

Global Outlook 2009

The economic news flowing in from around the globe appears bleak; however, there are opportunities for those willing to take risk. There are several clear trends in the US and abroad that make sound investment in the current market. President Obama has announced in his stimulus package a dramatic shift toward primary infrastructure and the commercial deployment of renewable energy. When added to developing nations such as China, India, and Brazil the growth in infrastructure over the next several years will be staggering. The sharp drop in commodities prices specifically petroleum and natural gas has eased some of the market tension in the US and China, however, the glut in oil has adversely affected growth in the Persian Gulf and other developing areas. The easing of the petroleum prices has however removed some of the downward pressure on the US dollar helping to stem runaway inflation in places like Dubai. The knock-on effects of the financial crisis in the US will be felt for some time, but similarly to the Japanese Bubble in 1991, US banks are holding large amounts of assets but are having difficulty pushing funds out the door.

Longer run concerns relate to the ballooning US budget deficit and the more than doubling of the national debt over the course of President Bush's tenure. Since 2001 the US has operated with budget deficits not including off-balance sheet spending of 10% - 20% for the last eight years. The 2009 budget approved prior to the October financial bailout and not including war appropriations was over 3 trillion dollars with a revenue shortfall of almost 500 billion or approximately 15%. The current estimates for FY09 is a budget deficit of 1.2 trillion however this still does not account for war expenditures, Mr. Obama's new stimulus package, or further contraction in the US economy. Real deficit spending in FY09 could exceed 66% of the approved federal budget begging the question of "where will the money come from?"

There are really only two options and neither bode well: printing more money or foreign investment. Should the US decide to inflate away its debt by printing more money, the global economy will be forced to divest of its current US denominated assets or watch as their investment portfolios become worthless. China alone holds almost 2 trillion in US dollar reserves. Every country currently pegged to the US dollar would either have to revalue their currency or suffer runaway inflation. Neither option is palatable. The second option requires foreign nations to increase their exposure to US assets. This further acerbates the amount available for domestic investment. The likely scenario will be a combination of the two, as President Obama has stated firmly that the Bush tax cuts will stay in place and a further 300 billion dollars in tax cuts will be granted. The US has no intention of raising its own debt relief.

In the short term, new business opportunities may seem like risky propositions but what better time to develop or build your project. A slower more prudent strategy is in order as the true fallout from the past decade and the current crisis are realized. Large scale reform and political blaming games will abound for the foreseeable future. Within this climate businesses that position themselves for the leading edge of the next upwards business cycle stand to reap huge benefits. It is time to plan and execute cautious growth strategies. There are many bargains to be had in the coming months. However, this is not the time to overextend your firms' resources. The reshuffle in the labor market has resulted in an excess of talent available, lower costs, and increased flexibility. Firms that are lean, hungry, and effective will thrive in this environment. Look for bloated inefficient, outmoded entities to fail or ask for government intervention, on the peripheries of these will be the opportunity to seize market share, labor, and capital.

The question at the end of the day is not how bad the global economy will become or even when it will turn around. The question is how do you take advantage of the lean times? Euroasian has available capital and over 40 years of expertise to help you realize your business dreams. There are always opportunities to succeed even in a recession. As the world becomes more integrated there will be more readjustments to the economy. Is your business poised to respond to the coming changes?