

FISCAL POLICY WILL TAKE THE BATON FROM MONETARY POLICY IN 2017 TO COMBAT THE ENVIRONMENT OF LOW GROWTH, INFLATION AND INTEREST RATES, ACCORDING TO THE ANNUAL OUTLOOK REPORT BY MAPFRE ECONOMIC RESEARCH

- **Spanish economy to grow more moderately in 2017 and 2018 than in previous years**
- **Emerging markets will lead growth in the insurance industry in the coming years.**

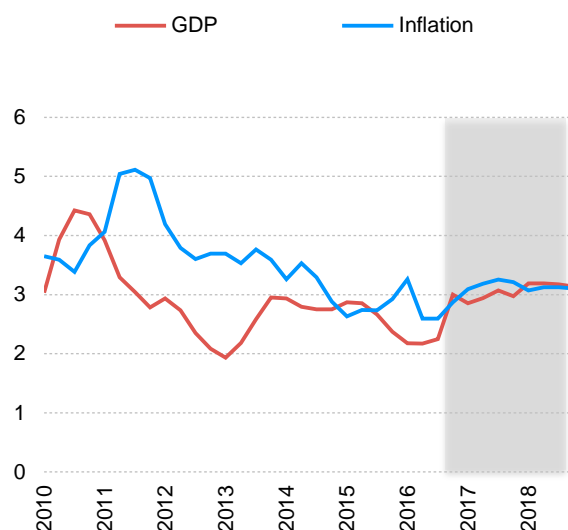
Developed countries can start paving the road toward greater fiscal laxity in 2017, to accompany the gradual normalization of monetary policy. It is one of the provisions included in the report "Panorama económico y sectorial 2017" (Industry and economic outlook 2017) by MAPFRE Economic Research.

This is the first annual outlook report prepared by this new analysis unit, which is intended to contribute to public debates on macroeconomics and finance, insurance and social protection, and regulation.

It is foreseeable that the effects of this expansionary fiscal policy are asymmetric, since not all countries will be able to implement it or all would benefit from doing so.

Thus, as explained by Manuel Aguilera, General Manager of Economic Research, "the acceleration of economic growth in the United States will be coupled with a rebound in the trends of interest rates and a tightening of monetary policy, which could affect the performance of emerging economies."

In terms of economic developments globally, 2017-2018 provides an overview of accelerating growth, but it will remain moderate, divergent and fragile.

**Global: growth and inflation (%),
2010-2018**

Source: MAPFRE Economic Research (with FMI data)

This year and next the Spanish economy will experience a gradual and moderate slowdown in domestic demand, leading to slightly lower GDP growth than that recorded in the last two years.

Specifically, the report estimates a 2.4 percent growth forecast for the Spanish economy this year and 1.9 percent next year, compared with the 3.4 percent increase expected for 2016. Over the next years the Spanish economy will continue to correct some of the imbalances, such as unemployment, which will be reduced to levels consistent with an estimate of structural unemployment (16 percent in 2018). The focus of the vulnerabilities will be centered instead on public accounts, with the current account deficit and public debt being the main obstacles to implementing expansionary demand measures.

Global Risks

The report identifies certain global risks that may introduce a downward bias to these macroeconomic forecasts. Some of these risks have to do with the cries for protectionism and the reversal of globalization in the production and value chains of the new U.S. administration, the sovereign/financial problems in Europe, the structural weakness of emerging markets, and the weaknesses of the residential and financial sectors in China.

Insurance Industry

In the case of the global insurance industry, business acceleration is expected over 2017-2018, in both developed as well as emerging markets. This latter bloc leads the path of growth, to the extent that in those countries the insurance protection gap is still wide and convergence needs result in higher growth.

Finally, it is noteworthy that the forecast of Non-Life business performance is less vigorous (although positive) than the total performance of the sector over the next two years. This suggests that much of the momentum of premium growth globally is implicitly related to the Life insurance business, from the expected upturn during 2017-2018 in long-term interest rates globally and, especially, among developed countries.

Further information here (report only available in Spanish):

https://www.fundacionmapfre.org/documentacion/publico/i18n/catalogo_imagenes/grupo.cmd?path=1090684