

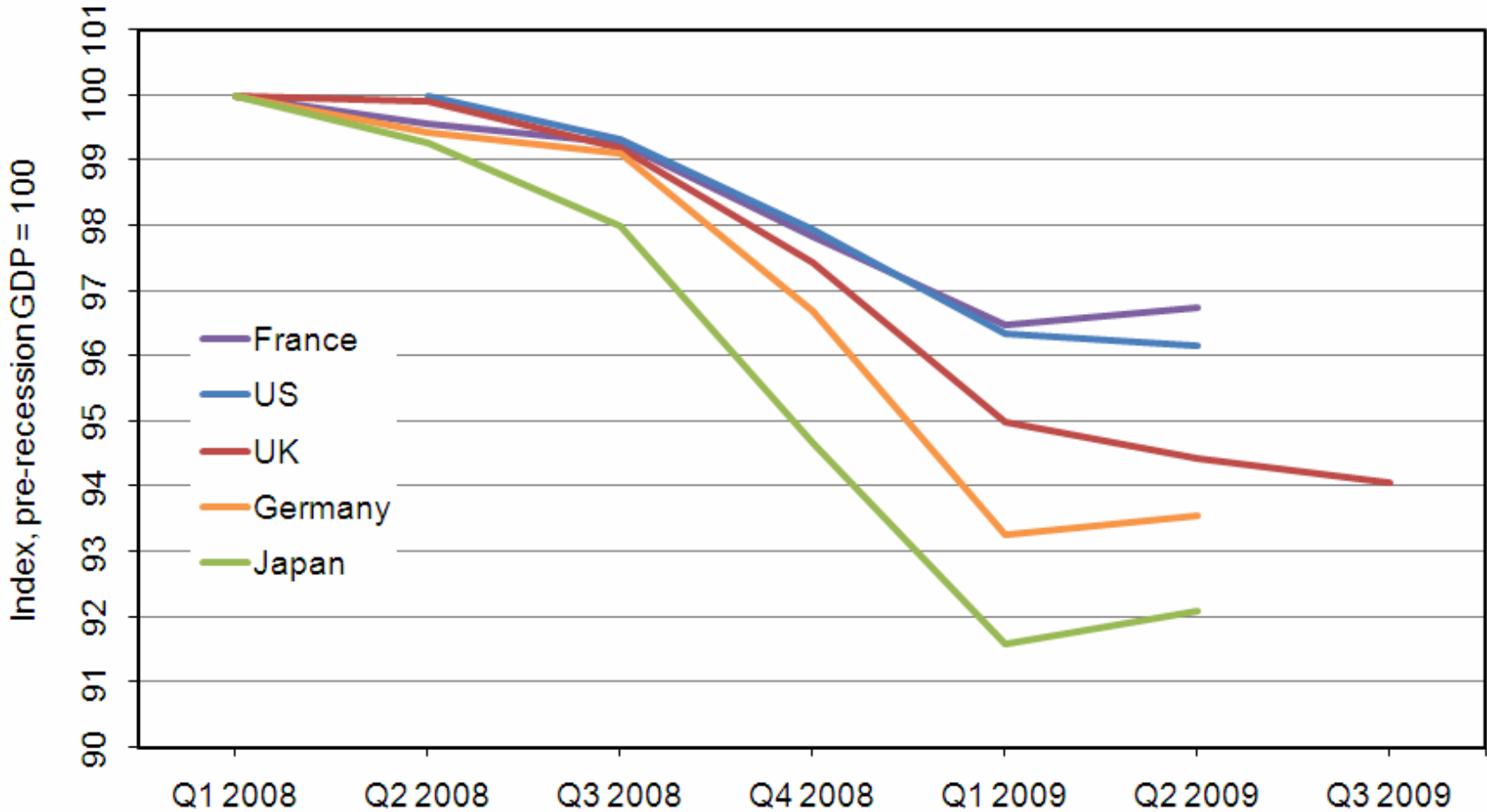
State of the Nation:
Recession and Recovery

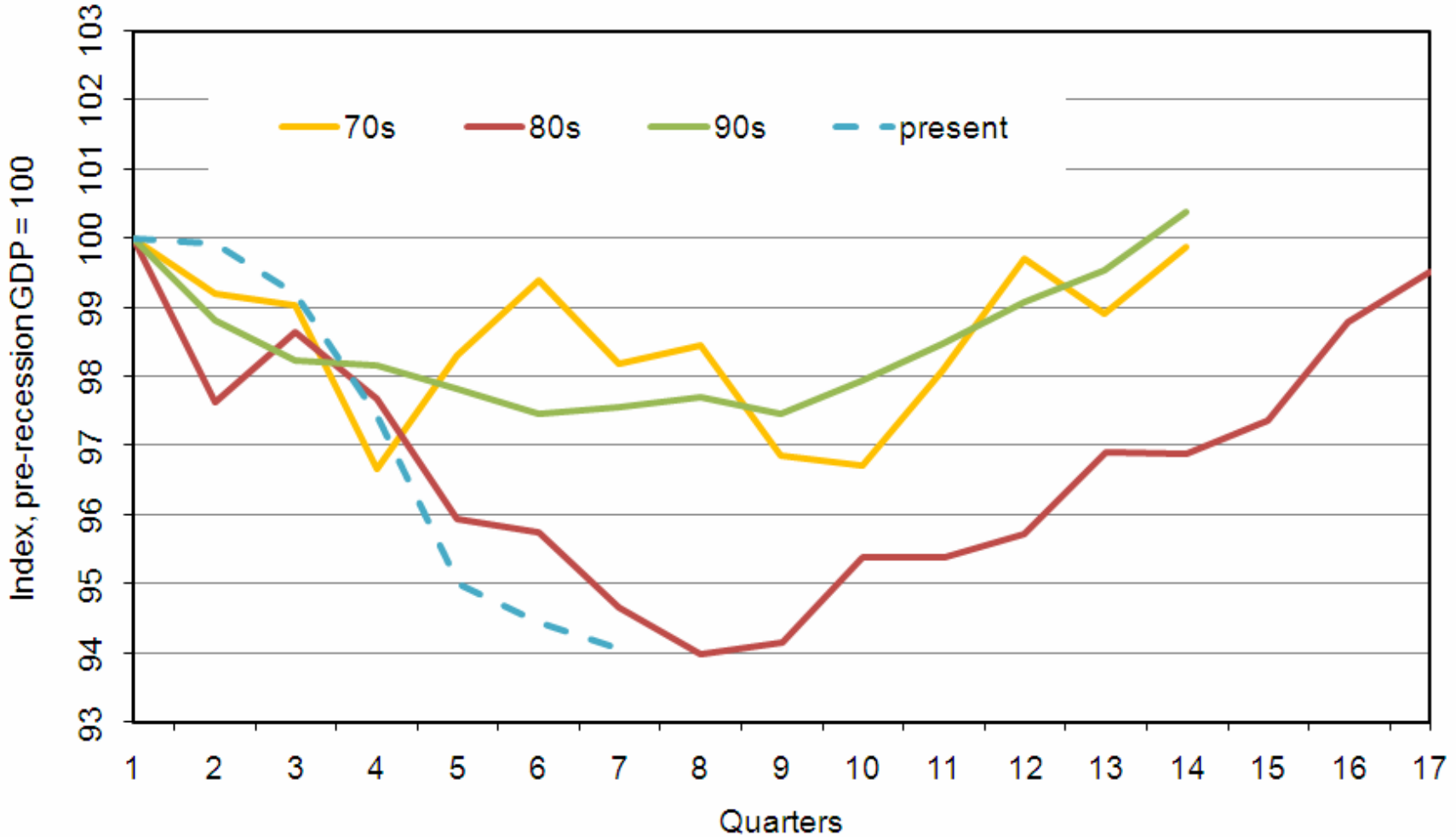
Matthew Salisbury
November 09



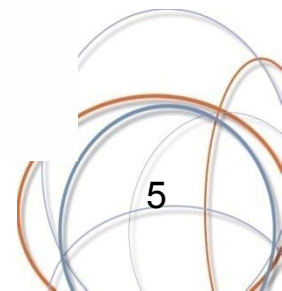
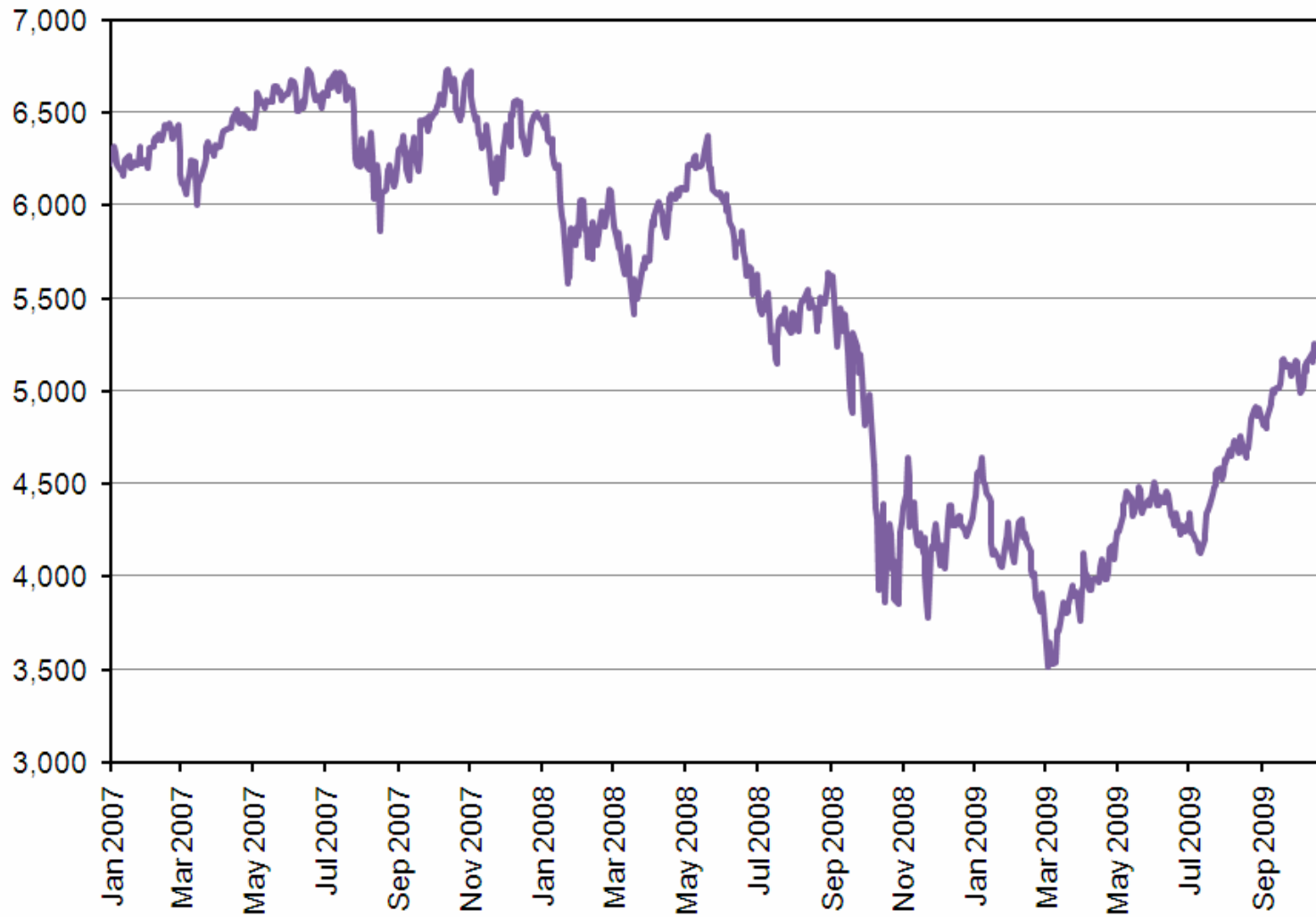
Volterra Summary

- Many major economies have emerged from recession
- UK and US will follow shortly
- The same things that drove other countries out of recession will do the same for us - massive fiscal and monetary stimulus
- But unemployment will continue rising
- Inflation/deflation is under control for now, but interest rate rises are on their way
- QE has paused for breath
- Asset prices are increasing - equities (particularly financial companies), houses
- Sterling remains weak

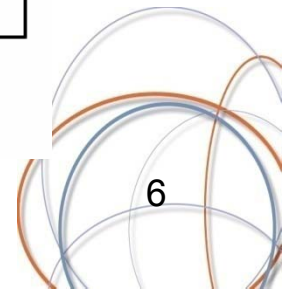
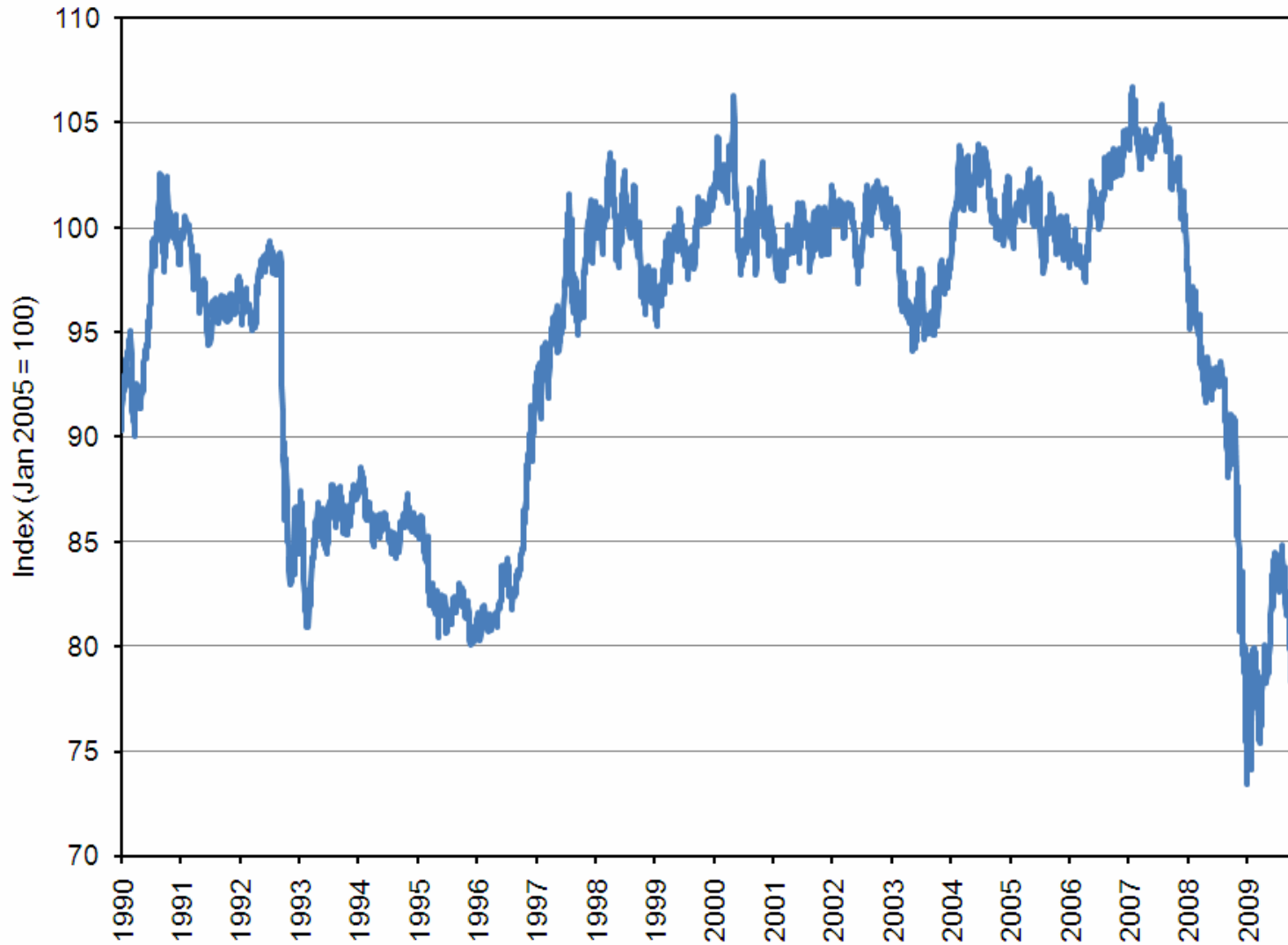


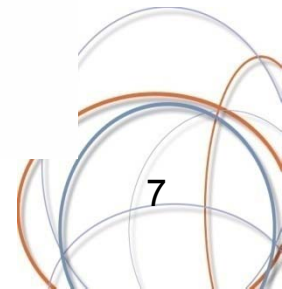
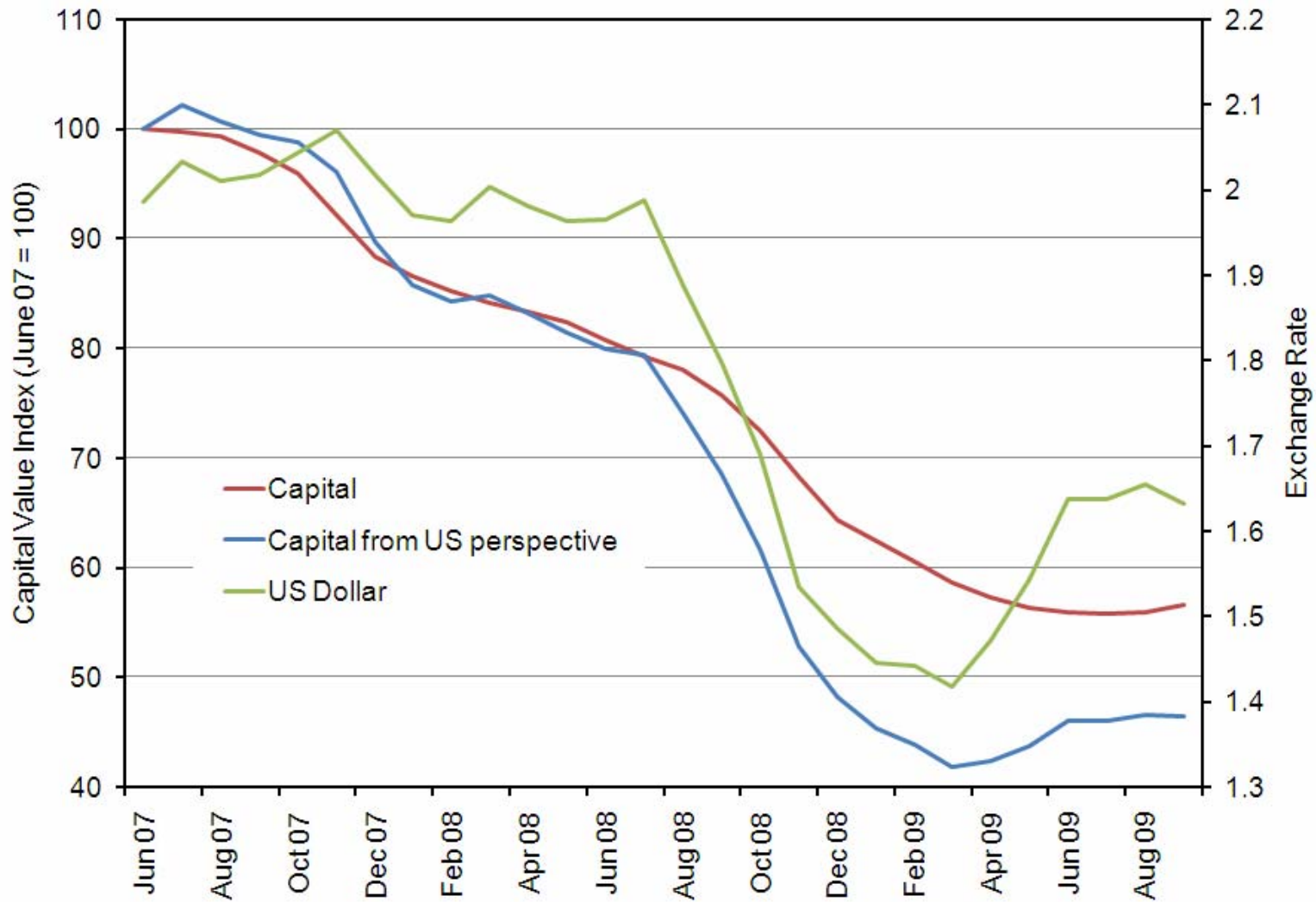


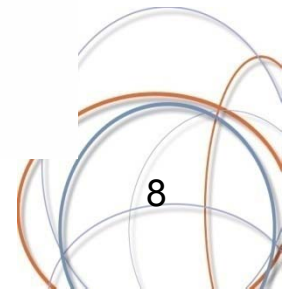
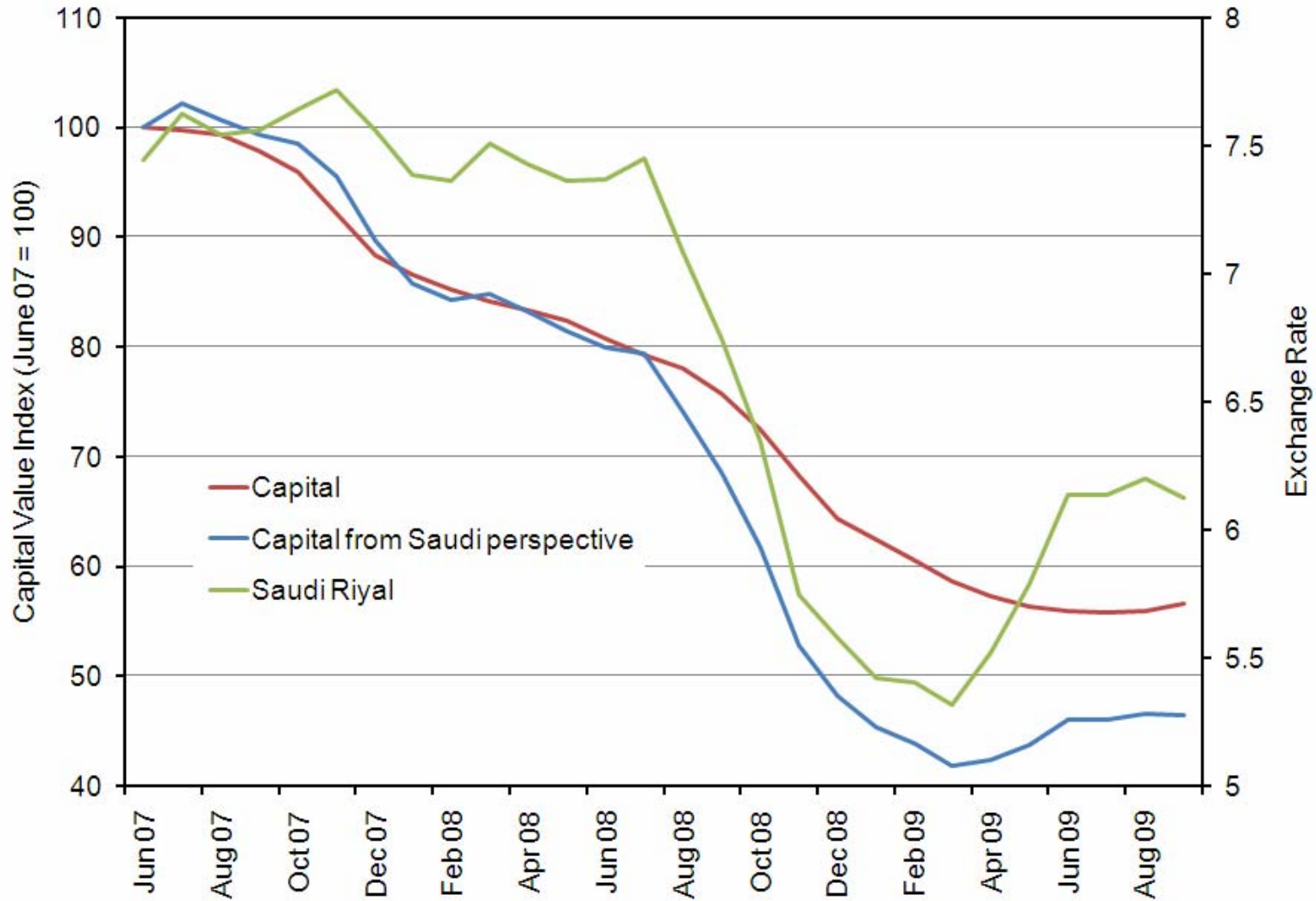
Volterra Equities - FTSE 100

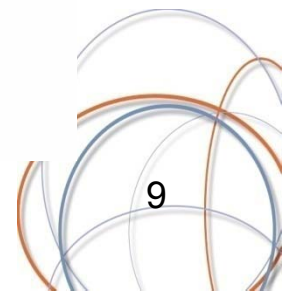
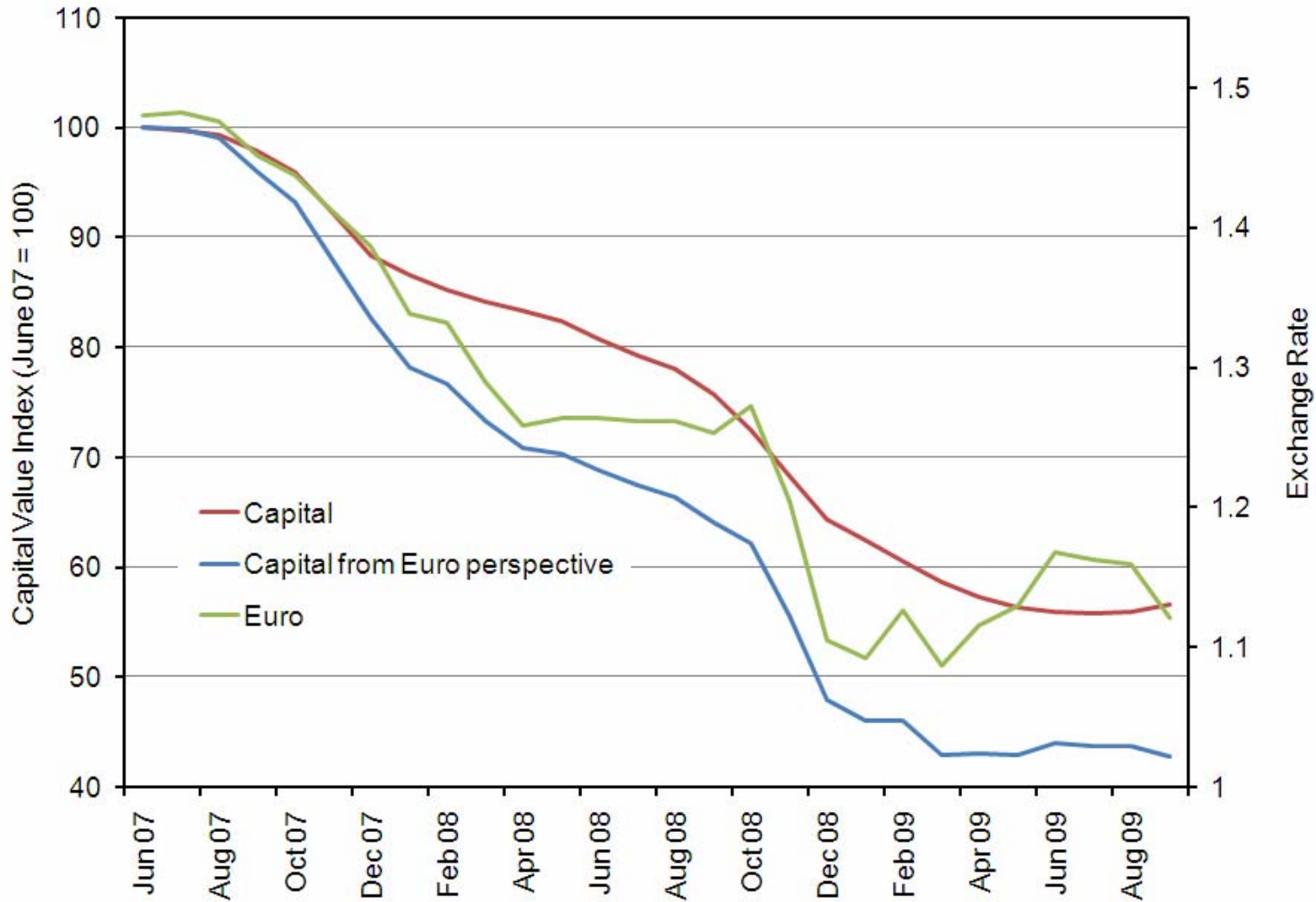


Volterra Currency - Sterling

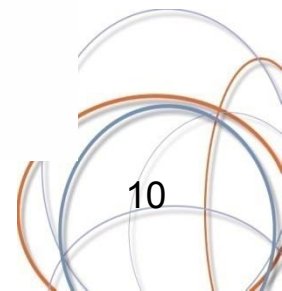
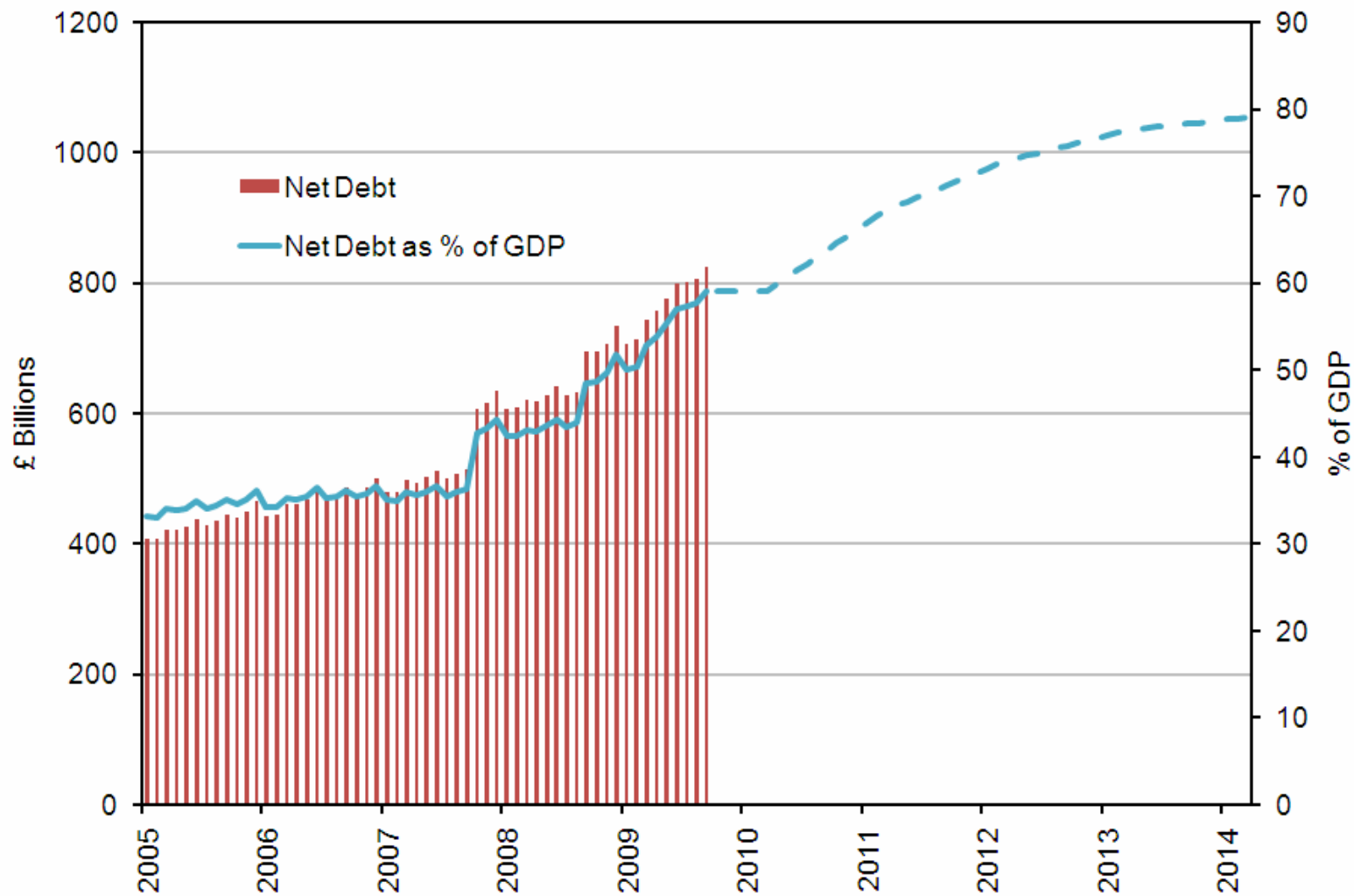




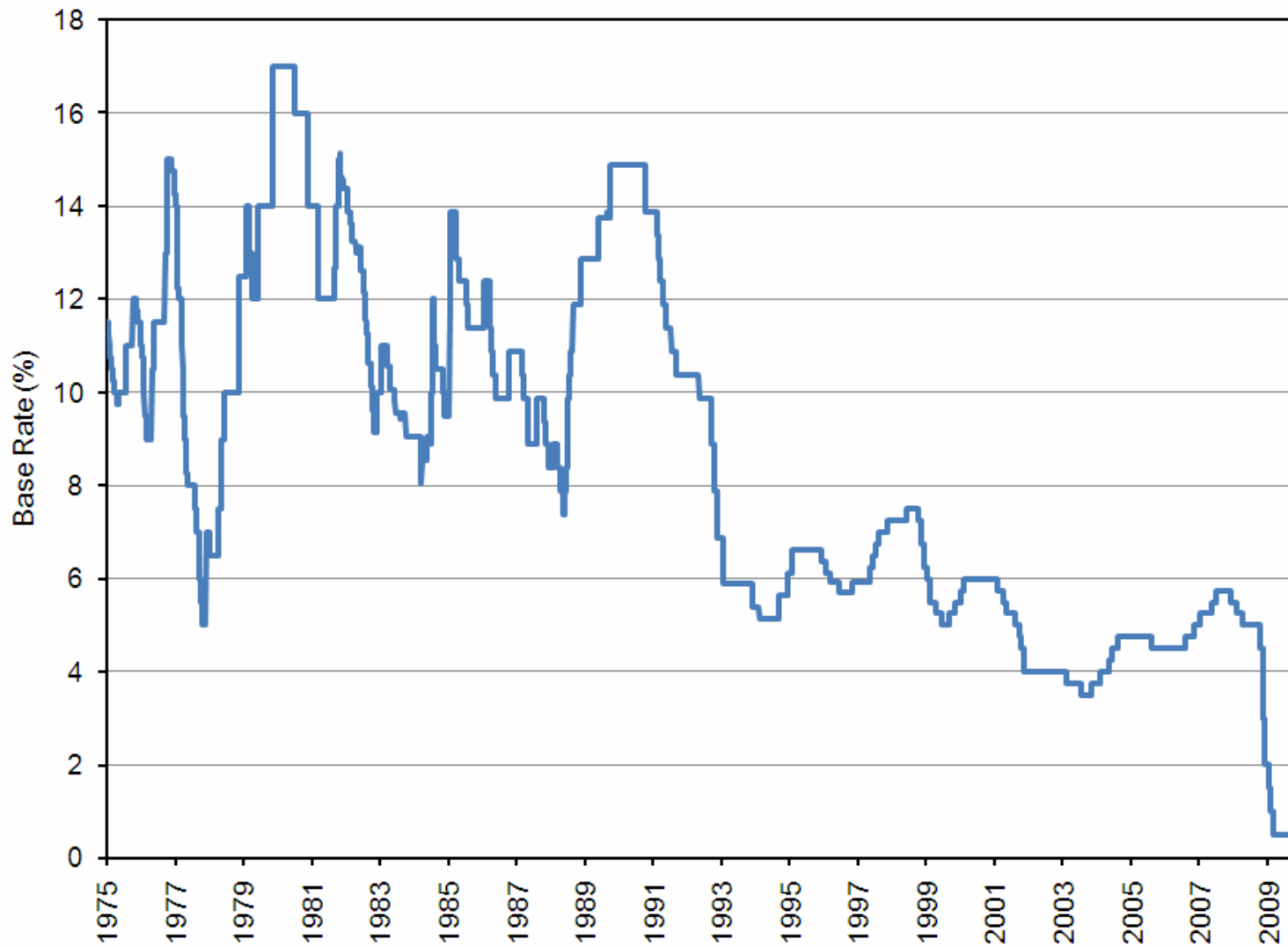




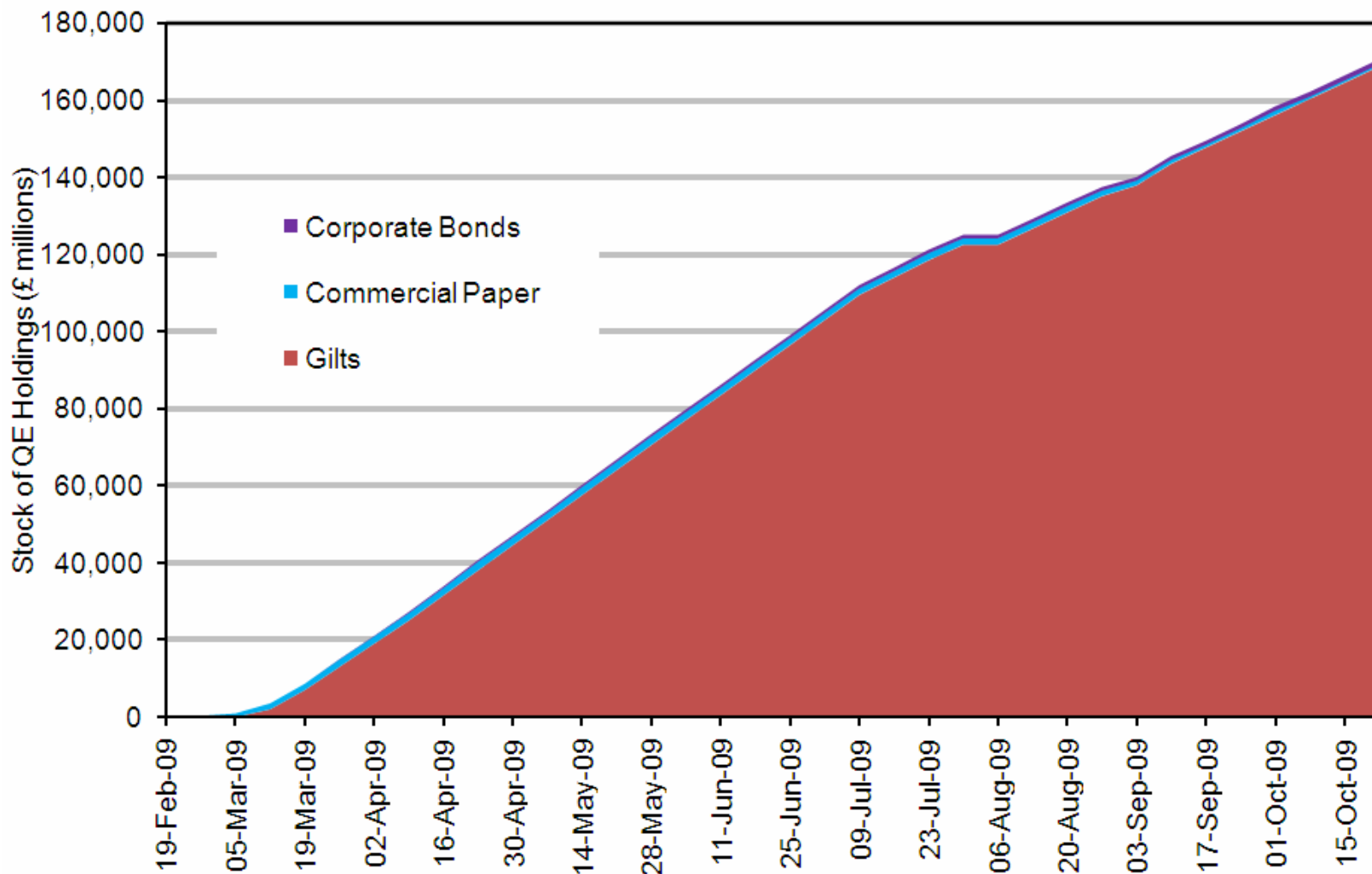
Volterra The Fiscal Response



Volterra The Monetary Response I



Volterra The Monetary Response II

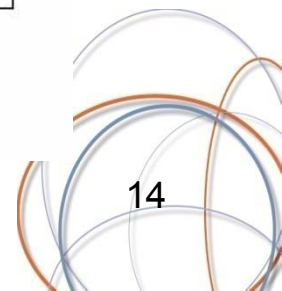
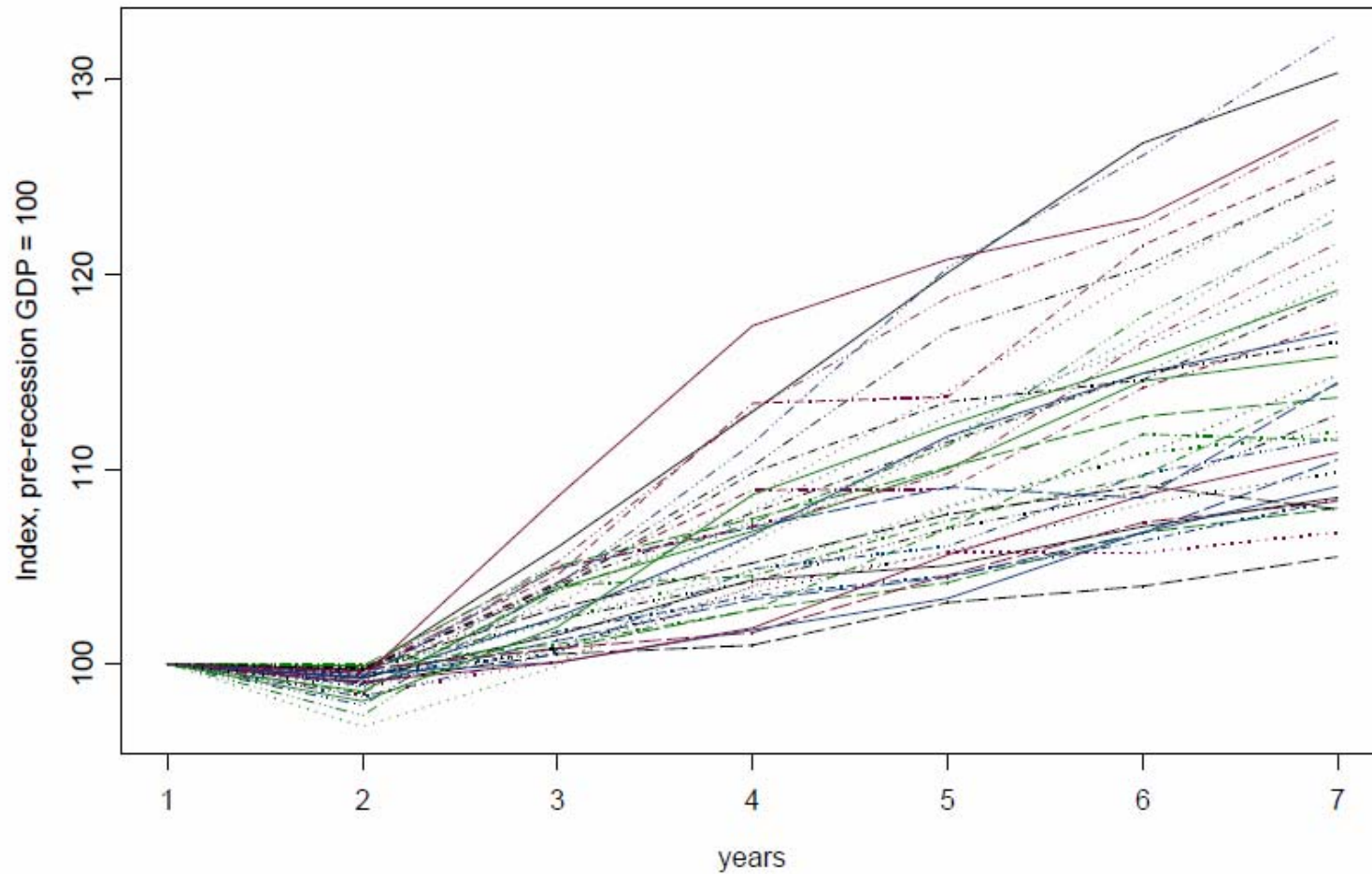


Volterra Recovery - When?

- Many commentators expected Q3 would be positive
- But it seems talks of a recovery were racing ahead of reality. Services contributed most to the GDP decline, with distribution, hotels and restaurants the weakest. Construction output fell sharply
- When will recovery come?
 - Q4.....but these things are inherently uncertain
 - Q3.....GDP figures get heavily revised

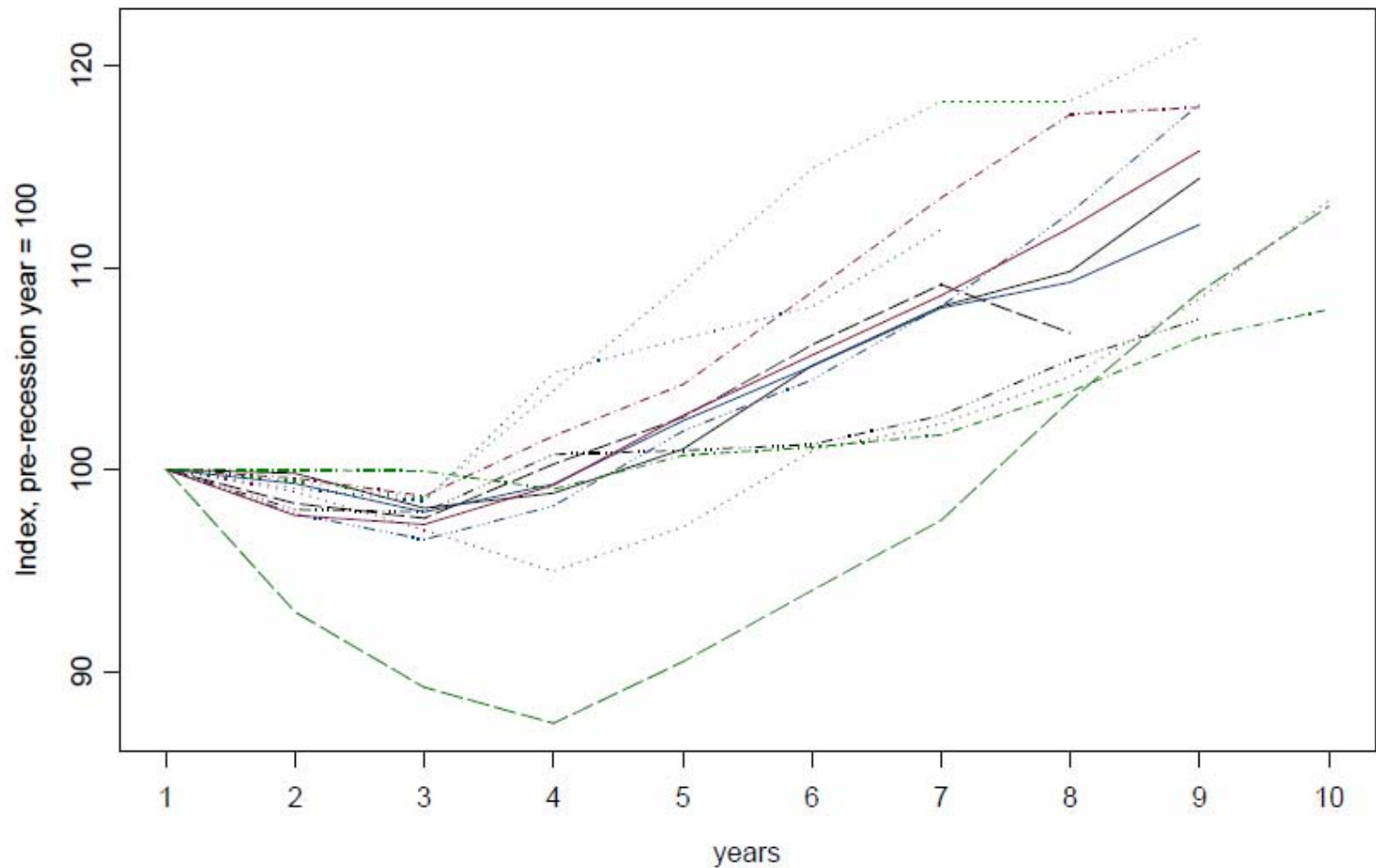
Volterra Recovery - How Fast? I

One year recessions in the West since 1947



Volterra Recovery - How Fast? II

All 2 and 3 year recessions in the West since 1947



Volterra Recovery - How Fast? III

- Once growth starts, it is strong
- The year after a 1 year recession average growth is 3.5%.
In the second year, 3.8%
- The year after a 2 year recession average growth is 2.9%.
In the second year, 2.7%
- The year after a 3 year recession average growth is 2.5%.
In the second year, 2.7%