

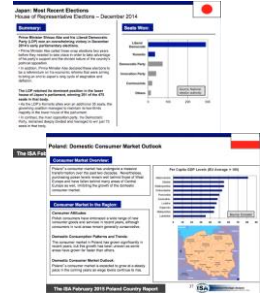
# The 2017 ISA Global Economic and Risk Outlook

Created by ISA (International Strategic Analysis)  
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 www.isa-world.com



## About ISA (International Strategic Analysis)

- Founded in 2003, ISA now has clients in more than 100 countries, including from major multinationals, government bodies and research organizations.
- ISA publishes a range of best-selling international reports and forecasts.
- ISA provides customized research and advisory services for some of the world's leading business and research organizations.



## Objectives and Agenda

Objectives	Agenda
<ul style="list-style-type: none"> <li>• To determine how the trends and events of the past year will impact international trade and investment in 2017 and the years beyond.</li> <li>• To predict the key economic, business and political issues and trends that will shape global trade and investment in 2017 and beyond.</li> <li>• To determine which long-term issues and trends will play a key role in the future of global trade and investment and the direction of the global economy.</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction</li> <li>• A Look Back at 2016</li> <li>• The Key Political Issues in 2017</li> <li>• The Key Economic Issues in 2017</li> <li>• Regional Outlooks</li> <li>• Questions and Answers</li> </ul>

## A Look Back at the Previous 12 Months

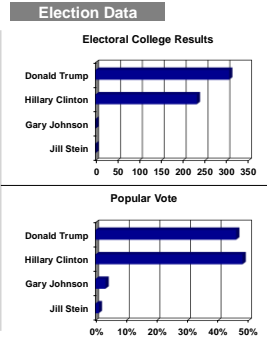
### How 2016 Will Impact 2017 and Beyond

## The Leading Political Developments of 2016

- The Election of Donald Trump
- Brexit
- The Rise of Populism
- 2016's Key Elections
- Unrest in the Middle East and North Africa

## The Election of Donald Trump

- Key Developments**
  - Donald Trump's chances of winning 2016's presidential election in the US were considered to be less than 25% just ahead of the election.
  - Instead, Trump won nearly all of the key swing states, performing better-than-expected in the Midwest and the Southeast.
  - Despite her defeat, Hillary Clinton won at least 2.8 million more votes than Donald Trump in this election.



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## Brexit

**Key Developments**

- The actual impact of Brexit is hard to know until the terms of the UK's post-Brexit relationship with the European Union are established.
- The UK has been a key driver of economic growth in the EU.
- The UK, particularly London, has been a leading destination for foreign investment to Europe from North America and Asia.

**European Union Data**

Average Annual British and Eurozone GDP Growth Rates

Year	UK (%)	Eurozone (%)
1991 - 1995	~1.5	~1.5
1996 - 2000	~3.0	~2.5
2001 - 2005	~2.5	~1.5
2006 - 2010	~1.0	~0.5
2011 - 2015	~2.0	~1.0
2016 - 2020	~1.5	~1.5

**UK's Share of the European Union**

Category	Share (%)
FDI Inflows	~18%
Total GDP	~16%
Population	~12%

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## The Rise of Populism

**Key Developments**

- Far-right and far-left populism emerged as a major political factor in 2016.
- On the political far-right, immigration, trade and security have proven to be major vote winners.
- On the political far-left, income inequality and long-term unemployment became major issues in 2016.

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## 2016's Most Important Elections

- US President and Congressional Election → Shift Right
- British Referendum → Shift Right
- Italian Referendum → Shift Right
- Philippines Presidential Election → Shift Right
- Colombian Peace Deal Referendum → Shift Right
- Spain Parliamentary Elections → Shift Right

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## Unrest in the Middle East and North Africa

- Syria → Government forces make gains with the support of Russia, Iran and Hezbollah
- Iraq → Islamic State loses ground, but volatility remains firmly in place
- Libya → A lack of centralized control threatens to turn Libya into a new Somalia
- Yemen → Yemen's civil war has turned into a proxy war between Saudi Arabia and Iran
- Turkey → 2016's failed coup and a renewed Kurdish insurgency have destabilized Turkey
- Egypt → The Sisi government is losing support and unrest continues in many areas of Egypt

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## The Leading Economic Developments of 2016

- Global Economic Growth Remains Sluggish
- Stagnant Trade and Investment
- A Slow Start for the US Economy
- Trump's Victory Shakes the Markets
- Europe's Recovery Peaks
- China Slows, But Steadies
- India Emerges as the Fastest-Growing Large Economy
- Emerging Markets Struggle
- Oil Prices Keep Falling, Until the OPEC Deal
- The Impact of Low Oil Prices

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## The Global Economy – Sluggish Growth Continues

**Key Developments**

- Global economic growth rates have hovered near 3% since 2012.
- Global economic growth could fall below 3% over the near-term.
- Forecasts for growth in 2017 and 2018 have been revised downwards in recent months.
- Both developed and emerging economies are to blame for this sluggish growth.

**Global Economic Growth**

Global GDP Growth Rate

Year	Growth Rate (%)
2009	5.0
2010	5.5
2011	4.5
2012	3.5
2013	3.5
2014	3.5
2015	3.5
2016	3.5
2017 (est.)	3.0
2018 (est.)	3.0

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ISA (International Strategic Analysis) **2016 – Global Trade and Investment**

**Key Developments**

- International trade levels have been depressed in recent years.
- Weak export markets and lower commodity prices have resulted in current trade levels being nearly 20% below those of 2011.
- Foreign investment levels have begun to rebound following a long slump.

**Trade and Investment Data**

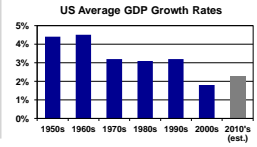
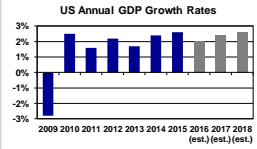


ISA (International Strategic Analysis) **A Bad Start to 2016 for the US Economy**

**Key Developments**

- Economic growth rates in the United States fell well below expectations in the first half of 2016.
- While consumer spending was strong, business investment levels were disappointing.
- The US economy staged a strong comeback in the third quarter of 2016.

**Economic Data**



ISA (International Strategic Analysis) **Trump's Victory Shakes the Markets**

**Key Developments**

- The US dollar and other safe haven currencies have soared in the wake of the election of Donald Trump in the United States.
- Emerging markets holding high levels of US dollar denominated debt are at risk.
- Stock markets have suffered from a high level of volatility in recent months.

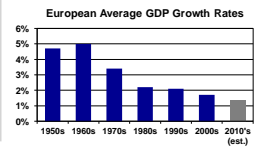
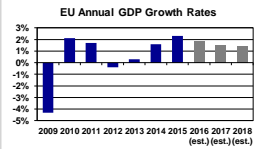


ISA (International Strategic Analysis) **Europe's Economic Recovery Peaks**

**Key Developments**

- After a series of crises, Europe's recovery staged a mild recovery in 2015 and 2016.
- Europe's recovery peaked with GDP growth of just around 2%.
- Growth was driven by peripheral economies such as Britain, Spain and Poland.
- Many European economies continued to suffer from low competitiveness levels.

**Economic Data**

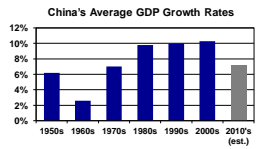
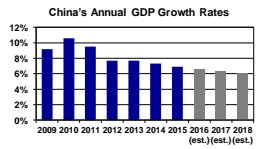


ISA (International Strategic Analysis) **China's Slowdown Continues, But Steadies**

**Key Developments**

- China's slowdown continued in 2016, but for the moment, a hard-landing has been avoided.
- However, many dangers (market bubbles, overcapacity and debt) remained firmly in place.
- Chinese exporters suffered from declining export competitiveness and weak export markets.
- Consumer spending in China continued to grow at more than 10%.

**Economic Data**

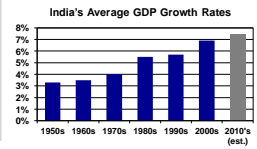
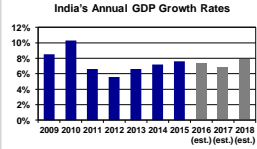


ISA (International Strategic Analysis) **India Leads the Way**

**Key Developments**

- Another year of 7%+ growth has entrenched India as the world's fastest-growing large economy.
- However, a botched demonetization program in late 2016 is forecast to reduce growth over the near-term.
- Foreign investment levels, after years of slow growth, have grown at a faster pace thanks to recent reforms.

**Economic Data**

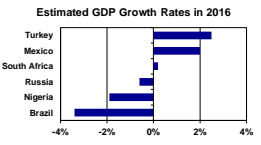
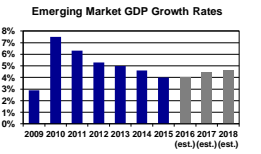


ISA (International Strategic Analysis) **Emerging Market Struggles Continue**

**Key Developments**

- Outside of Asia, most large emerging markets continued to struggle to rebound from their recent slumps.
- Latin America's economy has been in a two-year recession, led by Brazil's economic crisis.
- Russia and East Europe remained in a significant downturn.
- Sub-Saharan Africa and the Middle East continued to suffer from low commodity prices.

**Economic Data**

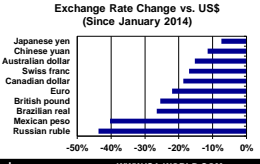
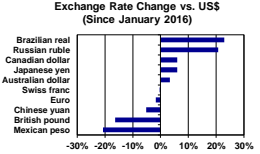


ISA (International Strategic Analysis) **The Powerful US Dollar**

**Key Developments**

- The US dollar entered into a period of strength in the wake of the stoppage of the Federal Reserve's quantitative easing program in 2014.
- The election of Donald Trump in late 2016 resulted in another surge in the value of the US dollar.
- Most emerging market currencies rebounded in 2016 (apart from the Mexican peso).
- The British pound and the euro have weakened in recent years.

**Exchange Rate Data**

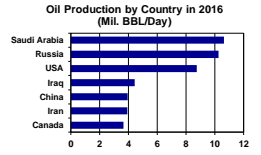
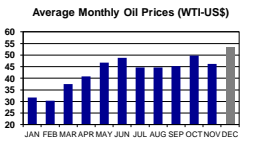


ISA (International Strategic Analysis) **The Year in Oil Prices**

**Key Developments**

- Oil prices trended slowly upwards for much of 2016.
- Excess supply and relatively low demand levels combined to prevent a significant rise in oil prices for most of the year.
- A deal between OPEC and non-OPEC producers (led by Russia) in late 2016 resulted in a 20% increase in oil prices.

**Economic Data**

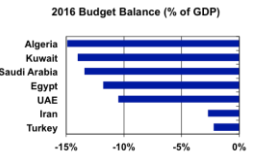


ISA (International Strategic Analysis) **Lower Oil Prices' Impact on the Middle East and North Africa**

**Key Developments**

- The region has lost an estimated \$600 billion in lost oil revenues over the past two years.
- Major government spending cuts are being made across the region.
- Only a handful of oil-producing countries in the region can deal with these lower prices over the longer-term.

**MENA Data**



ISA (International Strategic Analysis) **What to Watch for in 2017**

**What to Watch for in 2017**

**A Year of Massive Change or More of the Same?**

ISA (International Strategic Analysis) **The Key Political Issues of 2017**

- The Trump Administration's Domestic and Foreign Impact
- A More Insular United States
- European Populism
- Russia's Opportunity
- The Wars in the Middle East and North Africa
- China's Growing Global Influence
- Key Flashpoints for 2017

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### The Domestic and Global Impact of the Trump Presidency

Domestic	Global
Immigration restrictions	Abandonment of trade deals
Major tax cuts and budgetary concerns	Abandonment of climate change deals
Healthcare uncertainty	Less support for democratic reforms
A potential showdown with Republican-led Congress	Uncertainty over US military alliances
Hard-line on crime	A potential break with China

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### A More Insular United States

Summary	Impacted Regions
<ul style="list-style-type: none"> <li>The 2016 presidential election highlighted the growing support for isolationism among the US public.</li> <li>Isolationism was a major force in the US until the 1940s, but the US' global role was much smaller then.</li> <li>"Pax-Americana" has allowed for the globally interconnected economy to flourish since World War Two.</li> <li>The US acts as the balancer of power in many regions of the world.</li> </ul>	<p><b>East Asia:</b> The US prevents China from dominating the region, North Korea from disrupting the region, and allows for the region's export-based economies to flourish.</p> <p><b>Europe:</b> The US' domination of European defense matters allowed the European Union to focus on economic and social issues.</p> <p><b>The Middle East:</b> The US, for better or worse, has been the dominant power in the region, preventing large-scale conflicts between states.</p>

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### European Populism

Summary	Impacted Countries
<ul style="list-style-type: none"> <li>Far-right and far-left populism has been a powerful force in European politics far longer than in the US.</li> <li>Populist parties and leaders have thus far been thwarted at the ballot box by coalitions of centrist parties.</li> <li>Populist governments are now in power across Central Europe and have gained in the polls in much of the rest of the region.</li> <li>Newer far-right and far-left parties are fragmenting European politics.</li> </ul>	<p><b>France:</b> Far-right and far-left parties and leaders have the support of more than 40% of French voters.</p> <p><b>UK:</b> The decision to withdraw from the EU was driven by fears of immigration and a move towards isolationism.</p> <p><b>Germany:</b> Far-right and far-left parties may win 25% of 2017's national elections, their highest share since the early 1930s.</p>

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### Russia's Opportunity

Summary	Map
<ul style="list-style-type: none"> <li>A more insular US and an increasingly divided European Union are giving Russia a chance to reverse earlier losses of power and influence.</li> <li>Russia's involvement in Ukraine's conflict remains significant.</li> <li>Pro-Russian governments are in power across much of Central and East Europe, and Central Asia.</li> </ul>	

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### The Wars in the Middle East and North Africa

Summary	Map
<ol style="list-style-type: none"> <li>Libya</li> <li>Somalia</li> <li>Yemen</li> <li>Syria</li> <li>Iraq</li> </ol> <ul style="list-style-type: none"> <li>Five full-scale conflicts are underway in this region.</li> <li>A sectarian conflict between Sunnis (led by Saudi Arabia) and Shiites (led by Iran) remains a major threat.</li> </ul>	

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### China Spreads its Wings

Summary	Key Opportunities for China
<ul style="list-style-type: none"> <li>The potential reduction of the US role in world affairs and its new-found protectionism has opened new doors for China.</li> <li>Politically, China is likely to more aggressively project its power across Asia and in the Pacific.</li> <li>Economically, China will move rapidly to secure new trade and investment deals, while moving to dominate such deals in Asia.</li> </ul>	<ul style="list-style-type: none"> <li>A shift in the balance of military power in Asia</li> <li>Less support for rival territorial claims in Asia</li> <li>New trade and investment deals around the world</li> <li>The ability to shape the global trade and investment rules</li> <li>The ability to expand its influence further abroad</li> </ul>

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### Other Key Flashpoints to Watch

Other Key Flashpoints	Factors
Venezuela	<b>Difficult Economic Times:</b> The economic struggles of many countries are raising political risk levels in those countries.
Congo	
Central Asia	<b>Democracy at Risk:</b> Support for democracy has fallen in many countries (both democratic and un-democratic).
Pakistan	
Malaysia	<b>Diverse States Struggle:</b> Countries with ethnic or religious divisions are finding it increasingly difficult to maintain centralized control.

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### The Key Economic Issues of 2017

- A Poor Forecast for Global Economic Growth
- The Leading Drivers of Global Economic Growth in 2017
- The Threat of Protectionism
- An Improved Near-Term Outlook for the US Economy
- Slower Growth in Europe
- Japan Continues to Struggle
- China Tries to Manage its Slowdown
- India Remains the Fastest-Growing Large Economy
- Asia Remains the Center of Global Economic Growth
- Other Emerging Markets Rebound Slowly
- Who Replaces China as the Center of Low-Cost Manufacturing
- Key Risks Facing the Global Economy

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### The Global Economy – Sluggish Growth Continues

Key Developments	Economic Data																		
<ul style="list-style-type: none"> <li>The global economy will accelerate slightly over the near-term.</li> <li>Higher near-term growth in the US and in major oil producing countries will drive growth to near 4% in early 2017.</li> <li>However, weaknesses in key developed economies and the slowdown in China will pull down growth in the latter part of 2017.</li> </ul>	<p><b>Global GDP Growth Rate (Y-Y)</b></p> <table border="1"> <caption>Global GDP Growth Rate (Y-Y)</caption> <thead> <tr> <th>Quarter</th> <th>Growth Rate (%)</th> </tr> </thead> <tbody> <tr><td>Q1 2016</td><td>2.0</td></tr> <tr><td>Q2 2016</td><td>2.2</td></tr> <tr><td>Q3 2016</td><td>2.5</td></tr> <tr><td>Q4 2016</td><td>3.0</td></tr> <tr><td>Q1 2017</td><td>3.2</td></tr> <tr><td>Q2 2017</td><td>3.3</td></tr> <tr><td>Q3 2017</td><td>3.4</td></tr> <tr><td>Q4 2017</td><td>3.5</td></tr> </tbody> </table>	Quarter	Growth Rate (%)	Q1 2016	2.0	Q2 2016	2.2	Q3 2016	2.5	Q4 2016	3.0	Q1 2017	3.2	Q2 2017	3.3	Q3 2017	3.4	Q4 2017	3.5
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### The Key Drivers of Global Economic Growth in 2017

Key Developments	Economic Data																						
<ul style="list-style-type: none"> <li>China and North America will account for 45% of the increase in global economic output in 2017.</li> <li>Developed economies in Asia and Europe will account for another 25%.</li> <li>Emerging markets are contributing less to growth than they did in the early part of this decade.</li> </ul>	<p><b>2017 Total Global GDP CTG by Region (%)</b></p> <table border="1"> <caption>2017 Total Global GDP CTG by Region (%)</caption> <thead> <tr> <th>Region</th> <th>Contribution (%)</th> </tr> </thead> <tbody> <tr><td>China</td><td>22</td></tr> <tr><td>US-Canada</td><td>23</td></tr> <tr><td>Developed Asia-Pacific</td><td>15</td></tr> <tr><td>European Union</td><td>10</td></tr> <tr><td>Latin America</td><td>8</td></tr> <tr><td>India</td><td>5</td></tr> <tr><td>ASEAN</td><td>4</td></tr> <tr><td>East Europe</td><td>3</td></tr> <tr><td>Middle East-North Africa</td><td>2</td></tr> <tr><td>Sub-Saharan Africa</td><td>1</td></tr> </tbody> </table>	Region	Contribution (%)	China	22	US-Canada	23	Developed Asia-Pacific	15	European Union	10	Latin America	8	India	5	ASEAN	4	East Europe	3	Middle East-North Africa	2	Sub-Saharan Africa	1
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Sub-Saharan Africa	1																						

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### The Threat of Protectionism

Summary	Impacted Regions
<ul style="list-style-type: none"> <li>The recent slump in trade and investment levels could worsen if protectionist policies are adopted in many of the world's largest economies.</li> <li>Right-wing and left-wing populist political parties and leaders are pushing for increased protectionism in the US, Europe and elsewhere.</li> </ul>	<p><b>North America:</b> Protectionism in the United States could derail trade the US' most important actual and potential trade deals.</p> <p><b>Europe:</b> Protectionism in many European countries could tear apart the European Union.</p> <p><b>Emerging Markets:</b> Protectionist sentiment is on the rise in many non-export-dependent emerging markets.</p>

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### An Improved Near-Term Outlook for the US Economy

Key Developments	Economic Data																						
<ul style="list-style-type: none"> <li>The stronger performance of the US economy in the second half of 2016 will carry over into 2017.</li> <li>Higher levels of business spending and investments will boost growth in the US.</li> <li>However, a weaker outlook for exports will prevent economic growth from returning to the 3% level.</li> </ul>	<p><b>US Annual GDP Growth Rates</b></p> <table border="1"> <caption>US Annual GDP Growth Rates</caption> <thead> <tr> <th>Year</th> <th>Growth Rate (%)</th> </tr> </thead> <tbody> <tr><td>2009</td><td>-1.6</td></tr> <tr><td>2010</td><td>2.8</td></tr> <tr><td>2011</td><td>1.6</td></tr> <tr><td>2012</td><td>1.4</td></tr> <tr><td>2013</td><td>1.7</td></tr> <tr><td>2014</td><td>1.9</td></tr> <tr><td>2015</td><td>2.1</td></tr> <tr><td>2016</td><td>2.3</td></tr> <tr><td>2017 (est.)</td><td>2.5</td></tr> <tr><td>2018 (est.)</td><td>2.8</td></tr> </tbody> </table>	Year	Growth Rate (%)	2009	-1.6	2010	2.8	2011	1.6	2012	1.4	2013	1.7	2014	1.9	2015	2.1	2016	2.3	2017 (est.)	2.5	2018 (est.)	2.8
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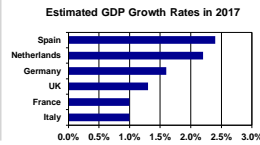
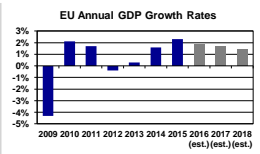
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ISA (International Strategic Analysis) **A European Slowdown**

**Key Developments**

- Economic growth rates will hold relatively steady in 2017.
- Peripheral drivers of European growth will experience more sluggish growth in 2017.
- A weaker euro will boost export prospects, offsetting a sharper downturn for the European economy.

**Economic Data**

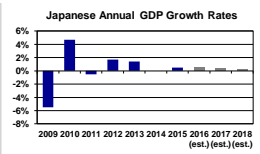


ISA (International Strategic Analysis) **Japan's Struggles Continue**

**Key Developments**

- Japan's 25-year economic stagnation will continue.
- Japan faces the world's most-pressing demographic decline.
- Japan's export-driven economy has been hit hard by competition from rivals in Asia.

**Economic Data**

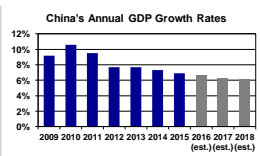


ISA (International Strategic Analysis) **China Tries to Manage its Slowdown**

**Key Developments**

- China's official economic growth rates will continue to slide towards 6% over the next two years.
- Actual GDP growth rates have hovered between 3% and 4% in recent years.
- China will continue to transition from an manufactured-export-driven economy to a consumer-spending-driven economy.

**Economic Data**

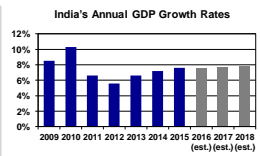


ISA (International Strategic Analysis) **India Remains the Fastest-Growing Large Economy**

**Key Developments**

- India will continue to achieve economic growth rates of near 8% per year over the remainder of this decade.
- Consumer spending will continue to be a leading driver of growth.
- India needs to develop an export-oriented manufacturing sector in order to boost GDP growth rates to 10% or more.

**Economic Data**

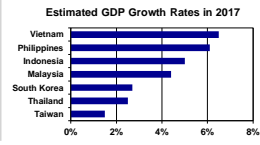
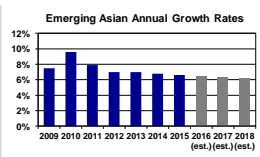


ISA (International Strategic Analysis) **Asia Remains the Center of Global Economic Growth**

**Key Developments**

- Most of Asia's other larger economies are forecast to record relatively strong growth rates over the near-term.
- Large emerging markets such as Vietnam, the Philippines and Indonesia will be among the world's fastest-growing economies.
- Wealthier countries such as South Korea and Taiwan will experience more sluggish growth over the near-term.

**Economic Data**

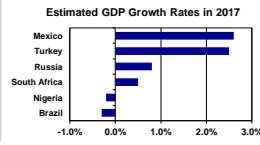
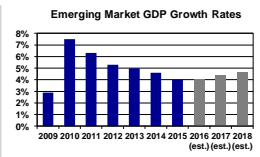


ISA (International Strategic Analysis) **Other Emerging Markets Recover Slowly**

**Key Developments**

- Emerging markets outside of Asia will continue to struggle to record high rates of growth.
- Competitiveness levels in many non-Asian emerging markets remain too low to attract high levels of foreign investment.
- Commodity prices are not forecast to rise sharply over the near-term, holding down growth rates in many emerging markets.

**Economic Data**



ISA (International Strategic Analysis)

### Who Replaces China as the Hub of Low-Cost Manufacturing?

**Criteria**

- Low labor and production costs
- Infrastructure that facilitates bringing goods from factory to port
- Access to key export markets
- Stable and secure location with low levels of political or labor unrest

**Chinese Data**

**China's Share of Global Steel Production (%)**

Year	Share (%)
1980	0
1985	2
1990	5
1995	10
2000	15
2005	25
2010	35
2015	45
2020 (est.)	50

**China's Share of Global Motor Vehicle Production (%)**

Year	Share (%)
1980	0
1985	1
1990	2
1995	3
2000	5
2005	10
2010	20
2015	25
2020 (est.)	28

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### Other Key Economic Risks to Watch

**Other Key Economic Risks**

- The Strong US Dollar
- Income Inequality
- Low Levels of Confidence
- Weak Banking Sectors

**Factors**

**Sluggish Growth:** Businesses and investors are finding it harder to find growth markets, while government revenues have not met expectations.

**The Search for Safe Havens:** Political and economic uncertainty are pushing investors towards safe havens.

**Technology:** Technological advancements are a major driver of income inequality and the rise of populism and protectionism.

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### Regional Outlooks for 2017 and Beyond

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### North America – Economic Outlook

**Key Issues and Trends**

- Economic growth in the United States will accelerate over the near-term after a weak H1 2016.
- Consumer spending in the US has met expectations, and business spending is set to rebound.
- Canada's economy has been hit hard by low natural resource prices and a lack of export competitiveness in recent years.
- Mexico's disappointing economic performance is expected to continue.

**GDP Growth Forecasts**

**Regional GDP Growth Rates**

**Average Annual GDP Growth Rates North America**

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### North America – Political Outlook

**Key Issues and Trends**

- The election of Donald Trump in the United States will dominate North American politics over the near-term.
- North American relations could be strained by the new administration in the United States.
- Mexico faces a period of increasing political uncertainty.

**Key Elections in 2017**

none

**Flashpoint to Watch**

**US-Mexican Border**  
While the United States is unlikely to build a wall along its entire border with Mexico, it is likely to significantly bolster its border security.

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### South America – Economic Outlook

**Key Issues and Trends**

- South America has had one of the world's most disappointing regional economies in recent years.
- Brazil remains in a deep recession and growth will be slow to return.
- Venezuela's economy is in free-fall, while Argentina has fallen into a recession.
- Natural-resource-rich Andean economies will rebound slowly from their recent slump.

**GDP Growth Forecasts**

**Regional GDP Growth Rates**

**Average Annual GDP Growth Rates South America**

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ISA (International Strategic Analysis) **South America – Political Outlook**

**Key Issues and Trends**

- Brazil's corruption scandals will continue to weaken that country's government.
- One-third of South America's countries are holding major elections in 2017.

**Key Elections in 2017**

- Ecuador – President and Parliament**
- Argentina - Parliament**
- Chile – President and Parliament**
- Venezuela - Referendum**

**Flashpoint to Watch**

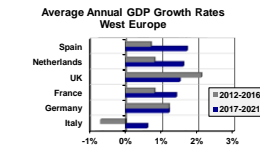
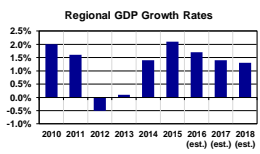
**Venezuela**  
Left-wing President Nicolas Maduro's grip on power continues to weaken due to his country's economic collapse.

ISA (International Strategic Analysis) **West Europe – Economic Outlook**

**Key Issues and Trends**

- Growth rates during West Europe's economic recovery peaked at around just 2%.
- Economies that had driven the region's recent growth, such as the UK and Spain, are set for slowdowns.
- A lack of critical reforms are holding back growth in economies such as Italy and France.

**GDP Growth Forecasts**

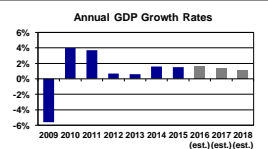
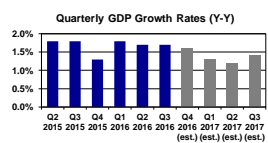


ISA (International Strategic Analysis) **Germany: Economic Growth and Stability**

**Key Developments**

- After rebounding strongly from 2008-2009's financial crisis, the German economy has averaged growth of just 1.2% per year over the past five years.
- A weak euro has helped to boost German exports outside of Europe, but domestic demand is constrained by the country's shrinking population.
- In 2016, the German economy grew at a very steady pace, but growth was held back by weaknesses in demand, both at home and in key export markets.

**Economic Data**

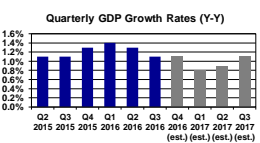


ISA (International Strategic Analysis) **France: Economic Growth and Stability**

**Key Developments**

- Economic growth picked up in France over the past two years, but growth remained well below the levels of most other larger developed economies.
- A lack of reform and France's declining economic competitiveness were largely to blame for the country's poor economic performance.
- Over the past seven years, France has averaged GDP growth rates of just 0.6% per year.
- Looking ahead, economic growth rates are forecast to remain relatively low, averaging just 1.1% over the next two years.

**Economic Data**

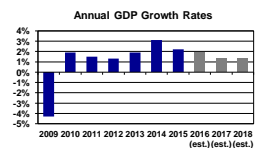


ISA (International Strategic Analysis) **UK: Economic Growth and Stability**

**Key Developments**

- Until late 2016, the UK had been the leading driver of economic growth in the European Union since the 1990s.
- In fact, Britain had one of the world's fastest-growing developed economies over the past two decades.
- The decision by British voters to withdraw the UK from the European Union has led to a great deal of uncertainty surrounding the future of the British economy.
- Economic growth rates are forecast to slow substantially in 2017 and 2018 and business and investor confidence falls in the wake of the decision to leave the EU.

**Economic Data**



ISA (International Strategic Analysis) **Italy: Economic Growth and Stability**

**Key Developments**

- Italy's economy has struggled to record much, if any, growth over the past 15 years.
- Italy's economic output levels today remain below those of 15 years ago, a worse performance than that of any other large economy in the world.
- Growth did start to return in 2016, driven in part by a weak euro that led to more investment in the country's manufacturing sector.

**Economic Data**

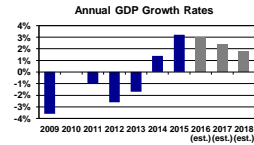


ISA (International Strategic Analysis) **Spain: Economic Growth and Stability**

**Key Developments**

- Spain suffered one of the most severe recessions in Europe in the years between 2009 and 2013.
- However, a series of economic reforms helped to boost Spain's economic competitiveness, allowing Spain to record strong growth in recent years.
- While growth is forecast to slow in the coming years, it appears that Spain will be able to avoid another sharp downturn in the near future.

**Economic Data**



ISA (International Strategic Analysis) **West Europe – Political Outlook**

**Key Issues and Trends**

- Populist parties and leaders are not expected to win any of Europe's major elections in 2017, but will nevertheless have a major impact.
- It is becoming increasingly difficult to form stable governments in many European countries.
- Britain will launch Article 50 in the spring of 2017, starting its withdrawal from the European Union.

**Key Elections in 2017**

- Netherlands - Parliamentary
- France - President and Parliament
- Norway - Parliamentary
- Germany - Parliament

**Flashpoint to Watch**

**The Mediterranean**  
Europe's migration crisis shifted from Greece in 2015 to Italy in 2016, and there could be a new wave of migrants in 2017.

ISA (International Strategic Analysis) **Central and East Europe – Economic Outlook**

**Key Issues and Trends**

- Central European economies staged a strong comeback over the past two years.
- Poland has been the region's most successful economy, but growth there is slowing.
- Russia's two-year recession will come to an end in 2017, but growth will be low.

**GDP Growth Forecasts**



ISA (International Strategic Analysis) **Central and East Europe – Political Outlook**

**Key Issues and Trends**

- Russia views 2017 as a year of opportunity as the US turns inward and as the EU is increasingly divided.
- The situation in eastern Ukraine remains unresolved.
- Populist governments in many Central European countries are increasingly hostile to the European Union.

**Key Elections in 2017**

- Serbia - President
- Bulgaria - Parliament
- Albania - Parliament
- Czech Republic - Parliament

**Flashpoint to Watch**

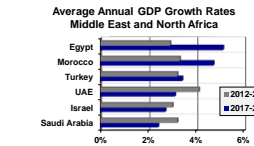
**Ukraine**  
Russia may seek to take advantage of a smaller US presence in East Europe to further weaken Kiev's control over Ukrainian territory.

ISA (International Strategic Analysis) **Middle East and North Africa – Economic Outlook**

**Key Issues and Trends**

- Low oil prices have caused major harm to the economies of the region's leading oil producers.
- Oil prices will rise slightly over the near-term, but weaker demand will prevent a major rise in oil prices.
- Growth rates will pick up in a number of non-oil-producing countries, but not enough to lead to major reductions in poverty.

**GDP Growth Forecasts**



ISA (International Strategic Analysis) **Middle East and North Africa – Political Outlook**

**Key Issues and Trends**

- Conflicts will continue to rage in Syria, Iraq, Libya and Yemen.
- While the Islamic State will lose control of territory, it will retain its ability to carry out terrorist attacks.
- Sectarian tensions will remain high, highlighted by the standoff between Saudi Arabia and Iran.
- The nuclear deal with Iran could collapse due to the new administration in the US and elections in Iran.

**Key Elections in 2017**

- Iran - President
- Lebanon - Parliament

**Flashpoint to Watch**

**Libya**  
Libya is already well on its way to becoming North Africa's version of Somalia, threatening the rest of North Africa as well as Europe.

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### Sub-Saharan Africa – Economic Outlook

**Key Issues and Trends**

- Low commodity prices have led to lower growth rates across much of Sub-Saharan Africa.
- A few economies have managed to grow at a very fast rate in recent years.
- South Africa remains in a major slump due to government mismanagement of the economy and a weak mining sector.
- Low oil prices pushed Nigeria into a major recession.

**GDP Growth Forecasts**

**Regional GDP Growth Rates**

Year	GDP Growth Rate (%)
2010	~6.5
2011	~4.5
2012	~4.5
2013	~5.5
2014	~5.5
2015	~4.5
2016	~3.5
2017	~3.5
2018 (est.)	~4.5

**Average Annual GDP Growth Rates Sub-Saharan Africa**

Country	2012-2016 (%)	2017-2021 (%)
Ethiopia	~8.5	~8.5
Tanzania	~7.5	~7.5
Kenya	~6.5	~6.5
Angola	~5.5	~5.5
Nigeria	~4.5	~4.5
South Africa	~3.5	~3.5

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### Sub-Saharan Africa – Political Outlook

**Key Issues and Trends**

- While many conflicts and insurgencies continue, stability levels have risen in many areas of Sub-Saharan Africa.
- West Africa is now the center of much of the unrest in this region.
- East Africa is moving towards more political and economic unity, but many threats remain.
- South African President Jacob Zuma has damaged his country's political and economic standing.

**Key Elections in 2017**

- Kenya – President and Parliament
- Rwanda - President
- Liberia – President and Parliament

**Flashpoint to Watch**

**Congo-Kinshasa**  
The delay for this country's presidential election and President Joseph Kabila's refusal to step down could lead to much more unrest in this giant country.

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### Central and South Asia – Economic Outlook

**Key Issues and Trends**

- India has emerged as the world's fastest-growing large emerging market.
- India's strong growth is boosting trade and investment across much of South Asia.
- Central Asian economies have been hit hard by low natural resource prices and political uncertainty.

**GDP Growth Forecasts**

**Regional GDP Growth Rates**

Year	GDP Growth Rate (%)
2010	~8.5
2011	~5.5
2012	~5.5
2013	~5.5
2014	~5.5
2015	~5.5
2016	~5.5
2017	~5.5
2018 (est.)	~5.5

**Average Annual GDP Growth Rates Central and South Asia**

Country	2012-2016 (%)	2017-2021 (%)
India	~8.5	~8.5
Bangladesh	~5.5	~5.5
Pakistan	~4.5	~4.5
Kazakhstan	~3.5	~3.5

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### Central and South Asia – Political Outlook

**Key Issues and Trends**

- The threat of a new conflict between India and Pakistan will remain high in 2017.
- China's role in this region will continue to grow, to the consternation of India.
- Central Asia is undergoing a generational change of leadership, giving Russia an opportunity to regain lost influence in this region.

**Key Elections in 2017**

- Afghanistan - Parliament
- Kyrgyzstan - President

**Flashpoint to Watch**

**Afghanistan**  
The Taliban insurgency in Afghanistan is likely to intensify further in 2017.

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### East Asia and Pacific – Economic Outlook

**Key Issues and Trends**

- China's economic slowdown has had a major impact across East Asia and the Pacific.
- Many Southeast Asian countries have managed to continue to record growth rates of nearly 6% per year.
- Japan's economy has continued to grow at a very sluggish pace.

**GDP Growth Forecasts**

**Regional GDP Growth Rates**

Year	GDP Growth Rate (%)
2010	~8.5
2011	~6.5
2012	~6.5
2013	~6.5
2014	~6.5
2015	~6.5
2016	~6.5
2017	~6.5
2018 (est.)	~6.5

**Average Annual GDP Growth Rates East Asia and Pacific**

Country	2012-2016 (%)	2017-2021 (%)
Philippines	~6.5	~6.5
China	~6.5	~6.5
Indonesia	~6.5	~6.5
South Korea	~6.5	~6.5
Australia	~6.5	~6.5
Japan	~3.5	~3.5

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### East Asia and Pacific – Political Outlook

**Key Issues and Trends**

- China is eyeing an opportunity to expand its influence in the region with the United States potentially scaling back its presence in the region.
- North Korea will continue to threaten the stability of East Asia.
- A number of Southeast Asian countries could face higher levels of political unrest in 2017.

**Key Elections in 2017**

- Hong Kong – Chief Executive
- Mongolia - President
- South Korea – President
- New Zealand - Parliament

**Flashpoint to Watch**

**South China Sea**  
The change in government in the United States could lead to a more aggressive stance by China in the South China Sea.

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### Conclusions

To learn more about ISA or for questions regarding this presentation, contact me at:

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Or visit:

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### Key Takeaways

Uncertainty over the policies of the new US administration

Populism, protectionism and nationalism are on the rise

More sluggish growth for the global economy

Asia will continue to drive global growth

## The 2017 ISA Global Economic and Risk Outlook

Created by ISA (International Strategic Analysis)

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