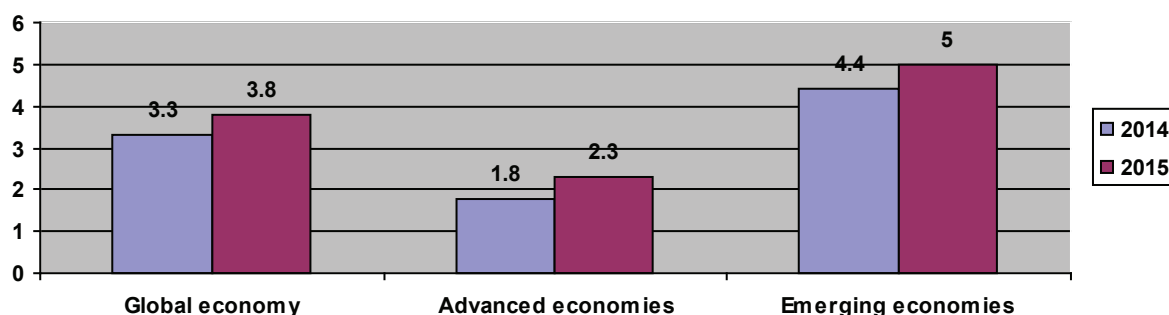




Oxford Analytica analysis regarding the world economy perspectives in 2015

Oxford Analytica offers low economic growth perspectives at a global level for next year, caused primarily due to a reduced global demand, deflation risk and deceleration of international trade. The international community fears a new recession in the Euro zone, after possible socio-political and economic instabilities, a slowdown in trade on solid markets in Asia, including China, and the possible causes of conflicts in Ukraine, Syria, Iraq or the Ebola epidemics in West Africa.

The International Monetary Fund has reduced its perspectives of global growth in its World Economic Outlook report, estimating a growth of 3.3% in 2014 and 3.8% in 2015.



An aspect taken into account by specialists when estimating the economic growth perspectives for 2014 and 2015 is represented by the economic fall following the European Union's sanctions against the Russian Federation and the losses caused in trade and investments. Therefore, the growth perspectives for Germany, Euro zone's biggest economy, have been lowered, while questioning Germany's capacity to support economic growth and potential bail-out programs for other Member States of the Euro zone.

The potential benefits brought by low commodities prices at global level may be overshadowed by the negative impact of energy exports, considering the risk of deflation especially within the Euro zone.

United States of America

The American economy has been immune to shocks caused by a worsening global economy, expecting a growth of about 2.3% for 2014. Also, there is expected a solid growth, of around 3% for the first semester of 2015, with a slight decrease in the second semester, at about 2.3-2.5%, a tendency foreseen also for the first semester of 2016, taking into account the tightening monetary conditions expected for the end of next year. Inflation is expected to decline gently, from the 1.7% figure in September to 1.5% in 2015.

The perspectives of maintaining low interest rates in the US create beneficial expectations for the weakest states in the Euro zone, which may strengthen their competitiveness and gains from trade.

Euro zone

The European Central Bank's estimates situate the Euro zone's economic growth at 0.9% in 2014, 1.6% in 2015 and 1.9% in 2016, while maintaining risks of a new recession in the region.

The weak economic growth will lead to problems regarding unemployment reduction in Euro zone's peripheral states and difficulties on implementing economic adjustments and controls on deficits in states such as France or Italy. The German economy is already affected by the weak results in industry and trade, Germany's dependency on exports exposing the country to the shocks caused by the sanctions against the Russian Federation.

Inflation rate has hit an historical low in September (0.3%), foreseeing a general level of 0.5% in 2014 and around 1.1% in 2015. It is also expected that the states in the Euro zone will be unable to reach their targets on deficit and sovereign debts reduction.

United Kingdom

Specialists find the UK as a bright spot in Europe, expecting a growth of around 3% in 2014, but with a slight decrease in 2015, together with unemployment reduction towards 5.5%. Inflation rate, situated at 1.2%, is expected to stay under the 2% level in the following period, especially due to a slow increase of population incomes. Additionally, the Central Bank of England is expected to review its policy regarding interest rates growth in the first half of 2015.

The main threats to the British economy are represented by the low performance in the Euro zone and the uncertainties regarding the general elections in May 2015.

Japan

Japan is expected to have economic growth again, after registering a decrease in the second quarter of this year because of the new consumption tax. The expected growth for 2014 is around 1% should the current conditions remain the same.

The current inflation rate, of 3.2%, is due to a new consumption tax, but it is expected to drop in April 2015 after the impact of the new tax will no longer exist. It is, though, expected a growth of this tax in October 2015, which tackle the deflation risk of the country.

China

China, the world economy engine in 2008-2010, is in transition from an exports and incentives driven economic model to an economy based on internal consumption.

The anti-corruption policy announced by the Chinese government may have a negative impact on investors, who are expected to hold back the capital fluxes towards the Chinese economy. Therefore, hesitations regarding the adoption of a clear policy on corruption may lead to low capital incomes in an economy whose Gross Domestic Product is based almost 50% on investments, which might lead to an even bigger fall of the Chinese economy than expected.