

# Timeline: Global credit crunch

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A quick guide to the origins of the global financial crisis.

### The full story...

A year ago, few people had heard of the term **credit crunch**, but the phrase has now entered dictionaries.

Defined as "a severe shortage of money or credit", the start of the phenomenon has been pinpointed as 9 August 2007 when bad news from French bank BNP Paribas triggered sharp rise in the cost of credit, and made the financial world realise how serious the situation was.

The problems, however, started much earlier.

### GROWING SUB-PRIME PROBLEMS

After a two year period between 2004 and 2006 when US interest rates rose from 1% to 5.35%, the US housing market begins to suffer, with prices falling and a rise in homeowners defaulting on their mortgages.

### FINANCIAL CRISIS: HOW IT HAPPENED

#### GROWTH

Investment in high risk sectors

Asset-backed securities sold globally (eg CDOs)



Most analysts link the current credit crisis to the sub-prime mortgage business, in which US banks give high-risk loans to people with poor credit histories.

These and other loans, bonds or assets are bundled into portfolios - or Collateralised Debt Obligations (CDOs) - and sold on to investors globally.

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Default rates on sub-prime loans - high risk loans to clients with poor or no credit histories - rise to record levels.

### APRIL-AUGUST 2007: SUB-PRIME CONTAGION

#### April

New Century Financial, which specialises in sub-prime mortgages, [files for Chapter 11 bankruptcy protection and cuts half of its workforce](#).

As it sold on many of its debts to other banks, the collapse in the sub-prime market begins to have an impact at banks around the world.

#### July

Investment bank Bear Stearns tells investors they will get little, if any, of the money invested in two of its hedge funds after rival banks refuse to help it bail them out.

Federal Reserve chairman Ben Bernanke follows the news with a [warning that the US sub-prime crisis could cost up to \\$100bn \(£50bn\)](#).

### AUGUST 2007: SCALE OF THE CREDIT CRISIS EMERGES

#### 9 August 2007

Investment bank BNP Paribas tells investors they will not be able to take money out of two of its funds because it cannot value the assets in them, owing to a "complete evaporation of liquidity" in the market.



“ The credit losses associated with sub-prime have come to light and they are fairly significant...Some estimates are in the order of between \$50bn and \$100bn of losses ”

Ben Bernanke, Chairman US Federal Reserve, speaking on 20 July 2007

It is the clearest sign yet that banks are refusing to do business with each other.

The European Central Bank pumps 95bn euros (£63bn) into the banking market to try to improve liquidity. It adds a further 108.7bn euros over the next few days.

The US Federal Reserve, the Bank of Canada and the Bank of Japan also begin to intervene.

#### 17 August

The Fed cuts the rate at which it lends to banks by half of a percentage point to 5.75%, warning the credit crunch could be a risk to economic growth.

#### 21 August

UK sub-prime lenders begin to withdraw mortgages or put up the cost of borrowing for UK homeowners with poor credit histories.

#### 28 August

German regional bank Sachsen Landesbank faces collapse after investing in the sub-prime market; it is sold to larger rival Landesbank Baden-Wuerttemberg.

### SEPTEMBER 2007: A RUN ON A BANK

#### 3 September

German corporate lender IKB announces a \$1bn loss on investments linked to the US sub-prime market.

#### 4 September

The rate at which banks lend to each other rises to its highest level since December 1998.

The so-called Libor rate is 6.7975%, way above the Bank of England's 5.75% base rate; banks either worry whether other banks will survive, or urgently need the money themselves.

#### 13 September

The BBC reveals Northern Rock has asked for and been granted emergency financial support from the Bank of England, in the latter's role as lender of last resort.

Northern Rock relied heavily on the markets, rather than savers' deposits, to fund its mortgage lending. The onset of the credit crunch has dried up its funding.

A day later depositors withdraw £1bn in what is the biggest run on a British bank for more than a century. They continue to take out their money until the government steps in to guarantee their savings.

#### 18 September

The US Federal Reserve cuts its main interest rate by half a percentage point to 4.75%.

#### 19 September

After previously refusing to inject any funding into the markets, the Bank of England announces that it will auction £10bn.

### OCTOBER 2007: MAJOR LOSSES BEGIN TO EMERGE

#### 1 October

Swiss bank UBS is the world's first top-flight bank to announce losses - \$3.4bn - from sub-prime related investments.

The chairman and chief executive of the bank step down. Later, banking giant Citigroup unveils a sub-prime related loss of \$3.1bn. A fortnight on Citigroup is forced to write down a further \$5.9bn. Within six months, its stated losses amount to \$40bn.



“ BNP's statement is scary, to put it mildly ”

BBC Business Editor, Robert Peston

Read Robert's 9 August blog  
BNP Paribas' statement



“ The fact that it has had to go cap in hand to the Bank is the most tangible sign that the crisis in financial markets is spilling over into businesses that touch most of our lives ”

Robert Peston, BBC business editor  
Read Robert's 13 September blog

## 30 October

Merrill Lynch's chief [resigns after the investment bank unveils a \\$7.9bn exposure to bad debt](#).

## NOVEMBER 2007: UK HOUSING MARKET 'TURNS DOWN'

### 29 November

The Bank of England [reveals the number of mortgage approvals has fallen to a near three-year low](#).

### 30 November

The Council for Mortgage Lenders (CML) [issues the starkest warning yet of the impact of the credit crunch on the mortgage market](#), saying that without more funding available on financial markets, mortgage lenders will not be able to offer as many mortgages.

## DECEMBER 2007: HELP IS AT HAND

### 6 December

US President George W Bush [outlines plans to help more than a million homeowners facing foreclosure](#).

The Bank of England cuts interest rates by a quarter of one percentage point to 5.5%.

### 13 December

The US Federal Reserve [co-ordinates an unprecedented action by five leading central banks around the world to offer billions of dollars in loans to banks](#).

The Bank of England calls it an attempt to "forestall any prospective sharp tightening of credit conditions". The move succeeds in temporarily lowering the rate at which banks lend to each other.

### 17 December

The central banks continue to make more funding available.

[There is a \\$20bn auction from the US Federal Reserve](#) and, the following day, \$500bn from the European Central Bank to help commercial banks over the Christmas period.

## NEXT UP: THE BOND INSURERS

### 19 December

Ratings agency Standard and Poor's downgrades its investment rating of a number of so-called monoline insurers, which specialise in insuring bonds. They guarantee to repay the loans if the issuer goes bust.

There is concern that insurers will not be able to pay out, forcing banks to announce another big round of losses.

### 9 January 2008

The World Bank [predicts that global economic growth will slow in 2008](#), as the credit crunch hits the richest nations.

### 18 January

A rush to withdraw money from its commercial property funds [forces Scottish Equitable to introduce delays of up to 12 months](#) for investors wanting to take their money out.

It blames the rush of withdrawals on concerns about the US sub-prime mortgage collapse, recession worries and interest rates.

### 21 January

Global stock markets, including London's FTSE 100 index, suffer their biggest falls since 11 September 2001.

## 22 January

The US Fed cuts rates by three quarters of a percentage point to 3.5%- its biggest cut in 25 years - to try and prevent the economy from slumping into recession.

It is the first emergency cut in rates since 2001. Stock markets around the world recover the previous day's heavy losses.

## 31 January

A major bond insurer MBIA, announces a loss of \$2.3bn - its biggest to date for a three-month period-blaming its exposure to the US sub-prime mortgage crisis.

## FEBRUARY - MARCH 2008: BIG NAME CASUALTIES

### 7 February

US Federal Reserve boss Ben Bernanke adds his voice to concerns about monoline insurers, saying he is closely monitoring developments "given the adverse effects that problems of financial guarantors can have on financial markets and the economy".

The Bank of England cuts interest rates by a quarter of one percent to 5.25%.

### 8 February

In the UK, the latest CML figures show the number of homes repossessed in the UK rose to 27,100 in 2007, its highest level since 1999.

### 10 February

Leaders from the G7 group of industrialised nations say worldwide losses stemming from the collapse of the US sub-prime mortgage market could reach \$400bn.

### 17 February

After considering a number of private sector rescue proposals, including from Richard Branson's Virgin Group, the government announces that struggling Northern Rock is to be nationalised for a temporary period.

### 7 March

In its biggest intervention yet, the Federal Reserve makes \$200bn of funds available to banks and other institutions to try to improve liquidity in the markets.

### 17 March

Wall Street's fifth-largest bank, Bear Stearns, is acquired by larger rival JP Morgan Chase for \$240m in a deal backed by \$30bn of central bank loans.

A year earlier, Bear Stearns had been worth £18bn.

### 28 March

Nationwide predicts UK house prices will fall by the end of the year, revising its previous forecast of no change in prices.

## APRIL 2008: THE 100% MORTGAGE IS CONSIGNED TO HISTORY

### 2 April

Moneyfacts, which monitors financial products, says 20% of mortgage products have been withdrawn from the UK market in the previous seven days.

Five days later the 100% mortgage disappears when Abbey withdraws the last home loan



“ Some investors forgot the golden rule of financing: 'Don't buy things that you don't understand' ”

FSA chief executive Hector Sants, speaking on 27 February

available without a deposit.

## 8 April

The International Monetary Fund (IMF), which oversees the global economy, warns that potential losses from the credit crunch could reach \$1 trillion and may be even higher.

It says the effects are spreading from sub-prime mortgage assets to other sectors, such as commercial property, consumer credit, and company debt.

## 10 April

The Bank of England cuts interest rates by a quarter of one percent to 5%.

## 11 April

A warning is issued by the CML that the amount of funding available for mortgages in the UK could be cut in half this year.

It calls on the Bank of England to kick-start the money markets and ease the effects of the credit crunch.

## 15 April

Confidence in the UK housing market falls to its lowest point in 30 years in March, according to the Royal Institution of Chartered Surveyors, because of the "unique liquidity blight".

But it does add that the situation is good news for buyers with large deposits who can buy property that was previously out of reach.

## 21 April

The Bank of England announces details of an ambitious £50bn plan designed to help credit-squeezed banks by allowing them to swap potentially risky mortgage debts for secure government bonds.

## APRIL - JUNE 2008: BANKS PASS ROUND THE HAT

## 22 April

Royal Bank of Scotland announces a plan to raise money from its shareholders with a £12bn rights issue - the biggest in UK corporate history.

The firm also announces a write-down of £5.9bn on the value of its investments between April and June - the largest write-off yet for a British bank.

## 25 April

Persimmon becomes the first UK house builder to announce major cutbacks, citing the lack of affordable mortgages and a fall in consumer confidence.

It adds sales have fallen by a quarter since the beginning of the year.

## 29 April

The CML says the number of new mortgages approved in March slipped 44% to 64 the lowest monthly number since records began in 1999.

## 30 April

The first annual fall in house prices for 12 years is recorded by Nationwide.

Prices were 1% lower in April compared to a year earlier after a "steep decline" in home buying over the previous six months.

Later in the week, figures from the UK's biggest lender Halifax, show a 0.9% annual fall for



“ I have a deep sense of shock at how deeply our successful industry has already been hit by these unprecedented funding market conditions ”

Steven Crawshaw, chairman of the Council for Mortgage Lenders, speaking on 11 April 2008



“ The effects of the credit crunch are likely to be broader, deeper and more protracted than previously expected ”  
IMF global stability report, 8 April 2008



“ Because of the uncertainties in the global economy and the UK lending environment, it is difficult to predict



April.

when the [housing] market will improve



## 2 May

House builder Persimmon

[Read the full story from 25 April](#)

More than [850 companies went into administration between January and March](#), government figures show, a rise of 54% on the previous year. Retail and construction firms are hardest hit.

## 22 May

Swiss bank UBS, one of the worst affected by the credit crunch, [launches a \\$15.5bn rights issue](#) to cover some of the \$37bn it lost on assets linked to US mortgage debt.

## 19 June

There are significant developments in two major credit crunch-related investigations in the US, which it is hoped will restore confidence in the credit markets.

The FBI [arrests 406 people, including brokers and housing developers](#), as part of a crackdown on alleged mortgage frauds worth \$1bn.

Separately, [two former Bear Stearns workers face criminal charges related to the collapse of two hedge funds](#) linked to sub-prime mortgages.

It is alleged they knew of the funds' problems but did not disclose them to investors, who lost a total of \$1.4bn.

## 25 June

Barclays [announces plans to raise £4.5bn in a share issue](#) to bolster its balance sheet.

The Qatar Investment Authority, the state-owned investment arm of the Gulf state, will invest £1.7bn in the British bank, giving it a 7.7% share in the business. A number of other foreign investors increase their existing holdings.

## JULY 2008: MAJOR LENDERS ON THE EDGE

### 8 July

The gloomy findings of a survey of its members [prompt the British Chambers of Commerce \(BCC\) to suggest that the UK is facing a serious risk of recession](#) within months.

Meanwhile, the FTSE 100 stock index briefly dips into a "bear market", in which the market suffers a 20% fall from its recent highs.

### 13 July

[US mortgage lender IndyMac collapses](#) - the second-biggest bank in US history to fail.

“ The outlook is grim and we believe that the correction period is likely to be longer and nastier than expected ”

British Chambers of Commerce, 18 July 2008

[Read the full story](#)

### 14 July

Financial authorities [step in to assist America's two largest lenders, Fannie Mae and Freddie Mac](#). As owners or guarantors of \$5 trillion worth of home loans, they are crucial to the US housing market and authorities agree they could not be allowed to fail.

The previous week, there had been a panic amongst investors that they might collapse, causing their share prices to plummet.

### 21 July

Just [8% of HBOS investors agree to take up the new shares offered in its £4bn rights issue](#) because they are priced higher than existing shares are trading on the stock market.

But HBOS still gets the £4bn it wanted, as the unsold new shares are bought by the issue's underwriters.

### 31 July

UK house prices [show their biggest annual fall since the Nationwide began its housing survey in 1991](#) a decline of 8.1%.

The average home now costs £169,316. That is nearly £15,000 cheaper than in the same month last year.

Meanwhile, HBOS reveals that profits for the first half of the year sank 72% to £848m, while bad debts rose 36% to £1.31bn as customers

failed to repay loans.

## **AUGUST - SEPTEMBER 2008: GIANTS SUFFER**

### **4 August**

Global banking giant HSBC [warned that conditions in financial markets are at their toughest "for several decades"](#) after suffering a 28% fall in half-year profits.

Of Europe's top banks, HSBC has among the heaviest exposure to the troubled US housing and credit markets.

### **22 August**

The bad news continues with revised figures from the ONS revealing that the UK economy is a standstill.

### **28 August**

Nationwide reveals that UK house prices have fallen by 10.5% in a year.

A day later [Bradford and Bingley posts losses of £26.7m for the first half of 2008](#), blaming surging mortgage arrears for a rise in impairment.

Looking ahead, it warned it expected arrears to remain at high levels for the rest of the year.

### **30 August**

Chancellor Alistair Darling [warns that the economy is facing its worst crisis for 60 years](#) in an interview with the Guardian newspaper, saying the current downturn would be more "profound and long-lasting" than most had feared.

### **2 September**

In an effort to kick-start the UK housing market [the Treasury announces a one year rise in stamp duty exemption](#), from £125,000 to £175,000.

But there is more bad news, as the Organisation for Economic Cooperation and Development forecasts that the UK will be in a full blown recession by the end of the next two quarters. A day later the European central bank cuts growth forecast 2009 to 1.2% from 1.5%.

### **5 September**

A raft of negative news from around the world [sees the FTSE notch up its steepest weekly decline since July 2002](#).

The US labour market figures, which showed the unemployment rate rising to 6.1%, were a further jolt to investors who have had to swallow a slew of poor economic data in recent days.

### **7 September**

Mortgage lenders Fannie Mae and Freddie Mac - which account for nearly half of the outstanding mortgages in the US - [are rescued by the US government in one of the largest bailouts in US history](#).

Treasury Secretary Henry Paulson says the two firms' debt levels posed a "systemic risk" to financial stability and that, without action, the situation would get worse.

### **10 September**

Wall Street bank Lehman Brothers posts a loss of \$3.9bn for the three months to August.

The announcement comes against a background of further dire economic warnings from the European Commission, which [warned that the UK, Germany and Spain will go into recession by the end of the year](#).

### **15 September**

After days of searching frantically for a buyer, [Lehman Brothers files for Chapter 11 bankruptcy protection](#), becoming the first major bank to collapse since the start of the credit crisis.

Former Federal Reserve chief Alan Greenspan dubs the situation as "probably a once in a century type of event" and warns that other major firms will also go bust.

Meanwhile, another US bank [Merrill Lynch](#), also stung by the credit crunch, agrees to be taken over by [Bank of America](#) for \$50bn.

### 16 September

The US Federal Reserve [announces an \\$85bn rescue package for AIG](#), the country's biggest insurance company, to save it from bankruptcy. AIG gets the loan in return for an 80% stake in the firm.

### 17 September

Lloyds TSB announces it is to take over Britain's biggest mortgage lender [HBOS in a £12bn deal](#) creating a banking giant holding close to one-third of the UK's savings and mortgage market. The deal follows a run on HBOS shares.

### 25 September

In the largest bank failure yet in the United States, Washington Mutual, the giant mortgage lender, which had assets valued at \$307bn, is [closed down by regulators and sold to JPMorgan Chase](#).

### 28 September

The credit crunch hits Europe's banking sector as the European banking and [insurance giant Fortis is partly nationalised to ensure its survival](#).

In the US, lawmakers announce they have reached a bipartisan agreement on a rescue plan for the American financial system.

The package, to be approved by Congress, allows the Treasury to spend up to \$700bn buying bad debts from ailing banks.

It will be the biggest intervention in the markets since the Great Depression of the 1930s.

### 29 September

In Britain, the [mortgage lender Bradford & Bingley is nationalised](#). The British government takes control of the bank's £50bn mortgages and loans, while its savings operations and branches are sold to Spain's Santander.

The Icelandic government [takes control of the country's third-largest bank, Glitnir](#), after the company faces short-term funding problems.

Wachovia, the fourth-largest US bank, is bought by its larger rival Citigroup in a rescue deal backed by the US authorities. Under the deal, Citigroup will absorb up to \$42bn of Wachovia losses.

The US House of Representatives rejects a \$700bn rescue plan for the US financial system - sending shockwaves around the world.

It opens up new uncertainties about how banks will deal with their exposure to toxic loans and how credit markets can begin to operate more normally. Wall Street shares plunge, with the Dow Jones index slumping 7% or 770 points, a record one-day point fall.

### 30 September

[Dexia becomes the latest European bank to be bailed out](#) as the deepening credit crisis continues to shake the banking sector.

After all-night talks, the Belgian, French and Luxembourg governments say they will put in 6.4bn euros (\$9bn; £5bn) to keep it afloat.

[The Irish government says it will guarantee all deposits in the country's main banks for two years](#)

## OCTOBER-NOVEMBER 2008: THE FIGHTBACK

### 3 October

The US House of Representatives [passes a \\$700bn \(£394bn\) government plan to rescue the US financial sector](#).

The 263-171 vote is the second in a week, following its shock rejection of an earlier version on Monday.

The UK's City watchdog, the Financial Services Authority (FSA) [raises the limit of the amount of deposits that are guaranteed should a bank go bust to £50,000](#).

### 6 October

Germany announces a [50bn euro \(\\$68bn; £38.7bn\) plan to save one of the country's biggest banks](#)



The deal to save Hypo Real Estate, reached with private banks, is worth 15bn euros more than the first rescue attempt, which fell apart a day earlier.

[Iceland announces part of a plan to shore up its troubled banking sector](#). The country's largest banks agree to sell some of their foreign assets.

#### 7 October

The Icelandic government [takes control of Landsbanki](#), the country's second largest bank, which owns Icesave in the UK.

#### 8 October

The UK government announces details of [a rescue package for the banking system](#) worth at least £50bn (\$88bn).

The government is also offering up to £200bn (\$350bn) in short-term lending support.

The US Federal Reserve, European Central Bank (ECB), Bank of England, and the central banks of Canada, Sweden and Switzerland [make emergency interest rate cuts](#) of half a percentage point. The Fed cuts its base lending rate to 1.5%, the ECB to 3.75%, and the Bank of England to 4.5%.

#### 11 October

Finance ministers from leading industrialised nations pledge action to tackle the financial crisis. [The G7 nations issue a five-point plan of "decisive action"](#) to unfreeze credit markets, after a meeting in Washington.

#### 13 October

The UK government announces plans to pump billions of pounds of taxpayers' money into three UK banks in [one of the UK's biggest nationalisations](#). Royal Bank of Scotland (RBS), Lloyds TSB and HBOS will have a total of £37bn injected into them.

#### 14 October

The US government unveils [a \\$250bn \(£143bn\) plan](#) to purchase stakes in a wide variety of banks in an effort to restore confidence in the sector. President George W Bush says it will help to return stability to the US banking sector and ultimately help preserve free markets.

#### 15 October

Figures for US retail sales in September show a fall of 1.2%, the biggest monthly decline in more than three years, as hard-up consumers avoid the shops.

The figures underscore fears that the wider US economy is now being hit by the financial crisis. [The Dow Jones index falls 733 points or 7.87%](#) - its biggest percentage fall since 26 October 1987.

#### 17 October

French savings bank Caisse d'Epargne [announces a loss of 600m euros \(£466m\)](#) in a "trading incident", which the bank says was triggered by what it called "extreme market volatility" amid the market crash during the week of 6 October.

#### 19 October

South Korea announces a \$130bn financial rescue package to stabilise its markets by offering a state guarantee on banks' foreign debts and promising to inject capital into struggling financial firms if necessary.

The Dutch government injects 10bn euros (\$13.4bn; £7.7bn) into the banking and insurance company ING. The government had earlier announced the establishment of a 20bn euro fund to protect the financial sector from the credit crisis.

#### 20 October

Sweden's government sets out its own bank rescue plan, with credit guarantees to banks and mortgage lenders up to a level of 1.5 trillion kroner (£117.2bn; \$205bn). The government says it will also set aside 15bn kroner as a bank stabilisation fund.

India's central bank unexpectedly cut its short-term lending rates in response to continued pressure from the global financial crisis. The Reserve Bank of India cuts the repo rate by a full percentage point to 8%.

#### 24 October

In Denmark, the central bank raises its key interest rate by 0.5 percentage points to 5.5%.

The UK is on the brink of a recession according to figures released by the Office for National Statistics. The economy shrank for the first time in 16 years between July and September, as economic growth fell by 0.5%.

### 30 October

The Federal Reserve cuts its key interest rate from 1.5% to 1%.

The Commerce Department issues figures showing the US economy shrank at an annualised rate of 0.3% between July and September.

### 6 November

The International Monetary Fund (IMF) approves a \$16.4bn loan to Ukraine to bolster its economy, shaken by global financial turmoil.

The Bank of England slashes interest rates from 4.5% to 3% - the lowest level since 1955.

The European Central Bank lowers eurozone rates to 3.25% from 3.75%.

### 9 November

China sets out a two-year \$586bn economic stimulus package to help boost the economy by investing in infrastructure and social projects, and by cutting corporate taxes.

### 12 November

US Treasury Secretary Henry Paulson says the government has abandoned plans to use some of the \$700bn bail-out money to buy up banks' bad debts and decided instead to concentrate on improving the flow of credit for the US consumer.

### 14 November

The eurozone officially slips into recession after EU figures show that the economy shrank by 0.2% in the third quarter.

Leaders of the G20 developed and emerging economies gather in Washington to discuss ways to contain the financial crisis and agree on longer-term reforms.

### 20 November

The International Monetary Fund (IMF) approves a \$2.1bn (£1.4bn) loan for Iceland, after the country's banking system collapsed in October. It is the first IMF loan for a Western European nation since 1976.

### 23 November

The US government announces a \$20bn (£13.4bn) rescue plan for troubled banking giant Citigroup after its shares plunge by more than 60% in a week.

### 24 November

The UK government announces a temporary cut in the level of VAT - to 15% from 17.5% - in its pre-Budget report. Chancellor Alistair Darling also says government borrowing will rise to record levels, but defends the move as essential to save the UK from a deep and long-lasting recession.

### 25 November

The International Monetary Fund (IMF) approves a \$7.6bn (£5.1bn) loan for Pakistan to shore up the country's economy. Pakistan needs the money in order to avoid defaulting on international debt.

The US Federal Reserve announces it will inject another \$800bn into the economy in a further effort to stabilise the financial system and encourage lending. About \$600bn will be used to buy up mortgage-backed securities while \$200bn is being targeted at unfreezing the consumer credit market.

### 26 November

The European Commission unveils an economic recovery plan worth 200bn euros which it hopes will save millions of European jobs. The scheme aims to stimulate spending and boost consumer confidence.

## DECEMBER 2008: INTO RECESSION

### 1 December

The [US recession](#) is officially declared by the National Bureau of Economic Research, a leading panel including economists from Stanford, Harvard and MIT. The committee concludes that the US economy started to contract in December 2007.

### 4 December

French President Nicolas Sarkozy unveils a [26bn euro stimulus plan](#) to help France fend off financial crisis, with money to be spent on public sector investments and loans for the country's troubled carmakers.

### 11 December

Bank of America announces up to 35,000 job losses over three years following its takeover of Merrill Lynch. It says the cuts will be spread across both businesses.

The [European Central Bank](#), as well as central banks in the [UK](#), [Sweden](#) and Denmark, slash interest rates again.

### 16 December

The US Federal Reserve [slashes its key interest rate](#) from 1% to a range of zero to 0.25% - the lowest since records began.

### 19 December

Japan's central bank follows suit and cuts rates from 0.3% to 0.1%. The government says the world's second largest economy [will not grow](#) in 2009.

President George W Bush says the US government will use up to \$17.4bn of the \$700bn meant for the banking sector [to help the Big Three US carmakers](#), General Motors, Ford and Chrysler.

### 29 December

The US Treasury [unveils a \\$6bn bail-out for GMAC](#), the car-loan arm of General Motors.

### 31 December

The FTSE 100 ends closes down by 31.3% since the beginning of 2008, which is the biggest annual fall in the 24 years since the index was started.

The Dax in Frankfurt lost 40.4% while the Cac 40 in Paris dropped 42.7%.

## JANUARY 2009: GLOOM DEEPENS

### 5 January

US President-elect Barack Obama [describes America's economy as "very sick"](#) and says that the situation is worsening.

### 6 January

German billionaire [Adolf Merckle commits suicide](#) after his business empire ran into trouble in the global economic slowdown.

### 8 January

The Bank of England [cuts interest rates to 1.5%, the lowest level in its 315-year history](#), as it continues efforts to aid an economic recovery in the UK.

### 9 January

Official figures show [the US jobless rate rose to 7.2% in December](#), the highest in 16 years. The figures also indicate that more US workers lost jobs in 2008 than in any year since World War II.

### 13 January

A survey by the British Chambers of Commerce suggests the end of 2008 saw a "frightening deterioration" in the UK economy.

China's exports register [their biggest decline](#) in a decade.

German Chancellor Angela Merkel unveils an [economic stimulus package](#) worth about 50bn euros (\$67bn; £45bn) to kick-start Europe's largest economy.

#### 14 January

The UK government unveils a [plan to guarantee up to £20bn of loans to small and medium-sized firms](#), to help them survive the downturn.

US Commerce Department figures show [retail sales fell by more than expected](#) in December, as shoppers cut back on spending over the Christmas period. The news prompts [big falls in share prices](#) in the US and Europe.

#### 15 January

The [European Central Bank \(ECB\)](#) cuts eurozone interest rates by half a percentage point to 2%. The ECB has now reduced rates four times from 4.25% in September as it continues efforts to bolster the eurozone economy.

The Irish government says it is to [nationalise the Anglo Irish Bank](#) after deciding pumping money into the lender was not enough to secure its future.

#### 16 January

The US government reaches an agreement to provide [Bank of America](#) with another \$20bn in fresh aid from its \$700bn financial rescue fund. The emergency funding will help the troubled bank absorb the losses it incurred when it bought Merrill Lynch.

Struggling [US banking giant Citigroup](#) announces plans to split the firm in two, as it reports a quarterly loss of \$8.29bn (£5.6bn).

#### 23 January

The UK has officially [entered a recession](#) as fourth quarter GDP falls by 1.5% compared to the previous three months.

Full coverage and details of the UK recession can be found [at this special report](#).

#### 24 January

President Obama pledges that his [economic recovery package](#) will be at the centrepiece of his administration. Mr Obama says that 80% of the spending will take place within 18 months.

#### 28 January

World economic growth is set to fall to just 0.5% this year, its lowest rate since World War II, warns the International Monetary Fund (IMF). It now projects the [UK](#) will see its economy shrink by 2.8% next year, the worst contraction among advanced nations.

The International Labour Organization said that as many as 51 million [jobs worldwide](#) could be lost this year because of the global economic crisis.

The US House of Representatives has passed President Barack Obama's \$819bn (£572bn) [economic stimulus package](#). Passed by 244 votes to 188, no Republicans backed the plan, saying it was too expensive and would not work.

<http://news.bbc.co.uk/2/hi/business/7521250.stm>