

World Economic Trends
The First Report in 2009

**—Current State of Global Financial
and Economic Crisis—**

(Summary)

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June 5, 2009

Cabinet Office

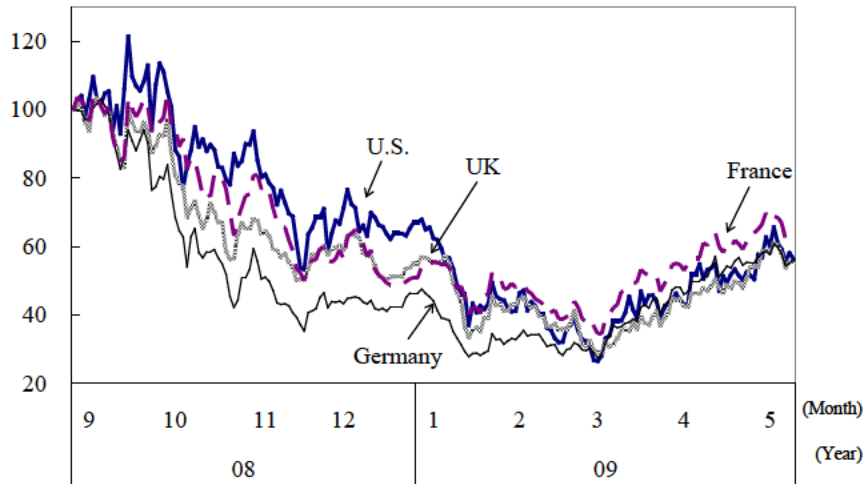
Government of Japan

Chapter 1 Developed Countries: Worsening Financial Crisis Led Recession

1. Financial and Capital Markets after the Outbreak of Global Financial Crisis

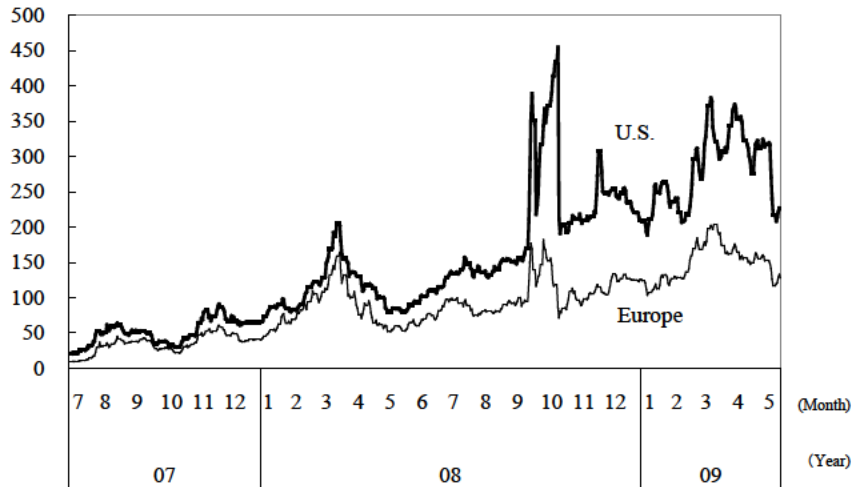
- Although global financial and capital markets are recovering supported by the policy responses in various countries, tension still persists. Financial institutions are still weak even in 2009 (see Figure 1-1-3 and 1-1-4).
- Although short-term money market improvements such as narrowing spreads have been observed (see Figure 1-1-9), market functions have not fully recovered yet in corporate bond and asset backed securities (ABS) markets (see Figure 1-1-10 and 1-1-12).
- Stabilization of the financial system is a necessary condition for economic recovery. Recapitalization of financial institutions and efforts to restore market functions remain challenges (see Reference 2).
- When comparing this financial crisis to the Great Depression, although stock prices fell as much as they did at the beginning of the Great Depression, the state of the real economy is less depressed (see Figure 1 and 5). However, there is the same mechanism as there was during the Great Depression, i.e., a vicious cycle of financial crisis and deterioration of the real economy. Note that there are worrisome similarities such as restrictive lending by financial institutions due to deleveraging.

Figure 1-1-3 Bank Share Prices of Major Countries



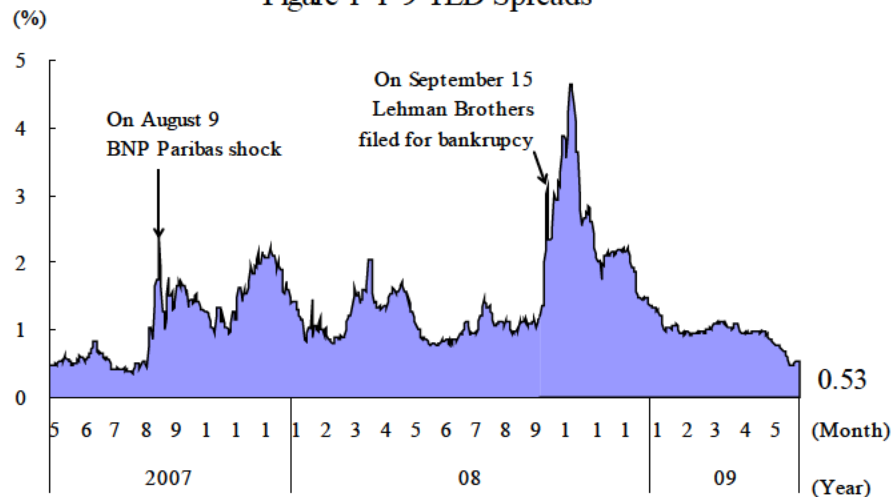
(Notes) 1. Source: Datastream.
2. Each nation's share price is a bank share index of Datastream.

Figure 1-1-4 CDS Spreads of Major European and U.S. Financial Institutions



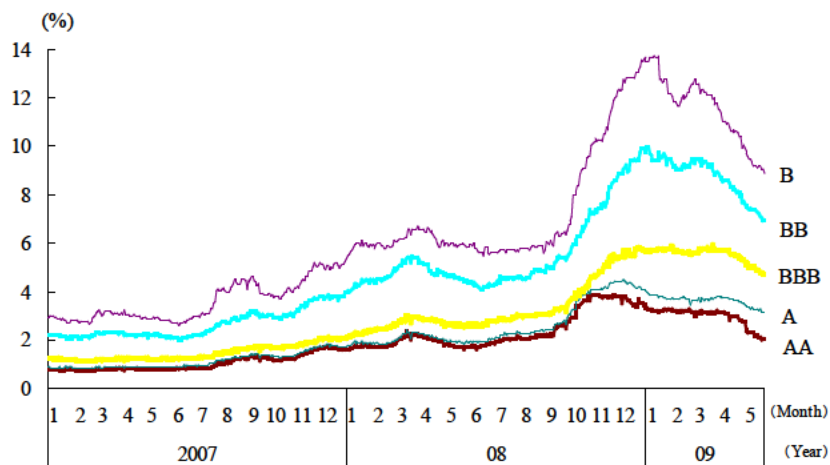
(Note) Source: Bloomberg.

Figure 1-1-9 TED Spreads



(Notes) 1. Source: Bloomberg.
2. TED Spreads (3 months) =
LIBOR Euro-Dollar interest rate (3 months) - 3-month US Treasury interest rate.

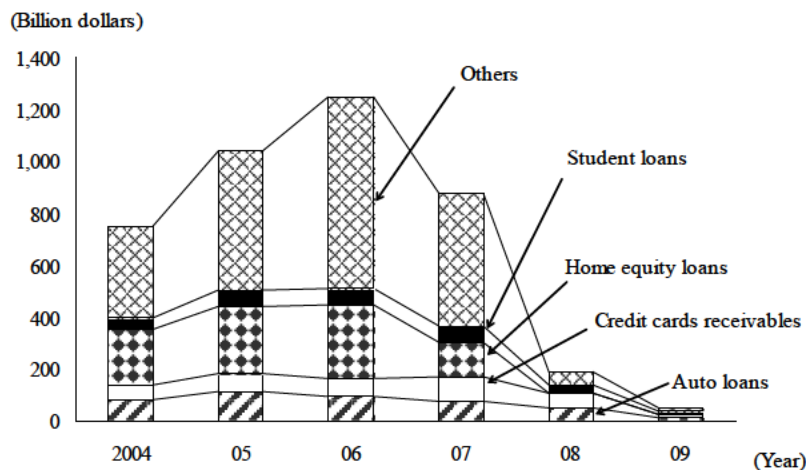
Figure 1-1-10 Corporate Bond Spreads



(Notes) 1. Source: Bloomberg.

2. Investment grade is rated as BBB or higher by Standard and Poor's (S&P).

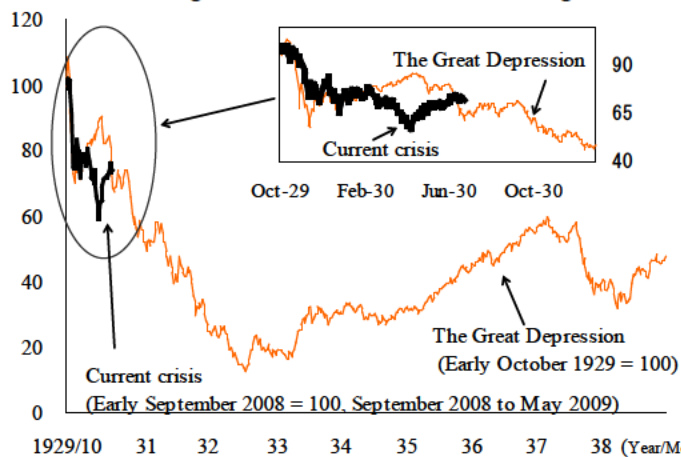
Figure 1-1-12 New Issuance of ABS



(Note) Source: Bloomberg.

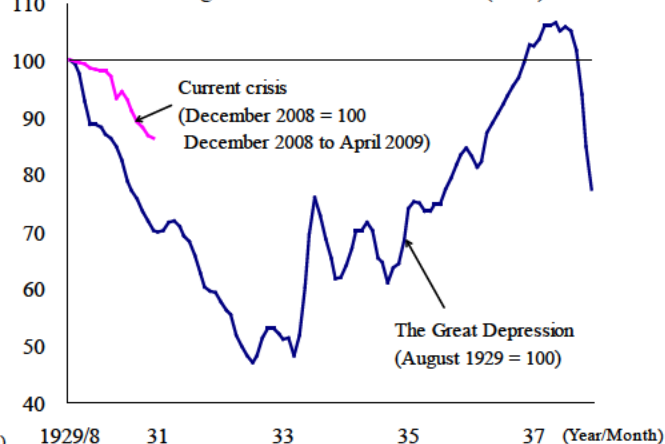
Comparison of Current Financial Crisis with the Great Depression

Figure 1 Dow Jones Industrial Average



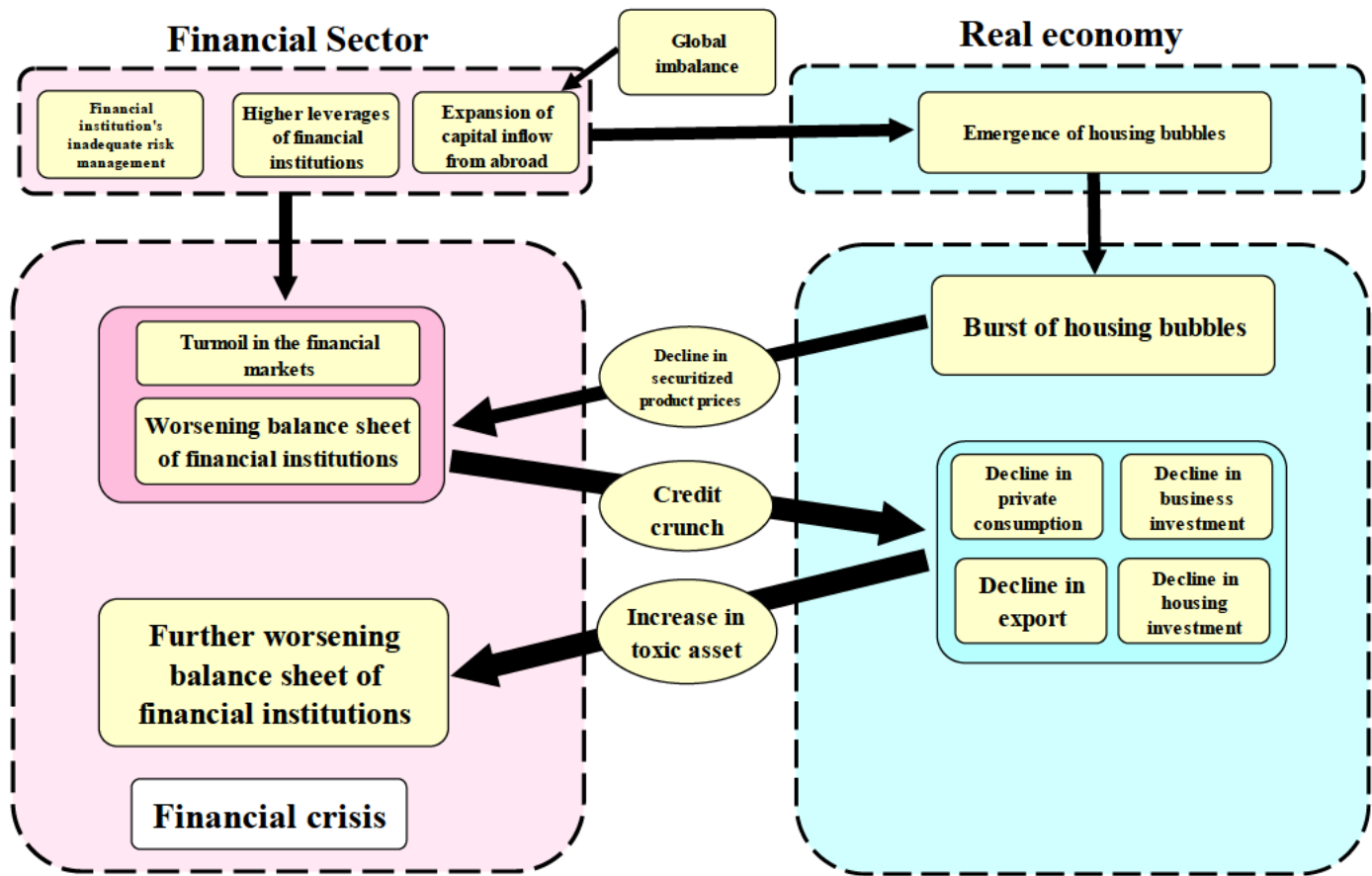
(Note) Source: Bloomberg.

Figure 5 Industrial Production (U.S.)



(Note) Source: Federal Reserve Board (FRB).

Figure 1-2-7 Vicious Circle of the Financial Sector and the Real Economy



2. Worsening Recession in U.S. and Protracted Financial Crisis

- In this recession, key economic indicators are worsening faster than during previous recessions (see Figure 1-2-6). Regarding the U.S. economic outlook, the vicious cycle of financial crisis and deterioration of the economy will persist (see Figure 1-2-7) and the recession is highly likely to be protracted.
- U.S. personal consumption, which accounts for about 70 percent of GDP, is unlikely to recover before 2010 due to 1) the worst employment conditions in the postwar period (see Figure 1-2-30), 2) the impact of the credit crunch caused by the financial crisis (see Figure 1-2-10) and 3) adjustment of household balance sheets.
- The reduction in housing starts (see Figure 1-2-16) and the decline in home prices have continued. Foreclosures caused by debt default have continued to increase. Loans to households and businesses have become bad debts due to the worsening real economy (see Figure 1-2-19) and the losses of financial institutions have expanded.
- The U.S. Government and the Fed have implemented a large-scale fiscal stimulus program and measures to stabilize the financial system. However, given that the end of the financial crisis is not in sight, the funds for stabilizing the financial system may run out (see Table 1-2-42).
- The expansion of the balance sheet of the Fed has some benefits for the functional recovery of asset markets. However, the contribution thereof to the increase in the money supply is limited (see Figure 1-2-44 and 1-2-45).

Figure 1-2-6 Comparison with Past Recessions

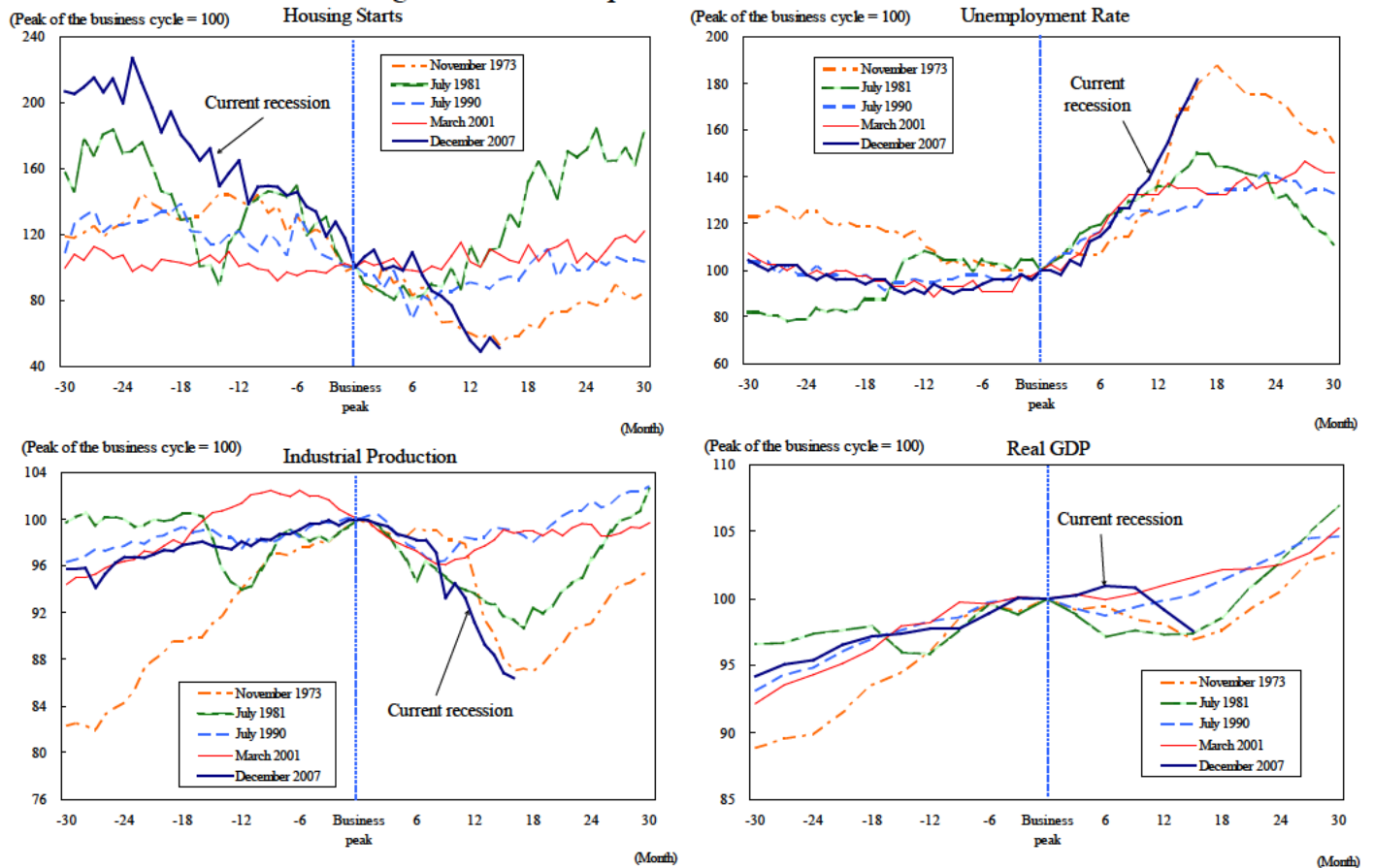
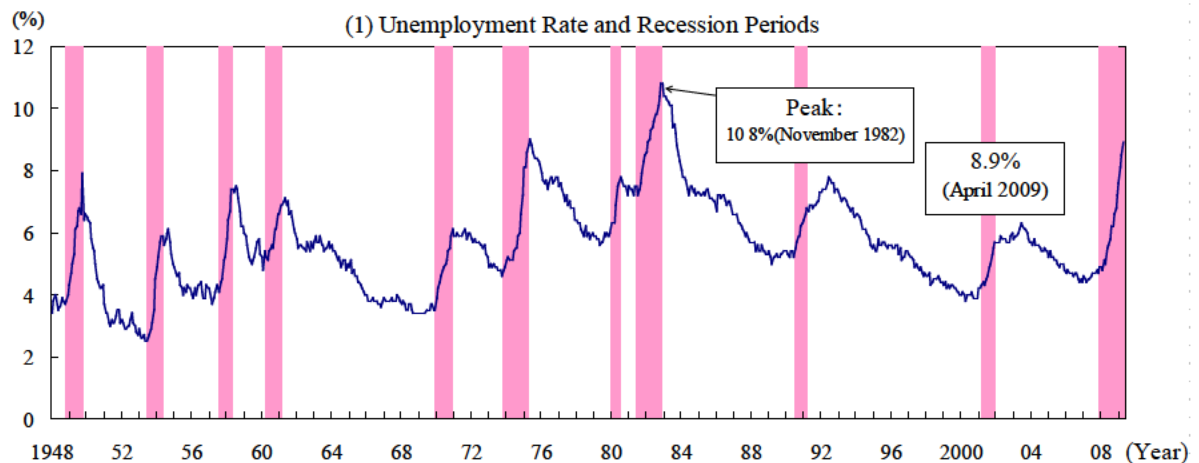


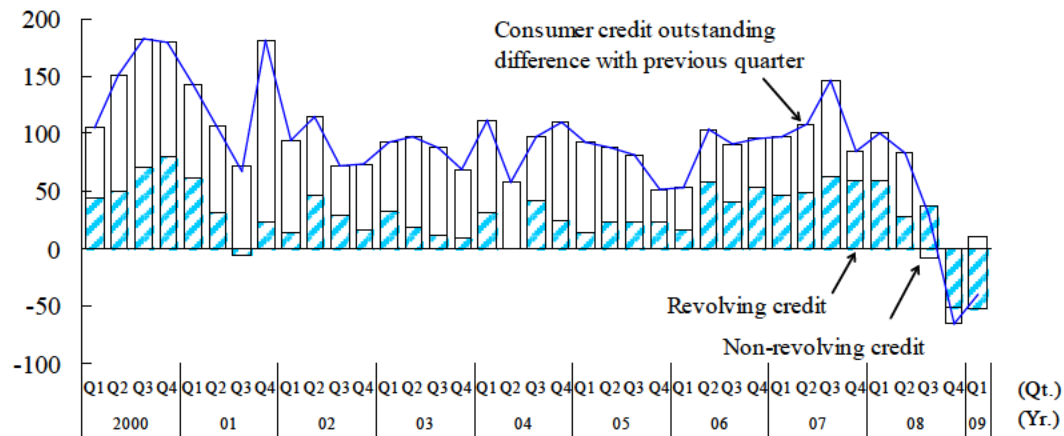
Figure 1-2-30 Unemployment-related Indexes and Recession Periods



- (Notes) 1. Source: U.S. Department of labor and National Bureau of Economic Research (NBER).
2. Shaded areas are periods between peaks and troughs of economic cycles.

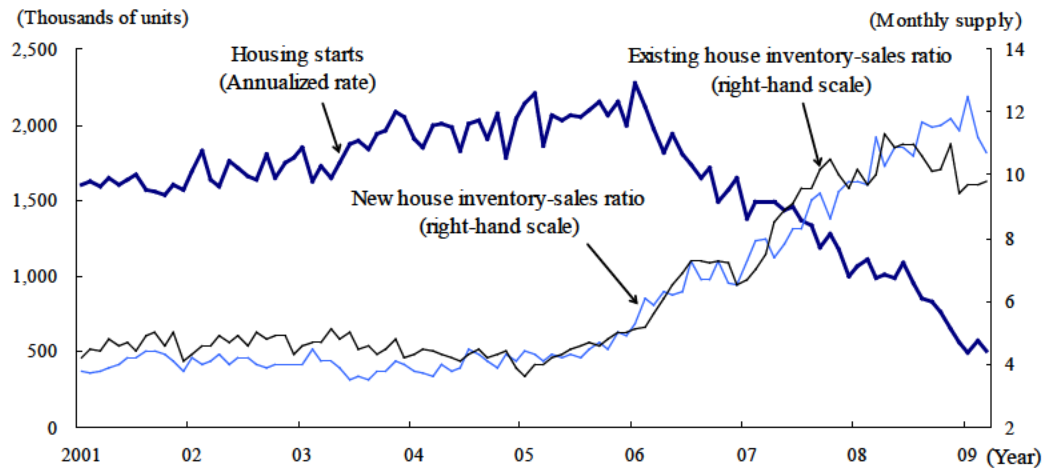
Figure 1-2-10 Changes in Consumer Credit Outstanding

(Average difference with previous month: 100 million dollars)



(Note) Source: FRB.

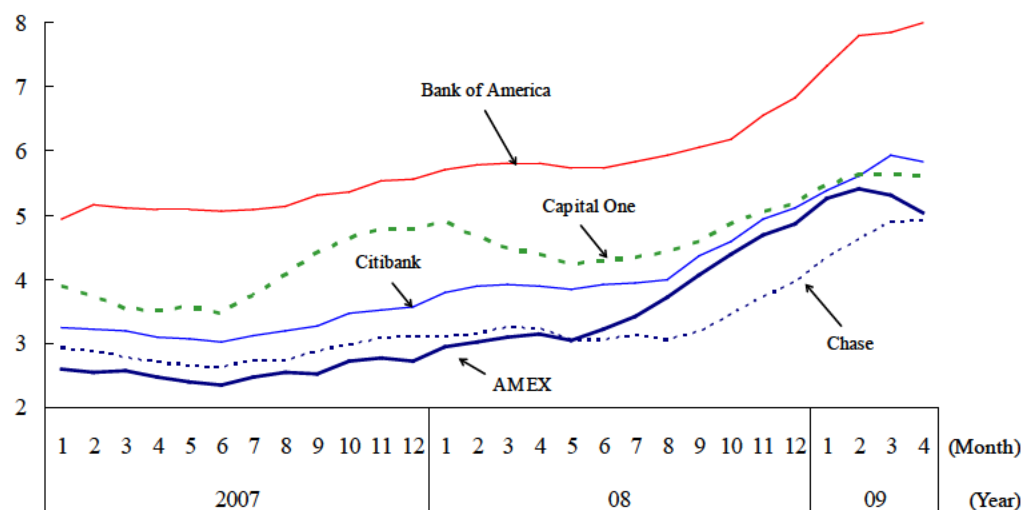
Figure 1-2-16 Changes in Housing Starts and Inventory-Sales Ratio



(Notes) 1. Source: U.S. Department of Commerce and National Association of Realtors (NAR).

2. Inventory-sales ratio shows the ratio of houses for sales to houses sold.

Figure 1-2-19 Delinquency Ratio of Major Creditcard Companies



(Notes) 1. Source: Bloomberg.

2. Loans overdue 35 days or more for Citibank, 31 days or more for AMEX, 30 days or more for other companies are classified as delinquent.

Table 1-2-42 Use of Funds for TRAP/Financial Stability Plan

1. Determined amounts

Use	Amount (100M dollar)	Remarks
Exceptional bailout	1,633	700 for AIG, 525 for Citigroup and Bank of America and 408 for automotive industry
Capital Purchase Program	2,180	1250 for capital injection to major financial institutions
Housing measures	500	Review of housing loan conditions, etc
Lending initiative for consumers and business	700	200 for Term Asset-Backed Securities Loan Facility (TALF), 350 for expansion of TALF assets and 150 for credit market measures for small and medium-scale businesses
Public-Private Investment Program	1,000	250 for application of TALF to legacy securities and 750 for others
Total	6,013	
Balance	987	Total amount of TARP funds is 700 billion dollars
Potential repayment of funds for capital injection	250	Conservative estimate

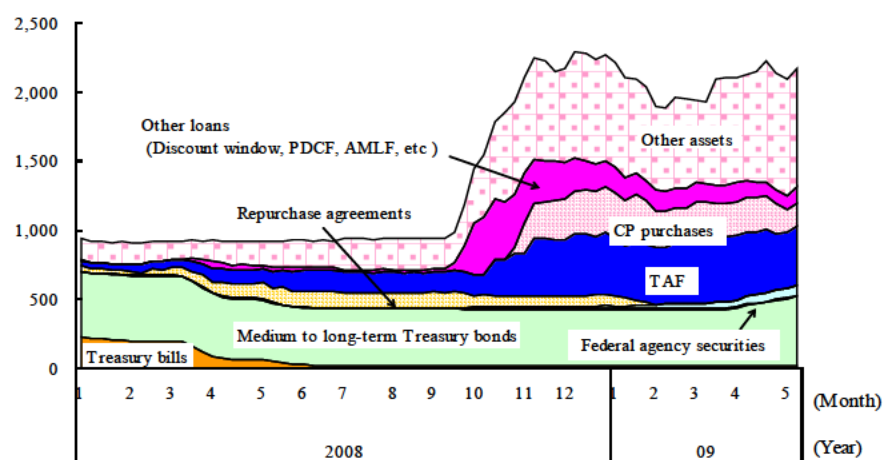
2. Undetermined amounts

Use	Amount (100M dollar)	Remarks
Capital Assistance Program	—	Capital injection based on the result of stress test, etc
Additional support to car company	—	Support for GM filing for Chapter 11 bankruptcy-court protection, etc

(Note) Source: Congressional testimony of Treasury Secretary Gaithner (on 21 April and 20 May 2009), etc

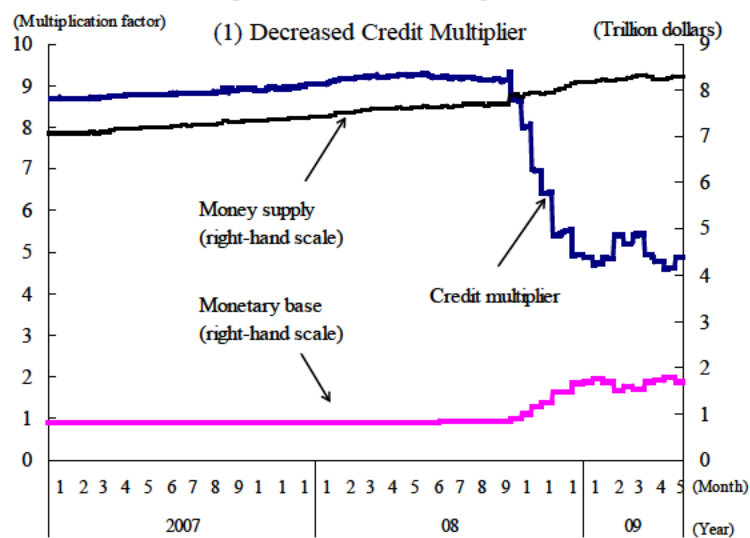
(Billion dollars)

Figure 1-2-44 The Fed's Balance Sheet



(Note) Source: "Flow of Funds" of The Fed's

Figure 1-2-45 Credit Multiplier



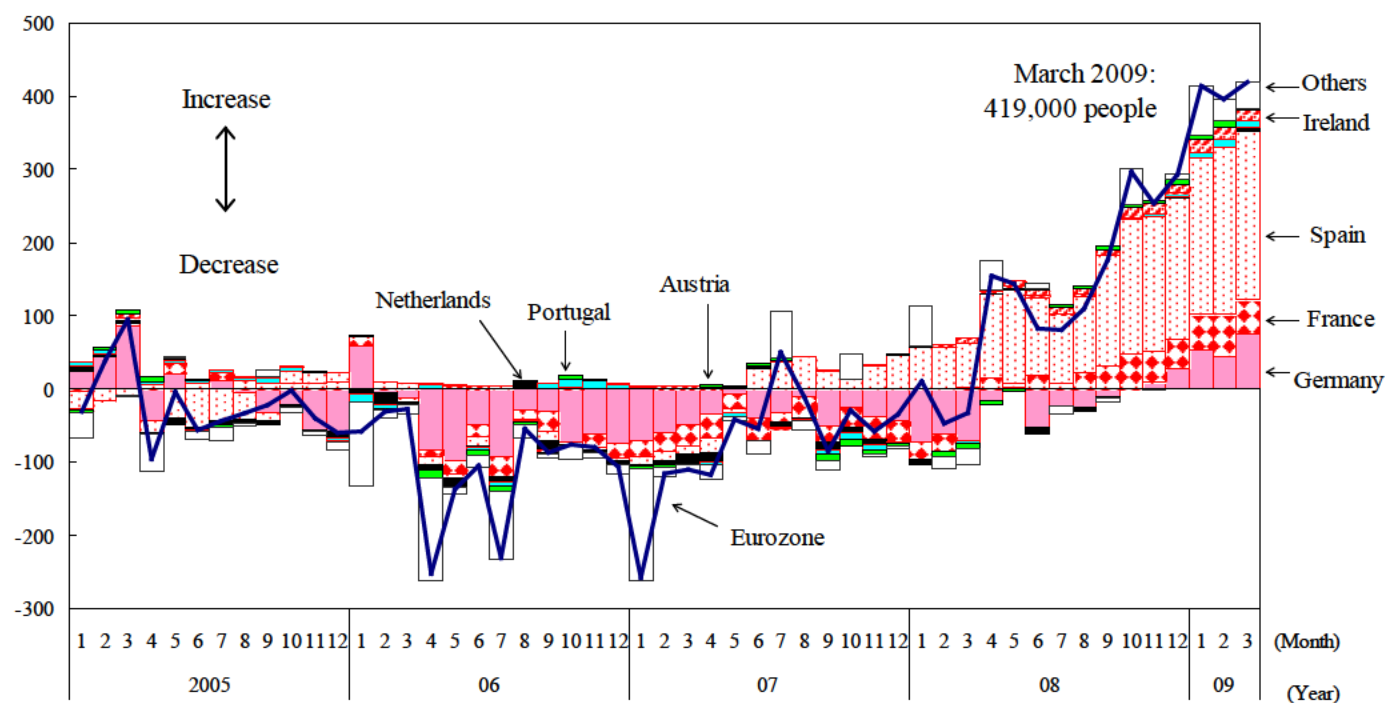
(Note) Source: Bank of Japan and FRB

3. Worsening Recession in Europe and Responses to Financial Crisis

- In Europe, the recession is rapidly worsening; In the first quarter of 2009, the GDP growth rate recorded the biggest negative growth. Looking forward, the outlook entails a high risk of protracted recession owing to the vicious cycle of financial crisis and the deterioration of the real economy.
- In Europe, there is little hope of early economic recovery for the following reasons.
 - (1) Since the employment situation even in major countries such as Germany and France is becoming worse (see Figure 1-3-8), self-sustaining recovery led by domestic demand (e.g. private consumption) is difficult.
 - (2) Foreign demand-led recovery is unlikely due to the slump in Central and Eastern Europe (see Figure 1-3-13). Moreover, there is a risk that bad loans to Central and Eastern Europe will continue to increase, which could intensify the financial crisis (see Figure 1-3-20).
- Although many countries have tried to support their ailing economies by fiscal stimulus measures, the scale of discretionary spending may be insufficient in some countries, given the extent of deterioration of their economies (see Figure 1-3-24).
- On the other hand, in countries with large budget deficits, the concern over fiscal sustainability has led to the downgrading of some government bonds and the widening of yield spreads vis-a-vis long-term bonds in Germany (see Figure 1-3-26).

Figure 1-3-8 Changes in the Number of Unemployed in Eurozone and its Member States

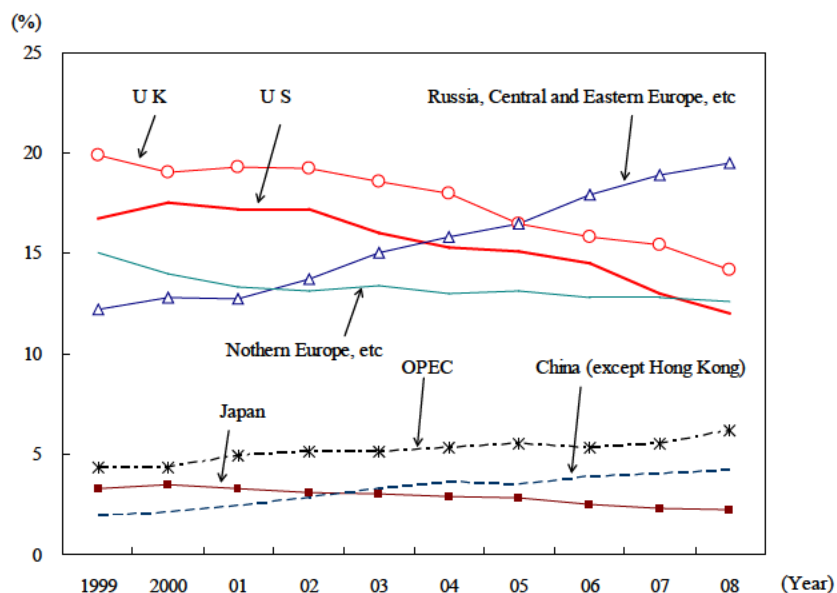
(Changes from previous month. Unit: thousand people)



(Notes) 1. Source: EUROSTAT.

2. Italy is included in "Others" due to its quarterly data.

Figure 1-3-13 Share of Extra-Eurozone Exporting Partners



(Notes) 1 Source: EUROSTAT

- 2 "Russia, Central and Eastern Europe, and etc " consists of Russia, Czech Republic, Poland, Romania, Hungary, Estonia, Latvia, Lithuania, Bulgaria, Ukraine, Kazakhstan, Croatia and Turkey
- 3 "Northern Europe, etc " consists of Denmark, Norway, Sweden and Switzerland

Figure 1-3-20 Western Financial Institutions Lending Outstanding to Central and Eastern European Countries and Their Scales in Relation to GDP

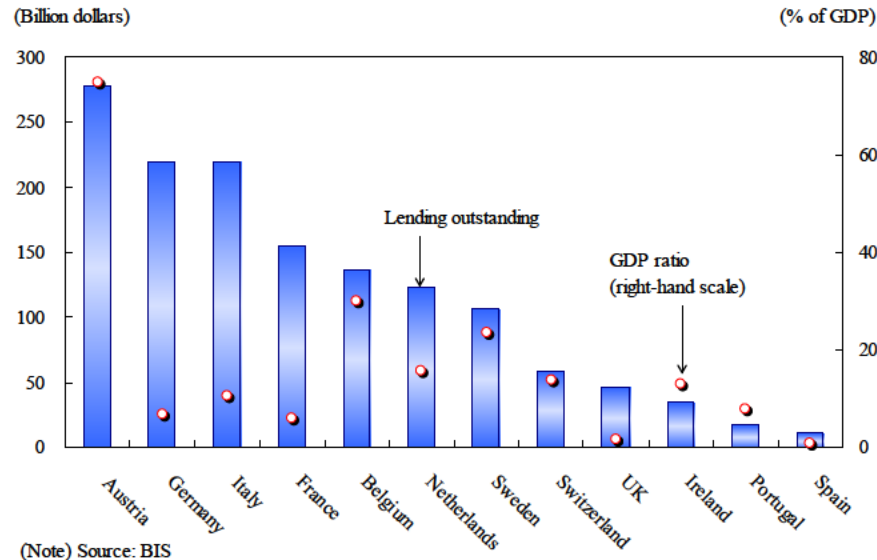


Figure 1-3-24 European Countries' Scale of Fiscal Stimuli

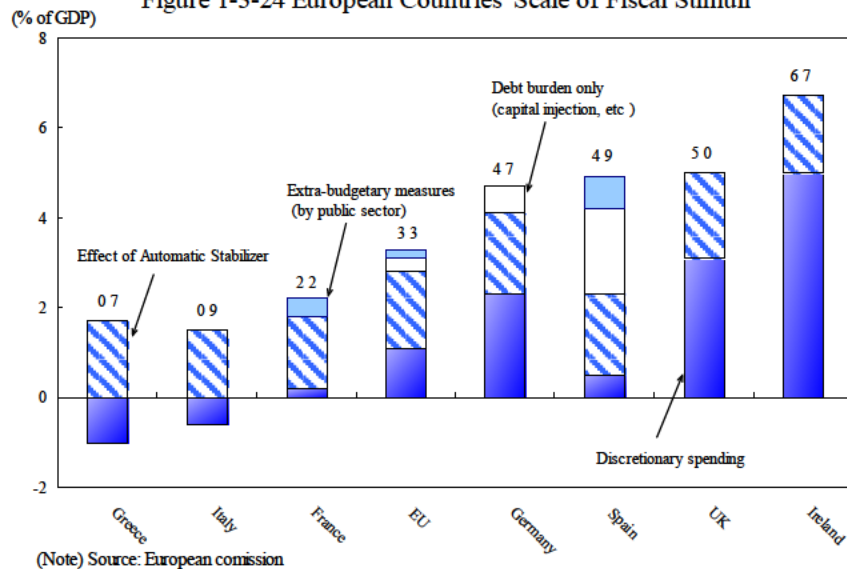
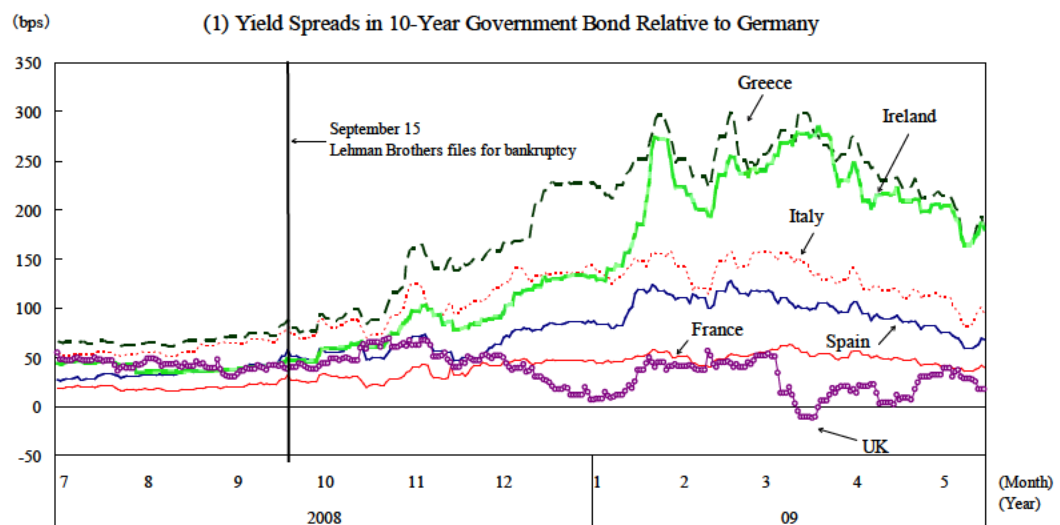


Figure 1-3-26 Deterioration in Fiscal Deficit and Trends in Bond Market

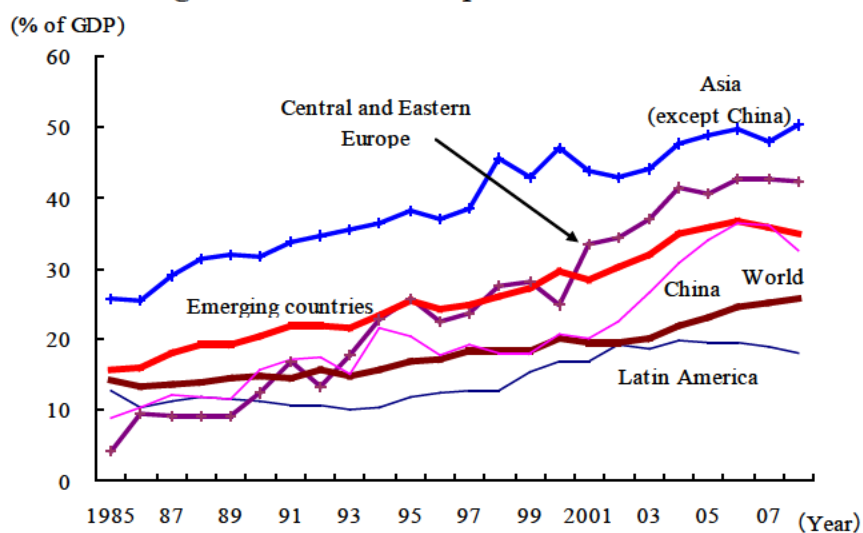


Chapter 2 Emerging Countries: Impact of Financial Crisis and Future Perspectives

1. Emerging Countries Affected by Financial Crisis

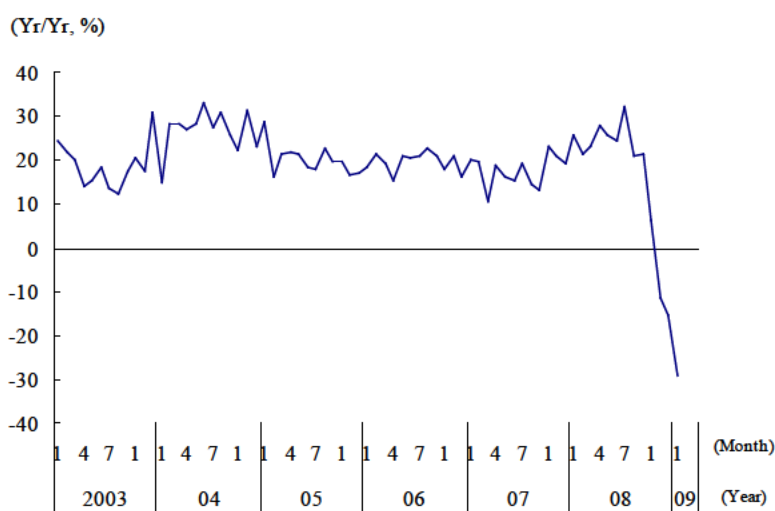
- The reason why emerging countries have been strongly affected by the financial crisis is that the linkage between emerging countries and the world economy is becoming stronger. The interdependence with developed countries has increased through expansion of trade and investment and a stronger link with Western markets on the real side (see Figure 2-1-1 and 2-1-2). On the financial side, it has increased through increased capital inflows from developed countries (see Figure 2-1-7). This is an important factor intensifying the impact of the financial crisis as well as the driving force of high-rate growth of the emerging countries in the 2000s.
- Asia:
Affected by the financial crisis, export and production in the emerging Asian countries have declined sharply. However, the impact on the economies of these countries varies according to the ratio of exports to GDP and the composition of their exports (see Figure 2-2-1).
- Central and Eastern Europe:
The large current account deficits of Central and Eastern European countries had been financed by inflows of capital from Western European financial institutions, but this inflow of capital has unwound due to the financial crisis (see Figure 2-2-24). Many countries in the region fell into recession and some of them have received assistance from the IMF.
- Latin America:
Although Latin American countries were enjoying rapid economic progress thanks to export expansion, the rise in the prices of primary commodities and the expansion of capital inflows, all of these factors have reversed. Particularly in Mexico, which is heavily affected by the U.S. economy, the economy is rapidly worsening (see Table 2-2-37).
- Russia:
The Russian economy has plunged into a serious recession due to the sharp decline in oil prices and the global financial crisis. Exports have decreased significantly (see Figure 2-5-3) and stock prices and ruble have plummeted (see Figure 2-5-10).

Figure 2-1-1 Ratio of Export to Nominal GDP



(Notes) 1. Source: IMF "International Financial Statistics"
2. Exports are on a customs-clearance basis.

Figure 2-1-2 Changes in Exports of Emerging Countries



(Note) Source: IMF "International Financial Statistics"

Figure 2-1-7 Total Claims of Foreign Banks to Emerging Countries

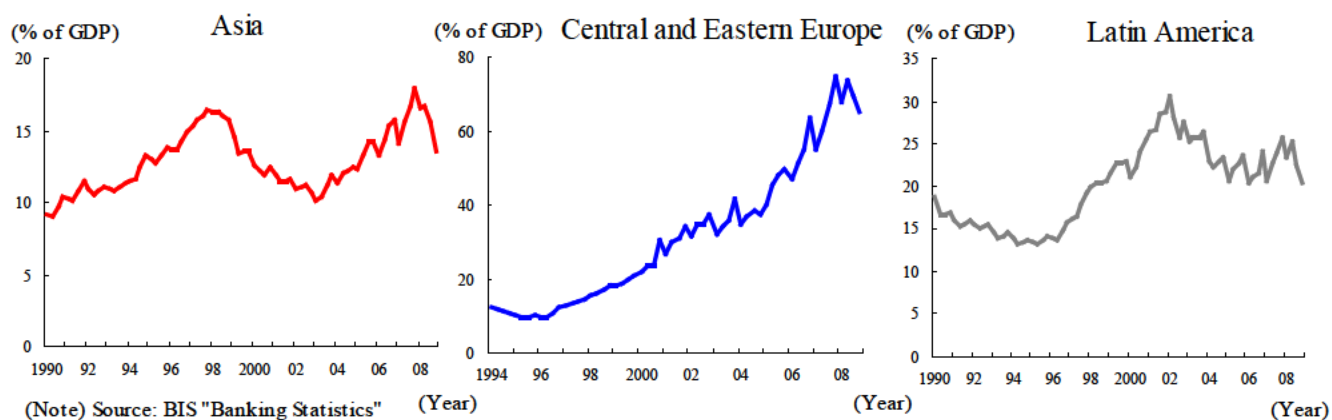
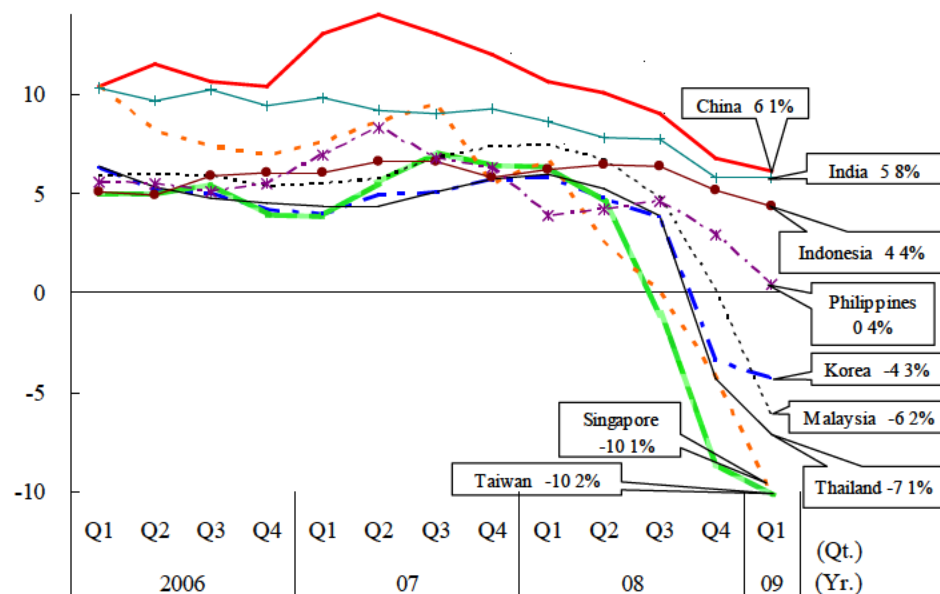
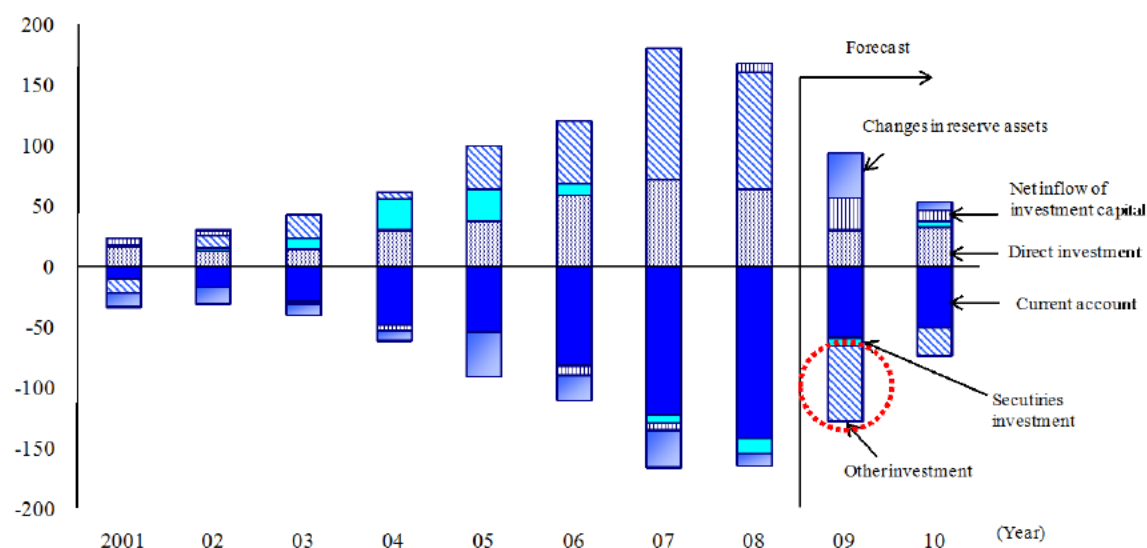


Figure 2-2-1 Real GDP Growth of Asian Emerging Countries
(Yr/Yr, %)



(Note) Source: National or regional statistics

Figure 2-2-24 Central and Eastern European Countries' Balance of Payments Statistics
(Billion dollars)



(Notes) 1. Source: IMF

2. Current account + Net inflow of private capital (direct investment + securities investment + other investment)

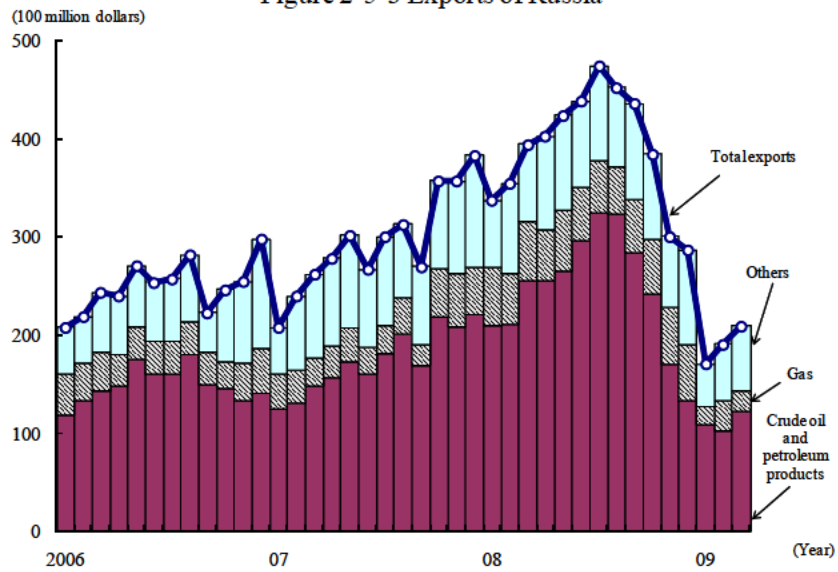
+ Net inflow of public capital + Changes in reserve assets + balancing item = 0

Table 2-2-37 Exports of Latin American Countries
(Nominal GDP ratio and share)

	Ratio of exports to nominal GDP	Exports to U.S. (share of total exports)	Exports to China (share of total exports)	Primary products (share of total exports)
Brazil	15.9	14.0	8.3	36.9
Mexico	32.9	80.2	0.7	20.7
Argentina	23.3	7.1	8.3	34.7
Chile	48.0	11.9	13.9	63.3

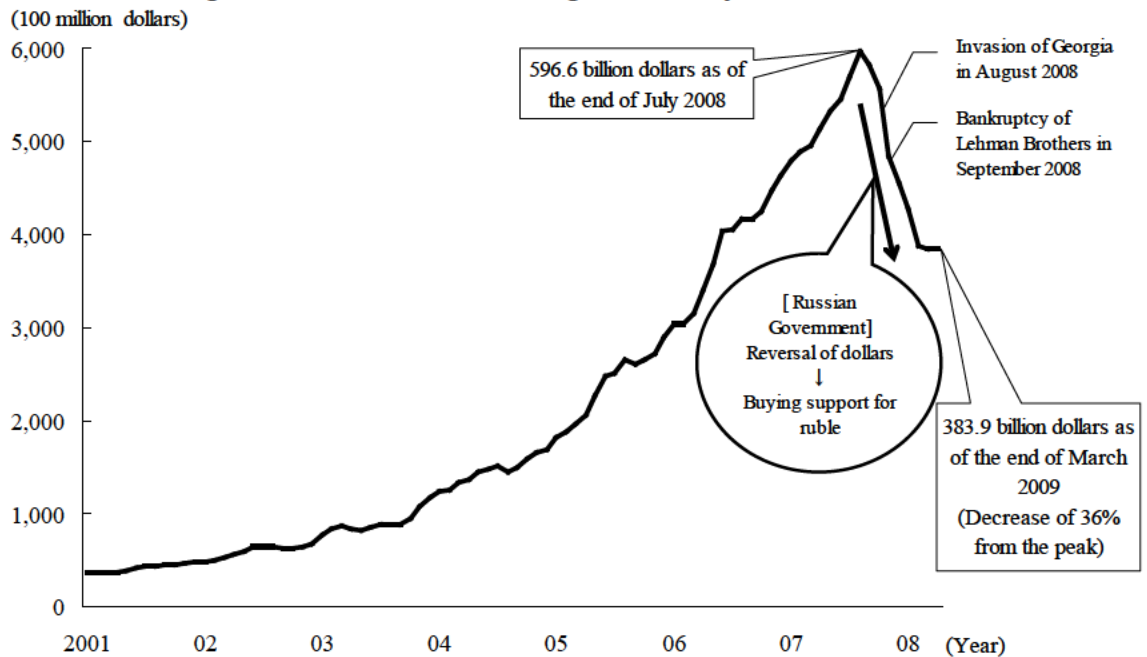
(Note) Source: Datastream and national statistics

Figure 2-5-3 Exports of Russia



(Note) Source: Russian Customs House.

Figure 2-5-10 Russian Foreign-Currency Reserves

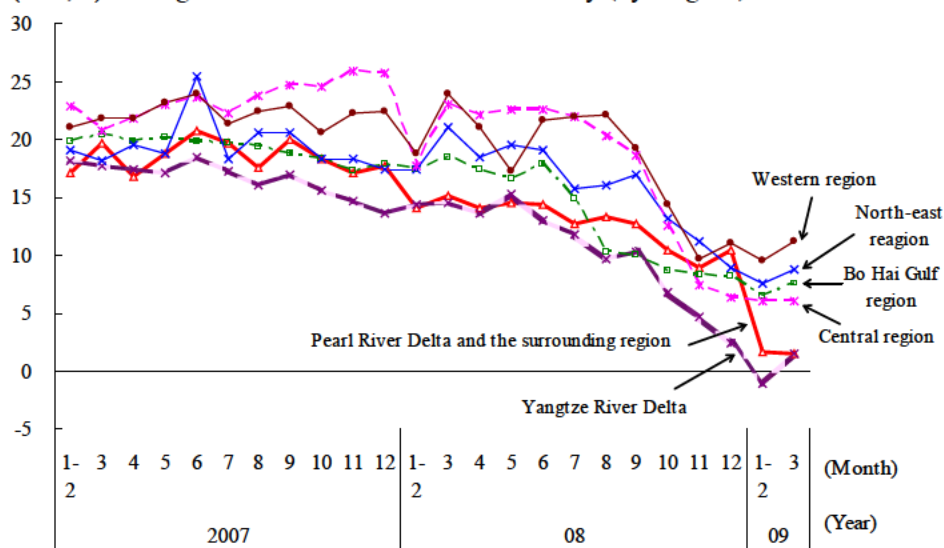


(Note) Source: The Central Bank of Russian Federation and others

2. Global Recession and China

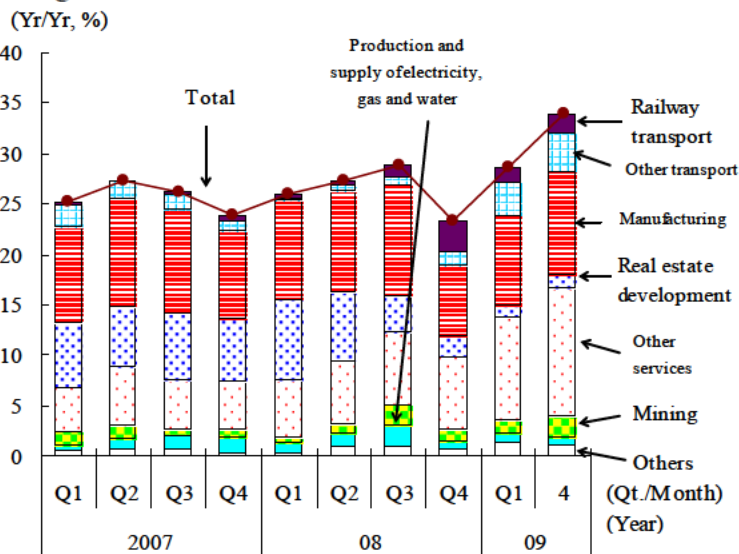
- The Chinese economy was further slowing down due to the global financial crisis but is about to recover supported by economic stimulus measures (see Figure 2-3-7). Domestic demand remains strong; investment in fixed assets is accelerating due to the effect of a 4-trillion-yuan domestic-demand stimulus plan (see Figure 2-3-10).
- One of the reasons for why China was affected so significantly by the financial crisis is its export/investment-dependent economic structure. Since the share of consumption in GDP in China is lower than that in other Asian countries (see Figure 2-3-24), a shift to consumption-led growth is essential to achieve stable economic growth.
- The following are required to expand consumption.
 - (1) It is necessary to reduce the widening gap between urban and rural areas (see Figure 2-3-28). Since there is a great potential demand for consumer durables in rural areas (see Figure 2-3-31), when income increases, the consumption of luxury goods may increase (see Figure 2-3-30).
 - (2) The household saving rate in China has become even higher (see Figure 2-3-34). The cause of excessive savings is an undeveloped social security system (see Figure 2-3-37 and 2-3-38) and high health care costs. Therefore, developing a better social security system is important for expanding consumption.

Figure 2-3-7 Value Added of Industry (by Region)



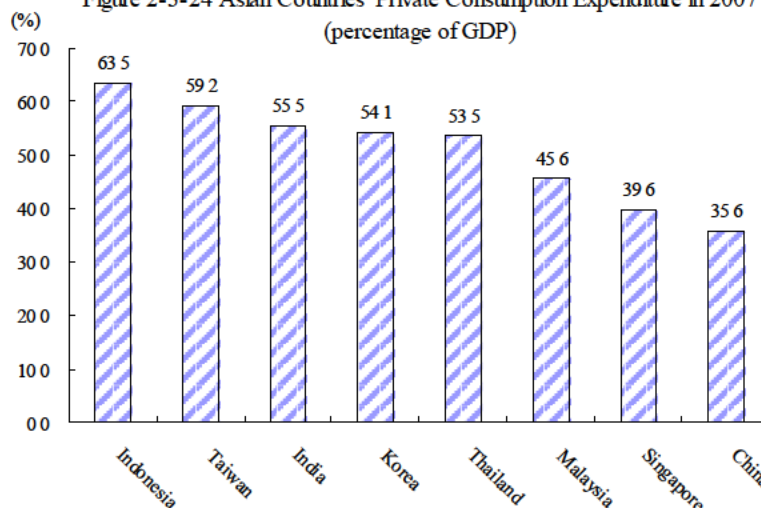
(Notes) 1 Source: National Bureau of Statistics of China
2 Regional growth rates were calculated based on the weighted average production values of provinces and cities in 2007

Figure 2-3-10 Investment in Fixed Assets in Urban Areas



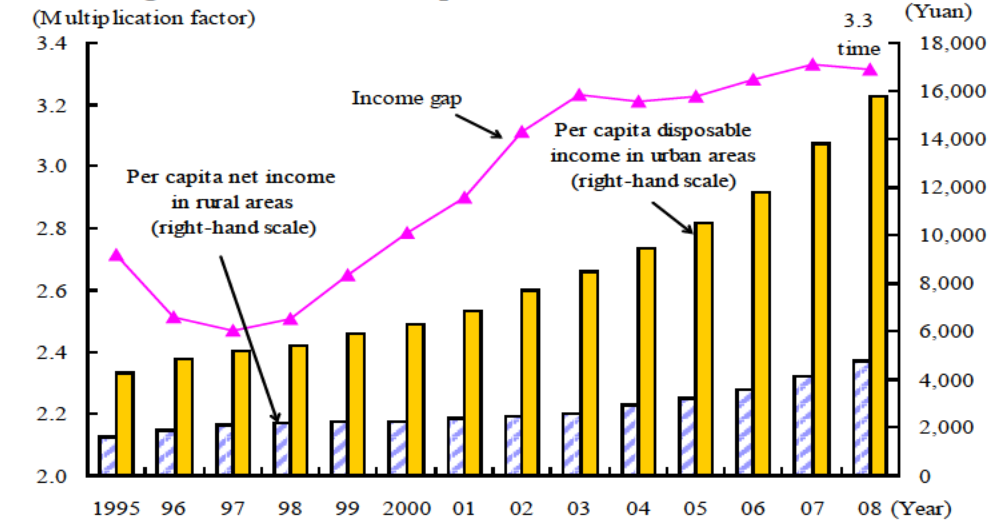
(Notes) 1 Source: National Bureau of Statistics of China
2 Monthly and quarterly growth and contribution ratio are estimated by the Cabinet Office

Figure 2-3-24 Asian Countries' Private Consumption Expenditure in 2007
(percentage of GDP)



(Note) Source: National Bureau of Statistics of China, ADB "Key Indicator 2008"

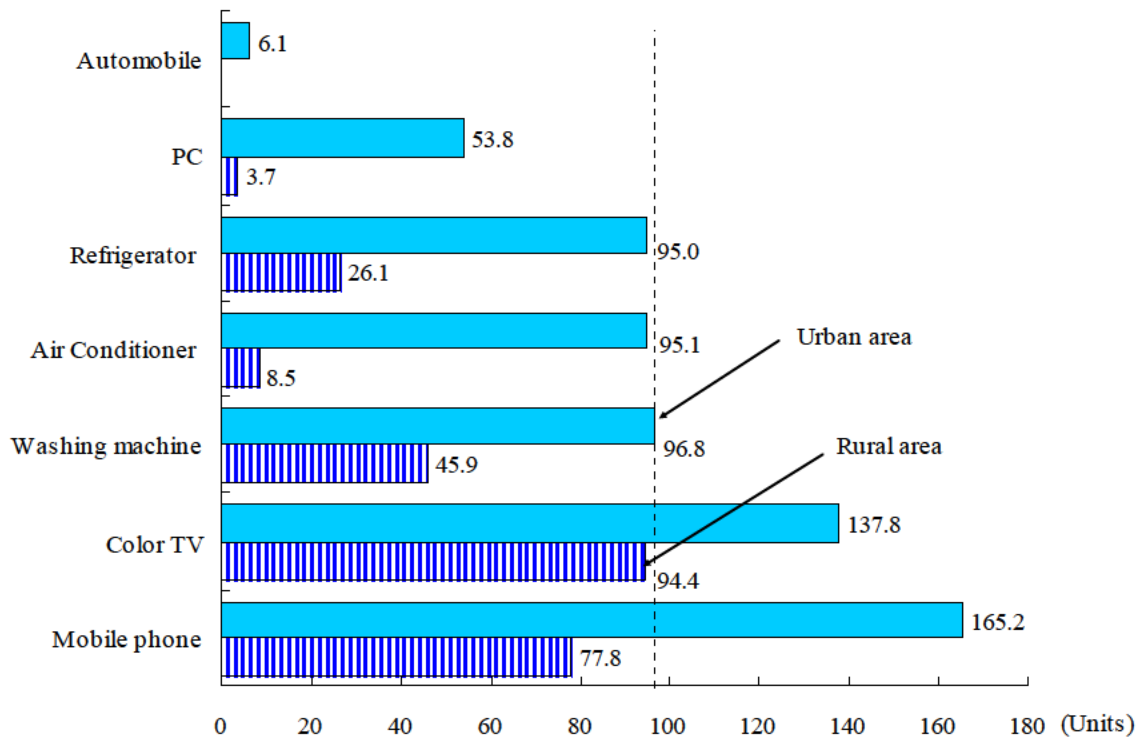
Figure 2-3-28 Income Gap between Urban and Rural Areas



(Notes) 1. Source: National Bureau of Statistics of China.

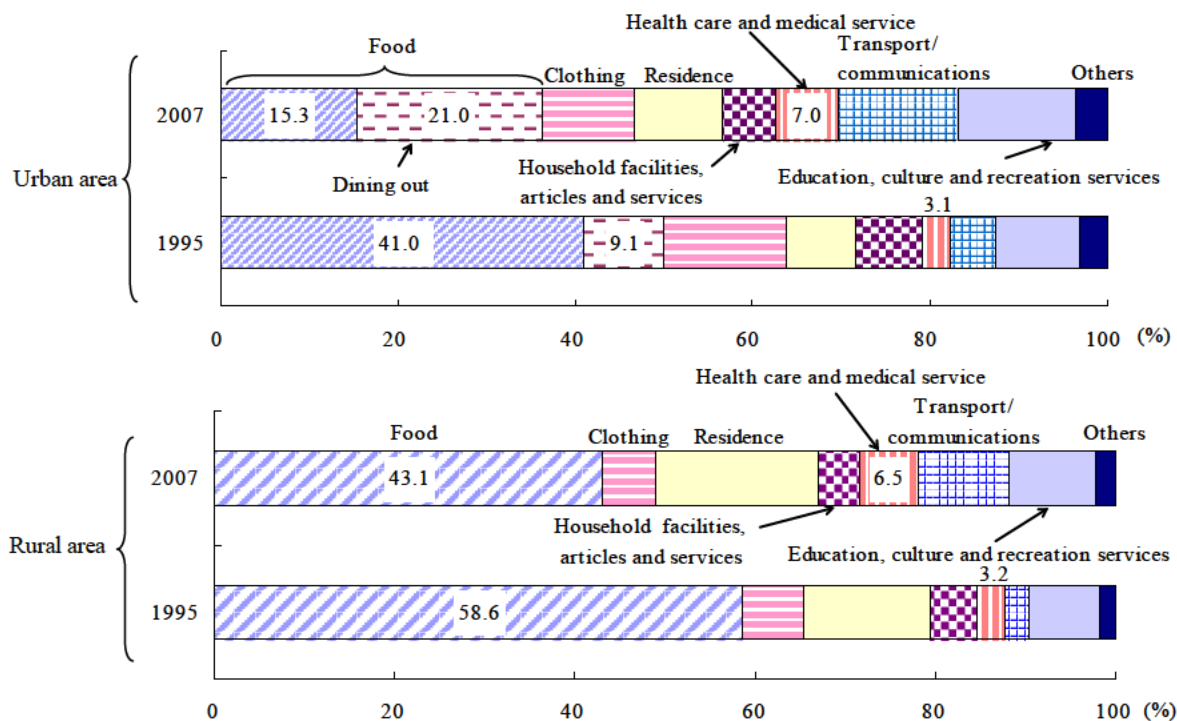
2. Income gap = Per capita disposable income in urban areas / Per capita net income in rural areas.

Figure 2-3-31 China: Spread of Consumer Durables in 2007
(number of units per 100 households)

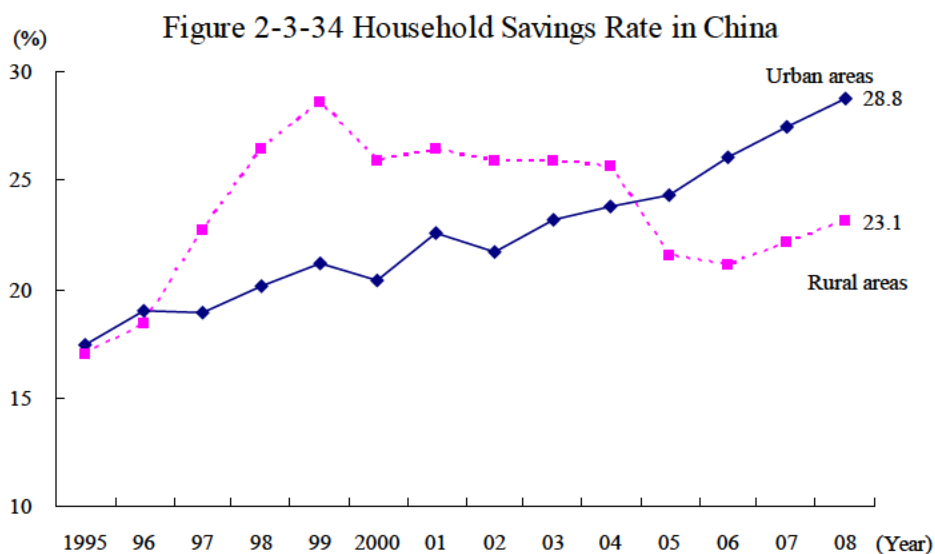


(Note) Source: National Bureau of Statistics of China

Figure 2-3-30 China: Breakdown of Consumption Expenditures in Urban and Rural Areas

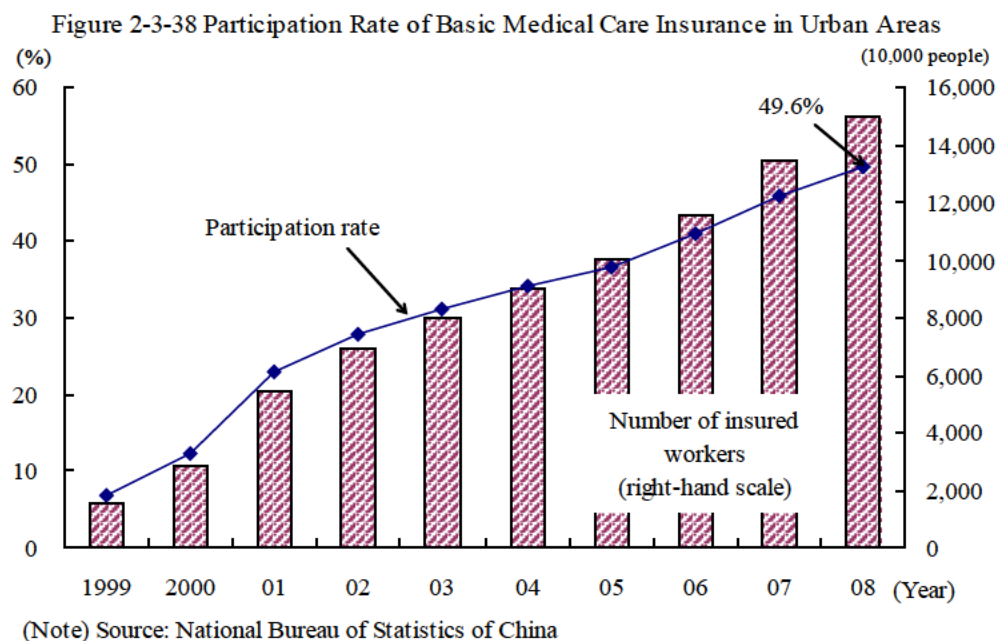
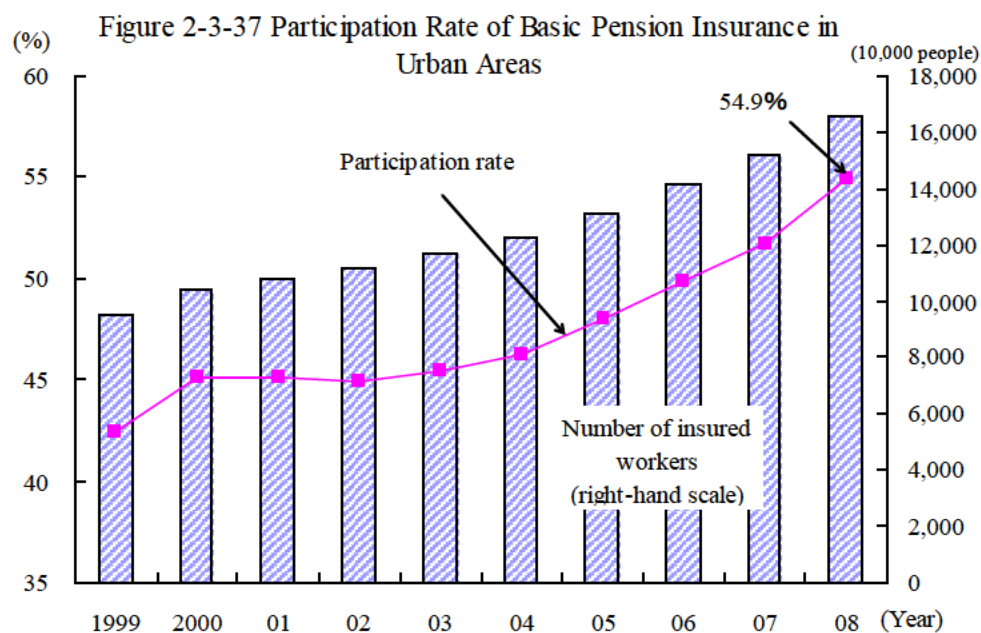


(Note) Source: National Bureau of Statistics of China



(Notes) 1. Source: National Bureau of Statistics of China.

2. Based on household survey. Household savings rate = (per capita annual disposable income - per capita annual consumption expenditure) / per capita annual disposable income.

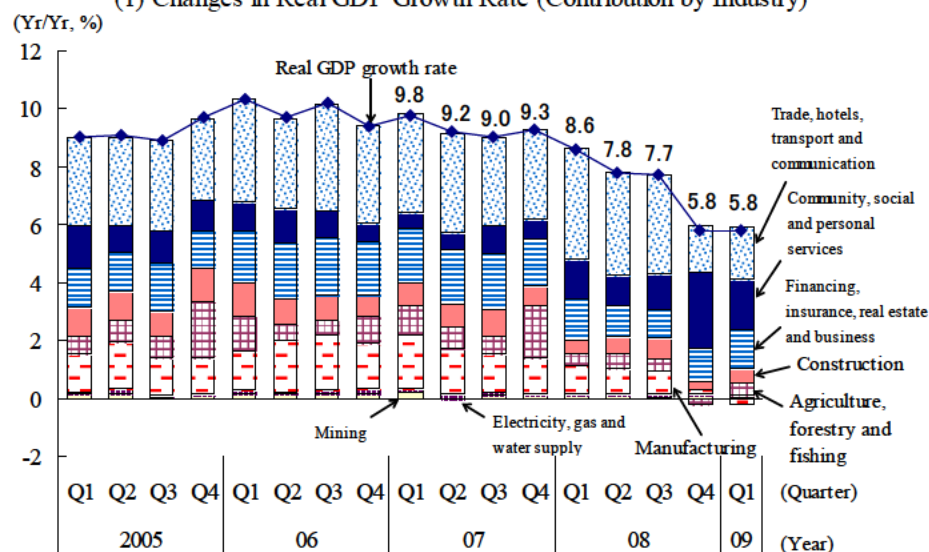


3. Global Financial Crisis and India

- The Indian economy was further slowing down due to the tightening of monetary policy and the global financial crisis. However, India is sustaining relatively high rates of growth, supported by domestic demand centered on private consumption (see Figure 2-4-1 and 2-4-25).
- Since the ratio of exports to GDP is low, the impact of the global financial crisis through trade is relatively small (see Figure 2-4-17). The share of China in trade has increased recently, and China and India, both with strong domestic demand, are complementing each other (see Table 2-4-16).
- The Indian economy is expected to maintain sustained growth and the size of the economy evaluated by purchasing power parity is predicted to surpass that of Japan in 2013 (see Figure 2-4-32).
- Since the labor force is expected to expand stably (see Figure 2-4-33) and investment rate is rapidly increasing thanks to an increase in the saving rate in India (see Figure 2-4-35), the medium- to long-term potential growth is rising.
- In order to maintain medium to long-term sustained growth, it is necessary to: 1) reduce the income gap, 2) create employment opportunities and 3) improve infrastructure (see Figure 2-4-40).

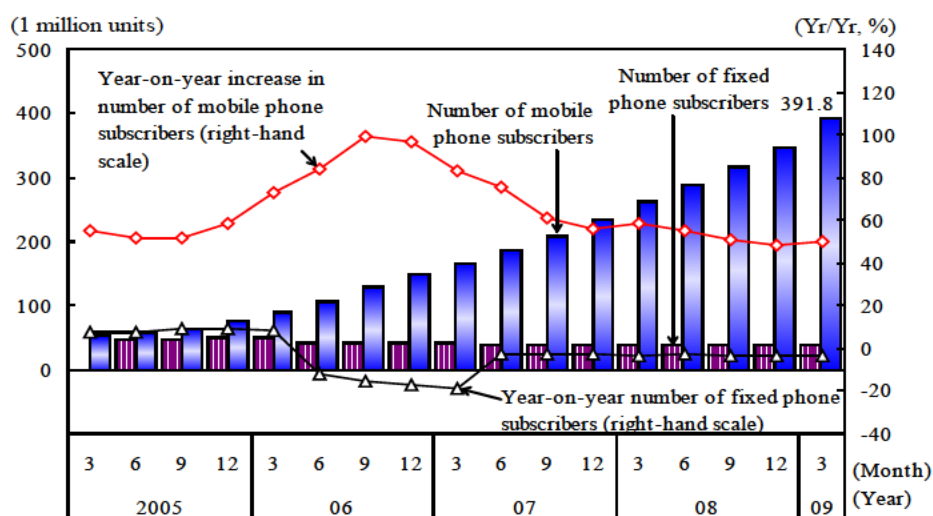
Figure 2-4-1 Real GDP Growth Rate by Industry

(1) Changes in Real GDP Growth Rate (Contribution by Industry)



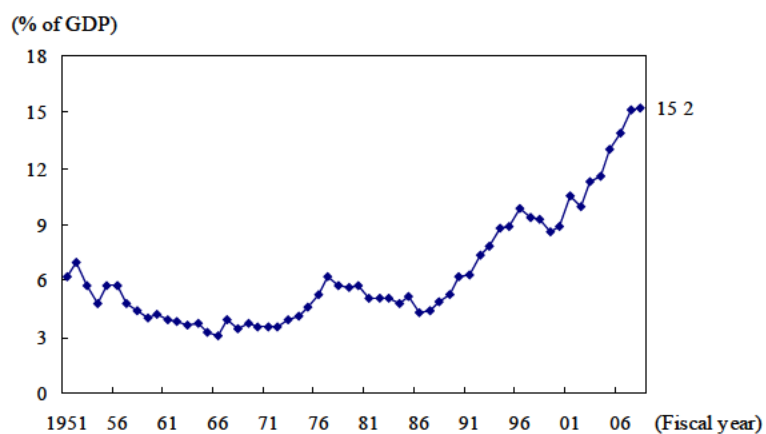
(Note) Source: Central Statistical Organisation of India.

Figure 2-4-25 Number of Domestic Mobile/Fixed Phone Subscribers



(Note) Source: Telecom Regulatory Authority of India.

Figure 2-4-17 Ratio of Exports (on a Customs-cleared Basis) to Nominal GDP



(Note) Source: Central Statistical Organisation of India

Table 2-4-16 Trade Structure of India

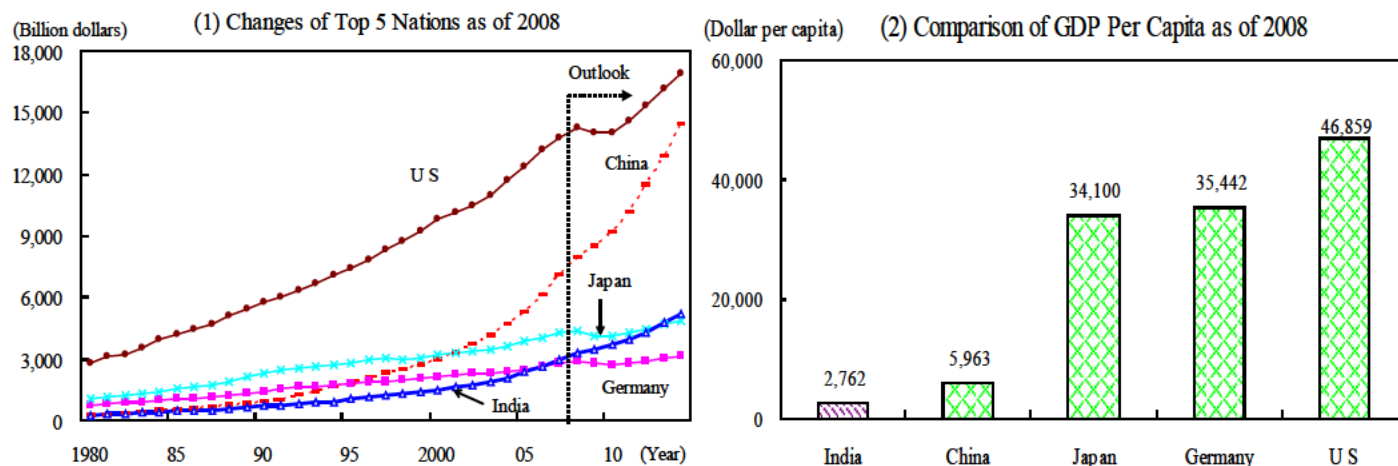
(1) Share by Trading Partner

FY2000			Exports	FY2007		
Rank	Nation	Share, %		Rank	Nation	Share, %
1	U.S.	19.1	➔	1	U.S.	13.0
2	Hong Kong	5.7		2	UAE	9.8
3	UAE	4.7		3	China	6.8
4	UK	4.6		4	Singapore	4.6
5	Germany	3.9		5	UK	4.2
6	Japan	3.8				
				11	Japan	2.4

FY2000			Imports	FY2007		
Rank	Nation	Share, %		Rank	Nation	Share, %
1	Belgium	7.3	➔	1	China	11.4
2	U.S.	7.0		2	U.S.	8.8
3	Nigeria	5.8		3	Saudi Arabia	8.1
4	UK	5.3		4	UAE	5.6
5	Switzerland	5.1		5	Iran	4.6
6	Japan	5.0				
				13	Japan	2.7

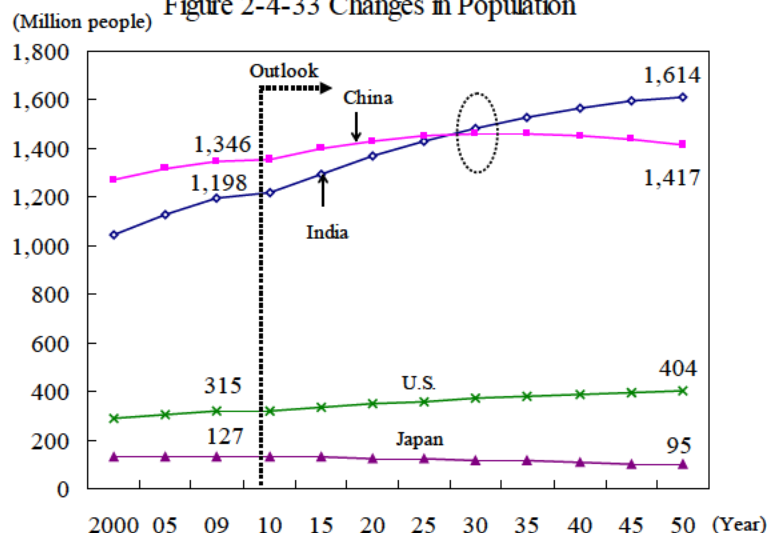
(Note) Source: Ministry of Commerce and Industry of India

Figure 2-4-32 Each Nation's GDP by Purchase Power Parity



(Note) Source: IMF "World Economic Outlook Database, April 2009".

Figure 2-4-33 Changes in Population

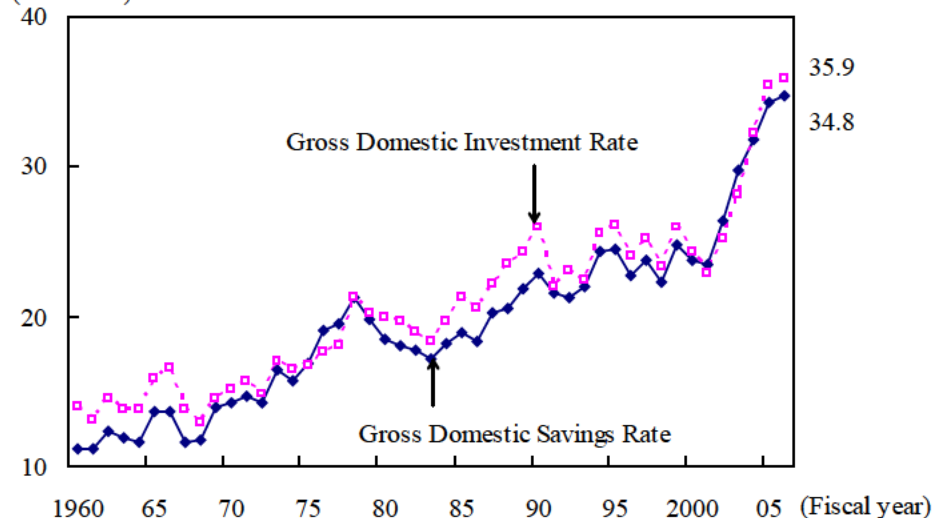


(Notes) 1. Source: UN "World Population Prospects: The 2008 Revision".

Japan's values are based on data from National Institute of Population and Social Security Research.

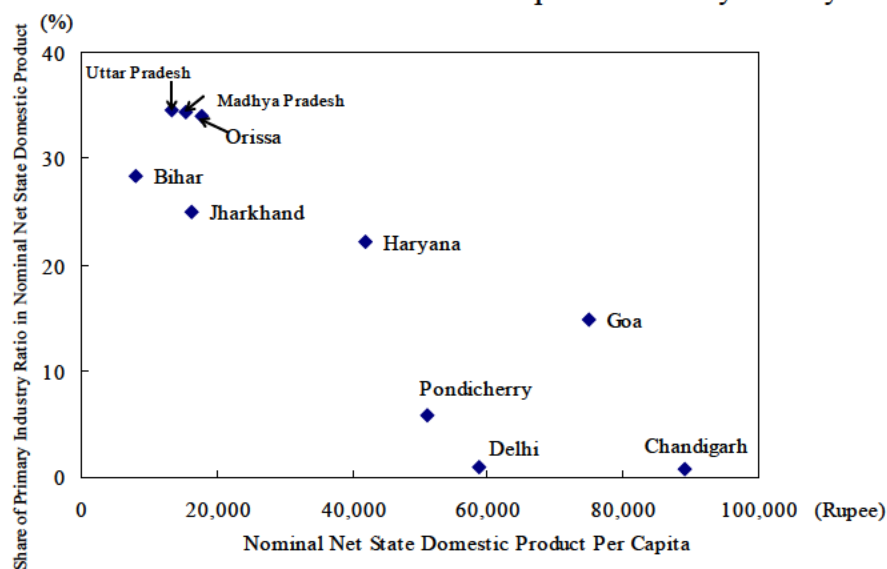
2. Medium estimates are used.

Figure 2-4-35 Gross Domestic Savings and Investment Rate
(% of GDP)



(Note) Source: Ministry of Finance of India "Economic Survey 2007-2008".

Figure 2-4-40 Net State Domestic Product Per Capita and Primary Industry Ratio



(Notes) 1. Source: Central Statistical Organisation of India .
2. Values are as of FY2005.

Chapter 3 World Economic Outlook and Risks

- In the United States, although the economy will recover in 2010, it is highly possible that the pace of recovery is slow (about 1% growth) as the adjustment of household balance sheets is continuing.
- In Europe, there is only a slight chance of self-sustained economic recovery and the economy is expected to pick up in the second half of 2010 on the assumption that the U.S. economy will recover in 2010.
- In Asia, the Chinese economy will gradually recover in the second half of 2009 due to the effect of economic stimulus measures. In the NIEs and those ASEAN countries with small domestic markets and a high export-to-GDP ratio, full-scale recovery will occur in 2010.
- The world economy in 2009 will register negative growth for the first time in the postwar period. In 2010, the world economy will recover as the U.S. economy recovers, but the pace of recovery will be moderate, about 1% growth, since the U.S. economy cannot assume the role of engine for global recovery (see Table 3-4-1 and 3-4-2).
- As the share of the Chinese economy in the world economy is only just over 7%, it is difficult to expect that economic recovery in China will lead the recovery of the entire world (see Figure 3-4-3). However, it is possible that Chinese economic recovery will contribute to the recovery of neighboring countries in Asia.

Table 3-4-1 International Organizations Economic Outlook for Major Countries and Regions

Real Economic Growth

<World Economy>

(Year-to-Year change, %)

International Organizations	2007 (Actual)	2008 (Actual)	2009		2010 (Estimate)
			2008II (previous estimate)	2009 I (current estimate)	
IMF (based on exchange market rates)	3.8	2.1	1.1	-2.5	1.0
IMF (based on purchase power parity)	5.2	3.2	2.2	-1.3	1.9
European Commission	5.1	3.1	2.3	-1.4	1.9

<Country-by-Country Growth (average forecast of 3 organizations)>

(Year-to-Year change, %)

Country/Region		2007 (Actual)	2008 (Actual)	2009		2010 (Estimate)
				2008II (previous estimate)	2009 I (current estimate)	
U.S.		2.0	1.1	-0.7	-3.2	0.0
Asia	Korea (Note 3)	5.1	2.4	3.1	-4.0	1.7
	China	13.0	9.0	8.1	6.3	7.9
	ASEAN-5 (Note 2, 3)	6.3	4.9	4.2	0.0	2.3
Europe	Europe 4 (Note 2, 3)	2.3	0.5	-0.6	-4.3	-0.1
	Euro area	2.7	0.8	-0.3	-4.1	-0.3
(Reference) Japan		2.4	-0.6	-0.2	-6.0	0.0

(Notes)

1. The international organizations are the IMF (April 22, 2009), the OECD (March 31, 2009) and the European Commission May 4, 2009).
2. ASEAN-5: Indonesia, Malaysia, the Philippines, Thailand and Vietnam
Europe 4: Germany, France, Italy and the UK
3. Actual figures and estimates for each country are simple averages of data from the three international organizations. However, data for Korea are from the OECD and European Commission, and those for ASEAN-5 from the IMF. Europe 4 data are the four countries' data weighted by nominal GDP in 2008 (simple averages of respective data from these institutions).

Table 3-4-2 Private Institutions' Economic Outlook for Major Countries and Regions

Real Economic Growth

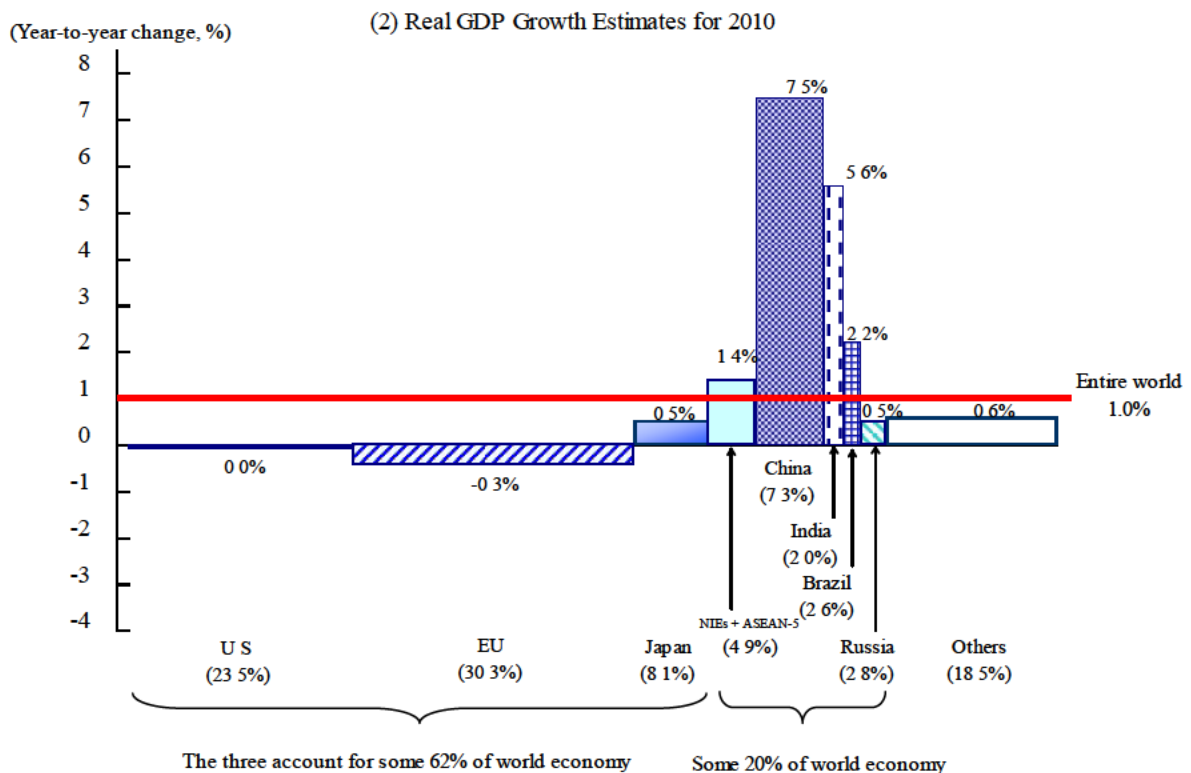
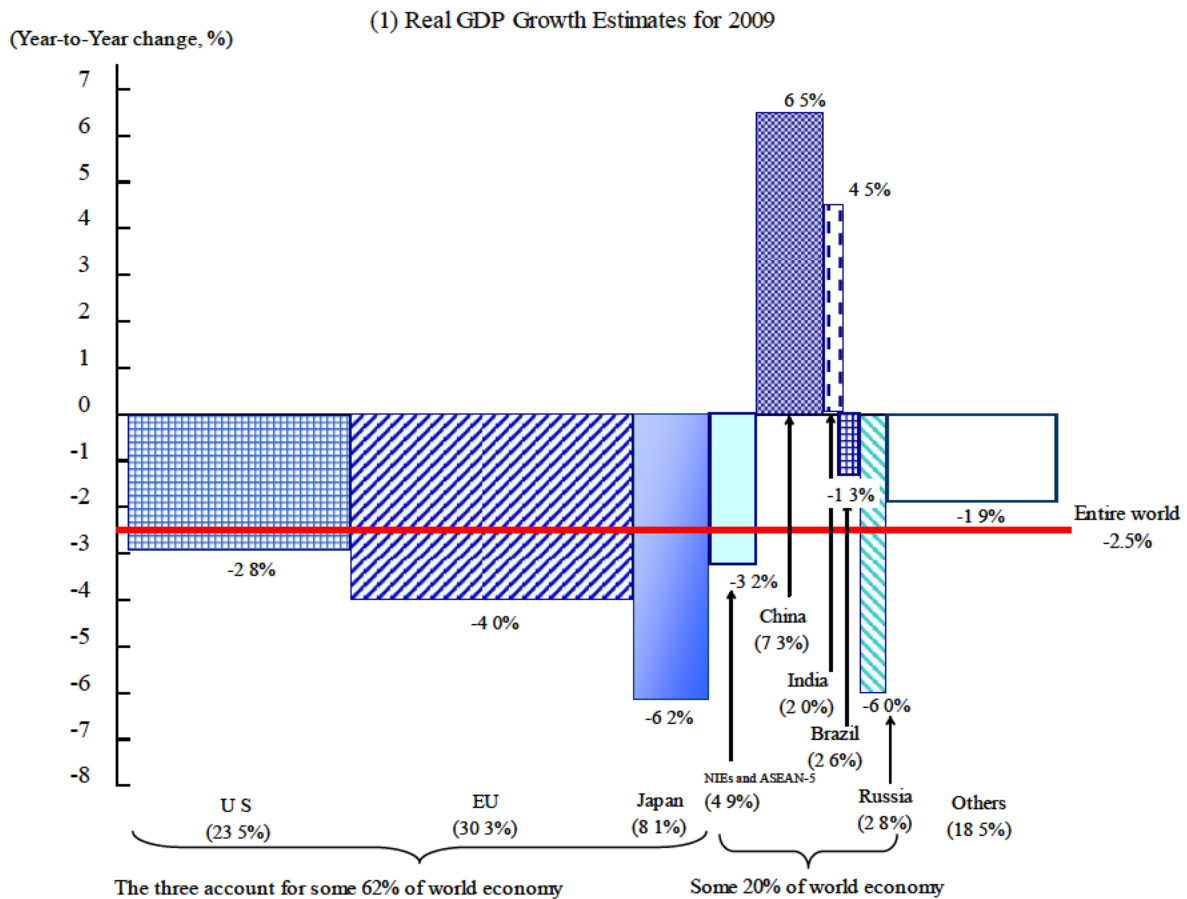
(Year-to-Year change, %)

Country/region		1999-2008	2007	2008	2009		2010
		(Average for past 10 years)	(Actual)	(Actual)	2008II (previous estimate)	2009 I (current estimate)	(Estimate)
World Economy (33 countries/region)		3.6	4.2	2.3	0.6	↘ -1.7	2.2
Americas	U.S.	2.6	2.0	1.1	-1.0	↘ -2.8	1.8
	Canada	3.0	2.7	0.5	-0.1	↘ -2.2	1.9
	Mexico	2.9	3.3	1.3	0.3	↘ -3.4	2.1
	Brazil	3.3	5.7	5.1	2.5	↘ -1.0	3.1
Asia, Oceania	Northeast Asia	8.5	11.0	7.1	5.8	↘ 3.9	6.6
	China	9.8	13.0	9.0	7.8	↘ 6.7	8.1
	ASEAN	5.0	6.3	4.3	3.4	↘ 0.1	3.2
	India	7.1	9.2	7.4	6.7	↘ 4.9	6.7
	Australia	3.3	4.2	2.0	1.3	↘ -0.8	1.6
Europe	Europe 4	1.8	2.4	0.5	-0.8	↘ -3.5	0.4
	Euro area	2.1	2.7	0.7	-0.6	↘ -3.3	0.5
	Russia	6.9	8.1	5.6	3.9	↘ -3.6	1.2
(Reference) Japan		1.3	2.3	-0.7	-1.0	↘ -6.1	1.5

(Notes)

- Actual figures for countries not including Japan are from their respective statistics. The outlook indicates averages of the private institutions' forecasts (published in the February-May quarter of 2009). Private institutions: Blue Chip (52 firms for 2009, 50 firms for 2010), Economist Intelligence Unit, Oxford Economics, JP Morgan, Bank of Tokyo-Mitsubishi UFJ, Nomura Securities, Mitsubishi Research Institute, Mizuho Research Institute, Japan Center for International Finance. The results for Japan were published by the Cabinet Office's Department of National Accounts (in May 2009) and the outlook is from the "ESP Forecast" survey (May 2009) by the Economic Planning Association.
- The world economy (33 countries/region) covers North and Latin Americas (4 countries), Asia and Oceania (10 countries and Taiwan) and Europe (18 countries). Northeast Asia covers China, Korea, Taiwan and Hong Kong. ASEAN covers Singapore, Indonesia, Thailand, Malaysia and Philippines. Europe 4 covers Germany, France, Italy and the UK. The euro area covers 16 member countries (as of January 1, 2009).
- World economy figure is a total of the 33 economies' real economic growth rates weighted by nominal GDP (in 2008). Figures for Northeast Asia, ASEAN and Europe 4 are calculated in the same way. Nominal GDP weights are the 33 economies' shares of their total nominal GDP.
- Above values are based on exchange market rates.

Figure 3-4-3 IMF's Economic Growth Outlook and Impact on World Economy



(Notes)

1 Source: the IMF's "World Economic Outlook Database, April 2009"

2 The horizontal axis indicates countries' and country groups' shares of nominal world GDP (percentage shares in parentheses) Areas for countries and country groups can be interpreted as representing their impacts on the world economy

3 "Others" include about 140 countries such as Middle Eastern, African, South American and CIS countries (not including Russia)

4 Above figures are based on exchange market rates

(Reference 1)

Table 1-1-1 Chronology of Global Financial Crisis Outbreak and Expansion, and Policy Responses

Date		Developments
2007	From start	U.S. mortgage firms begin to fail
	Aug. 1	IKB Deutsche Industriebank's acceptance of support from Kreditanstalt für Wiederaufbau is announced
	Aug. 9	French bank BNP Paribas freezes withdrawals from investment funds under its control
		The U.S. Fed and the ECB conduct emergency liquidity provision
	Sept. 14	A run takes place on major UK mortgage lender Northern Rock Bank (temporary nationalized on Feb. 17, 2008)
2008	Dec. 12	Five central banks, including Fed and ECB, take new liquidity provision measures
	March 11	Five central banks, including Fed and ECB, expand liquidity provision measures
	March 16	Major U.S. investment bank JP Morgan Chase acquires its rival Bear Stearns
		The U.S. Fed introduces the Primary Dealer Credit Facility
	July 13	The U.S. government and Fed announce measures to support two GSEs (Fannie Mae and Freddie Mac)
	Sept. 7	The U.S. government announces measures to bail out GSEs
	Sept. 15	Major U.S. investment bank Lehman Brothers files for bankruptcy
		The Bank of America, known as a major U.S. commercial bank, buys major U.S. investment bank Merrill Lynch
	Sept. 16	The U.S. Fed provides loans to major U.S. insurer AIG
	Sept. 18	Six central banks, including Fed, ECB and BOJ, announce liquidity provision measures
	Sept. 19	The U.S. government announces a financial stabilization plan including purchases of nonperforming assets
	Sept. 21	The U.S. Fed approves conversion of investment banks Goldman Sachs and Morgan Stanley into bank holding companies
	Sept. 22	The G-7 announces a statement on global financial market turmoil
	Sept. 29	The U.S. House votes down an emergency economic stabilization bill
		Belgium, Luxembourg and the Netherlands inject public funds into Belgian-Dutch bank Fortis
	Sept. 30	France, Belgium and Luxembourg inject public funds into French-Belgian bank Dexia
	Oct. 3	The U.S. Emergency Economic Stabilization Act is signed into law
	Oct. 6	The Iceland government declares an emergency and creates a law to put private banks under government control
	Oct. 7	The U.S. Fed announces introduction of a facility to purchase commercial paper
	Oct. 8	The UK government announces banking sector support measures
		Six banks cut interest rates in a coordinated manner
	Oct. 10	The G-7 announces a plan of action
	Oct. 12	Euro area leaders announce their action plan at their summit
		The U.S. Fed approves major U.S. commercial bank Wells Fargo's acquisition of U.S. bank Wachovia
	Oct. 13	The UK announces injection of 27 billion pounds (some 5 trillion yen) into three banks
	Oct. 14	The U.S. announces capital injections into banks and other measures to implement the G-7 action plan
	Oct. 17	The German government establishes a financial market stabilization law.
	Oct. 20	The French government announces 10.5 billion euros (1.2 trillion yen) in capital injections into six major banks
	Oct. 21	Germany's second-largest state bank Bayerische Landesbank files for the first public capital injection
	Oct. 29	The European Commission gives financial support measures including expanded special loans to EU members
		The IMF and Fed announce measures to secure dollar liquidity in emerging countries
		The U.S. Fed signs currency swap agreements with the central banks of Korea, Brazil, Singapore and Mexico
	Nov. 3	German Commerz bank files for a governmental capital injection
	Nov. 5	The German government announces a 50 billion euro (about 5.9 trillion yen) economic stimulus package
		The IMF approves \$16.4 billion (about 46 billion yen) in loans to Ukraine (Later, it approves loans to Hungary, Iceland and Pakistan)
	Nov. 10	The U.S. government announces expanded support for AIG
	Nov. 15	A declaration was announced at a summit on financial markets and the world economy
	Nov. 23	The U.S. government unveils support (capital injection and guarantees on assets) for Citigroup
	Nov. 25	The U.S. Fed announces a new financial stabilization package of up to \$800 billion (some 74 trillion yen)
	Dec. 19	The U.S. government announces measures to support auto manufacturers (up to 17.4 billion dollars of financing)
2009	Jan. 16	The U.S. government unveils support (capital injection and guarantees on assets) for Bank of America
	Jan. 19	The UK government announces additional measures to stabilize the financial system
	Jan. 21	The French government announces additional capital injection to six major financial institutions
	Jan. 28	The UK government announces additional measures to stabilize the financial system
	Feb. 10	The U.S. Department of Treasury announces measures to stabilize the financial system
	Feb. 17	787.2-dollar economic stimulus bill (American Recovery and Reinvestment Act) is enacted
	Feb. 18	The U.S. government announces housing measures including assistance for home owners
		The act that allows German Government to nationalize financial institutions is approved in the Cabinet meeting
	Feb. 25	FRB announces stress tests for financial institutions
	March 5	The Bank of England announces asset acquisition including purchase of medium- to long-term gilt-edged bonds
	March 18	FRB announces buying of up-to-300-billion-dollar U.S. Treasury
	March 23	The U.S. government announces "Public- and Private-sector Investment Program" for acquisition of bad assets
	March 30	The U.S. government announces decision on survival chances of GM and Chrysler
	April 2	G-20 leaders make a joint statement in the second Summit on Financial Markets and the World Economy
	April 30	The U.S. government announces Chrysler's filing for Chapter 11 bankruptcy-court protection and support for Chrysler
	May 7	ECB announces purchase of covered bonds (secured bonds issued by financial institutions)
	May 7	FRB announces the result of stress tests for 19 major banks
	May 11	The German government announces a plan to create a bad bank to separate bad assets from financial institutions
	June 1	GM files for Chapter 11 bankruptcy-court protection

Table 1-13 Measures to Stabilize Financial Systems in Foreign Countries

Support for individual financial institutions (improvement of balance sheet, etc)							Restoration of financial markets' function		Deposit protection
	Capital injection	Purchases of troubled assets	Guarantees on assets	Loans	Debt guarantee	Special assets acquisition			
U S	◆Capital injection is implemented based on "Troubled Asset Relief Program" (TARP) <u>Injected capital: 307.7 billion dollars in total</u> •Capital purchase program: 197.8 billion dollars •AIG: 69.8 billion dollars •Citigroup (additional): 20 billion dollars •Bank of America (additional): 20 billion dollars ◆Stress tests are carried out for 19 major financial institutions. Based on the result, each institution must raise the capital bases *The government will inject capital if necessary	◆"Public- and Private-sector Investment Program" (PPIP) to buy troubled assets was announced <u>Scale: 500 billion dollars (it may be expanded to 1 trillion dollars in the future)</u> ◆FRB provides loans to LLC which buys bad loans from AIG <u>Loan amount: 52.5 billion dollars</u>	◆The Government guarantees Citigroup and Bank of America <u>Guaranteed assets: 4 billion dollars</u> •Citigroup: 30 billion dollars •Bank of America: 118 billion dollars	◆FRB provides loans to AIG <u>Loan amount: 25 billion dollars</u> *reduced from initial 85 billion dollars	◆Federal Deposit Insurance Corporation (FDIC) guarantees debts issued newly by financial institutions <u>Scale: 1.4 trillion dollars</u>	◆Commercial Paper Funding Facility (CPFF), Asset-Backed Commercial Paper Money Market Fund Liquidity Facility (AMLF) and Money Market Investor Funding Facility (MMIFF) are created by FRB Fed's CP balance on the balance sheet: <u>163.2 billion dollars</u> *As of 13 May 2009 ◆Term Asset-Backed Securities Loan Facility (TALF) in which FRB provides loan to owners of ABS secured by loan to consumers/SMEs is created <u>Loan scale: Up to 1 trillion dollars</u> ◆FRB's purchase program of GSE debt and GSE-guaranteed MBS is created <u>Purchase scale: Up to 1.45 trillion dollars</u> ◆FRB announces purchase of long-term U S Treasury bond <u>Purchase scale: Up to 300 billion dollars</u>	◆The deposit insurance ceiling is raised from 100 thousand dollars to 250 thousand dollars ◆Deposits in transaction accounts are fully protected		
	Germany	◆80 billion-euro fund for capital injection is secured based on "Financial Market Stabilization Act" <u>Capital injection (amount announced by the following two banks): 18.7 billion euro</u> •Commerzbank: 18.2 billion euro • Aareal Bank: 500 million euro	◆A bill for creating of "Bad bank" to separate bad loans from financial institutions is announced	—	◆The Government, etc provide loans to Hypo Real Estate <u>Loan amount: 50 billion euro</u> *A law to allow nationalization of financial institutions is enacted with Hypo Real Estate in mind	◆The Government guarantees debts of transactions between banks <u>Scale: 400 billion euro</u>	—	◆The deposits are now fully protected. The legal ceiling of deposit insurance ceiling was 90% of deposits (up to 20 thousand euro)	
	France	◆40 billion-euro fund for capital injection is created <u>Capital injection (announced): 21.5 billion euro in total</u> •Six major financial institutions 10.5 billion euro in total (first injection) 11.0 billion euro in total (second injection)	—	—	—	◆The Government guarantees debts of transactions between banks <u>Scale: 320 billion euro</u>	—	◆No change Currently 70 thousand euro	
	UK	◆50 billion-pound capital injection is announced <u>Capital injection (announced): 50 billion pounds in total</u> •RBS: 33 billion pounds •HBOS: 11 billion pounds •Lloyds: 550 million pounds *Additional 6 billion pounds will be injected to RBS if necessary	—	◆The Government guarantees financial institutions' own assets (asset-based securities, etc) based on "Asset Protection Scheme" <u>Guaranteed assets: 585 billion pounds</u> •RBS: 325 billion pounds •Lloyds: 260 billion pounds	—	◆The Government guarantees debts issued newly by financial institutions <u>Scale: 250 billion pounds</u>	◆BOE announces Asset Purchase Facility (APF) including purchase of CP, corporate bonds and medium to long-term government bonds <u>Purchase scale: 125 billion pounds</u>	◆The deposit insurance ceiling is raised from 35 thousand pounds to 50 thousand pounds	

(Notes) 1. Based on data from materials published by governments, central banks, etc

2. In addition, ECB announces 60-billion-euro purchase of covered bonds (secured bonds issued by financial institutions)