



Economic

Australia Credit Slowdown To Prompt Rate Cut [\(click to Read More\)](#)

The Reserve Bank of Australia (RBA) held its official cash rate steady at 2.50% in its July monetary policy meeting. We maintain that further deterioration in economic activity and a slowdown in domestic credit growth, weighed down by lower iron and coal prices and weakness in domestic house prices, will prompt the monetary authority to deliver another 25 basis points interest rate cut by end-2014.

Beijing Strikes Confident Tone In The Face Of Slowdown [\(click to Read More\)](#)

Although Premier Li Keqiang's recent comments on the state of the Chinese economy revealed a surprisingly confident tone, we continue to believe that myriad headwinds ranging from cooling real estate prices to broader financial system stresses will cap growth potential this year, and we maintain our real GDP growth forecast of 7.1%. That said, Li's comments suggest that more targeted easing measures (mostly monetary in nature) are likely as the government looks to prevent a more acute economic slowdown, and we note that risks to our GDP forecast are now to the upside.

China-Africa: Challenges Will Increase As Relationship Deepens [\(click to Read More\)](#)

Closer economic ties between China and Africa will inevitably result in occasional tensions between the two economies. Beijing is aware of this, and we expect the Chinese government to devote greater effort to winning popular and elite support for its activities in Africa.

Eurozone Crib Sheet [\(click to Read More\)](#)

Italian Prime Minister Matteo Renzi's Senate reform plan suffered a serious setback on June 12 when thirteen senators from his Democratic Party (PD) withdrew support, but for now we do not believe the governing coalition is at risk of dissolving.

Global Assumptions - Q3 2014 [\(click to Read More\)](#)

Our global real GDP growth forecast for 2014 has dropped to 3.0% from 3.1%, due to a 0.2pp reduction in our developed market growth forecast, but our 2015 projection of 3.2% is unchanged. Our view that 2014 would see global economic activity pick up, led by developed states, remains intact.

Mexican Growth To Accelerate In 2014 And 2015 [\(click to Read More\)](#)

The Mexican economy will accelerate in 2014 and 2015, driven by a recovery in public investment, as well as by an acceleration in export and private consumption growth. We expect the construction sector to return to growth in 2014 after contracting last year, and manufacturing to be a top performing sector in the coming years, bolstered by stronger US demand.

United Kingdom - The Deleveraging Sweet Spot [\(click to Read More\)](#)

Strong real GDP growth, positive inflation and low interest rates have significantly eased the burden of debt deleveraging in the UK. This has been particularly beneficial for the household sector, which has so far been unable to pay down nominal debt liabilities. Moreover, with the Bank of England nearing the point at which it will start to hike policy rates, households may attempt to overpay mortgages in a bid to get ahead of the pending rise in debt service costs.



Sector

China Insurance Forecast Q3

[\(click to Read More\)](#)

The latest results of the leading non-life companies confirm that China's non-life segment remains and enormous, and rapidly growing, opportunity for many player within it. This is partly 'supplier driven', in that many of the largest companies are developing new products and showing innovation in distribution. It is also 'demand-driven' in that the numbers and values of insurable risks are increasing at a time that households and businesses are developing a greater understanding of the benefits of insurance.

Global Industry Overview - Global Autos Update: Indian Turnaround A Bright Spot For BRICs

[\(click to Read More\)](#)

While the continued European recovery was still a key driver of passenger car sales in May, further good news came from India, where BMlexpects a return to positive growth in the current financial year ending March 2015. This provides some light relief for the BRIC states, as the outlook for Brazil and Russia worsens.

Mexico Insurance Forecast Q3

[\(click to Read More\)](#)

The latest results from the leading non-life companies confirm our view that the general expansion of the segment will be measured rather than rapid. It will be driven in part by initiatives on the part of the companies themselves. Premiums in the motor vehicle sub-sector will grow by around 9-10% annually thanks to first-time users. Product innovation and imaginative distribution arrangements should underpin growth in most property & casualty lines, notwithstanding that price competition has held back the development of premiums in the recent past. The ongoing rise in medical spending and evolution of financial services will support the growth of health insurance, general liability insurance and credit/financial guarantee insurance.

Industry Trend Analysis - Wave Of Lawsuits Will Boost Consumer Transparency

[\(click to Read More\)](#)

The sharp increase in the number of deceptive labelling lawsuits involving food & drink companies in the US will push the industry towards more transparent disclosure, especially on health and nutrition characteristics for their products.

Industry Trend Analysis - Forecast For Heightened Medicine Shortages Materialises

[\(click to Read More\)](#)

Price controls, high inflation, currency devaluation, import and foreign currency controls, as well as other structurally distorting policies in Venezuela will continue to trouble the country's pharmaceutical market till 2017 (President Maduro's expected first term).

Japan Insurance Forecast Q3

[\(click to Read More\)](#)

For most sub-sectors, premiums should continue to grow at (fairly low) single digit rates through the forecast period. However, particular companies will be able to increase premium incomes at a faster rate through development of new products, distribution initiatives and higher prices and rates

Risk

Commodities Forecast - Copper To Average US\$6,800/tonne in 2014

[\(click to Read More\)](#)

Our below consensus copper price forecast of US\$6.8/tonne in 2014 reflects our broader view on slowing Chinese growth next year. This will hit all industrial metals.

Global Political Outlook - Q3 2014-2015: International Crises Mask Broad Domestic Stability

[\(click to Read More\)](#)

International crises in Ukraine, Syria and Iraq, and the South China Sea mask the fact that domestic political risks will remain contained in most major economies.



Oil Price Outlook - Geopolitical Risk Will Linger In Brent [\(click to Read More\)](#)

We have revised up our 2014 and 2015 average Brent forecasts to USD109.8/bbl and USD108.0/bbl respectively. A stalemate in the Iraq conflict will see lingering geopolitical risk to supply propping up prices. In addition, a disappointing supply picture will persist in Europe, the Middle East and Africa, supporting prices in 2014 and 2015. WTI will be supported by elevated Brent prices. This, along with our view for robust US demand in the coming quarters, has prompted us to revise up our 2014 WTI price forecast to USD102.0/bbl.

Political Risk Analysis - Advance Of Islamic State Weakening Iran And Syria [\(click to Read More\)](#)

The takeover of northern and western Iraq and eastern Syria by the radical jihadist group Islamic State (IS) will weaken the power of the governments in Tehran and Damascus. This will provide incentives for Iran to continue talks with the West on its nuclear programme, although a solution is not in sight. Despite increasing pressure from IS, we believe the Syrian regime will survive.

Political Risk Analysis - New Sanctions Will Not Prevent Federalisation Of Ukraine [\(click to Read More\)](#)

We do not believe that additional US sanctions on Russia, which look likely to target oil and gas technology, would significantly curtail Russian political and military activities in Eastern Ukraine. Our Oil & Gas team believes that, if implemented, such sanctions could pose a threat to Russia's 10-to-20-year hydrocarbon production profile since, like China, Russia requires US technology if it is to rapidly exploit unconventional hydrocarbon resources.



Podcast of The Month: **A New Dawn For Solar Power** [\(click to Read More\)](#)

After years of underperformance, the global solar power industry is set for a turnaround. Demand is rising in key markets, and technological advancement is increasing efficiency while cutting costs.

See more at <http://www.businessmonitor.com/blog/a-new-dawn-for-solar-power>

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