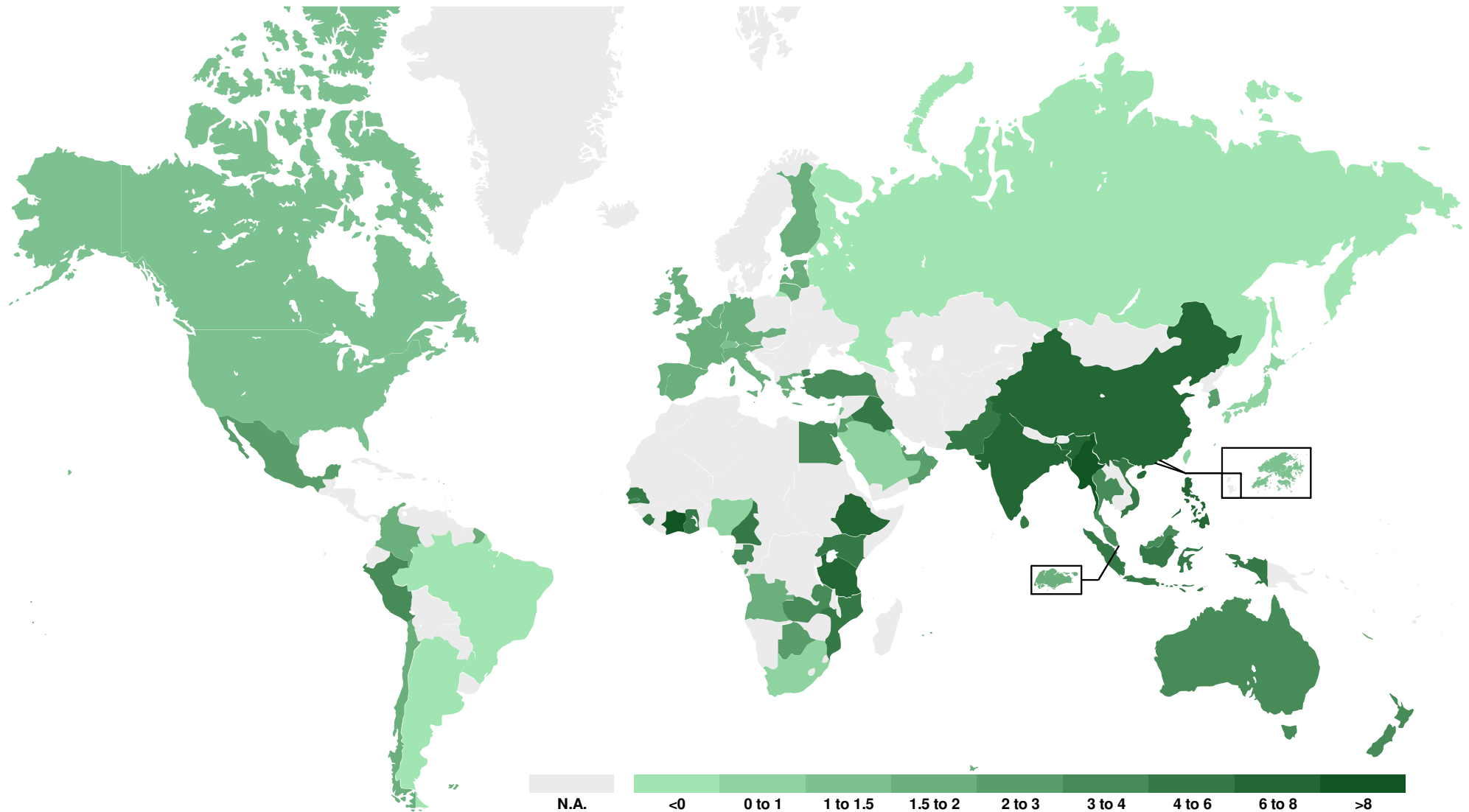




Global Growth – Opportunities and challenges

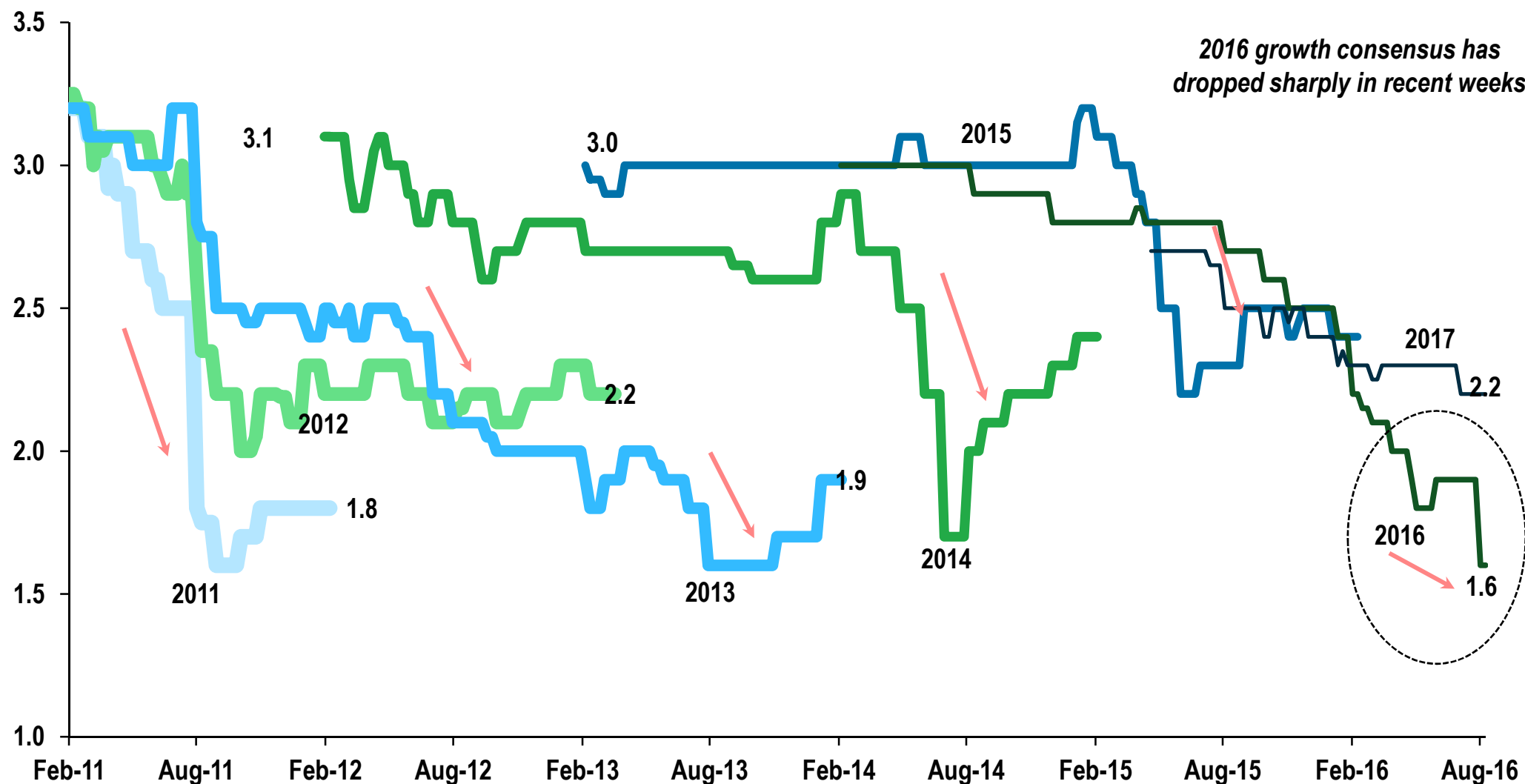
Real GDP growth, 2016 forecasts (%)



US GDP expectations – Consistently hopeful

US growth expectations have been overly optimistic as market participants continue to cut forecasts

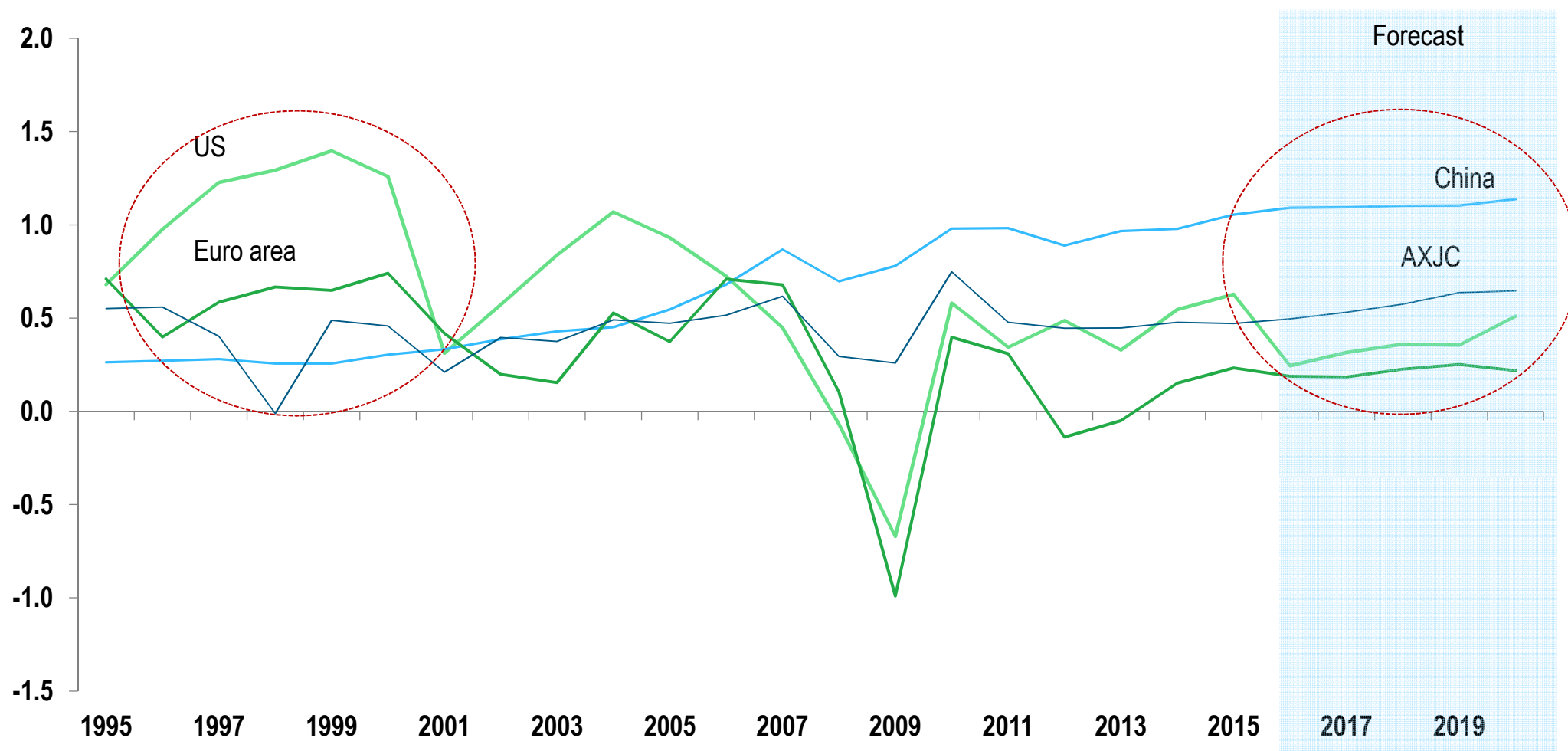
Evolution of Bloomberg consensus for annual US GDP growth, %



China and AXJC have contributed 65% of global growth in 2016

China, India and ASEAN to dominate world growth in the next five years

Ppt contributions to global GDP growth



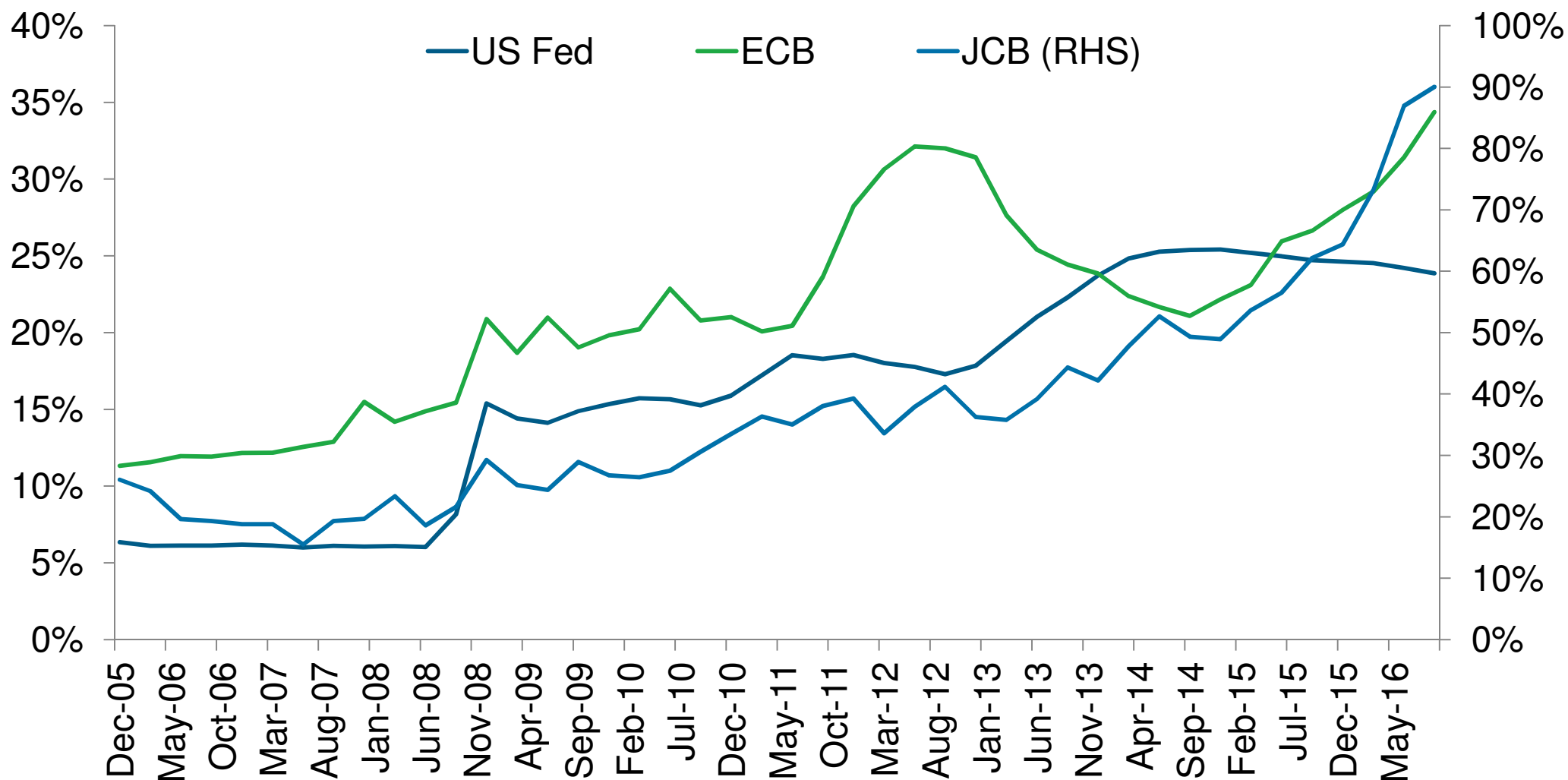
APAC share of world GDP set to rise

Regions	% of world GDP, USD				
	2005	2015	2025	2035	2045
North America	32	28	24	21	20
US	28	24	20	18	17
Western Europe	30	22	20	17	14
Emerging Europe	5	5	6	6	6
Asia – Pacific	24	32	37	42	46
Japan	10	6	4	3	2
China	5	15	18	21	21
India	2	3	6	8	12
Latin America	4	6	6	6	5
MENA	5	6	8	8	8

Bank balance sheets have expanded significantly since GFC

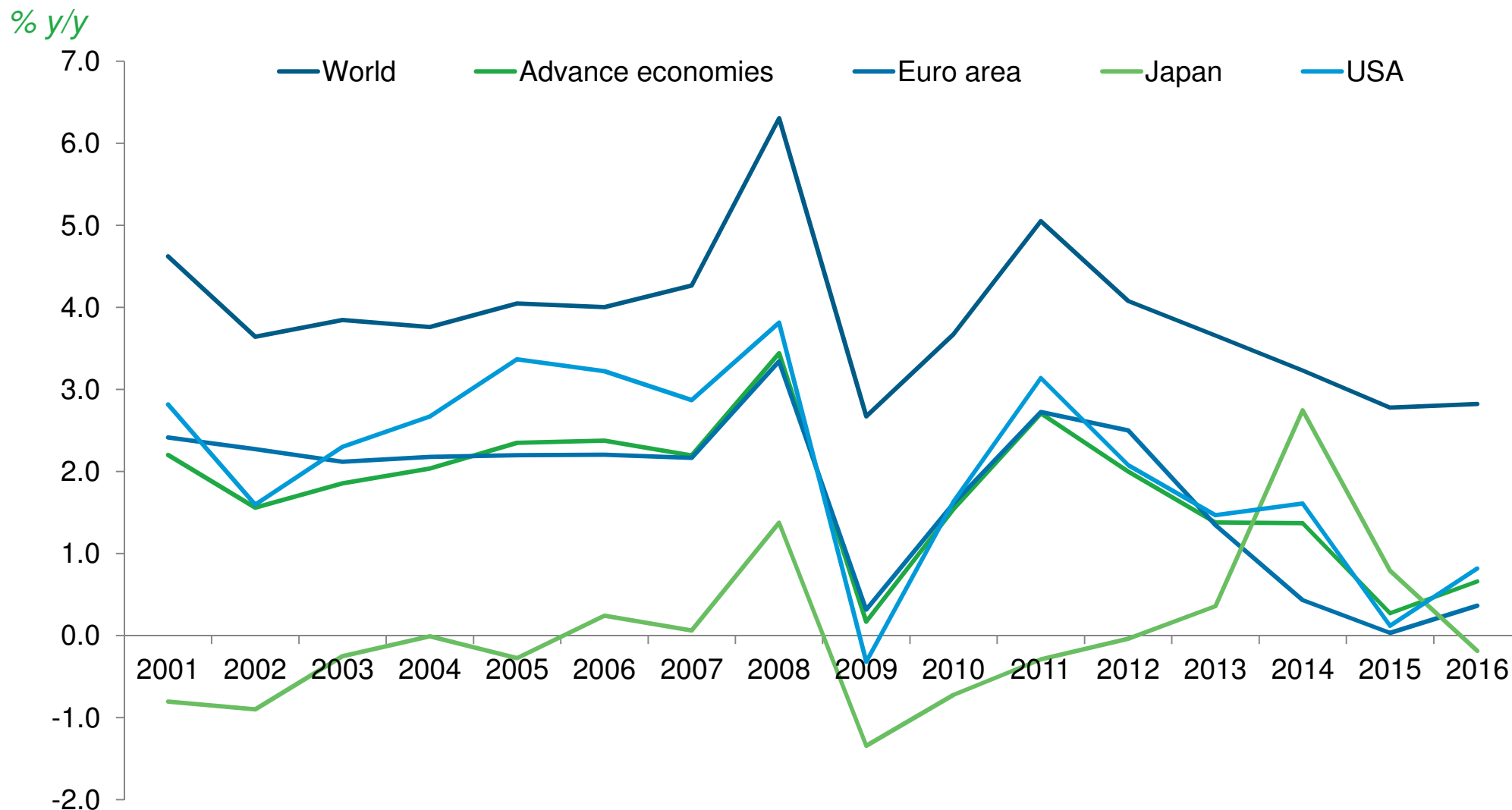
Central bank Quantitative easing continues

Central bank balance sheets as a % of GDP



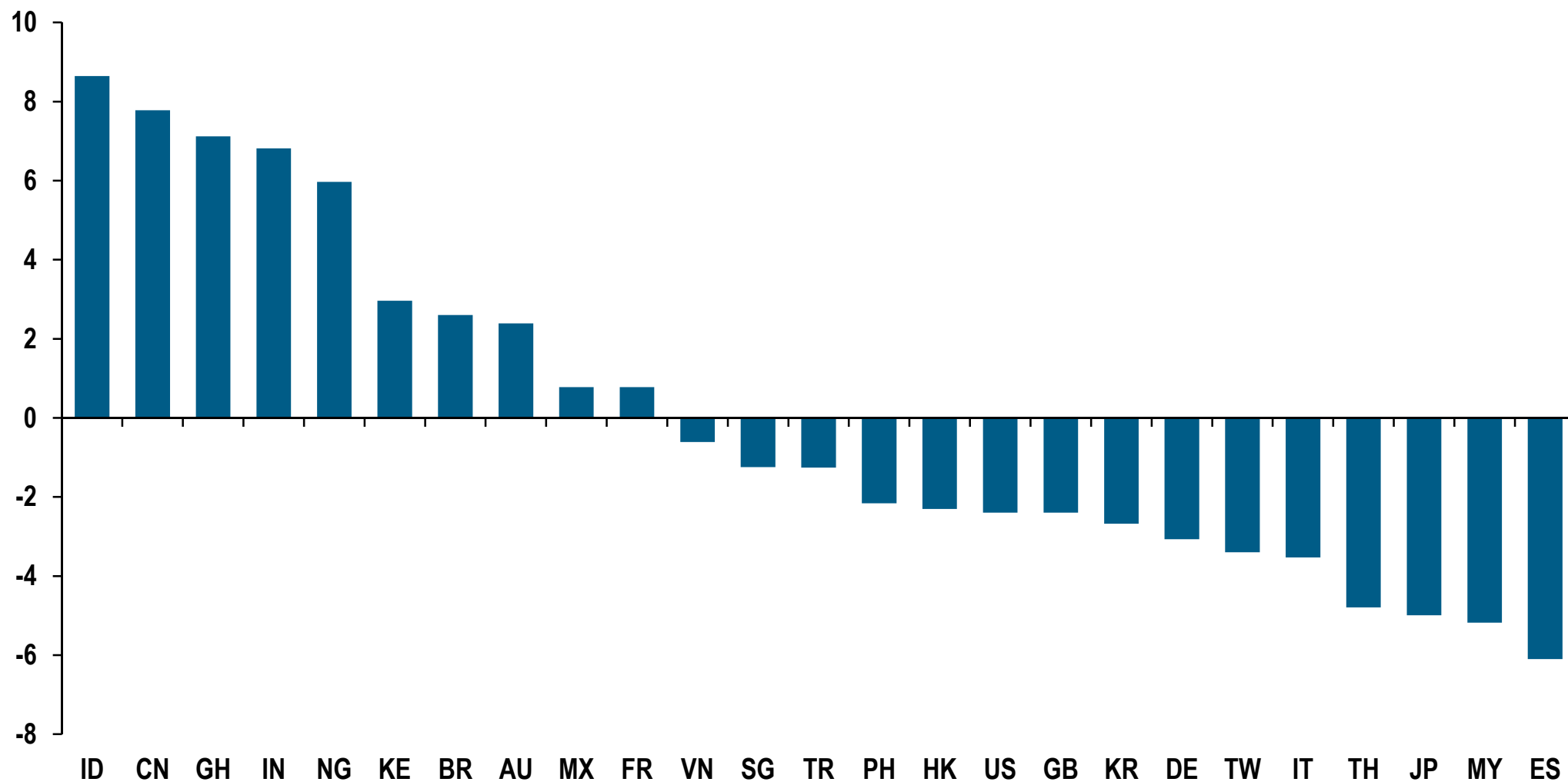
Slow growth + low inflation + continued QE was the 2016 narrative

Inflation remained subdued in major advanced economies



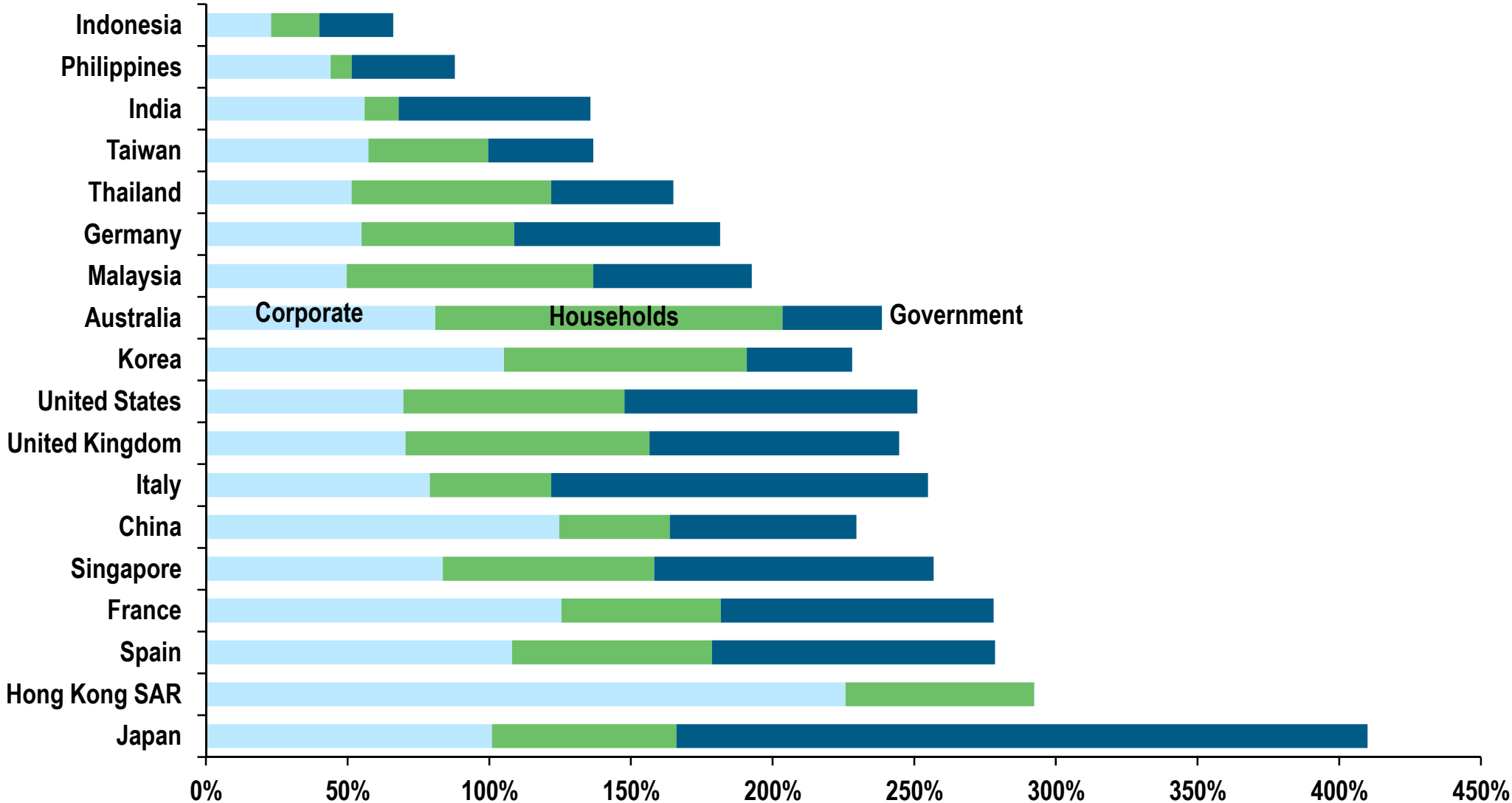
Investment-to-GDP ratios have fallen in many countries

Change in 2001-07 vs 2007-15, ppt



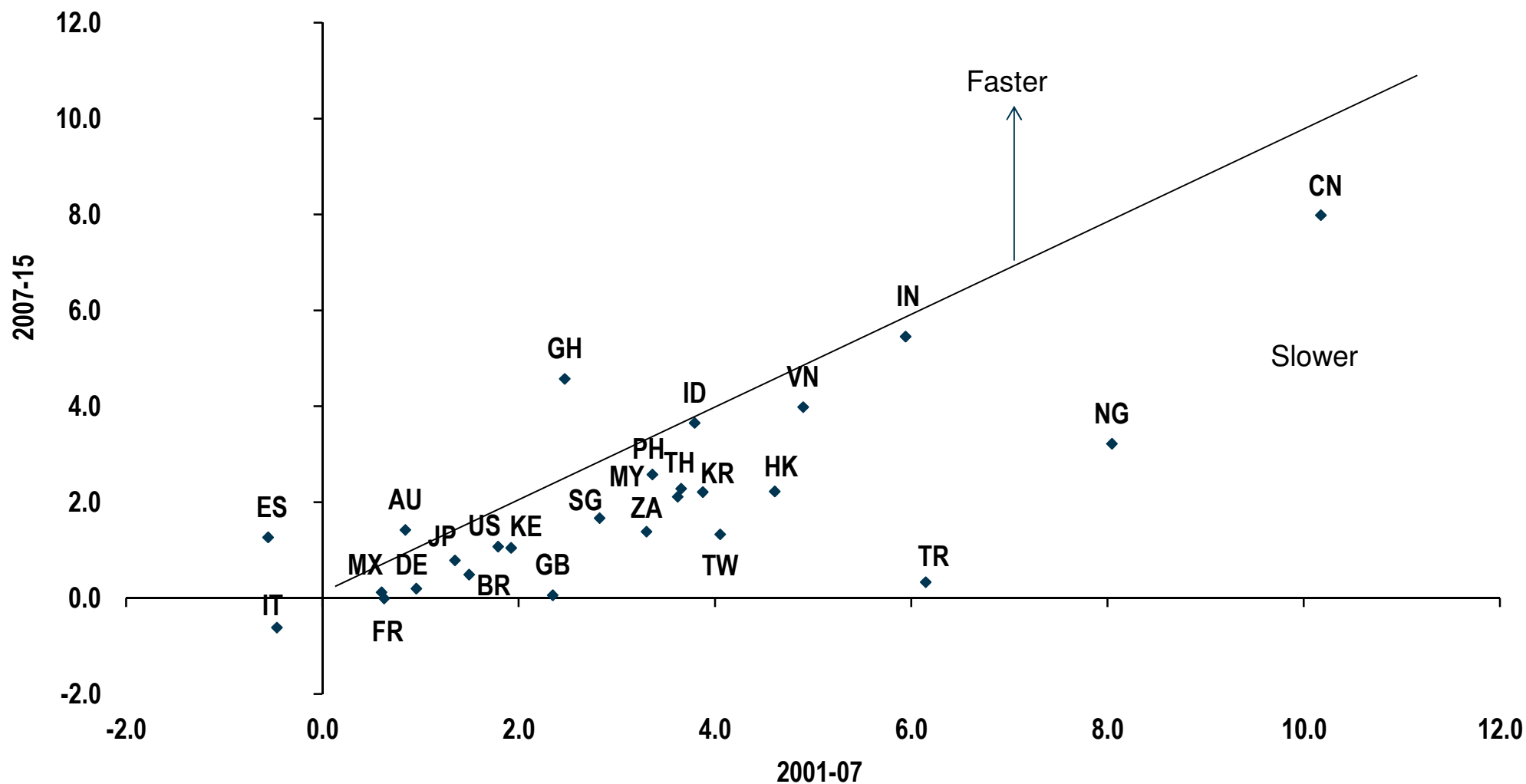
High leverage impeding global growth

% of GDP



Labour productivity and TFP slower since the global financial crisis

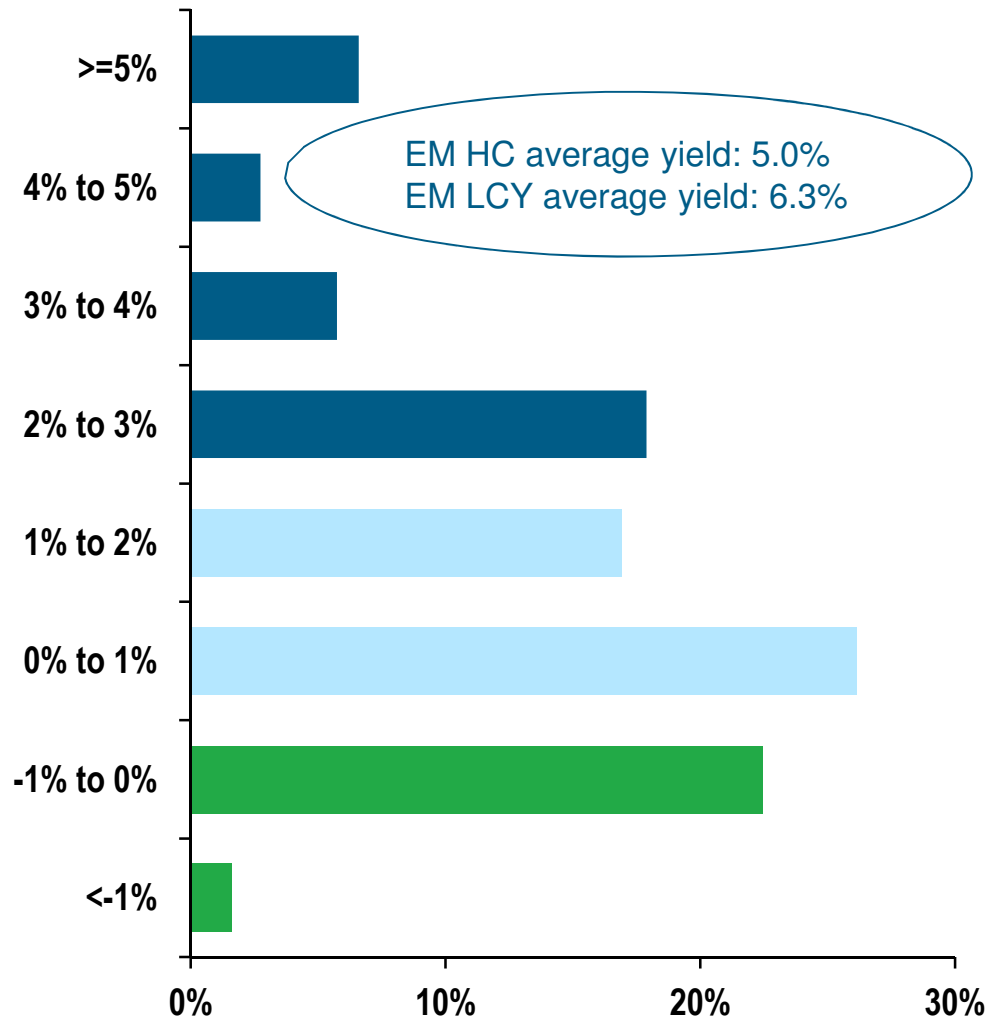
2001-07 (x-axis), 2007-15 (y-axis)



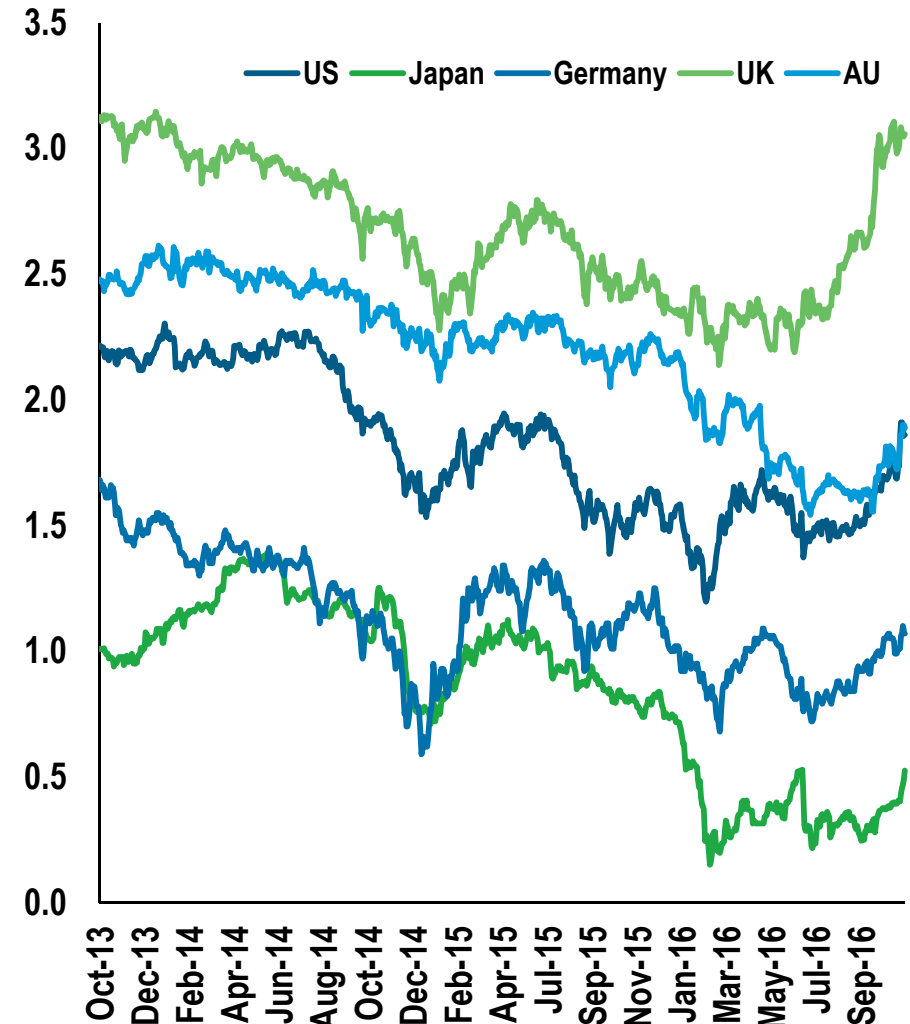
Is the narrative on low growth and low inflation likely to change?

24% of fixed income is in negative yield territory

Proportion of bonds outstanding by yield bucket

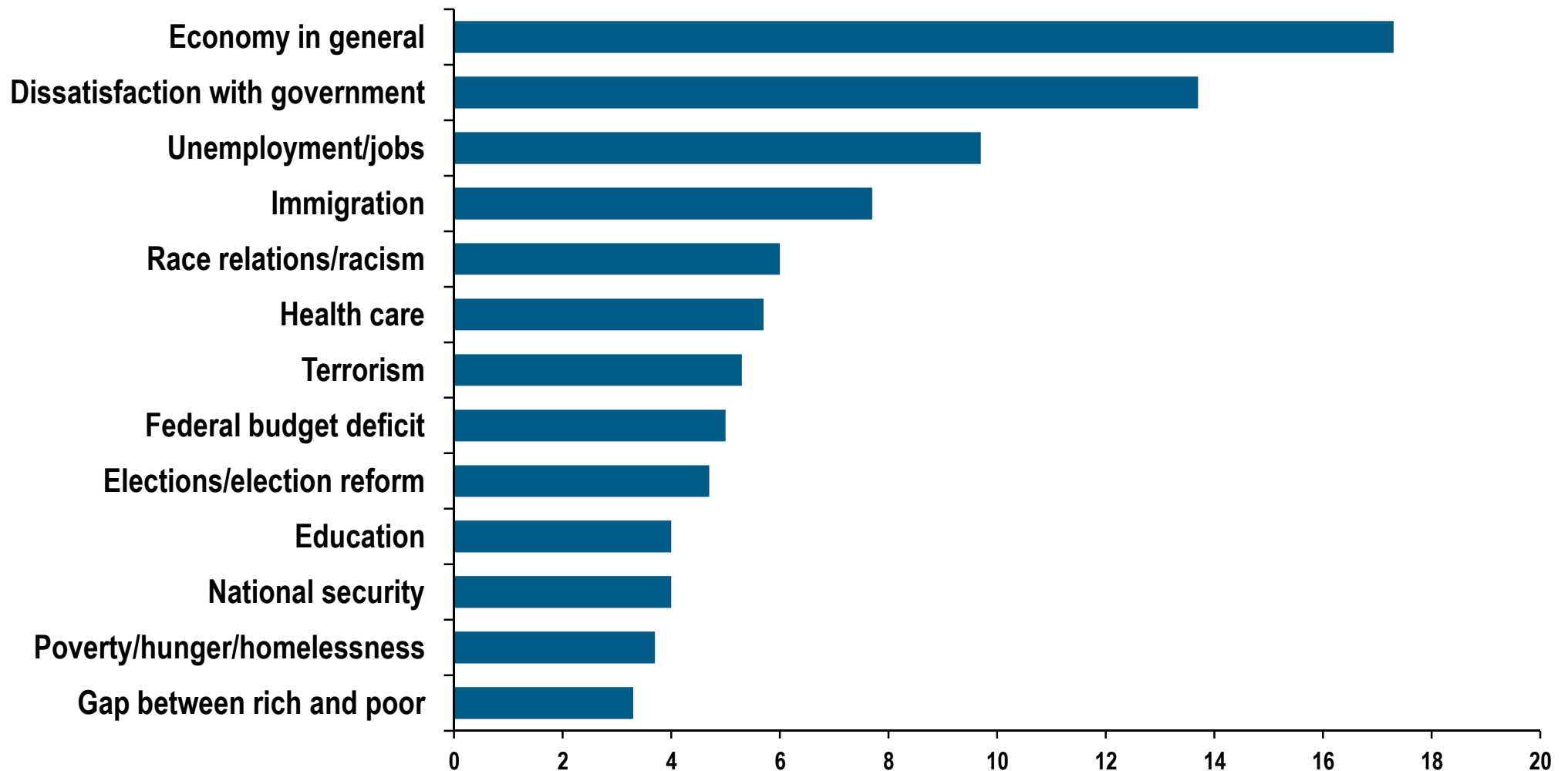


Market expectations of inflation has been increasing, 5Y5Y inflation expectations, %



Americans remain anxious about the economy/ globalisation

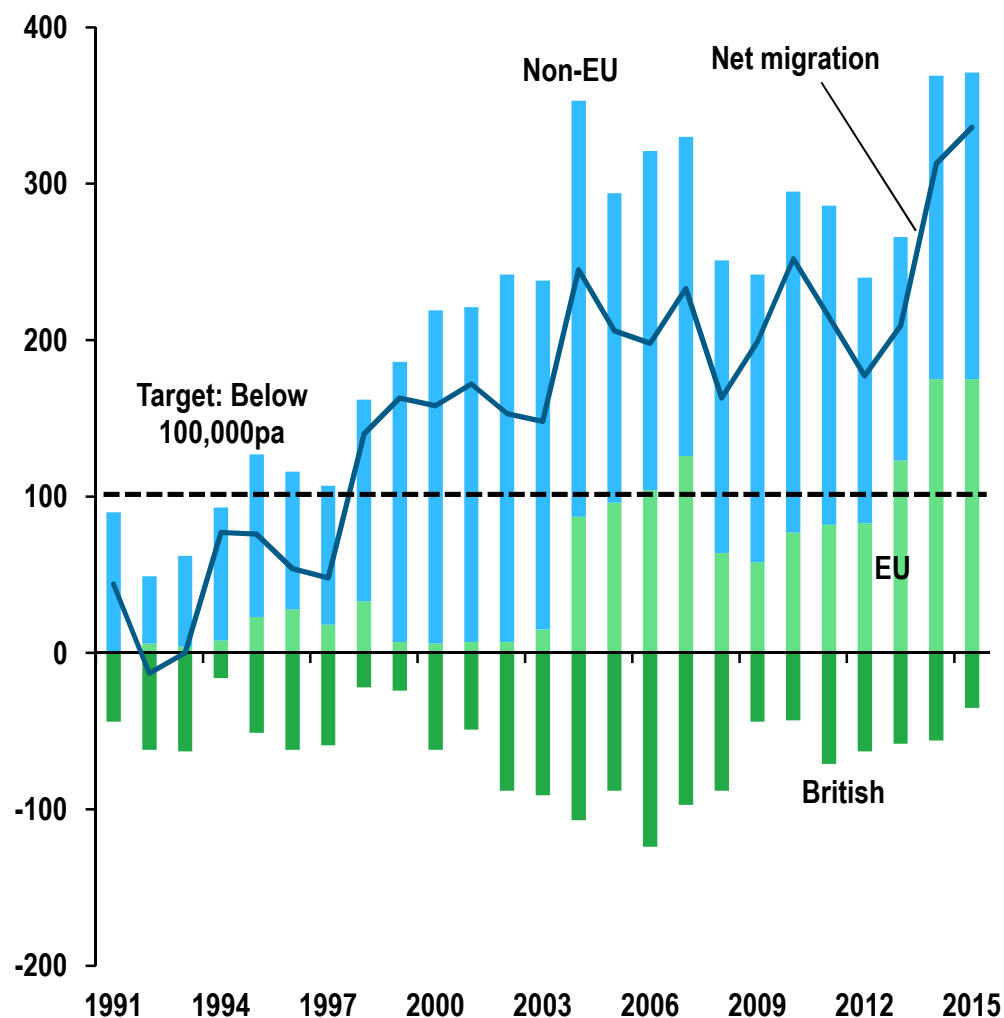
Gallup poll: Most important problem the US is facing (average of three last monthly polls)



EU immigration a major theme in the UK's referendum

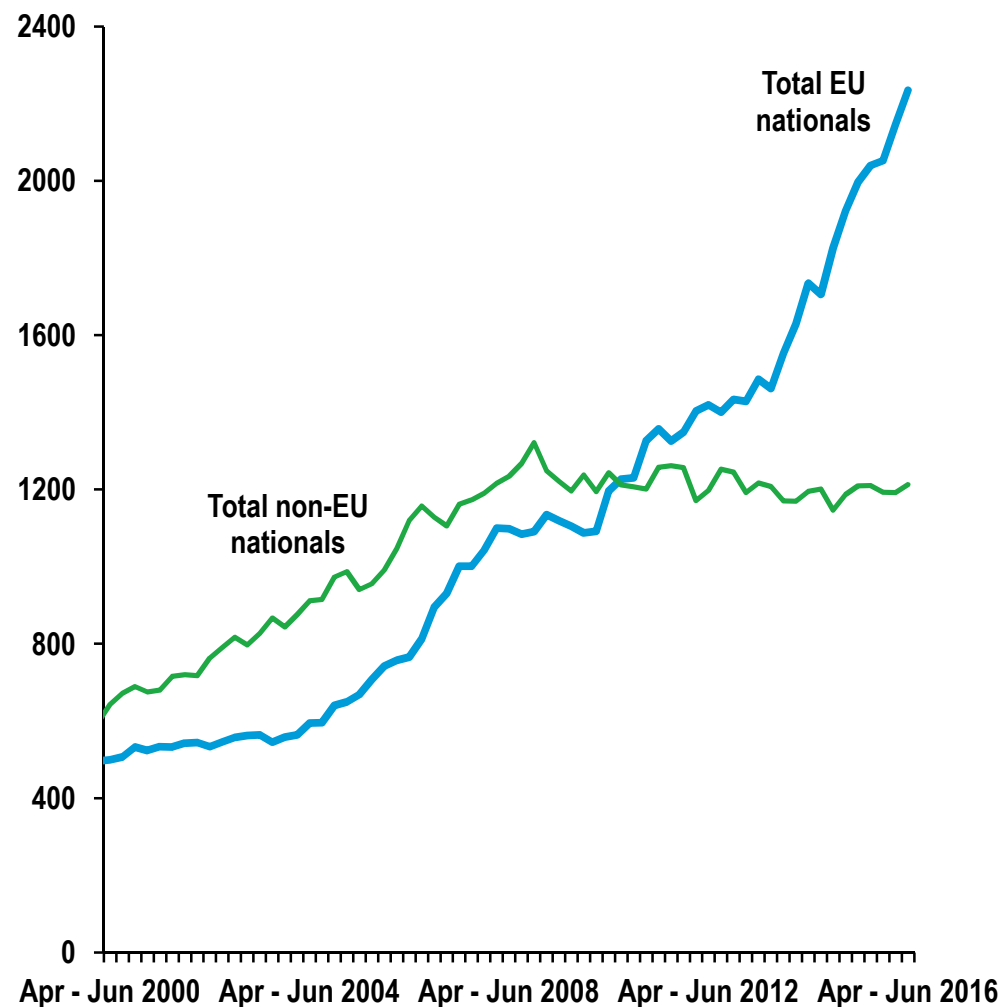
Migration by citizenship

Persons per year, '000s



Sharp rise in EU workers in the UK since GFC

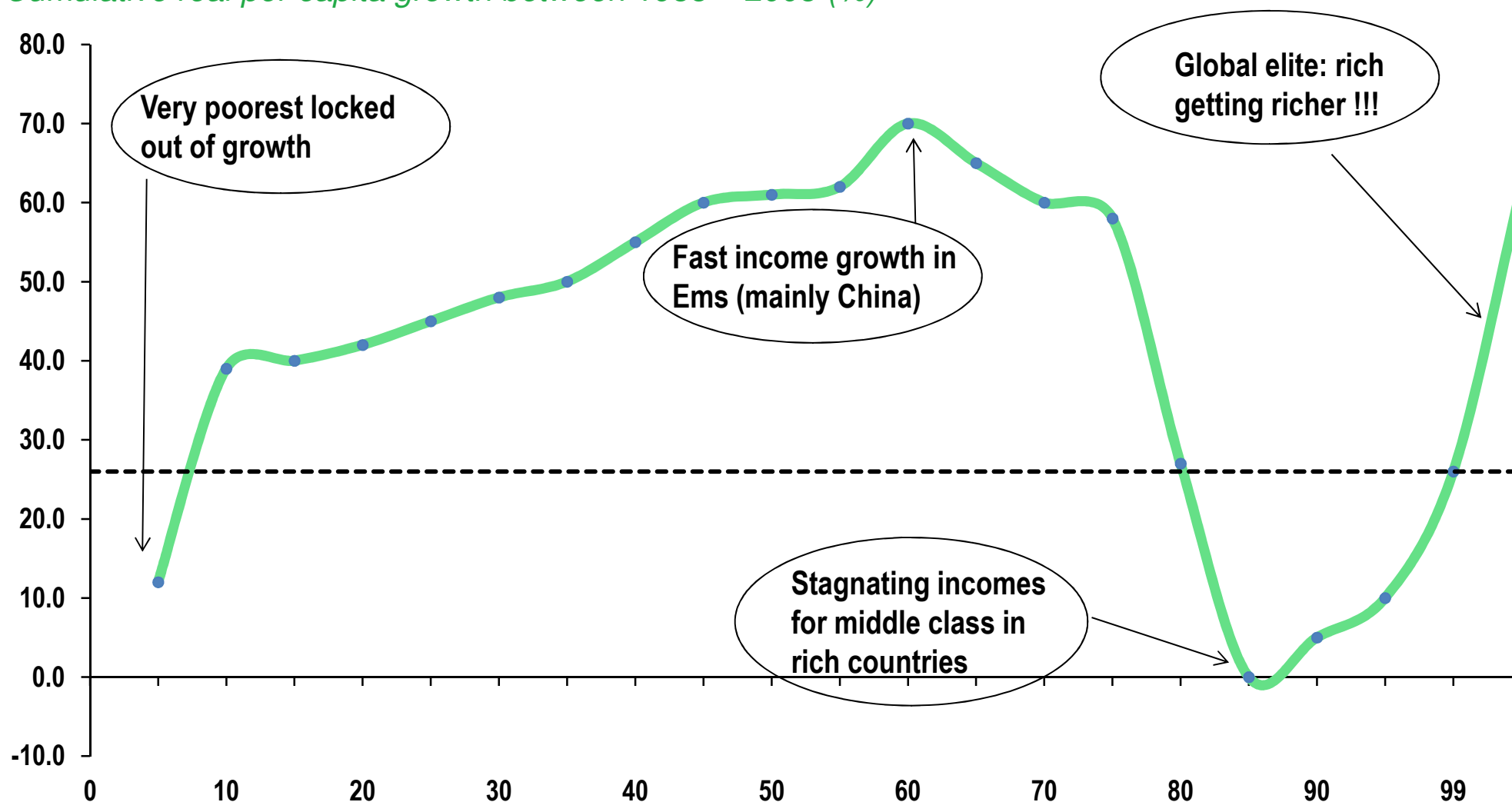
Non-UK nationals working in the UK, '000s



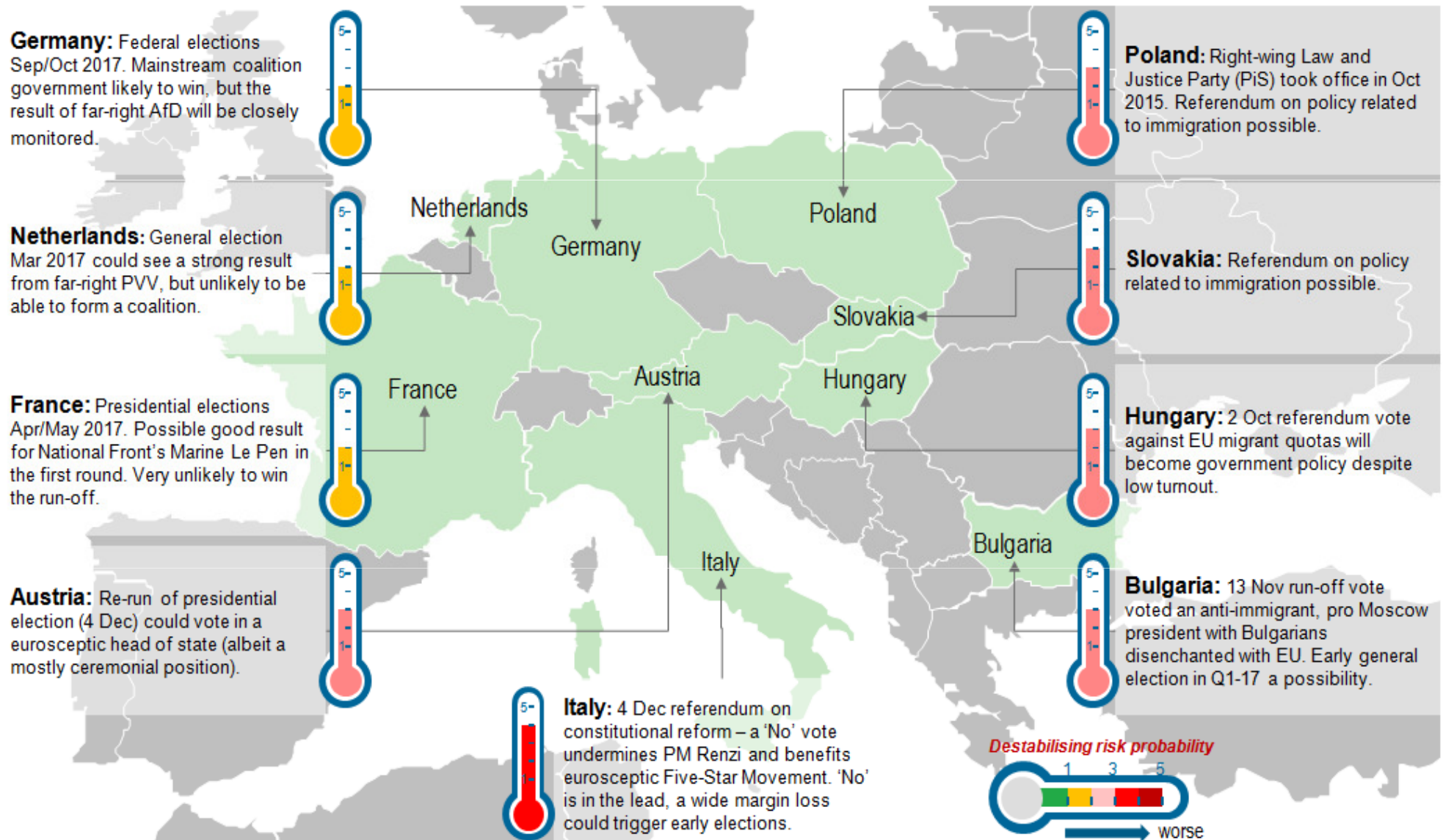
Winners and losers from globalisation

Global growth incidence curve (1988-2008)

Cumulative real per capita growth between 1988 – 2008 (%)



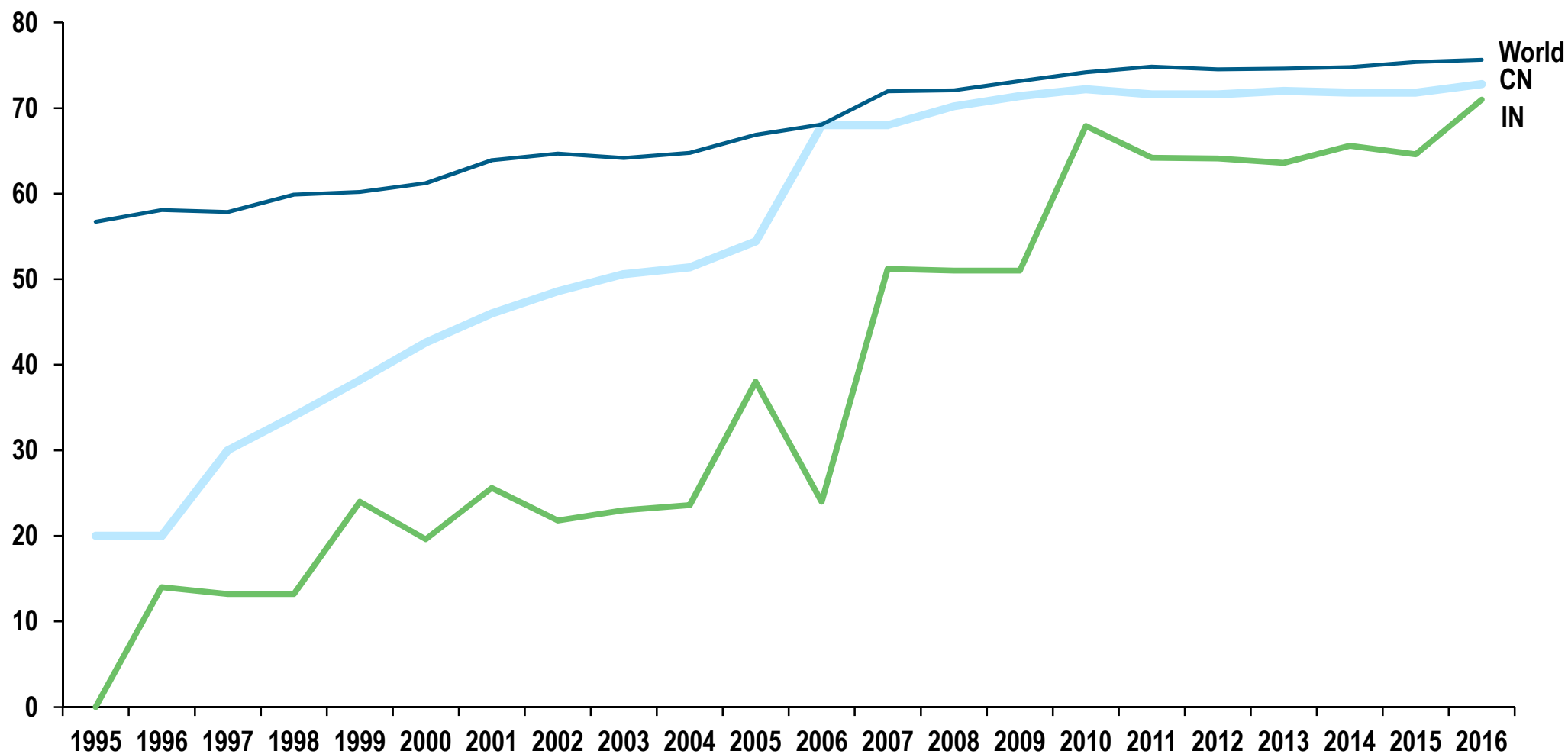
Populist risk in Europe; electoral map post Brexit / Trump



Has the globalisation peaked?

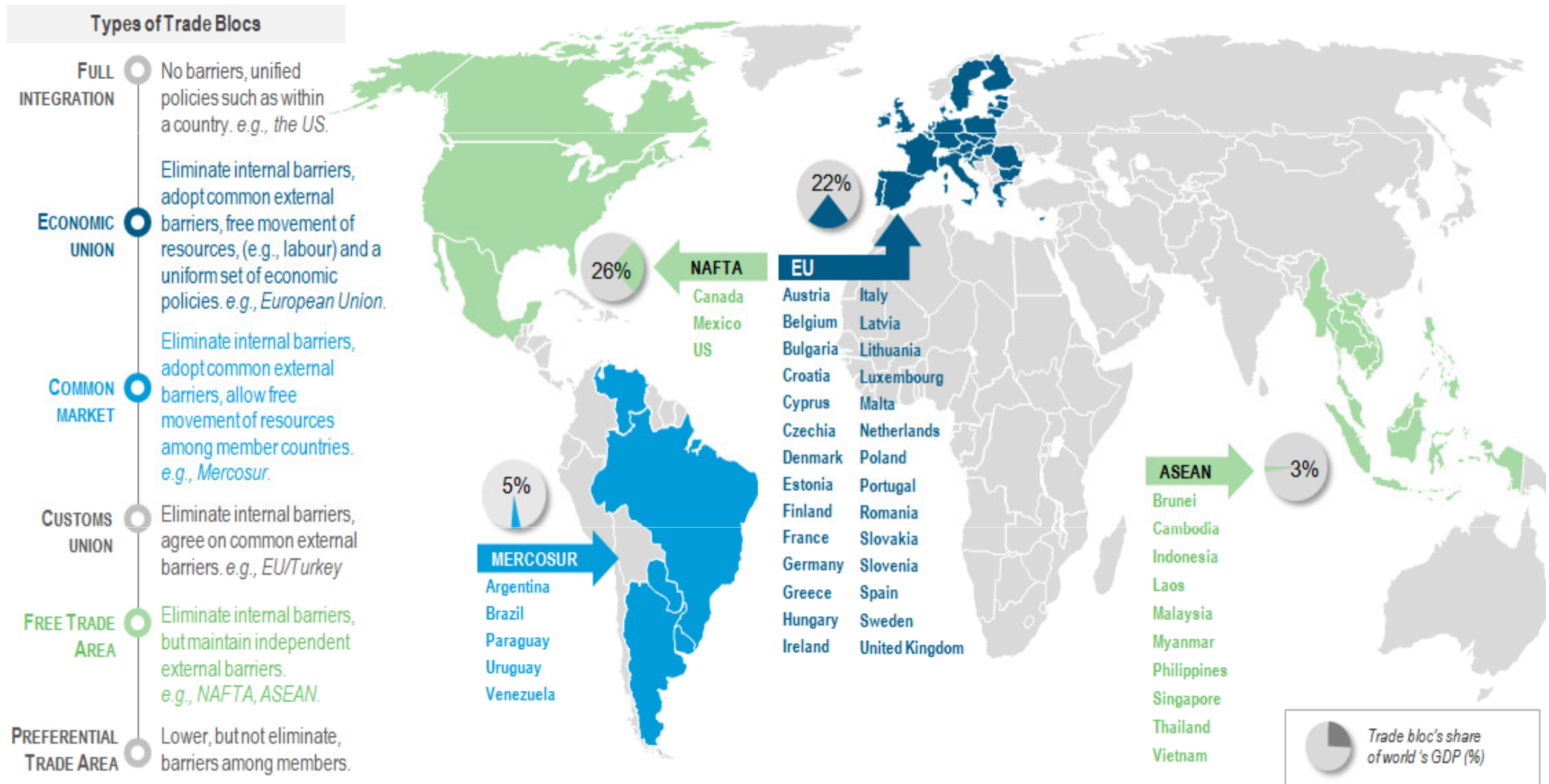
The opening up of trade in goods was largely completed by 2010

Heritage scores on trade freedom, out of 100



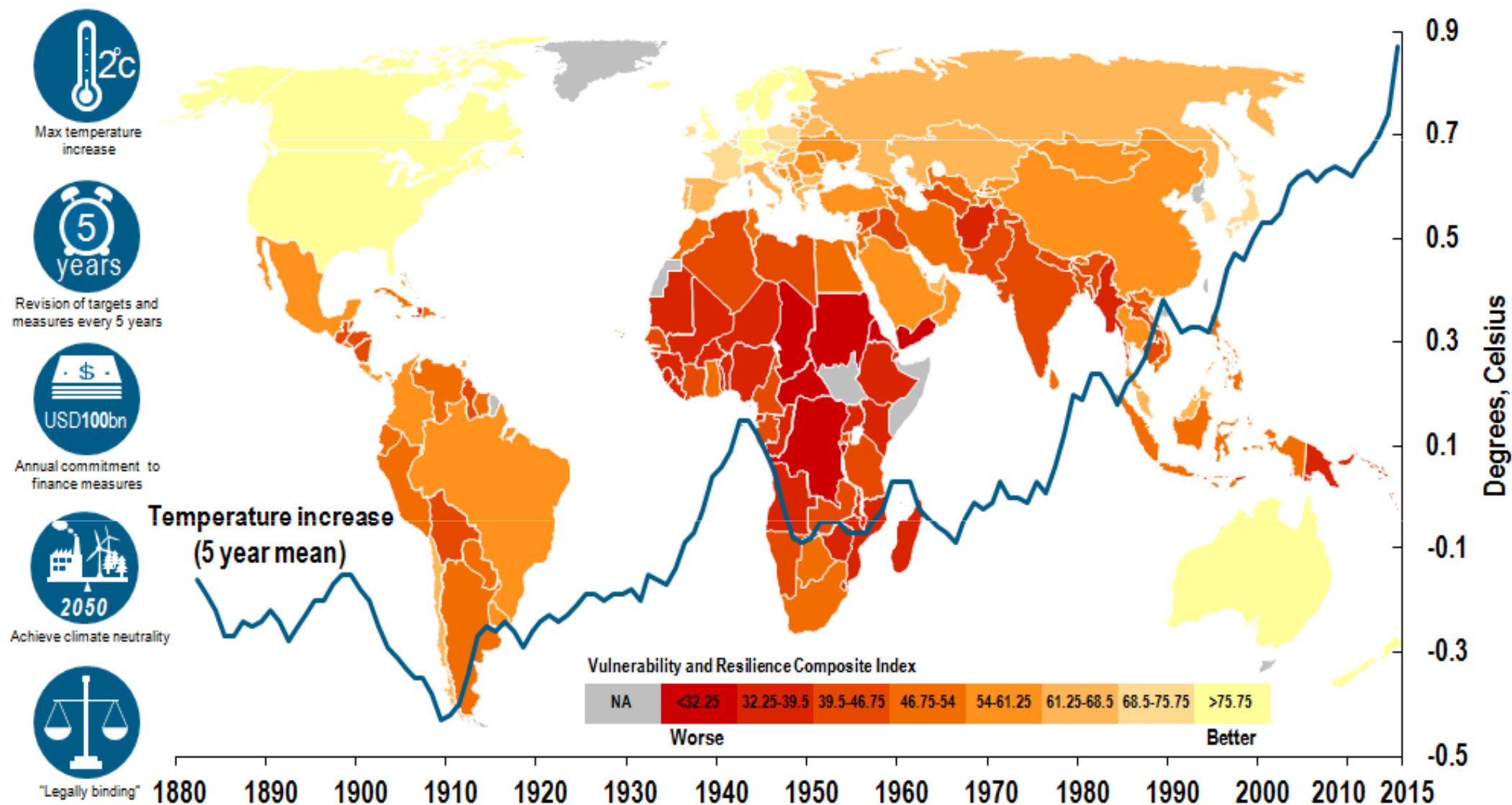
Trade blocs take various forms and cover a wide area of the globe

From free trade to political and economic integration



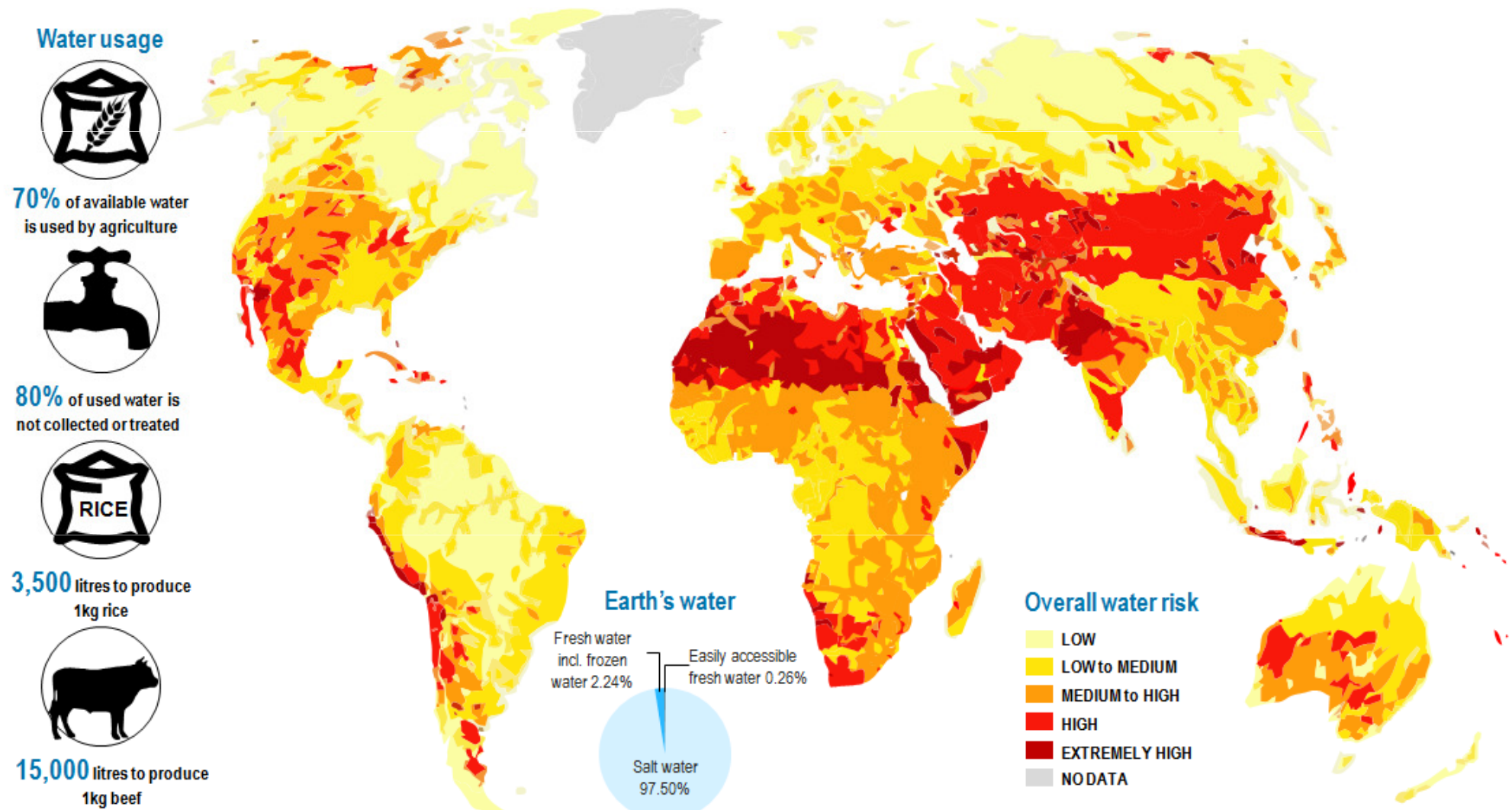
Climate change agreement and what is at stake

Key outcomes of the Paris deal, rising temperatures, vulnerability and readiness composite indicator



Water risks in the world

Overall water risk is a mix of natural availability, quality and management



A last word on oil

- Our Brent forecast (average; USD/bbl)
 - 2016: USD 46/bbl; 2017: USD 66/bb; 2018: USD 75/bbl
 - Change in Saudi Arabia's stance
 - US shale oil supply – fallen but stabilising
 - Demand – resilient but sustainability in question
 - Spare capacity – low but markets are not concerned
 - Inventories – falling but overhang is large
 - Investments – fallen but effect has a long lag

Global forecasts: Economic indicators

Only 25% of economies today have growth of > 5%

Growth across 52 global economies

Country	Real GDP growth (%)				
	2014	2015	2016	2017	2018
Majors	1.7	1.9	1.4	1.2	1.4
US	2.4	2.4	1.3	1.3	1.5
Euro area	1.0	1.9	1.5	1.2	1.5
Japan	0.0	0.5	0.7	0.6	0.7
UK	3.1	2.2	2.1	1.2	1.0
Canada	2.4	1.2	1.0	1.2	1.5
Australia	2.7	2.4	3.1	3.1	3.2
Asia	6.4	6.0	6.0	6.0	6.1
China	7.3	6.9	6.8	6.7	6.6
India	6.9	7.3	7.6	7.7	7.8
Africa	4.7	3.0	3.0	3.4	4.4
MENA	3.4	3.4	2.3	2.5	3.0
Latam	0.9	-0.7	-1.0	2.0	2.8
World	3.0	2.9	2.5	2.7	3