



Global Economic and Market Outlook

Larry Kantor

Head of Research

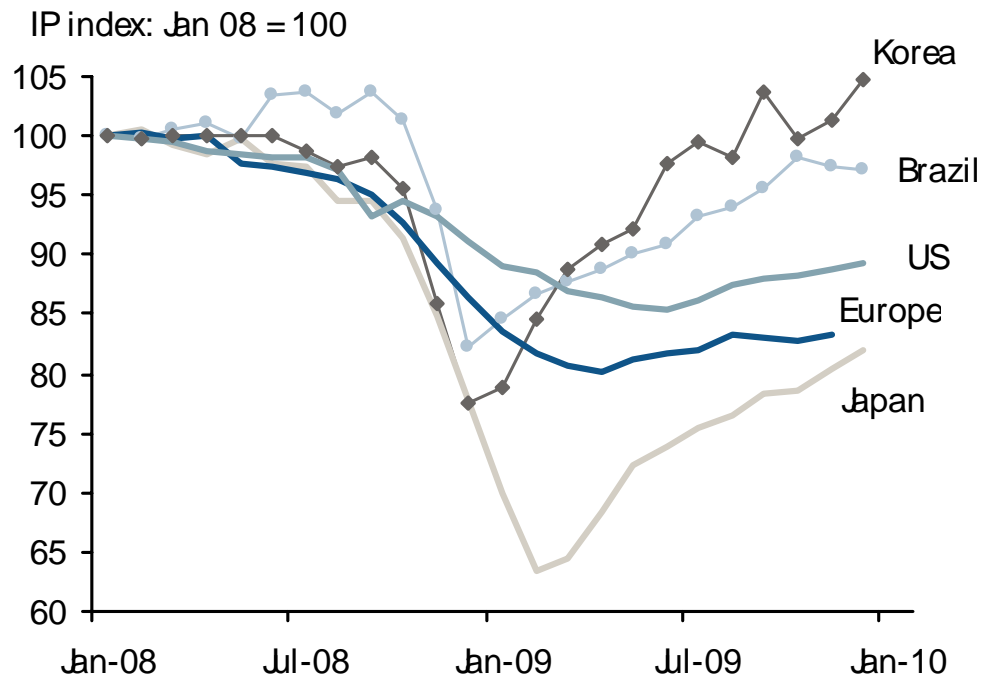
March 3, 2010

Please read carefully the important disclosures at the end of this publication.

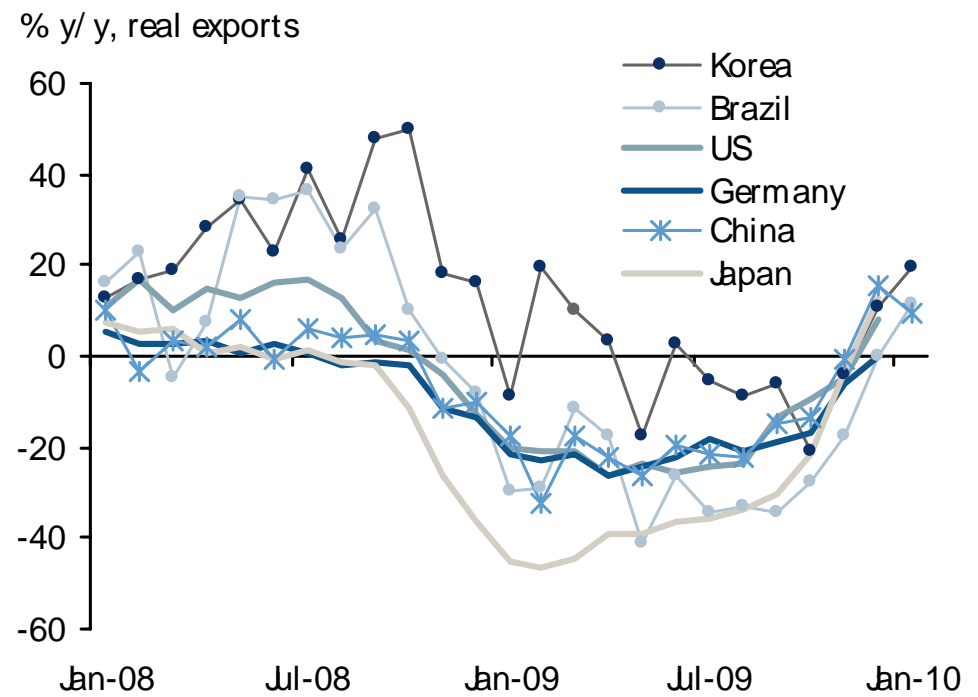
Recovery in 2010 still on course

- The world is normalizing, which implies a strong rebound from extremely depressed levels

Industrial production already turning

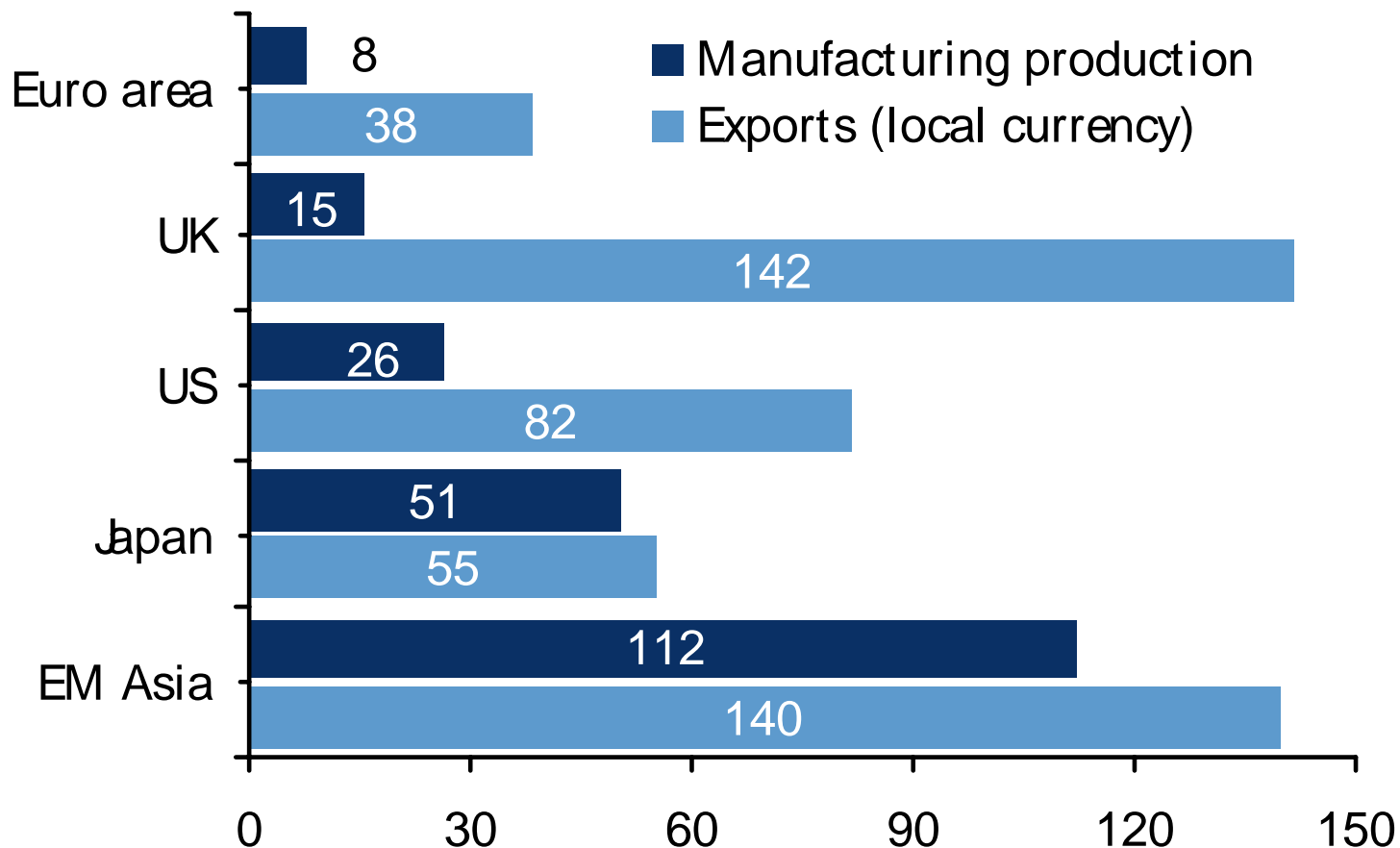


Exports are expanding



Recovery patterns in manufacturing and exports

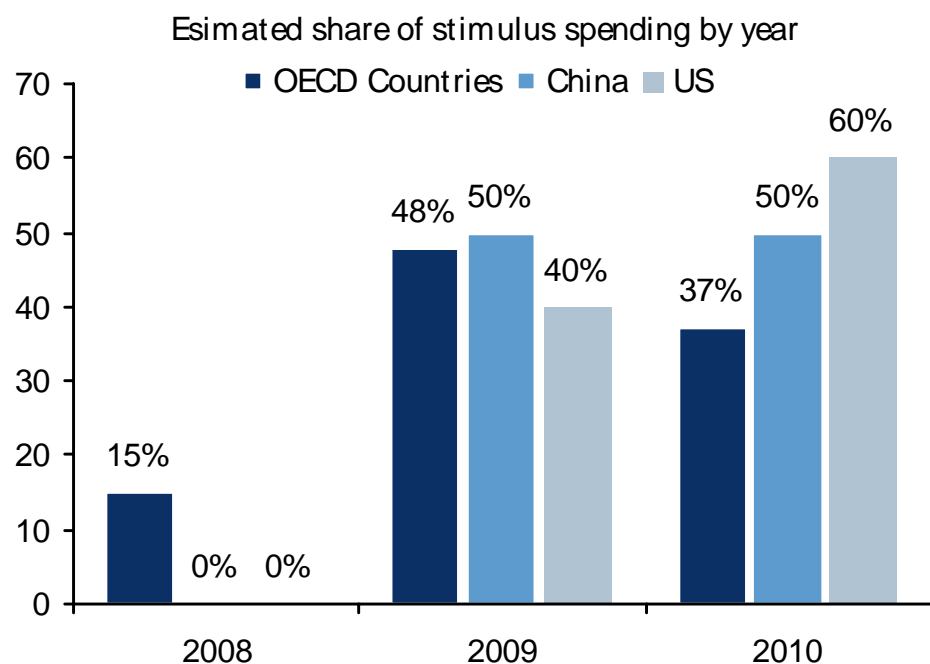
% of manufacturing and export loss recovered since start of '08



Fiscal pedal off the metal, but only slightly

- Cash-for-clunkers and housing incentives are short-lived and “borrow” from the future, but are only a small part of overall fiscal packages
- 40% of global discretionary stimulus is still in the pipeline for 2010; even higher in China.

Estimated stimulus spending by year

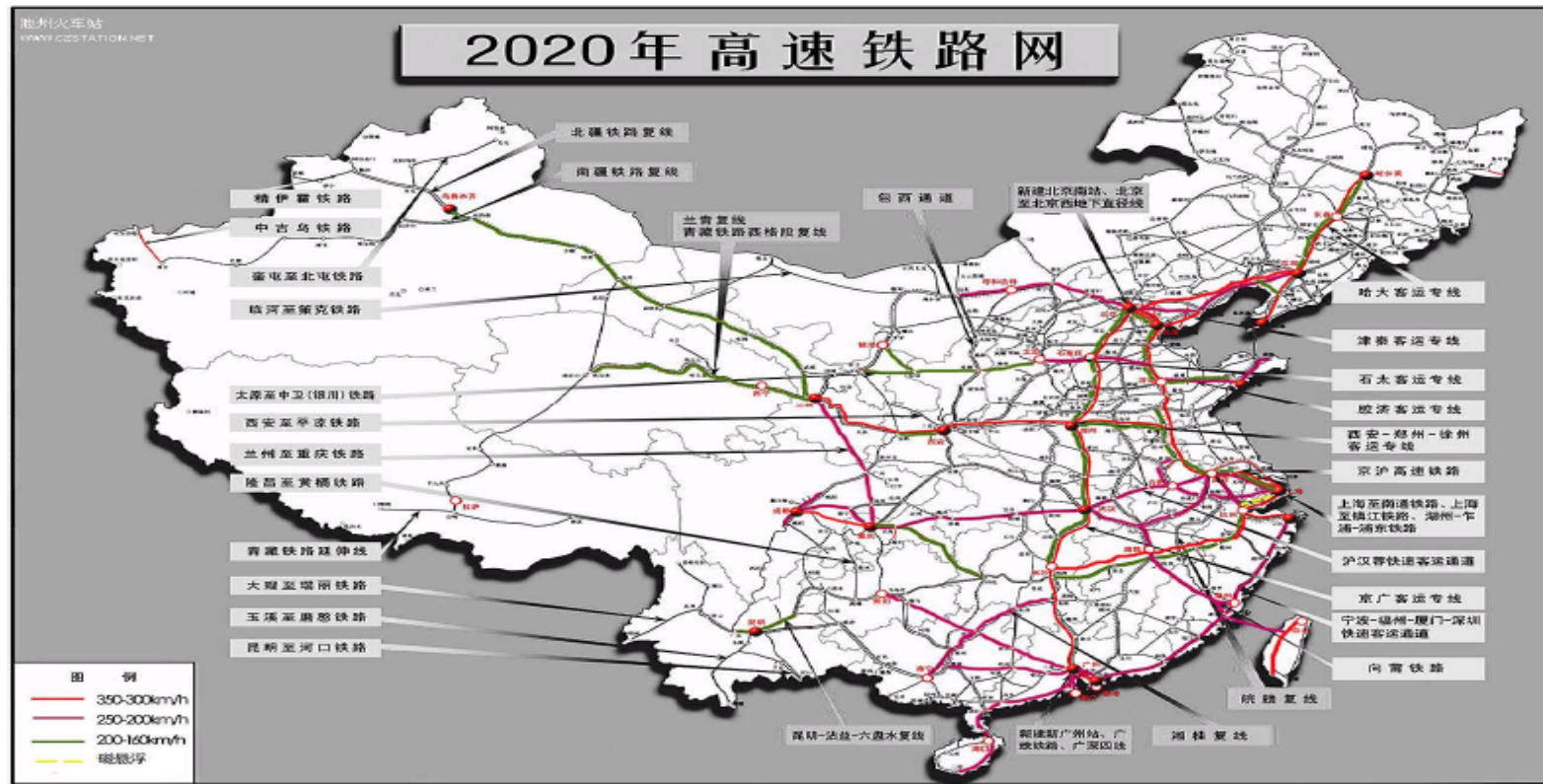


Fiscal stimulus by country

| Discretionary fiscal stimulus % of GDP (in relation to 2007 baseline) | | | | | |
|--|--------|-------|----------|------|------------|
| | Brazil | China | France | Ger. | India (FY) |
| 2008 | 0.0 | 0.4 | 0.0 | 0.0 | 0.6 |
| 2009 | 0.6 | 3.1 | 0.7 | 1.6 | 0.6 |
| 2010 | 0.8 | 2.7 | 0.8 | 2.0 | 0.6 |
| | Japan | Korea | S Arabia | UK | US |
| 2008 | 0.3 | 1.1 | 2.4 | 0.2 | 1.1 |
| 2009 | 2.4 | 3.9 | 3.3 | 1.3 | 2 |
| 2010 | 1.8 | 1.2 | 3.5 | -0.1 | 1.8 |

China: Trains to nowhere? Not quite.

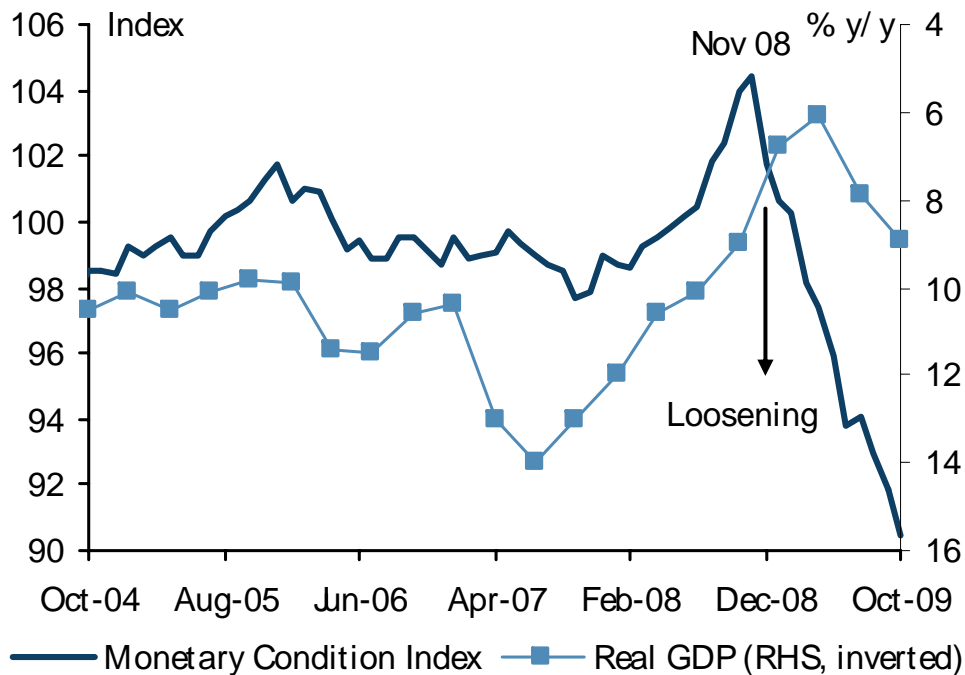
- 33,000 km of new railways currently under construction, totaling investment of CNY2.5trn
- Wuhan – Guangzhou high-speed railway opened on Dec 09: 10.5 hour trip made into 3hs
- By 2012, high-speed railways will reach 13,000 km, covering 70% of cities with pop. of above 0.5 mn



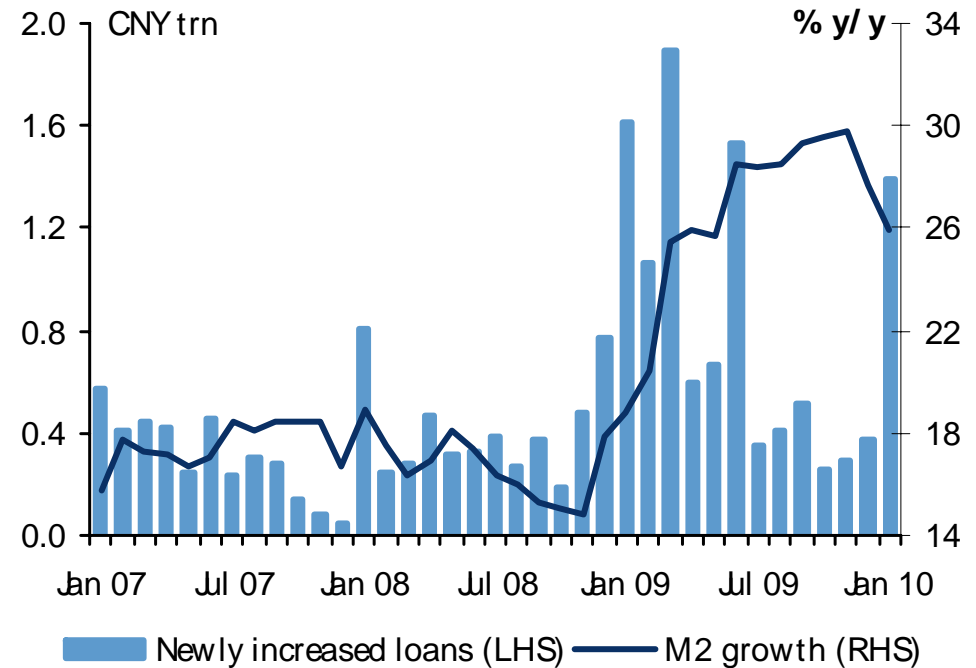
Controlling the hangover from the 2009 boost

- We expect the M2 growth target to be set at 17% in 2010...
- ... representing a slowdown from growth of 27% in 2009...

Index of monetary conditions and GDP growth

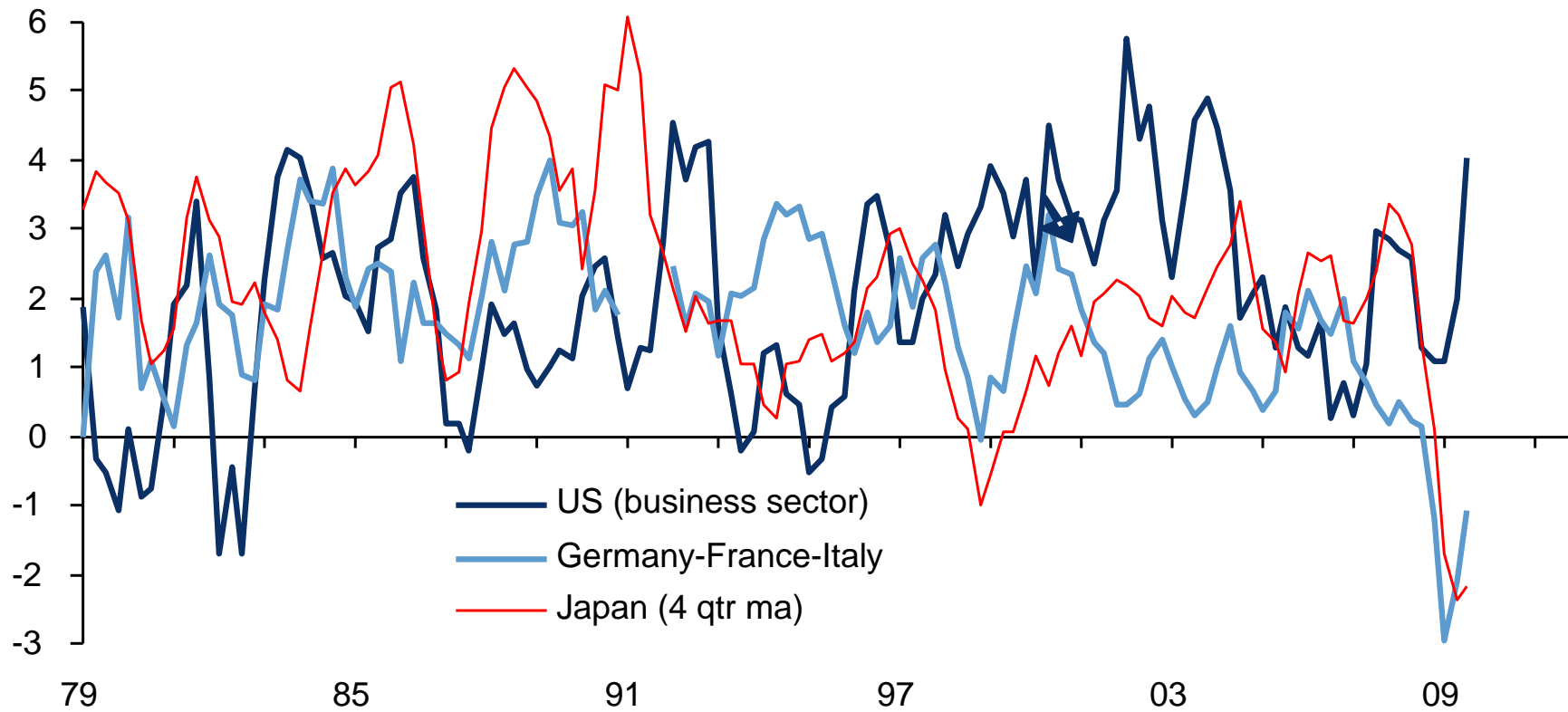


Strong January prompted early warning



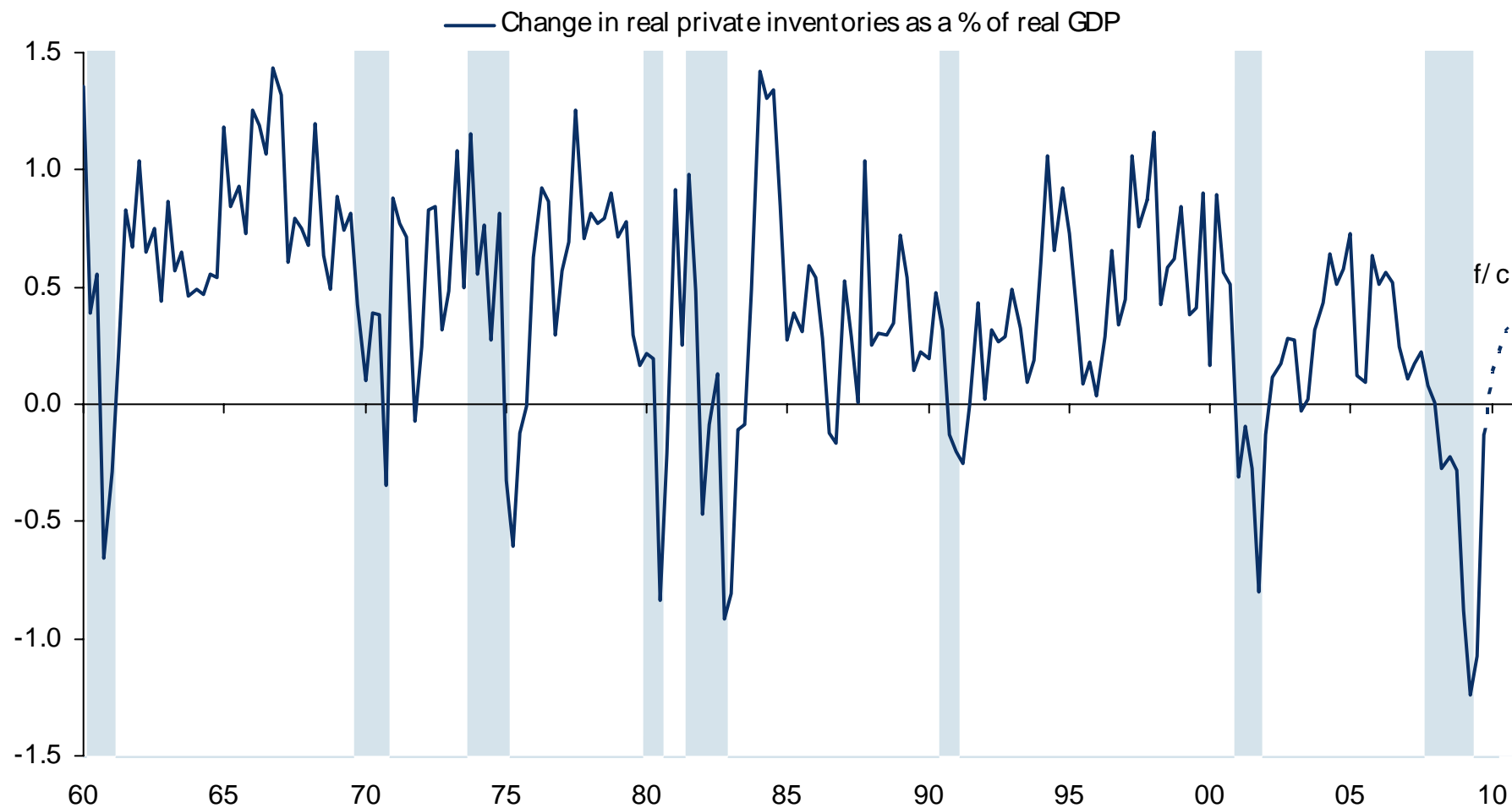
Productivity: Europe lags US

Productivity comparisons: GDP per hour worked (% y/y)



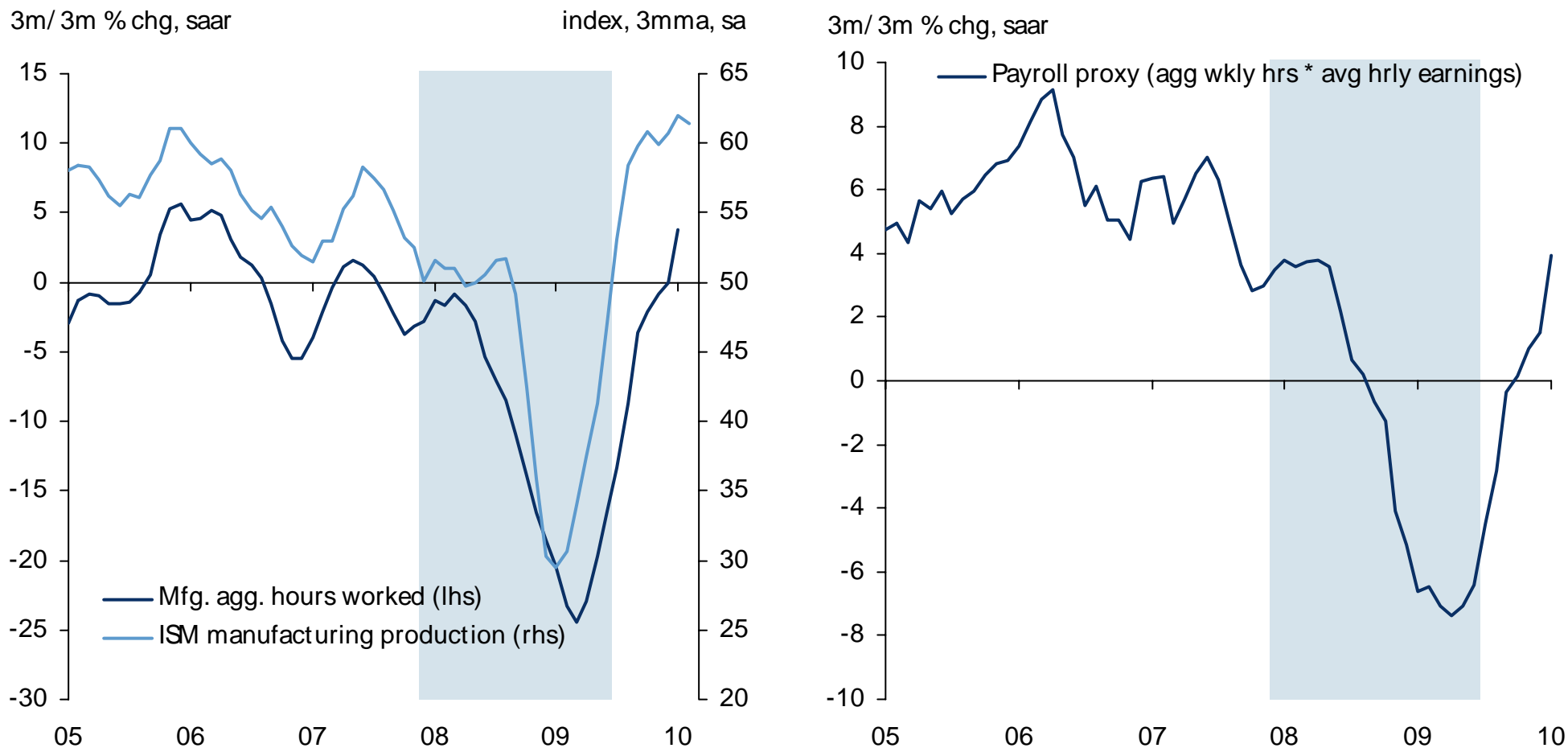
Source: Barclays Capital, Haver, Thomson DataStream

Inventory cycle is larger than in past recessions



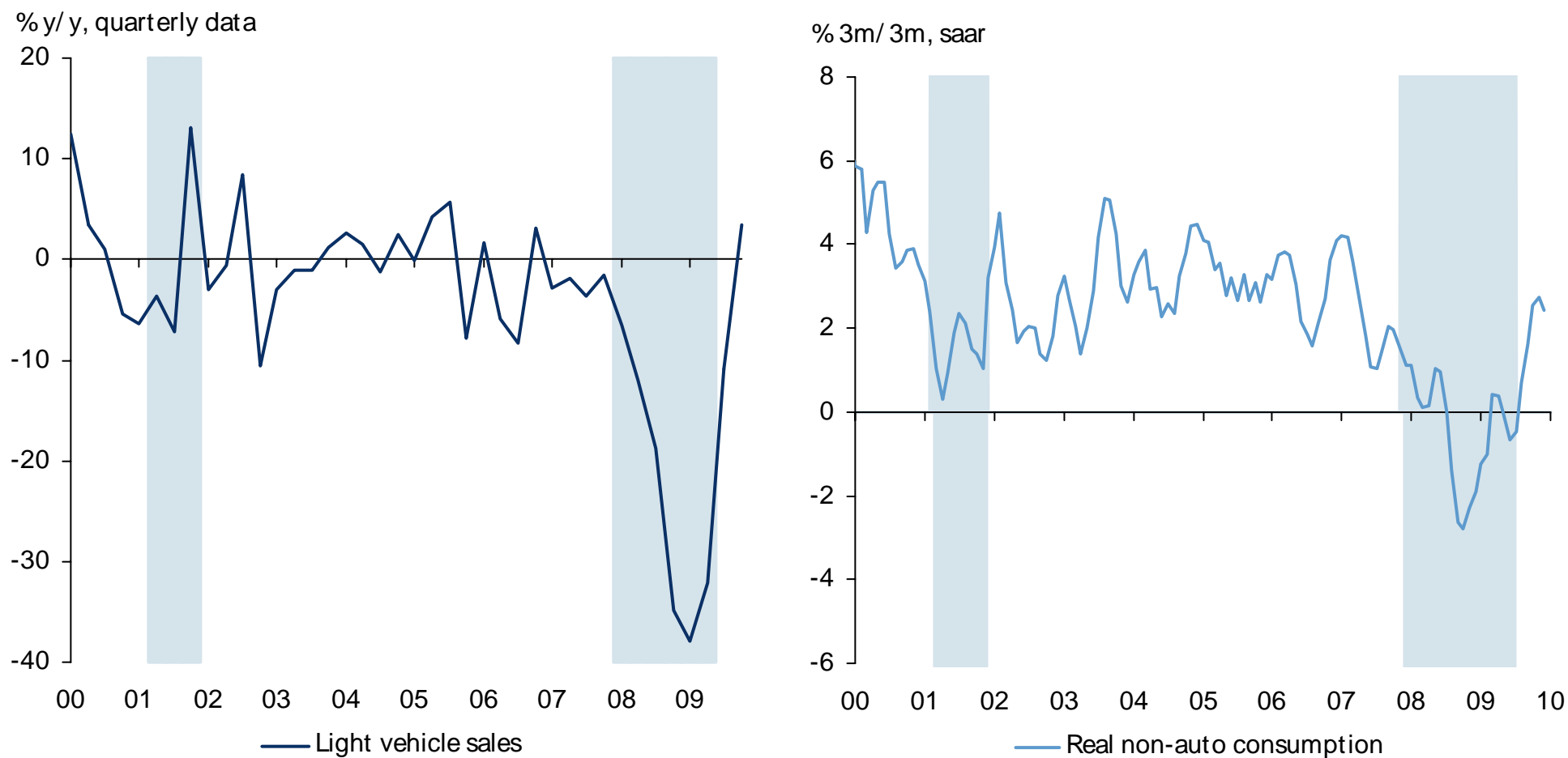
Note: Shading indicates recession. Source: BEA, Haver Analytics, Barclays Capital

Production is bouncing now, supporting household labor income growth



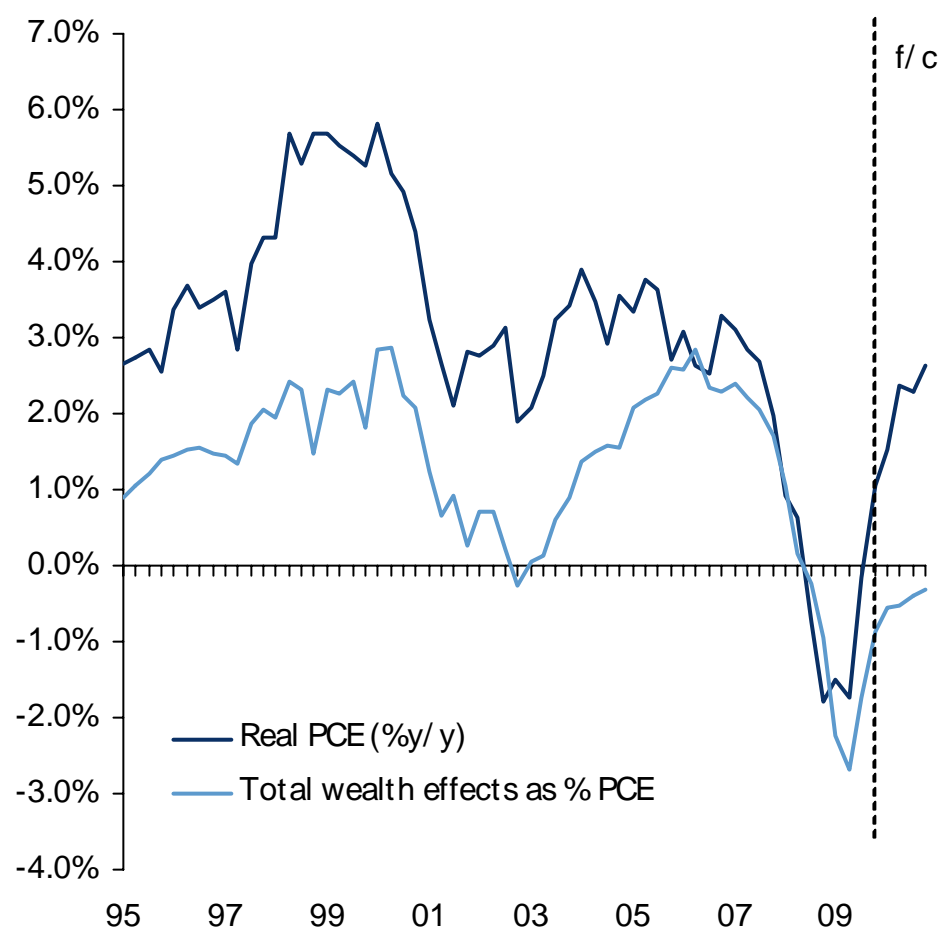
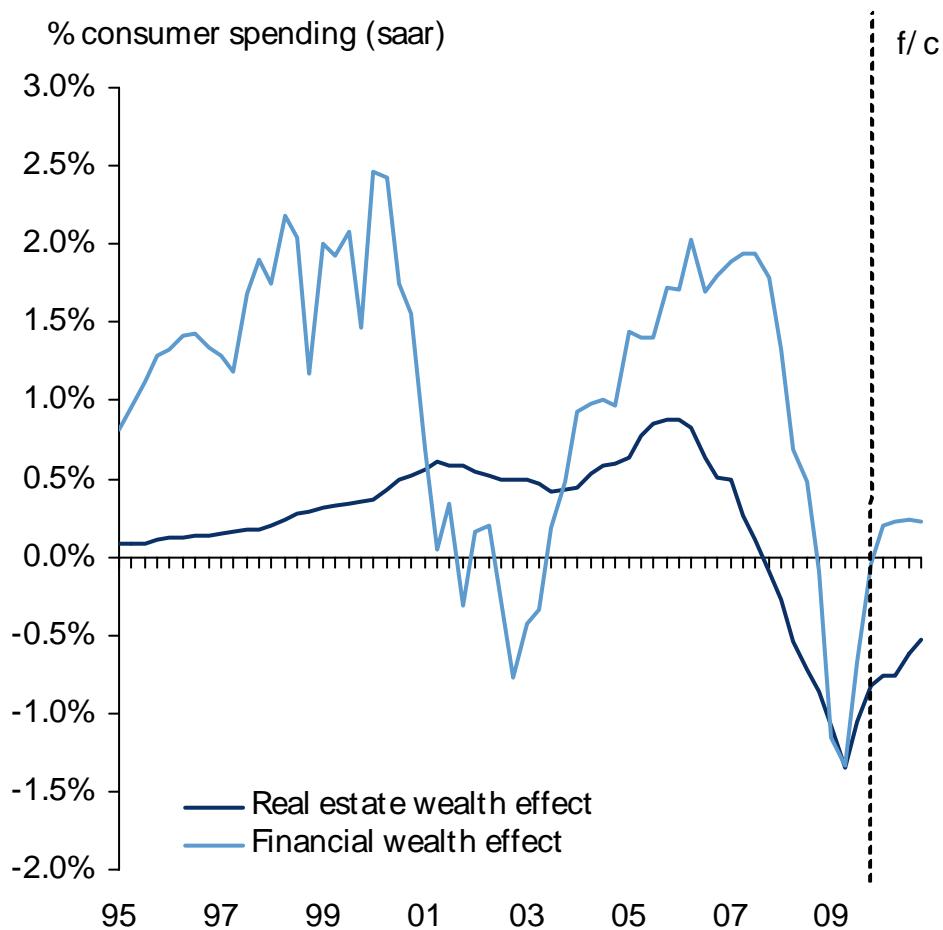
Note: Shading indicates recession. Source: BLS, ISM, Haver Analytics, Barclays Capital.

Consumption is improving along with labor income



Note: Shading indicates recession. Source: BEA, Haver Analytics, Barclays Capital

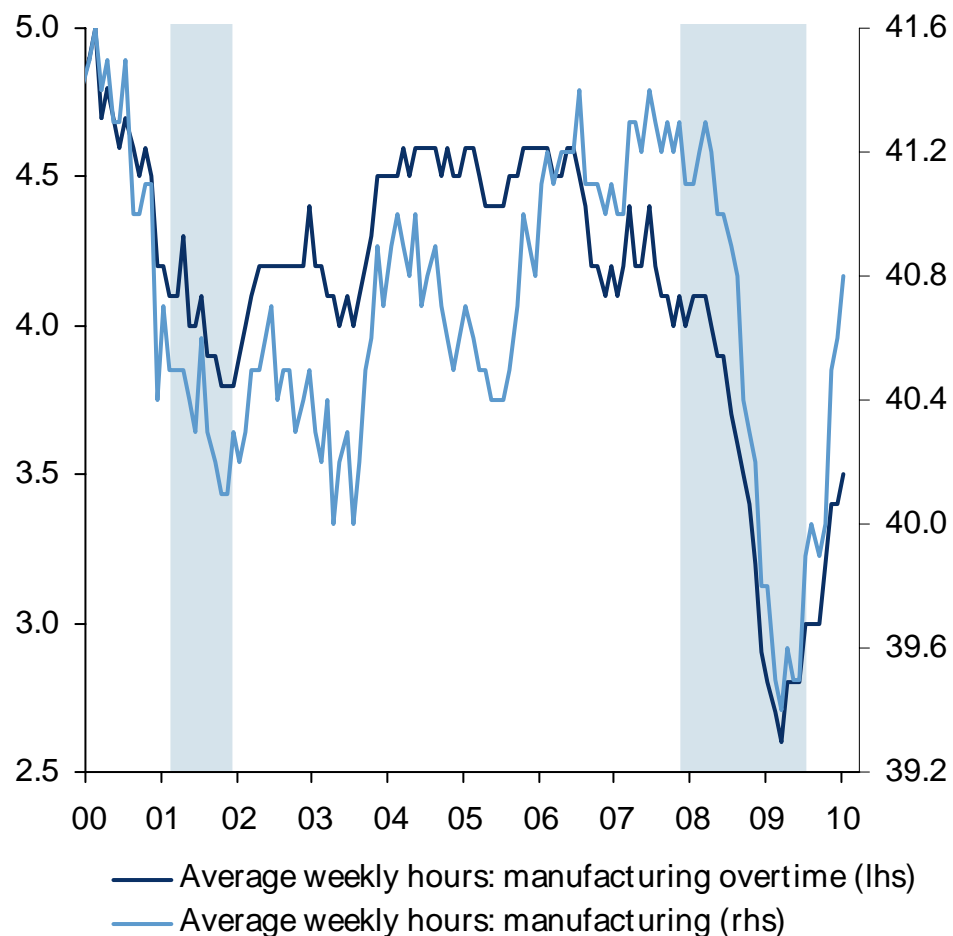
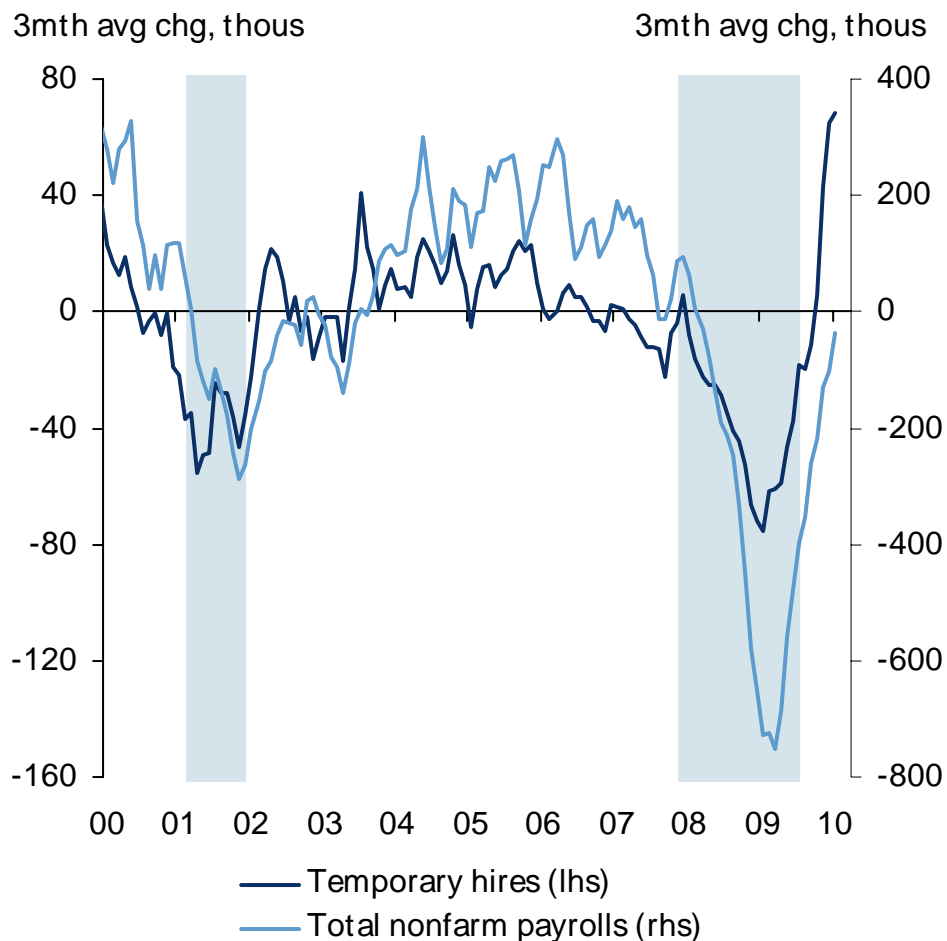
Negative wealth effects are starting to lessen



Source: FRB, Barclays Capital, Haver Analytics



Leading indicators of payroll changes are improving



Source: BLS, Haver Analytics



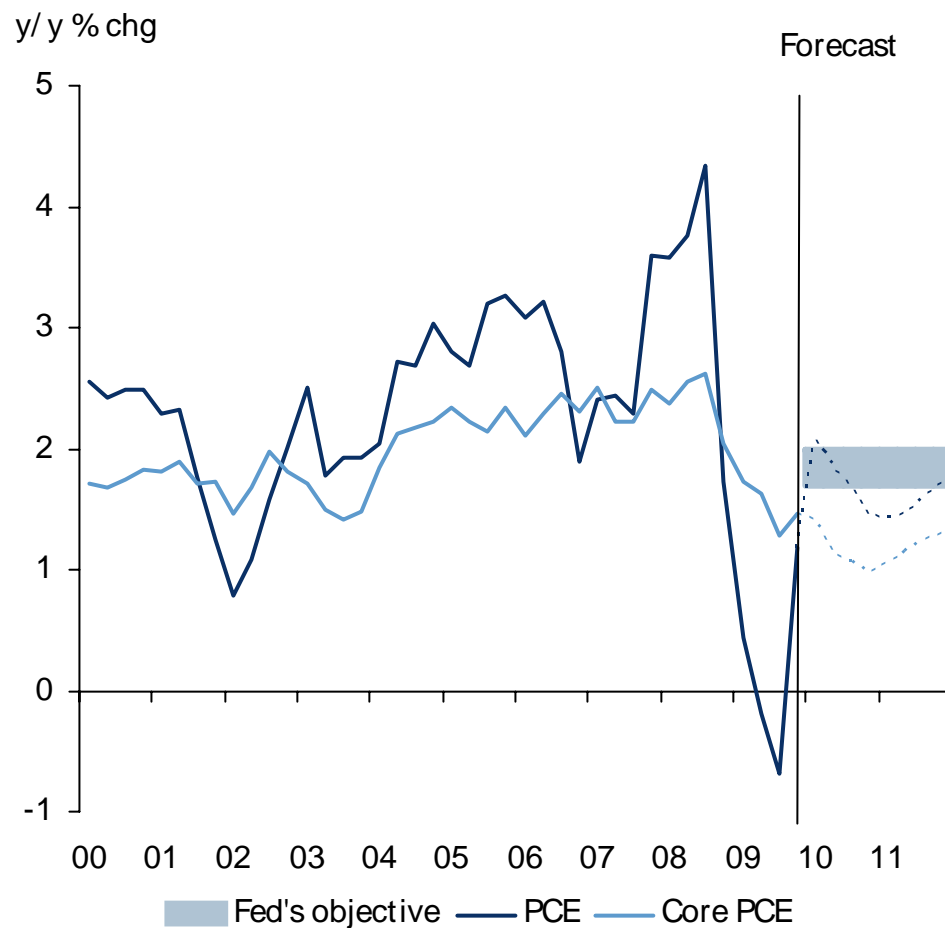
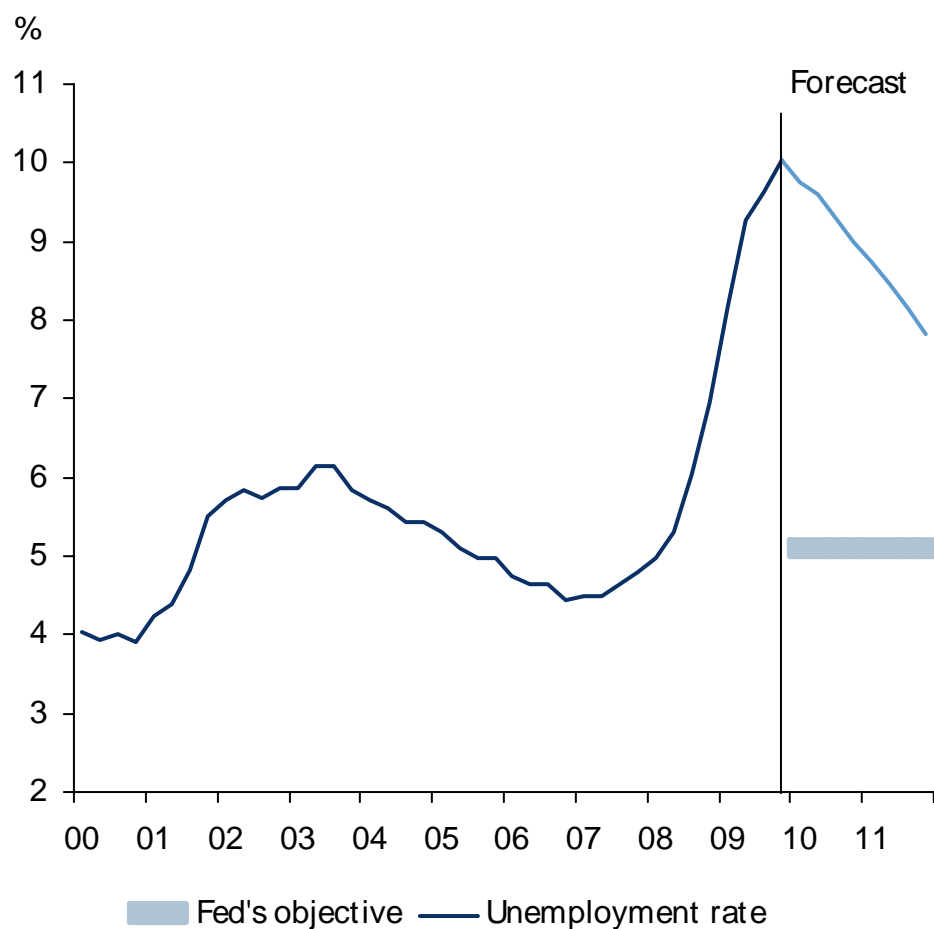
Level of business investment spending is very low



Source: BEA, Haver Analytics



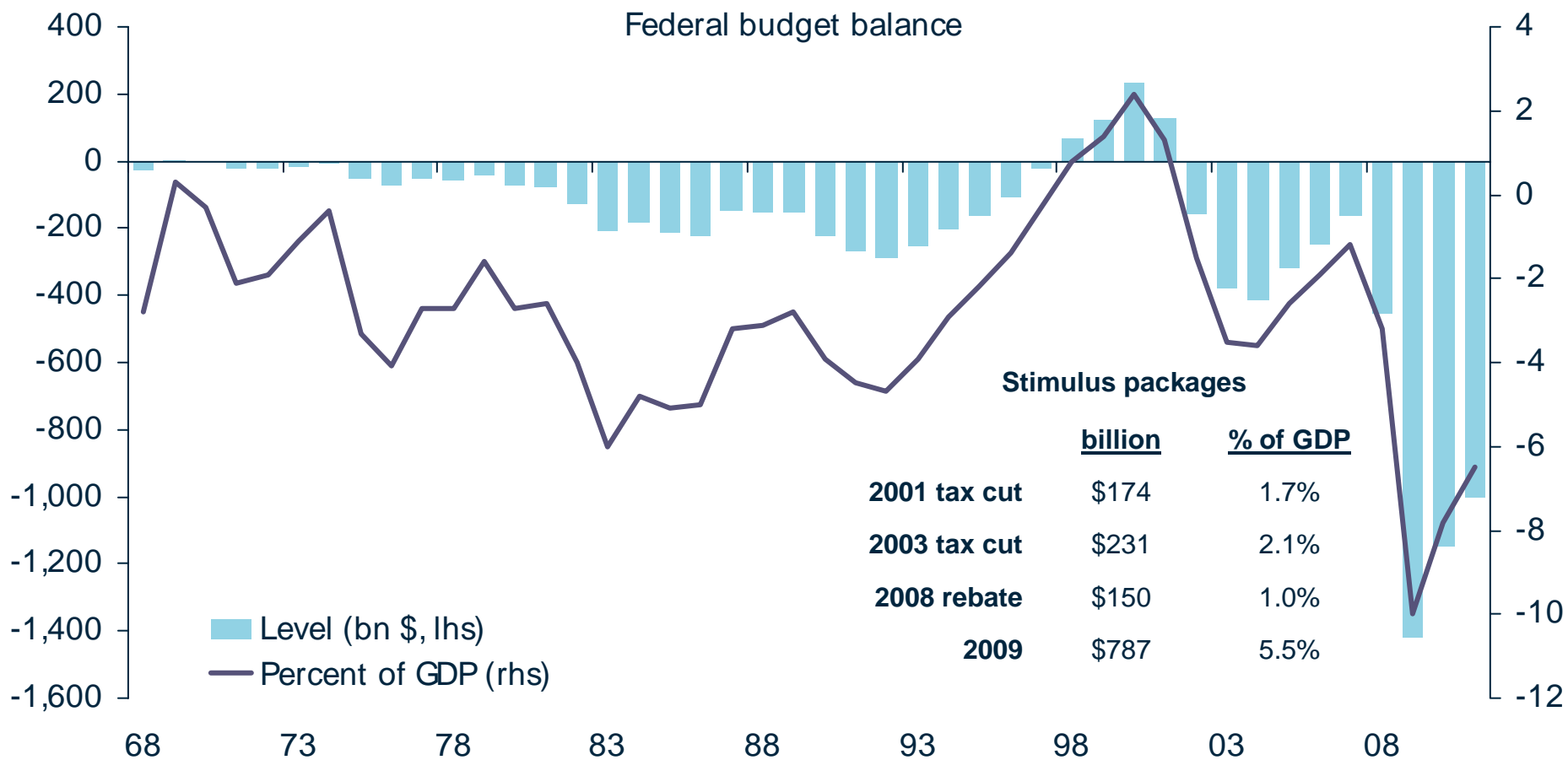
Unemployment is well above the Fed's desired range, while inflation is below



Source: BLS, BEA, FRB, Haver Analytics



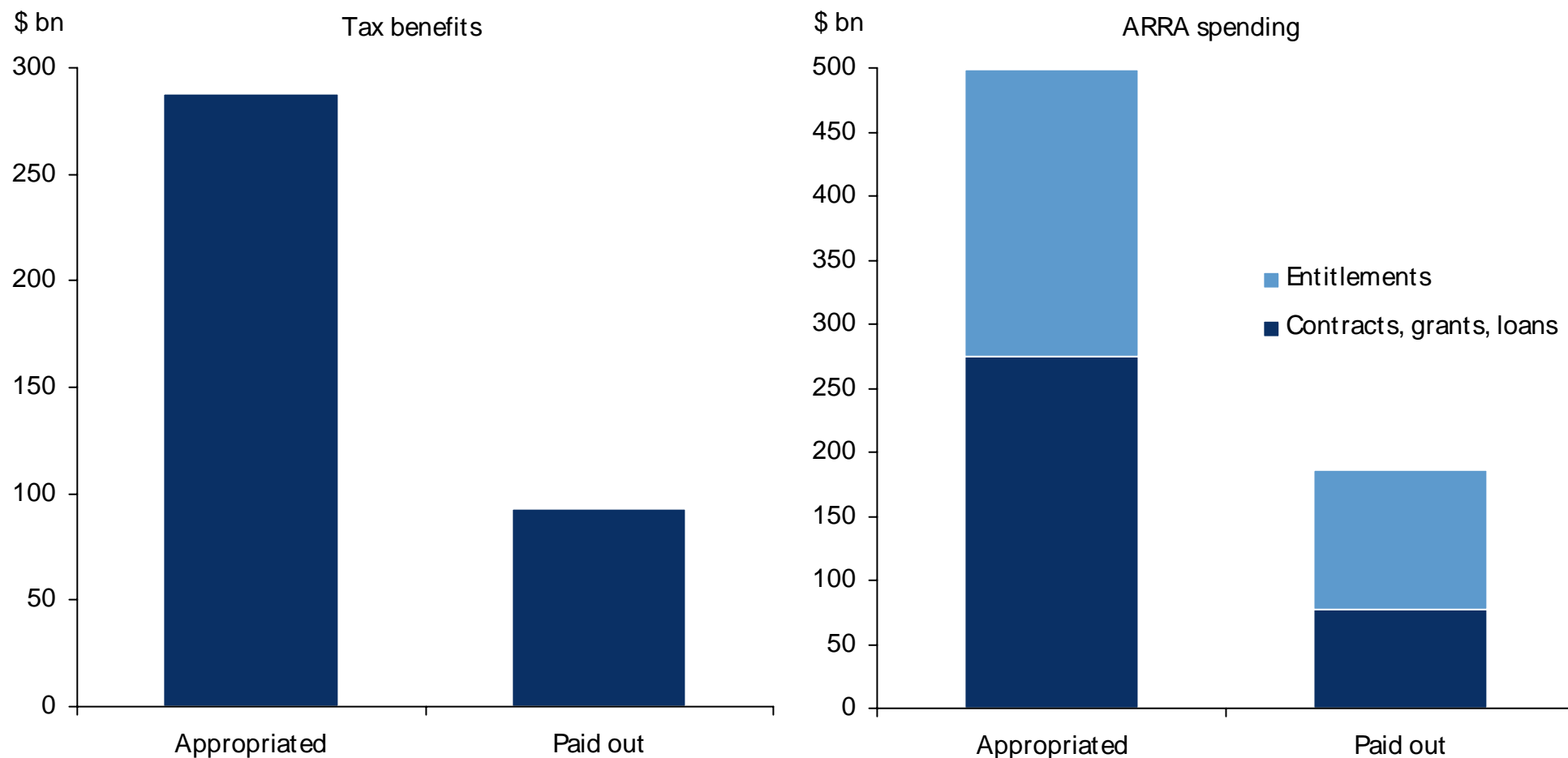
Fiscal package is massive



Source: BEA, CBO, Barclays Capital



Most of the stimulus has yet to kick in



Source: Recovery.gov, BEA, CBO, Council of Economic Advisers, Haver Analytics, Barclays Capital

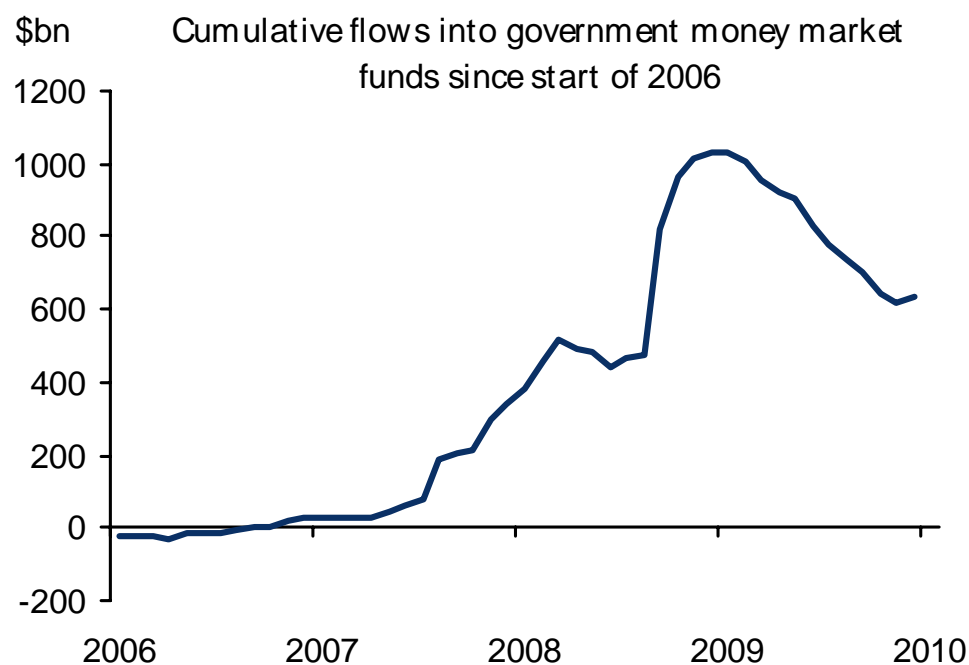
Fixed income accounting plus composition

The retrenchment of the Fed and the return to risk suggest it is inevitable that rates are going up

FI supply demand imbalance

| Ex Ante Demand | Total |
|--------------------------|--------------|
| Overseas | +600 |
| Banks | +300 |
| Households | +600 |
| Pension allocation | +100 |
| Total ex-ante demand | 1600 |
| Total net term FI supply | 2640 |
| Imbalance | -1040 |

Demand for risk free assets



Source: ICI, OECD Outlook, Barclays Capital

Disclaimer

The person named as the author of this report hereby certifies that: (i) all of the views expressed in the research report accurately reflect my personal views about the subject securities and issuers; and (ii) no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report.

The persons named as the authors of this report hereby certify that: (i) all of the views expressed in the research report accurately reflect the personal views of the authors about the subject securities and issuers; and (ii) no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report.

For disclosures on issuers in this report see: <https://ecommerce.barcap.com/research/cgi-bin/public/disclosuresSearch.pl>

Any reference to Barclays Capital includes its affiliates.

Barclays Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Barclays Capital may have a conflict of interest that could affect the objectivity of this report.

IRS Circular 230 Prepared Materials Disclaimer: Barclays Capital and its affiliates do not provide tax advice and nothing contained herein should be construed to be tax advice. Please be advised that any discussion of U.S. tax matters contained herein (including any attachments) (i) is not intended or written to be used, and cannot be used, by you for the purpose of avoiding U.S. tax-related penalties; and (ii) was written to support the promotion or marketing of the transactions or other matters addressed herein. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

This publication has been prepared by Barclays Capital, Inc., a US registered broker/dealer and member of the FINRA. This publication is provided to you for information purposes only. Prices shown in this publication are indicative and Barclays Capital is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. Other than disclosures relating to Barclays Capital, the information contained in this publication has been obtained from sources that Barclays Capital knows to be reliable, but we do not represent or warrant that it is accurate or complete. The views in this publication are those of Barclays Capital and are subject to change, and Barclays Capital has no obligation to update its opinions or the information in this publication. Barclays Capital and its affiliates and their respective officers, directors, partners and employees, including persons involved in the preparation or issuance of this document, may from time to time act as manager, co-manager or underwriter of a public offering or otherwise, in the capacity of principal or agent, deal in, hold or act as market-makers or advisors, brokers or commercial and/or investment bankers in relation to the securities or related derivatives which are the subject of this publication.

Neither Barclays Capital, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents. The securities discussed in this publication may not be suitable for all investors. Barclays Capital recommends that investors independently evaluate each issuer, security or instrument discussed in this publication, and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information in this publication is not intended to predict actual results, which may differ substantially from those reflected.

This communication is being made available in the UK and Europe to persons who are investment professionals as that term is defined in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion Order) 2005. It is directed at persons who have professional experience in matters relating to investments. The investments to which it relates are available only to such persons and will be entered into only with such persons. Barclays Capital - the investment banking division of Barclays Bank PLC, authorised and regulated by the Financial Services Authority ('FSA') and member of the London Stock Exchange.

Subject to the conditions of this publication as set out above, ABSA CAPITAL, the Investment Banking Division of ABSA Bank Limited, an authorised financial services provider (Registration No.: 1986/004794/06), is distributing this material in South Africa. Any South African person or entity wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of ABSA Capital in South Africa, ABSA TOWERS NORTH, 180 COMMISSIONER STREET, JOHANNESBURG, 2001. ABSA CAPITAL IS AN AFFILIATE OF BARCLAYS CAPITAL.

Non-U.S. persons should contact and execute transactions through a Barclays Bank PLC branch or affiliate in their home jurisdiction unless local regulations permit otherwise.

Barclays Bank PLC Frankfurt Branch is distributing this material in Germany under the supervision of Bundesanstalt fuer Finanzdienstleistungsaufsicht.

© Copyright Barclays Bank PLC (2008). All rights reserved. No part of this publication may be reproduced in any manner without the prior written permission of Barclays Capital or any of its affiliates. Barclays Bank PLC is registered in England No. 1026167. Registered office 1 Churchill Place, London, E14 5HP.

Additional information regarding this publication will be furnished upon request. [080129USD]