

Economic Forecast at a Glance: 2008-2011

These are unusual times historically; little in our past informs the future. Globalization and the ongoing adoption of transformational technology in business and our personal lives drive continuous change and adaptation. This is compounded by many of today's leaders, who are mismatched to the issues and needs of our times and make unfortunate decisions, often with disastrous results. Thus we can still expect a lot of volatility.

Outlook—Three Economic Scenarios

All three of these scenarios are informed by a recession occurring in the last half of 2008 and driven by the three binges: housing, consumer spending, and speculative investing.

Scenario 1: A short recession, over by early 2009. The official recession starts in last half of 2008; it does not have a lot of global impact.

Scenario 2: A long slowdown in 2008, with a recession that is moderately deep and a long, slow recovery (stagflation 2009-style) that lasts until the end of 2009 and into 2010. Recovery is not really evident until the last half of 2010. Moderate global impact.

Scenario 3: A long, U.S.-led recession and slowdown that is widespread. It lasts through 2010 in the U.S., with a slow return in 2011. Other markets recover faster, especially in Asia. Significant global impact.

The most likely scenario is #2: A long slowdown, with moderately deep recession followed by a long and slow recovery with stagflation—end of 2009—into 2010.

- 2008—U.S. then global economic slow down. In early 2008, the U.S. is already in a recession in some regions and industries. It will not be announced or official as a recession for a few months because it is based on an historical data set. Some of the financial interventions by the Federal Reserve and the U.S. government (stimulus package) will delay negative growth for a couple of quarters.
- 2009—Continued U.S. recession and global slow down. The global slowdown will not be as bad as that in the U.S. China's economy is now driven by domestic consumption as well as exports. It could slowly resolve into a 2009 type of stagflation.
- 2010—Sustainable slow recovery evident by mid-2010.

Uncertainty—a Lot of It

- No one knows the true extent of the financial crisis. Some financial institutions could fail although it would not likely be more than one or two.
- No one knows the true extent of the impact of housing downturn on consumers except that it will curb spending.
- Will Federal Reserve measures help resolve the credit crisis and housing crisis quickly enough—or at all—or will we bleed painfully for a long time?
- Lots of inflationary pressures that are not likely to abate anytime soon—fuel, food, and more.
- Is China's domestic post-Olympics economy enough to keep it growing? Will there be social unrest given the social issues compounded by inflation?
- How far will the dollar fall? And will people divest themselves of dollars? Will foreign governments continue to buy our debt?
- How expensive will oil become? It is pegged to the dollar, so as the dollar falls oil gets more expensive but other drivers like demand and speculation are as powerful.
- Who will be the new U.S. president? What kind of leader will the new chief executive be—can he lead in this environment?

A Look at Regional and Industry Impacts

- Some regions won't be hit as hard as others, i.e. San Francisco Bay Area as it is in a recovery from 2001 recession and investing in the technologies and industries of the future. This is a nimble economy, very resilient and able to innovate.
- Each industrial sector will be hit differently. Anything directly impacted by the housing downturn and credit and banking crisis, dependency on local and state government contracts as the tax base is eroding, retail as consumers pull back.
- There will be different winners and losers in 2008, 2009, and 2010. Look for energy, agriculture, and health care to weather this storm well.

Recession Strategies

- Every business needs one. No business will likely be totally immune.
- Systematically analyzing this: You have lost 30% of your business; exactly how did this happen (the steps in sequence)? How did you manage through this period? Is this likely to happen in 2008, 2009, 2010? Why? Be sure to focus on opportunities!! You have some.
- Don't design your recession strategy alone. Engage a small diverse group of top executives—a couple of good business people who know your industry and at least one person who truly expects the recession to happen and significantly impact your business. Also include an outsider who will challenge everyone's thinking.

For more ideas about managing through a recession or downturn please visit the [Global Foresight Download Central](#).



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