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ECONOMIC UPDATE. AUTUMN 2021

PANDEMIC REBOUND HAS FURTHER TO RUN

GLOBAL INSURANCE LAW CONNECT

INTRODUCTION

- The economic recovery from the COVID-19 downturn will continue in the second half of 2021 and into 2022, according to Capital Economics. Most regions are containing the virus through vaccine rollouts, although the Delta variant poses a risk to the outlook.
- While the recovery in North America and much of Asia (except for India) has already taken place and is set to lose momentum in the coming quarters, growth in Europe and Latin America should accelerate further.
- The strong economic rebound coupled with supply constraints and high commodity prices mean that inflation will remain elevated until the end of this year. Upwards price pressures are projected to ease next year, particularly in the advanced economies, allowing inflation to drop back and interest rates to remain low.

The green shoots of economic recovery from the pandemic are visible on the horizon; yet multiple challenges remain for the global economy. The current global energy crisis, climate change vulnerabilities, supply chain bottlenecks and high inflation look likely to derail a strong bounce back.

The insurance industry, as with almost all others, is grappling with the changes brought about by the pandemic and faltering economic growth could provide yet another challenge. Considering this, we have worked together with Capital Economics to look at current economic trends to provide our members and their clients a broad view of the global economy towards shaping their planning for the months ahead.

Recent discussions with our members have highlighted how across the globe, demand for insurance varies by line of business. However, as economies transition to the 'new normal', we are likely to see growth in those classes of insurance that had fallen in the last two years.

We have seen that many claims brought are pandemic related, as businesses try to recoup losses that have been made during lockdown periods and beyond. However, we are now also seeing a significant number of claims for natural disasters across the world as floods, storms and wildfires continue to increase due to the effects of climate change.

M&A activity within the insurance market has increased in many regions, as insurers seek to provide a full-scale offering or upgrade their technology to offer their consumers a more streamlined service. In addition, there is also a greater demand for increased transparency and competitiveness, coupled with tougher regulatory regimes. All of this is critical to our clients' working lives. Macroeconomics now, more than ever, impacts every aspect of the insurance value chain.

I want to thank Capital Economics for their insightful economic commentary which forms the backbone of what I am hoping will prove to be a useful tool for our members and their clients.
Best wishes

Jim Sherwood
Chairman
Global Insurance Law Connect

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ASIA' S UNSYNCHRONISED RECOVERY TO CONTINUE

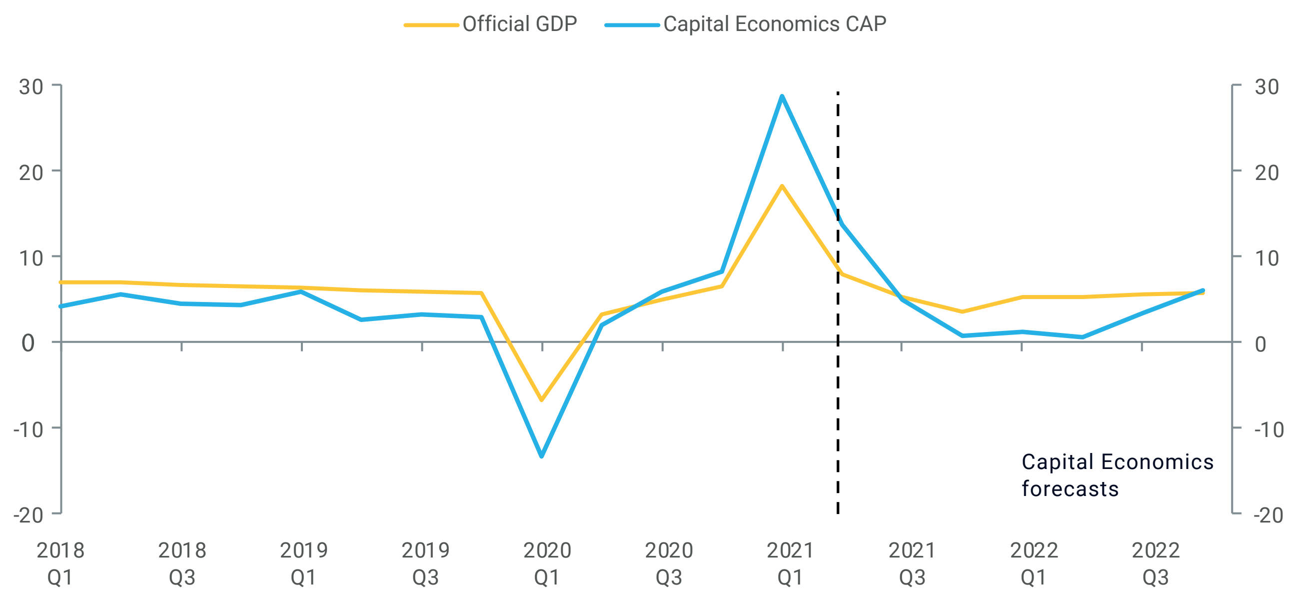
The economic impact of COVID-19 has been smaller in most of the larger economies in Asia than in other parts of the world, with the notable exception of India. Having been the first part of the world to experience the crisis, East Asia was also the first region to begin recovering from it. We expect the Asian recovery to continue in the coming quarters, albeit at a varied pace across the region.

The Chinese economy was hit hard in the first quarter of 2020 as the COVID-19 outbreak developed, with GDP contracting by 6.8% year-on-year according to official data. The decline according to Capital Economics' China Activity Proxy (CAP) was even greater at 13.4% year-on-year. The CAP is based on a set of monthly indicators chosen to reflect activity across a wide section of the economy, and it is Capital Economics' in-house indicator to attempt to track the pace of Chinese growth without relying on the official GDP figures.

The economy has recovered quickly over the past year due to rapid containment of the virus in China and an effective economic stimulus package. Exports have also boomed on the back of overseas demand for Personal Protective Equipment (PPE), consumer electronics and other goods as consumers and businesses around the world adapted to the new reality of the pandemic. Firms in the industrial and construction sectors have been the main beneficiaries to date of the recovery.

With overall output now above its pre-virus trend, the economy is struggling to gain ground at its usual pace. Headwinds to growth are likely to intensify during the second half of the year. China's COVID-19 export boom appears to have peaked and will unwind as vaccine rollouts and reopening help to normalise global consumption patterns. And while the People's Bank of China (PBOC) has relaunched efforts to push down borrowing costs and alleviate the debt servicing burden of firms, as yet there are few signs that it intends to relax quantitative controls on lending and reverse the recent slowdown in credit growth, which looks set to weigh further on investment spending. The upshot is that Capital Economics expects quarter-on-quarter growth to be slow by historic standards over the next few quarters, with headline year-on-year growth likely to end the year below 4% (CAP 0.7%), and average 5.7% (CAP 3%) in 2022.

Figure 1: Change in Chinese GDP (year-on-year, %)



Source: Capital Economics.

Price pressures in China are starting to ease. After reaching a 12-year high of 9.0% year-on-year in May, producer price inflation edged back to 8.8% in June as the rally in global commodity prices faltered. Consumer price inflation declined too in June, to 1.1% from 1.3% the previous month, and Capital Economics thinks it average just 1.0% this year and 1.5% next year.

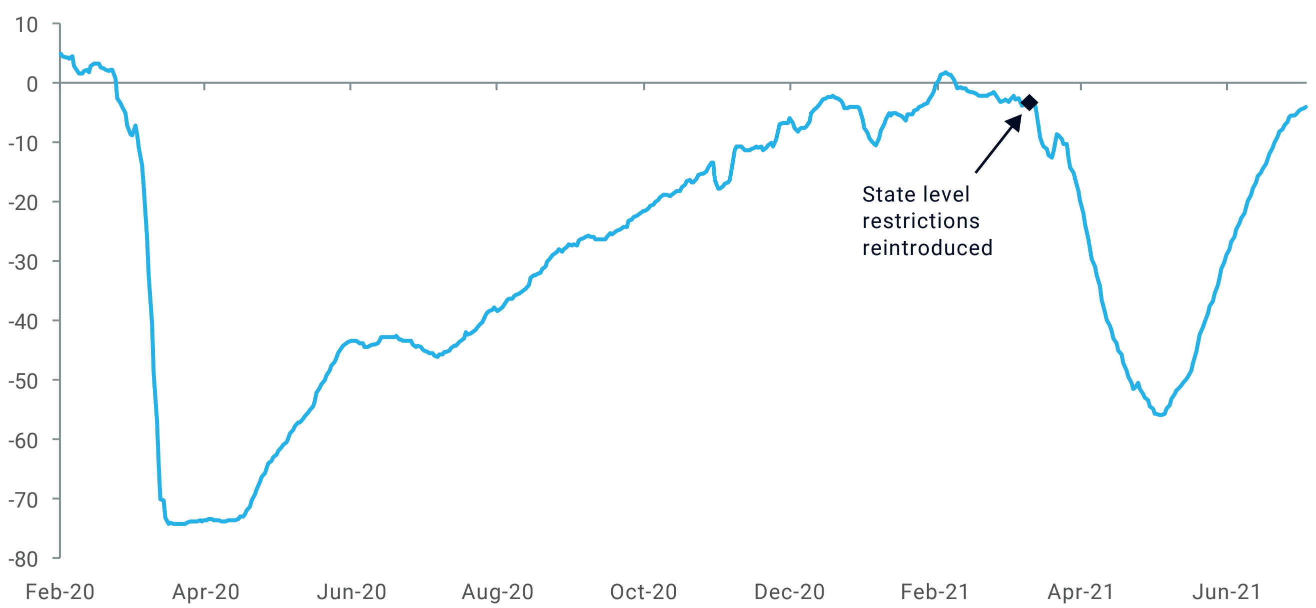
Like China, Taiwan's economy weathered the COVID-19 shock well and grew by 3.1% last year, primarily thanks to successful containment of the virus without the need for economically-damaging lockdowns. In May, 2021, however, significant restrictions on activity were imposed to counter the first major outbreak of COVID-19. Restrictions are starting to be eased, and mobility is beginning to recover. This is an important development, as throughout the pandemic, mobility indicators provided timely insights on the level of economic activity.

The rest of the economy is growing strongly, helped by surging demand for the island's semiconductor exports. While wage growth in the semiconductor sector has accelerated, there has been no spill-over to wage growth for companies in other parts of the economy. New orders now appear to have plateaued, but exports should continue to grow strongly for a while longer, as there remains a backlog of orders that will take time to clear. Taiwan's GDP is forecast by Capital Economics to grow by 7.0% this year and 3.0% in 2022.

The Indian economy has been one of the hardest hit by COVID-19, shrinking by 7% in 2020. India suffered more than many countries in the region largely because of a fragile health system, the length of the lockdowns and not least because of limited policy support. That said, the economy had recovered enough by the January-March quarter of this year for output to be 1.5% above the pre-virus level. Although activity took a big hit in the April-June quarter as new infections surged and containment measures were reimposed, the good news is that the ferocious second wave is subsiding as quickly as it emerged and the economic damage has not been as severe as last year.

There is plenty of evidence that the relatively rapid scaling back of containment measures is already boosting activity. Mobility data from Google, for example, show a rebound in retail and recreation visits, as shopping malls and restaurants have reopened. It seems more likely than not that states will continue removing restrictions quickly as they did a year ago, which will further boost activity in the near term. In all, Capital Economics expects the net effect to be for GDP to grow by 11% this year and by 9% in 2022, largely thanks to expanding private consumption and investment.

Figure 2: Capital Economics' India Mobility Tracker (% Difference. from Jan.-6th Feb. 2020, seven-day average)



Sources: Capital Economics, Google, Apple.

There are two key downside risks for India. First, the relatively low share of the population that has been vaccinated means the rapid scaling back of containment measures that is underway increases the threat of further outbreaks, not least because of the highly transmissible Delta variant. Second, beyond the initial reopening bounce, the weakness of the banking sector may hold back the extension of credit to firms by more than expected and limit the investment recovery.

Headline consumer price inflation remained at 6.3% year-on-year in June, unchanged from May but still above the Reserve Bank of India's upper target of 6%. All in all, Capital Economics' view is that inflation in India has already peaked. Beyond the near term, substantial spare capacity in the economy should ensure that price pressures remain anchored. Inflation is forecast to remain, on average, within the Reserve Bank of India's 2-6% window this year and next.

Thanks to timely lockdowns and generous policy support, the Australian economy fared relatively well in 2020 compared to other developed economies, with GDP falling by "only" 2.4% year-on-year. While policy has remained supportive in 2021, the recent lockdowns in Sydney and Victoria will put a lid on the GDP rebound this year, which Capital Economics expects to be 4.6% year-on-year. Next year, the economic expansion is expected to continue with growth of 3.5% year-on-year thanks to rising private consumption and investment, as well as government spending. But the slow vaccine rollout means that Australia is vulnerable to new virus outbreaks, especially given the Delta variant. While this is not Capital Economics' base case view, it may require the government to impose new lockdowns in the coming quarters.

Capital Economics forecasts core inflation – which excludes fuel and food - to drop from 3.9% year-on-year in the second quarter of 2021 to 1.6% in the fourth quarter of the year. This is because the downward pressure on prices from the export-driven strengthening of the exchange rate is expected to offset the upward pressure from supply shortages, ultimately causing goods inflation to fall. Further out, the tightening labour market should lift inflation, pushing it to 2.1% in the fourth quarter of 2022. Indeed, job vacancies are now equivalent to 2.6% of the labour force, far higher than the pre-virus record high of 1.7% reached in early-2019. And with the border closure expected to remain in place, the labour market will continue to be tight for a long time, supporting wage growth. In turn, this will put pressure on firms' profit margins.

ECONOMIC RECOVERY IN NORTH AMERICA SET TO LOSE MOMENTUM

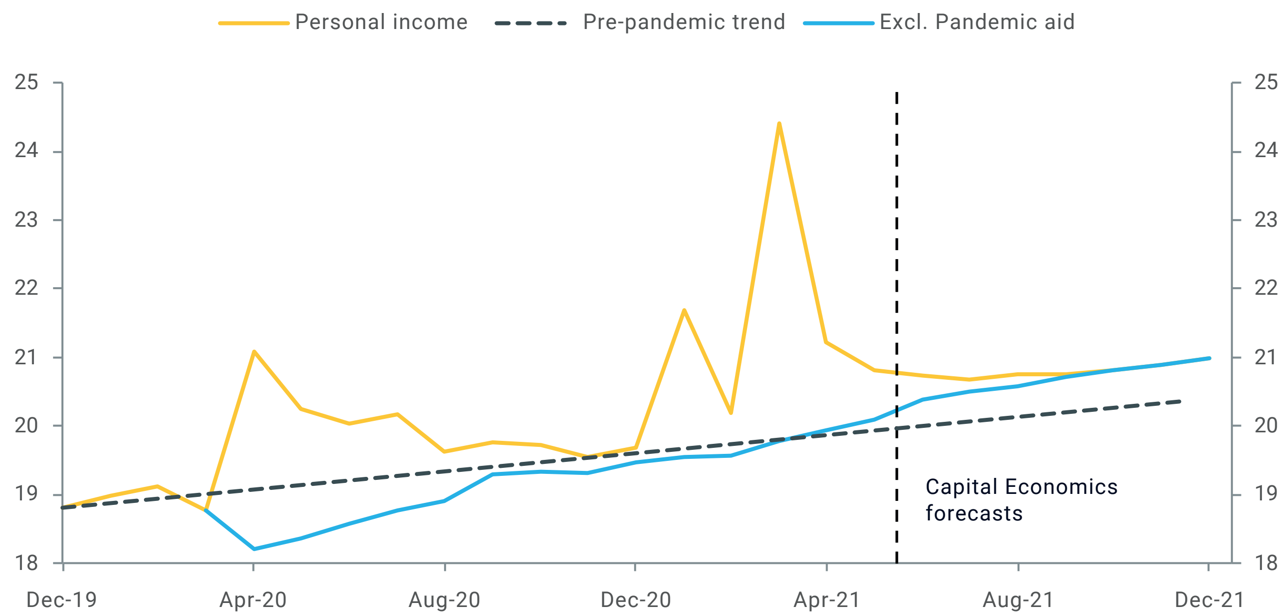
The US economy fared better than many developed economies during the pandemic, primarily because of a comparatively large fiscal stimulus. US GDP fell by 3.5% year-on-year in 2020, while in Advanced Economies it dropped by 5% over the same period.

While at the national level the recent surge in COVID-19 cases due to the Delta variant has been modest, big regional differences exist. Indeed, cases in many southern states, where vaccination rates have lagged the national average, are seeing the biggest pick-up. And even if the impact on economic activity in these states is mitigated by their reluctance to impose new restrictions, it does increase the risk of other states being affected. But all in all, Capital Economics does not expect a lasting impact on economic activity, with GDP returning to its pre-virus trend next year.

However, with the boosts from the fiscal stimulus and lifting of virus-related restrictions fading, GDP growth is expected to slow in 2022 to 3.5% year-on-year, from 6.0% in 2021. The slowdown will largely be driven by decelerating consumption growth, which is expected to decrease from 7.5% this year to 3.1% in 2022. But overall, the fundamental drivers of consumption remain strong. Admittedly, even though the expiration of enhanced unemployment benefit programs will weigh on incomes, the ongoing recovery in the labour market means that incomes excluding transfers will continue to rise, and remain above their pre-pandemic trend.

The fading boost from the most recent stimulus cheques means that goods consumption, which is 15% above its pre-pandemic peak, is falling back. At the same time, the recovery in services spending has been a relative disappointment, with services consumption still 4% below its pre-pandemic level. The high-frequency data also show that leisure and travel-related spending is yet to make a full recovery.

Figure 3: US personal income ($ trillion)



Sources: Capital Economics, Refinitiv.

Capital Economics expects the post-lockdown boom in business investment to slow, mainly because of lower spending on IT equipment – by and large the primary driver of investment growth in the previous quarters. Similarly, structures investment will continue to lag, as rising office and retail vacancy rates will keep construction under pressure. However, low borrowing costs and biting capacity constraints in many sectors should mean that investment growth will remain relatively strong – at least by historical standards.

Public sector investment could also be set to accelerate, with recent bipartisan proposals calling for an increase in Federal infrastructure spending of $579bn, equivalent to 0.5% of GDP per year if spread over five years. While it is not certain that the package will make it through Congress, it is likely that if it does, it will be fiscally neutral. In turn, it is probable that this would mean higher taxes for firms.

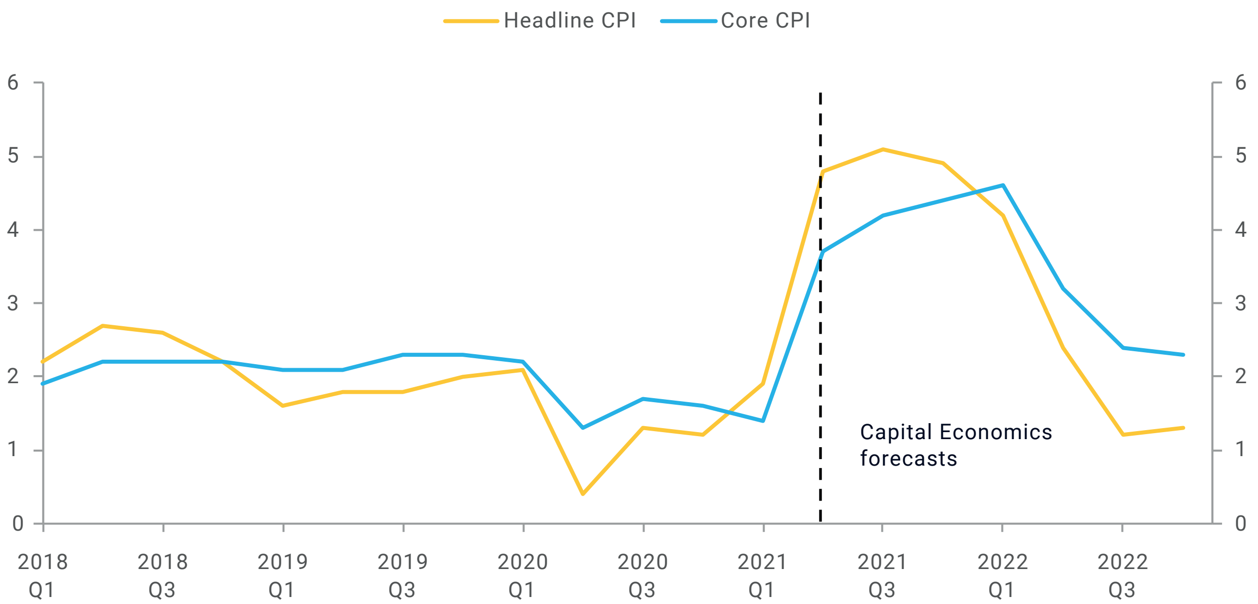
Widespread labour shortages, in part due to longer-lasting effects of the pandemic including a surge in retirements and skills mismatch, mean the rebound in employment will continue to lag the recovery in activity. But with labour market conditions tighter than the unemployment rate suggests, Capital Economics expects wage growth to accelerate to more than 4% in 2022, putting pressure on firms' profits.

Headline inflation climbed to 5.4% year-on-year in June, and core inflation reached a 30-year high of 4.5% in the same month. This recent surge is due to two key factors. As the rebound in production has lagged spending in many countries, global supply shortages have become more acute and are now affecting most industries. The other big factor driving inflation higher in recent months is the rebound in prices linked to the reopening of high-contact services sectors. In the early stages of the pandemic in 2020, the prices of hotel rooms, airfares and car rentals fell sharply. But, on the heels of the vaccination rollout, the reopening of those sectors has triggered a rebound.

Nevertheless, slowing economic growth in China means that demand for commodities should fall (China is a key driver of many commodity markets), which should prompt commodity prices to fall back over the remainder of this year. In turn, this should help push headline CPI inflation down to 2.3% next year from 4.2% this year.

The supply shortages affecting intermediate inputs, such as semiconductors, and the labour market tightness are expected to ease only gradually over the next 12 to 18 months. As a result, Capital Economics forecasts core CPI inflation to fall only modestly, from 3.4% this year to 3.1% in 2022. Despite underlying inflationary pressures remaining elevated, the consultancy expects the Federal Reserve to keep interest rates unchanged through to the end of 2022, which should keep corporate bond yields low by historical standards.

Figure 4: US CPI inflation (%)



Sources: Capital Economics, Refinitiv.

LATIN AMERICA' S OUTLOOK BRIGHTENS, BUT RISKS REMAIN

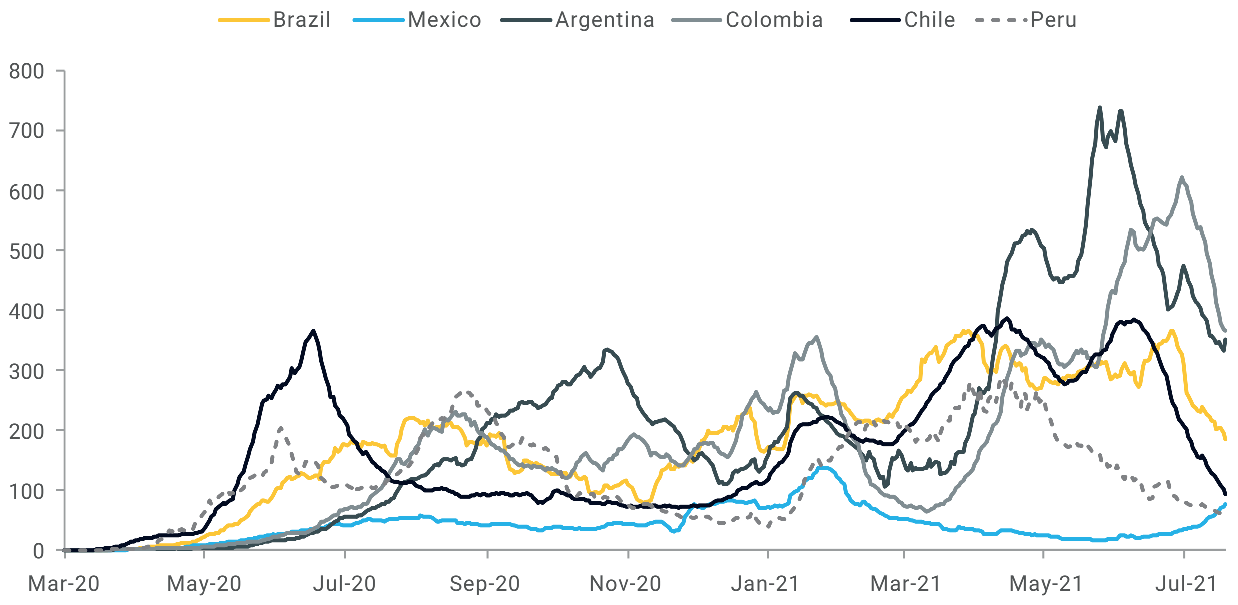
Latin America has been amongst the most severely impacted regions by COVID-19, both in terms of the health crisis and economic damage. In 2020, GDP fell by almost 7% year-on-year.

In 2021, even though Latin America has struggled with renewed virus outbreaks, the experience from the first and second quarters is that the region's economies have been more resilient, especially compared to a year ago. That is because restrictions have been more targeted, firms and households have adapted, and most governments have been willing to provide additional fiscal support.

What is more, new virus cases are now falling across the major economies in the region, except for Mexico. And the rollout of vaccines is helping to reduce serious illness and deaths too. Policymakers have responded by easing restrictions, and high-frequency mobility indicators suggest that Latin America's largest economies are back on the path to recovery.

In Brazil, a generous fiscal stimulus in the form of cash transfers allowed the economy to perform better than the overall region, with GDP falling by just over 4% year-on-year in 2020. Economic activity has proved resilient this year to a third wave of the virus and mobility has picked up quickly as the outbreak has eased. Capital Economics forecasts GDP to grow by 4.8% year-on-year in 2021, driven by consumer spending and investment, which was particularly strong in the first half of the year. While the economy is forecast to continue to grow in 2022 (3.0% on the year), momentum should slow as a few headwinds to the outlook are building. Emergency income support will come to an end in the coming months, removing a prop to consumer spending. In addition, Capital Economics also expects the prices of most commodity prices will fall, hurting Brazil's export revenues. Lastly, tighter financing conditions due to the central bank's hiking of interest rates are also likely to have an adverse impact on firms' activities.

Figure 5: Daily new COVID-19 cases per million people (seven-day average)



Sources: Capital Economics, Our World in Data.

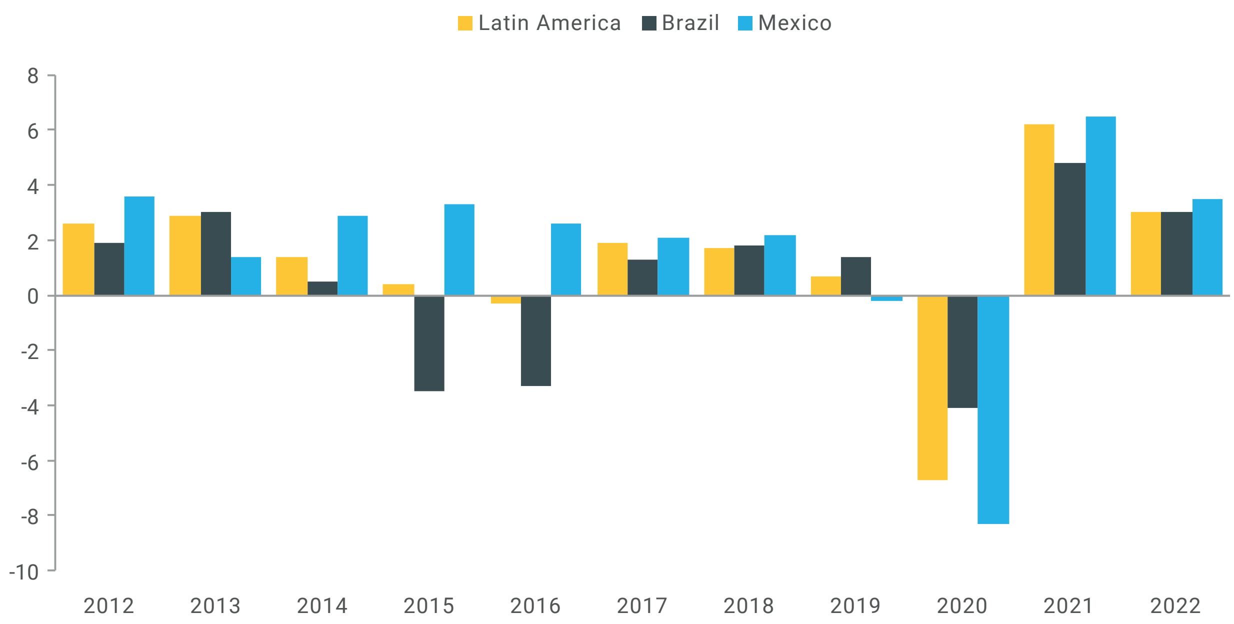
A big near-term risk is the country's drought, which has resulted in very low reservoir levels at some hydroelectric dams. The threat of a highly disruptive electricity rationing, as happened in 2001, will cloud the outlook. Even if this is avoided, electricity tariffs are likely to rise for both households and firms, adding to the country's inflation problem. As it happens, the headline inflation rate is close to peaking and will fall sharply later in the year. That said, it is likely to average 6.5% year-on-year in 2021, higher than the central bank's upper limit. Food inflation should come down from current high rates (it likely peaked in February) and the recent spike in petrol inflation will reverse as oil prices edge lower. More fundamentally, spare capacity in the economy– GDP will only return to its 2014 peak next year – will dampen inflation, causing it to average just below 4% in 2022.

Unlike most other countries in Latin America, new virus infections have surged in Mexico in recent weeks. While this third wave will probably weigh on activity this quarter, it will not derail the economic recovery, as policymakers seem reluctant to impose lockdowns in response to surging virus cases. Indeed, 19 of the 32 states are still in the 'green' level of restrictions, with few containment measures in place. That helps to explain why the latest mobility data have stayed high in recent weeks, and supports Capital Economics' view of a continued recovery. Moreover, one key lesson from Mexico's second wave at the start of the year is that the economy did not take a big hit from tighter lockdown measures, suggesting that even if new lockdowns were to be imposed, they would not be as detrimental to economic activity as they were in 2020.

Taken together, Capital Economics expects a 6.5% rebound in Mexico's GDP this year (after dropping 8.3% in 2020), followed by a modest 3.5% expansion in 2022. While consumer spending and investment will be the main drivers of the recovery, they will only surpass their 2019 levels in the second half of 2022.

As far as the inflation outlook is concerned, Capital Economics' view is that both headline and core inflation will stay above the 2-4% target range in the coming months, bringing the yearly average for 2021 to 5.3%. Against this backdrop, Banxico, Mexico's central bank, is expected to continue raising interest rates throughout the year. While this supports Capital Economics' forecast of CPI inflation decelerating to 4% year-on-year in 2022, it also means that financing conditions for firms will become tighter.

Figure 6: Latin America real GDP growth (%)



Sources: Capital Economics, Refinitiv.

AFTER A SLOW START, EUROPE' S RECOVERY IS GAINING MOMENTUM

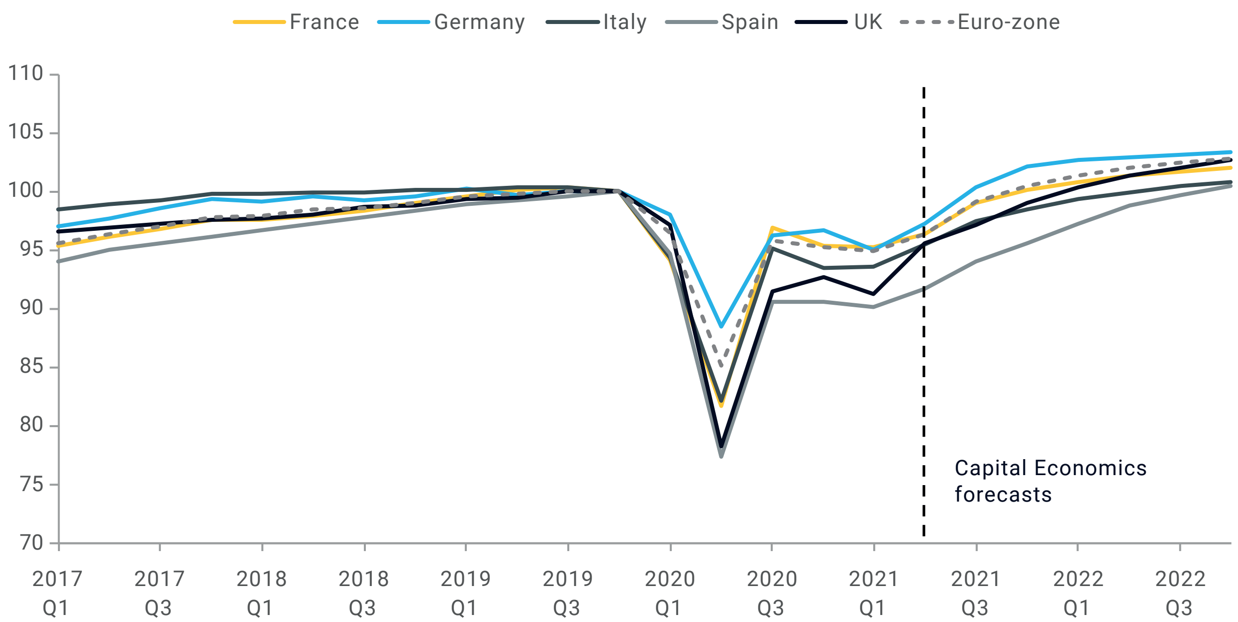
In 2020, COVID-19 took a heavy toll on European economies, with euro-zone GDP falling by 6.7% year-on-year. After having struggled to contain the virus in the fourth quarter of 2020 and in the first of 2021, most European countries are now experiencing a strong bounce back in economic activity, not least because of successful vaccine rollouts.

A strong rebound in household consumption, which was nearly 10% below pre-pandemic levels in the first quarter of 2021, will be the main driver of growth in the coming quarters. Moreover, even though the Delta variant may lead to some voluntary social distancing or limited restrictions over the winter, Capital Economics' view is that it will not derail the recovery. While country differences exist, the consultancy expects that the rapid recovery which is now underway should lift euro-zone GDP to its pre-pandemic level early next year.

As far as inflation is concerned, Capital Economics expects inflation to follow a similar path across virtually all European countries: it will increase in the coming months, admittedly more so in Northern euro-zone countries than in Southern ones, on the back of stronger economic recovery as well as supply bottlenecks. But with wage agreements and inflation expectations remaining low, it will drop back to lower levels. Importantly, this supports Capital Economics' view that the ECB will keep its monetary policy stance ultra-accommodative until 2025. The upshot of this is that financing conditions for firms in the euro-zone will continue to be very favourable.

Germany is on track to regain its pre-pandemic level of GDP by the end of the third quarter of 2021, earlier than other large euro-zone countries. This is both because output fell by less than its peers in 2020, and because Germany has a more prominent industrial sector. The latter was largely immune to the second lockdown and has already regained its pre-pandemic level. Inflation has risen sharply and should remain higher than most euro-zone countries because of the strength of the recovery as well as the impact of last year's temporary VAT cut. Wage inflation, however, will stay subdued as multi-year negotiated wage settlements show continued pay restraint. Against this backdrop, Capital Economics expects German core inflation growth to average 2.3% this year, and slow to 1.8% in 2022.

Figure 7: Real GDP in the euro-zone, its largest economies and the UK (2019 Q4=100)



Sources: Capital Economics, Refinitiv.

Like Germany, France is experiencing a strong rebound in economic activity. Improving labour conditions will continue to support consumer spending, and the marked improvement in firms' investment intentions bodes well for investment growth in the coming quarters. Taken together, France's GDP is expected to return to pre-pandemic levels by the end of this year, and continue growing by ~4% year-on-year in 2022.

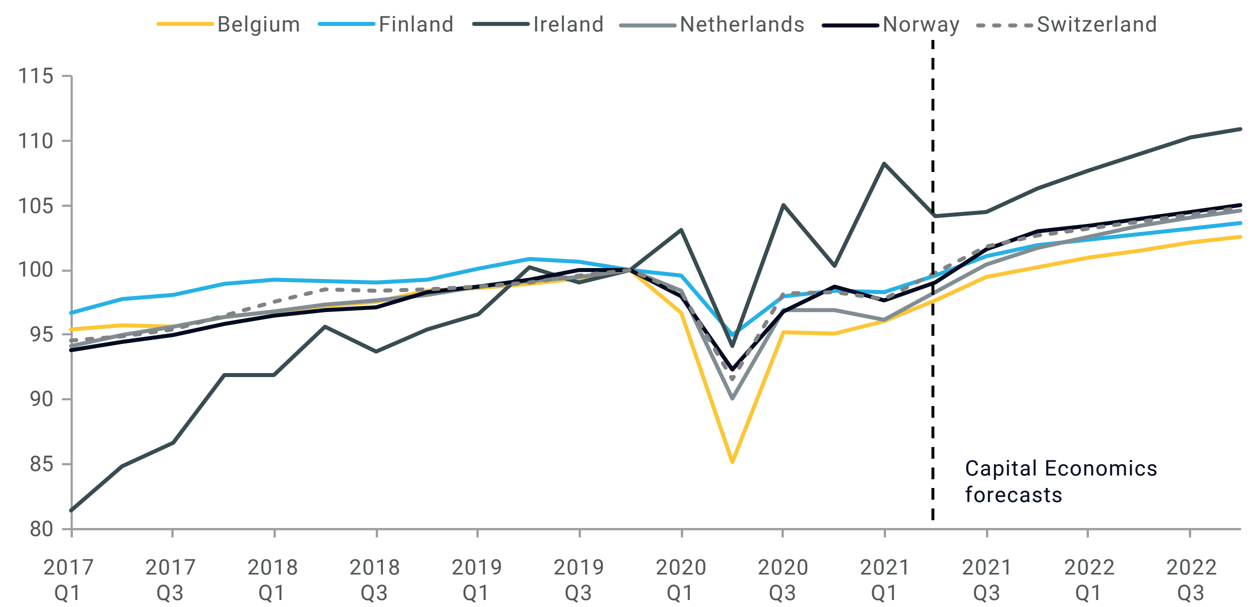
Despite a relatively strong 2021, in which GDP is expected to rebound by 5.5% year-on-year (after falling ~9% last year), the economic recovery in Italy will lag that of Germany and France. But in line with that of the euro-zone's two biggest economies, the main growth drivers will be household consumption and investment. While the former will be supported by the large stock of savings that Italian households have built up in 2020, the latter will benefit from a strong construction sector.

In Spain, the euro-zone's fourth largest economy, GDP is expected to return to pre-crisis levels only by the end of 2022. The Delta variant, and associated travel restrictions, mean that the all-important tourism sector will be depressed again this year, but is expected to be back to normal next year. Against this backdrop, Capital Economics sees Spanish GDP growth averaging 5.5% in 2021 and 6.5% in 2022, after falling by almost 11% year-on-year in 2020.

While the economic recovery in the UK is losing momentum, a deceleration in the pace of growth was always to be expected as the economy moves closer to its pre-pandemic peak, not least because most of the gains from lifting restrictions on economic activity have already been made. Capital Economics expects GDP to return to its pre-crisis level by the end of this year or in the first quarter of next year. GDP, which recorded one of the largest declines among the developed economies last year of almost 10%, is expected to grow by 6.5% year-on-year in 2021, and to expand by 6.1% in 2022 on the back of growing consumer spending.

The recent rise in inflation, from 2.0% year-on-year in July to 3.2% in August, is largely due to base effects and it is more linked to falling consumer prices in August last year rather than a widespread and significant surge in prices this August. This supports Capital Economics' view that while prices are likely to rise in the coming months on the back of product and labour shortages, these increases will prove to be temporary and reverse next year. Ultimately, this will cause inflation to fall to 1.6% year-on-year by the end of next year, from a peak of 4.3% in the fourth quarter of 2021. However, if labour shortages last for longer, there is a risk that this will push wage growth up, which would not only put upwards pressure on inflation, but could also hurt firms' profits.

Figure 8: Real GDP in smaller European economies (2019 Q4=100)



Sources: Capital Economics, Refinitiv.

As far as other euro-zone countries are concerned, a relatively small fall in 2020 and a quick rebound in 2021 mean that Netherlands, Belgium and Luxembourg will all see their respective GDPs return to pre-pandemic levels before the end of this year. Similarly, Finland, which has been amongst the most successful at limiting the damage from lockdowns, will experience a yearly growth of 2.5% in 2021 (after a fall of 2.7% year-on-year in 2020), comfortably making it one of the best performers.

Not quite the best because of Ireland, whose GDP actually rose in 2020 by 2.5% year-on-year, thanks to pharmaceuticals and computer services exports. Despite Brexit, which is set to take a toll on Ireland's international trade, exports will continue to provide a boost to Irish GDP in 2021, which Capital Economics sees expanding by 7% on the previous year.

Two other European countries which performed comparatively well during the pandemic are the non-euro-zone countries of Norway and Switzerland, with both economies contracting by "only" around 3% in 2020. In both economies the outlook is bright. In Switzerland, the economy is on the path of a strong recovery: a rebound in services spending, as restrictions were lifted, will contribute to a return of pre-crisis GDP levels by year-end. Further out, Capital Economics expects GDP to expand by 3% year-on-year in 2022, on the back of resilient household spending. Similarly, the Norwegian economy is expected to grow on average 4%, this year and next. Private consumption, just like in Switzerland and in most of the euro-zone, will be the main growth driver. In both countries, the inflation outlook is subdued and does not pose a risk to the economic recovery.

Where inflation does indeed pose significant risks to the economic outlook is Turkey. Here, inflation hit a two-year high of 17.5% year-on-year in June, and domestic energy prices are likely to push it to around 19% over the next couple of months. Worryingly, there are increasing signs that inflation expectations are rising, which risks fuelling wage growth and, in turn, pushing up inflation.

The worsening inflation outlook is likely to prevent the central bank from cutting interest rates in August. It is probable that financial conditions will continue to be tight, as a result, with adverse consequences for firms' access to credit.

Turkey avoided an economic contraction in 2020, with GDP growing by 1.8% year-on-year. The three-week lockdown in May and the rising inflation risk are headwinds to growth, but Capital Economics still expects Turkish GDP to expand by 5.8% year-on-year in 2021, before slowing to 3.5% in 2022. Consumer spending is seen as being the main growth driver.

Table 1: GDP growth forecasts (year-on-year, %)

	2019	2020	2021f	2022f
Asia				
Australia	1.9	-2.4	4.6	3.8
China (Official GDP)	6.0	2.3	8.0	5.7
China (Capital Economics CAP)	3.5	1.2	10.0	3.0
India	4.8	-7.0	11.0	9.0
Taiwan	3.0	3.1	7.0	3.0
North America				
United States	2.2	-3.5	6.0	3.5
Latin America				
Brazil	1.4	-4.1	4.8	3.0
Mexico	-0.2	-8.3	6.5	3.5
Europe				
Euro-zone	1.4	-6.5	5.0	4.5
Belgium	1.8	-6.3	5.8	3.5
Finland	1.3	-2.7	2.5	2.8
France	1.8	-8.0	6.3	3.8
Germany	0.6	-5.1	4.0	4.5
Ireland	5.1	5.9	7.0	3.5
Italy	0.3	-8.9	5.5	4.0
Luxembourg	2.3	-1.3	4.8	3.0
Netherlands	1.9	-3.8	3.8	4.5
Spain	1.9	-10.8	5.5	6.5
Norway	2.4	-3.1	4.0	4.0
Switzerland	1.1	-2.7	4.0	3.5
Turkey	0.9	1.8	5.8	3.5
United Kingdom	1.4	-9.9	6.5	6.1

Source: Capital Economics.

Table 2: CPI inflation forecasts (year-on-year, %)

	2019	2020	2021f	2022f
Asia				
Australia	1.6	0.9	2.4	1.9
China	2.9	2.5	1.0	1.5
India	3.7	6.6	5.3	5.8
Taiwan	0.6	-0.2	1.7	1.2
North America				
United States	1.8	1.2	4.2	2.3
Latin America				
Brazil	3.7	3.2	7.3	4.8
Mexico	3.6	3.4	5.3	4.0
Europe				
Euro-zone	1.2	0.2	2.3	1.3
Belgium	1.2	0.4	2.0	1.6
Finland	1.1	0.4	1.8	1.3
France	1.3	0.5	1.8	1.3
Germany	1.4	0.4	2.8	1.5
Ireland	0.9	-0.5	1.5	1.0
Italy	0.6	-0.1	1.3	0.5
Luxembourg	1.6	0.0	2.5	2.0
Netherlands	2.7	1.1	2.3	1.8
Spain	0.8	-0.3	2.3	1.0
Norway	2.2	1.3	2.5	1.5
Switzerland	0.4	-0.7	0.8	0.5
Turkey	15.2	12.3	17.0	12.0
United Kingdom	1.8	0.9	2.4	3.0

Source: Capital Economics.

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