



CONTINUING GROWTH THROUGHOUT 2007

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2006 was an eventful year. Despite a significant drop in May, stock markets rose by 15%, the dollar continuously weakened throughout the year and oil prices rose to levels previously unseen, with no serious impact on economic growth. Many investors are now asking themselves the question: will the rally continue throughout 2007?

The rise in stock prices followed a generally positive trend across the world, with the main economies in the US and Europe continuing or resuming solid growth at 3.5% and 2.5% respectively, while emerging markets continued to grow steadily by more than 7%.

In 2007, we can expect growth in the US to decelerate temporarily at the turn of the year but to reaccelerate in the second half. However, we may expect growth to be somewhat lower next year: the US housing market remains a key concern that can substantially impact consumption, although strong wage growth and more business investment, due to lower inflation and a possible loosening of interest rates, is expected to prevent any substantial slowdown.

With more evidence of improvements in most European labour markets – especially in Germany – we expect growth in 2007 to be driven by consumption to a greater extent than was initially

expected. Growth in 2007 should be only moderately lower than it was in 2006. We also expect inflation to be lower and hence the central bank's policies with regards to interest rates to be more predictable.

In emerging economies, growth is expected to remain at high levels. In Asia, we expect to see results from the measures already taken to cool off the investment cycle, though we expect record levels of economic activity, with China and India remaining the main engine of growth in the region. Brazil and Indonesia are expected to see an acceleration of their economic activity helped by declining interest rates and expanding domestic demand.