
INTERNATIONAL WROUGHT COPPER COUNCIL

World Economic Outlook 2009 ~In the Midst of Paradigm Shifts~

Sumitomo Shoji Research Institute (SCRI)

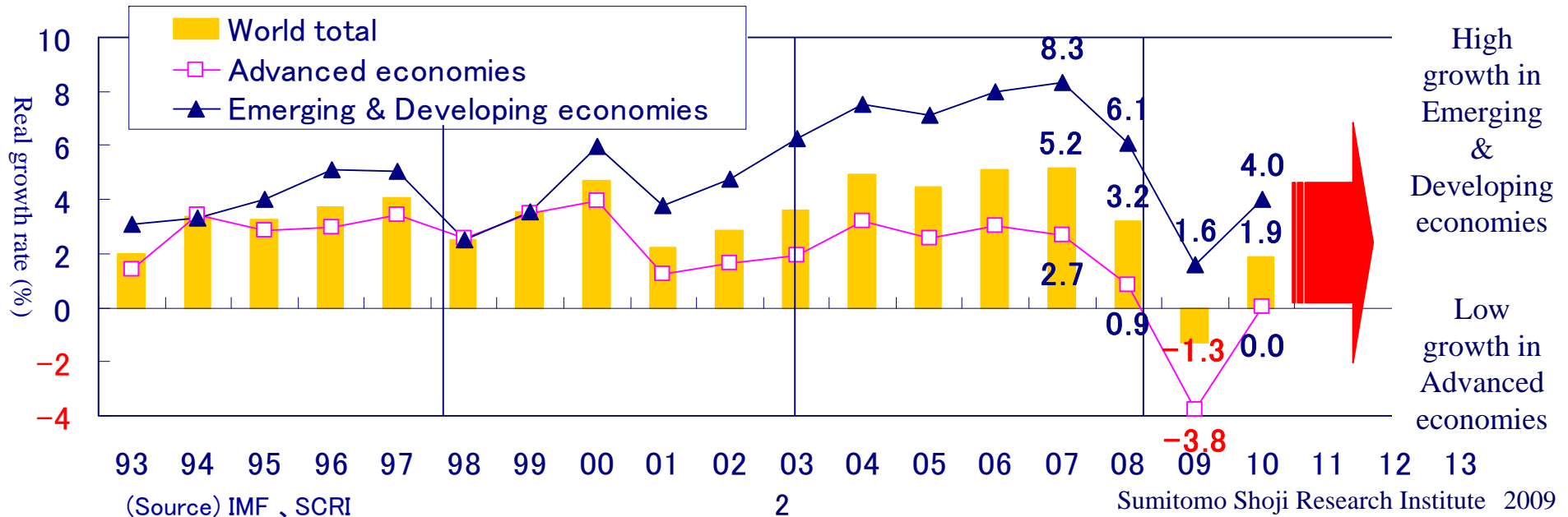
May 13, 2009

Globalization and the Rise of Emerging Markets

- Merging of East and West resulting from the collapse of the Cold War structure
- Countries transitioning to market economy become “the world’s factory”
- Low inflation and cheap money

- Emergence of BRICs and expansion of frontier markets
- Development and spread of IT technologies and financial engineering
- High prices of resources and upward shift of pricing structure

- Expansion of regional alliances centered around emerging countries
- Uneven distribution of money and stagnation of financial intermediation
- Worsening global environmental problems



Globalization and the Rise of Emerging Markets

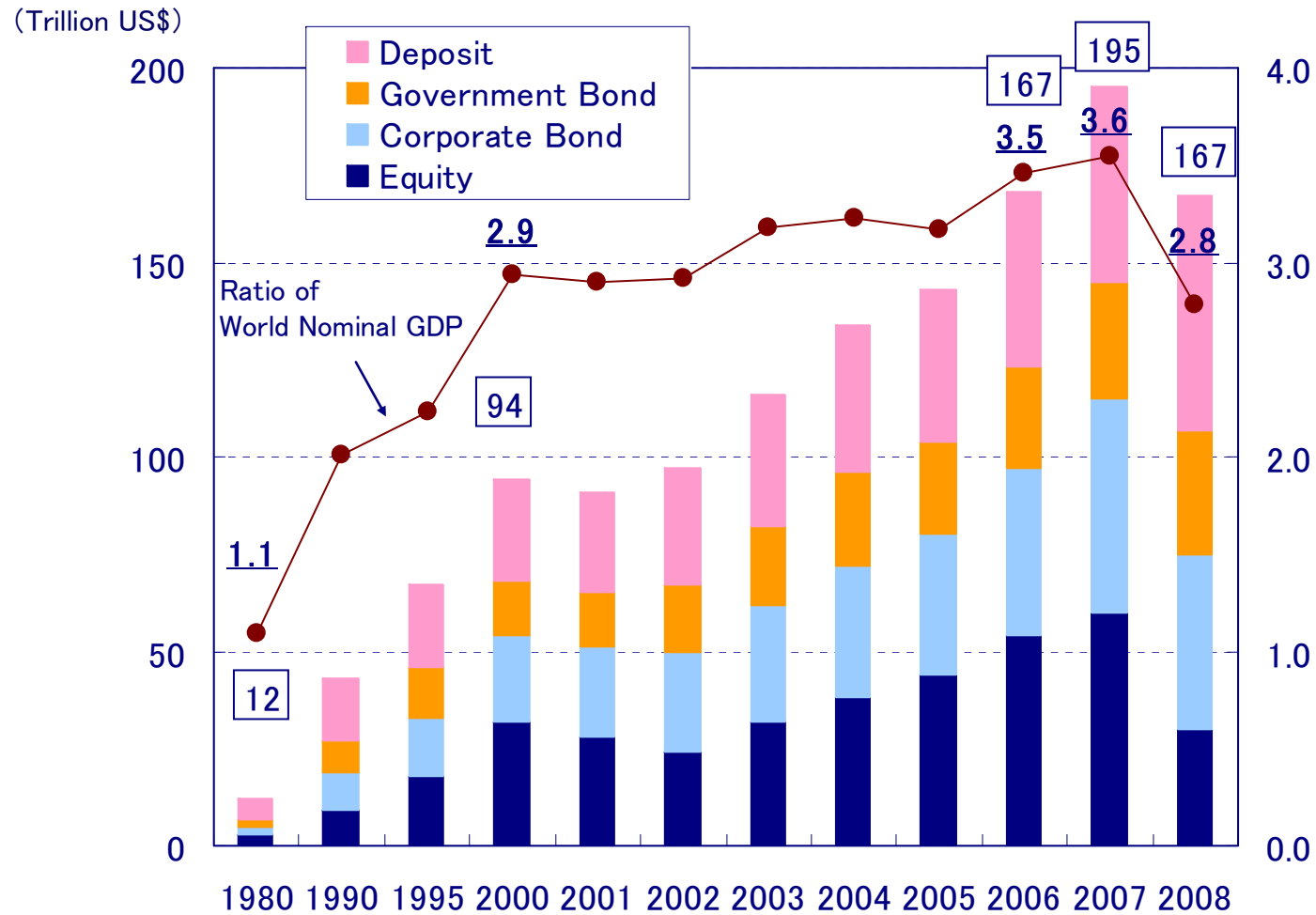
	Average Annual Growth Rate (%)			
	93-'97	98-'02	03-'07	08-'10
World Total	3.3	3.2	4.7	1.3
Advanced economies	2.8	2.6	2.7	-1.0
Emerging & Developing economies	4.1	4.1	7.4	3.9

	Share of World Economy (%)				
	1993	1998	2003	2008	2013
Advanced economies	63.9	63.1	60.5	55.3	50.1
Emerging & Developing economies	36.2	36.9	39.5	44.7	49.9
United States	23.0	23.6	22.8	20.9	19.2
EU	26.4	25.6	24.5	22.3	20.2
Japan	9.0	8.1	7.2	6.4	5.6
Emerging Asia	12.0	14.4	17.0	21.0	25.5

(Note) Emerging Asia: China, India, and ASEAN
Share of world economy based on PPP

(Source) IMF, SCRI

Widening gap between ballooning “money economy” and “real economy”



(Note) Figures for 2007 and 2008 are SCRI estimates

(Source) METI, SCRI

Financial crisis

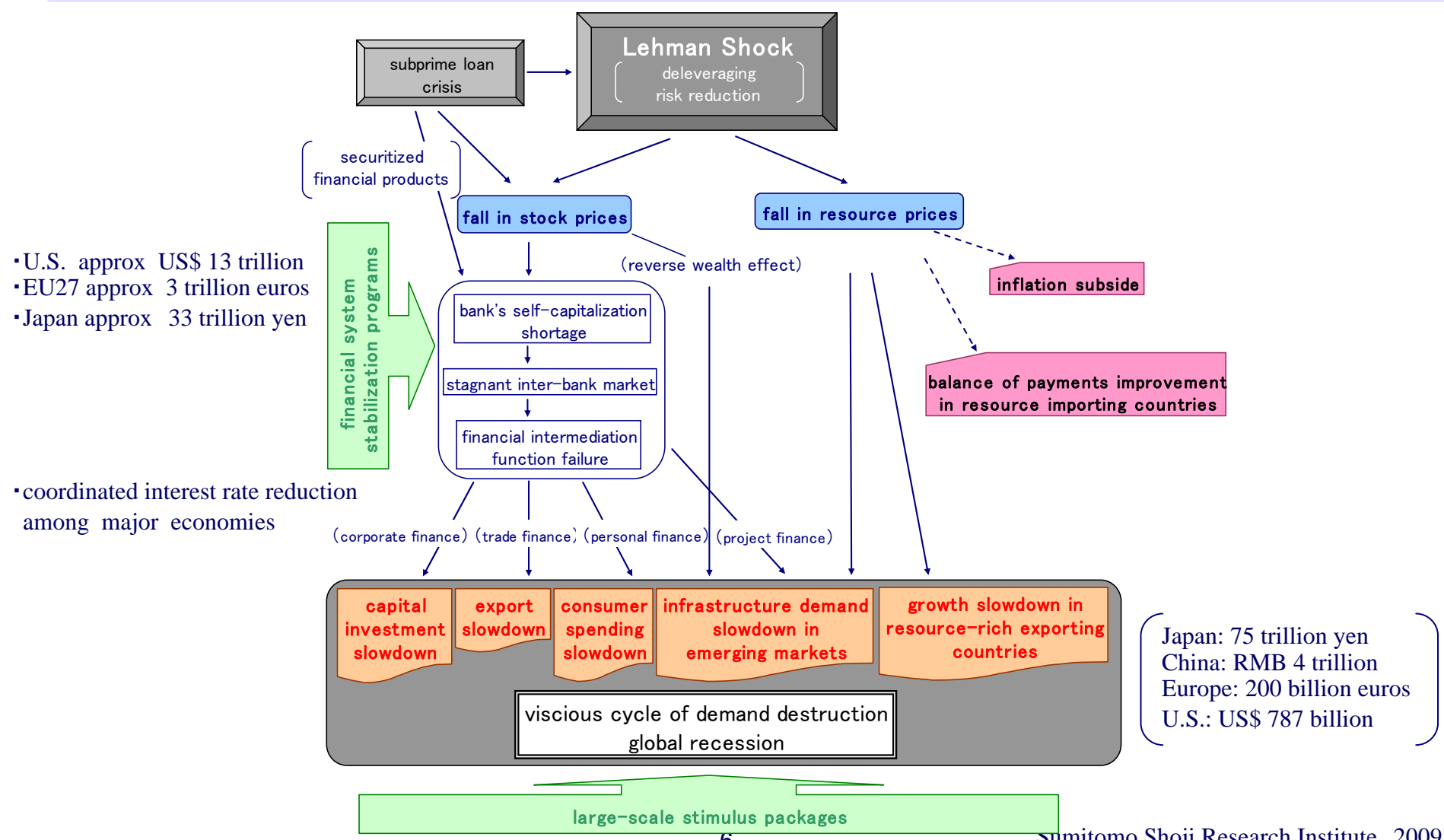
Unprecedented speed and scale

		End of 2007	Aug08 ②	Oct08 ③	Ratio ②/①	Ratio ③/①	Ratio ③/②
World Market Capitalization	US\$	60.9	47.5	32.5	0.78	0.53	0.68
US Market Capitalization	US\$	17.7	15.3	11.5	0.87	0.65	0.75
Japan Market Capitalization	US\$	4.5	3.9	3.0	0.86	0.66	0.77
NYMEX WTI	US\$/b	96.0	115.5	67.8	1.20	0.71	0.59
LME Copper	US\$/t	6,675	7,510	4,099	1.13	0.61	0.55
CBOT Corn	US ¢ /BU	455.5	568.3	401.5	1.25	0.88	0.71

(Note) End of month basis
(Source) Bloomberg

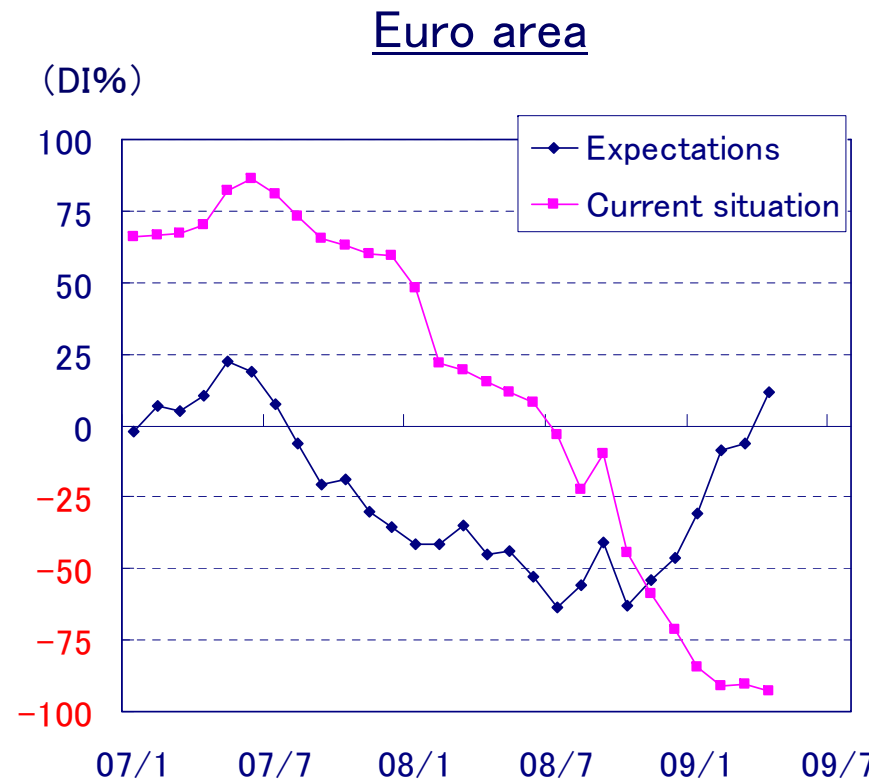
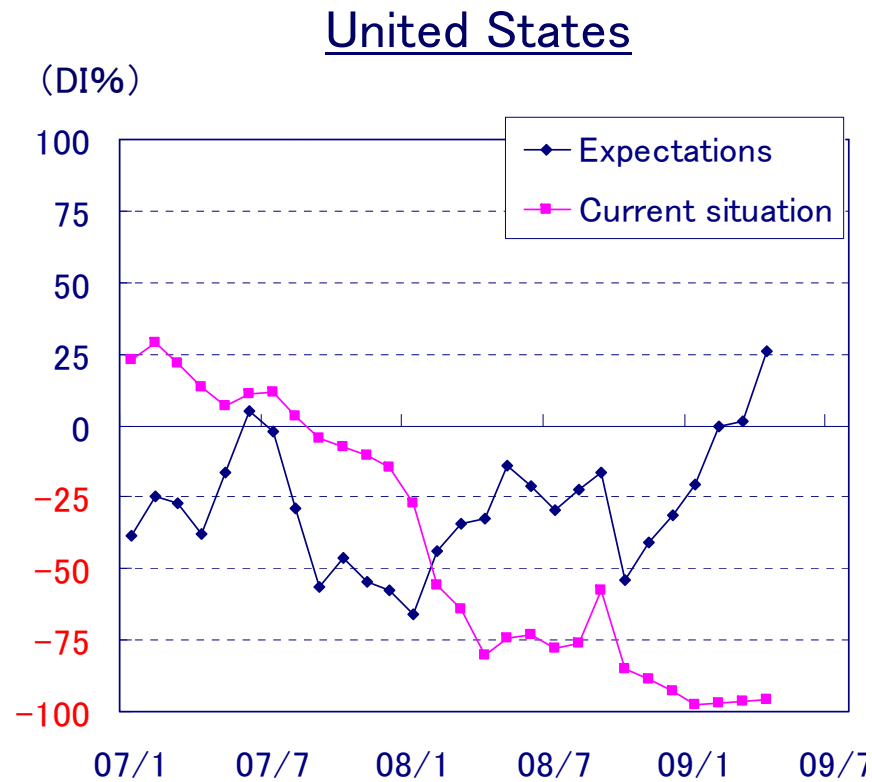
Financial crisis

Leading to global economic slowdown



Global Healing

Confidence improving in advanced economies

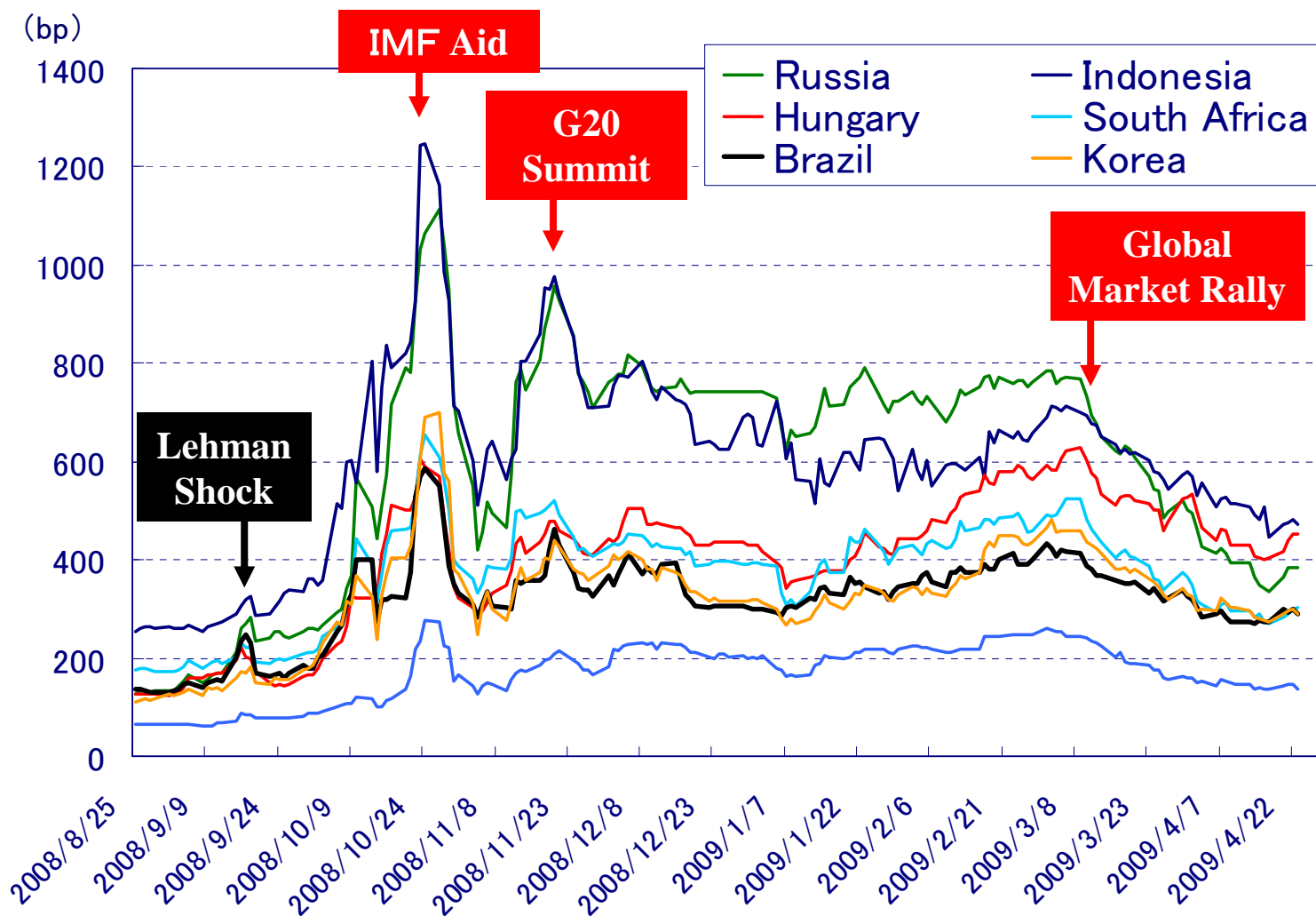


(NOTE) Expectations are designed to measure sentiment six months out
The survey represents the difference between positive and negative responses
in a survey of about 320 institutional investors and analysts.

(SOURCE) Zentrum fuer Europäische Wirtschaftsforschung(ZEW)

Global Healing

Emerging countries CDS spread tightening



(Note) End of Day basis

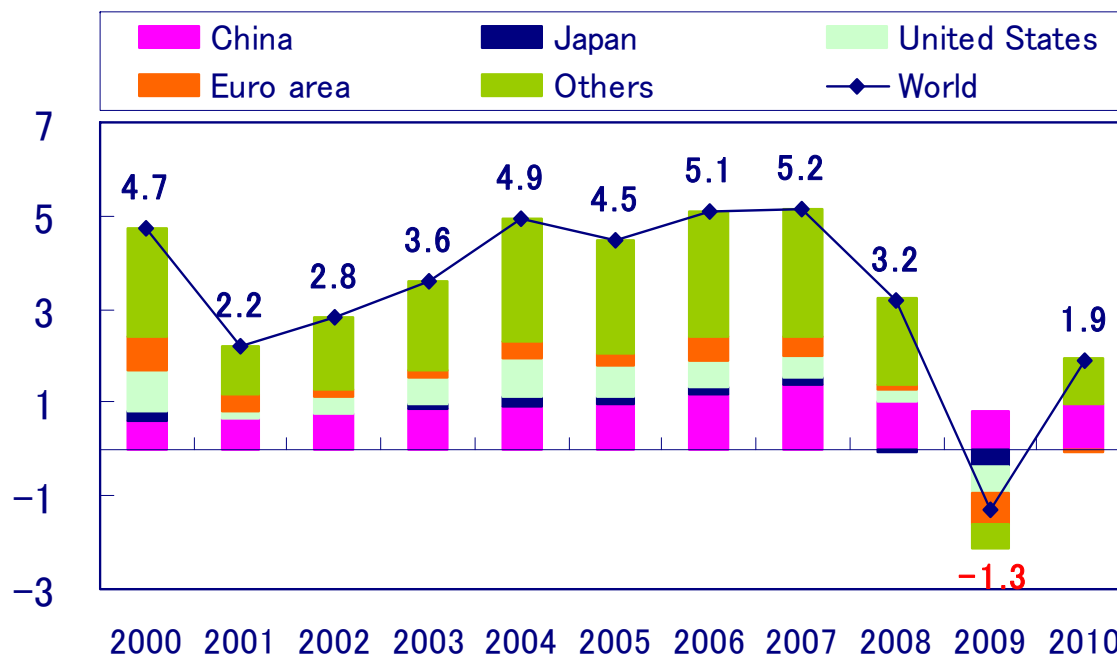
(Source) Bloomberg

Outlook for 2009-2010

Searching for return to growth path through policy mobilization

- World economy experiences first negative growth post WWII
- Emerging & developing economies' downturn will subside
- Risk of prolonged global recession
 - ◆ continuation of financial system uncertainties
 - ◆ acceleration of a weaker dollar

GDP Growth



World Economic Outlook 2009-2010

Slow Recovery

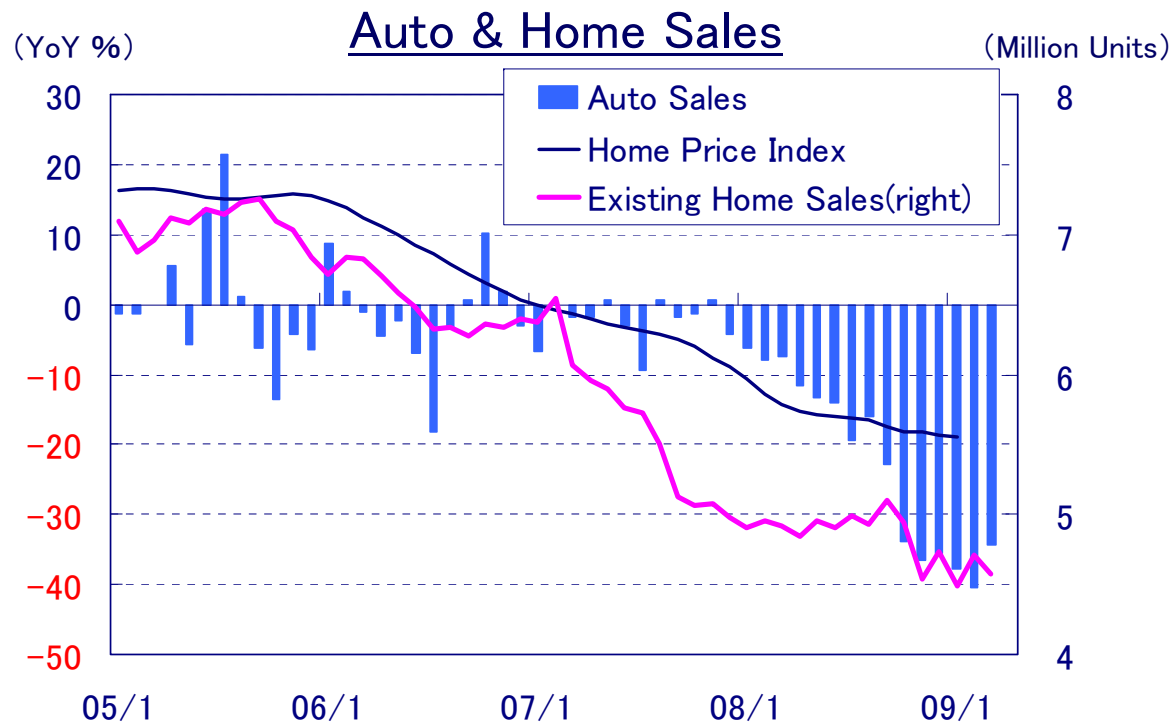
	2007	2008	2009	2010
			Projections	
World	5.2	3.2	-1.3	1.9
Advanced economies	2.7	0.9	-3.8	0.0
Japan	2.4	-0.6	-6.2	0.5
United States	2.0	1.1	-2.8	0.0
Euro area	2.7	0.9	-4.2	-0.4
United Kingdom	3.0	0.7	-4.1	-0.4
Others	4.7	1.6	-4.1	0.6
NIEs	5.7	1.5	-5.6	0.8
Emerging & Developing economies	8.3	6.1	1.6	4.0
Developing Asia	10.6	7.7	4.8	6.1
China	13.0	9.0	6.5	7.5
India	9.3	7.3	4.5	5.6
ASEAN-5	6.3	4.9	0.0	2.3
Africa	6.2	5.2	2.0	3.9
Central & Eastern Europe	5.4	2.9	-3.7	0.8
CIS	8.6	5.5	-5.1	1.2
Russia	8.1	5.6	-6.0	0.5
Middle East	6.3	5.9	2.5	3.5
Western Hemisphere	5.7	4.2	-1.5	1.6
Brazil	5.7	5.1	-1.3	2.2

(Source) IMF, "World Economic Outlook", 2009.4

U.S. Economy

Prolonged recession

- Continued weak recovery
 - ◆ housing price may hit bottom in the last quarter of 2009
- High expectations for "Green New Deal"
- Risk of prolonged recession
 - ◆ financial market turmoil due to acceleration of dollar depreciation

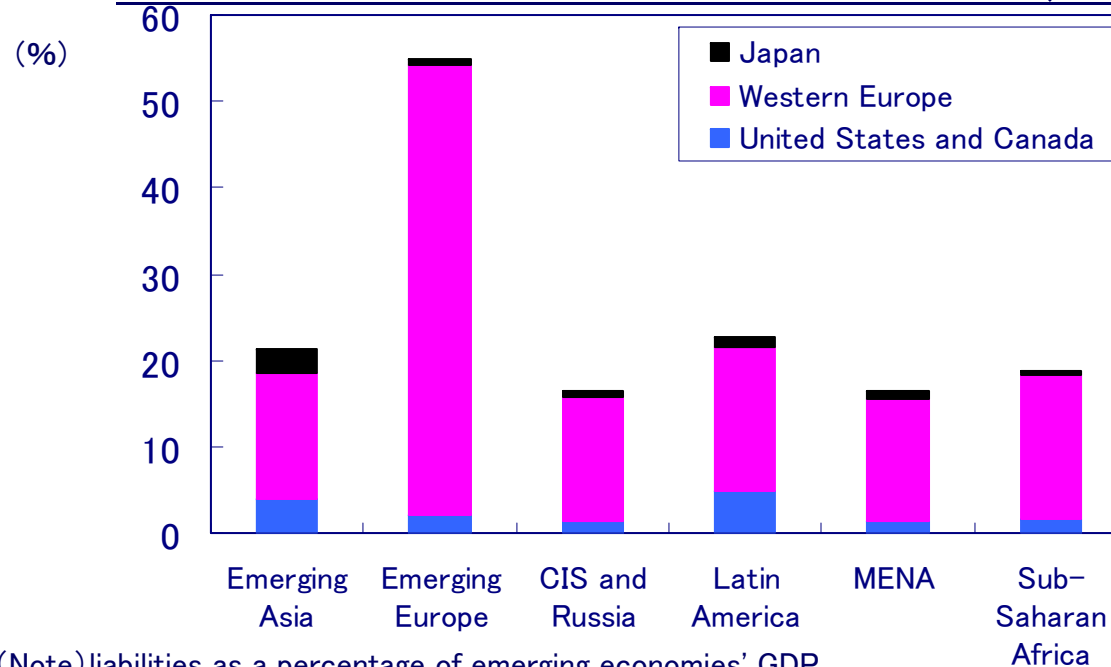


European Economy

Financial crisis leading to recession

- Continued weak recovery
 - ◆ Slower than U.S. or Japan
 - ◆ After-effects of credit crunch to linger
- Central and Eastern European economies may be an obstacle to economic recovery in Europe

Liabilities to Advanced Economies' Banks(2007)



(Note) liabilities as a percentage of emerging economies' GDP

MENA : Middle East & North Africa

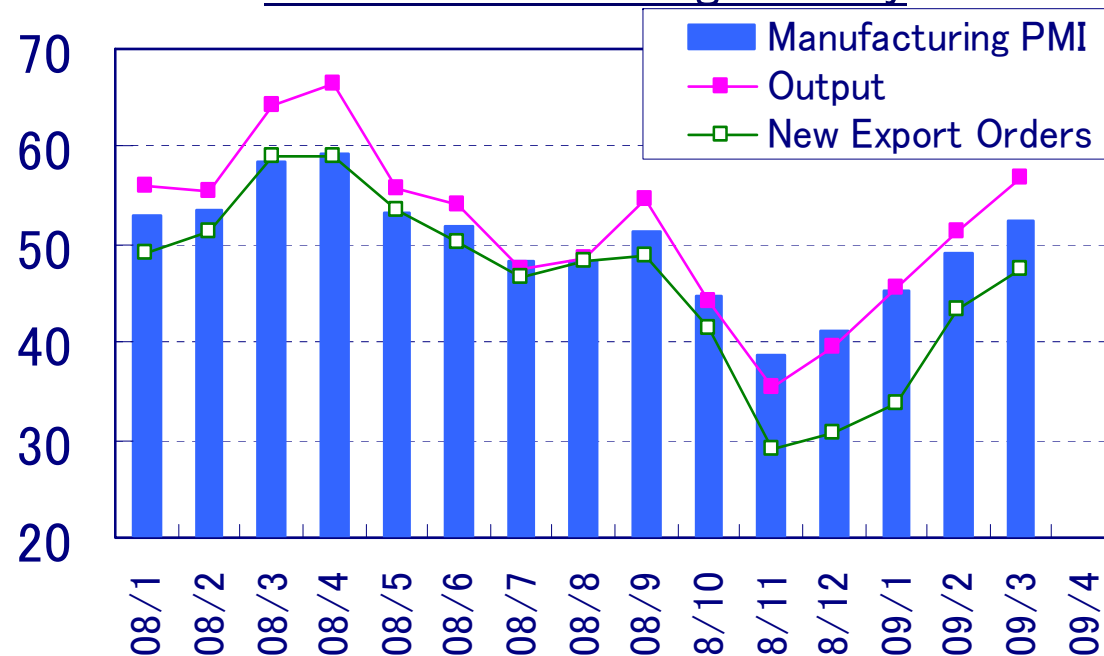
(Source)IMF

Chinese Economy

Policy mobilization to achieve 8% growth

- Major fiscal stimulus package
 - ◆ helping to boost consumption and infrastructure investment
- Policy measures stressing growth
 - ◆ monetary easing/tax incentives/RMB controls
- Expectations high for Shanghai Expo(May - October, 2010)

China Manufacturing Activity

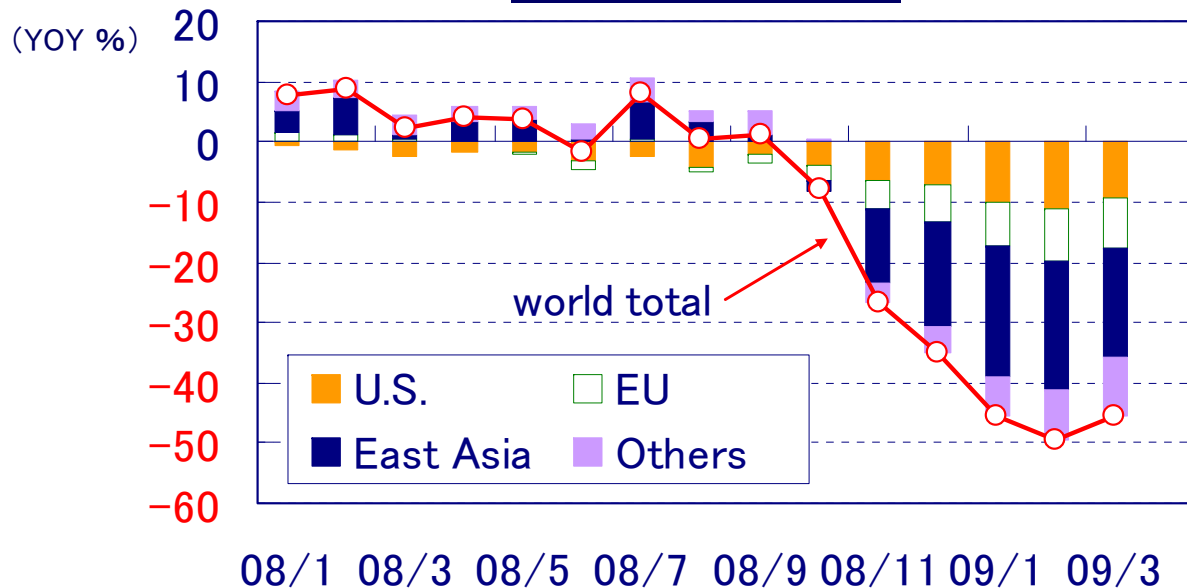


Japanese Economy

Export demand may lead to recovery in the 2nd half

- Weak recovery
 - ◆ slow recovery in corporate profits → weak capital expenditure spending
 - ◆ signs of recovery in exports to East Asia
- Monetary policy measures limited, emphasis on fiscal spending
- Risk of prolonged recession
 - ◆ high unemployment → weak consumer spending

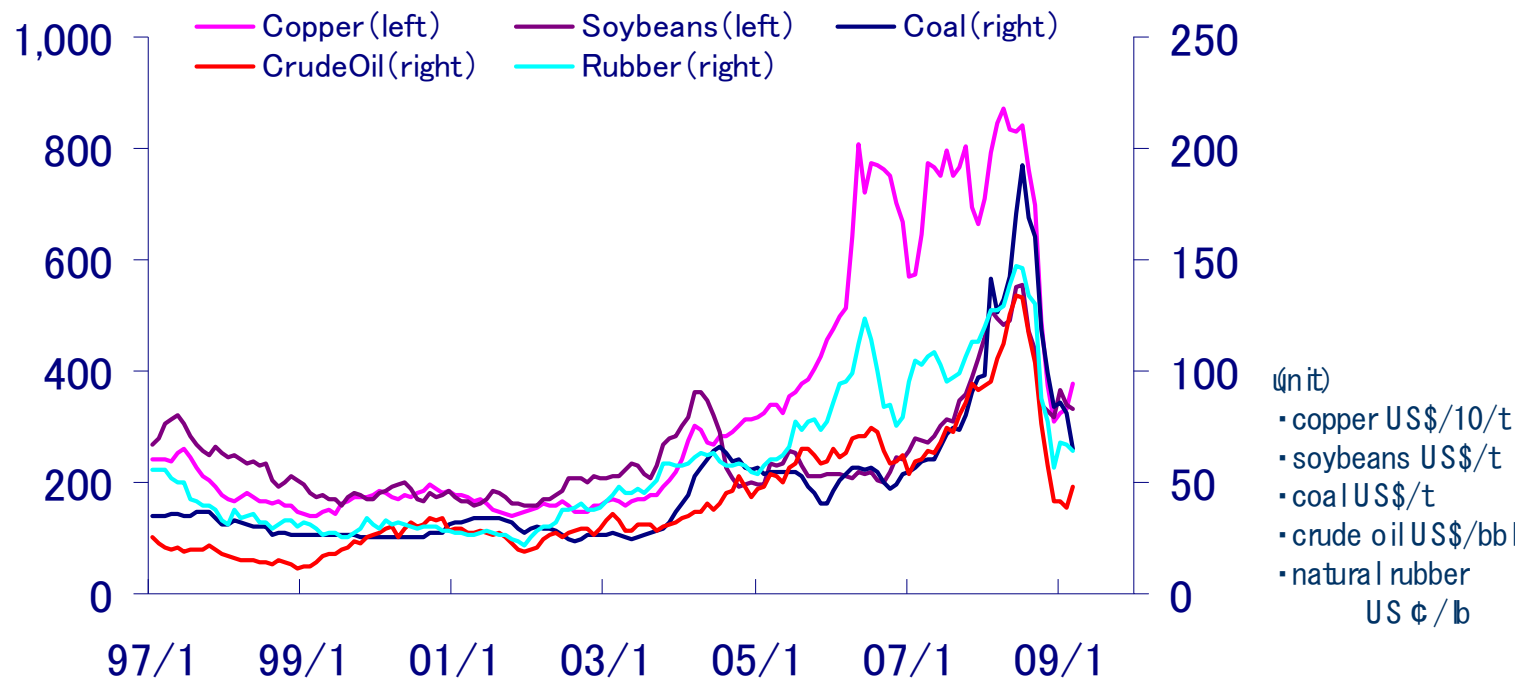
Exports by region



Paradigm Shifts in Energy and Food Prices

- 2009 ; searching for sustainable price level
 - ◆ supply demand balance easing due to global recession–induced demand slowdown
 - ◆ less impact of financial factors
 - ◆ current price level is an overshoot

Commodity Price Fluctuation



Paradigm Shifts in Energy and Food Prices

- Mid to Long term: tight supply demand situation and higher prices
 - ◆ strong demand to continue especially among emerging markets
 - average annual growth up to 2030 (crude oil 1.0%, coal 2.0%, gas 1.8%)
 - shift to alternative energy will remain limited
 - ◆ supply bottlenecks will continue
 - overaged facilities/resource nationalism
 - increased oil dependence on OPEC

IEA Long Term Energy Outlook (Mtoe)

	1980	2000	2006	2015	2030	80-06*	06-30*
Coal	1,788	2,295	3,053	4,023	4,908	2.1%	2.0%
Oil	3,107	3,649	4,029	4,525	5,109	1.0%	1.0%
Gas	1,235	2,088	2,407	2,903	3,670	2.6%	1.8%
Nuclear	186	675	728	817	901	5.4%	0.9%
Hydro	148	225	261	321	414	2.2%	1.9%
Biomass and waste	748	1,045	1,186	1,375	1,662	1.8%	1.4%
Other renewables	12	55	66	158	350	6.8%	7.2%
Total	7,223	10,034	11,730	14,121	17,014	1.9%	1.6%

(Note) * average annual growth
(Source) IEA