Macroeconomic Outlook 2019

Fastmarkets RISI – Asian Conference 2019

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Global economy growing moderately, risks heightened

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>1.6%</td>
<td>2.3%</td>
<td>2.9%</td>
<td>2.4%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Europe</td>
<td>1.9%</td>
<td>2.5%</td>
<td>1.8%</td>
<td>1.1%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Latin America</td>
<td>-0.9%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>1.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>China</td>
<td>6.7%</td>
<td>6.9%</td>
<td>6.6%</td>
<td>6.0%</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

Annual real GDP growth
Oil prices moving higher again

US: Good performance continues
US job growth continues

Monthly employment change, total non-farm, thousands; six-month moving average; 24-month moving average

US housing starts and sales stall

Existing and new home sales and housing starts, millions of units
Dollar regained strength in 2018, remains strong

Trade weighted US dollar index: broad, goods, 1997=100

Industrial production now supported by policy?

Index of industrial production, January 2012 = 1.00; PMI
US GDP growth expected to slow

Real GDP growth, annualized percentage change

Europe: Loss of momentum
Euro area momentum low

Sentiment indicators; euro area real GDP growth Q/Q

ECB balance sheet triple the size of pre-2008

ECB assets, billions of euros; eurozone GDP growth Y/Y; CPI; ECB policy rate
European industrial production hit breaks in 2018

Volume index of production, year-over-year percent change, calendar adjusted

Euro has lost some of the strength of early 2018
Euro area GDP growth slower

Real GDP growth, annual percentage change

China: Cooling down
Chinese industrial sector has cooled down

Year-over-year growth in industrial production, fixed asset investment; Purchasing Managers Index

Volatility in Chinese trade growth, now slower

Exports and imports, year-over-year percentage change
Electricity production reflects trade growth rate

Exports and imports, year-over-year percentage change

Even global oil price connected to trade growth

Exports and imports, year-over-year percentage change
High lending, increased debt risk

New bank loans, aggregate financing, billion renminbi; money supply, year-over-year percentage change

Real estate sales growth also slower

Real estate climate index, 2000=100, 2012=100; buildings sold, year-over-year percentage change
The volatility of the renminbi has increased

Chinese GDP trending lower, 2019 a slowdown
Conclusions

- World economy expected to decelerate 2019, 2020
- US economy projected to show good performance
  - Healthy domestic economy
- China moving toward consumer-led growth
  - Continued slowdown, debt a major risk
- Europe’s momentum slower, still growth
  - Unemployment low, policy uncertainty
Risks

• Trade policy issues and trade war
  ▪ Uncertainty slows growth
• Central banks’ ability continue stimulus
• Pace of GDP growth deceleration in China
• Low inflation
• Overall political uncertainty
• Geopolitical tensions