Economic Profile in ITC Group Countries

N. 3 – December 22nd 2009

Highlights

Global Economic Conditions:
  Real Indicators
  Financial Indicators

Countries:
  United States
  Canada
  France
  Belgium
  Italy
  Spain
  Greece
  Bulgaria
  Egypt
  Morocco
  Turkey
  Thailand
  India
  China
  Kazakhstan
Based on all information up to December, 22nd 2009
Written by Claudio Fortuna, Federico Giovannini, Chiara Rubino; database management by Claudia Santoni
Available in @Gold
Figures for Q3 09 were positive almost everywhere. However, the strength of the long-awaited turnaround does not seem as robust as in previous recovery phases. In addition, there are indications that fourth quarter data will be weaker than in the previous one.

Still wide disequilibria, lack of clear cut driving forces, high uncertainty and an improving – though still not out of the woods – financial sector worldwide are at the roots of this disappointing trend.

Another major cause for concern are labour market developments particularly in Europe and this, again, is weighing down on consumption recovery prospects.

Among the Group countries there is also increasing differentiation of cyclical positions both within the developed and the emerging economies. While North America and France, Belgium, and Italy have all shown hints of bouncing back, Greece, Spain and Bulgaria are still trapped in a deep recession that appears strongly related to the severity of their respective real estate downturn. Among the emerging countries some signs of improvement have emerged in Thailand and, to some extent, also in Turkey, while the upturn has been gaining traction in North African countries and in the big Asian economies.

Raw material, particularly energy, prices have entered a less bullish phase after the strong rebound recorded since the beginning of the current year. Wide shifts and high volatility may be expected around current levels, but new waves of continuous and disruptive price increases seem less likely in the months ahead.

Consumer inflation is turning positive on both Atlantic sides after a string of monthly declines in price levels related to the collapse of energy prices. However, in the shorter term inflation dynamics should remain contained given the extremely ample levels of unused capacity in all major developed economies.

Following the Dubai financial turmoil the downgrading of Greece’s sovereign debt has shown that financial markets are far from stabilised and remain very nervous. In addition, the process of spread differentiation is set to continue.

Also the dollar forex has reacted to recent turbulences in financial markets reverting its devaluation trend. The changing mood towards the dollar is also related to a US recovery expected to be stronger and faster than in the other industrial areas.

Monetary policies remain on hold. However, monetary authorities are confronted with the delicate task of withdrawing excessive liquidity and limiting quantitative easing previous policies. This has most to do with “exit strategies” to be implemented in order to regain a more normal economic policy stance. In this regard, it is widely believed that fiscal policy will remain accommodative in most countries in 2010 and that only in the second half of next year official rates will be hiked, most likely to start with the Fed.
GLOBAL ECONOMIC CONDITIONS: Real Indicators

<table>
<thead>
<tr>
<th>yoy % ch (unless otherwise indicated)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP: OECD</td>
<td>3.1</td>
<td>2.7</td>
<td>0.6</td>
<td>-3.3 Q3</td>
</tr>
<tr>
<td>Euro Area</td>
<td>2.9</td>
<td>2.7</td>
<td>0.7</td>
<td>-4.1 Q3</td>
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<tr>
<td>US</td>
<td>2.7</td>
<td>2.1</td>
<td>0.4</td>
<td>-2.5 Q3</td>
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<tr>
<td>Japan</td>
<td>2.0</td>
<td>2.3</td>
<td>-0.7</td>
<td>-4.4 Q3</td>
</tr>
<tr>
<td>Inflation: US</td>
<td>3.2</td>
<td>2.9</td>
<td>3.8</td>
<td>1.8 Nov</td>
</tr>
<tr>
<td>Euro Area</td>
<td>2.2</td>
<td>2.1</td>
<td>3.3</td>
<td>0.6 Nov</td>
</tr>
<tr>
<td>Oil Price Level (Brent, $/barrel)</td>
<td>65.4</td>
<td>72.7</td>
<td>97.7</td>
<td>76.6 Nov</td>
</tr>
<tr>
<td></td>
<td>20.2</td>
<td>11.2</td>
<td>34.4</td>
<td>45.6</td>
</tr>
</tbody>
</table>

Notes:
Sources: OECD, Bureau of Economic Analysis, Eurostat, International Monetary Fund, US Energy Information Administration

- In the industrial area the worst recession ever since the second world war is over. At the OECD level Q3 09 data show that growth has turned positive after having suffered a loss of output in the range of 5% over the previous four quarters. It is also worth noting that all major areas – US, Japan, euro zone, and within the latter its three main member countries – recorded positive outcomes, while China and India accelerated further their already buoyant activity growth.
- Coincident and leading indicators also point to continuing recovery. Confidence of both consumers and producers, exports, industrial production are on the rise, particularly so in the US. However, doubts are mounting over the soundness of the ongoing upturn, which could have been spurred also by temporary factors such as the need to rebuild badly depleted stocks or the effects of fiscal stimulus plans launched in several countries.
- Though remaining far from previous peaks prices of commodities have strongly rebounded in the last eight months. Industrial raw materials have recovered by roughly 80%, in response to increasing demand particularly from the emerging region. In turn, oil prices have almost doubled since the lows reached at the inception of the current year, while a more moderate upswing has regarded food prices also thanks to favourable harvest seasons in most areas.
- Inflation is trending towards a more normal path. Since the end of last summer the consumer price index in both Europe and the US has moved upwards. On a twelve months basis price increases are now slightly positive in the Euro zone and close to 2% in the US, as the effects of the past raw material price declines are waning. Prospects are tilted towards further acceleration, but on balance core inflation is set to remain tame as large reserves of unused capacity should help to keep price pressures at bay, at least in the short term.

![GDP Growth in Selected Areas](source:OECD, Quarterly National Accounts)
GLOBAL ECONOMIC CONDITIONS: Financial Indicators

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar/Euro Exchange Rate</td>
<td>1.256</td>
<td>1.370</td>
<td>1.471</td>
<td>1.393 *</td>
</tr>
<tr>
<td>Policy Rates (end of period):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- US (target for federal funds)</td>
<td>5.25</td>
<td>4.25</td>
<td>0.0/0.25</td>
<td>0.0/0.25 16/12/08</td>
</tr>
<tr>
<td>- Euro Area (repo rate)</td>
<td>3.50</td>
<td>4.00</td>
<td>2.50</td>
<td>1.00 13/05/09</td>
</tr>
<tr>
<td>Long Term Interest Rate (10y government bonds, year average):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- US</td>
<td>4.80</td>
<td>4.63</td>
<td>3.66</td>
<td>3.40 Nov</td>
</tr>
<tr>
<td>- Euro Area</td>
<td>3.86</td>
<td>4.33</td>
<td>4.36</td>
<td>3.83 Nov</td>
</tr>
</tbody>
</table>

Notes:
* Average from 2/1/2009 to latest available data
Sources: European Central Bank and Federal Reserve Bank

- Until end-November financial market conditions were continuously improving when the Dubai financial turmoil erupted. It appeared soon that the amounts at stake were limited – at least when considered in a global perspective – and that negative consequences would be mainly felt at regional level. However, the turmoil in the small emirate also reveals that the financial markets remain very nervous and that changes of sentiment may spread rapidly worldwide.

- Worries have thus shifted to Greece, given its critical budget position and the ensuing downgrading of its sovereign debt. This has weighed down on the euro which has also suffered following other news and feelings all in favour of a strengthening dollar (an increasing expected growth differential between the US and the euro zone, new signs of weakness of the oil price, a return to the safe-heaven role of the US currency at times of high financial uncertainty).

- It may be too early to say, but the large flow of carry-trade on the US currency may be close to end which would also entail that the dollar weakness is set to revert.

- The major central banks are still refraining from changing course and policy rates remain at the bottom. However there is a clear trend towards a reduction of "quantitative easing" policies through which markets have been supplied all the monetary means they needed. This could herald that changes in the monetary stance could become more evident in the next few months.

- After having rallied between early-spring 2009 and last September, several stock markets – not only in the most developed areas – have paused or even somewhat retrenced. Increases in stock values, although to a more limited extent, have instead kept going in the US, which again may signal that prospects for North America are better shaped that for the other industrial areas.

\[\text{Yen}/\text{Euro and Yen}/\text{Euro Indices}\]

Source: Daily press

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FINANCIAL INDICATORS

$/Euro Exchange Rate

Real Effective Exchange Rate Indices

Stock Exchange Indices in Local Currencies

IFC Investable Dollar Indices

Source: Daily press

Source: European Central Bank, OECD

Source: Daily press

Source: Standard & Poor's

EMEA: Less Developed Europe, Middle East and Africa, includes Russia. Source: Standard & Poors

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ITALCEMENTI GROUP-SESO – Economic Profile
FINANCIAL INDICATORS

Euro Libor

Dollar Libor

US and Euro area: Benchmark 10 Years Interest Rates

Moody's baa Rated Bonds and 10 Years US T-Bonds: Interest Rates Differential

US Yield Curves

German Yield Curves

Average rates for week ending date shown. Source: FED

Average rates for week ending date shown. Source: DBB

Source: Daily press

Source: Federal Reserve Bank

Source: Moody's

Source: Daily press
### United States

#### Real Indicators*

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>2.7</td>
<td>2.1</td>
<td>0.4</td>
<td>-2.5 Q3</td>
</tr>
<tr>
<td>Industrial Production</td>
<td>2.3</td>
<td>1.5</td>
<td>-2.2</td>
<td>0.8 Nov**</td>
</tr>
<tr>
<td>Construction Investment</td>
<td>-1.7</td>
<td>-5.1</td>
<td>-7.0</td>
<td>-15.1 Q3</td>
</tr>
<tr>
<td>Consumer Prices***</td>
<td>3.2</td>
<td>2.9</td>
<td>3.8</td>
<td>1.8 Nov</td>
</tr>
<tr>
<td>Producer Prices – Finished Goods***</td>
<td>3.0</td>
<td>3.9</td>
<td>6.3</td>
<td>2.4 Nov</td>
</tr>
<tr>
<td>Hourly Earnings – Manufacturing***</td>
<td>1.6</td>
<td>2.7</td>
<td>2.8</td>
<td>2.5 Nov</td>
</tr>
<tr>
<td>Standardised Unemployment Rate (%)</td>
<td>4.6</td>
<td>4.6</td>
<td>5.8</td>
<td>10.0 Nov</td>
</tr>
<tr>
<td>Current Account Balance (US$bn)</td>
<td>-803.6</td>
<td>-726.6</td>
<td>-706.1</td>
<td>-465.3 Q3°</td>
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<tr>
<td>- as a percentage of GDP</td>
<td>-6.0</td>
<td>-5.2</td>
<td>-4.9</td>
<td>-3.3</td>
</tr>
<tr>
<td>Real Effective Exchange Rate Index§</td>
<td>99.1</td>
<td>94.6</td>
<td>90.5</td>
<td>88.2 Nov</td>
</tr>
</tbody>
</table>

**Notes:**

* % yoy ch, sa, unless otherwise indicated; ** mom % ch; *** nsa; ° latest 12 months up to Q3 included; § 2005=100

#### Financial Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
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<tbody>
<tr>
<td>Short Term Interest Rate pa (3m CD)</td>
<td>5.16</td>
<td>5.27</td>
<td>2.97</td>
<td>0.21 Nov</td>
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<tr>
<td>Long Term Interest Rate pa (benchmark 10y)</td>
<td>4.80</td>
<td>4.63</td>
<td>3.66</td>
<td>3.40 Nov</td>
</tr>
<tr>
<td>Stock Exchange (S&amp;P 500) Index (% ch)*</td>
<td>8.5</td>
<td>12.7</td>
<td>-17.2</td>
<td>22.1 18/12/09**</td>
</tr>
</tbody>
</table>

**Notes:**

* Average over year; ** % change on 31/12/08

Sources: OECD, FED, Bureau of Economic Analysis, Bank of International Settlements (BIS), daily press

- The US economy recovered positive growth in Q3 09 as GDP finally rose by 0.7% qoq witnessing the effectiveness of fiscal and monetary stimuli. A major driver was private consumption which contributed 0.5% as demand for non-durable goods jumped by 4.7% qoq in response to the “cash-for-clunkers” auto sales incentive. Overall households consumption rose by 1.8% qoq, a large turnaround from the previous quarter (-0.8% qoq), almost recovering Q3 08 level. Given the temporary nature of the auto incentive, however, the recovery in household’s spending looks uncertain particularly given the high unemployment level.

- Private investment stopped falling but only because of a turnaround in residential investment while inventory drawdown continued although to a lower extent than in Q2 09. This has resulted in a positive contribution to overall qoq growth of 0.2%. The stronger domestic demand in Q3 09 boosted import (+4.8% qoq) while the weak dollar sustained export (+4% qoq). As the former grew stronger than the latter net export shaved 0.2% off qoq GDP growth.

- The fiscal stimulus is swelling the public deficit to an estimated whopping 12% of GDP for the whole 2009. Recently, President Obama proposed a range of targeted new measures to stimulate job creation and growth. This would be financed accessing a portion of resources which should be released via reduced projected net outlays under the Troubled Asset Relief Program (TARP).

- The November employment report was better than expected as payroll losses dropped sharply and signals emerged that the labour market may stop deteriorating in the coming months. In any case, there are still 15.4mn workers unemployed.

- Leading indicators point to solid recovery and recently released data such as industrial production, business confidence, and retail sales are all upwardly oriented. However, consumer confidence has not yet fully recovered primarily for job related worries and foreclosures remain high.

- Headline consumer prices increased 0.4% mom in November, while core consumer prices (i.e. ex food and energy) remained stable. Year-on-year inflation was up 1.8%, a sharp reversal from the -0.2% in October, but as there is plenty of slack in the economy the jump did not raise too much concern.
UNITED STATES

Real GDP (sa)

Consumption and Investment (yoy % ch, sa)

Industrial Production and Leading Indicator

Confidence Indicators (sa)

Consumer and Producer Price Indices (yoy % ch)

Real Effective Exchange Rate Index

Stock Market Indices ('000)

Benchmark 10 Years Interest Rates

Sources: OECD, Bureau of Economic Analysis, Bureau of Labor Statistics, BIS, daily press
**CANADA**

### Real Indicators*

<table>
<thead>
<tr>
<th>Index</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
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<tbody>
<tr>
<td>GDP</td>
<td>2.9</td>
<td>2.5</td>
<td>0.4</td>
<td>-3.2 Q3</td>
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<tr>
<td>Industrial Production</td>
<td>-0.8</td>
<td>-0.3</td>
<td>-5.3</td>
<td>1.2 Sep**</td>
</tr>
<tr>
<td>Construction Investment</td>
<td>5.2</td>
<td>3.1</td>
<td>0.7</td>
<td>-6.3 Q3</td>
</tr>
<tr>
<td>Consumer Prices***</td>
<td>2.0</td>
<td>2.1</td>
<td>2.4</td>
<td>1.0 Nov</td>
</tr>
<tr>
<td>Producer Prices - Manufacturing***</td>
<td>2.3</td>
<td>1.6</td>
<td>4.3</td>
<td>-6.3 Oct</td>
</tr>
<tr>
<td>Hourly Earnings - Manufacturing***</td>
<td>-0.3</td>
<td>5.4</td>
<td>1.7</td>
<td>-0.5 Sep</td>
</tr>
<tr>
<td>Construction Investment</td>
<td>20.3</td>
<td>15.6</td>
<td>8.1</td>
<td>-40.6 Q3*</td>
</tr>
<tr>
<td>as a percentage of GDP</td>
<td>1.4</td>
<td>1.0</td>
<td>0.5</td>
<td>-2.6</td>
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<tr>
<td>Real Effective Exchange Rate Index§</td>
<td>105.5</td>
<td>109.0</td>
<td>106.1</td>
<td>106.9 Nov</td>
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### Financial Indicators

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<thead>
<tr>
<th>Index</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
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<tbody>
<tr>
<td>Short Term Interest Rate pa (o/n)</td>
<td>4.02</td>
<td>4.34</td>
<td>2.96</td>
<td>0.24 Nov</td>
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<td>Long term interest rate pa (benchmark 10y)</td>
<td>4.21</td>
<td>4.27</td>
<td>3.60</td>
<td>3.41 Nov</td>
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<td>Stock Exchange (TSE) Index (% ch)*</td>
<td>18.4</td>
<td>13.8</td>
<td>-8.2</td>
<td>27.5 18/12/09**</td>
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</table>

### Notes

- * yoy % ch, sa, unless otherwise indicated; ** mom % ch; *** nsa; * latest 12 months up to Q3 included; § 2005=100

- Canada came officially out of recession in Q3 09 as national accounts data showed that GDP grew by 0.1% qoq. Albeit modest in the aggregate, the underlying details are encouraging as all demand components were positive with household consumption expanding at 0.8% qoq, business investment turning positive (+1.4% qoq following six consecutive drops), and public demand continuing to give generous support (+1.9% qoq). While private non-residential construction remained negative, residential investment recorded the second consecutive positive quarter.

- The recovery in domestic demand spurred imports which grew by far more than export yielding a large negative contribution to overall GDP growth and thus explaining its modest Q3 09 performance. Exports, however, rebounded solidly (+3.6% qoq up from -5.3% qoq in Q2 09) as the automotive industry benefited from the “cash for clunkers” scheme in the US and the nascent world recovery helped lift demand for primary commodities.

- Inflation has moved out of the negative territory where it had remained for four months, but is still tame also thanks to a strong Canadian dollar which in turn has benefited from the oil price rebound. The Central Bank is thus in no hurry to hike interest rates.

- The recovery is still judged fragile and the strong CAD may risk to partly offset the economic rebound by means of weakening exports. Unemployment remains at highs not seen since the late Nineties.
CANADA

Real GDP (sa)

Level (CADm at 2002 prices, ar)
Yoy % ch (rhs)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-4 -2 0 2 4 6

Consumption and Investment (yoy % ch, sa)

Private consumption
Total investment (rhs)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-12 -6 0 6 12

Industrial Production and Leading Indicator

IP (3m ma, yoy % ch)
Composite LI (ann 12m % ch)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-16 -12 -8 -4 0 4 8

Confidence Indicator (sa)

Composite LI (ann 12m % ch)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

0.93 0.95 0.97 0.99 1.01 1.03 1.05

Consumer and Producer Price Indices (yoy % ch)

CPI
PPI Manufacturing

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-8 -4 0 4 8 12

Canadian $ Libor

3m
1y

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

0 2 4 6 8 10 12

Real Effective Exchange Rate Index

(2005=100)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

92 95 98 101 104 107 110

Sources: OECD, Statistics Canada, BIS, daily press
Real Indicators*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
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</thead>
<tbody>
<tr>
<td>GDP (wda)</td>
<td>2.4</td>
<td>2.3</td>
<td>0.4</td>
<td>-2.4 Q3</td>
</tr>
<tr>
<td>Industrial Production</td>
<td>0.8</td>
<td>1.2</td>
<td>-2.1</td>
<td>-0.8 Oct**</td>
</tr>
<tr>
<td>Construction Investment</td>
<td>4.5</td>
<td>4.8</td>
<td>-0.2</td>
<td>-7.1 Q3</td>
</tr>
<tr>
<td>Consumer Prices - Harmonised Index***</td>
<td>4.5</td>
<td>4.8</td>
<td>-0.2</td>
<td>-7.1 Q3</td>
</tr>
<tr>
<td>Producer Prices - Manufactured Goods***</td>
<td>3.3</td>
<td>3.0</td>
<td>5.3</td>
<td>-4.6 Nov</td>
</tr>
<tr>
<td>Hourly Earnings - Manufacturing (ouvriers)***</td>
<td>2.8</td>
<td>2.8</td>
<td>3.1</td>
<td>1.9 Q3</td>
</tr>
<tr>
<td>Standardised Unemployment Rate (%)</td>
<td>9.3</td>
<td>8.3</td>
<td>7.9</td>
<td>10.1 Oct</td>
</tr>
<tr>
<td>Current Account Balance (€bn)</td>
<td>-9.2</td>
<td>-18.9</td>
<td>-44.0</td>
<td>-43.8 Q3*</td>
</tr>
<tr>
<td>as a percentage of GDP</td>
<td>-0.5</td>
<td>-1.0</td>
<td>-2.3</td>
<td>-2.3</td>
</tr>
<tr>
<td>Real Effective Exchange Rate Index§</td>
<td>99.3</td>
<td>99.8</td>
<td>100.4</td>
<td>101.1 Nov</td>
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Notes:
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Financial Indicators

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term Interest Rate pa (Euro Libor 3m)</td>
<td>3.08</td>
<td>4.28</td>
<td>4.64</td>
<td>0.72 Nov</td>
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<tr>
<td>Long Term Interest Rate pa (benchmark 10y)</td>
<td>3.80</td>
<td>4.30</td>
<td>4.23</td>
<td>3.56 Nov</td>
</tr>
<tr>
<td>Stock Exchange (CAC) Index (% ch)*</td>
<td>19.7</td>
<td>12.1</td>
<td>-24.2</td>
<td>17.9 18/12/09**</td>
</tr>
</tbody>
</table>

Notes:
*Average over year; ** % change on 31/12/08
Sources: OECD, Banque de France, INSEE, BIS, daily press

- National accounts data for Q3 09 were below expectations as the recovery did not gather momentum and real GDP growth remained at 0.3% qoq, the same as in Q2 09. The major downside surprise was the marginally negative contribution from domestic demand (-0.1% qoq) due to stagnant private consumption and still falling investment. Inventory drawdown continued and shaved 0.1% off qoq GDP growth.
- Positive contribution to overall GDP growth came from public consumption (+0.2% qoq) - an effect of the ongoing fiscal stimulus - and from net exports (0.4% qoq). The latter, however, was smaller than in Q2 09 (+0.9% qoq) despite accelerating export due to a return to positive growth in import.
- Disappointingly, industrial production recorded a further 0.8% mom decline in October, following the September setback (-1.1% mom) which interrupted four consecutive positive monthly figures. A sizeable decline in automotive (down 5.0% mom after -8.1% in September) was a leading driver of the contraction in overall production and is not surprising given that the car scrappage scheme in Germany expired by the end of Q3 09. Also, industrial activity ex-cars appears to remain subdued in spite of sharply improving manufacturing confidence.
- The impressive recovery in consumer confidence is in contrast with the still fragile labour market: the unemployment rate shot up at 10% in September and employment was reported falling in Q3 09. All in all, recently released hard data depict a still frail state of the economy.
- The Budget Law for 2010 is in its final steps and its stated aim is to support the recovery. The abolition of the local business tax is under study together with the introduction of the carbon tax. The latter covers the use of oil, gas and coal and will apply to every greenhouse gas intensive energy use, sectors already included in the cap and trade scheme being exempted. The government also intends to issue a public bond to finance new strategic investment projects. The fiscal stance will not change substantially and the government appears to be resisting to calls from the European Commission for determined action on the fiscal front. The deficit should stay well above 8% of GDP also in 2010.
FRANCE

Real GDP (sa)

Consumption and Investment (yoy % ch, sa)

Industrial Production and Leading Indicator

Confidence Indicators (% balance, sa)

Consumer and Producer Price Indices (yoy % ch)

Real Effective Exchange Rate Index

Benchmark 10 Years Interest Rates

Stock Market Index (CAC40, '000)

Sources: OECD, INSEE, BIS, daily press
BELGIUM

Real Indicators*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
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<tbody>
<tr>
<td>GDP (wda)</td>
<td>2.8</td>
<td>2.8</td>
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<td>-3.4 Q3</td>
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<tr>
<td>Industrial Production</td>
<td>5.1</td>
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<td>-0.4 Sep**</td>
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<tr>
<td>Construction (Gross Value Added)</td>
<td>8.6</td>
<td>2.2</td>
<td>-0.4</td>
<td>-4.4 Q3</td>
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<tr>
<td>Consumer Prices – Harmonised Index***</td>
<td>2.3</td>
<td>1.8</td>
<td>4.5</td>
<td>0.0 Nov</td>
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<tr>
<td>Producer Prices***</td>
<td>5.2</td>
<td>3.6</td>
<td>7.9</td>
<td>-6.6 Oct</td>
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<tr>
<td>Hourly Earnings-Industry***</td>
<td>2.3</td>
<td>1.7</td>
<td>2.9</td>
<td>2.4 Q3</td>
</tr>
<tr>
<td>Construction (Gross Value Added) as a percentage of GDP</td>
<td>8.3</td>
<td>7.5</td>
<td>7.0</td>
<td>8.1 Oct</td>
</tr>
<tr>
<td>Current Account Balance (bn €)</td>
<td>8.4</td>
<td>5.7</td>
<td>-7.4</td>
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<td>Real Effective Exchange Rate Index§</td>
<td>99.5</td>
<td>100.3</td>
<td>103.0</td>
<td>104.2 Nov</td>
</tr>
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</table>

Notes:
* yoy % ch, sa, unless otherwise indicated; ** mom % ch; *** nsa; ° latest 12 months up to Q2 included; § 2005=100

Financial Indicators

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<tr>
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<th>2006</th>
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<tr>
<td>Short Term Interest Rate pa (Euro Libor 3m)</td>
<td>3.08</td>
<td>4.28</td>
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<td>4.33</td>
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<td>Stock Exchange (BEL20) Index (% ch)*</td>
<td>22.2</td>
<td>13.1</td>
<td>-29.1</td>
<td>28.5 18/12/09**</td>
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Notes:
* Average over year; ** change on 31/12/08
Sources: OECD, Institut National de Statistique, Banque National de Belgique, BIS, daily press

- Belgium’s economy bottomed out in mid-2009. According to flash estimates, GDP expanded by 0.5% qoq in Q3 09. Although the GDP breakdown is not available yet, the improvement is estimated to have been caused primarily by private consumption, stocks and a positive net export contribution.
- The National Bank’s leading indicator picked up for the eighth consecutive month in November, marking its biggest monthly gain in the past ten years. Despite this latest improvement, the index is still very low by historical standards. In particular, industry is suffering from increasing labour cost competition from the new EU member states, steady appreciation of the real exchange rate and lower demand for cars, which accounts for a very significant share of manufacturing.
- After collapsing to a 15-year low at the end of 2008, consumer confidence jumped up to a one-year high in November, and households’ expectations for the next 12-months improved. However, the index remains deeply in negative territory, while the outlook for the labour market keeps worsening. This suggests that consumer spending will remain muted in the coming months.
- Negative consumer price inflation moderated only slightly, moving from an average of -1.2% yoy in Q3 09 to -0.9% yoy in October and zero in November.
- The rapid deterioration of public finances has heightened the urgency for fiscal consolidation. The federal and regional governments have agreed a tentative deal on a burden-sharing formula to rein in the budget deficit over the coming years. With the economy still to emerge from recession and the financial sector hit hard by the global crisis, austerity measures will prove politically difficult to implement and risk stirring up regional tensions domestically.
BELGIUM

Real GDP (sa)

Level (€bn at 2004 prices, ar)

Yoy % ch (rhs)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-6 -4 -2 0 2 4 6

Consumption and Investment (yoy % ch, sa)

Private consumption

Total investment (rhs)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-6 -3 0 3 6 9 12

Industrial Production and Leading Indicator

IP (3m ma, yoy % ch)

Composite LI (ann 12m % ch)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-12 -6 0 6 12

Confidence Indicators (% balance, sa)

Manufacturing

Consumer

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-36 -24 -12 0 12 24 36

Consumer and Producer Price Indices (yoy % ch)

CPI Harmonised

PPI

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-10 -5 0 5 10 15

Real Effective Exchange Rate Index

(2005=100)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

98 100 102 104 106

Benchmark 10 Years Interest Rates

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

3.0 3.6 4.2 4.8 5.4

Stock Market Index (BEL20, '000)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

14 2.1 2.8 3.5 4.2 4.9

Sources: OECD, European Commission, Belgostat, BIS, daily press
ITALY

Real Indicators*

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<tr>
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<th>2006</th>
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<td>0.5 Oct**</td>
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<td>Construction Investment</td>
<td>1.1</td>
<td>0.8</td>
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<td>2.2</td>
<td>2.0</td>
<td>3.5</td>
<td>0.8 Nov</td>
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<tr>
<td>Producer Prices***</td>
<td>4.9</td>
<td>3.3</td>
<td>5.6</td>
<td>-5.7 Oct</td>
</tr>
<tr>
<td>Hourly Rates - Industry***</td>
<td>3.4</td>
<td>2.7</td>
<td>3.4</td>
<td>3.6 Oct</td>
</tr>
<tr>
<td>Standardised Unemployment Rate (%)</td>
<td>6.8</td>
<td>6.2</td>
<td>6.8</td>
<td>8.0 Oct</td>
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<tr>
<td>Current Account Balance (€bn)</td>
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<td>-37.7</td>
<td>-53.6</td>
<td>-57.7 Q2*</td>
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<td>-3.4</td>
<td>-3.7</td>
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<td>100.2</td>
<td>101.1</td>
<td>103.2 Nov</td>
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Notes:
* yoy % ch, sa, unless otherwise indicated; ** mom % ch; *** nsa; * latest 12 months up to Q2 included; § 2005=100

Financial Indicators

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<th>2006</th>
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<tr>
<td>Short Term Interest Rate pa (Euro Libor 3m)</td>
<td>3.08</td>
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<td>-30.6</td>
<td>14.4 18/12/09**</td>
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</tbody>
</table>

Notes:
* Average over year; ** % change on 31/12/08
Sources: OECD, ISTAT, BIS, Banca d’Italia, daily press

• According to national accounts data, Italy was officially out of recession in Q3 09. Real GDP grew by a relatively healthy 0.6% qoq, following five consecutive quarters of decline. The intensity and length of the fall in output puts Italy at levels of GDP (in real terms) attained back in 2001 pointing to an unprecedented loss of output.

• The recovery was led by private consumption, which grew by 0.4% qoq, and by net export, which contributed 0.2% to overall GDP growth thanks to a stronger rebound in export than that in import (+2.5% and +1.5% qoq respectively). Private investment showed a timid sign of recovery growing by 0.3% qoq because of a strong rebound in machinery and equipment spending while the other components, particularly construction, remained in negative territory.

• The slight recovery of investment in equipment and machinery may herald the start of a virtuous business cycle although signals from industrial production are more ambiguous; as a matter of fact, after large swings in August (+5.8% mom) and September (-5.1% mom) it grew only modestly (+0.5% mom) in October.

• Unemployment rose to 8% in October, the highest reading since November 2004, although the labour market has remained relatively resilient during the current crisis mainly thanks to temporary lay-offs (under the Cassa integrazione guadagni, Redundancy Fund Scheme). However, there is a serious risk that these latter become permanent lay-offs should the recovery, particularly in the industrial sector, not prove sustained in the coming quarters.

• Confidence indicators have improved, especially those related to consumers’ surveys. However, the bullish message conveyed by the OECD leading indicator should be taken with caution as it gives qualitative and not quantitative information about cyclical turning points; there is in particular no prediction regarding the strength of the recovery.

• Italy’s sovereign has not been downgraded, despite the size of its debt, mainly because of the government’s stated commitment to containing the deficit which has, however, soared this year because of the recession and not of the adoption of aggressive stimulus plans.
ITALY

Real GDP (sa)

Consumption and Investment (yoy % ch, sa)

Industrial Production and Leading Indicator

Confidence Indicators (% balance, sa)

Consumer and Producer Price Indices (yoy % ch)

Real Effective Exchange Rate Index

Benchmark 10 Years Interest Rates

Stock Market Index (MIBTEL,'000)

Sources: OECD, ISTAT, BIS, daily press
### Real Indicators*

| Indicator                                           | 2006 | 2007 | 2008 | Latest  
|-----------------------------------------------------|------|------|------|---------
| GDP (wda)                                           | 4.0  | 3.6  | 0.9  | -4.0 Q3  
| Industrial Production                                | 3.9  | 2.0  | -7.2 | 0.3 Oct** 
| Construction Investment                              | 6.0  | 3.2  | -5.1 | -10.5 Q3 
| Consumer Prices - Harmonised Index***               | 3.6  | 2.8  | 4.1  | 0.4 Nov  
| Producer Prices - Manufacturing***                  | 5.4  | 3.6  | 6.6  | -4.2 Oct 
| Hourly Earnings***                                   | 4.1  | 3.8  | 5.4  | 9.7 Q2   
| Standardised Unemployment Rate (%)                  | 8.5  | 8.3  | 11.4 | 19.3 Oct 
| Current Account Balance (€bn)                        | -88.3| -105.4| -104.4| -65.0 Q3*  
| as a percentage of GDP                              | -9.0 | -10.0| -9.6 | -6.1     
| Real Effective Exchange Rate Index§                  | 101.2| 102.8| 104.8| 105.5 Nov 

Notes:
* yoy % ch, sa, unless otherwise indicated; ** mom % ch; *** nsa; * latest 12 months up to Q3 included; § 2005=100

### Financial Indicators

| Indicator                                           | 2006 | 2007 | 2008 | Latest  
|-----------------------------------------------------|------|------|------|---------
| Short Term Interest Rate pa (Euro Libor 3m)         | 3.08 | 4.28 | 4.64 | 0.72 Nov  
| Long Term Interest Rate pa (benchmark 10y)          | 3.78 | 4.31 | 4.37 | 3.79 Nov  
| Stock Exchange (MSE) Index (% ch)*                  | 24.9 | 23.1 | -21.6| 24.2 18/12/09** 

Notes:
* Average over year; ** % change on 31/12/08
Sources: OECD, INE, BIS, daily press

- GDP contracted by 0.3% qoq in Q3, the mildest drop since recession began in mid-2008. Private consumption fell by 0.1% qoq, its smallest decline since late 2007; total fixed investment fell by a relatively modest 2.3% qoq, while investment in equipment and machinery rose by 1.9% qoq, the first positive growth since Q4 07. Even the contraction in construction investment showed signs of slowing down, declining by 2.6% qoq from -3% in Q2. Exports of goods and services increased by 2.3%, the best outcome since 2007.

- Overall demand has begun to stabilise on the back of huge public spending. However, it remains to be seen how resilient private demand will be to the incoming withdrawal of government stimuli.

- On the supply side, industrial production contracted by 10.2% yoy in October, the smallest fall since September 2008. Leading indicators suggest that, although bottoming out, industrial activity is still struggling to generate any significant recovery momentum, given a still weak demand environment, disrupted access to credit markets, and the current firmness of the euro.

- A major cause of concern remains the dramatic deterioration in the labour market. The fiscal stimulus adopted by the government has only marginally mitigated the explosion in unemployment which is likely to approach the 20% threshold. Spain has a very high share of employees (over 20% of total jobs) with fixed-term contracts – much higher than the EU average. As a result, total employment adjusts relatively fast, as firms let fixed-term contracts expire without renovating them.

- The economic downturn has led to both rapidly falling revenue-to-GDP and rising expenditure-to-GDP ratios, in turn resulting in a sharp deterioration in public accounts in 2009. The EU project a deficit of over 11% of GDP in 2009, compared to 4.1% in 2008.

- Inflation was positive in November for the first time since March 2009 (+0.4% yoy). The risk of a painful and damaging deflationary spiral is therefore receding, particularly with core inflation remaining well above zero.
SPAIN

Sources: OECD, INE, BIS, daily press
GREECE

Real Indicators*

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<tr>
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<th>2006</th>
<th>2007</th>
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<tr>
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<td>4.5</td>
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<td>-1.0 Oct**</td>
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<td>Construction Investment</td>
<td>5.8</td>
<td>1.6</td>
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<td>Consumer Prices – Harmonised Index***</td>
<td>3.3</td>
<td>3.0</td>
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<td>Producer Prices – Manufacturing***</td>
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<td>Standardised Unemployment Rate (%)</td>
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<td>8.3</td>
<td>7.7</td>
<td>9.3 Q3</td>
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<td>as a percentage of GDP</td>
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<td>Current Account Balance (Ebn) ***</td>
<td>-23.8</td>
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<td>Real Effective Exchange Rate Index§</td>
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Financial Indicators

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<td>Short Term Interest Rate pa</td>
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<td>-30.3</td>
<td>21.4 18/12/09**</td>
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Notes:
* Average over year; ** change on 31/12/08
Sources: OECD, National Bank of Greece, European Commission, BIS, daily press

- According to flash estimates by the National Statistical Service, GDP contracted by 0.3% qoq in Q3 09. In addition, revised figures show that economic activity has been falling, on a quarterly basis, since the fourth quarter of 2008, thus revealing an economic situation worse than feared.
- Industrial production continued to contract in October albeit at a slower pace than in September (-7.8% yoy against -9.9% yoy). The contraction was widespread and owed to a firm euro, increasing inflation differentials vis-à-vis other euro zone countries, and weak domestic demand in turn due to higher unemployment and still tight credit conditions.
- Worryingly, the purchasing managers’ survey for November shows that order books are still contracting at a relatively strong pace, raising further concerns about short term prospects.
- Inflation stood at +2.1% yoy in November, up from +1.2% in October. Prices are set to continue to accelerate over the coming months as base effects stemming from oil prices turn even more negative. However, the above economic conditions should help to limit inflationary pressures.
- In mid-October, the Minister of Finance revised markedly down the fiscal deficit for 2008 (from 3.7% to 7.7% of GDP). Consequently, the fiscal shortfall is now expected to stand at a huge 12.5% of GDP in 2009, while the government debt is likely to exceed 110% of GDP. Apart from increasing the lack of credibility of government figures, the new data pose serious concerns about the future path of public finances and their sustainability.
- In this regard, Fitch has recently downgraded the long-term Issuer Default Rating for Greece from A- to BBB+, thus putting the government under enormous pressure to prove that it has a credible medium-term fiscal programme. More importantly, the move by Fitch has not only driven the government’s borrowing costs through higher long-term interest rates, but has also raised questions about the future eligibility of Greek government bonds to be used as collateral in refinancing operations with the European Central Bank.
GREECE

**Real GDP (sa)**

- Level (€bn at 2000 prices, ar)
- Yoy % ch (rhs)

**Industrial Production and Leading Indicator**

- P (3m ma, yoy % ch)
- Composite LI (ann 12m % ch, rhs)

**Consumer and Producer Price Indices (yoy % ch)**

- CPI Harmonised
- PPI Manufacturing

**Confidence Indicators (% balance, sa)**

- Manufacturing
- Consumer (rhs)

**Retail Sales Volume Index (sa)**

- (2005=100)

**Real Effective Exchange Rate Index**

- (2005=100)

**Benchmark 10 Years Interest Rates**

**Stock Market Index (Athens Gen, '000)**

Sources: OECD, BIS, European Commission

n. 3 - December, 22nd 2009

ITALCEMENTI GROUP-SESO – Economic Profile
The economy plunged even deeper in recession in Q3 09. GDP declined by 5.4% yoy with all demand components but public spending dramatically down. The steepest fall was in gross fixed capital formation, which contracted by 36.5% yoy. This reflected continued weakness of business confidence and still very tight credit conditions. Private consumption spending also did its part to pull down economic activity (-4.7% yoy) given the limited availability of borrowing and the poor outlook for jobs and wages.

The sharp yoy decline in GDP occurred despite the boost provided by net export. As a matter of fact, imports declined in Q3 09 even more rapidly than exports (-23.4% yoy vs -6.7% yoy), the result of very weak domestic demand. These trade developments have led to a narrowing in the otherwise still huge current account (CA) deficit (-14.9% of GDP in the four quarters up to Q3 09 included against -25.4% in 2008).

In this respect, although the CA deficit is projected to shrink significantly this year (to around 14% of GDP according to the European Commission), the external financing of it remains a cause for concern. As a matter of fact, estimates from the central bank suggest that FDI could fall by 50% in 2009 from the €6.5bn received in 2008.

On the positive side, Standard & Poor has changed its outlook to stable from negative, given the Bulgarian government’s proven track record of cautious fiscal policy, its commitment to fiscal rigour and the currency board, a low level of public-sector debt, and the determination of several West European banks to support capital adequacy of their local subsidiaries.

Inflation rose by 0.2% mom and by 0.9% yoy in October. Given the depressed level of domestic demand, inflationary pressures remain of little concern.

Confidence among businesses and consumers remains very low. The former keep on suffering from insufficient demand, reluctance by banks to lend, and a squeeze on profits, while the latter have pulled back on concerns about rising unemployment. This will weigh on the business cycle and on domestic demand for some time to come.
Real GDP

Consumption and Investment (yoy % ch)

Industrial Production-Manufacturing (3m ma, yoy % ch)

Confidence Indicators (% balance, sa)

Consumer and Producer Price Indices (yoy % ch)

Interest Rates

Real Effective Exchange Rate Index

Lev/US$ Index

Sources: National Statistics Institute, National Bank of Bulgaria, BIS, daily press
**EGYPT**

### Real Indicators*

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<th>Latest</th>
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<td>7.0</td>
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<td>Consumer Prices</td>
<td>7.6</td>
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<td>Producer Prices**</td>
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<td>Unemployment Rate (%)</td>
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<td>8.7</td>
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<td>67.6</td>
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Notes:
* yoy % ch, nsa, unless otherwise indicated; national accounts data are shown on a solar year basis after transforming the original fiscal year data; **new series; * latest 12 months up to Q2 included; § 2000=100, new series

### Financial Indicators

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<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
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</thead>
<tbody>
<tr>
<td>Short Term Interest Rate pa (overnight)</td>
<td>8.6</td>
<td>8.8</td>
<td>10.3</td>
<td>8.3 Oct</td>
</tr>
<tr>
<td>Short Term Interest Rate pa (91 days T-Bill)</td>
<td>8.8</td>
<td>7.6</td>
<td>9.3</td>
<td>9.7 Oct</td>
</tr>
<tr>
<td>Stock Exchange (HERMES) Index (% ch)*</td>
<td>10.7**</td>
<td>29.2</td>
<td>8.7</td>
<td>39.1 18/12/09°</td>
</tr>
</tbody>
</table>

Notes:
* Average over year; new series starting from 01/01/2006: HERMES Index; ** yoy % ch at year-end; ° % change on 31/12/08

Sources: Central Bank of Egypt, Central Agency for Public Mobilization and Statistics, SESO's calculation, daily press

- Growth remained solid in Q2 09 at 4.5% yoy, slightly accelerating from the previous quarter (4.3% yoy), thanks to strong domestic demand, in turn supported by the generous fiscal stimulus plan launched a year ago (worth about 1.5% of GDP). Most of this was devoted to infrastructure investment, as witnessed by the double digit growth figures in the construction sector (15% yoy in H1 09). As gross fixed capital formation has contracted by a stunning 9% yoy in H1 09 much of the stimulus has likely been accounted for within the “government consumption” item – actually up by 11.8% yoy in H1 09.

- A sharp drop in import more than compensated the fall in export (down respectively 41.5% and 25% yoy in Q2 09) resulting in a positive yoy contribution of net exports to overall growth. As import is now gathering pace again external demand should turn back soon to be a drag on growth. As a matter of fact, balance of payments data show that the trade deficit has widened again in Q3 09.

- National account data for Q3 09 will be officially released only by end-year but there are indications that the Egyptian economy continued to expand healthily over the summer months driven by robust domestic demand and accommodated by a loose economic policy stance. According to government sources GDP rose by an estimated 4.9%. This could be consistent with growth in electricity consumption averaging 5.5% yoy in July-August. In addition, tourism has proven much more resilient than feared to the ongoing economic crisis. Tourism revenues were down by 1.8% in Q3 09 compared to Q3 08 which had been the strongest ever quarter and arrivals from Northern Europe and Russia are reported to have remained strong in November.

- On the negative side, Suez Canal revenues kept falling (-24% yoy in Q3 09) as well as expatriates’ remittances which are now also exposed to turmoil in the UAE.

- In order to keep the economy going, the government has finally unveiled a further stimulus package of about US$10bn last October which is once again earmarked for infrastructure projects.

- The Central Bank of Egypt has recently released a new core inflation measure which in its latest readings (between 6 and 7%) confirms that underlying price pressures are much weaker than the headline inflation index would imply. In fact, the recent rebound was mainly due to a bad harvest effect combined with higher global sugar prices, while in November inflation was almost flat mom.
EGYPT

Real GDP
Level (EGPbn at 01-02 prices, ar)
Yoy % ch (rhs)

Foreign Trade (US$ bn)
Exports
Imports

Consumer and Producer Price Indices (yoy % ch)
CPI
PPI

Short Term Interest Rates
Central Bank base
Interbank 1w
T-bill 3m

Stock Market Index (CASE30 '000)

Pound/US$ and Pound/€ Indices
Pound/US$
Pound/€

Sources: Central Bank of Egypt, CAPMAS, daily press
### Real Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>7.8</td>
<td>2.7</td>
<td>5.6</td>
<td>5.4 Q2</td>
</tr>
<tr>
<td>Construction Production (Gross Value Added)</td>
<td>8.7</td>
<td>11.7</td>
<td>9.4</td>
<td>1.0 Q2</td>
</tr>
<tr>
<td>Industrial Production</td>
<td>3.7</td>
<td>4.6</td>
<td>2.2</td>
<td>-0.3 Q3</td>
</tr>
<tr>
<td>Consumer Prices</td>
<td>3.3</td>
<td>2.0</td>
<td>3.9</td>
<td>-0.7 Nov</td>
</tr>
<tr>
<td>Producer Prices – Manufacturing</td>
<td>5.9</td>
<td>1.8</td>
<td>18.0</td>
<td>-16.9 Oct</td>
</tr>
<tr>
<td>Urban Unemployment Rate (%)</td>
<td>15.3</td>
<td>15.4</td>
<td>14.7</td>
<td>14.8 Q3</td>
</tr>
<tr>
<td>Current Account Balance (US$bn)</td>
<td>1.4</td>
<td>-0.1</td>
<td>-4.7</td>
<td>-5.5 Q2*</td>
</tr>
<tr>
<td>as a percentage of GDP</td>
<td>2.2</td>
<td>-0.1</td>
<td>-5.7</td>
<td>-6.8</td>
</tr>
<tr>
<td>Real Effective Exchange Rate Index§</td>
<td>101.2</td>
<td>100.8</td>
<td>101.9</td>
<td>106.1 Sep</td>
</tr>
</tbody>
</table>

**Notes:**
* yoy % ch, nsa, unless otherwise indicated; ° latest 12 months up to Q2 included; § 2005=100

### Financial Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term Interest Rate pa</td>
<td>2.6</td>
<td>3.3</td>
<td>3.4</td>
<td>3.3 Nov</td>
</tr>
<tr>
<td>Stock Exchange (MASI) Index (% ch)*</td>
<td>57.2</td>
<td>55.1</td>
<td>14.4</td>
<td>-5.4 18/12/09**</td>
</tr>
</tbody>
</table>

**Notes:**
* Average over year; ** % change on 31/12/08

Sources: Direction de la Statistique du Maroc, Haut Commissariat au Plan, IMF, daily press

- The highest rainfall levels in 50 years yielded a record harvest this year, in particular grain which reached 10.2mn tonnes (5mn in 2008). Agriculture output expanded by 27.8% yoy in Q2 09 prop- ping up overall GDP growth to a strong 5.4% yoy.
- The non-agriculture sector eased but did not contract despite the recession in the euro area; however, sectors such as mining, which is dominated by the phosphate industry, and manufacturing did post negative performances (-27.1% and -0.3% yoy, respectively). Construction remained weak but accelerated in Q2 09 to 1.0% yoy (up from -0.1% in Q1 09).
- According to preliminary estimates the Moroccan economy accelerated further in Q3 09 growing by 6.1% yoy on the back of improving conditions both domestically and externally. Manufacturing production was close to stabilisation in Q3 09 (-0.3% yoy) while tourism arrivals rebounded.
- According to most recent data tourist arrivals jumped 11% yoy in October following the strong in- crease of 13% yoy the previous months. Also number of nights spent in tourist structures rose so that tourist revenues were up 10% yoy in October following +15% yoy in September. Given the good performances in September-October tourist arrivals rose by 6.6% yoy during the first 10 months although associated revenues fell by 7.7% yoy due to the heavy contractions in previous months. The reason for the fall in revenues is also related to the reduced length of staying.
- The current account deficit soared to US$5.5bn in the twelve months up to Q2 09, a marked deterio- ration in only 18 months. This can be traced to a larger merchandise trade deficit, lower surplus on the service account related to falling tourism revenues, and significantly lower expatriate remit- tances which were down 12.3% yoy in H1 09. Also foreign direct investment dropped sharply (-31.3% yoy in H1 09) a reflection of tightening in global liquidity. This in turn showed up also in the poor performance this year of the Moroccan bourse, in sharp contrast with the strong gains of other stock markets in the region. Two possible explanations are the lack of IPOs and privatisa- tion and the unrealistic levels reached by stock values in the last few years.
- As inflation remains widely in check and in order to ease a liquidity crunch, the Central Bank left its policy rate unchanged at 3.25% and lowered reserve requirements from 10% to 8% effective 1st October, the lowest level in at least 19 years.
### Real Indicators*

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
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<tbody>
<tr>
<td>GDP**</td>
<td>6.9</td>
<td>4.7</td>
<td>0.9</td>
<td>-3.5 Q3</td>
</tr>
<tr>
<td>Industrial Production**</td>
<td>7.8</td>
<td>7.0</td>
<td>-0.9</td>
<td>-6.4 Sep**</td>
</tr>
<tr>
<td>Construction Investment</td>
<td>17.8</td>
<td>5.8</td>
<td>-7.0</td>
<td>-18.0 Q3</td>
</tr>
<tr>
<td>Consumer Prices</td>
<td>9.6</td>
<td>8.8</td>
<td>10.4</td>
<td>5.5 Nov</td>
</tr>
<tr>
<td>Producer Prices – Manufacturing</td>
<td>9.3</td>
<td>5.6</td>
<td>11.8</td>
<td>0.9 Nov</td>
</tr>
<tr>
<td>Standardised Unemployment Rate (%)</td>
<td>8.5</td>
<td>8.6</td>
<td>9.8</td>
<td>13.4 Sep</td>
</tr>
<tr>
<td>Current Account Balance (US$bn)**</td>
<td>-32.1</td>
<td>-38.2</td>
<td>-41.3</td>
<td>-20.3 Q2*</td>
</tr>
<tr>
<td>as a percentage of GDP</td>
<td>-6.0</td>
<td>-5.9</td>
<td>-5.6</td>
<td>-3.2</td>
</tr>
<tr>
<td>Real Effective Exchange Rate Index§</td>
<td>99.0</td>
<td>107.3</td>
<td>108.8</td>
<td>103.6 Nov</td>
</tr>
</tbody>
</table>

**Notes:**
- * yoy % ch, nsa, unless otherwise indicated; ** sa; *** mom % ch ; * latest 12 months up to Q2 included; § 2005=100

### Financial Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
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</thead>
<tbody>
<tr>
<td>Short Term Interest Rate pa (o/n)</td>
<td>15.6</td>
<td>17.2</td>
<td>16.0</td>
<td>6.5 Dec</td>
</tr>
<tr>
<td>Stock Exchange (IMBK) Index (% ch)*</td>
<td>35.5</td>
<td>21.1</td>
<td>-21.9</td>
<td>86.6 18/12/09**</td>
</tr>
</tbody>
</table>

**Notes:**
- * Average over year; ** % change on 31/12/08

Sources: OECD, BIS, Central Bank of Turkey, daily press

- The economic picture in Turkey is gradually improving and real GDP grew for the second consecutive quarter although at a milder pace (1.8% qoq following 2.8% qoq in Q2 09). All demand components were on the rise but private consumption which fell marginally by 0.2% qoq also because of the strong performance in the previous quarter. As a matter of fact, in Q2 09 private consumption had grown by a stunning 5.1% qoq, the strongest performance since Q1 04, as taxes on new cars, home appliances, and home sales were suspended for the whole of Q2 09.
- Government consumption rose by 3.9% qoq and total investment turned finally positive (+3.9% qoq) although on a yoy comparison it is still deeply negative (-17.8%). Inventory build up continued to contribute positively to overall GDP growth as in Q2 09. Net export was negative given a surge in import (+7.8% qoq) vis-à-vis still weak export (+2% qoq).
- Inflation ticked upwards in November mainly due to a jump in food and clothing and footwear prices but remains very mild (5.5%) by historical standards. The benign inflation trend over the past quarters has allowed the Central Bank to loosen aggressively and continuously monetary policy to support the economy. In its latest move last November the Bank cut its policy rate for the 13th consecutive time yielding a cumulative 1025bp drop.
- Despite the difficult economic environment the government has continued to foster its privatisation programme with the combined value of privatisation deals finalised in 2009 up to US$2.3bn.
- Turkey is officially still in negotiation with the IMF over a financial support plan but there is strong resistance by the government to comply with IMF’s requests of tighter fiscal discipline. The ability of the Turkish economy to withstand the global crisis without IMF help which was also reflected in the remarkable stability of the Turkish lira since late July coupled with a perceived more stable political environment and the improving outlook has contributed to Fitch’s recent upgrading of the country’s sovereign risk rating.
- Not all rating agencies share Fitch’s optimism as the deterioration of the budget deficit and the huge public financing needs are putting the domestic banking system under pressure and risk to crowd out private lending for long. On the external front, the substantial correction of the current account imbalance, which is now projected at around 2% of GDP by year-end, and initial signs of turnaround in capital flows should both help ease financial stress.
TURKEY

Real GDP (sa)

Level (YTLmn at 1998 prices, ar)

Yoy %ch (rhs)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-15 -10 -5 0 5 10 15

65 70 75 80 85 90 95 100

Consumption and Investment (yoy % ch, sa)

Private consumption

Total investment (rhs)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-12 -8 -4 0 4 8 12

18 24 30 36 42 48 54 60

Consumer Confidence Indicator (sa)

(100 = normal)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-25 -20 -15 -10 -5 0 5 10 15

60 70 80 90 100

Industrial Production (3m ma, yoy % ch)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

-25 -20 -15 -10 -5 0 5 10

-25 -20 -15 -10 -5 0 5 10

106 7 06 1 07 7 07 1 08 7 08 1 09 7 09

Short Term Interest Rates

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

6 9 12 15 18 21

21 18 15 12 9 6 3

106 7 06 1 07 7 07 1 08 7 08 1 09 7 09

Real Effective Exchange Rate Index

(2005=100)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

85 90 95 100 105 110 115 120

20 25 30 35 40 45 50 55

Sources: OECD, BIS, Central Bank of Turkey, daily press

IMKB ('000)

YTL/US$ (1/1/2006=100, rhs)

Q1 -04 Q1 -05 Q1 -06 Q1 -07 Q1 -08 Q1 -09

80 90 100 110 120 130

80 90 100 110 120 130

n. 3 - December, 22nd 2009

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ITALCEMENTI GROUP-SESO – Economic Profile
THAILAND

Real Indicators*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
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<tbody>
<tr>
<td>GDP</td>
<td>5.2</td>
<td>4.9</td>
<td>2.6</td>
<td>-3.0 Q3</td>
</tr>
<tr>
<td>Industrial Production – Manufacturing</td>
<td>7.3</td>
<td>8.2</td>
<td>5.3</td>
<td>0.1 Oct**</td>
</tr>
<tr>
<td>Construction Investment</td>
<td>5.1</td>
<td>2.6</td>
<td>-4.2</td>
<td>1.7 Q3</td>
</tr>
<tr>
<td>Consumer Prices***</td>
<td>4.6</td>
<td>2.2</td>
<td>5.5</td>
<td>1.9 Nov</td>
</tr>
<tr>
<td>Producer Prices***</td>
<td>7.1</td>
<td>3.2</td>
<td>12.4</td>
<td>7.8 Nov</td>
</tr>
<tr>
<td>Unemployment Rate (%)***</td>
<td>1.5</td>
<td>1.4</td>
<td>1.4</td>
<td>1.2 Sep</td>
</tr>
<tr>
<td>Current Account Balance (US$bn)</td>
<td>2.3</td>
<td>15.7</td>
<td>1.6</td>
<td>8.8 Q3*</td>
</tr>
<tr>
<td>as a percentage of GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Real Effective Exchange Rate Index§</td>
<td>108.3</td>
<td>114.7</td>
<td>114.5</td>
<td>111.5 Nov</td>
</tr>
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</table>

Notes:
* yoy % ch, sa, unless otherwise indicated; ** mom % ch; *** nsa; * latest 12 months up to Q3 included; § 2005=100

Financial Indicators

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<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term Interest Rate pa (o/n)</td>
<td>4.6</td>
<td>3.8</td>
<td>3.3</td>
<td>1.0 Nov</td>
</tr>
<tr>
<td>Stock Exchange Index (Bangkok) (% change)*</td>
<td>4.2</td>
<td>6.5</td>
<td>-10.2</td>
<td>59.1 18/12/09**</td>
</tr>
</tbody>
</table>

Notes:
* Average over year; ** % change on 31/12/08

Sources: Bank of Thailand, National Economic and Social Development Board, BIS, daily press

- National accounts data for Q3 09 confirm that the economy is on the way out of recovery as a second consecutive positive qoq growth rate was recorded (+1.3% following 2.2% in Q2 09). The recovery, however, appeared to have lost some momentum in Q3 and figures suggest that it is still fragile as it is mainly driven by fiscal stimulus and net exports.
- The major driving sectors were manufacturing, as also witnessed by the improving manufacturing production index, and services, particularly public ones while agriculture recorded a second consecutive qoq contraction.
- Private consumption grew by 1% qoq in Q3 09, lower than expected given the uptick in consumer confidence and the still ongoing fiscal stimulus (which includes cash transfers to low income people), and the yoy change remained negative (-1.8%). Total investment kept growing (+3.7% qoq following +3.9% in Q2) which helped soften the still negative yoy rate of change (-6.3% yoy vs -10.3% in Q2). Public investment was strongly up in Q2-Q3 09 (+8.7% and +8% yoy, respectively) contrary to very depressed private investment.
- Net export added 3.2% to GDP growth. The weak import performance and the improving export flows have combined to push up the current account surplus to 5.7% of GDP in the twelve months up to Q3 09. Recent trade and industry data were better than expected and suggest the recovery may regain momentum.
- In its latest meeting monetary authorities decided to leave the policy rate unchanged at 1.25% (reached in April) as core inflation remains close to zero and headline inflationary pressures subdued. In the accompanying policy statement, however, there was some wording hinting at opening the door to future change in policy. In fact, producer price inflation shot up at 7.8% in November whereas in July it was at record low of -12.9%. Similarly, consumer price inflation was up to 1.9% in November just a few months after it touched a record low of -4.4% (July). Inflation worries may thus enter the scene much earlier than previously envisaged.
- The Thai baht has remained stable in recent months as the Central Bank has prevented its appreciation on the back of US$ weakness.
THAILAND

Real GDP (sa)

Level (THBbn at 1988 prices, ar)
Yoy % ch (rhs)

Consumption and Investment (yoy % ch, sa)
Private consumption
Total investment (rhs)

Industrial Production and Leading Indicator
IP-Manufacturing (3m ma)
LI (12m smoothed, rhs)
(LI %ch steadily <-2% signals slowdown)

Consumer and Producer Price Indices (yoy % ch)
CPI
PPI

Short Term Interest Rates
Central Bank base
Interbank 3m
Lending

Stock Market Index (BANGKOK)

Real Effective Exchange Rate Index
(2005=100)

Baht/US$ and Baht/€ Indices
(1/1/2006=100)

Sources: NESDB, Bank of Thailand, daily press, BIS
### Real Indicators*

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
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</thead>
<tbody>
<tr>
<td>GDP**</td>
<td>9.9</td>
<td>9.3</td>
<td>7.5</td>
<td>7.9 Q3</td>
</tr>
<tr>
<td>Industrial Production – Manufacturing</td>
<td>11.5</td>
<td>10.6</td>
<td>4.6</td>
<td>11.1 Oct</td>
</tr>
<tr>
<td>Construction Production (Gross Value Added)</td>
<td>13.2</td>
<td>11.5</td>
<td>7.2</td>
<td>6.5 Q3</td>
</tr>
<tr>
<td>Consumer Prices</td>
<td>6.2</td>
<td>6.4</td>
<td>8.3</td>
<td>11.5 Oct</td>
</tr>
<tr>
<td>Wholesale Prices</td>
<td>4.8</td>
<td>4.8</td>
<td>8.9</td>
<td>4.7 Nov</td>
</tr>
<tr>
<td>Current Account Balance (US$bn)**</td>
<td>-9.3</td>
<td>-11.3</td>
<td>-36.1</td>
<td>-26.6 Q2°</td>
</tr>
<tr>
<td>as a percentage of GDP</td>
<td>-1.2</td>
<td>-1.1</td>
<td>-3.2</td>
<td>-2.5</td>
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<tr>
<td>Real Effective Exchange Rate Index§</td>
<td>98.2</td>
<td>104.7</td>
<td>100.1</td>
<td>97.1 Nov</td>
</tr>
</tbody>
</table>

**Notes:**
* yoy % ch, nsa, unless otherwise indicated; national accounts data are shown on a solar year basis after transforming the original fiscal year data; ** sa; ° latest 12 months up to Q2 included; § 2005=100

### Financial Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term Interest Rate pa (91-day T-bills)</td>
<td>6.4</td>
<td>7.2</td>
<td>7.7</td>
<td>3.3 Nov</td>
</tr>
<tr>
<td>Prime Lending Rate</td>
<td>10.9</td>
<td>12.7</td>
<td>13.0</td>
<td>11.5 Nov</td>
</tr>
<tr>
<td>Stock Exchange Index (Mumbai) (% ch)*</td>
<td>54.7</td>
<td>35.6</td>
<td>-6.9</td>
<td>73.3 18/12/09**</td>
</tr>
</tbody>
</table>

**Notes:**
* Average over year; ** % change on 31/12/08

Sources: Reserve Bank of India, BIS, Office of Economic Advisor, Labour Bureau, Statistics India, daily press

- Also thanks to low borrowing costs and expansive fiscal measures the Indian economy accelerated sharply in Q3 09 as GDP rose 4% qoq compared to 1.4% qoq in Q2 09. All sectors but agriculture were buoyant.
- Manufacturing value added surged by 9.2% yoy while agriculture was almost flat in Q3 09 (+0.8% yoy) as monsoon rains during the June-September season stood at 23% below the long-run average, marking India's worst drought since 1972. Aggressive government spending targeting the farm sector sustained rural incomes to some extent and likely prevented a more negative outcome.
- On the demand side, private consumption gathered momentum and expanded 5.6% yoy strongly up from 1.6% yoy recorded in Q2. Government spending increased by a steep 26.9% accelerating sensibly from the previous quarter (+10.2% yoy in Q2), and fixed investment grew 7.3%. Exports and imports kept falling sharply, by 15.0% and 29.8%, respectively.
- India's industrial sector remains on the path to recovery. As a matter of fact, the manufacturing production index posted 11.1% yoy growth, the third consecutive double digit rate. Given plenty of evidence of a sustained rebound in the industrial sector the argument for an early withdrawal of the government's stimulus measures has strengthened and the government has already declared this to happen in the next fiscal year starting April, 1st 2010.
- Consumer price inflation shot up to 11.9% in July but has since marginally eased. Price pressures stemmed mainly in the agriculture sector, given the unfavourable monsoon season and also supply side factors. As food price inflation has likely peaked consumer price inflation should come down gradually although prices at wholesale level have started accelerating, hence the inflationary outlook remains a cause for concern.
- Given the strong growth momentum and the inflationary risks, the Reserve Bank of India has adopted a more hawkish stance and has signalled that policy rate hikes are imminent. The RBI has also appeared willing to tolerate an appreciation of the Indian rupee to help curtail inflationary pressures. The rupee has already appreciated around 11% vis-à-vis the US$ since mid-March lows although it has somewhat stabilised in the past months. Capital inflows have also surged in recent months, as the trough of the global recession passed.
INDIA

Real GDP (sa)

Level (INRtn at 99-00 prices, ar)
Yoy % ch (rhs)

Consumption and Investment (yoy % ch)

Private consumption
Total investment (rhs)

Industrial Production and Leading Indicator

IP-Manufacturing
(3m ma, yoy % ch)
Composite LI (ann
12m % ch, rhs)

Consumer and Wholesale Price Indices (yoy % ch)

CPI
WPI

Short Term Interest Rates

Central Bank base
Lending
T-bill 3m

Stock Market Index (MUMBAI, '000)

Real Effective Exchange Rate Index

Rupee/US$ and Rupee/€ Indices

Sources: Reserve Bank of India, Office of Economic Advisor, Labour Bureau, Statistics India, BIS, daily press
In Q3 09, GDP stood at 8.9% yoy, up from 7.9% in Q2 and 6.1% in Q1. This steady rebound after last year’s global shock demonstrates the spectacular success of the government’s stimulus program. Total fixed asset investment grew by 32.1% yoy in nominal terms during the first eleven months of 2009 (up from 26.8% in Jan-Nov 08), mainly driven by projects undertaken by state-owned enterprises in infrastructure and real estate.

Industrial output registered another impressive upturn in November (+19.2% yoy from +16.1% yoy in October), helped by continued strong rebound in heavy industries and a strong base effect as a consequence of the dramatic slowdown of output in the last part of 2008. This, together with the current healthy performance of retail sales, suggests a still robust Q4 09 GDP growth.

Merchandise export revenues fell by just 1.2% yoy in November, the smallest contraction in more than a year. Import spending surged by 26.7% yoy, the first increase since October 2008. As a result, the trade surplus shrank to US$19.1bn, less than half the US$40.4bn surplus of November 2008. Because 50% of imports consist of components for items destined for export, the import surge suggests that export will improve further in the coming months.

In line with the aim to adjust the economic structure by boosting domestic consumer demand, the government has recently renewed most of the stimulus measures for auto, home appliances and the housing sector. However, some of the tax incentives – especially those for housing – have been scaled back reflecting policymakers’ concern about the risks of inflating market bubbles.

Chinese banks have expanded credit very aggressively since the beginning of the year (total new bank lending amounted to a huge 30% of total nominal GDP projected for 2009). In this environment, there are significant doubts over banks’ risk policies. However, even though asset quality may deteriorate substantially in the medium term, risks of systemic crisis are mitigated by the strengthening in the largest banks’ balance sheets registered in the past decade and, most importantly, by strong state support.

Inflation pressures are building up again. As a matter of fact, the consumer price index advanced into positive territory in November (+0.6% yoy) after nine months of deflationary slide. Much of the pressure on prices derives from food (+3.2% yoy), while non-food products still dropped by 0.7% yoy, reflecting persistent overcapacity in the manufacturing sector.

### Real Indicators*

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>11.6</td>
<td>13.0</td>
<td>9.0</td>
<td>8.9 Q3</td>
</tr>
<tr>
<td>Industrial Production</td>
<td>16.9</td>
<td>17.9</td>
<td>12.5</td>
<td>19.2 Nov</td>
</tr>
<tr>
<td>Consumer Prices</td>
<td>1.5</td>
<td>4.8</td>
<td>5.9</td>
<td>0.6 Nov</td>
</tr>
<tr>
<td>Producer Prices</td>
<td>3.0</td>
<td>3.1</td>
<td>6.9</td>
<td>-2.1 Nov</td>
</tr>
<tr>
<td>Trade Balance (US$bn)</td>
<td>217.7</td>
<td>315.4</td>
<td>295.6</td>
<td>250.4 Q3°</td>
</tr>
<tr>
<td>as a percentage of GDP</td>
<td>8.2</td>
<td>9.3</td>
<td>6.8</td>
<td>5.5</td>
</tr>
<tr>
<td>Real Effective Exchange Rate Index§</td>
<td>101.4</td>
<td>105.2</td>
<td>114.1</td>
<td>114.2 Nov</td>
</tr>
</tbody>
</table>

### Notes:

* yoy % ch, nsa, unless otherwise indicated; ° latest 12 months up to Q3 included; § 2005=100

### Financial Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Y Lending Rate</td>
<td>5.9</td>
</tr>
<tr>
<td>Stock Exchange Index (Shanghai) (% ch)*</td>
<td>39.6</td>
</tr>
</tbody>
</table>

### Notes:

* Average over year; ** % change on 31/12/08


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n. 3 - December, 22nd 2009

ITALCEMENTI GROUP-SESO – Economic Profile
KAZAKHSTAN

Real Indicators*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>10.7</td>
<td>8.9</td>
<td>3.3</td>
<td>0.0 Q2</td>
</tr>
<tr>
<td>Industrial Production</td>
<td>7.0</td>
<td>4.5</td>
<td>2.7</td>
<td>3.6 Oct</td>
</tr>
<tr>
<td>Consumer Prices</td>
<td>8.7</td>
<td>10.8</td>
<td>17.1</td>
<td>5.8 Nov</td>
</tr>
<tr>
<td>Producer Prices</td>
<td>18.5</td>
<td>12.4</td>
<td>36.8</td>
<td>-16.7 Oct</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>7.6</td>
<td>7.2</td>
<td>6.6</td>
<td>6.6 Q2</td>
</tr>
<tr>
<td>Current Account Balance (US$bn)</td>
<td>-2.0</td>
<td>-8.2</td>
<td>7.0</td>
<td>-3.5 Q3°</td>
</tr>
<tr>
<td>as a percentage of GDP</td>
<td>-2.5</td>
<td>-7.9</td>
<td>5.3</td>
<td>-3.1</td>
</tr>
<tr>
<td>Real Effective Exchange Rate Index§</td>
<td>104.1</td>
<td>106.5</td>
<td>112.1</td>
<td>97.4 Oct</td>
</tr>
</tbody>
</table>

Notes:
* yoy % ch, nsa, unless otherwise indicated; ° latest 12 months up to Q3 included; § 2000=100

Financial Indicators

<table>
<thead>
<tr>
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<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>Latest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refinancing Rate (end of period)</td>
<td>8.6</td>
<td>9.2</td>
<td>10.8</td>
<td>7.0 Dec</td>
</tr>
<tr>
<td>Short Term Interest Rate pa (&lt;1 year)</td>
<td>3.5</td>
<td>5.6</td>
<td>6.3</td>
<td>2.5 Nov</td>
</tr>
<tr>
<td>Exchange Rate Tenge/$</td>
<td>126.0</td>
<td>122.5</td>
<td>120.3</td>
<td>149.8 Nov</td>
</tr>
</tbody>
</table>

Sources: National Bank of Kazakhstan, EIU, IMF, Interstate Statistical Committee of the CIS

- The Kazakh economy fell by 2.2% yoy in January-September 2009. In particular, the construction sector suffered a 8.9% yoy contraction, while financial services fell by 5.7% yoy. In turn, the industrial sector on the whole contracted by 0.4% yoy, while the agricultural output increased by 1.7%.
- The boost in oil production and the effects of the stimulus package implemented this year may help to restore growth in the last quarter of 2009. However, the recovery will take place in a very challenging environment, as the outlook for the financial sector is still clouded by the persisting opacity related to banking sector recapitalisation and debt restructuring.
- In this respect, the BTA Bank and the Alliance Bank – the two-largest commercial banks which defaulted this year – have reached recently an agreement with their creditors in order to restructure a debt of US$11.6bn and US$4.5bn respectively. This is a positive step and may indicate early progress towards regaining stability.
- The knock-on effects from the previous decline in oil prices and dampened external demand are resulting in a current account deficit this year. However, the external position is expected to improve, supported by the upturn in foreign direct investment, particularly in the energy sector, the rebound in oil prices, and inflows of bilateral financing through international institutions, to start with the IMF.
- November brought further evidence of stabilising price pressures (+5.8% yoy, unchanged from October). The easing inflation trend – started in the second half of 2008 – has prompted the National Bank of Kazakhstan (NBK) to lower interest rates several times. The latest of these reductions took the policy rate to 7.0% in September, and the NBK has indicated that further cuts may ensue early next year.
- Following the sharp devaluation of the tenge early this year, the oil price recovery has led to renewed appreciation pressures, and the NBK has again faced the need to limit this trend in order to sustain domestic competitiveness.
KAZAKHSTAN

Real GDP

Industrial Production (3m ma, yoy % ch)

Consumer and Producer Price Indices (yoy % ch)

Interest Rates

Real Effective Exchange Rate Index

Tenge/US$ and Tenge/€ Indices

Source: National Bank of Kazakhstan