

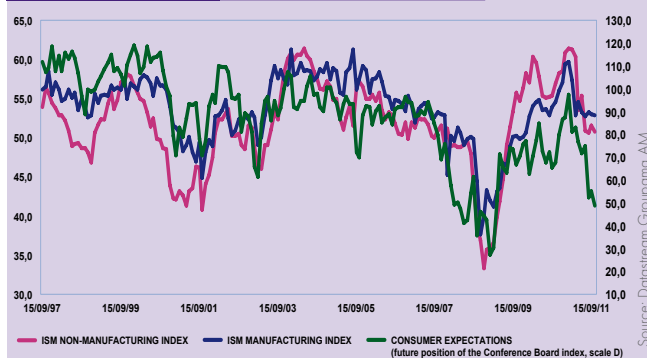


United States

CONSUMERS EVER MORE PESSIMISTIC

Coming in at 2.0%, up from 0.7%, growth perked up again in the third quarter thanks to investment and consumption, which benefited from the decline in long rates. But mortgage refinancings, whose sharp rise is behind the fall in the household savings rate to 3.5%, have reached their peak. Faced with nominal incomes that have stagnated over the past three to four months and a credit market that remains essentially closed to a large segment of households, their consumption is expected to contract by the start of next year. Growing consumer pessimism could be validated by three possible factors. Firstly, the unemployment rate should rise significantly due to weakening job creation, from 100,000 down to 50,000 per month, the result of tighter credit conditions for SMEs and the normal productivity cycle for large companies. Secondly, newly rising oil prices (up 30% in one month) should make a major dent in purchasing power. Lastly, the lack of a budget agreement between Democrats and Republicans casts another shadow over American governance and fuels consumer pessimism. Leading indicators are thus expected to deteriorate, especially as the European economy will worsen and set in motion another, mild, recession.

United States: Consumers still very pessimistic; big business confidence holding steady



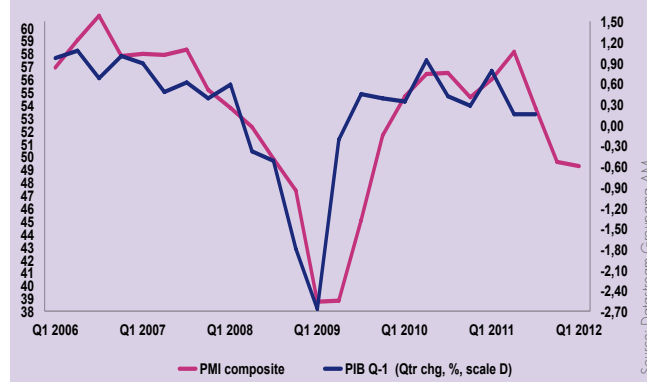
Euro zone

ENTRY INTO RECESSION

Growth held steady at 0.2% in the third quarter, thanks to France (up 0.4%) and Germany (up 0.5%) which benefited, respectively, from buoyant consumption and investment. In contrast, despite external support, Spain's activity was flat and GDP contracted in the small countries, as it probably did in Italy, which entered into recession.

Domestic demand throughout the eurozone is acutely affected by the wait-and-see attitude of operators gripped by too much uncertainty over the resolution of the European governance crisis. We now anticipate a mild recession, confirmed by the ECB's new president, Mario Draghi. Starting in the fourth quarter, the eurozone is thus expected to post a contraction in its activity which should continue into the first half of 2012, as suggested by leading indicators. France will not escape it. Germany should be affected one quarter later. Unless tensions calm on the public debt market, a credit crunch will then be all the more likely as the banking system is forced to reduce balance sheets in order to shore up solvency: in this case, the recession will be substantially more severe.

Euro Zone: Entry into recession



China

HALTING THE YUAN'S RISE AGAINST THE DOLLAR

Activity is trending toward a soft landing. The weakening components of demand are foreign trade and real estate; however, the risks of a sharp decline in property prices are overblown given that overall demand remains strong, despite the difficulties facing some developers. Consumption remains the strong point of demand, especially as wages are rising steadily and inflation is expected to fall. SMEs, however, are still a point of major concern: Their activity has slowed significantly and their access to bank credit is increasingly restricted. For these reasons the government has decided to raise the limits on bank credit to such borrowers, even if monetary policy is in a wait-and-see phase due to uncertainties about the extent of the downturn in inflation, and the impending slowdown in activity. It is likely, however, that China will halt the rise of its currency against the dollar given the sharp increase in its real exchange rate stemming from the fall of emerging market currencies.

China: Sharp increase in real effective exchange rate

