



Economic outlook DACH Into the storm?

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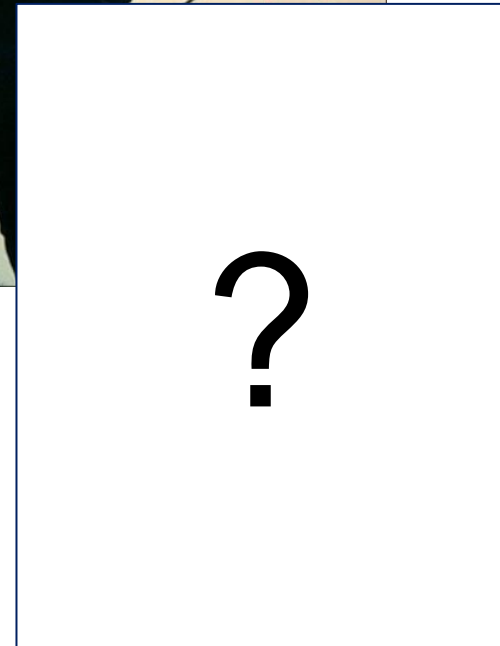
Warszawa, 25 Feb 2015



State of play

What a year it has been so far

The year in The Economist covers



DACH forecasts

Economic outlook for Germany



Will Germany continue to outperform the Eurozone?

Development of German and Eurozone GDP (YOY in %)



Exports



Investment



Private
Consumption

Source: International Monetary Fund

Economic outlook for Germany



What to expect for 2015?



Exports



+ 4,4%



**Private
Consumption**



+ 1,4%



GDP



+ 1,0 - 2,2%



Investment



?

Economic outlook for Switzerland



After the exchange rate shock



Outlook 2015



- Relatively stable labour market, structurally low unemployment
- Increasing real income



- Strong Swiss Franc, high exchange rate volatility
- Subdued growth in key export markets
- Immigration policy / EU integration unclear
- Unemployment rate creeping up
- Nominal income growth subdued

Source: State Secretariat for Economic Affairs SECO

Economic outlook for Switzerland



Highly competitive today – and tomorrow?

Immigration and relationship with EU

'Mass immigration' initiative accepted in February. How will limited immigration be reconciled with EU right of free movement? How will companies be able to recruit sufficient numbers of sufficiently skilled employees?

Immigration



Corporate Taxation

Corporate Tax Reform III to reconcile tax competitiveness and EU rules. Companies will need to adapt and for some Swiss tax competitiveness might fall. How will Swiss overall competitiveness be affected?

Taxation



Monetary instability

The abolition of the Swiss Franc / Euro cap by the Swiss National Bank took business by surprise and increased uncertainty. Export driven industries like manufacturing and domestic sectors like tourism will struggle to keep competitive.

Monetary instability



Economic outlook for Austria



Private consumption growth close to zero



Source: Economist Intelligence Unit

Exports



- Stagnation of European economy
- Sanctions against Russia
- Weak global economy
- Imports > Exports = negative terms of trade



- Strong increase of demand from USA and Asia
- Devaluation of EURO

Investment



- Favorable financing conditions
- CFOs plan to increase investments



- High level of uncertainty
- Replacement and rationalization main investment focus

Private Consumption



- Rather low unemployment vs EU, but rising
- Rather low inflation, but higher than Germany (because of taxes, rents and fees)



- Restrictive labour market
- Stagnating real income
- Subdued consumer sentiment

CE competitiveness from the perspective of Western investors

Investment in Central Europe

Where does the money go?

01/ *Germany and Austria as main investor countries*

02/ *Major part of FDIs flows into automotive industry*

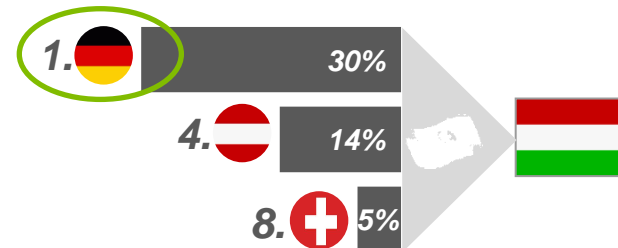
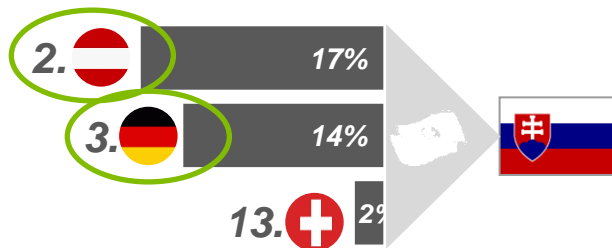
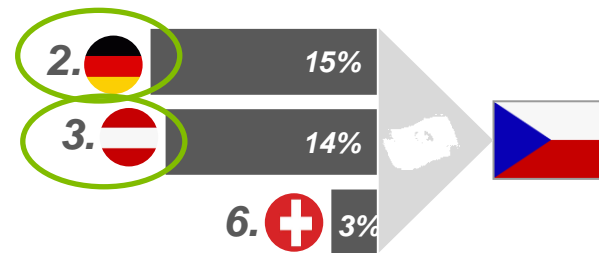
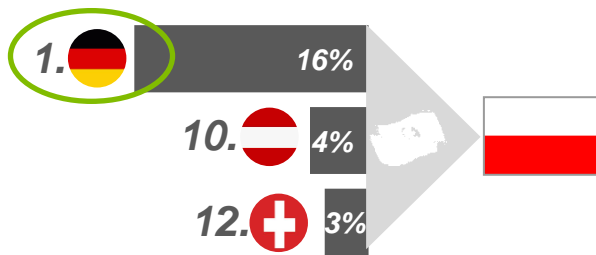
03/ *German companies find CE countries highly attractive*

04/ *Positive business sentiment of German companies in most CE countries*

Investment in Central Europe

Germany and Austria as main investor countries

Investment Share and Rank of Germany, Switzerland and Austria in 2012

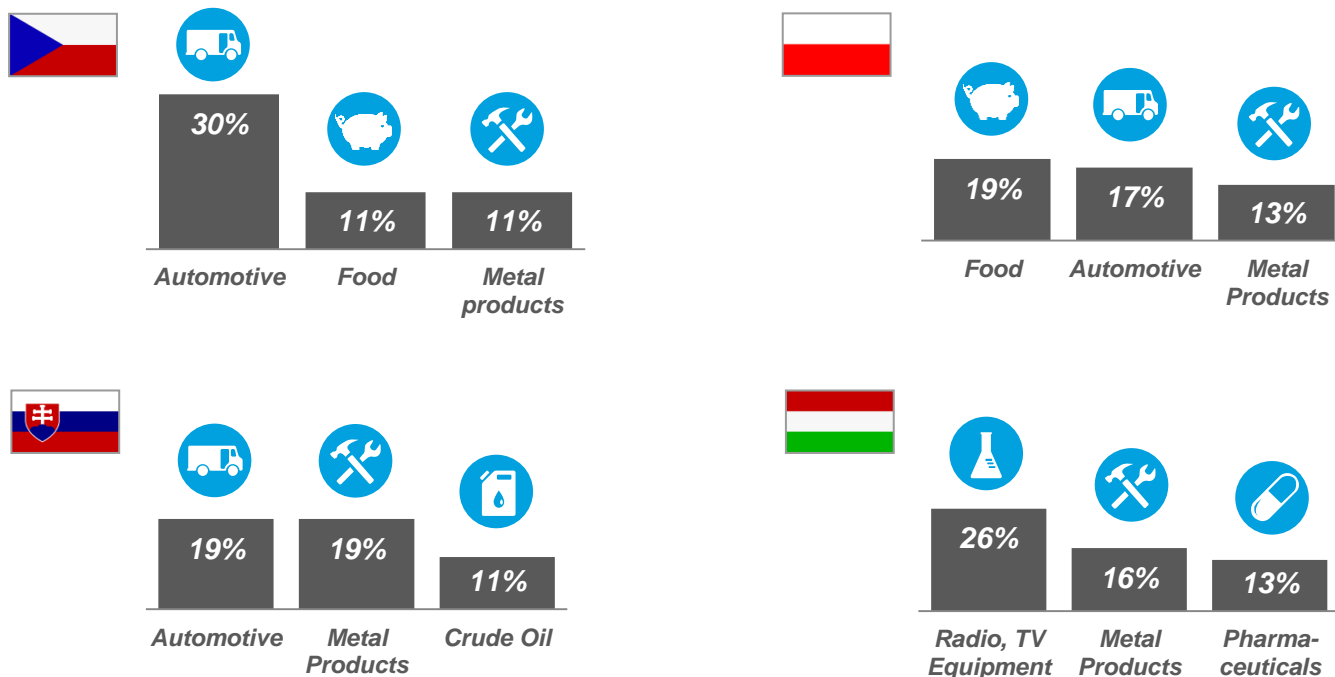


Source: OECD

Investment in Central Europe

FDIs in manufacturing focus on automotive industry

FDI by Industry from OECD countries in 2012 (as share of total FDI in Manufacturing)



Source: OECD

Location attractiveness of CE countries

83% of German companies would choose same location again

	  1.	  2.	  4.	  9.	Average CE
 Labour market					
▶ Labour cost	✓	✗	✓	✓	✓
▶ Qualification	✓	✓	✓	✓	✓
▶ Access to skilled personnel	✓	✗	✗	✗	✗
 Business environment					
▶ Infrastructure	✗	✗	✗	✓	✗
▶ Local supplier	✓	✓	✓	✓	✓
▶ Conditions for R&D	✓	✗	✗	✗	✗
 Economic environment					
▶ Tax system/burden	✗	✗	✗	✗	✗
▶ Legal certainty	✗	✗	✗	✗	✗
▶ Access to public funds	✗	✗	✗	✗	✗

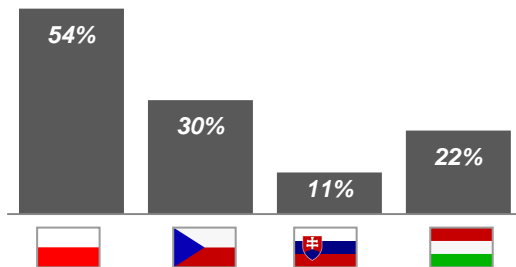
Source: AHK, Konjunkturausblick MOE 2014

Business sentiment in CE countries

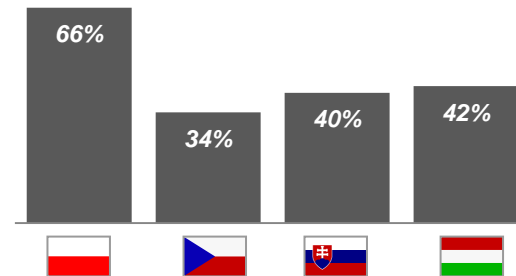
German companies with positive outlook



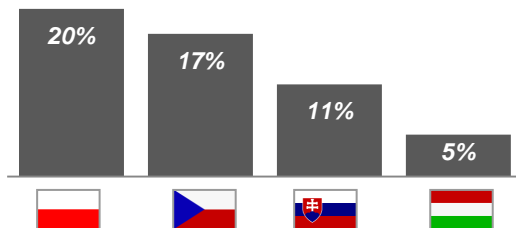
Economic outlook



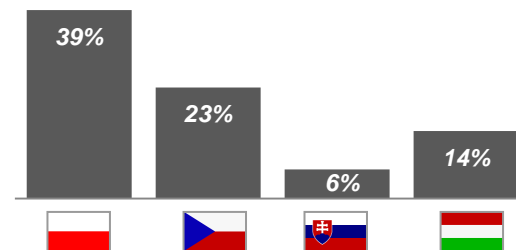
Revenue prospect



Investment plans



New hires



Source: AHK, Konjunkturausblick MOE 2014

Appendix

Growth prospects for DACH and CE

Growth yoy in %																Forecast		
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
World	4.8	2.5	3.0	4.0	5.4	4.9	5.6	5.7	3.0	0.0	5.4	4.1	3.4	3.3	3.3	3.8	4.0	
Eurozone	3.8	2.0	0.9	0.7	2.2	1.7	3.3	3.0	0.4	-4.5	2.0	1.6	-0.7	-0.4	0.8	1.3	1.7	
Austria	3.7	0.9	1.7	0.9	2.6	2.4	3.7	3.7	1.4	-3.8	1.8	2.8	0.9	0.3	1.0	1.9	1.7	
Germany	3.3	1.6	0.0	-0.4	0.7	0.9	3.9	3.4	0.8	-5.1	3.9	3.4	0.9	0.5	1.4	1.5	1.8	
Switzerland	3.7	1.2	0.2	0.0	2.4	2.7	3.8	3.8	2.2	-1.9	3.0	1.8	1.0	1.9	1.3	1.6	2.0	
Czech Republic	4.2	3.1	2.1	3.8	4.7	6.8	7.0	5.7	3.1	-4.5	2.5	1.8	-1.0	-0.9	2.5	2.5	2.4	
Hungary	4.2	3.7	4.5	3.9	4.8	4.0	3.9	0.1	0.9	-6.8	1.1	1.6	-1.7	1.1	2.8	2.3	1.8	
Poland	4.3	1.2	1.4	3.9	5.3	3.6	6.2	6.8	5.1	1.6	3.9	4.5	2.0	1.6	3.2	3.3	3.5	
Slovak Republic	1.4	3.5	4.6	4.8	5.1	6.7	8.3	10.5	5.8	-4.9	4.4	3.0	1.8	0.9	2.4	2.7	2.9	
Slovenia	4.2	2.9	3.8	2.8	4.4	4.0	5.7	6.9	3.3	-7.8	1.2	0.6	-2.6	-1.0	1.4	1.4	1.5	

Source: International Monetary Fund

Growth prospects for the world economy

Welcome to the 'new mediocre'

Growth yoy in %																Forecast		
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
World	4.8	2.5	3.0	4.0	5.4	4.9	5.6	5.7	3.0	0.0	5.4	4.1	3.4	3.3	3.3	3.8	4.0	
Eurozone	3.8	2.0	0.9	0.7	2.2	1.7	3.3	3.0	0.4	-4.5	2.0	1.6	-0.7	-0.4	0.8	1.3	1.7	
Austria	3.7	0.9	1.7	0.9	2.6	2.4	3.7	3.7	1.4	-3.8	1.8	2.8	0.9	0.3	1.0	1.9	1.7	
Germany	3.3	1.6	0.0	-0.4	0.7	0.9	3.9	3.4	0.8	-5.1	3.9	3.4	0.9	0.5	1.4	1.5	1.8	
Switzerland	3.7	1.2	0.2	0.0	2.4	2.7	3.8	3.8	2.2	-1.9	3.0	1.8	1.0	1.9	1.3	1.6	2.0	
UK	4.4	2.2	2.3	3.9	3.2	3.2	2.8	3.4	-0.8	-5.2	1.7	1.1	0.3	1.7	3.2	2.7	2.4	
Japan	2.3	0.4	0.3	1.7	2.4	1.3	1.7	2.2	-1.0	-5.5	4.7	-0.5	1.5	1.5	0.9	0.8	0.8	
United States	4.1	1.0	1.8	2.8	3.8	3.3	2.7	1.8	-0.3	-2.8	2.5	1.6	2.3	2.2	2.2	3.1	3.0	
Brazil	4.3	1.3	2.7	1.1	5.7	3.2	4.0	6.1	5.2	-0.3	7.5	2.7	1.0	2.5	0.3	1.4	2.2	
China	8.4	8.3	9.1	10.0	10.1	11.3	12.7	14.2	9.6	9.2	10.4	9.3	7.7	7.7	7.4	7.1	6.8	
India	3.8	4.8	3.8	7.9	7.9	9.3	9.3	9.8	3.9	8.5	10.3	6.6	4.7	5.0	5.6	6.4	6.5	
Russia	10.0	5.1	4.7	7.3	7.2	6.4	8.2	8.5	5.2	-7.8	4.5	4.3	3.4	1.3	0.2	0.5	1.5	

Source: International Monetary Fund



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