

Eurozone

In the eurozone as a whole, industrial production fell 1.9 percent in May, the sharpest one-month decline for the region since the exchange rate crisis in 1992. European car sales fell 7.8 percent in May compared with a year earlier. Retail sales fell by 0.6 percent in June from the May level and by 3.1 percent from June in the previous year. Germany was the only country out of the four biggest economies in the eurozone to register an increase of activity in July though the increase was sharply down. Economic analysts from RBS and Capital Economics say the decline raises the risk of the eurozone entering a recession in 2008. In the second quarter, the eurozone's economy was reported to have declined by 0.2 percent. The economy declined again in the third quarter putting the eurozone in a technical recession.

Ireland

Ireland in the first quarter of 2008 reported a contraction in GDP of 1.5 percent, its first economic contraction since it began reporting by quarter and first recorded contraction since 1983. However, Ireland's Central Statistics Office reported growth in GNP of about 0.8 percent, Ireland's government considers GNP a better measure of the economy. Analysts have predicted Ireland's economy will contract further in the rest of the year. A report from NCB Stockbrokers predicts gross national product will fall by 1 percent in 2008 and by 0.4 percent in 2009 due to a decline in multinationals hit by the global economic slowdown. An economist from NCB said non-residential investment would fall by 5 percent in 2008 and by 12 percent in 2009. Ireland's GDP saw a contraction in the second quarter by 0.5 percent making Ireland the first member of the eurozone to enter a recession.

Spain

Spain's Martinsa-Fadesa, a construction company, has declared bankruptcy as it failed to refinance a debt of €5.1 billion. The two banks with most exposure to Martinsa-Fadesa are reportedly Caja Madrid, at €900m, and Banco Popular, at €400m. Spain's finance minister Pedro Solbes has said it would not bail out the company. In the second quarter in Spain house prices reportedly fell 20 percent. In Castilla-La Mancha some 69 percent of all houses built over the past three years are still unsold. Deutsche Bank said it expects a 35 percent fall in real house prices by 2011. Spain's premier, Jose Luis Zapatero, blamed the European Central Bank for making matters worse by raising interest rates. More than 98 percent of home loans in Spain are priced off floating rates linked to Euribor, which has risen 145 basis points since August. Housing accounts for over 10 percent of Spain's economy. The Bank of Spain is concerned about the health of smaller regional lenders with heavy exposure to the mortgage market.

Although Spain has avoided recession in the first half of 2008, unemployment in the country has risen by 425,000 over the past year, reaching 9.9 percent. Car sales in Spain fell 31 percent in May. Spain's factory output slumped 5.5 percent in May. The country's business lobby Circulo de Empresarios warned of a "high probability" that Spain's economy would fall into recession in the second half of 2008 due to the housing collapse. Spain had a 7.9 percent decline in retail sales in June compared to the previous year, the largest drop since Spain began registering the results and the seventh consecutive monthly decline. This included a 17.9 percent drop in retail sales of

household goods. June food sales in Spain fell by 6.8 percent. [Morgan Stanley](#) issued a major alert on the health of Spanish banks and the Spanish economy in a report, saying, "A momentous economic slowdown is now under way. We believe the deterioration in Spain is just in the beginning stages. The bulk of the pain will be suffered in 2009." Morgan Stanley also warned there was a 40 percent chance of a 0.5 percent contraction of the Spanish economy in 2009, with a risk of an even more extreme 1.4 percent contraction in 2009. According to Spanish automobile manufacturers' association ANFAC new car sales fell 27.5 percent in July from the same time in 2007, the third consecutive monthly drop of over 20 percent. Spain's government forecast the unemployment rate would rise to 10.4 percent in 2008 and to 12.5 percent in 2009. Spain's second largest bank predicted the unemployment rate could reach 14 percent in 2009. Spain's Purchasing Managers Index for the manufacturing sector in July fell to a new low suggesting a deep recession. In the second quarter Spain's economy grew by 0.1 percent, the lowest gain in 15 years.

Germany, Italy, Greece, Portugal

In **Germany** officials are warning the economy could contract by as much as 1.5 percent in the second quarter because of declining export orders. The economy of Germany contracted in both the second and third quarters putting Germany now in a technical recession. Industrial output in both **Italy** and **Greece** has slumped 6.6 percent over the past year. However, **Greece's** economy will continue to grow for both 2008 and 2009; Eurostat expects the Greek economy to grow 3.1% and 2.5% respectively.

Portugal is off 6.2 percent. Germany's industrial output was down 2.4 percent in May, the fastest rate for a decade. Orders have now fallen for six months in a row, the worst run since the early 1990s. The German Chamber of Industry and Commerce warned of up to 200,000 job losses in coming months. German retail sales fell 1.4 percent in June more than any expectations. The German economy declined by 0.5 percent in the second quarter. In **Italy**, Fiat announced plant closures and temporary layoffs at factories in Turin, Melfi, Imola and Sicily. Car sales in Italy have fallen by almost 20 percent over each of the past two months. Metalmeccanici, Italy's car workers' union said, "The situation is evidently more serious than had been understood. On [July 10, 2008](#) economic think tank ISAE lowered its growth forecast for Italy to 0.4 percent from 0.5 percent and cut the 2009 outlook to 0.7 percent from 1.2 percent.

Analysts have predicted Italy had entered a recession in the second quarter or would enter one by the end of the year with business confidence at its lowest levels since the 9-11 Terrorist Attacks.

Italy's economy contracted by 0.3 percent in the second quarter of 2008.

France, Finland, Benelux

Other eurozone members saw a decline in their economy in the second quarter. The **French** economy declined by 0.3 percent, **Finland's** economy declined by 0.2%, and the **Netherlands** showed zero growth in the second quarter. According to [INSEE](#), France's statistical agency, the French GDP was projected to decline by 0.1 percent in the third quarter of 2008 with another 0.1 percent decline in the fourth quarter and Eric Woerth, the French budget minister, said France was in a technical recession. However

the final estimations gave by the INSEE showed the French GDP actually increased by 0,14% thus avoiding a technical recession.

On September 28, [Dutch-Belgian](#) bank [Fortis](#) was partially [nationalized](#) with a cash infusion from the [Benelux](#) countries amounting to €11.2 billion. Fortis' troubles started in the beginning of the year with an announcement that it faced around \$1.5 bn of losses in the American sub-prime catastrophe. In June, the company announced a selloff of assets to raise €5 bn to improve the liquidity of the organisation. This, however, proved insufficient. On 6 October 2008, the French bank [BNP Paribas](#) took over 75% of Fortis' activities in [Belgium](#), and 66% in [Luxembourg](#), in exchange for the Belgian government becoming the new group's major shareholder.

In May industrial output fell in the **Netherlands** by 6 percent.

Asia

China

In **China**, a struggle was underway to see who would swallow the losses on US Agencies and Treasuries. On November 9, 2008 China announced [a package of capital spending](#) plus income and consumption support measures. Four trillion yuan (\$586 billion) will be spent on upgrading infrastructure, particularly roads, railways, airports and the power grid; on raising rural incomes via land reform; and on social welfare projects such as affordable housing and environmental protection.

Japan

In **Japan** exports in June declined for the first time in about five years falling by 1.7 percent. Exports to the United States and European Union fell 15.4 percent and 11.2 percent respectively. The decline in exports and increase in imports cut Japan's trade surplus \$1.28 billion a decline of 90 percent from the previous year. An economist at the Royal Bank of Scotland said the decline means the Japanese economy most likely declined in the second quarter. Taro Aso, secretary-general of Japan's ruling Liberal Democratic Party, said he believes Japan had entered a recession. Japan's economy declined by 0.6 percent in the second quarter of 2008. This was later revised to a decline of 0.7 percent. Japanese exports grew 0.3 percent in August of 2008 compared to a year before down from 8 percent the previous month. Exports to the U.S. fell 21.8 percent, the biggest decline on record, and exports to Europe fell 3.5 percent. Two Japanese banks appeared on the list of major Lehman creditors. On November 17th, the Japanese Economy Minister announced that the nation was officially in a recession.

India

India's economy is expected to grow about 6.8% during FY2008 and as low as 5.5% in FY2009. India's economy grew at an annual rate of 9% or more in the past three years, second only to China among the major economies, and the projections for FY2008 indicate that India's economic growth has been effected by the economic crisis. The Indian government's Finance Minister [Palaniappan Chidambaram](#), however, said that he expected India's economy to bounce back to 9% during FY2009. This prediction has

been met with skepticism by observers. The [Asian Development Bank](#) predicted India to recover from weakening momentum in 4-6 quarters. At the G20 Summit, India called for coordinated global fiscal stimulus to mitigate the severity of the global credit crunch. India said that it would inject US\$4.5 billion into the financial system to help exporters. Some analysts pointed that India's going trade with other Asian countries, especially China, will help reduce the negative impact of the crisis. Analysts also said that India's high domestic demand and large infrastructure projects will act as a buffer reducing the impact of the global downturn on its economy. Economists argued that India's financial system is relatively insulated and its banks do not have significant exposure to subprime mortgage.

Pakistan

In **Pakistan** the central bank's foreign currency reserves, when counting forward liabilities is said to only amount to as little as \$3 billion, sufficient for a single month of imports. Corruption and mismanagement have combined with high oil prices to damage Pakistan's economy. Pakistan's rupee has lost more than 21 per cent of its value in 2008 and inflation is at 25 per cent. The government has failed to defer payments for Saudi oil or raise favorable loans. President [Asif Ali Zardari](#) claimed Pakistan needed a bailout worth \$100 billion which he was expected to ask for at a meeting in Abu Dhabi in November. Ratings agency [Standard and Poor's](#) rates Pakistan's sovereign debt at CCC +, only a few ratings above the default level, warning the country may be unable to cover about \$3 billion in upcoming debt payments. This led a change in economic managers, and politically elected finance minister [Naveed Qamar](#) was replaced by a financial advisor, [Shaukat Tareen](#), a former banker belonging to Citigroup on October 8, 2008. The new finance advisor led the Pakistani delegation to IMF-World Bank meeting in USA with a hope to obtain a loan from the World Bank which has been stopped now due to reservations from IMF on World Bank for releasing this nature of Loan to any country.

Singapore

Singapore's economy saw its biggest drop in five years in the second quarter, falling by 6.6 percent; however, the Managing Director of Singapore's central bank said a technical recession was not likely. Singapore cut its 2008 GDP forecast to between 4 and 5 from 4 to 6 percent before, and then again down to 3 percent. Singapore's economy contracted in the third quarter, placing the country in recession.

South Korea

By September 2008, the crisis threatening the GSEs (US mortgage lenders Fannie Mae and Freddie Mac) began to have consequences in Asia. The foreign exchange reserves of **South Korea's** central bank contained many depreciating "Agency bonds" from the GSEs, threatening a currency crisis and leading to depreciation of the [South Korean won](#) against the US dollar and other major currencies,. Samsung Electronics has been reported to be posting a decrease in sales for the first time since the Asian financial crisis since home appliances saw a decrease in the domestic market of up to 20 percent since mid-June compared to the previous year. Domestic auto sales also saw a decrease in the second quarter. Auto exports also posted a loss and exports of home appliances were also reported to be in decline.

Sri Lanka

Sri Lanka too is affected with the global recession as the demand for their major products such as garments, tea, rubber, coconut based products and agri products are at a downturn. At the moment, tea is severely affected and it is analysed that the country is experiencing 35% drop in the exports presently.

Taiwan

Taiwan announced billions of dollars in spending and tax cuts due to declining growth and a 26 percent slump in the stock market in 2008. The bankruptcy of Lehman Brothers raised concerns about global exposure to the assets and stock of Lehman Brothers and the potential for the bankruptcy to cause further tightening of credit. Taiwan, despite reporting few losses from the subprime mortgage crisis, was said to have Lehman-related exposure for its companies and retail investors totaling \$2.5 billion.

Oceania and Africa

New Zealand

New Zealand Institute of Economic Research's quarterly survey showing New Zealand's economy contracted 0.3 percent in the first quarter and Treasury figures suggested the economy also contracted in the June quarter putting New Zealand in a technical recession. The Treasury says the economy could recover in the second half of the year under the impact of high dairy prices boosting farmer incomes and cuts to personal tax rates, which come into effect on Oct. 1. About 23 financial companies in New Zealand have filed for bankruptcy in a year. Housing starts in New Zealand fell 20 percent in June, the lowest levels since 1986. Excluding apartments, approvals dropped 13 percent from May. Approvals in the year ended June fell 12 percent from a year earlier. Second-quarter approvals dropped 19 percent. The figures suggest a decrease in construction and economic growth. House sales fell 42 percent in June from a year earlier. The New Zealand Treasury concluded that the country's economy had contracted for a second quarter based on economic indicators, putting New Zealand in a recession. New Zealand's central bank cut rates by half a percent arguing the economy was in recession. New Zealand's GDP declined by 0.2 percent in the second quarter putting the country in its first recession in a decade.

Australia

In **Australia**, Hans Redeker, currency chief at BNP Paribas has said Australia would have to generate 4 percent of its GDP to meet payments to foreign holders of its assets. National Australia Bank on [July 29, 2008](#) cut a A\$850 million bond sale by two thirds following investor flight and opted for a 100 percent write-off on a clutch of "senior strips" of AAA-rated collateralized debt obligations (CDO) worth A\$900 million.

Approvals for loans to build or buy homes and apartments decreased 3.7 percent in June of 2008. Housing prices in Australia fell in the second quarter of 2008 for the first time in about three years. Consumer confidence in Australia fell to a 16-year low in July

and retail sales fell 1 percent in June. High profile casualties of the credit crunch include [Allco Finance](#), [MFS](#), [ABC Learning](#), [Babcock & Brown](#) and [Centro](#) while numerous other institutions have lost a significant part of their value.

Despite all this, sources such as the IMF and the Reserve Bank of Australia predict Australia is well positioned to weather the crisis with minimal disruption, sustaining more than 2% GDP growth in 2009 (while many Western nations go into recession). The World Economic Forum recently ranked Australia's banking system the fourth best in the world, while the Australian dollar's 30% drop is seen as a boon for trade, shielding from the crisis, and for helping to slow growth and consumption.

South Africa

Moody's Investors Service warned on [July 7, 2008](#) that **South Africa** could slip into a recession by the turn of the year. Moody's cited electricity shortages, high interest rates, soaring inflation, a slumping housing and vehicle market and lower business and consumer confidence indicators. Growth in South Africa's gross domestic product for the first quarter of 2008 slowed to 2.1%. CPIX inflation, the monetary-policy inflation target measure, rose 10.9% on a year-on-year basis in May, its highest level since November 2002. South Africa's National Treasury criticized the statement by Moody's saying, "It's not possible that we'll end up in recession." He added that the government may revise lower its 4 percent growth forecast for the year following growth of 5.1% in 2007. Car sales in South Africa dropped an annual 22 percent in June due to higher interest rates.