



US Economic Outlook

Dean Maki
Co-Head of US Economics Research
April 2009

Please read carefully the important disclosures at the end of this publication.

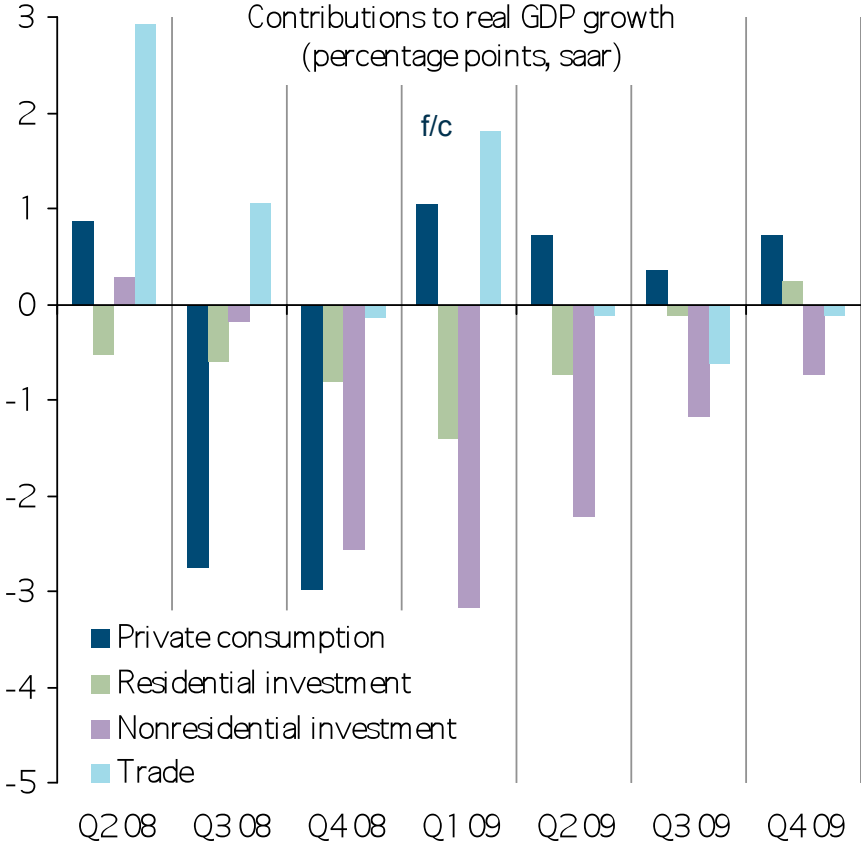
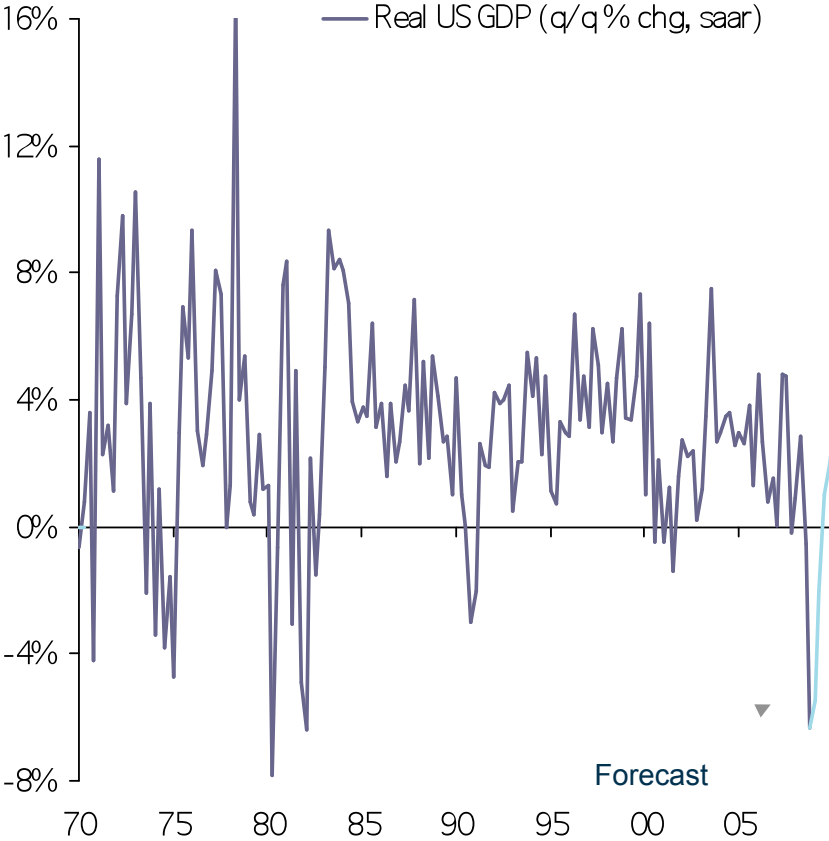
Key outlook themes

- ▶ US GDP to contract sharply through H1 09, as credit tightening, financial turmoil, and slower exports bite
- ▶ Sharp contraction rotating to businesses from consumers
- ▶ Fed to stay on hold at 0-0.25% through 2010; market interventions now the main policy tool
- ▶ Headline inflation to be negative y/y for most of 2009, core inflation to decelerate

	2008		2009			
	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP (% q/q saar)	-0.5	-6.3	-5.5	-2.0	1.0	2.0
Unemployment rate (%)	6.1	6.9	8.1	9.1	9.5	9.8
Headline CPI (% y/y)	5.3	1.6	0.0	-1.4	-2.1	0.8
Core CPI (% y/y)	2.5	2.0	1.7	1.7	1.3	1.4
Fed funds rate (%)	2.00	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25

Source: Barclays Capital. Note: Interest rate figures are end of quarter.

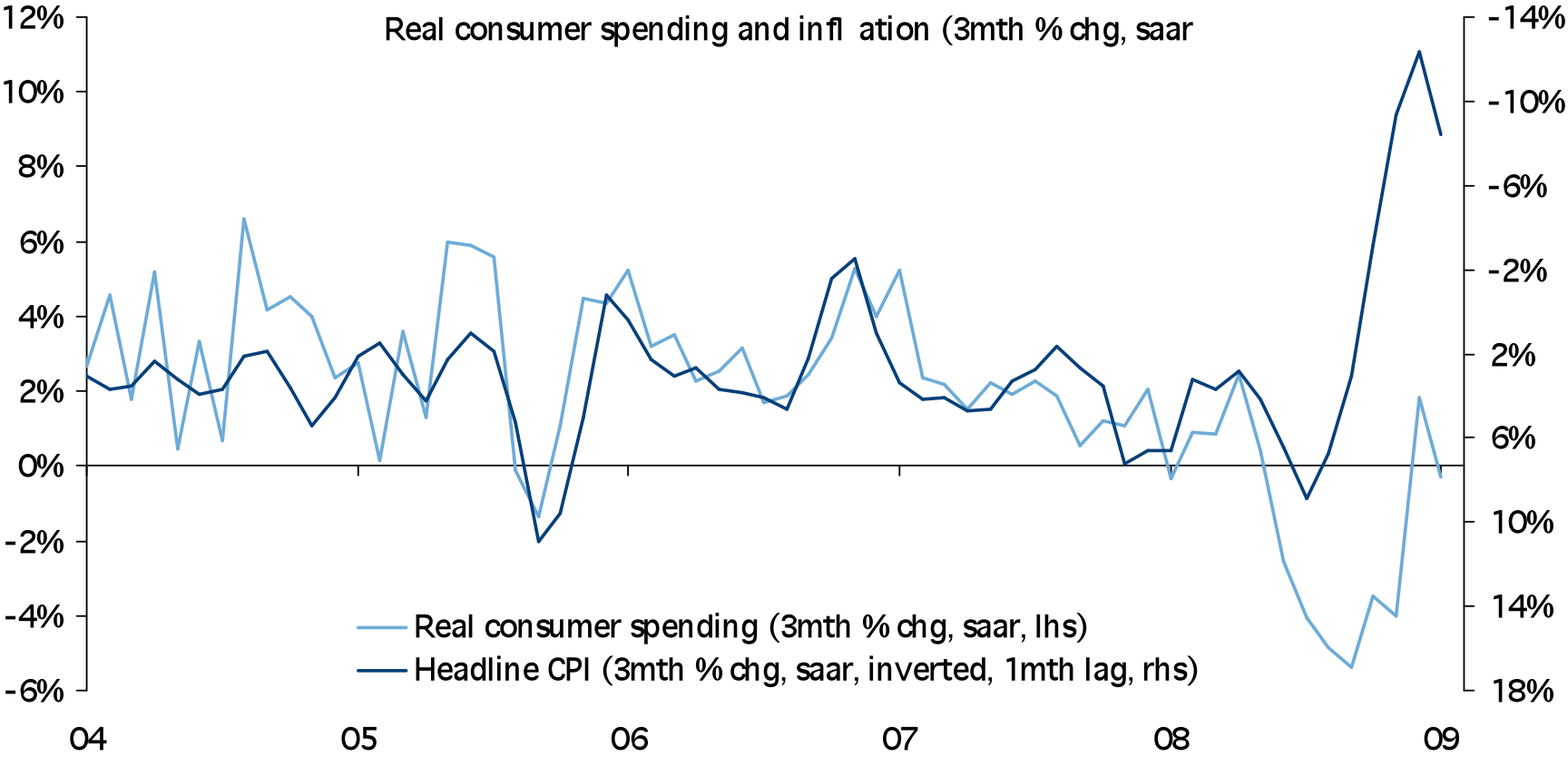
Real GDP to contract less sharply in Q2 09; rotation occurring



Source: BEA, Haver Analytics, Barclays Capital.



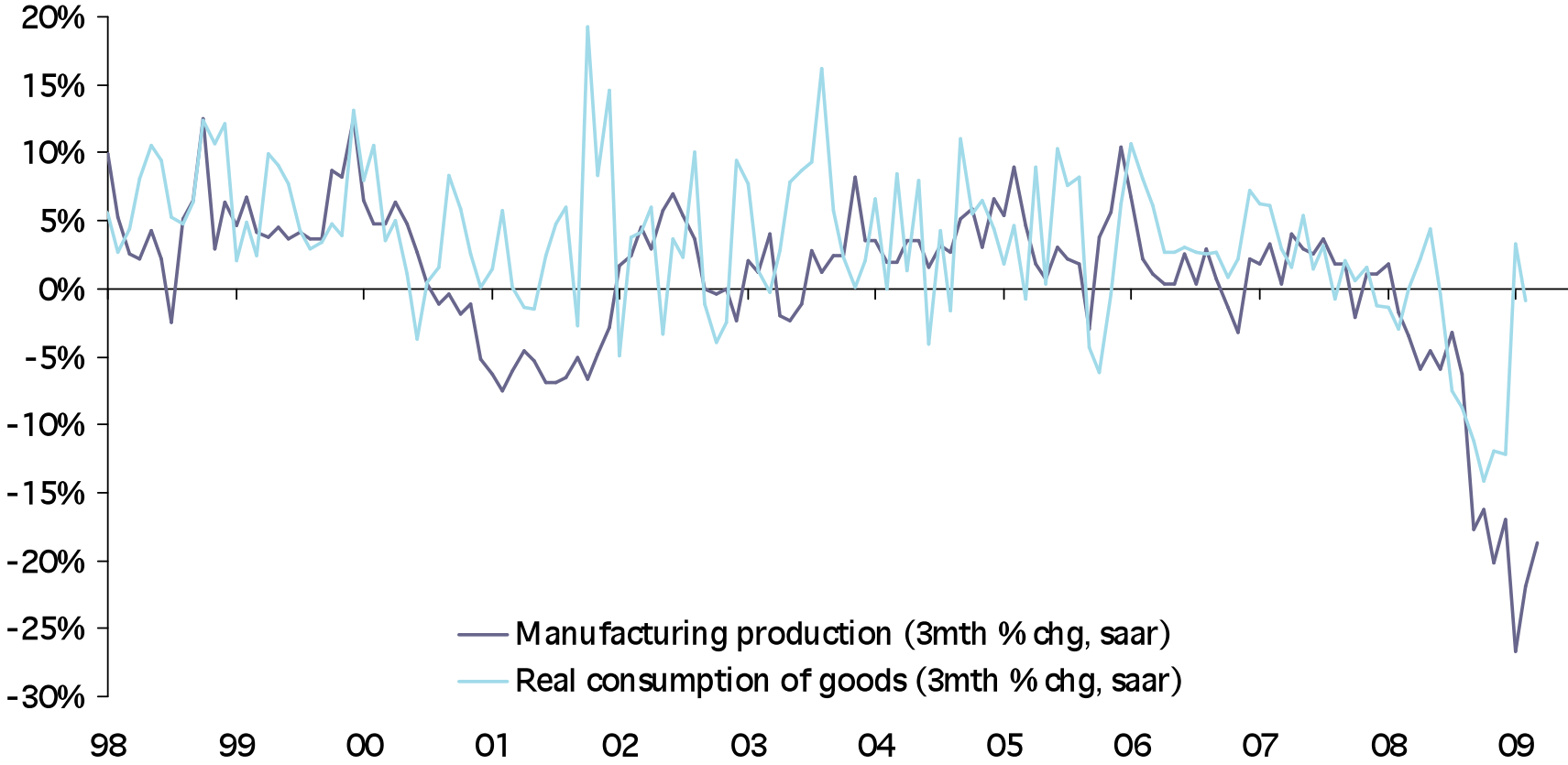
Decline in inflation supporting consumer real income and spending



Source: BEA, BLS, Haver Analytics.



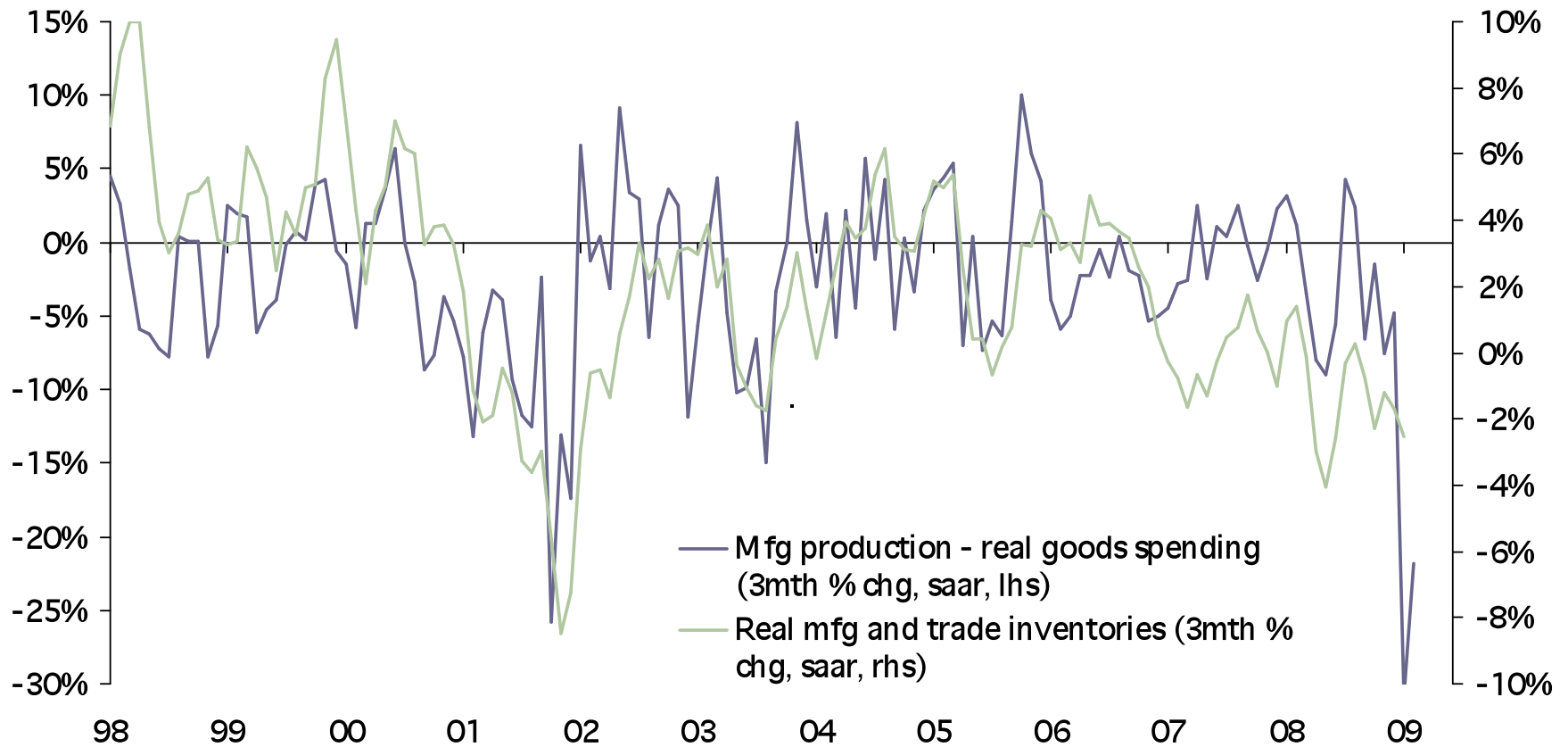
Production has been cut far below the growth of goods consumption



Source: FRB, BEA, Haver Analytics



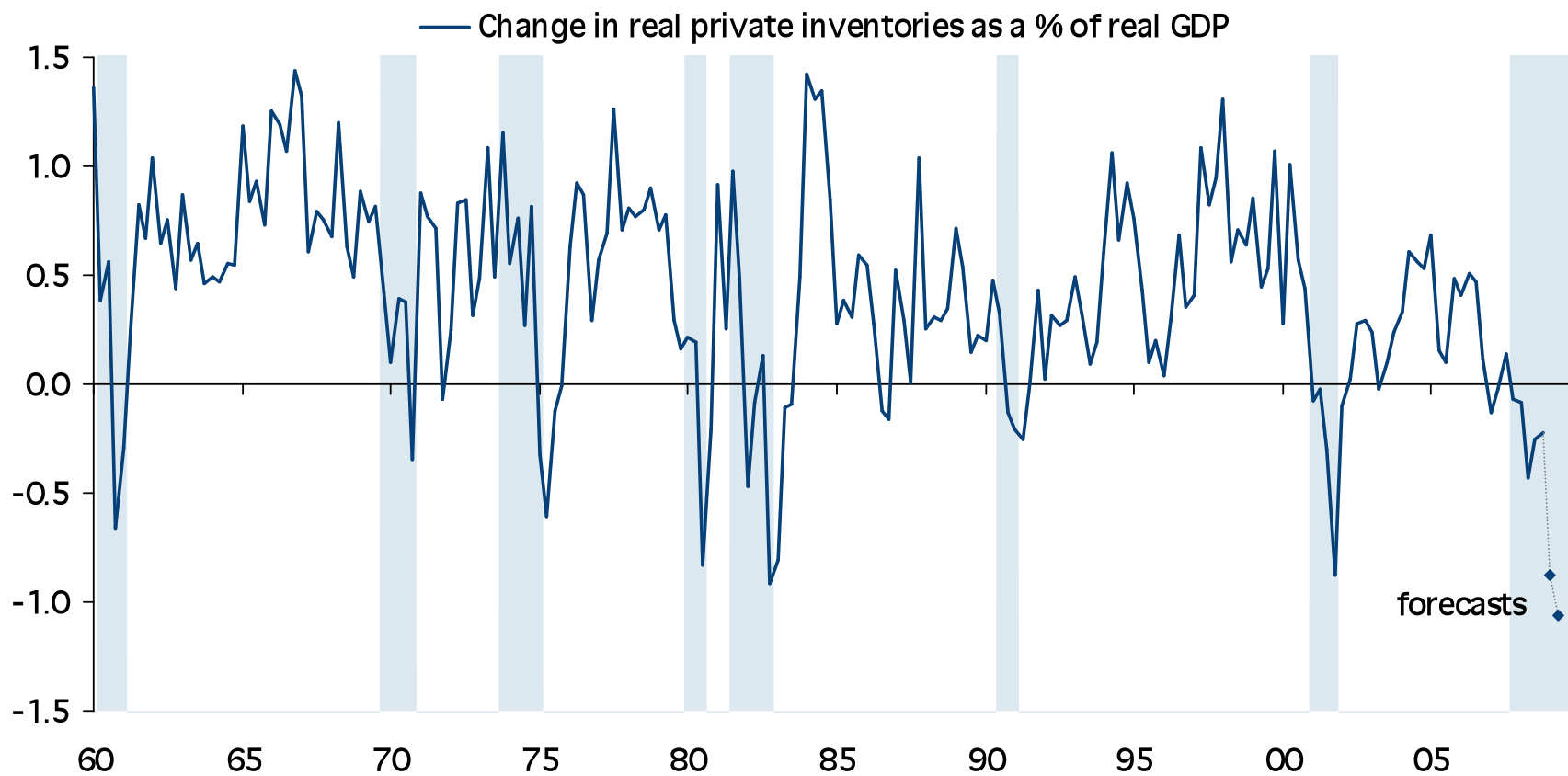
The gap between production and consumption points to a large inventory cut



Source: BEA, Census Bureau, Haver Analytics



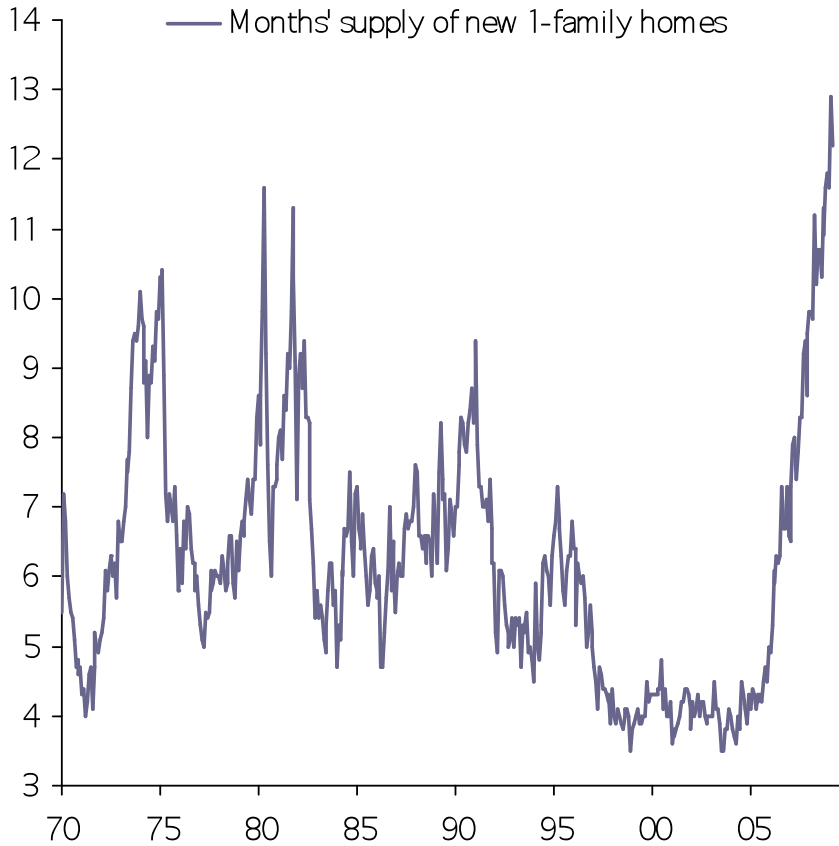
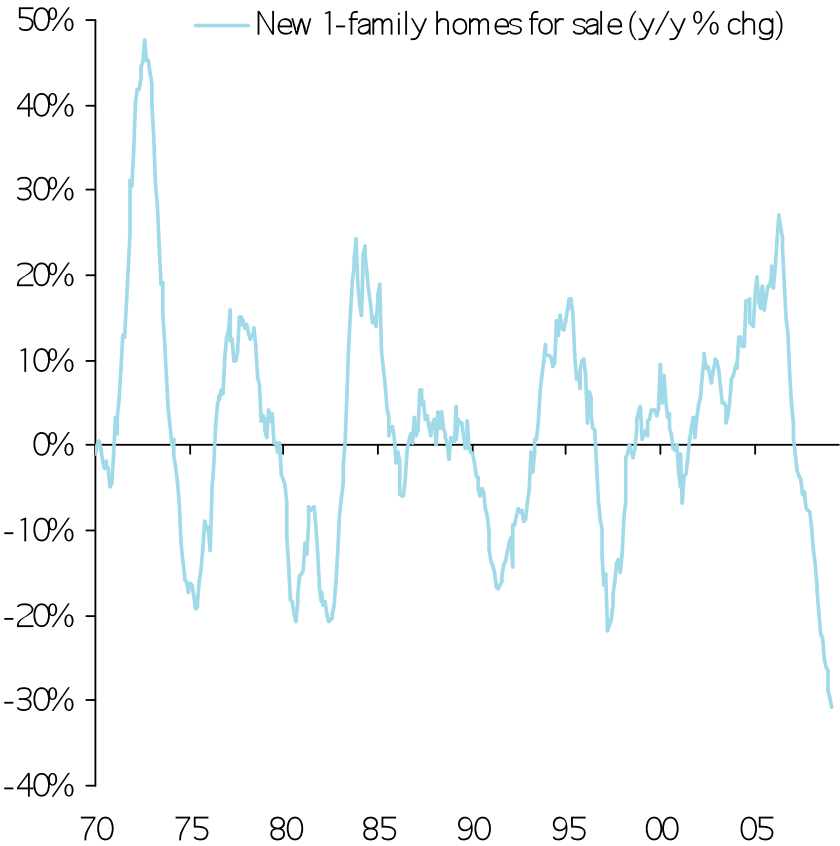
We look for the largest quarterly inventory decline on record



Source: BEA, Haver Analytics, Barclays Capital



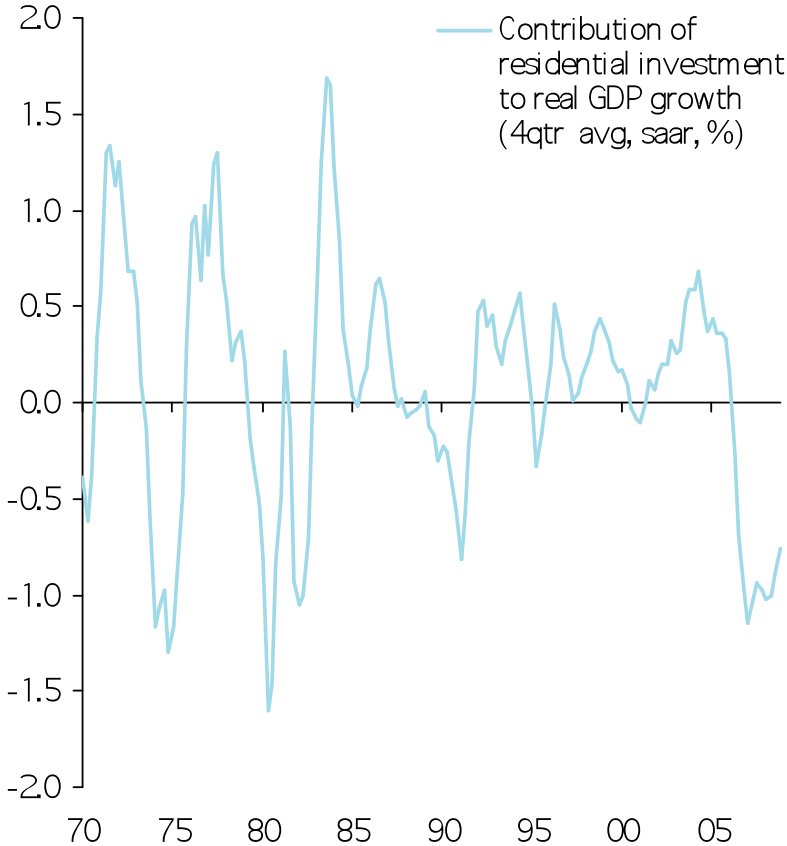
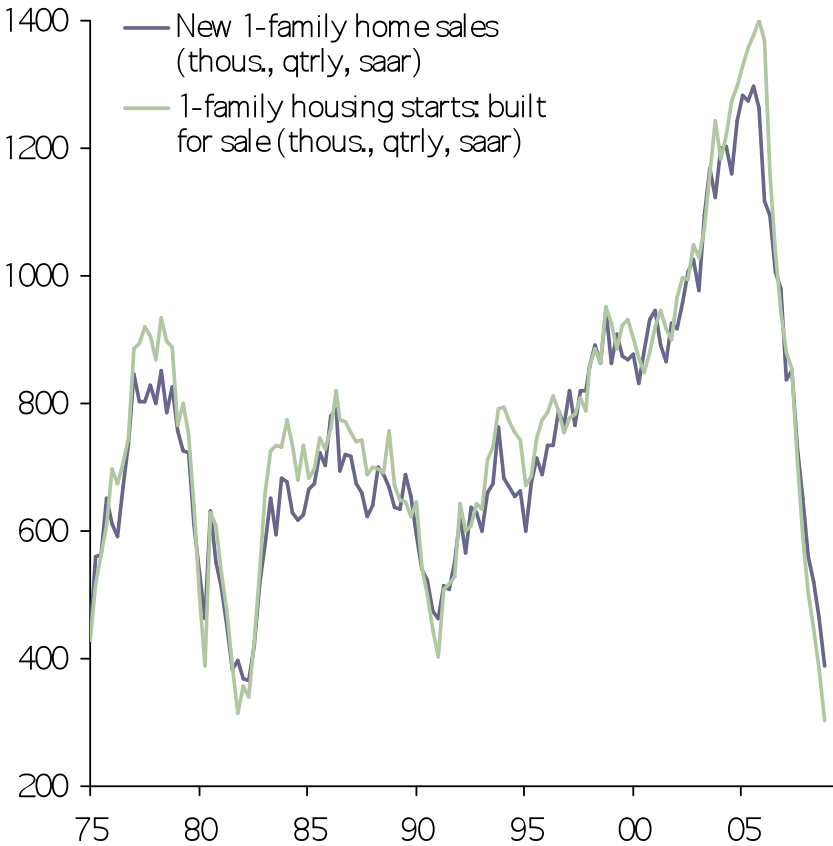
New home inventories falling sharply; months supply above previous peaks



Source: Census Bureau, Haver Analytics.



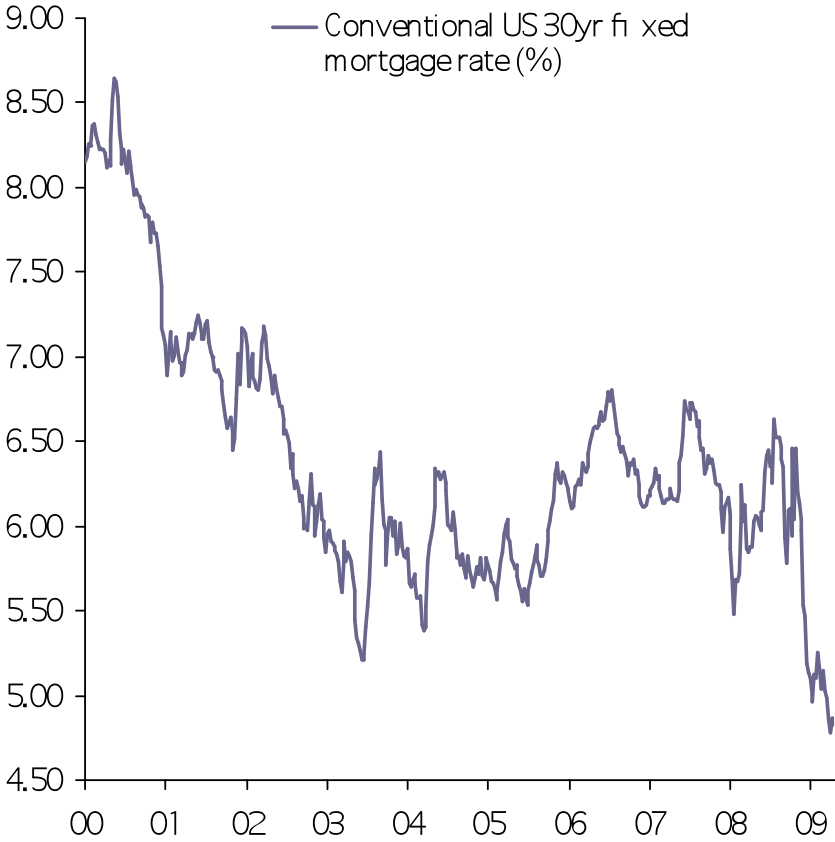
Bottom in starts closely follows bottom in sales; housing drag to fade in 2009



Source: Census Bureau, BEA, Haver Analytics.



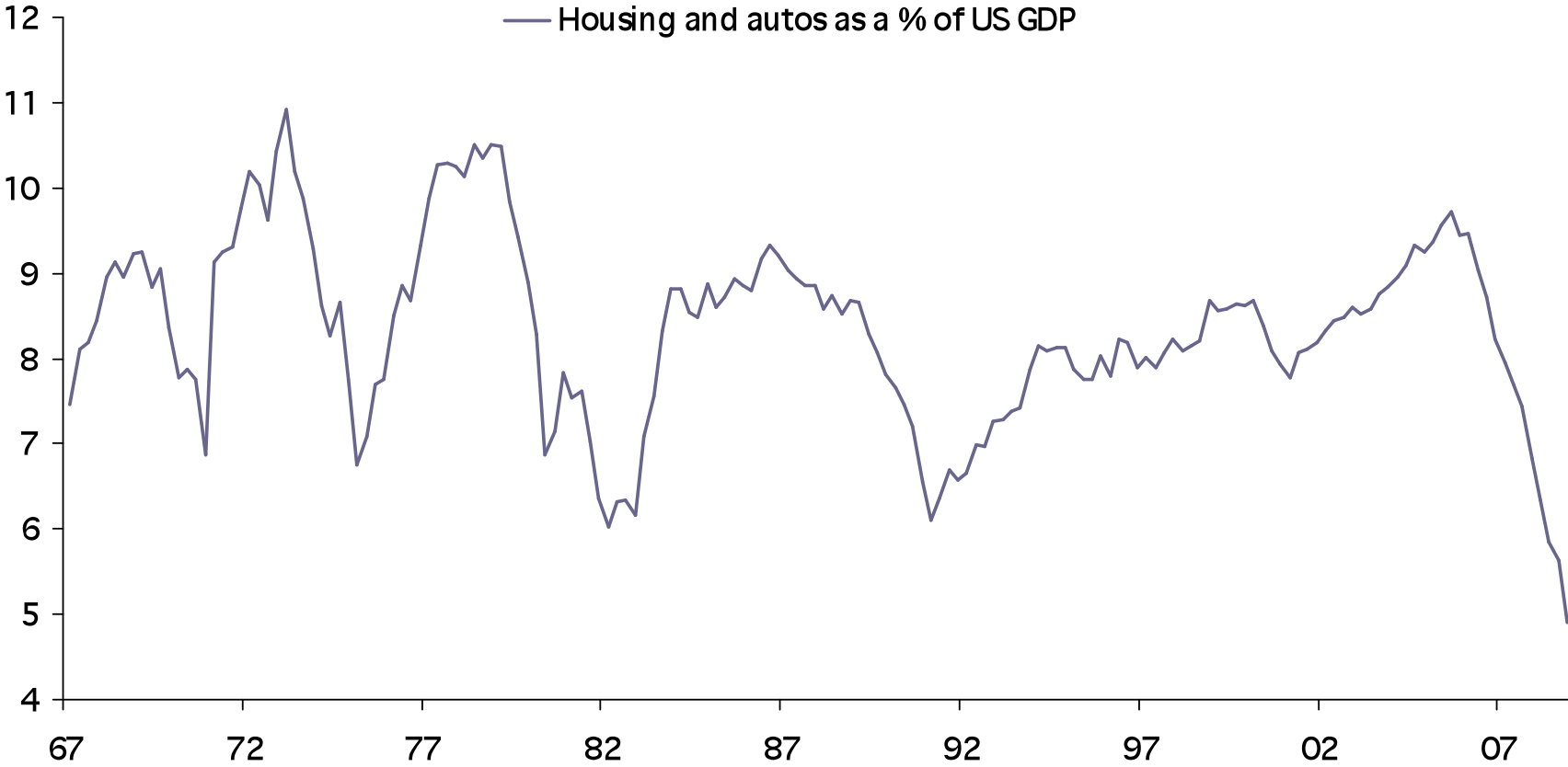
Housing affordability highest in decades



Source: WSJ, National Association of Realtors, Haver Analytics.



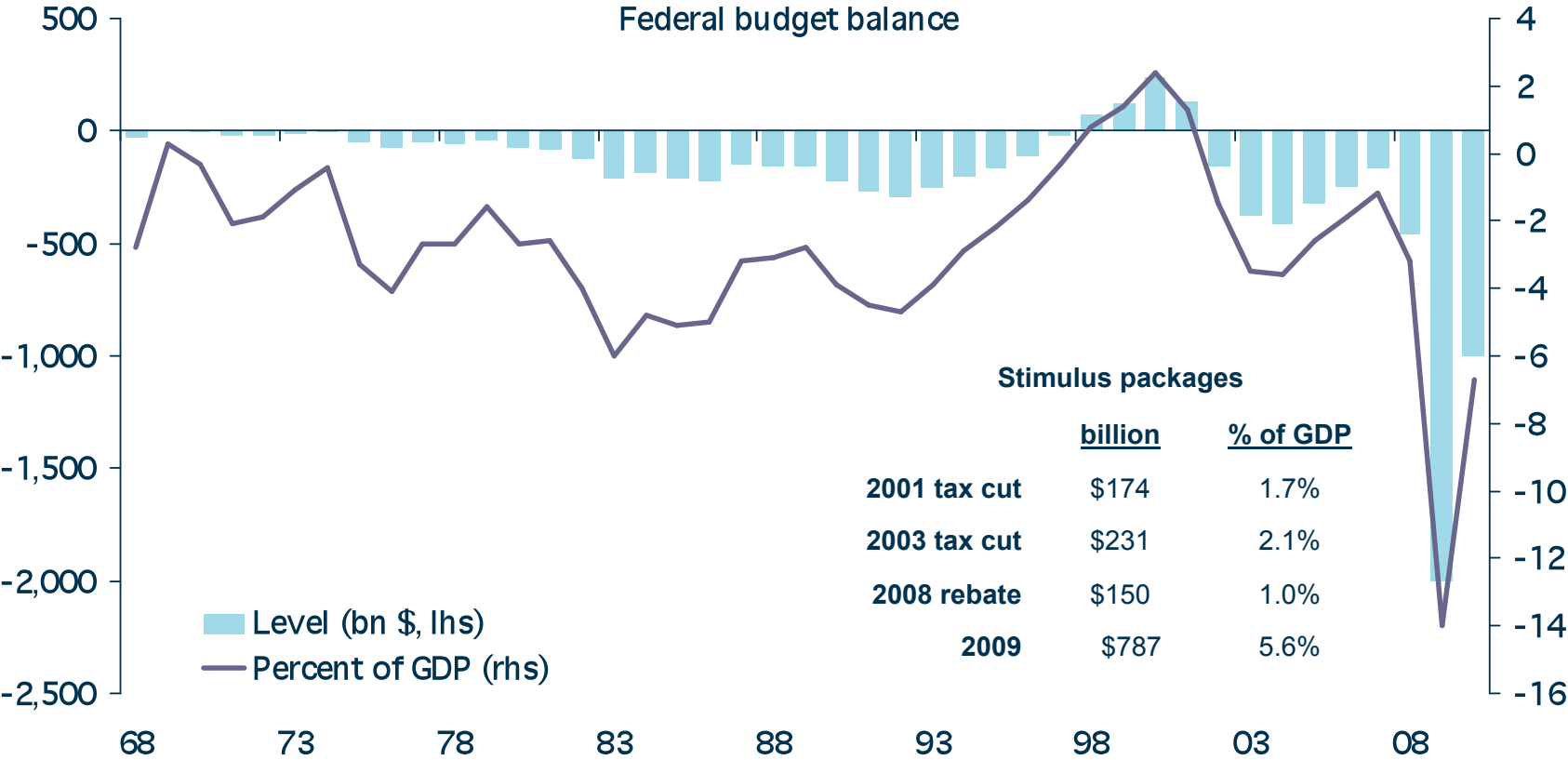
Credit-sensitive sectors have already been crushed



Source: BEA, Haver Analytics.



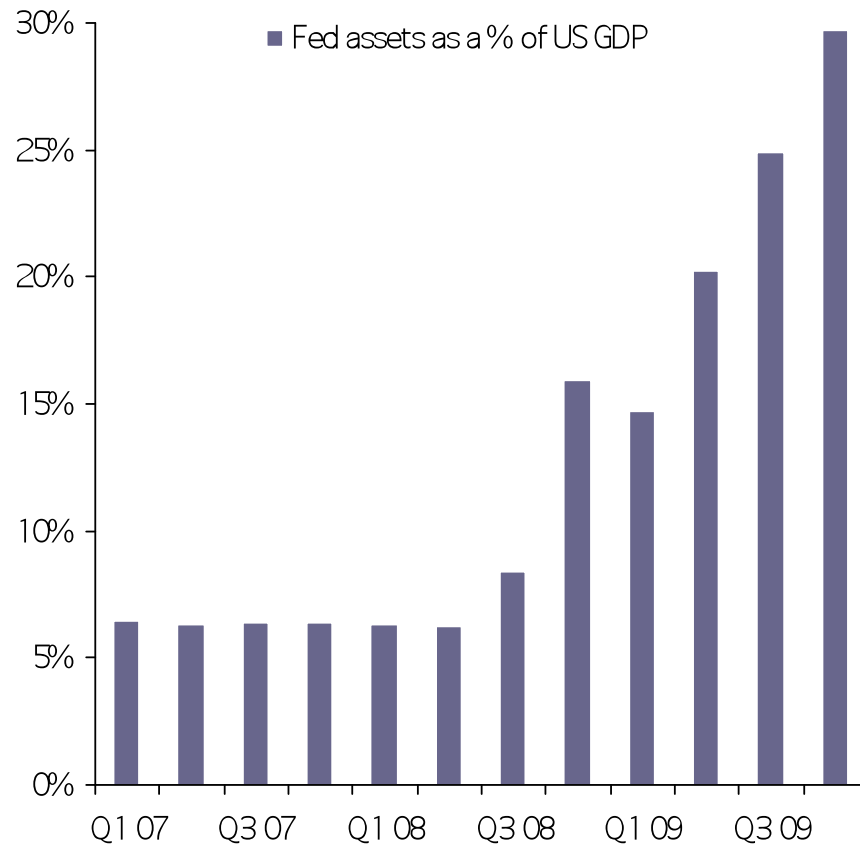
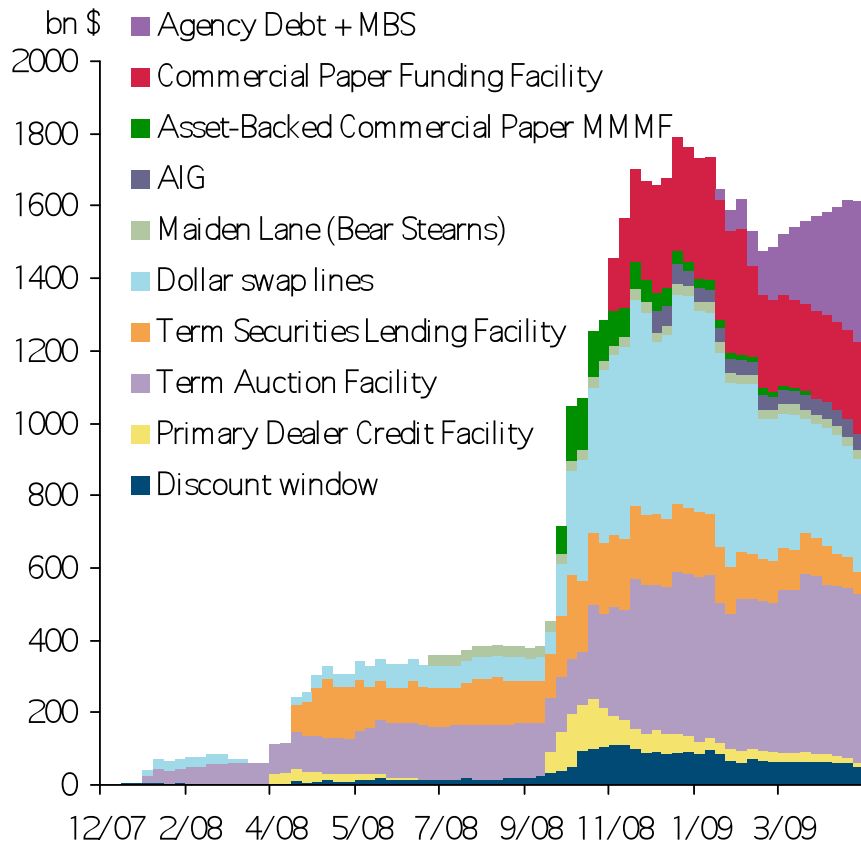
Fiscal package is massive



Source: BEA, CBO, Barclays Capital.



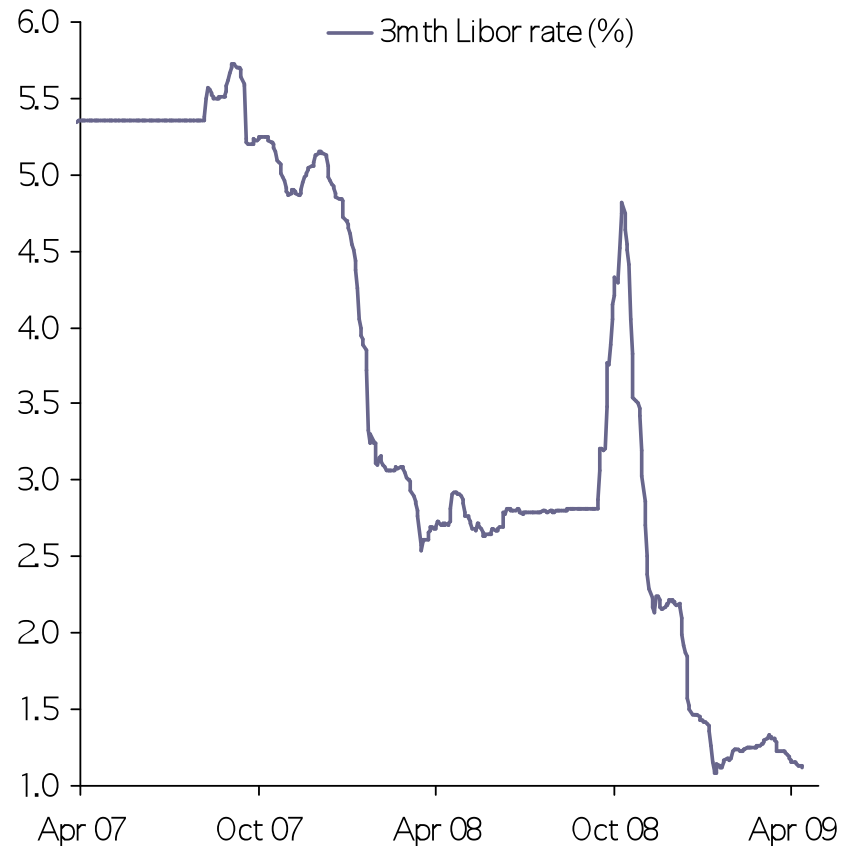
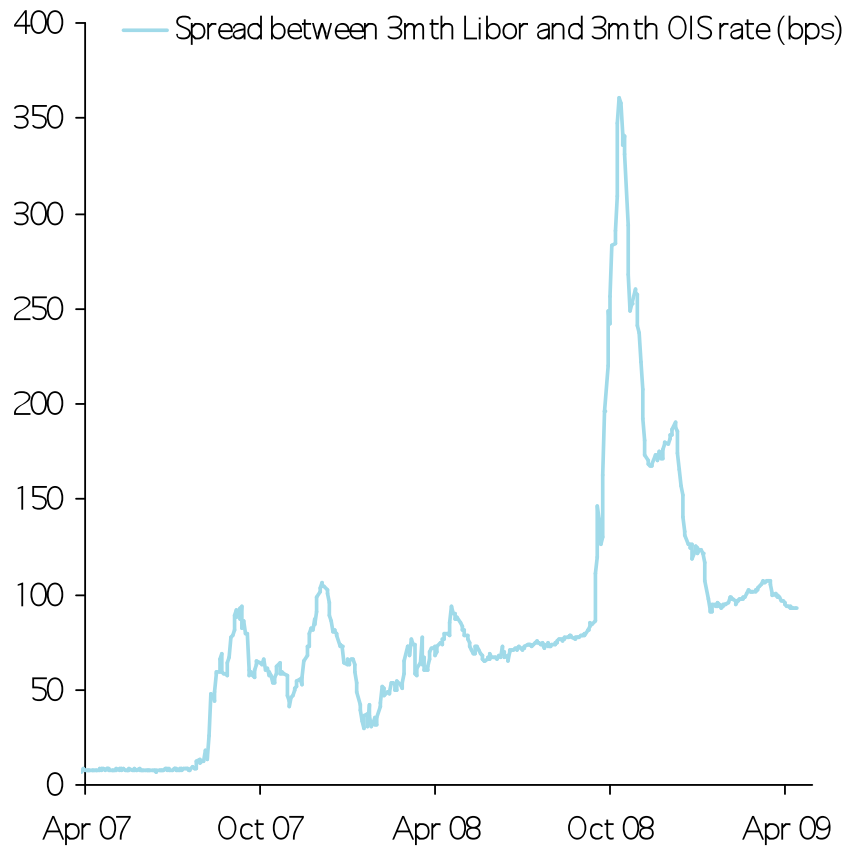
Fed balance sheet set to grow sharply this year



Source: FRB, BEA, Haver Analytics, Barclays Capital.



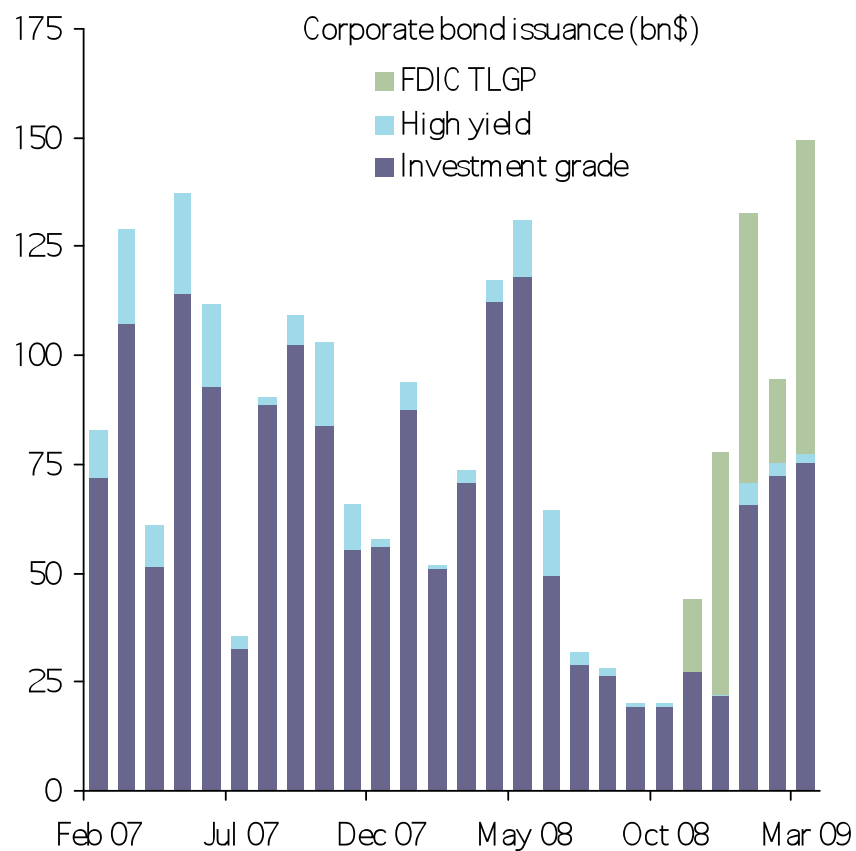
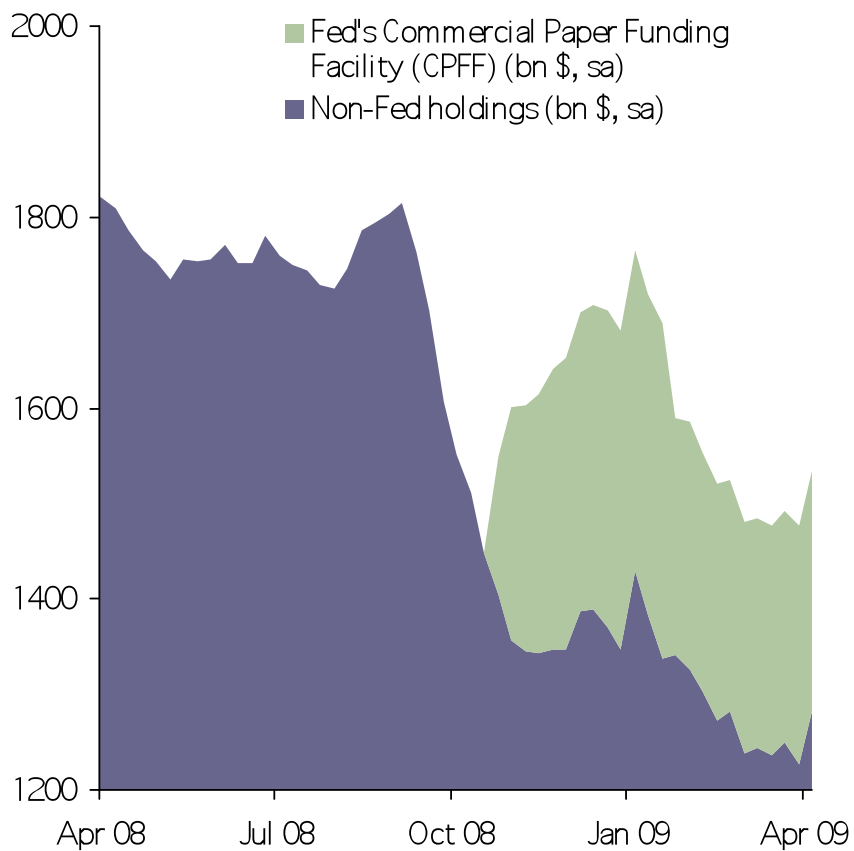
Some evidence of progress from credit market intervention



Source: FRB, Bloomberg, Haver Analytics.



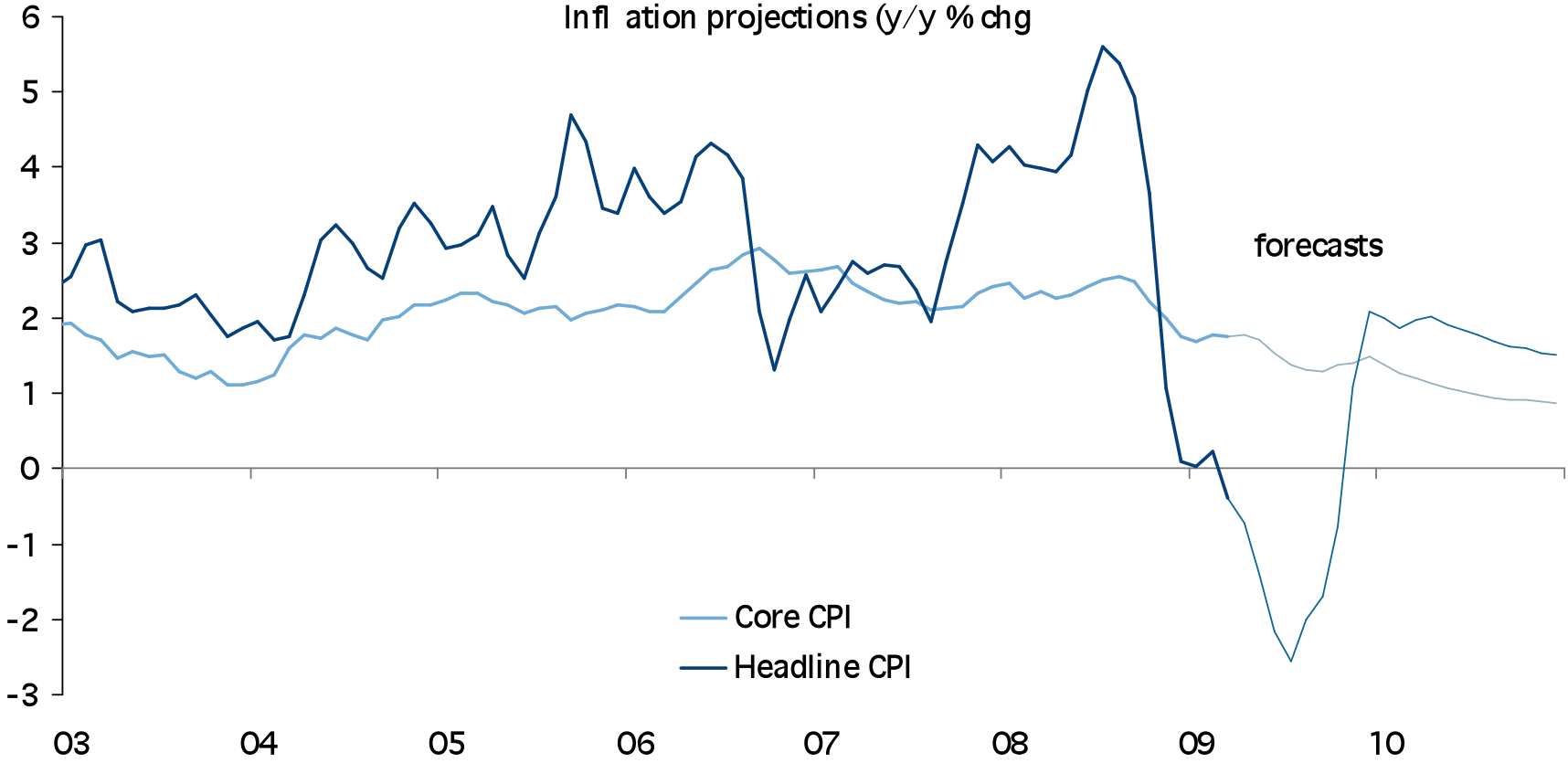
Some evidence of progress from credit market intervention



Source: FRB, FDIC, Haver Analytics, Bloomberg.



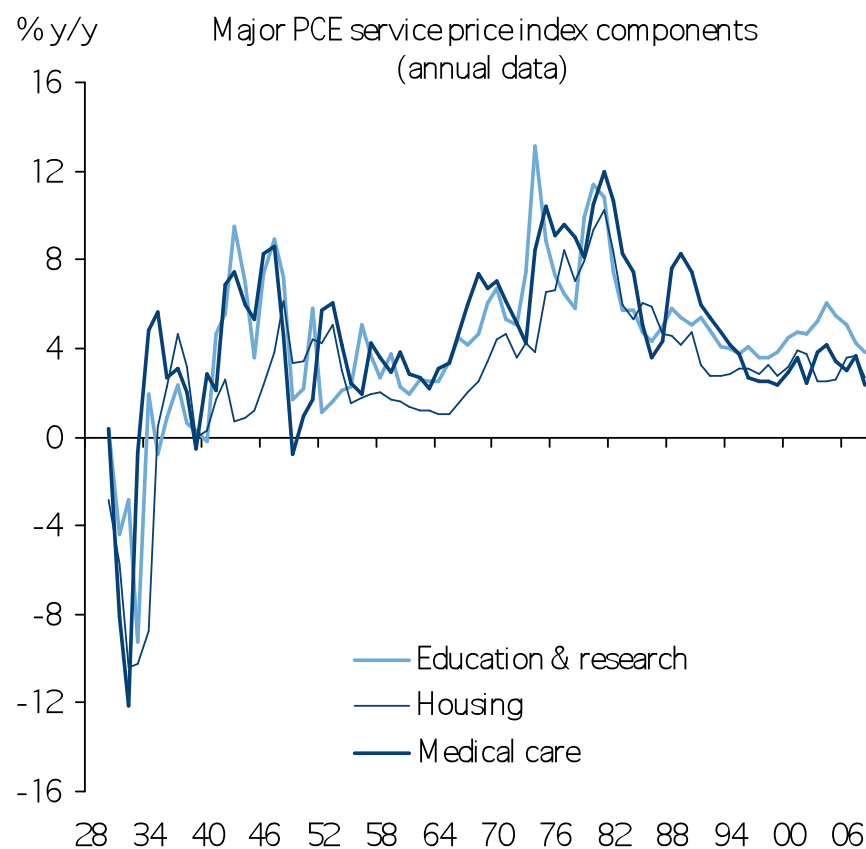
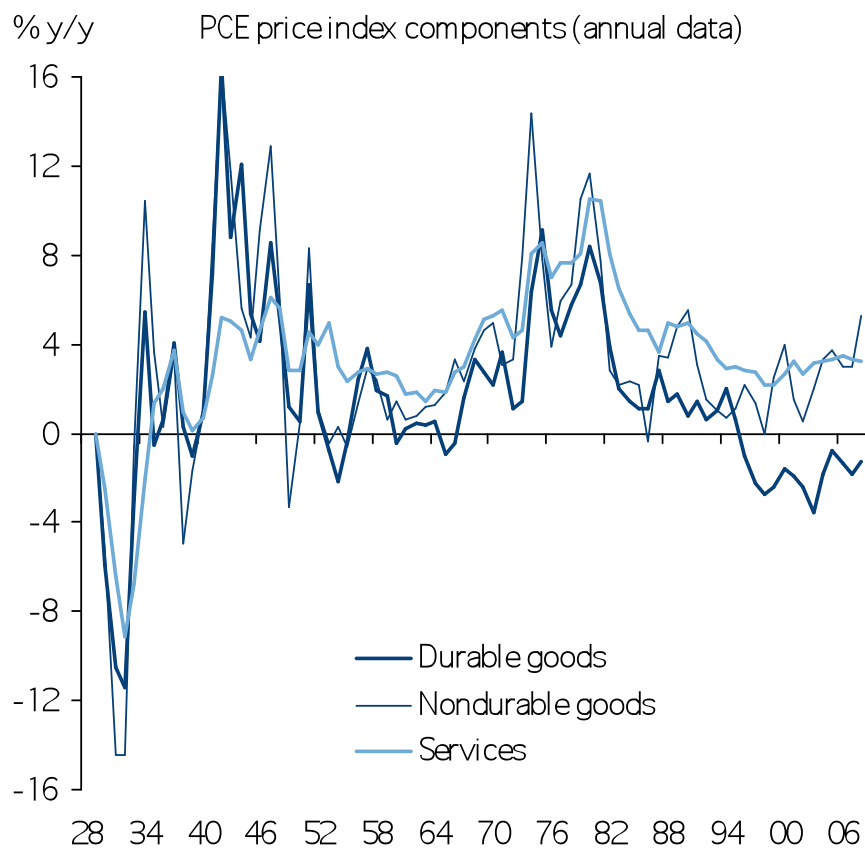
Headline inflation to decline substantially



Source: BLS, Haver Analytics, Barclays Capital.



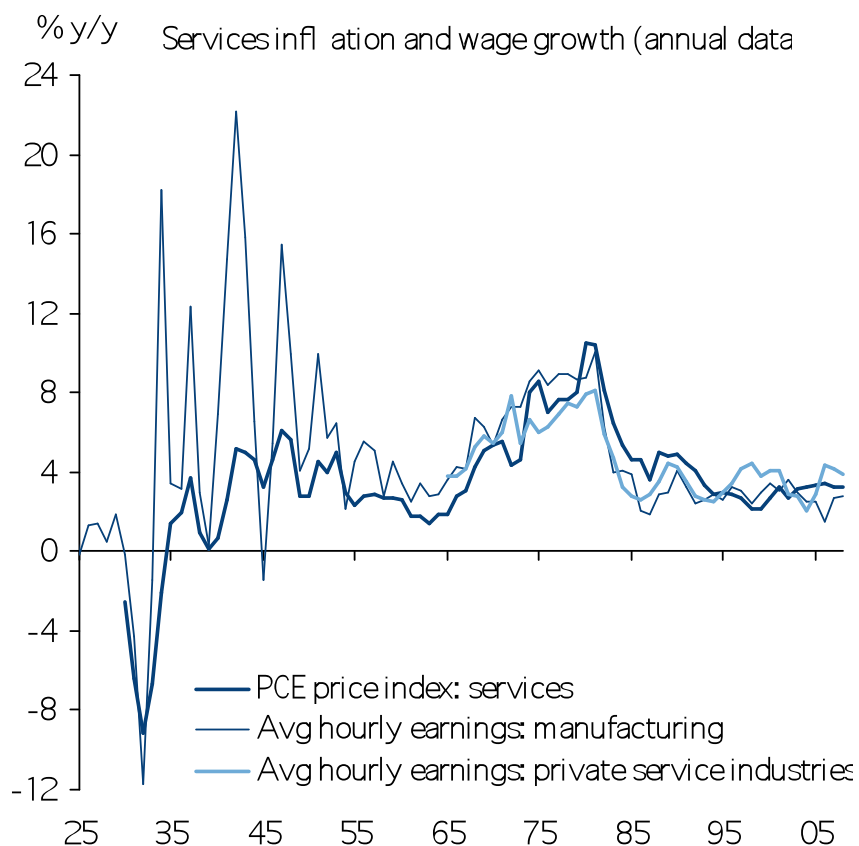
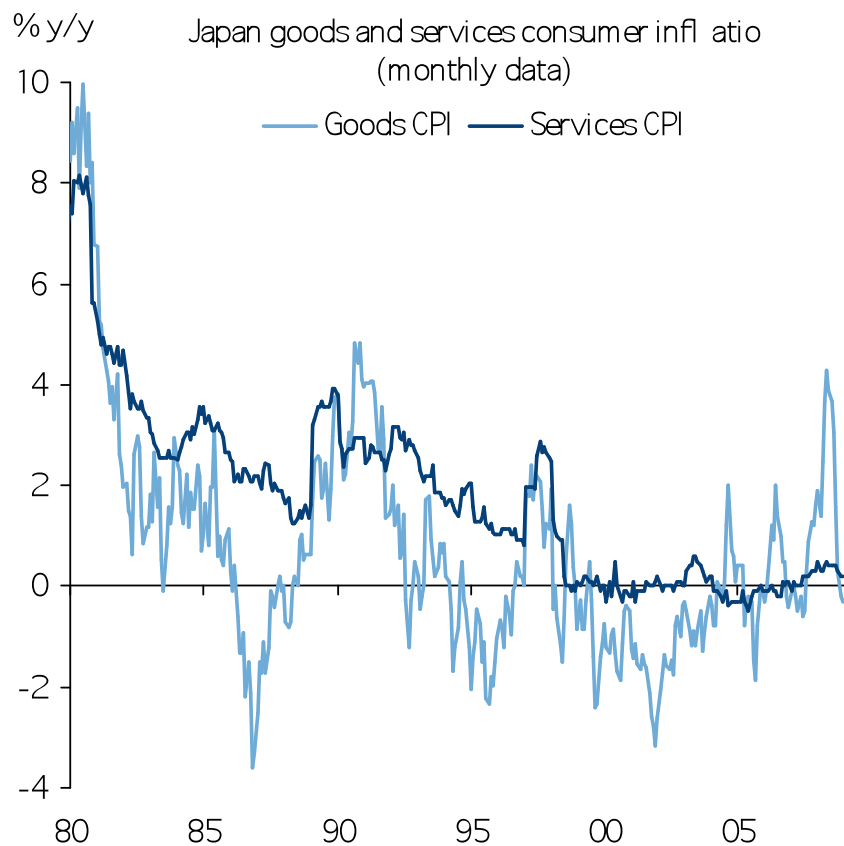
Service sector is key for deflation risks



Source: BEA, Haver Analytics.

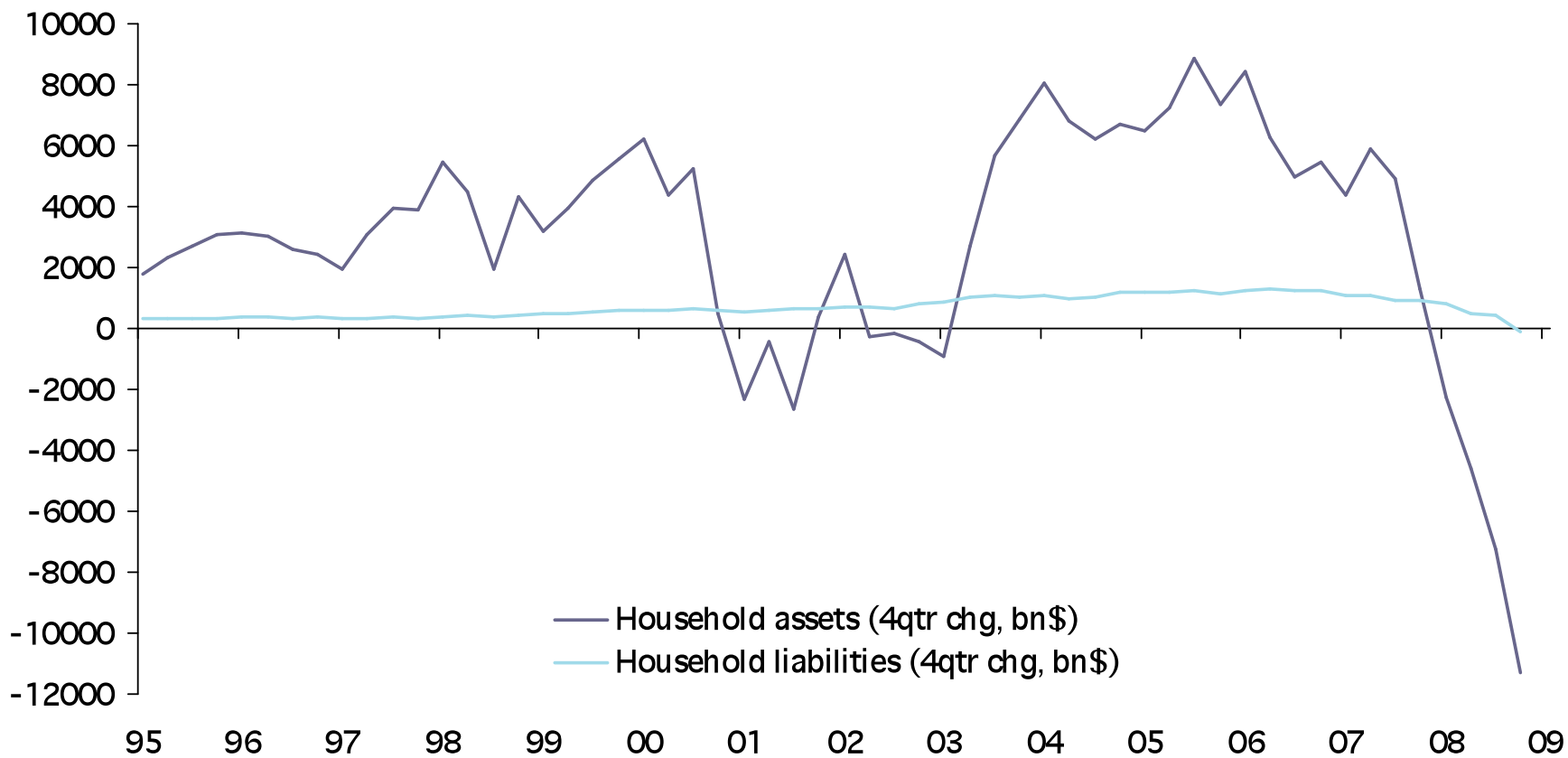


In Japan service prices flattened; wages drive service sector inflation



Source: Japanese Ministry of Internal Affairs and Communications, BEA, BLS, NBER, Haver Analytics, Barclays Capital.

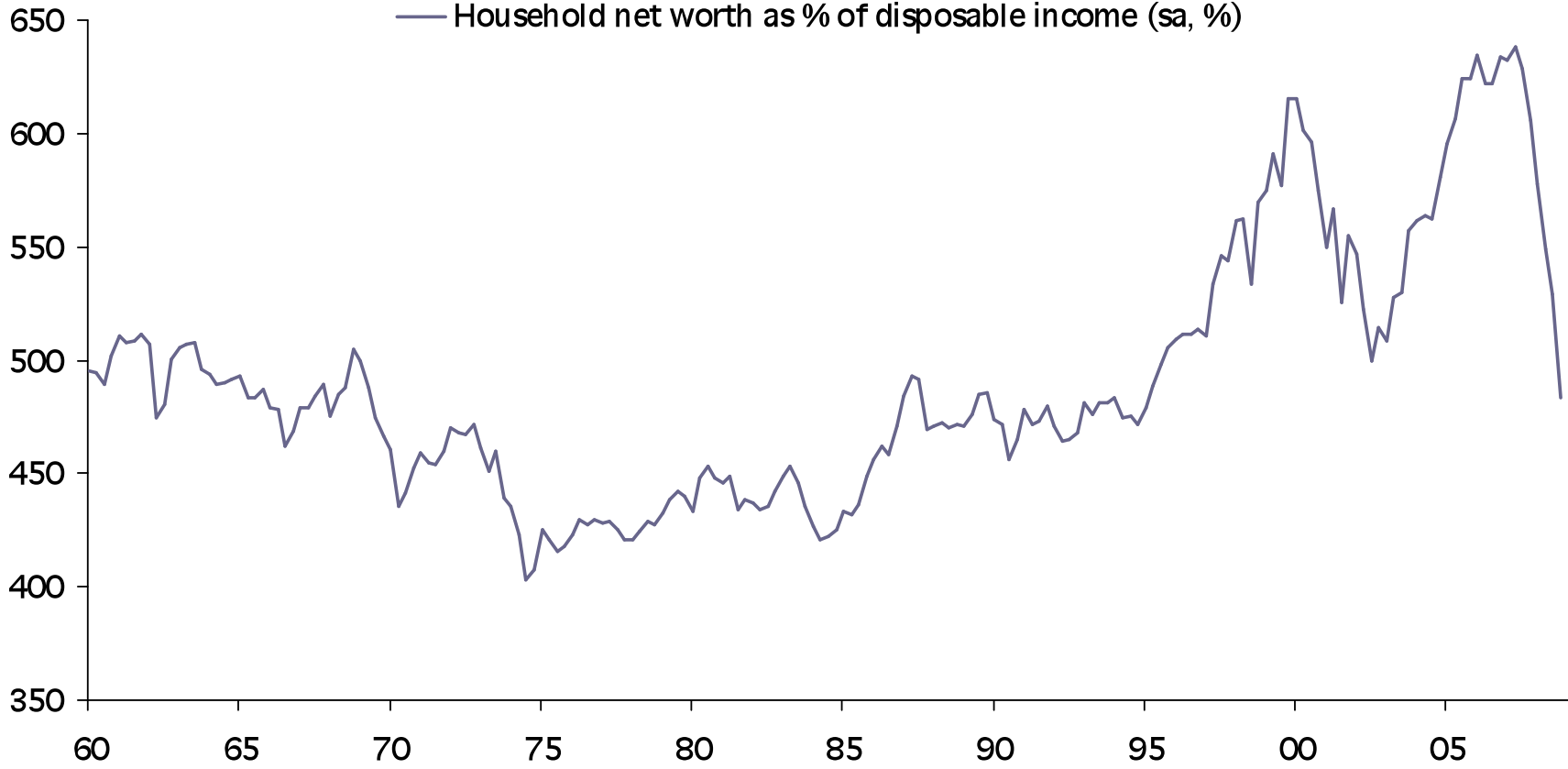
Value of household assets is falling



Source: FRB, Haver Analytics.



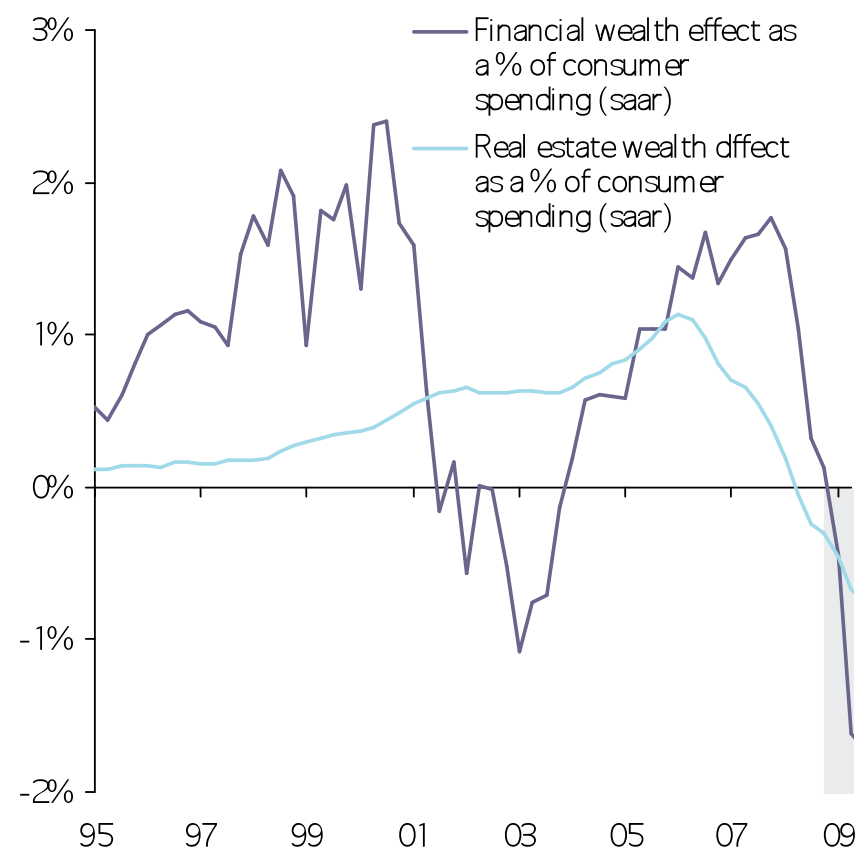
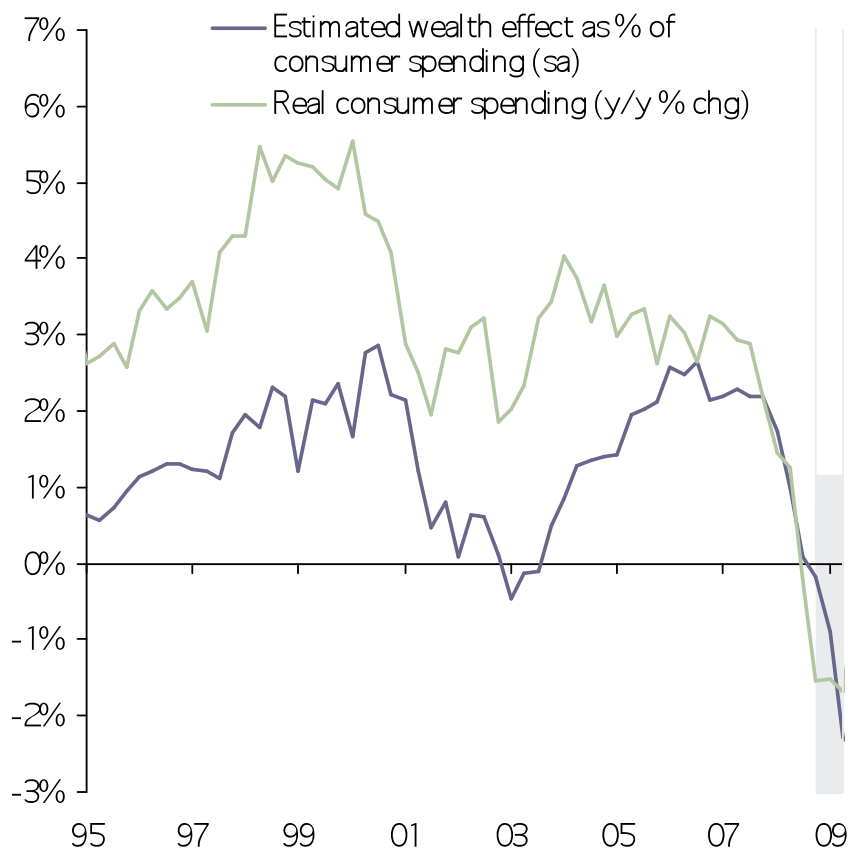
Household wealth has moved lower



Source: FRB, Haver Analytics.



Wealth effect has turned negative



Source: FRB, Barclays Capital, Haver Analytics. Note: Shaded region indicates Barclays Capital forecast through H2 2009.



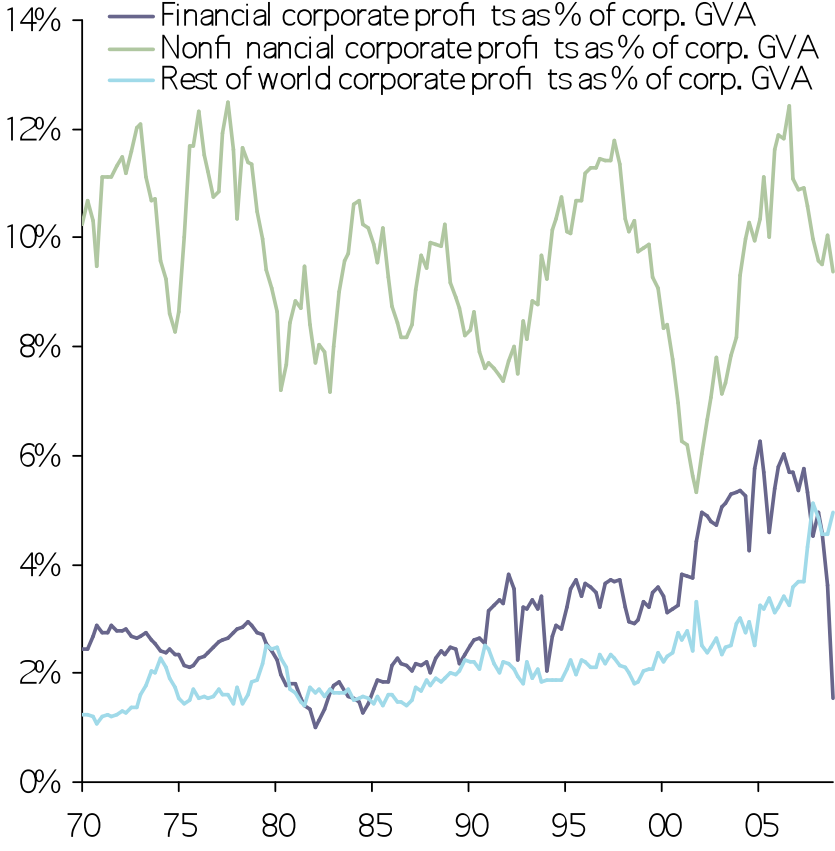
Business investment spending has been subdued



Source: BEA, Barclays Capital.



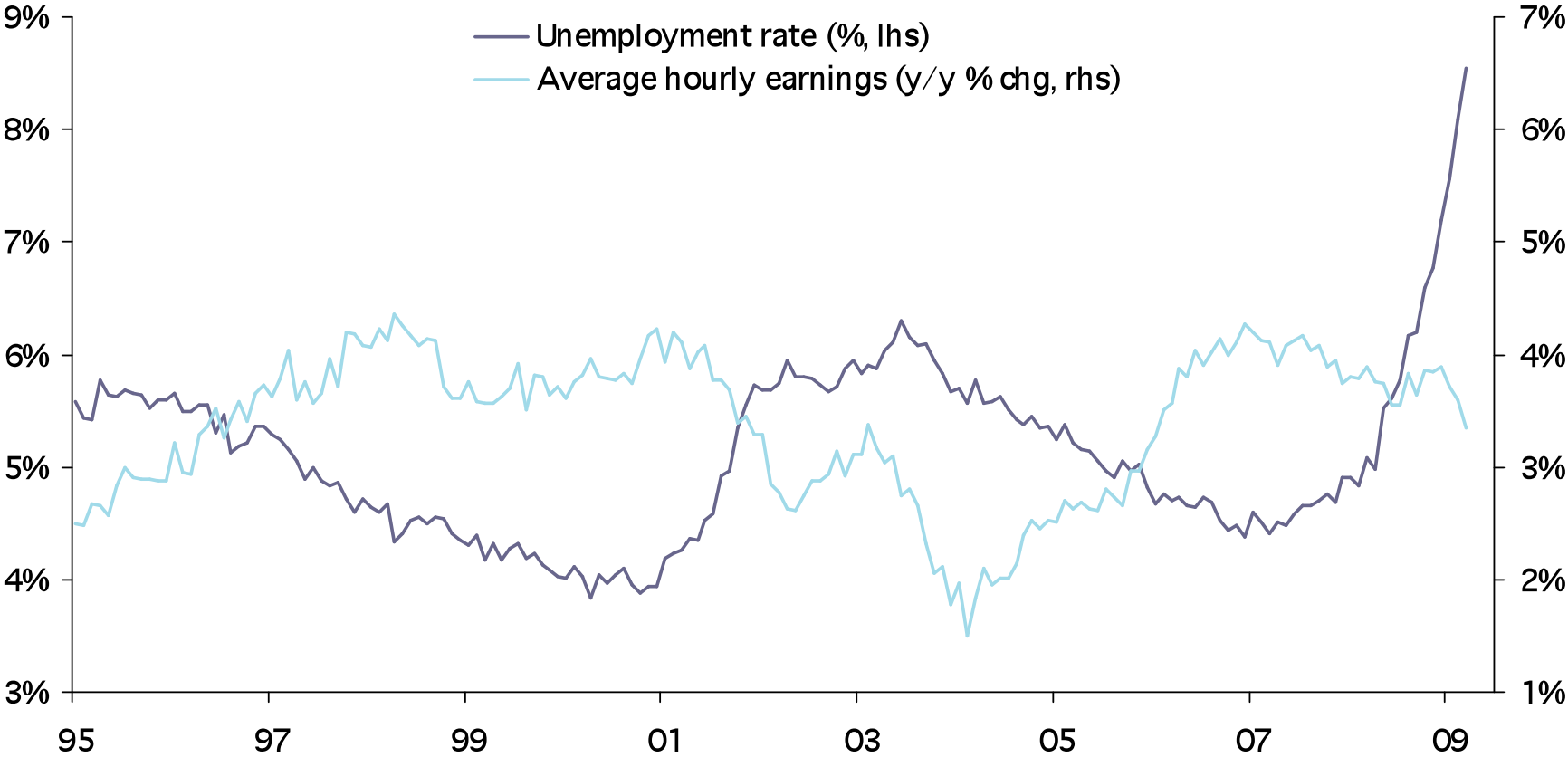
Corporate profit margins sliding



Source: BEA, Haver Analytics.



Earnings growth has not decelerated much as unemployment rate increased



Source: BLS, Haver Analytics.



Disclaimer

The person named as the author of this report hereby certifies that: (i) all of the views expressed in the research report accurately reflect my personal views about the subject securities and issuers; and (ii) no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report.

The persons named as the authors of this report hereby certify that: (i) all of the views expressed in the research report accurately reflect the personal views of the authors about the subject securities and issuers; and (ii) no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report.

For disclosures on issuers in this report see: <https://ecommerce.barcap.com/research/cgi-bin/public/disclosuresSearch.pl>

Any reference to Barclays Capital includes its affiliates.

Barclays Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Barclays Capital may have a conflict of interest that could affect the objectivity of this report.

IRS Circular 230 Prepared Materials Disclaimer: Barclays Capital and its affiliates do not provide tax advice and nothing contained herein should be construed to be tax advice. Please be advised that any discussion of U.S. tax matters contained herein (including any attachments) (i) is not intended or written to be used, and cannot be used, by you for the purpose of avoiding U.S. tax-related penalties; and (ii) was written to support the promotion or marketing of the transactions or other matters addressed herein. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

This publication has been prepared by Barclays Capital, Inc., a US registered broker/dealer and member of the FINRA. This publication is provided to you for information purposes only. Prices shown in this publication are indicative and Barclays Capital is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. Other than disclosures relating to Barclays Capital, the information contained in this publication has been obtained from sources that Barclays Capital knows to be reliable, but we do not represent or warrant that it is accurate or complete. The views in this publication are those of Barclays Capital and are subject to change, and Barclays Capital has no obligation to update its opinions or the information in this publication. Barclays Capital and its affiliates and their respective officers, directors, partners and employees, including persons involved in the preparation or issuance of this document, may from time to time act as manager, co-manager or underwriter of a public offering or otherwise, in the capacity of principal or agent, deal in, hold or act as market-makers or advisors, brokers or commercial and/or investment bankers in relation to the securities or related derivatives which are the subject of this publication.

Neither Barclays Capital, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents. The securities discussed in this publication may not be suitable for all investors. Barclays Capital recommends that investors independently evaluate each issuer, security or instrument discussed in this publication, and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information in this publication is not intended to predict actual results, which may differ substantially from those reflected.

This communication is being made available in the UK and Europe to persons who are investment professionals as that term is defined in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion Order) 2005. It is directed at persons who have professional experience in matters relating to investments. The investments to which it relates are available only to such persons and will be entered into only with such persons. Barclays Capital - the investment banking division of Barclays Bank PLC, authorised and regulated by the Financial Services Authority ('FSA') and member of the London Stock Exchange.

Subject to the conditions of this publication as set out above, ABSA CAPITAL, the Investment Banking Division of ABSA Bank Limited, an authorised financial services provider (Registration No.: 1986/004794/06), is distributing this material in South Africa. Any South African person or entity wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of ABSA Capital in South Africa, ABSA TOWERS NORTH, 180 COMMISSIONER STREET, JOHANNESBURG, 2001. ABSA CAPITAL IS AN AFFILIATE OF BARCLAYS CAPITAL.

Non-U.S. persons should contact and execute transactions through a Barclays Bank PLC branch or affiliate in their home jurisdiction unless local regulations permit otherwise.

Barclays Bank PLC Frankfurt Branch is distributing this material in Germany under the supervision of Bundesanstalt fuer Finanzdienstleistungsaufsicht.

© Copyright Barclays Bank PLC (2008). All rights reserved. No part of this publication may be reproduced in any manner without the prior written permission of Barclays Capital or any of its affiliates. Barclays Bank PLC is registered in England No. 1026167. Registered office 1 Churchill Place, London, E14 5HP.

Additional information regarding this publication will be furnished upon request. [080129USD]