

Economic Outlook

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DuPONT ECONOMIST'S OFFICE

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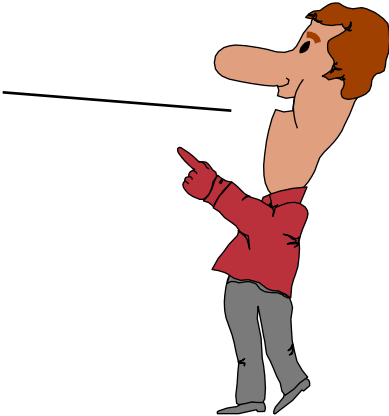
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**Excuse me.
Can you tell
me where I
am?**

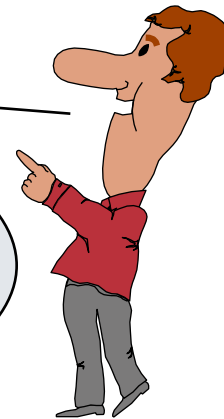
**You're in
a balloon.**





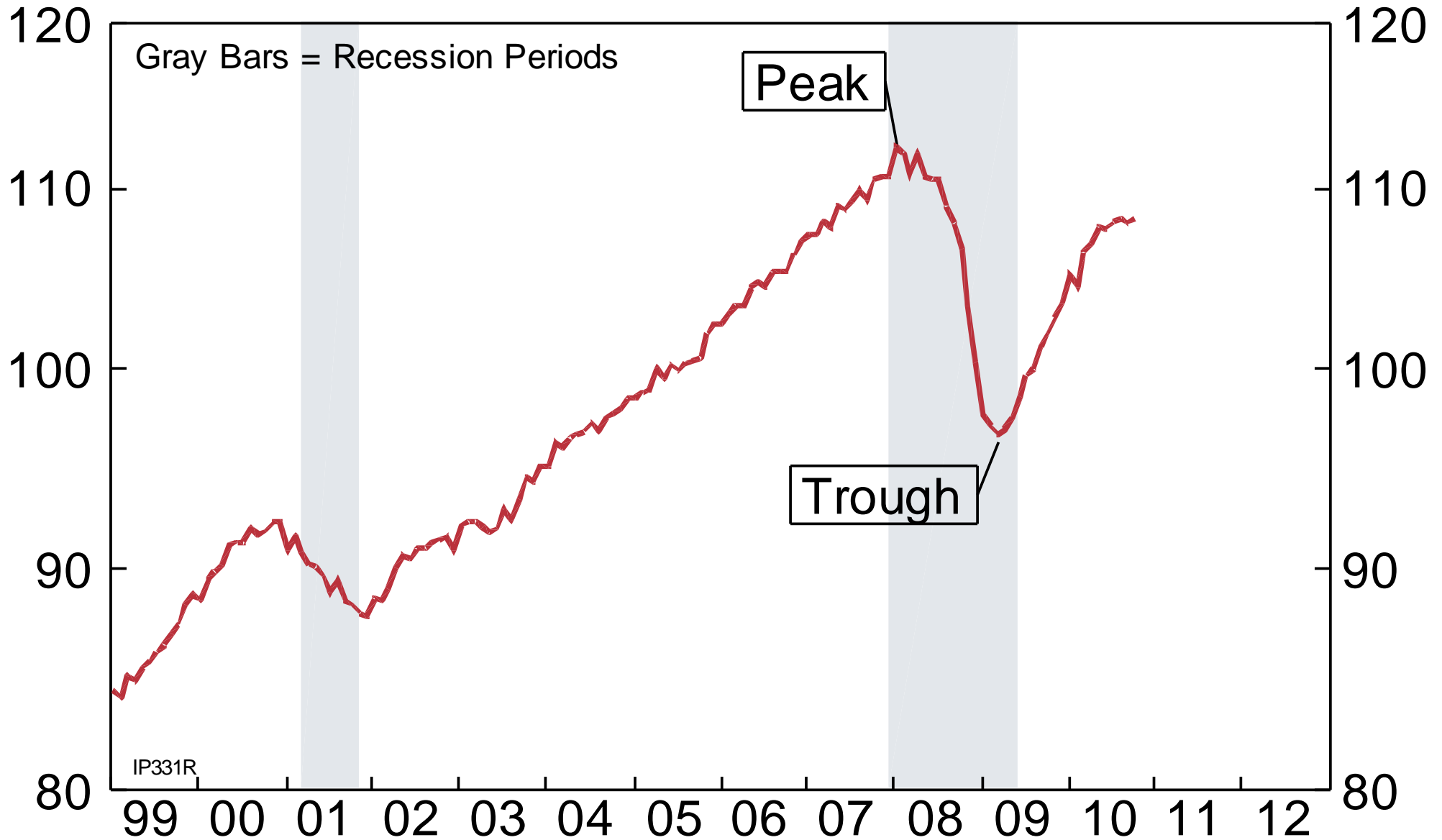
**You must
be a economist.
Your answer is
perfectly correct
and totally
useless.**

**You must be a manager. You
have a great view, but don't
know where you are.**



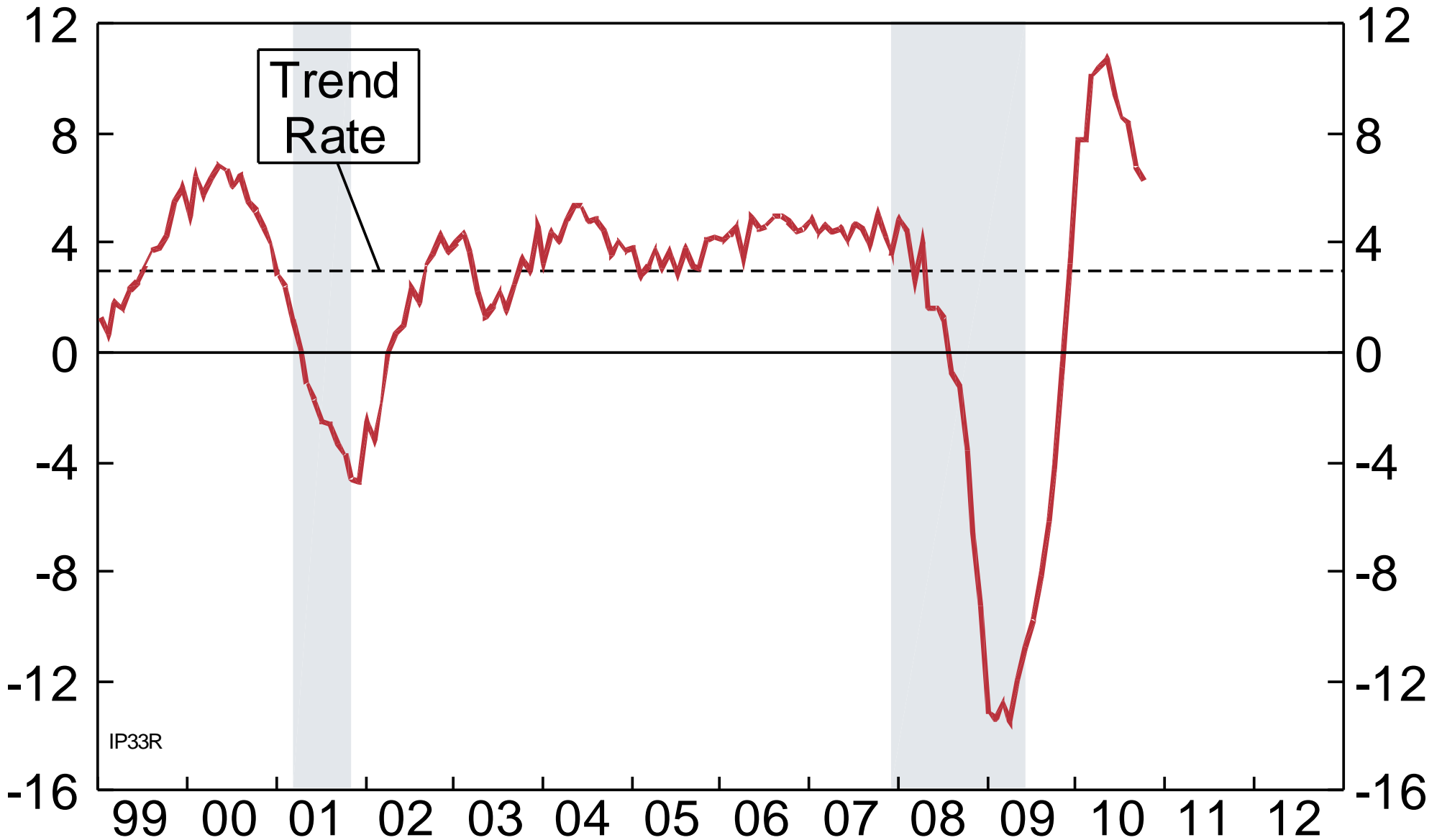
Industrial Production: World

Index 2005=100



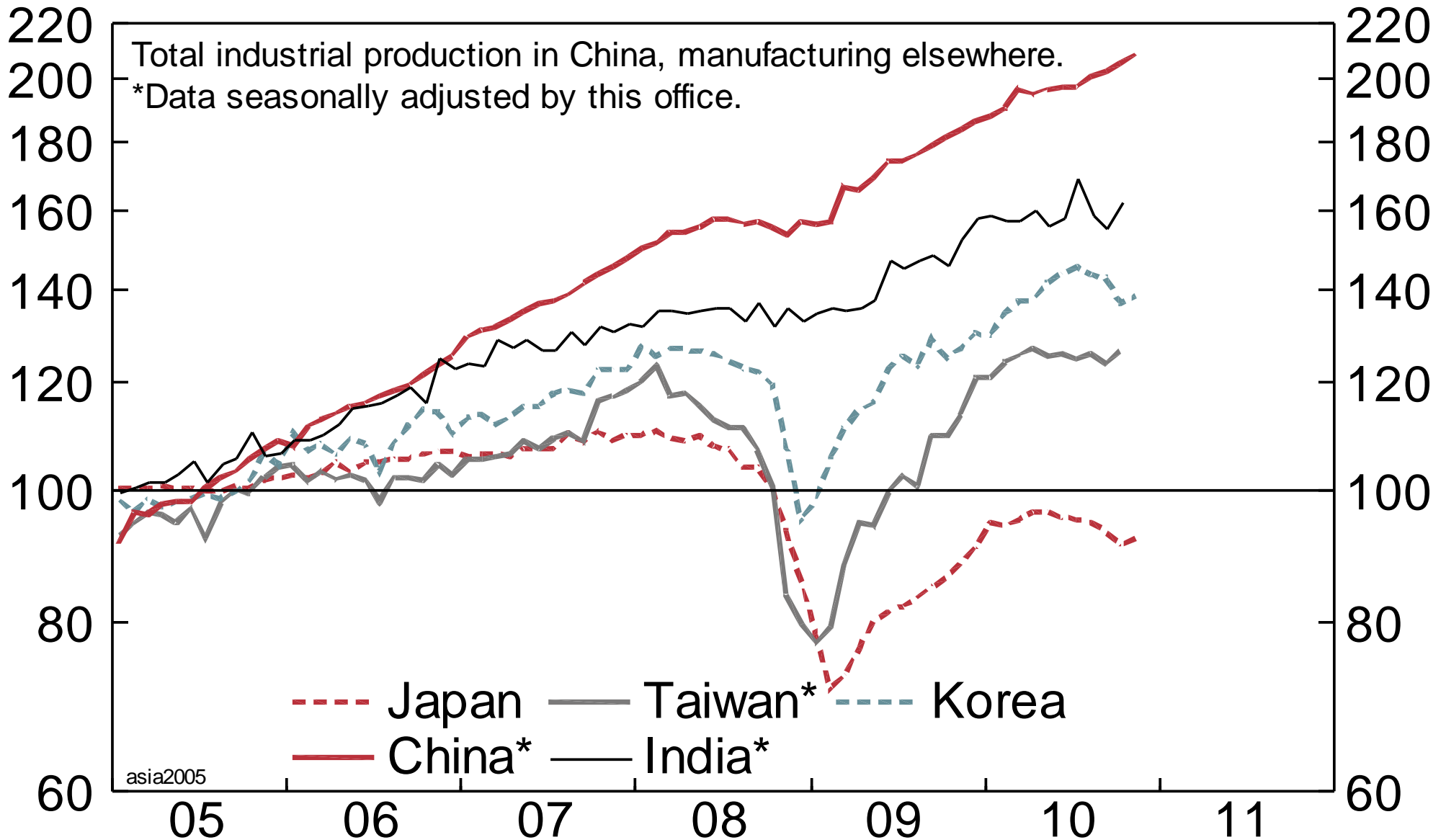
Industrial Production: World

Rate of Change Yr/Yr



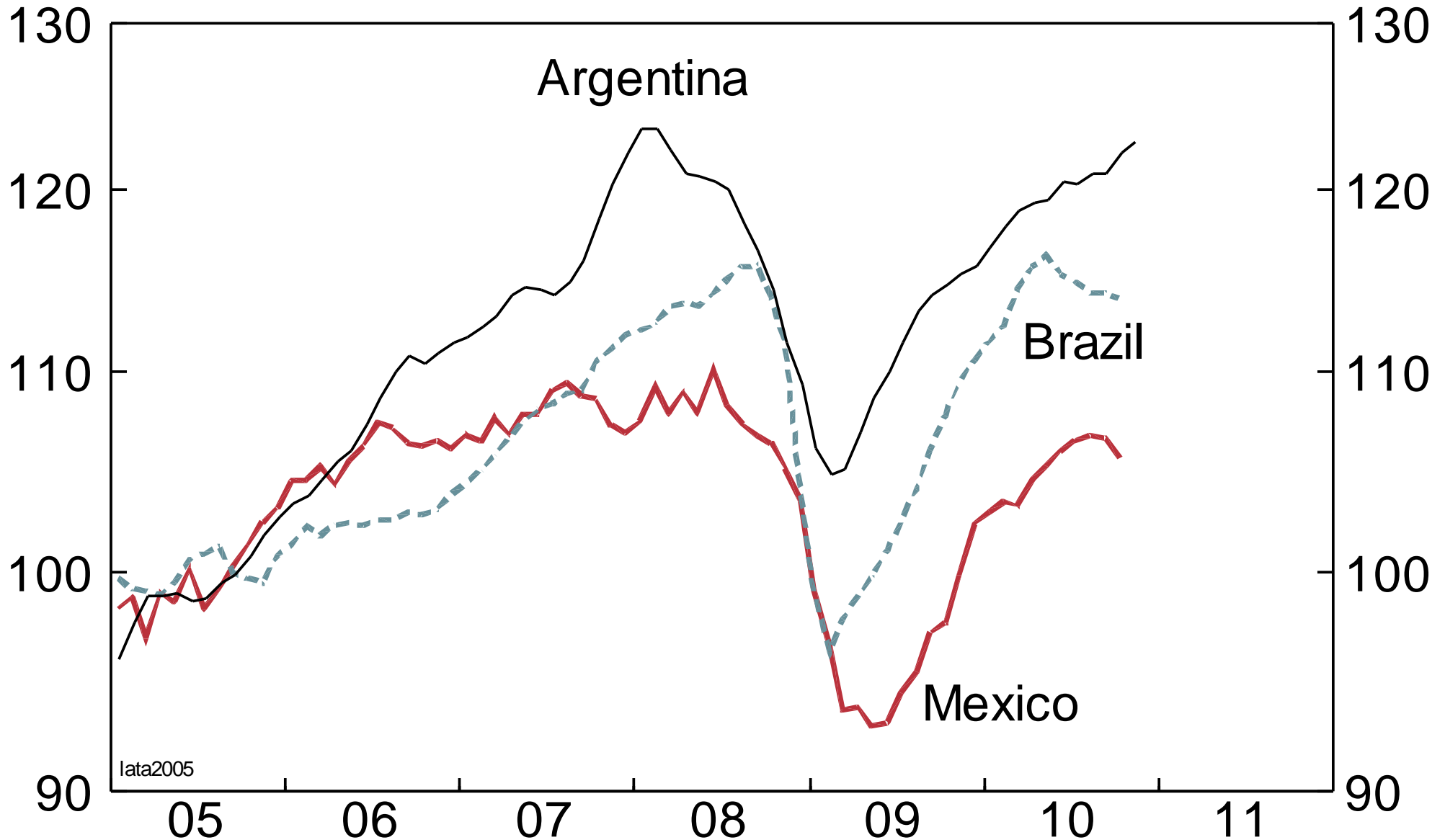
Industrial Production: Asia

2005 = 100, Seasonally Adjusted



Industrial Production, Latin America

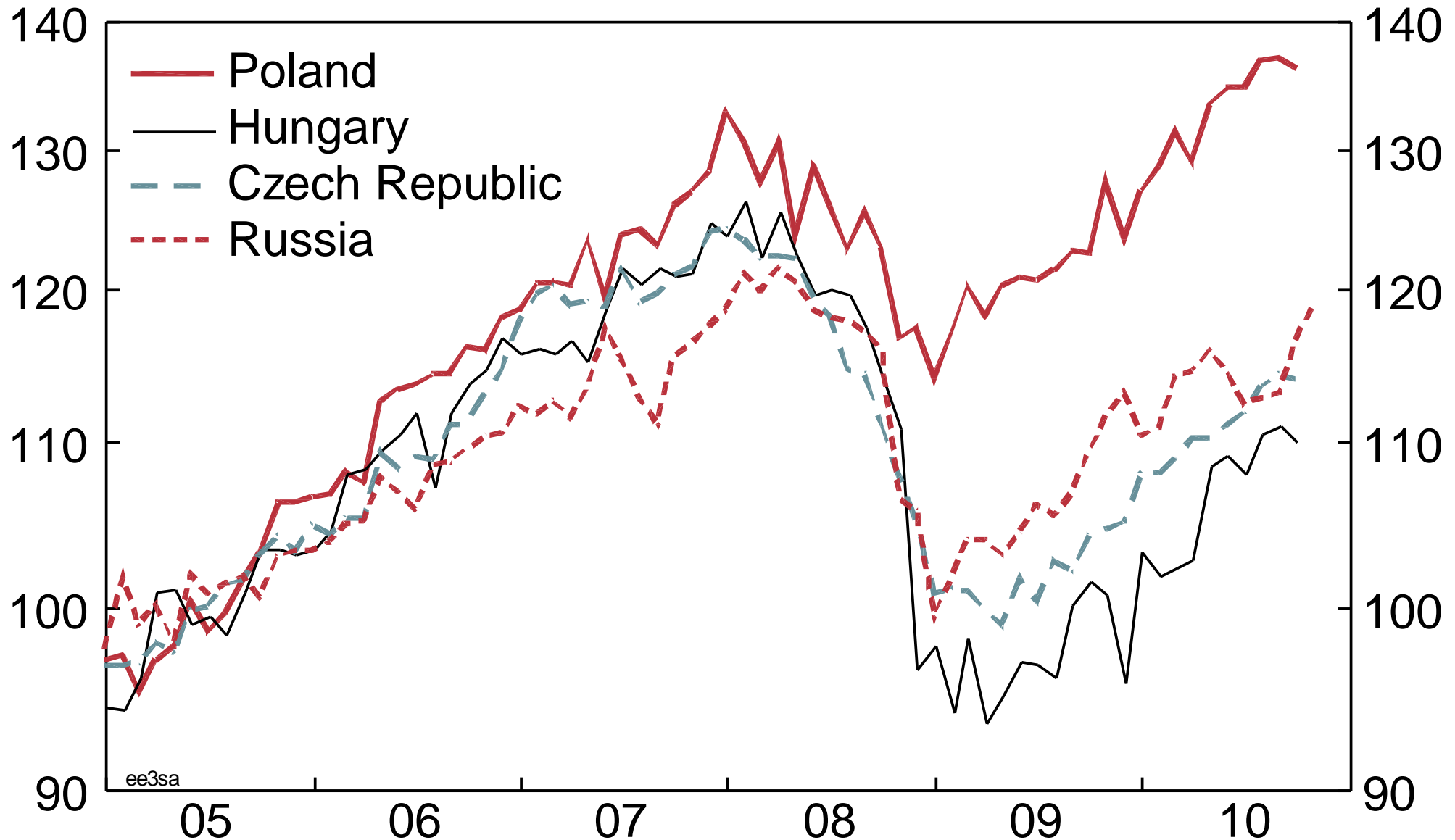
2005 = 100, 3-Month Moving Averages



Iata2005

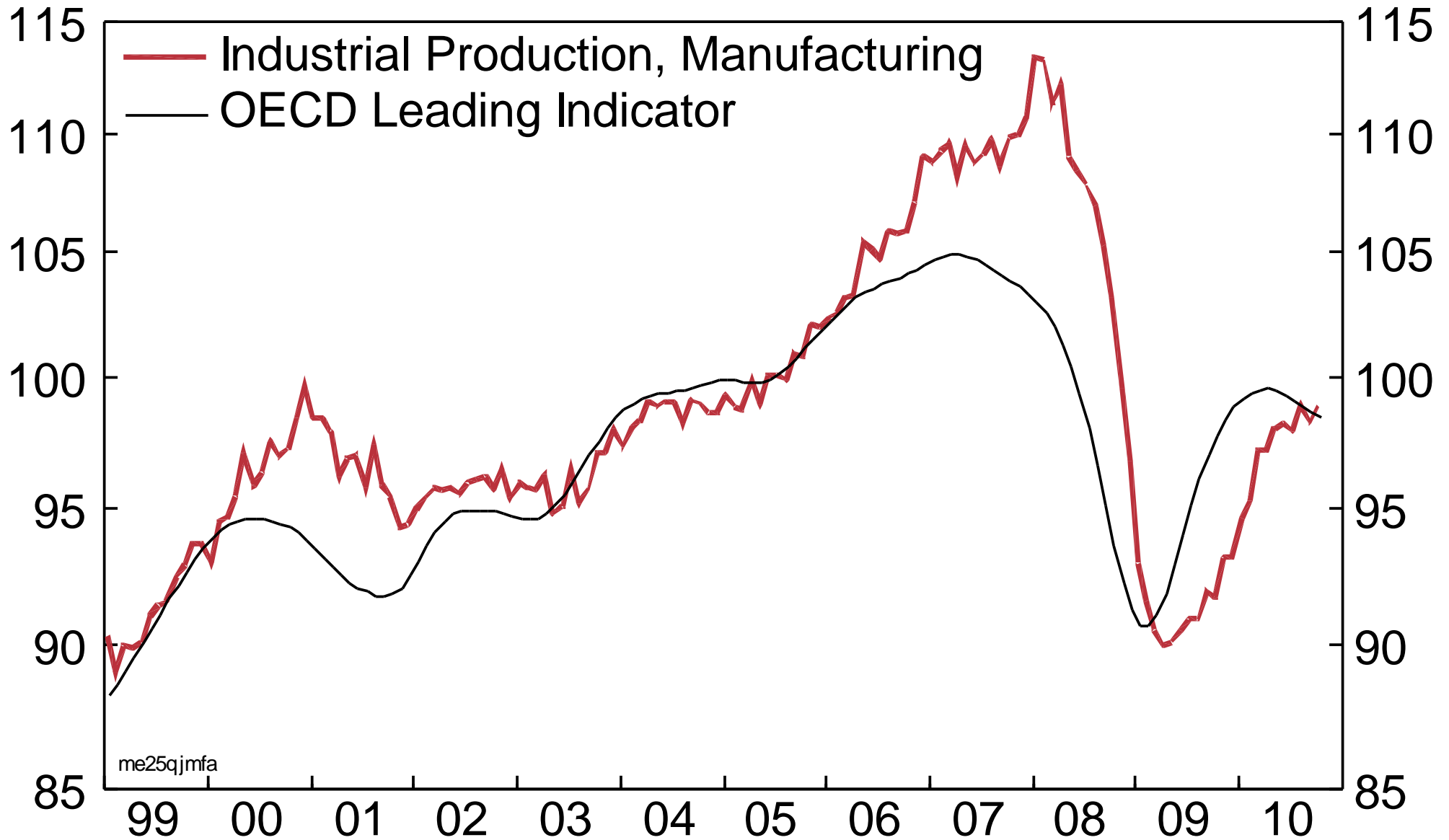
Industrial Production: Central Europe & Russia

2005 = 100



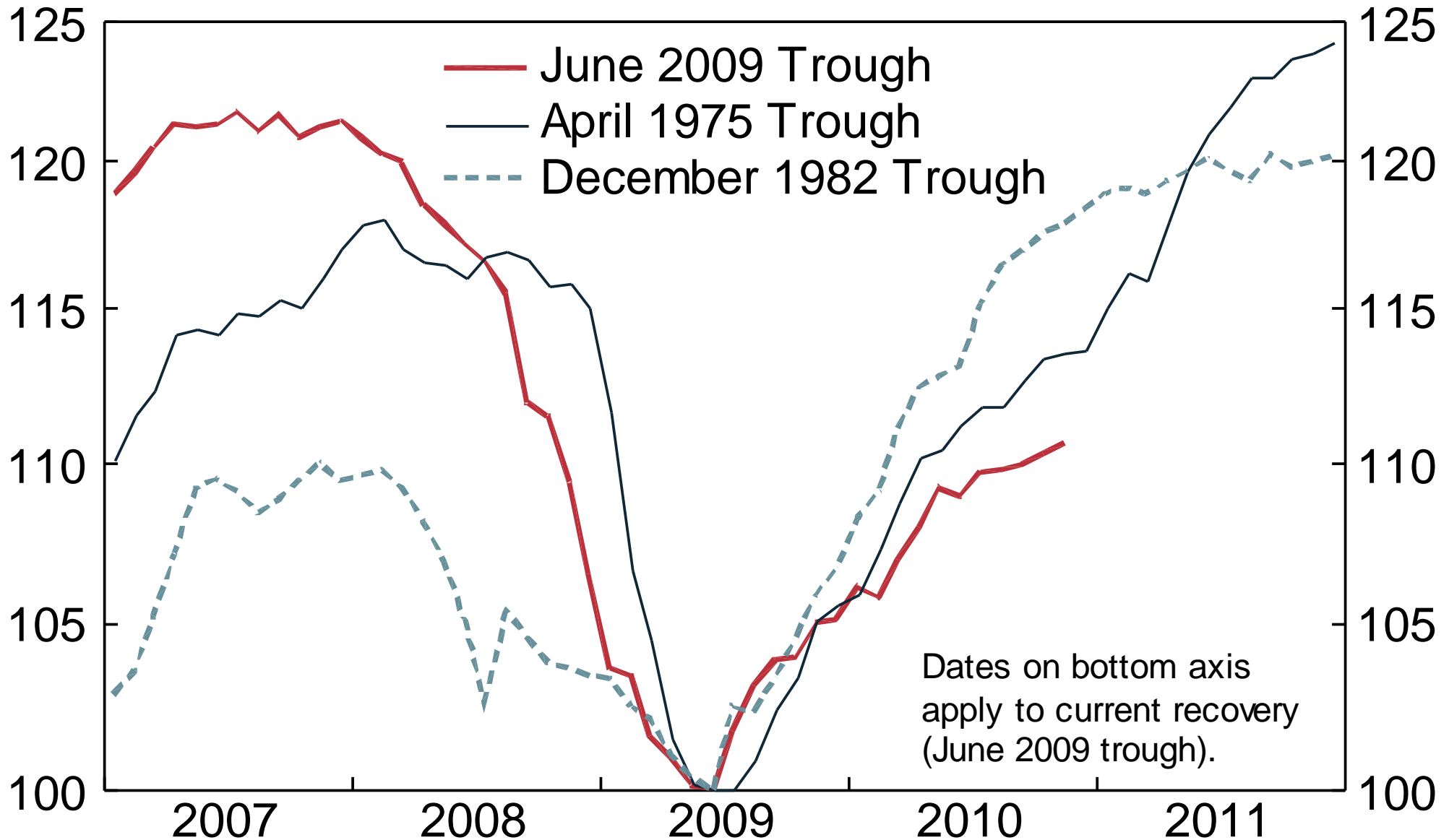
Industrial Production: European Union

2005 = 100



US Industrial Production: Manufacturing

Cycle Trough = 100



Multi-speed recovery from synchronous global recession slowed in 2010.

Countries that recovered first (China, India, Brazil) slowed first.

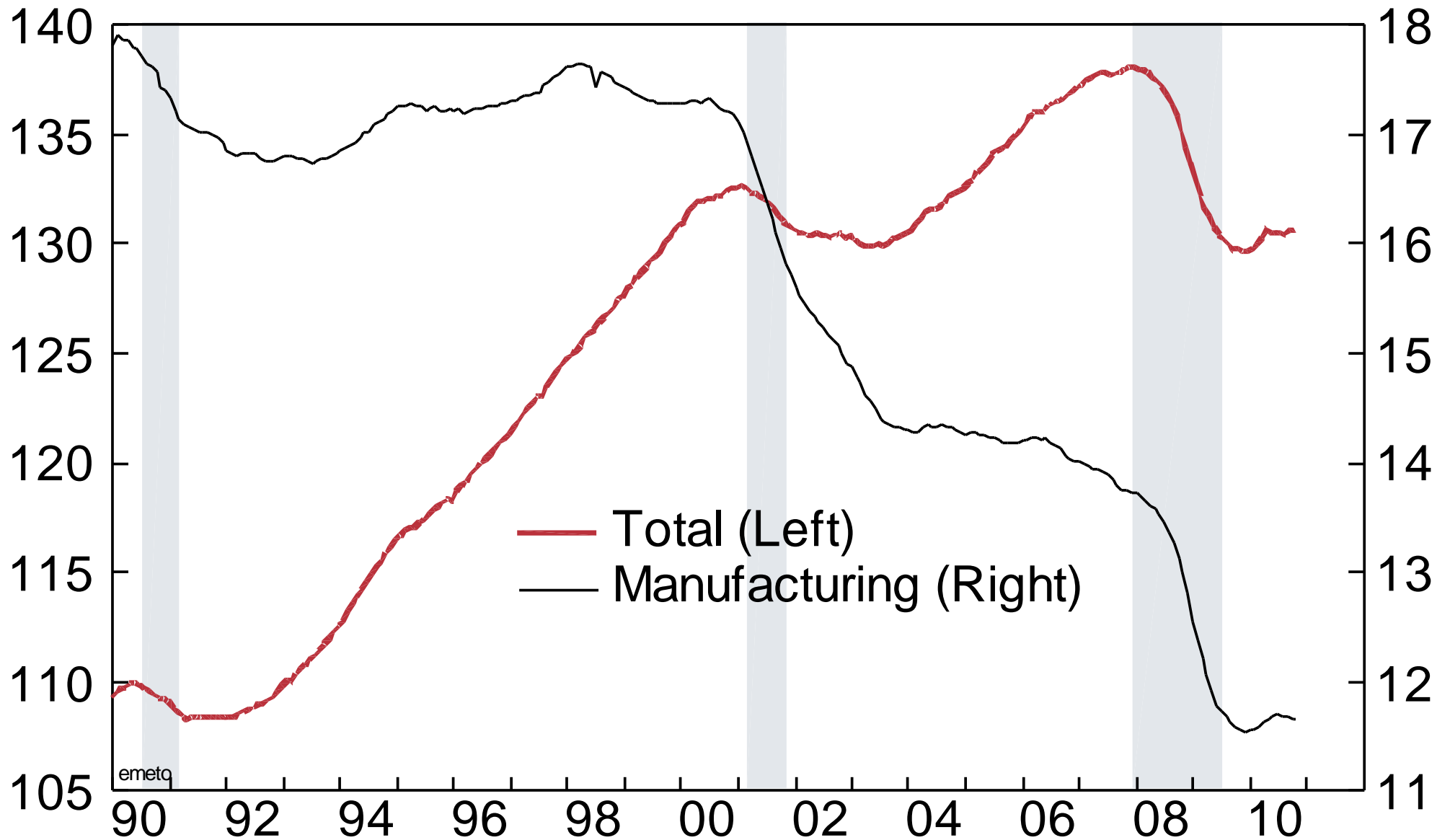
Europe continues to grow, but growth is uneven and at risk.

Recovery in US manufacturing slowed from May to September.

Growth in US and China reaccelerated late in 2010.

U.S. Payroll Employment

Millions



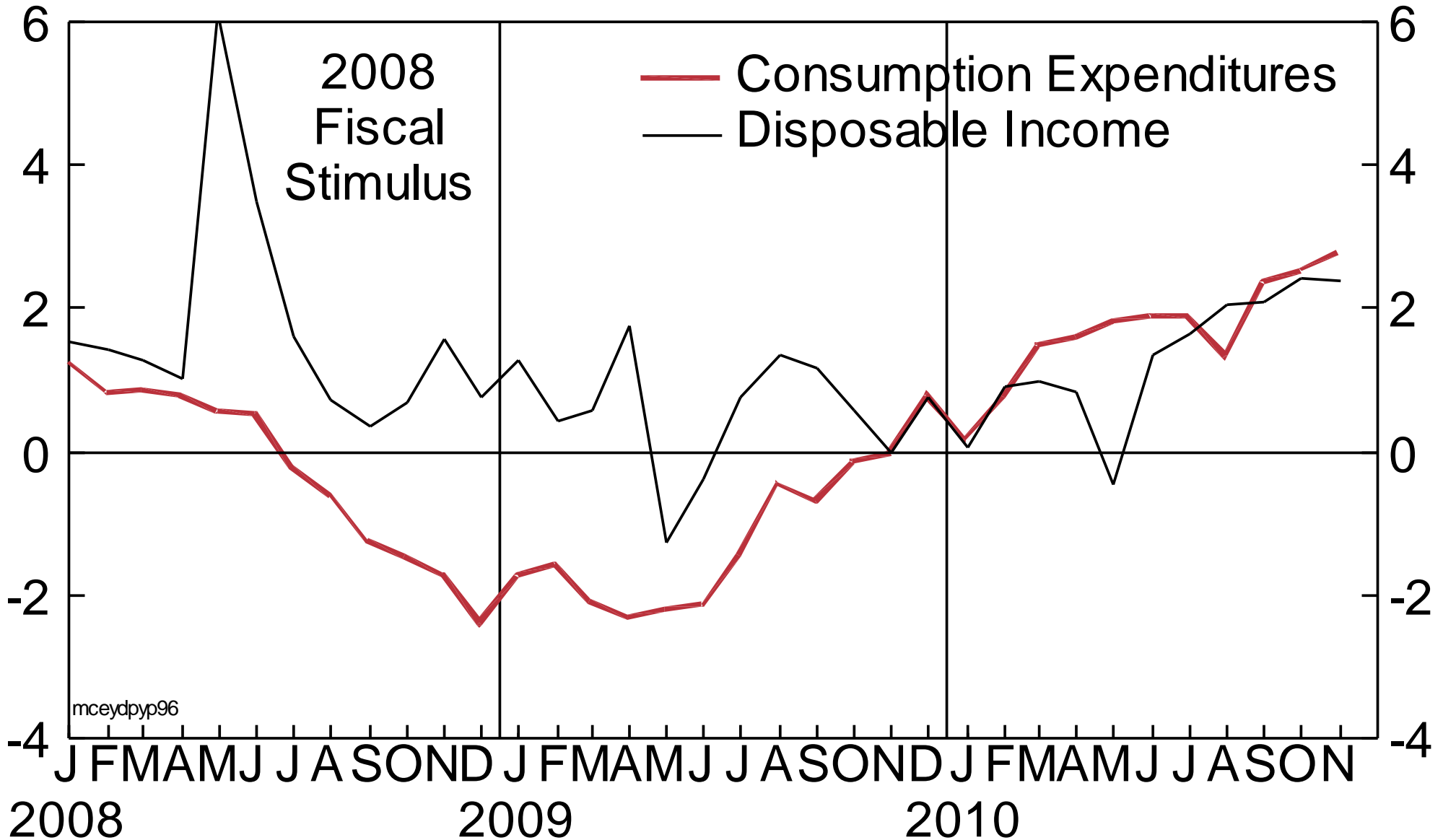


“Uncertainty rules the tax situation, the labor situation, the monetary situation, and practically every legal condition under which industry must operate.”

--Lammot du Pont II, 1937

US Consumer Spending and Disposable Income

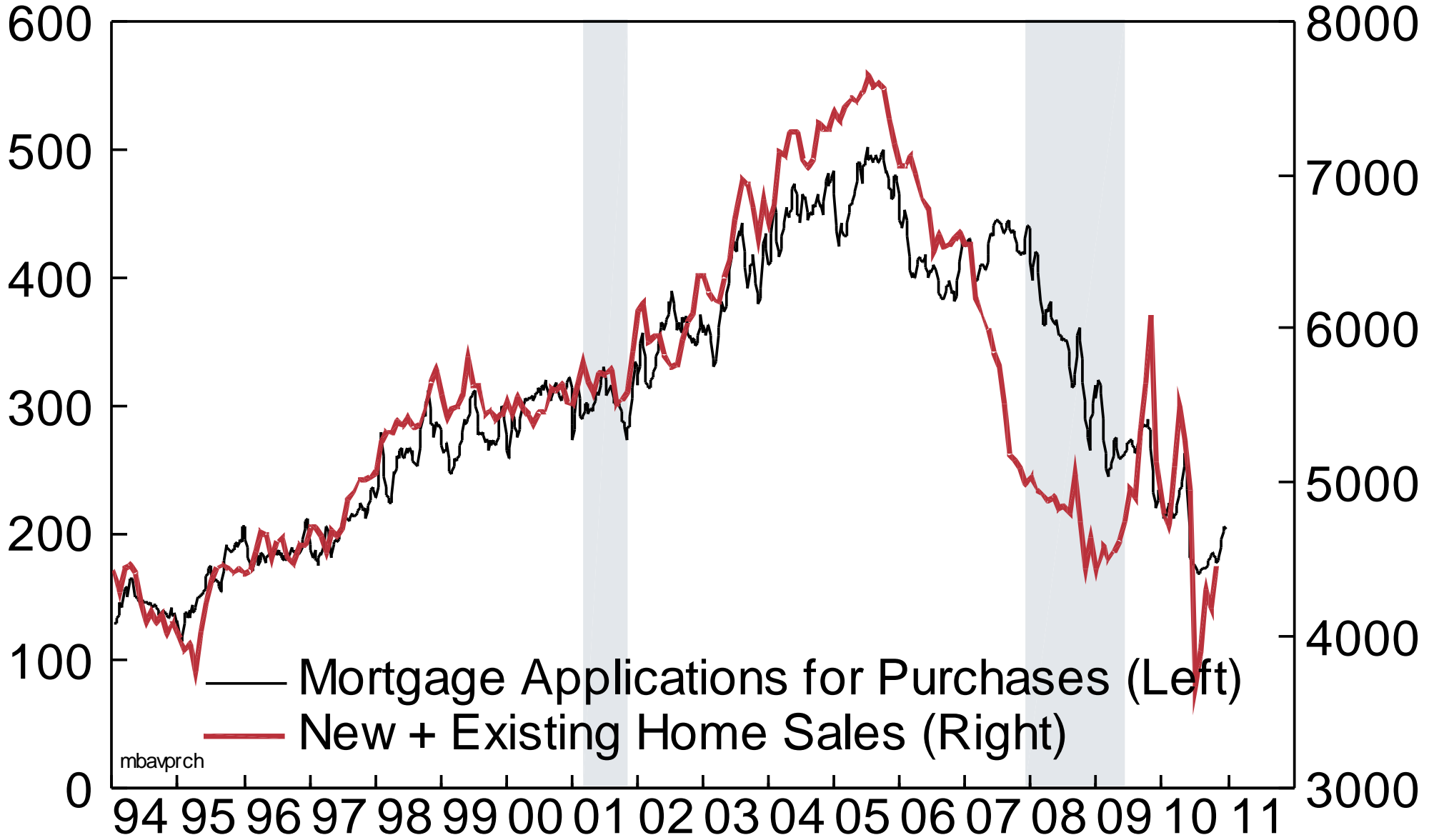
Percent Change from Year Ago, Chained 2005 Dollars



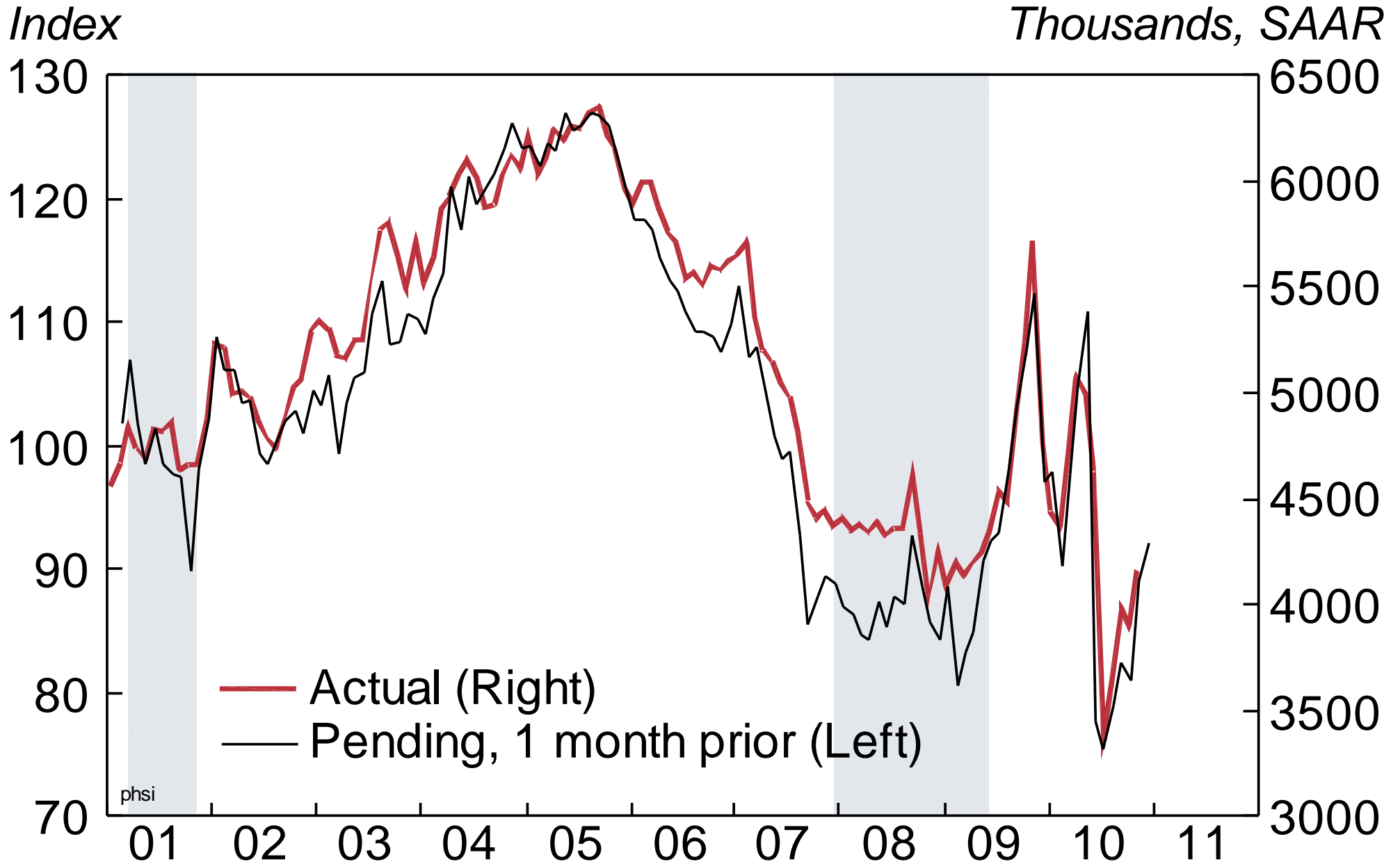
US Mortgage Applications and Home Sales

Index, 4-Week Moving Average

Thousands

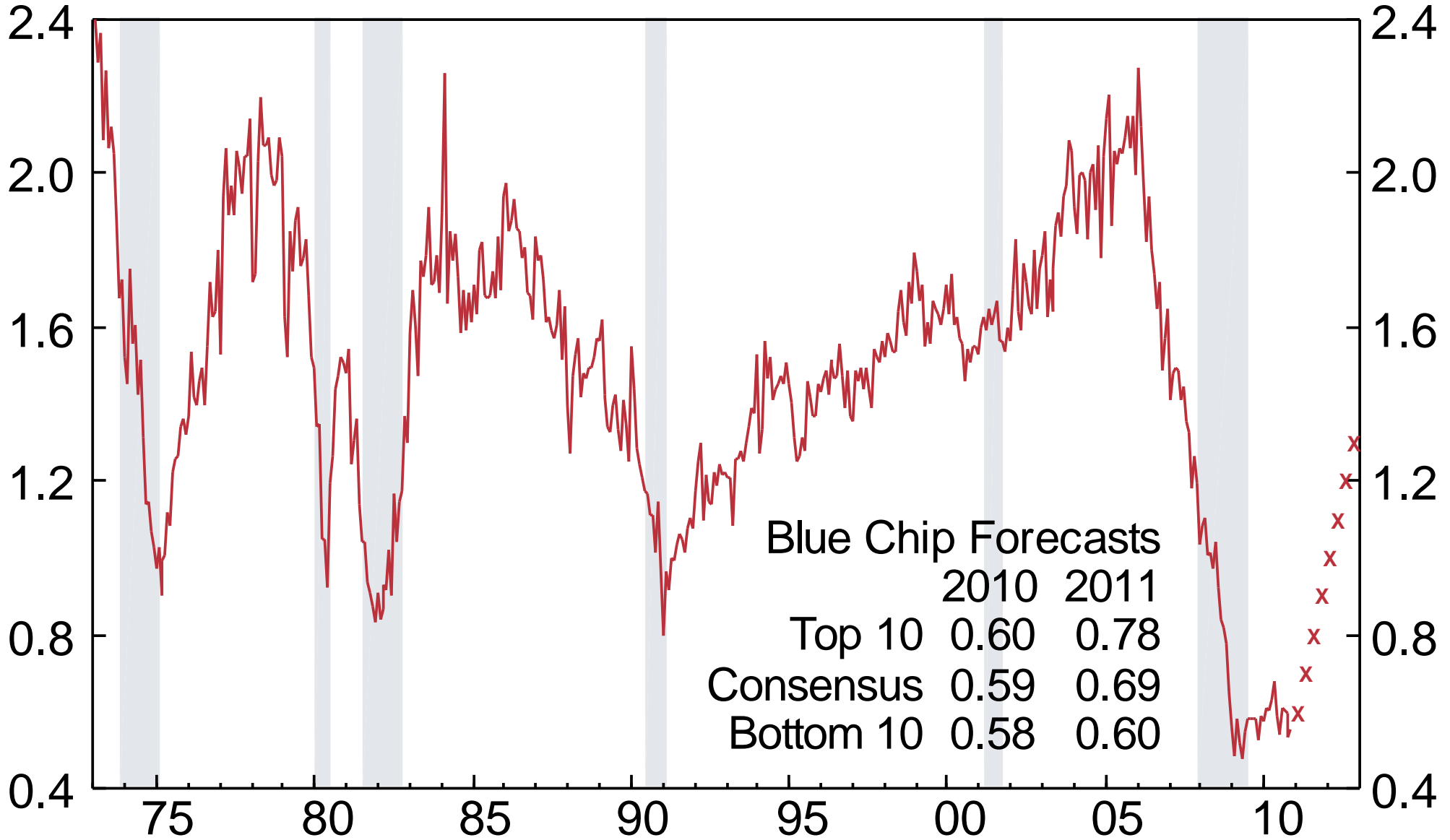


US Existing Home Sales: Actual vs Pending



US Housing Starts

Millions, Seasonally Adjusted Annual Rate



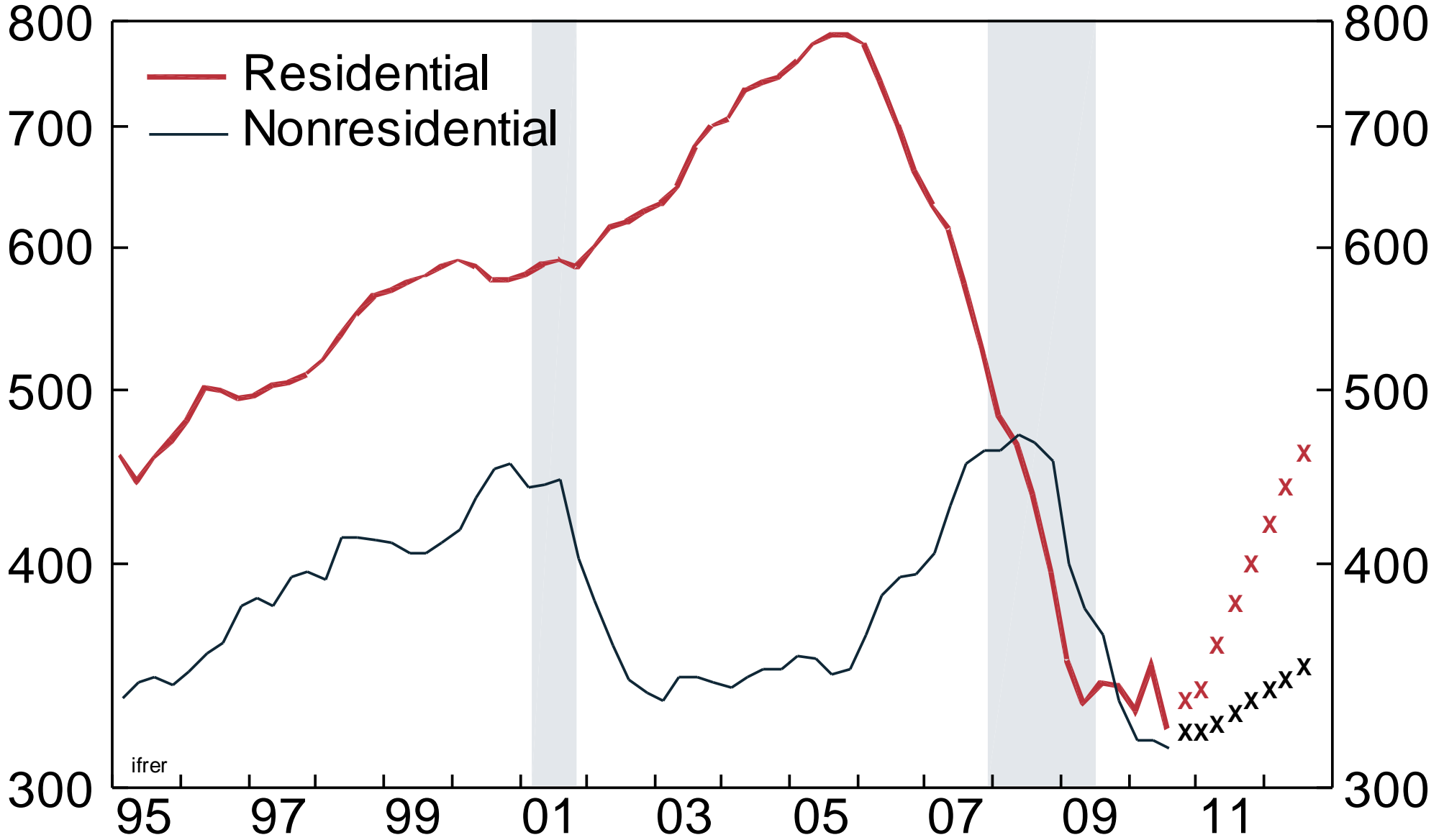


Gee, thanks for the housing bubble, Alan.

I'm sure you can handle it, Ben. (Looks like Andrea and I sure picked the right time to sell our condo in DC.)

Investment in Structures

Billion 2005 \$

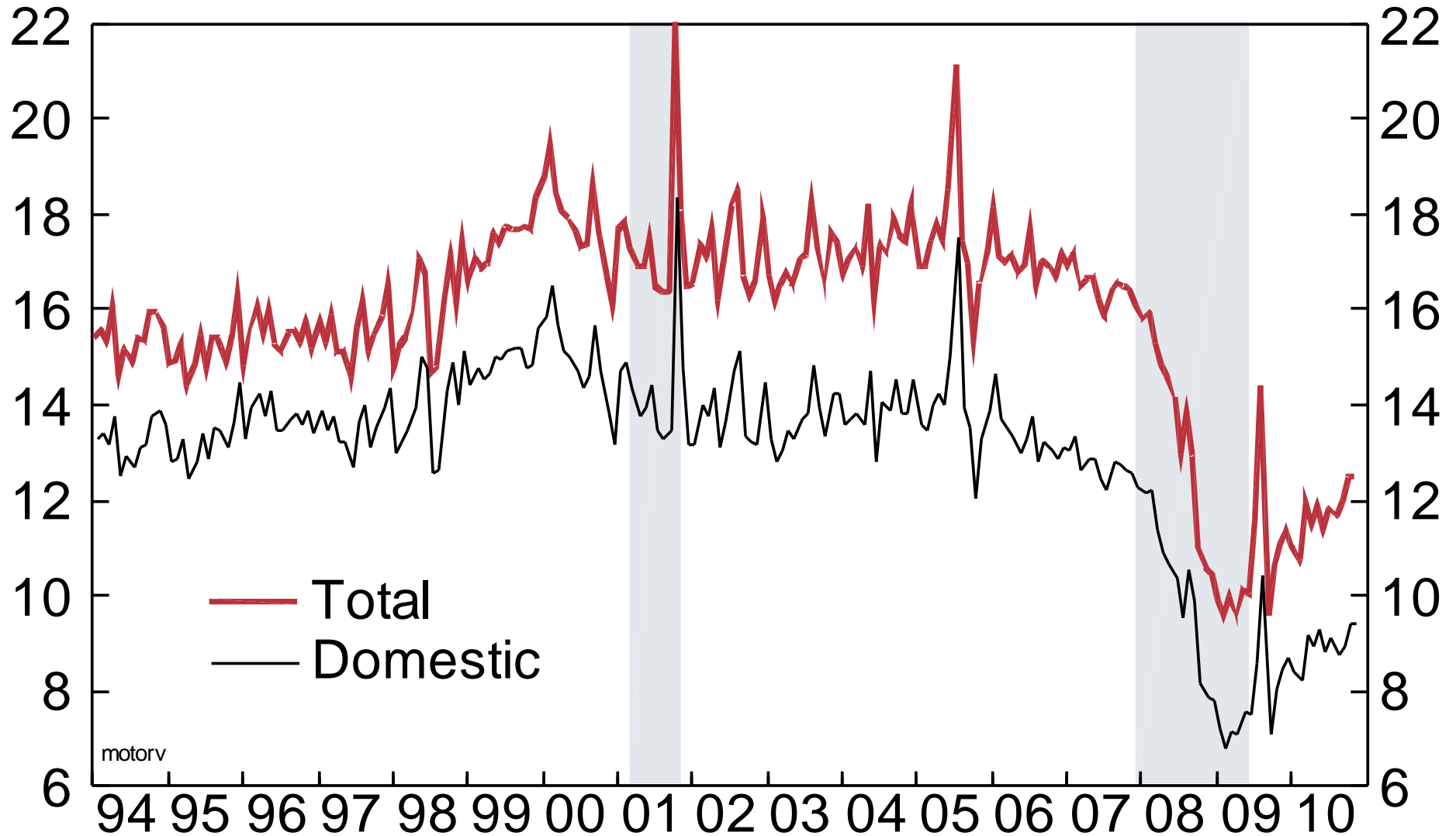


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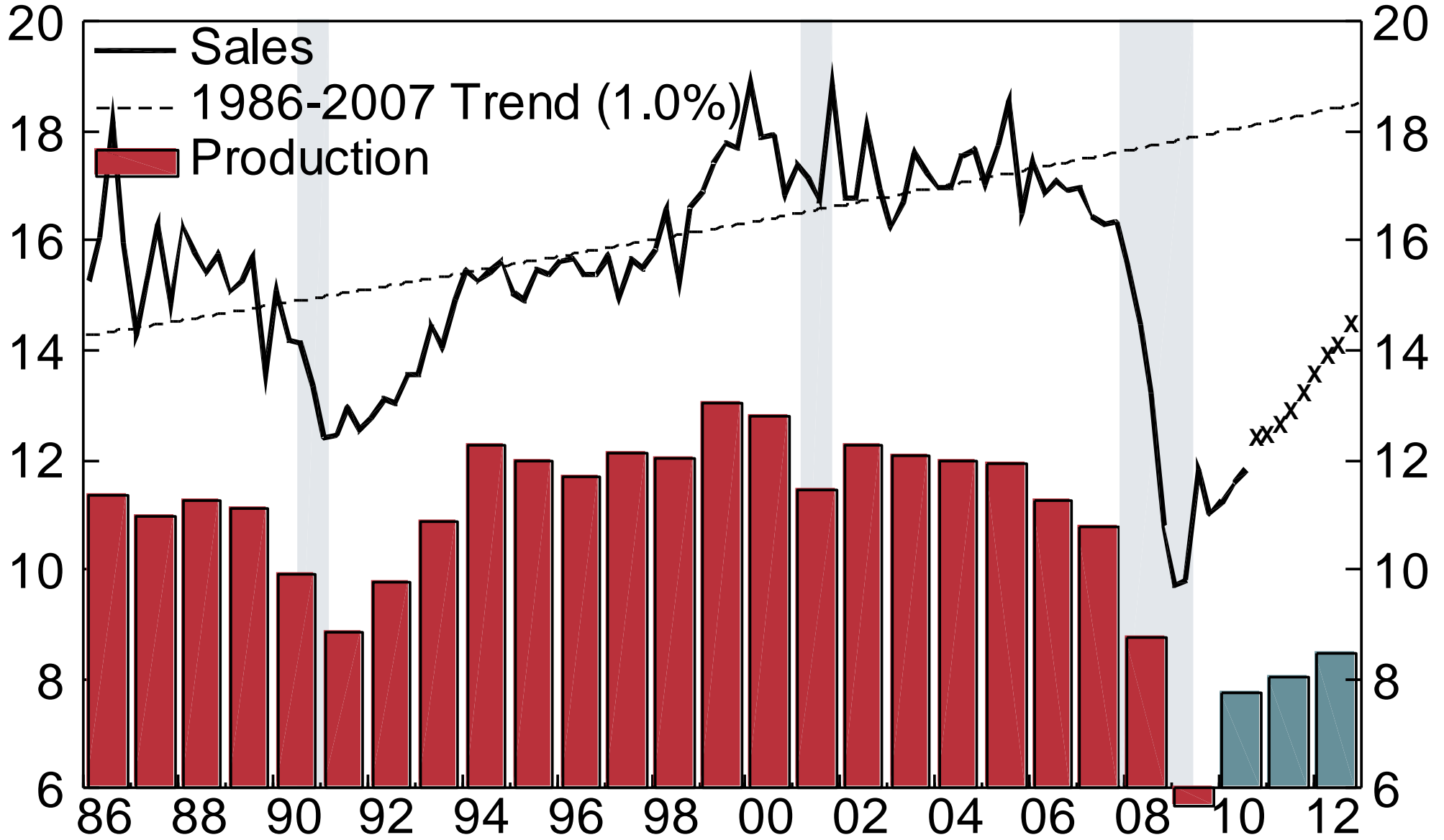
U.S. Motor Vehicle Sales

Millions, Seasonally Adjusted Annual Rate



US Motor Vehicle Sales & Production

Millions



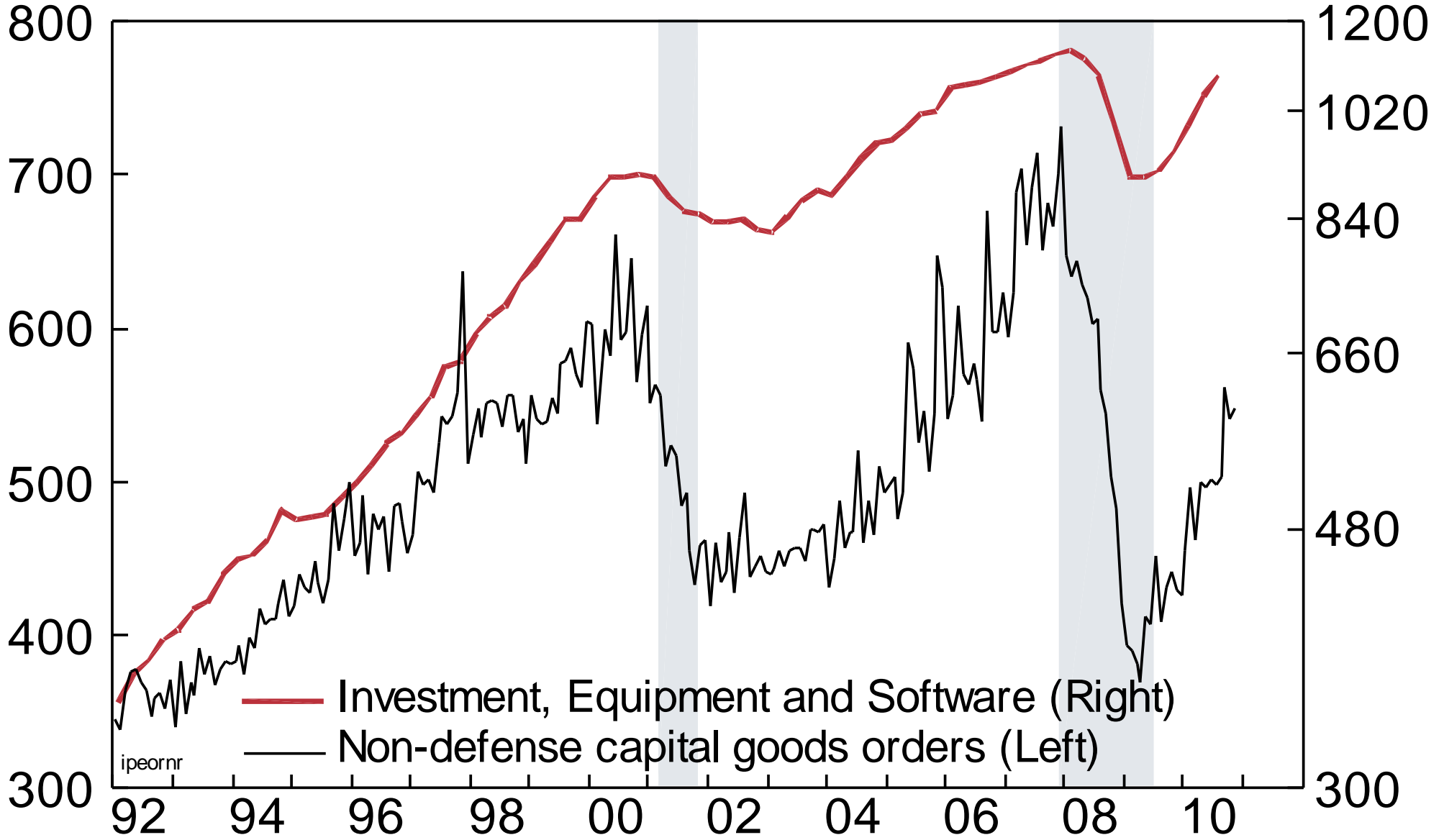
Global Motor Vehicle Production (Millions)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
North America	12.9	8.8	12.1	12.7
South America	4.0	3.9	4.3	4.5
Western Europe	15.2	12.2	13.6	13.6
Eastern Europe	6.8	4.9	5.9	6.2
Asia Pacific	30.4	30.6	38.3	40.8
World	71.2	62.2	76.2	79.9

U.S. Investment and Capital Goods Orders

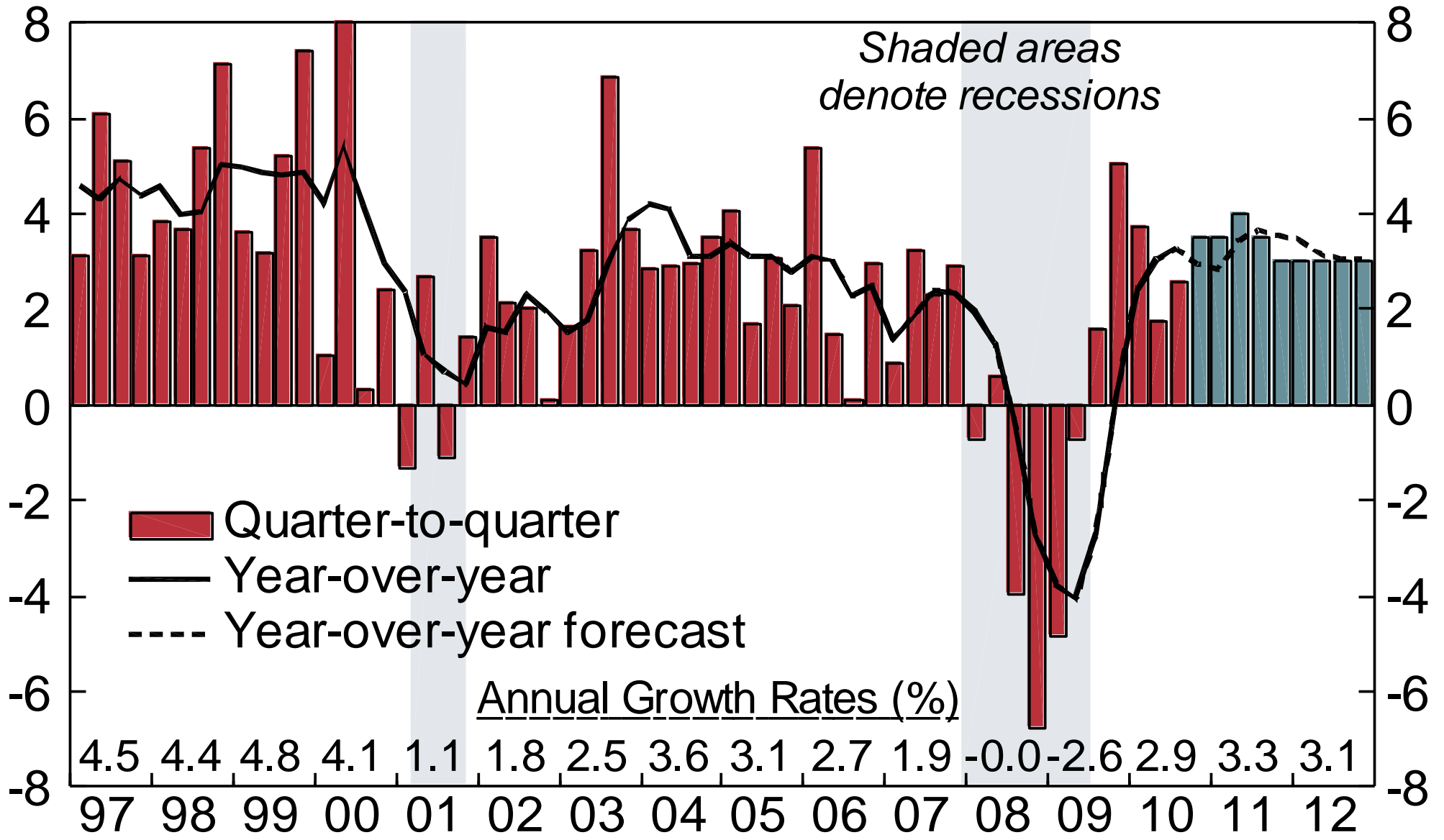
Billion 1982\$

Billion 2000\$



US Real Gross Domestic Product

Annualized Growth Rates



US recovery has been slow so far.

US recession was longest and deepest since Great Depression.

- Real GDP declined 4.1%.
- 8.4 million jobs lost.
- Recession lasted 18 months.

Recession ended in June 2009.

Recovery, never very strong, slowed in middle of 2010.

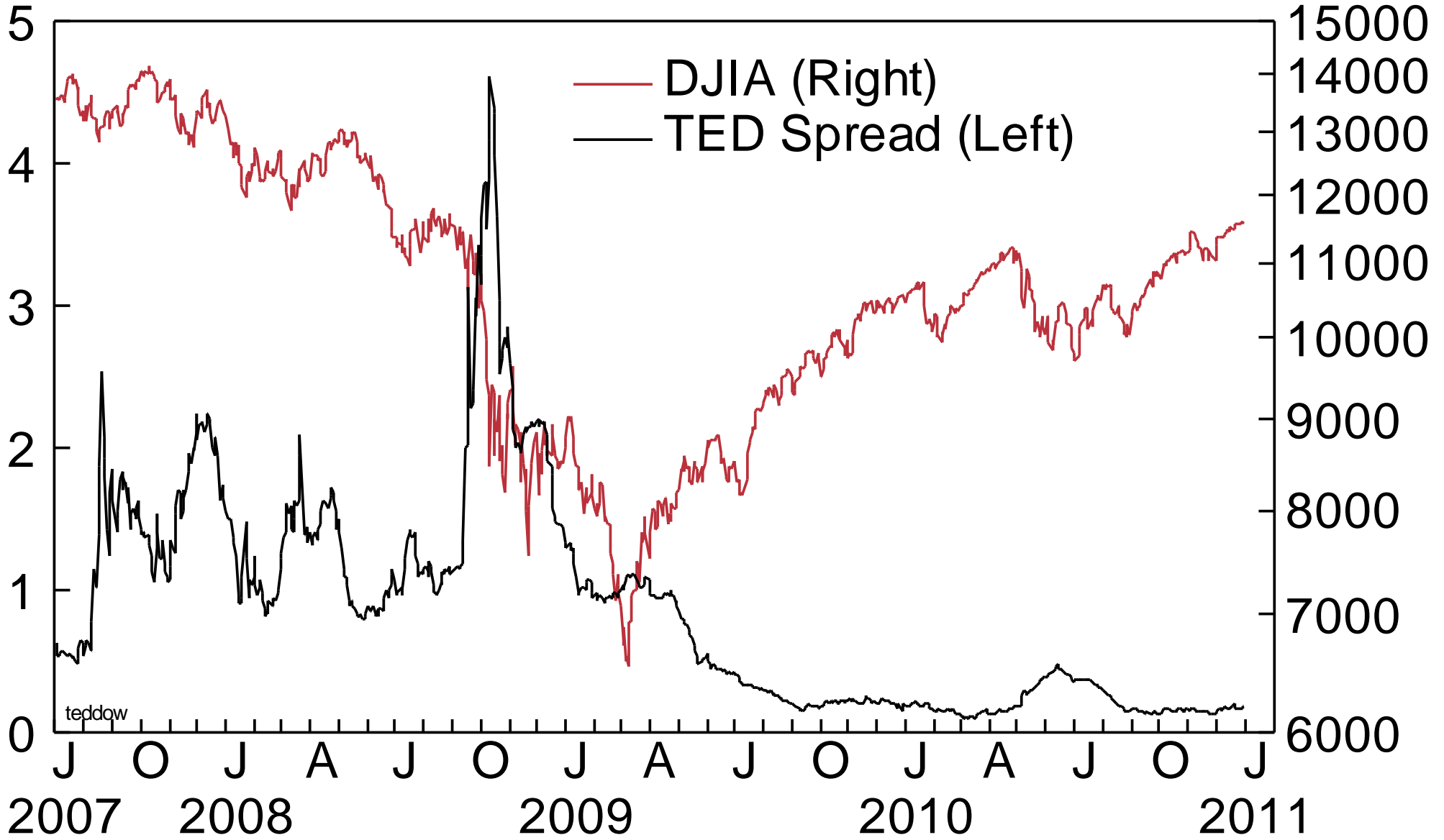
- Slow employment growth has held back consumer spending and auto sales.
- Housing sector recovery remains very disappointing.
- Leading indicators pointed to 2010 “pause” in the recovery.

Outlook improved in late 2010.

TED Spread & Dow-Jones Industrial Average

3-Month LIBOR minus 3-Month T-bills, Percent

Index



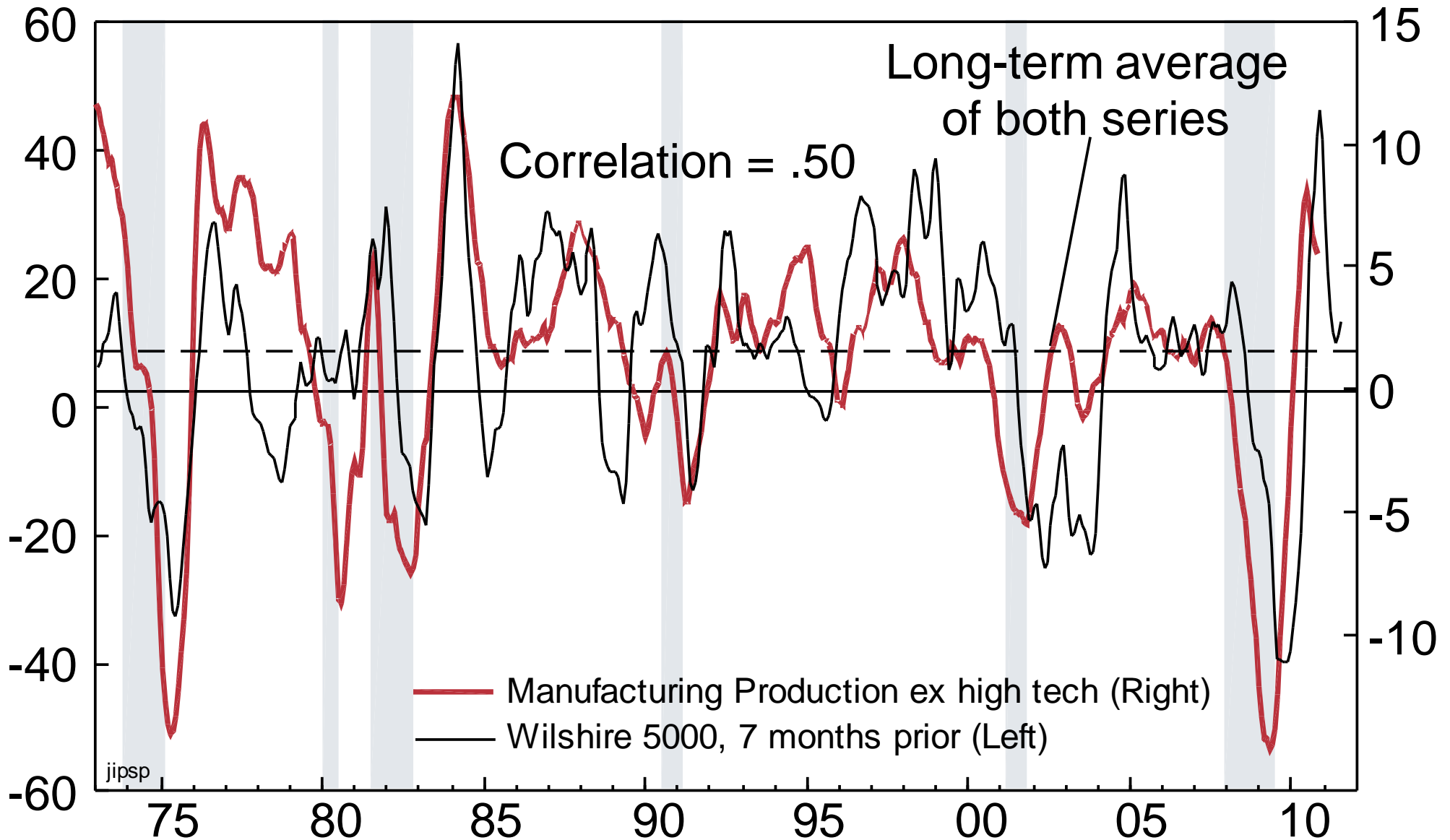


Heads, we save Bear Stearns. Tails, we save Lehman.

Hank Paulson, March 2008

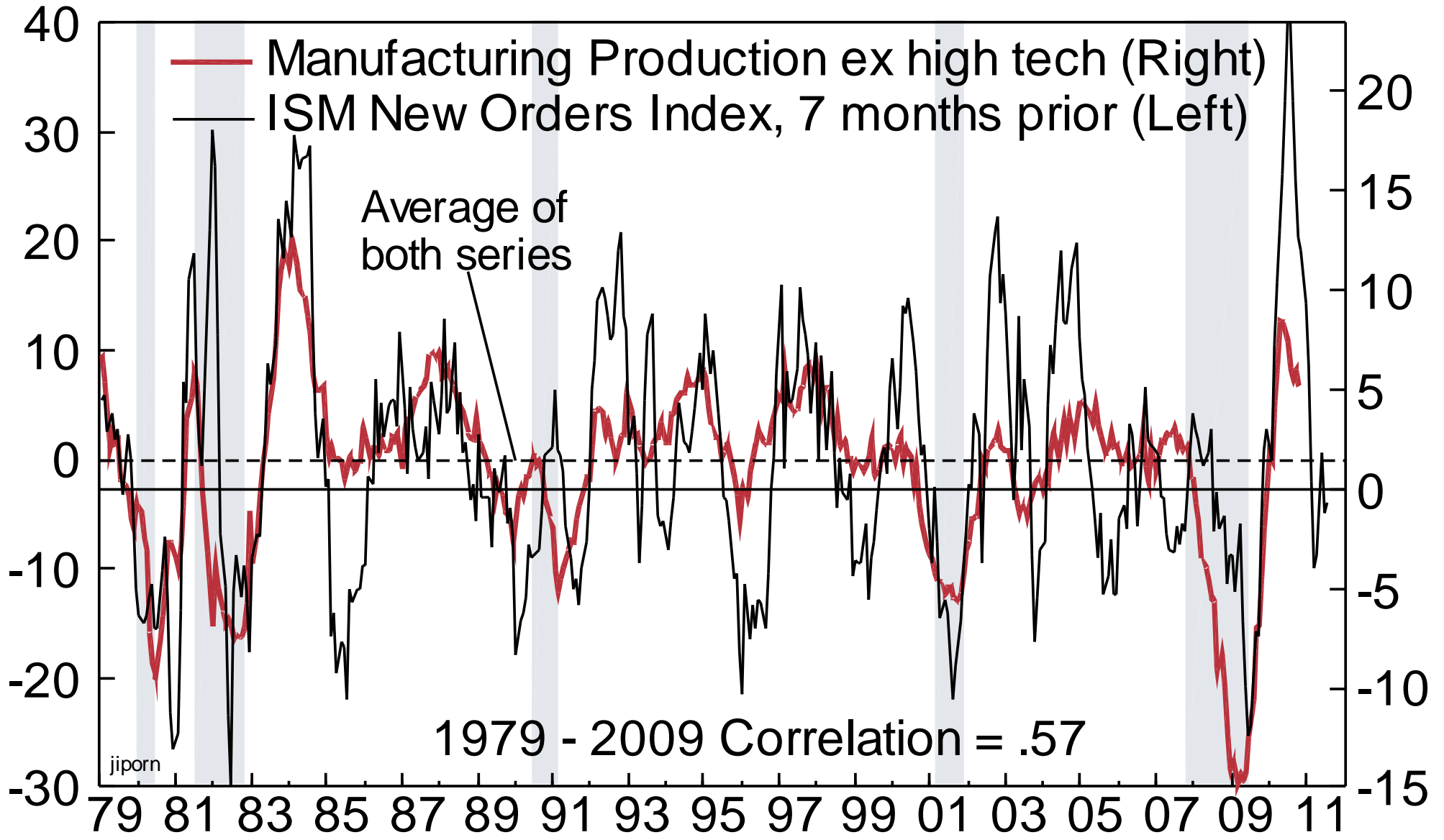
US Manufacturing Production & Stock Prices

Percent Change from Year Ago, Smoothed



US Manufacturing Production & Orders

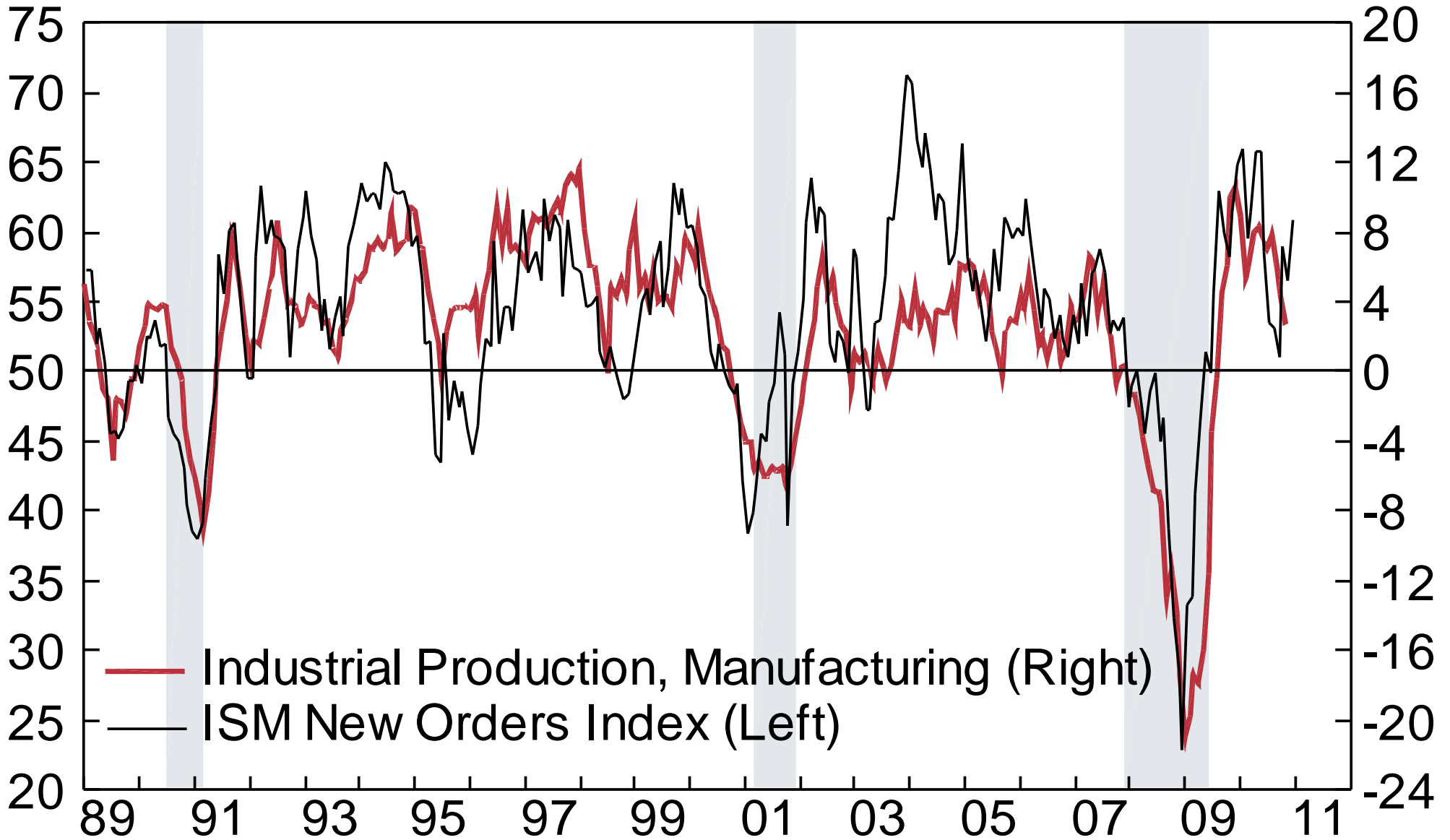
Percent/Percentage Point Change from Year Ago



US Manufacturing Production & ISM New Orders Index

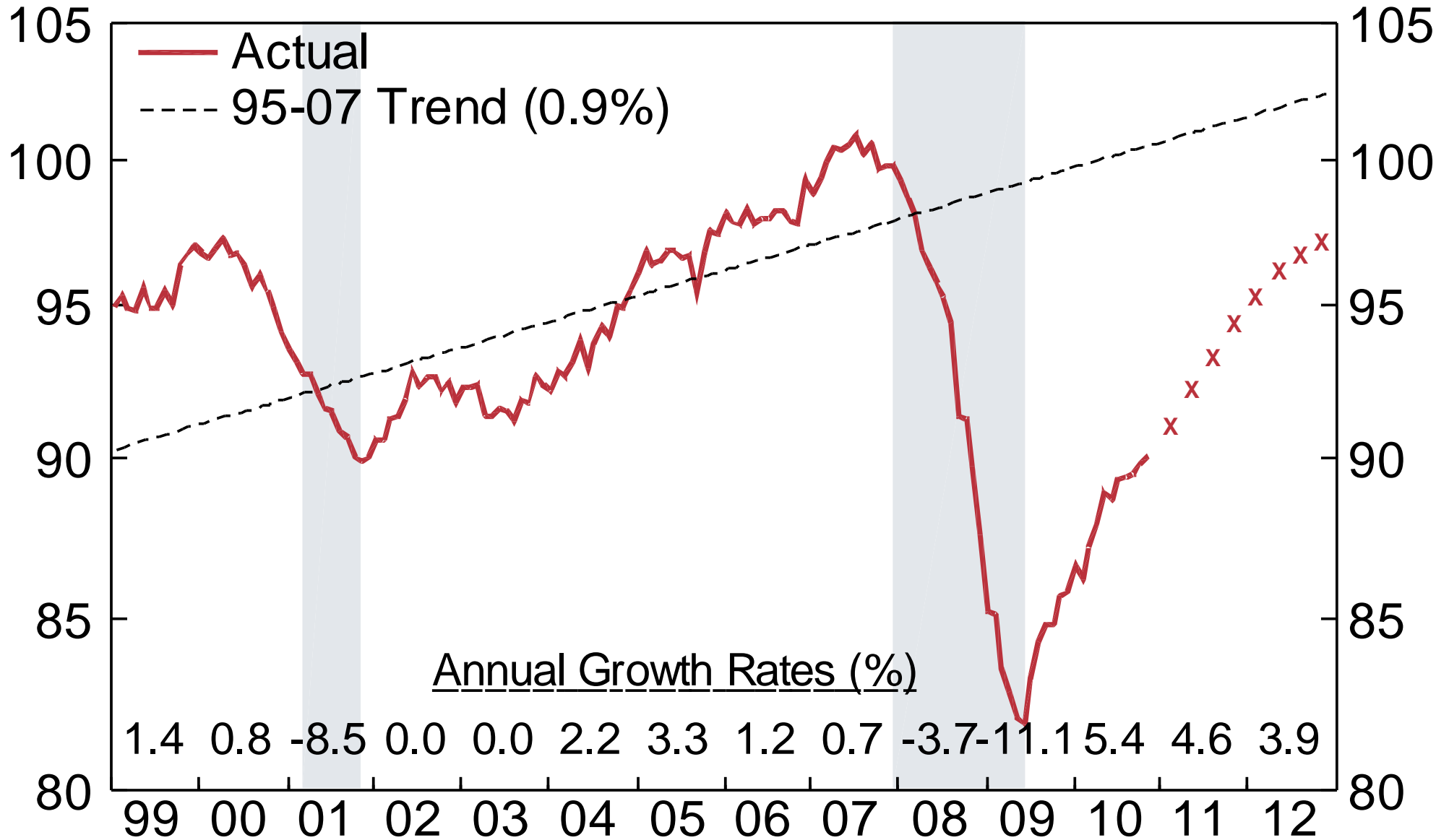
Diffusion Index

6-Month Annualized Growth Rate



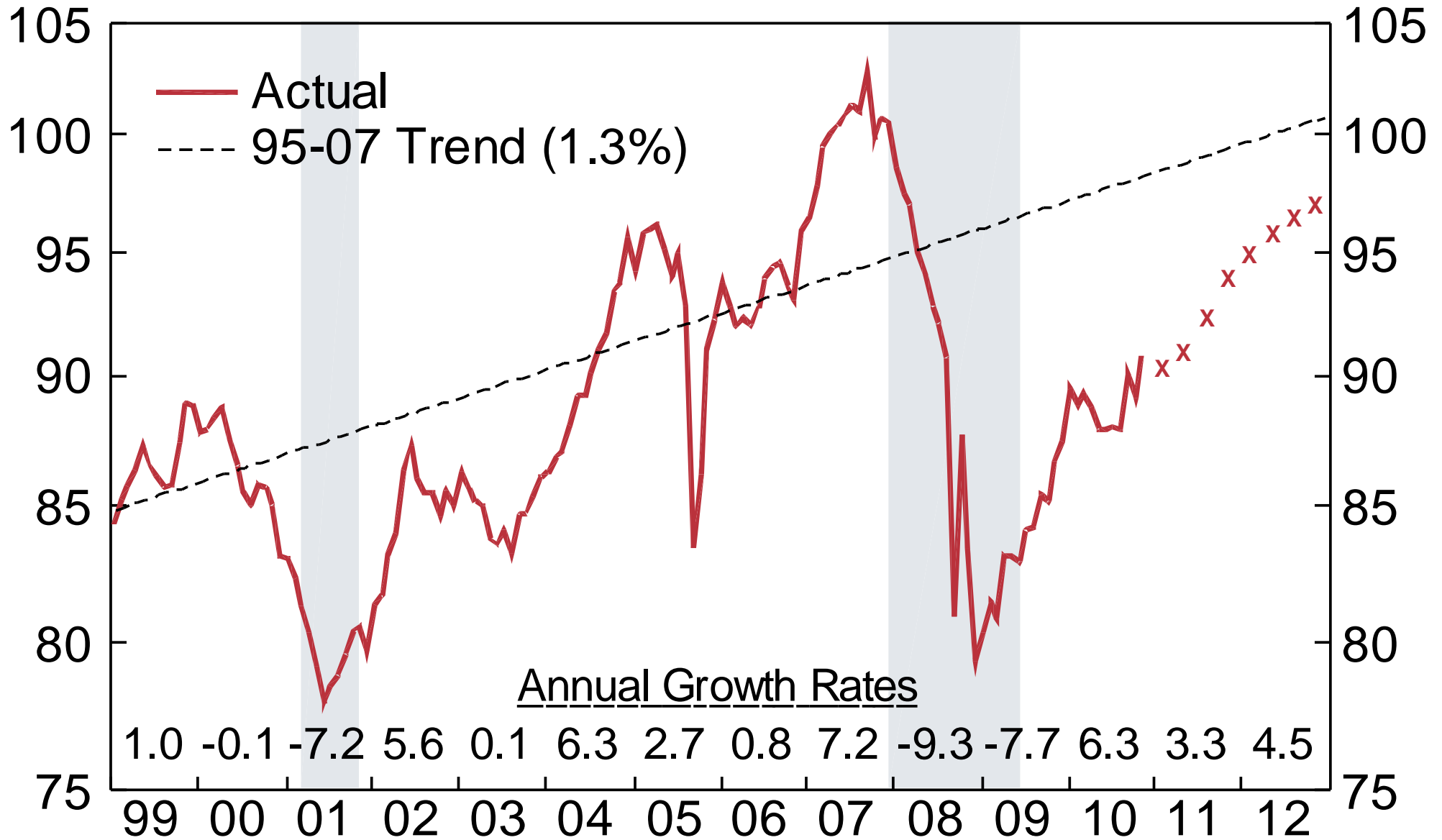
US Manufacturing Production ex High-Tech Sectors

2007 = 100



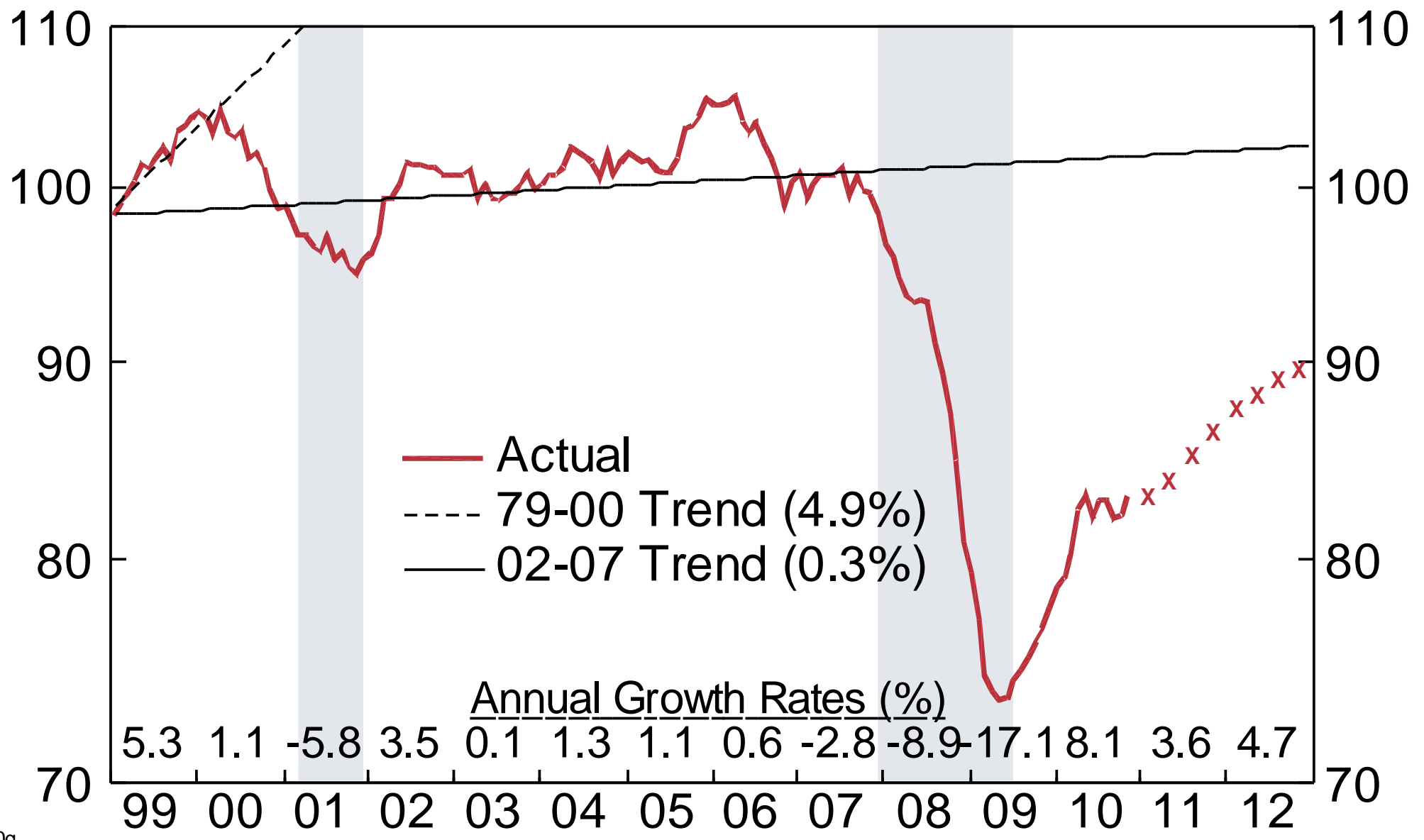
US Industrial Production, Chemicals ex Pharma

2007 = 100



Industrial Production, Rubber & Plastic Products

2007 = 100

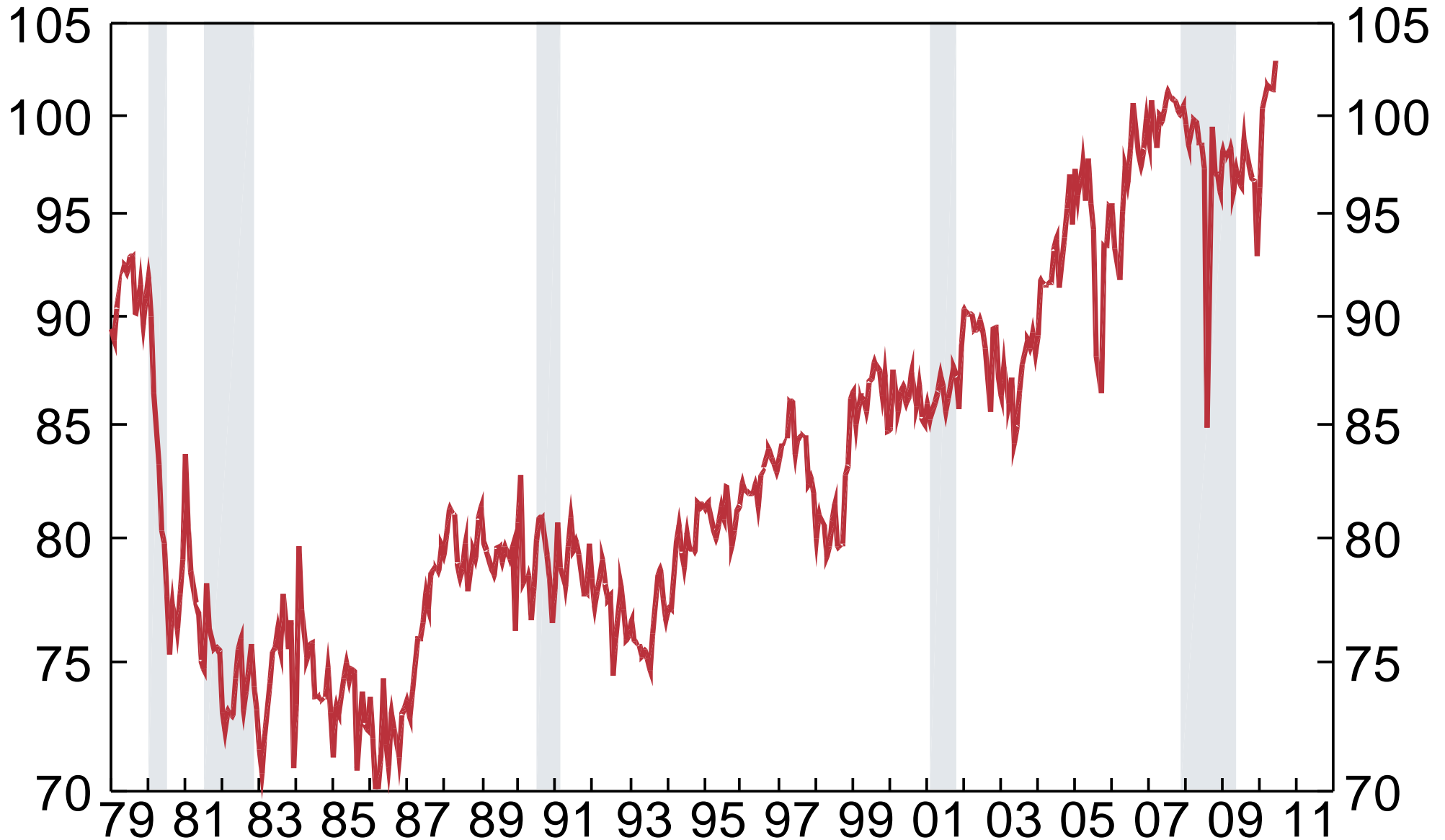


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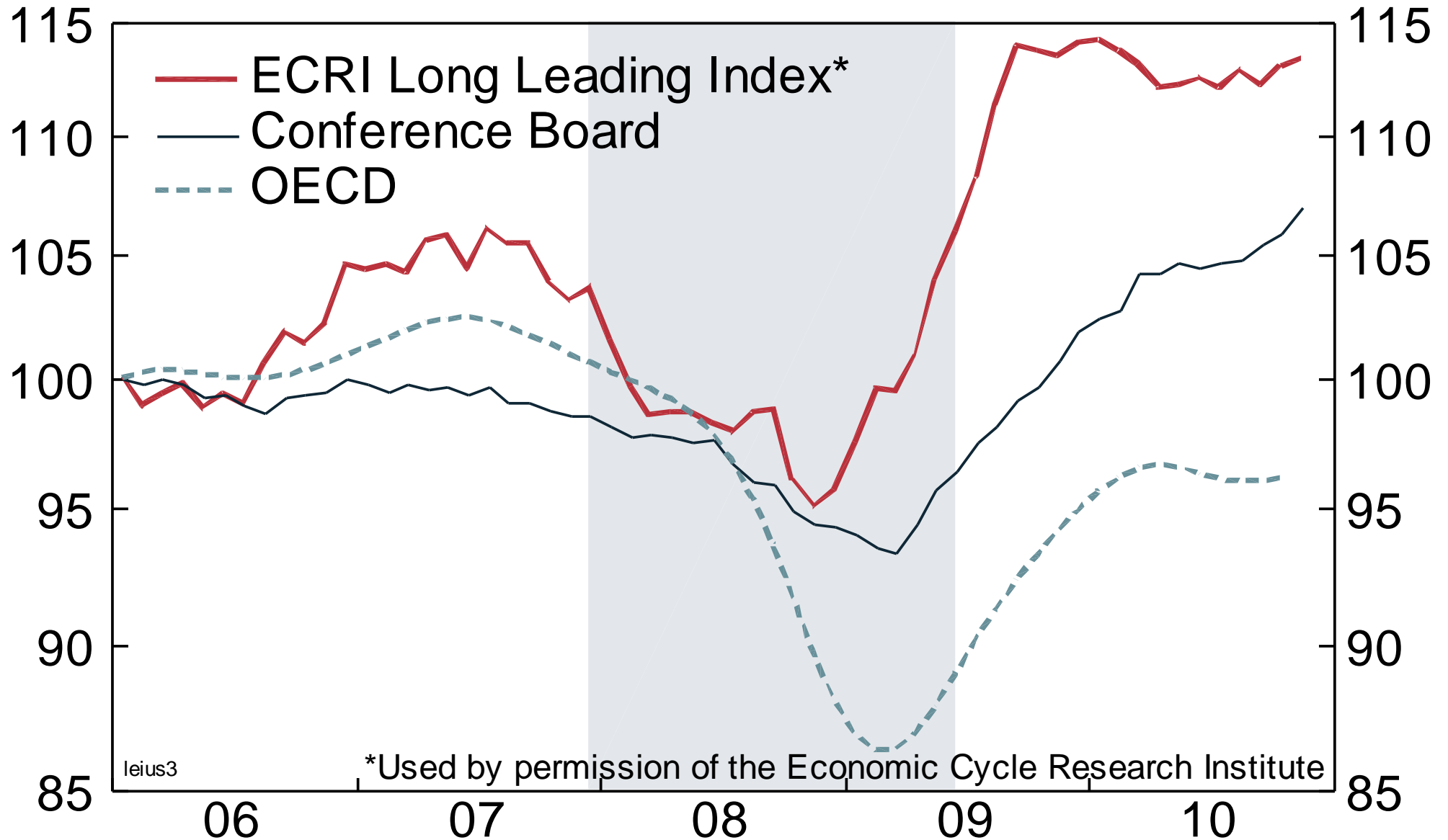
Industrial Production: Petroleum Refining

Index, 2007 = 100



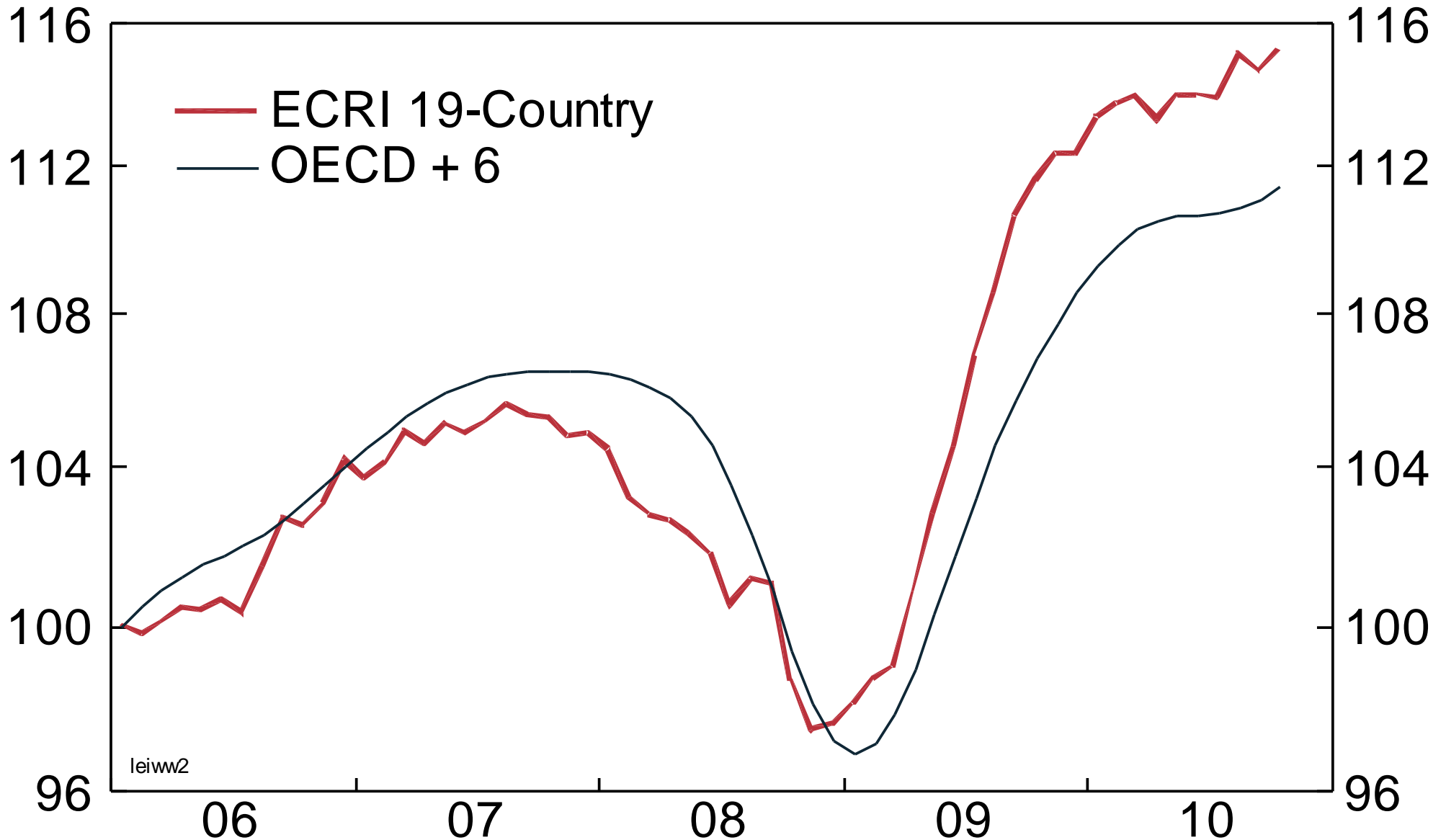
US Composite Leading Indexes

January 2006 = 100



Global Composite Leading Indexes

January 2006 = 100



leiw2

Real GDP

(Annual % Change)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
World	1.6	-2.1	3.9	3.4
N. America	0.0	-2.6	2.9	3.2
W. Europe	0.2	-4.1	1.8	1.6
C. & E. Europe	4.0	-5.3	4.1	3.9
Asia	3.1	0.7	6.8	4.8
Japan	-1.2	-6.3	4.4	1.1
China	9.6	9.1	10.1	9.2
Latin America	3.9	-2.0	5.4	4.1
M. East & Africa	5.4	1.4	4.4	5.1

Leading indicators are sending mixed signals.

Some point to reacceleration.

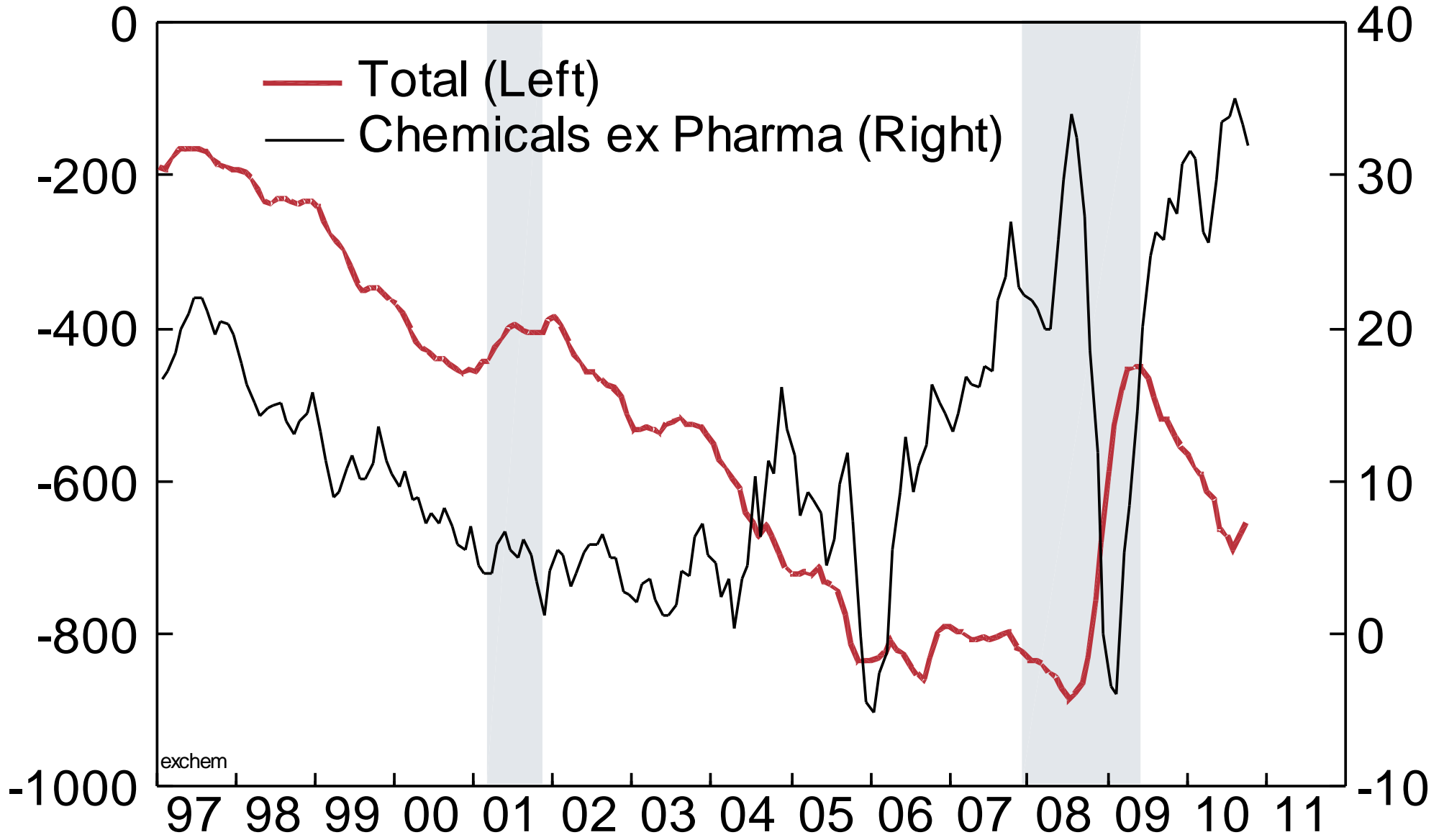
- ISM New Orders Index up strongly in October and December.
- Stock prices up 25% since early July.
- Conference Board leading index up strongly for three straight months.
- ECRI's longest leading indicator turned up in early 2010.

Some point to continued “pause.”

Leading indexes for Japan and much of Europe are down.

US Merchandise Trade Balance

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

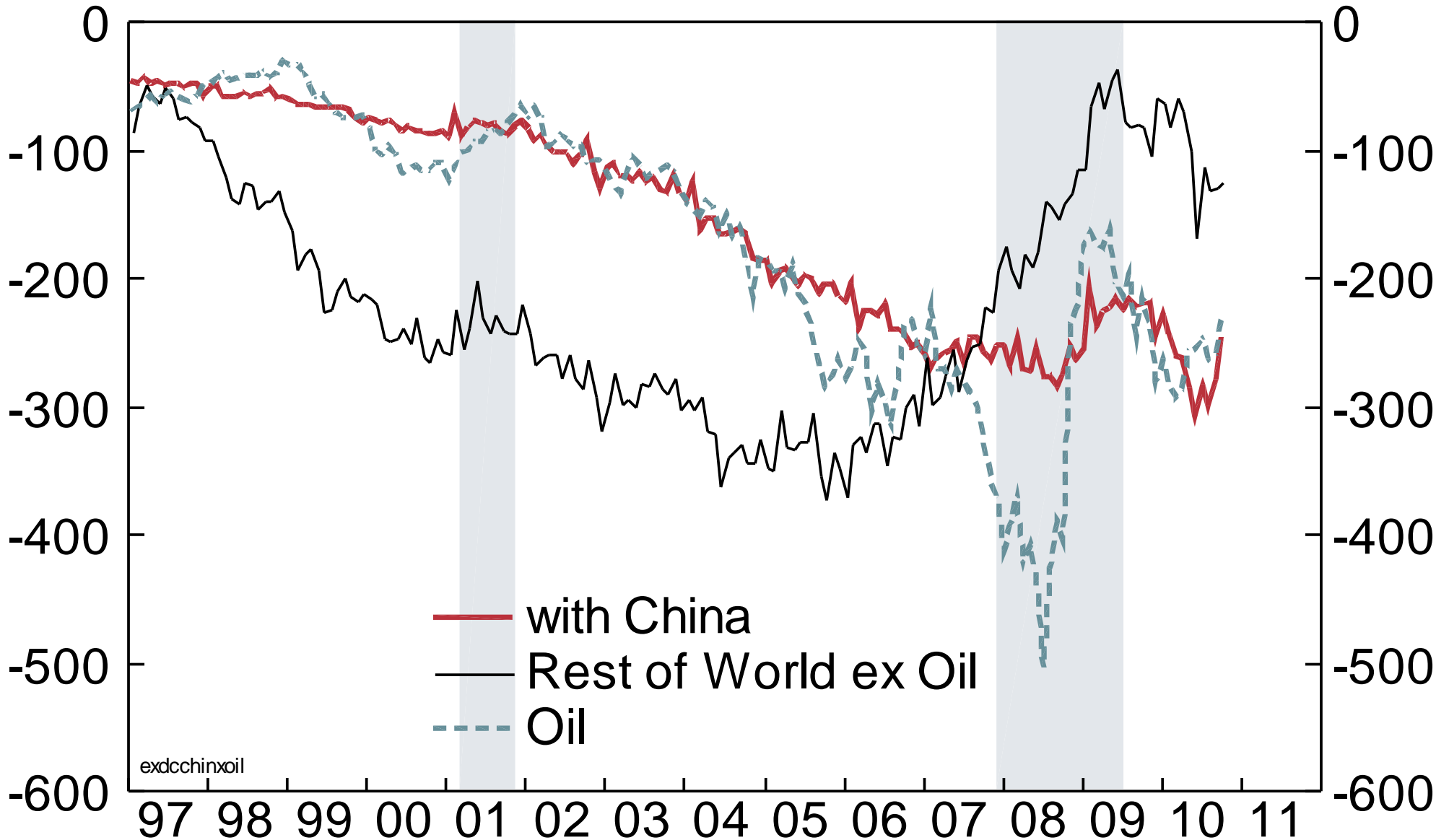


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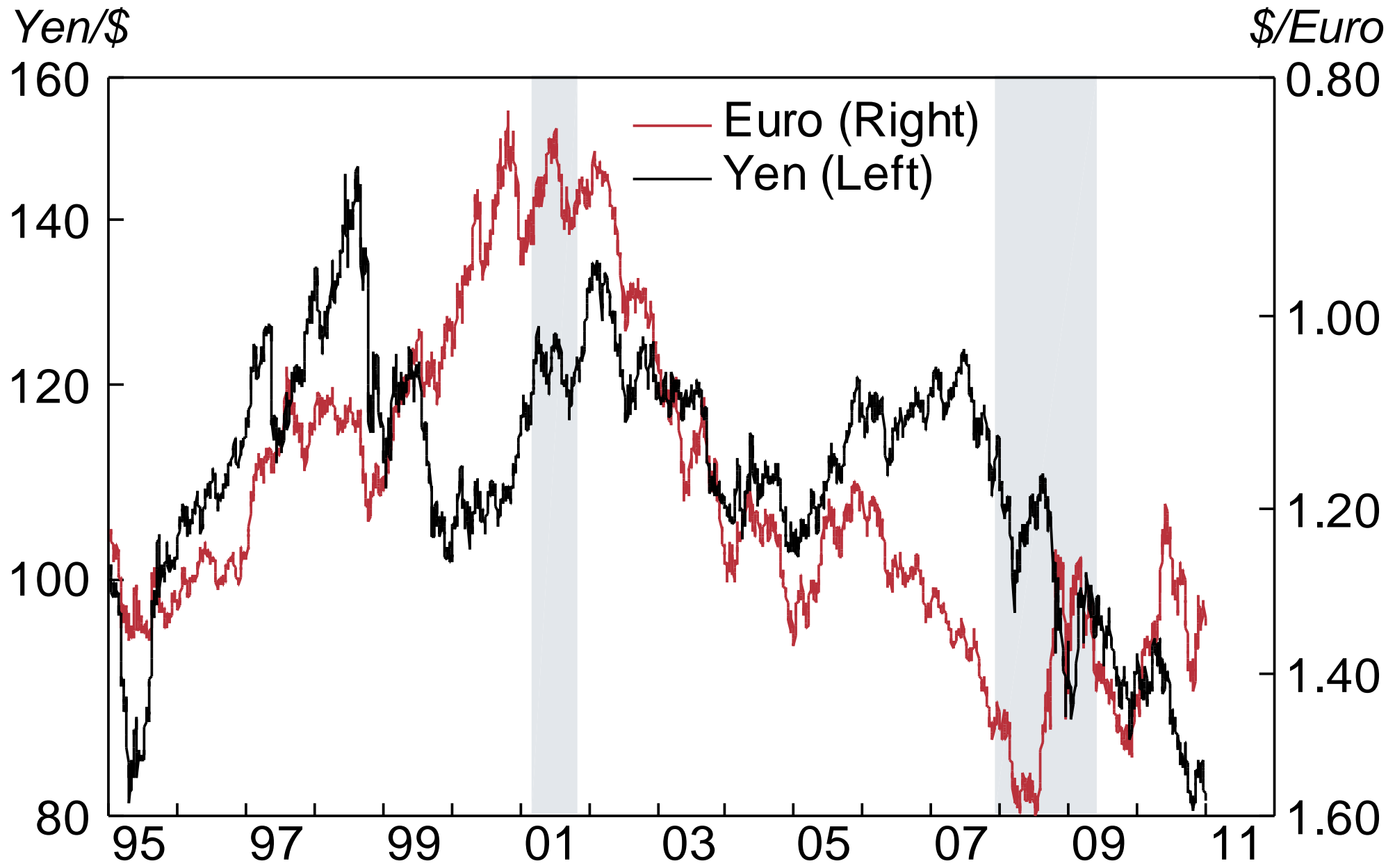


US Merchandise Trade Balance

Billion \$, Seasonally Adjusted Annual Rate

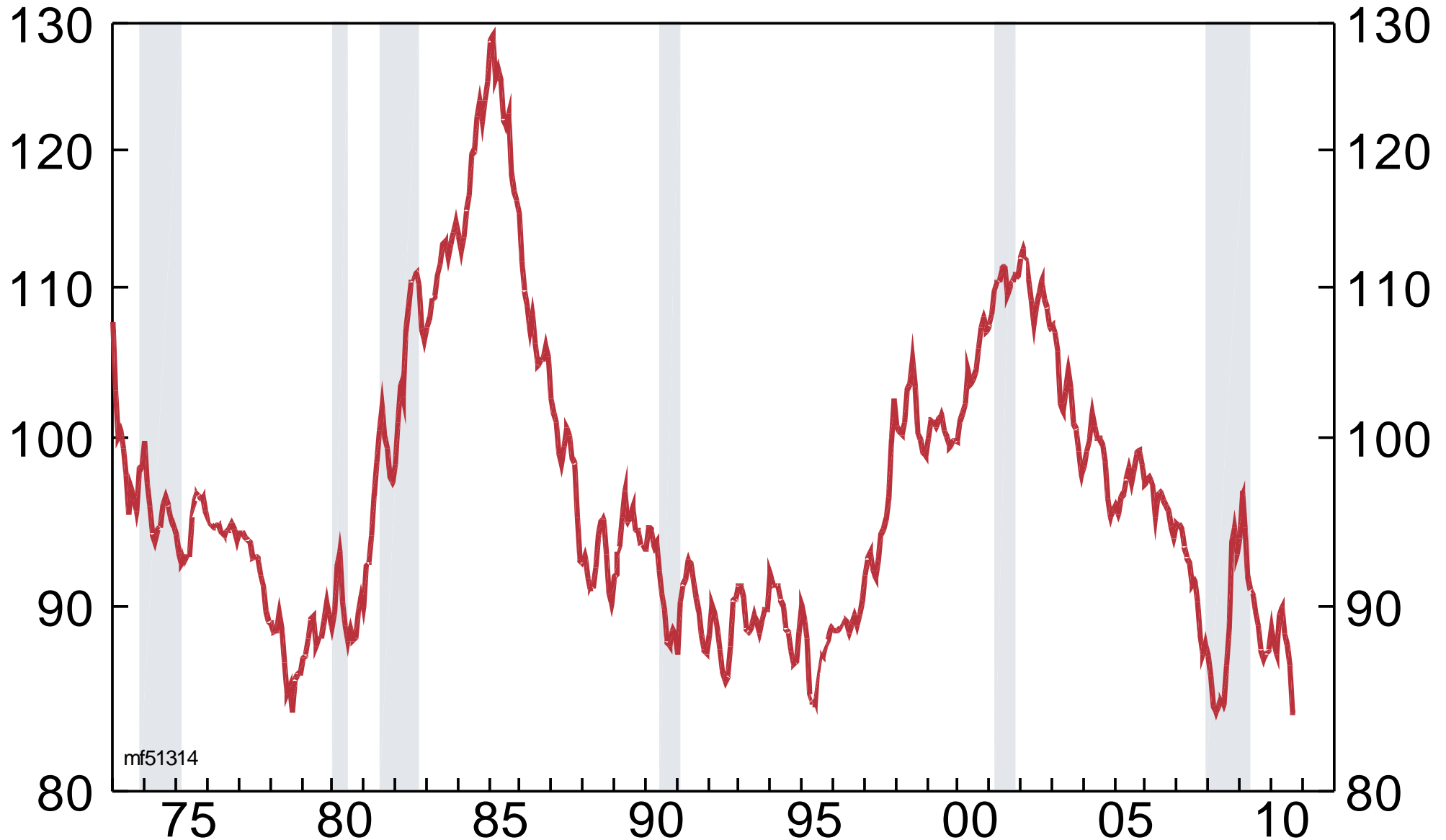


Value of US Dollar versus Yen & Euro



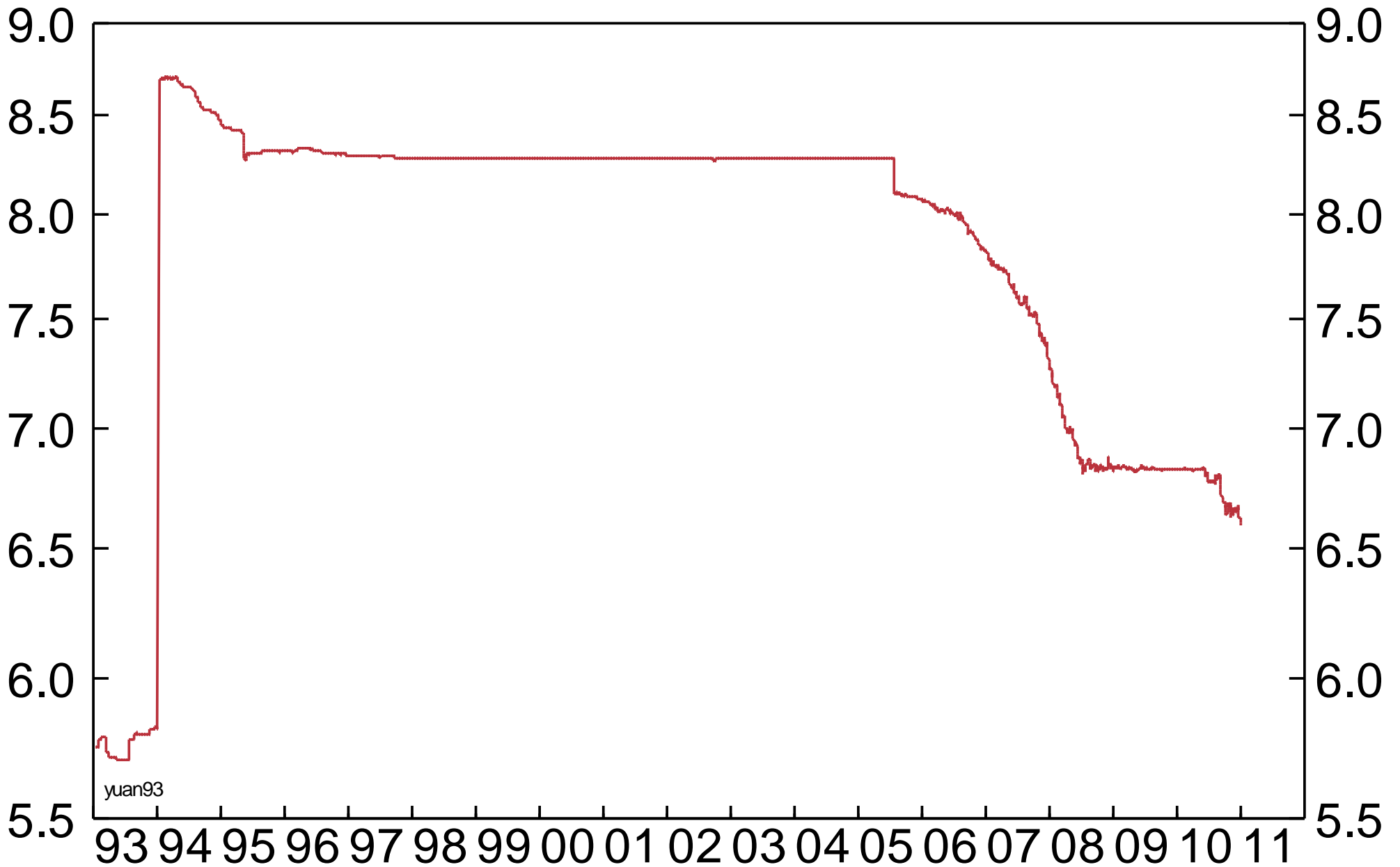
Federal Reserve Broad Dollar Index: Real

March 1973 = 100



mf51314

Chinese Yuan per U.S. Dollar

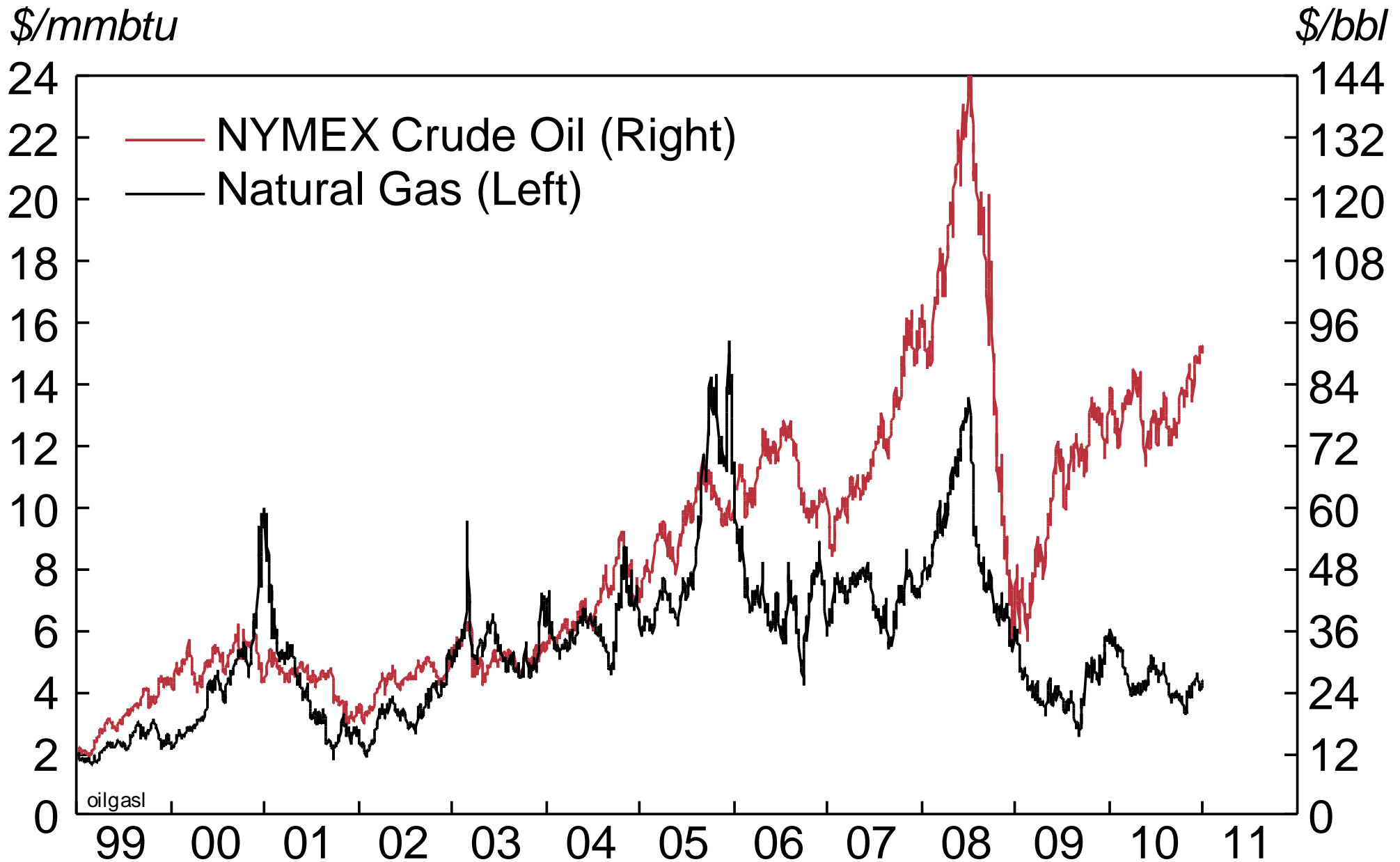


Forecasting exchange rates
has a success rate no better
than that of forecasting the
outcome of a coin toss.

-- Alan Greenspan

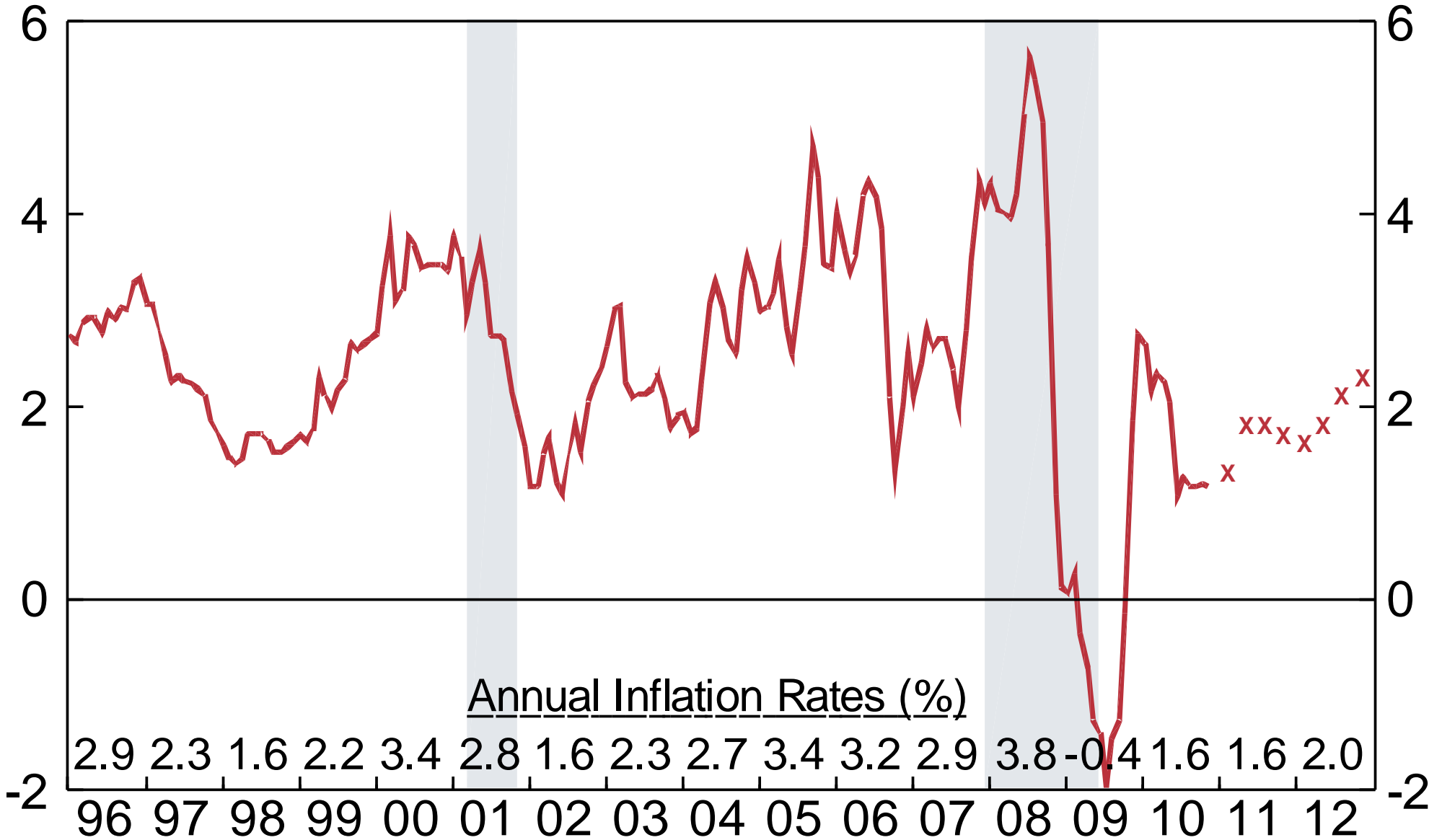
November 19, 2004

US Crude Oil and Natural Gas Futures Prices



US Consumer Price Index

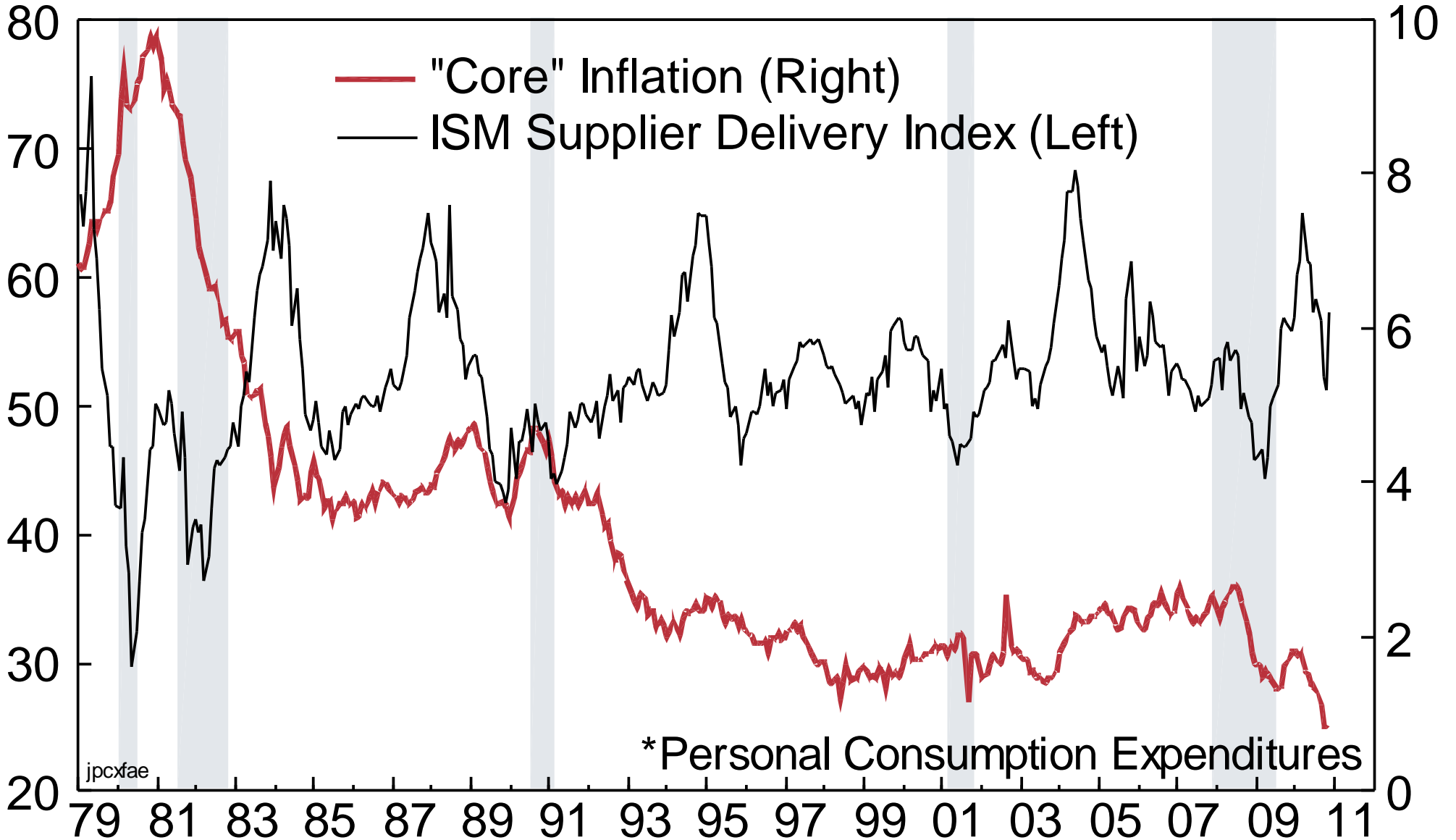
Percent Change from Year Ago



PCE* Price Index, ex Food & Energy

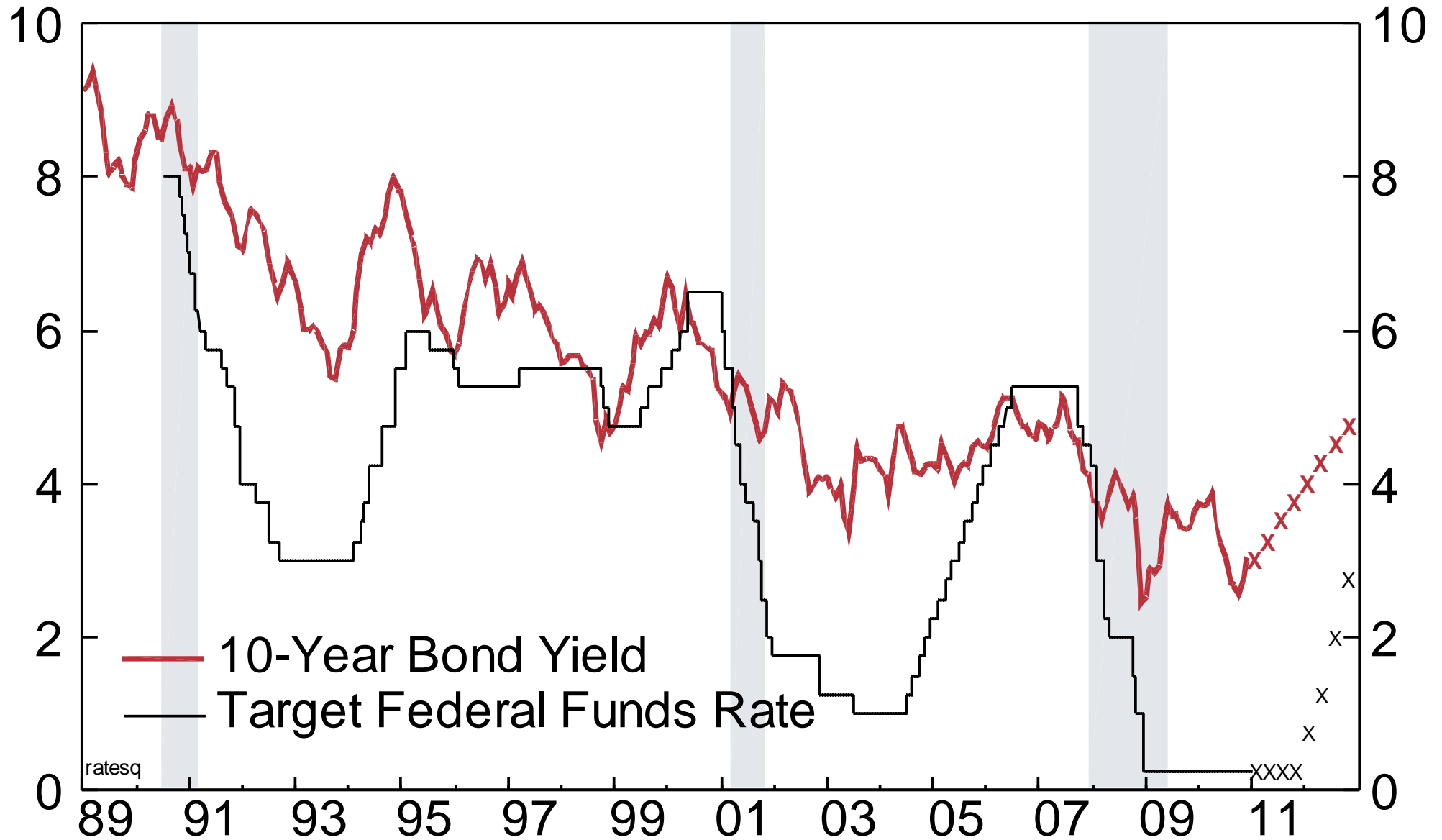
Percentage of Companies Reporting Slower Deliveries

Percent



US Interest Rates

Percent



Conclusions

Growth slowed in 2010: “Pause that Refreshes” or “Slowing to Stall Speed”?

Reacceleration now looks much more likely than double-dip.

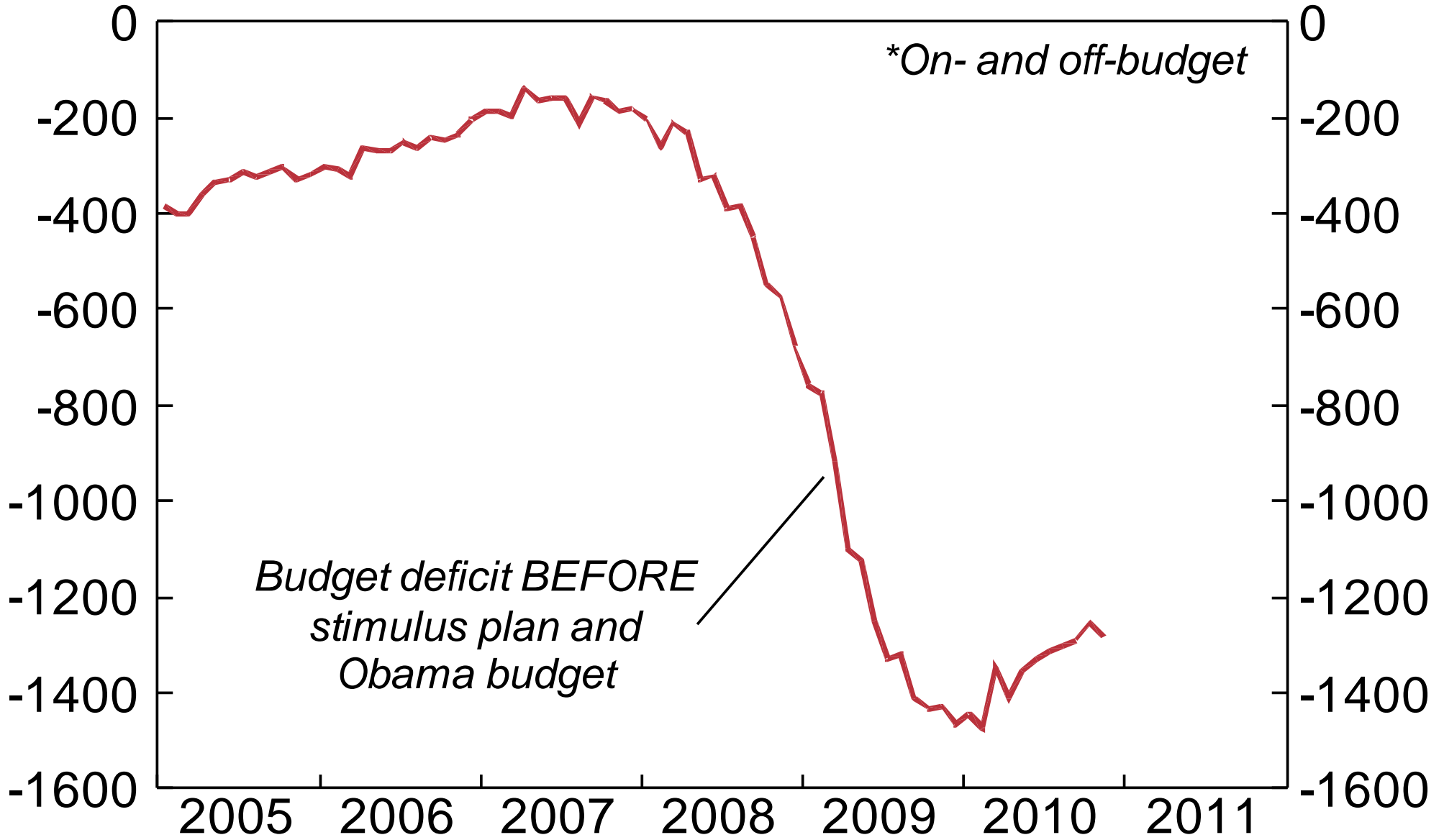
- PMIs jumped in October, especially in US and China. US up further in December.
- ECRI FRDI has been pointing to reacceleration by mid-2011.
- Tax cut extension boosts case for reacceleration.
- Another recession is unlikely in the near term (except in periphery of Europe).

Sequential growth accelerated in 2010Q4, sooner than expected.

- Unemployment claims down. Retail sales up.
- Big jump in US auto production scheduled for 2011Q1.
- Despite acceleration in sequential growth, yoy growth could slow in early 2011.
- Upward revision to late 2010 growth means upward revision to 2011 annual growth.

US Federal Budget Surplus/Deficit*

Rolling 12-month total, Billion \$



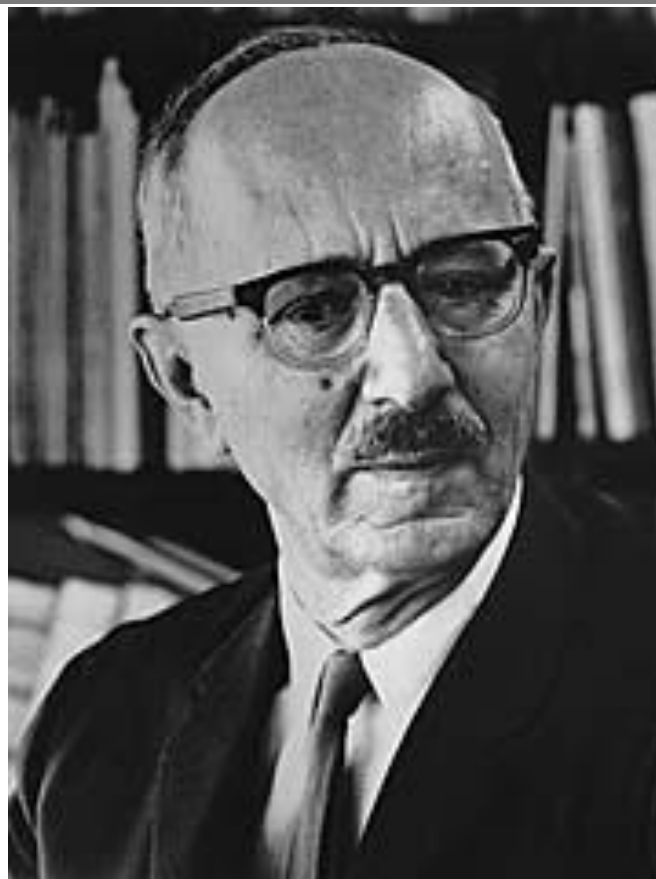
**You know a recession is over
when Congress finally passes a
stimulus bill.**

-- Anonymous



“Every election is a sort of advance auction sale of stolen goods.”

--H. L. Mencken, 1880-1956



“Public expenditures are made for the primary benefit of the middle classes, and financed with taxes which are borne in considerable part by the poor and the rich.”

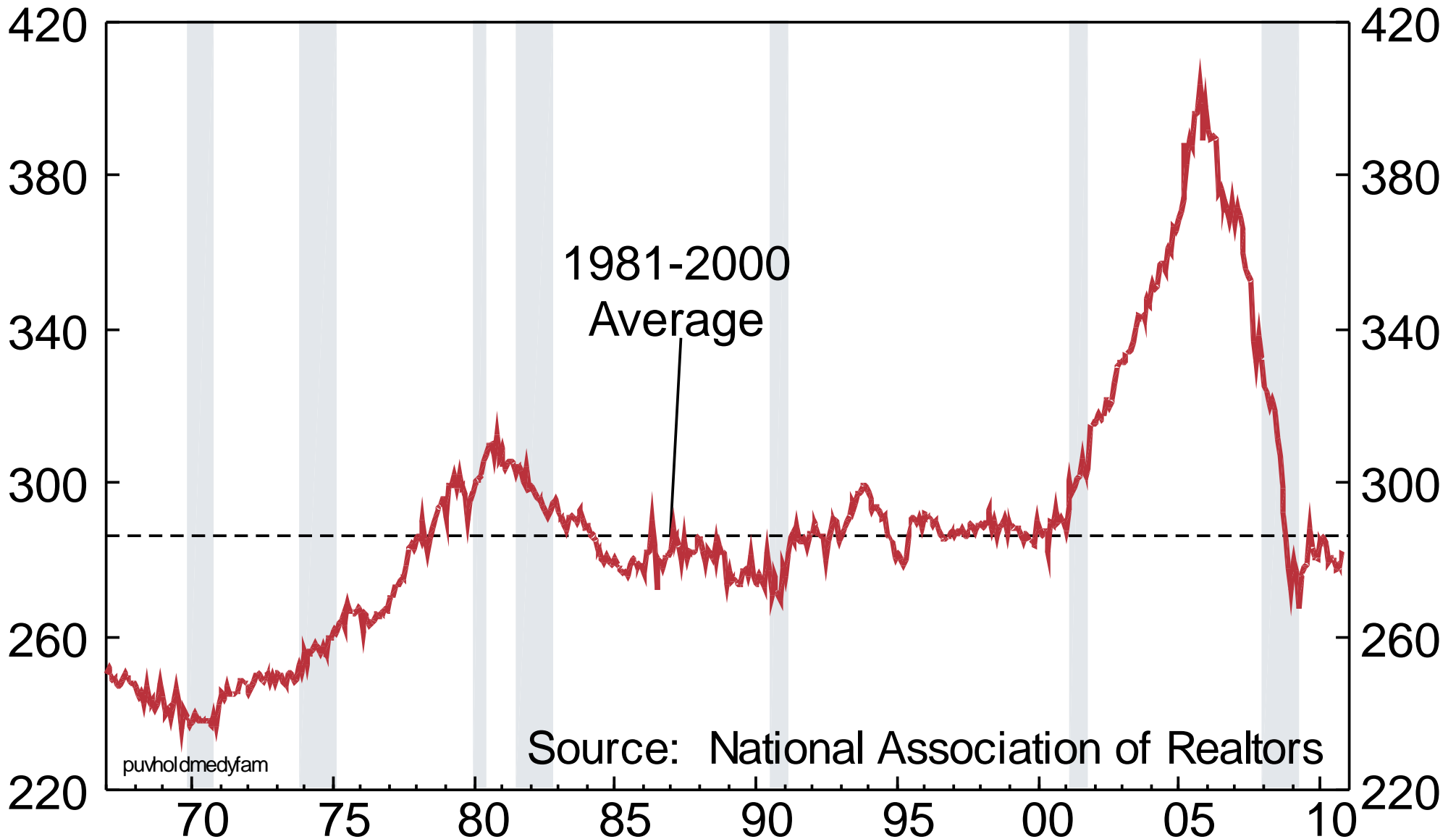
--Aaron Director, 1901-2004



The miracles of science™

Median Sales Price of Existing Single-Family Homes

Percent of Median Family Income





Anything that can't go on forever will stop.

Herbert Stein, 1916-1999

US Monetary Aggregates

January 2005 = 100

