

# What Next – The Age of Scarcity?

# ECONOMIC CONTRACTION -IMF

GLOBAL ECONOMIC GROWTH FORECASTS 2007 - 2010				
(% Volume)	2007	2008(e)	2009(f)	2010(f)
<b>World</b>	5.0	3.5	1.0	3.0
<b>US</b>	2.0	1.3	-2.0	1.0
<b>UK</b>	3.0	0.7	-2.25	0.5
<b>Eurozone</b>	2.6	1.1	-2.0	0.5

*Source: IMF; AIB ERU Forecasts*

# LOOK TO LEADING INDICATORS

- US HOUSE PRICE FLATTENING
- MORTGAGE APPLICATIONS & HOUSING STARTS
- BALTIC FREIGHT INDEX
- SMALL STOCKS OUTPERFORMING LARGE CAPS
- SWELLING MONEY SUPPLY
- CONSUMER & BUSINESS CONFIDENCE
- NORMALISATION IN INTERBANK MARKET
- DROP IN VOLATILITY INDICES
- STOCK MARKETS SURGE BUT DANGER OF BEAR RALLY REMAINS

# Positives Outweigh Negatives Finally

- + US, Europe, UK Stabilisation Indices indicate Recession Ending 3 – 8 months
- + US Unemployment slows 674,000 to 610,000 per month
- + Debt Markets Improving ( TED Spread Stable at 1%)
- + US Manufacturing Orders rise
- + Housing Affordability Highest Ever, New Starts Rise but Prices not bottomed
- + US Trade Balance Steeply Improves
- - Increasing Credit Losses and Foreclosures & Weaker Retail Sales
- + Surprise Q1 Results in Bellwethers, GE, Google, JP Morgan
- Goldman Sachs estimate US GDP -2.9% vs -3.3% for 2009
- 80% Probability of S&P 500 over 1,000 by year end vs 20% below 600.

# MEANWHILE, BACK AT THE RANCH ...

	2007	2008(e)	2009(f)	2010(f)	2011(f)
Real GDP	6.0	-1.5	-4.0	0.0	3.5
Real GNP	4.1	-2.7	-3.5	-0.5	3.3
Unemployment (%)	4.6	6.3	9.0	10.0	9.7
Debt/GDP Ratio (%)	24.8	40.6	52.7	62.3	68.0

*Source: AIB's ERU Early 09, Forecasts since have deteriorated*

# INTEGRATED RESPONSE

- **BANKING NATIONALISATION**
- **ASSET RECOVERY COMPANY**
- **STIMULUS - REDIRECT NDP TO JOBS DENSITY**
- **BROADEN TAX BASE**
- **CUT SPENDING**

# CURRENT BARRIERS

- DEARTH OF LEADERSHIP
- SPEED OF TAX REFORM COMMISSION
- SPEED OF AN BORD SNIP
- TIME IS UP

	PEAK YEAR	% FALL	PREVIOUS RISE	DURATION OF FALL
Netherlands	1978	-50	98	7
Finland	1989	-48	109	6
Switzerland	1989	-39	70	10
Norway	1987	-39	53	6
Denmark	1978	-36	22	4
New Zealand	1975	-35	57	5
Sweden	1979	-35	26	6
Spain	1977	-33	24	4
Denmark	1986	-32	52	6
Japan	1974	-31	56	4
Italy	1983	-30	84	4
Finland	1974	-30	22	5
Japan	1991	-27	78	10
Sweden	1990	-27	38	6
Italy	1992	-26	65	6
Switzerland	1973	-26	34	4
Ireland	1981	-22	53	5
Canada	1981	-20	6	4

# AGE OF SCARCITY BEGINS

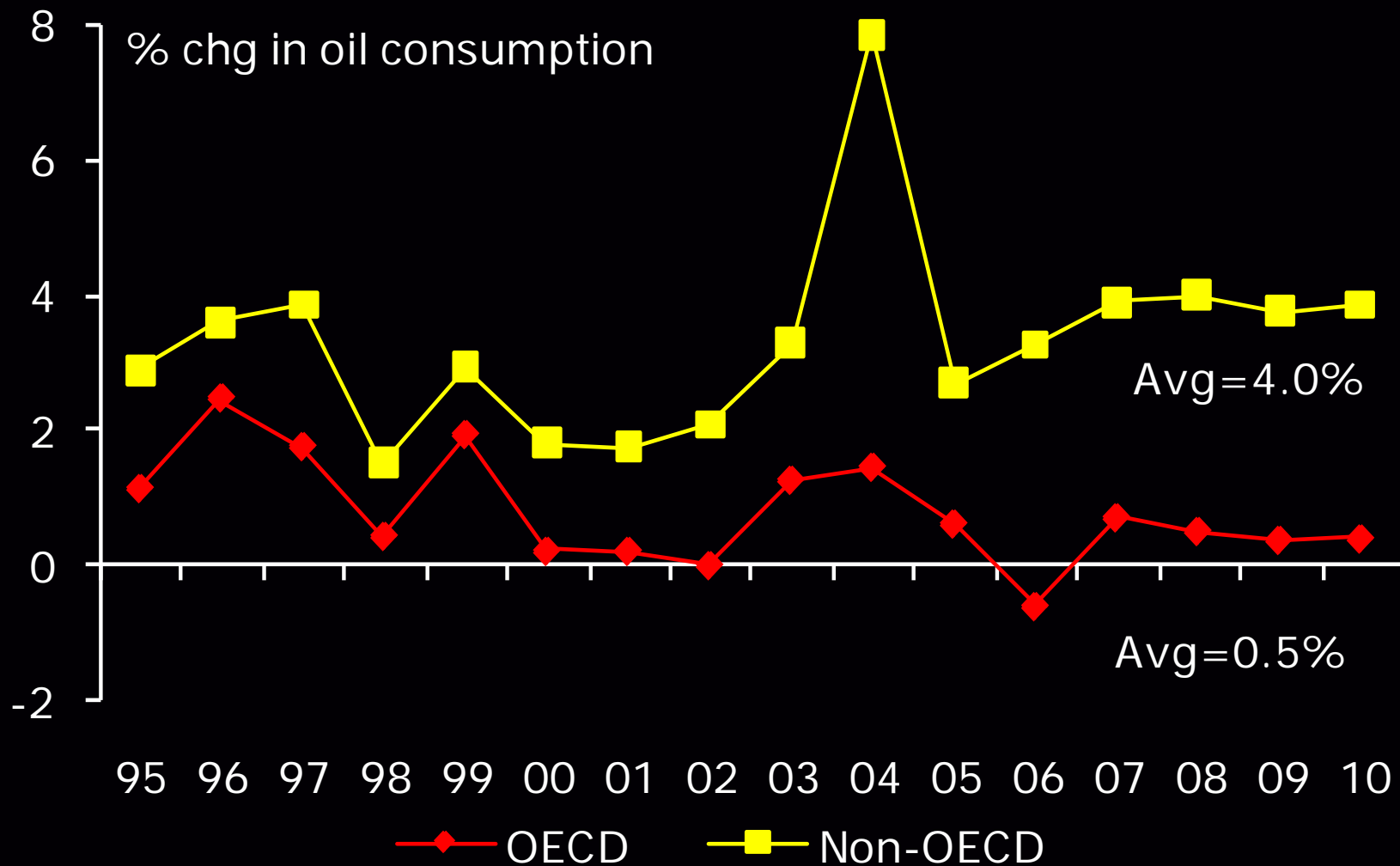
- OIL IS THE BASE COMMODITY
- 30 BILLION BARRELS A YEAR
- EROEI IS 30:1
- 20 YR ENERGY DEMAND DOUBLES @ 3.5%
- OIL AT \$150 SPIKES INFLATION TO 12%

# INVERTED OIL PYRAMID

- **20%**    **14 Fields**            **Avr c. 1,000,000 bpd**
- **6%**     **12 Fields**            **300,000 to 500,000 bpd**
- **9%**     **29 Fields**            **200,000 to 300,000 bpd**
- **12%**    **61 Fields**            **100,000 to 200,000 bpd**
- **53%**    **4,000 Fields**        **Avr 9,000 bpd**

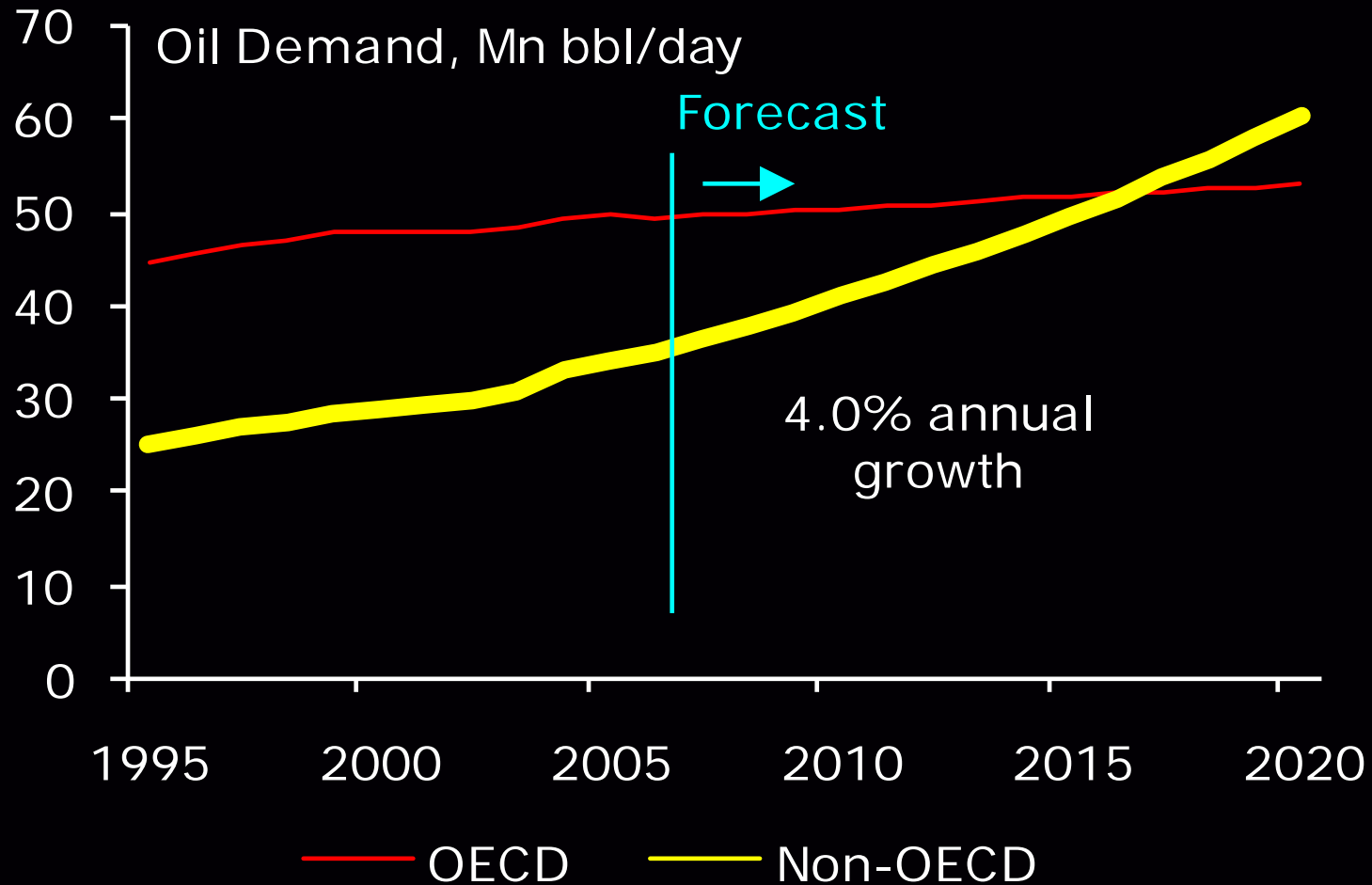
# Two Very Different Consumption Trends for Oil

Source CIBC Jeff Rubin



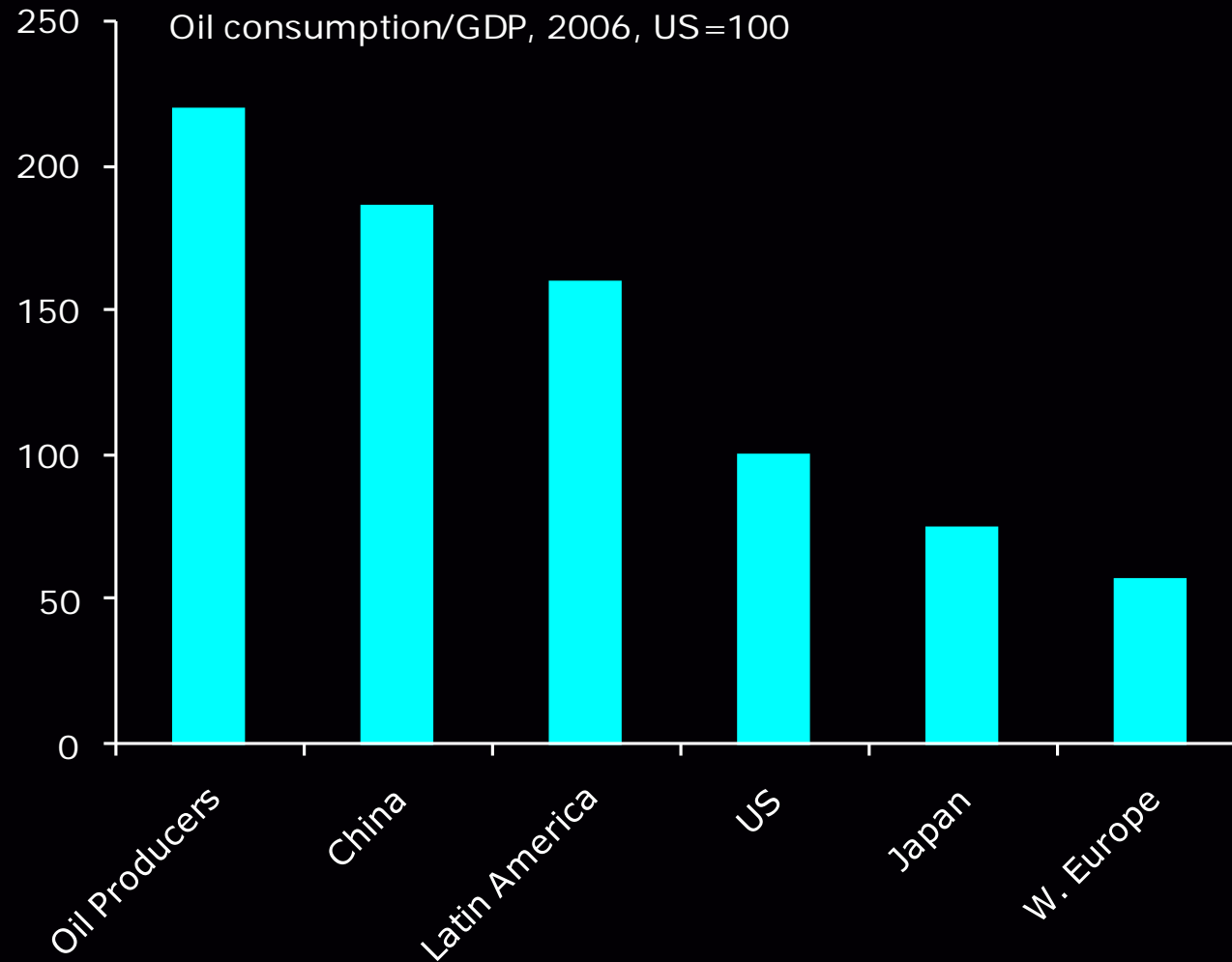
# DEVELOPING WORLD DEMAND TO EXCEED OECD DEMAND WITHIN A DECADE

SOURCE CIBC JEFF RUBIN



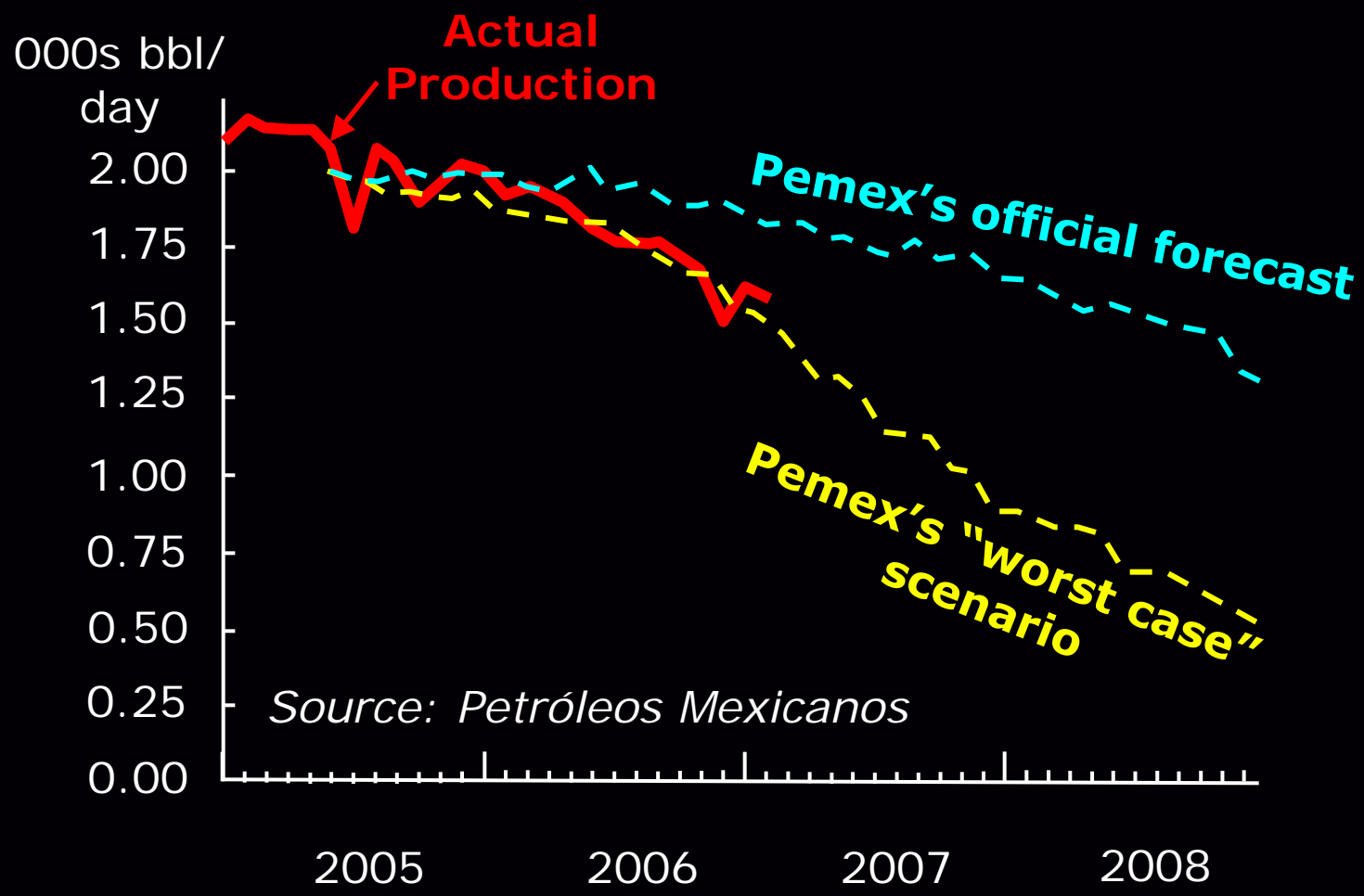
# OPEC AND DEVELOPING COUNTRIES VERY OIL INTENSIVE

SOURCE CIBC JEFF RUBIN



# ... WHILE MEXICO FACES RAPID DEPLETION AT CANTARELL

SOURCE CIBC JEFF RUBIN



# IEA REPORT NOV '08 GLOBAL ENERGY TRENDS

- INCREASE IMPORTS OF OIL & GAS + CO<sub>2</sub> COSTS
- PRIMARY DEMAND GROWS 1.6% P.A. TO 2030
- FOSSIL FUELS 80%. CHINDIA 50% DEMAND
- M. EAST 11%. NON-OECD = 87% OF INCREASE
- SUPPLY INFRASTRUCTURE NEEDS \$26TR BY 2030
- OIL SPEND 1% GDP 1999 RISES TO 5% GDP

# CONCLUSIONS ON IEA REPORT

- OIL CRUNCH TO 2015 BEST CASE SCENARIO
- 4 X SAUDI'S BY 2030 TO OFFSET DECLINE RATE
- GROWTH ; OIL 1% , GAS 1.3% COAL 2% P.A.
- GROWTH ALTERNATIVE ENERGY C. 8% P.A.

# WORLD MEGA-TRENDS

- 3 BILLION NEW PLAYERS AS COMMUNISM & SOCIALISM FAIL
- ENERGY INFLATION
- COMMODITY INFLATION
- FOOD INFLATION
- GEO-POLITICAL TENSIONS
- MASSIVE INVESTMENT IN PROBLEM SOLVING

# FAT LADY SINGS ON INDUSTRIAL AGE

- LARGEST AND LONGEST COMMODITY BULL MARKET
- 1970'S ON SPEEDBALLS
- BOOM AND BUST CYCLES LIKELY
- GOLD OVER \$2,000
- PAPER ASSETS & DEBT GETS HAMMERED
- STRATEGIES TO USE AS VAST FORTUNES ARE MADE & LOST
- HOW TO PREPARE FOR A NEW ECONOMIC AGE
- BLACK SWAN EVENTS & BREAKTHROUGHS