News release

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PwC projects impact of four potential Eurozone outcomes on Germany, France, Italy and Spain

London, 19 Dec 2011 - The impact on Germany, France, Italy and Spain of monetary expansion through a liquidity injection from the European Central Bank, orderly defaults for the most indebted countries, Greek exit and a new currency bloc as four potential outcomes of the Eurozone crisis have been outlined in a PwC report launched today, "*Economic Views - Eurozone*". The report analyses each of these scenarios and outlines the impact of each in terms of potential GDP growth figures for each of these countries from 2011 until 2013.

According to a second PwC report also launched today, "*Economic Views – Global*", we now anticipate the US economy to grow at 2% next year, below its trend rate. We anticipate developing economies particularly those with an increasingly affluent consumer base and unencumbered by a high debt burden will contribute around three-quarters of global economic growth in 2012. Significant opportunities are expected to arise for businesses exporting to China which will continue to grow in importance while the Remnibi appreciates and India through the further opening of its vast internal markets.

Yael Selfin, head of macro-consulting and a director in PwC's economics team, commented:

> "Eurozone policymakers are under extreme pressure to find a credible solution to the sovereign debt crisis that is engulfing the region. Once a resolution is found, the Eurozone that re-emerges is likely to be very different to the one we know today. The implications for businesses within and outside the region are vast and we advise businesses to stress-test their plans across a range of scenarios.
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> "Despite anticipated growth in the US economy, and developing countries contributing an increasing amount to global economic growth, global economic growth as a whole will slow down in 2012, followed by a slight pick-up in 2013. A gradual return in confidence, pick up of private sector activity in advanced economies, and a steady easing of credit conditions will drive growth in 2013."

Impact of each potential Eurozone scenario on projected GDP growth for Germany, France, Italy and Spain

Scenario 1: Monetary expansion
Scenario 2: Orderly defaults
Scenario 3: Greek exit
Scenario 4: New currency bloc

	2011[e]	2012[f]	2013[f]
Germany			
Scenario 1	2.6%	2.5%	2.5%
Scenario 2	2.6%	-2.0%	-1.0%
Scenario 3	2.6%	0.5%	1.0%
Scenario 4	2.6%	0.3%	2.5%
France			
Scenario 1	1.7%	1.0%	1.7%
Scenario 2	1.7%	-2.8%	-1.1%
Scenario 3	1.7%	-1.3%	0.7%
Scenario 4	1.7%	0.4%	2.4%
Italy			
Scenario 1	0.6%	0.5%	0.5%
Scenario 2	0.6%	-4.5%	-3.0%
Scenario 3	0.6%	-1.0%	-0.3%
Scenario 4	0.6%	-5.5%	-3.0%
Spain			
Scenario 1	0.6%	0.8%	1.3%
Scenario 2	0.6%	-2.5%	-1.0%
Scenario 3	0.6%	-0.5%	0.0%
Scenario 4	0.6%	-4.5%	-2.0%

Source: PwC estimate (e); PwC projections (f)

Yael Selfin, head of macro-consulting and a director in PwC's economics team, concluded:

> "There are five key trends to look out for in 2012. Next year is likely to be dominated by uncertainty and potential volatility. The fallout from the sovereign debt crisis is threatening to plunge the Eurozone back into recession and the euro is likely to depreciate against other major currencies as capital flows towards safe havens next year. Governments across the Eurozone will tighten spending, especially the most profligate, while there will be pressure for renewed competitiveness and genuine restructuring of rigid labour and product markets.

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