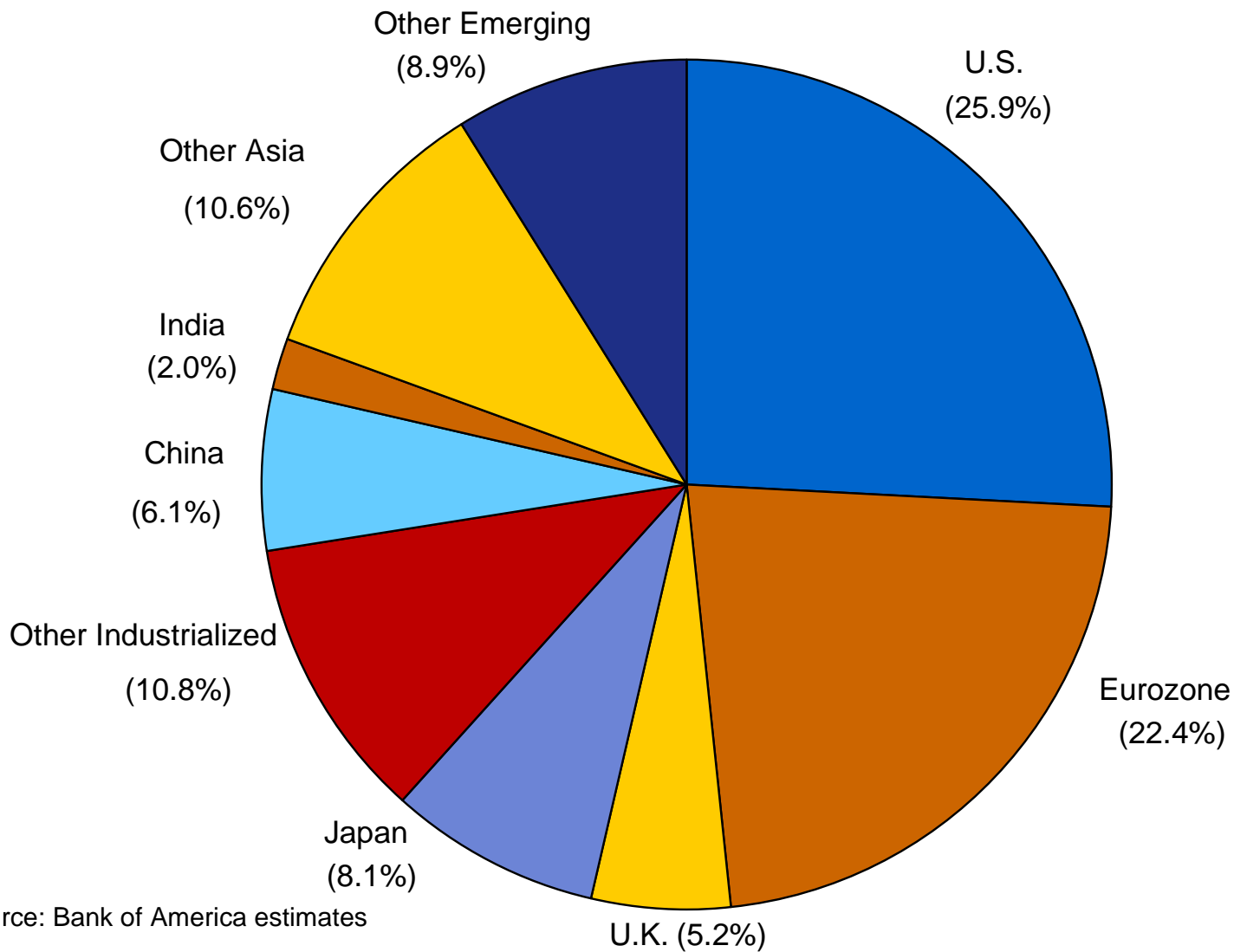


Economic & Financial Perspectives

Mickey D. Levy
Chief Economist
Bank of America

Capital Link Shipping Forum
New York City, NY
March 20, 2008

Shares of Global Output in 2007



Source: Bank of America estimates

Note: Estimated using current U.S. dollar-based GDP weights

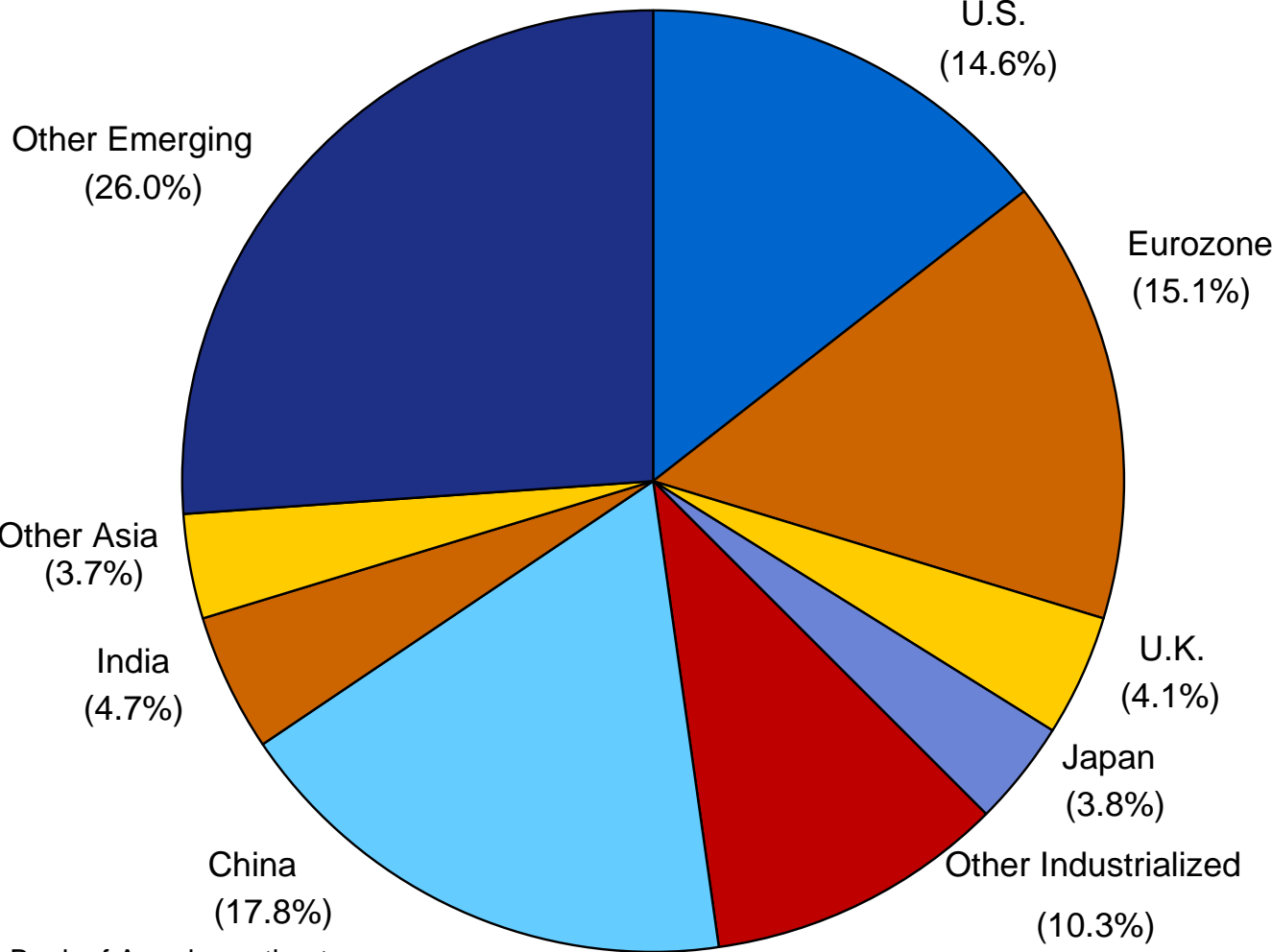
Trends in Global Growth 2002-2007

Average annualized growth, in percent:

Global	4.6	Other Emerging/Developing	7.2
U.S.	2.6	China	10.4
Euro Area	1.8	India	7.8
U.K.	2.7	Middle East	5.5
Japan	1.8		

Source: IMF World Economic Outlook

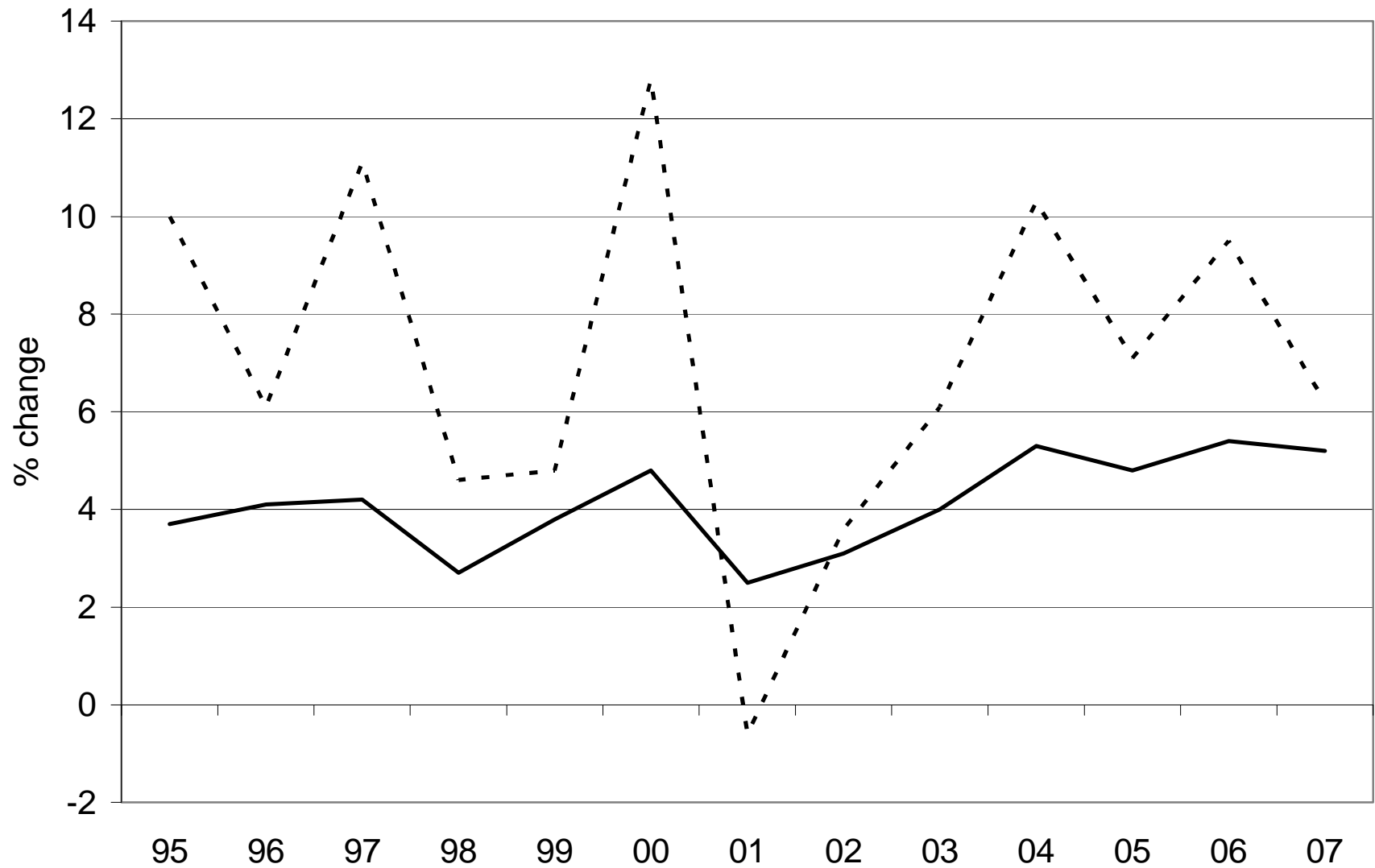
Contributions to Global Growth in 2007



Source: Bank of America estimates

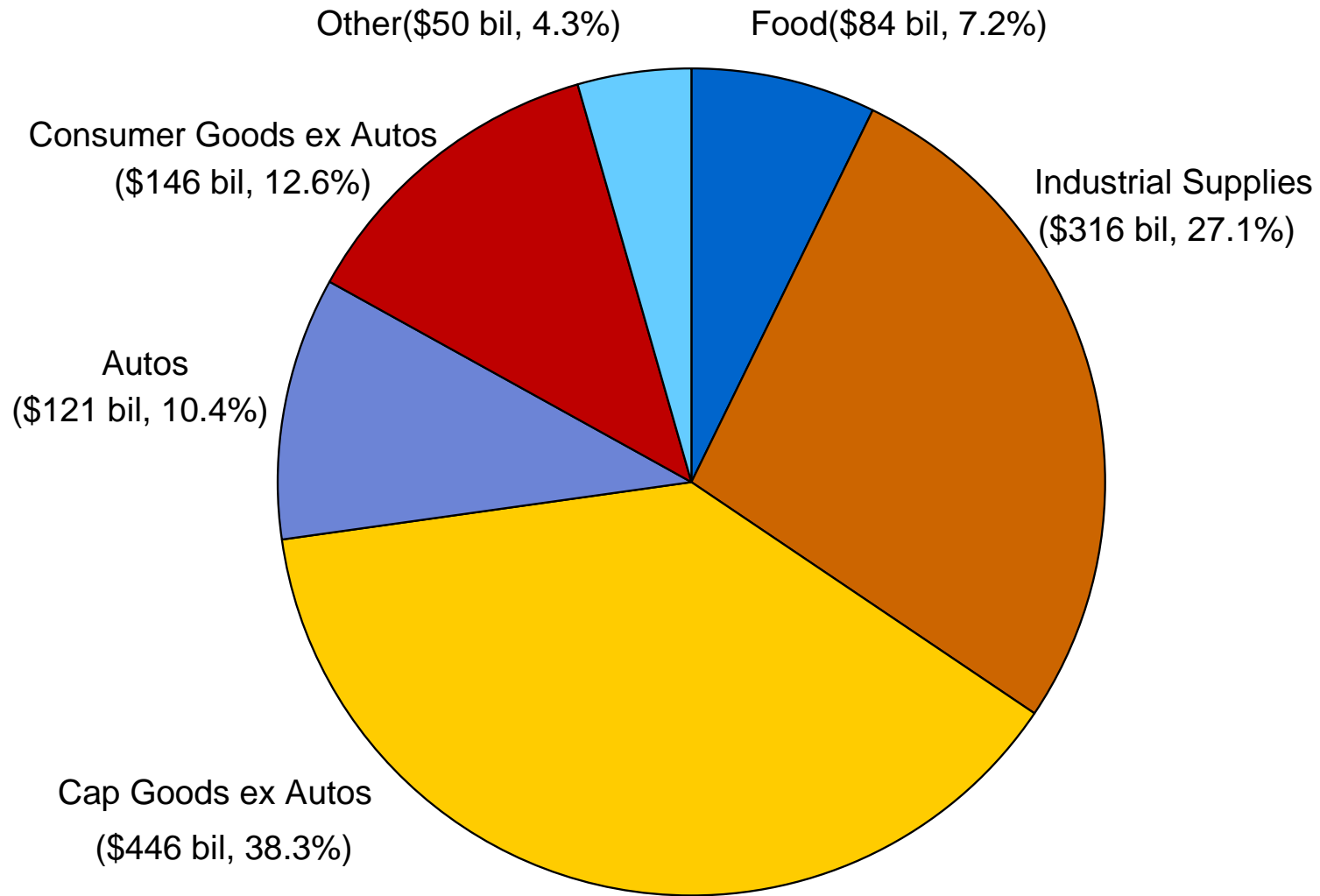
Note: Estimated using current U.S. dollar-based GDP weights

Trends in Global Growth and Trade



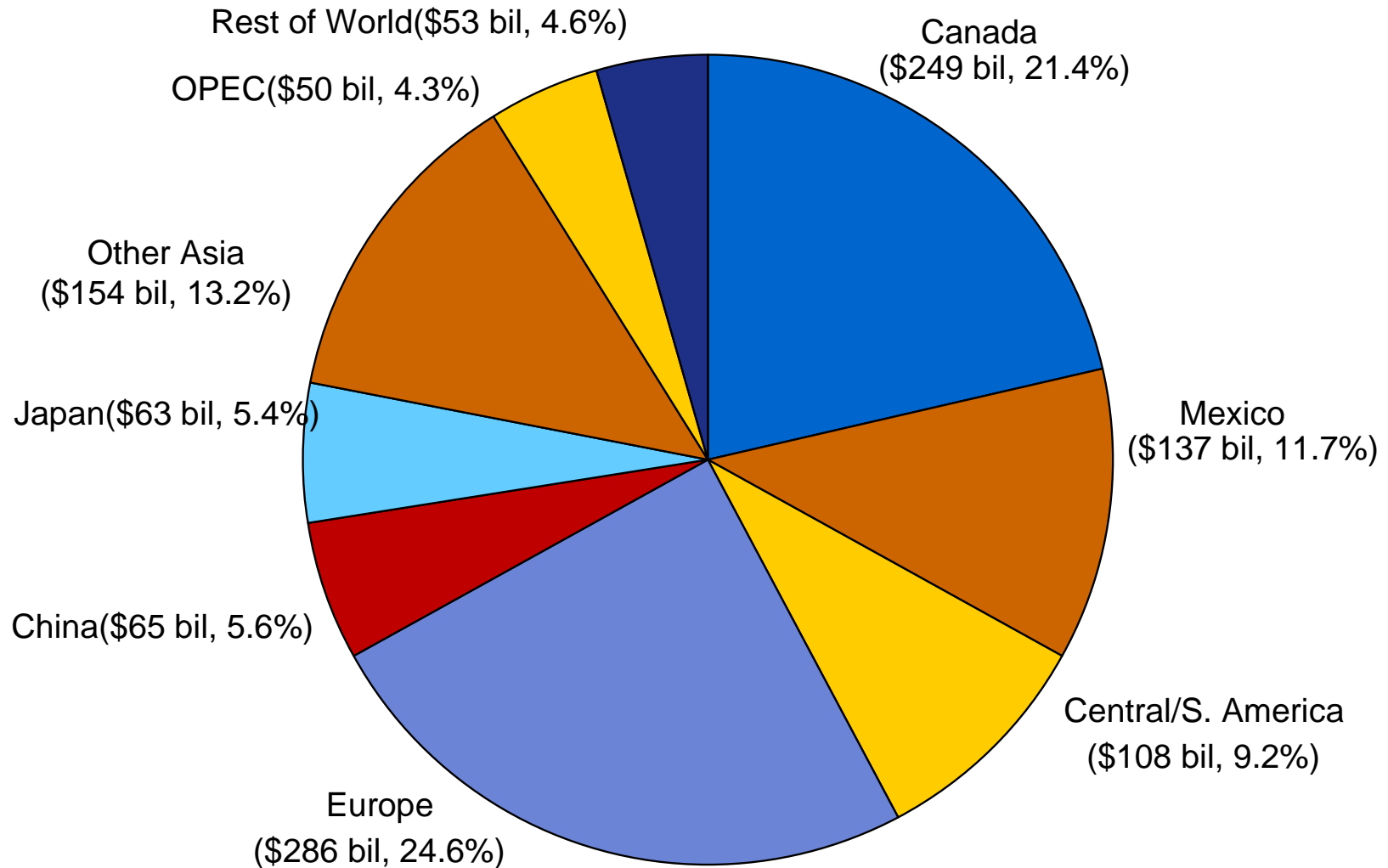
Source: IMF World Economic Outlook — World GDP Growth - - - World Exports of Goods

Composition of U.S. Goods Exports (2007 \$1.2 trillion)



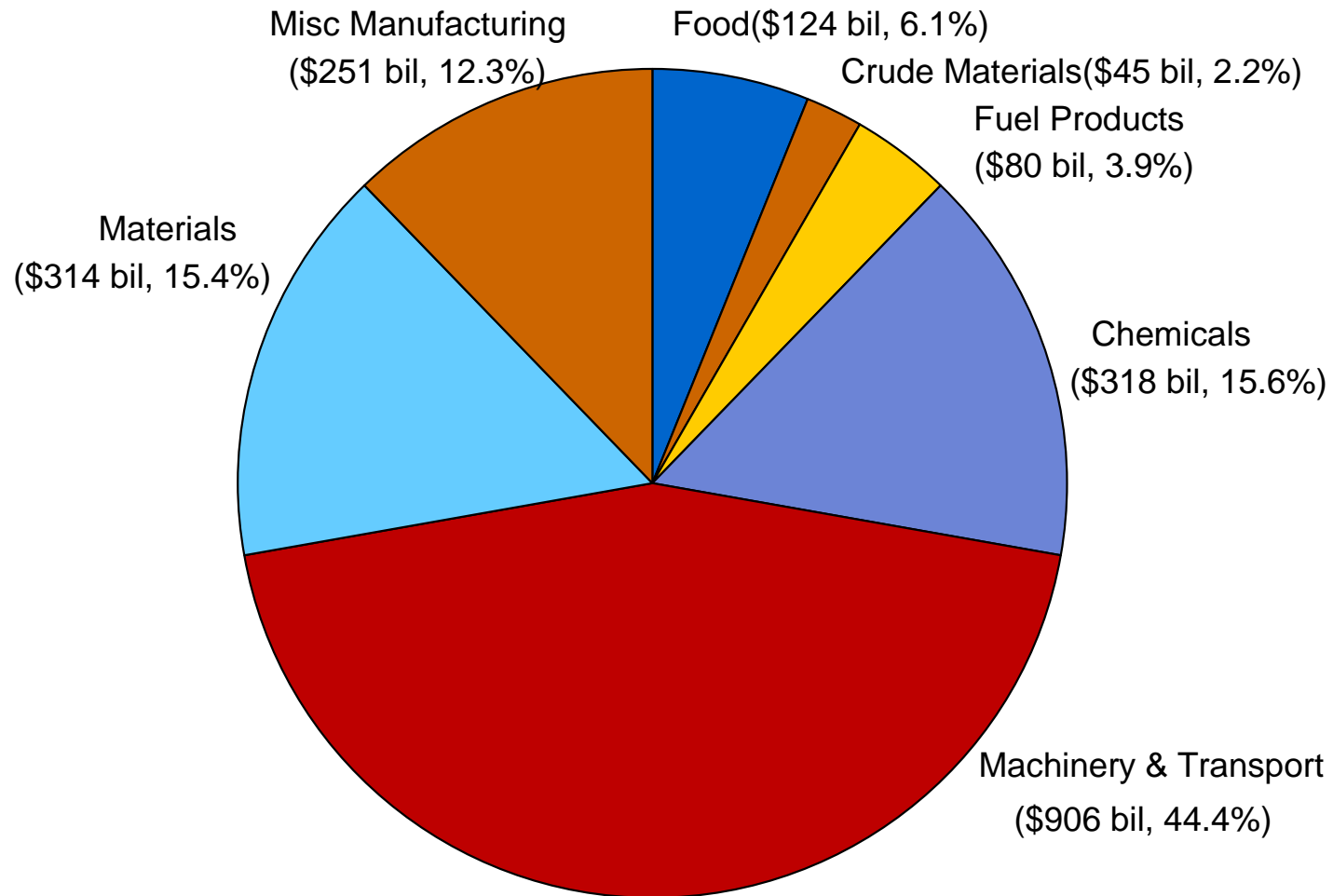
First term is value of nominal exports, second term is share of nominal exports.
Source: Census Bureau/Bank of America calculations

Distribution of U.S. Goods Exports (2007 \$1.2 trillion)



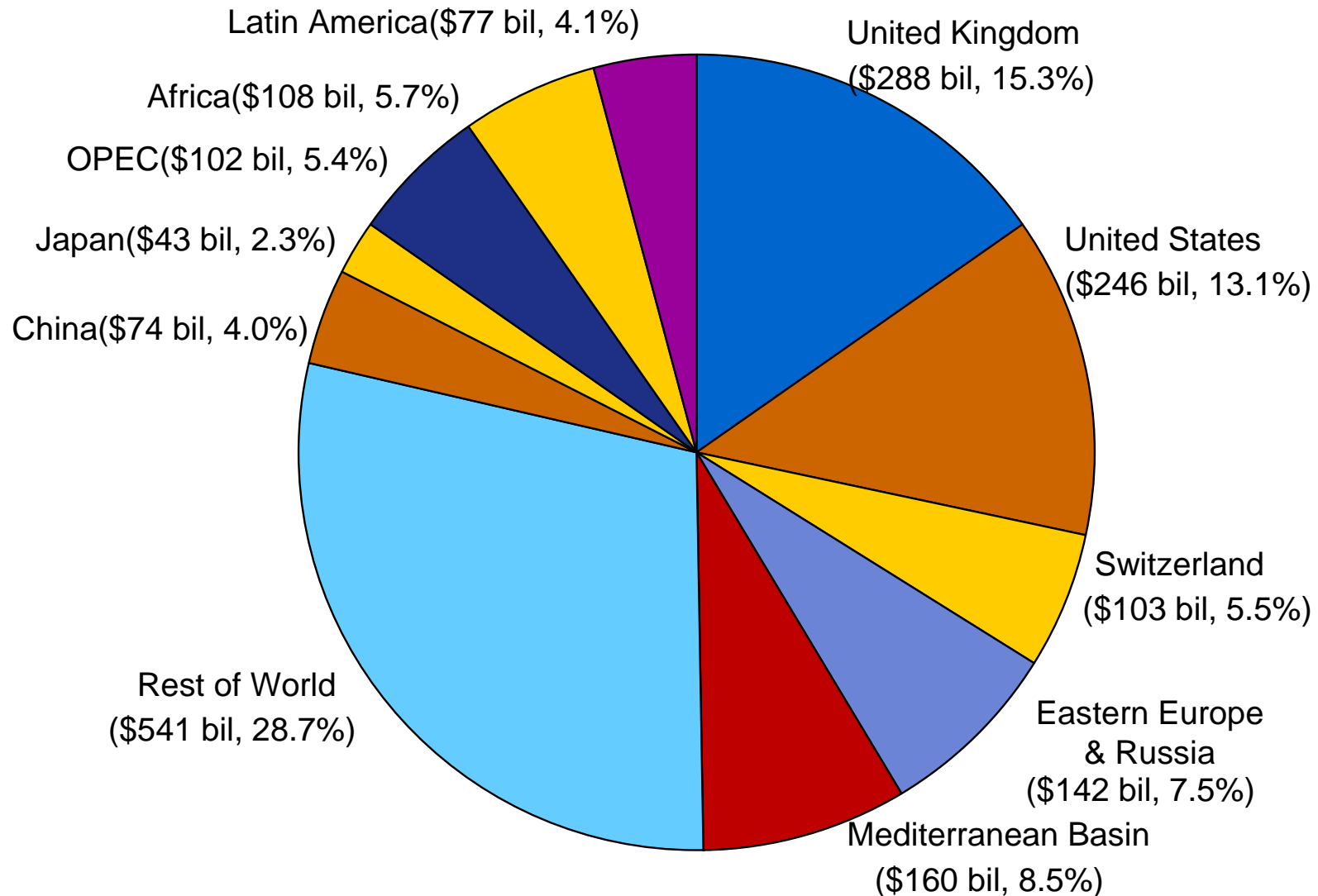
First term is value of nominal exports, second term is share of nominal exports.
Source: Census Bureau/Bank of America calculations

Composition of Eurozone Goods Exports (2007 \$2.0 trillion)



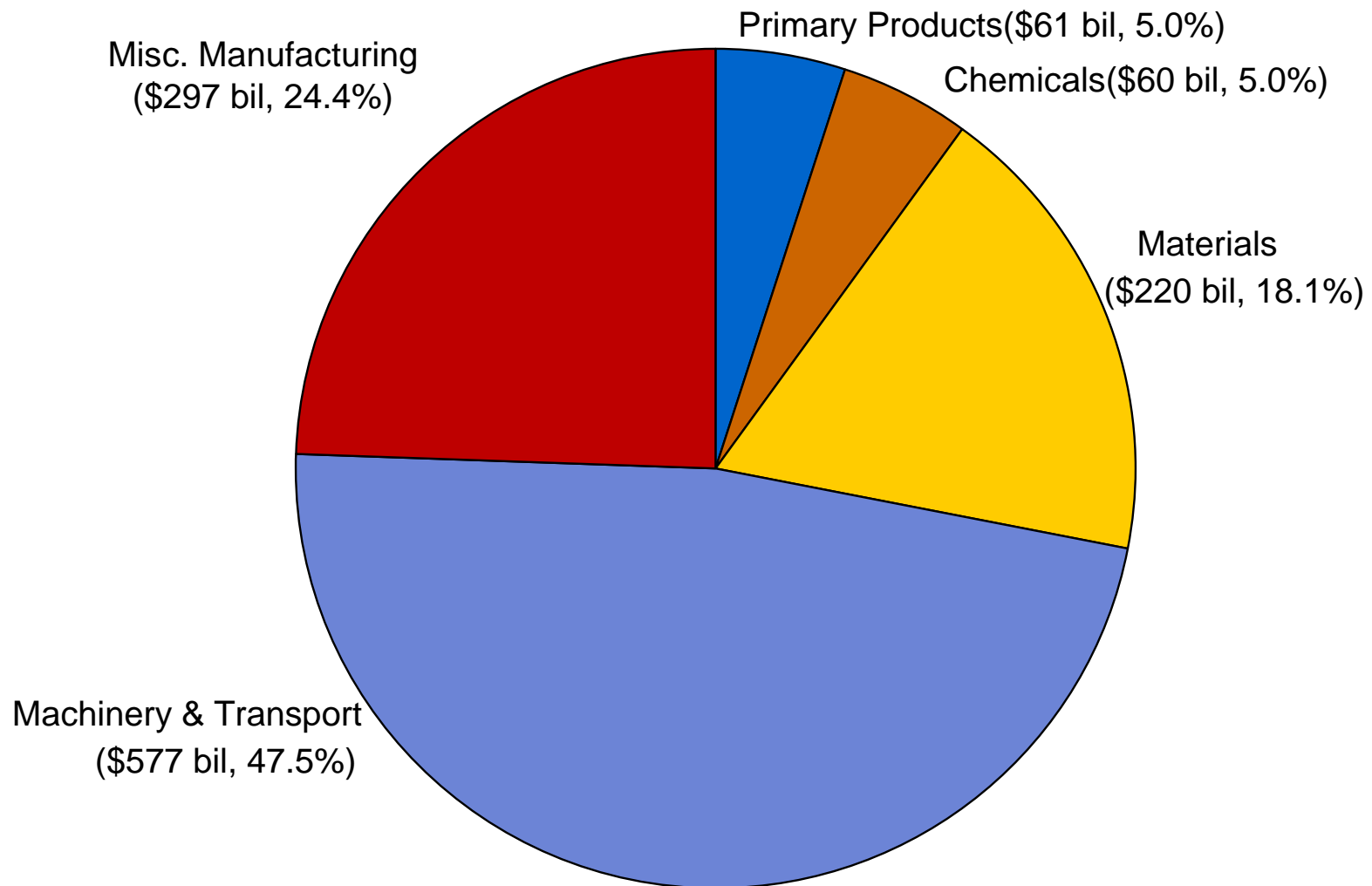
First term is value of nominal exports, second term is share of nominal exports.
Source: Eurostat/Bank of America calculations

Distribution of Eurozone Goods Exports (January-November 2007 \$1.9 trillion)



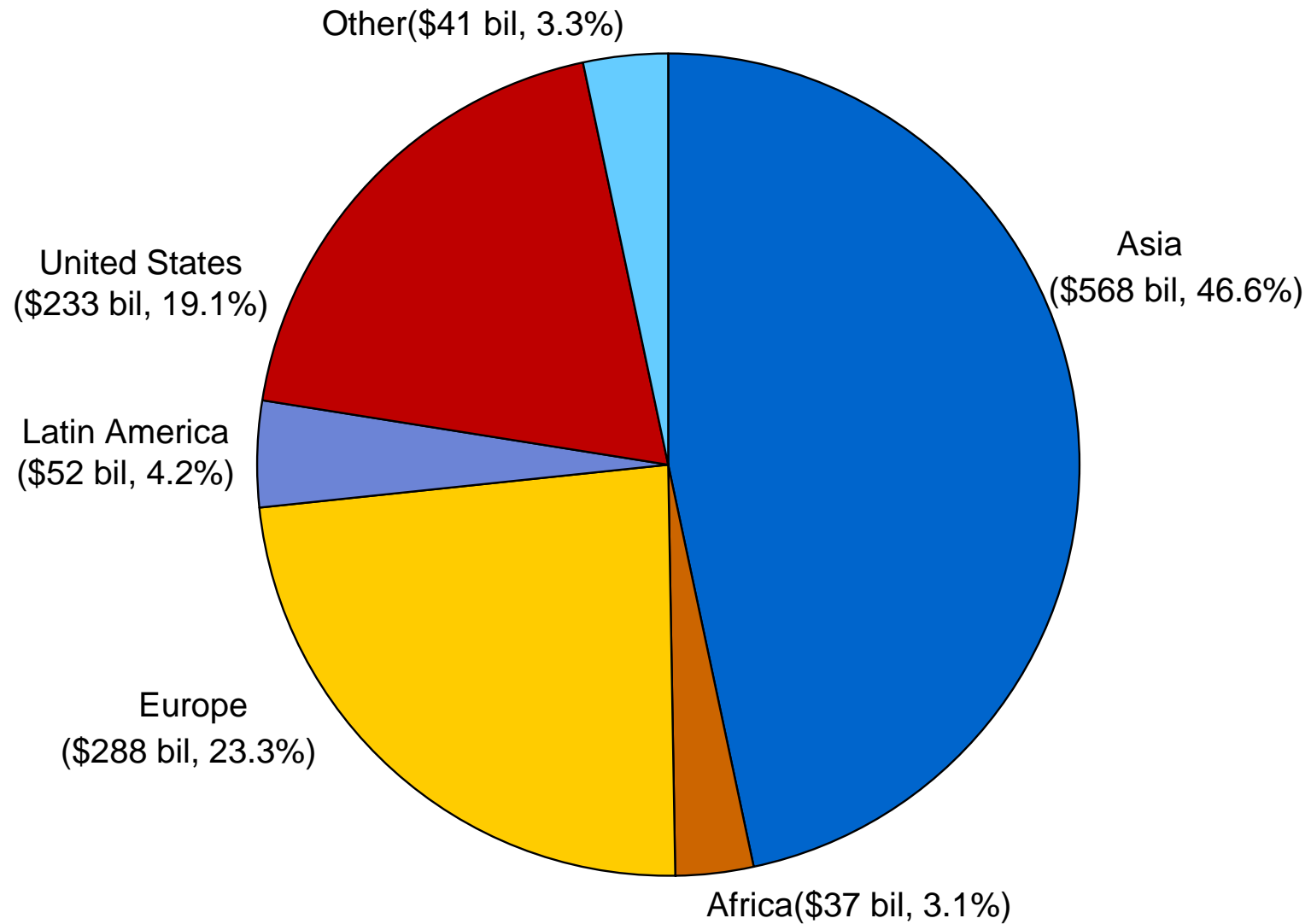
First term is value of nominal exports, second term is share of nominal exports.
Source: Eurostat/Bank of America calculations

Composition of China Goods Exports (\$1.2 trillion)



First term is value of nominal exports, second term is share of nominal exports.
Source: China Customs/Bank of America calculations

Distribution of China Goods Exports (2007 \$1.2 trillion)



First term is value of nominal exports, second term is share of nominal exports.
Source: China Customs/Bank of America calculations

Slowing Global Growth in 2008

- Material slowdown following 4 consecutive years of robust growth
- Continued growth outperformance by emerging nations
- US: slumping economic activity with flat GDP in first half, but not a traditional recession
- Eurozone: slower growth and no recession; soft consumption and weaker exports
- UK: softer growth, with downside risks, particularly in housing
- Japan: losing momentum; soft income and consumption; exports vulnerable
- China: strong growth, but export growth to slow; inflation pressures likely to mount

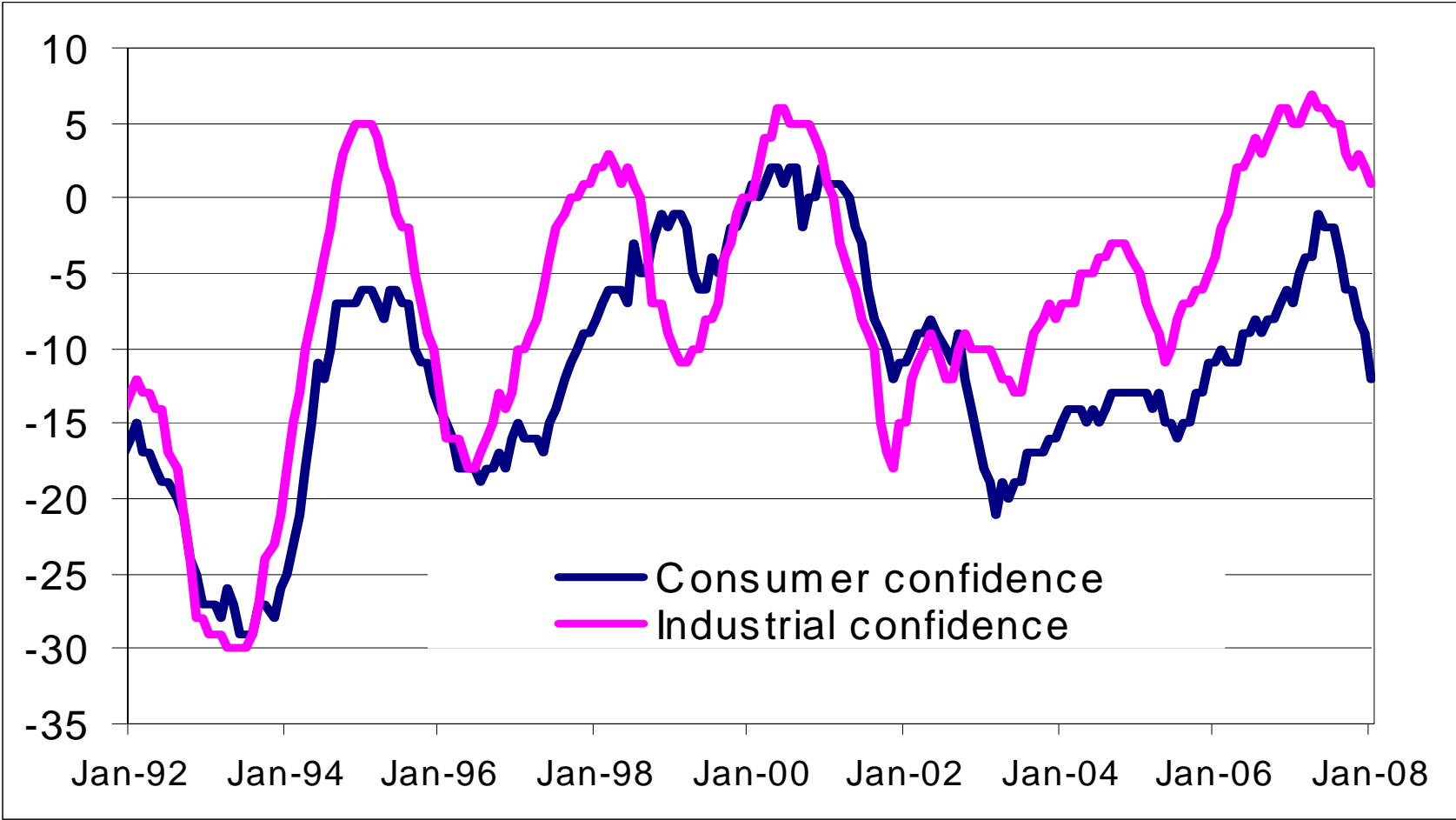
Unfavorable Global Inflation Trends

- Oil and food price increases boost headline inflation
 - Food prices elevated by supply constraints
- US core inflation drifts above Fed's comfort zone; headline inflation approaches 4.5%
 - Core inflation to drift lower later in 2008
- Eurozone and UK: headline inflation rises, core subdued
- Inflation pressures mounting in China, select other emerging nations
 - China to accelerate currency peg

Global Central Bank and Financial Trends

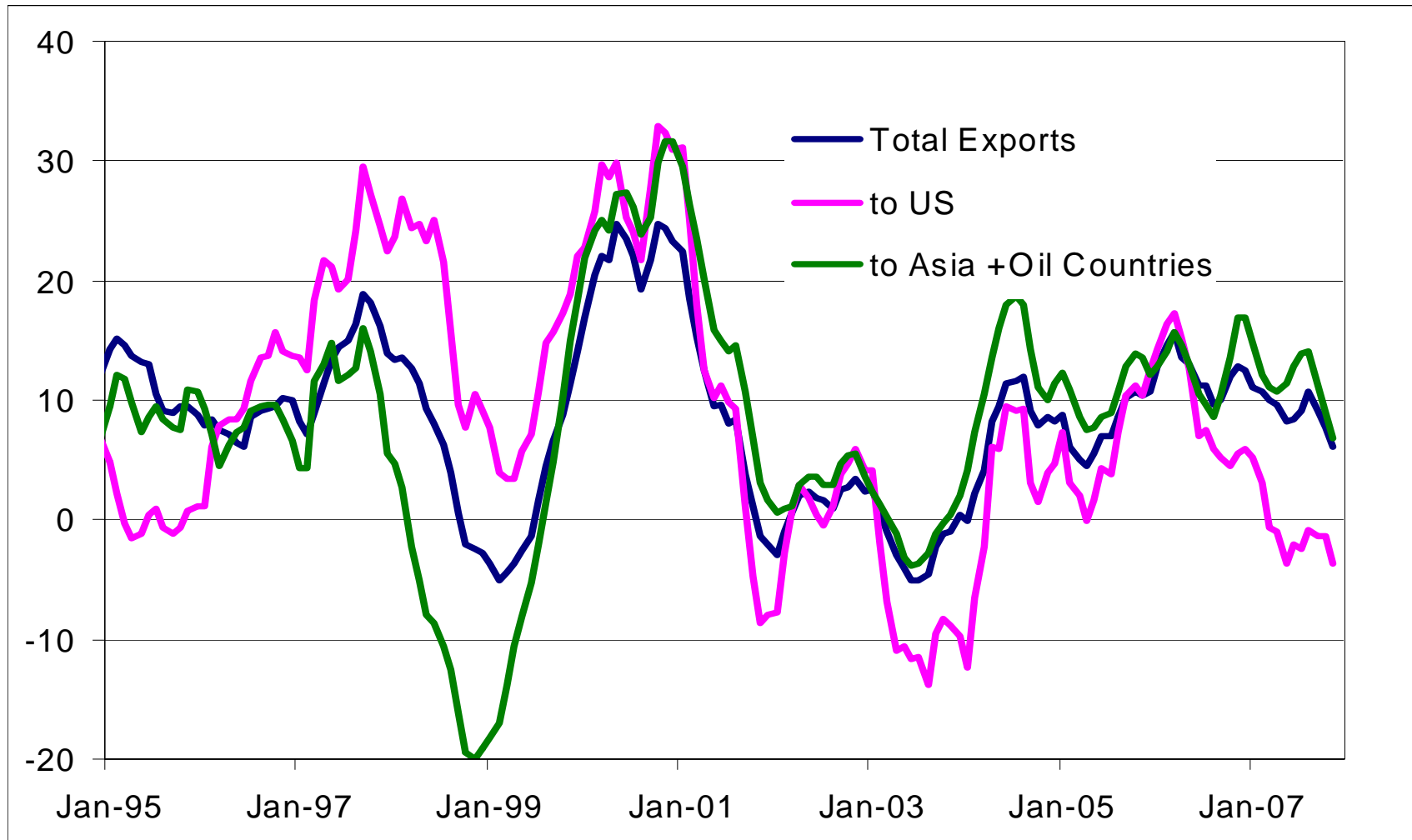
- Aggressive US Fed easing to continue; BoE and ECB also expected to lower rates; BoJ on hold
- US yield curve steepening reflecting lower short rates and higher bond yields; unlike other nations
- US: significant credit stress, dysfunctional financial markets and constraints on credit availability
- Little spillover on credit constraints to most global markets
- Significant downward pressure on US dollar
- Heightened financial market volatility

Eurozone: Lead Indicators Rolling Over



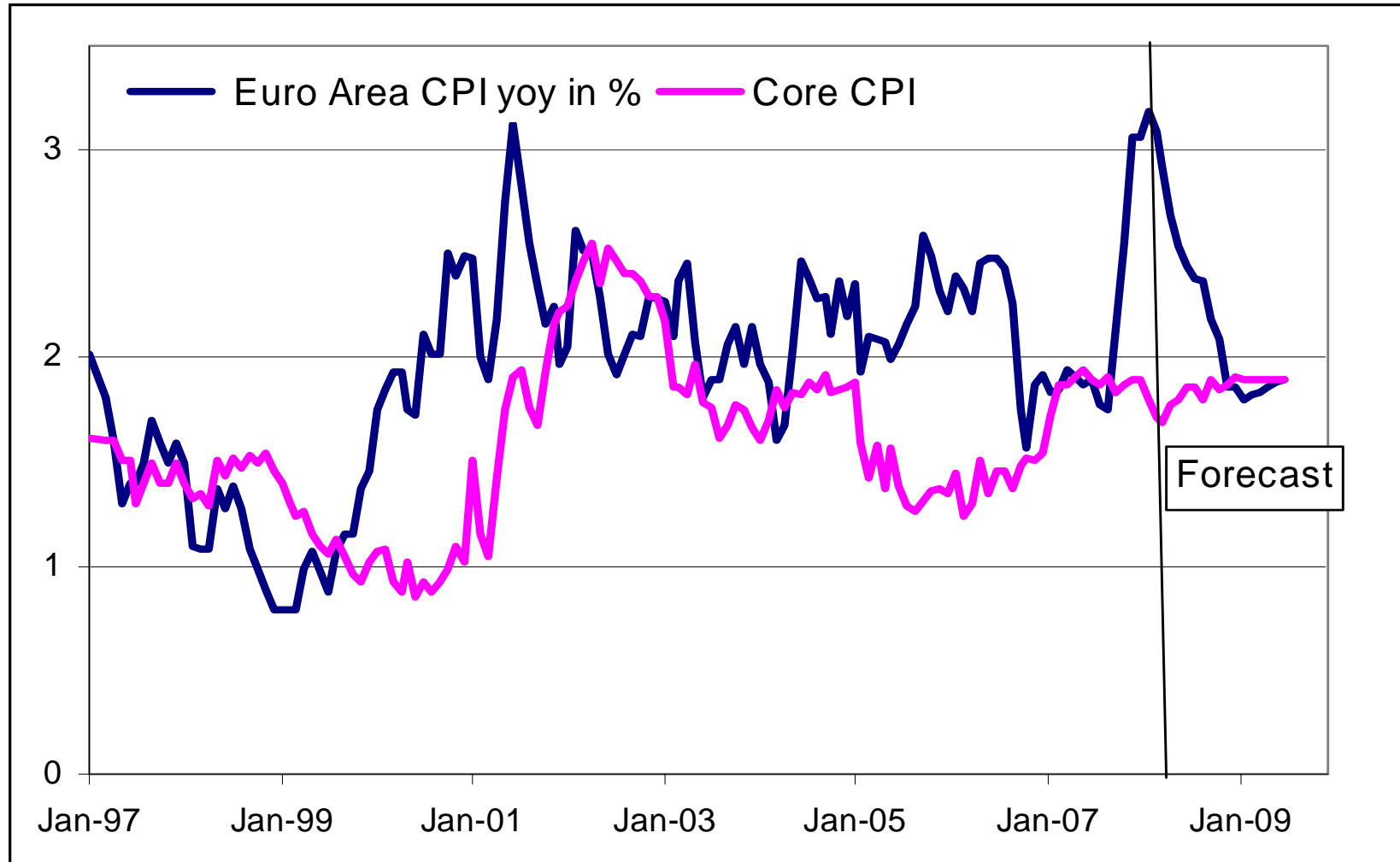
Source: EU Commission

Eurozone Export Growth: The US Impact



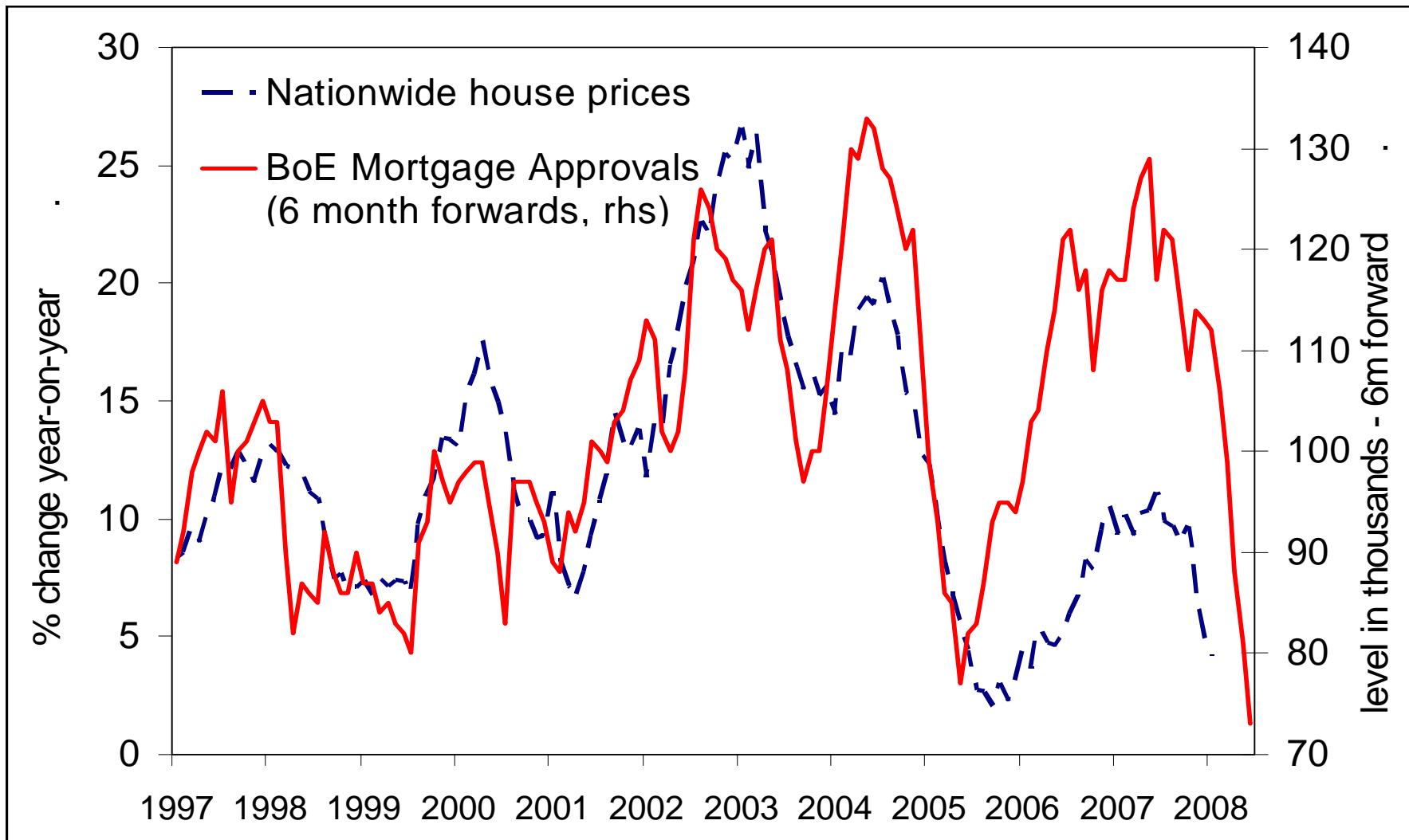
Year-over-year % change, 3-month averages, oil countries: OPEC +Russia
Source: Eurostat

Eurozone: Near-Term Hump in Inflation



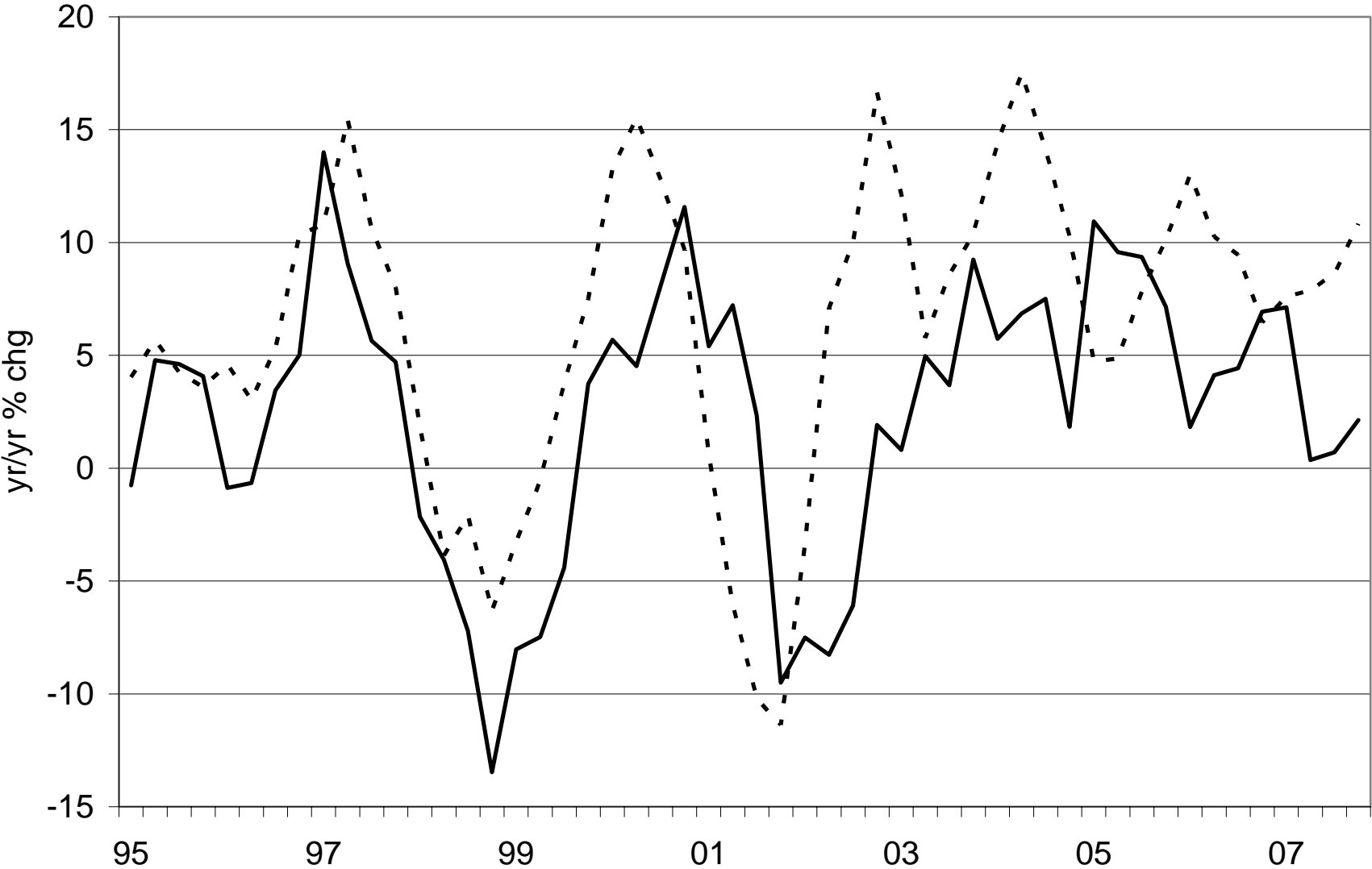
Core CPI ex energy and food; yoy change in %. Source: Eurostat; BoA forecasts from October 2007 onwards

UK: Housing Market Moderating Fast



Source: BoE & Nationwide

Japan: Investment Slipping – Export Growth Firm



Source: Cabinet Office/ Haver Analytics

— Business Investment

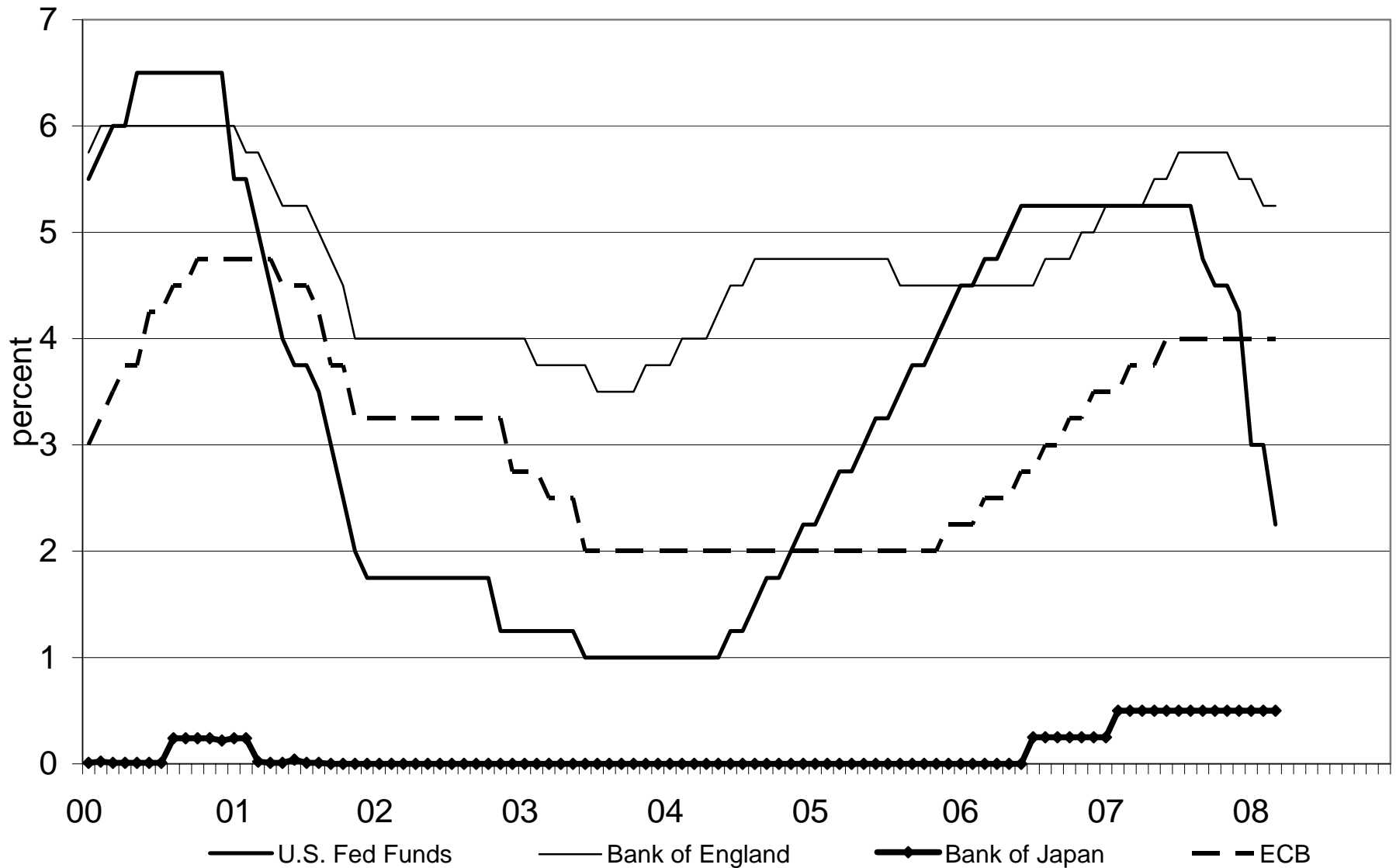
- - - Exports

Japan: Consumption of Households



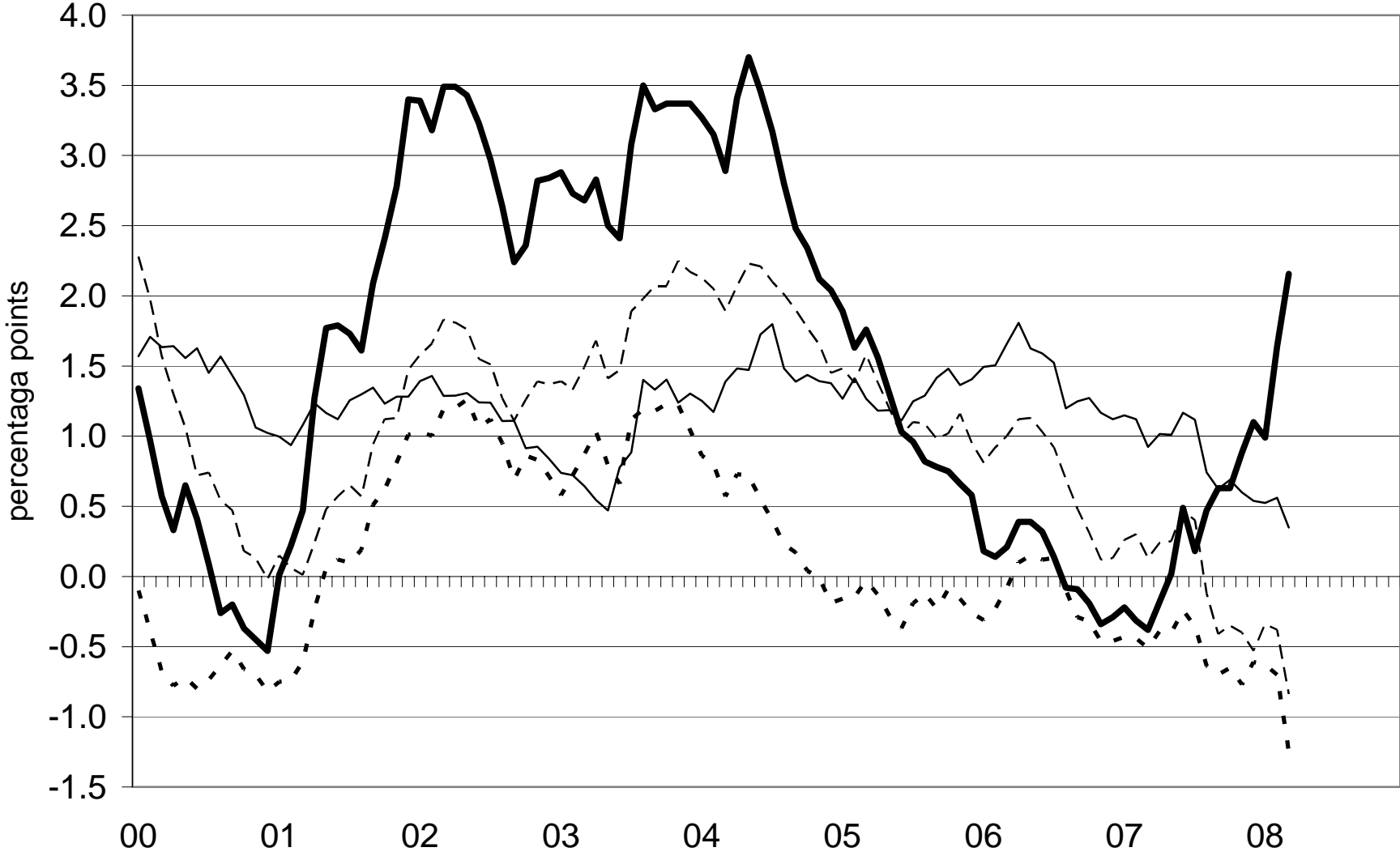
Source: Cabinet Office/ Haver Analytics

Central Bank Policy Rates



Source: Haver Analytics

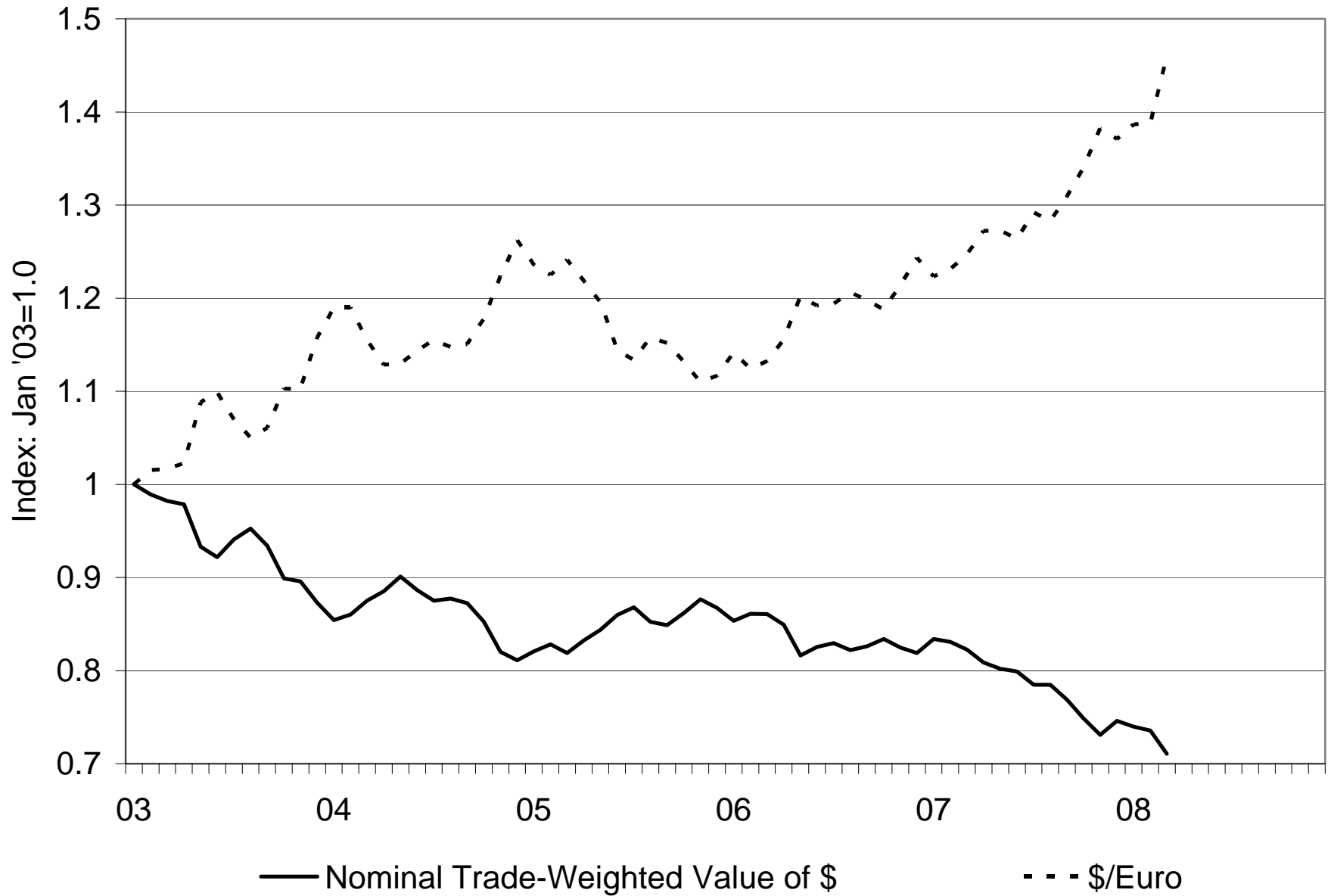
International Yield Spreads (10-year Govt yield minus 3-month rate)



— United States - - - United Kingdom — Japan - · - · - Germany

Source: Haver Analytics

The Pronounced U.S. Dollar Decline



Source: Haver Analytics

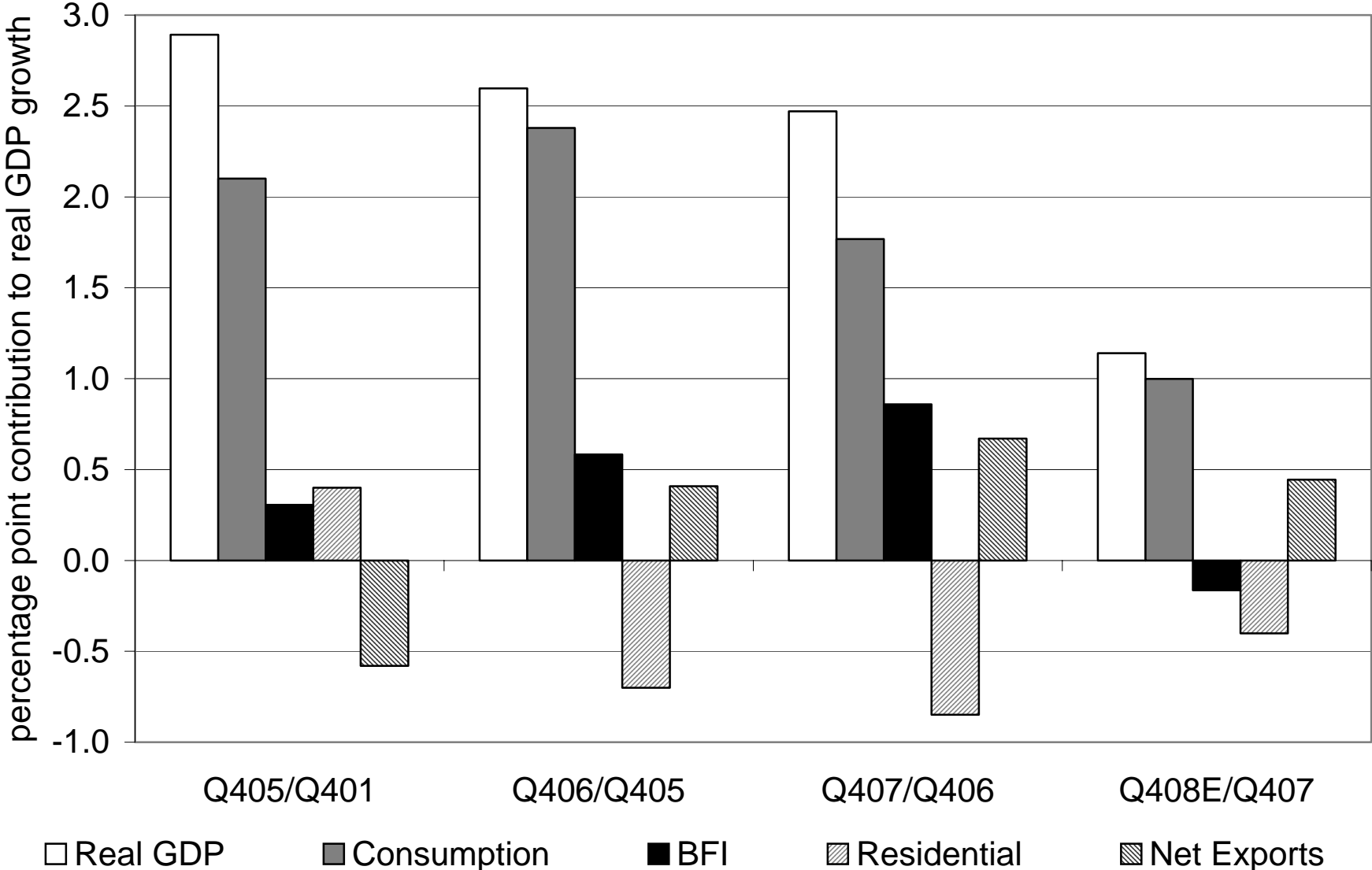
U.S. Economy: Flirting with Recession

- Real GDP close to flat in 2008H1, followed by gradual improvement
- Modest declines in employment and profits; unemployment rate to rise to 5.5%
- Housing activity and prices to decline through 2008
- Lack of large imbalances in inventories, employment and capital, and aggressive Fed easing to limit declines in GDP
- Declining trade deficit mitigates slump in domestic demand

U.S. Economy: Critical Risks

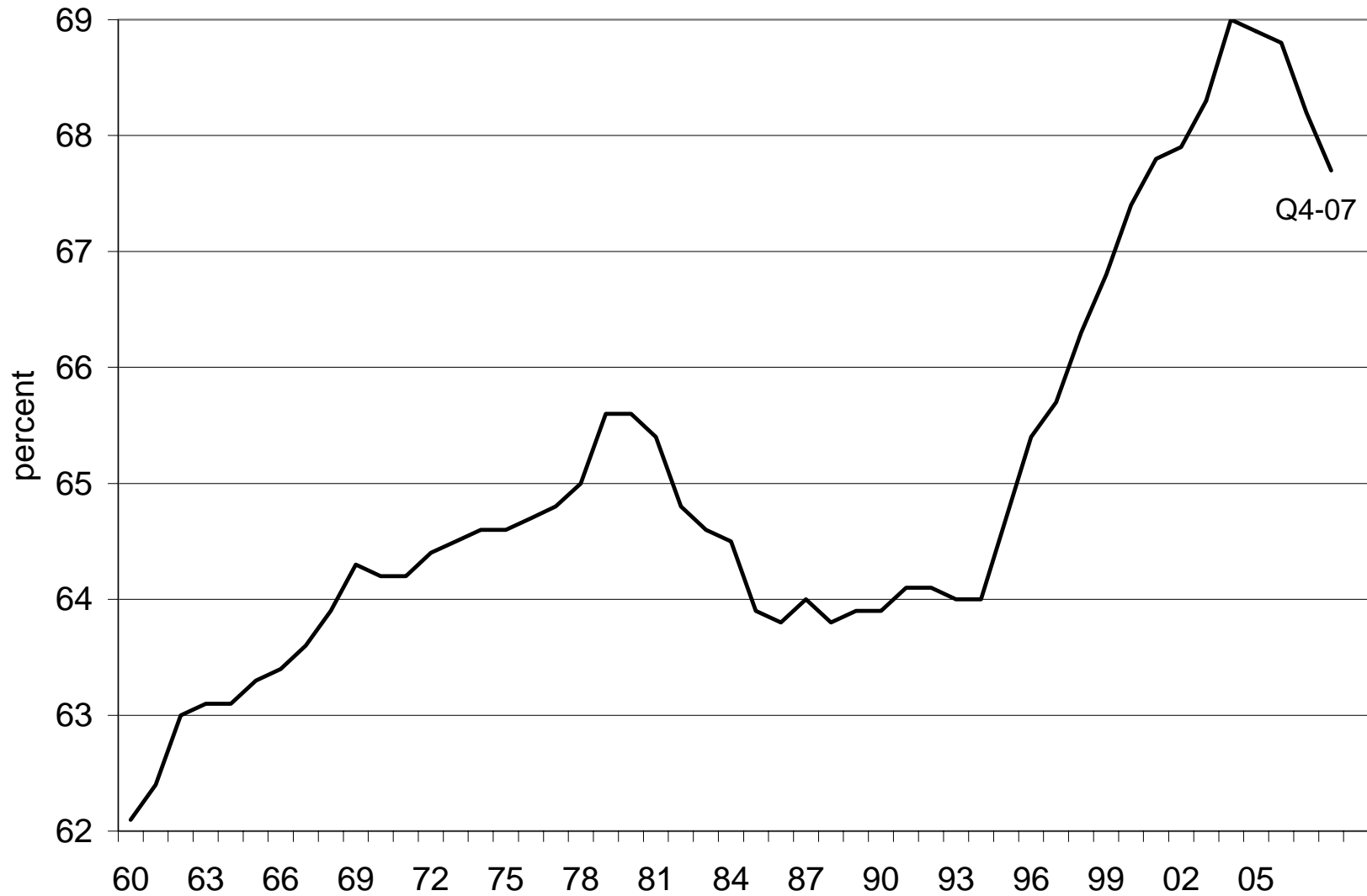
- How long and deep will housing prices decline? Implications for housing, consumption and financial market behavior
- Severity of credit stress, and implications for the Fed's stimulative monetary policy
- The household deleveraging process: how long will it take and how long will it affect consumption, saving?

US: The Shifting Mix of GDP Growth



Source: BEA/Haver Analytics/Bank of America estimates

Long Trends in Home Ownership



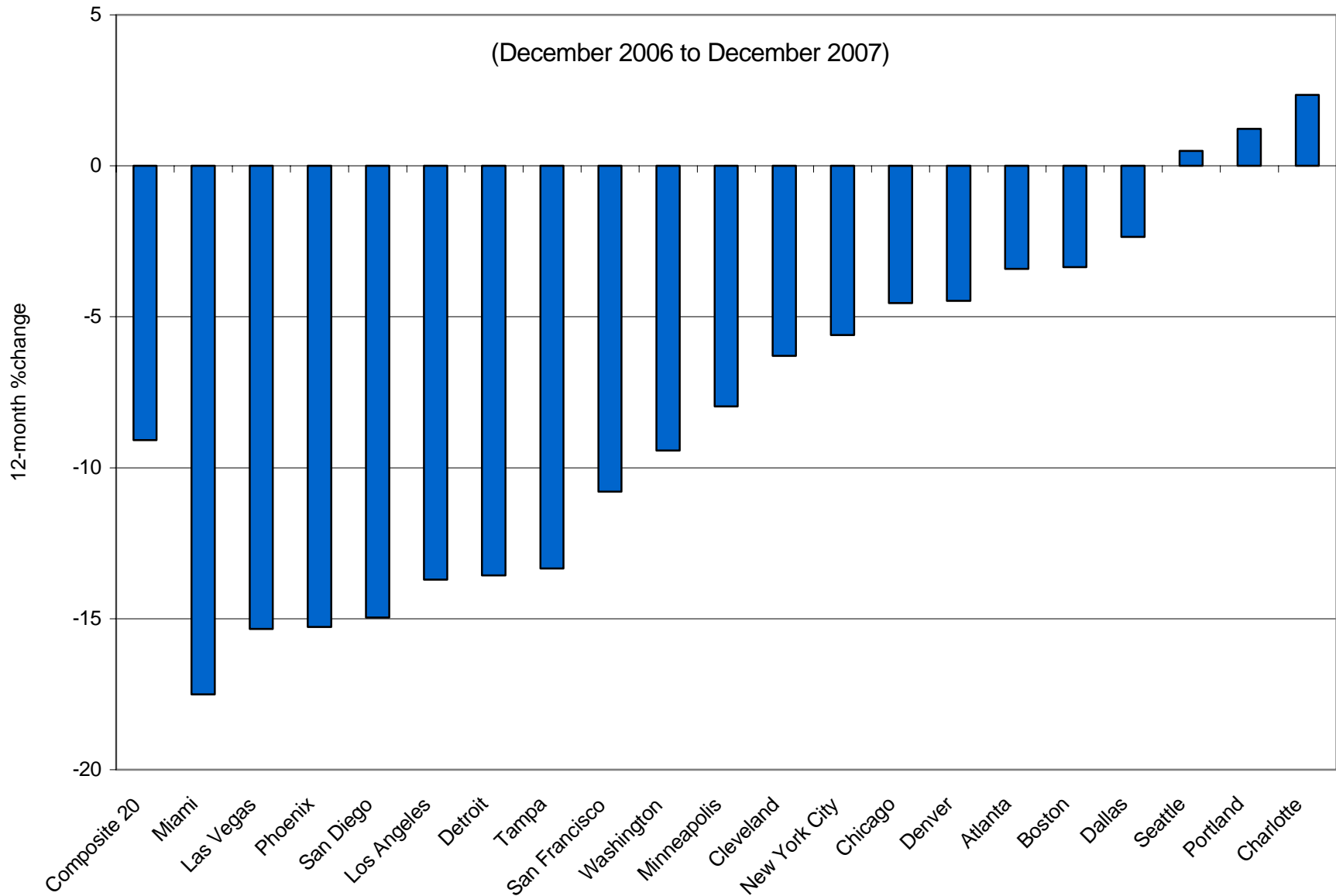
Source: Census Bureau

Single-Family Housing Sales and Starts

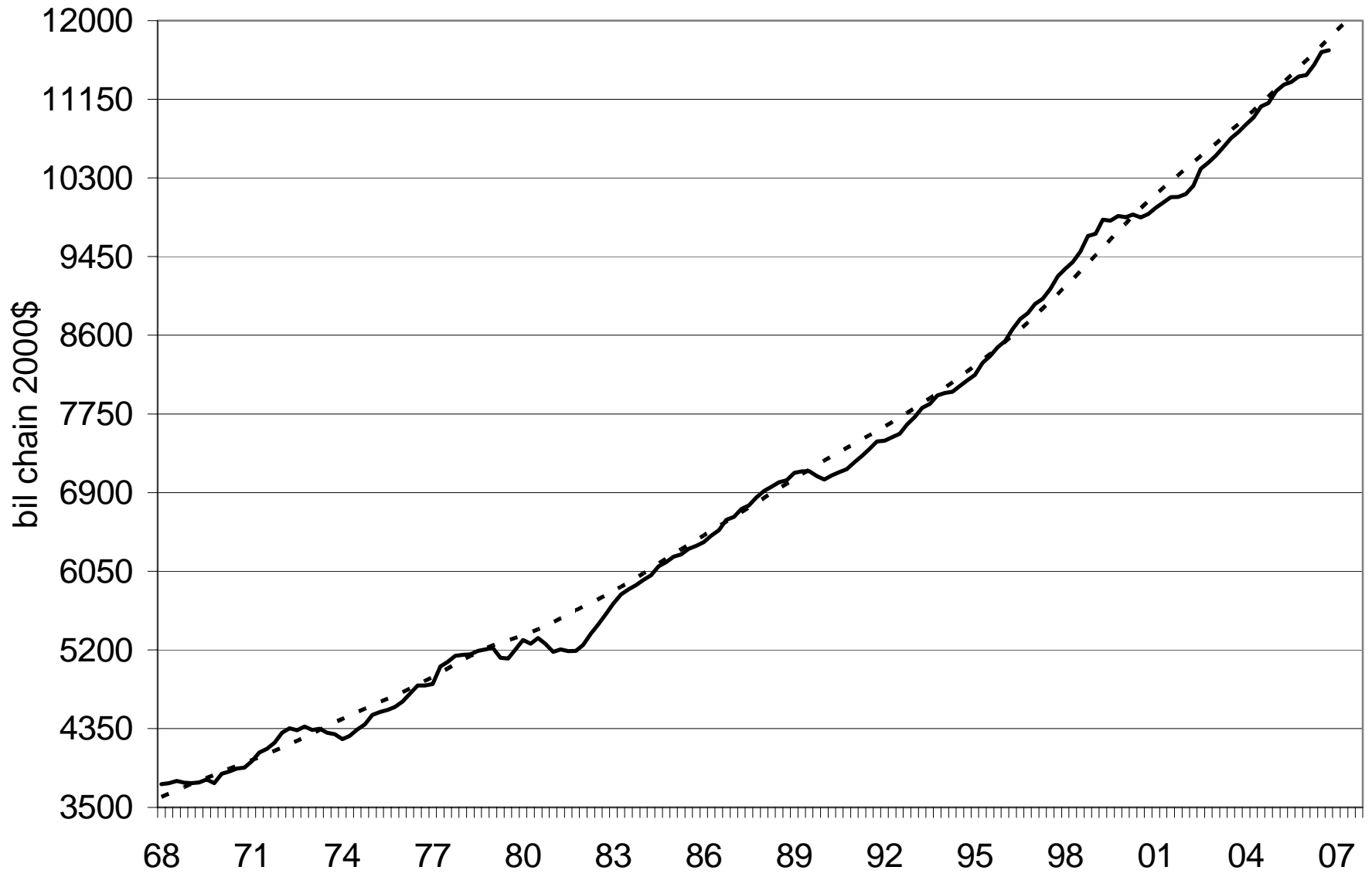


Source: Census Bureau/Haver Analytics

Trends in the Case-Shiller Home Price Indexes



U.S. Actual versus Potential Real GDP



Source: CBO/BEA

- - - Potential real GDP

— Real GDP

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