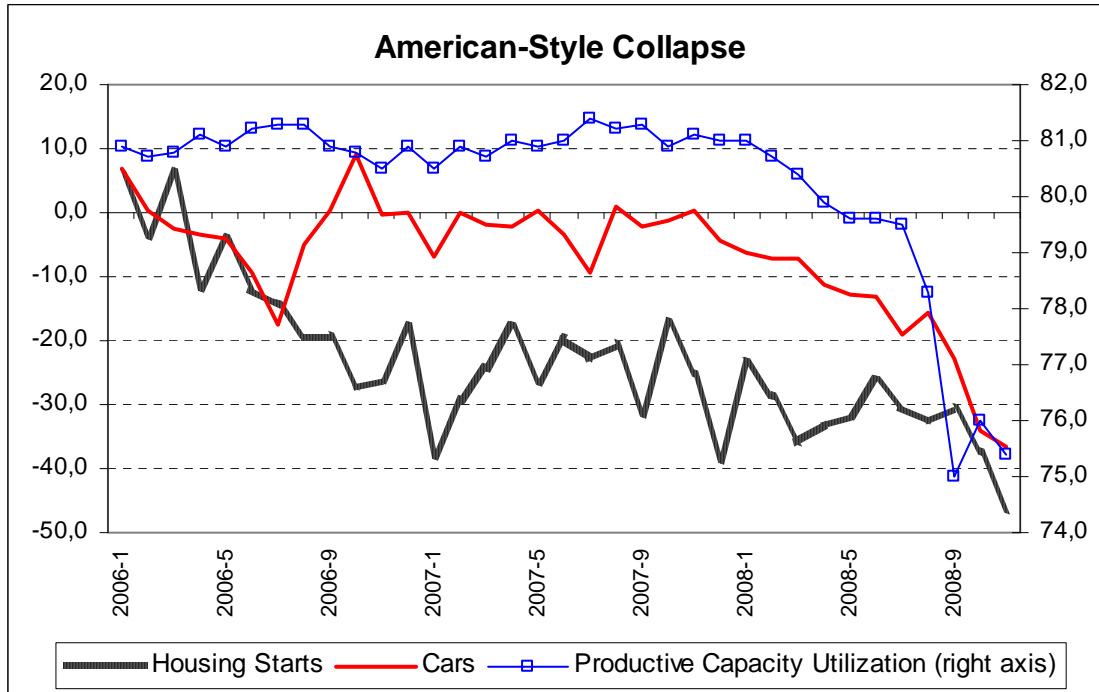


**United States**

**The Icing on a Bitter Cake**



Source: FRED II  
 Housing starts and car sales (cars and vans): annual growth rates; %. Productive Capacity Utilization (all industry): %

**Key Points:**

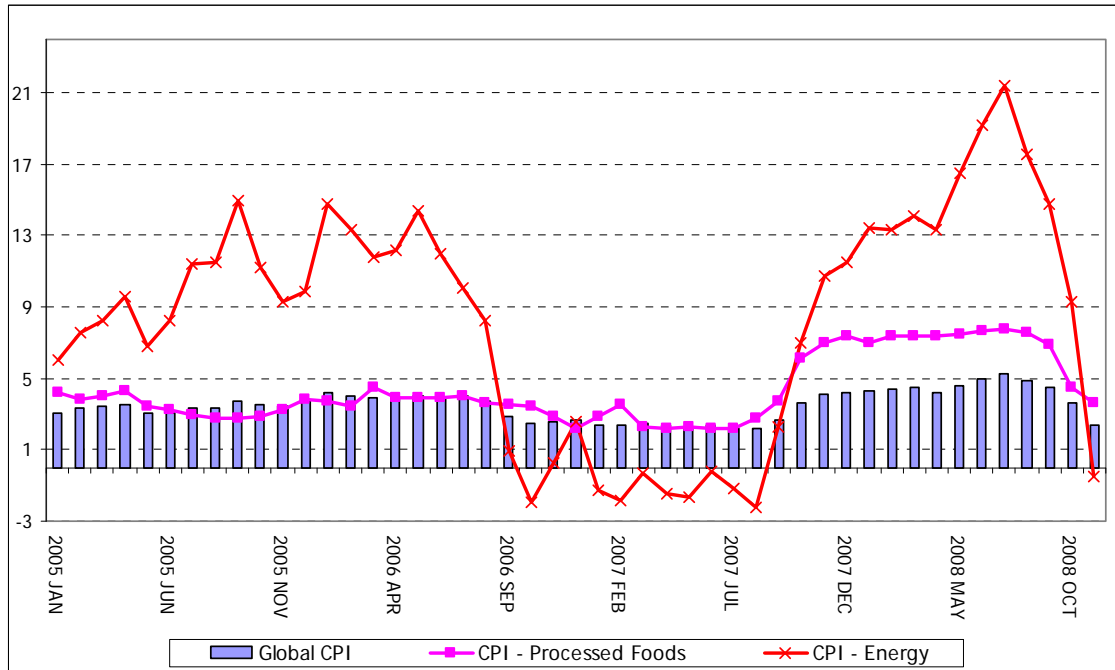
- Catastrophic financial year ends with the largest fraud in history: renowned investor Bernard Madoff's multimillionaire pyramid topples
- Fed plays its last card of orthodox monetary policy and becomes further committed to relaxing conditions
- Bail-out of the three largest car companies in Detroit rejected due to unyielding trade unions and Republican Senators. Bush government explores new ways of providing aid
- Back to the past: in the midst of the recession, protectionist stances spread

**Key Data:**

- Inflation falls at an unprecedented rate for the second month in a row. The annual rate (headline CPI) plummets from 5.6% in July to 1.1% in November. Core inflation only down by four decimal points to 2%
- Fed lowers interest rates to between 0% and 0.25%
- Federal Reserve balance amounts to two trillion dollars compared to 900 billion in September
- Housing starts in November confined to 625,000 (annually adjusted data), the lowest figure since 1959 when the series began and 72.5% less than at the peak of the real estate cycle

**Spain**

**Intense Recession Reduces Inflation**



Source: own elaboration with data from INE and Banco de España

**Key Points:**

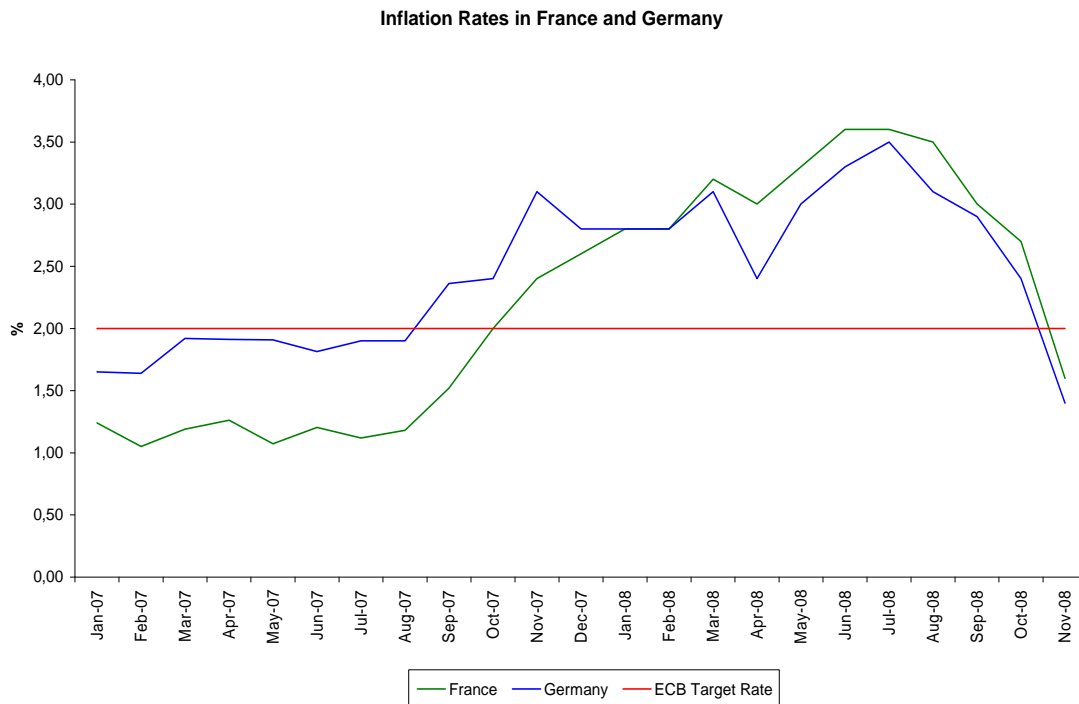
- Another blow to international finances: the Madoff case. Main Spanish banks and some investment funds among the victims
- Real economy falls into deep recession. Overly timid fiscal and monetary policy (ECB). Main challenge is to ensure cash reaches firms and households and to recover confidence
- International economic recession checks demand for agricultural and energy raw materials and inflation plummets
- Extremely weak activity and demand indicators
- Unemployment accelerates while the number of social security payers continues to drop

**Key Data:**

- Fall in annual inflation becomes more pronounced, dropping to 2.4% (from 5.3% in July and 3.6% in October)
- Core inflation resists, dropping by only two decimal points to 2.7%
- Marked 12.8% annual decrease in industrial output in October, particularly consumer durables, intermediate goods and equipment
- Business starts in October 2008 drop by 32.6% and the effects of unpaid trade increase by 46.1% with regard to October 2007
- Stock market falls by 40% in 2008 as IBEX-35 volatility escalates

## Germany and France

### Prices Plummet: Annual Inflation Rate Down by Two Percentage Points in Only Four Months



#### Key Points:

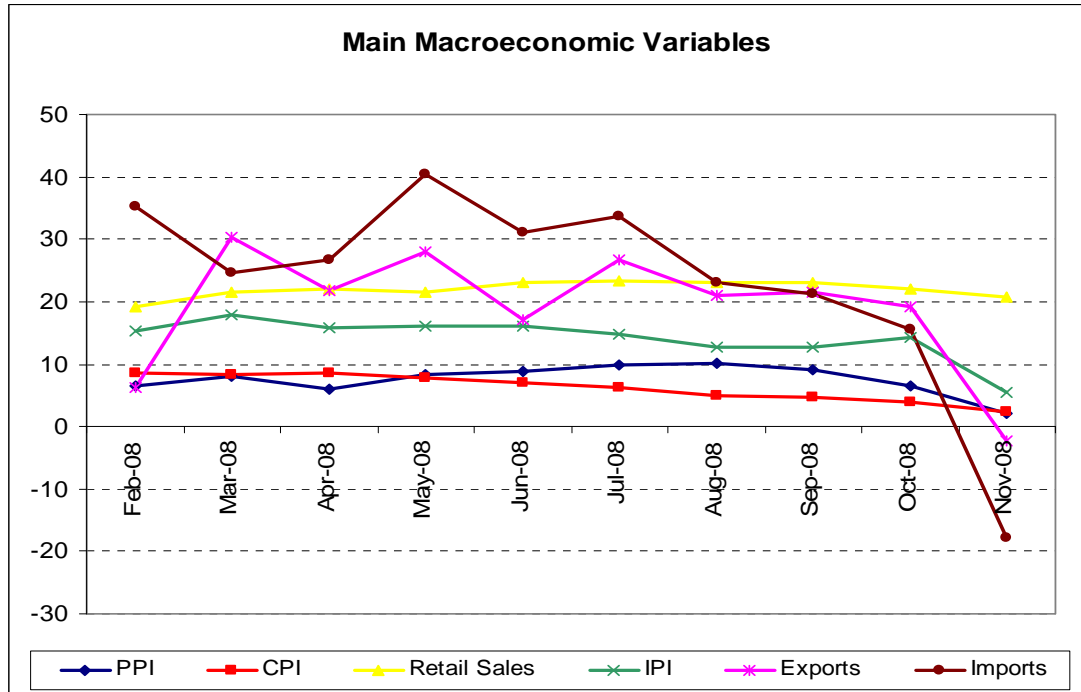
- Various analysts and institutions continue to lower their forecasts for growth
- No more excuses for aggressive monetary policy: France and Germany comply with ECB objective in November
- France passes 26,000 million euro package to boost the economy, aimed specifically aimed at the motor vehicle and real estate sectors
- EMU overcomes German reluctance and approves a global plan to boost economic growth to the value of 1.5% of GDP

#### Key Data:

- Monthly inflation rate falls by half a point in November
- Annual inflation rate around 1.5% in November
- More bad news from industry, as reflected by the Industrial Production Index
- Confidence indicators continue to slide, on this occasion the ZEW index

**China**

**China No Longer Jumping for Joy**



Source: OECD, National Bureau of Statistics of China

**Key Points:**

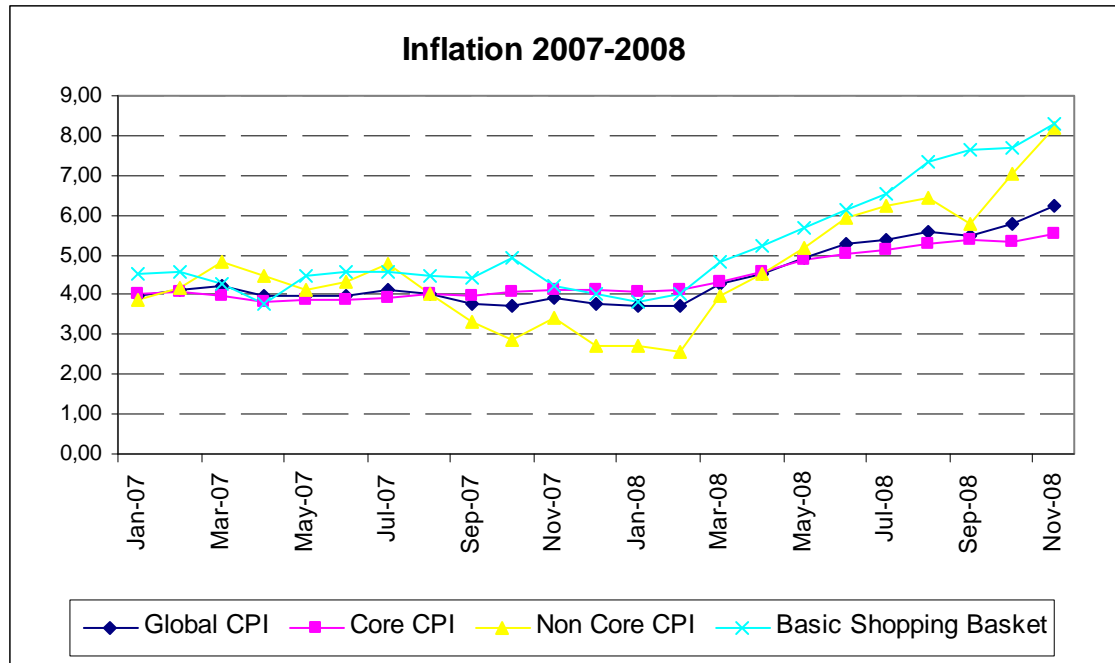
- GDP up by 9% in third quarter. Chinese authorities forecast 9% growth rate in 2009, but only if successful in stimulating domestic demand
- VAT reductions planned to help firms face the crisis
- Investment in China in 2009 will be channelled mainly towards: agriculture, housing, infrastructures, saving energy and social welfare
- Plans to stabilize capital market to minimize impact of current worldwide financial crisis

**Key Data:**

- CPI rises by 2.4% and the PPI by 2% in November, the lowest growth rate in two years. Even more drastic falls are forecast in December
- FDI falls by 36.52% in November due to economic crisis and speculation over the depreciation of the yuan
- Exports down by an annual 2.2% in November and imports by 17.9%, boosting trade surplus to a record \$40,100 million.
- Industrial output slumps by 5.4% in November, 11.9 percentage points less than in the same month in 2007

**Mexico**

**Upward Trend in Inflation Persists**



Source: elaborated with information from Banco de Mexico

**Key Points:**

- Leading indicator, which gauges the direction or trend of the Mexican economy recorded its largest fall in a decade in September, dropping by 2%. Growth forecast to be flat in 2009
- Consumer confidence still to recover
- Output, exports and domestic car sales continue to slide in November
- Inflation climbing. Target rate of 3% to doubled by the end of the year
- Exchange rate highly volatile at between 13 and 14 pesos to the dollar

**Key Data:**

- Consumer Confidence Index falls by an annual 16.1% in November
- Car output shrinks by an annual 2.1% in November, according to the Mexican Car Industry Association. Car exports fall by 7.7% and domestic car sales by 19.6%
- Annual inflation rate rises to 6.23% in November, boosted by both core and non core expenditure items
- Banco de Mexico maintains overnight interbank rates unchanged at 8.25%