

in February, with job losses in manufacturing and construction being offset by strong gains in the services sector. Moreover, consumer confidence in February also increased to its strongest reading in five years, on the back of good wage gains and ample job opportunities. Finally, corporate profitability and equity prices are at high levels while real interest rates are still low by historical standards, which should support business investment.

Overall, the consensus forecast continues to be for a soft landing in the U.S. economy. Even though the negative effects in the construction and the manufacturing sectors may continue to be felt, these will be

partially offset by strengthened export performance and continued strength in services.

Japan

Economic growth in Japan was sustained in 2006, with the economy expanding by 2.2 per cent. This solidifies the expansion which began in 2003. Growth has averaged about 2.4 per cent per year over the last four years. Strong corporate profits, improved corporate balance sheets and the resumption of bank lending boosted investment spending which alternated with exports as the main driver of growth over the course of the year. For the entire

TABLE I-1
Real GDP growth in Selected Economies

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------------|------|------|------|------|------|
| North America | | | | | |
| Canada | 2.9 | 1.8 | 3.3 | 2.9 | 2.7 |
| US | 1.6 | 2.5 | 3.9 | 3.2 | 3.3 |
| Japan² | 1.4 | 2.7 | 2.7 | 1.9 | 2.2 |
| EU-members | | | | | |
| France | 1.1 | 1.1 | 2.0 | 1.2 | 2.0 |
| Germany | 0.0 | -0.2 | 1.2 | 0.9 | 2.7 |
| Italy | 0.3 | 0.0 | 1.2 | 0.1 | 1.9 |
| Spain | 2.7 | 3.0 | 3.2 | 3.5 | 3.9 |
| UK | 2.1 | 2.7 | 3.3 | 1.9 | 2.7 |
| Emerging Economies | | | | | |
| China | 9.1 | 10.0 | 10.1 | 10.4 | 10.7 |
| India | 4.3 | 7.2 | 8 | 9.2 | 9.2 |
| Russia | 4.7 | 7.3 | 7.2 | 6.4 | 6.7 |
| Brazil | 2.7 | 1.1 | 5.7 | 2.9 | 3.7 |
| Mexico | 0.8 | 1.4 | 4.2 | 2.8 | 4.8 |
| NIEs | | | | | |
| Hong Kong | 1.8 | 3.2 | 8.6 | 7.5 | 6.8 |
| Korea | 7.0 | 3.1 | 4.7 | 4.2 | 5.0 |
| Singapore | 4.2 | 3.1 | 8.8 | 6.6 | 7.9 |
| Taiwan | 4.2 | 3.4 | 6.1 | 4.0 | 4.6 |
| ASEAN-4 | | | | | |
| Indonesia | 4.5 | 4.8 | 5.0 | 5.7 | 5.5 |
| Malaysia | 4.4 | 5.5 | 7.2 | 5.2 | 5.9 |
| Philippines | 4.4 | 4.9 | 6.2 | 5.0 | 5.4 |
| Thailand | 5.3 | 7.1 | 6.3 | 4.5 | 5.0 |

² As there was a wide discrepancy between the IMF WEO database and Japanese data for growth rates in 2002 and 2003, I opted for the latter.

Source: IMF, World Economic Outlook Database, April 2007