assumptions are that (1) for most countries, real effective exchange rates remain constant at their average levels over the January 30-February 27, 2008 period; (2) that established policies (fiscal and monetary) be maintained; and, (3) that the average price of oil, measured as the simple average of prices of U.K. Brent, Dubai, and West Texas Intermediate crude oil, will be US$95.50 in 2008 and US$94.50 in 2009, and remain unchanged in real terms over the medium term. In addition, there are a number of working hypotheses concerning various deposit rates in the world's financial sectors. The interested reader should consult the *Outlook* for further detail. Any real deviations from above assumptions have the potential to affect the reliability of the projections.

There are several downside risks and uncertainties that may hamper economic performance:

Chief among such uncertainties is the ultimate impact, or impacts, of the still unfolding financial crisis. As mentioned earlier, the problems of this sector have spread to affect real activity and the final impacts are as yet unknown.

In addition, beyond the deep correction taking place in the U.S. housing market is the possibility that housing prices may adjust downward significantly in other advanced economies. Housing may now play a more marked role in the business cycle, with linkages tied back to consumer wealth and confidence.

Another potential vulnerability is commodity prices. Surging commodity prices have contributed to the strong performance of almost all commodity-based economies in recent years. However, according to the IMF, commodity prices have fallen, on average, some 30 percent during significant global slowdowns over the past 30 years. The effects of a serious fall in commodity prices would likely be significant and negatively impact growth for commodity producing countries.

While falling prices will have their impacts, so too will rising prices. Even though faced with the prospects of a global slowdown, many of the developing economies find themselves beset by inflation pressures, particularly in food and oil prices. Therefore, at the very time when preparations for countercyclical measures would seem warranted, many leading developing economies find themselves trying hard to take the edge off inflation.

Lastly, although the IMF projections account for a minor recession in the United States economy, a more pronounced or prolonged recession would increase vulnerabilities across global economies.

On the upside, should the United States perform more strongly than projected, vulnerabilities would be reduced. There is also some upside potential from the projections for domestic demand in the emerging economies, which would help attenuate negative spillovers from the advanced economy business cycle.