

Going through a mid-cycle slowdown

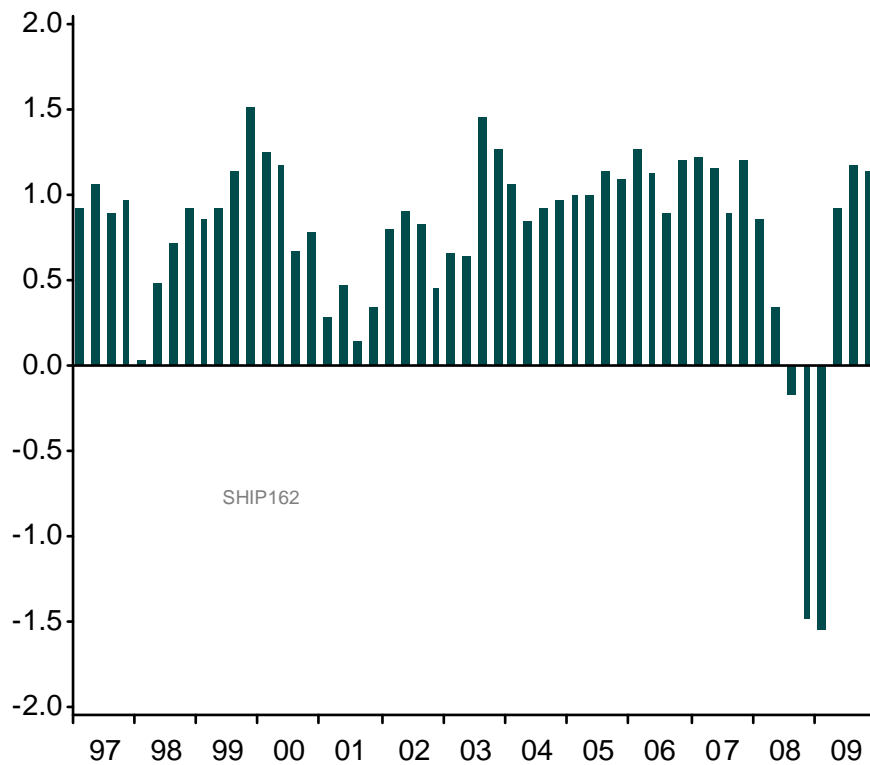
4th Euromed Management Maritime Forum 2010



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Villa Massalia, Marseille, 14 September 2010

2010Q2: another very strong quarter

World GDP growth (% QoQ)



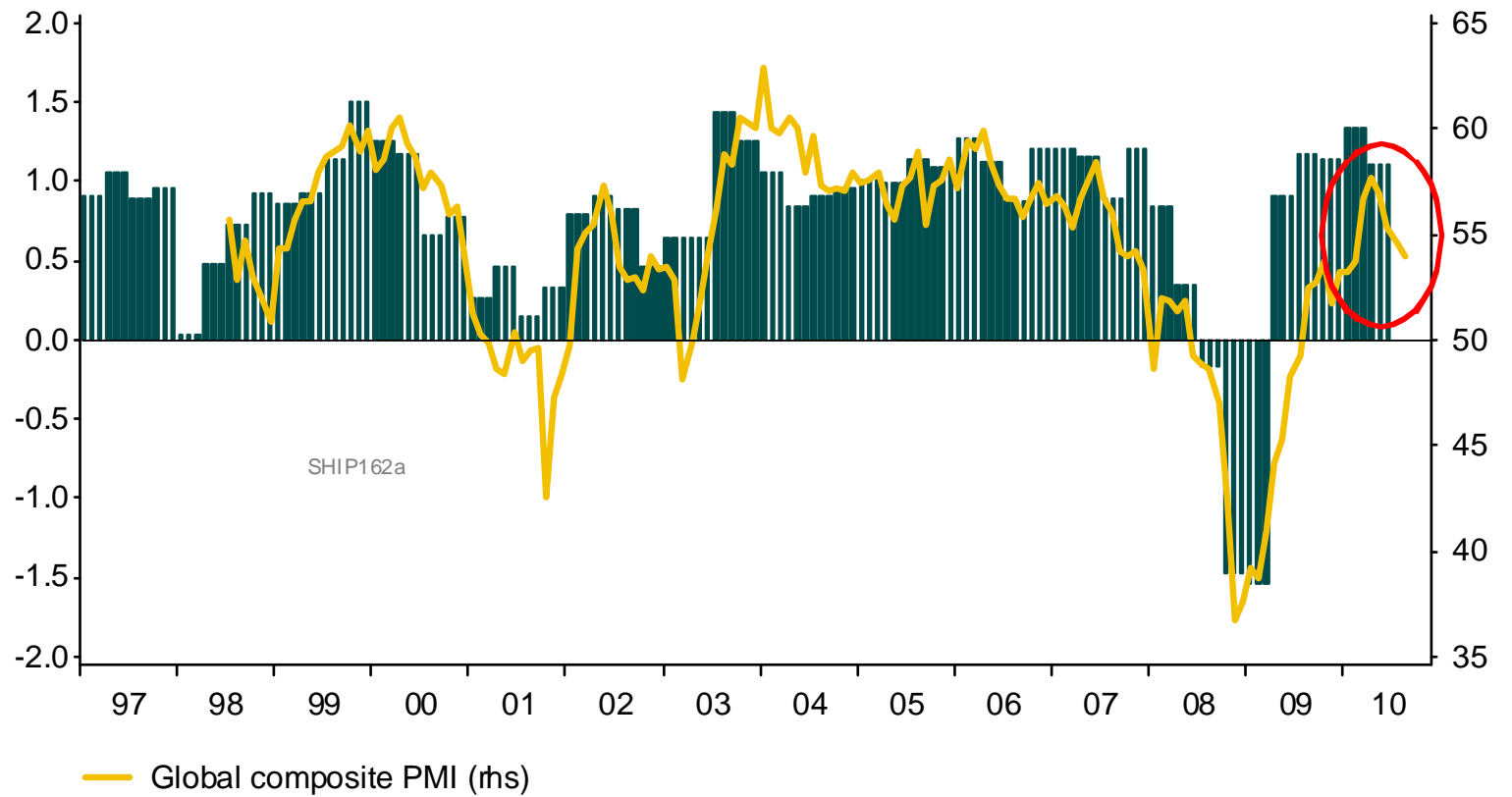
Source: Reuters EcoWin, Fortis Bank NL

GDP growth for selected countries (% QoQ)

	2010Q1	2010Q2
United States	0.9	0.4
eurozone	0.3	1.0
Japan	1.1	0.1
Brazil	2.7	1.2
Russia	0.7	1.5
India	3.3	1.9
China	2.7	2.0
World	1.3	1.1

But most recent indicators point to slowdown

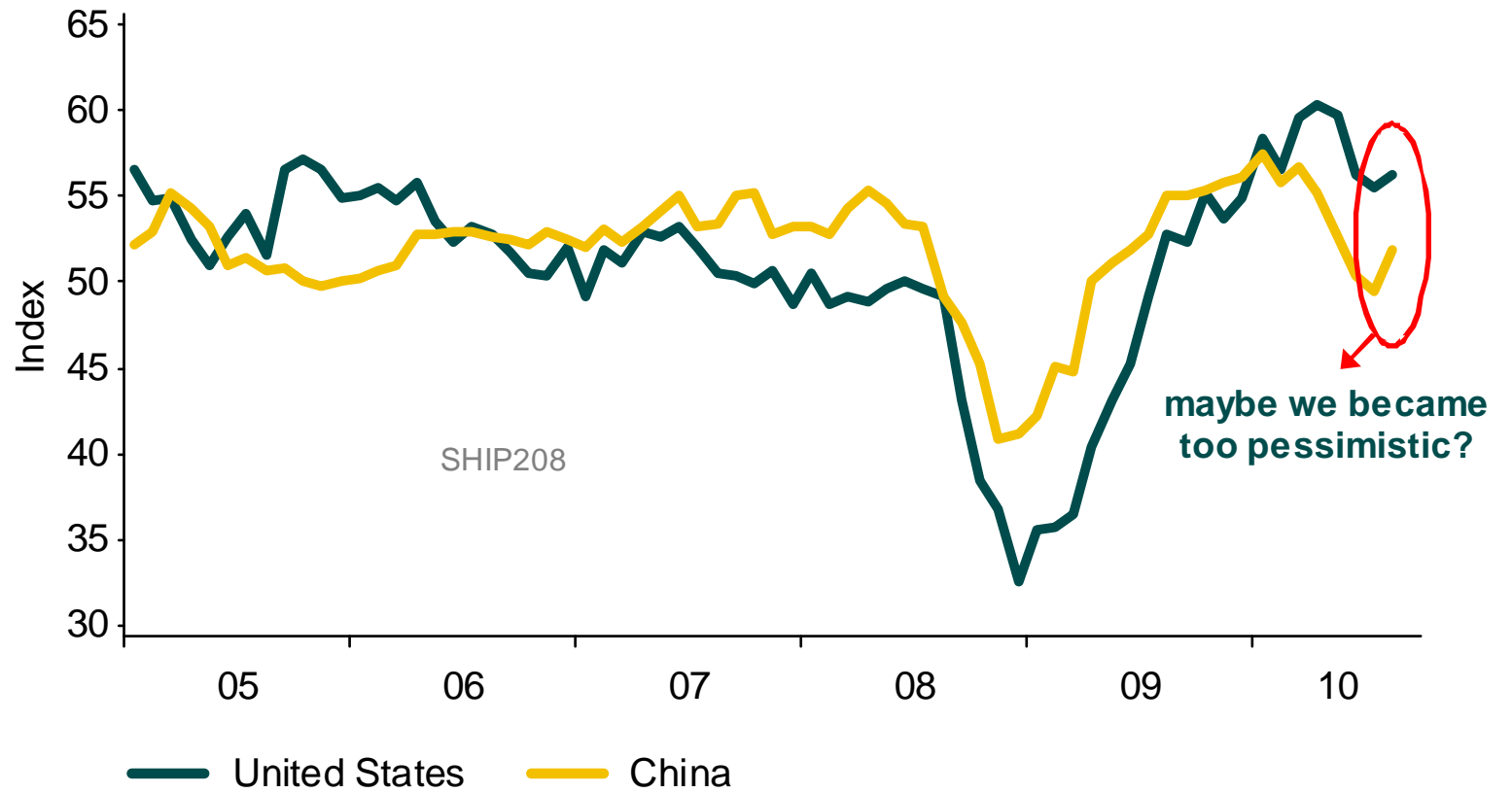
Markit, global PMI points to slower growth



Source: Reuters EcoWin, ABN AMRO

Especially worried about the United States and China

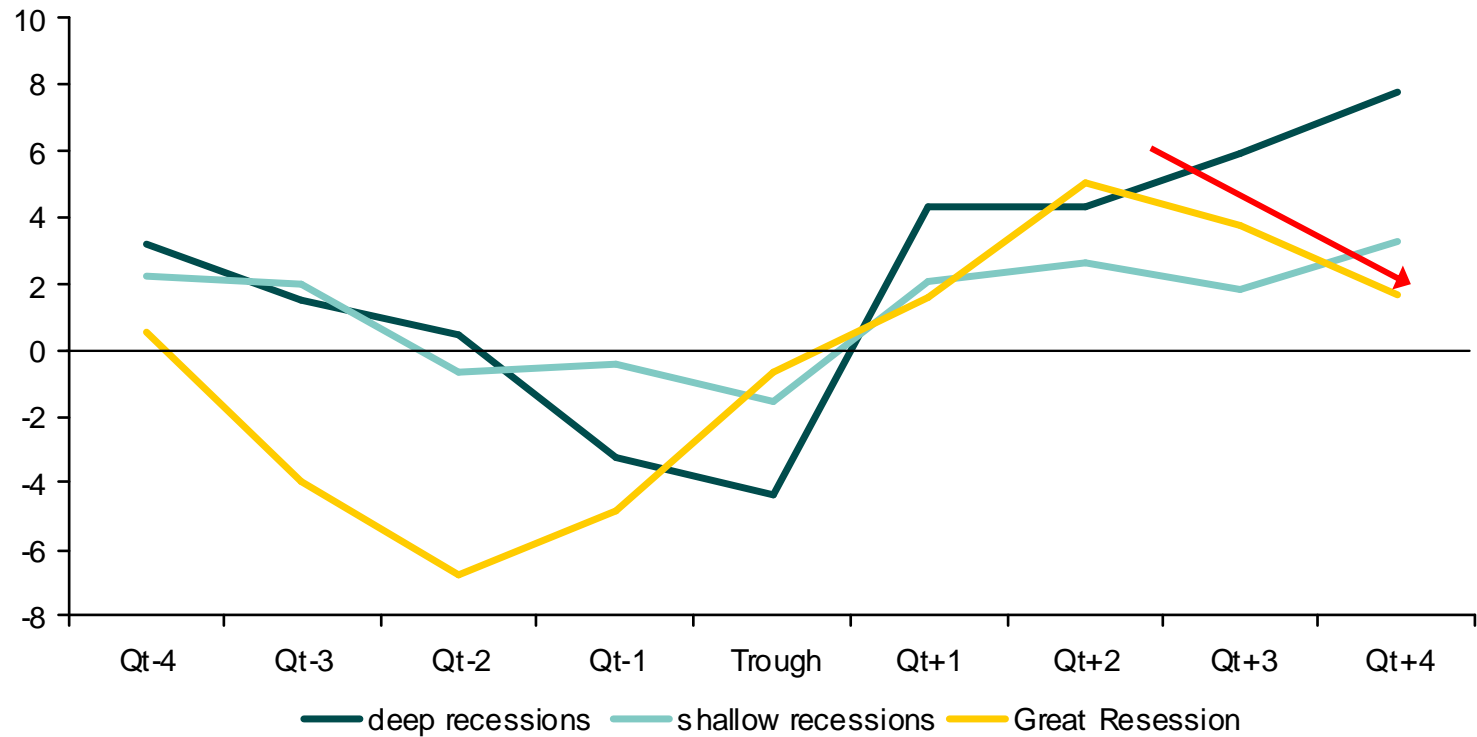
Market manufacturing PMI



Source: Reuters EcoWin

Let's focus on the United States (China should be fine)

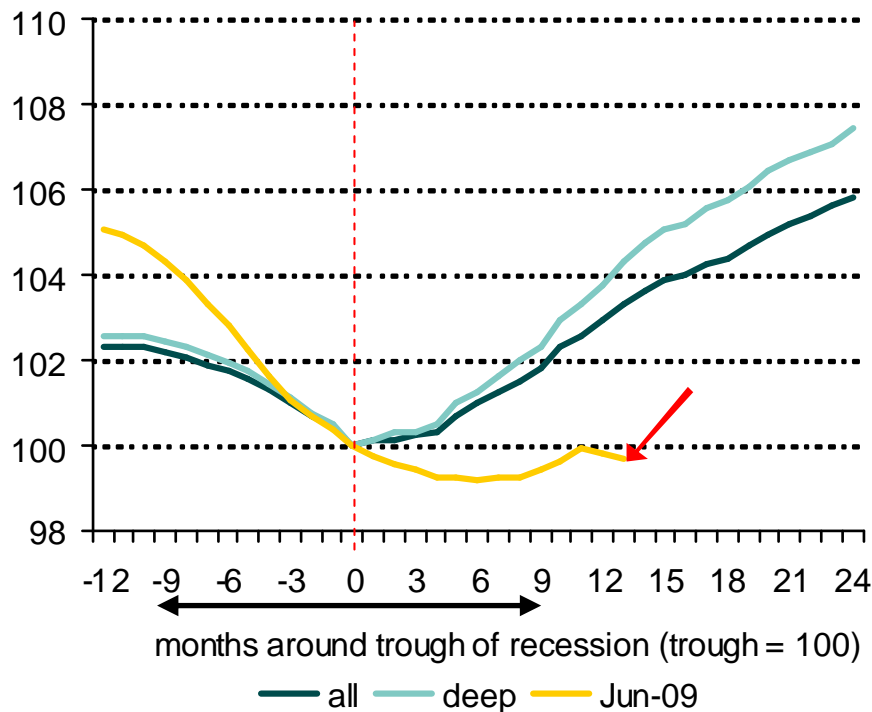
US recovery seems to be stalling prematurely



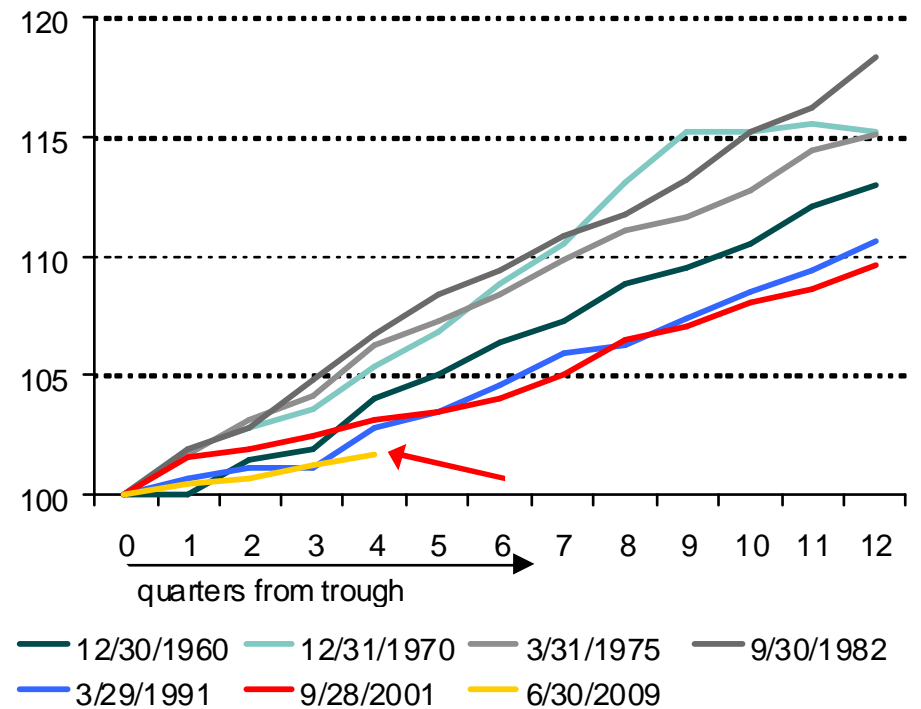
Source: Reuters EcoWin, ABNAMRO

US recovery: jobless and low on consumption...

Post WW-II employment cycles



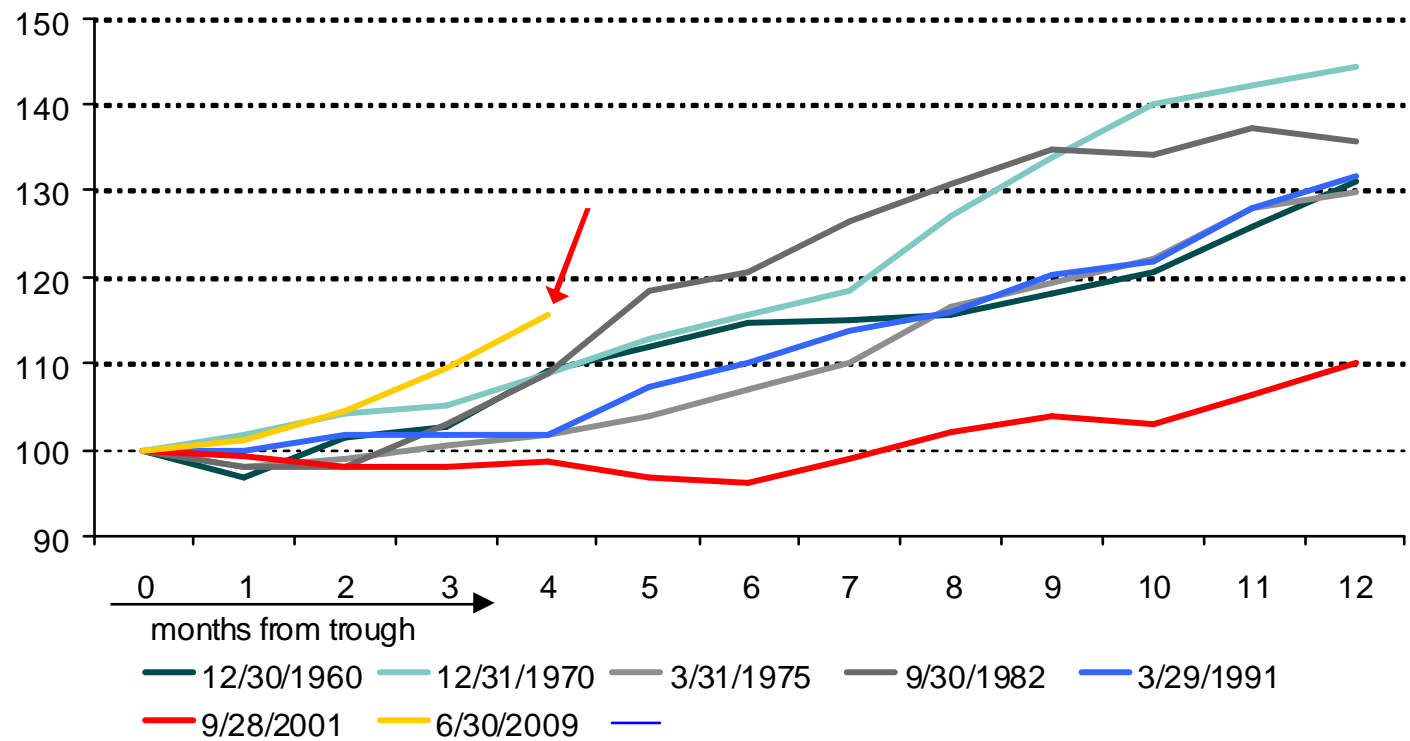
Post 1960 private consumption cycles



Source: Reuters EcoWin, ABN AMRO

...but very strong on investment in machinery and equipm.

US investment in PDE in past upswings

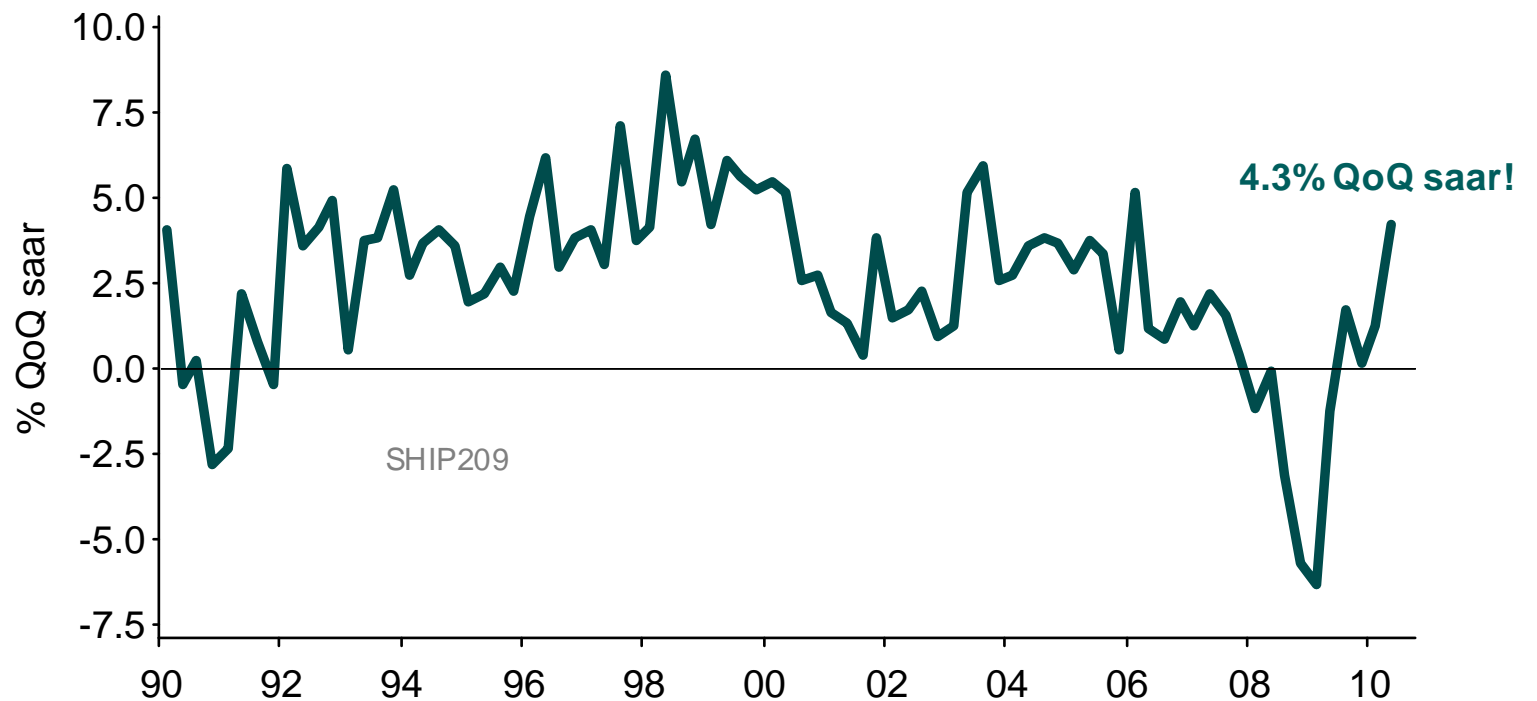


Source: Reuters EcoWin, ABNAMRO

Demand is there

Q2 growth was depressed (1.6%) because of sharply negative contribution from net exports (-3.4pp, largest since 1947Q4!); this is unlikely to be repeated

US final domestic demand growth strongest since 2006Q1

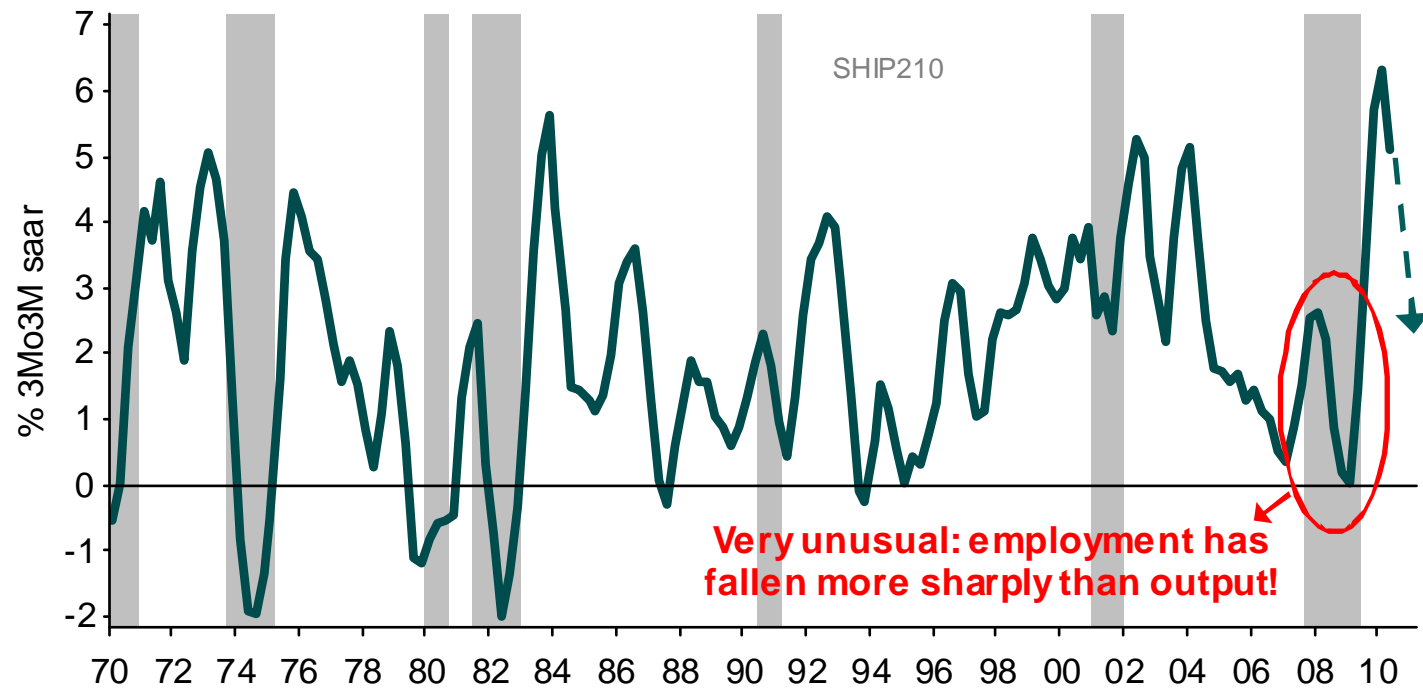


Source: Reuters EcoWin

Uptick in job growth is only a matter of time

A 1% drop in productivity growth would create 1.4m new jobs (115K extra per month)

US productivity growth rates are unsustainably high

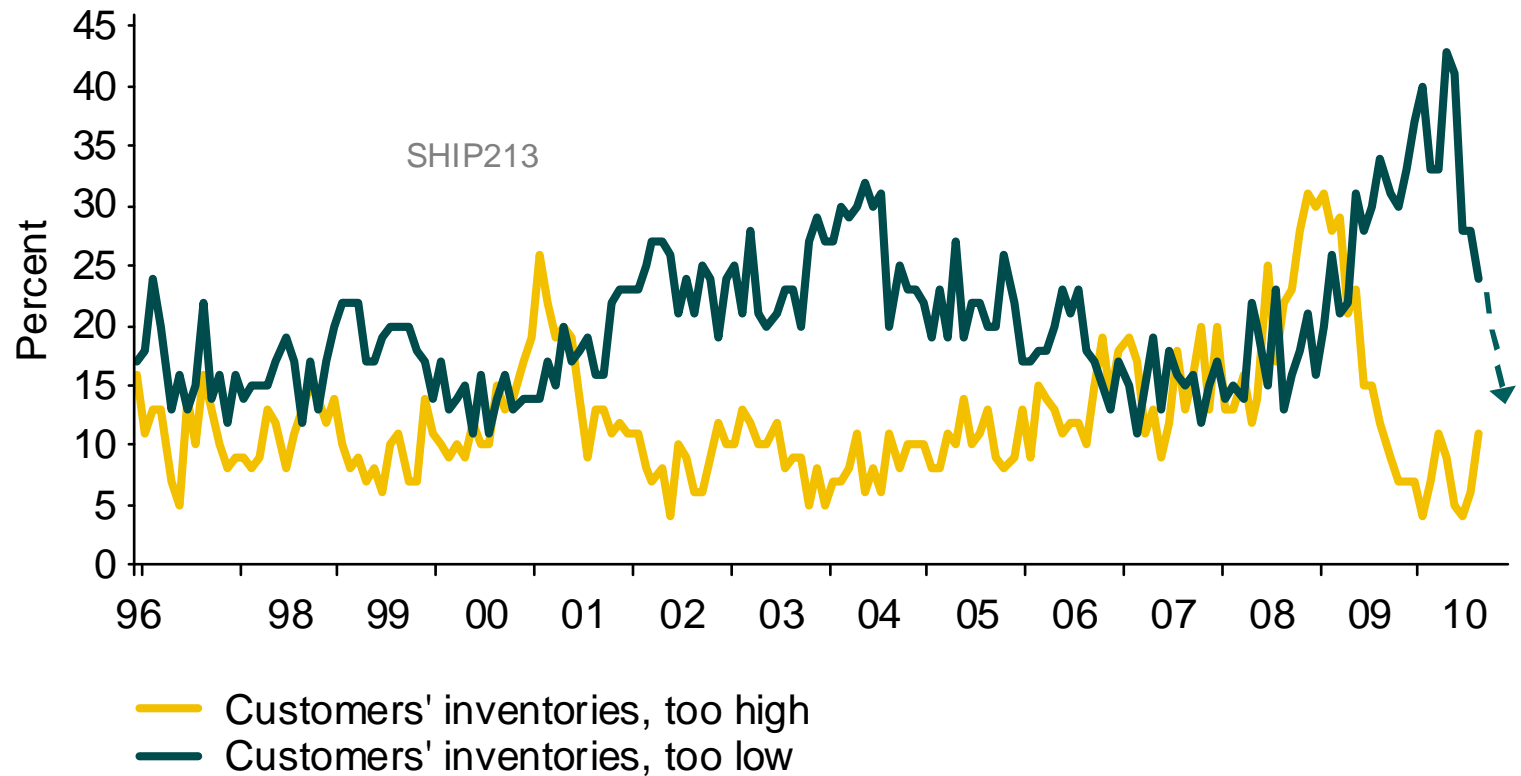


Source: Reuters EcoWin

Inventory buildup has further to go, but is weakening

Weak bouts of growth in manufacturing sector are normal phenomenon in upturns; we should only really get worried when ISM manufacturing index falls below 45

ISM manufacturing cycle

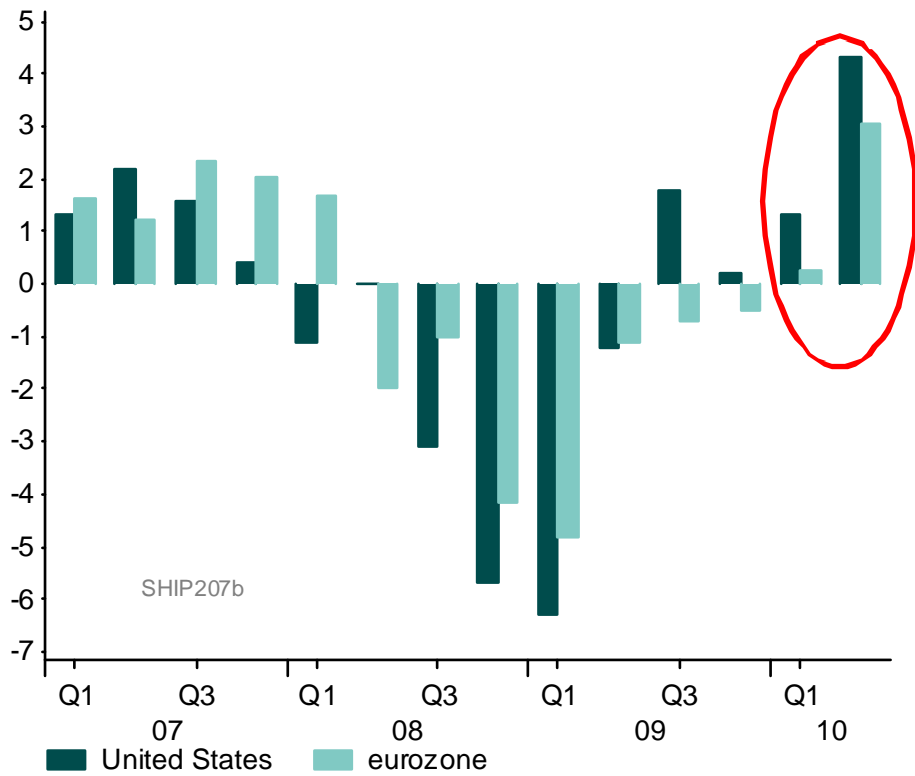


Source: Reuters EcoWin

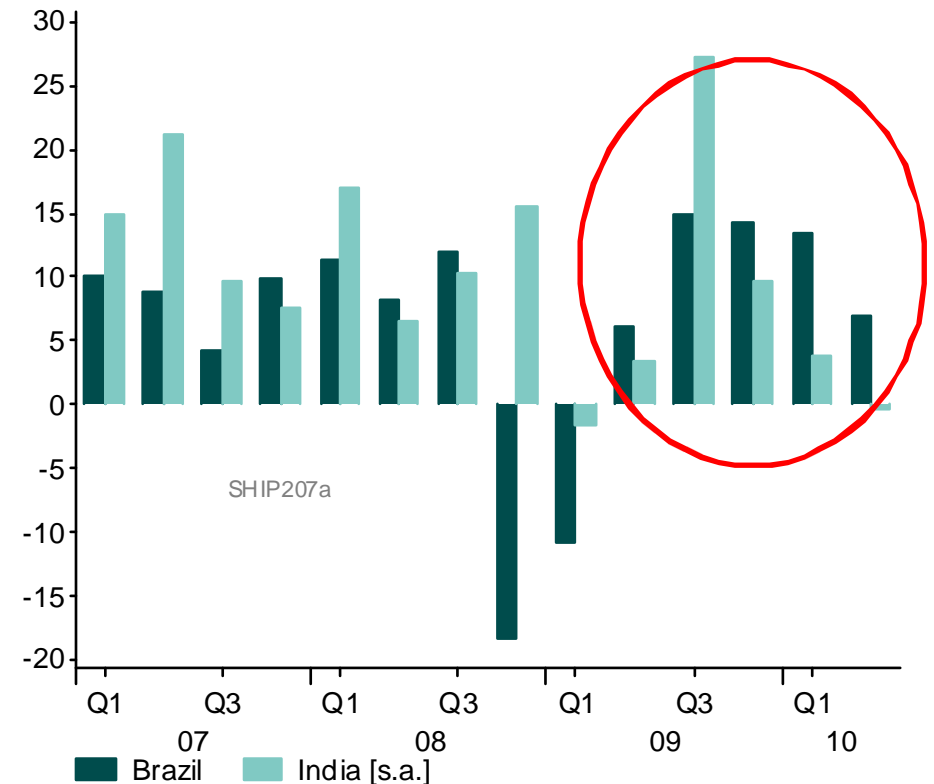
Positive feed-back effects are spreading...

Growth in large emerging economies such as India and Brazil is largely domestically driven.

Final domestic demand (%QoQ saar)



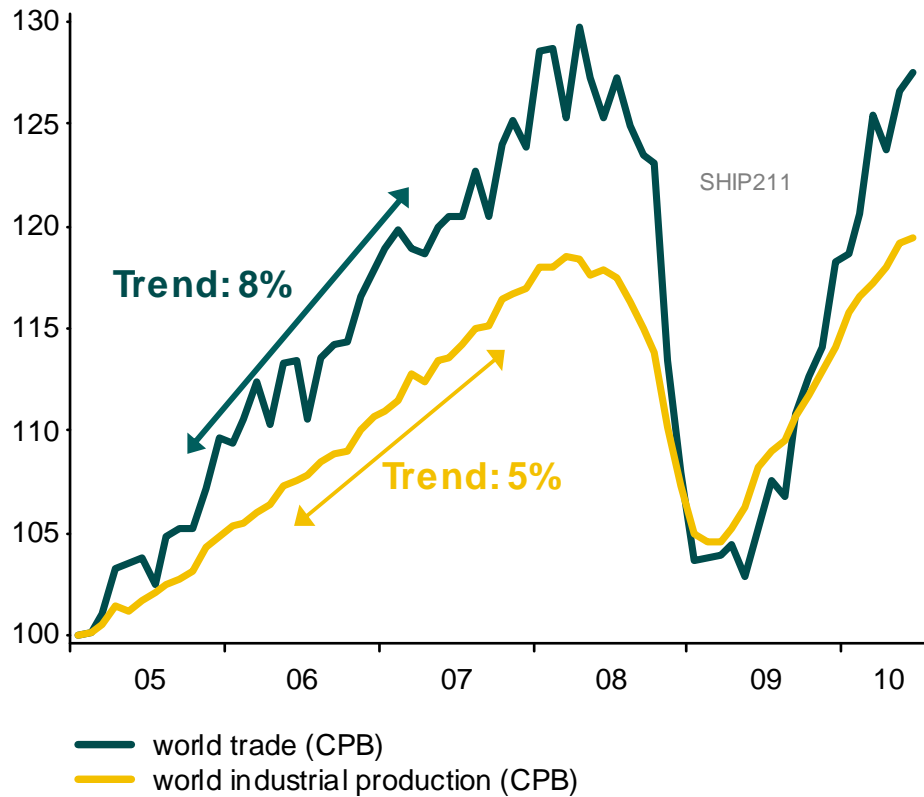
Final domestic demand (%QoQ saar)



...also via trade

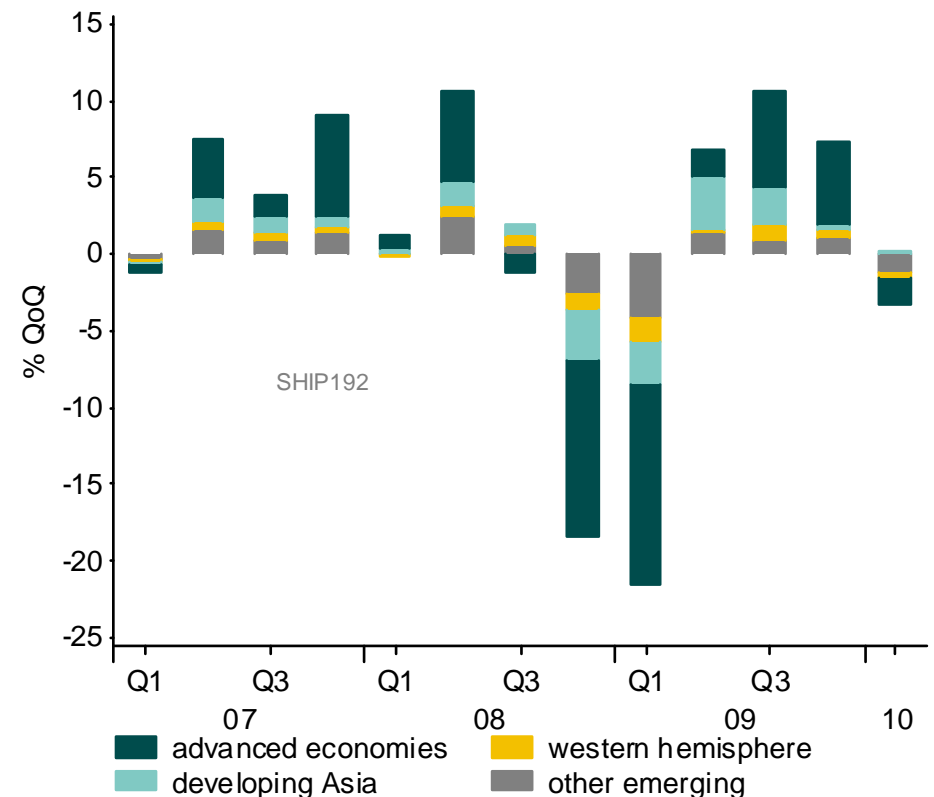
The early phases of the uptick in world trade were driven by emerging economies, but in recent quarters advanced economies have dominated

World trade (Jan. 2005=100)



Source: Reuters EcoWin

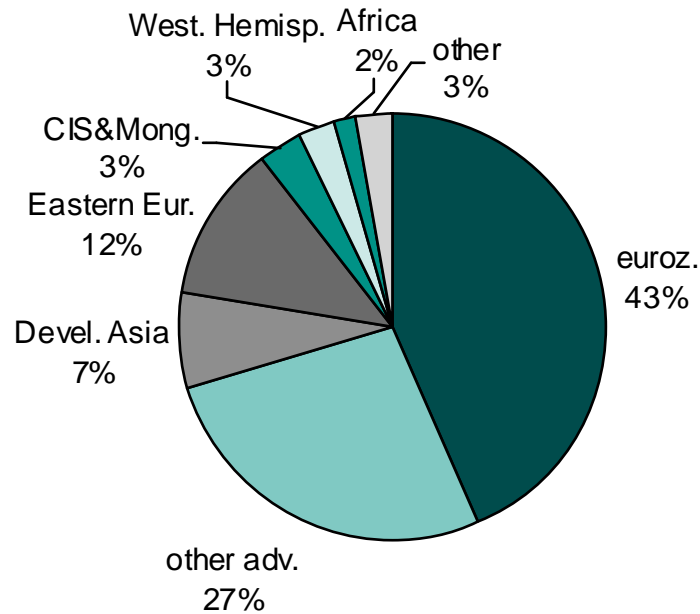
Decomposition of world import growth (% QoQ)



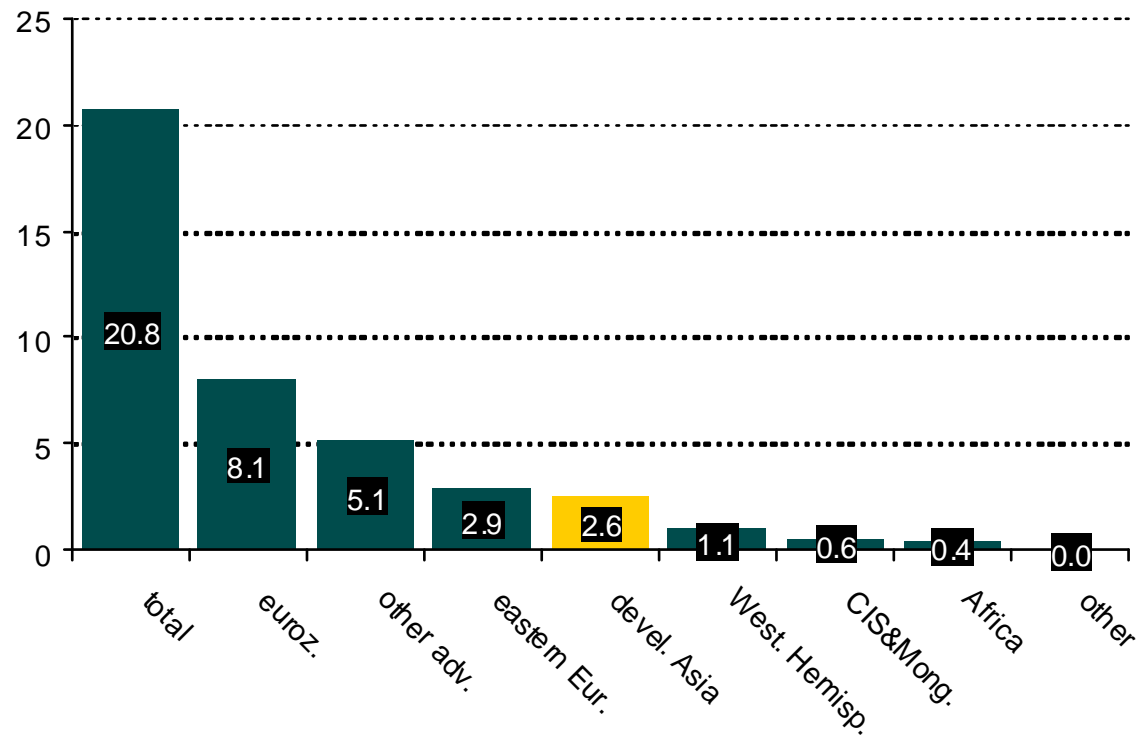
Source: Reuters EcoWin

German exports: more than BMW's for China

Exports to Devel. Asia grew by 42%, while exports to West. Hemisphere grew by 48%
(China = 70% of Devel. Asia)



Composition of annual German export growth in March 2010

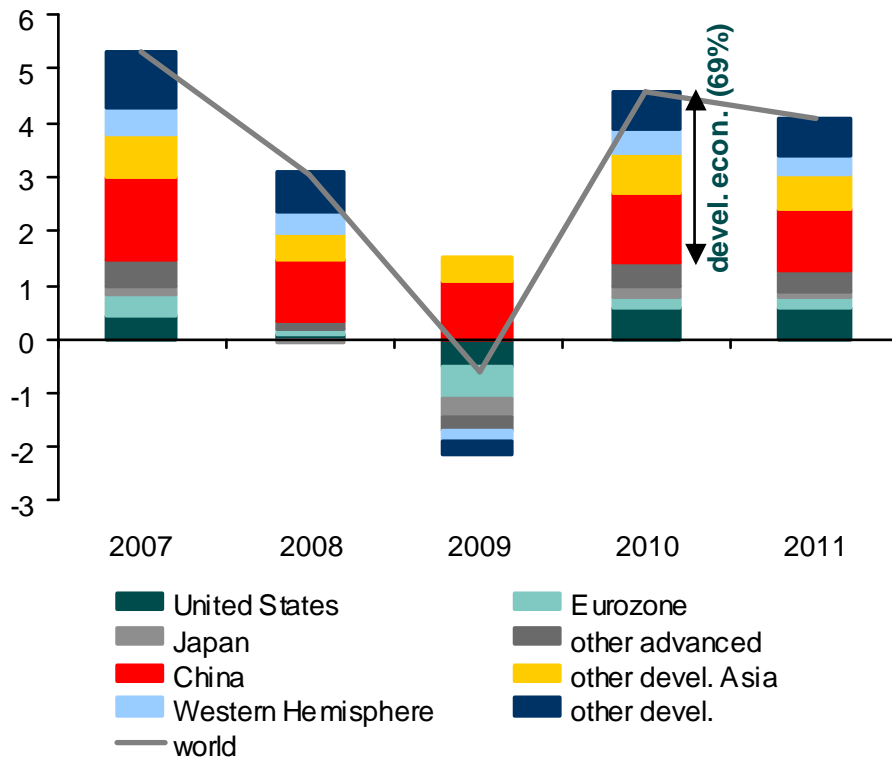


Source: Reuters EcoWin, ABNAMRO

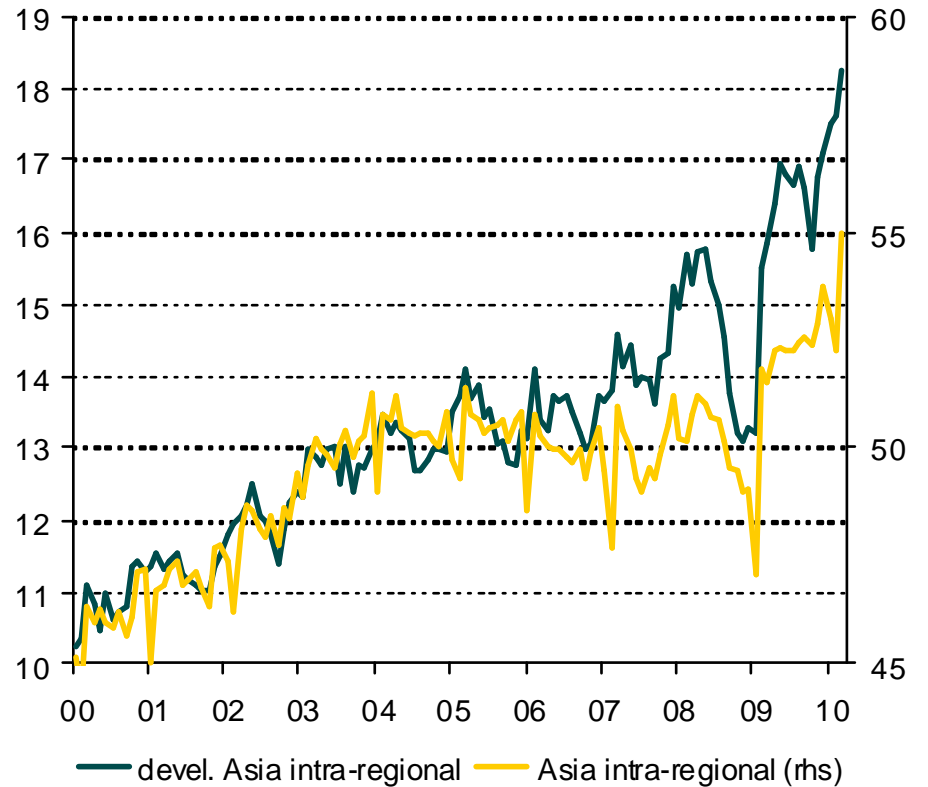
Emerging economies are decoupling (again)

Growth in large emerging economies such as India and Brazil is largely domestically driven.

Composition of world GDP growth



(Devel). Asia's intra-regional exports (% total)

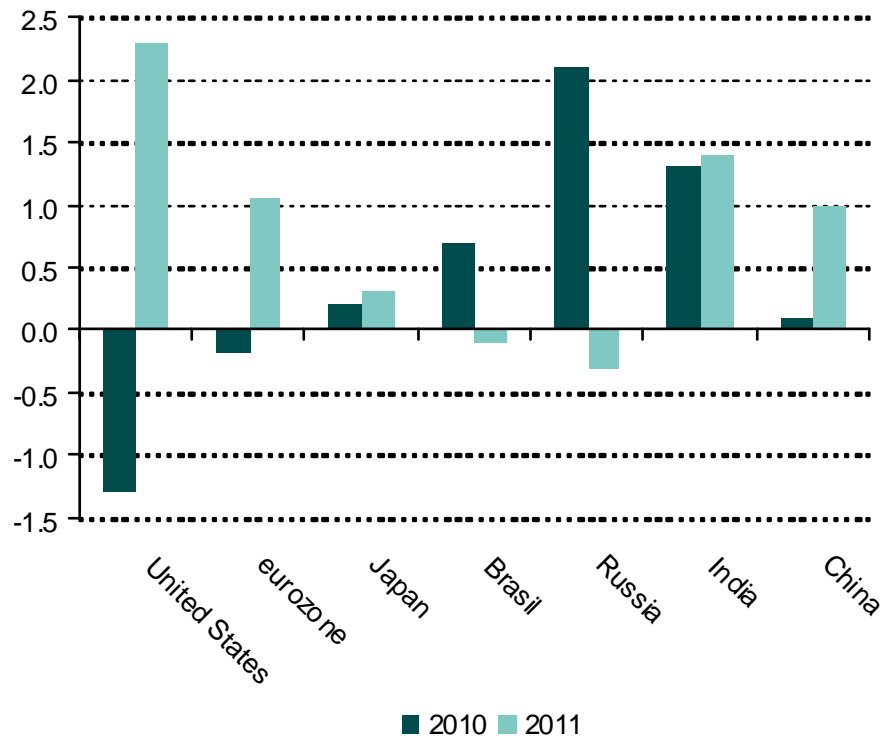


Source: Reuters EcoWin, ABN AMRO

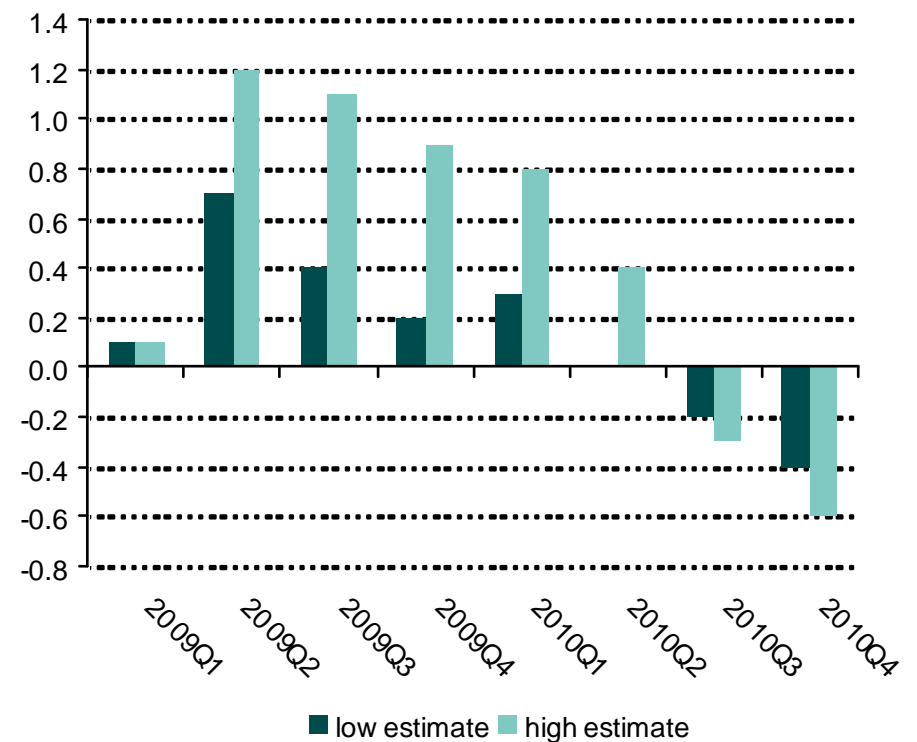
Fiscal cut-backs will be significant negative in 2011

Fiscal multiplier: ~0.5

Change in cyclically adjusted primary balances



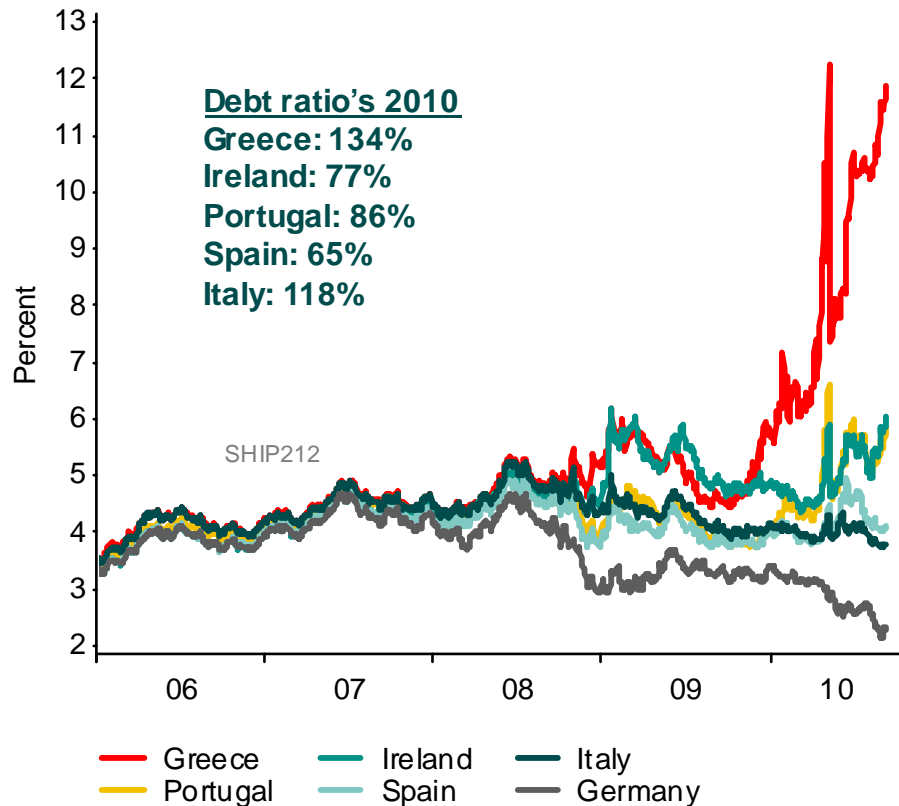
Impact of ARRA on US quarterly growth



Source: IMF, CBO, ABN AMRO

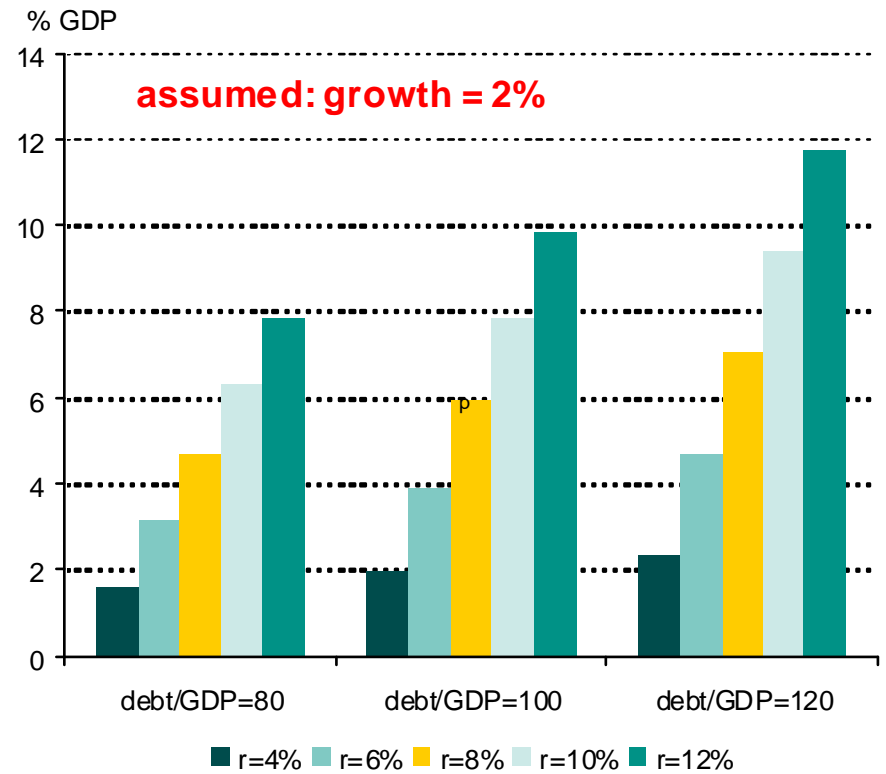
The self-fulfilling prophecy of a loss of market confidence

10-Y yields



Source: Reuters EcoWin

Primary surplus needed to stabilise debt ratio



Source: Reuters EcoWin, ABN-AMRO

The bottom line: a gentle slowdown

Our economic forecasts

	2007	2008	2009E	2010E	2011E
GDP					
United States	2.1	0.4	-2.4	2.8	2.8
Eurozone	2.7	0.6	-4.1	1.5	1.4
Japan	2.3	-1.2	-5.2	2.9	1.9
United Kingdom	2.6	0.5	-4.9	1.7	2.0
China	13.0	9.6	9.1	10.5	9.4
India	9.3	6.4	5.7	9.4	8.4
Western Hemisphere	5.8	4.2	-1.8	5.2	4.0
Advanced economies	2.7	0.5	-3.2	2.6	2.4
Emerging economies	8.4	6.0	2.4	6.8	6.1
World	5.3	3.0	-0.6	4.6	4.1
World trade	7.3	3.0	-12	17	8

Source: ABN-AMRO

Thank you !

Any questions?