.0 | Australia | 5.4 |
| Asia (inc. the above) | 31.7 | Asia (inc. the above) | 40.1 |
| EU | 10.6 | Middle East | 12.0 |
| Latin America | 4.4 | EU | 11.0 |



| | Average % Change on Previous Calendar Year | | | | | | | | | | | | | |
|---------------------------|--|------------|---------------------|------------|----------------------------------|------------|--------------------------------------|------------|----------------------------------|------------|--------------------------|------------|---|------------|
| | Gross Domestic Product | | Private Consumption | | Machinery & Equipment Investment | | Industrial Production | | Consumer Prices | | Producer Prices | | Negotiated Wages and Salaries – Production Sector | |
| | Bruttoinlandsprodukt | | Privater Verbrauch | | Ausrüstungsinvestitionen | | Produktion im Produzierenden Gewerbe | | Preisindex für die Lebenshaltung | | Index für Erzeugerpreise | | Tariflohn- und -gehaltsniveau | |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| Bank Julius Baer | 2.0 | 1.5 | 2.0 | 2.0 | 2.9 | 1.5 | 1.9 | 2.2 | 0.5 | 1.8 | -1.9 | 1.6 | 2.2 | 2.5 |
| Allianz | 1.9 | 1.6 | 1.7 | 1.5 | 2.1 | 2.5 | 1.0 | 1.3 | 0.5 | 1.7 | -1.8 | 1.8 | 2.8 | 2.8 |
| Berliner Sparkasse | 1.9 | 0.8 | 1.7 | 1.2 | 2.2 | 1.1 | 0.9 | 0.9 | 0.4 | 1.7 | -1.8 | 1.8 | 2.2 | 2.5 |
| DekaBank | 1.9 | 1.2 | 1.7 | 1.4 | 1.5 | 1.9 | 0.6 | 0.7 | 0.4 | 1.5 | -1.8 | 1.4 | 2.6 | 2.4 |
| DIW - Berlin | 1.9 | 1.4 | 1.8 | 1.3 | 1.0 | 0.6 | na | na | 0.5 | 1.6 | na | na | na | na |
| Helaba Frankfurt | 1.9 | 1.4 | 1.8 | 1.6 | 4.0 | 3.5 | 1.3 | 1.0 | 0.6 | 1.5 | -1.5 | 1.3 | 2.0 | 2.3 |
| HWWI | 1.9 | 1.4 | 1.7 | 1.4 | 2.4 | 2.7 | 0.5 | 1.5 | 0.4 | 1.6 | -2.0 | 1.5 | 2.6 | 2.6 |
| IFO - Munich Institute | 1.9 | 1.4 | 1.8 | 1.3 | 1.0 | 0.6 | na | na | 0.4 | 1.4 | na | na | na | na |
| IHS Markit | 1.9 | 1.7 | 1.8 | 1.7 | 2.0 | 1.4 | 1.5 | 2.2 | 0.5 | 1.8 | -1.9 | 1.1 | 2.2 | 2.8 |
| RWI Essen | 1.9 | 1.4 | 1.7 | 1.1 | 1.5 | 1.0 | na | na | 0.4 | 1.6 | na | na | 2.2 | 2.5 |
| UniCredit | 1.9 | 0.9 | 1.5 | 1.2 | 1.7 | 1.1 | 1.4 | 0.9 | 0.4 | 1.7 | na | na | 2.5 | 2.5 |
| IfW - Kiel Institute | 1.9 | 1.7 | 1.8 | 2.0 | 1.2 | 2.3 | na | na | 0.4 | 1.3 | na | na | 2.2 | 2.5 |
| IWH Halle Institute | 1.9 | 1.4 | 1.8 | 1.3 | 1.0 | 0.6 | 0.9 | 1.2 | 0.4 | 1.4 | na | na | 2.2 | 2.3 |
| Deutsche Bank | 1.9 | 1.0 | 1.6 | 1.2 | 1.9 | 0.0 | 1.4 | na | 0.3 | 1.4 | na | na | 2.7 | 2.5 |
| Citigroup | 1.8 | 1.0 | 1.6 | 1.7 | 1.4 | 0.9 | 0.4 | 0.2 | 0.5 | 1.6 | na | na | na | na |
| FERI | 1.8 | 1.3 | 1.9 | 1.4 | 2.6 | 2.1 | 1.0 | 1.2 | 0.4 | 1.5 | -1.8 | 1.9 | 2.2 | 2.2 |
| Oxford Economics | 1.8 | 1.5 | 1.4 | 1.2 | na | na | 0.9 | 1.2 | 0.5 | 1.8 | -2.1 | 0.7 | 1.9 | 2.2 |
| Commerzbank | 1.8 | 1.3 | 1.7 | 2.1 | 1.9 | 0.8 | 0.8 | 1.5 | 0.4 | 1.8 | -1.8 | 1.6 | 2.6 | 2.8 |
| HSBC Trinkaus | 1.8 | 1.0 | 1.5 | 1.4 | 1.3 | 1.5 | 1.0 | 1.3 | 0.3 | 1.2 | -1.9 | 1.0 | 2.8 | 2.8 |
| MM Warburg | 1.8 | 1.2 | 1.7 | 1.4 | 2.4 | 2.1 | 1.2 | 1.1 | 0.4 | 1.0 | -1.8 | 1.4 | 2.8 | 2.5 |
| Sal Oppenheim | 1.8 | 1.4 | 1.4 | 1.4 | 2.1 | 3.5 | na | na | 0.4 | 1.3 | na | na | na | na |
| DZ Bank | 1.8 | 1.1 | 1.6 | 1.1 | 3.7 | 1.5 | 1.5 | 2.0 | 0.3 | 1.4 | -2.0 | 1.6 | na | na |
| Goldman Sachs | 1.7 | 1.1 | 1.5 | 1.7 | na | na | 1.2 | 0.4 | 0.3 | 1.1 | na | na | na | na |
| IW - Cologne Institute | 1.7 | 1.3 | 2.0 | 1.5 | 3.0 | 3.0 | 1.0 | 1.0 | 0.5 | 1.5 | -1.5 | 1.0 | 2.0 | 2.0 |
| Bank of America - Merrill | 1.6 | 1.0 | 1.4 | 1.4 | na | na | 0.1 | 0.3 | 0.5 | 1.5 | na | na | na | na |
| BayernLB | 1.6 | 1.2 | 1.6 | 0.8 | 1.3 | -0.5 | 1.6 | 1.5 | 0.4 | 1.6 | na | na | 2.6 | 2.5 |
| Morgan Stanley | 1.5 | 1.0 | 1.7 | 1.5 | 1.0 | 1.4 | na | na | 0.5 | 2.0 | na | na | na | na |
| UBS | 1.4 | 1.1 | 1.9 | 1.4 | na | na | 2.3 | 1.6 | na | na | na | na | na | na |
| Consensus (Mean) | 1.8 | 1.3 | 1.7 | 1.4 | 2.0 | 1.5 | 1.1 | 1.2 | 0.4 | 1.5 | -1.8 | 1.4 | 2.4 | 2.5 |
| Last Month's Mean | 1.8 | 1.2 | 1.7 | 1.4 | 2.2 | 1.6 | 1.2 | 1.2 | 0.4 | 1.5 | -1.8 | 1.4 | 2.4 | 2.5 |
| 3 Months Ago | 1.6 | 1.3 | 1.9 | 1.5 | 3.6 | 2.3 | 1.4 | 1.3 | 0.4 | 1.5 | -1.9 | 1.3 | 2.6 | 2.6 |
| High | 2.0 | 1.7 | 2.0 | 2.1 | 4.0 | 3.5 | 2.3 | 2.2 | 0.6 | 2.0 | -1.5 | 1.9 | 2.8 | 2.8 |
| Low | 1.4 | 0.8 | 1.4 | 0.8 | 1.0 | -0.5 | 0.1 | 0.2 | 0.3 | 1.0 | -2.1 | 0.7 | 1.9 | 2.0 |
| Standard Deviation | 0.1 | 0.2 | 0.2 | 0.3 | 0.8 | 1.0 | 0.5 | 0.5 | 0.1 | 0.2 | 0.2 | 0.4 | 0.3 | 0.2 |
| Comparison Forecasts | | | | | | | | | | | | | | |
| Bundesbank (Jun. '16) | 1.7 | 1.4 | 2.2 | 1.5 | | | | | | | | | | |
| Government (Oct. '16) | 1.8 | 1.4 | 1.7 | 1.3 | 1.4 | 0.7 | | | 0.4 | 1.6 | | | | |
| Eur Commission (May '16) | 1.6 | 1.6 | 2.0 | 1.4 | | | | | | | | | | |

Government and Background Data

Chancellor - Mrs. Angela Merkel (Christian Democratic Party or CDU).
 Parliament - After winning 255 seats in the 622-seat Bundestag (lower house), the CDU have formed a coalition government with the Social Democrats (SPD).
 Next Elections - Between August and October 2017 (Bundestag). **Nominal GDP** - Euro 3,023bn (2015). **Population** - 80.7mn (mid-year 2015). **\$/Euro Exchange Rate** - 1.109 (average, 2015).

Quarterly Consensus Forecasts

Historical Data and Forecasts (bold italics) From Survey of
September 12, 2016

| | 2016 | | | | 2017 | | | | 2018 | | | |
|------------------------|------|-----|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Gross Domestic Product | 1.8 | 1.7 | 1.7 | 1.7 | 1.4 | 1.4 | 1.5 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| Private Consumption | 1.7 | 1.5 | 1.5 | 1.5 | 1.6 | 1.7 | 1.5 | 1.5 | 1.3 | 1.3 | 1.3 | 1.3 |
| Consumer Prices | 0.3 | 0.1 | 0.5 | 0.9 | 1.5 | 1.5 | 1.6 | 1.6 | 1.7 | 1.7 | 1.7 | 1.7 |

Percentage Change (year-on-year)

Historical Data

| * % change on previous year | 2012 | 2013 | 2014 | 2015 |
|---|------|------|------|------|
| Gross Domestic Product* | 0.5 | 0.5 | 1.6 | 1.7 |
| Private Consumption* | 1.3 | 0.7 | 0.9 | 2.0 |
| Machinery & Eqpt Investment* | -3.2 | -2.1 | 5.5 | 3.7 |
| Industrial Production* | -0.4 | 0.1 | 1.5 | 0.5 |
| Consumer Prices* | 2.0 | 1.5 | 0.9 | 0.3 |
| Producer Prices* | 1.6 | -0.1 | -1.0 | -1.8 |
| Negotiated Wages & Salaries* | 3.3 | 2.8 | 2.9 | 3.1 |
| Unemployment Rate, % | 6.8 | 6.9 | 6.7 | 6.4 |
| Current Account, Euro bn | 194 | 190 | 213 | 256 |
| General Govt. Budget Balance (Maastricht definition), Euro bn | -1.4 | -5.7 | 8.1 | 22.6 |
| 3 mth Euro, % (end yr) | 0.2 | 0.3 | 0.1 | -0.1 |
| 10 Yr German Govt Bond, % (end yr) | 1.5 | 1.9 | 0.5 | 0.6 |

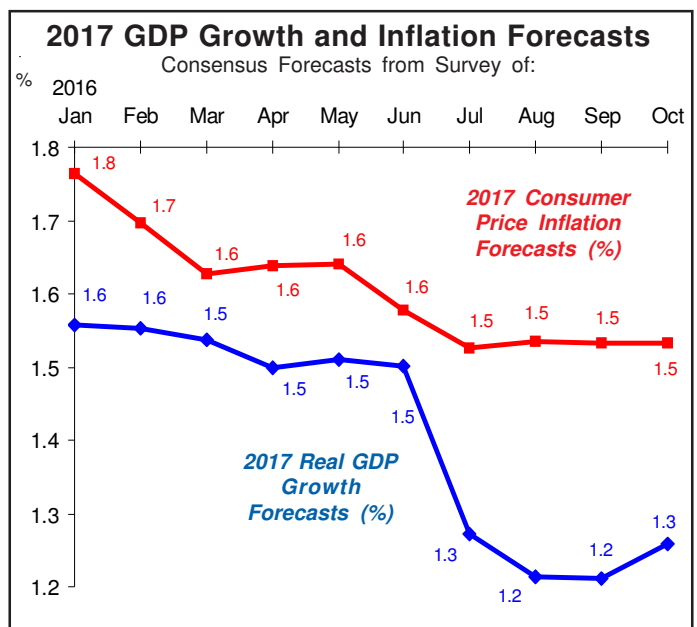
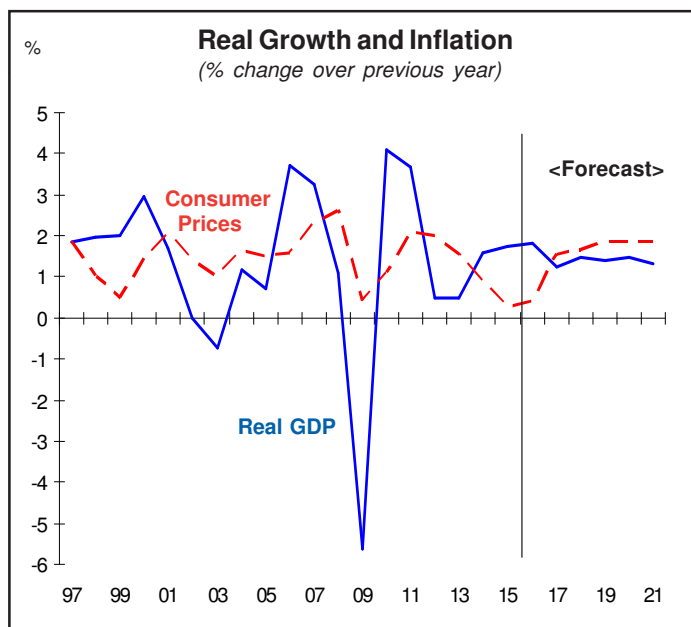
| Year Average Unemployment Rate (%) | Annual Total | | | | Rates on Survey Date | | | | |
|---|---------------------------|-----------|---|------------|------------------------|------------|------------------------------------|------|------|
| | Current Account (Euro bn) | | General Govt Budget Bal (Maastricht) (Euro bn) | | -0.3% | | 0.0% | | |
| Arbeitslosenquote, % der Erwerbspers. insgesamt | Leistungsbilanz (€ bn) | | Finanzierungs-saldo des Staates (Maastricht) (€ bn) | | 3 Monate Euro Rate (%) | | 10 Year German Govt Bond Yield (%) | | |
| 2016 2017 | 2016 2017 | 2016 2017 | 2016 2017 | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 | | |
| 6.1 | 5.7 | na | na | na | na | -0.2 | -0.1 | 0.2 | 0.3 |
| 6.1 | 6.2 | 278 | 246 | 24.0 | 20.0 | -0.3 | -0.1 | 0.3 | 0.9 |
| 6.1 | 6.3 | 279 | 275 | 31.0 | 16.0 | na | na | na | na |
| 6.1 | 6.3 | 245 | 241 | 4.4 | 12.5 | -0.3 | -0.3 | 0.0 | 0.2 |
| 6.1 | 5.9 | 279 | 264 | 27.1 | 14.6 | na | na | na | na |
| 6.2 | 6.1 | 270 | 275 | 16.0 | 10.0 | -0.3 | -0.3 | 0.2 | 0.3 |
| 6.1 | 6.2 | 270 | 250 | 25.0 | 23.5 | -0.4 | -0.2 | 0.0 | 0.2 |
| 6.1 | 6.1 | 275 | 277 | 20.1 | 13.7 | -0.3 | -0.3 | -0.2 | -0.2 |
| 6.1 | 6.3 | 256 | 260 | 16.7 | 16.6 | -0.3 | -0.3 | -0.1 | 0.5 |
| 6.1 | 6.1 | 287 | 284 | 20.0 | 19.0 | -0.3 | -0.3 | 0.0 | 0.0 |
| 6.3 | 6.7 | 232 | 222 | 20.0 | 0.0 | na | na | na | na |
| 6.1 | 6.0 | 283 | 279 | 16.2 | 15.2 | na | na | -0.1 | -0.1 |
| 6.1 | 6.1 | 275 | 277 | 20.1 | 13.7 | -0.3 | -0.2 | -0.1 | -0.1 |
| 6.2 | 6.5 | 275 | 265 | 16.0 | 6.7 | -0.3 | -0.3 | 0.1 | 0.2 |
| 6.1 | 6.2 | 279 | 258 | 18.7 | 14.1 | na | na | -0.1 | -0.1 |
| 6.2 | 6.5 | 261 | 244 | 8.2 | 1.3 | -0.3 | -0.3 | -0.1 | 0.3 |
| 6.1 | 5.9 | 283 | 256 | 19.9 | 5.8 | -0.3 | -0.3 | 0.2 | 0.4 |
| 6.1 | 6.4 | 310 | 290 | 15.0 | 3.0 | -0.3 | -0.4 | 0.1 | 0.3 |
| 6.1 | 6.3 | 266 | 254 | 5.0 | 0.0 | -0.3 | -0.3 | -0.1 | -0.2 |
| 6.3 | 6.5 | 260 | 265 | 15.0 | 5.0 | -0.3 | -0.2 | 0.0 | 0.3 |
| 6.1 | 6.0 | na | na | na | na | -0.3 | -0.3 | -0.1 | 0.5 |
| 6.1 | 6.3 | 260 | 240 | 12.0 | 6.0 | -0.4 | -0.4 | 0.0 | 0.3 |
| na | na | 263 | 260 | 3.1 | 6.3 | na | na | na | na |
| 6.3 | 6.5 | na | na | na | na | -0.2 | -0.1 | 0.0 | 0.5 |
| na | na | 263 | 217 | 3.1 | -3.2 | na | na | na | na |
| 6.3 | 6.4 | 245 | 240 | 9.0 | 0.0 | -0.3 | -0.4 | 0.0 | 0.1 |
| 6.2 | 6.4 | 271 | 257 | 7.0 | -8.3 | na | na | na | na |
| na | na | na | na | na | na | -0.3 | -0.3 | 0.3 | 0.5 |
| 6.2 | 6.2 | 269 | 258 | 15.5 | 8.8 | -0.3 | -0.3 | 0.0 | 0.2 |
| 6.2 | 6.3 | 270 | 259 | 14.3 | 8.4 | | | | |
| 6.2 | 6.3 | 261 | 255 | 6.2 | 2.9 | | | | |
| 6.3 | 6.7 | 310 | 290 | 31.0 | 23.5 | -0.2 | -0.1 | 0.3 | 0.9 |
| 6.1 | 5.7 | 232 | 217 | 3.1 | -8.3 | -0.4 | -0.4 | -0.2 | -0.2 |
| 0.1 | 0.2 | 16 | 19 | 7.7 | 8.1 | 0.0 | 0.1 | 0.1 | 0.3 |
| 6.3 | 6.4 | | | | | | | | |
| | | 266 | 268 | | | | | | |

August Rebound in Industrial Output and Exports

Strong trade and industrial production in August eased concerns over Q3 prospects after signs of weakness in July. Following solid GDP growth of 0.7% (q-o-q) and 0.4% (q-o-q) in Q1 and Q2, respectively, the Economy Minister Sigmar Gabriel is confident that growth in 2016 and 2017 will be closely comparable to last year's 1.7%. Our panel, however, is predicting much softer 1.3% growth in 2017. July's 1.5% (m-o-m) decline in production output was the biggest fall in almost two years, but a 2.5% resurgence in August featured a robust improvement in investment goods output. Moreover, manufacturing orders also rose in August by 1% (m-o-m), as demand rose in the Euro area. Orders from outside the bloc dropped by 2.8% (m-o-m), though. July's 10% (y-o-y) fall in goods exports raised doubts over the external outlook, but a robust 9.8% rebound followed in August. Exporters may still be concerned by the perceived softness in the US economy, given its position as Germany's top export market. A disappointing services PMI indicator in September indicated faltering activity, with the Q3 average at its worst pace in over three years. In contrast, the manufacturing PMI ended Q3 on a much firmer note, while the construction PMI struck a 4-month high as building companies added to their workforces' and increased buying activity.

The Bundesbank pointed to favourable fundamentals that should support the underlying economic trend. Spending by consumers has remained buoyant, amid confidence over job prospects and higher incomes. Moreover, business morale soared in September according to the Ifo, hitting its highest level since May 2014. Earlier concerns over Brexit appear to have eased for now given the rise in business expectations.

| Direction of Trade – 2015 | | | |
|-----------------------------------|-------------|-------------------------------------|-------------|
| Major Export Markets (% of Total) | | Major Import Suppliers (% of Total) | |
| United States | 9.6 | Netherlands | 13.6 |
| France | 8.6 | France | 7.6 |
| United Kingdom | 7.5 | China | 7.3 |
| <i>EU</i> | <i>58.0</i> | <i>EU</i> | <i>65.5</i> |
| <i>Eastern Europe</i> | <i>12.4</i> | <i>Eastern Europe</i> | <i>14.3</i> |
| <i>Asia (ex. Japan)</i> | <i>8.4</i> | <i>Asia (ex. Japan)</i> | <i>10.9</i> |



| | Average % Change on Previous Calendar Year | | | | | | | | | | | |
|---------------------------|--|------------|---------------------------------|------------|--|------------|----------------------------------|------------|-------------------------------|------------|--------------------------------|------------|
| | Gross Domestic Product | | Household Consumption | | Business Investment | | Manufacturing Production | | Consumer Prices | | Hourly Wage Rates | |
| | <i>Produit Intérieur Brut</i> | | <i>Consommation des Ménages</i> | | <i>Investissements des Entreprises</i> | | <i>Production Manufacturière</i> | | <i>Prix à la Consommation</i> | | <i>Taux de Salaire Horaire</i> | |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| AXA Investment Managers | 1.6 | 1.3 | 1.7 | 1.0 | 2.5 | 1.2 | na | na | 0.3 | 1.1 | na | na |
| OFCE | 1.6 | 1.6 | 1.8 | 1.5 | 3.0 | 2.4 | na | na | 0.2 | 1.5 | na | na |
| BIPE | 1.5 | 1.4 | 1.7 | 1.4 | 3.9 | 2.8 | na | na | 0.3 | 1.1 | 1.6 | 1.6 |
| Euler Hermes | 1.5 | 1.5 | 1.9 | 1.9 | 4.2 | 3.1 | na | na | 0.2 | 1.3 | na | na |
| UBS | 1.4 | 1.4 | 2.1 | 1.8 | 1.8 | 1.5 | 0.7 | 1.7 | 0.2 | 1.5 | na | na |
| Societe Generale | 1.4 | 1.3 | 1.6 | 1.4 | 3.7 | 1.3 | na | na | 0.2 | 1.2 | 1.3 | 1.3 |
| Oxford Economics | 1.3 | 1.5 | 1.6 | 1.5 | 3.7 | 2.5 | 0.2 | 1.3 | 0.2 | 1.3 | 1.6 | 2.2 |
| IHS Markit | 1.3 | 0.9 | 1.6 | 1.3 | 3.5 | 0.9 | 0.6 | 1.3 | 0.2 | 1.1 | 1.5 | 2.0 |
| Goldman Sachs | 1.3 | 1.5 | 1.7 | 1.8 | na | na | na | na | 0.3 | 0.9 | na | na |
| BNP Paribas | 1.3 | 1.0 | 1.5 | 1.0 | 3.7 | 1.7 | 0.3 | 0.9 | 0.3 | 1.0 | 1.2 | 1.3 |
| Coe-Rexecode | 1.3 | 1.1 | 1.6 | 0.9 | 3.9 | 3.0 | na | na | 0.3 | 1.3 | 1.1 | 1.2 |
| Credit Agricole | 1.3 | 1.4 | 1.7 | 1.3 | 3.7 | 3.4 | 0.2 | 1.2 | 0.2 | 0.9 | 1.4 | 1.9 |
| Exane BNP | 1.3 | 1.5 | 1.5 | 1.5 | 3.8 | 2.9 | 0.4 | 1.1 | 0.2 | 1.2 | 1.4 | 1.6 |
| HSBC | 1.3 | 1.0 | 1.5 | 0.8 | 3.5 | 0.2 | 0.6 | 0.7 | 0.2 | 0.9 | 0.9 | 0.8 |
| Morgan Stanley | 1.3 | 0.9 | 1.8 | 1.6 | 4.2 | 1.8 | na | na | 0.2 | 1.1 | na | na |
| Odoo Securities | 1.3 | 1.7 | 1.5 | 1.5 | 3.8 | 2.9 | 0.5 | 1.8 | 0.4 | 1.6 | 1.3 | 1.6 |
| PAIR Conseil | 1.3 | 1.3 | 1.6 | 1.3 | 3.8 | 2.8 | 0.1 | 1.4 | 0.3 | 1.3 | na | na |
| Citigroup | 1.3 | 1.4 | 1.6 | 1.6 | 3.9 | 2.5 | 1.5 | 1.2 | 0.3 | 1.2 | 1.1 | 1.1 |
| La Banque Postale | 1.3 | 1.2 | 1.5 | 1.2 | 3.7 | 1.8 | na | na | 0.2 | 1.1 | 1.4 | 1.0 |
| Bank of America - Merrill | 1.3 | 0.9 | 1.6 | 1.5 | na | na | na | na | 0.2 | 1.1 | na | na |
| Barclays | 1.2 | 0.9 | 1.6 | 1.1 | na | na | na | na | 0.4 | 1.2 | na | na |
| Econ Intelligence Unit | 1.2 | 1.1 | 1.6 | 1.3 | na | na | na | na | 0.3 | 1.0 | na | na |
| GAMA | 1.2 | 1.1 | 1.4 | 1.0 | 3.5 | 2.2 | na | na | 0.2 | 1.1 | 1.3 | 1.3 |
| Natixis | 1.2 | 1.0 | 1.4 | 0.9 | 3.5 | 1.5 | 1.1 | 1.9 | 0.2 | 1.4 | 1.3 | 1.4 |
| UniCredit | 1.2 | 0.9 | 1.5 | 1.0 | 3.7 | 2.0 | na | na | 0.2 | 1.2 | 1.3 | 1.4 |
| Consensus (Mean) | 1.3 | 1.2 | 1.6 | 1.3 | 3.6 | 2.1 | 0.6 | 1.3 | 0.2 | 1.2 | 1.3 | 1.4 |
| Last Month's Mean | 1.4 | 1.2 | 1.7 | 1.4 | 3.6 | 2.2 | 0.6 | 1.5 | 0.2 | 1.2 | 1.3 | 1.4 |
| 3 Months Ago | 1.5 | 1.3 | 1.8 | 1.5 | 4.2 | 2.4 | 1.1 | 1.1 | 0.3 | 1.2 | 1.3 | 1.5 |
| High | 1.6 | 1.7 | 2.1 | 1.9 | 4.2 | 3.4 | 1.5 | 1.9 | 0.4 | 1.6 | 1.6 | 2.2 |
| Low | 1.2 | 0.9 | 1.4 | 0.8 | 1.8 | 0.2 | 0.1 | 0.7 | 0.2 | 0.9 | 0.9 | 0.8 |
| Standard Deviation | 0.1 | 0.2 | 0.2 | 0.3 | 0.6 | 0.8 | 0.4 | 0.4 | 0.1 | 0.2 | 0.2 | 0.4 |
| Comparison Forecasts | | | | | | | | | | | | |
| Government (Oct. '16) | 1.5 | 1.5 | 1.9 | 1.5 | 4.9 | 4.5 | | | 0.1 | 0.8 | | |
| Eur Commission (May '16) | 1.3 | 1.7 | 1.5 | 1.4 | | | | | | | | |
| IMF (Oct. '16) | 1.3 | 1.3 | 1.6 | 1.4 | | | | | 0.3 | 1.0 | | |
| OECD (Sep. '16) | 1.3 | 1.3 | | | | | | | | | | |

Government and Background Data

President - Mr. François Hollande (Parti Socialiste). **Prime Minister** - Mr. Manuel Valls (Parti Socialiste). **Parliament** - The Socialists currently have 292 out of the 577 seats in the National Assembly. **Next Elections** - Legislative – first round: May 2017. Presidential – first round: April 2017. **Nominal GDP** - Euro2,181bn (2015). **Population** - 64.4mn (mid-year, 2015). **\$/Euro Exchange Rate** - 1.109 (average, 2015).

Quarterly Consensus Forecasts

Historical Data and Forecasts (bold italics) From Survey of September 12, 2016

| | 2016 | | | | 2017 | | | | 2018 | | | |
|------------------------|------|-----|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Gross Domestic Product | 1.4 | 1.4 | 1.4 | 1.4 | 1.1 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| Household Consumption | 1.8 | 1.7 | 1.5 | 1.8 | 1.0 | 1.3 | 1.5 | 1.5 | 1.4 | 1.5 | 1.4 | 1.5 |
| Consumer Prices | 0.0 | 0.0 | 0.3 | 0.7 | 1.1 | 1.1 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |

Percentage Change (year-on-year).

Historical Data

| * % change on previous year | 2012 | 2013 | 2014 | 2015 |
|---|-------|-------|-------|-------|
| Gross Domestic Product* | 0.2 | 0.6 | 0.7 | 1.2 |
| Household Consumption* | -0.2 | 0.6 | 0.7 | 1.5 |
| Business Investment* | 0.1 | 0.3 | 1.4 | 2.7 |
| Manufacturing Production* | -2.8 | -0.8 | -0.3 | 1.4 |
| Consumer Prices* | 2.0 | 0.9 | 0.5 | 0.0 |
| Hourly Wage Rates* | 2.2 | 1.8 | 1.5 | 1.2 |
| Unemployment Rate (ILO), % | 9.4 | 9.9 | 9.9 | 10.1 |
| Current Account, Euro bn | -25.2 | -19.5 | -22.7 | -4.4 |
| General Govt. Budget Balance (Maastricht definition), Euro bn | -100 | -85.4 | -84.8 | -77.4 |
| 3 mth Euro, % (end yr) | 0.2 | 0.3 | 0.1 | -0.1 |
| 10 Yr French Govt Bond, % (end yr) | 2.0 | 2.4 | 0.8 | 0.5 |

| Year Average | | Annual Total | | | | Rates on Survey Date | | | |
|----------------------------|------------|---------------------------|--------------|--|--------------|--------------------------------|-------------|--|------------|
| | | | | | | -0.3% | | 0.4% | |
| Unemployment Rate, ILO (%) | | Current Account (Euro bn) | | General Govt Budget Balance (Maastricht) (Euro bn) | | 3 month Euro Rate (%) | | 10 Year French Govt Bond Yield (%) | |
| Taux de Chômage, BIT (%) | | Solde Courant (€ md) | | Balance Budgétaire (Maastricht) (€ md) | | Taux d'intérêt 3 mois Euro (%) | | Rendement des obligations d'Etat, 10 ans (%) | |
| 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 |
| na | na | na | na | na | na | na | na | na | na |
| 9.7 | 9.5 | na | na | -69.3 | -64.8 | -0.2 | -0.1 | 0.7 | 0.7 |
| 9.7 | 9.3 | -14.0 | -20.9 | -76.4 | -71.7 | na | na | 0.7 | 0.8 |
| 9.8 | 9.6 | -18.6 | -11.5 | -74.2 | -71.4 | -0.3 | 0.0 | 0.4 | 0.9 |
| 9.8 | 9.7 | na | na | na | na | -0.3 | -0.3 | na | na |
| 9.6 | 9.2 | -16.4 | -17.9 | -73.6 | -73.0 | -0.3 | -0.3 | 0.3 | 0.3 |
| 9.8 | 9.6 | -16.9 | -17.2 | -71.9 | -59.3 | -0.3 | -0.3 | 0.5 | 0.8 |
| 9.8 | 9.7 | -23.6 | -28.3 | -71.6 | -68.6 | na | na | na | na |
| 10.0 | 9.8 | -0.4 | 1.8 | -75.8 | -73.2 | na | na | na | na |
| 9.6 | 9.5 | -5.0 | -9.5 | -75.0 | -71.0 | na | na | na | na |
| 9.6 | 9.4 | -16.6 | -24.9 | -74.4 | -75.4 | -0.2 | -0.2 | 0.3 | 0.4 |
| 9.7 | 9.4 | -30.0 | -20.0 | -75.0 | -63.0 | -0.3 | -0.3 | 0.6 | 0.9 |
| 9.6 | 9.3 | -8.0 | -10.0 | -76.0 | -75.0 | -0.3 | -0.3 | 0.3 | 0.5 |
| 9.7 | 9.6 | -16.5 | -24.8 | -74.9 | -74.0 | -0.3 | -0.3 | 0.1 | -0.1 |
| 9.8 | 9.9 | -9.7 | -14.4 | -76.3 | -86.5 | na | na | na | na |
| 9.7 | 9.4 | -16.0 | -20.0 | -73.5 | -84.9 | -0.3 | -0.2 | 0.3 | 0.5 |
| 9.7 | 9.5 | -24.4 | -19.2 | -73.4 | -69.4 | -0.3 | -0.3 | 0.3 | 0.5 |
| 9.6 | 9.0 | -7.5 | -3.9 | -77.7 | -75.6 | 0.0 | 0.0 | 0.2 | 0.2 |
| 9.6 | 9.5 | -10.1 | -17.2 | -75.7 | -76.8 | -0.3 | -0.3 | 0.2 | 0.4 |
| na | na | -5.4 | -3.0 | -73.8 | -72.6 | na | na | na | na |
| 10.0 | 9.7 | na | na | na | na | -0.3 | na | 0.1 | na |
| na | na | -13.8 | -18.8 | -73.6 | -67.0 | na | na | na | na |
| 9.7 | 9.6 | na | na | -73.0 | -68.0 | -0.2 | 0.0 | 0.5 | 0.7 |
| 9.8 | 9.8 | -17.0 | -16.1 | -70.0 | -64.3 | -0.3 | -0.3 | 0.3 | 1.0 |
| 9.7 | 9.6 | -7.8 | -3.4 | -76.0 | -70.0 | na | na | na | na |
| 9.7 | 9.5 | -13.9 | -15.0 | -74.1 | -71.6 | -0.3 | -0.2 | 0.4 | 0.6 |
| 9.7 | 9.5 | -14.9 | -16.0 | -74.2 | -70.9 | | | | |
| 9.8 | 9.6 | -13.7 | -15.5 | -74.2 | -69.5 | | | | |
| 10.0 | 9.9 | -0.4 | 1.8 | -69.3 | -59.3 | 0.0 | 0.0 | 0.7 | 1.0 |
| 9.6 | 9.0 | -30.0 | -28.3 | -77.7 | -86.5 | -0.3 | -0.3 | 0.1 | -0.1 |
| 0.1 | 0.2 | 7.3 | 8.1 | 2.1 | 6.4 | 0.1 | 0.1 | 0.2 | 0.3 |
| 10.2 | 10.1 | -24.8 | -24.1 | -69.9 | -69.3 | | | | |
| | | | | -74.4 | -67.3 | | | | |

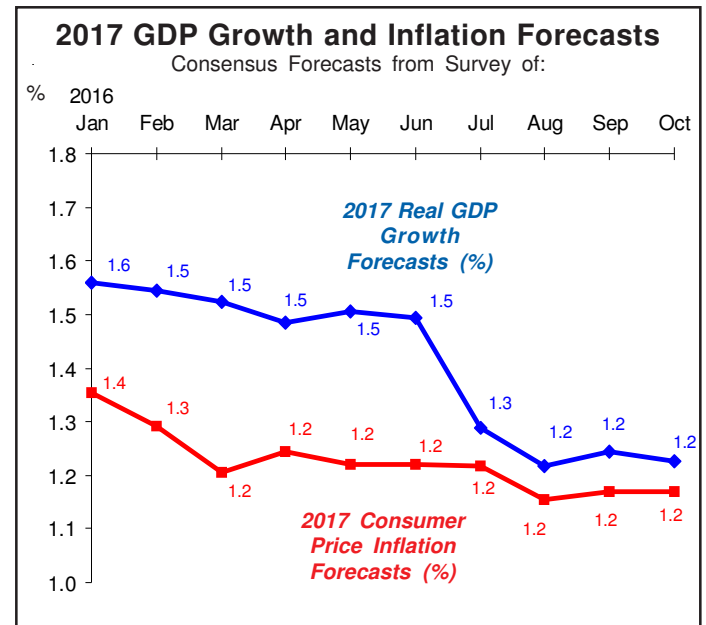
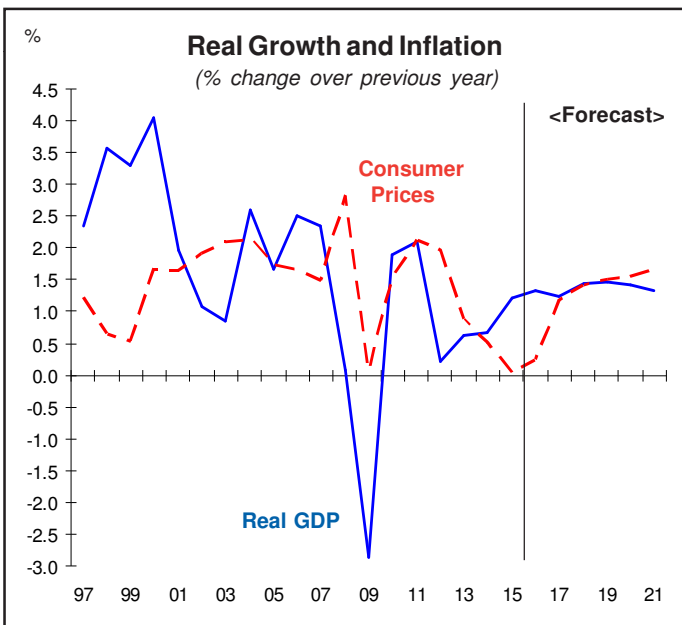
Manufacturing Hopefully Picking Up Again

The final Q2 GDP release showed that, instead of flat growth over the quarter as initially announced, GDP dipped by -0.1% (q-o-q). Household consumption also dropped by -0.1%. This was mostly due to payback following strong consumption growth of 0.7% in Q1, on the back of bookings for the 2016 Euro football championships. For Q3, the Banque de France predicts a modest 0.3% (q-o-q) pickup, and 1.4% for GDP for 2016 as a whole. The government's 2017 budget earmarks 1.5% growth for this year and next, while the consensus points to 1.3% and 1.2%. In Q2, the y-o-y growth rate stood at 1.3%, and there have been some signs of modest growth. Manufacturing orders recorded disappointing outturns in June and July, especially June which saw a -4.4% (m-o-m) payback following May's huge naval order. However, manufacturing production rebounded massively, by 2.2% (m-o-m) in August – unusual when some factories see holiday shutdowns – but this followed a -0.2% decline in July and -1.1% contraction in June. The hope is that the global economic climate may be firming. September's manufacturing PMI reported a seven-month high, although it was below 50, indicating that activity in the sector is still declining. The steady fall in our panel's 2016 production forecast has halted this month, however. On the services front, September's PMI rose at its fastest pace since June 2015 amid rising incoming business and staffing.

A budget of tax cuts and extra spending on defence, security and youth employment, it is hoped, will help support activity in 2017 prior to next May's general election. The budget aims to bring the deficit down from an estimated 3.3% of GDP this year to 2.7% next year, despite €9bn in extra spending.

Direction of Trade – 2015

| Major Export Markets (% of Total) | | Major Import Suppliers (% of Total) | |
|-----------------------------------|-------------|-------------------------------------|-------------|
| Germany | 16.3 | Germany | 19.8 |
| Spain | 7.4 | Belgium | 10.9 |
| United States | 7.4 | Italy | 7.8 |
| EU | 60.2 | EU | 69.5 |
| Asia (ex. Japan) | 7.3 | Asia (ex. Japan) | 8.3 |
| Eastern Europe | 7.0 | Eastern Europe | 6.8 |



| | Average % Change on Previous Calendar Year | | | | | | | | | | | | | | | | | |
|-----------------------------|--|------------|-----------------------|------------|------------------------|-------------|-------------------------|------------|--------------------------|------------|--|------------|-----------------------|------------|---------------|------------|-------------------------|------------|
| | Gross Domestic Product | | Household Consumption | | Gross Fixed Investment | | Company Trading Profits | | Manufacturing Production | | Retail Prices (RPI-X, underlying rate) | | Consumer Prices Index | | Output Prices | | Average Weekly Earnings | |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| Liverpool Macro Research | 2.3 | 2.5 | na | na | na | na | na | na | na | na | 2.1 | 2.6 | 1.2 | 1.9 | na | na | 2.9 | 3.9 |
| Economic Perspectives | 2.2 | 1.2 | 2.7 | 1.2 | 2.5 | 3.8 | 4.0 | 2.0 | 1.0 | 1.2 | 1.5 | 2.8 | 0.6 | 2.2 | 1.3 | 2.5 | 2.8 | 3.5 |
| JP Morgan | 2.1 | 1.3 | 2.7 | 1.6 | 1.8 | -2.0 | na | na | na | na | na | na | 0.7 | 2.5 | na | na | na | na |
| Bank of America - Merrill | 2.0 | 1.0 | 2.8 | 1.9 | 0.5 | -2.3 | na | na | 0.6 | -0.3 | 1.7 | 3.2 | 0.7 | 2.2 | na | na | na | na |
| IHS Markit | 2.0 | 1.0 | 2.8 | 1.5 | 0.1 | -2.8 | na | na | 0.0 | -0.2 | 1.7 | 3.1 | 0.6 | 2.4 | 0.4 | 2.8 | 2.4 | 2.3 |
| ING Financial Markets | 2.0 | 0.4 | 2.7 | 1.0 | 0.3 | -4.7 | na | na | -0.3 | 0.2 | na | na | 0.7 | 2.8 | 0.4 | 3.0 | 2.3 | 2.3 |
| RBS | 2.0 | 0.8 | 2.6 | 1.2 | -0.6 | -4.0 | na | na | 0.0 | -0.6 | 1.9 | 3.7 | 0.7 | 2.5 | 0.6 | 2.8 | 2.1 | 2.5 |
| UBS | 1.9 | 0.7 | 2.7 | 0.9 | 1.2 | 1.0 | na | na | na | na | na | na | 0.8 | 2.5 | na | na | 2.3 | 2.0 |
| Oxford Economics | 1.9 | 1.2 | 2.7 | 1.3 | -0.1 | -0.5 | 3.3 | 2.3 | 1.2 | 0.3 | 1.8 | 2.7 | 0.8 | 2.1 | 1.0 | 2.6 | 2.4 | 2.7 |
| Citigroup | 1.9 | 1.3 | 2.8 | 1.4 | -1.3 | -1.6 | 5.0 | 4.7 | -0.4 | -1.5 | na | na | 0.7 | 2.5 | na | na | 2.1 | 1.4 |
| Beacon Econ Forecasting | 1.9 | 2.6 | 2.9 | 3.3 | 1.2 | 4.1 | na | na | 0.8 | 3.0 | 1.9 | 3.1 | 0.6 | 2.2 | 1.0 | 2.4 | 2.4 | 3.2 |
| Capital Economics | 1.9 | 1.5 | 2.7 | 1.5 | -0.4 | -2.0 | na | na | na | na | 1.8 | 3.0 | 0.6 | 2.3 | 0.6 | 2.6 | 2.3 | 2.5 |
| Credit Suisse | 1.9 | 0.5 | 2.7 | 0.9 | 0.6 | -0.1 | na | na | na | na | 1.8 | 2.8 | 0.8 | 2.2 | na | na | na | na |
| Econ Intelligence Unit | 1.9 | -0.5 | 2.1 | -1.9 | 1.0 | -7.8 | na | na | na | na | na | na | 0.6 | 2.1 | na | na | na | na |
| Lombard Street Research | 1.9 | 1.1 | 2.8 | 1.5 | 0.0 | -1.9 | 4.9 | 1.7 | na | na | na | na | 0.7 | 2.2 | na | na | 1.9 | 2.2 |
| Nomura | 1.9 | -0.8 | 2.8 | -1.6 | 1.2 | -4.3 | na | na | na | na | 1.8 | 2.5 | 0.6 | 2.1 | 0.5 | 1.7 | 1.6 | 1.0 |
| Societe Generale | 1.9 | 0.9 | 2.8 | 1.9 | 0.5 | -0.5 | 7.1 | 2.6 | na | na | 1.7 | 2.8 | 0.6 | 2.3 | na | na | 2.0 | 2.0 |
| Cambridge Econometrics | 1.8 | 1.0 | 2.9 | 0.6 | -0.6 | -3.6 | na | na | 1.2 | 0.8 | na | na | 0.6 | 2.1 | na | na | 1.9 | 1.7 |
| Experian | 1.8 | 0.8 | 2.6 | 0.9 | -0.2 | -3.6 | na | na | 0.2 | 0.0 | 1.8 | 3.4 | 0.7 | 2.3 | na | na | 2.1 | 1.9 |
| HSBC | 1.8 | 0.7 | 2.8 | 1.1 | na | na | na | na | 0.6 | 1.2 | na | na | 0.6 | 2.9 | na | na | 2.1 | 1.6 |
| Kern Consulting | 1.8 | 1.1 | 2.1 | 1.0 | 1.2 | 1.0 | 2.2 | 2.6 | -1.5 | 0.0 | na | na | 0.8 | 2.3 | na | na | 2.5 | 3.0 |
| UniCredit | 1.8 | 0.2 | 2.4 | 0.7 | -1.4 | -2.4 | 2.0 | -0.3 | -0.4 | -1.2 | 1.6 | 3.3 | 0.7 | 2.5 | 0.1 | 2.3 | 2.2 | 1.6 |
| KPMG | 1.8 | 0.8 | 2.9 | 2.2 | 0.9 | -0.2 | na | na | na | na | na | na | 0.8 | 2.1 | na | na | na | na |
| ITEM Club | 1.7 | 0.4 | 2.2 | -0.6 | 0.0 | -2.1 | na | na | na | na | 2.4 | 3.0 | 1.4 | 2.5 | na | na | 2.6 | 3.4 |
| NIESR | 1.7 | 1.0 | 2.3 | -0.1 | -1.9 | -3.3 | na | na | na | na | 1.5 | 2.9 | 0.5 | 2.5 | na | na | na | na |
| Schroders | 1.7 | 0.6 | 2.7 | 1.4 | -1.0 | -3.7 | na | na | 1.0 | -0.3 | 2.1 | 3.5 | 0.8 | 2.2 | na | na | 2.1 | 2.4 |
| Consensus (Mean) | 1.9 | 0.9 | 2.6 | 1.0 | 0.2 | -1.8 | 4.1 | 2.2 | 0.3 | 0.2 | 1.8 | 3.0 | 0.7 | 2.3 | 0.7 | 2.5 | 2.2 | 2.4 |
| Last Month's Mean | 1.7 | 0.7 | 2.5 | 0.8 | -0.2 | -2.7 | 2.5 | 1.7 | 0.1 | -0.3 | 1.8 | 3.0 | 0.7 | 2.3 | 0.6 | 2.5 | 2.3 | 2.5 |
| 3 Months Ago | 1.6 | 0.7 | 2.2 | 0.7 | -0.5 | -2.5 | 2.2 | 1.9 | -0.1 | -0.4 | 1.8 | 3.0 | 0.7 | 2.4 | 0.4 | 2.3 | 2.4 | 2.5 |
| High | 2.3 | 2.6 | 2.9 | 3.3 | 2.5 | 4.1 | 7.1 | 4.7 | 1.2 | 3.0 | 2.4 | 3.7 | 1.4 | 2.9 | 1.3 | 3.0 | 2.9 | 3.9 |
| Low | 1.7 | -0.8 | 2.1 | -1.9 | -1.9 | -7.8 | 2.0 | -0.3 | -1.5 | -1.5 | 1.5 | 2.5 | 0.5 | 1.9 | 0.1 | 1.7 | 1.6 | 1.0 |
| Standard Deviation | 0.1 | 0.7 | 0.2 | 1.1 | 1.1 | 2.6 | 1.8 | 1.5 | 0.8 | 1.1 | 0.2 | 0.3 | 0.2 | 0.2 | 0.4 | 0.4 | 0.3 | 0.8 |
| Comparison Forecasts | | | | | | | | | | | | | | | | | | |
| Treasury - OBR (Mar. '16) | 2.0 | 2.2 | 2.4 | 2.2 | 2.9 | 4.5 | | | | | 1.7 | 2.4 | 0.7 | 1.6 | | | | |
| Eur Commission (May '16) | 1.8 | 1.9 | 2.4 | 2.1 | 3.8 | 3.8 | | | | | | | 0.8 | 1.6 | | | | |
| IMF (Oct. '16) | 1.8 | 1.1 | 2.7 | 0.8 | 1.0 | -2.0 | | | | | | | | | | | | |
| OECD (Sep. '16) | 1.8 | 1.0 | | | | | | | | | | | | | | | | |

Government and Background Data

Prime Minister - Mrs. Theresa May (Conservative Party). Parliament -The Conservative party has a working majority in the 650-seat House of Commons (lower house) having won 331 seats in the May 2015 general election. **Next Election** - By May 2020 (general election). **Nominal GDP** - £1,870bn (2015). **Population** - 64.7mn (mid-year, 2015). **\$/£ Exchange Rate** - 1.529 (average, 2015).

Quarterly Consensus Forecasts

Historical Data and Forecasts (bold italics) From Survey of September 12, 2016

| | 2016 | | 2017 | | | | 2018 | | | |
|------------------------|------|-----|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Gross Domestic Product | 2.0 | 2.2 | 1.6 | 1.1 | 0.8 | 0.4 | 0.6 | 0.8 | 1.2 | 1.4 |
| Household Consumption | 2.8 | 3.0 | 2.6 | 2.3 | 1.8 | 1.3 | 1.1 | 1.0 | 1.3 | 1.3 |
| Consumer Prices | 0.3 | 0.3 | 0.8 | 1.4 | 2.1 | 2.6 | 2.6 | 2.5 | 2.3 | 2.2 |

Percentage Change (year-on-year).

Historical Data

| * % change on previous year | 2012 | 2013 | 2014 | 2015 |
|---|---------|-------|-------|--------|
| Gross Domestic Product* | 1.3 | 1.9 | 3.1 | 2.2 |
| Household Consumption* | 1.9 | 1.6 | 2.1 | 2.6 |
| Gross Fixed Investment* | 2.3 | 3.2 | 6.7 | 3.4 |
| Company Trading Profits* | -0.2 | 8.2 | 12.0 | 2.8 |
| Manufacturing Production* | -1.5 | -1.0 | 2.9 | -0.2 |
| Retail Prices (RPI-X underlying rate)* | 3.2 | 3.1 | 2.4 | 1.0 |
| Consumer Prices Index* | 2.9 | 2.5 | 1.5 | 0.0 |
| Output Prices* | 2.1 | 1.3 | 0.0 | -1.7 |
| Average Weekly Earnings* | 1.3 | 1.3 | 1.3 | 2.3 |
| Unemployment Rate % (LFS) | 8.0 | 7.6 | 6.2 | 5.4 |
| Current Account, £ bn | -61.4 | -76.4 | -85.0 | -100.2 |
| Public Sector Net Borrowing (excl. financial interventions), fiscal yrs, £ bn | 123.4 * | 104.0 | 95.4 | 76.5 |
| 3 mth Interbank, % (end yr) | 0.5 | 0.5 | 0.6 | 0.6 |
| 10 Yr Gilt Yields, % (end yr) | 2.0 | 2.8 | 1.8 | 1.9 |

* Includes Royal Mail pension fund transfer of £28bn.

| Year Average | Annual Total | | Fiscal Years (Apr-Mar) | | Rates on Survey Date | | | |
|---|------------------------|-------------------|------------------------------------|-----------------------|----------------------------|--|------------------------|--|
| | | | | | 0.4% | | 1.0% | |
| Unemployment Rate (%) (Labour Force Survey) | Current Account (£ bn) | | Public Sector Net Borrowing (£ bn) | | 3 month Interbank Rate (%) | | 10 Year Gilt Yield (%) | |
| 2016 2017 | 2016 2017 | FY 16-17 FY 17-18 | End Jan'17 End Oct'17 | End Jan'17 End Oct'17 | | | | |
| na na | -89.0 -77.7 | 69.0 54.7 | 0.2 na | na na | | | | |
| 5.2 5.0 | -70.0 -55.0 | 65.0 50.0 | 0.3 0.6 | 1.2 1.8 | | | | |
| 5.0 5.2 | na na | na na | na na | na na | | | | |
| na na | -110.1 -96.7 | na na | na na | na na | | | | |
| 5.0 5.3 | -108.0 -76.0 | 72.0 78.0 | 0.2 0.2 | 0.9 1.3 | | | | |
| 5.0 5.5 | -90.0 -65.0 | 75.0 80.0 | 0.2 0.2 | 0.4 0.3 | | | | |
| 5.1 5.5 | -104.0 -75.0 | 79.0 78.0 | 0.4 0.3 | 0.7 0.7 | | | | |
| 5.0 5.8 | na na | na na | 0.2 0.2 | 0.7 1.0 | | | | |
| 5.0 5.2 | -104.5 -66.2 | 68.4 60.6 | 0.2 0.2 | 0.9 1.1 | | | | |
| 5.3 5.0 | -113.8 -82.9 | 70.9 64.3 | na na | 0.7 0.7 | | | | |
| 4.9 4.6 | -110.9 -97.4 | 63.0 44.2 | 0.3 0.3 | 0.8 0.8 | | | | |
| 5.1 5.5 | -105.0 -75.0 | 72.5 67.5 | 0.3 0.3 | 1.0 1.0 | | | | |
| na na | -99.4 na | na na | na na | na na | | | | |
| 5.1 5.5 | -105.9 -73.7 | na na | na na | na na | | | | |
| 5.0 5.3 | -105.0 -83.0 | 76.0 74.0 | 0.4 0.3 | 1.1 1.8 | | | | |
| 5.0 5.6 | na na | 55.0 35.0 | na na | na na | | | | |
| 5.0 5.5 | -111.0 -101.0 | 70.6 77.8 | na na | na na | | | | |
| 5.0 5.3 | -107.2 -58.2 | na na | 0.4 0.1 | na na | | | | |
| 5.0 5.5 | -144.9 -167.7 | 76.8 57.9 | 0.5 0.5 | 1.7 2.2 | | | | |
| 5.1 5.6 | na na | na na | na na | na na | | | | |
| 5.1 5.5 | -93.0 -76.0 | 60.0 55.0 | 0.1 0.3 | 0.7 1.6 | | | | |
| 5.2 6.0 | -86.5 -60.3 | 71.0 68.9 | na na | na na | | | | |
| 5.0 5.2 | na na | na na | 0.3 0.2 | 0.8 1.1 | | | | |
| 5.0 5.6 | -106.0 -58.0 | 69.0 61.0 | na na | na na | | | | |
| 5.0 5.6 | -114.5 -62.4 | 70.9 65.3 | na na | na na | | | | |
| 5.0 5.3 | -97.0 -85.0 | 78.0 95.0 | 0.1 0.1 | 1.0 0.8 | | | | |
| 5.0 5.4 | -103.6 -79.6 | 70.1 64.8 | 0.3 0.3 | 0.9 1.2 | | | | |
| 5.1 5.5 | -103.4 -77.5 | 70.9 65.6 | | | | | | |
| 5.2 5.6 | -100.2 -82.2 | 69.9 62.6 | | | | | | |
| 5.3 6.0 | -70.0 -55.0 | 79.0 95.0 | 0.5 0.6 | 1.7 2.2 | | | | |
| 4.9 4.6 | -144.9 -167.7 | 55.0 35.0 | 0.1 0.1 | 0.4 0.3 | | | | |
| 0.1 0.3 | 14.3 24.7 | 6.3 14.5 | 0.1 0.1 | 0.3 0.5 | | | | |
| 5.0 5.0 | | 55.5 38.8 | | | | | | |
| 5.0 4.9 | | | | | | | | |
| 5.0 5.2 | | | | | | | | |

Risks from Brexit Beyond 2016

An upward revision to Q2 GDP from 0.6% (q-o-q) to 0.7% implied a relatively solid economic performance in the run-up to the EU referendum, supported by decent growth in services and manufacturing. The services sector (making up almost four-fifths of the economy) also rose by 0.4% (m-o-m) and 2.9% (y-o-y) in July, bolstering the outlook after the Brexit vote. In a recent report, the Office for National Statistics (ONS) stated that the referendum had not yet had any major effect on the economy. The better-than-expected start to Q3 has supported an uptick in the 2016 GDP consensus forecast, from 1.7% to 1.9%. The IMF (see table) also raised its 2016 forecast this month. However, it cut its 2017 GDP estimate to 1.1% (from 1.3%), citing a raft of uncertainty as the UK starts Brexit negotiation talks. Some of this initial good news could well be a delayed reaction to the reality of a looming EU exit as it slowly sinks in for the public, policymakers and the markets.

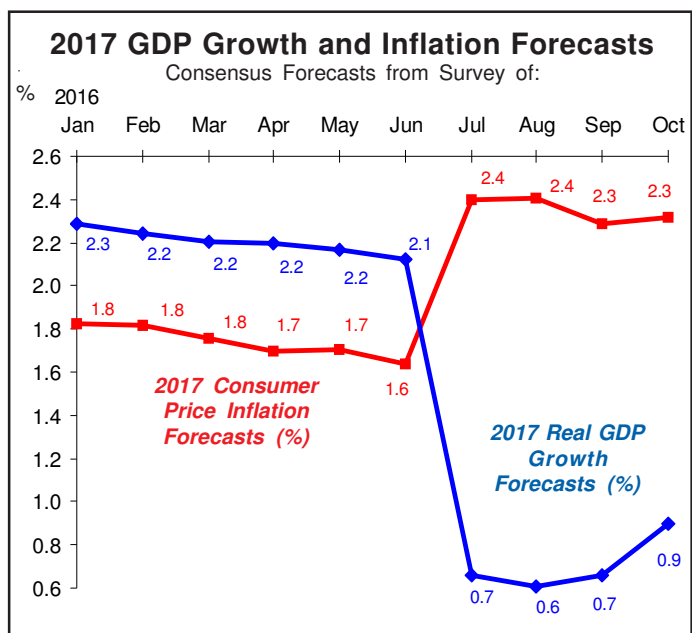
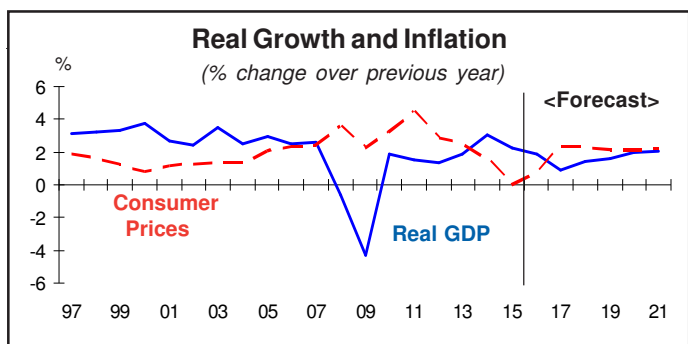
Despite more stable macro data, the pound sunk to a 31-year low against the dollar on October 5 after the government outlined plans to trigger Article 50 by end-March 2017. Investors are fearful that the UK may lose access to the single market. The Chancellor Philip Hammond warned of a tricky couple of years as the UK maps out its break from the EU. However, Hammond has targeted increased housing and infrastructure spending to aid the economy, abandoning plans to balance the budget by 2020. The weaker pound could boost manufacturing activity. September's PMI surged to a 27-month high as export orders rose at their fastest rate since January 2014. Financial sector fears about Brexit, though, could prompt another Bank of England rate cut this year.

UK Official Bank Rate – Oct. 10, 2016 = 0.25%

| FORECASTS | End Dec. 2016 | End Mar. 2017 | End Jun. 2017 | End Sep. 2017 |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Consensus Mean Average: | 0.17% | 0.15% | 0.17% | 0.18% |
| Mode (most frequent forecast): | 0.25% | 0.10% | 0.10% | 0.10% |

Direction of Trade – 2015

| Major Export Markets (% of Total) | | Major Import Suppliers (% of Total) | |
|-----------------------------------|------|-------------------------------------|------|
| United States | 14.6 | Germany | 14.8 |
| Germany | 10.1 | China | 9.8 |
| Switzerland | 7.0 | United States | 9.2 |
| EU | 44.4 | EU | 53.3 |
| Asia (ex. Japan) | 8.8 | Asia (ex. Japan) | 15.0 |
| Middle East | 5.4 | Eastern Europe | 6.2 |



| | Average % Change on Previous Calendar Year | | | | | | | | | | | | | |
|-----------------------------|--|------------|-------------------------------|------------|---------------------------------|------------|-------------------------------|------------|--------------------------|------------|-------------------------------|------------|---|------------|
| | Gross Domestic Product | | Household Consumption | | Gross Fixed Investment | | Industrial Production | | Consumer Prices | | Producer Prices | | Contractual Hourly Earnings | |
| | <i>Prodotto Interno Lordo</i> | | <i>Consumi delle Famiglie</i> | | <i>Investimenti Fissi Lordi</i> | | <i>Produzione Industriale</i> | | <i>Prezzi al Consumo</i> | | <i>Prezzi alla Produzione</i> | | <i>Retribuzione Orarie Contrattuali</i> | |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| UBS | 0.9 | 0.9 | 1.6 | 1.7 | 1.5 | 0.6 | na | na | na | na | na | na | 1.3 | 1.7 |
| Bank of America - Merrill | 0.8 | 0.9 | 1.2 | 1.2 | 1.6 | 0.5 | 2.1 | 2.6 | -0.1 | 0.5 | na | na | na | na |
| Intesa Sanpaolo | 0.8 | 1.0 | 1.3 | 1.0 | 2.1 | 1.8 | 1.4 | 1.5 | 0.0 | 1.0 | -2.6 | 0.1 | 0.6 | 1.2 |
| ABI | 0.8 | 0.9 | 1.1 | 0.9 | 2.2 | 1.9 | 1.8 | 1.7 | 0.1 | 0.9 | -3.0 | 0.7 | 1.2 | 1.4 |
| Banca Nzie del Lavoro | 0.8 | 0.5 | 1.3 | 0.6 | 1.7 | 0.7 | 1.1 | 0.7 | -0.1 | 0.8 | -2.3 | 1.0 | 0.8 | 0.8 |
| LC Macro Advisors | 0.8 | 1.0 | 1.2 | 1.3 | 1.5 | 1.7 | 1.3 | 1.5 | -0.1 | 0.5 | -2.5 | 0.7 | na | na |
| UniCredit | 0.8 | 0.6 | 1.1 | 1.8 | 1.9 | 1.5 | na | na | 0.0 | 1.1 | na | na | na | na |
| Oxford Economics | 0.8 | 0.9 | 1.2 | 0.7 | 2.0 | 1.9 | 0.6 | 1.5 | 0.1 | 1.5 | -2.3 | 2.6 | 1.5 | 1.3 |
| Goldman Sachs | 0.8 | 0.9 | 1.1 | 1.2 | 1.4 | 2.1 | 0.9 | 0.8 | 0.0 | 0.7 | na | na | na | na |
| Citigroup | 0.7 | 0.5 | 1.1 | 0.5 | 1.9 | 1.3 | na | na | 0.0 | 1.0 | na | na | na | na |
| Barclays | 0.7 | 0.3 | 1.2 | 0.4 | na | na | na | na | 0.0 | 0.8 | na | na | na | na |
| Centro Europa Ricerche | 0.7 | 0.6 | 1.1 | 0.6 | 1.0 | 0.8 | na | na | -0.2 | 0.9 | na | na | na | na |
| Confindustria | 0.7 | 0.5 | 1.2 | 0.7 | 1.8 | 1.3 | na | na | 0.0 | 0.6 | na | na | na | na |
| Econ Intelligence Unit | 0.7 | 0.9 | 1.1 | 1.0 | 1.0 | 1.0 | 0.5 | 0.5 | -0.2 | 0.5 | -2.9 | 0.8 | na | na |
| HSBC | 0.7 | 0.6 | 1.2 | 0.8 | 1.7 | 0.7 | 0.4 | 0.9 | 0.0 | 1.0 | na | na | 0.8 | 0.8 |
| Prometeia | 0.7 | 0.8 | 1.1 | 0.7 | 1.7 | 1.7 | 0.5 | 1.5 | -0.1 | 1.1 | -2.6 | 2.2 | 0.8 | 1.2 |
| REF Ricerche | 0.7 | 0.7 | 1.1 | 0.6 | 1.5 | 1.5 | 1.0 | 0.7 | 0.0 | 1.1 | -1.8 | 2.1 | 0.8 | 0.7 |
| Moody's Analytics | 0.6 | 0.4 | 0.9 | -0.1 | 0.6 | -3.3 | 0.3 | -0.5 | -0.2 | 0.4 | -2.2 | 2.0 | na | na |
| Consensus (Mean) | 0.8 | 0.7 | 1.2 | 0.9 | 1.6 | 1.0 | 1.0 | 1.1 | -0.1 | 0.8 | -2.5 | 1.4 | 1.0 | 1.1 |
| Last Month's Mean | 0.8 | 0.8 | 1.2 | 1.0 | 1.5 | 1.1 | 1.1 | 1.3 | -0.1 | 0.8 | -2.5 | 1.3 | 1.0 | 1.1 |
| 3 Months Ago | 0.9 | 0.9 | 1.2 | 1.0 | 1.5 | 1.6 | 1.4 | 1.7 | 0.0 | 0.9 | -2.3 | 1.4 | 0.9 | 1.2 |
| High | 0.9 | 1.0 | 1.6 | 1.8 | 2.2 | 2.1 | 2.1 | 2.6 | 0.1 | 1.5 | -1.8 | 2.6 | 1.5 | 1.7 |
| Low | 0.6 | 0.3 | 0.9 | -0.1 | 0.6 | -3.3 | 0.3 | -0.5 | -0.2 | 0.4 | -3.0 | 0.1 | 0.6 | 0.7 |
| Standard Deviation | 0.1 | 0.2 | 0.1 | 0.5 | 0.4 | 1.2 | 0.6 | 0.8 | 0.1 | 0.3 | 0.4 | 0.9 | 0.3 | 0.3 |
| Comparison Forecasts | | | | | | | | | | | | | | |
| Banca d'Italia (Jun. '16) | 1.1 | 1.2 | 1.5 | 1.4 | 2.9 | 2.7 | | | | | | | | |
| Government (Sep. '16) | 0.8 | 1.0 | 1.2 | 1.0 | 1.9 | 3.2 | | | | | | | | |
| Eur Commission (May '16) | 1.1 | 1.3 | 1.5 | 1.1 | 3.2 | 4.1 | | | | | | | | |
| IMF (Oct. '16) | 0.8 | 0.9 | 1.0 | 1.0 | 1.4 | 1.8 | | | -0.1 | 0.5 | | | | |
| OECD (Sep. '16) | 0.8 | 0.8 | | | | | | | | | | | | |

Government and Background Data

Prime Minister - Mr. Matteo Renzi. **Parliament** - A coalition government with representation from Renzi's Democratic Party, the New Centre-Right, the Union of the Centre and Civic Choice was formed in February 2014. **Next Elections** - By 2018 (Parliamentary); 2020 (presidential). **Nominal GDP** - Euro1,636bn (2015). **Population** - 59.8mn (mid-year, 2015). **\$/Euro Exchange Rate** - 1.109 (average, 2015).

Quarterly Consensus Forecasts

Historical Data and Forecasts (bold italics) From Survey of September 12, 2016

| | 2016 | | | | 2017 | | | | 2018 | | | |
|------------------------|------|------|-------------|------------|------------|------------|------------|------------|------------|------------|----|----|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Gross Domestic Product | 1.0 | 0.8 | 0.7 | 0.6 | 0.5 | 0.6 | 0.9 | 1.0 | 1.1 | 1.2 | | |
| Household Consumption | 1.7 | 1.2 | 0.9 | 0.7 | 0.5 | 0.6 | 0.7 | 0.7 | 0.8 | 0.9 | | |
| Consumer Prices | -0.1 | -0.4 | -0.1 | 0.0 | 0.5 | 0.7 | 0.6 | 0.7 | 0.8 | 0.9 | | |

Percentage Change (year-on-year).

Historical Data

| * % change on previous year | 2012 | 2013 | 2014 | 2015 |
|--|-------|-------|-------|-------|
| Gross Domestic Product* | -2.8 | -1.7 | 0.1 | 0.7 |
| Household Consumption* | -3.9 | -2.5 | 0.4 | 1.5 |
| Gross Fixed Investment* | -9.3 | -6.6 | -3.0 | 1.3 |
| Industrial Production* | -6.3 | -3.1 | -0.7 | 1.2 |
| Consumer Prices* | 3.0 | 1.2 | 0.2 | 0.1 |
| Producer Prices* | 3.6 | -1.1 | -1.5 | -2.7 |
| Contractual Hourly Earnings* | 1.5 | 1.4 | 1.2 | 1.2 |
| Unemployment Rate,% | 10.6 | 12.2 | 12.6 | 11.9 |
| Current Account, Euro bn | -5.8 | 15.2 | 30.9 | 36.0 |
| General Govt. Budget Balance | | | | |
| (Maastricht definition), Euro bn | -47.2 | -43.2 | -48.5 | -42.9 |
| 3 mth Euro, % (end yr) | 0.2 | 0.3 | 0.1 | -0.1 |
| 10 yr Italian Govt Bond, % (end yr) | 4.5 | 4.1 | 1.9 | 1.6 |

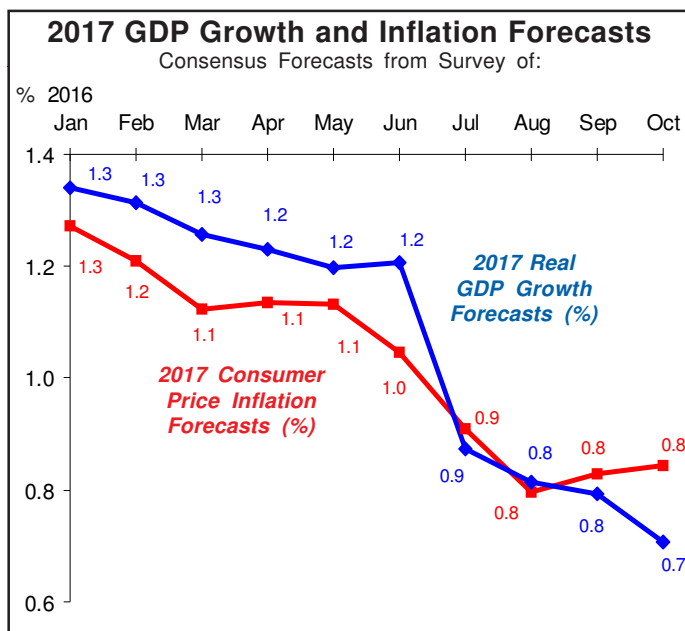
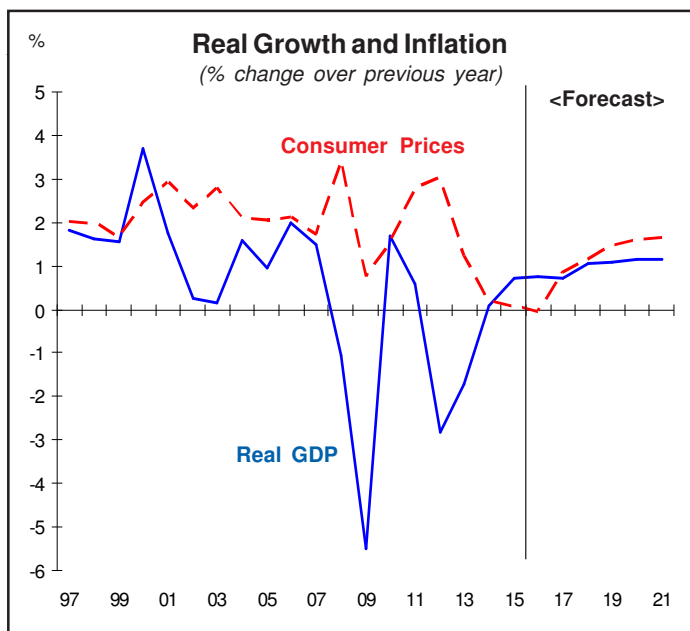
| Year Average | | Annual Total | | | | Rates on Survey Date | | | |
|-----------------------------|------|---------------------------|------|--|-------|--------------------------------|------------|-------------------------------------|------------|
| | | | | | | -0.3% | | 1.5% | |
| Unemployment Rate (%) | | Current Account (Euro bn) | | General Govt Budget Bal (Maastricht) (Euro bn) | | 3 month Euro Rate (%) | | 10 Year Italian Govt Bond Yield (%) | |
| Tasso di Disoccupazione (%) | | Partite Correnti (€ mld) | | Indebitamento netto (Maastricht) (€ mld) | | Interessi Euro Trimestrali (%) | | Buoni del Tesoro Decennali (%) | |
| 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 |
| 11.4 | 11.1 | na | na | na | na | -0.3 | -0.3 | na | na |
| 11.5 | 11.2 | 48.6 | 48.2 | -28.8 | -24.3 | na | na | na | na |
| 11.5 | 11.2 | 52.0 | 44.3 | -42.5 | -41.7 | -0.3 | -0.3 | na | na |
| 11.3 | 11.0 | 44.2 | 46.1 | -40.1 | -34.1 | -0.3 | -0.3 | 1.3 | 1.5 |
| 11.5 | 11.4 | na | na | na | na | na | na | na | na |
| 11.5 | 11.0 | 36.2 | 33.0 | -40.1 | -39.2 | -0.3 | -0.3 | 1.2 | 1.4 |
| 11.5 | 11.2 | 34.9 | 33.8 | -41.6 | -40.5 | na | na | na | na |
| 11.4 | 11.3 | 45.9 | 44.3 | -39.5 | -35.3 | -0.3 | -0.3 | 1.6 | 1.9 |
| 11.5 | 11.2 | 37.9 | 32.4 | -36.6 | -23.8 | na | na | na | na |
| 11.5 | 11.3 | 48.3 | 39.7 | -41.1 | -38.8 | na | na | 1.2 | 1.0 |
| 11.7 | 12.0 | na | na | na | na | -0.3 | na | na | na |
| 11.6 | 11.5 | 37.5 | 40.2 | -38.8 | -26.4 | -0.3 | -0.2 | 1.2 | 1.2 |
| 11.5 | 11.2 | 43.8 | 40.7 | -42.0 | -39.2 | na | na | na | na |
| 11.4 | 11.0 | 38.1 | 33.9 | -43.4 | -38.4 | na | na | na | na |
| 11.4 | 11.0 | na | na | na | na | na | na | na | na |
| 11.5 | 11.1 | 48.5 | 41.7 | -40.4 | -41.3 | -0.3 | -0.3 | 1.3 | 1.3 |
| 11.3 | 10.8 | 45.7 | 46.6 | -39.3 | -43.3 | -0.3 | -0.3 | 1.3 | 1.1 |
| 11.6 | 11.8 | 50.6 | 53.1 | na | na | -0.3 | -0.3 | 1.3 | 1.4 |
| 11.5 | 11.2 | 43.7 | 41.3 | -39.6 | -35.9 | -0.3 | -0.3 | 1.3 | 1.3 |
| 11.5 | 11.2 | 42.2 | 38.3 | -40.2 | -37.1 | | | | |
| 11.5 | 11.1 | 39.0 | 37.1 | -39.5 | -34.4 | | | | |
| 11.7 | 12.0 | 52.0 | 53.1 | -28.8 | -23.8 | -0.3 | -0.2 | 1.6 | 1.9 |
| 11.3 | 10.8 | 34.9 | 32.4 | -43.4 | -43.3 | -0.3 | -0.3 | 1.2 | 1.0 |
| 0.1 | 0.3 | 5.8 | 6.3 | 3.7 | 6.8 | 0.0 | 0.0 | 0.1 | 0.3 |
| 11.4 | 11.1 | | | | | | | | |
| 11.5 | 10.8 | | | | | | | | |
| 11.4 | 11.2 | 39.4 | 38.6 | | | | | | |
| 11.5 | 11.2 | | | -40.8 | -36.6 | | | | |

Struggling Economy

The Italian government recently cut its GDP forecasts for 2016 and 2017 to 0.8% and 1.0%, respectively, as April's estimates of 1.2% and 1.4% moved out of reach following tepid GDP growth in the first half of the year. With growth grinding to a halt in Q2, the Euro area's third-largest economy is increasingly lagging behind its neighbours. In fact, our latest long-term forecasts (page 28) demonstrate softness through to 2026, highlighted by ongoing weakness in private consumption and fixed investment. Economic woes have swelled the public debt and forced the government to increase its budget deficit targets for this year and next. This year's deficit goal has edged up from 2.3% of GDP to 2.4%, and the 2017 figure has jumped to 2% from 1.8%. Moreover, the limp recovery is sapping support for Prime Minister Renzi, whose future may be decided on December 4 as Italians head to the polls to vote on constitutional reform. Renzi has deemed the overhaul critical in delivering stable future governments and speeding up lawmaking. In stating his intention to resign if the reform is rejected, though, commentators have warned it may galvanise Renzi's opponents.

Despite the enactment of the Jobs Act in 2015, a high rate of joblessness persists in Italy. The unemployment rate was 11.4% in August, a percentage point lower than in August 2015. Workers' wages continue to rise at a paltry rate, up just 0.6% (y-o-y) in Q2. The services PMI for September showed a loss of momentum as the indicator fell from 52.3 to 50.7, only just in expansionary territory. Industrial production surprised on the upside in August, surging by 1.7% (m-o-m) after July's 0.7% rise. Yet, our panel's production forecasts remain subdued around the 1% mark for 2016 and 2017.

| Direction of Trade – 2015 | | | |
|-----------------------------------|------|-------------------------------------|------|
| Major Export Markets (% of Total) | | Major Import Suppliers (% of Total) | |
| Germany | 12.3 | Germany | 15.4 |
| France | 10.3 | France | 8.7 |
| United States | 8.7 | China | 7.7 |
| EU | 54.9 | EU | 58.6 |
| Eastern Europe | 12.6 | Eastern Europe | 15.5 |
| Middle East | 5.5 | Asia (ex. Japan) | 11.3 |



| | Average % Change on Previous Calendar Year | | | | | | | | | | | | | | Annual Total | | | |
|---------------------------|--|------------|---|------------|----------------------------------|------------|--|------------|--------------------------------|------------|-------------------------------|------------|--------------------------------------|------------|-------------------------------------|------------|--|------------|
| | Gross Domestic Product | | Personal Expenditure | | Machinery & Equipment Investment | | Net Operating Surplus: Corporations | | Industrial Production | | Consumer Prices | | Industrial Product Prices | | Average Hourly Earnings | | Housing Starts (thousand units) | |
| | <i>Produit Intérieur Brut</i> | | <i>Dépenses de Consommation des Ménages</i> | | <i>Investissement Productif</i> | | <i>Excédent d'exploitation net: sociétés</i> | | <i>Production Industrielle</i> | | <i>Prix à la Consommation</i> | | <i>Prix des Produits Industriels</i> | | <i>Rémunération Horaire Moyenne</i> | | <i>Construction de Logements mises en chantier, milliers</i> | |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| Econ Intelligence Unit | 1.3 | 2.2 | 2.0 | 1.8 | na | na | na | na | na | na | 1.6 | 2.1 | na | na | na | na | na | na |
| Economap | 1.3 | 2.1 | 2.0 | 1.8 | -3.3 | 2.7 | -11.0 | 9.0 | -0.4 | 2.6 | 1.4 | 1.8 | -0.5 | 2.5 | 2.2 | 2.4 | 195 | 190 |
| Informetrica | 1.3 | 2.1 | 2.1 | 1.8 | -4.6 | 2.5 | -11.0 | 8.0 | 0.0 | 2.0 | 1.5 | 2.0 | -1.0 | 2.5 | 2.0 | 2.7 | 190 | 175 |
| National Bank of Canada | 1.3 | 1.8 | 2.2 | 1.5 | -3.3 | 1.1 | -10.9 | 5.6 | na | na | 1.5 | 2.0 | na | na | na | na | 191 | 177 |
| Royal Bank of Canada | 1.3 | 1.8 | 2.1 | 2.0 | -3.8 | 1.4 | -5.7 | 8.1 | na | na | 1.6 | 2.6 | na | na | na | na | 192 | 181 |
| University of Toronto | 1.3 | 2.9 | 2.1 | 2.0 | -2.6 | 4.8 | na | na | na | na | 1.5 | 2.2 | na | na | na | na | 192 | 184 |
| IHS Markit | 1.2 | 2.2 | 2.1 | 2.1 | -3.1 | 2.6 | -8.9 | 9.6 | -0.8 | 1.6 | 1.6 | 2.3 | 0.0 | 4.2 | na | na | 196 | 187 |
| BMO Capital Markets | 1.2 | 2.0 | 2.0 | 1.5 | -3.1 | 2.6 | -11.0 | 10.0 | 0.0 | 2.5 | 1.4 | 1.7 | -0.6 | 0.8 | 2.0 | 2.2 | 195 | 190 |
| Desjardins | 1.2 | 2.0 | 2.1 | 1.9 | -3.4 | 0.5 | -8.7 | 7.4 | na | na | 1.5 | 2.0 | -0.5 | 2.5 | 2.1 | 2.3 | 192 | 178 |
| JP Morgan | 1.2 | 2.5 | 2.2 | 2.3 | -3.7 | 0.7 | na | na | na | na | 1.6 | 2.1 | na | na | na | na | na | na |
| CIBC World Markets | 1.2 | 1.8 | 2.2 | 1.8 | -3.8 | -0.3 | na | na | na | na | 1.6 | 2.2 | na | na | na | na | 195 | 182 |
| Oxford Economics | 1.2 | 1.8 | 2.2 | 1.7 | na | na | -0.4 | 9.3 | -0.5 | 0.7 | 1.5 | 1.8 | -0.6 | 2.4 | na | na | 194 | 190 |
| Bank of America - Merrill | 1.1 | 1.6 | 2.3 | 2.0 | -7.8 | -0.4 | na | na | na | na | 1.6 | 2.0 | na | na | na | na | 194 | 193 |
| Citigroup | 1.1 | 2.0 | 2.2 | 2.2 | -2.9 | 3.7 | na | na | -0.4 | 1.3 | 1.5 | 1.8 | na | na | na | na | na | na |
| Toronto Dominion Bank | 1.1 | 1.8 | 2.2 | 1.9 | -3.2 | 1.8 | -11.2 | 5.9 | na | na | 1.7 | 2.2 | na | na | na | na | 194 | 180 |
| Consensus (Mean) | 1.2 | 2.0 | 2.1 | 1.9 | -3.7 | 1.8 | -8.8 | 8.1 | -0.3 | 1.8 | 1.5 | 2.1 | -0.5 | 2.5 | 2.1 | 2.4 | 193 | 184 |
| Last Month's Mean | 1.2 | 2.1 | 2.1 | 1.9 | -3.4 | 2.0 | -8.2 | 8.8 | -0.7 | 1.9 | 1.6 | 2.1 | -0.5 | 2.4 | 2.1 | 2.3 | 193 | 184 |
| 3 Months Ago | 1.3 | 2.1 | 1.9 | 1.8 | -4.9 | 1.9 | -4.5 | 9.5 | 0.0 | 2.0 | 1.7 | 2.1 | 0.0 | 2.3 | 2.3 | 2.5 | 190 | 182 |
| High | 1.3 | 2.9 | 2.3 | 2.3 | -2.6 | 4.8 | -0.4 | 10.0 | 0.0 | 2.6 | 1.7 | 2.6 | 0.0 | 4.2 | 2.2 | 2.7 | 196 | 193 |
| Low | 1.1 | 1.6 | 2.0 | 1.5 | -7.8 | -0.4 | -11.2 | 5.6 | -0.8 | 0.7 | 1.4 | 1.7 | -1.0 | 0.8 | 2.0 | 2.2 | 190 | 175 |
| Standard Deviation | 0.1 | 0.3 | 0.1 | 0.2 | 1.3 | 1.5 | 3.6 | 1.6 | 0.3 | 0.7 | 0.1 | 0.2 | 0.3 | 1.1 | 0.1 | 0.2 | 2 | 6 |
| Comparison Forecasts | | | | | | | | | | | | | | | | | | |
| IMF (Oct. '16) | 1.2 | 1.9 | 2.2 | 2.0 | | | | | | | 1.6 | 2.1 | | | | | | |
| OECD (Sep. '16) | 1.2 | 2.1 | | | | | | | | | | | | | | | | |

Government and Background Data

Prime Minister - Mr. Justin Trudeau (Liberals). **Government** - The Liberals hold 184 out of 338 seats in parliament (170 seats are needed for a majority). **Next Election** - by 2020 (general election). **Nominal GDP** - C\$1,983bn (2015). **Population** - 35.9mn (mid-year, 2015). **C\$/Exchange Rate** - 1.277 (average, 2015).

Quarterly Consensus Forecasts

Historical Data and Forecasts (bold italics) From Survey of September 12, 2016

| | 2016 | | 2017 | | | | 2018 | | | |
|------------------------|------|-----|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Gross Domestic Product | 1.2 | 0.9 | 1.2 | 1.6 | 1.6 | 2.5 | 2.2 | 2.2 | 2.2 | 2.1 |
| Personal Expenditure | 2.2 | 2.2 | 2.0 | 2.1 | 2.0 | 1.9 | 1.9 | 2.0 | 1.9 | 1.8 |
| Consumer Prices | 1.6 | 1.6 | 1.4 | 1.9 | 2.3 | 2.1 | 2.2 | 2.1 | 2.1 | 2.1 |

Percentage Change (year-on-year).

Historical Data

| * % change on previous year | 2012 | 2013 | 2014 | 2015 |
|--|-------|-------|-------|-------|
| Gross Domestic Product* | 1.7 | 2.2 | 2.5 | 1.1 |
| Personal Expenditure* | 1.9 | 2.4 | 2.6 | 1.9 |
| Machinery & Eqpt Investment* | 2.7 | -6.7 | 1.0 | -2.4 |
| Net Operating Surplus: Corporations* | -5.3 | 0.8 | 7.0 | -15.8 |
| Industrial Production* | 0.0 | 2.2 | 4.0 | -1.1 |
| Consumer Prices* | 1.5 | 0.9 | 1.9 | 1.1 |
| Industrial Product Prices* | 1.1 | 0.4 | 2.5 | -0.8 |
| Average Hourly Earnings* | 2.0 | 1.6 | 2.4 | 2.5 |
| Housing Starts, '000 units | 215 | 188 | 189 | 196 |
| Unemployment Rate, % | 7.4 | 7.1 | 6.9 | 6.9 |
| Current Account, C\$ bn | -65.7 | -59.7 | -44.9 | -62.6 |
| Federal Govt Budget Balance, fiscal years, C\$ bn | -18.4 | -11.4 | 2.9 | -2.0 |
| 3 mth Trsy Bill, % (end yr) | 0.9 | 0.9 | 0.9 | 0.5 |
| 10 Yr Govt Bond, % (end yr) | 1.8 | 2.8 | 1.8 | 1.5 |

| Year Average | Annual Total | | Fiscal Years (Apr-Mar) | | Rates on Survey Date | | | | |
|-----------------------|---------------------------|----------|--------------------------------------|------------|--|------------|--|-----|-----|
| | | | | | 0.5% | | 1.3% | | |
| Unemployment Rate (%) | Current Account (C\$ bn) | | Federal Govt Budget Balance (C\$ bn) | | 3 month Treasury Bill Rate (%) | | 10 Year Government Bond Yield (%) | | |
| Taux de Chômage (%) | Balance Courante (C\$ md) | | Balance Budgétaire (C\$ md) | | Rendement sur les Bons du Trésor de 3 mois % | | Rendement des Obligations d'État de 10 ans % | | |
| 2016 2017 | 2016 2017 | FY 16-17 | FY 17-18 | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 | | |
| 7.0 | 6.7 | na | na | na | na | na | na | 1.5 | 1.7 |
| 7.0 | 6.9 | -64.0 | -50.0 | -25.0 | -27.0 | 0.5 | 0.5 | 1.2 | 1.3 |
| 7.1 | 6.9 | -68.0 | -55.0 | -28.0 | -25.0 | 0.5 | 0.5 | 1.1 | 1.3 |
| 7.1 | 7.1 | -74.7 | -70.4 | na | na | 0.5 | 0.7 | 1.2 | 1.6 |
| 7.0 | 6.8 | -65.7 | -50.7 | na | na | 0.5 | 0.6 | 1.3 | 1.8 |
| 7.0 | 6.9 | -71.6 | -62.9 | na | na | 0.5 | 0.8 | 1.2 | 1.9 |
| 7.0 | 6.9 | -64.8 | -49.4 | na | na | 0.5 | 0.5 | 1.5 | 1.8 |
| 7.0 | 6.9 | -67.0 | -50.0 | -28.0 | -30.0 | 0.5 | 0.5 | 1.2 | 1.3 |
| 7.0 | 6.9 | -69.5 | -50.0 | -25.0 | -28.0 | 0.5 | 0.6 | 1.2 | 1.5 |
| 7.0 | 6.4 | -70.2 | -63.9 | na | na | na | na | na | na |
| 7.0 | 6.9 | -72.5 | -64.2 | na | na | 0.5 | 0.5 | 1.3 | 1.6 |
| 7.1 | 7.2 | -76.9 | -79.4 | -36.3 | -37.4 | 0.9 | 1.1 | 1.1 | 1.3 |
| 7.1 | 7.1 | -76.6 | -77.5 | na | na | na | na | na | na |
| 7.1 | 7.0 | -63.8 | -55.6 | -29.4 | -29.0 | 0.3 | 0.5 | 1.1 | 1.2 |
| 7.0 | 6.9 | -78.3 | -63.6 | na | na | 0.5 | 0.5 | 1.2 | 1.3 |
| 7.0 | 6.9 | -70.3 | -60.2 | -28.6 | -29.4 | 0.5 | 0.6 | 1.2 | 1.5 |
| 7.0 | 6.9 | -71.1 | -61.2 | -28.3 | -28.7 | | | | |
| 7.1 | 6.9 | -64.5 | -50.5 | -28.2 | -27.5 | | | | |
| 7.1 | 7.2 | -63.8 | -49.4 | -25.0 | -25.0 | 0.9 | 1.1 | 1.5 | 1.9 |
| 7.0 | 6.4 | -78.3 | -79.4 | -36.3 | -37.4 | 0.3 | 0.5 | 1.1 | 1.2 |
| 0.0 | 0.2 | 5.0 | 10.3 | 4.2 | 4.3 | 0.1 | 0.2 | 0.1 | 0.2 |
| 7.0 | 7.1 | | | | | | | | |

Rebound Going Into Latter Half of 2016

July monthly GDP came in stronger than anticipated, indicating an upbeat start to Q3. Growth advanced by 0.5% (m-o-m), in line with June's 0.6% acceleration and above May's -0.6% drop. The May decline was due almost entirely to the Fort McMurray fires in Alberta which affected operations in the oil-producing region. Indeed, the bounceback in July's mining, quarrying, oil & gas extraction sector is apparent: up 3.9% over the prior month (June also saw a +3.6% rebound). However, the strength of these gains will be difficult to sustain going forward. Elsewhere, manufacturing rose by 0.4% (m-o-m), down from +1.5% in June, suggesting a return to a more normal pace. Industrial output as a whole, though, expanded by 1.6% (m-o-m), boosted by the 5% monthly gain in energy. Other data going into Q3 suggest that the second half of this year is starting off somewhat better than the first half. Manufacturing orders in June and July grew by 0.8% (m-o-m) and 0.1%, respectively. While the July outturn was relatively unexceptional (and, indeed, manufacturing shipments during the same month fell by 2.9%), our panel's 2016 production forecast has improved this month. This export-oriented sector should also receive a boost from August's upbeat trade report which showed the deficit shrinking to an 8-month low of C\$1.94bn as exports posted a third straight rise (of 0.6% m-o-m). Exports were lifted by demand for consumer goods and metal products; given that these are non-energy industries, this is good news in an environment of soft commodity prices.

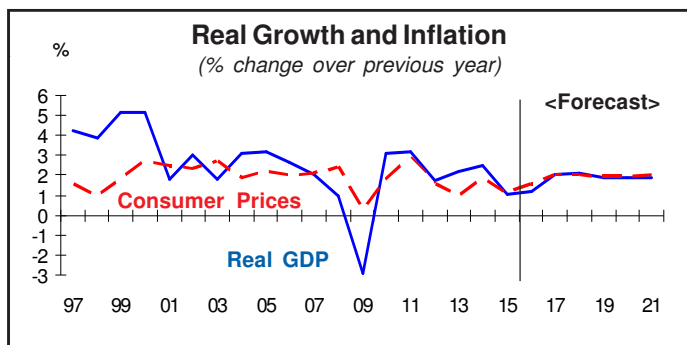
The August CPI fell by -0.2% (m-o-m) for a second consecutive month, underscoring the disinflationary environment. Y-o-y inflation eased from 1.5% in June to 1.3% in July to 1.1% in August. Our panel's 2016 CPI forecast has dipped.

Canada Overnight Lending Rate – Oct. 10, 2016 = 0.50%

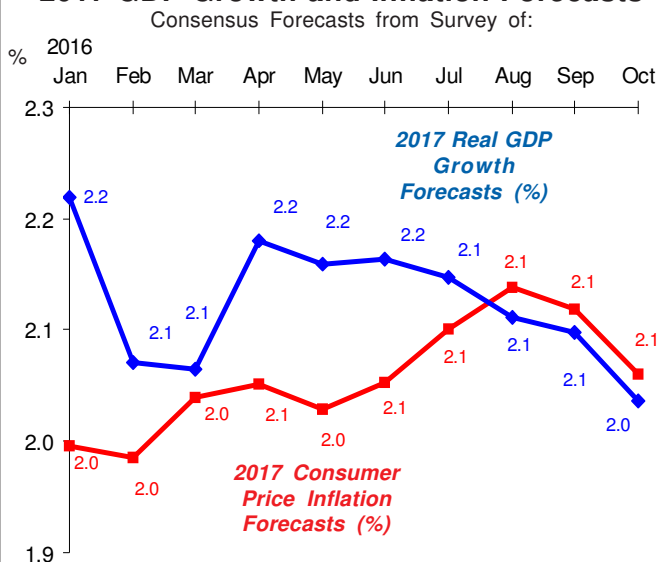
| FORECASTS | End Dec. 2016 | End Mar. 2017 | End Jun. 2017 | End Sep. 2017 |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Consensus Mean Average: | 0.50% | 0.50% | 0.50% | 0.55% |
| Mode (most frequent forecast): | 0.50% | 0.50% | 0.50% | 0.50% |

Direction of Trade – 2015

| Major Export Markets (% of Total) | | Major Import Suppliers (% of Total) | |
|-----------------------------------|------|-------------------------------------|------|
| United States | 76.6 | United States | 52.7 |
| China | 3.9 | China | 12.1 |
| United Kingdom | 3.1 | Mexico | 5.8 |
| EU | 7.2 | Asia (ex. Japan) | 15.8 |
| Asia (ex. Japan) | 5.9 | EU | 11.3 |
| Latin America | 2.7 | Latin America | 8.7 |



2017 GDP Growth and Inflation Forecasts



| The EURO ZONE is: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain. | Average % Change on Previous Calendar Year | | | | | | | | | | | | | | Year Average | | | |
|---|--|------------|---------------------|------------|------------------|------------|------------------------|------------|-----------------------|------------|------------------------|------------|----------------------------|------------|-----------------------------|------------|-----------------------|------------|
| | Gross Domestic Product | | Private Consumption | | Govt Consumption | | Gross Fixed Investment | | Industrial Production | | Consumer Prices (HICP) | | Industrial Producer Prices | | Hourly Labour Costs – Total | | Unemployment Rate (%) | |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| Bank Julius Baer | 1.7 | 1.6 | 2.2 | 2.4 | 1.7 | 1.3 | 2.6 | 3.3 | 1.1 | 1.7 | 0.2 | 1.5 | -3.3 | -1.9 | 1.2 | 1.7 | 10.2 | 9.9 |
| Oxford Economics | 1.6 | 1.5 | 1.6 | 1.4 | 1.7 | 1.1 | 2.3 | 2.3 | 1.1 | 1.6 | 0.3 | 1.6 | -2.3 | 1.7 | na | na | 10.1 | 9.6 |
| Barclays | 1.6 | 1.0 | 1.6 | 1.2 | 1.8 | 1.3 | 2.1 | 0.7 | na | na | 0.2 | 1.2 | na | na | na | na | 10.1 | 10.1 |
| BBVA | 1.6 | 1.5 | 1.7 | 1.4 | 1.5 | 1.1 | 3.0 | 2.7 | na | na | 0.2 | 1.4 | na | na | na | na | 10.1 | 9.8 |
| Credit Suisse | 1.6 | 1.5 | 1.7 | 1.5 | 1.7 | 0.9 | 2.0 | 1.8 | na | na | 0.2 | 1.3 | na | na | na | na | na | na |
| ETLA | 1.6 | 1.4 | 1.9 | 1.8 | 1.4 | 1.1 | 3.0 | 2.5 | 1.3 | 1.5 | 0.2 | 1.2 | na | na | na | na | 10.2 | 9.8 |
| European F'cast Network | 1.6 | 1.5 | 1.6 | 1.6 | 1.5 | 0.8 | 2.7 | 3.2 | 0.6 | 0.5 | 0.2 | 1.2 | na | na | 1.5 | 2.1 | 10.1 | 9.4 |
| Exane | 1.6 | 1.4 | 1.5 | 1.2 | 1.7 | 1.3 | 2.0 | 1.4 | 1.7 | 0.7 | 0.2 | 1.1 | na | na | na | na | 10.2 | 9.8 |
| IHS Markit | 1.6 | 1.3 | 1.7 | 1.4 | 1.7 | 1.3 | 2.7 | 1.4 | 1.2 | 1.5 | 0.2 | 1.3 | -2.7 | 1.3 | 1.4 | 1.6 | 10.1 | 9.9 |
| Societe Generale | 1.6 | 1.4 | 1.6 | 1.4 | 1.3 | 1.1 | 2.4 | 1.9 | na | na | 0.3 | 1.5 | na | na | na | na | 10.1 | 9.6 |
| Swiss Life | 1.6 | 1.1 | 1.6 | 1.2 | na | na | 2.0 | 1.5 | 1.2 | 2.4 | 0.2 | 1.4 | na | na | 1.8 | 1.8 | 10.1 | 9.9 |
| UniCredit | 1.6 | 1.0 | 1.6 | 1.2 | 1.8 | 1.4 | 2.2 | 2.2 | na | na | 0.2 | 1.3 | na | na | na | na | 10.1 | 9.9 |
| Deutsche Bank | 1.6 | 1.1 | 1.6 | 1.4 | 1.8 | 1.2 | 2.2 | 1.9 | na | na | 0.2 | 1.3 | -2.5 | 1.6 | na | na | na | na |
| Intesa Sanpaolo | 1.6 | 1.3 | 1.7 | 1.4 | 1.8 | 1.2 | 2.3 | 2.3 | 1.1 | 1.6 | 0.3 | 1.2 | -2.4 | 0.6 | 1.4 | 1.5 | 10.2 | 9.7 |
| Citigroup | 1.6 | 1.4 | 1.7 | 1.5 | 1.7 | 1.0 | 2.2 | 2.3 | 0.4 | 0.4 | 0.2 | 1.2 | na | na | na | na | 10.0 | 9.4 |
| Goldman Sachs | 1.5 | 1.3 | 1.6 | 1.7 | na | na | 2.4 | 1.8 | 1.2 | 0.8 | 0.2 | 1.1 | na | na | na | na | 10.2 | 10.0 |
| Moody's Analytics | 1.5 | 1.3 | 1.5 | 0.9 | na | na | 2.2 | 1.1 | 1.3 | 1.1 | 0.2 | 1.0 | -2.5 | 2.2 | na | na | 10.6 | 10.5 |
| Grupo Santander | 1.5 | 1.3 | 1.6 | 1.2 | 1.7 | 1.0 | 2.0 | 1.7 | na | na | 0.3 | 1.3 | na | na | na | na | 10.1 | 9.6 |
| UBS | 1.5 | 1.3 | 1.8 | 1.7 | 1.6 | 1.0 | 2.7 | 1.8 | na | na | 0.3 | 1.5 | na | na | na | na | 10.4 | 10.0 |
| AXA Investment Managers | 1.5 | 1.2 | 1.6 | 1.4 | 1.5 | 1.0 | 2.6 | 1.3 | na | na | 0.2 | 1.3 | na | na | na | na | na | na |
| Bank of America - Merrill | 1.5 | 1.1 | 1.7 | 1.5 | 1.7 | 1.0 | 1.8 | 1.4 | 1.6 | 1.4 | 0.2 | 1.0 | na | na | na | na | 10.2 | 10.0 |
| Allianz | 1.5 | 1.6 | 1.6 | 1.5 | 1.7 | 1.4 | 2.3 | 2.7 | 1.0 | 2.0 | 0.2 | 1.5 | -2.5 | 2.0 | na | na | 10.1 | 9.7 |
| Bank Vontobel | 1.5 | 1.4 | 1.6 | 1.2 | 1.8 | 1.7 | 1.8 | 0.9 | na | na | 0.3 | 1.4 | na | na | na | na | 10.2 | 9.7 |
| BNP Paribas | 1.5 | 1.1 | 1.6 | 1.1 | 1.7 | 1.1 | 2.0 | 1.4 | 0.7 | -0.2 | 0.2 | 1.0 | na | na | na | na | 10.1 | 9.9 |
| Commerzbank | 1.5 | 1.5 | 1.7 | 1.9 | 1.8 | 1.8 | 2.3 | 3.1 | 0.8 | 1.3 | 0.2 | 1.1 | na | na | 1.5 | 1.5 | 10.1 | 9.7 |
| Econ Intelligence Unit | 1.5 | 1.3 | 1.7 | 1.4 | 1.8 | 1.3 | 2.0 | 1.9 | 1.3 | 1.3 | 0.2 | 1.2 | -3.0 | 1.5 | na | na | 9.9 | 9.4 |
| HSBC | 1.5 | 1.0 | 1.6 | 1.2 | 1.9 | 1.6 | 2.1 | 1.5 | 0.7 | 0.9 | 0.2 | 1.0 | na | na | 1.4 | 1.3 | 10.1 | 10.0 |
| Natixis | 1.5 | 1.2 | 1.6 | 1.0 | 1.7 | 1.3 | 2.1 | 2.1 | na | na | 0.2 | 1.4 | na | na | na | na | 10.1 | 9.8 |
| Nomura | 1.5 | 1.3 | 1.6 | 1.4 | 1.6 | 0.9 | 1.9 | 1.5 | na | na | 0.3 | 1.3 | na | na | na | na | 10.1 | 9.8 |
| OP Financial Group | 1.5 | 1.5 | na | na | na | na | na | na | na | na | 0.1 | 1.4 | na | na | 1.9 | 2.0 | 10.1 | 9.8 |
| Morgan Stanley | 1.3 | 1.0 | 1.6 | 1.2 | 1.5 | 1.4 | 2.9 | 2.2 | na | na | 0.3 | 1.5 | na | na | na | na | 10.2 | 10.5 |
| Consensus (Mean) | 1.6 | 1.3 | 1.7 | 1.4 | 1.7 | 1.2 | 2.3 | 1.9 | 1.1 | 1.2 | 0.2 | 1.3 | -2.7 | 1.1 | 1.5 | 1.7 | 10.1 | 9.8 |
| Last Month's Mean | 1.5 | 1.3 | 1.6 | 1.4 | 1.6 | 1.2 | 2.3 | 1.9 | 1.3 | 1.3 | 0.2 | 1.3 | -2.6 | 1.0 | 1.6 | 1.8 | 10.1 | 9.8 |
| 3 Months Ago | 1.5 | 1.3 | 1.7 | 1.5 | 1.5 | 1.2 | 2.8 | 2.1 | 1.6 | 1.5 | 0.3 | 1.3 | -2.6 | 0.9 | 1.5 | 1.7 | 10.2 | 9.8 |
| High | 1.7 | 1.6 | 2.2 | 2.4 | 1.9 | 1.8 | 3.0 | 3.3 | 1.7 | 2.4 | 0.3 | 1.6 | -2.3 | 2.2 | 1.9 | 2.1 | 10.6 | 10.5 |
| Low | 1.3 | 1.0 | 1.5 | 0.9 | 1.3 | 0.8 | 1.8 | 0.7 | 0.4 | -0.2 | 0.1 | 1.0 | -3.3 | -1.9 | 1.2 | 1.3 | 9.9 | 9.4 |
| Standard Deviation | 0.1 | 0.2 | 0.1 | 0.3 | 0.1 | 0.2 | 0.3 | 0.7 | 0.3 | 0.6 | 0.0 | 0.2 | 0.3 | 1.3 | 0.2 | 0.3 | 0.1 | 0.3 |
| Comparison Forecasts | | | | | | | | | | | | | | | | | | |
| Eur Commission (May '16) | 1.6 | 1.8 | 1.8 | 1.5 | 1.4 | 1.2 | 2.9 | 3.8 | | | 0.2 | 1.4 | | | | | 10.3 | 9.9 |
| ECB - midpoint (Dec. '15) | 1.7 | 1.9 | 1.9 | 1.7 | 1.2 | 1.0 | 2.8 | 3.8 | | | 1.0 | 1.6 | | | | | 10.5 | 10.1 |
| IMF (Oct. '16) | 1.7 | 1.5 | 1.6 | 1.5 | 1.7 | 1.1 | 2.9 | 2.5 | | | 0.3 | 1.1 | | | | | 10.0 | 9.7 |
| OECD (Sep. '16) | 1.5 | 1.4 | | | | | | | | | | | | | | | | |

European Monetary Union

Euro zone - The 19 European countries (listed at the top of this page) are united by a common currency (the euro), monetary policy and adherence to the Maastricht Treaty. **Monetary Policy** - is set by the European Central Bank's (ECB) governing board, headed by Mario Draghi. **Nominal GDP** - Euro 10,403bn (2015). **Population** - 338.5mn (mid-year, 2015). **\$/Euro Exchange Rate** - 1.109 (average, 2015).

Quarterly Consensus Forecasts

Historical Data and Forecasts (bold italics) From Survey of September 12, 2016

| | 2016 | | | 2017 | | | 2018 | | | |
|------------------------|------|------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Gross Domestic Product | 1.7 | 1.6 | 1.5 | 1.4 | 1.2 | 1.2 | 1.3 | 1.4 | 1.3 | 1.4 |
| Private Consumption | 1.9 | 1.7 | 1.5 | 1.6 | 1.3 | 1.4 | 1.5 | 1.5 | 1.4 | 1.4 |
| Consumer Prices | 0.0 | -0.1 | 0.3 | 0.7 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |

Percentage Change (year-on-year).

Historical Data

| * % change on previous year | 2012 | 2013 | 2014 | 2015 |
|---|------|------|------|------|
| Gross Domestic Product* | -0.8 | -0.2 | 1.1 | 1.9 |
| Private Consumption* | -1.2 | -0.5 | 0.8 | 1.7 |
| Government Consumption* | -0.3 | 0.2 | 0.6 | 1.4 |
| Gross Fixed Capital Formation* | -3.2 | -2.4 | 1.5 | 2.9 |
| Industrial Production* | -2.3 | -0.7 | 0.9 | 2.0 |
| Consumer Prices* | 2.5 | 1.3 | 0.4 | 0.0 |
| Industrial Producer Prices* | 2.8 | -0.2 | -1.5 | -2.7 |
| Hourly Labour Costs – Total* | 2.5 | 1.2 | 1.3 | 1.6 |
| Unemployment Rate, (%) | 11.4 | 12.0 | 11.6 | 10.9 |
| Exports - Goods & Services* | 2.8 | 2.3 | 4.4 | 6.1 |
| Imports - Goods & Services* | -0.7 | 1.5 | 4.8 | 6.1 |
| Current Account, Euro bn | 128 | 215 | 251 | 330 |
| General Govt. Budget Balance (Maastricht definition), Euro bn | -360 | -296 | -261 | -215 |
| Money Supply, M3, end period* | 3.4 | 1.0 | 3.8 | 4.5 |

| Average % Change on Previous Calendar Year | | | | Annual Total | | | | Average % Change on Prev. Year | |
|--|------|-----------------------------|------|------------------------|------|---|------|--------------------------------|------|
| Exports of Goods & Services | | Imports of Goods & Services | | Current Account (€ bn) | | General Govt Budget Balance (Maastricht) (€ bn) | | Money Supply, M3, end period | |
| 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| 2.2 | 3.7 | 3.3 | 5.8 | na | na | na | na | na | na |
| 0.9 | 2.2 | 2.5 | 2.8 | 353 | 329 | -185 | -160 | 4.1 | 4.0 |
| na | na | na | na | na | na | na | na | na | na |
| 2.9 | 3.0 | 4.1 | 3.4 | na | na | na | na | na | na |
| 2.8 | 4.9 | 3.0 | 5.1 | na | na | na | na | na | na |
| 3.3 | 3.2 | 3.6 | 3.6 | na | na | na | na | na | na |
| 2.6 | 3.8 | 2.9 | 4.5 | na | na | na | na | na | na |
| 2.5 | 3.1 | 2.5 | 2.9 | na | na | na | na | na | na |
| 2.6 | 2.4 | 3.2 | 2.9 | 320 | 305 | -188 | -173 | na | na |
| 2.7 | 2.8 | 3.2 | 2.9 | na | na | na | na | na | na |
| na | na | na | na | na | na | na | na | na | na |
| 2.3 | 2.2 | 2.5 | 2.6 | 505 | 506 | -282 | -276 | na | na |
| 2.5 | 3.1 | 2.8 | 3.9 | 293 | 258 | -195 | -189 | na | na |
| 2.3 | 3.3 | 2.8 | 4.4 | 330 | 334 | -196 | -179 | 5.4 | 5.8 |
| 2.1 | 2.2 | 2.4 | 2.7 | 388 | 357 | -203 | -189 | na | na |
| na | na | 3.2 | 4.4 | 373 | 349 | na | na | 4.6 | 3.4 |
| 2.3 | 3.0 | 2.5 | 2.4 | na | na | na | na | 4.8 | 6.0 |
| 2.5 | 3.9 | 2.8 | 4.1 | 307 | 300 | -203 | -175 | na | na |
| 3.2 | 4.5 | 4.6 | 5.2 | na | na | na | na | na | na |
| 2.6 | 2.8 | 3.9 | 3.0 | na | na | na | na | na | na |
| 1.9 | 0.3 | 2.0 | 0.1 | 300 | 298 | -193 | -198 | na | na |
| 2.5 | 4.0 | 2.9 | 4.3 | 345 | 290 | -195 | -180 | na | na |
| 2.2 | 3.3 | 2.4 | 2.8 | na | na | na | na | na | na |
| 2.1 | 2.5 | 2.4 | 3.0 | 308 | 288 | -223 | -202 | na | na |
| 2.5 | 3.6 | 2.9 | 5.5 | 280 | 280 | na | na | 4.7 | 4.3 |
| 2.6 | 3.1 | 3.2 | 3.6 | 443 | 372 | -204 | -179 | na | na |
| 2.3 | 2.6 | 2.8 | 3.7 | na | na | na | na | na | na |
| 2.2 | 2.0 | 2.4 | 2.4 | 300 | 280 | na | na | na | na |
| 2.3 | 3.3 | 2.6 | 3.6 | na | na | na | na | na | na |
| na | na | na | na | 317 | 300 | -190 | -171 | na | na |
| 2.7 | 2.7 | 4.0 | 3.4 | 289 | 296 | -203 | -268 | na | na |
| 2.4 | 3.0 | 3.0 | 3.5 | 341 | 321 | -205 | -195 | 4.7 | 4.7 |
| 2.6 | 3.1 | 3.3 | 3.6 | 326 | 304 | -199 | -192 | 4.6 | 4.9 |
| 2.7 | 3.3 | 4.0 | 3.9 | 315 | 306 | -205 | -189 | 4.5 | 4.2 |
| 3.3 | 4.9 | 4.6 | 5.8 | 505 | 506 | -185 | -160 | 5.4 | 6.0 |
| 0.9 | 0.3 | 2.0 | 0.1 | 280 | 258 | -282 | -276 | 4.1 | 3.4 |
| 0.4 | 0.9 | 0.6 | 1.2 | 61 | 58 | 25 | 36 | 0.5 | 1.1 |
| 3.5 | 4.7 | 4.6 | 5.3 | 348 | 348 | | | | |
| 4.0 | 4.8 | 4.8 | 5.3 | | | | | | |
| 3.0 | 3.4 | 3.4 | 4.0 | | | | | | |

Rumours of ECB Possibly Tapering QE

Recent data point to a muted Q3. Retail sales dropped by 0.1% (m-o-m) in August after a 0.3% gain in July. Elsewhere, the September PMI services eased. Industry has shown more resilience, helped by the rebound in German production and orders. Euro area industrial output jumped by 1.5% (m-o-m) in August, up from -0.7% in July. September's manufacturing PMI also points to a pickup in output. Still, indicators have been shaky amid soft external demand and uncertainty stemming from the UK's Brexit vote. The markets were further rocked by rumours of the ECB considering tapering QE amid worries about the impact of negative interest rates over the long-term. The ECB has so far denied plans to taper anytime soon, but officials reinforced the need for governments to help kickstart activity and reduce unemployment.

Euro zone Refinancing Rate – Oct. 10, 2016 = 0.00%

| FORECASTS | End Dec. 2016 | End Mar. 2017 | End Jun. 2017 | End Sep. 2017 |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Consensus Mean Average: | 0.00% | 0.00% | 0.00% | 0.00% |
| Mode (most frequent forecast): | 0.00% | 0.00% | 0.00% | 0.00% |

Euro Zone Interest Rates

Forecasts are provided by a total of more than 80 panelists for **Germany** (page 9), **France** (page 11), **Italy** (page 15), the **Netherlands** (page 20) and **Spain** (page 22). This allows the analysis of forecasts for different yields on individual country 10-year benchmark bonds. Forecasts for 3-month interest rates are all for the EURIBOR rate.

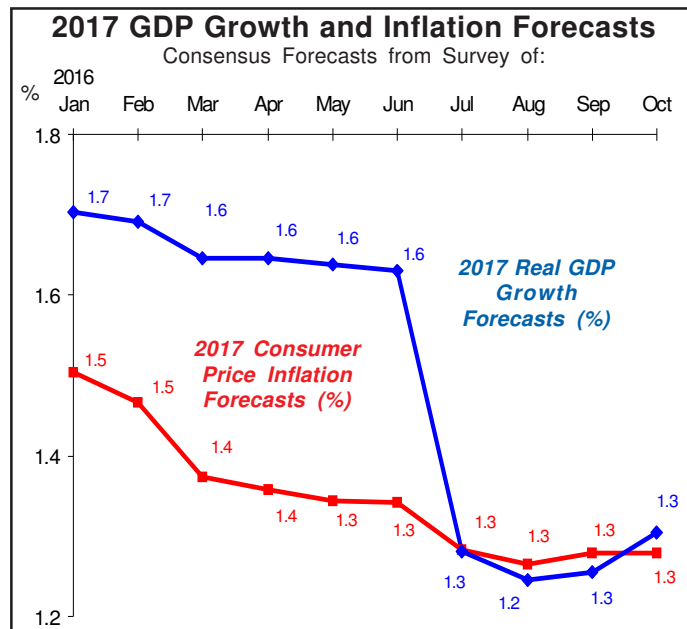
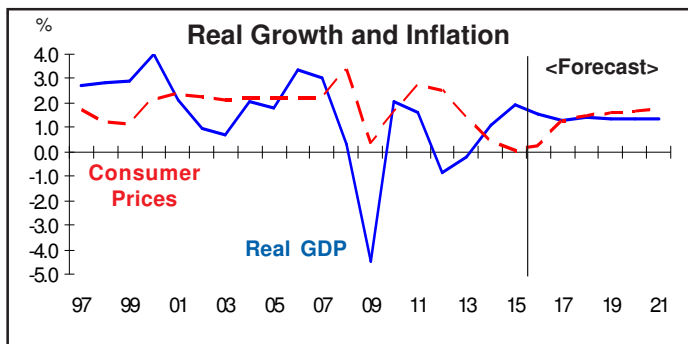
| | Actual | Consensus | |
|---------------------------|--------------|--------------|--------------|
| | Oct. 10, '16 | End Jan. '17 | End Oct. '17 |
| Euribor, 3-mth, % | -0.3 | -0.3 | -0.3 |
| German 10-yr Govt Bond, % | 0.0 | 0.0 | 0.2 |

Euro Exchange Rates

Consensus forecasts from a survey of approximately 100 panellists are shown on page 27.

Euro Zone Economic Statistics

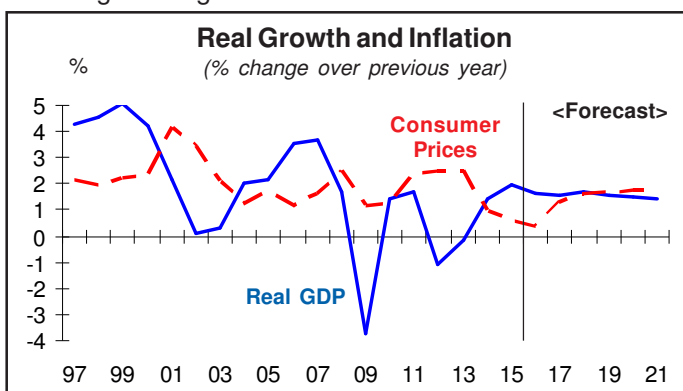
The source of all Historical Data (facing page) is **Eurostat**, with the exception of the Current Account and the Money Supply, M3, which are from the **European Central Bank**. The base years and statistics methodologies used by Eurostat may differ from those used by individual Euro zone-member countries included in *Consensus Forecasts*. Eurostat data is often drawn from the national statistical agencies within the Euro zone but is adjusted to achieve standard classifications.



| | Average % Change on Previous Calendar Year | | | | | | | | | | | | Annual Total | | | | Rates on Survey Date | | | |
|----------------------------------|--|------|---------------------|------|------------------------|------|--------------------------|------|-----------------|------|------------------------------|------|------------------------|------|--|-------|----------------------|------------|------------|------------|
| | Gross Domestic Product | | Private Consumption | | Gross Fixed Investment | | Manufacturing Production | | Consumer Prices | | Hourly Wages (Manufacturing) | | Current Account (€ bn) | | General Govt Bud Bal (Maastricht) (€ bn) | | -0.3% | | 0.1% | |
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 |
| BNP Paribas | 1.8 | 1.3 | 1.5 | 1.4 | 6.3 | 2.9 | 1.6 | 1.1 | 0.3 | 1.0 | 1.6 | 1.6 | 59.5 | 58.7 | -8.4 | -5.8 | -0.3 | -0.3 | -0.1 | -0.1 |
| ING | 1.8 | 1.3 | 1.2 | 1.3 | 6.7 | 3.1 | 2.0 | 1.2 | 0.2 | 0.9 | 1.7 | 1.9 | 57.0 | 56.8 | -6.7 | -5.6 | -0.3 | -0.3 | 0.1 | 0.4 |
| Moody's Analytics | 1.8 | 1.9 | 1.0 | 0.8 | 7.5 | 4.2 | na | na | 0.4 | 1.9 | na | na | 64.5 | 62.8 | na | na | -0.3 | -0.3 | 0.2 | 0.4 |
| CPB | 1.7 | 1.7 | 1.3 | 1.8 | 6.0 | 2.6 | na | na | 0.2 | 0.6 | na | na | 60.0 | 58.2 | -7.8 | -4.7 | -0.3 | -0.4 | 0.2 | 0.1 |
| Econ Intelligence Unit | 1.7 | 1.6 | 1.3 | 1.4 | 5.0 | 2.4 | na | na | na | na | na | na | na | na | na | na | na | na | na | na |
| Rabobank Nederland | 1.7 | 1.5 | 1.3 | 1.7 | 6.2 | 2.4 | na | na | 0.4 | 1.3 | na | na | 59.8 | 61.6 | -9.8 | -5.7 | -0.4 | -0.4 | na | na |
| UBS | 1.7 | 2.0 | 1.6 | 1.9 | 5.9 | 4.5 | na | na | na | na | na | na | na | na | na | na | -0.3 | -0.3 | na | na |
| Oxford Economics | 1.6 | 1.5 | 1.3 | 1.3 | 7.0 | 3.2 | 0.5 | 1.2 | 0.4 | 1.6 | 1.1 | 1.0 | 60.2 | 63.0 | -9.7 | -7.7 | -0.3 | -0.3 | 0.2 | 0.5 |
| FERI | 1.6 | 1.5 | 1.1 | 1.4 | 5.3 | 3.3 | 1.7 | 2.1 | 0.3 | 1.5 | 1.9 | 1.9 | 59.4 | 57.4 | -13.1 | -13.7 | -0.3 | -0.3 | 0.0 | 0.3 |
| Theodoor Gilissen | 1.6 | 1.5 | 1.4 | 1.7 | 7.2 | 5.7 | 2.1 | 1.6 | 0.2 | 1.5 | 1.6 | 1.6 | na | na | -10.5 | -8.0 | -0.4 | -0.3 | 0.3 | 0.5 |
| ABN AMRO | 1.5 | 1.5 | 1.3 | 1.7 | 5.9 | 2.5 | na | na | 0.4 | 1.5 | 1.7 | 1.9 | 53.2 | 52.5 | -8.0 | -4.9 | -0.4 | -0.4 | 0.0 | 0.2 |
| Citigroup | 1.5 | 1.5 | 1.1 | 0.9 | 7.0 | 3.5 | na | na | na | na | na | na | 66.7 | 64.0 | -11.0 | -10.0 | na | na | na | na |
| Bank of America - Merrill | 1.3 | 1.2 | 1.1 | 1.6 | 4.9 | 3.9 | na | na | 0.7 | 1.0 | na | na | 66.0 | 63.5 | -12.5 | -10.8 | na | na | na | na |
| Consensus (Mean) | 1.6 | 1.5 | 1.3 | 1.5 | 6.2 | 3.4 | 1.6 | 1.4 | 0.4 | 1.3 | 1.6 | 1.7 | 60.6 | 59.8 | -9.8 | -7.7 | -0.3 | -0.3 | 0.1 | 0.3 |
| Last Month's Mean | 1.6 | 1.5 | 1.3 | 1.4 | 6.0 | 3.4 | 1.6 | 1.3 | 0.4 | 1.3 | 1.6 | 1.6 | 59.9 | 59.5 | -10.4 | -8.6 | | | | |
| 3 Months Ago | 1.6 | 1.6 | 1.4 | 1.5 | 4.7 | 3.3 | 0.9 | 1.3 | 0.5 | 1.4 | 1.7 | 1.7 | 60.7 | 60.9 | -12.1 | -11.0 | | | | |
| High | 1.8 | 2.0 | 1.6 | 1.9 | 7.5 | 5.7 | 2.1 | 2.1 | 0.7 | 1.9 | 1.9 | 1.9 | 66.7 | 64.0 | -6.7 | -4.7 | -0.3 | -0.3 | 0.3 | 0.5 |
| Low | 1.3 | 1.2 | 1.0 | 0.8 | 4.9 | 2.4 | 0.5 | 1.1 | 0.2 | 0.6 | 1.1 | 1.0 | 53.2 | 52.5 | -13.1 | -13.7 | -0.4 | -0.4 | -0.1 | -0.1 |
| Standard Deviation | 0.1 | 0.2 | 0.2 | 0.3 | 0.8 | 1.0 | 0.6 | 0.4 | 0.2 | 0.4 | 0.2 | 0.4 | 4.1 | 3.7 | 2.1 | 3.0 | 0.0 | 0.0 | 0.1 | 0.2 |
| Comparison Forecasts | | | | | | | | | | | | | | | | | | | | |
| Central Bank (Jun. '16) | 1.5 | 1.9 | 1.7 | 2.9 | | | | | | | | | | | | | | | | |
| Eur Commission (May '16) | 1.7 | 2.0 | 1.6 | 1.9 | 5.9 | 4.5 | | | | | | | 62.4 | 58.9 | | | | | | |
| IMF (Oct. '16) | 1.7 | 1.6 | | | | | | | | | | | | | -7.8 | -4.7 | | | | |
| OECD (Jun. '16) | 1.7 | 2.1 | 1.3 | 1.7 | 5.7 | 4.9 | | | | | | | | | | | | | | |

◆ The Dutch government set out plans to boost spending in its 2017 budget, reversing years of austerity measures ahead of next year's elections. Higher government revenues in the first half of the year have supported this move. The economy created 35,000 new jobs in Q2 compared to Q1, as the unemployment rate dropped from 6% to 5.8% in August.

◆ Overnight hotel stays rose by 7.5% (y-o-y) in the first half of 2016, indicating a booming tourism sector. Inflation, meanwhile, dipped to 0.1% (y-o-y) in September amid falling clothing and food costs.



| Historical Data | | | | |
|--|-------|-------|-------|-------|
| * % change on previous year | 2012 | 2013 | 2014 | 2015 |
| Gross Domestic Product* | -1.1 | -0.2 | 1.4 | 2.0 |
| Private Consumption* | -1.2 | -1.0 | 0.3 | 1.8 |
| Gross Fixed Investment* | -6.3 | -4.3 | 2.3 | 9.9 |
| Manufacturing Production* | -0.7 | -1.0 | 1.1 | 0.6 |
| Consumer Prices* | 2.5 | 2.5 | 1.0 | 0.6 |
| Hourly Wages (manufacturing)* | 1.8 | 1.6 | 1.5 | 1.5 |
| Current Account, transactions basis, Euro bn | 66.8 | 64.4 | 58.9 | 58.6 |
| General Govt. Budget Balance (Maastricht definition), Euro bn | -25.1 | -15.5 | -15.0 | -12.8 |
| 3 mth Euro, % (end yr) | 0.2 | 0.3 | 0.1 | -0.1 |
| 10 Yr Dutch Govt Bond Yield, % (end yr) | 1.5 | 2.2 | 0.7 | 0.7 |

Nominal GDP - Euro 676.6bn (2015). **Popn** - 16.9mn (mid-year, 2015). **\$/Euro Exch. Rate** - 1.109 (average, 2015).

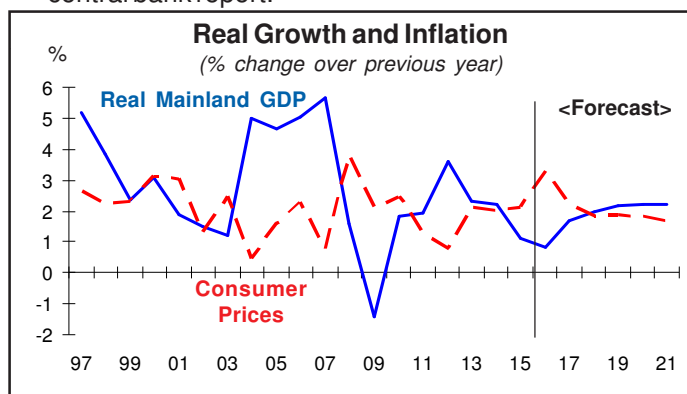
| Quarterly Consensus Forecasts | | | | | | | | | | |
|--|------|-----|------------|------------|------------|------------|------------|------------|------------|------------|
| Historical Data and Forecasts (bold italics) From Survey of September 12, 2016 | | | | | | | | | | |
| | 2016 | | | | 2017 | | | | 2018 | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Gross Domestic Product | 1.1 | 1.7 | 1.8 | 1.8 | 1.6 | 1.4 | 1.5 | 1.6 | 1.7 | 1.8 |
| Consumer Prices | 0.6 | 0.0 | 0.1 | 0.6 | 1.1 | 1.3 | 1.5 | 1.5 | 1.6 | 1.6 |

Percentage Change (year-on-year).

| | Average % Change on Previous Calendar Year | | | | | | | | | | | | Annual Total | | | | Rates on Survey Date | | | |
|----------------------------------|--|------|---------------------|------|------------------------|------|--------------------------|------|-----------------|------|------------------|------|--------------------------|------|--------------------------------------|------|----------------------|------------|------------|------------|
| | Gross Domestic Product (Mainland) | | Private Consumption | | Gross Fixed Investment | | Manufacturing Production | | Consumer Prices | | Wages & Salaries | | Current Account (Nkr bn) | | General Govt Budget Balance (Nkr bn) | | 1.1% | | 1.3% | |
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 |
| NHO Conf Nor Enterprise | 1.2 | 2.2 | 1.5 | 1.0 | -0.8 | 3.1 | na | na | na | na | na | na | na | na | na | na | na | na | na | na |
| UBS | 0.9 | 2.0 | 1.5 | 2.5 | -1.1 | 2.1 | na | na | 2.7 | 1.9 | na | na | na | na | na | na | 1.0 | 1.8 | na | na |
| Goldman Sachs | 0.9 | 2.1 | 1.9 | 2.3 | -1.9 | 0.9 | na | na | 3.1 | 2.3 | na | na | na | na | na | na | na | na | na | na |
| Statistics Norway | 0.9 | 2.1 | 1.9 | 2.0 | -1.7 | 2.4 | na | na | 3.4 | 2.0 | 2.3 | 2.7 | 190 | 220 | na | na | 1.0 | 1.0 | na | na |
| Oxford Economics | 0.9 | 0.9 | 1.6 | 1.4 | -1.2 | 2.7 | -0.9 | -0.6 | 3.0 | 2.2 | 1.1 | 4.0 | 176 | 269 | 161 | 143 | 1.1 | 1.1 | 1.2 | 1.2 |
| DNB | 0.8 | 1.4 | 1.3 | 1.8 | -1.3 | -0.7 | na | na | 3.7 | 2.6 | 2.5 | 2.8 | 180 | 220 | na | na | 1.1 | 1.0 | 1.2 | 1.4 |
| Nordea Markets | 0.8 | 1.8 | 1.9 | 2.0 | -1.2 | 1.4 | na | na | 3.5 | 2.2 | 2.7 | 2.5 | 182 | 212 | 165 | 196 | 1.0 | 0.9 | 1.3 | 1.7 |
| Swedbank | 0.8 | 1.8 | 1.7 | 1.7 | -1.4 | 0.5 | -3.7 | 1.4 | 3.5 | 2.4 | 2.3 | 2.8 | 130 | 229 | 125 | 160 | 1.0 | 1.0 | 1.2 | 1.3 |
| HSBC | 0.7 | 1.2 | 1.8 | 1.4 | na | na | -3.5 | 2.4 | 2.9 | 1.8 | na | na | na | na | na | na | na | na | na | na |
| FERI | 0.7 | 1.7 | 1.6 | 1.8 | 0.3 | 3.2 | -2.4 | 1.5 | 3.5 | 2.3 | 2.2 | 2.9 | 193 | 213 | 218 | 237 | na | na | na | na |
| Citigroup | 0.6 | 1.4 | 1.9 | 2.4 | 1.5 | 1.4 | na | na | 3.5 | 2.6 | na | na | 147 | 125 | na | na | na | na | 1.0 | 1.0 |
| Consensus (Mean) | 0.8 | 1.7 | 1.7 | 1.8 | -0.9 | 1.7 | -2.6 | 1.2 | 3.3 | 2.2 | 2.2 | 2.9 | 171 | 213 | 167 | 184 | 1.0 | 1.1 | 1.2 | 1.3 |
| Last Month's Mean | 0.8 | 1.5 | 1.6 | 1.9 | -0.8 | 1.6 | -2.2 | 1.4 | 3.2 | 2.3 | 2.2 | 2.9 | 173 | 215 | 164 | 198 | | | | |
| 3 Months Ago | 0.8 | 1.6 | 1.5 | 2.0 | -0.6 | 1.2 | -2.1 | 1.2 | 2.8 | 2.1 | 2.4 | 2.8 | 195 | 226 | 228 | 238 | | | | |
| High | 1.2 | 2.2 | 1.9 | 2.5 | 1.5 | 3.2 | -0.9 | 2.4 | 3.7 | 2.6 | 2.7 | 4.0 | 193 | 269 | 218 | 237 | 1.1 | 1.8 | 1.3 | 1.7 |
| Low | 0.6 | 0.9 | 1.3 | 1.0 | -1.9 | -0.7 | -3.7 | -0.6 | 2.7 | 1.8 | 1.1 | 2.5 | 130 | 125 | 125 | 143 | 1.0 | 0.9 | 1.0 | 1.0 |
| Standard Deviation | 0.2 | 0.4 | 0.2 | 0.5 | 1.0 | 1.2 | 1.3 | 1.3 | 0.3 | 0.3 | 0.6 | 0.5 | 23 | 43 | 38 | 41 | 0.1 | 0.3 | 0.1 | 0.3 |
| Comparison Forecasts | | | | | | | | | | | | | | | | | | | | |
| Bank of Norway (Sep. '16) | 0.9 | 0.8 | 1.9 | 2.1 | | | | | 3.6 | 2.6 | | | | | | | | | | |
| OECD (Jun. '16) | 0.6 | 1.3 | 1.2 | 1.8 | -1.8 | 2.1 | | | 2.9 | 2.2 | | | | | | | | | | |

◆ The government unveiled plans to spend record levels of its oil revenue fund next year in order to support the economy against a backdrop of low oil prices. This followed the central bank assertion in September that the key policy rate would be kept on hold at 0.5% and could remain close to this level in coming years.

◆ Rebounding GDP growth and surging inflation influenced the central bank's decision to halt the easing cycle. Inflation rose by 3.6% (y-o-y) in September and may stay higher than expected in the near-term according to the central bank report.



| Historical Data | | | | |
|---|------|------|------|------|
| * % change on previous year | 2012 | 2013 | 2014 | 2015 |
| GDP (Mainland)* | 3.6 | 2.3 | 2.2 | 1.1 |
| Private Consumption* | 3.5 | 2.6 | 1.9 | 2.1 |
| Gross Fixed Investment* | 7.6 | 6.3 | -0.6 | -3.8 |
| Manufacturing Production* | 2.7 | 3.7 | 3.3 | -3.5 |
| Consumer Prices* | 0.8 | 2.1 | 2.0 | 2.1 |
| Wages & Salaries per Full-Time Employee (Total)* | 4.2 | 5.0 | 2.7 | 2.5 |
| Current Account, Nkr bn | 369 | 314 | 377 | 273 |
| General Govt. Bud Bal, Nkr bn | 411 | 331 | 275 | 186 |
| 3 mth Interbank Rate, % (end year) | 1.8 | 1.7 | 1.5 | 1.1 |
| 10 Yr Govt Bond Yield, % (end year) | 2.1 | 3.0 | 1.6 | 1.4 |

Nominal GDP (total) - Nkr3,141bn (2015). Population - 5.2mn (mid-yr, 2015). Nkr/\$ Exchange Rate - 8.064 (average, 2015).

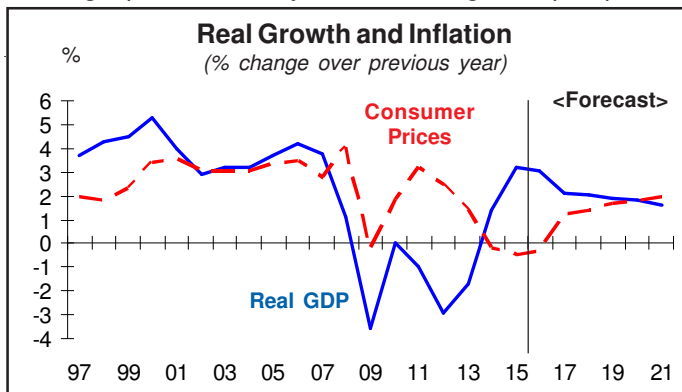
| Quarterly Consensus Forecasts | | | | | | | | | |
|--|------|-----|------------|------------|------------|------------|------------|------------|------------|
| Historical Data and Forecasts (bold italics) From Survey of September 12, 2016 | | | | | | | | | |
| | 2016 | | | 2017 | | | 2018 | | |
| | Q1 | Q2 | Q3 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Gross Domestic Product (Mainland) | 0.3 | 0.6 | 1.1 | 1.5 | 1.7 | 1.9 | 1.9 | 1.9 | 2.2 |
| Consumer Prices | 3.2 | 3.4 | 3.8 | 3.4 | 3.1 | 2.8 | 2.2 | 2.2 | 2.0 |

Percentage Change (year-on-year).

| | Average % Change on Previous Calendar Year | | | | | | | | | | | | Annual Total | | Rates on Survey Date | | | | | | | |
|-----------------------------|--|------------|-----------------------|------------|------------------------|------------|-----------------------|------------|-----------------|------------|----------------------|------------|------------------------|-------------|--|--------------|-----------------------|-------------------------------------|------------|------------|------------|------------|
| | Gross Domestic Product | | Household Consumption | | Gross Fixed Investment | | Industrial Production | | Consumer Prices | | Salary Cost per Hour | | Current Account (€ bn) | | General Govt Bud Bal (Maastricht) (€ bn) | | -0.3% | | 1.1% | | | |
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 3 month Euro Rate (%) | 10 Year Spanish Govt Bond Yield (%) | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | | | | | | |
| Barclays | 3.2 | 1.8 | 3.2 | 1.9 | 3.7 | 1.1 | na | na | -0.4 | 1.4 | na | na | na | na | na | na | -0.3 | na | na | na | na | na |
| HSBC | 3.2 | 2.0 | 3.4 | 2.3 | 3.8 | 2.6 | 1.4 | 1.9 | -0.4 | 1.1 | 0.1 | 0.5 | na | na | na | na | na | na | na | na | na | na |
| Oxford Economics | 3.2 | 2.2 | 3.3 | 2.3 | 3.8 | 3.1 | 2.0 | 2.5 | -0.4 | 1.6 | 0.4 | 1.4 | 18.9 | 18.7 | -51.3 | -40.5 | -0.3 | -0.3 | 1.3 | 1.6 | 1.3 | 1.6 |
| AFI | 3.2 | 2.3 | 3.5 | 2.5 | 4.1 | 3.7 | na | na | -0.4 | 1.4 | na | na | 21.0 | 20.3 | -52.0 | -39.6 | -0.3 | -0.2 | 1.1 | 1.7 | 1.1 | 1.7 |
| BBVA | 3.1 | 2.3 | 3.3 | 1.9 | 3.9 | 3.5 | na | na | -0.3 | 1.7 | na | na | 16.4 | 22.2 | -48.9 | -42.4 | -0.3 | -0.3 | 1.0 | 1.3 | 1.0 | 1.3 |
| La Caixa | 3.1 | 2.4 | 3.4 | 2.4 | 3.9 | 3.2 | 1.9 | 2.4 | -0.3 | 1.7 | 0.0 | 0.9 | 20.4 | 18.5 | -51.6 | -44.3 | -0.3 | -0.2 | 1.2 | 2.1 | 1.2 | 2.1 |
| Citigroup | 3.1 | 2.3 | 3.4 | 2.7 | 3.9 | 3.5 | na | na | -0.4 | 0.9 | na | na | 19.9 | 19.4 | -47.4 | -38.3 | na | na | 1.0 | 1.0 | 1.0 | 1.0 |
| Goldman Sachs | 3.1 | 2.1 | 3.0 | 2.3 | 3.7 | 3.2 | na | na | -0.5 | 1.0 | na | na | 23.2 | 29.7 | na | na | na | na | na | na | na | na |
| CEOE | 3.1 | 2.3 | 3.4 | 2.4 | 4.2 | 3.1 | na | na | -0.2 | 1.3 | na | na | 22.4 | 20.9 | -51.5 | -41.9 | -0.3 | -0.2 | 1.0 | 1.2 | 1.0 | 1.2 |
| Econ Intelligence Unit | 3.1 | 2.1 | 3.2 | 2.1 | 4.2 | 3.4 | 1.7 | 2.4 | -0.4 | 1.6 | na | na | 24.0 | 17.6 | na | na | na | na | na | na | na | na |
| IFL-Univers Carlos III | 3.1 | 2.1 | 3.4 | 3.0 | 3.9 | 3.4 | 1.9 | 1.6 | -0.3 | 1.1 | na | na | na | na | na | na | na | na | na | na | na | na |
| Inst Estud Economicos | 3.1 | 2.3 | 3.4 | 2.9 | 4.5 | 5.2 | 3.2 | 2.6 | -0.5 | 0.6 | 1.3 | 1.5 | 19.1 | 19.7 | -51.6 | -46.3 | -0.2 | 0.0 | 1.2 | 1.5 | 1.2 | 1.5 |
| Inst. Klein-G. (UAM) | 3.1 | 2.5 | 3.3 | 2.5 | 4.3 | 4.0 | 3.0 | 2.9 | -0.3 | 1.5 | 1.0 | 1.2 | 15.8 | 18.0 | -42.5 | -35.0 | -0.3 | -0.3 | 1.2 | 1.4 | 1.2 | 1.4 |
| Grupo Santander | 3.1 | 2.2 | 3.3 | 2.4 | 4.1 | 3.9 | na | na | -0.3 | 1.3 | 0.5 | 1.5 | 12.8 | 10.0 | -58.0 | -52.0 | -0.5 | -0.5 | 1.2 | 1.3 | 1.2 | 1.3 |
| Bank of America - Merrill | 3.1 | 2.0 | 3.2 | 2.1 | 4.0 | 3.7 | 2.8 | 2.3 | -0.3 | 1.3 | na | na | 15.8 | 17.7 | -48.0 | -40.8 | na | na | na | na | na | na |
| FUNCAS | 3.1 | 2.3 | 3.3 | 2.2 | 4.2 | 4.8 | 1.2 | 2.2 | -0.3 | 1.3 | na | na | 21.9 | 22.4 | -51.7 | -41.1 | -0.3 | -0.3 | 1.0 | 1.2 | 1.0 | 1.2 |
| CEPREDE | 2.9 | 1.9 | 3.1 | 1.6 | 3.9 | 3.9 | 2.8 | 2.8 | -0.5 | 1.1 | 0.8 | 1.4 | 17.1 | 7.6 | -46.2 | -41.6 | -0.2 | -0.2 | 1.3 | 1.7 | 1.3 | 1.7 |
| UBS | 2.8 | 1.9 | 3.4 | 2.4 | 3.8 | 3.7 | na | na | na | na | na | na | na | na | na | na | -0.3 | -0.3 | na | na | na | na |
| UniCredit | 2.7 | 1.7 | 3.3 | 2.1 | 5.1 | 4.2 | na | na | -0.4 | 1.1 | na | na | na | na | na | na | na | na | na | na | na | na |
| Consensus (Mean) | 3.1 | 2.1 | 3.3 | 2.3 | 4.1 | 3.5 | 2.2 | 2.4 | -0.4 | 1.3 | 0.6 | 1.2 | 19.2 | 18.8 | -50.1 | -42.0 | -0.3 | -0.2 | 1.1 | 1.4 | 1.1 | 1.4 |
| Last Month's Mean | 3.0 | 2.1 | 3.3 | 2.3 | 4.0 | 3.5 | 2.9 | 2.7 | -0.4 | 1.2 | 0.9 | 1.2 | 18.1 | 17.1 | -49.3 | -41.3 | | | | | | |
| 3 Months Ago | 2.8 | 2.1 | 3.2 | 2.2 | 4.1 | 3.6 | 3.1 | 2.7 | -0.4 | 1.3 | 0.8 | 1.0 | 17.1 | 16.0 | -45.3 | -37.7 | | | | | | |
| High | 3.2 | 2.5 | 3.5 | 3.0 | 5.1 | 5.2 | 3.2 | 2.9 | -0.2 | 1.7 | 1.3 | 1.5 | 24.0 | 29.7 | -42.5 | -35.0 | -0.2 | 0.0 | 1.3 | 2.1 | 1.3 | 2.1 |
| Low | 2.7 | 1.7 | 3.0 | 1.6 | 3.7 | 1.1 | 1.2 | 1.6 | -0.5 | 0.6 | 0.0 | 0.5 | 12.8 | 7.6 | -58.0 | -52.0 | -0.5 | -0.5 | 1.0 | 1.0 | 1.0 | 1.0 |
| Standard Deviation | 0.1 | 0.2 | 0.1 | 0.4 | 0.3 | 0.8 | 0.7 | 0.4 | 0.1 | 0.3 | 0.5 | 0.4 | 3.3 | 5.2 | 3.9 | 4.2 | 0.1 | 0.1 | 0.1 | 0.3 | 0.1 | 0.3 |
| Comparison Forecasts | | | | | | | | | | | | | | | | | | | | | | |
| Banco de Espana (Sep. '16) | 3.2 | 2.3 | 3.4 | 2.0 | 4.0 | 4.8 | | | -0.3 | 1.5 | | | | | | | | | | | | |
| Eur Commission (May '16) | 2.6 | 2.5 | 3.0 | 2.3 | 4.7 | 5.0 | | | | | | | 17.3 | 15.6 | | | | | | | | |
| IMF (Oct. '16) | 3.1 | 2.2 | 3.3 | 2.3 | 4.2 | 3.0 | | | -0.3 | 1.0 | | | | | -50.2 | -35.8 | | | | | | |
| OECD (Jun. '16) | 2.8 | 2.3 | 3.1 | 2.1 | 4.6 | 3.8 | | | -0.5 | 1.0 | | | | | | | | | | | | |

◆ The economy minister expects Q3 GDP to be in-line with the Q1 and Q2 expansions of 0.8% (q-o-q). A tourism surge meant August saw the highest monthly influx of tourists ever, fuelling jobs and consumption. Industrial output climbed by 1.4% (m-o-m) in August after rises of 0.3% and 0.1% in June and July.

◆ The political standoff took a new twist as the leader of the main opposition party (the Socialists) resigned amid internal fractions. With the October 31 deadline to form a government edging closer, the turmoil could disrupt Spain's budget plans for next year and harm growth prospects.



| Historical Data | | | | |
|--|------|-------|-------|-------|
| * % change on previous year | 2012 | 2013 | 2014 | 2015 |
| Gross Domestic Product* | -2.9 | -1.7 | 1.4 | 3.2 |
| Household Consumption* | -3.6 | -3.2 | 1.6 | 2.8 |
| Gross Fixed Investment* | -8.6 | -3.4 | 3.8 | 6.0 |
| Industrial Production* | -6.4 | -1.7 | 1.5 | 3.3 |
| Consumer Prices* | 2.4 | 1.4 | -0.2 | -0.5 |
| Salary Cost per Hour* | 0.0 | 0.4 | 0.3 | 1.1 |
| Current Account, Euro bn | -2.4 | 15.6 | 10.2 | 15.0 |
| General Govt. Budget Balance (Maastricht definition), Euro bn | -109 | -71.2 | -61.3 | -56.6 |
| 3 mth Euro, % (end yr) | 0.2 | 0.3 | 0.1 | -0.1 |
| 10 Yr Spanish Govt Bond Yield, % (end yr) | 5.3 | 4.1 | 1.6 | 1.7 |

Nominal GDP - Euro1,081bn (2015). Popn - 46.1mn (mid-year, 2015). \$/Euro Exch. Rate - 1.109 (average, 2015).

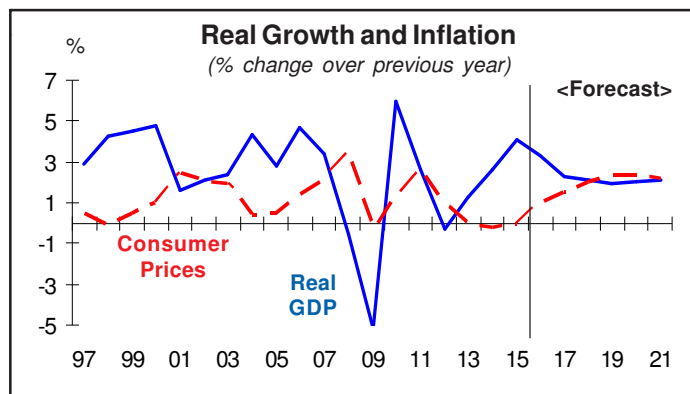
| Quarterly Consensus Forecasts | | | | | | | | | | |
|--|------|------|-------------|------------|------------|------------|------------|------------|------------|------------|
| Historical Data and Forecasts (bold italics) From Survey of September 12, 2016 | | | | | | | | | | |
| | 2016 | | | 2017 | | | | 2018 | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Gross Domestic Product | 3.4 | 3.2 | 3.0 | 2.7 | 2.4 | 2.1 | 2.1 | 2.2 | 2.3 | 2.3 |
| Consumer Prices | -0.7 | -0.9 | -0.2 | 0.4 | 1.3 | 1.3 | 1.2 | 1.2 | 1.4 | 1.3 |

Percentage Change (year-on-year).

| | Average % Change on Previous Calendar Year | | | | | | | | | | | | Annual Total | | Rates on Survey Date | | | | | |
|-----------------------------|--|------------|-----------------------|------------|------------------------|------------|-----------------------------------|------------|-----------------|------------|-----------------------------------|------------|--------------------------|------------|--------------------------------------|-------------|-------------|-------------|------------|------------|
| | Gross Domestic Product | | Household Consumption | | Gross Fixed Investment | | Mining & Manufacturing Production | | Consumer Prices | | Hourly Earnings (Mining & Manuf.) | | Current Account (Skr bn) | | General Govt Budget Balance (Skr bn) | | -0.5% | | 0.1% | |
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 |
| SBAB Bank | 3.7 | 2.9 | 2.6 | 2.1 | 6.4 | 3.4 | 2.0 | 2.5 | 1.0 | 1.2 | 2.4 | 2.8 | 210 | 190 | 35.0 | -20.0 | -0.5 | -0.3 | 0.4 | 1.0 |
| SE Banken | 3.7 | 2.8 | 3.1 | 2.8 | 6.7 | 6.0 | na | na | 0.9 | 1.2 | 2.5 | 2.9 | na | na | na | na | -0.5 | -0.2 | 0.2 | 0.6 |
| UBS | 3.5 | 2.6 | 3.0 | 2.5 | 6.2 | 5.2 | na | na | 1.2 | 1.9 | na | na | na | na | na | na | -0.5 | -0.1 | na | na |
| Morgan Stanley | 3.4 | 2.4 | 3.3 | 2.2 | 6.4 | 3.1 | na | na | 0.8 | 1.2 | na | na | 205 | 217 | na | na | na | na | na | na |
| Confed of Swed Enterprise | 3.4 | 2.5 | 3.0 | 2.3 | 5.9 | 2.9 | na | na | 1.0 | 1.3 | na | na | na | na | na | na | na | na | 0.6 | 1.4 |
| National Institute - NIER | 3.4 | 2.1 | 2.5 | 2.3 | 7.4 | 3.2 | 1.3 | 2.0 | 1.0 | 1.3 | 2.9 | 3.1 | 208 | 237 | 1.9 | 8.3 | na | na | 0.4 | 1.0 |
| Goldman Sachs | 3.3 | 2.8 | 2.6 | 2.9 | 6.9 | 3.3 | na | na | 1.1 | 1.7 | na | na | 180 | 196 | 22.4 | 29.0 | na | na | na | na |
| HSBC | 3.3 | 2.2 | 2.4 | 2.3 | 7.5 | 3.4 | 1.8 | 0.6 | 0.9 | 0.9 | na | na | na | na | na | na | na | na | na | na |
| Nordea | 3.3 | 1.7 | 2.8 | 1.7 | 6.3 | 3.2 | na | na | 1.0 | 1.8 | na | na | 190 | 213 | 1.2 | -22.1 | -0.5 | -0.5 | 0.4 | 0.6 |
| Swedbank | 3.3 | 2.3 | 2.8 | 1.9 | 6.2 | 4.0 | 2.8 | 2.3 | 1.1 | 1.8 | 3.0 | 3.4 | 186 | 181 | 3.0 | -10.0 | -0.5 | -0.4 | 0.2 | 0.4 |
| Erik Penser Bank | 3.2 | 2.0 | 2.9 | 2.0 | 6.0 | 3.5 | na | na | 1.1 | 2.0 | 2.8 | 3.1 | 206 | 200 | 0.0 | -20.0 | -0.5 | -0.3 | 0.8 | 1.3 |
| Svenska Handelsbanken | 3.2 | 2.3 | 2.3 | 2.1 | 7.4 | 2.8 | 1.0 | 1.4 | 1.0 | 1.5 | 3.2 | 3.4 | na | na | na | na | -0.4 | -0.2 | 0.6 | 0.9 |
| Oxford Economics | 3.1 | 2.1 | 2.3 | 2.2 | 7.0 | 3.6 | -0.5 | 3.4 | 1.0 | 1.8 | 1.5 | 2.0 | 190 | 204 | -6.4 | -14.8 | -0.4 | -0.1 | 0.0 | 0.3 |
| Citigroup | 2.8 | 1.7 | 2.6 | 2.2 | 7.4 | 3.9 | na | na | 1.0 | 1.8 | na | na | 157 | 130 | -45.9 | -12.9 | -0.5 | -0.5 | 0.1 | 0.4 |
| Econ Intelligence Unit | 2.8 | 2.5 | 3.0 | 2.3 | 5.5 | 4.0 | na | na | 0.8 | 0.9 | na | na | 223 | 227 | na | na | na | na | na | na |
| Consensus (Mean) | 3.3 | 2.3 | 2.7 | 2.3 | 6.6 | 3.7 | 1.4 | 2.0 | 1.0 | 1.5 | 2.6 | 3.0 | 196 | 199 | 1.4 | -7.8 | -0.5 | -0.3 | 0.4 | 0.8 |
| Last Month's Mean | 3.3 | 2.3 | 3.0 | 2.3 | 6.2 | 3.8 | 2.5 | 2.0 | 1.0 | 1.5 | 2.7 | 2.8 | 199 | 201 | -5.3 | -14.3 | | | | |
| 3 Months Ago | 3.5 | 2.4 | 3.0 | 2.5 | 5.9 | 3.9 | 3.5 | 2.9 | 1.0 | 1.5 | 2.7 | 2.9 | 238 | 234 | -7.3 | -17.8 | | | | |
| High | 3.7 | 2.9 | 3.3 | 2.9 | 7.5 | 6.0 | 2.8 | 3.4 | 1.2 | 2.0 | 3.2 | 3.4 | 223 | 237 | 35.0 | 29.0 | -0.4 | -0.1 | 0.8 | 1.4 |
| Low | 2.8 | 1.7 | 2.3 | 1.7 | 5.5 | 2.8 | -0.5 | 0.6 | 0.8 | 0.9 | 1.5 | 2.0 | 157 | 130 | -45.9 | -22.1 | -0.5 | -0.5 | 0.0 | 0.3 |
| Standard Deviation | 0.3 | 0.4 | 0.3 | 0.3 | 0.6 | 0.9 | 1.1 | 1.0 | 0.1 | 0.4 | 0.6 | 0.5 | 19 | 30 | 23.5 | 17.7 | 0.0 | 0.2 | 0.3 | 0.4 |
| Comparison Forecasts | | | | | | | | | | | | | | | | | | | | |
| Riksbank (Sep. '16) | 3.2 | 2.2 | 2.9 | 2.3 | 5.9 | 3.1 | | | 1.1 | 1.8 | | | | | | | | | | |
| Eur Commission (May '16) | 3.4 | 2.9 | 2.8 | 2.9 | 4.0 | 3.2 | | | | | | | | | | | | | | |
| IMF (Oct. '16) | 3.6 | 2.6 | | | | | | | | | | | | | -19.2 | -30.5 | | | | |
| OECD (Jun. '16) | 3.4 | 2.8 | 2.7 | 2.5 | 5.4 | 4.1 | | | 1.2 | 1.7 | | | | | | | | | | |

◆ Economic growth has moderated, although our panel still estimates a solid expansion of 3.3% in 2016. Strong tax revenues have allowed the government to boost spending on public services, a crucial ingredient for supporting the integration of refugees. Revised government budget figures show that the robust GDP performance in 2015 helped tip the budget into surplus, consolidating its improved position.

◆ The negative-rate environment has continued to promote borrowing and demand for mortgage loans. House prices soared by 11% (y-o-y) in Q3, adding to concerns of a housing bubble.



| Historical Data | | | | | |
|---|-------|-------|-------|------|------|
| * % change on previous year | 2012 | 2013 | 2014 | 2015 | 2016 |
| Gross Domestic Product* | -0.3 | 1.2 | 2.6 | 4.1 | |
| Household Consumption* | 0.8 | 1.9 | 2.1 | 2.7 | |
| Gross Fixed Investment* | -0.2 | 0.6 | 5.5 | 7.2 | |
| Min. & Manufacturing Prodn* | -4.3 | -4.3 | -2.2 | 3.0 | |
| Consumer Prices* | 0.9 | 0.0 | -0.2 | 0.0 | |
| Average Hourly Earnings (Mining & Manufacturing)* | 3.7 | 2.1 | 2.4 | 2.6 | |
| Current Account, Skr bn | 206 | 198 | 182 | 218 | |
| General Govt. Bud Bal, Skr bn | -36.0 | -52.4 | -62.5 | 7.6 | |
| 3 mth Interbank Rate, % (end yr) | 1.3 | 0.9 | 0.3 | -0.3 | |
| 10 Yr Govt Bond Yield, % (end yr) | 1.5 | 2.5 | 0.9 | 0.9 | |

Nominal GDP - Skr 4,159bn (2015). Population - 9.8mn (mid-year, 2015). Skr/\$ Exchange Rate - 8.435 (average, 2015).

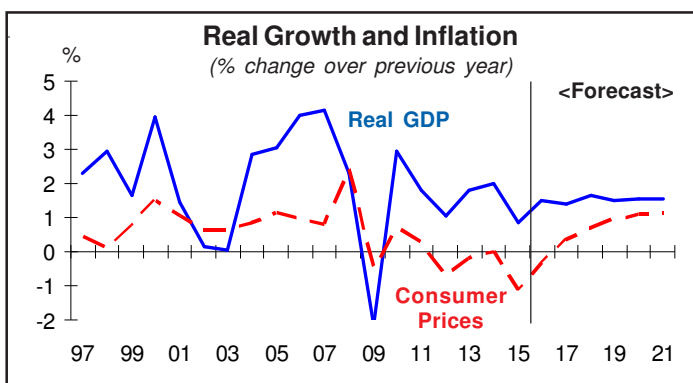
| Quarterly Consensus Forecasts | | | | | | | | | | |
|--|------|-----|------------|------------|------------|------------|------------|------------|------------|------------|
| Historical Data and Forecasts (bold italics) From Survey of September 12, 2016 | | | | | | | | | | |
| | 2016 | | | | 2017 | | | 2018 | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Gross Domestic Product | 4.2 | 3.4 | 3.1 | 2.3 | 2.6 | 2.3 | 2.4 | 2.4 | 2.6 | 2.0 |
| Consumer Prices | 0.7 | 0.8 | 1.1 | 1.4 | 1.5 | 1.5 | 1.5 | 1.7 | 1.8 | 2.0 |

Percentage Change (year-on-year).

| | Average % Change on Previous Calendar Year | | | | | | | | | | Annual Total | | Rates on Survey Date | | | | | | | |
|-----------------------------|--|------------|---------------------|------------|------------------------|------------|-----------------------|------------|-----------------|------------|-------------------------------|------------|---------------------------|-------------|---------------------------------------|-------------|-----------------------------|-------------|-----------------------------|-------------|
| | Gross Domestic Product | | Private Consumption | | Gross Fixed Investment | | Industrial Production | | Consumer Prices | | Merchandise Exports (SwFr bn) | | Current Account (SwFr bn) | | General Govt Budget Balance (SwFr bn) | | -0.7% | | -0.5% | |
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 3 month Euro-Franc Rate (%) | | 10 Year Govt Bond Yield (%) | |
| Economic Forecasters | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | End Jan'17 | End Oct'17 | End Jan'17 | End Oct'17 |
| Bank Julius Baer | 1.7 | 1.5 | 1.2 | 1.7 | 2.6 | 3.2 | 1.3 | 3.4 | -0.4 | 0.2 | 215 | 227 | na | na | 1.2 | 0.8 | -0.8 | -0.8 | -0.3 | -0.1 |
| KOF Swiss Econ Inst | 1.6 | 1.8 | 1.0 | 1.2 | 2.0 | 0.2 | na | na | -0.4 | 0.2 | 200 | 203 | 72.7 | 70.0 | 1.9 | -1.1 | -0.7 | -0.7 | -0.4 | -0.3 |
| HSBC | 1.6 | 1.5 | 1.0 | 1.3 | 2.2 | 0.7 | na | na | -0.4 | 0.3 | na | na | na | na | na | na | na | na | na | na |
| IHS Markit | 1.6 | 1.7 | 1.0 | 1.4 | 2.3 | 2.0 | 1.2 | 2.5 | -0.4 | 0.1 | 212 | 217 | 55.4 | 55.6 | -1.2 | -0.7 | -0.9 | -0.9 | -0.5 | -0.2 |
| BAK Basel | 1.6 | 1.7 | 1.0 | 1.3 | 2.0 | 1.4 | 0.8 | 2.0 | -0.3 | 0.4 | 227 | 236 | 65.7 | 73.8 | 0.2 | 0.5 | -0.8 | -0.8 | -0.2 | 0.2 |
| Oxford Economics | 1.6 | 1.6 | 1.0 | 1.2 | 2.0 | 1.4 | 0.8 | 1.9 | -0.3 | 0.3 | 276 | 276 | 66.0 | 73.9 | 0.2 | 0.5 | -0.8 | -0.8 | -0.3 | -0.1 |
| Bank Vontobel | 1.5 | 1.5 | 1.2 | 1.9 | 2.6 | 2.6 | na | na | -0.4 | 0.4 | na | na | 58.0 | 60.0 | -0.8 | -0.4 | -0.8 | -0.8 | -0.4 | -0.3 |
| Credit Suisse | 1.5 | 1.5 | 1.1 | 1.0 | 1.6 | 1.8 | na | na | -0.3 | 0.5 | na | na | 49.0 | 57.0 | 0.6 | -1.3 | -0.8 | -0.8 | na | na |
| Econ Intelligence Unit | 1.5 | 1.5 | 0.9 | 1.1 | 2.2 | 1.2 | 1.0 | 1.6 | -0.3 | 0.5 | na | na | 68.2 | 67.5 | na | na | na | na | na | na |
| Pictet & Cie | 1.5 | 1.3 | 1.3 | 1.6 | 1.1 | 1.3 | na | na | -0.3 | 0.4 | na | na | 52.0 | 55.0 | 0.6 | 1.3 | -0.8 | -0.8 | -0.3 | -0.1 |
| Wellershoff & Partners | 1.5 | 1.5 | 1.2 | 1.4 | 2.0 | 1.5 | na | na | -0.5 | 0.5 | 210 | 215 | na | na | na | na | na | na | na | na |
| Citigroup | 1.5 | 1.1 | 1.0 | 1.3 | 2.0 | 0.9 | na | na | -0.4 | 0.3 | na | na | 56.6 | 56.8 | na | na | -0.8 | -0.8 | -0.4 | -0.4 |
| Swiss Life | 1.4 | 0.9 | 0.9 | 0.7 | 1.5 | 2.1 | 1.0 | 1.9 | -0.4 | 0.4 | na | na | na | na | na | na | na | na | na | na |
| UBS | 1.4 | 1.3 | 0.9 | 1.0 | 1.8 | 0.7 | na | na | -0.3 | 0.4 | na | na | na | na | na | na | -0.8 | -0.8 | -0.5 | -0.2 |
| Zürcher Kantonalbank | 1.1 | 0.9 | 1.0 | 1.1 | 1.3 | 1.5 | 0.9 | 0.2 | -0.4 | 0.2 | 216 | 223 | 70.8 | 56.7 | 1.3 | -0.6 | -0.7 | -0.7 | -0.4 | -0.3 |
| Consensus (Mean) | 1.5 | 1.4 | 1.1 | 1.3 | 2.0 | 1.5 | 1.0 | 1.9 | -0.4 | 0.3 | 222 | 228 | 61.4 | 62.6 | 0.4 | -0.1 | -0.8 | -0.8 | -0.4 | -0.2 |
| Last Month's Mean | 1.2 | 1.3 | 1.2 | 1.3 | 1.7 | 1.4 | 1.2 | 1.7 | -0.4 | 0.3 | 221 | 227 | 62.0 | 62.3 | -0.4 | -0.3 | | | | |
| 3 Months Ago | 1.0 | 1.3 | 1.2 | 1.4 | 1.2 | 1.6 | 1.4 | 2.0 | -0.5 | 0.3 | 224 | 231 | 61.1 | 61.4 | -0.4 | -0.2 | | | | |
| High | 1.7 | 1.8 | 1.3 | 1.9 | 2.6 | 3.2 | 1.3 | 3.4 | -0.3 | 0.5 | 276 | 276 | 72.7 | 73.9 | 1.9 | 1.3 | -0.7 | -0.7 | -0.2 | 0.2 |
| Low | 1.1 | 0.9 | 0.9 | 0.7 | 1.1 | 0.2 | 0.8 | 0.2 | -0.5 | 0.1 | 200 | 203 | 49.0 | 55.0 | -1.2 | -1.3 | -0.9 | -0.9 | -0.5 | -0.4 |
| Standard Deviation | 0.1 | 0.3 | 0.1 | 0.3 | 0.4 | 0.8 | 0.2 | 1.0 | 0.1 | 0.1 | 25 | 24 | 8.3 | 7.8 | 1.0 | 0.9 | 0.0 | 0.0 | 0.1 | 0.2 |
| Comparison Forecasts | | | | | | | | | | | | | | | | | | | | |
| IMF (Oct. '16) | 1.0 | 1.3 | | | | | | | -0.4 | 0.0 | | | | | | | | | | |
| OECD (Jun. '16) | 1.2 | 1.7 | 1.2 | 1.9 | 0.4 | 1.5 | | | -0.4 | 0.2 | | | | | | | | | | |
| SECO (Sep. '16) | 1.5 | 1.8 | 1.1 | 1.5 | 1.6 | 1.9 | | | -0.4 | 0.3 | | | | | | | | | | |

◆ The improved outlook has boosted the 2016 GDP consensus to 1.5% this month. Exporters are adapting to a stronger Swiss franc which had eroded some firms' competitiveness. The renowned watch sector has struggled following large declines in major export markets including Hong Kong and the US. Nevertheless, the trade surplus widened in August, as exports fell at a slower rate than imports.

◆ Modest private consumption and fixed investment have added moderate risks to the outlook, but our long-term forecasts for Switzerland (see page 29) indicate a solid if somewhat muted growth scenario.



| Historical Data | | | | |
|--|------|------|------|------|
| * % change on previous year | 2012 | 2013 | 2014 | 2015 |
| Gross Domestic Product* | 1.0 | 1.8 | 2.0 | 0.8 |
| Private Consumption* | 2.6 | 2.2 | 1.2 | 1.1 |
| Gross Fixed Investment* | 2.9 | 1.1 | 2.8 | 1.6 |
| Industrial Production* | 2.6 | 0.8 | 1.4 | -2.5 |
| Consumer Prices* | -0.7 | -0.2 | 0.0 | -1.1 |
| Merch Exports, SwFr bn | 201 | 201 | 208 | 203 |
| Current Account, SwFr bn | 64.3 | 73.2 | 58.5 | 71.9 |
| General Govt. Bud. Bal. SwFr bn | 0.2 | 1.3 | -0.6 | 2.0 |
| 3 mth Euro-Franc Rate, % (end yr) | -0.1 | 0.0 | -0.2 | -0.8 |
| 10 Yr Govt Bond Yield, % (end yr) | 0.5 | 1.1 | 0.4 | 0.0 |

Nominal GDP - SwFr 639bn (2015). Population - 8.3mn (mid-year, 2015). SwFr/\$ Exchange Rate - 0.962 (average, 2015).

| Quarterly Consensus Forecasts | | | | | | | | | | |
|--|------|------|-------------|------------|------------|------------|------------|------------|------------|------------|
| Historical Data and Forecasts (bold italics) From Survey of September 12, 2016 | | | | | | | | | | |
| | 2016 | | | | 2017 | | | | 2018 | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Gross Domestic Product | 1.2 | 1.7 | 1.7 | 1.1 | 1.3 | 1.1 | 1.5 | 1.6 | 1.7 | 1.7 |
| Consumer Prices | -1.0 | -0.4 | -0.2 | 0.0 | 0.2 | 0.1 | 0.3 | 0.4 | 0.5 | 0.5 |

Percentage Change (year-on-year).

Forecasts for the countries in Western Europe, the Middle East and Africa shown on the next two pages were provided by the following leading economic forecasters, among others:

| | | |
|------------------------------------|-------------------------|---|
| <i>Banco BPI</i> | <i>Bank Leumi</i> | <i>Bank of America Merrill</i> |
| <i>Barclays</i> | <i>Citigroup</i> | <i>Deutsche Bank</i> |
| <i>Economist Intelligence Unit</i> | <i>ETLA</i> | <i>Euromonitor</i> |
| <i>Fitch Ratings</i> | <i>Forecaster ECOSA</i> | <i>Handelsbanken</i> |
| <i>Moody's Analytics</i> | <i>Nomura</i> | <i>Nordea</i> |
| <i>OP Financial Group</i> | <i>Oxford Economics</i> | <i>Universidade Catolica Portuguesa</i> |

| AUSTRIA | Population - 8.5mn (2015, mid-year) | Historical Data | | | | Consensus Forecasts | |
|--|-------------------------------------|-----------------|------|------|------|---------------------|------|
| | Nominal GDP - US\$374.1bn (2015) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Domestic Product (% change on previous year) | | 0.7 | 0.1 | 0.6 | 1.0 | 1.3 | 1.2 |
| Industrial Production (% change on previous year) | | 1.2 | 0.7 | -0.1 | 1.7 | 2.0 | 1.6 |
| Consumer Prices (% change on previous year) | | 2.4 | 2.0 | 1.7 | 0.9 | 0.9 | 1.6 |
| Current Account (US Dollar bn) | | 6.1 | 8.4 | 8.5 | 9.6 | 9.9 | 8.5 |

| BELGIUM | Population - 11.3mn (2015, mid-year) | Historical Data | | | | Consensus Forecasts | |
|--|--------------------------------------|-----------------|------|------|------|---------------------|------|
| | Nominal GDP - US\$409.4bn (2015) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Domestic Product (% change on previous year) | | 0.2 | 0.0 | 1.3 | 1.4 | 1.4 | 1.3 |
| Industrial Production (% change on previous year) | | -2.2 | 0.7 | 0.8 | 0.2 | 3.5 | 2.2 |
| Consumer Prices (% change on previous year) | | 2.8 | 1.1 | 0.3 | 0.6 | 1.8 | 1.7 |
| Current Account (US Dollar bn) | | -0.3 | -1.2 | -1.1 | -0.2 | 2.6 | 1.3 |

| DENMARK | Population - 5.7mn (2015, mid-year) | Historical Data | | | | Consensus Forecasts | |
|--|-------------------------------------|-----------------|------|------|------|---------------------|------|
| | Nominal GDP - US\$295.1bn (2015) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Domestic Product (% change on previous year) | | -0.1 | -0.2 | 1.3 | 1.0 | 1.0 | 1.6 |
| Manufacturing Production (% change on previous year) | | 1.9 | 2.5 | 3.2 | 2.5 | 3.1 | 2.0 |
| Consumer Prices (% change on previous year) | | 2.4 | 0.8 | 0.6 | 0.5 | 0.4 | 1.3 |
| Current Account (US Dollar bn) | | 18.5 | 24.2 | 26.7 | 20.7 | 17.8 | 18.7 |

| EGYPT | Population - 91.5mn (2015, mid-year) | Historical Data | | | | Consensus Forecasts | |
|---|---|-----------------|------|------|-------|---------------------|-------|
| | Nominal GDP - US\$315.7bn (2015) ¹ | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Domestic Product (% change on previous year) ¹ | | 2.2 | 2.1 | 2.2 | 4.2 | 3.6 | 3.6 |
| Consumer Prices (% change on previous year) | | 7.1 | 9.4 | 10.2 | 10.4 | 11.7 | 12.6 |
| Current Account (US Dollar bn) | | -9.5 | -3.7 | -5.9 | -16.8 | -16.4 | -14.2 |

¹ year(s) ending June 30

| FINLAND | Population - 5.5mn (2015, mid-year) | Historical Data | | | | Consensus Forecasts | |
|--|-------------------------------------|-----------------|------|------|------|---------------------|------|
| | Nominal GDP - US\$232.0bn (2015) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Domestic Product (% change on previous year) | | -1.4 | -0.8 | -0.7 | 0.2 | 0.9 | 1.1 |
| Industrial Production (% change on previous year) | | -1.5 | -3.2 | -1.9 | -1.1 | 1.2 | 1.7 |
| Consumer Prices (% change on previous year) | | 2.8 | 1.5 | 1.0 | -0.2 | 0.3 | 1.2 |
| Current Account (US Dollar bn) | | -5.0 | -4.3 | -3.1 | -1.0 | -0.5 | 0.1 |

| GREECE | Population - 11.0mn (2015, mid-year) | Historical Data | | | | Consensus Forecasts | |
|--|--------------------------------------|-----------------|------|------|------|---------------------|------|
| | Nominal GDP - US\$195.2bn (2015) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Domestic Product (% change on previous year) | | -7.3 | -3.2 | 0.7 | -0.2 | -0.6 | 1.1 |
| Industrial Production (% change on previous year) | | -2.0 | -3.2 | -1.9 | 1.0 | 1.0 | 1.4 |
| Consumer Prices (% change on previous year) | | 1.5 | -0.9 | -1.3 | -1.7 | -0.1 | 0.8 |
| Current Account (US Dollar bn) | | -9.4 | -4.9 | -3.9 | 0.2 | -1.6 | -2.0 |

ADDITIONAL COUNTRIES
OCTOBER 2016

| IRELAND | Population - 4.7mn (2015, mid-year) | Historical Data | | | | Consensus Forecasts | |
|--|-------------------------------------|------------------------|-------------|-------------|-------------|----------------------------|-------------|
| | Nominal GDP - US\$238.0bn (2015) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Domestic Product (% change on previous year) | | -1.1 | 1.1 | 8.5 | 26.3 | 3.7 | 3.0 |
| Industrial Production (% change on previous year) | | -1.5 | -2.2 | 22.9 | 34.9 | 0.5 | 2.1 |
| Consumer Prices (% change on previous year) | | 1.7 | 0.5 | 0.2 | -0.3 | 0.3 | 1.4 |
| Current Account (US Dollar bn) | | -5.9 | 5.1 | 4.3 | 29.0 | 21.7 | 19.5 |

| ISRAEL | Population - 8.1mn (2015, mid-year) | Historical Data | | | | Consensus Forecasts | |
|--|-------------------------------------|------------------------|-------------|-------------|-------------|----------------------------|-------------|
| | Nominal GDP - US\$296.0bn (2015) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Domestic Product (% change on previous year) | | 2.9 | 3.3 | 2.6 | 2.5 | 2.8 | 3.1 |
| Industrial Production (% change on previous year) | | 4.0 | 0.5 | 1.2 | 1.6 | 2.4 | 3.6 |
| Consumer Prices (% change on previous year) | | 1.7 | 1.5 | 0.5 | -0.6 | -0.4 | 1.0 |
| Current Account (US Dollar bn) | | 1.6 | 9.8 | 11.9 | 13.7 | 11.3 | 12.1 |

| NIGERIA | Popn - 182.2mn (2015, mid-year) | Historical Data | | | | Consensus Forecasts | |
|--|----------------------------------|------------------------|-------------|-------------|-------------|----------------------------|--------------|
| | Nominal GDP - US\$494.6bn (2015) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Domestic Product (% change on previous year) | | 4.2 | 5.5 | 6.2 | 2.8 | 0.1 | 3.0 |
| Consumer Prices (% change on previous year) | | 12.2 | 8.5 | 8.0 | 9.0 | 14.7 | 12.8 |
| Current Account (US Dollar bn) | | 17.5 | 19.2 | 0.9 | -15.4 | -13.6 | -10.5 |

| PORTUGAL | Population - 10.4mn (2015, mid-year) | Historical Data | | | | Consensus Forecasts | |
|--|--------------------------------------|------------------------|-------------|-------------|-------------|----------------------------|-------------|
| | Nominal GDP - US\$220.7bn (2015) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Domestic Product (% change on previous year) | | -4.0 | -1.1 | 0.9 | 1.6 | 1.0 | 1.2 |
| Industrial Production (% change on previous year) | | -6.1 | 0.4 | 1.6 | 1.8 | 0.9 | 1.5 |
| Consumer Prices (% change on previous year) | | 2.8 | 0.3 | -0.3 | 0.5 | 0.6 | 1.2 |
| Current Account (US Dollar bn) | | -3.9 | 3.5 | 0.1 | 0.8 | 0.5 | 0.1 |

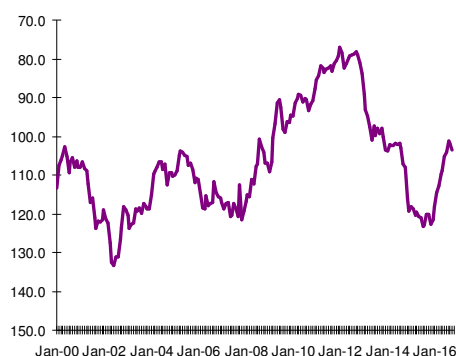
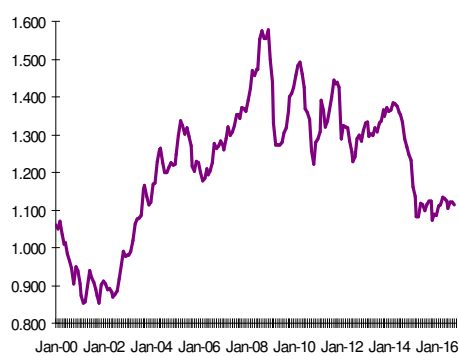
| SAUDI ARABIA | Popn - 31.5mn (2015, mid-year) | Historical Data | | | | Consensus Forecasts | |
|--|----------------------------------|------------------------|-------------|-------------|-------------|----------------------------|--------------|
| | Nominal GDP - US\$645.8bn (2015) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Domestic Product (% change on previous year) | | 5.4 | 2.7 | 3.6 | 3.5 | 1.0 | 1.0 |
| Consumer Prices (% change on previous year) | | 2.9 | 3.5 | 2.7 | 2.2 | 3.8 | 3.4 |
| Current Account (US Dollar bn) | | 165 | 135 | 73.8 | -53.5 | -58.4 | -35.9 |

| SOUTH AFRICA | Popn - 54.5mn (2015, mid-year) | Historical Data | | | | Consensus Forecasts | |
|--|----------------------------------|------------------------|-------------|-------------|-------------|----------------------------|--------------|
| | Nominal GDP - US\$314.8bn (2015) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Gross Domestic Product (% change on previous year) | | 2.5 | 2.8 | 1.7 | 1.2 | 0.5 | 1.3 |
| Manufacturing Production (% change on previous year) | | 2.2 | 1.3 | 0.1 | 0.0 | 0.8 | 1.8 |
| Consumer Prices (% change on previous year) | | 5.6 | 5.7 | 6.1 | 4.6 | 6.4 | 5.9 |
| Current Account (US Dollar bn) | | -20.4 | -21.6 | -18.6 | -13.7 | -12.1 | -12.2 |

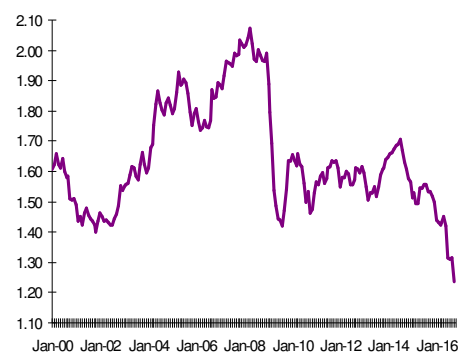
Foreign Exchange Rates

| *All US\$ rates are amounts of currency per dollar, except the UK pound and the euro which are reciprocals. A positive (+) sign for the % change implies an appreciation of the currency against the US Dollar and vice versa. | Historical Data | | | | Latest Spot Rate (Oct. 10) | Consensus Forecasts | | | | | |
|--|------------------|-------|-------|-------|----------------------------|------------------------|----------------|------------------------|----------------|------------------------|----------------|
| | Rates at end of: | | | | | Forecast End Jan. 2017 | Percent Change | Forecast End Oct. 2017 | Percent Change | Forecast End Oct. 2018 | Percent Change |
| | 2012 | 2013 | 2014 | 2015 | | | | | | | |
| Rates per US Dollar * | | | | | | | | | | | |
| Canadian Dollar | 0.995 | 1.064 | 1.160 | 1.384 | 1.315 | 1.314 | 0.1 | 1.299 | 1.2 | 1.259 | 4.5 |
| Egyptian Pound | 6.056 | 6.943 | 7.150 | 7.814 | 8.881 | 9.609 | -7.6 | 10.16 | -12.6 | 10.42 | -14.8 |
| European Euro | 1.318 | 1.378 | 1.210 | 1.086 | 1.116 | 1.100 | -1.4 | 1.085 | -2.7 | 1.109 | -0.6 |
| Israeli Shekel | 3.736 | 3.478 | 3.905 | 3.891 | 3.786 | 3.816 | -0.8 | 3.797 | -0.3 | 3.797 | -0.3 |
| Japanese Yen | 86.55 | 105.3 | 120.6 | 120.5 | 103.6 | 102.5 | 1.1 | 105.9 | -2.2 | 108.1 | -4.2 |
| Nigerian Naira | 155.3 | 155.2 | 183.0 | 199.1 | 315.0 | 331.1 | -4.9 | 361.6 | -12.9 | 414.3 | -24.0 |
| Saudi Arabian Riyal | 3.750 | 3.750 | 3.750 | 3.752 | 3.751 | 3.750 | 0.0 | 3.750 | 0.0 | 3.751 | 0.0 |
| South African Rand | 8.501 | 10.49 | 11.58 | 15.54 | 13.77 | 14.50 | -5.0 | 14.44 | -4.7 | 14.12 | -2.5 |
| United Kingdom Pound | 1.578 | 1.647 | 1.561 | 1.482 | 1.238 | 1.248 | 0.9 | 1.246 | 0.7 | 1.273 | 2.9 |
| Rates per Euro | | | | | | | | | | | |
| Danish Krone | 7.461 | 7.460 | 7.446 | 7.463 | 7.441 | 7.460 | -0.3 | 7.452 | -0.1 | 7.451 | -0.1 |
| Norwegian Krone | 7.343 | 8.426 | 9.072 | 9.615 | 9.005 | 8.983 | 0.2 | 8.847 | 1.8 | 8.700 | 3.5 |
| Swedish Krona | 8.576 | 8.971 | 9.473 | 9.158 | 9.644 | 9.380 | 2.8 | 9.095 | 6.0 | 9.049 | 6.6 |
| Swiss Franc | 1.208 | 1.229 | 1.202 | 1.087 | 1.097 | 1.091 | 0.5 | 1.096 | 0.1 | 1.121 | -2.1 |

Yen per US\$

US\$ per Euro¹

US\$ per UK Pound



| Brent, US\$ per barrel | | |
|--|----------------------------------|------------------|
| Range 1990-2016 Spot Rate (Oct. 10) | US\$9.10 - US\$143.95 52.90 | |
| Brent October Survey | Forecast for End Jan. 2017 | End Oct. 2017 |
| Mean Forecast | 49.1 | 53.7 |
| High | 55.0 | 65.0 |
| Low | 40.0 | 42.0 |
| Standard Deviation | 3.5 | 4.7 |
| No. of Forecasts | 58 | 58 |

OPEC and Russia in Talks to Cut Production

Oil prices for Brent surpassed US\$50 per barrel on the back of OPEC's discussions about cutting oil production for the first time since the financial crisis. OPEC plans to finalize the oil cut by its meeting in late November, aiming for a reduction to around 32.5-33.0mn barrels per day. Current OPEC output is estimated at 33.6mn barrels. Not surprisingly, the initial news prompted an oil price rally, especially in Brent. Saudi Arabia – previously leading the way in terms of flooding the markets with oil in order to preserve market share – has indicated support for the deal. However, OPEC-member Iraq has been hesitant to curb output. Moreover, non-OPEC member Russia indicated that it might prefer a price freeze. Even amid the speculation, the supply glut remains a present factor.

continued from page 3

| France | | | | | | | | | | | |
|---|------------|-------|-------|------|---------------------|------------------|-------|-------|-------|-------|------------------------|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ |
| Gross Domestic Product* | 0.2 | 0.6 | 0.7 | 1.2 | 1.3 | 1.2 | 1.4 | 1.5 | 1.4 | 1.3 | 1.3 |
| Household Consumption* | -0.2 | 0.6 | 0.7 | 1.5 | 1.6 | 1.3 | 1.5 | 1.5 | 1.4 | 1.3 | 1.3 |
| Business Investment* | 0.1 | 0.3 | 1.4 | 2.7 | 3.6 | 2.1 | 2.3 | 2.3 | 2.0 | 2.1 | 2.1 |
| Manufacturing Production* | -2.8 | -0.8 | -0.3 | 1.4 | 0.6 | 1.3 | 1.5 | 1.7 | 1.6 | 1.3 | 1.2 |
| Consumer Prices* | 2.0 | 0.9 | 0.5 | 0.0 | 0.2 | 1.2 | 1.4 | 1.5 | 1.6 | 1.7 | 1.7 |
| Current Account Balance (Euro bn) | -25.2 | -19.5 | -22.7 | -4.4 | -13.9 | -15.0 | -19.4 | -18.7 | -22.3 | -28.4 | -28.2 |
| 10 Year Treasury Bond Yield, % ² | 2.0 | 2.4 | 0.8 | 0.5 | 0.4 ³ | 0.6 ⁴ | 0.8 | 1.3 | 1.8 | 2.3 | 3.0 |

| United Kingdom | | | | | | | | | | | |
|---|------------|-------|-------|--------|---------------------|------------------|-------|-------|-------|-------|------------------------|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ |
| Gross Domestic Product* | 1.3 | 1.9 | 3.1 | 2.2 | 1.9 | 0.9 | 1.4 | 1.6 | 2.0 | 2.1 | 2.0 |
| Household Consumption* | 1.9 | 1.6 | 2.1 | 2.6 | 2.6 | 1.0 | 1.3 | 1.6 | 1.8 | 2.0 | 2.0 |
| Gross Fixed Investment* | 2.3 | 3.2 | 6.7 | 3.4 | 0.2 | -1.8 | 0.5 | 1.9 | 2.8 | 3.2 | 2.9 |
| Manufacturing Production* | -1.5 | -1.0 | 2.9 | -0.2 | 0.3 | 0.2 | 1.6 | 1.4 | 1.2 | 1.0 | 0.7 |
| Retail Prices (underlying rate)* | 3.2 | 3.1 | 2.4 | 1.0 | 1.8 | 3.0 | 3.2 | 3.2 | 3.1 | 3.1 | 2.8 |
| Consumer Prices* | 2.9 | 2.5 | 1.5 | 0.0 | 0.7 | 2.3 | 2.3 | 2.2 | 2.2 | 2.2 | 2.0 |
| Current Account Balance (£ bn) | -61.4 | -76.4 | -85.0 | -100.2 | -103.6 | -79.6 | -73.2 | -69.1 | -67.2 | -69.6 | -77.6 |
| 10 Year Treasury Bond Yield, % ² | 2.0 | 2.8 | 1.8 | 1.9 | 0.9 ³ | 1.2 ⁴ | 1.5 | 2.0 | 2.3 | 2.7 | 3.1 |

| Italy | | | | | | | | | | | |
|---|------------|------|------|------|---------------------|------------------|------|------|------|------|------------------------|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ |
| Gross Domestic Product* | -2.8 | -1.7 | 0.1 | 0.7 | 0.8 | 0.7 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Household Consumption* | -3.9 | -2.5 | 0.4 | 1.5 | 1.2 | 0.9 | 1.0 | 1.0 | 0.9 | 1.1 | 1.1 |
| Gross Fixed Investment* | -9.3 | -6.6 | -3.0 | 1.3 | 1.6 | 1.0 | 2.1 | 2.3 | 2.1 | 1.9 | 1.6 |
| Industrial Production* | -6.3 | -3.1 | -0.7 | 1.2 | 1.0 | 1.1 | 1.2 | 1.4 | 1.4 | 1.3 | 1.5 |
| Consumer Prices* | 3.0 | 1.2 | 0.2 | 0.1 | -0.1 | 0.8 | 1.2 | 1.5 | 1.6 | 1.7 | 1.7 |
| Current Account Balance (Euro bn) | -5.8 | 15.2 | 30.9 | 36.0 | 43.7 | 41.3 | 35.5 | 33.3 | 30.3 | 26.0 | 21.1 |
| 10 Year Treasury Bond Yield, % ² | 4.5 | 4.1 | 1.9 | 1.6 | 1.3 ³ | 1.3 ⁴ | 1.5 | 2.0 | 2.4 | 3.1 | 3.6 |

| Canada | | | | | | | | | | | |
|---|------------|-------|-------|-------|---------------------|------------------|-------|-------|-------|-------|------------------------|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ |
| Gross Domestic Product* | 1.7 | 2.2 | 2.5 | 1.1 | 1.2 | 2.0 | 2.1 | 1.9 | 1.8 | 1.9 | 1.8 |
| Personal Expenditure* | 1.9 | 2.4 | 2.6 | 1.9 | 2.1 | 1.9 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| Machinery & Eqpt Investment* | 2.7 | -6.7 | 1.0 | -2.4 | -3.7 | 1.8 | 3.4 | 3.6 | 2.9 | 2.5 | 2.1 |
| Industrial Production* | 0.0 | 2.2 | 4.0 | -1.1 | -0.3 | 1.8 | 2.1 | 2.0 | 2.0 | 1.8 | 1.7 |
| Consumer Prices* | 1.5 | 0.9 | 1.9 | 1.1 | 1.5 | 2.1 | 2.1 | 2.0 | 1.9 | 2.0 | 2.0 |
| Current Account Balance (C\$ bn) | -65.7 | -59.7 | -44.9 | -62.6 | -70.3 | -60.2 | -54.1 | -48.8 | -45.9 | -42.4 | -38.6 |
| 10 Year Treasury Bond Yield, % ² | 1.8 | 2.8 | 1.8 | 1.5 | 1.2 ³ | 1.5 ⁴ | 2.1 | 2.4 | 2.6 | 2.9 | 3.2 |

| Euro zone | | | | | | | | | | | |
|------------------------------------|------------|------|------|------|---------------------|-------------------|------|------|------|------|------------------------|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ |
| Gross Domestic Product* | -0.8 | -0.2 | 1.1 | 1.9 | 1.6 | 1.3 | 1.4 | 1.3 | 1.3 | 1.3 | 1.2 |
| Private Consumption* | -1.2 | -0.5 | 0.8 | 1.7 | 1.7 | 1.4 | 1.4 | 1.4 | 1.4 | 1.3 | 1.3 |
| Gross Fixed Investment* | -3.2 | -2.4 | 1.5 | 2.9 | 2.3 | 1.9 | 2.2 | 2.3 | 2.3 | 2.3 | 1.9 |
| Industrial Production* | -2.3 | -0.7 | 0.9 | 2.0 | 1.1 | 1.2 | 1.6 | 1.6 | 1.6 | 1.6 | 1.5 |
| Consumer Prices* | 2.5 | 1.3 | 0.4 | 0.0 | 0.2 | 1.3 | 1.5 | 1.6 | 1.7 | 1.8 | 1.9 |
| Current Account Balance (Euro bn) | 128 | 215 | 251 | 330 | 341 | 321 | 329 | 319 | 319 | 247 | 233 |
| 3 month Euro Rate, % ^{**} | 0.2 | 0.3 | 0.1 | -0.1 | -0.3 ³ | -0.3 ⁴ | -0.1 | 0.2 | 0.7 | 1.2 | 2.1 |

¹Signifies average for period ²End period ³End January 2017 ⁴End October 2017

| The Netherlands | | | | | | | | | | | | |
|---|------------|------|------|------|---------------------|------------------|------|------|------|------|------------------------|--|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ | |
| Gross Domestic Product* | -1.1 | -0.2 | 1.4 | 2.0 | 1.6 | 1.5 | 1.7 | 1.5 | 1.5 | 1.4 | 1.3 | |
| Private Consumption* | -1.2 | -1.0 | 0.3 | 1.8 | 1.3 | 1.5 | 1.3 | 1.1 | 1.1 | 1.1 | 1.0 | |
| Gross Fixed Investment* | -6.3 | -4.3 | 2.3 | 9.9 | 6.2 | 3.4 | 2.2 | 2.0 | 2.1 | 1.9 | 1.6 | |
| Manufacturing Production* | -0.7 | -1.0 | 1.1 | 0.6 | 1.6 | 1.4 | 1.1 | 0.9 | 1.2 | 1.0 | 0.7 | |
| Consumer Prices* | 2.5 | 2.5 | 1.0 | 0.6 | 0.4 | 1.3 | 1.6 | 1.7 | 1.8 | 1.8 | 1.9 | |
| Current Account Balance (Euro bn) | 66.8 | 64.4 | 58.9 | 58.6 | 60.6 | 59.8 | 62.8 | 63.1 | 63.0 | 63.5 | 67.1 | |
| 10 Year Treasury Bond Yield, % ² | 1.5 | 2.2 | 0.7 | 0.7 | 0.1 ³ | 0.3 ⁴ | 0.7 | 1.0 | 1.5 | 1.9 | 2.7 | |

| Norway | | | | | | | | | | | | |
|---|------------|------|------|------|---------------------|------------------|------|------|------|------|------------------------|--|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ | |
| Gross Dom Prod (Mainland)* | 3.6 | 2.3 | 2.2 | 1.1 | 0.8 | 1.7 | 2.0 | 2.2 | 2.2 | 2.2 | 1.7 | |
| Private Consumption* | 3.5 | 2.6 | 1.9 | 2.1 | 1.7 | 1.8 | 2.2 | 2.5 | 2.4 | 2.4 | 1.8 | |
| Gross Fixed Investment* | 7.6 | 6.3 | -0.6 | -3.8 | -0.9 | 1.7 | 2.3 | 2.7 | 2.3 | 2.1 | 1.4 | |
| Manufacturing Production* | 2.7 | 3.7 | 3.3 | -3.5 | -2.6 | 1.2 | 2.0 | 1.7 | 1.7 | 1.6 | 1.5 | |
| Consumer Prices* | 0.8 | 2.1 | 2.0 | 2.1 | 3.3 | 2.2 | 1.8 | 1.9 | 1.8 | 1.7 | 2.2 | |
| Current Account Balance (Nkr bn) | 369 | 314 | 377 | 273 | 171 | 213 | 247 | 273 | 249 | 340 | 387 | |
| 10 Year Treasury Bond Yield, % ² | 2.1 | 3.0 | 1.6 | 1.4 | 1.2 ³ | 1.3 ⁴ | 1.5 | 1.8 | 2.0 | 3.0 | 4.2 | |

| Spain | | | | | | | | | | | | |
|---|------------|------|------|------|---------------------|------------------|------|------|------|------|------------------------|--|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ | |
| Gross Domestic Product* | -2.9 | -1.7 | 1.4 | 3.2 | 3.1 | 2.1 | 2.0 | 1.9 | 1.8 | 1.6 | 1.4 | |
| Household Consumption* | -3.6 | -3.2 | 1.6 | 2.8 | 3.3 | 2.3 | 2.1 | 1.7 | 1.5 | 1.5 | 1.3 | |
| Gross Fixed Investment* | -8.6 | -3.4 | 3.8 | 6.0 | 4.1 | 3.5 | 3.6 | 3.4 | 3.0 | 3.0 | 2.0 | |
| Industrial Production* | -6.4 | -1.7 | 1.5 | 3.3 | 2.2 | 2.4 | 2.3 | 2.2 | 2.4 | 2.4 | 2.2 | |
| Consumer Prices* | 2.4 | 1.4 | -0.2 | -0.5 | -0.4 | 1.3 | 1.4 | 1.7 | 1.8 | 2.0 | 2.0 | |
| Current Account Balance (Euro bn) | -2.4 | 15.6 | 10.2 | 15.0 | 19.2 | 18.8 | 18.3 | 19.0 | 15.7 | 11.8 | 14.8 | |
| 10 Year Treasury Bond Yield, % ² | 5.3 | 4.1 | 1.6 | 1.7 | 1.1 ³ | 1.4 ⁴ | 1.8 | 2.3 | 2.5 | 2.9 | 3.3 | |

| Sweden | | | | | | | | | | | | |
|---|------------|------|------|------|---------------------|------------------|------|------|------|------|------------------------|--|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ | |
| Gross Domestic Product* | -0.3 | 1.2 | 2.6 | 4.1 | 3.3 | 2.3 | 2.1 | 1.9 | 2.1 | 2.1 | 2.0 | |
| Household Consumption* | 0.8 | 1.9 | 2.1 | 2.7 | 2.7 | 2.3 | 2.2 | 2.1 | 2.0 | 2.1 | 2.0 | |
| Gross Fixed Investment* | -0.2 | 0.6 | 5.5 | 7.2 | 6.6 | 3.7 | 2.8 | 2.4 | 2.5 | 2.6 | 2.2 | |
| Mining & Manufacturing Production* | -4.3 | -4.3 | -2.2 | 3.0 | 1.4 | 2.0 | 1.7 | 1.1 | 1.8 | 2.4 | 1.7 | |
| Consumer Prices* | 0.9 | 0.0 | -0.2 | 0.0 | 1.0 | 1.5 | 2.0 | 2.4 | 2.4 | 2.2 | 2.0 | |
| Current Account (Skr bn) | 206 | 198 | 182 | 218 | 196 | 199 | 203 | 208 | 211 | 217 | 213 | |
| 10 Year Treasury Bond Yield, % ² | 1.5 | 2.5 | 0.9 | 0.9 | 0.4 ³ | 0.8 ⁴ | 1.6 | 2.5 | 2.8 | 3.4 | 4.0 | |

| Switzerland | | | | | | | | | | | | |
|---|------------|------|------|------|---------------------|-------------------|------|------|------|------|------------------------|--|
| * % change over previous year | Historical | | | | Consensus Forecasts | | | | | | | |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022-2026 ¹ | |
| Gross Domestic Product* | 1.0 | 1.8 | 2.0 | 0.8 | 1.5 | 1.4 | 1.7 | 1.5 | 1.5 | 1.6 | 1.4 | |
| Private Consumption* | 2.6 | 2.2 | 1.2 | 1.1 | 1.1 | 1.3 | 1.5 | 1.4 | 1.5 | 1.5 | 1.4 | |
| Gross Fixed Investment* | 2.9 | 1.1 | 2.8 | 1.6 | 2.0 | 1.5 | 2.1 | 1.9 | 1.9 | 1.8 | 1.7 | |
| Industrial Production* | 2.6 | 0.8 | 1.4 | -2.5 | 1.0 | 1.9 | 2.2 | 1.7 | 1.7 | 1.8 | 1.5 | |
| Consumer Prices* | -0.7 | -0.2 | 0.0 | -1.1 | -0.4 | 0.3 | 0.7 | 0.9 | 1.1 | 1.2 | 1.2 | |
| Current Account Balance (SwFr bn) | 64.3 | 73.2 | 58.5 | 71.9 | 61.4 | 62.6 | 67.4 | 67.4 | 67.9 | 72.6 | 75.8 | |
| 10 Year Treasury Bond Yield, % ² | 0.5 | 1.1 | 0.4 | 0.0 | -0.4 ³ | -0.2 ⁴ | 0.2 | 0.7 | 1.1 | 1.7 | 2.2 | |

¹Signifies average for period ²End period ³End January 2017 ⁴End October 2017

- | | |
|---|--|
| □ GDP - Gross Domestic Product | IMF - International Monetary Fund |
| na - not available | Emu - European economic and monetary union |
| OECD - Organisation for Economic Co-operation and Development | ECB - European Central Bank |
| BoE - Bank of England | PMI - Purchasing Managers Index |
| y-o-y - year-on-year | q-o-q - quarter-on-quarter |
| | m-o-m - month-on-month |
- Measures of GDP, Consumption, Business Investment and Industrial Production are expressed in real (i.e. inflation-adjusted) terms. These variables, and certain others as indicated, are expressed as percentage changes over the previous year.
 - All individual country forecasters on pages 4-24 are listed in descending order of their 2016 real GDP estimates. Consensus forecasts are mean arithmetic averages of the listed individual estimates.

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CONSENSUS FORECASTS: WORLD ECONOMIC ACTIVITY

↑ Consensus Forecast Increase From Prior Month

↓ Consensus Forecast Decrease From Prior Month

| October Survey | Real GDP % increase | | | Consumer Prices % increase | | | Current Account Balance, US\$bn | | |
|------------------------------|------------------------|------------|------------|-------------------------------|------------|------------|------------------------------------|--------|--------|
| | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| Belgium | 1.4 | 1.4 ↑ | 1.3 | 0.6 | 1.8 | 1.7 ↓ | -0.2 | 2.6 | 1.3 |
| Canada | 1.1 | 1.2 | 2.0 ↓ | 1.1 | 1.5 ↓ | 2.1 | -49.0 | -53.2 | -46.1 |
| France | 1.2 | 1.3 ↓ | 1.2 | 0.0 | 0.2 | 1.2 | -4.9 | -15.5 | -16.4 |
| Germany | 1.7 | 1.8 | 1.3 ↑ | 0.3 | 0.4 | 1.5 | 284 | 300 | 282 |
| Italy | 0.7 | 0.8 | 0.7 ↓ | 0.1 | -0.1 | 0.8 | 39.9 | 48.8 | 45.1 |
| Japan | 0.6 | 0.6 | 0.9 ↑ | 0.8 | -0.2 | 0.4 | 134.9 | 174.2 | 166.8 |
| Netherlands | 2.0 | 1.6 | 1.5 | 0.6 | 0.4 | 1.3 | 65.0 | 67.6 | 65.4 |
| Norway | 1.1 | 0.8 | 1.7 ↑ | 2.1 | 3.3 ↑ | 2.2 ↓ | 34.0 | 20.6 | 26.1 |
| Spain | 3.2 | 3.1 ↑ | 2.1 | -0.5 | -0.4 | 1.3 ↑ | 16.6 | 21.4 | 20.5 |
| Sweden | 4.1 | 3.3 | 2.3 | 0.0 | 1.0 | 1.5 | 25.8 | 23.2 | 23.6 |
| Switzerland | 0.8 | 1.5 ↑ | 1.4 ↑ | -1.1 | -0.4 | 0.3 | 74.8 | 62.7 | 62.5 |
| United Kingdom | 2.2 | 1.9 ↑ | 0.9 ↑ | 0.0 | 0.7 | 2.3 | -153.2 | -140.6 | -99.3 |
| United States | 2.6 | 1.5 | 2.2 ↓ | 0.1 | 1.2 | 2.3 ↑ | -463 | -484 | -511 |
| North America ¹ | 2.5 | 1.5 | 2.2 | 0.2 | 1.3 | 2.3 | -512.0 | -537.5 | -557.5 |
| Western Europe ² | 2.1 | 1.7 | 1.3 | 0.1 | 0.4 | 1.5 | 441.1 | 438.9 | 455.9 |
| European Union ² | 2.3 | 1.8 | 1.4 | 0.1 | 0.3 | 1.5 | 338.9 | 361.4 | 365.3 |
| Euro zone ² | 1.9 | 1.6 | 1.3 | 0.0 | 0.2 | 1.3 | 366.0 | 379.8 | 351.1 |
| Asia Pacific ³ | 4.8 | 4.7 | 4.6 | 1.6 | 1.7 | 2.0 | 657.1 | 648.2 | 612.3 |
| Eastern Europe ⁴ | 0.6 | 1.5 | 2.4 | 7.6 | 5.1 | 4.9 | 25.1 | -11.2 | -9.2 |
| Latin America ^{5 7} | 0.2 | -0.3 | 2.2 | 10.3 | 14.3 | 9.7 | -175.7 | -119.6 | -121.7 |
| Other Countries ⁶ | 2.9 | 1.3 | 2.2 | 5.0 | 7.4 | 7.1 | -85.7 | -89.2 | -60.7 |
| Total⁷ | 2.9 | 2.5 | 2.8 | 1.9 | 2.5 | 2.8 | | | |

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Regional totals and the grand totals for GDP growth and inflation, are weighted averages calculated using **2015 GDP weights, converted at average 2015 exchange rates**. These weights and rates were last updated in September 2016. Due to annual updates in exchange rates and GDP weights in July-September of each year, there will be differences in the Regional and World Aggregates in those months. Therefore, some aggregates may not be comparable to the aggregates from previous months. Current account forecasts given in national currencies on pages 7-24 have been converted using consensus exchange rate forecasts for the purposes of comparison. ¹USA and Canada. ²The Euro zone aggregate is taken from our panel's latest forecasts (pages 18-19). The Euro zone current account data and forecasts are based on *extra-euro zone data*, i.e., an aggregate of the Euro zone member states' transactions with nonresidents of the Euro zone. The European Union data includes the Euro zone countries listed on page 18 plus Denmark, Sweden and the United Kingdom, as well as the Czech Republic, Hungary and Poland, plus Romania and Bulgaria which entered in January 2007, plus Croatia which entered in July 2013 (data taken from Eastern Europe Consensus Forecasts). Western Europe comprises the six Euro zone countries listed in the table above, plus Austria, Denmark, Finland, Greece, Ireland, Norway, Portugal, Sweden, Switzerland and the United Kingdom. ³Survey results for Japan plus fifteen other countries taken from **Asia Pacific Consensus Forecasts**. ⁴Twenty-seven countries, including eleven European Union countries taken from the latest issue of **Eastern Europe Consensus Forecasts**. ⁵Eighteen countries taken from the latest issue of **Latin American Consensus Forecasts** (inflation figures are on a December/December basis). The Venezuelan exchange rate used for 2015 was the official SIMADI average rate of Bs197.14/US\$. ⁶Egypt, Israel, Nigeria, Saudi Arabia and South Africa. ⁷The **Eastern Europe** and **Latin American** components of the **World Total** are taken from prior months surveys, and the **Latin American** total includes **Venezuela**.

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