



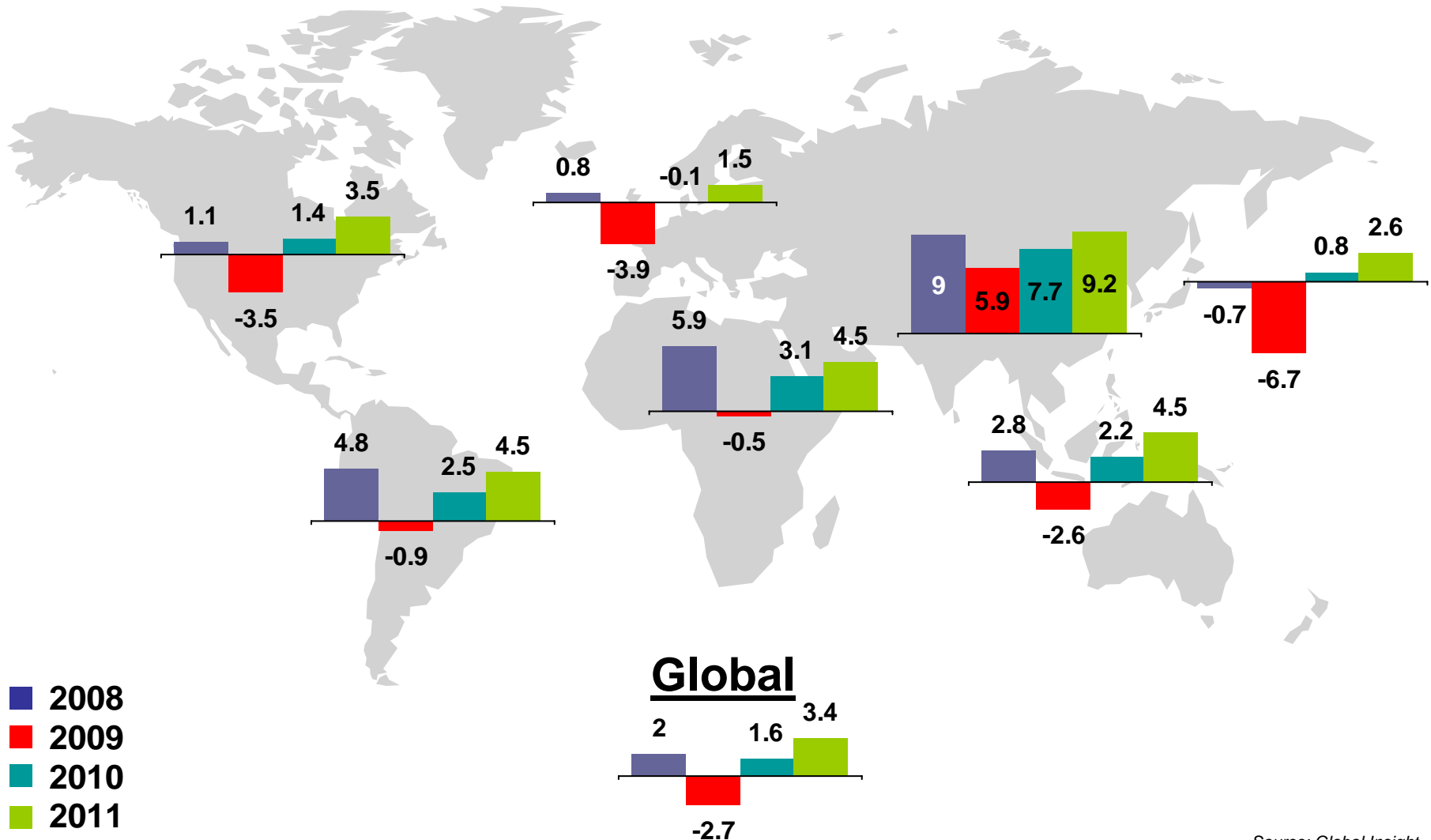
# Global Economic Outlook

TIACA Executive Summit  
28 April 2009

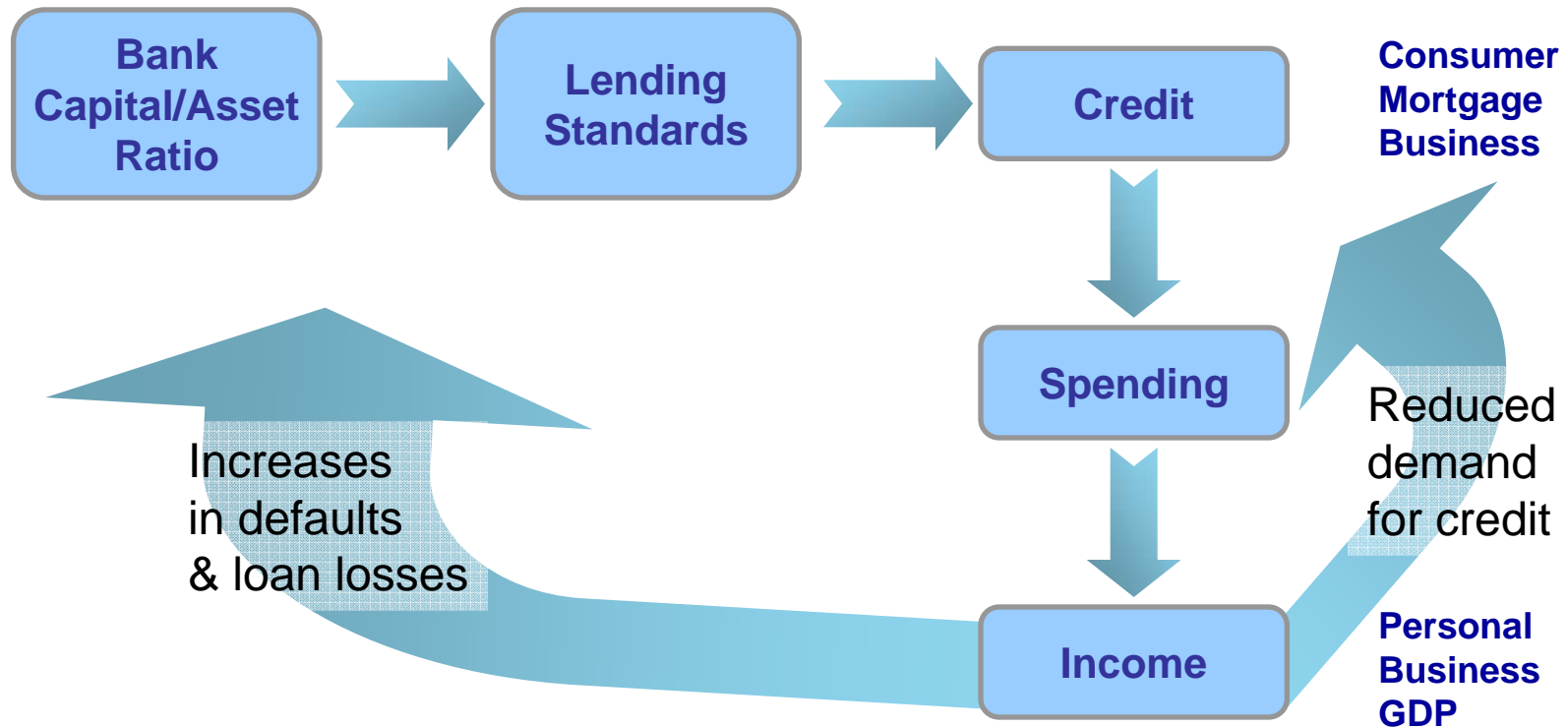
*Wendy Sowers  
Director, Business Environment  
Boeing Commercial Airplanes*

# Several asset bubbles have burst resulting in a severe global recession

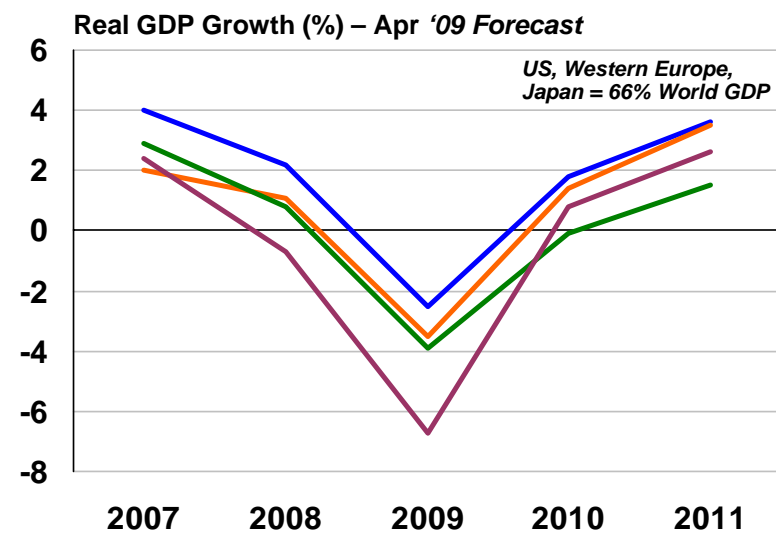
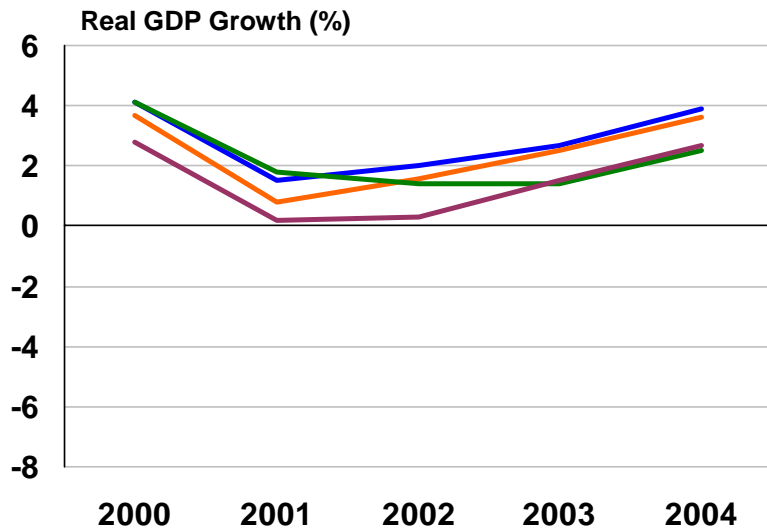
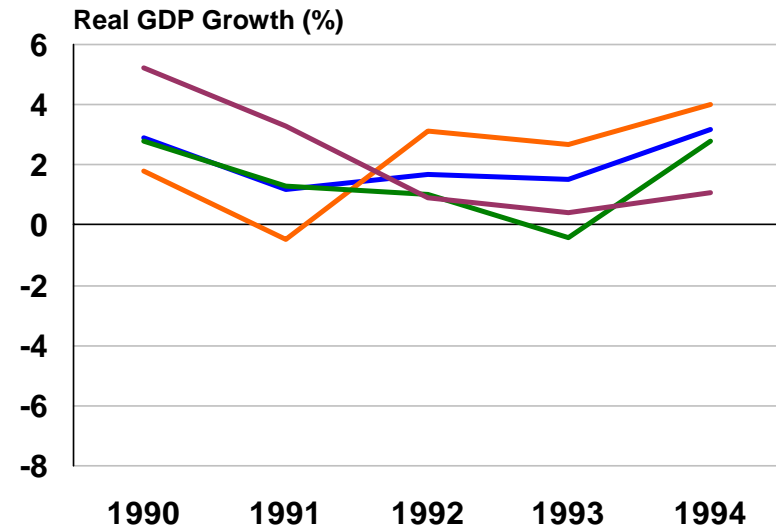
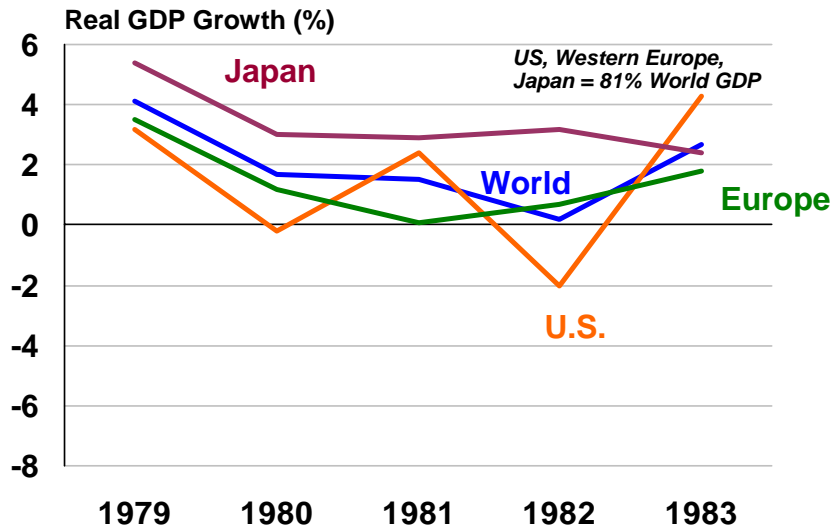
## Real Annual GDP Growth



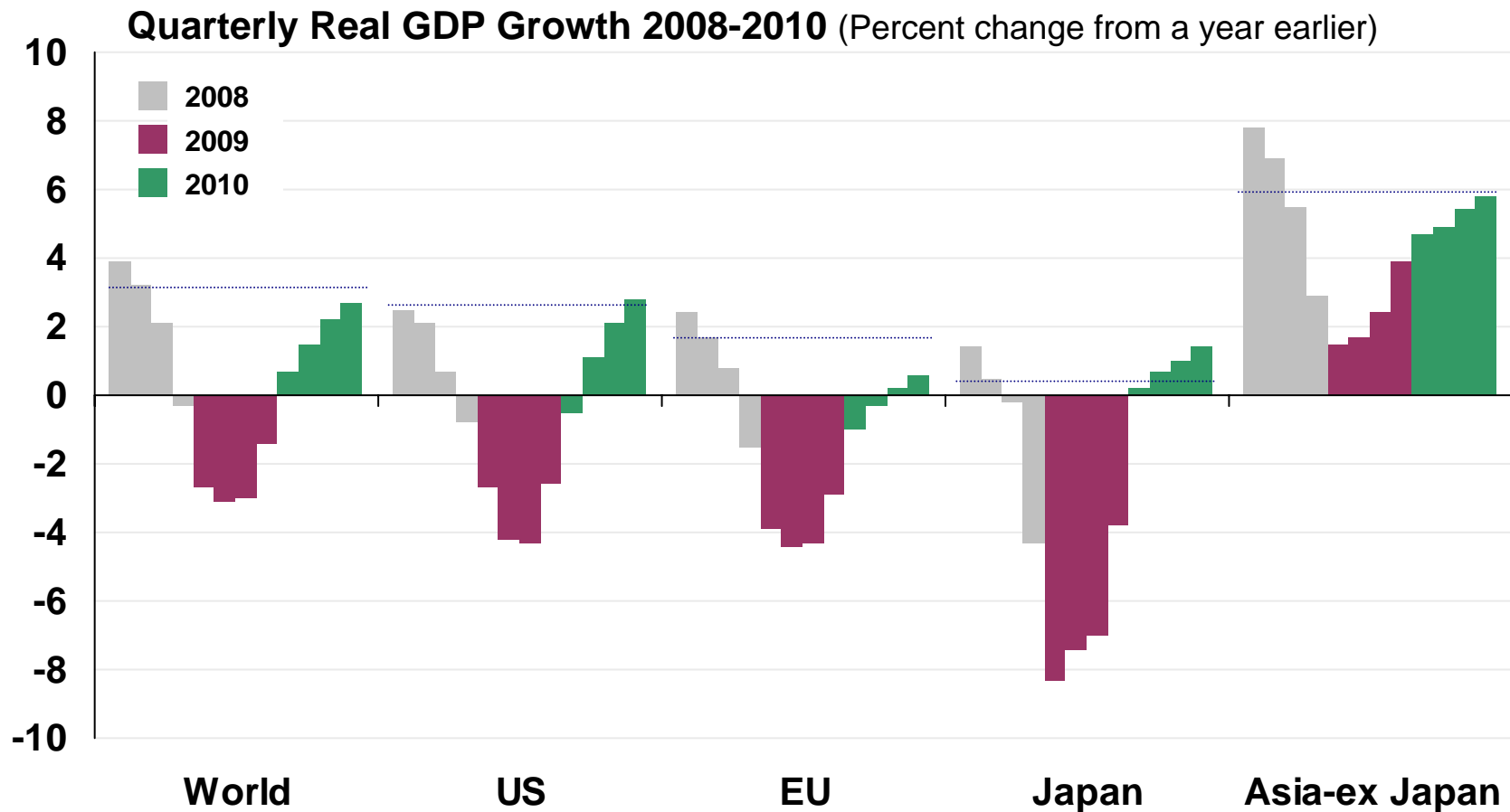
# Credit contraction is amplified by two negative feedback loops



# Current recession is deepest in decades and highly synchronized

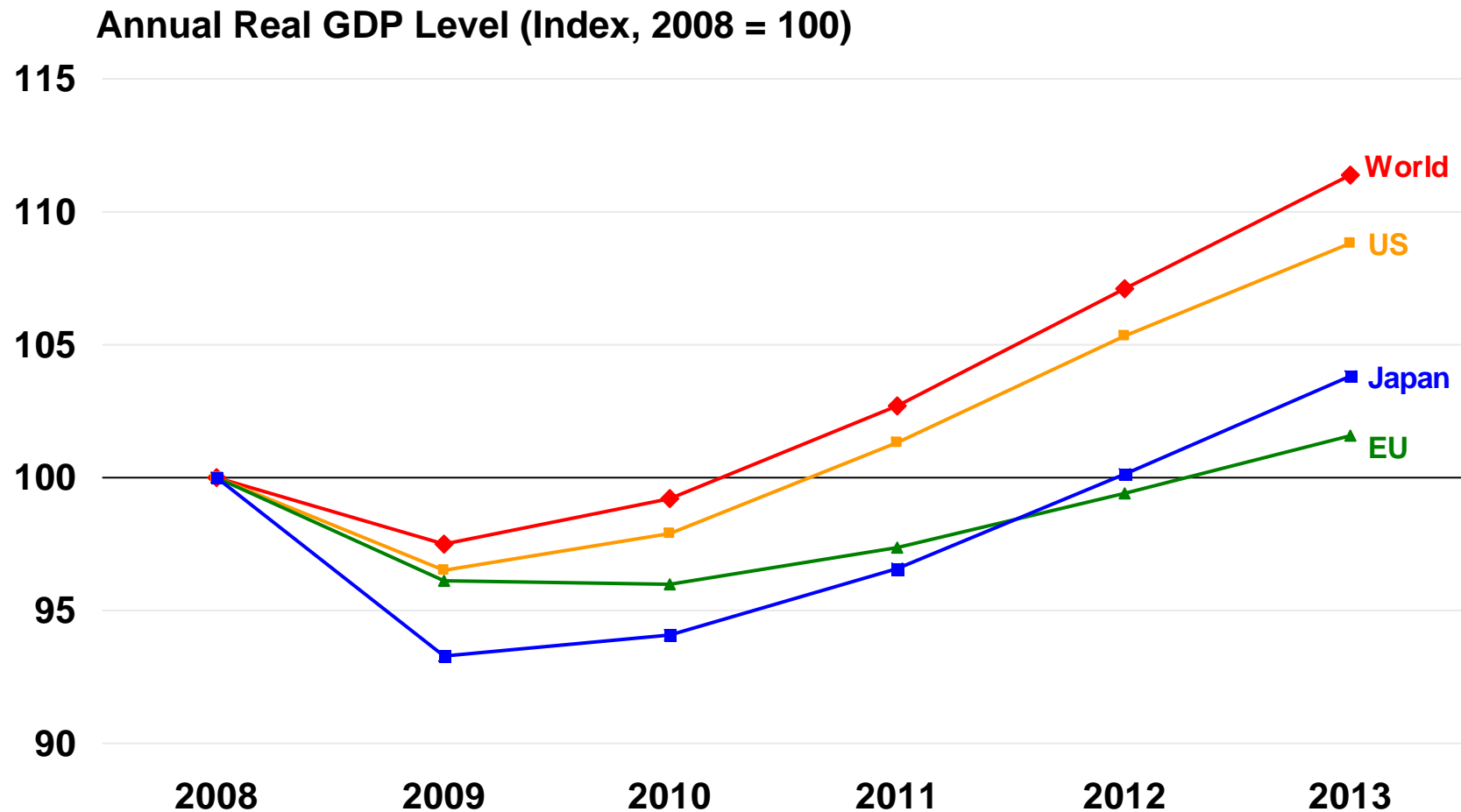


# No growth forecast until 2010 for G3



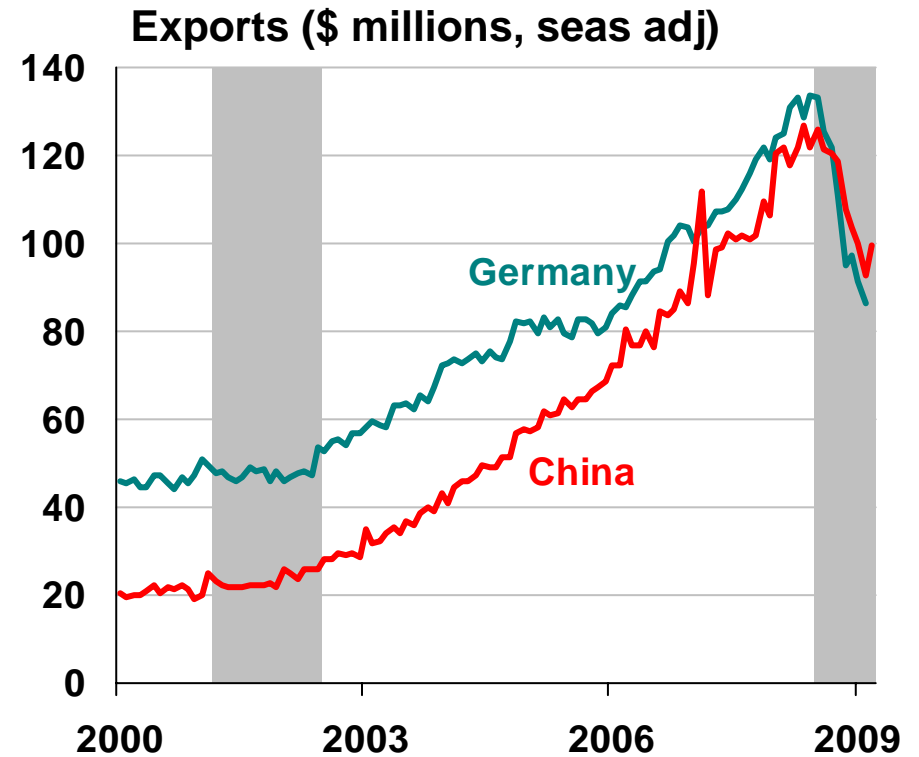
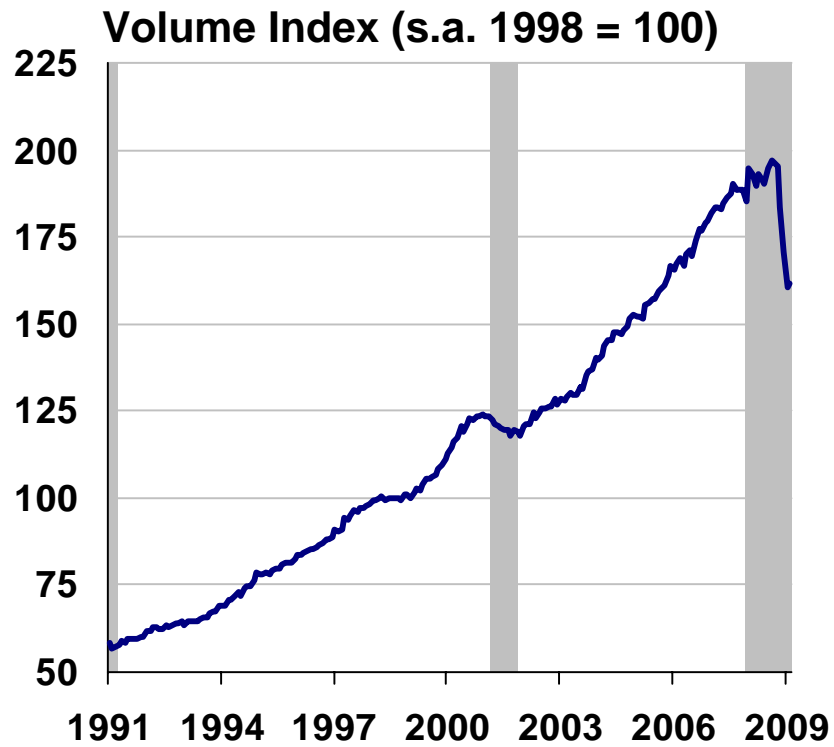
Source: Global Insight (April 2009 Interim Forecast)

# World, US not forecast see growth over 2008 levels until 2011; Japan, EU not until 2013



Source: Global Insight (April 2009 Interim Forecast)

# World trade is contracting sharply

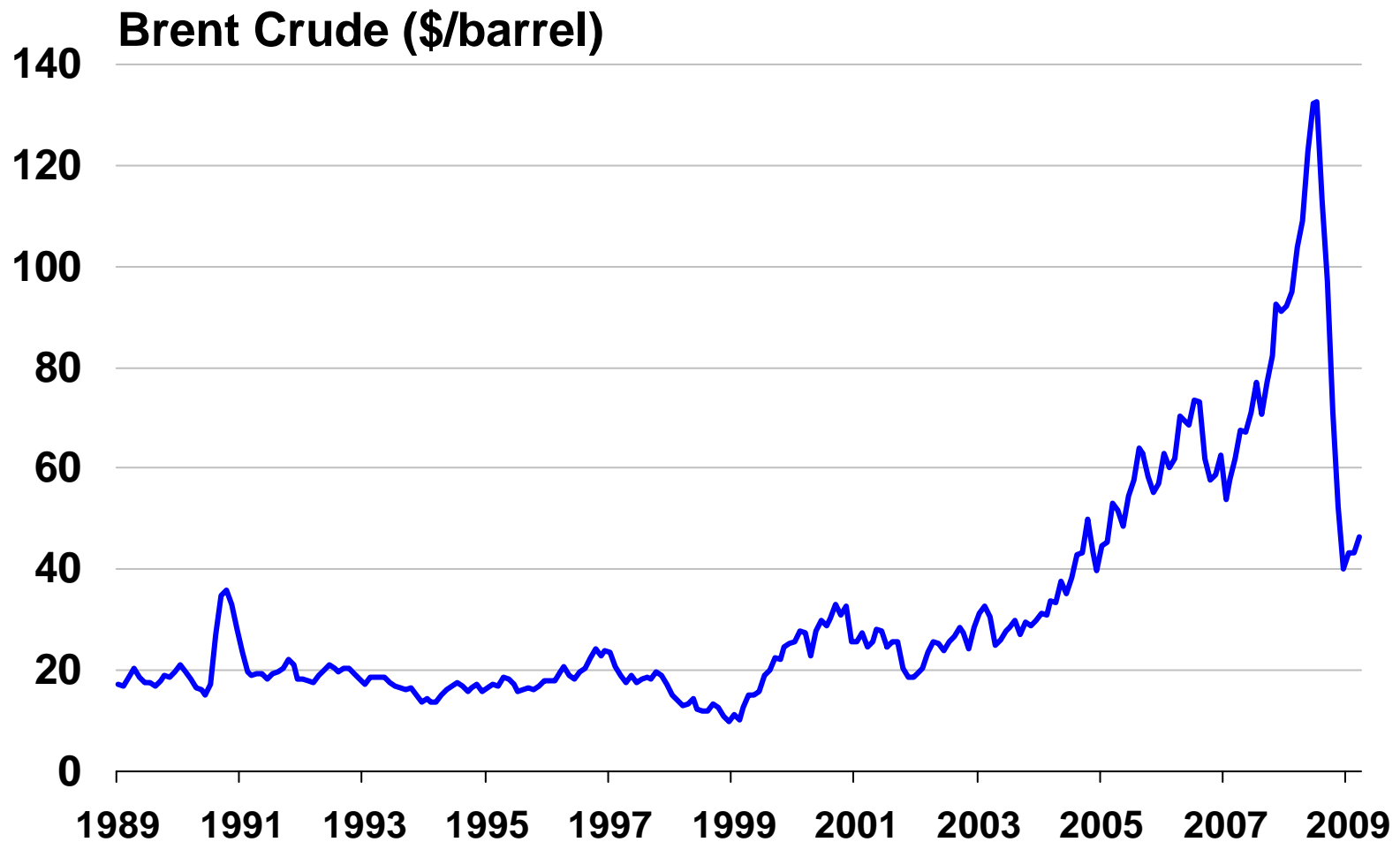


Sources: Netherlands Bureau for Economic Policy Analysis (<http://www.cpb.nl/eng/research/sector2/data/trademonitor.html>),  
Global Insight, Monthly Interim Forecast (Apr 2009, data through Feb/Mar 2009)

# Four powerful forces have been unleashed to stimulate growth

- **The substantial decline in energy and commodity prices has removed a major drag on consumers**

# 2009 oil prices are forecast to be half 2008 levels



Source: EIA ([http://tonto.eia.doe.gov/dnav/pet/pet\\_pri\\_spt\\_s1\\_m.htm](http://tonto.eia.doe.gov/dnav/pet/pet_pri_spt_s1_m.htm))

# Four powerful forces have been unleashed to stimulate growth

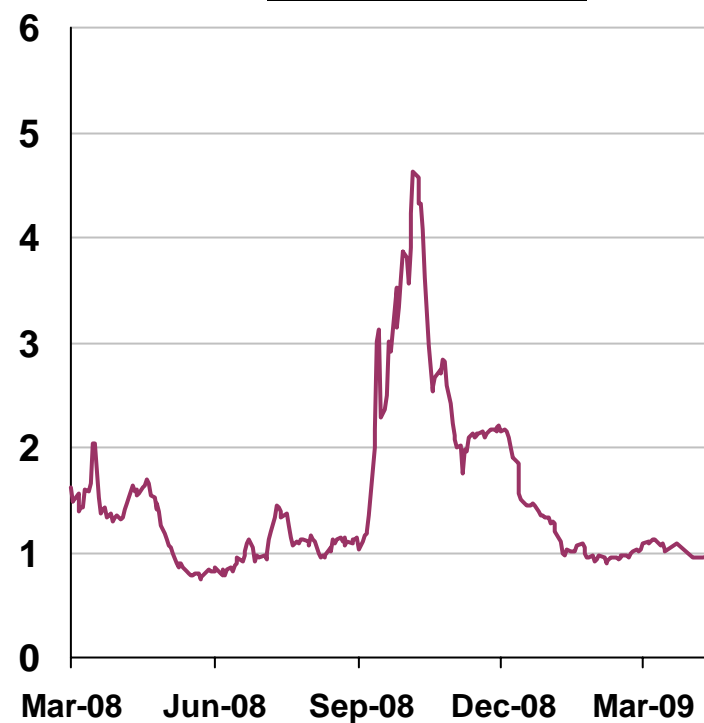
- The substantial decline in energy and commodity prices has removed a major drag on consumers
- **The financial system bailouts are having an impact – risk spreads in credit markets have shrunk significantly**

# Credit markets have eased significantly from last fall, but remain above historic levels

## 3-Month Libor

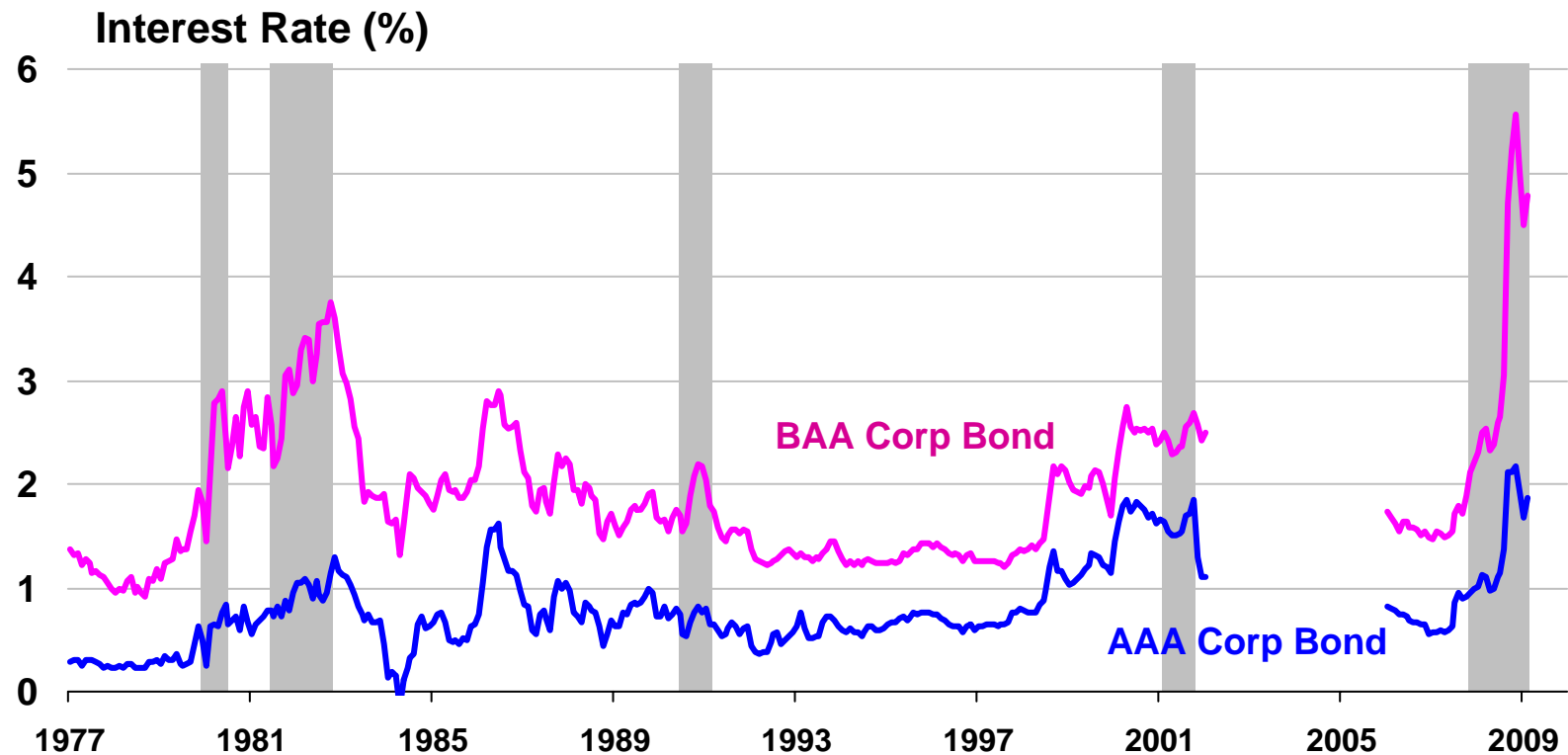


## Ted Spread



Source: Bloomberg

# Corporate interest rate spreads remain elevated

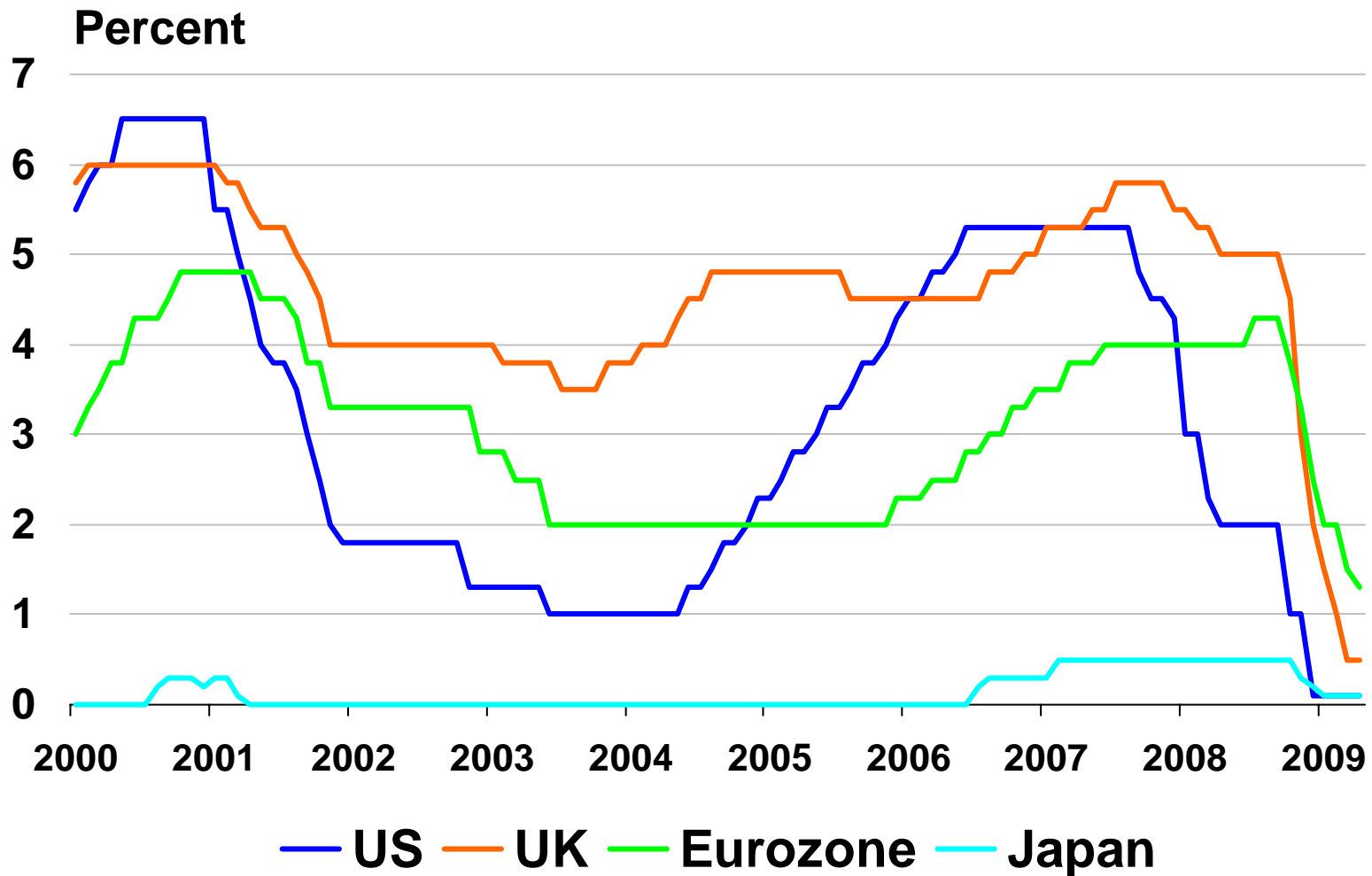


Source: St. Louis Fed (<http://research.stlouisfed.org/fred2/series/GS30/downloaddata?cid=115>,  
<http://research.stlouisfed.org/fred2/series/BAA/downloaddata?cid=119>,  
<http://research.stlouisfed.org/fred2/series/AAA/downloaddata?cid=119>)

# Four powerful forces have been unleashed to stimulate growth

- The substantial decline in energy and commodity prices has removed a major drag on consumers
- The financial system bailouts are having an impact – risk spreads in credit markets have shrunk significantly
- **Unprecedented monetary policy easing – ZIRP; “quantitative easing” has brought market interest rates down**

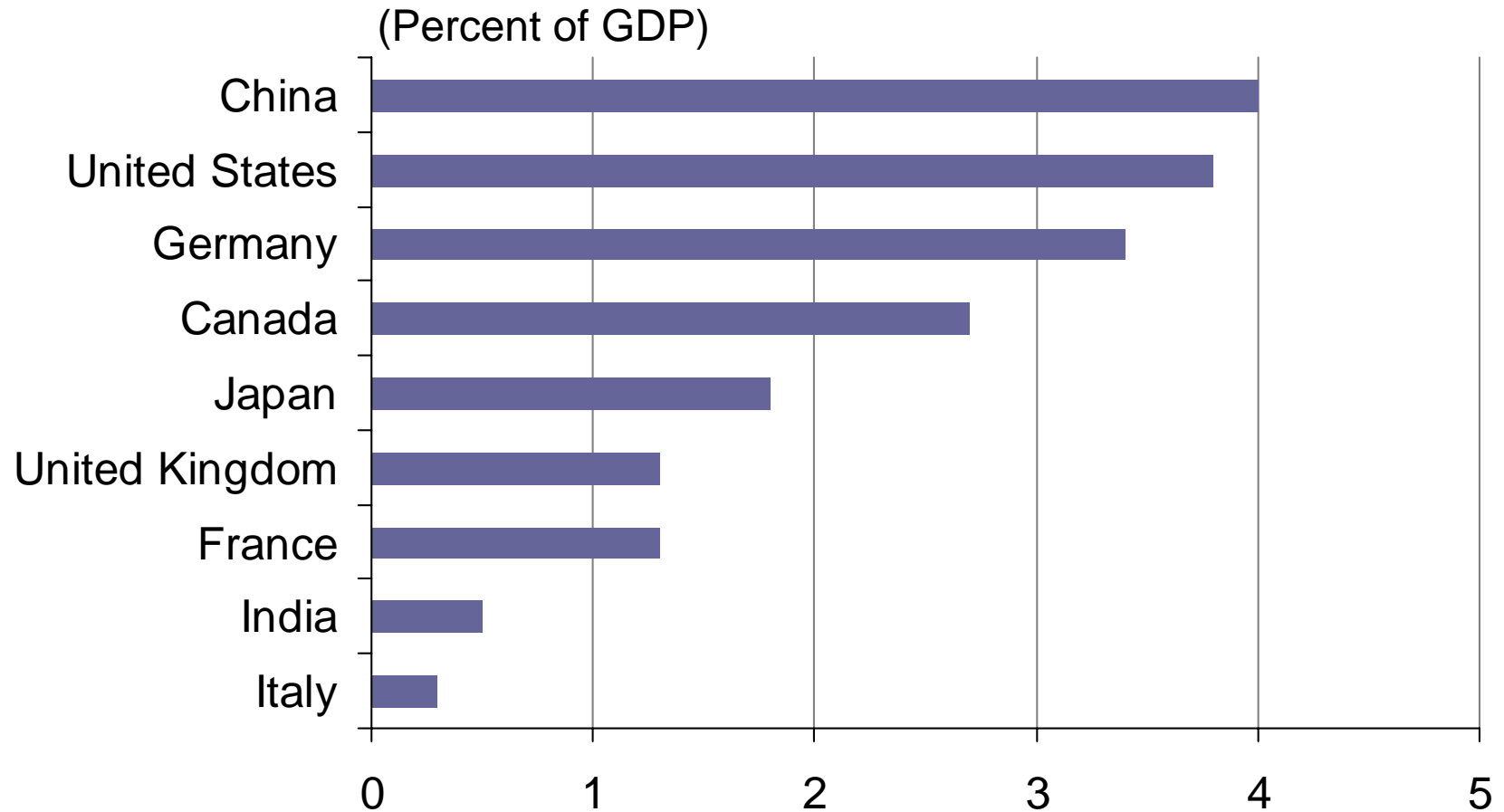
# Policy interest rates are approaching zero



# Four powerful forces have been unleashed to stimulate growth

- The substantial decline in energy and commodity prices has removed a major drag on consumers
- The financial system bailouts are having an impact – risk spreads in credit markets have shrunk significantly
- Unprecedented monetary policy easing – ZIRP; “quantitative easing” has brought market interest rates down
- **Massive fiscal stimulus packages have been proposed in the U.S. and China – more modest ones in Europe and Japan**

# Fiscal stimulus in 2009 and 2010



Source: IMF

# Are these forces having an impact?

- **Some sentiment indicators have shown signs that the global economy may be beginning to stabilize**

# Commodity prices



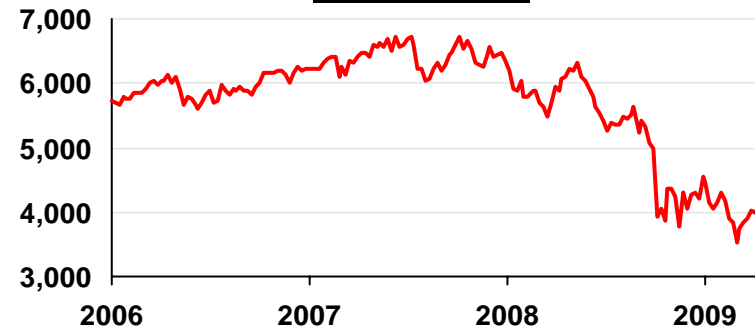
Source: (<http://www.google.com/finance/historical?q=INDEXDJX:.DJAIGIN>), weekly close

# Stock markets

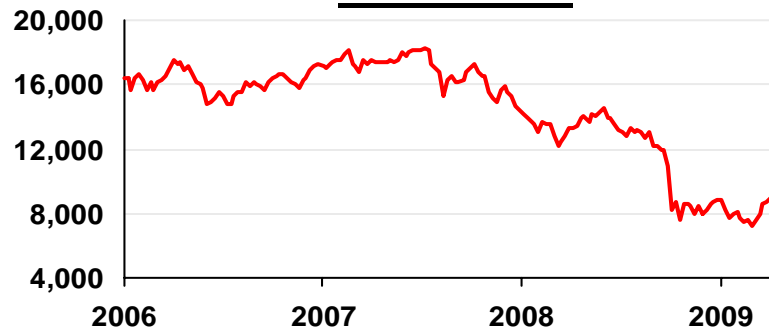
## S&P 500



## FTSE 100



## Nikkei 225

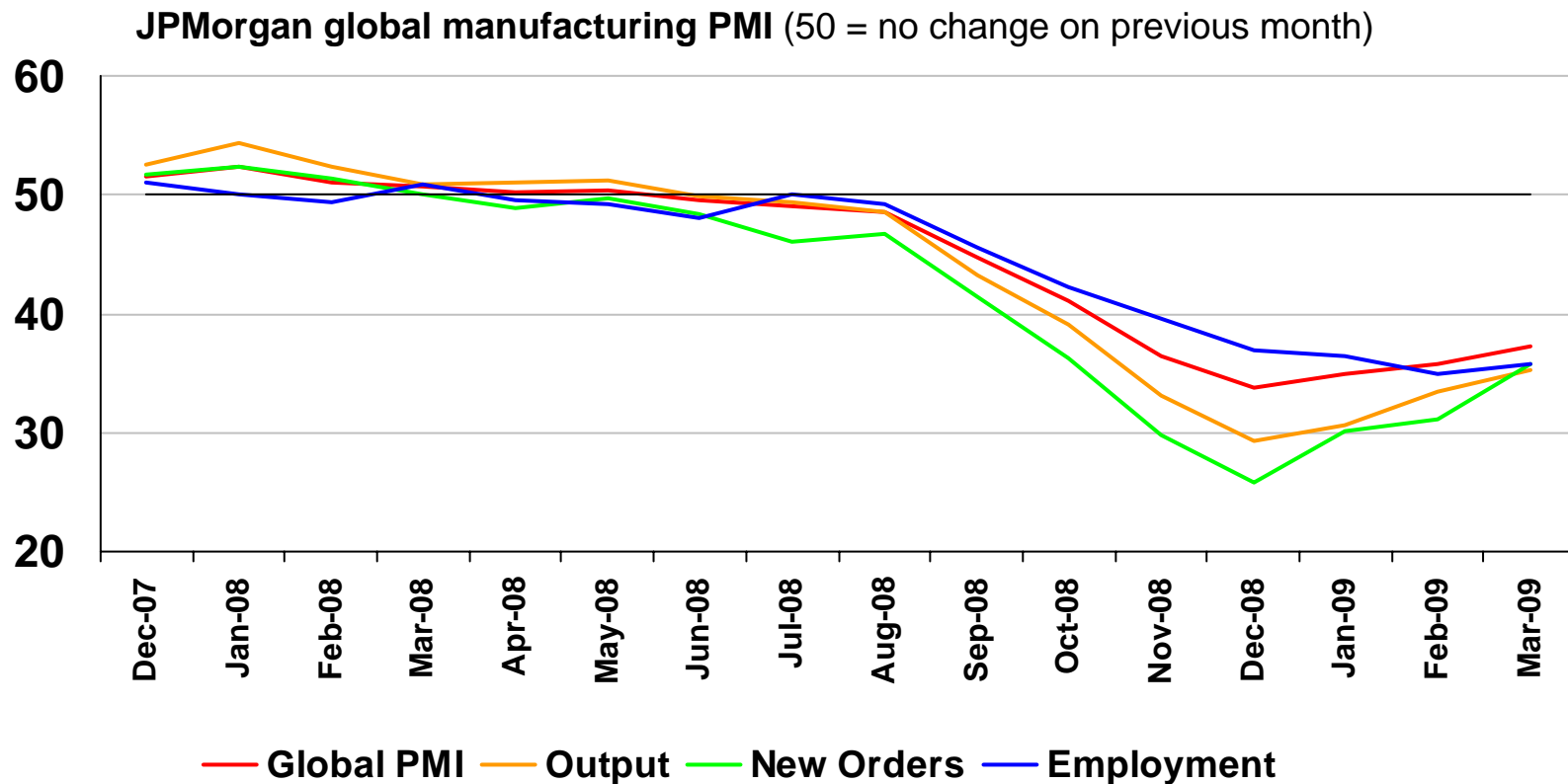


## Hang Seng



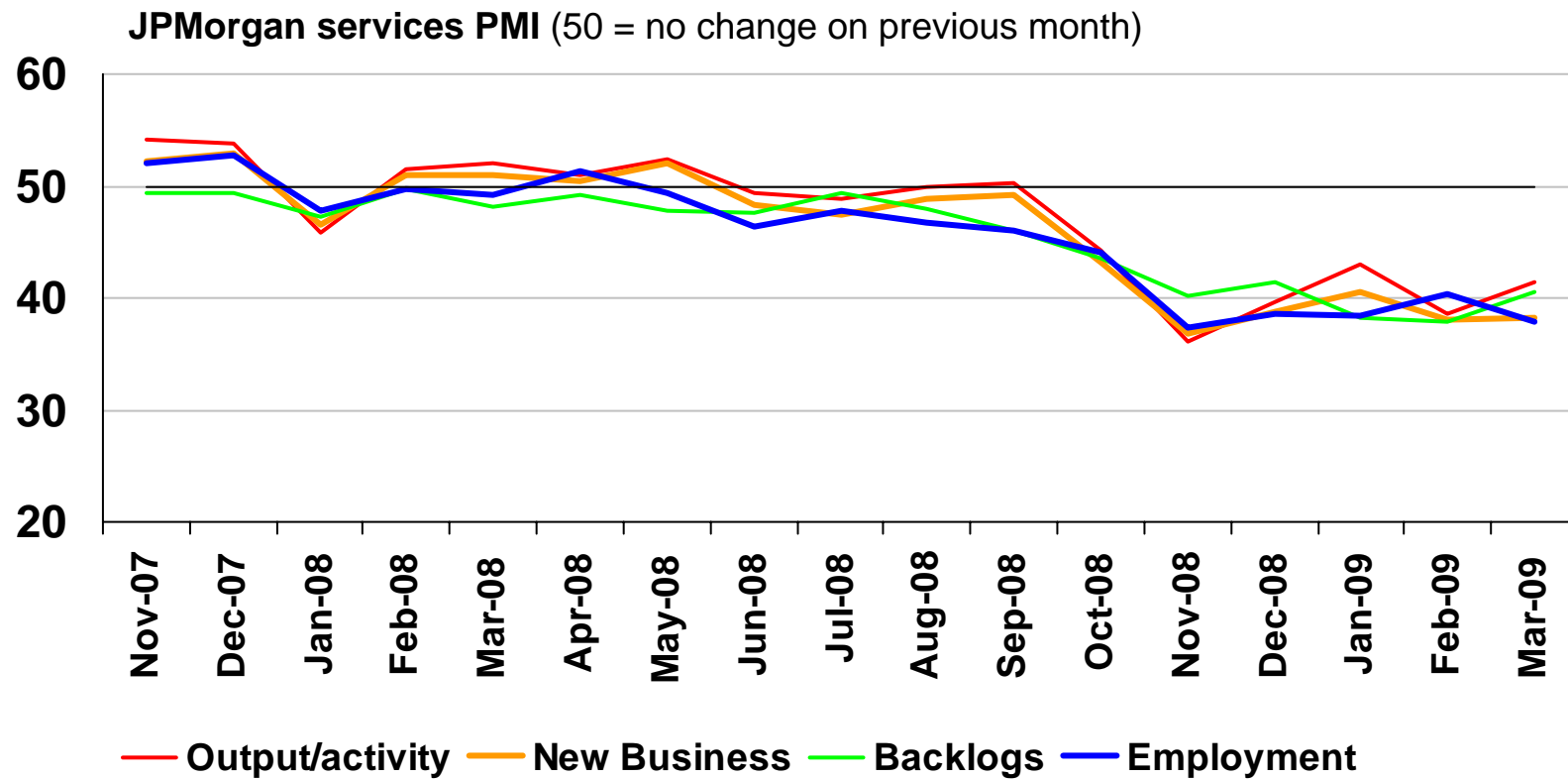
Source: Yahoo, weekly close

# Global Purchasing Managers Index: Manufacturing



Source: <http://www.ism.ws/ISMReport/content.cfm?ItemNumber=13133&navItemNumber=12954>

# Global Purchasing Managers Index: Services



Source: <http://www.ism.ws/ISMReport/content.cfm?ItemNumber=13133&navItemNumber=12954>

# Are these forces having an impact?

- Some sentiment indicators have shown signs that the global economy may be beginning to stabilize
- **Signs of confirmation that the activity indicators are stabilizing needed in the coming months**

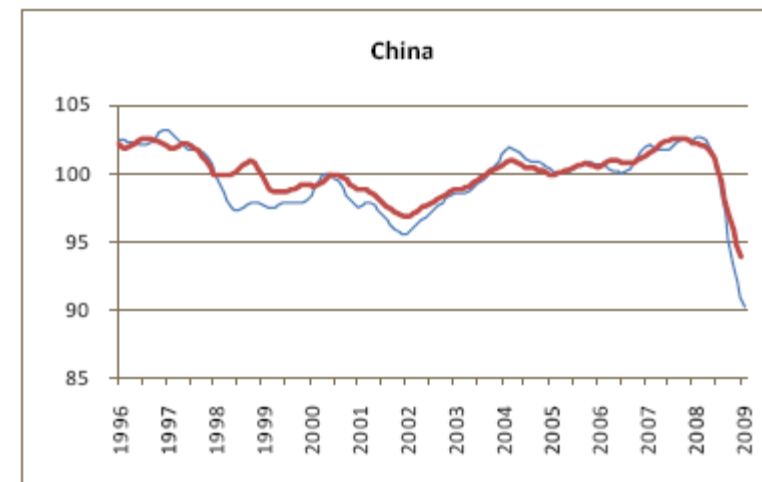
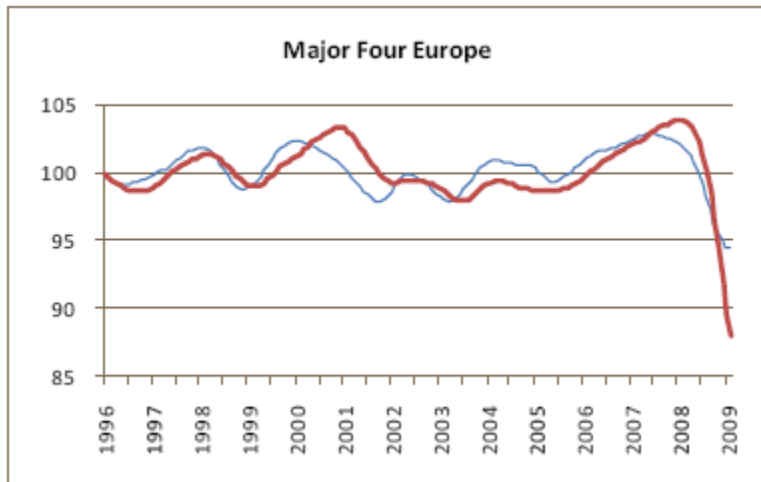
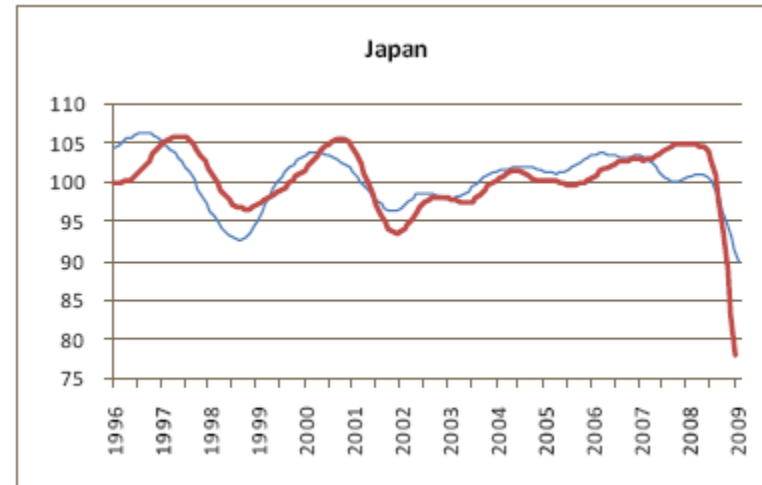
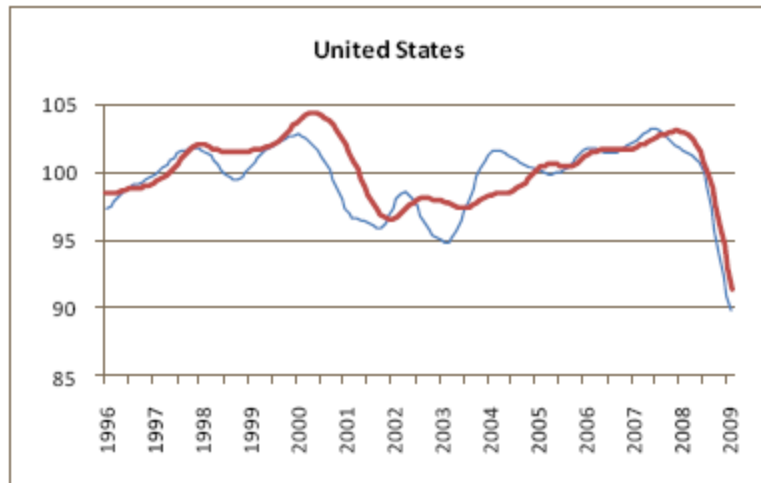
# Will “green shoots” be confirmed in coming months?

Green Shoots	Reasons for Caution
Personal income increased	Government support fades after 2Q
Auto sales rebounded modestly in March	Manufacturer incentives at all time highs
Consumer spending increased 1% in 1Q	Job losses have accelerated
Core retail sales grew in Jan and Feb	Forecast to decline in March
Stock market indexes have bounced sharply	Earnings for 2H09 look likely fall below estimates
Small decline in the inventory/sales ratio	Sales are still declining
ISM manufacturing index has stopped declining	The current level is still highly contractionary
Mortgage applications have increased	House price declines are accelerating
New single family home sales rose in February	Inventories of new homes remain near record levels
Exports rose in February	Growth in the rest of the world still weak
Mark-to-market rule eased	Creates disincentive for banks to participate in the PPIP
PPIP to remove impaired assets from banks	Insufficient to recapitalize banking system

# Are these forces having an impact?

- Some sentiment indicators have shown signs that the economy may be beginning to stabilize
- Signs of confirmation that the activity indicators are stabilizing needed in the coming months
- **Stabilization in the activity indicators would increase confidence that the economy has bottomed and the stage is being set for resumed growth sometime towards the end of 2009 or early 2010**

# OECD Leading Indicators



— Leading Indicator      — Reference Series

# Policy responses are critical to economic outlook beyond the recession

- **Inflation**
- **Protectionism**
- **Emerging market capital flows and investment**
- **Productivity growth**

