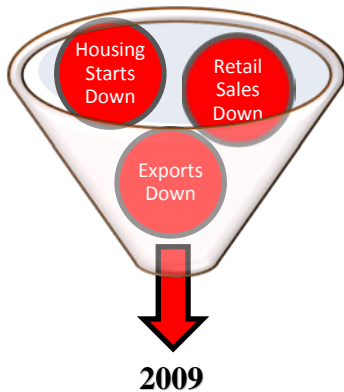




A Time For Action



The recession continues to deepen. Retail sales were off dramatically in December. It looks a lot like the down turns in 1974 and 1982. With unemployment projected to rise to 8% to 10%, retail sales may not rebound any time soon. Housing hit its

lowest level of activity in 61 years. Exports dropped.

The global economy is showing strains worldwide, with even China risking a recession during 2009. The Fed pushed interest rates to the low point hit in the 1980 recession and appears to have realistically exhausted this tool. The M2 money supply accelerated increasing the risk of stagflation.

Industrial production continued to slump (but not at the rate of decline seen in September). The purchasing managers' index hit its lowest point since 1981.

How the new administration reacts will have little impact in the near term, but real consequences over the next 18 months.

Illinois U.S. Senator and Republican leader, **Everett McKinley Dirksen**, was once quoted as saying:

“A billion here, a billion there; pretty soon you're talking real money.”

Obama isn't talking about “a billion,” 10 billion, or even a hundred billion! The talk is about *multiple “trillions!!!”* And they are talking about it as if it isn't “real money.”



In October Congress rushed through \$700 Billion for the Troubled Asset Relief Program (TARP). When coupled with other actions by the Treasury and Fed the bailout reached more than \$2.5 trillion dollars. **Now the suggestion is another \$700 Billion to \$1.3 Trillion Bailout as a “first step.”**

Put Our Experience To Work For You

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The fiscal 2009 deficit estimate is **\$1.3 trillion** or more. That would equal **8.25%** of **GDP**. The highest deficit since World War II was **6%** of **GDP** in 1983.

Economist tell us that GDP has continued to shrink meaning a \$1.3 trillion deficit will be an even higher percentage than 8.25%.

Deficit



Economic
Activity
GDP

Realistically, it appears that both the deficit and its % of GDP will be far worse than currently admitted.

What Does This Mean For You



Playing the role of the Ostrich and doing nothing or worse yet doing the wrong thing will only hurt profits and miss opportunities.

The Institute For Trend Research (IFTR), a premiere economic forecasting organization and our strategic partner, forecast that a recovery could begin during the first half of 2010. Total focus on the depth and duration of the recession, and under weighting the long term inflationary impact of the Fed and Treasury monetary policy, is driving the bailout approach of the new administration.

A similar focus is apparent in the response of other governments to the global recession. Under these circumstances how long will major foreign lenders be willing or able to prop up the finances of the US. Given projected deficits and trade imbalance, IFTR thinks “the viability of foreign credit is the single greatest concern we have for the economy.”

The Wise Old Owl Was right.

More than ever, to maintain growth and profits, companies need scenario-based strategic planning and implementation based on a real understanding of what the coming economic cycle means for them.



Having action steps based on which of the five potential phases this recession takes that develop new revenue streams and concentrate on the right customers is essential for maintaining profits over the next 15 months. “Severe Stagflation” appears a real possibility given the current bailout proposals. What your action steps should be, will look quite different, if we have stagflation than if we have real deflation.

With major deficits, should foreigners cease buying our debt and financing our trade imbalances, the economic global recession could get lot more complex.