

no. 4

2009

Technical recovery in the autumn,  
but the game is still afoot

Spotlight  
on Country Risk

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# Economic Outlook

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2009

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## Editorial

## “They forgot nothing, and learned nothing”

The words above were spoken in 1814 by the unsinkable French statesman Charles Maurice de Talleyrand, ambassador or minister under six regimes and perennial survivor of an even greater number of the crises that rocked France in the years before, during and after the French Revolution. One year after the fall of Lehman Brothers, we are tempted to believe that his injunction to learn from events is still valid for surviving through today's economic revolutions. First, on 'forgetting nothing'. Only a few months ago, crushed by a web of toxic lending, swept by exploding bubbles and general panic, the world financial system was being given up for dead: critics rose from all corners to condemn the financial actors for speculative behaviour castigated as unacceptable and destructive. The consequences for the world economy were – and remain – dramatic: the year 2009 will go down as the first year of peacetime global recession. The fall in both output and exports nearly matches those seen on stock markets: world industrial output was down by 15% in spring, with global imports at the same time down by nearly 20%. As for unemployment, this will continue to soar up to the end of 2010, with the OECD forecasting that, by then, within its member countries alone, some 25 million people will have lost their jobs due to this historic crisis.

Even so, as I write these words in September 2009, I have a strong impression that people have 'learned nothing' from these upheavals. The striking upturns now seen in the financial world, at that same time that the consequences of the crisis are still weighing on business profitability, suggest that the same kind of financial behaviour that created the crisis has returned with renewed vigour. This raises doubts over whether any lessons have been learned from the monetary policy mistakes of the past, which led to the excessive credit at the root of the crisis. Even more striking is the rapid drying up of cooperation between banking institutions and governments, at a time when controls on the remuneration of risk need to be seriously thought through. Remember that it was this very cooperation that only last autumn allowed the financial system to be rescued from the brink. On a similar level, the current calls for supporting credit in the construction sector seem imprudent, given that it was the earlier explosion in prices and debt in that sector that proved the triggering factor in the crisis. Indeed, the word 'crisis' itself seems to have been banned from newspaper headlines, in favour of words like 'recovery' and 'revival'... a change admittedly justified by the sharp upturn seen in the autumn, but which overlooks the still deep wounds that need to be tended. Lastly, it is only those industrial enterprises most severely hit by the storm that have 'learned anything', since they are moving to reconfigure the global structure of their production chains. 'Forgetting nothing but learning nothing' may, perhaps, see us through difficult times, but it will not protect us against the next shocks to come, nor will it prepare us for the genuine upheavals that in the end will arise. The tortured history of France in the age of Talleyrand is a perfect example of this truth.

## Revised forecasts

## GDP growth 2009

	Sep. 2008	Sep. 2009	Revision
World	2.5%	-2.4%	-4.9%
USA	1.2%	-2.9%	-4.1%
Canada	1.0%	-2.6%	-3.6%
Japan	1.1%	-6.0%	-7.1%
Euro zone	0.8%	-4.0%	-4.7%
Germany	0.9%	-5.1%	-6.0%
France	0.8%	-2.0%	-2.9%
Italy	0.6%	-5.1%	-5.7%
Spain	0.6%	-3.7%	-4.3%
Netherlands	1.6%	-4.5%	-6.0%
Belgium	1.5%	-3.1%	-4.6%
Austria	1.8%	-3.8%	-5.6%
Finland	1.8%	-7.1%	-8.9%
Greece	2.8%	-0.8%	-3.6%
Ireland	1.0%	-7.6%	-8.6%
Portugal	1.1%	-3.2%	-4.3%
UK	0.9%	-4.6%	-5.6%
Sweden	1.4%	-4.8%	-6.3%
Denmark	0.7%	-3.8%	-4.5%
Norway	2.1%	-1.7%	-3.8%
Switzerland	1.5%	-1.7%	-3.2%
Central and Eastern Europe	4.7%	-6.1%	-10.8%
Russia	5.5%	-7.5%	-13.0%
Asia (excluding Japan)	6.9%	4.2%	-2.7%
China	8.8%	7.8%	-1.0%
India	7.0%	5.5%	-1.5%
Latin America	3.3%	-2.2%	-5.5%
Brazil	3.6%	-0.5%	-4.1%
Middle East and Africa	5.4%	0.9%	-4.5%

Sources: National figures, Euler Hermes forecasts



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