

## **FITCH: DOWNWARD REVISIONS TO GLOBAL ECONOMIC OUTLOOK AS ADVANCED ECONOMIES STALL**

Link to Fitch Ratings' Report: Global Economic Outlook: Downward Revisions as Advanced Economies Stall

[http://www.fitchratings.com/creditedesk/reports/report\\_frame.cfm?rpt\\_id=650289](http://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=650289)

Fitch Ratings-London-03 October 2011: In its latest quarterly Global Economic Outlook (GEO), Fitch Ratings has revised down its growth forecasts for all major advanced economies (MAE) as Q211 outturns were weaker than previously forecast by Fitch, with MAE growth stalling at rates not seen since 2009.

Growth in emerging markets will also moderate according to the agency, albeit still remain robust. Overall, the agency has revised down world growth based on market exchange rates to 2.6% in 2011 compared with 3.1% in the previous edition of the GEO, 2.7% in 2012 compared with 3.4% previously, and 3.1% in 2013 from 3.4% previously.

While temporary factors are still playing a role in suppressing economic activity, the recent intensification of financial market volatility and fiscal policy uncertainty has eroded confidence. This, in turn, undermines private consumption and business investment growth.

"Fitch does not project a 'double-dip' in its baseline global economic projections. However, the likelihood of a recession has increased, as intensified financial market volatility could further amplify risk aversion behaviour and lead to tighter credit conditions," says Maria Malas-Mroueh, Director in Fitch's Sovereign team.

"In the euro area, forecasts now incorporate near-zero quarterly growth until Q112, partially reflecting the impact of the ongoing sovereign debt crisis as sentiment across Europe has weakened and uncertainty has increased markedly since June," added Malas-Mroueh.

Given the heightened risk of recession, this edition of the GEO includes a special section further exploring the potential impact of a hypothetical US 'double-dip' recession on the global economic recovery. It focuses on the direct effect of a US slowdown through trade channels, and draws on and updates an earlier report published in August 2011 (see, 'What if the US Falls Back into Recession?' published 25 August).

The October 2011 GEO outlines Fitch's baseline quarterly macroeconomic projections, with a special focus on the MAEs. This edition of the GEO report also introduces fan charts that depict a confidence range around Fitch's baseline forecasts based on standard deviations from previous Fitch estimates which illustrate the intrinsic uncertainty in economic forecasts.

The full report, entitled "Global Economic Outlook", is available at [www.fitchratings.com](http://www.fitchratings.com)

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