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## Vale announces business outlook

Wednesday, 04 Nov, 2009

The global recession is coming to an end, with recovery taking place earlier and at a stronger pace than previously expected.

According to IMF estimates, the global economy rose by 3% during Q2 of 2009 following a 6.5% contraction in the first quarter. The flow of high frequency data suggests that global GDP continued to expand in Q3 of 2009 and the nascent recovery is very likely to be sustained over the next few quarters.

Although bank corporate credit is still retrenched in some countries, including in the US, the behavior of financial markets since the end of the first quarter is playing an important role in the recovery. The massive supply of liquidity provided by the main central banks, the return of confidence leading to declining risk aversion, and the anticipation of economic recovery have spurred financial asset re pricing as well as a rebound in international capital flows.

The strong demand for equities has laid the groundwork for a rising volume of transactions, both initial public offerings and follow ons. Simultaneously, debt issuance in global capital markets is booming: accumulated USD and Euro denominated bond issuance has already surpassed the record level of 2007, suggesting that debt markets are partially replacing banks as suppliers of funds to corporates.

Initially fuelled by a turn in the inventory cycle, global manufacturing output has bounced back since April, 2009. Simultaneously to the re stocking cycle there was a stabilization of final sales, followed by early signals of increase and a firm rise in new orders relative to inventories, reaching a five year peak in August, thereby pointing to the continuation of the recovery.

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