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# World business sectors report

A plummeting world economy and all sectors in turmoil

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# Global Sectors Outlook



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## Editorial

## No momentary crisis

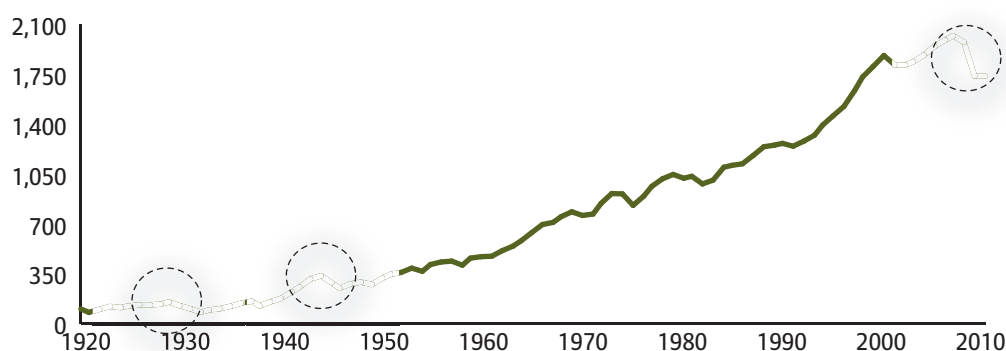
The crisis of 2008-2009 has yet to receive its official name: history will be the judge, after the academicians have dissected it and decided on what to call it. But even without knowing its proper name, we can compare it to its elder siblings. And when we do view this crisis alongside earlier ones, we have to conclude that this year's 2% drop in world GDP constitutes an extraordinary shock. As for earlier world recessions, the fact is that, since 1918, output has fallen on a global basis on only two occasions: first, the Great Depression of the 1930s and, next, during the Second World War. The oil price shock of 1973 was also a period of sharp slowdown, although, technically, it was not a recession. Thanks to the invaluable work of economist and statistician Angus Maddison, we now know not only how to date these crises, but also how to measure their scale. Accordingly, we can estimate that GDP in the United States fell by 25% between 1929 and 1933, and also that it took around 10 years for the US economy to recover from the shock, since it was only in 1939 that GDP returned to its 1929 level. In the first half of the 1940s, it was clearly Europe that was the most violently hit by recession. Between 1939 and 1946, it is estimated, French GDP fell by 40%, returning to its 1939 level only in 1949. German GDP fell by 60%, returning to 1944 levels in 1955. British GDP dropped by 8%. By comparison, in 1975, the only year post-1945 when GDP fell in the majority of the OECD countries, GDP in the countries of Western Europe fell by just 0.8%, while GDP in the US fell by 0.3%. But worldwide, GDP in 1975 rose by more than 1%.

In this chronicle, the recession of 2009, at undoubtedly between -3% and -4% in the OECD countries, stands out as a major and extremely rare event. As the graph below shows, US industrial output will post a decline unprecedented in the long-term record, dropping by the end of 2009 to its level of 1998. If past history can be relied on, it takes time to recover from such shocks. The injuries suffered threaten to force businesses into a process of long and painful adaptation and also to upset the internal workings of whole economies. In this vein, the early 'good news' heard this spring on the macroeconomic front needs to be viewed with great caution, undoubtedly representing more of a technical gain than a genuine upturn. We are in crisis, and full recovery is not yet on the menu.



## US industrial output, 1920-2010

Index, basis 1919 = 100



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