



Economic Forecasts: Berenberg's Chief Economist Schmieding "Forecaster of the Year"

Hamburg. Predicting economic development in a turbulent year like 2016 was no easy task. No German economist solved this problem better than Dr Holger Schmieding, chief economist at Berenberg.

Schmieding not only correctly assessed the increase in Germany's gross domestic product (GDP) for 2016, he also expected at an early stage that additional government spending for refugees would provide the economy with a noticeable boost this year. The growth in overall economic demand would have otherwise been up to one percentage point lower. A year ago, Schmieding put the rise in consumer spending at 1.8 percent.

Schmieding's forecast of an only restrained increase in exports was also quite accurate. He predicted that the loss of sales due to slower growth in China and crises in the emerging economies would only be partially compensated for by economic activity and demand – for example in Europe. Schmieding was also one of the few who, in spite of record low interest rates, doubted whether companies in Germany would invest all that much more in their equipment. This is another reason why he agreed with the European Central Bank (ECB) initially keeping its base interest rate at zero – particularly because investments are still so low.

The well-known ranking has been carried out by the "Wirtschaftswunder" ("economic miracle") portal since 2002 in cooperation with the "Süddeutsche Zeitung" (since 2013) and covers over 50 forecasts by research institutes, banks and other organisations together with the German government and the German Bundesbank. Holger Schmieding also won the title of "forecaster of the year" back in 2011.

What will 2017 bring?

After a year of total surprises, we are going to have to get used to many imponderables in 2017. With Donald Trump as US President, we are now threatened with the return to the normal up-and-down of economic activity. The way things are looking, the US Congress is going to approve his comprehensive fiscal programme.

Starting with the USA, somewhat more lively economic activity for the global economy over the next few years generally is becoming apparent. Here in Europe, we will be getting a few improved export opportunities but we expect constant and broadly-based growth for the eurozone.

In China the growth-trend is gradually slowing down but that country still has sufficient means of avoiding a hard landing. For other emerging economies in Asia and Latin America, on the other hand, the outlook is mixed.

The upturn will bring many opportunities. Unfortunately, we will also be threatened by unusual risks in 2017 which will result from the rise of populist movements on both sides of the Atlantic. A trade war between the USA and China could shake the global trading system. In Europe, the risk that opponents of the euro in Italy or even France might come to power has increased. While this remains unlikely, we cannot totally rule it out.

The financial market will quite rightly enjoy a US-driven stimulus. Provided the major political risks do not eventuate, the chances of higher prices on the share markets will predominate. Returns on the bond markets may also emerge from the economic trough; this will probably be helped by three moves in interest rates by the Fed in 2017 and a lower volume of bond purchases by the ECB. However, we will have to keep an eye on the political risks.

Berenberg Economic Forecasts for 2017:

	<u>Germany</u>	<u>Eurozone</u>	<u>USA</u>
Increase in GDP:	1.7*	1.5	2.4
Inflation:	1.4	1.3	2.2
Unemployment	4.4	9.6	4.7

*calendar-adjusted

Contact:

Karsten Wehmeier

Head of Corporate Communications

Phone +49 40 350 60-481

karsten.wehmeier@berenberg.de

Sandra Hülsmann

Press Officer

Phone +49 40 350 60-8357

sandra.huelsmann@berenberg.de

About Berenberg

Founded in 1590, Berenberg is one of Europe's leading private banks today, offering services in the divisions of Private Banking, Investment Banking, Asset Management, and Corporate Banking. Headquartered in Hamburg and led by managing partners, Berenberg maintains a strong presence in the financial centres of London, Zurich, New York, and Frankfurt. 1,500 employees carry the bank's long tradition of success into the future.

Joh. Berenberg, Gossler & Co. KG
Neuer Jungfernstieg 20
20354 Hamburg · Germany
Phone +49 40 350 60-0
www.berenberg.com · info@berenberg.com