The following statistics were provided by the World Bank’s September report.

<table>
<thead>
<tr>
<th>Key Commodities</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>August 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil</td>
<td>189.1</td>
<td>227.7</td>
<td>251.9</td>
<td>405.8</td>
</tr>
<tr>
<td>Agricultural products</td>
<td>133.5</td>
<td>150.4</td>
<td>180.5</td>
<td>240.3</td>
</tr>
<tr>
<td>Gold</td>
<td>159.4</td>
<td>216.6</td>
<td>249.7</td>
<td>300.7</td>
</tr>
<tr>
<td><strong>US Rates (%)</strong></td>
<td><strong>2005</strong></td>
<td><strong>2006</strong></td>
<td><strong>2007</strong></td>
<td><strong>July 2008</strong></td>
</tr>
<tr>
<td>Inflation</td>
<td>3.4</td>
<td>3.2</td>
<td>2.9</td>
<td>5.6</td>
</tr>
<tr>
<td>Interest (Fed. Funds Rate)</td>
<td>3.21</td>
<td>4.96</td>
<td>5.02</td>
<td>2.01</td>
</tr>
</tbody>
</table>

*calculated based on exports from low/middle-income countries in US dollars.

### Current Developments in the World Economy

**US Financial Crisis Leads to More Bailouts**

The World Bank’s September report indicates that in the wake of the federal takeover of Fannie Mae and Freddie Mac, the Congressional Budget Office (CBO) has revised upward its projections for federal debt as a percentage of GDP, from an expected decrease of 2.4 percentage points between 2008 and 2010, to an increase of 3 percentage points over that time period.

Since September’s report, the World Bank has reported that the US government will offer AIG an $85 billion loan to prevent bankruptcy. Meanwhile, Washington Mutual and Lehman Bros. Holdings, Inc. have filed for bankruptcy (the latter being largest bankruptcy to date), while Bank of America will take over Merrill Lynch.

The International Monetary Fund (IMF) stated in a press briefing that the AIG bailout was likely motivated by fears that the collapse of such a large insurer could be particularly devastating due to AIG’s connections to other corporations.

More generally, the IMF reports that the recent troubles in the financial sector are part of a vital restructuring and expects that financial markets will recover in 2009. However, the IMF hedged that there are no guarantees in a situation as volatile as the current financial turmoil and that further effects of the instability may still occur.
Meanwhile, the Secretary-General of the OCED recommended that **liquidity might be more helpful than lower interest rates** in dealing with the current crisis in the US financial sector.

**US Financial Crisis has Reverberations Around the Globe**

The World Bank reports that the finance crisis is having effects worldwide. The US takeover of Fannie Mae and Freddie Mac has caused a **drop in world markets for high risk stock, in favor of government bonds**.

Meanwhile, the World Bank reports the **European Central Bank (ECB) lowered its 2008 and 2009 growth forecasts** by 0.4 percent and 0.3 percent, respectively, while **raising its inflation forecasts** by 0.9 per cent and 1.0 per cent, respectively. Neither the ECB nor the Bank of England made any interest rate changes in response, though the ECB indicated that it might raise rates if current trends continue.

The World Bank also reports that **Russia has closed its stock exchange for multiple days in a row** due to instability caused by the finance crisis, the invasion of Georgia, and the fall in world oil prices.

In Asia, the World Bank reports that the **MSCI Asia-Pacific [stock] Index has fallen for four days in a row**, a decline attributed to the instability of the US financial markets.

**UN Mid-year Update Predicts Decline, Followed by Recovery**

The United Nations (UN) has released its mid-year update to its *World Economic Systems and Prospects 2008*. The **world economy is projected to increase** by between 0.8 per cent and 2.8 per cent in 2008 and between 1.4 per cent and 2.9 per cent in 2009.

The US, which recorded the fastest growth of the developed world from 2003-2007, **is expected to fare the worst** in coming years, with growth ranging from an increase of 1.0 per cent to a contraction of 1.3 per cent in 2008 and an increase of 0.3 per cent to 1.2 per cent in 2009. The deteriorating financial situation in the US since the UN report was released makes it **likely that these estimates will be revised downward**.

The UN report also projects that **food prices will continue the rapid growth** that they experienced during 2007 **before plateauing off** in 2009.

**Other World Economic News**

The World Bank reports that US oil imports accounted primarily for the **6 per cent increase in the US trade deficit** in July. However, this trend should reverse itself soon due to the **dramatic fall in oil prices**, which have dropped **30 per cent since June**.

The World Bank’s September report indicated that the recent **decline in US imports has decreased exports among Latin American countries**. Tracking over the past ten years has indicated that the Latin American export rate “closely follow[s]” the US import rate.