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CONSENSUS FORECASTS

A Digest of International Economic Forecasts

% GDP \$ CPI £ PPI € LIBOR ¥ RPI % GDP

Survey Date
October 7, 2002

Every month, Consensus' Economics surveys over 240 prominent financial and economic forecasters for their estimates of a range of variables including future growth, inflation, interest rates and exchange rates. More than 20 countries are covered and the reference data, together with analysis and polls on topical issues, is rushed to subscribers by express mail.

Contents

Page

Significant Changes in the
Consensus 2

Long-Term Forecasts
(continued on page 26) 3

Individual Country Forecasts

United States 4
Japan 6
Germany 8
France 10
United Kingdom 12
Italy 14
Canada 16

Netherlands 18
Norway 19
Spain 20
Sweden 21
Switzerland 22

Austria, Belgium, Denmark, Egypt,
Finland, Greece 23
Ireland, Israel, Nigeria, Portugal,
Saudi Arabia, South Africa 24

Foreign Exchange and Oil Price
Forecasts 25

Long-Term Forecasts
(continued) 26

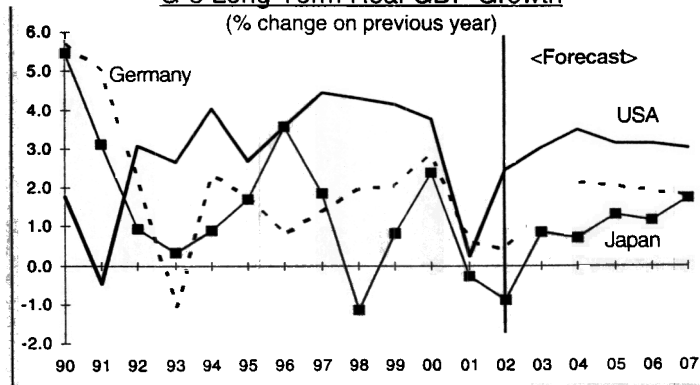
World Economic Activity 28

Survey Highlights

- ❖ In the **United States** (page 4), growth forecasts for 2002 and 2003 have stabilised despite growing concern over the outlook. This is because economic fundamentals are viewed as sound, although industrial surveys are pointing to a slowdown. Moreover, geopolitical turmoil and stock market volatility continue to add a downside risk to the outlook, and there is still room for a possible cut in interest rates by the Federal Reserve later this year.
- ❖ Budget deficits in **Germany, France and Italy** (pages 8, 10, and 14) have continued to widen as activity flags. Some governments have criticised the restrictive nature of the Stability and Growth Pact, suggesting that more flexibility during times of economic downturn should be allowed.
- ❖ In the **United Kingdom** (page 12), household consumption has provided the basis for relatively strong GDP growth over the course of 2002, but there are concerns that consumer spending may soon begin to slow.
- ❖ This month's special survey is a repeat of our regular look at **Long-Term Forecasts** (see pages 3, 26, and 27)

G-3 Long-Term Real GDP Growth

(% change on previous year)



LONG-TERM FORECASTS

OCTOBER 2002

Continued from page 3

France											
* % change over previous year	Historical				Consensus Forecasts						
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008-2012 ¹
Gross Domestic Product*	3.5	3.2	4.2	1.8	1.0	1.9	2.6	2.6	2.6	2.6	2.4
Household Consumption*	3.6	3.5	2.9	2.7	1.7	1.9	2.5	2.6	2.6	2.6	2.4
Business Investment*	9.4	8.7	8.9	3.3	-0.4	0.9	3.8	3.7	3.6	3.7	3.4
Industrial Production*	6.5	2.3	4.1	0.5	-0.3	1.2	2.5	2.0	2.4	1.8	1.9
Consumer Prices*	0.6	0.6	1.6	1.6	1.8	1.6	1.7	1.7	1.8	1.7	1.7
Current Account Balance (Euro bn)	34.6	39.4	17.7	23.7	29.1	31.2	32.6	30.2	34.0	32.1	37.5
10 Year Treasury Bond Yield, % ²	3.9	5.5	5.0	5.1	4.6 ³	5.0 ⁴	5.2	5.2	5.4	5.4	5.2

United Kingdom											
* % change over previous year	Historical				Consensus Forecasts						
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008-2012 ¹
Gross Domestic Product*	2.9	2.4	3.1	2.0	1.5	2.5	2.3	2.3	2.3	2.4	2.4
Household Consumption*	3.7	4.6	5.1	4.1	3.4	2.5	2.1	1.5	1.9	2.2	2.4
Gross Fixed Investment*	12.8	0.6	1.9	0.3	-3.3	2.1	3.4	2.6	2.2	2.6	2.9
Manufacturing Production*	0.8	0.3	1.9	-2.3	-3.4	2.3	2.3	2.0	1.8	1.8	1.8
Retail Prices (underlying rate)*	2.6	2.3	2.1	2.1	2.1	2.3	2.2	2.1	2.1	2.2	2.2
Current Account Balance (£ bn)	-4.8	-19.7	-19.2	-21.1	-20.5	-23.6	-23.9	-22.6	-23.5	-22.8	-22.2
10 Year Treasury Bond Yield, % ²	4.4	5.5	4.9	5.0	4.6 ³	4.9 ⁴	4.9	4.9	5.0	5.0	5.0

Italy											
* % change over previous year	Historical				Consensus Forecasts						
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008-2012 ¹
Gross Domestic Product*	1.8	1.6	2.9	1.8	0.5	1.8	2.5	2.6	2.3	2.3	2.3
Household Consumption*	3.2	2.4	2.7	1.1	0.0	1.8	2.4	2.5	2.3	2.3	2.2
Gross Fixed Investment*	4.0	5.7	6.5	2.4	-1.7	2.9	3.5	3.5	3.0	2.6	2.8
Industrial Production*	1.1	0.0	4.8	-1.3	-1.4	2.3	2.8	2.9	2.7	2.7	2.6
Consumer Prices*	2.0	1.6	2.5	2.8	2.4	2.0	1.9	1.8	1.9	1.8	1.8
Current Account Balance (Euro bn)	19.5	7.9	-6.9	-0.2	-1.7	-1.3	-2.1	-1.2	-1.2	-2.2	-2.2
10 Year Treasury Bond Yield, % ²	4.0	5.5	5.2	5.2	4.6 ³	5.1 ⁴	5.2	5.3	5.3	5.2	5.2

Canada											
* % change over previous year	Historical				Consensus Forecasts						
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008-2012 ¹
Gross Domestic Product*	4.1	5.4	4.5	1.5	3.4	3.4	3.3	3.1	3.1	3.0	2.6
Personal Expenditure*	2.8	3.9	3.7	2.6	2.7	2.9	3.2	3.1	2.8	2.7	2.5
Machinery & Eqpt Investment*	8.6	11.4	9.3	-2.2	-1.1	6.2	6.9	5.5	5.7	4.6	4.6
Industrial Production*	3.4	5.6	5.5	-3.0	2.2	4.1	4.2	3.6	2.7	2.7	3.5
Consumer Prices*	1.0	1.7	2.7	2.5	2.1	2.4	2.1	2.0	2.0	2.0	2.0
Current Account Balance (C\$ bn)	-11.4	2.0	27.8	30.1	21.6	25.5	24.1	23.8	27.0	30.4	34.6
10 Year Treasury Bond Yield, % ²	4.9	6.2	5.4	5.4	5.1 ³	5.6 ⁴	5.9	5.9	5.9	5.9	5.9

¹Signifies average for period ²End period ³End January, 2003 ⁴End October, 2003

structural problems weigh on the growth outlook. Failure to cut down on wasteful public spending initiatives and to reform the fragile financial sector have severely restricted the government's ability to use fiscal policy effectively. Monetary policy also remains ineffective in the face of the current deflationary spiral, leaving the outlook muted and with falling consumer prices projected until 2005.

The need for structural reform is also a factor in German,

tic about prospects for wide-ranging labour market reforms. Moreover, an ageing population is another downside risk as it becomes increasingly difficult to fund public pension schemes. France's long-term outlook remains marginally better than Germany's, a result, perhaps, of more robust consumer activity. Similarly, UK forecasts over the longer term are also more positive, although the recent strength in private consumption growth is projected to moderate. The trend in inflation remains stable, however, probably a reflection

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% GDP \$ CPI £ PPI € LIBOR ¥ RPI % GDP

Survey Date

April 7, 2003

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Contents

Page

Significant Changes in the Consensus 2

Long-Term Forecasts (continued on page 28)

Individual Country Forecasts

United States 4

Japan 6

Germany 8

France 10

United Kingdom 12

Italy 14

Canada 16

Euro zone 18

Netherlands 20

Norway 21

Spain 22

Sweden 23

Switzerland 24

Austria, Belgium, Denmark, Egypt

Finland, Greece 25

Ireland, Israel, Nigeria, Portugal,

Saudi Arabia, South Africa 26

Foreign Exchange and Oil Price Forecasts 27

Long-Term Forecasts (continued) 28

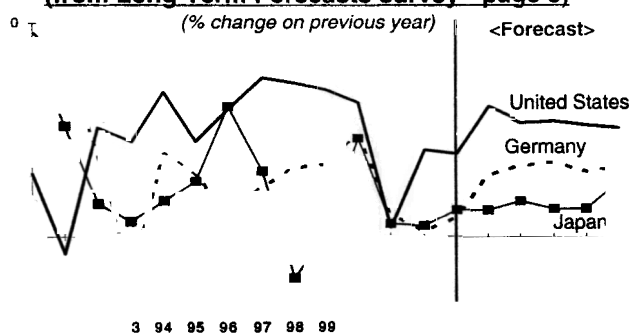
World Economic Activity 32

Survey Highlights

- ❖ The onset of military action in Iraq has understandably dominated headlines over the past few weeks and led to analysts speculating over its effect on the world economy. However, the current GDP outlook for the **United States** suggests that the war's economic impact is likely to be relatively short-term. In addition, many observers recognize that the slowdown in activity has been building over the past year or so. Both the consumer and industrial sectors have faltered for a number of months now, with latest data releases indicating that the economy is going through a weak patch. Moreover, concern is growing over the widening current account and budget "twin deficits."
- ❖ Forecasts for **Japanese** business investment have been upgraded following a relatively positive Tankan release. In **Germany** and **France**, however, concerns over the deteriorating labour market environment dominate. In addition, the downgraded GDP outlook continues to focus attention on both countries' widening budget deficits.
- ❖ This month's special survey is a repeat of our regular look at **Long-Term Forecasts** (pages 3, 28 and 29), including for the first time, projections for the **euro zone** (page 28).

GDP Growth

% (from Long-Term Forecasts survey - page 3)



LONG-TERM FORECASTS

APRIL 2003

Continued from page 3

France											
* % change over previous year	Historical				Consensus Forecasts						
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009-2013 ¹
Gross Domestic Product*	3.2	4.2	1.8	1.2	1.2	2.2	2.4	2.7	2.4	2.3	2.4
Household Consumption*	3.5	2.9	2.7	1.8	1.5	2.1	2.4	2.7	2.4	2.2	2.4
Business Investment*	8.7	8.9	3.3	-1.3	-1.6	3.3	3.7	4.3	3.7	3.4	3.3
Industrial Production*	2.2	4.2	0.5	-1.3	0.3	2.1	2.7	3.2	2.6	2.2	2.6
Consumer Prices*	0.6	1.7	1.6	2.0	1.9	1.6	1.8	1.9	1.8	1.7	1.7
Current Account Balance (Euro bn)	39.4	17.7	23.7	29.9	28.3	28.8	30.0	27.5	27.5	27.5	33.8
10 Year Treasury Bond Yield, % ²	5.5	5.0	5.1	4.2	4.3 ³	4.8 ⁴	5.0	5.3	5.0	4.8	4.9

United Kingdom											
* % change over previous year	Historical				Consensus Forecasts						
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009-2013 ¹
Gross Domestic Product*	2.4	3.1	2.1	1.8	1.9	2.4	2.2	2.3	2.3	2.3	2.3
Household Consumption*	4.6	5.1	4.1	3.9	2.7	2.1	2.1	2.3	2.5	2.5	2.3
Gross Fixed Investment*	0.6	1.9	1.0	-3.2	0.9	3.1	3.8	2.8	2.7	2.8	2.7
Manufacturing Production*	0.3	2.0	-2.4	-4.0	0.2	2.2	1.9	1.9	1.5	1.3	1.1
Retail Prices (underlying rate)*	2.3	2.1	2.1	2.2	2.8	2.4	2.2	2.2	2.2	2.2	2.1
Current Account Balance (£ bn)	-19.7	-19.1	-12.5	-8.7	-18.8	-18.7	-22.2	-24.5	-26.6	-19.6	-24.5
10 Year Treasury Bond Yield, % ²	5.5	4.9	5.0	4.4	4.3 ³	4.6 ⁴	4.9	5.0	4.9	5.1	5.1

Italy											
* % change over previous year	Historical				Consensus Forecasts						
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009-2013 ¹
Gross Domestic Product*	2.7	2.1	1.8	0.4	1.2	2.1	2.5	2.3	2.2	2.3	2.3
Household Consumption*	2.6	2.7	1.0	0.4	1.5	2.1	2.5	2.3	2.3	2.1	2.3
Gross Fixed Investment*	5.0	7.1	2.6	0.5	2.5	2.9	3.7	3.4	2.8	2.4	2.8
Industrial Production*	-0.1	5.6	-2.6	-1.3	0.8	2.6	3.2	2.8	2.2	2.1	2.6
Consumer Prices*	1.6	2.5	2.8	2.5	2.4	2.0	2.0	2.0	1.8	1.9	1.9
Current Account Balance (Euro bn)	7.7	-6.3	-0.4	-7.2	-5.5	-4.5	-4.6	-3.6	-1.9	0.0	-0.1
10 Year Treasury Bond Yield, % ²	5.5	5.2	5.2	4.3	4.3 ³	4.7 ⁴	5.2	5.3	5.2	4.9	5.1

Canada											
* % change over previous year	Historical				Consensus Forecasts						
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009-2013 ¹
Gross Domestic Product*	5.4	4.5	1.5	3.4	2.9	3.4	3.2	3.1	2.9	2.8	2.6
Personal Expenditure*	3.9	3.7	2.6	2.9	3.0	3.1	3.0	3.0	2.7	2.6	2.5
Machinery & Eqpt Investment*	11.4	9.3	-2.2	-2.4	5.0	7.1	7.1	5.8	4.7	3.4	4.0
Industrial Production*	5.5	5.1	-3.4	2.1	2.7	3.2	3.6	3.6	3.2	2.9	3.0
Consumer Prices*	1.7	2.7	2.5	2.2	3.0	2.1	2.0	1.9	2.0	2.1	2.1
Current Account Balance (C\$ bn)	2.0	27.8	30.1	17.3	18.6	20.3	21.0	22.4	22.3	24.0	26.8
10 Year Treasury Bond Yield, % ²	6.2	5.4	5.4	4.7	5.4 ³	5.9 ⁴	5.9	6.0	5.9	6.0	5.9

Euro zone											
* % change over previous year	Historical				Consensus Forecasts						
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009-2013 ¹
Gross Domestic Product*	2.8	3.5	1.4	0.8	1.0	2.0	2.4	2.4	2.3	2.2	2.2
Private Consumption*	3.5	2.5	1.8	0.6	1.1	1.8	2.3	2.3	2.1	2.1	2.1
Gross Fixed Capital Formation*	5.9	4.9	-0.6	-2.5	-0.1	2.7	3.5	3.4	2.6	2.8	2.7
Industrial Production*	1.9	5.5	0.5	-0.9	0.8	2.6	3.0	2.7	2.0	2.1	2.3
Consumer Prices*	1.1	2.1	2.4	2.2	1.9	1.6	2.0	2.0	1.9	1.9	1.9
Current Account Balance (Euro bn)	-17.4	-76.6	-12.7	63.0	55.3	53.9	38.3	35.0	35.8	38.3	31.7

¹Signifies average for period. ²End period. ³End July 2002. ⁴End April 2004.