

# World Economy Today



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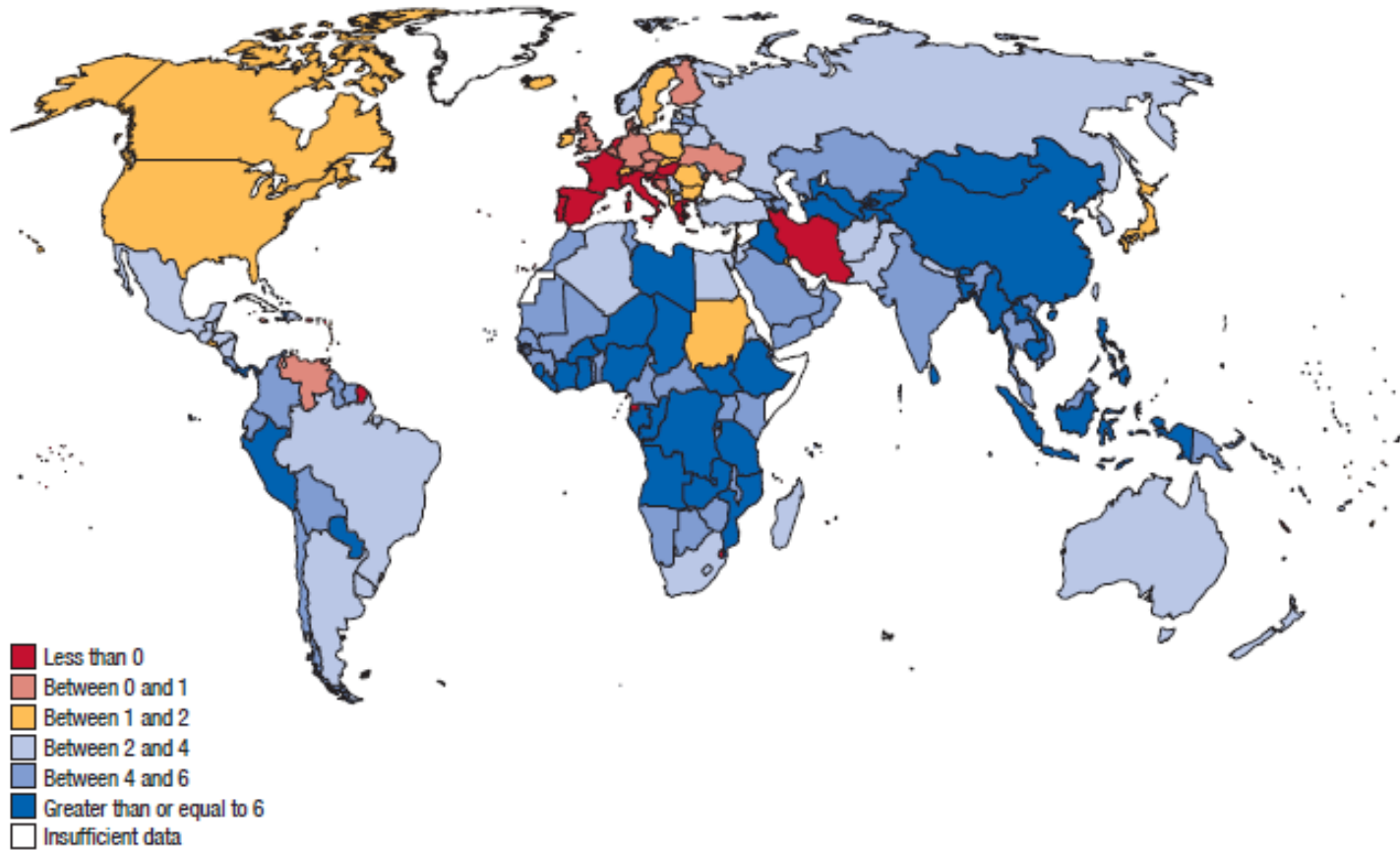
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# World Economy Today

- Signs of improvement on several fronts.
- Europe still lagging behind on many topics.
- The audacious Japanese bet.
- What to expect going forward ?



# Growth in 2013



Source: IMF staff estimates.

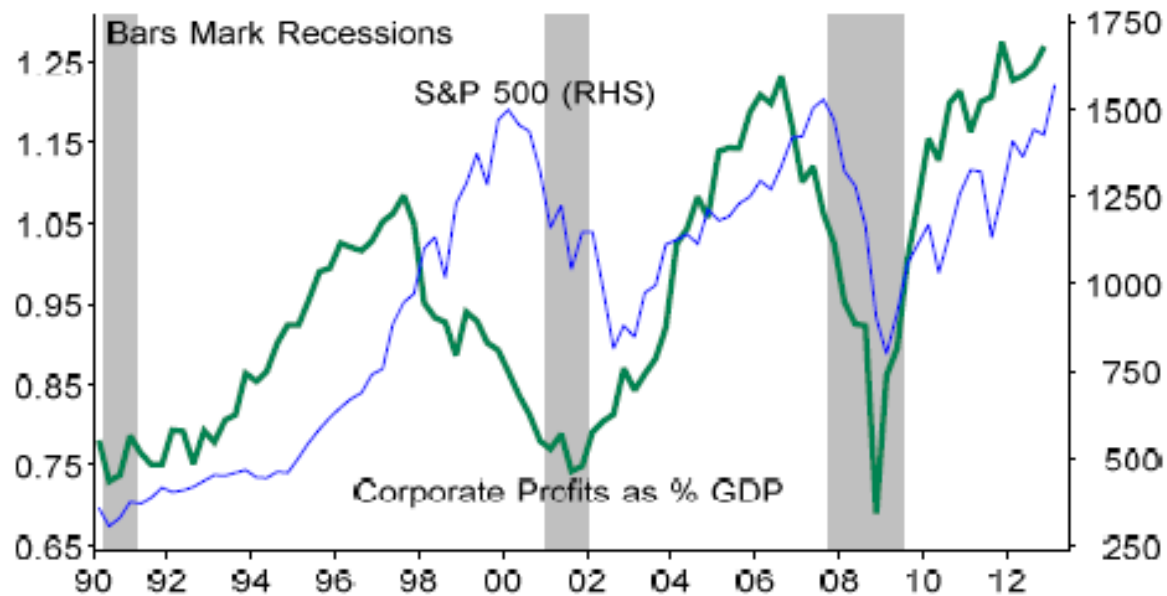


# USA: Broadly positive signs everywhere

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# US: The era of profit growth: The stock market likes it

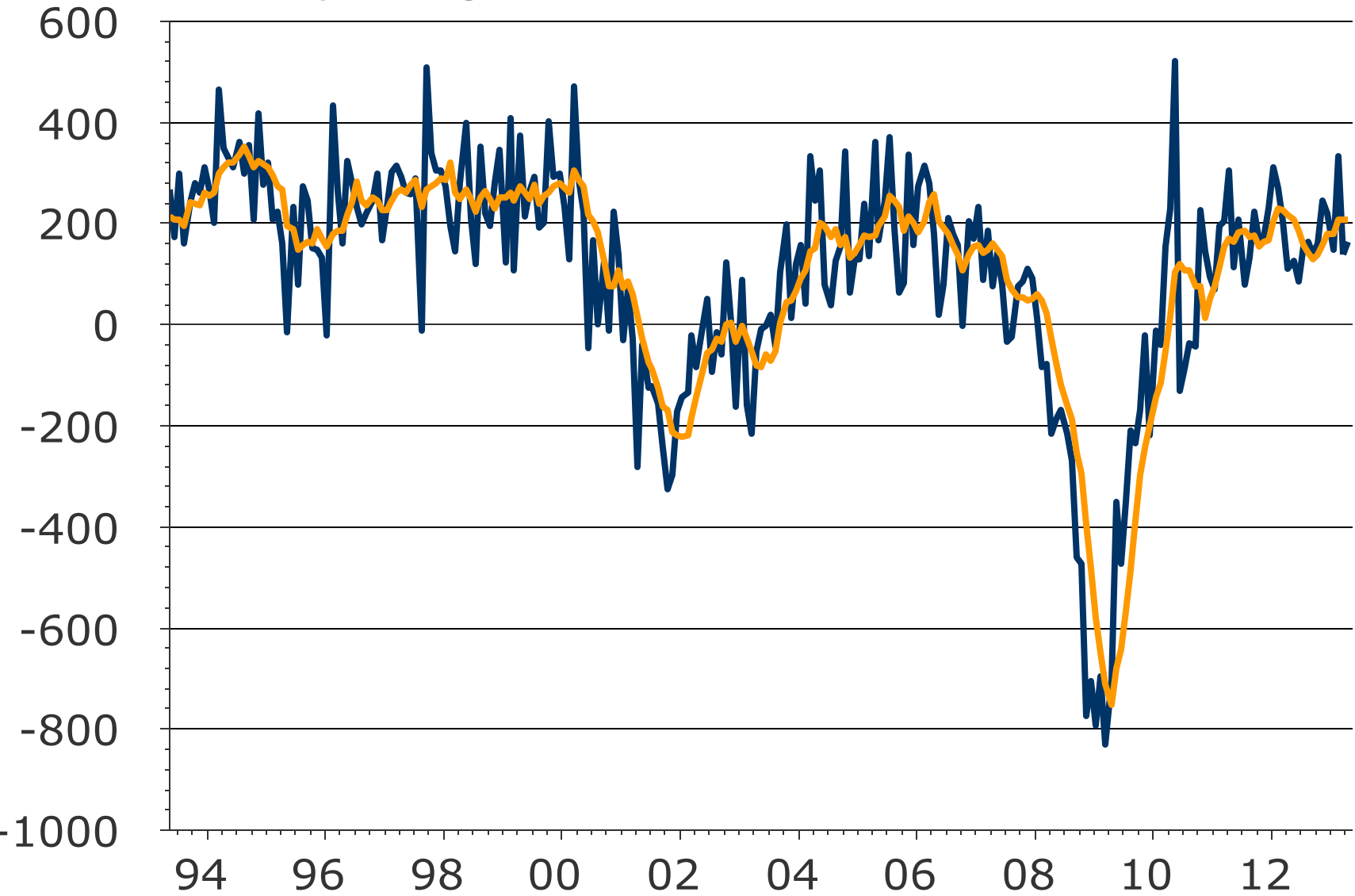


Source: Reuters Ecowin Pro, BNP Paribas



# US nonfarm payrolls

Monthly change, thousands



— Headline

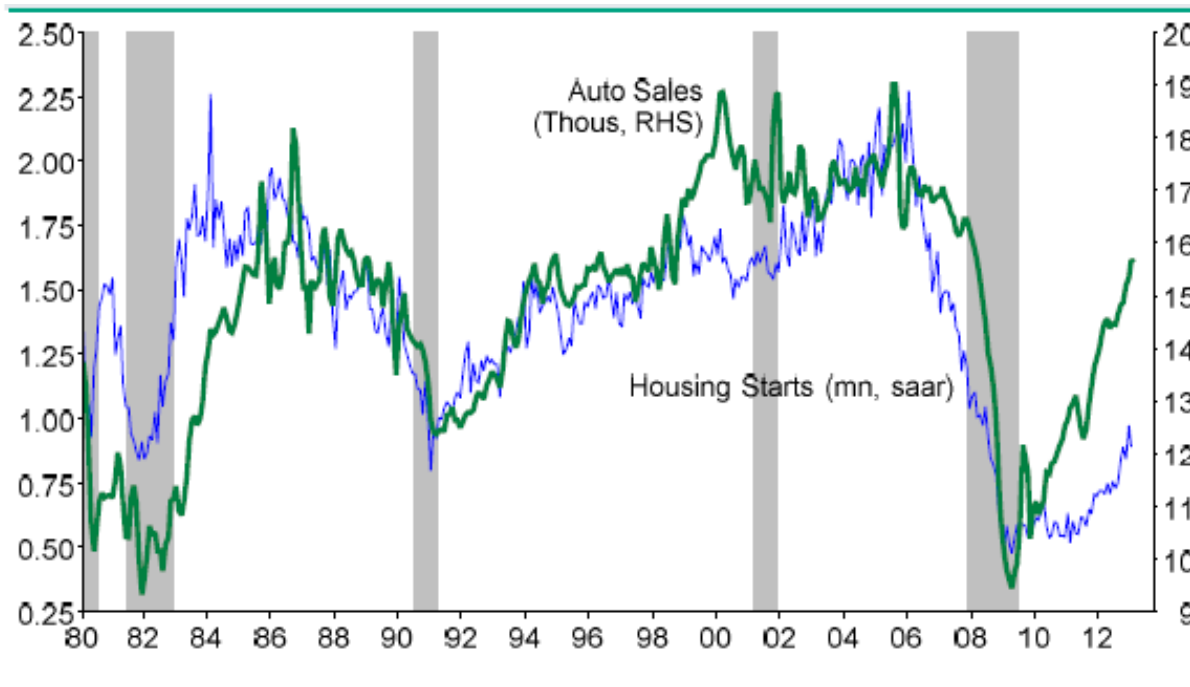
— Six-month moving average

| 30/05/2013

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Source: Thomson Reuters Datastream / Fathom Consulting

# Most US indicators are up



Source: Reuters Ecowin Pro, BNP Paribas



## Some strong measures could be taken and are at work

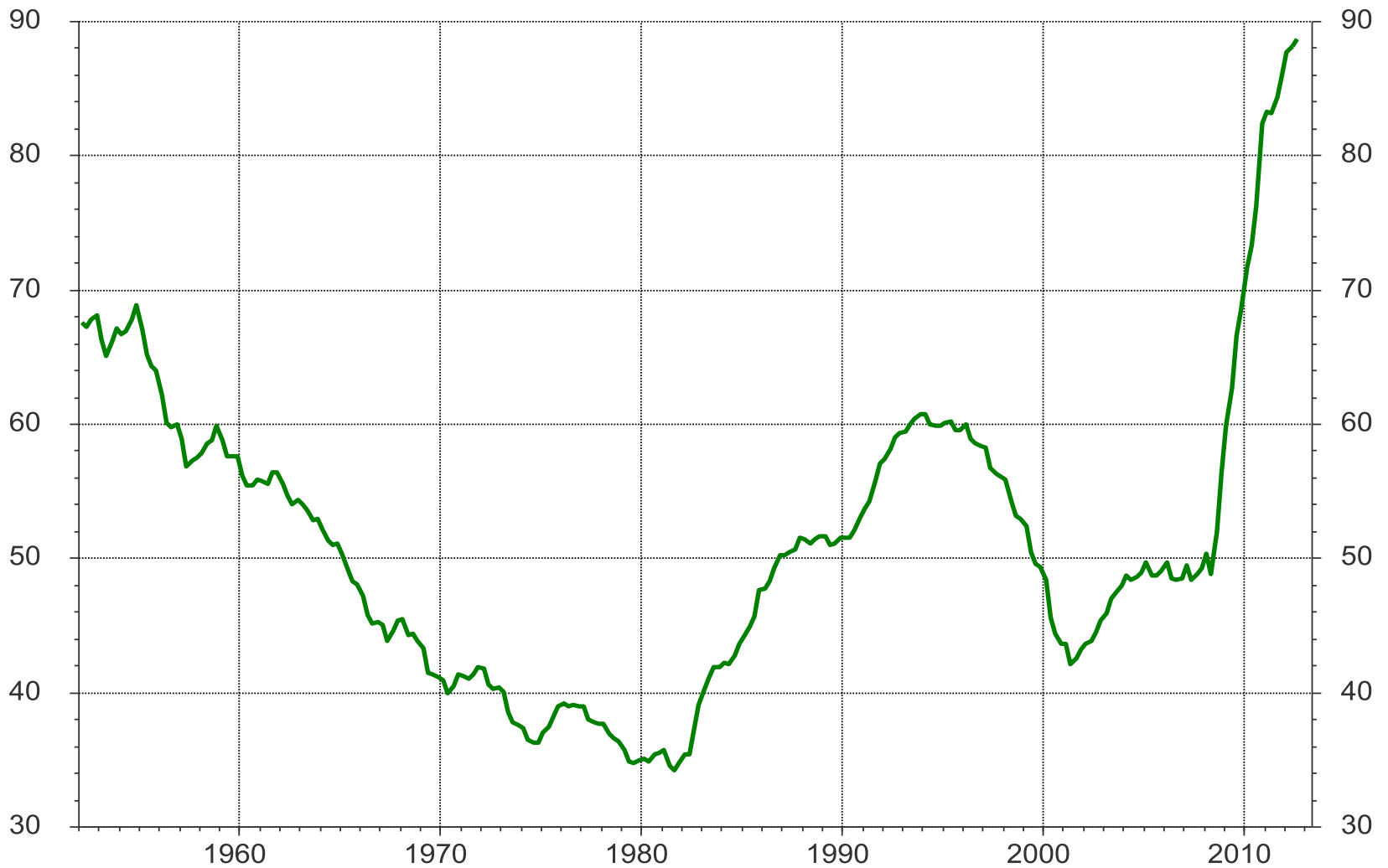
- Fed took the right decision on time to ease tensions on the markets (increase its balance sheet, warn that rates would stay low, agree to buy ABS...).
- Budget deficit is going down, thanks to automatic cuts in spending.
- FATCA aims at reducing fiscal evasion, estimated at \$100bn per year.





# USA Public debt

% of GDP



— GROSS PUBLIC DEBT AS % OF GDP : United States

Source: Thomson Reuters Datastream

30/05/2013

# USA long term interest rates

20 year rate



TREASURY YIELD ADJUSTED TO CONSTANT MATURITY - 20 YEAR : United States

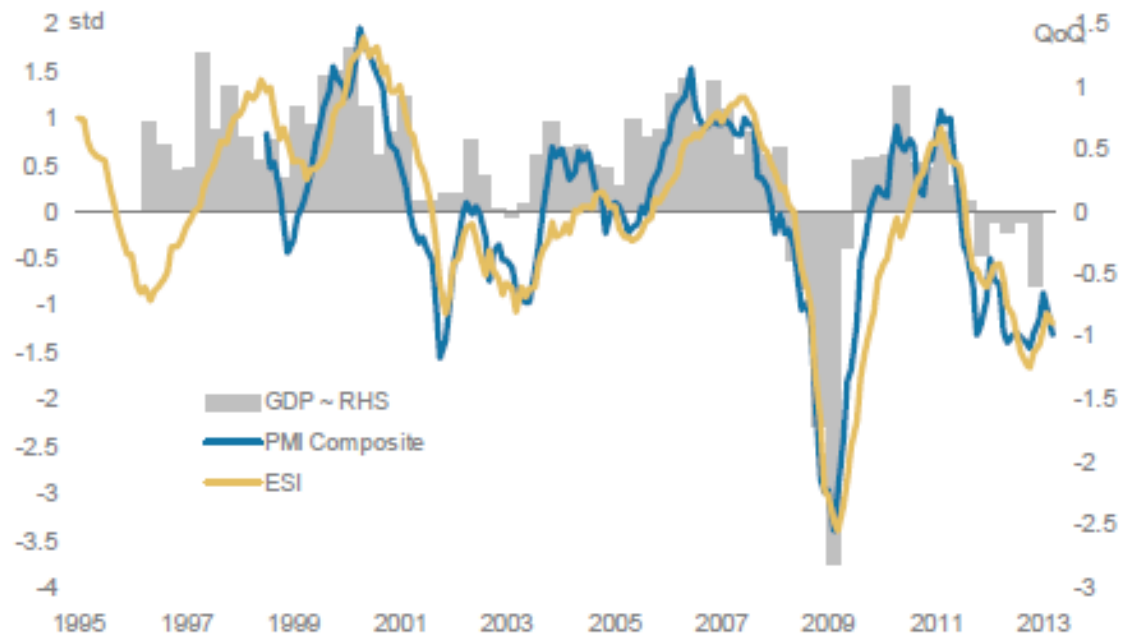
# Europe: Another story

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# Manufacturers in Europe have the blues

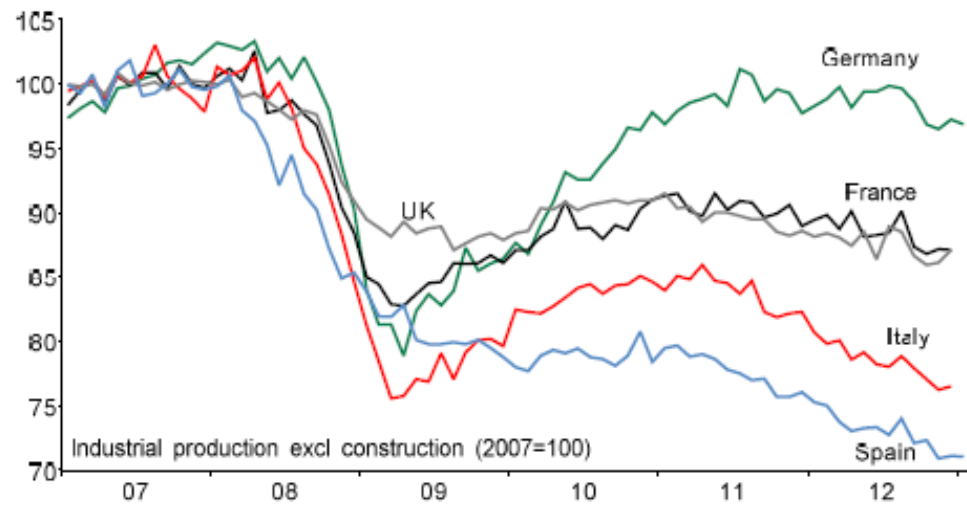
## Euro Area Sentiment Indices and GDP Growth



Source: European Commission, Eurostat, Markit, Morgan Stanley Research



# No catch up from pre-crisis levels for many



Source: Reuters Ecowin Pro, BNP Paribas



# Eurozone crisis

- A few pictures
- The policies put in place
- The lack of results



# False rescue – True naufrage



# Germany is looking after the Euro in a way that scared many



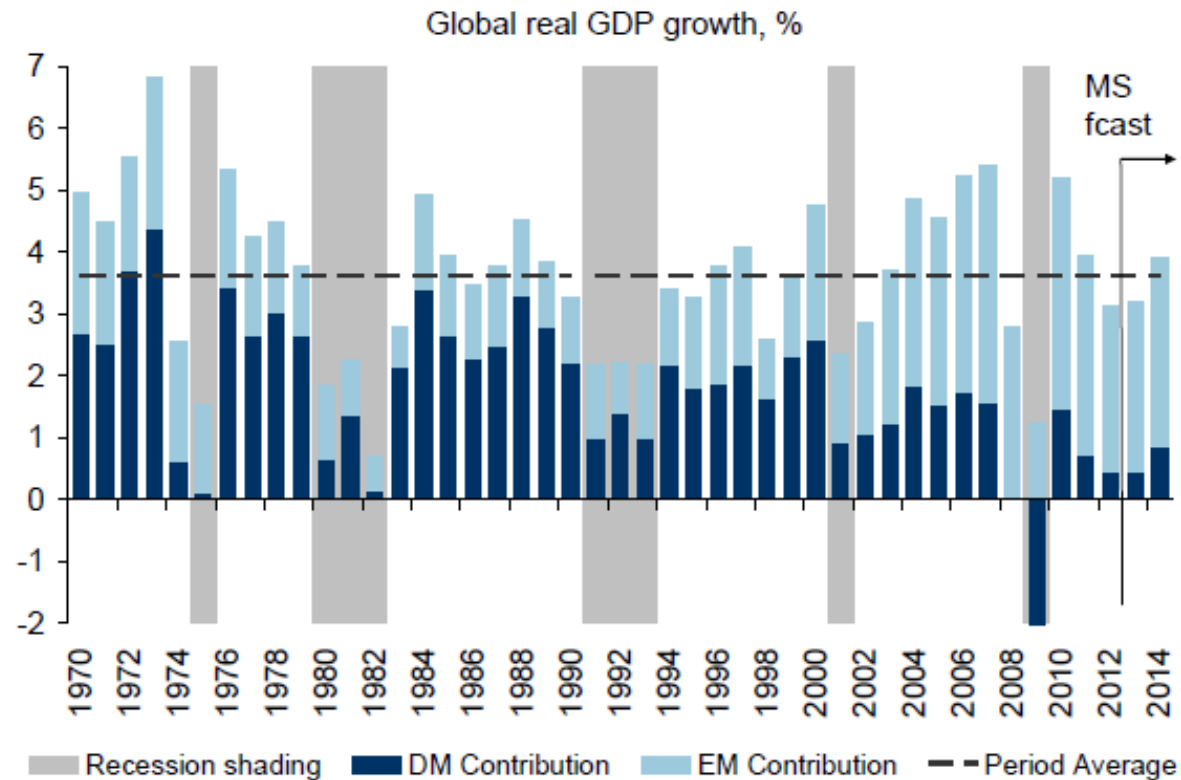


# The rest of the world

- Growing importance in the world
- What to expect from Japan ?



# Growth comes more and from emerging markets



Source: IMF, Morgan Stanley Research



# Japan: The audacious bet

- Put an end to 20 years of 'zero growth'
- Stop with 20 years of deflation
- Aggressive monetary easing to push rates lower
- Bring money back into the real economy
- Boost exports via a currency depreciation



# 1 USD versus JPY



Source: Thomson Reuters Datastream

# What to pay attention to in the coming weeks and months ?

- What would be Europe's ability to solve one more major problem ?
- No country under financial assistance will be able to respect its word in terms of debt and deficit reductions: Austerity at all cost led nowhere. Yet, public finances must be put back in order...
- Bad news on banks still likely: Spain, Portugal, Greece, ...
- What about stock markets' recent euphoria ?
- Will Japanese PM succeed in his audacious bet ?
- The US and Japanese bond markets remain a huge bubble hanging over the world's head....



# Conclusions

- Europe is stuck in recession mode.
- Competitiveness has deteriorated.
- Lack of confidence, lack of consumption, lack of growth.
- Low growth hurts public finances: the snake is eating its tail.
  
- Hopes for better days essentially coming from outside Europe (USA and emerging markets and maybe Japan).
  
- Efficiency of monetary policy and budgetary policy questioned ....certainly in Europe.
- Faith in Europe's ability to solve problems efficiently questioned after Cyprus crisis.



Thank you !



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