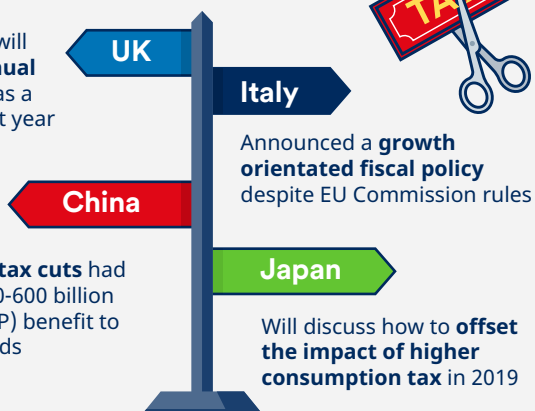


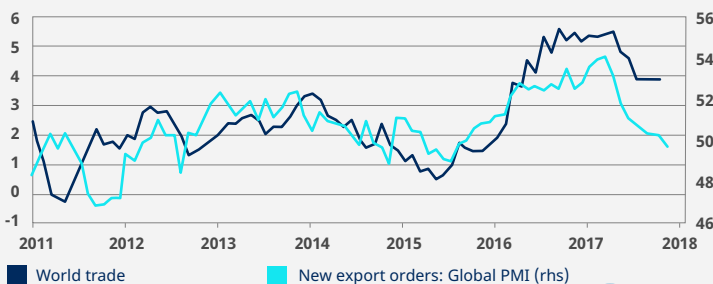
## Global: Taking a leaf from the Trump playbook

### Are governments following the US lead and turning to fiscal policy, such as tax cuts?

Fiscal giveaways will **increase the annual borrowing** level as a share of GDP next year



### Global trade to slow further?



Source: Thomson Reuters Datastream, Schroders Economic Group, 23 October 2018. World trade year on year 3 monthly moving average.

### Looking ahead

Pressure on governments to deploy new tax and spending policies to support faltering growth

## Eurozone: Keep calm and carry on

### Purchasing managers index (PMIs \*) fell from 54.2 to 52.7 in October

Led by a **decline in car production**



### Good news

European Central Bank (ECB) President Mario Draghi refers to **slump in car production** as an isolated factor at his latest press conference

Spain and France had their best quarter of industrial production since 2017

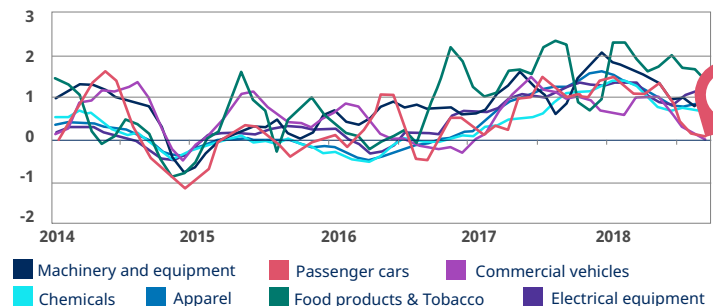


Which was prompted by the introduction of the new worldwide emission standards:

- Germany's car industry has been most affected** compared to the rest of Europe
- Overall industrial production is lowest in Germany **declining by 1.2% in Q3**

### IFO survey: production data for Germany shows car sector is weak

Standardised balances (3-month moving average)



Source: Thomson Reuters Datastream, IFO, Schroders Economics Group, 29 October 2018.

The big picture for the eurozone remains healthy. GDP growth is still above trend:

- Falling unemployment
- Above average wage growth

## Emerging markets: Brazil backs Bolsonaro

### Jair Bolsonaro becomes president-elect

Election win bolsters investor sentiment and asset prices

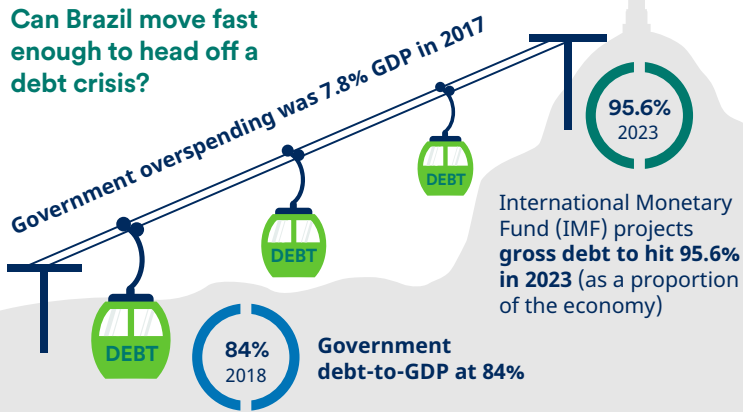
Confidence in Brazil's prospects is resurgent but:

Fiscal reform and in particular pensions reform is desperately needed

We need to keep an eye out for any **wavering in policy intent**

A good economic news story for now, but the real test is yet to come

### Can Brazil move fast enough to head off a debt crisis?



\* The Purchasing Managers' Index (PMI) is an indicator of economic health for manufacturing and service sectors. The purpose of the PMI is to provide information about current business conditions to company decision makers, analysts and purchasing managers.

Source: Schroders as at November 2018

**Important Information:** Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall. All investments involve risks including the risk of possible loss of principal. The forecasts included should not be relied upon, are not guaranteed and are provided only as at the date of issue. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors.

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