



partners to keep Britain in the EU. However, there is also a substantial risk that the deal struck is not perceived as sufficient by the British public to vote in favour of EU membership in the in/out referendum.

The Juncker Commission is following through on its promise to reduce the deluge of laws and to focus on clear priorities. One of them is improving and extending the single market. Proposals have been presented for the service sector as well as the digital economy. Another is the September Action Plan to establish a Capital Markets Union by 2019. It seeks better integration of capital markets to complement bank financing of the real economy in Europe, e.g., with less restrictive rules for securitisation. Aimed at unlocking investment in Europe (additional EUR 315bn over the next three years) is the European Fund for Strategic Investment EFSI, which is up and running now. Finally, the Commission has tabled a proposal on the third pillar of the banking union, a pan-European deposit insurance scheme. The proposal envisages a gradual merging of national schemes starting in 2017 with a system of reinsurance and ending with a European backstop fund in 2024. Despite the longer phasing-in of the new system, Germany has already expressed its strong reservations regarding the Commission's initiative. Thus the time line appears to be more than ambitious.

### EMEA: Contrasting paths

Growth in EMEA appears set to accelerate, to nearly double to 2% next year as Russia and Ukraine emerge from their deep recessions. Elsewhere, we expect growth to remain relatively stable or contract slightly.

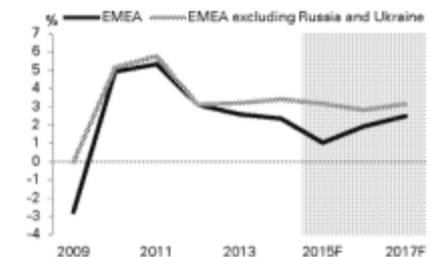
We're not quite ready to call the end of the recession in Russia just yet but the economy has shown clear signs of bottoming over the last few months. The recovery, however, is likely to be slow. Oil prices look set to remain low, likely prompting the government to rein in spending over the coming year. Access to financing will remain difficult so long as sanctions are still in place. Inflation is falling and this will support a recovery in real incomes and confidence. Overall, however, we would expect the recovery to be hesitant, with the economy bouncing along a floor for the next year or so. This points to a contraction of 3.7% this year and a further 0.7% drop in 2016.

The longer-term outlook is barely less challenging. Poor productivity performance and a shrinking work force should cap potential growth to 1–2%. Structural reforms are needed to raise the economy's productive potential but these seem further away than ever as Russia has pursued a more inward-looking growth strategy following the deterioration in its relationship with the west.

The outlook for Russia is subject to significant risks, mostly associated with the price of oil and geopolitics. But these risks are much more balanced, if not slightly skewed to the upside, than was the case heading into this year. The geopolitical landscape has shifted since last month's terrorist attacks in Paris, which have raised the prospect that Western leaders might soften their stance on sanctions in exchange for Russian support in targeting Islamic State forces in Syria. Whether this will prove to be the case is still far from clear. It will be difficult for the EU to start to remove sanctions as early as January (when they are set to expire) while progress in implementing the Minsk agreement remains so patently partial. But recent developments do make a reduction in sanctions at some point next year more rather than less likely.

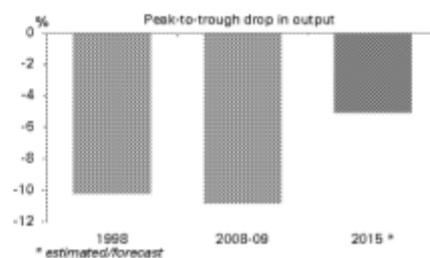
The economy has held up rather better in Turkey, the region's other geopolitical hotspot. After multiple elections over the last two years, the domestic political outlook became clearer when the AKP regained its overall

Figure 17: EMEA: pickup in growth reflects fading recessions



Source: Deutsche Bank Research

Figure 18: Russia recessions compared



Source: Deutsche Bank Research