

Every month Banque SYZ & CO publishes in their publication "1 month in 10 images" a review of global economic activity. Since an image can be more telling than words, every month we select 10 charts illustrating the key data that has marked economic activity over the month, decoding their meaning with a brief explanation.

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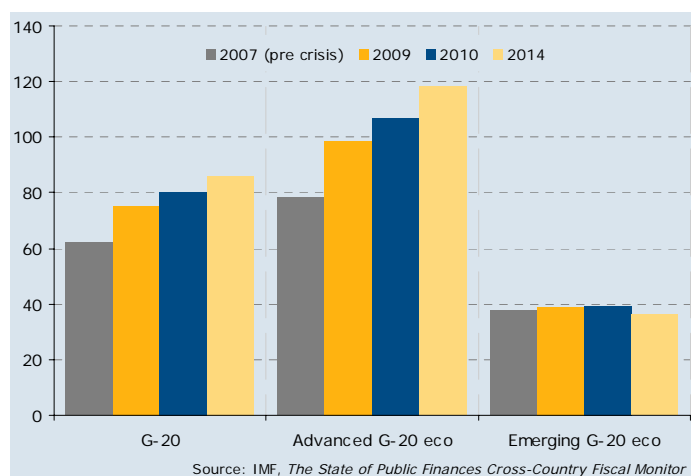
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1. World – Public debt: a developed countries' problem

- The fears over sovereign risk have not eased up.
- Whereas in the past the explosion of public debt was a phenomenon confined to emerging countries, it is currently the situation in the developed countries that is causing concern. According to the IMF, the average public debt/GDP ratio in the advanced countries of the G20 might reach 106.7% of GDP in 2010.
- In contrast, apart from a few exceptions, the emerging countries have significantly improved the situation of their public finances over the last decade. By way of proof, the public debt/GDP ratio remains stable, below 40%, in the emerging countries of the G20.

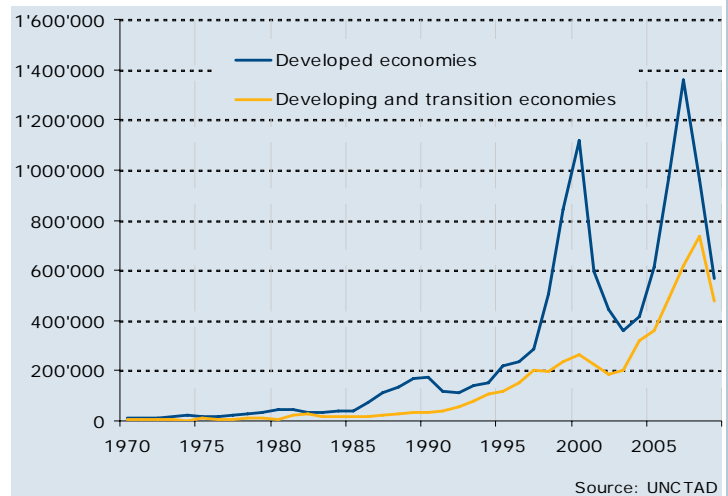
PUBLIC DEBT AS A % OF GDP IN THE G20 COUNTRIES



2. World – Drop in direct investment abroad

- Inflows of foreign direct investments (FDI) fell by 39% in the course of 2009. According to UNCTAD's preliminary estimates, they stood at 1,040 billion dollars against 1,679 billion in 2008.
- The collapse of mergers and acquisitions activity (-66%) explains a good portion of this decline.
- Particularly, flows to the developed countries showed the greatest decrease over the last two years (-29% in 2008 and -41% in 2009). FDI to transition or developing countries, which had further increased in 2008, fell by -35% last year.

TREND IN FDI FLOWS (IN MILLIONS OF USD)

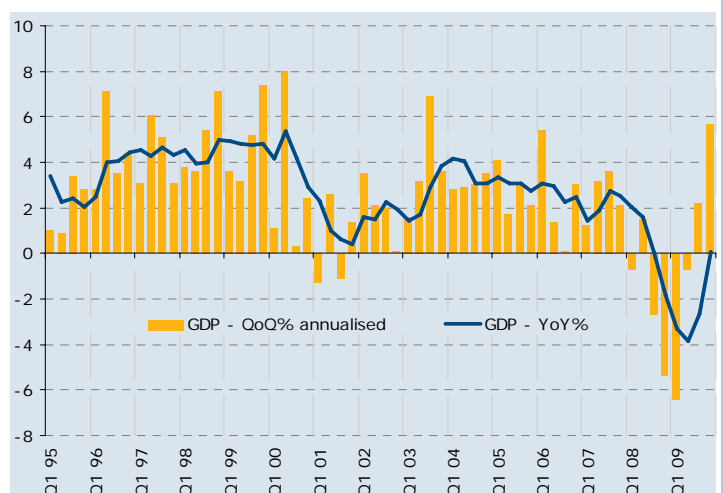


Source: UNCTAD

3. United States – Leap in GDP: artificial, true, but not only!

- The US economy ended the year in crescendo. After have rebounded in Q3, activity speeded up in Q4 when GDP increased by +5.7% at an annualized quarter-on-quarter rate.
- Although the stimulus policies and the reversal of the inventory cycle have tangibly supported economic activity, the figures published at the end of the month suggest that the recovery is not just artificial.
- Despite the end of the car-scrapping bonuses plan, household consumption held up well (+2%), while investments in equipment increased significantly (+13.3%), suggesting a faster-than-expected recovery of domestic demand.

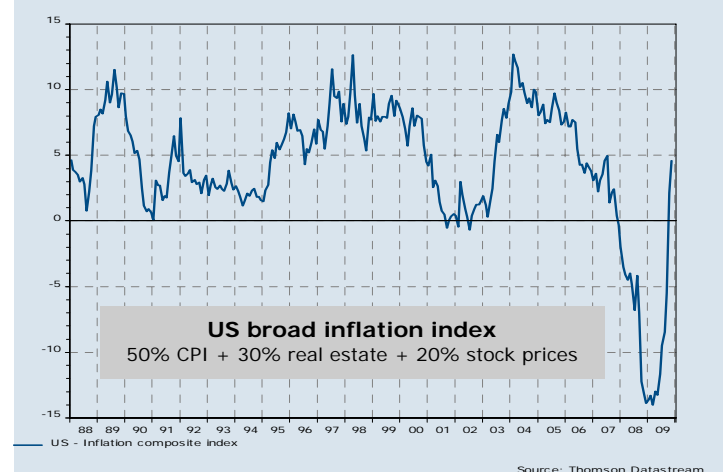
GDP IN THE UNITED STATES



4. United States – Reflation policies at work

- The inflation rate rose in December (from 1.8% to 2.7% at an annual rate). This was due mainly to the impact of the base effects associated with the fluctuation in energy prices. Once this mechanical support comes to an end, inflation will return to moderate levels.
- It is likely to remain comfortably in positive territory thanks to the activism of the tax and monetary authorities.
- More generally, our global prices indicator (prices of goods and services, financial and real-estate assets) has rebounded since the spring, thus attenuating the risks of deflation.

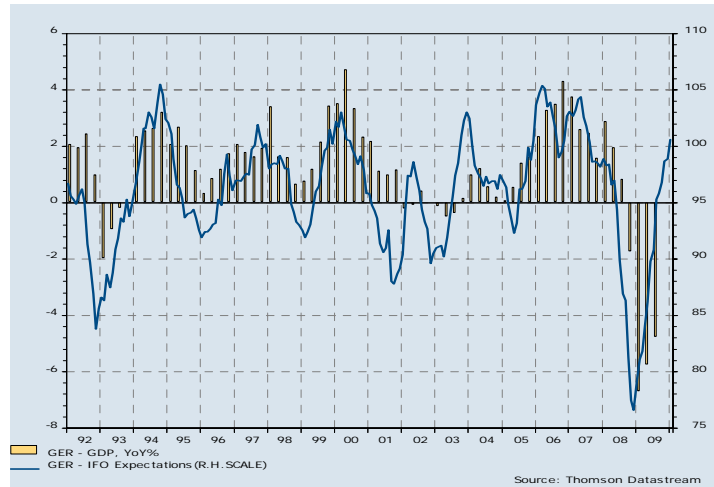
GLOBAL INFLATION INDEX



5. Euro zone – Surprising IFO

- The IFO business climate index in Germany progressed for the 10th month running. The fairly significant increase is encouraging: the recovery of Europe's largest economy continues.
- The IFO's "expectations for the next six months" component signals a marked expansion of GDP over the first half-year.
- The turnaround of German industry is being supported by the recovery of world trade and the inventory cycle, which is becoming favourable after the massive liquidation effected in 2009.

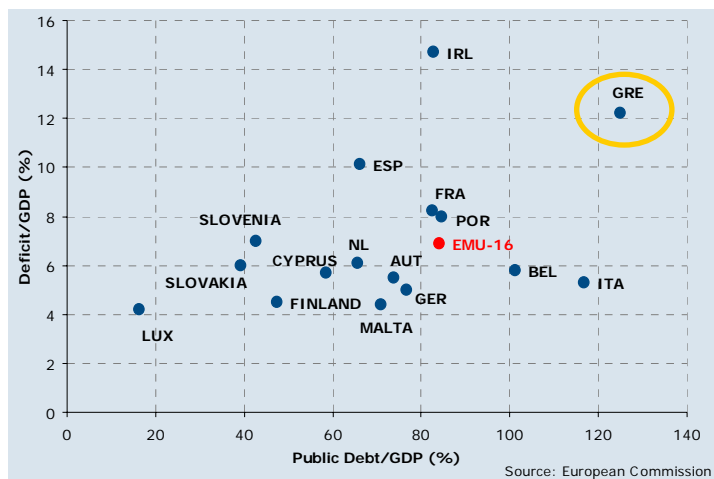
GERMAN GDP AND IFO "EXPECTATIONS" COMPONENT



6. Euro zone – A Greek tragedy: act two

- No respite for Greece. Despite the promises of an austerity plan that would reduce the deficit to 3% of GDP in 2012, the bond yields on Greek debt soared in January to compensate for the increased risks.
- In financial terms, Greece is the Euro zone's most vulnerable country: its debt/GDP ratio is the highest in the region (125%), while its deficit exceeds 12% of GDP. Only Ireland is worse off, although its debt/GDP ratio is significantly lower.
- The future of Greece will be difficult, as their political credibility has been seriously undermined, while its economic competitiveness is being eroded.

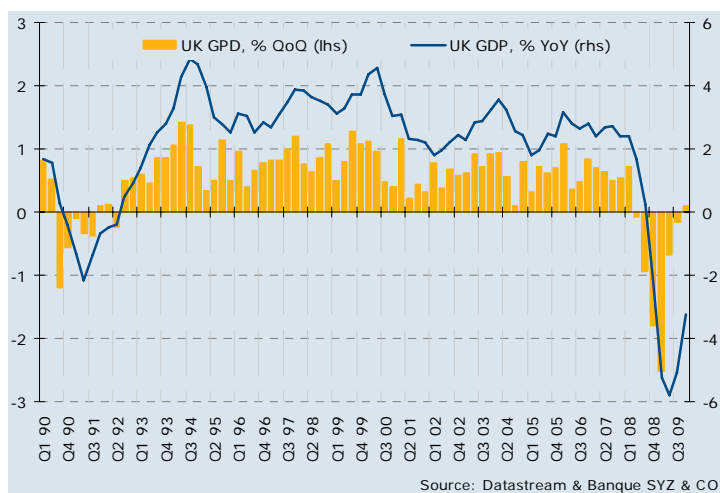
FORECASTS FOR DEBT AND PUBLIC DEFICITS IN 2010



7. United Kingdom – A hesitant climb out of recession

- The last G7 country to move out of the recession, the United Kingdom has at last posted some positive growth figures. It is, however, a very hesitant climb.
- Following six consecutive quarters of contraction, GDP increased by only +0.1% in Q4 2009. Year-on-year activity remains sharply down (-3.2% compared to the last quarter of 2008).
- The economic recovery is proving laborious: a stricken financial sector, heavily indebted households and sharply rising public debt will further undermine the British economy's growth in 2010.

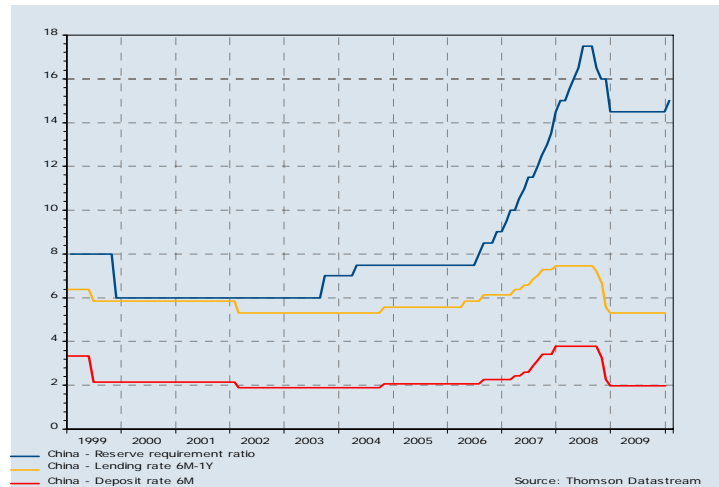
UK GDP



8. China – Monetary tightening, please!

- China's GDP year-on-year increased by +10.7% in Q4 2009 (+8.7% over the year 2009). Meanwhile inflation is rising and the money supply is increasing ever-more quickly.
- The raising of the compulsory reserves ratio for the banks signals that the authorities are ready to intervene in order to attenuate the risks of overheating.
- They might be able to turn the monetary tap on soon by acting on two other fronts: an interest-rate hike and resumption of the guided appreciation of the yuan against the dollar.

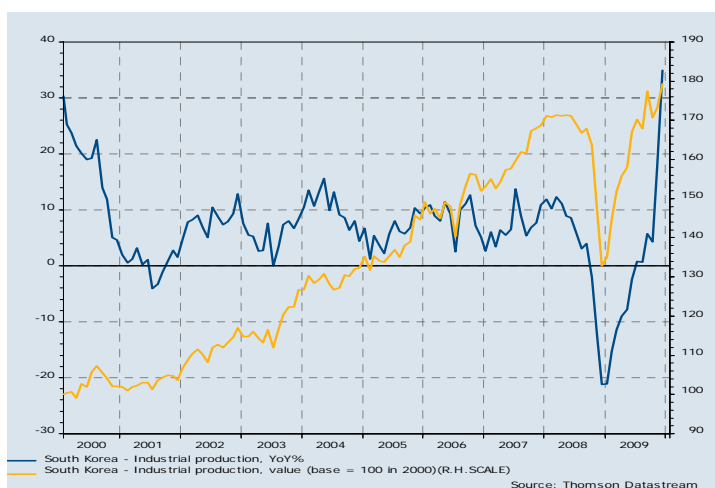
MONETARY POLICY IN CHINA



9. South Korea – Industry is booming

- Industrial activity in Korea is very dynamic. It recorded a +3.5% increase over the month of December, bringing the year-on-year to a +33.9% gain.
- As a result, the economic crisis in the Korean industry will have been a passing blip, as their activity has strongly rebounded, attaining – in value terms – a level much higher than that of summer 2008 (yellow line).
- Benefiting from a strategic geographical and sectoral positioning (among the leaders for electronic products), Korean industry also benefits from an undervalued currency.

INDUSTRIAL PRODUCTION, YEAR-ON-YEAR AND IN VALUE



10. Corporate bonds – A very good start to the year

- Following a lacklustre end to the year, the month of January was very favourable for corporate bonds.
- The average performance of European (financial or non-financial) companies' debt was 1.6% over the first month of the year.
- Whereas the return of risk aversion generally supported fixed-income securities, corporate bonds, for their part, took advantage of the worries over government indebtedness, which are severely affecting a part of European sovereign debt.

TREND IN THE PERFORMANCE OF BONDS IN EUROS

