under press embargo
till January 10, 2012

Economic Outlook 2012
‘Protracted Limbo’

EH macroeconomic scenario as of December 16th, 2011

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Economic Outlook in a nutshell

(i) Where are we as of mid-December 2011?

- Worldwide real GDP expanded slightly more quickly in Q3 than in Q2, with Q3 results still positive almost everywhere except few countries mainly in Europe. **This quarter-on-quarter rebound in Q3 did not change the year-on-year trend**, which has continuously decelerated since end of 2010.

- **The US seems to be fairing better than a few months ago** but the outlook is still fragile (employment, housing, manufacturing). No definitive solution on public finances make it vulnerable to a major external shock.

- **Situation in Euro zone (EZ) has worsened significantly over the Fall.** The debt crisis started to infect the real economy through a perfect storm (confidence, investment and credit crunch), with no ability from Governments to find a solution. Austerity looming ahead puts more downwards pressure on growth. We expect one (Germany) to four negative growth quarters (Greece) for 2011-12: brief recessionary episodes. The banking sector being affected will make convalescence difficult.

Economic Outlook in a nutshell

(ii) Where are we going?

- EH central scenario is referred to as **'protracted limbo'** as forecast has been cut noticeably since September. **World growth should be of +2.7% for 2012** (+3.0% in 2011), with emerging economies leading the way. Monetary tightening in Asia and sharply declining commodities prices (oil and minerals for net-exporters in MENA, LAC) could be a reason for up to ½ point downwards revisions.

- This **downward revision,** for the second consecutive quarter (-0.5 pps for 2012 in December after -0.4 pps in late September), now points to a very deteriorated economic situation in the Euro zone. Several member countries are in complex crisis mode.
  - In the **US**, growth would be able to keep its tempo (+1.7% for 2011 and +1.8% in 2012), assuming no deep austerity measure is passed by Congress. Consumption stays resilient.
  - In the **EZ**, the lack of forward visibility would lead to close to null growth (+0.3% in 2012), after +1.6% in 2011, with several economies having consecutive quarters of negative growth.

- The probability assigned to this central scenario is 50% but the **balance of risks** stays heavily weighted to the **downside.** A serious threat continues to be a partial break up of the Euro zone in 2012.

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Economic Outlook in a nutshell

(iii) What are the main consequences for the short term?

- EH country risk levels confirm a **worse direction**:

In number of countries as of:	Changed **Country Risk Level** Better direction (a)	Changed **Country Risk Level** Worse direction (b)	Changed **Country Risk Level** Balance (a-b)	Changed **sub components** (but unchanged country risk level) Better direction (a)	Changed **sub components** (but unchanged country risk level) Worse direction (b)	Changed **sub components** (but unchanged country risk level) Balance (a-b)
Q4 2011	**1**	**4**	**- 3**	**0**	**12**	**- 12**
Q3 2011	3	6	- 3	6	8	- 2

- EH Insolvency index on an **unfortunate rebound,** mainly because of Europe:

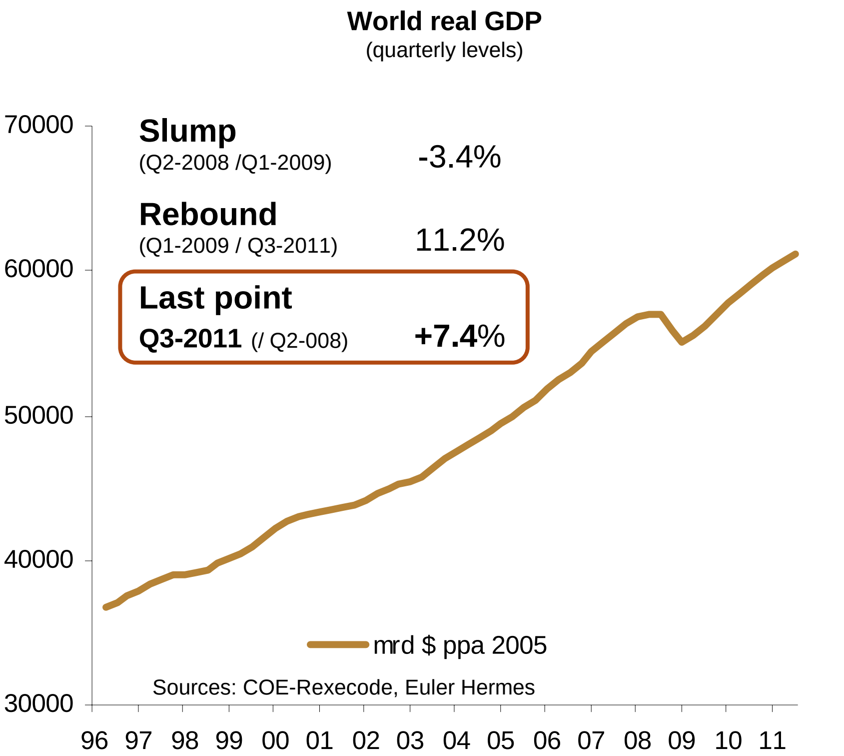
Yearly change estimate as of:	EH Global Insolvency Index 2009	EH Global Insolvency Index 2010	EH Global Insolvency Index **2011**	EH Global Insolvency Index **2012**
December 2011	+28%	- 5%	**- 3%**	**+ 3%**
May 2011	+28%	- 5%	- 7%	- 5%

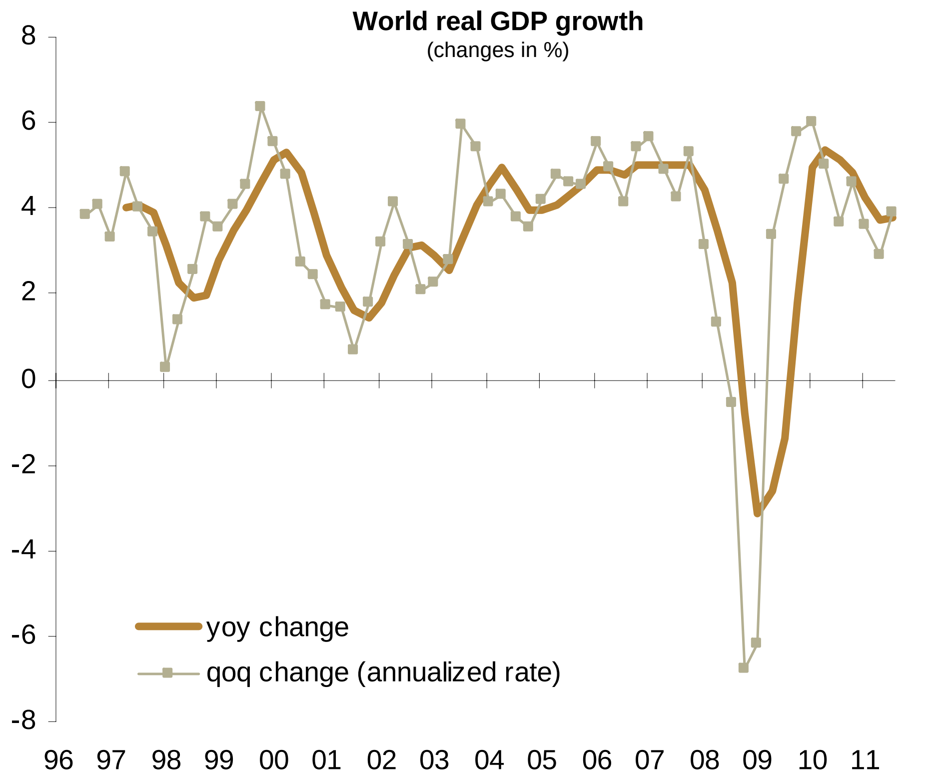
Euro zone index **2011**	Euro zone index **2012**
+ 6%	**+ 12%**
- 4%	- 4%

World GDP growth: pulling the brakes?

World GDP grew by +11.2% between 2009Q1 and 2011Q3…

… but there is clear deceleration since end of 2010



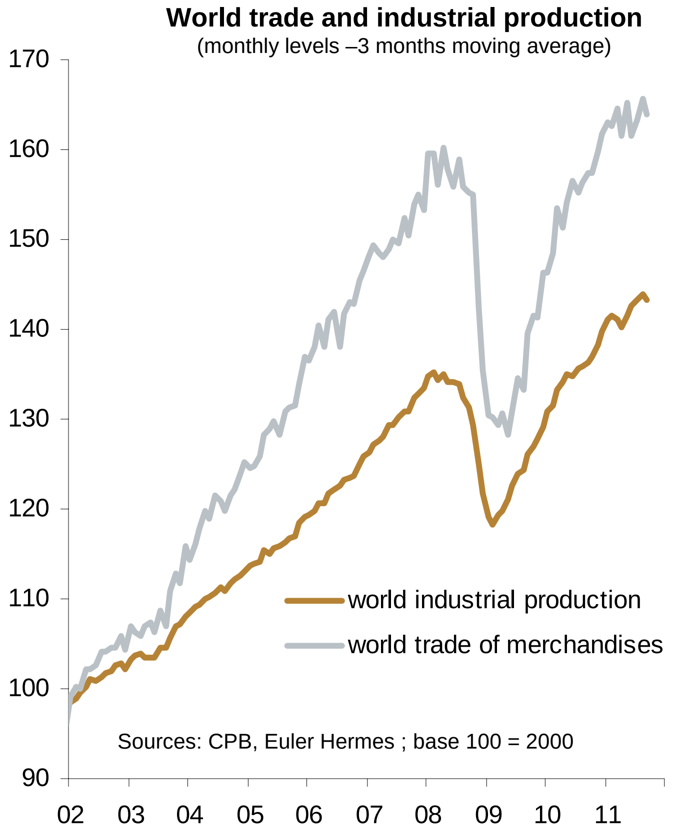


7.4% above pre-crisis levels after 10th consecutive quarters of growth

Back to a +4% yearly trend (in ppa) compare to a +5% trend as of end of 2010

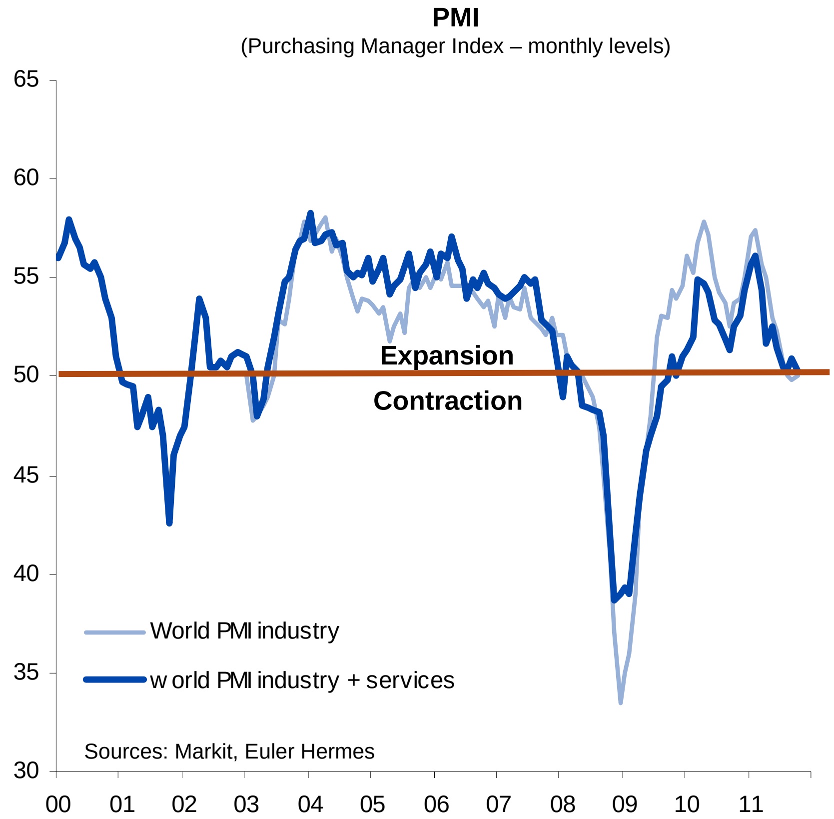
High frequency indicators on the downside

Monthly hard data (on the very latest period) are much less dynamic…



2011 Q3 performance partly explained by Japan's disaster in Q2 and hide a nil-growth since August

….and confidence surveys (on present situation and short term prospects) are falling



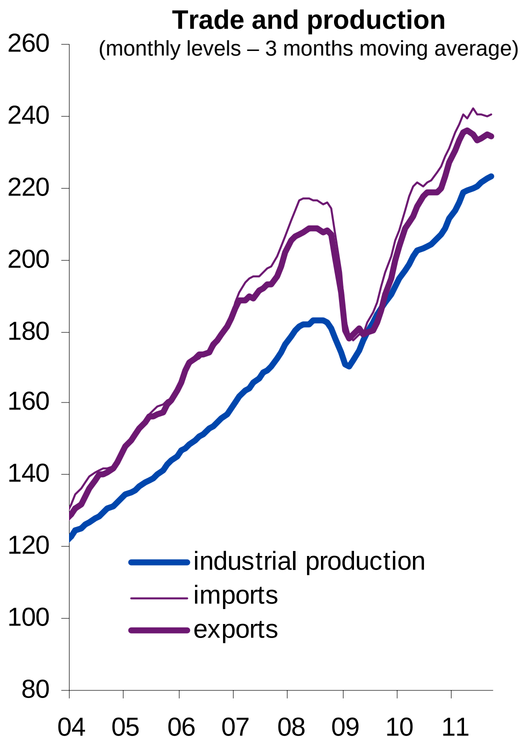
Now just at the frontier between contraction and expansion

« Emerging » economies are holding their breath ...

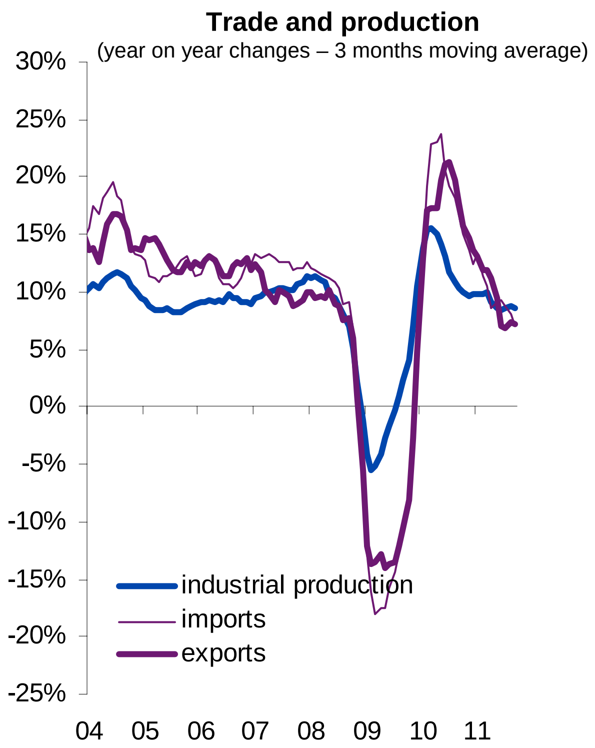
2008-2009 crisis has been completely cancelled …

…but the acceleration phase (technical rebound) is over …

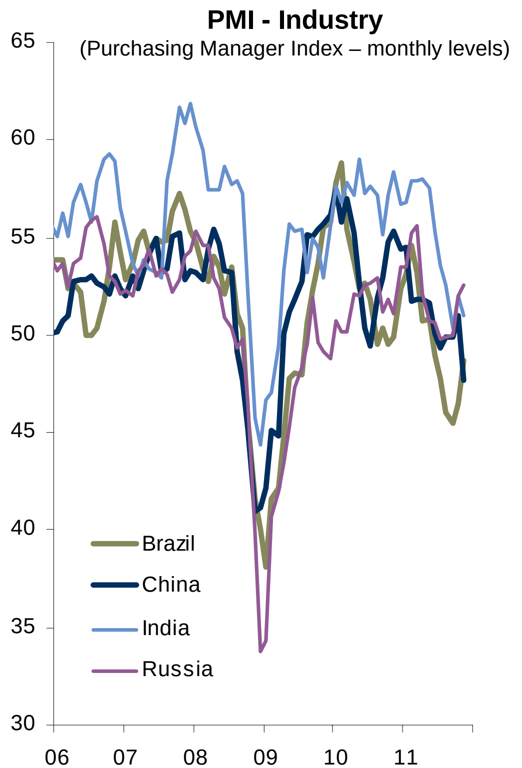
… and prospects are less positive oriented



Sources: CPB, Euler Hermes ; base 100 = 2000



Sources: CPB, Euler Hermes ; base 100 = 2000

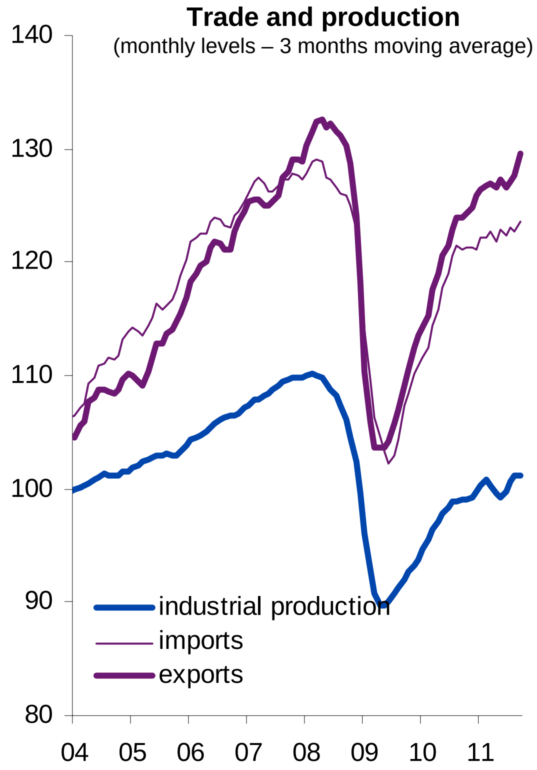


Sources: Markit, Euler Hermes

All region are concerned, including Asia and its Chinese locomotive

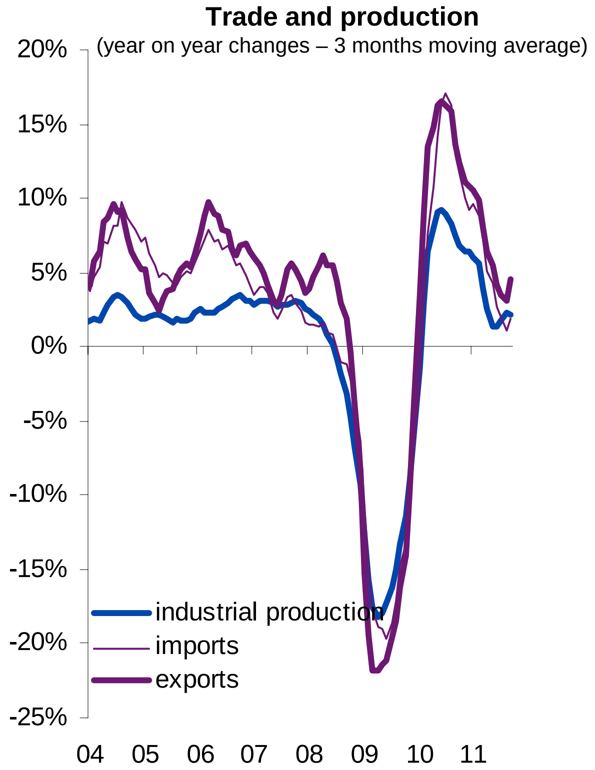
« Emerged » countries are blatantly losing speed

2008-2009 crisis has not been cancelled despite a positive Q3 …



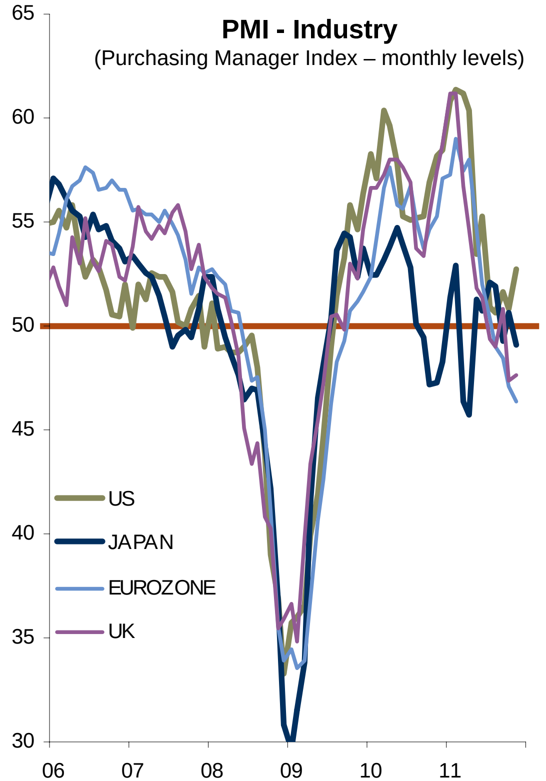
Sources: CPB, Euler Hermes ; base 100 = 2000

… while tempo has already lost speed …



Sources: CPB, Euler Hermes ; base 100 = 2000

… and fears of recession has increased in Europe

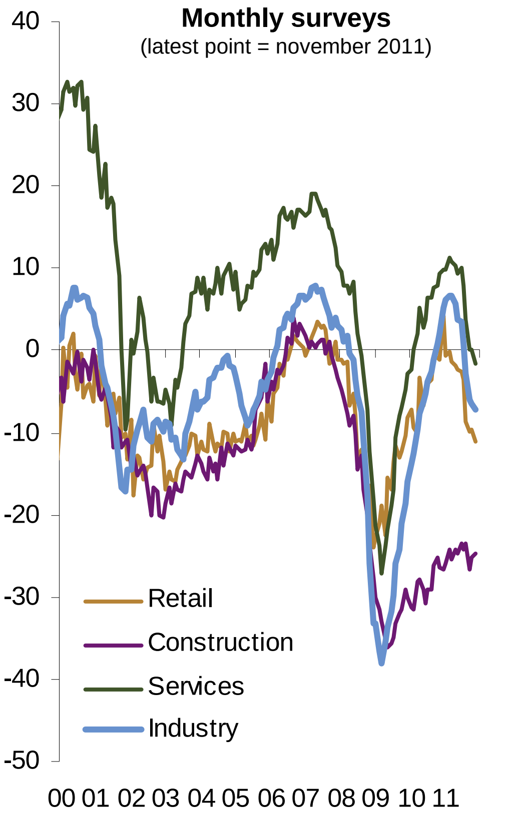


Sources: Markit, Euler Hermes

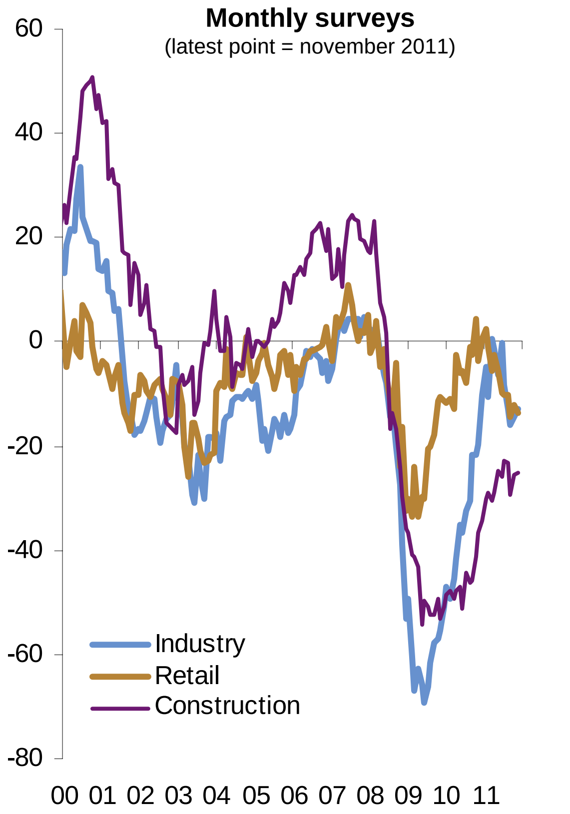
Present situation and short term perspectives are much more unfavorable for EZ - underpinned by intertwined debt and banking crisis - than for US (resiliant) and Japan (aftermath rebuilding)

Emerged or Submerged? The debt crisis is infecting the real economy in the EZ

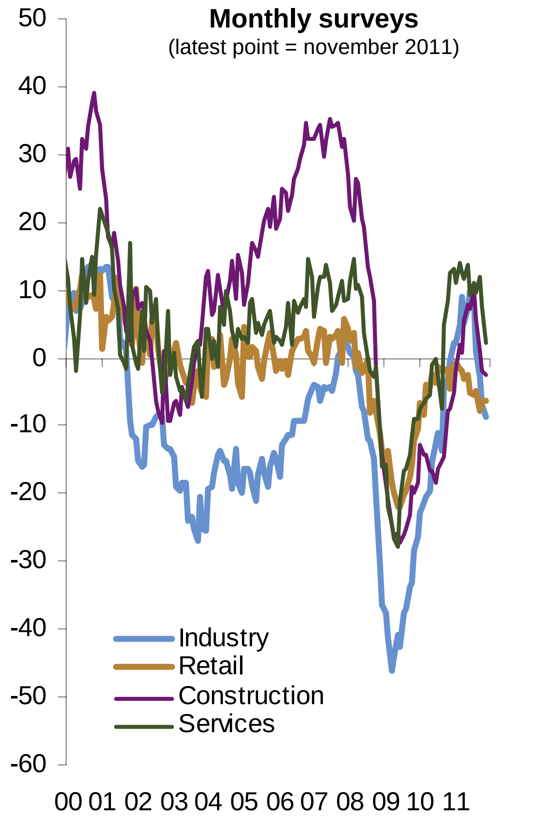
Drop of confidence	Fall of orders	Less employment in sight



Sources : IHS Global Insight, Eurostat, Euler Hermes



Sources : IHS Global Insight, Eurostat, Euler Hermes



Sources : IHS Global Insight, Eurostat, Euler Hermes

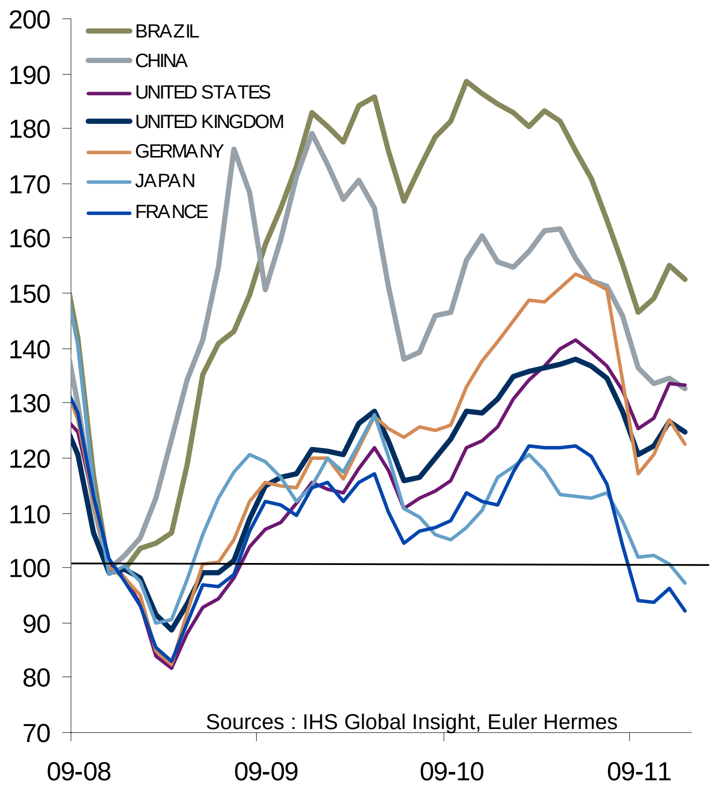
An increased risk of postponing or cancelling investments

… and worrying worldwide finance (and reversely)

Stock markets have dropped again, driven by worries over global economy and banks'solvency…

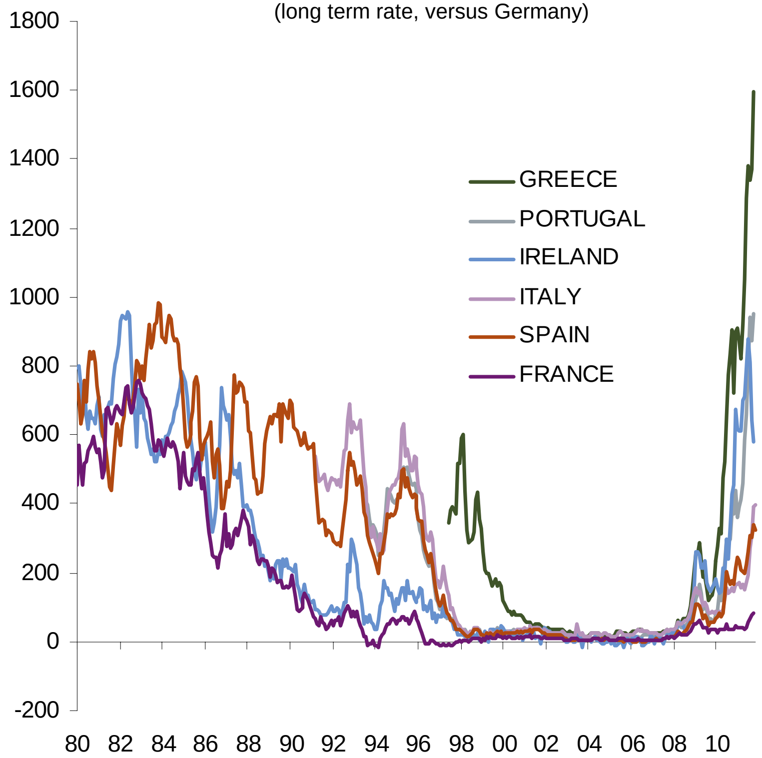
…due to persistent concerns about public debt sustainability (and Eurozone's s critical situation)

Stocks markets index
(2 months moving average, base 100=Q4 2008)



Sources : IHS Global Insight, Euler Hermes

Interest rate spread
(long term rate, versus Germany)



Sources : IHS Global Insight, Euler Hermes

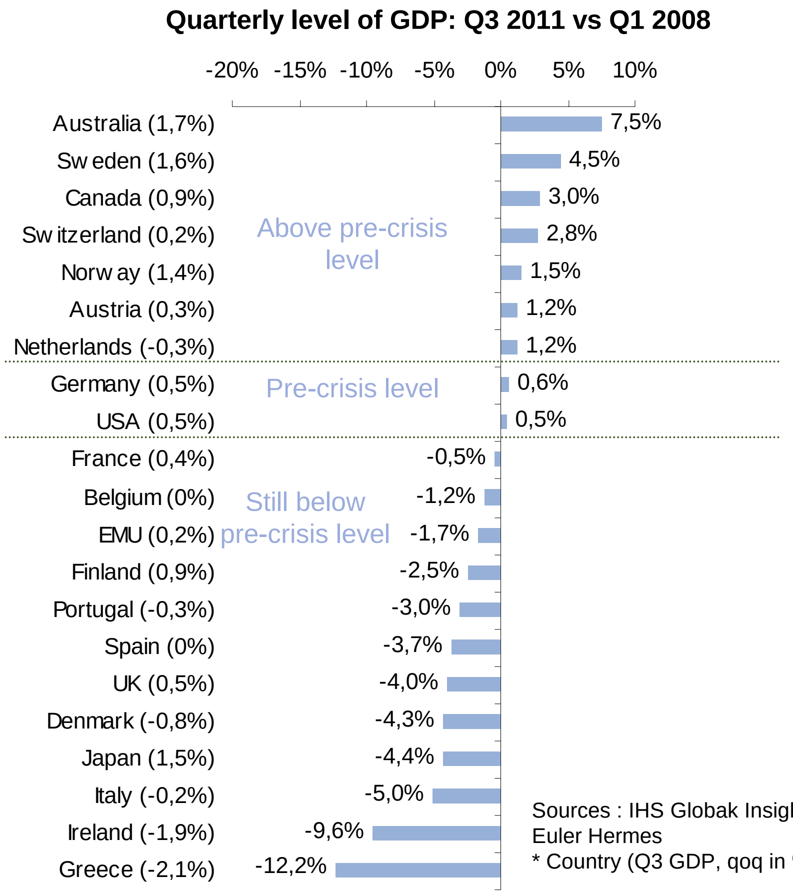
Dangerous interactions (sovereign risk – banking risk – credit crunch risk – growth risk)
+ threat of possible new austerity measures

Central scenario:
EZ holds together but slow painful crisis resolution

Growth and inflation	Policies and other macro indicators	Development of crisis epicentres (EZ)	Development of crisis epicentres (US)
• Global recession avoided, but only just in Europe with one quarter negative growth likely and close to zero for most of rest of 2012. As EZ “solution” gains traction recovery re-commences, gathering momentum through 2013, though de-leveraging pressures keep it below par. • Inflation subsides, outlook tilts towards undershoot of targets, facilitating expansionary monetary policy.	• Governments attempt to meet fiscal targets in main OECD economies—weakens domestic demand. Some fiscal expansion possible in stronger emerging economies, but scope more limited than in 2008-9. • Monetary policy expansionary in most economies, including EZ. • Commodity prices, including energy, stabilise/weaken. • Currencies: EUR weakens against USD.	• Leveraged EFSF, fiscal discipline and plans for more integration but still limited ECB/IMF role fails to restore confidence. • Then, much enlarged ECB intervention allowed, including quantitative easing against inflation undershoot. EFSF and IMF (with support from other lenders, including Brics) in programme for Italy and Spain (but avoid near-term PSI debt write-down). Possible moderate wite-downs for Ireland and Portugal. • Eventually followed by closer fiscal integration in EZ probably including Eurobonds.	• US avoids double-dip, continues quantitative easing and markets ignore debt issue, assuming that there will be a more credible approach post-election.

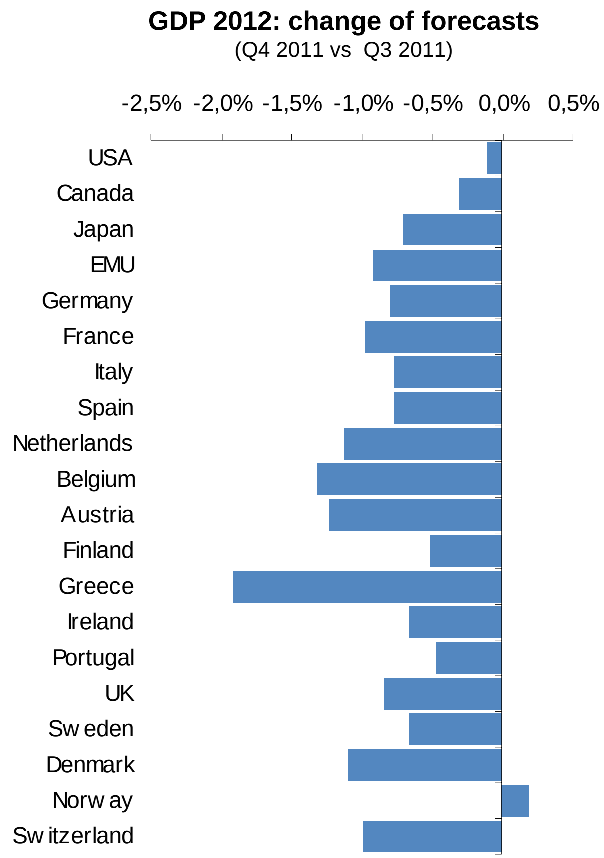
A more disappointing picture particularly for the European developed countries

Many developed countries are still well under their pre crisis GDP level as of end of Q3…



Sources : IHS Globak Insight, Euler Hermes
* Country (Q3 GDP, qoq in %)

… and see their 2012 forecasts revised down again in Q4 2011



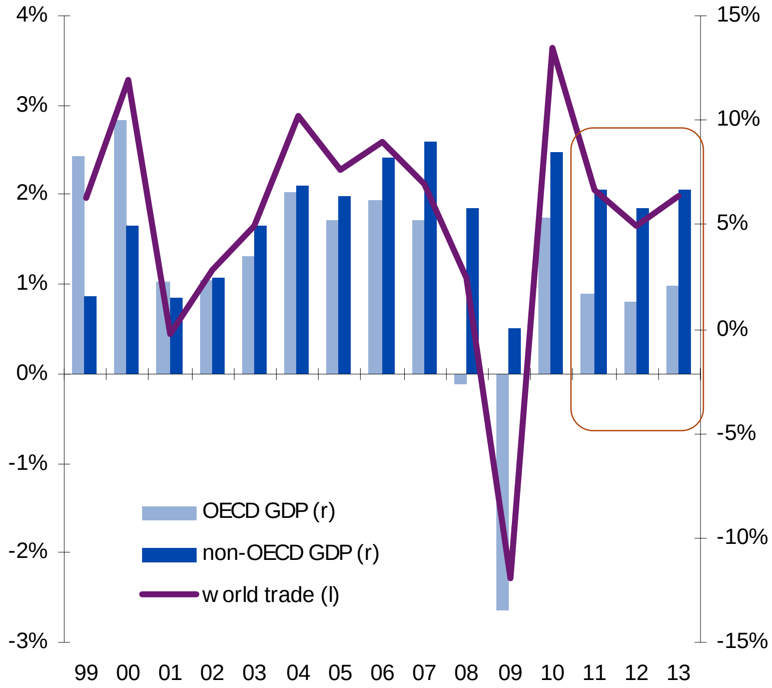
Sources : IHS Globak Insight, Euler Hermes
* Country (weight in 2010 world GDP%)

World economic growth promises to be weaker

World GDP growth to continue its deceleration (from +4.2% in 2010 to +2.7% in 2012), with the same scenario for world trade (from +13.5% in 2010 to +5% in 2012)

yoy changes in %	*Weights (%)*	2010	2011	2012	2013
WORLD GDP	***100,0***	**4,2%**	**3,0%**	**2,7%**	**3,0%**
OECD	***64,3***	**2,7%**	**1,4%**	**1,3%**	**1,6%**
USA	*24,3*	3,0%	1,7%	1,8%	1,9%
Canada	*2,6*	3,2%	2,4%	2,0%	2,3%
Japan	*9,1*	4,1%	-0,3%	1,8%	1,3%
Australia	*2,1*	2,7%	1,9%	2,7%	2,9%
EMU	*20,2*	1,8%	1,6%	0,3%	1,2%
Germany	*5,5*	3,6%	3,0%	0,8%	1,6%
France	*4,2*	1,4%	1,6%	0,4%	1,1%
Italy	*3,4*	1,2%	0,5%	-0,2%	0,3%
Spain	*2,3*	-0,1%	0,7%	0,2%	1,1%
UK	*3,7*	1,8%	0,8%	0,6%	1,2%
Sweden	*0,8*	5,3%	4,6%	1,1%	2,0%
Denmark	*0,5*	1,3%	0,9%	0,3%	1,3%
Switzerland	*0,9*	2,7%	1,8%	0,5%	1,3%
non OECD	***35,7***	**7,1%**	**5,8%**	**5,1%**	**5,5%**
Central and Eastern Europe	*6,7*	4,3%	4,3%	3,1%	3,5%
Russia	*2,5*	4,0%	4,0%	3,7%	4,0%
Asia (excluding Japan)	*18,8*	9,0%	7,3%	6,6%	7,0%
China	*9,7*	10,3%	9,2%	8,1%	8,5%
India	*2,5*	8,5%	7,5%	7,5%	8,0%
Latin America	*7,8*	6,2%	4,0%	3,2%	3,6%
Brazil	*3,5*	7,5%	3,0%	3,0%	3,5%
Middle East and Africa	*2,4*	4,3%	3,2%	4,4%	5,0%
WORLD TRADE		**13,5%**	**7%**	**5%**	**6%**

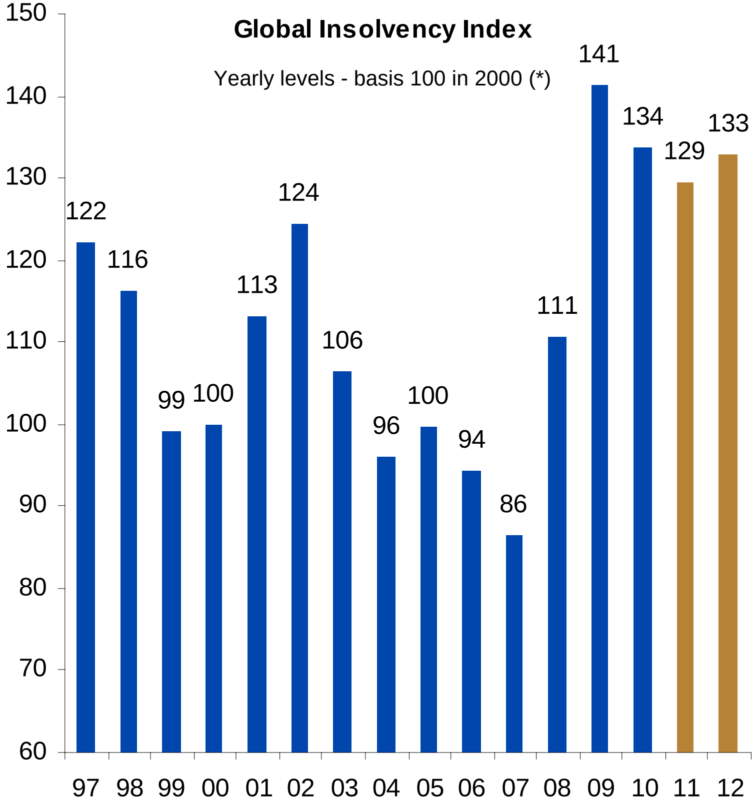
GDP and Trade
(yearly changes)



Source : Euler Hermes, weightings at 2010 GDP and market exchange rates

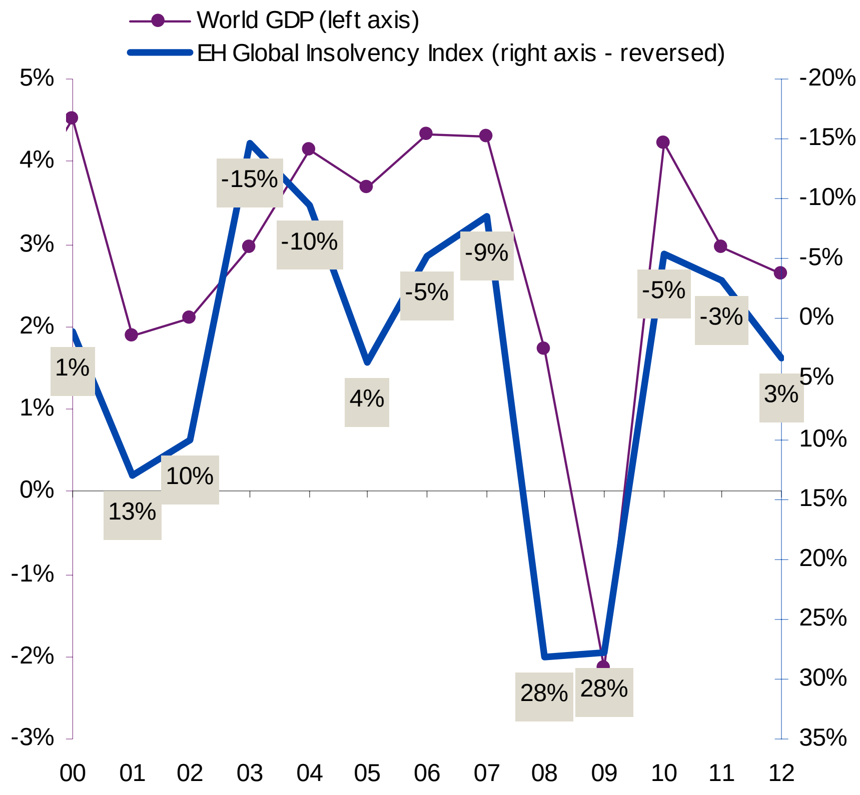
Corporate insolvencies back on a worse direction...

The downward trend of the Global Insolvency Index will be lower (-3%) than the initially excepted decline (-7%) for FY 2011…



Sources: national statistics, Euler Hermes
(*) Countries weighted with 2010 GDP at current exchange rates

… and a rebound of insolvencies is now expected for FY 2012 in line with the downward GDP forecasts



Sources: national statistics, Euler Hermes
(*) Countries weighted with 2010 GDP at current exchange rates

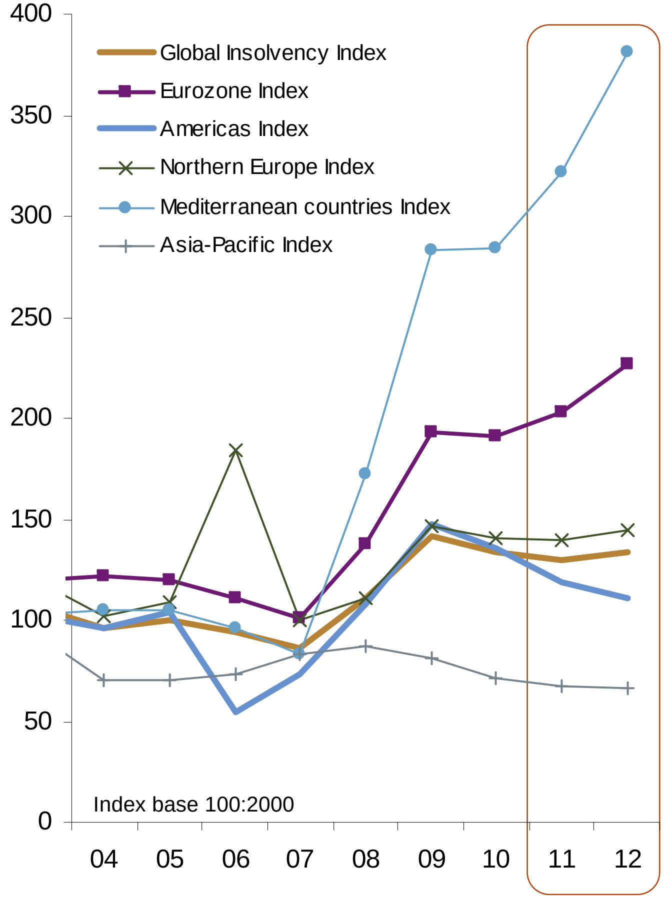
... mainly because of (Southern) Europe (i) results by regions

The downward trend continued in 2011, excepted mainly in Southern Europe, but the 2012 perspective is less favourable in numerous regions

Yearly changes of insolvencies

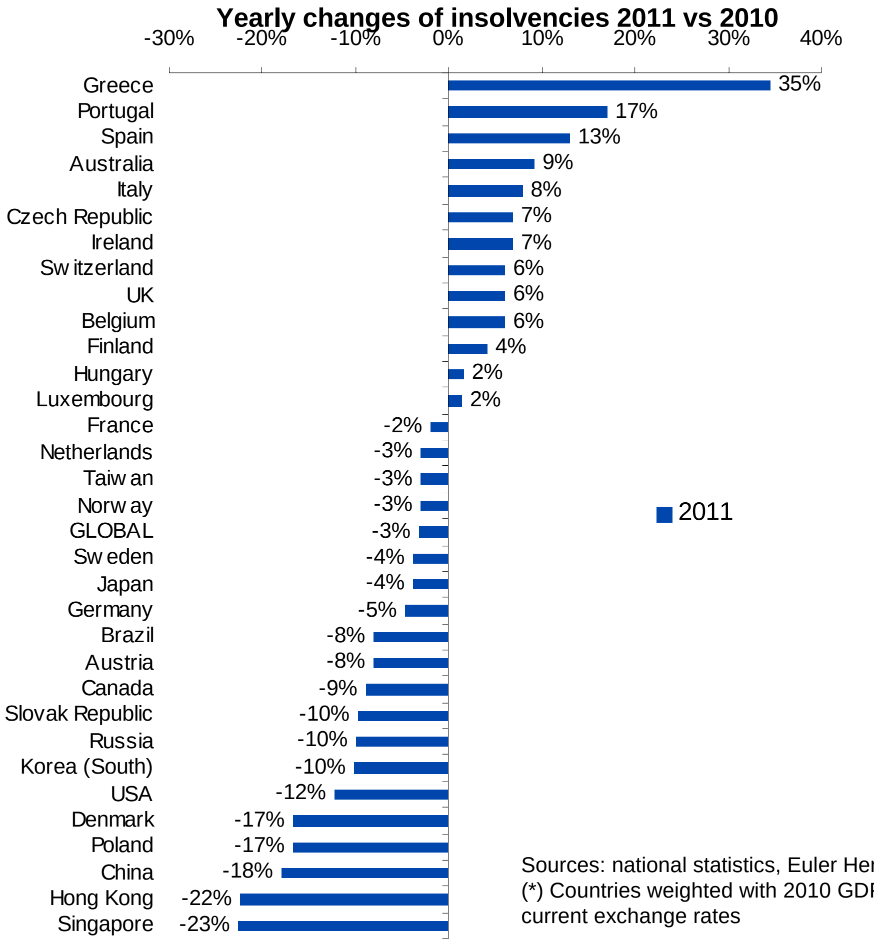
Base 100 : 2000	*% of World GDP (*)*	*Weight*	**2008**	**2009**	**2010**	**2011**	**2012**
Global Insolvency Index	*86,00*	*100,0%*	28%	28%	-5%	-3%	3%
Global Insolvency Index ex US	*61,43*	*71,4%*	16%	15%	-7%	-1%	5%
Americas Index	*29,86*	*34,7%*	48%	37%	-8%	-12%	-7%
Asia-Pacific Index	*20,61*	*24,0%*	6%	-8%	-12%	-5%	-1%
Northern Europe Index	*14,92*	*17,4%*	11%	33%	-4%	-2%	3%
Germany-Austria-Switzerland Index	*7,87*	*9,2%*	0%	13%	0%	-3%	1%
France Index	*4,94*	*5,7%*	15%	12%	-2%	-2%	4%
Mediterranean countries Index	*7,80*	*9,1%*	107%	65%	1%	13%	19%
Eurozone Index	*23,18*	*27,0%*	36%	40%	-1%	6%	12%

Sources: national statistics, Euler Hermes
(*) Countries weighted with 2010 GDP at current exchange rates



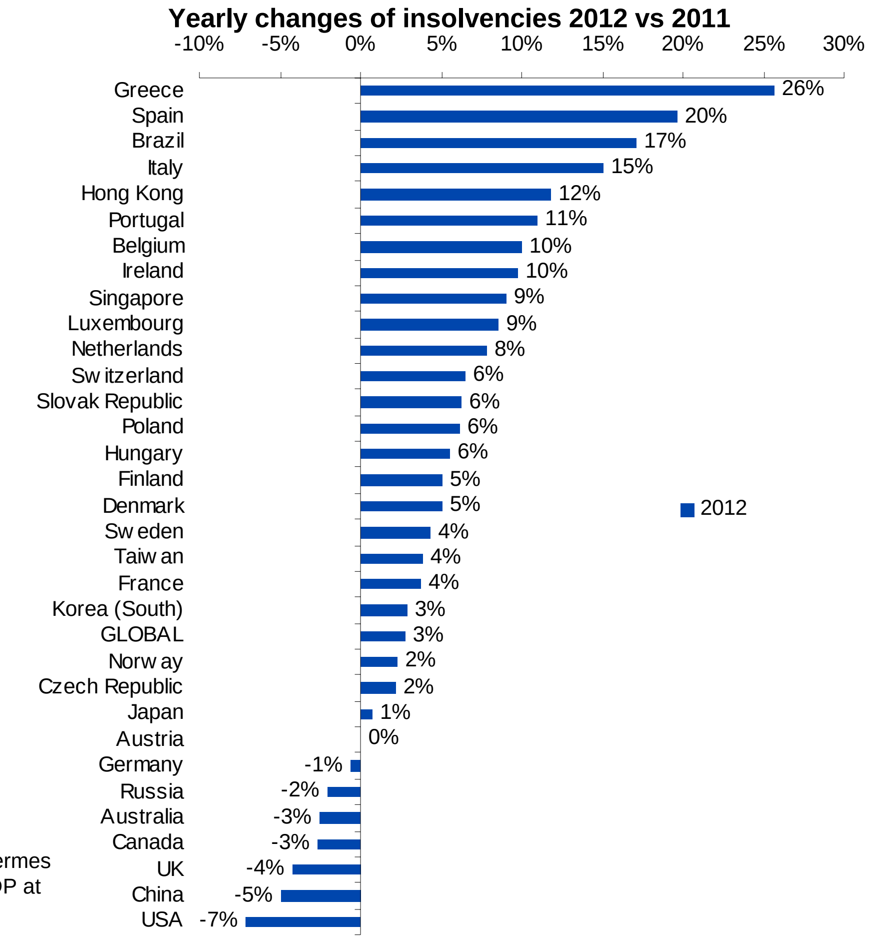
... mainly because of (Southern) Europe
(ii) results by countries

The downward trend continued in 2011 excepted mainly in Southern Europe…



Sources: national statistics, Euler Hermes
(*) Countries weighted with 2010 GDP at current exchange rates

… but the 2012 perspective is less favorable in numerous countries



Key changes in our assessment of Country Risk Level (since September 2011)

5 countries with changed Country Risk Level

	Country	New (Dec.)	Previous (Sept.)	Direction	Comment
4 countries on a worse direction	Czech Republic	Medium	Low	Worse	Change in CRI
	Greece	High	Sensitive	Worse	CRC decision
	Philippines	Sensitive	Low	Worse	Change in Country Grade
	Slovenia	Medium	Low	Worse	Change in CRI
1 country on a better direction	Turkey	Sensitive	High	Better	CRC decision

Source : Euler Hermes, December 12th 2011 Country Risk Committee meeting

Key changes in our assessment of Country Risk Level (since September 2011)

12 other countries with changed sub components but unchanged country risk level:

0 country on a better direction

Country	New (Dec.)	Prev. (Sept.)	Direction	Comment	Level of Risk (unchanged)

12 countries on a worse direction

Country	New (Dec.)	Prev. (Sept.)	Direction	Comment	Level of Risk (unchanged)
Austria	L2	L1	worse	Lower GDP forecasts	Low
Brazil	L2	L1	worse	Lower GDP forecasts	Low
Belgium	L2	L1	worse	Lower GDP forecasts	Low
China	L2	L1	worse	Lower GDP forecasts	Low
Guatemala	L2	L1	worse	Lower GDP forecasts	Low
Hong Kong	L2	L1	worse	Lower GDP forecasts	Low
Italy	H3	H2	worse	Lower GDP forecasts	Sensitive
Poland	M2	M1	worse	Lower GDP forecasts	Low
South Korea	L2	L1	worse	Lower GDP forecasts	Low
Spain	H3	H2	worse	Lower GDP forecasts	Sensitive
Switzerland	L2	L1	worse	Lower GDP forecasts	Low
Taiwan	L2	L1	worse	Lower GDP forecasts	Low

Source : Euler Hermes, December 12th 2011 Country Risk Committee meeting

Country Risk Levels as of end mid-December 2011
Focus on Low Risk

Country	Country Grade	FFI	CRI
Country Risk Level: LOW			
Australia	AA	L	1
Austria	AA	L	2
Belgium	AA	L	2
Canada	AA	L	1
Denmark	AA	L	2
Finland	AA	L	2
France	AA	L	2
Germany	AA	L	2
Japan	AA	M	2
Luxembourg	AA	L	2
Malta	AA	L	2
Netherlands	AA	L	2
New Zealand	AA	L	1
Norway	AA	L	2
Singapore	AA	L	2
Slovak Republic	AA	L	2
Sweden	AA	L	2
Switzerland	AA	L	2
UK	AA	M	2
USA	AA	L	2
Chile	A	L	1
Hong Kong	A	L	2
Malaysia	A	L	2

Source : Euler Hermes, December 12th 2011 Country Risk Committee meeting

Country	Country Grade	FFI	CRI
Country Risk Level: LOW (continued)			
Taiwan	A	L	2
Brazil	BB	L	2
Colombia	BB	L	1
Israel	BB	L	1
Korea (South)	BB	L	2
Kuwait	BB	L	2
Mexico	BB	L	1
Oman	BB	L	1
Peru	BB	L	1
Poland	BB	M	2
Qatar	BB	L	2
Saudi Arabia	BB	L	1
South Africa	BB	M	1
U.A.E.	BB	L	1
Bulgaria	B	L	2
China	B	L	2
Guatemala	B	L	2
India	B	L	1
Morocco	B	M	1
Panama	B	M	1
Thailand	B	L	2

For a full list of Country Grades and the corresponding Country Risk Level please ask for the Country Grade sheet (available on EH intranet).

Country Risk Levels as of mid-December 2011
Focus on Medium/Sensitive/High Risk level

Country	Country Grade	FFI	CRI
Country Risk Level: MEDIUM			
Estonia	AA	L	3
Slovenia	AA	L	3
Czech Republic	BB	L	3
Trinidad & Tobago	BB	L	3
Costa Rica	B	M	2
Country Risk Level: SENSITIVE			
Cyprus	AA	M	3
Ireland	AA	H	3
Italy	AA	H	3
Portugal	AA	H	3
Spain	AA	H	3
Bahrain	B	M	3
Croatia	B	M	3
Tunisia	B	M	3
Algeria	C	L	1
Dominican Republic	C	M	2
Hungary	C	M	2
Indonesia	C	L	1
Philippines	C	L	2
Russia	C	L	2
Turkey	C	H	2

Country	Country Grade	FFI	CRI
Country Risk Level: HIGH			
Egypt	C	M	3
Greece	AA	H	3
Latvia	C	M	3
Lithuania	C	M	3
Romania	C	M	3
Argentina	D	M	2

For a full list of Country Grades and the corresponding Country Risk Level please ask for the Country Grade sheet (available on EH intranet).

Source : Euler Hermes, December 12th 2011 Country Risk Committee meeting

Balance of risks still heavily weighted to the downside

The downward revision of our central scenario points to a even **more fragile economic recovery**, especially in OECD countries, and thus to a **greater vulnerability to shocks**.

A long list of risks...

- economic side: EMU recession, Chinese hard landing
- financial side: disorderly defaut by developed-world sovereigns, new asset bubbles burst, US dollar crash, commodity slump, credit crunch
- political side: lack of co-operative global leadership, rise in protectionism, currency manipulation, break up of EZ
- social side: widespread social and political unrest

.... is maintaining a high degree of uncertainty and lack of confidence

Probability of alternative (downside) scenarios increased sharply, posting a serious threat.

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Revisions of central scenario / alternative scenarios

	Scenario	March 2011	September 2011	**December 2011**	TREND for scenario weighting	TREND for GDP momentum
1	Best case	5% "momentum recovered"	5% "momentum recovered"	**5% "momentum recovered"**	→	↓
2	Central scenario	60% "muted recovery"	50% "muted recovery"	**50% "protracted limbo" (EZ holds together, but slow painful crisis resolution)**	↓	↓
2	Alternative intermdiate scenario	25% Downside but worst case avoided - no EZ breakup	30% Downside but worst case avoided - no EZ breakup			
3	Alternative intermdiate scenario			**25% Partial break up of EZ**	↑	↓
3	« Black » / worst case	10% EZ breaks up	15% EZ breaks up	**20% EZ breaks up**	↑	↓

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Alternative scenario by order of likelihood: **Partial break up of EZ** (25% - increasing weight)

Growth and inflation	Policies and other macro indicators	Development of crisis epicentres (EZ)	Development of crisis epicentres (US)
• Very sharp contraction of GDP followed by slow recovery as confidence improves. • Deflation generally, though several countries, notably those exiting EZ having experienced disorderly default, experience high inflation.	• Governments continue to try to cut deficits to reduce debt burden and avoid debt restructuring on a grand scale. • Expansionary monetary policy. • Banking systems require government re-capitalisation/nationalisation. • Commodity prices collapse. • Currencies: strong economies exiting EZ appreciate rapidly, weaker economies depreciate rapidly	• Leveraged EFSF, fiscal discipline and plans for more integration fails to restore confidence. • Domestic political pressures force Greece, Ireland and Portugal into disorderly default. Orderly work-out not possible because political pressures preclude the necessary primary fiscal surpluses and EU/IMF bail-out cannot be organised. • ECB intervention large-scale after smaller economies default. • Partial break-up of EZ, defaulting countries exit.	• Slips into recession via global bank de-leveraging but begins to recover as "solution" for remaining EZ takes hold. USD remains main reserve currency.

Downward revisions to CRI and FFI sub-components
Strong revisions to insolvencies trend (slower decreases at best and numerous rebounds) with:
- overall insolvency rate not increasing more than in 2008-2009 if we consider equal business demography situation, improved corporate balance sheets and cash position, experience of 2008-2009 (action plan) and absence of surprise
- still differences between countries, and type of companies (size, sector)

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Alternative scenario in order of likelihood:
EZ break up (20% - increasing weight)

Growth and inflation	Policies and other macro indicators	Development of crisis epicentres (EZ)	Development of crisis epicentres (US)
• Severe contraction of GDP followed by prolonged period of overall stagnation (which could include a series of “false dawns”). • Deflation generally, though several countries, notably those exiting EZ having experienced disorderly default, experience high inflation.	• Governments continue to try to cut deficits to reduce debt burden and avoid debt restructuring on a grand scale. • Expansionary monetary policy. • Banking systems require government re-capitalisation/nationalisation. • Capital controls spread as world retreats into autarky. • Threatened and actual social instability reinforces interventionism. • Commodity prices collapse. • Currencies: strong economies exiting EZ appreciate rapidly, weaker economies depreciate rapidly.	• Leveraged EFSF, fiscal discipline and plans for more integration fails to restore confidence. De-leveraging turns into credit crunch. • ECB intervention remains limited. • Domestic political pressures force Italy, Spain, Greece, Ireland and Portugal into disorderly default. Orderly work-out not possible because political pressures preclude the necessary primary fiscal surpluses and EU/IMF bail-out cannot be organised. • EZ breaks up.	• Slips into recession via global bank de-leveraging and subsequent fall in domestic demand and expectations of deflation. USD remains main reserve currency.

It should be stressed that in this scenario the world economy would be in largely uncharted waters, so the outcome is highly uncertain.

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Alternative scenario in order of likelihood:
Momentum recovered (5% - stabilized weight)

Growth and inflation	Policies and other macro indicators	Development of crisis epicentres (EZ)	Development of crisis epicentres (US)
• Moderate growth resumes in main OECD economies and momentum gathers in late 2012 and 2013, as policy credibility restores general confidence, eventually lifts prospects for weaker EZ countries. • Inflation moderate and within target ranges.	• Fiscal policies underpin debt sustainability with stronger economies providing fiscal boost. • Monetary policy supportive • Commodity prices stable • Currencies: EUR weakens against USD in near-term.	• Fiscal integration, discipline stepped up, ECB intervention on an unlimited basis. • EFSF increased substantially and/or large increase in IMF financing of EZ. • Sovereign debt issues dealt with realistically (i.e. debt reduction where necessary). • Bank capitalization plans speeded up. • Fiscal expansion in stronger economies .	• Quantitative easing supports growth and markets ignore debt issue, assuming that there will be a more credible approach post-election.

Appendix :

Economic outlook by region

Economic Outlook (1/3)

World, Southern Europe and the US

Crisis in Europe	• **Lack of forward visibility: two quarters of political deadlock - which delayed solving of the intertwined debt and banking crisis – affected the real economy** • **Euro area GDP +1.6% in 2011 and growth halved to +0.3% in 2012, with one (Germany) to four (Greece) consecutive quarters of negative growth in Member Countries** • **Southern Europe at bay - Italy:** expected GDP at -0.2% in 2012 as austerity measures are implemented; **Spain:** flat growth for the unachieved recovery from 2009, coupled with fiscal restraint in 2012; **Greece :** after GDP at -5.6% in Q3 2011, the recession settles in; **Portugal:** weak domestic demand and export prospects
World growth deceleration	• **World GDP growth continues: +2.7% in 2012 against +3% in** 2011 but trade and industrial production lost steam. In addition, forward-looking surveys (household confidence, order books, investment by businesses) support the clear deceleration ahead • **Emerging economies as a whole are experiencing a more moderate growth,** though the BRICs continue to show resilience (+6.6% in Asia, excluding Japan and +8.1% for China, +3.2% in Latin America) • **Divergence in regional outlooks** will be driven by: (i) the degree of interdependence in trade and banking with Europe (Eastern Europe at risk e.g.); and (ii) the contribution of commodities in external trade as prices are to decelerate (net-exporters should be negatively affected)
Cautious optimism in the USA	• **United States:** +1.7% in 2011 and +1.8% in 2012. No double-dip as consumption remains strong but: (i) unemployment; (ii) the lack of commitment on the 'how to' reduce fiscal deficit; and (iii) the situation in Europe remain major risks to the rather positive outlook

Economic Outlook (2/3)
France, Germany, the UK and Italy

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France: Fragile Growth	• Estimated GDP growth: +0.4% in 2012 • Surveys (business outlook, business investment, cash flows, household consumption and order books) confirm the lack of stamina looming ahead • Slowdown of household consumption in Q3 2011 over one year to +0.9% against +1.4% at end-Q1 2011. • Investments by businesses to slowdown at +4% in 2012 after +11% in 2011; defensive investments focused on reducing costs of equipment • Signs of a credit crunch (volume and terms)
Germany: Resilient	• GDP forecast: +0.8% in 2012 • Positive development thanks to domestic demand (except one quarter of negative growth), while net export contributes slightly negatively to growth, caused by the global slowdown • There are still a number of quite favorable factors driving growth (good business and profitability conditions, low increase in labor costs in past years, need for capacity extension)
The Reassuring UK	• Estimated GDP forecast: +0.6% in 2012 • Independent monetary policy (quantitative easing, exchange rate) reassure markets but major austerity measures put in place this year will still have a toll on growth in 2012. Little export outlets to the euro zone due to depressed demand
Italy: hitting rock bottom for a better start	• Estimated GDP forecast: -0.2% in 2012 mainly due to the implementation of deep austerity measures (taxation on housing, consumption; pension and labor market reform) • Interest rate on sovereign bonds raised to 7% over the Fall endangering competitiveness; access to credit is extremely reduced between banks and not extended to household or companies

Economic Outlook (3/3)
Emerging Economies

Asia	• Growth at +6.6% in 2012 after +7.3% in 2011 due to the dependence on foreign trade • Growth in China and India easing back (+8.1% and +7.5% respectively) but large domestic markets; less pressure on interest rates in China is a positive sign • Lingering effects from Japanese earthquake and tsunami; Thailand floods continue to affect trade and production
Middle East	• Growth at +4.4% in 2012, after +3.2% in 2011 with a protracted Arab Spring • Oil prices and trade remain critical; growth for major oil producers supported by increased consumer demand (subsidies); non-oil economies (tourism, remittances) cannot ride out the downturn in Europe, especially when trade is important (Maghreb)
Latin America	• Growth at +3.2% in 2012, after +4.0% in 2011 for trade links with US, particularly Mexico and the Caribbean, slow down the outlook • Large exporters of commodities, with a broad range including oil (Venezuela), metals (Chile) and foodstuffs (Brazil and Argentina); hence dependence on decreasing prices
Eastern and Central Europe	• Growth at +3.1.% in 2012, after +4.3% in 2011 for the Euro-zone crisis has a significant impact: (i) important trade links (raising risk of sharp slowdown or recession); (ii) reversal of capital flows as investor confidence is deteriorating; (iii) regional/global liquidity tightening as banks reduce lending • Commodity/energy markets have big impact on Russia • Turkey's regional ambitions in the Middle East
Africa	• Growth at +4.9% in 2012, after +5.2% in 2011 with most economies commodity-dependent. Uncertainty relating to foreign investment inflows e.g. Chinese investments in mining and agricultural projects

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