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ECONOMY ON THE MEND

Recovery Picks Up Steam - Jan. 2011

We have the economic traction that was forecast (except for the extremists who are nearly always wrong). The drivers of this growth will have to be removed by new monetary and fiscal discipline which is not likely until after the 2012 elections. Enjoy the short ride!

WHAT'S NEXT? PARTLY CLOUDY

Two years of **slow** accelerating growth with more balanced risk and less volatility.

- Continued deleveraging and high unemployment will moderate growth in the first half of 2011 but look for 3% by years end to reach 4% in 2012.
- Unemployment will remain above 9% for most of 2011 but slowly come down as growth picks up in the last half of the year and decrease in 2012 to around 8%. Job growth will remain constrained in sectors connected to housing. Expect job loss in the government sector housing.
- Expect little rise in inflation and interest rates in most of 2011. The FED is not willing to risk a slowdown and interest rates and inflation will rise in the emerging economies.
- Consumers spending will increase encouraged by tax cuts. In fact consumers are over-spending at 83% of their income and the savings rate is falling. In the short term, this is good for the economic growth.
- Housing in the U.S. is still in need of deleveraging with 3-4 million foreclosures on the horizon and a large inventory of more than 2 million excess housing units. There could be another 5% decrease in prices before there is an uptick.

WILD CARDS

Low Probability, High Impact Events

Less than 2%

- China's economic growth gets out of control; events and interventions cause chaos and free fall
- A pandemic, virulent viral flu is widely fatal and shuts down travel & shipping
- North Korea initiates a large invasion of South Korea
- U.S. housing prices fall 20% completely derailing the recovery



The long-term uncertainties to be managed by a dysfunctional government.

- Government intervention is not free. It is working in the short term but comes at a cost in future growth. The federal deficit will have to be closed by tax increases, fiscal discipline and some very hard trade-offs.
- Did the U.S. fully remove the problems that set off this deep recession or are we at risk of another asset bubble forming?
- When is the right time to raise interest rates in the U.S.?
- What impact will European Sovereign debt issues have?
- The emerging economies will likely slow over the next 2 years. Can they manage inflation while driving more economic growth domestically? Rising commodity prices could drive more poverty?
- When will trade imbalances correct?
- Will the U.S. make the necessary education investments to remain competitive.

Feed your genius with Mary's hot dispatches from the front lines of the future.

Learn More.

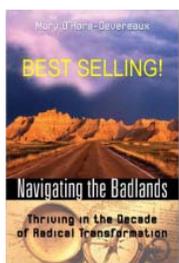
Talent hits a target that no one else can hit.
Genius hits a target that no one else can see!

**THE FUTURE WON'T RESEMBLE THE PAST:
STRATEGIC GUIDING PRINCIPLES FOR 2011.**

- Hit the ground running and be bold. This is a two-year window of growth opportunities.
- Golden opportunities are not predictable or evenly distributed. Your budget must include adequate \$\$\$\$ to fund timely bold action.
- Every CEO should identify the one strategic initiative that is "make or break" to achieve the 2013 vision. Lead it and assure it is flawlessly executed.
- Create forward-looking dashboards. Look backwards at your P&L but make course corrections weekly in your strategy execution.
- Demographics are king when they hit. There are many demographic shifts, the most powerful is healthy aging and increased longevity. Map their impacts on your company long and short term.
- Hire for 2012 now. Growth will accelerate in 2012. Start now to find the best people that will help you take full advantage of the growth. It takes time to find 'A' players.
- Learn the new BUY buttons in your customer's brain.

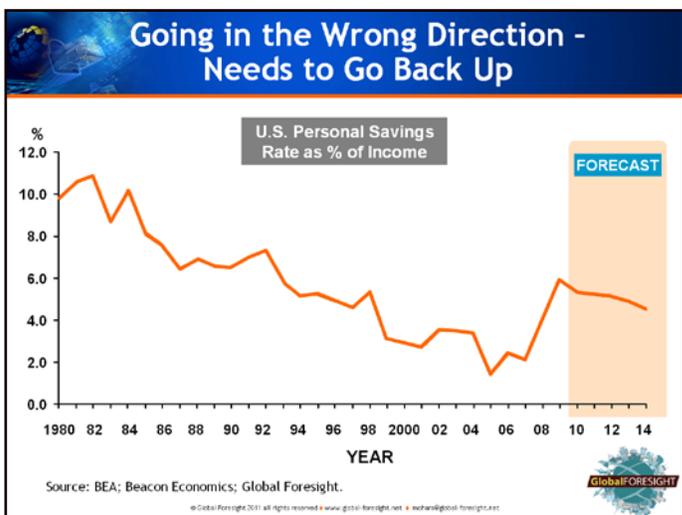
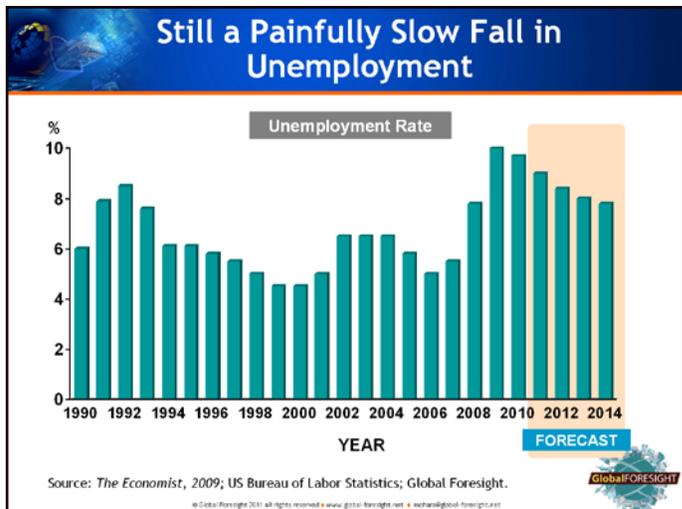
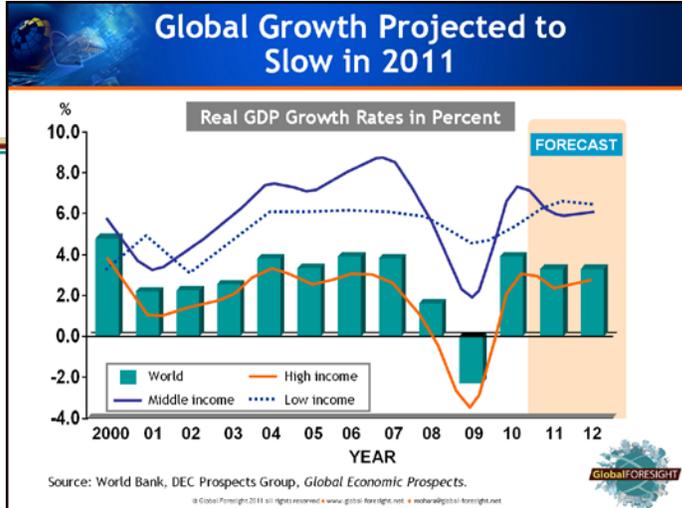
"Mary is in the disruption business. She is guaranteed to shake up your thinking - on strategy or how to drive your sacred cows out to pasture.

Kaj Ahlmann
Founder and President, Six Sigma Winery
Chairman, Global Advisory Board for Insurance & Asset Management



Start thinking differently about your future now! Don't go it alone - signals will be confusing. Get an executive briefing and action plan customized to assure you navigate out of these Badlands successfully.

Contact Mary today!



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The World's Leading Chief Executive Organization

Are you a chief executive who wants to increase profits and revenues? Explore joining Mary's CE Group in San Francisco or customizing a strategic coaching program. Maximize your opportunities in this recovery!

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