

Press release

For editorial desks
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Commerzbank Research: 2017 will be the “year of politics”

- **Anti-establishment movements on the rise**
- **Chief economist Krämer: “Populists can cause more damage in Europe than in the USA.”**
- **German growth slowly weakens in 2017**

At the beginning of 2017 Donald Trump will be sworn in as the President of the United States of America and observers are still wondering just what this will mean. “Trump is different to his predecessors. But nobody knows what he will do differently,” Commerzbank’s chief economist Jörg Krämer said in Frankfurt on Friday at the presentation of his economic forecasts. Although the Republicans have a comfortable majority in Congress, Commerzbank’s experts nevertheless expect a tough tussle between Trump and his party colleagues. “Trump is not a true Republican,” Krämer said.

With regard to trade policy, Trump could utilise his extensive decision-making freedom to provoke trade conflicts. In the opinion of the Bank’s economists this could also damage the economic development of the USA. They therefore expect only moderately higher US growth of 2 per cent for 2017 and of 2.3 per cent for 2018 compared to that seen this year (1.6%). The core inflation will continue to rise moderately (2016: 2.2%; 2017: 2.3%; 2018: 2.5%). This has less to do with Trump, however, than with the approaching full employment, which has recently prompted wages to increase more quickly. For the Federal Reserve, Commerzbank’s experts expect two interest rate increases of 25 basis points each for the coming year and three of 25 basis points each for 2018.

In Europe, anti-establishment movements are also still on the rise. The forthcoming Constitutional referendum in Italy has developed into a plebiscite on the government itself. A failure to secure a reform of the senate on Sunday could sooner or later lead to fresh elections, with the euro-sceptic Five Star Movement possibly emerging as the winner of such an election. In Krämer’s opinion, however, Italy’s president would initially put in place a caretaker government so as to reassure the markets. “If the proposed reforms are not accepted on Sunday, the sovereign debt crisis will not automatically return.”

Should this come about in the course of the coming year, the European Central Bank (ECB) would once again come to the rescue. However, “the ECB no longer has that many levers to pull”, said Krämer. The

bond-buying program would reach its limits in the coming year, even if these limits were expanded. In addition, vital reforms would, as a consequence, be postponed.

In Germany the “consumption-driven boom” continues apace. However an increasing number of undesirable developments can be seen under the glittering surface. These include, according to Krämer, the rolling back of earlier reforms and an increase in real estate prices, which poses the risk of a bubble. Overall, Commerzbank’s economists expect growth of 1.8 per cent this year and only 1.3 per cent in 2017.

The global economy will also feel the impact. In China the heavily indebted state-owned enterprises continue to suppress growth. Instead of dismantling surplus capacities, Commerzbank believes the government will ensure that state banks continue to supply the state-owned enterprises with loans. This will deprive the healthy companies of resources, and, on the whole, will weaken growth in the People’s Republic. Due to this “Zombification” the Bank’s economists expect growth next year to decline to 6.5% (2016: 6.7%).

On the stock markets, analysts at the Bank expect prices to rise further and see the DAX reaching a level of 11,700 points at the end of 2017. As a consequence of numerous political risks in the eurozone, Commerzbank’s experts expect strong fluctuations on the stock markets in the course of the coming year; making 2017 the “year of politics”.

Commerzbank Research Prognoses

Growth in gross domestic product in real terms in % compared to previous year

	2016	2017	2018
Eurozone	1.6	1.5	1.4
- Germany	1.8	1.3	1.2
- France	1.3	1.3	1.3
- Italy	0.8	1.0	1.1
USA	1.6	2.0	2.3
China	6.7	6.5	6.3
US dollar (per euro as at year end)	1.06	1.04	0.99

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