FINANCIAL TIMES

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Economic pain to be 'worst for 60 years'

Warning that 50m people could lose jobs

House passes $819bn fiscal stimulus plan

By Krishna Guha and Alan Beattie in Washington and Chris Giles in Davos

The world economy will this year suffer its worst performance for more than 60 years with a serious risk that 50m people will lose their jobs, international organisations warned yesterday.

The warnings came as the House of Representatives passed an $819bn version of the fiscal stimulus plan, and the Federal Reserve expressed fresh concern about deflation. The Fed said the US economy had "weakened further" since its last policy meeting in December.

The US central bank made no immediate move to purchase Treasury securities – disappointing some in the markets. The yield on 10-year Treasuries rose 14 basis points to 2.665 per cent.

Earlier, the International Monetary Fund increased its estimate of credit losses on US-based assets from $1,400bn to $2,200bn. It also said world output, measured at market exchange rates, would fall in 2009 for the first time since the second world war. Weighted by purchasing power, growth would be very slightly positive.

The new growth forecasts mark a huge revision – down by more than 1.5 percentage points – from the IMF's previous forecast for the year in spite of the inclusion of the fiscal stimulus efforts by governments into its predictions for the first time. Advanced economies, the IMF predicted, would contract 2 per cent in 2009, with the UK hit hardest.

In Geneva, the International Labour Organization said the global recession would lead to a "dramatic increase" in unemployment this year, which would certainly lead to 18m-30m additional unemployed and more than 50m "if the situation continues to deteriorate".

The forecasts helped frame a sombre mood as executives and policymakers started the annual meeting of the World Economic Forum in Davos, with leaders stressing the sharp and synchronised nature of the downturn, expressing concern about global policy coordination and some scepticism that fiscal interventions would ensure a recovery.

President Barack Obama, meanwhile, hosted a meeting with US corporate leaders to rally support for the fiscal stimulus plan amid resistance from Republicans opposed to massive government spending, who voted unanimously against the bill in the House.

The Fed said it was prepared to buy long-term Treasury securities if circumstances suggested this would be effective in bringing down borrowing costs for households and businesses. But it signalled its inclination was to fight economic risks with more targeted credit programmes, and possibly further acquisition of securities issued by Fannie Mae and Freddie Mac.

Analysts appeared confused as to whether the statement brought the Fed closer to actually buying Treasuries.

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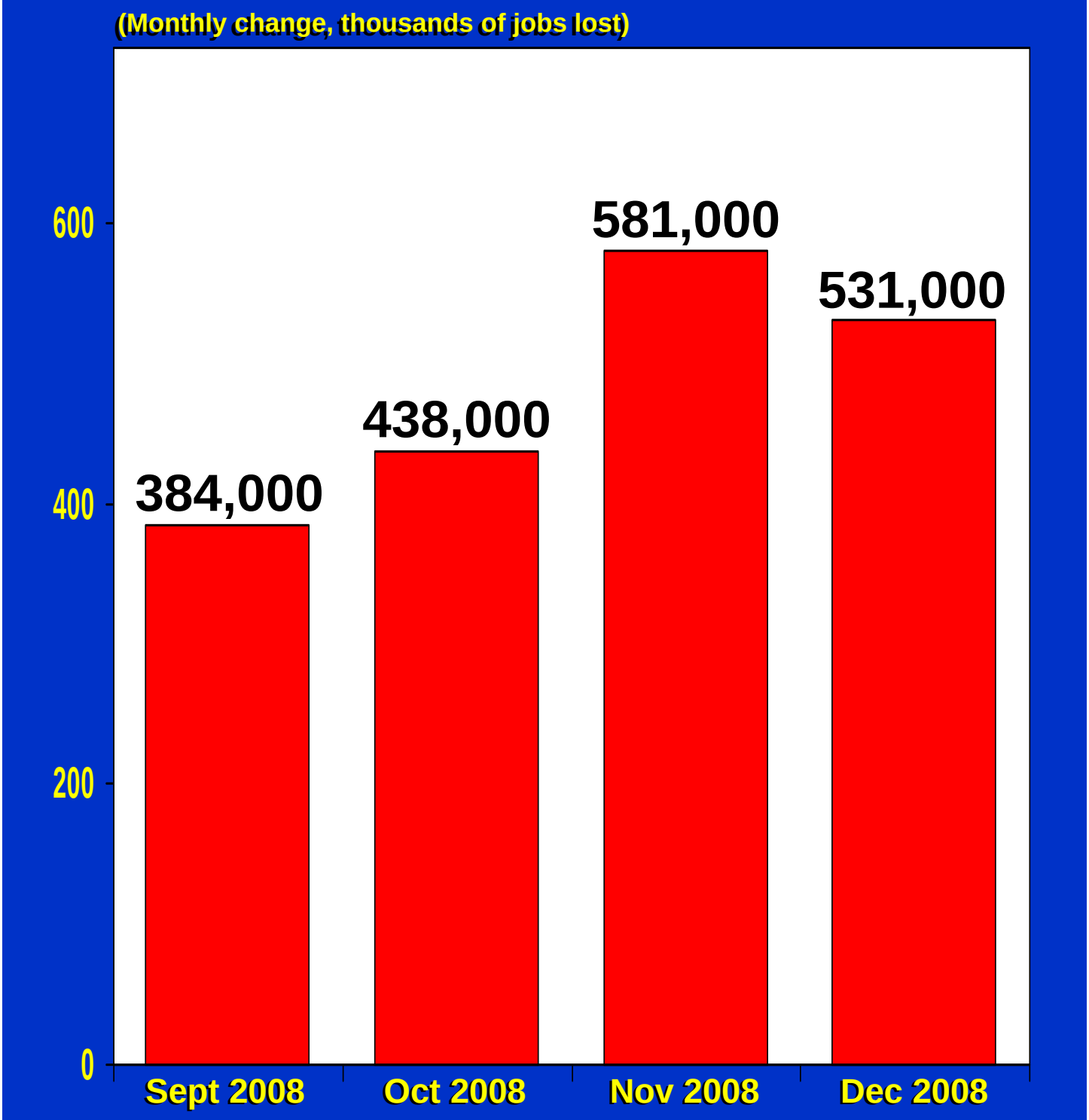
George Soros, Page 8
www.ft.com/usdailyview

1.9 Million Private Sector Jobs Lost in Last Four Months



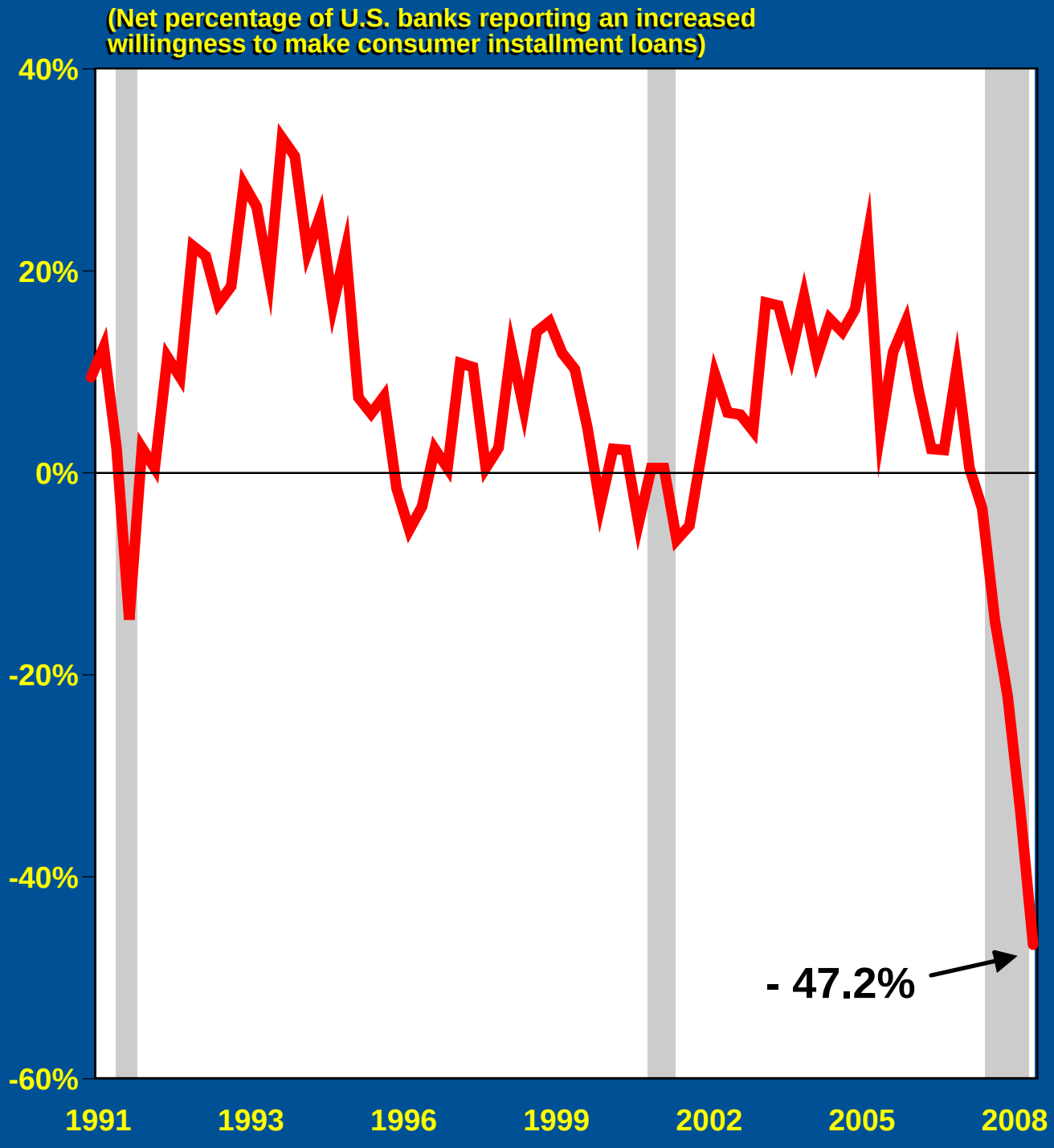
Source: Bureau of Labor Statistics, U.S. Department of Labor

Housing Crisis Continues

- One out of five mortgages is "underwater" – with home worth less than remaining balance
- One out of ten mortgages is delinquent or in foreclosure

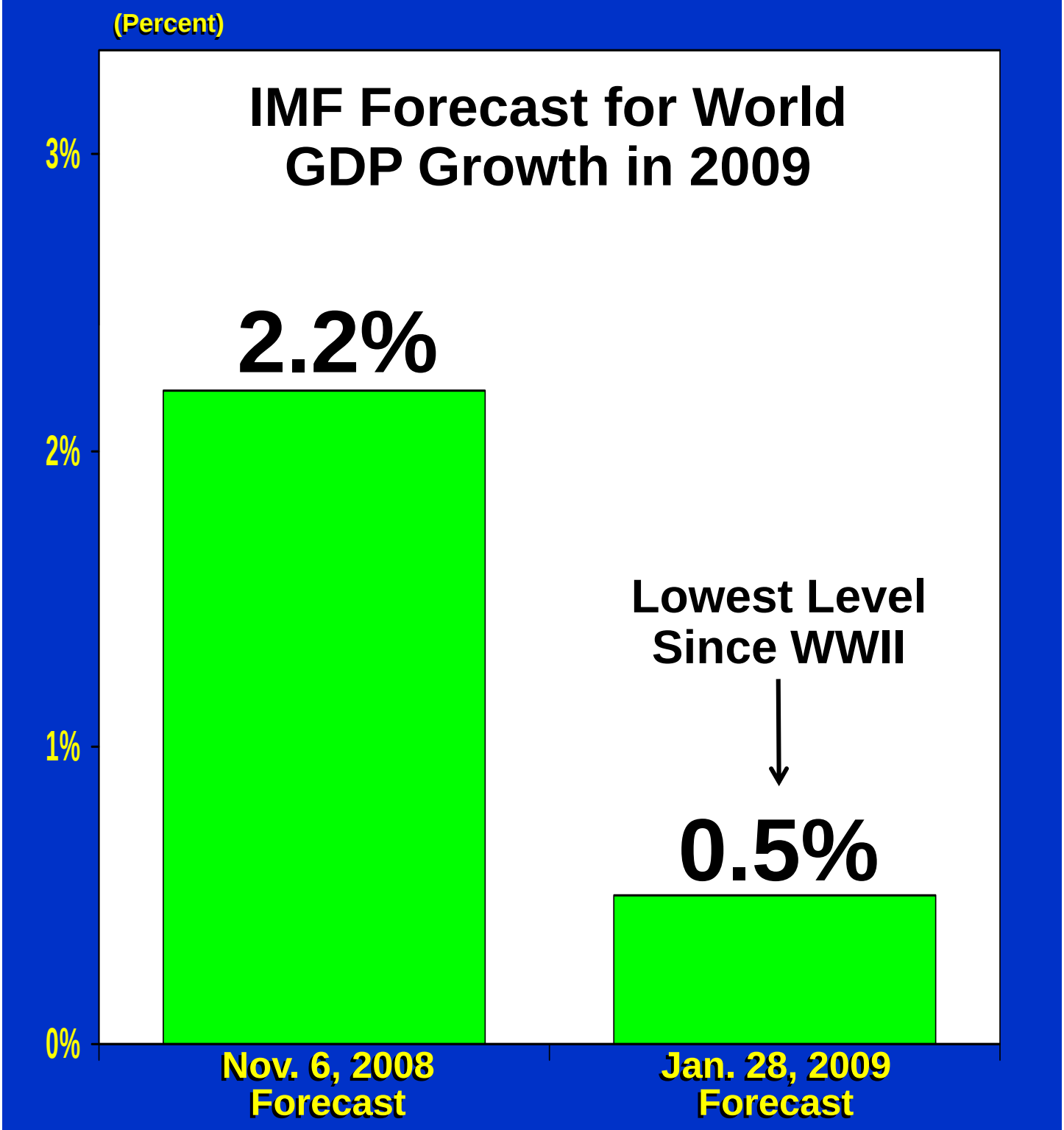
Credit Crisis Continues

Banks' Willingness to Lend Plummets



Sources: Board of Governors, Federal Reserve; National Bureau of Economic Research.
Note: Shaded regions indicate periods of recession. Quarterly data through fourth quarter of 2008.

World Economic Growth Forecast Plummets



Source: IMF

The Washington Post
Saturday, January 24, 2009

Downturn Accelerates As It Circles The Globe

Economies Worse Off Than Predicted Just Weeks Ago

By Anthony Faiola
Washington Post Staff Writer

The world economy is deteriorating more quickly than leading economists predicted only weeks ago, with Britain yesterday becoming the latest nation to surprise analysts with the depth of its economic pain.

Britain posted its worst quarterly contraction since 1980 on the heels of sharper than expected slowdowns reported from Germany to China to South Korea. The grim data, analysts said, underscores how the burst of the biggest credit bubble in history is seeping into the real economies around the world, silencing construction cranes, bankrupting businesses and throwing millions of people out of work.

"In just the past few days, we've had a big downward revision, we're seeing that an even bigger deceleration is on the way than we thought," said Simon Johnson, former chief economist at the International Monetary Fund and a senior fellow at the Peterson Institute for International Economics.

The depth of the troubles, analysts say, indicates that nations may need to spend more than the billions of dollars already planned on stimulus packages to jump-start their economies, and that a global recovery could take longer, perhaps pushing into 2010.

Analysts are particularly concerned about the slowdown in China and the recession in Europe. There is mounting concern about the stability of the euro and the British pound, which dropped to a 24-year low against the dollar yesterday. Analysts are fretting about the possibil-

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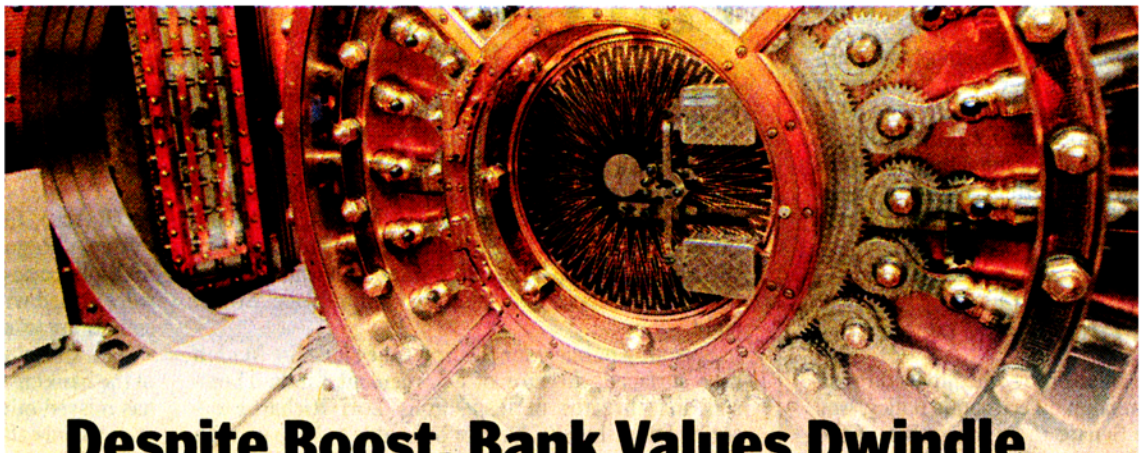
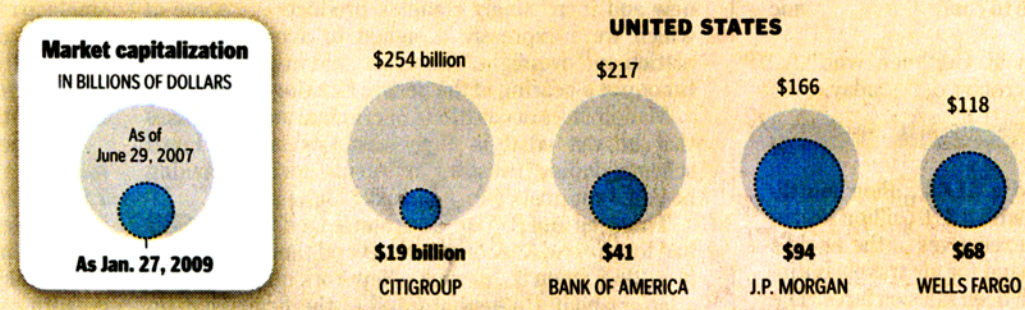
The Washington Post
WEDNESDAY, JANUARY 28, 2009

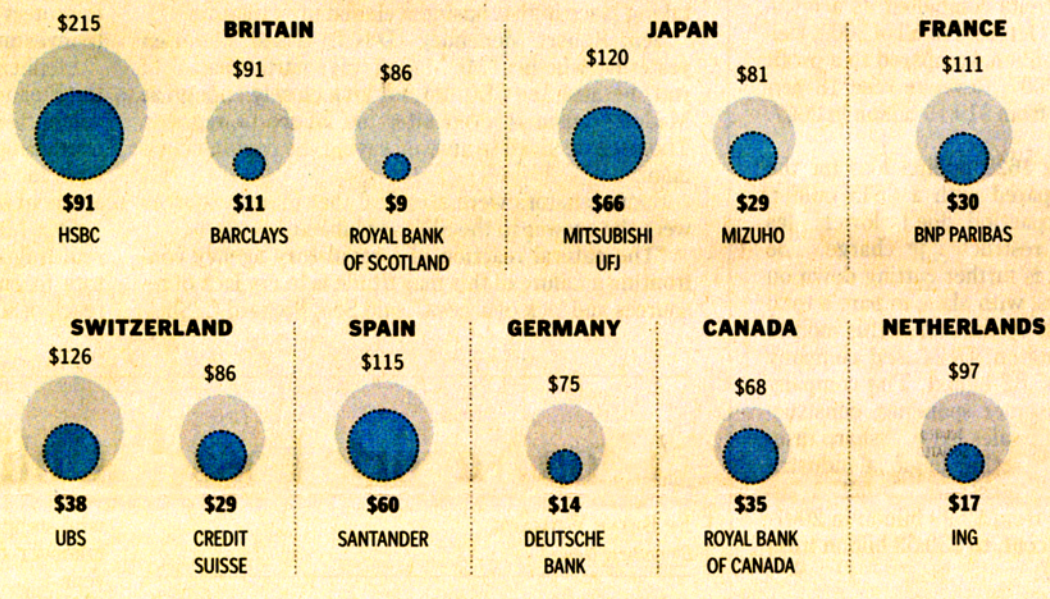


Despite Boost, Bank Values Dwindle

Investors have fled from the world's largest banks. Tumbling stock prices have dropped the likes of Citigroup and HSBC from lists of the world's most valuable companies, as measured by market value. The depreciated prices leave banks more vulnerable because it doesn't take as much money to buy a majority stake. That has forced a debate about whether governments trying to help banks should simply nationalize them. See related story, page A1.



The U.S. government has invested more than $45 billion in Citigroup, a company now worth 40 percent of that amount. The government, eager to avoid nationalization, has taken an artificially small stake of less than 10 percent. Critics, including some members of Congress, say that taxpayers deserve a larger stake. Analysts worry taking a larger stake could cause investors to flee from J.P. Morgan and Wells Fargo, too.



SOURCE: Bloomberg, photo by Associated Press

REPORTING BY BINYAMIN APPELBAUM — THE WASHINGTON POST