



New Challenges in Managing the GLOBAL SUPPLY CHAIN
PUTTING THE PIECES TOGETHER

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- **2009 will see unprecedented challenges to effective supply chain operations—both domestically and globally.**
- **There will be dynamic forces at work, all with the potential to make managing supply chain excellence more challenging than ever in the past.**



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International Freight Trends Continue to Deteriorate

- **U.S. Ocean Import volumes continue to decline (9% in December) and will likely continue well into 2009.**
- **China exports fell 2.2% in November while Imports dropped nearly 18%.**
- **Ocean spot rates continue to fall. Ships taken out of service; ports-of-call abandoned.**
- **Negative U.S. exports volumes.**



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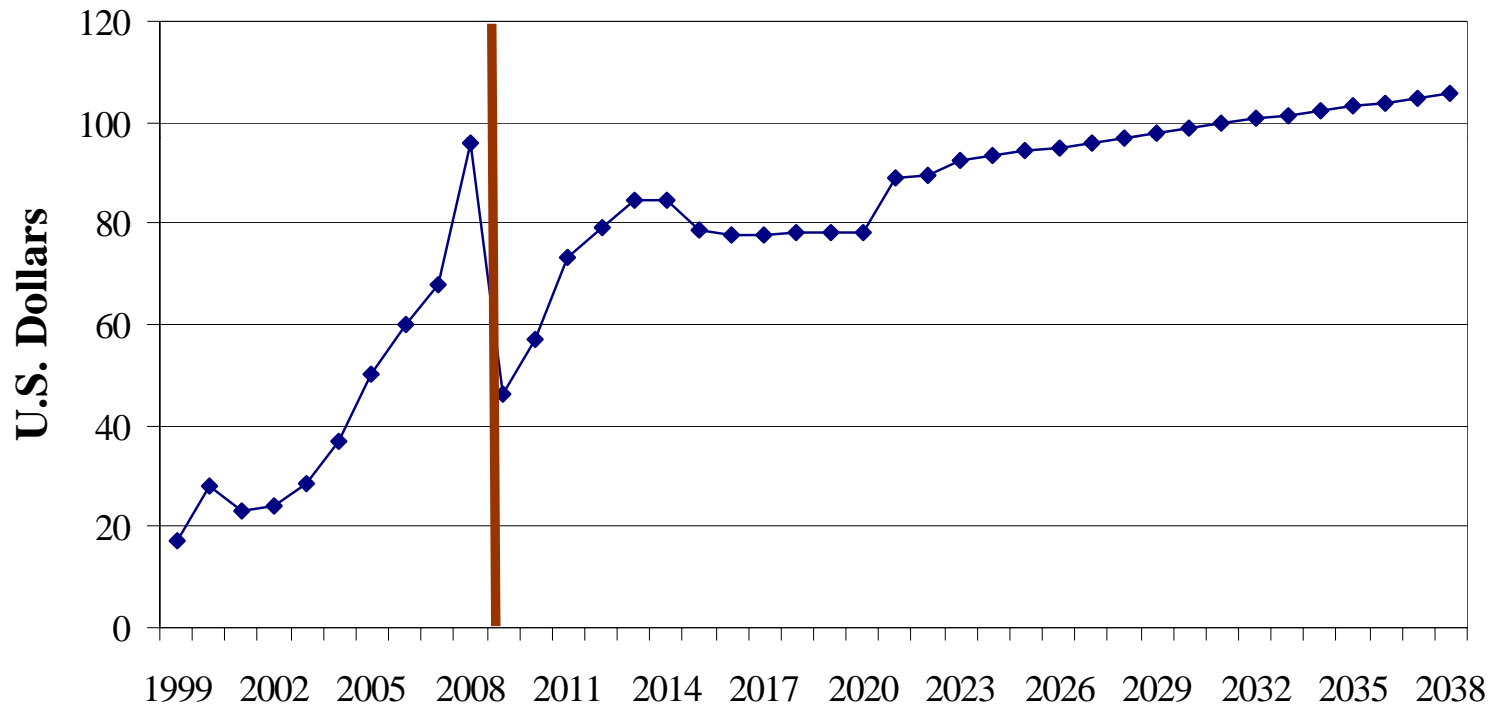


International Airfreight Volumes also Declining

- **Double-digit volume contractions across all regions.**
- **Airfreight rates softening under pressures, although less than ocean.**
- **Be aware that Freight Forwarders benefit from falling rates when reductions not passed through to Shippers.**
- **Airfreight will continue top lead declines in volumes through 2009.**



Price of Crude Oil, 1999-2038





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Crude Oil Prices Will Continue to Influence World Economies

Last Summer's Oil "Spike" Will Linger in the minds of:

- Consumers worldwide
- Transport Providers
- Energy Users in all areas
- And, influence spending and therefore, recovery of the economy!



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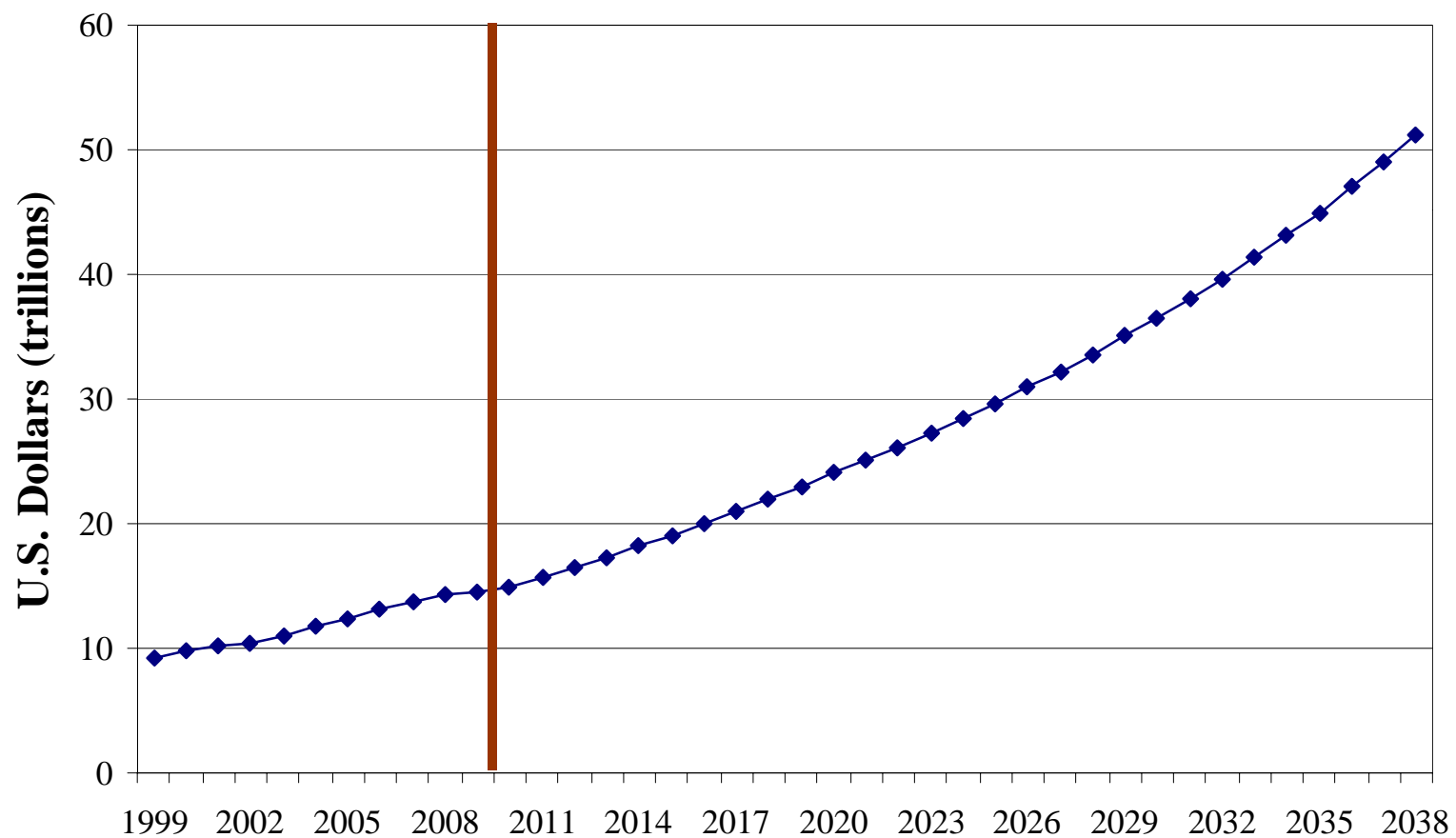


How About the GDP?

- **IHS Global Insight Economists expect real GDP to decline through 2009, by about 2.5%.**
- **2009 will likely see the first decline in World real GDP in the postwar era.**
- **GDP Expected to drop 5.4 % in the first quarter of 2009.**
- **Negative growth through mid-2009**
- **Only anemic positive growth in second half of 2009.**



U.S. GDP, 1999-2038





GDP Declines in Postwar Recesions:

1948	1.8%
1953	2.7%
1957	3.85%
1960	1.52%
1970	1.1%
1973	3.18%
1980	2.23%
1981	2.87%
1990	1.4%
2001	2.5%
2008 Forecast	3.53%
2009 Forecast	2.5%

(Percent peak-to-trough change, dated by year of GDP peak)



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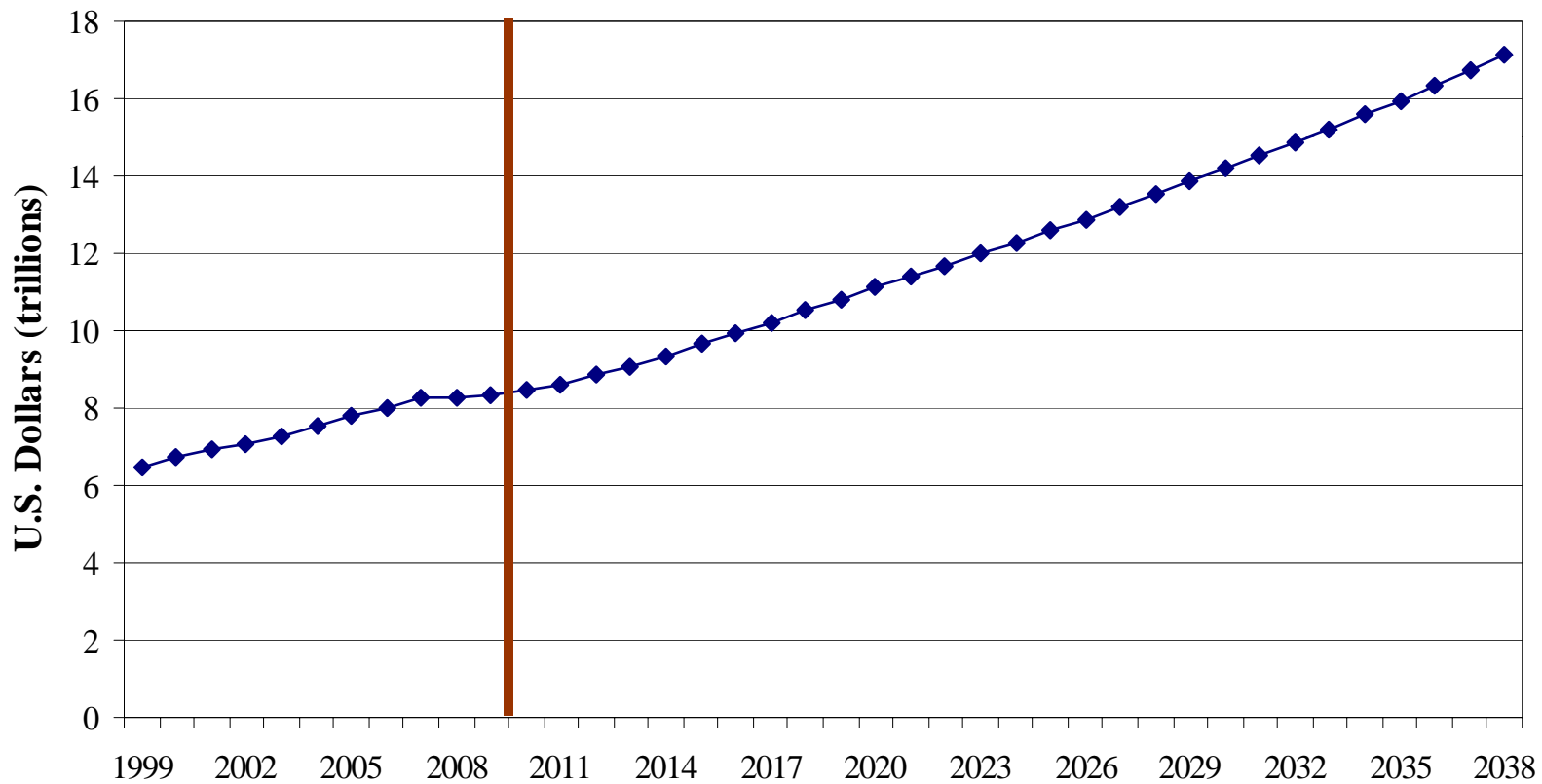


The “Economic Galaxy of Stars” has Aligned...

- **Real Consumption dropped 3.8% in the 3rd Quarter of 2008 and declines of 2.5-3.5 are expected in the 4th and 1st Qtr. 2009.**
- **Exports will drop 7.0% in 2009.**
- **Housing price index will drop 11.6% 1st Qtr. 2008 v. 1st Qtr. 2009 and another 9,5% by 1st Qtr. 2010.**
- **Nonresidential Building lacks adequate financing (Credit Crunch)**
- **Federal Deficit will exceed \$1.3 Trillion in 2009**



U.S. Consumer Spending, 1999-2038





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In my opinion.....Consumers are the key to recovery

✓ Stability MUST return:

---Jobs and Job Security

---Confidence in continued positives

--Stable prices

--Credit for “major purchases”

--Stability of home prices

--Confidence in our Government

--True signs of recovery starting



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But What About the “Stimulus package”?

- **If Consumer Confidence is THE key, then Consumers must understand TARP, plus see results!**
- **Infrastructure spending again, must be visible and measurable...in jobs, improvements, no evidence of waste!**
- **Energy prices must remain stable.**
- **Stimulus Checks do not necessarily mean Consumers will SPEND them!**



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So, What about the Global Supply Chain?

- **As the U.S. economy recovers, the Supply Chain will feel that recovery first.**
- **Challenges to move raw materials and finished goods both domestically and globally will continue to test supply chain efficiencies.**
- **Inventory levels (and carrying costs) will require much closer scrutiny.**
- **Carrier stability will come into question.**
- **Increased attention to sourcing is vital.**



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Best Advice at this Time....

- **Constantly measure your Supply Chain's performance;**
- **Against well-defined matrixes.**
- **Benchmark against “Best Practices” making certain they “fit the times”.**
- **Do not be reluctant to take bold initiatives, seek new sources, new markets, new methods IF they enhance efficiencies.**
- **And finally, keep your eye on the price of Crude Oil!**



Is There NO Good News????

- **The U.S.A. is still the most powerful, resourceful, and resilient power on this Planet.**
- **We have been reckless and inattentive to fiscal best practices and...yes, common sense.**
- **However, IF we can learn from these missteps, we will regain our momentum!**
- **And finally, 2009-2010 will NOT repeat the Great Depression of the 1930's!**



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A Few GOOD NEWS QUICKIES.....

- **Less consumer spending = more savings (less debt)**
- **Talent can be more easily discovered**
- **Manufacturers who can help make things faster & cheaper will be in demand**
- **“Cheap is Chic” makes certain retailers prosper!**
- **Logistics Professionals are in more demand than ever**
- **Employee retention is easier that ever before**
- **It’s a good time to BUY so many things**
- **Everything has a “life cycle”, or, nothing lasts forever; presenting more opportunities to sell the right product/service**
- **“Green is golden” opportunities abound**
- **And finally, we are feeling muck less “pain at the pump” than my last visit to INDIANA!**



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THANK YOU FOR YOUR INVITATION and ATTENTION!

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