

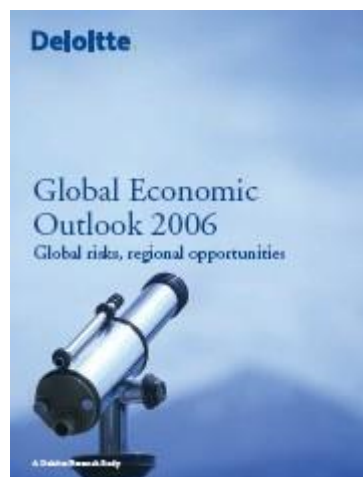


Global Economic Outlook 2006

Global Risks, Regional Opportunities

This new study from Deloitte Research examines the various risks to the global economy and offers a point of view as to their future direction. It suggests possible scenarios about the future direction of interest rates, exchange rates, and commodity prices, all with the aim of offering some useful planning premises for global companies that are exposed to global risks. This report also looks at each of the world's major economies and the issues they face. Of special interest are today's most discussed economies - China and India and the question as to the staying power of their extraordinary growth.

The world economy is performing reasonably well. Growth in the US, China, Russia, and India is strong. Inflation in most major countries remains low by historical standards and long-term interest rates are unusually and surprisingly low. Even long-suffering Japan has seen relatively good performance lately. And although some of the biggest countries of the European continent are stagnating, others are doing quite nicely. Finally, although the price of oil has risen substantially, oil consuming nations seem to have absorbed this shock reasonably well. Meanwhile, oil exporting nations are seeing their first major windfall in a generation.



Yet a variety of risks cast a darkening shadow across the global economic landscape:

- | The effects of the increase in the price of oil;
- | Instability in some oil-exporting countries;
- | Protectionist sentiment in much of the developed world;
- | The huge financial imbalance between the US and the rest of the world.

Each of these factors is a reality, not merely a risk. The only question is how the effects of these realities will unfold over time. The risk is that they will unfold in a disorderly and ultimately de-stabilizing manner. The hope, of course, is that policymakers will take the necessary steps to ensure a smooth transition to the next stage of global growth.

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