

# NEWSLETTER

## WISCO AMERICA

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## US ECONOMY DECLINED 0.7 PERCENT IN SECOND QUARTER

**Real gross domestic product (GDP)** declined 0.7 percent in the second quarter of 2009, following a 6.4 percent decline in the first quarter, according to estimates from the Bureau of Economic Analysis. The second-quarter growth rate was revised up 0.3 percentage point from the "second" estimate for the quarter. Investment in equipment and software was revised up based on new Census Bureau data.

The smaller decrease in real GDP in the second quarter compared to the first quarter reflected: a much smaller decrease in business investment, smaller decreases in exports, inventory investment, and housing, and an upturn in government spending.

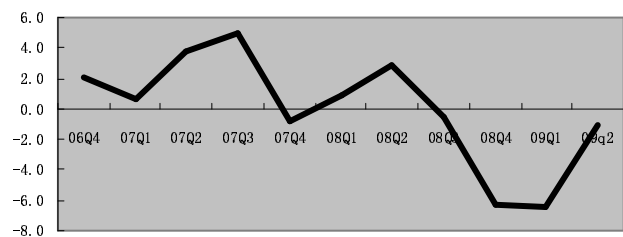
However, imports declined less than in the first quarter, and consumer spending turned down.

Second quarter corporate profits rose 3.7 percent at a quarterly rate. Nonfinancial profits rose 4.7 percent, and financial profits rose 12.0 percent. Profits from the rest of the world fell 4.6 percent.

### **The employment situation: September 2009**

Non-farm payroll employment continued to decline in September (-263,000), and the unemployment rate (9.8

**US Real GDP Growth**



Source: US Department of Commerce

The largest job losses were in construction, manufacturing, retail trade, and government.

Since the start of recession in December 2007, the number of unemployed persons has increased by 7.6 million to 15.1 million, and unemployment rate has doubled to 9.8 percent.

Total nonfarm payroll employment declined by 263,000 in September. From May through September, job losses averaged 307,000 per month, compared with losses averaging 645,000 per month from November 2008 to April. Since the start of recession in December 2007, payroll employment has fallen by 7.2 million.

**The consumer price index** for all urban consumers (CPI-U) rose 0.4 percent in August. The index has decreased 1.5 percent over the last 12 months on a not seasonally adjusted basis.

The 0.4 percent seasonally adjusted increase in the CPI-U was driven by a 9.1 percent rise in the gasoline index. This increase accounted for almost the entire advance in the energy index and over 80 percent of the overall increase. Despite the August increase, the gasoline index has fallen 30.0 percent over the last 12 months.

The index for food and for all items less food and energy both posted slight increases in August. The food index rose 0.1 percent following a 0.3 percent decline in July. The index for all items less food and energy increased 1.4 percent over the last 12 months, the smallest 12-month increase in the index since February 2004.

## GLOBAL RECOVERY UNDER WAY BUT LIKELY TO BE SLOW

*Following is an excerpt from IMF Survey released on October 1, 2009*

**After a deep recession, global economic growth has turned positive**, driven by wide-ranging, coordinated public intervention that has supported demand and reduced uncertainty and systemic risk in financial markets.

The recovery is expected to be slow, as financial systems remain impaired and support from public policies will gradually have to be withdrawn. Households in economies that suffered asset price busts will continue to rebuild savings while struggling with high unemployment.

### **Key economic projects from IMF include following**

**World growth:** After contracting by about 1 percent in 2009, global activity is forecast to expand by about 3 percent in 2010.

**Advanced economies:** It is projected to expand sluggishly through much of 2010. Average annual growth in 2010 will be only modestly positive at about 1¼, following a contraction of 3½ during 2009.

**Emerging and developing economies:** Real GDP growth is forecast to reach 5 percent in 2010, up from 1¾ percent in 2009. The rebound is driven by China, India, and a number of other emerging Asian countries. Economies in Africa and the Middle East are also expected to post solid growth of close to 4 percent,

The pace of recovery is slow, and activity remains far below pre-crisis levels. The pickup is being led by a rebound in manufacturing and a turn in the inventory cycle, and there are some signs of gradually stabilizing retail sales, returning consumer confidence, and firmer housing markets. As prospects have improved, commodity prices have staged a comeback from lows reached earlier this year, and world trade is beginning to pick up.

The triggers for this rebound are strong public policies across advanced and many emerging economies that have supported demand and eliminated fears of global depression.

Together, these measures reduced uncertainty and increased confidence, helping to improve financial conditions. This was seen in strong rallies across many markets and a rebound in international capital flows. However, the environment remains very challenging for lower-tier borrowers. More generally, the risk of reversal is a significant market concern, and a number of financial stress indicators remain elevated.

### **Risks to recovery**

The key policy requirements remain restoring financial sector health while maintaining supportive macroeconomic policies until the recovery is on a firm footing. However, policymakers need to begin preparing for an orderly unwinding of extraordinary

that the policy forces driving the current rebound will gradually lose strength, and the real and financial forces—although slowly building—will remain weak, as financial sectors have not yet been restored to health. Thus, premature exit from supportive policies must be avoided.

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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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