



Sovereign Bank Capital Markets

Economic Update

January 2009



The U.S.A. - Bailout Nation ?





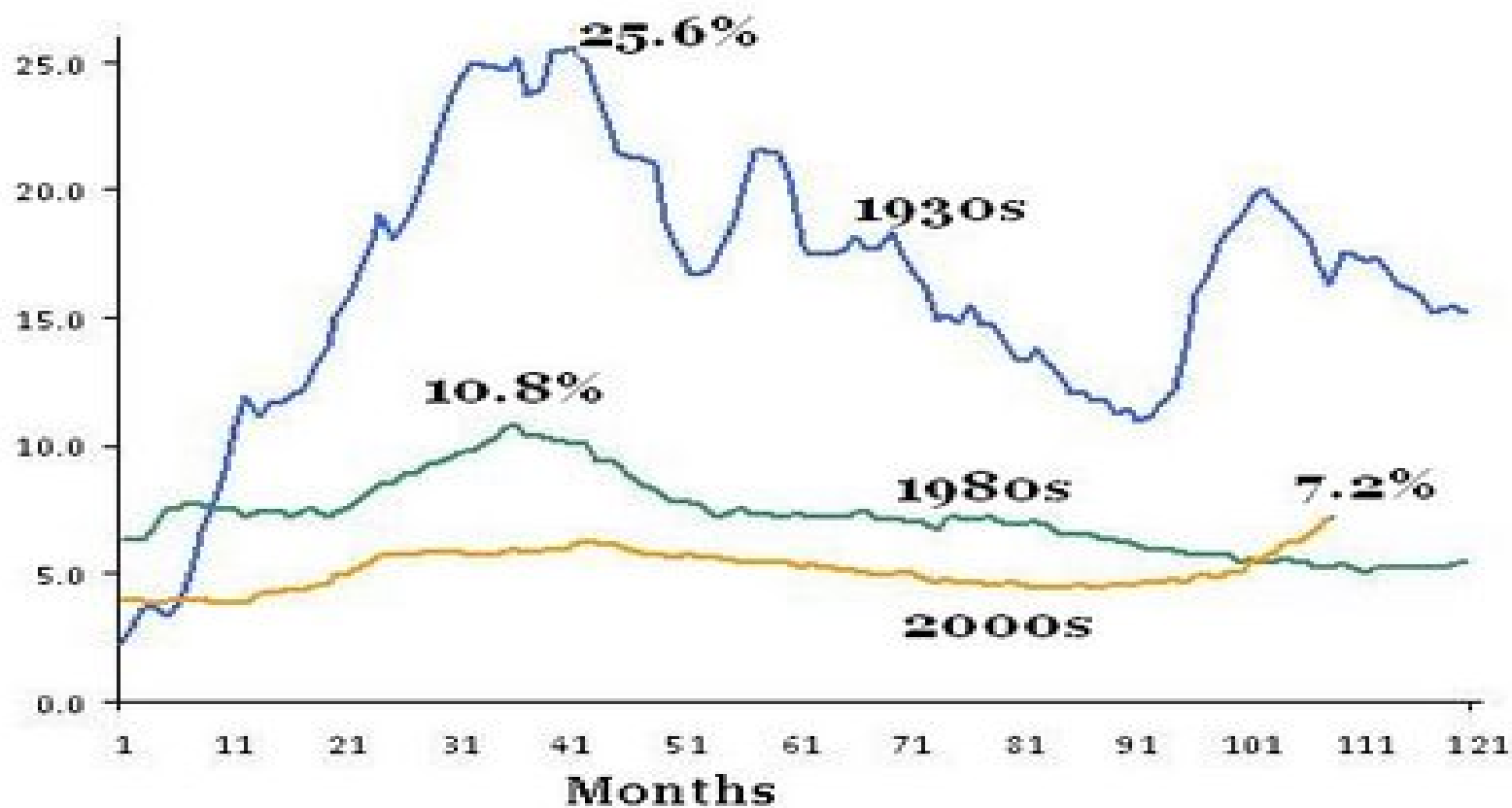
Outlook:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
GDP:	2.6%	- 0.5%	- 1.9%
Consumer Spending:	3.0%	- 1.0%	- 2.4%
Capital Spending:	2.2%	- 1.7%	- 11.7%
Housing Starts:	1.42 (mm)	0.890	0.570
Net Exports:	\$1,966	\$1,921	\$1,782
CPI:	4.0%	2.0%	0.0%
Manufacturing: (Output)	1.7%	- 5.6%	- 7.0%
1-month LIBOR: (Avg.)	5.25%	2.68%	0.44%



US Employment

U.S. Unemployment Rate: 1930s vs. 1980s vs. 2000s





US Employment

**U.S. Employment:
Construction + Manufacturing vs. Government
Jan. 1969 to Dec. 2008**





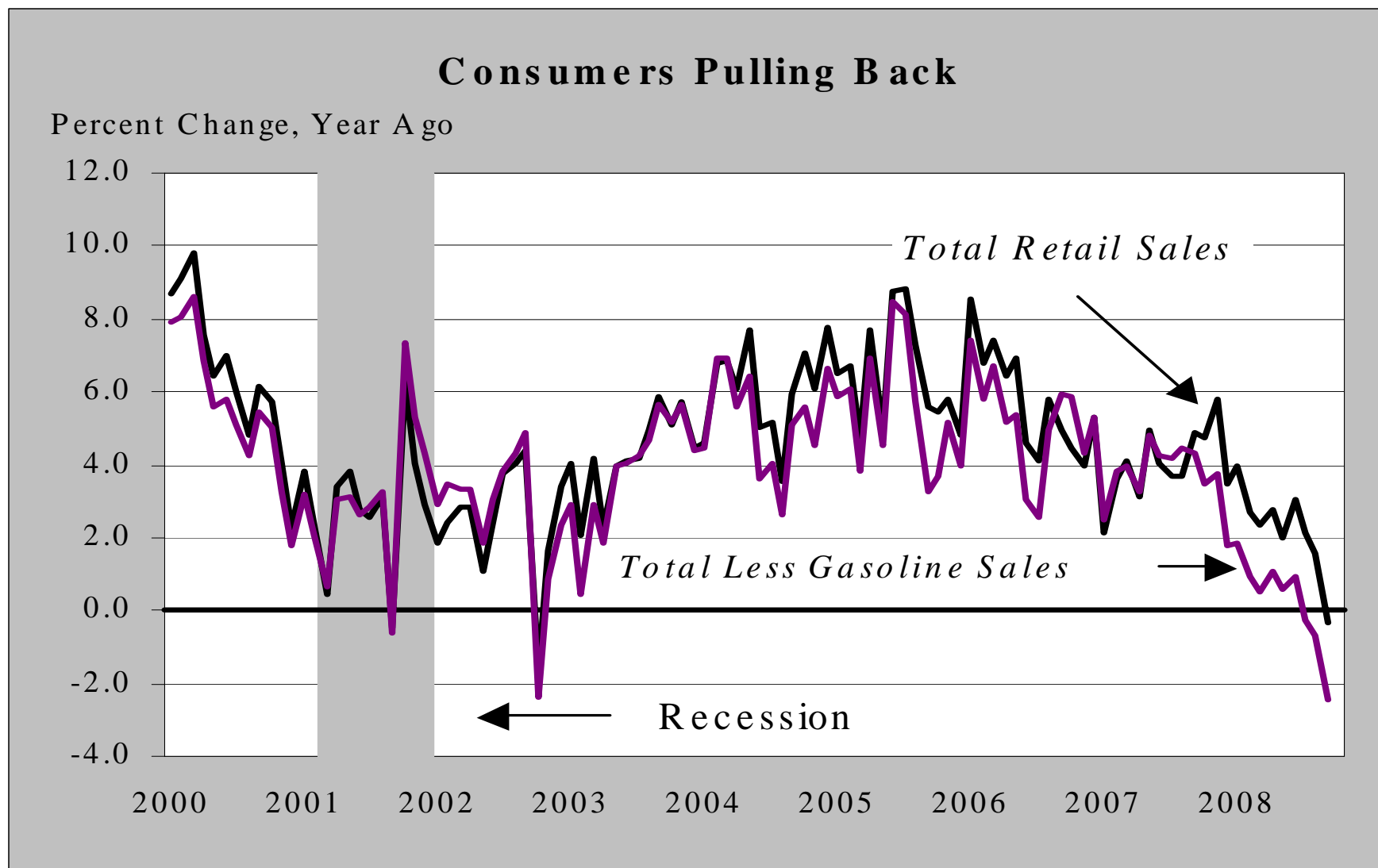
US Employment

**Annual Employment Growth:
Total vs. Health Care
Jan. 2004 to Dec. 2008**





Consumer Spending





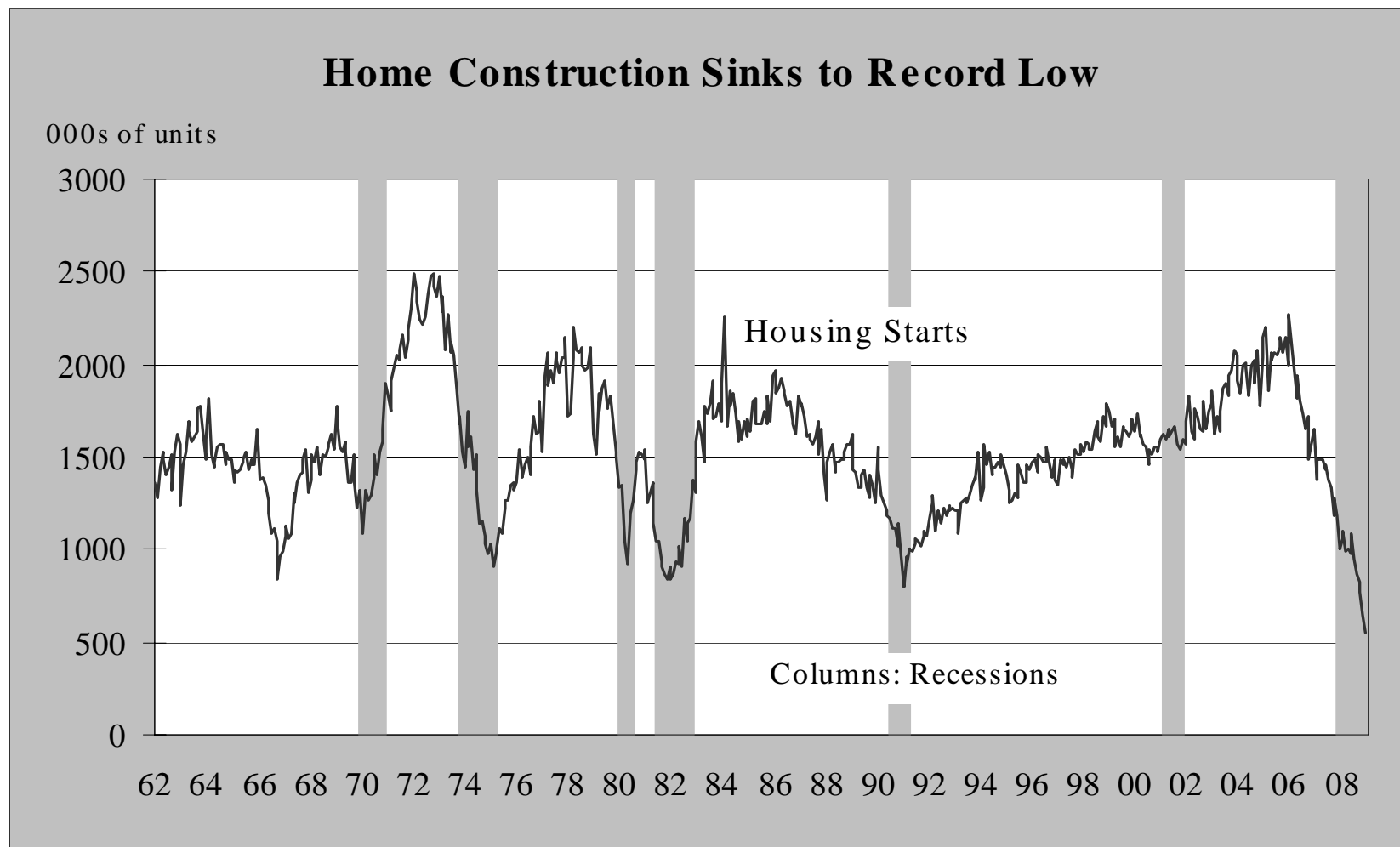
10 Things We're Still Buying

1. Smart Phones
2. Videogames & Consoles
3. Gym Memberships
4. Personal Care
5. Toy Building Sets
6. Car Maintenance
7. Dress Casual Shoes
8. Restaurants
9. Movie Tickets
10. Netbooks

Source: Forbes

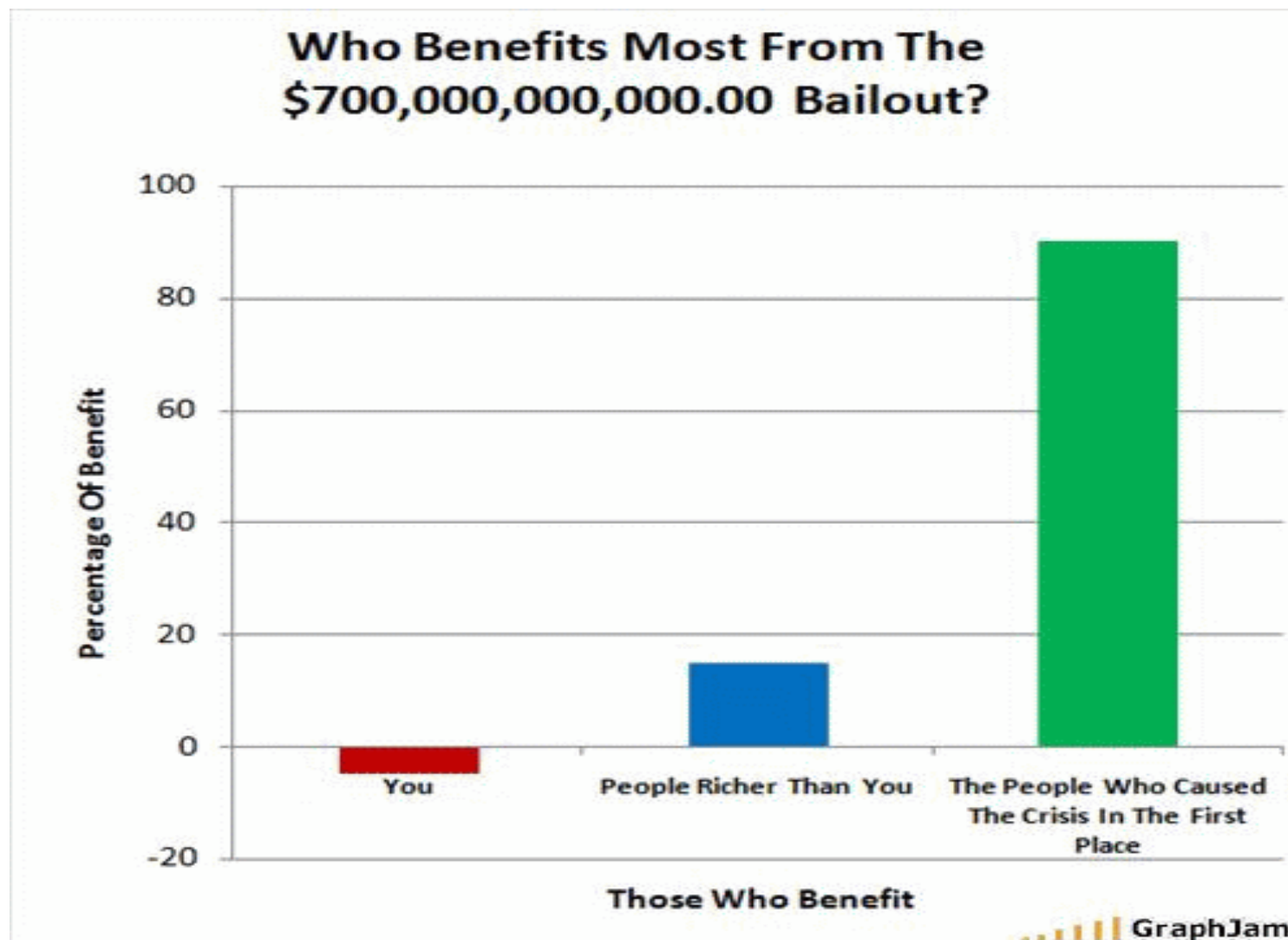


Housing



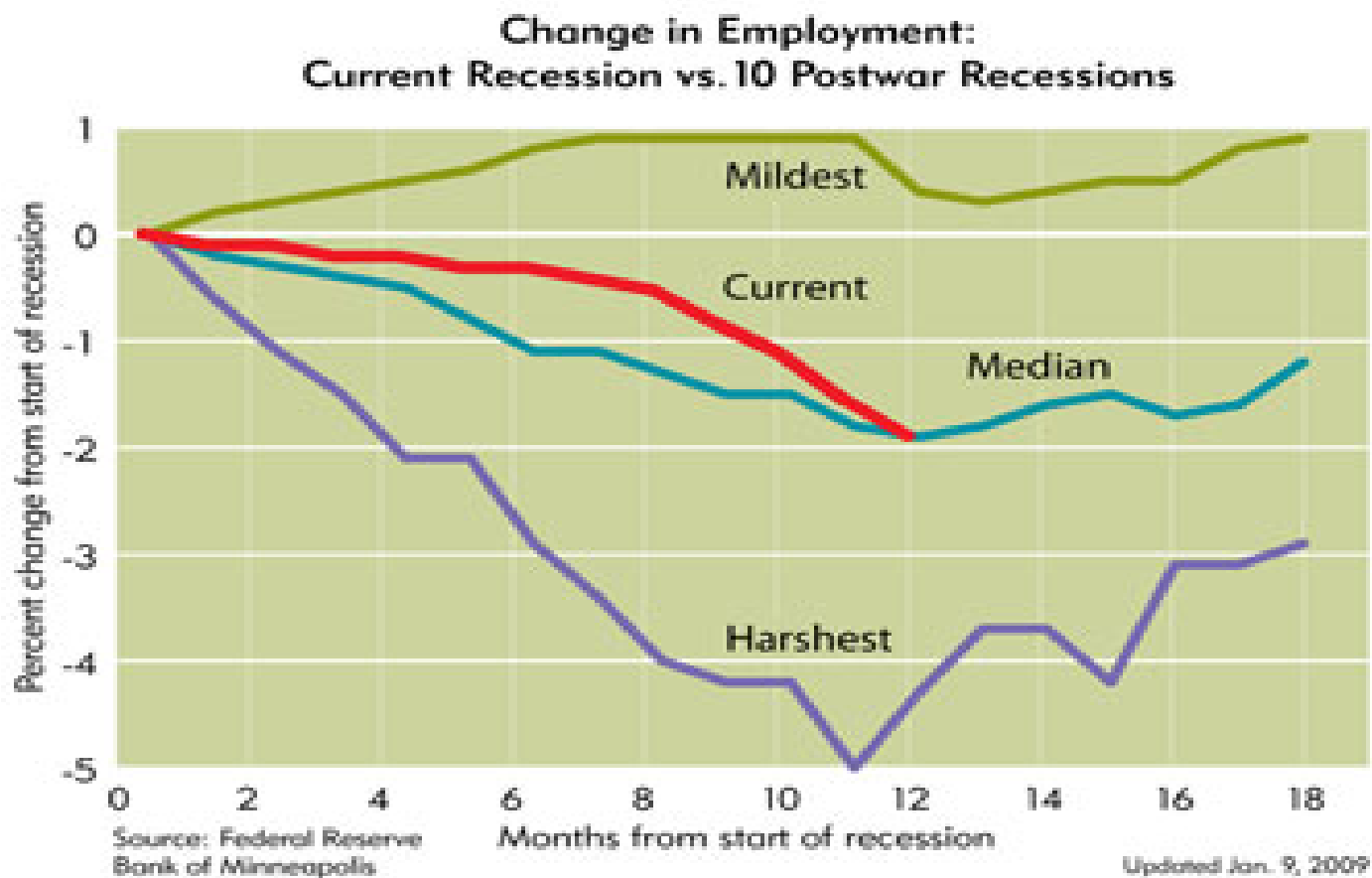


Economic Recovery Plan





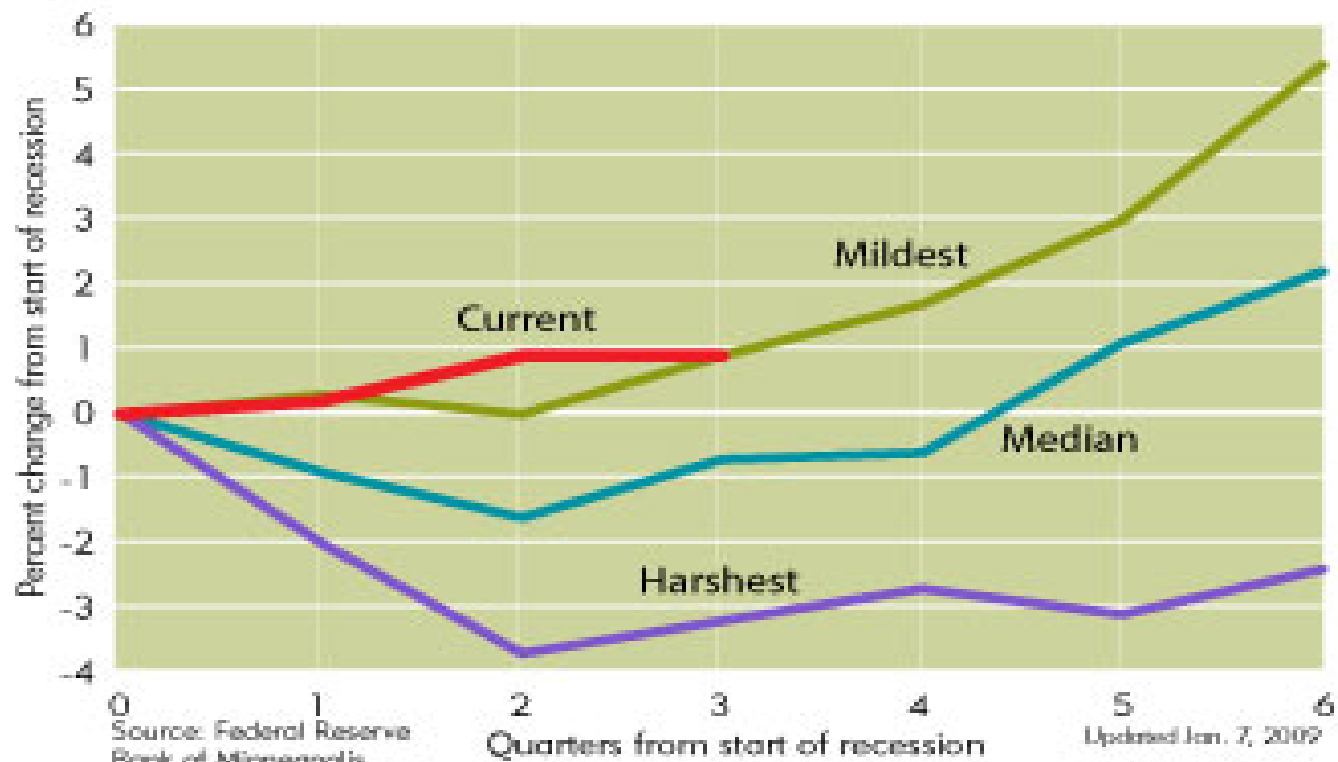
Recession in Perspective





Recession in Perspective

Change in Output:
Current Recession vs. Summary of 10 Postwar Recessions*

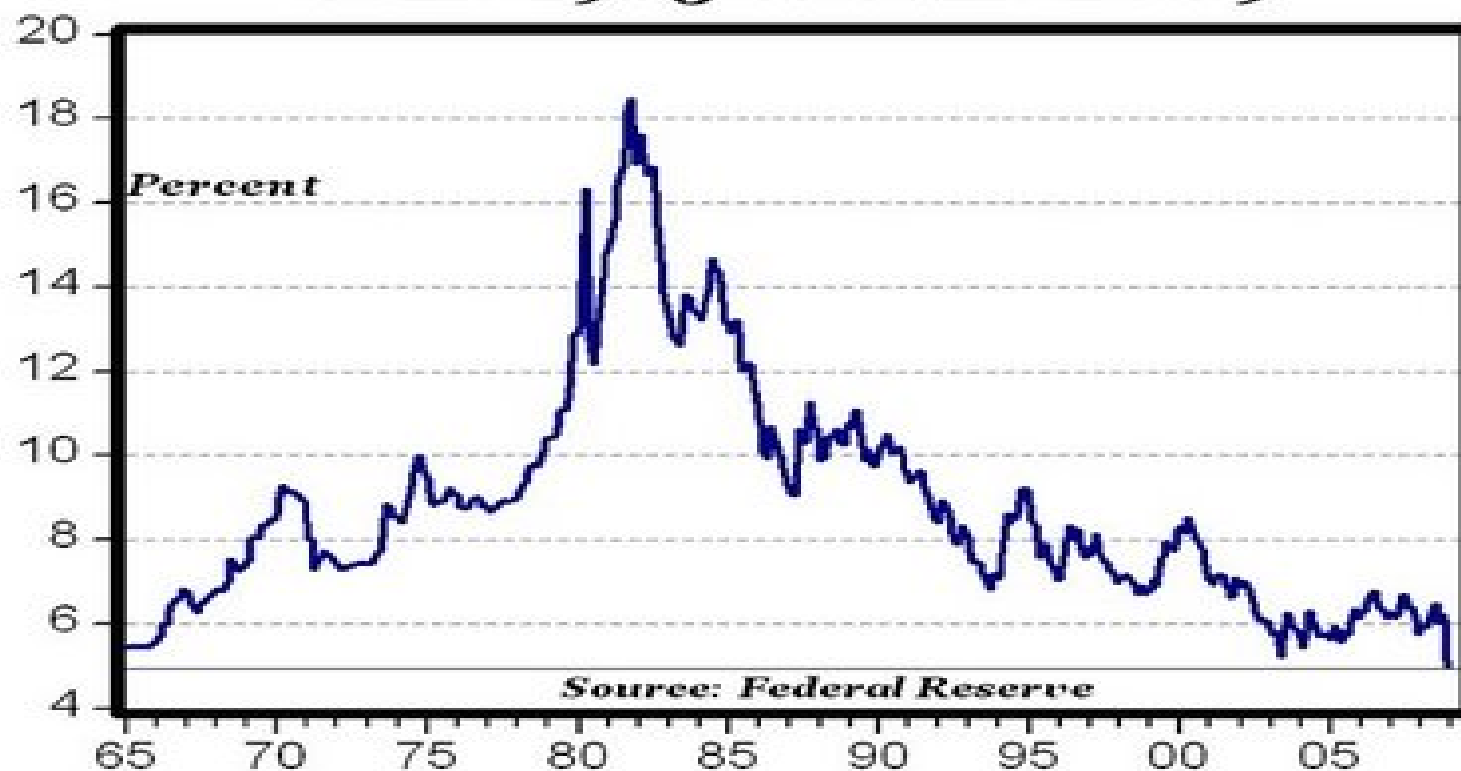


* Mildest, median, and harshesht lines reflect the smallest, median, and largest declines as of each quarter; they do not reflect specific individual recessions.



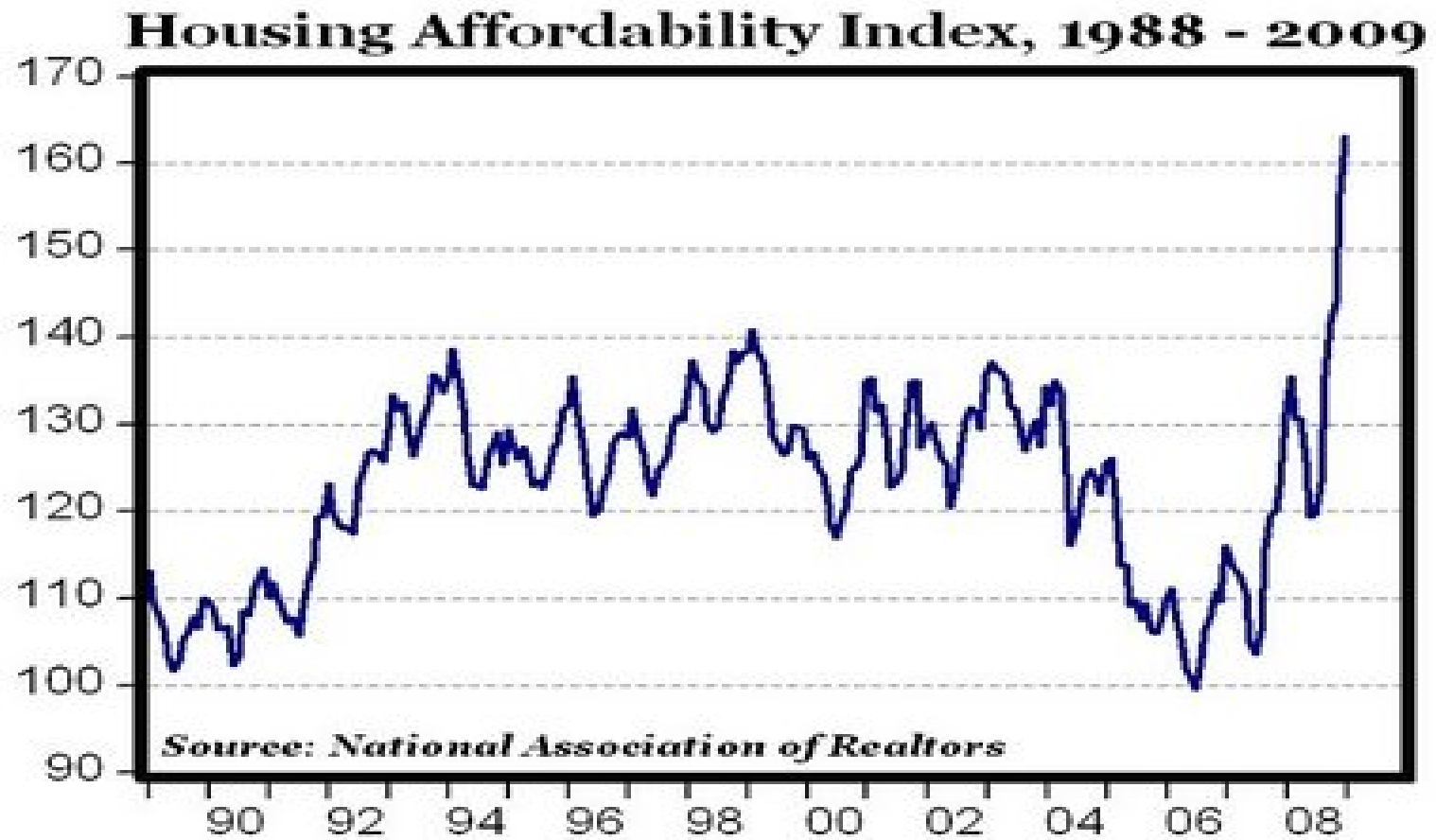
Mortgage Rates Fall

30-Year Mortgage Rates Jan. 1965 to Jan. 2009





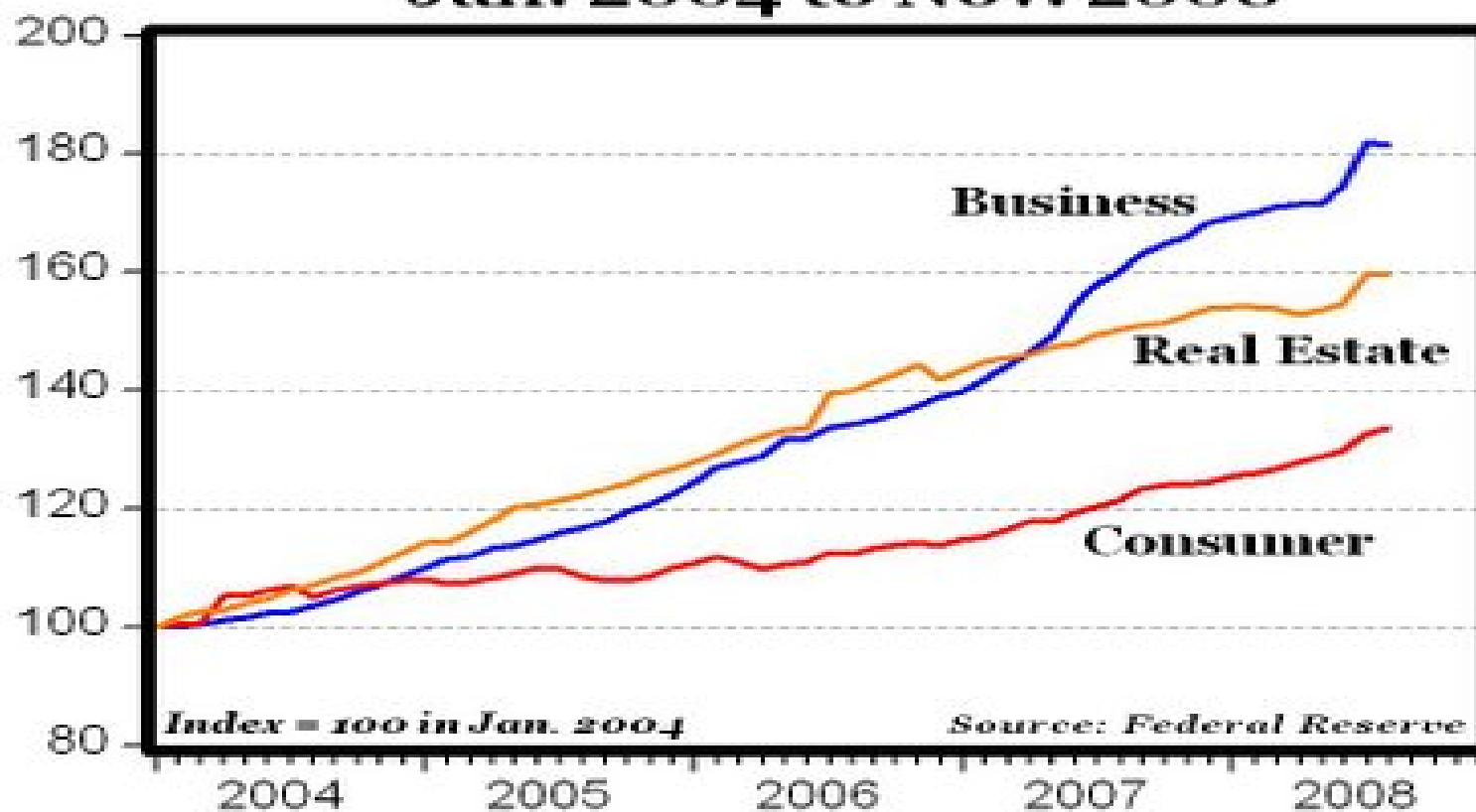
Housing





Credit Crunch?

Commercial Bank Loan Volume Jan. 2004 to Nov. 2008





Earnings

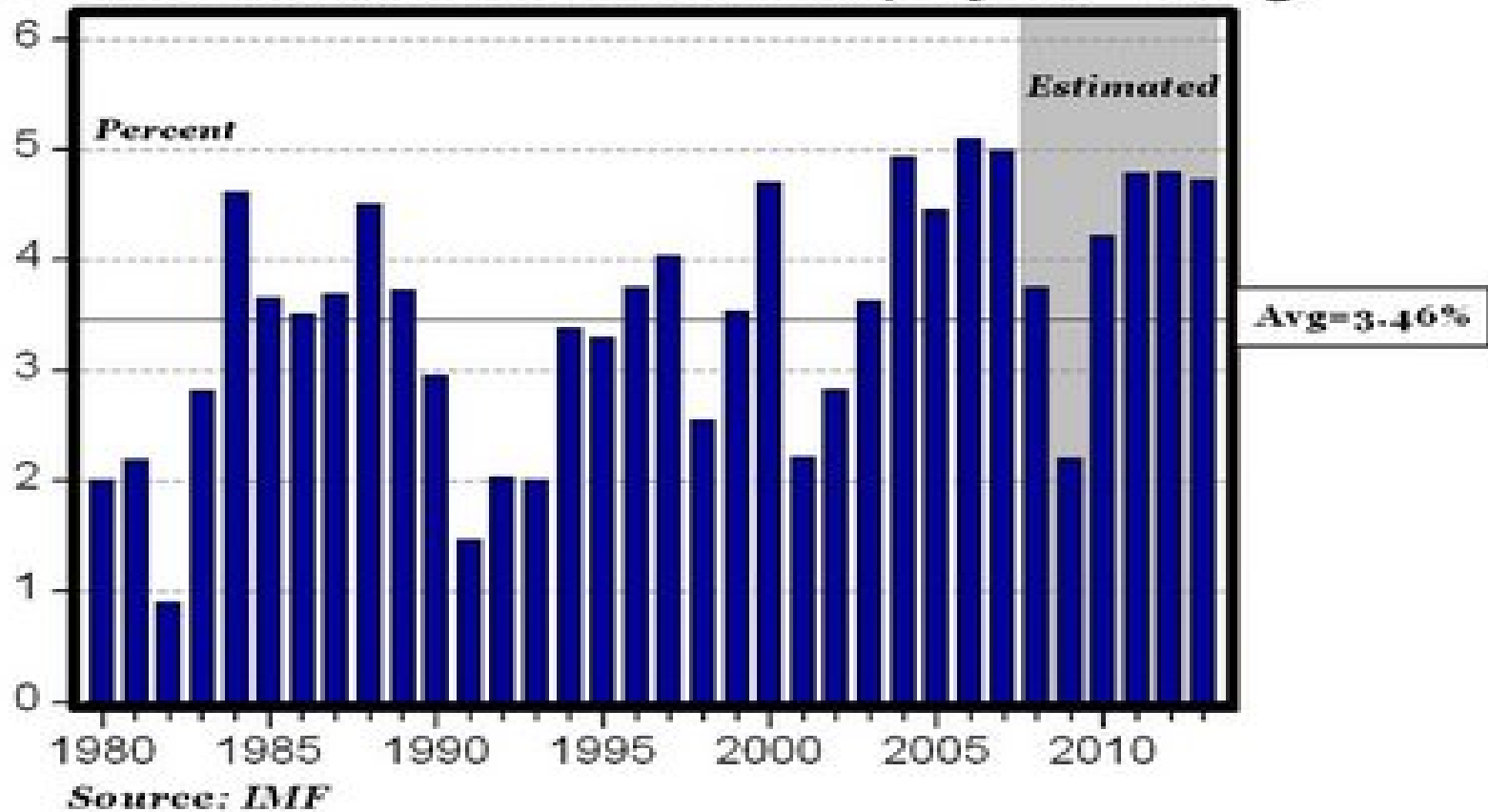
**Real Weekly Earnings, 1998-2008
Annual Growth (Year-to-Year)**





Economic Growth

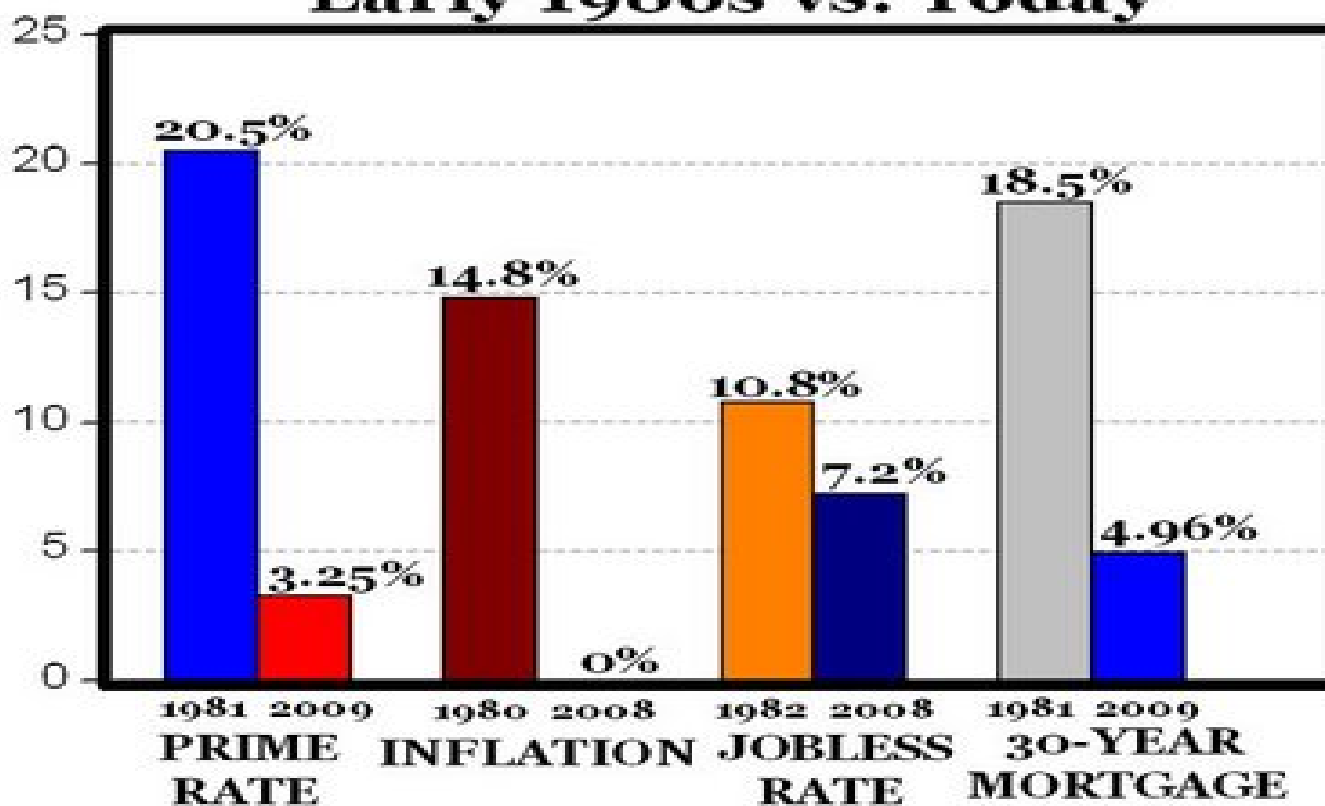
World Real GDP Growth, 1980-2013





Economic Realities

Key Economic Indicators: Early 1980s vs. Today



Sources: Federal Reserve and BLS



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