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- NEWS ALERT -

Capgemini Consulting Global Trade Flow Index Reveals Impact of Japan Earthquake Led to 3% Reduction in Global Trade Levels in Q1 2011

China retains leadership position as growth in US economy continues to slow

India, 18 May 2011 – Capgemini Consulting, the global strategy and transformation consulting brand of the Capgemini Group, today announced figures from the latest edition of its Global Trade Flow Index*. Capgemini Consulting's analysis reveals a decline in global trade flow levels, as a direct impact of the earthquake disaster in Japan and the resulting effect on trade with major economies. The analysis also highlights continued growth in China as it retains its position as global leader in overall trade volumes, beating previous forecasts that the US would regain its leadership position. While China's total trade volumes increased only marginally, by 3 percent in comparison with Q4 2010, US total trade volumes declined from \$280bn (Q4 2010) to \$278bn (Q1 2011) showing negative growth (1 percent), heavily impacted by the government's troubled balance sheets, a weak job market, rising energy costs and declining property prices.

Capgemini Consulting's Global Trade Flow Index tracks the trade of goods and services by quarter based on an analysis of a number of trade and market-related parameters from the latest available official data (related to the import and export of goods and services) from national agencies of the 23 top countries in terms of global trade.

The Index highlights that the Japan earthquake led to a steep decline in Japan's economy in Q1 2011, with a fall in GDP of 8.6 percent and a reduction in its foreign market export of 29 percent and domestic market by 7 percent on a quarter-on-quarter basis. This in turn has had a severe impact on trade with major economies. Australia was most heavily impacted, with a fall in trade volumes of 7 percent as a result. Korea (4 percent reduction), the US (3 percent reduction) and China (2 percent reduction) have also been significantly affected. Another effect of the earthquake has been a rise in the prices of oil and natural gas which is impacting economies around the world. In Russia, as a major exporter in this area, this has actually led to growth in GDP of 4.7 percent quarter-on-quarter.

In the Eurozone, rising consumer spending, supported by the lagged effects of government policy stimulus packages, has triggered gradual but sustained growth in key markets. For example, Belgium's GDP rose by 1.7 percent in Q1 2011, driven by an increase in its domestic market by 2 percent and export market by 1.6 percent. The Netherlands' GDP has also risen by 1.7 percent in Q1 due to growth in domestic consumption. French GDP grew by 1.6 percent in Q1, with a rise in its total trade volumes of 3 percent quarter-on-quarter. Germany's GDP also grew by 1.5 percent in Q1 2011. However, geopolitical instability and sovereign debt challenges in countries such as Ireland, Greece, Spain and Portugal could pose a significant risk to Europe's positive outlook.

Looking ahead to Q2 2011, world trade flow levels are expected to grow. A predicted rise in Japan's import levels together with a shift in exports to Japan's competitor nations is expected to stimulate trade in a number of markets. However, inflation in emerging markets continues to pose a risk and could affect robust growth in global trade levels. In Russia, for example, the inflation rate rose from 6 percent in December 2010 to 9.5 percent in March 2011. In India it increased from 8.1 percent in December 2010 to 8.8 percent in February 2011 and in China, the inflation rate went up from 3.1 percent in December 2010 to 5.4 percent in March 2011.

“ We have seen relatively flat levels of global trade over the last quarter due in large part due to the disaster in Japan,” said Roy Lenders, Vice President Supply Chain Management at Capgemini Consulting. “ It is clear that the Japan earthquake will have a significant and long lasting impact on its economy and will create a cascading effect on its trading partners over the coming months. However, we do expect to see some improvement in global trade levels, although the pace will be slower than expected because of the fear of a sovereign debt crisis in the Eurozone and inflation in emerging economies.”

APPENDIX - Capgemini Consulting Global Trade Flow Index (extract of the ranking with the 12 leading countries)

Country	RANK Q1-2011	RANK Q4-2010	Trade Volume Score (A)	Q-o-Q Growth Score (B)	Foreign Market Score (C)	Domestic Market Score (D)	Global Trade Index Score*
China	1	1	3.94	3.88	3.85	3.98	15.37
United States	2	2	4.00	3.75	3.79	3.85	15.18
Germany	3	3	3.04	3.88	3.84	3.88	11.77
Netherlands	4	6	1.44	3.91	3.88	3.89	5.60

France	5	5	1.45	3.86	3.83	3.87	5.58
United Kingdom	6	7	1.26	3.84	3.86	3.88	4.88
Italy	7	8	1.25	3.88	3.85	3.86	4.82
Korea	8	9	1.16	3.77	3.79	3.92	4.44
Japan	9	4	1.41	2.85	2.70	3.54	4.26
Belgium	10	10	1.05	3.88	3.87	3.89	4.06
Canada	11	11	0.99	3.84	3.78	3.89	3.80
Russian Federation	12	12	0.88	3.92	3.92	4.00	3.47

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Note: Global Trade Index Score = A x (average of (B,C,D))

*About the Capgemini Consulting Global Trade Flow Index

The Capgemini Consulting Global Trade Flow Index is calculated for the 24 countries with the highest levels of global trade, assessing changes in competitive position of each country individually. Q1 2011 figures are based on estimates (methodology detailed below) ahead of official data for all 24 countries being fully available, in June 2011, to give a robust analysis of the quarter's performance, while Q4 2010 figures are based on official government data.

The Index tracks global trade levels by quarter, based on Capgemini Consulting's own analysis of trade and market-related parameters from the latest available official data from national agencies. This analysis is performed by applying the LOGEST formula to historical trade, GDP, domestic and foreign market data.

The index will be updated and published each quarter to reflect developments in global trade flows. The latest version of the Index covers the period January to March 2011. The Index analyses four sub indicators for each country:

- Total trade, including both imports and exports
- Q-o-Q growth in trade
- Foreign markets for goods produced in a country
- Domestic market

Forecasts on the impact of the Japan earthquake were calculated by forecasting Japan's monthly trade volume for March 2011 using the methods outlined above. This was then adjusted to account for the impact of the earthquake and tsunami assuming that two thirds of Japan's trade has been impacted for the month based on the number of major ports affected by the disaster. This has then been factored into the quarterly forecast for Japan along with the resulting impact on its trading partners.

The Capgemini Consulting Global Trade Flow Index is also supported by:

- Holland International Distribution Council (HIDC)
- Global Supply Chain Council in China and India
- Supply Chain Movement
- Council of Supply Chain Management Professionals' (CSCMP) Supply Chain Quarterly

A full copy of the report can be downloaded from: <http://www.capgemini.com/insights-and-resources/by-publication/global-trade-flow-index-q1-2011/>



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