



Global Economy and Trade

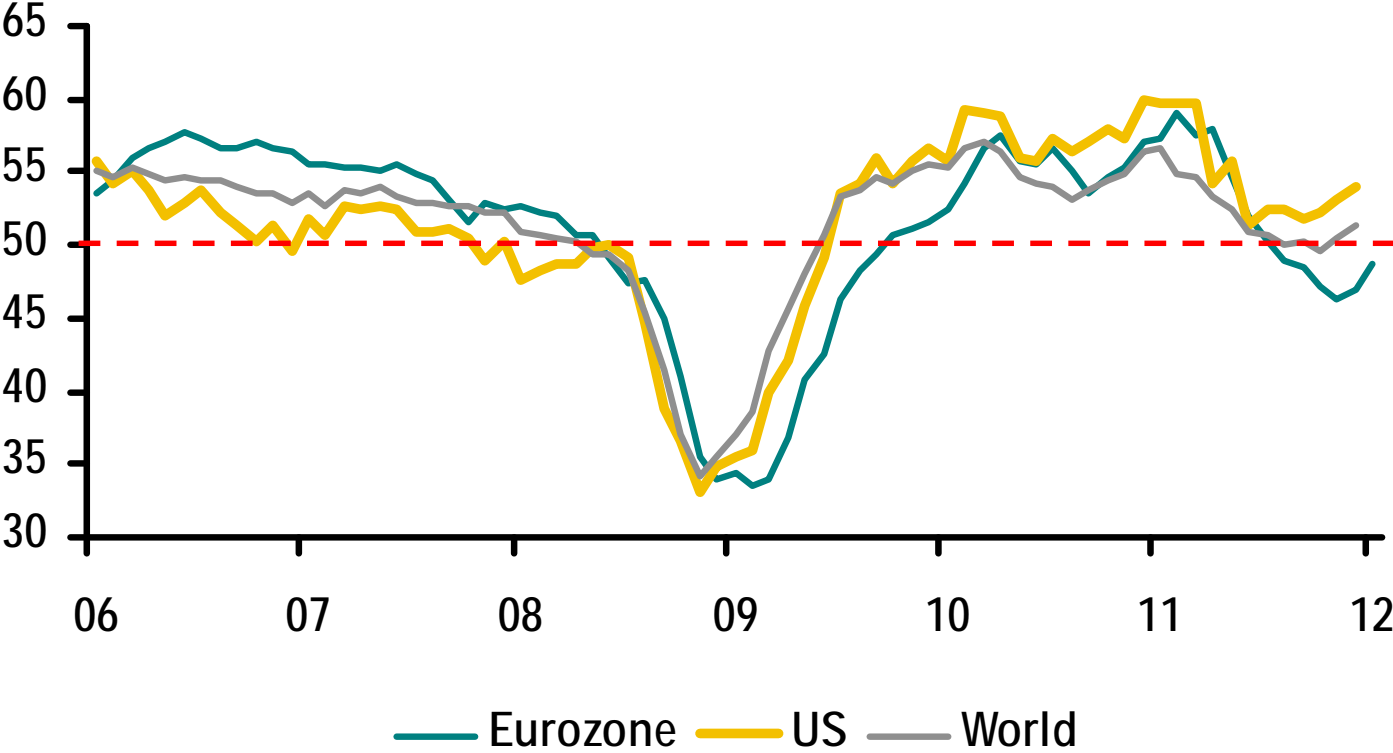
Past the nadir?

Nick Kounis
Head Macro Research

Athens, 29 February 2012

Global economy looks to be bottoming out

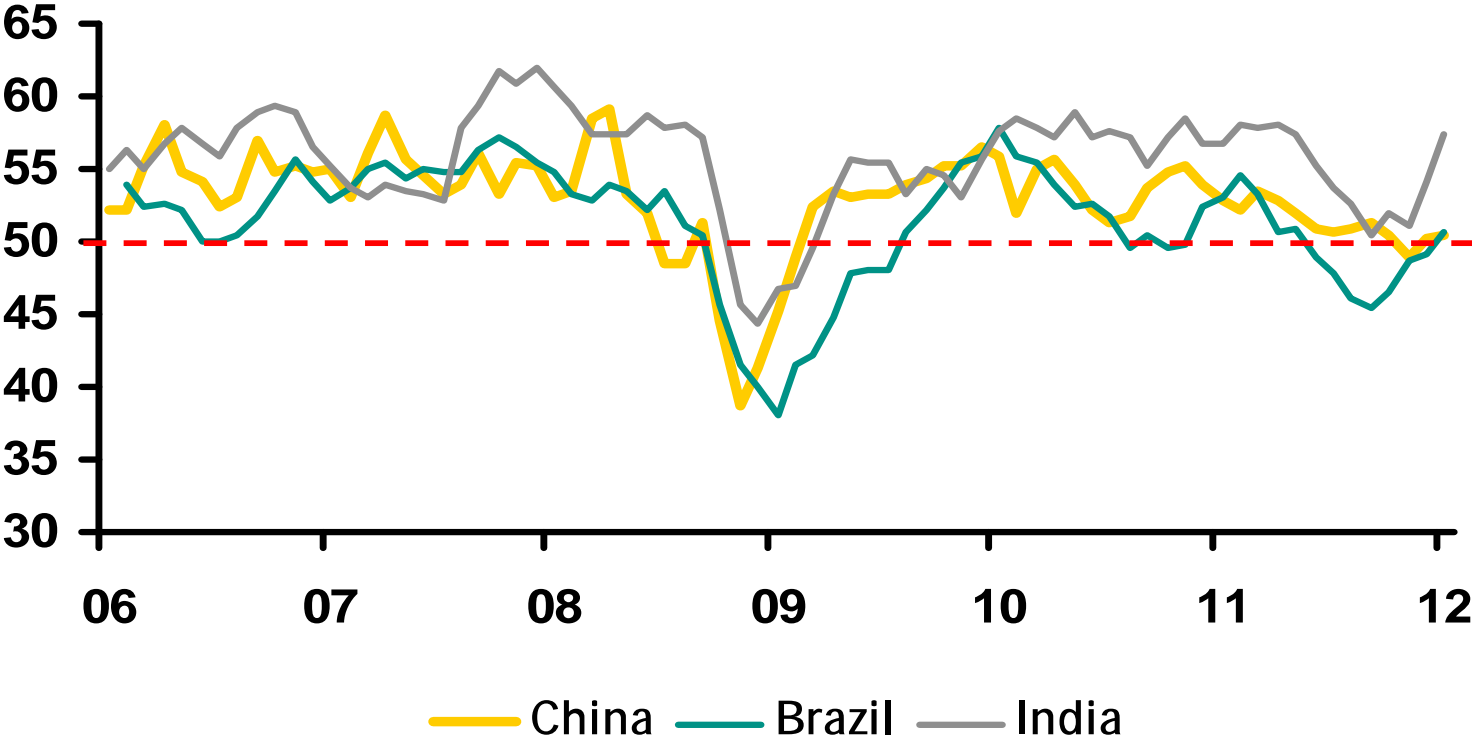
Manufacturing PMIs



Source: Markit

Emerging markets as well as advanced economies

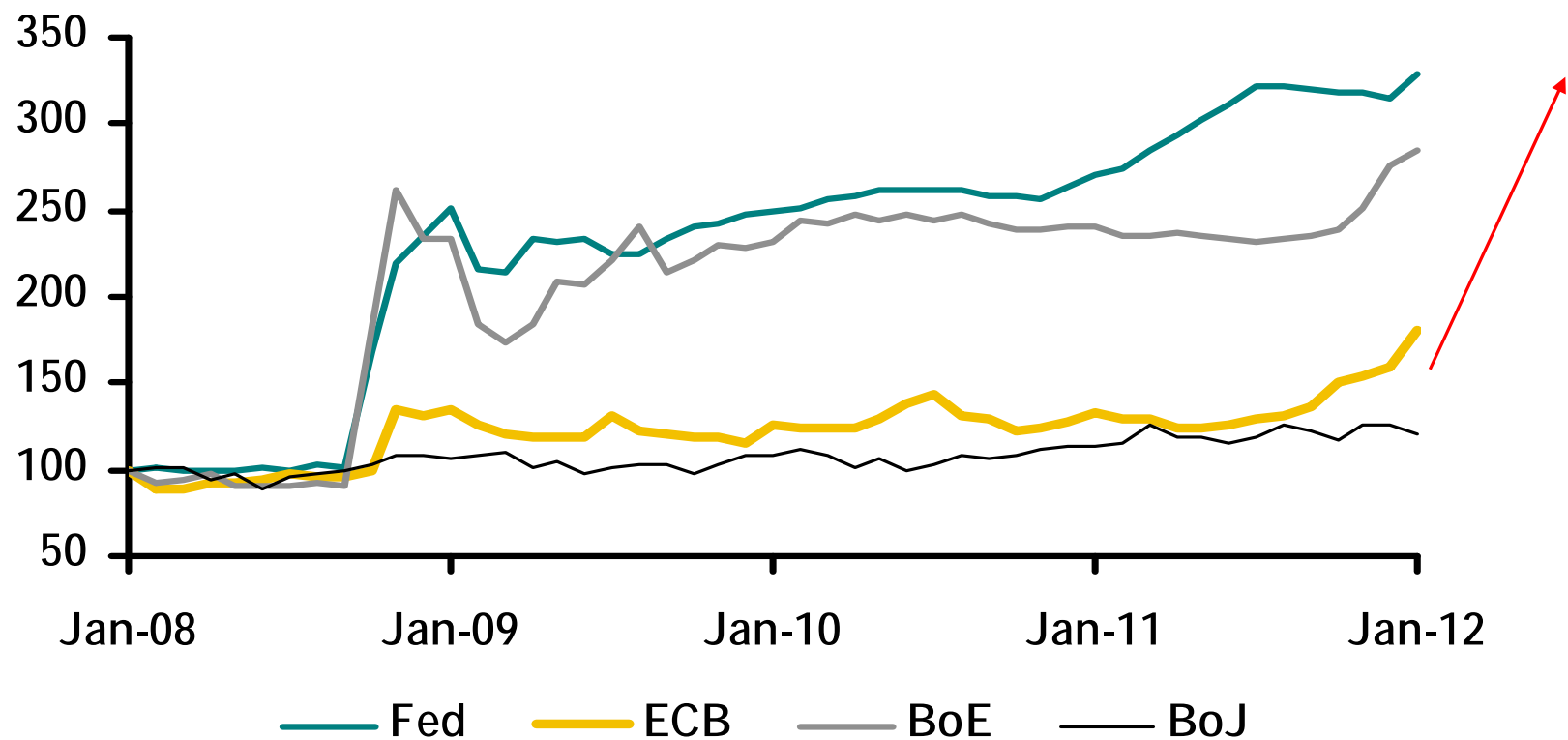
Manufacturing PMIs



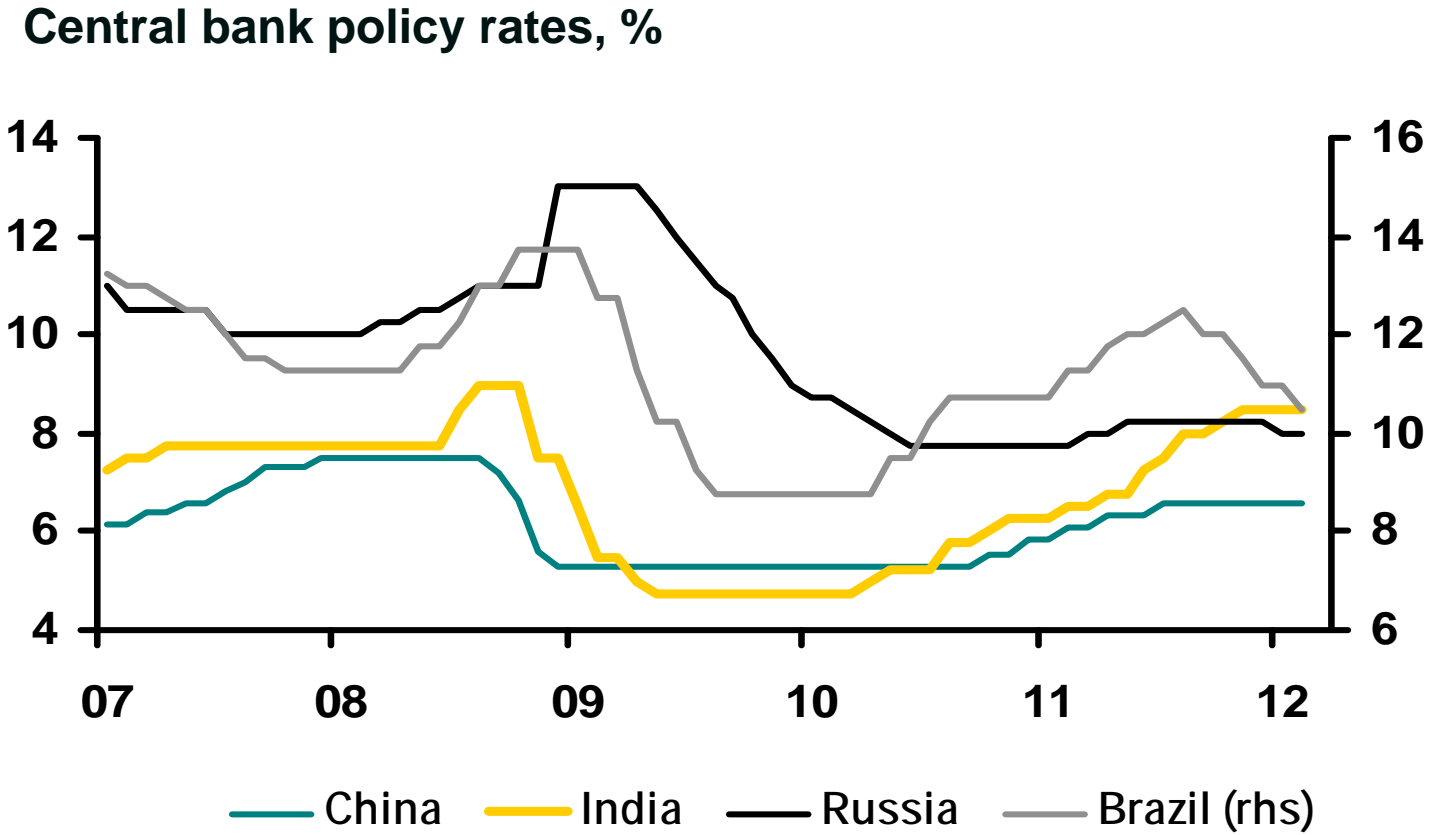
Source: Markit

The Return of Global Easing

Central bank balance sheet, January 2008 = 100

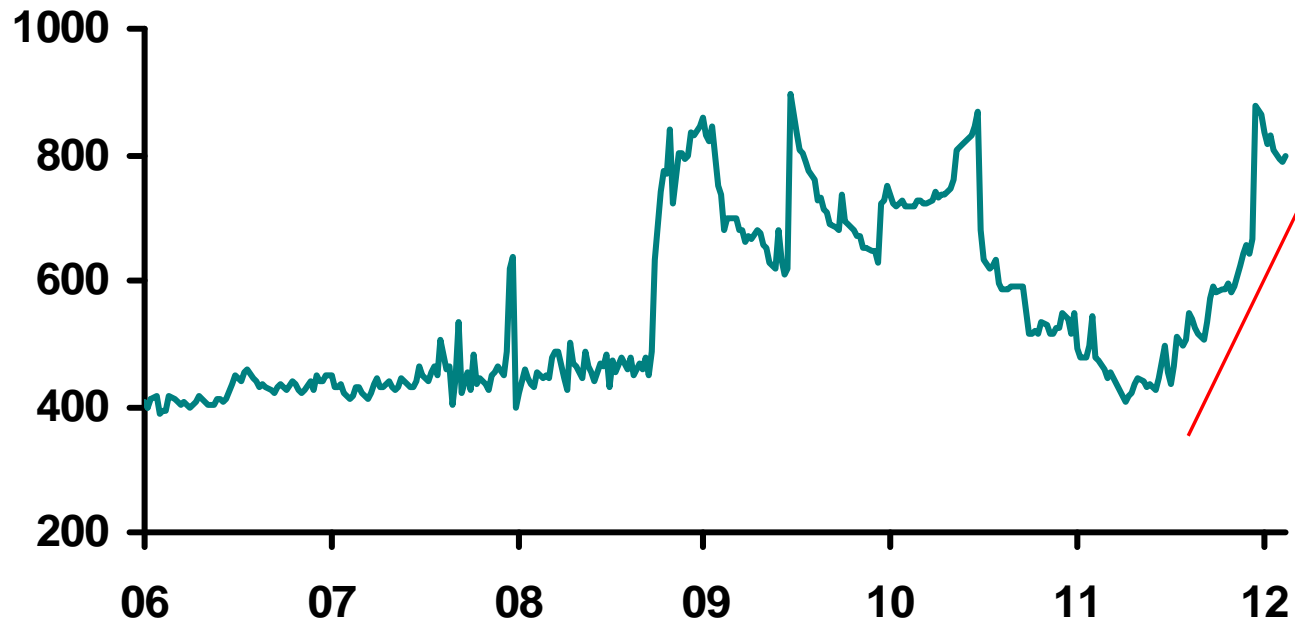


Emerging markets going from rate hikes to cuts



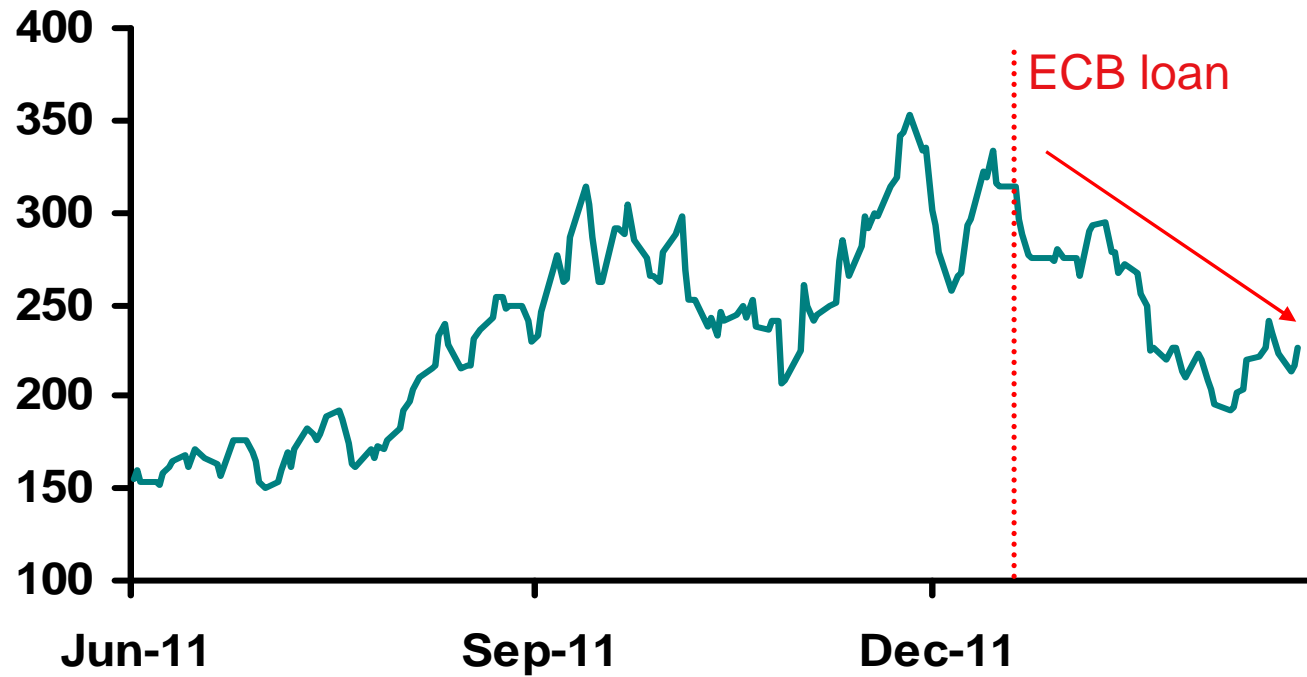
ECB has averted a credit crunch

ECB lending to commercial banks, EUR bn



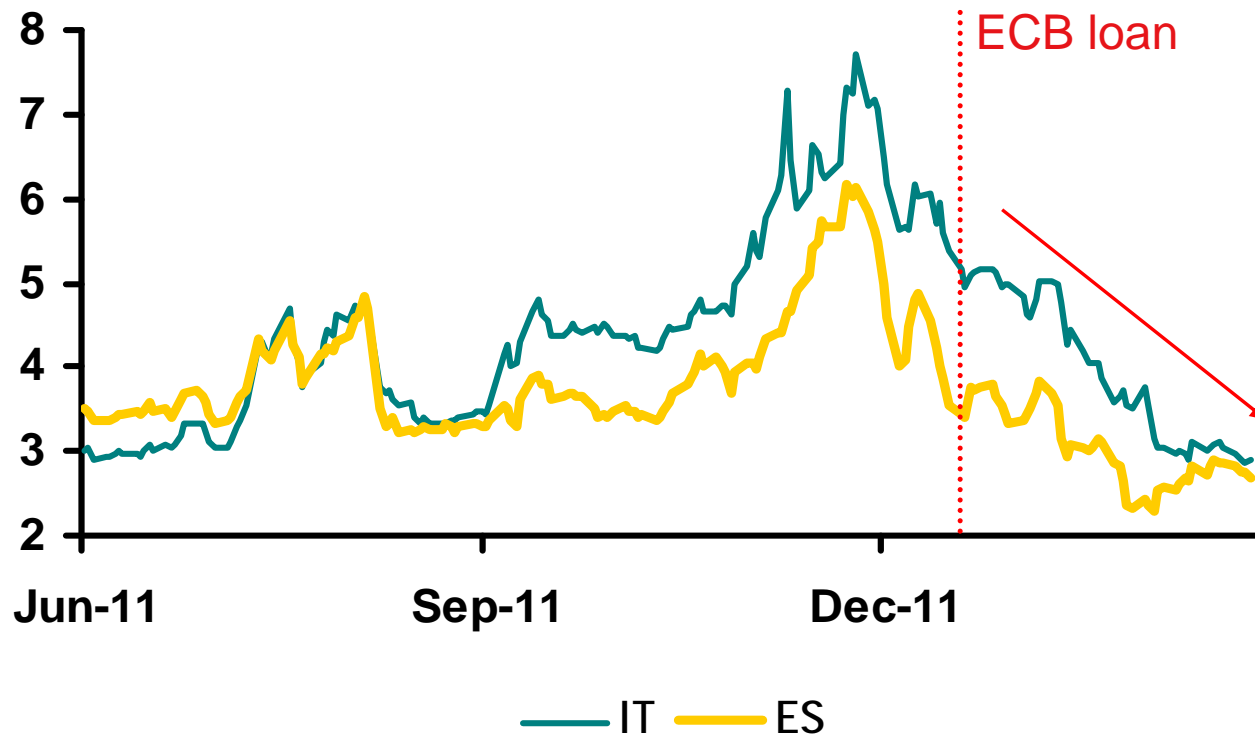
Bank funding markets starting to thaw

Eurozone bank CDS index



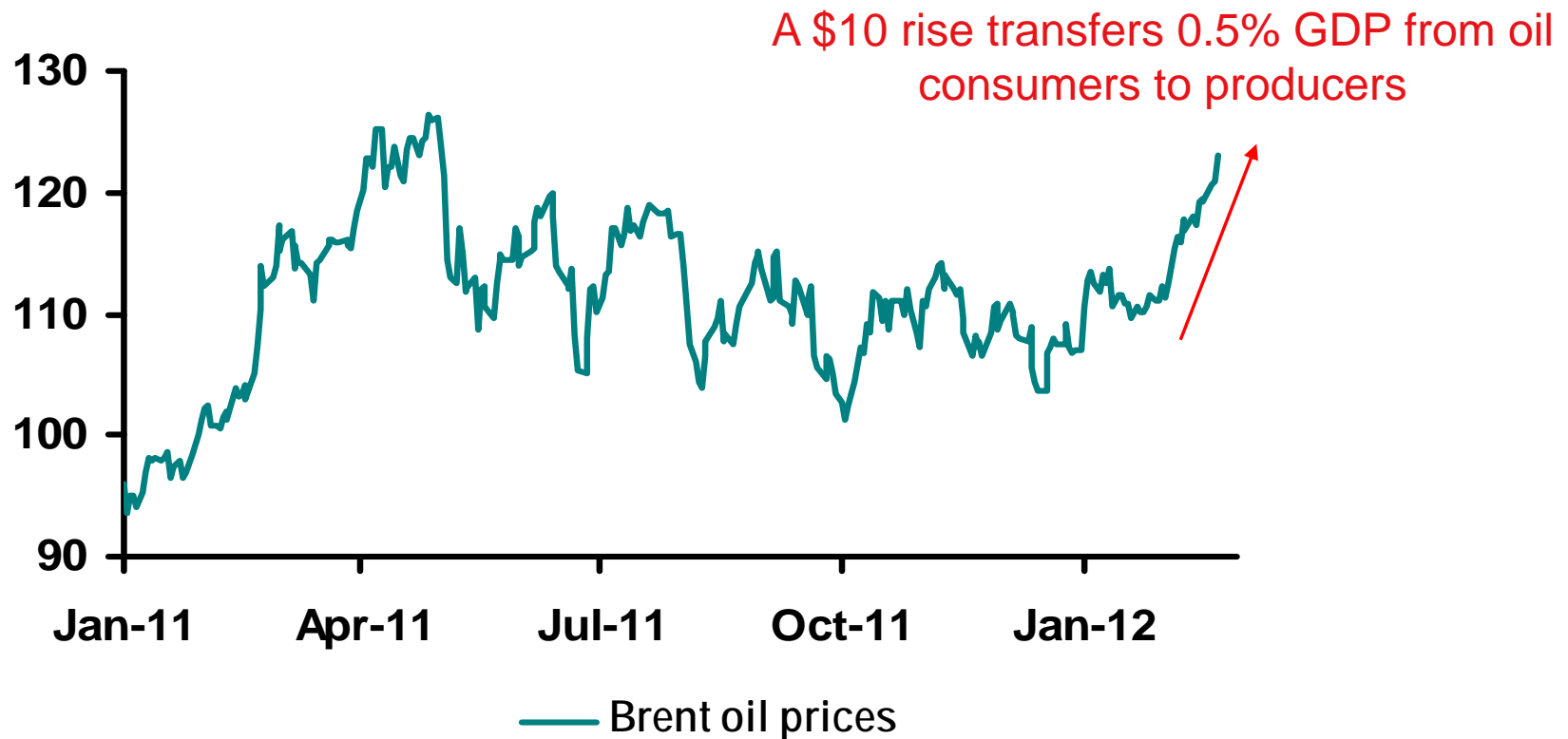
Sovereign bond market stress easing

2-Y government bond yield, %



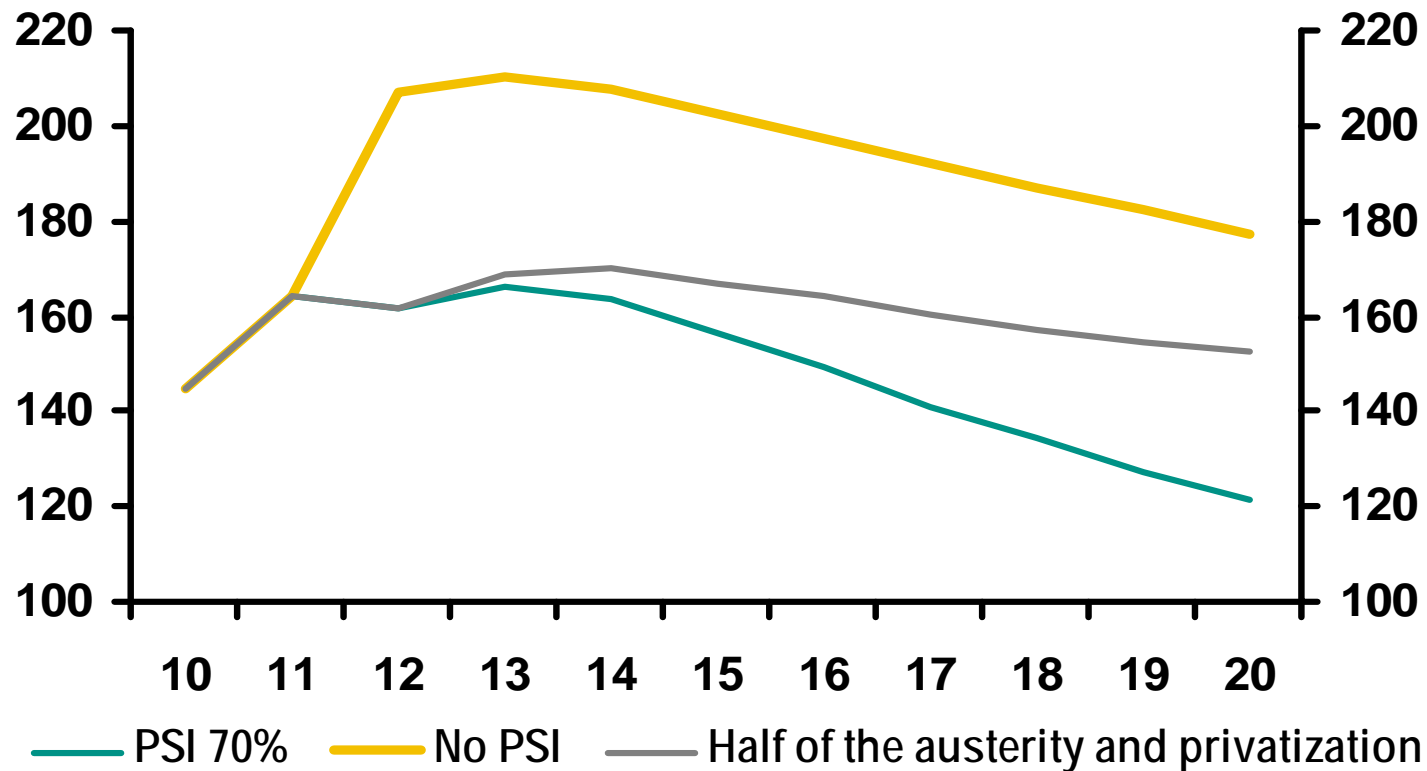
Oil prices could spoil the mood...

\$ per barrel

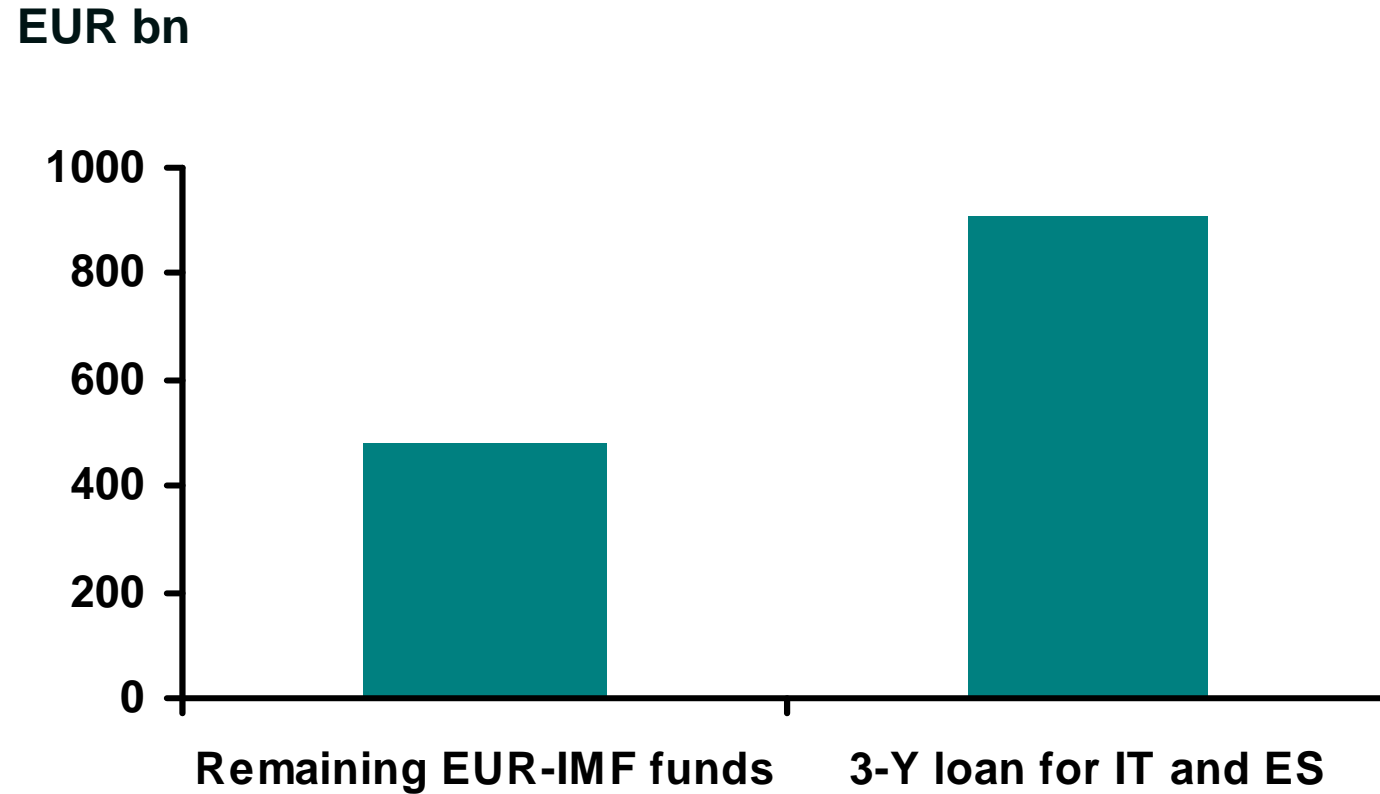


...and the debt crisis could re-escalate

Greek government debt, % GDP

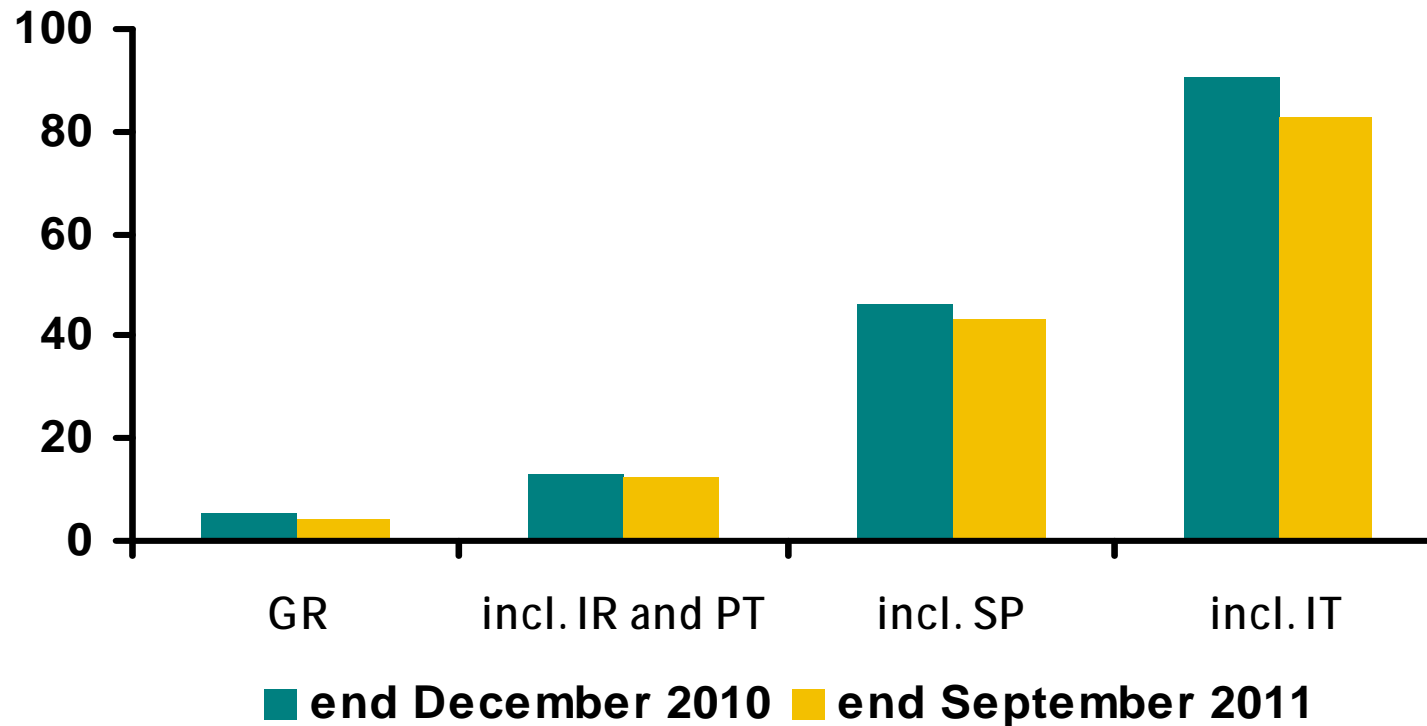


Safety net is just not big enough

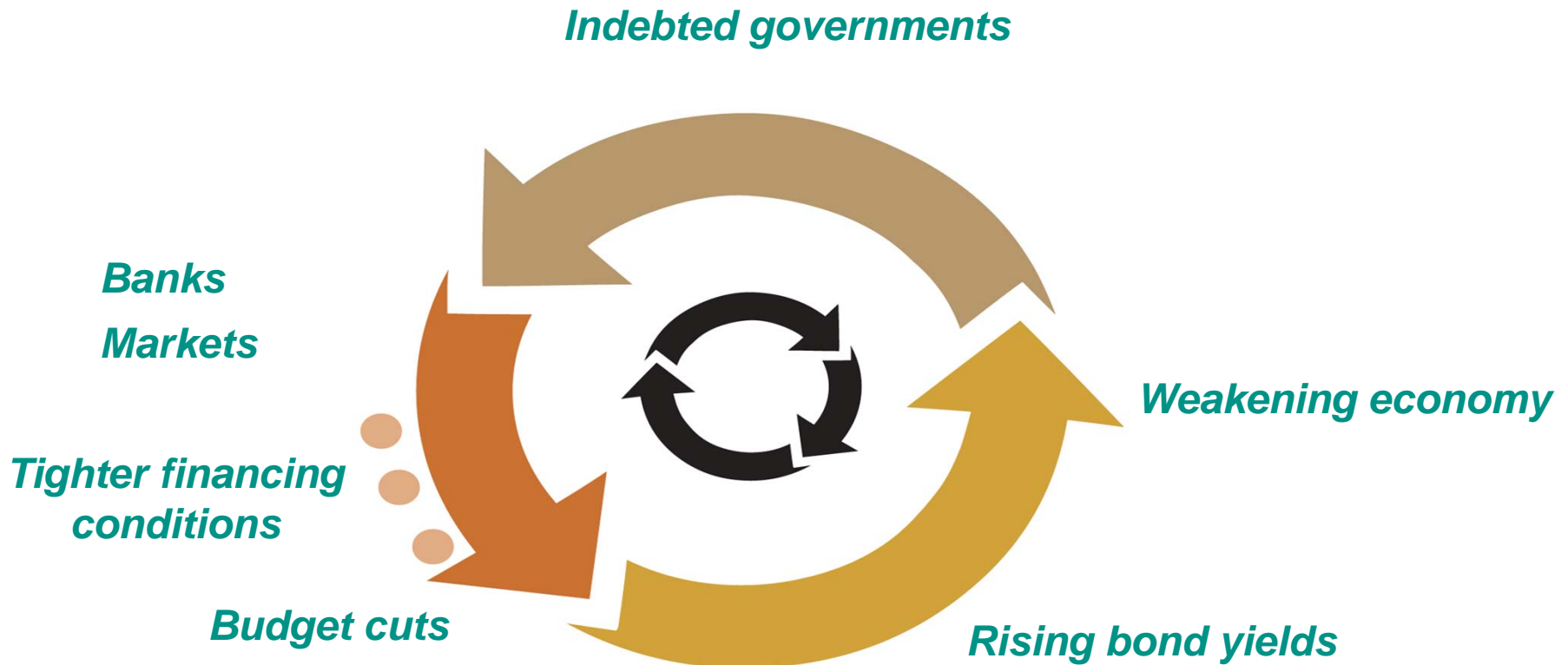


Large Eurozone bank exposures to periphery

Eurozone big bank exposure to sovereign debt (% tier 1 capital)



Threat of a vicious circle, euro break-up



Who is going to save the euro?



Costs of super crisis outweigh costs of bail-out

Costs of euro break-up: 50 - 100% GDP over 3-yrs

Defaults
Bank failures
Financial panic
Uncertainty
Deep recession
Wealth losses



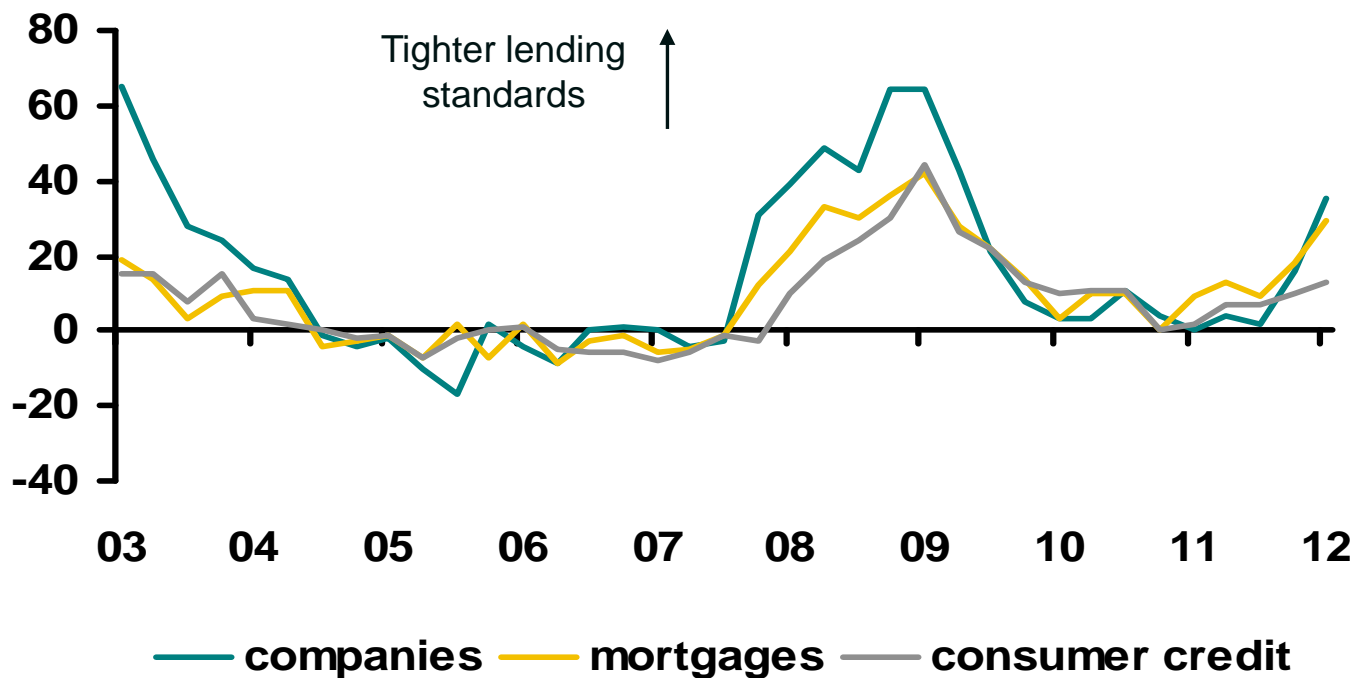
Costs of bail-out: 25% GDP

EFSF to be increased to 1.3 trillion euros

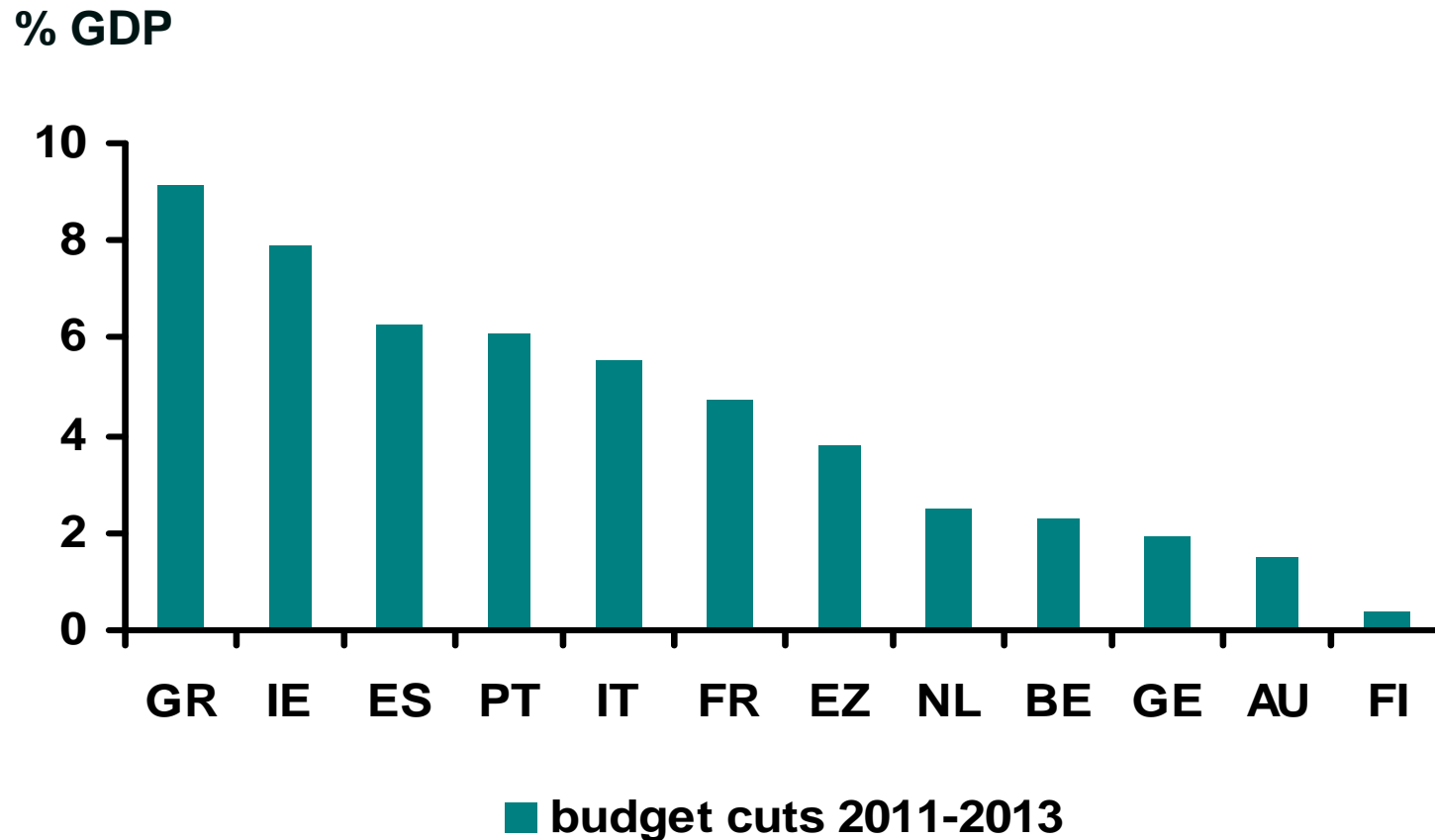
Road map to eurobonds

European banks tightening lending standards again

Balance net tightening

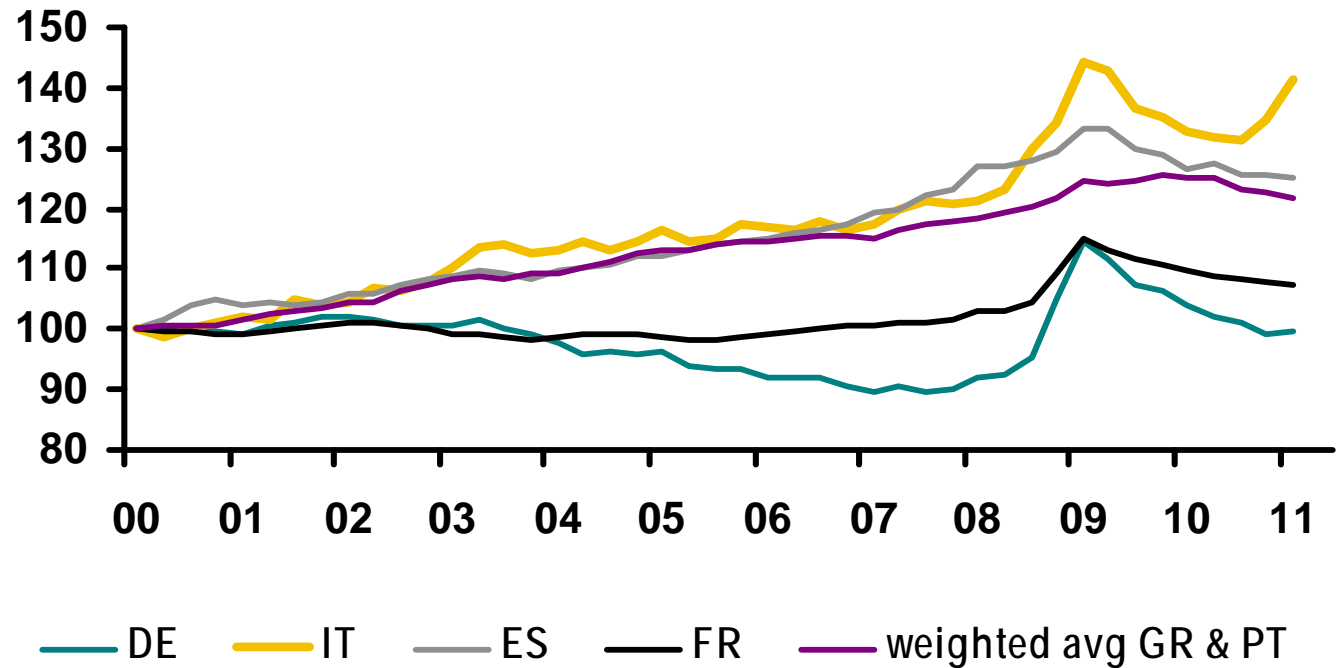


The new fiscal fundamentalism in Europe

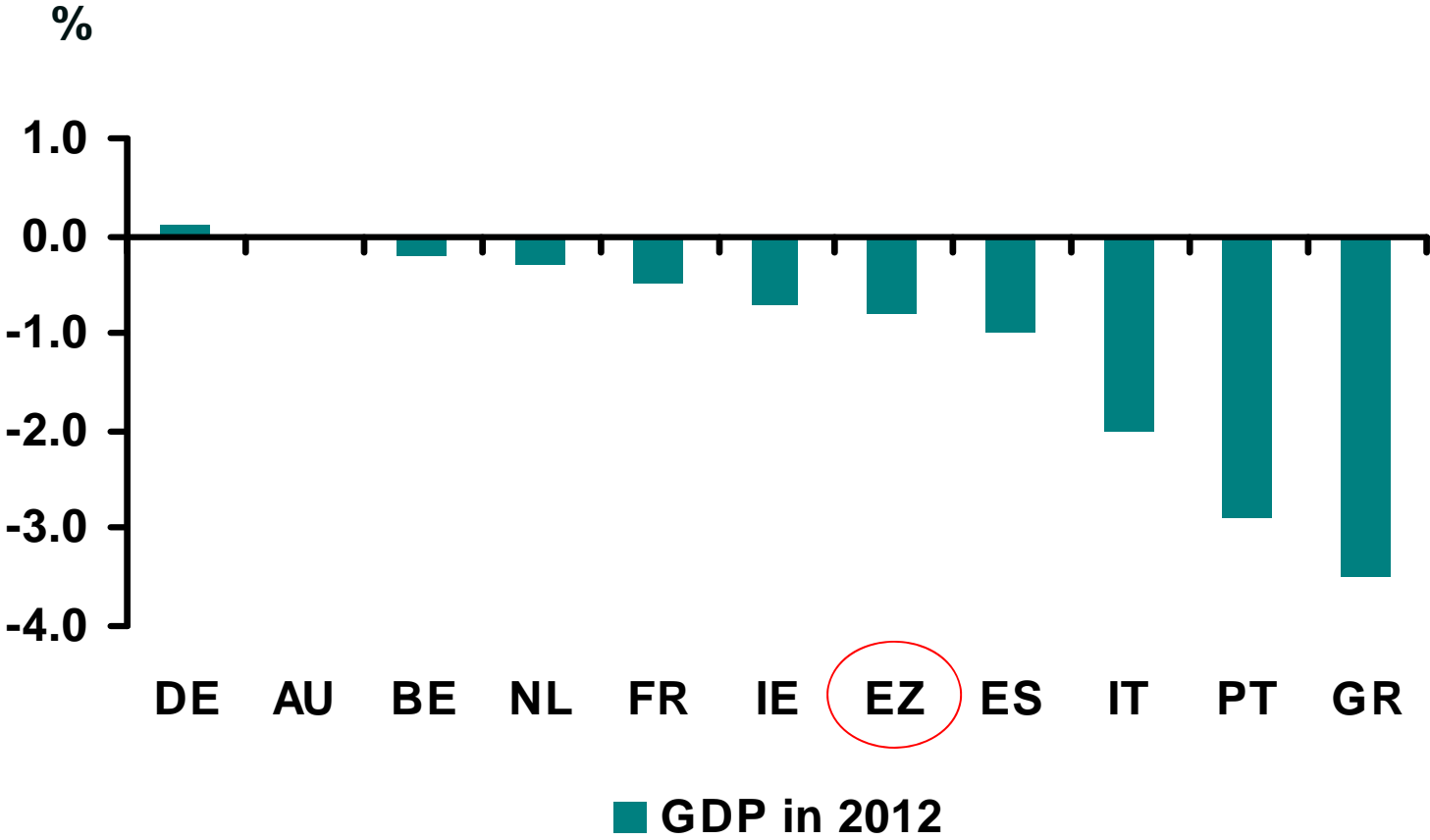


Need for growth, competitiveness agenda

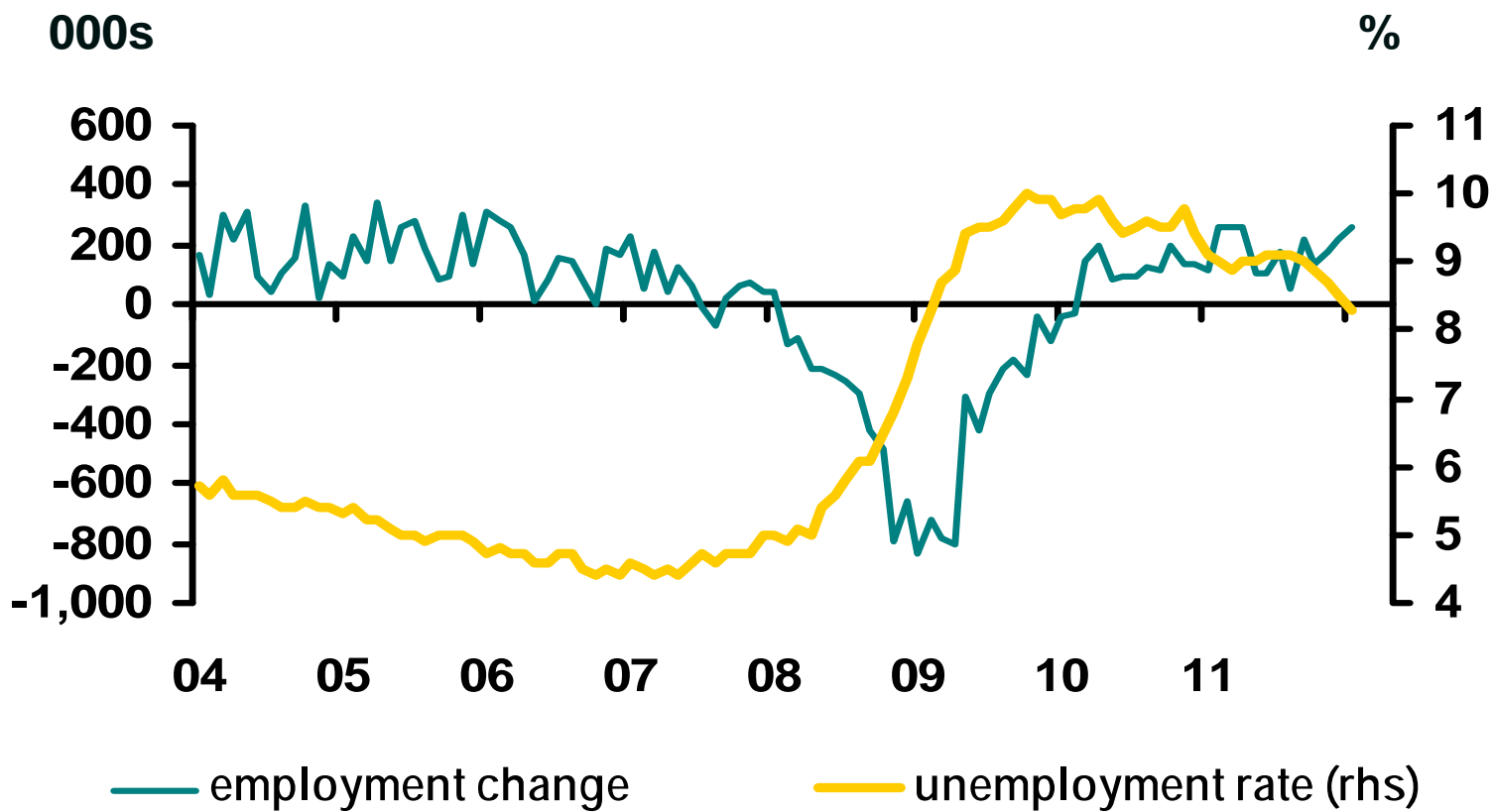
Unit labour cost index, 2000 = 100



Eurozone in recession – divergence remains

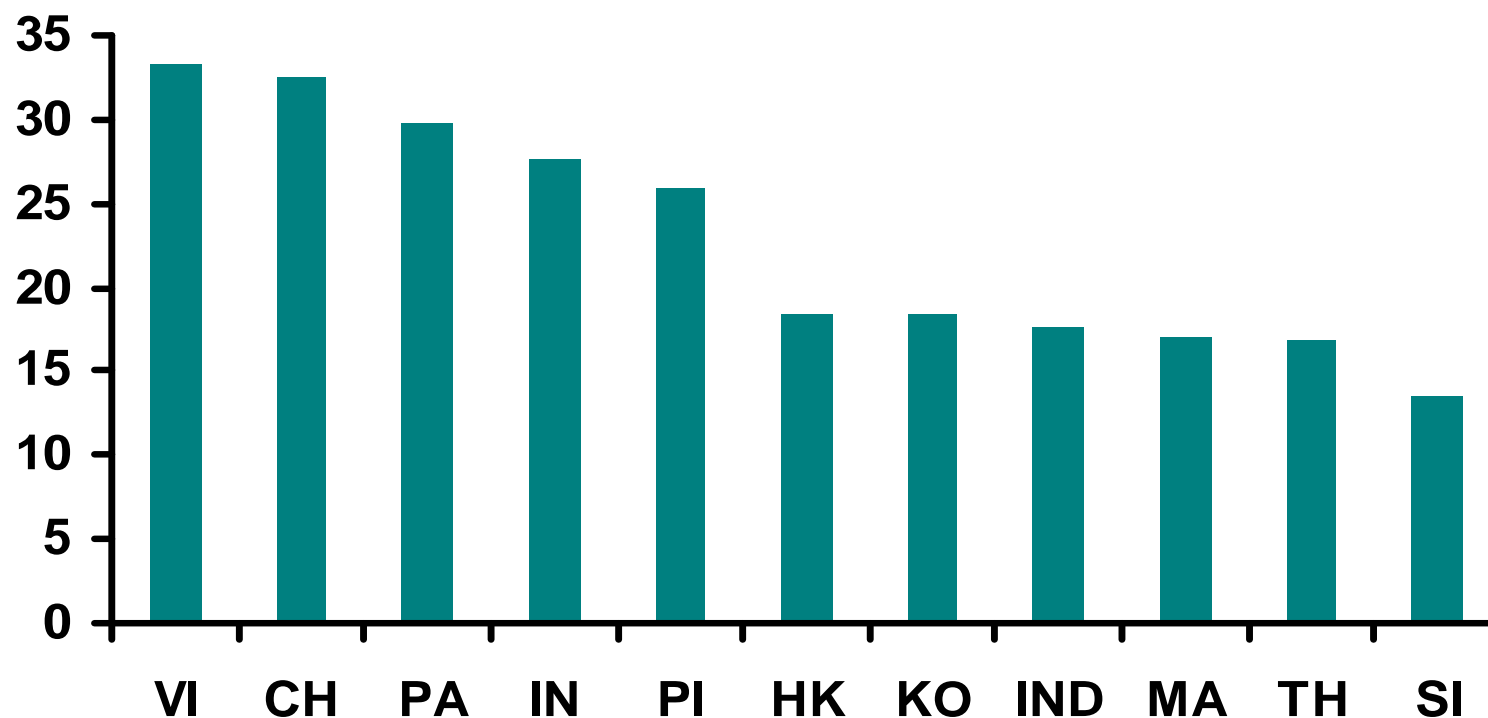


US labour market starting to come to life



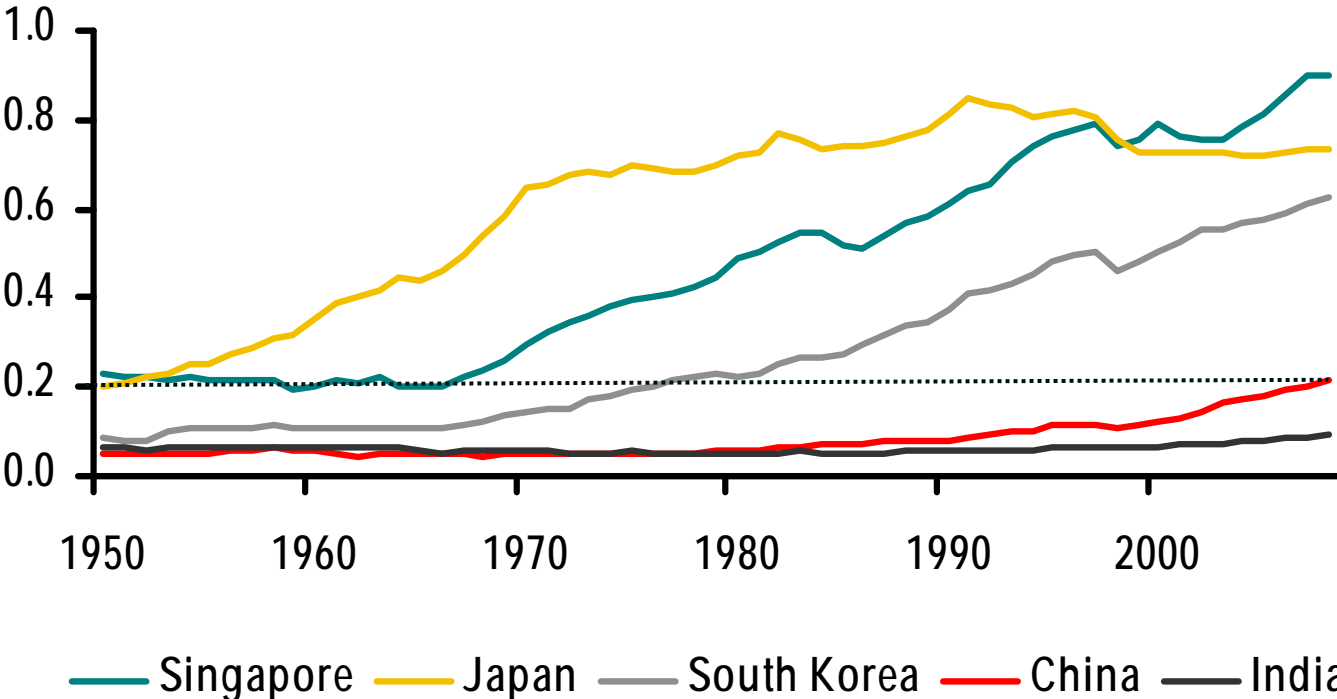
Asia still relies on the West for its exports

Share of total exports to US and Eurozone



Productivity catch-up has a long way to go

Per capita GDP relative to the US



Source: Angus Maddison, ABN AMRO GE

Moderate global growth

Economic outlook	2010	2011	2012
Global GDP	5.1	3.7	3.3
US	3.0	1.7	2.1
Eurozone	1.8	1.5	-0.8
China	10.4	9.2	8.4
World trade	15.5	6.5	4.5
Global CPI	3.6	4.6	3.5
Eurozone	1.6	2.7	1.6
US	1.6	3.1	1.7
China	3.3	5.4	4.5

Rates and FX (year-end)	24-Feb	2012
3-M Euribor rate	1.01	0.70
3-M Libor rate	0.49	0.30
German 10-Y yield	2.00	2.30
US 10-Y yield	1.89	2.50
EUR/USD	1.34	1.35

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