

L'economia mondiale e quella europea

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Il contesto internazionale

Global economy in the midst of a slowdown, but so far looks more like a mini-cycle than major downturn

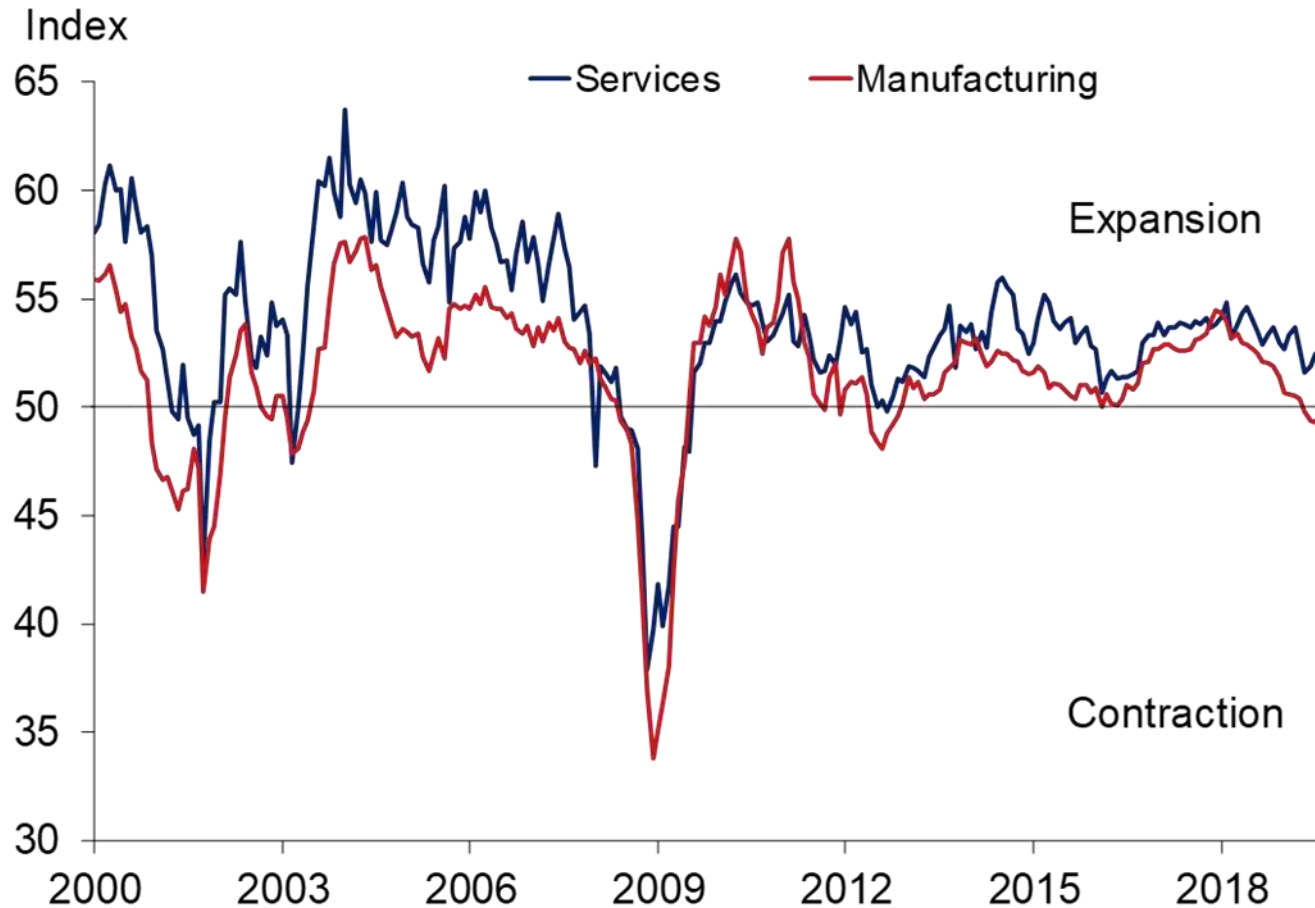
World: GDP & PMI



Source : Oxford Economics/Haver Analytics/Markit

Weakness centred around manufacturing but risks expanding to services

World: PMIs

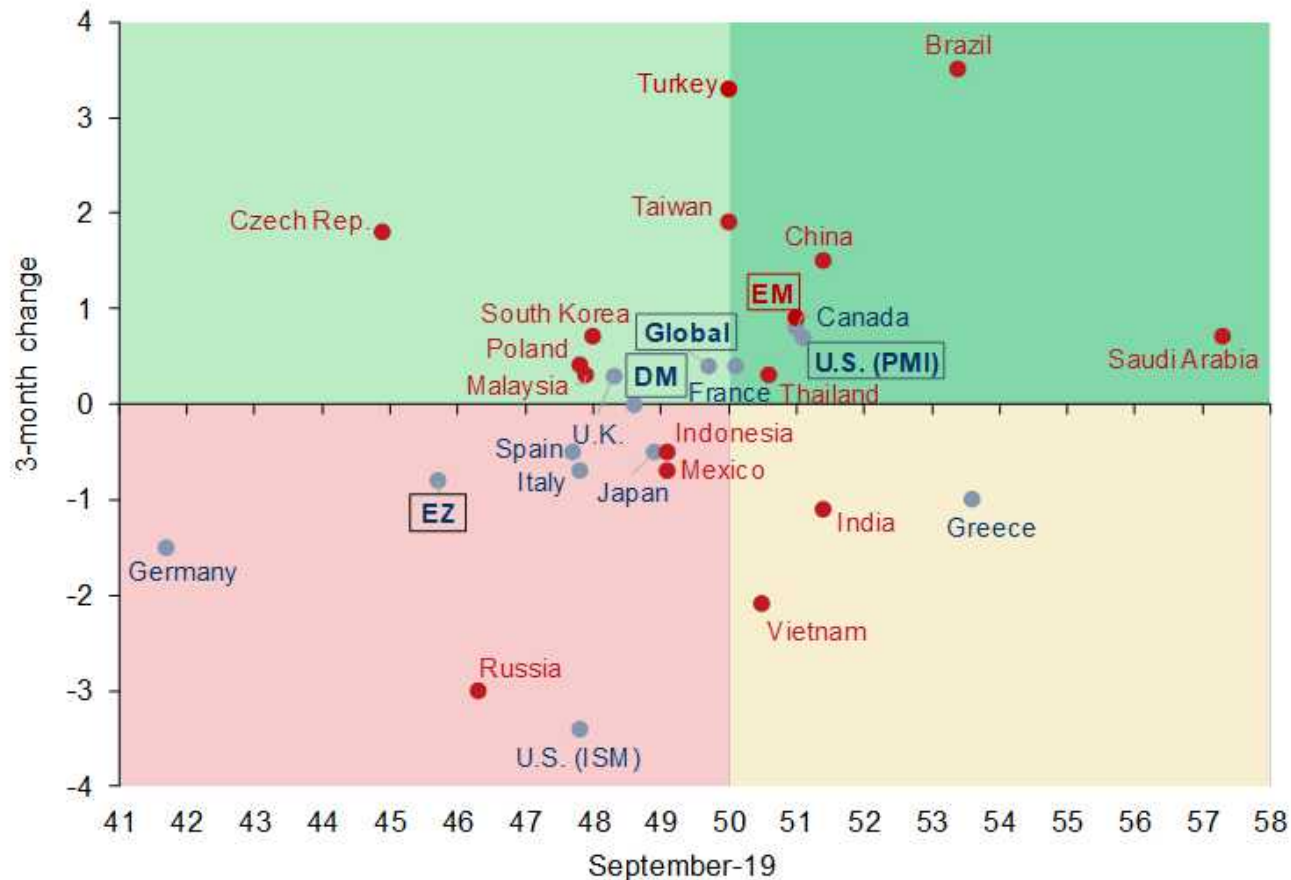


Source : Oxford Economics/Markit

Weakness mainly coming from big industrial economies

EM vs DM manufacturing activity

Latest manu facturing PMI vs three-month change (points)

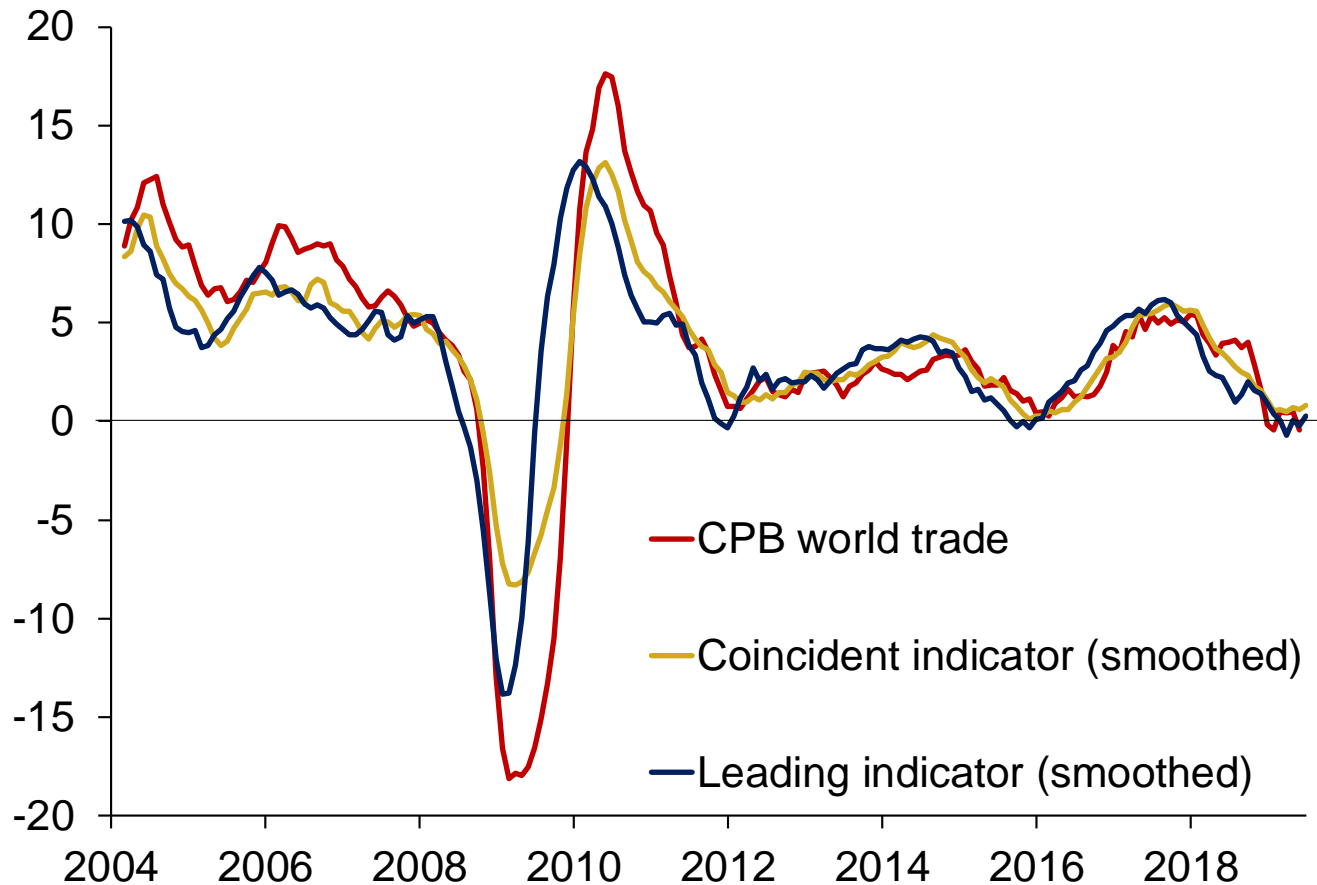


Source : Oxford Economics, Bloomberg

World trade growth has stalled...

World trade and world trade indicators

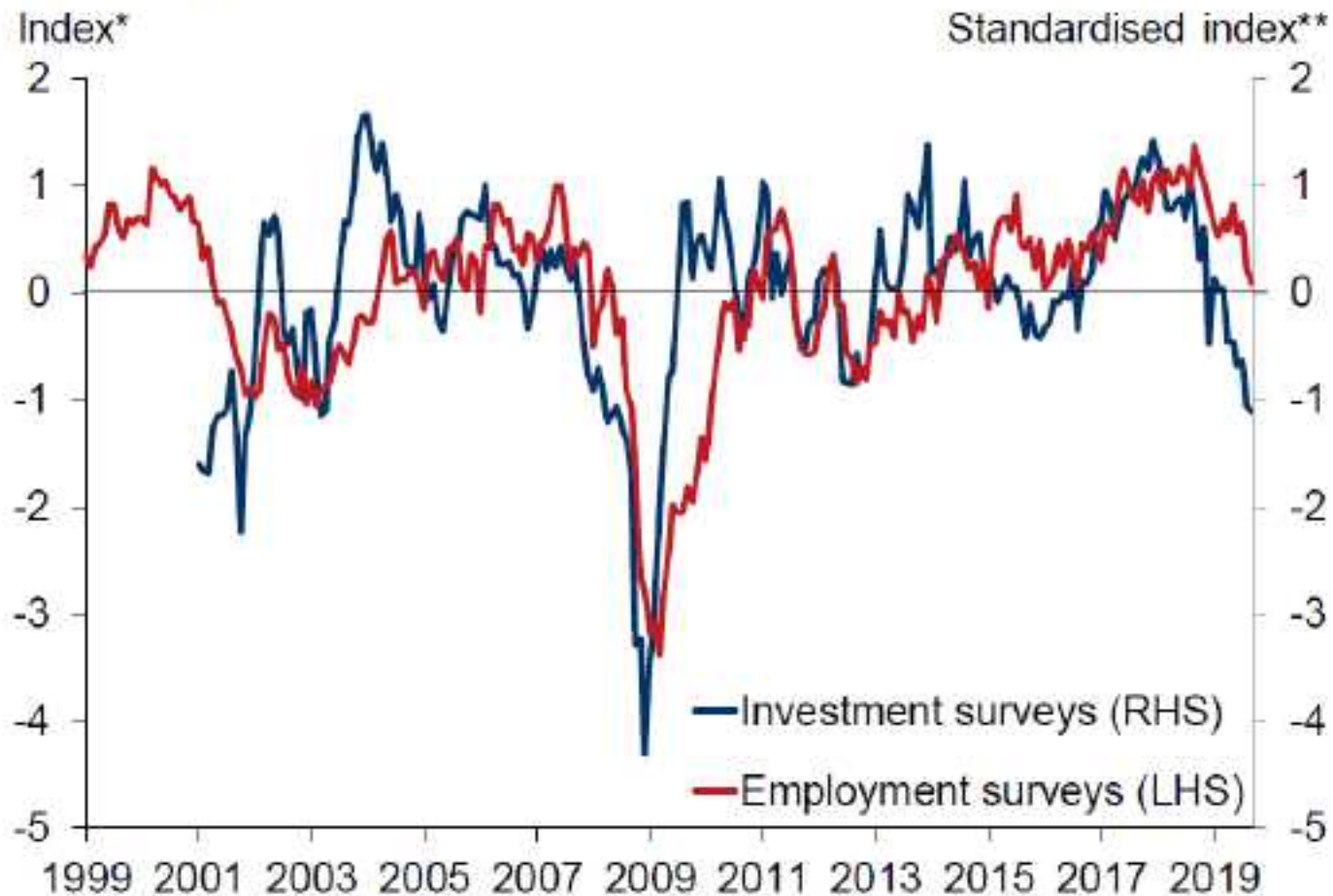
% year 3mma (volume)



Source : Oxford Economics/Nederland CPB

...and investment intentions have turned down sharply...

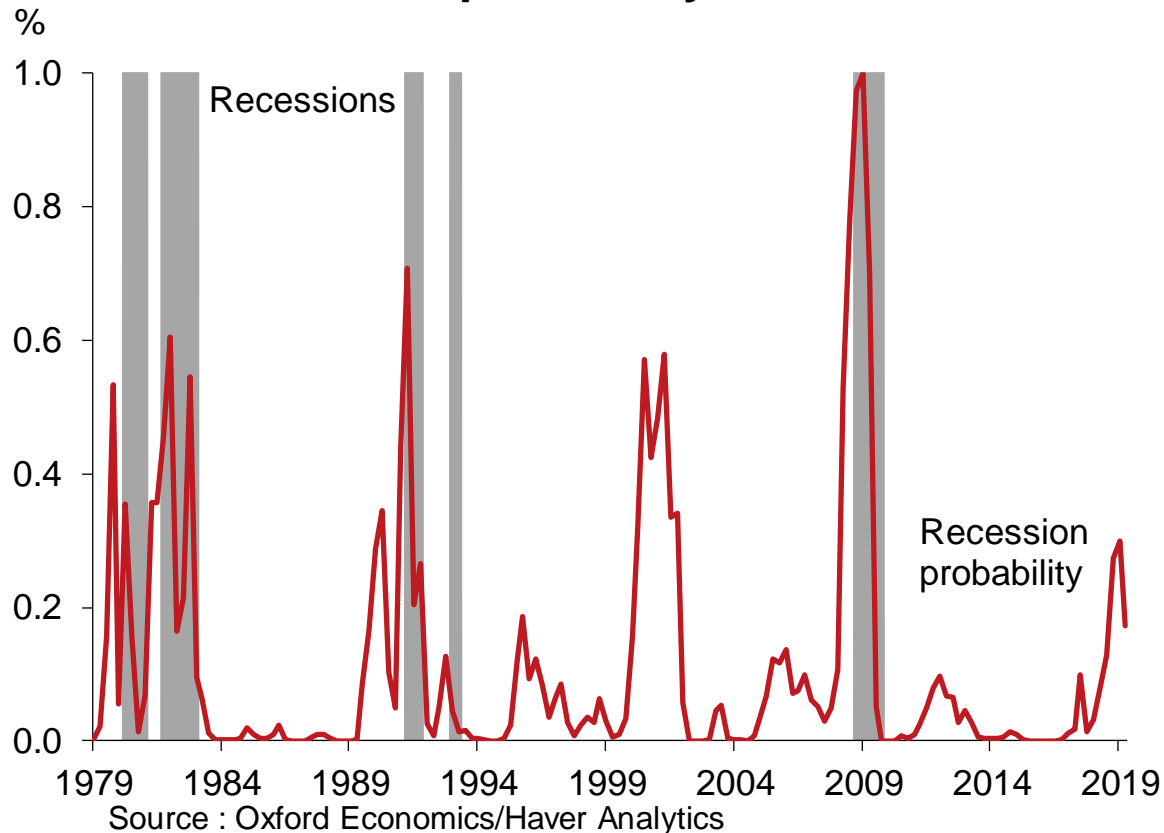
Employment and investment intentions



Source : Oxford Economics/Haver Analytics * Weighted average of US, UK and eurozone ** Weighted average of US, Germany and Japan

Recession indicators are rising but not flashing red

Global: Recession probability

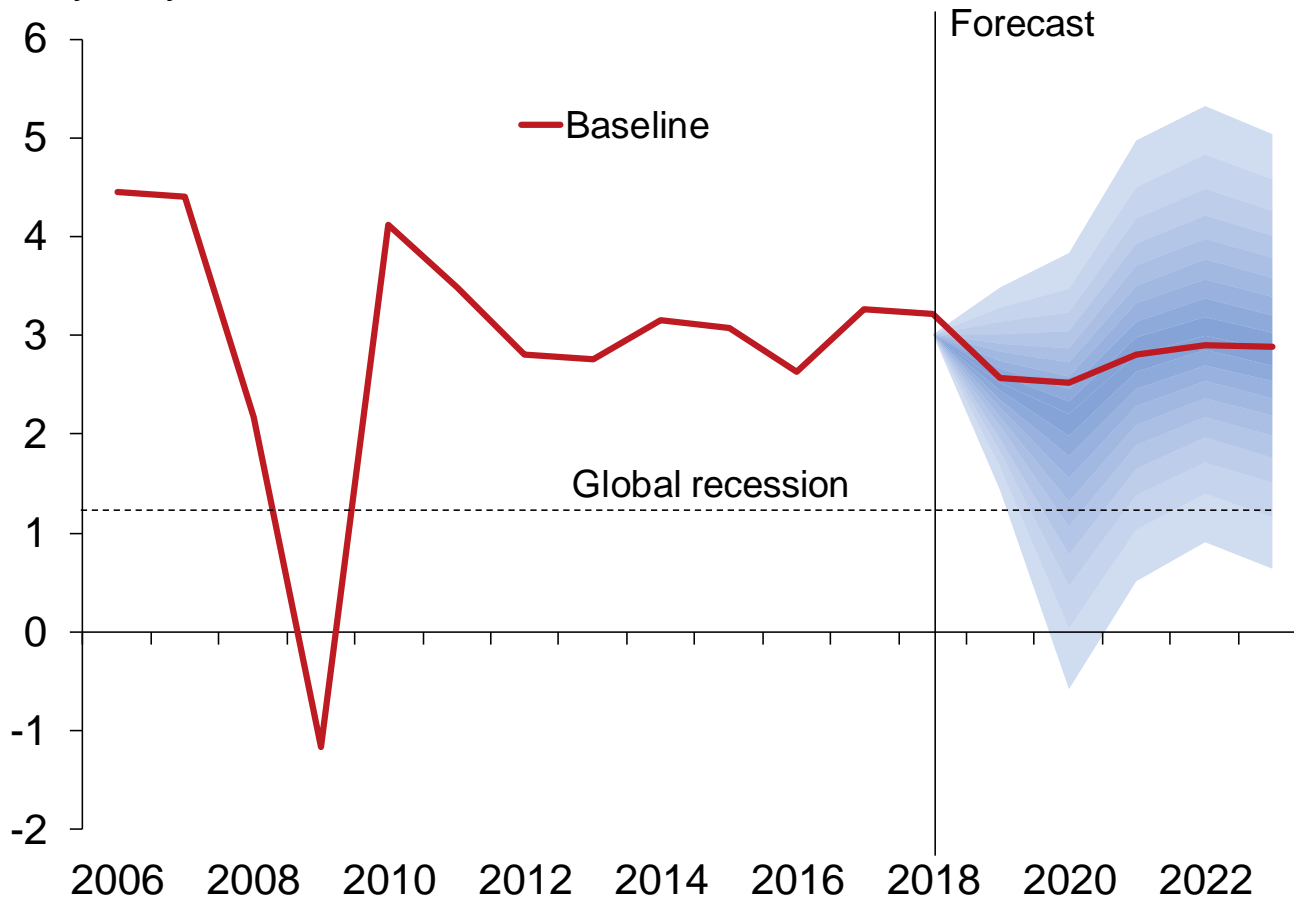


* Based on the US yield curve, global industrial production, oil prices and house price growth in advanced economies

Baseline is anaemic global growth but no recession

World: real GDP distribution

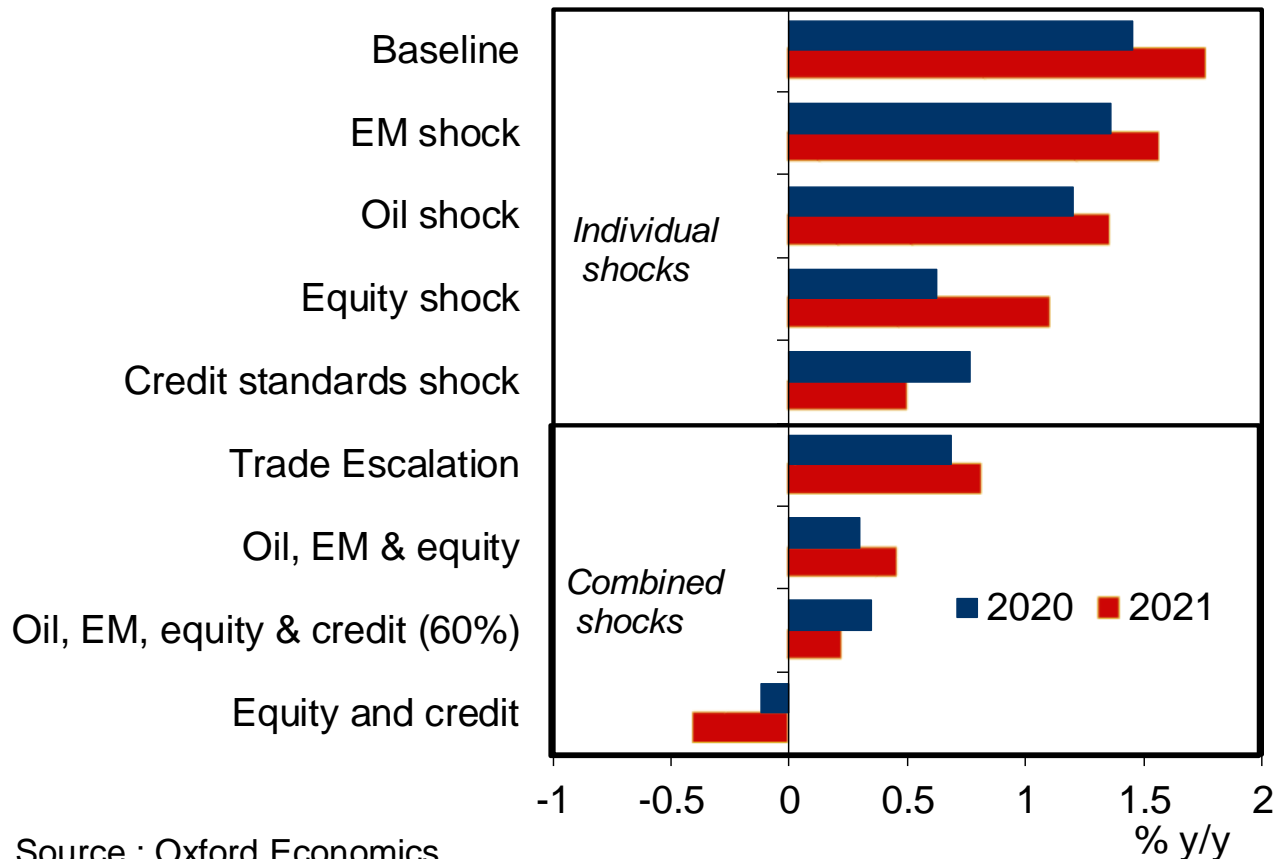
%, yearly



Source : Oxford Economics

A combination of additional shocks could push the world into recession

World: GDP per head in different scenarios

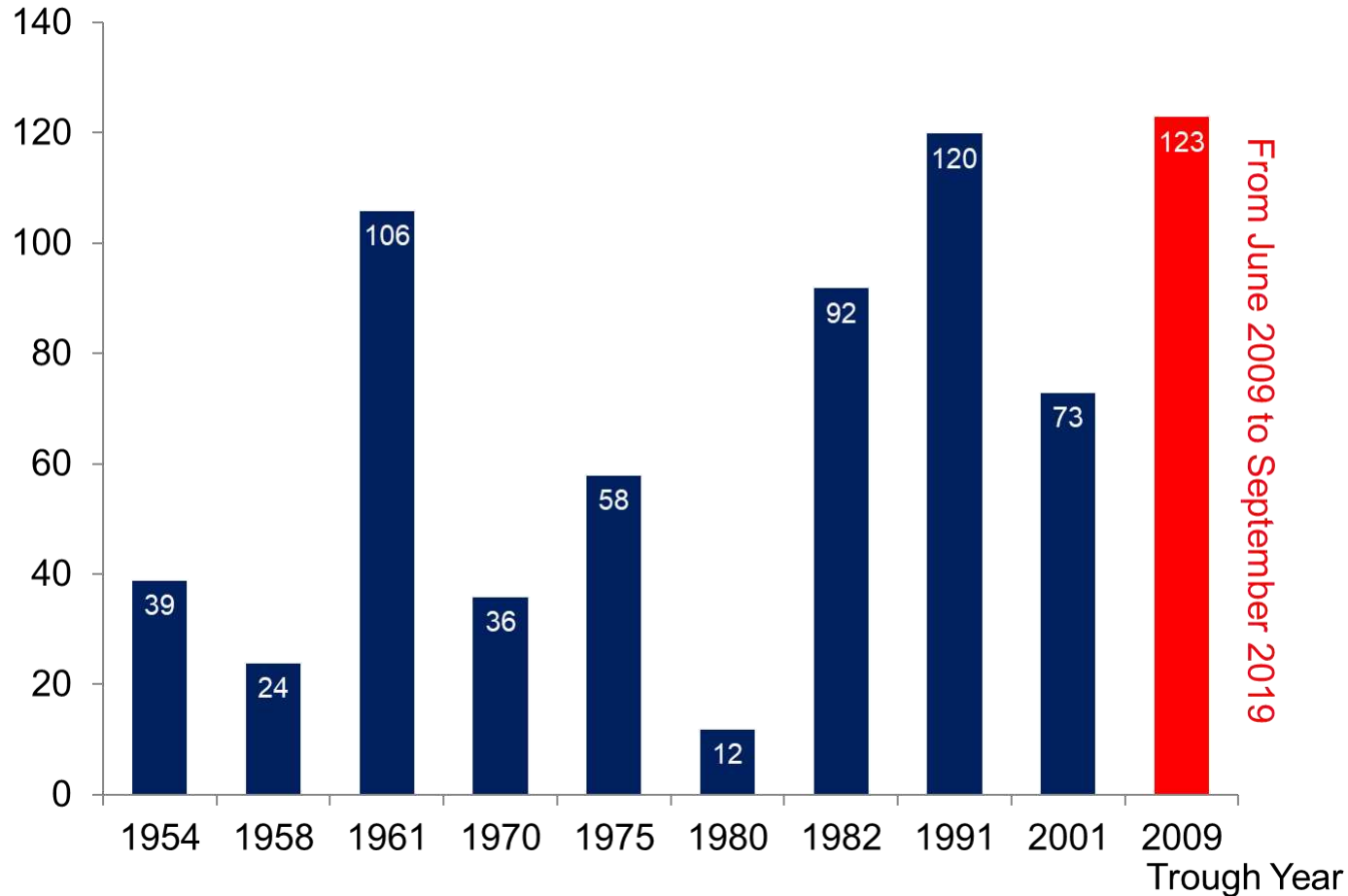


Source : Oxford Economics

US: longest expansion on record...

US: The longest economic expansion on record

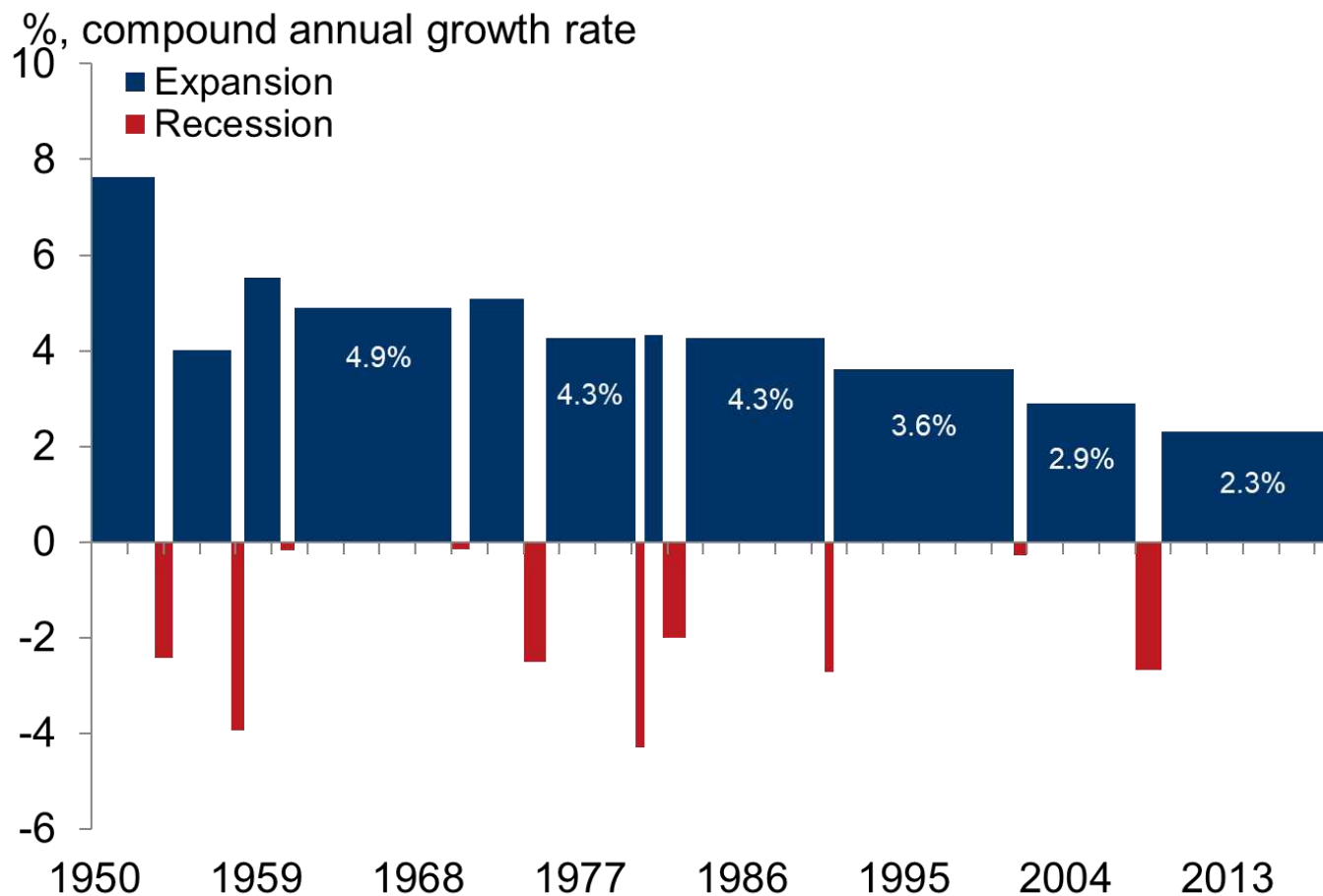
Number of months, Trough to Peak



Source : Oxford Economics, NBER

...but also the slowest

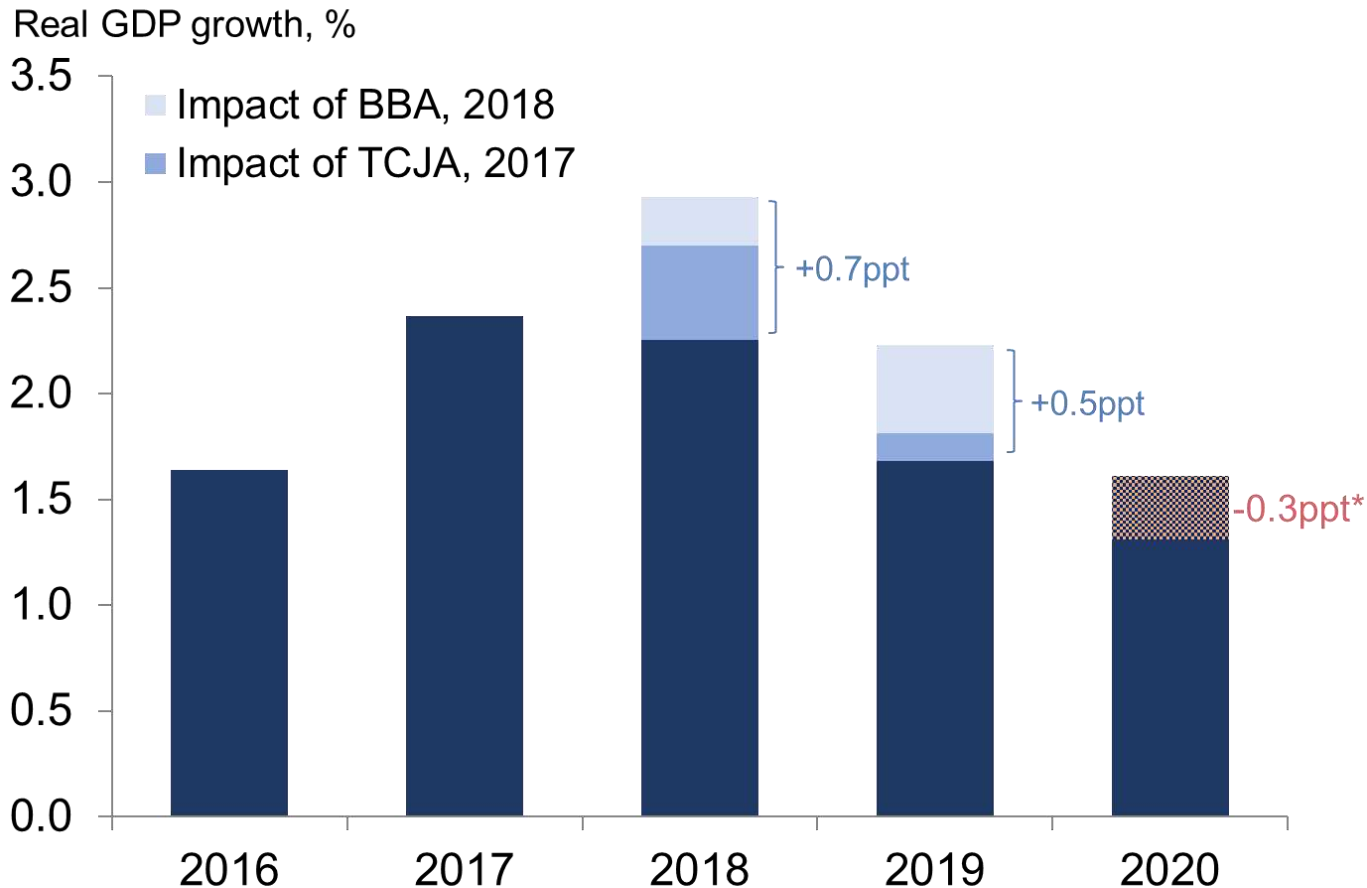
US: Expansions and Recessions



Source : Oxford Economics/Haver Analytics

We're past "peak-Trump"

US: Contribution of fiscal stimulus to growth



Source: Oxford Economics

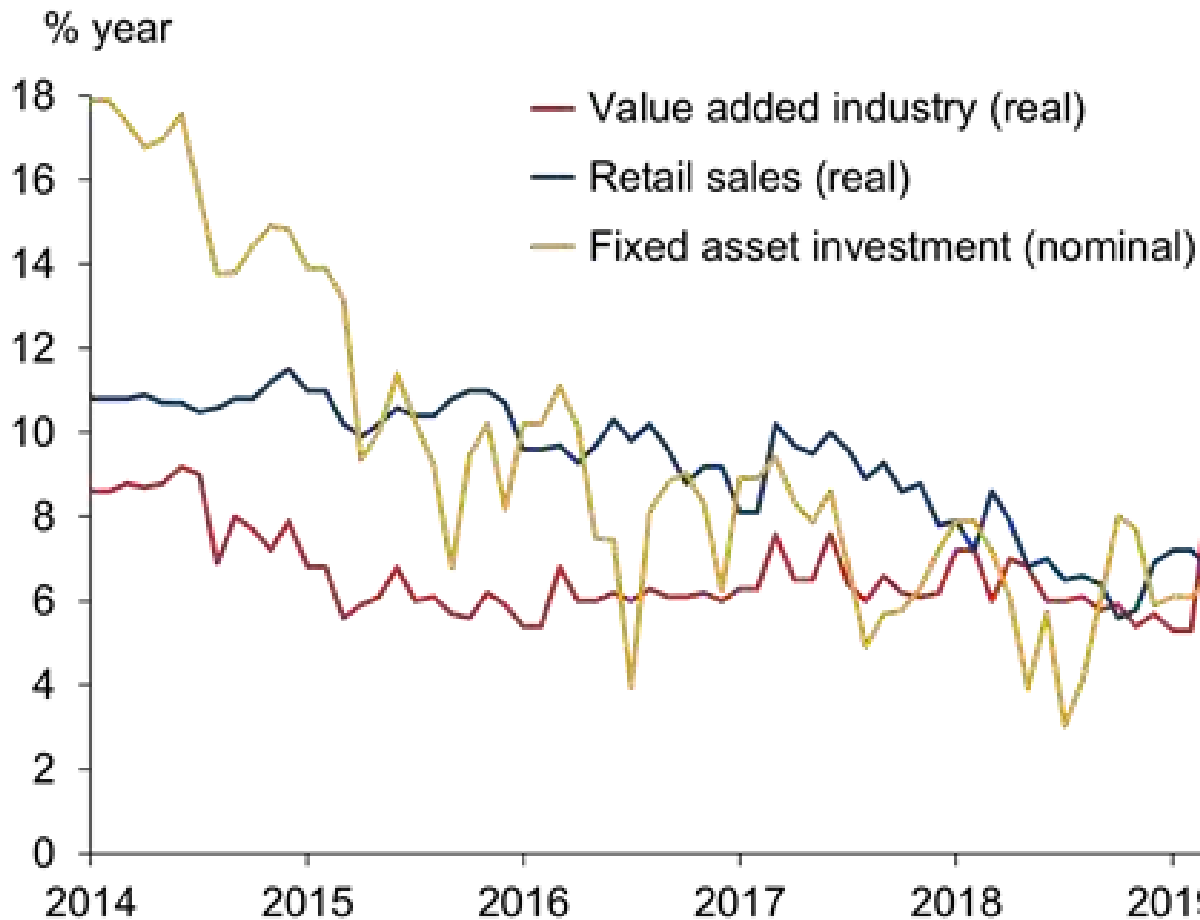
BBA, 2018 = Bipartisan Budget Act of 2018

TCJA, 2017 = Tax Cuts and Jobs Act of 2017

*Fiscal cliff risk if Congress hadn't extended BBA spending

China is slowing down

China: Key cyclical indicators



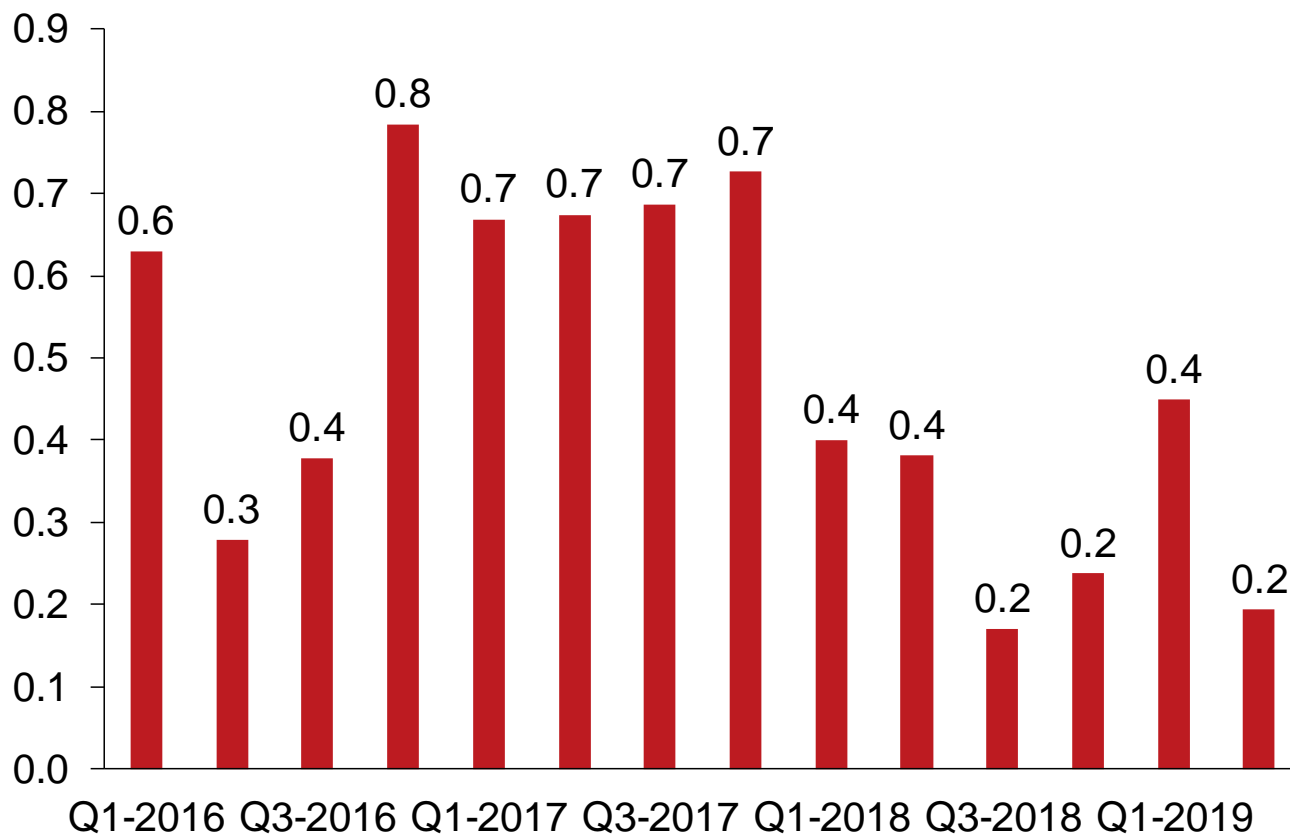
Source : Oxford Economics/CEIC

Eurozona

Eurozone growth slowed down sharply in Q2

Eurozone GDP growth

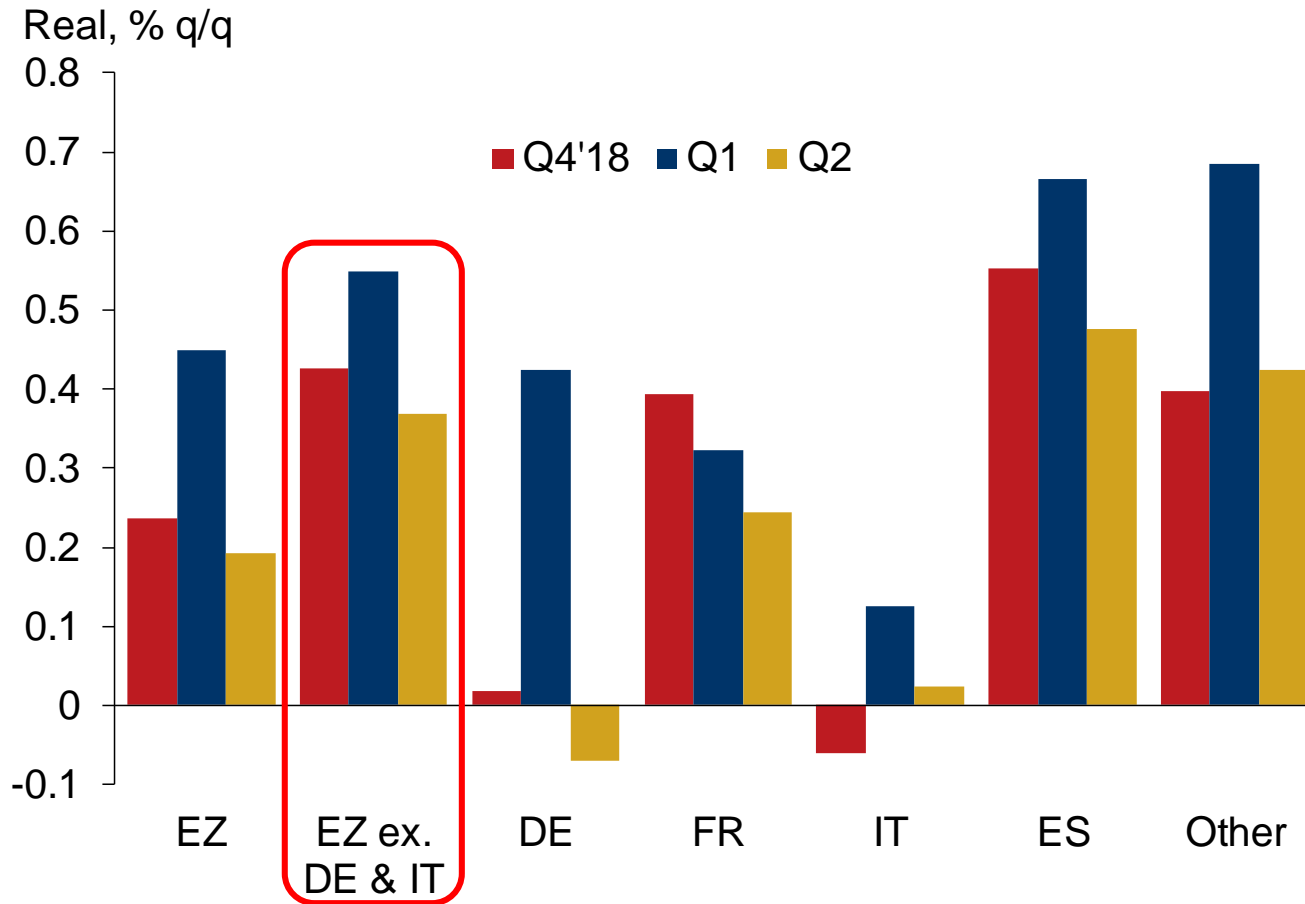
q/q in %



Source: Oxford Economics/Haver Analytics

Caveat 1: Growth outside Germany and Italy still looks decent

Eurozone: Real GDP growth

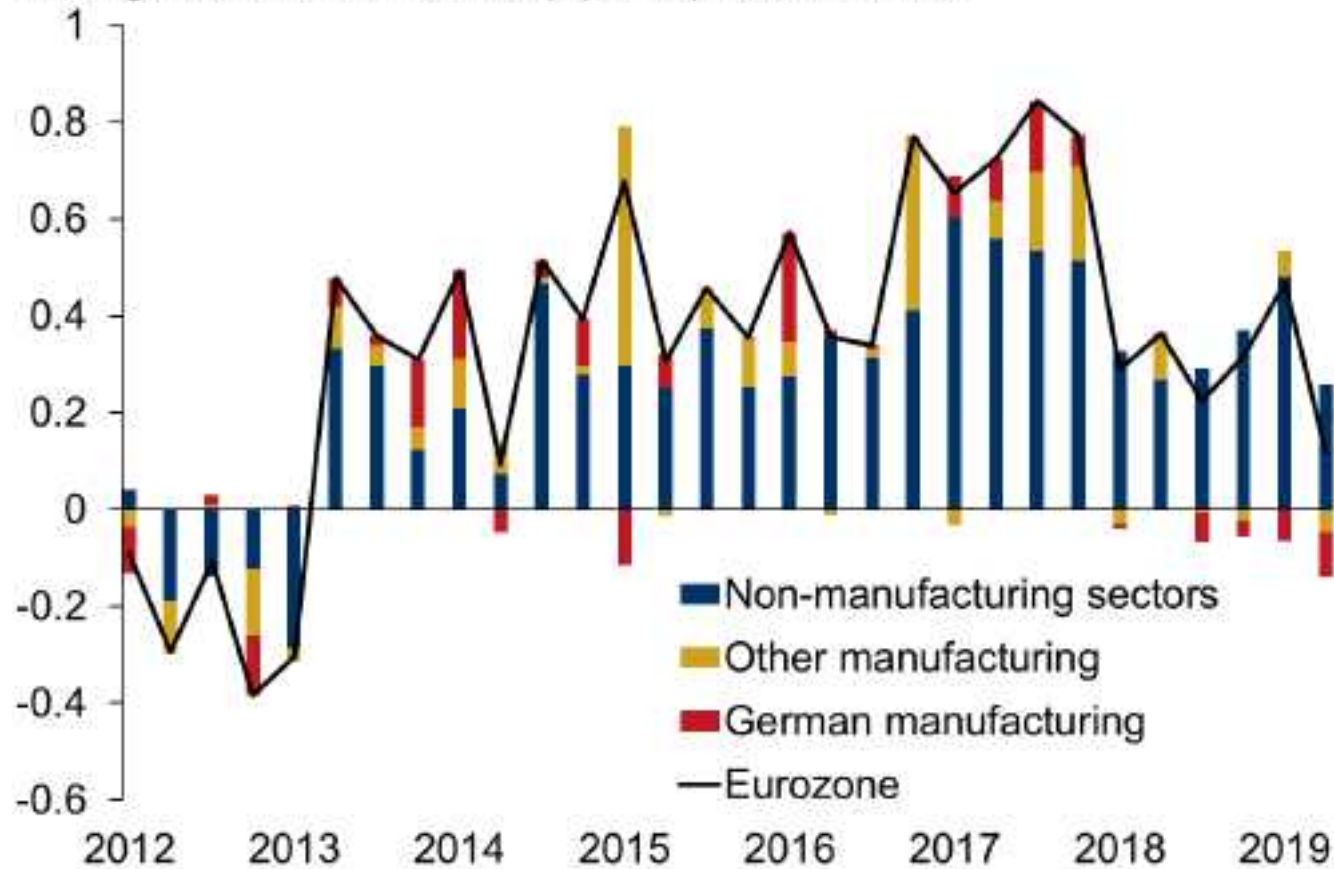


Source : Oxford Economics/Haver Analytics

Caveat 2: Growth outside of industry still holding on

Eurozone: Value added growth

Real gross value added, % q/q & %-pts contribution

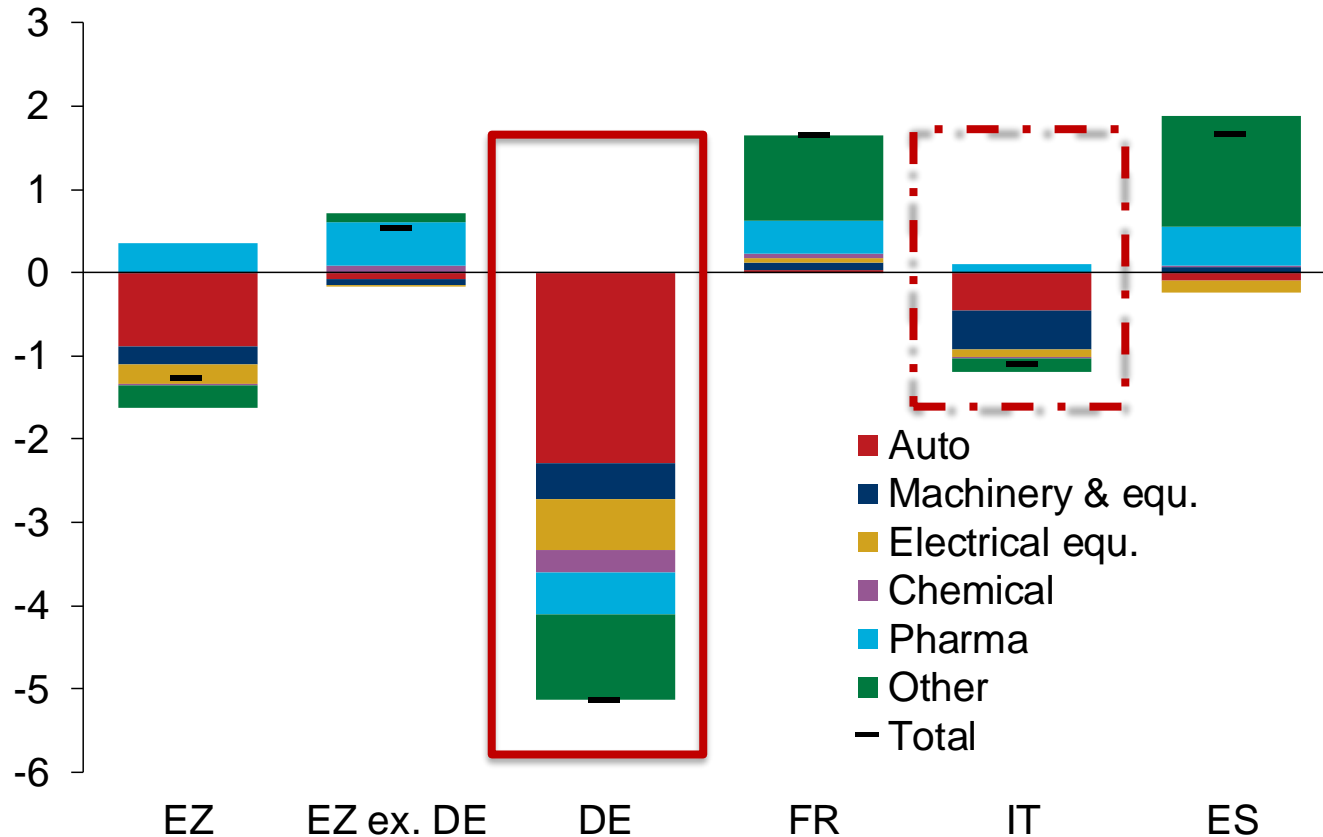


Source : Oxford Economics/Haver Analytics

Caveat 3: The impact of the auto industry

Eurozone: Industrial production

Q2 2019, % y/y & %-pts contribution



Source : Oxford Economics/Haver Analytics

But surveys suggest more weakness in H2

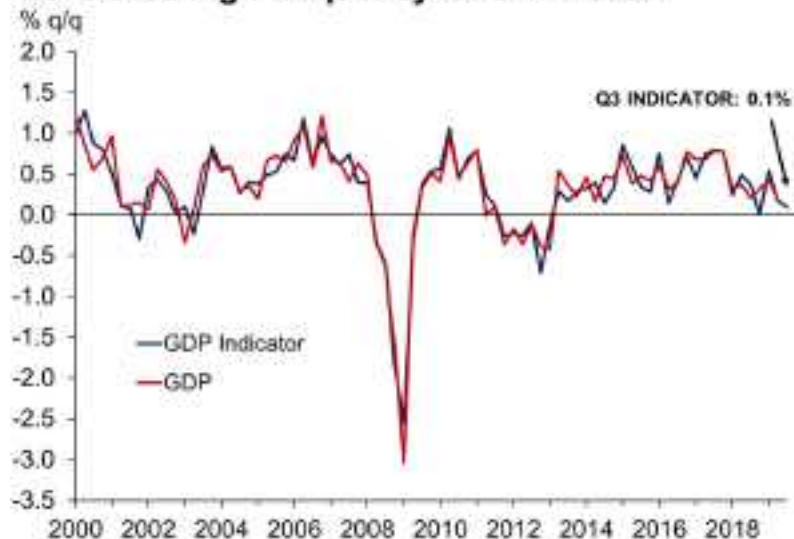
Eurozone: Key surveys

Index normalised at 0



Source: Oxford Economics/Haver Analytics

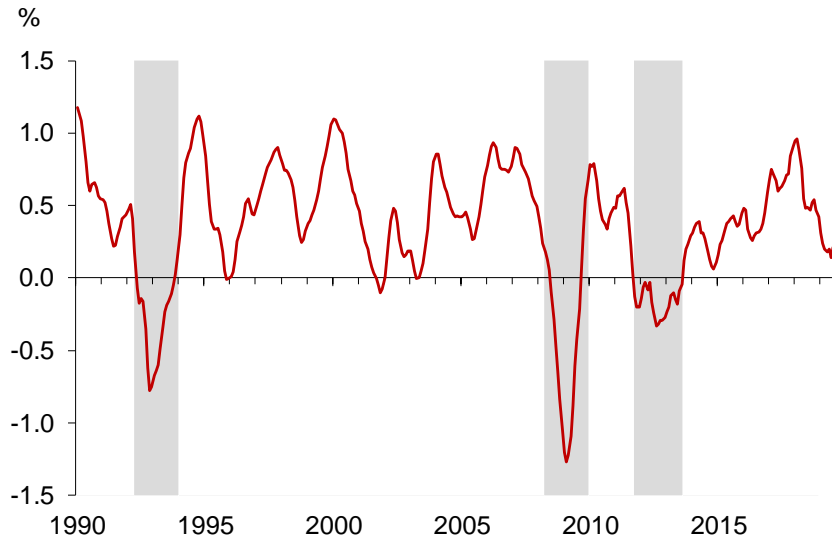
Euro area high frequency GDP indicator



Source: Oxford Economics/Haver Analytics

No recession, but rather permanent low growth for now

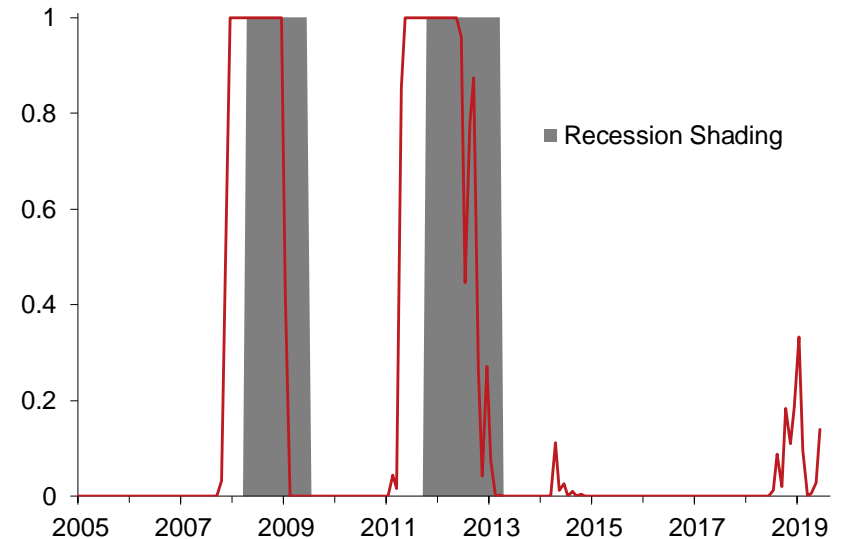
EuroCOIN coincident business cycle indicator



Source: Oxford Economics/Haver Analytics

Note: Grey bars denote recession periods as defined by CEPR

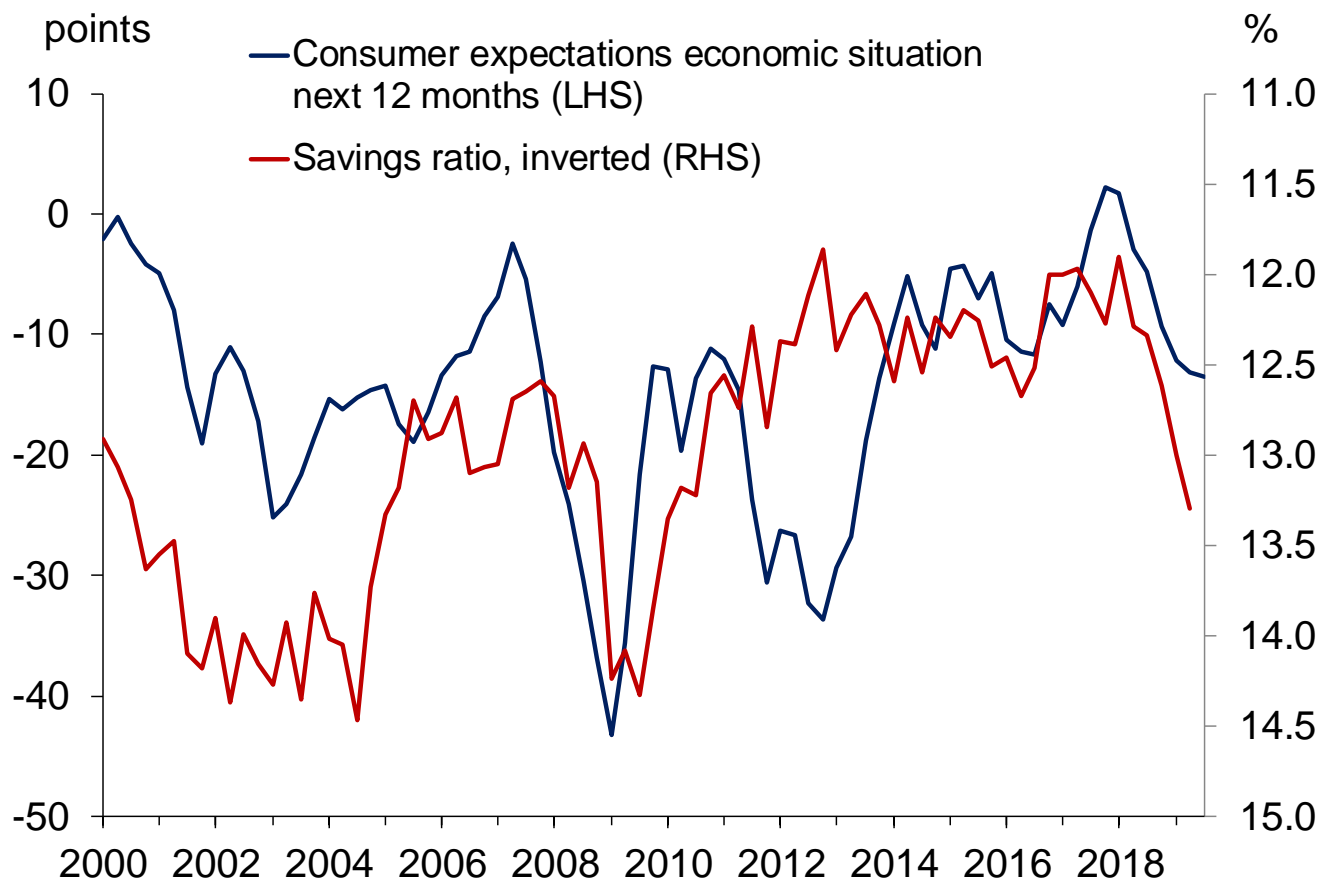
OE Eurozone Recession Risk Indicator (6 months)



Source: Oxford Economics/Haver Analytics

Pessimistic consumers pose downside risks to household spending

Eurozone: Consumer confidence & savings rate

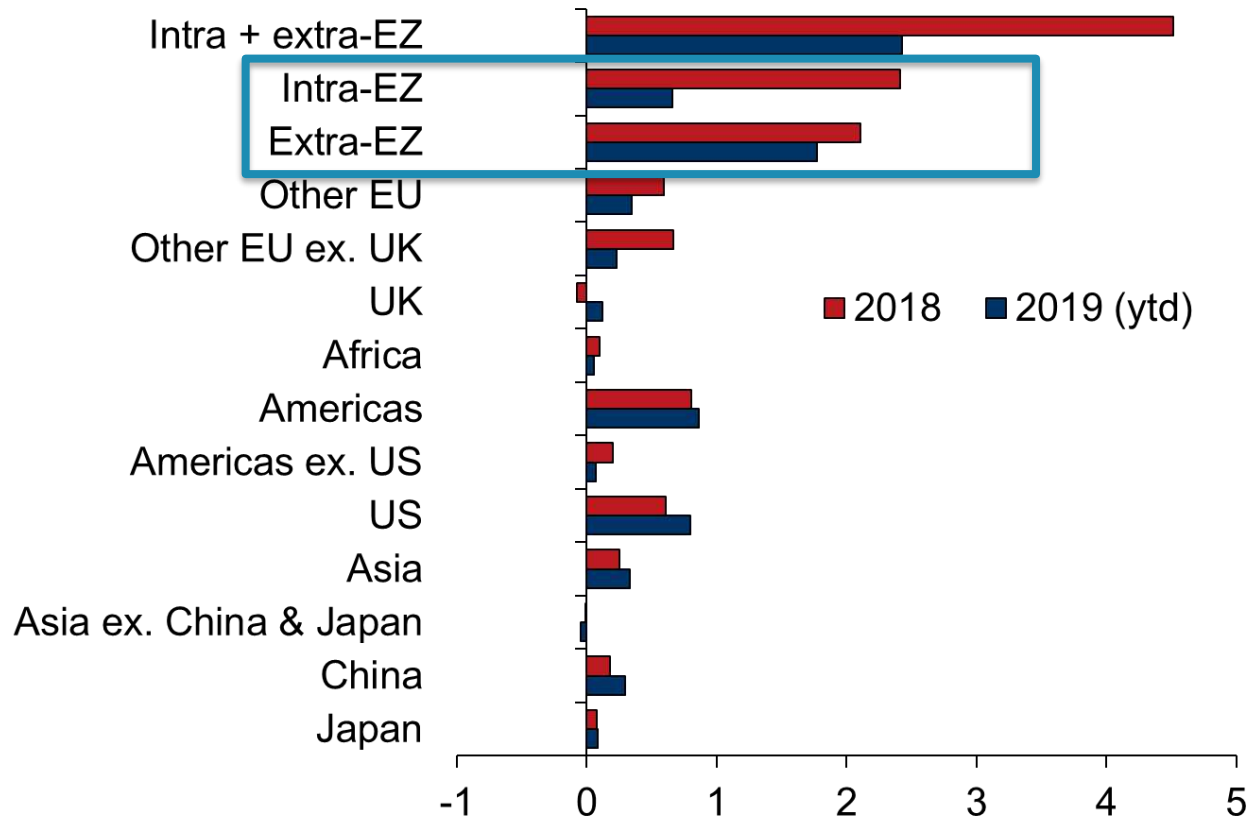


Source: Oxford Economics/Haver Analytics

Despite trade wars, extra-eurozone trade holding up

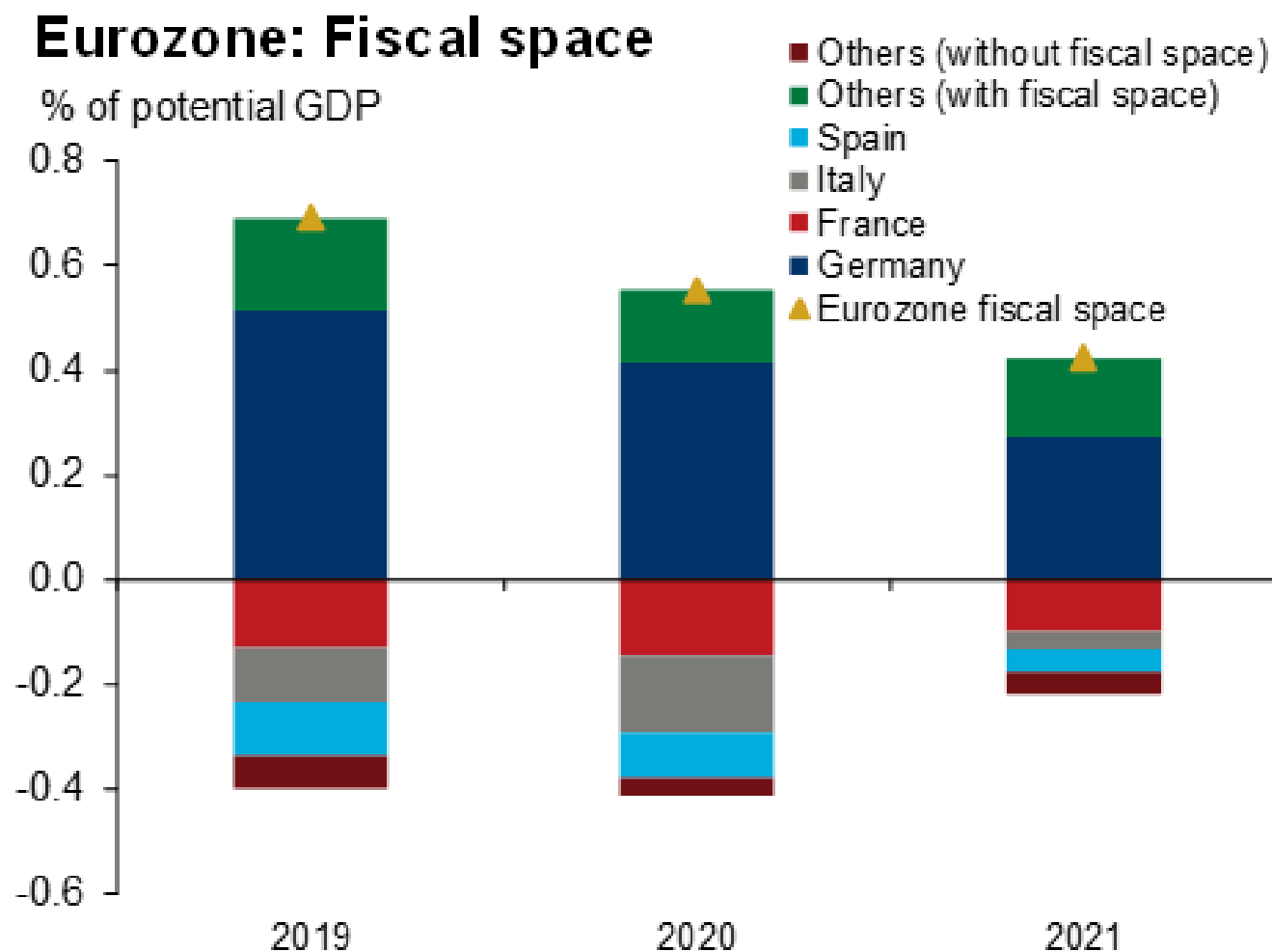
Eurozone: Extra- & intra Eurozone trade

%-points growth contribution



Source : Haver Analytics

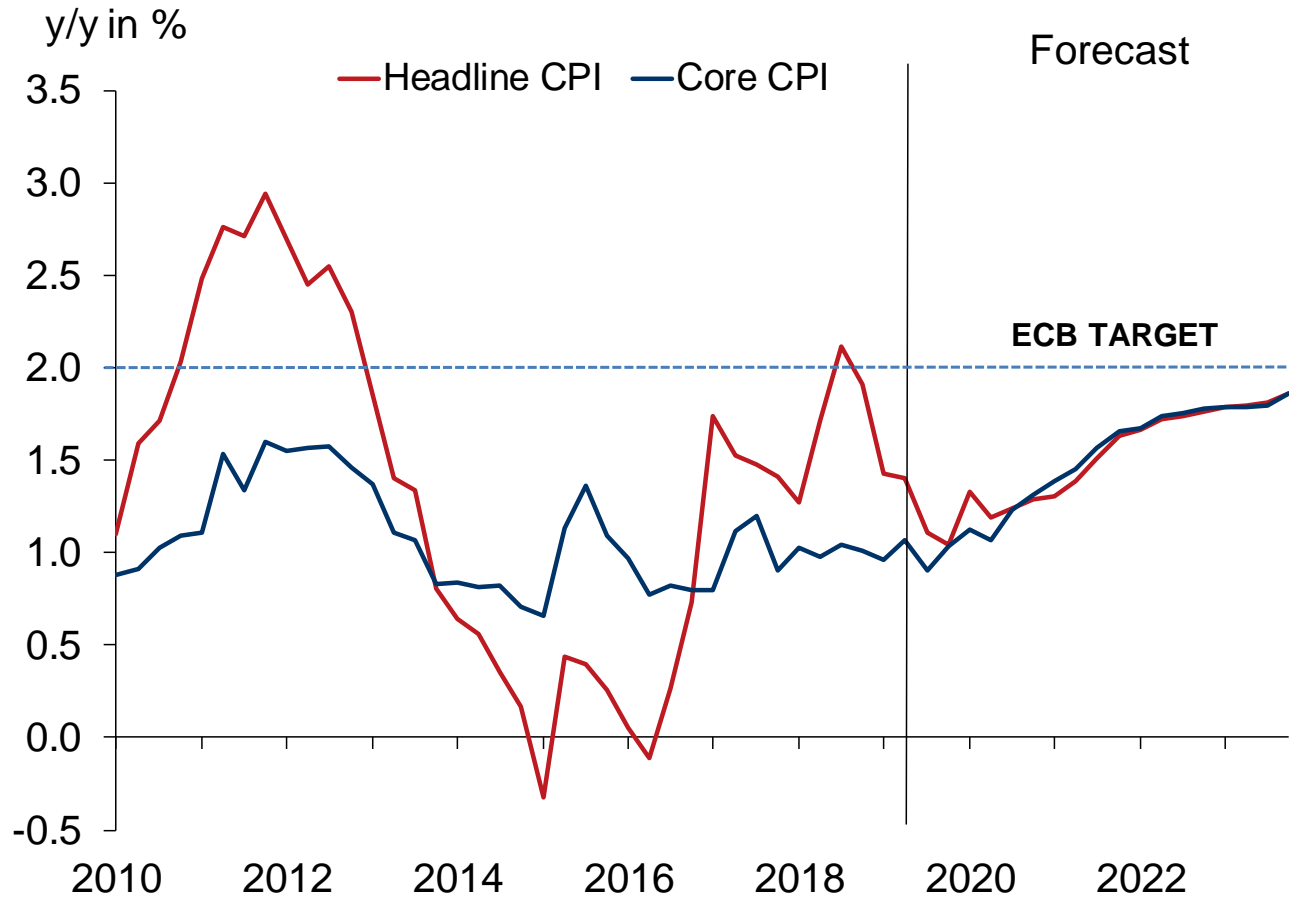
Fiscal space mostly in Germany, but will it be used?



Source : Oxford Economics/Haver Analytics/European Commission

Lowflation to remain in the coming years

Eurozone inflation



Source : Oxford Economics/Haver Analytics

ECB delivered extensive stimulus package in September

Deposit rate cut

- Cut by 0.1pp to -0.5%
- Forward guidance change from calendar-based to inflation-dependent: **ECB will keep interest rates “at their present or lower levels” until the inflation outlook converges to target**

QE of €20bn / month

- Net asset purchases of €20bn per month will begin on 1 November
- Programme is **open-ended**
- We think programme can probably run for less than a year before the issue limit of 33% is reached

Tiering

- Tiered reserves system for bank deposits
- Mitigates negative impact of QE increasing banks' excess reserves and lower deposit rate on bank profitability
- Set at 6x of minimum reserve requirement

TLTRO III

- 10bp spread over the deposit rate was removed and maturities extended to 3 years from 2 previously
- Together with tiering, provides eligible banks with carry trade opportunity

Possible next steps

- Raise of PSPP issuer limit to 50%
- Raise of tiering rate to keep up with rising excess reserves
- Rate cut to -0.6%
- Increase QE

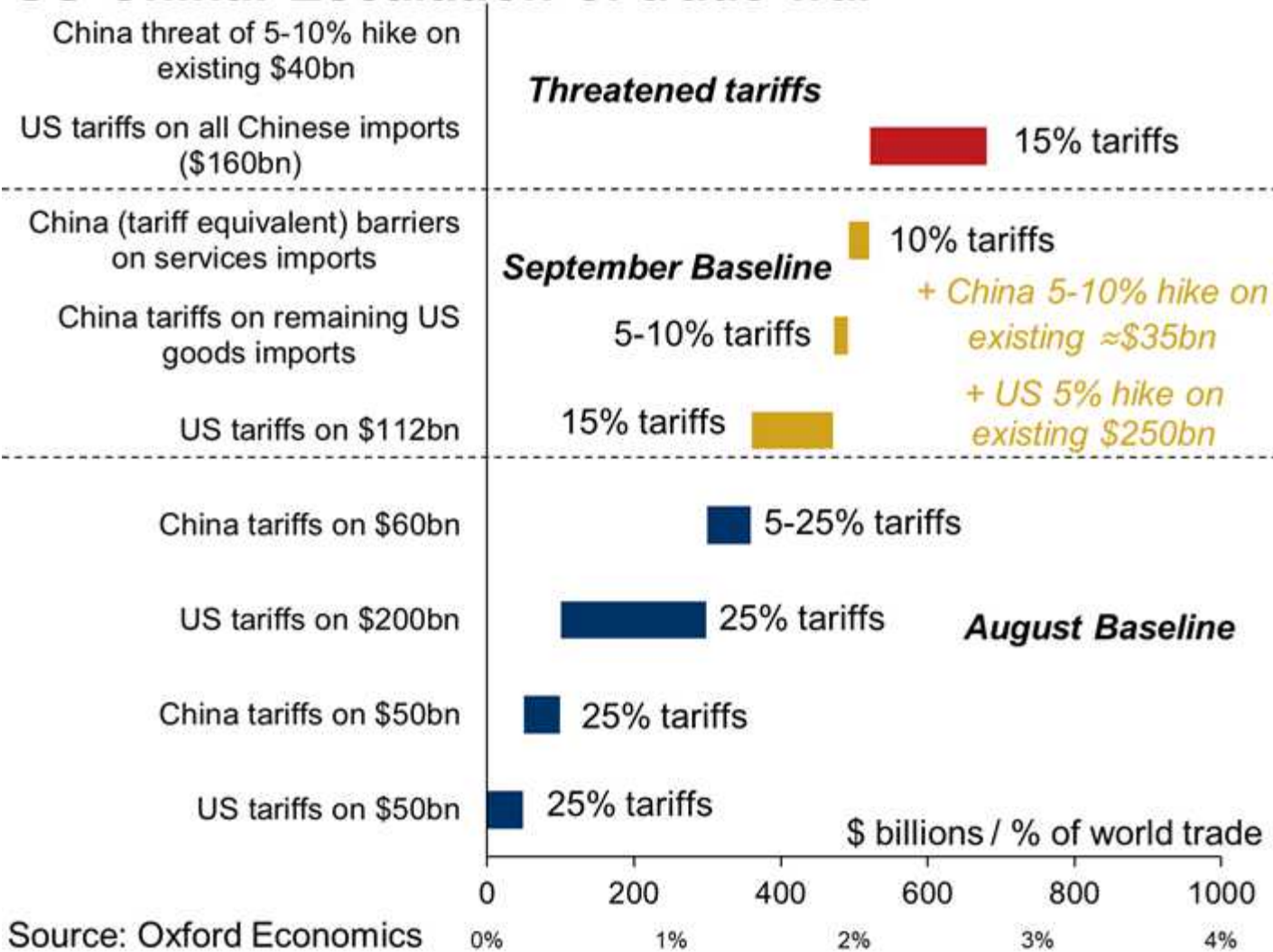
Forecasts

Summary of International Forecasts						
	2017	2018	2019	2020	2021	2022
Real GDP						
North America						
United States	2.4	2.9	2.2	1.6	1.8	1.8
Canada	3.0	1.9	1.4	1.1	1.4	1.6
Europe						
<u>Eurozone</u>	2.7	1.9	1.1	1.1	1.3	1.3
Germany	2.8	1.5	0.6	0.7	1.2	1.1
France	2.4	1.7	1.3	1.3	1.4	1.5
<u>Italy</u>	1.8	0.7	0.0	0.2	0.5	0.7
Spain	2.9	2.4	2.0	1.7	1.6	1.4
UK	1.9	1.4	1.3	1.1	2.0	1.8
EU27	2.7	2.0	1.4	1.2	1.5	1.5
Asia						
Japan	1.9	0.8	0.8	0.2	0.9	0.8
China	6.8	6.6	6.1	5.7	5.6	5.5
India	6.9	7.4	5.6	6.8	6.7	7.0
G7	2.3	2.1	1.6	1.2	1.5	1.5
<u>World</u>	3.3	3.2	2.5	2.5	2.8	2.9
World 2015 PPPs	3.8	3.6	2.9	3.1	3.4	3.5
World trade	6.5	5.1	0.6	1.9	3.0	3.4

Annex

Where we stand on US-China

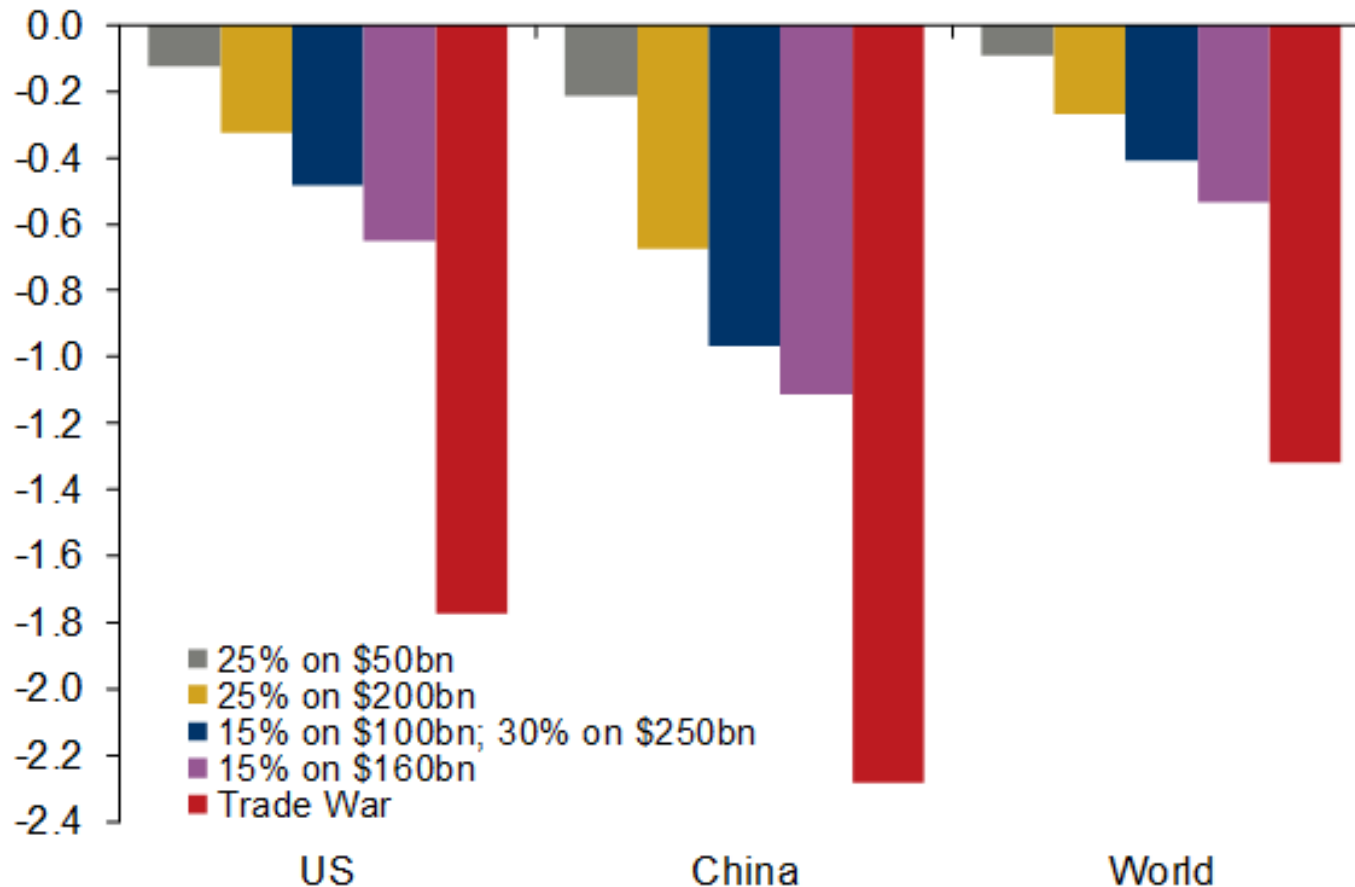
US-China: Escalation of trade war



Escalation would materially weaken the outlook

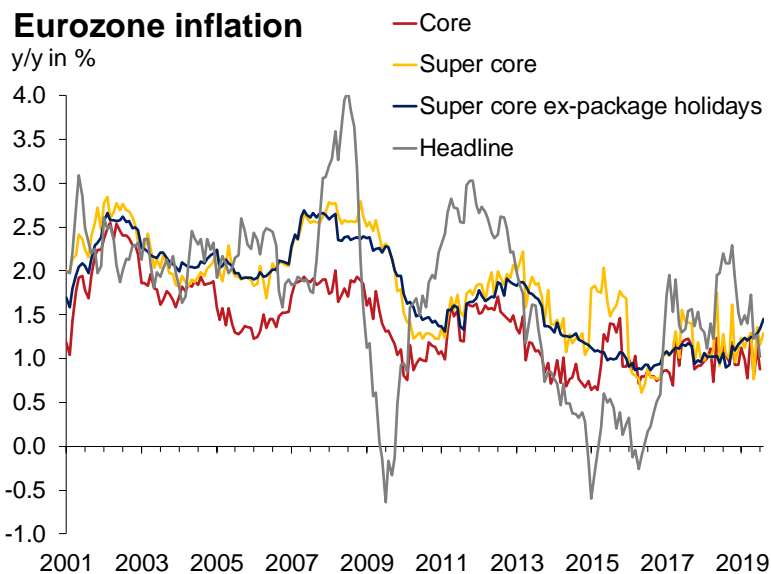
From bilateral tariffs to all-out global trade war

Real GDP impact, 2020, %

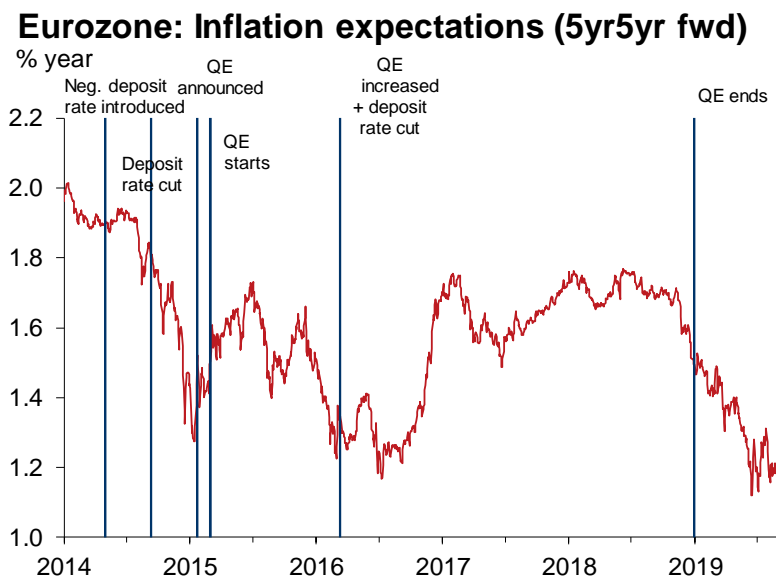


Source : Oxford Economics

Inflation and inflation expectations remain very weak



Source: Oxford Economics/Haver Analytics

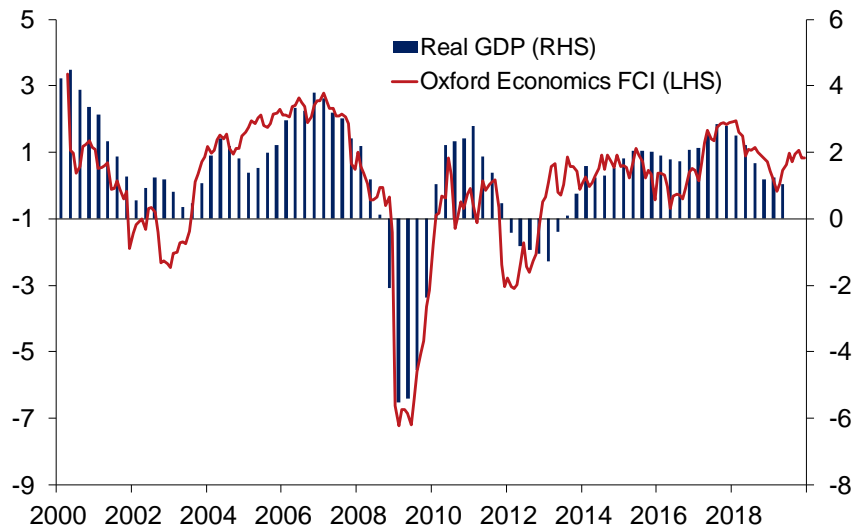


Source: Oxford Economics/Bloomberg

Dovish ECB keeping financial conditions loose

Eurozone: Financial conditions & GDP

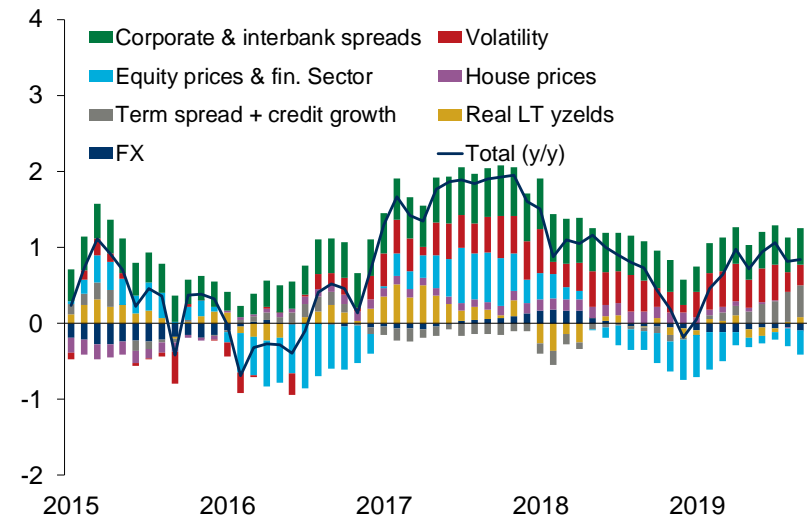
Index, 3M shifted fwd (LHS); % y/y (RHS)



Source : Oxford Economics/Haver Analytics/Bloomberg LP

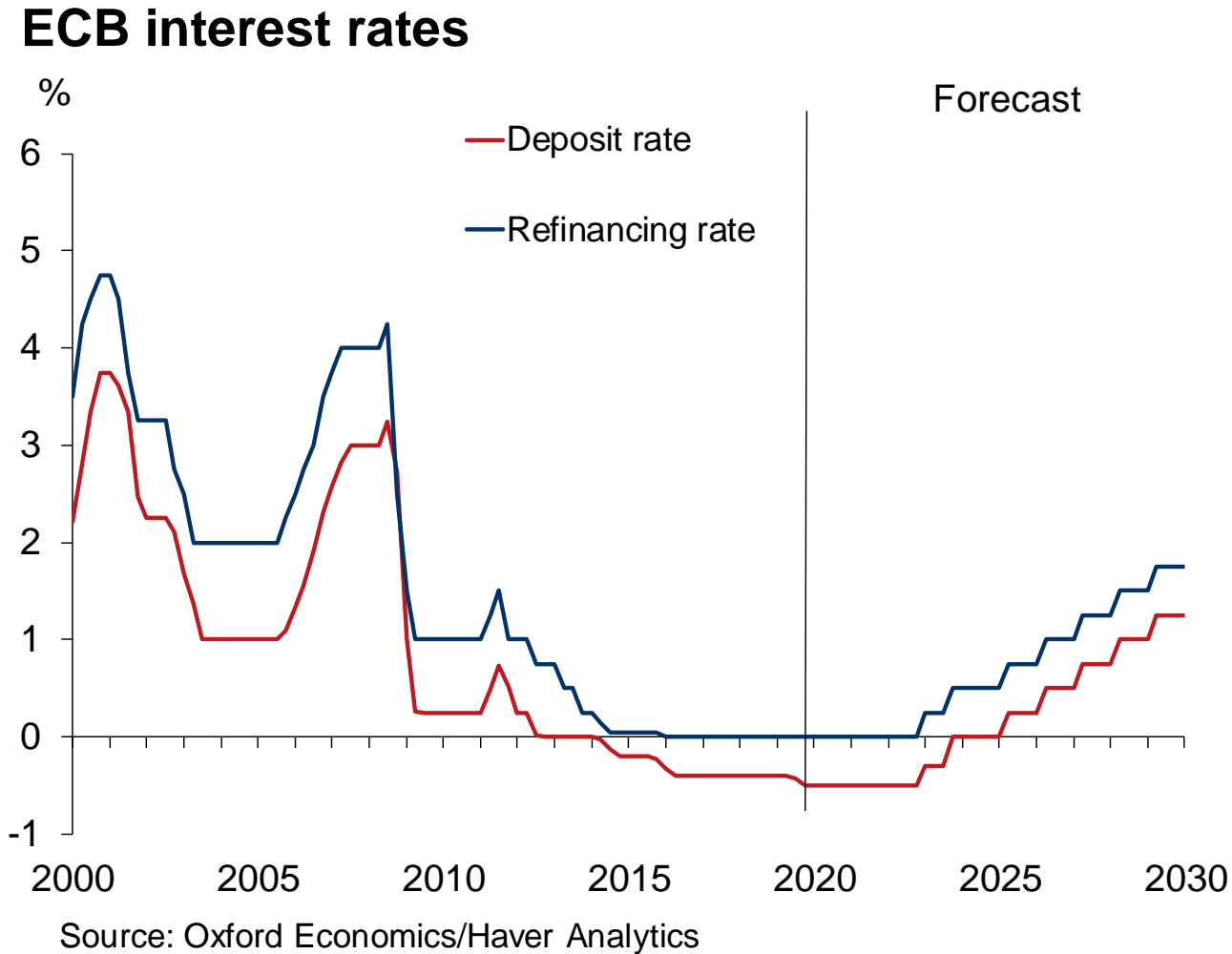
Eurozone: Financial conditions

Factor contribution



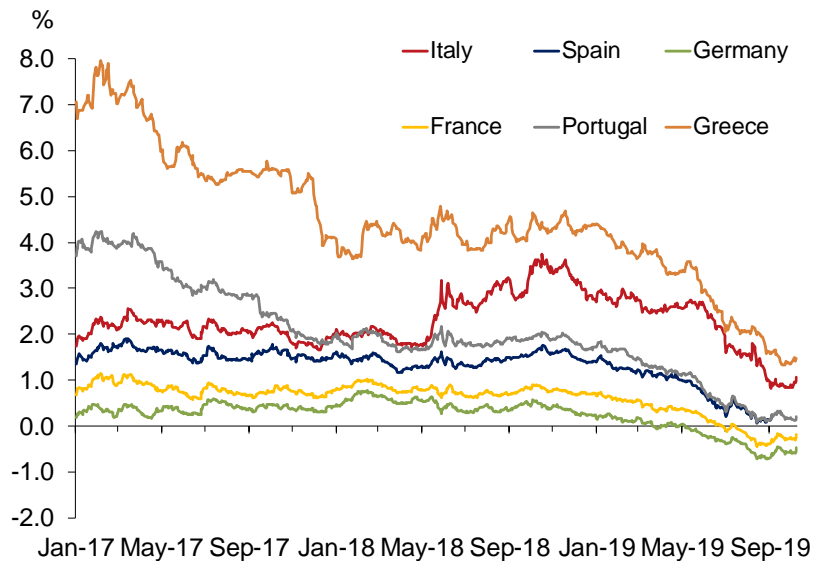
Source : Oxford Economics/Haver Analytics/Bloomberg LP

First ECB rate hike pushed to 2022



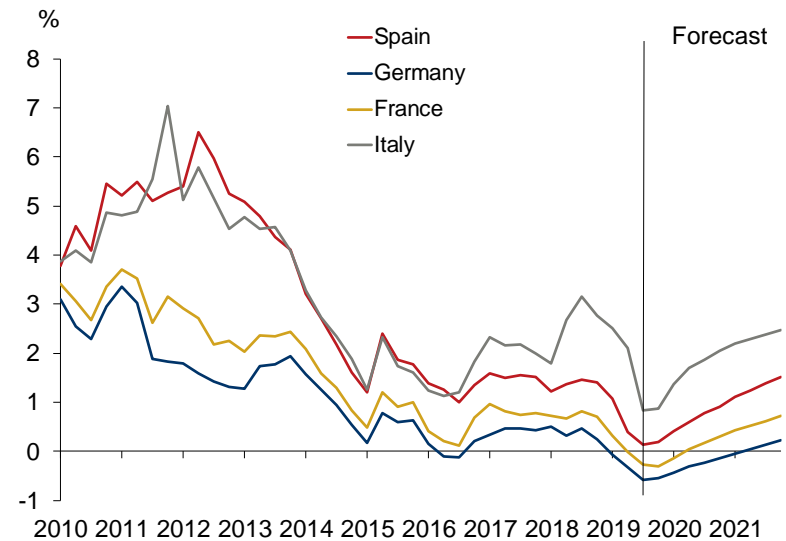
Lower for longer also means lower bond yields

Eurozone 10-year bond yields



Source: Oxford Economics/Haver Analytics

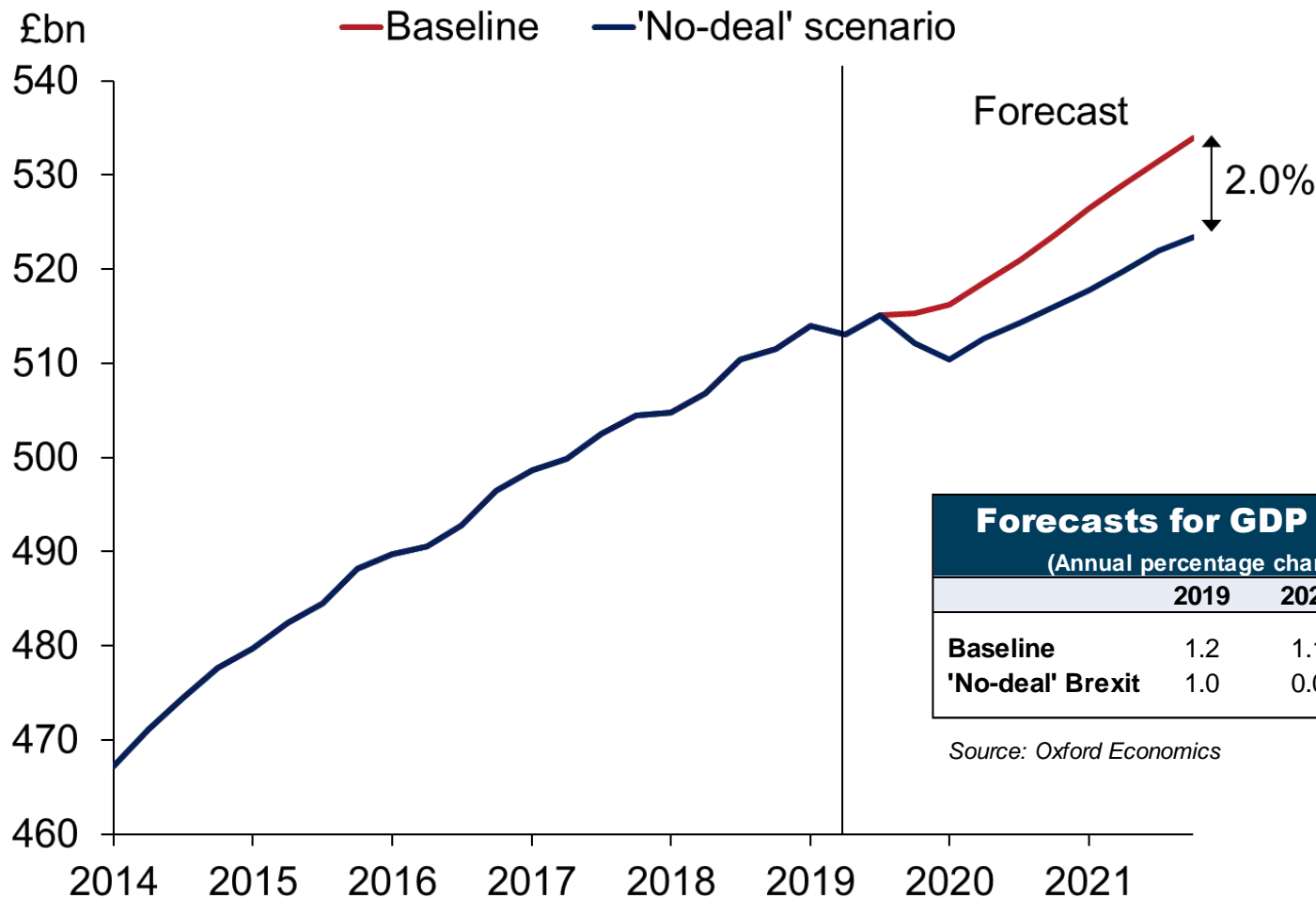
10-year bond yields



Source: Oxford Economics/Haver Analytics

No-deal could see stagnation next year

UK: GDP



Source : Oxford Economics