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Slower Global Growth in 2008; Forecast Tables

We're lowering our 2008 growth outlook for several countries to incorporate negative changes in credit market conditions and an expected U.S. slowdown. We earlier lowered our U.S. growth outlook for the fourth quarter of 2007 to 1.5% and for 2008 to 2% fourth-over-fourth (see *Reflation Ends Abruptly; Investment Implications* on August 20).

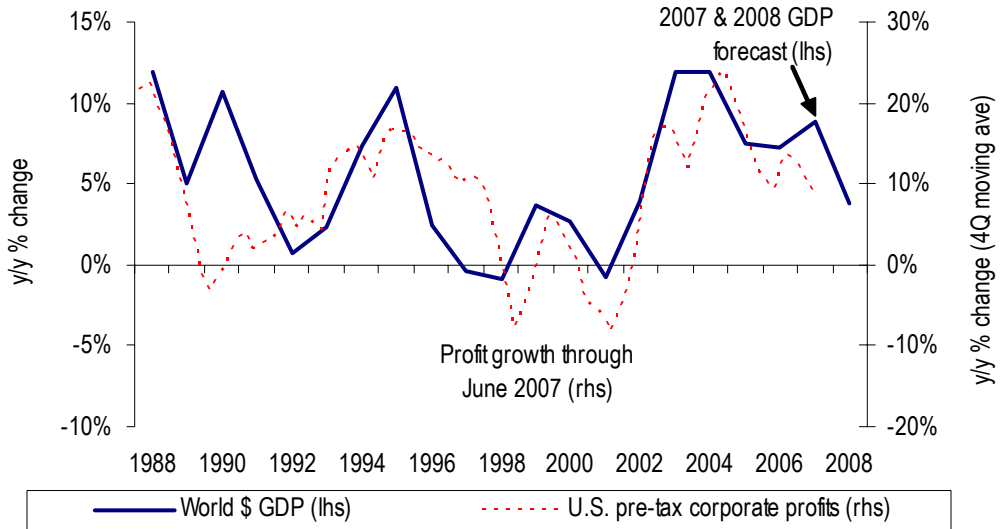
- We think U.S. growth will slow due to: 1) direct losses from debt write-downs; 2) delays in transactions, ranging from home sales to mega-mergers; and 3) the ongoing drag from less aggressive credit markets and wider credit spreads. As growth slows into 2008, we expect jobless claims to rise, job growth to slow and unemployment to rise above 5%. We expect incremental weakness in consumption, capital expenditures and commercial construction.
- The risk of a U.S. recession over the coming 12 months has risen from low, say 5%, to medium, say 35%, in our view. Our forecast is for a softer landing than that. In advance of a recession, we would expect to see some of the following signals – persistent declines in corporate profits and equities, substantial rise in jobless claims, weakness in commodities. For now, we expect a slowdown short of a recession, with 1.25% growth in the first half of 2008.
- Foreign growth should slow due to the knock-on effects of the U.S. slowdown on exports and direct investment – plus the local impact of tighter credit market conditions.

The August credit market disruptions have acted as an abrupt tightening of credit conditions. In effect, the punch bowl of liquidity which had been brimming since 9/11/01 has been taken away. While the Fed didn't raise the Fed funds rate, the rate on jumbo mortgages and LIBOR have gone up, approximating the impact of a rate hike. Financing through asset-backed commercial paper, CMBS (commercial mortgage backed securities, and CLOs (collateralized loan obligations) has declined.

- We think these credit market changes constitute a major inflection point in the economic outlook toward slower growth in 2008. In our April 2007 [Global Notes](#), we discussed the impact of tighter credit conditions (though we didn't expect them to happen as abruptly as they did). "We expect an inflection point and a time-consuming price discovery phase for global markets after world liquidity conditions tighten. We think this will occur after higher real interest rates in the U.S. – either a decline in inflation or an increase in nominal rates. A portion of the global growth rate will fade when the Fed eventually takes the punch bowl away."

- We note the strength of the global economy going through August. We're raising several 2007 forecasts to reflect the first half 2007 growth surge, which was even stronger than our expectations (see *All-Cylinder Global Boom* on July 9.)
- Our previous 2008 growth forecasts (Global Notes, April 2007) had already assumed slower 2008 growth due to tighter liquidity conditions (though caused by central bank rate hikes, not the severe credit market disruptions of August.) Therefore, this forecast revision is primarily picking up the delta from the severity of the August disruptions and the likely follow-on in terms of credit scrutiny.
- In the aggregate, the combined changes in this forecast – stronger-than-expected growth through mid-2007 with a deepening U.S. slowdown beginning in the fourth quarter of 2007 – leave our 2007 global growth forecast unchanged from April at 3.5% in real terms (see attached tables), down from the 3.8% peak in 2006. Global growth in 2008 may slow to 3.1% (was 3.4%). As shown in the tables, we use the weighted real growth rates for a large sample of countries to calculate the aggregates. The IMF uses a different purchasing power parity model which puts heavier weight on China's growth, causing a higher global growth rate.
- For a few countries, our new 2008 forecast is now higher than in our April 2007 Global Notes. Rather than a decoupling from the U.S., we think this reflects accelerating momentum in local activity during 2007, making for a higher growth platform. For example, in China, we're increasing our 2008 growth outlook to 9.5% from 9.0% previously; this still incorporates a 2008 slowdown – led by exports and fixed asset investment – but from a 2007 that has proven far more robust than originally expected, including local consumption. In India, the Apr-07/Mar-08 fiscal year combines faster-than-expected growth in the early months with a slowdown in the later months. We expect growth to accelerate during the later months of the Apr-08/Mar-09 fiscal year leaving the full-year over full-year growth about the same as our April 2007 forecasts.
- In nominal dollar terms, global GDP should reach \$47.2 trillion in 2007 (was \$46 trillion in our April Global Notes.) This is an expected 8.9% increase over 2006 (was 6.6%). Many foreign currencies strengthened during 2007, adding to dollar GDP. This provided a stronger platform for U.S. corporate earnings growth, which remained robust through the second quarter (see graph below).
- In 2008, we expect growth in global nominal dollar GDP to slow to 3.8% (was 5.5%), with nominal dollar GDP rising to \$49 trillion. China will contribute 30% of the 2008 increase, with the U.S. contributing 37%, a substantial increase in their contributions from 2007 (15% and 17%, respectively). This reflects our expectation that the euro and pound will weaken in 2008 as European growth slows materially. From a U.S. corporate earnings standpoint, we expect slower earnings growth in 2008 with less of the growth coming from Europe than in recent years.

World Nominal Dollar GDP and U.S. NIPA-based Pre-tax Corporate Profits



Source: Haver; Bear, Stearns & Co. Inc.

World Nominal Dollar GDP

	US\$ Billion										Year-on-Year % Change										
	1999	2000	2001	2002	2003	2004	2005	2006	2007(f)	2008(f)	1999	2000	2001	2002	2003	2004	2005	2006	2007(f)	2008(f)	
U.S.	9268	9817	10128	10470	10961	11686	12434	13195	13835	14493	6.0%	5.9%	3.2%	3.4%	4.7%	6.6%	6.4%	6.1%	4.9%	4.8%	
Japan	4470	4737	4102	3925	4234	4610	4552	4365	4312	4394	13.3%	6.0%	-13.4%	-4.3%	7.9%	8.9%	-1.2%	-4.1%	-1.2%	1.9%	
Euro Area	6788	6224	6298	6881	8482	9665	10007	10573	11699	11663	-0.7%	-8.3%	1.2%	9.3%	23.3%	13.9%	3.5%	5.7%	10.7%	-0.3%	
U.K.	1462	1454	1444	1584	1829	2171	2246	2396	2709	2682	2.8%	-0.5%	-0.7%	9.7%	15.5%	18.7%	3.5%	6.7%	13.1%	-1.0%	
Canada	661	725	716	735	866	993	1135	1275	1378	1377	7.2%	9.6%	-1.3%	2.7%	17.9%	14.6%	14.3%	12.4%	8.1%	-0.1%	
Australia	401	390	369	413	527	640	711	756	883	886	7.5%	-2.8%	-5.5%	12.0%	27.7%	21.3%	11.2%	6.3%	16.7%	0.4%	
Asia																					
China	1083	1198	1325	1453	1641	1931	2231	2605	3168	3699	6.2%	10.7%	10.5%	9.7%	12.9%	17.7%	15.5%	16.8%	21.6%	16.8%	
Hong Kong	158	163	162	159	154	161	173	186	199	212	-2.7%	2.8%	-0.4%	-1.8%	-3.1%	4.8%	7.0%	7.9%	6.8%	6.2%	
Indonesia	141	153	145	177	210	225	248	315	352	389	48.0%	8.5%	-5.1%	21.8%	18.8%	7.1%	10.1%	27.2%	11.6%	10.4%	
Malaysia	79	90	88	95	103	118	130	146	164	179	9.5%	13.4%	-2.4%	8.3%	9.1%	13.7%	10.5%	12.6%	12.0%	9.0%	
Philippines	76	75	71	77	79	86	98	117	137	154	16.5%	-1.9%	-4.4%	7.8%	3.0%	8.8%	13.5%	20.0%	16.7%	12.3%	
Singapore	82	82	89	92	94	115	126	143	159	172	-1.3%	0.9%	7.7%	3.3%	2.4%	22.6%	9.3%	14.0%	11.1%	7.9%	
South Korea	406	457	422	480	533	596	690	797	866	933	28.1%	12.6%	-7.7%	13.6%	11.1%	11.8%	15.8%	15.5%	8.7%	7.8%	
Taiwan	288	310	283	287	290	312	335	347	358	373	7.6%	7.7%	-8.9%	1.4%	1.3%	7.5%	7.3%	3.5%	3.3%	4.2%	
Thailand	122	122	115	126	142	160	175	204	237	263	9.5%	-0.2%	-6.3%	9.8%	12.5%	13.2%	9.4%	16.3%	16.1%	11.1%	
India	448	423	465	464	548	635	806	911	1126	1271	5.2%	-5.5%	9.9%	-0.3%	18.1%	15.8%	27.1%	13.1%	23.5%	12.9%	
Region	2884	3074	3164	3409	3795	4339	5012	5773	6766	7644	10.1%	6.6%	2.9%	7.7%	11.3%	14.4%	15.5%	15.2%	17.2%	13.0%	
Latin America																					
Argentina	284	284	269	100	128	152	182	213	243	263	-5.2%	0.2%	-5.5%	-62.8%	27.8%	19.2%	19.6%	16.9%	14.0%	8.3%	
Brazil	586	645	554	506	554	604	882	1067	1253	1305	-30.5%	9.9%	-14.1%	-8.6%	9.4%	9.1%	46.1%	21.0%	17.4%	4.1%	
Mexico	481	581	623	649	639	683	768	840	875	896	14.4%	20.8%	7.2%	4.2%	-1.5%	6.9%	12.4%	9.4%	4.1%	2.4%	
Others	309	330	327	298	298	377	465	551	656	683	-5.2%	6.8%	-0.8%	-8.9%	0.1%	26.2%	23.5%	18.5%	19.0%	4.1%	
Region	1660	1840	1773	1553	1619	1816	2297	2671	3026	3146	-12.1%	10.8%	-3.7%	-12.4%	4.2%	12.2%	26.5%	16.3%	13.3%	4.0%	
Total	27595	28261	27993	28969	32313	35920	38395	41004	44609	46286	4.3%	2.4%	-0.9%	3.5%	11.5%	11.2%	6.9%	6.8%	8.8%	3.8%	
Others																					
Turkey	198	204	146	182	236	300	361	394	475	492	-3.5%	2.9%	-28.6%	25.1%	29.6%	27.1%	20.5%	8.9%	20.6%	3.6%	
South Africa	131	128	114	110	167	214	238	247	255	262	-1.2%	-2.6%	-10.7%	-3.7%	51.6%	28.2%	11.3%	3.6%	3.5%	2.5%	
Russia	196	260	307	344	430	582	762	986	1187	1275	-27.7%	32.6%	18.1%	12.4%	24.8%	35.3%	31.0%	29.4%	20.5%	7.4%	
Poland	155	158	176	195	209	242	307	337	392	394	-2.7%	1.7%	11.8%	10.7%	7.0%	16.0%	26.4%	10.0%	16.2%	0.5%	
Czech Rep.	55	51	56	74	90	107	124	143	166	166	-4.1%	-7.0%	11.1%	30.8%	22.5%	18.4%	15.9%	15.5%	15.6%	0.2%	
Hungary	48	47	52	65	83	100	109	112	138	132	2.1%	-2.8%	11.0%	25.4%	27.6%	21.2%	8.6%	2.3%	23.2%	-3.8%	
Total (\$ Trillions)	28.5	29.2	29.0	30.0	33.6	37.6	40.4	43.4	47.2	49.0	3.8%	2.6%	-0.9%	3.8%	12.0%	11.7%	7.6%	7.3%	8.9%	3.8%	

Source: Official Agencies; Bear, Stearns & Co. Inc.

Real Global GDP

	Real GDP - Full Year/ Full Year % Change									
	1999	2000	2001	2002	2003	2004	2005	2006	2007 F	2008 F
U.S.	4.4%	3.7%	0.8%	1.6%	2.5%	3.6%	3.1%	2.9%	2.0%	1.9%
Japan	0.0%	2.8%	0.2%	0.3%	1.5%	2.7%	1.9%	2.2%	2.4%	1.9%
Euro Area	2.9%	4.0%	1.9%	0.9%	0.8%	1.7%	1.5%	2.8%	2.5%	1.8%
U.K.	3.0%	3.8%	2.4%	2.1%	2.8%	3.3%	1.8%	2.8%	2.7%	2.0%
Canada	5.5%	5.2%	1.8%	2.9%	1.8%	3.1%	3.1%	2.8%	2.4%	2.2%
Australia	4.3%	3.5%	2.1%	4.1%	3.0%	3.7%	2.8%	2.7%	3.0%	2.8%
Asia										
China	7.6%	8.4%	8.3%	9.1%	10.0%	10.1%	10.2%	11.1%	11.2%	9.6%
Hong Kong	4.0%	10.0%	0.6%	1.8%	3.2%	8.6%	7.3%	5.7%	5.5%	4.7%
Indonesia	0.9%	4.9%	3.8%	4.4%	4.7%	5.1%	5.6%	5.3%	6.0%	5.0%
Malaysia	6.1%	8.9%	0.3%	4.4%	5.4%	7.1%	5.3%	5.5%	6.0%	5.2%
Philippines	3.4%	6.0%	1.8%	4.4%	4.5%	6.0%	5.1%	5.0%	7.0%	6.0%
Singapore	7.2%	11.7%	-8.9%	3.9%	1.1%	10.5%	7.7%	7.6%	6.2%	5.0%
South Korea	9.5%	8.5%	3.8%	7.0%	3.1%	4.6%	4.0%	5.2%	4.6%	4.6%
Taiwan	5.7%	5.8%	-2.2%	4.2%	3.4%	6.1%	4.1%	4.2%	4.6%	4.0%
Thailand	4.4%	4.8%	2.2%	5.3%	7.0%	6.2%	4.5%	4.5%	4.4%	4.5%
India	6.1%	4.4%	5.8%	4.0%	8.5%	7.5%	9.0%	9.4%	8.0%	7.5%
Region	6.6%	7.4%	4.7%	6.6%	7.2%	8.1%	7.9%	8.5%	8.5%	7.5%
Latin America										
Argentina	-3.4%	-0.8%	-4.4%	-10.9%	8.8%	9.0%	9.2%	8.5%	6.5%	3.8%
Brazil	0.3%	4.3%	1.3%	2.7%	1.1%	5.7%	2.9%	3.7%	5.2%	4.1%
Chile	-0.8%	4.5%	3.4%	2.2%	3.9%	6.0%	5.7%	4.0%	5.5%	4.3%
Colombia	-4.2%	2.9%	0.5%	0.7%	1.4%	4.9%	4.7%	6.8%	6.4%	4.5%
Mexico	3.9%	6.6%	-0.1%	0.8%	1.4%	4.2%	2.8%	4.8%	2.7%	2.2%
Peru	0.9%	3.0%	0.2%	5.2%	3.9%	5.2%	6.4%	8.0%	7.0%	5.8%
Venezuela	-6.0%	3.7%	3.4%	-8.9%	-7.8%	18.3%	10.3%	10.3%	7.0%	4.0%
Region	0.1%	4.1%	0.1%	0.3%	1.6%	6.1%	4.2%	5.2%	4.9%	3.6%
Others										
Turkey	-3.6%	6.0%	-7.0%	7.8%	5.8%	8.9%	7.4%	6.0%	5.0%	4.4%
South Africa	2.0%	3.5%	2.7%	3.6%	1.9%	3.7%	4.9%	4.8%	4.3%	3.4%
Russia	5.4%	8.3%	5.0%	4.3%	7.3%	7.2%	6.4%	6.7%	6.5%	5.5%
Poland	4.1%	4.0%	1.0%	1.4%	3.8%	5.4%	3.2%	5.5%	6.3%	5.0%
Czech Rep.	-0.4%	2.9%	3.6%	2.0%	3.1%	4.4%	4.8%	5.9%	5.3%	4.0%
Hungary	4.5%	5.2%	3.9%	3.3%	2.9%	4.2%	4.0%	3.9%	2.5%	2.5%
World (BSC sample)	3.2%	4.1%	1.5%	1.9%	2.5%	3.7%	3.3%	3.8%	3.5%	3.1%
World (IMF - PPP basis)	3.7%	4.8%	2.5%	3.1%	4.0%	5.3%	4.9%	5.4%	4.9%	4.9%

Source: Official Agencies; Bear, Stearns & Co. Inc.

Bear Stearns U.S. Economic Forecasts

	Quarter/Quarter Change SAAR									
	3Q 06	4Q 06	1Q 07	2Q 07	3Q 07(f)	4Q 07(f)	1Q 08(f)	2Q 08(f)	3Q 08(f)	4Q 08(f)
Real GDP	1.1%	2.1%	0.6%	4.0%	2.5%	1.5%	1.0%	2.0%	2.5%	2.5%
Personal Consumption Expenditure	2.7%	3.9%	3.7%	1.3%	2.0%	1.6%	1.0%	2.0%	2.2%	2.5%
Residential Investment	-20.4%	-17.2%	-16.3%	-11.6%	-9.0%	-9.0%	-6.0%	-3.0%	0.0%	0.0%
Business Structures	10.8%	7.5%	6.3%	27.7%	10.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Business Equipment	2.9%	-4.9%	0.3%	4.2%	4.0%	0.0%	0.0%	1.0%	3.0%	5.0%
Government Purchases	0.8%	3.5%	-0.5%	4.1%	2.1%	2.1%	2.0%	2.0%	2.0%	2.0%
Note: Final sales	1.0%	3.5%	1.3%	3.7%	2.1%	1.2%	0.9%	2.0%	2.4%	2.5%
Nominal GDP	3.4%	3.8%	4.9%	6.7%	5.4%	4.3%	3.8%	4.9%	5.4%	5.4%
Federal funds rate (end of period)	5.25	5.25	5.25	5.25	5.00	4.75	4.50	4.50	4.50	4.50
Unemployment rate (qtrly ave)	4.7	4.5	4.5	4.5	4.6	4.8	5.0	5.1	5.0	5.0
Core PCE deflator (q/q)	2.3%	1.9%	2.4%	1.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Core PCE deflator (y/y)	2.4%	2.3%	2.4%	2.0%	2.0%	2.2%	2.2%	2.4%	2.4%	2.4%
10-Year Treasury Yield	4.90	4.63	4.68	4.80	4.50	4.50	4.50	4.50	4.50	4.50

Contributions

	Quarter/Quarter Contributions SAAR									
	3Q 06	4Q 06	1Q 07	2Q 07	3Q 07(f)	4Q 07(f)	1Q 08(f)	2Q 08(f)	3Q 08(f)	4Q 08(f)
Real GDP	1.1%	2.1%	0.6%	4.0%	2.5%	1.5%	1.0%	2.0%	2.5%	2.5%
Personal Consumption Expenditure	1.9%	2.7%	2.6%	1.0%	1.4%	1.1%	0.7%	1.4%	1.6%	1.8%
Residential Investment	-1.3%	-1.0%	-0.9%	-0.6%	-0.5%	-0.5%	-0.3%	-0.2%	0.0%	0.0%
Business Structures	0.3%	0.2%	0.2%	0.8%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%
Business Equipment	0.2%	-0.4%	0.0%	0.3%	0.4%	0.0%	0.0%	0.1%	0.3%	0.5%
Government Purchases	0.1%	0.7%	-0.1%	0.8%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Inventories	0.1%	-1.4%	-0.7%	0.2%	0.4%	0.3%	0.1%	0.0%	0.1%	0.0%
Net Exports	-0.3%	1.3%	-0.5%	1.4%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%

Annual changes

	Q4/ Q4 Change				Full Year/Full Year Change			
	2005	2006	2007 (f)	2008 (f)	2005	2006	2007 (f)	2008 (f)
Real GDP	2.9%	2.6%	2.1%	2.0%	3.1%	2.9%	2.0%	1.9%
PCE	2.8%	3.4%	2.1%	1.9%	3.2%	3.1%	2.7%	1.7%
Residential Investment	6.4%	-12.8%	-11.5%	-2.3%	6.6%	-4.6%	-14.6%	-5.7%
Business Structures	-0.4%	12.4%	11.6%	4.0%	0.5%	8.4%	11.8%	6.0%
Business Equipment	7.1%	2.5%	2.1%	2.2%	9.6%	5.9%	0.8%	1.6%
Government Purchases	0.9%	2.5%	1.9%	2.0%	0.7%	1.8%	1.8%	2.2%
Nominal GDP	6.3%	5.4%	5.3%	4.9%	6.4%	6.1%	4.9%	4.8%

Global Economic Forecast

	Nominal GDP (bil., US\$)			Real GDP (Full Year %)			CPI (Dec/ Dec Change) **			Year-End FX			Year-End Interest Rates*		
	2006	2007(f)	2008(f)	2006	2007(f)	2008(f)	2006	2007(f)	2008(f)	2006	2007(f)	2008(f)	2006	2007(f)	2008(f)
G7															
U.S.	\$13,195	\$13,835	\$14,493	2.9%	2.0%	1.9%	2.5%	2.9%	2.7%	--	--	--	5.25%	4.75%	4.50%
Eurozone	10,573	11,699	11,663	2.8%	2.5%	1.8%	1.9%	2.1%	2.0%	1.29	1.30	1.25	3.50%	4.00%	4.00%
U.K.	2,396	2,709	2,682	2.7%	2.7%	2.0%	3.0%	2.5%	2.3%	1.96	1.92	1.80	5.00%	5.50%	5.00%
Japan	4,365	4,312	4,394	2.2%	2.4%	1.9%	0.3%	0.3%	0.7%	117	120	120	0.25%	0.75%	1.50%
Regional	30,529	32,555	33,232	2.7%	2.3%	1.9%	2.0%	2.2%	2.2%						

*U.S.: Fed Funds; Eurozone: Main refinancing rate; U.K.: Official Base Rate; Japan: Uncollateralized overnight call rate

Latin America

Argentina	\$213	\$243	\$263	8.5%	6.5%	3.8%	9.8%	9.5%	17.0%	3.06	3.30	3.50	10.7%	14.0%	16.0%
Brazil	1067	1253	1305	3.7%	5.2%	4.1%	3.1%	4.0%	4.0%	2.14	2.05	2.15	13.25%	11.25%	10.5%
Chile	146	159	163	4.0%	5.5%	4.3%	2.6%	5.5%	3.0%	533	540	580	5.25%	6.0%	5.50%
Colombia	136	169	163	6.8%	6.4%	4.5%	4.5%	5.3%	4.3%	2240	2250	2500	7.5%	9.75%	9.0%
Mexico	840	875	896	4.8%	2.7%	2.2%	4.1%	3.4%	3.3%	10.82	11.4	11.6	7.0%	7.5%	7.0%
Peru	88	98	102	8.0%	7.0%	5.8%	1.1%	2.8%	2.2%	3.20	3.25	3.35	4.5%	5.00%	4.5%
Venezuela	182	231	253	10.3%	7.0%	4.0%	17.0%	20.0%	26.0%	2147	2147	3000	10.2%	12.5%	18.0%
Regional	2,671	3,030	3,145	5.2%	4.9%	3.6%	4.9%	5.6%	6.6%						

*Argentina: Baibor; Brazil: Selic; Chile: central bank target Rate; Colombia: DTF; Mexico: 28-day Cetes; Peru: central bank rate; Venezuela: 30-day deposit.

Asia

China	2610	3174	3706	11.1%	11.2%	9.6%	1.2%	5.0%	2.0%	7.80	7.50	7.15	6.12%	7.20%	7.20%
Hong Kong	186	199	212	5.7%	5.5%	4.7%	2.3%	1.6%	1.6%	7.78	7.80	7.80	6.75%	6.25%	6.00%
Indonesia	315	352	389	5.3%	6.0%	5.0%	6.6%	6.5%	6.0%	9,000	9,500	9,200	9.75%	8.50%	8.00%
India **	911	1126	1271	9.4%	8.0%	7.5%	6.0%	5.0%	5.0%	43.5	41.5	40.5	7.75%	7.75%	7.25%
Malaysia	146	164	179	5.5%	6.0%	5.2%	3.1%	1.8%	1.6%	3.53	3.55	3.40	3.50%	3.25%	3.00%
Philippines	117	137	154	5.0%	7.0%	6.0%	4.3%	2.8%	2.5%	49.0	47.5	46.0	7.50%	6.00%	5.75%
Singapore	143	159	172	7.6%	6.2%	5.0%	0.8%	2.0%	1.6%	1.53	1.54	1.50	3.44%	2.50%	2.25%
South Korea	797	866	933	5.2%	4.6%	4.6%	2.1%	2.6%	2.4%	930	950	920	4.50%	5.00%	4.75%
Taiwan	347	358	373	4.2%	4.6%	4.0%	0.7%	-0.4%	0.6%	32.59	33.50	32.50	2.75%	3.00%	2.875%
Thailand	204	237	263	4.5%	4.4%	4.5%	3.5%	1.8%	1.8%	35.45	34.00	32.50	4.89%	3.00%	2.75%
Regional	5,776	6,772	7,651	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%						

* China: PBoC One-year Base Lending Rate; Hong Kong: HKMA base rate; Indonesia: 28-day SBI yield; Malaysia: BNM overnight policy rate; Philippines: BSP Overnight Repo Rate; India repo rate

Singapore: 1-month SIBOR; South Korea: overnight call rate; Taiwan: Discount rate; Thailand: BoT One-day Repo Rate

** India: Fiscal year is April-March; CPI (March/March change); Year-end numbers are for March 31, 2007 and March, 31 2008

EMEA

Czech Republic	\$143	\$166	\$166	5.9%	5.3%	4.0%	1.7%	2.4%	2.2%	20.8	22.0	22.5	2.5%	3.3%	3.0%
Hungary	\$112	\$138	\$132	3.9%	2.5%	2.5%	6.5%	5.0%	4.0%	190.3	205.0	215.0	8.0%	8.3%	8.0%
Poland	\$337	\$392	\$394	5.5%	6.3%	5.0%	1.4%	2.5%	2.2%	2.9	3.00	3.10	4.0%	4.8%	4.5%
Russia	\$986	\$1,187	\$1,275	6.7%	6.5%	5.5%	9.0%	8.4%	7.0%	26.3	27.0	28.0	11.0%	10.5%	10.0%
South Africa	\$247	\$255	\$262	4.8%	4.3%	3.4%	5.0%	6.3%	5.8%	7.0	7.6	7.8	9.0%	10.5%	10.0%
Turkey	\$394	\$475	\$492	6.0%	5.0%	4.4%	9.7%	8.0%	7.5%	1.417	1.45	1.50	17.5%	18.0%	17.0%
Regional	2,218	2,612	2,721	6.0%	5.7%	4.8%	6.9%	6.7%	5.8%						

* Czech Republic: 2-week Repo; Hungary: Base Rate; Poland: Repo Rate; Russia: Moscow Interbank;

South Africa: Average Repo Rate; Turkey: Interbank rate

Latin America Economic Forecast

	US\$ GDP (US\$ bil.)			Real GDP (annual % change)			Inflation (Dec/ Dec % Change)		
	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)
Argentina	\$213	\$243	\$263	8.5%	6.5%	3.8%	9.8%	9.5%	17.0%
Brazil	\$1,067	\$1,253	\$1,305	3.7%	5.2%	4.1%	3.1%	4.0%	4.0%
Chile	\$146	\$159	\$165	4.0%	5.5%	4.3%	2.6%	5.5%	3.0%
Colombia	\$136	\$169	\$163	6.8%	6.4%	4.5%	4.5%	5.3%	4.3%
Mexico	\$840	\$875	\$896	4.8%	2.7%	2.2%	4.1%	3.4%	3.3%
Peru	\$88	\$98	\$103	8.0%	7.0%	5.8%	1.1%	2.8%	2.2%
Venezuela	\$182	\$231	\$253	10.3%	7.0%	4.0%	17.0%	20.0%	26.0%
Regional	\$2,671	\$3,027	\$3,147	5.2%	4.9%	3.6%	4.9%	5.6%	6.6%

	Exports (US\$ bil.)			Imports (US\$ bil.)			Trade Balance (US\$ bil.)		
	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)
Argentina	46.6	50.0	51.0	34.2	41.5	43.0	12.4	8.5	8.0
Brazil	137.5	157.6	161.2	91.4	117.6	132.2	46.1	40.0	29.0
Chile	59.0	68.0	61.9	36.0	42.0	43.8	23.0	26.0	18.1
Colombia	24.4	28.5	29.5	24.5	30.8	32.3	-0.1	-2.3	-2.8
Mexico	249.9	258.9	265.0	256.1	268.9	278.0	-6.2	-10.0	-13.0
Peru	23.7	26.4	26.8	14.8	18.2	19.1	8.8	8.2	7.7
Venezuela	65.2	62.1	58.0	32.2	45.0	46.5	33.0	17.1	11.5

	Trade Balance (% of GDP)			Current Account Balance (US\$ bil.)			Current Account Balance (% of GDP)		
	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)
Argentina	5.8%	3.5%	3.0%	8.0	4.2	3.0	3.8%	1.7%	1.1%
Brazil	4.3%	3.2%	2.2%	13.5	6.0	-4.5	1.3%	0.5%	-0.3%
Chile	15.8%	16.3%	11.0%	5.3	9.5	1.5	3.6%	6.0%	0.9%
Colombia	-0.1%	-1.4%	-1.7%	-3.1	-5.7	-6.2	-2.3%	-3.4%	-3.8%
Mexico	-0.7%	-1.1%	-1.5%	-1.5	-6.7	-9.5	-0.2%	-0.8%	-1.1%
Peru	10.1%	8.4%	7.5%	2.6	1.0	0.6	3.0%	1.0%	0.6%
Venezuela	18.1%	7.4%	4.5%	27.2	18.0	12.3	14.9%	7.8%	4.9%

	Benchmark Interest Rate (year end, %)*			FX Rate (Annual Average)			FX Rate (Year End)		
	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)
Argentina	10.7%	14.0%	16.0%	3.07	3.15	3.42	3.06	3.30	3.50
Brazil	13.25%	11.3%	10.5%	2.18	2.02	2.10	2.14	2.05	2.15
Chile	5.25%	6.0%	5.5%	531	533	560	533	540	580
Colombia	7.5%	9.8%	9.0%	2,359	2,120	2,400	2,240	2,250	2,500
Mexico	7.0%	7.5%	7.0%	10.9	11.2	11.5	10.82	11.40	11.60
Peru	4.5%	5.0%	4.5%	3.27	3.20	3.30	3.20	3.25	3.35
Venezuela	10.2%	12.5%	18.0%	2,147	2,147	2,500	2,147	2,147	3,000

* Argentina: Baibor; Brazil: Selic; Chile: Target Rate; Colombia: Overnight rate; Mexico: Overnight rate; Peru: central bank rate; Venezuela: 30-day deposit rate.

Source: Bear, Stearns & Co., Inc, International Financial Statistics and Official Agencies.

EMEA Economic Forecast

	US\$ GDP (bil., US\$)			Real GDP (annual change)			CPI Inflation (Dec./Dec. chg.)**		
	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)
Czech Rep.	\$143	\$166	\$166	5.9%	5.3%	4.0%	1.7%	2.4%	2.2%
Hungary	\$112	\$138	\$132	3.9%	2.5%	2.5%	6.5%	5.0%	4.0%
Poland	\$337	\$392	\$394	5.5%	6.3%	5.0%	1.4%	2.5%	2.2%
Russia	\$986	\$1,187	\$1,275	6.7%	6.5%	5.5%	9.0%	8.4%	7.0%
South Africa	\$247	\$255	\$262	4.8%	4.3%	3.4%	5.0%	6.3%	5.8%
Turkey	\$394	\$475	\$492	6.0%	5.0%	4.4%	9.7%	8.0%	7.5%
Regional	\$2,219	\$2,613	\$2,721	6.0%	5.7%	4.8%	6.9%	6.7%	5.8%

	Merchandise Exports (bil., US\$)			Merchandise Imports (bil., US\$)			Merchandise Trade Bal. (bil., US\$)		
	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)
Czech Rep.	96.3	107.2	114.7	94.4	104.5	112.2	1.8	2.7	2.5
Hungary	74.0	82.5	87.4	76.6	84.4	89.4	-2.6	-1.9	-2.0
Poland	117.9	130.5	139.6	123.0	136.8	146.3	-5.1	-6.3	-6.7
Russia	303.9	306.1	290.8	164.9	188.5	192.3	139.0	117.6	98.5
South Africa	57.1	60.8	59.6	65.9	69.5	70.9	-8.8	-8.7	-11.3
Turkey	93.2	99.1	103.1	133.2	146.4	155.2	-40.1	-47.3	-52.1

(a) Imports and Exports are FOB.

	Trade Balance (% of GDP)			Current Account Bal (bil., US\$)			Current Account Bal (% of GDP)		
	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)
Czech Rep.	1.3%	1.6%	1.5%	-6.4	-7.0	-7.1	-4.5%	-4.2%	-4.3%
Hungary	-2.3%	-1.4%	-1.5%	-6.2	-6.7	-6.8	-5.5%	-4.9%	-5.2%
Poland	-1.5%	-1.6%	-1.7%	-7.5	-10.8	-11.0	-2.2%	-2.8%	-2.8%
Russia	14.1%	9.9%	7.7%	95.3	77.7	73.8	9.7%	6.5%	5.8%
South Africa	-3.6%	-3.4%	-4.3%	-16.3	-18.9	-18.6	-6.6%	-7.4%	-7.1%
Turkey	-10.2%	-10.0%	-10.6%	-31.6	-33.0	-33.7	-8.0%	-6.9%	-6.8%

	Benchmark Interest Rate (ye)			FX Rate (annual avg.)			FX Rate (year-end)		
	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)	2006	2007 (f)	2008 (f)
Czech Rep.	2.5%	3.3%	3.0%	22.6	21.0	22.3	20.8	22.0	22.5
Hungary	8.0%	8.3%	8.0%	210.4	188.7	210.0	190.3	205.0	215.0
Poland	4.0%	4.8%	4.5%	3.1	2.9	3.1	2.9	3.0	3.1
Russia	11.0%	10.5%	10.0%	27.2	26.0	27.5	26.3	27.0	28.0
South Africa	9.0%	10.5%	10.0%	6.8	7.2	7.7	7.0	7.6	7.8
Turkey	17.5%	18.0%	17.0%	1.437	1.358	1.475	1.417	1.450	1.500

* Czech Republic: 2-week Repo; Hungary: Base Rate; Poland: Repo Rate; Russia: Moscow Interbank
South Africa: Repo Rate; Turkey: Interbank rate

** South Africa: CPI Inflation

Source: Bear, Stearns & Co., Inc, International Financial Statistics and Official Agencies.

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