

MATHIJS BOUMAN

April 16th, 2009

The current economic storm

Third Airneth Annual Conference



PERFECT STORM

- *Credit crunch*: banks stopped lending
- *Industry*: confidence at all-time low
- *Consumers*: unemployment, house prices, pensions.
- *World trade*: first simultaneous recession in USA, EU, Asia



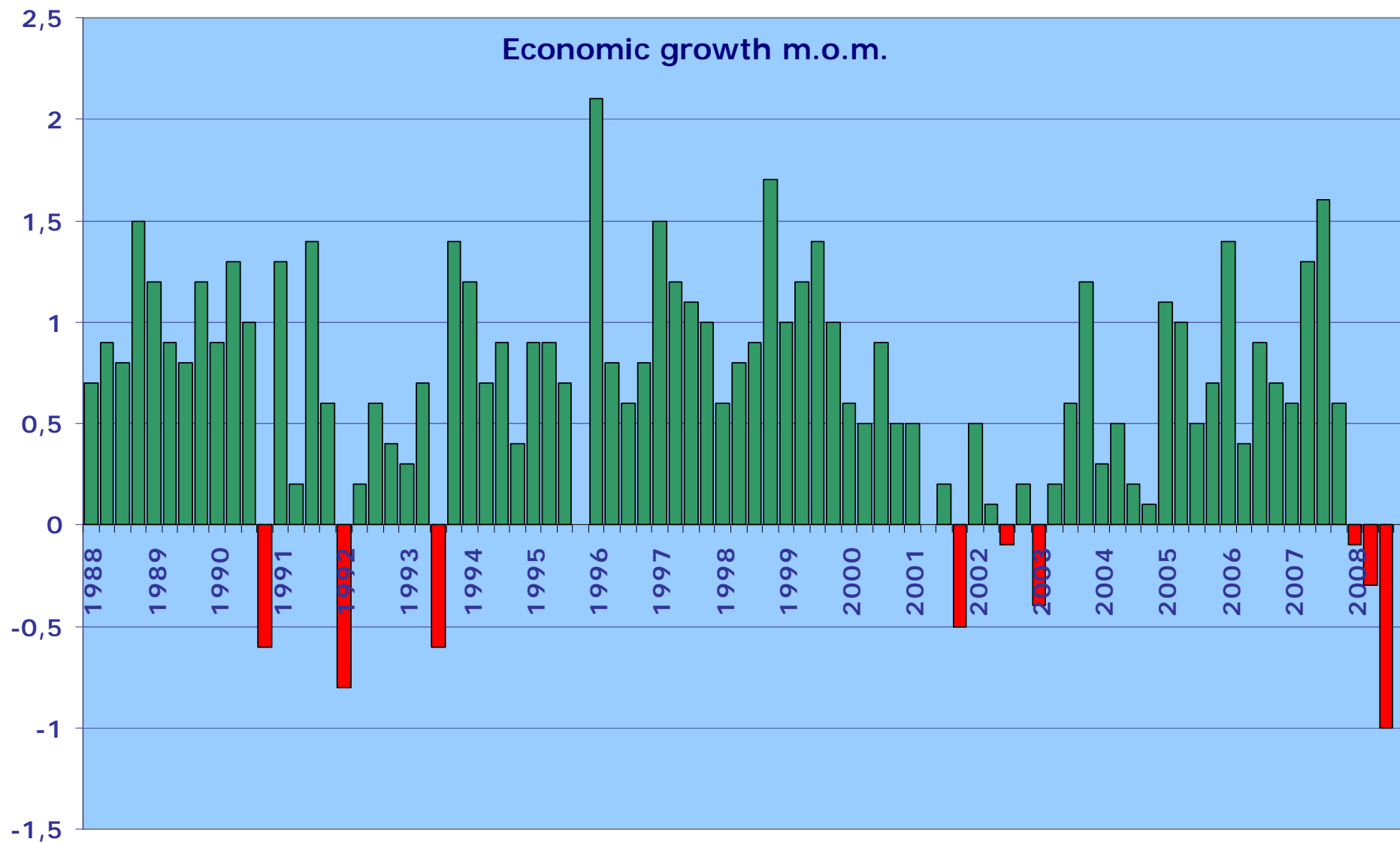
GREEN SPROUTS AND GLIMMERS OF HOPE

***"Times are still tough.
But from where we
stand, for the very first
time, we are beginning
to see glimmers of
hope."***

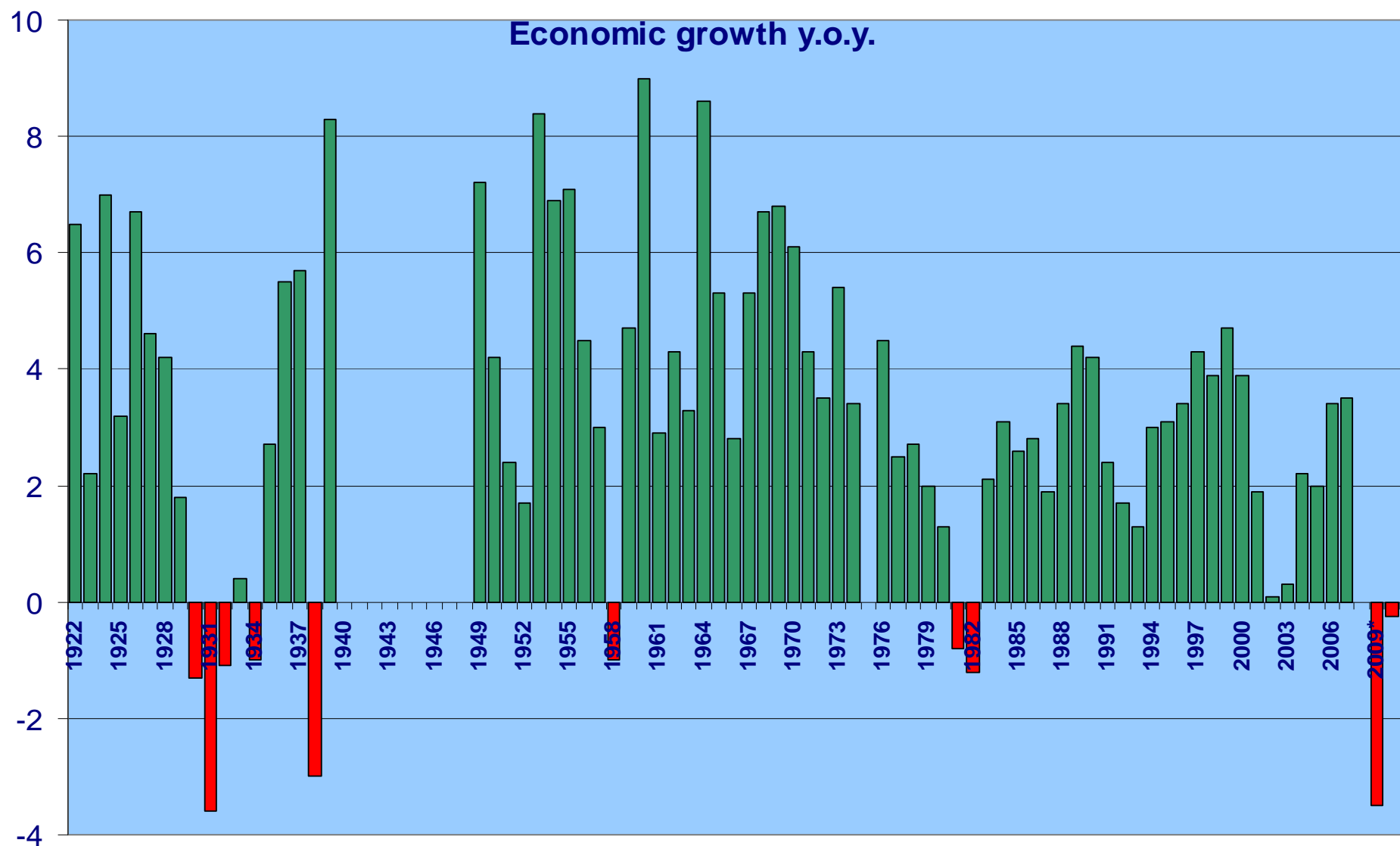
President Obama, April 14th, 2009



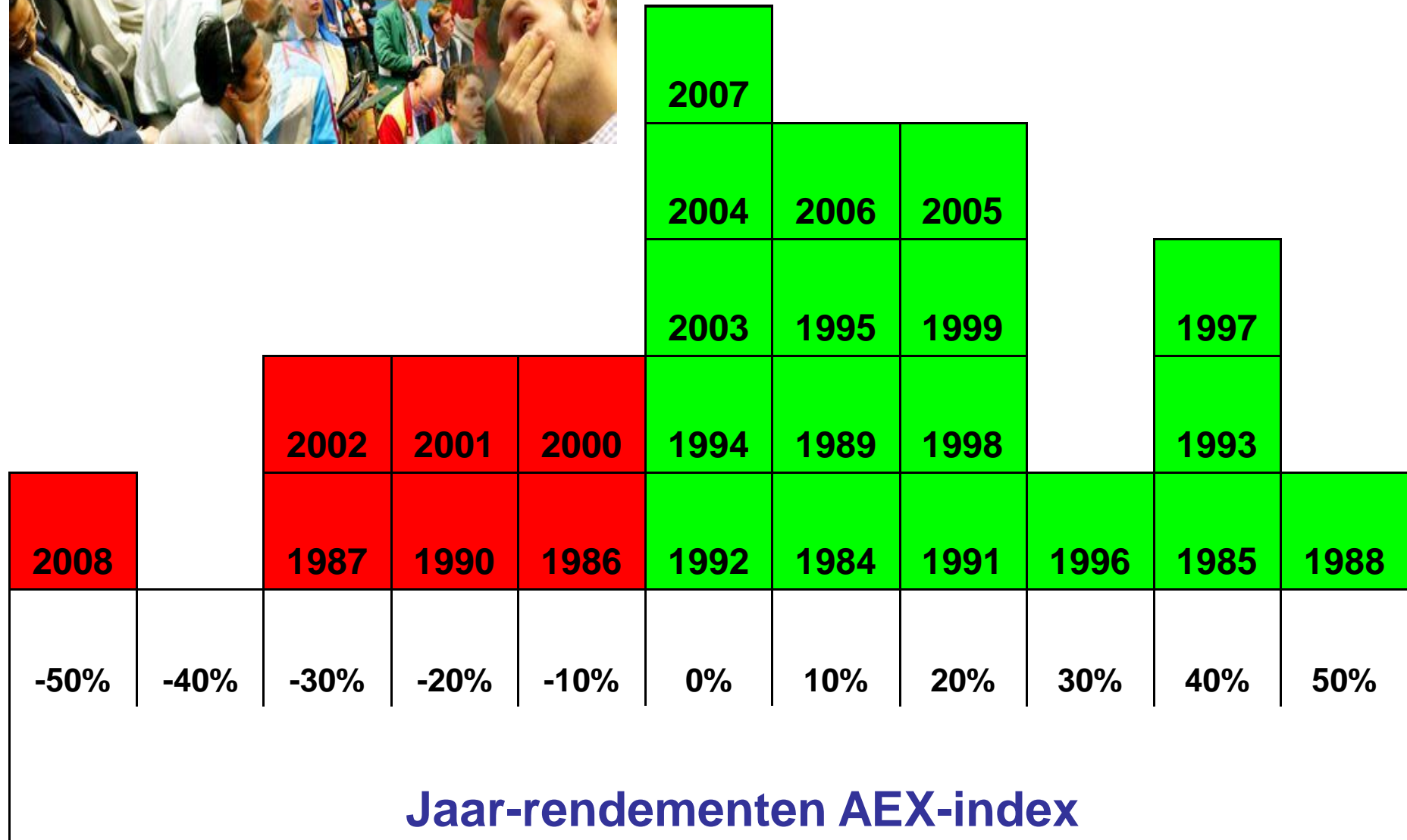
NETHERLANDS: FIRST RECESSION IN 20 YEARS



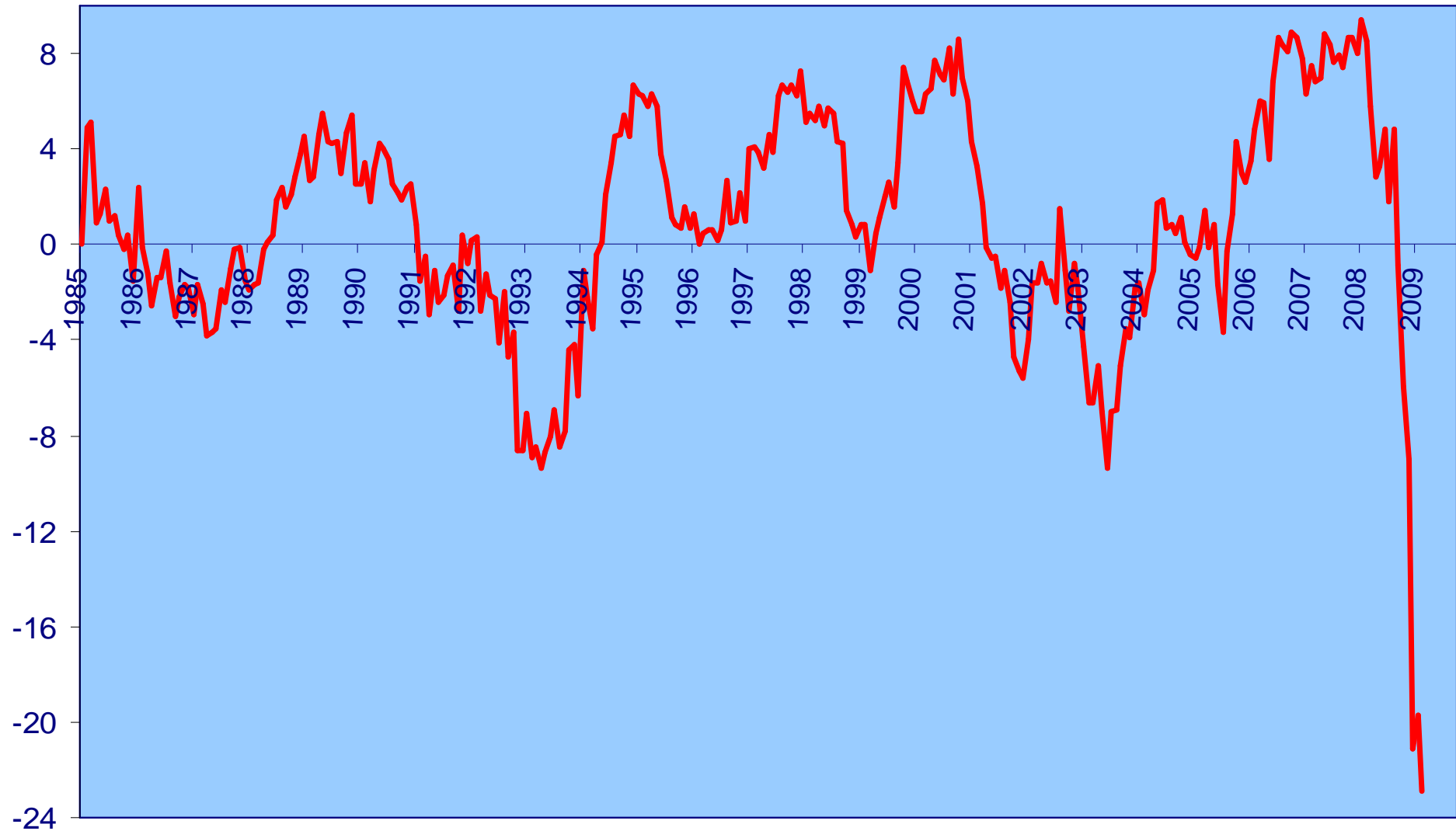
WORST RECESSION SINCE WOII



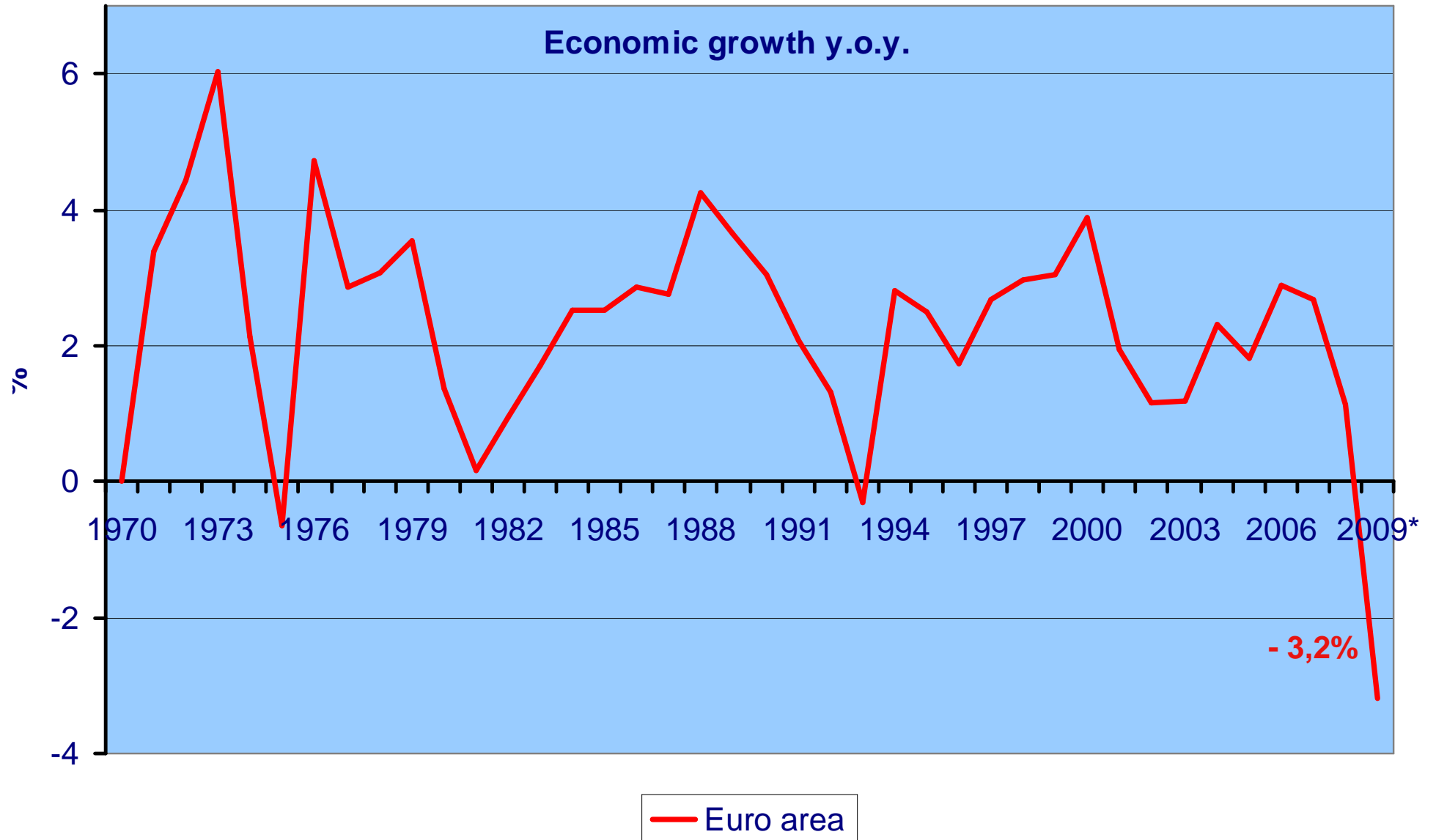
AEX: BIGGEST LOSS EVER



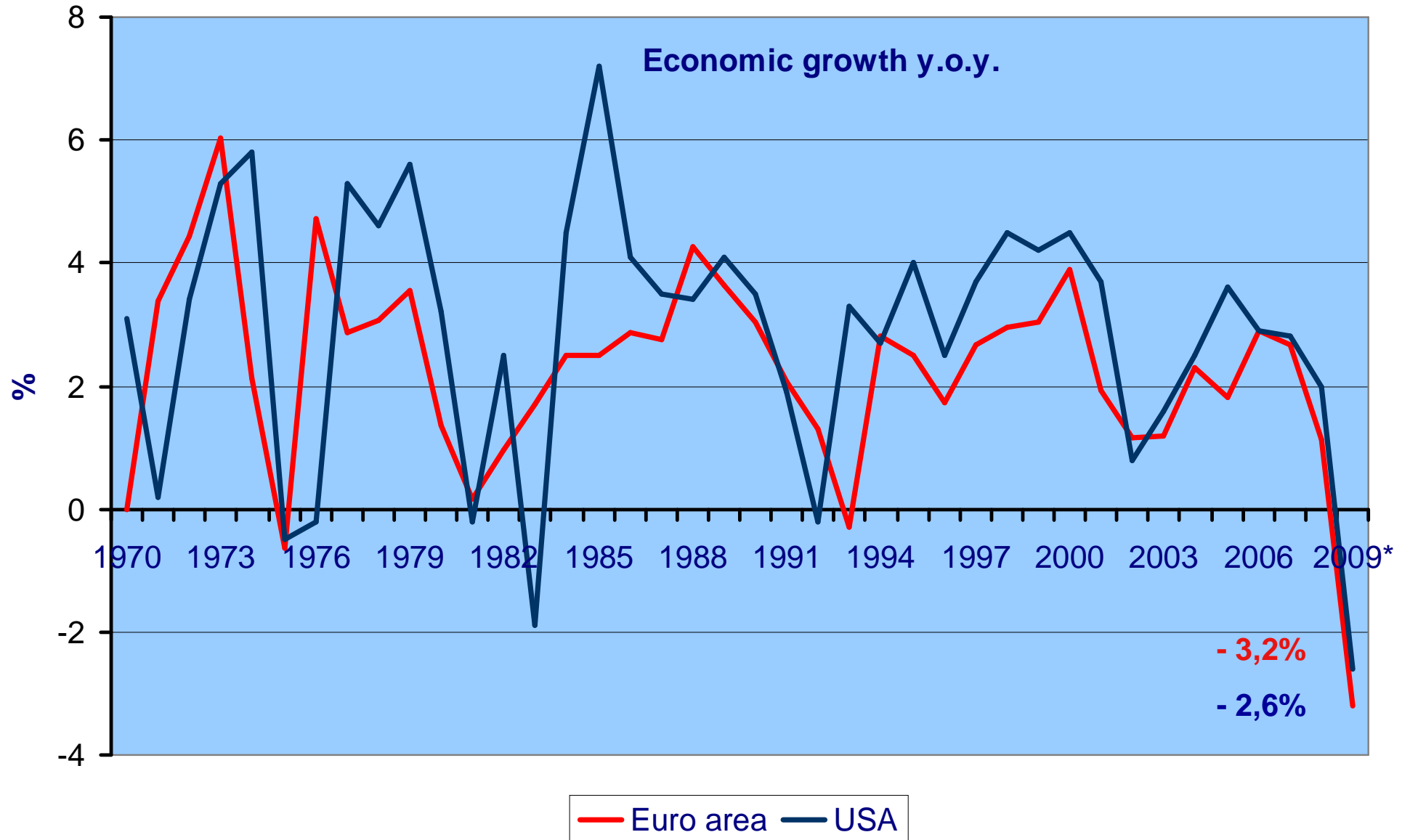
PRODUCER CONFIDENCE AT ALL-TIME LOW



NEGATIVE GROWTH IN EURO AREA...

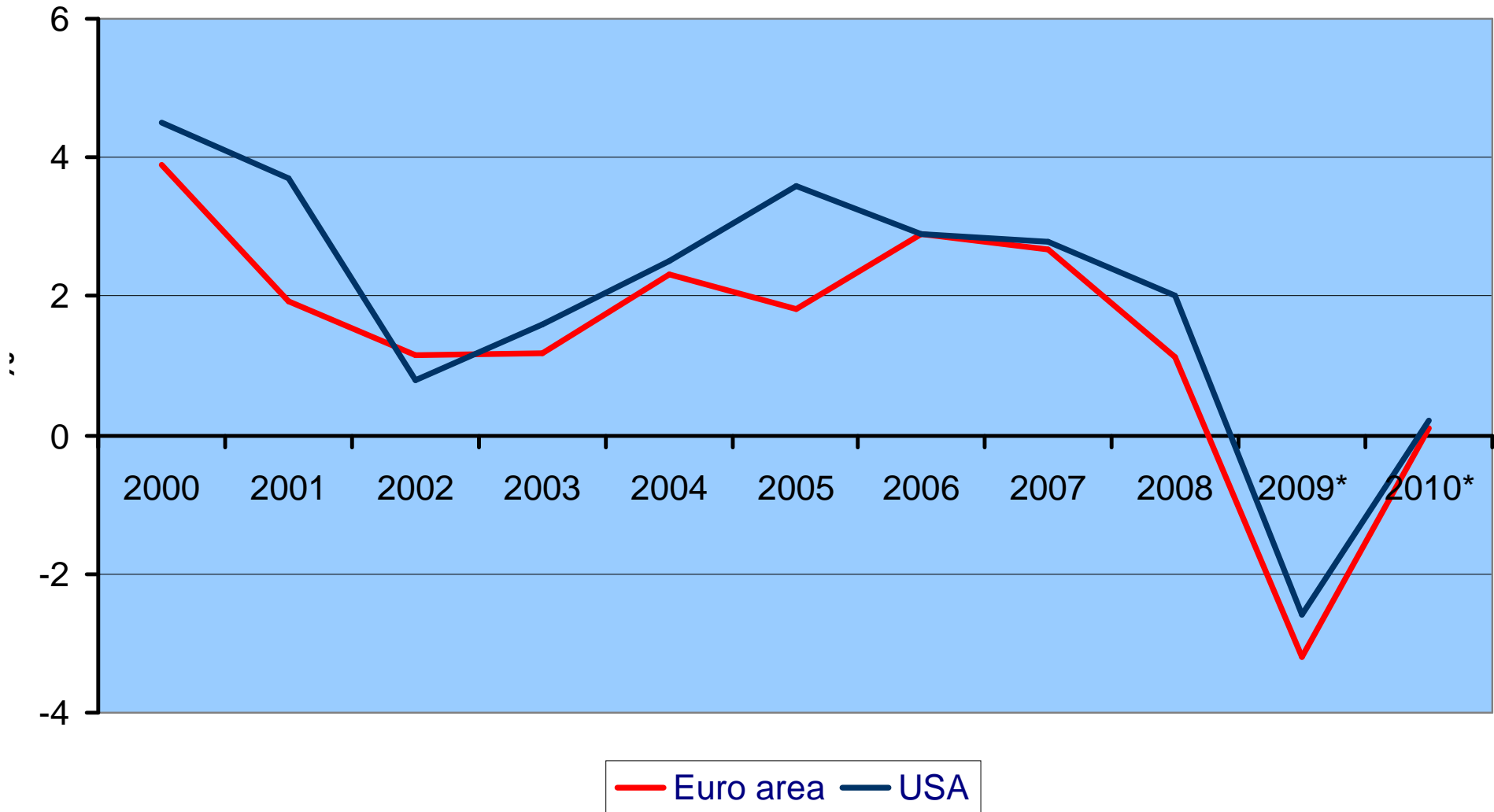


... AND IN THE USA



REBOUND IN 2010?

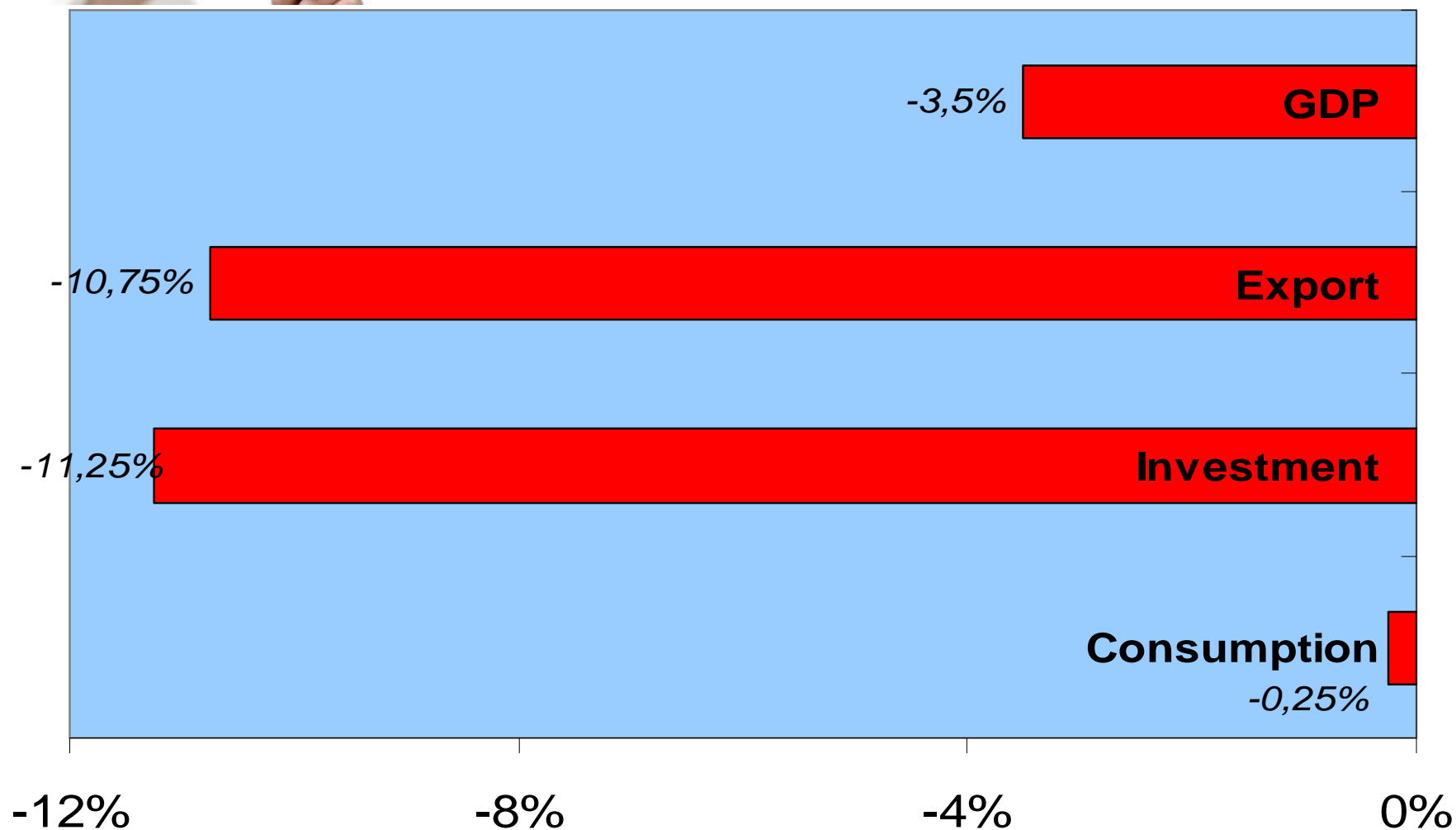
Forecast IMF



CPB (NETHERLANDS ECONOMIC BUREAU)



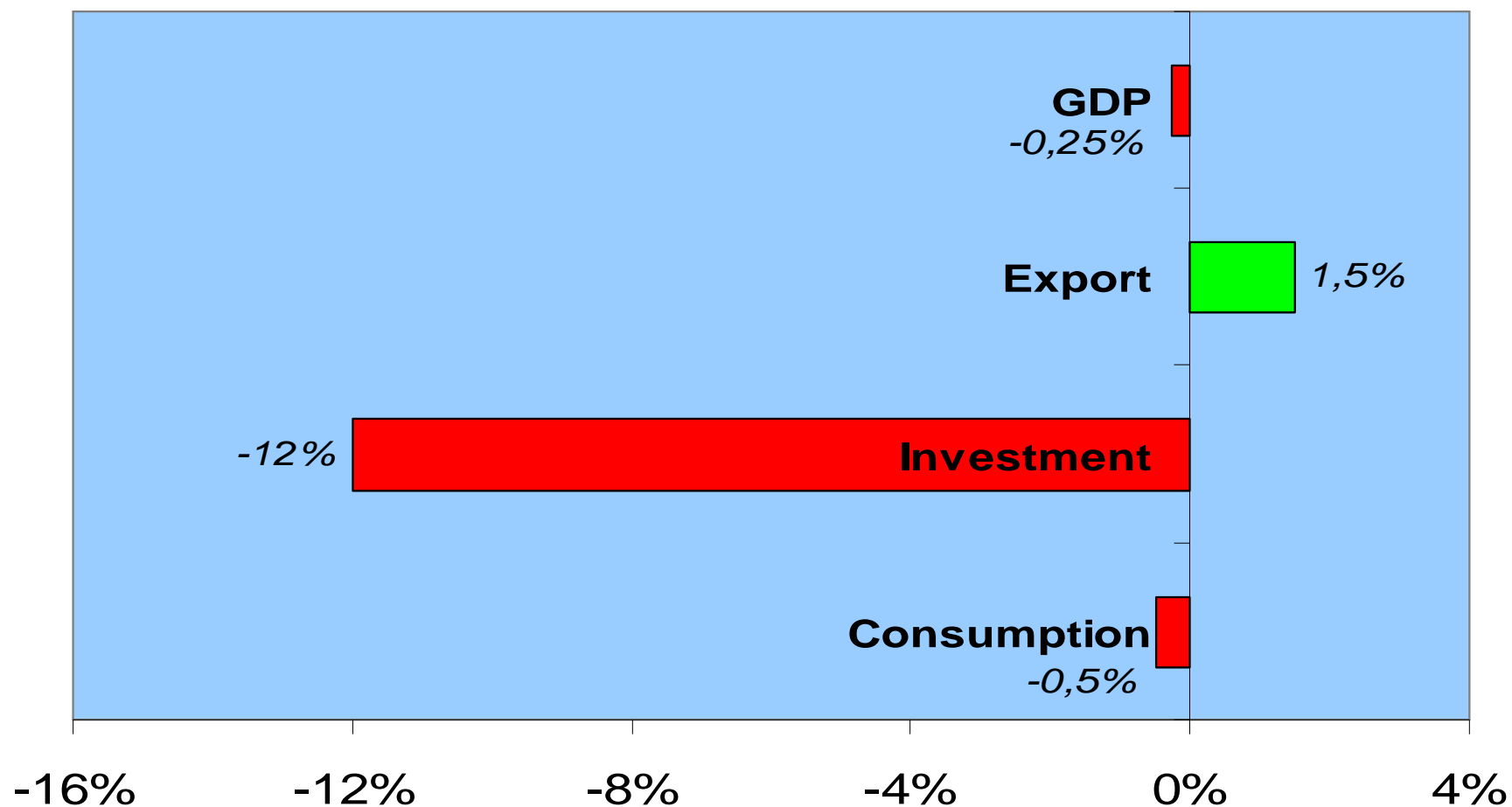
2009



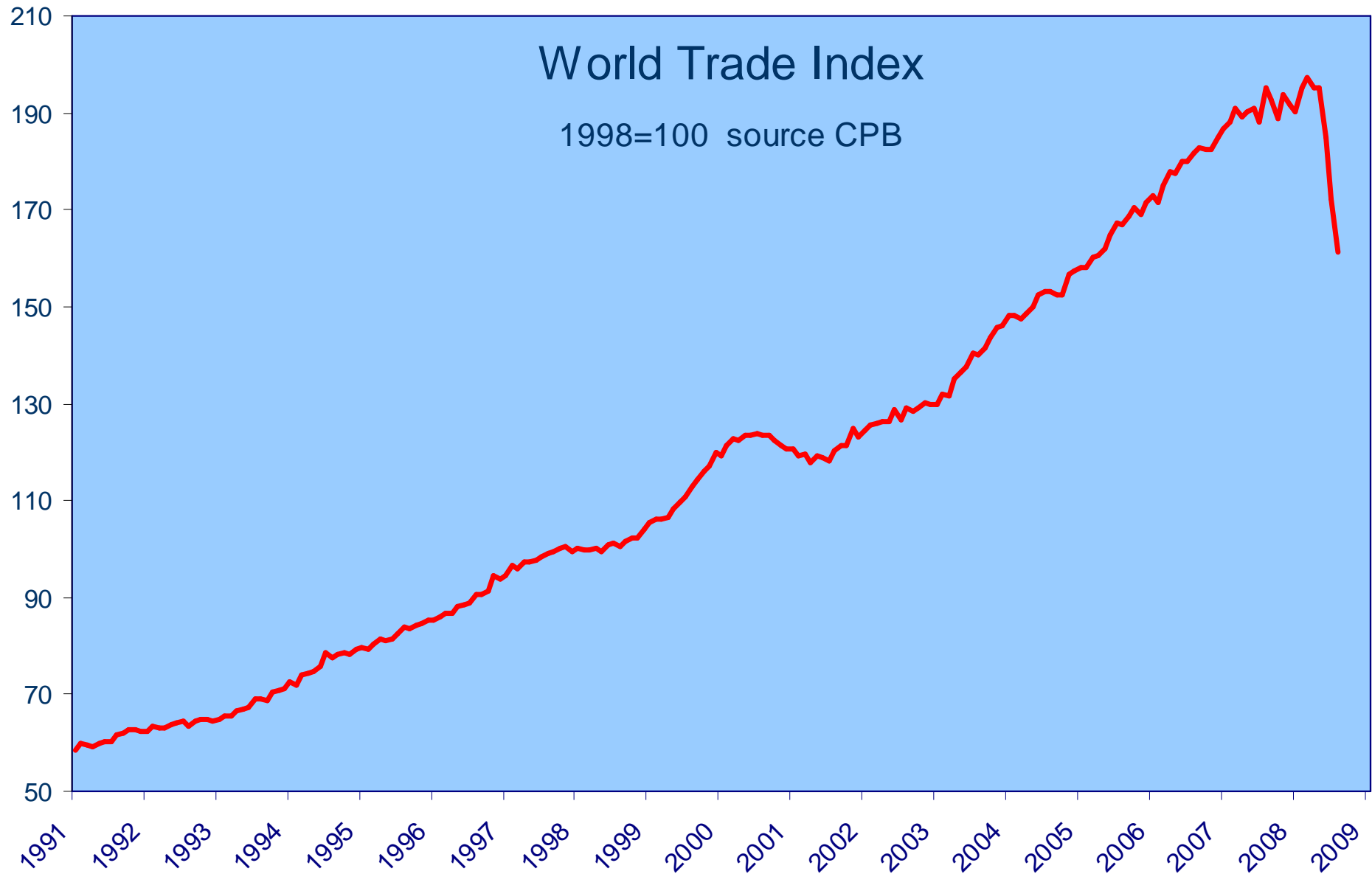
CPB (NETHERLANDS ECONOMIC BUREAU)



2010



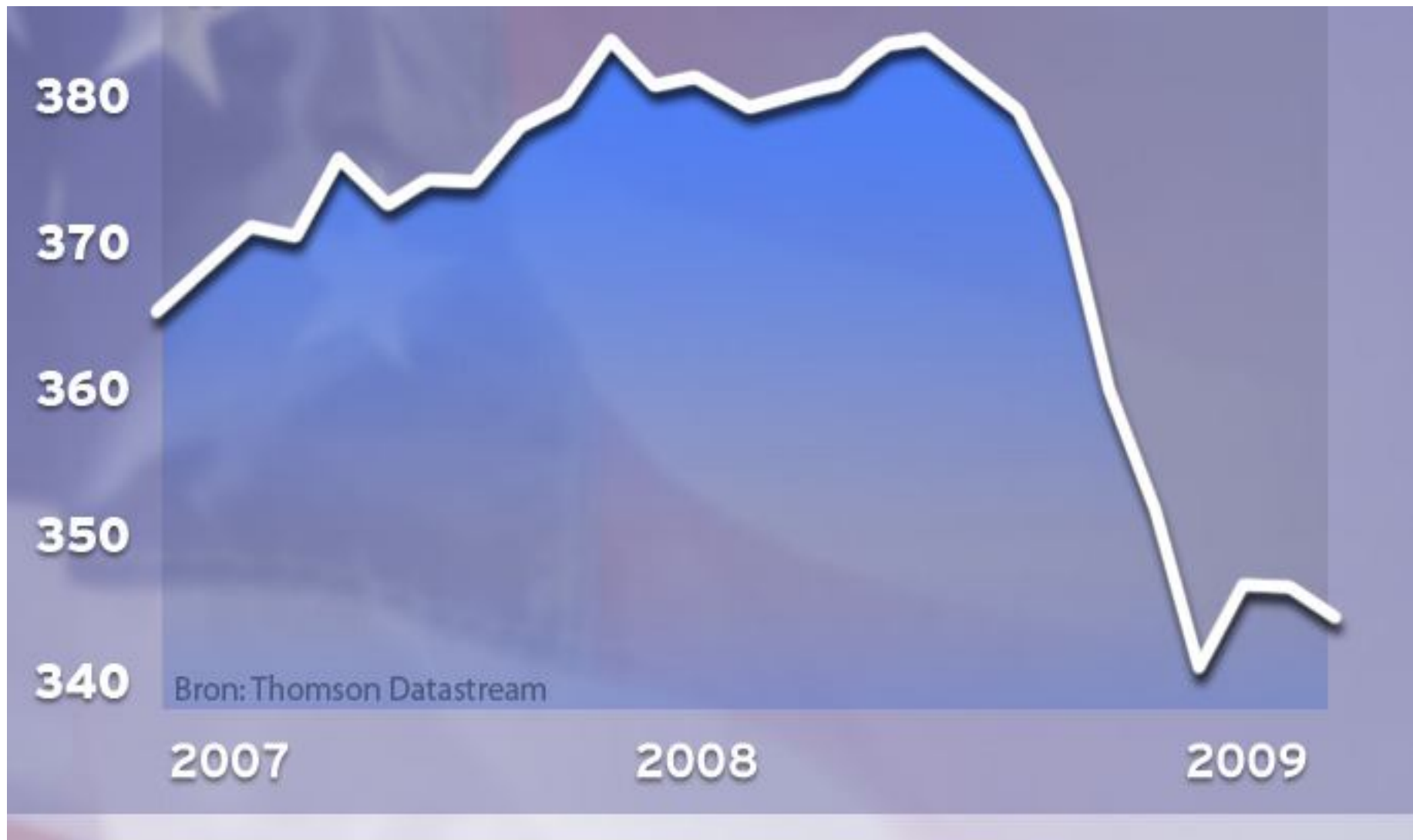
THE END OF GLOBALIZATION?



ASIA TO THE RESCUE?



RETAIL SALES IN THE USA TUMBLE



LESSONS FROM 15 FINANCIAL CRISES

(in real terms)

- Income: ▼ 9% (after 2 years)
- House prices ▼ 36% (after 6 years)
- Stock market: ▼ 56% (after 3,5 years)
- Government debt: ▲ 86% (after 3 years)



CENTRAL BANKERS STEP IN

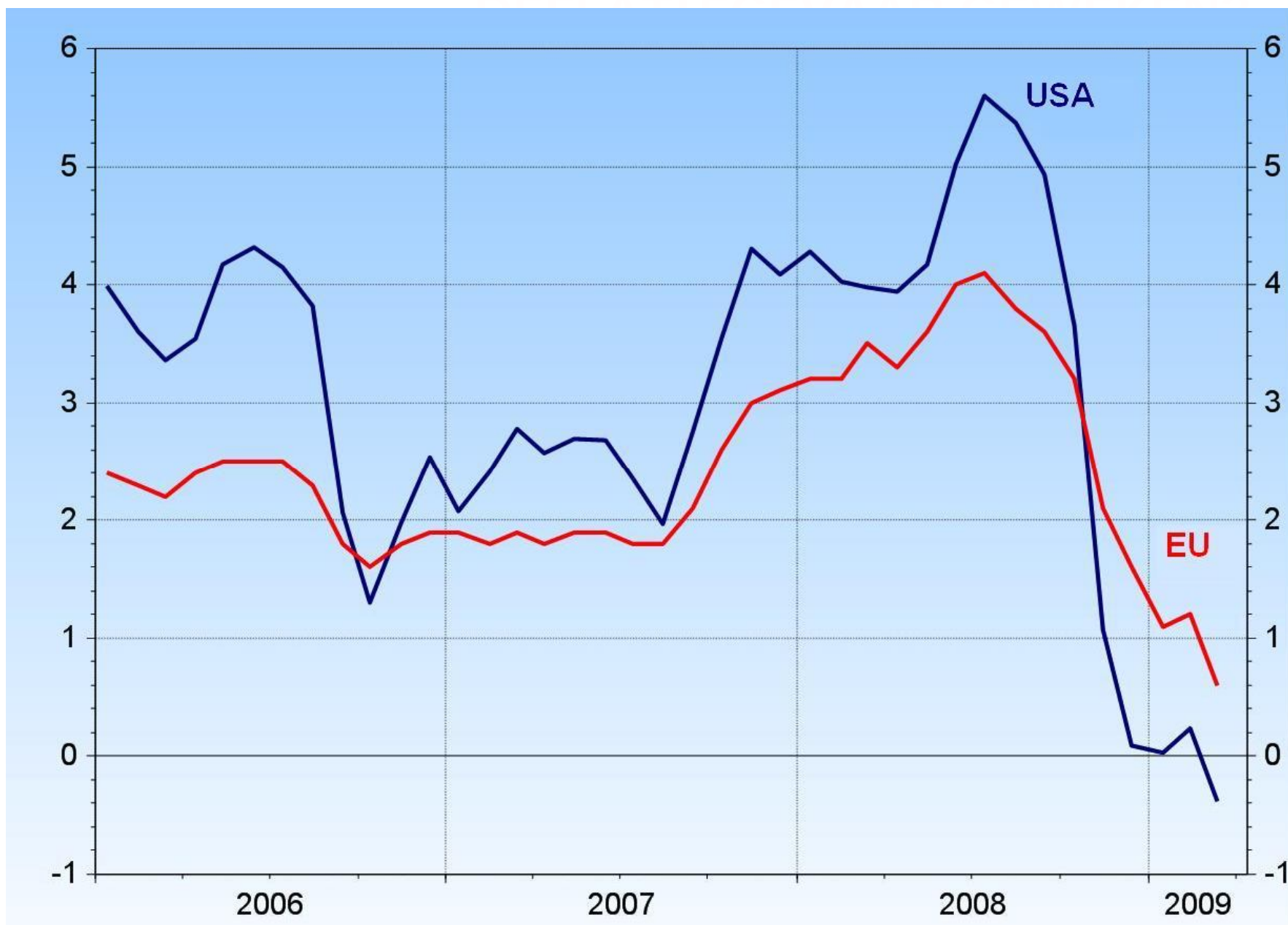
- Fed, BoE, BoJ: zero interest rate policy (ZIRP),
- ECB is almost there
- Doors of the bank vaults are wide open.
- **Hope:** credit starts flowing, deflation is avoided.
- **Danger:** inflation.



WHERE IS ALL THE MONEY?

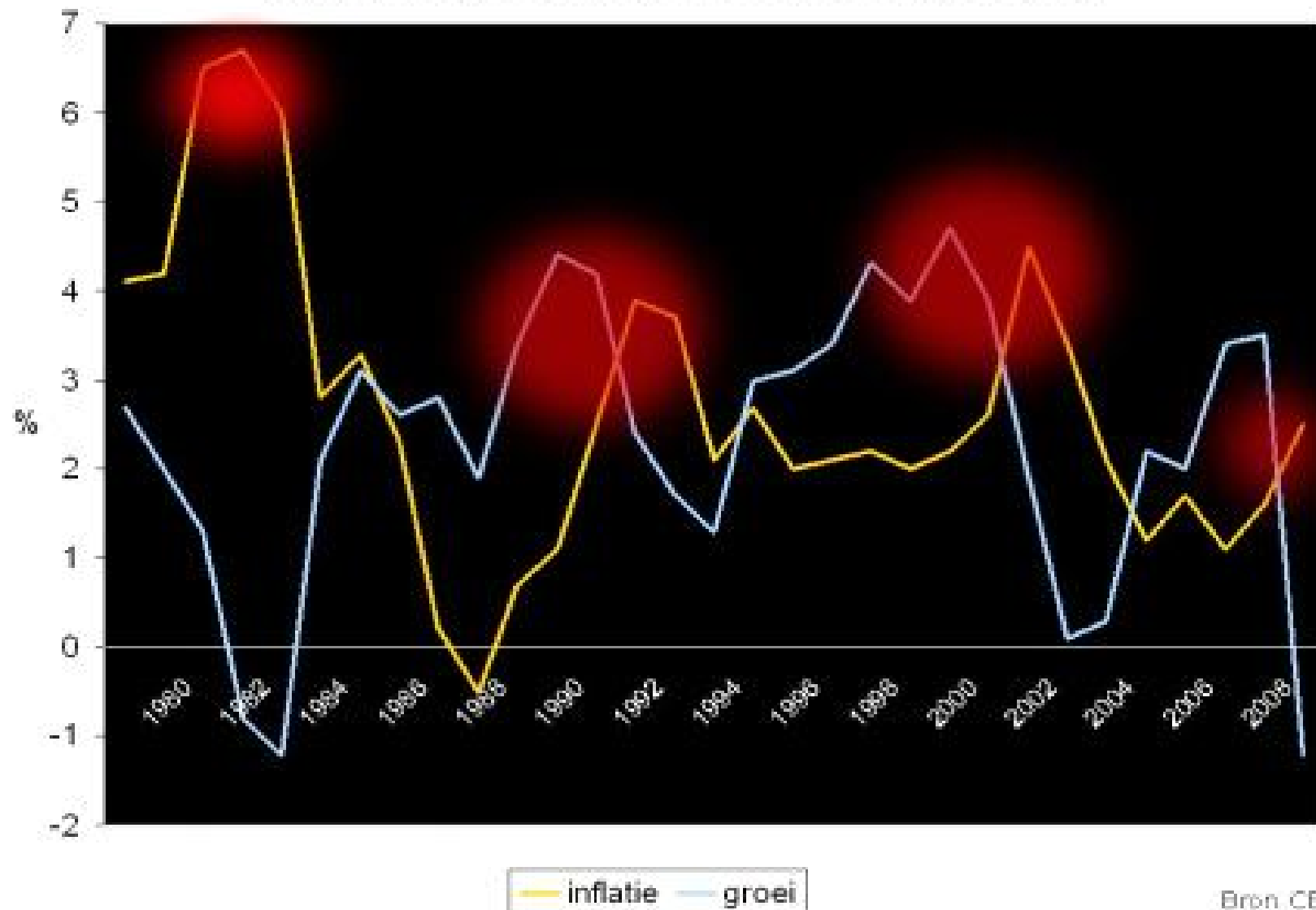


INFLATION IN THE DANGER ZONE



...EXCEPT FOR THE NETHERLANDS

Inflation lags growth during recessions



WAGES ON THE RISE IN THE NETHERLANDS



BERNANKE AND DEFLATION

Recommendations from 2002 to himself in 2009

1. Commit to long term ZIRP
2. Buy treasuries from banks
3. Buy all other debt. Mortgages, bonds, foreign debt
4. If everything fails: helicopter drops!



DANGEROUS?

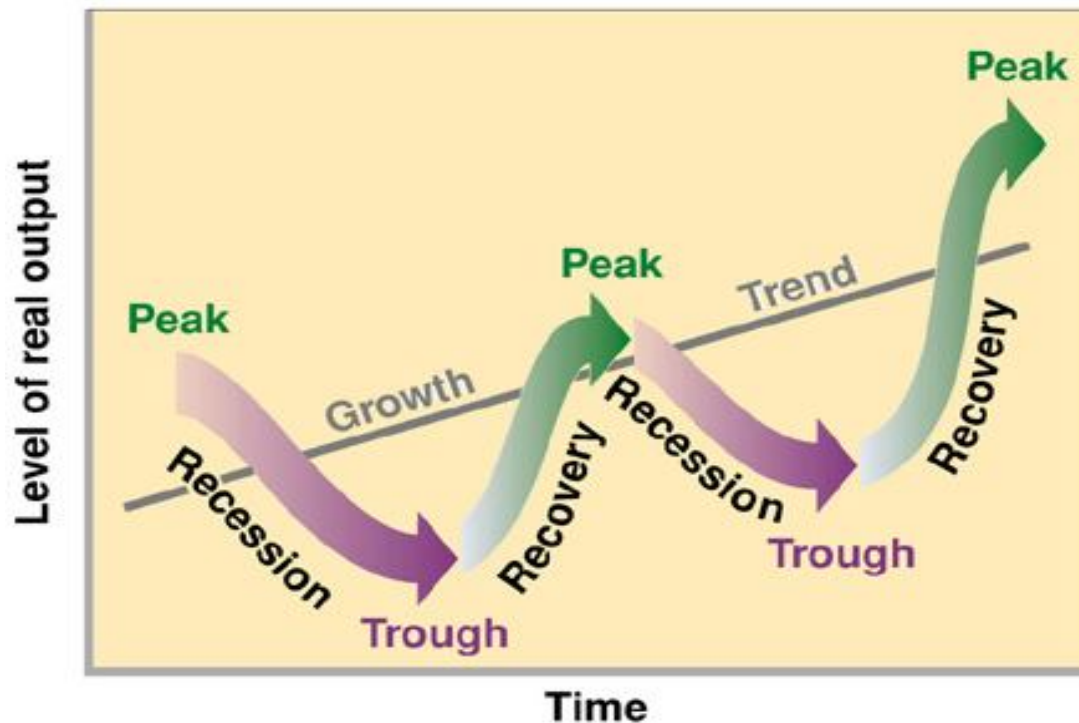
- At the end of the day, the whole economy is nationalized
- High inflation
- Fall of the dollar
- Rest of the world is no longer willing to buy US debt



WHERE ARE THE OPPORTUNITIES?

- Infrastructure, green energy, clean technologies.
- Survivors: strong cash-flow, low leverage, cost-cutters.
- Market leaders: invest, innovate, educate.
- Start-ups !





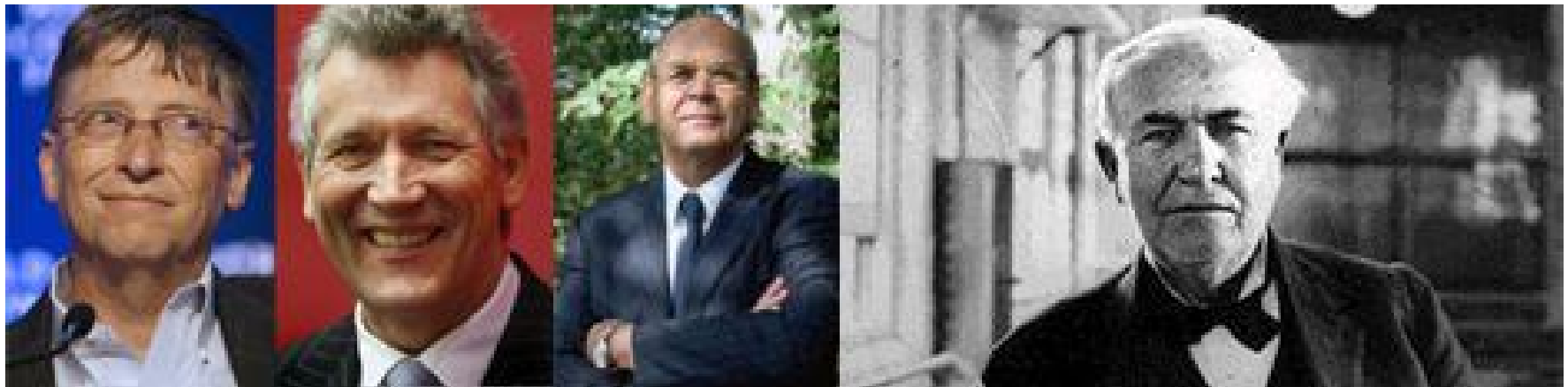
“Times of innovation are times of effort and sacrifice, of work for the future, while the harvest comes after. During recession much dead wood disappears.”

- Joseph Schumpeter (1939)



RECESSION START-UPS

- General Electric (1876)
- Hewlett-Packard (1939)
- FedEx (1973)
- Microsoft (1975)
- Apple (1976)
- CNN (1980)
- MTV (1981)
- Wikipedia (2001)
- Aalberts Industries (1975)
- DSB Bank (1975)
- TomTom (1991)



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