

# Latest View on Macroeconomic Indicators and Impact on Demand

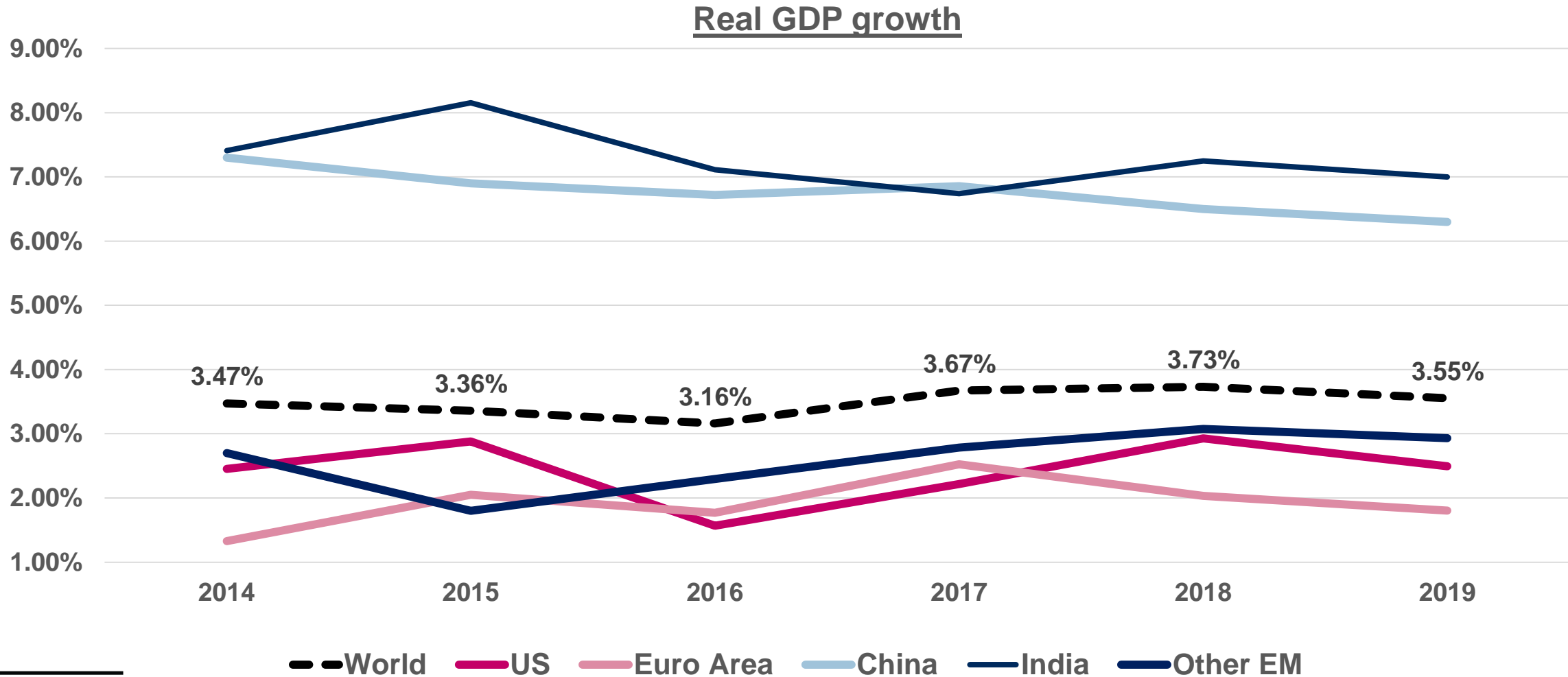
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Head of Demand & Refining



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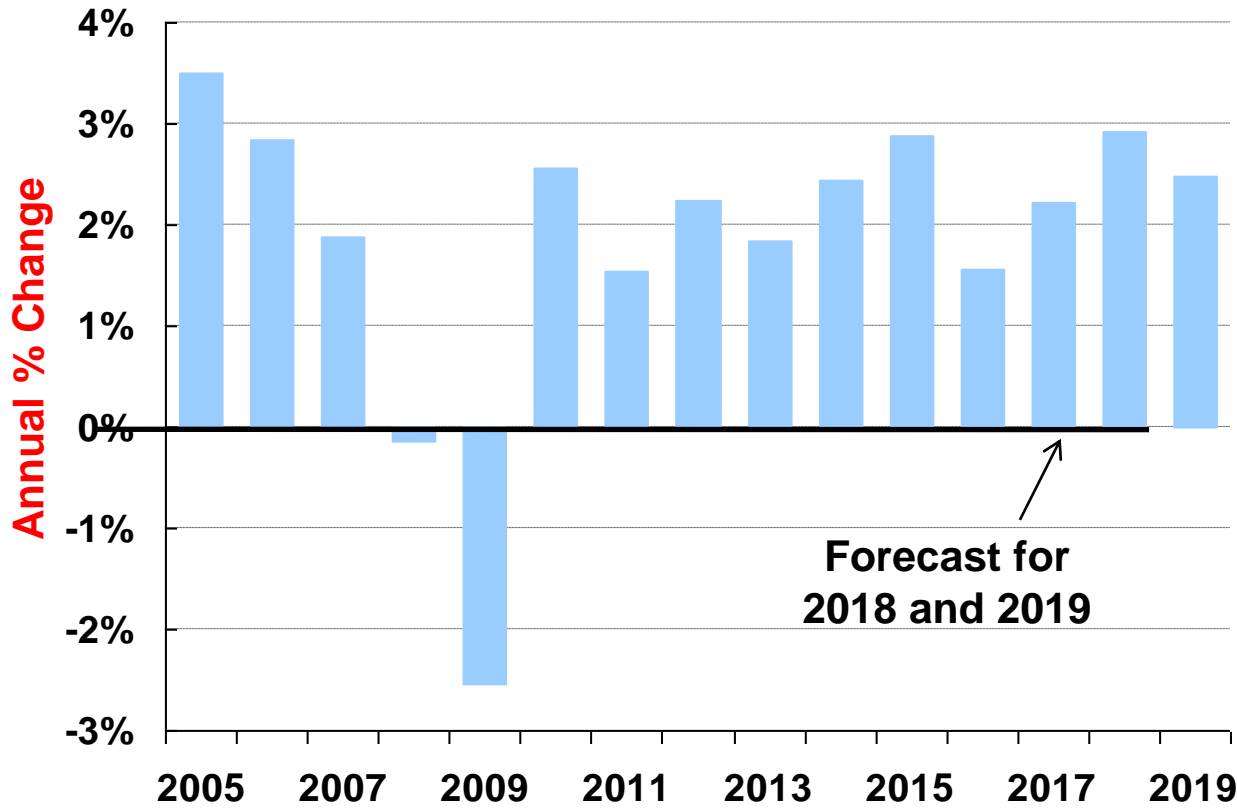
**S&P Global**  
Platts

# Strong growth in India and China and a buoyant US economy has kept global economic expansion above its long-term trend at 3.5%.

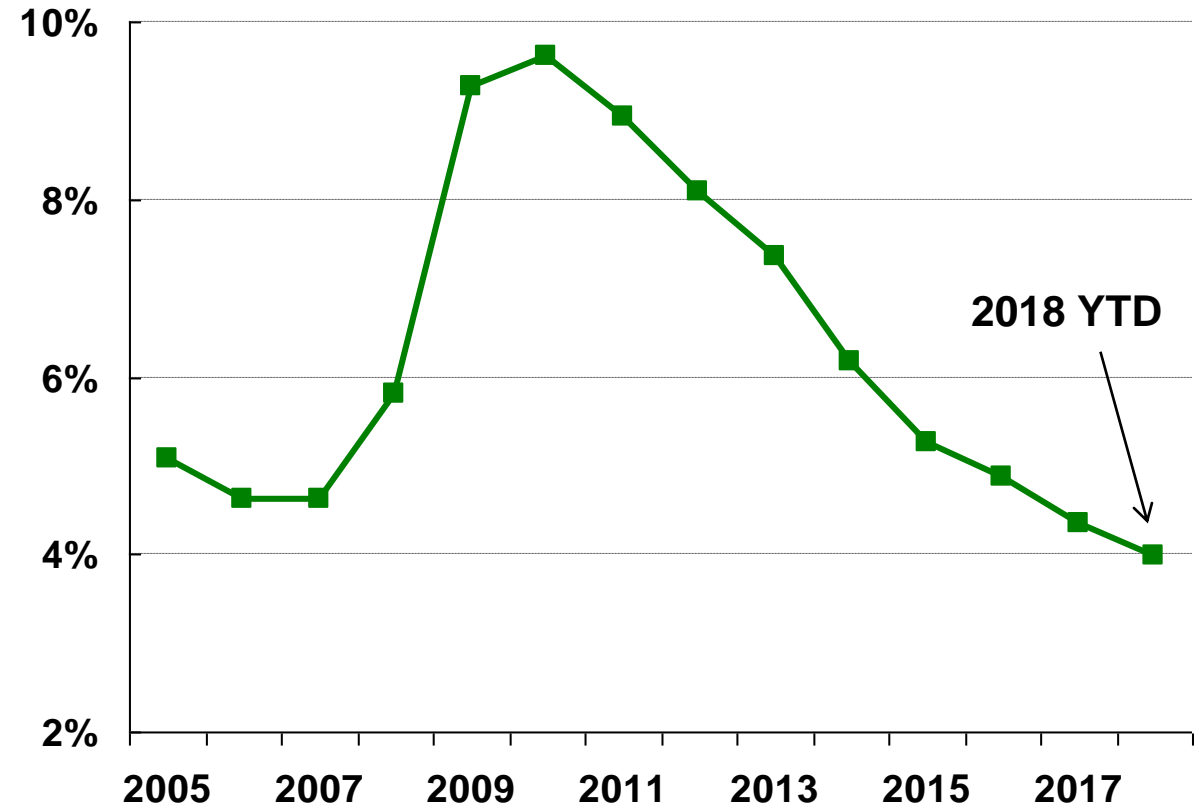


# In the U.S., indicators for real economic activity remain strong, with GDP growth picking up and unemployment at a historic low

## Real GDP Growth

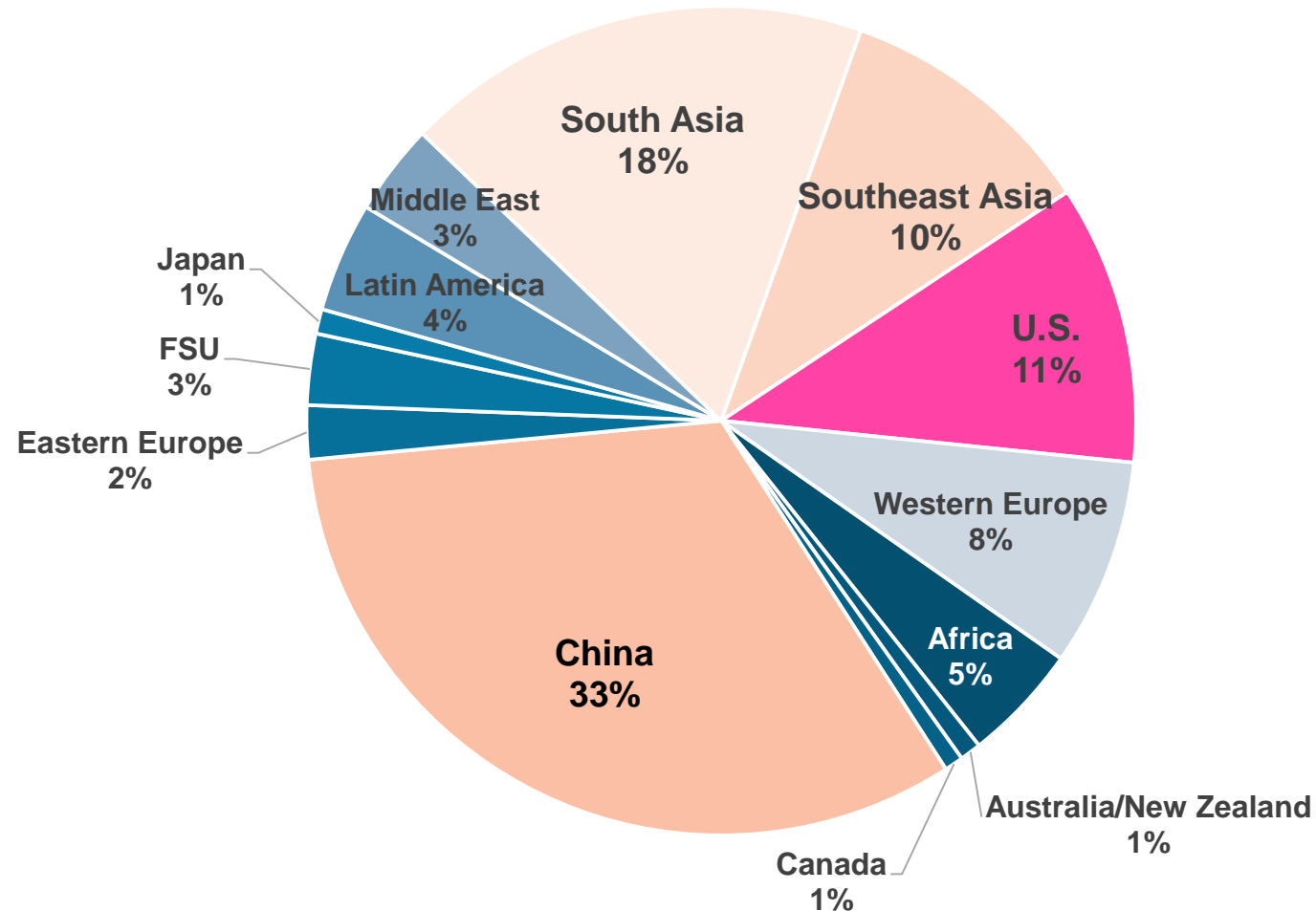


## Unemployment Rate

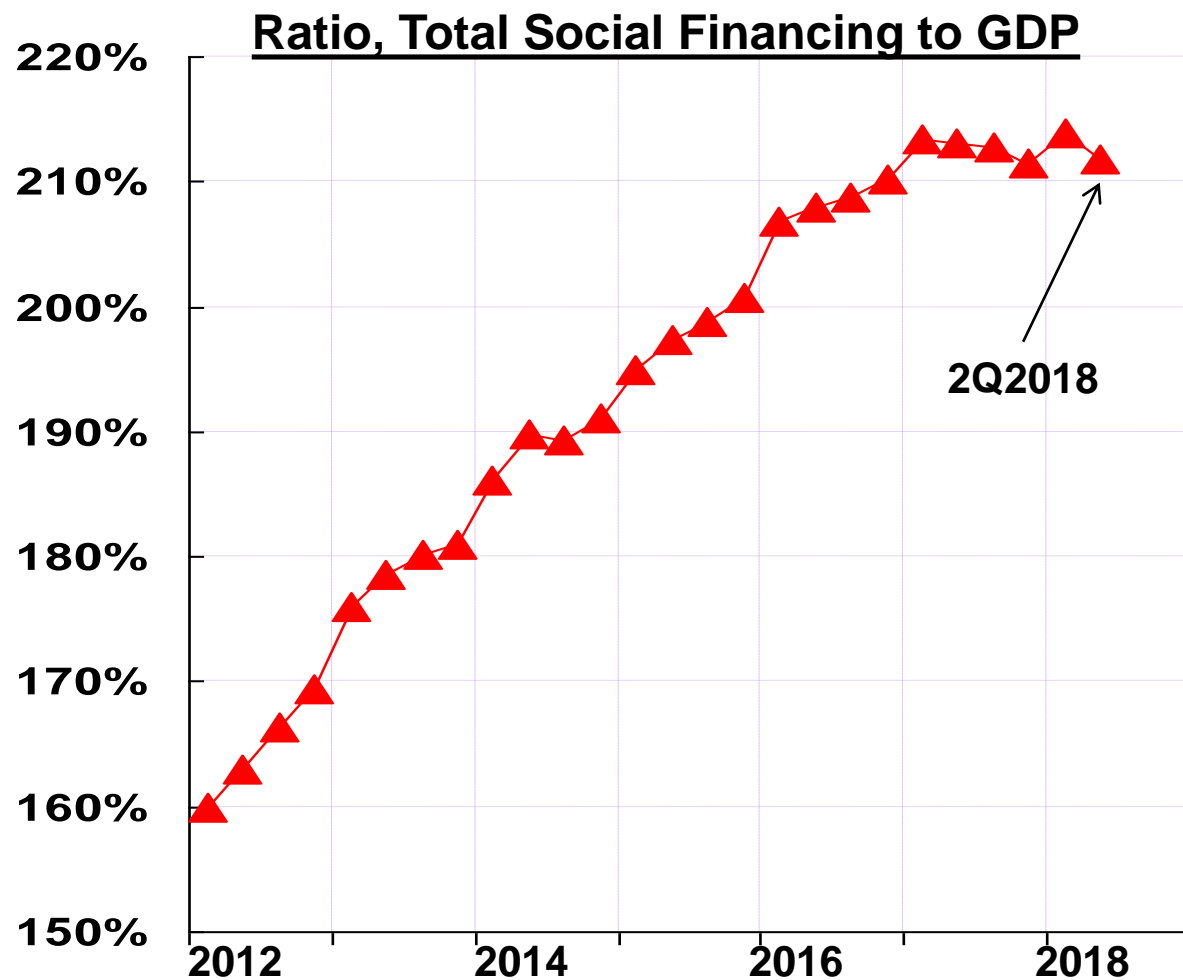
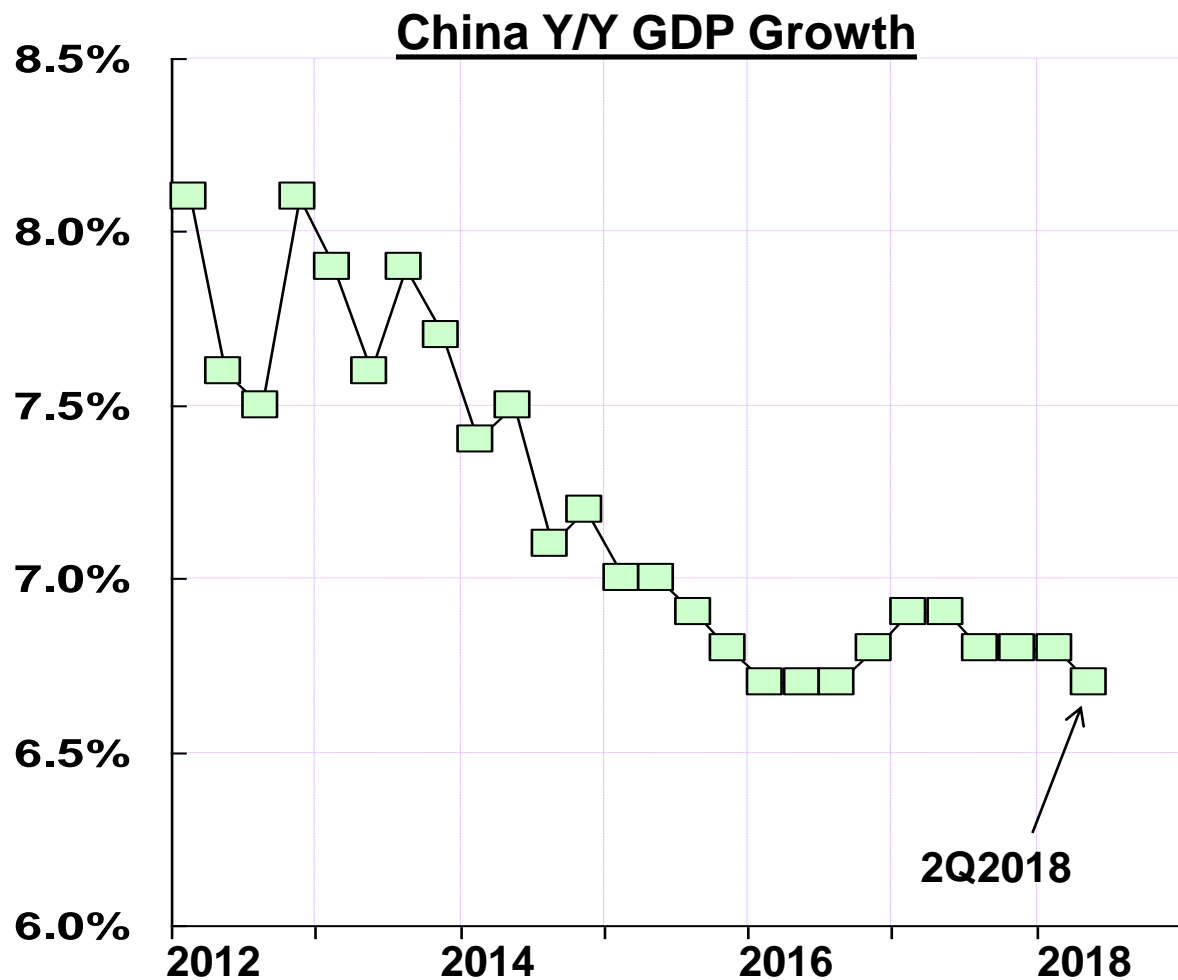


Source: BEA, BLS

**Yet, non-OECD Asia will account for 60% of world global growth in 2018-2020 versus 20% for OECD. Any slowdown in this mega-region will have global repercussions.**

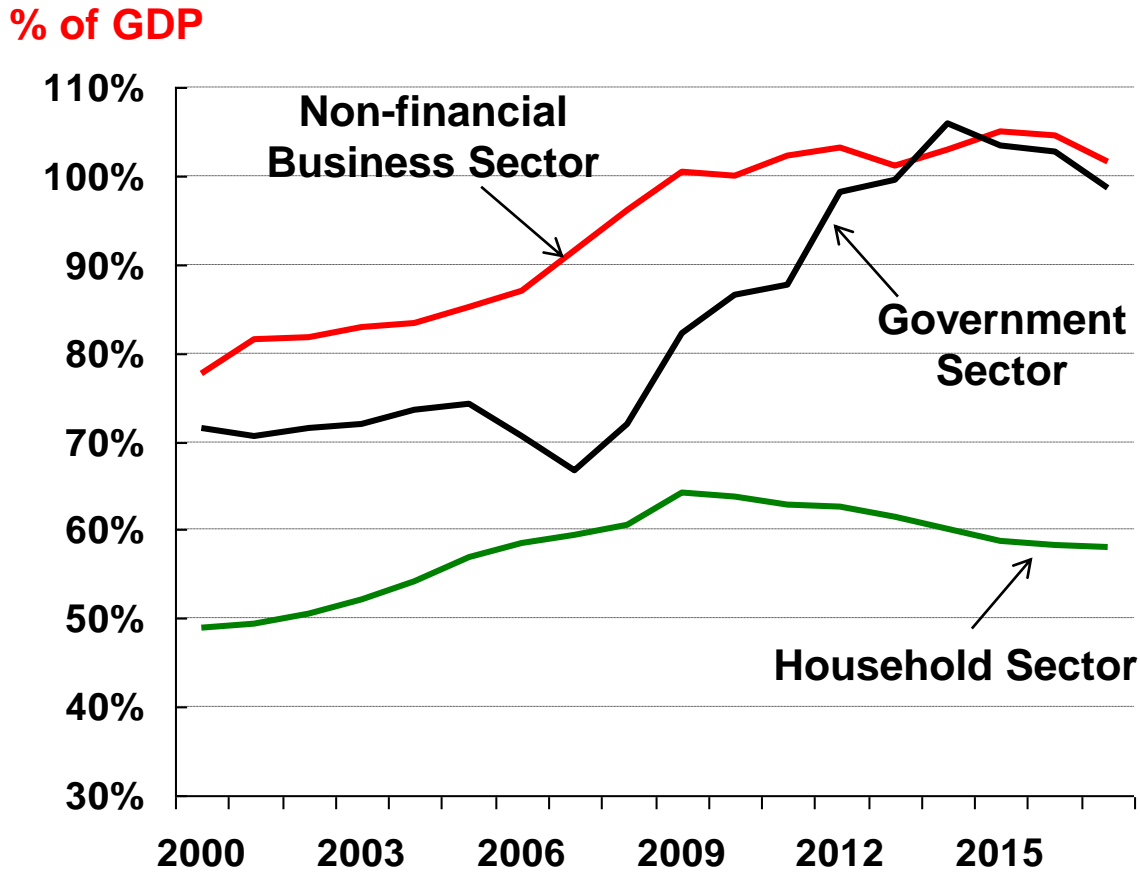


# China has managed to maintain GDP growth by increasing debt. If Beijing were to start deleveraging, GDP growth could be impacted.



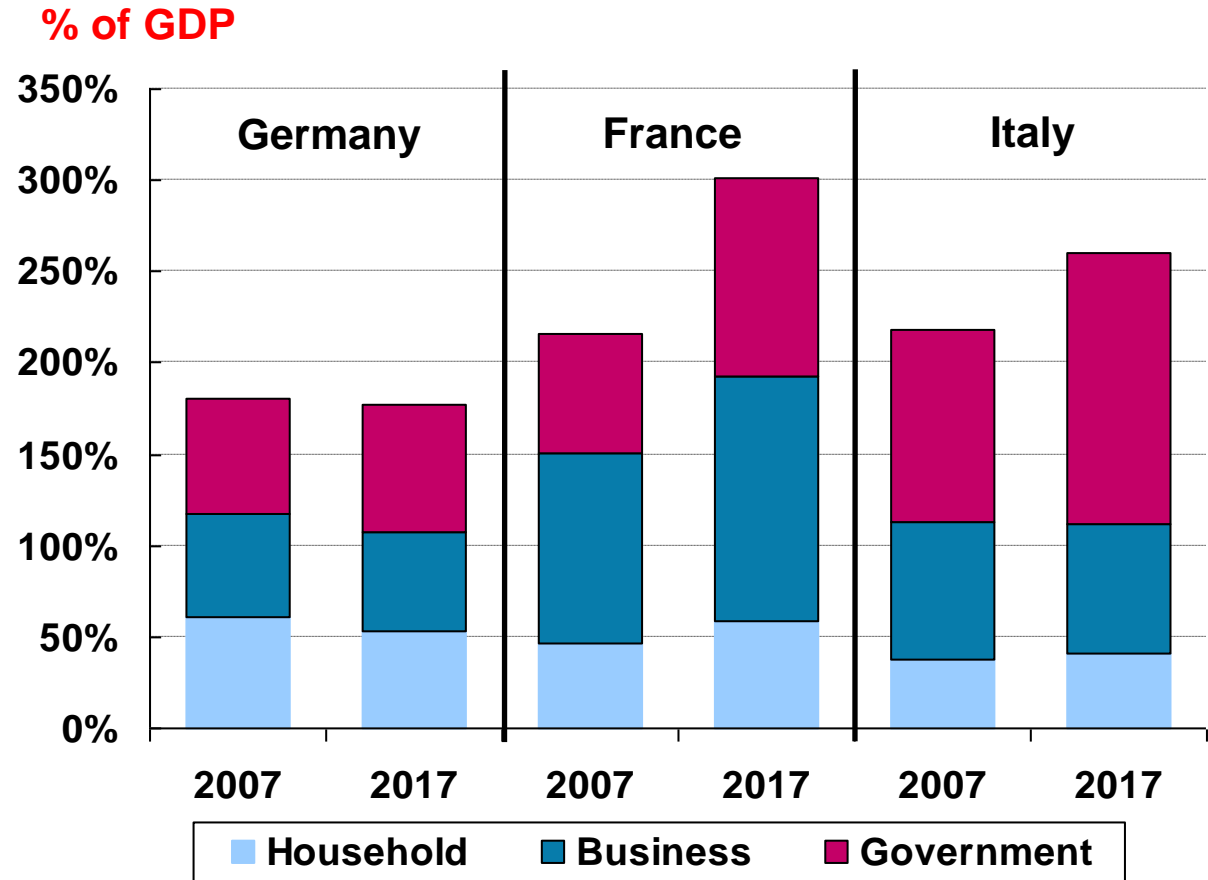
# In the euro area, debt levels remain elevated, especially in large, important countries like France and Italy

**Euro Area Debt by Sector, End-Year**



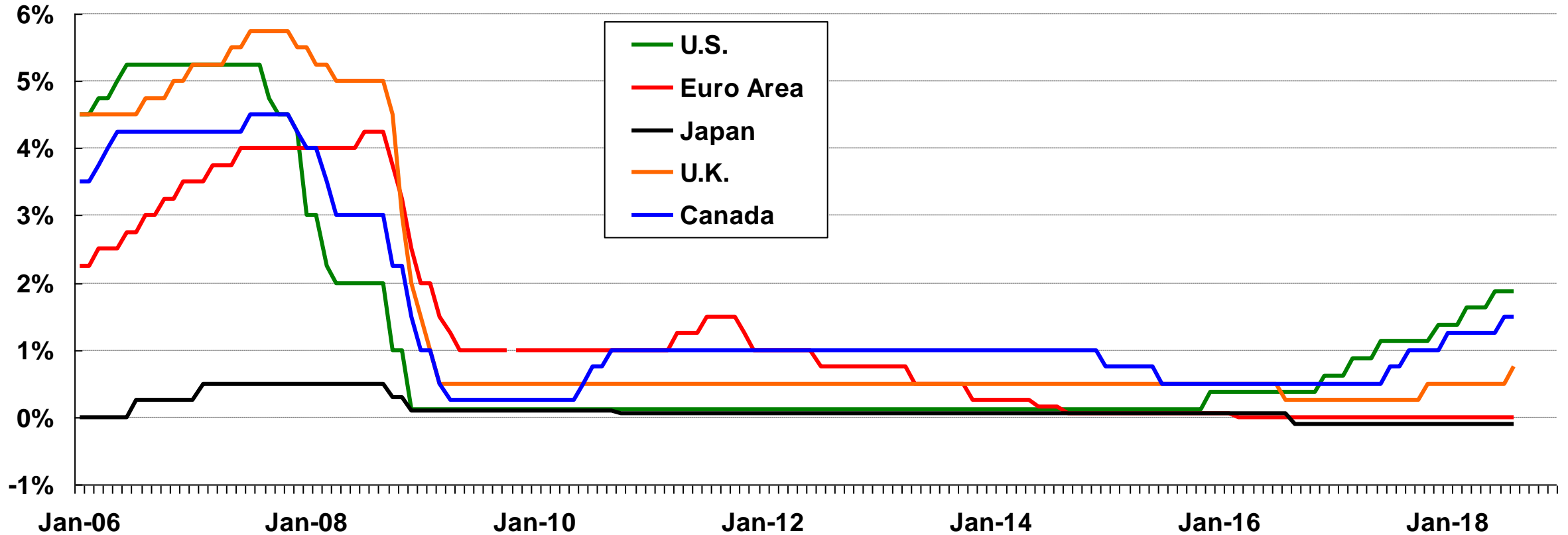
Source: BIS

**Debt by Sector, End-2007 Vs. End-2017**



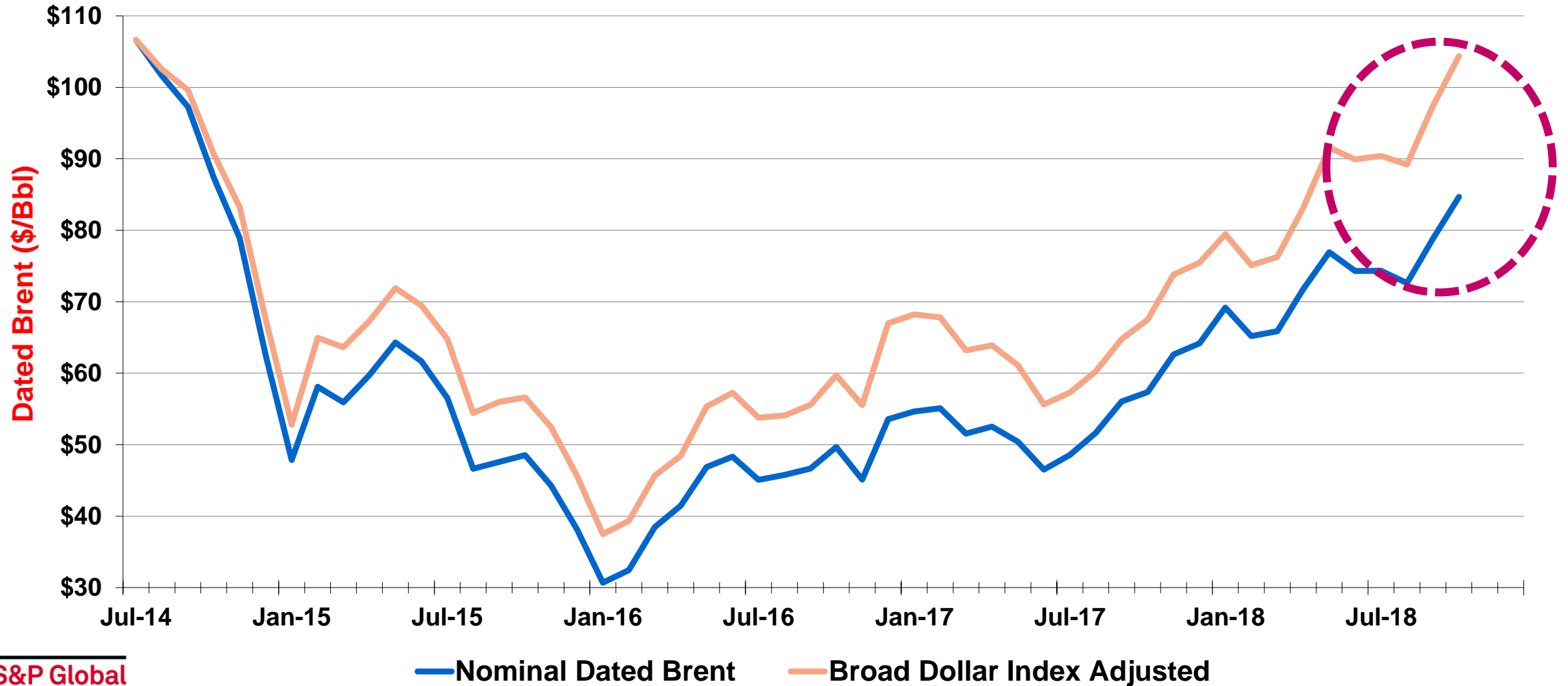
# Policy interest rates in key developed economies are low, limiting their policy options for the next economic downturn

Policy Interests, Monthly



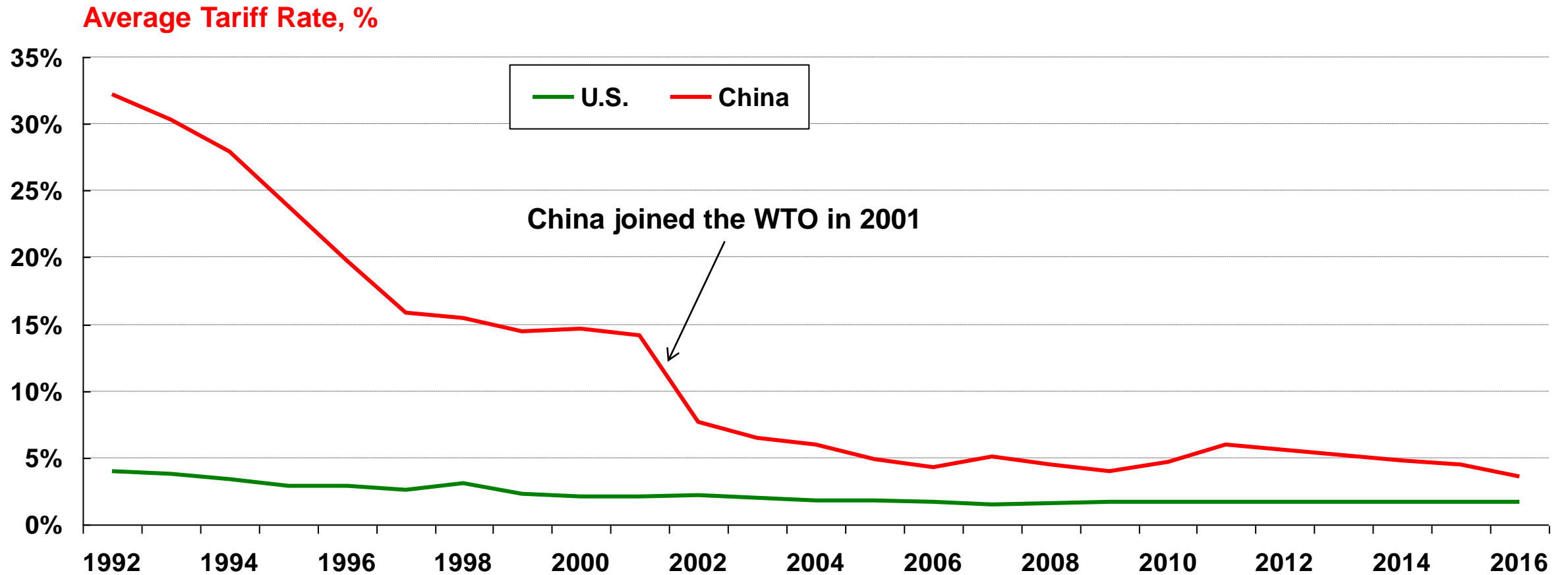
Source: BIS

# US dollar strength means that oil importing countries with floating exchange rates are now paying ~25% more for oil imports.





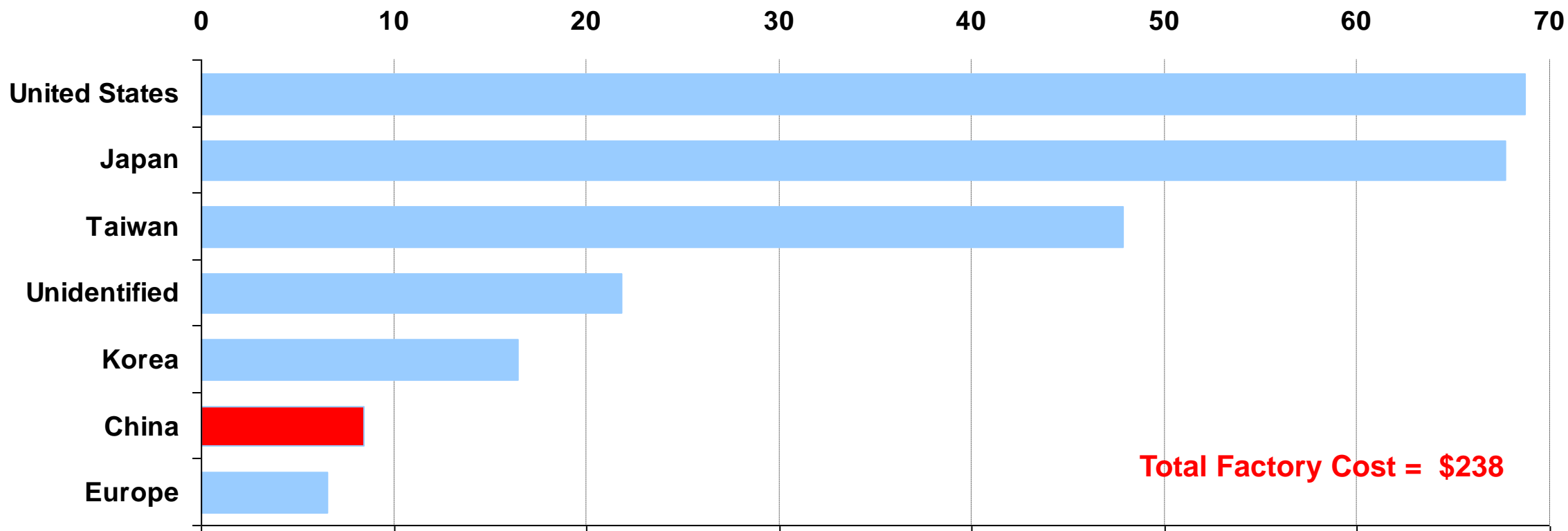
# Global tariff rates have been coming down, but this picture appears likely to change



Source: World Bank

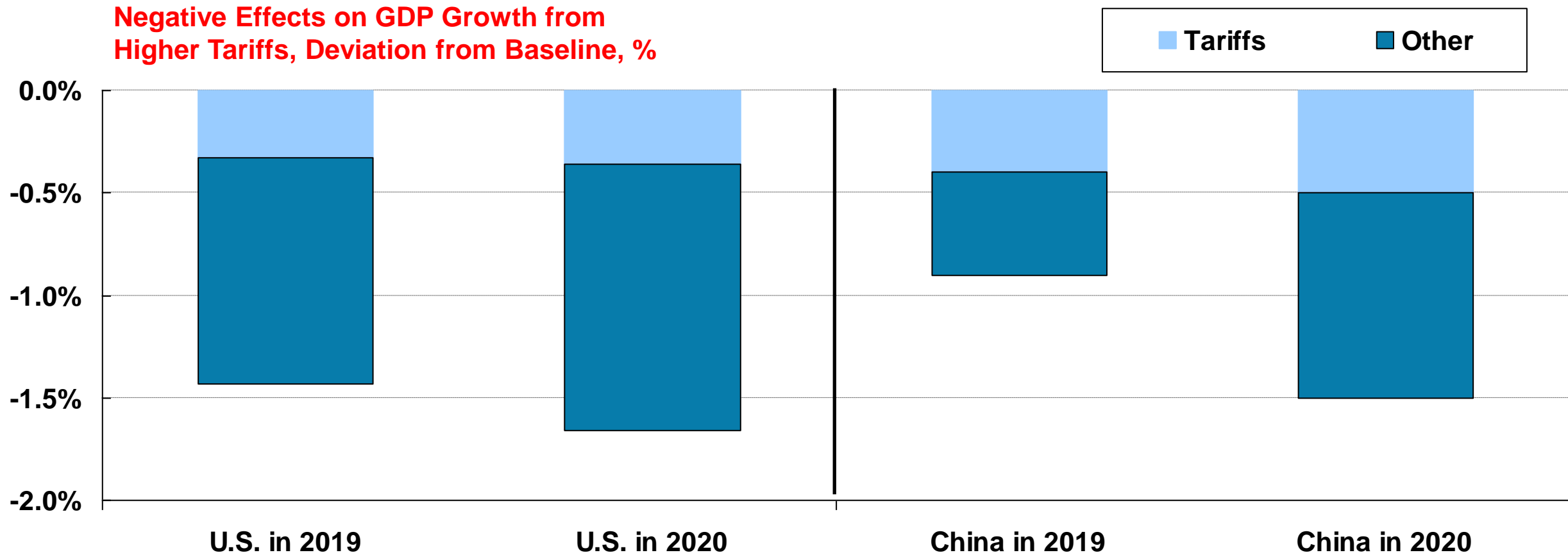
# iPhones (responsible for boosting Chinese exports into U.S.) are made from components produced in different areas

Share of iPhone Factory Cost, \$



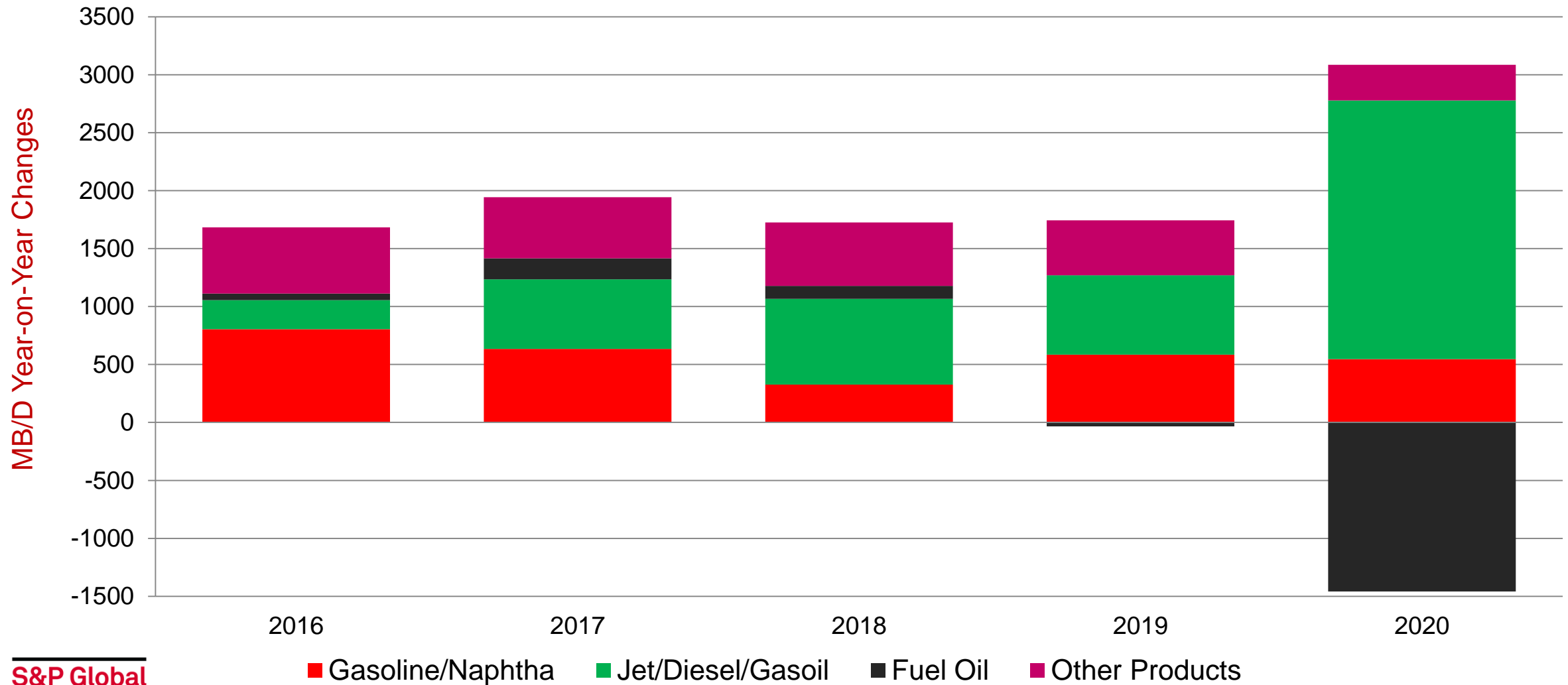
Source: Dedrick, Linden & Kraemer

# If tariff negotiation between China and US descends into a “trade war”, the combined direct and indirect GDP impact will be large.

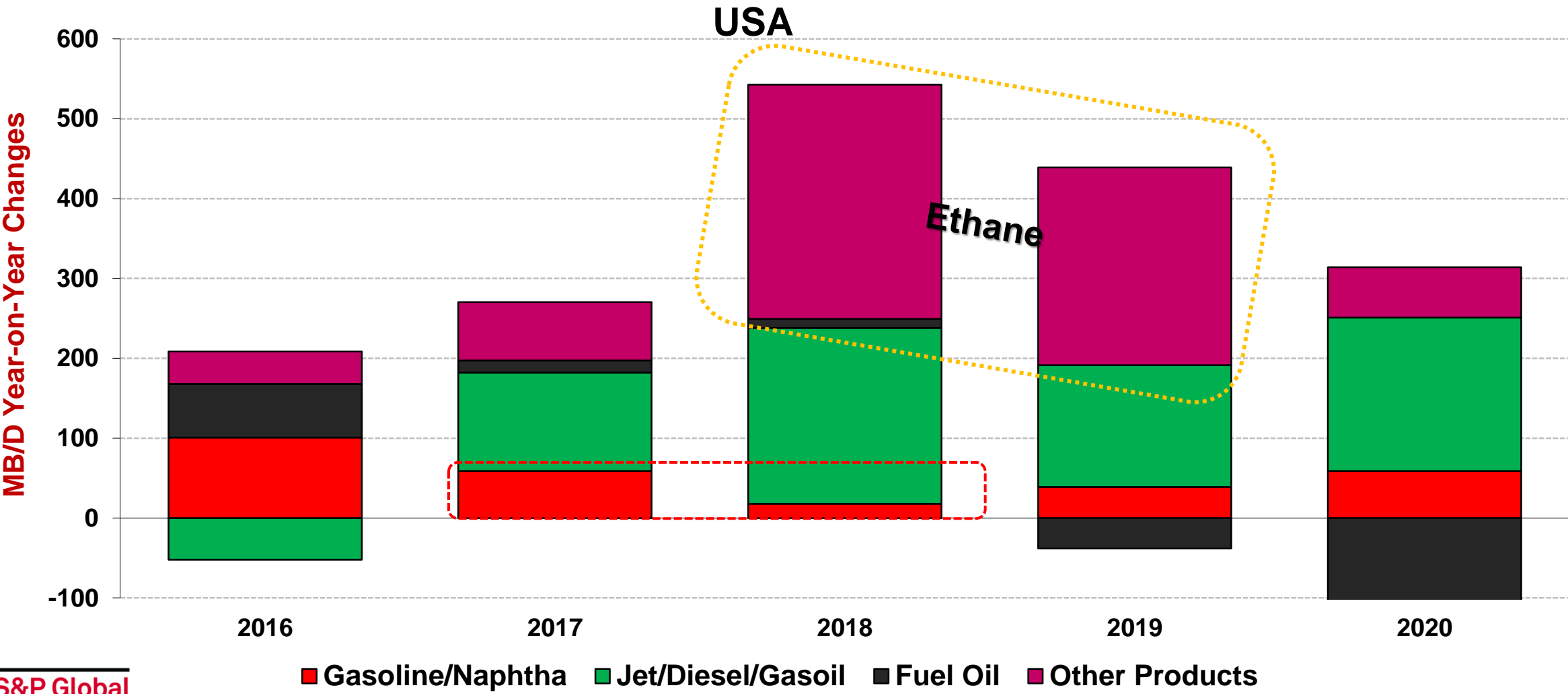


Source: S&P Global Ratings

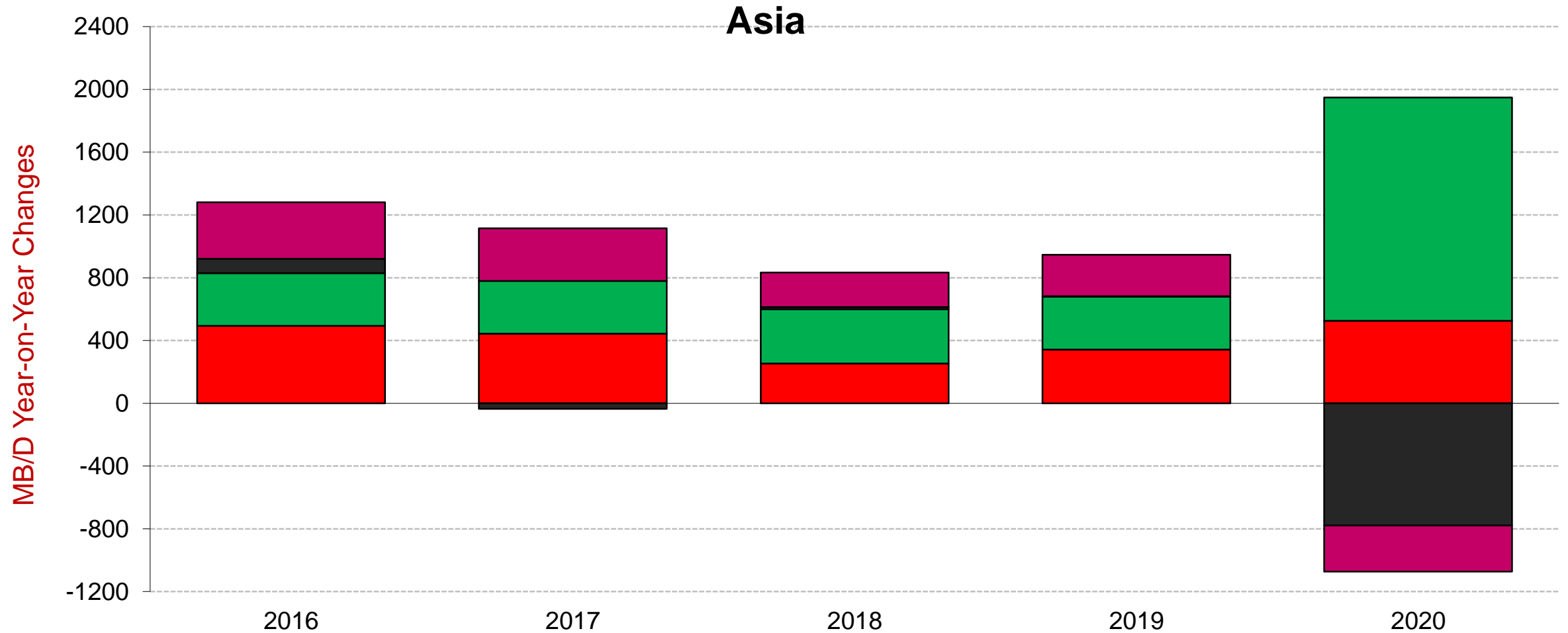
**Middle distillates have gained the upper hand in 2018. Fuel oil will begin to shrink marginally next year, and will plunge in 2020 due to IMO spec change, while distillates demand will surge.**



**In the US, high gasoline prices have arrested demand growth despite a thriving economy which has seen strong middle distillates growth and booming ethane demand for Petchems.**



# Asia, with its growing middle classes and industrialization, is the global engine of oil demand growth across all cuts of the barrels.



# While price elasticity has a smaller impact on consumer demand, a slow down in global growth would be much more significant.

Annual expected oil demand change, MMBD	Annual global GDP growth assumptions					
	2.0%	2.5%	3.0%	3.5%	4.0%	4.3%
51	1.3	1.6	1.9	2.2	2.5	2.7
2018 Annual average oil price assumptions, \$/bbl						
68	0.9	1.2	1.5	1.8	2.1	2.3
75	0.7	1.0	1.4	1.7	2.0	2.2
102	0.2	0.5	0.8	1.1	1.4	1.6
127	(0.4)	(0.0)	0.3	0.6	0.9	1.1

# Many solutions, one purpose:

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