

NEWSLETTER

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US ECONOMY DECLINED 1.0 PERCENT IN SECOND QUARTER

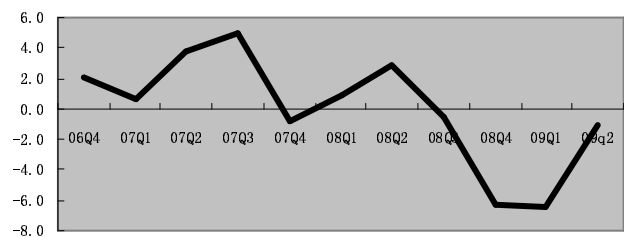
Real gross domestic product (GDP) declined 1.0 percent in the second quarter of 2009 after declining 6.4 percent in the first quarter, according to the estimates of the Bureau of Economic Analysis. The smaller decrease in real GDP reflected: much smaller decreases in business investment, including inventory investment, and in exports; an upturn in government spending; a smaller decline in housing. A downturn in consumer spending and a smaller decline in imports were offsetting factors in GDP improvement.

Prices of goods and services purchased by U.S. residents rose 0.7 percent, after falling 1.4 percent. Energy prices decreased much less than in the first quarter; food prices declined more. Prices less food and energy rose 1.1 percent after rising 0.2 percent.

The employment situation: August 2009

According to the U.S. Labor Department's monthly jobs report, nonfarm payroll employment continued to decline in August (-216,000), and the unemployment rate rose to 9.7 percent. Although, job losses continued in many of the major industry sector in August, the declines have moderated in recent months.

US Real GDP Growth



Source: US Department of Commerce

In August, the number of unemployed persons increased by 466,000 to 14.9 million, and the unemployment rate rose by 0.3 percentage point to 9.7 percent. The rate had been little changed in June and July, after increasing 0.4 or 0.5 percentage point in each month from December 2008 through May. Since the recession began in December 2007, the number of unemployed persons has risen by 7.4 million, and the unemployment rate has grown by 4.8 percentage points.

The consumer price index for all urban consumers (CPI-U) increased 0.9 percent in July before seasonal adjustment. Over the last 12 months, the index has fallen 2.1 percent, as a 28.1 percent decline in energy index since its July 2008 peak has more than offset increases of 0.9 percent in the food index and 1.5 percent for all items less food and energy.

On a seasonally adjusted basis, the CPI-U was unchanged in July following a 0.7 percent increase in June. Small declines in the food and energy indexes offset a small increase in the index for all items less food and energy. The food index declined 0.3 percent in July with all six major grocery store food groups posting declines. The energy index, which rose 7.4 percent in June, fell 0.4 percent in July.

The index for all items less food and energy rose 0.1 percent in July following a 0.2 percent

WORLD ECONOMIC OUTLOOK UPDATE (IMF)

Following is an excerpt from World Economic Outlook UPDATE from IMF released on July 8, 2009.

Contractionary Forces Receding But Weak Recovery Ahead

The global economy is beginning to pull out of a recession, but stabilization is uneven and the recovery is expected to be sluggish. Economic growth during 2009-10 is now projected to be about ½ percentage points higher than projected in the April 2009 World Economic Outlook, reaching 2.5 percent in 2010. Financial conditions have improved more than expected, owing mainly to public intervention, and recent data suggest that the rate of decline in economic activity is moderating, although to varying degrees among regions.

Stabilization is uneven and recovery will likely be sluggish

The world economy is stabilizing, helped by unprecedented macroeconomic and financial policy support. However, the recession is not over and the recovery is likely to be sluggish.

Global activity is forecast to contract by 1.4 percent in 2009 and to expand by 2.5 percent in 2010.

Going forward, the pace of recovery will depend on the balance between opposing forces. The downward drag exerted by the financial shock, the sharp fall of global trade, and the general increase in uncertainty and collapse of

diminishing. However, supportive forces are still weak. Many housing markets have yet to bottom out. Importantly, financial markets remain impaired and bank balance sheets still need to be cleaned and institutions restructured.

Financial stress indexes for advanced and emerging economies have receded since the beginning of 2009. However, the improvements are far from uniform across markets and countries. In particular, bank lending conditions are expected to remain tight and external financing conditions constrained for a considerable time.

At the same time commodity prices have rebounded ahead of the recovery. The recent rally in commodity prices has been strong and broad-based, reflecting improved market sentiment, U.S. dollar depreciation, and commodity-specific factors. In the oil market, prices have responded strongly to perceptions that market dynamics are shifting from significant oversupply to more balanced conditions. Forward markets project oil prices at \$74.50 for 2010, not much above current level, with high excess capacity expected to buffer growing demand.

Inflation pressures to remain low

Inflation pressures have continued to ease with the continued weakness of the global economy. Year-over-year inflation moderated to 1.7 percent in May, down from around 6 percent one

Despite upward pressure from recovering commodity prices, global inflation is expected to remain subdued through 2010, held back by significant excess capacity. Risks for sustained deflation are small, as core inflation and inflation expectation in most major economies are still holding in the 1-2 percent range.

Unemployment rates will reach double digits in some countries, holding back wages and household spending and presenting significant policy challenges.

Risks have moderated but remain to the downside

The risks to the outlook are still tilted to the downside, although tail risks have diminished noticeably. In the advanced economies, rising unemployment and a loss of confidence in the stability of the financial sector (possibly resulting from a larger-than-anticipated wave of corporate bankruptcies) could put renewed downward pressure on asset prices and potentially trigger a deflationary episode. Moreover, rising questions about public debt sustainability in some countries could add to upward pressure on bond yields, with negative effects on the recovery of housing markets. Falling house prices are another important risk that could undermine confidence in bank capital bases.

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WISCO America's goal is to constantly pursue ambitious growth and become number one or two in each of the market it serves.

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