



Embargoed 00h00 on Monday 09 November 2009

EURO AREA COULD GROW 2.0% IN 2010, STUDY FORECASTS

If exit strategies are delayed too long, we risk entering a new boom-bust-cycle

Current levels of stimulus are appropriate. But government expenditure from 2011 should be held to two percentage points below nominal GDP growth

Given the time lag, an exit from monetary policy expansion should begin earlier than for fiscal policies

BRUSSELS, 09 NOVEMBER 2009 – Allianz SE, one of Europe's leading financial-service providers, and the Lisbon Council, a Brussels-based think tank, today launch the autumn update of **The European Growth and Jobs Monitor**, their bi-annual performance ranking of European economies. Published on the eve of the 09-10 November eurogroup/ecofin meetings, which will bring together Europe's top central bankers and finance ministers, the study predicts stronger-than-expected eurozone growth in the second half of 2009 and in 2010. But it also warns European central bankers and finance ministers that – while today's policies are appropriate and necessary – failure to execute a prudent and timely exit from today's once-in-a-generation crisis-driven expansionary policies could lead to a second "finance fuelled" bubble economy – a scenario the study calls on leaders to avoid.

Among the study's main findings:

- GDP in the 16-country euro area could grow 2.0% on average in 2010, followed by a slightly slower expansion of 1.5% in 2011;

- The drop in investment seen in the recent crisis will translate to relatively slower output growth overall in the years to come. Potential output in the euro area will likely increase by less than 1% in 2009 and 2010, edging up in the period 2011 to 2014 to between 1.0% and 1.3%;
- Even moderate GDP growth will push up utilization rates. The -2.7% output gap that opened up in 2009 will close again relatively quickly. By 2012, the euro area will have probably returned to normal utilization rates;
- The economic crisis dealt a heavy blow to key European indicators as measured by The European Growth and Jobs Monitor's benchmark Lisbon Indicator. Particularly heavily hit were indicators for economic and productivity growth and sustainability of public finances.

The report calls on central bankers, finance ministers and other top officials to bear in mind several key points as they seek prudent solutions to restore sustainable growth to Europe:

- Today's stimulus packages are appropriate and necessary;
- If exit strategies are delayed too long, we risk entering a new boom-bust-cycle;
- Given the long time lag of monetary policy, an exit from monetary policy expansion should begin earlier than for fiscal policies;
- Fiscal policy stimulus will continue in most countries in 2010, and is still needed. But beginning in 2011, when government outlays will rise only slowly due to the termination of demand programmes, active consolidation of government expenses should take place;
- For Europe, government expenditure starting in 2011 should be held two percentage points below nominal GDP growth (which should be close to 4% per annum over the next four years). This is a winning formula, which would

do much to restore sustainability to public finances and safeguard today's recovery;

- A turnaround of monetary policies may be hampered by strong revaluation effects, especially on the euro. Therefore, international coordination is essential.

Says Prof. Dr. Michael Heise, chief economist of Allianz, and principal author of the study: "The stimulus packages in place for next year are both necessary and appropriate. But it is time to start being vigilant again. We must make sure that the progress we see will lead to sustainable growth, not more financially fuelled growth. We must learn the lessons of the past, and not allow another bubble to develop."

About the study's principal author:

Prof. Dr. Michael Heise is chief economist and head of corporate development of Allianz SE. In that capacity, Prof. Dr. Heise advises the board of Allianz SE on economic and strategic issues. He is responsible for analysis and forecasts of the German and the international economy and financial markets. Prof. Dr. Heise studied and graduated at Cologne University and lectured at the European Business School in Oestrich-Winkel and at the Johann Wolfgang Goethe University in Frankfurt-am-Main. He is honorary professor at the Johann Wolfgang Goethe University. Since 2003, he has been a member of the Lisbon Council's Board of Economists. Before joining Allianz Group, Heise was secretary general of the German Council of Economic Experts and chief economist and head of research at DZ Bank.

Further information

Contacts:

Paul Hofheinz
The Lisbon Council
+32 (0) 475 272 373

Nicolai Tewes
Allianz SE
+49 (0) 89 3800 4511 +49 (0) 171 860 2154

Dr. Lorenz Weimann
Allianz SE
+49 (0) 69 263 18737

About Allianz SE

Allianz is one of the world's leading insurers and financial services providers and one of the first Societas Europaeae. Founded in 1890, Allianz SE is now present in more than 70 countries with over 150,000 employees. Allianz provides its about 75 million customers worldwide with a comprehensive range of services in the areas of property and casualty insurance, life and health insurance, and asset management. Additional information may be found at www.allianz.com/news and www.knowledge.allianz.com

About the Lisbon Council

The Lisbon Council is a Brussels-based think tank and policy network, committed to making a positive contribution by engaging political leaders, and the public-at-large, in a constructive exchange about Europe's economic and social future. Incorporated in Belgium as an independent, non-profit and non-partisan association, the Lisbon Council is among Europe's most authoritative and thoughtful voices on economic reform and social renewal. Its homepage is www.lisboncouncil.net.

These assessments are, as always, subject to the disclaimer provided below.

Cautionary Note Regarding Forward-Looking Statements:

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The company assumes no obligation to update any forward-looking information contained herein.

No duty to update

The company assumes no obligation to update any information contained herein.