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**An unprecedented crisis in terms of severity
and its simultaneous impact worldwide
No stabilisation foreseen before the end of 2009**

An analysis by Euler Hermes

In a research report, the world leading credit insurer Euler Hermes analyses the general impact, and the impact by sector, of the current global crisis. It stresses that the present economic and financial crisis is unprecedented in terms of its severity and geographic spread. It will result in a recession in OECD countries in 2009 and in a drastic economic slowdown in emerging countries. GDP will grow by only 1% at world level in 2009 while GDP will contract by 0.6% in the United States and by 0.5% in the euro zone. No stabilisation is foreseen before the end of 2009.

However, not all countries are affected in the same way by the crisis. The economic stimulus packages announced to date represent 3.5% of global GDP but the levers used differ greatly from one country to another.

“French GDP could contract by 0.7% in the fourth quarter as the result of a simultaneous slump in industrial output, construction and consumption”, said Karine Berger, Head of Economic Research at Euler Hermes.

1. The economic crisis is unprecedented in terms of its severity and simultaneous impact throughout the world

The global economy will grow by at most 1% next year. The 2008-2009 crisis is the first economic crisis to affect the US and European economies simultaneously. Moreover, it has affected all the components of demand in OECD countries: consumption, business investment and housing investment. The US and European economies will contract by 0.6% in 2009 while the UK economy will contract by 1.1%. In addition, the crisis will significantly slow growth in the main emerging countries, notably in Eastern and Central Europe. Economic growth in emerging countries will be slashed by a factor of two or three due to the fall in demand from OECD countries and the resulting slump in world trade.

“The economic and financial turmoil has been accompanied by a significant increase in risk: corporate insolvencies will increase by 25% in 2009 and by another 25% in 2010”, stressed Karine Berger.

2. Governments have opted for stimulus packages focusing on the weak points of their economic growth models

The economic crisis has affected each OECD country differently as growth in each country was driven by different factors in recent years.

“Consumption and construction were the engines of growth in the United States, the United Kingdom, Spain and France, while investment and exports were the main growth drivers for the German and Japanese economies”, pointed out Karine Berger.

The response in terms of stimulus packages has been exceptional, in both budgetary (a total representing 3.5% of global GDP: see table 1) and monetary terms. However, each package is different as it is adapted to the specific characteristics of each country (see table 2).

3. The French economy will contract up to the summer of 2009

In France, the crisis has undergone three phases: growth in consumer spending and household investment halted at the beginning of the year, followed by a slowdown in business investment linked to the financial crisis and, lastly, a slump in industrial production as from the autumn due the decline in exports.

All components of demand will be down in the fourth quarter, with a 0.7% contraction in GDP, which is expected to be the low point in terms of growth.

“In 2009, disinflation will pave the way for household consumption to pick up gradually as from the summer in spite of the absence of any increase in purchasing power and a downturn in employment. GDP is expected to contract by 0.5% for the year as a whole”, concluded Karine Berger.

Table 1: Stimulus packages throughout the world: measures represent 3.5% of global GDP

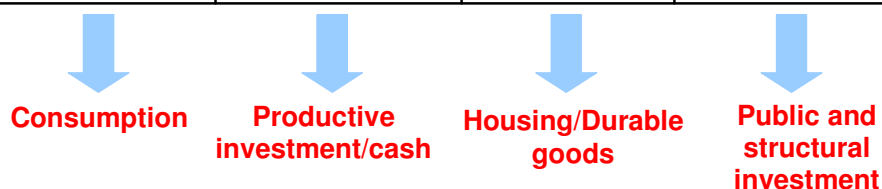
	Stimulus packages		Weight in 2007 global GDP
	In USD billion	As a % of total	
US	800	42%	26%
Japan	111	6%	8%
China (*)	440	23%	6%
Russia	210	11%	2%
EU (**)	266	14%	32%
Other regions (Asia, Argentina, etc.)	74	4%	25%
Total	1900	100%	100%

(*) excluding Sichuan reconstruction

(**) excluding cancellation of mileage compensation system reform in Germany

Table 2: Levers and timetables differ from one country to another

	Measures to stimulate demand (Short and medium term impact)		Measures to stimulate supply (Medium and long term impact)	
	Tax relief and aid to households and unemployed	Loans to businesses and tax relief, reimbursement of VAT	Sector aid (construction and automobile)	Investment in social housing, infrastructure, R&D and the environment
United States	+++	+	+++	+++
Japan	+++	++	+	
Germany	+	+++	++	++
France	+	+++	++	++
Italy	++			+++
Spain	++	+++	++	+++
United Kingdom	++	++		+



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