

COMMISSION GEOPOLITIQUE

**IMPACT DES LEGISLATIVES ANTICIPEES
ET DU CONTEXTE INTERNATIONAL SUR
LES ENTREPRISES**

AMRAE

la Maison du risk management

17 JUILLET 2024

Intervenants



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Agenda

- 01 Aspects Macro-Economiques (Maxime DARMET, Groupe Allianz)
- 02 Aspects Politiques et Sécuritaires (Matthieu JAN et George DYSON, Control Risks)
- 03 Questions/Réponses

01

ASPECTS MACRO-ECONOMIQUES



Maxime DARMET

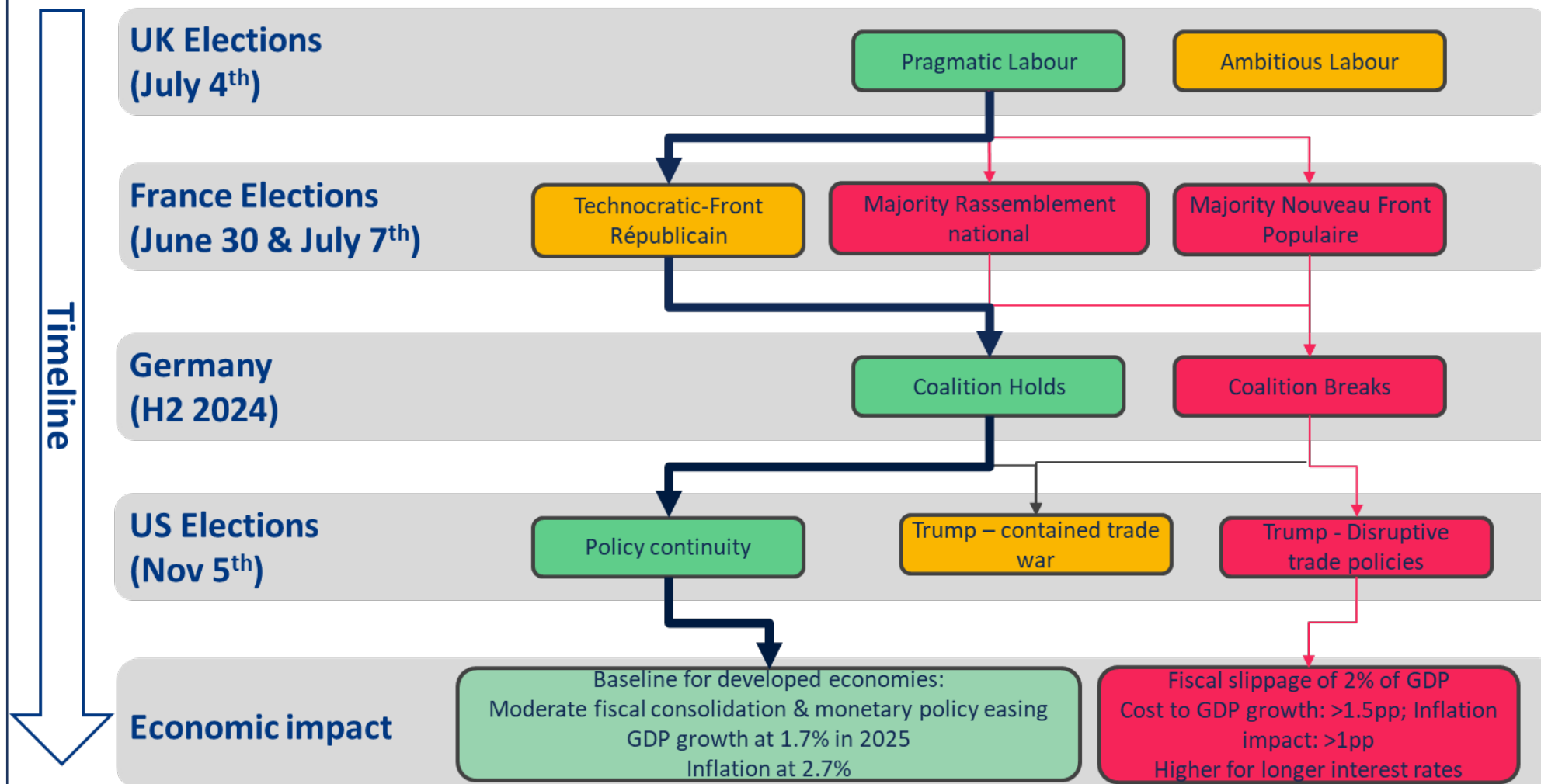
Economiste Senior Etats-Unis, France, Royaume-Uni

Groupe Allianz

Global Macro Economic Outlook 2024-2025

Global Economic Outlook 2024-2025

Risks are on the downside given a Super-Election Year and ongoing global conflicts



Ongoing geopolitical conflicts in Russia-Ukraine, Middle east and tensions in the South-China-Sea and Taiwan. Our Baseline: No further significant escalation.

Global Economic Outlook 2024-2025

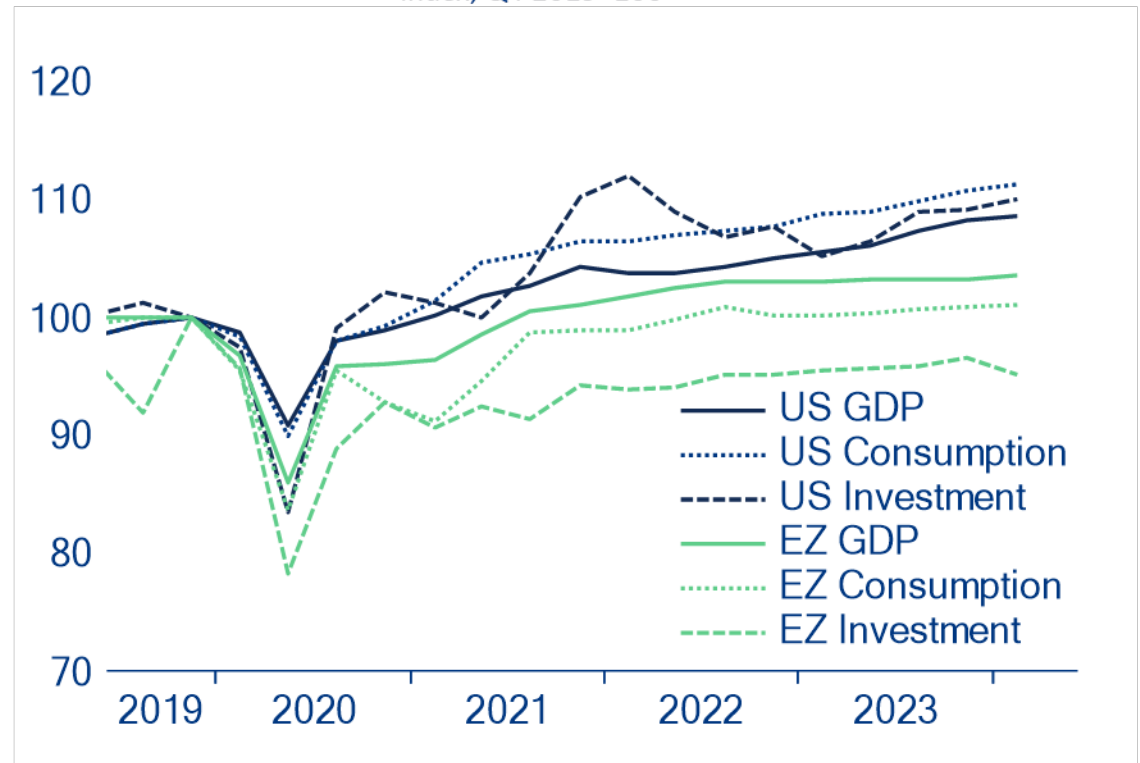
Growing transatlantic divide

Global real GDP growth (%)

Growth (yearly %)	2021	2022	2023	2024f	2025f
Global	6.4	3.1	2.7	2.8	2.8
USA	5.8	1.9	2.5	2.3	1.7
Latin America	7.3	3.9	1.9	2.0	2.7
Brazil	5.1	3.1	2.9	2.0	2.4
UK	8.7	4.4	0.1	1.3	1.9
Eurozone	5.9	3.5	0.6	0.7	1.4
Germany	3.1	1.9	0.0	0.1	0.9
France	6.8	2.6	1.1	0.9	1.3
Italy	8.3	4.2	1.0	0.8	1.2
Spain	6.4	5.8	2.5	2.1	1.7
Central and Eastern Europe	6.1	1.0	1.1	2.2	3.2
Poland	6.9	5.9	0.1	2.2	3.2
Russia	5.9	-1.3	3.7	3.6	2.0
Türkiye	11.4	5.5	4.5	4.6	4.1
Asia-Pacific	6.8	3.2	4.4	4.2	4.0
China	8.5	3.0	5.3	5.0	4.3
Japan	2.6	1.0	1.9	0.2	1.2
India	9.4	6.5	7.8	6.8	6.5
Middle East	4.6	6.1	1.7	2.2	3.2
Saudi Arabia	5.1	7.5	-1.1	1.6	5.3
Africa	5.9	3.9	2.8	3.2	3.5
South Africa	5.0	1.9	0.7	1.4	1.4

Transatlantic divide in domestic demand translates to growth divergence

Index, Q4 2019=100

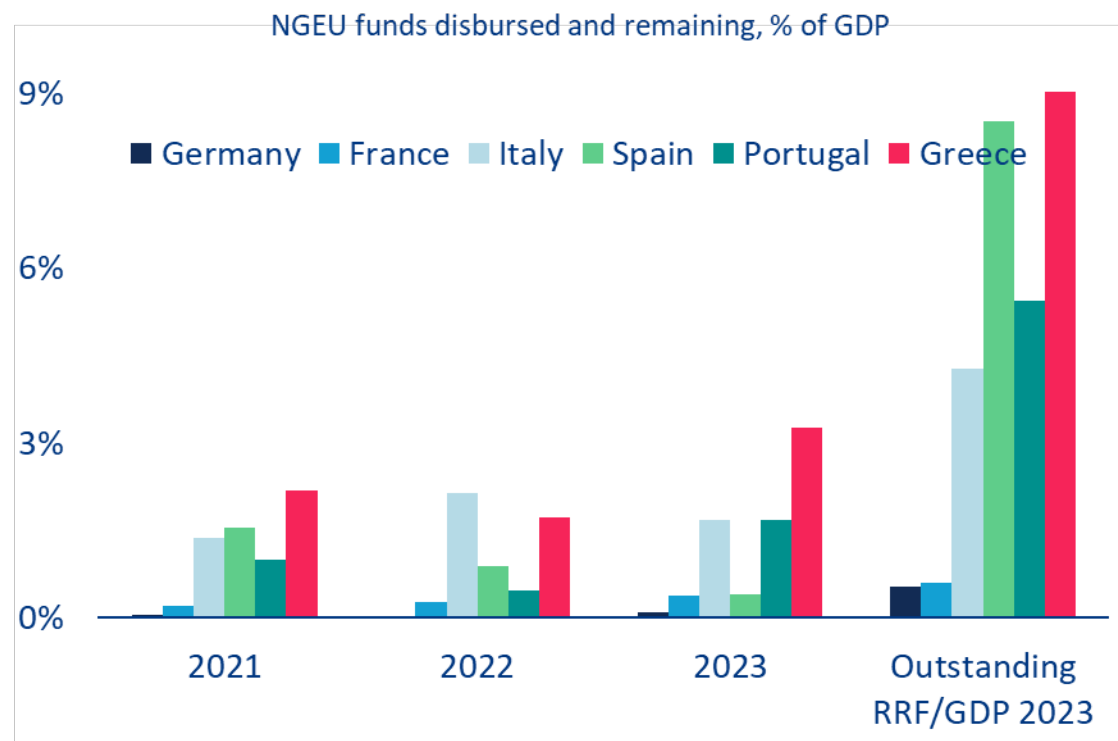


Sources: LSEG Datastream, Allianz Research

Global Economic Outlook 2024-2025

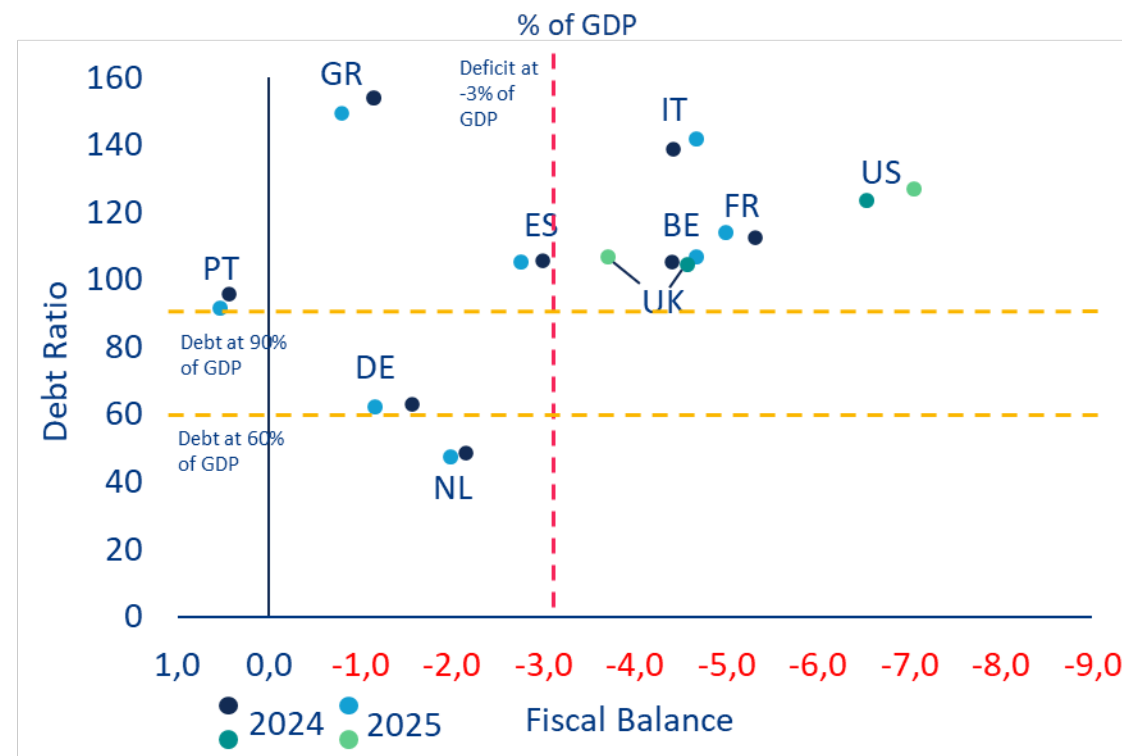
Fiscal consolidation delayed after election year

NGEU will boost (southern) Europe investment as 65% of resources will be paid out in 2024-26



Sources: LSEG Datastream, Allianz Research

Potential breaches to the new EU fiscal rules on the horizon



Sources: LSEG Datastream, IMF, EC AMECO, Allianz Research. Note: green dots refer to non-EU countries, for which the EU fiscal framework doesn't apply

Global Economic Outlook 2024-2025

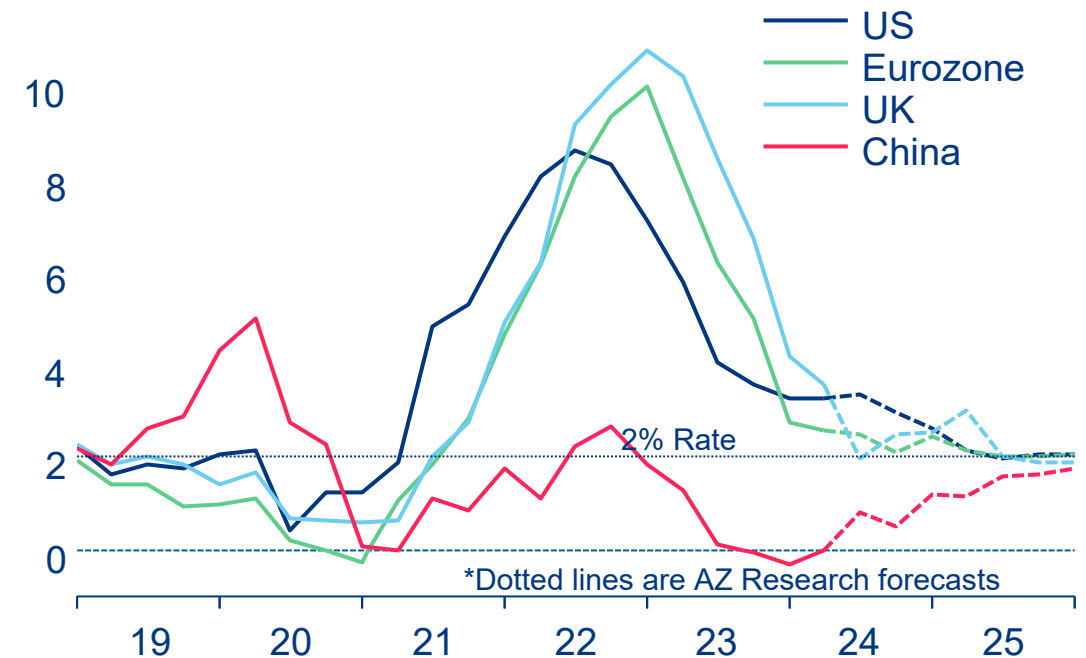
Disinflation hick-ups as expected but targets to be reached in 2025

Inflation forecasts, %

Inflation (yearly %)	2021	2022	2023	2024f	2025f
Global	4.4	8.2	6.2	5.6	3.9
USA	4.7	8.0	4.1	3.0	2.0
Latin America	9.8	14.0	14.4	16.7	12.8
Brazil	8.3	9.3	4.6	4.0	3.5
UK	2.6	9.1	7.3	2.6	2.2
Eurozone	2.6	8.4	5.4	2.4	2.1
Germany	3.1	6.9	5.9	2.4	2.1
France	1.6	5.2	4.9	2.2	1.9
Italy	1.9	8.2	5.6	1.5	1.9
Spain	3.1	8.4	3.5	3.1	2.3
Central and Eastern Europe	8.1	9.1	11.0	3.9	3.8
Poland	5.1	14.4	11.4	3.6	3.8
Russia	6.7	13.8	5.9	6.9	4.8
Türkiye	19.6	72.3	53.9	58.0	24.2
Asia-Pacific	2.0	3.9	3.0	2.1	2.3
China	0.9	2.0	0.2	0.6	1.5
Japan	-0.2	2.5	3.3	2.6	1.8
India	5.1	6.7	5.7	4.5	4.6
Middle East	12.1	13.9	10.7	12.5	5.1
Saudi Arabia	3.1	2.5	2.3	2.5	2.0
Africa	12.7	14.2	18.2	18.3	11.1
South Africa	4.6	6.9	5.9	4.2	3.8

Approaching central bank targets in 2025

Quarterly inflation rates, y/y%



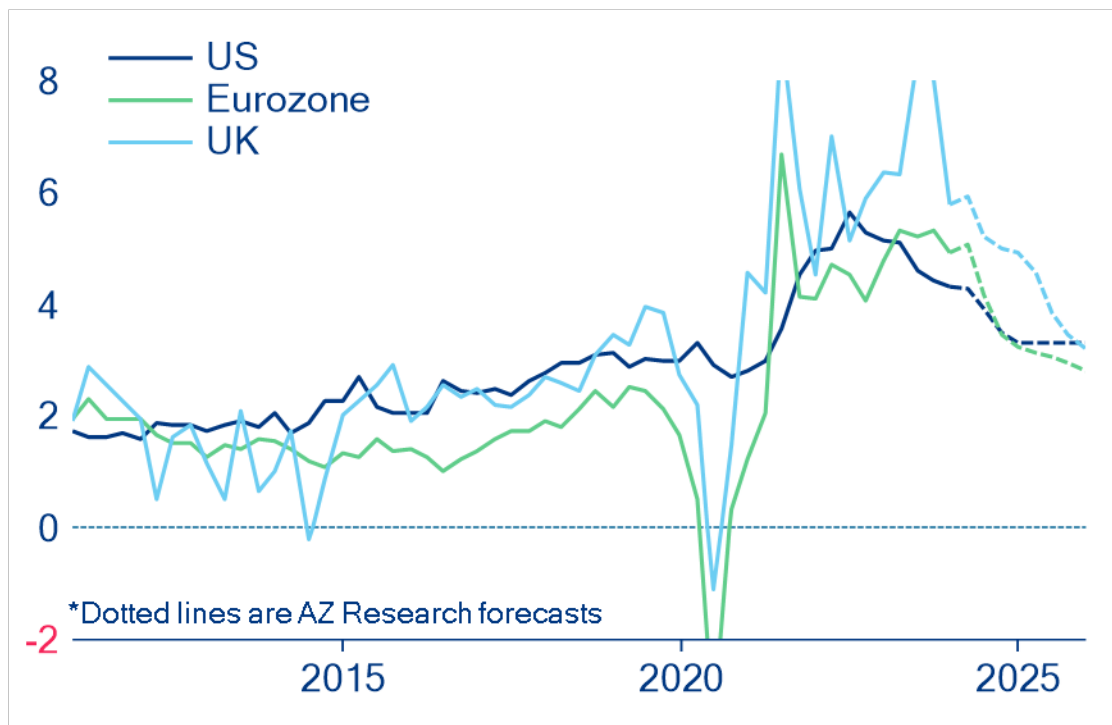
Sources: LSEG Datastream, Allianz Research

Global Economic Outlook 2024-2025

Labor markets tightness easing globally

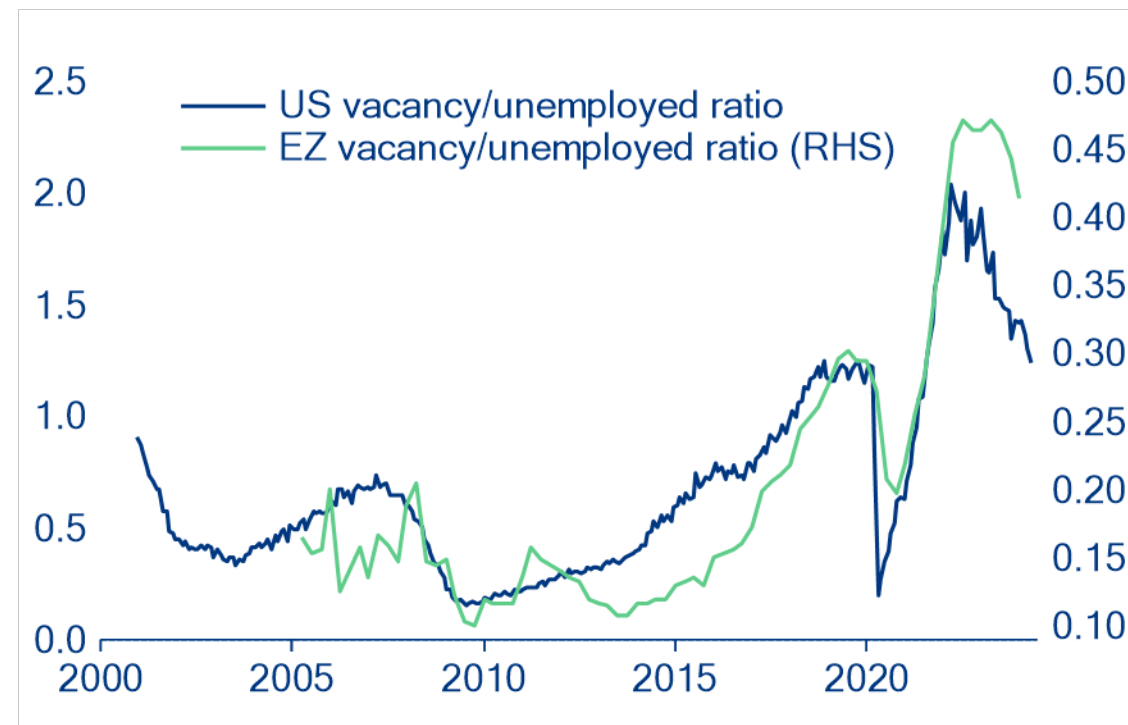
Nominal wage growth to normalize by 2025

quarterly y/y in %



Sources: LSEG Datastream, Allianz Research

Despite historically low unemployment rates vacancy-to-unemployment ratios are off their highs



Sources: LSEG Datastream, Allianz Research

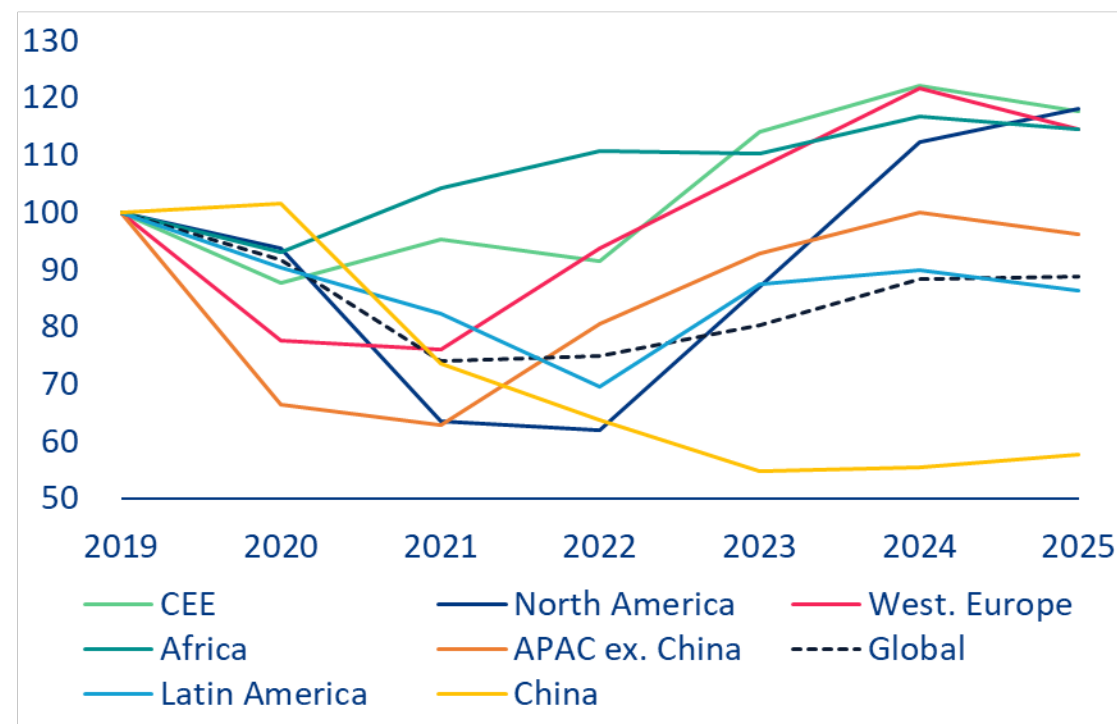
Global Economic Outlook 2024-2025

Insolvencies to rise by +10% in 2024 before stabilizing at high levels in 2025

2024 expectations
level and trend

2024 expected change (y/y)	Strongly increasing (+20% and more)	Turkey		Germany Ireland Netherlands U.S.	Canada Spain Sweden
	Noticeably increasing (+10% to +20%)	Italy Latvia Russia	Portugal	Brazil Estonia New Zealand	Austria Belgium Hong-Kong Morocco South Korea
	Increasing (0% to +10%)	Czechia Lithuania	China Luxembourg Norway Romania	France Japan India Singapore	Australia Finland Poland Slovakia Switzerland UK
	Decreasing	Chile Taiwan	South Africa	Bulgaria	Colombia Denmark Hungary
		Very low level (more than -15%)	Low level (-15% to 0%)	High level (0% to +15%)	Very high level (+15% and more)
2024 expected level compared to 2016-19					

Global and regional insolvency indices
(index 100 = 2019)

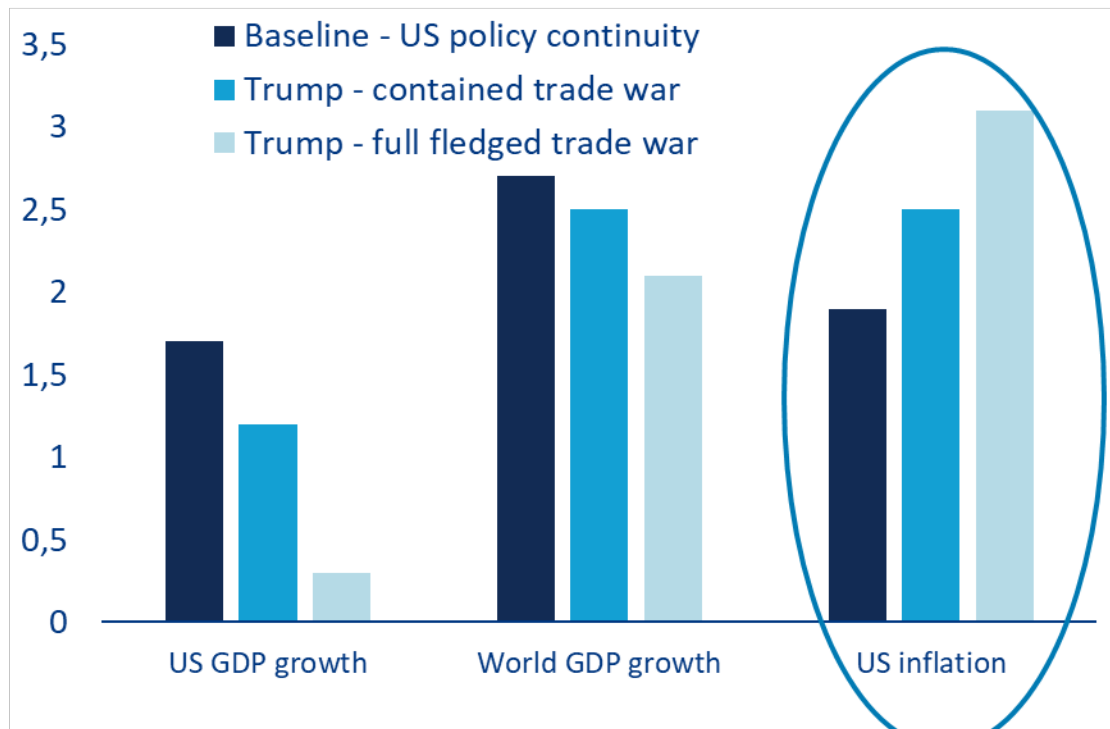


United States Outlook 2024-2025

United States Outlook 2024-2025

How inflationary will Trump II be?

The cost of higher tariffs and disruptions to US-Mexico supply-chains (annual, %)



Sources: Allianz Research. Note: Contained trade war = US effective tariff rate raised to 4.5% + stepped-up boarder checks, Full fledges trade war = US effective tariff rate raised to 12% + stepped-up boarder checks. Full retaliation of trading partners ; US fiscal stimulus funded by customs receipts.

Trump II's policies which could add more inflation

Trade war (already factored in)

- Sweeping tariffs
- Disruptions of supply-chains

Mass deportation & drastic reduction of immigration

- Immigration has normally a neutral effect on inflation (higher rents vs. lower wages)
- But mass deportation would certainly mean acute labor shortages in an already tight labor market; that would cause increases in wages and prices, especially in construction, hospitality and retail.

USD large-scale devaluation

- Increases the price of imported goods

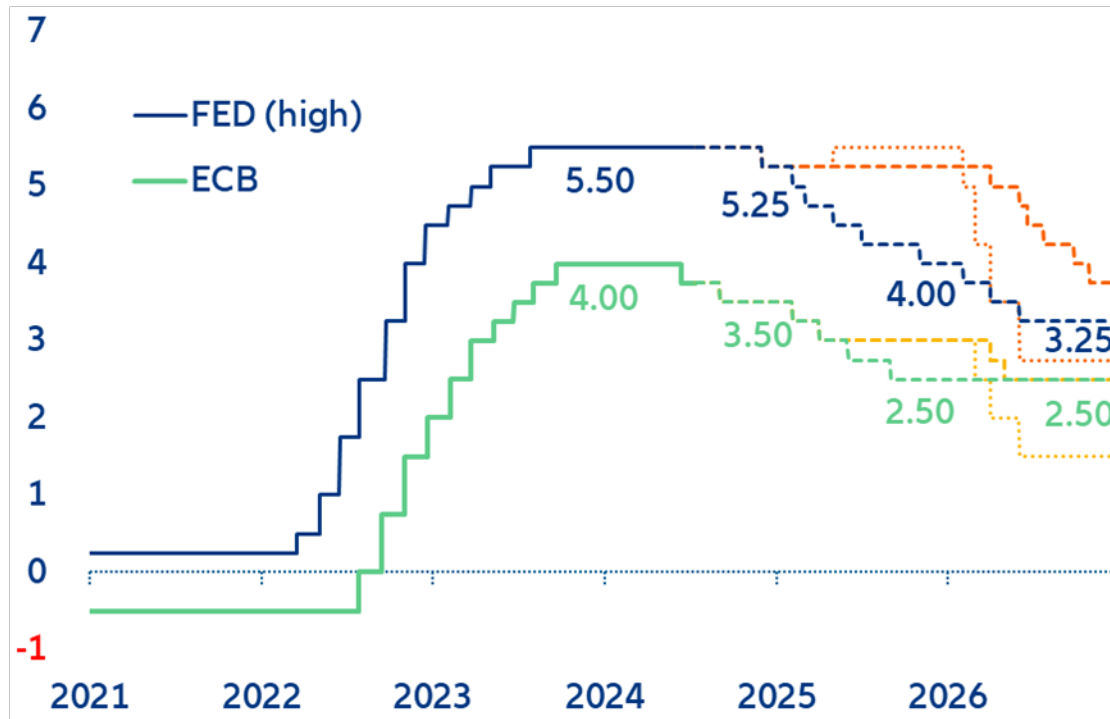
Unfunded fiscal expansion & loose financial conditions

- Debt-funded fiscal deficits & markets "optimism"
- We found that fiscal (20%) and financial conditions (55%) explain a large share of US inflation persistence over the last 12 months

United States Outlook 2024-2025

Trade wars would force central banks to slow down easing with a risk of a boom-bust cycle

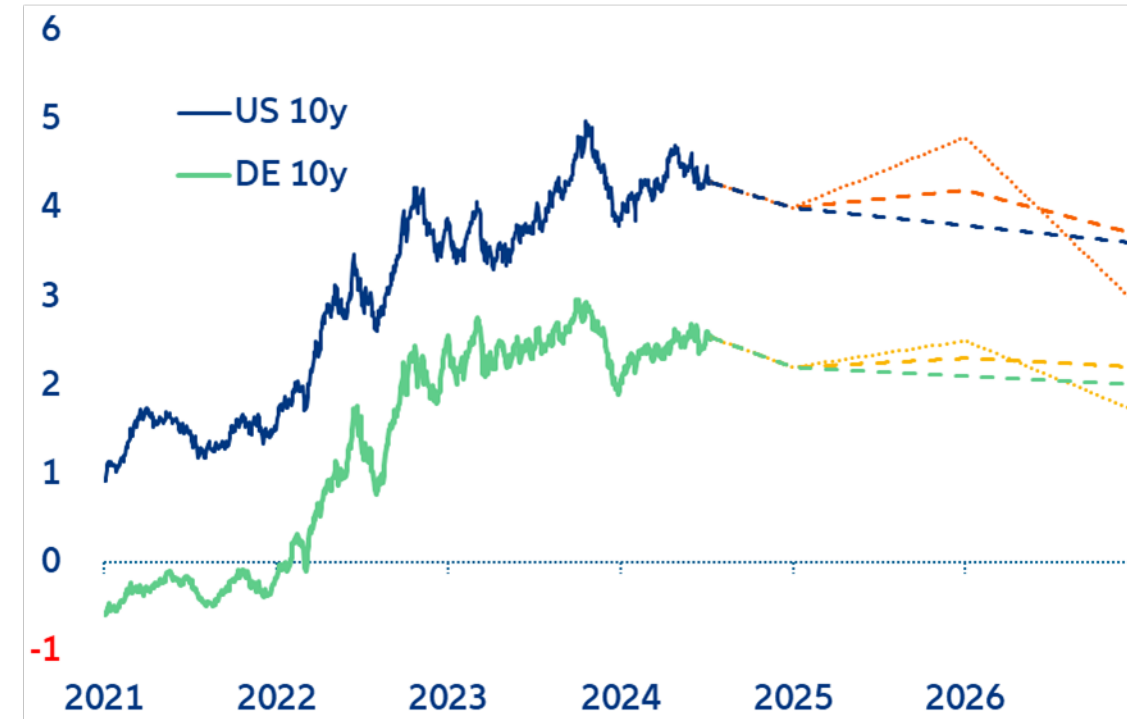
A contained trade war means higher-for-longer while a full-fledged trade war results in a boom-bust cycle



Sources: LSGE Datastream, Allianz Research

Notes: Blue and green dashed lines show our baseline forecast. Orange and yellow lines show alternative paths in case of a contained (dashed) or full-fledged trade war scenario (dotted).

Long-term interest rates would mirror central bank actions and inflation expectations with a lower beta



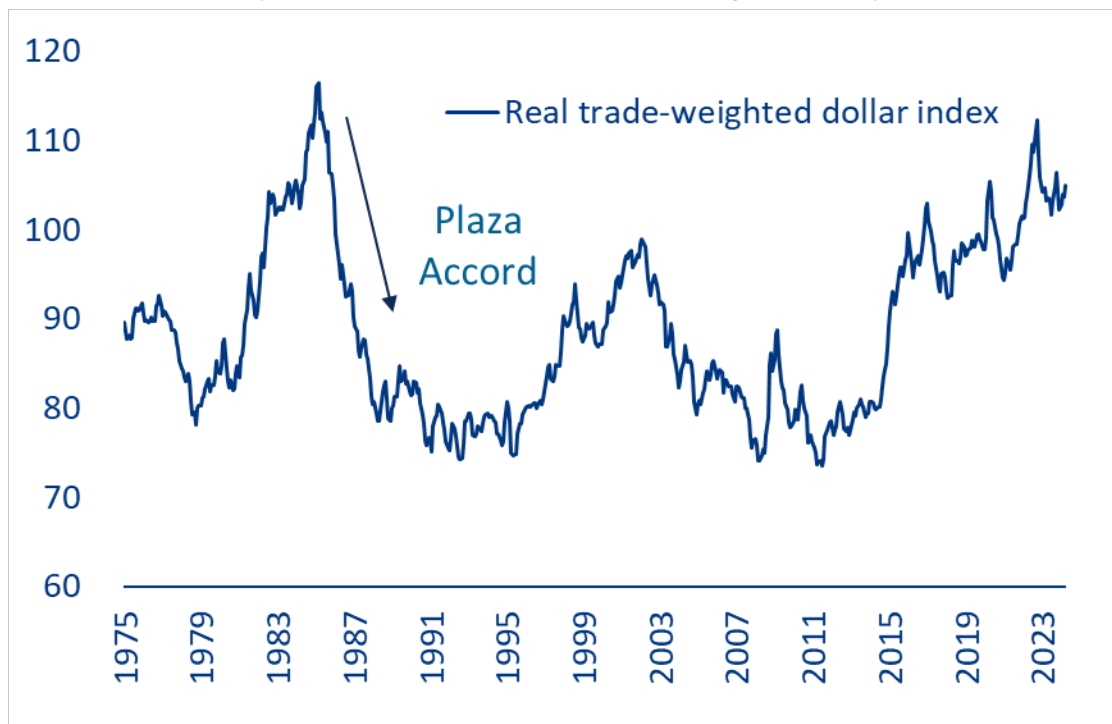
Sources: LSGE Datastream, Allianz Research

Notes: Blue and green dashed lines show our baseline forecast. Orange and yellow lines show alternative paths in case of a contained (dashed) or full-fledged trade war scenario (dotted).

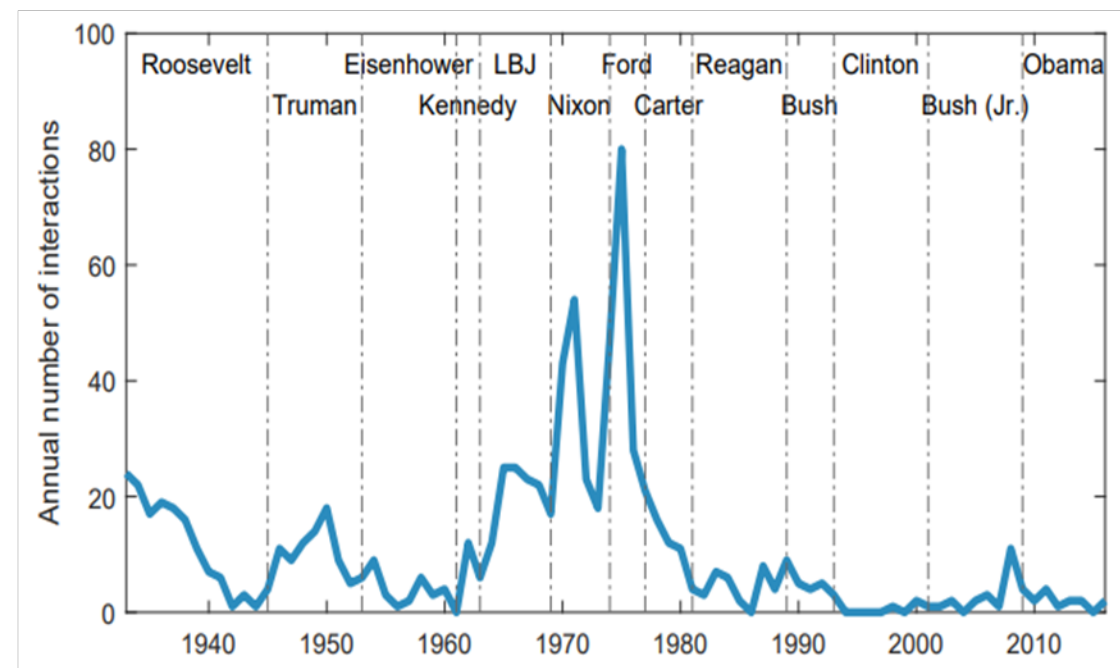
United States Outlook 2024-2025

Trump's inner circle targeting USD policy, Fed independence

A Trump administration could seek to engineer a USD devaluation instead of tariff increases but this looks challenging (EZ reluctant, China not cooperative)



Push to rein in the Fed independence would be inflationary over the medium-term (1970s risk) but the Fed institutional set-up is hard to shake



Sources: T. Drechsel (NBER), Allianz Research
 Annual number of US President-Fed Chair interactions

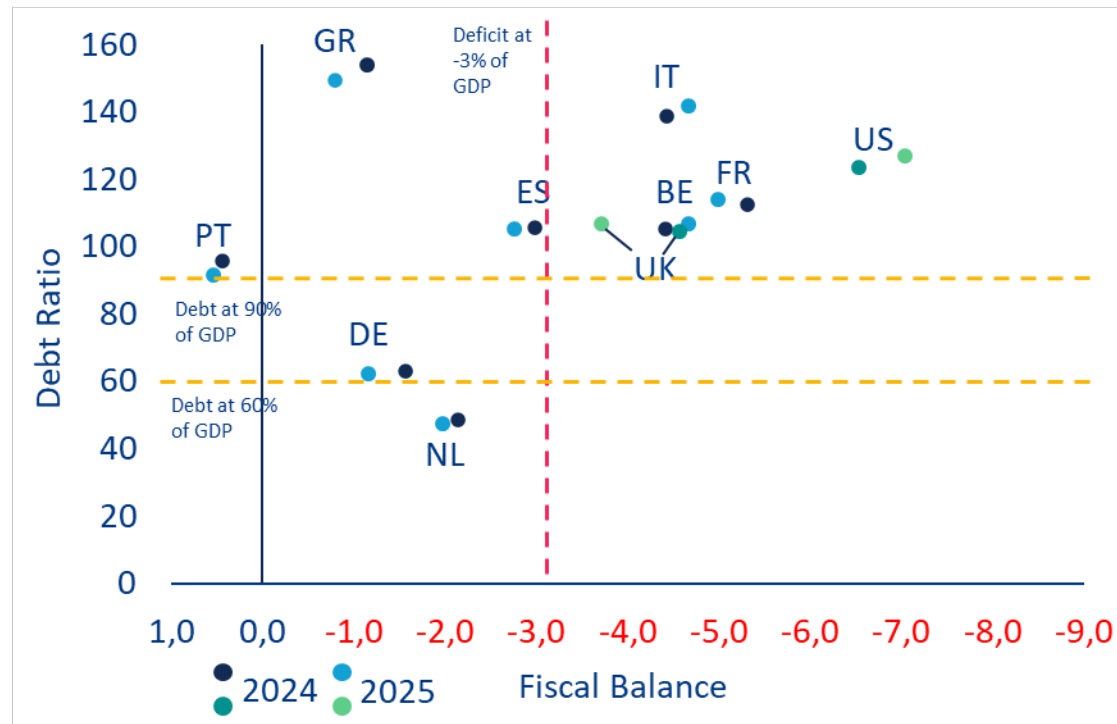
Sources: LSGE Workspace, Allianz Research

France Outlook 2024-2025

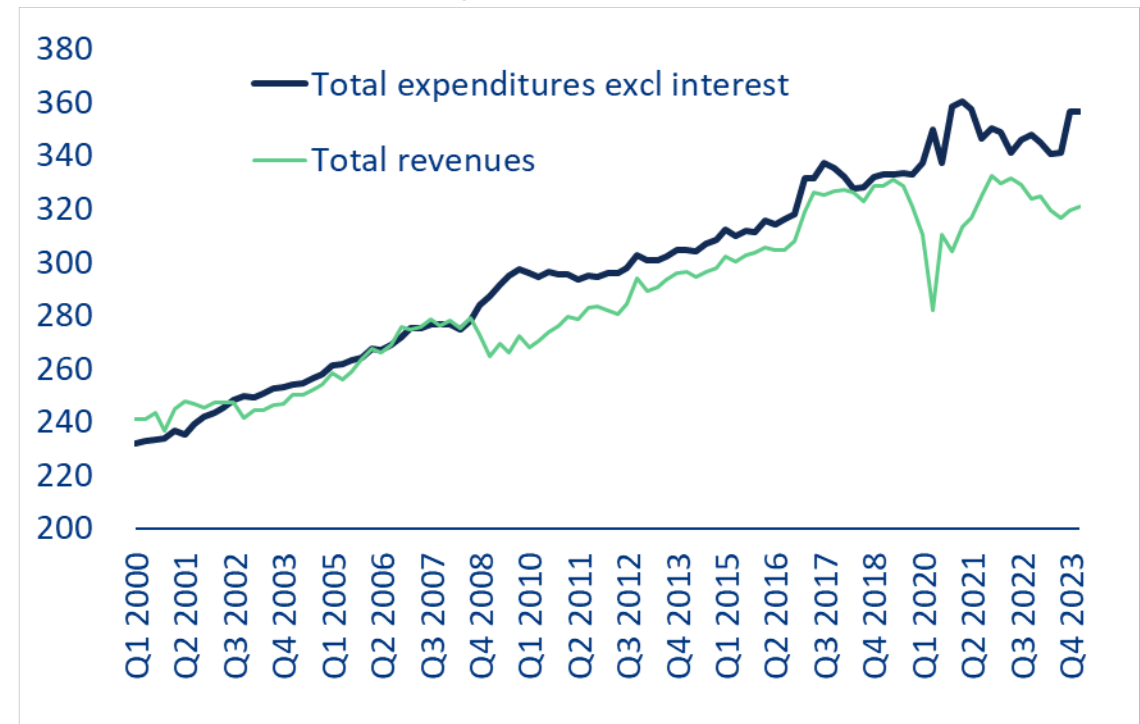
France Outlook 2024-2025

Fiscal is the canary in the coal mine; at least EUR70bn of savings are needed by 2027

France in breach of the new EU fiscal rules
% of GDP



The French fiscal deficit has been caused by under-shooting revenue collections



Sources: LSEG Datastream, IMF, EC AMECO, Allianz Research. Note: green dots refer to non-EU countries, for which the EU fiscal framework doesn't apply

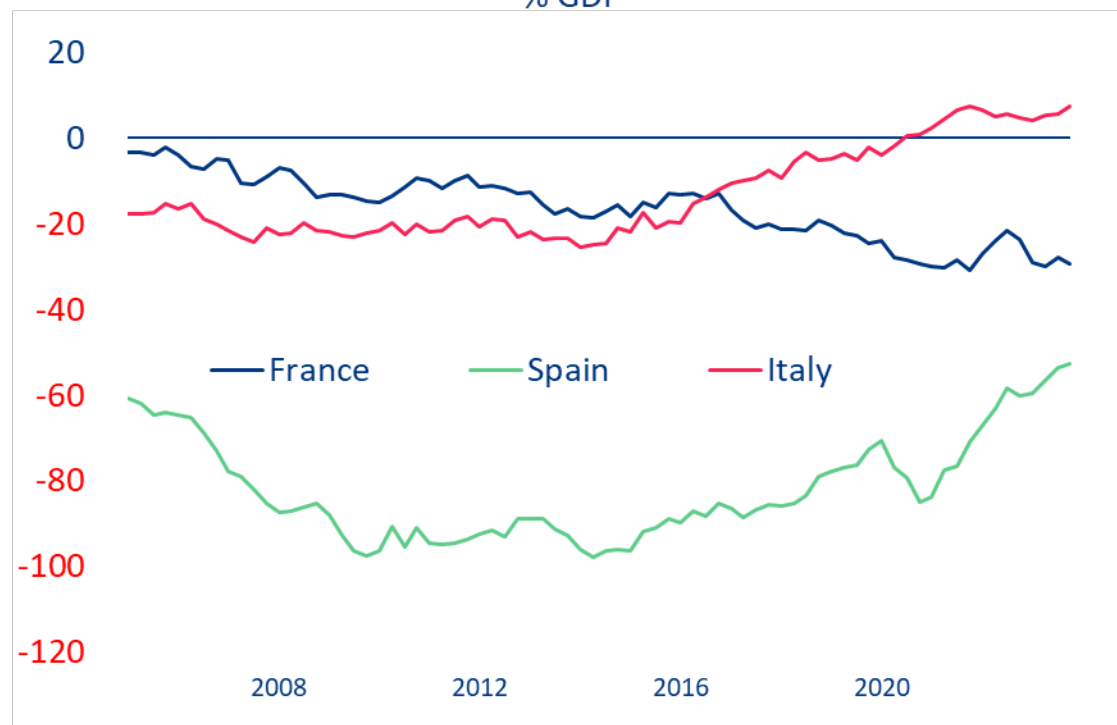
Sources: LSEG Datastream, Allianz Research

France Outlook 2024-2025

Higher external imbalances

Net international investment position deteriorating in France amid persistent current account deficits

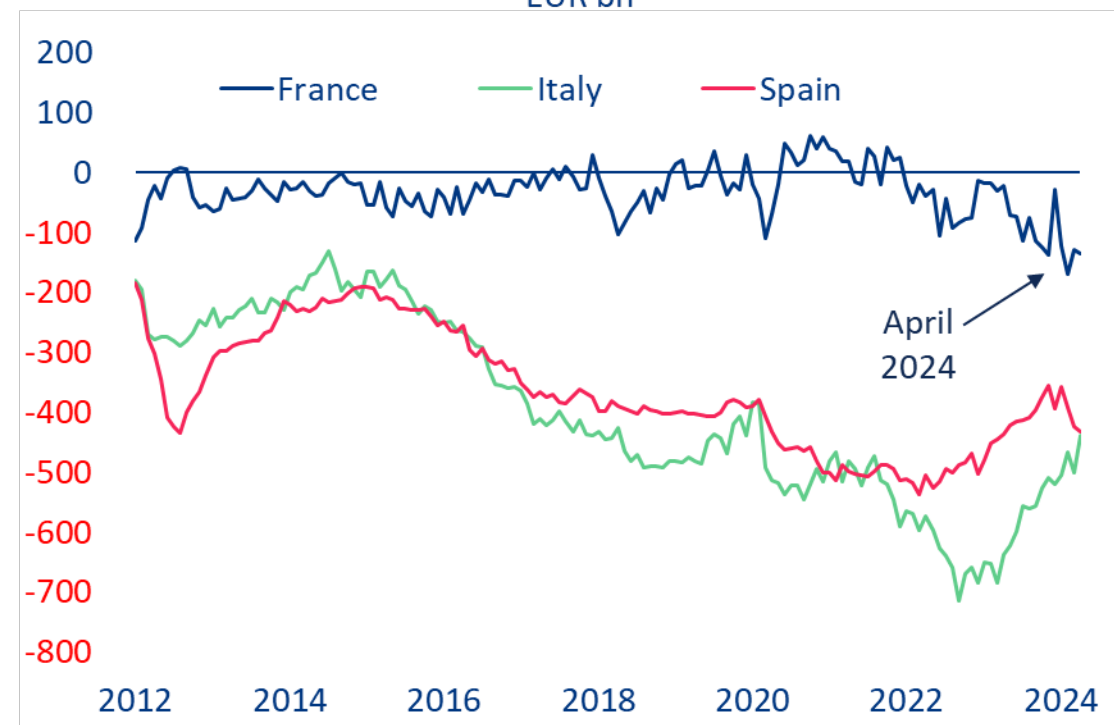
% GDP



Sources: LSEG Datastream, Allianz Research

Target 2 imbalances (proxy for capital flights) are moderate in France, but increasing

EUR bn



Sources: LSEG Datastream, Allianz Research

France Outlook 2024-2025

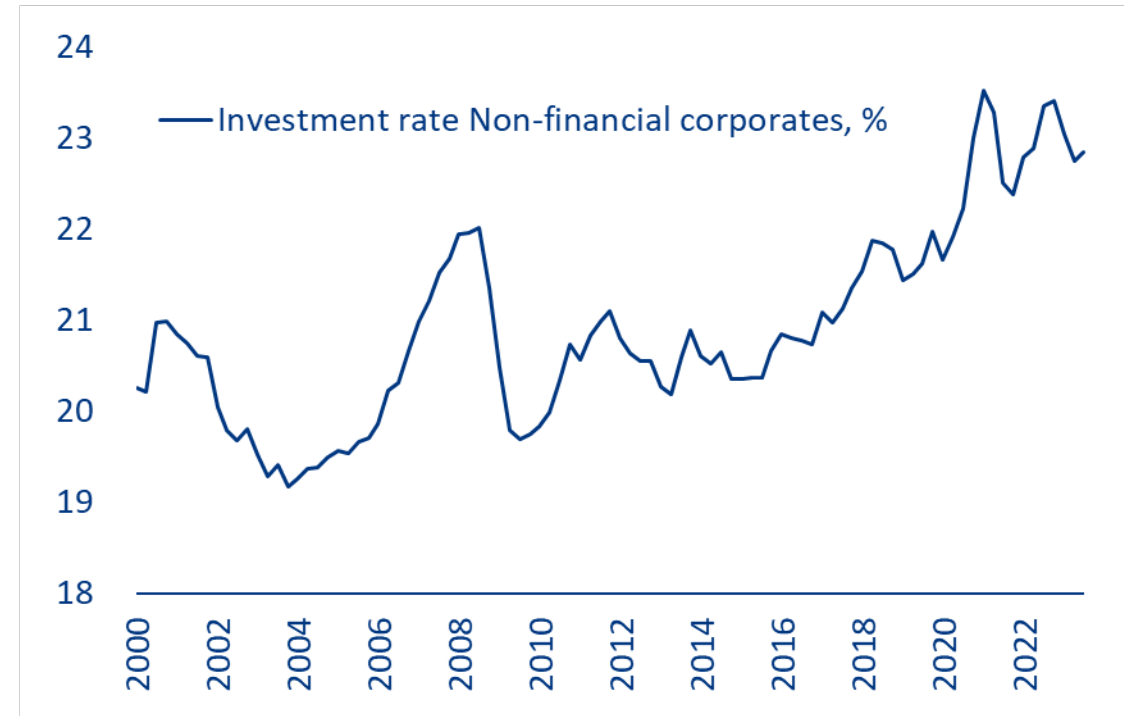
What growth regime? Macron's structural reforms agenda & loose fiscal policy supported growth

Macron's reforms helped to boost the employment rate, but not productivity

% annual change	1982-2023	2012-2023	2023
Working-age population	0.4	0.0	0.3
Employment rate	0.3	1.0	0.7
<i>Employment / labour force (1-UR)</i>	<i>0.0</i>	<i>0.2</i>	<i>-0.1</i>
<i>Participation rate</i>	<i>0.3</i>	<i>0.8</i>	<i>0.8</i>
Hours worked	-0.4	-0.1	0.8
Hourly labour productivity	1.5	0.2	-0.8
<i>Total factor productivity</i>	<i>0.9</i>	<i>0.0</i>	<i>-1.0</i>
<i>Contribution of capital deepening</i>	<i>0.6</i>	<i>0.2</i>	<i>0.2</i>
GDP	1.8	1.1	1.1

Sources: LSEG Datastream, Allianz Research

A surge in corporate investment since 2017



Sources: Insee, Allianz Research

France Outlook 2024-2025

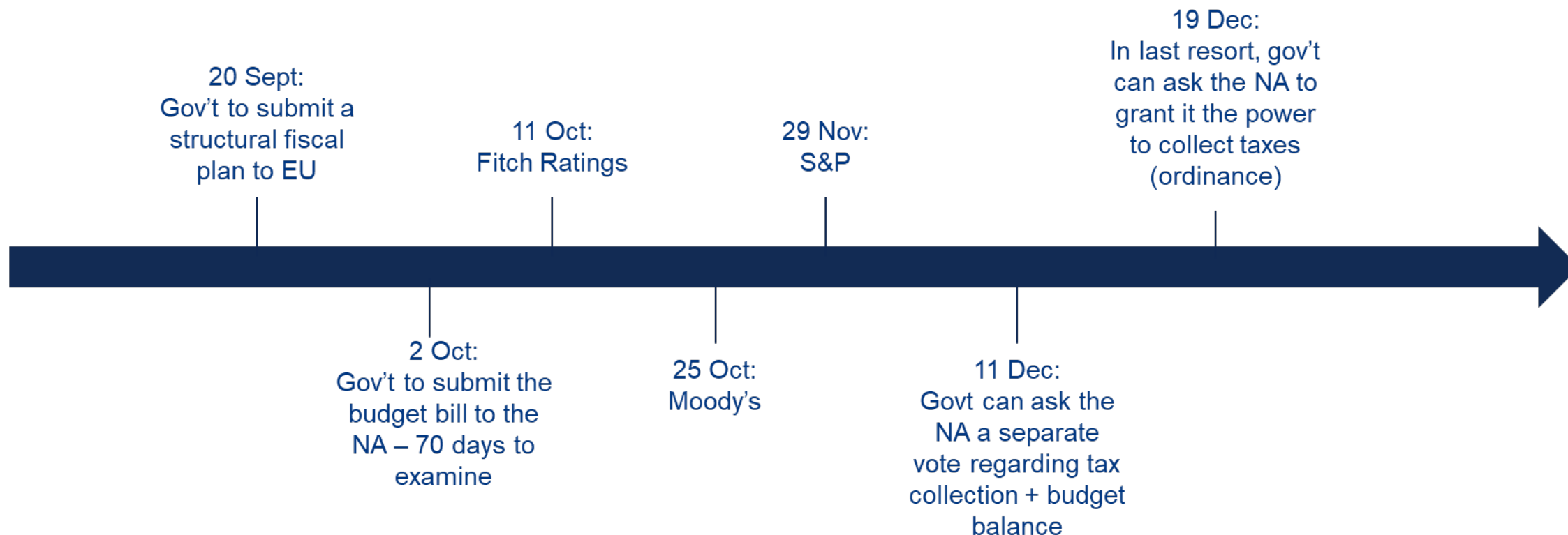
Potential French political outcomes and their expected economic and market impacts

*The color coding of the titles represents the potential market scenarios corresponding to each political outcome			Technocratic government (50%)		Union of the Center (20%)		Minority right-wing government (15%)		Minority left-wing government (15%)	
			Moderate fiscal tightening to assuage the EC and financial markets. GDP growth not changed in 2025		Moderate fiscal expansion of 0.5% GDP spread over 2025-26; GDP growth slightly higher on better confidence		Moderate fiscal expansion of 0.5% GDP spread over 2025-26; GDP growth slightly hit on lower confidence, political instability & infighting		Fiscal expansion of 0.8% GDP spread over 2025-26; GDP growth shelved by -0.3pp in 2025 on tighter financial conditions and lower confidence, political instability & infighting	
Economic indicators	Unit	2023	2024	2025	2024	2025	2024	2025	2024	2025
Real GDP growth	%	1.1	0.9	1.3	0.9	1.4	0.8	1.2	0.8	1.0
Inflation	%	4.9	2.3	1.8	2.3	1.8	2.3	1.8	2.3	1.7
Fiscal deficit	% of GDP	5.5	5.2	4.9	5.3	5.3	5.3	5.4	5.3	5.7

Market outcomes			Buy the dip (60%)		Increased FR risk premium (40%)	
Market indicators	Unit	2023	2024	2025	2024	2025
10y OAT spread	%	53	60	50	90	70
ECB activates TPI			No		Unlikely	
IG – Corp. spread	bps	133	120	120	190	150
CAC40	%	16.5	+7	+10	-6	+5
House prices	%	-1.5	-2.4	+1.6	-3.2	+1.2

France Outlook 2024-2025

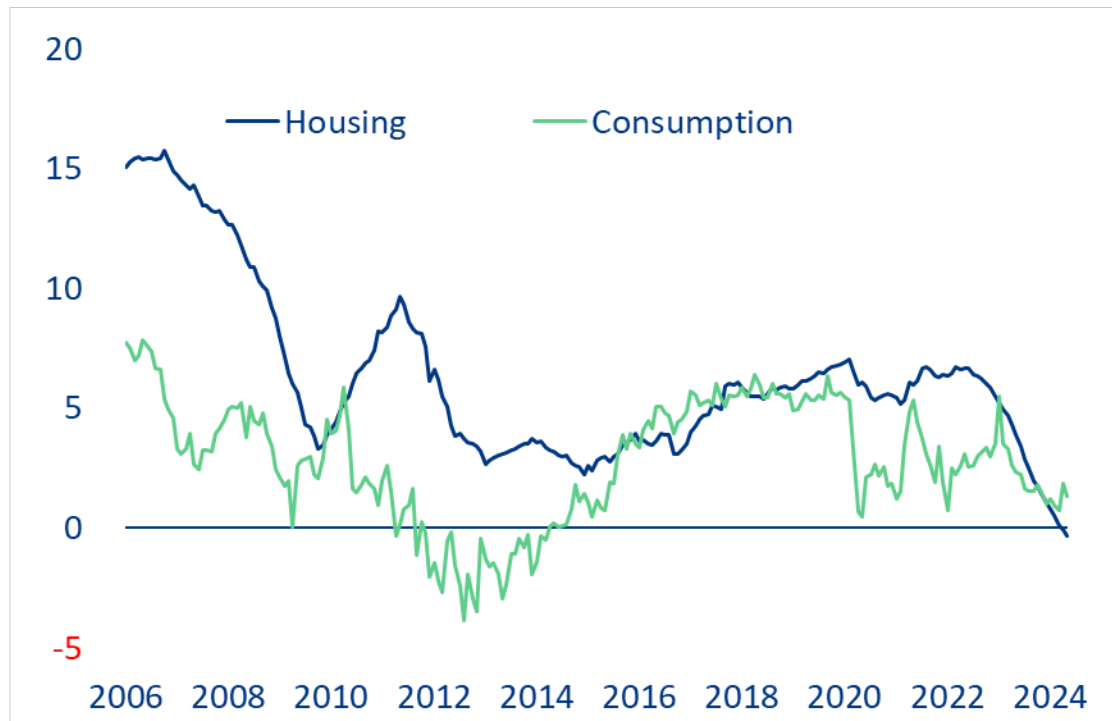
Timeline of the draft budget bill process



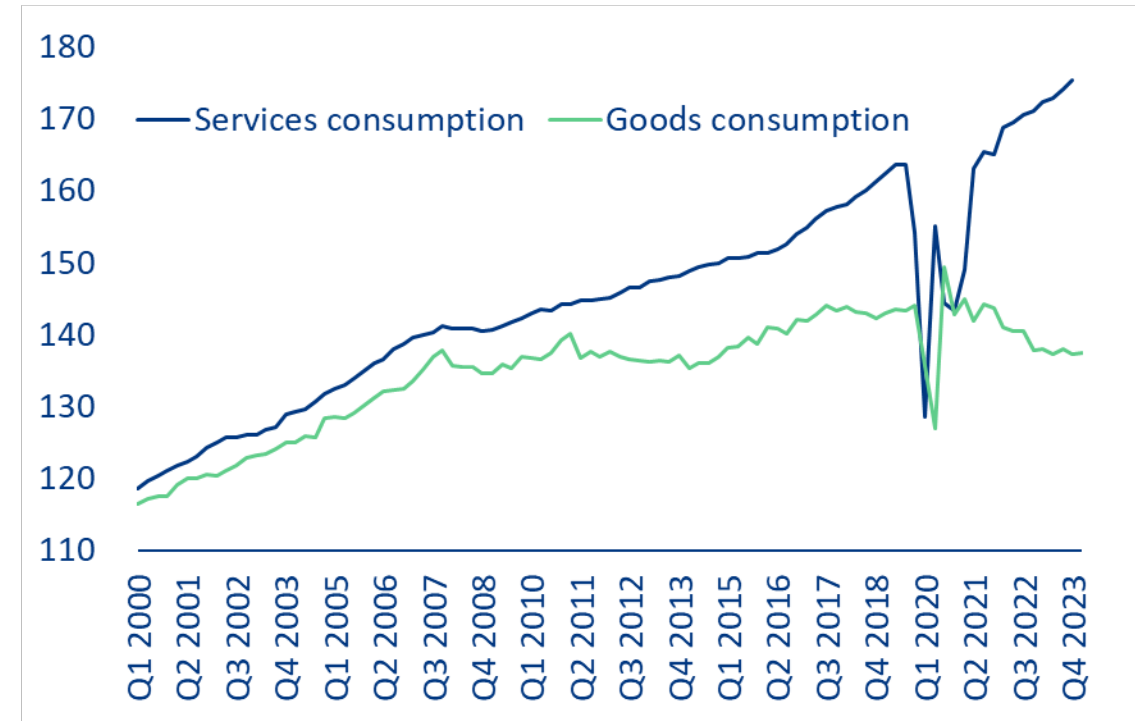
France Outlook 2024-2025

Tight financing conditions are holding back households' investment and spending...

Credit to households has come down rapidly (% year-on-year)



Households have cut back on goods purchases heavily (constant EUR bn, quarterly)



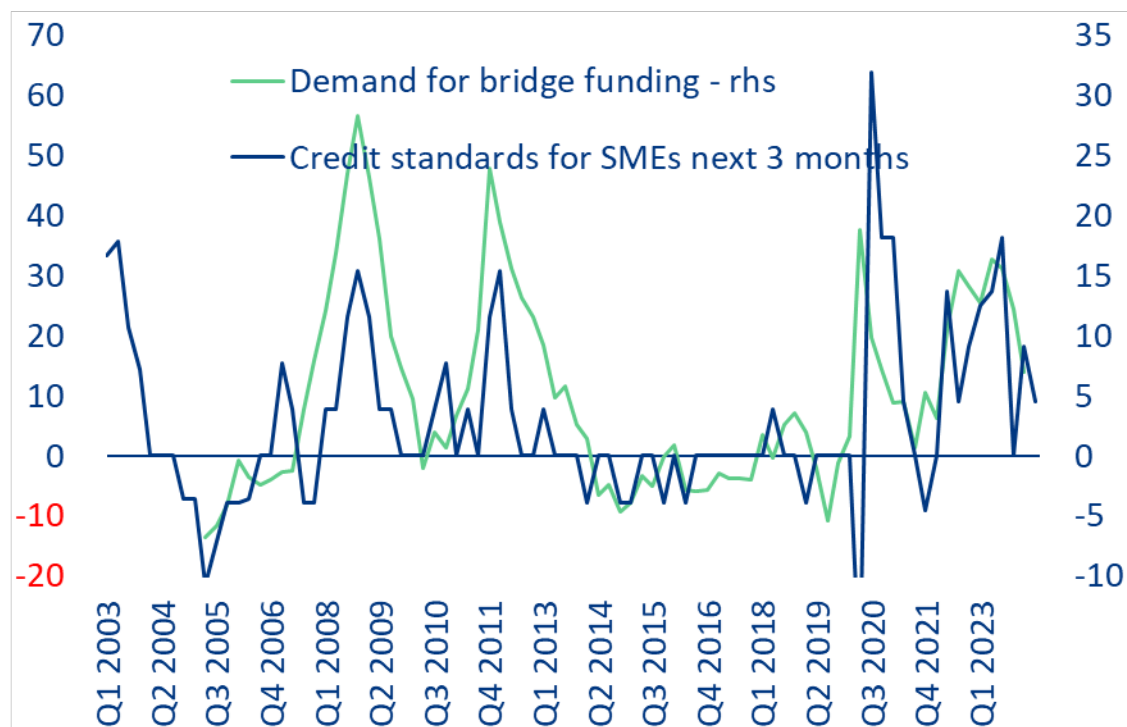
Sources: LSEG Datastream, Allianz Research

Sources: LSEG Datastream, Allianz Research

France Outlook 2024-2025

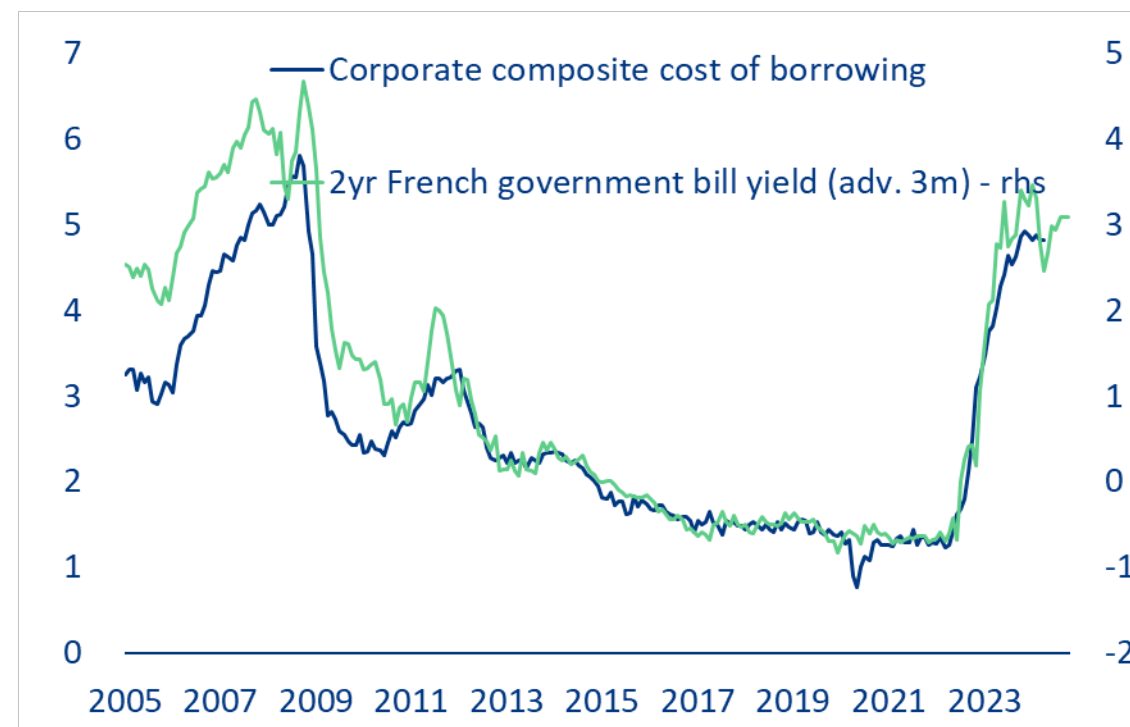
... as well as corporates'.

Bridge funding needs still elevated
(index)



Sources: LSEG Datastream, Allianz Research

Cost of funding to remain high in the near term
(%)

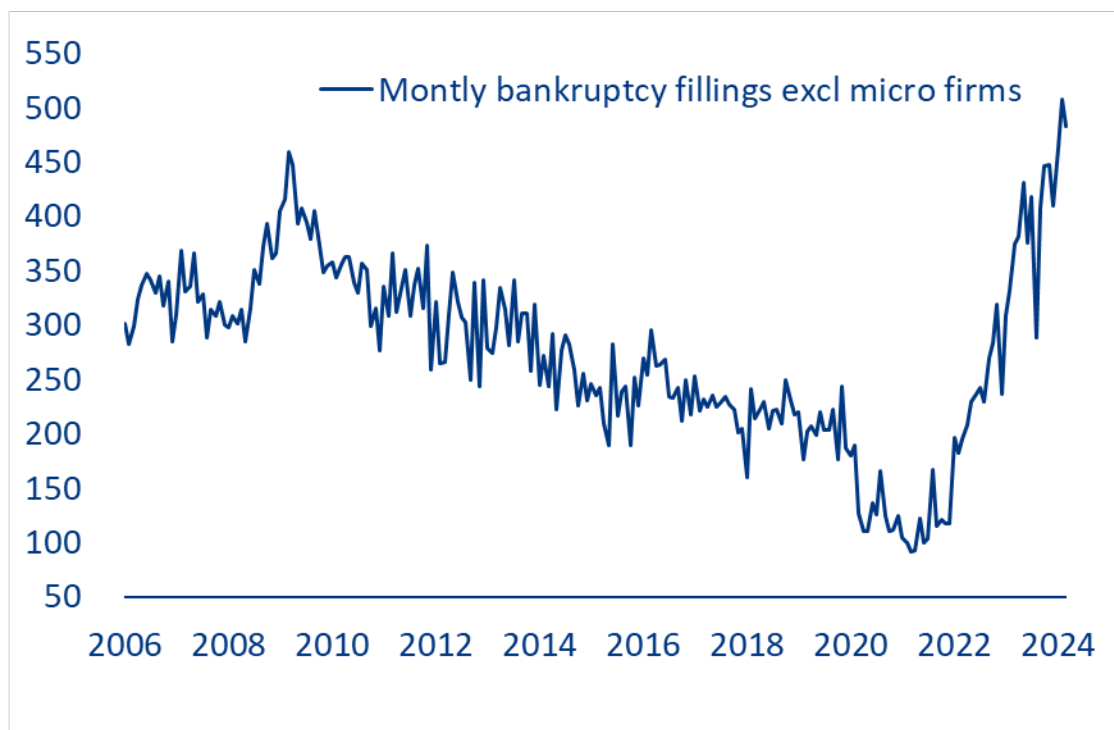


Sources: LSEG Datastream, Allianz Research

France Outlook 2024-2025

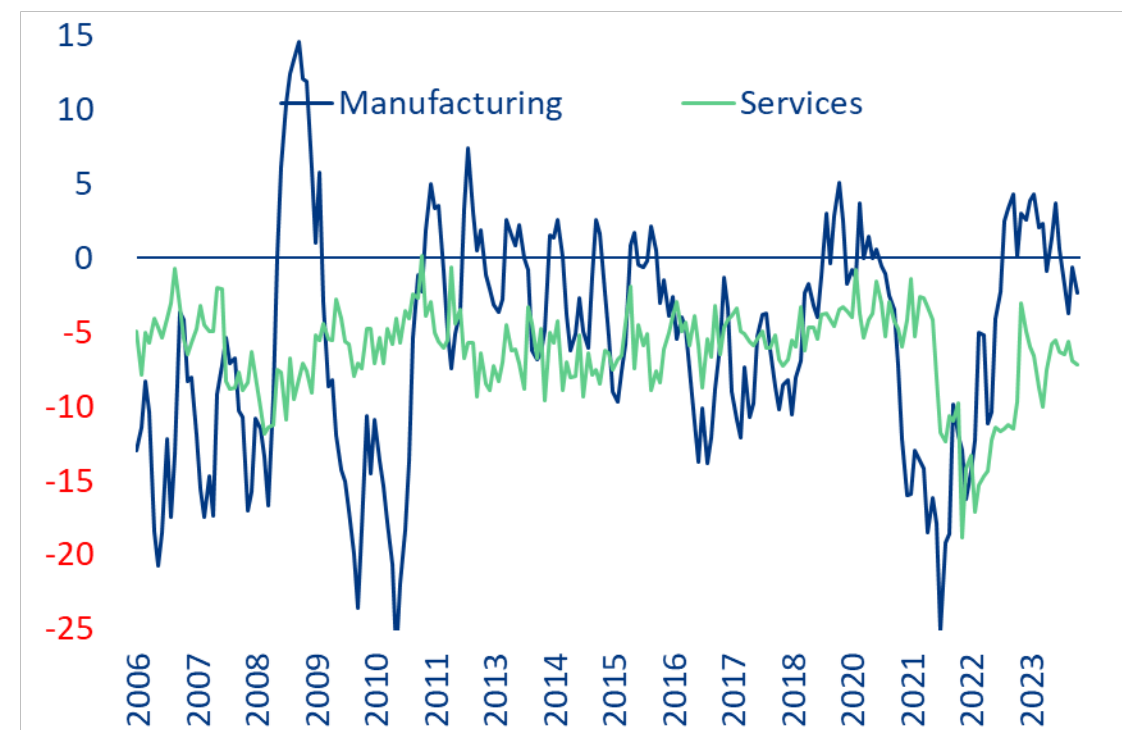
Sharp rise in corporate bankruptcies as margins suffer

Record high bankruptcy filings excl micro firms



Sources: LSEG Datastream, Allianz Research

PMI Output prices – Input prices (proxy for margins): services still under pressure

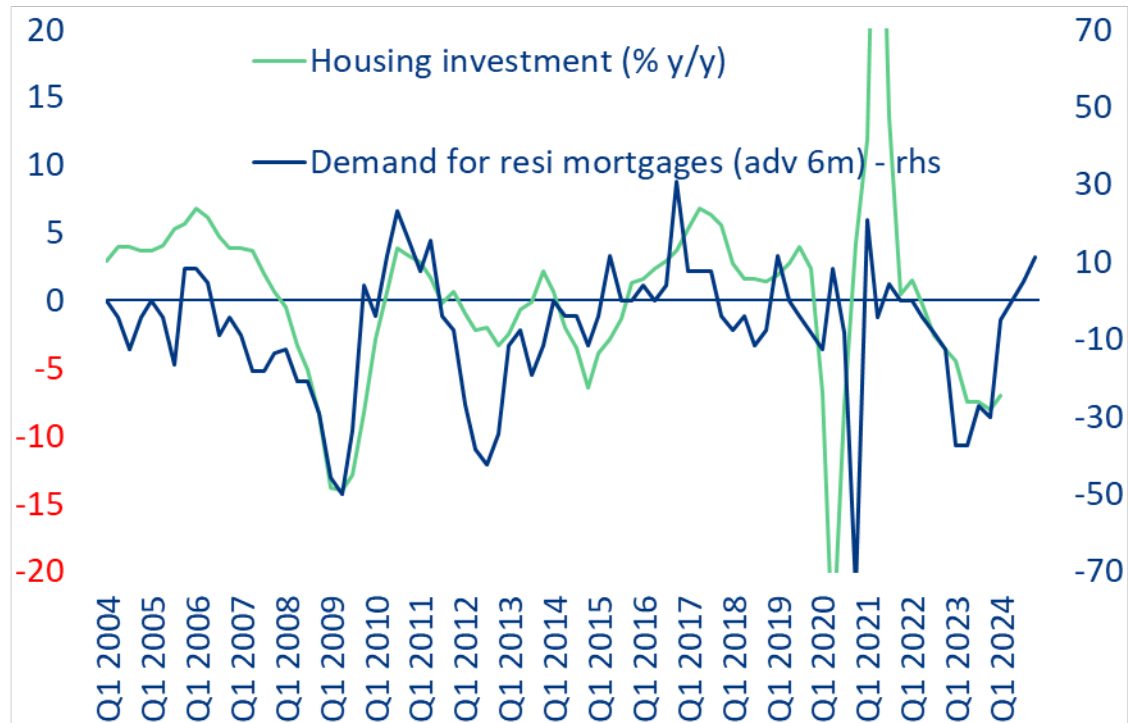


Sources: Allianz Research

France Outlook 2024-2025

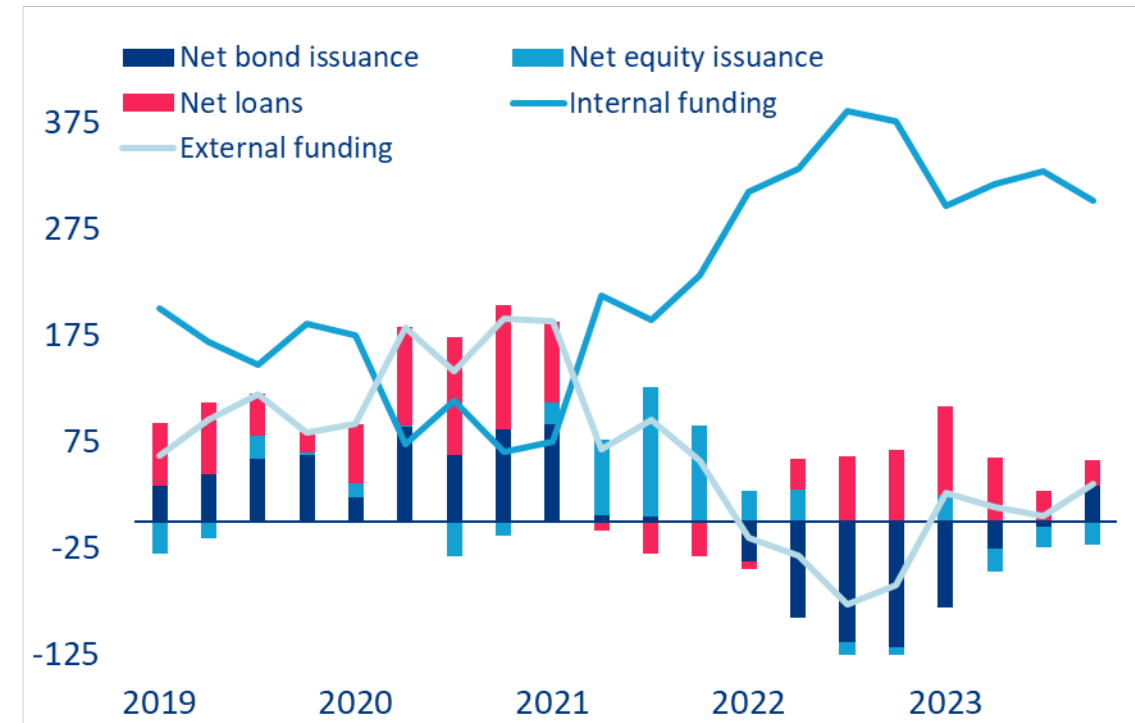
Start of **ECB loosening** should support a pick-up in growth from end 2024

Demand for mortgages is picking up, signaling a recovery in housing investment & transactions



Sources: LSEG Datastream, Allianz Research

Tentative signs that external funding to corporate investment is improving (EUR bn, 4-quarter moving sum)

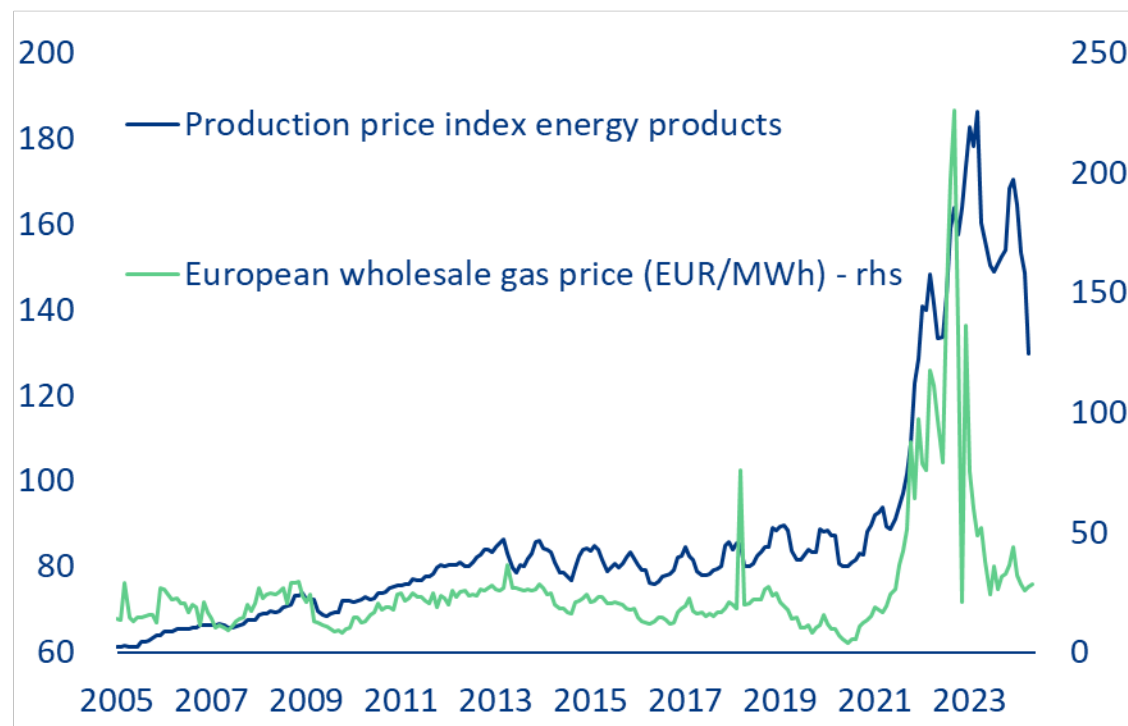


Sources: LSEG Datastream, Allianz Research

France Outlook 2024-2025

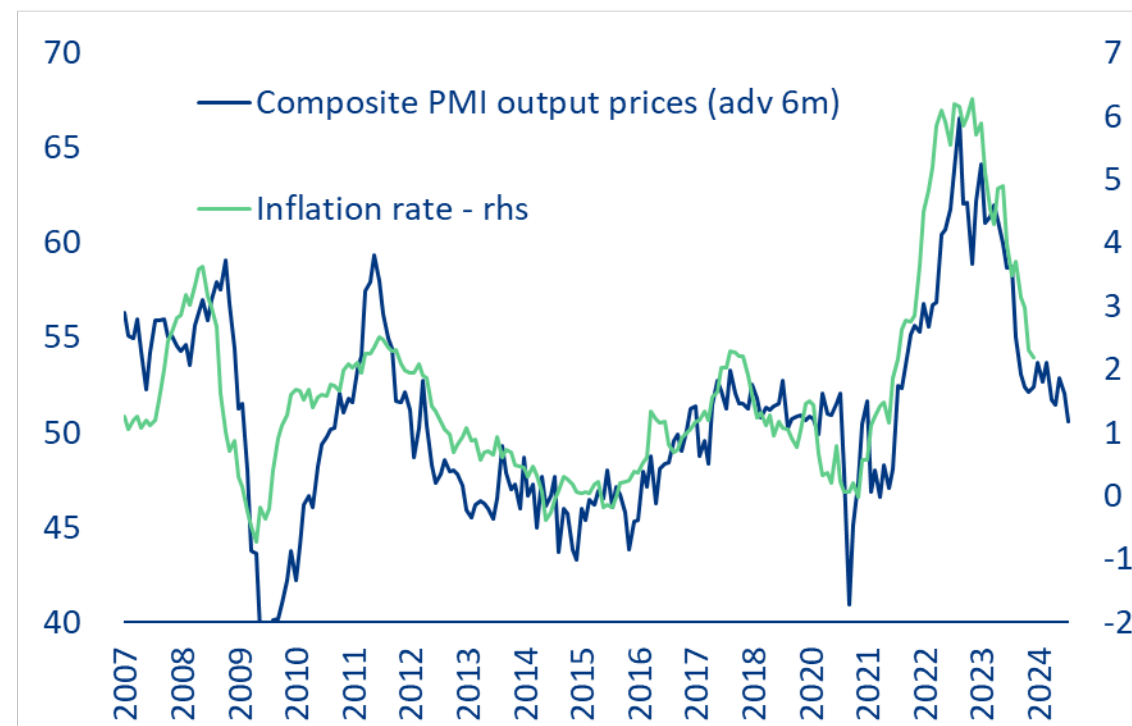
Lower inflation should also provide support to incomes

Energy prices still have scope to fall given low wholesale gas price



Sources: LSEG Datastream, Allianz Research

Headline inflation has further room to fall



Sources: LSEG Datastream, Allianz Research

02

ASPECTS POLITIQUES ET SECURITAIRES



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Control Risks

About Control Risks

Control Risks is a specialist global risk consultancy that helps create secure, compliant and resilient organisations. We ensure that our clients are prepared to resolve critical issues and crises, realise opportunities and maximise growth in unfamiliar and complex regions.

We believe that taking risks is essential to success, so we provide cutting-edge insight, intelligence and expert advice to ensure our clients remain resilient in the face of disruptions. From the boardroom to remote locations, Control Risks is a trusted advisor to 85% of the Fortune 500.



+4,000

people work from

42

offices with experience in

178

countries across

18

sectors worldwide

Politics in France – uncertainty ahead but some “certain uncertainties”

- The political environment in France has become more uncertain. But within this, there are some “**certain uncertainties**”.
 - We are likely to see **slow, erratic policy-making**, with backtracking and flipflopping on announced legislation.
 - The government, whatever formation it takes and whoever leads it, is likely to be **vulnerable to confidence votes**.
 - The government is likely to struggle to tackle the country’s **soaring debt**, and the passage of the 2025 budget will be strained.
- But France of course remains by international standards **relatively very stable** – with strong institutions, economy and security posture. But anti-establishment parties pose a long-term threat to stability.

Final results

Blocs may change slightly as members have until 18 July to decide where they will sit in parliament

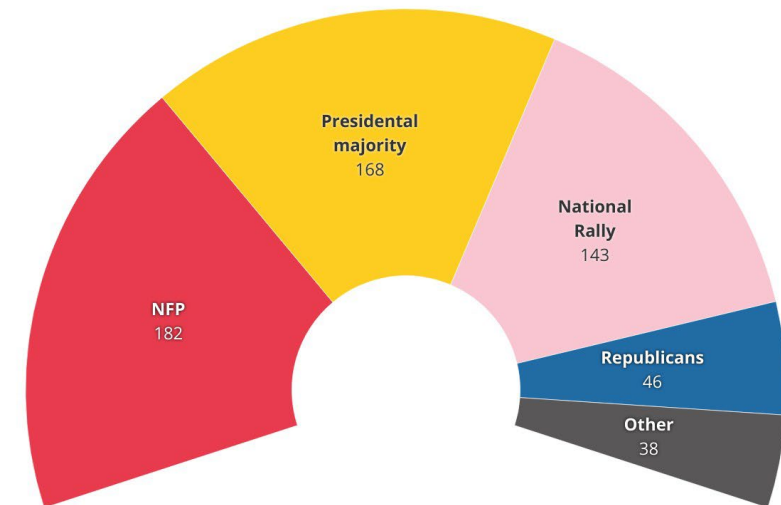
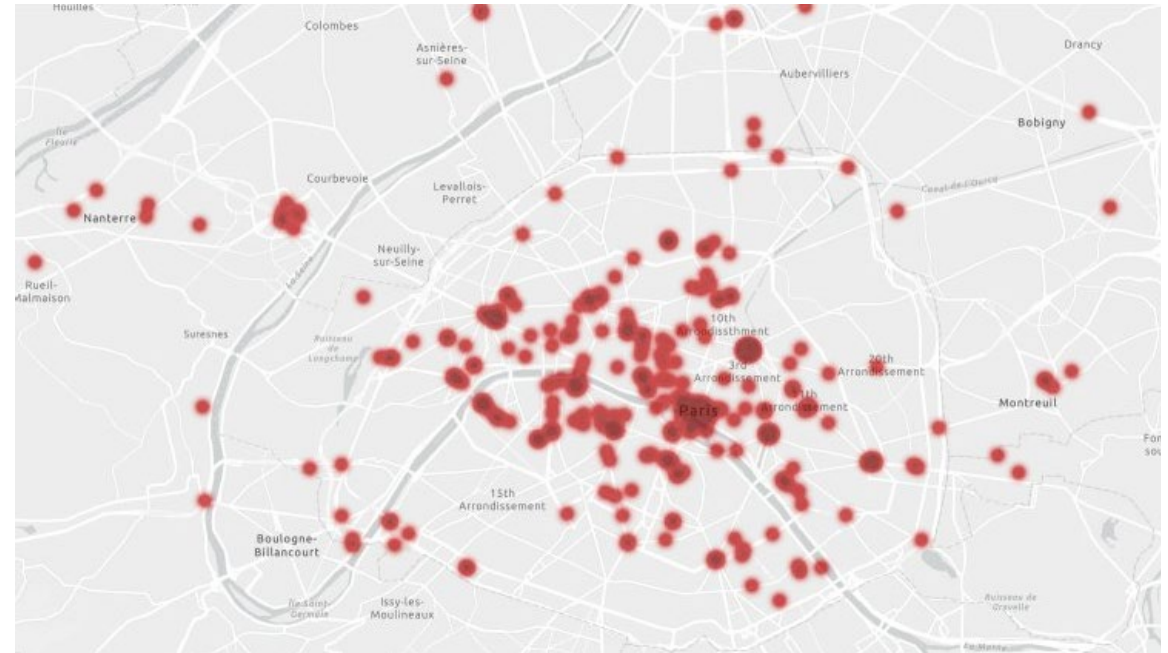


Chart: Control Risks

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Security challenges exacerbated by the current political environment

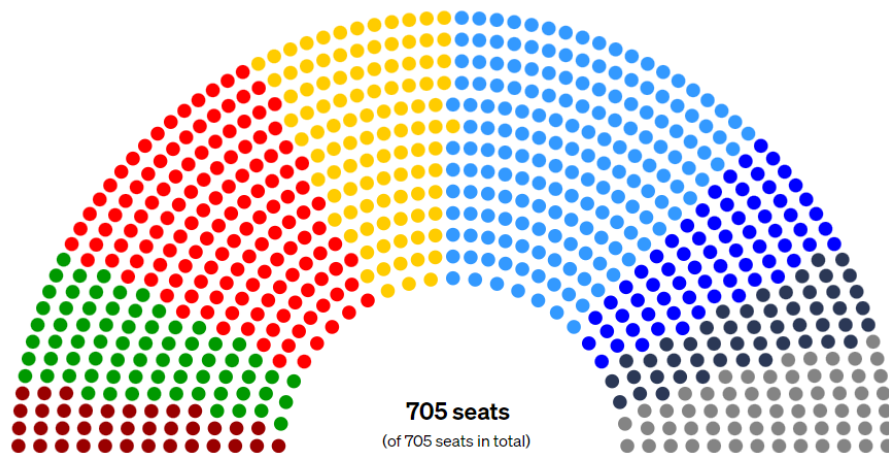
- The political landscape will create potential triggers for protest and civil unrest.
 - Activism, related to environmentalism, the Israel-Hamas conflict, and the war in Ukraine.
 - Left-wing anti-government protest.
 - Right-wing protest and violence.
- Context Paris 2024 Olympics
 - High level of threats (terrorism, crime, activism, cyber, etc...)
 - Mobilization of law enforcement
- Change of the national security strategy?
 - Impact of the elections, new Prime Minister, etc...



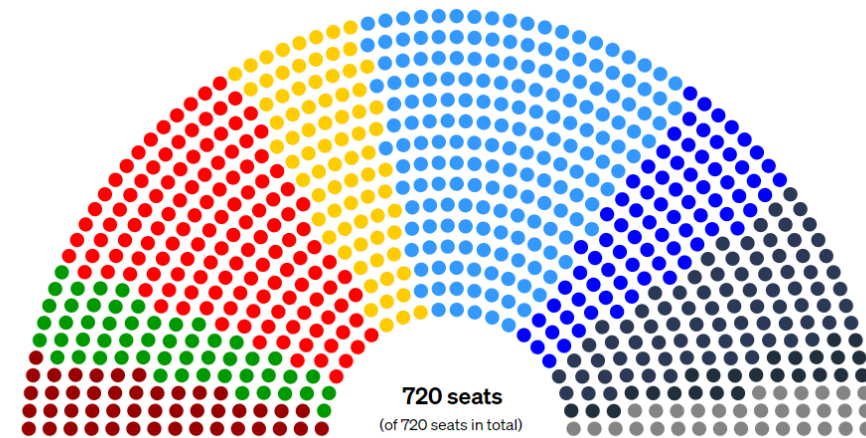
Seerist

Shaky Europe lacking leadership in the face of major challenges

- Europe faces potential **weaker leadership** in the year ahead at the member state level.
- On big-picture issues, Macron will probably retain his ambitious role within Europe. But France will be a less reliable partner on driving through ambitious European policies.
- This comes as Germany is struggling with internal challenges and Italy's government has Eurosceptic elements.



European Parliament 2019

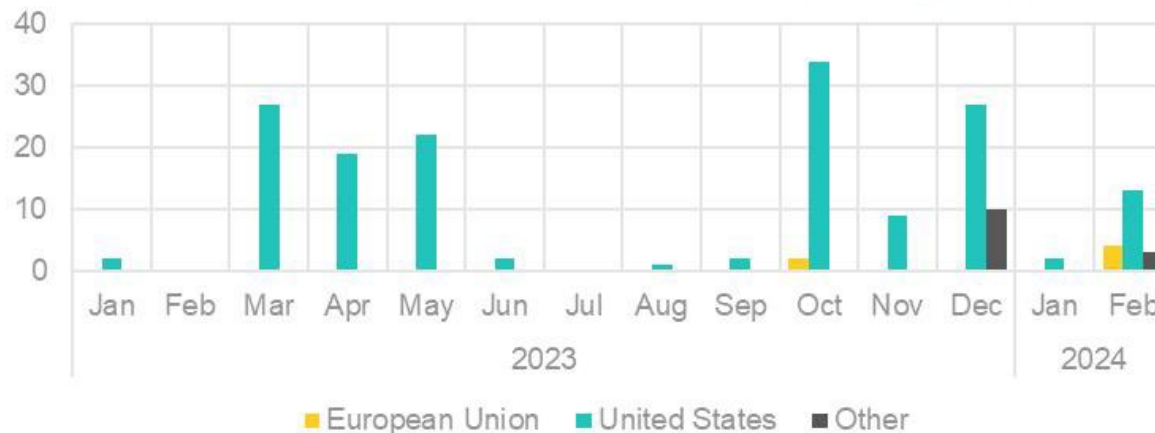


European Parliament 2024

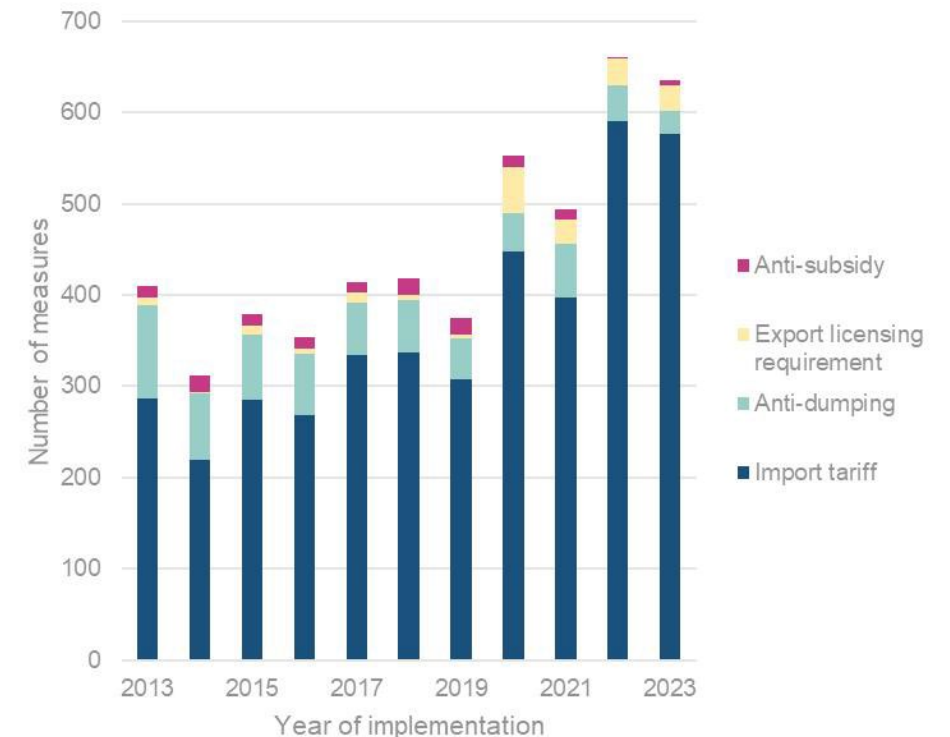
Europe caught between a bold US and China going head to head

- Europe faces threats from strong, protectionist industrial policies in US and China, and potential upcoming **tariff wars**.
- Europe likely faces a **complicated choice** and pressure from both sides.
- If Trump is re-elected, this exacerbates the situation.
- Stronger industrial policy is not going away.

Western sanctions on China (# targets)

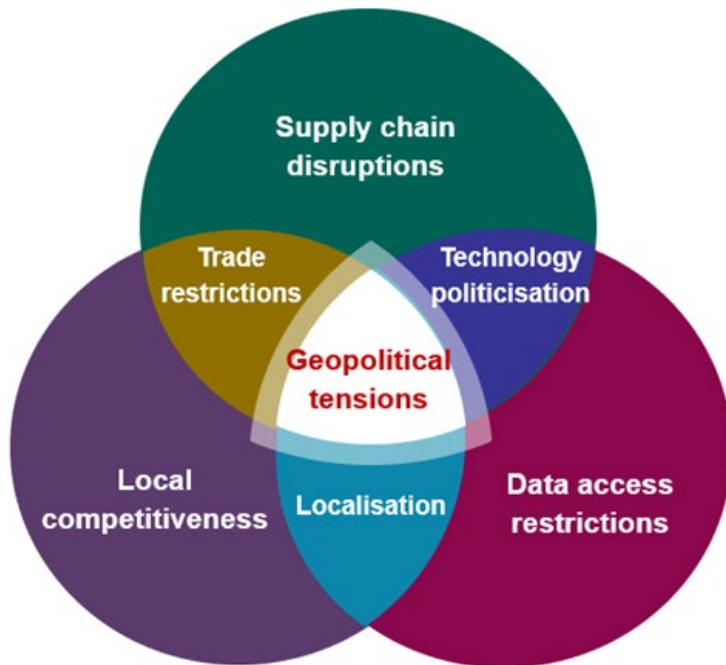


Trade measures affecting China (2013-23)



Mounting threats to Europe's supply chains in a world of heightened geopolitical threats and complexity

- Europe faces a multitude of threats to securing **supply chains** and access to critical materials.
 - Geopolitical uncertainty resulting in more threats to chokepoints.
 - Heightened geopolitical competition means greater potential for goods to be restricted.
 - There is the danger of Europe losing its industrial strength.



Maritime chokepoints



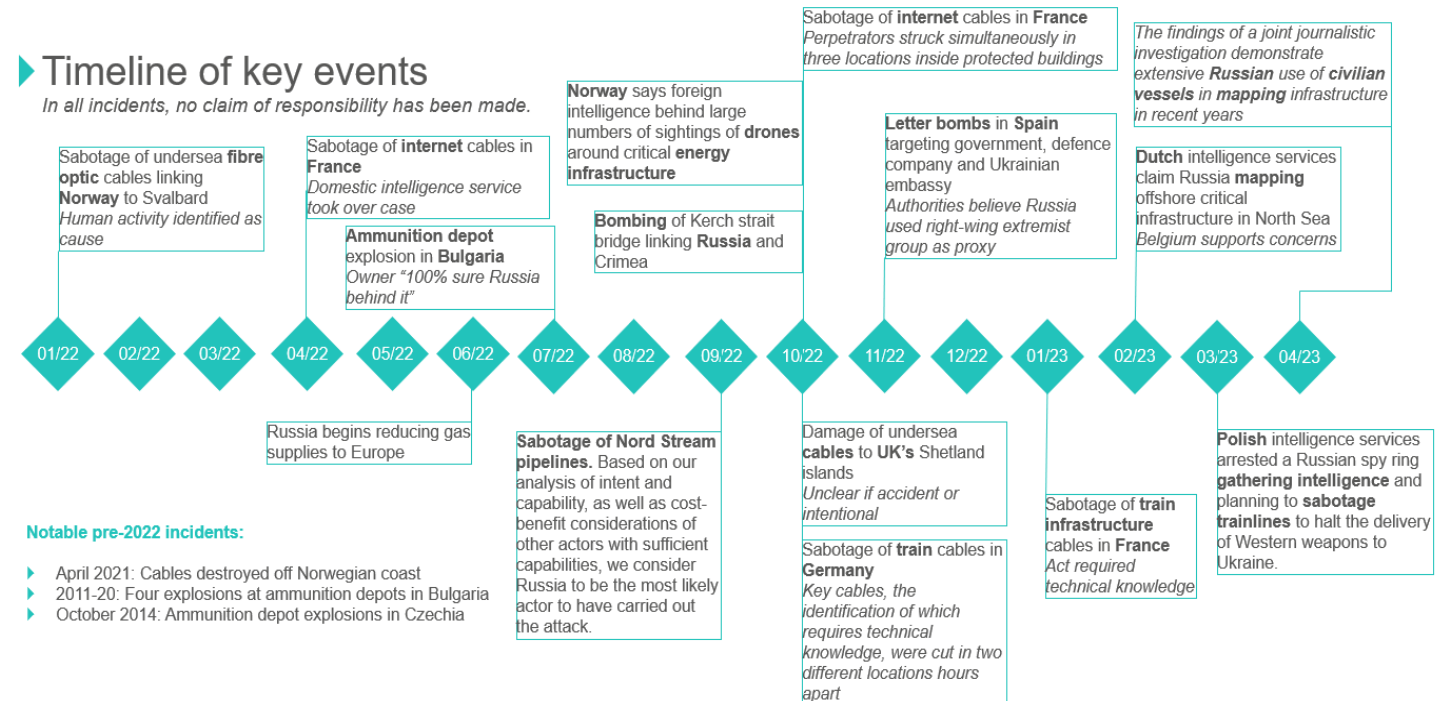
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Hybrid threats to Europe in a more uncertain geopolitical environment

- Russia and other adversaries will continue to support movements seeking to destabilise Europe.
- A Trump presidency could see the US cut support to Ukraine, emboldening **Russia's security challenges to Europe** and destabilisation efforts.
- Potential for security challenges on Europe's doorstep to increase, driving other challenges.
- Mounting political apathy, anti-establishment sentiment and Euroscepticism pose threats to the long-term strength of institutions.

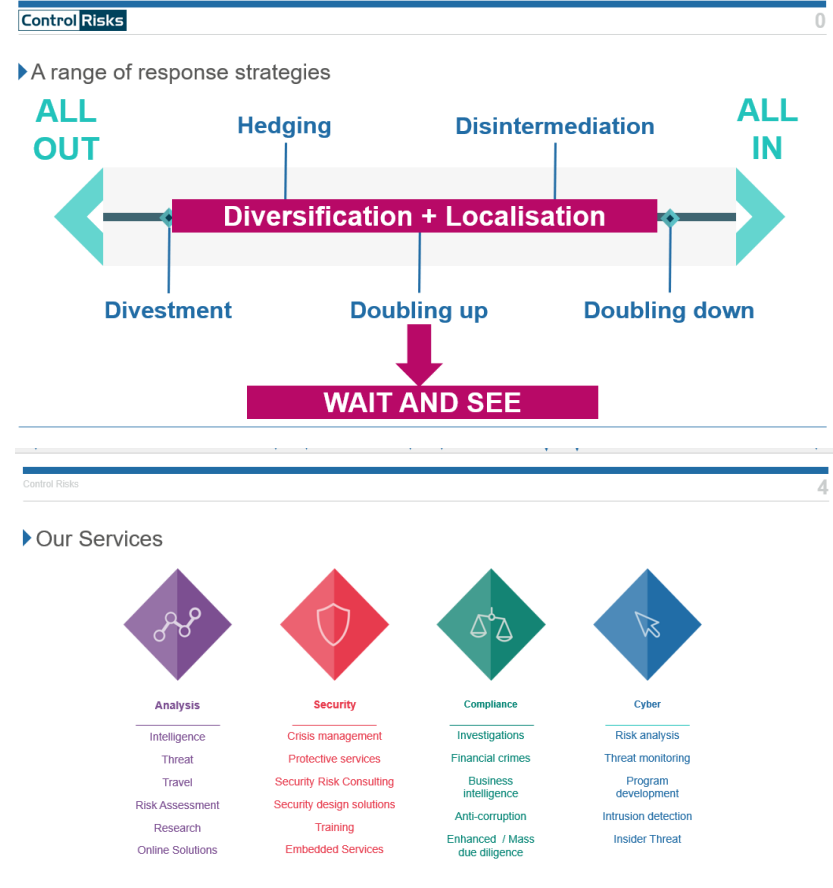
Timeline of key events

In all incidents, no claim of responsibility has been made.



Control Risks Support

- We monitor the political landscape in France and Europe to help companies stay ahead of regulatory changes.
- We help companies plan for challenges stemming from geopolitical tensions.
 - We have worked for French companies operating in China to plan their strategies to mitigate against and anticipate potential regulatory and reputational fallout from their activities.
- We investigate potential partners for their geopolitical and supply chain vulnerability exposure.
- We support our client's responses to crises whether security, reputational or product-related.
- We provide security support from site security reviews and designs to close protective services.



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QUESTIONS / REPONSES

Merci