

BUSINESSEUROPE



Finding The Road To Recovery

Marc Stocker

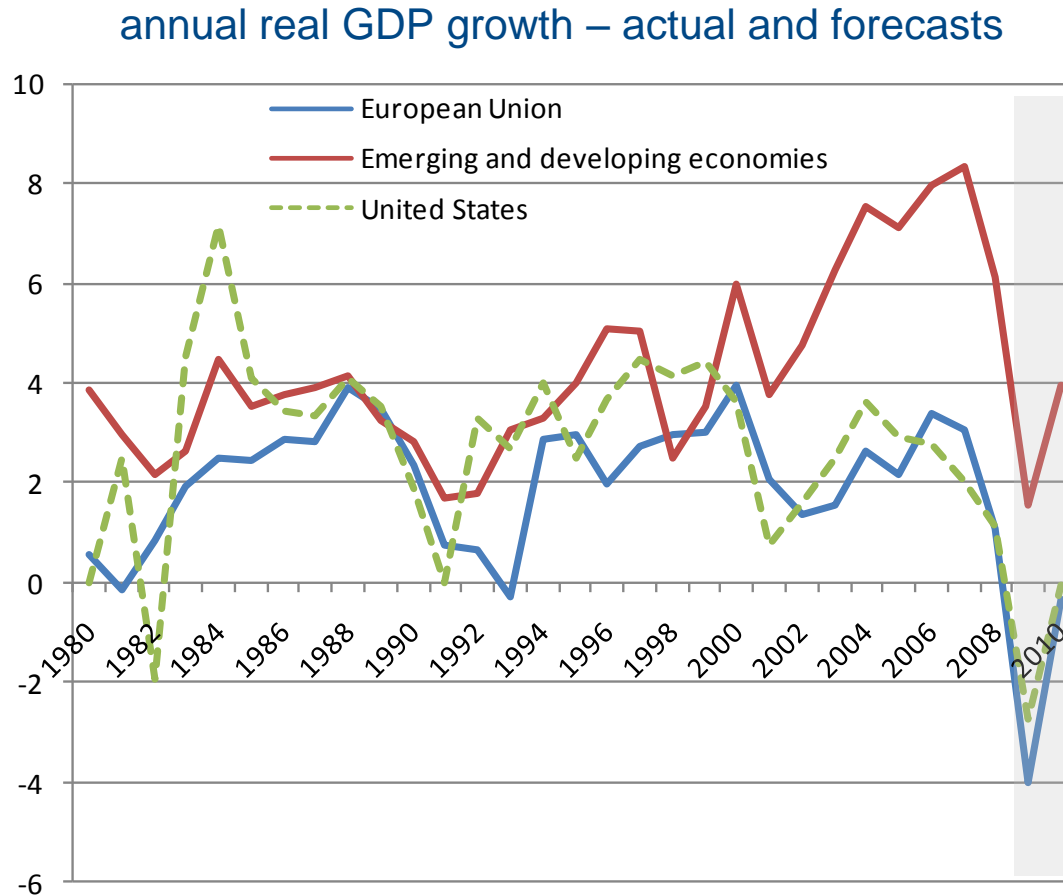
Economics Director

BUSINESSEUROPE

EuroConference

Brussels, 29 April 2009

Depth of the global recession revealed, but signs of stabilisation in 2010



Source: BUSINESSEUROPE based on IMF forecasts



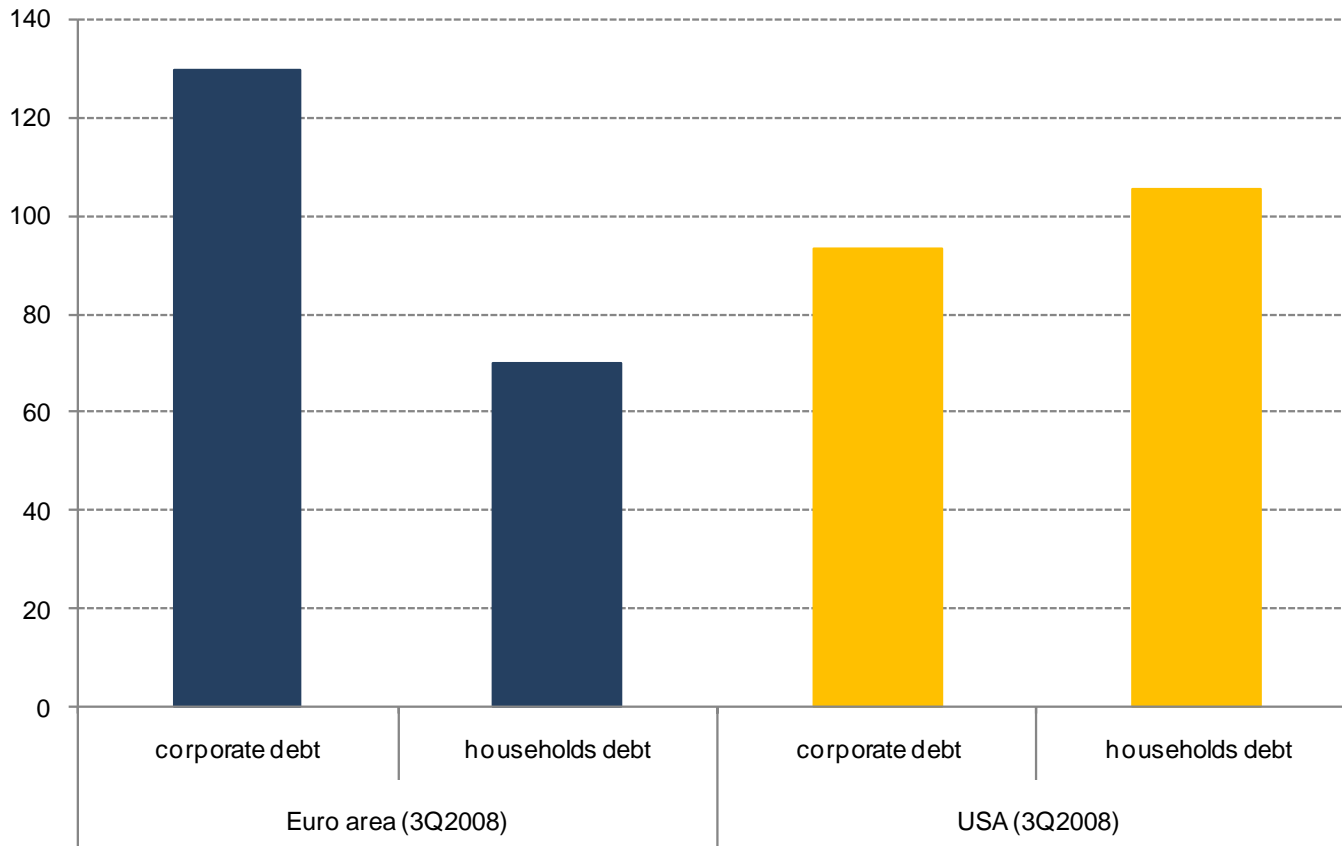
Outlook remains uncertain despite unprecedented rescue measures

- Negative feedback between financial sector losses and the wider economy;
- Risk of trade and financial protectionism;
- Knock-on effect on emerging economies;
- Exit strategy from exceptional policy interventions;



Europe and US equally affected, but through different channels

Level of indebtedness in % of GDP



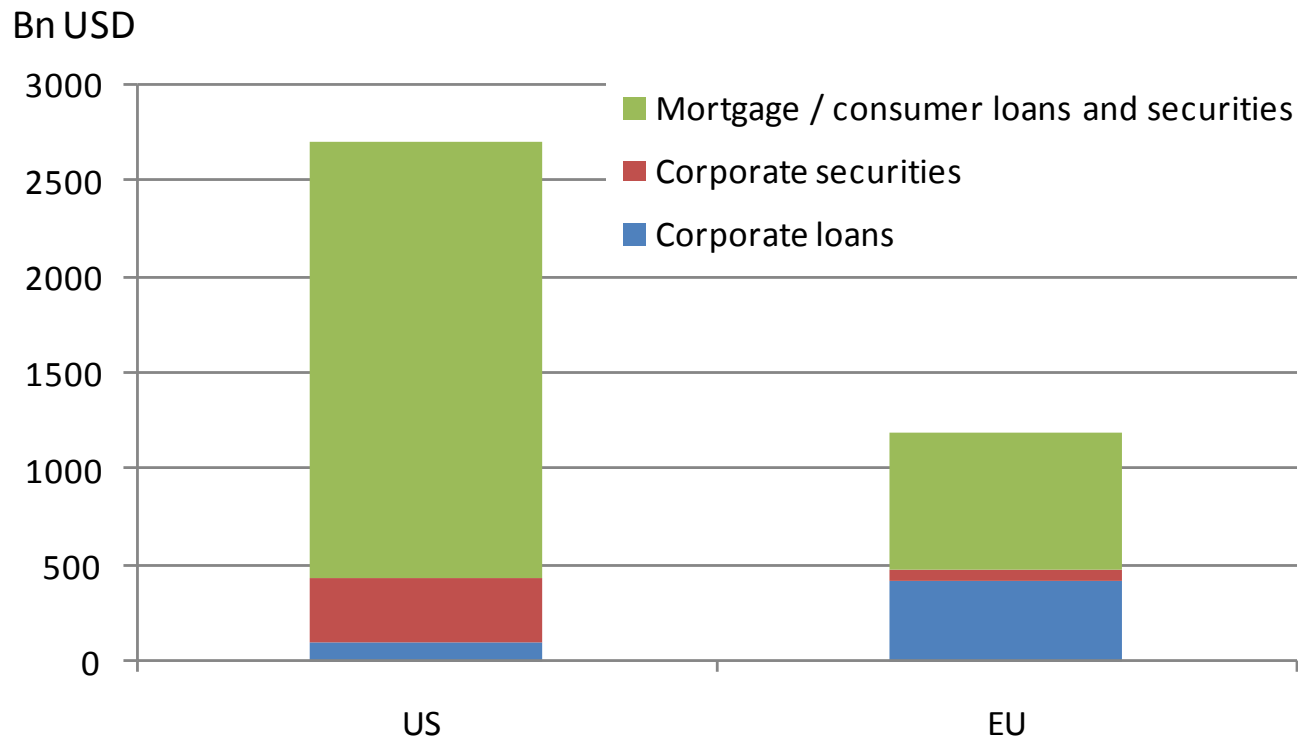
Source: *BUSINESSEUROPE based on Eurostat, US Fed*



Estimated financial losses:

\$ 4,100 bn globally, \$ 1,200 bn in Europe

Estimated write-downs on US and EU assets from 2007 to 2010

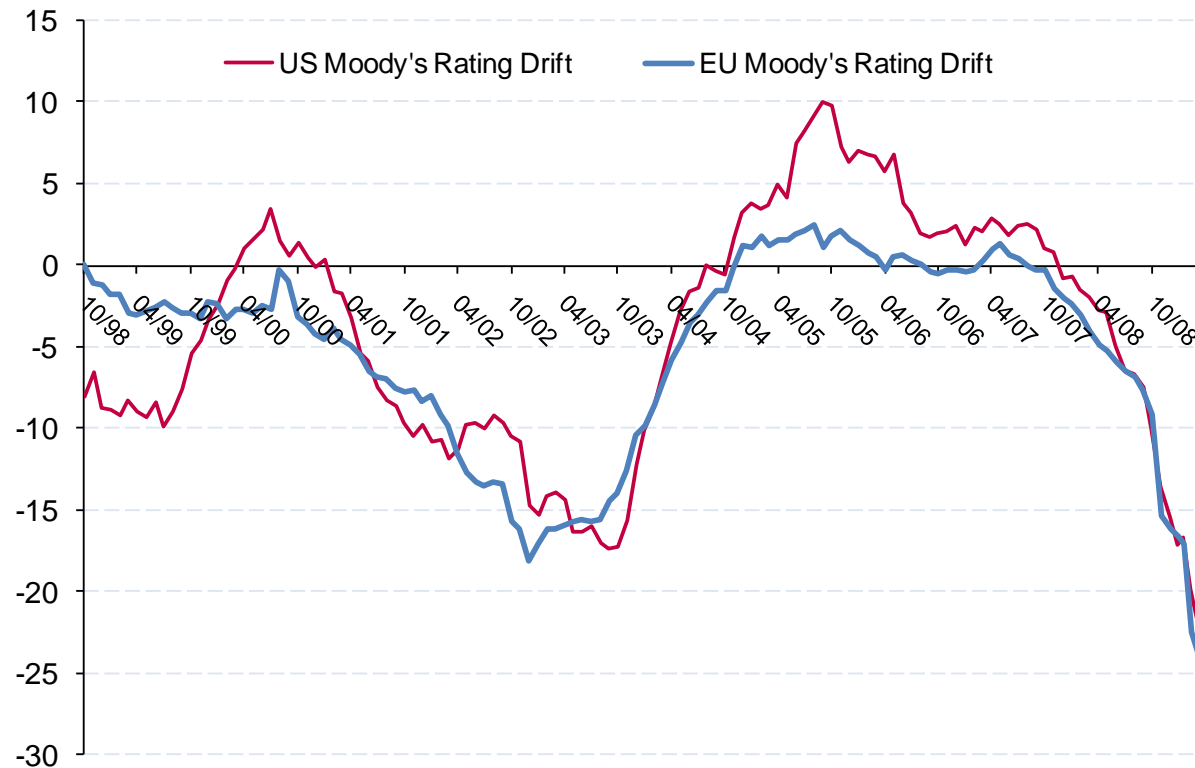


Source: *BUSINESSEUROPE based on IMF Global Financial Stability Report*



Pace of corporate downgrades implies growing risk of financing restrictions

Moody's rating drift: upgrades minus downgrades

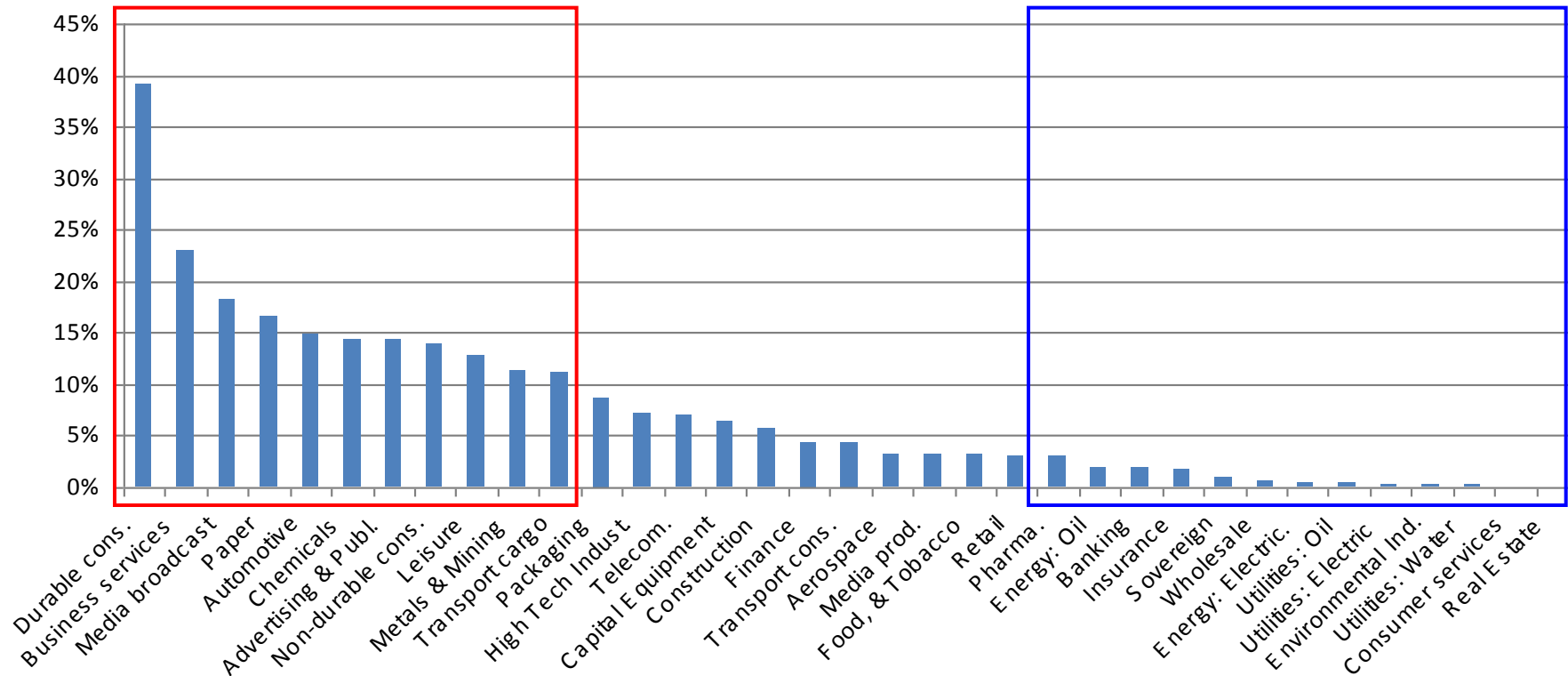


Source: *Crédit Agricole based on Moody's*



Expected corporate default rates vary widely across sectors

One-year corporate default forecasts in the EU – Moody's estimation

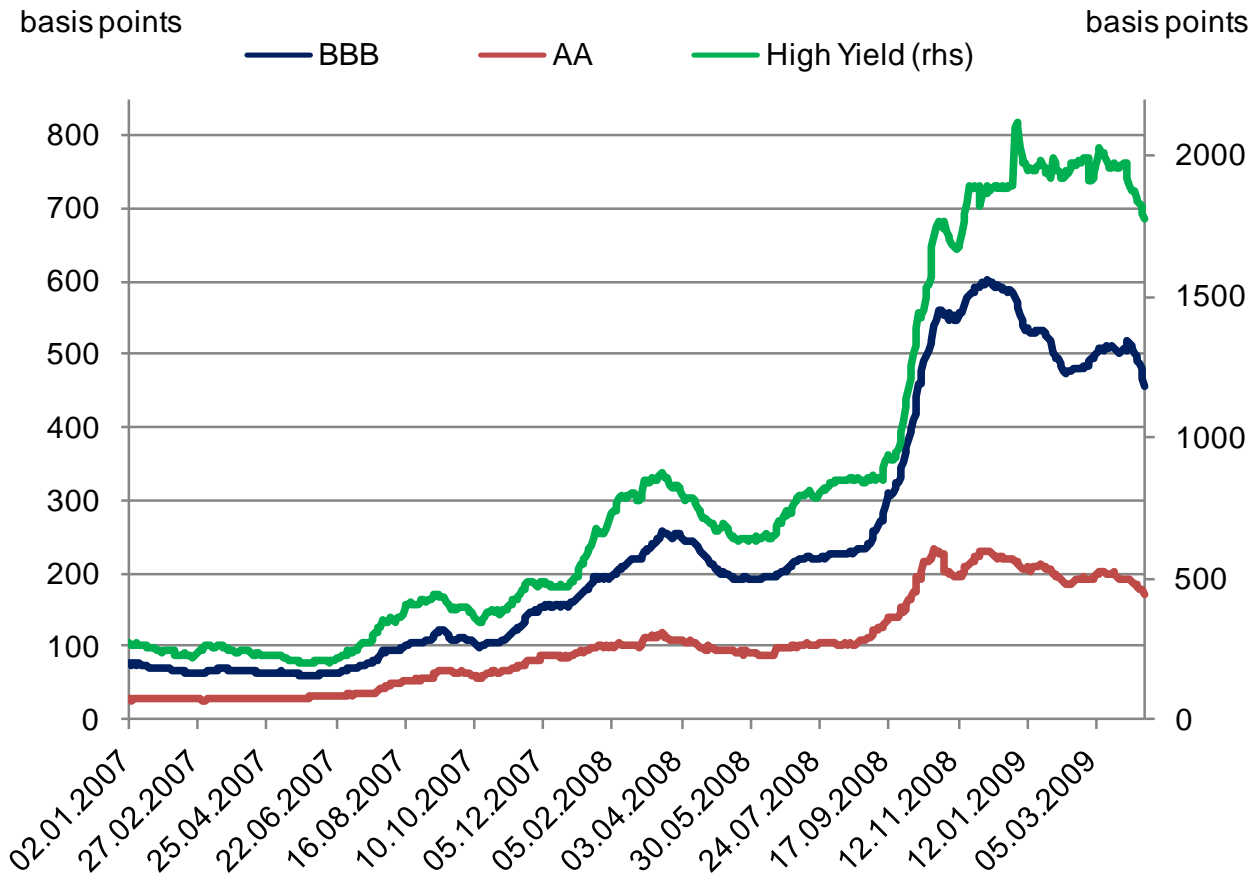


Source: Crédit Agricole based on Moody's



Main concern for European companies: access to finance and protectionism

Yield spreads over German bunds for non-financial corporations
(five-year maturity)

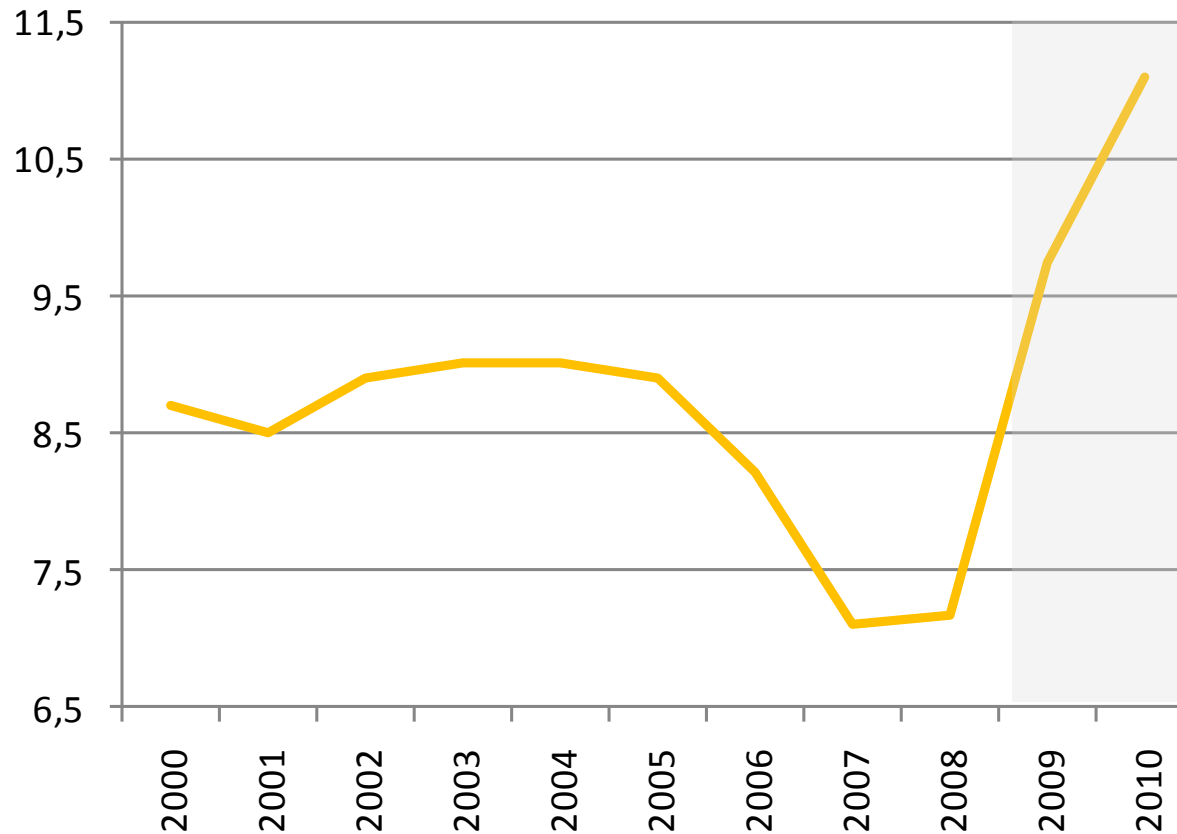


Source: BUSINESSEUROPE based on Markit



Employment and social impact rightly dominates policy discussions

EU unemployment rate – actual and forecasts



Source: *BUSINESSEUROPE* based on IMF forecasts



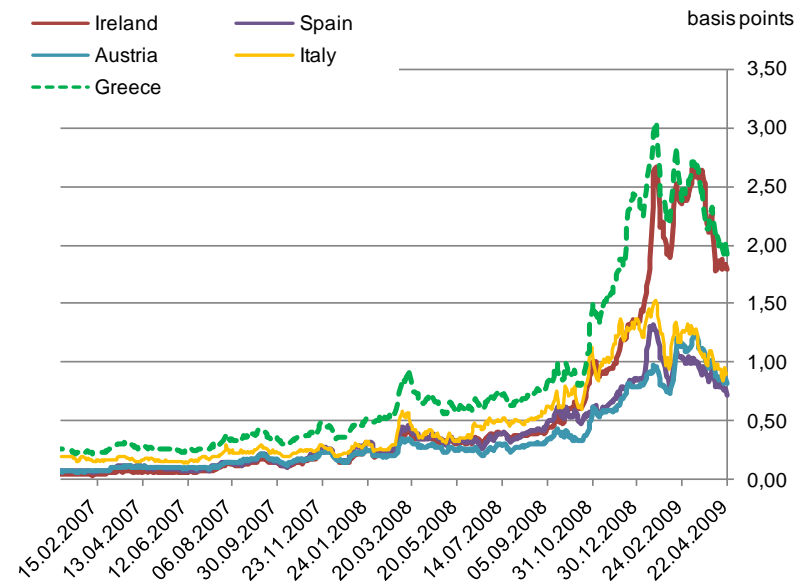
Governments must be selective: their capacity for action is wearing thin...

Government's budget balance in % of GDP

	Government deficit (as % GDP)		
	2008	2009	2010
US	-6,1	-13,6	-9,7
Japan	-5,6	-9,9	-9,8
Euro Area	-1,8	-5,4	-6,1
Germany	-0,1	-4,7	-6,1
France	-3,4	-6,2	-6,5
Italy	-2,7	-5,4	-5,9
UK	-5,4	-9,8	-10,9

Source: BUSINESSEUROPE based on IMF forecasts

Sovereign bond spreads over German bund (seven- to ten-year maturity)



Source: BUSINESSEUROPE based on Markit



The right policy response to support a rapid and sustainable recovery

1. Restore credit flows and fix financial sector;
2. Revive global trade and fight protectionism;
3. Support jobs, invest in skills, ICT and green tech.;
4. Reform capital, product, labour markets and public finances;



1. At international level: successful display of collective responsibility in G20 process
2. At European level: Commission and Council made important efforts to coordinate crisis response. More will be needed:
 1. To stop the credit crunch and help bank restructuring;
 2. To prevent segmentation of the internal market;
 3. To help most vulnerable economies;
 4. To maintain clear focus of national and EU stimulus plans;
 5. To push for reforms aimed at supporting sustainable growth;



Upcoming **BUSINESSEUROPE** highlights

- Employment Summit – 7 May
- **BUSINESSEUROPE** SME event – 7 May
- **CEPS / BUSINESSEUROPE** conference: Is Europe doing enough to fight the credit crisis? – 27 May

