

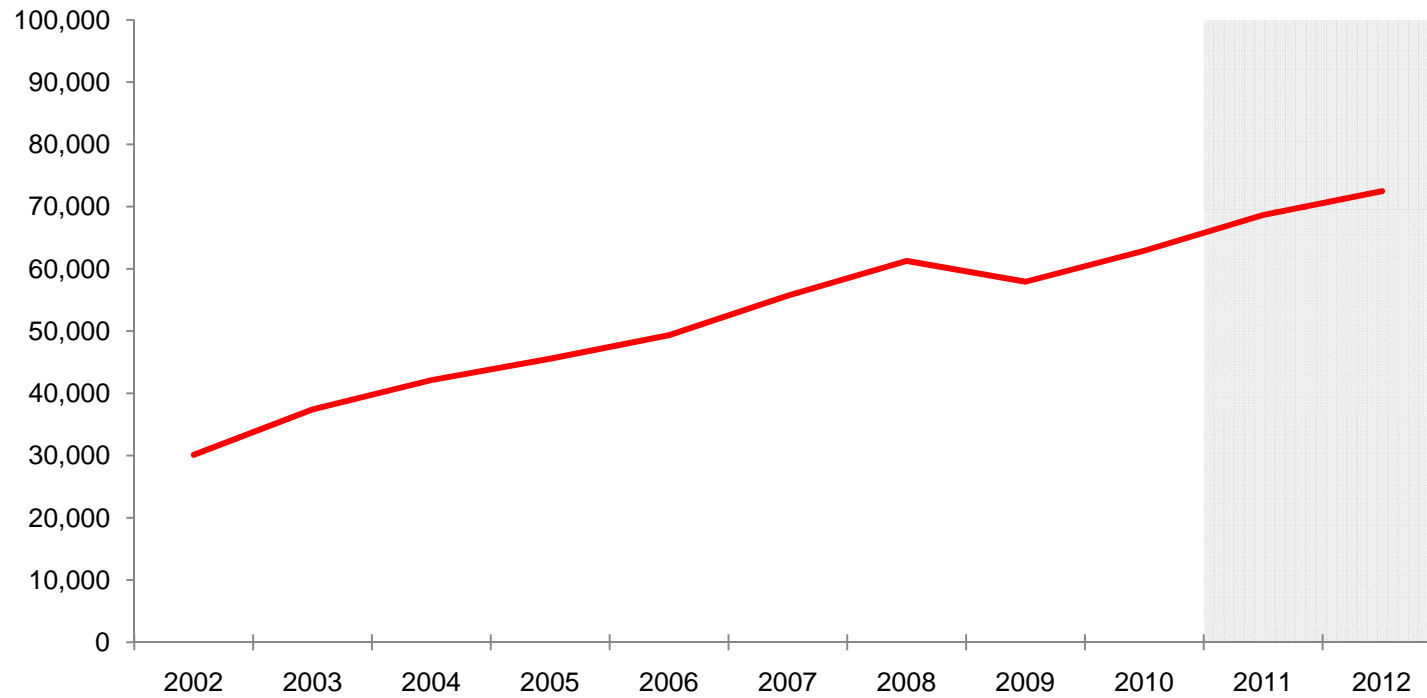
Global Economic Outlook

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Virginia Tech

Economic Summit VIII
Roanoke Regional Chamber of Commerce
June 2, 2011

billions of US dollars

Value of World Output



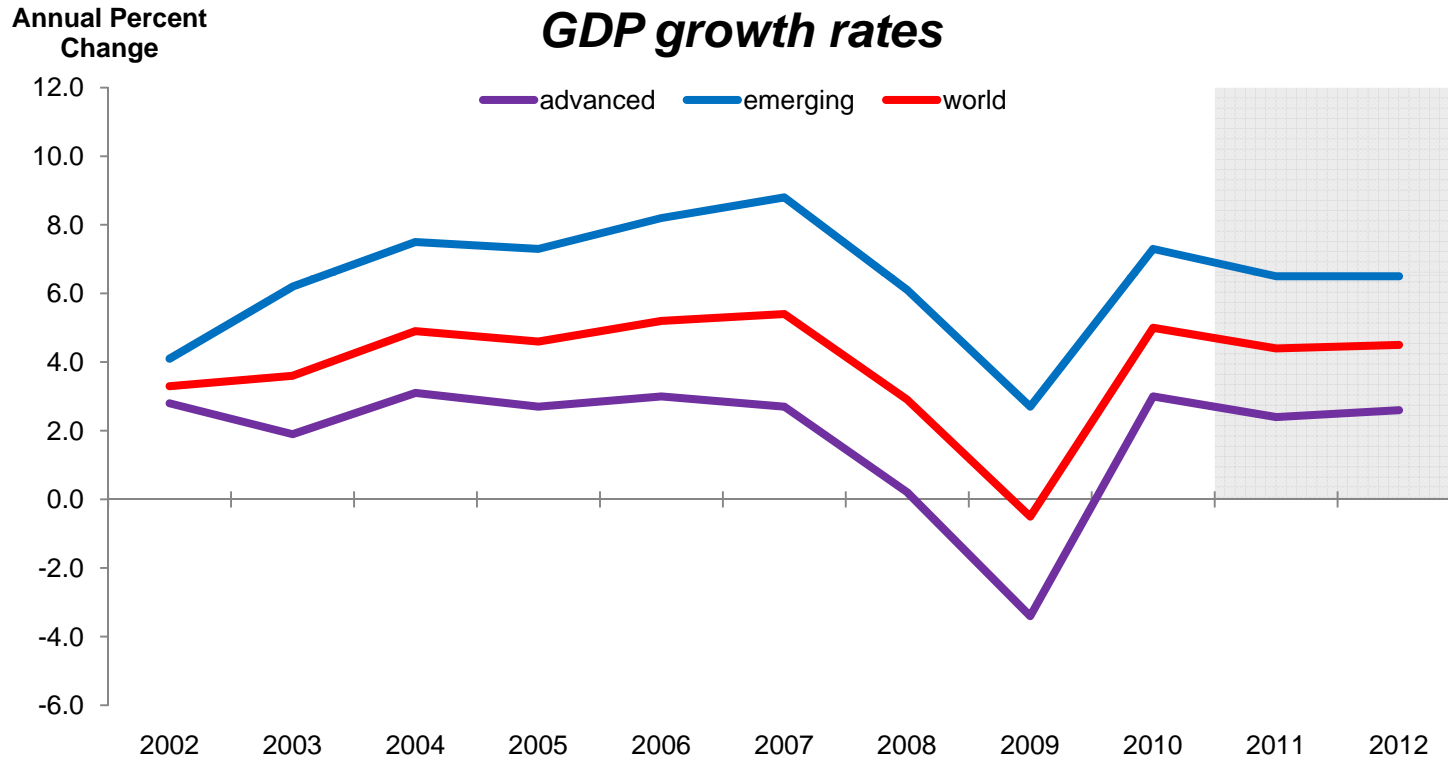
Advanced Economies**Emerging & Developing
Economies**

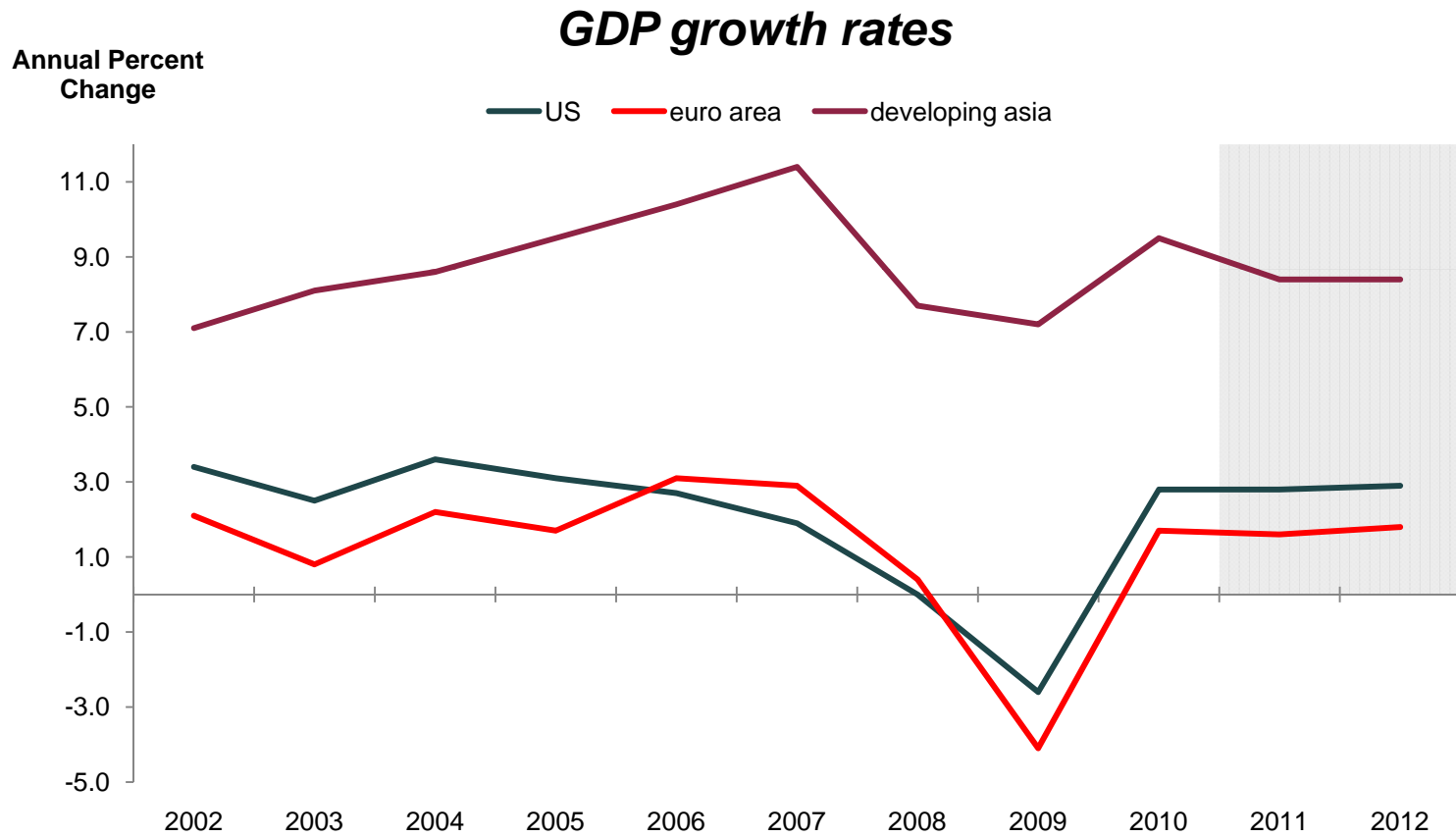
(34 countries incl. US)

(150 countries incl. China and India)

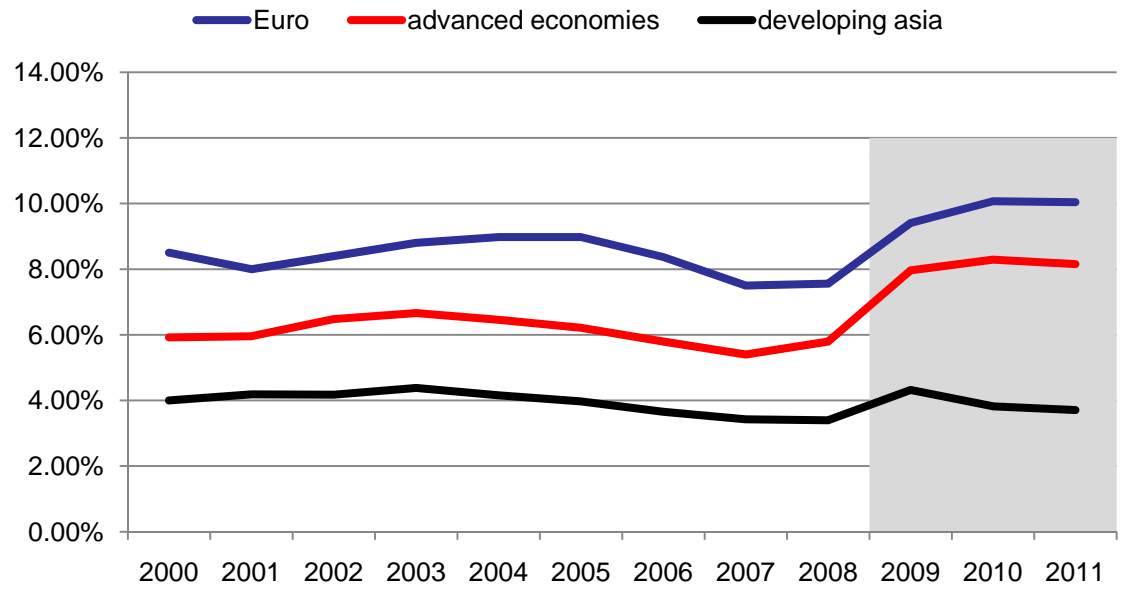
GDP	52.3%	47.7%
Exports	63.7%	36.3%
Population	15.0%	85.0%

US: 19.7% of World GDP
9.8% of World Exports
4.5% of World Population

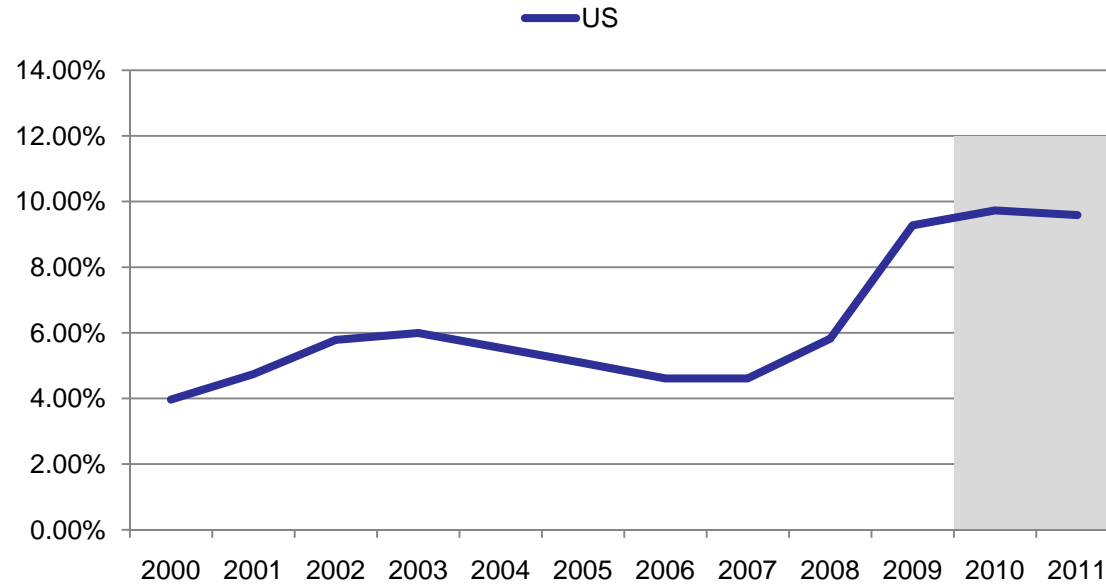


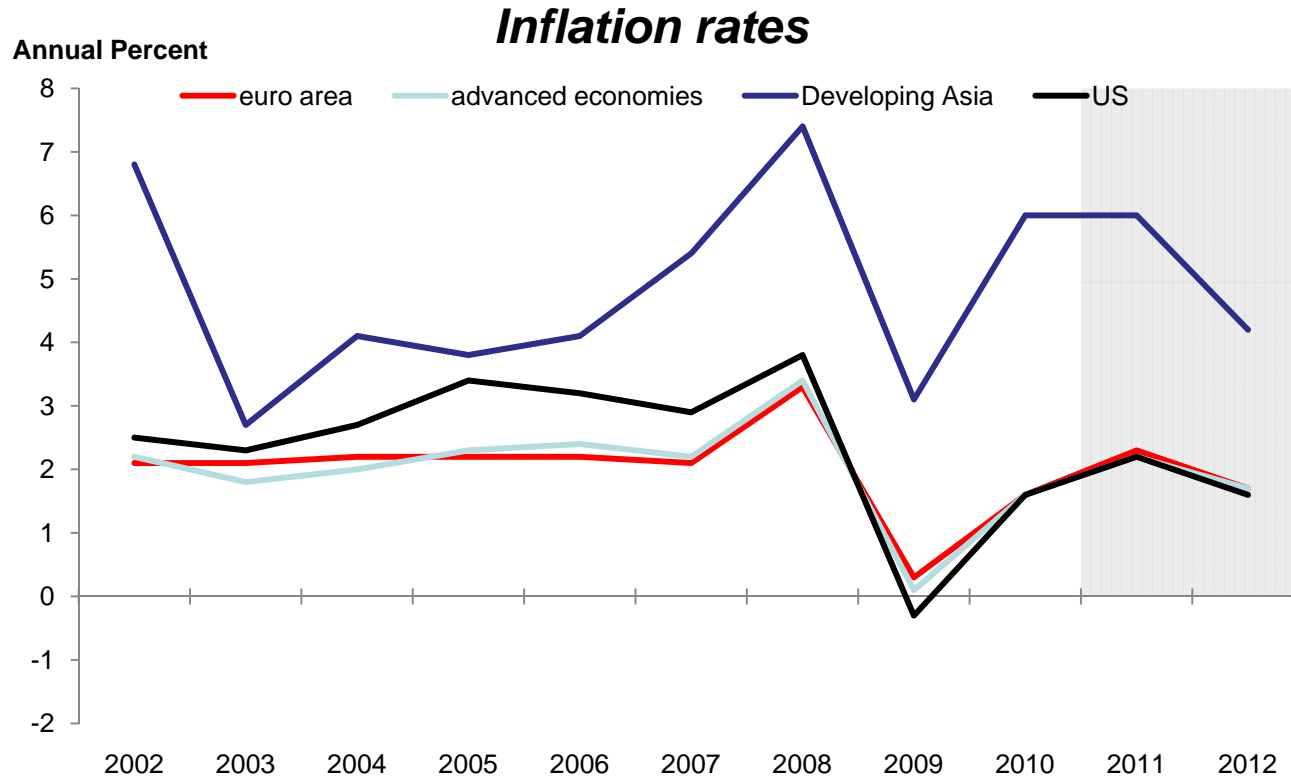


Unemployment rates

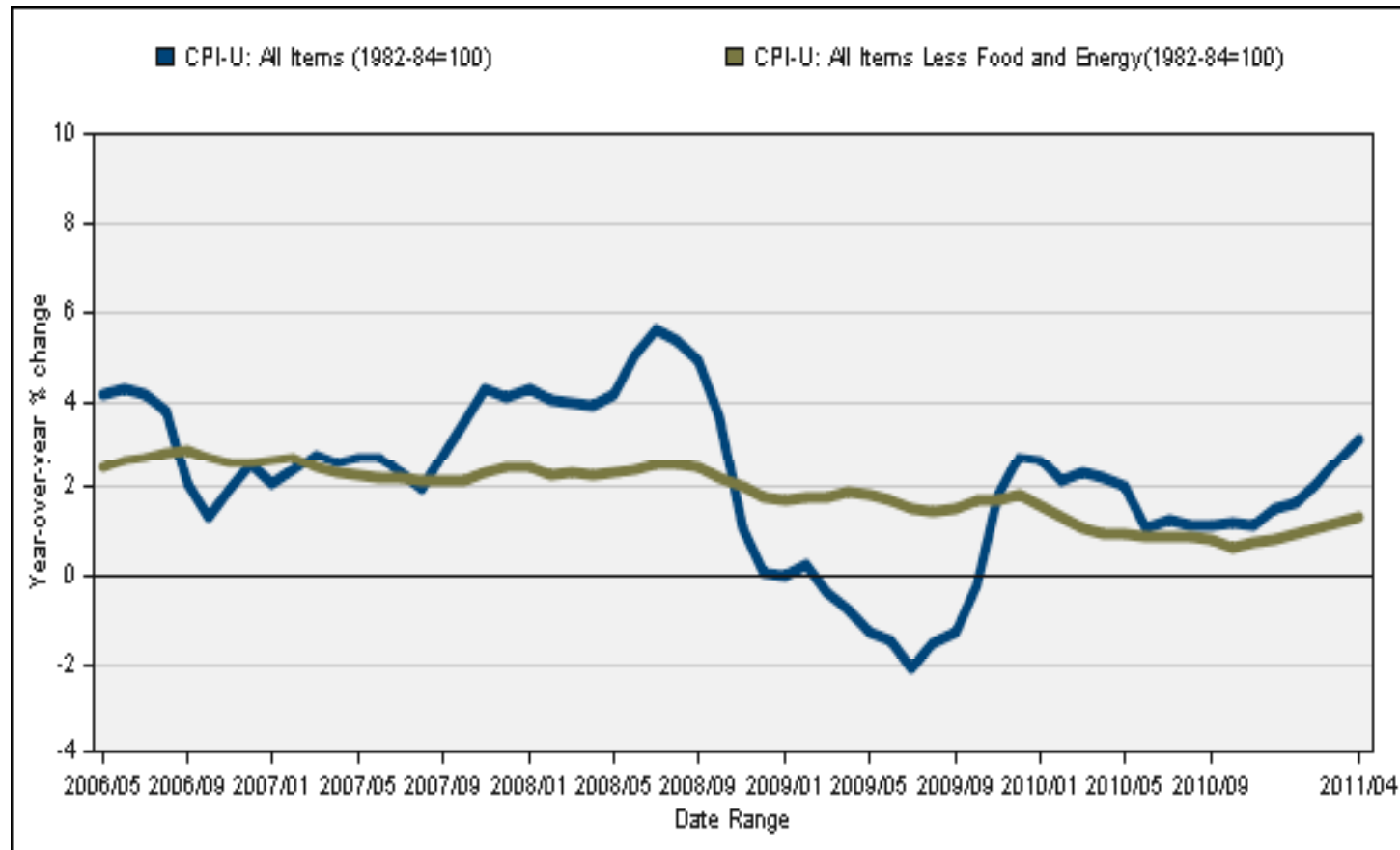


Unemployment rates





Consumer Price Index



Source: Bureau of Labor Statistics

Will increase in money supply cause inflation in US?

1. Cost Push Inflation : Wages are unlikely to rise
Commodity/Energy price increases?
2. Demand Pull Inflation: Credit worthy consumers are cutting back on consumption
Banks are unwilling to lend to consumers with bad credit
3. Inflation caused by a Falling Dollar making imports more expensive?

Risks for the World Economy

Overheating of Economy & Inflation in Developing Economies
(India & China)

Property Values continue to decline in US

Sovereign Debt Crisis in Europe

Ballooning Federal Deficits in US

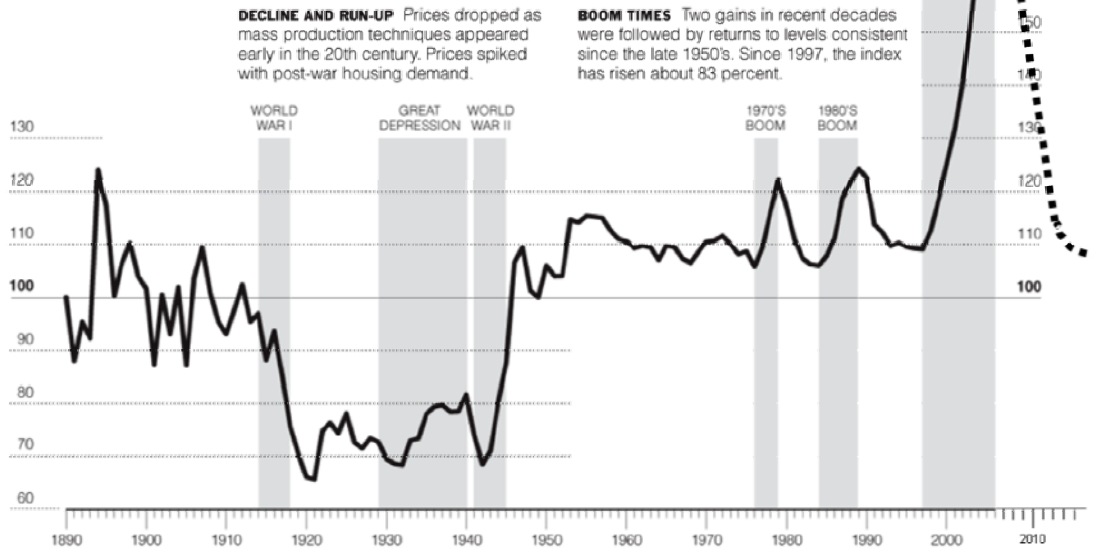
Oil and Commodity prices continue to rise

A History of Home Values

A History of Home Values

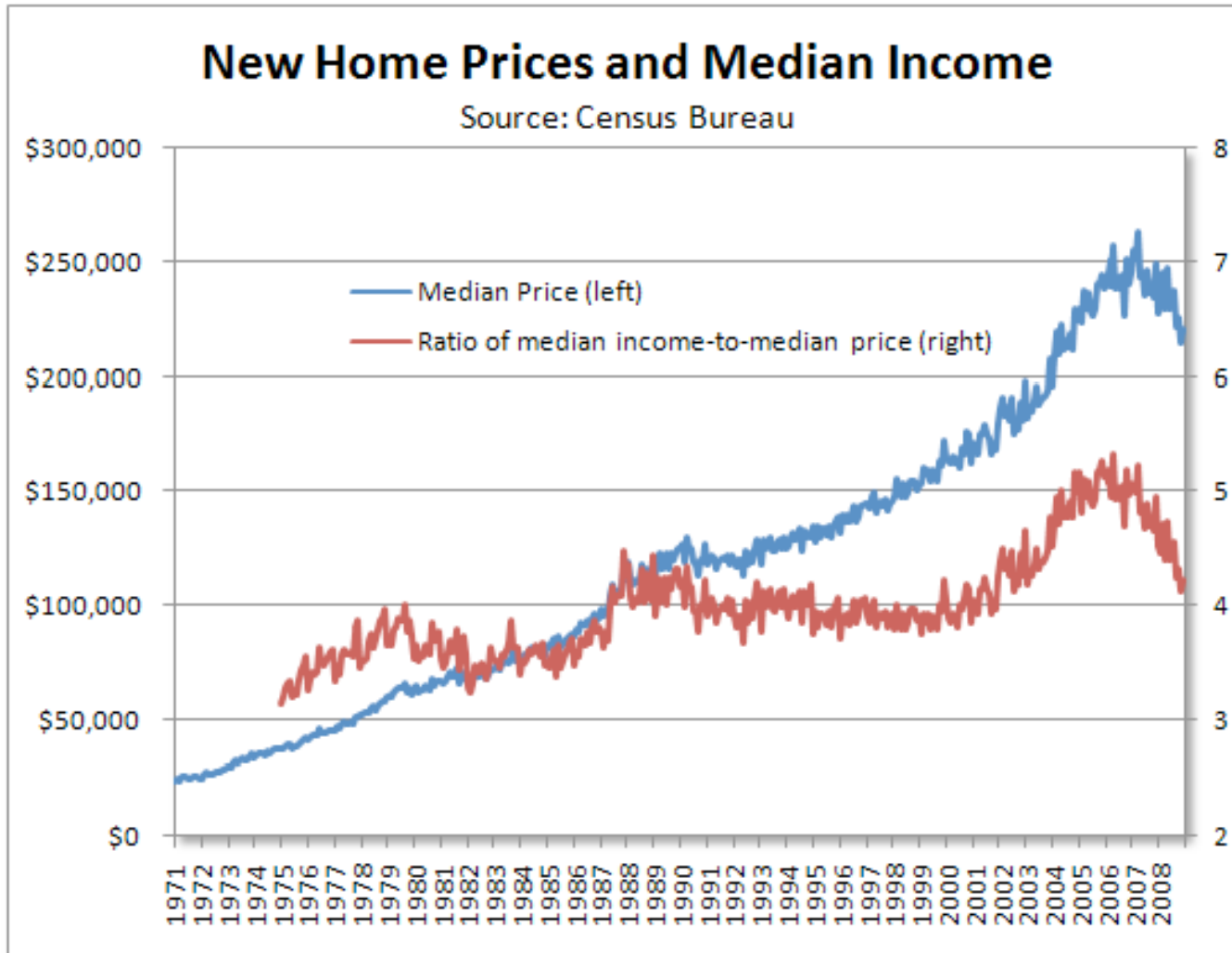
The Yale economist Robert J. Shiller created an index of American housing prices going back to 1890. It is based on sale prices of standard existing houses, not new construction, to track the value of housing as an investment over time. It presents housing values in consistent terms over 116 years, factoring out the effects of inflation.

The 1890 benchmark is 100 on the chart. If a standard house sold in 1890 for \$100,000 (inflation-adjusted to today's dollars), an equivalent standard house would have sold for \$66,000 in 1920 (66 on the index scale) and \$199,000 in 2006 (199 on the index scale, or 99 percent higher than 1890).

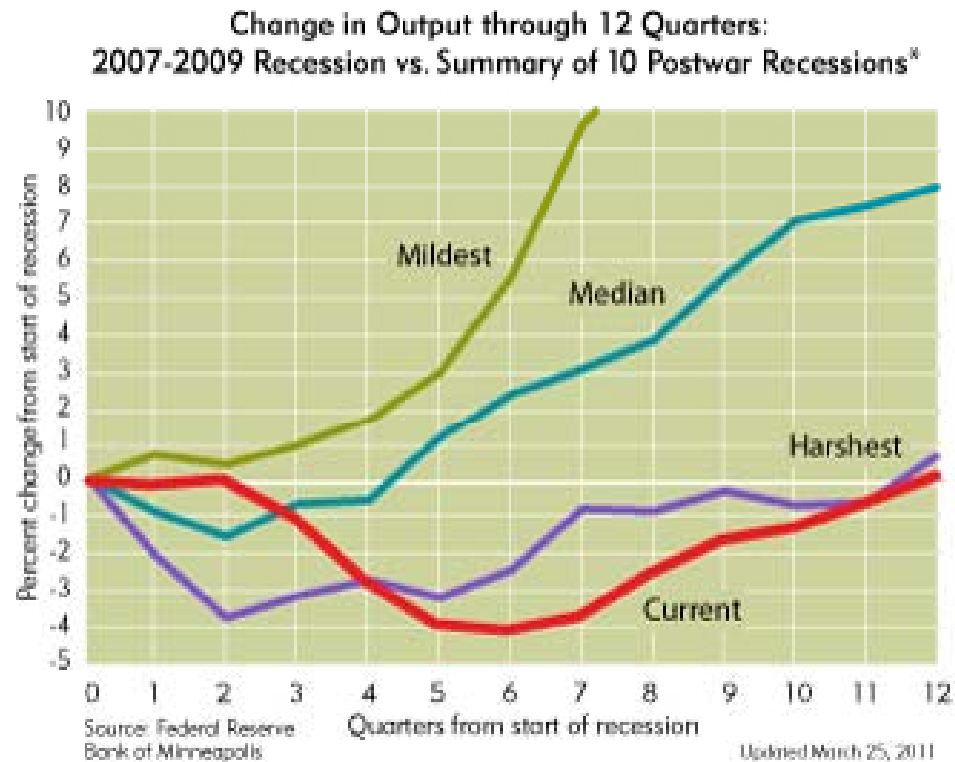


Source: "Irrational Exuberance," 2nd Edition, 2006, by Robert J. Shiller

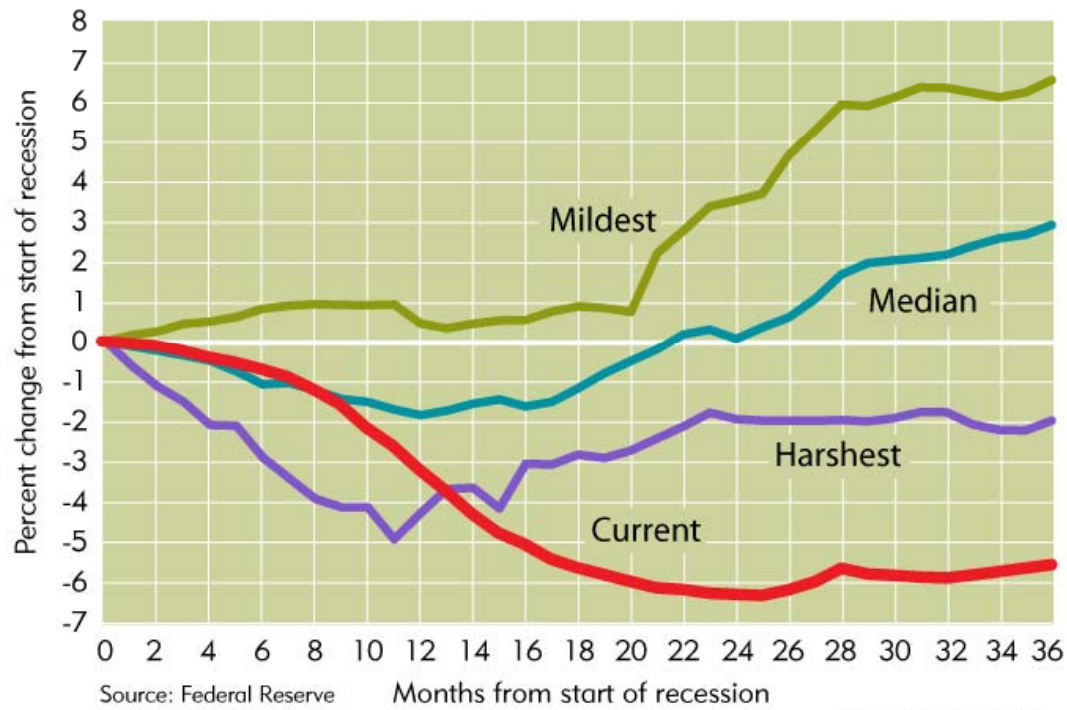
Bill Marsh/The New York Times



Change in output: 12 Quarters



**Change in U.S. Employment through 36 Months:
 2007-2009 Recession vs. Summary of 10 Postwar Recessions***



Source: Federal Reserve Bank of Minneapolis Updated March 4, 2011

*Mildest, median, and harshesht lines reflect the smallest, median, and largest declines as of each month; they do not reflect specific individual recessions.

Summary of Future Global Economic Outlook for 2011 and 2012

	World	US	Euro Area	Developing Asia
GDP Growth	4.0 - 4.5%	2.5 – 3.0%	1.5 – 2.0%	8.0 - 8.5%
Unemployment		8.5 – 9.5%	9.5 – 10.0%	3.5 – 4.0%
Inflation		1.7 – 2.2%	1.7 – 2.2%	5.0 – 6.0%