2016: The Return of Political Risk

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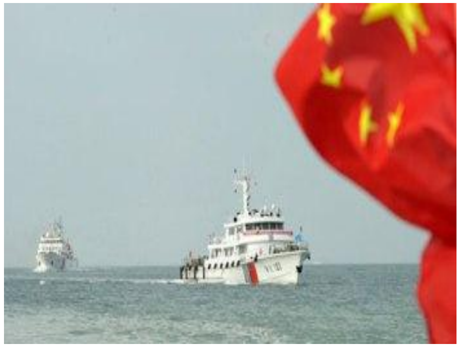
The Economist Intelligence Unit

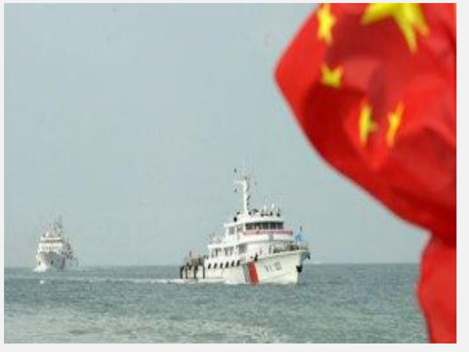
Political risk: on the rise, around the world

Is there a pattern to the latest surge?



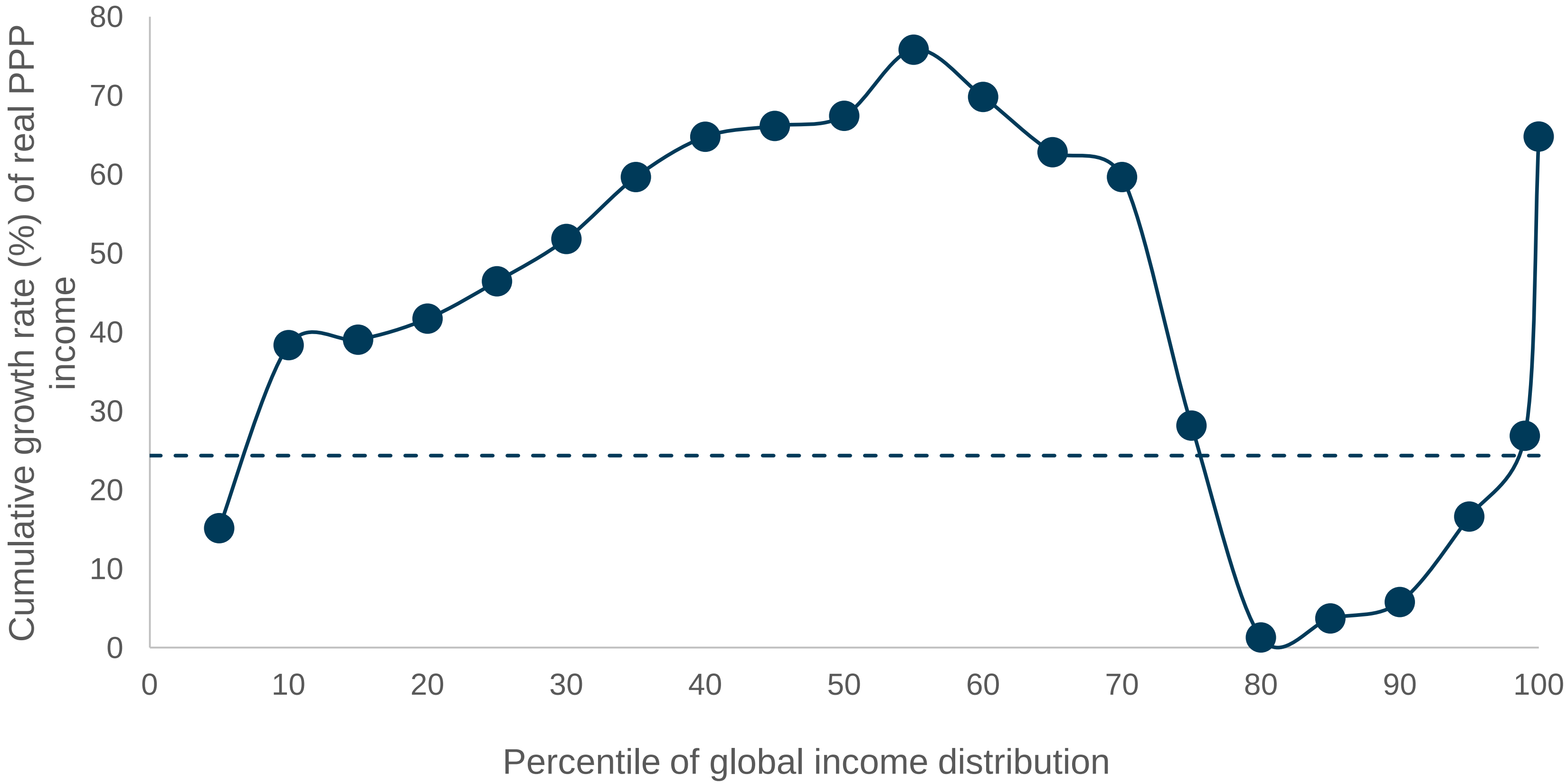
Political risk: on the rise, around the world

Is there a pattern to the latest surge?

Anti-establishment	Long running disputes	Stagnant living standards?
		
		

Winners and losers from globalisation

Global growth incidence curve (1988-2008)



Source: Branko Milanovic.

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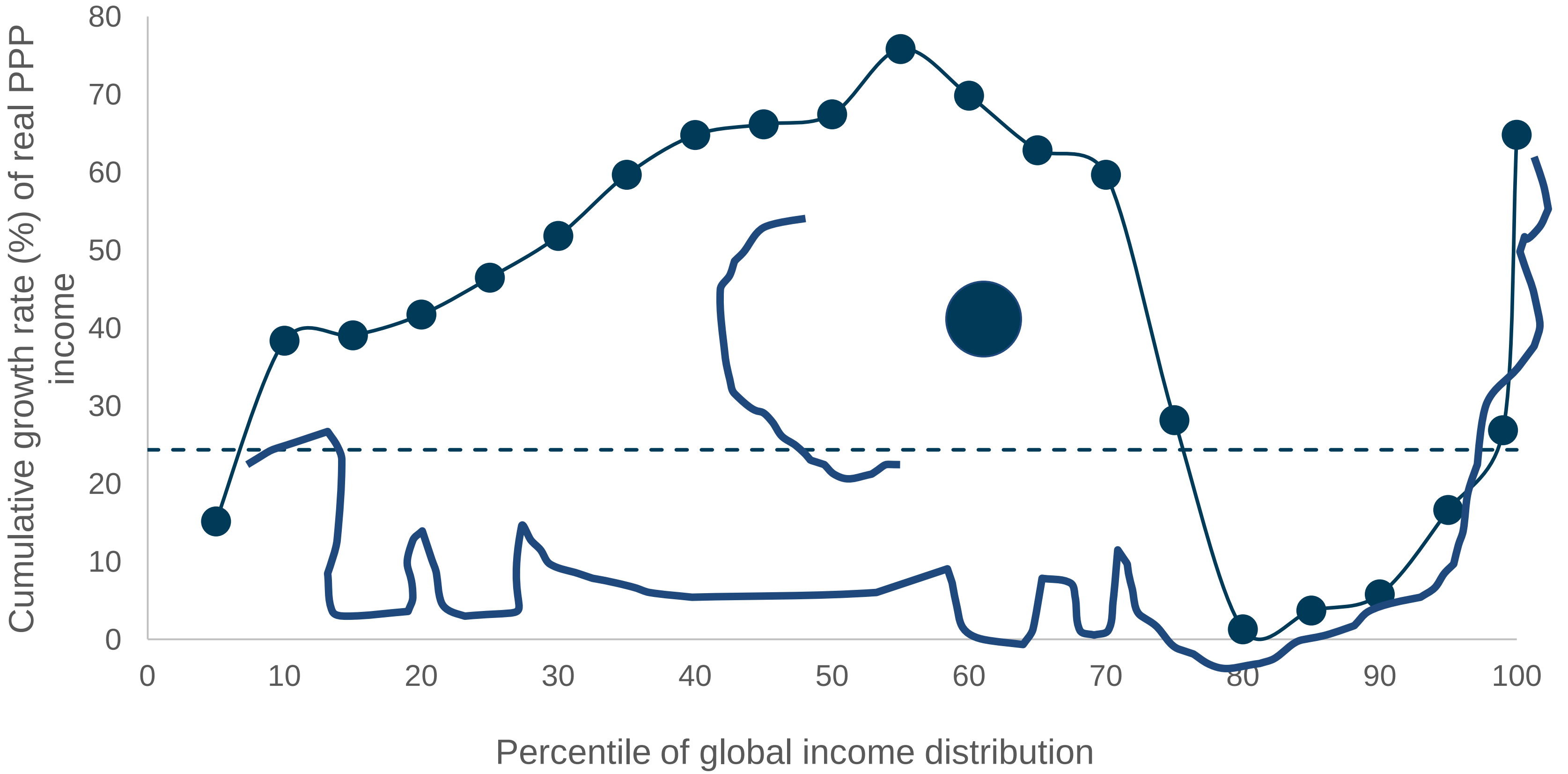

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Winners and losers from globalisation

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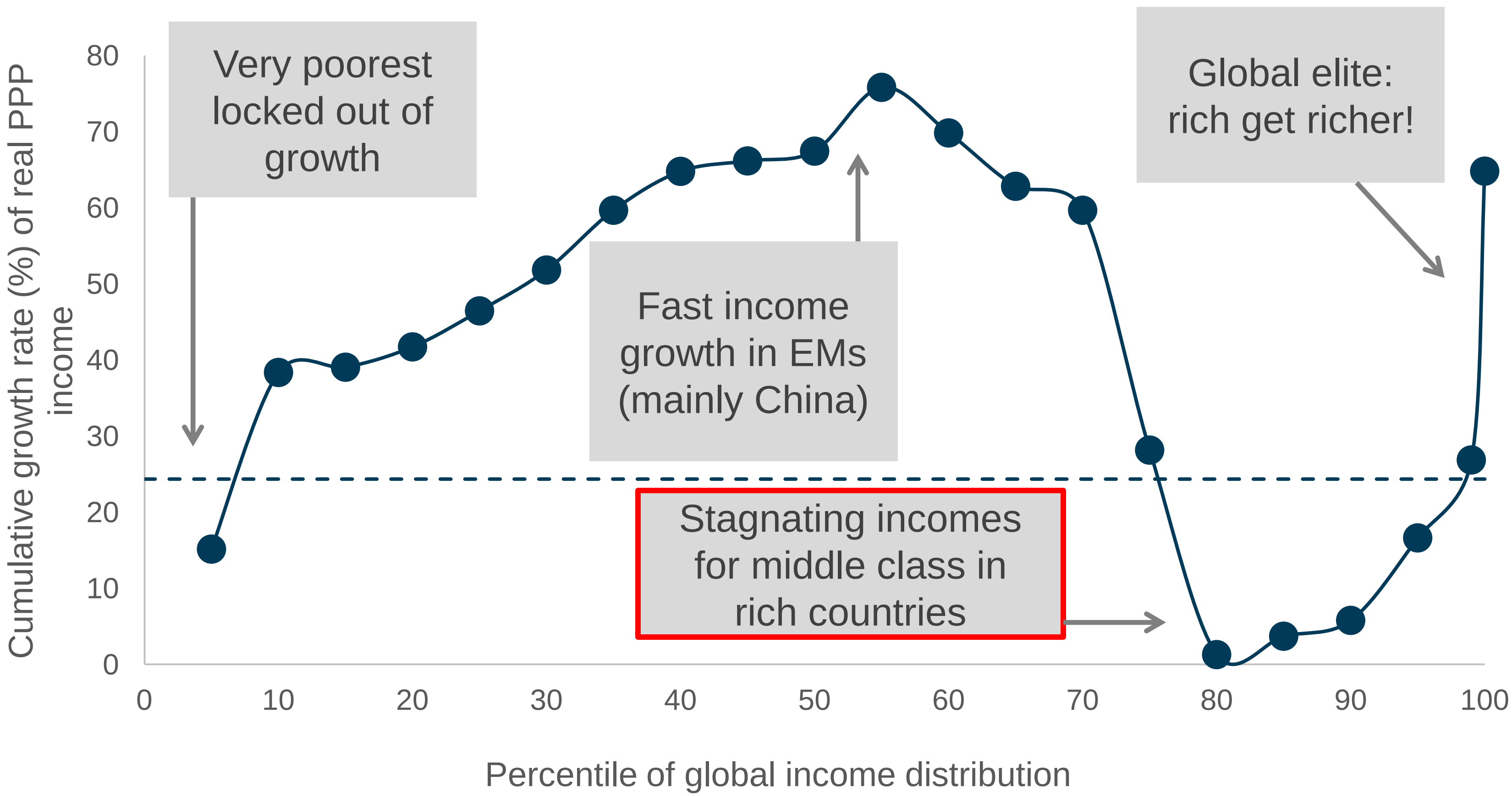

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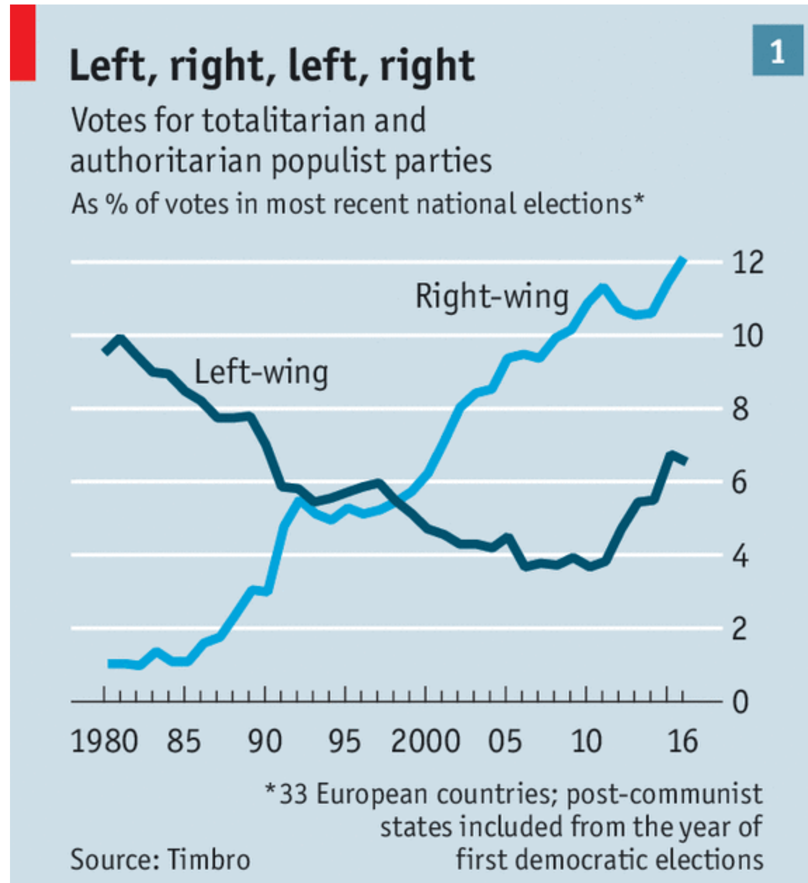
Global risks

Brexit: profound consequences

For the UK, and Europe

- UK recession in 2017
- Contagion: boost for anti-establishment and anti-EU parties across Europe
- EU referendums in other countries—Netherlands and France–could trigger euro zone crisis
- Scotland independence, united Ireland?



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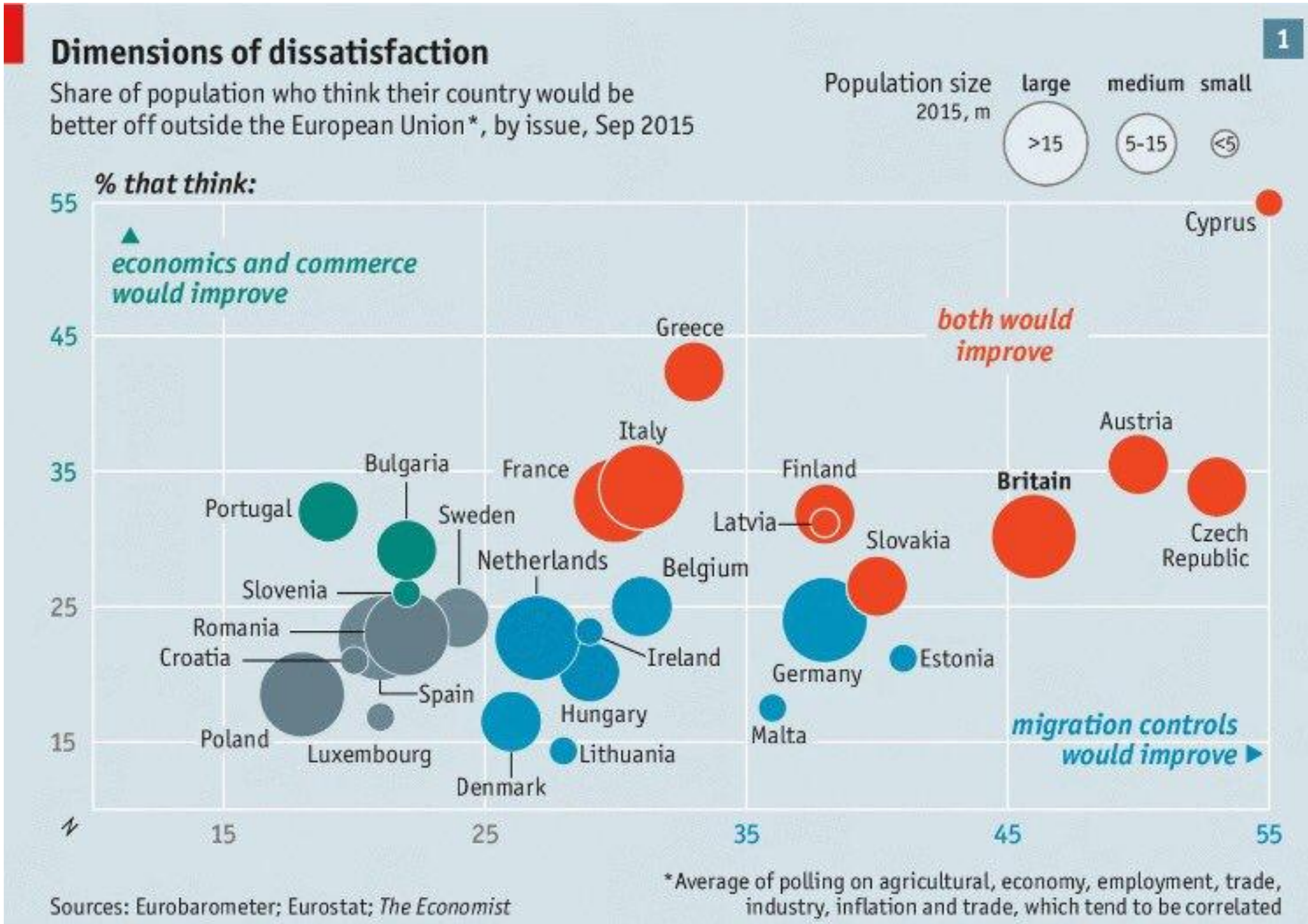
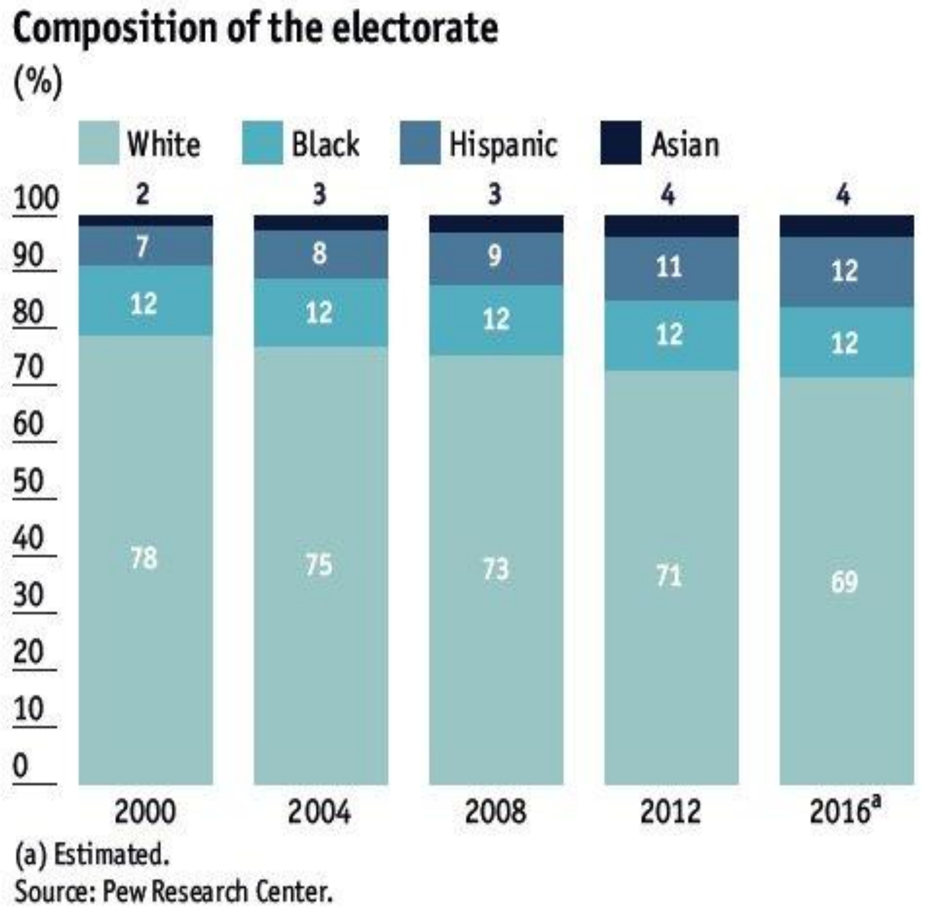
Europe: on the brink?

Italy is the next pressure point



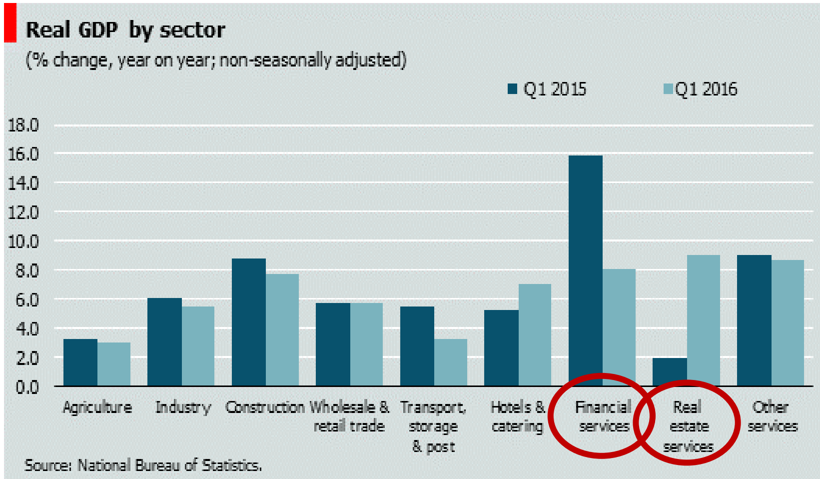
US election: the unpopularity contest

We forecast Clinton presidency, Democrat Senate majority, Republican House.



Hard landing in China is major global risk

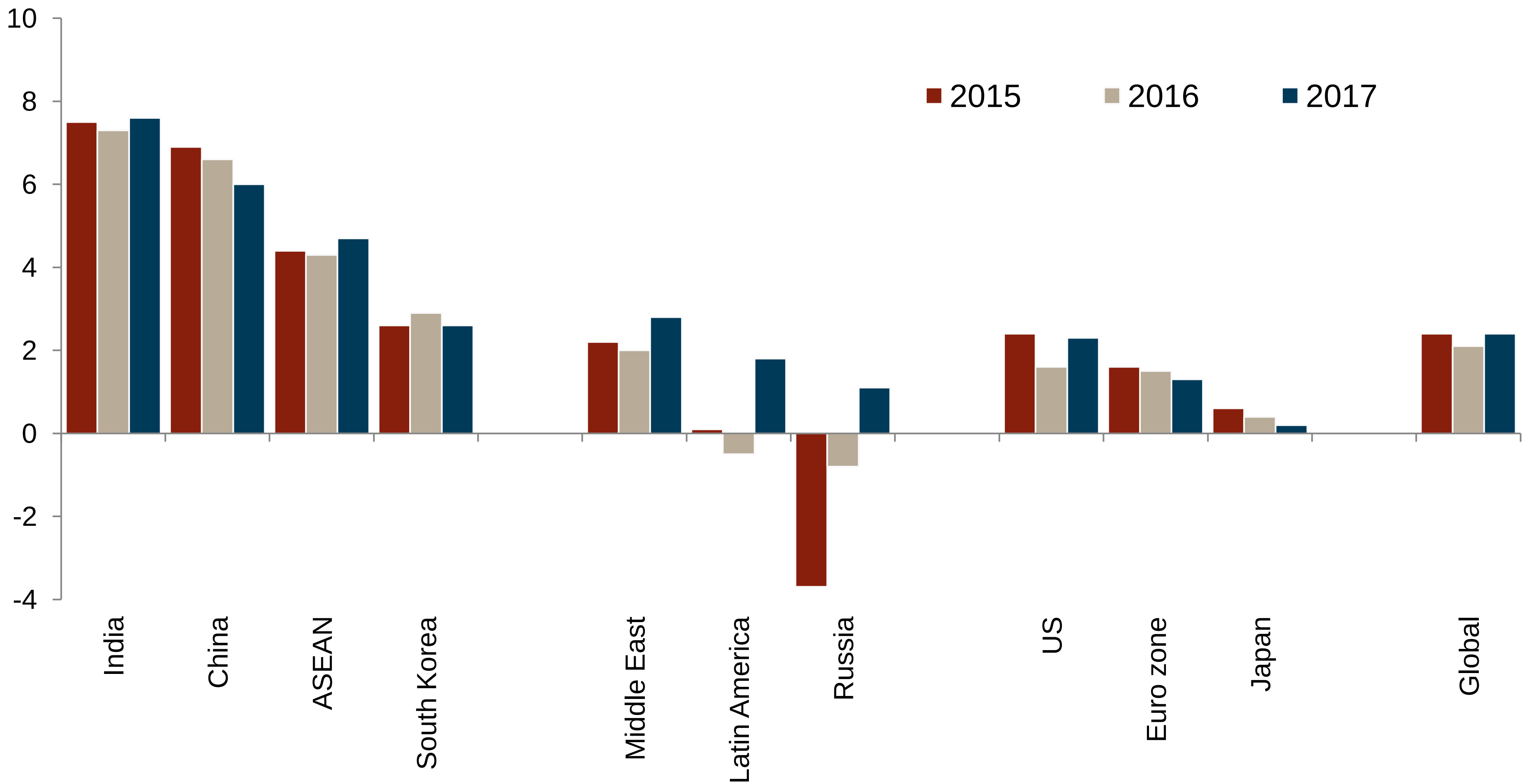
We forecast real GDP growth of 6.6% in 2016, slowing to 4.2% in 2020



- We think there is a 40% risk of a China hard landing (defined as 2ppt deceleration in real GDP growth)
- Triggers? Banking crisis, housing crash or slump in private investment
- Housing bubble? Property sales value up by 40% in January-Jul over the year-earlier period
- Debt now at dizzying levels; domestic credit growing 3.2 x faster than nominal GDP

Where is the growth?

Higher commodity prices will support Emerging Markets in 2017

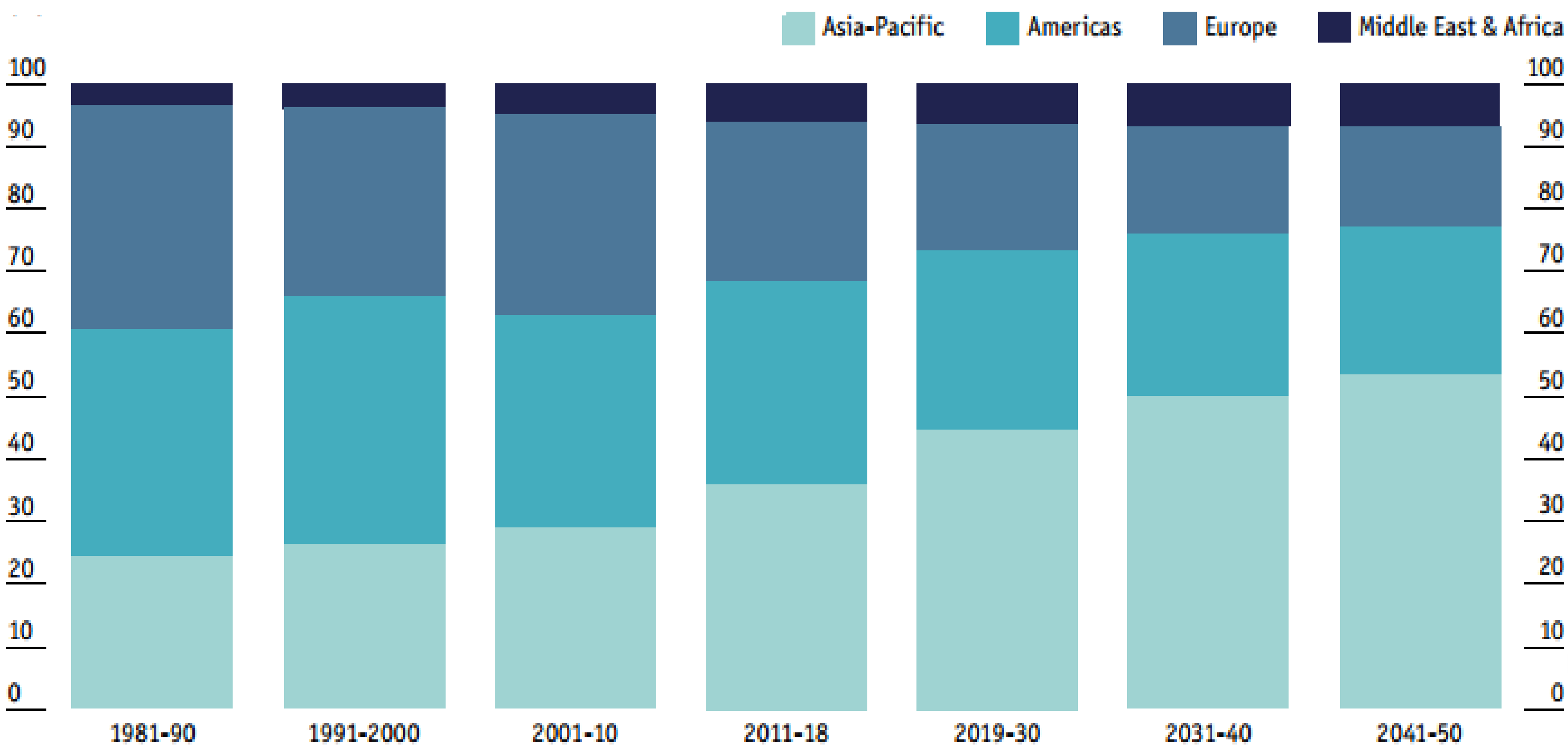


Real GDP growth; % change, year on year.
As of September 2016. Source: The Economist Intelligence Unit.

Long term forecast to 2050

The rise of Asia

Regional share of the global economy



Source: The Economist Intelligence Unit.