

# Economic Conditions and Business Development.

## The world economy

At a rate of 2.5%, expansion of the world economy in 2013 was once again lower than its long-term trend of a little over 3%.

**C.05** After a difficult start to the year, the development of the global economy actually stabilized as the year progressed, so that a slight revival was apparent, especially in the second half of the year. As in previous years, the economy was stimulated by the ongoing expansive monetary policies of all the major central banks. One of the crucial factors for the stabilization was that uncertainty in connection with the European sovereign-debt crisis subsided perceptibly as a result of the measures taken by the European Central Bank. Although the price of crude oil fluctuated during the year, on average it was slightly lower than in 2012.

The economies of the industrial countries achieved disappointing aggregate growth of approximately 1%, which was once again considerably below their potential. Economic growth in the United States of 1.9% was significantly weaker than in the previous year, primarily due to restrictive fiscal measures and reduced investment. In the autumn, tough negotiations concerning the required lifting of the debt ceiling were a substantial negative factor for the global economy. The Japanese economy started the year 2013 with relatively good momentum, primarily driven by the expansive measures taken by the country's central bank and government. The resulting considerable depreciation of the yen provided additional stimulus.

In the European Monetary Union, fiscal policy in 2013 continued to be dominated by consolidation measures, some of which were quite significant; their overall impact on growth was negative, similar to in the previous year. Although falling domestic demand led to another decrease in GDP of approximately 0.5% for the full year, slight growth was actually achieved from one quarter to the next. The situation in the southern recession countries such as Greece, Portugal, Spain and Italy remained difficult. Economic development stagnated also in France, while the German economy at least achieved modest growth of 0.4%.

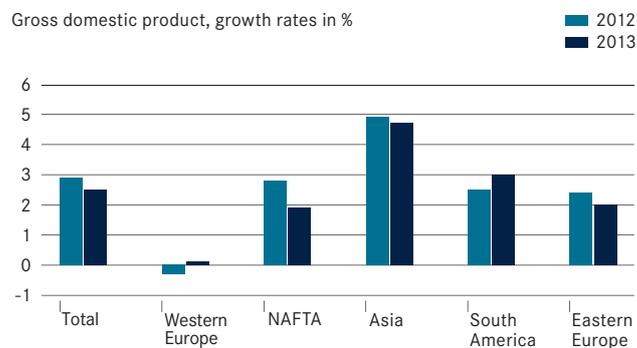
After posting consistently strong growth in recent years, the emerging markets remained significantly below original expectations in 2013 with overall growth of just under 4.5%. Above all for the major economies of India, Brazil and Russia, forecasts were revised downwards continually and by significant margins during the year. But it was particularly important for the world economy that the growth slowdown in China did not continue. In fact, the situation of the Chinese economy stabilized during the second half of the year, and solid GDP growth of 7.7% was achieved in the year 2013.

In this global economic environment, exchange rates were volatile, in some cases very much so. Against the euro, the US dollar fluctuated over the year in a range from €1.27 to €1.39. At the end of 2013, the euro was nearly 5% stronger than at the beginning of the year at \$1.38. The fluctuation of the Japanese yen to the euro was very pronounced within a corridor of ¥113 to ¥145. By the end of 2013, the euro had gained nearly 27% against the yen compared with the beginning of the year. The euro closed the year with a gain of approximately 2% against the British pound, with rather less volatility.

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### Economic growth

Gross domestic product, growth rates in %



Source: IHS Global Insight