

The Roland Berger crisis scenarios

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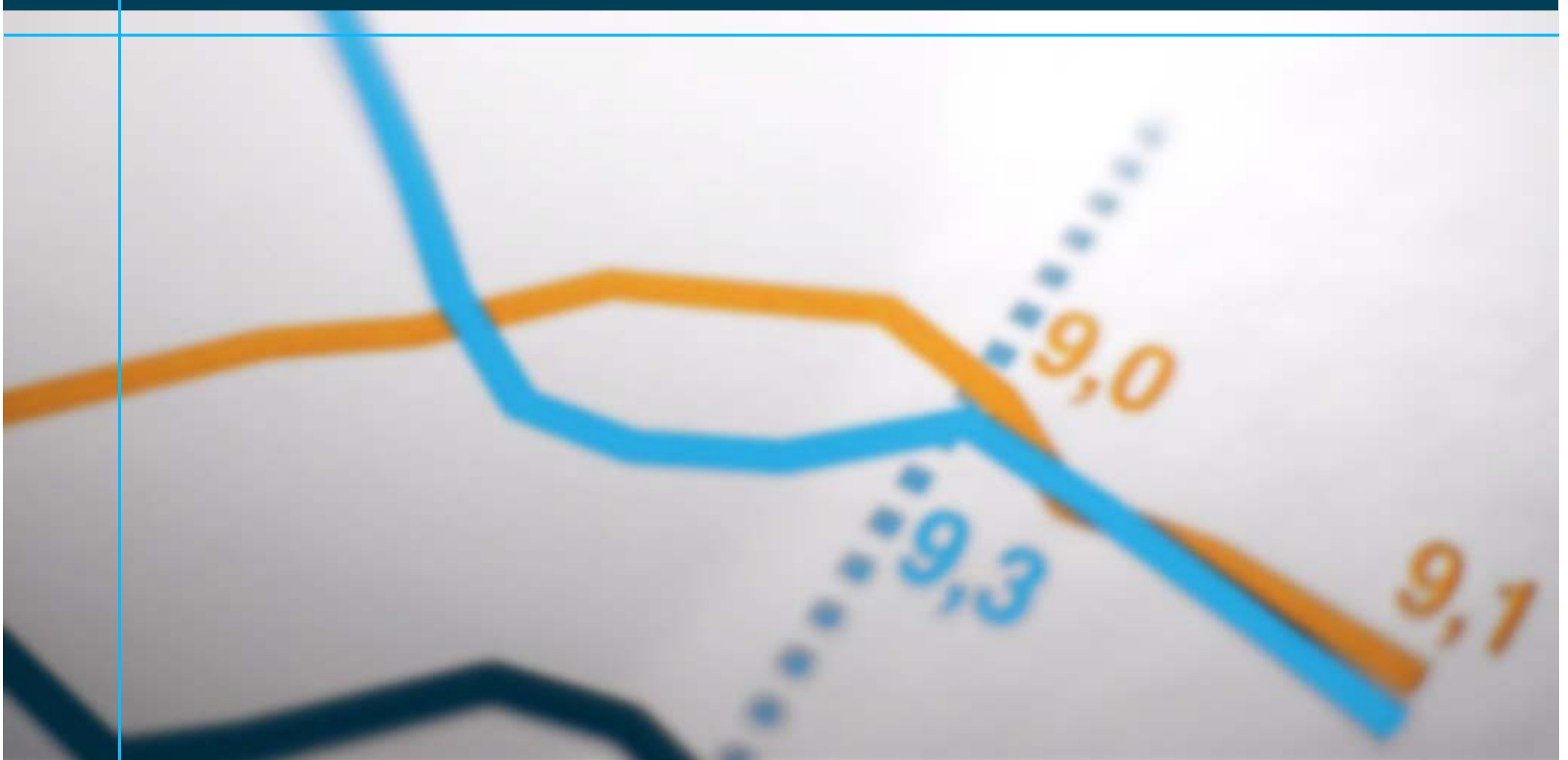


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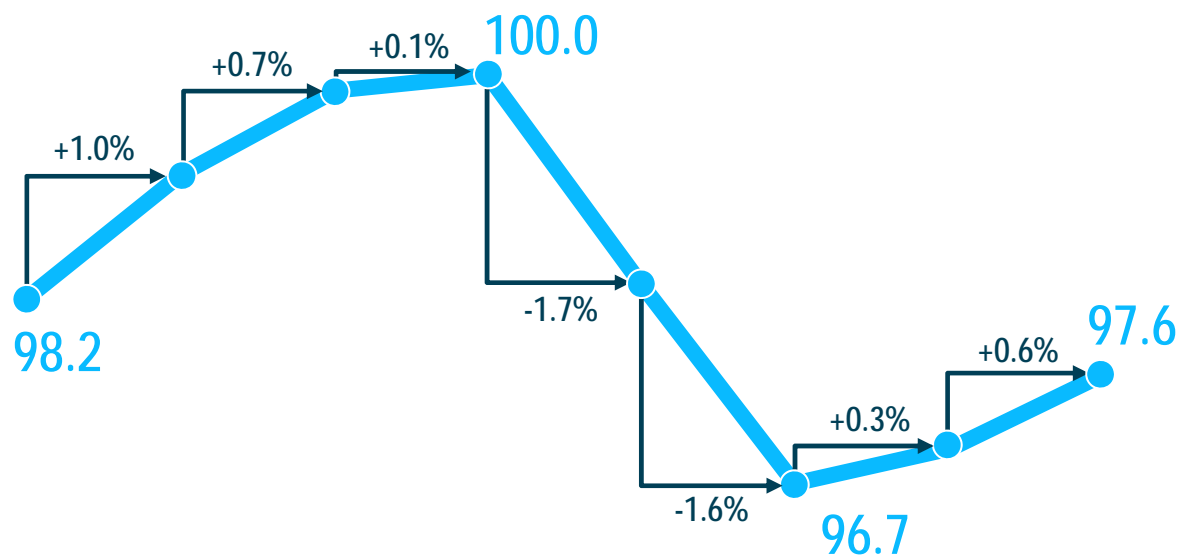


A. How the crisis has developed so far



Worst world economic slump since the Great Depression in 1929/30

Global GDP development, indexed (Q3 2008 = 100) and global GDP growth, quarter on quarter



Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3p
2007	2008			2009			

CRISIS FIGURES

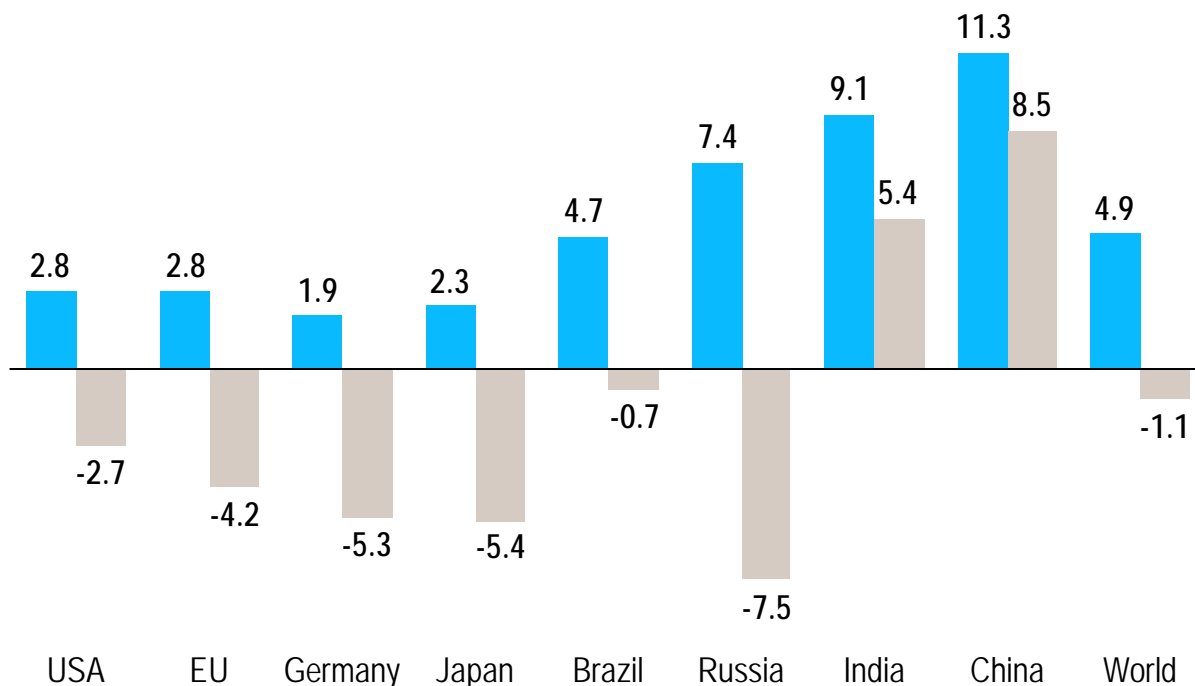
In 2009, global GDP will be down **USD 3,700 bn** on 2008

In the industrialized world, loans worth **USD 4,000 bn** had to be written off

In spring 2009, **200,000** empty containers in the port of Hong Kong graphically symbolized the meltdown of world trade

A comparison of 2009 GDP growth with pre-crisis growth rates reveals the whole scope of the crisis

GDP growth, average p.a. 2004-2007 vs. 2009 [%]

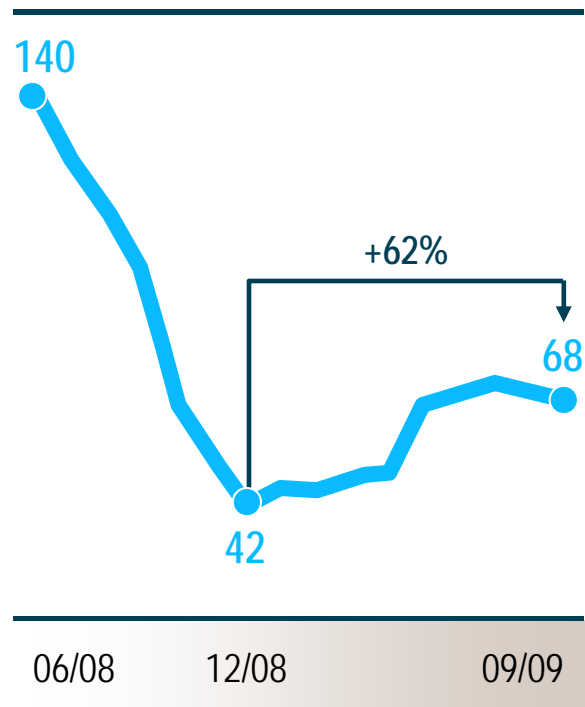


■ Average p.a. 2004-2007
 ■ 2009p

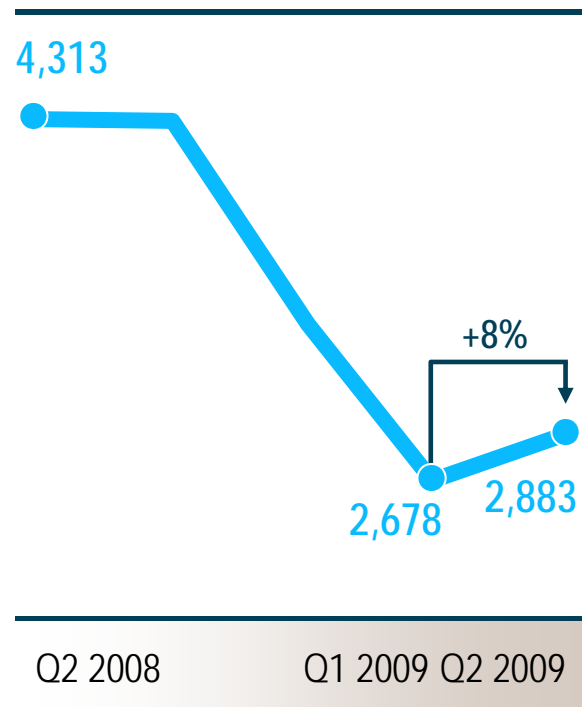


Key indicators are pointing to recovery

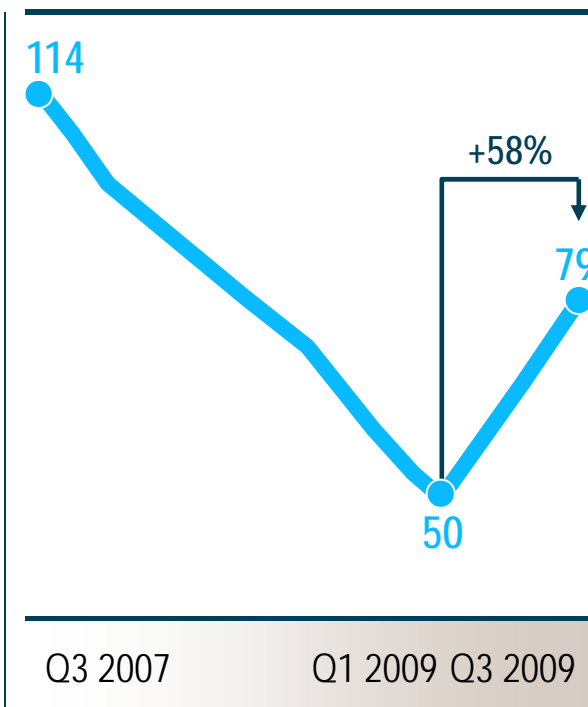
Oil price (Brent)
[USD/Barrel¹⁾]



Worldwide exports
[USD bn]



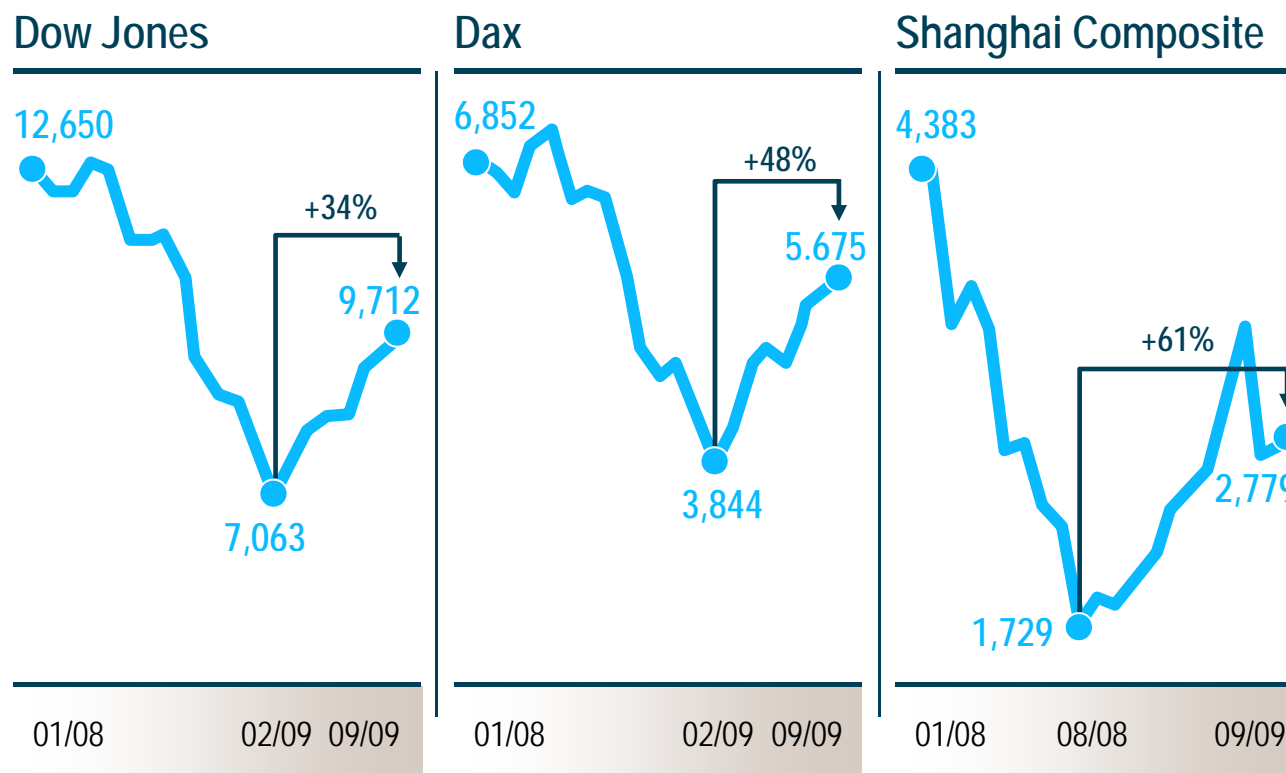
Ifo World Business Climate Index [index value]



1) At month's end

The stock markets are looking up, too

Key stock indices [index value at month's end]



Are the stock markets leading the way?

YES

- > Immediate response to corporate figures, market changes, etc.
- > Growth potential and the general economic outlook are factored into prices

NO

- > Speculation and irrational behavior irrespective of economic fundamentals
- > Stock exchange does not reflect the entire corporate sector

But there is still no reason to let down your guard

GDP is still well below pre-crisis levels

(world GDP in Q2 2009 2.8% down on Q3 2008)

Not all late indicators have bottomed out

(e.g. unemployment in Germany)

The causes of the crisis have not yet been removed

(including financial market regulation, structural problems in individual industries)

The effects achieved so far could be short term

(bailout programs, confidence building actions)

The specter of protectionism has not yet been banished

(restriction of world economic growth potential, e.g. tire dispute between the US and China)



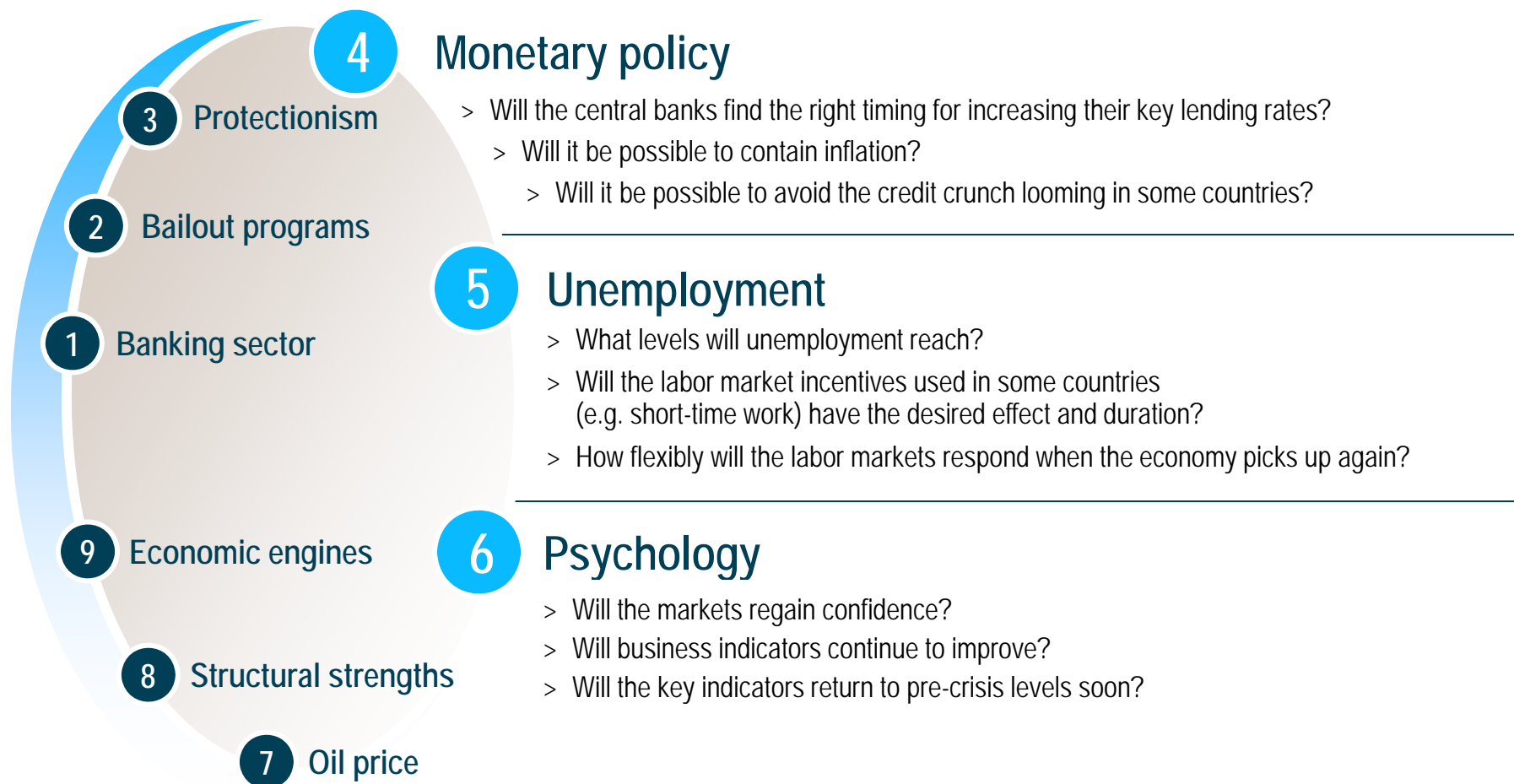
B. What determines the further development



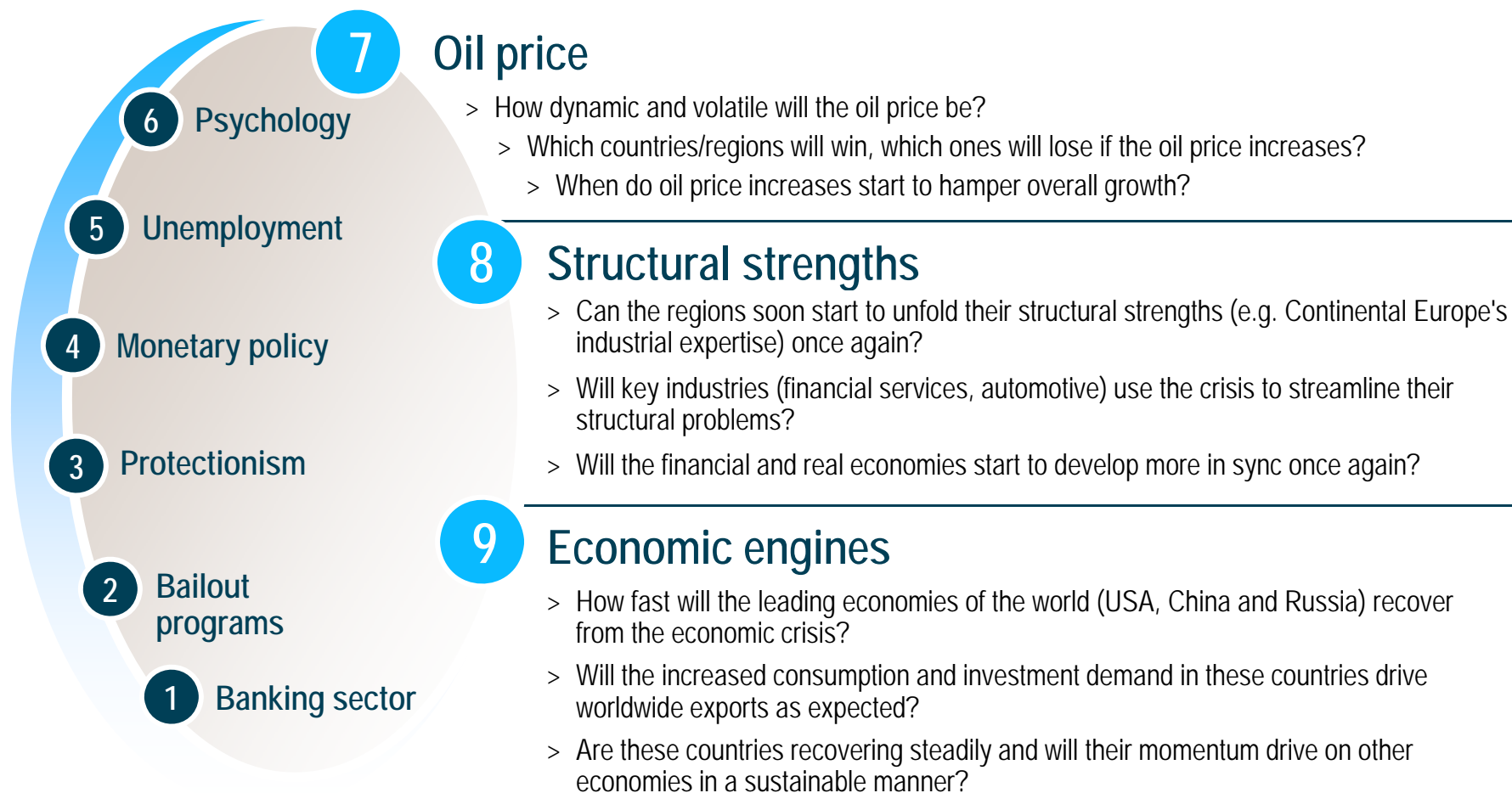
The further development depends on nine parameters – the banking sector, bailout programs, protectionism ...



... monetary policy, unemployment, psychology ...



... oil price, structural strengths and economic engines





C. Our three crisis scenarios

Three scenarios describe how the crisis could further unfold – The V scenario is the most likely

Scenario 1



Q3 2009

Turnaround now –
Rapid recovery

GDP growth global:	2009:	-1.2%
	2010:	3.0%
	2011:	4.8%
	2012:	4.8%

Likelihood: 70%

Scenario 2



Q3 2009

Q3 2010

No turnaround until 2010

GDP growth global:	2009:	-1.2%
	2010:	2.0%
	2011:	4.0%
	2012:	4.8%

Likelihood: 25%

Scenario 3



Q3 2009

Q4 2012

Remain in economic trough
until end of 2012

GDP growth global:	2009:	-1.2%
	2010:	-0.5%
	2011:	0.2%
	2012:	1.0%

Likelihood: 5%

Even in the best case, it will still be 4 quarters until pre-crisis growth levels have been reached

When will the economy reach pre-crisis growth levels (4.8% p.a.¹⁾)?



1) Average annual growth of the global economy 2004 to 2007

Description of the V, U and L scenarios (1/3)

	V	U	L
<p>1</p> <p>Banking sector</p>	<ul style="list-style-type: none"> > Banks clean up their balance sheets > Intelligent regulation of the financial markets is quickly implemented 	<ul style="list-style-type: none"> > Only very slow recovery in the financial sector > Financial market regulation significantly delayed 	<ul style="list-style-type: none"> > More banks collapse > Financial market regulation fails
<p>2</p> <p>Bailout programs</p>	<ul style="list-style-type: none"> > Short-term actions help ride out the crisis > Long-term actions stimulate demand 	<ul style="list-style-type: none"> > Significant problems in several industries when short-term support actions expire > Long-term actions stimulate the economy 	<ul style="list-style-type: none"> > Short-term support actions are only a stop-gap > Long-term actions aren't sufficient to get the economy permanently back on its feet
<p>3</p> <p>Protectionism</p>	<ul style="list-style-type: none"> > Hardly any protectionism > New momentum for Doha round 	<ul style="list-style-type: none"> > Isolated cases of further protectionism > No further liberalization for the time being 	<ul style="list-style-type: none"> > Many governments take strongly protectionist actions > Protectionist actions impede worldwide growth

Description of the V, U and L scenarios (2/3)



4

Monetary policy

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> > Departure from cheap money policies well timed > Threat of inflation is held in check | <ul style="list-style-type: none"> > No clear timing for increasing key interest rates > Threat of inflation still exists | <ul style="list-style-type: none"> > Key interest rates can't be increased any further > Centralized banks lose their ability to take action |
|--|---|--|

5

Unemployment

- | | | |
|---|--|---|
| <ul style="list-style-type: none"> > Only moderate increase in unemployment figures > Hardly any slowing to the economy | <ul style="list-style-type: none"> > Further significant rises in unemployment > Economic recovery hampered by high unemployment | <ul style="list-style-type: none"> > Labor markets get considerably worse > High unemployment impedes return to normal GDP growth rates |
|---|--|---|

6

Psychology

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> > Confidence returns rapidly and for the long term > Business climate picks up | <ul style="list-style-type: none"> > Mood indicators won't make a full recovery until mid-2010 > Conflicting signals make consumers and investors uneasy | <ul style="list-style-type: none"> > Mood indicators remain at a low level > Consumers and investors are very uneasy |
|---|--|--|

Description of the V, U and L scenarios (3/3)



7

Oil price

- | | | |
|---|--|---|
| > Moderate increase to USD 80/barrel by the end of 2009 | > Comparatively low oil prices with USD 70/barrel by the end of 2009 | > Barely any increase in oil prices over the next three years |
| > No price volatility from speculation | > No price volatility from speculation | > No price volatility from speculation |

8

Structural strengths

- | | | |
|---|--|---|
| > Regions with structural strengths grow particularly quickly | > Regional differences in growth even more pronounced than in V scenario | > No region succeeds in using its structural strengths for growth |
| > Crisis is used as a solution to structural problems in certain industries | > Industry problems can be resolved after an initial delay | > In many industries, structural problems remain unsolved |

9

Economic engines

- | | | |
|--|--|---|
| > USA, China and Russia drive the global economy | > At first only weak growth stimuli from the USA, China and Russia | > Hardly any growth even in USA, China and Russia |
| > Strong stimulating effect on global trade | > Global trade takes some time to get back into gear | > Over the years, no stimulus from the economic engines |

Regional differences (1/4): Scenarios for Germany

GDP growth forecasts [%]

	2009	2010	2011	2012
V	-4.9	1.5	3.0	3.0
U	-5.3	0.3	1.5	3.0
L	-5.3	-0.3	0.3	0.8

Comments

What signs indicate a **V**? [Likelihood: 70%]

- > Successful economic actions (e.g. cash for clunkers programs, short-time work), only moderate increases in unemployment
- > High industry share is structural strength
- > Ifo Business Climate Index in September rose for the 6th time in a row
- > As an export nation, profits from improvements in global economy

What signs indicate a **U**? [Likelihood: 25%]

- > Expiring short-term economic actions pose a risk
- > Important industries such as engineered products have not yet picked up
- > Growing export competition from China

What signs indicate an **L**? [Likelihood: 5%]

- > A weakening world economy and rising protectionism would hit Germany particularly hard
- > The strong position of the unions can delay companies in taking the required adjustment actions



Regional differences (2/4): Scenarios for the USA

GDP growth forecasts [%]

	2009	2010	2011	2012
--	------	------	------	------



-2.5	2.0	2.7	2.7
------	-----	-----	-----



-3.0	0.5	2.0	2.7
------	-----	-----	-----



-3.0	-0.5	0.5	1.0
------	------	-----	-----

Comments

What signs indicate a V? [Likelihood: 60%]

- > Short-term economic actions (e.g. cash for clunkers, support for the automotive industry) have been successful; comprehensive long-term actions
- > Solid upward trend seen in incoming orders for the manufacturing industry
- > Layoffs have tapered off over the past few months
- > Increasing consumer climate index

What signs indicate a U? [Likelihood: 35%]

- > Problems in 2010 due to expiring fiscal program
- > Unemployment is at a record high of 9.7%
- > The structural recovery of important sectors such as the automotive industry need time (e.g. for reconfiguring the model range)

What signs indicate an L? [Likelihood: 5%]

- > No change in mentality from the crisis: private households still carry a lot of debt, defaults on credit card debt currently at record level
- > Obama is also not shying away from protectionist action, thanks to pressure from unions (for example, USA-China dispute over tires)



Regional differences (3/4): Scenarios for China

GDP growth forecasts [%]

	2009	2010	2011	2012
--	------	------	------	------



8.5	9.0	10.5	11.0
-----	-----	------	------



7.5	8.0	9.0	11.0
-----	-----	-----	------



7.5	7.5	7.5	8.5
-----	-----	-----	-----

Comments

What signs indicate a V? [Likelihood: 70%]

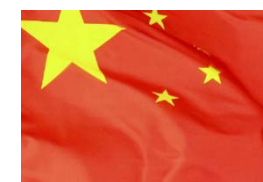
- > Massive economic actions by the government are pushing investment and industrial production
- > Rising consumer demand around the world is boosting the briefly troubled export business
- > GDP growth picked up dramatically in Q2 2009: 7.9% yoy (Q1 2009: 6.1%)

What signs indicate a U? [Likelihood: 25%]

- > Reductions in equity requirements for lending leads to defaults
- > Progress in building up the social security system sluggish and leaves private consumption stagnating at a low level
- > Global demand for cheap consumer items has dropped over the long term

What signs indicate an L? [Likelihood: 5%]

- > Bubble may burst from excessive growth in credit volume
- > China's structural weaknesses make it difficult to adjust to lower potential growth in world trade (China particularly has a problem with shifting to more valuable production segments)



Regional differences (4/4): Scenarios for Russia

GDP growth forecasts [%]

	2009	2010	2011	2012
V	-7.5	1.5	3.5	5.0
U	-8.0	0.5	2.0	5.0
L	-8.0	0.0	0.5	2.0

Comments

What signs indicate a V? [Likelihood: 55%]

- > Economic actions stimulate the economy and prevent further increases in unemployment
- > Rising global market prices for oil and gas and increased demand for raw materials from the recovering global economy (especially China)
- > Loosening of fiscal policy by the central banks creates room for investments

What signs indicate a U? [Likelihood: 40%]

- > Problems in 2010 due to expiring fiscal program
- > Oil prices still volatile, lower oil prices hurt Russia
- > Russian products' lack of international competitiveness prevents them from quickly and fully benefiting from the recovery of the world economy

What signs indicate an L? [Likelihood: 5%]

- > Stagnating oil prices up through 2012 cannot be ruled out in an L-shaped world economy (oil accounts for roughly 30% of Russian GDP)
- > Russia has many long-term problems: economy not highly modernized, corruption, large social divides

