

# no. 3 2009

The global crisis persists,  
but at a slightly reduced scale

Spotlight  
on Country Risk

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# Economic Outlook

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2009

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## Editorial

## Tomorrow never dies

It is always useful to take stock of what we managed to anticipate correctly in making previous decisions – and what we did not – in order to improve the decisions we now have to make. Let us thus go back a year, to June 2008, when we wrote: “We now expect the shock waves to spread through the entirety of business and household financial markets: the spread of the crisis to the real economy via the restriction of credit in spring 2008 has been only the beginning. When a credit crunch commences in one given market – in this case, construction – economic history teaches us that it often blindly spreads to the others ... The stage is set for Act II of the financial crisis of 2008.” Re-reading these lines now seems strange, remembering that, when they were written, very few in Europe were anticipating an economic crisis. It is also strange to again take up our analysis – which has shown itself to be correct about the events that followed – with the descent into record recession across the entire OECD, the indeed unpredictable shocks that followed the collapse of Lehman Brothers, and the near-halving of world automobile production. But, as modesty demands, we should also point out that the blows that rained down over the past year have exceeded anything that we predicted. Still, we can draw at least one lesson from looking back: that, when we opt for rationality and realism, we have good chances of getting close to the truth of events. So, from a rational and realistic perspective, what can we say about the future? Well, what is irrational is the current wave of unfounded optimism propagated during the months of May and June on world stock exchanges and reflected in confidence surveys: after the historic turning point of the 2009 crisis, how can one believe that everything could carry on as it was before? Rational thinking demands we admit that the profound structural problems at the root of this crisis – essentially, the issuing of credit on a scale unjustified by the productivity of economies – remain unresolved, and that redesigning the systems, balances and controls involved will clearly take a long time. Realism also calls on us to consider that, after the absolutely unprecedented shocks undergone in the fabric of the global economy – in supply as well as demand, in credit as well as savings – economic stability will take a long time to achieve, but that by necessity it will come. In concrete terms, it is likely both that the worst is behind us but also that we are entering into a period of convalescence, during which growth is likely to recover only weakly, and only in certain parts of the world – those which have opted for massive and immediate recovery measures, i.e., the US and China. The economy is not simply a matter of psychology: it is best to face the facts and avoid being lulled by a few harbingers of spring. Businesses need to take decisions now: those that do so with realism and caution up to summer 2010 will do better than others in seizing all the opportunities that come and will emerge stronger from this long economic freeze. Tomorrow never dies, but we could be in for a long night.

## Revised forecasts

## GDP growth 2009

	January 2008	July 2009	Revision
World	3.4%	-2.9%	-6.3%
USA	2.3%	-2.9%	-5.2%
Canada	2.2%	-2.9%	-5.1%
Japan	1.9%	-7.7%	-9.6%
Euro zone	1.9%	-4.8%	-6.7%
Germany	1.7%	-6.7%	-8.4%
France	1.9%	-3.0%	-4.9%
Italy	1.7%	-5.2%	-6.9%
Spain	2.5%	-4.0%	-6.5%
Netherlands	2.0%	-5.1%	-7.1%
Belgium	2.2%	-3.8%	-6.0%
Austria	2.3%	-4.5%	-6.8%
Finland	2.5%	-5.7%	-8.2%
Greece	3.8%	-2.0%	-5.8%
Ireland	3.9%	-9.2%	-13.1%
Portugal	2.0%	-4.0%	-6.0%
UK	1.8%	-4.9%	-6.7%
Sweden	2.4%	-5.4%	-7.8%
Denmark	1.3%	-3.8%	-5.1%
Norway	2.4%	-0.9%	-3.3%
Switzerland	2.0%	-2.7%	-4.7%
Central and Eastern Europe	5.4%	-5.4%	-10.8%
Russia	5.7%	-7.0%	-12.7%
Asia (excluding Japan)	7.9%	3.1%	-4.8%
China	9.3%	6.7%	-2.6%
India	8.0%	5.0%	-3.0%
Latin America	4.3%	-2.2%	-6.5%
Brazil	4.3%	-1.0%	-5.3%
Middle East and Africa	4.9%	1.1%	-3.8%

Sources: IHS Global Insight, Euler Hermes SFAC forecasts



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