



# **Economic Outlook**

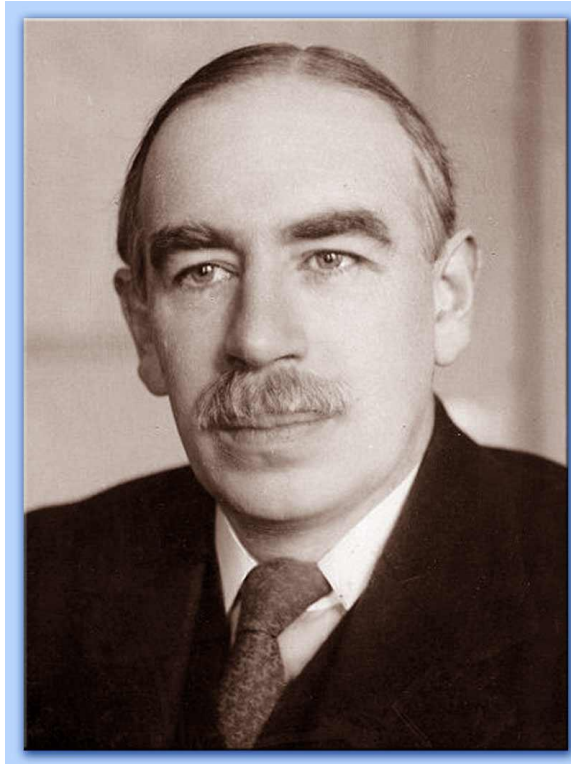
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**DuPont Economist's Office**

**Georgia State University Economic Forecasting Center**  
**Atlanta, Georgia**  
**November 16, 2011**

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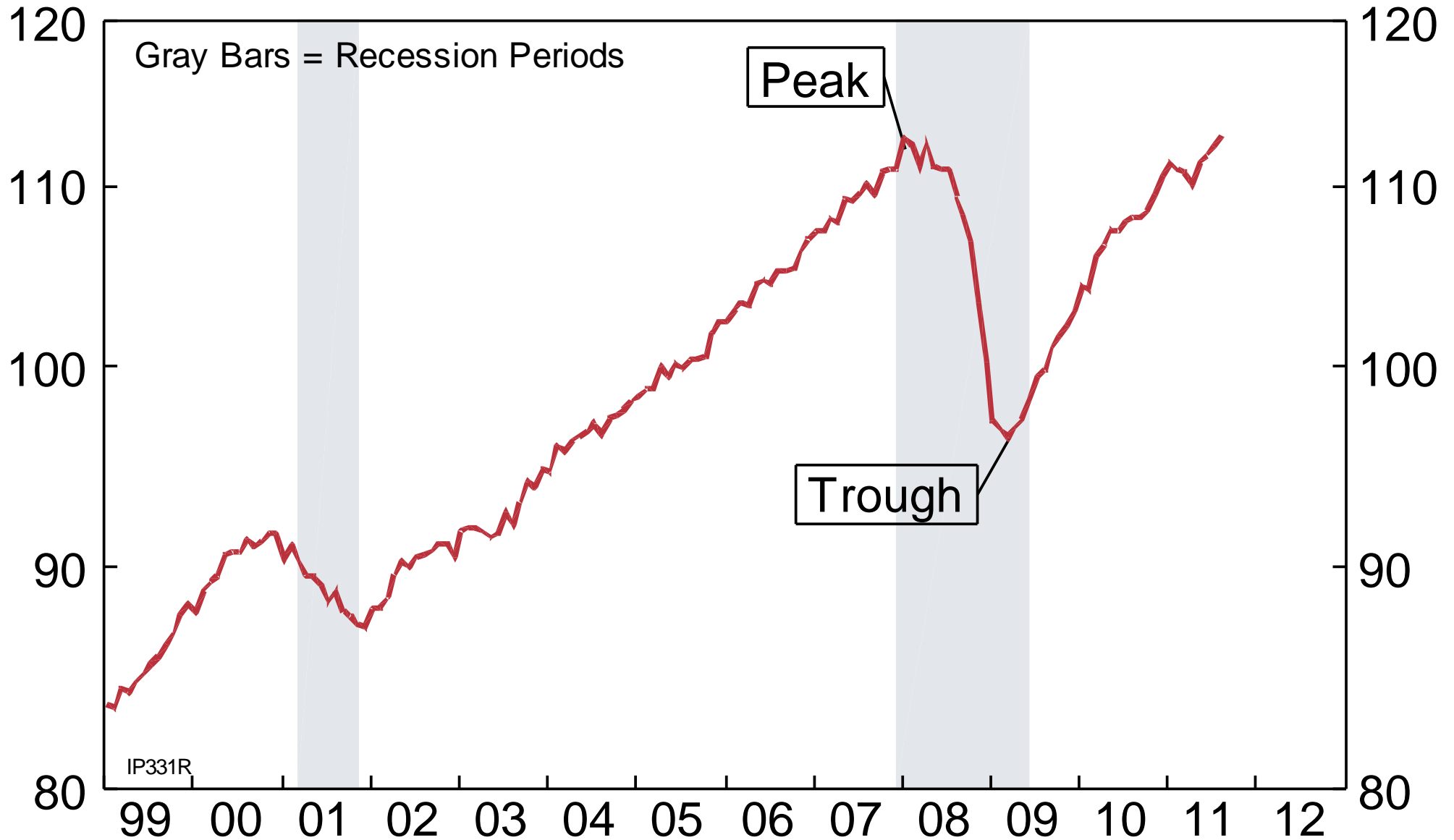


**If economists could manage to get themselves thought of as humble, competent people on a level with dentists, that would be splendid.**

**--John Maynard Keynes**

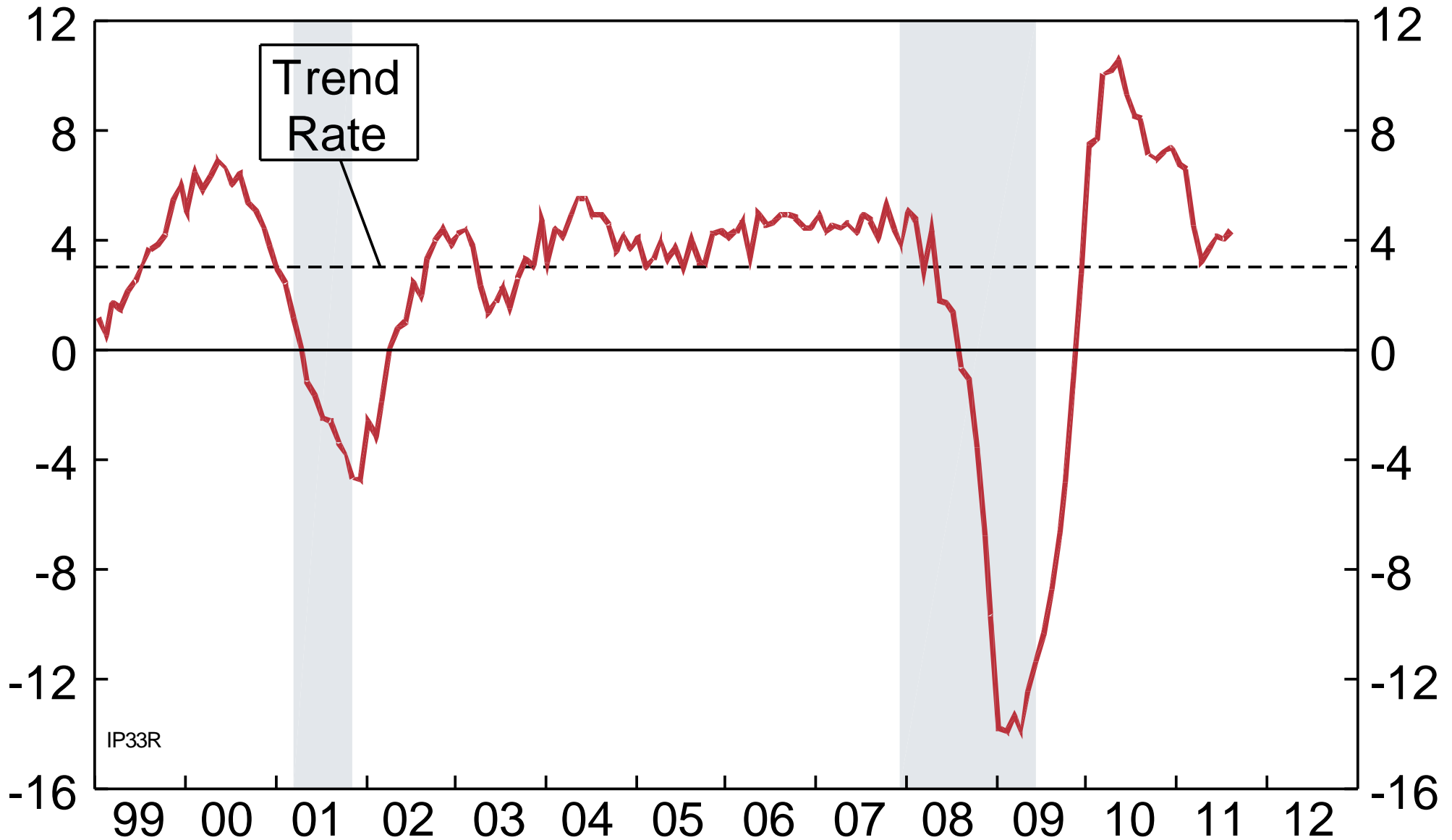
# Industrial Production: World

Index 2005=100



# Industrial Production: World

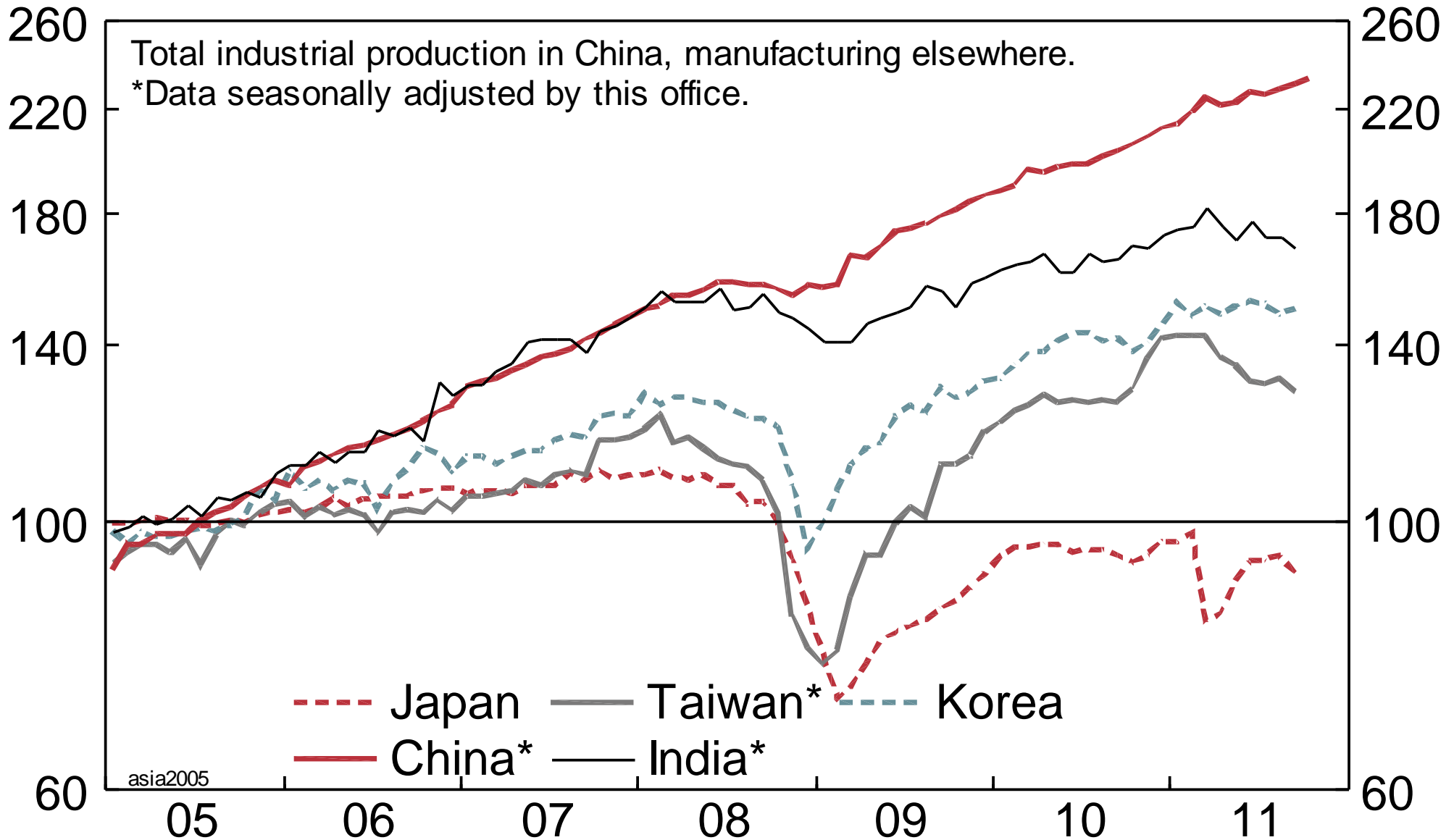
*Rate of Change Yr/Yr*



IP33R

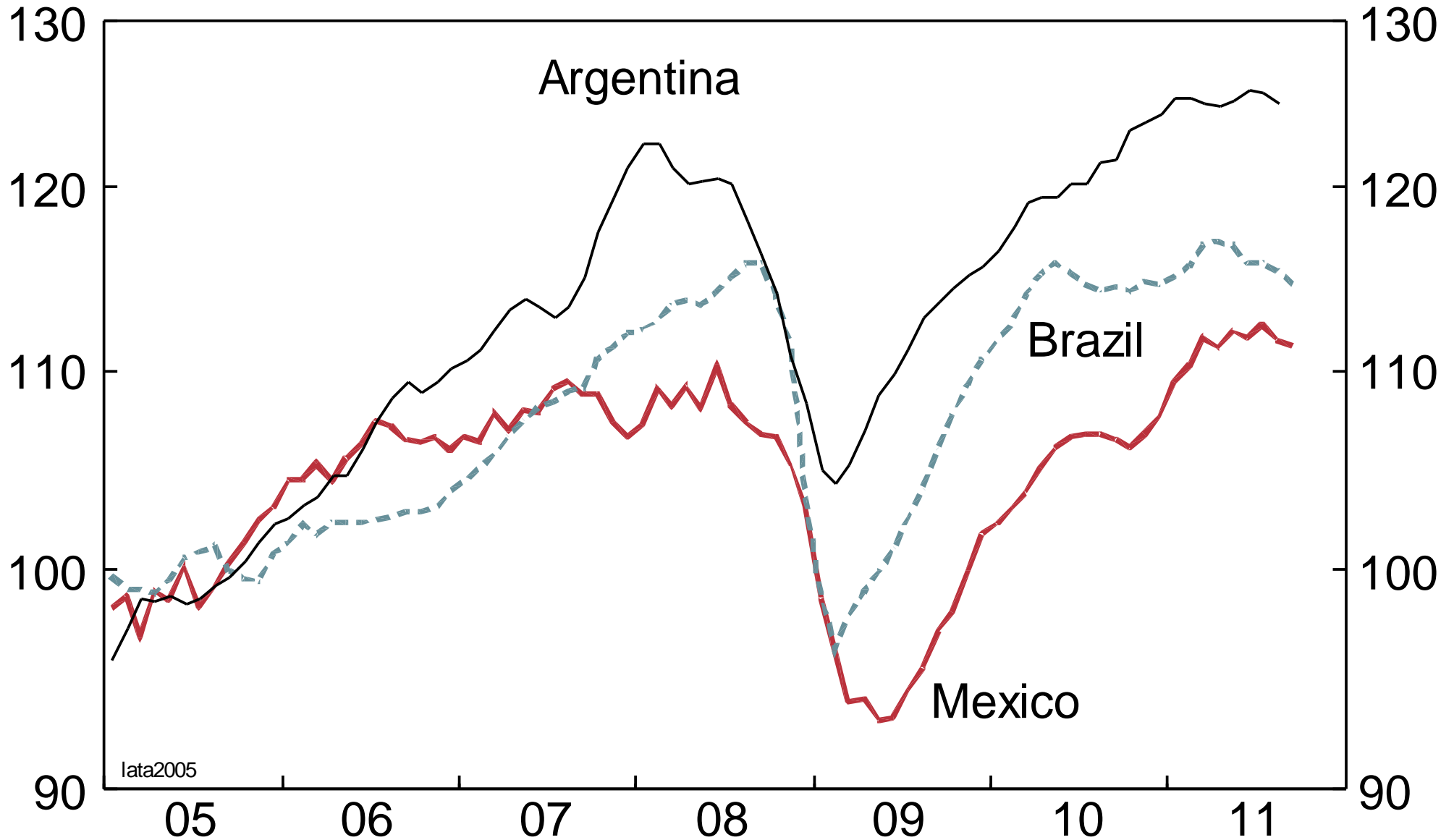
# Industrial Production: Asia

2005 = 100, Seasonally Adjusted



# Industrial Production: Latin America

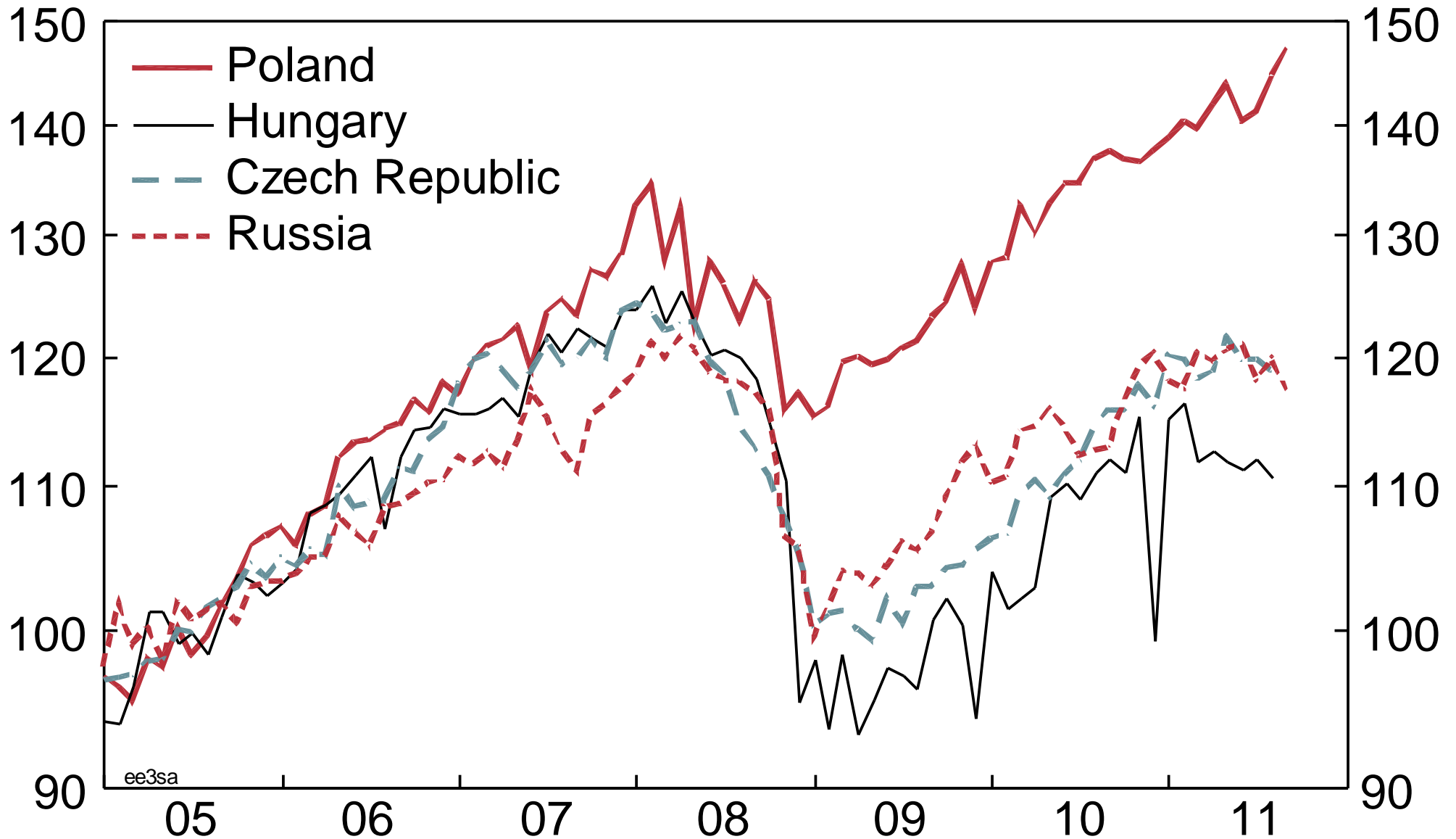
2005 = 100, 3-Month Moving Averages



Iata2005

# Industrial Production: Central Europe & Russia

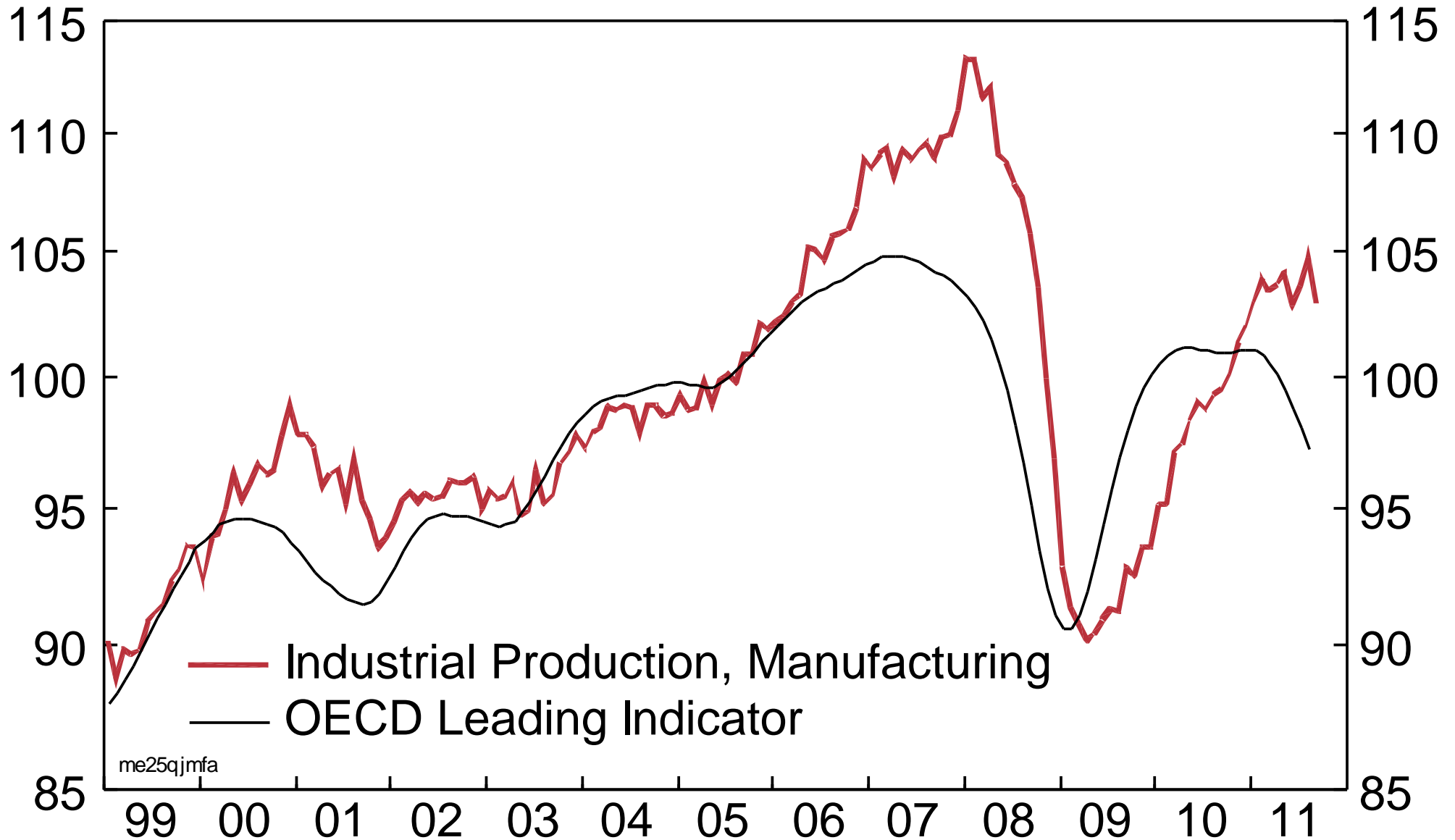
2005 = 100





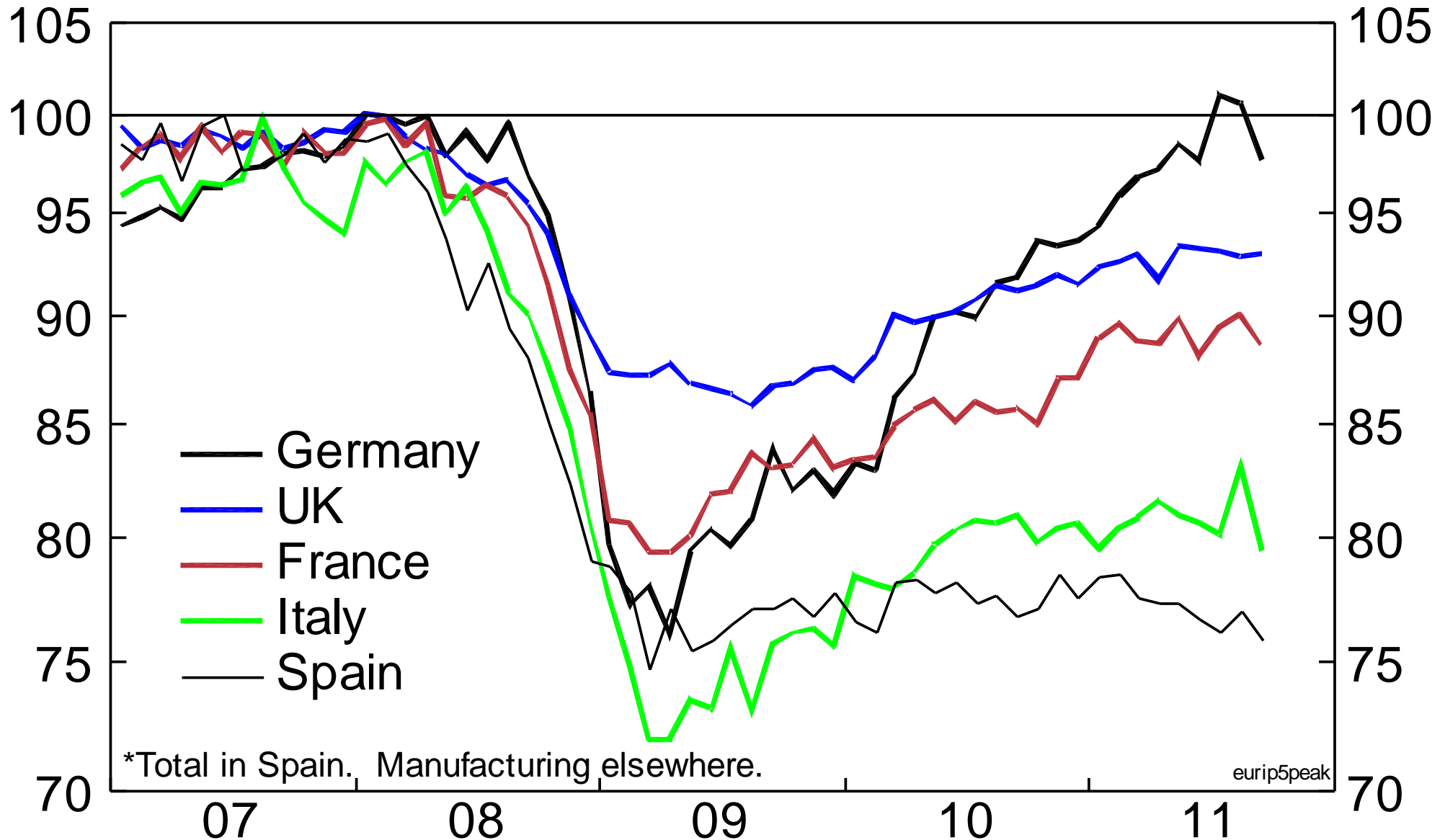
# Industrial Production: European Union

2005 = 100



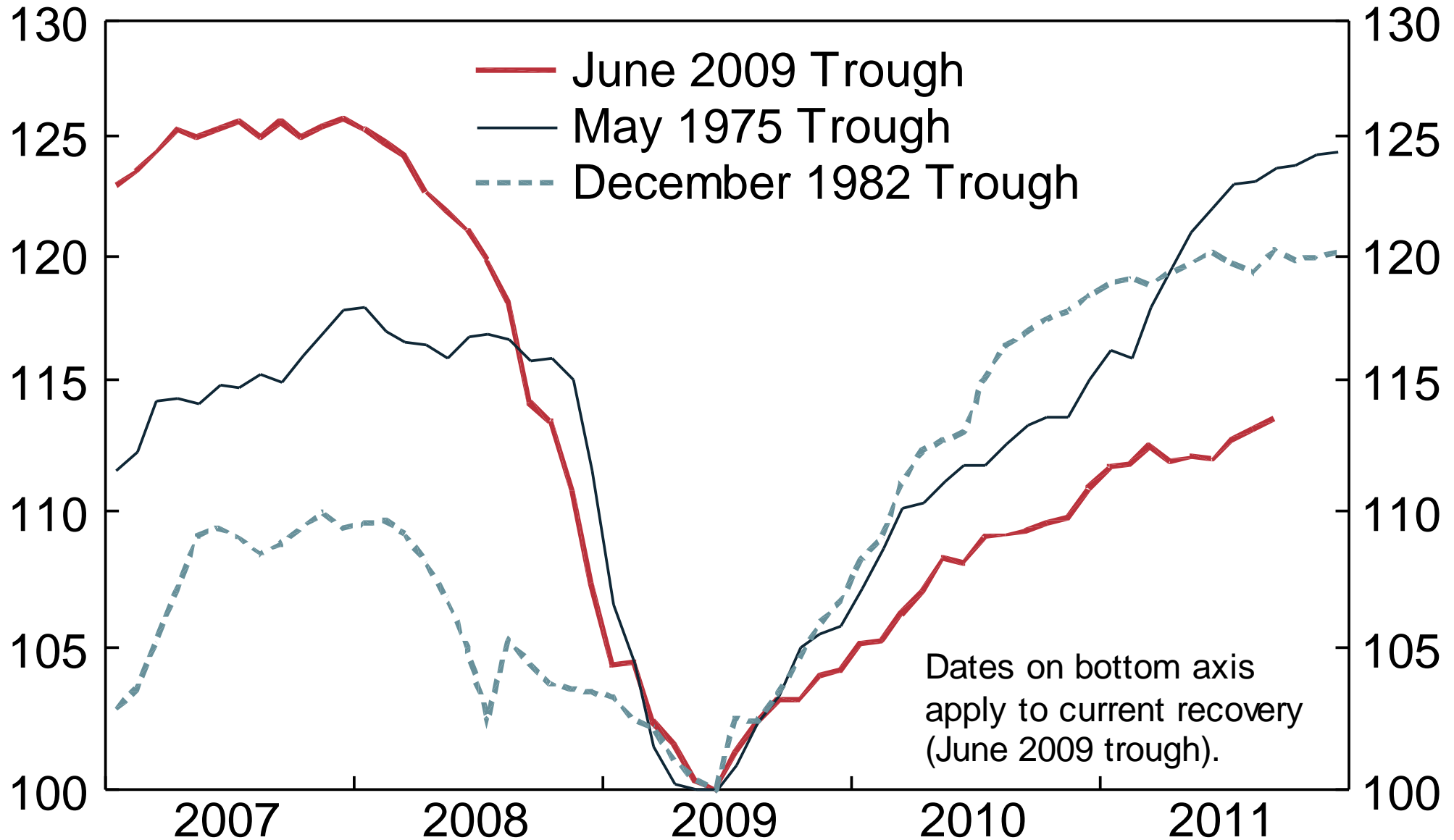
# Industrial Production\*: Western Europe

2007-2008 Peak = 100



# US Industrial Production: Manufacturing

*Cycle Trough = 100*



## **Global growth reaccelerated into 2011, but has slowed again.**

**Growth in industrial production reaccelerated late in 2010 after mid-year slowdown, especially in US and China.**

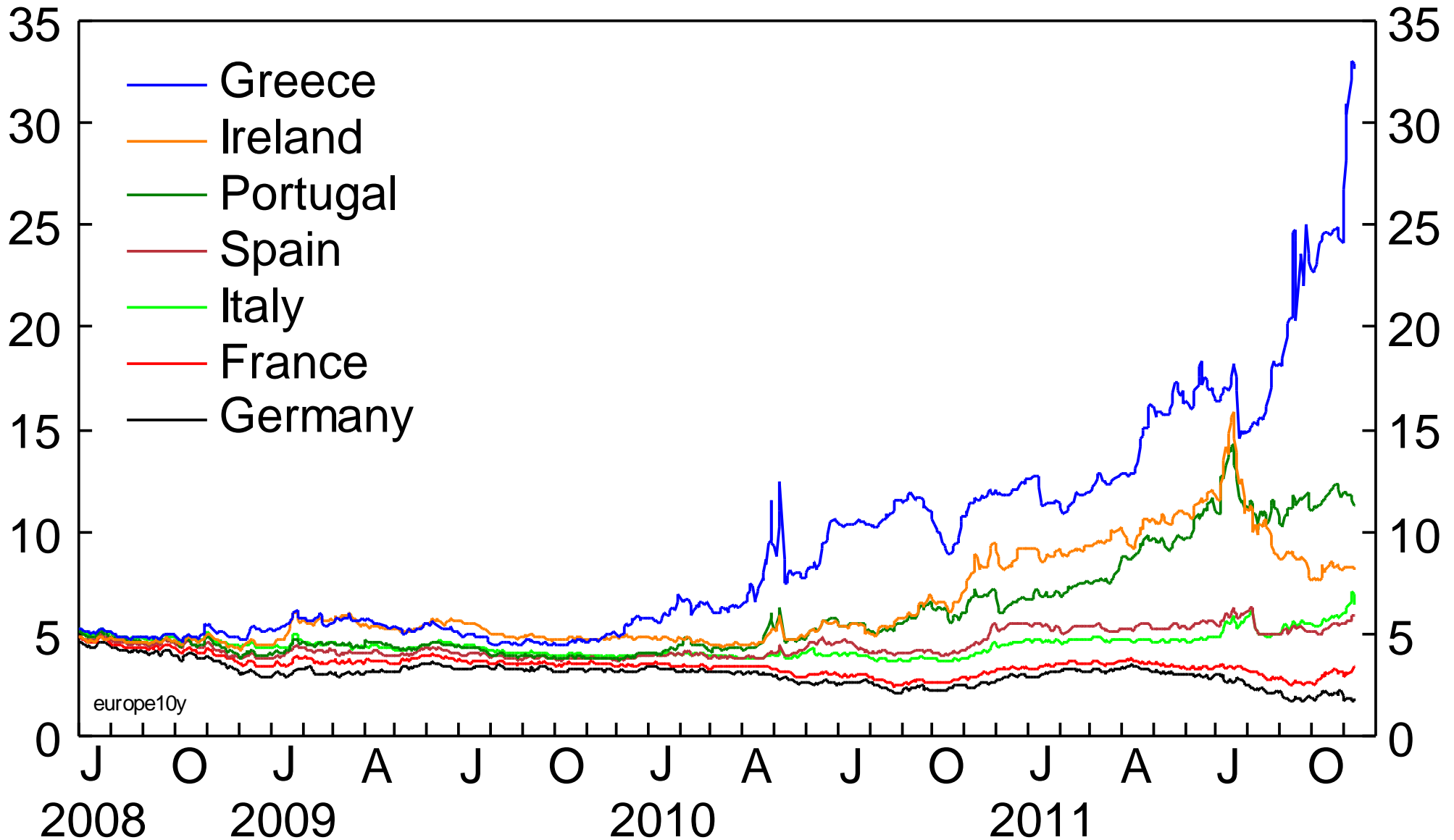
**European manufacturing remained surprisingly strong, though uneven, through February, but production fell sharply in June.**

**Growth slowed first because of rising oil prices and supply-chain disruptions caused by the March 11 earthquake and tsunami in Japan.**

**Growth has slowed more recently because of government debt in the US and Europe and because of unwillingness of governments to deal with it.**

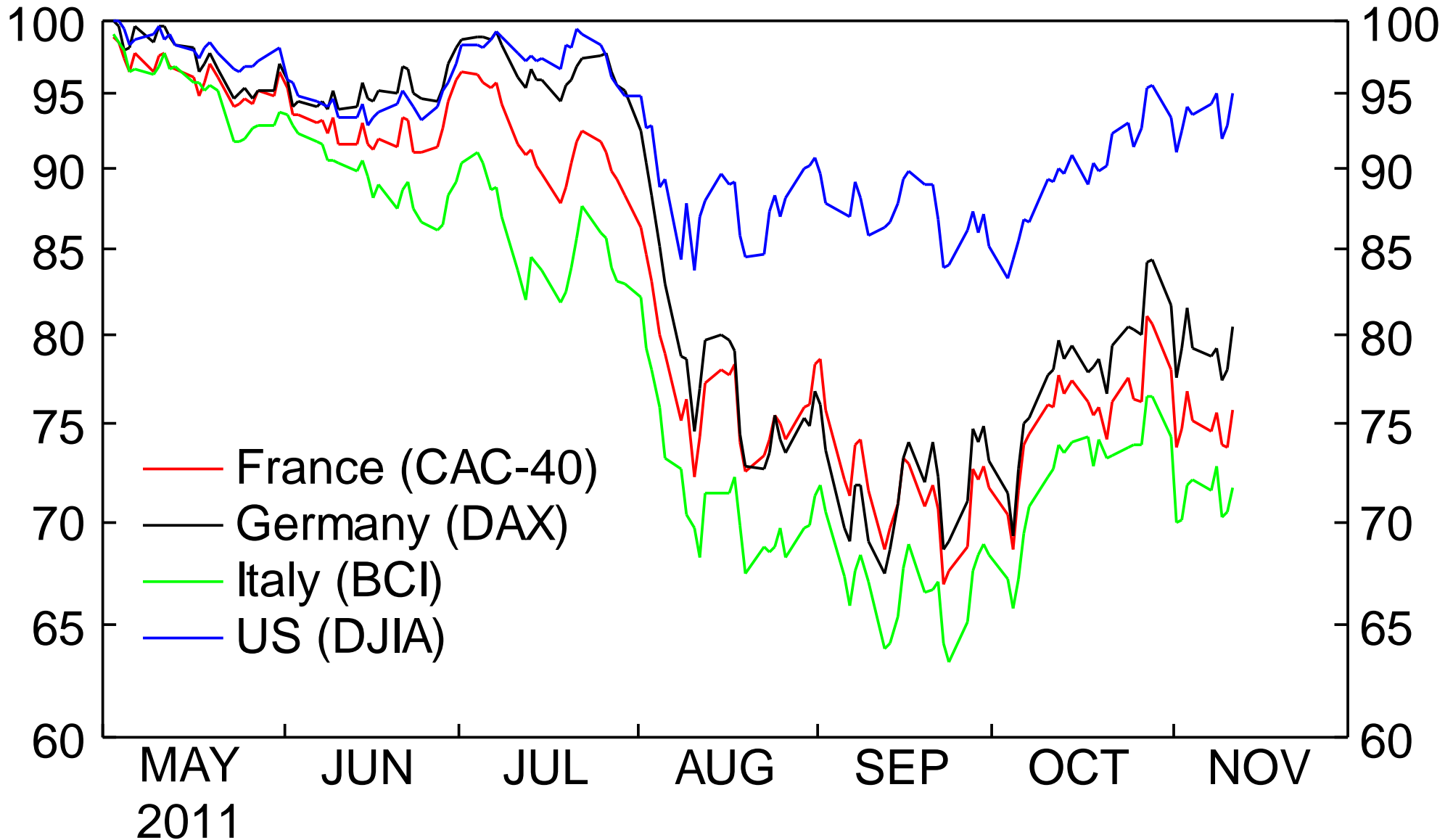
# 10-Year Government Bond Yields

*Percent*



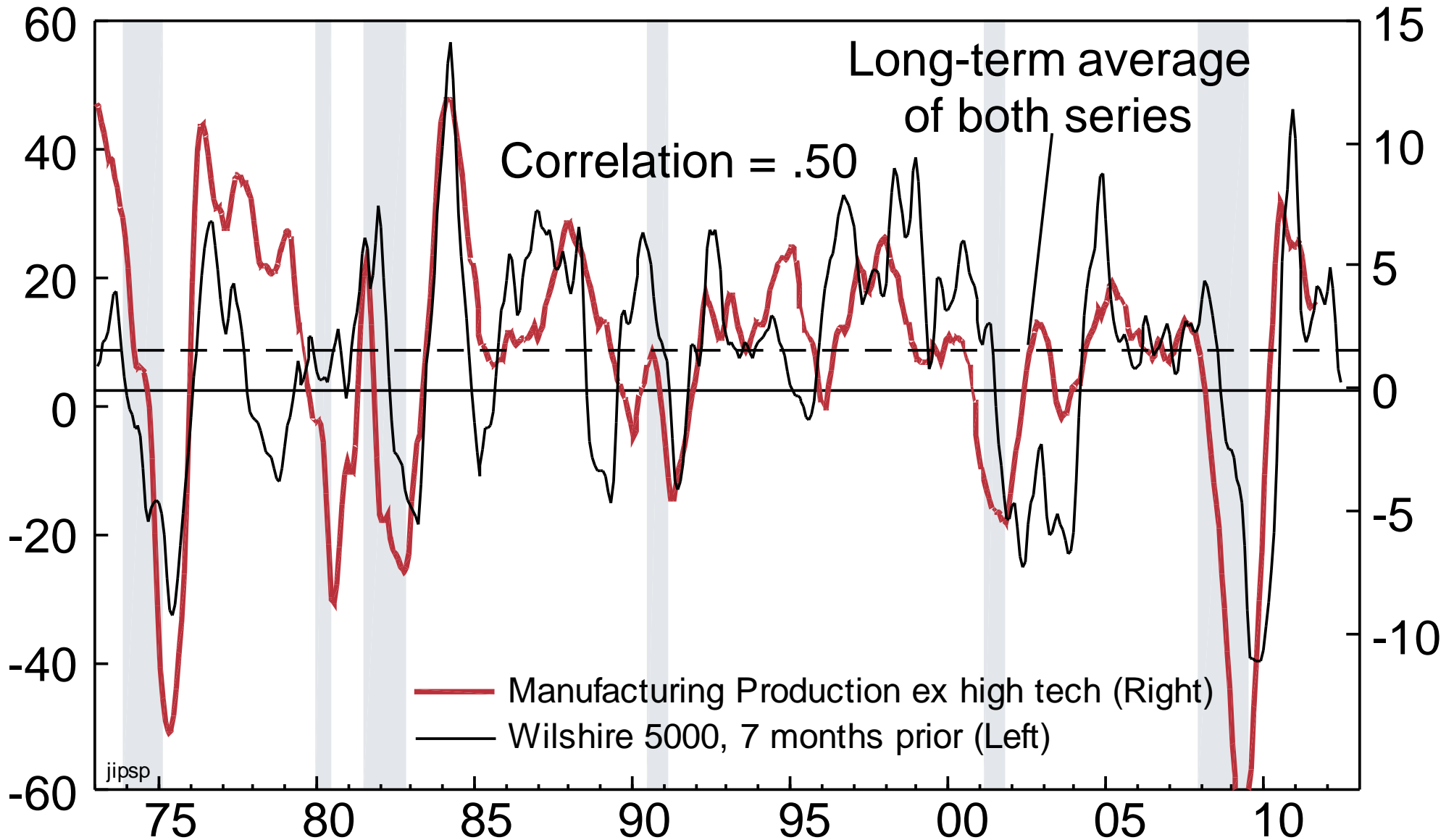
# Major Stock Price Indexes

*Percent of 2011 Peak*



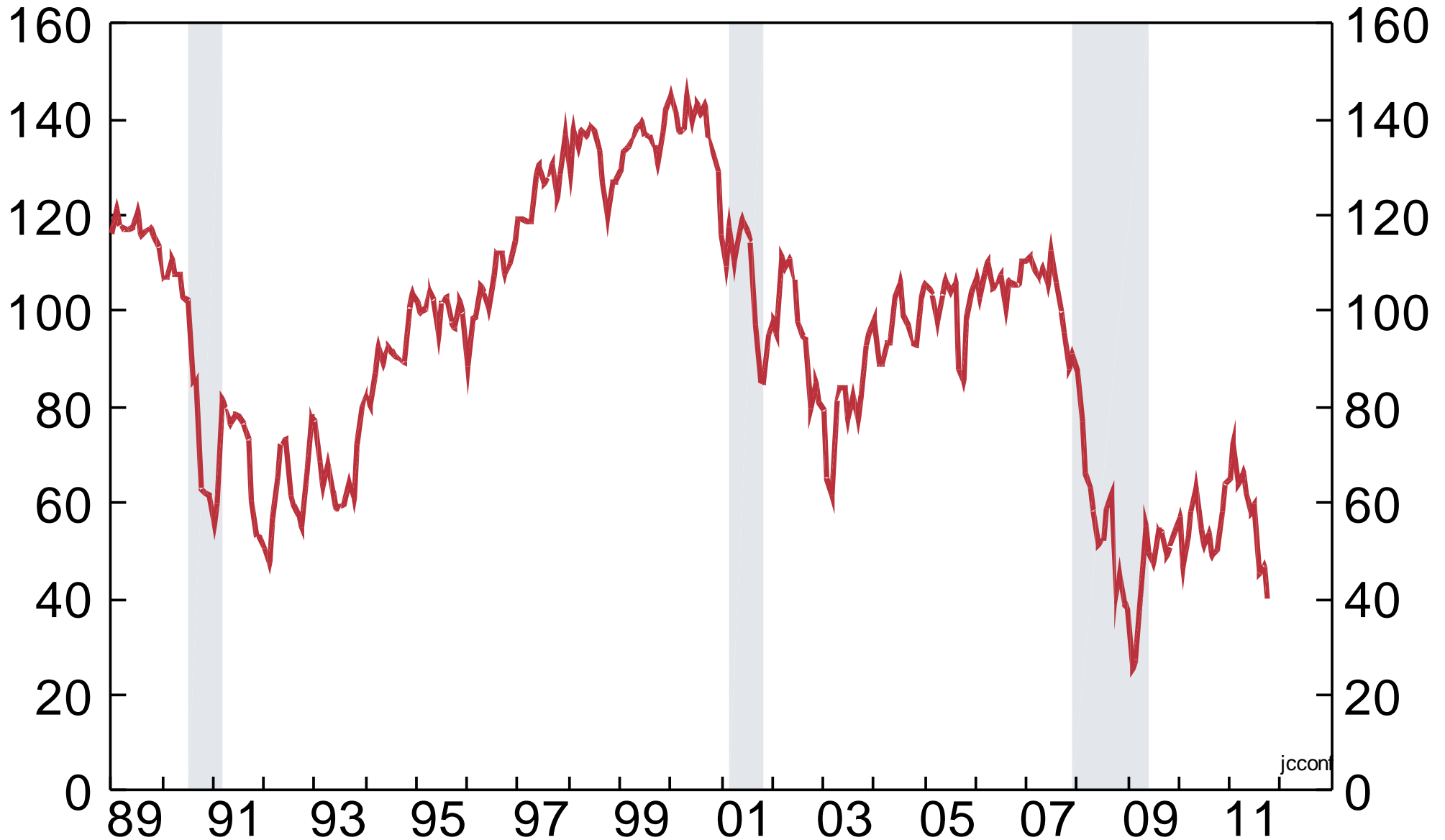
# US Manufacturing Production & Stock Prices

*Percent Change from Year Ago, Smoothed*



# US Consumer Confidence

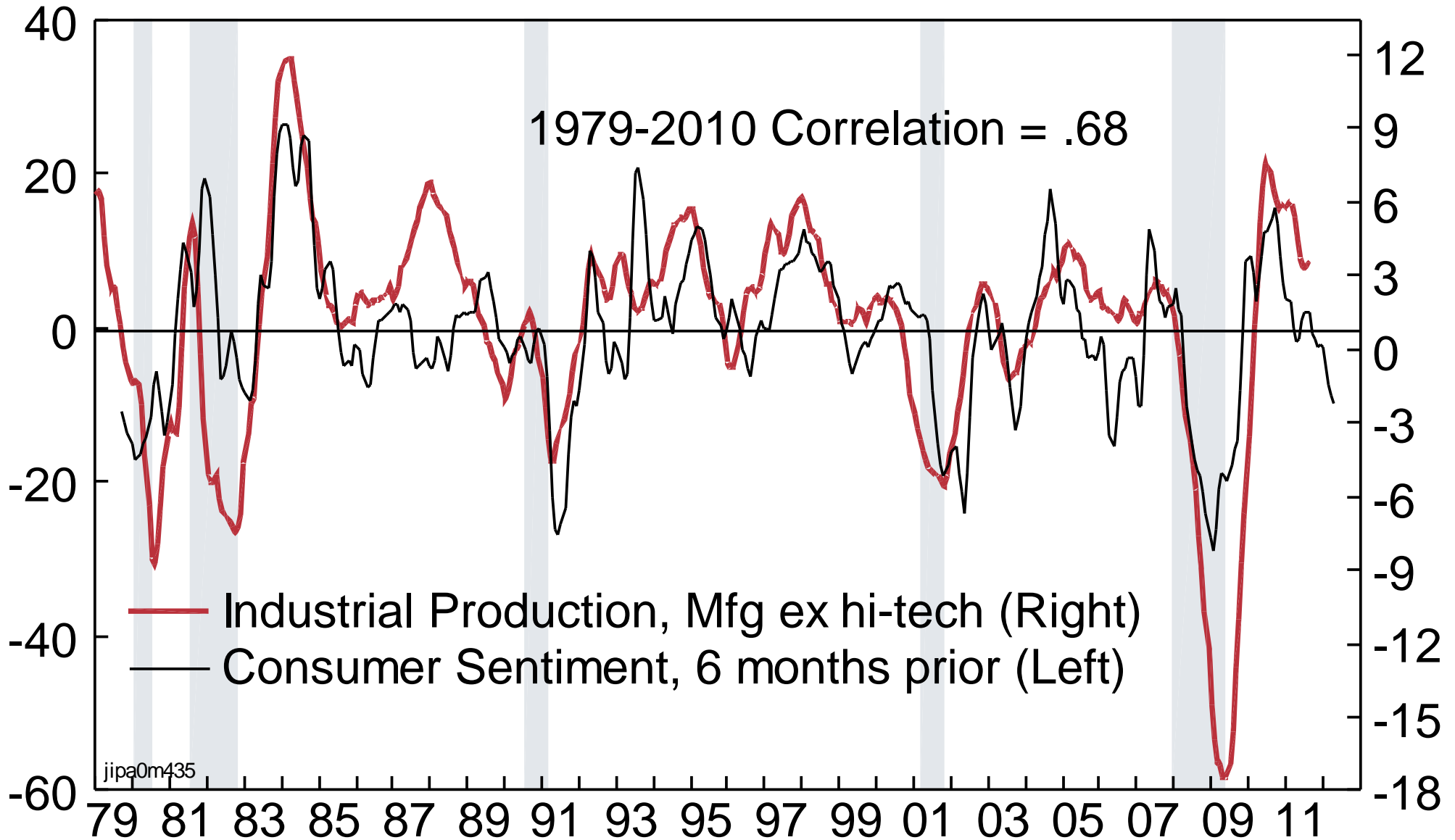
1985 = 100





# US Manufacturing Production & Consumer Sentiment

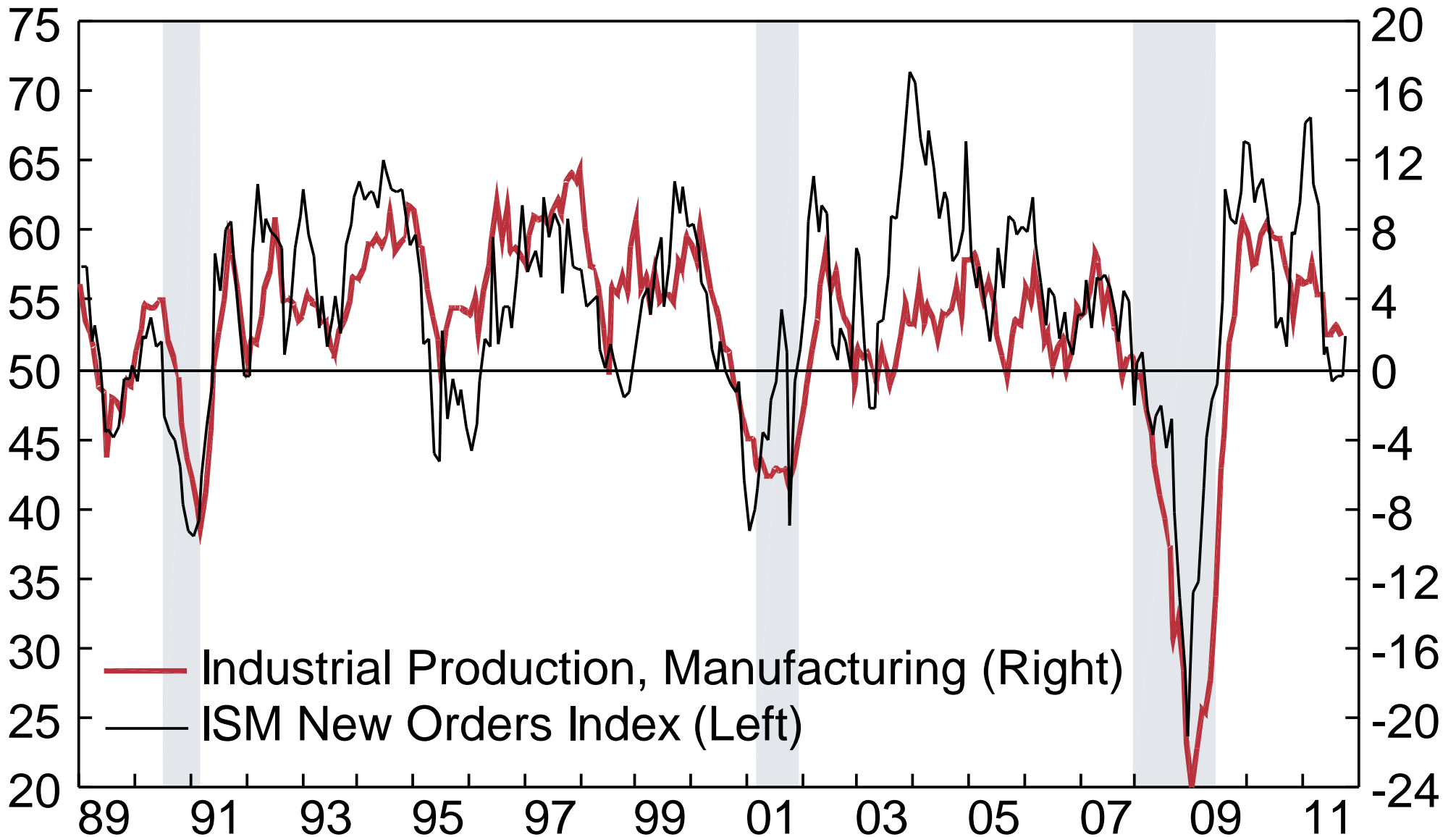
*Change/Percent Change from Year Ago, Smoothed*



# US Manufacturing Production & ISM New Orders Index

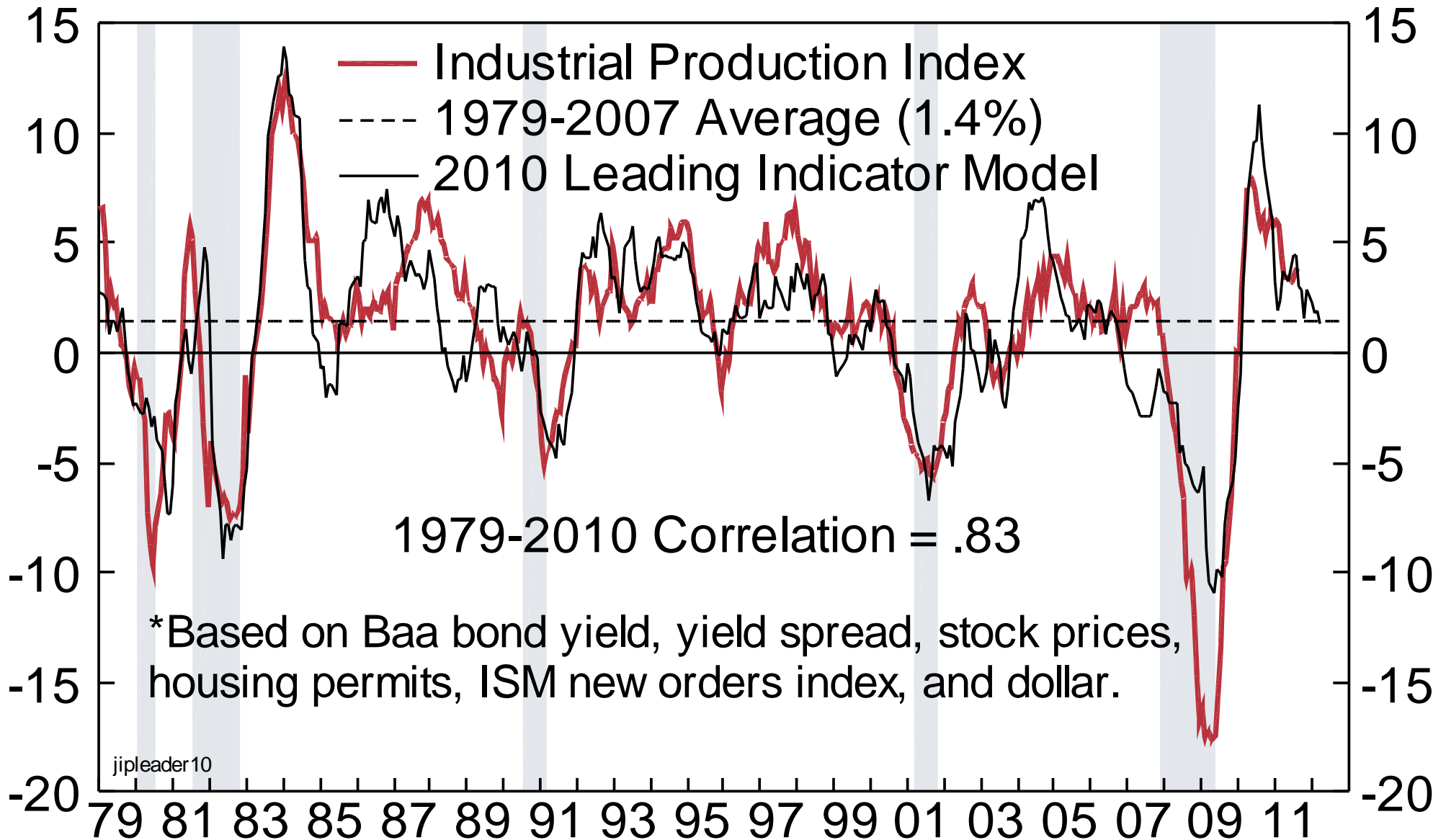
*Diffusion Index*

*6-Month Annualized Growth Rate*



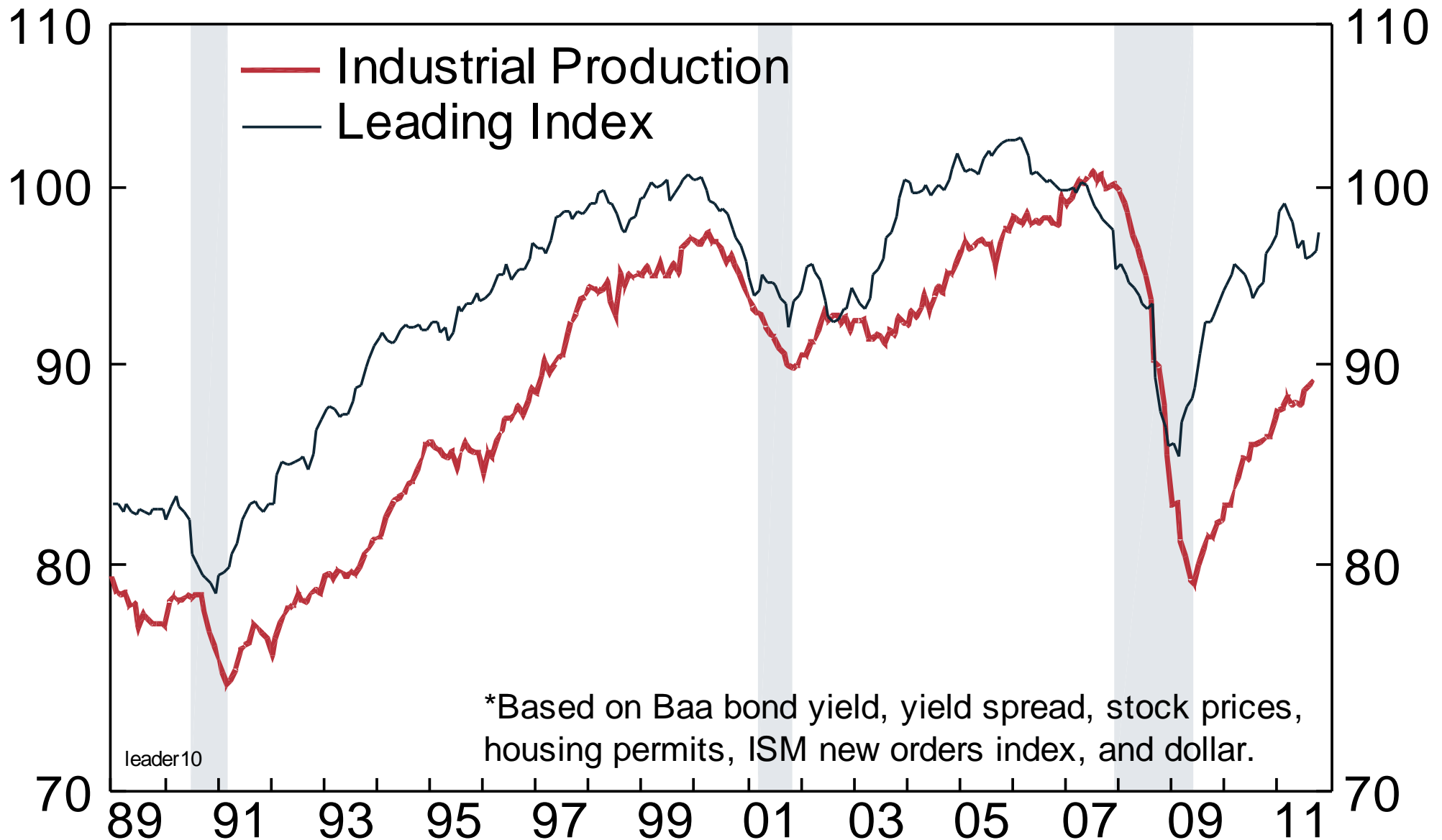
# US Manufacturing Production ex High-Tech Sectors

*Percent Change from Year Ago*



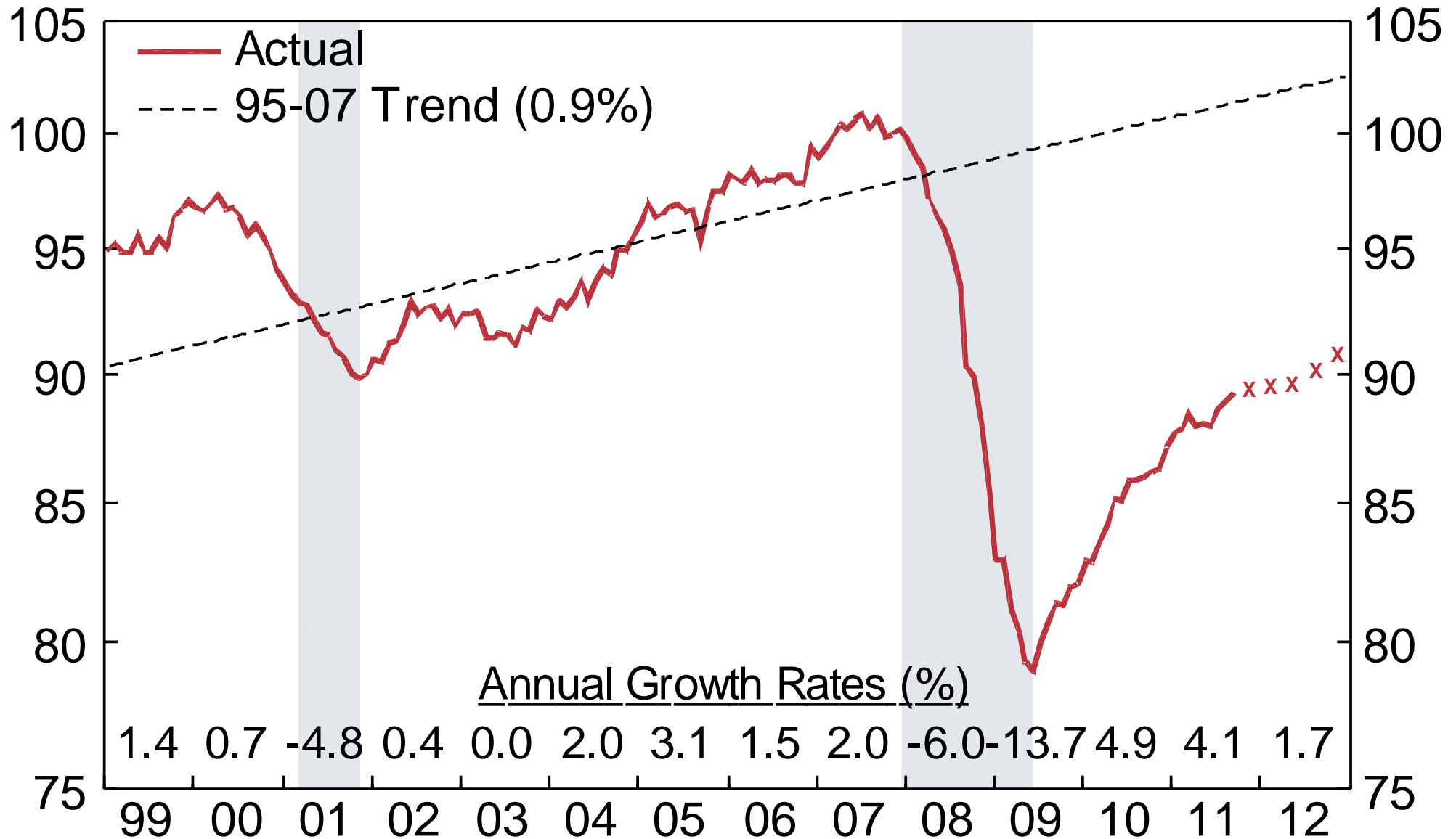
# US Manufacturing Production ex High-Tech Sectors

2007 = 100



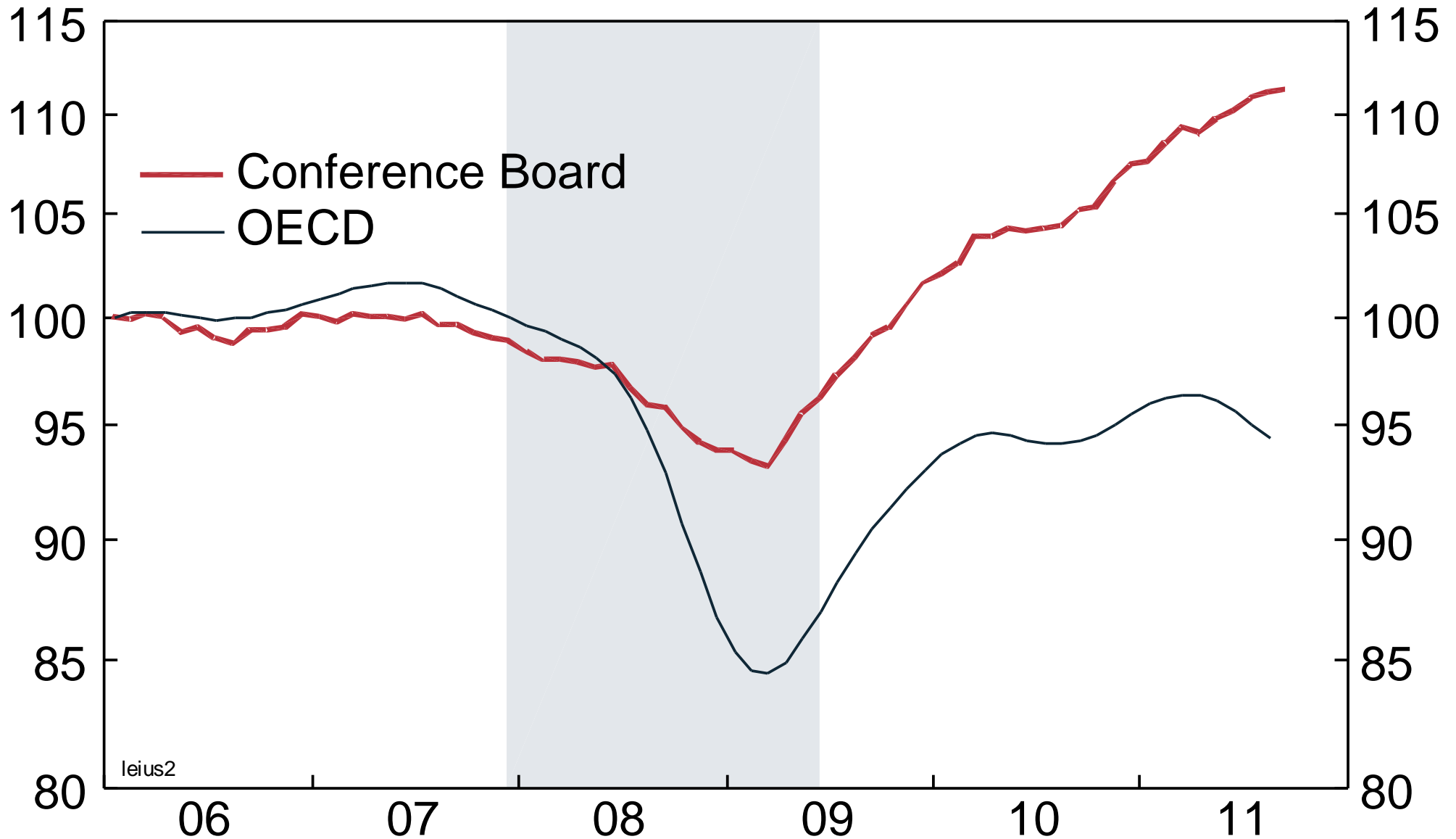
# US Manufacturing Production ex High-Tech Sectors

2007 = 100



# US Composite Leading Indexes

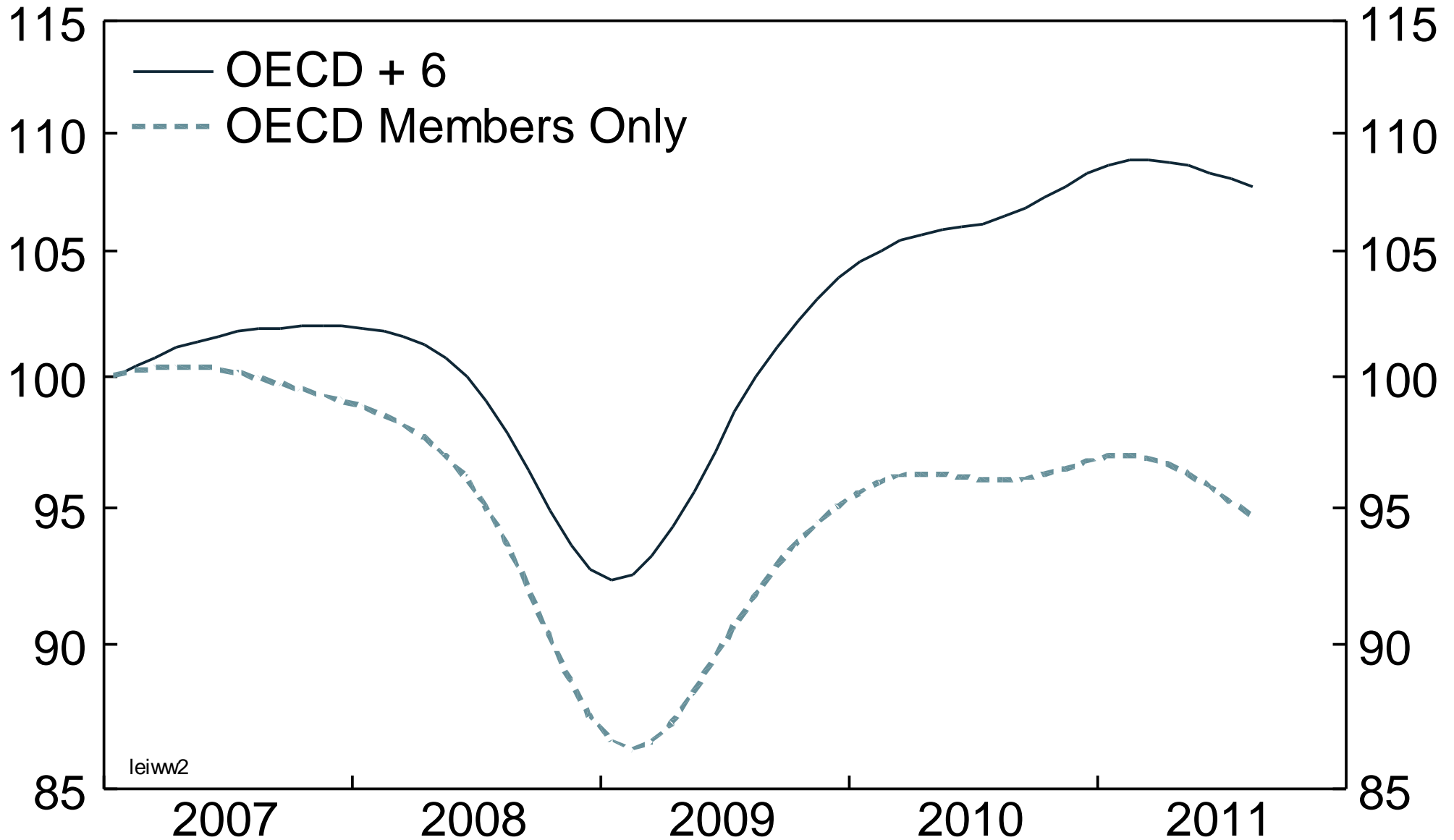
January 2006 = 100



leius2

# Global Composite Leading Indexes

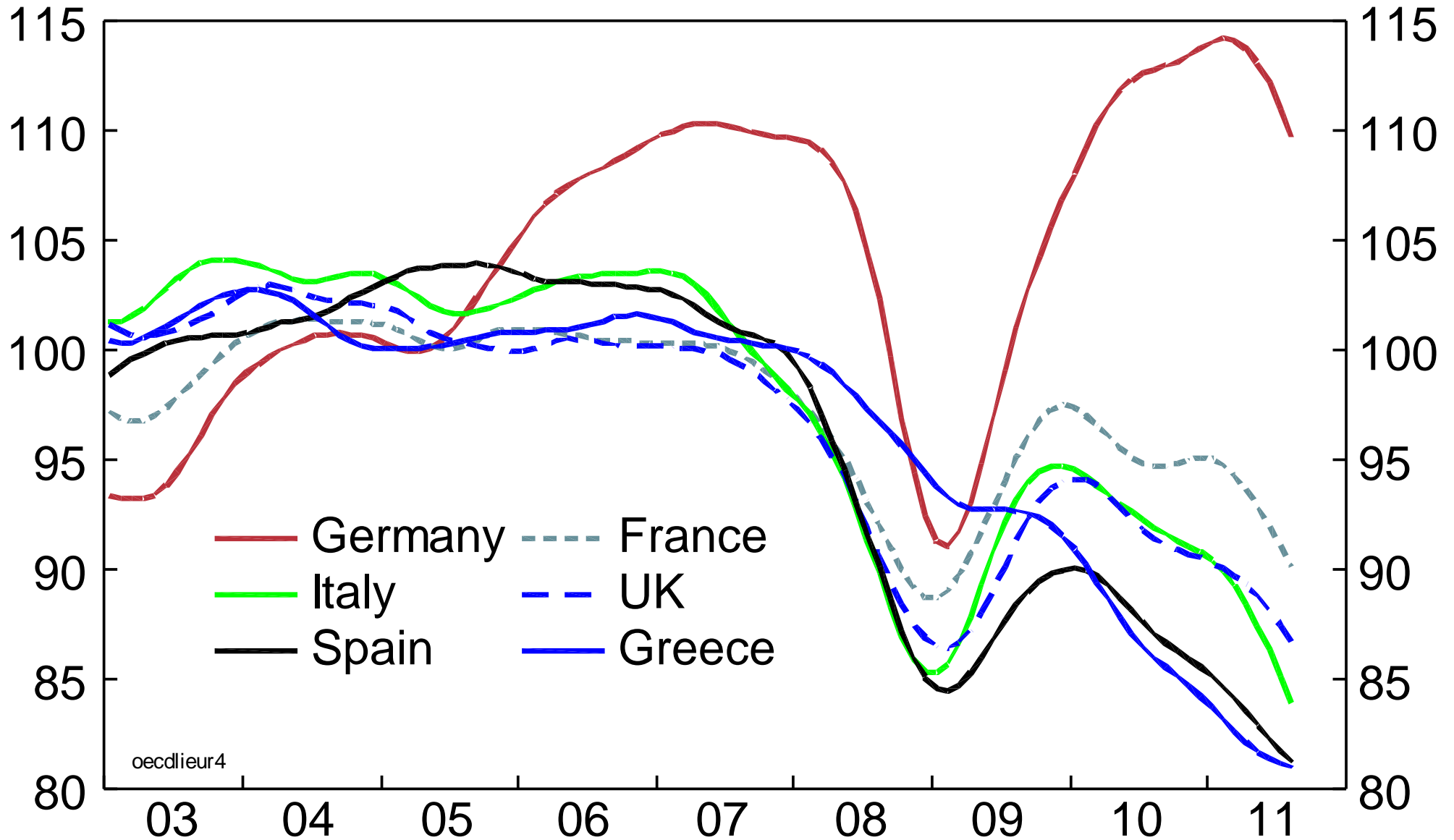
*January 2007 = 100*



leiww2

# OECD Leading Indexes: Europe

2005 = 100



oecdieur4



# Real GDP

(Annual % Change)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>World</b>	<b>-2.1</b>	<b>4.0</b>	<b>2.7</b>	<b>2.7</b>
North America	-2.9	3.0	1.8	1.8
Western Europe	-4.1	1.8	1.6	0.5
C. & E. Europe	-5.2	4.4	4.4	3.7
Asia	0.9	6.8	4.2	5.0
Japan	-6.3	4.0	-0.6	2.7
China	9.2	10.3	9.3	8.1
South America	-0.5	5.7	4.1	3.7
M. East & Africa	1.4	4.4	3.4	3.3

## **Are we scaring ourselves into recession?**

**Consumers & investors have lost confidence in “leaders” in US and Europe.**

**Consumer sentiment has plummeted.**

**Stock prices are down sharply, especially in Europe.**

**Stock price declines are both a predictor and a cause of slower growth.**

- Prices discount expected future dividends.
- Prices affect consumer spending through wealth effect.
- Prices affect business investment through cost of equity.

**Five times since 1960, there have been U.S. stock price declines of this magnitude that were not followed by a recession.**

**US recession is not inevitable, but risks have risen.**

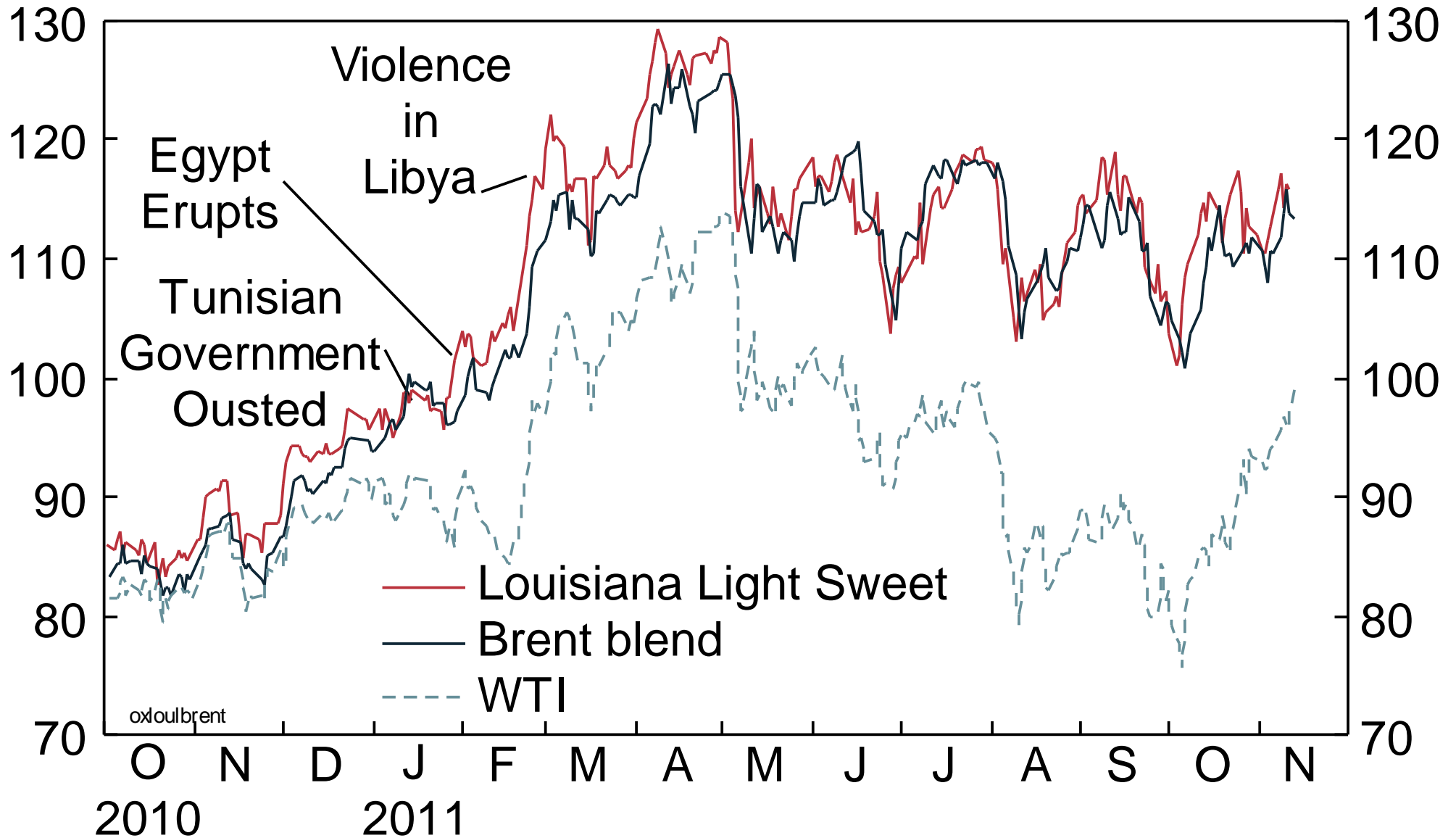
- Slow growth makes economies vulnerable to shocks.
- Big uncertainties: China, impact of European defaults on banks, inventories.



*The miracles of science™*

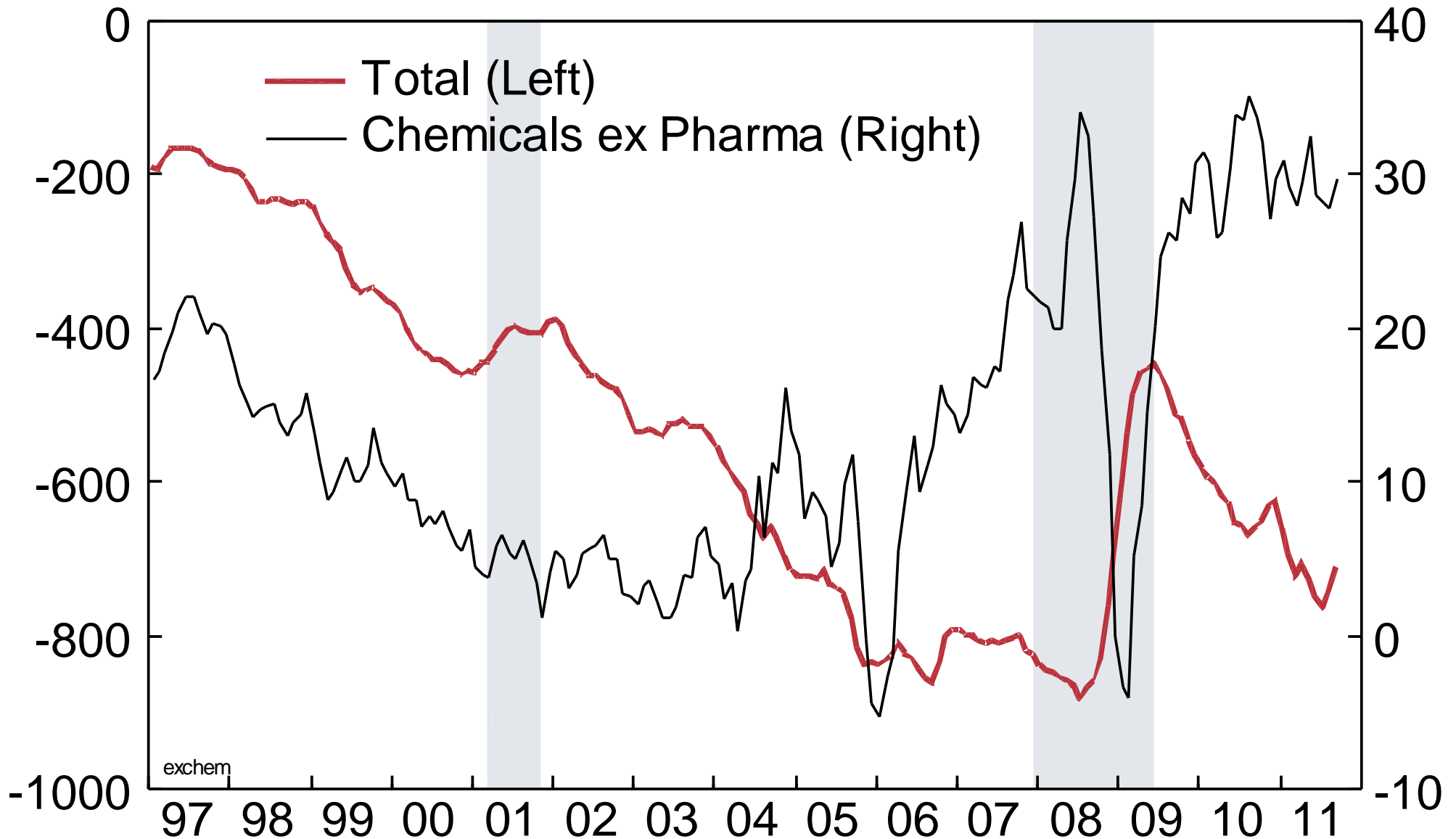
# Crude Oil Prices

*Dollars per barrel*



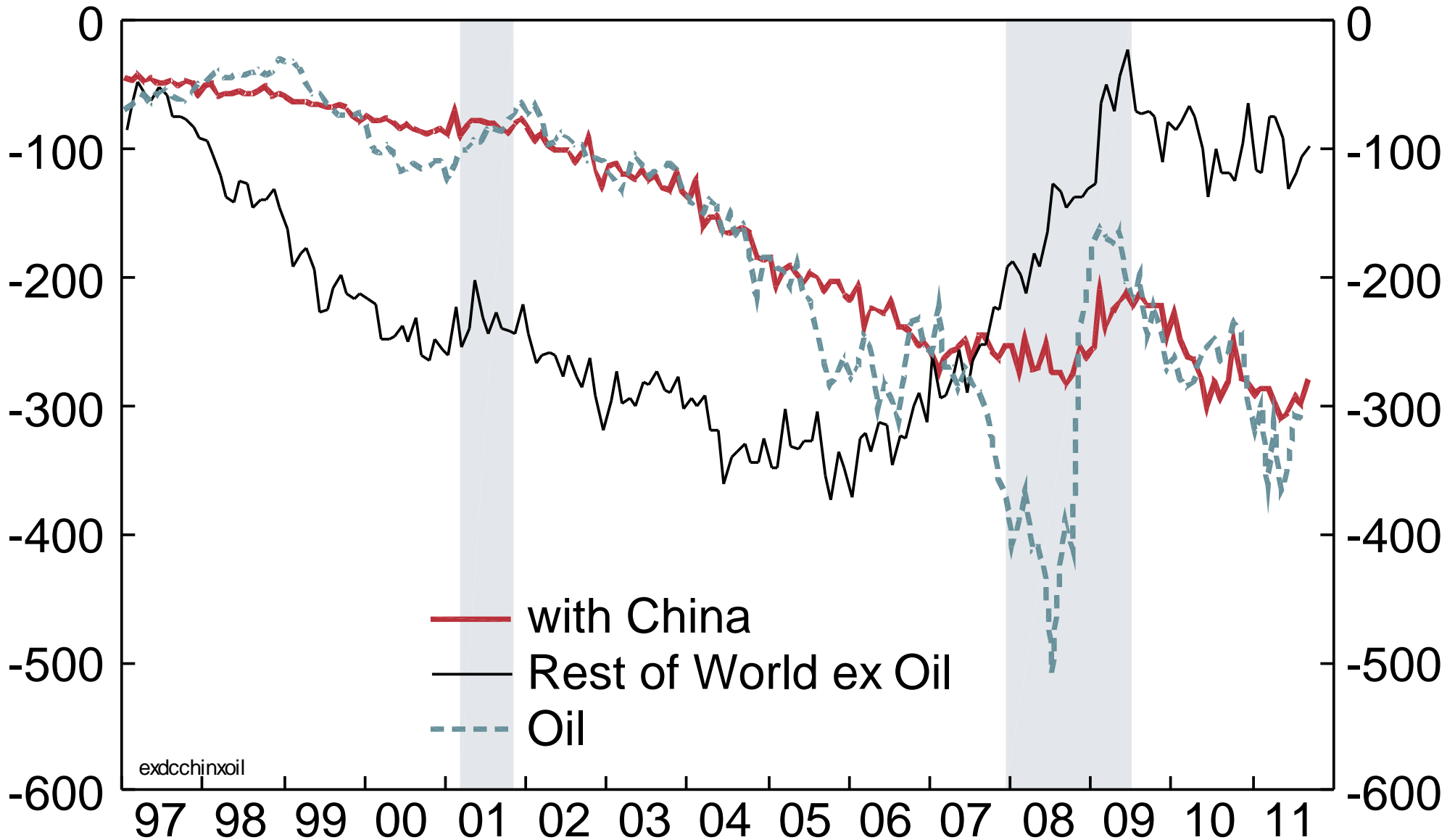
# US Merchandise Trade Balance

*Billion \$, Annual Rate, 3-Month Moving Average*

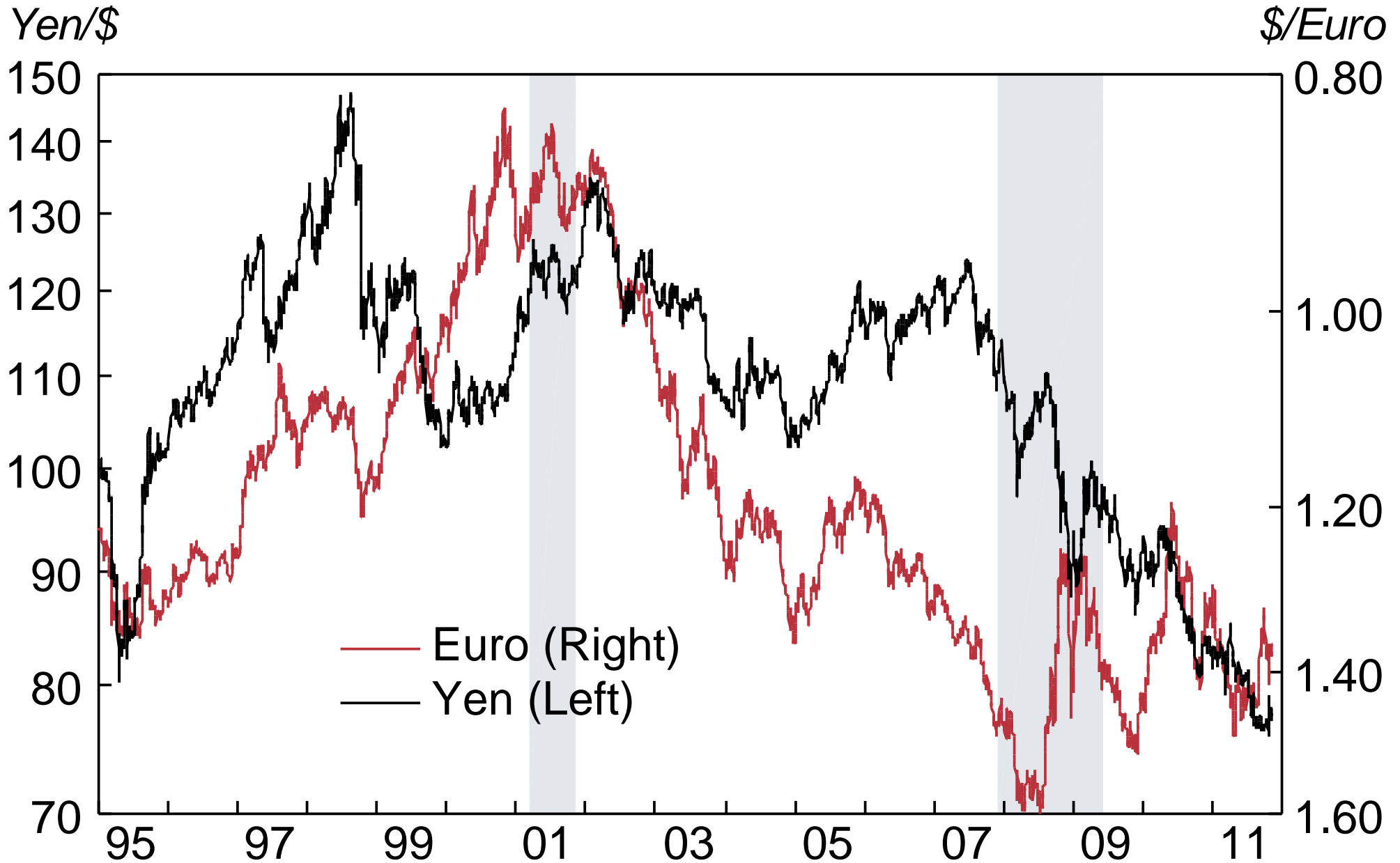


# US Merchandise Trade Balance

*Billion \$, Seasonally Adjusted Annual Rate*

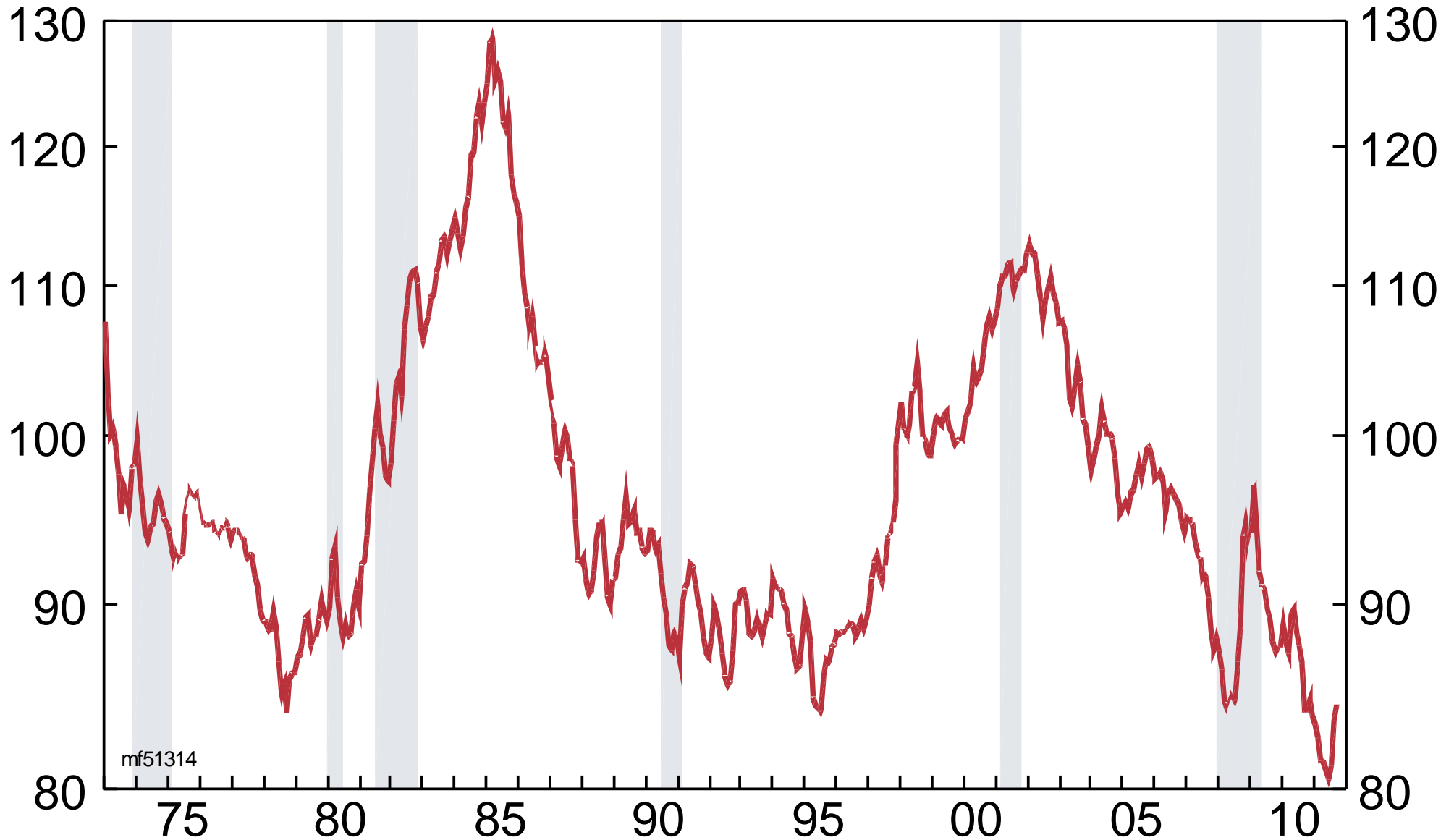


# Value of US Dollar versus Yen & Euro



# Federal Reserve Broad Dollar Index: Real

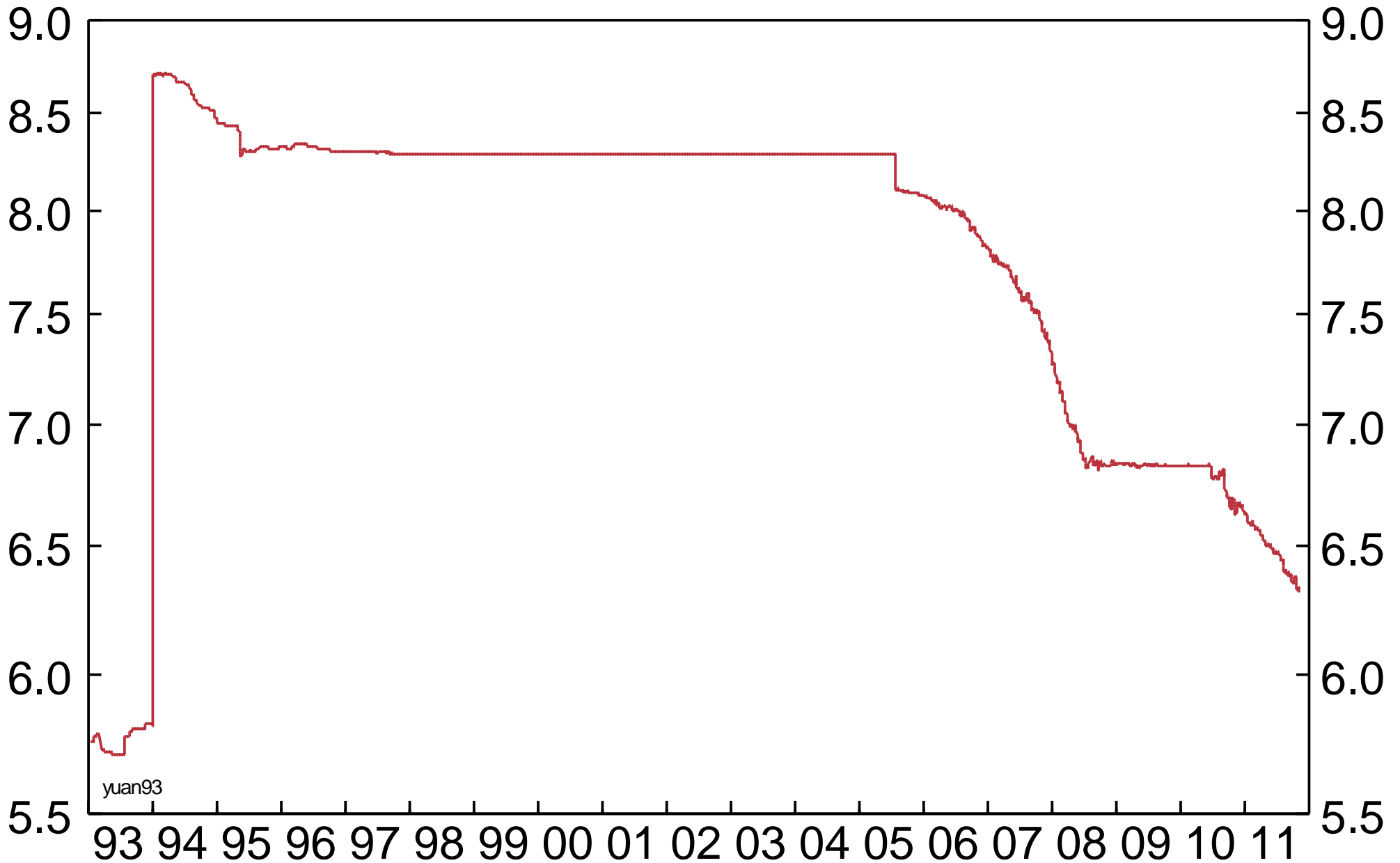
March 1973 = 100



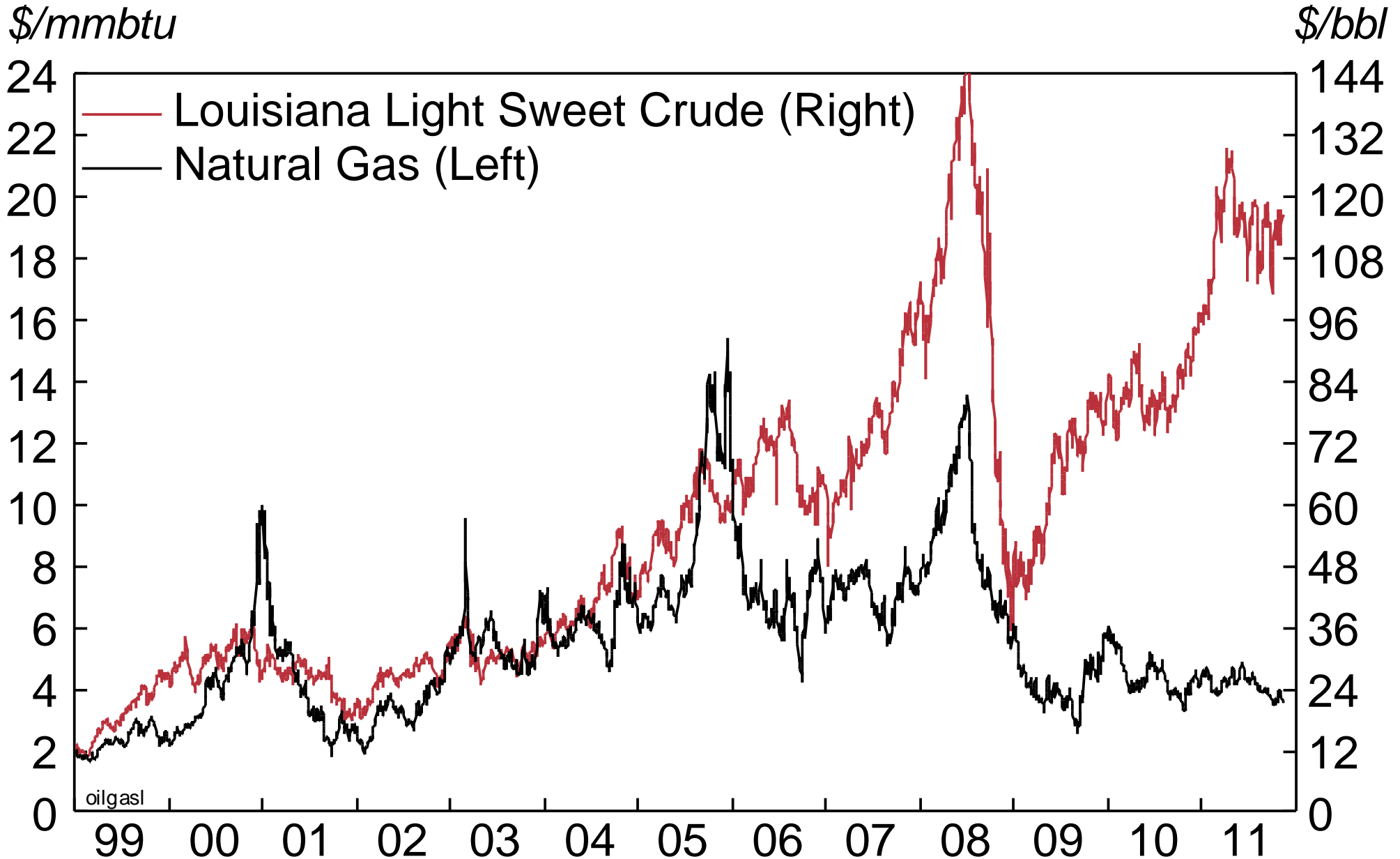
mf51314



# Chinese Yuan per U.S. Dollar



# US Crude Oil and Natural Gas Futures Prices





**“Now, gentlemen, we have tried spending money. We are spending more than we have ever spent before and it does not work . . . I say after eight years of this administration we have just as much unemployment as when we started . . . and an enormous debt, to boot.”**

**--Henry Morgenthau, Jr., 1939**