# THE WORLD IS IN A PERILOUS STATE

## FEW ARE STEPPING FORWARD TO ADDRESS THE PROBLEMS THAT ABOUND

**THE DILENSCHNEIDER GROUP**
**49th TREND/FORECASTING REPORT**

**SEPTEMBER, 2014**


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September, 2014

Please receive this Trend/Forecasting Report—our 49th—and recognize that events are taking place right now that will materially shape your life and the next generation.

The stakes are very high.

Look around the world. You will see Iraq and ISIS, arguably one of the greatest threats ever to civilization; Syria, where people with no political belief have been slaughtered for more than three years with nothing done about it; North Korea, which will not hesitate to threaten the rest of the region and, indeed, the world; Afghanistan, where the U.S. still has 30,000 troops, terrorist havens abound and the drug trade flourishes; Russia, which is constantly threatening and pushing to advance its interests; China, where cybercrime and corruption flourish and outright theft of intellectual property is accelerating; Africa, which is trying to make progress but suffers widespread poverty; the eurozone, where the economy is flat or broken and unemployment is high with no relief in sight; and, of course, Iran—no one can really assess what is happening there. Nothing good for the world.

Leadership around the world has failed—in business, politics, and the social sector. Older people are starting to give up. Baby boomers do not know what to do, and young men and women are unhappy with the world they inhabit.

A major question: Who will step forward on the big issues—the economy, the Middle East, corruption, and more—and when and how will they do it?

Expect someone to come forward, and soon.

The income gap around the globe is a major problem and little is being done about it. People in disadvantaged countries have negative feelings toward the West, particularly the United States. The Middle East is a cauldron and the hoped-for positives of the Arab Spring have not materialized.

It is very clear that nations like Russia, China, Pakistan and others —notably in Africa—are working hard to create a new balance of power in the world.

Society should fear the implications of all this.

But the real concern is what does the future look like? A leader who can define the future and begin to show results in terms of the way people live and what they hope for, will be very well received. Pope Francis has demonstrated the power of positive leadership. But right now he is the only one out there.

Terrorists today are much stronger and more determined than ever to change the world order.

Terrorist leaders play on the shame, humiliation, and anxiety of the Arab Street. Terrorism is a global reality, leaving chaos and destruction in its path, whether here in the U.S., where many terrorist acts are both reported and unreported, in Europe, in Russia, in Indonesia, on the Asian continent, and almost anywhere else one can think of. These deluded, non-state actors, nursing long-held grievances against their perceived enemies and apparently unafraid of death, are more dangerous than ever in this 21st century.

Because the climate is right for a misguided populism to assume power in many parts of the world, many bad actors are working very hard to hasten this development. Count on the rogue states to work aggressively and to take actions not anticipated to destabilize the world. This is their only route to success.

Amid all this, the economy is slowly starting to turn.

U.S. growth is expected to be 3 percent in 2015. The second quarter bounce was stronger than previously thought, with the official GDP annualized growth estimate raised from 4 percent to 4.2 percent. This revision is more evidence of robust underlying growth in the world's biggest economy as it rebounds from a 2.1 percent drop in the first quarter.

A discussion of ethics and proper behavior appears to be underway, people seem to be more civil to one another and scientific and technological developments, especially in the USA, are proceeding at a pace never before imagined, making the world a better place.

Much of this is happening without political involvement. Entrepreneurs, investors, and those intent on advancing social and economic justice have made the world a better place than it was five years ago.

Despite a Congress that is suffering congenital gridlock and historically low ratings for trust, concerned citizens and communities are effecting change outside of the political system and governmental power structure. Many positive things are happening. Young entrepreneurs are starting businesses and exploiting the power of the Internet, others are developing phenomenal research that will result in improved lifestyles, health care advances show great promise for the future, and institutions of higher education are exploring different delivery systems and innovative instructional techniques.

Expect individuals, especially young men and women, to assert themselves and do more in the coming year to effect change.

Appended to this Report are forecasts, some shocking, from major financial institutions for the world's 14 top economies and the eurozone.

With this broad perspective in mind, and based on our continuing discussions over the past 12 months with hundreds of experts in diverse fields, including business, finance, journalism, the arts, academia, and the non-profit sector, we have identified another set of noteworthy trends for the balance of this year and beyond.

This Report, then, as it has for more than 24 years, focuses on critical thinking and on how you might apply it in your life, your business, or in whatever pursuits you follow. Though there are many demands on your time, we urge you to put aside a few moments, whenever convenient, to read it thoroughly.

In addition, we recently had the privilege once again of attending the prestigious Ambrosetti Conference in Italy, bringing together some of the world's leading political, social, and economic thinkers.

In attendance, among many others, were Esko Aho, Senior Fellow of Harvard University and former Prime Minister of Finland; Karel De Guchtm, European Commissioner for Trade; U.S. Senators Lindsey Graham and John McCain; Peretz Lavie, President of Technion, Israel Institute of Technology; Mario Monti, Member of the Italian Senate and former Prime Minister of Italy; Gianfranco Ravasi, President of the Pontifical Council for Culture, The Vatican; Mark Thompson, Chief Executive Officer of *The New York Times*; Frank-Jürgen Weise, President, Federal Agency for Labor, Germany, and many more.

We will, of course, be pleased to hear any response you might have to this effort.

Best regards,

Robert L. Dilenschneider

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*The world is a dangerous place.*

*Not because of people who are evil, but because of the people who don't do anything about it.*

*– Albert Einstein*

# THE ECONOMY: STUMBLING TOWARD...?

"The risks of doing too little outweigh the risks of doing too much."

Mario Draghi
President, European Central Bank
August, 2014

Economic conditions in the United States appear mostly favorable, but six years after the financial crisis the global economy is still very shaky. In large measure, directing the future course of growth here and abroad now seems to fall with central banks, not politicians, and not with Adam Smith's Invisible Hand.

Barring an unforeseen event, this new reality, several years in the making, seems sufficient to allow for the continuation of extremely modest expansion in output, sluggish employment growth, marginal improvement in personal incomes, and an inflation environment that is largely favorable, but which in some parts of the world has the potential to become dangerously deflationary.

There are still high levels of public and private debt in many economies that could slow or halt recovery.

## The U.S. – Better than Most, but Hardly Great

For the past several years, the American economy has entered the final six months looking for all the world as though it were poised for takeoff, only to see those expectations dashed early the following year by a series of unforeseen and/or exogenous events largely outside the reach or influence of U.S. policymakers.

In the recent past, culprits included the Fukushima nuclear disaster in Japan; Europe's debt crisis; and most recently, the severely harsh American winter of 2014.

There is nothing to prevent something similar from happening in coming months. That said, at the moment conditions in the underlying economy appear to have improved enough to deserve a slight bit of optimism about the balance of this year, and into 2015.

The brighter picture includes, but is not limited to:

- **A better employment situation:** A year ago analysts were saying job growth was so slow it would take until 2021 to replace jobs that were lost or never created during the Great Recession and its aftermath. But gains over the past eight months—which have cut the unemployment rate down to 6.1 percent—have knocked three years off that prediction. Getting back to where we should have been by 2018 is not great, but it's better than the previous forecasts. By the end of the year, some economists project the U.S. unemployment rate could fall as low as 5.8 percent—the lowest rate in more than six years.

- **Surging consumer confidence:** Results of the Conference Board's monthly survey of consumer attitudes showed that in August its main confidence measure rose to its highest level since October, 2007, two months before the official start of the recent recession. As a general rule, optimistic consumers are more prone to spend money than those who are gloomier.

- **Continuation of the Fed's easy money policy for the foreseeable future:** This does not mean the Central Bank will extend the current round of so-called Quantitative Easing, begun in September, 2012, much beyond autumn, if it does at all. But it does mean short-term interest rates will remain at current levels for some time. Expect the first rate hike to take place around the middle of next year.

Yet despite these and other positives, the economy still has more than its share of problems, some of them significant.

Consumers say they are feeling better, but many are still saddled with significant amounts of debt. Businesses are making lots of money, but uncertainty about the future is such that they are not choosing to devote much of their cash to capital investment projects or to new hires. The housing market, which has revived considerably over the last few years, is showing signs of softening. And governments—state, local and federal—have been limited in what they can do to replace sluggish private demand.

Taken together, these and other factors have deprived the U.S. economy of roughly $800 billion in output, according to estimates from the Congressional Budget Office.

Finally, there is the problem of income inequality, which may be the most dangerous part of what is going on in the U.S. and around the world.

## The U.S. is Plodding, But Europe is Gasping

Europe's major economies—Germany and France—tried their hand at government stimulus in the immediate aftermath of the financial crisis. But then they stopped. Six years on, it seems safe to assert the European Union has been suffering ever since from its return to austerity.

In the absence of help from politicians, the onus of preventing a perilous situation from becoming much worse has fallen to the European Central Bank.

In most Euro countries, unemployment rates far exceed their equilibrium value, and Euro-wide inflation is too low.

The United Kingdom, which flirts with joining the EU even as it maintains its special relationship with the United States, is faring better than the rest of Europe, but not by much.

Of late, Britain has grown faster than major EU countries because of a combination of cheap money, an easing of Prime Minister David Cameron's austerity measures and a booming—some say overheated—property market.

That said, faster growth in Britain has merely allowed it to retrace ground lost during the financial crisis. It was not until this year's second quarter that the British economy returned to the level of output it had immediately before the financial crisis. Germany and France hit that mark three years ago.

**IMPLICATIONS FOR BUSINESS:** Expect an aggressive assault in Washington on the current minimum wage. Pressure—political and otherwise—to increase capital spending is likely to intensify. As long as relative factor costs—mostly energy—remain low, the U.S. will likely attract more investment than it drives offshore.

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*DID YOU KNOW?*

*The five nations with the highest health spending (as a percentage of GDP) are (in descending order) Liberia, Sierra Leone, the United States, Lesotho, and the Netherlands.*

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# WASHINGTON: STALEMATE NOW, WITH WORSE PROBABLY COMING

Every election is important, but the mid-term elections of 2014 will be historic.

The November results will determine whether the entire Congress is in the hands of Republicans. They will determine whether President Barack Obama can achieve his agenda for his remaining two years in office. And they may well decide how much influence the United States has over significant world crises, from Ukraine and Russia to the Islamic State of Iraq and Syria to financial issues for decades to come.

Political consultants like to describe every election as significant; this year, they could not be more correct.

President Obama's stormy tenure is now marked by some of his lowest job approval ratings since taking office. FOX News finds 49 percent of the public disapproves of his job performance. Rasmussen says the figure is 46 percent. An *Investors Business Daily* poll claims only 31 percent of Americans give Obama an A or a B on handling of the economy. According to Gallup, Americans are twice as likely to say they strongly disapprove of Obama's job performance (39 percent) as say they strongly approve (17 percent.) Even in California, where his approval rating has generally been above 50 percent, approval has slipped to its lowest ever—45 percent. There are a number of Democratic candidates this year who will do anything to avoid being in the same room with the President, let alone asking him to stump for them.

The President is confronted with violent international crises in Ukraine, Syria, Libya, Gaza, and elsewhere. He has decided against implementing any reforms to the broken immigration system until after the elections, if then. The economy is still not firing on all cylinders. He has not made a decision on the Keystone Pipeline, greatly desired by Republicans and Canada, a decision already nine months behind schedule. His 2010 health care overhaul plan is still under fire by Republicans, none of whom voted for it, although it is showing signs of working by giving more people access to health insurance. He has not kept a campaign promise to close the prison at Guantanamo. And while he officially ended the wars in Iraq and Afghanistan, the emergence of the barbaric Islamic State of Iraq and Syria means Americans are still fighting and dying in the Middle East.

Obama's unfortunate slip of the tongue that he had not yet devised a "strategy" for dealing with ISIS in Syria gave him an image of weakness and indecisiveness that was not rectified by a speech a few days later on America's intent to defend the Baltic nations from Russian aggression, interact more with Asia and rebuild the European alliance.  The world waits to see the results of the strategy he announced a few days ago.

From the financial collapse that began in 2008 to the BP oil spill in the Gulf, Obama's administration has been beset with one crisis after another. History may well judge that his actions to prop up General Motors and his overall bailout strategy saved the Country from serious economic depression. But the Country is not happy despite improving job numbers. When asked if the U.S. is headed on the right track or the wrong track, the public overwhelmingly says "wrong track." Americans still may personally like Obama; but less and less do they trust him with the fate of the Country. And it is hard to convince even Democrats that race is not a factor.

Part of Obama's troubles stem from the political divisions among Republicans as Tea Party bucks conventional GOP thinking again and again on such issues as raising the debt ceiling (to pay U.S. debts already contracted). House Speaker John Boehner, R-Ohio, wanted to work with Obama but was thwarted by the Tea Party. Senate Minority Leader Mitch McConnell, R-Ky., famously vowed immediately after Obama was elected in 2008 to do all that was possible to deny him a second term. Republicans did not succeed but did reclaim control of the House in 2010. They continue to have a firm hand in the House; which will stay Republican.

The Senate is more problematic, but it now appears that Republicans have a 60 percent chance of taking control and Democrats have only a 40 percent chance of keeping the Senate in their hands.

Thirty-four Senate Democrats are not up for re-election. The open seats likely to go or stay Democratic are in Hawaii, Massachusetts, Virginia, New Mexico, Rhode Island, Minnesota, Oregon, Delaware, New Jersey, Illinois and New Hampshire.

Thirty Republicans are not up for reelection. The states where the open seat is likely to go or stay Republican are Alabama, Idaho, Maine, Oklahoma, Wyoming, Mississippi, South Carolina, Nebraska, Tennessee, Texas, Montana, South Dakota, West Virginia and Kentucky.

Thus, 45 seats are almost assuredly Democratic after the Nov. 4 election and 46 are almost certainly Republican. The nine most competitive races are in Michigan, Iowa, Alaska, Colorado, North Carolina, Louisiana, Kansas, Arkansas and Georgia.

The only sure thing about election night in America is that there will be surprises.

The most alarming development in Washington continues to be the unalloyed rancor and partisanship. Because legislators spend so much time fundraising, they are in Washington only from Tuesday until Thursday night. Few of them socialize with others in the same party let alone across the aisle. Whereas courtliness used to rule, badmouthing and name-calling are common. The shout by a Republican lawmaker on the House floor that Obama was lying as he gave the annual State of the Union address sadly marked a departure from civility that few see changing anytime soon.

There is a reason politics is called an "art." It takes skill and experience and a determination not to be intransigent to be an effective politician who gets things done. The problem is that too few know how to play politics well these days, and more worrisome, they don't want to play it at all. Compromise has become a dirty word, but without it democracy cannot function properly. Senate Majority Leader Harry Reid, D-Nev., and minority leader McConnell used to like each other. Now they can't hide their mutual disdain; nor do they even try. The Tea Party and traditional Republicans also can't seem to maintain civil discourse with each other.

As a direct result, America's long-term issues—immigration, rebuilding infrastructure, Social Security, military action abroad, reforming government bureaucracies, the spending of billions of dollars on campaigns, the huge dropout rate, the high cost of college, global climate change—the list is almost endless—are being squabbled over without anything meaningful being done.

**IMPLICATIONS FOR BUSINESS:** Do not expect relations between Congress and the White House to improve during Obama's remaining two years. Business leaders will continue to live with uncertainty about action in Washington to solve worsening problems. The 2016 race for the White House is underway now and will accelerate in January.

## LESS IS NOT MORE: MISSING LINKS IN THE US RECOVERY

The American economy is producing about $800 billion a year less in goods and services than it would under optimal (i.e. "normal") conditions. This shortfall, more than perhaps any other single factor, explains why, more than five years after the end of the Great Recession, the economy is operating at less than full employment.

Currently, six out of the 11 sectors examined by the Congressional Budget Office are doing fine, with output that is either stronger than or not much worse than anticipated.

For example, consumer spending on services is running about $63 billion above expectations at an annual rate; by contrast, spending on non-durable goods is underperforming by about $74 billion.

For the most part, the following five sectors of the economy are responsible for the sub-par performance. Monitoring how they do in the future should indicate a return to what historically has been expected.

## Housing

The least surprising underperformer, if only because of the pace and depth of its decline in the recession.

Currently, housing activity accounts for about $240 billion of the missing output. Years after the collapse in housing, the United States is building far fewer houses than would be expected, given existing demographic trends. Consumer debt levels and housing affordability may have something to do with that decline, suggesting a broader shift may be underway in the ability to get young adults into homes of their own.

Indeed, recent figures illustrate the problems confronting prospective first-time buyers.

The number of homes listed for sale has started to rise this year. But there is evidence the cheapest homes are lagging behind. Many low-price homes, especially foreclosed properties, have tended to be sold to all-cash buyers, a group prospective first-time buyers have trouble competing against.

The total number of homes listed for sale rose by 5.8 percent from July 2013 to July 2014. But the number of homes priced between $100,000 and $250,000 rose only slightly. Sales of homes priced under $100,000 fell by 7.5 percent.

Unless they are accompanied by wage growth, additional gains in employment don't figure to help the housing sector much. Further, an end to the Federal Reserve's easy money policy, widely predicted to begin sometime over the next 12 to 18 months, would likely crimp housing activity.

## State and Local Governments

Following the financial crisis in 2008, state and local governments—which are generally required to produce balanced budgets—responded by shedding employees and trimming costs.

Resumption of economic growth has helped to improve matters, but this past spring the Congressional Budget Office found a $189 billion gap between what was actually being spent as opposed to what would be expected, based on their historical share of the economy.

## Durable Goods Consumption

If the economy were completely healthy, output in this sector would be roughly $170 billion higher than it is currently. Part of this has to do with consumer-related issues discussed herein: excess debt, low (or no) personal income growth, weak employment growth.

The good news is that there have been some encouraging recent signs things may be improving.

In late August durable goods spending surged by 22.6 percent, the biggest one-month increase since 1992. Most of the gain was due to a big rise in spending on aircraft, so excluding the transportation sector, core capital goods spending actually fell by 0.5 percent.

## Business Equipment Investment

Six years into the economic recovery, U.S. businesses still aren't directing much money into big-ticket investments for the future. Nonresidential fixed investment—what businesses spend on equipment, software, buildings and intellectual property—still has not recovered to its pre-crisis share of the economy, let alone made up for the lost ground from the record lows of 2009.

Corporate America is spending about $120 billion less than the Congressional Budget Office model of a healthy economy suggests it should.

Capital spending improves worker productivity. And worker productivity improves living standards. Less capital spending by businesses means less investment in the kinds of things listed here that will make the economy more competitive over the long term.

The fact such spending has not rebounded fully strongly suggests a continued lack of faith among executives about future demand.

## Federal Government

Spending by Washington is nearly $120 billion below the level one would expect, given long-term trends.

The cuts in spending were part of deals emanating from the 2011 agreement to raise the federal debt ceiling, combined with the winding down of the wars in Iraq and Afghanistan. This combination means that federal spending was 6.8 percent of gross domestic product, down from 7.4 percent of actual GDP from 1993 to 2013.

**IMPLICATIONS FOR BUSINESS:**

- Political pressure to increase capital expenditures may be on the rise in 2015.

- State and local government balance sheets will continue to improve; as they do, more projects will be out for bid.

- Durable goods spending by consumers is not likely to improve much until/unless personal incomes show healthy gains.

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*DID YOU KNOW?*

*A new middle income family, awaiting their first child these days, can expect to lay out $245,350 for food, shelter and other expenses to raise that child until he, or she, becomes 18, according to a new in-depth study recently published by the U.S. Department of Agriculture, which now issues this cost survey annually.*

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# CYBERSECURITY

Earlier this year, President Obama stated flatly that "cyber threat is one of the most serious economic and national security challenges we face as a nation" and that "America's economic prosperity in the 21st century will depend on cybersecurity."

Cybercrime is aimed at disrupting businesses and stealing customer identification and payment records. Cyberterrorism is defined as the premeditated use of disruptive activities against computers and/or networks with the intention to cause harm or to further social, ideological, religious, political or similar objectives.

Attacks on governments, businesses, utilities, health care, and financial networks are happening every single day.

There have been a number of documented breaches—In February, a single hacker attack stole over 105 million email credential records, making it the single largest data breach in cybercrime history. In August, JPMorgan Chase and several other major banks were hit with a massive cyberattack that went deep into the banks' systems. Ironically, JPMorgan Chase is extremely diligent in protecting its cybersecurity, devoting approximately 1,000 people and over $250 million to cybersecurity in 2014. September began with news of a breach at Home Depot, which joins Target, Neiman Marcus, Michaels and UPS as recent victims of data breaches.

Governments and non-state terrorists are also engaging actively in cybercrimes and terror.

China has been the most active in its attempts to hack into information systems around the world. Former National Security Adviser Tom Donilon stated that cyber theft of confidential information and technology from American businesses has been "emanating from China on an unprecedented scale."

In May, a federal court indicted five Chinese military hackers for computer hacking, economic espionage and other offenses. One of the officials was charged with stealing plans for a next-generation nuclear power plant from Westinghouse.

Russia has also been heavily involved in cyberhacking. While most of the hackers may not be officially sanctioned by their government, Russia turns a blind eye in most cases. They are tolerated by Russian officials because they regularly engage in "patriotic hacking."

In August of this year, dozens of computers in the Ukrainian prime minister's office and at least ten of Ukraine's embassies abroad were infected by hackers linked to Russia.

In a video obtained by the FBI, an al-Qaeda operative urges "electronic jihad" against the United States. The video calls upon the "covert mujahidin" to launch cyberattacks against the U.S. networks of both government and critical infrastructure, including water supplies and the electric grid.

The Departments of Defense and Homeland Security are investing billions in cybersecurity. Every branch of the military is contributing manpower to a team of "cyberwarriors," the U.S. Central Command, which will be focusing on federal information networks, defending the nation and supporting combat commands.

**IMPLICATIONS FOR BUSINESS:** A recent survey of almost 2,000 executives revealed that 79 percent were not confident in their Company's current level of protection. But only 58 percent had plans to boost spending on cybersecurity in the next year.

Businesses must take cybersecurity seriously and budget accordingly. This means investments both in the technology and manpower to fight breaches, and for insurance in the case of successful attacks.

Insurance companies now offer lines that include protection for the costs, not only of data breaches, hack investigations, and business interruption, but for physical damages to people and property such as destroyed computers and broken electrical grids.

## TERRORISM: WE ARE NOT IN THE CLEAR

We have written on the topic of terrorism for the past 15 years. Every time we have said terrorism is going to get worse. And indeed, it has.

Americans are not safe. The times are dangerous. The end of the threat is not in sight.

At this juncture, there are numerous reasons why the fighting in the Middle East could spill over to the West and directly affect this Country. Currently, ISIS is trying to take control in Iraq. This would destabilize Pakistan and dramatically threaten Saudi Arabia in addition to many other Middle East nations.

ISIS has the manpower, money and know-how to hit the West should it decide to do so.

Foreign militants, who volunteer to fight in the Middle East and then go home, may build terror networks of their own. They often forge personal relationships that can form the basis of such transnational terrorist networks.  Although the Taliban's use of deadly force against civilian populations is widely branded as "terrorist attacks" both in and outside of Afghanistan, neither the Afghan government nor the U.S. now officially recognize the Taliban as a terrorist organization.

The Afghan government will continue to view it as an oppositional group.  The influence of the Taliban's sympathizers and anti-Western figures within the government ensures that.  If the U.S. government officially recognized the Taliban as a terrorist organization, many other members of the international community would probably follow suit, resulting in real and effective pressure on the Taliban and its supporters.

The latest manifestation of Taliban terrorism is in Pakistan, where its partisans are killing police almost daily. They have gunned down officers, assaulted police stations, and sent suicide bombers to take out top police commanders.

**IMPLICATIONS FOR BUSINESS:** Businesses overseas need, now more than ever, to ramp up their security.  Corporations looking to do this should consult with security experts to establish safe workplaces in these perilous areas. The world is in danger and companies based overseas need to think carefully about where they locate their operations to minimize risks to their employees.

## A CALIPHATE:  SOMETHING BOTH OLD AND NEW

It is important to understand what a caliphate is now that one has now been declared by ISIS in the Middle East.  This could pose a great threat well beyond that region and is also perilous to the West.

A caliphate is, first and foremost, a totally Islamic state. Its leader, a caliph, is both a political and religious figure, who is regarded as a successor to the Prophet Muhammad. This entity is not like a nation-state because it is not bound by international law or decorous interactions with other nations. That is what makes it especially threatening to the rest of the world.

Caliphates operate under Sharia law. Women are not allowed to leave their homes unless accompanied by a male. Punishments for alleged crimes are extreme. Typically, amputations are an accepted form of punishment for stealing.

The last-known caliphate was the old Ottoman Empire, which formally ended in 1923 when Mustafa Kemal Ataturk founded the Republic of Turkey. Today, ISIS has declared itself a latter-day caliphate.

The reasons behind this declaration are clear. ISIS has had enough success capturing territories across Iraq and Syria to do so. The issue is that no one, including the Iraqi government, appears to be effectively stopping ISIS.

By returning to an earlier age and declaring itself a caliphate, ISIS seeks the authority and legitimacy that comes from it having a pure Islamic identity. This could allow it to rise above all other Muslim groups and tribes. The territory under this newly-proclaimed caliphate now exceeds that of Great Britain. The larger it becomes, the more serious a threat it will turn into for America and the rest of the world.

**IMPLICATIONS FOR BUSINESS:** If a caliphate ends up dealing in international business, the essential rule of law could come into serious question, inasmuch as caliphates do not bind themselves to international law. Such a theocracy could establish a precedent, adversely affecting business dealings and negatively impacting business relations with all nation-states.

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*DID YOU KNOW?*

*More than 2/3 of Americans now agree that student newspapers should be allowed to publish without the approval of school administrators.*

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## A LOOMING SCYLLA & CHARYBDIS? RECORD CASH, RECORD DEBT

The onset of the financial crisis, and the Federal Reserve Board's response to it, has resulted in any number of unprecedented consequences, including a mammoth increase in the size of the Fed's balance sheet.

Less noticed, but perhaps equally important, has been the corporate response. Corporate treasurers have hardly been sitting on their hands since the Fed sharply reduced interest rates in 2008.

Since then, the Fed's easy money policies have allowed companies to buy back stock, pay dividends and make acquisitions with an ever-increasing mountain of debt. Employing this strategy has allowed companies to retain record amounts of cash, much of it foreign profits nominally held in overseas accounts.

Retention of those funds outside the U.S. has thereby allowed companies to avoid the sting of the federal government's statutory 35 percent corporate tax rate.

For the last six years, the strategy has been a winner. But all good things come to an end. And the longer companies persist in pursuing what still works, the bigger the risk problems of unforeseen size and duration grow.

At some point, current conditions are likely to change. Those changes, in turn, are likely to engender a fundamental shift in the operating landscape for companies. Depending on what happens, the shift will pose challenges.

Further strengthening in the American economy would likely lead to a tightening in monetary policy by the Fed, pushing up borrowing costs.

Another possibility is that the American economy—which has been expanding since 2009—will slow, or contract. Such a development would make servicing existing debt more difficult, making repatriation of cash held abroad more likely.

A decline in the value of the dollar would reduce the amount of money that potentially could be brought home.

Finally, at some point U.S. policymakers will address the issue of federal corporate tax policy. At this point, however, predicting the outcome of that debate is virtually impossible.

The dimensions of the potential problem are visible, and growing.

Corporate debt issuance in the United States is on track to set a record for the third consecutive year. As a consequence, the size of U.S. corporate debt—both in nominal terms and as a percentage of gross domestic product—is at all-time highs.

As of mid-August U.S. companies had sold just under $1 trillion of bonds. That total is up more than 4 percent from a year ago. Some of the debt is being used to repay or refinance outstanding obligations, but corporate debt now amounts to 57 percent of gross domestic product, the highest level since 1955.

The American economy is only now digging out from the mountain of debt—much of it taken on by consumers—that was amassed in the late 1990s and well into the 2000s. Coping with all of this new borrowing would present yet another challenge.

Those challenges will begin to manifest themselves when the Fed finally ends its easy money policy, and market interest rates move back toward historic norms.

A rise in interest rates is only likely if the economy remains healthy. But a decline in output would also represent a challenge. The current, statistically sub-par expansion has already lasted longer than most in the post-World War II period. The longer it continues, the more likely a downturn—in the overall economy, in a specific industry or even an individual company—becomes.

In the main, interest rates on outstanding debt are very low, but if a business drops 5 percent or 6 percent, making that interest payment is going to be harder.

Few corporations will say publicly they are borrowing to avoid taking a tax hit—interest payments on outstanding debt are tax deductible in the U.S.—but analysts and economists say the dynamic is clear.

The friendly debt market allows companies to borrow instead of repatriating cash.

By that logic, the impetus to offer new debt has risen along with growth in the foreign profits earned by American companies.

There are no comprehensive figures on foreign cash and liquid securities held by American companies, but some put the number at more than $2 trillion.

It is clear that American companies have been accumulating cash at a record pace; more than double the amount since 2007.

As long as U.S. interest rates remain low, large American companies—which increasingly earn more outside the United States than they do in the home market—have no real cause to repatriate the money.

Rising cash balances abroad are affording U.S. companies the opportunity to make foreign purchases they might not otherwise have been in a position to consider. Medical device maker Medtronic, for example, had unremitted foreign earnings of $20.5 billion at the end of 2013, up 13 percent from the prior year. Of that total, $14 billion was in cash and marketable securities, up from $10.9 billion at the end of 2012. (At the same time, Medtronic's outstanding debt rose 12 percent, to $11.9 billion.)

Rising rates and/or a slowdown or recession in the United States is likely to reduce the incentive for companies to amass huge amounts of cash abroad, and to keep it there.

A decline in the value of the dollar on foreign exchange markets would also appear to act as a disincentive to keep money offshore.

**<u>IMPLICATIONS FOR BUSINESS:</u>** Nothing lasts forever. On a relative basis, borrowing costs, not tax rates, are more important considerations for big U.S. corporations. Watch for a new set of challenges—and opportunities—as business learns to operate in a world where the Fed is less friendly than it has been.

## DEBT MARKET DANGER: NEW BANK CAPITAL RULES COULD BE MAKING GLOBAL BOND MARKETS MORE FRAGILE

Many of the laws and regulations passed in the wake of the global financial crisis had a common purpose: to reduce "systemic risk" in financial markets and the global economy. But one of the signature initiatives of that effort—the ongoing implementation of strict new capital reserve requirements for banks—is producing unintended consequences that could actually intensify future market crises.

Requiring banks to be better capitalized is an important and laudable step. The collapse of Lehman Brothers and Bear Stearns and the near failure of other banks demonstrated that the fragility of financial institutions posed a serious risk to the global economy. The Basel III Accords directly addressed that risk by increasing the amount of capital banks are required to hold. Decreasing the amount of debt or leverage that banks can hold relative to the amount of equity on their books will make them more resilient to the next crisis.

However, the setting of stricter leverage ratios for banks has implications for financial markets—especially bond markets. Since bonds generally trade over-the-counter, as opposed to on exchanges, buyers and sellers have traditionally relied on banks as middlemen for transactions. Broker-dealers maintained huge inventories of bonds that they used to facilitate trades or, as they say in the industry, provide liquidity.

But new capital reserve requirements and leverage ratios have changed the economics of this business for dealers. Given the steeper capital charges associated with holding bonds on their books, banks have become unwilling to maintain the inventories they used to provide market liquidity. The sell-off of these inventories has changed the way markets in corporate, high yield and even government bonds work.

In today's relatively strong bond markets, these changes have not caused major problems. Investors do find it more difficult to complete trades, and often have to use several counterparties to complete trades that in the past could have been easily digested by a single bank. On the whole, however, trades are being executed and markets are functioning well.

But this new market structure has yet to be tested by crisis. One of the first and most dangerous symptoms of the global financial crisis was the disappearance of liquidity from global debt markets. Investors looking to exit bond positions couldn't find buyers at any price.

In the next crisis, investors will find it even tougher to sell bonds now that the broker-dealers have abandoned their traditional role of "buyers of last resort." As nervous investors start selling, the absence of willing dealer intermediaries could quickly lead to a liquidity crunch and turn a downturn into a much bigger crisis.

**IMPLICATIONS FOR BUSINESS:** Diminished liquidity in global bond markets is an issue of concern for companies. If corporate bonds become harder to trade—and they are—investors will eventually begin asking for a liquidity premium, making it more expensive for companies, investment grade and junk-rated alike, to raise money. In all likelihood, that premium won't materialize until a crisis demonstrates just how precious liquidity is in the current regulatory framework. In the meantime, companies should be aware of the fact that "credit events" could become a more common occurrence under the new rules.

Executives should remember the incredible strain their companies experienced when banks stopped lending and debt markets shut down, and take steps to ensure they have a big enough cash cushion and relationships with enough lenders to endure future interruptions in the credit supply.

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*DID YOU KNOW?*

*83 percent of the 2,096 people over the age of 100 living in New York are women. Nationally, 81 percent of the 55,000 centenarians in the U.S. are women.*

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# THE DECLINE OF THE WORKING CLASS AND THE RISE OF INEQUALITY

The continuing trend of de-industrialization and the decline of the working class are not a new phenomenon, but the numbers, especially for men, offer a stark assessment.

In 1969, three quarters of men by the age of 25 were earning wages capable of supporting a family of four above the poverty line. By 2004, it had risen to an average of 30 years old for the same percentage of men to reach this income level. Similarly, only 10 percent of men in the 30-35 age range were classified as low-income earners in 1969. Now, approximately 25 percent are low earners.

Most significantly affected are men with lower levels of education. Those with a high school diploma have experienced a 29 percent decline in real annual earnings while those with no diploma saw a decline of 18 percent over the past forty years.

Taken together with the fact that today nearly 20 percent of prime age men (25-64) are not working compared to 6 percent in 1970 and the reasons for increased income inequality become apparent. While it's true that more men are choosing a stay-at-home role, the primary reason is the disappearance of traditional working class jobs due to technological change, off-shoring and international trade in a globalized world, plus sharply increased incarceration rates.

The decline of male wages among middle- to lower-income families is somewhat masked by the improved earnings of women over this time period. However, marriage has only reinforced the income divide, as "assortative mating" theory explains. Studies show that college-educated people are more likely than ever before to have a college-educated spouse, thus increasing the chances of having two relatively high-income earners fueling income stratification.

**IMPLICATIONS FOR BUSINESS:** There are both economic and political ramifications for the decline in wages of lower-educated males and the widening income gap more generally. Broadly speaking, the disappearance of working class jobs will leave young men without the opportunity to develop a work ethic, which further lowers productivity for the future. More immediately, men might defer purchases, particularly for big-ticket items. It is common to hear that Millennials shun cars and don't necessarily view home ownership as a prerequisite to adulthood, but the question remains, how much is that a preference and how much is due to the realization of circumstances?

# MAJOR TAX BREAKS MOVE US COMPANIES TO RELOCATE

Despite determined efforts by the administration and some Congressional leaders to eliminate it, a trend that could well accelerate here in the coming months is the corporate tactic known as an inversion. In an inversion, a U.S. company, often a multinational, seeks to relocate and reincorporate in one of the many low-tax venues around the world (Ireland, Canada, Bermuda, Luxembourg, various Caribbean islands, etc.) linked to a merger with a foreign company operating in a similar or related industry. Major Wall Street banks have driven many of these corporate relocations.

This has set off reaction with some federal lawmakers, President Obama, and the U.S. Treasury Secretary calling for the halt, or restraint, of such moves, which erode billions in tax income that would normally go to the federal government. Meanwhile, conservatives and the business community are pushing to meet the possible outlawing of inversions by advocating a substantial drop in the core U.S. corporate tax rate to at least 25 percent, if not lower.

The consensus now is that U.S. rates will definitely come down.

During the past two years, some 20 American firms have reincorporated overseas and many more are planned in the immediate future. The current top U.S. corporate tax rate is 35 percent plus an average of another 4.1 percent with state and local taxes.

Senator Ron Wyden of Oregon, who has led the Congressional opposition to inversions, recently stated that as many as 25 U.S. companies are now evaluating such moves. Critics like Wyden stress the money advantage companies enjoy because they are based here.

Health care companies, which already enjoy global markets, appear to be in the vanguard of the recent wave of inversions. Most likely to gain regulatory approval is the initiative by Medtronic, Inc. to acquire Ireland-based Covidien Corporation for $42.9 billion and move its headquarters to Dublin, becoming Medtronic, plc. As an Irish company, Medtronic's annual tax rate will drop to 12 percent.

Elsewhere, AbbVie, the Chicago-based pharmaceutical giant, has won tentative approval to acquire European drug-maker Shire, based on the small island of Jersey in the English Channel. AbbVie, which plans to reincorporate as a British company, expects its tax rate will drop from 22 to 13 percent by 2016. Also, Mylan Laboratories has announced it intends to acquire the international generics businesses of Abbott Laboratories and become domiciled in The Netherlands.

The current top U.S. rate compares with the average corporate tax rate of 25 percent in key industrialized nations around the world. It's estimated that some two trillion dollars in earnings by U.S. multinationals are today being held overseas away from the IRS.

Because the aforementioned Medtronic's actual U.S. tax rate here has been pared down to l8 percent, the Company says it has many other reasons to undertake an inversion besides potential tax savings. Inverted companies that manage their overseas cash piles in a somewhat complex, appropriate manner may be able to expatriate foreign-generated profits to this Country without having to pay the sizable taxes required here.

Because he feels Congress will not act, Secretary of the Treasury Lew has announced that he will soon take regulatory action to curb inversions.

**IMPLICATIONS FOR BUSINESS:** Unless U.S. corporate taxes drop downward appreciably, look for more corporate inversions before the proposed federal action to ban the tactic gains more momentum. Conversely, the current U.S. tax system has not discouraged the acquisition of domestic companies by foreign competitors such as the takeover not too long ago of the legendary Anheuser-Busch by Belgium's InBev Group. Chinese companies have also stepped-up their acquisitions of domestic firms. One of the "Big Three" American national movie exhibition chains, for example, AMC Theaters, is now Chinese-owned.

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*DID YOU KNOW?*

*Gold purchases by Chinese consumers jumped 41% last year to a record. The increase was enough to overtake India, which for decades, if not centuries, held the No. 1 spot as the world's biggest gold buyer.*

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# ACTIVIST INVESTORS: HERE TO STAY, HOW DO YOU DEAL WITH THEM?

Activist investors aren't going away. In fact, their activities are increasing and they are targeting larger companies. And the size of their war chests has tripled since 2008. Funds of activists grew by $9.4 billion in the first half of the year to $111 billion, gaining more in that period than in the previous two years combined. And the number of activist interventions rose by 88 percent from 2010 to 2013. All that seriously increases the chances that a company will be approached by an activist investor in the next 12 months.

An overture by an activist investor tends to send shivers up the spine of a corporate executive. What does the investor want? A seat on the board? To remove the management team out and put in their own? To break the company up? What will happen to the company's employees and customers?

All are reasonable concerns given the recent history of investor activism. Today's activist investor does seem to be a recreated version of yesterday's corporate raider.

## Who Are Today's Activist Investors and What Do They Want?

Some best-known current activist investors include Carl Icahn, Nelson Peltz of Trian Fund Management, Bill Ackman of Pershing Square Capital Management, Daniel Loeb of Third Point, Barry Rosenstein of Jana Partners, and, most recently, Scott Ferguson, at Sachem Head. The playbook of the activist investor is to buy a sizeable block of the target company's stock and campaign for changes that will result in an increase in its share price, usually in the short term. Often, they will seek one or more seats on the board, and they sometimes succeed.

Through August, activist investors returned an average 5.9 percent, compared with 3.9 percent for hedge funds.

Some activists run hedge funds, or they may get hedge funds to buy shares and support them. Activist hedge fund managers chalked up gains of 6.5 percent in the first half of 2014, almost double the gains for the average hedge fund.

The activist investor phenomenon is also reprising a much-vilified feature of the 1980's takeover era: greenmail. If an activist investor can't immediately succeed in getting a company to make changes that will raise its share price, he may still make a killing by getting the target to buy back his stock at a premium price. That is known to have happened at least 10 times from June 2013 to June 2014.

## Is Investor Activism Ever a Good Thing?

There is disagreement over whether activists' proposals bring short-term shareholder benefits at the expense of longer-term detriment. Some contend that activists are champions for shareholders. They cite activist-generated gains for the stockholders of Apple, Procter & Gamble, and others. And it is notable that Securities and Exchange Commission Chair Mary Jo White said there was "widespread acceptance of many of the policy changes that so-called 'activists' are seeking to effect."

**IMPLICATIONS FOR BUSINESS:** Company heads and board members may sleep better if they are prepared for that surprise phone call or registered letter. Experience suggests that the best response to an activist from managements and boards is an open one. Since a company's large investors may be sympathetic to what an activist proposes, management should reflect a willingness to listen to and consider an activist's agenda. Next, present the activist's wish list to the board of directors for discussion—with management's recommendations. It is then up to the board decide which, if any, of the activist's proposals should be accepted and to act on them. While no management or board should be intimidated by an investor activist, the fiduciary need to act in investors' interest requires serious consideration of what they suggest.

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*DID YOU KNOW?*

*Despite all the dire health warnings, 40 million Americans are still regular smokers.*

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# BUYBACKS: TIME FOR A RE-THINK

Publicly-listed companies have long aspired to be labeled "shareholder friendly" by effecting measures such as special or increased dividends, as well as share buybacks. Truth be told, we have recommended exactly that tack for more than one client over the years—and still would on a selective basis. However, a growing body of evidence suggests that the time has come for a bit of a re-think on one of those measures: share buybacks.

To put it simply, many CFOs may no longer get the support to which they have become accustomed for a buyback announcement, and may instead find themselves on the receiving end of a burgeoning chorus of skeptical/critical commentary—a dynamic that, fairly or unfairly, has caught up the likes of Hewlett-Packard, and Yahoo!.

Among the things the critics don't like: buybacks funded by debt; buybacks used in large part to offset executive stock option programs; serial buybacks that give the appearance of being timed solely to boost EPS in earnings periods; or buyback programs undertaken at the apparent expense of CAPEX and R&D expenditures.

The critical view was perhaps served up most harshly by *Financial Times* columnist John Authers on Aug. 27: "A buyback is a classic resort for managers who cannot think of anything productive to do with their cash." Noted investor Jim Chanos has taken that a step further, building an investment thesis around the notion that buybacks are a sign of weakness, not strength. Even legendary BlackRock CEO Larry Fink sent a letter to CEOs earlier this year criticizing the emphasis of so many on share buybacks and dividends rather than long-term investment for their companies.

Of course, such criticism does not apply to all buybacks. Many, such as those at General Electric, are part of a disciplined and long-standing program that truly does reward shareholders, and not at the expense of investing in its other businesses.

**IMPLICATIONS FOR BUSINESS:** The cold truth is that a rousing buyback market earlier this year has tailed off this summer for the reasons cited above, as well as the current lofty level of share prices. But the buyback market is a cyclical one, and can be expected to rebound at some point.

Meanwhile, for all those companies considering buybacks, take steps to ensure they are on the list of "good buybacks," be transparent about their reasons and timing, and place any buyback or program of buybacks into a context of what the CEO sees as the long-term vision—the end game—for his or her particular enterprise.

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*DID YOU KNOW?*

*Last year, 34 of the 35 most-watched television shows were NFL games.*

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# THE "BONUS CULTURE" AND ITS SIDE EFFECTS

With the divisiveness of the U.S. mid-term elections ahead, expect a return to the politics of the "one percenters" by the "99 percent" who will seek to divide the Country along economic lines, accusing the world's largest corporations of fostering a destructive "Bonus Culture." They will use GM, the trend in tax inversions, the billions of dollars in fines and penalties paid by major banks, and other examples to point to the pressures present financial reward systems put on employees, managers and even the board of directors to overlook costly, and in GM's case, deadly mistakes.

GM's lengthy public pillory has made the inner workings of the world's largest companies fair game for critics and pundits. This includes how businesses reward leadership, employees and shareholders for positive results. Though bonus- or incentive-based systems have yielded overwhelmingly positive economic results, it is the glaring exceptions—like those exposed in the financial crisis—that command the devastating headlines. Keep in mind, optics count.

Recent research by a variety of economic experts has begun to explore the possible side effects of a "Bonus Culture." Data shows that many businesses have focused heavily on equity buybacks to return capital to shareholders rather than reinvest it in the business or improve their balance sheets by paying down debt.

In the short-term, some argue, this incentive or bonus compensation structure may appear to align the interests of management and shareholders, but these same incentives increase volatility and can, over time, elevate debt and leverage to unsustainable levels. While much is still theoretical, it provides an opening for critics to attack the sustainability of the "Bonus Culture" and the danger traditional incentive-based compensation structures pose as a long-term threat to major global economies.

With fast-food workers getting extensive news coverage on higher wages, business sustainability has been pushed increasingly onto the front page. Big executive bonuses and incentives and the social implications of other important corporate decisions grab headlines. And the risk is not simply from traditional news media.

The Internet and social media have greatly magnified the power of social movements of every stripe. Also, the near complete absence of traditional editorial safeguards makes this an even more treacherous minefield for corporations and their detractors.

**IMPLICATIONS FOR BUSINESS:** Anticipate frequent cries of corporate greed as a prelude to the November elections and then the long journey to the 2016 Presidential election. The "Bonus Culture" presumed to support indifference to the plight of lower-paid workers will be attacked and painted with a broad brush, as some seek to shift the debate away from domestic and international policy failures. Data and theories about the long-term dangers of the "Bonus Culture" have begun to emerge. Traditional and non-traditional corporate critics will be out looking for villains and scapegoats. The optics of every major corporate decision needs to be weighed carefully for its backlash potential and a plan put in place to defend such decisions in a positive way. Every corporate action with potential social or societal implications needs to be judged in a new, harsher light.

## SMALL BUSINESS: CRITICAL TO AMERICA'S FUTURE

Small business, including privately-owned corporations, partnerships and sole proprietorships, drives much of the U.S. economy and is the major creator of jobs in the United States.

There are some 28 million privately-held small businesses in the U.S., outnumbering large corporations 1,162 to 1, and comprising 57 percent of the country's private work force. In fact, 70 percent of all small businesses here are owned and operated by one person. America's small businesses remain the backbone of our economy and, as noted, are main job creators. Many put their net worth on the line every day as they struggle to make payroll and build what they have created.

That said, small business overall has a mounting array of regulations to contend with. ranging from the cost of Obamacare and hikes in the minimum wage to the regulations of federal agencies that often conflict with local and state rules. The result of all this is a steady, overall decline of new business startups.

In America today, only half of small businesses survive as long as five years. This means that each time a small business fails more Americans are put out of work, causing more people to rely on federal funding and taxpayer money.

There are two parts to this problem:

- Governments currently tax small businesses in many ways, including federal income tax, state/local taxes, franchise or sales taxes, and payroll levies. If small businesses were not overtaxed in this manner, their success rates would be higher, resulting in more employed and independent Americans.

- Government tends to over-regulate small businesses. Taxes may go up and down, but regulations rarely go away. Some 55 percent of small business owners say that they would not start a business in the current regulatory environment.

Independent community banks are also at risk. Small businesses need credit. If small banks go, small businesses go as well. Community banks make up to 60 percent of the loans issued in America. Most of these loans are largely made to small businesses. There is not a welcoming environment these days for creating new small banks, just to consolidate existing ones.

**IMPLICATIONS FOR BUSINESS:** To repeat, small businesses are a major creator of jobs in America, but many are currently having a difficult time remaining in business. Yet, the available data indicates that small business is showing signs of life. If small businesses were taxed less and had to submit to fewer regulations, more of them would be operating and more Americans employed, which would aid in stimulating the domestic economy.

## THE MILLENNIAL PROMISE

The so-called Millennial Generation (born 1982 and afterwards) has much to fret about, from mountains of student debt to little or no savings to daunting job prospects. But one big factor working in favor of this American cohort is its sheer size.

Data from the U.S. Census Bureau show there are more people in their 20s (44.5 million) than in their 30s (41 million), 40s (41.7 million), or 50s (43.8 million). And there are more 23-year-olds (4.3 million) than any other single age.

In light of current conditions, it may be hard for Millennials to believe—or accept—that their sheer numbers will redound to their benefit.

The last time the United States had this many young people on the verge of entering the work force was in the early 1980s. Indeed, without this bulge, the United States would look a great deal like Japan and Europe. Both lack a relatively large number of young adults to offset graying populations. (The American numbers—and the economic promise they represent—would be even more formidable if illegal immigrants were included.)

In 1983, for example, 4.3 million 23-year-olds were about to start their careers. At that time the U.S. was only just emerging from a deep recession and businesses needed the (relatively) inexpensive labor of all these young workers. Driven in large part by Baby Boomer consumption, between 1983 and 2000 the American economy grew at an average pace of 3.7 percent per year.

Clearly, today's 23-year-olds are starting—or contemplating the start—of their working lives in a weaker economy than that which existed in the 1980s. Still, they are already better off than older Millennials who graduated five or six years ago in the depths of the Great Recession.

After three years of declines, the median household income of someone born in 1991 rose to $30,000 last year; that is 5 percent more than what those a year older were making when they were 22.

For sure, there is a great deal of room for improvement. The unemployment rate among 20- to 24-year-olds was 11.3 percent in July, down from 12.5 percent in July 2013, and well below the rate of more than 16 percent in May 2008.

**<u>IMPLICATIONS FOR BUSINESS:</u>** An enormous market is taking shape. Adding Millennials to the labor pool can be a big economic plus. Working to legalize young, undocumented Hispanics holds enormous economic promise.

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*DID YOU KNOW?*

*As many as 1.6 billion adherents around the globe follow the Islam faith.*
*The vast majority of Muslims, 85 percent, identify themselves as Sunnis.*
*The much smaller Shiite sect can mostly be found in Iran, Iraq, Syria, and Lebanon.*

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# THE FOUR-YEAR COLLEGE DEBATE

A decade ago, posing a query like "Is a four-year college degree necessary?" would be almost sacrilegious. Today, acquiring such a degree at one of the nation's four-year colleges and universities is a highly contentious subject with compelling arguments made on both sides of the issue.

Lending tuition dollars to college students has become a big business—both from private and public sources. President Obama has even been quoted as stating that every American high school graduate should be able to obtain a four-year college degree. There is little question that the earning power of college graduates may be significantly greater than that of those lacking a degree. It is admittedly beyond debate that such degrees do enhance personal growth, social adjustment and broad understanding of the world.

However, the continuing sluggish economic climate in which this Country finds itself has given rise to serious questions about the value, practicality and necessity of a bachelor's diploma from an accredited four-year institution.

Currently, disturbing numbers of four-year college graduates are unable to launch their chosen careers, and, if working, are stuck in some kind of low-level position hardly requiring a degree. To this add the burden of an average $25,000 in student loan debt owned by many of those graduates.

It is no secret that American four-year colleges and universities are, notwithstanding grants, financial aid and scholarships, extremely expensive with tuition and fees escalating almost every year, easily outpacing inflation.

The average tuition at all of the nation's private institutions has now reached nearly $24,000 a year.

The nation's elite universities are at the top, with Harvard at $44,000 annually, Yale at $44,800, Vassar at $45,600 and Brown at $46,400—not counting room and board, plus books and inevitable fees. Those metrics, incidentally, contrast strikingly with many elite European institutions. Both Oxford and Cambridge in the U.K. charge about $25,000 a year, and Germany's renowned Freie Universität Berlin is free.

Among the reasons for such runaway costs are the many building and expansion projects undertaken by such institutions and their rapidly growing administrative costs. On the other hand, advocates for lower tuition point out that so much instruction these days in four-year institutions is provided by adjuncts, who are paid relatively low salaries and do not enjoy coveted tenure.

One solution to this problem has been the dramatic growth across the nation of vocationally-oriented, two-year community colleges, which now number an estimated 1,655 (over 1,000 public and 415 private) with an average annual cost reaching approximately $3,000.

These institutions focus on training for jobs in health care, construction, mechanical and electrical services, digital technology, and related sectors that demand very specialized skills not generally taught in four-year academia.

**IMPLICATIONS FOR BUSINESS:** College-trained professionals remain essential for businesses in any economy. But business, and a stable society generally, need the kind of skilled workers and artisans that community colleges and apprenticeship programs can provide.

## A GROWING NEED: INVESTING IN FEEDING THE FUTURE

The United Nations forecasts that by 2050, the world population will increase from 7.2 billion people today to 9.6 billion. This will necessitate a dramatic increase in food production. Many are calling for widespread private and public investment in agriculture.

At the G8 summit in 2009, President Obama announced international food security as a priority that will be backed by billions of dollars in international commitments. Of the 4.9 billion acres devoted to agriculture worldwide, it is reported that only one-fifteenth is irrigated, meaning that billions of acres of crops are subject to erratic or inconsistent weather patterns. From all that land enough food is produced for an estimated 4.9 billion people, but as the crop goes through the supply chain, 40 percent of it is lost—a vast inefficiency. If the population continues to grow, current agricultural production will be unable to support it. Agricultural investment is a stark necessity of the future.

All manner of investments must be made in research and development, roads, irrigation and agricultural institutions. It is also necessary to aggressively support the people involved. Two-thirds of the people who suffer from hunger are agricultural workers. As a result, land that can be cultivated is being abandoned for the cities, where work and food are more prevalent. Increases in the income of rural farmers should help ensure continuing food production.

One solution is investing in biodiversity. Humanity mainly depends on fewer than a dozen of the approximately 300,000 species of flowering plants. There are many more options for greater seed variety than the agricultural industry is currently utilizing. Gene banks exist across the world that can facilitate extensive research on how to create plants that will be more resilient and higher-yielding. Genetically modified seeds could allow for a decrease in pesticide use and an increase in the nutritional value of certain crops, both of which would greatly impact those in malnourished and developing countries.

Another solution that would yield more immediate results is direct investment in agricultural infrastructure. Support for sustainable irrigation systems as well as soil monitoring and crop surveillance through drones would multiply efficiency.

**IMPLICATIONS FOR BUSINESS:** Investing in any aspect of agriculture could prove to be rewarding in the future. It is inevitable that changes must happen to support the massive growth in population. Genetically modified organisms, although yet to be widely accepted, offer a valuable option for investment in the future, while sustainable irrigation systems offer a more immediate opportunity for results.

## GANGS: ARE WE SAFE?

The power of criminal gangs is growing throughout Central America and threatening the way we live and do business both here and there. The recent mass migration of children across our southern border underscored the reality of these murderous associations.

About 20 years ago, the U.S. deported more than 100,000 people to Honduras, Guatemala, Mexico and other parts of Latin America based on an immigration law mandating that non-citizens committing a crime be expelled from the United States.

Many of these deported men and women, with very dim future prospects, banded together to terrorize Latin America, particularly Mexico, even reaching into bordering urban and suburban areas of the U.S. through traffic in drugs, extortion, kidnapping, prostitution and more as the authorities are helpless to stop them.

Such gangs—often major drug dealers—are not made up solely of men. Police are seeing increased numbers of young women with gang ties. Females make up larger and larger segments of the young offender population. Today, predominantly female gangs are somewhat more likely to be found in small cities and rural areas than in urban centers.

The problems these gangs pose may be far greater than the immigration crisis that has been recently in the news. There is real fear in Central America. In a Honduran city like San Pedro Sula, for example, the murder rate is a staggering 187 per 100,000.

It should be noted that social media are playing a critical role in gang violence south of the border, allowing gang members to directly threaten targeted victims and publicize their exploits. These groups now appear to be moving into lucrative border territories of the U.S., threatening businesspeople and terrorizing local citizens.

**IMPLICATIONS FOR BUSINESS:** Left unchecked, these gangs will do much more than create fear and terrorism. They have the potential to seriously disrupt business activities at companies large and small in U.S. border states.

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*DID YOU KNOW?*

*Starbucks now says it has over 11,000 locations around the world, of which 124 are in New York City. McDonald's is, however, the clear global leader in owned or franchised locations, totaling 34,000 in 119 countries.*

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## GLOBAL UNEMPLOYMENT: A POTENTIAL POWDER KEG

Unemployment in many parts of the world remains extremely high and is growing. According to the International Labor Organization (ILO), joblessness has risen in two-thirds of European countries since 2010. The ILO study also found that in comparison with unemployment figures recorded before 2008, there are now 50 million fewer jobs available in the global economy.

Outside the United States, the numbers of unemployed for the 24 and younger cohert are staggering: 56 percent in Spain, 57 percent in Greece, 49 percent in sub-Saharan Africa, 28 percent in North Africa.

Last year, the aggregate of unemployed people around the world grew by five million, and the total for just those in the age bracket of 15 to 24 was an estimated 74.5 million. In June, total unemployment in the eurozone nations stood at a dismaying 11.5 percent. If this trend continues, there will be 215 million unemployed people globally in 2018.

Job seekers significantly outnumber job openings in almost every industry. They represent every education level. Many are bitter and desperate, and they are doing things desperate people do. Social unrest may be a consequence. These people, whether they are young or more mature, have little hope and their respective governments show little indication of dealing with the problem.

In the United States, though the unemployment total has fallen to 6.1 percent, many job seekers have simply dropped out of the work force and, accordingly, are not counted. And among younger people, the figure is considerably higher.

**IMPLICATIONS FOR BUSINESS:** It may not be too long before such jobless individuals band together in social movements that look at the U.S. and other developed countries with hostility, and take actions that are surely not in our best interests.

It is time for educators and business leaders to join forces. Community colleges have already begun doing this by reaching out to local businesses to determine what their work force needs are and how to develop curricula that will answer those needs. If every U.S.-based corporation developed partnerships with local universities and community colleges, they could be training and placing people in jobs that otherwise would be shipped overseas.

## US-RUSSIAN RELATIONS CONTINUE TO DECLINE

Few will disagree that relations between the U.S. and the West with the Russian Federation are perhaps at their lowest point since the dissolution of the Soviet Union some 25 years ago. Spokesmen on both sides, however, deny that we are witnessing the start of Cold War II.

Despite Vladimir Putin's aspiration for a "Greater Russia," Russian Foreign Minister Sergey Lavrov has been quoted as saying that "no one is pleased here with the deterioration of relations between our two countries." Tensions may have cooled somewhat, but the vaunted "re-set" of the Medvedev era seems doomed for the present.

The moves by President Putin to annex Crimea, destabilize Ukraine, and provide aid and military equipment to Russian-speaking Ukrainian separatists have triggered sweeping economic sanctions against the Russian energy, financial, ship-building and arms industries. It's estimated that about 50 percent of the Russian economy is state run. The current round of sanctions, which exclude natural gas, are much harsher than the token measures targeting Russian individuals originally imposed by the U.S. The Russian economy is suffering, but Putin still has strong popular support.

The U.S. and the European Union, long dependent on Russian energy supplies, formed a united front only in late July to punish Russia for its unacceptable, aggressive actions. The tense situation has not been helped by the increasingly repressive political climate in the world's largest nation by geography, whose land mass stretches from the Baltic Sea to the Pacific Ocean.

Sanctions are a two-way street. In early August, Russia announced it was imposing a strict, one-year ban on all food and agriculture imports from the U.S., the E.U., Canada, Australia, and Norway. That move by a nation that normally imports huge quantities of such products will substantially raise basic food prices for its citizens, but this has not deterred the Kremlin yet.

Today's Russia, under an authoritative leader, is essentially defined by rampant nationalism, state capitalism, a powerful religious identity, social conservatism and tight media control. Nonetheless, popular support at home for Putin's grandiose ambitions remains strong. Still, internal opposition to Putin and other hard-liners has been growing in the influential Russian business sector, which needs international trade and financial commitments. We may be looking at a long-term standoff.

**IMPLICATIONS FOR BUSINESS:** The sanctions involve considerable costs for Western businesses that deal with Russia. European economies, which rely on Russian energy suppliers, are likely to suffer the most. This places a special obligation on Western governments to explain to businessmen, bankers and other financiers, as well as the general public, why such severe sanctions are necessary.

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*DID YOU KNOW?*

*In 1968, the average television sound bite—those snippets that so often distort the news and mislead listeners—was 43 seconds long. By 1988, the average had dropped to 9 seconds. They now run from 7 to 10 seconds long.*

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# A GROWING FOCUS IN THE WEST ON THE SHORT TERM

China has a multigenerational plan. Japan is thinking long term. Russia clearly has a view toward a new and different state. Some Islamic nations have efforts underway to change the world order. All these are looking to the future—something that the West, in general, and the U.S, in particular, are not doing well.

As an example of long-range national thinking consider the Chinese, who, in their more than 3,000 years of history, have shown a consistent dedication to future planning. China's population, full of both pride and patience, is committed to the long-term goal of leaving a legacy of greatness. The United States, while still a world leader, does not appear to be a long-term planner, and there is, many believe, little focus here on adversaries determined to destabilize the West.

The initial settlers of the U.S. were ambitious Europeans, unsatisfied with living conditions in their home countries. They had the drive to create a new country. In order to prosper and survive, they often had to resort to short-term thinking.

U.S. history has focused on striving to succeed and improving the nation as quickly as possible. Now that we have established our global leadership, it is time to move to a more sustainable way of thinking.

But too many in the U.S. are still committed to instant gratification. They give only lip service to solving problems in foreign policy, the economy, and immigration while at the same time allowing our competitors around the world to gain ground.

**IMPLICATIONS FOR BUSINESS:** Businesses must begin to plan ahead for the long-term. Quarterly earnings cannot be the only factor in determining a company's value. Business structures must change to plan for long-range sustainability.

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*DID YOU KNOW?*

*29 percent of Americans cannot name any of the freedoms of the First Amendment.*

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# THE ISRAEL/PALESTINE CONFLICT: WILL IT EVER END?

It will soon be seven decades since the Israeli-Palestinian conflict began. Wars, intifadas and incursions have left countless dead and injured, but the searing, unending cycle of violent enmity remains unresolved. This relatively tiny region has been a powder keg, setting off much of the hostility and instability in the Middle East since 1948.

On the heels of Israel's latest incursion this summer in response to Gaza's continuous missile and tunnel attacks, world opinion has been burdening against Israel. This growing disaffection is a result primarily of the strikingly nonproportional casualties suffered by one side.

Over 2,000 Gazans, including many children, have been killed, while some 70 Israelis, largely soldiers, have also perished. Anti-Israel sentiment and tactics, especially economic boycotts and disinvestment, by European nationals have escalated precipitously during the past few months. The U.S., nonetheless, regards Israel, the only fully democratic country in the Middle East, as an important and invaluable ally.

The Israeli-Palestinian impasse is by now an endlessly repeated tale. Myriad plans, based on a so-called two-state solution, have been put forth and debated over the decades. The peace process goes on and on, but the conflict does not subside and Israel continues its occupation. For their part, the Israelis remain understandably threatened and apprehensive, fearing a united, ever-hostile Arab world.

By and large, the numerous peace proposals over the years have all had several core components: recognition of Israel's right to exist, basic adherence to the 1967 boundaries with some minor land concessions and trades on both sides of the new border, a territorial link of some kind between Gaza and the West Bank, in the now Palestinian nation, and an exchange of more prisoners.

The dialogue deal-breaker has too often been the knotty return of the refugee issue, which to an outsider does not seem that formidable. Prime Minister Benjamin Netanyahu has gone on record supporting a two-state solution. The majority Palestinian Authority in the West Bank under Mahmoud Abbas has been essentially conciliatory. The major roadblocks to any agreement in recent times have been the steadfast opposition of ruling Hamas in Gaza and of unyielding hard-line, right-wingers in Israel's coalition cabinet.

But both Israelis and Gazans must be growing weary of living under such a seemingly permanent cloud of fear, animosity, danger, and too often, death. They must recognize how critical and urgent for both peoples a final peace is. Perhaps the terrible loss of life and devastation of the latest move into Gaza added to the escalating anti-Israel world opinion may, ironically, give a boost to some kind of meaningful breakthrough after so many years of violence and war, revenge and stalemate.

Israel will surely have to terminate its total blockage of Gaza, and Gaza must finally cease all tunneling and the missile shelling of Israeli targets. It has also been proposed that the U.N. supervise new free elections in Gaza. Hamas has lost considerable favor due to the suffering of its 1.8 million over the many years it has held power; but the most recent Israeli incursion appears to have given it a boost in the polls.

**IMPLICATIONS FOR BUSINESS:** Peace, particularly in violent unstable parts of the world, is always a positive for business and investment. The Israeli-Palestinian conflict has been a flash point for Middle East hate and hostility. Since 1948, Israel has evolved into an economically prosperous, advanced, technologically sophisticated country. Meanwhile, the Palestine territory has been stagnant and poor. Any kind of peace agreement would most certainly be a genuine boon to the failing Palestinian economy.

Peace is possible. The bloody, four decades-long "Troubles" in northern Ireland between Catholics and Protestants caused cost almost 4,000 lives, but it ended with the "Good Friday" Agreement. Keep hope alive.

## EGYPT: STILL AN ENIGMA

It has been well over three years now since Egyptian protesters in Cairo's Tahrir Square were instrumental in ousting long-time dictator Hosni Mubarak and seemed on the verge of entering a new era of democratic liberties. The landmark event became known as a key driver of the "Arab Spring."

That scenario was, however, not to be. In July 2012, Muslim Brotherhood leader Mohammed Morsi became Egypt's first freely-elected President. Unfortunately, Morsi headed a government that proved to be singularly incompetent as well as intolerant of non-Muslims, while Egypt's already depressed economy fell deeper into disarray.

Popular resentment against Morsi grew exponentially, and in July 2013, a coup directed by General Abdul-Fattah el-Sisi ended with the arrest of Morsi and installation of military rule. Unhappily, the subsequent interim reign of General el-Sisi proved to be anything but democratic. Indifferent to world opinion, his regime almost immediately slaughtered more than a thousand members of the Muslim Brotherhood opposition and jailed as many as 16,000 of its followers. Additionally, el-Sisi went after the nation's large population of Coptic Christians.

Although there was no love for the Brotherhood in the U.S. and the West, this level of repression was unacceptable and forced the U.S. to materially reduce its financial and military aid to Egypt. That aid was always predicated on the assumption that Egypt continue to honor the peace agreement with Israel and would evolve into an authentically democratic state and ally of the West.
In January 2014, Egypt adopted a new constitution and later in the year el-Sisi was formally elected the President of the emerging new state, despite a relatively low voter turnout. Today, the Egyptian political picture remains fuzzy and unpredictable. Egypt did, indeed, play a positive role in helping to arrange ceasefires between Israel and Gaza this summer and perhaps a lasting end to the hostilities. It also continues to respect its peace treaty with Israel, a major concern of U.S. policymakers.

For all that, some Middle East experts continue to believe that a military man like President el-Sisi will find it difficult to tolerate political opponents, uphold the rule of law, and protect civil liberties.

**IMPLICATIONS FOR BUSINESS:** The Egyptian economy has been badly battered during the several years of turmoil and upheaval. What difference the el-Sisi government will make remains to be seen. As the largest Arab nation, Egypt must play a central role in maintaining stability in the region—a crucial condition for U.S. business seeking markets and investment opportunities there.

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*DID YOU KNOW?*

*71 percent of Americans say the U.S. is "on the wrong track," and 60 percent say it is in a "state of decline." Only 2 percent are "very satisfied" with the political system, while 79 percent are "very" or "somewhat" dissatisfied. Only 3 percent are "very satisfied" with the economy, while 64 percent are "somewhat" or "very" dissatisfied.*

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# AFRICA IN THE GLOBAL SPOTLIGHT

The African continent is increasingly moving into the global spotlight, sparked by the turmoil in its many northern Arab nations, the recent, first-ever U.S.-African Leaders Summit attended by the heads of nearly 50 African countries plus many of their top industrialists, and the aggressive moves of the BRIC nations, Japan, and the E.U. to capture markets there, make investments and business relationships attractive—primarily in sub-Saharan Africa.

China, especially, has poured billions in investments and thousands of its skilled citizens into a great number of African projects. Private investment has likewise sent large capital flows to Africa, as have substantial remittances from richer nations. One of the motives behind the U.S.-Africa Summit was the desire by the administration to materially increase U.S.-African trade, which now stands at $90.5 billion annually in U.S. exports to Africa, second to China, which most recently exported $109 billion in goods and equipment to the continent. At the Summit, President Obama was able to announce $14 billion in new African investments by major American companies.

The second largest continent, comprised of 54 nations and a population of 1.1 billion with 200 million between the ages of 15 and 24, Africa also remains the world's major undeveloped region and its poorest, but with a growing middle class. Those huge numbers also represent over 1 billion potential consumers. Per-capita spending, rising steadily, is now equal to that of both India and China. Impoverishment and primitive living conditions are still very widespread and repressive governments rule in some African lands, but radical change is coming.

The current "Africa Rising" movement focuses on strong economic growth and improved political governance. Poverty is declining and education is improving. Nine of the world's 20 fastest-growing economies were in Africa during the past two decades. As of July, the best-performing African economy, by a considerable margin, was Kenya with a 13.8 percent growth rate. Meanwhile, the African Growth and Opportunity Act, which Congress will have to renew next year, has also been notably helpful in reducing tariffs on goods manufactured in Africa here as well as U.S. exports to Africa.

Despite intermittent political upheavals in some of its Muslim African nations, (Algeria, Morocco, Mali, Sudan, Tunisia, Somalia, Libya, Egypt, and even Nigeria with its very large Muslim population), much of the rest of Africa (south, east, and west) appears to be on the march, with rising economies and standards of living. The divisions (largely religious) are real and powerful, yet they cannot block the advances that are taking place.

Internal organizations such as the New Partnership for Africa's Development, the African Development Bank, and the E.U.-Africa Infrastructure Trust Fund are all relatively young, independent, sophisticated entities helping to promote continent-wide economic development.

**IMPLICATIONS FOR BUSINESS:** Prospects are bright and extremely attractive. Key African investment targets today are in energy, infrastructure, retailing, hospitality and financial services. General Electric, which says Africa is "its most promising growth region anywhere in the world," has already invested heavily in railway manufacturing. At the Summit, GE also announced a new $2 billion infrastructure, skills training and supply chain management project.

Another giant multinational, IBM, is planning an aggressive program starting in Kenya. Walmart has begun operations in South Africa and hopes to expand throughout the continent. The Power Africa Initiative established last year was also given a boost at the Summit with total funding by the U.S. now set to reach $26 billion. U.S. energy companies can take advantage of opportunities in this essential sector since as much as two-thirds of sub-Saharan Africa is still not electrified.

## TURKEY STILL A MIDDLE EAST POWER PLAYER

The Turkey we know today, descendant of the sprawling, dominant Muslim Ottoman Empire of a century ago, has experienced a sweeping transformation under Recep Tayyip Erdogan—changes marked by impressive economic growth reflecting major foreign investments and greatly improved living standards for its 77 million people.

Over the past decade, GDP in Turkey has increased fourfold. Erdogan has managed a careful balancing of a socially conservative Islam with democratic institutions in a basically secular state that remains unique for the Middle East.

At the same time, Erdogan has been frequently criticized for many arrogant, autocratic moves. Often ignoring the rule of law while suppressing dissent and building his own power, he can lay claim to a mixed legacy to date. He has cracked down on political opponents, placed intermittent bans on social media, and fought off accusations of corruption in his administration.

As many of his political adversaries have pointed out, under Erdogan Turkey has become much more prosperous but much less democratic. Yet the nation still stands out as a Sunni Muslim state that remains essentially free, and could serve as a democratic model in a Middle East where dictatorial regimes are the norm and ISIS is also a power player.

First assuming the prime ministership in 2003, Erdogan (standard-bearer of the Justice and Development Party) emerged victorious in August as the nation's first directly elected President, capturing 52 percent of the popular vote. In this new position, many observers believe he is determined to grow the power and influence of the office at the expense of the Turkish Parliament. On the other hand, many hope that he will now move away from any further authoritarian measures.

Thanks to its strategic location between Europe and Asia, Turkey has pushed strongly to join the European Union—an initiative that has met with some opposition, most notably from Germany. Generally regarded as an ally of the West, and already a member of NATO, Turkey and its role on the international stage should not be underestimated. As an overwhelmingly Sunni but secular state, it has become a haven for countless refugees fleeing from Shiite-ruled Syria and Iraq.

Long-simmering tensions with Turkey's Kurdish population continue to loom large. Erdogan, to his credit, has engaged with the Kurds in a slowly evolving peace process, eager to win their political support.

A question: Will Turkey, bordering on Iraq and Syria and a major refugee haven, take a leading role in the new anti-ISIS coalition just announced by President Obama?

**IMPLICATIONS FOR BUSINESS:** Turkey is critical to the region, and thus the world. Unfortunately, to date, Turkey, a member of NATO, has not been a reliable ally in the anti-ISIS coalition. Erdogan has refused to allow American planes to use its airspace in Turkey to make air strikes across the border against ISIS. Nor has he stopped ISIS from making huge amounts of oil money in the Turkish energy black market. Ankara should reconsider in order to change its global image and boost foreign investment. Many of Erdogan's past anti-democratic initiatives did manage to test his relations with the U.S. and the E.U. But, ever the pragmatist, the Turkish leader has recently made conciliatory gestures. Turkey continues to be in the fold of the West and a strong market for U.S. goods and investment.

# THE ITALIAN OUTLOOK

Italian Prime Minister Matteo Renzi is now chairing the Council of the European Union during a period of sharp slowdown in the European economy. German GDP has fallen 0.2 percent (worse than expected) while growth has largely stopped in France and, in general, the eurozone. Meanwhile, the European Commission is encouraging member countries to implement structural reforms and the European Central Bank (ECB) appears ready to adopt non-conventional measures should the current period of low inflation continue.

This is a favorable situation for the young Italian prime minister, who may take advantage of his position to reinforce concepts he has expressed for Italy for some time: Stop the policy of strict austerity and launch policies for growth through the release of strategic investments. It is a position that should generate greater support from some European partners and possibly less resistance from Germany.

This situation is more than a lucky coincidence for Renzi. Youthful and innovative, he began his political career as President of the Florence province from 2004 to 2009 and mayor of Florence from 2009 to 2014. An outstanding communicator, he climbed to the secretariat of the Democratic Party by winning the primaries in December 2013 running as a "scrap dealer," who aimed to scrap the incompetent senior political leaders in his party.

Renzi has set himself up internationally as a leader of renewal and radical departure from the past. He is considered by most Italians, fed-up with the old politicians, as a last chance after years of political chatter, dysfunction and failed solutions.

After being chosen prime minister last February, Renzi announced a reform per month from February to the end of June, when he assumed the presidency of the Council of the European Union. Tax reform was approved in May, just before the European elections, slashing €80 per month in payroll taxes for 10 million workers making under €25,000 per year, plus a reduction of 10 percent on the Regional Tax on Productive Activities—smart moves that definitely have had a positive effect on his standing.

Given the generally depressed economic situation in Europe, Renzi could find allies and finally achieve greater flexibility and stability that can result in continent-wide growth.

To revive a stagnant economy, Renzi's reforms have included:

- (February 2014) Electoral Law Reform and Constitutional Reform, covering the Senate and the abolition of the provinces

- (March) Labor Reform for a more flexible labor market

- (April) Public Administration Reform

- (May) Tax Reform with the lowering of tax rates and simplification of overall tax policies

- (June) Reform of the Civil Justice System

**IMPLICATIONS FOR BUSINESS:** If he can overcome the endless red tape and massive bureaucracy so characteristic of Italian government, Renzi will be able to implement all the reforms mentioned above. Italy can then enjoy a rebirth as a competitive country, attracting significant foreign investment. That is especially true for its tourism sector. Although it holds more than 50 percent of the world's cultural and artistic heritage, Italy has dropped to sixth place in the ranking of most-visited countries, and to 26th place, between South Korea and Barbados, among the most-competitive countries.

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*DID YOU KNOW?*

*The nations that have been awarded the most Nobel Prizes in Literature are France (15), the United States (12), and the United Kingdom (11).*

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## HOW WORLD EVENTS ARE RESHAPING TOURISM: LEISURE TRAVEL IN AN UNCERTAIN AGE

The world is under siege from countless destabilizing events, both natural and man-made, that have created a complex environment for the business of travel. This would logically point to a decrease in global tourism.

Yet, despite the very real threats from terrorism, infectious disease outbreaks, environmental disasters and intrusive airport security procedures, the global tourism industry is continuing to expand. Travel's contribution to the U.S. economy alone accounted for $2.1 trillion and 15 million jobs in 2013, and those numbers are forecast to increase, according to the U.S. Travel Association. In many developing countries, tourism remains the primary source of income.
The global financial crisis that exploded in 2008 impacted tourism as it did every industry. Its effects continue to be felt, especially in Europe, where unemployment is sky-high in many countries. But the economic downturn has been only one of many wild-card crises influencing leisure travel and recreation. Recent hazardous destinations include a Middle East tormented by ISIS and other terrorist groups; Eastern Europe (Russia and Ukraine); Gaza and Israel trading rockets and mortar attacks; South America plagued by crime (despite World Cup "normalcy"); Ebola virus spreading throughout western Africa; home-grown terrorists targeting the Boston Marathon; and earthquakes decimating areas of the wine-producing Napa Valley.

Such political episodes and natural disasters have been occurring for thousands of years. But global interconnectivity means that danger in one region now penetrates further and has deeper ramifications for all areas.

With crises escalating in size and frequency, what is the impact on international tourism? How can we continue to enjoy leisure recreation amidst fears? When will travel become danger-free again, and not potentially harmful?

Part of the answer lies in the way the tourism experience is being reshaped by disasters. Following are five trends that are evolving:

- **Short-term consequences.** While the psychological dread of danger might dampen an immediate interest in international travel, the tourism industry sees this as short-term. Multiple tour operators currently handling travel to Israel, for example, point to negligible numbers of cancellations as a result of the recent Gaza military action.

- **Increased focus on education to offset fear.** Tour operators selling travel to Africa are fighting the Ebola panic with geography lessons, demonstrating to clients the vast distances between western Africa and the rest of the continent, and setting up website links to the Centers for Disease Control and the World Health Organization

- **More cautious spending.** While resilient in the face of volatility, travelers are now spending carefully for leisure travel, preferring to engage in more meaningful, rather than extravagant, vacations, according to research firm D.K. Shifflet & Associates.

- **The impact of technology** has travelers consulting social media channels for immediate feedback and updates on safety and security in various parts of the world to help determine and even reshape their travel plans.

- **Reallocation of travel patterns.** Geopolitical confrontations in Eastern Europe and the Middle East and those apprehensive of infectious disease pandemics in parts of Africa are likely to boost travel to and within the U.S., to Latin America and Asia, as alternatives.

**IMPLICATIONS FOR BUSINESS:** Competitive factors continue to drive travel marketing with destinations and travel providers reallocating resources to regions deemed relatively safe and out of harm's way. Even so, the tourism industry has matured significantly in the face of mounting global threats. The result for leisure and corporate travelers, as well as for hospitality businesses, may be a different type of growth, one that is more moderate, more solid, and more responsible.

## WATER, WATER EVERYWHERE, BUT FOR HOW LONG?

Water in most parts of this country is something people take for granted. Yet, in some sections of the nation where agriculture still dominates, as well as around the globe, a growing and unsettling scarcity of this essential resource is slowly, but surely, becoming a reality. That reality is a challenge that will become more urgent and pronounced in succeeding months, years and decades. The culprit for this pending crisis is bad management of existing supplies, and the water processed in waste water treatment plants.

A specially organized body called the Water Resources Group, formed by major multinational companies and the World Bank to spotlight the dimensions of the problem, has concluded that demand for fresh water may overtake supply by at least 40 percent by 2030 unless remedial actions are undertaken soon to begin plugging widespread leaks in existing water supply systems and deal with inefficient use and waste. Enhanced conservation efforts have become essential.

Climate change has also played a role in the developing scarcity, whether from more frequent and longer droughts, record heat waves or the disappearance of the mountain-top snow caps that traditionally provided the abundant water for California's huge agricultural industry. Many informed observers believe the water issue may be a more pressing and worrisome problem now facing the world than global warming.

Although we think of households as the largest consumers of water, entities such as the food and beverage industries and agriculture are, by far, the No. 1 water consumers both here and abroad. While the public may be unaware of, or indifferent to, the problem, global companies that use vast quantities of water such as Coca-Cola and Nestlé have launched initiatives to upgrade their waste water treatment facilities and significantly reduce overall usage. According to the United Nations, agriculture now accounts for 70 percent of all water consumption, compared to 22 percent for most industries and 8 percent for domestic users.

Local and state governments are also beginning to respond, though apathy still reigns among householders. California, which has been experiencing a severe drought for the past three years, recently enacted a law imposing a $500 daily fine on homeowners who make what authorities deem unnecessary use of water for non-drinking purposes such as gardening, car washing, lawn upkeep and the like. Nearby Arizona is another state where water scarcity has become a dire issue.

Misuse of groundwater has also been a key contributor in the looming scarcity. A century ago, not much groundwater was used or needed. Booming populations around the globe have now radically changed that circumstance. Today, as many as two billion people rely on groundwater for drinking and crop irrigation. Thanks to minimal oversight or monitoring, much more water is daily being pumped out than can be replenished by rainfall, which has become erratic and unpredictable in many regions of the world.

The sooner the public, business, and governments recognize that water is not limitless and begin taking appropriate preventive measures, the more likely it is that mankind will avoid a genuine catastrophe.

**IMPLICATIONS FOR BUSINESS:** A number of businesses have already taken the lead in dealing with this increasingly unsettling matter, whose commercial impact cannot be overstated. Water availability will be a hyper-critical concern for many businesses.

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*DID YOU KNOW?*

*Winning a U.S. Senate seat costs a successful candidate as much as $10.5 million in campaign outlays while a House seat can cost $1.7 million, according to data released by the Federal Election Commission.*

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*When things are bad, we take comfort in the thought that they could always get worse. And when they are, we find hope in the thought that things are so bad they have to get better.*

*– Malcolm S. Forbes*

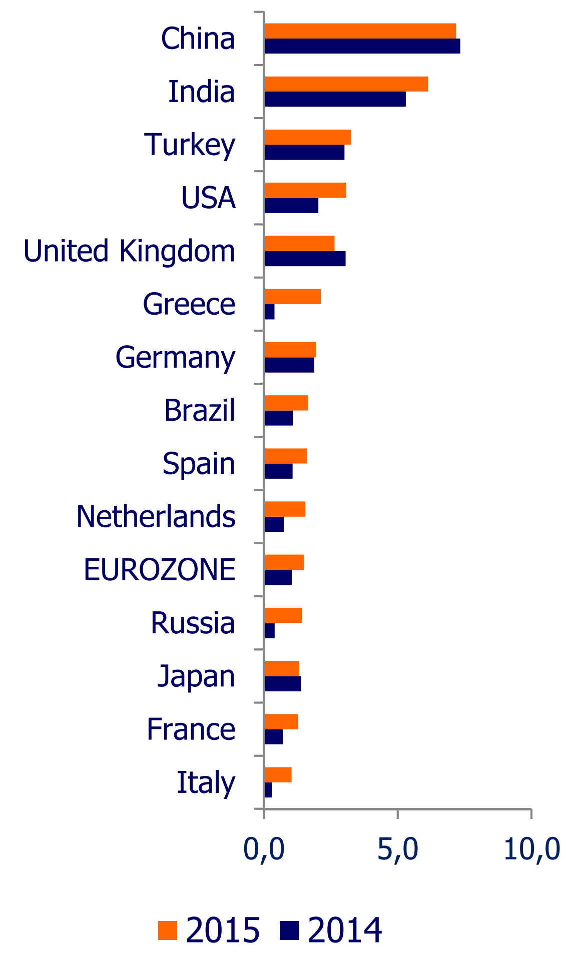
# APPENDIX:

## CURRENT FORECASTS FOR 14 KEY ECONOMIC AREAS AND THE EUROZONE

# FORECAST TABLE (Averages) – 1/2

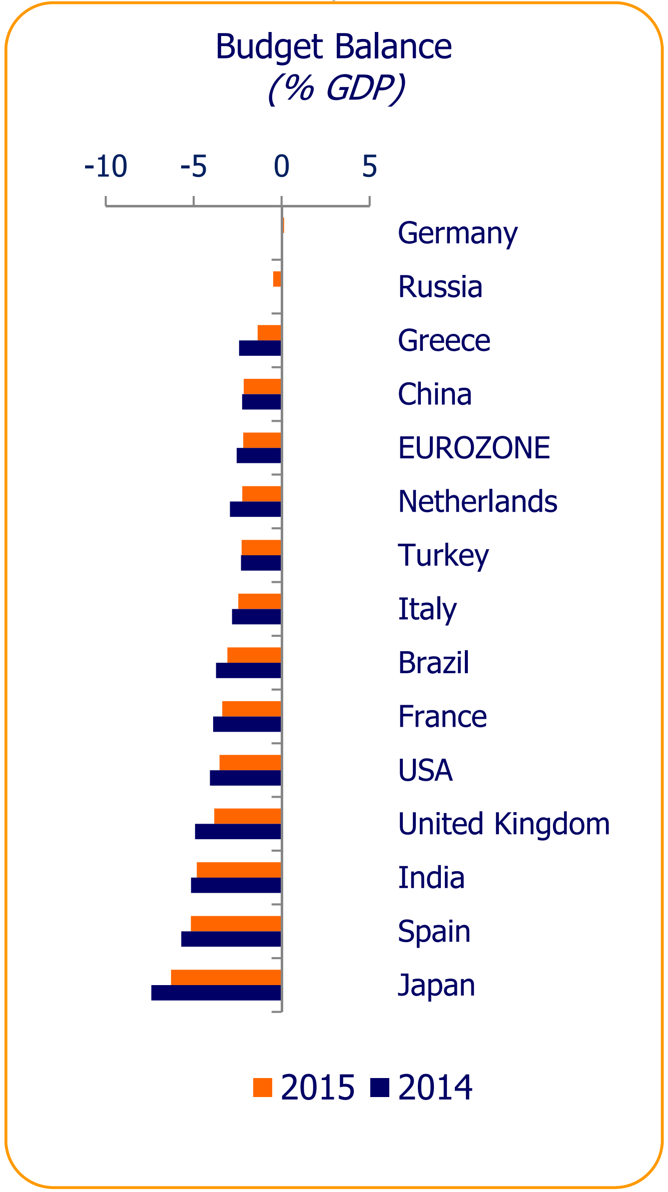


| COUNTRIES | | GDP | Private Consumption | Investments | Imports | Exports |
|---|---|---|---|---|---|---|
| Italy | 2014 | **0,3** | 0,2 | 0,1 | 2,0 | 3,4 |
| | 2015 | **1,0** | 0,7 | 2,0 | 3,7 | 3,9 |
| Germany | 2014 | **1,9** | 1,4 | 5,6 | 5,1 | 4,5 |
| | 2015 | **2,0** | 1,6 | 4,4 | 5,5 | 4,8 |
| France | 2014 | **0,7** | 0,4 | 0,2 | 3,2 | 3,2 |
| | 2015 | **1,3** | 1,2 | 2,5 | 3,7 | 4,2 |
| Spain | 2014 | **1,1** | 1,3 | 0,1 | 3,8 | 4,9 |
| | 2015 | **1,6** | 1,3 | 2,7 | 4,7 | 5,9 |
| United Kingdom | 2014 | **3,0** | 2,4 | 8,4 | 2,1 | 2,6 |
| | 2015 | **2,6** | 2,5 | 7,9 | 3,2 | 3,3 |
| Greece | 2014 | **0,4** | -1,2 | 2,2 | 0,0 | 4,7 |
| | 2015 | **2,1** | 1,5 | 7,7 | 3,3 | 6,1 |
| Netherlands | 2014 | **0,7** | -0,5 | 5,0 | 3,0 | 2,9 |
| | 2015 | **1,5** | 0,7 | 3,9 | 4,1 | 4,7 |
| EUROZONE | 2014 | **1,0** | 0,7 | 1,9 | 3,3 | 3,4 |
| | 2015 | **1,5** | 1,2 | 2,9 | 4,1 | 4,2 |
| USA | 2014 | **2,0** | 2,5 | 3,6 | 3,6 | 3,5 |
| | 2015 | **3,1** | 2,8 | 6,1 | 5,3 | 5,5 |
| Japan | 2014 | **1,4** | 0,4 | 5,0 | 6,6 | 6,1 |
| | 2015 | **1,3** | 0,7 | -0,6 | 3,9 | 5,6 |
| China | 2014 | **7,3** | 8,2 | 10,8 | 6,6 | 5,9 |
| | 2015 | **7,2** | 8,0 | 11,1 | 7,8 | 7,4 |
| Brazil | 2014 | **1,1** | 1,7 | -4,2 | 0,9 | 2,0 |
| | 2015 | **1,7** | 1,5 | 1,1 | 3,1 | 4,5 |
| Russia | 2014 | **0,4** | 2,0 | -4,3 | -0,2 | 2,3 |
| | 2015 | **1,4** | 2,2 | 0,0 | 3,5 | 3,0 |
| Turkey | 2014 | **3,0** | 2,2 | 0,7 | 0,8 | 6,2 |
| | 2015 | **3,3** | 2,7 | 2,7 | 6,7 | 6,2 |
| India | 2014 | **5,3** | 5,3 | 3,2 | 6,2 | 6,3 |
| | 2015 | **6,1** | 5,9 | 6,1 | 6,7 | 7,2 |



# FORECAST TABLE (Averages) – 2/2

| COUNTRIES | | Unemployment Rate | Consumer Prices | **Budget Balance (% of GDP)** | Current Account Balance (% of GDP) |
|---|---|---|---|---|---|
| **Italy** | *2014* | 12,7 | 0,4 | **-2,8** | 1,2 |
| | *2015* | 12,5 | 0,9 | **-2,5** | 1,3 |
| **Germany** | *2014* | 5,9 | 1,0 | **0,0** | 7,2 |
| | *2015* | 5,8 | 1,6 | **0,1** | 6,8 |
| **France** | *2014* | 10,4 | 0,8 | **-3,9** | -1,4 |
| | *2015* | 10,2 | 1,0 | **-3,4** | -1,3 |
| **Spain** | *2014* | 25,3 | 0,1 | **-5,7** | 1,2 |
| | *2015* | 24,5 | 0,6 | **-5,2** | 1,5 |
| **United Kingdom** | *2014* | 6,6 | 1,7 | **-4,9** | -3,7 |
| | *2015* | 6,3 | 1,9 | **-3,8** | -3,2 |
| **Greece** | *2014* | 26,5 | -1,0 | **-2,4** | 0,6 |
| | *2015* | 25,2 | -0,1 | **-1,4** | 0,7 |
| **Netherlands** | *2014* | 7,6 | 0,7 | **-2,9** | 9,6 |
| | *2015* | 7,4 | 1,1 | **-2,2** | 9,6 |
| **EUROZONE** | *2014* | 11,6 | 0,7 | **-2,6** | 2,7 |
| | *2015* | 11,3 | 1,1 | **-2,2** | 2,8 |
| **USA** | *2014* | 6,3 | 1,9 | **-4,1** | -2,4 |
| | *2015* | 5,8 | 2,1 | **-3,5** | -2,5 |
| **Japan** | *2014* | 3,7 | 2,7 | **-7,4** | 0,4 |
| | *2015* | 3,6 | 1,8 | **-6,3** | 0,9 |
| **China** | *2014* | 4,1 | 2,5 | **-2,2** | 2,2 |
| | *2015* | 4,1 | 2,9 | **-2,2** | 2,0 |
| **Brazil** | *2014* | 5,3 | 6,3 | **-3,7** | -3,6 |
| | *2015* | 5,8 | 6,1 | **-3,1** | -3,4 |
| **Russia** | *2014* | 5,8 | 7,0 | **0,1** | 2,0 |
| | *2015* | 5,9 | 5,8 | **-0,5** | 1,3 |
| **Turkey** | *2014* | 10,2 | 8,5 | **-2,3** | -6,0 |
| | *2015* | 10,4 | 6,8 | **-2,3** | -5,9 |
| **India** | *2014* | 12,4 | 7,7 | **-5,2** | -1,9 |
| | *2015* | 12,2 | 7,1 | **-4,8** | -2,3 |



# FORECAST TABLE – 1/10

| COUNTRIES | | Italy | | Germany | | France | | Spain | | United Kingdom | | Greece | | Netherlands | | EUROZONE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicator / Year | | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* |
| GDP | **Intesa Sanpaolo** | 0,4 | 1,3 | 2,1 | 1,8 | 0,7 | 1,2 | 1,1 | 1,6 | - | - | - | - | 0,6 | 1,6 | 1,1 | 1,5 |
| | **Goldman Sachs** | 0,3 | 1,1 | 2,3 | 2,1 | 0,7 | 1,1 | 0,9 | 1,2 | 3,4 | 3,0 | - | - | - | - | 1,1 | 1,5 |
| | **Bank of America Merrill Lynch** | 0,5 | 1,1 | 1,9 | 2,1 | 0,7 | 1,4 | 1,2 | 1,5 | 3,0 | 2,7 | 0,5 | 1,7 | 0,5 | 1,6 | 1,1 | 1,6 |
| | **UBS IB** | 0,2 | 0,8 | 1,9 | 2,0 | 0,7 | 1,2 | 1,1 | 1,6 | 3,1 | 2,8 | 0,5 | 2,5 | 0,5 | 1,8 | 1,0 | 1,5 |
| | **IMF** | 0,6 | 1,1 | 1,7 | 1,6 | 1,0 | 1,5 | 0,9 | 1,0 | 2,9 | 2,5 | 0,6 | 2,9 | 0,8 | 1,6 | 1,2 | 1,5 |
| | **European Commission** | 0,6 | 1,2 | 1,8 | 2,0 | 1,0 | 1,5 | 1,1 | 2,1 | 2,7 | 2,5 | 0,6 | 2,9 | 1,2 | 1,4 | 1,2 | 1,7 |
| | **OECD** | 0,5 | 1,1 | 1,9 | 2,1 | 0,9 | 1,5 | 1,0 | 1,5 | 3,2 | 2,7 | -0,3 | 1,9 | 1,0 | 1,3 | 1,2 | 1,7 |
| | **Roubini Global Economics** | 0,4 | 0,8 | 2,0 | 2,1 | 0,6 | 1,0 | 0,9 | 1,2 | 2,7 | 2,4 | -0,3 | 0,6 | 1,0 | 1,3 | 1,0 | 1,3 |
| | **UniCredit Group** | 0,2 | 1,4 | 2,2 | 2,5 | 0,7 | 1,4 | 1,1 | 1,4 | 3,2 | 2,2 | - | - | - | - | 1,2 | 1,7 |
| | **JP Morgan** | -0,1 | 1,2 | 1,5 | 2,1 | 0,4 | 1,5 | 1,3 | 2,2 | 3,1 | 3,0 | - | - | - | - | 0,8 | 1,8 |
| | **Commerzbank** | 0,2 | 0,4 | 1,7 | 2,0 | 0,5 | 0,7 | 1,4 | 2,3 | 3,0 | 2,6 | 1,0 | 2,0 | - | - | 0,9 | 1,2 |
| | **Deutsche Bank** | 0,3 | 1,3 | 1,8 | 2,0 | 0,7 | 1,3 | 1,0 | 1,8 | 3,1 | 2,5 | 0,5 | 2,2 | 0,3 | 1,7 | 1,1 | 1,5 |
| | **HSBC Bank** | 0,2 | 0,6 | 1,9 | 1,7 | 0,7 | 1,2 | 0,7 | 1,1 | 3,2 | 2,5 | - | - | - | - | 0,9 | 1,1 |
| | **Barclays Bank** | -0,1 | 1,0 | 1,5 | 1,3 | 0,5 | 1,2 | 1,3 | 2,0 | 3,1 | 2,8 | 0,4 | 2,4 | 0,7 | 1,6 | 0,8 | 1,4 |
| | ***Average*** | ***0,3*** | ***1,0*** | ***1,9*** | ***2,0*** | ***0,7*** | ***1,3*** | ***1,1*** | ***1,6*** | ***3,0*** | ***2,6*** | ***0,4*** | ***2,1*** | ***0,7*** | ***1,5*** | ***1,0*** | ***1,5*** |
| Private Consumption | **Intesa Sanpaolo** | 0,4 | 1,2 | 1,5 | 1,7 | 0,0 | 1,2 | | | 0,0 | 0,0 | - | - | -0,7 | 0,8 | 0,7 | 1,3 |
| | **Goldman Sachs** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Bank of America Merrill Lynch** | - | - | - | - | - | - | - | - | 2,2 | 2,3 | - | - | - | - | 0,6 | 1,2 |
| | **UBS IB** | 0,2 | 0,7 | 1,7 | 1,9 | 0,0 | 0,9 | 1,7 | 1,9 | 2,9 | 3,0 | 0,0 | 2,5 | -0,5 | 0,8 | 0,8 | 1,3 |
| | **IMF** | -0,2 | 0,5 | 1,0 | 1,1 | 0,9 | 1,0 | 1,2 | 0,9 | 2,4 | 2,6 | - | - | - | - | 0,6 | 1,0 |
| | **European Commission** | 0,4 | 0,8 | 1,5 | 1,8 | 0,6 | 1,2 | 1,3 | 1,6 | 2,1 | 2,2 | -1,8 | 1,6 | -0,2 | 0,9 | 0,8 | 1,3 |
| | **OECD** | 0,1 | 0,6 | 1,4 | 2,0 | 0,5 | 1,5 | 1,0 | 1,0 | 2,5 | 2,3 | -1,8 | 0,3 | -0,6 | 0,1 | 0,7 | 1,3 |
| | **Roubini Global Economics** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UniCredit Group** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **JP Morgan** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 0,6 | 1,3 |
| | **Commerzbank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Deutsche Bank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **HSBC Bank** | 0,0 | 0,4 | 1,1 | 1,1 | 0,2 | 1,2 | 1,3 | 1,1 | 2,5 | 2,4 | - | - | - | - | 0,5 | 0,9 |
| | **Barclays Bank** | - | - | - | - | - | - | - | - | 2,5 | 2,4 | - | - | - | - | 0,7 | 1,2 |
| | ***Average*** | ***0,2*** | ***0,7*** | ***1,4*** | ***1,6*** | ***0,4*** | ***1,2*** | ***1,3*** | ***1,3*** | ***2,4*** | ***2,5*** | ***-1,2*** | ***1,5*** | ***-0,5*** | ***0,7*** | ***0,7*** | ***1,2*** |

# FORECAST TABLE – 2/10

| COUNTRIES | | Italy | | Germany | | France | | Spain | | United Kingdom | | Greece | | Netherlands | | EUROZONE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicator / Year | | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* |
| **Investments** | **Intesa Sanpaolo** | -0,3 | 1,9 | 5,4 | 3,7 | -0,5 | 2,0 | 1,7 | 2,6 | 0,0 | 0,0 | - | - | - | - | 2,0 | 2,7 |
| | **Goldman Sachs** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Bank of America Merrill Lynch** | - | - | - | - | - | - | - | - | 9,7 | 8,7 | - | - | - | - | 1,9 | 2,7 |
| | **UBS IB** | -1,0 | 0,7 | 6,3 | 5,0 | -0,2 | 1,8 | 0,0 | 2,2 | 6,8 | 6,5 | 4,0 | 7,0 | 5,8 | 6,6 | 2,3 | 3,1 |
| | **IMF** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **European Commission** | 1,6 | 4,0 | 4,5 | 4,5 | 1,3 | 4,5 | -1,4 | 4,2 | 6,6 | 7,1 | 5,3 | 11,7 | 4,9 | 2,9 | 2,3 | 4,2 |
| | **OECD** | 1,0 | 2,6 | 5,7 | 4,8 | 1,0 | 2,5 | - | - | 8,3 | 7,3 | -2,7 | 4,4 | 4,2 | 2,3 | 2,5 | 3,3 |
| | **Roubini Global Economics** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UniCredit Group** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **JP Morgan** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Commerzbank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Deutsche Bank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **HSBC Bank** | -0,8 | 1,0 | 6,0 | 3,9 | -0,8 | 1,5 | 0,0 | 1,8 | 8,3 | 8,3 | - | - | - | - | 1,8 | 2,3 |
| | **Barclays Bank** | - | - | - | - | - | - | - | - | 10,5 | 9,6 | - | - | - | - | 1,2 | 2,4 |
| | ***Average*** | ***0,1*** | ***2,0*** | ***5,6*** | ***4,4*** | ***0,2*** | ***2,5*** | ***0,1*** | ***2,7*** | ***8,4*** | ***7,9*** | ***2,2*** | ***7,7*** | ***5,0*** | ***3,9*** | ***1,9*** | ***2,9*** |
| **Imports** | **Intesa Sanpaolo** | 1,6 | 4,1 | 6,2 | 5,7 | 3,6 | 3,3 | | | 0,0 | 0,0 | - | - | 4,6 | 4,8 | 3,5 | 4,3 |
| | **Goldman Sachs** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Bank of America Merrill Lynch** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UBS IB** | 2,4 | 4,1 | 5,1 | 5,9 | 2,9 | 1,7 | 3,6 | 4,6 | 1,5 | 3,4 | 3,5 | 6,0 | 2,4 | 5,4 | 3,2 | 4,4 |
| | **IMF** | 0,9 | 2,4 | 3,4 | 4,0 | 3,0 | 3,1 | 4,5 | 4,1 | 1,9 | 2,9 | -0,2 | 1,8 | 1,5 | 1,7 | 2,8 | 3,5 |
| | **European Commission** | 2,7 | 4,8 | 5,4 | 6,5 | 3,1 | 5,8 | 3,4 | 5,8 | 2,0 | 2,8 | -1,2 | 2,2 | 3,4 | 4,8 | 3,8 | 5,5 |
| | **OECD** | 2,4 | 4,0 | 4,8 | 6,0 | 3,3 | 5,1 | 2,6 | 3,8 | 2,9 | 3,7 | -2,1 | 2.2 | 3,1 | 3,8 | - | - |
| | **Roubini Global Economics** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UniCredit Group** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **JP Morgan** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,9 | 3,3 |
| | **Commerzbank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Deutsche Bank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **HSBC Bank** | 2,0 | 2,6 | 5,9 | 4,6 | 3,0 | 3,1 | 4,7 | 5,2 | 2,2 | 3,3 | - | - | - | - | 3,5 | 3,7 |
| | **Barclays Bank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | ***Average*** | ***2,0*** | ***3,7*** | ***5,1*** | ***5,5*** | ***3,2*** | ***3,7*** | ***3,8*** | ***4,7*** | ***2,1*** | ***3,2*** | ***0,0*** | ***3,3*** | ***3,0*** | ***4,1*** | ***3,3*** | ***4,1*** |

# FORECAST TABLE – 3/10

| COUNTRIES | | Italy | | Germany | | France | | Spain | | United Kingdom | | Greece | | Netherlands | | EUROZONE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicator / Year | | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* |
| **Exports** | **Intesa Sanpaolo** | 3,7 | 4,1 | 4,2 | 4,8 | 3,6 | 3,6 | 0,0 | 0,0 | 0,0 | 0,0 | - | - | 3,2 | 5,0 | 3,7 | 4,2 |
| | **Goldman Sachs** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Bank of America Merrill Lynch** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UBS IB** | 3,9 | 4,6 | 4,7 | 5,3 | 2,4 | 2,1 | 4,3 | 5,3 | 2,0 | 3,2 | 5,5 | 6,0 | 2,5 | 4,9 | 3,5 | 4,3 |
| | **IMF** | 2,8 | 3,5 | 3,8 | 4,1 | 3,4 | 5,0 | 5,4 | 5,6 | 2,2 | 3,5 | 4,5 | 5,5 | 2,8 | 4,0 | 3,4 | 4,1 |
| | **European Commission** | 3,3 | 4,3 | 5,0 | 5,6 | 3,1 | 5,3 | 5,5 | 6,7 | 2,6 | 3,2 | 4,1 | 5,2 | 3,3 | 5,0 | 4,0 | 5,3 |
| | **OECD** | 3,8 | 4,6 | 5,1 | 4,6 | 4,1 | 5,7 | 5,6 | 6,3 | 3,8 | 4,1 | 4,5 | 7,7 | 2,6 | 4,4 | - | - |
| | **Roubini Global Economics** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UniCredit Group** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **JP Morgan** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,6 | 3,5 |
| | **Commerzbank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Deutsche Bank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **HSBC Bank** | 3,1 | 2,4 | 4,0 | 4,2 | 2,5 | 3,4 | 3,9 | 5,8 | 3,1 | 3,6 | - | - | - | - | 3,1 | 3,6 |
| | **Barclays Bank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | ***Average*** | ***3,4*** | ***3,9*** | ***4,5*** | ***4,8*** | ***3,2*** | ***4,2*** | ***4,9*** | ***5,9*** | ***2,6*** | ***3,3*** | ***4,7*** | ***6,1*** | ***2,9*** | ***4,7*** | ***3,4*** | ***4,2*** |
| **Unemployment Rate** | **Intesa Sanpaolo** | 12,6 | 12,3 | 6,7 | 6,4 | 9,8 | 9,6 | 25,4 | 24,7 | 0,0 | 0,0 | - | - | 7,2 | 7,1 | 11,6 | 11,2 |
| | **Goldman Sachs** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Bank of America Merrill Lynch** | - | - | - | - | - | - | - | - | 6,6 | 6,2 | - | - | - | - | 11,2 | 11,1 |
| | **UBS IB** | 12,8 | 13,1 | 6,6 | 6,5 | 10,5 | 10,4 | 25,1 | 24,3 | 6,3 | 6,1 | 26,9 | 25,2 | 8,5 | 8,0 | 11,7 | 11,5 |
| | **IMF** | 12,4 | 11,9 | 5,2 | 5,2 | 11,0 | 10,7 | 25,5 | 24,9 | 6,9 | 6,6 | 26,3 | 24,4 | 7,3 | 7,1 | 11,9 | 11,6 |
| | **European Commission** | 12,8 | 12,5 | 5,1 | 5,1 | 10,4 | 10,2 | 25,5 | 24,0 | 6,6 | 6,3 | 26,0 | 24,0 | 7,4 | 7,3 | 11,8 | 11,4 |
| | **OECD** | 12,8 | 12,5 | 5,0 | 4,9 | 9,9 | 9,8 | 25,4 | 24,4 | 6,9 | 6,5 | 27,1 | 26,7 | 7,6 | 7,6 | 11,7 | 11,4 |
| | **Roubini Global Economics** | - | - | - | - | - | - | - | - | 6,8 | 6,4 | 26,2 | 25,6 | - | - | - | - |
| | **UniCredit Group** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **JP Morgan** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 11,5 | 11,2 |
| | **Commerzbank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Deutsche Bank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **HSBC Bank** | 12,6 | 12,5 | 6,7 | 6,5 | 10,5 | 10,3 | 25,1 | 24,6 | 6,4 | 6,1 | - | - | - | - | 11,7 | 11,4 |
| | **Barclays Bank** | - | - | - | - | - | - | - | - | 6,3 | 5,9 | - | - | - | - | 11,6 | 11,3 |
| | ***Average*** | ***12,7*** | ***12,5*** | ***5,9*** | ***5,8*** | ***10,4*** | ***10,2*** | ***25,3*** | ***24,5*** | ***6,6*** | ***6,3*** | ***26,5*** | ***25,2*** | ***7,6*** | ***7,4*** | ***11,6*** | ***11,3*** |

# FORECAST TABLE – 4/10

| COUNTRIES | | Italy | | Germany | | France | | Spain | | United Kingdom | | Greece | | Netherlands | | EUROZONE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicator / Year | | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* |
| **Consumer Prices** | **Intesa Sanpaolo** | 0,5 | 1,2 | 1,0 | 1,5 | 0,7 | 0,9 | 0,1 | 0,6 | - | - | - | - | 0,7 | 1,3 | 0,6 | 1,1 |
| | **Goldman Sachs** | 0,4 | 0,7 | 0,9 | 1,7 | 0,6 | 0,9 | 0,1 | 0,8 | 1,5 | 1,6 | - | - | - | - | 0,6 | 1,1 |
| | **Bank of America Merrill Lynch** | 0,4 | 0,5 | 1,0 | 1,6 | 0,9 | 1,0 | 0,1 | 0,6 | 1,7 | 2,0 | -0,9 | 0,1 | 1,0 | 1,4 | 0,6 | 1,1 |
| | **UBS IB** | 0,3 | 0,9 | 1,1 | 1,3 | 0,9 | 1,2 | 0,2 | 1,0 | 1,8 | 2,0 | -1,5 | 0,0 | 0,7 | 1,5 | 0,6 | 1,1 |
| | **IMF** | 0,7 | 1,0 | 1,4 | 1,4 | 1,0 | 1,2 | 0,3 | 0,8 | 1,9 | 1,9 | -0,4 | 0,3 | 0,8 | 1,0 | 0,9 | 1,2 |
| | **European Commission** | 0,7 | 1,2 | 1,1 | 1,4 | 1,0 | 1,1 | 0,1 | 0,8 | 1,9 | 2,0 | -0,8 | 0,3 | 0,7 | 0,9 | 0,8 | 1,2 |
| | **OECD** | 0,5 | 0,9 | 1,1 | 1,8 | 0,9 | 1,1 | 0,1 | 0,5 | 2,0 | 2,1 | -1,1 | -1,0 | 0,5 | 0,8 | 0,7 | 1,1 |
| | **Roubini Global Economics** | 0,6 | 1,3 | 1,0 | 1,6 | 0,7 | 1,0 | 0,5 | 1,0 | 1,7 | 2,0 | -1,3 | -0,6 | 0,8 | 1,3 | 0,8 | 1,3 |
| | **UniCredit Group** | 0,4 | 1,0 | 1,2 | 2,3 | 0,6 | 1,2 | 0,1 | 0,7 | 1,7 | 2,0 | - | - | - | - | 0,6 | 1,2 |
| | **JP Morgan** | 0,2 | 0,6 | 0,9 | 1,6 | 0,6 | 0,9 | -0,1 | -0,1 | 1,7 | 1,9 | - | - | - | - | 0,6 | 0,9 |
| | **Commerzbank** | 0,6 | 0,8 | 1,2 | 2,1 | 0,8 | 1,2 | 0,0 | 0,5 | 1,6 | 1,9 | -1,3 | 0,5 | - | - | - | - |
| | **Deutsche Bank** | 0,5 | 1,1 | 0,9 | 1,6 | 0,9 | 1,0 | 0,2 | 1,0 | 1,6 | 1,8 | -1,0 | 0,2 | 0,5 | 1,1 | 0,7 | 1,2 |
| | **HSBC Bank** | 0,3 | 0,5 | 0,8 | 1,5 | 0,8 | 1,2 | 0,1 | 0,5 | 1,6 | 1,6 | - | - | - | - | 0,6 | 0,8 |
| | **Barclays Bank** | 0,2 | 0,5 | 0,9 | 1,3 | 0,6 | 0,7 | -0,2 | -0,1 | 1,6 | 1,7 | -1,1 | -0,6 | 0,3 | 0,3 | 0,5 | 0,7 |
| | ***Average*** | ***0,4*** | ***0,9*** | ***1,0*** | ***1,6*** | ***0,8*** | ***1,0*** | ***0,1*** | ***0,6*** | ***1,7*** | ***1,9*** | ***-1,0*** | ***-0,1*** | ***0,7*** | ***1,1*** | ***0,7*** | ***1,1*** |
| **Budget Balance (% of GDP)** | **Intesa Sanpaolo** | -3,0 | -2,6 | 0,0 | -0,1 | -4,0 | -3,7 | -5,7 | -5,6 | - | - | - | - | -2,9 | -2,5 | -2,5 | -2,4 |
| | **Goldman Sachs** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Bank of America Merrill Lynch** | - | - | - | - | - | - | - | - | -4,8 | -3,5 | -2,6 | - | - | - | -2,5 | -2,3 |
| | **UBS IB** | -2,9 | -2,9 | 0,0 | 0,5 | -3,8 | -2,9 | -5,8 | -4,6 | -4,9 | -3,8 | -3,0 | -2,0 | -3,5 | -2,9 | -2,6 | -2,0 |
| | **IMF** | -2,7 | -1,8 | 0,0 | -0,1 | -3,7 | -3,0 | -5,9 | -4,9 | -5,3 | -4,1 | -2,7 | -1,9 | -3,0 | -2,0 | -2,6 | -2,0 |
| | **European Commission** | -2,6 | -2,2 | 0,0 | -0,1 | -3,9 | -3,4 | -5,6 | -6,1 | -5,1 | -4,1 | -1,6 | -1,0 | -2,8 | -1,8 | -2,5 | -2,3 |
| | **OECD** | -2,7 | -2,1 | -0,2 | 0,2 | -3,8 | -3,1 | -5,5 | -4,5 | -5,3 | -4,1 | -2,5 | -1,4 | -2,7 | -2,0 | -2,5 | -1,8 |
| | **Roubini Global Economics** | -2,7 | -2,8 | -0,2 | 0,3 | -4,1 | -3,5 | -5,8 | -5,5 | -5,2 | -4,4 | -3,1 | -1,7 | -2,8 | -2,3 | -2,8 | -2,3 |
| | **UniCredit Group** | -2,8 | -2,5 | -0,2 | 0,3 | -3,8 | -3,1 | -5,6 | -4,7 | -4,7 | -3,7 | -1,5 | -0,2 | - | - | -2,4 | -2,0 |
| | **JP Morgan** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | -2,5 | -2,3 |
| | **Commerzbank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Deutsche Bank** | -2,9 | -2,5 | 0,2 | 0,1 | -3,9 | -3,6 | -5,7 | -4,9 | -4,6 | -3,4 | - | - | -2,9 | -2,2 | -2,5 | -2,1 |
| | **HSBC Bank** | -3,1 | -2,9 | 0,1 | 0,1 | -4,1 | -4,2 | -5,8 | -5,7 | - | - | - | - | - | - | -2,8 | -2,7 |
| | **Barclays Bank** | - | - | - | - | - | - | - | - | -4,5 | -3,4 | - | - | - | - | -2,5 | -2,1 |
| | ***Average*** | ***-2,8*** | ***-2,5*** | ***0,0*** | ***0,1*** | ***-3,9*** | ***-3,4*** | ***-5,7*** | ***-5,2*** | ***-4,9*** | ***-3,8*** | ***-2,4*** | ***-1,4*** | ***-2,9*** | ***-2,2*** | ***-2,6*** | ***-2,2*** |

# FORECAST TABLE – 5/10

| COUNTRIES | | Italy | | Germany | | France | | Spain | | United Kingdom | | Greece | | Netherlands | | EUROZONE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year / Indicator | | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** |
| **Current Account Balance (% of GDP)** | **Intesa Sanpaolo** | 1,8 | 1,7 | 7,1 | 6,9 | -1,2 | -1,6 | - | - | - | - | - | - | 9,7 | 8,8 | 2,7 | 2,8 |
| | **Goldman Sachs** | 0,1 | 0,1 | 6,8 | 5,8 | -1,2 | -1,0 | 2,9 | 3,6 | -4,2 | -4,0 | - | - | - | - | 2,9 | 3,1 |
| | **Bank of America Merrill Lynch** | - | - | - | - | - | - | - | - | -3,8 | -2,7 | 1,2 | - | - | - | 3,4 | 3,6 |
| | **UBS IB** | - | - | 7,3 | 7,2 | -1,2 | -0,9 | 0,9 | 1,5 | -3,4 | -2,9 | 1,1 | 1,4 | 9,8 | 9,5 | 2,4 | 2,3 |
| | **IMF** | 1,1 | 1,1 | 7,3 | 7,1 | -1,7 | -1,0 | 0,8 | 1,4 | -2,7 | -2,2 | 0,9 | 0,3 | 10,1 | 10,1 | 2,9 | 3,1 |
| | **European Commission** | 1,5 | 1,5 | 7,3 | 7,0 | -1,8 | -2,0 | 1,4 | 1,5 | -3,8 | -3,3 | -2,3 | -2,2 | 8,2 | 8,6 | 2,9 | 2,9 |
| | **OECD** | 1,2 | 1,3 | 7,9 | 7,4 | -1,6 | -1,4 | 1,6 | 2,0 | -3,7 | -3,1 | 0,2 | 0,8 | 8,9 | 9,8 | 3,1 | 3,2 |
| | **Roubini Global Economics** | - | - | - | - | - | - | - | - | - | - | 1,8 | 2,4 | - | - | - | - |
| | **UniCredit Group** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **JP Morgan** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Commerzbank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Deutsche Bank** | 1,6 | 2,0 | 7,1 | 6,8 | -1,1 | -1,1 | 0,5 | 0,5 | -3,7 | -3,0 | 1,0 | 1,5 | 11,1 | 10,9 | 2,4 | 2,3 |
| | **HSBC Bank** | 1,3 | 1,4 | 6,7 | 6,0 | -1,2 | -1,1 | 0,1 | 0,1 | -4,0 | -4,1 | - | - | - | - | 2,4 | 2,2 |
| | **Barclays Bank** | - | - | - | - | - | - | - | - | -3,7 | -3,1 | - | - | - | - | 2,3 | 2,1 |
| | ***Average*** | ***1,2*** | ***1,3*** | ***7,2*** | ***6,8*** | ***-1,4*** | ***-1,3*** | ***1,2*** | ***1,5*** | ***-3,7*** | ***-3,2*** | ***0,6*** | ***0,7*** | ***9,6*** | ***9,6*** | ***2,7*** | ***2,8*** |

# FORECAST TABLE – 6/10

| COUNTRIES | | USA | | Japan | | China | | Brazil | | Russia | | Turkey | | India | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicator / Year | | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| GDP | Intesa Sanpaolo | 1,7 | 3,1 | 1,3 | 1,3 | 7,3 | 7,1 | - | - | - | - | - | - | 4,8 | 5,3 |
| | Goldman Sachs | 1,7 | 3,1 | 1,5 | 1,2 | 7,3 | 7,6 | 1,1 | 1,5 | 1,0 | 3,0 | 3,5 | 1,9 | 5,1 | 6,3 |
| | Bank of America Merrill Lynch | 1,6 | 3,2 | 1,8 | 1,5 | 7,2 | 7,2 | 1,6 | 2,0 | 0,9 | 2,1 | 3,8 | 3,5 | 5,4 | 6,5 |
| | UBS IB | 2,1 | 3,2 | 1,2 | 1,2 | 7,3 | 6,8 | 0,6 | 1,5 | 0,6 | 1,4 | 3,0 | 3,8 | 5,3 | 5,5 |
| | IMF | 2,8 | 3,0 | 1,4 | 1,0 | 7,5 | 7,3 | 1,8 | 2,7 | 1,3 | 2,3 | 2,3 | 3,1 | 5,4 | 6,4 |
| | European Commission | 2,8 | 3,6 | 1,5 | 1,3 | - | - | - | - | - | - | - | - | - | - |
| | OECD | 2,6 | 3,5 | 1,2 | 1,2 | - | - | - | - | - | - | 2,8 | 4,0 | - | - |
| | Roubini Global Economics | 1,6 | 3,1 | 1,9 | 1,7 | 7,1 | 6,6 | 1,2 | 2,3 | -0,4 | 0,7 | 2,7 | 3,3 | 4,7 | 5,6 |
| | UniCredit Group | 1,6 | 2,7 | 1,5 | 1,2 | 7,1 | 6,9 | - | - | -0,7 | 0,8 | 2,5 | 2,3 | - | - |
| | JP Morgan | 2,1 | 3,0 | 1,0 | 1,4 | 7,3 | 7,3 | 0,7 | 1,5 | 0,5 | 1,0 | 3,0 | 4,0 | 5,3 | 6,5 |
| | Commerzbank | 2,0 | 2,9 | 1,3 | 1,3 | 7,3 | 6,8 | 1,1 | 1,6 | 0,5 | 1,5 | - | - | 5,8 | 6,2 |
| | Deutsche Bank | 2,2 | 3,3 | 1,2 | 1,5 | 7,8 | 8,0 | 0,9 | 1,2 | 0,8 | 2,4 | 3,0 | 3,5 | 5,5 | 6,5 |
| | HSBC Bank | 1,7 | 2,7 | 1,4 | 1,3 | 7,4 | 7,7 | 1,1 | 1,2 | 0,0 | 1,0 | 3,2 | 2,7 | 5,3 | 6,3 |
| | Barclays Bank | 2,0 | 2,7 | 1,1 | 1,3 | 7,4 | 6,9 | 0,7 | 1,0 | -0,1 | -0,6 | 3,3 | 3,7 | 5,7 | 6,4 |
| | *Average* | *2,0* | *3,1* | *1,4* | *1,3* | *7,3* | *7,2* | *1,1* | *1,7* | *0,4* | *1,4* | *3,0* | *3,3* | *5,3* | *6,1* |
| Private Consumption | Intesa Sanpaolo | 2,4 | 2,8 | 0,7 | 0,1 | 8,4 | 8,1 | - | - | - | - | - | - | 5,3 | 4,5 |
| | Goldman Sachs | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Bank of America Merrill Lynch | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | UBS IB | 2,3 | 2,7 | 0,4 | 0,5 | 8,0 | 7,7 | 1,8 | 2,1 | 2,0 | 2,3 | 2,0 | 2,8 | - | - |
| | IMF | 2,7 | 2,9 | 0,7 | 0,6 | - | - | - | - | - | - | - | - | - | - |
| | European Commission | 2,6 | 2,9 | 0,6 | 0,7 | - | - | - | - | - | - | - | - | - | - |
| | OECD | 3,0 | 3,2 | 0,9 | 1,4 | - | - | - | - | - | - | - | - | - | - |
| | Roubini Global Economics | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | UniCredit Group | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | JP Morgan | 2,3 | 2,9 | -0,3 | 1,3 | - | - | - | - | - | - | - | - | - | - |
| | Commerzbank | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Deutsche Bank | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | HSBC Bank | 2,3 | 2,5 | 1,0 | 0,5 | 8,1 | 8,3 | 1,7 | 1,2 | 2,0 | 2,0 | 2,4 | 2,5 | 4,5 | 6,6 |
| | Barclays Bank | 2,3 | 2,6 | -0,4 | 0,2 | - | - | 1,5 | 1,1 | - | - | - | - | 6,1 | 6,6 |
| | *Average* | *2,5* | *2,8* | *0,4* | *0,7* | *8,2* | *8,0* | *1,7* | *1,5* | *2,0* | *2,2* | *2,2* | *2,7* | *5,3* | *5,9* |

# FORECAST TABLE – 7/10

| COUNTRIES | | USA | | Japan | | China | | Brazil | | Russia | | Turkey | | India | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicator / Year | | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* | *2014* | *2015* |
| **Investments** | **Intesa Sanpaolo** | -0,8 | 0,7 | 4,5 | -5,1 | 6,2 | 7,1 | - | - | - | - | - | - | 1,7 | 5,2 |
| | **Goldman Sachs** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Bank of America Merrill Lynch** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UBS IB** | 4,9 | 7,5 | 7,1 | 2,4 | 7,2 | 6,3 | -5,9 | -2,0 | -4,0 | 0,0 | 0,5 | 2,9 | - | - |
| | **IMF** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **European Commission** | 4,9 | 7,5 | 3,8 | 1,6 | - | - | - | - | - | - | - | - | - | - |
| | **OECD** | 3,5 | 9,2 | 4,2 | 0,0 | - | - | - | - | - | - | - | - | - | - |
| | **Roubini Global Economics** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UniCredit Group** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **JP Morgan** | 5,3 | 5,9 | 4,4 | -3,7 | - | - | - | - | - | - | - | - | - | - |
| | **Commerzbank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Deutsche Bank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **HSBC Bank** | 3,7 | 5,5 | 6,0 | 0,0 | 19,0 | 20,0 | -2,8 | 0,4 | -4,5 | 0,0 | 0,8 | 2,5 | 2,5 | 6,2 |
| | **Barclays Bank** | - | - | 5,2 | 0,7 | - | - | -3,9 | 5,0 | - | - | - | - | 5,3 | 6,8 |
| | ***Average*** | ***3,6*** | ***6,1*** | ***5,0*** | ***-0,6*** | ***10,8*** | ***11,1*** | ***-4,2*** | ***1,1*** | ***-4,3*** | ***0,0*** | ***0,7*** | ***2,7*** | ***3,2*** | ***6,1*** |
| **Imports** | **Intesa Sanpaolo** | 2,9 | 4,1 | 7,8 | 4,6 | 5,1 | 9,3 | - | - | - | - | - | - | 3,6 | 6,5 |
| | **Goldman Sachs** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Bank of America Merrill Lynch** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UBS IB** | 4,3 | 5,1 | 6,5 | 2,6 | 7,6 | 7,5 | -0,3 | 3,7 | 0,6 | 4,9 | 3,0 | 3,5 | 6,7 | 4,8 |
| | **IMF** | 3,6 | 5,4 | 5,1 | 4,2 | 7,1 | 6,6 | 1,5 | 4,1 | 0,6 | 3,7 | -5,3 | 5,8 | 8,2 | 8,7 |
| | **European Commission** | 3,5 | 6,0 | 4,3 | 2,8 | - | - | - | - | - | - | - | - | - | - |
| | **OECD** | 3,1 | 7,1 | 7,1 | 4,5 | - | - | - | - | - | - | 2,7 | 9,7 | - | - |
| | **Roubini Global Economics** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UniCredit Group** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **JP Morgan** | 3,9 | 5,2 | 7,9 | 4,2 | - | - | - | - | - | - | - | - | - | - |
| | **Commerzbank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Deutsche Bank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **HSBC Bank** | 2,9 | 3,4 | - | - | - | - | - | - | -1,7 | 1,8 | 2,8 | 7,7 | - | - |
| | **Barclays Bank** | 4,5 | 5,8 | 7,2 | 4,2 | - | - | 1,3 | 1,4 | - | - | - | - | - | - |
| | ***Average*** | ***3,6*** | ***5,3*** | ***6,6*** | ***3,9*** | ***6,6*** | ***7,8*** | ***0,9*** | ***3,1*** | ***-0,2*** | ***3,5*** | ***0,8*** | ***6,7*** | ***6,2*** | ***6,7*** |

# FORECAST TABLE – 8/10

| COUNTRIES | | USA | | Japan | | China | | Brazil | | Russia | | Turkey | | India | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicator / Year | | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** | **2014** | **2015** |
| **Exports** | **Intesa Sanpaolo** | 2,5 | 5,7 | 7,4 | 7,1 | 5,7 | 8,5 | - | - | - | - | - | - | 5,2 | 6,4 |
| | **Goldman Sachs** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Bank of America Merrill Lynch** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UBS IB** | 3,4 | 6,5 | 5,4 | 3,3 | 7,0 | 6,9 | -0,5 | 5,9 | 4,2 | 4,4 | 6,0 | 6,2 | 7,4 | 5,2 |
| | **IMF** | 5,1 | 4,4 | 3,5 | 5,9 | 6,8 | 7,0 | 6,5 | 6,8 | 1,8 | 3,1 | 3,6 | 6,3 | 6,5 | 8,1 |
| | **European Commission** | 5,0 | 5,6 | 4,0 | 4,9 | - | - | - | - | - | - | - | - | - | - |
| | **OECD** | 2,7 | 5,3 | 4,8 | 6,9 | - | - | - | - | - | - | 7,9 | 8,1 | - | - |
| | **Roubini Global Economics** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UniCredit Group** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **JP Morgan** | 3,2 | 5,5 | 7,5 | 4,6 | - | - | - | - | - | - | - | - | - | - |
| | **Commerzbank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Deutsche Bank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **HSBC Bank** | 2,6 | 4,7 | 7,8 | 5,8 | 4,2 | 7,1 | 1,0 | 2,4 | 1,0 | 1,5 | 7,2 | 4,3 | 6,0 | 9,0 |
| | **Barclays Bank** | 3,2 | 6,5 | 8,0 | 6,0 | - | - | 0,9 | 2,8 | - | - | - | - | - | - |
| | ***Average*** | ***3,5*** | ***5,5*** | ***6,1*** | ***5,6*** | ***5,9*** | ***7,4*** | ***2,0*** | ***4,5*** | ***2,3*** | ***3,0*** | ***6,2*** | ***6,2*** | ***6,3*** | ***7,2*** |
| **Unemployment Rate** | **Intesa Sanpaolo** | 6,2 | 5,6 | 3,4 | 3,3 | 4,1 | 4,0 | - | - | - | - | - | - | 12,4 | 12,2 |
| | **Goldman Sachs** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Bank of America Merrill Lynch** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **UBS IB** | 6,3 | 5,6 | 3,6 | 3,5 | - | - | 5,3 | 6,0 | - | - | 9,8 | 9,5 | - | - |
| | **IMF** | 6,4 | 6,2 | 3,9 | 3,9 | 4,1 | 4,1 | 5,6 | 5,8 | 6,2 | 6,2 | 10,2 | 10,6 | - | - |
| | **European Commission** | 6,4 | 5,9 | 3,8 | 3,8 | - | - | - | - | - | - | - | - | - | - |
| | **OECD** | 6,5 | 6,0 | 3,8 | 3,7 | - | - | - | - | - | - | - | - | - | - |
| | **Roubini Global Economics** | 6,2 | 5,6 | 3,7 | 3,9 | - | - | - | - | - | - | - | - | - | - |
| | **UniCredit Group** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **JP Morgan** | 6,2 | 5,6 | 3,5 | 3,4 | - | - | - | - | - | - | - | - | - | - |
| | **Commerzbank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **Deutsche Bank** | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **HSBC Bank** | 6,3 | 5,9 | - | - | - | - | - | - | 5,3 | 5,6 | 10,5 | 11,0 | - | - |
| | **Barclays Bank** | 6,2 | 5,5 | 3,6 | 3,5 | 4,1 | 4,1 | 5,0 | 5,5 | - | - | - | - | - | - |
| | ***Average*** | ***6,3*** | ***5,8*** | ***3,7*** | ***3,6*** | ***4,1*** | ***4,1*** | ***5,3*** | ***5,8*** | ***5,8*** | ***5,9*** | ***10,2*** | ***10,4*** | ***12,4*** | ***12,2*** |

# FORECAST TABLE – 9/10

| COUNTRIES | | USA | | Japan | | China | | Brazil | | Russia | | Turkey | | India | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicator / Year | | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Consumer Prices | Intesa Sanpaolo | 2,2 | 2,1 | 2,6 | 1,5 | 2,3 | 2,6 | - | - | - | - | - | - | 8,4 | 7,7 |
| | Goldman Sachs | 1,9 | 2,1 | 2,7 | 1,6 | 2,6 | 3,0 | 6,4 | 6,2 | 6,5 | 4,6 | 8,8 | 7,6 | 6,1 | 6,1 |
| | Bank of America Merrill Lynch | 2,1 | 2,2 | 2,6 | 2,0 | 2,4 | 3,3 | 6,5 | 6,6 | 6,7 | 4,8 | 8,4 | 7,3 | 7,6 | 6,3 |
| | UBS IB | 2,0 | 2,3 | 2,9 | 1,9 | 2,4 | 2,6 | 6,4 | 6,2 | 7,4 | 7,1 | 8,4 | 6,2 | 7,6 | 6,4 |
| | IMF | 1,4 | 1,6 | 2,8 | 1,7 | 3,0 | 3,0 | 5,9 | 5,5 | 5,8 | 5,3 | 7,8 | 6,5 | 8,0 | 7,5 |
| | European Commission | 1,7 | 1,9 | 2,5 | 1,6 | - | - | - | - | - | - | - | - | - | - |
| | OECD | 1,5 | 1,7 | 2,6 | 2,0 | - | - | - | - | - | - | - | - | - | - |
| | Roubini Global Economics | 1,9 | 2,0 | 2,6 | 2,1 | 2,1 | 2,5 | 6,2 | 6,1 | 7,7 | 6,9 | 8,6 | 7,0 | 9,5 | 8,2 |
| | UniCredit Group | 2,0 | 2,6 | 2,7 | 1,8 | 2,6 | 2,9 | - | - | 7,3 | 5,6 | 8,3 | 5,8 | - | - |
| | JP Morgan | 1,9 | 1,9 | 2,9 | 2,0 | 2,2 | 3,1 | 6,3 | 6,1 | 7,1 | 5,9 | 9,0 | 6,9 | 8,5 | 7,5 |
| | Commerzbank | 2,0 | 2,0 | 2,8 | 1,5 | 2,6 | 3,0 | 6,3 | 6,5 | 7,3 | 6,5 | - | - | 6,5 | 6,2 |
| | Deutsche Bank | 2,0 | 2,4 | 2,7 | 1,7 | 2,2 | 3,0 | 6,4 | 6,1 | 7,2 | 5,0 | 8,6 | 6,7 | 7,4 | 7,4 |
| | HSBC Bank | 2,0 | 2,0 | 2,9 | 2,0 | 2,4 | 2,9 | 6,4 | 6,1 | 7,1 | 5,9 | 8,5 | 6,6 | 8,1 | 7,7 |
| | Barclays Bank | 1,9 | 2,5 | 2,8 | 2,4 | 2,6 | 3,0 | 6,4 | 6,0 | 7,3 | 5,8 | 8,9 | 7,0 | 7,4 | 7,0 |
| | *Average* | *1,9* | *2,1* | *2,7* | *1,8* | *2,5* | *2,9* | *6,3* | *6,1* | *7,0* | *5,8* | *8,5* | *6,8* | *7,7* | *7,1* |
| Budget Balance (% of GDP) | Intesa Sanpaolo | -3,9 | -3,1 | -7,9 | -6,2 | -3,1 | -3,2 | - | - | - | - | - | - | -4,2 | -4,1 |
| | Goldman Sachs | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Bank of America Merrill Lynch | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | UBS IB | -2,8 | -2,6 | -6,7 | -6,2 | -2,1 | - | -4,1 | -3,4 | 0,2 | -0,5 | -2,3 | -1,9 | -4,1 | -3,6 |
| | IMF | -6,4 | -5,6 | -7,2 | -6,4 | -2,0 | -1,6 | -3,3 | -2,5 | -0,7 | -0,8 | -2,4 | -2,3 | -7,2 | -7,0 |
| | European Commission | -5,4 | -4,7 | -7,4 | -6,2 | - | - | - | - | - | - | - | - | - | - |
| | OECD | -6,0 | -4,8 | -7,4 | -5,7 | - | - | - | - | - | - | - | - | - | - |
| | Roubini Global Economics | -2,8 | -2,6 | -7,2 | -6,4 | -2,3 | -2,7 | -3,5 | -2,8 | 0,0 | -0,8 | -2,6 | -2,4 | -4,8 | -4,1 |
| | UniCredit Group | -6,4 | -5,6 | -7,8 | -6,6 | -2,0 | -2,0 | - | - | -0,5 | -0,7 | -2,7 | -3,4 | - | - |
| | JP Morgan | -2,8 | -2,6 | -8,1 | -6,8 | - | - | - | - | - | - | - | - | - | - |
| | Commerzbank | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Deutsche Bank | -2,8 | -2,5 | -6,8 | -5,7 | -2,1 | -1,5 | -3,9 | -3,3 | 0,7 | 0,4 | -1,7 | -1,5 | -4,5 | -4,2 |
| | HSBC Bank | -2,8 | -2,3 | -7,2 | -6,4 | -2,2 | -2,0 | -3,7 | -3,0 | 0,7 | -0,5 | -2,2 | -2,2 | -4,5 | -4,0 |
| | Barclays Bank | -2,8 | -2,4 | -7,8 | -6,7 | -2,2 | -2,2 | -3,9 | -3,5 | - | - | - | - | -6,8 | -6,8 |
| | *Average* | *-4,1* | *-3,5* | *-7,4* | *-6,3* | *-2,2* | *-2,2* | *-3,7* | *-3,1* | *0,1* | *-0,5* | *-2,3* | *-2,3* | *-5,2* | *-4,8* |

# FORECAST TABLE – 10/10

| COUNTRIES | | USA | | Japan | | China | | Brazil | | Russia | | Turkey | | India | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Indicat / Year | | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| Current Account Balance (% of GDP) | Intesa Sanpaolo | -2,3 | -1,9 | -0,1 | 0,4 | 2,9 | 2,0 | - | - | - | - | - | - | -1,8 | -2,2 |
| | Goldman Sachs | -2,6 | -2,7 | 0,1 | 0,5 | 2,1 | 2,3 | -3,7 | -3,7 | 1,4 | -0,4 | -5,0 | -4,0 | -1,9 | -2,6 |
| | Bank of America Merrill Lynch | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | UBS IB | -2,4 | -2,0 | 0,9 | 1,2 | 2,1 | 2,2 | -3,5 | -3,2 | 2,6 | 1,9 | -6,7 | -7,2 | -1,5 | -1,5 |
| | IMF | -2,2 | -2,6 | 1,2 | 1,3 | 2,2 | 2,4 | -3,6 | -3,7 | 2,1 | 1,6 | -6,3 | -6,0 | -2,4 | -2,5 |
| | European Commission | -2,2 | -2,4 | 0,7 | 1,2 | - | - | - | - | - | - | - | - | - | - |
| | OECD | -2,5 | -2,9 | 0,2 | 0,7 | - | - | - | - | - | - | -6,6 | -6,9 | - | - |
| | Roubini Global Economics | -2,2 | -2,9 | 0,2 | 0,8 | 1,5 | 0,3 | -3,4 | -3,2 | 1,6 | 1,0 | - | - | -1,7 | -2,1 |
| | UniCredit Group | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | JP Morgan | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Commerzbank | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Deutsche Bank | -2,9 | -3,0 | 0,5 | 1,8 | 2,3 | 2,5 | -3,5 | -3,5 | 2,2 | 1,6 | -5,5 | -5,0 | -1,6 | -2,5 |
| | HSBC Bank | -2,8 | -2,3 | -0,2 | 0,5 | 1,9 | 1,8 | -3,8 | -3,2 | 2,4 | 2,2 | -5,9 | -6,2 | -2,0 | -2,5 |
| | Barclays Bank | -2,4 | -2,3 | 0,2 | 0,7 | 2,3 | 2,3 | -3,5 | -3,2 | - | - | - | - | -2,0 | -2,2 |
| | *Average* | *-2,4* | *-2,5* | *0,4* | *0,9* | *2,2* | *2,0* | *-3,6* | *-3,4* | *2,0* | *1,3* | *-6,0* | *-5,9* | *-1,9* | *-2,3* |

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