World Economic Trends
The Spring Report in 2012

- Global Economy Sees Tension Continuing over European Sovereign Debt Crisis -
(Summary)

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Purpose

- World economic growth has decelerated since 2011. Tension over the European sovereign debt crisis has been continuing.
  - Europe: The real GDP growth rates in fourth quarter 2011 in the Eurozone fell below 0 for the first time since the global financial crisis. Demand has slumped due to the European sovereign debt crisis, exerting downward pressure on the real economy.
  - Asia: The pace of economic expansion/recovery has slowed down. Exports decelerated due to the weak demand of the Eurozone toward late 2011.
  - USA: As an increase in employment and a consumption rebound are seen, the economy is recovering moderately.
- This “World Economic Trends” analyzes the European sovereign debt crisis and its impact on the global economy, delves into present conditions and structural problems of each national and regional economy, and considers future forecasts.

Chapter 1. Global Economy Sees Tension Continuing over European Sovereign Debt Crisis

Section 1. Overview of Global Economy

Section 2. Impact of European Sovereign Debt Crisis on Global Economy

Section 3. Forecasts and Risks of Global Economy

Chapter 2. Trends in Each Country/Region

Section 1. European Economies

Section 2. Asian Economies

Section 3. U.S. Economy
Chapter 1. Global Economy Sees Tension Continuing over European Sovereign Debt Crisis ~ Global Economy Struggling to Depart from Slowdown ~

- The pace of the global economic recovery has slowed down since mid-2011 (Fig. 1).
  - Developed countries: The paces of recovery are mixed. Europe is shaken by the sovereign debt crisis, while the United States posts a moderate recovery. (Fig. 2).
  - Emerging countries: The pace of expansion/recovery has slowed down. The factors behind the slowdown are decelerating exports to Europe, and slowing consumption and investment under monetary tightening. (Fig. 3)
The funding condition for Eurozone banks deteriorated rapidly toward the second half of 2011. They toughened their stance on lending, squeezing credit both internally and externally. As for externally, they reduced credit to Central and Eastern Europe, Asia and Latin America. (Figs. 4-6)

Eurozone banks’ credit squeeze might have exerted less impact on Asia and Latin America, which depend rather little on external borrowings, than on Central and Eastern Europe, in which the presence of Eurozone banks is particularly great. As demand for borrowings slumped amid the deteriorating fundraising environment, it is uncertain how the credit squeeze has affected the real economy. (Figs. 7-8)
China and other Asian countries, which account for a large share of total exports to the Eurozone, posted export drops mainly due to the slump in the domestic demand of the Eurozone, particularly in the second half of 2011, dragging down economic growth in Asian countries that depend heavily on exports. (Figs. 9-10)

Exports other than mineral fuels declined. Drops in exports such as electrical products contributed to overall export decreases in China and South Korea. (Figs. 11-12)