



Macro – Global GDP to be up modestly in 2018

The global macro economy is expected to see modestly stronger growth in 2018 as compared to 2017. DB's Global Economics team forecasts global GDP will increase 3.8% in '18 versus 3.7% in '17. By region, the fastest growth is forecast in China at 6.3% followed by Asia ex-Japan at 6.0% and the U.S. at 2.6%. Faster progress on tax reform bills in the U.S. and the EU-UK exit deal provided the most recent positive catalysts to growth in 2017. They added to a favorable backdrop of strong economic growth, increasingly supportive fiscal and regulatory policy, and tightening but still easy monetary policy. The DB Global Economics team expects the positive environment to extend into 2018, as the global economy should expand at a strong pace, with the U.S. and Eurozone growing above potential and China slowing down, but only moderately. Political risk, though still present, shouldn't escalate. We expect central banks exit from ultra-accommodative monetary policy to continue very gradually. The greatest challenges to this outlook are sharp inflation and China growth.

Figure 10: GDP, Real y/y

	2010	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
U.S.	2.5%	1.6%	2.2%	1.5%	2.4%	2.9%	1.5%	2.3%	2.6%	2.2%
Euroland	2.1%	1.6%	-0.9%	-0.3%	0.9%	2.0%	1.8%	2.3%	2.3%	1.7%
Japan	4.8%	-0.4%	1.8%	1.4%	-0.1%	1.1%	1.0%	1.5%	1.0%	0.8%
G7	0.0%	0.0%	0.0%	1.5%	1.7%	2.1%	1.4%	2.1%	2.1%	1.6%
Asia ex-Japan	9.5%	7.7%	6.3%	6.3%	6.4%	6.2%	6.2%	6.1%	6.0%	6.0%
China	10.6%	9.5%	7.7%	7.7%	7.3%	6.9%	6.7%	6.8%	6.3%	6.3%
Global	5.4%	4.2%	3.4%	3.3%	3.4%	3.5%	3.2%	3.7%	3.8%	3.7%

Source: Deutsche Bank Global Economics Team

Chemicals End-Markets: Global auto sales expected to rise in '18 at a similar rate as in '17

Global auto sales are projected to grow 2.4% in 2018 y/y to 97.5 MM units versus 2.3% growth in '17. '17 was a mixed bag with strong growth in India, Russia, LatAm and Japan, along with marginal gains in China and Europe, offset by a decline in North America.

- **North America:** For '18, Deutsche Bank's Auto Research team estimates U.S. light vehicle sales will total 16.7 MM (-1.8% y/y), following a -2.6% decline in '17. The U.S. light vehicle market reached peak demand in '16 following a six year recovery, as key drivers were low interest rates and higher lease penetration, before showing modest declines in '17. Despite an outlook calling for modest declines again in '18, the overall environment appears benign, but cyclical concerns could return.
- **Europe:** Deutsche Bank's Auto team expects modest growth for light vehicle sales in '18 following decent growth in '17 with 17.9 MM units expected in '18 (+1.5% y/y) as compared to 17.6 MM units for '17 (+3.0% y/y). Growth in '17 led to the first-full year above replacement demand in Western Europe. Italy and Spain realized the strongest growth, while the UK was down y/y due to Brexit. Demand is expected to realize only a marginal gain in '18 with the UK again showing the biggest decline.