

Who should we believe?

If you listen to Mr. Trichet, President of the European Central Bank, recovery should come sooner than expected and probably by the end of 2009 or early 2010. In Mr Trichet's opinion, markets have underestimated the regulatory measures taken by Central banks and the massive cash inflows decided by the governments all over the world.

At the same time, Mr Zoellick, the World Bank president, warned that the global economy was facing the worst recession since the 1930s. He predicted the world economy would contract by 1-2 per cent this year. Goldman Sachs issued its own forecasts predicting a 1% global contraction while Germany would contract 5.2% in 2009.

Crisis in manufacturing is palpable, with activity reductions of 20 to 50% in the automobile sector. This will certainly push many smaller sub-contracting firms into default and increase unemployment.

The Swiss national Bank virtually devalued the Swiss Franc last week to protect its economy.

But last week, we saw a rally in stock markets, especially focused on financial companies: Citibank and Bank of America gained 70% during the week. Is this again a rally in the bear market or if the bottom has been reached? As notation agencies are reducing their grades on many companies, General electric lost its AAA status and more companies being on the brink to follow, it is probably again a non lasting rally.

All depends again on what the governments will be able to decide and implement at the G20 meeting. Following the pre-meeting it looks like there is at least the desire to do all what is needed to reduce the effects of this crisis and get the world back to recovery.

This must take the form of global co-ordination, increasing the effects of national measures: when national stimulus is implemented, it must not be done at somebody else's expense. To increase the consumption and investment both in the private and public sectors, Stimulus must also be globally co-ordinated: each country must know the other ones are doing the same and that it will not be penalized by implementing such measures.

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Implementing finance crisis prevention is badly needed. Should a eastern European country be victim of speculation, this would spread to all the continent. G20, by agreeing on more resources to International Monetary Fund seems to be willing to address this urgent need.

Finally global co-ordination is paramount to avoid the default of another major financial institution which could spill over to other institutions worldwide. The American taxpayer by rescuing AIG has definitely helped major European financial institution, avoiding much greater global damages.

Let's hope the measures that will be decided at the G20 will all go in the right direction and definitely avoid the world a depression.

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