



ECONOMIC RESEARCH DEPARTMENT

Summary

European Union

What future for Europe?

March 25 will mark the 60th anniversary of the signing of the Treaty of Rome. The European Commission has tried to shed some light on future trends by examining five possible scenarios. The leaders of the biggest eurozone member states already seem to have opted for a multi-speed Europe.

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France

Supply and demand

France is suffering from both supply-side and demand-side problems. The big question is how to support the one and stimulate the other.

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Market overview

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Summary of forecasts

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A retrouver dans



Looking at Germany's surpluses

■ Germany's current account surpluses on the rise ■ ... except with the eurozone

Germany is frequently berated by the European Commission and other international organisations for its huge current account surpluses.

Last month, the US administration joined the chorus when Germany reported the surplus for 2016 at EUR 270 billion (or 8.5% of GDP), a new record.

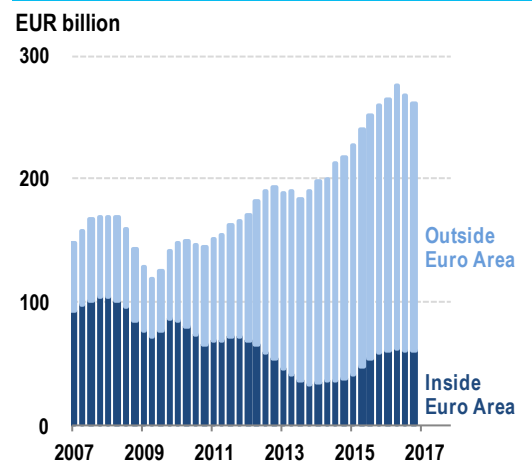
The widening surplus is partly related to Germany's weak public and private investment. Strengthening of the country's infrastructure and stimulating private capital spending - through deregulation and intensifying competition in services - are among the challenges for the next German government.

In purely arithmetical terms, the increase in Germany's surplus leads to lower current account balances in other countries.

However, contrary to popular belief, the rising surplus is not so much against the eurozone, but mainly against the US, the UK and the emerging economies including China (see chart).

In particular, the surplus with France tends to narrow. At the moment Germany decided to implement a minimum wage, France implemented supply-side measures. Over the last three years, Unit labour costs are rising faster in Germany than elsewhere in Europe, including France.

GERMANY, CURRENT ACCOUNT SURPLUSES



Source: Bundesbank

THE WEEK ON THE MARKETS

Week 17-3 17 > 23-3-17

↗ CAC 40	5 029	▶ 5 033	+0.1 %
↘ S&P 500	2 378	▶ 2 346	-1.4 %
↗ Volatility (VIX)	11.3	▶ 13.1	+1.8 %
↘ Euribor 3M (%)	-0.33	▶ -0.33	-0.1 bp
↗ Libor \$ 3M (%)	1.15	▶ 1.16	+0.5 bp
↘ OAT 10y (%)	1.10	▶ 1.04	-5.8 bp
↘ Bund 10y (%)	0.43	▶ 0.42	-0.8 bp
↘ US Tr. 10y (%)	2.50	▶ 2.42	-8.3 bp
↗ Euro vs dollar	1.07	▶ 1.08	+0.4 %
↗ Gold (ounce, \$)	1 229	▶ 1 244	+1.2 %
↘ Oil (Brent, \$)	51.8	▶ 50.7	-2.0 %

Source: Thomson Reuters