



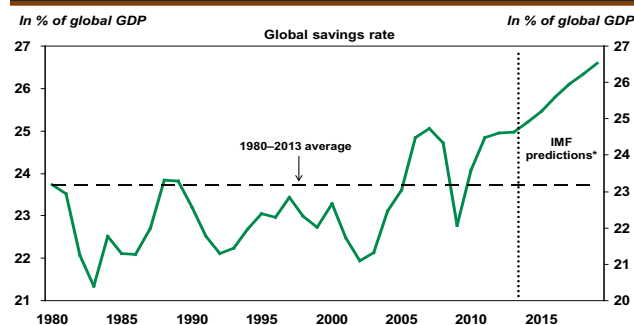
INTERNATIONAL

High global savings should limit the rise in interest rates

Despite a favourable economic outlook in the United States and some slightly more encouraging signs in Japan and the euro zone, bond yields in major economies remain extremely low, even negative in some cases. One explanation for low yields is the fact that global saving is currently very high, which boosts demand for bonds and other financial assets, such as stock markets.

The most recent data from the International Monetary Fund (IMF) on this topic, released in October 2014, is eloquent. Since 2011, the global savings rate has been close to 25% of world GDP, while the average since 1980 is 23.2%. In addition, the IMF predicts that the uptrend of global saving will continue for the next few years, reaching 26.6% in 2019.

The global savings rate is high and could continue to grow



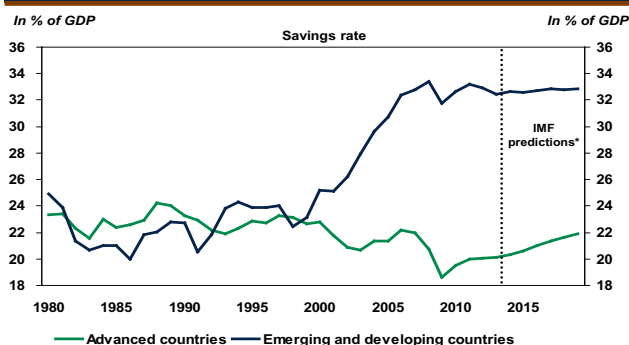
* International Monetary Fund, World Economic Outlook, October 2014
Sources: International Monetary Fund and Desjardins, Economic Studies

Until now, the high savings rate has mainly stemmed from an explosion of saving in emerging and developing countries at the beginning of the 2000s. The acceleration of economic growth in these countries, often associated with a boom in exports and policies that encourage saving, as well as surging commodities prices strongly contributed to this phenomenon. Savings rates therefore jumped to around 50% in China and Saudi Arabia. In contrast, savings rates have been low in advanced countries for several years now. Yet

an uptrend started after the 2008 crisis. Beginning now, the IMF predicts that the rise in global saving will stem from a continuation of this uptrend in advanced countries, as many governments should continue undertaking efforts to clean up their balance sheets.

However, the correction in oil prices, much more pronounced since October, combined with the slowing of the Chinese economy, represents a notable downside risk to the IMF's hypothesis that the savings rate will remain very high in emerging countries.

The high savings rate stems mainly from emerging countries



* International Monetary Fund, World Economic Outlook, October 2014
Sources: International Monetary Fund and Desjardins, Economic Studies

Implications: The high global savings rate expected in the coming years underlies our prediction that bond yields will remain relatively weak, despite a gradual tightening of monetary policy. However, the situation in emerging countries will have to be watched closely as certain factors that led to the explosion in savings at the beginning of the 2000s will be much less in play.

Mathieu D'Anjou
Senior Economist

François Dupuis
Vice-President and Chief Economist

Mathieu D'Anjou
Senior Economist

Benoît P. Durocher
Senior Economist

Francis Généreux
Senior Economist

Jimmy Jean
Senior Economist

Hendrix Vachon
Senior Economist

514-281-2336 or 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com