



United States

A MAJOR SLOWDOWN EARLY NEXT YEAR

Growth seems to be holding up due to the current momentum in durable goods consumption. Meanwhile, consumer confidence is rebounding concurrently with a marked decline in the unemployment rate to 8.6%. However, the steep drop in the savings rate, which funded the recent rise in consumption despite stagnant wages, is expected to end, as already indicated by its rise in October: Mortgage refinancings are sharply off and household balance sheets are under pressure, as revealed by the slowdown in the consumption of non-durable goods, the stagnation of consumer services and the large gap between the savings rate (3.6%) and its fundamental level of 5% to 6%. Wage income is even expected to slow due to a substantial weakening in job creation at the start of next year, as presaged by the ISM's employment sub-index, and another rise in the unemployment rate would harm consumer confidence. Household consumption is thus expected to stagnate in the first half of next year, leading to sluggish growth, which will also be impacted by the marked slowdown in global trade. Growth will perk up in the second half of 2012.

Euro zone

CONTRACTION OF GDP UNTIL THE END OF THE FIRST HALF

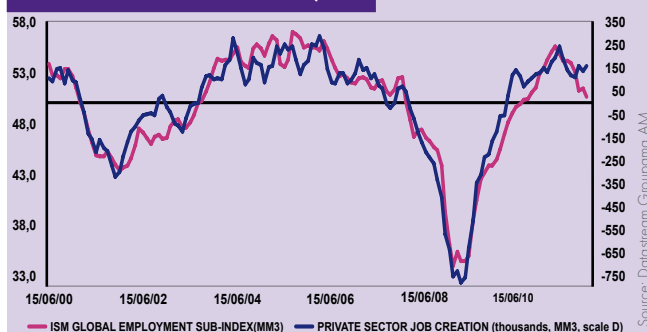
Growth held steady at 0.2% in the third quarter, boosted by still-dynamic exports throughout the eurozone and a catch-up in consumption (+0.3% Q/Q vs. -0.4%) in France and Germany. In contrast, consumption and investment fell in most other countries. After declining in September, industrial production levelled off in October: The massive shock on activity in September will lead to a contraction in the fourth quarter of about 0.4% for the entire eurozone. This recession, which will be widespread but especially acute in Italy, is expected to worsen in the first quarter, particularly in Spain where the plunge in the services activity index is disquieting. Beyond the uncertainty over the European crisis, businesses will have to adapt to weaker activity by cutting investment spending and payrolls. France could be particularly affected due to the fragile balance sheets of businesses and the severe tightening of their credit conditions. Consumption is thus expected to fall as the job market worsens, following a fourth quarter that was satisfactory in France and Germany but negative in other countries. Growth will return with the right decisions on European governance which will restore the confidence of European economic actors, the lack of which led to this recession.

China

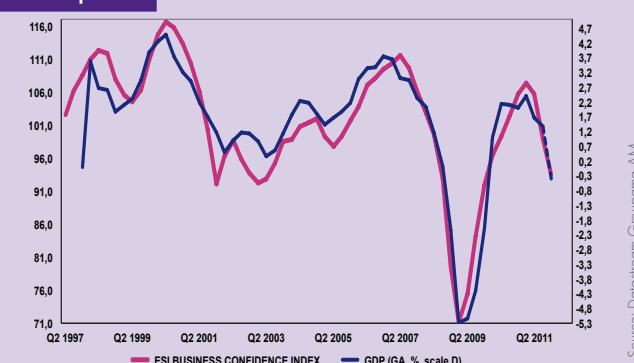
MONETARY LOOSENING TO CONTEND WITH THE WORSENING ECONOMY

The slowdown in activity is intensifying in the industrial sector, impacted by sluggish foreign demand, especially from the eurozone. The ballooning of manufacturers' inventories raises fears of a further deterioration in manufacturing activity indicators. Domestic demand is also slowing, impacted by the downturn in residential property which is expected to persist in view of housing starts, but at this point remains gradual. Despite still-dynamic household consumption due to the significant drop in inflation, from 5.5% to 4.2%, the monetary authorities decided to reduce the mandatory reserve ratio by 50 points, a move that could be renewed to avoid a liquidity crisis which would affect SMEs. A fiscal stimulus for households may be decided in the case of a sharp weakening of the jobs market next year, to reassure consumers worried about the economy. The yuan's appreciation against the dollar should slow significantly.

United States: the ISM employment sub-index announces a sharp slowdown in private sector job creation, which should not exceed 50,000



Euro Zone: GDP expected to contract by 0.4% in 4th quarter



China: the deterioration of new orders led to a sudden restocking, the resorption of which will weigh on future production (indices, centred, normed)

