



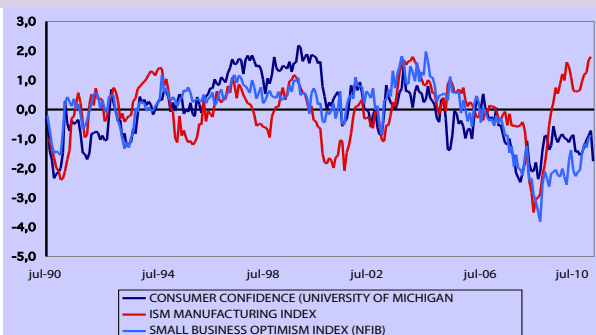
## United States

### AFTER A SOLID FIRST QUARTER, THE ECONOMY WILL BE HURT BY RISING INTEREST RATES AND SOARING OIL PRICES

The first-rate ISM indices, derived from surveys of major groups, are too rosy this month, and thus offer a distorted picture of the American economy. Growth, revised downward in the fourth quarter from 3.2% to 2.8%, remains moderate. The indicators for SMEs are weak. Global leading indicators (Conference Board, OECD) reflect a slowdown even after a solid first quarter 2011 buoyed by exports and inventories. The rise in long interest rates will prompt another decline in sales and drive prices lower in the housing market which is still distressed by the fragility of the banking system: the small reduction in the default rate does not justify the steep cuts in loan loss provisions made recently by the banks.

After a 4% increase in the fourth quarter of 2010, consumer spending should slow in the first quarter of 2011. Following its 0.1% contraction in January, it should return to a 2% annualised growth rate, consistent with a pace of 200,000 new jobs a month. It will likely slow even further in the second quarter, following the 20% jump in oil prices per barrel in recent weeks and the fall in consumer confidence. Inflation is expected to rise by 0.7 points in the next few months.

### United States: big companies confident, SME'S less so, and consumers lose confidence .



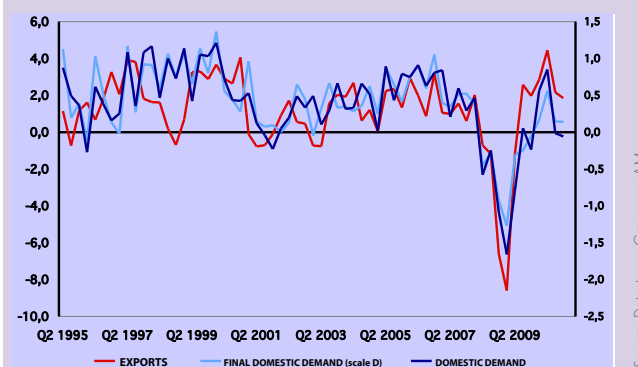
## Euro zone

### CONTRACTION OF DOMESTIC DEMAND, ROBUST EXPORTS

Growth held steady at 0.3% in the fourth quarter, lifted only by foreign trade. In contrast, final domestic demand (excluding inventories) was down in almost all countries except Germany, where it was flat, and France, where it was strong. The recession persists in all peripheral countries except Spain (+ 0.2%), saved by exceptionally strong exports (+ 4.5%).

Growth will be stronger in the first quarter owing to a rebound in world trade, a recovery in construction after the previous quarter's storms, and restocking in France which saw massive inventory depletion owing to strong demand for vehicles before the end of the car-scrapping incentive. But the recession will linger in the peripheral countries. The continued rise in long rates despite advances in European cooperation and the recent surge in oil prices are deepening our concerns about growth, which will increasingly be impacted by budget austerity. Inflation is expected to rise by 0.5 points in the next few months and will reduce consumer purchasing power accordingly. Core inflation remains stable at 1% but could fall still further due to potential reduction in consumer demand.

### Euro zone: demand (% QTR CHG)



## Japan

### MORE TROUBLE

On 11 March 2011, an unprecedented earthquake shook five Japanese prefectures representing 8% of the country's GDP. But the tsunami that followed devastated the entire region, leaving thousands dead and missing. Several nuclear plants were damaged: 11 of Japan's 55 reactors have been shut down, when nuclear power provides nearly one-third of electricity generation. Several businesses have closed due to power failures and disruptions in the supply chain. Lastly, the nuclear accident at the Fukushima nuclear plant brought more adversity, especially for Tokyoites who account for 40% of the country's GDP, as they deal with radioactive contamination and the earthquake's aftershocks: household spending and business investment are expected to plummet. Overall, if the Fukushima plant can be rapidly brought under control, Japan's GDP should contract sharply in the second quarter, but growth thereafter should be buoyed by spending on reconstruction. The negative impact would thus be temporary for Japan and minor for the rest of the world. Indeed, the world should benefit from the negative energy supply shock impacting Japan, whose energy policy is likely to be called into question. On the other hand, the persistence of nuclear risk in the coming weeks is likely to cause a radical change in the expectations of private operators worldwide and lead to a significant weakening of global growth.

### Japan's nuclear energy plants

