Germany

In spite of wintry jolts, the engine is running

In Q4 2016, German activity gathered pace (+0.4%, after +0.1%), taking the country's average annual growth rate to +1.8%. Government consumption accelerated, while investment in construction and exports bounced back. By mid-2017, household expenditure should be more dynamic. However, investment in construction, hindered by the harsh winter weather in January, is expected to hold back activity as a whole in Q1 (+0.4%). Gross domestic product should pick up slightly in Q2 (+0.5%). Its annual growth overhang is likely to reach +1.3% at the end of H1 2017.

Both private and public consumption should be vigorous

German activity gathered pace in Q4 2016 (+0.4% after +0.1%), driven mainly by consumption: household expenditure recorded another moderate rise (+0.3% after +0.2%) and government consumption gained momentum (+0.8% after +0.2%).

Household consumption is expected to pick up in H1 2017, with household confidence buoyed by the low level of unemployment. Wages should also remain buoyant, rising at an annual rate of around +2.5% (*Graph*). The minimum wage was raised by 4% on 1st January 2017, with gradual implementation throughout the year. Inflation picked up at the end of 2016 and further rises are expected: up to +2.1% year-on-year to mid-2017 (against 0.0% one year earlier), driven by its energy component. Core inflation should also increase due to the wage rises: up to +1.5% by mid-2017, which would be its highest level since 2009. As a result, household purchasing power is likely to weaken slightly, but not enough to stem the vigorous household expenditure.

After a cold spell in January, another sharp rise in construction investment looks likely

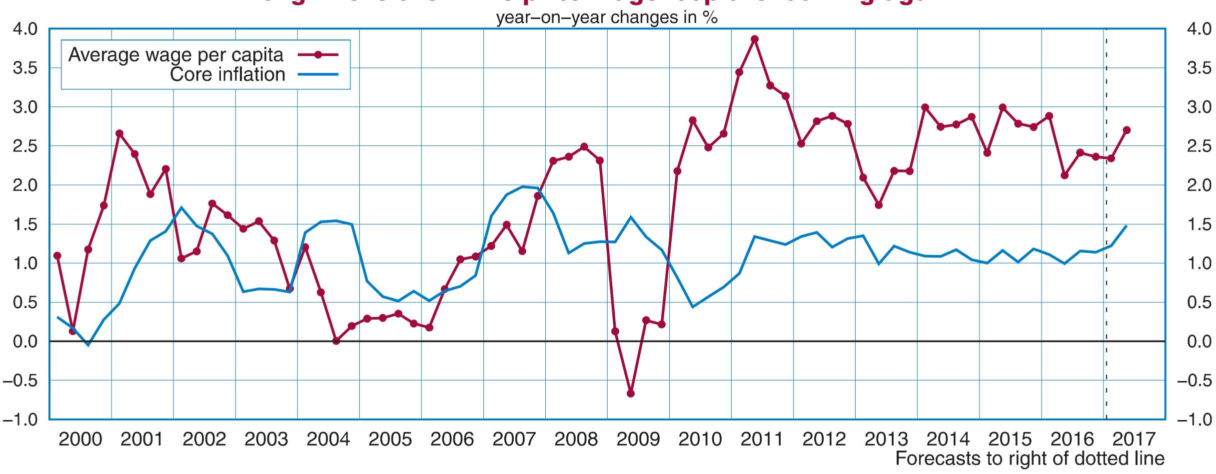
Nevertheless, activity is not expected to accelerate in Q1 2017 (+0.4%), mainly as a result of the cold weather that is likely to hold back construction activity (–1.5% after +1.6%). However, the rise in the number of building permits suggests a rebound in Q2 (+2.2%), contributing strongly to the acceleration in GDP (+0.5%). After another decline at the end of 2016 (–0.1% after –0.5%), corporate equipment investment should bounce back in H1 (+1.0% per quarter), due to the high production capacity utilisation rate.

Foreign trade is expected to hamper growth once again in the spring

Foreign trade hampered growth significantly at the end of 2016 (-0.3 points), because despite the strong rebound in exports (+1.8% after –0.3%), imports rose more sharply (+3.1% after +0.4%). It should have a neutral effect in early 2017 before hampering growth again in the spring (–0.1 point).

All in all, the annual GDP growth overhang is expected to be +1.3% by mid-2017, after a rise of +1.8% over 2016 as a whole. ■

Slight tensions in the price-wage loop are looming again



Sources: Destatis, INSEE forecast

Italy

Modest growth, dynamic investment

In 2016, Italian growth rose slightly as an annual average: +1.0% after +0.7% in 2015. At the end of the year, activity increased by 0.2% – its trend rate for the previous quarters. It is likely to rise slowly in H1 2017. Household consumption is expected to remain moderate, whereas productive investment should remain on a clearly upward trend.

Household consumption should hold firm despite the upturn in inflation

In Q4 2016, household consumption remained moderate (+0.1%, after +0.2%). Through to the spring of 2017, household purchasing power should weaken because nominal wages (annual rate of +1.0%) are not expected to rise as quickly as prices (+1.8% anticipated by mid-2017 against –0.3% one year earlier). However, job creations should be sufficient for unemployment to decline and there should be a slight reduction in precautionary savings. Household confidence remains high, despite dropping slightly, and household consumption is set to rise moderately until mid-2017 (+0.2% in Q1, followed by +0.1% in Q2).

Productive investment should continue to grow strongly

In 2016, the productive investment of enterprises recorded another sharp rise (+7.5% as an annual average after +4.9% in 2015), especially in transport equipment purchases. It was extremely dynamic in H2 2016 (+3.5% in Q3 followed by +2.3% in Q4). Conditions remain favourable at the start of 2017: prospects of rising demand, renewed cash flows, low interest rates and renewal of the additional depreciation incentive scheme until the end of the year. Finally, the share of non-performing loans on bank balance sheets has stopped rising. Equipment investment is expected to stall at the start of the year before picking up again in the spring (+0.8%). Its annual growth overhang should reach +4.4% by mid-2017

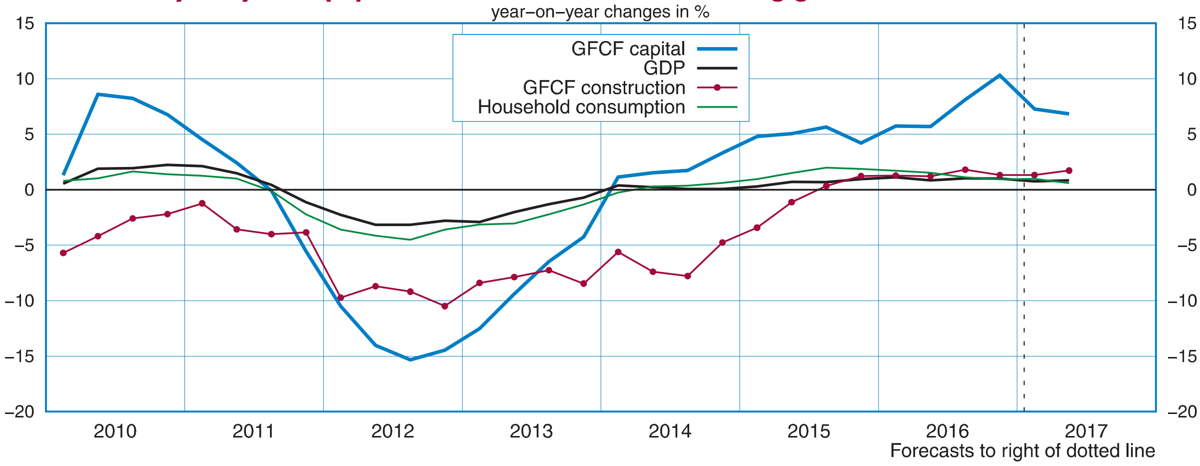
In 2016, investment in construction increased for the first time in ten years (+1.4% as an annual average). It should continue to grow moderately through to mid-2017.

Thanks to rising domestic demand, gross domestic product should continue to grow at its moderate trend rate of the last two years (+0.2% per quarter; *Graph*). Its annual growth overhang should be +0.6% by mid-year.

Foreign trade should no longer hold back growth in early 2017

Exports rose sharply at the end of 2016 (+1.9% after +0.3%). They should continue to increase steadily at the start of 2017 (+0.9% followed by +1.1%), thanks to another depreciation of the Euro. Imports are likely to rise at a similar rate (+1.1% per quarter, after +2.2% in late 2016), with continued impetus from strong corporate demand. Therefore, after slowing significantly on average throughout 2016, foreign trade flows are picking up again. In H1 2017, they should no longer be holding back growth. ■

Very buoyant equipment investment has been driving growth since late 2014



Sources: Istat, INSEE forecast

Spain

Inflation returns and growth falters only very slightly

In early 2017, Spanish growth should remain as robust as it was in H2 2016 (+0.7% per quarter). However, the sharp upturn in inflation is likely to erode purchasing power, and household consumption should weaken slightly despite rising wages with the increase in the minimum wage. Consequently, activity should slow only very slightly, to +0.6% in Q2 2017. In the spring of 2017, Spanish GDP is expected to have finally returned to its level of early 2008.

Consumption should slow down slightly due to a sharp upturn in inflation

Household consumption should slow down slightly in Q1 2017 (+0.6%, after +0.8% at the end of 2016), but should still remain strong thanks to the rise in wages induced by the sharp increase in the minimum wage (+8%). It is expected to slow again slightly in Q2 (+0.5%), due to the anticipated slowdown in household purchasing power. Indeed, inflation has risen sharply in early 2017: +3.0% year-on-year to February, against –1.0% one year earlier. This upswing has been more substantial than in the other Eurozone countries (*Graph*). Driven by the rise in oil prices and high electricity prices, energy prices have bounced back sharply and are expected to remain buoyant through to June. In addition, employment is expected to slow slightly, especially in the tourism sector after a rapid rise in 2016. Against the backdrop of a declining labour force, the unemployment rate remains high but should continue to decline, to 17.7% by mid-2017, compared to 20.1% one year earlier.

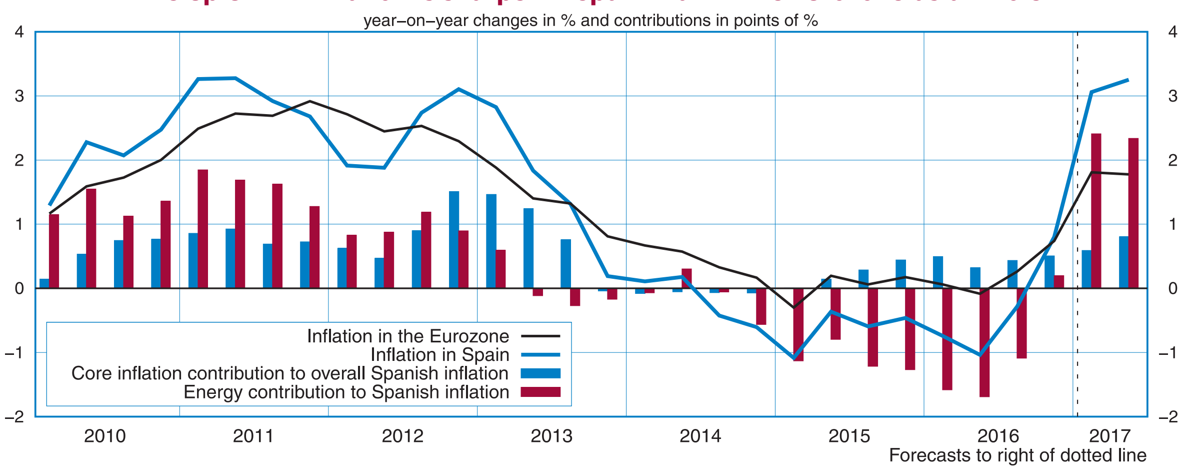
Investment is set to gather pace

Investment in construction is expected to gather pace slightly once again in H1 2017, as suggested by the sharp rise in residential building permits and household intentions to carry out building work. Equipment investment should also regain some buoyancy in early 2017, after a decline in investment in transport equipment in Q4. However, its annual mid-year growth overhang should be lower in 2017 (+3.0%) than one year earlier (+5.0%), as corporate savings are expected to fall back slightly due to wage increases, rising energy prices and tax increases of approximately €4 billion in 2017 to curb the budget deficit.

Foreign trade should continue to foster growth slightly

Despite buoyant domestic demand, foreign trade should still foster growth to a limited extent in H1 2017. In particular, the growth overhang for exports (+3.0% by mid-year) is expected to remain higher than the growth overhang for world demand for Spanish products. All in all, activity in early 2017 should continue to grow at the same rate as in late 2016 (+0.7%) before slowing slightly (+0.6% in Q2), with domestic demand slackening. On average over the year, gross domestic product grew by 3.2% in 2016, as in 2015. In 2017, its annual mid-year growth overhang should stand at +2.2%. In the spring of 2017, it is expected to have returned to its quarterly level of early 2008. ■

The upturn in inflation is sharper in Spain than in the Eurozone as a whole



Sources: INE, Eurostat, INSEE forecast

United Kingdom

A slowdown is looming

In 2016, growth remained buoyant in the United Kingdom (+1.8%, after +2.2% in 2015). In Q4.2016, gross domestic product (GDP) grew by 0.7%, after +0.6% in the two previous quarters, despite the pro-Brexit vote. However, a gradual slowdown in activity is expected in H1.2017 (+0.4% in Q1 followed by +0.3% in Q2), caused by weaker household consumption. The rise in inflation, which began in late 2016, should further weaken the purchasing power of households, which are unlikely to reduce their savings ratio any further. The mid-year GDP growth overhang for 2017 is expected to stand at +1.6%.

After easing up on their saving efforts, households are expected to curb their spending

In Q4 2016, British activity was slightly more vigorous than in the previous two quarters (+0.7% after +0.6%), sustained once again by household consumption (+0.7%). In anticipation of an upturn in inflation linked to the depreciation of the pound and rising energy prices, British households over-consumed and significantly reduced their savings ratio in H2 2016, which would appear to have dropped to 5.2% at the end of 2016 – its lowest level since 2008 (Graph). However, inflation is expected to rise sharply again in H1.2017, to +2.5% year-on-year to mid-2017, which could further reduce their purchasing power. As their propensity to reduce their savings ratio now seems to be limited, households could ultimately adjust the pace of their consumption to the significantly slower rate of purchasing power (+0.1% per quarter).

Consequently, GDP is expected to slow down gradually (+0.4% in Q1 followed by +0.3%). Its annual mid-year growth overhang for 2017 should be +1.6% (after +1.8% on average in 2016).

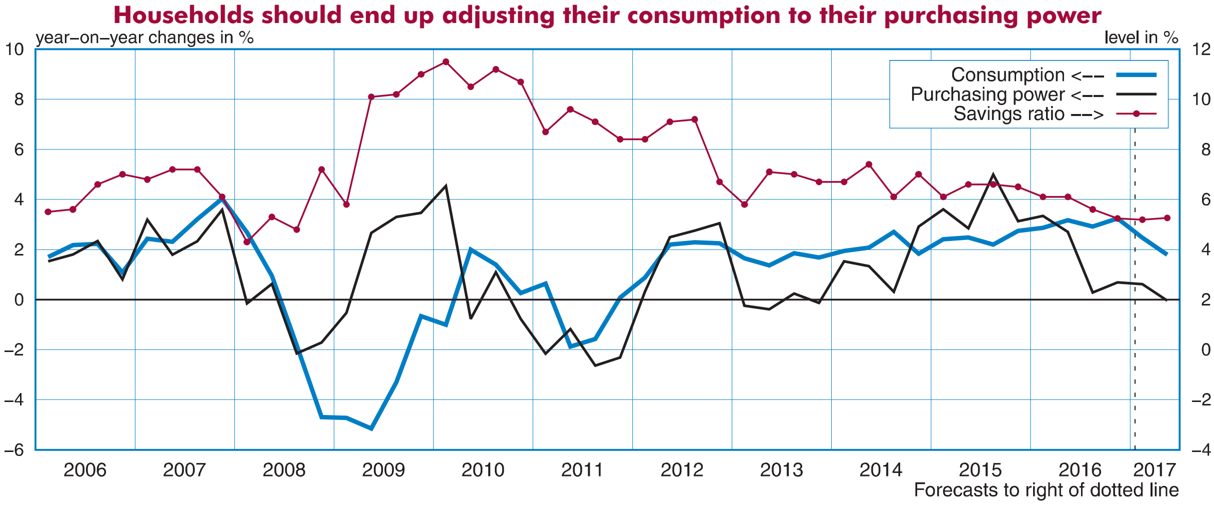
Private investment is likely to be sluggish

Household residential investment bounced back in late 2016 after the dramatic drop in real estate transactions in the spring due to the introduction of a tax on transfers of ownership. The rise in this investment should be weak in H1 2017. On the corporate side, order books are full, but Bank of England surveys show that investment intentions have remained sluggish since the referendum: corporate investment is likely to remain slack through to mid-2017, after weakening significantly in 2016 (–1.5% as an annual average). Only government investment is expected to rise significantly, boosted by the announcement of an infrastructure spending stimulus.

The beneficial effect of the depreciation of the pound on exports should wane

British exports bounced back in late 2016 (+4.1% after –2.6%), benefiting from the prior depreciation of the pound. They are expected to remain buoyant in early 2017 but should gradually slow down (+1.0% and then +0.8%) as the beneficial exchange rate effect fades. Imports dropped at the end of 2016 (–0.4% after +1.3%), and they increased moderately in H1 2017, in the wake of domestic demand. In all, foreign trade should contribute +0.6 points to the annual GDP growth overhang in mid-2017. ■

Households should end up adjusting their consumption to their purchasing power



Sources: NSO, INSEE forecast

United States

A wave of post-electoral optimism

In Q4 2016, activity in the United States slowed down (+0.5% after +0.9%). Exports fell back but domestic demand remained strong. On average in 2016, the economy slowed (+1.6% after +2.6%), handicapped by the decline in corporate expenditure. Since the election of Donald Trump, the household and corporate confidence has significantly improved. In H1 2017, despite the upturn in inflation, consumption should remain robust and corporate investment should gather pace, leading to a steady rise in activity (+0.6% per quarter). However, the changes in economic policy announced after the presidential election may only have a limited direct impact on the economy before mid-2017.

Wave of optimism since the election of D. Trump

As an annual average, activity slowed significantly in 2016 (+1.6% after +2.6%), after being adversely affected by a destocking cycle and the contraction of private investment. During the year, however, growth was high in the summer (+0.9%) thanks to revitalised domestic demand, before weakening at the end of the year (+0.5%), due to a downturn in exports.

Since the election of Donald Trump, production prospects have improved, especially in the manufacturing sector, and at the start of 2017 the business climate in small firms is at its highest level since 2000 (*Graph*).

Growth should therefore increase slightly in H1 2017 (+0.6% per quarter), driven by robust consumption and an acceleration in corporate investment. The annual growth overhang is expected to reach +1.9% by mid-2017.

Inflation rises again but consumption remains resilient

In early 2017, employment should continue to grow strongly (+0.4% per quarter); the labour force participation rate should continue to rise with the "discouraged" jobless returning to the market, and the unemployment rate is expected to remain low (4.8%). As a consequence, wages are set to pick up slightly (+0.7% followed by +0.8%). However, due to energy prices, inflation has picked up again and should continue to rise, up to +2.5% over one year to mid-2017. All in all, the purchasing power of households should scarcely weaken and their consumption is expected to remain resilient (+0.5% followed by +0.6%), their confidence having returned to its 2005 level by the end of 2016.

Foreign trade is expected to hamper growth slightly

Exports fell back in late 2016 (–1.0%), in reaction to the sharp rise over the summer (+2,4%), but they remained steady on average over the year. They are expected to rise again between now and mid-2017 (+0.6% then +0.8%), but not quite as quickly as world demand, driven by the appreciation of the dollar.

On average in 2016, imports slowed down (+1.1% after +4.6%), making the United States a major contributor to the slowdown in world trade. However, they picked up sharply at the end of the year (+2.1% after +0.5%) due to the recovery of corporate demand and should therefore remain buoyant in early 2017 (+0.8% then +1.0%). All in all, foreign trade should hamper growth slightly in H1 2017. ■

Since the election of Donald Trump, household confidence and the business climate have significantly improved

Sources: Conference Board, NFIB, Federal Reserve Banks of New York, Philadephia, Richmond, Dallas and of Kansas

Japan

Growth still moderate and inflation rising

In Q4 2016, Japanese activity recorded another moderate rise (+0.3%, as in Q3), taking the average annual growth rate to +1.0%. Private consumption stagnated and public investment slipped back, whereas corporate investment rebounded and exports gathered pace again.
In H1 2017, gross domestic product should record another moderate rise (+0.2% per quarter). The annual growth overhang should reach +0.9% by mid-year.

Industry is benefiting from the recovery of foreign demand

Industrial output rose sharply again in Q4 2016 (+2.0% after +1.4%) in the wake of exports (+2.6% after +2.1%). It accelerated most of all in the electronics and automobile sectors (*Graph*). Japanese industry is benefiting from the upswing in Chinese imports in particular. At the start of 2017, the business prospects and export orders reflected in PMI surveys are improving further, pointing towards new growth in industrial activity and exports (+0.5% per quarter); the annual growth overhang for exports is expected to be +3.6% by mid-year, after an annual average of +1.2% in 2016. In all, gross domestic product (GDP) grew by 1.0% in 2016, +0.5 points of which were added by foreign trade; for 2017, its mid-year growth overhang should reach +0.9%, 0.3 points of which are expected to be attributable to foreign trade.

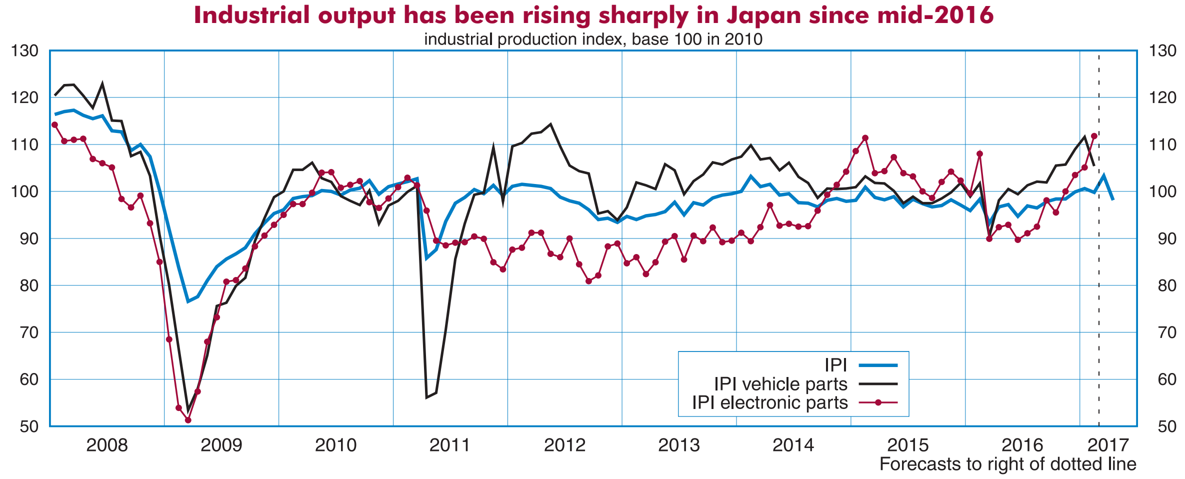
The labour market remains firmly on track but inflation is rising

The Japanese labour market is in a highly favourable position with an unemployment rate hovering around 3.0%. Job creations rose sharply again in December (+1.2% year-on-year) and basic wages increased moderately (+0.6% year-on-year at the end of 2016), as has been the case since 2015. The nominal wage bill should therefore continue to rise at an annual rate of nearly 2%. However, after picking up in late 2016 (+0.3% year-on-year), inflation is expected to rise again in H1, to +1.6% over one year to mid-2017, fuelled by the recent drop in the yen and the rise in oil prices (*Focus*). With this upturn limiting the rise in their purchasing power, households should once again curb their consumption expenditure (+0.2% per quarter).

Government investment is set to pick up

Boosted by the stimulus plan announced in early August 2016, for an amount equivalent to 1.5 GDP points, government orders recorded by enterprises picked up in 2016, particularly in the construction sector. Consequently, government investment should bounce back and start sustaining activity again. However, private investment is likely to slacken: on the corporate side, domestic orders remain sluggish and for households, the very slow rate of housing starts points to residential investment remaining virtually unchanged. ■

Industrial output has been rising sharply in Japan since mid-2016



Source: METI, INSEE forecast

The rise in the Yen and past fall in commodity prices no longer holding back inflation which should rise to +1.5% in mid-2017

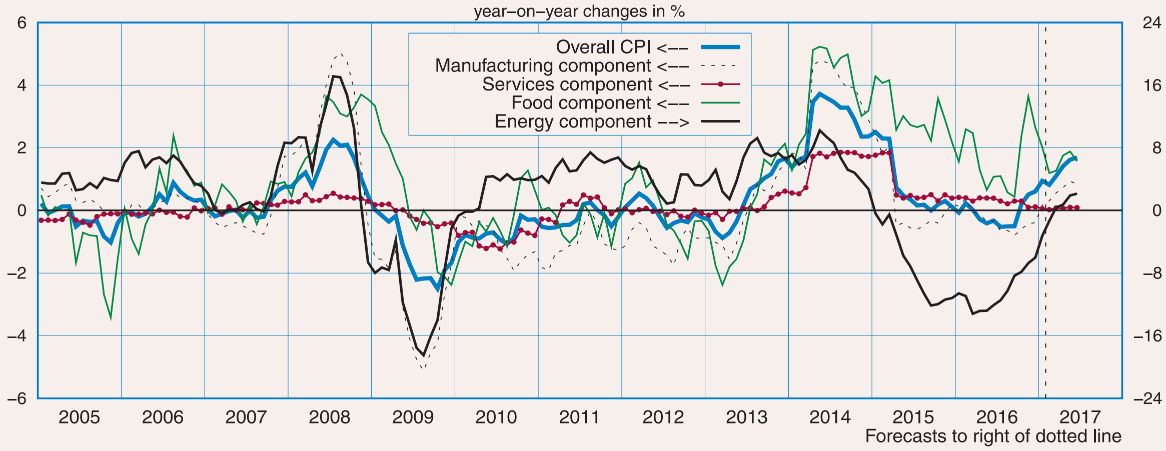
In Japan, after a peak at +3.4% (year on year) in spring 2014 resulting from the 2% VAT hike, consumer prices have been close to stable since mid-2015, with inflation oscillating between -0.5% and +0.7% year on year (*Graph 1*).

Why is Japanese inflation not picking up when the central bank has been implementing an expansionist monetary policy since 2012? Several factors have contributed to this weak inflation since mid-2015. The econometric model used to forecast inflation (*Method*) suggests that it has been held down in particular by commodity prices, mainly oil, which knocked an average of 0.5 points off year-on-year inflation in 2015 and 0.4 points over the first six months of 2016 (*Graph 2*). The rise in the Yen against the Dollar in particular has worked through more slowly than the fall in commodity prices, via the prices of manufactured goods; in H1 2016, it contributed to reducing inflation by about 0.3 points. All in all, from the beginning of 2015 through to mid-2016, the cumulative effects of these factors would seem to have taken as much as 0.8 points off headline inflation year on year. Prices in services, meanwhile, have been increasing by about 0.5% year on year since early 2015, after falling by an average of 0.5% between 2009 and 2013: this turnaround reflects the fact that wages have started rising again.

Since summer 2016, Japanese inflation has been rising again. After weighing down considerably on inflation, the contribution of commodity prices has become neutral once again. In addition to this, the Yen has again slipped against the currencies of Japan's main trading partners, after rising continuously since the beginning of 2015. As a result, the negative contribution of exchange rates faded out in H2 2016. Japanese inflation therefore rose distinctly to almost +1.0% in December, against –0.3% in June: according to the model used here, commodity prices contributed +0.6 points to this acceleration, while exchange rate variations accounted for +0.4 points.

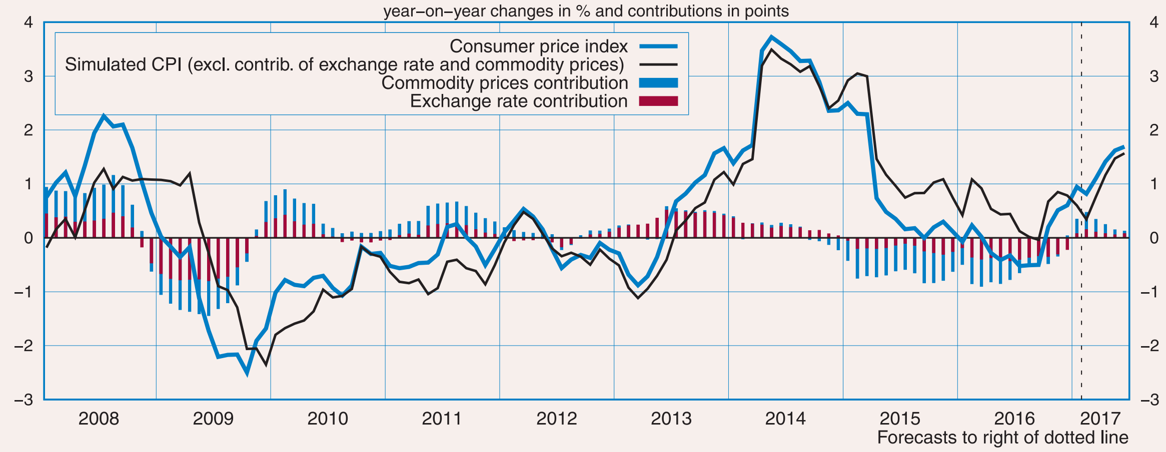
In H1 2017, the recent depreciation of the Yen is likely to continue working through and inflation should reach +1.5% in mid-2017. ■

1 - The Consumer Price Index and its main components in Japan



Source: Japanese Statistical Bureau, INSEE forecast

2 - Econometric contributions of the Yen exchange rate and oil prices to Japanese inflation



Source: Japanese Statistical Bureau, INSEE forecast

The method

To identify the contributions of the oil price and real effective exchange rate of the Yen to inflation in Japan, error-correction models were estimated making a distinction between the manufacturing, energy and food components of the Japanese consumer price index (CPI). The contributions obtained for each component were then multiplied by the weight of that component in the total CPI (about 8% for energy prices, 23% for manufacturing prices and 12% for food prices).

The equations obtained were as follows:

$$\Delta ipc\_énergie_t = \underset{(0,22)}{0,076} - \underset{(-2,2)}{[0,024}\ ipc\_énergie_{t-1} + \underset{(20,2)}{0,002}\ brent_{t-1} + \underset{(6,9)}{0,003}\ yen/dollar_{t-1}]$$

$$+\underset{(5,8)}{0,048}\ \Delta\ brent_{t-11} + \underset{(3,2)}{0,094}\ \Delta\ yen/dollar_{t-1} + \underset{(4,6)}{0,286}\ \Delta\ ipc\_énergie_{t-11}$$

$R^2 = 0,38$; estimation period: February 2000 to January 2017

$$\Delta\ ipc\_manuf_t = \underset{(1,7)}{0,19} - \underset{(-1,8)}{[0,038} \times ipc\_manuf_{t-1} - \underset{(-8,6)}{0,004}\ TCER_{t-1}] + \underset{(2,7)}{0,17}\ \Delta\ ipc\_manuf_{t-1}$$

$$+\underset{(2,3)}{0,001}\ TUC_{t-1} - \underset{(-4,8)}{0,05}\ \Delta\ TCER_{t-1}$$

$R^2 = 0,46$; estimation period: January 2005 to January 2017

$$\Delta ipc\_alim_t = \underset{(3,6)}{0,2} - \underset{(-3,6)}{[0,087} \times ipc\_alim_{t-1} - \underset{(-3,7)}{0,005}\ TCER_{t-1} + \underset{(3,2)}{0,02}\ prix\_riz_{t-1}] - \underset{(-5,0)}{0,336}\ \Delta\ ipc\_alim_{t-2}$$

$$-\underset{(-1,9)}{0,17}\ \Delta\ ipc\_alim_{t-3}$$

$R^2 = 0,23$; estimation period: January 2000 to January 2017

where:
- *ipc_énergie*, *ipc_manuf* and *ipc_alim* are the energy, manufacturing and food components of the Japanese CPI;
- *TCER* is the real effective exchange rate of Japan in relation to its main trading partners;
- *brent* is the (Brent) oil price per barrel in Dollars;
- *yen/dollar* is the exchange rate of the Yen against the Dollar (number of Yen per Dollar);
- *TUC* is the production capacity utilisation rate;
- *prix_riz* is the price of rice in Yen.

Except for the capacity utilisation rate, the variables are expressed as logarithms and the coefficients can be interpreted approximately as elasticities. ■

Emerging economies

Significant upswing in Chinese imports

At the start of 2017, the improvement in the short-term outlook was borne out in the emerging economies, especially China, Russia and the oil-producing countries. Their imports have accelerated, especially in Asia, and seem likely to continue to increase strongly.
In China, growth stabilised in Q4 2016 (+1.7%). With domestic demand firming up, imports have taken off once again since spring. In H1 2017, activity is expected to accelerate a little (+1.8% per quarter). As domestic demand has remained buoyant, imports are likely to continue their marked recovery and the growth overhang for 2017 looks set to reach +6.6% mid-year.
In Russia, the business climate is brightening with the rise in commodity prices and the stabilisation of the Ruble: gross domestic product would appear to have returned to growth at the end of 2016 and is set to continue with moderate growth at the beginning of 2017. In the Eastern European countries, activity bounced back at the end of 2016 after some turbulence in the summer and should remain vigorous in H1 2017.
In Brazil, on the other hand, the business climate is still deteriorating at the beginning of 2017: activity is likely to continue to shrink, although a little more moderately. In Turkey, activity is likely to bounce back at the end of 2016 after plummeting in the summer, following the attempted coup. However, political tensions and terror attacks have contributed to a deterioration in the business climate and growth is likely to remain restrained at the start of 2017.

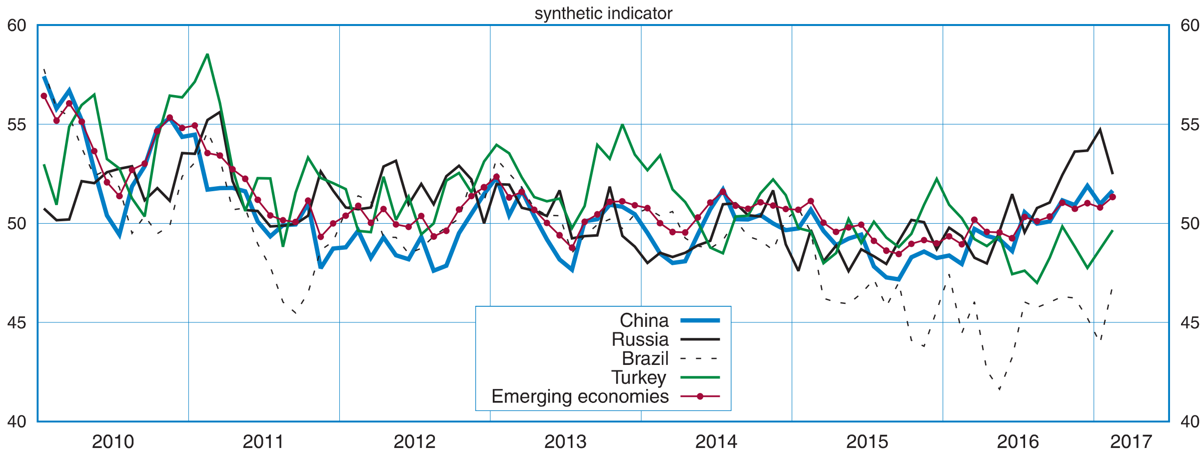
In China, the slowdown in activity has come to an end and imports are reinvigorated

In the Chinese economy, GDP growth stabilised in Q4 2016 (+1.7%), bringing the average increase for the year to +6.8%, the same as in 2015. In H1 2017, it is expected to rise slightly (+1.8% per quarter). The annual growth overhang is set to reach +5.4% by mid-2017.

Industrial activity accelerated, particularly in heavy industry. It is likely to remain buoyant, as suggested by the improved business climate in the manufacturing sector (*Graph 1*) and the recovery of steel and cement production over the last six months. Productive investment is growing at a steady pace, after slowing continuously since 2014. Problems of overproduction seem to have been overcome through the revival of domestic demand and factory closures. Household confidence has picked up and consumption should remain vigorous: car registrations again increased sharply at the end of 2016.

With domestic demand strengthening, imports accelerated substantially, increasing by almost 9% over three quarters, whereas previously they had stagnated overall from the beginning of 2014 to the beginning of 2016. They are expected to continue to rise sharply in H1, driving trade and activity for the whole of Asia. By mid-year, their growth overhang for 2017 should stand at +6.6%, after +1.0% for 2016 as a whole and –0.6% in 2015 (*Graph 2*).

1 - The business climate in the manufacturing sector is improving in the majority of emerging countries



Source: Markit

Russia returns to growth

The economic climate is gradually improving in Russia, thanks to the increase in commodity prices and the recovery of the Ruble. In Q4 2016, activity would appear to have picked up (+0.4%) as a result of the increase in exports, after being virtually stable in the summer (+0.1%). Industrial output has grown substantially, especially in the manufacturing sector. Domestic demand is improving a little, as the purchasing power of wages has been rising since November with the decline in inflation. On average over the year, economic activity was virtually stable in 2016 (–0.2%, after –2.8% in 2015). At the beginning of 2017, GDP is expected to continue to see a moderate increase, driven by industrial activity, and the annual growth overhang is likely to already reach +1.0% by mid-2017, against –0.7% one year earlier.

Sustained growth is expected in the Central and Eastern European countries

After a slowdown in summer 2016, activity in the Central and Eastern European countries accelerated in Q4 (+1.2% after +0.4%), bringing growth to an average of +3.0% for the year, after +3.9% in 2015. With a favourable business climate, GDP should regain its trend momentum in H1 2017, driven by industrial output and demand from the Eurozone, especially Germany.

In Brazil, the recession persists

In Brazil, activity continued to shrink in 2016 (–3.6%), only slightly less severely than in 2015 (–3.8%). Industrial output fell again at year's end, a sign of the persistent difficulties faced by Brazilian exporters. However, consumption is declining more slowly and inflation is falling. In the wake of domestic demand, activity is likely to continue to deteriorate through to mid-2017, but at a slower pace. At the end of H1 2017, the annual growth overhang should be restricted to –1.5%.

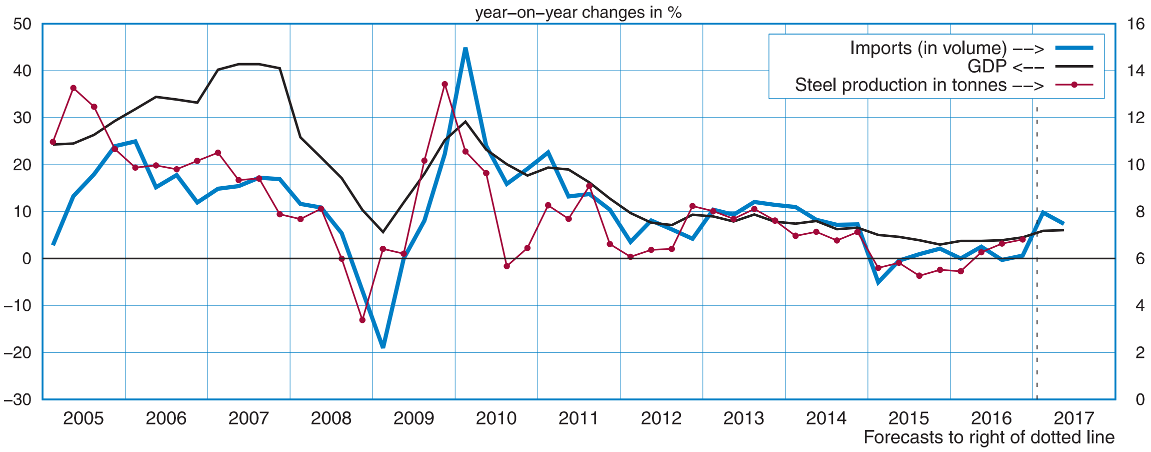
In India, the demonetisation of banknotes is hampering activity

In India, the surprise demonetisation of 500- and 1000-rupee banknotes, decided in November to combat money laundering, has affected an economy in which the majority of transactions are carried out in cash. As a result, the business climate deteriorated substantially at the end of 2016. Assuming that this shortage of notes does not last, activity in India should quickly regain its trend momentum.

Short-lived rebound of a slowing Turkish economy

According to the latest national accounts published by Turkstat, activity slipped back by 2.7% in the summer, with industrial output in particular plummeting in the wake of the coup. In Q4 2016, GDP seems to have rebounded due to a catch-up in industrial production, and the business climate picked up slightly, despite still being affected by the terror attacks and political tensions. The decline in the Turkish Lira has boosted exports but encouraged inflation, to the detriment of purchasing power. In 2016, growth would appear to have reached +2.0%, considerably lower than in 2015 (+5.9%), and at the beginning of 2017 it is expected to register a more moderate rate than previously. ■

2 - In China, growth remains solid and imports are taking off



Sources: NSBC, INSEE forecast