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ECONOMY IN UPHEAVAL: Fragile Sluggish Recovery - Mar. 2010

Welcome to the New Decade! 'Officially' the Great Recession is over but recovery in the U.S. will not be simple, fast or certain. It will remain a sasquatch.

WHAT'S NEXT? ECONOMIC FOG! Two Years of Transition and Uncertainty

A long flat bottom through 2010 followed by continued anemic growth through 2011.

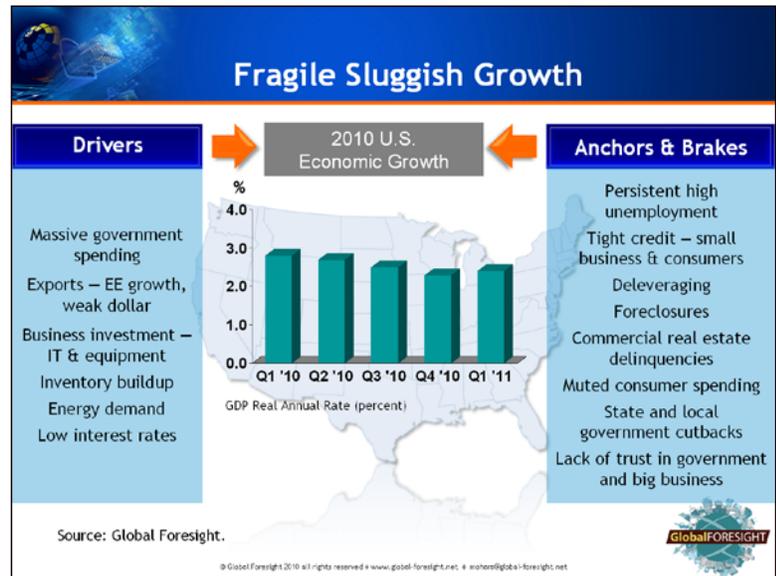
- Modest growth for 6-8 months; a slow down at the end of 2010 as government supports wane.
- Interest rates will remain low but look for the FED to add 25-50 basis points by end of year. Inflation remains low for the foreseeable future - 2-3%.
- Unemployment returns to double digits as thousands who have stopped looking for jobs return to the market as the economy begins to recover. Replacing seven million jobs will take years, not months. Expect hours worked for those with jobs to go up.
- Business will have to rebuild inventories they rapidly sold off and will invest in IT and equipment to some degree to support growth.
- Consumers will remain value conscious and pragmatic. American consumers will not be big drivers of the recovery.
- Credit conditions will remain tight. Expect further contraction through 2010 & 2011. (see Fig. 3, p.2)
- Continued debtflation and government dysfunction at all levels. No bi-partisanship on the horizon.
- Taxes will rise and incremental health care reform passes.

Despite the constraints - all expected after such a financial crisis and deep recession - Americans will shift from pessimism to more confidence that they can rebuild their futures and overcome the losses. Look for interesting surprises in how they do it!

WILD CARDS Low Probability, High Impact Events

However wild cards could still take us out (less than 5% probability).

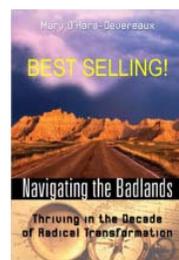
- China's economic recovery stalls out and tumbles.
- A pandemic of a virulent viral flu, widely fatal, that shuts down travel & shipping.
- North Korea nuclear attack on Japan.
- Rapid economic growth in the U.S.



There is little consensus on the shape and pace of recovery among leading economists, and many are wary the recovery will be short lived.

Uncertainty - Most Long Term Uncertainties Are Overshadowed by Deficit Management

- Can we grow out of the debt?
- Will the Fed let inflation rise to 4-5% to help manage the debt?
- How much will credit contract and the impact? So much it stalls the recovery?
- Impact of the coming prolonged period of austerity for all
- When will the government function?
- When will we have health care reform that actually drives down costs?
- Will the U.S. make the investments in education to maintain our competitiveness no matter what?



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!

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: STRATEGY GUIDING PRINCIPLES FOR 2010

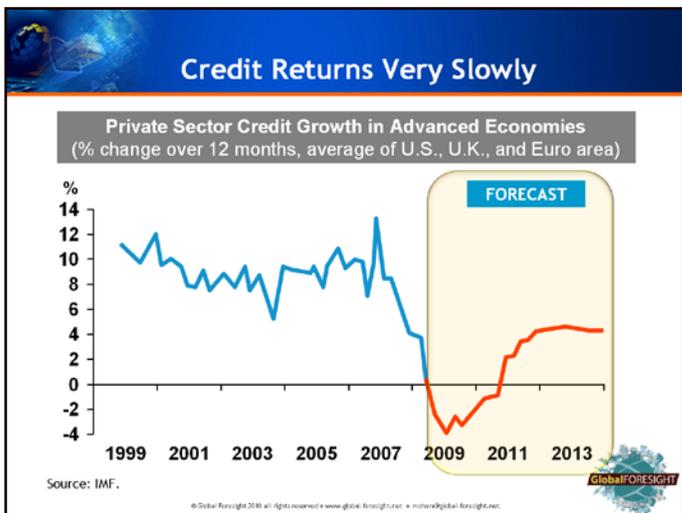
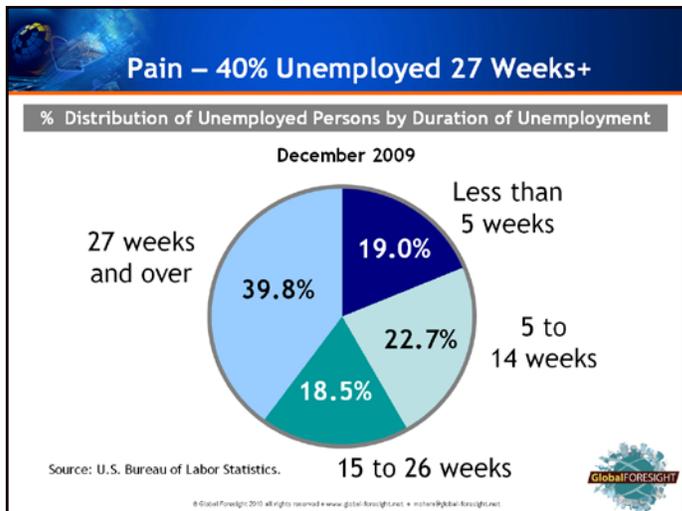
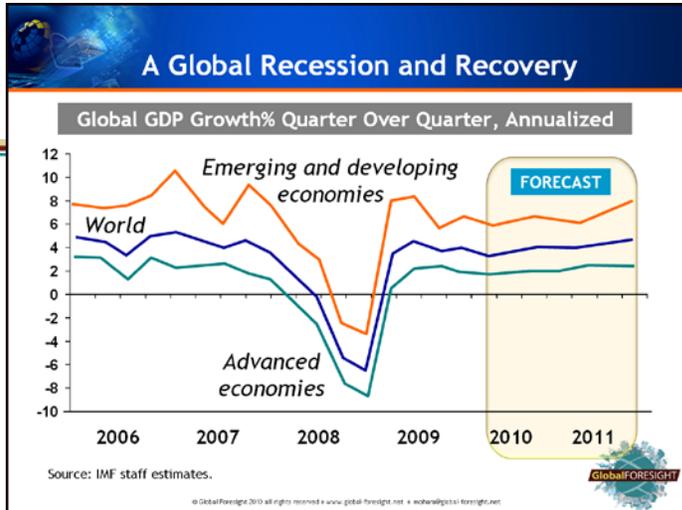
- Don't wait until the economic fog lifts to design strategy - then it will be clear enough to everyone, including your competitors, to see the best choices.
- Do budgeting and strategy (best & worst) every six months. A year is too long.
- Golden opportunities are not predictable or evenly distributed. Your budget must include adequate contingent \$\$\$ to fund timely bold action.
- There are no 'indisputables' except a few demographics. All key executives must frequently surface external critical issues (potential loss of 1-2% net). To mitigate the usual fear of being wrong, include providing early warnings in performance reviews.
- Learn the new buy buttons in your customers brain.
- Every CEO should identify which **one** strategic initiative is "make or break". The **one** that has to be flawless executed to assure the results and lead it.
- Once strategy is set make crystal clear every executive's and manager's specific roles, priorities and obligations for successful results and hold them accountable through bi-monthly milestones.
- Audit strategic, portfolio and operation agility to assure they meet the unique conditions of 2010.

"Mary is in the disruption business. She is guaranteed to shake up your thinking - in the best and most productive way imaginable - on strategy or how to dispel the sacred cows that are getting in your way.

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