

BUSINESSEUROPE

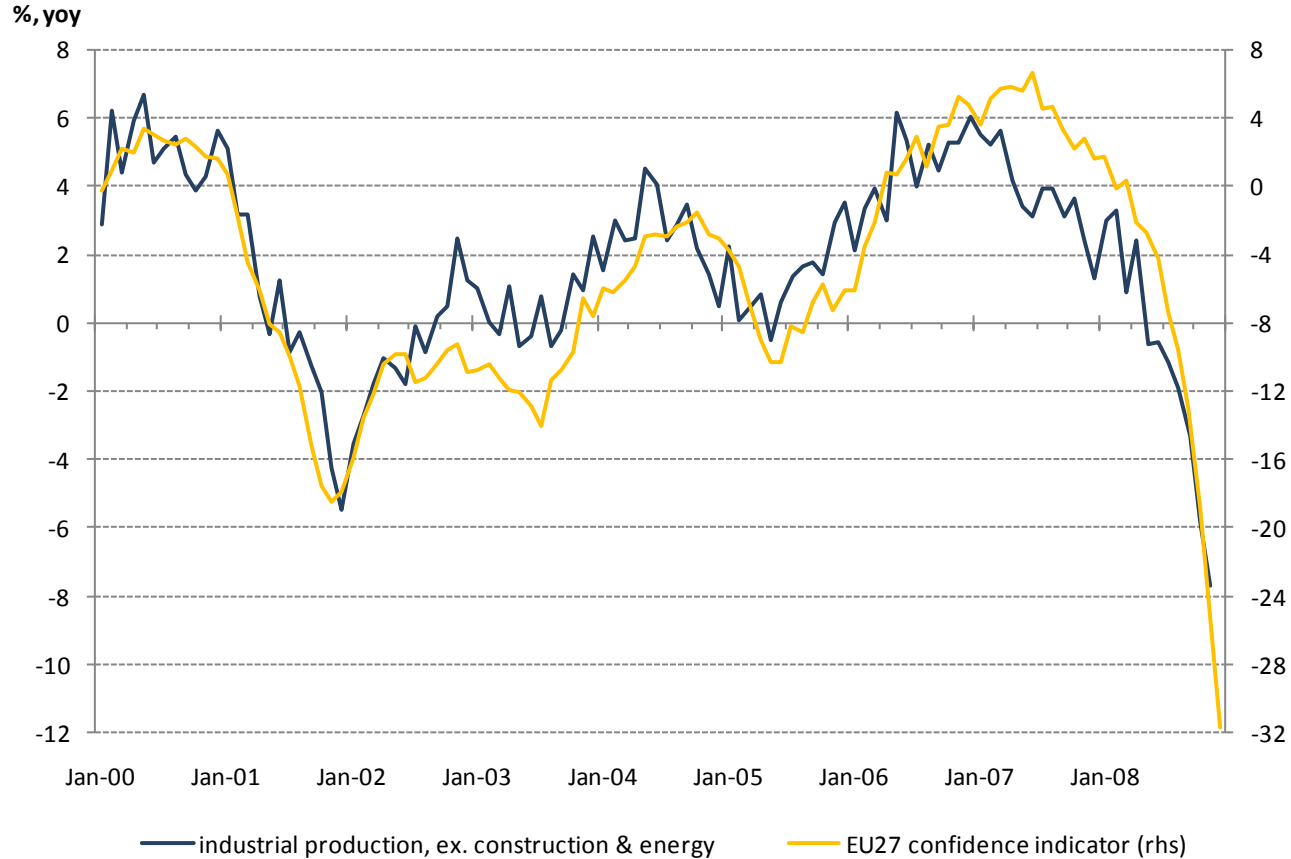


Turbulent times ahead

Marc Stocker
Economics Director

Economic activity has plummeted since September last year...

Industrial production and confidence

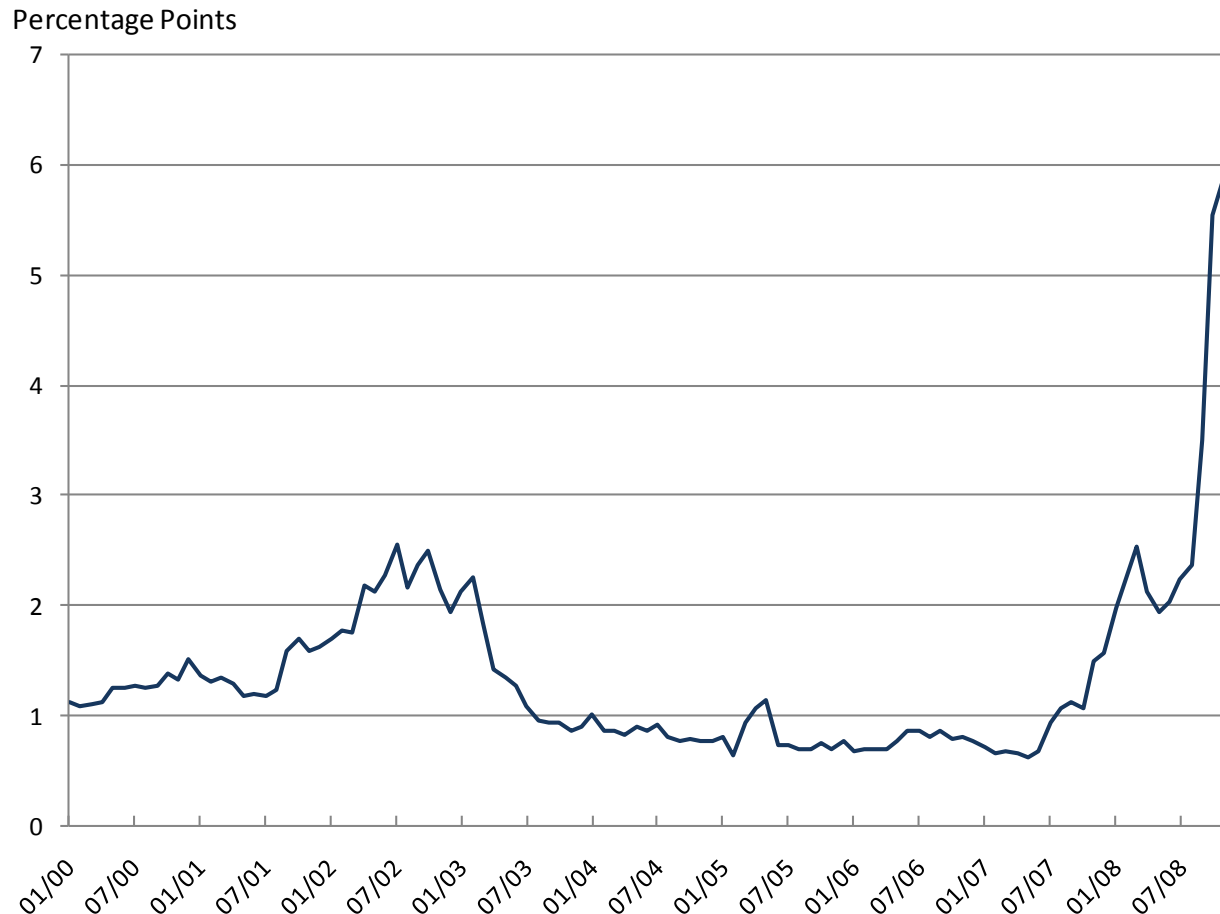


Source: Eurostat, European Commission



Crisis is having a major impact on financing conditions...

Euro denominated corporate bond spreads at record levels



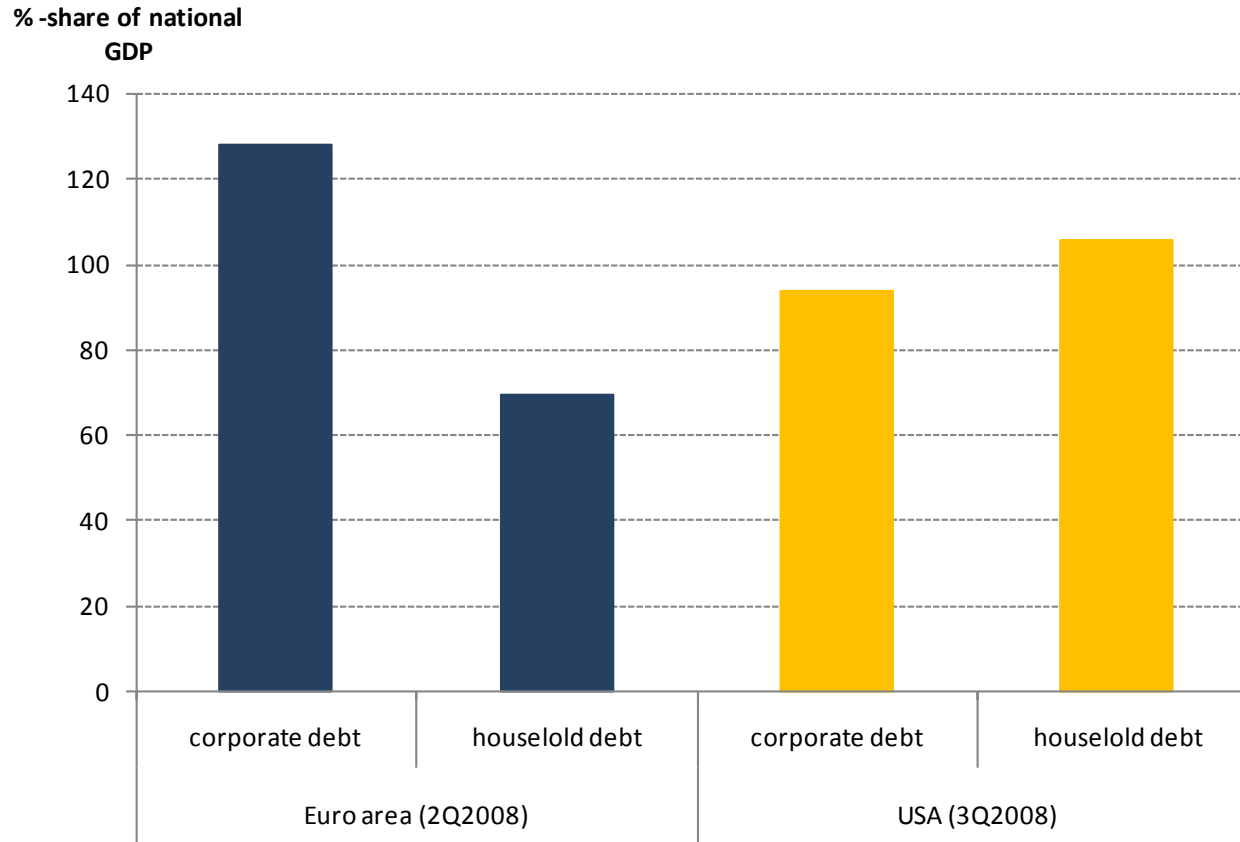
Spread between yields on euro-denominated non-financial corporate BBB rate bonds and German government bonds at 5-7 years maturity.

Source: IIC: www.itraxx.com



European corporate sector more exposed due to high investment / debt levels...

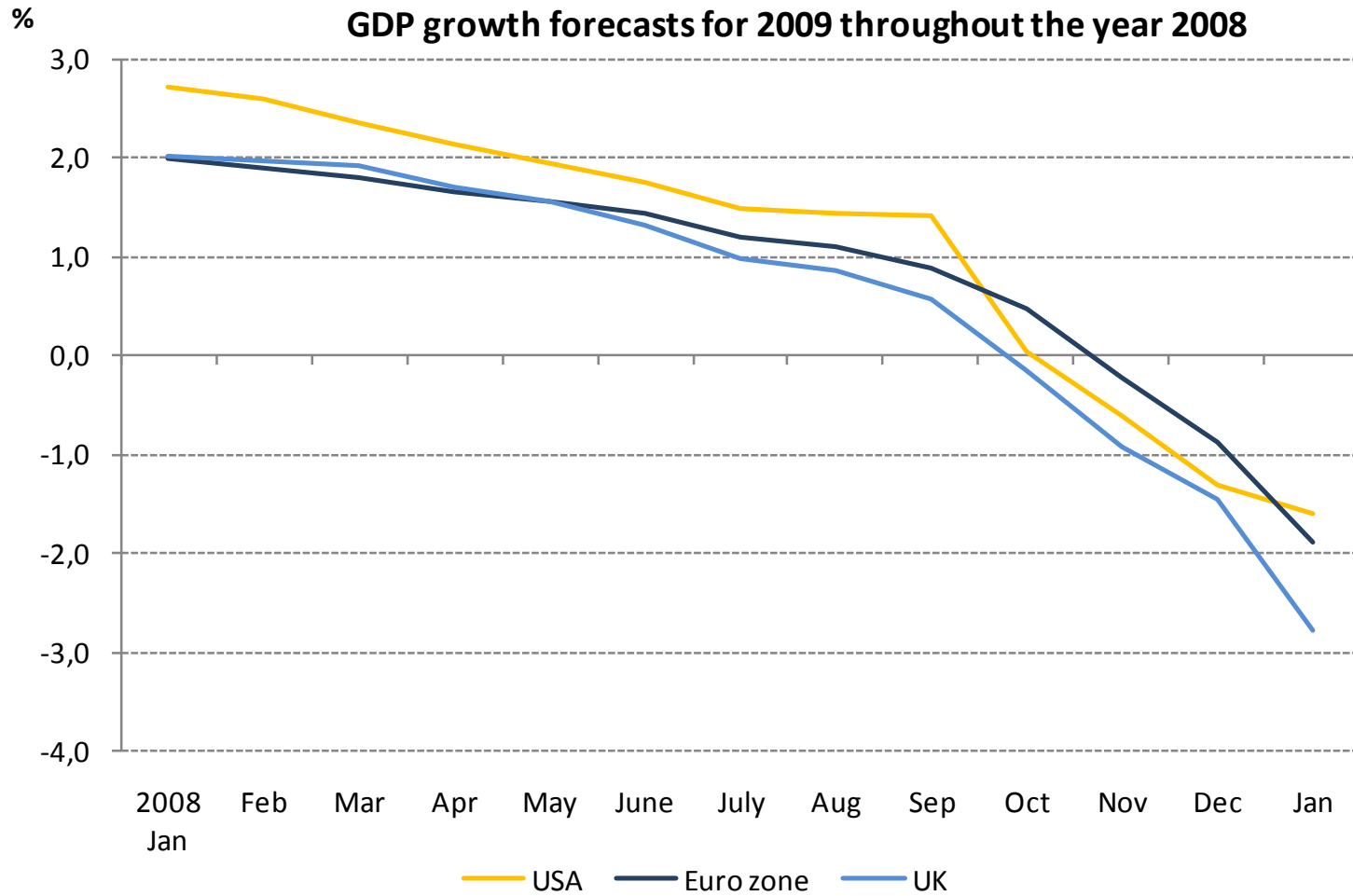
Corporate vs household debt in euro area and US (% of GDP)



Source: *BUSINESSEUROPE, Eurostat, Federal Reserve*



Growth forecasts for 2009 on a steep downward trend...



Source: Consensus Economics Ltd, European Commission for Jan 09



Governments have adopted rescue plans...

Bank and economic rescue plans in the EU

	Commitments		Realised / announced
	Bn	% of GDP	%
Bank rescue plans	2500	22%	50-60% (recapital.)
Recovery plans	200	1.5%	80% (nat. plans)

Source: ECB, Eurostat, EC



BUSINESSEUROPE recommends a four pillar strategy...

1. Improve companies' access to finance
2. Implement effective recovery measures
3. Speed up reforms
4. Resist all forms of protectionism



BUSINESSEUROPE recommends a four pillar strategy...

1. Improve companies' access to finance

- Relaunch of interbank markets
- Recapitalisation / refinancing needs of commercial banks
- Public guarantees to support credit for companies
- Unconventional measures



BUSINESSEUROPE recommends a four pillar strategy...

2. Implement effective recovery measures

- 200bn EU recovery plan endorsed
- Bold stimulus needed under key conditions:
 - Timely (yes), targeted (mixed), temporary (mixed)
 - Coordinated (not enough)
- Avoid old style subsidies, support investment



BUSINESSEUROPE recommends a four pillar strategy...

3. Speed up reforms

- Crisis will have lasting impact on growth
- Financial market reforms not sufficient
- Product, labour and public finance reforms critical for recovery plans



BUSINESSEUROPE recommends a four pillar strategy...

3. Fight protectionism

- a comprehensive EU strategy needed
- WTO standstill agreement on protectionism

