

Economy

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Europe

EU slashes growth forecasts in 'deep' recession

By Aoiife White

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BRUSSELS | The European Union said Monday it is facing a "deep and protracted recession" and slashed growth forecasts, while Britain announced its second massive bank bailout in just over three months in another wave of bad economic news in Europe.

The economy in the 16 nations that use the euro will shrink by 1.9 percent in 2009, with the entire EU contracting 1.8 percent, the European Commission said, compared with earlier forecasts of 0.1 percent for the euro zone and 0.2 percent for the EU.

The 27-member bloc said 3.5 million jobs will disappear in the EU in the year ahead as business and household spending falls and banks tighten their lending.

Government demand and investment will be the only source of growth — but that carries a heavy price tag. Government deficits will hit the highest level in 15 years as they

borrow heavily to stoke growth to combat the world economic crisis that began with bank losses on securities backed by shaky U.S. mortgages.

The EU executive raised warning flags about credit conditions, saying European states may need to inject more than the \$398 billion they have already put into banks "to avoid a sustained drag on bank lending."

It said the economy would be faring much worse without current EU-member plans to boost growth by spending 1 percent of gross domestic product this year, which should bring an additional 0.75 percent growth.

Britain — an EU member that has not adopted the euro — said it would launch its second bank bailout in just over three months by offering banks a chance to guarantee bad securities for a fee in return for a requirement to increase lending to businesses and consumers. It also set aside \$74 billion for the Bank of England to buy troubled assets from banks.

Bank stocks plunged, with

Worry over British bailout drags down European stocks

By Pan Pylas

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LONDON | European stock markets fell Monday with bank shares in free fall as investors fretted over a second British government bailout of the sector in three months.

Europe's early gains were erased as the investors were spooked by fears that the British government's latest move was a step toward full nationalization of one or more banks and that other governments will have to step in to save their leading banks.

Royal Bank of Scotland shares falling 70 percent to only 10 pence after it announced the largest loss in British corporate history and the government raised the 58 percent stake it took as part of the first bailout to around 70 percent.

The EU said the downswing will be particularly marked in

Germany's DAX closed down 50.14 points, or 1.2 percent, at 4,316.14, while France's CAC-40 fell 27.06 points, or 0.9 percent, at 2,989.69.

Most attention was on the FTSE 100 index of leading British shares, which was down 38.59 points, or 0.9 percent, at 4,108.47, even though the British government said it would be creating a program to insure bank loans in the hope that the banks will start lending again.

Any hopes that the government had that the announcement would ease the stock mar-

ket pressures on the banks evaporated as they suffered another day of frenzied selling.

Fears focused on the Royal Bank of Scotland Group PLC, which saw nearly two-thirds of its market value wiped out after it disclosed that it will likely report a full year loss of \$41.3 billion, which would be the biggest loss reported by a British company. Shares traded at only 15 cents.

Among the raft of measures unveiled earlier, the British government said it will be increasing its stake in RBS to 70 percent from 58 percent.

"It is clear from the market's reaction today that it increasingly believes that RBS is to end up fully in government ownership," said Nic Clarke, an analyst at Charles Stanley stockbrokers in London.

The problems sent shock waves through Europe.

In Germany, Deutsche Bank AG, which last week reported a \$6.4 billion loss for the fourth quarter, sank 8 percent, while Commerzbank AG was 4 percent lower. In France, shares of BNP Paribas SA and Societe Generale SA closed lower, too.

Britain and more protracted in Spain.

It warned that the outlook was still exceptionally uncertain, describing the global economic crisis as the worst since World War II. The EU predicted a moderate recovery in 2010, when the EU could grow 0.5 percent, with the first green

shoots to come in the second half of 2009.

European Central Bank President Jean-Claude Trichet was more gloomy, saying this year would be "very difficult" and a rebound might only come in 2010.

In a speech in Paris, he said officials had underestimated

the risks facing the economy in the last two years and growth this year would be substantially lower than the ECB's last forecast that the euro area would contract by up to 1 percent this year.

The EU warned that "the main issue is whether the recovery will be a lasting one."



Yvonne Bryant Johnson, a Lego "facilitator," hands out Legos to participants at the WomenBuild seminar at a hotel in Reston on Friday. The group is a branch of Microsoft that's looking to find and develop female software "stars" for the future.

Techies get a Lego up

Exercise helps Microsoft find future software stars

By Mark A. Kellner

THE WASHINGTON TIMES

Erin Hoover, a Northern Virginia Community College student, was making a sculpture from tiny Lego blocks. But she also was trying to make a point: Women need to feel more welcome in software development and other "nerdy" technology jobs.

Miss Hoover's assemblage, concocted during a session at the Microsoft Developer's Conference, sponsored by the Redmond, Wash.-based firm, showed a woman at the top of a tall staircase.

The significance of the image was not lost on the 20 or so self-proclaimed techies taking part in the exercise sponsored by WomenBuild, a small grouping within Microsoft that's looking to find and develop female software "stars" of the future.

"This is not about getting in a room to experiment, but to let women know they're not alone; that creates a community," said Lindsay Rutter, a Microsoft "development evangelist" who confessed to the crowd that she "likes to go around and play with Legos."

Miss Rutter and Asli Bilgin, another Microsoft developer and Lego enthusiast, were a big hit at the developer's conference, which drew 380 attendees to a hotel in Reston on Friday for seminars on new Microsoft technologies and products.

Key to the firm's 2009 plans is the expansion of "cloud computing," where the operating system and applications reside on servers owned by Microsoft with space and bandwidth rented by users, said Bob Familiar, also an "evangelist" for the firm.

"This is the computer version of Edison versus Tesla, of direct current versus alternating current," Mr. Familiar explained. Tesla won out, he said, because



Erin Hoover, a 19-year-old Northern Virginia Community College student from Sterling, Va. Miss Hoover is studying Web design and graphic design.

power plants could be located remotely and the electricity delivered over wires as a service. Cloud computing works on a similar principle, he asserted.

Along with the "cloud," Microsoft is pushing the Beta version of Windows 7, its new operating system widely viewed in computing circles as a fix for the problems unleashed on many users by the 2007 launch of Windows Vista.

The new operating software, available for a 30-day trial download at www.windows.com/windows7, can take advantage of

touch-screen displays found on desktops from Hewlett Packard and other makers to "zoom" and shrink views of documents. The software also has a desktop interface more reminiscent of Apple Inc.'s operating software, with some preview tweaks not found on the rival's product.

But for the Lego handlers, assisted by a "facilitator" who encouraged the budding builders to talk about their creations, the new OS was secondary to the chance to get women moving through the echelons of technology.

"It's fun, it's creative," Miss Hoover, 19, of Sterling, Va., said of her training in Web design and now computer-based graphic design. "There's a side of me that likes to 'code,'" she added, referring to writing programs, "and a side that is really, really artistic. This combines the two."

She said that colleagues aren't put off by having a woman in the tech mix: "The only person I get hassles from is my mom because I changed majors," Miss Hoover said. "She thinks I should be in [regular] information technology."

Mekka Williams, an engineer with North Carolina-based Network Appliance in Research Triangle Park, held up her model that showed a tiny "eye" representing a woman against a large "male" figure.

"This represents opportunities women may not be aware of, because they don't have the networks," she said.

Miss Bilgin, who previously developed complex financial modeling applications for a unit of Credit Suisse and other Wall Street firms, now spends her time promoting Microsoft's products to the financial community — and looking for ways to bring more women into the mix. The "WomenBuild" effort, which already has its own page on the Facebook social network, is finding a ready audience, she said.

"It's growing faster than I wanted it to. I keep saying, 'baby steps, baby steps,'" Miss Bilgin said. "I didn't realize the guys would care so much" about increasing diversity.

At the same time, the long hours and isolated nature of software engineering — programmers often work alone — are among the stereotypes Miss Bilgin has to battle.

Such as? "Like the ones about wearing a blue shirt and khakis," she replied. "I write code, and I don't wear khakis."

Credit crisis

Britain rescues its banks again

Nationalization fears raised

By David Stringer

ASSOCIATED PRESS

LONDON | Britain announced a second rescue plan for the country's ailing banks Monday, hoping to thaw frozen lending by offering to insure banks against large-scale losses on bad assets they already hold.

Stock investors, however, were spooked by fears that the second bank rescue plan in three months was a step toward full nationalization of one or more banks. Fears focused on the Royal Bank of Scotland (RBS), which disclosed that it is likely to report a record full-year loss; its shares closed down 67 percent.

"There is a great deal of uncertainty. There seems to be some concern doing the rounds that the group will be totally nationalized sometime in the near future," said Keith Bowman, an analyst at Hargreaves Lansdown stockbrokers.

RBS said its losses for the full year could be as much as \$41.3 billion, which would be the biggest loss ever by a British corporation.

Prime Minister Gordon Brown said Monday that the government has increased its stake in RBS to almost 70 percent, but declined to say whether he thought the bank will eventually be fully nationalized. The government took a stake under a first round of bailouts late last year.

Announcing the new rescue package, Mr. Brown said the government would offer to insure banks against default on toxic loans in exchange in return for a fee and legally binding commitments to make credit more available to British businesses and homebuyers.

Mr. Brown's plan will also see about \$74 billion set aside to create a special fund for the Bank of England to buy high quality loans and other assets directly from banks. That plan is also aimed at bringing down borrowing costs.

Britain's Treasury said precise details of the asset purchase program would be finalized later this month.

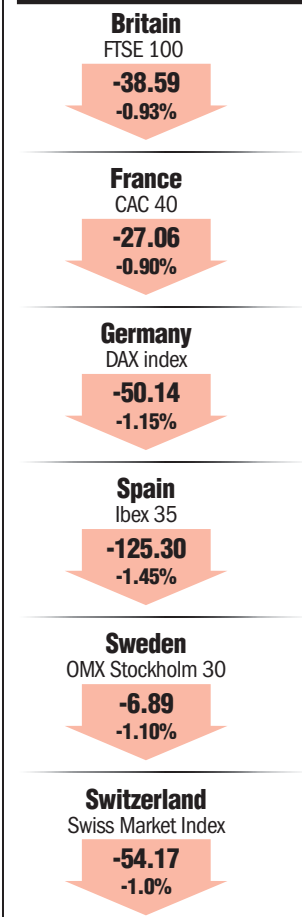
Both Treasury chief Alistair Darling and Mr. Brown acknowledged that October's pledge of about \$55 billion to bail out Britain's banks hadn't done enough to encourage them to resume normal lending volume.

"Good businesses must have access to credit, jobs should not be lost needlessly," Mr. Brown told reporters at his Downing Street office. He said stimulating lending is vital to spark Britain's economy and to limit job losses as Britain tackles a recession prompted by the global downturn.

Britain's Treasury said the government will offer to insure banks against losses on about 90 percent of specific shaky loans. The plan would require

BANKS ON THE BRINK

Mounting worries about the solvency of banks sent European stock markets lower on Monday.



banks to identify their riskiest assets which could be insured with government backing.

Neither Mr. Brown nor Mr. Darling could say how much the plan will cost taxpayers, as details won't be agreed until banks start participating.

Opposition Liberal Democrat lawmaker Vince Cable said some financial experts claimed British taxpayers face losses of up to \$58 billion.

Mr. Brown said "investments will be held for no longer than is necessary to ensure stability," but could not specify how long the government expects to operate the program.

"Governments across the world are having to do all sorts of things that they might not want to have done a few years ago," Mr. Darling told reporters.

Some critics called the latest rescue plan a gamble, coming only three months after October's bailout.

"We still think that the government may eventually have to set state-decreed targets for the banks to lend, perhaps via further nationalization," said Vicky Redwood, an economist at Capital Economics Ltd.

Bank shares closed broadly lower on the news, with Lloyds Group off 34 percent, HSBC down 6 percent and Barclays down 10 percent.