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This book has...



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Conventional signs

\$	US dollar	.	Decimal point
¥	Japanese yen	I, II	Calendar half-years
£	Pound sterling	Q1, Q4	Calendar quarters
€	Euro	Billion	Thousand million
mb/d	Million barrels per day	Trillion	Thousand billion
..	Data not available	s.a.a.r.	Seasonally adjusted at annual rates
0	Nil or negligible	n.s.a.	Not seasonally adjusted
–	Irrelevant		

Summary of projections

	2009	2010	2011	2009		2010		2011				Q4 / Q4				
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010	2011
Per cent																
Real GDP growth																
United States	-2.5	2.5	2.8	3.5	2.7	2.5	2.5	2.5	2.6	2.7	2.9	3.2	3.4	-0.3	2.5	3.0
Japan	-5.3	1.8	2.0	4.8	1.3	0.8	1.4	1.7	1.9	2.0	2.2	2.3	2.4	-1.1	1.4	2.2
Euro area	-4.0	0.9	1.7	1.5	0.6	0.8	1.0	1.3	1.5	1.5	2.0	2.2	2.4	-2.1	1.2	2.0
Total OECD	-3.5	1.9	2.5	2.7	1.9	1.8	2.0	2.1	2.3	2.5	2.7	2.9	3.1	-1.0	2.1	2.8
Inflation¹																
year-on-year																
United States	0.2	1.4	1.2	-0.6	1.1	1.7	1.7	1.3	1.1	1.1	1.2	1.2				
Japan	-1.2	-0.9	-0.5	-2.1	-1.6	-1.0	-1.0	-0.8	-0.8	-0.8	-0.4	-0.3	-0.3			
Euro area	0.2	0.9	0.7	-0.4	0.2	0.8	1.0	1.1	0.9	0.7	0.7	0.7	0.7			
Total OECD	0.5	1.3	1.2	-0.1	0.7	1.4	1.4	1.3	1.2	1.1	1.1	1.2	1.2			
Unemployment rate²																
United States	9.2	9.9	9.1	9.6	10.0	10.1	10.0	9.9	9.7	9.5	9.3	9.0	8.7			
Japan	5.2	5.6	5.4	5.5	5.7	5.6	5.6	5.5	5.5	5.5	5.5	5.4	5.4			
Euro area	9.4	10.6	10.8	9.6	9.9	10.2	10.5	10.8	10.9	10.9	10.9	10.8	10.7			
Total OECD	8.2	9.0	8.8	8.5	8.8	8.9	9.1	9.1	9.1	9.0	8.8	8.7	8.6			
World trade growth																
	-12.5	6.0	7.7	9.6	5.3	6.4	6.8	7.2	7.6	7.7	8.0	8.1	8.2	-7.0	7.0	8.0
Current account balance³																
United States	-3.0	-3.4	-3.7													
Japan	2.5	2.8	2.8													
Euro area	-1.1	-1.0	0.0													
Total OECD	-0.9	-0.8	-0.8													
Fiscal balance³																
United States	-11.2	-10.7	-9.4													
Japan	-7.4	-8.2	-9.4													
Euro area	-6.1	-6.7	-6.2													
Total OECD	-8.2	-8.3	-7.6													
Short-term interest rate																
United States	0.9	0.3	1.8	0.7	0.3	0.3	0.3	0.3	0.6	1.1	1.6	2.1	2.6			
Japan	0.5	0.3	0.2	0.6	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2			
Euro area	1.2	0.8	1.9	0.9	0.7	0.7	0.7	0.7	1.0	1.4	1.8	2.1	2.3			

Note: Real GDP growth, inflation (measured by the increase in the consumer price index or private consumption deflator for total OECD) and world trade growth (the arithmetic average of world merchandise import and export volumes) are seasonally and working-day (except inflation) adjusted annual rates. The "fourth quarter" columns are expressed in year-on-year growth rates where appropriate and in levels otherwise. Interest rates are for the United States: 3-month eurodollar deposit; Japan: 3-month certificate of deposits; euro area: 3-month interbank rate.

The cut-off date for information used in the compilation of the projections is 16 November 2009.

1. USA; price index for personal consumption expenditure, Japan; consumer price index and the euro area; harmonised index of consumer prices.

2. Per cent of the labour force.

3. Per cent of GDP.

Source: OECD Economic Outlook 86 database.

EDITORIAL

PREPARING THE EXIT

The recovery that began earlier this year in a number of non-OECD economies has now spread to the OECD area at large. But in most OECD economies, growth is likely to fluctuate around a modest underlying rate for some time to come. It is being held back by still substantial headwinds as households, financial institutions, non-financial enterprises and, eventually, governments have to repair their balance sheets. This also means that unemployment is set to move higher and already-low inflation will be under further downward pressure. It is only some time down the line that the recovery will become sufficiently strong to begin to reduce unemployment.

More specifically, the outlook for main regions is as follows:

- The upturn in the major non-OECD countries, especially in Asia and particularly in China, is now a well established source of strength for the more feeble OECD recovery. The strength of the upturn reflects both the limited direct exposure to the financial origins of the crisis and the strong policy stimulus these countries were in a position to apply. The major policy issue in many of these countries is now becoming one of withdrawal of stimulus so as to avoid igniting asset or general price inflation.
- The US economy is recovering on the back of policy stimulus, improving financial conditions, non-OECD demand growth, normalisation of stockbuilding and stabilisation of the housing market. With rapid labour shedding in the downturn, employment should respond quickly to economic activity and unemployment may peak in the first half of 2010.
- The euro area economy will benefit from many of the same growth-drivers as the United States. But work-sharing schemes which cushioned employment in the downturn may also weaken the employment intensity of growth going forward. With unemployment not set to peak before the end of 2010 or the beginning of 2011, household confidence is likely to be weak and sap the strength of the recovery.
- Japan is well positioned to benefit from strong growth in the rest of Asia but, fiscal stimulus notwithstanding, weakness on the domestic side will remain a drag on growth. With activity insufficient to materially reduce unemployment, deflation is set to linger.

The risks around the projection are substantial. A main risk on the downside relates to how rapidly consumers will choose to rebuild their balance sheets. The projections mostly embody saving rates remaining stable at their recent higher level, which corresponds to what should be expected based on past behaviour, but households could wish to rebuild their balance sheets more rapidly or be forced to do so by financial constraints. Conversely, the projections also embody an only modest increase in the business investment share of GDP following its recent steep fall and that could be too pessimistic. Moreover, just as the collapse in international trade propagated and intensified the downturn, its rebound may prove faster than expected, which could stimulate economic activity. Financial conditions going either way relative to the assumption behind the projections is another risk.

International imbalances, notably the US deficit and the China surplus, have narrowed appreciably during the downturn. The projections imply that this adjustment has now run its course. With imbalances remaining at levels that would have been unprecedented just a few years ago, the risk of disorderly exchange rate adjustment cannot be excluded. This underlines the importance of international efforts, recently given impetus in the context of G20, to ensure a sustainable international growth pattern.

Overall the risks around the projection may be balanced but the same may not be the case for their consequences. With inflation being low to begin with and set to fall further in most countries, the fall-out from downside risk could be much worse. Japan's experience has shown that it is more difficult to exit than to enter deflation and that deflation makes it much harder for policy to respond to adverse shocks.

These are the rather inauspicious conditions under which governments and central banks have to consider when and how rapidly to roll back many of the measures taken in response to the crisis. Yet preparing exit strategies cannot be put off. Many of the interventions, while appropriate during the crisis, would be harmful if they stayed in place for too long. Preparing and communicating well articulated exit strategies will increase confidence that there is a way out. That in itself will allow for greater flexibility in the implementation of the strategy. Spelling out exit strategies is also useful because many of the policies that will form part of such strategies can be expected to have international spillovers, calling for various degrees of co-ordination across countries ranging from *ex ante* information sharing to collective policy approaches. Against this background it is regrettable that so few exit strategies have so far been articulated – with, for example, less than half of OECD countries having announced medium-term fiscal consolidation programmes with a clear description of the instruments to achieve the final target.

Conventional monetary policy clearly has to reflect domestic economic circumstances and some countries with incipient upward pressure on asset and consumer prices have indeed already begun tightening. But, on the projections in this *Outlook*, for the majority of OECD countries monetary policy will need to move slowly. With inflation clearly below policy objectives, policy interest rates should only be back to neutrality by the time inflationary pressures begin to be felt. The implied constellation of interest rates across countries could result in capital movements and pressure on asset prices in countries that are ahead in the cycle. Similarly, easy monetary conditions in the majority of OECD countries could risk spilling over into unjustified asset price increases. While asset price developments is a factor that needs to be taken into account by monetary policy, in general other instruments are able to influence these prices more directly and effectively.

Unconventional monetary policies have led to a large overhang of liquidity – indeed, their aim was partly to respond to increased liquidity preference and to ensure that the stability of financial institutions would not be threatened by lack of liquidity. As conditions normalise it will be necessary to absorb excess liquidity. This will call for a number of policy initiatives and it is important to spell out the game plan in this area to avoid misinterpretations of central bank actions. Likewise, the removal of funding guarantees and recent extensions of deposit guarantees needs to proceed in a well ordered manner. In the case of certain liquidity measures and guarantees, it may be better to phase out banks' use of these schemes by making it sufficiently costly, while keeping the schemes in place for some time to avoid having to reintroduce them in case of renewed instability, which could undermine confidence. As regards extended deposit insurance, rolling it back may require international co-ordination as few countries may be willing to move ahead alone with a measure that could weaken the competitiveness of domestic banks.

Government budgets have suffered badly from the crisis and gross debt could exceed GDP on average in the OECD by 2011. Stopping the rot is clearly necessary and will call for fiscal consolidation that is substantial in most cases and drastic in some. That said, and countries facing acute pressures aside, consolidation should not proceed at a pace that undermines the recovery. It is worth keeping in mind that with simultaneous fiscal consolidation across countries, activity will be affected not only by domestic

consolidation but also, via trade linkages, by consolidation abroad. As well, with policy interest rates in many countries set to remain low for quite some time to come monetary policy will have little room to accommodate fiscal consolidation. Flexibility in consolidation requires, however, maintaining the confidence of financial markets and of households which again requires credible communication of the commitment to consolidate over time. Early implementation of long overdue reforms to pension and health schemes could help signal such commitment – and such reforms are unlikely to have significant negative demand effects in the short term.

Fiscal consolidation will also need to be undertaken in a manner that does not amplify the effect of the crisis on potential output. That means concentrating on those spending components and sources of taxation that are least likely to undermine growth. At the same time, most structural reforms that boost potential output will also help the process of fiscal consolidation.

It is heartening that the crisis has not been accompanied by widespread government interference in non-financial markets. In particular, protectionist measures and measures aimed at hiding unemployment by permanently removing some potential job-seekers from the labour market have been rare so far. The car industry is an unfortunate exception to the general rule, however. And the measures in favour of short-time working, which have been very helpful in cushioning unemployment in the downturn, also bear monitoring lest short-time working becomes a permanent feature. Indeed, there need to be sufficient disincentives for employers and workers to make use of these schemes during normal times. At the same time, it will be crucial that labour market policies minimise the risk of unemployment turning structural.

In this environment, a particularly important set of structural reforms will be those affecting financial markets. Unwarranted build-ups of leverage, risk-taking and asset prices, as occurred before the crisis, must not be repeated. In this regard, the now officially recognised status of some banks as being too big or too interconnected to fail is an issue that needs to be addressed. Absent action to break up such banks, regulation will need to fully offset the associated incentives for risky behaviour through higher capital buffers, the use of convertible debt, living wills or other means. In turn, such measures will reduce the incentives for banks to reach systemic size. In any case, it is important that the private sector be given clear signals regarding the future regulatory and institutional landscape so that it can begin to adjust towards the new framework within which it has to operate.

Overall, unprecedented policy efforts appear to have succeeded in limiting the severity of the downturn and fostering a recovery to a degree that was largely unexpected even six months ago. It is now time to plan the exit strategy from the crisis policies, even if its implementation will be progressive. Radical policy action will be required in the years to come to restore sound macroeconomic balance, healthy growth and low unemployment. Only when that has happened will the crisis have been fully overcome.

16 November 2009



Jørgen Elmeskov
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Chapter 1

GENERAL ASSESSMENT OF THE MACROECONOMIC SITUATION

Overview

The OECD economy is recovering

Growth in the OECD area has resumed after the most virulent recession in decades. The recovery is driven by exceptionally strong demand-supporting policy measures, public interventions in financial markets, a strong pick-up in demand in the non-OECD area and a positive contribution from inventory adjustment. Notwithstanding the support to growth in the coming two years from recent and assumed future improvements in financial conditions, the continued need to strengthen financial institutions, on-going private sector balance sheet adjustment and waning macroeconomic policy support are likely to imply a moderate recovery (Table 1.1). Area-wide unemployment is set to continue to rise well into 2010 and to fall only modestly in 2011 from its peak of over 9% of the labour force. The exceptional slack in the economy will push down underlying inflation further to very low levels in several countries, though only a few will experience falling price levels.

Upward and downward risks are broadly balanced

The uncertainty surrounding this projection is very high, but the risks are broadly balanced. Financial conditions could continue to improve faster and more extensively than assumed, setting in motion a positive feedback loop: better economic prospects and stronger business investment driven

Table 1.1. **A modest recovery from widespread recession**

OECD area, unless noted otherwise

	Average 1997-2006	2007	2008	2009	2010	2011	2009 q4	2010 q4	2011 q4
	Per cent								
Real GDP growth¹	2.8	2.7	0.6	-3.5	1.9	2.5	-1.0	2.1	2.8
United States	3.2	2.1	0.4	-2.5	2.5	2.8	-0.3	2.5	3.0
Euro area	2.3	2.7	0.5	-4.0	0.9	1.7	-2.1	1.2	2.0
Japan	1.1	2.3	-0.7	-5.3	1.8	2.0	-1.1	1.4	2.2
Output gap²	0.1	1.8	0.3	-4.6	-4.1	-3.2			
Unemployment rate³	6.5	5.6	5.9	8.2	9.0	8.8	8.8	9.1	8.6
Inflation⁴	3.0	2.3	3.2	0.5	1.3	1.2	0.7	1.2	1.2
Fiscal balance⁵	-2.0	-1.3	-3.5	-8.2	-8.3	-7.6			
<i>Memorandum Items</i>									
World real trade growth	7.1	7.3	3.0	-12.5	6.0	7.7			
World real GDP growth⁶	3.8	4.6	2.2	-1.7	3.4	3.7			

1. Year-on-year increase; last three columns show the increase over a year earlier.

2. Per cent of potential GDP.

3. Per cent of labour force.

4. Private consumption deflator. Year-on-year increase; last 3 columns show the increase over a year earlier.

5. Per cent of GDP.

6. OECD countries plus Brazil, Russia, India and China only, representing 81% of world GDP at 2005 purchasing power parities. Fixed weights based on 2005 GDP and purchasing power parities.

Source: OECD Economic Outlook 86 database.

by better financial conditions reducing concerns about the health of financial institutions, in turn improving financial conditions, and thereby growth, still further. On the other hand, financial conditions could worsen abruptly, for example, if a large financial institution were to get into difficulty. Unemployment also represents a negative risk to the outlook, as its continued increase may depress household expenditure and negatively affect financial institutions to a greater extent than anticipated. While risks may be roughly balanced, their consequences need not be. With inflation being very low in some countries, a negative shock could push such economies into deflationary territory from which it is more difficult to exit.

A key policy issue is how to withdraw stimulus measures

In this environment, it will be a challenge to start unwinding crisis-induced policies in an orderly and coherent way. Key issues include the timing, pace and modalities of withdrawing extraordinary interventions. Other issues include elaborating strategies to move towards fiscal sustainability, ensuring financial stabilisation while phasing out crisis measures, putting in place an improved financial regulatory framework and strengthening the growth potential of the economy.

Economic policy requirements are...

... scale back monetary policy stimulus as the recovery progresses...

Against this background, the policy requirements at present are as follows:

- Monetary policy. Given continued slack, close-to-zero interest rates are appropriate in most OECD countries until the latter half of 2010 and in Japan to beyond the projection period. However, the process of normalisation of interest rates must start thereafter and progress at a pace which will depend *inter alia* on the withdrawal of other demand-supporting measures. Given low levels of inflation, policy interest rates would only need to reach neutrality by the time that upward pressures on inflation emerge. It is likely that there would be some overlap between withdrawal of unconventional monetary policy measures and the rise in interest rates.

... prepare credible consolidation plans now for implementation when the recovery is solid...

- Fiscal policy. As a general rule, and to underpin the recovery, policy stimulus measures already decided need to be implemented fully. However, as the recovery gathers strength, the focus needs to shift from supporting aggregate demand to consolidating budgets. By 2011, on current projections, all OECD countries should be in a position to begin withdrawing fiscal support, at a pace that depends *inter alia* on the state of the economy and the scope for monetary policy to provide support to the economy if needed. The OECD projections are based on the assumption that the temporary parts of the fiscal stimulus programmes are withdrawn as implied by specific legislation, which means that only a few OECD countries will have significant budget consolidation in 2011. To avoid prospects of continued high public debt accumulation in future years pushing up long-term interest rates or depressing private consumption, it is important to commit early to, and communicate, credible medium-term consolidation strategies. These should aim to achieve consolidation through means that do not harm potential growth.

... continue to strengthen banks' balance sheets...

- Financial policy. In order to reduce uncertainty, and thus facilitate recapitalisation, pressure must be maintained on banks to write down the value of problem assets on their balance sheets or to sell such assets to public or private asset management companies, with corresponding capital increases. Notwithstanding recent increases, core capital adequacy ratios should be raised in many banks, and the authorities need to ensure that compensation practices and dividend pay-out and share buy-back policies do not unduly slow this process. Announced, internationally-agreed, tighter minimum capital adequacy requirements should be phased in gradually at a rate that differs across countries depending on starting points, so as not to undermine the lending capacity of banks. Emergency measures to provide liquidity and guarantee certain loans in wholesale and retail financial markets should be priced so as to avoid unwarranted use, while avoiding abrupt terminations of programmes that are still used extensively or could be useful in the case of renewed turmoil and giving priority to the phasing out of the most distortive measures.

... and withdraw emergency supply-side measures that may hurt long-term growth

- Structural policy. As the recovery progresses, crisis-driven emergency measures of subsidising production (*e.g.* in the auto industry) or subsidising jobs (*e.g.* short time working schemes) need to be scaled back, as their continuation would undermine the productive capacity of the economy. At the same time, measures to support job search should be enhanced to reduce the risk that cyclical unemployment becomes structural. More generally, with potential output reduced as a result of the crisis, there should be a renewed drive to implement structural reforms – also because such measures could facilitate the necessary fiscal consolidation.

Forces acting on OECD economies

Financial market developments

Financial markets are healing gradually

After a highly stressed beginning of the year, financial market developments have been favourable in many areas, driven by ongoing policy support for the financial system. Money markets are functioning again, enabling banks to access short-term funds at very low prices and to earn large margins which can be used for the necessary strengthening of their balance sheets. The net percentage of banks tightening credit has been falling across the OECD area.¹ There has also been a shift towards

1. In principle, the availability of bank lending should be determined by the tightness of credit conditions rather than by their change. Survey responses, however, do not allow a meaningful indicator of the degree of tightness in credit conditions to be constructed: over time, the cumulated net percentage of bank lending officers tightening credit conditions does not fluctuate around a fixed value, as would be expected, but diverges. However, empirical studies typically find that the net percentage of senior loan officers reporting tighter conditions (not cumulated) is a good leading indicator of bank lending (see for instance Guichard et al., 2009).

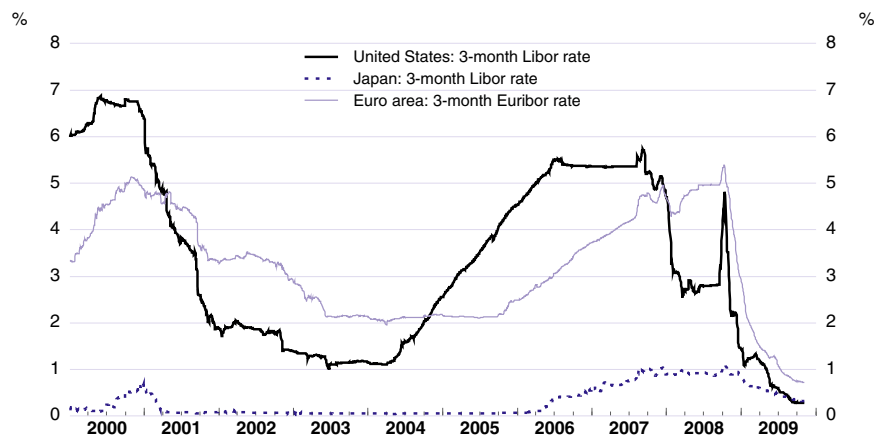
capital market financing, as equity markets have rallied and bond issuance has surged while yields have flattened.

Money market conditions have eased considerably


The price of interbank loans has come down markedly in the United States and the euro area (Figure 1.1). In the United States, spreads between unsecured three-month interbank rates and average expected overnight rates have fallen to levels that are now close to their pre-August 2007 averages, well below the levels observed from mid-2007 to early 2009 (Figure 1.2). These spreads have also eased in Japan and the euro area, though not as much as in the United States. At the same time, overnight rates are at very low levels. In the euro area, the effective overnight rate has fallen well below the European Central Bank (ECB) main refinancing rate of 1%, to around $\frac{1}{3}$ per cent in early November, as a result of the massive amount of one-year liquidity injected by the ECB.

Figure 1.1. **Interbank lending rates have fallen to very low levels**

Last observation: 4 November 2009



Source: Datastream.

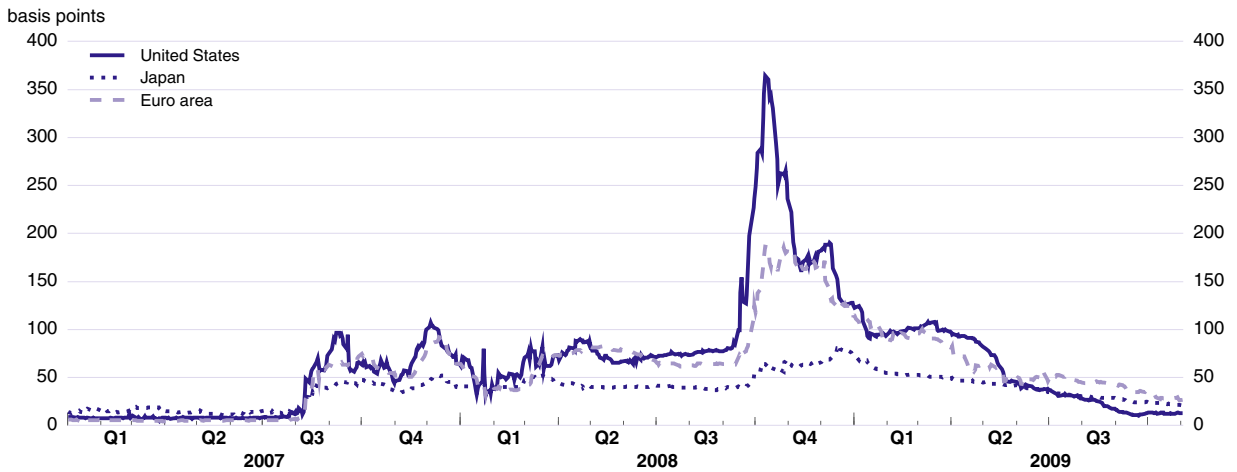
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Banks are gradually earning their way back to health

Banks in most countries have been strengthening their balance sheets by retaining high earnings on the back of low funding costs helped by implicit and explicit public guarantees. As a result, the heightened concerns over the health of the banking system in late 2008 and early 2009 have eased markedly. The cost of insuring bank bonds against default has fallen from about 3% of par value in March 2009 to 1.1% in the United States and the euro area in early November 2009. Banks have also been able to attract private capital to offset losses associated with write-downs of impaired assets. Since the onset of the crisis in August 2007, large global banks have raised an estimated \$1 037 billion in capital against losses and write-downs of \$1 095 billion (as of end July 2009; ECB,

Figure 1.2. **Money market conditions have improved remarkably**

Three-month spreads, last observation: 2 November 2009



Note: Spread between three-month interbank rates (EURIBOR in the euro area, LIBOR in the United States and Japan and overnight swap rates).

Source: Datastream and Bloomberg.

StatLink  <http://dx.doi.org/10.1787/748258774574>

2009b). The capital position of banks in the largest economies is as follows:

- In the United States, the ratio of common equity to tangible assets of banks increased from its low of 3.7% at the end of 2008 to 5% at the end of the second quarter of 2009, helped by \$140 billion in capital injections during the second quarter (Beretzin and Keltson, 2009). Banks have, however, not yet acknowledged all potential losses on legacy securities and loans continue turning bad because of the recession. In particular, the weakness in the commercial property market is likely to result in a large increase in non-performing loans of small and medium-sized regional banks. OECD estimates suggest that total losses for 2007-10 for all “stress-tested” US banks (i.e. the largest banks) could amount to \$1 314 billion, implying that their capital base could be rebuilt by 2012, even in the absence of new equity issues, by retained earnings (Blundell-Wignall *et al.*, 2009).²
- The 15 largest euro area banks have raised slightly more in capital than the losses they have reported since the start of the crisis, allowing them

2. The calculations reported in Blundell-Wignall *et al.* (2009) are based on the baseline scenario in the US Supervisory Capital Assessment Programme, in which the assumed average levels of activity and unemployment over 2009-2010 are similar to the ones embodied in the current set of projections (Board of Governors of the Federal Reserve System, 2009). The figure of \$1 314 billion for anticipated losses and write-downs in Blundell-Wignall *et al.* (2009) includes the exposure of the 19 “stress-tested” US banks to unconsolidated variable-interest entities. By comparison, the September 2009 IMF estimate of losses over 2007-2010 and write-downs for all US banks, excluding their exposure to off-balance-sheet vehicles, was \$1 025 billion, a downward revision from previous estimates (IMF, 2009).

to preserve their capital positions.³ In addition to what has already been recognised or provisioned, the ECB estimated in June 2009 that euro area banks may suffer € 283 billion in further losses from write-downs on securities and charge-offs on loans until the end of 2010 (ECB, 2009a). A stress test conducted by EU banking supervisors indicated that, under an economic scenario not dissimilar to the current set of projections, the capital ratio of the 22 largest banks in the region would remain above 9% (against a present minimum regulatory requirement of 4%).⁴ Greater transparency about the outcomes of these stress tests, as well as about the underlying assumptions and methodology used, would make the tests more effective in strengthening confidence in the European banking system.

- In China, banks have not so far reported significant stress, but the surge in lending in the first half of the year may imply a risk of future bad loans, as has been the case in the wake of earlier lending booms.

Banking margins should be used to accumulate capital

Weak competition, low policy rates and government support measures, including explicit and implicit guarantees, have permitted banks to earn large margins. In the absence of large equity injections and large unanticipated write-offs, the recovery of banks' balance sheets will be determined largely by the speed at which the current wide lending margins translate into capital accumulation. Because rebuilding sound capital positions supports financial stability and strengthens monetary transmission, and also because bank incomes are being boosted by extraordinary public policies, there is a case for public authorities to encourage banks to use their income to replenish capital cushions, rather than spend it on generous compensation packages, large dividends or share buybacks.

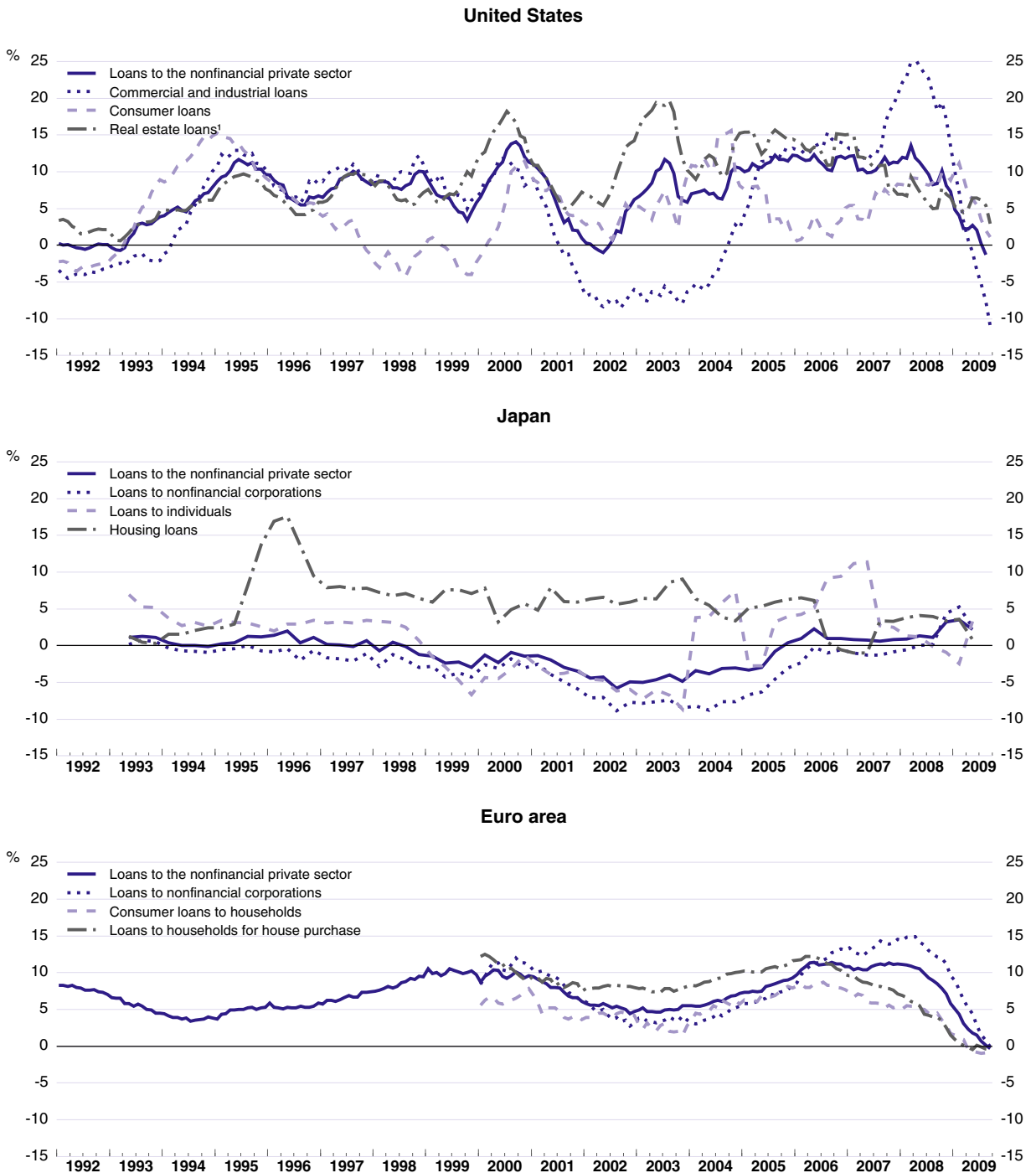
Anaemic lending is not necessarily signalling a credit crunch

In this environment, bank lending growth has kept falling to very low or even negative year-on-year rates of change across a wide range of loan categories in the United States and the euro area (Figure 1.3). A contraction in bank credit is not necessarily a sign of a crunch in the supply of credit since a deep downturn in activity reduces the demand for borrowing. However, it is likely that recent trends in bank lending reflect a mixture of both supply constraints and weak demand. In the United States, the fall in bank lending has so far only been comparable to what occurred during and after the 2001 recession even if the recent slump in activity has been deeper. As for credit availability in the euro area, more than three quarters of small and medium-sized enterprises surveyed by the ECB in June-July 2009 indicated that they had received all or part of

3. By the end of May 2009, the 15 largest euro area banks had accumulated € 100 billion in portfolio losses (ECB, 2009a). In the European Union as a whole, large banks raised € 552 billion against write-downs of € 510 billion since the start of financial turmoil in 2007 (ECB, 2009b).
4. These 22 banks hold 60% of the assets of the whole EU banking sector on a consolidated basis.

Figure 1.3. **Bank lending growth has collapsed**

Year-on-year growth rate



Note: Data refer to commercial banks for the United States; to monetary financial institutions (MFIs) for the euro area; to all banks for Japan. Year-on-year growth rates are calculated from end-of-period stocks. For the euro area, these are adjusted for reclassifications, exchange rate variations and any other changes which do not arise from transactions.

1. The definition of real estate loans for the United States is broader than housing loans as it also includes loans related to commercial real estate. Moreover, both for the United States and for Japan real estate / housing loans can also include loans to the corporate sector.

Source: Datastream.

StatLink <http://dx.doi.org/10.1787/748342314766>

the bank lending they had requested during the first half of 2009 (ECB, 2009b).⁵

Bond markets are buoyant

The bank lending downturn has been partly offset by buoyant bond market activity. In the year to date, gross bond issuance by non-financial corporations has been 55% and 93% above its ten-year average in the United States and the euro area, respectively.⁶ Thanks to strong issuance, total credit to US households and firms has also so far held up better than at the same point in the shallower 1990-91 recession.⁷ In the euro area, where data are also available for issuance net of redemptions, net bond market funding from January to August 2009 has been more than three times as large as its ten-year average for non-financial corporations. Activity in corporate bond markets has also been healthy in Japan, with outstanding amounts at the end of August being 8% higher than a year earlier. The strength in volumes has been accompanied, and likely encouraged, by a sharp increase in prices. As of early November 2009, corporate bond yields have fallen to levels far below the highs of late 2008-early 2009 (Figure 1.4). At least in the United Kingdom, there is evidence that the favourable financing terms available in bond markets have contributed to the weakness in bank lending as companies have used the proceeds of bond issuance to pay back loans or issued bonds instead of borrowing from banks (Bank of England, 2009a).

Equity markets have been rallying

Share prices have bounced back from their early March lows by more than one-half in the United States and China, just under one-half in the euro area, and more than 40% in Japan and the United Kingdom. Such a vigorous rebound has created some concern that share prices may have been inflated artificially by abundant liquidity rather than by fundamental factors. However, at the beginning of November, prices were still below their historical averages relative to earnings adjusted for the cycle (Figure 1.5). This suggests that liquidity is unlikely to be the only cause of a rebound which appears also to be driven by improved growth prospects and possibly greater risk appetite.

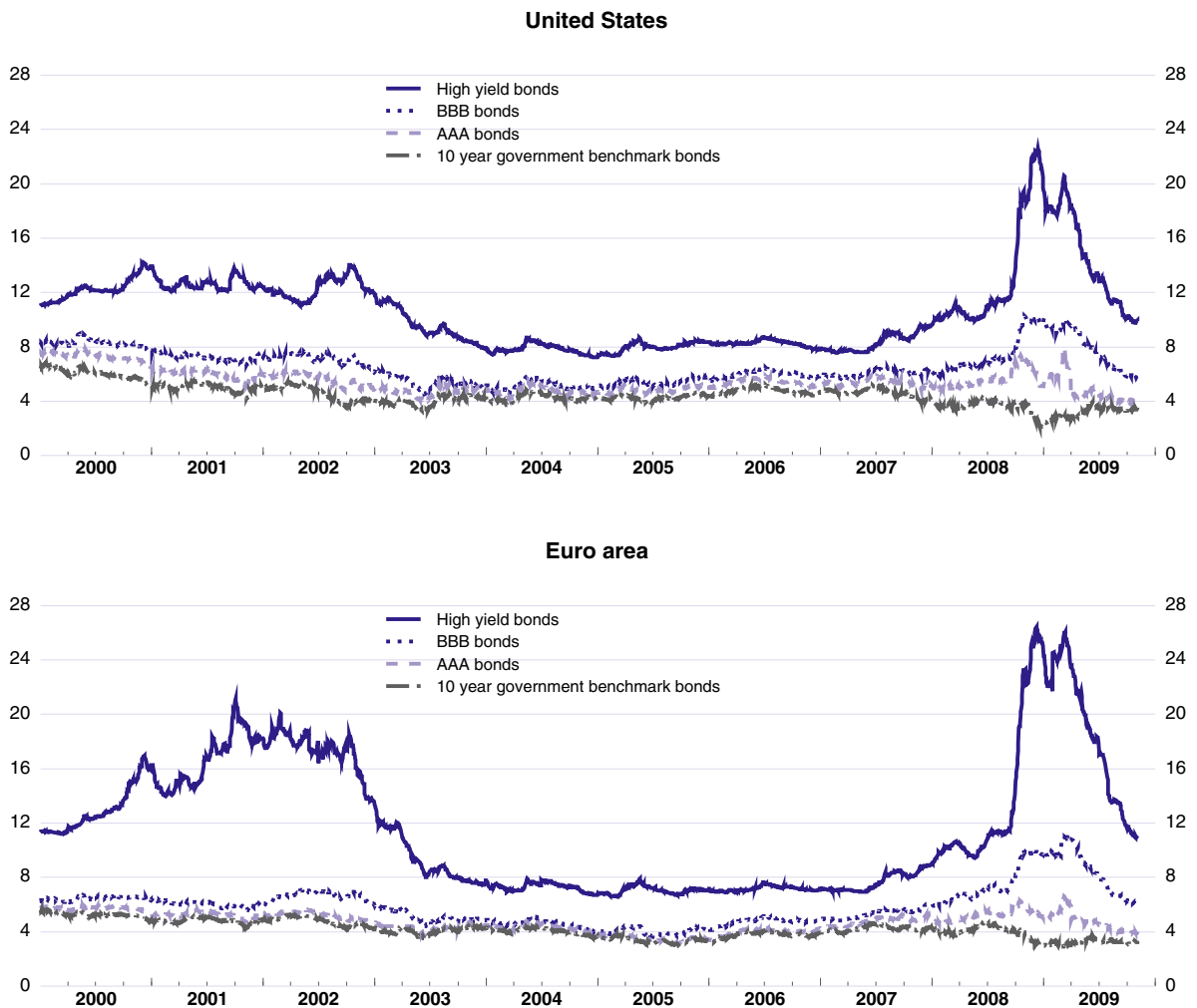
Overall financial conditions are supportive...

OECD financial conditions indices (FCIs) incorporate a number of these developments and show a clear improvement in financial conditions in the United States, the euro area, Japan and the United Kingdom (Figure 1.6).⁸ The improvements since the beginning of the

5. Only 12% indicated that their application had been rejected. These ratios cannot unfortunately be compared to historical averages as the June-July study was the first wave of this newly established survey.
6. The last data points underlying the figures are September for the United States and August for the euro area.
7. At the end of June 2009, six quarters after the start of the recession, total credit to US non-financial firms was 2.9% of GDP higher than a year earlier; at the same cyclical point following the (shallower) 1990-91 recession it was 4.2% of GDP lower than a year earlier. In the same comparison, total credit to US households was 1.2% of GDP higher in June 2009 than in June 2008, while in March 1992 it was at the same level as in March 1991.
8. These indicators weigh together the effects of the clear moderation in the tightening of lending standards, the global rebound in equity markets, the fall in interest rates, the easing of corporate bond spreads and movements in real exchange rates and house prices (see Guichard *et al.*, 2009).

Figure 1.4. **Corporate bond yields have declined considerably**

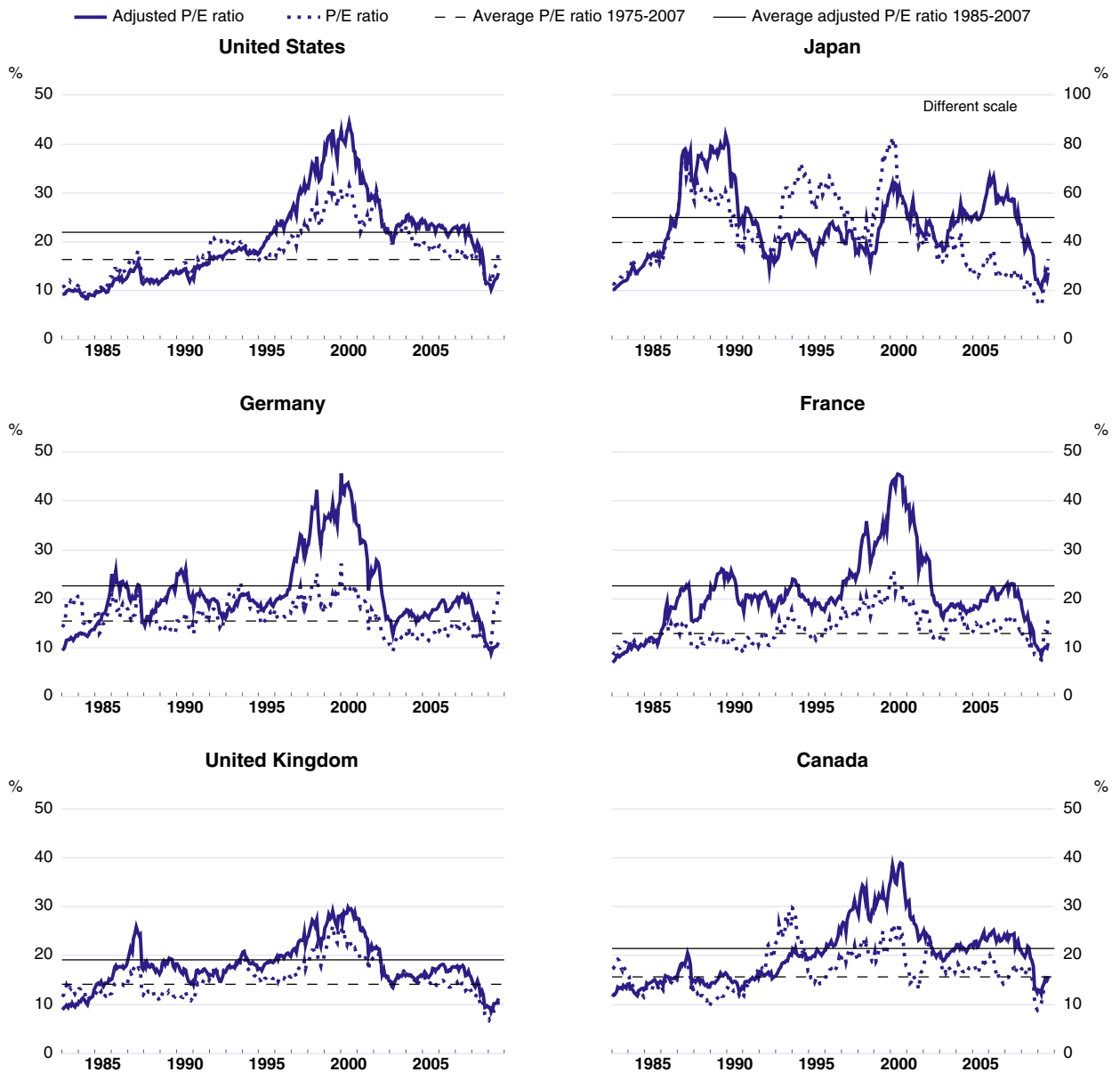
Per cent, last observation: 4 November 2009



Source: Datastream; Merrill Lynch; IBOXX.


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year to late October will provide a strong stimulus to growth in 2010. The projections are based on further improvements in the FCIs, with paths for exchange and short-term interest rates as detailed in Box 1.2 and an assumption that the other components of financial conditions converge to their historical average by the middle of 2010. Based on historical relationships, the assumed improvement in financial conditions relative to late October could boost activity levels by 1 to 2½ per cent in the United States, 1½ to 3% in Japan and the United Kingdom and ½ to 1% in the euro area by the end of 2011.

Figure 1.5. **Shares do not appear overvalued relative to cyclically-adjusted earnings**

Note: Adjusted P/E ratios are calculated as the ratio of stock prices to the moving average of the previous ten years' earnings, adjusted for nominal trend growth.

Source: Datastream, OECD calculations.

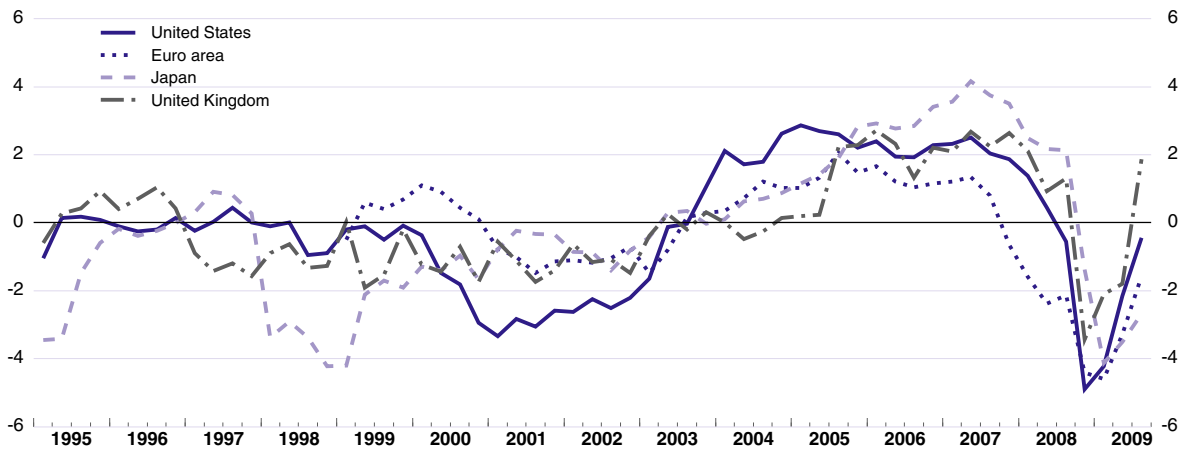
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... despite other factors

The OECD FCIs, however, do not include some factors that may influence the financing of the recovery:


Private securitisation issuance remains muted...

- The collapse of private securitisation could adversely affect the availability of finance. Indeed, private issuance fell to near zero levels across many asset classes in the second half of 2008 and beginning of 2009, especially in the United States. However, in the biggest securitisation market, i.e. US mortgages, government-sponsored

Figure 1.6. **Financial conditions indices have recovered**

Note: A unit decline in the index implies a tightening in financial conditions sufficient to produce an average reduction in the level of GDP by $\frac{1}{2}$ to 1% after four to six quarters. See details in Guichard et al. (2009).

Source: Datastream; and OECD calculations.

StatLink  <http://dx.doi.org/10.1787/748434041045>

agencies have compensated for extremely weak private activity, and total issuance in the first seven months of 2009 was above its ten-year average, with the Federal Reserve purchasing substantial amounts of mortgage-backed bonds under the Agency Mortgage-Backed Securities Program. Outside housing, US private issuance of asset-backed securities has been more resilient, bouncing back in the second and third quarters of 2009 to levels comparable with its ten-year average. In Europe, securitisation in the first half of 2009 remained below the peak of 2006-08 but above the levels of activity observed prior to then. Given the information and pricing problems revealed by the crisis, private securitisation is unlikely to return soon to the levels observed at the peak of the structured finance boom, which may imply less favourable borrowing conditions.⁹

... and banks need to further strengthen their capital buffers

- The need for banks to strengthen their capital buffers, especially in Europe, is another factor that may act as a brake on credit availability.¹⁰

Other forces acting on OECD economies

Growth has strengthened in the non-OECD economies

The upturn in activity appeared earlier in the year and was more pronounced in many non-OECD economies, aided by supportive macroeconomic policies, and has been reflected in the rebound of global manufacturing and commodity prices. Growth in Asia has been stronger

9. As far as securitised credit was originated by banks, this effect should be at least partly captured by the FCI, however, via its component reflecting bank lending surveys.

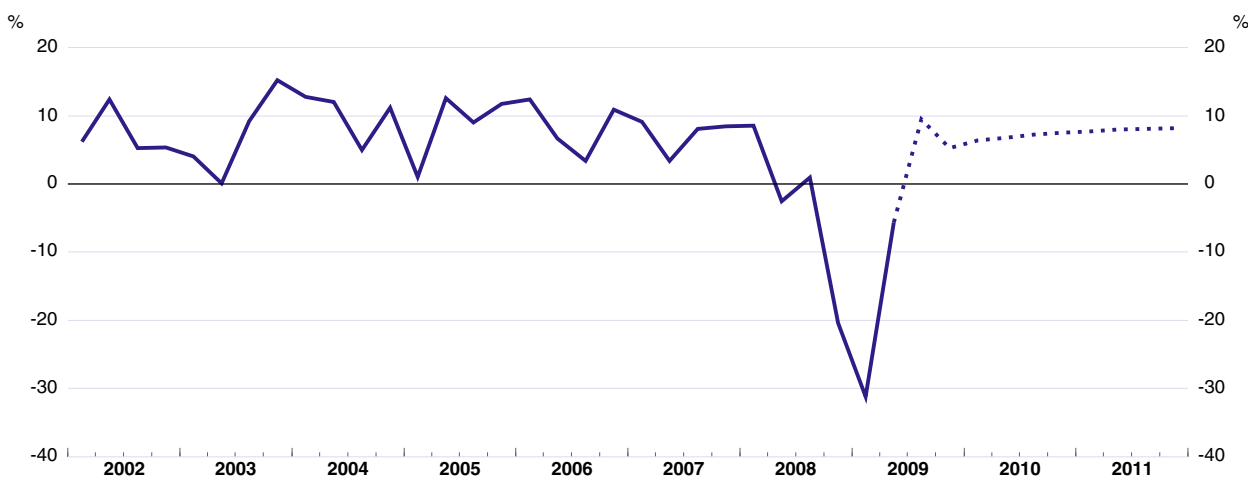
10. Again, this effect is taken into account at least partly in the FCI via the inclusion of surveys of lending conditions (Guichard et al., 2009).

than elsewhere, reflecting the relative size of the policy stimulus enacted, especially in China where growth has surged in the course of 2009, helped by a rapid increase in bank lending and the prompt implementation of the first tranche of the two-year investment-focused fiscal stimulus package. Past reductions in policy rates and ongoing expansionary fiscal policies have strengthened domestic demand in India, although agricultural output is being held back by the severe drought this year. In Brazil and Indonesia, activity has been supported by sharp reductions in interest rates, combined with measures to enhance liquidity and more modest fiscal stimulus. Comparatively little stimulus has been enacted in Russia and South Africa, partly because both economies were showing signs of overheating as the global crisis developed. Both economies experienced continued weakness in activity through the first half of the year, although this is now beginning to fade.

World trade is now expanding

World trade growth has now begun to recover, led by a marked rebound in trade volumes in the non-OECD Asian economies (Figure 1.7). In turn, this helped trade in those OECD economies with strong trading links with this region. The trade rebound has now spread to all regions, reflecting the broader recovery in output growth, although the pick-up in trade in many European countries has been more sluggish than that elsewhere and global trade volumes remain considerably weaker than prior to the downturn. The overall improvement in financial conditions and ongoing policy stimulus will also benefit trade, both directly through the positive effect they have on demand for tradable goods, notably consumer durables, and also because the constraints on trade growth from the relative unavailability of trade finance have now begun to

Figure 1.7. **World trade growth is now rebounding**
Quarterly annualised growth rate



Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/748447783784>

moderate.¹¹ Leading indicators of trade flows, such as export orders, air freight shipments and global information technology (IT) activity suggest that trade growth should continue to strengthen in the near term.

The adjustment of household balance sheets has begun

Household saving rates have risen this year, with households adjusting to the weaker state of their balance sheets brought about by lower asset prices. Tighter credit conditions and rising unemployment have also served to depress expenditure. Temporary expenditure increases and saving reductions have resulted from the varied timing of assorted fiscal support measures across countries (including subsidies for car purchases, see Chapter 2), but spending has generally weakened somewhat once the support schemes are exhausted. The balance sheet adjustment now appears well underway (Box 1.1), with the increase in

Box 1.1. Household balance sheets and the saving rate

The financial turmoil, which began around the middle of 2007, has been reflected in a significant deterioration of household balance sheets in the major economies (see Figure), as a result of declining share prices and, in most countries, declines in house prices.

- In the United States, net worth declined from 630% of disposable income in the second quarter of 2007 to 490% in the second quarter of 2009. Over this period the value of net financial assets dropped by about 25%, and the value of real estate assets declined by 15%. Within the former, the value of pension reserves declined by close to 20%.¹
- In Japan, the value of net financial assets dropped by 10% over the two years up to the second quarter of 2009. The value of housing assets is also likely to have weakened, with house prices continuing to decline up to the early months of this year.
- In the euro area, the value of net financial assets dropped by about 10% over the two years up to the second quarter of 2009. The ongoing declines in house prices will also now be pushing down the value of housing assets. In contrast to the United States, the latter are considerably larger than net financial assets (ECB, 2009c).
- In the United Kingdom, the value of net financial assets dropped by 20% over the two years up to the second quarter of 2009. The value of housing assets, which are available only on an annual basis, declined by 9½ per cent over the course of 2008.

Balance sheet positions are likely to have improved somewhat in United States and the United Kingdom in the third quarter, with house price declines having ended and equity prices increasing markedly. Any improvement is likely to have been smaller in the euro area, as house prices have continued to decline and equities are a comparatively smaller proportion of total assets.

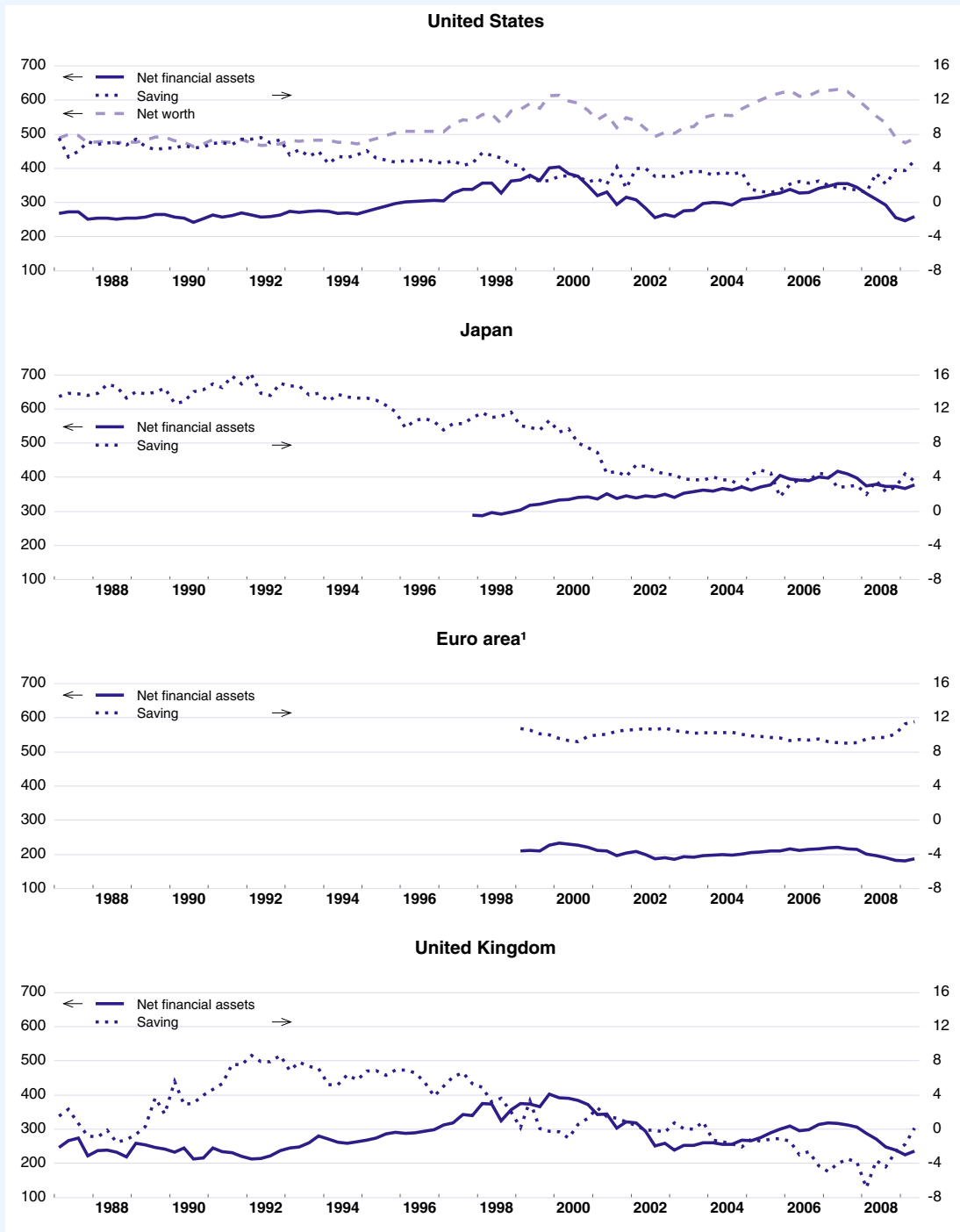
Despite the possible improvements in the third quarter, household balance sheets remain considerably weaker than prior to the crisis. This deterioration can be expected to push up household net saving in the major economies, as households try to repair their net wealth positions. This process has already begun. An important question is whether, setting aside all other factors, the process of balance sheet repair will require further increases in the household sector saving over the projection period.

11. A model in which global trade growth is related to OECD GDP growth and financial conditions suggests that the isolated impact of the ongoing improvement in financial conditions since mid-year is to increase world trade growth by 1.9% in 2010 and 1.6% in 2011, respectively. In part, this latter effect reflects the additional risk mitigation and liquidity enhancing measures now implemented by the G20 economies (OECD-UNCTAD-WTO, 2009).

Box 1.1. Household balance sheets and the saving rate (cont.)

Wealth and saving

% of disposable income



1. Uses data for all euro area member states for the level of financial assets and data for the EA-13 member states otherwise.
Source: OECD Economic Outlook 86 database; Federal Reserve; Bank of Japan; and Eurostat.

StatLink  <http://dx.doi.org/10.1787/748466810117>

Box 1.1. Household balance sheets and the saving rate (cont.)

One approach is to use a representative long-run elasticity of consumption to net wealth to make a simple back-of-the-envelope calculation. This suggests that if the observed falls in net financial assets from mid-2007 up to the second quarter of 2009 were sustained then, all else being equal, it would be reasonable to expect a sustained rise in the saving rate of roughly 3 percentage points in the United States, 1 percentage point in Japan, 1½ percentage points in the euro area and 2½ percentage points in the United Kingdom, from the levels seen prior to the onset of the crisis.² Much of this adjustment has already taken place. The United States saving rate rose by 3 percentage points from mid-2007 to mid-2009 and the United Kingdom and euro area saving rates have risen by roughly 4 and 2 percentage points respectively. The saving rate in the United States did edge down by 1½ percentage points in the third quarter, but this is expected to prove only temporary with consumption having been raised by the timing of the “cash-for-clunkers” programme.

If allowance is made for the effect of non-financial assets (which have suffered from house price declines), the amount of required adjustment is greater. A similar calculation to the one above for the United States, with separate effects from both net housing wealth and net financial wealth would raise the required adjustment in the saving ratio by about 1 percentage point. However, there is evidence that housing wealth effects on consumption are heterogeneous across countries and that they are more modest in the euro area than the United States and the United Kingdom (see, for example, ECB, 2009).³

The outlook for saving (and consumption) also depends on many other factors. To the extent that a) credit standards have tightened, b) unemployment rates and other indicators of perceived risk have risen and c) government debt levels have increased, households may perceive greater need to save in order to fund future consumption, investment or taxes. Saving rates might also rise further if households choose to reduce debt-to-income ratios in a similar way to Japanese households in the 1990s (see Glick and Lansing, 2009). Moreover, analysis relating saving rates to longer-term fundamentals suggests that in 2007 the saving rate in the United Kingdom was roughly 1 percentage point below its long run equilibrium, so a larger rise than predicted by the back-of-the-envelope calculation might be expected (Huefner and Koske, 2009). For the United States (and the euro area) the analysis suggests the 2007 saving rate was closer to the respective longer-term equilibrium rates.

Further changes in asset prices would also affect saving decisions. Some of the desired repair to balance sheets could occur from faster than expected increases in share or house prices. A 10% rise in the value of all financial assets could reduce the required increase in the saving ratio by around 1 percentage point in most major economies and by more than 1½ percentage points in Japan (reflecting the greater absolute size of total financial assets). But if there is not a substantial and sustained rise in wealth via rebounding asset prices, it seems likely that the saving rate will remain around current levels, or perhaps even higher, for several years. Even if there is some reduction in perceived risk, government debt levels are likely to remain elevated and unemployment rates are likely to rise, encouraging some precautionary saving, although the effects will likely differ across countries.

1. Outside the United States and Canada, timely quarterly non-financial asset data are limited. An important implication of the decline in asset values is that by some measures household leverage has increased. For example, in the United States, household liabilities as a per cent of net worth rose from 21% in mid-2007 to 26% in the second quarter of 2009.
2. These calculations assume a representative long-run elasticity of consumption with respect to net financial wealth of 0.09 (with the elasticity of consumption with respect to income being 0.91). This implies $\ln(c/y) = 0.09\ln(w/y)$ where c , w and y are consumption, net financial wealth and income (omitting any constant). This is consistent with estimates presented for the euro area in OECD (2009b), which were consistent with a marginal propensity to consume out of wealth of roughly 0.04. Similar figures have been estimated for a number of countries including those outside of the euro area, though there is substantial variability in these estimates (see for example Altissimo et al. 2005 and Mishkin 2007). With this specification and using the approximation that changes in the saving rate are equal to the opposite of changes in the log of the consumption to income ratio, $\Delta S = -0.09\Delta\ln(w/y)$ where S is the saving rate. Dale (2009) has noted that an approach like this may exaggerate the extent of the necessary adjustment. For example, it ignores that wealth including human capital (which depends on future labour earnings) is likely to have fallen less dramatically than financial wealth.
3. This calculation is based on assuming that $\ln(c/y) = 0.04\ln(hw/y) + 0.08\ln(fw/y)$ where hw and fw are net housing and net financial (net of home mortgages) wealth. The coefficients are based on estimates of the elasticities of consumption with respect of housing and stock prices for OECD countries in Ludwig and Slok (2002).

saving rates already experienced in the major economies going a large part of the way towards that expected on the basis of past relationships between saving and wealth. However, these more elevated saving rates will need to be maintained for several years to rebuild balance sheets fully, unless asset prices rebound, so that the prospects for expenditure growth will be closely tied to income developments.

Housing markets are showing signs of turning in some countries...

Various indicators suggest that the housing market is now beginning to improve in a number of countries, including the United States, Canada and the United Kingdom. Survey measures of expected developments have improved and the volume of transactions and house prices began to edge up during the summer. Prices have also continued to rise in Australia, Norway and Switzerland. But, in other OECD economies, real house prices are continuing to decline, with the rate of decline yet to slow in Spain, France and Italy. The ratios of house prices to income and rents remain above their longer-term average levels in many economies (Table 1.2), though this needs to be seen in the context of lower interest

Table 1.2. Real house prices are falling almost everywhere

	<i>Per cent annual rate of change</i>				<i>Level relative to long-term average¹</i>		<i>Latest available quarter</i>
	<i>2000-2006</i>	<i>2007</i>	<i>2008²</i>	<i>Latest quarter³</i>	<i>Price-to-rent ratio</i>	<i>Price-to-income ratio</i>	
United States	5.3	-0.9	-6.3	-2.5	112	95	Q3 2009
Japan	-4.3	-1.1	-2.9	-1.8	66	66	Q3 2009
Germany	-2.9	-1.2	-2.7	-1.8	71	65	Q4 2008
France	9.5	4.9	-1.8	-7.6	139	121	Q3 2009
Italy	6.1	3.1	-1.7	-4.2	113	107	Q3 2009
United Kingdom	8.8	8.4	-4.3	-7.4	137	127	Q3 2009
Canada	6.7	8.5	-3.4	-1.5	173	124	Q2 2009
Australia	7.1	8.8	0.1	4.9	163	141	Q3 2009
Denmark	7.9	2.9	-7.8	-17.3	128	117	Q2 2009
Finland	4.2	5.2	-3.3	-0.1	148	96	Q3 2009
Ireland	8.3	-1.7	-11.6	-10.7	201	124	Q2 2009
Netherlands	2.9	2.6	0.7	-5.0	143	145	Q3 2009
Norway	5.6	11.8	-4.7	2.0	157	124	Q3 2009
New Zealand	9.2	8.3	-8.0	-4.9	140	134	Q2 2009
Spain	11.2	2.6	-3.7	-7.4	163	133	Q3 2009
Sweden	6.7	8.6	-0.1	-2.1	170	114	Q3 2009
Switzerland	1.7	1.3	0.2	5.1	87	77	Q3 2009
Euro area ^{4,5}	4.6	2.0	-2.4	-4.8	117	104	
Total of above countries ⁵	4.2	1.3	-4.3	-3.2	113	98	

Note: House prices deflated by the Consumer Price Index.

1. Long-term average = 100, latest quarter available.

2. Average of available quarters where full year is not yet complete.

3. Increase over a year earlier to the latest available quarter.

4. Germany, France, Italy, Spain, Finland, Ireland and the Netherlands.

5. Using 2005 GDP weights.

Source: Girouard *et al.* (2006); and OECD.

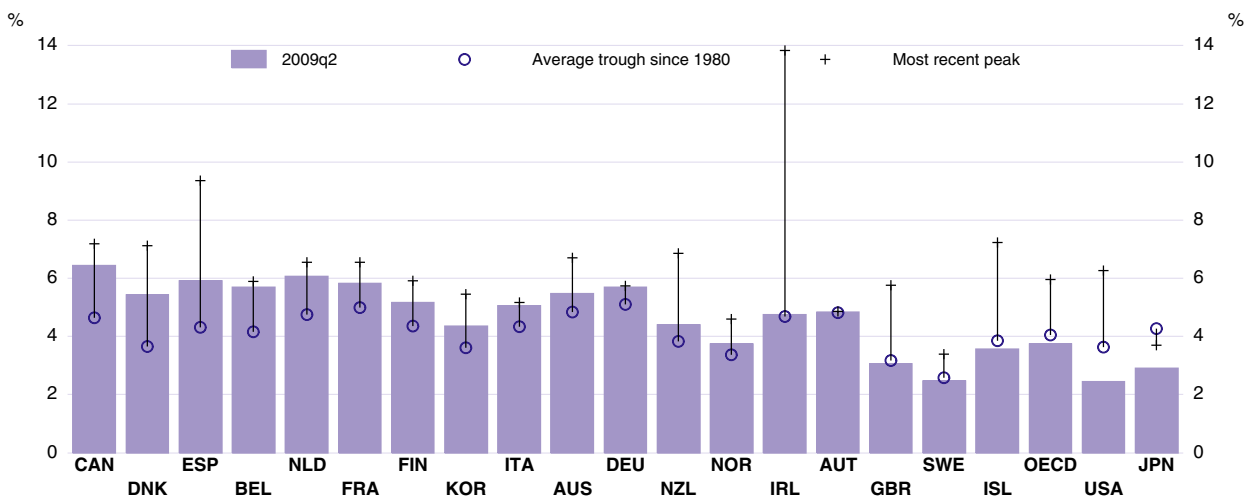
rates. In any case, with foreclosure rates likely to rise even as the economic cycle turns up, considerable downside risks remain.

... and housing investment should become a smaller drag on growth

Housing investment levels continued to decline in the first half of the year, but in some countries and the OECD in aggregate have now either dropped to or fallen below the average troughs seen in past downturns (Figure 1.8). This suggests that the drag on activity coming from the downturn in housing markets should now start to diminish in these economies. Indeed, housing investment rebounded in the United States in the third quarter. However, past drops in construction permits and starts and ongoing price weakness imply that investment could still weaken a little further in the near term in other economies. In the OECD as a whole, housing investment is projected to increase more rapidly than GDP from the beginning of 2010. But the euro area will lag behind, with the ratio of housing investment to GDP beginning to rise only in 2011. In some countries the ongoing correction of investment levels continues to be more pronounced, with investment levels still falling sharply in Spain, Ireland, Iceland and the United Kingdom.

Figure 1.8. **Housing investment is below peak levels**

Housing investment as a share of GDP, current prices



Note: Countries are ranked according to the difference between their position in 2009Q2 and the average of previous troughs.

Source: OECD Economic Outlook 86 database.

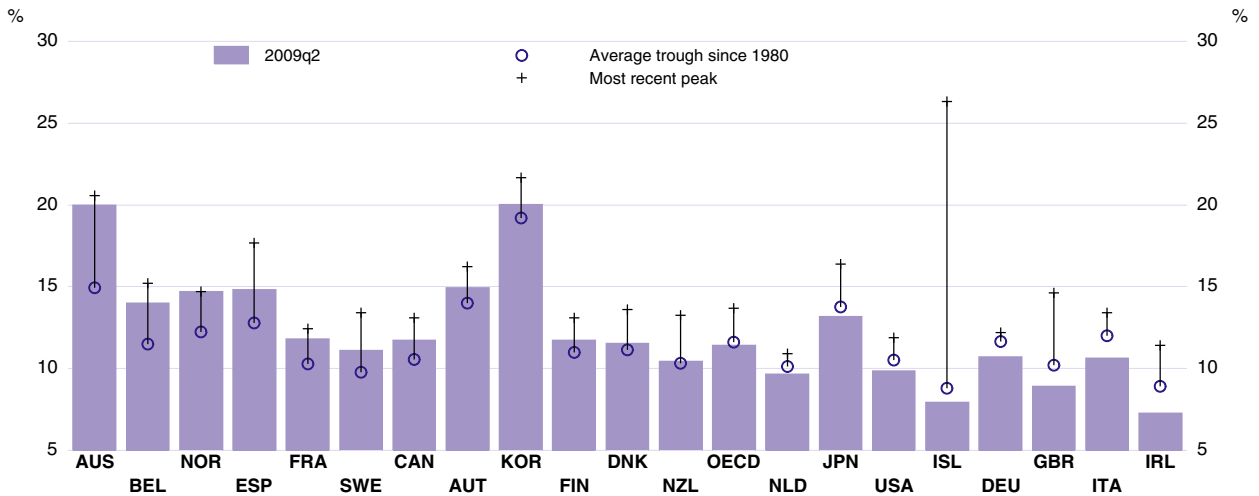
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Business investment has fallen to exceptionally low levels

Business investment has plummeted through the course of the recession. By mid-year the ratio of investment to GDP was back to levels similar to those experienced during previous downturns (Figure 1.9). The comparatively quick decline in business investment during the recession reflects the extent to which the normal cyclical adjustment process, with firms seeking to reduce excess capacity as utilisation rates fall, has been reinforced by the deterioration in financial conditions. Increases in the cost, and reductions in the availability, of external capital, as well as overall uncertainty about the outlook will also have led to projects either


Figure 1.9. **Business investment has fallen sharply**

Business investment as a share of GDP, current prices



Note: Countries are ranked according to the difference between their position in 2009Q2 and the average of previous troughs.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/748551441671>

being abandoned or delayed. A desire to rebuild balance sheets and reduce debt leverage ratios will also have damped investment demand (Benito and Young, 2007). These forces are now beginning to wane, at least in some sectors, with capital goods orders starting to pick up somewhat. But with capacity utilisation remaining low, the bounce-back in investment may not be rapid. Nonetheless, there is considerable upside scope for business investment to increase as the recovery gains momentum, with the current OECD-wide share of investment in GDP being around 1½ percentage points below the historical average prior to the last credit boom. Around a third of this gap is projected to be closed by the end of 2011.

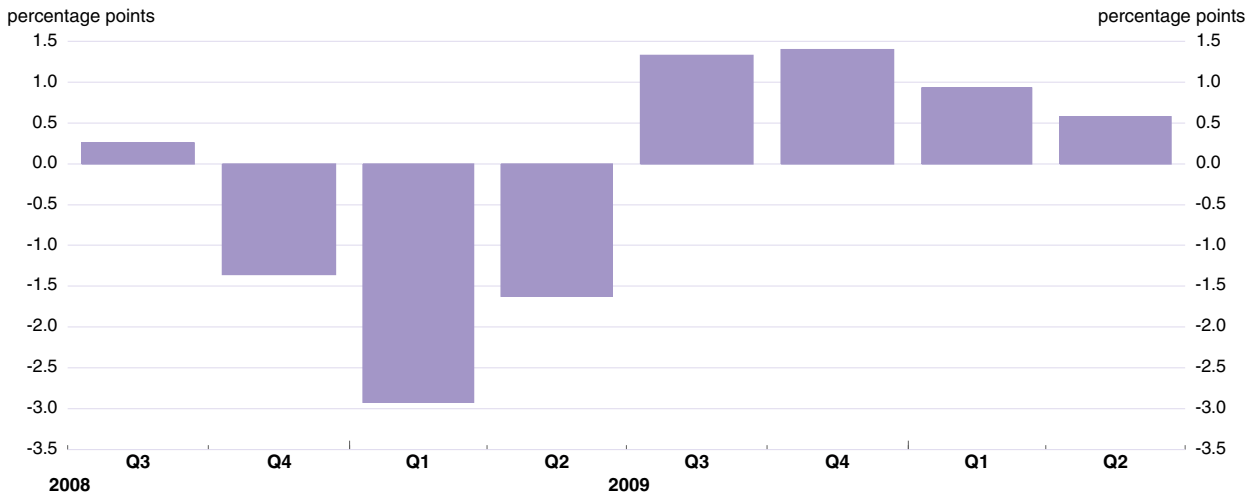
The inventory cycle has turned

Marked inventory corrections dragged down growth in all economies in the first half of 2009, with firms making considerable efforts to offset the build-up in inventory-sales ratios that occurred in the early stages of the recession (Figure 1.10). In the United States, Germany, France and the United Kingdom, car scrappage schemes also led to some further liquidation of inventories in the automobile sector, as well as kick-starting production. Survey-based assessments that had previously indicated excessive stock levels have now fallen back towards longer-term averages. In consequence, the projections build in an average growth contribution from inventories of about 1-1¼ percentage points (annual rate) in each quarter up to the first quarter of 2010, fading thereafter.


Commodity prices have rebounded

Falling oil supply was a major factor behind oil prices rebounding in the first half of 2009, with OPEC crude oil production declining sharply as production quotas tightened (Figure 1.11). Continued economic weakness

Figure 1.10. **The OECD inventory cycle is turning**
Contribution to quarterly real OECD GDP growth at annualised rates



Source: OECD Economic Outlook 86 database.

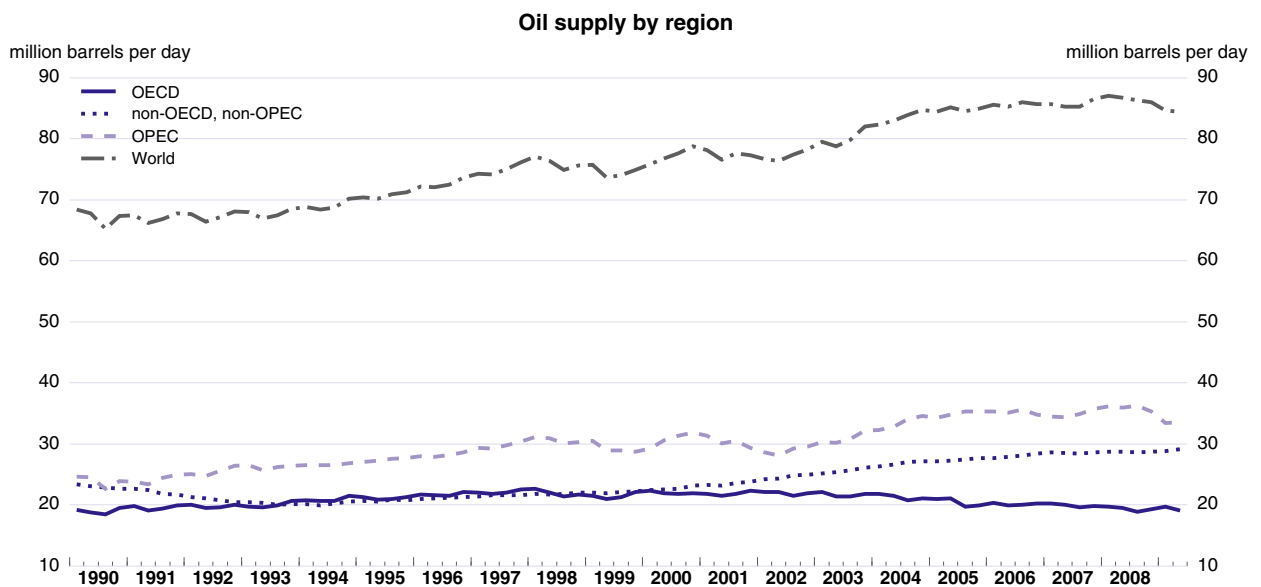
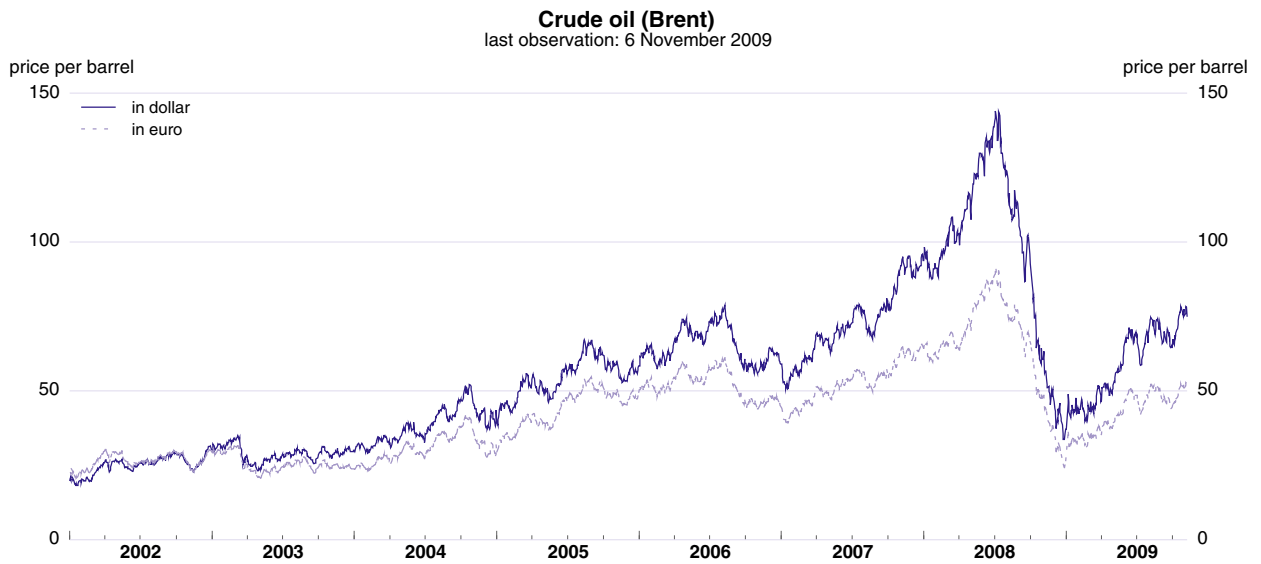
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should damp oil demand in the near term, with relatively high spare production capacity and very high levels of oil inventories contributing temporarily to price moderation from the supply side. Indeed, a simple model of demand and supply for oil, calibrated with reasonable values for price and income elasticities, suggests a price of around \$55 and \$60 for 2010 and 2011 (Wurzel *et al.*, 2009). Nonetheless, for the projections presented here, the usual technical assumption has been made that the Brent price stays close to its level before the cut-off date for information, in this case \$77 per barrel. Non-oil commodity prices have also rebounded since the beginning of the year, helped by strong demand from the non-OECD economies. Prices of non-oil commodities are assumed to stabilise around current levels.

Policy stimulus is continuing to boost activity

The resumption of growth has been helped to a considerable extent by the feed-through of lagged effects from past monetary policy ease, the gradual normalisation of conditions in financial markets, and ongoing fiscal stimulus. In the near term, the profile of growth across countries reflects the different timing of the many different crisis-related fiscal schemes now being employed in OECD economies. Some countries are benefiting from stronger government final consumption and the advent of new public infrastructure projects. In others, private demand is being boosted, and brought forward, by assorted measures, such as car scrappage incentive schemes, direct lump-sum income payments to households and temporary reductions in indirect taxes and housing tax credits.

Figure 1.11. Oil prices have rebounded



Source: IEA, Monthly Oil Data Service; Datastream; OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/748635135138>

Growth prospects

**A modest recovery
is likely in...**

Growth resumed in the OECD economy in the third quarter of 2009 and is set to gather pace gradually over the next two years, on the basis of financial conditions continuing to normalise as assumed, and policy stimulus being withdrawn in a very gradual manner (Box 1.2). In the near term, the timing of temporary fiscal support measures will continue to affect the profile of demand, as will the continued turning of the inventory cycle and the gradual fading of the drag exerted by declining housing investment. As a result, and given that the timing of these

Box 1.2. Policy and other assumptions underlying the projections

Fiscal policy assumptions are based as closely as possible on legislated tax and spending provisions (current policies or “current services”). Where policy changes have been announced but not legislated, they are incorporated if it is deemed clear that they will be implemented in a shape close to that announced. For the present projections, the implications are as follows:

- For the United States, the American Recovery and Reinvestment Act of 2009 is estimated to add more than 2% of GDP to the federal government deficit over this year and next. It is also assumed that some Alternative Minimum Tax relief will be extended in 2010 and 2011. In these projections the funds disbursed under the Housing and Economic Recovery Act and the Troubled Asset Relief Program (TARP) have some impact on the government financial balance. As the federal government purchased assets at prices that were higher than what would have been available in the private market, some of the purchases have been recorded as capital transfers following the methodology adopted by the BEA and the US Treasury. In 2011, temporary stimulus measures are allowed to wind down and some of the tax cuts introduced by the previous Administration are assumed not to be further extended.
- For Japan, the projections include the fiscal year (FY) 2009 budget plan, the supplementary budget in May 2009, and the suspension of some projects by the new government since September 2009. Spending and tax policies in FY 2010 and FY 2011 are assumed to follow the manifesto of the current government. The pension contribution rate will continue to rise each year under the FY 2004 reform. Past stimulus, the fiscal plan promised by the new government during the election campaign and the automatic stabilisers will contribute to an increase in the budget deficit from 4½ per cent of GDP in 2008 (excluding one-off factors) to just above 10% in 2011.
- For Germany, the two fiscal stimulus packages, as well as a scheduled increase in the tax deductibility of health and long-term care contributions from 2010 onwards, have been built into the projections. However, the fiscal implications of the recent coalition government agreement are not included in the projections. For France, the combination of the economic stimulus package, subsequent measures (e.g. the general scheme for social benefits, the *Revenue de solidarité active*, and the VAT rate cut on restaurant meals), the loss of exceptionally buoyant tax revenues associated with falling asset prices and the elimination of the *Taxe professionnelle*, a tax on businesses, is assumed to induce a widening of the cyclically-adjusted general government deficit by around 2 percentage points of GDP between 2008 and 2010. Given the self-reversing aspects of some of the announced measures, the cyclically-adjusted general government deficit is expected to decrease by around ½ percentage point of GDP in 2011. In Italy, the medium-term fiscal plan foresees consolidation already in 2010, through expenditure restraint. Significant cuts in public investment are planned for 2010 (after a boost in 2009). Although the medium-term budget plan covers three years, spending authorisations are legislated only one year at a time; the current projections assume that the 2011 budget will succeed in legislating some further reductions in expenditure.

Policy-controlled interest rates are set in line with the stated objectives of the relevant monetary authorities, conditional upon the OECD projections of activity and inflation, which may differ from those of the monetary authorities. The interest-rate profile is not to be interpreted as a projection of central bank intentions or market expectations thereof.

- In the United States, the target federal funds rate is assumed to remain constant at ¼ per cent until close to the end of 2010 as there is substantial slack in the economy. Subsequently, the rate is tightened, reaching 2¼ per cent by the end of 2011.
- In the euro area, the main policy rate is assumed to remain unchanged until close to the end of 2010, before rising to 2% by the end of the projection horizon. Overnight rates are assumed to converge smoothly to the main refinancing rate, starting in the second half of 2010.
- In Japan, the short-term policy interest rate is assumed to remain at 10 basis points for the projection horizon, as consumer prices continue to fall.

Box 1.2. Policy and other assumptions underlying the projections (cont.)

In the United States, the euro area, Japan and the United Kingdom, the projections for the financial conditions index are based on the paths for exchange rates and short-term interest rates set out in this Box, combined with an assumption that the remaining components of the index collectively adjust smoothly to their longer-term average level by mid-2010.

The projections assume unchanged exchange rates from those prevailing on 26 October 2009, at \$1 equals to ¥92.08, € 0.67 (or equivalently, € 1 equals \$1.49) and CNY 6.83.

Over the projection period the price for a barrel of Brent crude is assumed to be at a level close to \$77. Non-oil commodity prices are assumed to stabilise around current levels.

The cut-off date for information used in the projections is 16 November 2009. Details of assumptions for individual countries are provided in Chapters 3 and 4.

influences is uncertain, the activity profile may in practice turn out to be more “bumpy” than projected. By 2011, continued accommodative policies should help business investment and private consumption growth to gain greater momentum, although only modestly in the face of persistent headwinds from high unemployment, weak income growth and ongoing balance sheet adjustments.

The key features of the economic outlook for the major economies and world trade are as follows:

- ... the United States...**

 - Growth resumed in the United States in the third quarter, driven to a large degree by the impact of policy stimulus. Going forward, activity is expected to continue to strengthen, on the back of ongoing policy stimulus and, in the short term, an upturn in the inventory cycle. The ongoing improvement in financial conditions and final demand will help to gradually strengthen private investment through next year, although investment rates are projected to still be below their longer-term average by the end of 2011. Private consumption growth will remain relatively subdued until 2011, held back by ongoing balance sheet adjustment. Unemployment is projected to begin falling by the middle of 2010, although the rate is expected to remain above 8½ per cent by the end of 2011, with considerable economic slack still left at that point.
- ... Japan...**

 - The recovery continued in Japan in the third quarter, helped by an upturn in the inventory cycle, ongoing policy stimulus, improving financial conditions and strengthening external demand. Going forward, these factors should all help to maintain growth in Japan, although the past appreciation of the real exchange rate will damp the impact of the latter. Output growth is projected to pick up gradually, to around 2% in 2011, boosted by the new government’s plan to continue to increase public spending. In the near term, the quarterly path of output growth may be comparatively bumpy. Private investment should strengthen through the course of next year, while private consumption

will be sustained by expanded social benefits to households, helping to offset the impact of continued labour market weakness. The unemployment rate is expected to remain close to current levels throughout 2010 and 2011.

- ... the euro area...**
- Growth resumed in the euro area in the third quarter and should continue to pick up slowly. The global upturn will strengthen external demand, and a moderate upturn in the inventory cycle will support growth in the near term. Business investment is likely to continue to be constrained by weak profitability and slack capacity utilisation until well into 2010, and private consumption will be held back by ongoing balance sheet adjustment and continued labour market weakness. Residential investment is also projected to decline through 2010, reflecting declining property prices and continued excess supply in some economies. Improved financial conditions and accommodative monetary policies should allow private demand growth to gain momentum gradually through 2011, although job growth is likely to be modest, with labour hoarding during the downturn being scaled back.

- ... the non-OECD area and world trade**
- In the near term, the Chinese economy is projected to continue to expand rapidly, with growth exceeding 10 per cent in 2010, before easing slightly in 2011 as the impact of policy stimulus begins to fade. Activity in India should continue to gain momentum through 2010 and 2011, driven by strengthening exports and business investment. In Brazil, domestic demand is expected to grow vigorously well into next year, helped by a still accommodative policy mix. Growth is expected to rebound in Russia from the latter half of 2009, helped by policy stimulus and improved external conditions, before fading gradually towards trend rates by 2011. World trade growth is likely to gain momentum over the next two years (Table 1.3), led by continued strong expansion in trade in the Asian economies. Trade growth in OECD Europe is comparatively sluggish, picking-up more substantially only in 2011. The global trade profile is consistent with projections from a global trade equation based on OECD GDP, although more modest than that which would emerge from a corresponding model that also incorporated the robust GDP growth projected in the major non-OECD countries.

Labour market conditions will continue to weaken...

With only a modest recovery in prospect, the OECD-wide unemployment rate is projected to continue to rise until the end of next year, albeit at a diminishing pace (Table 1.4). By the end of 2010, the number of unemployed persons in the OECD economies will be almost 21 million higher than at the end of 2007. Even with somewhat stronger job creation through 2011, the numbers unemployed are projected only to decline back to their current, already elevated, levels (Figure 1.12). Based on past experience, there is a clear risk that at least part of the rise in unemployment since the crisis began will prove long-lasting, despite improvements in activation policies.

Table 1.3. **World trade will recover and imbalances remain lower than before**

	2007	2008	2009	2010	2011
Goods and services trade volume					
Percentage change from previous period					
World trade ¹	7.3	3.0	-12.5	6.0	7.7
<i>of which:</i> OECD	5.5	1.2	-13.0	5.2	6.9
NAFTA	4.6	0.3	-14.1	6.7	7.7
OECD Asia-Pacific	7.6	3.2	-13.0	10.0	9.0
OECD Europe	5.4	1.2	-12.6	3.5	6.1
Non-OECD Asia	10.9	5.8	-11.0	9.9	10.2
Other non-OECD	11.5	7.9	-11.9	4.6	7.6
OECD exports	6.3	2.0	-12.8	5.7	7.1
OECD imports	4.7	0.5	-13.3	4.6	6.7
Trade prices²					
OECD exports	8.3	8.9	-9.0	5.5	0.5
OECD imports	7.8	10.8	-10.8	6.3	0.7
Non-OECD exports	8.2	15.2	-15.3	5.7	1.9
Non-OECD imports	7.3	12.1	-9.7	3.8	1.9
Current account balances					
Per cent of GDP					
United States	-5.2	-4.9	-3.0	-3.4	-3.7
Japan	4.9	3.2	2.5	2.8	2.8
Euro area	0.5	-0.8	-0.6	-0.1	0.3
OECD	-1.2	-1.6	-0.9	-0.8	-0.8
China	11.0	9.8	6.4	5.4	5.9
\$ billion					
United States	-727	-706	-434	-506	-566
Japan	213	157	126	146	148
Euro area	62	-100	-68	-11	45
OECD	-509	-717	-353	-366	-352
China	372	426	298	276	324
Dynamic Asia ³	160	133	146	89	93
Other Asia	-24	-68	-56	-84	-96
Latin America	24	-12	-15	7	9
Africa and Middle East	297	385	51	219	238
Central and Eastern Europe	12	45	-47	-59	-66
Non-OECD	842	909	377	449	503
World	333	191	24	83	150


Note: Regional aggregates include intra-regional trade.

1. Growth rates of the arithmetic average of import volumes and export volumes.

2. Average unit values in dollars.

3. Dynamic Asia includes Chinese Taipei; Hong Kong, China; Indonesia; Malaysia; Philippines; Singapore and Thailand.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752127435237>

**... and employment
outcomes will continue to
differ across countries**

The considerable variation in labour market developments across OECD countries during the recession is likely to continue as activity recovers. While almost all countries are experiencing marked labour market weakness, the extent of the contraction and the form it has taken differ considerably. In most economies, average hours worked per week have declined over the past year. This reflects both the impact of short-time working schemes, with two-thirds of OECD countries either setting up new schemes or expanding existing ones, and the extent to which the downturn has been concentrated in manufacturing and construction, the two sectors with the highest cyclical sensitivity of hours worked (OECD,

Table 1.4. **Labour markets conditions will turn up slowly**

	2006	2007	2008	2009	2010	2011
Percentage change from previous period, seasonally adjusted at annual rates						
Employment						
United States	1.9	1.1	-0.5	-3.6	-0.5	1.7
Japan	0.4	0.5	-0.4	-1.8	-0.9	0.0
Euro area	1.6	1.8	1.0	-1.6	-1.1	-0.1
OECD	1.7	1.5	0.7	-2.0	-0.6	0.9
Labour force						
United States	1.4	1.1	0.8	0.0	0.3	0.8
Japan	0.1	0.2	-0.3	-0.5	-0.5	-0.1
Euro area	0.9	0.9	1.1	0.4	0.2	0.2
OECD	1.2	1.0	1.0	0.4	0.2	0.6
Unemployment rate Per cent of labour force						
United States	4.6	4.6	5.8	9.2	9.9	9.1
Japan	4.1	3.9	4.0	5.2	5.6	5.4
Euro area	8.3	7.5	7.5	9.4	10.6	10.8
OECD	6.0	5.6	5.9	8.2	9.0	8.8

Source: OECD Economic Outlook 86 database.


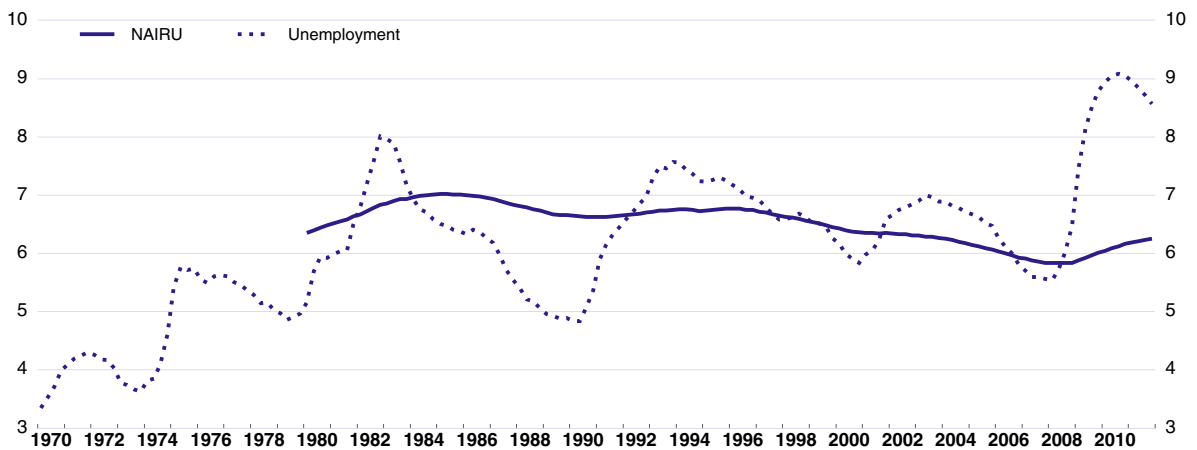

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Figure 1.12. **Unemployment will remain high in the OECD**

Percentage of labour force



Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/748675518082>

2009a). This decline in hours worked has helped to limit the loss of employment, especially in continental Europe, in marked contrast to the experience of previous major recessions (see Box 1.3). Conversely, in the United States, the fall in activity has translated into job suppressions to an unusual degree, despite some reduction in average hours worked. These different profiles are projected to help shape employment trends during the upturn, with job growth resuming earlier and at a more rapid pace in

Box 1.3. The labour market in the economic downturn

Amid the deepest OECD recession in post-war history, there have been major adjustments in the labour markets of the large OECD economies. Key developments include:

- Unemployment rates rising substantially in most major economies (see first figure, top panel), especially in the United States. In some euro area countries the unemployment rate has risen particularly sharply, with the Spanish unemployment rate rising from around 8½ per cent in 2006 to over 18½ per cent in 2009Q3, though in Germany the rise has so far been very modest.
- The number of employed falling significantly since the onset of the recession in the United States and, to a lesser extent, Japan and the United Kingdom. France has been somewhat less affected, and Germany had, up to the first half of 2009, seen little change in employment levels at all (first figure, middle panel).¹
- Large declines in hours worked per worker for most major economies, except France, over recent quarters (first figure, bottom panel). The decline has been especially pronounced in Germany, with widespread use of short-time working schemes reducing dismissals, at least in the short term, at the expense of reduced work hours.

In most countries the changes observed during the current recession are quite different from those observed in past major recessions (second figure):²

- The employment level has declined particularly rapidly in the United States during the current recession compared with past experience. In the United Kingdom, employment declines have also been quicker than in previous major recessions, although relatively muted compared to the experience in the early 1990s recession.
- In Japan, employment declines were fairly modest given the magnitude of the recession, although somewhat higher than seen in previous major downturns. In part, this is likely to reflect the impact of the support provided by the Employment Adjustment Subsidy scheme.
- There are clear differences with past experience in Germany, where employment has not fallen substantially despite the large output decline (unlike previous major recessions in Germany). The most recent employment decline in France is not very different from past experience.
- Though both employment and hours worked have fallen substantially in the United States in the current recession, compared to historical experience there have been relatively more severe employment declines (third figure). Japan and Germany have seen relatively more adjustment in hours, while in France hours worked have not declined much by historical standards.³

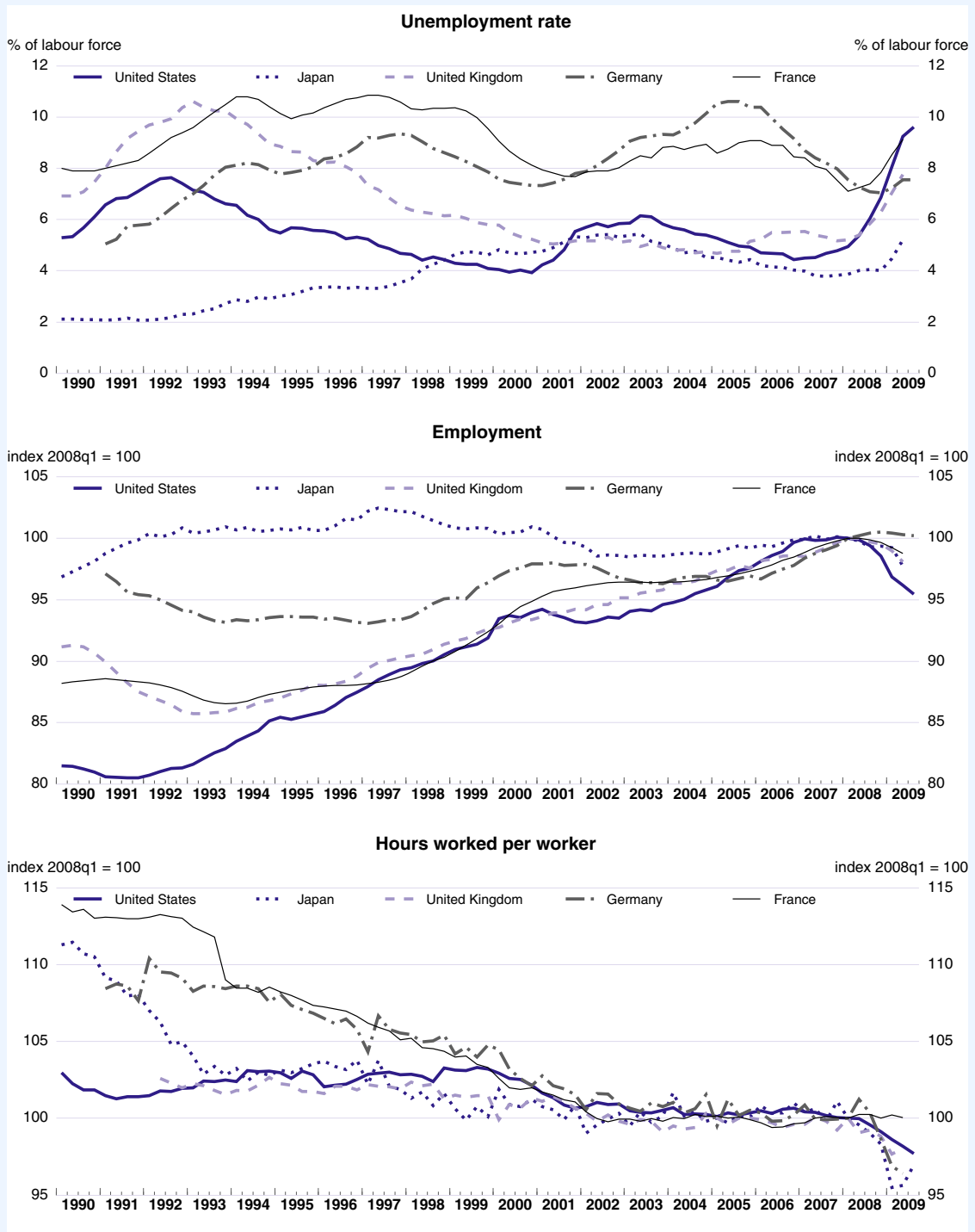
The relatively fast and large employment declines in the United States have occurred despite the relatively high employment multipliers associated with fiscal stimulus there compared with those in continental Europe (OECD, 2009a). Much of this will reflect differences in national labour market settings and institutions. The strong US employment response may also reflect expectations by enterprises that it would take a while for activity to recover to past levels.

In those countries in which there have been unusually large employment losses, but only a normal downturn in hours worked, relatively fast employment growth in the recovery might be expected. However, in countries in which there has been an unusually large downward adjustment in hours, but relatively little employment adjustment, employment growth will likely be more subdued as activity recovers.

1. The French data vary according to the source used. The measure shown in the figures uses data derived from the national accounts. The labour force survey measure of employment shows less of a decline through to the second quarter of 2009.
2. The second figure uses the two largest historical recessions since 1960, based on the GDP decline from the peak to the trough. Recessions are taken to be periods that begin with a peak in which GDP is higher than GDP in the two previous quarters and the two subsequent quarters, and end with a trough (defined in a related manner) which is at least two quarters after the peak.
3. Historical comparison is based on the average of the two most severe recessions for which data are available.

Box 1.3. The labour market in the economic downturn (cont.)

Labour market indicators



Note: Hours worked estimates are calculated from various national statistics.

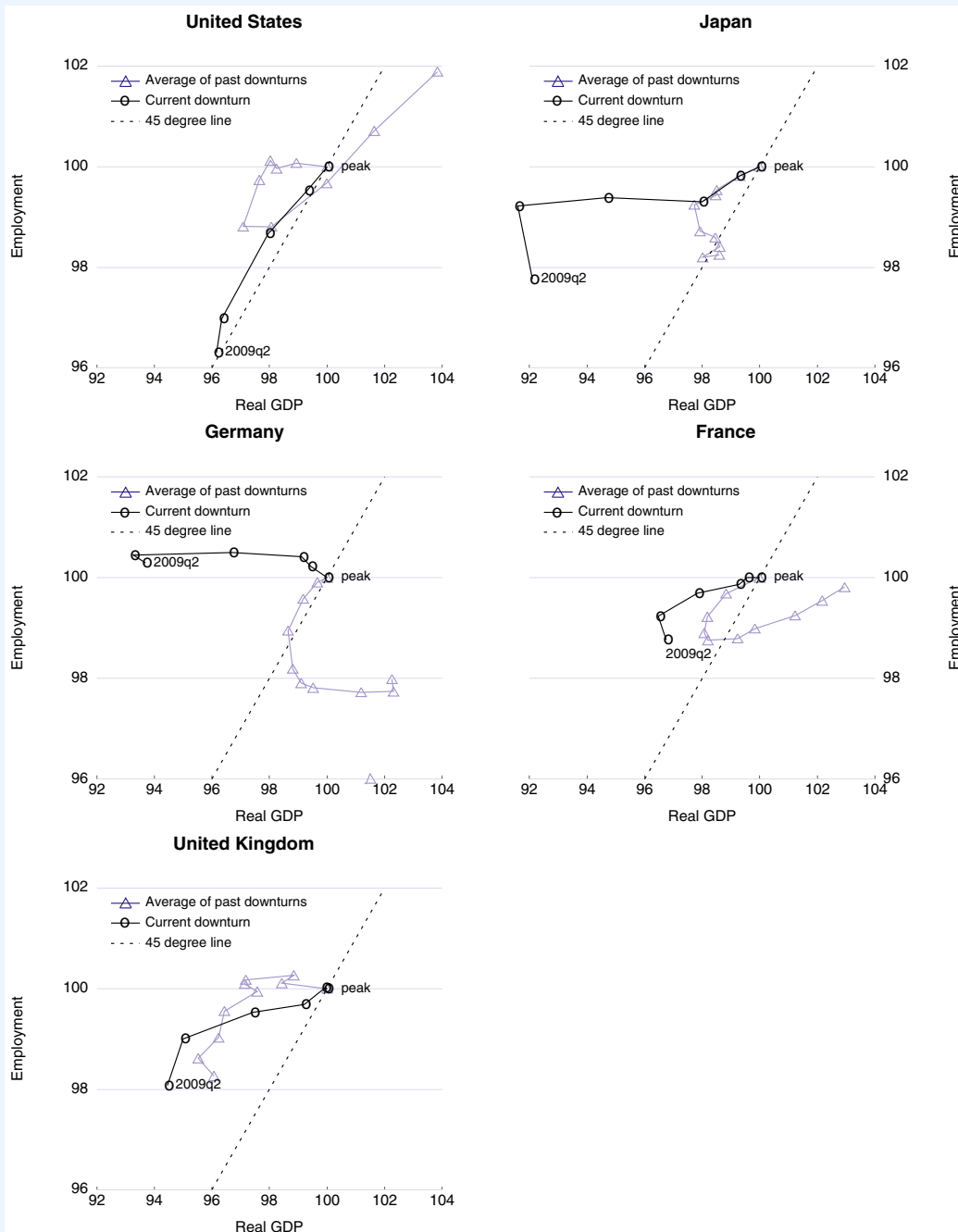
Source: OECD Economic Outlook 86 database; and Datastream.

StatLink  <http://dx.doi.org/10.1787/748730460150>

Box 1.3. The labour market in the economic downturn (cont.)

Employment and GDP in major recessions

Index GDP and employment at GDP peak = 100



Note: For the earlier recessions, up to nine quarters after the peak are reported. In the current downturn the pre-recession peak is 2008Q1 for all countries except the United States, where it is 2008Q2. The pre-recession peaks in past downturns differ across countries. For the United States they are 1973Q4 and 1981Q3; for Japan they are 1997Q1 and 2001Q1; for Germany they are 1974Q1 and 1982Q1; for France they are 1974Q3 and 1992Q3; for the United Kingdom they are 1973Q2 and 1979Q2.

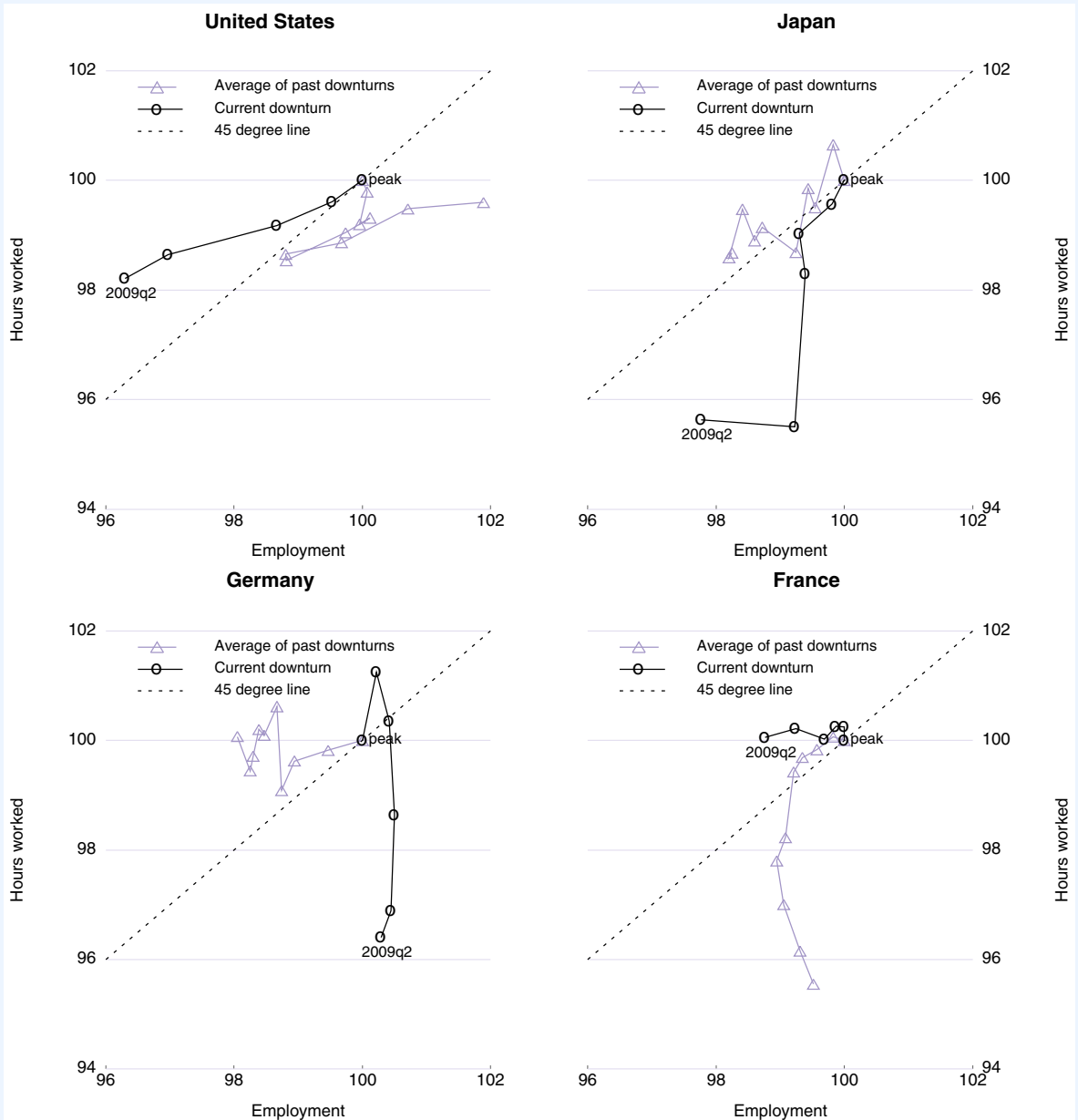
Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/748782611835>

Box 1.3. The labour market in the economic downturn (cont.)

Hours worked per worker and employment in major recessions

Index employment and hours worked at GDP peak = 100



Note: For the earlier recessions, up to nine quarters after the peak are reported. Because historical data for hours worked are not always available, the pre-recession peaks for Germany are 1991Q1 and 2002Q3, and 1980Q1 and 1992Q3 for France. The peaks in the United States and Japan are unchanged from the previous figure.

Source: OECD Economic Outlook 86 database; Datastream.

StatLink  <http://dx.doi.org/10.1787/748867457368>

the United States than in the euro area, where there is considerable scope for expanding hours worked per employee. Employment growth is also projected to rebound more rapidly in Australia, Korea, and Canada, reflecting the comparative strength of the upturn in these economies.

Core inflation is likely to decline further

The decline in global commodity prices, together with increasing economic slack, has sharply reduced headline inflation this year, to annual rates of below zero in most major OECD economies. Consumer prices are also falling in China. Core inflation, abstracting from the direct effects of commodity price inflation, and statistical measures of underlying inflation have also moderated, but to a lesser extent. In the United States and the euro area, the annual rate of core inflation has dropped below 1½ per cent this year, while in Japan it has become negative again. The annual rate of growth of compensation per employee in the private sector has fallen below zero in the United States and Japan this year, and to below 1% in the euro area. In the OECD as a whole, unit labour costs are projected to have declined by around 1% over the year to the fourth quarter of 2009. Although economic slack is likely to continue to bear down on inflationary pressures for much of the next two years, the possibility of widespread and persistent wage and price deflation remains fairly small, with longer-term inflation expectations having remained well anchored at rates relatively close to explicit or implicit inflation objectives in all major OECD economies. In the United States, the annual rate of core inflation is projected to drift down close to 1% in 2010, before edging up to a little over 1¼ per cent through 2011. In contrast, core inflation in the euro area is expected to decline further to under 1% by the end of 2009 and remain there throughout the next two years. In Japan, deflation is expected to persist.

Global imbalances are projected to remain broadly stable

Since the advent of the financial crisis there has been a significant reduction in major current account imbalances, reflecting in part changes in relative cyclical positions and the terms-of-trade of different economies (Table 1.3). The “size” of global current account imbalances, measured as the sum in absolute terms of all current account positions, declined by over 2% of world GDP over the year to the second quarter of 2009. In particular, the external deficit of the United States shrank rapidly (Box 1.4), as did the external surpluses of the major oil exporting economies and China. Global imbalances are expected to widen only modestly over the projection period, staying well below pre-crisis levels. The comparative strength of the recovery in the United States is expected to widen the external deficit somewhat, while the recent upturn in commodity prices will increase the surpluses of commodity exporters, at least for some time. In China, the current account surplus is projected to fall further into 2010, with buoyant domestic demand being accompanied by strong import growth, before rising moderately in 2011 as domestic demand growth eases. The German surplus is also projected to increase, reflecting the relative exposure of domestic exporters to the gradual

Box 1.4. Accounting for recent developments in global trade balances

Many factors drive the evolution of global trade balances, including differences in economic slack across countries, movements in exchange rates and changes in commodity prices, especially oil prices. Identifying the role played by each of these factors in the evolution of trade balances provides an insight into whether changes might be long-lasting, or simply a response to cyclical factors and price fluctuations. This box updates work initially presented in *OECD Economic Outlook, No. 83*, to examine the factors that lie behind the recent marked improvement in the United States trade balance, with the overall trade deficit projected to decline by more than 2¼ per cent of GDP this year. Over half of this decline is likely to stem from a sharp decline in the oil trade deficit, with the non-oil trade deficit projected to decline by just under 1% of GDP.

The accounting exercise makes use of re-estimated reduced form equations for the non-oil and oil trade balances (as a share of GDP), in which the non-oil trade balance is related to current and past values of the real effective exchange rate and a relative domestic demand gap.¹ The oil balance is related to the real oil price and the domestic demand gap. The two equations are estimated using annual data up to 2008.

The resulting decomposition suggests that:

- From around 2006 to 2008 the change in the US non-oil trade balance can be largely accounted for by the variables used. In all three years, the observed changes were supported by the US cyclical position relative to its major trading partners and the effects of real exchange rate depreciation.
- The continued improvement in the non-oil trade balance in 2009 is in marked contrast to earlier years. The reduced form equation can account for only around one-half of the projected improvement, based on the expected cyclical and exchange rate effects.
- There is also a large unexplained swing in the oil balance in 2009, with oil prices and the domestic demand gap able to account for less than one-half of the improvement in the balance.

While it is too soon to be sure, the failure to account for the likely improvement in the non-oil trade balance this year does raise the possibility that an unobserved structural factor may have changed. It could also be, at least in part, that the factors accounting for the smaller than expected improvement in the non-oil balance in 2008 have unwound. If so, the recent reduction in the US trade deficit might be expected to persist, at least in part, although the projections for 2010 and 2011 do show some unwinding of the recent improvement. Nonetheless, the projected movements in the trade balance in these years are largely consistent with the small changes that might be expected as cyclical positions evolve and recent changes in the effective exchange rate and the oil price work through.

1. The US domestic demand gap is defined as total domestic demand divided by potential GDP. The foreign gap is a trade-weighted aggregate of the domestic demand gaps in other countries (with GDP and trend GDP being used in place of domestic demand and potential GDP in the non-OECD countries). The non-oil trade balance equation assumes a long-run relationship between the balance, the relative gap and the real exchange rate, while the oil trade balance equation is estimated in first differences.

upturn in demand for capital goods over the projection period and the slow recovery of domestic demand.

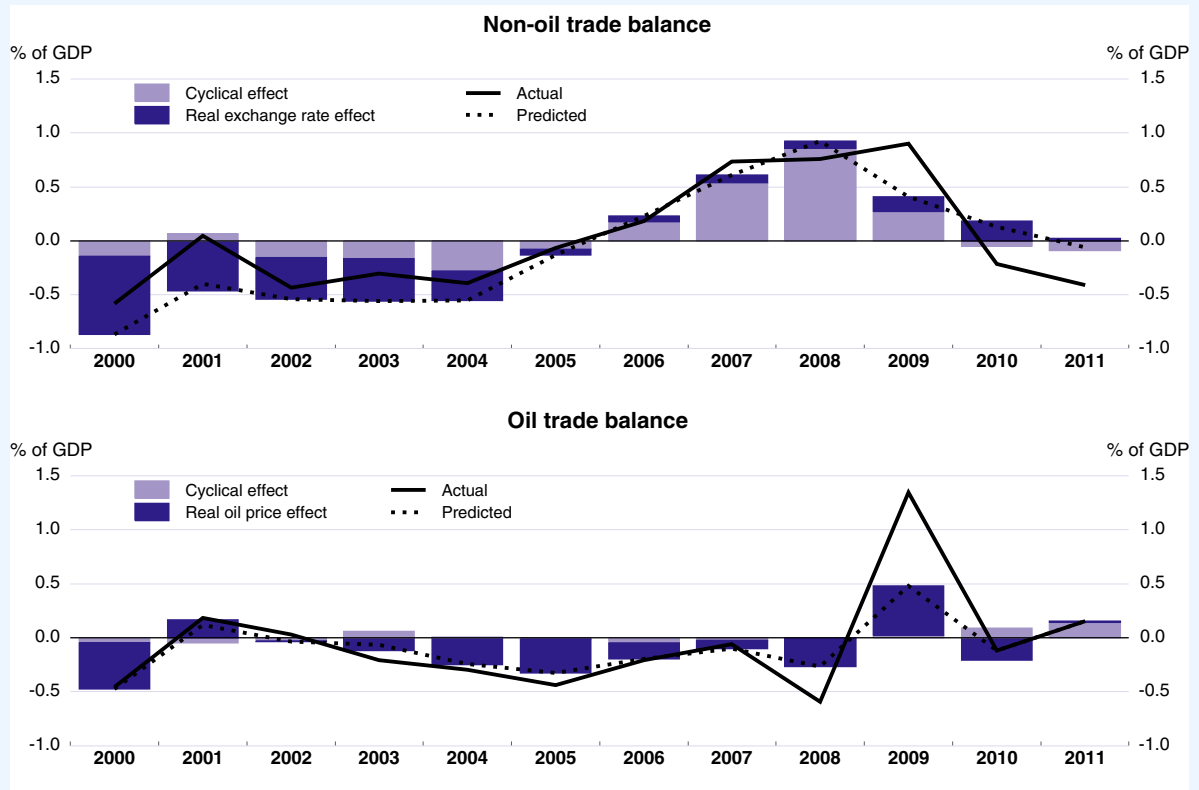
Risks are broadly balanced and inter-related

With the economic recovery only just getting underway, the risks around the forecast are considerable, although broadly balanced. Almost certainly they are inter-related, with more favourable outcomes in one area of risk, and in one economy, leading to more favourable outcomes in others. Equally, unexpectedly weak outcomes in the real economy and financial markets are likely to be interlinked, both within economies and across economies. At the present time the key risks include:

Box 1.4. Accounting for recent developments in global trade balances (cont.)

The evolution of the US trade balance in goods and services

Decomposition of the annual change



Note: For 2009-2011, the outturn numbers for the oil balance are based on available data up to August 2009 and subsequent model-based projections. Over the same period, the outturn series for the non-oil trade balance is derived using the oil balance projections and the Economic Outlook projections for the aggregate trade balance.

Source: OECD Economic Outlook 86 database; IMF, World Economic Outlook, October 2009; and BEA.

StatLink  <http://dx.doi.org/10.1787/748868026843>

A macroeconomic policy mistake is a downside risk

- With considerable uncertainty remaining about the strength of the recovery and signals about economic developments likely to be noisy for some time, there is a risk that policy mistakes could be made. In particular, a premature withdrawal of the current monetary and fiscal policy stimulus could disrupt the recovery, raise job losses and intensify balance sheet pressures on the private sector. This is particularly likely if fiscal consolidation was too rapid (Box 1.5) and occurred at a point when there was limited scope for monetary policy to offset the effects on the economy.

Financial risks go both ways

- The recent improvement in financial conditions could be reversed abruptly if a large financial institution, or particular segments of the financial markets, were to get into difficulty. On the upside, the

Box 1.5. Possible risks to the recovery

This box reports a number of stylised shocks to the OECD Global Model (Hervé et al., 2008) to illustrate particular aspects of the risks around the current projections.

In all cases, except the exchange rate simulation, nominal bilateral exchange rates are held constant. In normal times, macroeconomic policies are endogenous in model simulations, with the monetary authorities assumed to vary policy interest rates in response to “shocks” by following a standard Taylor rule, and fiscal policy being set so as to ensure that the debt-to-GDP ratio is held at baseline levels over the medium term. However, in the simulations below, macroeconomic policies are assumed to be unchanged over the first two years. For interest rates, this reflects the present limited scope for policy rates to adjust downward to any “shock” that dampens activity and inflationary pressures as well as the limited need to counter any upward movement in inflation, given its current low level. For fiscal policy, it reflects the limited scope for further fiscal relaxation in the absence of underlying improvements in the fiscal position.

- With uncertainty remaining about the strength of the recovery, there is a risk that fiscal policy could be tightened excessively. The fiscal policy tightening simulation reports the direct effects of a fiscal consolidation worth 1% of GDP, implemented via lower government consumption, in the country in which the tightening occurs. Nominal interest rates are left unchanged in the simulation over the first two years. The first year effect is to reduce output growth by almost 1%. If policy tightening occurred in all countries simultaneously, the effects on activity would be larger than reported here.
- There is a risk that balance sheet pressures on households and companies could be less severe than projected, especially if asset prices were to increase. The equity price simulation reports the effects of a 10% increase in equity prices. Nominal interest rates are kept fixed because inflation is very low at present. The activity effects are largest in the United States, reflecting the comparatively high share of equities in the total assets of households.

Estimated impacts of different risks

Difference from baseline, percentage points

	Fiscal policy tightening ¹		Equity price jump ²		Depreciation of the dollar ³		Increase in oil prices ⁴		Increase in external demand ⁵	
	Year		Year		Year		Year		Year	
	1	2	1	2	1	2	1	2	1	2
United States										
Output growth	-0.9	-0.4	0.5	0.9	0.5	0.7	0.0	-0.2	0.1	0.1
Inflation	-0.1	-0.4	0.1	0.2	0.3	0.4	0.2	0.1	0.0	0.0
Japan										
Output growth	-0.8	-0.2	0.1	0.3	-0.1	-0.2	-0.1	-0.3	0.1	0.1
Inflation	-0.4	-0.2	0.1	0.1	-0.1	-0.2	0.1	0.0	0.1	0.1
Euro area										
Output growth	-0.8	0.0	0.3	0.1	-0.3	-0.3	-0.1	-0.1	0.1	0.1
Inflation	-0.2	-0.3	0.1	0.1	-0.1	-0.2	0.1	0.1	0.0	0.0

1. Own-country effect of an expenditure reduction of 1% of GDP.

2. Equity prices rise by 10% in all countries.

3. The US dollar falls by 10% against all currencies, except the renminbi.

4. A 10% increase in oil prices relative to baseline.

5. Domestic demand in emerging markets rises by 1%.

Source: OECD Global Model.

StatLink  <http://dx.doi.org/10.1787/752227474571>

Box 1.5. **Possible risks to the recovery** (cont.)

- There is a risk that recent currency movements could persist over the projection period. The dollar simulation reports the outcome of a further 10% depreciation of the dollar. Nominal interest rates are held fixed at baseline levels. The resulting depreciation would boost US activity, but reduce growth in the near-term in both Japan and the euro area.
- Strong demand growth in the non-OECD economies could help to push international oil prices higher. The oil price simulation reports the effects of a 10% increase in oil prices from baseline levels. Again nominal interest rates are held unchanged. There is a modest negative effect on output growth and a small increase in inflation in all economies.
- The final simulation explores the direct consequences of stronger demand in the non-OECD economies, by showing the effects of a step increase in domestic demand of 1% in all these economies. Nominal interest rates are exogenous in this simulation. This has small, positive effects on activity in all of the OECD economies.

improvement in financial conditions could continue more rapidly and more extensively than assumed.

There is uncertainty about the speed of balance sheet repair

- The ongoing process of balance sheet repair in the private sector is another area of considerable uncertainty. On the upside, the incentives for non-financial companies to reduce their debt leverage ratios rather than finance new fixed investment could be weaker than thought, with the ratio of business investment to GDP moving faster to historical norms. A continued rapid rebound in asset prices could also limit the extent to which households need to maintain saving rates at higher levels to strengthen their balance sheets (Boxes 1.1 and 1.5). Equally, it would provide a more propitious environment for banks to further strengthen their capital base. However, it might also turn out, at least in the near term, that the process of balance sheet correction is more rapid than foreseen in the projections, if households reduce their debt levels sharply, especially if they face credit constraints.

External demand is an upside risk...

- The rebound in global trade could be more extensive than thought if ongoing policy stimulus or inherent growth dynamics help domestic demand in the non-OECD economies to expand more robustly than projected. Stronger demand growth in the emerging economies should help to support activity in the OECD economies (Box 1.5).

... but would push up commodity prices and accentuate global imbalances

- A stronger recovery would also impact on commodity prices, especially if growth is more robust in those non-OECD economies that have a comparatively high demand for raw materials. Risks are skewed to the upside in oil markets, as buoyant oil demand outside the OECD, together with OPEC supply constraint, could put further upward pressure on prices. However, if any upward price adjustment remained modest, it would have only small effects on the profile of the recovery. A 10% increase in oil prices reduces activity in the major OECD economies by around 0.1 percentage point after a year, with inflation

pushed up by 0.2 percentage point. Monetary policy would not need to respond to such a change given the present low inflation environment. The oil price rise would also accentuate global imbalances, as the external deficits of most OECD economies would increase, as would the trade surpluses for the major oil producers.

Rapid exchange rate adjustment would affect the shape of the recovery

- Recent months have seen marked adjustment in exchange rates, with depreciation of the dollar relative to the euro and the yen. In early November the US dollar effective exchange rate was 11½ per cent below the recent peak in March. A further 10% depreciation of the dollar in nominal terms would boost US activity and raise inflation (Box 1.5). In contrast, activity and inflation would be lower in both the euro area and Japan. However, the fixed exchange rate link implies that dollar depreciation would add to activity, inflation and the external surplus in China.

The consequences of downside risks could be more severe

Although the risks around the central projection are broadly balanced, the consequences of these risks may not be. In particular, a negative shock could push several economies into outright deflation, given the current low levels of underlying inflationary pressures. Ensuring a prompt exit from widespread deflation would undoubtedly prove a challenging task for macroeconomic policies to achieve. In contrast, a more rapid recovery in activity would be unlikely to have sizable inflationary consequences, provided policies were tightened accordingly.

Policy responses and requirements

Policy decisions are interlinked

The overall policy stance needs to reflect the evolving economic situation. In an environment in which inflation is already low and likely to continue to weaken for some time, policy interest rates will need to be kept close to zero well into 2010 and will remain low for a time thereafter. This places limits on the extent to which traditional monetary policy can compensate for a rapid unwinding of the stimulus provided by fiscal policy and unconventional monetary policies, especially as actions to tighten policies in one country will affect others. International coordination will be required when government guarantees are rolled back in financial markets and new regulatory and supervisory arrangements are introduced.

Monetary policy

Policy will have to become less accommodative

Real money market rates have become negative in most major OECD economies as a result of the implementation of ultra-low interest rate policy and unconventional measures by the monetary authorities. The extremely accommodative stance of monetary policy will be needed for some time in many economies but, in others, policies have already begun to move towards neutrality. The normalisation of monetary conditions will also involve withdrawal of both excess liquidity and interventions in credit markets.

*Conventional monetary policy***Interest rate normalisation should depend on...**

Since the onset of the crisis central banks across and outside the OECD have cut policy interest rates, bringing them to historical lows.¹² But as economic conditions normalise, monetary authorities will at some point have to start reducing conventional stimulus. The appropriate timing and speed of monetary policy normalisation depends on a number of factors including:

... the extent of economic slack and strength of the projected recovery...

- Countries where economic slack (as measured by output or unemployment gaps) is likely to be absorbed more slowly can expect to face inflationary pressures later and should therefore raise policy rates later. This implies that the pace of normalisation will depend upon the path of fiscal consolidation insofar as it affects activity.

... and the prospects for inflation

- Monetary policy should aim to return inflation towards explicit or implicit objectives. Given the starting point of low inflation, policy can afford to reach neutral rates only by the time inflationary pressures emerge. Moreover, the weakness in activity and inflation, and the asymmetry posed by the possibility of deflation, suggest that the consequences of beginning the normalisation process too early may be more serious than those from moving too late. At the same time, however, keeping policy rates very low for a long period may involve risks of potential misallocation of capital and excessive increases in asset prices which would have to be monitored carefully.

The exit from low policy rates...

In the light of these considerations, two groups of countries can be identified:

... should be faster where pressures are building up...

- Where financial systems have been more resilient, where output gaps have remained of moderate sizes and where current or asset price pressures are poised to re-emerge sooner, central banks have already raised policy interest rates (Australia, Norway and Israel) or have signalled increases in the near future (Korea). In China, where the authorities have started normalising the pace of credit expansion, credit conditions may need to be tightened to prevent the emergence of inflationary pressures and asset bubbles if the money and credit boost this year has a bigger than expected impact on demand.

... and slower where inflation and economic activity remain subdued

- Low inflation and large negative output gaps call for waiting until the recovery is well underway before starting to normalise policy interest rates in the United States, the euro area, the United Kingdom and Canada. The first increases should occur in these countries only well into 2010, and the pace of normalisation should remain gradual. In Japan, ongoing deflation calls for keeping policy interest rates close to zero until inflation is positive.

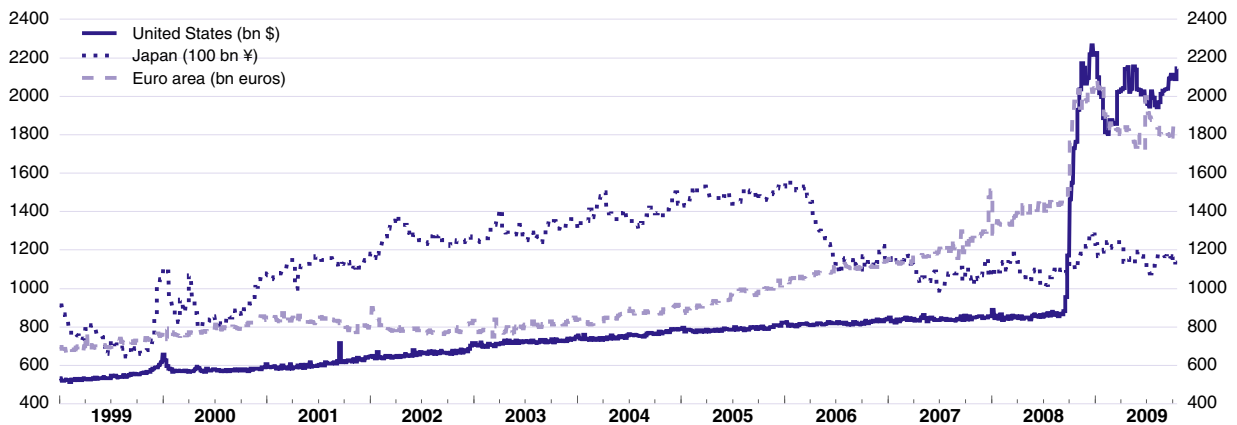
12. Many central banks have also committed themselves to a policy of keeping interest rates low for some time, conditional on the absence of inflationary pressures, including the US Federal Reserve, the Reserve Bank of New Zealand, the Bank of Canada, the Bank of Japan and the Swedish Riksbank. The latter also broke a “taboo” among central banks regarding the possibility of implementing negative rates when it set its deposit rate to -¼ per cent.

Unconventional monetary policy


Unconventional measures need to be withdrawn as the recovery takes hold...

In tandem with conventional interest rate cuts, monetary authorities have implemented a wide range of unconventional measures. As a result, the size of central banks' balance sheets has increased massively since the onset of the crisis (Figure 1.13). As financial markets normalise and economic recovery takes hold, leading to reduced liquidity preference, these unconventional measures will need to be scaled back gradually or offset, as abundant liquidity could affect inflation expectations adversely and eventually distort the functioning of financial markets. Similarly, to avoid distortions, credit easing measures need to be tapered off gradually as credit markets return to normal. It is important that the authorities provide a clear road map in advance on how these exceptional measures will be removed, so that markets do not misinterpret the nature and scope of the technical steps that will be taken in the process of normalising monetary policy.

Figure 1.13. **Central bank balance sheets have expanded strongly in the United States and the euro area**



Source: Datastream.

StatLink  <http://dx.doi.org/10.1787/750000781377>

... with some of the facilities contracting automatically...

Some central bank liquidity facilities will contract automatically, with improvements in funding markets making it less costly for banks to use market sources rather than these facilities. In fact, since the beginning of the year, demand for special short-term liquidity programmes has diminished significantly in Canada, Japan and the United States.¹³ In the case of the ECB, where bids for one-year funds

13. Both the Bank of Canada and the US Federal Reserve have reinforced this trend, the former by terminating some liquidity facilities, and the latter by trimming the size and changing the terms of other facilities. Another mechanical source of contraction of the Federal Reserve's balance sheet is the repayment of securities at short maturities, though the amounts are small due to the long maturity of the assets acquired by the Federal Reserve.

have come down considerably, both long and short-term refinancing operations are by nature temporary: liquidity is absorbed when these contracts mature unless other operations are implemented. Nevertheless, the ECB may have to smooth the exit from some programmes where their simple non-renewal would result in a very abrupt shrinkage of liquidity.¹⁴ In Japan, the central bank has announced that some of the measures to support corporate financing will expire at the end of the first quarter of 2010.

... and others involving a decision to sell accumulated assets

On the other hand, long-dated assets which central banks have purchased outright will remain on their balance sheets unless specific decisions are made to sell them. For the Federal Reserve, such assets include government, corporate and agency debt, and other assets accumulated through the Term Asset-Backed Securities Loan Facility (TALF).¹⁵ For the ECB, unwinding outright purchases of covered bonds will also require a decision about whether to hold these securities to maturity and if not, when to sell. The small size of the programme should facilitate these choices. In contrast, the large purchases of government debt by the Bank of England imply that its decisions to sell such debt, or let it mature, can have strong effects on UK bond markets.

Liquidity withdrawal and conventional tightening must be coordinated

The current high levels of excess reserves may be perceived as an obstacle to the tightening of interest rates. Indeed, in normal times, monetary authorities control overnight rates by making reserves scarce or abundant. However, the remuneration of reserves enables central banks to control overnight rates while at the same time maintaining high levels of excess reserves, which may be useful to safeguard the stability of the banking system in current circumstances. In such an environment, overnight rates will be driven primarily by the interest rate that the central bank offers on the deposit facility, as is currently the case in the euro area. Excess reserves could nonetheless become a cause for concern if they started to fuel excessive money creation.¹⁶ Any substantial unexpected increases in monetary aggregates should prompt the authorities to start withdrawing quickly excess reserves from the banking

14. If the June 2009 one-year liquidity injection was not renewed and no follow-up operation was implemented, the euro area monetary base would shrink by about 40% on 1 July 2010. However, such step changes can be smoothed, for instance by implementing *ad hoc* reverse repurchase operations.

15. Recently the US Federal Reserve reduced the amount of agency debt purchases from a maximum of \$200 billion to about \$175 billion and will gradually slow the pace of purchases of both agency debt and agency mortgage-backed securities.

16. The multipliers of monetary aggregates over central bank reserve balances are currently depressed as commercial banks maintain large buffers of excess reserves. If the commercial banking system were to show weaker preference for holding large buffers of excess liquidity, it could use its current holdings of central bank reserves to fund far higher levels of lending and, in turn, deposits and other forms of money than is currently the case.

sector.¹⁷ In the euro area, this would have the side effect of tightening the conventional monetary stance further by making overnight rates converge to the main policy rates, hence ensuring their return as the main operational instruments of monetary policy.

Unconventional monetary measures may entail fiscal costs

The exposure of central banks to possible losses has increased hand-in-hand with the scope and size of programmes to help stabilise the economy and financial markets. Risks differ across the various measures used. They are low for liquidity provision and short-term operations, which so far have been profitable. They are higher for purchases of government debt, because these have taken place at relatively high prices and low yields.¹⁸ The Federal Reserve has taken a large amount of interest rate risk via its acquisitions of mortgage-backed securities, because of the vast scale of the programme and the particularly long maturity of such assets. Finally, a potentially significant cost could arise from the measures needed to sterilise excess liquidity and to pay interest on banks' reserves in the course of the normalisation of policy interest rates. All these risks may involve a reduction in central banks' payments to government budgets in coming years. It is important that central banks are allowed to manage these risks in ways that do not compromise their independence in pursuing their mandates.

Financial market policy

Policy efforts have been broad

Financial policy interventions to support banks and other institutions have been extensive during the crisis both within and outside the OECD (Table 1.5). Future tasks in this area are to scale back emergency measures as financial markets normalise, address problem assets on banks' balance sheets and reform financial regulation.

Removing government guarantees

State guarantees for bank liabilities are being removed

Bank creditor guarantees provided by governments were used extensively in the period from October 2008 to May 2009, with issuance of guaranteed bonds in all regions accounting for roughly 50% of total issuances by banks (Panetta *et al.*, 2009). Since then, issuance of government-guaranteed debt by banks has decreased in the main OECD

17. Options mentioned by the US Federal Reserve to withdraw excess reserves are: large-scale reverse repurchase agreements with banks, government-sponsored enterprises and other institutions; the selling of bills by the Treasury and the subsequent deposit of the proceeds with the Federal Reserve; the offering of term deposits to banks; and the selling of holdings of long-term securities. In Japan and the euro area, any liquidity management can be handled through reverse repurchase transactions and the issuance of short-term bills. In the case of the United Kingdom, the purchase of sizable amounts of government debt by the monetary authorities also offers ample scope to conduct reverse repurchase operations.

18. This is important in the case of the United Kingdom, while less so for the United States. In the euro area and regarding the purchase of covered bonds, risks are lower given the small size of the programme.

Table 1.5. **Governments have introduced a wide array of financial relief measures since mid-2008**

	Bank liabilities				Bank assets		Fund commercial paper	Fund asset-backed securities	Ban or restrict short-selling
	Increase deposit insurance	Guarantee or buy bank debt	Inject capital ¹	Nationalise ²	Ring-fence bad assets	Plan to purchase toxic assets			
United States	x	x	x	x	x	x	x	x	x
Japan		x	x				x	x	x
Euro area	x								
Germany	x	x	x			x			x
France	already high	x	x						x
Italy	x		x						x
United Kingdom	x	x	x	x	x		x	x	x
Canada		x					x	x	x
Australia	x	x						x	x
Austria	x	x	x	x					x
Belgium	x	x	x						x
Czech Republic	x								
Denmark	x	x	x					x	x
Finland	x	x	x				x		x
Greece	x	x	x						
Hungary	x	x	x						
Iceland	x		x	x					x
Ireland	x	x	x	x		x			
Korea		x	x			x			
Luxembourg	x	x	x						
Netherlands	x	x	x	x					x
New Zealand	x	x							
Norway	already high	x	x						
Slovak Republic	x								
Poland	x		x						
Portugal	x	x	x	x					x
Sweden	x	x	x					x	
Spain	x	x						x	x
Mexico		x							
Switzerland	x		x			x	x	x	
Turkey									

Note: the coverage of nationalisations and measures to ring-fence bad assets is incomplete.

- Capital has already been injected in banks, or funds have been allocated for future capital injections. In Japan, the revised "Act on Special measures for strengthening financial functions", which aims to help financial institutions properly and fully exercise their financial intermediary functions to SMEs, had come into force in December 2008. Under the new law, the Japanese government injected ¥ 236 billion of public capital into seven financial institutions by the end of September 2009.
- Nationalisation is defined as the government taking control of a substantial share of banking activities (defined in a broad sense). The cell for the United States is ticked to acknowledge the actions taken by the authorities to take control of Fannie Mae and Freddie Mac and unwind Washington Mutual.

Source: OECD.

economies because it has turned out to be expensive as conditions in financial markets normalise.¹⁹ These guarantees are set to expire at the end of 2009 in the United Kingdom and the euro area. In the United States, the authorities have implemented a more restrictive emergency facility for six months, following the expiration of the initial programme at the end of October 2009.²⁰ As some risks remain in financial markets, it would be desirable to extend the duration of these facilities while tightening access conditions (including higher fees). This would give beneficiaries a strong incentive to look for market alternatives. At the same time, retaining these schemes in a modified form for a while would avoid the credibility cost of having to re-introduce them if problems in financial markets were to intensify in the future. Once confidence in the financial system is fully established, the authorities should also remove unlimited deposit guarantees gradually. The termination of these programmes may need to be coordinated internationally, as no single country may have an incentive to be the first to move, and must be communicated clearly, to avoid destabilising funding flows across markets.

Dealing with problem assets

Progress in dealing with problem assets has been slow...

Progress in dealing with problem assets has been slow in the main OECD economies but faster in some smaller economies such as Ireland, Switzerland and Korea. In particular:

... in the United States...

- In the United States, following the stress test results in May, many banks have repaid Troubled Asset Relief Program (TARP) investments and have also managed to raise large amounts of market capital.²¹ These favourable developments have reduced the perceived urgency of dealing with bad assets and have been accompanied by delays in the implementation of the Public-Private Investment Program (PPIP),²² as improved financial conditions have increased the perceived long-run value of bad assets above levels offered by government sponsored schemes.²³

... Germany...

- In Germany, a framework to deal with impaired assets was approved by Parliament in early July. Demand for the programme has been weak due to improved financial conditions and the reluctance of shareholders to join because the programme, which is voluntary, puts the burden of

19. Additional reasons in the United Kingdom include the need for banks to signal financial soundness and to issue debt at maturities beyond those allowed under Credit Guarantee Scheme rules. See Bank of England (2009b).

20. In the United States, the guarantee for the money market mutual fund industry was left to expire on schedule in mid-September.

21. Several banks have also repurchased the warrants issued to the US Treasury.

22. Asset sales under the PPIP are starting on a much smaller scale than initially planned: while the original intention was to fund PPIP with \$75 to \$100 billion in capital, only \$30 billion has been committed for the Legacy Securities Component. The Loan Component has started as a pilot programme.

23. Higher bank earnings, which have helped rebuild capital bases as discussed earlier, have also increased the ability of banks to retain problem assets.

future losses on future net profits. It remains to be seen whether the provision that enables participating banks to issue special preferred shares that are partly protected from the impact of losses on the transferred assets will be enough to facilitate their recapitalisation.

... and the United Kingdom

- In the United Kingdom, the implementation of the Asset Protection Scheme has advanced, with one large bank having signed a formal agreement with the authorities. Valuation of any property loans included in the ring-fencing strategy will be based initially on end-2008 values, but allow for subsequent declines in commercial property prices. Two alternatives would be to use independent experts to value assets to be transferred, as has been done in Switzerland, or to use market instruments, as in the United States.

Improved financial conditions should not delay treatment of problem assets

It now appears that most of the major banks are choosing to retain impaired assets on their balance sheets. If this is done without ring-fencing, write downs, or proper corresponding capital injections, it will raise uncertainty about the financial health of banks and may undermine confidence in the sector. Moreover, such uncertainty also weakens the ability of banks to raise equity capital from the market, except at onerous terms. Cross-country experience suggests that the longer it takes for banks to realise losses on troubled assets, the greater the potential cost for the taxpayer and the potential damage to the economy. Therefore, the implementation of plans to deal with troubled assets should be sped up, notwithstanding the recent improvements in financial conditions.

Reforming financial regulation

Financial reform is on the way

Countries across and outside the OECD need to reform the financial sector to reduce the likelihood and costs of future financial crises. These plans should aim to address the major failures in financial systems that have been at the root of the crisis, including insufficient capital buffers, pro-cyclical regulation, misguided reliance on ratings and internal models in banking regulation, fragmented supervision, lax accounting standards and consolidation requirements for accounting purposes, ill-designed compensation schemes, and distorted incentives for securitisation.

Policy initiatives should be enacted quickly

Countries have already started financial regulatory reform in many areas, including through international agreements (Box 1.6). The proposed measures are welcome steps toward a safer financial sector. It is important that measures along the lines of the ones announced be enacted quickly, while a fresh memory of the crisis facilitates the prospects of their adoption, although some of them can be implemented progressively. Efforts to enhance financial stability are necessary not only in light of the shortcomings revealed by the crisis but also to address the additional risks that the crisis itself and the emergency responses to it have created. In particular, the crisis has resulted in an explicit official recognition of the “too-big-to-fail” doctrine, acknowledging

Box 1.6. Proposals to reform the financial sector

Many countries across and outside the OECD have already released proposals to reform the financial system and an international agreement has been reached to strengthen the regulation, supervision and risk management of the banking sector. In particular:

- An agreement has been reached to set new standards for banking regulation and supervision at the Group of Central Bank Governors and Heads of Supervision. The initiatives aim to raise capital and liquidity requirements over time; to introduce countercyclical capital buffers; to reduce leverage in the banking system; and address the risks arising from systemic institutions.¹ A concrete calibration of the new requirements will be completed by end-2010. In the transition to the new regime, the recommendation is that banks should strengthen their capital base progressively through limits on excessive dividend payments, share buybacks and compensation. Compensation should also be aligned with prudent risk-taking and long-term sustainable performance.
- In the United States, initiatives have been proposed to deal with the fragmentation of, and loopholes in, the supervision system, so that all market participants are adequately regulated; to design effective legal mechanisms to deal with non-bank financial failures, especially when large and interconnected institutions can threaten the stability of the whole financial system; to protect consumers against predatory lending; to strengthen regulatory bodies; and to modify the capital regime, raising capital standards across the board, including higher standards for financial holding companies. Measures have also been proposed to increase transparency, tighten oversight, reduce reliance on credit rating agencies, and to create a regulatory regime for all financial derivatives. Initiatives will also be taken to try and align executive compensation practices of financial firms with long-term shareholder value and to prevent compensation practices from providing incentives that could threaten the safety and soundness of supervised institutions.²
- In Europe, the EU Commission presented a proposal for a directive that would increase capital requirements for proprietary trading, and the Committee of European Securities Regulators proposed a two-tier system for short selling in an attempt to improve transparency of investment strategies. An agreement has been reached on a new framework for coordinated macro- and micro-prudential supervision, including the creation of a European System Risk Council (ESRC), comprising EU central bank governors. This will issue financial stability risk warnings and macro-prudential recommendations for action to supervisors, and also monitor their implementation. At the micro level, a new micro-prudential authority will be created – the European System of Financial Supervisors. This will help to ensure the consistency of national supervision and strengthen oversight of cross-border entities.
- In the United Kingdom, a comprehensive reform of the capital regime aims to: i) increase the quality and quantity of capital held by banks, especially for those financial firms that present greater risks to the system; ii) increase the capital requirements for riskier trading activities; iii) introduce a backstop “leverage ratio” that ensures that minimum capital levels are maintained, to stop banks from becoming over-extended; and iv) increase the focus of regulation on liquidity, i.e. the extent to which bank assets can be turned into cash. Measures have also been proposed to deal with the potential failure of highly interlinked institutions, with more stringent regulation for systemically significant firms and practical resolution plans for dealing with their failure; to help consumers make better informed choices; and to strengthen the framework used to monitor system-wide financial stability risks.
- In China, the authorities have increased the loan loss provisioning ratio twice, to attain a ratio of 150% as from December 2009.³ The capital adequacy ratio has been raised for listed third-tier banks from 10 to 12% by end-year, while remaining at 8% for other banks. The authorities have also tightened regulation of Tier II capital.

1. Measures to strengthen the regulation of the banking sector include: i) raising the quality, consistency and transparency of Tier I capital; ii) introduction of a leverage ratio that will be harmonised internationally; iii) a minimum global standard for funding liquidity; iv) countercyclical capital buffers above the minimum requirement and more forward-looking provisions based on expected losses; and v) recommendations to reduce the systemic risk associated with the resolution of cross-border banks. The Basel Committee is also analysing the need for a capital surcharge to mitigate the risk of systemic banks.
2. Legislation has already been submitted to encourage greater accountability and better disclosure in setting compensation and to ensure that compensation committees are independent for all public companies.
3. The over-provisioning is explained by the fact that loans that are not categorised as non-performing might still experience a loss.

that big and/or interconnected institutions will have to be rescued because their failure may threaten the stability of the financial sector.²⁴ The corollary is that such institutions also represent large potential risks for the taxpayer.

Systemic institutions call for specific regulations

Short of breaking up such institutions, these risks justify specific regulatory interventions. In this respect, initiatives that require pre-planned regimes (so-called “living wills”) that would allow the orderly wind-down of global financial institutions can play a positive role, with the additional benefit of encouraging banks to unravel complex structures. Measures requiring banks that pose higher systemic risks to face surcharges above the minimum capital requirement seem warranted in themselves and may also provide incentives to restrain the size of banks.²⁵ Ideally, measures to address large banks should be commensurate with the expected cost they are imposing on society because of the implicit guarantee, even if this implies losing part of any efficiency gains from economies of scale, for which there is very little empirical support. The co-existence of very different activities within a single bank creates a possibility that the resources of businesses benefiting from implicit or explicit public guarantees, such as commercial banking, are used to subsidise risk taking in other areas, such as proprietary trading. Possible ways of addressing this issue include the imposition of very strict capital requirements on high-risk activities or stronger separation within banks of different business lines (OECD, 2009d).

24. Furthermore, the crisis has prompted a wave of consolidation among banks, increasing the number and size of financial institutions that are too big, or too interconnected, to be allowed to fail.
25. A direct way of making “too-big-to-fail” banks bear the cost they are imposing on society would be to charge a levy equal to the cost of insuring the liabilities that are guaranteed implicitly by taxpayers, which in light of the crisis seems to correspond to all liabilities except equity. If this was calibrated on average bank CDS rates since August 2007, it would correspond to 1.3% of non-equity liabilities in Europe and 1.7% in the United States, although these estimates are biased downward by existing implicit and explicit guarantees. Against this background, higher capital requirements can be seen as an alternative way of increasing the cost of doing business for “too-big-to-fail” banks. The increase in capital requirements would have to be massive to be commensurate with the cost of such insurance. Taking the example of the largest 15 euro area banking groups, which finance only 3.1% of their assets with equity, their total funding cost can be estimated at 3.2% of their total liabilities on a rough calculation using estimates of debt, deposit and capital costs from Schumacher (2009). Making these very large banks bear a supplementary cost of 1.3% on their non-equity liabilities would mean bringing their total funding costs to 4.5% of total liabilities. Assuming a cost of equity of 10%, the equity-to-assets ratio would have to rise substantially, by 18 percentage points, for these banks to see their cost of doing business increase in line with the cost of the guarantee from which they are benefitting. Although such a highly hypothetical move would lead to a very high equity ratio, it would still fall at the lower end of the range of values that were observed in banking before the introduction of government oversight and guarantees (see, for instance, Bank of England, 2009b).

Different policies should be implemented at different speeds

It is important to ensure that implementation of regulatory changes does not prolong economic weakness in the near term. The aim of such changes is to achieve a safer financial sector and a counter-cyclical framework in the long run; pushing too hard for the immediate implementation of some regulatory changes may end up cutting off a vital supply of funding at a time when the economy needs it the most. This is particularly important for European banks, where a move to enhance the quality of bank capital may have to be implemented more slowly than in other countries because these banks rely comparatively heavily on hybrid debt and other non-core forms of capital. Similar considerations apply to the implementation of more stringent capital requirements, although these will undoubtedly boost confidence in the system, and other reforms that will increase the cost of doing businesses and restrict lending in the short run.²⁶ On the other hand, other measures, such as efforts to curb bankers' pay, can bring greater benefits if implemented promptly since, as discussed earlier, the current policy-driven increases in banks' earnings should be used to strengthen banks' balance sheets. In the long term, reforms of pay practices in banks should focus on removing incentives for excessive risk-taking. Although the timing for implementing different measures may have to vary across countries, the authorities should favour globally agreed solutions and policies to avoid creating incentives for arbitrage and a fragmentation of the global financial system.

Reform should also improve incentives in securitisation markets

Restarting securitisation could help to stabilise credit markets and moderate the impact of the financial crisis on economic activity, especially in countries in which such markets have been very dynamic in the past.²⁷ But, it will be important to fix the failures exposed by the crisis to ensure that securitisation does not play a destabilising role in the economy in the future. Monetary and financial authorities across the world, including through international agreements, are working on such proposals. In particular, the authorities are aiming to ensure that incentives are better aligned, by requiring the originators of securitised assets to retain some credit risk exposure to these securities. This should give the originators incentives to undertake diligent loan underwriting and monitoring. Improving disclosure and transparency standards for both rating agencies and originators should help to reduce the opacity of these markets, enabling investors to better assess the quality of these securities. More generally, the role of ratings in public regulation and pension fund mandates needs to be reviewed. It is also important to

26. Simplifying financial institutions will increase the cost of doing business because of higher tax burdens and lower credit ratings, which could increase the cost of capital.

27. Measures taken across the OECD to jump-start securitisation markets include the Term Asset Backed Securities Loan Facility in the United States, the Asset-Backed Securities Guarantee Scheme in the United Kingdom, the acceptance of asset-backed securities (ABS) and mortgage-backed securities (MBS) as collateral in liquidity provision operations by the Bank of England and the European Central Bank, and the covered bond purchase programme by the European Central Bank.

ensure that risk does not remain concentrated in the banking system, with regulatory imperfections allowing banks before the crisis to hold large quantities of securities off balance sheet, especially via special investment vehicles (SIVs), and with limited capital cushions. Furthermore, greater standardisation of securitised products would increase their liquidity and open the possibility of centralised clearing.

Reformed accounting standards can help to rebuild confidence

Improved accounting standards will also have a role to play in restoring the confidence of investors in financial institutions. Balance sheets should give a comprehensive picture of the exposures of banks. One of the main lessons from the crisis was that banks can suffer large losses on account of their relationships with outside vehicles, which often were not consolidated in banks' accounts. A high degree of transparency about valuation methods and a strong reliance on fair value would also be desirable wherever possible. Fair value accounting has created difficulties during the crisis because of a lack of liquid markets or reliable models to price a wide array of complex securities. These difficulties have been dealt with by implementing temporary measures to relax fair value requirements, which may have the side effect of undermining confidence in the accounts. In the longer term, however, a high degree of reliance on fair value would be possible if reliable market prices became available for more derivatives. This would be possible with less use of over-the-counter transactions, which in turn would contribute to markets staying liquid in turbulent periods.²⁸ Finally, communication with the markets and the public would be facilitated if the ways derivatives are accounted for on banks' balance sheets were harmonised between US generally agreed accounting principles (GAAP) and international financial reporting standards (IFRS). This would also facilitate the adoption of comparable capital requirements in the United States and Europe.²⁹

Systemic regulation will be needed

One of the shortcomings of current regulatory and supervisory frameworks highlighted by the crisis is that banks were overseen mainly on an individual basis without sufficient consideration for systemic risk. Filling this gap will require a new set of "macro-prudential" tools to regulate and supervise institutions based on their exposure and contribution to systemic risk. In particular, the authorities responsible for financial stability need instruments to address excessive exposure to asset price movements unrelated to fundamentals. Conventional monetary policy is generally too blunt a tool for this purpose as it affects

28. More liquid markets for derivatives are likely to emerge as a result of the current regulatory push toward central clearing houses or public exchanges for previous over-the-counter transactions. A movement toward more centralised arrangements for derivatives is also desirable in its own right since the dominance of bilateral, over-the-counter trading led to market segmentation, weak competition, and the emergence of a complex web of counterparty risk exposure which has proved to be destabilising (Haldane, 2009).

29. Broadly speaking, GAAP allows derivative exposure to be reported on a net basis while IFRS requires gross positions to be reported on the asset and liability sides, resulting in larger balance sheets (see for instance ECB, 2009d).

all asset markets together, as well as real activity. Better targeted instruments could include the possibility to implement temporary changes to regulations *inter alia* in the following areas: capital requirements for certain activities, lending conditions (*e.g.* reduce maximum loan-to-value ratios for mortgages to address a housing boom) and loan loss provisions.

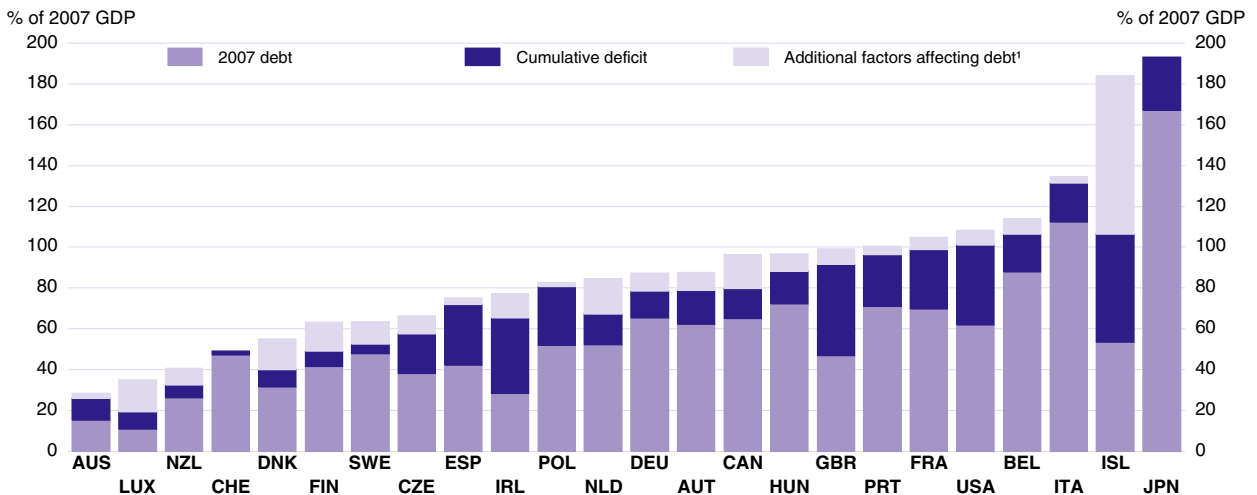
Fiscal policy

Fiscal positions are further deteriorating...

The OECD area-wide fiscal deficit is projected to peak at a post-war high of 8¼ per cent of GDP in 2010, three quarters of which is estimated – with a large margin of error in current circumstances – to be structural (Table 1.6 and Box 1.7).³⁰ In 2011, underlying deficits are projected to remain at unprecedentedly high levels of 8% of GDP or more in Japan, the United Kingdom and the United States. In the OECD as a whole, the ratio of gross government debt to GDP is projected to exceed 100% of GDP in 2011, about 30 percentage points higher than in 2007 before the onset of the crisis (Figure 1.14).

Figure 1.14. **Government debt levels are pushed up to record highs**

Decomposition of the 2011 gross government debt



1. 2011 debt minus the sum of 2007 debt and the cumulative deficit for 2008-11. This includes debt-increasing equity participations in companies.

Source: OECD Economic Outlook 86 database.

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... and are not sustainable

After a modest further deterioration in 2010, underlying balances are projected to improve slightly in 2011, by ¼ per cent of GDP on average (Table 1.6), on the assumption that temporary parts of the fiscal stimulus programmes are being withdrawn depending on the specific national

30. The structural component is based on potential output estimates, and output gap estimates, along the lines described in OECD *Economic Outlook*, No. 85. Given the uncertainties about the impact of the crisis on potential output levels, growth in the recent past and in the near future, estimates of structural and cyclical components of budget balances are particularly uncertain at present.

Table 1.6. **Fiscal positions will improve only slowly**

Per cent of GDP / Potential GDP

	2007	2008	2009	2010	2011
United States					
Actual balance	-2.8	-6.5	-11.2	-10.7	-9.4
Underlying balance ²	-3.3	-6.0	-8.8	-8.8	-8.0
Underlying primary balance ²	-1.4	-4.3	-7.3	-7.0	-5.7
Gross financial liabilities	61.8	70.0	83.9	92.4	99.5
Japan					
Actual balance	-2.5	-2.7	-7.4	-8.2	-9.4
Underlying balance ²	-3.9	-4.7	-6.5	-7.0	-8.2
Underlying primary balance ²	-3.3	-3.9	-5.6	-5.9	-6.8
Gross financial liabilities	167.1	172.1	189.3	197.2	204.3
Euro area					
Actual balance	-0.6	-2.0	-6.1	-6.7	-6.2
Underlying balance ²	-1.5	-2.1	-3.7	-4.4	-4.3
Underlying primary balance ²	1.1	0.5	-1.1	-1.7	-1.5
Gross financial liabilities	70.9	73.2	81.8	88.3	93.2
OECD¹					
Actual balance	-1.3	-3.5	-8.2	-8.3	-7.6
Underlying balance ²	-2.5	-4.0	-6.3	-6.6	-6.3
Underlying primary balance ²	-0.6	-2.2	-4.6	-4.7	-4.1
Gross financial liabilities	73.1	78.4	90.0	97.4	103.5

Note: Actual balances and liabilities are in per cent of nominal GDP. Underlying balances are in per cent of potential GDP. The underlying primary balance is the underlying balance excluding the impact of the net debt interest payments.

1. Total OECD excludes Mexico and Turkey.

2. Fiscal balances adjusted for the cycle and for one-offs.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752238276703>

legislation. But underlying deficits will remain high, exceeding the pre-crisis level by almost 4% of GDP on average across the OECD. The estimated improvement in the underlying budget position is largest, at 1% of GDP or more, in the Czech Republic, Iceland and Poland. In the euro area as a whole, on currently decided policies, hardly any improvement is likely. In a few countries (Finland, Japan, New Zealand and Portugal) fiscal policies are set to be expansionary in 2011. In the case of Japan, this reflects the incorporation in the projections of the new government's commitment to a variety of new spending programmes. The Japanese government has also announced that it will aim to finance part of such spending by reviewing and reshuffling existing budget allocations. The increase in gross public debt ratios in 2011 in all countries points to the unsustainability of current fiscal trajectories in many countries.

The pace of consolidation needs to be conditioned on various factors

In general, the speed at which consolidation takes place should depend on the state of the economy, the ability of monetary policy to offset the related demand-constraining effects if needed and the size of the imbalance in public finances. Countries with low growth and policy interest rates at close to zero should consolidate at a slower pace, whereas countries with high growth and scope for more accommodative monetary policy should improve budgets more quickly. Likewise, countries with low

Box 1.7. The fall in government revenues and prospects for recovery

As expected, the recession in most OECD countries is having a large negative impact on government revenues. In 17 of the 23 countries for which data are available for the first quarter of 2009, current government revenue fell compared with the same quarter a year ago.¹ Among the hardest hit are the Czech Republic, Hungary, Ireland, Poland, Spain, Sweden and the United Kingdom; current revenue in these countries in the first quarter of 2009 was 10% or more below the level a year earlier. Data for Australia, Canada and France indicate that the annual pace of revenue declines intensified in the second quarter of 2009. In the United Kingdom this trend continued into the third quarter. By revenue category, direct taxes fell on average by more than indirect taxes and social security contributions. Corporate tax receipts were particularly hard hit.

Going forward, an important question is the extent to which this lost revenue will be restored automatically as economic growth resumes. This is uncertain, because it depends on how much of the revenue loss is cyclical, i.e. related to factors that are deviating from their long-term trend. OECD estimates, based on standard methods of cyclically-adjusting current revenue, suggest that the projected 2009 decline will result in a permanent deterioration in revenue for half of the 26 countries with available data. Countries where the permanent revenue fall is expected to be around 1% of GDP or more include Australia, Canada, Iceland, the Netherlands, New Zealand the United Kingdom and the United States.

However, this could overstate the size of the permanent loss in revenue, since the standard method of cyclical adjustment does not take into account that past asset price declines could be putting temporary (albeit likely of some duration) downward pressure on current tax revenue. Such asset price declines could have a separate effect on revenues through a number of channels. On the corporate side, they can change profits earned from capital gains; stock prices in particular are linked with activity and profit opportunities in the financial sector. Illustrative results below suggest that the extra revenue that may accrue if a recovery in asset prices is taken into account in adjusting corporate tax revenues remains small by comparison with the large reductions in the fiscal deficit needed to establish sustainable fiscal positions in OECD countries.

Extending the work of Girouard and Price (2004) on the role of asset prices in capital gains taxes, the effect of asset prices on corporate tax revenues can be calculated to illustrate how asset prices may have influenced the cyclical component of revenues over the most recent cycle. Simple equations were estimated using annual data over the period 1981-2008 for Canada, Japan and the United States. As shown in the table below, both house and stock prices were found to be significant determinants of the growth of corporate tax revenues, controlling for GDP movements, in the United States while stock prices appear to play a role in both Canada and Japan.

Equations explaining corporate tax revenues

	Canada		Japan		United States	
	Coefficient	t statistic	Coefficient	t statistic	Coefficient	t statistic
constant	-0.04	-0.80	-0.02	-1.22	-0.20	-2.90
gdp _t	1.49	1.74	1.00	1.76	2.13	2.81
sp _t	0.24	2.56	0.00	-0.09	0.35	2.41
sp _{t-1}			0.18	2.65		
sp _{t-2}			0.20	2.69		
hp _t					2.16	2.81
Adjusted R ²	0.38		0.50		0.48	

Note: Dependent variable: percentage change in corporate tax revenues on an SNA basis.

Estimation Period: annual 1981-2008 JPN & USA, 1983-2008 CAN.

gdp denotes the annual growth of real GDP;

sp is the percentage change in the nominal stock price index (CAN: S&P TSX 60; JPN: Nikkei 225; USA: S&P 500),

hp is the percentage change in nominal house prices.

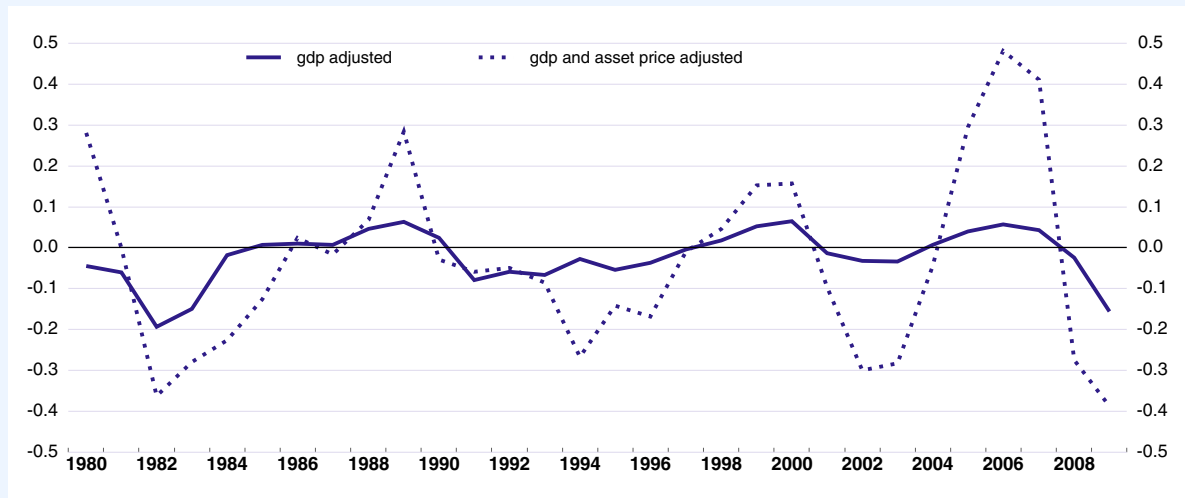
Source: OECD Economic Outlook 86 database, OECD Tax database, Datastream.

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Box 1.7. The fall in government revenues and prospects for recovery (cont.)

Estimated coefficients from the above equations were used to construct an alternative measure of the cyclical component of revenues that could be compared with the standard OECD cyclically-adjusted measure (see Girouard and André, 2005). Trend house and stock prices are calculated using a Hodrick-Prescott (HP) Filter.² A comparison of the augmented cyclical component and the standard OECD measure, indicates that the augmented component was around 0.2 to 0.3 percentage points of GDP higher in Canada and the United States in 2007 and in Japan in 2008. For 2009, the asset-price-adjusted cyclical component is around 0.05, and 0.25 percentage points of GDP more negative than the standard measure for Canada, and the United States. For Japan, there is almost no difference in 2009, but there is likely to be in 2010 and 2011, because the effect of stock prices on corporate revenues appears to occur with a one-to-two year lag there.

USA: The cyclical component of corporate taxes % of GDP



Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/750131244461>

These results suggest that a failure to take into account the role of asset prices when adjusting corporate tax revenues may lead in some periods to an underestimation of the cyclical component of revenue changes and, correspondingly, an over-estimation of the change that is regarded as structural or permanent. That said, the overall effects on the assessment of the underlying fiscal situation are small. They imply that as the recovery progresses some countries may see a stronger “automatic” recovery in corporate tax receipts than implied by the standard OECD measure of cyclically adjusted corporate revenues, which is built into the medium-term baseline (Appendix 1.A1). The quantitative results should be treated as indicative only, because they rely on an assessment of the trend level of asset prices, which is difficult to determine.

1. This refers to data that are available on a national accounts basis or data which analysis shows are a good proxy for national accounts data.
2. For filtering purposes the data are extended beyond the end point of 2009Q3 by assuming asset prices remain at that level into the future. If the actual future price path is higher (lower) than this, it will push up (down) the end point of the trend series to some extent, increasing (reducing) the size of the cyclical component due to asset prices in 2009.

budget deficits and public debt can afford to consolidate at a slow pace, whereas countries with high deficits and/or high debt are in greater need of corrective measures, especially if financial markets are not confident about the commitment of the authorities to the needed consolidation. Another factor that should be taken into account in determining the speed of consolidation in one country is cross-country spillover effects from consolidation measures. Indeed, even for large countries or regions, the spill-over effect in terms of its impact on GDP of a similar consolidation in all countries simultaneously is between one quarter and one half of the size of the “own country” effect in isolation (Table 1.7).

Table 1.7. The effects of single-country and synchronised fiscal consolidation

Fiscal consolidation equivalent to 1% of own-country GDP

Fiscal consolidation equivalent to 1% of own-country GDP

	Impact of change on: ¹				
	United States	Japan	Euro area	Total OECD	Of which "own country"
Source of change:	GDP effects, % differences from baseline in first year				
United States	-0.9	-0.2	-0.1	-0.5	-0.3
Japan	0.0	-0.8	0.0	-0.2	-0.1
Euro area	-0.1	-0.1	-0.8	-0.3	-0.2
OECD	-1.2	-1.3	-1.1	-1.1	
Spillover as % of own-country effect	26%	54%	32%		

1. Figures on the diagonals provide an estimate of the “own country” effect of a standardised fiscal consolidation whereas off-diagonal figures provide an estimate of spillover effects based on simulations of the OECD’s global model. In the near term spillover effects are between one-quarter and one-half of the size of own-country effects. These results do not allow for the possible effects of lower long-term interest rates from fiscal consolidation, which might be expected to offset some of the negative demand effects and have positive spillover effects as well.

Source: OECD Global Model.

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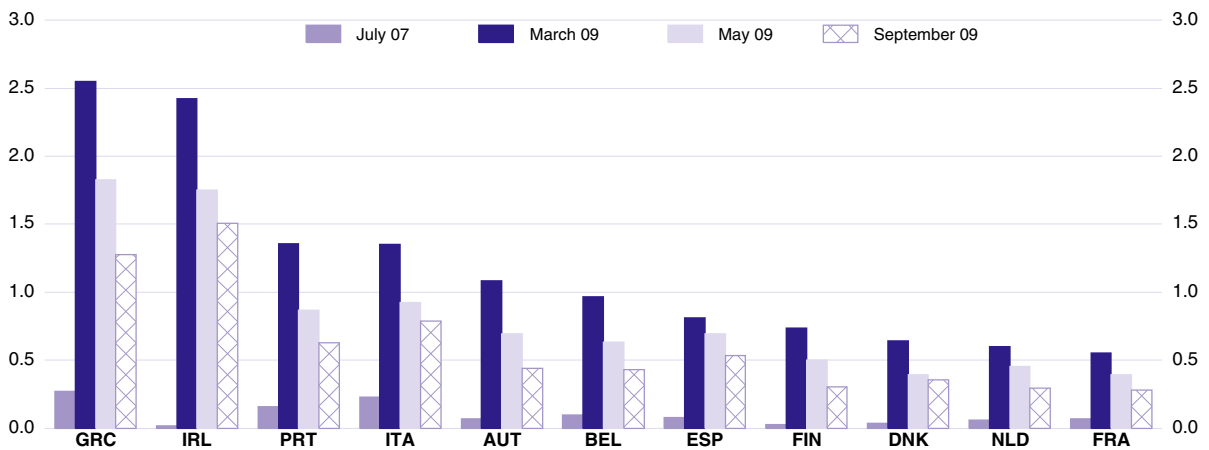
Fiscal consolidation should begin when the recovery is solid

Taking into account these considerations, the modest further stimulus planned for 2010 looks appropriate, given the weak recovery expected in that year in most countries and the risks around it. Indeed, in the near term, current fiscal plans generally need to be implemented fully to underpin the recovery, unless the pick-up in growth is sufficiently robust (as may be the case in *e.g.* Australia and Norway). However, by 2011, on current projections, fiscal support is no longer needed in any OECD country for stabilisation purposes and economic growth should allow for some withdrawal in all countries, the pace of which should depend on the state of the economy and medium-term consolidation requirements (see Appendix 1.A1). The needed consolidation of government budgets in the medium term is relatively modest in some Nordic countries, Korea and Switzerland, implying low pressure to improve budget positions already in 2011 in these countries. By contrast, without significant action, debt levels would continue rising in the medium term, from already high levels, in a number of countries, including Greece, Poland, Portugal, Japan, the United States, the United Kingdom and Ireland.

Debt build-up will have serious consequences if left unchecked

Continued high government deficits and the rapid build-up of public debt in the coming years risk unsettling financial markets with adverse effects on economic activity. Indeed, although spreads in sovereign bond yields have come down since their peak in March 2009 they are still significantly above the levels prior to the onset of the financial crisis (Figure 1.15), suggesting that sovereign risk premia have risen against the background of unsettled fiscal consolidation strategies (Haugh *et al.*, 2009). In addition to crowding out private investment, higher interest rates on government bonds can lead to snow-balling interest payments in public sector budgets. Moreover, high debt levels imply a high vulnerability of government finances to financial market volatility and also constrain the extent to which future economic downturns can be counteracted. This in turn could exacerbate market reactions to adverse shocks, deepening future conjunctural downturns.

Figure 1.15. **Sovereign bond spreads in the euro area remain above pre-crisis levels**
Spread with German yield (percentage points)



Source: Datastream.

StatLink  <http://dx.doi.org/10.1787/750133520777>

Medium-term consolidation programmes should be announced now...

Credible medium-term consolidation programmes should be announced already now, in order to strengthen market expectations about the determination of governments to return to sustainable fiscal positions. This would help to ensure that inflationary expectations remain stable and mitigate the increase in long-term interest rates that the withdrawal of monetary stimulus is likely to bring about.

... and should concentrate on spending measures

Empirical analysis for the OECD area suggests that consolidation driven by cuts in primary current expenditures, such as government consumption and social transfers, has been more successful in reducing deficits than consolidation based on tax increases (Guichard *et al.*, 2007). In several countries, pension and health care reform – already identified as being necessary well before the crisis – will need to play a prominent

role in securing the sustainability of government finances and signalling the authorities' determination to conclude this task. Increasing public sector efficiency should be an important component of a consolidation strategy (Box 1.8). This may have to be supplemented by further discretionary spending cuts, which should, as far as possible, shelter growth-friendly spending categories. Insofar as tax increases may also become necessary recent OECD evidence finds that among taxes recurrent taxes on immovable property have the least negative impact on growth, followed by consumption taxes (Johansson *et al.*, 2008). Hence, any need for revenue enhancing policies should be linked to reforms in taxation along these lines and be supplemented with reductions in distortionary tax expenditures and the closing of tax loopholes. Taxation of carbon emissions and the auctioning of emission permits could also raise revenues while contributing to an improvement in the long term.

Box 1.8. Fiscal consolidation and economic growth in the medium term

Fiscal consolidation will be needed in almost all OECD countries in the coming years. In 2011, the general government budget deficit in the OECD area is likely to amount to 7½ per cent of GDP. The closing of the output gap in the ensuing years could reduce the deficit by 1½ per cent of GDP on average, and the partial recovery of potential output as the capital stock and structural unemployment adjust fully to the post-crisis environment could cut the revenue shortfall by a further ¾ per cent of GDP. This would still leave a deficit of over 5% of GDP. The challenge will be to bring the fiscal accounts into balance with the minimum cost to the economy.

Towards this end, the most obvious, but not necessarily the easiest, way is to exploit the scope to enhance public sector efficiency by maintaining outputs and cutting inputs. Recent OECD studies have documented the potential gains for countries in moving to international best practice in key public services:

- Primary and secondary education: PISA scores – a measure of quality-adjusted outputs – per input differ significantly across schools and between countries, even after correcting for a number of factors that affect school outcomes. If a typical school moved to OECD best performance, without affecting PISA scores, it could raise efficiency by between 20 and 40% (Sutherland *et al.*, 2007), indicating that budgetary saving for the average country could amount to close to ¾ per cent of GDP.
- Health care: Based on a simple measure of health outcomes there appears to be vast differences in the efficiency of resource use across countries (Joumard *et al.*, 2008). The possible efficiency gains for the average OECD country from moving to international best practice could be up to one third though some of this could come at the price of weaker performance in areas not captured by the simple indicator of outcomes. This should be seen in the context of public health spending amounting to 6% of GDP on average.

For countries that have very low comparative efficiency in these areas, the theoretical overall budgetary saving from moving to international best practice would be even higher than the 2 to 3% for the average OECD country. In practice, however, the scope for efficiency gains is likely to be smaller than implied by the theoretical limit.

Even after exploiting potential efficiency gains, it seems likely that, for the average OECD country, close to a half of the needed consolidation will have to come from reducing expenditure on other core public services and transfers and/or from increasing tax rates. It is likely that actions will need to be taken on both the expenditure and revenue side and the potential for adverse effects on growth is high. Previous work at the OECD, including the OECD Growth Project (OECD, 2003) and Cournède and Gonand (2006), suggests that the adverse effects on growth of spending reductions could be somewhat smaller than those from tax increases, but this clearly depends on the categories of taxes and expenditure chosen.

Box 1.8. Fiscal consolidation and economic growth in the medium term (cont.)

Some public spending components contribute to economic growth. For example, public R&D spending is important for innovative activity in general, the development and maintenance of useful public infrastructure has a positive effect on growth and spending on active labour market policy can contribute to improved labour market performance. Such forms of spending should be sheltered from future spending cuts, unless ways can be found to maintain services with reduced costs.

Most taxes have adverse effects on economic performance by distorting incentives to work, save and invest. Raising taxes therefore could be costly. Indeed, GDP could fall by 1 to 1.5% if the overall tax/income ratio were increased to provide revenue equal to 2% of GDP (OECD, 2003). A rise in the tax ratio would be particularly harmful if it was concentrated on corporate or labour income taxes; increasing indirect taxes and taxes on immovable property would be much less costly. In particular, the estimates in Arnold (2008) suggest that the economic cost of raising government revenue by increasing taxes on labour income could be up to five times higher than that from raising the same amount of revenue from higher indirect taxes.

This suggests that tax increases to consolidate budgets should be focused on taxes on goods and services. In this context, governments could reduce tax expenditures related to exemptions from VAT and sales and excise taxes, thereby moderating the economic costs resulting from distortions embedded in the structure of taxes and the inequity that often accompanies tax expenditures, with compensation given to low-income groups for any income reductions resulting from these measures. Tax expenditures related to indirect taxes are officially estimated to be in the range of ½ to 1¼ per cent of GDP in Canada, Netherlands, Korea and Germany, and as much as 3¼ per cent in the United Kingdom (OECD, 2009e). Other tax components with a relatively low cost to output and welfare that could be used for consolidation include property taxes and well designed taxes on carbon emission.

These programmes need to be specific

Most OECD countries have announced some form of medium-term consolidation programmes (Appendix 1.A2). However, some countries with a projected structural budget deficit in 2011 exceeding 3% of GDP have yet to put in place medium-term consolidation strategies (Greece, Japan). Moreover, the majority of the programmes that have been announced provide no information on what spending and revenue measures are to be used to meet consolidation targets and how action should be phased. Hence, there is an urgent need to prepare more developed medium-term consolidation strategies. To gain the confidence of investors, such plans would need to specify the ultimate objective of the consolidation, a conditional time path of the planned reduction in deficits, and the tax and spending components involved.

Structural policy**The recession has added to structural policy challenges**

Even prior to the onset of the recession, nearly all OECD countries faced important structural policy challenges (OECD, 2007; OECD, 2009c). The recession has added to and magnified these challenges, as it seems likely that it will leave potential output lower than would otherwise have been expected. OECD estimates, which allow only for the negative impacts of the crisis on capital intensity and structural unemployment, suggest that the reduction could amount to 3½ per cent on average, but more than double that in Ireland and Spain. In addition, even if the crisis does not affect potential growth rates beyond the short term, OECD-wide

potential growth is still expected to slow from the 2 to 2¼ per cent per annum achieved over the seven years prior to the crisis to around 1¾ per cent in the medium-term (see Appendix 1.A1), primarily reflecting the impact of ageing populations on potential employment growth.

A timely exit from non-growth friendly crisis measures is required

Some recent measures, such as planned reforms to financial market regulation and supervision and well-founded investments in public infrastructure, should offer long-term benefits to growth prospects as well as just a short-term palliative. But others, while acting successfully to limit the impact of the recession on product, labour and financial markets, will need to be withdrawn (Table 1.8). In particular, the emergency support provided to companies and sectors in financial difficulties, notably the car sector, should be phased out promptly to avoid delaying necessary restructuring and adversely impacting on potential new entrants. Financial institutions now in public ownership should, if viable, be returned to the private sector once key governance and regulatory reforms have been implemented (OECD, 2009d). In labour markets, the new or expanded short-time working schemes introduced by four-fifths of OECD countries during the crisis have been successful in limiting increases in unemployment, but care will be needed to ensure that they do not adversely hamper the economic recovery by delaying the reallocation of resources towards new and more productive activities. In this regard, it is important that participation in these schemes represents a cost to firms and wage-earners, so that incentives exist to wind down participation as the economy recovers. Temporary increases in either the duration or generosity of unemployment benefits introduced during the crisis will also need to be monitored carefully to ensure that they do not adversely impact on job search once the labour market begins to stabilise (OECD, 2009a). The resources devoted to active labour market programmes, which have risen more slowly than the numbers unemployed since the onset of the recession, may also need to be further increased to ensure that the jobless can be efficiently assisted in finding suitable jobs as the recovery takes hold.

Domestic markets must remain open to international trade and investment

The prospects for a smooth and sustained recovery will be enhanced if domestic markets can be kept open to international trade and investment in all OECD economies. Yet, the impact of the recession and its aftermath has given rise to some protectionist sentiment which has led to some policy slippage. Concerning international trade, the use made of some trade-restricting measures has risen since the onset of the crisis, with an increased recourse to trade defence mechanisms such as anti-dumping duties and safeguards (Bown, 2009). China continues to be the exporting country targeted most frequently. Other policy measures introduced during the crisis, such as support for particular sectors or institutions, could also distort trade patterns and investment decisions if maintained for long. By one estimate, over two-thirds of all policy initiatives since November 2008 with potential implications for trade and investment outcomes have introduced some form of discriminatory

Table 1.8. **Governments have introduced a wide range of structural policy measures since mid-2008**

	Labour market policies			Fiscal measures		Competition and innovation	
	Expanded short-time working	Unemployment benefit extension ¹	Active labour market measures ²	Temporary support to auto industry	Other subsidies and export refunds	R&D tax credits and grants	Easing entry barriers
United States	x	x	x	x	x	x	
European Union					x		
Japan	x	x	x	x		x	x
Germany	x		x	x			
France	x	x	x	x		x	
Italy	x		x	x		x	x
United Kingdom			x	x			
Canada	x	x	x	x		x	
Australia		x	x	x			x
Austria	x		x	x		x	
Belgium	x		x			x	x
Czech Republic	x		x				x
Denmark	x		x				
Finland	x	x	x			x	
Greece			x	x			
Hungary	x						x
Iceland	x		x				
Ireland	x		x			x	
Korea	x	x	x	x		x	
Luxembourg	x			x		x	x
Netherlands	x		x	x		x	x
New Zealand	x	x	x				
Norway	x	x	x			x	
Slovak Republic	x		x	x	x	x	x
Poland	x		x			x	x
Portugal	x	x	x	x	x	x	x
Sweden		x	x	x	x	x	
Spain	x	x	x	x		x	x
Mexico	x		x				x
Switzerland	x	x			x		
Turkey	x		x				

1. Permanent or temporary easing in eligibility criteria for unemployment benefits or a permanent or temporary rise in the duration of benefits.

2. Activation requirements to help unemployed find work; job assistance and matching for unemployed; Training programmes to help unemployed find work.

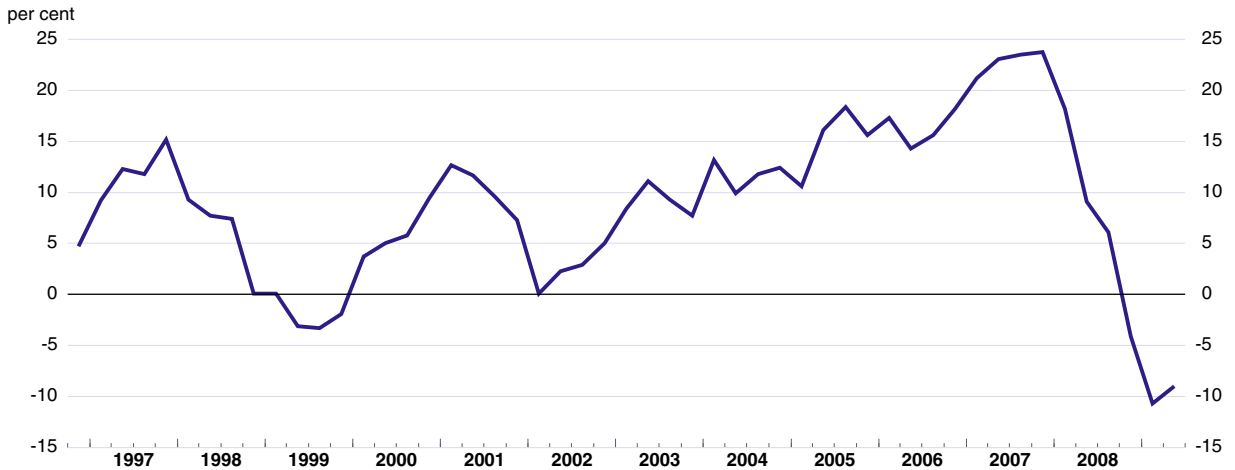
Source: OECD.

treatment (Evenett, 2009). Although the overall incidence of new trade and capital measures has not yet been out of line with the experience of previous post-war downturns, and OECD countries have generally kept their WTO commitments to open markets (OECD-UNCTAD-WTO, 2009), it will be important to ensure that the scope of protectionist measures is not widened further during the exit from recession and that governments unwind existing trade-distorting measures promptly. A successful conclusion to the long-running Doha Development Round of negotiations in 2010 would provide a timely impetus to the global economic recovery.


As a specific aspect of international openness, cross-border bank lending has contracted sharply, with banks concentrating on domestic markets (Figure 1.16). If this pattern persists, it will pose challenges to regulators, as external competitive pressures will decline.

Figure 1.16. **Cross-border bank lending is shrinking rapidly**

Year-on-year change in loans held by BIS-reporting banks, adjusted for currency movements



Source: BIS.

StatLink  <http://dx.doi.org/10.1787/750150600527>

Labour market reforms are also essential

Labour market reforms can have substantial effects on GDP per capita levels in the long run. They can also be a comparatively budget-friendly way to boost potential output. At present, there is a clear risk that the aftermath of the recession will see a persistent increase in unemployment or an irreversible withdrawal from the labour force of groups with weaker attachment to the labour market. Reforms of active labour market policies and unemployment benefit systems to upgrade the skills of the long-term unemployed and preserve job-search incentives could mitigate these problems, and thereby reduce structural unemployment. Other measures to reduce structural unemployment include reducing taxes on labour, which is difficult due to necessary fiscal consolidation, and strengthening product market competition (Table 1.9). Reforms of employment protection legislation would also tend to reduce the persistence of current high unemployment. Reforms will also be required to any pension and other social transfer programmes that provide disincentives for older laid-off workers to remain in the labour market.

Productivity growth after the crisis can be stimulated by...

There are several structural policy areas where countries could usefully seek to build on reforms already introduced during the crisis to increase labour productivity:

... R&D tax credits that support innovation...

- During the crisis around three-quarters of OECD countries introduced new R&D tax credits and subsidies. In the longer-term this can be expected to provide a small boost to research and development in the

Table 1.9. **Policy reforms that can reduce unemployment**

In the average OECD country, the unemployment rate can be reduced by 1 percentage point...
- by reducing the average unemployment benefit replacement rate by 8 percentage points
or
- by reducing the overall tax wedge on labour income by 3.5 percentage points
or
- through product market liberalisation of the same order of magnitude as that which has taken place in the average OECD country over the past ten years
or
- by raising spending on active labour market policies per unemployed worker (as a share of GDP per capita) to the Swedish level
... or by several percentage points through a combination of the above policy reforms

Note: Based on empirical analysis carried out in the context of the Reassessment of the OECD Jobs Strategy.

Source: OECD(2007).

business sector and thereby long-run GDP *per capita* levels (Jaumotte and Pain, 2005). However, the gains would be small relative to those that might result from enhanced competitive pressures, the resumption of economic growth and the ongoing improvement in financial conditions.

... and continued reductions in product market regulation

- Reductions in anti-competitive product market regulation (PMR) can accelerate productivity convergence (Boulhol *et al.*, 2008). Only modest steps to reform and reduce regulation have been taken so far in this crisis and, as discussed earlier, there have also been some retrograde steps in some economies from more restrictive trade barriers.

The sequencing of new reforms will be important

The introduction of new structural reforms could provide policymakers with a considerable communication challenge, given the political capital that will have to be devoted to communicating the exit strategies from the short-term measures introduced to mitigate the crisis. New reforms will also add to the adjustment pressures faced by many parts of the economy in the aftermath of the recession. Typically, reforms involve clear and substantial up-front redistribution away from incumbents in protected sectors in return for future efficiency gains that take a while to materialise. Thus the sequencing and synergies between structural policies will be especially important. Past experience of reform efforts suggests that successful product market reforms can facilitate subsequent labour market reforms, with additional competitive pressures, augmented by supportive macroeconomic policies, helping to stimulate new job creation and improve business efficiency and incentives to innovate (OECD, 2007; Arnold *et al.*, 2009). Ensuring sufficient resources for active labour market programmes whilst reforms take place might also help to facilitate adjustment and acceptance of reforms. Reforms can also be easier to implement if they are part of a broader shift in structural policies and if a favourable climate for reform can be created. In this regard, the impact of the recession may well have increased awareness of the need for change; it will be important that governments do not fail to capitalise on such momentum for reforms (OECD, 2009f).

APPENDIX 1.A1

A stylised medium-term scenario

The starting point of the medium-term scenario implies large macro imbalances

A medium-term scenario has been constructed by extending the short-term projections using a stylised framework underpinned by projections of potential output. It serves to illustrate a hypothetical unwinding of cyclical factors related to the current crisis assuming that output returns to potential, i.e. output gaps are closed, by the end of the scenario in 2017.³¹ The current set of short-term projections make this exercise more difficult than usual because the starting position, in 2011, for most countries is so far from macroeconomic equilibrium, particularly because of large output gaps. For this reason the horizon beyond the short-term projections has been extended to six years rather than the customary five. The assumptions underlying this scenario can be considered as optimistic: the crisis itself has no permanent adverse effect on the rate of growth of total factor productivity or potential output; output gaps are closed thanks to above-trend-growth despite significant fiscal consolidation; and most countries do not experience deflation despite continued negative output gaps over this period, and eventually experience a smooth return to targeted inflation by the end of the period. This is consistent with inflation expectations remaining fairly well anchored and with the operation of “speed-limit” effects which may put upwards pressure on inflation as the economy grows quickly even though substantial slack remains.

The crisis has permanently reduced the level of potential output

The crisis is assumed to reduce the level of potential output systematically across all OECD countries through two channels, as discussed in Chapter 4 of the June 2009 *Economic Outlook*.³² Firstly, a permanent rise in the cost of capital, which returns to the level that prevailed in the years prior to the credit boom preceding the crisis as a result of a normalisation of risk pricing. This permanently reduces the level of the capital-labour ratio and so (temporarily) reduces labour productivity growth. The magnitude of this effect is broadly similar across countries, typically reducing the level of potential output by about 2%, with some country variation due to differences in initial capital intensity.³³ Secondly, the large increases in unemployment rates, which virtually all OECD countries will experience, will induce hysteresis-type effects, which raise the structural unemployment rate. There is much wider cross-country variation in the magnitude of these hysteresis effects reflecting, *inter alia*, different structural policy settings; across the

31. The short-term projections reported in this *Economic Outlook* include new national accounts data for Japan for the third quarter of 2009. However, because the data were published close to the cut-off date, it was not possible to incorporate them in the medium-term projections reported in Tables 1.10-1.12. These are based on an estimated growth rate in the third quarter of 2009 of 2.2 % at an annual rate.

32. There are in addition some country-specific effects of the crisis on potential. Most notably, net immigration flows are reversed in Spain and Ireland which leads to a decline in the growth rate of the labour force and potential employment.

33. See Box 4.2 of the June 2009 *Economic Outlook* for details of these calculations.

euro area they will reduce the level of potential output by around 1% by 2011, but by less than ¼ per cent for the United States and Japan (Table 1.10).³⁴ The combined effect of the crisis on potential output operating both through the cost of capital channels and through reduced potential employment is estimated at its peak to lower OECD-wide potential output by just under 3%. There is, however, considerable cross-country variation with the (unweighted) average hit to potential output higher at 3½ per cent and for some countries, especially Ireland and Spain, considerably more than that.

Potential growth recovers over the medium term...

Much of the adjustment to the lower level of potential output takes place by 2011, driven by the collapse in investment,³⁵ so that OECD-wide potential output growth is reduced from 2% *per annum* in the pre-crisis period to 1½ per cent over 2009-11 (Table 1.10). There is some recovery in the potential growth rate beyond this point, with OECD-wide annual potential growth recovering to 1¾ per cent *per annum* over the period 2012-17.

... but demographic factors suggest it will be lower than pre-crisis rates

For the OECD in aggregate, as well as the majority of OECD countries, the growth rate of potential over the period 2012-17 is weaker than over the pre-crisis period. This mainly reflects demographic factors which were already in place prior to the crisis: there is weaker growth in the population of working age, mostly explained by ageing populations.³⁶ Differences in potential growth across the main OECD regions over this period – United States, euro area and Japan having potential growth rates of 2, 1½ and 1% *per annum*, respectively – are more than explained by such demographic factors.

The medium-term scenario starts with output gaps that are very negative

The output gap for the OECD area is expected to be (minus) 3¼ per cent at the end of the short-term projection period in 2011, with no country reporting a positive gap. To close the gap with potential, GDP will be growing rapidly, so OECD-wide growth is expected to average 2.6% to 2017 (this compares to growth of 2¼ per cent *per annum* over the period 2000-08) (Table 1.11). At the same time OECD-wide

34. Previous historical experience suggests that unemployment in some countries, for example in Europe, is more vulnerable than in others, such as the United States, to a permanent increase in unemployment following a severe downturn. The magnitude of hysteresis-induced increases in structural unemployment is here projected on the basis of country-specific estimations linking changes in long-term unemployment to aggregate unemployment. This method is described in the previous *OECD Economic Outlook*, although there have been two modifications for the current projections. The first one aims at taking into account changes in labour and product market institutions that have likely reduced hysteresis effects over time by reducing the probability for the unemployed to fall into long-term unemployment. Recent empirical results show that in European countries where changes in the institutional settings have been the most pronounced, the share of additional unemployment that is transmitted into long-term unemployment could now be reduced by 15-25 percentage points compared with the response estimated over a sample period of a couple of decades. As a result, for a given increase in unemployment in the wake of the current crisis, the expected overall increase in structural unemployment is less than expected in the previous *OECD Economic Outlook*. The second modification concerns the evolution of structural unemployment rates in the medium term: instead of assuming that they remain at a permanently high level (as in the previous *OECD Economic Outlook*) it is now assumed that at least some of the increase is reversed. Based on experience following previous severe downturns and relative institutional settings two groups of countries have been identified. For the first group (which includes the United States, Japan, the United Kingdom, Switzerland and Luxembourg) structural unemployment rates are assumed to return to pre-crisis levels in 2017, while for all the other countries structural unemployment rates are assumed to decline more slowly so that two-thirds of the hysteresis-induced increase remains by 2017.

35. Much of this short-term collapse in investment is driven by accelerator-type effects, increased uncertainty and tighter availability of credit, which in principle are distinct from the longer-term adjustment of the capital stock due to higher capital costs. Possible costs of further adjustments within the capital stock are neglected.

36. These projections do not build in an explicit adjustment for lower growth in the trend participation rate resulting from the crisis, although there is some evidence of such an effect following previous severe downturns among OECD countries.

Table 1.10. **Potential output over the medium-term**

Annual averages, percentage points

	Output gap	Components of potential employment ¹																	
		Potential GDP growth			Potential labour productivity growth (output per employee)			Potential employment growth			Trend participation rate			Working age population			Structural unemployment ²		
		2006-2008	2009-2011	2012-2017	2006-2008	2009-2011	2012-2017	2006-2008	2009-2011	2012-2017	2006-2008	2009-2011	2012-2017	2006-2008	2009-2011	2012-2017	2006-2008	2009-2011	2012-2017
	2011																		
Australia	-4.9	3.8	3.4	3.0	1.6	1.6	1.7	2.2	1.7	1.3	0.3	0.1	0.1	1.8	1.6	1.2	0.1	-0.1	0.0
Austria	-4.2	2.0	1.8	1.7	1.2	1.0	1.4	0.8	0.8	0.4	0.5	0.4	0.3	0.3	0.5	0.1	0.0	-0.1	0.0
Belgium	-6.6	2.5	2.0	0.6	1.4	1.2	0.7	1.1	0.8	-0.1	0.2	0.1	0.0	0.9	0.8	-0.1	0.0	-0.1	0.0
Canada	-3.2	2.4	1.8	1.6	0.7	0.5	1.2	1.7	1.3	0.4	0.4	0.2	0.0	1.2	1.1	0.4	0.1	-0.1	0.0
Denmark	-4.3	1.6	0.8	1.4	1.0	0.6	1.5	0.6	0.3	-0.1	0.2	0.0	0.0	0.3	0.3	-0.1	0.1	0.0	0.0
Finland	-7.6	3.2	1.2	2.1	2.3	1.5	2.6	0.9	-0.3	-0.5	0.4	0.1	0.1	0.4	-0.2	-0.6	0.2	-0.2	0.0
France	-3.3	1.6	1.5	1.2	0.8	0.9	1.2	0.8	0.6	0.0	0.1	0.1	0.0	0.6	0.7	0.0	0.2	-0.1	0.0
Germany	-1.8	1.1	0.8	1.3	0.7	0.7	1.3	0.4	0.1	-0.1	0.7	0.4	0.2	-0.5	-0.2	-0.3	0.2	-0.1	0.0
Greece	-7.9	3.8	2.5	2.2	2.7	2.2	2.0	1.1	0.3	0.2	0.5	0.4	0.4	0.5	0.1	-0.2	0.2	-0.2	0.0
Iceland	-7.6	5.2	0.5	1.5	1.9	0.7	1.2	3.2	-0.3	0.4	-0.2	-0.1	0.0	3.4	0.0	0.4	0.0	-0.2	0.0
Ireland	-5.9	3.6	-1.1	2.0	1.2	-0.5	1.3	2.4	-0.7	0.7	0.0	-0.7	0.0	2.4	1.1	0.7	0.0	-1.1	0.1
Italy	-3.8	0.9	0.3	1.2	-0.2	0.2	1.3	1.1	0.1	-0.1	0.4	0.4	0.2	0.5	0.0	-0.3	0.2	-0.3	0.0
Japan	-1.7	0.6	0.5	0.9	1.0	0.8	1.7	-0.4	-0.4	-0.7	0.4	0.2	0.2	-0.8	-0.6	-0.9	0.0	0.0	0.0
Mexico	-5.4	2.2	2.2	2.9	0.2	0.5	1.2	1.9	1.8	1.7	0.1	0.1	0.1	1.8	1.7	1.5	0.0	0.0	0.0
Netherlands	-3.9	2.0	1.4	1.3	1.3	1.0	1.1	0.7	0.4	0.2	0.5	0.4	0.4	0.2	0.2	-0.2	0.0	-0.2	0.0
New Zealand	-2.8	2.6	1.4	1.8	0.7	0.3	1.1	1.9	1.1	0.7	0.4	0.3	0.0	1.4	0.9	0.7	0.1	-0.1	0.0
Norway ³	0.0	4.1	2.3	3.4	2.5	1.4	3.0	1.6	0.9	0.4	0.1	0.2	0.1	1.3	0.8	0.3	0.2	0.0	0.0
Poland	-0.5	4.7	4.0	2.7	2.3	2.9	3.4	2.3	1.0	-0.7	-0.3	-0.1	0.0	0.4	0.2	-0.7	2.3	0.9	0.0
Portugal	-2.0	0.8	0.4	1.0	0.4	0.4	1.0	0.3	0.0	0.0	0.3	0.1	0.0	0.1	0.1	0.0	-0.1	-0.2	0.0
Spain	-5.9	3.1	0.7	2.0	0.4	1.4	1.4	2.6	-0.7	0.6	0.9	0.5	0.1	1.7	0.2	0.4	0.1	-1.4	0.2
Sweden	-4.6	2.9	1.5	2.2	2.1	1.5	2.2	0.8	0.0	0.0	-0.3	-0.3	-0.1	1.1	0.4	0.1	0.1	-0.1	0.0
Switzerland	-3.5	2.2	2.2	2.2	0.9	1.2	1.5	1.3	0.9	0.7	0.2	0.2	0.1	1.0	0.8	0.6	0.0	-0.1	0.0
United Kingdom	-5.5	2.3	1.5	2.1	1.5	1.3	1.9	0.8	0.2	0.2	0.0	0.0	0.0	0.8	0.4	0.2	0.0	-0.2	0.1
United States	-2.8	2.3	1.6	2.2	1.6	1.0	1.5	0.7	0.6	0.6	-0.4	-0.6	-0.5	1.1	1.2	1.1	0.0	-0.1	0.0
Total of above Euro area	-3.7	1.7	1.0	1.4	0.7	0.8	1.3	1.0	0.1	0.1	0.5	0.3	0.2	0.4	0.2	-0.1	0.1	-0.3	0.0
Total of above OECD countries	-3.1	2.0	1.4	1.8	1.2	1.0	1.6	0.8	0.4	0.3	0.0	-0.1	-0.1	0.7	0.6	0.4	0.1	-0.1	0.0

1. Percentage point contributions to potential employment growth.

2. Estimates of the structural rate of unemployment are from Gianella *et al.* (2008), based on the concepts and methods described in OECD (2000).

3. Excluding the oil sector.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752325168587>

unemployment is assumed to fall gradually to an underlying structural rate of 6% of the labour force by 2017, although for the euro area it would only fall to 8½ per cent. World trade growth is projected to pick up over the medium term, with OECD trade volume growth of 7% per annum, reflecting the projected recovery in economic growth within the OECD combined with continued robust and trade-intensive growth in China and Dynamic Asia.

For many countries fiscal consolidation is inevitable

In 2011 fiscal deficits in most countries are very large, with a substantial component which is not explained by the cycle. In these circumstances, fiscal consolidation is inevitable for many countries, as

Table 1.11. **Macroeconomic summary of the stylised medium-term scenario**

	Per cent						
	Real GDP growth	Inflation rate ¹		Unemployment rate ²		Long-term interest rate	
	2011-2017	2011	2017	2011	2017	2011	2017
Australia	3.9	1.8	2.5	6.2	5.3	5.9	6.3
Austria	2.5	1.0	2.0	7.3	5.5	4.5	4.9
Belgium	1.8	0.9	2.0	9.2	8.4	4.5	5.0
Canada	2.2	0.9	2.1	8.1	6.6	4.3	5.1
Czech Republic	4.1	2.1	2.1	7.9	6.5	4.8	5.0
Denmark	2.1	1.4	2.0	6.2	4.4	4.1	4.9
Finland	3.2	1.4	2.0	9.7	7.8	4.5	4.8
France	1.8	0.6	2.0	10.1	8.5	4.7	4.8
Germany	1.6	0.8	2.0	9.7	8.6	4.4	4.7
Greece	3.6	1.6	2.0	10.4	9.3	6.1	5.5
Hungary	4.7	4.6	2.1	9.3	7.0	7.7	5.5
Iceland	2.9	2.5	2.8	6.4	3.2	7.3	7.0
Ireland	3.1	0.4	2.1	13.8	7.4	5.1	5.2
Italy	1.9	1.1	2.0	8.7	7.1	4.9	5.1
Japan	1.2	-0.8	1.1	5.4	4.1	2.5	3.3
Korea	4.5	3.0	3.0	3.4	3.5	6.0	7.0
Luxembourg	5.0	1.8	2.0	7.5	4.1	4.7	4.9
Mexico	3.8	4.8	3.2	5.9	3.2	6.7	6.9
Netherlands	2.0	0.7	2.0	5.5	4.0	4.5	4.8
New Zealand	2.3	1.4	2.1	6.6	4.2	6.7	6.1
Norway	3.5 ³	2.2	2.1	3.5	3.4	5.2	4.7
Poland	2.8	1.8	2.1	9.6	10.1	6.1	5.6
Portugal	1.4	1.0	2.0	9.9	7.4	4.7	5.0
Slovak Republic	4.9	2.4	2.9	12.5	11.6	5.2	5.4
Spain	3.0	-0.1	2.0	19.0	12.2	4.8	5.1
Sweden	3.0	2.0	2.0	10.1	7.3	4.5	4.8
Switzerland	2.8	0.4	1.1	4.8	3.8	3.3	3.1
Turkey	6.7	5.4	4.6	15.0	8.8	8.4	9.4
United Kingdom	3.1	0.6	2.1	9.5	5.5	4.8	5.5
United States	2.6	1.2	2.0	9.1	5.0	4.7	5.2
Euro area	2.1	0.8	2.0	10.8	8.5	4.7	4.9
Total OECD	2.6	1.2	2.0	8.8	6.0	4.7	5.1


Note: For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Percentage change from the previous period in the private consumption deflator.

2. Per cent of labour force.

3. Including oil-sector.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752350564140>

already recognised by many governments which have announced plans for moving back towards more sustainable fiscal positions.

The scale of action needs to be ambitious...

Given the preliminary nature of many of the consolidation programmes announced so far, the medium-term scenario is not based on these announcements but on conventional assumptions concerning fiscal consolidation beyond 2011 (Table 1.12). Although there is some arbitrariness as to these assumptions, they nonetheless serve to illustrate the magnitude of the challenge that many countries face. Thus, those countries with a financial deficit of less than 2½ per cent of GDP in 2011 are assumed to

Table 1.12. **Fiscal trends based on a stylised consolidation**

As a percentage of nominal GDP

	Financial balances ¹			Net financial liabilities ²			Gross financial liabilities ³		
	2007	2011	2017	2007	2011	2017	2007	2011	2017
No consolidation									
Norway	17.7	10.9	5.2	-142	-146	-142	58	61	64
Korea	4.7	1.1	1.2	-36	-33	-28	26	41	44
Switzerland	1.6	-1.3	-0.1	11	12	12	47	45	46
Sweden	3.8	-2.0	-1.0	-25	-11	-2	48	58	67
Three years of consolidation									
Australia	1.8	-2.6	2.0	-7	2	-1	15	23	21
Luxembourg	3.7	-3.6	-0.2	-44	-32	-17	11	31	46
Hungary	-5.0	-3.7	-0.3	53	63	53	72	91	81
New Zealand	5.0	-3.9	1.1	-13	-6	-4	26	36	38
Denmark	4.5	-4.0	3.6	-4	6	-4	32	53	44
Canada	1.6	-4.5	0.6	23	36	30	65	89	83
Germany	0.2	-4.6	0.1	43	58	52	65	85	80
Slovak Republic	-1.9	-5.0	0.8	-1	17	13	32	48	43
Czech Republic	-0.7	-5.0	-0.2	-8	10	12	38	60	62
Italy	-1.5	-5.1	0.5	87	103	88	112	130	114
Finland	5.2	-5.1	-0.1	-71	-39	-23	41	63	77
Belgium	-0.2	-5.2	1.5	73	89	71	88	108	91
Netherlands	0.2	-5.3	0.6	28	41	37	52	82	78
Austria	-0.7	-5.8	-0.3	31	47	46	62	82	81
Iceland	5.5	-5.8	-2.3	-1	47	55	54	146	153
Six years of consolidation									
Poland	-1.9	-6.8	-1.5	17	38	47	52	66	76
Portugal	-2.7	-7.8	-1.4	44	69	78	71	97	106
Spain	1.9	-7.7	1.0	19	49	49	42	74	74
France	-2.7	-8.0	-0.3	34	67	72	70	99	104
United States	-2.8	-9.4	-3.6	42	72	87	62	100	114
Greece	-3.9	-10.0	-1.4	70	101	98	104	130	127
Japan	-2.5	-9.5	-3.4	80	113	131	167	205	223
Ireland	0.2	-11.6	-5.2	0	49	79	28	93	122
United Kingdom	-2.7	-12.5	-5.3	29	70	95	47	94	120
Euro area	-0.6	-6.2	0.2	43	63	61	71	93	92
Total OECD	-1.3	-7.6	-1.9	39	64	73	73	104	113

Note: For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

The scale of fiscal consolidation is assumed to be dependent on the initial financial balance.

Those countries with a financial deficit of less than 2½ per cent of GDP in 2011 are assumed to have no additional fiscal consolidation.

Those countries, with a financial deficit of more than 6% of GDP in 2011 are assumed to have a progressive additional fiscal consolidation of 1 percentage point of GDP (as reflected in an improvement in the underlying primary balance) each year from 2012, lasting six years to 2017.

Finally all other countries, namely those with a financial deficit of more than 2½ but less than 6% of GDP in 2011, are assumed to have a progressive additional fiscal consolidation of 1 percentage point of GDP each year from 2012, lasting three years.

No attempt has been made to incorporate any official medium-term fiscal consolidation plans beyond 2011.

1. General government fiscal surplus (+) or deficit (-) as a percentage of GDP.
2. Includes all financial liabilities minus financial assets, as defined by the System of National Accounts (where data availability permits) and covers the general government sector, which is a consolidation of central government, state and local government and the social security sector.
3. Includes all financial liabilities, as defined by the System of National Accounts (where data availability permits) and covers the general government sector, which is a consolidation of central government, state and local government and the social security sector. The definition of gross debt differs from the Maastricht definition used to assess EU fiscal positions.

Source: OECD Economic Outlook 86 database.

have no fiscal consolidation beyond that which follows automatically as a result of the closing of the initial output gap (as represented by a stable underlying primary fiscal balance after 2012). Those countries with a financial deficit of between 2½ and 6% in 2011 are assumed to have a progressive fiscal consolidation, by which the underlying primary balance is strengthened by an additional 1 percentage point of GDP for three years. Finally, those countries with a financial deficit of more than 6% of GDP in 2011 are also assumed to have a progressive fiscal consolidation of 1 percentage point of GDP each year, but for six years. The consolidation that these latter countries face is daunting – even if the consolidation assumption is necessarily stylised and the threshold chosen somewhat arbitrary.

... but is not unprecedented

The scale of the assumed fiscal consolidations judged by historical experience, is ambitious but not unprecedented. Of the 85 fiscal consolidation episodes among 24 OECD countries identified by Guichard *et al.* (2007), 34 lasted for at least three years including seven lasting for at least six years. 39 episodes involved an improvement of the underlying primary balance by at least 3% of potential GDP, including twelve episodes involving an improvement of the underlying primary balance by at least 6% of potential GDP. There is less precedence for more sustained consolidation, with only three episodes lasting for at least six years and involving an average effort of 1% point per year; two took place in Sweden after the second oil shock and then the banking crisis of the early 1990s and one in the United Kingdom in the mid-1990s.

Fiscal projections err on the optimistic side

The fiscal projections do not take into account either initial implicit debt levels or the fiscal implications of ageing populations.³⁷ It is assumed that there are no further losses to government balance sheets as a result of asset purchases or guarantees made in dealing with the financial crisis. Likewise, effects on public budgets from population ageing and continued upward pressures on health spending are not explicitly included or, put differently, implicitly assumed to be offset by other budgetary measures. Moreover, for the purpose of the medium-term projections, all effects of fiscal tightening on potential output and aggregate demand are effectively assumed away.

Ambitious consolidation would contain the increase in debt levels

Under these assumptions fiscal consolidation as described would be sufficient to return budgets to surplus or at least move a substantial part of the way. Moreover, all countries would be running a surplus on the primary balance (the fiscal balance excluding net interest receipts) by 2017. OECD-wide gross government debt would rise from 73% of GDP in 2007 to 113% of GDP. However, most of this increase would already have taken place by 2011, so that the ambitious fiscal consolidation outlined here would be sufficient to contain any further increase in OECD-wide debt during the recovery period. However, the increase in the debt-to-GDP ratio relative to the pre-crisis period is more than 50% in some of the largest countries, including the United States and the United Kingdom as well as in smaller countries such as Ireland and Iceland. More typical is the median response of an increase in gross debt by 20% of GDP compared to pre-crisis levels, consistent with no increase relative to 2011 levels.

37. In those countries, where the usual cyclical rebound in corporate taxes from their depressed level in 2011 leaves them well still below historical norms, corporate taxes have been boosted to ensure that by 2017 the corporate tax-to-GDP ratio has at least reached the average experienced over the period 1998-2008.

APPENDIX 1.A2

Medium-term fiscal consolidation plans

Table 1.13a. **Medium-term fiscal consolidation plans**

	Consolidation Goal	Type of Commitment	Time period	Path to target
Australia	Return fiscal balance to surplus.	Medium-Term Budget Plan.	Depends on the future trajectory of growth. The November 2009 <i>Mid-Year Economic and Fiscal Outlook</i> expects a return to surplus in 2015-16.	
Austria	Increase the cyclically-adjusted primary balance from -0.7% of GDP in 2010 to 0.2% in 2013.	Numerical projection in the Austrian EU Stability Programme. No details on how this will be achieved.	2009-13	The biggest consolidation is expected in 2013 (0.6 % of GDP).
Belgium	Stabilise the budget deficit at -5.5% of GDP in 2011 as a first step to bring the deficit below 3% of GDP by end 2013 and to balance the budget in 2015.	Path until 2011 is fixed in the 2010-2011 budget. Path for 2012-2015 is fixed in the complement of the 2009 Belgium EU Stability Programme.	2009-15	Effort of 0.5% GDP in 2010, 1% in 2011 and 1.33% for 2012-2015.
Canada	Return to fiscal surplus.	Published in the September 2009 <i>Update of Economic and Fiscal projections</i> .		Fiscal balance of -0.3% of GDP in 2014-15.
Czech Republic	General government deficit around 5.3% of GDP in 2010, 5.6% in 2011 and 5.4% in 2012.	Medium-term expenditure framework (MTEF) legislative Act and parliament resolution; Legislated Consolidation Package (CP).	2010-12	MTEF expenditures limits : 2010: CZK 1295bn. 2011: CZK 1160bn. 2012: CZK 1197bn.
Denmark	In 2010, the budget balance should be 0.75-1.75% of GDP when adjusted for cyclical and other temporary factors. From 2011 to 2015, there should be balance or surplus.		2010-15	
France	Bring fiscal deficit to 5% of GDP in 2013. Big loan of unspecified amount to finance extra public spending in 2010.	Budget proposal relying on projected GDP growth of 2.5% per year from 2011. No detail on how consolidation will be achieved.	2010-13	Deficit reduction of 1 ½ % of GDP in 2011 and 1% per year in 2012-2013.
Germany	Limits for cyclically-adjusted deficits: 0.35 % of GDP for the federation from 2016 onwards, balance for the states from 2020 onwards.	Constitutional amendment.	2011-16 Federal government, 2011-20 States.	From 2011 onwards, in equal steps to reach targets by 2016 and 2020, respectively.
Hungary	Reduce deficit from 3.8% of GDP in 2010 to 2.2% in 2013.	Legislated fiscal rule. The magnitude of the decline is planned.	2010-13. 3-year rolling plan thereafter.	No details for 2011 and 2012.

Source: OECD.

Table 1.13b. **Medium-term fiscal consolidation plans** (cont.)

Change in fiscal rule	Level of government	Spending	Revenue	
	Federal government.	Hold real growth in spending to 2% per annum once economic growth is above trend (assumed to be 3% real GDP growth) until the budget returns to surplus.		Australia
	Mainly central government.			Austria
	Until 2012: 65% of the effort by central government and 35% by regional and local governments.	Average annual real growth of primary expenditure of federal government of 0.4% over 2009-2011; slower spending in health care sector yielding total saving of 0.26% of GDP.	Environmental taxes of 0.17% of GDP, contributions of financial & energy sector (0.24% of GDP), social & fiscal fraud (0.12% of GDP).	Belgium
	Federal government.	Restraint on direct programme spending as required to achieve budget surplus.	Raise employment insurance contribution rates, starting in 2011, consistent with the self financing nature of the programme.	Canada
	Central government.	CP: Reduce current spending, 4% wage decrease in the public administration. Lower child allowance, maternity leave and sickness benefits, no indexation of pensions in 2010, lower unemployment benefits.	CP: Increase both standard and reduced VAT rates by 1% of GDP, increase taxes on tobacco, beverages and mineral oil. Double some property tax rates. Higher cap on income subject to social security contributions (SSC) (6x average wage); cancellation of SSC reduction for employers; further decrease of SSC rate postponed to 2011.	Czech Republic
		Public consumption can grow no more than 1% annually in 2009-12 and ¾ per cent annually in 2013-15.		Denmark
	Central government.	Hold real growth in public spending to 1% per year.		France
Replacement of the golden rule by cyclically-adjusted deficit limit.	Federal government and states.			Germany
Introduction of fiscal rule from 1 January 2010 that limits the growth in real primary spending to half of the growth rate in real GDP. Debt is required to be lower in the 3rd year of the rolling plan than in the 2nd year and the year before the plan. <i>Source: OECD.</i>	Central government.			Hungary

Table 1.13c. **Medium-term fiscal consolidation plans (cont.)**

	Consolidation Goal	Type of Commitment	Time period	Path to target
Iceland	Achieve a primary surplus in 2011, an overall surplus in 2013 and reduce central government gross debt to below 60% of GDP.	The primary surplus and overall surplus objectives are specified in the IMF Stand-By Arrangement.	2009-13	Primary balance as a % of GDP of -7.7, -1.3, 3.4, 6.5, 8.6 in the years from 2009 to 2013 respectively.
Ireland	Bring the general government deficit below 3 % of GDP by 2013.	Announced as part of the April 2009 Supplementary Budget.	2009-13	From 2009 to 2013, additional annual taxation and expenditure measures with specific budgetary projections from 2009-2013. Introduce total consolidation measures of 2.2% of GDP in 2012 and additional 2% of GDP in 2013. The announced measures for 2010-2013 add to the 5% of 2009 GDP consolidation measures already implemented.
Italy	Increase the actual primary surplus by 4 percentage points of GDP (compared with 2009) by 2013 (reduce actual deficit by 3 percentage points of GDP).	Medium-term budget plan.	2010-13	Broadly equal steps.
Korea	Return to fiscal balance (excluding social security surplus) by 2013-2014.	Medium-term budget plan.	2009-2013	Fiscal balance as a % of GDP of -5.0, -2.9, -2.3, -1.3, -0.5% in 2009 to 2013 respectively.
Mexico	Deficit goal for 2010: -0.75% of GDP; 2012: balanced budget.	Budget adopted by Congress	2010-12	2010 -0.75%; 2011 -0.3%; 2012 0%.
Netherlands	0.5% of GDP structural improvement annually, growth dependant.	2010 Budget.	2011 onwards, exact timing of the measures is not decided (aside from the withdrawal of the stimulus package which is to yield 0.5% of GDP structural improvement in 2011).	0.5% of GDP adjustment per year if growth is higher than 0.5%, smaller if 2011 growth is between -0.5% and 0.5%.
New Zealand	Ensure net debt remains below 40% of GDP and above 30% no later than early 2020's.	2009 Budget (<i>Fiscal Strategy Report</i>).	2009-13	Deficit starts to shrink in 2012 (after expiration of stimulus).
Poland	Limit the debt-to-GDP ratio at 60%.	Constitutional.	A two-year consolidation plan expected for the second half of November 2009.	

Source: OECD.

Table 1.13d. **Medium-term fiscal consolidation plans (cont.)**

Change in fiscal rule	Level of government	Spending	Revenue	
	The programme concerns central government. However, local governments have committed to achieve a balanced budget position by 2013.	Approximately equal contributions to consolidation from cuts in primary expenditure and increases in taxes. Expenditure cuts concern most categories, including transfers to households. Government departments have been instructed to cut low priority expenditures the most.	Increases in personal income taxes, social security contributions and in VAT comprise the bulk of the tax increases. The corporate tax rate may be increased from 18% to rates typical in other European countries.	Iceland
		Reduce current expenditure (0.9% of GDP in 2010 and an additional 0.9% of GDP in 2011) and capital expenditure (0.4% of GDP in 2010 and an additional 0.6% of GDP in 2011). The identified expenditure reductions are a minimum.	Increase taxes by 1% of GDP in 2010 and an additional 0.9% of GDP in 2011. The identified taxation increases are a maximum that will be implemented.	Ireland
	Central government, including rules on transfers to sub-national governments.	Reduce overall current spending as share of GDP. Greater than 10% nominal cut in investment spending in 2010 (approximately reversing the increase in 2009).	Reduce overall revenues as share of GDP.	Italy
	Central government			Korea
	Federal government.	Cut spending by 0.4% of GDP.	Temporary increase in income taxes. Increase in VAT rate (1 percentage point). Increase in beer and tobacco excise taxes, introduction of excise tax on telecommunications services (excluding internet services).	Mexico
	All levels but mainly central government.	Cuts in public administration costs of about 0.2% of GDP. Healthcare cost cuts of about 0.4% of GDP. Increase of pension age (from 65 to 67) estimated to eventually yield a structural improvement of 0.7% of GDP (full effect only by 2026).	Capping mortgage interest deductibility for high-priced homes to eventually yield 0.3% of GDP.	Netherlands
Switch to net debt indicator; suspend contributions to NZ Super Fund.	Central government.	Permanent reductions in the operating allowance for future budgets (additions to existing spending baseline) will hold real government consumption growth to 1.5% per year over the next 5 years, compared with 4-5% per year over the past 5 years.	Personal income tax cuts scheduled for 2010 and 2011 have been delayed (until affordable).	New Zealand
				Poland

Source: OECD.

Table 1.13e. **Medium-term fiscal consolidation plans** (cont.)

	Consolidation Goal	Type of Commitment	Time period	Path to target
Spain	Reduce the general government deficit to 3% of GDP by the date required by the European Union (expected to be 2013).	Central government financial plan. Details will be presented to parliament as required by law.	2010-12	
Slovak Republic	Reduce general government deficit to 3% in 2012.	Budget plan for 2010-2012.	2010-12	Deficit of 5.5% of GDP in 2010 and 4.2% of GDP in 2011.
Sweden	General surplus of 1% over the business cycle. Balanced budget requirement for local governments (a deficit in one year has to be offset within three years).	Decision by parliament, stated in budget bills.	Ongoing	Takes account of: average net lending since 2000; structural net lending 7-year centred moving average; nominal expenditure caps in 26 categories.
Switzerland	Expenditure consolidation in line with the debt brake rule (aims to keep the federal structural balance around zero while allowing for cyclical developments)	Federal government decision, based on budget plan 2011-2013 from August 2009.	2011-2013	
Turkey	Reduce general government fiscal deficit from 6.6% of GDP in 2009 to 2.7% in 2012.	Government Medium-Term Programme published in September 2009		Reduce the share of spending in GDP by about 1% in 2011 and 2012, the rest to be achieved by stronger growth.
United Kingdom	Consolidation equivalent to 1 1/3 per cent of GDP annually 2010/11-2013/14 foreseen.	Annual Budget reports.	2010-14	
United States	Reduce deficit to 4 per cent by 2015 and hold it steady thereafter.	Administration budget projections.	2009-2019	Deficits declining from more than 11% in 2009 to 7½ percent in 2011 and 5% in 2012.

Source: OECD.

Table 1.13f. **Medium-term fiscal consolidation plans** (cont.)

Change in fiscal rule	Level of government	Spending	Revenue	
	The central government to propose an agreement with regional and local governments to encourage spending restraint.	Central government: Crisis-related budgetary stimulus will be gradually withdrawn. Central government spending will be cut by 3.9% overall in 2010 according to the budget proposal, with non-priority spending cut by 5.4% and social spending programmes exempt from cuts.	Tax increases, notably a 2 point increase in the standard VAT rate and a 1 point increase in the reduced VAT rate, are expected to generate 1% of GDP worth of revenue per year from 2010 onwards. Continued measures to fight tax fraud.	Spain
	Central government.	Expenditure cut of EUR 787 million in 2010.		Slovak Republic
	Central and local government.			Sweden
	Federal government	Spending cuts of about 0.3% of GDP per year, federal level.		Switzerland
New fiscal rule will be announced in 2010.	General government.			Turkey
Fiscal rules suspended and replaced with temporary operating rule. Plans to introduce legal requirement that deficit is reduced year on year.	Central government	Reduced government investment share of GDP.	Increase excise taxes, increase income tax rate, raise social security contribution, increase fuel duty, reversal of temporary VAT cut and reform pension tax relief.	United Kingdom
	Federal government.		Let the 2001 and 2003 tax cuts for households with incomes over \$250000 expire.	United States

Source: OECD.

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Chapter 2

THE AUTOMOBILE INDUSTRY IN AND BEYOND THE CRISIS

Introduction and summary

The automobile industry has been severely hit by the crisis

The automobile industry is among the sectors that have been hit most by the recession. Demand for cars fell sharply, accentuating the difficulties of excess production capacity already faced before the crisis and deepening the economic downturn in major car-producing countries. Relative to the general downturn, the decline in car sales was nonetheless not deeper than what was observed in the past.

The automobile industry...

This chapter considers the role of the automobile industry in the current cycle. It first examines the role of the industry in the economy, before analysing the relation between the automobile and business cycles. After casting some light on the sources of the collapse in car sales at the start of the crisis, the chapter discusses the policy measures, in particular car scrapping programmes, put in place to support the automobile industry. Finally it investigates the short and medium-term prospects for the automobile industry.

The main results are the following:

- ... is economically important...*

 - The size of the automobile industry relative to overall activity is small, but because of its strong linkages with other parts of the economy, the final impact of a shock in the industry on the broader economy is sizable.
- ... and intertwined with business cycles*

 - The automobile and business cycles usually move in line with each other but the amplitude of the cycle is higher in the automobile industry. The volatility of the automobile industry is also higher than that of the manufacturing industries as a whole.
- It has suffered from constrained credit in the crisis...*

 - Evidence for the United States and Canada suggests that the reduction in car sales since mid-2008 has been magnified by the lack of access to credit, leading many households to postpone their car purchases. This implies that continued improvement in financial market conditions could provide an impetus to car sales.
- ... but benefited from government support...*

 - Government support to the automobile industry has been provided in a variety of forms, including subsidies to firms and direct involvement in industry restructuring plans. These measures are likely to impede the structural changes the industry will need to go through in the years to come.
- ... including car scrapping schemes...*

 - Many countries have introduced car scrapping schemes to cushion the overall downturn in economic activity, boosting sales in the short term. However, crowding-out effects whereby the demand for new cars dampens the demand for other products are likely to have lowered their

final impact on economic activity. As these programmes are temporary and consist mostly in a shift of purchases from the future to the present, the surge in sales is likely to be reversed after the schemes end. Evidence on the timing and the magnitude of this “payback effect” varies but suggests that over the short term, car sales may be temporarily depressed by the termination of scrapping programmes in many countries. At the same time, these schemes do not appear to be cost-effective instruments to reduce greenhouse gas emissions.

... and is set to rebound in many countries...

- As actual sales are well below trend, a rebound in car sales is likely in North America, Japan and the United Kingdom. In contrast, car sales in Germany have been pushed significantly above trend and may weaken going forward.

... though medium-term sales trends are likely to be divergent across regions

- Over the medium term, regions within and outside the OECD are likely to experience diverse trends in car sales. In mature markets, such as Europe and North America, trend sales are likely to remain stagnant. By contrast, rapid increases are foreseen in China, which is already now the second largest market for cars. A rapid increase is also projected in India. Medium-term projections suggest that capacity exceeds trend sales by around 20% in the five largest Western European markets considered as a whole. Without an adjustment in capacity, these countries would need to ensure an ongoing strong export performance. By contrast, in North America, capacity is projected to be around 65% of trend sales. Automakers in the NAFTA area would thus need to halt their decline in domestic market share or to rely increasingly on exports in order to avoid excess capacity. The fortunes of Korean and Japanese auto firms are heavily tied to world markets as they export a large part of their production. Maintaining their high levels of capacity utilisation will require them to keep up their strong export performance.

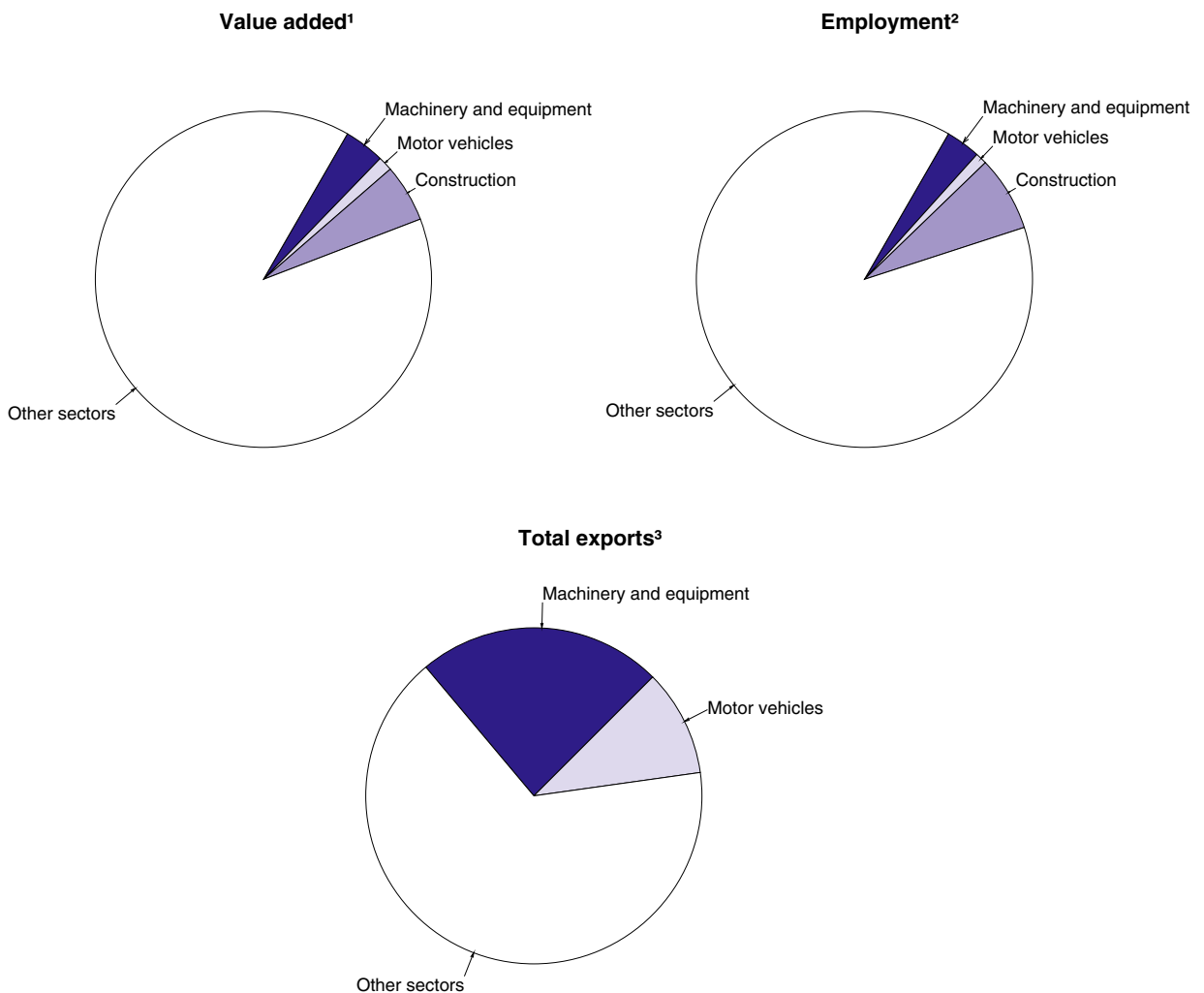
The industry is more important than its size implies

The importance of the automobile industry in the economy

The automobile industry¹ represents a relatively small share of the overall size of OECD economies in terms of value added and employment (Figure 2.1). But this hides large variation across countries. The automobile industry accounts for almost 4% of total output in the Czech Republic and Germany, while it is almost non-existent in several countries (Figure 2.2). Over 2% of employed people work in the industry in the large automobile-producing countries. These numbers understate the size of the automobile-related workforce, as a higher number of people are employed in the automobile value chain e.g. both downstream, in services

1. For the purposes of this chapter the automobile industry includes companies that are involved in production of cars, including their design, testing, manufacturing and sales. In the United States it includes companies producing light vehicles as this series contains vehicles such as SUVs (4x4s) that are defined as cars elsewhere. Definitions vary depending on the series used.

Figure 2.1. Value added, employment, exports by sector in OECD economies, 2006



1. All countries except Australia, Canada, Ireland, Mexico, New Zealand, Turkey.

2. All countries except Australia, Denmark, United Kingdom, Iceland, Luxembourg, Mexico, New Zealand, Poland, Turkey.

3. All countries except Mexico, Slovak Republic and Turkey.

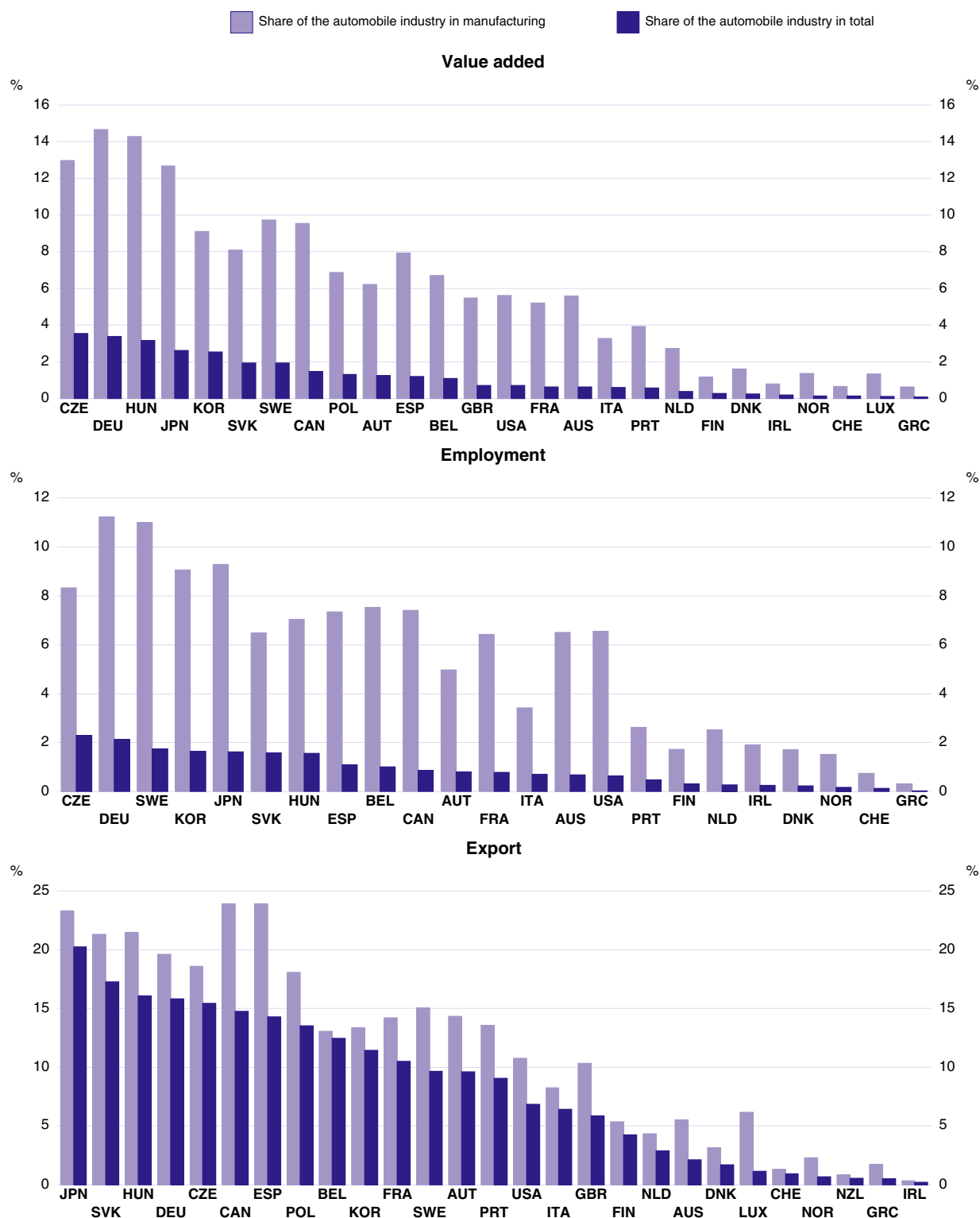
Source: OECD STAN Database; OECD Economic Outlook 86 database.

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such as car financing, insurance and maintenance, and upstream, in steel and transport.² In many car-producing countries a large share of output is exported. Automobile exports represent more than 20% of manufacturing

2. Input-output tables allow the quantification of the size of multiplier effects from the automobile industry to the rest of the economy. These multipliers combine information on both domestic and import inter-sectoral linkages. They are estimated to be close to three in G7 countries, i.e. a \$1 increase in the value added delivered by the automobile industry would increase output by \$3. This level of multiplier is at or close to the top of what is observed in other industries, and always stronger than the average across industry (which is estimated to be at 2.2). Focusing on domestic linkages would lead to smaller multipliers but, with the exception of the United Kingdom and Canada, the automobile industry would continue to display stronger multipliers than the average across industry.

Figure 2.2. **Value added, employment and export share of the automobile industry**
2007 or latest available year



Note: The automobile industry covers motor vehicles, trailers and semi-trailers.

Source: OECD STAN Database; OECD Economic Outlook 86 database.

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exports in Japan, the Slovak Republic, Hungary, Canada and Spain, and account for more than or close to 15% of total exports in these countries. The current structure of the industry is the result of a long process of structural change (Box 2.1), which is likely to have further to go (see below).

Box 2.1. **Some specific features of the automobile industry**

The industry is capital intensive, with a relatively high capital-to-labour ratio, and in many countries a large share of the production is exported.

In recent years, production has been increasingly shifted towards non-OECD regions, in particular Asia. Between 2000 and 2007, the share of the United States and Japan in global production fell from 40 to 30%, while the share of the non-OECD areas increased from producing of one car in ten to one car in five (OECD, 2009). The economic crisis may serve to reinforce and accelerate this trend.

Market saturation in OECD countries, high shipping costs and efforts by automakers to gain market share by locating production where they sell have encouraged these trends. Outsourcing the manufacturing of small automobiles and parts has also been increasing among main car producers. At the same time, the minimum efficient scale of production has increased over time, spurring mergers and acquisitions in order to gain economies of scale.

The resulting economic geography of the industry is complex, with only some segments being fully global (Sturgeon and Van Biesebroeck, 2009). Automakers and part suppliers form buyer-supplier relationships on a global scale. Inter-regional vehicle and parts trade is substantial, but capped by political and operational considerations. Intra-regional trade of finished vehicle and parts is the dominant operational pattern. Domestic production is still very strong in many national markets. Activities such as design or assembly tend to be geographically concentrated in clusters of specialised activity within countries.

The industry has been in a difficult situation for some years, especially the three big American producers which have traditionally been specialised in larger vehicles. The rise in oil prices up to mid-2008 drove material costs higher and also shifted consumer preferences towards smaller vehicles. High debt burdens, huge fixed capital and labour costs, as well as sizable pension and health care commitments to retirees added to their difficulties. Finally, strong vehicle sales in the previous decade, fuelled by discounts, created saturated markets, especially in the United States.

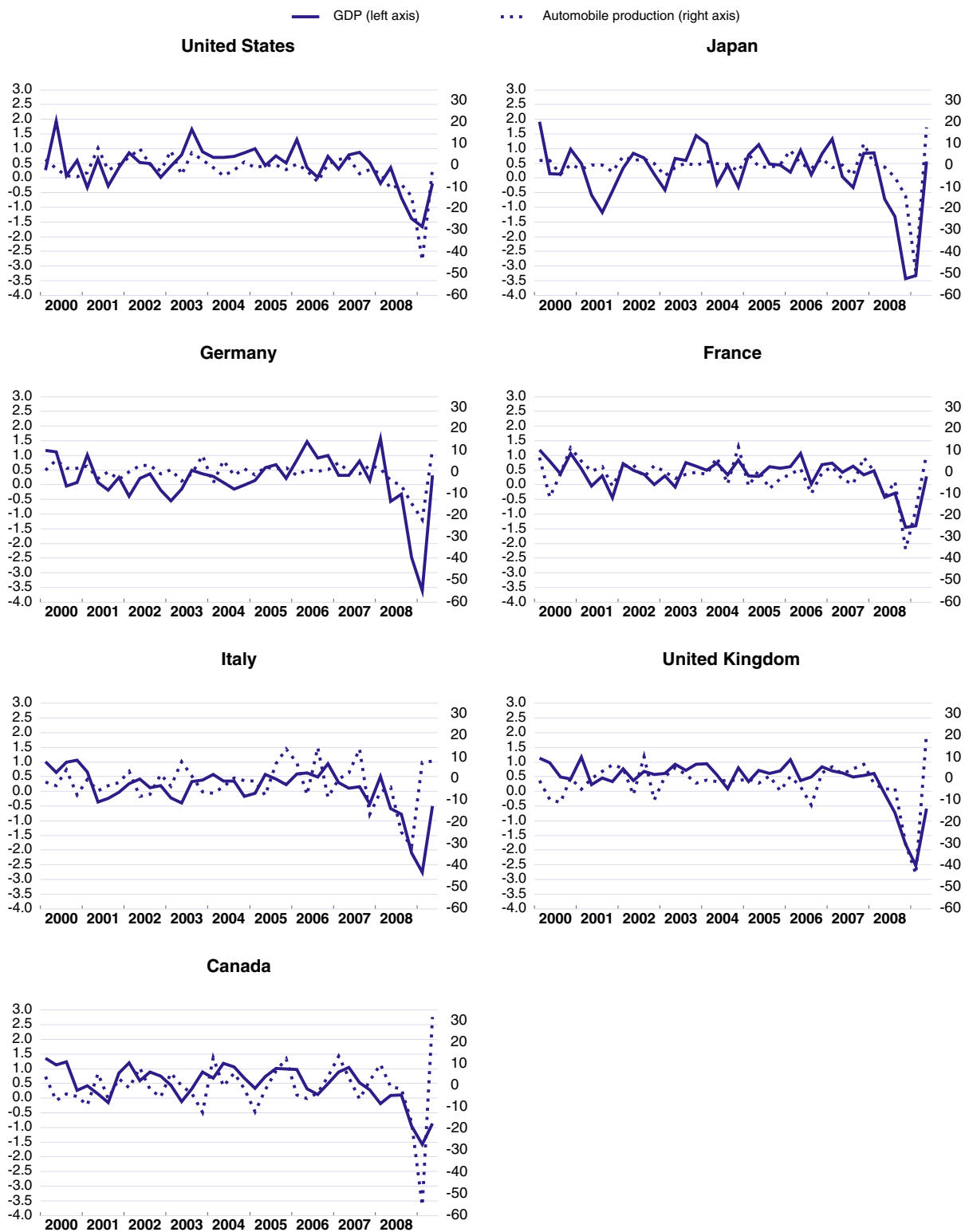
How closely related are the automobile and the business cycles?

The automobile and business cycles are intertwined

Economic activity in the automobile industry usually moves in line with the overall business cycle, the relationship being particularly stronger in countries such as the United States, Japan and Germany (Figure 2.3). The link may even have strengthened in the recent period. That said, the two cycles can become disconnected at times, for instance due to sector-specific developments in the automobile industry.

A high correlation is also found between car sales and private consumption, which in turn accounts for a large part of total output. The relation appears to be particularly robust in the United States, the United Kingdom and Canada and in some smaller OECD countries (Figure 2.4). The correlation coefficient has increased significantly in the past decade in the United States, Germany and Canada. It was broadly stable in Japan, Italy and the United Kingdom, while it declined markedly in France.

Figure 2.3. **G7 GDP and automobile production growth**
Quarter-on-quarter growth rates



Source: Bundesbank; ISTAT; INSEE; Datastream; OECD Economic Outlook 86 database; OECD, Main Economic Indicators database.


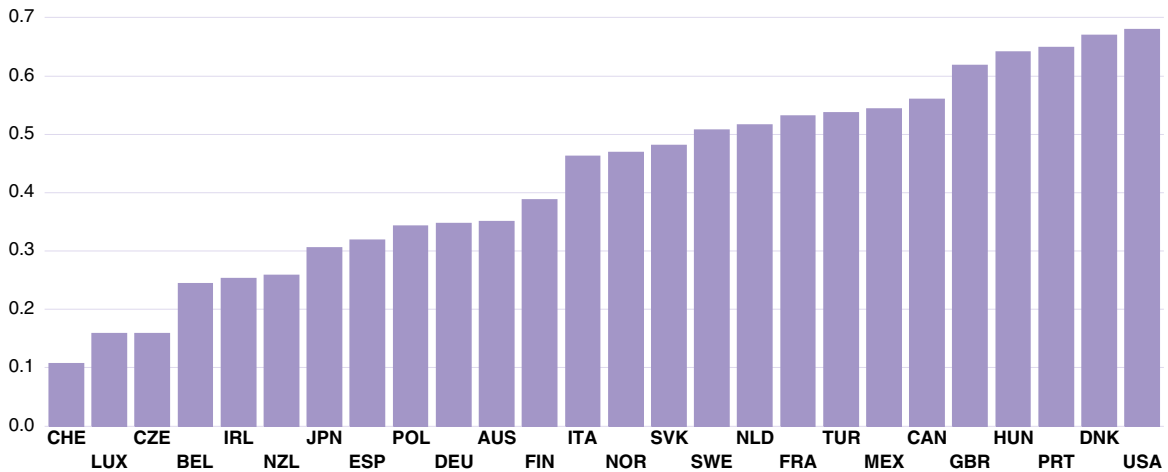

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Figure 2.4. **Correlation between private consumption and car sales**

Quarter-on-quarter growth rates, 2000-2009



Source: Datastream; OECD Economic Outlook 86 database.

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The automobile cycle is fairly volatile

Fluctuations in activity in the automobile industry display a stronger amplitude than the economy-wide and the manufacturing business cycle (Table 2.1). The variance of automobile production growth is also larger than the one of business investment growth. As in the wider economy, the fluctuations appear to have declined since the 1990s in the automobile industry. This is due, to a large extent, to improved inventory management techniques and more stable automobile sales (Ramey and Vine, 2005).

Table 2.1. **Automobile production is more volatile than GDP and investment**

Standard deviation of quarter-on-quarter growth rates

	1960-1980			1980-1990			1990-2000			2000-2007		
	Automobile production	GDP	Investment	Automobile production	GDP	Investment	Automobile production	GDP	Investment	Automobile production	GDP	Investment
United States	10.6	1.0	2.3	10.1	1.0	2.5	6.7	0.5	1.8	3.9	0.5	1.9
Japan	7.7	1.4	4.0	3.1	1.0	2.6	3.5	0.9	3.1	3.2	0.7	2.9
Germany	-	-	-	-	-	-	3.9	0.7	2.1	2.8	0.5	2.0
France	-	1.3	2.9	5.3	0.5	1.7	5.5	0.5	1.6	4.2	0.4	1.4
United Kingdom	16.7	1.3	3.3	8.3	0.9	4.2	5.4	0.6	2.8	5.4	0.3	10.4
Canada	12.6	0.9	2.7	15.0	1.0	3.2	12.0	0.7	3.2	6.8	0.4	1.9

Source: Bundesbank; INSEE; Datastream; OECD Economic Outlook 86 and Main Economic Indicators.

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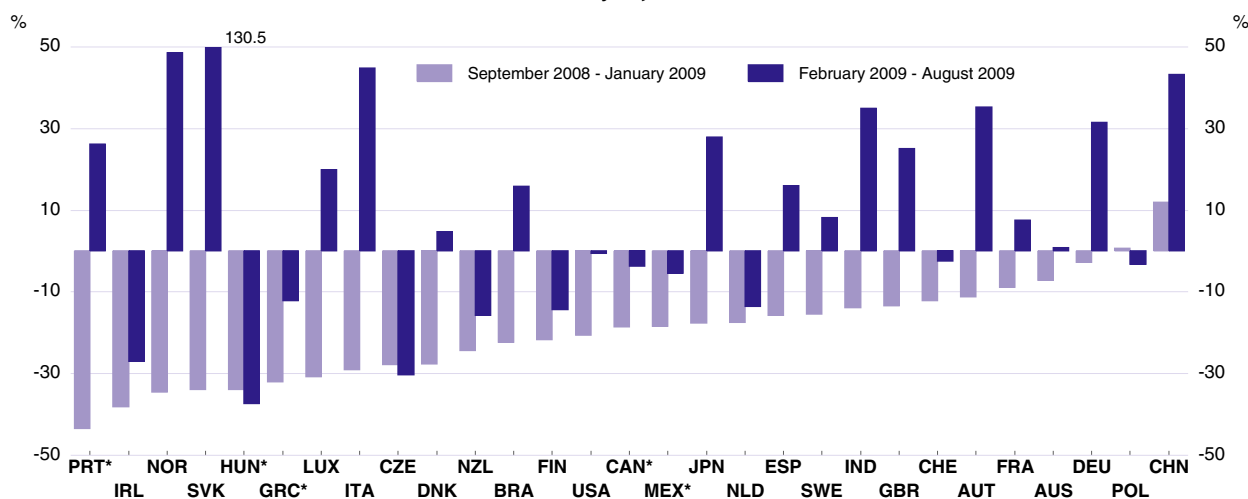
The automobile industry has been severely affected by the economic downturn

Car sales collapsed across the board at the start of the crisis...

The downturn in the automobile industry in late 2008 was deep and highly synchronised. Car sales declined markedly in almost all OECD countries (Figure 2.5), with an average fall of more than 20% from September 2008 to January 2009. In Europe, not all market segments have been affected in the same way, with sales of small cars falling less than those of other vehicles, thus continuing the trend increase in the share of small cars (Figure 2.6). At the same time, automobile export volumes plunged steeply at the end of 2008 and into early 2009.

Figure 2.5. **Car sales growth**

Seasonally adjusted data



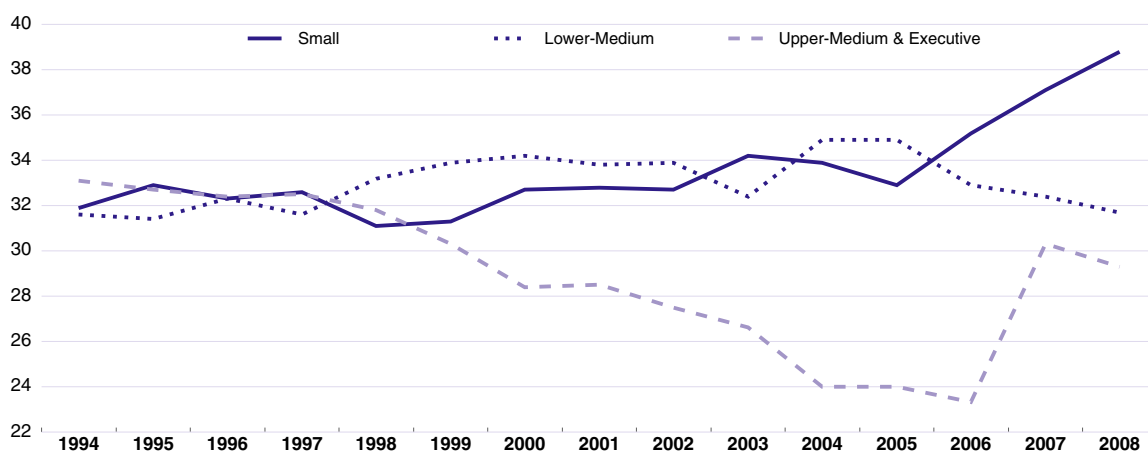
Note: Latest available data were used for the period March 2009 – August 2009 for the countries with a star.

Source: Datastream.

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Figure 2.6. **New passenger car registrations in Western Europe by type**

Share in total



Note: Western Europe includes: EU-15 countries and EFTA countries (Iceland, Norway and Switzerland).

Source: Association Auxiliaire de l'Automobile (AAA).

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... and automakers have adjusted their production

Automakers have adjusted their production and almost all the vehicle-producing countries experienced sharp drops in production growth in 2008 (Table 2.2). Falls were particularly dramatic in Spain and Italy. In the United States, the fall in durables consumption and business investment in automobiles contributed 20-30% of the decline in total output in the second half of 2008.

Table 2.2. Passenger vehicle production levels and growth in countries producing one million or more units in 2008

	2007	2008	2007-08	December 2008 to May 2009 ¹
	Levels (thousands)		Growth (per cent)	
United States ²	10 546	8 503	-19.4	-33.4
Japan	9 945	9 916	-0.3	-17.8
Germany	5 709	5 527	-3.2	8.7
France	2 551	2 146	-15.9	2.9
Italy	911	659	-23.4	
United Kingdom	1 535	1 447	-5.7	-8.1
Canada	1 565	1 633	4.3	-13.9
Spain	2 196	1 943	-11.5	
Korea	3 723	3 450	-7.3	1.0
Mexico	1 209	1 241	2.7	
Turkey	635	622	-2.1	
Brazil	2 391	2 561	7.1	
China	6 381	6 738	5.6	
India	1 713	1 830	6.8	
Russia	1 289	1 469	14.0	

1. Monthly and annual data for France, Germany and the United States come from different databases.

2. Light vehicles

Source: International Organization of Motor Vehicle Manufacturers, INSEE, Bundesbank, Main Economic Indicators, WardsAuto.Com, Price Waterhouse Coopers Automotive Institute.

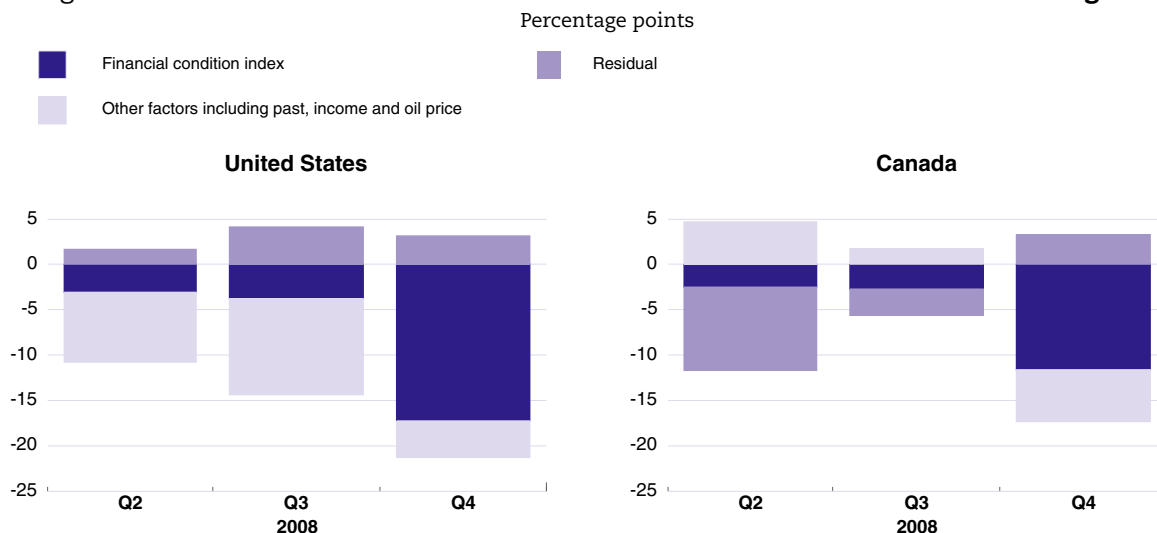
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Restricted access to credit has been detrimental to car sales

The reduction in car sales appears to have been more pronounced than predicted by fundamentals, such as income growth and real oil prices (see Appendix 2.A1). This suggests that other factors may have played a role. Econometric estimations indicate that tight credit conditions could explain more than 80% of the collapse in car sales at the end of 2008 in the United States and in Canada (Figure 2.7).³ Indeed, the


3. A significant effect of financial conditions was found in all G7 countries, except France. In the United Kingdom and Japan, tight financial conditions are estimated to influence sales only with a lag. This historical pattern would suggest that the financial aspects of the crisis affected the automobile industry only in the first quarter of 2009, but it is likely that adjustment speeds were faster in the current crisis.

Figure 2.7. Contributions of income and financial market conditions to car sales growth



Note: Contributions have been derived from an error correction model for car sales growth. In the long term car sales depend on income per capita, real oil price and financial market conditions (FCI). The FCI contributions include both the short and the long run impacts.

Source: Datastream; OECD Economic Outlook 86 database.

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high cost of credit and the inability to obtain auto loans on affordable terms prompted buyers to postpone purchases they might have otherwise made. In addition, the growing average longevity of motor vehicles that has been observed in recent years may have favoured this behaviour.

Other factors not captured in the preceding analysis may also have contributed to the fall in car sales. The increase in vehicle registration fees, environmentally motivated in Europe and driven by the need for state governments to balance their budgets in the United States, added to vehicle operating costs. Finally, heightened uncertainty surrounding future economic developments may have encouraged consumers to postpone their car purchases.

Governments have encouraged car purchases

Because the car industry influences broader economic performance and its employment is geographically concentrated, the response to the crisis has included actions aimed at boosting car sales and measures to directly support the industry. Governments have introduced new, mostly temporary measures, including subsidised credit facilities and bonuses for replacing old cars by new cars as well as loans, loan guarantees or subsidies to firms in difficulty.⁴ In return, governments have sometimes

- Government interventions can be motivated by a range of factors. As the industry is highly concentrated, intervention is believed to be feasible and manageable. Large and regionally concentrated employment makes the industry politically sensitive. Strong interconnections between the automobile industry and other industries imply that spillover effects are high. Stimulating vehicle demand is seen as an effective way to strengthen aggregate demand by moving forward purchases and potentially has environmental side-benefits. Finally, bailing out automakers can help solve credit problems when automakers have financing companies.

Most countries have put in place support policies

required the production of more energy-efficient cars. These measures often complemented or substituted for support measures already in place.

“Cash-for-clunkers” programmes have been widely used

“Cash-for-clunkers” programmes whereby governments subsidise the purchase of a new vehicle to replace old energy-inefficient vehicles have been widely used. The main objective of these programmes is to shift household expenditure from the future to the present.⁵ The conditionality and the generosity of the scrapping programmes vary widely across countries (Table 2.3). In most OECD economies, the programmes are temporary and set to expire by the end of this year or next year. In Germany and the United States, the total amount of resources allocated to the programme was spent long before the official termination date. In general, subsidies differ according to the type of vehicle, its age or its level of emissions. Subsidies range on average between \$1 500-2 500, but were particularly generous in the United States and Germany (Figure 2.8). The *ex ante* fiscal costs of these measures are fairly limited, reaching a maximum of 0.2% of GDP in the case of Germany.

These schemes have temporarily boosted sales and activity...

The short-term economic impacts of these measures are difficult to assess, given the lack of information on what would have happened in their absence. A surge in sales was observed in the United States in the first half of 2009, leading to a sharp decline in inventories. Motor vehicle car sales dropped back to their pre-incentive level in September after the incentive ended. Likewise, new car registrations went up sharply in Europe since the beginning of 2009. Substantial increases were recorded in Germany, Austria, Italy, Portugal, the Slovak Republic and the United Kingdom. There is some evidence that car and parts manufacturing in Poland, which did not introduce any scrapping scheme, benefited from the German programme. Similar spillover effects were also reported in the Slovak Republic, France and Italy that all export small and less expensive cars to Germany. The high import share of car demand and the fact that the German scheme was designed to avoid discrimination against foreign firms explain these spillover effects.

At the macroeconomic level, the car purchase incentive measures appear to have had some success in cushioning the downturn in the short term. Motor vehicle output added 1.7 percentage points to the third-quarter change in real GDP in the United States. The Cash-for-Clunkers (“CARS”) programme is officially expected to have boosted the level of GDP for a period and then to be followed by a drop that slightly more than reverses the initial increase. The programme is estimated to have raised

5. Another objective often put forward is to reduce greenhouse gas emissions. However, these programmes are an expensive way to achieve this goal (Knittel, 2009).

Table 2.3. **Principal measures to support the automobile sector**

	Duration	Scrapping scheme		Effects	Other measures
		Incentives	Total amount		
Australia					Direct schemes of industry assistance of AUD 6.2 billion to make the automotive industry more economically and environmentally sustainable by 2020. Business tax deduction on new capital investment, including vehicles: for SMEs; deduction of 50% of the cost of assets ordered between 13 December 2008 and 31 December 2009. For other businesses in 2009: deduction of 30% of assets acquired before 30 June 2009 and 10% between 1 July and 31 December 2009.
Austria	April 2009 to December 2009 (probably phased out in July).	€ 1 500			
Belgium					Tax reduction to purchase new cars equivalent to 3% (< 115 CO ₂) or 15% (< 105 CO ₂) depending on emissions (started in 2007). In addition, the automobile sector will benefit from a number of horizontal measures, in particular changes in the system for economic temporary unemployment for blue-collar workers and its provisional extension to white-collar workers. Measures at the regional level: the Flemish government support to the car industry amounted to € 10.5 million in 2009. The Walloon Government has developed a specific fiscal green measure to promote buying of less polluting cars (CO ₂ emissions), in the form of an "eco-bonus/malus".
Canada	Until 31 March 2011 (for the federal programme).	Varies by manufacturer. "Retire your ride programme": CAD 300. Provincial scrap-it programme (British Columbia).			
Czech Republic	Under abeyance.	CZK 30 000.			Tax measures: increase rates for old cars, lower rates for some types of vehicles (hybrid etc.).
Denmark	Since 1 July 2000 but changes in the incentives in 2002.	Premium of DKK 1 750 (approximately € 235) for cars retired after 30 June 2002.	DKK 150 million allocated in 2009. In the budget proposal for 2010, DKK 153.2 million are allocated	Premiums were paid for approximately 95 000 cars in 2008.	
Finland					In the 2009 budget car taxation based on CO ₂ emissions, heavier lorries, vans and coaches will get a reduction based on the total weight.
France	Until end 2010.	€ 1 000 in 2009 then € 700 in January 2010 and € 500 in July 2010.	€ 380 million in 2009 and € 240 million in 2010.	About 20% of all the cars sold in January benefited from this scrapping incentive.	State guaranty for loans for the purchase of cars (€ 6.5 million). An additional tax of € 4 on every registration certificate (in force from 15 April 2009). New measure to favour model shift and encourage eco-maintenance of vehicles (reduced VAT).

Source: OECD compilation; European Commission (2009); OECD (2009); and Council of Economic Advisers (2009).

Table 2.3. **Principal measures to support the automobile sector (cont.)**

	Duration	Scrapping scheme		Effects	Other measures
		Incentives	Total amount		
Germany	Until December 2009 but funds used by September 2009.	€ 2 500.	€ 5 billion.	New car registration increased by 30% in February.	Adjustment of the annual circulation tax for passenger cars on the basis of CO2 emissions.
Greece	30 September - 2 November.	€ 500 to 2 200 depending on the type of vehicle.			A 50% cut in the registration tax on new cars applicable between April and August 2009.
Italy	Until end 2009.	€ 800 to 1 500.			
Japan	10 April 2009 to 31 March 2010.	Subsidie of ¥ 125 000 to 250 000 for the purchase of high-energy efficiency car, if scrapping a car 13 years old or more. Subsidie of ¥ 50000 to 100000 for purchasing a high-energy efficiency car if scrapping a car of less than 13 years old.	¥ 370 billion (€ 2.78 billion).	As of 28 September 2009, about 730 000 requests were received while 18 600 cases were already subsidised. A total of ¥ 19.9 billion has been spent.	Green tax schemes for automobiles were upgraded in April 2009. The motor vehicle tonnage tax (April 2009 to April 2012) and the automobile acquisition tax (April 2009 to March 2012) were reduced or exempted for environmentally-friendly automobiles.
Korea	May 2009 to December 2009.	Tax incentives for consumer trading in older vehicles: 70% tax reduction on individual consumption tax (national tax, 5 to 10%) and 70% tax reduction on registration tax (local tax, 5%) and acquisition tax (local tax, 2%).			
Luxembourg	January 2009 to December 2009.	€ 1 500 to 1 750.			The scrapping scheme complements a pre-existing measure which provides € 750 for purchase of energy-efficient cars.
Netherlands	1 August 2009 to 1 January 2011.	€ 750 to 1 750.	€ 85 million.		Reduction in the registration tax compensated by an increase in the annual circulation tax for all vehicles. Discount in annual circulation tax for fuel-efficient cars. Lower excise duties for Liquefied Natural Gaz to the amount applied to petrol cars. Reintroduction of a fiscal scheme for passenger cars with low-emission diesel engines.
Norway	Permanent scheme.	NOK 5 000.			
Poland					Increase in excise tax.
Portugal	Since 2000, renewed annually. Scheme made more generous from August to December 2009.	€ 1 250 to 1 500 from August to December 2009 (€ 1 000 to 1 250 before).	€ 34 million (estimate for 2009 before August change).		The car industry is currently an important beneficiary of a short-time working scheme.

Source : OECD compilation; European Commission (2009); OECD (2009); and Council of Economic Advisers (2009).

Table 2.3. **Principal measures to support the automobile sector (cont.)**

	Scrapping scheme			Effects	Other measures
	Duration	Incentives	Total amount		
Slovak Republic	Until end 2009.	9 March to 25 March: € 1 500; 6 April to 14 April: € 100.	€ 55.3 million.	In these two periods 44 200 cars with average age of 21 years were scrapped. The owners of scrapped cars can use the subsidy by the end of 2009. Up to 30 May 2009, 31 589 cars with subsidy from this scheme were sold or ordered.	
Spain	Plan Vive: 1 December 2008 to 31 July 2010; and Plan 2000E: 22 May 2009 to 18 May 2010.	Plan Vive: interest free loan up to € 10 000 for a period of five years provided the new car has a value up to € 30 000. Also applicable for the purchase of old car if the scrapped car is at least 15-years old. Plan 2000E: direct support from the government: € 500 per car, conditional on the manufacturers adding another € 1 000 per car. Some Autonomous Communities could provide an additional support of € 500 per car if the scrapped car is at least ten years old or at least 12 years old when people purchase second-hand cars.	Plan Vive: € 1.2 billion. Plan 2000E: € 100 million and 200 000 cars, at maximum, to be financed. It is likely to be widened to € 140 million euros and 280 000 cars, at maximum, to be financed.	Plan Vive: from December 2008 to February 2009, the credit was granted for 9 000 vehicles. Plan 2000E: at the end of October 2009, more than 190 000 cars were scrapped.	Support of € 800 million for the sector in forms of soft loans for investment in production facilities and support for investment in RD and training. Promotional measures to support export. Pilot programme for electric cars. Financing facilities for small and medium-size companies in the automobile sector.
Sweden	Until July 2009.	Tax premium of SEK 10 000 for private persons purchasing a new eco car.			A number of tax exemptions for eco cars were abolished.
Turkey					Special consumption taxes (SCT) on motor vehicles were reduced in varying proportions according to vehicle types and periods of 2009.
United Kingdom	May 2009 to March 2010 (but probably used up to October 2009).	£ 1 000 (conditional on the manufacturers adding another £ 1 000).	£ 300 million.	Accounted for about 10% of car sales in June 2009.	
United States	24 July to 24 August 2009.	\$3 500 to 4 500 bonuses.	\$3 billion.	Between 0.2 to 0.6 million vehicles (Council of Economic Advisers, 2009).	Tariff on Chinese tyres.

Source: OECD compilation; European Commission (2009); OECD (2009); and Council of Economic Advisers (2009).

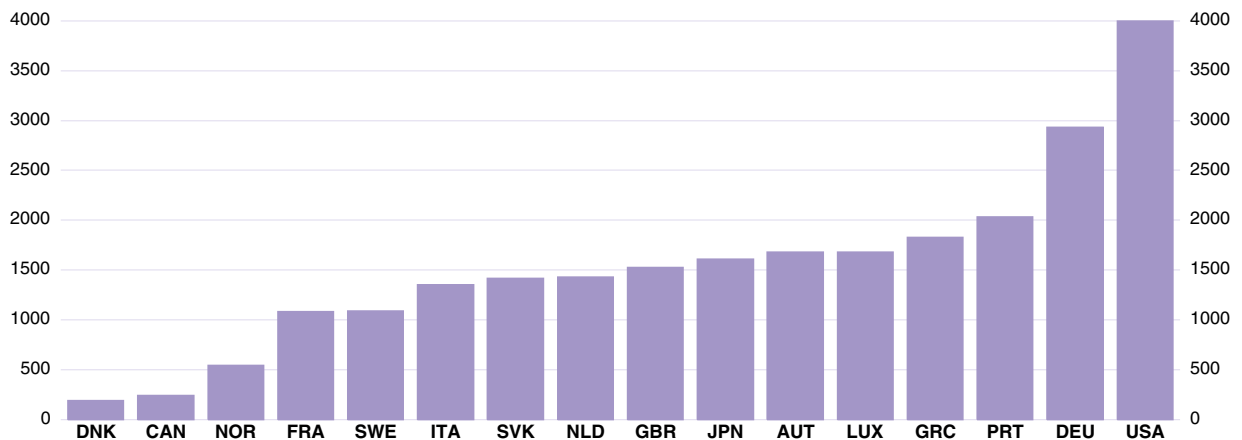
Table 2.3. **Principal measures to support the automobile sector (cont.)**

	Scrapping scheme				Other measures
	Duration	Incentives	Total amount	Effects	
Brazil					Reduction of federal VAT on purchases of small cars and trucks, and other federal taxes on the production and financing of motorbikes. Value: About \$3.3 billion for 2009.
China	From 1 June 2009 to 31 May 2010.	CNY 3 000 to 6 000 (only large cars can be scrapped).	CNY 4 billion.		Cars to the countryside programme (CNY 5 billion).
India					A reduction in the excise duty on cars and utility vehicles with an engine capacity of 2 000 cc and above. A reduction in excise duty for small cars from 16 to 12% and for hybrid cars from 24 to 14% in the 2008 budget.

Source: OECD compilation; European Commission (2009); OECD (2009); and Council of Economic Advisers (2009).


Figure 2.8. **Average scrapping subsidy levels in OECD countries**

In \$, PPPs



Note: Only the federal subsidy is reported for Canada.

Source: OECD calculations based on national sources.

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GDP growth by 0.1-0.4 percentage points at an annual rate in the third quarter of 2009 (Council of Economic Advisers, 2009).⁶ It is also officially estimated to save between 22 and 59 thousand jobs in 2009. In the euro

6. Other estimates are more optimistic. For instance, Goldman and Sachs estimate that CARS will add 0.8 percentage point to GDP growth at an annual rate in the third quarter of 2009, with no effect on growth in the fourth quarter. Other studies point to more negative effects. Abramo and Parsons (2009) estimate the cost of the programme would amount to \$2 000 per vehicle. Assuming 700 000 vehicles would benefit from the programme, this would lead to a total loss of \$1.4 billion.

area, the impact of the scheme on real GDP growth in the first half of 2009 is estimated to have been positive but relatively small (ECB, 2009). Indeed, crowding-out effects, whereby the purchase of new cars reduces demand for other products through income and relative price effects, is likely to have lowered the final effect of the car purchase incentive schemes on GDP.

... but their effects is likely to be reversed in the months to come

As most of the schemes have already ended or will expire at the end of 2009, the GDP impact expected for next year will depend on the size of the “payback effect”, i.e. to what extent programmes pulled forward sales which will then not occur in the near future. Past experience suggest that the size and the timing of this payback effects is variable (Box 2.2). In most episodes, sales appear to have been depressed after the termination of car scrapping schemes.

Some forms of support are detrimental to long-term growth

Support has also taken the form of direct government loans and subsidies to firms⁷ and interference in industry restructuring. Examples include the involvement of the US government in the restructuring of General Motors (GM) and those of the German government, while GM was proposing to sell Opel, in the choice of buyers for GM’s Opel subsidiary and in financing the sale. The latter intervention raised concerns that plans concerning factory closures across countries were not entirely based on business considerations.

More generally, the long-term economic effects of support to the automobile industry differ depending on the type of intervention.

Box 2.2. Past evidence on car scrapping programmes

A large number of countries have put in place scrapping schemes in response to the crisis. Evidence from similar measures introduced in the past suggests that:

- Scrapping programmes can markedly boost sales in the short-term.
- There is no clear evidence on the timing and the magnitude of a “payback effect” when the scheme is terminated. The period which followed the Employee Pricing Summer in the United States in 2005 saw a sizable payback effect (Figure). By contrast, there was no payback effect after the post-September 2001 incentives, but this may reflect the relatively small size of the scheme which lasted only one month. France, Spain and Italy saw a decline in sales immediately after the end of the scrapping programmes they introduced in the 1990s. However, data are not conclusive about the size and the timing of a “payback effect” beyond a few months after the ending of the schemes.
- Scrapping schemes may have medium-term structural effects, e.g. changing consumer preferences in terms of vehicle choices. Evidence for Spain suggests for instance that programmes implemented in the 1990s accelerated the development of diesel-driven cars. However, such effects would have not been visible, had the diesel technology not been widespread. These structural changes will take several years to materialise.

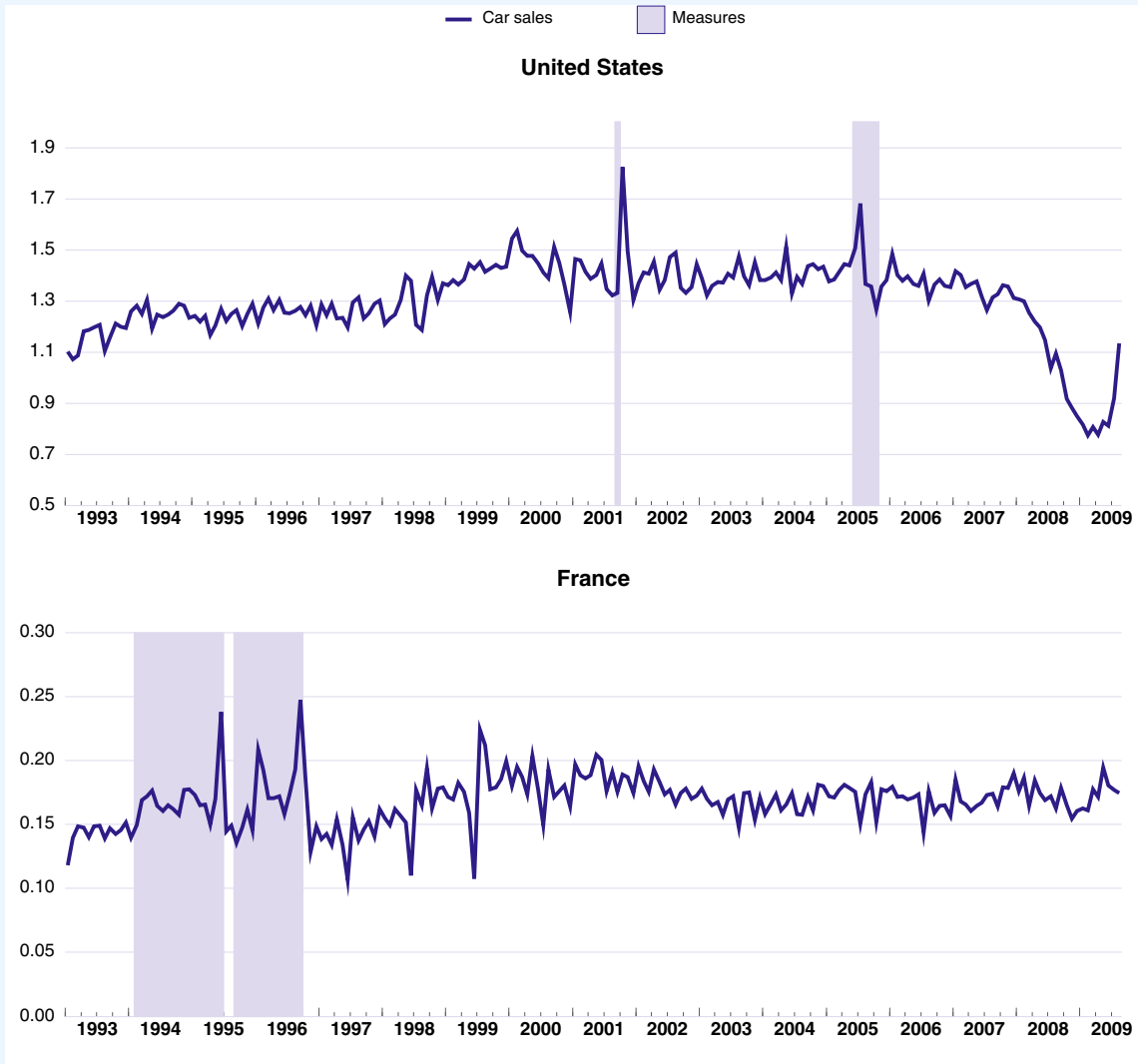
Source: Council of Economic Advisers (2009), Miravete and Moral (2009).

7. For example, the Canadian and Ontarian governments provided the Canadian arms of General Motors and Chrysler with a combined \$4 billion in loans.

Box 2.2. Past evidence on car scrapping programmes (cont.)

Car sales and past scrapping programmes

Number of cars, Millions



Source: Datastream.

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Temporary support to demand is likely to be the least distortive. However, sometimes such support can distort competition by favouring incumbent firms. As regards more direct support, some measures have sought to step up applied research and may foster innovation and production.⁸ But support to producers in distress could impede needed industry

8. The industry is classified as a medium high-tech manufacturing sector. In some countries, however, the industry invests substantially in R&D and employs a large number of R&D personnel. The share of highly skilled staff in the industry is particularly large in Spain, Germany, the United Kingdom and France (OECD, 2009).

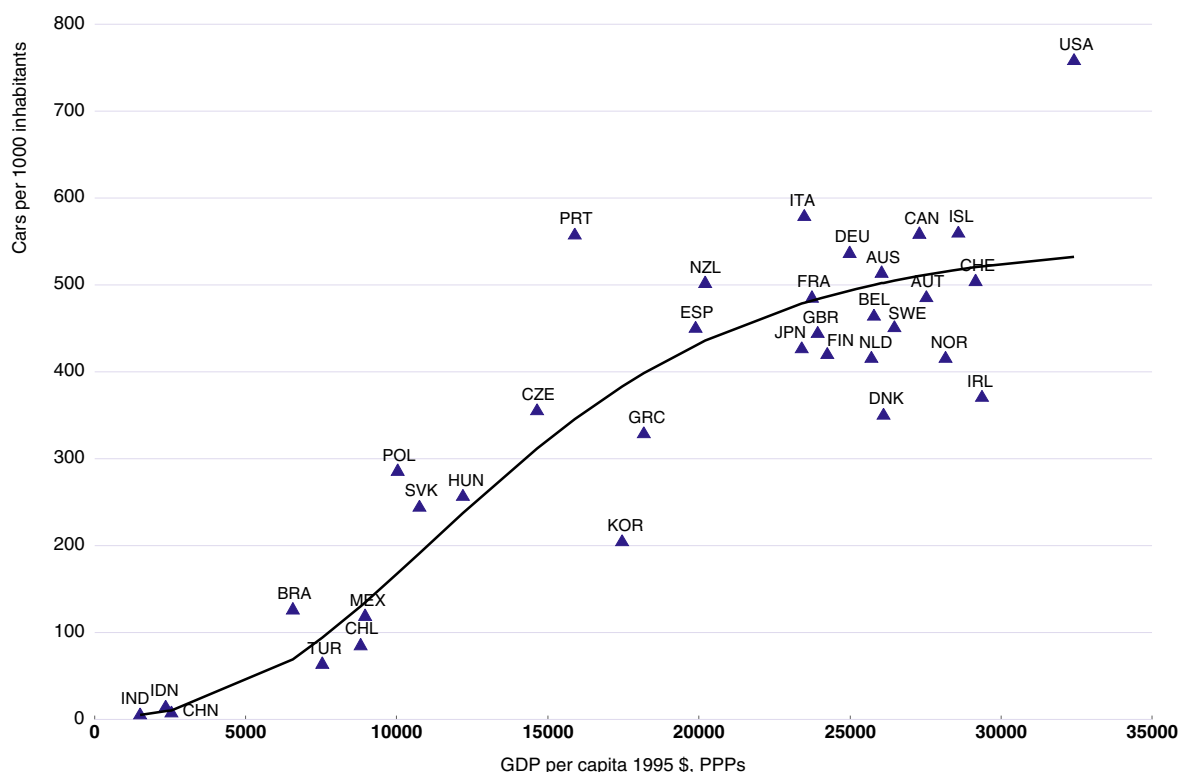
restructuring and renewal. Moreover, measures perceived as protectionist could trigger retaliation from other countries, damaging both short and long term growth prospects. Finally, the profitability of the industry may suffer not just because excess capacity is left in place but also because demand is shifted towards low-margin segments, as many schemes mainly favour small and cheap cars.

Prospects for the short and medium term differ across regions


Car ownership varies with income per capita

Historical patterns both across countries and time suggest that automobile ownership tends to rise with GDP per capita but in a non-linear way. At first, ownership rises slowly with income, then rapidly at middle-income levels, before slowing at higher income levels as saturation levels are reached (Figure 2.9). Using this relationship combined with data on population, income projections and scrapping rates allows the estimation of a medium-term trend for automobile sales (Appendix 2.A2).⁹ This trend

Figure 2.9. **Car ownership and GDP per capita**
Number of cars per 1000 population



Source: Denatran Brazil; United Nations; OECD calculations.

StatLink  <http://dx.doi.org/10.1787/750536710187>

9. The analysis is conducted for the period 1995 to 2020 with projections for GDP growth and population based on OECD and United Nations projections, respectively. Actual sales for 2009 are projected by assuming monthly sales will continue for the rest of the year at the average rate observed for the first six to nine (depending on data availability) months of the year.

can then be compared with current sales to shed light on future demand developments and with production capacity to indicate where the greatest challenges for the industry may lie.

Markets are close to saturation in many advanced economies

Future trends in car sales are likely to vary considerably across the G7 countries, other advanced countries, China, India and Mexico (Figure 2.10). In high-income countries, car ownership per capita is likely to be relatively close to saturation and therefore future developments are likely to be driven by a slow increase in vehicles per capita. In Japan, trend car sales may stagnate as a slight increase in car ownership per capita is more than offset by a declining population. In Germany and Italy, as well, trend car sales are expected to be broadly flat. In France, the United Kingdom and the United States, trend sales are expected to continue to increase due to population increases as well as some increase in car ownership per capita, though the latter effect is less important in the United States, where the density is already high.

Trend car sales are increasing at a rapid pace in China and India

In contrast with the G7 countries, car ownership levels in China are very low and incomes have now risen to a level where the income elasticity of vehicle ownership per capita is typically high (around 2 compared with around 0.4 in Japan and Western Europe). The combination of low car ownership per capita, a high income elasticity, and rapidly rising income levels means that trend car sales in China are increasing extremely rapidly and are likely to do so for the foreseeable future. Trend sales increased from around 4 million *per annum* in 2005 to around 9 million in 2009. Actual sales are also rising rapidly in line with the trend, increasing from approximately 4 million in 2005 to around 7 million in 2008. China will likely overtake the United States in the coming years to become the largest car market in the world. Starting from a lower level than in China, trend sales are also increasing at a fast rate in India.

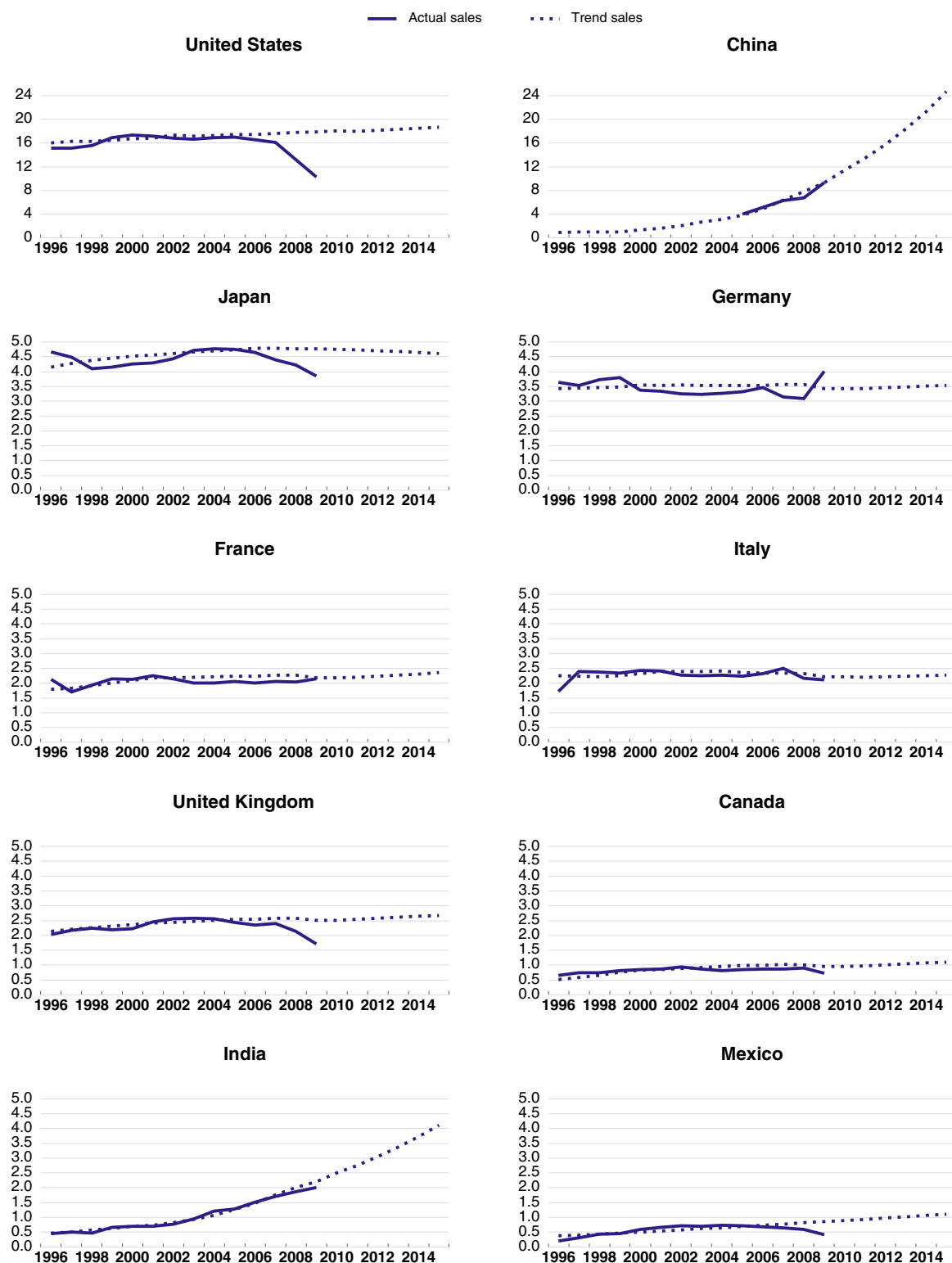
Car sales are below or at trend in many OECD countries

Comparing recent car sales with trend sales may provide an indication of car sales developments over the near term beyond the next months. In Germany, the car scrapping scheme appears to have pushed car sales far above their long-term trend, suggesting that near-term car sale prospects are likely to be particularly weak. In Australia, France, Italy and Korea sales appear to be close to their trend level. In contrast, in Canada, Japan, Mexico, Spain, the United Kingdom and the United States, car sales have clearly fallen below their trend level, suggesting some scope for a cyclical rebound. This is particularly the case in the United States where actual car sales in 2009 are set to be around 60% of trend levels.


Car sales should benefit from the recovery in activity and the improvement in financial markets conditions

As a cross-check on these calculations, estimated equations for car sales in G7 countries can be used to make short-term projections on a mechanical basis. More specifically, these projections are based on economic activity developments and assumptions concerning financial conditions consistent with those of this *Economic Outlook*. The results suggest that higher activity and improved financial conditions could

Figure 2.10. **Actual and trend car sales 1995-2015**
Number of cars, Millions



Source: OECD calculations; Datastream; China Association of Automobile Manufacturers.

StatLink  <http://dx.doi.org/10.1787/750613440461>

boost car sales by 1.9 million units in the United States, around 0.3 to 0.4 million in Japan and the United Kingdom, and 0.2 million in the three largest euro area countries from mid-2009 to 2011 (Figure 2.11). But the calculations do not incorporate the likely payback effect from car scrapping schemes, which have already or are expected to be terminated by the end of the year.

Medium-term prospects differ across regions

In the medium term, car manufacturers will face different demand conditions around the world. Comparing trend sales with capacity¹⁰ provides some perspective on the forces producers in various countries may be facing. Nonetheless, whether manufacturers have excess capacity in a given country or area depends critically on their ability to compete for market share in their home market and in export markets (Table 2.4).

Some countries need to have a significant presence in foreign markets to avoid over-capacity

Industry analysts have argued that also beyond the effects of the crisis, excess capacity exists in various countries particularly in North America and Western Europe. At a global level,¹¹ trend sales are set to increase markedly, driven particularly by China. Whether individual manufacturers will face over-capacity in the future depends on their ability to compete for a share of this growing global market. Taking the five largest Western European countries as a whole, capacity currently exceeds trend sales by around 20% and this situation may endure over the medium term.¹² Even if manufacturers in this region were able to obtain 100% domestic market share (which is unlikely due to imports), this would imply that they would have at a minimum spare capacity of around 10% that would need to be exported outside the area in order to maintain capacity utilisation at around 90%. In other words, these countries as a whole must obtain market share outside their home markets to avoid an excess capacity situation (utilisation below 90%).¹³ By contrast, in North America (Canada, Mexico and the United States), capacity is around 65% of trend sales so manufacturers in the NAFTA area need to maintain a 60% domestic market share or to export more in order to avoid excess capacity in the medium-term. In the United States, NAFTA manufacturers' market share, albeit on a declining trend, are currently at around 70% suggesting

10. The capacity data are sourced from the Price Waterhouse Coopers (PWC) Automotive Institute. These data measure light vehicle production capacity. For countries where they include light commercial vehicle production, they have been adjusted downwards in order to derive capacity data which are as comparable as possible with the car sales data for each country. The adjustment is based on the assumption that the ratio of commercial vehicles to car production capacity is in line with the actual production ratio. In the projection period, if sales follow the trends presented here, capacity developments may turn out to be different. In particular, for China if the actual sales increase in line with the trend presented in this chapter, it is likely that the increase in production capacity would be larger than the adjusted PWC data suggest.

11. The analysis considers 16 countries.

12. Germany, France, Italy, Spain and the United Kingdom.

13. Assuming that at 90% capacity utilisation there is no further spare capacity because it is not physically feasible to run manufacturing plants continuously at above this level.

Figure 2.11. **Effect of a rebound in activity and financial conditions on car sales prospects for 2010 and 2011**

Number of cars, Millions



Source: Datastream; OECD Economic Outlook 86 database.


StatLink  <http://dx.doi.org/10.1787/750624178011>

Table 2.4. **Capacity and sales in the auto industry**

	Thousands					
	Production capacity ¹		Trend market sales ²		Capacity as a % Trend Sales Level	
	2009	2015	2009	2015	2009	2015
Korea ³	4 100	4 135	1 147	1 333	357	310
Japan	10 521	10 399	4 770	4 616	221	225
Germany	6 295	6 682	3 436	3 533	183	189
Mexico	1 363	1 838	855	1 111	159	165
Spain	2 435	2 419	1 501	1 543	162	157
Canada	1 297	1 284	956	1 102	136	117
France	2 922	2 859	2 190	2 354	133	121
Belgium	777	687	500	518	155	132
Turkey	825	887	702	1 446	118	61
Sweden	247	323	339	398	73	81
Austria	257	167	424	449	61	37
Australia	339	366	923	974	37	38
United Kingdom	1 445	1 698	2 519	2 675	57	63
Italy	1 021	907	2 223	2 277	46	40
China	11 507	13 755	9 329	24 673	123	56
India	2 938	4 492	2 207	4 116	133	109
United States ⁴	9 696	10 875	17 875	18 697	54	58
W Europe Big 5 ⁵	14 119	14 566	11 868	12 382	119	118
NAFTA ⁶	12 356	13 996	19 686	20 910	63	67
Total of above countries	57 986	63 773	51 895	71 816	112	89

Note: Data refer to the sales and production of cars unless otherwise noted.

1. Capacity of domestically based producers (both nationally and foreign-owned).

To ensure consistency between car sales and capacity data, an estimate of commercial vehicle production capacity has been removed from PWC data when necessary.

2. All sales in that country's market including those produced domestically (by nationally and foreign-owned firms) and imports.

3. Excludes sales of imports.

4. Light vehicles (both sales and capacity) as it includes vehicles such as SUVs (4x4s) defined as cars elsewhere.

5. Germany, France, Italy, Spain and United Kingdom.

6. Canada, Mexico and the United States.

Source: Datastream, OECD, Price Waterhouse Coopers Automotive Institute (PWC).

StatLink  <http://dx.doi.org/10.1787/752425888001>

that full capacity utilisation is achievable provided that sales return close to trend and current market share trends are arrested. In Japan and Korea, maintaining their high capacity utilisation rates (around 90% and 85%, respectively, in 2008) will require maintaining their strong export performance as exports accounted for 60% and 70% of total production, respectively, in 2008.

The industry will face many challenges looking forward

Looking ahead, and beyond issues of straightforward capacity, car manufacturers face a number of challenges that will likely require significant restructuring to realign production capacity with changing patterns of demand, including coping with:

- Higher prices of automotive fuels driven by increasing demand for oil and policy interventions to reduce CO₂ emissions. This will likely accelerate the trend towards smaller more fuel-efficient cars which

command lower profit margins. Furthermore, the bulk of demand in the rapidly growing Chinese market is for smaller cars.

- A changing geographical pattern of demand. Most trend sales growth will be in the BRIC countries and other emerging markets while mature OECD markets will remain relatively stagnant.
- Ongoing globalisation, which will likely influence minimum efficient scale economies and the configuration of companies worldwide.

APPENDIX 2.A1

Error – Correction model of car sales

This appendix describes the model of car sales growth which has been used to explain the fall in car sales in the last quarter of 2008 and the effect of the improvement in financial conditions and the recovery in demand on short-term prospects for car sales. For each G7 country the equation is specified as an error-correction model. In the long-term, sales depend on GDP per capita (*gdppc*), real oil price (*roil*) and financial market conditions (*fci*):

$$\log(\textit{sale}) = c_0 + c_1 \log(\textit{gdppc}) + c_2 \log(\textit{roil}) + c_3 \textit{fci}$$

Over the short-term, sales growth is driven by growth of GDP per capita, real oil prices and financial market conditions as well as the gradual level adjustment of sales to their long-term trend.

The equation is estimated by a two-step procedure for each individual country (Table 2.5). Data for sales are passenger car sales and are taken from Datastream. Real oil price is the price of Brent oil deflated by core consumer prices and financial market conditions are captured by the financial condition index developed in Guichard *et al.* (2009). Given the lack of data for some individual countries, the euro financial condition index (FCI) has been used for all three European countries and the US FCI has been used for Canada. FCI is found to be significant in all countries but France. The introduction of the unemployment rate in the analysis would not modify this result.

Table 2.5. **Error correction models for car sales growth**

Asales	United States		Japan		Germany		France		Italy		United Kingdom		Canada	
	1996Q1-08Q4		1996Q1-08Q4		2000Q3-08Q4		1999Q4-08Q4		1999Q4-08Q4		1996Q4-08Q4		1996Q1-08Q4	
	Coeff.	T-statistic	Coeff.	T-statistic	Coeff.	T-statistic	Coeff.	T-statistic	Coeff.	T-statistic	Coeff.	T-statistic	Coeff.	T-statistic
Long run														
gdppc	0.96	4.74					0.74	2.64	2.51	6.44	1.36	7.68	1.36	9.74
gdppc-usa_gdppc			1.20	5.08	0.62	2.20								
roil	-0.16	-5.14					-0.05	-1.61	-0.13	-3.78	-0.19	-6.04	-0.07	-3.16
FCI	0.02	2.98	0.01	1.70							0.01	1.88		
Dynamics														
Δsales(-1)	-0.22	-1.66									0.30	1.83	0.18	1.16
Δsales(-2)	0.16	1.03					0.16	1.73					0.30	1.96
Δsales(-3)	0.28	2.00	0.23	1.71									0.48	3.13
mov2Δsales(-1)							0.23	1.04						
Δgdppc											4.69	3.03		
Δgdppc(-1)											-0.96	-0.43		
Δgdppc(-2)											-3.07	-1.60		
Δgdppc-Δusa_gdppc			2.49	3.52										
ΔFCI	0.04	5.22							0.03	1.98			0.03	3.52
ΔFCI(-1)											0.02	1.81		
mov6(ΔFCI)					0.05	2.59								
Δroil														
Δroil(-1)														
Δroil(-2)									0.13	2.14				
ECM coeff.	-0.23	-2.38	-0.19	-1.88	-0.33	-2.33	-0.47	-4.06	-0.36	-2.43	-0.21	-1.65	-0.47	-3.60
S.E.	0.04		0.05		0.03		0.03		0.05		0.04		0.04	
R2 ADJUSTED	0.57		0.23		0.61		0.41		0.33		0.25		0.35	
CHOW 1Y FCST ¹	0.00		0.03		0.38		0.09		0.50		0.32		0.00	
HETEROSKED.	0.46		0.12		0.74		0.05		0.92		0.05		0.84	
SERIAL COR(1)	0.92		0.87		0.00		0.15		0.80		0.86		0.83	
SERIAL COR(4)	0.15		0.87		0.01		0.15		0.78		0.92		0.86	
NORMALITY	0.92		0.07		0.75		0.88		0.91		0.95		0.00	

Note: Constants and dummies have not been reported. Chow is the forecast one-year test. Heterosked. is the Breuch Pagan test, serial cor. 1 or 4 is Breusch-Godfrey Serial Correlation LM test and Normality is the Jarque-Bera test. Mov2 and mov6 are moving average of order 2 or 6. Coeff. means coefficient.

1. 2007 Q4.

Source: OECD.

APPENDIX 2.A2

Car sales in the medium term

This annex sets out the method used to calculate trend car sales discussed in the main text. Trend car sales in country i at time t is given by:

$$sales_{it} = \Delta stock_{it} + scrappage_{it}$$

where $\Delta stock_{it}$ is the trend change in the stock of cars between period t and $t-1$ and $scrappage_{it}$ is the trend number of cars scrapped and replaced in each period. Scrappage is in turn a function of the average historical scrappage rate multiplied by the previous year's car stock:

$$scrappage_{it} = asr_i * stock_{it-1}$$

where the historical average scrap rate, asr_i , is determined by:

$$asr_{it} = \sum_{t=1}^T \frac{sales_{it} - \Delta stock_{it}}{stock_{it-1}}$$

The estimated stock of cars depends on passenger cars per capita multiplied by the total population:

$$stock_{it} = pc_{it} * pop_{it}$$

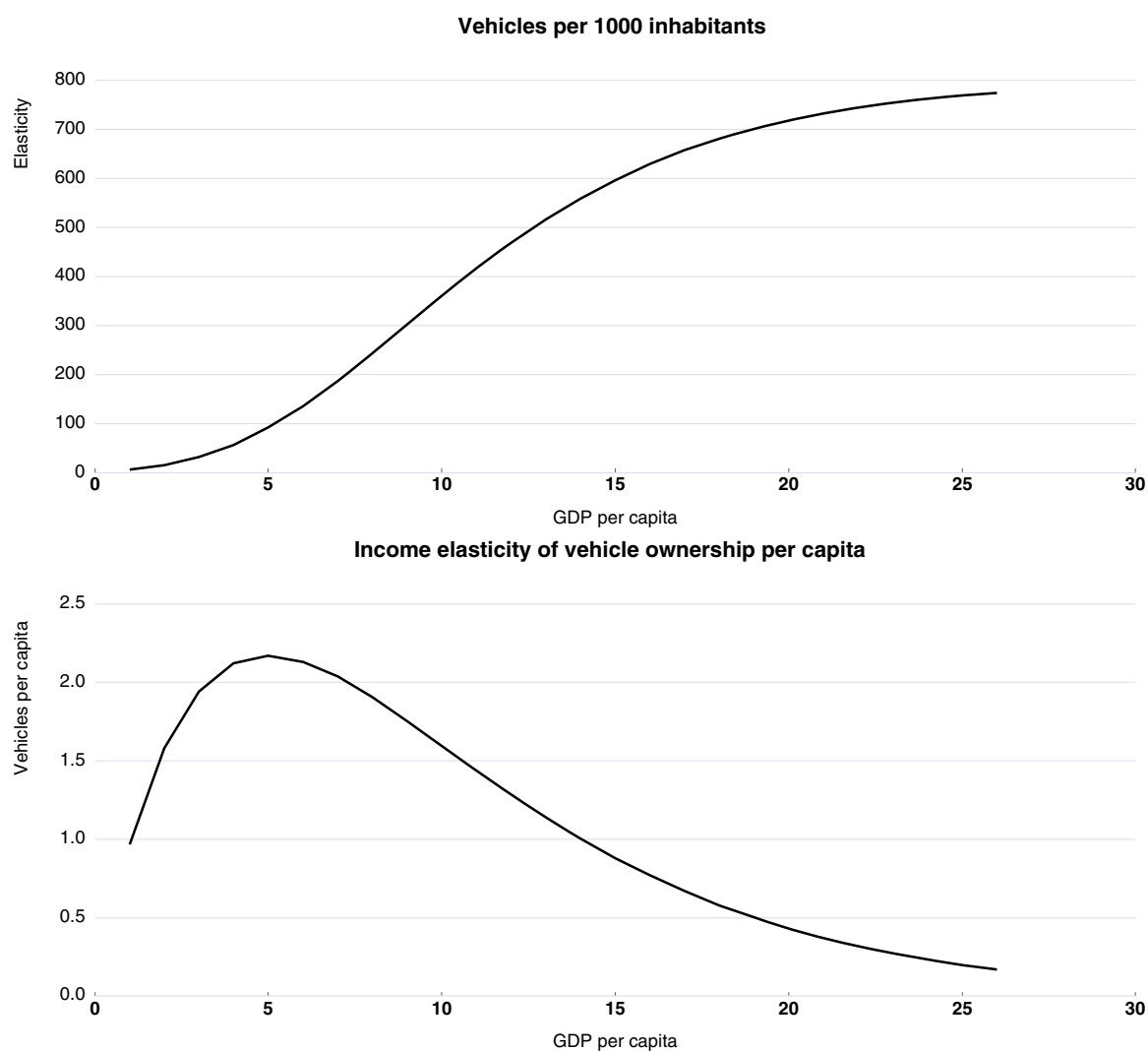
To obtain pc_{it} , first the long-run equilibrium stock of vehicles per capita (per 1 000 inhabitants) is obtained:

$$vlr_{it} = \gamma_i e^{\alpha \beta_i GDP_t}$$

where vlr_{it} a non-linear function of the level of per capita income (Dargay *et al.*, 2007). In particular, γ_i is the saturation level of vehicles per capita and α and β_i define the shape of the function and GDP is real GDP per capita measured in purchasing power parity (Figure 2.12). The implied long-run elasticity of vehicle ownership is then given by:

$$\varepsilon_t = \alpha \beta_i GDP_t e^{\beta_i GDP_t}$$

Dargay *et al.* (2007) econometrically estimate these parameters using annual data over the period 1960-2002. Their estimates for γ_i and α are used in this simulation exercise. Their estimates for β_i are used as starting points and then these parameters and consequently the elasticity of vehicle ownership is calibrated so that the sum of trend sales between 1996 and 2007 is within +/-2.5% of the sum

Figure 2.12. **Vehicles ownership and income per capita**

Source: OECD calculations.

StatLink  <http://dx.doi.org/10.1787/750656421857>

of actual sales over this period. The implicit assumption is that over a longer period of time, the trend should capture actual sales.

Short-term trend vehicle ownership per capita is then assumed to gradually adjust towards this long-term equilibrium level (which itself is evolving) over time:

$$v_{it} = v_{it-1} + \theta(vln_{it} - v_{it-1})$$

where θ is the speed of adjustment and $0 < \theta < 1$.

Vehicles are composed of both cars and other vehicles. Passenger car per capita are therefore generally obtained by:

$$pc_{it} = pcr_i * v_{it}$$

where pcr is the ratio of the historical average of the passenger car to total vehicle. In almost all higher-income OECD countries, this proportion is highly stable, varying by less than 1% from year to year. In developing countries, the ratio of cars to total vehicles tends to rise over time. In these cases, the historical rate of increase is used until a threshold of 85% is reached which is the average for higher-income OECD countries.

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Chapter 3

DEVELOPMENTS IN INDIVIDUAL OECD COUNTRIES

UNITED STATES

The economy is gradually coming out of a severe recession. The decline of output has ceased since the summer, though significant trouble spots remain. The risk of new large bankruptcies in the banking system has diminished, but equity capital will need to be replenished to offset financial losses. The household sector is also undergoing significant adjustment, with a sharp reduction of debt and rebuilding of assets. Sizable macroeconomic stimulus and easing financial conditions will support growth, though it will be somewhat weaker than during past recoveries. Unemployment will decline slowly.

The Federal Reserve and the Administration must begin to withdraw the economic support as economic growth becomes self-sustaining. Gauging the appropriate timing will not be a simple task, but prolonged stimulus risks unanchoring inflation expectations and destabilising asset markets. While the need to be flexible in the face of changing economic conditions is desirable, exit strategies should nonetheless be communicated clearly.

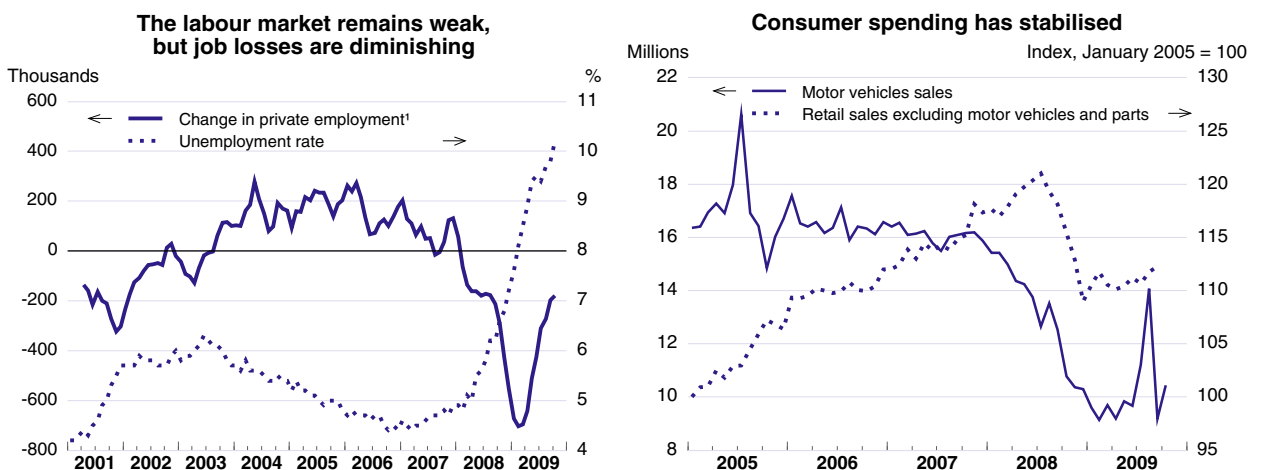
The recovery is gaining strength...

After the most severe post-war recession, the economy appears to have bottomed out. Industrial production has rebounded after a substantial contraction and real GDP grew in the third quarter at a healthy pace boosted by slower destocking and the “Cash-for-Clunkers” programme that led to a spike in motor vehicle sales in July and August from severely depressed levels. Increases in share prices have helped rebuild a fraction of the lost household wealth, and prices in the housing market appear to have stabilised.

... but the economy still faces headwinds

However, not all signs are positive: non-residential construction remains on a downward slope and the labour market also has continued to weaken, though the declines appear to be slowing. Abstracting from the spike in motor vehicles, the level of consumption expenditures in recent

United States



1. Three-month moving average of one-month actual change of total private employment.

Source: OECD Economic Outlook 86 database; Bureau of Economic Analysis and Datastream.

United States: **Employment, income and inflation**

Percentage changes

	2007	2008	2009	2010	2011
Employment ¹	0.9	-0.6	-3.7	-0.2	1.5
Unemployment rate ²	4.6	5.8	9.2	9.9	9.1
Employment cost index	3.1	2.8	1.5	1.3	1.1
Compensation per employee ³	4.0	2.4	-0.8	2.7	2.7
Labour productivity	1.3	1.0	1.3	2.7	1.2
Unit labour cost	3.0	1.8	-1.1	-0.1	1.5
GDP deflator	2.9	2.1	1.3	0.9	1.0
Consumer price index	2.9	3.8	-0.4	1.7	1.3
Core PCE deflator ⁴	2.4	2.4	1.5	1.3	1.2
PCE deflator ⁵	2.7	3.3	0.2	1.4	1.2
Real household disposable income	2.2	0.5	0.6	1.3	2.4

1. Nonfarm employment, based on the Bureau of Labor Statistics (BLS) Establishment Survey.

2. As a percentage of labour force, based on the BLS Household Survey.

3. In the private sector.

4. Deflator for private consumption excluding food and energy.

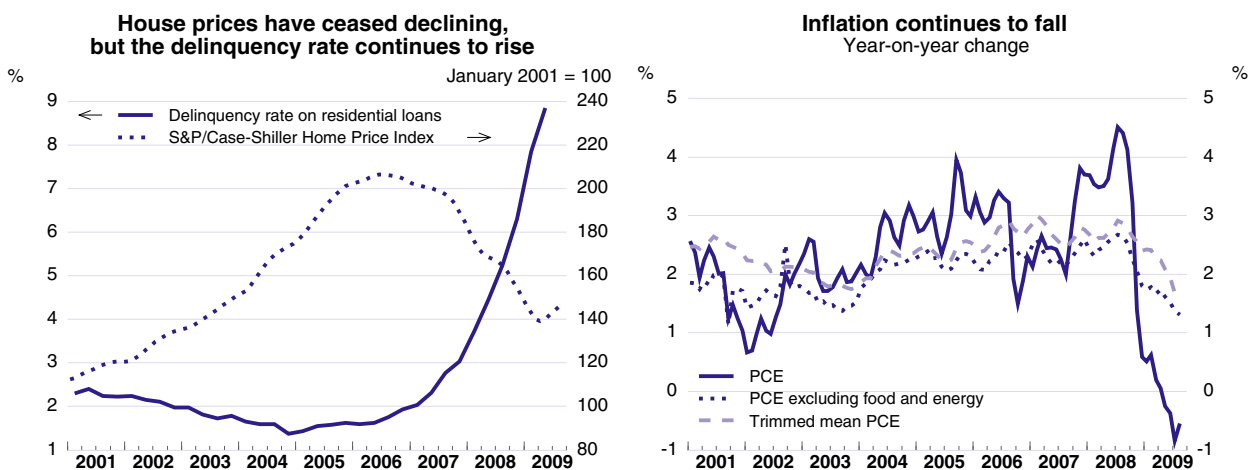
5. Private consumption deflator. PCE stands for personal consumption expenditures.

Source: OECD Economic Outlook 86 database.


StatLink  <http://dx.doi.org/10.1787/752507465820>

months has edged up, but only modestly. The depth of the contraction has left the economy with significant unused capacity in both product and labour markets, which will likely take some time to unwind. High levels of spare productive capacity have helped to hold down inflation, despite the considerable monetary stimulus and rising energy and commodity prices since the beginning of the year. The fall in domestic demand has also led to a significant reduction in the current account deficit, which dropped to less than 3% of GDP in the first half of the year.

United States



Source: OECD Economic Outlook 86 database; Federal Reserve and Datastream.

StatLink  <http://dx.doi.org/10.1787/750675566086>

United States: **Financial indicators**

	2007	2008	2009	2010	2011
Household saving ratio ¹	1.7	2.7	3.9	4.0	4.0
General government financial balance ²	-2.8	-6.5	-11.2	-10.7	-9.4
Current account balance ²	-5.2	-4.9	-3.0	-3.4	-3.7
Short-term interest rate ³	5.3	3.2	0.9	0.3	1.8
Long-term interest rate ⁴	4.6	3.7	3.3	4.0	4.7


1. As a percentage of disposable income.

2. As a percentage of GDP.

3. 3-month rate on euro-dollar deposits.

4. 10-year government bonds.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752557813570>

Macroeconomic policy has sustained the turnaround

Much of the rebound in growth has been a direct result of government policies. In the financial markets, the historically low federal funds rate along with considerable Federal Reserve intervention in buying mortgage-backed securities has helped drive down mortgage rates and largely reverse the surge in commercial paper and corporate bond spreads that occurred late last year. The Administration estimates that the fiscal stimulus programmes contributed 2 to 3 percentage points to economic growth after the first quarter of 2009, accounting for most of the economic growth that has occurred since then.

United States: **Demand and output**

	2008	2009	2010	2011	Fourth quarter		
					2009	2010	2011
	Current prices \$ billion	Percentage changes from previous year, volume (2005 prices)					
Private consumption	10 129.9	-0.6	1.3	2.4	0.9	1.6	2.8
Government consumption	2 386.9	2.0	1.8	0.4	1.8	1.1	0.2
Gross fixed investment	2 667.1	-14.3	2.1	7.8	-10.5	4.5	8.9
Public	496.4	2.4	2.8	0.4	4.0	1.1	0.2
Residential	477.2	-20.0	8.5	16.0	-11.3	11.7	17.3
Non-residential	1 693.6	-17.8	0.2	8.4	-14.9	3.9	9.9
Final domestic demand	15 183.9	-2.6	1.5	2.9	-0.9	2.0	3.3
Stockbuilding ¹	- 34.7	-0.7	1.1	0.1			
Total domestic demand	15 149.2	-3.4	2.5	3.0	-1.1	2.6	3.3
Exports of goods and services	1 831.1	-10.8	6.8	7.8	-4.9	6.9	8.2
Imports of goods and services	2 538.9	-14.8	6.2	8.1	-9.3	6.6	8.9
Net exports ¹	- 707.8	1.2	-0.1	-0.3			
GDP at market prices	14 441.4	-2.5	2.5	2.8	-0.3	2.5	3.0

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Detailed quarterly projections are reported for the major seven countries, the euro area and the total OECD in the Statistical Annex.

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 86 database.


StatLink  <http://dx.doi.org/10.1787/752560882046>

United States: **External indicators**

	2007	2008	2009	2010	2011
	\$ billion				
Goods and services exports	1 656.0	1 831.1	1 538.9	1 658	1 794
Goods and services imports	2 369.7	2 538.9	1 917.5	2 098	2 290
Foreign balance	- 713.8	- 707.8	- 378.6	- 440	- 496
Invisibles, net	- 12.8	1.7	- 55.4	- 66	- 70
Current account balance	- 726.6	- 706.1	- 434.0	- 506	- 566
	Percentage changes				
Goods and services export volumes	8.7	5.4	- 10.8	6.8	7.8
Goods and services import volumes	2.0	- 3.2	- 14.8	6.2	8.1
Export performance ¹	1.0	1.1	2.6	0.1	0.4
Terms of trade	- 0.2	- 5.2	6.3	- 2.1	- 0.6

1. Ratio between export volume and export market of total goods and services.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752617357640>

Budget deficits are expected to remain high

However, such government support entails a significant cost: the federal government budget deficit is likely to exceed 10% of GDP in 2009, up from 2¼ per cent in 2007 before the current recession. A necessary consolidation of the enormous fiscal deficit will restrain government expenditures over the forecast horizon, but this consolidation is assumed to occur slowly over a number of years. The federal government deficit is likely to remain above 10% of GDP in 2010, reflecting the path of fiscal support measures, which were spread out so as to provide impetus into next year. The federal government deficit should dip below that bar in 2011 as the temporary stimulus measures automatically expire and, except for an additional increase of the alternative minimum tax (AMT) relief level, some of the tax cuts introduced by the previous Administration are assumed not to be extended further.

The recovery will gradually become self sustaining

As the budget consolidation begins, increases in private domestic demand should become the main driver of output growth. However, weak fundamentals suggest that the strength of private domestic demand will not be enough for a strong acceleration in output growth in 2010. Instead, the current recovery is likely to be modest initially, with a gradual acceleration only in 2011. In the near-term, the ending of a considerable drawdown in inventories and a bounce back of residential investment from very depressed levels will likely provide some boost to output. Over the longer term, a greater impetus will come from the improvements in firm profitability, lower corporate bond rates, and easing in the availability of bank loans which will greatly relax supply constraints on business investment. Significant spare capacity left over from the large decline in real business output over the past two years is nevertheless likely to weigh heavily on investment demand. As a result, despite stepped-up growth, the level of business investment is not likely to reach its pre-crisis levels by the end of 2011.

Household saving is likely to remain above pre-crisis level

Higher asset prices will reduce the need for future increases in the saving rate and, along with expanding consumer confidence, should support continued consumption growth. Rising homes sales, and the substantial decline in the level of unsold homes over the past couple of years, will likely push residential construction up from its moribund levels. However, even with some improvement, the high unemployment rate is likely to depress wage growth and hold down increases in personal income over the next couple of years. As a result, household demand is unlikely to accelerate strongly next year, and, instead, a gradual acceleration appears more likely, with the personal saving rate staying well above pre-recession levels in 2011. With US growth picking up in 2011, the recent improvement in the current account balance will be partially reversed.

Renewed financial stress would weigh on the recovery, but there are also upside risks

There is a risk that financial institutions may incur more losses than envisaged, notably on commercial real estate loans, impinging on their capacity to lend and hence to support economic growth. There is also a risk that the recovery could be compromised by an increase in long-term interest rates resulting from investor concerns about persistently high budget deficits. On the upside, continued increases in the stock market and a turnaround in housing prices could restore consumer confidence and lead to a significantly stronger bounce back in household spending. Under such a scenario businesses could find inventory levels too low for the increased demand.

JAPAN

The severe recession triggered by the global crisis has bottomed out, thanks in part to a rebound in exports, although production remains well below capacity. In addition, fiscal stimulus is partially offsetting the impact of falling employment and wages on domestic demand. Growth is projected to pick up gradually to around 2% in 2011, due in part to the new government's plan to increase public spending. Nevertheless, the unemployment rate is likely to stay around 5½ per cent through 2011 and deflation will persist.

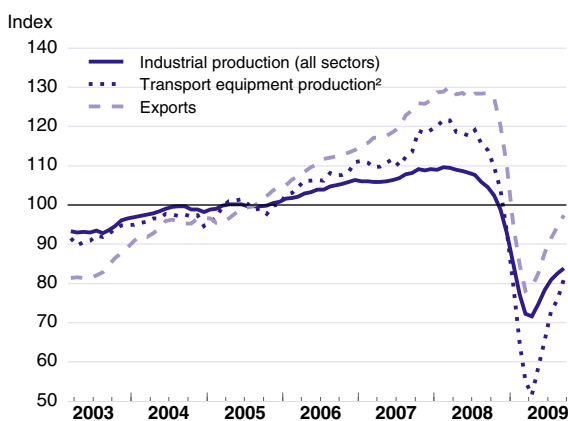
The Bank of Japan should fight deflation through a strong commitment to keep interest rates at their very low current levels and to implement quantitative measures effectively until underlying inflation is firmly positive. Additional fiscal stimulus is not warranted given the expected pick-up in output growth, as well as Japan's large budget deficit and high public debt ratio. The government should thus finance its planned rise in public expenditure through cuts in other spending programmes. It is essential to develop a credible and detailed medium-term fiscal consolidation programme and to implement it once a recovery is firmly in place. Such a programme should include fundamental tax reform, accompanied by structural reforms, particularly in the service sector, to improve living standards in the face of a shrinking working-age population.

The recovery led by exports and fiscal stimulus...

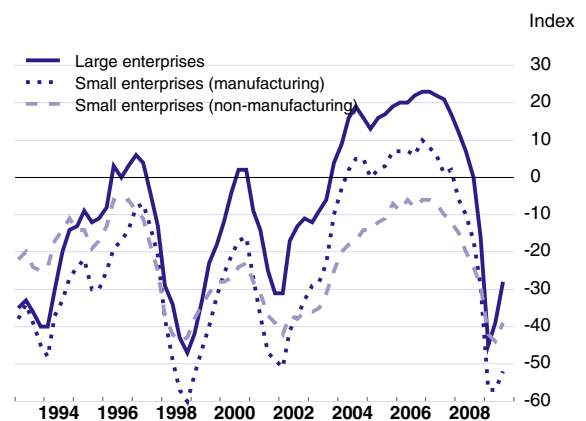
A rebound in exports, led by demand from other Asian countries, has ended the sharpest economic downturn in Japan's post-war history. A partial reversal of the yen's appreciation since the financial crisis intensified in September 2008 also helped lift exports, particularly of cars and information-technology-related products. The number of bankruptcies has stabilised following a large jump in the first half of 2009, financial conditions have improved overall and business confidence continues to strengthen, although it remains weak by historical

Japan

Exports and production have started to recover¹



Business confidence is improving, but remains weak³




1. Data are three-month moving averages of seasonally-adjusted volume indices (2005=100).

2. Excluding ships and rolling stock.

3. Diffusion index of "favourable" minus "unfavourable" business conditions in the Tankan Survey. There is a discontinuity between the third and fourth quarters of 2003 due to data revisions.

Source: Ministry of Economy, Trade and Industry; Bank of Japan.

StatLink  <http://dx.doi.org/10.1787/750678107306>

Japan: **Employment, income and inflation**

Percentage changes


	2007	2008	2009	2010	2011
Employment	0.5	-0.4	-1.8	-0.9	0.0
Unemployment rate ¹	3.9	4.0	5.2	5.6	5.4
Compensation of employees	0.4	0.7	-4.1	-0.6	0.8
Unit labour cost	-1.9	1.4	1.3	-2.3	-1.2
Household disposable income	0.0	0.4	-2.6	-0.4	1.7
GDP deflator	-0.7	-0.9	0.0	-1.7	-0.8
Consumer price index ²	0.1	1.4	-1.2	-0.9	-0.5
Core consumer price index ³	-0.2	0.1	-0.5	-0.7	-0.4
Private consumption deflator	-0.4	0.5	-1.9	-1.4	-0.8

1. As a percentage of labour force.

2. Calculated as the sum of the seasonally adjusted quarterly indices for each year.

3. Consumer price index excluding food and energy.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752618337025>

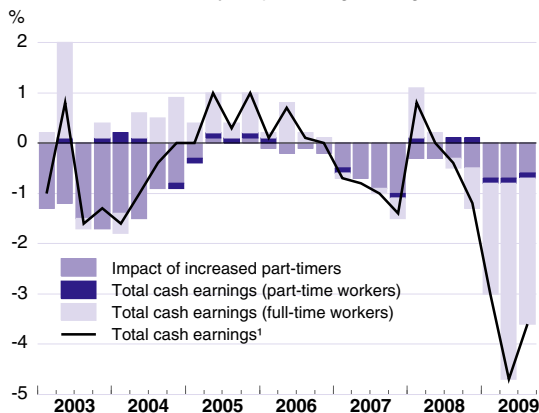
standards. However, the sharp fall in corporate profitability in the first half of 2009 prompted firms to cut their investment plans further. Risk premiums for low-rated borrowers remain high and bank lending has decelerated due to weak demand. Equity prices remain about a quarter below their pre-September 2008 levels, resulting in negative wealth effects.

... has not been able thus far to stabilise employment and prices

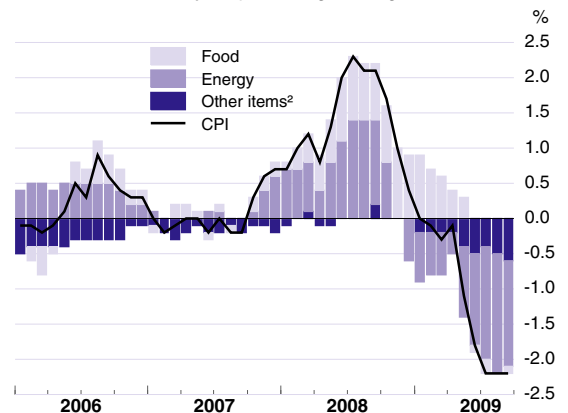
The negative shock to the corporate sector has affected households through the labour market. Household income is shrinking as the decline in wages that began in late 2008 accelerates and employment declines. The unemployment rate reached a record high of 5.7% in the summer

Japan

Wages have fallen sharply
Year-on-year percentage change



Deflation is worsening
Year-on-year percentage change



1. Total cash earnings of all workers, including bonuses.

2. Corresponds to the OECD measure of core inflation.

Source: Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

StatLink  <http://dx.doi.org/10.1787/750685862048>

Japan: Financial indicators

	2007	2008	2009	2010	2011
Household saving ratio ¹	3.3	2.7	2.8	2.6	3.6
General government financial balance ²	-2.5	-2.7	-7.4	-8.2	-9.4
Current account balance ²	4.9	3.2	2.5	2.8	2.8
Short-term interest rate ³	0.7	0.7	0.5	0.3	0.2
Long-term interest rate ⁴	1.7	1.5	1.4	1.8	2.5

1. As a percentage of disposable income.

2. As a percentage of GDP.

3. 3-month CDs.

4. 10-year government bonds.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752642571416>

of 2009 and it would have been around two percentage points higher without an employment subsidy that encouraged firms to retain their workers. Additional measures to support employment are planned. Deteriorating labour market conditions have intensified deflationary pressures. Headline consumer prices were falling more than 2% (year-on-year) by mid-2009, and core prices (excluding food and energy) by almost 1%. Moreover, land prices in July 2009 were down by 4% from a year earlier, with surveys indicating that a further decline is expected, implying a risk of balance sheet adjustments that would put pressure on the banking sector.

Japan: Demand and output

	2008	2009	2010	2011	Fourth quarter		
					2009	2010	2011
	Current prices ¥ trillion				Percentage changes from previous year, volume (2000 prices)		
Private consumption	293.4	-0.7	1.2	1.2	0.7	0.8	1.5
Government consumption	94.1	1.1	2.3	2.4	1.1	2.5	2.4
Gross fixed investment	117.2	-12.8	-0.8	4.4	-9.5	2.2	4.7
Public ¹	20.1	8.8	-7.9	-5.2	7.0	-9.6	-4.0
Residential	16.5	-13.3	-2.9	11.4	-22.7	8.6	10.0
Non-residential	80.6	-18.0	2.1	5.9	-11.0	4.7	6.1
Final domestic demand	504.7	-3.2	1.0	2.1	-1.5	1.4	2.4
Stockbuilding ²	2.2	-0.2	0.1	0.0			
Total domestic demand	506.8	-3.4	1.1	2.1	-2.0	1.4	2.3
Exports of goods and services	88.5	-25.1	10.8	6.2	-8.6	5.9	6.3
Imports of goods and services	87.8	-14.7	5.9	6.9	-13.0	6.0	7.2
Net exports ²	0.7	-1.8	0.6	-0.1			
GDP at market prices	507.6	-5.3	1.8	2.0	-1.1	1.4	2.2

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Detailed quarterly projections are reported for the major seven countries, the euro area and the total OECD in the Statistical Annex.

1. Including public corporations.

2. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 86 database.


StatLink  <http://dx.doi.org/10.1787/752645374218>

Japan: External indicators

	2007	2008	2009	2010	2011
\$ billion					
Goods and services exports	772.0	853.9	615.5	685	728
Goods and services imports	698.7	847.5	618.0	682	729
Foreign balance	73.3	6.4	- 2.4	3	- 1
Invisibles, net	139.6	151.0	128.3	142	149
Current account balance	212.8	157.4	125.9	146	148
Percentage changes					
Goods and services export volumes	8.4	1.8	- 25.1	10.8	6.2
Goods and services import volumes	1.5	0.9	- 14.7	5.9	6.9
Export performance ¹	0.7	- 1.3	- 15.8	2.3	- 2.4
Terms of trade	- 4.6	- 9.5	12.5	- 3.6	0.0

1. Ratio between export volume and export market of total goods and services.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752647611223>

The fiscal stance is set to remain expansionary through 2011...

Despite weak labour market conditions, private consumption rebounded in the second quarter of 2009, thanks in part to a lump-sum income payment to households, while government investment has been rising at a double-digit rate. Such outlays are part of the four fiscal packages amounting to 4.2% of GDP (excluding the capitalisation of public financial institutions) that were introduced during 2008-09. Coupled with the automatic stabilisers, the stimulus has mitigated the depth and length of the recession, while boosting the budget deficit (excluding one-off factors) from 3.3% of GDP in 2007 to 9.1% in 2009. The new government is committed to a variety of new spending programmes that are expected to boost annual expenditure by 3.3% of GDP from 2011. Additional outlays are to be financed in part by reducing spending in the fiscal year (FY) 2009 supplementary budget, cutting spending in other areas, reducing tax expenditures, running down government reserves and selling public assets. The fiscal expansion is projected to widen the budget deficit further, to more than 10% of GDP by 2011, even if the financing plan were implemented. This would boost gross public debt, already the highest ever recorded in the OECD area, to 204% of GDP. Moreover, net debt, at 113% of GDP, would also be the highest among OECD countries. The government has ruled out any increase in the consumption tax during its term of up to four years. However, it plans to announce a medium-term fiscal policy framework in 2010 as part of the preparations for the FY 2011 budget.

... while the Bank of Japan continues to provide liquidity

Fiscal stimulus has been accompanied by measures by the Bank of Japan to sustain credit flows and stabilise financial markets. A scheme to lend short-term funds to banks to facilitate their lending to firms had provided 6.9 trillion yen (1.4% of GDP) by September 2009 and will be phased out at the end of FY 2009. In addition, the Bank launched a programme, which will expire at the end of 2009, to purchase commercial paper and corporate bonds. Moreover, it will purchase up to 1 trillion yen

in shares of investment-grade firms held by eligible banks by April 2010. It also increased its outright purchases of government bonds in March 2009. The central bank has left the short-term policy rate unchanged at 0.1% since December 2008. While these measures have been successful in improving financial market conditions and flattening the yield curve, thereby facilitating corporate financing, they have not stopped deflation. Greater use of quantitative measures, notably the central bank's outright purchases of government bonds, may help by providing more liquidity to the market and pushing up expected inflation out of deflationary territory.

Economic growth is projected to reach 2% in 2011...

Entrenched deflation acts as a drag on economic growth as it discourages business investment by raising the real interest rate and squeezing profit margins. In addition, the record low level of the job-offer-to-applicant ratio indicates that unemployment will remain high for some time, damping private consumption. Despite these headwinds, output is projected to increase by 1¾ per cent in 2010 and by 2% in 2011. Increased public social spending, including child allowances, free high school education and larger outlays for health and long-term care, should stimulate domestic demand, although a significant portion is expected to be saved, thus boosting the household saving ratio. Exports will be a second driver of the expansion as Japan benefits from the expected recovery in world trade, although the appreciation of the yen by nearly 20% in effective terms since September 2008 may lead to market share losses. Sustained export growth is projected to reverse the decline in business investment and help stabilise wages and employment, giving further support to private consumption. Modest growth implies that a negative output gap will persist through 2011, keeping inflation in negative territory.

... with external and domestic risks mostly on the downside

The uncertainty about the strength of the recovery in world trade and the policies of the new government poses a number of risks to the still-fragile recovery. An early withdrawal of the emergency measures to stabilise financial markets could have negative consequences for domestic demand. In addition, the plan to expand public spending makes Japan vulnerable to a rise in long-term interest rates, which are currently very low. On the external side, Japan's economic outlook is very sensitive to the recovery of the global economy and to exchange rate developments. A large and rapid appreciation of the yen could reduce export growth and discourage firms from investing and hiring in Japan. On the other hand, a faster-than-expected recovery in world trade could result in a stronger expansion in Japan.

EURO AREA

The sharp contraction in euro area activity appears to have ended sooner than anticipated, with further improvements in financial conditions, fiscal stimulus measures and stabilisation of export demand. However, headwinds from financial sector deleveraging and rising unemployment suggest that the recovery will be gradual. Despite the improved outlook, core inflation should continue to moderate until the end of 2010 due to substantial economic slack.

Low core inflation, tight credit conditions and a persistent negative output gap make it appropriate for the current expansionary monetary policy stance to be maintained until late 2010. Thereafter, emergency credit support measures should be withdrawn and policy rates gradually increased. Medium-term growth prospects would be enhanced by clear and credible plans for future fiscal consolidation and further structural measures to deepen the single market, enhance competitive pressures and strengthen financial supervision.

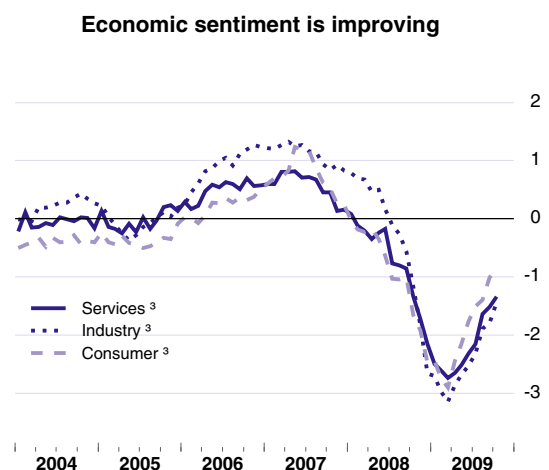
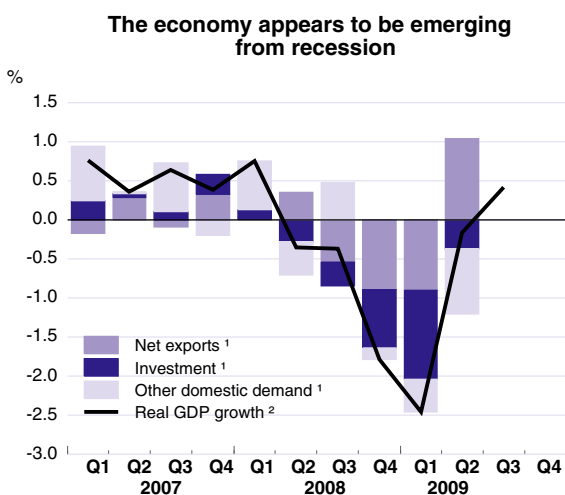
The recession appears to be coming to an end

The 0.1% fall in second quarter GDP appears to have signalled the end of the sharp contraction in euro area activity. Although reductions in inventories continued to weigh heavily during the quarter, household consumption rose and exports were stronger than anticipated. Industrial production stabilised and picked up in the months up to August, while industrial orders continued their upward trend of recent months. Business and consumer confidence have recovered but remain far below their long-term averages.

Financial conditions are improving

Financial conditions have eased substantially since the beginning of the year due to a recovery in equity prices and a significant narrowing of interest-rate spreads in money markets. Nevertheless, bank lending standards are tight, credit growth to households and firms is weak and

Euro area



1. Contribution to real GDP growth.
 2. Quarter-on-quarter percentage change.
 3. The series are normalised and indexed to 0 over the period 1999 to 2009.
- Source: Eurostat and OECD, OECD Economic Outlook 86 database.

Euro area: **Employment, income and inflation**

Percentage changes

	2007	2008	2009	2010	2011
Employment	1.8	1.0	-1.6	-1.1	-0.1
Unemployment rate ¹	7.5	7.5	9.4	10.6	10.8
Compensation per employee ²	2.5	2.5	0.8	1.1	1.5
Labour productivity	0.9	-0.5	-2.4	2.1	1.7
Unit labour cost	1.7	3.6	3.8	-0.9	-0.3
Household disposable income	3.6	3.9	1.5	1.1	1.7
GDP deflator	2.3	2.2	1.0	0.5	0.7
Harmonised index of consumer prices	2.1	3.3	0.2	0.9	0.7
Core harmonised index of consumer prices ³	1.9	1.8	1.3	0.9	0.7
Private consumption deflator	2.2	2.8	-0.2	1.0	0.8


Note: Covers the euro area countries that are members of the OECD.

1. As a percentage of labour force.

2. In the private sector.

3. Harmonised index of consumer prices excluding energy, food, drink and tobacco.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752651461145>

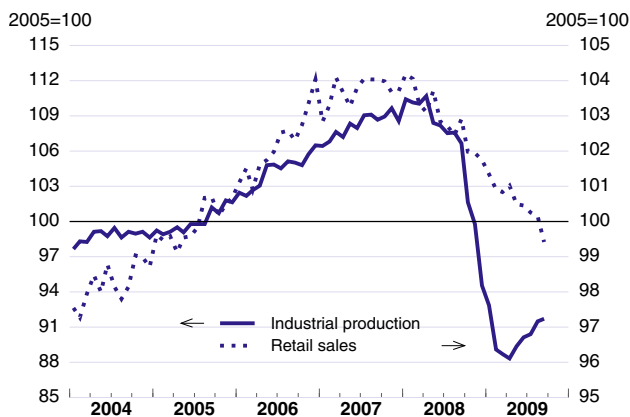
property prices are declining in many countries. Despite banks' recent success in attracting new private capital, concerns remain about the health of the European banking sector and in particular whether banks are sufficiently well capitalised to weather a significant increase in defaults. European-wide financial regulatory and supervisory structures must be strengthened considerably to help avoid future crises.

Unemployment is still rising

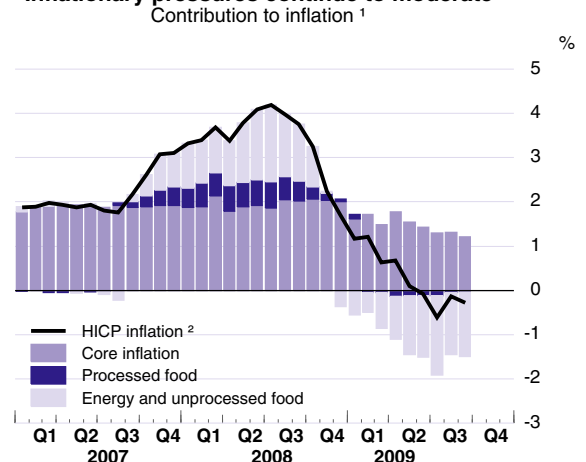
Labour market conditions have deteriorated since the onset of the downturn. Employment has fallen by just over 2% from its peak but has proved stronger relative to the drop in output than in previous recessions.

Euro area

In the near term, recovery will be weak



Inflationary pressures continue to moderate



1. Represented by the harmonised consumer price index (HICP).

2. Year-on-year percentage change.

Source: Eurostat and OECD, OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/750703750628>

Euro area: **Financial indicators**

	2007	2008	2009	2010	2011
Household saving ratio ¹	9.1	9.8	11.8	11.9	11.9
General government financial balance ²	-0.6	-2.0	-6.1	-6.7	-6.2
Current account balance ²	0.5	-0.8	-0.6	-0.1	0.3
Short-term interest rate ³	4.3	4.7	1.2	0.8	1.9
Long-term interest rate ⁴	4.3	4.3	3.8	4.1	4.7

Note: Covers the euro area countries that are members of the OECD.


1. As a percentage of disposable income.

2. As a percentage of GDP.

3. 3-month interbank rate.

4. 10-year government bonds.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752656834757>

This suggests that there is a large measure of labour hoarding, in part facilitated by schemes in several countries to subsidise short working hours. The area-wide unemployment rate rose to 9.6% in August and is projected to rise until early 2011 as labour demand remains weak and labour hoarding is scaled back.

Inflationary pressures are moderating

Earlier declines in global commodity prices led to headline inflation turning negative during the summer. Core inflation has also moderated in recent months, falling to 1.2% on a year-on-year basis in September from 2.0% at the end of last year. Headline inflation is likely to pick up again in the short term as base effects drop out and more recent increases in commodity prices pass through into consumer prices. However, both

Euro area: **Demand and output**


	2008	2009	2010	2011	Fourth quarter		
					2009	2010	2011
	Current prices € billion	Percentage changes from previous year, volume (2001 prices)					
Private consumption	5 194.4	-1.0	0.0	1.1	-0.7	0.4	1.3
Government consumption	1 881.9	2.3	1.1	0.8	2.1	0.7	0.9
Gross fixed investment	1 986.6	-10.6	-1.0	2.3	-8.5	0.8	3.4
Public	243.5	2.4	1.8	-3.6	3.6	0.4	-4.1
Residential	537.4	-10.3	-3.9	0.4	-8.6	-1.5	1.4
Non-residential	1 205.7	-13.2	-0.5	4.4	-10.8	1.9	5.7
Final domestic demand	9 062.9	-2.5	0.0	1.3	-1.8	0.5	1.6
Stockbuilding ¹	36.4	-0.6	0.2	0.0			
Total domestic demand	9 099.2	-3.1	0.2	1.2	-2.5	0.7	1.6
Net exports ¹	102.1	-0.9	0.7	0.5			
GDP at market prices	9 201.3	-4.0	0.9	1.7	-2.1	1.2	2.0

Note: Detailed quarterly projections are reported for the major seven countries, the euro area and the total OECD in the Statistical Annex.

Covers the euro area countries that are members of the OECD.

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.


Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752773025864>

Euro area: **External indicators**

	2007	2008	2009	2010	2011
	\$ billion				
Foreign balance	196.9	151.4	150.7	199	247
Invisibles, net	- 134.6	- 251.0	- 218.6	- 210	- 202
Current account balance	62.3	- 99.6	- 68.0	- 11	45

Note: Covers the euro area countries that are members of the OECD.
Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752786057803>

headline and core inflation will moderate through 2010 as economic slack further damp wage and price pressures.

The current monetary policy stance is appropriate

The European Central Bank has kept policy rates unchanged since May and has made modest purchases of covered bonds, in addition to continuing its policy of extensive provision of liquidity through open market operations. Overnight interbank lending rates have fallen well below the key policy rate. Unless the prospective recovery turns out to be short-lived, additional policy easing or credit support measures will not be necessary. However, with moderate core inflation, credit markets still impaired and considerable excess capacity in the economy, current policy settings should be maintained until late 2010. Thereafter, emergency credit support measures should be withdrawn and policy rates gradually increased as the recovery gathers momentum.

Fiscal balances have deteriorated

Euro area countries introduced discretionary fiscal measures worth more than 1% of GDP in 2009, with some stimulus in the pipeline for 2010 as well. Substantial support has also come from large automatic stabilisers and financial sector measures. These have all helped to cushion the downturn in activity during a period when private demand has been very weak. However, the ratio of public debt to GDP has increased substantially during the crisis and is well above the levels prescribed under the Stability and Growth Pact. With the economic outlook improving, credible plans for deep fiscal consolidation should be announced and a path set to restore medium-term fiscal sustainability. Stimulus should be withdrawn once the recovery is sufficiently robust.

The recovery is likely to be gradual

Initially, the pick-up in activity will be gradual as business investment is constrained by weak profitability and financial sector deleveraging, and household spending is held back by labour market weakness. The recovery should gather pace in 2011, supported by a normalisation of financial markets, very accommodative monetary policy and strengthening global demand.

The risks are broadly balanced

In the short-run, the underlying strength of private demand is difficult to assess and financial markets remain fragile. Once the recovery is firmly underway, determining the appropriate pace at which to withdraw fiscal and monetary stimulus, as well as support for the

financial system, will involve a delicate balance. Monetary policy rates would need to rise more quickly than projected if credit conditions improve faster than anticipated or if the output gap closes more rapidly. Undue delay in raising rates and withdrawing exceptional measures could increase the risk of stronger inflation or future asset price bubbles. While financial conditions have improved, rising household and corporate loan default rates could generate more instability in the banking sector and lead to further tightening in credit conditions. The strength of the recovery will, of course, depend on the pace of activity in the euro area's export markets.

GERMANY

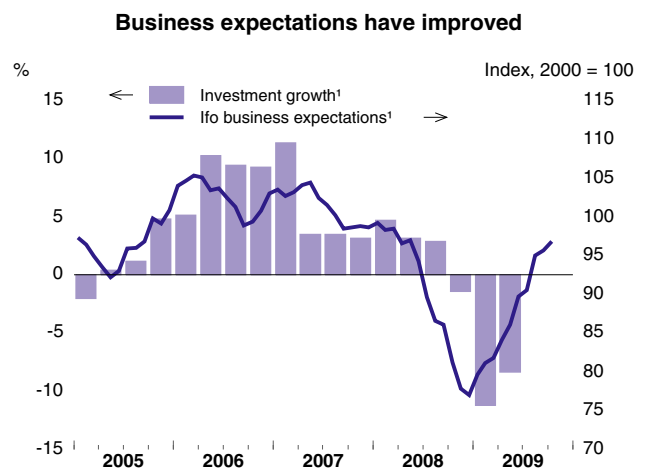
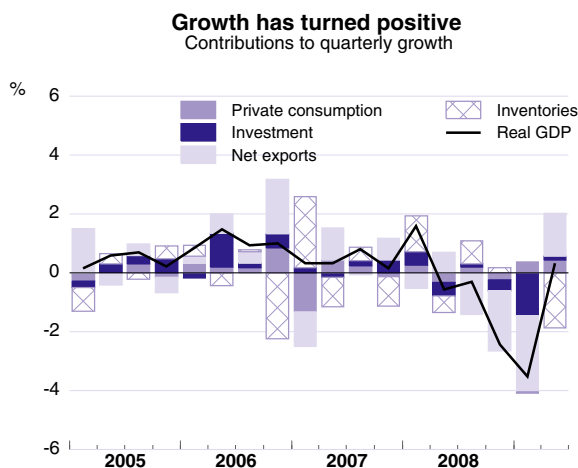
Following the sharp decline in the first quarter of the year, real GDP increased in the second quarter, helped by the temporary surge in private consumption growth in response to stimulus measures. The recovery continued in the third quarter on account of an improvement in world trade and stock-building. Going forward, the improvement in activity could be relatively slow, especially through to mid-2010. Unemployment remains unusually low, not least due to the government-sponsored short-time working scheme which allows firms to reduce labour input without layoffs. While unemployment is projected to increase rapidly during 2010 the total employment loss will be mild compared with the depth of the recession.

The budget balance is set to deteriorate sharply in 2009 and 2010 as revenues remain subdued and expenditure rise, not least due to higher unemployment. In addition, the fiscal stimulus package will worsen the budget deficit in 2010. Once economic activity is back on a sustainable growth path, the structural deficit will have to be reduced, also in view of future ageing related expenditure. The implementation of income tax cuts in 2011 should be made conditional on the ability to meet the recently enacted fiscal rule.

Real GDP has stopped falling...

Economic activity picked up in the spring after falling since the second quarter of 2008. Real GDP in the second quarter increased at an annualised rate of 1.3% as the contribution from net exports turned positive and private consumption remained robust. This outcome was helped by substantial purchases of cars in response to the car scrapping premium introduced in January. However, growth was damped by a marked negative contribution from stock-building as firms adjusted their inventories.

Germany



1. Investment growth is year-on-year growth of quarterly gross fixed capital formation. Ifo data refer to manufacturing, construction, wholesale and retail trade, and are seasonally adjusted.

Source: Ifo Institut für Wirtschaftsforschung; OECD Economic Outlook 86 database; OECD, National Accounts database.

StatLink <http://dx.doi.org/10.1787/750726358251>

Germany: **Employment, income and inflation**


Percentage changes

	2007	2008	2009	2010	2011
Employment	1.7	1.4	-0.1	-1.5	-0.4
Unemployment rate ¹	8.3	7.2	7.6	9.2	9.7
Compensation of employees	2.7	3.7	-0.8	-1.0	0.7
Unit labour cost	0.1	2.7	4.3	-2.4	-1.2
Household disposable income	1.6	2.7	0.7	1.3	1.3
GDP deflator	1.9	1.5	0.9	0.2	0.3
Harmonised index of consumer prices	2.3	2.8	0.2	1.0	0.8
Core harmonised index of consumer prices ²	1.9	1.3	1.4	1.1	0.8
Private consumption deflator	1.8	2.1	-0.3	1.1	0.8

1. As a percentage of labour force, based on national accounts.

2. Harmonised index of consumer prices excluding food, energy, alcohol and tobacco.

Source: OECD Economic Outlook 86 database.

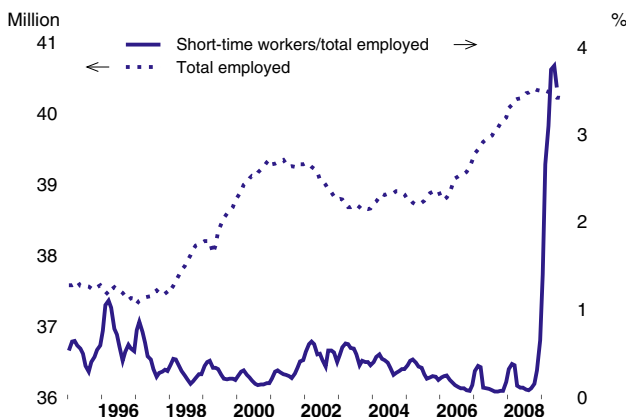
StatLink  <http://dx.doi.org/10.1787/752788148746>

... and will continue
growing going forward

The growth momentum picked up significantly in the third quarter. Activity was driven by buoyant demand from main trading partners as well as private investment, following a strong rebound of business confidence and easier financial conditions. Inventories also contributed to growth as firms began to replenish their stocks after the previous run-down. Private consumption declined on account of lower car sales compared with the summer months. The situation in the banking sector has stabilised over recent months, even though credit growth remains weak, primarily due to a lack of demand for funds. Annual headline

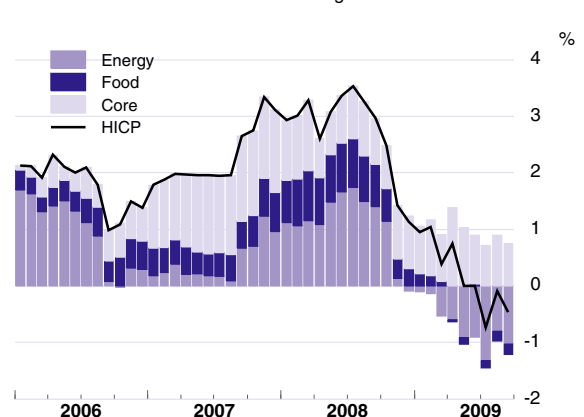
Germany

Short-time work has risen substantially




Headline inflation turned negative

Contributions to annual growth



Note: Short-time workers refers to workers with reduced working time for economic reasons according to employers' notifications. Their loss of earnings is in part compensated by short-time working benefits paid by the Labour Office for a maximum of 24 months. Employment is according to the domestic concept. Core refers to the harmonised index of consumer prices (HICP) excluding food, energy, alcohol and tobacco.

Source: Eurostat; Statistisches Bundesamt Deutschland; Statistik der Bundesagentur für Arbeit.

StatLink  <http://dx.doi.org/10.1787/750772246831>

Germany: Financial indicators

	2007	2008	2009	2010	2011
Household saving ratio ¹	10.8	11.2	11.7	12.3	12.2
General government financial balance ²	0.2	0.0	-3.2	-5.3	-4.6
Current account balance ²	7.9	6.6	4.0	4.5	5.4
Short-term interest rate ³	4.3	4.7	1.2	0.8	1.9
Long-term interest rate ⁴	4.2	4.0	3.3	3.7	4.4


1. As a percentage of disposable income.

2. As a percentage of GDP.

3. 3-month interbank rate.

4. 10-year government bonds.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752845118554>

inflation has briefly fallen below zero on account of energy price base effects while annual core inflation remains stable at around 1%.

Unemployment remains unusually low

Despite the substantial drop in production in this recession, a cumulative peak to trough output fall of 6¾ per cent, unemployment has barely risen. The unemployment rate is now only ½ percentage point

Germany: Demand and output

	2008	2009	2010	2011	Fourth quarter		
					2009	2010	2011
	Current prices € billion	Percentage changes from previous year, volume (2000 prices)					
Private consumption	1 408.4	0.8	-0.5	0.6	1.0	-0.3	0.9
Government consumption	451.8	2.3	1.5	1.5	2.3	1.4	1.5
Gross fixed investment	472.9	-8.7	1.3	1.3	-6.7	1.7	2.0
Public	37.4	6.1	14.5	-14.7	11.8	9.8	-18.2
Residential	136.1	-1.2	-0.2	0.7	0.2	0.5	0.8
Non-residential	299.4	-14.1	-0.1	4.6	-12.3	0.9	6.4
Final domestic demand	2 333.1	-0.9	0.2	0.9	-0.3	0.4	1.2
Stockbuilding ¹	4.7	-0.6	0.1	0.0			
Total domestic demand	2 337.8	-1.5	0.4	0.9	-1.4	0.6	1.2
Exports of goods and services	1 176.8	-14.4	7.2	8.1	-6.2	7.0	8.6
Imports of goods and services	1 022.2	-8.2	5.1	6.4	-4.7	5.3	6.8
Net exports ¹	154.6	-3.4	1.0	1.0			
GDP at market prices	2 492.3	-4.9	1.4	1.9	-2.2	1.5	2.2
<i>Memorandum items</i>							
GDP without working day adjustments	2 496.0	-4.9	1.6	1.8			
Investment in machinery and equipment	229.1	-17.5	1.0	3.3	-16.2	2.0	4.2
Construction investment	243.8	-0.6	1.5	-0.2	2.3	1.5	0.4

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Detailed quarterly projections are reported for the major seven countries, the euro area and the total OECD in the Statistical Annex.

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/752865017256>

above the trough reached in the third quarter of 2008. This compares with an OECD-wide increase of around 3 percentage points. The stability of unemployment is also unusual when compared with previous recessions in Germany. One factor behind the lagged response of unemployment relates to the increased use of working hour accounts over the past years which allow for a more flexible allocation of working time over the cycle. Furthermore, the programme to reduce working time whereby the labour office replaces part of the lost income has been used extensively by companies. The government has made this scheme more favourable by lengthening the maximum duration and substantially subsidising the social security contributions that have to be borne by firms on the employees' foregone income. With around 1.5 million workers in this scheme at the peak, who on average work 30% less, the scheme is likely to lower the current unemployment rate by around 1 percentage point. However, even though firms have strongly reduced their paid working time, this was not enough to keep costs in line with the lower level of production, also because of the fixed residual costs of employment. As a result, current labour productivity has fallen and unit labour costs have increased sharply. Over the coming quarters, firms are thus likely to lay off workers and unemployment is projected to increase fairly rapidly.

The government budget balance deteriorates substantially...

The budget deficit is set to widen substantially to over 3% of GDP this year and over 5% in 2010. While the deterioration of public finances is primarily expenditure driven this year, receipts are projected to start falling relative to GDP next year. Apart from the working of automatic stabilisers, this reflects the government's fiscal stimulus measures (worth around 3½ per cent of GDP over 2009 and 2010). So far, the car scrapping scheme and cuts in income taxation and social security contributions have supported household incomes, thereby contributing to private consumption growth. Spending on infrastructure has only started recently and is expected to make its major contribution to GDP growth in 2010.

... requiring consolidation from 2011 onwards

In view of substantial ageing-related future spending increases, the structural deterioration in the budget deficit will need to be clawed back once a sustainable recovery takes hold from 2011 onwards. Consolidation is also necessitated by the recently enacted constitutional fiscal rule. This rule requires the central government to have structural deficits of at most 0.35% of GDP by 2016 and balanced budgets in the *Länder* by 2020. On current projections this would require a reduction in the structural deficit of around one-third of a percentage point each year starting in 2011. The phasing out of some of the fiscal stimulus measures in 2011 will contribute to the consolidation, but spending cuts or tax increases will be necessary in subsequent years. If plans for a substantial lowering of income taxes (not included in these projections) are implemented as envisaged by the new coalition government, the need for consolidation measures would rise significantly. Rapid consolidation would also be necessary to comply with the Stability and Growth Pact.

The recovery is likely to be slow

Growth in the immediate future will be supported by temporary factors like the fiscal stimulus and the inventory cycle. But the underlying growth rate will remain slow as investment is lagging due to massive under-utilisation of the capital stock. Private consumption is likely to suffer from the phasing out of the car scrapping scheme and also a rise in unemployment, as well as an outlook for low wage growth to restore profitability. Growth will be mainly driven by developments in world trade as demand for capital goods picks up and Germany regains the market share that was lost in the downturn. The phasing out of the government's stimulus measures notwithstanding, growth will be stronger in 2011 as private investment growth picks up and private consumption stabilises. Despite growth above potential, a sizable output gap will remain even at the end of the projection horizon. This is likely to restrain inflationary forces; annual consumer price increases are thus expected to hover around 1% in both years.

Risks are broadly balanced

The risks surrounding the projection relate foremost to developments in world trade, which could be stronger than projected, and developments in financial markets which could go either way. On the downside, banks could restrain credit growth if increasing loss provisions hit already weak bank balance sheets, thus inhibiting investment spending.

FRANCE

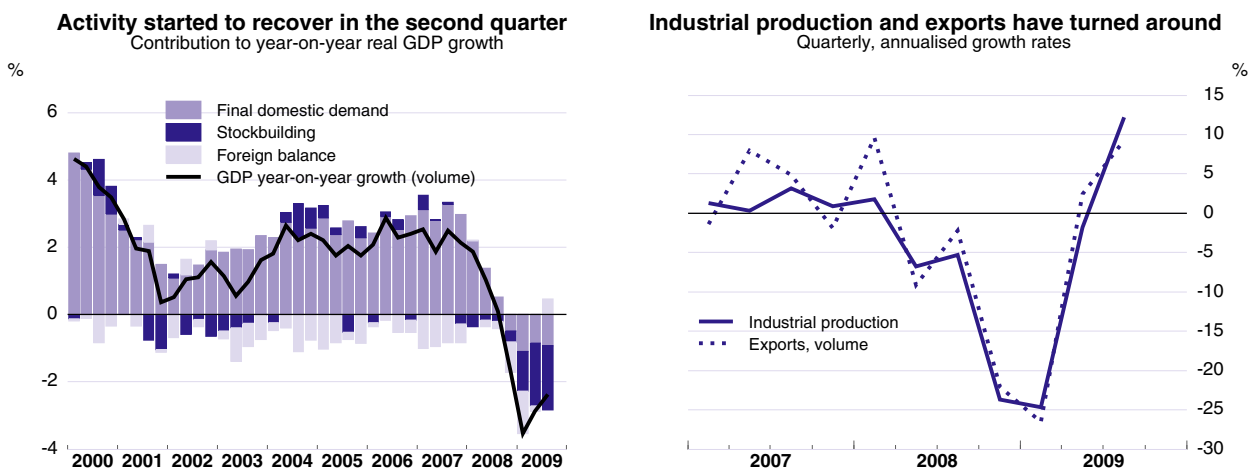
After falling by 2.2% in 2009, real GDP is projected to grow slowly, by 1.4% in 2010 and 1.7% in 2011, led by business investment and exports. This will not be enough to prevent the unemployment rate from rising until the beginning of 2011, resulting in inflation of below 1% per year.

A mix of appropriate discretionary measures and automatic stabilisers has cushioned the impact of the crisis. The investment tax cut embedded in the 2010 budget is also welcome, but additional spending should now be resisted. Designing and clearly communicating a credible multi-year exit strategy is a priority. The needed consolidation represents an opportunity to rebalance public finances by cutting inefficient spending, increasing inheritance, property and carbon taxes and further reforming the pension system.


The recession has ended, but unemployment may keep rising

The trough of the year-long recession was in the second quarter, leaving national output 3.5% below its previous peak. Industrial production started to recover in May, in part reflecting the policy-induced rebound in the car industry. The related sharp pick-up in exports contributed importantly to the upturn, while government consumption has continued to buffer the impact of the financial crisis on demand. Not all spending components have turned around, however. In particular, private investment has been a persistent drag on growth, although recent surveys indicate that its prospects are improving considerably. Private consumption, which had been resilient in the face of huge wealth losses, has recently shown some signs of weakness. Households have reacted to rising job and financial-market uncertainty by increasing their saving, offsetting the positive impacts of higher public transfers and improved terms of trade. All in all, real GDP growth is set to be about -2.2% in 2009. Despite some support from public employment, the downturn has clearly been reflected in the labour market, with the unemployment rate rising towards 10%.

France



Source: OECD, Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/750831633473>

France: **Employment, income and inflation**


Percentage changes

	2007	2008	2009	2010	2011
Employment	1.7	1.4	-0.5	-0.3	0.3
Unemployment rate ¹	8.0	7.4	9.1	9.9	10.1
Compensation of employees	4.2	3.2	0.1	0.7	1.7
Unit labour cost	1.9	2.9	2.5	-0.7	0.0
Household disposable income	5.2	3.2	2.5	1.7	2.1
GDP deflator	2.5	2.5	1.0	0.5	0.7
Harmonised index of consumer prices	1.6	3.2	0.1	1.0	0.6
Core harmonised index of consumer prices ²	1.6	1.8	1.5	0.9	0.6
Private consumption deflator	2.1	2.8	-0.1	1.1	0.6

1. As a percentage of labour force.

2. Harmonised index of consumer prices excluding food, energy, alcohol and tobacco.

Source: OECD Economic Outlook 86 database.

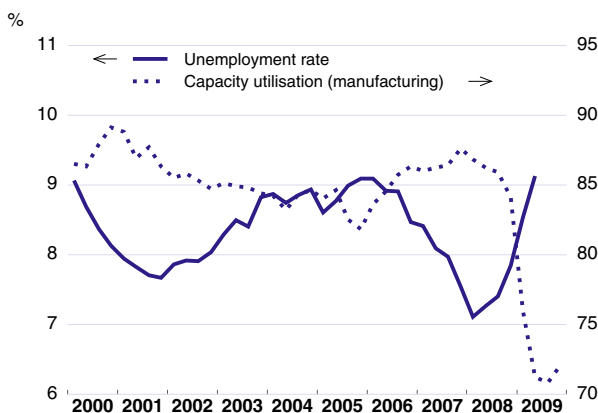
StatLink  <http://dx.doi.org/10.1787/753002505601>**Macroeconomic policies
have been supportive...**

Deft use of both conventional monetary policy and unconventional tools, by both the European Central Bank and the government, has succeeded in bolstering confidence in the banking sector, thereby mitigating the effects of the financial crisis. French banks have been among the first European institutions to raise private capital to repay the government. However, it is not yet clear if the quality of banks' balance sheets has been sufficiently restored. Easy monetary conditions have not been fully transmitted to credit growth because of banks' attempts to rebuild their margins.

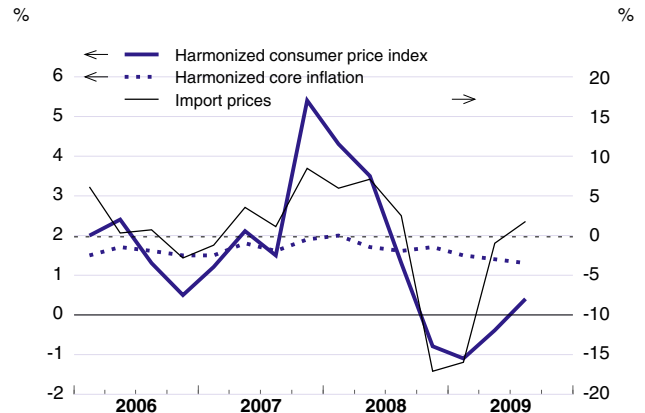
**... and should continue to
be so in 2010...**

Fiscal policy is expected to remain accommodative next year, thereby avoiding a premature tightening that could jeopardise the recovery. First, beyond the 2010 measures contained in the initial anti-crisis package,

France

Huge slack remains**Core inflation continues to decline**

Quarterly, annualised growth rates



Source: OECD, Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/750842862541>

France: Financial indicators

	2007	2008	2009	2010	2011
Household saving ratio ¹	12.2	11.8	13.5	13.7	13.7
General government financial balance ²	-2.7	-3.4	-8.2	-8.6	-8.0
Current account balance ²	-1.0	-2.3	-2.1	-2.1	-2.1
Short-term interest rate ³	4.3	4.7	1.2	0.8	1.9
Long-term interest rate ⁴	4.3	4.2	3.7	4.0	4.7


1. As a percentage of disposable income.

2. As a percentage of GDP.

3. 3-month interbank rate.

4. 10-year benchmark government bonds.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753013773517>

other measures that increase the structural deficit permanently, such as the distortionary value-added tax(VAT) cut in the restaurant sector and the new social benefit (*Revenu de solidarité active*), will apply for a full year in 2010. Second, additional spending has been announced in the draft 2010 budget to smooth the phase-out of some schemes, such as incentives for car scrapping, housing and employment. More importantly, the planned and welcome abolition of the *taxe professionnelle*, a business tax that penalises investment, although partly offset by the introduction of a carbon tax, will provide an additional fiscal stimulus of about 0.6% of GDP in 2010. On the other hand, public employment is expected to

France: Demand and output

	2008	2009	2010	2011	Fourth quarter		
					2009	2010	2011
	Current prices € billion	Percentage changes from previous year, volume (2000 prices)					
Private consumption	1 113.9	0.6	0.3	1.5	0.5	0.7	1.8
Government consumption	451.3	1.5	1.3	0.8	1.8	0.7	0.8
Gross fixed investment	426.9	-6.8	-0.3	3.1	-5.1	1.4	4.1
Public	62.4	-3.3	3.2	1.4	0.1	3.2	0.7
Residential	124.1	-8.7	-4.3	0.8	-8.0	-1.9	1.8
Non-residential	240.4	-6.8	0.8	4.7	-5.0	2.5	6.1
Final domestic demand	1 992.1	-0.8	0.4	1.7	-0.4	0.8	2.0
Stockbuilding ¹	5.3	-1.5	0.6	0.1			
Total domestic demand	1 997.4	-2.2	1.0	1.8	-1.6	1.5	2.1
Exports of goods and services	514.1	-11.0	4.7	6.4	-3.9	4.9	6.8
Imports of goods and services	563.5	-10.0	2.9	6.3	-7.4	4.9	6.8
Net exports ¹	- 49.4	0.0	0.4	-0.1			
GDP at market prices	1 948.0	-2.3	1.4	1.7	-0.5	1.4	2.0

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Detailed quarterly projections are reported for the major seven countries, the euro area and the total OECD in the Statistical Annex.

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753016635082>

decline, especially in 2011, as the government has committed to replacing at most half of retiring civil servants and as youth employment subsidies terminate.

... but further expansion should be avoided and an exit strategy defined

The financial crisis and ensuing recession have taken a heavy toll on public finances, especially as large automatic stabilisers in France have triggered a pronounced fiscal deterioration. The sensitivity of some taxes and benefits has been extreme in this crisis. For example, corporate taxes have declined by 50% in 2009, although part of this is explained by early refunding of tax credits that will self-reverse. These unusual developments blur the estimation of the cyclically adjusted fiscal balance and, therefore, the precise assessment of the fiscal stance. In June, the government announced that a potentially large programme of additional long-term and so-called “productive” spending would be launched in 2010, financed by a “Big Loan”. Its extent, structure and mode of financing will be determined by year end, and the budget will be amended accordingly at the beginning of next year. Such a measure risks being pro-cyclical, coming too late to aid the recovery and making the task of inevitable fiscal consolidation more difficult. Possibly attractive projects should be financed via spending cuts in less attractive categories, or by increasing inheritance and property taxes, as is currently being discussed. The current economic juncture should be used to define a strong and credible multi-year exit strategy. Down the road, more structural measures (such as further pension reform) are needed to halt and reverse the long-term trend increase in public indebtedness. Even without the “Big Loan”, the general government deficit is projected to peak in 2010 at around 8.5% of GDP and public debt to rise above 90% of GDP.

Growth will pick up only slowly

Activity will gain momentum as destocking comes to an end, but history shows that recoveries from recessions that follow financial crises tend to be slow, as private-sector balance sheets have to be repaired. GDP growth is expected to be below potential in 2010 but to pick up steadily towards 2% in 2011, led by strengthening export markets and the usual accelerator effects on business investment. As productivity typically picks up quickly in the early stage of a recovery, such a growth rate would not be fast enough to stabilise employment, and the unemployment rate may not peak before early 2011 at above 10% (metropolitan France). Headline inflation will soon turn positive again, but consumer prices are expected to increase by only 0.6% per year over the projection period. Given persistent slack, real wage gains are likely to be less supportive of private consumption than in 2009. With the recent increase in the household saving rate and improving business finances, the trend deterioration in the current account has probably come to an end, despite the substantial worsening in the government deficit.

External demand may be stronger, but there is a risk from higher interest rates on government debt

The central scenario of a slow recovery is subject to risks stemming from the uncertain global financial and economic recovery, including that of more dynamic demand from external markets. But increased indebtedness might create headwinds for economic growth in the medium term, should worldwide borrowing needs trigger a rise in long-term government bond yields. This would crowd out private investment and induce snowball effects on debt, requiring in turn still greater fiscal consolidation efforts.

ITALY

The severe recession in Italy started earlier than elsewhere but activity rebounded in the third quarter. Improved financial conditions have helped rebuild confidence and bolster domestic demand. Further support to exports will come from the recovery in world trade. Higher unit labour costs, despite some falls in wage costs, and the oil price upturn will moderate the decline in inflation, even as unemployment rises somewhat further.

Given high public debt, Italy did not introduce a large-scale fiscal stimulus. Nonetheless, with cyclically weak revenues, the deficit exceeds 5% of GDP and debt is set to increase to 120% of GDP by 2011. Significant fiscal consolidation efforts will thus be required from 2011 onwards, as growth picks up.

Output began to stabilise in the spring of 2009

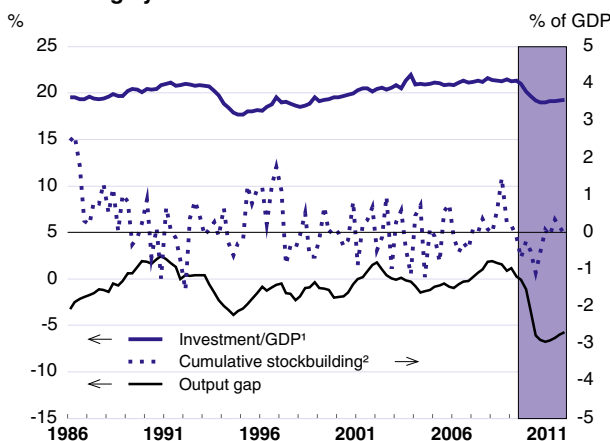
The fall in industrial production ended in the spring, when output stabilised at a low level. Fixed investment has now fallen to a lower level relative to GDP than any time since 1999, although it remains above levels reached in the recession of the early 1990s. A strong rise in industrial production is behind a significant pick-up in GDP in the third quarter, but the durability of this rebound is uncertain.

Unit labour costs have risen strongly and trade has deteriorated

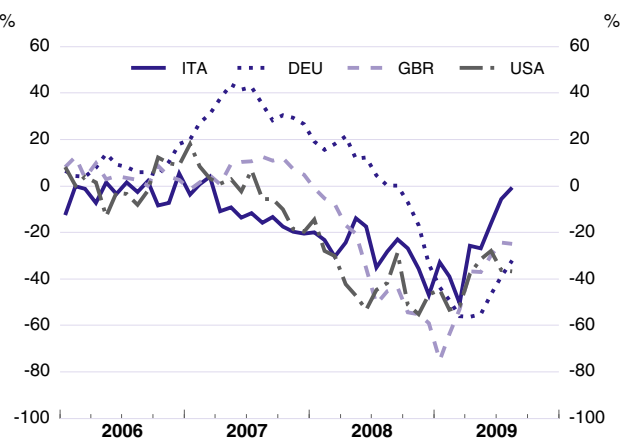
Contractual wages continued to rise in the first half of 2009. Actual wages paid slowed or even fell as results-based elements of pay contracted and subsidies under the short-time working scheme reduced employers' costs. As employment fell more slowly than output, unit labour costs still rose substantially. Nevertheless, Italy's share in the volume of world trade had been falling faster than usual since the onset of the crisis, though it appeared to stabilise in the second quarter. Inflation has declined slowly, and after a period in which it seemed persistent, partly

Italy

A strong cyclical influence of investment and stocks



Consumer sentiment³ bounces back



1. Fixed investment as a share of GDP at constant prices.
2. The 8-quarter cumulative sum of the contribution of stockbuilding to GDP growth.
3. OECD confidence indicator, deviation from 2000-2009 average, as % of 2000-2009 range.

Source: OECD Economic Outlook and Datastream.

StatLink  <http://dx.doi.org/10.1787/750845441058>

Italy: Employment, income and inflation

Percentage changes


	2007	2008	2009	2010	2011
Employment ¹	1.2	0.3	-0.8	-1.0	-0.3
Unemployment rate ²	6.2	6.8	7.6	8.5	8.7
Compensation of employees	3.7	3.7	0.1	0.6	1.5
Unit labour cost	2.2	4.8	5.2	-0.5	0.0
Household disposable income	3.0	2.8	2.1	1.4	2.3
GDP deflator	2.4	2.8	2.5	1.0	1.0
Harmonised index of consumer prices	2.0	3.5	0.7	0.9	0.8
Core harmonised index of consumer prices ³	1.8	2.2	1.4	0.9	0.8
Private consumption deflator	2.2	3.2	0.0	1.0	1.1

1. Data for whole economy employment are from the national accounts. These data include an estimate made by Istat for employment in the underground economy. Total employment according to the national accounts is approximately 2 million, about 10%, higher than employment according to the labour force survey. Following national practice, the unemployment rate is calculated relative to labour force survey data.

2. As a percentage of labour force.

3. Harmonised index of consumer prices excluding food, energy, alcohol and tobacco.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753074174811>

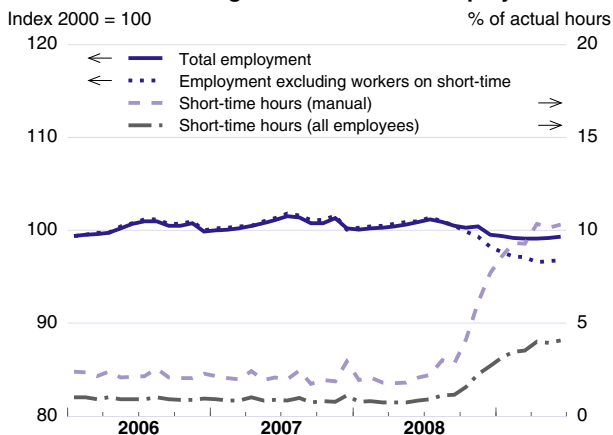
due to slow pass-through of earlier falls in energy prices, it has recently come more into line with that in other major European countries.

Open unemployment has risen relatively slowly

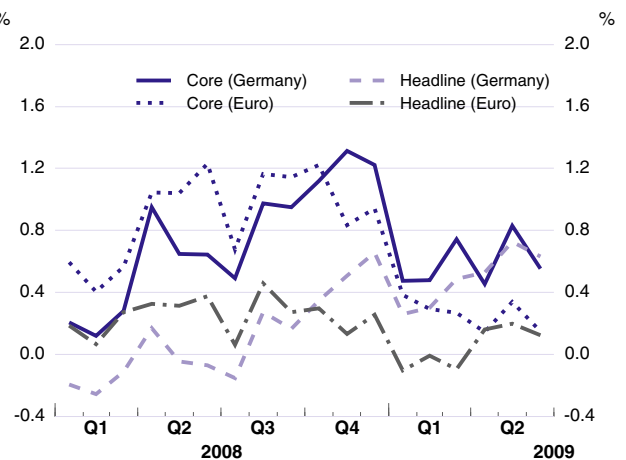
Unemployment has risen less than might have been expected, given the depth of the recession. The participation rate has fallen slightly but otherwise the short-time working schemes, to which access has been widened as part of government anti-crisis measures, have played a major role. By mid-year as many as 3% of total hours paid were financed by public transfers through these schemes. In special cases, individuals can

Italy

Short-time working scheme sustains employment¹



Inflation differentials diminish²



1. Data refer to companies with over 500 employees and are not seasonally adjusted.

2. Differential in 12 month non-seasonally adjusted CPI inflation between Italy and the indicated country.

Source: OECD Economic Outlook and Istat.

StatLink  <http://dx.doi.org/10.1787/750881555800>

Italy: Financial indicators

	2007	2008	2009	2010	2011
Household saving ratio ¹	8.2	8.6	10.7	10.5	10.5
General government financial balance ²	-1.5	-2.7	-5.5	-5.4	-5.1
Current account balance ²	-2.5	-3.4	-2.7	-2.3	-2.2
Short-term interest rate ³	4.3	4.7	1.2	0.8	1.9
Long-term interest rate ⁴	4.5	4.7	4.3	4.3	4.9


1. As a percentage of disposable income.

2. As a percentage of GDP.

3. 3-month interbank rate.

4. 10-year government bonds.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753166701280>

stay on short-time working for more than 12 months, but some beneficiaries are likely to move into open unemployment during 2010. A regularisation of as many as 300 000 illegal immigrant household workers will raise the recorded labour force in the third quarter of 2009.

The budget situation is weak but the structural deficit has been contained

Following some underlying consolidation in 2008, the government refrained from any significant overall fiscal stimulus as the crisis unfolded. Although revenue has weakened, expenditure controls seem to have contained the structural deficit broadly within the limits the

Italy: Demand and output

	2008	2009	2010	2011	Fourth quarter		
					2009	2010	2011
	Current prices € billion	Percentage changes from previous year, volume (2000 prices)					
Private consumption	928.9	-1.9	0.7	1.1	-1.0	1.1	1.1
Government consumption	318.1	1.7	0.7	0.2	2.0	0.2	0.2
Gross fixed investment	328.2	-12.6	0.6	4.0	-7.9	2.3	4.8
Machinery and equipment	157.0	-19.0	0.8	4.7	-13.3	3.2	5.1
Construction	171.1	-6.7	0.4	3.4	-3.1	1.6	4.5
Residential	80.6	-6.6	1.4	4.0	-3.6	3.5	4.4
Non-residential	90.5	-6.8	-0.6	2.9	-2.6	-0.1	4.6
Final domestic demand	1 575.2	-3.4	0.7	1.5	-1.8	1.1	1.6
Stockbuilding ¹	5.1	-0.2	0.3	0.0			
Total domestic demand	1 580.3	-3.6	1.0	1.5	-1.9	1.3	1.6
Exports of goods and services	452.5	-20.3	1.4	3.5	-14.0	2.8	3.8
Imports of goods and services	460.7	-15.8	1.0	3.3	-11.5	2.8	3.2
Net exports ¹	- 8.2	-1.2	0.1	0.1			
GDP at market prices	1 572.1	-4.8	1.1	1.5	-2.5	1.2	1.7

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Detailed quarterly projections are reported for the major seven countries, the euro area and the total OECD in the Statistical Annex.

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753175516157>

government set out in its 2009 budget. Nevertheless, the headline deficit will be over 5% of GDP, and the ratio of debt to GDP will rise by nearly 10 percentage points in 2009 to some 115% by the end of the year. There has been improved tax compliance and less reliance on one-off measures in recent years and efforts to fight tax avoidance are continuing. However, the introduction of the *Scudo fiscale* (“tax shield”) for repatriating funds that were held abroad to avoid taxation would have to be seen by taxpayers as an exceptional measure, with the almost universal commitments to transparency on the exchange of tax information recently agreed; otherwise taxpayers may conclude that further tax amnesties are likely. Although the spread between the interest rate on long-term Italian and German government debt has fallen substantially from its peak in early 2009, it remains well above pre-crisis levels.

Consumer confidence has continued to improve...

Italian households had not shared in some of the buoyancy in sentiment as the boom reached its peak, but confidence was rising in 2008, even as the extent of the likely downturn was becoming apparent. The relatively slow increase in open unemployment, along with falling inflation, may help to account for this resilience. Consumer spending stabilised in the second quarter but is likely to remain weak for some time, as lower employment and real wage growth will restrict future growth in household incomes. The saving ratio, estimated to have risen substantially in 2009, is projected to fall back only slightly; consumption will be a more significant factor in growth during 2011. The housing market is likely to remain weak at least into next year.

... but the inventory cycle and investment are likely to lead the upturn

Although interest rate spreads suggest less tension in financial markets, credit conditions remain tight and banks in Italy, as elsewhere, seem to be rebuilding capital, partly through increased margins on a barely increasing volume of lending. Bond issuance by non-financial companies has not offset lower bank lending. Some recapitalisation of banks has taken place. The two major banking groups intend to raise private capital directly, and some smaller banks have made, or intend to make, use of public funds through the government recapitalisation scheme. The main route by which financial conditions affected domestic demand was through a squeeze on both inventories and fixed investment. De-stocking, as in the early 1990s, has played an important role in this recession, while some re-stocking was likely a factor in output growth in the third quarter. As financial conditions continue to improve, stockbuilding activity should remain stronger. Fixed investment should also start to recover although it is likely to be some years before it reaches pre-crisis levels.

The government intends to continue medium term fiscal consolidation

The 2010 budget incorporates some fiscal tightening, though with weak growth the headline deficit itself may not fall much. The medium-term target for consolidation requires further tightening in 2011, some of which is incorporated in these projections on the assumption that next year’s legislation will follow the outline of the three-year plan.

Both the timing and the strength of the upturn are uncertain

Near-term activity may prove to be weaker than projected, if the global financial situation improves less than expected or the recovery in world trade is weaker, or if the projected upturn in inventories and fixed investment is delayed. On the other hand, the strong increase in GDP recorded in the third quarter could be more sustained than in these projections, while growth in 2011 could increase further if the influence of improving financial conditions has been under-estimated, but the mediocre pre-crisis performance suggests caution in projecting a rapid early recovery or much acceleration later.

UNITED KINGDOM

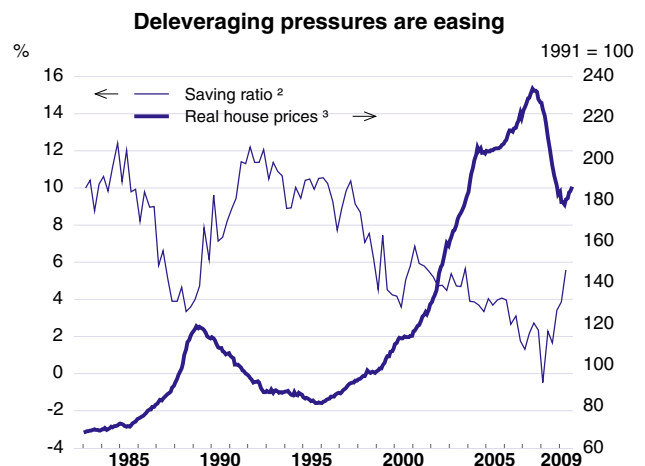
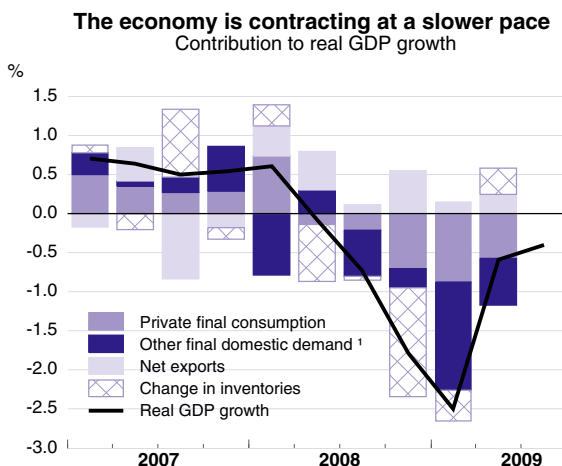
The economy is set for recovery, supported by improving financial conditions, an expansionary monetary policy and stronger international growth. However, the pick-up will be slow with GDP projected to grow by slightly more than 1% in 2010 reflecting strong headwinds from balance sheet adjustments, a still weakening labour market and fiscal tightening. In 2011 the recovery will gain momentum, but resource utilisation will remain low and the unemployment rate is projected to reach 9.5%. Inflation is likely to remain below the 2% target for an extended period.

Financial sector support, monetary easing and fiscal stimulus have cushioned the downturn. While monetary policy should remain expansionary over the projection period, normalisation of interest rates will probably need to start in 2011. The weak fiscal position makes further consolidation necessary; an announcement of concrete and comprehensive consolidation plans upfront would enhance macroeconomic stability. Strengthening financial regulation and supervision would also support stability and hinder a build-up of new imbalances at historically low interest rates.

The recession is ending

After a cumulative 5.9% decline in output since early 2008, the contraction was less severe in the third quarter of 2009 and growth is set to turn positive in the fourth quarter. The massive drag on growth from inventory adjustment and falling household spending is ending, while exports are recovering on the back of improving global demand and a weak sterling. Saving rates have increased substantially, as households have strived to repair balance sheets. However, with house prices turning around since the spring, deleveraging pressures have eased for both households and the financial system. Unemployment continues to rise and has already reached levels not seen since 1996. Wage growth and inflation are falling in the face of a large output gap.

United Kingdom



1. Consists of gross fixed capital investment, government consumption and statistical discrepancy.

2. Gross saving ratio of households and non-profit institutions serving households.

3. Average Nationwide and Halifax house price index deflated by consumer price index. Only Halifax before January 1991.

Source: OECD Economic Outlook 86 database, Nationwide and HBOS plc.

United Kingdom: **Employment, income and inflation**

Percentage changes


	2007	2008	2009	2010	2011
Employment	0.7	0.8	-2.1	-2.3	-0.6
Unemployment rate ¹	5.4	5.7	8.0	9.3	9.5
Compensation of employees	5.4	3.2	-0.9	-0.9	0.2
Unit labour cost	2.8	2.6	3.9	-2.1	-2.0
Household disposable income	2.8	5.4	2.7	2.1	2.3
GDP deflator	2.9	2.9	1.1	1.5	0.6
Harmonised index of consumer prices ²	2.3	3.6	2.1	1.7	0.5
Core harmonised index of consumer prices ³	1.6	1.6	1.6	1.6	0.5
Private consumption deflator	2.9	2.7	0.9	1.7	0.6

1. As a percentage of labour force.

2. The HICP is known as the Consumer Price Index in the United Kingdom.

3. Harmonised index of consumer prices excluding food, energy, alcohol and tobacco.

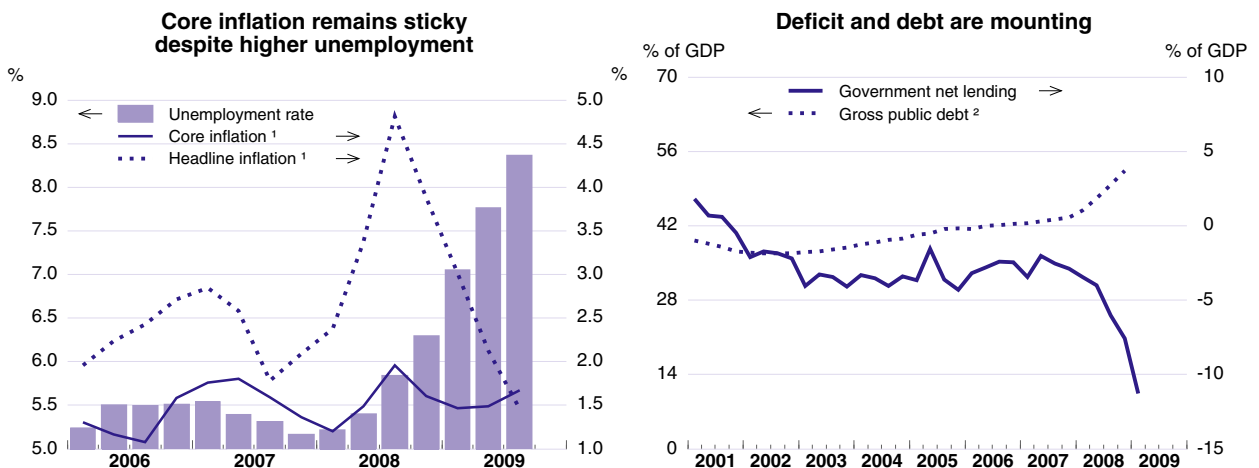
Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753213661108>

Financial conditions have improved, but credit remains a drag on growth

Financial conditions have improved significantly since end-2008 with expansionary monetary policy, the weak sterling and the wide range of policy measures to support the banking system contributing to the improvement. However, margins on credit remain high, especially on mortgages, and hamper growth. Further recapitalisation of the banking system would leave room for lower margins and increase the robustness of the financial system in the face of possible new shocks. Recent improvements in financial markets should not hold back efforts to strengthen financial market regulation and supervision.


United Kingdom



1. Year-on-year percentage change.

2. Maastricht criterion.

Source: OECD Economic Outlook 86 database.


StatLink  <http://dx.doi.org/10.1787/751026464538>

United Kingdom: **Financial indicators**

	2007	2008	2009	2010	2011
Household saving ratio ¹	2.2	1.7	5.3	5.8	5.5
General government financial balance ²	-2.7	-5.3	-12.6	-13.3	-12.5
Current account balance ²	-2.7	-1.6	-2.6	-2.4	-2.0
Short-term interest rate ³	6.0	5.5	1.2	0.6	1.4
Long-term interest rate ⁴	5.0	4.6	3.6	4.1	4.8

1. As a percentage of disposable income.
2. As a percentage of GDP.
3. 3-month interbank rate.
4. 10-year government bonds.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753276311425>

Monetary policy should remain expansionary

Along with central banks in many other OECD countries, the Bank of England has pushed down the policy rate close to zero. The low Bank Rate has been accompanied by quantitative easing which is set to reach the targeted level of £200 billion of asset purchases (around 14% of GDP). Further quantitative easing could help the recovery, but its effectiveness remains uncertain. A credible exit strategy needs to be developed now to facilitate a smooth withdrawal of support, once the recovery is well established. Inflation is on a declining path and although it is likely to increase temporarily when the value-added tax (VAT) returns to 17.5% at the end of this year, low resource utilisation and declining unit labour costs should ensure a further fall. Thus monetary policy should remain expansionary during the forecast period, though the extent of ease should

United Kingdom: **Demand and output**

	2008	2009	2010	2011	Fourth quarter		
					2009	2010	2011
	Current prices £ billion	Percentage changes from previous year, volume (2005 prices)					
Private consumption	928.4	-3.0	-0.2	2.0	-2.1	0.6	2.3
Government consumption	313.3	2.8	3.3	0.6	3.7	1.6	0.4
Gross fixed investment	243.1	-16.1	-5.2	2.6	-17.1	-0.5	4.2
Public ¹	35.6	19.3	3.7	0.1	13.9	1.8	-0.8
Residential	60.2	-27.8	-9.8	1.5	-21.8	-3.6	3.5
Non-residential	147.3	-19.5	-6.6	3.8	-23.1	-0.3	6.3
Final domestic demand	1 484.8	-4.0	-0.2	1.8	-3.4	0.6	2.2
Stockbuilding ²	0.5	-1.5	0.5	0.0			
Total domestic demand	1 485.3	-5.5	0.3	1.8	-3.7	1.1	2.2
Exports of goods and services	422.2	-10.6	4.4	6.9	-6.8	6.1	7.1
Imports of goods and services	459.5	-13.3	0.9	5.0	-9.1	2.8	5.8
Net exports ²	-37.2	1.1	0.9	0.4			
GDP at market prices	1 448.1	-4.7	1.2	2.2	-2.9	1.9	2.5

Note: Detailed quarterly projections are reported for the major seven countries, the euro area and the total OECD in the Statistical Annex.

1. Including nationalised industries and public corporations.
2. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 86 database.


StatLink  <http://dx.doi.org/10.1787/753327647542>

United Kingdom: **External indicators**

	2007	2008	2009	2010	2011
\$ billion					
Goods and services exports	743.9	780.6	601.3	662	714
Goods and services imports	834.0	850.9	649.8	700	742
Foreign balance	- 90.1	- 70.3	- 48.5	- 37	- 29
Invisibles, net	14.8	27.6	- 9.3	- 20	- 20
Current account balance	- 75.3	- 42.7	- 57.8	- 57	- 48
Percentage changes					
Goods and services export volumes	- 2.8	1.0	- 10.6	4.4	6.9
Goods and services import volumes	- 0.7	- 0.8	- 13.3	0.9	5.0
Export performance ¹	- 9.1	- 1.8	1.8	0.1	0.2
Terms of trade	1.1	1.2	- 2.3	- 1.1	- 0.3

1. Ratio between export volume and export market of total goods and services.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753345554060>

diminish from the beginning of 2011. Unless an improved macro-prudential framework is developed to deal with renewed asset price bubbles, monetary policy needs to consider these risks too.

Fiscal policy has been supportive, but further consolidation is needed

The United Kingdom entered the recession with a substantially larger fiscal deficit than most other OECD economies. Since then, public finances have deteriorated fast, mainly due to automatic stabilisers and the contraction of the revenue-rich finance and housing sectors. Consequently, the deficit is expected to reach over 13% of GDP in 2010. Furthermore, interventions in the financial sector by the government have led to significant fiscal risks, although these have decreased due to recent agreements on the government's asset protection scheme. While the stimulus measures implemented by the government have been useful in supporting the economy, the weak fiscal position leaves little room for additional stimulus. The consolidation announced by the government means that fiscal policy will be a drag on the economy from 2010 onwards. Once recovery takes hold, further consolidation is imperative as public debt, which was relatively modest before the crisis, is reaching very high levels. By developing and announcing more ambitious fiscal consolidation plans early and supporting them with a strong and credible medium-term fiscal framework, the government would strengthen the recovery. Such efforts would dampen uncertainty related to the fiscal position and concerns about sustainability.

The recovery remains fragile and gains strength only after mid-2010

The rebuilding of inventories and higher household consumption driven by the VAT-cut and the car scrappage scheme will support growth through to the end of 2009. As the effects of the consumption stimulus reverse in early 2010, activity is likely to pick up more sluggishly as households and firms continue to repair their balance sheets. Net exports will contribute positively to growth over the projection period and the current account position is expected to improve, even though it is

projected to remain negative through to 2011. Investment has contracted sharply and is expected to continue to fall until mid-2010. Thereafter a more robust growth in demand should bring greater investment.

The labour market is set to deteriorate further

Unemployment has increased faster in the United Kingdom than in most other major European economies, owing to the greater depth of the recession and a more flexible labour market. Still, the fall in employment in relation to GDP has been smaller than in previous recessions. While lower average hours worked explains part of the difference compared to previous recessions, there has also been significant labour hoarding. As a result, even when the economy starts to grow, employment is likely to continue to fall and unemployment to rise for some time, reaching 9.5% in 2011. With rising youth and long-term unemployment, further substantive activation measures may be warranted to contain a negative long-term impact on the labour market.

Inflation is slowing

Compared with many other OECD countries, inflation has remained relatively high in the United Kingdom largely due to the weak sterling. Disregarding the effect from the increase in the VAT due in 2010, headline inflation is to decrease through 2010 due to low resource utilisation, subdued wage increases and a recovery in productivity growth once labour hoarding eases. The pick-up in inflation in 2011 will be slow.

Balance sheet adjustments are central to perceived risks

Substantial risks surround these projections, but they appear broadly balanced. There is considerable uncertainty regarding the future development of the housing market and the strength of the recovery in household consumption. Ratios of house prices to income remain well above historical averages. While this is not unreasonable in the current environment with very low interest rates, slowing income growth and continued poor access to credit could cause a further fall in prices. Such a scenario would imply further balance-sheet adjustments among households and renewed concerns about credit losses, pointing to the urgency of recapitalisation and cleaning up balance sheets in the banking sector. Alternatively, the expansionary monetary stance could spark a renewed increase in asset prices which would stimulate growth but also raise longer-term concerns regarding financial stability.

CANADA

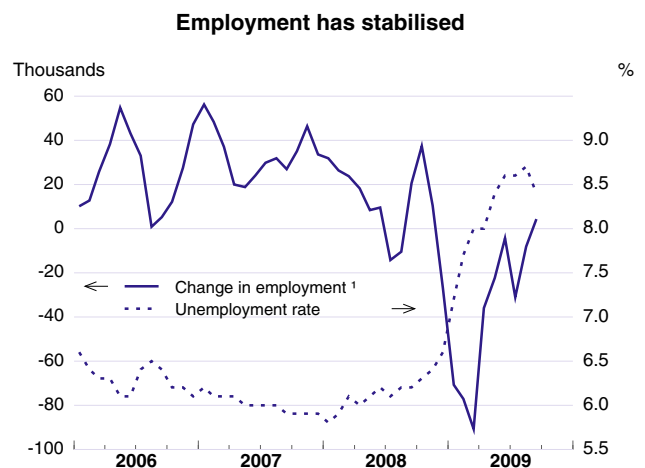
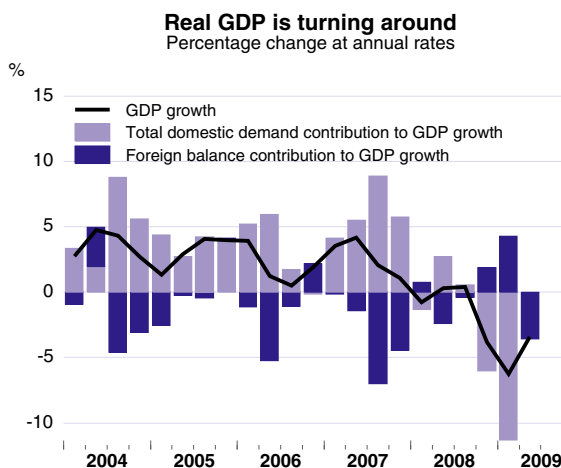
The contraction that began in the last quarter of 2008 seems to have ended in the second half of 2009. External demand and domestic investment now appear to be rebounding, but they also pose the greatest risks to the recovery's sustainability. Unemployment is projected to keep rising until the end of 2009 and underlying disinflation to continue for several more quarters under the weight of persistent slack.

The Bank of Canada should hold the policy rate at its current near-zero level until the end of June 2010, as it has committed, and probably beyond. Given the time required to roll out fiscal stimulus and the nascent recovery, additional expansionary measures, including extending the window of eligibility for extraordinary unemployment benefits, should be resisted. Instead, governments should be preparing detailed and credible medium-term fiscal consolidation plans to be announced soon and be implemented when the recovery is firmly underway.

The economy is set to recover

After an annualised drop in real GDP of 6.1% in the first quarter of 2009, the pace of contraction slowed to 3.4% in the second quarter. As in the previous period, business investment and net exports were the main culprits, with consumer spending on goods and services remaining resilient. Most notably, the second quarter provided some encouragement for a pick-up, with two main causes of the Canadian recession – the fall in commodity prices and the global credit crunch – beginning to turn. The terms of trade were up modestly after three straight quarters of considerable decline, and financial conditions improved steadily. The corner appears to have been turned toward the end of the summer, supported by the improvement in world trade, government infrastructure projects and renewed private investment in machinery, equipment and housing. The third quarter may well see a flattish profile, with recovery then coming thereafter.

Canada



1. Three-month moving average of changes.

Source: Statistics Canada; OECD Economic Outlook 86 database.

StatLink <http://dx.doi.org/10.1787/751028313342>

Canada: **Employment, income and inflation**

Percentage changes

	2007	2008	2009	2010	2011
Employment	2.3	1.5	-1.6	0.8	1.8
Unemployment rate ¹	6.0	6.1	8.3	8.7	8.1
Compensation of employees	5.6	4.9	-0.2	1.8	3.8
Unit labour cost	3.0	4.4	2.5	-0.1	0.7
Household disposable income	5.3	5.9	1.0	2.2	3.5
GDP deflator	3.2	3.9	-1.9	2.3	1.4
Consumer price index	2.1	2.4	0.4	1.3	1.0
Core consumer price index ²	2.1	1.7	1.7	1.3	1.0
Private consumption deflator	1.6	1.7	0.6	1.1	0.9

1. As a percentage of labour force.

2. Consumer price index excluding the eight more volatile items.

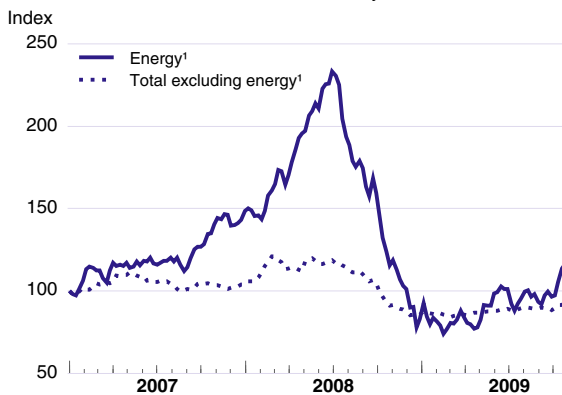
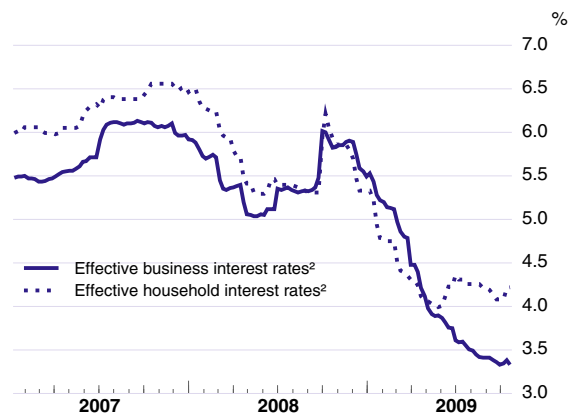
Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753380032608>**The labour market shows encouraging signs**

The pace of labour market deterioration has also abated: the level of employment was basically the same in September as it was in March, compared to the 368 000 fall observed over the previous six months. The unemployment rate even edged down to 8.4% in September. Though economic conditions may have stopped deteriorating, the level of excess capacity in the economy remains high, so price pressures are still weak. Headline year-over-year inflation was -0.9% in September, while the official core measure was 1.5%, much closer to the 2% midpoint of the official target range.

Canada**Commodity prices have stabilised**


Index, first week of January 2007 = 100

**Effective interest rates are low**

1. In US dollar terms based on Canadian production.

2. Weighted averages of various interest rates.

Source: Statistics Canada; Bank of Canada.


StatLink  <http://dx.doi.org/10.1787/751046356622>

Canada: Financial indicators

	2007	2008	2009	2010	2011
Household saving ratio ¹	2.5	3.7	4.3	3.3	3.0
General government financial balance ²	1.6	0.1	-4.8	-5.2	-4.5
Current account balance ²	1.0	0.5	-2.9	-3.4	-3.4
Short-term interest rate ³	4.6	3.5	0.8	0.5	1.7
Long-term interest rate ⁴	4.3	3.6	3.3	3.9	4.3

1. As a percentage of disposable income.
2. As a percentage of GDP.
3. 3-month deposit rate.
4. 10-year government bonds.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753408347504>

**The recovery is supported
by domestic stimulus and
external demand**

The recovery is being supported by several factors. First, external demand is bouncing back from extremely low levels, which will drive employment and investment growth even though net international trade is projected to subtract from real output growth in both 2010 and 2011. Second, improving financial market conditions, the very low interest rates that currently prevail, recovering housing markets and increased business and household confidence are supporting the recovery in business investment and driving a pick-up in consumer spending. Third, housing renovation is benefiting from the new federal home renovation tax credit. Meanwhile, government stimulus started to be discernible in second-

Canada: Demand and output

	2008	2009	2010	2011	Fourth quarter		
					2009	2010	2011
	Current prices CAD billion	Percentage changes from previous year, volume (2002 prices)					
Private consumption	891.2	-0.1	2.3	3.0	1.2	2.5	3.3
Government consumption	313.7	2.5	2.7	2.0	2.9	2.2	2.0
Gross fixed investment	362.5	-8.7	4.4	4.5	-4.2	4.2	4.8
Public ¹	52.6	10.8	6.1	0.0	11.7	2.5	-1.5
Residential	108.9	-9.0	4.4	4.9	-2.0	4.2	5.7
Non-residential	201.0	-13.4	3.9	5.9	-9.6	4.7	6.4
Final domestic demand	1 567.3	-1.6	2.8	3.1	0.3	2.8	3.3
Stockbuilding ²	7.4	-1.1	1.0	0.0			
Total domestic demand	1 574.7	-2.8	3.8	3.2	-0.3	3.4	3.3
Exports of goods and services	562.2	-14.0	5.2	5.4	-8.4	5.2	5.6
Imports of goods and services	536.8	-13.3	11.4	5.7	-3.2	7.5	5.6
Net exports ²	25.4	-0.5	-2.0	-0.2			
GDP at market prices	1 600.1	-2.7	2.0	3.0	-1.7	2.7	3.3

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Detailed quarterly projections are reported for the major seven countries, the euro area and the total OECD in the Statistical Annex.

1. Excluding nationalised industries and public corporations.

2. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 86 database.


StatLink  <http://dx.doi.org/10.1787/753416487184>

Canada: External indicators

	2007	2008	2009	2010	2011
\$ billion					
Goods and services exports	498.8	530.4	381.2	424	448
Goods and services imports	471.5	505.1	407.0	458	484
Foreign balance	27.3	25.3	- 25.8	- 35	- 36
Invisibles, net	- 13.0	- 16.0	- 14.0	- 17	- 17
Current account balance	14.3	9.2	- 39.8	- 52	- 53
Percentage changes					
Goods and services export volumes	1.1	- 4.7	- 14.0	5.2	5.4
Goods and services import volumes	5.8	0.8	- 13.3	11.4	5.7
Export performance ¹	- 1.9	- 3.1	0.3	- 0.9	- 2.5
Terms of trade	3.1	4.6	- 9.7	4.5	0.5

1. Ratio between export volume and export market of total goods and services.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753448481323>

quarter public investment figures and will build up through the rest of 2009 and in 2010 as more infrastructure projects get underway.

Canada is well placed to profit from the global recovery

Favourable credit conditions will continue to allow households and businesses to take advantage of low borrowing costs even after the effects of fiscal stimulus wane in the latter part of 2010 and in 2011, leaving domestic demand well positioned to sustain the recovery. Like the 1990s upturn, however, this recovery is projected to be mild, given the moderate recovery projected to unfold in the United States and the recent renewed strength of the Canadian dollar. In addition, labour hoarding during the recession – as reflected in falling labour productivity – may delay a sustained recovery in the labour market, curbing household income and private consumption growth for a while. Core price inflation may edge down to converge with renewed modest rises in the headline measure. Given well-anchored expectations, both remain within the headline target range over the projection period. The unemployment rate is expected to rise to 8.8% in the last quarter of 2009 and remain there until mid-2010, before dropping back to below 8% by end-2011.

Fiscal and monetary policies are sufficient to ensure recovery

Consequent to recent tax rate cuts, the cyclical decline in revenues and stimulatory spending measures, the general government deficit is projected to rise significantly and to remain high until stimulus measures start being withdrawn as scheduled in the second half of 2010. Though governments have not closed the door to doing more should economic conditions warrant, the recovery now projected – in part brought about by these fiscal measures – as well as the lags inherent in implementation, argue against additional measures. The focus should instead remain on rolling out spending that has already been committed as fast as possible to support the recovery, and on ensuring that these measures expire as planned in 2010 and 2011 to reassure investors with regard to the path of public debt. For its part, given projected disinflation, the Bank of Canada

should keep its commitment to hold the policy rate at 0.25% until the end of the second quarter of 2010, and even longer if the inflation scenario plays out as envisaged in this projection. Measures to support liquidity are no longer needed but may have to be called upon again if downside risks to the current scenario materialise. Indeed, the Bank let two of its three emergency liquidity programmes – the private-sector term purchase and resale agreement programme and the term loan facility – expire at the end of October. The regular term purchase and resale agreement (PRA) facility remains in operation until January 2010.

Uncertainties around the outlook are many

There are both downside and upside risks to the projections. On the downside, both the global recovery and the sources of external demand are uncertain. There may also be significant pressures on the US currency – giving an even stronger Canadian dollar, which would provide further headwind to export growth. On the upside, the recovery could be stronger than expected if the level of pent-up domestic demand is larger than anticipated, if commodity prices rise beyond their assumed paths, or if global trade proves more buoyant than projected. The possibility of unforeseen strength in external demand, notably from China and other emerging economies, is indeed an important upside risk to both GDP growth and inflation projections.

AUSTRALIA

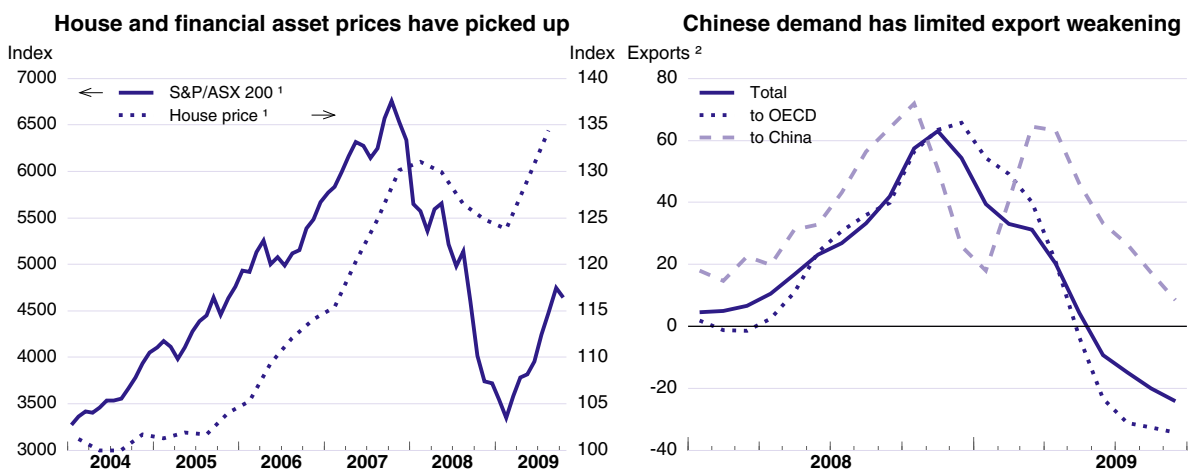
Having been less affected by the crisis than most other OECD countries, Australia is likely to experience a relatively more robust recovery. Growth is projected to pick up to 2½ per cent in 2010 and 3½ per cent in 2011, with unemployment peaking at around 6¼ per cent in 2010 and inflation moderating.

Current economic trends and the reduction in negative macroeconomic risks argue in favour of a gradual tightening of monetary policy. Furthermore, the planned reduction of the federal budgetary stimulus seems to be an appropriate response to the needs of the economy. To maximise the positive impacts of their investment programme, the authorities should submit proposed projects more systematically to a rigorous and transparent cost-benefit analysis.

The economy continues to weather the crisis well

Despite lower revenues due to falling terms-of-trade, GDP grew at an annualised rate of 2.5% in the second quarter of 2009, driven by domestic demand boosted by a highly expansive fiscal and monetary policy. Large public transfers and tax incentives stimulated private consumption and capital expenditure by firms. In addition, strong imports by China and other dynamic Asian economies buoyed exports of mining products. However, domestic demand seems to have moderated in the third quarter of 2009 as the temporary effect of support for household budgets started to wear off. The increase in credit for firms remains relatively weak. Although more optimistic than they were before, firms are still seeing their profits shrink and capacity utilisation rates are low. However, an increase in housing investment would seem to be taking shape with a recovery in house prices and mortgages. Against this background, the decline in employment has been modest, particularly since the number of hours worked has also fallen. The rate of unemployment stabilised at

Australia



1. S&P/ASX200 has a reference base 31 December 1979 = 500; house price index has a reference base 2003-04 = 100.

2. Nominal, three month moving average, year-on-year growth rate.

Source: Reserve Bank of Australia and Australian Bureau of Statistics.

Australia: Demand, output and prices


	2006	2007	2008	2009	2010	2011
	Current prices AUD billion	Percentage changes, volume (2005/2006 prices)				
Private consumption	565.6	4.4	2.6	1.5	1.5	2.8
Government consumption	180.5	2.4	4.0	2.4	2.3	2.1
Gross fixed capital formation	269.1	9.5	9.6	-3.1	2.9	5.9
Final domestic demand	1 015.1	5.4	4.7	0.3	2.0	3.6
Stockbuilding ¹	0.6	0.7	-0.6	-0.7	0.4	0.0
Total domestic demand	1 015.7	6.1	4.1	-0.4	2.5	3.6
Exports of goods and services	209.6	3.2	3.8	2.3	6.3	8.1
Imports of goods and services	221.2	12.1	11.1	-10.2	6.1	8.3
Net exports ¹	- 11.6	-1.9	-1.7	3.0	0.0	-0.1
GDP at market prices	1 004.1	4.2	2.3	0.8	2.4	3.5
GDP deflator	—	4.0	6.4	0.1	1.8	2.3
<i>Memorandum items</i>						
Consumer price index	—	2.3	4.4	1.6	2.4	1.8
Private consumption deflator	—	2.8	4.0	3.1	2.4	1.8
Unemployment rate	—	4.4	4.2	5.7	6.3	6.2
Household saving ratio ²	—	2.1	2.1	2.5	0.8	1.0
General government financial balance ³	—	1.8	1.0	-4.0	-3.5	-2.6
Current account balance ³	—	-6.3	-4.6	-4.2	-4.5	-4.0

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of disposable income.

3. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753504742780>

5¼ per cent between March and September 2009, slightly above its estimated structural level. Growth in wages has moderated and consumer price inflation fell to 1.3% year-on-year in the third quarter of 2009 due in part to lower energy prices. Underlying inflation, however, was still around 3½ per cent according to Reserve Bank of Australia (RBA) indicators.

Monetary policy is becoming less expansive

The RBA raised its official cash rate, which had been held at 3% since April 2009, to 3.5% in two steps in October and November 2009. The tightening is in line with cyclical developments as household and firms' confidence grows. It is also justified by reduced uncertainty in financial markets and concern about rising asset prices. The stock market has recovered and the Australian dollar has risen, approaching its pre-crisis level in August 2008.

The fiscal stimulus is being withdrawn

Following a weaker than expected budget deterioration in the 2008/2009 fiscal year, the public deficit, which could amount to around 4% of GDP in 2009, should contract in 2010 and 2011, despite the expected increase in public investment. The several temporary tax support mechanisms and incentives in the recovery plan introduced to combat the crisis will expire. In addition, the authorities plan to keep real growth in public expenditure to less than 2% a year, once the recovery is underway, until the budget

returns to surplus, currently projected to occur in 2015/2016. The budgetary stimulus should therefore be gradually scaled down by 2011.

A gradual recovery is expected

With the improved external environment, primarily due to the dynamism of the Chinese economy, and the impact of expansive economic policies on domestic demand, growth should gather pace and exceed trend in 2011. Increased public and dwelling investment, together with inventory build-up by firms, should offset weaker private consumption in the second half of 2009 and early 2010. Households will also benefit from the rebound in the prices of property and financial assets. The strengthening external environment and its stabilising effects on terms of trade should subsequently lend momentum to the recovery and boost investment, particularly in the mining sector. The unemployment rate should peak in the second half of 2010, declining gradually thereafter. Inflation, including underlying inflation, should fall to around 2½ per cent in 2010 and 1¾ per cent in 2011.

The risks surrounding this scenario are balanced

The possibility of a greater than expected decline in activity cannot be discounted as a result of the reduction in the budgetary stimulus. However, improved confidence may also enhance the vigour of domestic demand. There are also uncertainties over the external environment with regard to trends in the financial sector and the strength of the recovery in the OECD area.

AUSTRIA

In 2010, Austria is expected to recover from its worst recession in decades thanks to the improved external environment and supportive policies. If these conditions continue to prevail, growth should accelerate to its potential in 2011. Nevertheless, unemployment is set to increase until end-2010 and inflation, while inching up, will remain subdued.

The deterioration in the fiscal position calls for committing soon to a credible medium-term consolidation strategy which should be implemented once the recovery is in train. Administrative reforms should be continued to facilitate consolidation efforts.

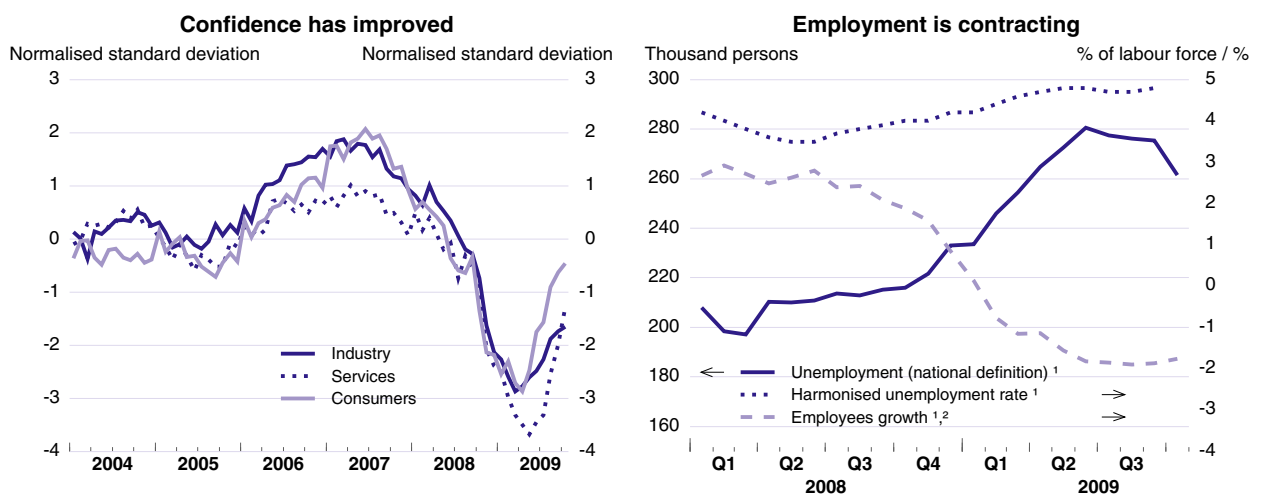
The recession has bottomed out

The recession seems to have reached its trough. Following three quarters of negative growth, GDP contracted again in the second quarter of 2009 though at a much lower rate. This stemmed from a smaller decline in exports, reflecting global trends, and in investment. In addition, private consumption accelerated thanks to the personal income tax cuts, falling inflation and the car-scrapping scheme. Business and consumer confidence as well as manufacturing orders have improved considerably since last spring, pointing to positive, though still weak, GDP growth in the second half of 2009.

Unemployment increased and inflation hit zero

Employment has been declining since November 2008, leading to a large rise in unemployment in the first half of 2009, despite the short-time working scheme. However, the pace of this deterioration abated somewhat over the summer and the harmonised unemployment rate stabilised, while registered unemployment declined somewhat in seasonally adjusted terms. Several firms have already ended the short-time working scheme, suggesting an improvement in some segments of

Austria



1. Seasonally adjusted.

2. Year-on-year percentage change.

Source: Eurostat; OECD, Main Economic Indicators database.

StatLink <http://dx.doi.org/10.1787/751150215416>

Austria: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2005 prices)				
Private consumption	138.9	0.9	0.6	0.7	0.8	1.7
Government consumption	47.4	2.0	3.1	0.9	1.7	1.3
Gross fixed capital formation	55.6	2.7	-0.6	-6.5	0.1	3.7
Final domestic demand	241.9	1.5	0.8	-0.9	0.9	2.1
Stockbuilding ¹	2.1	0.1	0.1	-0.2	0.1	0.0
Total domestic demand	244.0	1.9	1.1	-0.6	1.1	2.1
Exports of goods and services	145.6	9.3	0.7	-14.1	4.5	7.5
Imports of goods and services	133.5	6.7	-1.8	-9.6	5.1	7.8
Net exports ¹	12.2	1.8	1.4	-3.3	-0.1	0.2
GDP at market prices	256.1	3.4	1.9	-3.8	0.9	2.2
GDP deflator	—	2.2	2.2	0.7	1.0	1.1
<i>Memorandum items</i>						
GDP without working day adjustments	256.3	3.5	2.1	-3.9	1.0	2.2
Harmonised index of consumer prices	—	2.2	3.2	0.3	0.6	1.0
Private consumption deflator	—	2.6	2.7	0.7	0.7	1.0
Unemployment rate ²	—	5.2	4.9	5.8	7.1	7.3
Household saving ratio ³	—	11.3	12.0	14.2	14.7	14.5
General government financial balance ⁴	—	-0.7	-0.5	-4.3	-5.5	-5.8
Current account balance ⁴	—	3.5	3.2	1.9	2.2	2.6

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).


1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. See statistical annex for details.

3. As a percentage of disposable income.

4. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753510757208>

the manufacturing sector. Following big declines, job vacancies increased slightly over the summer, but remain at a very low level. Harmonised consumer price inflation hovered around zero between May and September 2009, thanks to falling energy prices and somewhat lower core inflation.

Financial market conditions have improved

Austrian government bond spreads vis-à-vis Germany narrowed to below 40 basis points at end-October, reflecting lower perceived risks to the financial sector in Austria. The interbank spreads in the euro area have narrowed. Since the start of 2009, new credit to households has increased slightly and new credit to companies has remained broadly unchanged. Equity prices have risen strongly since their trough in early March, but are still significantly below the pre-crisis level.

Stronger exports and stimulative policies will boost growth

The international environment and policy responses point to an improving outlook. Foreign demand has recently increased and is expected to gather pace further in 2010-11. Strong and sustained exports will gradually reduce spare capacity, triggering a rebound in investment. All this will be supported by a continued stimulative monetary stance. In

Austria, as in the euro area more broadly, the inflation profile will be shaped in the short run by higher energy prices and in 2010-11 by narrowing, but still significant, economic slack.

Unemployment is set to increase, weighing on consumption

GDP growth will not be strong enough to improve the situation in the labour market. The unemployment rate will keep increasing to a record-high level of close to 7.4% at end-2010 and will decline only marginally in 2011. Combined with some build-up in saving due to the recent decline in household wealth, this should restrain consumption growth in 2010. Households are expected to step up their spending gradually in 2011 as these trends reverse, with real interest rates remaining low and the recent tax cuts still providing stimulus.

Medium-term fiscal consolidation will be needed

The marked deterioration in public finances poses serious consolidation challenges. The fiscal stimulus packages introduced in 2008-09 comprised mostly permanent measures that will increase slightly over time. Thus, even with improved GDP growth, the general government deficit is expected to increase to 5.8% of GDP and public debt (Maastricht definition) to almost 80% of GDP in 2011. This calls for considerable fiscal consolidation once the recovery is in train. Specifying its modalities sooner rather than later would help anchor market expectations and limit negative market reactions that might raise the cost of borrowing. Such plans should be integrated in the recently implemented framework of medium-term expenditure ceilings.

Risks are large but broadly balanced

Growth may prove stronger in the short term given the brisk improvement in the global economy. The risk of a financial crisis in Central and Eastern Europe has diminished, but rising non-performing loan ratios would put the Austrian banking sector under pressure, entailing a downside risk to fiscal projections.

BELGIUM

The economy embarked on a slow recovery during the second half of 2009, supported by fiscal and monetary easing and an acceleration in world trade. Growth will not suffice to prevent further increases in unemployment until mid-2011, which is likely to push up the already high level of structural unemployment.

As the economy recovers, attention must return to securing fiscal sustainability. Consolidation measures should concentrate on achieving medium-term expenditure restraint at all levels of government and on controlling ageing-related costs. This should be complemented by implementing labour market reforms to increase the flexibility of wage formation and enhance job search incentives.

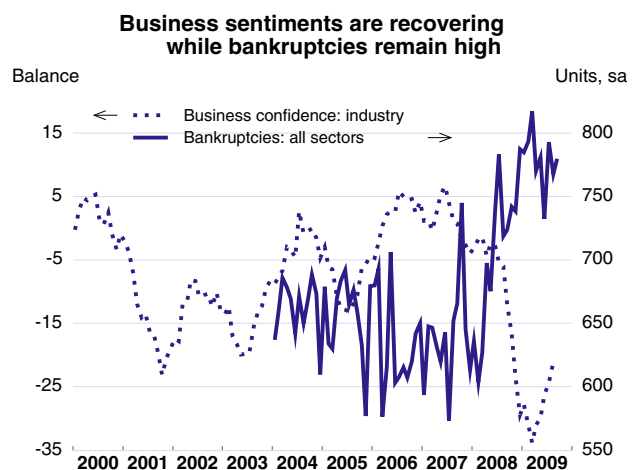
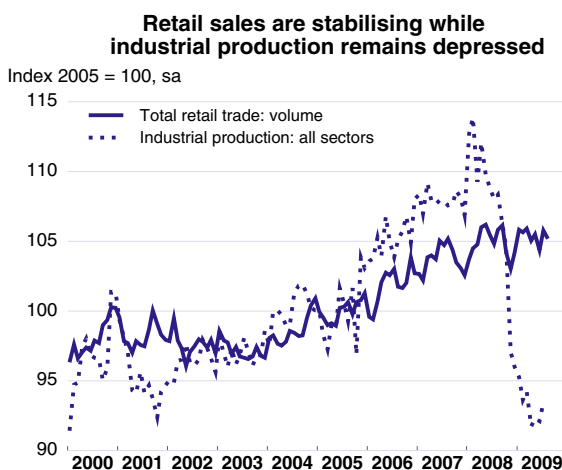
The economy is coming out of the recession

Since mid-2009, the economy has been slowly recovering from the almost year-long recession under the influence of renewed growth in world trade, improved financial conditions and expansionary monetary and fiscal policies. Consumer confidence and business sentiment have improved, albeit from some of their lowest levels on record. The rise in unemployment was tempered by the extensive use of reduced working-time programmes. Nevertheless, the harmonised unemployment rate almost reached 8% in mid-2009, up 1½ percentage points from a year earlier, and continued to increase as bankruptcies and capacity utilisation reached historically high and low levels, respectively.

Automatic wage indexation is pushing up core inflation

Headline inflation became negative in the course of 2009 as energy and food prices fell, although core inflation remained around 2%, partly reflecting the automatic indexation of wages to past increases in prices. The 2009-10 wage agreements stipulate modest real wage increases of up to ½ per cent over the period, although at a substantial fiscal cost as the effect on total wage costs was offset through tax reductions on firms.

Belgium



Source: OECD, Main Economic Indicators and Belgostat.

StatLink <http://dx.doi.org/10.1787/751162636447>

Belgium: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2007 prices)				
Private consumption	163.5	1.6	1.0	-1.7	0.6	1.4
Government consumption	71.4	2.6	3.3	1.7	1.5	1.2
Gross fixed capital formation	67.1	5.7	3.8	-3.8	-1.4	3.0
Final domestic demand	301.9	2.7	2.2	-1.4	0.4	1.7
Stockbuilding ¹	5.0	0.2	-0.2	-0.9	0.3	0.0
Total domestic demand	307.0	2.9	1.9	-2.3	0.7	1.7
Exports of goods and services	262.0	4.4	1.4	-12.7	2.5	5.2
Imports of goods and services	250.4	4.4	2.7	-12.0	2.7	5.3
Net exports ¹	11.6	0.2	-1.0	-0.7	-0.1	0.0
GDP at market prices	318.5	2.8	0.8	-3.1	0.8	1.7
GDP deflator	—	2.2	1.9	1.3	1.1	0.8
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	1.8	4.5	-0.1	1.0	0.9
Private consumption deflator	—	2.8	3.8	0.9	1.4	0.9
Unemployment rate	—	7.5	7.0	7.9	8.9	9.2
Household saving ratio ²	—	11.2	11.5	12.7	12.2	12.0
General government financial balance ³	—	-0.2	-1.2	-5.7	-5.6	-5.2
Current account balance ³	—	2.2	-2.5	-0.8	-0.6	-0.5


Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of disposable income.

3. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753533260712>

In 2011, wage growth is expected to remain modest, reflecting the norm of shadowing wage developments in the three main trading partners.

Urgent measures are needed to secure fiscal sustainability

The general government fiscal deficit widened by nearly 5 percentage points to about 6% of GDP in 2009, due to the budgetary effects of the automatic stabilisers and fiscal stimulus of nearly ¾ per cent of GDP in 2009. The stimulus measures focussed on sustaining purchasing power, maintaining employment and supporting enterprises. As part of the government's medium-term consolidation programme to balance the budget by 2015, budget consolidation of ½ and 1% of GDP is planned for 2010 and 2011, respectively. However, with the spending and revenue trajectories laid down in the budget and given the weak economic environment, the deficit is likely to remain roughly unchanged in 2010 and narrow by only ½ per cent of GDP the following year. The importance of fiscal consolidation in a relatively weak economic environment with impending ageing-related cost increases was highlighted by the High Council of Finance calculations, showing that without consolidation measures the deficit would widen over the medium term. About two-thirds of the deficit reduction in 2010 and 2011 is to be achieved by the federal government and the social security system, and

the remainder by communities and regions, although the implementation details have yet to be finalised. Consolidation measures need to limit the increases in ageing-related costs and secure expenditure restraint at all levels of government.

Growth prospects remain weak

After staging a weak recovery in the second half of 2009, the economy will gather pace in 2010 on the back of supportive monetary conditions and acceleration in world trade. Nevertheless, unemployment is set to continue rising until early 2011, when the output gap will start to narrow. Apart from uncertainties regarding the global financial and economic recovery, the main downside risk to this projection concerns the households' saving rate, which may be higher than expected in response to the continued weak labour market prospects. The upside risk is mostly related to external developments, as a faster-than-projected recovery in world trade would benefit Belgian exporters.

CZECH REPUBLIC

Falling investment and recession in major export markets contributed to a sharp downturn at the beginning of this year. Real GDP turned slightly positive in the second quarter, largely due to a pick-up in exports and continued, albeit weak, consumption growth. A gradual recovery is projected for 2010 and 2011, driven by stronger investment and export demand, though weak consumption will act as a drag on growth. Inflation has been negative during part of 2009 but is expected to rise gradually to about 2% in 2011.

The government responded to the downturn with two stimulus packages and cyclical factors will further increase the general government deficit. However, there is little room for further discretionary fiscal easing and parliament has already approved a fiscal consolidation plan to reduce the government deficit. Sustaining the consolidation effort over the longer term will require addressing large unresolved spending issues, particularly in health care, welfare and pensions as part of the necessary exit strategy.

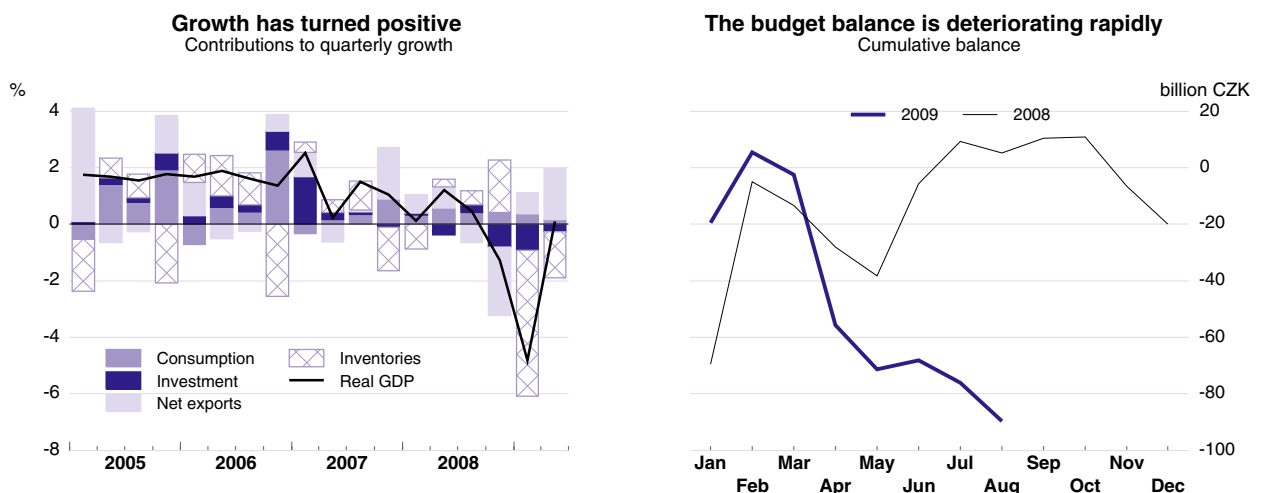
Growth has turned positive and inflation is falling

After a sizable fall, real GDP edged up by 0.1% in the second quarter of 2009. This increase was driven by a pick-up in exports and continued, albeit weak, private consumption growth. The unemployment rate, which began rising in the third quarter of 2008, reached 7.4% in the third quarter of this year, up from 4.3% a year earlier. Consumer price inflation slowed to 0% year-on-year in September, from 6.6% in September 2008, as the rate of administered price increases slowed, and unregulated prices fell, driven largely by lower oil and food prices.

Some fiscal consolidation is planned for 2010

Given weak inflationary pressures, the Czech National Bank has relaxed its stance in stages since August 2008. In late 2008 and early 2009, the government adopted two fiscal stimulus packages, amounting to around 2.8% of 2008 GDP over 2009 and 2010. Cyclical factors will further increase the deficit during the projection period. In response to growing

Czech Republic



Note: Central government budget balance (revenue-expenditure).

Source: Ministry of Finance of the Czech Republic, Government Financial Statistics; OECD, National Accounts database.

StatLink <http://dx.doi.org/10.1787/751201013408>

Czech Republic: Demand, output and prices


	2006	2007	2008	2009	2010	2011
	Current prices CZK billion	Percentage changes, volume (2000 prices)				
Private consumption	1 562.6	4.9	3.4	1.2	-0.7	1.6
Government consumption	687.0	0.7	1.6	2.0	-0.9	0.6
Gross fixed capital formation	796.3	10.8	-1.1	-7.3	1.0	4.5
Final domestic demand	3 045.9	5.5	1.8	-0.8	-0.4	2.1
Stockbuilding ¹	67.7	-0.1	-0.5	-4.3	0.7	0.1
Total domestic demand	3 113.5	5.2	1.2	-5.3	0.4	2.2
Exports of goods and services	2 471.2	15.0	6.0	-13.6	3.8	6.4
Imports of goods and services	2 359.5	14.2	4.6	-15.3	1.5	5.9
Net exports ¹	111.6	1.1	1.4	0.6	1.7	0.8
GDP at market prices	3 225.2	6.1	2.6	-4.4	2.0	2.8
GDP deflator	—	3.4	1.7	3.1	0.6	1.9
<i>Memorandum items</i>						
Consumer price index	—	3.0	6.3	1.1	1.4	2.0
Private consumption deflator	—	2.9	5.6	0.4	1.2	2.1
Unemployment rate	—	5.3	4.4	6.9	8.4	7.9
General government financial balance ²	—	-0.7	-2.0	-5.7	-5.6	-5.0
Current account balance ²	—	-3.1	-3.0	-1.0	0.3	0.3

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753542372137>

concerns about fiscal sustainability, parliament approved a fiscal consolidation plan reducing the general government deficit as a share of GDP by around two percentage points in 2010. It includes cuts in government wage expenditure and social benefits, zero-indexation of pensions and increases in value-added tax (VAT) rates and excise duties. While fiscal consolidation will be a short-term drag on domestic demand in general and consumer spending in particular, it will nevertheless strengthen confidence in the sustainability of public finances. Crowding-in of domestic and foreign investment spending could be enhanced by further reforms that reduce the regulatory burden on business.

The serious contraction in 2009 will be followed by a weak recovery

Real GDP is projected to fall by 4.4 per cent this year and to grow by 2% in 2010 and by just under 3% in 2011. Domestic demand is expected to remain weak this year, as investment continues to fall and private consumption begins to contract in response to rising unemployment and fiscal consolidation in 2010. Exports, on the other hand, have already picked up. The gradual recovery in 2010 and 2011 is expected to be driven by export demand and the recovery of investment, while consumption will remain weak. Consumer price inflation is projected to slow sharply in 2009, owing to weak domestic demand, slow nominal wage growth and falling employment. The weakness of the recovery should ensure that

inflation remains subdued although the planned increases in indirect taxes in the fiscal consolidation package will increase price levels in 2010.

Developments abroad are crucial to growth prospects

The growth projection is subject to significant risks stemming from uncertainties surrounding performance in major export markets, above all Germany. On the domestic demand side, the main downside risk lies in a possible weakening of private consumption in response to the deteriorating labour market and the 2010 fiscal consolidation package.

DENMARK

The Danish economy was hit hard, if belatedly, by the global economic crisis but is projected to recover gradually as world trade regains momentum and as support is provided by the large automatic stabilisers, substantial fiscal easing and low interest rates.

Despite some withdrawal of the fiscal stimulus imparted in response to the crisis, the budget deficit is expected to remain large in 2011. Additional consolidation measures will be needed in due course to bring the fiscal position back on track with the long-term targets, and these measures should be spelled out sooner rather than later.

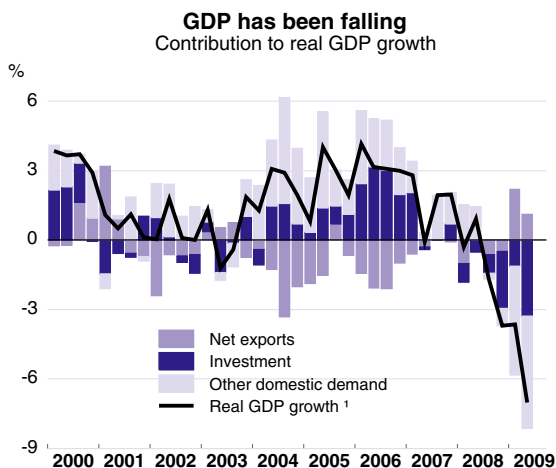
The economy has contracted sharply

Output fell sharply in the first half of 2009, with GDP in the second quarter down by 7% over a year earlier. The contraction was driven mainly by plunging business and housing investment as well as by the continuing decline in exports. Private consumption fell very steeply in late 2008 and early 2009 but less so subsequently, as it is being supported by tax cuts, withdrawals from the special pension scheme and less depressed equity prices. High-frequency indicators point to an improvement in the third quarter of 2009. Sentiment is up in manufacturing and industrial production seems to have stabilised at a low level, while the number of new bankruptcies is coming down. The outlook is more uncertain, however, for the construction sector.

Unemployment will increase further

Employment dropped in three consecutive quarters and unemployment has increased steeply, though from a very low level. Further declines in employment and increases in unemployment are projected even as the economy recovers. Wage inflation, which was fairly high until recently, eroding international competitiveness, has moderated.

Denmark



1. Year-on-year percentage change.

Source: OECD, OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/751207645883>

Denmark: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices DKK billion	Percentage changes, volume (2000 prices)				
Private consumption	792.8	2.4	-0.2	-4.8	1.6	2.4
Government consumption	422.5	1.3	1.5	2.2	1.8	1.5
Gross fixed capital formation	347.4	3.1	-5.1	-12.4	-4.9	3.2
Final domestic demand	1 562.7	2.2	-0.9	-4.5	0.4	2.3
Stockbuilding ¹	16.4	-0.3	0.2	-1.3	0.9	0.0
Total domestic demand	1 579.2	1.9	-0.7	-6.2	1.4	2.3
Exports of goods and services	846.5	2.2	2.2	-9.7	1.8	4.4
Imports of goods and services	797.0	2.8	3.4	-13.0	2.0	5.4
Net exports ¹	49.5	-0.2	-0.5	1.6	0.0	-0.4
GDP at market prices	1 628.6	1.6	-1.2	-4.5	1.3	1.8
GDP deflator	—	2.0	4.0	-0.5	1.2	2.1
<i>Memorandum items</i>						
Consumer price index	—	1.7	3.4	1.3	1.4	1.6
Private consumption deflator	—	1.8	3.1	1.4	1.2	1.4
Unemployment rate ²	—	3.6	3.3	5.9	6.9	6.2
Household saving ratio ³	—	-1.0	-0.3	8.1	9.0	8.1
General government financial balance ⁴	—	4.5	3.4	-2.5	-5.4	-4.0
Current account balance ⁴	—	1.5	2.2	2.5	2.1	2.1

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. Based on the Labour Force Survey, being ½-1 percentage point above the registered unemployment rate.

3. As a percentage of disposable income, net of household consumption of fixed capital.

4. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753542825268>

Financial and housing markets are still under pressure

Lending by banks and mortgage credit institutions has continued to slow, reflecting lower demand for loans but probably also caution on the part of financial institutions. They are exposed to significant credit risk as rising unemployment reduces the ability of households to service their debt and falling house prices lower the collateral value of loans. In the third quarter of 2009, financial institutions have continued to tighten credit standards for households and firms but were contemplating easing them somewhat by end-year. As yet, the housing market shows few signs of stabilisation: prices were still falling in the second and third quarters of 2009, albeit at a decreasing pace, and forced sales of real estate rose steeply in the third quarter. However, the number of construction permits has been rising since May.

Policy stimulus is substantial

The central bank has continued to lower policy interest rates, thereby reducing the spread *vis-à-vis* the European Central Bank's official interest rates. In addition to the support coming from low interest rates, aggregate demand will be boosted in the second half of 2009 and in 2010 by the effects of tax reform and withdrawals of savings from the special pension scheme. In 2011, some of the temporary stimulatory measures will expire

and measures to finance the tax reform are to be introduced. Nonetheless, the government deficit is expected to remain substantial in the near term.

The recovery will also be helped by external demand

After the worst recession since the 1960s, a relatively subdued recovery is projected. Exports are set to be one of its main drivers, against the backdrop of an acceleration in world trade and a further deceleration in wages coupled with a pick-up in productivity. Business investment is also projected to gain momentum in the latter part of 2010 as financial conditions normalise and the uncertainty surrounding the recovery fades. Sustained by the 2010 fiscal stimulus, the fall in unemployment and a turnaround in house prices, private consumption can be expected to regain strength throughout the projection period. Inflation is set to remain subdued as economic slack is worked off only slowly and the output gap remains large in 2011.

There are downside and upside risks

The recovery could be weaker if the housing market fails to stabilise soon despite low interest rates or if financial market conditions normalise more slowly than expected notwithstanding the government's measures to support the banking system. However, an upside surprise cannot be ruled out if monetary and fiscal stimulus were to translate into more robust consumer spending than projected.

FINLAND

Output continued to decline in Finland over the first half of the year, as the collapse in exports deepened. However, a recovery should get underway by the end of 2009 with a bounce in exports from the current very low levels and substantial restocking. Harmonised inflation has remained above the euro area average due to large negotiated wage increases. The unemployment rate has climbed sharply, and is expected to continue to rise, magnified by significant labour market rigidities.

The government's initial response to the downturn, including assistance to banks and businesses and a modest fiscal stimulus, provided material support to activity. Further significant fiscal loosening is planned but it may be counterproductive if it comes just as the recovery gets underway. While some consolidation measures have been announced, a coherent plan for a substantial fiscal consolidation should be articulated as soon as possible, and put in place once the recovery is on a firm footing. The forthcoming wage negotiations should align outcomes more closely to productivity within firms.

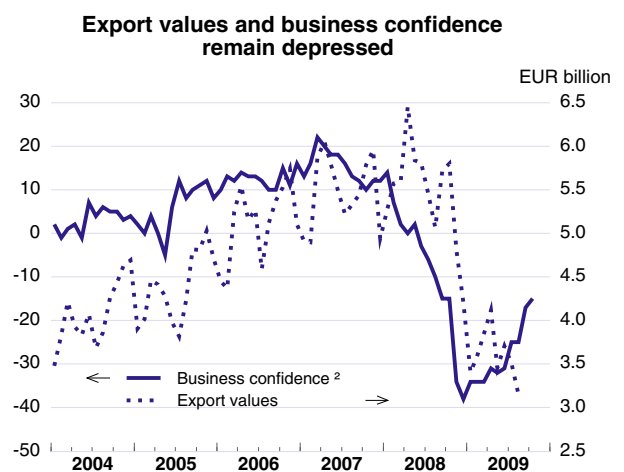
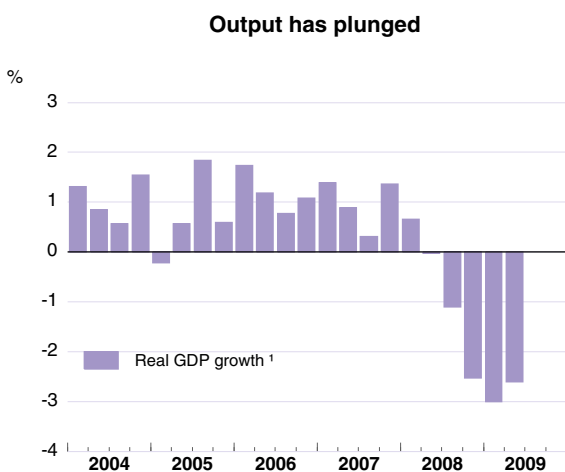
The downturn has been driven by plunging exports

The Finnish economy has suffered one of the largest declines in activity in the OECD area, driven by its exposure to international trade in manufactures. The value of exports is currently a third lower than the peak of just one year ago while destocking has accounted for around a third of the decline in GDP since the third quarter of 2008. As a consequence, GDP was almost 9% below its peak in mid-2008.

The labour market is set to deteriorate further

While the unemployment rate reached 8.8% in August 2009, it remains somewhat lower at this point in the cycle compared to the 1990s downturn. This may reflect the sectoral composition of the downturn. Output in the more capital-intensive export sectors has declined the most, while the labour-intensive service sector has been relatively less affected. In addition, the extensive use of temporary layoffs and reduced-

Finland



1. Quarter-on-quarter percentage change.

2. Confidence indicator in the manufacturing sector.

Source: Statistics Finland and Confederation of Finnish industries (EK).

StatLink <http://dx.doi.org/10.1787/751214188526>

Finland: Demand, output and prices


	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	85.9	3.3	1.5	-2.8	0.2	1.8
Government consumption	36.6	0.6	1.7	1.3	0.2	0.7
Gross fixed capital formation	32.3	8.6	0.4	-11.8	-4.4	4.9
Final domestic demand	154.8	3.8	1.3	-3.8	-0.7	2.1
Stockbuilding ^{1,2}	4.2	0.3	-0.6	-1.6	0.5	0.1
Total domestic demand	159.0	4.0	0.6	-5.5	-0.1	2.2
Exports of goods and services	75.4	8.1	7.5	-26.5	3.7	6.5
Imports of goods and services	67.2	6.5	6.9	-25.2	0.3	6.4
Net exports ¹	8.3	1.4	1.0	-3.4	1.5	0.7
GDP at market prices	167.2	4.1	0.8	-6.9	0.4	2.4
GDP deflator	—	3.1	2.0	1.0	1.2	1.5
<i>Memorandum items</i>						
GDP without working day adjustments	—	4.2	1.0	..	..	..
Harmonised index of consumer prices	—	1.6	3.9	1.7	1.5	1.4
Private consumption deflator	—	2.3	3.5	1.5	1.5	1.4
Unemployment rate	—	6.9	6.4	8.3	9.7	9.7
General government financial balance ³	—	5.2	4.4	-2.3	-4.8	-5.2
Current account balance ³	—	3.7	2.8	0.8	0.9	0.9

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. Including statistical discrepancy.

3. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753560821585>

hours programmes may also have muted labour shedding. However, conditions in the labour market are expected to deteriorate significantly further into 2010.

The recovery will be muted

Household consumption is projected to remain weak as the household saving rate climbs to rebuild balance sheets. Residential investment should pick up towards the end of this year with house prices recovering, interest rates remaining low and underlying demand, particularly in the Helsinki region, becoming a more important factor. Exports are projected to gradually recover some of the massive declines as global demand picks up. However, a complete recovery in the level of exports is some way off as their longer-term outlook is affected by structural problems and declining competitiveness. Business investment should also pick up in 2010 as the outlook, particularly for exports, improves. Inflation (harmonised) is projected to remain elevated through the forecast period and above the euro-zone average, influenced by the high wage increases and despite a value-added tax (VAT) cut on food in October 2009. Although headline inflation will spike in the third quarter of 2010 with the announced broad-based VAT increase, underlying inflation should moderate somewhat through 2010 as economic slack remains high. Inflation could begin to rise towards the end of 2011 as growth recovers.

A stronger fiscal consolidation is required

On top of the fiscal stimulus put in place in January (1.7% of GDP in 2009 and 0.4% in 2010), the recent budget bill plans a further loosening of about 1% of GDP in 2010. Consequently, the fiscal balance is set to deteriorate considerably. The move from a cyclically-adjusted surplus of 4% of GDP in 2008 to a deficit of over 2% in 2011 is set to be the largest percentage point fiscal deterioration in the OECD area. Beyond the 2010 VAT increase, considerable consolidation will be required to bring the budget back to a sustainable position over the next few years and to contain the rise in public debt.

The main risk to the outlook is the extent of recovery in exports

The heavy reliance on exports of information and communications technology equipment and capital goods in part explains the rapid collapse in Finland exports starting in late 2008, but the bounce back could be quicker than anticipated. Together with the expected boost from restocking, this constitutes an upside risk to growth. Conversely, the strength of the euro and rising unit labour costs in Finland may have eroded international competitiveness. The dramatic deterioration of the fiscal position has substantially increased funding requirements and public debt. This may constrain confidence and activity more than anticipated in the absence of a substantive and credible consolidation programme.

GREECE

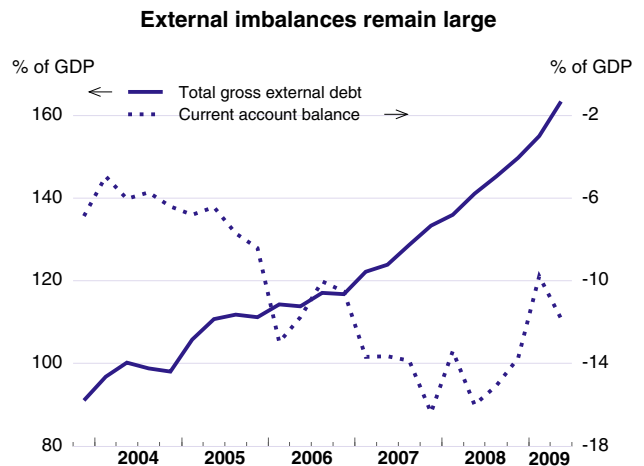
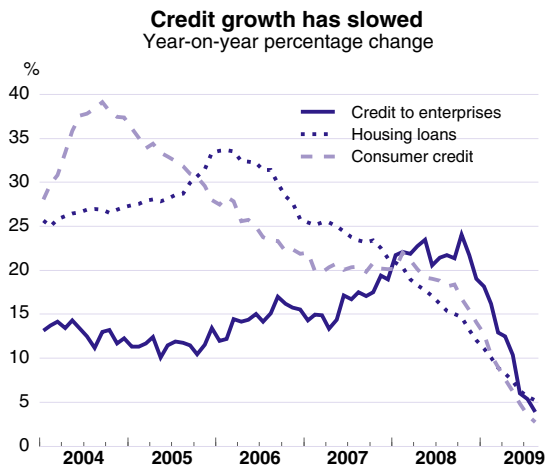
Real GDP contracted in 2009 as the effects of the global crisis gradually spread to the Greek economy. The recent improvement in the external environment should help activity to pick up slowly, and growth could gather momentum in 2011. The unemployment rate is set to reach a double-digit level over the projection period. The current account deficit is likely to remain high.

A credible commitment to reducing fiscal imbalances on a sustainable basis is essential for restoring market confidence, creating room for future budgetary manoeuvre and meeting the rising costs of an ageing population. To achieve this, strict control of spending and curbing widespread tax evasion are vital. Long-term fiscal viability also calls for further pension and health care reforms. Increasing labour and product market flexibility will be important to achieve high rates of growth.


The global crisis struck Greece with a lag

The impact of the international crisis on Greece has been less severe and delayed compared to the OECD on average. Output growth contracted in the first three quarters of 2009 as both domestic and external demand weakened. Investment, especially in housing, fell sharply over the period against a backdrop of tight credit and weak confidence. Despite large wage increases, private consumption contracted as the labour market and credit conditions deteriorated. Exports declined, as transport and travel receipts fell by around a fourth in the year to August. Unemployment rose to over 9% by mid-year. Economic sentiment has started to improve more recently, albeit from a very low level. Headline inflation eased to a historic low by mid-year driven by lower energy prices, though it edged up in October 2009. Core inflation also fell, but remained above the euro area average reflecting rising labour costs and domestic market rigidities maintained price pressures.

Greece



Source: OECD Economic Outlook 86 database and Bank of Greece.

StatLink  <http://dx.doi.org/10.1787/751215387571>

Greece: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	152.9	3.3	2.3	-1.4	-0.4	1.4
Government consumption	34.3	8.4	0.6	10.1	-1.4	-1.4
Gross fixed capital formation	45.3	4.6	-7.4	-15.5	-6.3	4.6
Final domestic demand	232.5	4.3	0.1	-2.4	-1.5	1.4
Stockbuilding ^{1,2}	0.3	1.2	0.4	-1.3	-0.3	0.0
Total domestic demand	232.8	5.3	0.4	-3.6	-1.8	1.5
Exports of goods and services	47.5	5.8	4.0	-15.0	0.3	6.6
Imports of goods and services	69.8	7.1	0.2	-19.0	-3.7	4.7
Net exports ¹	-22.3	-1.2	0.9	3.1	1.1	0.0
GDP at market prices	210.5	4.5	2.0	-1.1	-0.7	1.6
GDP deflator	—	3.0	3.5	1.7	2.4	2.1
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	3.0	4.2	1.2	2.0	1.6
Private consumption deflator	—	3.0	4.1	0.6	2.0	1.6
Unemployment rate	—	8.3	7.7	9.3	10.4	10.4
General government financial balance ³	—	-4.0	-7.8	-12.7	-9.8	-10.0
Current account balance ⁴	—	-14.4	-14.6	-11.1	-10.0	-10.1


1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. Including statistical discrepancy.

3. National Accounts basis, as a percentage of GDP.

4. On settlement basis, as a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753578265832>

Fiscal consolidation remains a key policy priority

The general government budget deficit is set to reach 12¼ per cent of GDP in 2009 – far above the original target of 3¼ per cent. This slippage reflects shortfalls in revenues and spending overruns, in addition to a worse starting point. The inclusion in the budget of some previously unrecorded expenditures, mainly liabilities to hospital suppliers, has also contributed to the slippage. The 2010 draft budget aims at a substantial reduction in the deficit with a mix of revenue and expenditure measures, and the expiration of one-off outlays adopted in 2009. The OECD projects that these policies would lower the deficit to around 9¼ per cent of GDP. However, as some of the measures to be adopted in 2010 are temporary, the deficit would widen to around 10% of GDP in 2011 with unchanged policies. The public debt will rise to above 120% of GDP. These projections reinforce the urgent need for a strong commitment to a sustainable fiscal consolidation. This can be achieved through well designed measures to eliminate structural deficits, a more restrictive budgetary rule, and greater independent oversight of budget execution. A strong and credible multi-year fiscal consolidation programme is imperative to restore room for stabilisation policy, reduce sovereign spreads and meet social and economic challenges.

Economic activity should pick up gradually

Economic activity is projected to contract somewhat further in the last quarter of 2009 and early 2010, as domestic demand continues to decelerate in the face of tight credit conditions and weak sentiment.

Drops in tourism and shipping receipts will affect exports. Output growth is expected to pick up only gradually in the course of 2010 as it will be pulled back by a tighter fiscal stance. Activity should be supported, however, by strong exports, as world trade recovers. The deployment of European Union structural funds should also contribute to growth. Unemployment is set to reach 10½ per cent around mid-2010 and only edge down towards the end of 2011. Economic slack will keep inflation at a low level over the projection period. The current account deficit is likely to remain very high, at some 10 % of GDP, as domestic demand recovers.

**Risks to growth are broadly
balanced**

The projections are subject to important risks, including the pace of recovery in Greece's main trading partners in South-East Europe and uncertainty about the recovery of global financial markets. The continuous erosion of competitiveness due to persisting inflation differential with the euro area could also hamper the recovery. On the other hand, the pick-up could be stronger than expected if the new government presses ahead with the overdue structural reform programme on fiscal, labour and product markets, which would boost confidence in the short term and put in place the preconditions for strong medium-term growth.

HUNGARY

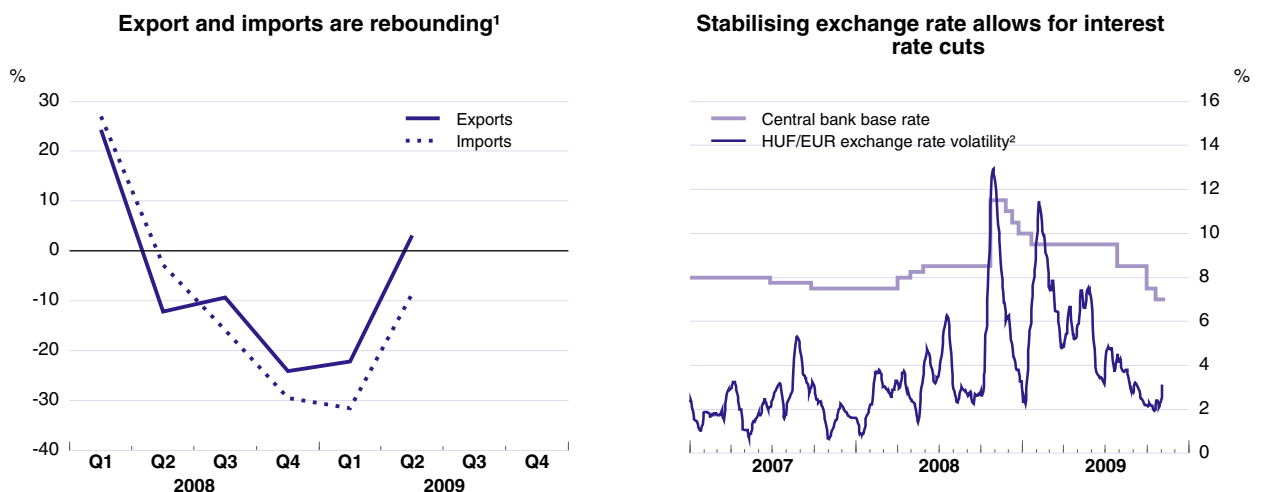
After a sizeable contraction in 2009, GDP growth should progressively resume in 2010, and gather pace in 2011, on the back of a strengthening foreign demand and easing credit conditions. Unless the upcoming election year repeats past electoral profligacy, planned fiscal austerity should curb domestic demand. The unemployment rate will peak at over 10% in 2010 before falling slightly. The significant output gap and the recent appreciation of the exchange rate have dampened inflationary pressures, which should not increase before the recovery gains momentum.

A tight macroeconomic policy under the programme of International Monetary Fund and the initial success in reining in expenditure growth have boosted investor confidence, strengthened the exchange rate and provided room for a series of interest rate cuts since mid-2009. Scope for further easing will be determined by the credibility of continued fiscal consolidation and conditions in global financial markets. To maintain investor confidence, it is crucial that the government sticks to the newly adopted medium-term fiscal framework and supports the efforts of the new fiscal council.

Hungary faces a protracted recession

Real GDP has severely contracted during the first three quarters of 2009. Inventories plummeted and private consumption and investment slackened significantly, resulting in imports falling even faster than exports. Exports were somewhat buoyed by market share gains arising from a weaker currency. Manufacturing and construction output has remained flat, suggesting that the economy may have come close to bottoming out. Inflation measured by the consumer price index stood at 4.7% in October 2009, a slight pick-up from earlier figures due to value-added tax (VAT) and excise tax hikes in July. The unemployment rate had been held down by public and seasonal works programmes during the summer, but reached a 13-year high thereafter.


Hungary



1. Volume growth over previous quarter, annual rate.

2. Moving standard deviation of a one-month window.

Source: Magyar Nemzeti Bank; Datastream and OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/751224836730>

Hungary: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices HUF billion	Percentage changes, volume (2000 prices)				
Private consumption	12 800.2	0.4	-0.5	-7.8	-5.3	1.2
Government consumption	5 423.2	-7.4	-0.8	0.0	-0.9	1.0
Gross fixed capital formation	5 161.3	1.6	0.4	-6.6	0.2	4.1
Final domestic demand	23 384.7	-1.2	-0.4	-5.8	-3.1	1.8
Stockbuilding ¹	536.0	0.0	1.0	-8.0	0.3	0.0
Total domestic demand	23 920.7	-1.0	0.4	-10.1	-2.8	1.9
Exports of goods and services	18 329.7	16.2	5.6	-11.2	6.0	7.0
Imports of goods and services	18 494.9	13.3	5.7	-18.1	3.0	5.6
Net exports ¹	- 165.2	2.2	0.0	5.5	2.5	1.3
GDP at market prices	23 755.5	1.0	0.6	-6.9	-1.0	3.1
GDP deflator	—	5.9	3.8	2.4	2.3	2.0
<i>Memorandum items</i>						
Consumer price index	—	8.0	6.0	4.5	4.0	3.0
Private consumption deflator	—	6.2	5.6	4.6	4.5	4.6
Unemployment rate	—	7.4	7.9	9.9	10.3	9.3
General government financial balance ²	—	-5.0	-3.7	-4.3	-4.1	-3.6
Current account balance ²	—	-6.8	-7.1	-1.6	-1.8	-2.6

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753610370657>

Financial market conditions have improved...

The bailout package by international organisations boosted foreign exchange reserves and alleviated Hungary's financing difficulties in international markets. The easing of global financial market strains has also contributed to enhanced investor confidence, which was manifest in the successful issue of eurobonds in July 2009. In addition, the exchange rate has strengthened, providing room for a series of interest rate cuts in the third quarter of 2009. As a result, the debt service burden of indebted households, especially those with liabilities in foreign currency, was somewhat eased. The passthrough from the rate cut to the real economy has, however, been weak owing to high perceived levels of credit risk. Further monetary easing would make forint loans more attractive *vis-à-vis* loans in foreign currency, but the room for interest rate cuts is largely constrained by global risk appetite and the budget outcome ahead of general elections in 2010.

... as a result of austerity fiscal measures

The initial success in reining in expenditure growth played a major role in regaining investor confidence in Hungary. However, the series of austerity measures, including wage and pension cuts, have severely affected consumption, although the impact of VAT and excise tax hikes on consumption was somewhat mitigated because they were not fully reflected in prices, due to the weak demand and because firms' costs were reduced by social security contributions cuts. The major challenge is to

maintain the momentum of fiscal consolidation. The medium-term framework for fiscal consolidation needs to be strengthened. In particular, the governments (national and sub-national) should stick to the medium-term objectives and the authorities need to bolster confidence by ensuring that the recently established fiscal council plays a prominent role in supervising the budgetary process.

After a bottoming out in 2009, growth will slowly pick up from 2010

After a sharp fall in output of about 7% in 2009, a slow pickup is expected from 2010, with growth approaching 4½ per cent towards the end of 2011. The recovery will be driven by stronger global demand and the resulting pick-up in business investment. Investment and consumption demand should be supported by easier monetary policy. Eventually, the shift of tax burden from labour to consumption will play an important role in boosting Hungary's growth potential. In spite of the temporary pick-up in CPI inflation as a result of the tax hikes, inflation is expected to be moderate, given the large degree of slack. Downside risks to this projection include an increase in non-performing loans that would further damp business investment and renew loss of confidence in the currency. A major upside risk is a faster than expected global recovery.

ICELAND

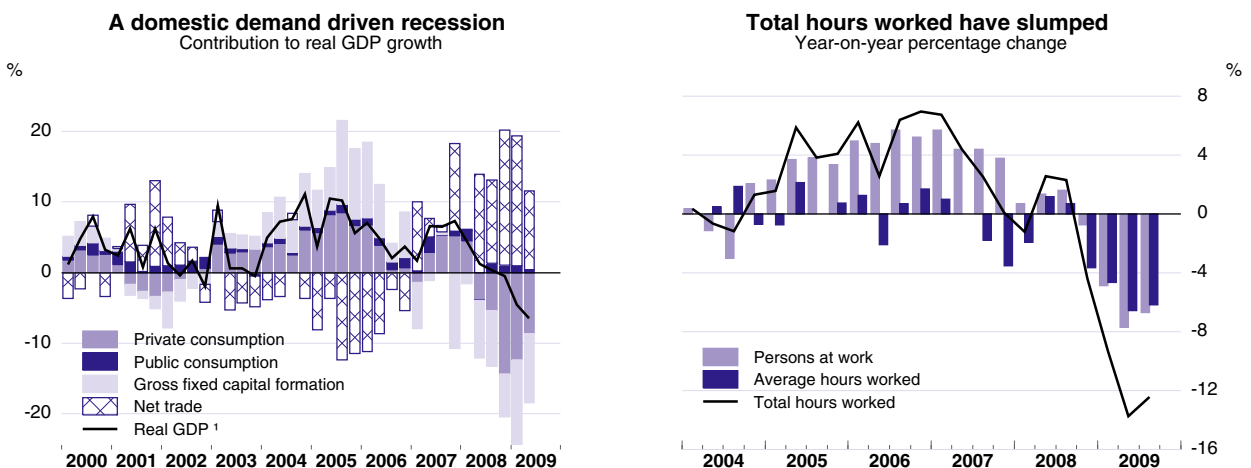
The recession into which the Icelandic economy fell following the failure of the country's three main banks in October 2008 continues. Domestic demand has fallen sharply, and the economy is projected to continue shrinking until early 2010. Thereafter, growth is projected to return, boosted initially by the expected normalisation of financial conditions and subsequently by investment in large energy-related projects. The unemployment rate is likely to rise to around 7% by mid-2010 and edge down thereafter. The government programme will help to narrow economic imbalances, with inflation falling to about 2½ per cent by 2011 and the current account deficit declining to 1½ per cent of GDP in 2011.

It is vital that the planned fiscal consolidation programme be fully implemented so as to put public finances back on a sustainable path. Monetary policy should remain focussed on exchange rate stability and capital controls should be progressively removed as soon as feasible to normalise relations with foreign markets and allow firms to access foreign credit markets.

The economy is in a deep recession

The deep contraction of domestic demand that followed the collapse of Iceland's three main banks in October 2008 continued in the first half of 2009. The largest declines occurred in investment expenditure, with business investment particularly depressed owing to the weak economic outlook and businesses deleveraging. Residential investment also fell sharply, weighed down by oversupply, rising building costs and falling real-estate prices. Government investment suffered as part of the needed programme of fiscal consolidation. Consumers continued to retrench, albeit at a more moderate pace than at the end of 2008. By contrast, exports expanded in the first half of 2009, boosted by rising aluminium production and an extremely competitive real exchange rate, while imports remained at depressed levels. The balance of foreign trade in goods and services recorded a substantial surplus following years of large

Iceland



1. Year-on-year percentage change.

Source: Central Bank of Iceland and Statistics Iceland.

StatLink <http://dx.doi.org/10.1787/751226812306>

Iceland: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices ISK billion	Percentage changes, volume (2000 prices)				
Private consumption	679.5	5.6	-7.8	-16.5	-5.5	0.3
Government consumption	285.4	4.1	4.6	-1.9	-1.3	-1.7
Gross fixed capital formation	397.6	-12.2	-20.4	-47.4	-6.9	18.1
Final domestic demand	1 362.5	0.1	-8.3	-20.3	-4.5	2.5
Stockbuilding ¹	13.5	-0.6	-0.4	0.5	-0.7	0.0
Total domestic demand	1 376.0	-0.4	-8.6	-20.3	-5.4	2.6
Exports of goods and services	376.8	17.7	7.1	0.8	1.9	3.1
Imports of goods and services	584.6	-0.7	-18.3	-28.6	-4.4	3.1
Net exports ¹	- 207.8	6.1	10.8	13.9	2.9	0.3
GDP at market prices	1 168.2	5.6	1.3	-7.0	-2.1	2.6
GDP deflator	—	5.5	12.0	8.5	6.8	2.9
<i>Memorandum items</i>						
Consumer price index	—	5.1	12.7	11.9	5.8	2.5
Private consumption deflator	—	4.6	14.0	15.0	6.2	2.5
Unemployment rate	—	2.3	3.0	7.1	7.0	6.4
General government financial balance ²	—	5.4	-13.6	-15.7	-10.1	-5.8
Current account balance ²	—	-15.4	-40.4	-8.1	-1.6	-1.6

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753611866184>

deficits up until the banking crisis, although the current account recorded a small deficit owing to a large factor-income deficit. Deep cuts in employment and working time occurred in late 2008 and in early 2009, increasing the unemployment rate from 2.5% in the third quarter of 2008 to a peak of 9.1% in the second quarter of 2009, but these cuts have since been partially reversed, reducing the unemployment rate to 6.0% in the third quarter. Weak labour market conditions have depressed wage rates, which fell by 8.0% in real terms in the year to September. Inflation has resumed its descent, which was interrupted by a bout of currency weakness earlier in the year, falling to 9.7% in the year to October.

Policies to correct economic imbalances are being implemented

Considerable progress has been made in implementing the programme outlined in the Stand-By Arrangement (SBA) of the International Monetary Fund. The government aims to achieve a primary fiscal surplus by 2011 and a budget surplus by 2013, with the bulk of consolidation occurring in 2010 and 2011. Consolidation measures are evenly split between revenue increases and expenditure cuts, although the revenue measures predominate in the early stages of the plan. The 2010 budget proposal announced in October is consistent with these plans. Two of the three main banks that failed have been recapitalised, with one of them having been taken over by its creditors, and discussions are continuing with creditors of the other bank with a view to achieving a

similar outcome. The Central Bank of Iceland reduced its current account deposit interest rate by 0.5 percentage point to 9.5% in November, with future reductions being conditional on maintaining exchange rate stability. The Bank took the first step in the sequenced removal of capital controls by permitting inflows of foreign currency for new investments and potential outflows of foreign currency that may derive from such investments in the future from 1 November.

Recovery should get underway in 2010

The economy is projected to continue contracting until early 2010 but to expand thereafter, reaching annual growth of about 2½ per cent in 2011. Rising exports and less depressed private consumption are likely to halt the decline in output, with increasing investment in large energy-related projects driving economic expansion in the second half of 2010 and in 2011. The unemployment rate is projected to rise until mid-2010 and fall back to about 6% by the end of 2011 while inflation should fall to about 2½ per cent in 2011. Ongoing improvements in the trade and services balances should reduce the current account deficit to around 1½ per cent of GDP in both 2010 and 2011, despite large factor-income deficits.

Uncertainties concern the effects of removing capital controls and the timing of investment projects

In addition to the risks associated with the uncertain global and financial economic recovery, the major risk surrounding these forecasts concerns the removal of capital controls on outstanding holdings of Icelandic securities. If it results in a significant fall in the exchange rate, that would harm firms and households with foreign currency liabilities that are not hedged and push up inflation, weighing on the recovery. On the other hand, if the exchange rate were to strengthen, such balance sheet difficulties would be reduced and the central bank would be able to lower interest rates, strengthening the recovery. There is also considerable uncertainty about the timing of planned large energy-intensive investment projects.

IRELAND

The economy is experiencing a severe recession as large domestic imbalances correct, but there are recent signs that the pace of contraction is slowing. Ireland should benefit from the world trade upswing along with restored competitiveness as a result of the decline in wages and prices. The ongoing domestic adjustment will nevertheless be prolonged, and the economic recovery weak.

The budget deficit has swelled and public indebtedness has increased sharply. Substantial fiscal consolidation measures are already in place, but more will be needed over an extended period, which will require both further increases in revenues and cuts in public expenditure. With NAMA (the National Asset Management Agency), the government seeks to restore the banking system to health by recognising and dealing swiftly with losses, thus contributing to the recovery. This should be implemented along with the necessary risk-sharing mechanisms to protect the taxpayer.

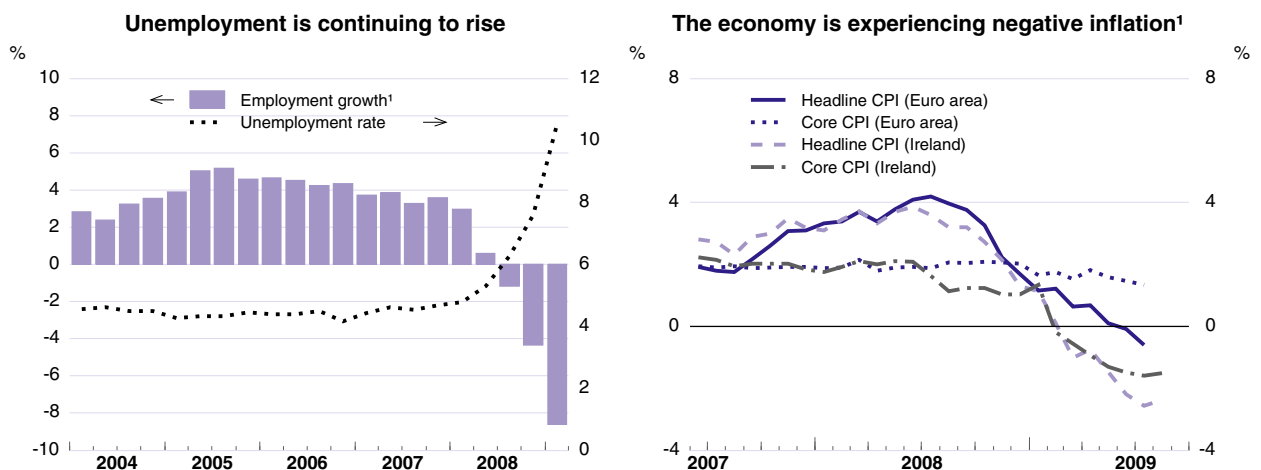
The rate of economic contraction is slowing

Economic activity contracted by 7.4% in the second quarter of 2009 (year-on-year), with residential investment continuing to be the main cause of the slump. The sharp drop in consumption has also weighed down on output. From its peak, real GDP has fallen by 10½ per cent. The pace of contraction has however recently decelerated: GDP appears to have stabilised in the second quarter of 2009, though in part reflecting some non-recurrent factors which boosted total investment.

The labour market continues to deteriorate, although at a slower rate

Employment has contracted sharply in the first half of 2009, mainly driven by job losses among construction workers, and unemployment has continued to rise rapidly, reaching nearly 12% of the labour force in the second quarter. As a result of the weak labour market conditions, Ireland is now experiencing net outward migration, for the first time since 1995. This trend is likely to continue in the near term and it will slow the rise in joblessness by reducing the labour force.

Ireland



1. Year-on-year percentage change.

Source: OECD Economic Outlook database and Datastream.

StatLink <http://dx.doi.org/10.1787/751261850746>

Ireland: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2007 prices)				
Private consumption	81.0	5.6	-0.7	-7.5	-2.2	-1.4
Government consumption	27.5	7.7	1.5	-2.6	-2.9	1.3
Gross fixed capital formation	47.7	2.1	-15.6	-28.9	-16.7	0.5
Final domestic demand	156.2	4.9	-4.6	-11.7	-5.0	-0.5
Stockbuilding ¹	3.0	-0.8	0.1	-1.0	0.7	0.0
Total domestic demand	159.2	4.0	-4.5	-12.7	-4.2	-0.5
Exports of goods and services	141.0	8.6	-1.0	-2.2	1.1	2.4
Imports of goods and services	123.4	5.7	-2.0	-7.7	-0.6	1.2
Net exports ¹	17.6	2.9	0.6	3.8	1.5	1.3
GDP at market prices	176.8	6.0	-3.0	-7.5	-2.3	1.0
GDP deflator	—	1.2	-1.2	-3.8	-1.4	0.8
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	2.9	3.1	-1.7	-0.7	0.4
Private consumption deflator	—	3.7	2.7	-3.5	-1.1	0.4
Unemployment rate	—	4.6	6.0	11.9	14.0	13.8
General government financial balance ^{2,3}	—	0.2	-7.2	-12.2	-12.2	-11.6
Current account balance ²	—	-5.2	-5.4	-2.8	-2.0	-0.6


Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

3. The balance includes additional fiscal measures outlined by the authorities for 2010 and 2011.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753628438234>

The housing correction is continuing at a fast pace

House prices have continued to fall at a fast pace: official quarterly data show that average new house prices fell by 21.8% year-on-year in the second quarter of 2009. Monthly data do not point to any clear pattern of stabilisation.

The economy is experiencing a period of negative inflation

Consumer price inflation entered into negative territory at the start of 2009: the national headline inflation index declined by 6.1% in September over the previous year, while the harmonised inflation index (which excludes housing costs) fell by 2.6%. Negative inflation is expected to persist through the first half of 2010 due to excess production capacity and the ongoing adjustment in the labour market.

The recovery will be sluggish

The economic contraction is expected to persist through this year and into the next, with a modest rate of growth expected to emerge only towards the second half of 2010. The recovery will be driven by exports, reflecting a gradual improvement in external markets which should offset to some extent the continued decline in domestic demand. The upturn is expected to be sluggish: household spending will remain weak, due to rising unemployment and falling disposable incomes, and fiscal policy will remain tight during the projection period.

The fiscal consolidation process will last several years

Measures have been taken in the first half of 2009 to tighten fiscal policy substantially, via a series of emergency budget interventions; while the adjustment process has already started, it will last several years. The fiscal position is continuing to deteriorate though, mostly driven by shrinking tax receipts resulting from the severe correction in the housing market as well as declining income taxes. Major policy measures to curb the structural deterioration in public finances will come both on the expenditure and revenue sides. Appropriate recommendations to the government have been outlined in the recently published reports of the Commission on Taxation and the Special Group on Public Service Numbers and Expenditure Programme. The projections incorporate the fiscal consolidation measures announced for 2010 and 2011 in the April 2009 Supplementary Budget, some of which reflect the full-year effect of measures introduced towards the second half of 2009.

Risks surround the recovery on both sides

Major risks on the negative side are associated with a period of pronounced deflation which would increase the debt overhang in real terms. On the positive side, however, restored competitiveness through downward adjustment in wages and prices, which is already taking place, could allow growth to pick up more quickly than expected, in the context of the ongoing global economic recovery.

KOREA

Following the severe contraction in late 2008, Korea has achieved one of the earliest and strongest recoveries in the OECD area, led by exports and expansionary fiscal policy. While the impact of fiscal stimulus will fade in 2010, a sustained pick-up in exports is projected to help boost output growth to 4 to 4½ per cent in both 2010 and 2011, with a rebound in domestic demand and a marked fall in unemployment.

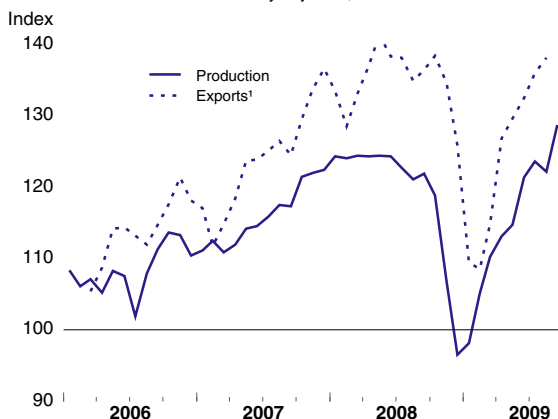
As the recovery takes hold, the growth of government spending should be scaled back to bring the budget back into balance, in line with the mid-term fiscal management plan. Other exceptional measures to stabilise the economy, such as the expanded support to small and medium-sized enterprises, should be phased out. Structural reforms to enhance productivity, notably in the non-manufacturing sector, are needed to sustain growth over the medium term.

The strong economic recovery, led by exports and fiscal stimulus...

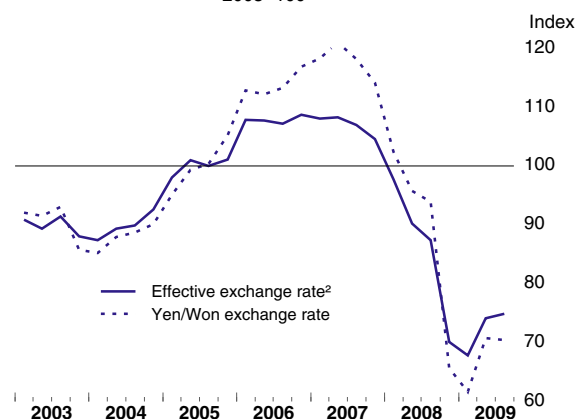
Korea has rebounded strongly after suffering one of the sharpest output declines in the world in the final quarter of 2008 and an unprecedented drop in exports. In contrast, Korean exports expanded at a double-digit rate during the first three quarters of 2009 despite the contraction in world trade. The marked decline in the won, which by March 2009 had fallen 35% below its level at the beginning of 2008 in trade-weighted terms, aided this performance. Buoyant exports were accompanied by a recovery in domestic demand, thanks in part to fiscal stimulus, which at 6% of GDP was the largest among OECD countries adopting explicit crisis-driven stimulus programmes. Additional government spending, amounting to 3% of GDP, helped to boost construction investment, while transfers to households supported private consumption, despite rising unemployment. Tax reductions, including a cut in car-related taxes, also boosted private consumption in the first half

Korea

Exports and production have returned to pre-crisis levels
Seasonally adjusted, 2005=100



The won has stabilised following a sharp decline
2005=100



1. Three-month moving average.

2. The effective rate vis-à-vis 41 trading partners.

Source: Bank of Korea; Korea National Statistical Office.

StatLink  <http://dx.doi.org/10.1787/751263771174>

Korea: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices KRW trillion	Percentage changes, volume (2005 prices)				
Private consumption	494.9	5.1	0.9	0.2	2.9	3.2
Government consumption	131.9	5.4	4.2	5.8	3.0	4.1
Gross fixed capital formation	260.7	4.2	-1.7	-1.7	3.6	4.9
Final domestic demand	887.5	4.9	0.7	0.5	3.1	3.8
Stockbuilding ¹	8.7	-0.2	0.7	-5.0	1.6	0.0
Total domestic demand	896.1	4.7	1.4	-4.5	4.9	3.9
Exports of goods and services	360.6	12.6	5.7	-0.1	13.4	12.9
Imports of goods and services	348.0	11.7	3.7	-8.2	15.1	12.5
Net exports ¹	12.6	0.5	0.9	4.4	-0.4	0.3
GDP at market prices	908.7	5.1	2.2	0.1	4.4	4.2
GDP deflator	–	2.1	2.7	2.8	0.4	2.0
<i>Memorandum items</i>						
Consumer price index	–	2.5	4.7	2.7	2.8	3.0
Private consumption deflator	–	2.0	4.2	2.5	2.8	3.0
Unemployment rate	–	3.2	3.2	3.8	3.6	3.4
Household saving ratio ²	–	2.9	2.8	3.9	3.0	3.2
General government financial balance ³	–	4.7	3.3	-1.8	0.4	1.1
Current account balance ³	–	0.6	-0.6	4.6	1.3	1.0


Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of disposable income.

3. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753666706071>

of 2009. Stockbuilding is making a large positive contribution to growth in the second half of the year, reversing the negative impact from the run-down in inventories during the first half of 2009.

... and aided by measures
to promote financial-
market stability...

The recovery was bolstered by measures to counter the financial market instability that resulted from large capital outflows, which had led to sharp falls in asset prices and the exchange rate. Recapitalisation using public funds has strengthened the banking system and the government established a 40 trillion won fund (3.8% of GDP) to purchase banks' non-performing loans and troubled assets of companies under restructuring. The cut in the policy interest rate, from 5½ per cent in August 2008 to 2% in February 2009, was accompanied by generous provision of liquidity. Since March 2009, capital has been flowing back to Korea and the exchange rate has appreciated by about 15% in effective terms, while equity prices have risen by around 60%.

... is projected to boost
output growth to around
4¼ per cent in 2010-11

As exports approach pre-crisis levels, the impact of fiscal stimulus fades and the rebuilding of inventories is completed, the pace of output growth will moderate from the 8% rate achieved during the first three quarters of 2009. The mid-term fiscal management plan calls for the consolidated central government budget, which is expected to record a

deficit of 5% of GDP in 2009 (excluding the social security surplus), to return to balance in 2013-14, limiting gross public debt to less than 40% of GDP. In addition, maintaining inflation in the central bank's target zone of 2.5% to 3.5% is likely to require a hike in the policy interest rate, which is now negative in real terms. Nevertheless, the expansion will be sustained, helped by continued export growth. Indeed, with the exchange rate still far below pre-crisis levels, Korea is well-placed to continue gaining market share as world trade picks up. A sustained expansion in exports should lead to faster growth in business investment and employment, boosting output growth to 5% by late 2011.

Risks remain high but have become more balanced

An export-led expansion is vulnerable to developments in the global economy. If world trade were to falter or there were a large and rapid appreciation of the won, Korea could be at risk of a double-dip recession. On the other hand, a faster-than-expected rebound in world trade would lead to a stronger upturn in Korea. On the domestic side, the heavily-indebted household sector may use income gains to improve balance sheets rather than increase consumption, thereby slowing the recovery.

LUXEMBOURG

The economy has been hit severely by the international financial crisis through its exposure to financial services and trade. There are signs that activity has bottomed out, however, thanks to stronger equity markets and policy support. Further ahead, gradual recovery will be sustained by improving financial conditions and growth in world trade.

Further fiscal stimulus of around 1½ per cent of GDP has been put in place for 2010. The authorities should lay out a credible path for medium-term fiscal consolidation.

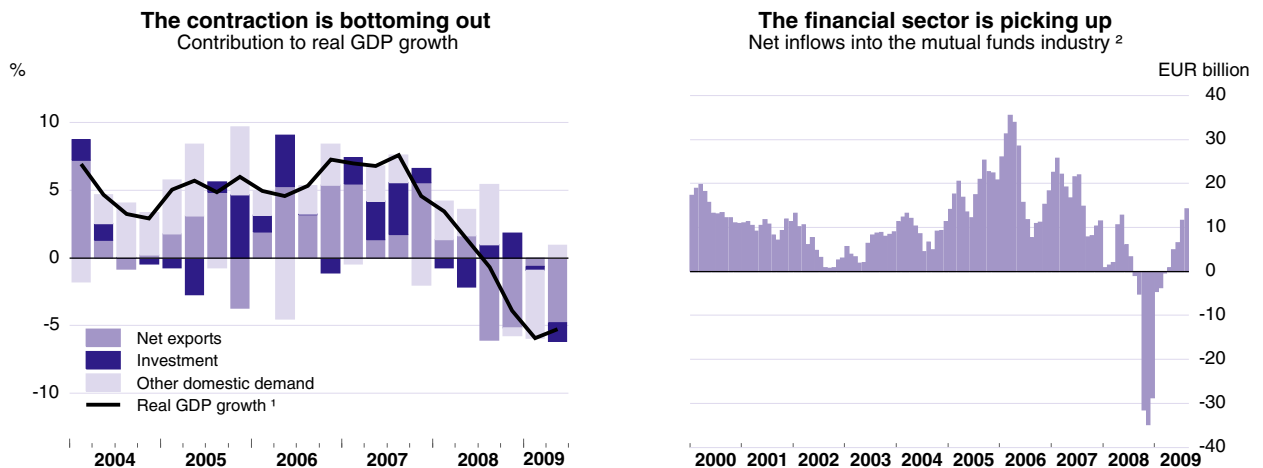
The sharp downturn appears to have ended

Economic activity contracted by 6.3% from the peak in early 2008 to mid-2009, due to the financial crisis and the collapse in world trade. However, industrial production in August was 27% lower than a year previously, output of financial and business services also fell, although rising government spending and accommodative monetary policy lent support. In the second quarter, GDP contracted by just 0.3%, though consumption increased by 0.5% and industrial production rose. Confidence indicators have picked up strongly in recent months.

There is widespread labour hoarding

Unemployment stood at 5.8% in September, up from 4.4% a year previously, even though overall employment increased modestly. The number of people on active labour market programmes has risen. However, the fall in output has been partially absorbed by an increase in the number of workers on reduced work time, from near zero before the crisis to 2.8% of the labour force in August. This has been encouraged by the decision to reimburse the employers' share of the partial unemployment allowance and extend its duration.

Luxembourg



1. Year-on-year percentage change.

2. Three-month moving average. Inflows are defined as net of markets' variations.

Source: OECD Economic Outlook 86 database; and Commission de Surveillance du Secteur financier.

StatLink  <http://dx.doi.org/10.1787/751277103186>

Luxembourg: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	11.3	2.8	3.9	-0.3	1.0	2.3
Government consumption	5.2	2.8	2.7	3.3	2.0	0.5
Gross fixed capital formation	6.5	12.6	-0.1	-11.5	-1.8	5.1
Final domestic demand	23.0	5.6	2.5	-2.7	0.5	2.6
Stockbuilding ¹	0.4	-0.9	0.5	-1.6	1.4	0.0
Total domestic demand	23.4	4.2	3.2	-5.1	2.7	2.6
Exports of goods and services	57.7	8.8	1.5	-10.9	1.9	5.5
Imports of goods and services	47.0	8.3	3.5	-13.3	1.7	5.6
Net exports ¹	10.7	3.5	-2.4	-0.2	0.9	1.7
GDP at market prices	34.1	6.5	0.0	-3.9	2.4	3.4
GDP deflator	—	3.0	5.0	-1.4	2.6	3.2
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	2.7	4.1	-0.1	1.6	1.0
Private consumption deflator	—	1.9	3.7	-0.3	2.0	1.8
Unemployment rate	—	4.4	4.4	5.9	7.1	7.5
General government financial balance ²	—	3.7	2.5	-2.3	-4.3	-3.6
Current account balance ²	—	9.7	5.5	1.9	1.5	2.9

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753667388323>

The recovery will be slow

Activity will recover towards long-term trend growth rates in the next two years as financial conditions improve and world trade strengthens. The rise of European stock markets and inflows into funds based in Luxembourg point to higher exports of financial services in the near term. But, considerable economic slack is likely to persist, the extensive labour hoarding will limit any rebound in employment and unsettled financial conditions could restrain the pick-up in investment.

Inflationary pressures are easing

Underlying inflationary pressures have eased, despite the increase in wages in March through the wage indexation mechanism, and price pressures are likely to remain subdued over coming quarters. A further uplift to wages may occur during 2010.

The general government balance is moving further into deficit

The general government balance has deteriorated sharply from a surplus of 2.6% of GDP in 2008 to a deficit of over 2% in 2009. Around half of this change can be explained by the automatic stabilisers. In addition, the 2009 Budget set out a fiscal stimulus package of more than 3% of GDP. The 2010 Budget plans further stimulus of around 1½ per cent of GDP, largely split between investment and higher social spending. While the government has indicated that investment will not rise further in subsequent years, it may be difficult to reverse higher social spending.

**The main risk is prolonged
financial crisis**

Luxembourg remains highly exposed to uncertainty about international financial conditions and the improvement in world trade. The main uncertainty, however, is about the impact of the financial crisis on potential output and the long-term prospects of the economy, given its narrow specialisation in certain financial activities and types of industrial production.

MEXICO

Mexico has suffered its most severe recession since the 1994 currency crisis. Real GDP fell by 9.7% year-on-year in the second quarter of 2009, reflecting lower oil prices and lower exports, the outbreak of influenza and declining tourism revenues and worker remittances. Supported by the rebound in oil prices and increasing exports to the United States, the fall in activity slowed down and activity is now starting to recover. As monetary and fiscal stimulus are gaining traction, the recession is projected to bottom out in the third quarter of 2009 and GDP growth should rise gradually in 2010.

The central bank has reduced the policy rate from 8.25 to 4.5% since February 2009 and the government implemented a fiscal stimulus package amounting to around 1.6% of GDP. Going forward, the central bank will have little room for further monetary easing as inflation is projected to remain close to the upper bound of its inflation target range. The automatic fiscal stabilisers should be allowed to work freely in 2010, but the fiscal stimulus should be gradually withdrawn if the recovery takes hold as projected. Consolidation measures proposed by the government to contain revenue shortfalls are necessary to avoid adverse financial market reactions.

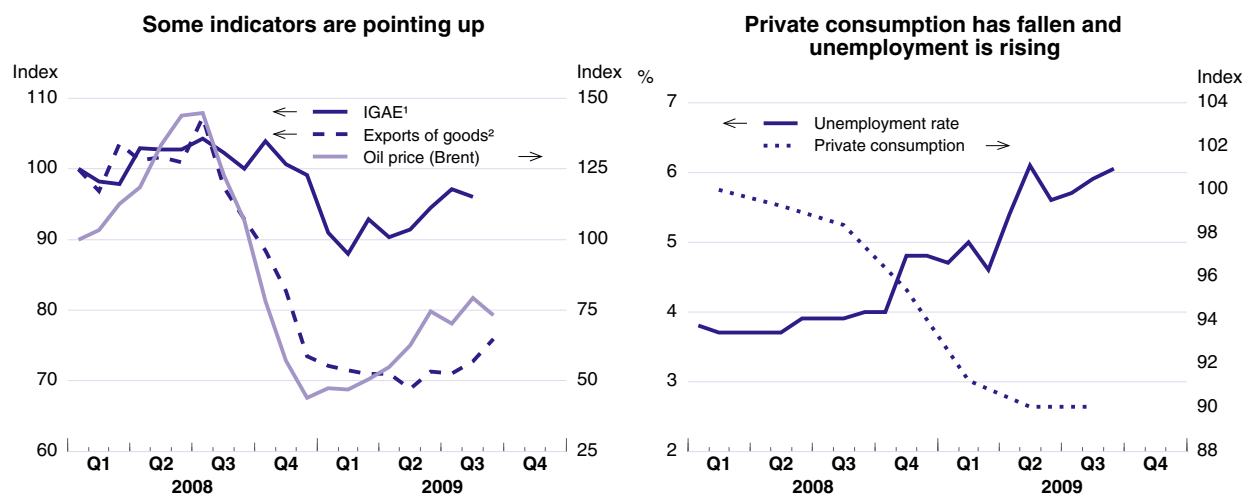
The recession is deep but some indicators are pointing upward

The collapse in world trade has hit Mexico hard through a sharp decline in oil prices and plummeting manufacturing exports to the United States. Output has contracted for four consecutive quarters, with the cumulative loss in output reaching around 10%, and unemployment is rising fast. Recently released indicators suggest that output may have bottomed out in the summer of 2009. Exports, in particular to the United States, are increasing and oil prices have picked up, contributing to an improvement in the current account balance.

The planned fiscal consolidation is necessary

The authorities have implemented fiscal stimulus measures that amount to around 1.6% of GDP in 2009, including additional infrastructure

Mexico



1. Monthly indicator of overall economic activity.

2. Export data are expressed in USD.

Source: OECD Economic Outlook 86 database; INEGI.

StatLink  <http://dx.doi.org/10.1787/751278258245>

Mexico: Demand, output and prices


	2006	2007	2008	2009	2010	2011
	Current prices MXN billion	Percentage changes, volume (2003 prices)				
Private consumption	6 712.0	3.9	1.6	-8.0	1.8	3.3
Government consumption	1 080.4	2.1	0.6	2.3	-2.1	-0.9
Gross fixed capital formation	2 165.2	7.2	5.0	-11.9	1.3	5.9
Final domestic demand	9 957.6	4.4	2.2	-7.8	1.2	3.4
Stockbuilding ¹	541.6	-0.5	0.1	-2.1	0.7	0.0
Total domestic demand	10 499.2	3.8	2.4	-9.7	1.9	3.5
Exports of goods and services	2 901.3	5.6	1.5	-19.2	7.8	10.2
Imports of goods and services	3 028.5	6.9	4.6	-23.1	4.8	8.2
Net exports ¹	- 127.2	-0.6	-1.0	2.1	0.7	0.4
GDP at market prices	10 372.0	3.3	1.4	-8.0	2.7	3.9
GDP deflator	—	4.5	6.6	6.5	4.1	4.7
<i>Memorandum items</i>						
Consumer price index	—	4.0	5.1	5.4	4.2	5.0
Private consumption deflator	—	4.8	6.8	7.3	4.4	4.8
Unemployment rate ²	—	3.4	3.5	5.7	6.3	5.9
Current account balance ³	—	-0.8	-1.5	0.0	1.0	1.4

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. Based on National Employment Survey.

3. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753760354438>

spending, temporary employment subsidies, increases in social transfers and a freeze of energy prices. The measures are fully financed by revenues from an oil price hedge and the sale of assets in the oil stabilisation funds. The 2010 budget proposal foresees a deficit of 0.5% of GDP, which corresponds broadly to the cyclical shortfall of fiscal revenues. This allows the automatic stabilisers to operate freely and will support the economic recovery. The 2010 budget proposal incorporates consolidation measures – mainly tax increases, with spending cuts partly offset by higher social transfers for the poorest – that address the permanent shortfall in fiscal revenues due to lower projected oil production. With two of the three major debt rating agencies signalling a negative outlook, the risks from adverse market reactions of a larger deficit in 2010 justify the consolidation measures, especially as economic prospects appear to be brightening. As activity gathers momentum, the government foresees the budget deficit to narrow to -0.3% of GDP in 2011.

The central bank has eased the stance of monetary policy

Since February the central bank has reduced the policy rate by 375 basis points. Despite a large and widening output gap, core inflation has remained high and started to come down only in March 2009. With both headline and core inflation still well above the central bank target of 2-4% in September, the central bank will have little room to reduce the policy rate further. Against the background of the appreciation of the peso with respect to the US dollar over the past six months, the monetary stimulus to the economy remains relatively weak and should not be

withdrawn before the recovery is well under way, probably in mid-2010. Given the large output gap, the planned increase of the value-added tax rate by 1% in 2010 as part of the fiscal consolidation measures should not lead to renewed inflationary pressures and does not require a monetary policy reaction.

A gradual recovery in 2010

Activity is expected to pick up through the second half of 2009 and gradually gain momentum into 2010, helped by the increasing demand for Mexican exports from the United States. The unemployment rate is projected to peak at close to 6.5% in mid-2010, but should then gradually fall. Inflation will react to the large output gap with a lag and come down to around 4% by the end of the year. As exports recover more swiftly than domestic demand and imports, the current account balance is projected to remain positive throughout the forecast period.

Risks to the outlook are on both sides

A downside risk to the projection would be a sharper and more protracted increase in the unemployment rate, which would weigh on private consumption and delay the recovery. On the upside, a faster than expected pick-up in activity in the United States would help exports and growth.

NETHERLANDS

After a sharp recession, the economy looks set to grow again on the back of a recovery in world trade, fiscal stimulus and easier monetary conditions. However, growth will be too weak to prevent further increases in the unemployment rate, one of the lowest in the OECD, until the end of 2010.

The fiscal stimulus has contributed to a budget deficit around 4½ per cent of GDP in 2009. To restore fiscal sustainability, the government should pursue its consolidation plan set to start in 2011. The planned two-step increase in the retirement age will help meet this objective but would be more effective with a phased-in implementation. Further focus on active labour market policies and easing of labour protection legislation would help stimulate employment growth.

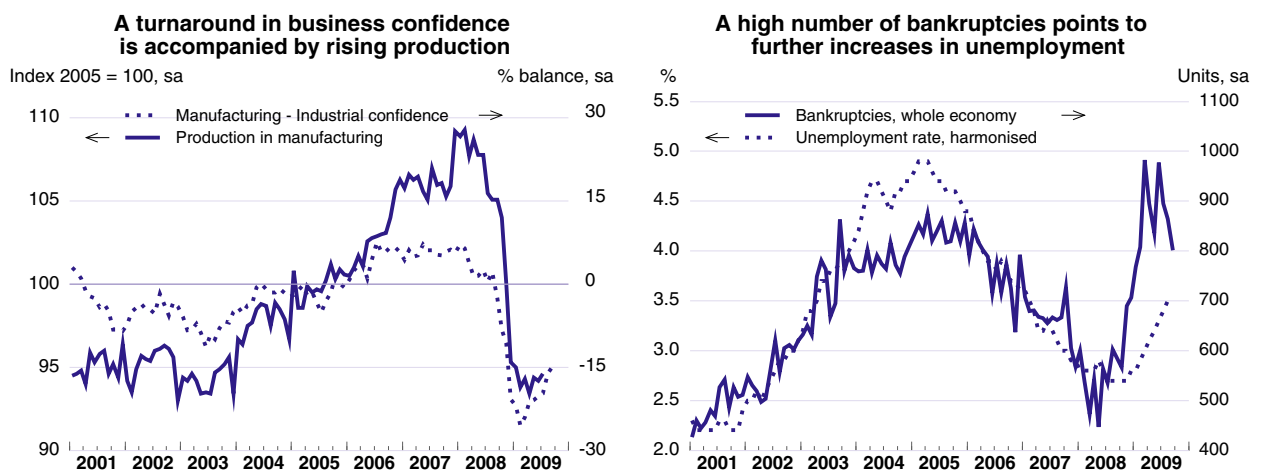
The economy has bottomed out...

Fuelled by the resurgence of world trade, fiscal stimulus and easier monetary conditions, the economy is now coming out of a sharp recession. The external sector is benefiting from export growth and business and consumer confidence are recovering from the lowest levels in the past two decades. Consequently, growth is likely to pick up throughout 2010-11, though the output gap may start to narrow only in mid-2010.


... but unemployment is likely to rise further in 2010

So far, the increase in the unemployment rate has been relatively modest despite the magnitude of the economic downturn. Initially, most job losses affected workers on easy-to-terminate temporary contracts, while the government-sponsored reduced working time benefit scheme facilitated labour hoarding. As private sector vacancies fell sharply throughout the year, the labour market situation deteriorated. As companies need to restore profitability they will continue to shed workers throughout 2010. Nominal hourly wage growth which was around 3% in 2009 is expected to come down somewhat in 2010. The resulting

Netherlands



Source: OECD, Main Economic Indicators database and CBS, Statistics Netherlands.

StatLink  <http://dx.doi.org/10.1787/751343284081>

Netherlands: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	254.9	1.7	1.3	-2.6	0.1	1.7
Government consumption	135.4	3.7	2.0	3.0	1.6	0.4
Gross fixed capital formation	106.4	4.8	4.9	-11.4	-1.8	2.7
Final domestic demand	496.7	2.9	2.3	-3.0	0.1	1.5
Stockbuilding ¹	1.7	-0.6	0.3	-1.0	0.0	0.0
Total domestic demand	498.4	2.3	2.7	-4.1	0.2	1.5
Exports of goods and services	393.5	6.7	2.7	-8.9	4.6	6.4
Imports of goods and services	351.7	5.1	3.7	-9.1	4.3	6.2
Net exports ¹	41.8	1.5	-0.4	-0.6	0.5	0.6
GDP at market prices	540.2	3.6	2.0	-4.3	0.7	2.0
GDP deflator	—	1.6	2.7	-0.3	0.2	0.7
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	1.6	2.2	0.9	0.3	0.7
Private consumption deflator	—	1.6	2.1	-0.8	0.7	0.7
Unemployment rate	—	3.3	2.9	3.7	5.2	5.5
Household saving ratio ²	—	8.1	6.8	10.1	10.0	9.9
General government financial balance ³	—	0.2	0.7	-4.5	-5.9	-5.3
Current account balance ³	—	8.6	4.8	6.3	7.2	7.7


Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of disposable income, including savings in life insurance and pension schemes.

3. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753802544374>

improvements in profitability should lay the foundation for renewed investment growth and hence a more durable recovery in 2011.

Pension funds' problems threaten consumption and employment

The financial crisis made most pension funds technically insolvent and led households to increase precautionary savings. The mandatory pension fund recovery plans focus on hiking contribution rates, postponing payout indexation and injecting capital in some company pension funds. Such measures reduce disposable income and hence damp consumption spending. However, the expected recovery in employment growth at the turn of 2010, led by the strengthening external sector, will eventually sustain private consumption growth.

Fiscal stimulus is supporting the turnaround...

In 2009, the government implemented discretionary fiscal stimulus of about 1.2% of GDP. The measures focused on cuts in employees' social security contributions and taxes, tax relief for companies and public investment. Most measures extend to 2010, resulting in additional stimulus of 0.3% of GDP. Overall, such developments, together with lower expected natural gas revenues and the effects of automatic stabilisers, will push the 2010 deficit to around 6% of GDP, up from about 4.5% in 2009.

... but a consolidation is planned once the economy picks up

As a consequence of the budget deficits and financial market interventions amounting to about 13% of GDP, gross public debt may soar to 75% of GDP in 2011 (Maastricht definition), some 30 percentage points above the ratio in 2007. The government plans a growth-dependent fiscal consolidation starting in 2011 with the aim of reducing the structural deficit by 0.5% of GDP a year. The proposed measures include withdrawing most of the stimulus, reducing public administration and healthcare costs, some tax increases and increasing the pension age to 67 over the medium term.

The recovery is set to gain speed throughout 2010-11

Economic growth should strengthen over the coming years but remain insufficient to substantially reduce the output gap. As a result, inflationary pressures should be contained. The main downside risk to the projections lies in additional financial market disturbance, which may spark further increases in pension fund contribution rates, reducing disposable income and raising labour costs. On the upside, a faster rebound in world trade would benefit both exporters and trade-related sectors.

NEW ZEALAND

New Zealand is finally emerging from its five-quarter long recession, the beneficiary of strong domestic and global policy stimulus. But the recovery could be hampered by the overhang of high private sector indebtedness, ongoing credit contraction, the currency's recent strength and rising unemployment.

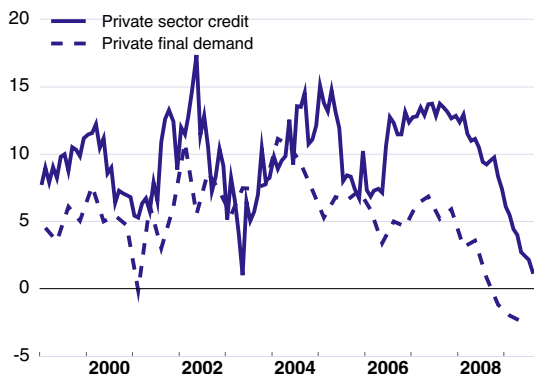
Given weak and fragile private demand, it is appropriate that monetary and fiscal policies remain expansionary for the time being. However, if the recovery takes hold as projected, stimulus should start to be withdrawn by mid-2010 in order to reinforce balance-sheet restructuring and, in conjunction with structural reforms, to steer activity toward tradeables production rather than housing investment as the main generator of income and wealth.

The recession has ended

After contracting for five consecutive quarters, the economy expanded in the second quarter of 2009. A large negative inventory correction was more than offset by a strong positive contribution from net exports. Dairy exports surged, as huge stockpiles were sold off in response to a long-awaited price recovery. Increases in household consumption and public investment were counterbalanced by declines in private investment and public consumption. Recent indicators, notably improving business production expectations and retail sales, suggest that the third quarter is on track to register modest positive growth. Some favourable growth dynamics have established themselves in recent months: an upturn in the housing market (as manifested in rising sales and prices), where demand has been boosted by record-low interest rates plus unusually strong net immigration during a recession; double-digit gains in consumer confidence, in turn reflecting the housing-market

New Zealand

Credit growth has slowed markedly
Year-on-year percentage change



But signs of recovery are emerging



1. Percentage expecting improvement in general business conditions minus percentage expecting deterioration.

2. Year-on-year percentage change.

Source: Reserve Bank of New Zealand; National Bank of New Zealand; OECD Economic Outlook 86 database.

New Zealand: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices NZD billion	Percentage changes, volume (1995/1996 prices)				
Private consumption	97.0	4.1	-0.1	-1.0	1.8	2.5
Government consumption	30.3	3.8	3.8	1.5	2.0	2.1
Gross fixed capital formation	38.5	4.9	-5.2	-11.2	8.9	10.4
Final domestic demand	165.8	4.2	-0.6	-2.8	3.3	4.2
Stockbuilding ¹	0.0	0.1	0.0	-0.7	0.6	0.0
Total domestic demand	166.1	4.4	-0.1	-5.6	3.6	4.2
Exports of goods and services	47.4	3.9	-1.3	-1.1	1.4	4.4
Imports of goods and services	50.1	8.9	2.0	-16.8	9.0	9.6
Net exports ¹	-2.7	-1.6	-0.9	5.3	-2.1	-1.5
GDP at market prices	163.4	2.9	-1.1	-0.7	1.5	2.7
GDP deflator	—	4.2	3.6	2.6	2.5	2.2
<i>Memorandum items</i>						
GDP (production)	—	3.2	0.0	-1.5	1.4	2.7
Consumer price index	—	2.4	4.0	2.3	2.2	1.9
Core consumer price index ²	—	2.1	2.2	2.2	2.0	1.9
Private consumption deflator	—	1.6	3.5	3.0	1.4	1.4
Unemployment rate	—	3.7	4.2	6.1	7.1	6.6
General government financial balance ³	—	5.0	3.1	-1.2	-3.3	-3.9
Current account balance ³	—	-8.1	-8.8	-2.7	-4.4	-6.0


Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. Consumer price index excluding food and energy.

3. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753823163881>

improvement and fiscal stimulus; and trading-partner growth and accompanying commodity price increases, helping to shore up farm incomes.

Yet, headwinds persist

Unemployment is rising markedly and, as a lagging indicator, will continue to do so. This may hold down incomes and, along with the need to unwind the burden of household debt, raise the propensity to save. The exchange rate has appreciated, reflecting recovering commodity prices and risk appetites, in turn impairing competitiveness and cutting into net export volumes. Credit growth continues to decline, boding poorly for private demand. Indeed, unlike in previous recoveries, businesses may be loathe to hire and invest in a major way any time soon.

Policy support to demand is still required

Notwithstanding the earlier-than-expected onset of recovery, the Reserve Bank has announced that it expects to keep the Official Cash Rate at its current level of 2½ per cent until the second half of 2010, citing in particular the unwelcome appreciation of the NZ dollar. The retail deposit insurance scheme has also been extended for another year (following Australia), albeit with tighter limits on eligibility. Fiscal policy is providing discretionary stimulus over 2009-11, worth a cumulative more than 5% of

GDP, by means of tax cuts, various job and unemployment benefit schemes, and accelerated infrastructure projects. The medium-term fiscal strategy announced in the 2009 budget postpones further planned tax cuts and sets limits on future expenditure growth. This leaves a significant stimulus in 2011 and will allow the deficit to start falling only as of 2012. Nevertheless, together with suspended contributions to the NZ Superannuation Fund, this programme may cap the government debt ratio at around 40% of GDP in 2017, before beginning to decline.

The pace of growth may be subdued

Growth may be less buoyant than in previous recoveries. The housing and business investment rebounds occur from very low bases and are premised, respectively, on the willingness of households to take on more debt and on an eventual easing of credit conditions to businesses. The consumption recovery reflects largely wealth impacts of the housing revival rather than earned income growth. Potential growth is temporarily projected to fall from pre-recession rates, given the recent shock to the capital stock, reducing slack and implying moderately rising inflation by next year. Indeed, the latest inflation figures have already surprised on the upside, despite still-weak economic conditions, suggesting that firms may be moving to rebuild their margins. The current account deficit, after narrowing substantially this year, is expected to widen again in 2010-11, though remaining well below the pre-recession peak.

Risks are on both sides

The main downside risk is that private investment may remain weak, or tilt in an unbalanced way toward housing, given the long period of monetary easing. On the other hand, investment demand could surprise on the upside, especially if foreign markets were to take off strongly. In that case, the continuing fiscal stimulus could put unwelcome upward pressure on resources, increasing the burden on monetary policy.

NORWAY

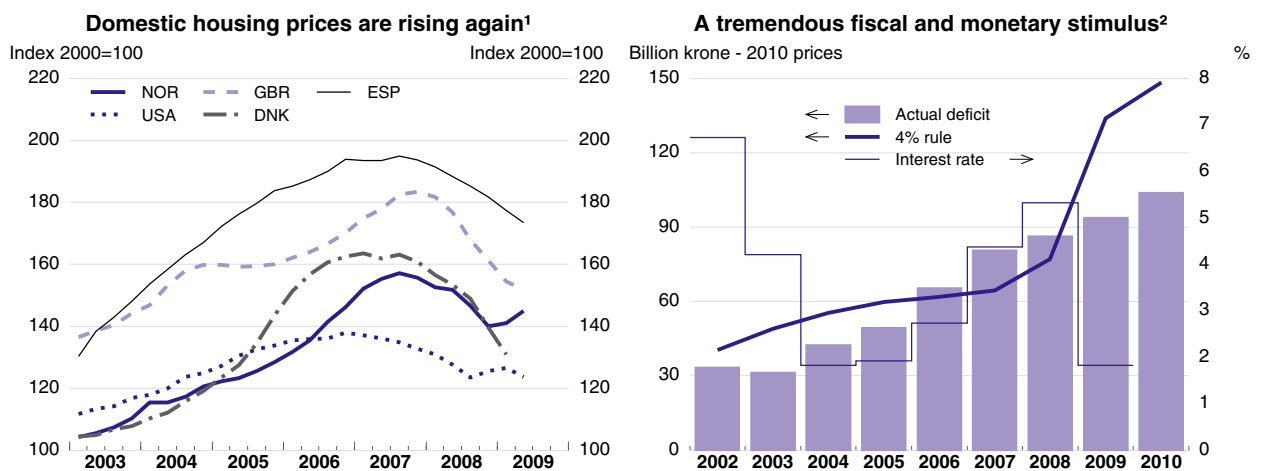
Economic recovery has already started in Norway, with the large fiscal and monetary stimulus boosting consumption and sustaining employment. The rebound in house prices is a sign that this stimulus is encouraging households to spend rather than to consolidate their balance sheets. Growth in private investment will resume next year, once consumption growth is well established and credit markets return to normal.

Given the large deviation from the “4% rule” in 2009 and 2010, sizeable subsequent tightening of the fiscal stance is desirable for both macroeconomic management and medium-term fiscal sustainability. Monetary policy tightening has already started and should continue for some time, as the economy recovers, the labour market tightens and inflation expectations edge up. Policies to improve public spending efficiency should be pursued further, helping fiscal consolidation for the years to come.

A relatively mild recession

The recession was short-lived in Norway and much less severe than in most other OECD countries. Mainland activity was boosted by the sizable fiscal stimulus and dramatic reduction of interest rates. The authorities also took important measures to provide liquidity and equity capital in the banking system, thus easing credit conditions. Private consumption growth resumed in the second quarter of 2009, while government investment supported activity in the construction sector. Unemployment has barely increased, partly thanks to specific government measures, but also because of a reversal of migration flows, though the size of the latter is not known with certainty. This, together with relatively high wage growth and an increase in transfers to households, has supported private demand. The rebound in oil prices has led to sustained investment in the petroleum sector, boosting both


Norway



1. Real house prices (nominal house prices deflated by the consumer price inflation index).

2. The fiscal deficit refers to the cyclically adjusted non-oil deficit. The interest rate is the annual average of deposit rates.

Source: OECD, Norwegian Ministry of Finance and Norges Bank.

StatLink  <http://dx.doi.org/10.1787/751482045350>

Norway: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices NOK billion	Percentage changes, volume (2006 prices)				
Private consumption	881.8	6.0	1.4	0.0	4.4	4.5
Government consumption	413.0	3.4	3.8	5.9	3.2	2.3
Gross fixed capital formation	424.2	8.4	3.9	-3.9	0.4	5.3
Final domestic demand	1 718.9	6.0	2.6	0.4	3.1	4.1
Stockbuilding ¹	51.0	-0.7	0.7	-1.6	0.0	0.0
Total domestic demand	1 769.9	5.0	3.3	-1.7	3.0	4.2
Exports of goods and services	1 002.5	2.5	1.4	-7.8	-0.4	2.6
Imports of goods and services	612.8	7.5	4.4	-11.5	4.3	5.4
Net exports ¹	389.7	-0.9	-0.7	-0.5	-1.3	-0.3
GDP at market prices	2 159.6	3.1	2.1	-1.4	1.3	3.2
GDP deflator	—	2.2	9.6	-3.3	3.7	2.9
<i>Memorandum items</i>						
Mainland GDP at market prices ²	—	6.1	2.6	-1.2	2.8	3.2
Consumer price index	—	0.7	3.8	2.3	1.6	2.2
Private consumption deflator	—	0.7	3.9	2.9	1.7	2.2
Unemployment rate	—	2.5	2.6	3.3	3.7	3.5
Household saving ratio ³	—	0.4	2.0	3.3	2.0	2.0
General government financial balance ⁴	—	17.7	18.8	9.6	9.9	10.8
Current account balance ⁴	—	15.9	19.4	17.4	18.6	18.1

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).


1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. GDP excluding oil and shipping.

3. As a percentage of disposable income.

4. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753825125401>

mainland activity and the prospects for recovery. The inflation picture was quite mixed during the first half of the year, with a positive impulse coming from growing labour costs and the lagged effects of the krone depreciation. More recently inflation pressures eased as the exchange rate appreciated.

Saving is falling again

Norwegian households are highly indebted and nearly all their borrowing is at a floating interest rate. The transmission of monetary policy to consumer spending is thus particularly rapid. Against a backdrop of an unchanged or even declining supply of dwellings, house prices have increased rapidly since December 2008, and have now surpassed the peak reached in 2007. Growth in household debt has slowed substantially but borrowing has not fallen, despite the deterioration of the economy. Credit conditions for the business sector are somewhat less favourable; the global recovery under way is still sluggish and access to credit has not improved as strongly as for households.

Policy tightening is highly desirable

Overall the financial system was quite resilient to the crisis. Both banks' losses and the need to raise new capital have been quite small by

the standards of many OECD countries. This, together with the projected swift recovery of the economy, justifies an early and ambitious exit strategy for both fiscal and monetary authorities. Following strong fiscal expansion in 2009 and a further budgetary stimulus in 2010, the medium-term prospects for public finances are well out of line with the fiscal framework (the “4% rule”). Strong fiscal consolidation is therefore required. Given the prospects for recovery, and since fiscal policy will remain expansionary in 2010, monetary tightening has already begun and will continue for some time, unless downside risks to growth materialise. Such tightening should head off an increase in inflation expectations as unemployment stops rising and import prices stop falling. Finally, the implications for activity of the strong increase in house prices, in a context where the prices-to-rent and prices-to-income ratios are well above long-run averages, should also be carefully taken into account by the central bank. Containing what may be excessive price increases argues for tighter policy. The winding down of special short-term and long-term liquidity measures has started, as markets are returning to normal and the increase in structural liquidity demand will be met by government’s deposits at the central bank.

**There is still downside risk
in shipping and commercial
property**

The recovery of global trade, oil and commodity prices will shape the prospects for the Norwegian economy. Downside risks have diminished, but possible negative shocks to the shipping sector’s activity may further depress banks’ profitability, given their large exposure to this business. Similarly, defaults on loans to the commercial property sector may increase. Given the large sustained fiscal stimulus amid an output gap which is closing fast, inflation pressures could be stronger than projected here and require more and faster monetary tightening.

POLAND

Despite the deep OECD-wide recession, the Polish economy continued to grow in 2009 due to several factors, including: monetary easing; exchange rate depreciation; relatively limited dependence on international trade; a sound banking sector and unleveraged private sector; tax cuts and other fiscal measures; and infrastructure investments linked to EU transfers and the 2012 football championship. Activity is projected to pick up, mainly driven by fixed investment, but to remain well below potential rates for some time. While headline inflation was, until recently, above the official target, it is expected to diminish steadily as economic slack increases.

The general government deficit is projected to reach levels that are unprecedented since the beginning of the transition process, but no fiscal consolidation measures have been announced for 2010 by the authorities. The constitutional public debt limit of 60% of GDP is being dealt with mainly through an ambitious privatisation programme. This will nevertheless only delay the much needed consolidation of public finances until 2011. The monetary authorities should refrain from any interest-rate increases unless circumstances change.

Economic growth has remained positive

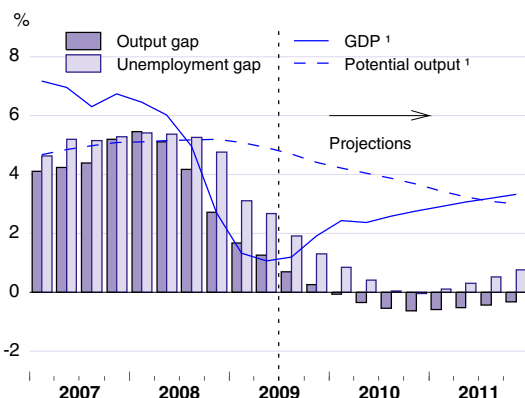
GDP growth remained positive, in year-on-year terms, during the first half of 2009, supported mainly by private consumption. Even though various confidence indicators remain well below pre-crisis levels, they have improved in recent months. The latest data confirm that the scale of contraction in industrial production has shrunk and manufacturing output has turned up, driven in part by temporary support measures for the car industry implemented by neighbouring countries.

The labour market has been resilient so far

The unemployment rate has increased somewhat, though at a significantly slower pace than in the early 2000s, and wage growth has accordingly diminished. Only a few firms have taken up a recent job subsidy perhaps reflecting constraints in terms of layoffs, the need to

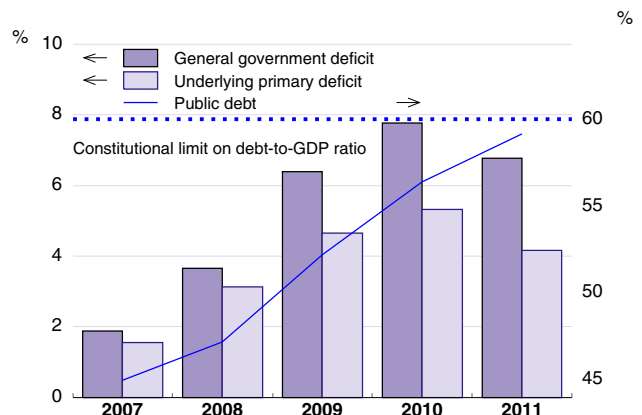
Poland

The crisis has curbed excess demand



Fiscal consolidation is needed

As a share of GDP



1. Year-on-year growth rates, volumes.

Source: OECD, Economic Outlook 86 database.

Poland: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices PLZ billion	Percentage changes, volume (2000 prices)				
Private consumption	662.3	4.9	5.9	3.2	1.4	1.4
Government consumption	193.7	3.7	7.5	1.9	1.1	0.5
Gross fixed capital formation	208.3	17.2	8.2	-1.5	2.3	10.2
Final domestic demand	1 064.3	7.1	6.7	1.9	1.5	3.1
Stockbuilding ¹	14.9	1.7	-1.1	-2.3	1.1	0.0
Total domestic demand	1 079.2	8.7	5.5	-0.3	2.7	3.2
Exports of goods and services	427.8	9.1	7.0	-10.4	1.4	5.9
Imports of goods and services	446.9	13.5	8.1	-15.3	1.0	6.0
Net exports ¹	- 19.2	-2.0	-0.7	2.6	0.1	-0.1
GDP at market prices	1 060.0	6.8	5.0	1.4	2.5	3.1
GDP deflator	—	4.0	3.0	3.4	2.1	2.0
<i>Memorandum items</i>						
Consumer price index	—	2.5	4.2	3.5	2.2	1.9
Private consumption deflator	—	2.4	4.2	2.9	2.1	1.8
Unemployment rate	—	9.6	7.1	8.4	9.6	9.6
General government financial balance ^{2,3}	—	-1.9	-3.7	-6.4	-7.8	-6.8
Current account balance ²	—	-4.7	-5.1	-1.7	-2.3	-2.5


Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

3. With private pension funds (OFE) classified outside the general government sector.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753834513818>

elaborate restructuring plans in return, or expectations of a rapid recovery in sales. It is nonetheless possible that firms will begin to shed labour in the months ahead.

Public finances are deeply unbalanced

The disappearance of cyclical revenues has highlighted the extent of the deterioration of the underlying primary general government balance in recent years, leading to unprecedented overall deficits projected to be over 6% and 7% of GDP in 2009 and 2010, respectively. As a result, public debt is expected to increase significantly. If it exceeds 55% of GDP, a set of automatic consolidation measures will be triggered. Even though an ambitious privatisation programme (up to 3% of GDP by end-2010) should slow down the rise of the debt, the constitutional limit of 60% of GDP may be violated in 2011 if projected savings of 1% of GDP are not implemented by then. Even though steps have been taken to improve the transparency and efficiency of public finances, further efforts would be beneficial. The loophole of excluding the debt of the National Road Fund from the definition of the public debt should be closed by keeping the latter in strict compliance with the Eurostat approach. Public resources for co-financing projects subsidised by EU structural funds should be freed up by reducing social security benefits, broadening tax bases and increasing property taxes, while the creation of an independent fiscal council could help to

provide objective grounds for reforms and increase their acceptability. Finally, the recent proposal to lower the contribution rate to the open (second-pillar) pension funds represents an important step backward, as this would increase future public pension liabilities and hamper the credibility and intergenerational stability of the overall pension system.

Monetary policy remains accommodative

The central bank further lowered its key policy rate by 25 basis points, to 3.5% in June. Headline inflation has been above the 2.5% (plus or minus 1%) official target and core inflation has been creeping up to almost 3%, fuelled by previous excess demand pressures. An unchanged policy rate should allow inflationary tensions to abate over the projection horizon.

Growth should pick up

Growth is expected to pick up over the next two years, mainly driven by fixed investment fuelled by EU funds, the preparations for the 2012 football championship and supportive interest and exchange rate levels, although these factors will be partly offset by tighter credit conditions. Private consumption is expected to remain subdued due to sluggish income gains and the impact of fiscal tightening required by constitutional rules.

Risks are mainly related to fiscal developments

Other than cyclical risks that apply to the whole OECD, the outlook for Poland is most sensitive to the credibility of the imminent consolidation plan, which is designed to allow an exit from the Excessive Deficit Procedure of the Stability and Growth Pact by 2013. Two rating agencies have recently threatened to downgrade Poland's debt because of insufficient fiscal discipline, which would have negative consequences for currency stability, the level of interest rates, private capital inflows and ultimately the strength and sustainability of the expansion.

PORTUGAL

Growth resumed in the second quarter of 2009, but will remain subdued as private sector deleveraging constrains the recovery. As a result, unemployment is likely to increase to around 10% in 2010. The budget deficit is set to rise further in 2010 and 2011, following a substantial increase in 2009 due to the combined impact of the fiscal stimulus and the recession. Core inflation, after dropping to near zero, may increase rather slowly over the projection period.

Despite anaemic growth, designing and gradually implementing fiscal consolidation is a major priority. Structural reforms to promote competitiveness are key to achieving higher growth through more dynamic exports, while the pursuit of education reform should help foster longer-term potential.

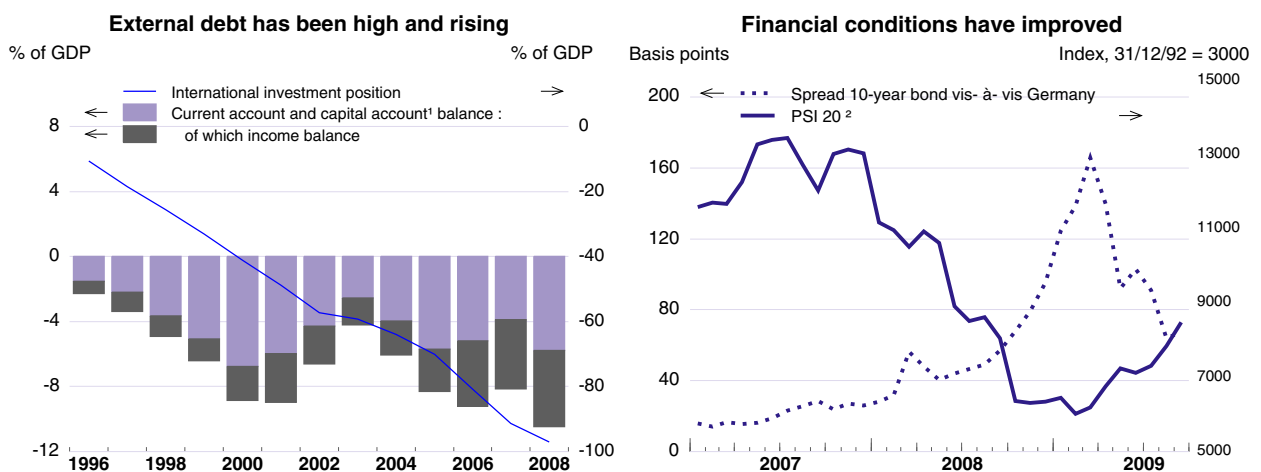
The economy has bottomed out

The economy came out of recession in the second quarter of 2009, with GDP growing at 0.5% (quarter-on-quarter). Although private consumption showed some recovery, the main contributor to GDP growth was exports. Recent hard and soft indicators point to a stronger pick-up in activity in the third quarter. Further, financial tensions have eased considerably, with a marked reduction in risk premia. Unemployment, however, has continued to rise. Year-on-year headline inflation has been negative since March, mainly reflecting base effects in energy and food prices. Core inflation has also moderated, bordering negative territory.

Indebtedness acts as a drag on recovery

Long-standing current account imbalances, translated into rising indebtedness, limit the pace of recovery, which may be somewhat weaker than that of the euro area. Some private sector balance sheet adjustment is taking place. The households saving rate has increased markedly in 2009, and should decrease only slightly over the projection horizon. The rebalancing of internal saving and investment, which will

Portugal



1. Mainly capital transfers from the European Union.

2. Refers to end of period share price index on secondary market.

Source: Banco de Portugal; OECD Economic Outlook 86 database.

Portugal: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	101.6	1.6	1.7	-1.0	0.6	0.9
Government consumption	32.1	0.0	0.7	1.4	0.6	0.6
Gross fixed capital formation	33.8	3.1	-0.7	-13.6	0.4	2.9
Final domestic demand	167.5	1.7	1.0	-3.2	0.6	1.2
Stockbuilding ¹	0.7	0.1	0.3	-0.7	0.1	0.0
Total domestic demand	168.2	1.7	1.3	-3.8	0.6	1.2
Exports of goods and services	48.2	7.8	-0.5	-14.7	1.7	3.2
Imports of goods and services	61.0	6.1	2.7	-14.4	1.0	2.1
Net exports ¹	- 12.8	0.0	-1.4	1.5	0.1	0.2
GDP at market prices	155.4	1.9	0.0	-2.8	0.8	1.5
GDP deflator	—	3.0	2.1	0.6	0.2	1.0
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	2.4	2.7	-0.9	0.7	1.0
Private consumption deflator	—	2.7	2.6	-0.9	0.8	1.0
Unemployment rate	—	8.0	7.6	9.2	10.1	9.9
Household saving ratio ²	—	6.1	6.4	9.6	8.9	8.8
General government financial balance ^{3,4}	—	-2.7	-2.8	-6.7	-7.6	-7.8
Current account balance ³	—	-9.4	-12.1	-9.7	-10.7	-11.1

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of disposable income.

3. As a percentage of GDP.

4. Based on national accounts definition.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753838141106>

remain a medium-term concern, limits the contribution of domestic demand to growth.

Fiscal consolidation is a major priority

The government adopted in 2008 and early 2009 a number of fiscal stimulus measures, with a total discretionary impulse of around 1.1% of GDP, three-fifths of which were on the expenditure side. The bulk of the impact of this package is likely to be felt in the second half of 2009, as the implementation of spending measures (mainly public investment and support to firms) gathers pace. The budget deficit is projected to reach more than 6.5% of GDP in 2009 and to increase further in 2010 and 2011, despite the end of the stimulus package. Implementing a sound consolidation strategy as soon as the economy strengthens is therefore essential to ensure fiscal sustainability.

Growth should only pick up significantly toward end-2011

Economic growth is projected to gradually gain momentum, and should reach 0.8% in 2010 and 1.5% in 2011, mainly driven by domestic demand. Unemployment is expected to record a further rise in 2010, to around 10%, before declining marginally towards the end of the projection horizon. Core inflation should increase somewhat from early 2010 onwards, but stay very low. After improving by more than 2 percentage points in 2009, the current account deficit is projected to partly backtrack,

mainly due to higher oil prices and the continuing increase in foreign indebtedness, which impacts adversely on net investment income.

Financial investor confidence is the main downside risk

Risks to the above scenario are broadly balanced, and mainly linked to global financial and economic conditions. If the euro area recovery gathers pace beyond what is projected, activity in Portugal will likewise accelerate. Downside risks could materialise if the authorities fail to implement a credible fiscal consolidation plan, in which case credit conditions for both the state and private borrowers might significantly deteriorate.

SLOVAK REPUBLIC

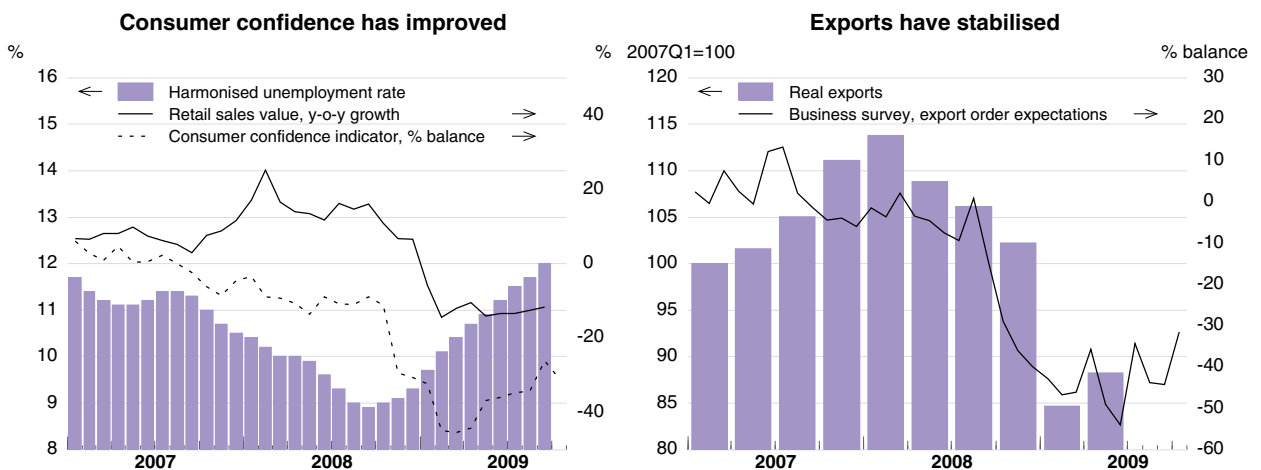
Economic activity rebounded in the second quarter after the sharp falls earlier on. Notwithstanding continued positive growth in the third quarter, annual GDP is expected to fall by close to 6% in 2009. Activity will gradually pick up in 2010 owing to a brighter outlook for world trade growth and a resumption of inflows of foreign direct investment, and growth should reach an annual rate of above 4% in 2011. The strong increase in unemployment is expected to gradually level off. With substantial slack in the economy, consumer price inflation is expected to remain fairly low.

The fiscal position will worsen markedly this year and next, largely due to the cyclical rise in spending on social benefits and the fall in tax revenues but also to two fiscal stimulus packages enacted earlier in 2009. In 2010, the rise in the deficit will be limited by a set of ambitious expenditure cuts. Over the medium term, further fiscal consolidation will be necessary to ensure the sustainability of public finances. Whilst the automatic phasing-out of the stimulus measures at the end of 2010 will help in this regard, additional measures will be needed.

**Activity is recovering
but unemployment
is now very high**

After a sharp decline in real GDP in the first quarter of this year, economic activity recovered somewhat in the second quarter. The rebound was largely due to an increase in private consumption (which was supported by fiscal stimulus measures such as the car scrapping scheme and income tax cuts) and a positive contribution from net exports. The improvement in the trade balance was related to both higher demand from Slovakia's main trading partners and a drop in imports. Private investment by contrast had a negative impact on growth, falling at even higher rates than in the previous quarter. The labour market reacted swiftly to the worsening of economic activity, with the unemployment rate rising to 12% in mid-2009, from 7½ per cent one year earlier. Nonetheless, unit labour costs soared. Headline inflation has eased substantially on account of declining energy prices. Core inflation, however, remains high despite the substantial slack that has emerged in the economy.

Slovak Republic



Source: OECD Main Economic Indicators database and Economic Outlook 86 database.

StatLink <http://dx.doi.org/10.1787/751558486401>

Slovak Republic: Demand, output and prices


	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	31.3	7.0	6.1	-1.0	0.8	4.0
Government consumption	10.6	-1.3	4.3	4.1	-5.9	-2.2
Gross fixed capital formation	14.6	8.7	6.8	-11.8	2.1	6.9
Final domestic demand	56.5	5.9	6.0	-2.9	-0.1	3.6
Stockbuilding ¹	0.7	0.6	0.5	-3.6	0.9	0.0
Total domestic demand	57.2	6.4	6.4	-6.3	0.8	3.7
Exports of goods and services	46.5	13.8	3.2	-19.6	5.2	11.6
Imports of goods and services	48.6	8.9	3.3	-20.4	3.2	10.7
Net exports ¹	-2.1	3.8	-0.2	1.2	1.2	0.5
GDP at market prices	55.1	10.4	6.4	-5.8	2.0	4.2
GDP deflator	—	1.1	2.9	-0.6	0.7	3.0
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	1.9	3.9	1.0	1.7	2.4
Private consumption deflator	—	2.6	4.4	1.9	2.0	2.4
Unemployment rate	—	11.0	9.6	11.6	12.7	12.5
General government financial balance ²	—	-1.9	-2.3	-5.9	-6.3	-5.0
Current account balance ²	—	-4.9	-6.4	-3.8	-3.1	-2.8

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753848702737>

The economic outlook is gradually improving

Available evidence points to a gradual improvement in the economic situation going forward. Business and consumer survey indicators have improved considerably during the summer. Accordingly, retail sales and industrial production have stabilised, albeit at low levels. The sharp drop in export orders also appears to have come to an end, though orders remain well below their long term average. Moreover, the strong increase in unemployment seems to be levelling off so that its drag on private consumption growth is set to peter out.

The government budget deficit is set to widen markedly

As a result of the cyclical decline in tax revenues and the rise in spending on social benefits as well as the government's two fiscal stimulus packages (amounting to around 1.3% of GDP) the budget balance is set to worsen considerably this year and next. The cyclical deterioration in the deficit in 2010 will be partly offset by ambitious expenditure cuts, amounting to more than 1% of GDP. Over the medium-term, further consolidation will be necessary to bring public finances back to a sustainable path. The automatic phase-out of stimulus measures at the end of 2010 will be helpful in this respect.

Growth is set to pick up gradually

Real GDP is projected to fall by 5.8% this year, as the sharp drop in the first quarter could not be offset by the rebound in the second and third quarters. The past increase in unemployment will still weigh on GDP

growth during the next quarters by holding back private consumption. Even though house prices have dropped quite considerably during the past months, this decline is unlikely to be an important drag on consumption as households were not overly indebted prior to the crisis and there is little evidence of wealth effects. GDP growth is projected to reach 2% in 2010 and a bit more than 4% in 2011. This recovery will be driven by both a positive contribution from net exports and stronger domestic demand. Slovakia is heavily exposed to economic developments in its European trading partners, and is thus expected to benefit from their rebound. In addition, a normalisation of global credit conditions should also support private investment spending, not least by foreign firms which in the past have made a significant contribution to overall gross fixed capital formation.

High unemployment will hold back wage growth

The unemployment rate is projected to rise a bit further, peaking at around 12.8% in the first quarter of next year. This will put downward pressure on wage growth, particularly in 2010, thereby at least partially reversing the marked jump in unit labour costs recorded in early 2009. Along with the deceleration in wage growth, core inflation is expected to come down to below 2% in 2010 and remain at that level until the end of the projection horizon.

Risks are broadly balanced

The risks to the projection are roughly balanced and mainly relate to the pace of the recovery in Slovakia's main trading partners, which is of crucial importance for decisions about FDI projects in the Slovak Republic.

SPAIN

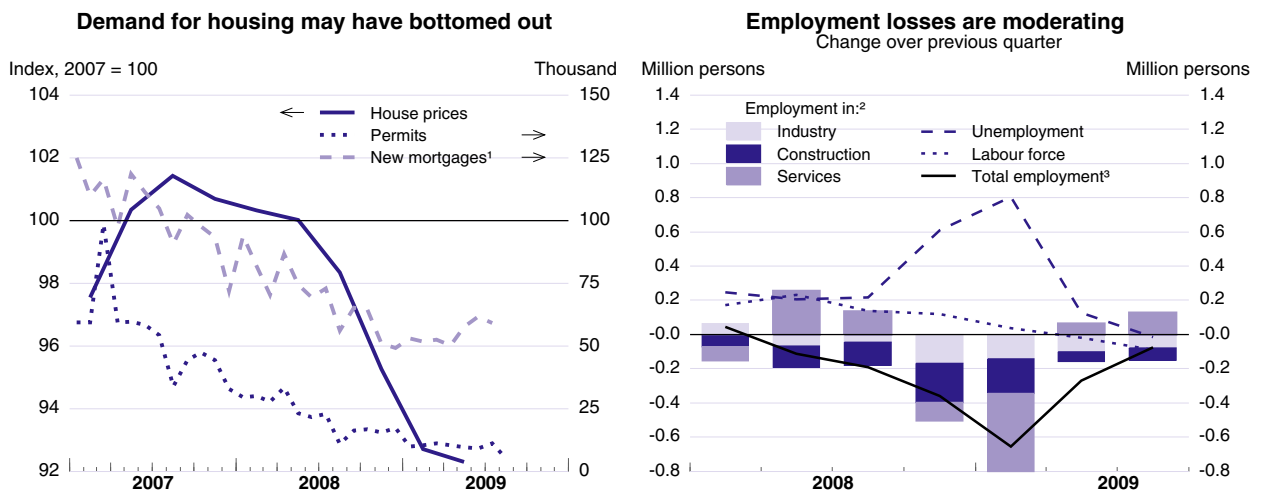
Output is projected to fall by 3½ per cent in 2009 and by a further ¼ per cent in 2010 before recovering at a slow rate in 2011. The unemployment rate is expected to peak close to 20% in 2010. Inflation may rise temporarily in 2010, reflecting higher oil prices and projected value added tax increases, but is expected to fall to close to zero in 2011.

The planned tightening of the fiscal stance should be deferred to 2011 to allow the economy to recover more firmly. However, structural reforms, including steps to curb age-related spending increases, need to be implemented to ensure long-term fiscal sustainability. Programmes to support construction of social housing should be halted: support to low-income households should be provided via means-tested cash benefits earmarked to rent payments. The effectiveness of the public employment service should be improved.

Output continues to decline

Activity contracted further in the first three quarters of 2009, albeit at a slowing pace, driven by sharply falling domestic demand. The drop in purchases of equipment investment particularly lowered imports, while exports expanded, resulting in a continued marked reduction of the trade deficit to a quarter of its pre-crisis level. Employment losses in seasonally adjusted terms are still significant, although their impact on unemployment has recently been offset by the decline in immigration and the levelling off of the rise in female participation. The unemployment rate for workers below the age of 25 is particularly high, reaching 39% in the third quarter. Consumer prices are falling on the back of the past decline in oil prices as well as subdued domestic demand. The harmonised core inflation rate dropped to 0.2 per cent in September, 1 percentage point less than in the euro area average. Manufacturing

Spain



1. Urban dwellings.
2. Not seasonally adjusted.
3. Seasonally adjusted.

Source: Instituto Nacional de Estadística and Banco de España.

StatLink <http://dx.doi.org/10.1787/751574166523>

Spain: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	564.6	3.6	-0.6	-5.1	-1.1	0.6
Government consumption	177.5	5.5	5.5	4.4	1.3	0.8
Gross fixed capital formation	301.2	4.6	-4.4	-15.3	-5.3	-0.8
Final domestic demand	1 043.3	4.2	-0.6	-6.1	-1.6	0.3
Stockbuilding ¹	3.8	-0.1	0.1	0.0	0.0	0.0
Total domestic demand	1 047.1	4.2	-0.5	-6.2	-1.6	0.3
Exports of goods and services	259.1	6.6	-1.0	-13.5	5.5	7.8
Imports of goods and services	321.9	8.0	-4.9	-20.1	-0.4	5.4
Net exports ¹	- 62.8	-0.9	1.4	2.9	1.4	0.6
GDP at market prices	984.3	3.6	0.9	-3.6	-0.3	0.9
GDP deflator	—	3.3	2.5	0.3	0.2	0.0
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	2.8	4.1	-0.4	0.8	-0.1
Private consumption deflator	—	3.2	3.7	-0.9	0.7	-0.1
Unemployment rate	—	8.3	11.3	18.1	19.3	19.0
Household saving ratio ²	—	10.0	13.4	17.8	17.9	17.9
General government financial balance ³	—	1.9	-4.1	-9.6	-8.5	-7.7
Current account balance ³	—	-10.0	-9.6	-5.3	-3.8	-3.0


Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of disposable income.

3. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/753858338337>

output has started expanding in recent months and order inflows have risen, although total orders are still close to historic lows. Assessments of business conditions in services have improved but remain consistent with continued contraction in the near term. The decline in housing transactions has levelled off and the fall in house prices has flattened. However, the stock of unoccupied new housing remains large.

The fiscal stance is projected to turn restrictive

The central government's budget plan for 2010, which has yet to be approved by parliament, withdraws some of the stimulus measures introduced in 2009, notably through the elimination of increased basic income tax allowances. Moreover, the plan includes an increase in the standard value-added tax (VAT) rate by 2 percentage points and an increase in the taxation of capital income. These tax measures are expected to raise tax revenues worth 1% of GDP. In addition, temporary reductions in household and business tax payments, equivalent to another 1% of GDP (resulting from accelerated tax refunds related to VAT and personal income tax credits), will be phased out in 2010. Spending on government employment as well as purchases of goods and services will be curbed and public investment cut back throughout the projection

period, in part reflecting the further withdrawal of stimulus measures in 2011.

Low interest rates support domestic demand in 2009 and 2010

Credit supply standards have eased and the rise in non-performing loans appears to have slowed. The share of such loans remains modest compared to previous downturns. Low interbank interest rates, to which mortgage rates are often indexed, will continue to provide relief to the financial situation of households in 2010, offsetting some of the cutbacks in real disposable income resulting from lower employment and higher tax rates. However, the projected rise in interest rates in 2011 will damp the recovery in business and household spending.

A slow recovery will keep unemployment high

GDP growth is expected to turn positive in the course of 2010 and gain momentum in 2011, albeit at a slow pace, held back by the high debt burden of domestic businesses and households and a significant drag from shrinking residential construction. The unemployment rate may peak close to 20% in the course of 2010, falling slightly towards the end of the projection period. The year-on-year inflation rate is projected to rise temporarily in the first half of 2010 but may drop to close to zero in 2011. Foreign trade could move close to balance in 2011, reducing the current account deficit to around 3% of GDP.

Highly indebted households and firms pose risks

A slower recovery of international trade could trigger sharper employment losses, with further adverse effects on the financial situation of the relatively heavily indebted business and household sectors. On the other hand, lower house prices and progress in removing structural barriers to the development of the rented housing market could raise housing demand among the young and low-income households, often poorly housed, accelerating the adjustment in the housing market.

SWEDEN

The Swedish economy has experienced a deep contraction, triggered by the global economic crisis. A gradual recovery has started but economic slack is very large and unemployment will remain high for some time.

The monetary policy stance is very stimulative and ought to remain so for the time being. Both automatic and discretionary fiscal responses will continue to support demand as will the recent measures to limit long-term unemployment. As the recovery firms up, however, fiscal consolidation efforts will be needed to reach the medium-term budget surplus target.

The contraction appears to be coming to an end

Following four consecutive quarters of decline, real GDP increased in the second quarter of 2009, although this mainly reflected strong public investment. Industrial production continued to contract. Consumer and business confidence have been improving over the past six months and retail sales have picked up.

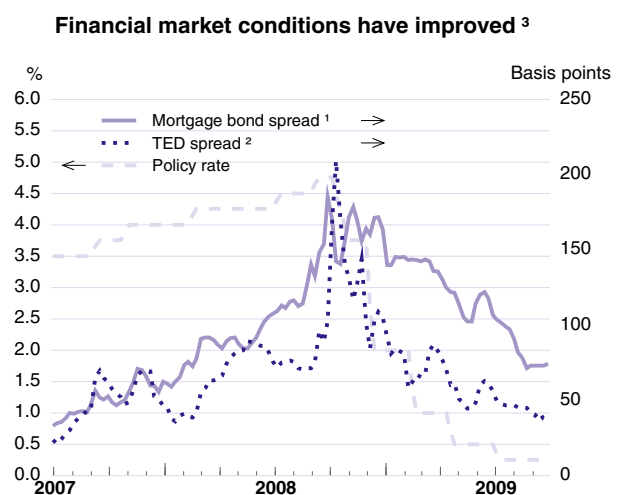
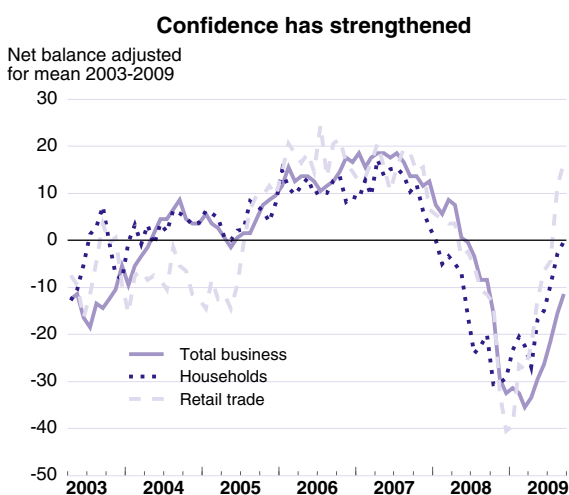
Financial market conditions have improved

Financial market conditions have also improved, with spreads on interbank and mortgage rates having reverted towards more normal levels. Lending to households has started to accelerate, although lending to firms is still slowing.

Unemployment rises and cost pressures will be low

The severe downturn has led to a rapid deterioration of the labour market, with the unemployment rate now over 8%. Faced with considerable spare capacity, firms are planning to reduce staff further. Therefore, unemployment is not expected to peak before the end of 2010. As firms' profitability has weakened and uncertainty about future demand growth remains, employment will continue to shrink and

Sweden



1. Difference between five-year mortgage bond rate and government bond yields.
2. Difference between three-month Stockholm interbank offered rate and Treasury bill.
3. Weekly averages of the daily rates.

Source: National Institute of Economic Research, Sveriges Riksbank.

StatLink <http://dx.doi.org/10.1787/751613520514>


Sweden: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices SEK billion	Percentage changes, volume (2000 prices)				
Private consumption	1 372.8	3.1	-0.4	-1.2	1.7	2.4
Government consumption	762.5	0.6	1.1	1.6	0.7	0.6
Gross fixed capital formation	528.5	7.7	2.4	-17.0	-2.0	5.5
Final domestic demand	2 663.7	3.3	0.6	-3.8	0.7	2.4
Stockbuilding ¹	0.3	0.7	-0.5	-1.4	0.6	0.0
Total domestic demand	2 663.9	4.1	0.0	-5.3	1.4	2.4
Exports of goods and services	1 494.0	6.0	1.6	-13.1	3.2	6.5
Imports of goods and services	1 257.2	9.6	3.1	-15.4	2.6	6.0
Net exports ¹	236.9	-1.1	-0.5	0.1	0.5	0.7
GDP at market prices	2 900.8	2.7	-0.4	-4.7	2.0	3.0
GDP deflator	–	2.8	3.4	2.2	1.3	2.1
<i>Memorandum items</i>						
Consumer price index ²	–	2.2	3.4	-0.3	1.4	3.2
Private consumption deflator	–	1.1	3.0	2.5	1.9	2.0
Unemployment rate ³	–	6.1	6.2	8.2	10.3	10.1
Household saving ratio ⁴	–	9.1	12.1	14.5	14.3	12.9
General government financial balance ⁵	–	3.8	2.5	-2.0	-3.0	-2.0
Current account balance ⁵	–	8.8	6.2	7.8	8.2	8.6

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

- Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
- The consumer price index includes mortgage interest costs.
- Historical data and projections are based on the definition of unemployment which covers 15 to 74 year olds and classifies job-seeking full-time students as unemployed.
- As a percentage of disposable income.
- As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754103103162>

productivity to rise, which will reduce unit labour costs. This will contribute to a gradual decline in core inflation over the coming year.

Monetary and fiscal policy are expansionary

Headline inflation – which includes mortgage interest costs – is currently negative but will start to rise as interest rates move up. Short-term inflation expectations remain just below the inflation target of 2%. The central bank ought to keep official interest rates at around the current level of 0.25% until the recovery has firmed. Additional longer-term refinancing operations may be needed to ensure proper functioning of the money market and to anchor expectations of low interest rates. The monetary stimulus, automatic stabilisers and discretionary fiscal measures will support demand through 2011, although some of the temporary fiscal measures will be phased out. Recently the government has proposed various measures including additional income tax cuts, a reduction in employer contributions, higher transfers to municipalities (to dampen layoffs in the public sector) and new labour market programmes. These measures ought to limit the rise in unemployment and reduce the risk that it becomes entrenched. Over the medium term, the reduced

nominal spending limits tabled in the recent budget proposal will contribute to closing the budget deficit but may not be sufficient to reach the surplus target.

GDP growth is on course to pick up gradually

The recovery will be led by exports as foreign demand picks up and the effects of the large effective exchange rate depreciation that took place over the past year take hold. However, given that exports consist mainly of manufactured and investment goods and that capacity utilisation abroad is generally low, the recovery is expected to be sluggish. Although unemployment will remain high, consumption will be supported by low interest rates and the contained fiscal stimulus through 2011.

Financial instability remains a key risk

In addition to the uncertainties surrounding the global financial and economic recovery, Swedish banks' exposure to Eastern Europe remains a key issue. The impact of further substantial losses in the Baltics would be cushioned by the Swedish government's financial sector measures, but the process of absorbing such losses could be extended and could delay the overall recovery. On the bright side, the recovery could turn out to be stronger than projected if global activity were to accelerate more than currently anticipated. However, this effect could be dampened by exchange rate appreciation.

SWITZERLAND

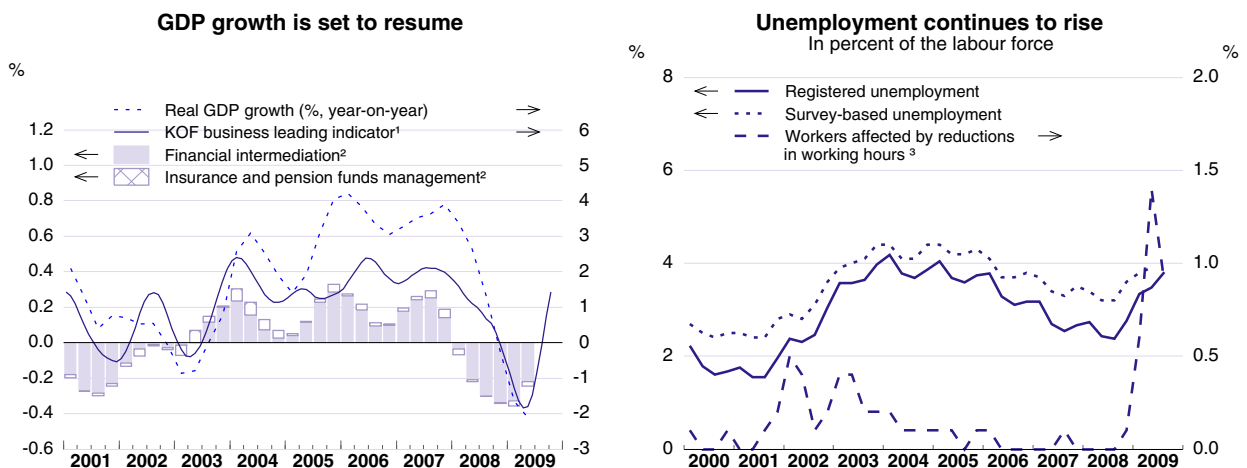
Positive growth is projected to resume from the end of 2009 onward, driven by growing demand from trading partners and improving activity in financial markets. Unemployment may rise to about 5% while inflation is projected to be low but positive.

Once the recovery takes hold, monetary policy stimulus will need to be withdrawn, but care will need to be taken to avoid deflation risk. While fiscal stimulus should be maintained in 2010, spending reductions need to be identified from 2011 onwards to adhere to budgetary rules.

The decline in economic activity may be coming to an end

GDP growth continued to decline in the second quarter of 2009 albeit at a slower pace than earlier, driven by continued export weakness. The negative growth contribution of financial intermediation diminished as recovering stock markets supported fees and commission income, which account for about 40% of banking services. Firms continued to cut back on investment, notably in machinery and equipment, due to low capacity utilisation, although construction investment rose until mid-2009 reflecting the boost to public construction from fiscal stimulus packages. Private consumption continued to increase although employment declined and the registered unemployment rate rose to 3.9% in September 2009. Leading business cycle indicators have improved markedly in recent months, turning positive from low levels in the second quarter of 2009. Orders in manufacturing have risen to a level indicating expansion in the fourth quarter.

Switzerland



1. Composite leading indicator of business cycle trends in manufacturing, private consumption, financial services, construction and EU export markets.
2. Contribution to economic growth.
3. Data for 2009 on the number of workers affected by reductions in working hours are still provisional; 3rd quarter 2009 data for July only.

Source: FSO; KOF institute; OECD, Economic Outlook 86 and Main Economic Indicators databases; SECO; SNB.

StatLink <http://dx.doi.org/10.1787/751642067755>


Switzerland: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices CHF billion	Percentage changes, volume (2000 prices)				
Private consumption	286.4	2.4	1.7	1.2	1.2	1.4
Government consumption	55.2	0.5	-0.1	2.3	1.1	0.8
Gross fixed capital formation	104.4	5.2	0.4	-2.9	1.1	2.1
Final domestic demand	446.0	2.8	1.1	0.4	1.2	1.5
Stockbuilding ¹	4.0	-1.3	-0.7	1.2	-1.1	0.0
Total domestic demand	450.0	1.3	0.4	1.7	0.0	1.5
Exports of goods and services	257.5	9.5	2.9	-12.5	3.4	6.2
Imports of goods and services	217.0	6.0	0.4	-8.2	2.1	6.3
Net exports ¹	40.5	2.4	1.4	-3.4	0.8	0.5
GDP at market prices	490.5	3.6	1.8	-1.9	0.9	1.9
GDP deflator	—	2.5	2.2	0.3	0.5	0.3
<i>Memorandum items</i>						
Consumer price index	—	0.7	2.4	-0.6	0.6	0.4
Private consumption deflator	—	1.3	2.2	0.1	0.7	0.4
Unemployment rate	—	3.6	3.5	4.3	4.9	4.8
General government financial balance ²	—	1.6	1.6	-0.7	-1.3	-1.3
Current account balance ²	—	10.0	2.3	8.7	10.2	10.9

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754107486824>

Monetary policy is expansionary while fiscal policy will turn restrictive

The Swiss National Bank is likely to continue its expansionary policy by steering the 3 month interbank rate close to zero in 2010 and by using foreign exchange intervention as needed to prevent the Swiss franc from appreciating. For 2009 and 2010, federal and cantonal governments introduced fiscal stimulus packages which are estimated to amount to about 1% of GDP in total, including expenditures on infrastructure, measures to facilitate the exit from unemployment of the young and the long-term unemployed, as well as the earlier than planned disbursement of the 2009 and 2010 revenues from the newly introduced CO₂-tax. The fiscal stance is hence expected to be expansionary in 2009. In 2010, it is projected to be neutral although the stringent fiscal rules of the cantons could lead to an overall pro-cyclical stance. In 2011, fiscal policy is projected to become slightly restrictive as the stimulus measures are expected to be withdrawn and expenditures to be reduced by about 0.3% of GDP to abide by the budgetary rules. Those measures would more than offset the loss of revenue from income tax reforms (0.15% of GDP) that are effective from 2010 onward.

By end 2009, GDP growth will resume at a slow pace

While GDP growth may remain negative in the third quarter on account of destocking, positive growth is expected to resume from the turn of the year. GDP is expected to grow initially at low rates in 2010, reflecting only a gradual increase in global activity. Growth is expected to pick up in 2011, reaching 2.1% at the end of the year. The upswing will be driven by stronger import demand from trading partners in the euro area

and Asia. Unemployment is expected to rise to about 5% in 2011. The increase in subsidised short-time work, which slowed the rise of unemployment during 2009, is likely to be reversed as the subsidies are withdrawn. Since the output gap is expected to remain substantial, the inflation rate is projected to drop to 0.4% in 2011 after oil price effects have subsided. The general government deficit will be around 1.3% in 2010 and 2011.

The growth contribution of financial services may be subdued

Downside risks relate to more persistent unemployment than in the previous business cycle which would dampen consumption growth. Furthermore, owing to recent substantial reductions in the balance sheets of the large domestic banks, the growth contribution of financial intermediation might be weaker than projected. Export performance, on the other hand, could be stronger as a result of trade ties with Germany and Asian economies.

TURKEY

Output is on track for a record year-on-year decline in 2009 of 6½ per cent. However, four quarters of negative growth ended with a strong rebound in the second quarter of 2009. After recovering more moderately in the rest of the year, GDP is projected to expand by 3¾ per cent in 2010 and 4½ per cent in 2011.

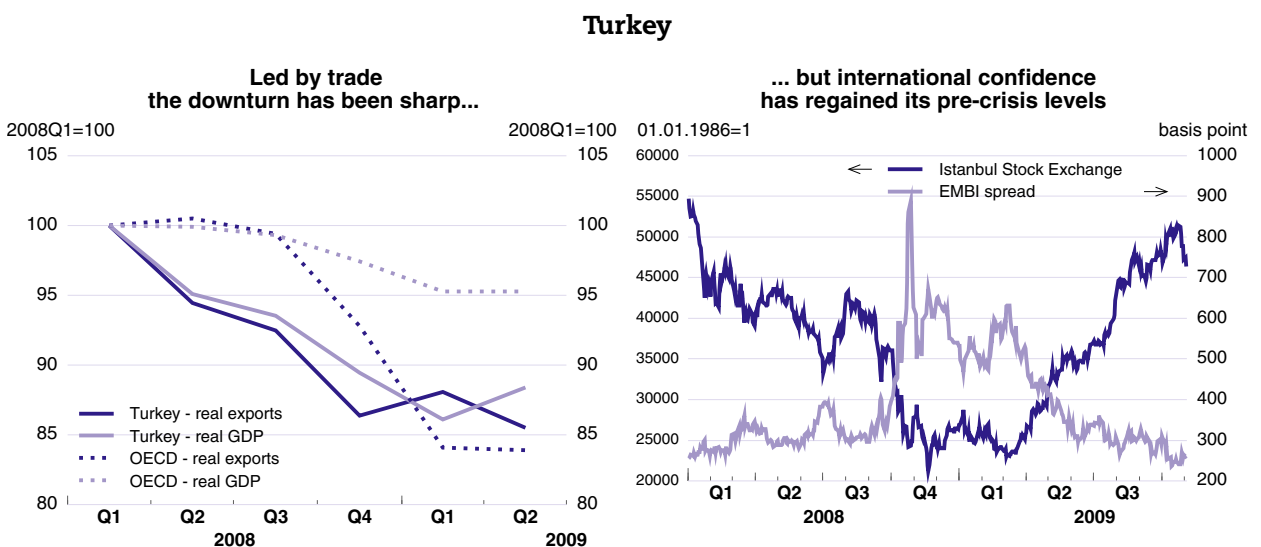
Policymakers should aim to preserve the improvement in investor confidence, which permitted a decline in risk premia and real interest rates. Making further progress in fiscal transparency is crucial in this context and the planned fiscal rule should be backed by specific consolidation measures. Structural reforms boosting the competitiveness of the business sector would help improve the performance of the economy in the upturn.

A recovery is in train following a strong contraction

After four quarters of negative growth, GDP rebounded strongly in the second quarter of 2009, stimulated by temporary consumption tax cuts and considerable stockbuilding. More recent indicators suggest that the pace of the recovery may have slowed in the second half of the year, giving a year-on-year contraction of about 6½ per cent in 2009. The negative output gap remains large and pressures on prices and the current account balance remain subdued. Inflation fell from 11.9% in October 2008 to 5.3% in September 2009, and the current account deficit is expected to fall from 5.5% of GDP in 2008 to around 2% in 2009. Capital inflows declined during the crisis but the smaller deficit was easily financed by a repatriation of Turkish funds.

Financial conditions are supportive

A sharp decline in risk premia and real interest rates is a strong supportive force in the recovery. The central bank cut lending rates from 19.75% in October 2008 to 9.25% in October 2009, backed by strengthening investor confidence. As a result, domestic financial conditions have significantly improved. Yields on benchmark government bonds fell to



Source: OECD Economic Outlook 86 database; Central Bank of the Republic of Turkey; JP Morgan.

StatLink <http://dx.doi.org/10.1787/751653651540>

Turkey: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices TRL billion	Percentage changes, volume (1998 prices)				
Private consumption	534.8	5.5	-0.1	-3.3	2.7	4.6
Government consumption	93.5	6.5	1.9	1.6	1.7	5.0
Gross fixed capital formation	169.0	3.1	-5.0	-21.3	4.1	9.7
Final domestic demand	797.4	5.1	-0.8	-6.2	2.8	5.5
Stockbuilding ¹	- 1.8	0.6	0.3	-2.8	2.5	0.0
Total domestic demand	795.6	5.7	-0.6	-8.8	5.3	5.6
Exports of goods and services	171.9	7.3	2.3	-7.5	4.5	8.8
Imports of goods and services	209.2	10.7	-3.8	-19.2	8.7	12.8
Net exports ¹	- 37.2	-1.3	1.5	3.6	-1.0	-1.0
GDP at market prices	758.4	4.7	0.9	-6.5	3.7	4.6
GDP deflator	—	6.2	11.7	6.5	5.5	5.6
<i>Memorandum items</i>						
Consumer price index	—	8.8	10.4	6.3	5.7	5.3
Private consumption deflator	—	6.6	10.3	5.6	5.6	5.4
Unemployment rate	—	10.1	10.7	14.6	15.2	15.0
Current account balance ²	—	-5.9	-5.5	-1.9	-2.8	-3.3

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754132301200>

single-digit levels for the first time in 30 years in August, and declined further to below 8% in October. Banks have been competing for market share and started to reduce lending rates and relax credit conditions. Commercial and household loans have started to grow, albeit slowly. However, business demand for investment loans has remained particularly weak.

Domestic and external demand remain fragile

Labour market developments provide strong headwinds for private consumption. Total non-farm employment fell by about 4% in the year to mid-2009, and registered industrial employment contracted by 10%. The average rate of unemployment reached 16% in urban areas. As a result, consumer confidence, after improving between December 2008 and June 2009, declined slightly in the summer months. Business confidence has displayed a similar profile. Foreign order expectations improved in September, echoing positive news on the global recovery, but exporters reported competitiveness losses in foreign markets and these pressures were compounded by the recent currency appreciation. A majority of manufacturing firms plan to decrease their investment in the period ahead.

The credibility of macroeconomic policies will influence the pace of recovery

Macroeconomic policies have been supportive in the crisis. Fiscal policy has provided a prudent dose of stimulus, via a combination of automatic stabilisers and specific measures endorsed by international observers. A “Medium-Term Economic Programme” was announced in September to clarify the fiscal strategy for the recovery phase: the general government deficit is to be reduced from 6.6% of GDP in 2009 to 2.7% in 2012, and a fiscal rule will be introduced in 2010 to support the consolidation. Monetary policy will continue to pursue its multi-year disinflation target, which will be less costly as long as the framework for fiscal policy is sound and inflation expectations remain anchored.

Structural reforms remain essential for stronger performance

Benefitting fully from the international recovery is a challenge because exporters appear to have lost market share in their core EU markets before and during the crisis. Restoring competitiveness will be important for stronger investment, job creation and consumer confidence. Structural reforms making labour, capital, product and infrastructure markets more supportive of global competitiveness would improve the performance of the economy in the upturn.

Growth will strengthen, but is subject to both upside and downside risks

GDP is projected to pick up to close to 4% in 2010 and more in 2011. If the global recovery is stronger, and confidence in the prospects of the Turkish economy continue to improve, investment may accelerate and total demand can grow more vigorously. If, on the contrary, uncertainties arise about the credibility of macroeconomic policy, or if the international competitiveness of the economy weakens, the pace of the recovery may slow down.

Chapter 4

DEVELOPMENTS IN SELECTED NON-MEMBER ECONOMIES

BRAZIL

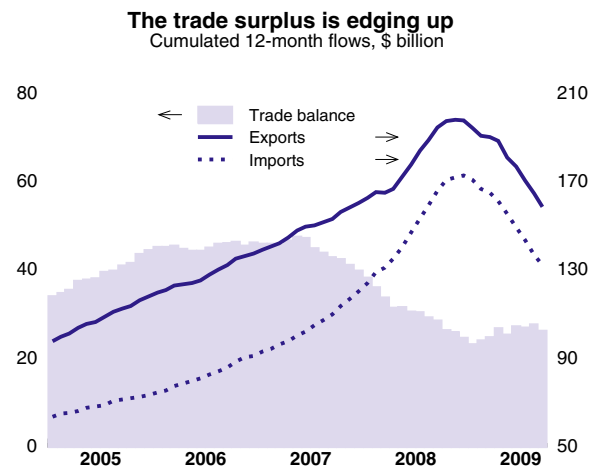
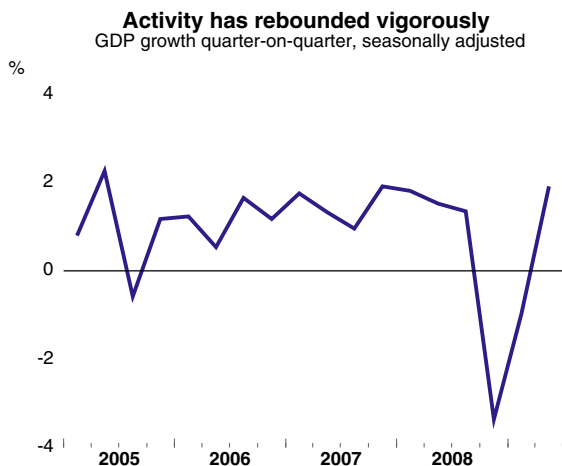
GDP grew in the second quarter, following a decline in the previous two. Activity rebounded robustly on the back of resilient private consumption and an ongoing recovery in industrial production, which had contracted sharply in the previous months. Capacity utilisation is approaching pre-crisis levels in a number of manufacturing sectors. Investment has nevertheless yet to recover. Domestic demand is set to grow vigorously in the last quarter of 2009 and into 2010, supported by a still accommodative policy mix.

The monetary easing cycle came to an end in September, following a cumulative 500 basis-point cut in the policy interest rate over the previous 12 months. Fiscal outcomes continue to weaken due to cyclical factors, a ratcheting-up of recurrent expenditure, especially the central government payroll, and the discretionary measures that have been put in place in response to the global crisis. The end-year fiscal target is therefore unlikely to be met. A judiciously planned withdrawal of policy stimulus would be advisable from early 2010, if the recovery is well in hand, as expected.

Activity has recovered briskly owing to solid private consumption

GDP grew by 1.9% in the second quarter (quarter on quarter, seasonally adjusted) following a 1% contraction in the first quarter. The rebound in activity was led by private consumption, which remained fairly resilient throughout the downturn, and a sharp increase in exports, especially of commodities to dynamic Asian markets, including China. Investment has bottomed out, following a considerable decline since the last quarter of 2008, and destocking is ongoing. Industrial production, including of capital goods, and manufacturing capacity utilisation are trending upwards. The turnaround in manufacturing output was particularly strong in the motor vehicle industry, which benefited from tax cuts introduced as part of the stimulus package. The external current account balance has narrowed. The unemployment rate has continued to fall, although the pace has slowed due to somewhat lower labour force

Brazil



Source: Central Bank of Brazil and IBGE.

StatLink <http://dx.doi.org/10.1787/751703601804>


Brazil: Macroeconomic indicators

	2007	2008	2009	2010	2011
Real GDP growth	5.6	5.1	0.0	4.8	4.5
Inflation (CPI)	4.5	5.9	4.2	4.4	4.5
Fiscal balance (per cent of GDP) ¹	-2.8	-2.0	-3.5	-1.7	-1.8
Primary fiscal balance (per cent of GDP) ¹	3.5	3.7	1.5	3.3	3.3
Current account balance (per cent of GDP)	0.1	-1.8	-1.4	-1.9	-2.2

Note: Real GDP growth and inflation are defined in percentage change from the previous period. Inflation refers to the end-year consumer price index (IPCA).

1. Takes into account a capital injection (0.5% of GDP) in the Brazilian Sovereign Wealth Fund in 2008, which was treated as expenditure, and excludes Petrobras from the government accounts.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754143318835>

participation and fairly robust job creation in the services sector, which more than compensated for labour shedding in manufacturing earlier in the year. Consumer and business confidence have returned to pre-crisis levels.

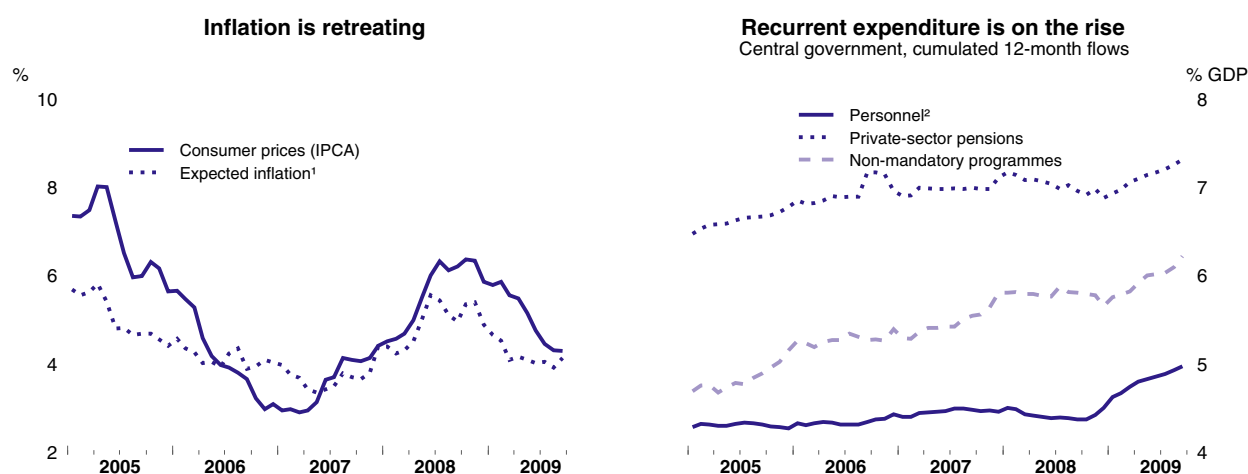
Countercyclical support measures remain in place

The tax breaks introduced at end-2008 for the motor vehicle and selected other consumer durables industries are still in place. The execution of public investment projects, which had been slow, has gathered pace.

The monetary easing cycle has come to an end

The policy interest rate was kept at 8.75% in October, following a 500 basis-point cut from September 2008 through July 2009. Following a significant reduction for a number of bank deposit categories since September 2008, compulsory reserve ratios have been maintained at those post-crisis levels. The outlook for inflation remains benign. Inflation

Brazil



1. 12 months ahead.

2. Includes pension benefits paid to civil servants.

Source: Central Bank of Brazil, Federal Treasury and IBGE.

StatLink  <http://dx.doi.org/10.1787/751710371244>

Brazil: External indicators

	2007	2008	2009	2010	2011
	\$ billion				
Goods exports	160.6	197.9	158.6	174.7	191.8
Goods imports	120.6	173.2	134.1	156.7	181.6
Trade balance	40.0	24.7	24.6	18.0	10.2
Services, net	- 13.2	- 16.7	- 17.1	- 19.0	- 20.4
Invisibles, net	- 25.3	- 36.3	- 29.2	- 34.1	- 35.6
Current account balance	1.5	- 28.3	- 21.8	- 35.2	- 45.8
	Percentage changes				
Goods export volumes	5.5	- 2.5	- 10.0	5.5	6.0
Goods import volumes	22.0	17.7	- 14.0	13.5	12.5
Terms of trade	2.1	3.5	- 1.1	1.4	0.5

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754174888437>

expectations for the next 12 months are below, although close to, the central target of 4.5% for 2009-10. The real has appreciated further against the dollar, and a 2% tax on portfolio investment inflows was re-introduced to discourage further appreciation. Bank credit is picking up, especially from government-controlled institutions, and default rates are falling gradually. Interest rate spreads are coming down from their end-2008 peak for individuals, but remain comparatively high for enterprises. Financial conditions are also improving with a notable strengthening of equity markets. Net foreign direct investment inflows have been sizeable. Following a recent upgrade, Brazil's sovereign credit is now rated at investment grade by the three major international agencies.

Fiscal policy has been relaxed...

The consolidated primary budget surplus (12-month cumulative flows adjusted for the exclusion of Petrobras from the government accounts) fell to 1.7% of GDP in September, well below the end-period target of 2.5% of GDP. The deterioration of fiscal performance comes essentially from the central government. A cyclical loss in revenue, discretionary tax cuts targeted on selected sectors and expenditure hikes related to public investment programmes are important culprits. In addition, recurrent expenditure, such as outlays on payroll and income transfers to households, are on the rise, reflecting a review of civil servants' pay and career streams enacted prior to the crisis, as well as an increase in the value of social assistance benefits. As a result of both a lower primary budget surplus and especially of the concomitant exchange rate appreciation (which reduces the value in domestic currency of net assets denominated in foreign currency held by the government), the ratio of public debt to GDP has trended upwards, although the public debt dynamics remain sustainable.

... and the end-year primary surplus target may not be met

A number of investment programmes can be excluded from the primary budget surplus target. They were originally included in the Pilot Investment Programme (PPI), whose allocations have now been raised by 0.4% of GDP to just above 0.9% of GDP to include selected infrastructure

development projects under the Growth Acceleration Programme (PAC) launched in 2007. If these budgetary appropriations are fully executed, the consolidated primary surplus could hypothetically fall to close to 1.6% of GDP, technically without breaching the end-year target. It is nevertheless unclear that even recourse to this adjustment would be sufficient to ensure that the target is met.

A new regulatory regime has been proposed for the oil sector

The authorities have expressed their intention to reform Brazil's regulatory framework for exploring and developing the sizeable oil and gas reserves that have been discovered off the country's south-eastern coast. The draft legislation submitted to Congress in August maintains the current regime for the blocks that have already been auctioned, but introduces a new investment modality, based on production-sharing arrangements, for developing the new reserves.

Policy stimulus should begin to be withdrawn from mid-2010

The outlook for inflation is favourable, and the output gap is still negative. But with the rebound in activity now firmly in place, a gradual tightening of monetary policy as from mid-2010 may be in order to quell inflationary pressures arising from rapidly diminishing slack. The ongoing fiscal easing is consistent with the unconstrained working of the automatic stabilisers. But the creation of recurrent expenditure commitments, especially those related to public payrolls and social transfers linked to the minimum wage, will weigh on the budget over the longer term. The authorities should therefore stand ready to begin to withdraw discretionary stimulus.

Activity is set to remain firm in the near term

Domestic demand is set to continue to grow vigorously, although at a slower pace, in the last quarter of the year and into 2010. Improving credit and labour market conditions should prop up private consumption. A recovery in investment is expected to be supported by a solid economic backdrop, increased capacity utilisation and the swifter execution of public infrastructure development programmes. Export growth may well remain somewhat weak in the remainder of the year.

The balance of risks has clearly shifted to the upside

The global economic outlook remains uncertain. However, a stronger-than-expected recovery in global demand would give Brazilian exports an additional boost. Faster-than-expected growth in domestic credit and economic activity would also lift demand for investment and reinforce the need to withdraw policy stimulus soon.

CHINA

Vigorous growth has resumed in China thanks to a very large monetary and fiscal stimulus. Momentum picked up in the second quarter and annual GDP growth is projected to exceed 8% in 2009 and 10% in 2010, before easing slightly in 2011 as the impact of the fiscal stimulus ends. The strong increase in domestic demand stemming from the stimulus has drawn in imports, while exports have been weak and may not recover to pre-crisis rates. As a result, the current account surplus is set to fall sharply to 5½ per cent of GDP by 2010 before rising somewhat in 2011, as domestic demand growth eases. Inflationary pressures are likely to remain subdued.

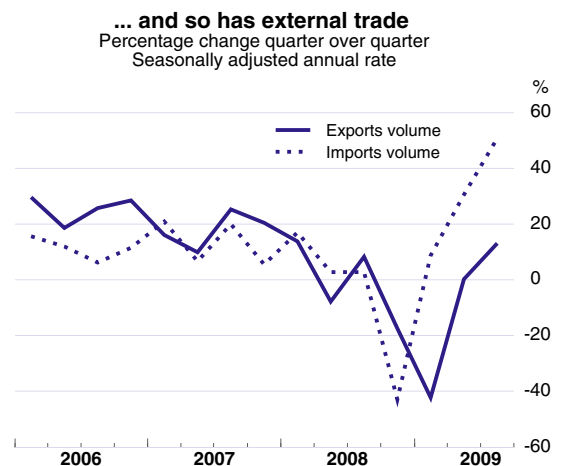
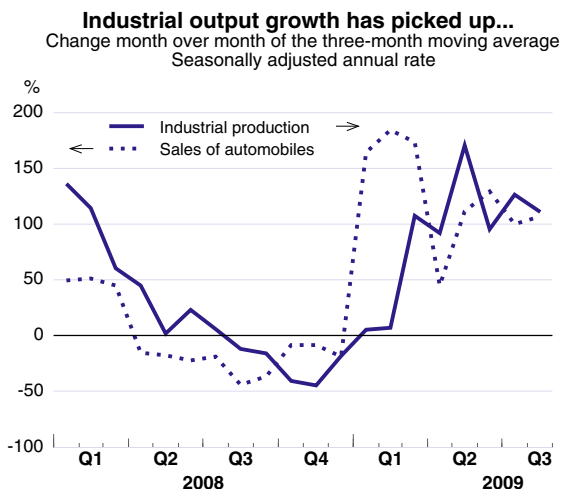
The fiscal stimulus has not endangered public finance sustainability. Indeed, starting from a sizable surplus and negative net government debt on the eve of the crisis, the government can afford to keep spending at higher levels. The composition of public spending, however, ought to be changed to favour outlays on social services, notably education, health and pensions. By contrast, credit growth will need to be reined in to avoid a renewed build-up in poor-quality loans.

The economy has recovered strongly...

After picking up strongly in the second quarter of 2009, GDP continued to grow a rapid pace in the third quarter, increasing at an estimated annual rate of over 9%. Purchasing manager indices and other forward-looking short-run indicators point to sustained momentum, especially for employment. Whereas in the second quarter output growth was driven by sectors related to construction, it has since shifted towards consumer goods, notably cars (where sales were up 84% year-on-year in September and production in China now accounts for one-fifth of the global total).

Fiscal stimulus translated into continued strong growth in infrastructure investment and has also boosted consumption. Housing sector activity has accelerated in recent months. The number of starts for both low-cost housing and market-priced units jumped in the third

China



Source: CEIC.

StatLink  <http://dx.doi.org/10.1787/751726830143>

China: **Macroeconomic indicators**

	2007	2008	2009	2010	2011
Real GDP growth	13.0	9.0	8.3	10.2	9.3
Inflation ¹	7.4	7.2	-3.1	-0.2	-0.5
Consumer price index ²	4.8	5.9	-1.1	0.1	1.0
Fiscal balance (per cent of GDP) ³	2.0	1.1	-1.8	-0.9	-0.3
Current account balance (per cent of GDP)	11.0	9.8	6.4	5.4	5.9

Note: The figures given for GDP and inflation are percentage changes from the previous year.

1. Percentage change in GDP deflator from previous period.

2. Change in Laspeyres fixed-base-year index (base year 2005).

3. Consolidated budgetary and extra-budgetary accounts on a national accounts basis.

Source: OECD Economic Outlook 86 database.

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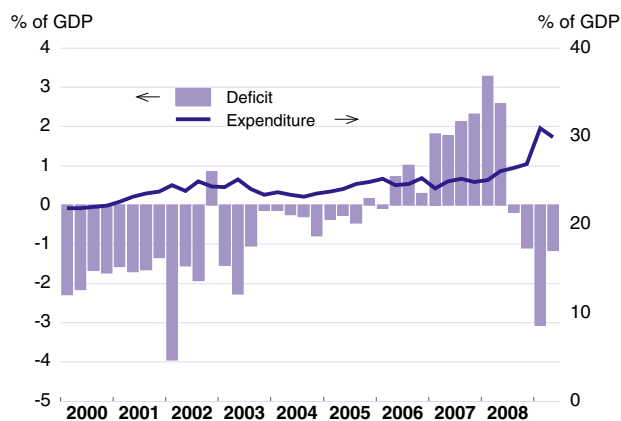
quarter, helped by easier mortgage terms. House prices have started to increase again and competition for prime building sites is intense, with land-lease prices doubling in Beijing since last November. Housing is still affordable, however, outside of the major metropolitan areas. With strong domestic demand, import growth surged in the third quarter, which may also presage a continued recovery in exports given the high import content of Chinese exports. As a result, between the first and third quarters of 2009, the trade surplus fell by over 5 percentage points of GDP, to 2% of GDP.

... but prices continue to decline

Inflation developments remain mixed. On the one hand, the decline in consumer prices may be coming to an end, as food prices have edged up over the six months to September, while non-food prices have been falling more slowly. On the other hand, in manufacturing, producer prices continued to fall, showing an annual decline of 7% in September.

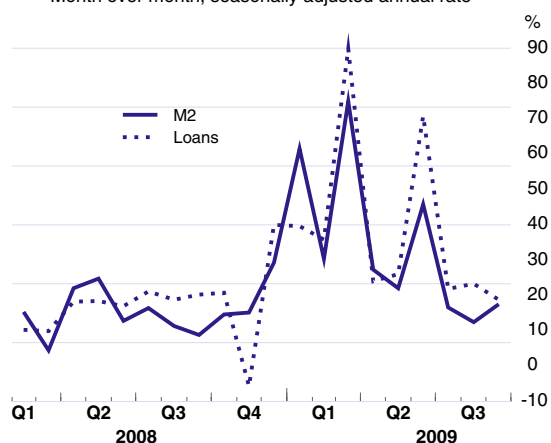
China

Public spending surges, bringing a budget deficit



Source: CEIC.

Money and credit growth start to slacken



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China: External indicators

	2007	2008	2009	2010	2011
\$ billion					
Goods and services exports	1 342.2	1 581.7	1 307.0	1 474.9	1 693.9
Goods and services imports	1 034.7	1 232.8	1 068.8	1 265.2	1 446.5
Foreign balance	307.5	348.9	238.2	209.7	247.4
Net investment income and transfers	64.4	77.2	59.5	66.7	76.4
Current account balance	371.8	426.1	297.7	276.4	323.9
Percentage changes					
Goods and services export volumes	19.8	8.7	- 13.5	12.3	13.6
Goods and services import volumes	12.9	5.2	1.3	14.7	12.6
Export performance ¹	12.7	5.7	0.6	5.2	5.4
Terms of trade	- 1.8	- 4.3	11.6	- 2.6	- 0.4

1. Ratio between export volume and export market of total goods and services.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754187727648>

Fiscal policy has become expansionary

The national budget balance is projected to move into deficit in 2009. Spending soared by four percentage points of GDP in the first nine months of the year, as the central government quickly disbursed the first tranches of the November 2008 stimulus plan. Numerous other tax and spending measures have been taken since late 2008. These include cuts in the value added tax rate on different categories of exports, thereby moving towards the international norm of zero, rebates on electrical goods and lower tax rates on cars and housing transactions. At the same time, new health care and pension systems have been launched. All these measures may sum to nearly 3% of GDP, but it is unclear to what extent they are additional to the original budget plans. Government revenues have been buoyed by the recovery, and were up by almost 22% over the year to the third quarter of 2009. Nonetheless, the budget deficit in the first three quarters of the year (including the social security balance) was 1.6% of GDP, as against a surplus of 1.9% a year earlier. The overall general government balance may still be in surplus, as historically, it has been higher than the consolidated budget balance (by as much as 4% of GDP in the last available data for 2007).

Credit growth starts to slow

The fiscal expansion was complemented by massive monetary stimulus. Between November 2008 and June 2009, the money supply rose by 22%. This was accompanied by an even greater increase in credit. Initially, a significant part of the lending took the form of very short-term bills, which started to be converted into longer-term loans in the second half of 2009. Most of the loans were made to finance infrastructure projects under the control of local government urban development and infrastructure corporations (off-budget entities financed by the sale of land leases and user fees). Not all of the lending has yet been translated into physical investment, as the bank deposits of the corporate sector rose substantially in the first half of the year. In the three months to September, however, the expansion of the money supply has been reined

in significantly against the backdrop of concerns about over-borrowing by local authority infrastructure companies and more generally the build-up of non-performing loans.

The outlook is for rapid growth in the near future

Highly stimulatory economic policy will continue to support growth over the near term. With the employment outlook improving, private consumption will be buoyant. Hence, overall domestic demand is set to remain strong. Exports are projected to recover with the turnaround in the world economy, but not to regain their pre-crisis growth rates. As a result, GDP is projected to rise by more than the government's 8% target in 2009 and to expand at a double-digit rate in 2010. With a significant rebalancing of demand, the current account surplus is projected to fall to 5½ per cent of GDP by 2010. On current plans, the stimulus spending will be withdrawn in 2011, even though government debt, net of its cash holdings, will be at a very low level. Growth is therefore slated to slow somewhat at that horizon, though it will be supported by continued strength in the housing market and the greater vigour of export markets. With weaker domestic demand, the current account surplus is projected to widen somewhat, to close to 6% of GDP in 2011.

Risks are now more balanced

The principal upside risk to the projections is that the money and credit expansion in 2009 will give a bigger-than-expected boost to demand, especially in the real estate sector. A buoyant land market would, temporarily at least, shield local authorities from debt problems. However, over the longer term, the build-up in infrastructure debt may pose problems for the banking system if some of the projects do not generate adequate returns.

INDIA

The Indian economy has weathered the global downturn relatively well. After slowing sharply in late 2008, growth recovered during the first half of 2009 and recent high-frequency indicators suggest that momentum is strengthening. In the near term, the ongoing recovery will be only modestly hampered by poor monsoon rainfall. Growth is projected to reach over 7% in 2010 and 7½ per cent in 2011. Inflation has been rising since mid-2009 and is expected to remain high over the projection period.

Given the resurgence of inflationary pressures so early in the recovery, a key challenge facing policy makers is ensuring a timely withdrawal of fiscal and monetary policy stimulus. Reining in the large fiscal deficit, which has widened further in 2009, will be particularly difficult given both its magnitude and the permanent nature of recent increases in spending.

Growth recovered in the first half of 2009

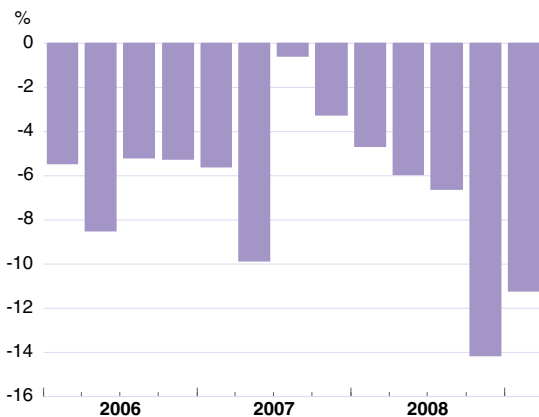
Growth has recovered following a sharp slowdown in late 2008 with GDP expanding in the first two quarters of 2009 by an average 6½ per cent at a seasonally-adjusted annualised rate. The composition of growth, however, was weak with the pick-up due primarily to a rapid fall in imports. Domestic demand expanded slowly, as consumption and investment growth remained subdued and government consumption eased, following a surge in late 2008.

Inflationary pressures have resurfaced

Since mid-2009, inflation has picked up sharply, most notably for consumer prices, which by September were up by around 11½ per cent over a year earlier. Wholesale prices have also begun to rise again, after falling for much of the first half of the year. This pick-up in inflation partly reflects a set of supply factors. Much of the recent spike in consumer price inflation has been driven by higher food prices stemming from shortfalls in agricultural output caused by deficient monsoon rainfall (nationwide summer rainfall was 23% below the long-run average, slightly worse than

India

The budget deficit has been widening
Percent of GDP



Activity is rebounding



Source: Reserve Bank of India, Dun and Bradstreet.

StatLink  <http://dx.doi.org/10.1787/751787706272>

India: Macroeconomic indicators

	2007	2008	2009	2010	2011
Real GDP growth	9.1	6.1	6.1	7.3	7.6
Inflation ¹	4.9	6.3	2.6	5.4	5.7
Consumer price index ²	6.2	9.1	7.8	7.1	6.2
Wholesale price index (WPI) ³	4.7	8.4	3.5	7.0	6.2
Short-term interest rate ⁴	8.9	9.6	4.8	6.9	7.9
Long-term interest rate ⁵	7.9	7.6	7.1	7.8	8.1
Fiscal balance (per cent of GDP) ⁶	-4.2	-8.8	-10.1	-9.0	-8.1
Current account balance (per cent of GDP)	-1.4	-2.5	-1.9	-2.0	-1.8
<i>Memorandum: calendar year basis</i>					
Real GDP growth	9.4	6.9	5.6	7.2	7.6
Fiscal balance (per cent of GDP) ⁶	-4.4	-7.3	-10.3	-9.3	-8.2

Note: Data refer to fiscal years starting in April.

1. Percentage change in GDP deflator from previous period.

2. Consumer price index for industrial workers.

3. All commodities.

4. Mumbai three month offered rate.

5. 10 year government bond.

6. Gross fiscal balance for central and state governments.

Source: OECD Economic Outlook 86 database.

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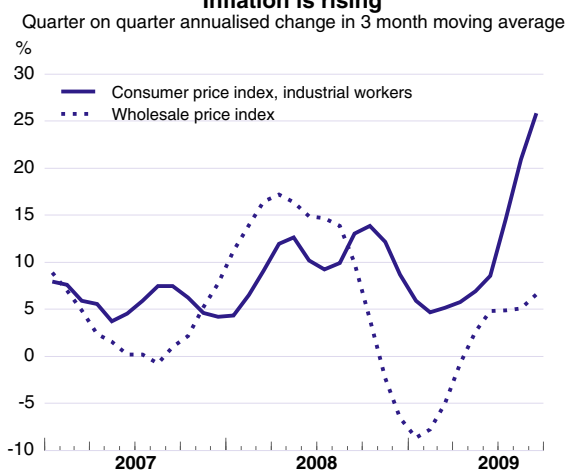
during the last drought in 2002). The turnaround in international commodity prices has also contributed to the rebound in wholesale prices.

The budget deficit is expected to widen through 2009

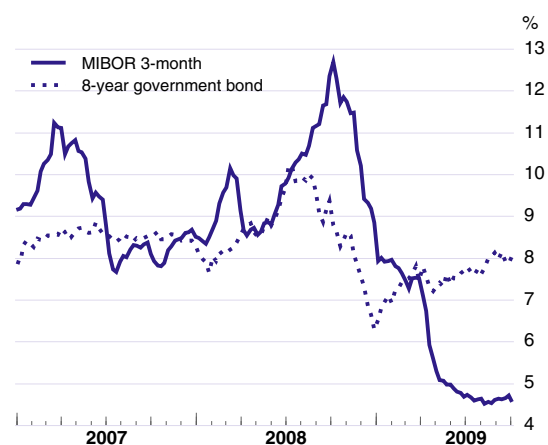
Fiscal policy continues to be very expansionary. The revised central government budget, released following national elections in May, envisages a further widening in the deficit to around 6.8% of GDP for fiscal year 2009-10, or just over 10% on a general government basis. The budget aims to build on earlier initiatives to stimulate demand by providing

India


Inflation is rising



Long bond rates trending upwards



Source: Reserve Bank of India.

StatLink  <http://dx.doi.org/10.1787/751803154568>

India: **External indicators**

	2007	2008	2009	2010	2011
	Percentage changes				
Goods and services export volumes	2.1	12.8	-5.2	10.1	11.6
Goods and services import volumes	6.9	17.9	-18.7	12.2	12.4
Terms of trade	2.4	-1.5	-1.6	-0.5	-0.1

Note: Data refer to fiscal years starting in April.
Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754241340578>

modest new spending on infrastructure and employment schemes. An interim, pre-election budget released earlier in 2009 included cuts in the applicable rates for the central government value-added tax and services tax. The projected recovery in economic activity will facilitate some improvement in the fiscal situation. However, given that much of the increase in government expenditure over the past year or more has been permanent – most notably the large rise in public-sector wages granted in the 2008-09 budget – only a modest narrowing of the deficit is projected.

The monetary easing cycle has come to an end

The Reserve Bank of India responded quickly and vigorously to the downturn. Between September 2008 and April 2009, the main lending rate was cut by a total of 425 basis points and the cash reserve ratio from 9% to 5%. Since then no further cuts in the main lending rates or changes in the cash reserve ratio have been made. However, in October 2009 the end of the easing cycle was foreshadowed by the announcement of an increase in the statutory liquidity ratio and the end of two special refinancing facilities that had been introduced as part of the initial response to the downturn. Given the magnitude of the easing and the speed at which inflation has bounced back, monetary policy will need to be tightened fairly soon. Long-term government bond rates have continued to trend up over the course of 2009, reflecting pressures from higher government borrowing and the inflation bounce.

Activity is set to accelerate

Assuming a normalisation in weather conditions, the impact of the poor monsoon on output is expected to be relatively muted, especially compared with previous droughts, subtracting around 0.5 percentage points from growth in 2009. The importance of agriculture, even in rural areas, continues to decline and the sector now accounts for 17% of GDP, down from 22% in 2002. Industrial production has been gathering momentum in recent months. Together with improving business sentiment, this suggests that a recovery is underway in manufacturing. The global economic recovery will continue to stimulate exports and business investment, both of which are projected to rebound soon. Nevertheless, higher financing costs, exacerbated by continued large fiscal deficits, will act as a drag on investment over the projection horizon and keep growth just below the high rates experienced prior to the slowdown.

Inflationary pressures will remain strong

The near-term fall in agricultural output is likely to have a more lasting impact on prices owing to the importance of some agricultural products, such as sugar and cereals, as inputs for processed food products. As demand in the broader economy strengthens, producers of intermediate and final goods will be well positioned to pass on higher input costs to consumers and possibly widen their margins. Given that activity is expected to strengthen relatively quickly and that the recovery is likely to have begun with only a modest level of slack in the economy, delayed fiscal consolidation will also contribute to higher inflationary pressures.

Risks are reasonably well balanced

The main upside risk is that a faster recovery in the global economy would provide an additional boost to exports and business investment. On the downside, continued below-average rainfall would further dampen the recovery in domestic demand. Higher food prices may also require tighter monetary policy than would otherwise be desirable.

RUSSIAN FEDERATION

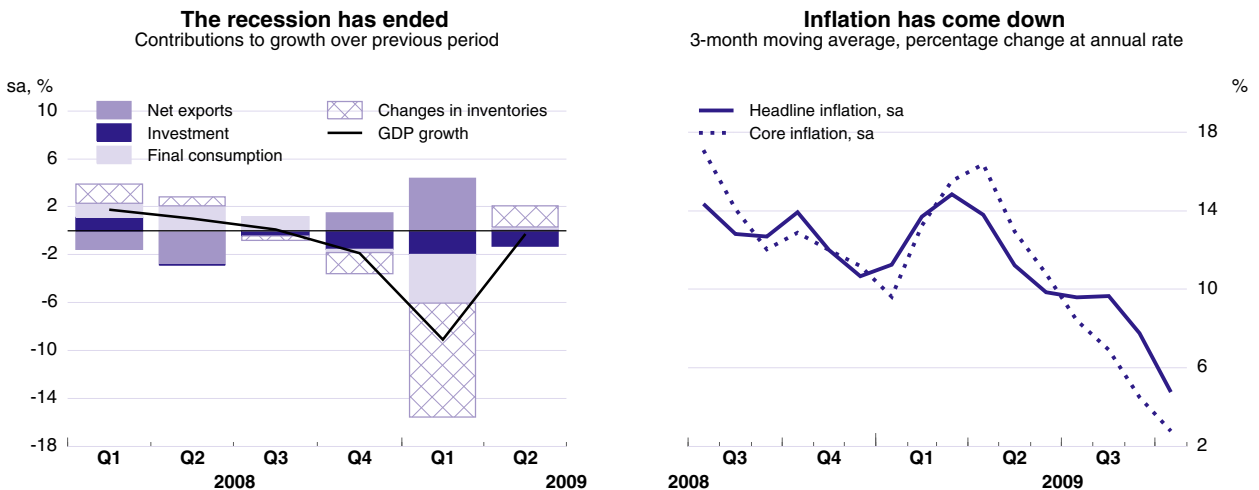
After an initial sharp rebound from the deep recession of the past year, real GDP is projected to converge on potential. The decline in inflation seen since early 2009 is expected to continue into 2010 before flattening out. The current account surplus will increase in 2010 as a result of terms of trade gains, but it will decline in 2011 as strong trend import growth reasserts itself. Net private capital flows should strengthen, allowing a rebuilding of reserves.

Although recovery is in prospect, the large output gap and subdued inflation suggest that policy stimulus should not be removed too hastily. Fiscal policy should be managed to avoid dislocative demand effects from a surge of expenditures in late 2009 followed by a tightening in 2010. Discriminatory anti-crisis measures to protect domestic industries are counter-productive and should be unwound as quickly as possible.

The recession has ended

Growth has resumed, driven by a rebound in commodity prices, policy stimulus and stronger external demand. After a dramatic decline in output in the first quarter, real GDP fell only marginally in the second quarter, as stronger government consumption and a rebound in inventories almost offset weakness in private consumption and investment. Like many other countries, Russia saw a collapse in trade volumes (although oil export volumes were little affected), which bottomed out around the middle of the second quarter. Numerous indicators suggest that growth resumed in the third quarter, as global trade volumes recovered, fiscal stimulus gathered momentum and higher oil prices underpinned improved sentiment about the Russian economy. Revised data suggest that the upturn in unemployment resulting from the crisis has been relatively limited through August 2009.

Russian Federation



Source: OECD calculations based on Russian Federal Service for State Statistics; OECD Quarterly National Accounts database and Central Bank of Russia.

StatLink <http://dx.doi.org/10.1787/751813843350>

Russian Federation: **Macroeconomic indicators**

	2007	2008	2009	2010	2011
Real GDP growth	8.1	5.6	-8.7	4.9	4.2
Inflation (CPI), period average	9.0	14.1	11.7	6.9	7.0
Inflation (CPI), December-to-December	11.9	13.3	9.2	6.7	7.6
Fiscal balance (per cent of GDP) ¹	6.0	4.1	-6.0	-4.4	-2.0
Current account balance (per cent of GDP)	5.9	6.0	3.6	4.1	2.5

1. Consolidated budget.

Source: OECD Economic Outlook 86 database.

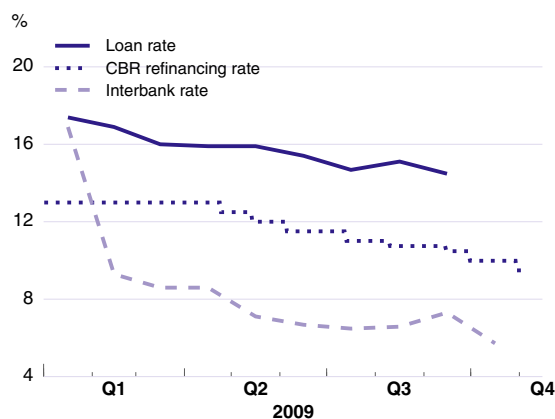
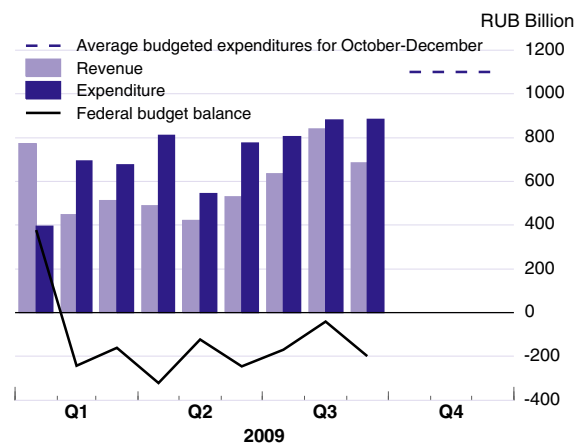
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Rouble strength and a growing negative output gap have helped tame inflation


After an upsurge in early 2009 driven by the rapid depreciation of the rouble and large administered price increases, inflation has declined substantially. December-on-December inflation is expected to be in single digits for only the second time since the beginning of transition in 1992. Disinflationary factors in recent months included the extremely sharp slowdown in monetary growth resulting from the financial crisis, the emergence of a large negative output gap, and the recovery of the rouble against the dollar-euro basket. However, the first two of these factors are weakening or reversing as the crisis recedes, while commodity prices have been rebounding.

Policy stimulus and better external conditions are driving the recovery

Fiscal and monetary stimulus and the recovery of global demand should result in a strong rebound of output towards the end of 2009. A large part of the policy stimulus will be felt only late in the year, as fiscal expenditure is back-loaded and a series of interest rate cuts began only in the second quarter. In addition to the improvement in demand for exports as global trade flows recover, the recovery of oil prices this year has increased the terms of trade, which will boost domestic demand. Also, the

Russian Federation**Interest rates are falling****Fiscal stimulus was applied late but is building**


Source: Central Bank of Russia and Ministry of Finance of the Russian Federation.

StatLink  <http://dx.doi.org/10.1787/751814302536>

Russian Federation: **External indicators**

	2007	2008	2009	2010	2011
\$ billion					
Goods and services exports	393	523	348	435	457
Goods and services imports	282	369	263	340	384
Foreign balance	112	155	85	95	73
Invisibles, net	- 35	- 52	- 37	- 32	- 31
Current account balance	77	102	47	64	42
Percentage changes					
Goods and services export volumes	6.3	0.5	- 9.2	6.2	3.8
Goods and services import volumes	26.5	15.0	- 31.6	24.8	11.7
Terms of trade	3.5	16.0	- 29.8	14.0	0.0

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754287110607>

banking system has remained profitable and has provisioned against a further rise in non-performing loans, facilitating a resumption of credit growth. Finally, a large positive contribution to GDP growth from inventories is possible when stocks are rebuilt as the economy emerges from recession. The slowdown in inflation is likely to lose momentum as the tailwinds of monetary contraction, a growing output gap and falling producer prices reverse course. Fiscal stimulus, improved bank liquidity and a strong balance of payments will be reflected in an acceleration of money supply growth, while the recovery in commodity prices has resulted in rising producer prices in recent months. The output gap is expected to shrink quickly in the second half of 2009 but to remain negative until around end-2011.

Progress on structural reforms should resume

Laying the foundations for sustained rapid growth will require unwinding some of the distortive consequences of the crisis. Notably, Russia was unusually active in taking discriminatory trade measures, which should be reversed or allowed to expire as soon as possible. Also, the high concentration of assets and deposits in a few state-owned banks was a natural consequence of the crisis, but is not healthy for the long-run development of the banking system.

Output will revert to trend, while inflation will stabilise at lower levels

Within-year growth in 2010 is expected to be moderate, as fiscal consolidation partially offsets the recovery in private domestic demand. Output should rise somewhat faster in 2011 as investment growth accelerates, driven by higher capacity utilisation and the full normalisation of credit conditions. The decline in inflation seen in 2009 will continue into 2010 but flatten out from about mid-year. The sharp fall in exports and imports will be unwound over the next two years, and import growth will be particularly rapid, leading to a narrowing of the current account surplus in 2011.

The risk of a second leg of recession is diminishing

Consumer and investor confidence are still fragile, and as ever are closely tied to the oil price. Concerns over banking system stability, public

finances and/or the value of the rouble could easily be reignited by a sharp downturn in oil prices, triggering renewed capital outflows and domestic credit contraction. At the same time, a stronger-than-expected global recovery would probably yield further increases in the oil price, which in Russia could bring a return to the sort of euphoria seen in the immediate pre-crisis years, with strong capital inflows, rapid credit growth, and sharp rises in asset prices. In such a case, fiscal consolidation in 2010-11 should be accelerated.

CHILE

As a small open economy with a strong dependence on mining and agricultural exports, Chile has been hit hard by the collapse in world trade and commodity prices. Output has fallen sharply and annual average growth is projected to be negative in 2009. However, a good part of the earlier fall in copper prices through end 2008 has been reversed since and activity bottomed out towards mid-year with support from a substantial macroeconomic stimulus. Growth is set to accelerate gradually through 2010 to reach rates above potential in 2011.

The central bank has reduced interest rates decisively by 775 basis points since the beginning of the year and enacted some unconventional measures when policy rates fell to 0.5% in July. The finance ministry was quick to implement a well-targeted fiscal stimulus. These measures should be gradually withdrawn if Chile embarks on the projected return to robust economic growth.

Activity has started to rebound, but prices are still falling

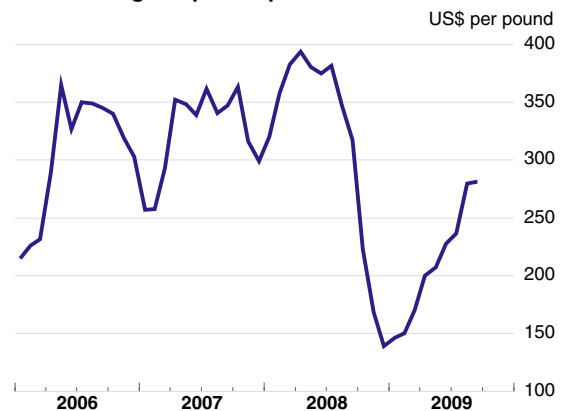
Chile was hit by a strong external shock when world trade collapsed. Export revenues tumbled, confidence deteriorated and both private consumption and investment, which had been the backbone of growth before the crisis, fell sharply. Output has contracted for four consecutive quarters, prices are falling and unemployment has increased fast. However, copper prices which fell by more than half through the second half of 2008 have now rebounded, attenuating the fall in export revenues, and output has started to rise again since mid-year. Given the sharp decrease in imports and the recovery of exports (in value terms) since the beginning of the year, the trade and current account deficits of the second half of 2008, have become surpluses.

Chile

Economic activity has started to rebound¹



The copper price has recovered a good part of past losses²



1. Indicador Mensual de Actividad Económica (IMACEC), monthly indicator of economic activity.

2. London Metal Exchange price.

Source: Central Bank of Chile.

Chile: **Macroeconomic indicators**

	2007	2008	2009	2010	2011
Real GDP growth	4.8	2.9	-1.8	4.1	5.0
Inflation ¹	4.4	8.7	1.4	1.0	2.8
Central government fiscal balance ²	8.8	5.3	-3.5	-1.3	-1.0
Current account balance ²	4.5	-2.4	0.8	0.3	0.1

1. Inflation refers to average consumer price index.

2. In percent of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754331807830>

A well-targeted fiscal stimulus has cushioned the fall in activity

The finance ministry was swift to enact a well-targeted fiscal stimulus, including temporary tax reductions, measures to support employment and a cash allowance for low income households. It also recapitalised the state-owned copper mining company CODELCO as well as BancoEstado and implemented further measures to keep credit flowing, including state guarantees and easier access of non-banks to the credit market. Thanks to prudent fiscal policies in the past Chile was in a position to finance these measures easily, mostly with funds accumulated during the previous copper price bonanza and, to a lesser extent, from debt issuance. The combined effects of lower copper revenues, the output contraction and the fiscal stimulus have led to a deterioration of the fiscal balance from a surplus of 5% of GDP in 2008 to an expected deficit of 3½ per cent in 2009. As copper prices and output growth recover and the fiscal stimulus is withdrawn, the deficit is expected to be reduced to 1% of GDP by 2011.

The central bank has eased aggressively

Since the beginning of the year the central bank has decreased interest rates decisively from 8.25% last year to 0.5% in July, when it also started to introduce non-conventional measures. This includes the introduction of a term facility, whereby the central bank grants 90 to 180 day liquidity at the prevailing level of the policy rate, as a signal that it intends to keep rates low for a while. Consistent with this, the central bank has also reduced its debt issuance. These measures have helped to bring market interest rates below pre-crisis levels. Nevertheless, credit conditions remain tight, as banks' lending standards have become more demanding, especially for those clients who are most exposed to the fall in activity.

Activity has started to rebound

Growth is expected to be positive through the second half of 2009 and gradually gain speed on a sustained basis, reaching rates above potential in 2011. The unemployment rate is expected to fall in 2011 as the recovery gathers pace. Against the background of a strongly negative output gap, prices are projected to continue falling throughout this year and return gradually towards the central bank target of 2-4% towards the end of 2010. Given that the decrease in imports has been even stronger than the decrease in exports, the current account is expected to turn positive again

this year, narrowing slightly in 2010 and 2011 as stronger domestic demand boosts imports.

Risks to the outlook are on both sides

A downside risk to the projection would be stronger-than-expected second-round effects of the current crisis on the financial sector, as high unemployment and firm bankruptcies could lead to an increase in credit default rates. A stronger than expected increase in demand from Chile's main export markets, in particular China, would strengthen the recovery.

ESTONIA

Real GDP is projected to fall by 14.4% this year, to broadly stabilise in 2010 and to recover in 2011, when growth of 3.9% is expected. This projection depends largely on developments in major export markets, on the speed with which resources are reallocated toward expanding export activities and on the country's ability to attract renewed foreign direct investment inflows to the export sector as the recovery takes hold.

Maintaining the currency board with a view to adopting the euro as soon as possible remains the primary objective of economic policy. The need to meet the 3% of GDP Maastricht criterion implies that fiscal policy will remain very tight.

The contraction appears to be bottoming out

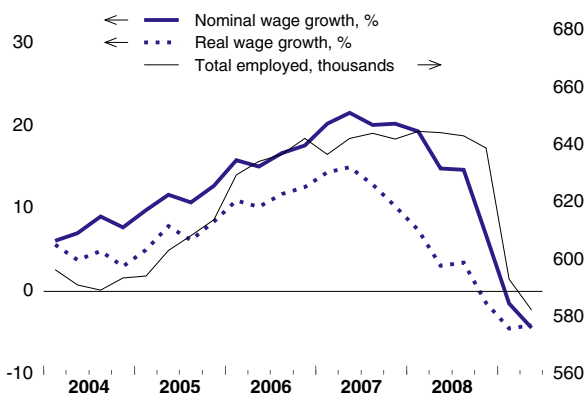
The sharp contraction of real GDP is slowing. Real GDP fell 2.8% in the third quarter, according to preliminary estimates, compared with drops of 6.0% and 3.4% in the first and second quarters, respectively. More recent output indicators suggest the recession is bottoming out, and confidence indicators have been improving since April. The fourth quarter should see a rough stabilising of output. Consumer prices have continued to fall, apart from an uptick in July, owing to value-added tax and excise increases, with year-on-year inflation turning negative in the second quarter.

The downturn has been sharp

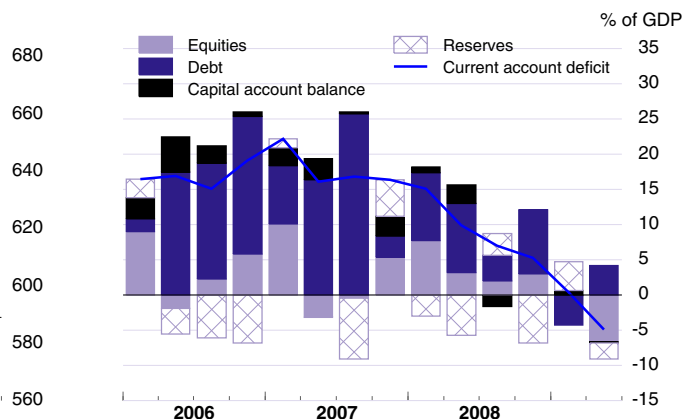
Employment fell by around 10% over the year to July and wages by an estimated 5%. The unemployment rate reached 13.5% in the second quarter, up from 4% a year earlier. However, there is a risk that the reallocation of labour will be slow, not least because of low spending on active labour-market measures. The dramatic fall in domestic demand

Estonia

Wages and employment have fallen sharply



The current account has swung into surplus



Note: Wage growth is year-on-year of quarterly data. In the decomposition of the current account deficit, negative numbers indicate an increase in reserves. The financial account balance is decomposed into equities (net direct investment plus net equities in portfolio investment) and debt. Net errors and omissions have been added to the capital account balance.

Source: Bank of Estonia; OECD, National Accounts database; Statistics Estonia.

StatLink <http://dx.doi.org/10.1787/752012525634>

Estonia: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices EEK billion	Percentage changes, volume (2000 prices)				
Private consumption	115.4	9.0	-4.7	-18.2	-4.6	1.0
Government consumption	33.9	3.7	4.1	-3.3	-4.4	0.0
Gross fixed capital formation	72.3	9.0	-12.1	-32.8	-9.4	3.6
Final domestic demand	221.6	8.2	-5.7	-19.5	-5.7	1.4
Stockbuilding ¹	9.8	2.3	-5.4	-6.9	-2.3	0.0
Total domestic demand	231.4	9.9	-10.3	-26.2	-8.6	1.5
Exports of goods and services	165.9	0.0	-0.7	-11.6	3.0	4.8
Imports of goods and services	190.3	4.7	-8.7	-29.8	-6.4	1.4
Net exports ¹	-24.4	-4.4	6.8	15.0	6.1	2.6
GDP at market prices	207.0	7.2	-3.6	-14.4	-0.8	3.9
GDP deflator	–	10.2	6.7	-1.9	-0.5	0.4
<i>Memorandum items</i>						
Index of consumer prices	–	6.6	10.4	0.0	0.1	0.4
Private consumption deflator	–	7.4	9.2	-2.5	0.2	0.0
General government financial balance ²	–	2.6	-2.8	-3.0	-3.0	-2.2

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754342106727>

has swung the current account, which only recently showed deficits of the order of 18-20% of GDP, into surplus.

Economic policy remains strongly pro-cyclical

Economic policy is driven by the determination to qualify for euro accession as soon as possible and is thus dominated by the need to hold the general government deficit below 3% of GDP, despite the severity of the contraction. Successive revisions to the 2009 budget have so far resulted in spending cuts and revenue increases equivalent to just over 9% of projected GDP for the year. A 3% deficit now looks achievable, though there is little room for manoeuvre and further fiscal tightening may yet be needed. Tax revenues are running close to revised budget targets, but there are fears that non-tax revenues will be lower, and local government spending higher, than projected.

Recovery in major export markets is expected to lead to a weak revival...

Estonia's prospects depend above all on the strength of the global recovery and confidence in its economic policies. Signs of recovery in the euro area thus offer some relief. Real GDP is projected to decline by 14.4% this year, but 2010 will see the beginnings of a weak recovery, as exports pick up, with consumption growth resuming only after the labour market stabilises. Modestly accelerating export growth and a pick-up in investment should give the recovery additional momentum in 2011, when real GDP growth is projected to reach 3.9%. An export-led recovery should ensure that the resumption of growth does not lead to renewed external vulnerability.

... but the recovery faces risks from developments abroad and at home

The main up- and down-side risks are linked to the recovery in major export markets and thus to that of the global financial system. External assessments of the credibility of Estonia's economic policies – and, in particular, of its prospects for euro accession – will also be critical for foreign direct investment flows and credit conditions. Investor and consumer confidence are highly sensitive to prospects for euro entry, and confirmation of the entry date could help revive confidence and inward investment. By contrast, political tensions that threaten to derail efforts to hold down the budget deficit may undermine performance even if the government does manage to maintain a very tight fiscal stance. Doubts about Estonia's ability to sustain current policies are reflected in the sometimes large gaps between spot and forward rates for the kroon. These gaps have recently narrowed somewhat, however, and they should close further if fiscal discipline is maintained and bank crises are avoided.

INDONESIA

GDP growth picked up significantly in the second and third quarters of 2009. Private consumption was the main driver. Investment rebounded strongly in the third quarter, but it continues to suffer from a dearth of credit. Exports are growing faster than imports, sustaining the trade and external current account surpluses. Inflation fell rapidly in the first semester. Activity is projected to gather some further impetus, buoyed by rising investment and easing credit conditions.

The monetary easing cycle appropriately came to an end in September. Interest rate cuts and the liquidity-enhancing measures put in place earlier in the year in response to the global crisis have eased pressure on the interbank market. Implementation of fiscal stimulus is being delayed by capacity bottlenecks. But, given that the recovery appears to have begun in earnest, additional fiscal easing would not be advisable.

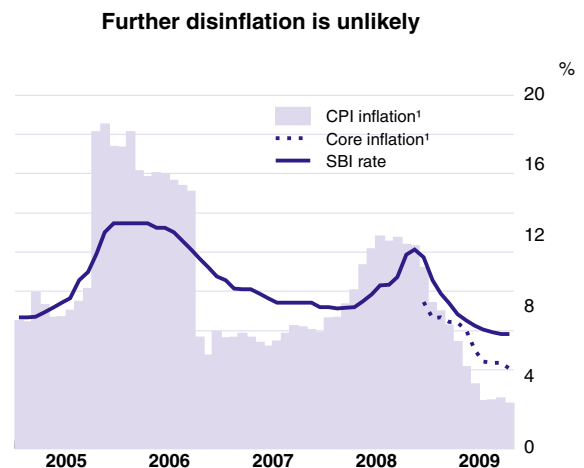
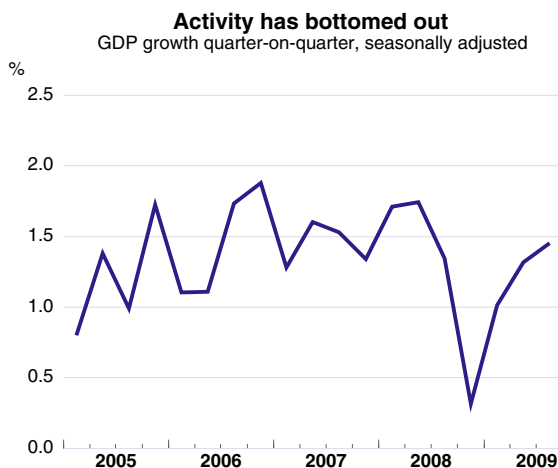
Activity is picking up in earnest

GDP rose by 1.5% in the third quarter (quarter-on-quarter, cyclically adjusted), supported by vibrant private consumption. Investment growth continues to be constrained by poor credit availability. The external current account surplus widened on the heels of improving demand for exports. Imports are trending upward. Business and consumer confidence indicators have rebounded to pre-crisis levels. Unemployment is falling. Leading indicators, such as retail sales and expectations, point to further improvements in activity in the coming months.

Efforts to support credit are bearing fruit

The average interbank rate fell by around 410 basis points from the peak of October 2008 to 6.4% as at the end of September. But continued risk aversion has thwarted credit growth, and lending rates have yet to retreat to pre-crisis levels. In an effort to reduce intermediation costs, Bank Indonesia has negotiated a self-imposed cap on deposit rates with the major banks. The agreement, which is to be put into effect in

Indonesia



1. Year-on-year percentage change.

Source: OECD Main Economic Indicators and Statistics Indonesia (BPS).

StatLink  <http://dx.doi.org/10.1787/752031762052>

Indonesia: **Macroeconomic indicators**

	2007	2008	2009	2010	2011
Real GDP growth	6.3	6.1	4.5	5.3	5.6
Inflation	6.5	10.4	4.0	5.5	5.5
Fiscal balance (per cent of GDP)	-1.2	-0.1	-1.8	-1.1	-0.9
Current account balance (\$ billion)	10.5	0.6	4.9	4.0	1.7
Current account balance (per cent of GDP)	2.4	0.1	0.9	0.6	0.2

Note: Real GDP growth and inflation are defined in percentage change from the previous period.

Inflation refers to the end-year consumer price index.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754374310457>

November, calls for banks to keep these rates at no more than 150 basis points above the policy rate.

Monetary easing has come to an end

At 2.6% in October, headline inflation is now well below the year-end target of 3.5-5.5%, and survey-based expectations are trending downward. Inflationary pressures have eased essentially due to stable administered prices, which account for a large share of the consumer price index. Consistent with a benign outlook for inflation and the brisk recovery in activity, the central bank held its policy rate at 6.5% in November, after a cumulative 300 basis-point cut from December 2008 to August 2009. Foreign reserve holdings rose by about \$8 billion to \$62 billion (around 6 months of imports) between November 2008 and September 2009. Indonesia's sovereign bond spreads continue to narrow, and the country's sovereign credit rating was upgraded by one of the leading international rating agencies, although it remains below investment grade.

The fiscal stance is still supportive

The slowdown in activity coupled with the tax cuts enacted as part of the stimulus package approved in February 2009 have taken a toll on revenues in the first half of the year. Lower spending on fuel subsidies relative to 2008 is creating budgetary room for hiking expenditure on social and infrastructure development programmes. Nevertheless, implementation bottlenecks continue to delay execution of investment projects. The budget deficit target of 2.5% of GDP may therefore be undershot. The 2010 budget calls for a reduction in the deficit to 1.6% of GDP. The authorities indicated that domestic fuel prices would be raised if international prices exceeded the budgeted level of \$65 per barrel by 10%.

Growth is likely to gain some further traction towards year-end

Activity is likely to gather some additional steam in the last quarter of 2009. Domestic demand should continue to be the main driver, supported by a recovery in credit extension and real income gains resulting from ongoing disinflation and falling unemployment. Investment is expected to pick up due to diminishing slack and an improving economic environment. Import demand is poised to recover in tandem with the strengthening of economic activity. The budget deficit is projected to shrink in 2010 on the back of robust activity and lower spending on fuel subsidies. Monetary policy may need to begin to be

tightened in the first half of 2010 to ensure attainment of the end-year inflation target.

The main risks to the outlook come from external sources

A swifter-than-expected pick-up in global demand would strengthen Indonesian exports. On the domestic front, the recovery in investment demand may be hampered by continued delays in the implementation of public programmes and a slower-than-expected improvement in credit conditions.

ISRAEL

Positive growth in the second quarter of 2009, albeit slight, has marked the start of recovery. Economic activity is expected to pick up throughout the projection period. Underlying inflationary pressures are likely to remain muted, but the risks are on the upside.

The latest government budget limited the rise in the deficit but relied excessively on short-term measures to achieve deficit and spending goals, and scheduled cuts in corporate and personal taxation for 2010 are untimely. The Bank of Israel has moved early towards a less expansionary stance, but its continued foreign-exchange interventions risk bringing future inflationary pressures and damaging policy credibility and coherence.

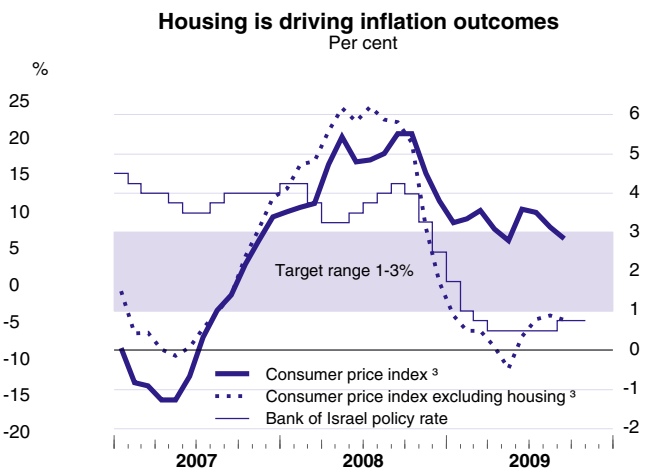
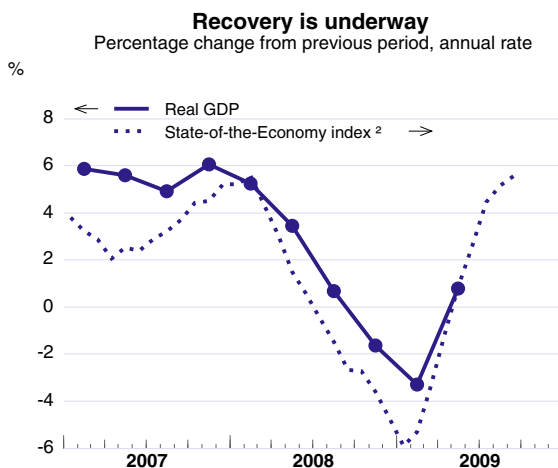
Economic growth has returned

Real GDP expanded by 0.8% (saar) in the second quarter following two quarters of shrinking activity. One-off factors were partly responsible. Expectation of indirect tax increases prompted a burst in car sales. Also, government spending increased rapidly, reflecting a pick-up from previously constrained expenditure (see below). But there were signs of sustained expansion too. Growth rates of non-durable consumption, investment and exports all turned positive. Judging by the Bank of Israel's State-of-Economy index, GDP growth in the third quarter was higher.

Underlying inflation pressures are weak

Headline inflation has not fallen dramatically in 2009. A strong increase in the housing component of the consumer price index has contributed significantly to inflation. The growth in the housing component stems from continuing pass-through from the dollar exchange rate, despite a substantial fall in the share of dollar-

Israel¹



- For technical reasons, these figures use Israel's official statistics, which include data relating to the Golan Heights, East Jerusalem and Israeli settlements in the West Bank.
- The State-of-the-Economy index is calculated by the Bank of Israel each month and comprises six indicators covering: industrial production, employment, revenues in service sectors, goods imports and exports, and services exports.
- Year-on-year percentage change.

Source: Bank of Israel; OECD Economic Outlook 86 database.

StatLink <http://dx.doi.org/10.1787/752034004236>

Israel: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices ILS billion	Percentage changes, volume (2005 prices)				
Private consumption	359.9	6.4	3.6	0.1	2.6	3.3
Government consumption	165.0	3.4	1.9	3.0	1.7	0.4
Gross fixed capital formation	111.7	15.0	4.5	-6.3	3.7	5.5
Final domestic demand	636.6	7.1	3.3	-0.4	2.6	2.9
Stockbuilding ¹	10.4	-0.8	-0.6	-0.4	0.6	0.0
Total domestic demand	647.0	6.2	2.8	-0.7	3.1	2.9
Exports of goods and services	277.0	9.3	5.2	-12.8	6.8	8.8
Imports of goods and services	274.0	11.8	2.3	-14.9	10.0	7.8
Net exports ¹	3.1	-1.0	1.2	1.0	-0.9	0.4
GDP at market prices	650.0	5.2	4.0	0.0	2.2	3.3
GDP deflator	–	0.4	1.8	5.0	1.9	1.9
<i>Memorandum items</i>						
Inflation (CPI), Average increase		0.5	4.6	3.4	3.3	1.7
Inflation (CPI), December-to-December increase		3.4	3.8	4.3	2.0	1.7
Private consumption deflator		1.5	4.7	2.4	2.9	1.8
Unemployment rate		7.3	6.1	8.5	9.2	7.0
General government financial balance ^{2,3}		-0.2	-2.4	-5.9	-4.9	-3.9
Current account balance ²		2.4	1.2	2.9	1.9	2.0

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>). For technical reasons this table uses Israel's official statistics, which include data relating to the Golan Heights, East Jerusalem and Israeli settlements in the West Bank.

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

3. Excluding Bank of Israel profits and the implicit costs of CPI-indexed government bonds.

Source: OECD Economic Outlook 86 database and Israel's Central Bureau of Statistics.

StatLink  <http://dx.doi.org/10.1787/754386356762>

denominated rental contracts. Prices have also been pushed up by various increases in indirect taxes. However, upcoming inflationary pressures look mild. A bond-market measure of one-year-ahead inflation expectations is 2.2% (the official inflation target range is 1 to 3% consumer price inflation).

Monetary conditions are being normalised

The Bank of Israel has shifted to a less expansionary stance. In early August quantitative easing that had begun in March was terminated. Also, later that month the Bank increased its policy rate for September from 0.5 to 0.75%. However, the Bank has continued to purchase foreign currency (this began in March 2008), despite having reached its stated reserves goal some time ago. In August, daily purchases of a fixed amount were stopped, but the Bank has continued to intervene fairly heavily on a discretionary basis.

The latest budget focussed on limiting the rise in the deficit

Slumping tax revenues acted as a strong counter-cyclical influence during the downturn, pushing up the budget deficit. This sizeable automatic stabilisation justified the muted active fiscal response to the recession. In any case public spending was restricted during the initial

months of 2009, as no budget had yet been approved. An exceptional two-year budget covering 2009-10 was passed only in July 2009. It aimed to contain the central-government deficit (excluding net credits) within 6% of GDP for 2009 and 5.5% for 2010 (following 2% in 2008). The budget included several revenue-raising measures, including temporary increases in value-added tax, water charges and the ceiling for social-security contributions, together with changes in purchase taxes on vehicles. However, it also committed to rate cuts in corporate and personal-income tax for January 2010, despite the uncertainties in the economic and fiscal outlook at the time. However, plans for tax cuts in future years were pared back.

Growth should continue to increase over the projection period

Real GDP is set to be largely unchanged in 2009 before rising by 2¼ and 3¼ per cent in 2010 and 2011, respectively. Despite a projected drop-off in quarter-on-quarter inflation to well within the target range by the first quarter of 2010, the annual CPI increase in 2010 may still be relatively high at 3.3%. Further increases in the Bank's policy rate are expected with a return to more normal conditions. The central-government deficit is projected to come within the limits set for 2009 and 2010 but exceed the 3% goal set for 2011. The debt-to-GDP ratio is expected to rise from 78% in 2008 to 82% in 2010 and then to drop slightly in 2011.

Risk concerns have shifted to fiscal balances and inflation

The risks to external demand have become more balanced. While the fiscal deficit goals for this year and next look to be attainable, the temporary tax increases are due to expire at end-2010, contributing to uncertainties for the budget balance in 2011. Upside risks to inflation are amplified as standard indicators of slack may be inaccurate due to the after-effects of the recent recession on potential output.

SLOVENIA

Although Slovenia moved out of recession already in the second quarter of 2009, the precipitous decline in the previous two quarters was severe enough to give a year-on-year output fall in 2009 of close to 8%. A mild rebound has been occurring and is expected to continue through 2010, driven by external demand, before growth strengthens further in 2011 on the back of stronger investment. Inflation should remain moderate due to the negative output gap and high unemployment.

Following the strong 2009 fiscal stimulus, the fiscal stance is set to tighten in 2010 and 2011 given the need for consolidation. A new pension reform should bolster fiscal consolidation while labour market reforms to increase flexibility should help speed up employment recovery.

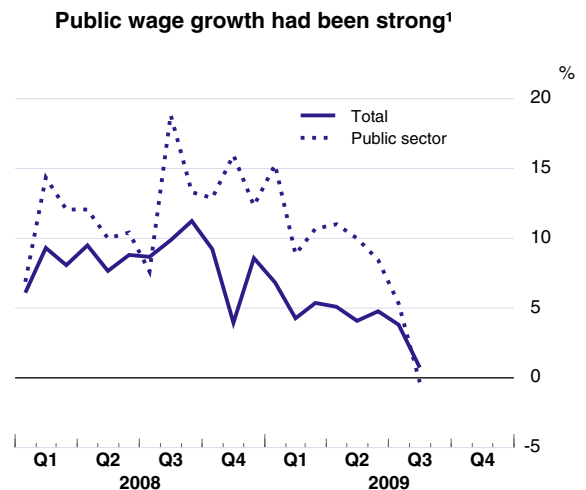
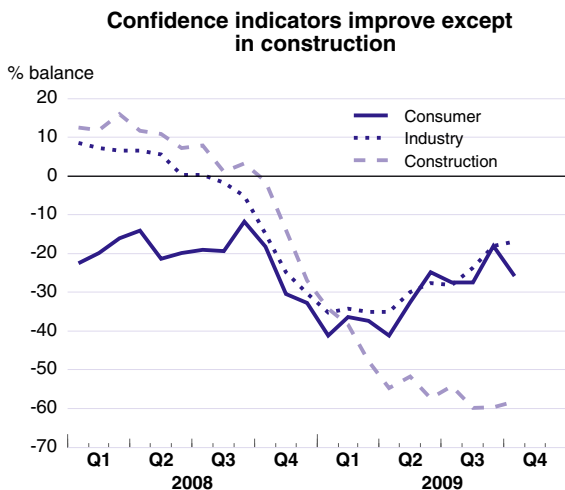
The recovery is led by a pick-up in exports

The economy contracted at an unprecedented pace in the last quarter of 2008 (-15.6% annualised) and the first quarter of 2009 (-22.3% annualised) due to a collapse in investment, in particular in the business sector. From the second quarter of 2009, a pick-up in exports helped the economy to get out of recession. Sentiment indicators remain weak, however, and both investment and consumption have declined over 2009. Unemployment is approaching double-digit figures.

Business investment will provide a boost to activity...

Business investment should pick up rapidly in 2010-11, driven by the recovery in exports, as Slovenia is an export-dependent country. In contrast, the recovery in housing investment will be rather slow. Private consumption will be adversely affected by rising unemployment but should progressively recover with more dynamic wage developments in the private sector at the end of the projection period. Infrastructure spending in 2011 will provide further impetus.

Slovenia



1. Year-on-year percentage change in average gross monthly earnings.

Source: Eurostat database and Statistical Office of the Republic of Slovenia.

StatLink <http://dx.doi.org/10.1787/752036075877>

Slovenia: Demand, output and prices


	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	16.4	6.7	2.0	-1.7	-0.2	2.6
Government consumption	5.8	0.7	6.2	3.4	1.5	3.5
Gross fixed capital formation	8.2	11.7	7.7	-24.9	-0.4	4.0
Final domestic demand	30.5	6.9	4.4	-7.5	0.1	3.1
Stockbuilding ¹	0.7	1.9	-0.7	-3.5	0.6	0.0
Total domestic demand	31.2	8.6	3.5	-11.5	0.6	3.1
Exports of goods and services	20.7	13.7	2.9	-18.1	5.5	5.3
Imports of goods and services	20.8	16.3	2.9	-21.0	1.4	5.8
Net exports ¹	-0.2	-1.8	-0.1	2.6	2.3	0.0
GDP at market prices	31.1	6.8	3.5	-7.9	2.7	3.0
GDP deflator	–	4.2	3.8	3.2	0.5	2.4
<i>Memorandum items</i>						
Harmonised index of consumer prices	–	3.8	5.5	0.7	1.1	2.7
Private consumption deflator	–	4.1	5.4	-0.9	1.2	2.4
General government financial balance ²	–	0.0	-1.8	-7.7	-5.5	-3.0

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754463401037>

... while the fiscal stance should turn more neutral

After adopting two fiscal stimulus packages in late 2008 and early 2009 and granting huge wage increases to public sector employees, the fiscal deficit will worsen considerably in 2009 (to 6.5% of GDP). In 2010, the fiscal deficit will be cut back in line with the need for fiscal consolidation and the prospect of a soft recovery. The budget position will be strengthened in 2010 by a freeze on public wages, a 1% reduction in the number of government employees, and only a partial harmonisation of pensions with wage growth. Still, the budget deficit will remain large in 2010 (4.3% of GDP), before improving in 2011. Fiscal consolidation should be bolstered by a new pension reform. The recent government proposal of raising the retirement age to 65 for both men and women is a step in the right direction.

Continued deterioration in the construction sector poses a risk to the recovery

Real GDP is expected to contract sharply in 2009, by almost 8%, and to recover slowly from 2010. Harmonised inflation index will come down to 0.8% in 2009 and slightly increase in 2010 before further accelerating in 2011. The main downside risk to this forecast is protracted contraction in the construction sector, notably residential construction. On the upside, a stronger than expected global recovery could lead to a faster recovery of exports and output.

SOUTH AFRICA

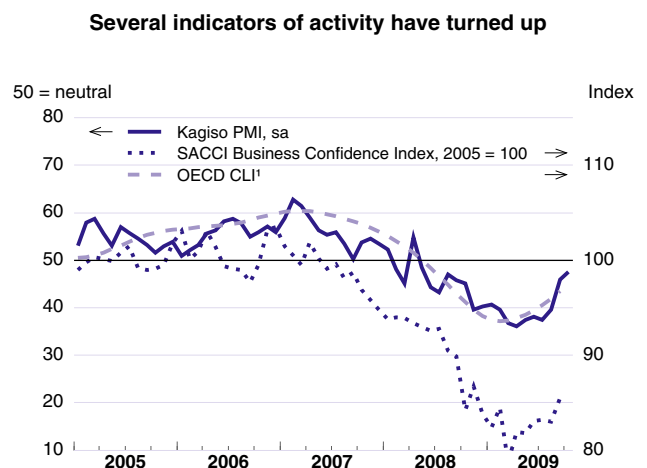
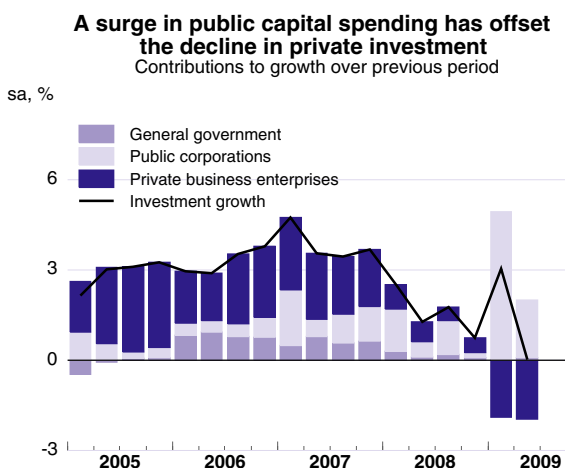
Real GDP growth will be negative in 2009, but should turn positive in the fourth quarter and accelerate in the first half of 2010, boosted by the soccer World Cup. Inflation should return to the target range in 2010 aided by a substantial output gap and the feed through of past rand appreciation. The current account deficit will narrow this year but should widen thereafter as imports outpace exports.

Given the fragile nature of the recovery, the planned increase in public spending in 2010 should be implemented. It must, however, remain cast within a medium-term framework consistent with debt sustainability, which is likely to imply substantial spending restraint in the coming cyclical upswing. The downturn and the attendant large deficits have also made it more urgent to increase the efficiency of public expenditure.

The recession has been mild but protracted

The output loss during the recession that began in the fourth quarter of 2008 has so far been less severe than in many OECD countries and other emerging economies. Large-scale public infrastructure projects, including those linked to the World Cup, have been instrumental in supporting domestic demand as private investment and consumption shrank. The well regulated and profitable banking sector has been relatively little affected by the global financial crisis, and portfolio inflows resumed in the first half of the year, giving a boost to the domestic stock market and underpinning a strong bounce-back of the currency. While the recession has not been particularly deep, however, recovery has been somewhat slow to materialise. Output continued to decline in the first half of 2009, as falling employment and tighter constraints on access to credit depressed consumption, private investment fell sharply and destocking exerted a large negative drag on growth. A number of activity indicators have recently turned up, but do

South Africa




1. OECD Composite Leading Indicator, long term average = 100.

Source: OECD calculations based on South Africa Reserve Bank database; OECD Composite Leading Indicators; Bureau of Economic Research and South African Chamber of Commerce and Industry.

South Africa: **Macroeconomic indicators**

	2007	2008	2009	2010	2011
Real GDP growth	5.1	3.1	-2.2	2.7	4.5
Inflation	7.1	11.0	7.3	6.1	5.2
Fiscal balance (per cent of GDP)	1.8	-1.0	-7.3	-5.3	-3.5
Current account balance (\$ billion)	-20.7	-21.0	-13.9	-20.1	-23.5
Current account balance (per cent of GDP)	-7.3	-7.4	-4.9	-5.7	-6.0

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754470532473>

not yet clearly indicate recovery – output appears likely to have fallen further in the third quarter, albeit at a slower rate.

Inflation has declined but remains outside the target range

Consumer price inflation has fallen by nearly half over the past year, assisted by the decline in international food and energy prices, but has so far remained above the target band of 3-6%. In June 2009, the energy regulator endorsed a 31.3% rise in electricity tariffs, but this was offset by an appreciating rand and falling producer prices.

Policies have been accommodating

As inflation pressures eased, the central bank cut interest rates six times between December 2008 and August 2009, bringing its repo rate down from 12% to 7%. The government has maintained planned increases of social and infrastructure expenditures despite a significant revenue shortfall, accepting the emergence of potentially very large deficits as from the current fiscal year. But it has so far resisted pressures for yet more expansionary macroeconomic policies to counter the social impact of the downturn.

The recovery will be supported by the World Cup

A modest recovery in output is expected in the last quarter of 2009, as the inventory cycle unwinds. The World Cup will provide an impetus to activity in the first half of 2010. Consumption and business investment should gradually pick up as confidence returns. Fiscal stimulus beyond infrastructure projects is expected to be withdrawn as the economy recovers. Growth is projected to approach potential in 2011.

The improved external environment will also help

Over 2010-11, export volumes should rebound from their depressed levels as global trade recovers. Even faster import growth will be driven by the recent strong appreciation of the rand and a rise in income, causing a widening of the current account deficit, though not yet to pre-crisis levels. Renewed appetite for emerging market assets is expected to yield inflows of foreign capital over the projection horizon.

Inflation will return to the target band in 2010

The recent strength of the rand, falling producer prices and a substantial output gap point to a slowdown in inflation in the near term, although there are still upward pressures from administered prices and surprisingly high wage settlements. Due to base effects in early 2010,

however, it is unlikely that inflation will fall durably within the target band before the second quarter.

A shift in investor sentiment remains a major risk factor

South Africa remains vulnerable to a worsening of investor confidence, given its reliance on portfolio flows to finance the sizeable current account deficit. Although the appetite for emerging market assets in general has picked up and seems likely to continue to recover, a renewed flight from risky assets remains a possibility, while investor sentiment could be hit by South Africa-specific factors, such as growing pressures on the government for the adoption of populist economic policies or the re-emergence of electricity supply constraints. A sudden worsening of sentiment would imply sharp currency depreciation, a retrenchment of imports and much weaker investment and growth. A continued surge in portfolio inflows, on the other hand, could bring a stronger pick-up in domestic demand and output, but would risk worsening imbalances that were emerging before the downturn.

Special chapters in recent issues of OECD Economic Outlook

No. 85, June 2009

Beyond the crisis: medium-term challenges relating to potential output unemployment and fiscal positions

No. 84, December 2008

Responses to inflation shocks: Do G7 countries behave differently?

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No. 76, December 2004

Oil price developments: drivers, economic consequences and policy responses

Saving behaviour and the effectiveness of fiscal policy

STATISTICAL ANNEX

This annex contains data on some main economic series which are intended to provide a background to the recent economic developments in the OECD area described in the main body of this report. Data for 2009 to 2011 are OECD estimates and projections. The data on some of the tables have been adjusted to internationally agreed concepts and definitions in order to make them more comparable as between countries, as well as consistent with historical data shown in other OECD publications. Regional totals and sub-totals are based on those countries in the table for which data are shown. Aggregate measures contained in the Annex, except the series for the euro area (see below), are computed on the basis of 2005 GDP weights expressed in 2005 purchasing power parities (see following page for weights). Aggregate measures for external trade and payments statistics, on the other hand, are based on current year exchange rates for values and base-year exchange rates for volumes.

The OECD projection methods and underlying statistical concepts and sources are described in detail in documentation that can be downloaded from the OECD Internet site:

- OECD Economic Outlook Sources and Methods (www.oecd.org/eco/sources-and-methods).
- OECD Economic Outlook Database Inventory (www.oecd.org/pdf/M00024000/M00024521.pdf).
- “The construction of macroeconomic data series of the euro area” (www.oecd.org/pdf/M00017000/M00017861.pdf).

Corrigenda for the current and earlier issues, as applicable, can be found at www.oecd.org/document/53/0,2340,en_2649_33733_37352309_1_1_1_1,00.html.

NOTE ON NEW FORECASTING FREQUENCIES

OECD is now making quarterly projections on a seasonal and working day-adjusted basis for selected key variables. This implies that differences between adjusted and unadjusted annual data may occur, though these in general are quite small. In some countries, official forecasts of annual figures do not include working-day adjustment. Even when official forecasts do adjust for working days, the size of the adjustment may in some cases differ from that used by the OECD. The cut-off date for information used in the compilation of the projections is 16 November 2009.

Country classification

OECD	
Seven major OECD countries	Canada, France, Germany, Italy, Japan, United Kingdom and United States.
Euro area OECD countries	Euro area countries in December 2008 that are members of the OECD: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Slovak Republic and Spain.
Non-OECD	
Africa and the Middle East	Africa and the following countries (Middle East): Bahrain, Cyprus, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates and Yemen.
Dynamic Asian Economies (DAEs)	Chinese Taipei; Hong Kong, China; Indonesia; Malaysia; the Philippines; Singapore and Thailand.
Other Asia	Non-OECD Asia and Oceania, excluding China, the DAEs and the Middle East.
Latin America	Central and South America.
Central and Eastern Europe	Albania, Bulgaria, Romania, the Newly Independent States of the former Soviet Union, and the Baltic States.

Weighting scheme for aggregate measures

Per cent

Australia	1.93	Mexico	3.72
Austria	0.79	Netherlands	1.64
Belgium	0.97	New Zealand	0.29
Canada	3.25	Norway	0.63
Czech Republic	0.60	Poland	1.51
Denmark	0.52	Portugal	0.63
Finland	0.46	Slovak Republic	0.25
France	5.36	Spain	3.41
Germany	7.41	Sweden	0.84
Greece	0.79	Switzerland	0.76
Hungary	0.49	Turkey	2.24
Iceland	0.03	United Kingdom	5.66
Ireland	0.46	United States	36.28
Italy	4.74	Total OECD	100.00
Japan	11.12	<i>memorandum items:</i>	
Korea	3.15	European Union (15)	33.75
Luxembourg	0.09	Euro area (13)	26.99

Note: Based on 2005 GDP and purchasing power parities (PPPs).

Irrevocable euro conversion rates

National currency unit per euro

Austria	13.7603	Italy	1936.27
Belgium	40.3399	Luxembourg	40.3399
Finland	5.94573	Netherlands	2.20371
France	6.55957	Portugal	200.482
Germany	1.95583	Spain	166.386
Greece	340.750	Slovak Republic	30.126
Ireland	0.78756		

Source: European Central Bank.

National accounts reporting systems, base-years and latest data updates

In the present edition of the OECD Economic Outlook, the status of national accounts in the OECD countries is as follows :

	Expenditure accounts	Household accounts	Government accounts	Use of chain weighted price indices	Benchmark/ base year
Australia	SNA93 (1959q3-2009q2)	SNA93 (1959q3-2009q2)	SNA93 (1959q3-2009q2)	NO	2005/2006
Austria	ESA95 (1988q1-2009q2)	ESA95 (1995-2008)	ESA95 (1976-2008)	YES	2005
Belgium	ESA95 (1995q1-2009q2)	ESA95 (1995-2008)	ESA95 (1985-2008)	YES	2007
Canada	SNA93 (1961q1-2009q2)	SNA93 (1961q1-2009q2)	SNA93 (1961q1-2009q2)	YES	2002
Czech Republic	ESA95 (1995q1-2009q2)	ESA95 (1995-2008)	ESA95 (1995-2008)	YES	2000
Denmark	ESA95 (1990q1-2009q2)	ESA95 (1990-2008)	ESA95 (1990-2008)	YES	2000
Finland	ESA95 (1990q1-2009q2)	ESA95 (1975-2008)	ESA95 (1975-2008)	YES	2000
France	ESA95 (1949q1-2009q2)	ESA95 (1978q1-2009q2)	ESA95 (1978-2008)	YES	2000
Germany ¹	ESA95 (1991q1-2009q2)	ESA95 (1991-2008)	ESA95 (1991-2008)	YES	2000
Greece	ESA95 (2000-2008)	..	ESA95 (2000-2008)	NO	2000
Hungary	ESA95 (1995-2008)	ESA95 (1995-2008)	ESA95 (1995-2008)	YES	2000
Iceland	SNA93 (1997q1-2009q2)	..	SNA93 (1995-2008)	YES	2000
Ireland	ESA95 (1997q1-2009q2)	ESA95 (2002-2008)	ESA95 (1990-2008)	YES	2007
Italy	ESA95 (1980q1-2009q2)	ESA95 (1990-2008)	ESA95 (1980-2008)	YES	2000
Japan	SNA93 (1980q1-2009q3)	SNA93 (1980-2007)	SNA93 (1980-2007)	YES	2000
Korea	SNA93 (2000q1-2009q3)	SNA93 (2000-2008)	SNA93 (2000-2007)	YES	2005
Luxembourg	ESA95 (1995q1-2009q2)	..	ESA95 (1990-2008)	YES	2000
Mexico	SNA93 (2000q1-2009q2)	..	..	NO	2003
Netherlands	ESA95 (1987q1-2009q2)	ESA95 (1990-2008)	ESA95 (1969-2008)	YES	2000
New Zealand	SNA93 (1987q2-2009q2)	..	SNA93 (1986-2007)	YES	1995/1996
Norway	SNA93 (1978q1-2009q2)	SNA93 (1978-2008)	SNA93 (1991-2008)	YES	2006
Poland	ESA95 (1995q1-2009q2)	ESA95 (1995-2007)	ESA95 (1995-2008)	YES	2000
Portugal	ESA95 (1995q1-2009q2)	ESA95 (1995-2008)	ESA95 (1995-2008)	NO	2000
Slovak Republic	ESA95 (1997q1-2009q2)	ESA95 (1995q1-2007q4)	ESA95 (1993-2008)	YES	2000
Spain	ESA95 (1995q1-2009q2)	ESA95 (2000-2008)	ESA95 (1995-2008)	YES	2000
Sweden	ESA95 (1980q1-2009q2)	ESA95 (1993q1-2009q2)	ESA95 (1993-2008)	YES	2000
Switzerland	SNA93 (1981q1-2009q2)	SNA93 (1990-2007)	SNA93 (1990-2007)	YES	2000
Turkey	SNA93 (1998q1-2009q2)	..	..	YES	1998
United Kingdom	ESA95 (1955q1-2009q2)	ESA95 (1987q1-2009q2)	ESA95 (1987q1-2009q2)	YES	2005
United-States	NIPA (SNA93) (1947q1-2009q3)	NIPA (SNA93) (1947q1-2009q3)	NIPA (SNA93) (1947q1-2009q3)	YES	2005

Note: SNA: System of National Accounts. ESA: European Standardised Accounts. NIPA: National Income and Product Accounts. GFS: Government Financial Statistics. The numbers in brackets indicate the starting year for the time series and the latest available historical data included in this Outlook database.

1. Data prior to 1991 refer to the new SNA93/ESA95 accounts for western Germany data.

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Annex Table 1. **Real GDP**
Percentage change from previous year

	Average 1985-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	3.0	4.0	3.9	5.1	4.5	3.5	2.1	4.0	3.4	3.2	3.1	2.6	4.2	2.3	0.8	2.4	3.5	1.7	3.0	3.7
Austria	2.4	2.1	2.3	3.9	3.7	3.1	0.8	1.6	0.8	2.6	2.9	3.4	3.4	1.9	-3.8	0.9	2.2	-2.9	1.5	2.5
Belgium	2.3	1.1	3.9	1.9	3.5	3.7	0.8	1.4	0.8	3.1	2.0	2.8	2.8	0.8	-3.1	0.8	1.7	-1.1	0.8	2.0
Canada	2.3	1.6	4.2	4.1	5.5	5.2	1.8	2.9	1.9	3.1	3.0	2.9	2.5	0.4	-2.7	2.0	3.0	-1.7	2.7	3.3
Czech Republic	..	4.2	-0.7	-0.7	1.2	3.9	2.4	1.8	3.6	4.3	6.4	7.0	6.1	2.6	-4.4	2.0	2.8	-3.1	1.9	3.4
Denmark	1.9	2.8	3.2	2.2	2.6	3.5	0.7	0.5	0.4	2.3	2.4	3.3	1.6	-1.2	-4.5	1.3	1.8	-2.3	1.7	1.9
Finland	1.3	3.7	5.8	5.2	4.0	5.0	2.5	1.5	2.0	3.7	3.0	4.9	4.1	0.8	-6.9	0.4	2.4	-4.5	0.7	3.7
France	2.2	1.0	2.2	3.5	3.2	4.1	1.8	1.1	1.1	2.3	1.9	2.4	2.3	0.3	-2.3	1.4	1.7	-0.5	1.4	2.0
Germany	2.7	1.0	1.9	1.8	1.9	3.5	1.4	0.0	-0.2	0.7	0.9	3.4	2.6	1.0	-4.9	1.4	1.9	-2.2	1.5	2.2
Greece	1.2	2.4	3.6	3.4	3.4	4.5	4.2	3.4	5.9	4.6	2.2	4.5	4.5	2.0	-1.1	-0.7	1.6	-1.2	-0.1	2.3
Hungary	..	1.0	4.3	5.2	4.2	4.9	4.1	4.4	4.3	4.9	3.5	4.0	1.0	0.6	-6.9	-1.0	3.1	-6.8	1.8	3.7
Iceland	1.7	4.8	4.9	6.3	4.1	4.3	3.9	0.1	2.4	7.7	7.5	4.3	5.6	1.3	-7.0	-2.1	2.6	-10.7	0.9	3.3
Ireland	4.7	8.1	11.5	8.4	10.7	9.4	5.8	6.5	4.4	4.6	6.2	5.4	6.0	-3.0	-7.5	-2.3	1.0	-4.3	-1.0	1.9
Italy	2.2	1.0	1.9	1.3	1.4	3.9	1.7	0.5	0.1	1.4	0.8	2.1	1.5	-1.0	-4.8	1.1	1.5	-2.5	1.2	1.7
Japan	3.2	2.6	1.6	-2.0	-0.1	2.9	0.2	0.3	1.4	2.7	1.9	2.0	2.3	-0.7	-5.3	1.8	2.0	-1.1	1.4	2.2
Korea	8.7	7.0	4.7	-6.9	9.5	8.5	4.0	7.2	2.8	4.6	4.0	5.2	5.1	2.2	0.1	4.4	4.2	6.8	2.8	4.7
Luxembourg	5.7	1.5	5.9	6.5	8.4	8.4	2.5	4.1	1.6	4.4	5.4	5.5	6.5	0.0	-3.9	2.4	3.4	..	..	..
Mexico	1.7	5.1	6.8	4.9	3.9	6.6	-0.2	0.8	1.4	4.0	3.2	5.1	3.3	1.4	-8.0	2.7	3.9	-5.6	3.5	4.1
Netherlands	2.8	3.4	4.3	3.9	4.7	3.9	1.9	0.1	0.3	2.2	2.0	3.4	3.6	2.0	-4.3	0.7	2.0	-3.4	1.3	2.3
New Zealand	1.9	3.3	2.9	0.8	4.7	3.8	2.4	4.7	4.3	4.4	2.8	2.7	2.9	-1.1	-0.7	1.5	2.7	0.5	1.8	3.2
Norway	2.7	5.1	5.4	2.7	2.0	3.3	2.0	1.5	1.0	3.9	2.7	2.3	3.1	2.1	-1.4	1.3	3.2	-1.3	2.0	3.9
Poland	..	6.2	7.1	5.0	4.5	4.3	1.2	1.4	3.9	5.3	3.6	6.2	6.8	5.0	1.4	2.5	3.1	1.9	2.7	3.3
Portugal	3.7	3.6	4.2	4.9	3.8	3.9	2.0	0.8	-0.8	1.5	0.9	1.4	1.9	0.0	-2.8	0.8	1.5	-0.8	0.8	2.1
Slovak Republic	..	6.9	5.7	4.4	0.0	1.4	3.4	4.8	4.7	5.2	6.5	8.5	10.4	6.4	-5.8	2.0	4.2	-7.2	1.4	5.6
Spain	3.0	2.4	3.9	4.5	4.7	5.0	3.6	2.7	3.1	3.3	3.6	4.0	3.6	0.9	-3.6	-0.3	0.9	-3.0	0.4	1.2
Sweden	1.6	1.5	2.7	3.7	4.3	4.5	1.2	2.4	2.0	3.5	3.3	4.5	2.7	-0.4	-4.7	2.0	3.0	0.0	2.1	3.6
Switzerland	1.5	0.6	2.1	2.6	1.3	3.6	1.2	0.4	-0.2	2.5	2.6	3.6	3.6	1.8	-1.9	0.9	1.9	-1.5	1.8	2.0
Turkey	4.4	7.0	7.5	3.1	-3.4	6.8	-5.7	6.2	5.3	9.4	8.4	6.9	4.7	0.9	-6.5	3.7	4.6	..	..	..
United Kingdom	2.5	2.9	3.3	3.6	3.5	3.9	2.5	2.1	2.8	3.0	2.2	2.9	2.6	0.6	-4.7	1.2	2.2	-2.9	1.9	2.5
United States	2.9	3.7	4.5	4.4	4.8	4.1	1.1	1.8	2.5	3.6	3.1	2.7	2.1	0.4	-2.5	2.5	2.8	-0.3	2.5	3.0
Euro area	2.5	1.5	2.6	2.8	2.8	4.0	1.9	0.9	0.8	1.9	1.8	3.1	2.7	0.5	-4.0	0.9	1.7	-2.1	1.2	2.0
Total OECD	2.9	3.1	3.7	2.7	3.5	4.3	1.3	1.7	2.0	3.2	2.7	3.1	2.7	0.6	-3.5	1.9	2.5	-1.0	2.1	2.8

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Accounts Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>). These numbers are working-day adjusted and hence may differ from the basis used for official projections.

Source: OECD Economic Outlook 86 database.

Annex Table 2. **Nominal GDP**
Percentage change from previous year

	Average 1985-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	7.4	6.3	5.4	5.4	4.9	7.9	6.1	7.0	6.3	7.5	7.5	7.4	8.4	8.9	0.8	4.3	5.9	-0.8	5.9	5.9
Austria	5.4	2.7	2.1	3.9	3.9	4.6	2.5	2.9	2.0	4.1	4.9	5.2	5.7	4.1	-3.1	1.9	3.3	-1.4	2.2	3.9
Belgium	5.2	1.5	4.8	3.8	3.8	5.7	2.9	3.4	2.8	5.3	4.4	5.1	5.2	2.7	-1.9	1.9	2.5	0.6	1.6	2.8
Canada	5.3	3.3	5.5	3.7	7.4	9.6	2.9	4.0	5.2	6.4	6.4	5.5	5.8	4.4	-4.5	4.3	4.5	-1.4	4.5	4.6
Czech Republic	..	14.8	7.6	10.3	4.1	5.5	7.4	4.7	4.6	9.1	6.1	8.1	9.7	4.3	-1.5	2.7	4.8	-1.6	3.5	5.6
Denmark	4.6	4.9	5.3	3.4	4.3	6.6	3.2	2.8	2.0	4.7	5.4	5.4	3.6	2.7	-5.0	2.5	4.0	-3.0	3.3	4.3
Finland	5.3	3.5	8.1	8.9	4.7	7.9	5.4	2.8	1.5	4.4	3.2	6.6	7.3	2.9	-6.0	1.6	3.9	-4.3	2.4	5.2
France	4.9	2.7	3.2	4.5	3.3	5.5	3.8	3.5	3.0	3.9	4.0	4.9	4.8	2.8	-1.3	1.9	2.4	-0.2	2.1	2.7
Germany	5.6	1.5	2.1	2.4	2.2	2.8	2.6	1.4	0.9	1.7	1.6	3.9	4.6	2.5	-4.0	1.6	2.3	-2.2	2.1	2.4
Greece	17.0	9.9	10.7	8.7	6.6	8.0	7.4	7.0	10.1	7.8	5.1	7.7	7.6	5.6	0.6	1.6	3.7	1.1	1.5	4.7
Hungary	..	23.6	23.9	18.6	11.5	14.5	14.6	12.6	9.3	10.6	5.7	8.0	7.0	4.5	-4.7	1.3	5.2	-4.5	3.8	5.8
Iceland	14.0	7.4	8.0	11.8	7.5	8.1	12.9	5.8	3.0	10.4	10.5	13.8	11.4	13.5	0.8	4.6	5.6	-5.1	5.3	5.5
Ireland	7.9	10.5	15.7	15.6	15.1	15.9	11.6	11.4	7.3	6.7	8.7	9.1	7.3	-4.1	-11.0	-3.7	1.8	-10.6	0.0	2.5
Italy	8.2	5.8	4.6	3.9	3.2	5.9	4.8	3.7	3.2	4.0	2.9	4.0	3.9	1.8	-2.5	2.1	2.5	-0.9	2.2	2.8
Japan	4.3	2.0	2.1	-2.1	-1.4	1.1	-1.0	-1.3	-0.2	1.6	0.7	1.1	1.7	-1.6	-5.3	0.1	1.2	-3.1	0.5	1.6
Korea	16.8	12.5	9.5	-1.4	9.4	9.3	8.0	10.6	6.5	7.8	4.6	5.0	7.3	5.0	3.0	4.8	6.2	9.0	2.6	8.0
Luxembourg	8.5	4.6	3.9	6.1	14.2	10.6	2.6	6.3	7.6	6.3	10.3	12.8	9.7	5.1	-5.2	5.1	6.7	..	..	..
Mexico	43.3	37.5	25.7	21.1	19.6	19.5	5.7	7.8	10.0	13.4	7.9	12.2	8.0	8.1	-2.1	6.9	8.8	1.4	7.7	9.3
Netherlands	4.3	4.7	7.0	5.9	6.5	8.2	7.1	3.9	2.5	3.0	4.5	5.2	5.3	4.8	-4.6	0.9	2.7	-5.2	2.0	3.0
New Zealand	7.2	5.9	3.5	1.5	5.1	6.5	6.8	5.9	5.9	8.3	4.7	5.0	7.2	2.5	1.9	4.0	5.0	2.5	4.2	5.4
Norway	5.5	9.5	8.3	1.9	8.8	19.4	3.8	-0.3	4.0	9.4	11.6	11.0	5.4	11.9	-4.7	5.0	6.3	-1.9	4.8	7.0
Poland	..	25.3	22.0	16.6	10.8	11.8	4.7	3.7	4.3	9.7	6.4	7.8	11.0	8.2	4.9	4.7	5.2	4.7	4.9	5.3
Portugal	14.5	6.3	8.2	8.8	7.2	7.1	5.8	4.7	2.3	4.0	3.5	4.2	4.9	2.1	-2.2	1.0	2.5	-1.4	1.0	3.6
Slovak Republic	..	11.4	10.9	9.7	7.4	10.9	8.6	8.8	10.3	11.3	9.1	11.7	11.7	9.5	-6.3	2.7	7.3	-6.4	3.3	9.2
Spain	9.6	6.0	6.3	7.1	7.5	8.7	8.0	7.1	7.4	7.4	8.1	8.3	7.0	3.4	-3.3	-0.1	0.9	-3.1	0.6	1.2
Sweden	7.1	2.3	4.0	4.4	5.6	5.9	3.4	4.1	3.9	4.4	4.2	6.1	5.6	3.0	-2.6	3.4	5.1	0.5	3.7	5.8
Switzerland	4.3	0.8	1.9	2.9	1.9	4.8	2.0	0.9	0.8	3.1	2.8	5.8	6.2	4.0	-1.6	1.4	2.2	-1.2	2.4	2.2
Turkey	71.6	90.3	95.2	81.1	49.0	59.3	44.1	45.9	29.8	22.9	16.1	16.9	11.2	12.7	-0.5	9.5	10.5	..	..	..
United Kingdom	7.3	6.6	6.2	5.9	5.6	5.1	4.6	5.3	6.0	5.5	4.2	5.7	5.5	3.5	-3.6	2.8	2.8	-2.2	2.9	3.2
United States	5.8	5.7	6.3	5.5	6.4	6.4	3.4	3.5	4.7	6.5	6.5	6.0	5.1	2.6	-1.2	3.3	3.8	0.6	3.4	4.2
Euro area	6.5	3.4	4.1	4.4	3.9	5.5	4.4	3.5	3.0	3.9	3.8	5.1	5.1	2.7	-3.1	1.4	2.4	-1.9	1.9	2.7
Total OECD	10.3	8.2	8.2	6.5	6.4	7.5	4.6	4.5	4.6	5.9	5.2	5.7	5.3	3.1	-2.2	2.8	3.6	-0.3	3.0	4.0

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered.

As a consequence, there are breaks in many national series. For further information, see table "National Accounts Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eo/sources-and-methods>). Working-day adjusted – see note to Annex table 1.

Source: OECD Economic Outlook 86 database.

Annex Table 3. **Real private consumption expenditure**
Percentage change from previous year

	Average 1985-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	2.7	2.8	3.7	4.4	5.2	3.9	2.9	3.8	3.6	5.9	3.0	3.2	4.4	2.6	1.5	1.5	2.8	1.8	1.9	3.2
Austria	2.6	1.8	0.9	1.8	2.2	2.5	1.2	1.1	1.4	1.8	2.0	1.9	0.9	0.6	0.7	0.8	1.7	0.9	1.0	2.2
Belgium	2.0	1.8	2.0	2.6	2.0	2.8	1.2	0.5	0.7	1.5	1.2	1.8	1.6	1.0	-1.7	0.6	1.4	-0.8	0.9	1.7
Canada	2.3	2.6	4.6	2.8	3.8	4.0	2.3	3.6	3.0	3.3	3.7	4.1	4.6	3.0	-0.1	2.3	3.0	1.2	2.5	3.3
Czech Republic	..	8.9	2.1	-0.8	2.7	1.4	2.1	2.2	5.9	3.0	2.5	5.2	4.9	3.4	1.2	-0.7	1.6	0.3	-0.4	2.7
Denmark	1.6	2.2	3.0	2.3	-0.4	0.2	0.1	1.5	1.0	4.7	3.8	4.4	2.4	-0.2	-4.8	1.6	2.4	-1.2	1.6	3.0
Finland	1.3	3.9	4.1	4.1	3.1	2.1	2.8	2.2	4.7	2.7	3.7	4.2	3.3	1.5	-2.8	0.2	1.8	-2.1	1.1	2.3
France	1.9	1.6	0.4	3.9	3.5	3.7	2.5	2.3	2.1	2.3	2.5	2.6	2.4	1.0	0.6	0.3	1.5	0.5	0.7	1.8
Germany	3.0	1.3	0.9	1.4	2.9	2.5	1.9	-0.8	0.1	-0.2	0.4	1.4	-0.3	0.2	0.8	-0.5	0.6	1.0	-0.3	0.9
Greece	2.5	2.3	2.7	3.5	2.5	2.0	5.0	4.7	3.3	3.6	4.6	5.3	3.3	2.3	-1.4	-0.4	1.4	..	..	..
Hungary	..	-3.4	1.6	4.7	6.3	4.2	6.5	10.7	8.4	3.1	3.2	1.7	0.4	-0.5	-7.8	-5.3	1.2	-9.3	-1.7	3.0
Iceland	1.0	5.7	6.3	10.2	7.9	4.2	-2.8	-1.5	6.1	7.0	12.7	3.6	5.6	-7.8	-16.5	-5.5	0.3	-6.4	-3.6	2.2
Ireland	3.3	7.0	7.7	7.5	8.9	10.0	4.8	3.8	2.9	3.5	6.6	6.4	5.6	-0.7	-7.5	-2.2	-1.4	-6.1	-2.3	-0.6
Italy	2.2	1.0	3.2	3.5	2.6	2.3	0.7	0.2	1.0	0.8	1.2	1.3	1.2	-0.9	-1.9	0.7	1.1	-1.0	1.1	1.1
Japan	3.3	2.5	0.7	-0.9	1.0	0.7	1.6	1.1	0.4	1.6	1.3	1.5	0.7	0.6	-0.7	1.2	1.2	0.7	0.8	1.5
Korea	8.3	6.7	3.3	-13.4	11.5	8.4	5.7	8.9	-0.4	0.3	4.6	4.7	5.1	0.9	0.2	2.9	3.2	5.6	2.3	3.5
Luxembourg	3.5	3.0	3.8	5.7	3.6	5.0	3.4	5.8	-5.3	2.2	2.5	2.7	2.8	3.9	-0.3	1.0	2.3	..	..	..
Mexico	1.8	2.2	6.5	5.5	4.3	8.2	2.5	1.6	2.3	5.6	4.8	5.7	3.9	1.6	-8.0	1.8	3.3	-5.2	3.0	3.4
Netherlands	2.1	4.3	3.5	5.1	5.3	3.7	1.8	0.9	-0.2	1.0	1.0	-0.3	1.7	1.3	-2.6	0.1	1.7	-2.8	0.8	2.3
New Zealand	2.2	4.9	2.5	2.7	3.6	1.8	2.0	4.5	5.9	5.8	4.9	2.6	4.1	-0.1	-1.0	1.8	2.5	-0.3	2.3	2.7
Norway	1.6	6.3	3.1	2.8	3.7	4.2	2.1	3.1	2.8	5.6	4.0	4.8	6.0	1.4	0.0	4.4	4.5	3.0	4.2	4.8
Poland	..	8.8	7.2	5.0	5.7	3.1	2.2	3.4	2.1	4.7	2.1	5.0	4.9	5.9	3.2	1.4	1.4	1.8	1.5	1.3
Portugal	3.9	3.2	3.7	5.0	5.3	3.7	1.3	1.3	-0.1	2.5	2.0	1.9	1.6	1.7	-1.0	0.6	0.9	-0.7	0.2	1.4
Slovak Republic	..	9.3	7.3	6.6	0.3	2.2	5.5	5.5	1.7	4.6	6.5	5.8	7.0	6.1	-1.0	0.8	4.0	-2.4	1.3	5.3
Spain	2.9	2.3	3.2	4.8	5.3	5.0	3.4	2.8	2.9	4.2	4.2	3.8	3.6	-0.6	-5.1	-1.1	0.6	-4.4	-0.1	0.8
Sweden	1.3	1.7	2.7	3.0	3.9	5.2	0.5	2.6	2.0	2.3	2.7	2.5	3.1	-0.4	-1.2	1.7	2.4	0.2	2.3	2.5
Switzerland	1.5	1.1	1.4	2.2	2.3	2.4	2.3	0.1	0.9	1.6	1.7	1.6	2.4	1.7	1.2	1.2	1.4	1.7	1.0	1.7
Turkey	3.2	8.5	8.4	0.6	0.1	5.9	-6.6	4.7	10.2	11.0	7.9	4.6	5.5	-0.1	-3.3	2.7	4.6	..	..	..
United Kingdom	3.0	3.9	3.8	4.3	5.2	4.7	3.1	3.5	3.0	3.1	2.2	1.5	2.1	1.2	-3.0	-0.2	2.0	-2.1	0.6	2.3
United States	3.0	3.5	3.7	5.2	5.5	5.1	2.7	2.7	2.8	3.5	3.4	2.9	2.7	-0.2	-0.6	1.3	2.4	0.9	1.6	2.8
Euro area	2.5	1.7	1.8	3.1	3.3	3.1	2.1	0.9	1.2	1.5	1.9	2.1	1.6	0.3	-1.0	0.0	1.1	-0.7	0.4	1.3
Total OECD	2.9	3.1	3.1	3.0	4.2	4.1	2.3	2.4	2.2	2.9	2.8	2.7	2.5	0.5	-1.1	1.0	2.0	0.1	1.3	2.3

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Accounts Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>). Working-day adjusted -- see note to Annex table 1.

Source: OECD Economic Outlook 86 database.

Annex Table 4. **Real public consumption expenditure**
Percentage change from previous year

	Average 1985-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	2.8	3.2	3.0	3.2	3.2	4.4	1.7	3.0	3.7	3.9	3.0	3.2	2.4	4.0	2.4	2.3	2.1	2.2	2.2	2.0
Austria	2.3	1.3	3.4	3.1	3.4	0.2	-0.5	0.7	1.2	1.0	1.7	2.5	2.0	3.1	0.9	1.7	1.3	-0.4	2.0	0.8
Belgium	1.2	1.8	1.1	1.6	2.6	3.1	1.6	3.2	1.4	1.8	1.2	1.0	2.6	3.3	1.7	1.5	1.2	1.2	1.5	1.0
Canada	1.6	-1.2	-1.0	3.2	2.1	3.1	3.9	2.5	3.1	2.0	1.4	3.0	3.3	3.7	2.5	2.7	2.0	2.9	2.2	2.0
Czech Republic	..	1.5	3.0	-1.6	3.7	0.7	3.6	6.7	7.1	-3.5	2.9	1.2	0.7	1.6	2.0	-0.9	0.6	-0.1	-0.4	0.9
Denmark	1.3	3.6	0.7	3.5	2.4	2.3	2.2	2.1	0.7	1.8	1.3	2.1	1.3	1.5	2.2	1.8	1.5	1.5	1.9	1.2
Finland	1.1	2.8	2.8	1.6	1.5	0.4	1.1	2.3	1.5	2.5	2.1	0.6	0.6	1.7	1.3	0.2	0.7	0.5	0.2	0.9
France	2.4	2.0	1.2	-0.6	1.4	2.0	1.1	1.9	2.0	2.2	1.3	1.3	1.5	1.1	1.5	1.3	0.8	1.8	0.7	0.8
Germany	1.7	2.1	0.5	1.8	1.2	1.4	0.5	1.5	0.4	-0.7	0.4	1.0	1.7	2.0	2.3	1.5	1.5	2.3	1.4	1.5
Greece	0.2	0.9	3.0	1.7	2.1	14.8	0.7	7.2	-0.9	3.5	1.1	-0.1	8.4	0.6	10.1	-1.4	-1.4	..	..	..
Hungary	..	-3.0	-0.1	-0.1	1.8	0.6	2.9	5.7	5.1	1.6	2.1	3.8	-7.4	-0.8	0.0	-0.9	1.0	-0.3	-0.4	2.0
Iceland	3.6	1.0	2.6	4.2	4.4	3.8	4.6	5.3	1.8	2.2	3.5	4.0	4.1	4.6	-1.9	-1.3	-1.7	-6.1	1.8	-2.9
Ireland	1.0	3.1	5.5	5.7	5.9	9.3	10.6	6.9	1.8	2.2	3.8	6.2	7.7	1.5	-2.6	-2.9	1.3	-6.0	1.5	0.5
Italy	1.0	0.8	0.5	0.4	1.4	2.2	3.9	2.4	1.9	2.2	1.9	0.5	1.0	0.6	1.7	0.7	0.2	2.0	0.2	0.2
Japan	3.5	2.3	0.8	1.8	4.2	4.3	3.0	2.4	2.3	1.9	1.6	0.4	1.9	0.8	1.1	2.3	2.4	1.1	2.5	2.4
Korea	7.2	8.0	2.6	2.3	2.9	1.6	5.0	4.9	4.4	3.8	4.3	6.6	5.4	4.2	5.8	3.0	4.1	4.2	4.5	4.0
Luxembourg	5.3	6.0	3.5	1.4	8.1	4.4	5.8	4.6	4.1	4.2	3.6	2.8	2.8	2.7	3.3	2.0	0.5	..	..	..
Mexico	1.5	-0.2	2.6	2.5	4.5	2.6	-2.4	-0.2	1.0	-2.8	2.4	1.7	2.1	0.6	2.3	-2.1	-0.9	1.8	-3.5	0.4
Netherlands	2.6	-0.7	2.5	2.5	2.8	2.0	4.6	3.3	2.9	-0.1	0.5	9.5	3.7	2.0	3.0	1.6	0.4	2.9	0.9	0.1
New Zealand	1.6	2.0	6.3	-0.3	6.8	-2.4	4.2	1.4	3.4	5.4	4.1	4.6	3.8	3.8	1.5	2.0	2.1	0.7	2.3	2.0
Norway	3.0	2.7	3.3	3.4	3.1	1.9	4.6	3.1	1.7	1.5	0.7	1.9	3.4	3.8	5.9	3.2	2.3	6.7	1.2	2.8
Poland	..	2.2	3.1	1.9	2.5	2.1	2.7	1.4	4.9	3.1	5.2	6.1	3.7	7.5	1.9	1.1	0.5	-0.4	1.6	0.0
Portugal	4.3	3.8	2.0	6.2	4.1	3.5	3.3	2.6	0.2	2.6	3.2	-1.4	0.0	0.7	1.4	0.6	0.6	0.0	1.5	0.3
Slovak Republic	..	11.1	0.2	5.8	-7.3	4.6	5.3	3.9	4.1	-2.2	3.3	10.2	-1.3	4.3	4.1	-5.9	-2.2	4.6	-10.4	2.5
Spain	4.7	1.3	2.5	3.5	4.0	5.3	3.9	4.5	4.8	6.3	5.5	4.6	5.5	5.5	4.4	1.3	0.8	2.5	0.9	1.0
Sweden	1.4	0.7	-0.5	3.3	1.4	-1.1	1.0	2.2	0.6	-0.9	0.4	2.3	0.6	1.1	1.6	0.7	0.6	1.3	0.9	0.4
Switzerland	2.7	1.6	0.4	-1.1	0.5	2.3	4.5	1.2	1.9	0.8	1.2	0.3	0.5	-0.1	2.3	1.1	0.8	1.8	1.1	0.5
Turkey	4.2	8.6	4.1	7.8	4.0	5.7	-1.1	5.8	-2.6	6.0	2.5	8.4	6.5	1.9	1.6	1.7	5.0	..	..	..
United Kingdom	1.0	0.7	-0.5	1.1	3.6	3.1	2.4	3.5	3.4	3.0	2.0	1.6	1.2	2.5	2.8	3.3	0.6	3.7	1.6	0.4
United States	1.5	0.4	1.7	1.8	2.8	1.8	3.7	4.5	2.2	1.4	0.6	1.0	1.4	3.0	2.0	1.8	0.4	1.8	1.1	0.2
Euro area	2.0	1.7	1.2	1.3	1.8	2.4	2.0	2.4	1.7	1.6	1.6	2.1	2.3	2.0	2.3	1.1	0.8	2.1	0.7	0.9
Total OECD	2.3	1.5	1.4	1.9	2.8	2.5	2.7	3.3	2.2	1.7	1.5	1.8	2.0	2.4	2.2	1.6	1.0	2.0	1.2	1.0

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Accounts Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>). Working-day adjusted -- see note to Annex table 1.

Source: OECD Economic Outlook 86 database.

Annex Table 5. **Real total gross fixed capital formation**

Percentage change from previous year

	Average 1985-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	2.4	6.1	10.7	5.6	5.8	1.5	-4.8	17.0	9.3	6.9	8.7	4.8	9.5	9.6	-3.1	2.9	5.9	-4.6	5.0	6.0
Austria	3.8	3.1	1.2	2.4	2.3	3.7	-0.9	-3.1	1.8	1.9	2.0	2.3	2.7	-0.6	-6.5	0.1	3.7	-5.2	2.1	4.3
Belgium	4.1	1.0	6.2	3.5	2.6	5.0	1.1	-4.5	0.1	7.5	7.7	2.7	5.7	3.8	-3.8	-1.4	3.0	-4.0	0.1	4.3
Canada	2.0	4.4	15.2	2.4	7.3	4.7	4.0	1.6	6.2	7.8	9.3	6.9	3.7	0.9	-8.7	4.4	4.5	-4.2	4.2	4.8
Czech Republic	..	7.6	-5.7	-0.9	-3.3	5.1	6.6	5.1	0.4	3.9	1.8	6.0	10.8	-1.1	-7.3	1.0	4.5	-5.7	3.0	5.0
Denmark	2.6	5.8	10.3	8.1	-0.1	7.6	-1.4	0.1	-0.2	3.9	4.7	13.5	3.1	-5.1	-12.4	-4.9	3.2	-12.0	0.9	4.3
Finland	-2.1	6.2	13.6	11.3	2.9	5.9	4.1	-3.1	3.9	3.5	3.5	4.8	8.6	0.4	-11.8	-4.4	4.9	-14.3	1.5	5.9
France	2.4	0.6	0.4	7.2	8.1	7.5	2.3	-1.7	2.2	3.3	4.5	4.4	6.5	0.4	-6.8	-0.3	3.1	-5.1	1.4	4.1
Germany	3.4	-0.5	0.8	3.6	4.4	3.7	-3.4	-6.1	-0.3	-1.3	1.1	8.6	5.3	2.3	-8.7	1.3	1.3	-6.7	1.7	2.0
Greece	0.5	8.4	6.8	10.6	11.0	8.0	4.8	9.5	11.8	1.4	-4.5	9.8	4.6	-7.4	-15.5	-6.3	4.6	..	..	..
Hungary	..	3.8	6.5	11.5	6.0	7.2	4.7	10.5	2.1	7.9	5.7	-3.6	1.6	0.4	-6.6	0.2	4.1	-11.2	9.0	2.0
Iceland	-1.0	25.0	9.3	34.4	-4.1	11.8	-4.3	-14.0	11.1	28.1	35.7	21.6	-12.2	-20.4	-47.4	-6.9	18.1	-44.1	-2.2	26.1
Ireland	3.7	16.4	16.5	14.1	13.4	6.3	0.0	3.1	6.5	9.6	14.8	3.8	2.1	-15.6	-28.9	-16.7	0.5	-23.6	-9.7	5.5
Italy	1.8	1.8	1.9	3.6	3.7	7.1	2.4	3.7	-0.9	1.5	1.4	3.2	1.6	-2.9	-12.6	0.6	4.0	-7.9	2.3	4.8
Japan	4.0	4.6	-0.3	-7.2	-0.8	1.2	-0.9	-4.9	-0.5	1.4	3.1	0.5	0.8	-5.0	-12.8	-0.8	4.4	-9.5	2.2	4.7
Korea	13.1	8.4	-2.3	-22.9	8.3	12.2	0.3	7.1	4.4	2.1	1.9	3.4	4.2	-1.7	-1.7	3.6	4.9	5.1	3.5	4.9
Luxembourg	8.8	4.8	10.5	6.0	22.1	-4.7	8.9	5.5	6.2	2.6	2.4	4.6	12.6	-0.1	-11.5	-1.8	5.1	..	..	..
Mexico	0.4	16.3	21.1	10.5	7.7	11.4	-5.6	-0.7	0.4	7.9	7.4	9.9	7.2	5.0	-11.9	1.3	5.9	-10.0	4.0	6.4
Netherlands	2.8	8.5	8.5	6.8	8.7	0.6	0.2	-4.5	-1.5	-1.6	3.7	7.5	4.8	4.9	-11.4	-1.8	2.7	-9.4	1.1	3.3
New Zealand	2.1	7.2	1.2	-3.4	6.8	8.4	-1.1	10.8	10.2	13.4	3.5	-0.4	4.9	-5.2	-11.2	8.9	10.4	-0.6	9.1	11.0
Norway	-0.2	10.2	15.8	13.6	-5.4	-3.5	-1.1	-1.1	0.2	10.2	13.3	11.7	8.4	3.9	-3.9	0.4	5.3	-4.7	0.8	8.5
Poland	..	19.7	21.8	14.0	6.6	2.7	-9.7	-6.3	-0.1	6.4	6.5	14.9	17.2	8.2	-1.5	2.3	10.2	-2.3	5.6	12.4
Portugal	6.5	5.6	14.3	11.7	6.2	3.5	1.0	-3.5	-7.4	0.2	-0.9	-0.7	3.1	-0.7	-13.6	0.4	2.9	-9.2	0.7	4.9
Slovak Republic	..	30.1	14.0	9.4	-15.7	-9.6	12.9	0.2	-2.7	4.8	17.6	9.3	8.7	6.8	-11.8	2.1	6.9	-10.6	6.1	7.0
Spain	5.0	2.6	5.0	11.3	10.4	6.6	4.8	3.4	5.9	5.1	7.0	7.2	4.6	-4.4	-15.3	-5.3	-0.8	-12.9	-3.3	1.0
Sweden	0.6	4.8	0.1	8.0	8.2	6.4	-0.4	-1.8	1.5	5.1	8.9	9.4	7.7	2.4	-17.0	-2.0	5.5	-17.2	-0.6	8.7
Switzerland	2.4	-1.7	2.1	6.4	1.5	4.2	-3.5	-0.5	-1.2	4.5	3.8	4.7	5.2	0.4	-2.9	1.1	2.1	-0.6	1.7	2.1
Turkey	8.6	14.1	14.8	-3.9	-16.2	17.5	-30.0	14.7	14.2	28.4	17.4	13.3	3.1	-5.0	-21.3	4.1	9.7	..	..	..
United Kingdom	2.7	5.4	6.8	13.7	3.0	2.7	2.6	3.6	1.1	5.1	2.4	6.5	7.8	-3.3	-16.1	-5.2	2.6	-17.1	-0.5	4.2
United States	2.8	8.1	8.1	9.7	9.0	6.8	-1.0	-2.7	3.1	6.2	5.3	2.5	-1.2	-3.6	-14.3	2.1	7.8	-10.5	4.5	8.9
Euro area	2.9	1.6	2.8	5.7	5.9	5.2	0.7	-1.4	1.2	1.9	3.4	5.7	4.7	-0.7	-10.6	-1.0	2.3	-8.5	0.8	3.4
Total OECD	3.1	6.2	6.3	5.1	5.6	5.8	-1.1	-0.8	2.4	5.0	4.9	4.4	2.6	-1.9	-12.1	0.6	5.3	-9.2	2.9	6.2

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered.

As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Accounts Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>). Working-day adjusted – see note to Annex table 1.

Source: OECD Economic Outlook 86 database.

Annex Table 6. **Real gross private non-residential fixed capital formation**
Percentage change from previous year

	Average 1985-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	2.3	15.2	9.4	3.2	5.3	0.2	-3.1	14.7	13.5	8.6	14.2	7.7	11.7	11.3	-2.5	0.5	4.9	-5.7	2.8	5.5
Austria	4.2	4.9	8.4	5.4	4.7	8.2	2.8	-3.5	4.3	2.7	0.9	2.2	2.9	-1.2	-7.4	0.1	4.4	-6.0	2.7	4.9
Belgium	4.3	6.2	6.2	7.3	0.4	7.7	4.2	-4.8	-1.2	8.2	5.5	4.5	8.7	6.1	-5.5	-1.5	4.0	-4.7	0.0	5.7
Canada	2.9	4.4	22.6	5.3	7.2	4.7	0.2	-4.1	6.9	8.2	12.4	10.0	3.7	0.2	-13.4	3.9	5.9	-9.6	4.7	6.4
Denmark	4.0	5.2	12.1	11.9	-1.5	6.7	-0.3	0.7	-3.0	-0.3	-0.2	14.3	4.2	-4.0	-13.0	-6.1	5.3	-14.7	2.5	6.5
Finland	-1.8	6.2	9.7	15.2	1.2	9.0	10.2	-7.3	0.5	0.6	6.9	7.0	13.6	4.9	-16.2	-7.6	5.5	-21.4	1.7	6.7
France	2.9	0.6	2.1	10.4	9.1	8.7	3.3	-3.0	1.2	3.8	3.1	5.6	7.5	2.6	-6.8	0.8	4.7	-5.0	2.5	6.1
Germany	2.9	-0.2	2.8	6.0	5.8	7.9	-2.6	-7.0	0.7	0.7	4.3	10.2	8.9	3.0	-14.1	-0.1	4.6	-12.3	0.9	6.4
Greece	4.9	20.9	5.1	13.0	20.7	13.3	5.8	9.4	12.1	1.7	-3.3	-2.7	15.0	5.6	-12.5	-7.9	4.8	..	..	..
Iceland	-2.8	49.2	17.6	46.2	-7.4	11.1	-11.3	-20.2	20.9	33.9	60.2	23.1	-23.7	-25.1	-53.3	3.9	29.7	-50.6	12.2	36.0
Ireland	5.0	16.9	18.4	19.6	12.6	2.4	-9.2	0.7	5.9	14.5	17.5	3.9	18.7	-11.6	-35.1	-16.5	1.5	-18.6	-19.6	14.7
Italy	3.1	1.5	3.4	4.0	4.1	8.4	2.0	4.5	-3.4	1.1	-0.3	3.4	2.1	-5.0	-19.3	1.5	5.4	-13.3	5.0	5.6
Japan	3.5	1.6	8.4	-6.5	-4.3	7.5	1.3	-5.2	4.4	5.6	9.2	2.3	5.7	-3.9	-18.0	2.1	5.9	-11.0	4.7	6.1
Korea	13.7	8.0	-3.8	-29.6	13.7	18.6	-3.3	8.1	2.3	1.9	2.0	7.6	7.0	0.2	-1.9	4.1	5.4	4.2	5.3	4.3
Netherlands	3.1	10.4	13.5	8.3	11.3	-2.0	-3.0	-7.6	-1.0	-2.7	2.2	9.7	4.9	7.0	-16.0	-2.1	5.3	-13.9	2.0	6.7
New Zealand	4.1	6.5	-5.9	-1.1	7.0	19.4	-3.0	-1.0	13.0	13.3	11.1	-0.2	5.1	3.0	-15.9	4.1	10.6	-11.9	7.9	11.9
Norway	-0.5	13.1	16.1	16.0	-8.3	-3.9	-4.3	-1.9	-2.9	10.3	17.3	14.5	9.5	7.4	-4.0	-0.6	6.2	-6.8	1.1	10.1
Spain	6.6	3.9	6.5	11.4	11.7	7.9	3.2	1.2	5.3	6.8	7.7	7.8	3.8	-2.2	-15.4	-1.5	3.2	-12.0	1.2	4.4
Sweden	2.1	8.4	5.0	9.6	8.6	9.2	-1.8	-5.9	1.8	4.0	8.9	8.8	8.6	4.1	-22.7	-4.7	5.9	-25.4	-2.2	10.1
Switzerland	2.8	0.8	2.5	8.2	4.4	5.4	-2.3	-0.5	-4.4	4.7	6.4	7.6	8.2	0.5	-5.3	0.5	2.6	-2.2	1.4	3.0
United Kingdom	3.3	10.4	10.0	19.3	4.1	4.4	1.5	1.2	-1.0	1.2	17.9	-6.9	11.9	1.4	-19.5	-6.6	3.8	-23.1	-0.3	6.3
United States	3.3	9.3	12.1	12.0	10.4	9.8	-2.8	-7.9	0.9	6.0	6.7	7.9	6.2	1.6	-17.8	0.2	8.4	-14.9	3.9	9.9
Euro area	3.4	2.4	4.9	7.9	6.9	7.2	1.0	-2.4	0.6	2.6	3.6	6.4	6.2	0.6	-13.2	-0.5	4.4	-10.8	1.9	5.7
Total OECD	3.3	6.3	9.0	6.8	6.8	8.3	-0.8	-4.1	1.7	4.7	7.5	6.4	6.6	0.8	-15.4	0.0	6.3	-12.6	3.1	7.5

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Account Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex. Some countries (e.g. United States, Canada and France) use hedonic price indices to deflate current-price values of investment in certain information and communication technology products such as computers. National account data do not always have a sectoral breakdown of investment expenditures, and for some countries data are estimated by the OECD. See also *OECD Economic Outlook* Sources and Methods (<http://www.oecd.org/eco/sources-and-methods>). Working-day adjusted -- see note to Annex table 1.

Source: OECD Economic Outlook 86 database.

Annex Table 7. **Real gross residential fixed capital formation**
Percentage change from previous year

	Average 1985-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	2.6	-9.5	16.5	11.6	5.9	1.2	-10.9	25.9	4.6	2.9	-3.5	-2.5	2.7	2.7	-8.3	4.1	9.0	-7.8	7.8	9.0
Austria	4.2	3.1	-1.2	-2.9	-2.0	-4.9	-6.4	-5.1	-4.2	1.0	5.4	3.7	3.4	-0.4	-5.4	-0.3	2.0	-4.0	0.6	3.0
Belgium	6.3	-7.3	7.5	-4.4	3.1	-1.1	-2.7	-5.5	3.4	8.1	10.9	3.4	-0.8	-1.6	-3.0	-2.1	0.4	-4.0	-0.8	1.0
Canada	-0.5	9.7	8.2	-3.6	3.6	5.2	10.5	14.1	5.4	7.5	3.3	2.1	2.8	-2.7	-9.0	4.4	4.9	-2.0	4.2	5.7
Denmark	-0.7	6.7	9.7	1.9	4.3	10.3	-9.3	0.8	11.8	11.9	17.3	11.2	4.8	-9.8	-18.5	-10.0	0.8	-19.8	-4.0	3.5
Finland	-3.8	5.1	22.5	9.6	9.0	5.1	-9.6	0.9	9.5	9.6	5.3	6.1	0.0	-8.9	-8.6	1.7	4.1	-4.5	2.2	5.3
France	0.8	0.5	1.0	3.7	7.1	2.5	1.4	1.3	2.1	3.2	5.8	6.2	5.6	-1.2	-8.7	-4.3	0.8	-8.0	-1.9	1.8
Germany	5.6	-0.3	0.2	0.2	1.6	-1.8	-5.9	-6.0	-0.9	-3.6	-3.7	6.0	-1.4	-0.4	-1.2	-0.2	0.7	0.2	0.5	0.8
Greece	-2.2	-1.2	6.6	8.8	3.8	-4.3	4.3	15.2	12.3	-1.9	0.0	29.1	-6.8	-29.1	-28.1	-11.0	3.0	..	..	..
Iceland	-0.4	7.1	-9.3	1.0	0.6	12.7	12.3	12.4	3.7	14.2	11.9	16.5	13.2	-21.8	-44.3	-4.8	2.8	-37.4	1.4	3.4
Ireland	4.8	18.3	15.8	6.4	12.9	7.6	1.9	5.4	18.2	11.3	15.8	2.5	-15.2	-31.6	-36.6	-22.8	-1.8	-28.1	-9.7	0.0
Italy	0.8	-3.1	-2.4	-1.2	1.3	5.1	1.5	2.5	3.5	2.4	5.3	4.1	1.1	-0.9	-6.6	1.4	4.0	-3.6	3.5	4.4
Japan	3.4	11.8	-12.1	-14.3	0.2	0.9	-5.3	-4.0	-1.0	1.9	-1.5	0.5	-9.7	-7.6	-13.3	-2.9	11.4	-22.7	8.6	10.0
Korea	14.8	2.8	-4.9	-13.4	-6.1	-9.3	12.5	11.2	8.6	3.6	2.4	-2.4	-3.0	-7.2	-7.4	4.7	4.9	7.1	2.5	5.5
Netherlands	2.4	3.9	5.6	3.0	2.8	1.6	3.2	-6.5	-3.7	4.1	5.0	5.8	4.2	0.9	-12.6	-4.7	2.7	-12.1	0.1	4.3
New Zealand	3.3	5.2	6.8	-12.8	7.5	0.5	-11.7	21.3	19.8	5.4	-4.5	-3.3	5.3	-19.0	-19.2	12.8	17.6	0.7	16.4	17.3
Norway	-2.4	2.8	12.1	7.7	3.0	5.6	8.2	-0.7	1.9	16.3	10.8	4.1	5.3	-8.1	-12.9	-2.5	2.5	-10.6	1.1	3.2
Spain	2.4	12.3	2.2	10.9	11.4	10.3	7.5	7.0	9.3	5.9	6.1	6.2	3.0	-10.3	-25.5	-18.8	-10.7	-26.1	-16.0	-6.6
Sweden	-9.3	8.5	-11.9	-0.7	11.1	10.3	4.4	10.0	5.5	15.4	15.9	14.7	8.7	-5.4	-22.3	0.5	9.4	-14.8	2.9	13.6
Switzerland	2.3	-8.7	-0.1	2.8	-5.5	-2.7	-4.1	-3.7	14.4	7.0	1.1	-1.6	-3.0	0.3	1.5	2.3	1.8	..	..	..
United Kingdom	1.1	5.5	7.2	5.2	2.0	1.0	0.4	6.2	0.5	11.9	-4.4	9.9	0.9	-22.7	-27.8	-9.8	1.5	-21.8	-3.6	3.5
United States	1.7	8.0	1.9	7.7	6.3	1.0	0.6	5.3	8.2	9.8	6.2	-7.3	-18.5	-22.9	-20.0	8.5	16.0	-11.3	11.7	17.3
Euro area	2.9	0.5	1.2	1.8	3.7	1.4	-1.0	-0.9	2.7	1.9	3.5	6.2	0.9	-4.6	-10.3	-3.9	0.4	-8.6	-1.5	1.4
Total OECD	2.3	5.4	0.9	1.9	4.1	1.3	-0.2	3.5	4.7	6.3	3.6	-0.3	-8.0	-13.1	-15.3	1.5	8.4	-11.3	5.2	9.3

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Account Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>). Working-day adjusted -- see note to Annex table 1.

Source: OECD Economic Outlook 86 database.

Annex Table 8. **Real total domestic demand**
Percentage change from previous year

	Average 1985-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	2.7	3.5	3.6	6.0	5.3	2.9	0.6	6.3	6.2	5.4	4.7	2.9	6.1	4.1	-0.4	2.5	3.6	0.8	2.9	3.8
Austria	2.5	2.0	0.8	2.6	3.1	1.9	0.2	0.0	1.7	2.2	2.4	2.0	1.9	1.1	-0.6	1.1	2.1	-0.4	1.5	2.3
Belgium	2.8	1.0	3.1	2.4	2.1	3.9	-0.1	-0.1	0.8	3.0	2.9	2.5	2.9	1.9	-2.3	0.7	1.7	-1.3	0.9	2.1
Canada	2.2	1.3	6.1	2.5	4.2	4.7	1.3	3.2	4.5	4.1	4.9	4.3	4.3	2.4	-2.8	3.8	3.2	-0.3	3.4	3.3
Czech Republic	..	7.8	-1.0	-1.3	1.0	3.8	3.7	3.8	4.2	3.0	1.7	5.5	5.2	1.2	-5.3	0.4	2.2	-7.3	1.1	2.9
Denmark	1.7	2.5	4.7	3.7	-0.6	3.2	0.0	1.7	0.2	4.3	3.4	5.3	1.9	-0.7	-6.2	1.4	2.3	-3.9	1.7	2.7
Finland	0.6	2.4	6.1	5.5	1.7	3.5	2.1	1.1	3.7	3.3	4.5	3.1	4.0	0.6	-5.5	-0.1	2.2	-4.9	1.4	2.6
France	2.2	0.7	1.0	4.2	3.7	4.5	1.7	1.1	1.8	2.9	2.7	2.7	3.1	0.6	-2.2	1.0	1.8	-1.6	1.5	2.1
Germany	2.9	0.4	0.9	2.2	2.6	2.4	-0.4	-2.0	0.6	-0.5	0.1	2.4	1.1	1.5	-1.5	0.4	0.9	-1.4	0.6	1.2
Greece	1.7	3.1	3.4	4.4	3.7	5.4	4.1	4.4	5.4	2.8	2.3	5.1	5.3	0.4	-3.6	-1.8	1.5	..	..	..
Hungary	..	-0.3	4.3	7.9	5.0	4.2	2.2	6.2	6.3	4.4	1.5	1.6	-1.0	0.4	-10.1	-2.8	1.9	-10.1	0.6	2.7
Iceland	1.4	6.9	5.5	13.8	4.2	5.9	-2.1	-2.3	5.8	9.9	15.7	9.2	-0.4	-8.6	-20.3	-5.4	2.6	-15.0	-1.8	4.6
Ireland	3.0	8.1	9.4	9.0	8.9	9.1	4.1	4.3	4.0	4.4	8.5	6.0	4.0	-4.5	-12.7	-4.2	-0.5	-8.3	-2.6	0.6
Italy	2.0	0.6	2.6	2.8	2.7	3.2	1.5	1.3	0.8	1.3	1.0	2.0	1.3	-1.3	-3.6	1.0	1.5	-1.9	1.3	1.6
Japan	3.5	3.2	0.5	-2.4	0.0	2.4	1.0	-0.4	0.8	1.9	1.7	1.2	1.2	-0.9	-3.4	1.1	2.1	-2.0	1.4	2.3
Korea	9.7	8.3	0.0	-17.8	13.9	8.2	3.7	7.9	1.5	1.5	3.8	4.9	4.7	1.4	-4.5	4.9	3.9	3.8	3.0	4.0
Luxembourg	4.6	4.6	6.0	6.2	8.0	4.5	4.5	2.6	0.5	3.3	5.2	2.1	4.2	3.2	-5.1	2.7	2.6	..	..	..
Mexico	1.6	5.4	8.8	5.8	4.2	7.9	0.3	0.8	0.8	3.9	3.7	5.7	3.8	2.4	-9.7	1.9	3.5	-7.1	2.9	3.7
Netherlands	2.4	3.9	4.5	5.1	4.9	2.7	2.3	-0.4	0.4	0.5	1.3	4.1	2.3	2.7	-4.1	0.2	1.5	-4.2	1.1	1.9
New Zealand	2.1	4.4	2.5	0.5	5.9	1.9	1.7	5.7	6.1	7.6	4.3	1.5	4.4	-0.1	-5.6	3.6	4.2	-2.6	4.0	4.4
Norway	1.6	4.4	6.8	5.8	0.4	2.9	0.6	2.3	1.7	6.7	5.5	5.6	5.0	3.3	-1.7	3.0	4.2	1.4	2.6	5.2
Poland	..	9.6	9.3	6.4	5.2	3.1	-1.3	1.0	2.8	6.2	2.5	7.3	8.7	5.5	-0.3	2.7	3.2	0.4	2.9	3.4
Portugal	4.6	3.6	5.5	7.0	5.7	3.3	1.7	0.0	-2.1	2.7	1.6	0.7	1.7	1.3	-3.8	0.6	1.2	-2.7	0.5	1.9
Slovak Republic	..	17.2	6.1	4.7	-6.2	1.2	8.2	4.1	-0.7	5.9	8.4	6.5	6.4	6.4	-6.3	0.8	3.7	-8.6	0.5	5.4
Spain	3.7	2.1	3.4	6.2	6.4	5.3	3.8	3.2	3.8	4.8	5.1	5.2	4.2	-0.5	-6.2	-1.6	0.3	-5.4	-0.6	0.9
Sweden	1.2	1.0	1.4	4.3	3.5	4.0	0.1	1.4	1.7	1.6	3.1	3.9	4.1	0.0	-5.3	1.4	2.4	-2.4	1.6	3.0
Switzerland	1.9	0.6	0.6	3.7	0.2	2.2	2.0	0.1	0.5	1.9	1.8	1.6	1.3	0.4	1.7	0.0	1.5	0.2	1.3	1.7
Turkey	5.1	7.8	8.9	0.9	-1.9	7.8	-11.5	8.7	8.6	11.5	9.2	6.7	5.7	-0.6	-8.8	5.3	5.6	..	..	..
United Kingdom	2.5	3.1	3.5	5.1	4.6	3.9	2.9	3.2	2.9	3.5	2.1	2.4	3.0	0.3	-5.5	0.3	1.8	-3.7	1.1	2.2
United States	2.7	3.8	4.7	5.5	5.7	4.8	1.2	2.4	2.8	4.0	3.2	2.6	1.4	-0.7	-3.4	2.5	3.0	-1.1	2.6	3.3
Euro area	2.5	1.2	2.1	3.5	3.4	3.6	1.3	0.4	1.5	1.7	2.0	3.0	2.3	0.5	-3.1	0.2	1.2	-2.5	0.7	1.6
Total OECD	2.9	3.3	3.6	3.0	4.2	4.3	1.0	1.9	2.3	3.3	2.9	3.0	2.4	0.2	-3.7	1.7	2.4	-1.8	1.9	2.8

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered.

As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Accounts Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eo/sources-and-methods>). Working-day adjusted -- see note to Annex table 1.

Source: OECD Economic Outlook 86 database.

Annex Table 9. Foreign balance contributions to changes in real GDP

Per cent

	Average 1985-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter ¹		
																		2009	2010	2011
Australia	0.4	1.0	1.0	-0.9	-0.4	1.0	1.2	-1.6	-2.1	-1.7	-1.1	-0.8	-1.9	-1.7	3.0	0.0	-0.1	0.1	-0.2	-0.2
Austria	-0.1	0.0	1.5	1.2	0.5	1.4	0.6	1.5	-0.9	0.6	0.5	1.4	1.8	1.4	-3.3	-0.1	0.2	0.1	0.1	0.3
Belgium	-0.2	0.0	0.9	-0.3	1.3	0.1	0.9	1.4	0.0	0.4	-0.9	0.4	0.2	-1.0	-0.7	-0.1	0.0	0.1	0.1	-0.1
Canada	0.1	0.3	-1.7	1.7	1.4	0.6	0.7	-0.1	-2.5	-0.9	-1.7	-1.3	-1.6	-1.9	-0.5	-2.0	-0.2	-1.7	-0.2	-0.1
Czech Republic	-3.3	-3.9	0.3	0.7	0.1	0.0	-1.4	-2.0	-0.6	1.3	4.7	1.6	1.1	1.4	0.6	1.7	0.8	0.6	0.8	0.7
Denmark	0.2	0.5	-1.3	-1.4	3.2	0.5	0.7	-1.1	0.2	-1.8	-0.8	-1.7	-0.2	-0.5	1.6	0.0	-0.4	0.3	0.1	-0.8
Finland	0.4	0.1	1.4	0.9	3.0	1.1	0.2	0.1	-1.8	1.1	-1.2	2.4	1.4	1.0	-3.4	1.5	0.7	3.3	-0.1	2.5
France	0.0	0.4	1.3	-0.5	-0.4	-0.3	0.1	0.0	-0.7	-0.6	-0.7	-0.3	-0.8	-0.3	0.0	0.4	-0.1	0.0	-0.1	-0.1
Germany	-0.1	0.6	0.9	-0.3	-0.6	1.1	1.8	2.0	-0.8	1.2	0.8	1.1	1.5	-0.5	-3.4	1.0	1.0	0.5	1.0	1.0
Greece	-0.6	-1.2	-0.4	-1.7	-1.1	-2.0	-0.4	-1.5	-0.4	1.8	0.7	-1.8	-1.2	0.9	3.1	1.1	0.0	..	..	..
Hungary	2.9	1.0	-0.5	-3.2	-0.9	0.6	1.8	-2.2	-2.1	0.3	2.5	2.3	2.2	0.0	5.5	2.5	1.3	3.3	1.3	0.6
Iceland	0.1	-1.7	-0.8	-7.5	-0.3	-1.9	6.2	2.5	-3.2	-2.5	-9.1	-6.0	6.1	10.8	13.9	2.9	0.3	3.5	0.6	-1.4
Ireland	2.0	1.2	2.7	0.1	4.2	1.7	2.5	3.0	1.7	0.5	-1.4	-0.4	2.9	0.6	3.8	1.5	1.3	2.5	1.4	1.4
Italy	0.2	0.4	-0.6	-1.4	-1.2	0.8	0.2	-0.8	-0.8	0.1	-0.2	0.1	0.2	0.2	-1.2	0.1	0.1	0.4	0.0	0.1
Japan	-0.2	-0.5	1.0	0.4	-0.1	0.5	-0.8	0.7	0.7	0.8	0.3	0.8	1.1	0.2	-1.8	0.6	-0.1	0.4	-0.1	-0.1
Korea	-0.4	-0.7	4.7	10.7	-2.4	0.9	0.4	-0.5	1.3	3.1	0.4	0.3	0.5	0.9	4.4	-0.4	0.3	-0.1	0.1	1.0
Luxembourg	1.6	-2.2	1.3	1.3	1.8	4.6	-0.7	1.9	1.2	1.7	1.7	3.9	3.5	-2.4	-0.2	0.9	1.7	..	..	..
Mexico	0.0	-0.1	-1.8	-0.8	-0.3	-1.3	-0.5	0.0	0.5	0.0	-0.6	-0.7	-0.6	-1.0	2.1	0.7	0.4	0.8	0.4	0.3
Netherlands	0.5	-0.2	0.0	-0.9	0.1	1.3	-0.2	0.5	-0.1	1.7	0.8	-0.3	1.5	-0.4	-0.6	0.5	0.6	-2.0	0.6	0.6
New Zealand	-0.3	-1.0	0.5	0.1	-1.2	2.2	0.5	-0.9	-1.9	-2.8	-1.7	1.2	-1.6	-0.9	5.3	-2.1	-1.5	-3.1	-1.6	-1.2
Norway	1.2	1.0	-0.8	-2.6	1.6	0.6	1.5	-0.4	-0.5	-2.0	-2.0	-2.4	-0.9	-0.7	-0.5	-1.3	-0.3	-1.5	0.1	-0.7
Poland	0.3	-2.8	-2.3	-1.7	-1.1	0.9	2.6	0.5	1.0	-1.0	1.1	-1.1	-2.0	-0.7	2.6	0.1	-0.1	0.1	0.0	-0.3
Portugal	-1.0	-0.2	-1.6	-2.6	-2.5	0.3	0.2	0.7	1.5	-1.4	-0.8	0.6	0.0	-1.4	1.5	0.1	0.2	-1.3	0.4	0.2
Slovak Republic	3.8	-10.5	-1.2	-0.8	6.9	0.1	-5.0	0.4	5.5	-0.9	-2.1	1.7	3.8	-0.2	1.2	1.2	0.5	-0.6	0.9	0.4
Spain	-1.1	0.3	0.5	-1.7	-1.7	-0.4	-0.2	-0.6	-0.8	-1.7	-1.7	-1.4	-0.9	1.4	2.9	1.4	0.6	1.3	0.7	0.1
Sweden	0.4	0.5	1.2	-0.2	1.3	0.8	1.0	1.0	0.3	2.2	0.7	0.7	-1.1	-0.5	0.1	0.5	0.7	0.7	0.6	1.0
Switzerland	-0.2	0.0	1.4	-0.9	1.1	1.4	-0.7	0.4	-0.8	0.6	0.9	2.1	2.4	1.4	-3.4	0.8	0.5	0.7	0.6	0.3
Turkey	-0.2	0.2	-0.9	2.1	-1.5	-1.1	6.5	-3.0	-3.8	-2.4	-1.3	-0.3	-1.3	1.5	3.6	-1.0	-1.0	..	..	..
United Kingdom	0.0	-0.1	-0.2	-1.4	-1.0	-0.1	-0.5	-1.1	-0.1	-0.7	0.0	0.4	-0.6	0.5	1.1	0.9	0.4	0.3	0.5	0.2
United States	0.1	-0.1	-0.3	-1.2	-1.0	-0.8	-0.2	-0.7	-0.4	-0.6	-0.3	-0.1	0.6	1.2	1.2	-0.1	-0.3	-0.3	-0.2	-0.4
Euro area	0.0	0.3	0.6	-0.7	-0.6	0.4	0.6	0.5	-0.6	0.2	-0.2	0.1	0.5	0.0	-0.9	0.7	0.5	0.4	0.4	0.5
Total OECD	0.0	-0.1	0.1	-0.4	-0.6	-0.1	0.2	-0.2	-0.4	-0.1	-0.2	0.1	0.3	0.4	0.5	0.2	0.0	0.0	0.1	0.0

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered.

As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Accounts Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods*

(<http://www.oecd.org/eco/sources-and-methods>). Working-day adjusted -- see note to Annex table 1.

1. Contributions to per cent change from the previous quarter, seasonally adjusted at annual rates.

Source: OECD Economic Outlook 86 database.

Annex Table 10. **Output gaps**
 Deviations of actual GDP from potential GDP as a per cent of potential GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	-3.4	-2.0	-0.5	-0.4	-0.5	-0.6	0.6	1.2	0.9	-0.3	0.5	0.6	0.7	0.6	-0.3	0.0	-1.7	-4.4	-5.1	-4.9
Austria	0.9	-1.3	-1.8	-1.4	-1.4	-1.3	0.3	1.4	1.9	0.1	-0.8	-2.2	-1.8	-0.8	0.7	2.1	1.8	-3.8	-4.5	-4.2
Belgium	0.4	-2.6	-1.4	-1.0	-2.0	-0.4	-0.7	0.4	1.7	0.2	-0.3	-1.0	0.7	0.9	1.4	1.7	0.0	-5.4	-6.6	-6.6
Canada	-4.6	-4.2	-1.9	-1.6	-2.8	-1.8	-1.2	0.8	2.3	0.7	0.9	0.2	0.8	1.2	1.3	1.6	-0.2	-4.5	-4.3	-3.2
Czech Republic	..	..	-1.2	1.9	3.8	1.1	-1.5	-2.3	-0.9	-1.0	-2.1	-2.0	-1.4	0.8	3.6	5.6	4.3	-3.4	-4.7	-5.4
Denmark	-2.0	-3.9	-0.7	-0.2	0.2	0.9	0.4	0.7	2.0	0.9	-0.3	-1.3	-0.3	0.7	2.4	2.4	-0.4	-6.0	-5.3	-4.3
Finland	-7.6	-8.9	-6.4	-4.6	-3.7	-1.2	0.2	0.4	1.8	0.8	-0.6	-1.5	-0.3	0.1	2.1	2.7	0.2	-8.8	-9.1	-7.6
France	0.6	-1.8	-1.1	-0.7	-1.5	-1.3	0.0	0.6	1.9	1.0	-0.1	-0.7	0.0	0.3	1.1	1.8	0.4	-3.6	-3.7	-3.3
Germany	0.7	-1.9	-0.8	-0.4	-0.9	-0.7	-0.5	-0.5	1.2	0.9	-0.4	-1.6	-1.6	-1.3	1.1	2.6	2.4	-3.5	-2.9	-1.8
Greece	0.0	-3.2	-2.9	-2.8	-2.5	-1.7	-1.2	-1.4	-1.0	-0.8	-1.3	0.7	1.2	-0.2	0.9	1.3	-0.7	-4.6	-7.3	-7.9
Hungary	..	-0.9	-1.2	-2.9	-5.1	-4.4	-3.0	-2.6	-1.8	-1.7	-1.2	-0.5	0.9	1.5	2.9	1.7	0.7	-7.6	-10.3	-9.6
Iceland	-5.4	-4.7	-2.1	-3.4	-0.8	0.8	2.3	1.7	1.0	1.3	-1.2	-1.7	2.0	4.6	2.0	2.5	0.4	-6.5	-8.9	-7.6
Ireland	-1.9	-4.4	-4.6	-2.3	-1.7	1.4	1.1	2.9	3.7	2.0	1.9	1.1	1.0	2.2	3.0	4.7	-0.5	-7.1	-7.6	-5.9
Italy	-1.0	-3.4	-2.4	-0.9	-1.5	-1.0	-1.3	-1.5	0.6	0.8	-0.1	-1.2	-0.7	-0.5	0.9	1.5	-0.6	-5.7	-4.9	-3.8
Japan	2.1	0.0	-0.7	-0.4	1.0	1.3	-1.8	-2.8	-1.0	-1.9	-2.5	-2.2	-0.6	0.4	1.7	3.5	2.3	-3.3	-2.1	-1.0
Luxembourg	2.9	2.1	1.2	-2.1	-5.2	-4.1	-2.8	0.4	3.7	1.5	1.4	-1.0	-0.7	0.6	2.1	4.9	1.2	-5.1	-4.4	-3.4
Mexico	2.1	1.1	2.6	-6.5	-4.6	-1.2	0.4	1.0	4.4	1.2	-0.8	-2.2	-0.9	-0.2	2.6	3.7	3.1	-7.2	-6.8	-5.4
Netherlands	-0.3	-1.8	-1.6	-1.3	-0.7	0.3	0.9	2.1	2.7	1.7	-0.7	-2.1	-1.5	-0.9	0.8	2.4	2.1	-4.0	-4.5	-3.9
New Zealand	-4.8	-1.7	1.0	1.5	1.7	0.5	-2.3	-0.9	-0.2	-0.2	1.2	1.4	1.9	1.4	0.1	0.8	-1.2	-4.0	-4.0	-2.8
Norway ¹	-1.3	-1.1	-0.6	-0.6	0.2	1.3	1.6	0.7	0.9	0.6	-0.4	-1.2	0.4	1.1	2.0	3.7	2.2	-1.7	-1.0	0.0
Poland	..	..	..	-2.4	-1.3	0.7	0.5	0.6	0.9	-1.5	-2.9	-2.0	0.2	0.5	2.6	4.5	4.3	1.0	-0.4	-0.5
Portugal	3.8	-1.2	-3.1	-1.9	-1.3	-0.3	1.3	2.0	3.1	2.5	1.1	-1.3	-1.0	-1.2	-0.5	0.6	-0.3	-3.6	-3.1	-2.0
Slovak Republic	..	..	-2.0	-0.9	1.6	3.2	3.8	0.2	-2.1	-2.4	-1.8	-1.9	-2.0	-1.0	1.8	6.6	8.2	-2.7	-5.5	-5.4
Spain	0.0	-3.5	-3.4	-3.3	-3.6	-2.5	-1.0	0.3	1.6	1.5	0.4	-0.2	-0.3	-0.2	0.3	0.5	-1.0	-5.3	-6.0	-5.9
Sweden	-2.4	-5.4	-3.3	-1.1	-1.7	-1.2	-0.2	0.9	2.0	0.0	-0.2	-0.5	0.9	1.7	3.3	3.2	-0.2	-7.0	-6.3	-4.6
Switzerland	-0.2	-1.4	-1.4	-2.1	-2.4	-1.3	0.0	-0.4	1.4	0.6	-0.7	-2.5	-1.7	-0.4	1.6	2.8	2.0	-2.3	-3.5	-3.5
United Kingdom	-3.1	-2.8	-0.9	-0.3	-0.1	0.3	0.6	0.6	1.1	0.4	-0.2	0.3	1.0	0.9	1.5	1.8	0.0	-6.2	-6.2	-5.5
United States	-1.7	-1.7	-0.7	-1.3	-0.9	-0.1	0.5	1.3	1.7	-0.4	-1.2	-1.1	0.2	0.8	1.1	1.0	-0.9	-4.9	-3.9	-2.8
Euro area	0.2	-2.4	-1.6	-1.1	-1.5	-1.0	-0.4	0.0	1.4	0.9	-0.2	-1.1	-0.8	-0.5	1.0	1.9	0.7	-4.5	-4.5	-3.8
Total OECD	-0.8	-1.8	-0.9	-1.2	-1.0	-0.3	-0.1	0.3	1.3	-0.1	-0.9	-1.1	-0.1	0.4	1.3	1.8	0.3	-4.6	-4.1	-3.2

Note: Potential output for countries where data availability permits follows the methodology outlined in Beffy, P.O., Olivaud, P., Richardson, P., and F. Sedillot (2006), "New OECD Methods for Supply-Side and Medium-Term Assessments: A Capital Services Approach", *OECD Economics Department Working Papers*, No. 482. Revisions to this method are discussed in Chapter 4 of *OECD Economic Outlook 85* "Beyond the crisis: medium-term challenges relating to potential output, employment and fiscal positions". In countries where extensive data are not available, more simplified methodologies are used.

1. Mainland Norway.

Source: OECD Economic Outlook 86 database.

Annex Table 11. **Compensation per employee in the private sector**
Percentage change from previous period

	Average 1982-1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	6.2	2.7	2.9	3.1	5.5	4.6	3.0	3.4	3.1	4.5	3.0	3.9	6.6	4.8	5.1	5.5	5.9	2.1	4.0	3.7
Austria	4.8	4.4	3.5	1.4	1.3	1.2	2.8	1.9	2.4	2.1	2.1	1.9	1.9	2.5	3.4	3.1	2.8	2.6	1.4	1.5
Belgium	5.5	4.2	3.9	0.0	1.4	2.9	1.2	3.6	1.9	3.7	3.4	1.5	1.8	1.5	3.4	4.4	2.8	0.0	1.1	1.7
Canada	4.7	2.1	0.3	1.9	2.8	5.8	2.6	3.3	5.3	2.1	0.8	1.8	5.2	5.0	4.5	3.8	4.0	1.4	1.3	2.2
Czech Republic	..	..	..	..	16.5	9.2	9.7	7.9	7.4	7.2	7.0	8.7	6.1	4.8	6.2	6.4	7.6	1.5	3.6	3.7
Denmark	5.9	1.9	1.7	2.2	4.0	3.8	4.0	3.7	3.1	4.1	3.7	3.5	3.2	4.5	3.5	3.3	4.8	4.4	3.2	3.4
Finland	7.8	2.5	4.8	4.6	2.3	2.7	4.4	2.2	4.1	5.1	1.4	2.6	3.4	3.5	3.0	3.4	4.8	2.5	1.7	1.3
France	5.5	2.1	1.1	1.4	1.4	1.4	1.4	1.9	2.3	2.4	3.4	3.0	3.9	3.0	3.7	2.7	2.6	1.2	1.1	1.4
Germany	4.1	3.6	2.9	3.4	1.0	0.6	0.8	1.0	2.0	1.6	1.3	1.6	0.1	-0.1	1.3	1.1	2.1	-1.1	0.8	1.2
Greece	17.5	8.8	11.8	11.4	11.7	11.5	4.8	6.5	5.5	3.1	11.5	6.9	0.1	4.0	2.5	7.2	2.6	5.1	4.1	3.8
Hungary	..	..	..	24.2	21.4	20.3	12.1	1.9	15.6	13.8	10.2	6.9	13.6	7.4	4.3	7.1	5.9	5.9	3.3	4.2
Iceland	26.4	-3.7	3.7	4.9	5.1	3.8	9.4	8.5	9.8	5.8	7.6	0.7	12.3	9.9	13.3	5.5	5.3	3.5	3.2	3.4
Ireland	6.4	4.8	1.5	3.4	4.3	4.2	4.9	3.8	8.5	6.6	3.3	5.0	4.8	4.5	4.3	4.0	3.5	-2.7	-1.5	0.5
Italy	8.9	4.3	4.4	5.4	4.2	3.6	-1.0	1.9	1.9	2.4	1.8	1.8	3.2	2.7	1.8	2.6	2.3	-0.5	1.4	1.6
Japan	3.2	0.5	1.4	1.0	-0.1	1.2	-1.2	-1.6	0.1	-1.2	-2.1	-1.2	-0.9	0.0	0.4	-0.9	-0.1	-2.7	0.1	0.9
Korea	12.1	12.9	12.0	15.1	12.0	4.0	4.3	2.1	3.2	7.5	6.1	7.2	4.8	5.3	3.5	4.4	2.8	3.7	5.1	6.9
Luxembourg	5.2	5.5	4.1	0.5	1.0	2.0	1.4	4.7	6.0	3.4	2.5	0.5	3.1	4.6	3.4	3.7	2.1	0.2	1.6	2.4
Mexico	..	10.3	9.3	8.1	19.1	23.4	16.1	17.8	11.6	9.2	3.9	3.6	2.4	5.6	3.0	4.4	4.2	3.0	2.6	4.1
Netherlands	1.4	2.7	1.9	0.3	1.9	2.5	4.2	3.5	4.8	4.8	4.4	3.2	3.4	0.9	2.6	3.1	3.6	2.5	2.2	1.9
Norway	6.9	2.7	3.1	3.2	2.5	2.5	7.5	6.1	4.5	7.0	3.9	2.5	4.4	5.5	8.2	5.9	4.5	4.1	4.2	4.5
Poland	..	..	..	..	29.0	20.5	14.7	12.6	10.2	9.5	0.5	0.3	1.6	0.5	0.8	4.4	7.3	5.2	3.1	3.2
Portugal	16.5	7.2	6.0	6.8	7.2	6.7	2.4	2.3	4.0	2.9	2.8	5.3	1.6	3.3	1.7	4.1	2.8	3.5	0.5	1.2
Slovak Republic	..	..	..	..	11.8	18.6	9.6	7.1	15.7	4.6	7.8	8.5	10.0	12.0	6.5	10.6	9.2	3.4	1.1	5.0
Spain	9.5	8.3	4.0	3.5	5.2	3.6	1.3	1.9	2.9	4.1	3.5	2.7	1.8	2.8	2.4	3.5	5.5	3.1	1.6	1.2
Sweden	8.0	6.4	6.9	2.2	7.2	5.5	2.8	1.2	6.8	4.1	2.6	2.5	4.6	3.2	2.0	5.2	0.6	1.2	2.0	2.6
Switzerland	4.5	2.8	2.5	2.6	0.6	2.9	0.3	1.6	2.7	3.8	1.4	-0.5	-0.9	3.3	2.4	3.4	1.7	1.2	1.4	1.3
United Kingdom	7.4	2.3	3.4	2.6	2.2	4.0	7.2	4.5	5.8	4.8	2.9	4.6	3.3	3.0	3.3	5.3	1.9	0.5	1.1	0.7
United States	4.5	2.0	1.9	2.3	3.0	4.0	5.4	4.2	7.0	3.2	3.0	4.0	4.1	3.3	4.0	4.0	2.4	-0.8	2.7	2.7
Euro area	6.2	3.9	0.6	3.5	1.9	2.1	1.2	1.8	2.5	2.5	2.3	2.4	1.6	1.4	2.2	2.5	2.5	0.8	1.1	1.5
Total OECD	5.2	3.1	2.3	3.3	3.8	4.3	4.0	3.4	4.8	3.2	2.3	2.9	2.8	2.6	3.0	3.2	2.5	0.1	1.9	2.3

Note: The private sector in the OECD terminology is defined as total economy less the public sector. Hence private sector employees are defined as total employees less public sector employees. For further information, see also *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Source: OECD Economic Outlook 86 database.

Annex Table 12. **Labour productivity in the total economy**
Percentage change from previous period

	Average 1982-1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	1.1	3.5	1.8	-0.4	2.7	3.0	3.3	2.8	0.8	0.9	2.0	1.1	1.5	-0.3	0.1	1.3	0.2	0.6	2.3	1.9
Austria	1.8	1.0	1.5	2.3	1.4	1.7	2.9	2.0	1.7	0.3	1.6	0.6	2.5	1.9	2.1	1.8	-0.3	-3.8	1.5	1.9
Belgium	1.8	-0.3	3.6	1.7	0.8	3.2	0.2	2.1	1.6	-0.6	1.5	0.8	2.1	0.6	1.6	1.2	-1.0	-2.6	1.9	1.6
Canada	1.1	1.8	2.7	1.0	0.7	2.1	1.6	2.9	2.7	0.6	0.5	-0.5	1.3	1.6	0.9	0.2	-1.1	-1.1	1.2	1.2
Czech Republic	..	..	1.3	5.2	3.2	-0.9	0.8	4.8	4.1	2.0	1.3	5.0	4.0	5.3	4.9	3.4	1.4	-2.7	3.9	2.7
Denmark	1.7	1.4	3.8	2.3	1.9	1.8	0.7	1.7	3.0	-0.2	0.4	1.5	2.9	1.4	1.3	-1.0	-2.0	-1.7	3.1	1.0
Finland	2.6	5.3	5.0	2.1	2.3	2.5	3.2	1.5	2.7	1.0	0.6	1.9	3.2	1.5	3.1	1.9	-0.8	-4.4	3.4	1.4
France	2.0	0.4	2.0	1.4	0.7	1.8	2.0	1.2	1.4	0.0	0.4	1.0	2.2	1.4	1.4	0.9	-0.2	-1.2	1.8	1.4
Germany	2.0	0.5	2.8	1.7	1.3	1.9	0.6	0.5	1.6	0.9	0.6	0.7	0.3	1.0	2.7	0.9	-0.4	-4.8	3.0	2.3
Greece	0.8	-2.4	0.1	1.2	1.1	4.0	-1.0	3.1	3.0	4.3	1.2	3.5	3.7	0.9	2.6	3.1	0.9	0.1	0.2	1.3
Hungary	..	..	..	5.1	1.5	4.1	3.3	0.8	3.5	3.9	4.4	2.9	5.6	3.7	3.6	1.1	1.9	-2.6	-0.2	2.2
Iceland	0.7	1.5	2.8	-2.9	4.8	4.9	2.1	0.4	2.3	2.2	1.6	2.3	8.3	4.1	-0.8	1.0	0.6	-1.7	-3.0	0.8
Ireland	3.4	1.2	2.4	4.5	4.3	5.6	-0.2	3.9	4.7	2.6	4.8	2.5	1.2	1.2	1.0	2.2	-1.9	0.1	2.1	1.7
Italy	1.8	1.8	4.0	3.1	0.4	1.6	0.3	0.3	1.9	-0.3	-1.2	-1.4	0.9	0.2	0.1	0.2	-1.4	-4.0	2.0	1.8
Japan	2.9	0.0	0.8	1.8	2.2	0.5	-1.4	0.7	3.1	0.7	1.5	1.6	2.5	1.5	1.6	1.9	-0.3	-3.6	2.7	2.0
Korea	5.9	4.9	5.2	6.1	4.7	2.9	-0.9	7.6	4.0	2.0	4.3	2.9	2.7	2.6	3.8	3.8	1.6	0.6	3.5	2.8
Luxembourg	3.5	2.4	1.2	-1.6	-1.0	2.8	1.9	3.3	2.7	-2.9	0.9	-0.2	2.2	2.4	1.8	2.0	-4.5	-4.4	3.3	2.9
Mexico	..	-1.6	0.9	-5.4	1.0	1.0	2.2	2.7	4.3	-0.4	-1.5	0.5	0.5	2.6	1.6	1.6	-0.9	-6.9	2.2	1.5
Netherlands	0.5	0.9	2.3	0.8	1.1	1.1	1.3	2.1	1.7	-0.1	-0.4	0.8	3.1	1.5	1.4	1.2	0.5	-3.4	2.3	2.3
New Zealand	1.2	3.1	1.5	-0.3	0.8	1.6	0.6	2.8	1.8	0.1	1.6	1.5	1.0	-0.2	-0.5	1.3	-0.6	-0.5	2.5	2.1
Norway	2.7	2.8	3.5	1.9	2.5	2.4	0.2	1.6	2.8	1.6	1.1	1.8	3.6	2.1	-0.9	-0.3	-1.1	-0.9	1.7	2.0
Poland	..	..	7.0	6.0	5.0	5.6	3.8	8.8	5.9	3.5	4.6	5.1	4.0	1.3	2.7	2.3	1.3	1.1	3.9	3.2
Portugal	1.6	0.0	1.1	4.9	3.1	2.3	2.3	2.4	1.6	0.2	0.1	-0.3	1.4	0.8	0.7	1.8	-0.7	-0.4	2.0	1.3
Slovak Republic	..	..	..	4.0	4.8	6.8	4.9	2.6	3.4	2.8	4.7	3.6	5.4	5.1	6.1	8.1	3.5	-3.6	3.3	4.0
Spain	1.8	1.9	2.9	0.9	0.7	0.3	0.0	0.2	0.0	0.5	0.3	0.0	-0.3	-0.5	0.1	0.5	1.5	2.9	1.5	0.7
Sweden	1.7	3.2	4.8	2.6	2.3	4.1	2.0	2.2	2.0	-0.9	2.4	2.6	4.3	3.0	2.8	0.5	-1.3	-2.4	4.8	2.5
Switzerland	0.3	0.6	1.9	0.4	0.7	2.0	1.2	0.5	2.5	-0.5	-0.1	0.2	2.2	1.9	1.2	1.0	-0.1	-1.6	1.5	1.6
Turkey	3.1	13.5	-12.4	4.2	4.0	7.5	0.4	-4.5	9.0	-5.7	6.5	6.1	7.3	6.1	5.1	3.1	-1.2	-5.3	3.0	2.8
United Kingdom	1.9	3.2	3.5	1.8	1.9	1.5	2.6	2.1	2.7	1.6	1.3	1.8	1.9	1.1	1.9	1.9	-0.2	-2.6	3.6	2.8
United States	1.6	0.9	1.0	0.2	1.8	2.1	2.1	2.8	2.4	1.2	3.0	2.5	2.5	1.4	0.9	1.3	1.0	1.3	2.7	1.2
Euro area	1.9	0.9	1.1	1.8	0.8	1.9	1.0	1.0	1.5	0.3	0.2	0.4	0.9	0.7	1.5	0.9	-0.5	-2.4	2.1	1.7
Total OECD	2.1	1.4	1.2	1.2	1.7	2.0	1.3	2.1	2.6	0.7	1.8	1.7	2.1	1.4	1.5	1.4	0.1	-1.2	2.5	1.7

Note: Labour productivity measured as GDP per person employed. For further information, see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Source: OECD Economic Outlook 86 database.

Annex Table 13. Unemployment rates: commonly used definitions

Per cent of labour force

	2006	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
	Unemployment thousands																	2009	2010	2011
Australia	516	8.2	8.2	7.7	6.9	6.3	6.7	6.3	5.9	5.4	5.0	4.8	4.4	4.2	5.7	6.3	6.2	6.0	6.3	6.1
Austria	244	5.9	5.9	5.9	5.5	4.8	4.9	5.6	5.8	5.9	6.0	5.7	5.2	4.9	5.8	7.1	7.3	6.3	7.4	7.2
Belgium	394	9.6	9.2	9.3	8.5	6.9	6.6	7.5	8.2	8.4	8.5	8.2	7.5	7.0	7.9	8.9	9.2	8.3	9.3	9.1
Canada	1 109	9.6	9.1	8.3	7.6	6.8	7.2	7.6	7.6	7.2	6.8	6.3	6.0	6.1	8.3	8.7	8.1	8.8	8.6	7.7
Czech Republic	371	3.9	4.8	6.5	8.8	8.9	8.2	7.3	7.8	8.3	7.9	7.2	5.3	4.4	6.9	8.4	7.9	8.0	8.3	7.5
Denmark	114	6.3	5.2	4.8	5.0	4.3	4.4	4.5	5.3	5.5	4.8	3.9	3.6	3.3	5.9	6.9	6.2	6.7	6.6	5.9
Finland	204	15.9	12.8	11.4	10.3	9.8	9.1	9.1	9.0	8.8	8.4	7.7	6.9	6.4	8.3	9.7	9.7	8.9	9.9	9.5
France	2 437	10.6	10.8	10.3	10.0	8.6	7.8	7.9	8.5	8.8	8.9	8.8	8.0	7.4	9.1	9.9	10.1	9.5	10.1	10.0
Germany	4 228	8.6	9.3	8.9	8.2	7.4	7.5	8.3	9.2	9.7	10.5	9.8	8.3	7.2	7.6	9.2	9.7	7.9	9.7	9.7
Greece	434	10.7	10.6	11.2	12.1	11.4	10.8	10.3	9.7	10.5	9.9	8.9	8.3	7.7	9.3	10.4	10.4	..	..	..
Hungary	317	10.1	8.9	7.9	7.1	6.5	5.8	5.9	5.9	6.2	7.3	7.5	7.4	7.9	9.9	10.3	9.3	10.3	10.0	9.2
Iceland	5	3.7	3.9	2.7	2.0	2.3	2.3	3.3	3.4	3.1	2.6	2.9	2.3	3.0	7.1	7.0	6.4	6.3	6.9	6.1
Ireland	93	11.9	10.8	7.6	5.6	4.3	3.9	4.4	4.7	4.5	4.3	4.4	4.6	6.0	11.9	14.0	13.8	12.8	14.5	13.0
Italy	1 671	11.4	11.4	11.5	11.1	10.2	9.2	8.7	8.6	8.1	7.8	6.8	6.2	6.8	7.6	8.5	8.7	8.0	8.8	8.6
Japan	2 750	3.4	3.4	4.1	4.7	4.7	5.0	5.4	5.3	4.7	4.4	4.1	3.9	4.0	5.2	5.6	5.4	5.7	5.5	5.4
Korea	827	2.0	2.6	7.0	6.6	4.4	4.0	3.3	3.6	3.7	3.7	3.5	3.2	3.2	3.8	3.6	3.4	3.8	3.5	3.4
Luxembourg	9	3.3	3.6	3.1	2.9	2.6	2.5	2.9	3.7	4.2	4.7	4.4	4.4	4.4	5.9	7.1	7.5	6.6	7.4	7.4
Mexico ¹	1 367	5.2	4.1	3.6	2.5	2.6	2.5	2.9	3.0	3.7	3.5	3.2	3.4	3.5	5.7	6.3	5.9	6.3	6.1	5.8
Netherlands	355	6.6	5.7	4.5	3.7	2.8	2.5	2.9	4.0	4.9	4.9	4.1	3.3	2.9	3.7	5.2	5.5	4.3	5.7	5.4
New Zealand	85	6.3	6.9	7.7	7.0	6.1	5.5	5.3	4.8	4.0	3.8	3.8	3.7	4.2	6.1	7.1	6.6	6.9	6.9	6.4
Norway	83	4.8	4.0	3.2	3.2	3.4	3.5	3.9	4.5	4.5	4.6	3.4	2.5	2.6	3.3	3.7	3.5	3.7	3.7	3.4
Poland	2 344	12.3	11.2	10.6	14.0	16.1	18.2	19.9	19.6	19.0	17.7	13.8	9.6	7.1	8.4	9.6	9.6	8.9	9.9	9.4
Portugal	428	7.3	6.7	5.0	4.4	4.0	4.0	5.0	6.3	6.7	7.7	7.7	8.0	7.6	9.2	10.1	9.9	9.5	10.3	9.7
Slovak Republic	353	11.3	11.9	12.6	16.4	18.8	19.3	18.6	17.5	18.1	16.2	13.3	11.0	9.6	11.6	12.7	12.5	12.7	12.7	12.4
Spain	1 837	17.5	16.3	14.6	12.2	10.8	10.1	11.0	11.0	10.5	9.2	8.5	8.3	11.3	18.1	19.3	19.0	19.1	19.3	18.7
Sweden	336	11.6	11.8	9.9	8.3	6.9	5.9	6.1	6.8	7.7	7.7	7.1	6.1	6.2	8.2	10.3	10.1	9.0	11.4	9.5
Switzerland	171	3.9	4.2	3.5	3.0	2.6	2.6	3.2	4.3	4.4	4.4	4.0	3.6	3.5	4.3	4.9	4.8	4.7	5.0	4.6
Turkey	2 328	7.1	7.3	7.3	8.1	6.9	8.7	10.7	10.8	10.6	10.4	10.0	10.1	10.7	14.6	15.2	15.0	..	..	..
United Kingdom	1 669	8.1	7.0	6.3	6.0	5.5	5.1	5.2	5.0	4.8	4.8	5.4	5.4	5.7	8.0	9.3	9.5	8.8	9.5	9.4
United States	6 992	5.4	4.9	4.5	4.2	4.0	4.8	5.8	6.0	5.5	5.1	4.6	4.6	5.8	9.2	9.9	9.1	10.0	9.7	8.7
Euro area	12 688	10.5	10.5	10.0	9.3	8.3	7.9	8.3	8.8	9.0	8.9	8.3	7.5	7.5	9.4	10.6	10.8	9.9	10.9	10.7
Total OECD	34 074	7.0	6.7	6.6	6.4	6.0	6.2	6.8	6.9	6.8	6.6	6.0	5.6	5.9	8.2	9.0	8.8	8.8	9.1	8.6

Note: Labour market data are subject to differences in definitions across countries and to many breaks in series, though the latter are often of a minor nature. For information about definitions, sources, data coverage, breaks in series and rebasings, see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Based on National Employment Survey.

Source: OECD Economic Outlook 86 database.

Annex Table 14. **Harmonised unemployment rates**

Per cent of civilian labour force

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	6.7	9.3	10.5	10.6	9.5	8.2	8.2	8.3	7.7	6.9	6.3	6.8	6.4	5.9	5.4	5.0	4.8	4.4	4.2
Austria	..	..	..	4.0	3.8	3.9	4.3	4.4	4.5	3.9	3.6	3.6	4.2	4.3	4.9	5.2	4.7	4.4	3.9
Belgium	6.6	6.4	7.1	8.6	9.8	9.7	9.6	9.2	9.3	8.5	6.9	6.6	7.5	8.2	8.4	8.5	8.3	7.5	7.0
Canada	8.1	10.3	11.2	11.4	10.4	9.5	9.6	9.1	8.3	7.6	6.8	7.2	7.7	7.6	7.2	6.8	6.3	6.0	6.1
Czech Republic	0.8	4.4	2.8	4.4	4.3	4.1	3.9	4.8	6.4	8.6	8.7	8.0	7.3	7.8	8.3	7.9	7.1	5.3	4.4
Denmark	7.2	7.9	8.6	9.5	7.7	6.8	6.3	5.2	4.9	5.1	4.3	4.5	4.6	5.4	5.5	4.8	3.9	3.8	3.4
Finland	3.2	6.7	11.6	16.2	16.8	15.1	14.9	12.7	11.4	10.3	9.6	9.1	9.1	9.1	8.9	8.3	7.7	6.8	6.4
France	8.4	8.9	9.8	11.0	11.6	11.0	11.5	11.4	11.0	10.4	9.0	8.3	8.6	9.0	9.3	9.3	9.3	8.3	7.8
Germany ¹	4.8	4.2	6.3	7.6	8.2	8.0	8.7	9.4	9.1	8.3	7.5	7.6	8.4	9.3	9.8	10.6	9.8	8.4	7.3
Greece	6.3	6.9	7.8	8.6	8.8	9.0	9.7	9.6	11.0	12.0	11.2	10.7	10.3	9.8	10.5	9.9	8.9	8.3	7.7
Hungary	..	..	9.9	12.1	11.0	10.4	9.6	9.0	8.4	6.9	6.4	5.7	5.8	5.9	6.1	7.2	7.5	7.4	7.8
Iceland	..	2.5	4.3	5.3	5.3	4.9	3.7	3.9	2.7	2.0	2.3	2.3	3.3	3.4	3.1	2.6	2.9	2.3	3.0
Ireland	13.4	14.7	15.4	15.6	14.4	12.3	11.7	9.9	7.6	5.7	4.3	3.9	4.5	4.8	4.5	4.4	4.5	4.6	6.0
Italy	8.9	8.5	8.8	9.8	10.6	11.2	11.2	11.2	11.4	11.0	10.1	9.1	8.7	8.5	8.0	7.7	6.8	6.1	6.8
Japan	2.1	2.1	2.2	2.5	2.9	3.1	3.4	3.4	4.1	4.7	4.7	5.0	5.4	5.3	4.7	4.4	4.1	3.9	4.0
Korea	2.4	2.4	2.5	2.9	2.5	2.1	2.0	2.6	7.0	6.6	4.4	4.0	3.3	3.6	3.7	3.7	3.5	3.2	3.2
Luxembourg	1.7	1.6	2.1	2.6	3.2	2.9	2.9	2.7	2.7	2.4	2.2	1.9	2.6	3.8	5.0	4.6	4.6	4.2	4.8
Mexico	2.7	2.6	2.8	3.4	3.7	6.2	5.5	3.7	3.2	2.5	2.5	2.8	3.0	3.4	3.9	3.6	3.6	3.7	4.0
Netherlands	5.9	5.5	5.3	6.2	6.8	6.6	6.0	4.9	3.8	3.2	2.8	2.2	2.8	3.7	4.6	4.7	3.9	3.2	2.8
New Zealand	8.0	10.6	10.6	9.8	8.4	6.5	6.3	6.8	7.7	7.0	6.1	5.4	5.3	4.8	4.0	3.8	3.9	3.7	4.2
Norway	5.8	6.0	6.5	6.6	6.0	5.5	4.8	3.9	3.1	3.0	3.2	3.4	3.7	4.2	4.3	4.5	3.4	2.6	2.5
Poland	..	..	..	14.0	14.4	13.3	12.4	10.9	10.2	13.4	16.2	18.3	20.0	19.7	19.0	17.8	13.9	9.6	7.2
Portugal	4.7	4.2	4.1	5.5	6.8	7.2	7.3	6.8	5.0	4.5	4.0	4.0	5.1	6.4	6.8	7.7	7.8	8.1	7.8
Slovak Republic	..	..	..	..	13.7	13.1	11.3	11.8	12.6	16.4	18.8	19.3	18.7	17.6	18.2	16.2	13.4	11.2	9.5
Spain	13.0	13.0	14.7	18.4	19.5	18.4	17.8	16.7	15.0	12.5	11.1	10.4	11.1	11.1	10.6	9.2	8.5	8.3	11.4
Sweden	1.7	3.1	5.6	9.0	9.3	8.8	9.5	9.9	8.2	6.7	5.6	4.9	4.9	5.6	6.3	7.3	7.0	6.2	6.1
Switzerland	..	1.9	3.1	4.0	3.8	3.5	3.9	4.2	3.5	3.0	2.6	2.6	3.2	4.3	4.4	4.4	4.0	3.6	3.5
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	8.4	8.6	9.8
United Kingdom	6.9	8.6	9.8	10.2	9.3	8.5	7.9	6.8	6.1	5.9	5.4	5.0	5.1	5.0	4.7	4.8	5.4	5.3	5.6
United States	5.6	6.8	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.6	5.8
Euro area	..	7.8	8.5	10.0	10.7	10.4	10.6	10.6	10.1	9.3	8.5	8.0	8.4	8.8	9.0	9.0	8.3	7.5	7.6
Total OECD	6.1	6.8	7.4	7.8	7.7	7.3	7.2	6.9	6.8	6.7	6.2	6.5	7.1	7.3	7.1	6.8	6.2	5.7	6.1

Note: In so far as possible, the data have been adjusted to ensure comparability over time and to conform to the guidelines of the International Labour Office. Annual figures are calculated by averaging the monthly and/or quarterly estimates (for both unemployed and the labour force). Further information is available from OECD.stat (<http://stats.oecd.org/index.aspx>), see the metadata relating to the harmonised unemployment rate.

1. Prior to July 1991 data refers to Western Germany.

Source: OCDE, Main Economic Indicators.

Annex Table 15. Labour force, employment and unemployment

Millions

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Labour force																			
Major seven countries	326.6	329.0	330.8	333.7	337.5	340.0	342.8	347.2	349.2	351.0	353.3	355.3	358.4	361.6	364.2	366.6	366.9	367.4	368.9
Total of smaller countries	165.5	171.5	174.1	176.6	179.5	181.7	183.6	185.6	187.8	190.9	192.2	195.9	198.6	201.9	204.8	208.3	210.4	211.4	213.2
Euro area	132.3	135.4	136.2	137.3	138.3	139.9	141.4	143.4	145.0	146.7	148.0	149.7	151.4	152.7	154.1	155.8	156.4	156.8	157.0
Total OECD	492.0	500.5	504.9	510.3	517.0	521.7	526.3	532.8	537.1	542.0	545.6	551.2	557.0	563.4	569.1	574.9	577.3	578.8	582.1
Employment																			
Major seven countries	303.6	306.4	309.1	311.7	315.9	318.9	322.2	327.8	328.9	328.6	330.0	332.8	336.3	340.7	344.5	345.1	337.5	334.9	337.3
Total of smaller countries	151.8	157.0	159.1	162.6	166.2	168.2	170.2	173.1	174.8	176.7	177.7	180.9	184.1	188.6	192.6	195.6	192.4	191.6	193.7
Euro area	119.4	121.1	122.0	122.9	123.8	126.0	128.3	131.4	133.5	134.5	135.0	136.3	137.9	140.1	142.6	144.1	141.7	140.1	140.1
Total OECD	455.4	463.5	468.2	474.3	482.1	487.1	492.4	501.0	503.7	505.3	507.7	513.7	520.4	529.3	537.1	540.8	529.9	526.5	531.0
Unemployment																			
Major seven countries	23.0	22.5	21.7	22.0	21.6	21.1	20.6	19.4	20.3	22.5	23.3	22.5	22.0	20.9	19.7	21.4	29.5	32.5	31.6
Total of smaller countries	13.7	14.5	15.0	14.0	13.3	13.5	13.3	12.5	13.1	14.2	14.6	15.0	14.6	13.2	12.2	12.7	18.0	19.8	19.5
Euro area	12.8	14.3	14.2	14.4	14.5	13.9	13.1	12.0	11.5	12.2	13.0	13.4	13.5	12.7	11.5	11.7	14.7	16.6	17.0
Total OECD	36.7	37.0	36.7	36.0	34.8	34.6	33.9	31.8	33.4	36.6	37.9	37.5	36.6	34.1	31.9	34.1	47.5	52.3	51.1

Source: OECD Economic Outlook 86 database.

Annex Table 16. **GDP deflators**
Percentage change from previous year

	Average 1985-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	4.3	2.2	1.5	0.3	0.4	4.3	3.9	2.9	2.8	4.1	4.2	4.7	4.0	6.4	0.1	1.8	2.3	-2.5	2.9	2.2
Austria	2.9	0.6	-0.2	0.0	0.2	1.5	1.7	1.3	1.2	1.5	1.9	1.7	2.2	2.2	0.7	1.0	1.1	1.6	0.8	1.3
Belgium	2.8	0.4	0.8	1.8	0.3	2.0	2.1	2.0	2.0	2.2	2.4	2.2	2.2	1.9	1.3	1.1	0.8	1.7	0.8	0.8
Canada	2.9	1.6	1.2	-0.4	1.7	4.1	1.1	1.1	3.3	3.2	3.3	2.6	3.2	3.9	-1.9	2.3	1.4	0.3	1.8	1.3
Czech Republic	..	10.2	8.4	11.1	2.9	1.5	4.9	2.8	0.9	4.5	-0.3	1.1	3.4	1.7	3.1	0.6	1.9	1.6	1.5	2.1
Denmark	2.7	2.0	2.0	1.2	1.7	3.0	2.5	2.3	1.6	2.3	2.9	2.0	2.0	4.0	-0.5	1.2	2.1	-0.7	1.7	2.3
Finland	3.9	-0.2	2.2	3.5	0.7	2.7	2.8	1.3	-0.4	0.7	0.3	1.6	3.1	2.0	1.0	1.2	1.5	0.2	1.7	1.4
France	2.6	1.6	1.0	0.9	0.0	1.4	2.0	2.4	1.9	1.6	2.0	2.4	2.5	2.5	1.0	0.5	0.7	0.4	0.6	0.8
Germany	2.8	0.5	0.3	0.6	0.3	-0.7	1.2	1.4	1.2	1.0	0.7	0.5	1.9	1.5	0.9	0.2	0.3	0.0	0.6	0.2
Greece	15.6	7.3	6.8	5.2	3.0	3.4	3.1	3.4	3.9	3.0	2.8	3.1	3.0	3.5	1.7	2.4	2.1	2.3	1.6	2.3
Hungary	..	22.3	18.8	12.8	6.9	9.2	10.0	7.9	4.8	5.4	2.1	3.9	5.9	3.8	2.4	2.3	2.0	2.5	2.0	2.0
Iceland	12.1	2.5	2.9	5.1	3.3	3.6	8.6	5.6	0.6	2.5	2.8	9.0	5.5	12.0	8.5	6.8	2.9	6.3	4.4	2.1
Ireland	3.1	2.3	3.8	6.6	4.1	5.9	5.5	4.6	2.8	2.0	2.4	3.5	1.2	-1.2	-3.8	-1.4	0.8	-6.6	1.0	0.6
Italy	5.9	4.8	2.6	2.6	1.8	1.9	3.0	3.3	3.1	2.6	2.1	1.8	2.4	2.8	2.5	1.0	1.0	1.6	0.9	1.1
Japan	1.1	-0.6	0.5	0.0	-1.3	-1.7	-1.2	-1.5	-1.6	-1.1	-1.2	-0.9	-0.7	-0.9	0.0	-1.7	-0.8	-2.0	-0.9	-0.6
Korea	7.5	5.1	4.6	5.8	-0.1	0.7	3.9	3.2	3.6	3.0	0.7	-0.1	2.1	2.7	2.8	0.4	2.0	2.0	-0.2	3.1
Luxembourg	2.7	3.1	-1.9	-0.3	5.3	2.0	0.1	2.1	6.0	1.8	4.6	6.8	3.0	5.0	-1.4	2.6	3.2	..	..	..
Mexico	41.0	30.7	17.7	15.4	15.1	12.1	5.9	6.9	8.5	9.1	4.6	6.7	4.5	6.6	6.5	4.1	4.7	7.3	4.1	4.9
Netherlands	1.5	1.3	2.6	1.9	1.8	4.1	5.1	3.8	2.2	0.7	2.4	1.8	1.6	2.7	-0.3	0.2	0.7	-1.8	0.7	0.7
New Zealand	5.2	2.5	0.6	0.8	0.4	2.5	4.3	1.1	1.5	3.8	1.9	2.3	4.2	3.6	2.6	2.5	2.2	2.1	2.4	2.1
Norway	2.7	4.2	2.8	-0.8	6.6	15.7	1.7	-1.8	3.0	5.3	8.7	8.5	2.2	9.6	-3.3	3.7	2.9	-0.6	2.7	3.0
Poland	..	17.9	13.9	11.1	6.0	7.3	3.5	2.2	0.4	4.1	2.6	1.5	4.0	3.0	3.4	2.1	2.0	2.8	2.1	1.9
Portugal	10.4	2.6	3.8	3.8	3.3	3.0	3.7	3.9	3.2	2.4	2.5	2.8	3.0	2.1	0.6	0.2	1.0	-0.5	0.2	1.5
Slovak Republic	..	4.2	4.9	5.1	7.4	9.4	5.0	3.9	5.3	5.9	2.4	2.9	1.1	2.9	-0.6	0.7	3.0	0.9	1.9	3.4
Spain	6.4	3.5	2.4	2.5	2.6	3.5	4.2	4.3	4.1	4.0	4.3	4.1	3.3	2.5	0.3	0.2	0.0	-0.1	0.2	0.0
Sweden	5.4	0.9	1.3	0.7	1.2	1.4	2.1	1.6	1.8	0.8	0.9	1.4	2.8	3.4	2.2	1.3	2.1	0.5	1.5	2.2
Switzerland	2.8	0.2	-0.1	0.3	0.6	1.1	0.8	0.5	1.0	0.6	0.1	2.1	2.5	2.2	0.3	0.5	0.3	0.3	0.5	0.2
Turkey	64.4	77.8	81.5	75.7	54.2	49.2	52.9	37.4	23.3	12.4	7.1	9.3	6.2	11.7	6.5	5.5	5.6	..	..	..
United Kingdom	4.7	3.6	2.8	2.2	2.1	1.2	2.1	3.1	3.1	2.5	2.0	2.8	2.9	2.9	1.1	1.5	0.6	0.8	1.0	0.7
United States	2.8	1.9	1.8	1.1	1.5	2.2	2.3	1.6	2.2	2.8	3.3	3.3	2.9	2.1	1.3	0.9	1.0	0.9	0.9	1.1
Euro area	4.0	1.9	1.4	1.6	1.0	1.4	2.4	2.6	2.2	1.9	1.9	2.0	2.3	2.2	1.0	0.5	0.7	0.2	0.7	0.7
Total OECD	7.1	5.0	4.3	3.7	2.8	3.1	3.3	2.7	2.6	2.6	2.4	2.5	2.5	2.5	1.3	0.8	1.1	0.7	0.9	1.2

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. For further information, see table "National Accounts Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Source: OECD Economic Outlook 86 database.

Annex Table 17. **Private consumption deflators**

Percentage change from previous year

	Average 1985-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	5.0	2.1	1.7	1.3	0.5	2.9	3.7	2.7	2.2	1.2	1.7	2.8	2.8	4.0	3.1	2.4	1.8	2.6	2.2	1.7
Austria	2.4	1.7	1.5	0.6	1.0	2.0	1.7	0.6	1.6	2.1	2.6	2.1	2.6	2.7	0.7	0.7	1.0	0.7	0.6	1.3
Belgium	2.5	0.7	1.6	0.9	0.4	3.5	1.9	1.2	1.5	2.4	2.7	3.0	2.8	3.8	0.9	1.4	0.9	1.8	1.0	0.7
Canada	3.2	1.6	1.6	1.2	1.7	2.2	1.8	2.0	1.6	1.5	1.7	1.4	1.6	1.7	0.6	1.1	0.9	0.8	1.1	0.9
Czech Republic	..	7.6	9.0	8.9	1.9	3.1	3.9	1.2	-0.4	3.3	0.8	1.4	2.9	5.6	0.4	1.2	2.1	-0.1	2.0	2.3
Denmark	2.6	1.6	2.0	1.4	1.9	2.7	2.3	1.7	1.3	1.3	1.5	1.9	1.8	3.1	1.4	1.2	1.4	0.8	1.4	1.4
Finland	3.8	0.4	1.5	2.4	1.4	4.3	2.8	2.1	-0.3	1.0	0.5	1.5	2.3	3.5	1.5	1.5	1.4	1.0	1.5	1.5
France	2.5	1.6	0.9	0.2	-0.5	2.3	1.7	1.0	1.9	1.9	1.8	2.1	2.1	2.8	-0.1	1.1	0.6	0.4	0.8	0.7
Germany	2.2	0.9	1.4	0.5	0.3	0.9	1.8	1.2	1.5	1.3	1.4	1.0	1.8	2.1	-0.3	1.1	0.8	0.0	0.9	0.9
Greece	15.7	8.2	5.6	4.5	2.3	3.3	2.7	2.6	3.4	2.9	3.3	3.4	3.0	4.1	0.6	2.0	1.6	..	..	..
Hungary	..	22.2	18.7	13.9	9.9	9.6	8.0	3.8	4.0	4.5	3.8	3.4	6.2	5.6	4.6	4.5	4.6	8.1	3.0	5.7
Iceland	12.0	2.5	0.8	1.5	2.8	5.0	7.8	4.8	1.3	3.0	1.9	7.7	4.6	14.0	15.0	6.2	2.5	10.6	4.0	1.9
Ireland	3.0	2.6	2.6	3.7	2.6	6.6	4.4	5.4	4.1	1.7	1.7	2.6	3.7	2.7	-3.5	-1.1	0.4	-4.9	0.2	0.4
Italy	5.9	4.1	2.2	1.8	1.8	3.4	2.6	2.9	2.8	2.6	2.3	2.7	2.2	3.2	0.0	1.0	1.1	0.2	0.9	1.2
Japan	1.1	-0.1	1.2	0.1	-0.5	-1.1	-1.1	-1.4	-0.9	-0.7	-0.8	-0.2	-0.4	0.5	-1.9	-1.4	-0.8	-2.2	-1.0	-0.6
Korea	7.0	6.2	6.0	6.7	3.3	4.8	4.3	3.1	3.2	3.2	2.3	1.5	2.0	4.2	2.5	2.8	3.0	1.8	3.0	3.0
Luxembourg	2.7	1.3	1.4	1.7	2.4	4.0	2.0	0.6	2.2	2.4	2.8	2.2	1.9	3.7	-0.3	2.0	1.8	..	..	..
Mexico	41.7	30.9	16.6	20.4	14.0	10.3	7.1	5.3	7.1	6.5	3.3	3.5	4.8	6.8	7.3	4.4	4.8	2.7	4.5	5.0
Netherlands	1.9	2.0	2.3	2.0	1.9	3.8	4.5	3.0	2.4	1.0	2.1	2.2	1.6	2.1	-0.8	0.7	0.7	-1.4	0.7	0.7
New Zealand	5.1	2.4	1.8	1.9	0.7	2.2	2.4	1.9	0.5	1.1	1.7	2.8	1.6	3.5	3.0	1.4	1.4	2.4	1.2	1.5
Norway	4.2	1.3	2.4	2.5	2.0	2.9	2.2	1.4	3.0	0.7	1.1	1.9	0.7	3.9	2.9	1.7	2.2	1.7	1.8	2.3
Poland	..	18.6	14.7	10.5	6.1	10.0	3.8	3.3	0.4	3.0	2.1	1.2	2.4	4.2	2.9	2.1	1.8	3.5	2.0	1.7
Portugal	9.7	2.9	2.9	2.3	2.2	3.4	3.4	3.0	2.9	2.5	2.7	3.1	2.7	2.6	-0.9	0.8	1.0	0.0	0.4	1.3
Slovak Republic	..	4.0	4.8	5.7	9.9	8.3	5.6	2.8	6.5	7.3	2.6	4.9	2.6	4.4	1.9	2.0	2.4	1.2	2.0	2.9
Spain	6.1	3.2	2.7	1.9	2.3	3.7	3.4	2.8	3.1	3.6	3.4	3.6	3.2	3.7	-0.9	0.7	-0.1	-1.1	0.5	-0.3
Sweden	5.7	1.0	1.4	0.5	1.5	0.9	2.1	1.7	1.7	1.1	1.2	0.9	1.1	3.0	2.5	1.9	2.0	2.9	1.8	2.0
Switzerland	2.6	1.3	0.8	-0.1	0.4	0.8	0.7	0.9	0.4	0.8	0.5	1.3	1.3	2.2	0.1	0.7	0.4	0.2	0.5	0.4
Turkey	66.2	67.8	82.1	83.0	53.4	54.9	49.7	38.5	23.4	10.8	8.3	9.8	6.6	10.3	5.6	5.6	5.4	..	..	..
United Kingdom	4.8	3.5	2.5	2.4	1.2	1.1	2.0	1.5	1.9	1.8	2.4	2.7	2.9	2.7	0.9	1.7	0.6	1.0	1.2	0.6
United States	3.2	2.2	1.9	0.9	1.6	2.5	1.9	1.4	2.0	2.6	3.0	2.7	2.7	3.3	0.2	1.4	1.2	1.1	1.1	1.2
Euro area	3.8	2.1	1.8	1.1	0.9	2.5	2.4	1.8	2.1	2.1	2.1	2.2	2.2	2.8	-0.2	1.0	0.8	0.0	0.9	0.8
Total OECD	7.5	5.0	4.6	4.0	2.9	3.7	3.1	2.3	2.4	2.3	2.2	2.3	2.3	3.2	0.5	1.3	1.2	0.7	1.2	1.2

Note: The adoption of national accounts systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered.

As a consequence, there are breaks in many national series. For further information, see table "National Accounts Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Source: OECD Economic Outlook 86 database.

Annex Table 18. **Consumer price indices**
Percentage change from previous year

	Average 1985-95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	5.2	2.6	0.3	0.9	1.5	4.5	4.4	3.0	2.8	2.3	2.7	3.5	2.3	4.4	1.6	2.4	1.8	1.9	2.2	1.7
Austria	..	1.8	1.2	0.8	0.5	2.0	2.3	1.7	1.3	2.0	2.1	1.7	2.2	3.2	0.3	0.6	1.0	0.2	0.6	1.3
Belgium	..	1.8	1.5	0.9	1.1	2.7	2.4	1.6	1.5	1.9	2.5	2.3	1.8	4.5	-0.1	1.0	0.9	-0.4	1.2	0.8
Canada	3.3	1.6	1.6	1.0	1.7	2.7	2.5	2.3	2.8	1.9	2.2	2.0	2.1	2.4	0.4	1.3	1.0	1.0	1.2	1.0
Czech Republic	..	8.8	8.5	10.7	2.1	3.9	4.7	1.8	0.1	2.8	1.9	2.6	3.0	6.3	1.1	1.4	2.0	0.7	2.5	2.1
Denmark	2.9	2.1	2.2	1.8	2.5	2.9	2.3	2.4	2.1	1.2	1.8	1.9	1.7	3.4	1.3	1.4	1.6	1.3	1.7	1.4
Finland	..	1.1	1.2	1.3	1.3	2.9	2.7	2.0	1.3	0.1	0.8	1.3	1.6	3.9	1.7	1.5	1.4	1.4	1.6	1.3
France	..	2.1	1.3	0.7	0.6	1.8	1.8	1.9	2.2	2.3	1.9	1.9	1.6	3.2	0.1	1.0	0.6	0.3	0.8	0.7
Germany	..	1.2	1.5	0.6	0.6	1.4	1.9	1.4	1.0	1.8	1.9	1.8	2.3	2.8	0.2	1.0	0.8	0.3	0.9	0.9
Greece	15.6	7.9	5.4	4.5	2.1	2.9	3.7	3.9	3.4	3.0	3.5	3.3	3.0	4.2	1.2	2.0	1.6	1.6	1.8	1.6
Hungary	..	23.5	18.3	14.2	10.0	9.8	9.1	5.3	4.7	6.7	3.6	3.9	8.0	6.0	4.5	4.0	3.0	6.3	3.0	3.0
Iceland ¹	11.7	2.3	1.8	1.7	3.2	5.1	6.4	5.2	2.1	3.2	4.0	6.7	5.1	12.7	11.9	5.8	2.5	8.0	4.2	1.9
Ireland	..	2.2	1.3	2.1	2.5	5.3	4.0	4.7	4.0	2.3	2.2	2.7	2.9	3.1	-1.7	-0.7	0.4	-2.6	0.2	0.4
Italy	..	4.0	1.9	2.0	1.7	2.6	2.3	2.6	2.8	2.3	2.2	2.2	2.0	3.5	0.7	0.9	0.8	0.3	1.0	0.8
Japan	1.3	0.0	1.7	0.7	-0.3	-0.5	-0.8	-0.9	-0.2	0.0	-0.6	0.2	0.1	1.4	-1.2	-0.9	-0.5	-1.6	-0.8	-0.3
Korea	5.8	4.9	4.4	7.5	0.8	2.3	4.1	2.7	3.6	3.6	2.8	2.2	2.5	4.7	2.7	2.8	3.0	2.2	3.0	3.0
Luxembourg	..	1.2	1.4	1.0	1.0	3.8	2.4	2.1	2.5	3.2	3.8	3.0	2.7	4.1	-0.1	1.6	1.0	..	..	..
Mexico	41.2	34.4	20.6	15.9	16.6	9.5	6.4	5.0	4.5	4.7	4.0	3.6	4.0	5.1	5.4	4.2	5.0	4.0	4.7	5.1
Netherlands	..	1.4	1.9	1.8	2.0	2.3	5.1	3.9	2.2	1.4	1.5	1.7	1.6	2.2	0.9	0.3	0.7	0.3	0.7	0.7
New Zealand	5.7	2.3	1.2	1.3	-0.1	2.6	2.6	2.7	1.8	2.3	3.0	3.4	2.4	4.0	2.3	2.2	1.9	2.6	1.7	2.0
Norway	4.3	1.2	2.6	2.3	2.3	3.1	3.0	1.3	2.5	0.5	1.5	2.3	0.7	3.8	2.3	1.6	2.2	1.8	1.8	2.3
Poland	..	19.8	14.9	11.6	7.2	9.9	5.4	1.9	0.7	3.4	2.2	1.3	2.5	4.2	3.5	2.2	1.9	3.6	2.1	1.8
Portugal	..	2.9	1.9	2.2	2.2	2.8	4.4	3.7	3.3	2.5	2.1	3.0	2.4	2.7	-0.9	0.7	1.0	-0.8	0.9	1.1
Slovak Republic	..	5.8	6.0	6.7	10.4	12.2	7.2	3.5	8.4	7.5	2.8	4.3	1.9	3.9	1.0	1.7	2.4	0.3	2.0	2.9
Spain	5.8	3.6	1.9	1.8	2.2	3.5	2.8	3.6	3.1	3.1	3.4	3.6	2.8	4.1	-0.4	0.8	-0.1	-0.3	0.5	-0.3
Sweden ²	5.2	0.5	0.7	-0.3	0.5	0.9	2.4	2.2	1.9	0.4	0.5	1.4	2.2	3.4	-0.3	1.4	3.2	-0.5	2.1	3.6
Switzerland	2.8	0.8	0.5	0.0	0.8	1.6	1.0	0.6	0.6	0.8	1.2	1.1	0.7	2.4	-0.6	0.6	0.4	-0.6	0.5	0.4
Turkey	65.1	80.4	85.7	84.6	64.9	54.9	54.4	45.0	21.6	8.6	8.2	9.6	8.8	10.4	6.3	5.7	5.3	..	..	..
United Kingdom ³	..	2.5	1.8	1.6	1.3	0.8	1.2	1.3	1.4	1.3	2.0	2.3	2.3	3.6	2.1	1.7	0.5	1.7	1.0	0.6
United States ⁴	3.5	2.9	2.3	1.5	2.2	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.9	3.8	-0.4	1.7	1.3	1.1	1.3	1.4
Euro area	..	2.3	1.7	1.2	1.2	2.2	2.4	2.3	2.1	2.2	2.2	2.2	2.1	3.3	0.2	0.9	0.7	0.2	0.9	0.7

Note: For the euro area countries, the euro area aggregate and the United Kingdom: harmonised index of consumer prices (HICP).

1. Excluding rent, but including imputed rent.

2. The consumer price index includes mortgage interest costs.

3. Known as the CPI in the United Kingdom.

4. The methodology for calculating the Consumer Price Index has changed considerably over the past years, lowering measured inflation substantially.

Source: OECD Economic Outlook 86 database.

Annex Table 19. Oil and other primary commodity markets

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Oil market conditions¹																		
Million barrels per day																		
Demand																		
OECD	44.5	45.0	46.0	46.8	46.9	47.9	47.9	48.0	48.0	48.7	49.5	49.8	49.5	49.2	47.6	45.5	45.5	..
<i>of which:</i> North America	21.7	21.6	22.2	22.7	23.1	23.8	24.1	24.1	24.1	24.6	25.4	25.6	25.4	25.5	24.2	23.2	23.4	..
Europe	14.4	14.7	15.0	15.1	15.4	15.4	15.2	15.4	15.3	15.5	15.5	15.7	15.7	15.3	15.3	14.7	14.7	..
Pacific	8.4	8.6	8.8	8.9	8.4	8.7	8.7	8.5	8.5	8.6	8.5	8.6	8.5	8.4	8.1	7.6	7.4	..
Non-OECD	24.2	25.1	26.0	27.0	27.5	28.2	28.9	29.5	30.3	31.2	33.4	34.4	35.7	37.3	38.7	39.2	40.6	..
Total	68.7	70.1	72.0	73.8	74.4	76.1	76.8	77.5	78.2	79.9	82.8	84.2	85.3	86.5	86.3	84.6	86.0	..
Supply																		
OECD	20.8	21.1	21.7	22.1	21.9	21.5	21.9	21.8	21.9	21.6	21.3	20.4	20.1	19.9	19.3	19.1	18.9	..
OPEC total	24.2	24.9	25.5	26.9	27.8	26.4	27.8	27.1	25.6	27.4	29.5	30.6	30.7	30.3	35.9	..	..	..
Former USSR	7.3	7.1	7.1	7.2	7.3	7.4	8.0	8.6	9.5	10.4	11.4	11.8	12.2	12.8	12.8	13.1	13.5	..
Other non-OECD	16.7	17.5	18.2	18.6	19.0	19.3	19.6	19.8	20.3	20.6	21.4	22.0	22.5	22.7	18.5	..	..	..
Total	69.0	70.7	72.6	74.9	76.0	74.6	77.2	77.4	77.2	80.0	83.5	84.7	85.6	85.7	86.5	..	..	..
Trade																		
OECD net imports	23.9	23.5	24.3	25.0	25.4	25.7	26.2	26.5	25.8	27.3	28.4	29.7	29.7	29.1	28.6	26.6	26.6	..
Former USSR net exports	2.7	2.8	3.2	3.4	3.5	3.7	4.2	4.8	5.7	6.5	7.5	7.9	8.2	8.6	8.5	9.1	9.4	..
Other non-OECD net exports	21.2	20.7	21.1	21.7	21.9	22.0	22.0	21.7	20.2	20.8	20.9	21.8	21.5	20.5	20.1	17.4	17.2	..
Prices²																		
cif, \$ per bl																		
Brent crude oil price	15.8	17.0	20.7	19.1	12.7	17.9	28.4	24.5	25.0	28.8	38.2	54.4	65.1	72.5	97.0	61.6	77.0	77.0
Prices of other primary commodities²																		
\$ indices																		
Food and tropical beverages	115	120	126	126	106	86	80	75	84	91	101	100	111	140	188	159	156	156
Agricultural raw materials	104	122	102	98	84	82	87	74	74	90	99	100	112	135	130	106	120	120
Minerals, ores and metals	62	74	64	66	55	53	60	54	53	60	82	100	148	167	174	121	138	138
Total ³	103	112	116	112	93	80	80	74	80	90	103	100	116	147	184	145	145	145

1. Based on data published in various issues of International Energy Agency, Oil Market Report.

2. Indices through 2008 are based on data compiled by the International Energy Agency for oil and by the Hamburg Institute of International Economics for the prices of other primary commodities; OECD estimates and projections for 2009 to 2011.

3. OECD calculations. The total price index for non-energy primary commodities is a weighted average of the individual HWWI non-oil commodities indices with the weights based on the commodities' share in total non-energy commodities world trade.

Source: OECD Economic Outlook 86 database.

Annex Table 20. Employment rates, participation rates and labour force

	Employment rates						Labour force participation rates						Labour force					
	Average 1988-90	Average 1998-00	2008	2009	2010	2011	Average 1988-90	Average 1998-00	2008	2009	2010	2011	Average 1988-97	Average 1998-07	2008	2009	2010	2011
	<i>Per cent</i>						<i>Per cent</i>						<i>Percentage change</i>					
Australia	68.8	69.7	74.6	73.4	72.3	72.3	73.5	74.9	77.9	77.8	77.1	77.1	1.6	1.9	1.9	1.7	0.8	1.5
Austria	69.5	71.8	74.5	74.3	73.5	73.3	72.7	75.9	78.4	78.9	79.1	79.1	0.9	0.8	1.8	1.0	0.8	0.5
Belgium	58.3	61.0	64.2	63.4	62.2	61.8	63.1	66.5	69.0	68.8	68.3	68.0	0.4	0.9	1.4	0.6	0.0	0.4
Canada	71.4	71.0	75.5	73.5	73.2	73.7	77.4	76.8	80.4	80.1	80.2	80.2	1.0	1.8	1.7	0.7	1.2	1.1
Czech Republic	..	66.3	67.2	65.7	64.2	64.0	..	72.1	70.3	70.6	70.1	69.4	..	0.1	0.6	0.9	-0.3	-0.7
Denmark	77.0	77.1	80.8	78.2	76.6	77.0	82.4	80.9	83.5	83.1	82.2	82.1	0.0	0.6	0.5	-0.2	-0.7	0.1
Finland	73.0	65.9	71.3	69.0	67.3	67.8	76.5	73.6	76.2	75.2	74.5	75.1	-0.3	0.7	1.1	-1.0	-1.3	0.2
France	61.8	62.0	64.0	63.1	62.6	62.4	67.4	68.6	69.1	69.5	69.5	69.5	0.4	0.7	0.7	1.4	0.6	0.5
Germany	68.2	68.8	74.2	74.4	73.4	73.2	71.9	74.9	80.0	80.5	80.8	81.1	0.8	0.4	0.2	0.2	0.2	0.3
Greece	55.8	57.5	63.0	62.4	61.6	61.8	60.5	65.0	68.3	68.8	68.8	69.0	0.9	0.9	0.4	0.6	0.3	0.3
Hungary	..	53.6	55.6	54.5	54.5	55.1	..	57.7	60.4	60.5	60.7	60.7	..	0.7	-0.7	0.2	0.1	0.0
Iceland	84.7	84.6	82.5	78.5	79.2	80.2	86.5	86.6	85.0	84.6	85.1	85.7	0.5	2.0	1.4	-1.2	0.8	1.1
Ireland	53.9	64.6	69.4	63.0	59.5	58.4	63.4	68.6	73.8	71.5	69.2	67.7	1.7	3.3	1.0	-2.0	-2.2	-1.0
Italy	54.3	52.9	59.1	58.5	58.3	58.1	60.3	59.4	63.4	63.3	63.7	63.7	-0.3	0.8	1.5	-0.1	0.6	0.0
Japan	71.6	74.7	77.6	76.8	76.5	76.8	73.3	78.2	80.8	81.1	81.0	81.2	1.1	-0.2	-0.3	-0.5	-0.5	-0.1
Korea	60.1	61.2	67.1	66.3	66.4	66.8	61.6	65.1	69.3	68.9	68.9	69.2	2.6	1.4	0.5	0.1	0.7	1.1
Luxembourg	60.8	62.1	65.4	64.9	63.7	63.5	61.7	63.9	68.3	68.9	68.6	68.6	1.1	2.3	3.1	2.3	0.3	0.9
Mexico	..	62.4	62.7	..	..	..	..	64.3	65.0	..	..	..	..	1.7	2.4	1.1	1.1	2.0
Netherlands	63.5	73.8	78.7	77.8	76.4	76.1	68.2	76.6	81.0	80.8	80.6	80.6	1.7	1.0	1.0	-0.1	-0.1	0.1
New Zealand	70.4	70.4	77.0	..	..	..	75.7	75.7	80.3	..	..	..	1.3	2.0	1.2	0.9	0.0	0.1
Norway	75.4	78.2	79.9	78.4	77.7	78.2	78.9	80.9	82.0	81.1	80.6	81.1	0.5	0.9	3.4	0.1	0.0	1.0
Poland	..	57.1	58.3	58.2	57.3	57.2	..	66.1	62.7	63.6	63.4	63.3	..	-0.2	0.9	1.6	0.0	0.0
Portugal	67.2	71.0	72.3	70.5	69.6	69.7	71.0	74.3	78.3	77.6	77.4	77.3	1.0	1.1	0.2	-0.7	-0.2	0.0
Slovak Republic	..	58.0	62.2	60.6	59.8	60.0	..	69.0	68.8	68.5	68.6	68.6	..	0.6	1.6	0.0	0.2	0.0
Spain	50.7	55.4	65.8	61.1	60.0	60.0	58.4	63.3	74.2	74.6	74.3	74.1	1.2	3.4	3.0	0.9	-0.3	-0.3
Sweden	83.1	73.3	75.9	..	..	..	84.9	80.0	80.9	..	..	..	-0.1	0.8	1.2	-0.2	-0.3	0.3
Switzerland	80.8	81.0	82.2	81.1	79.9	79.6	81.2	83.5	85.2	84.8	84.0	83.7	1.1	1.0	1.6	0.6	-0.2	0.2
Turkey	53.2	49.1	45.3	44.0	43.6	43.7	58.3	53.0	50.8	51.6	51.4	51.4	1.8	0.9	2.9	3.2	1.5	1.6
United Kingdom	71.2	71.2	72.3	70.4	68.6	67.9	77.0	75.6	76.6	76.5	75.6	75.0	0.0	0.9	1.1	0.4	-0.9	-0.4
United States	71.8	72.7	71.2	..	..	..	75.9	75.9	75.6	..	..	..	1.3	1.2	0.8	0.0	0.3	0.8
Euro area	60.5	62.3	67.4	66.2	65.3	65.2	65.8	68.6	72.9	73.0	73.1	73.1	0.8	1.1	1.1	0.4	0.2	0.2
Total OECD	61.7	66.5	68.2	66.4	65.6	65.6	65.6	71.0	72.5	72.3	72.1	72.1	1.1	1.0	1.0	0.4	0.2	0.6

Note: Employment rates are calculated as the ratio of total employment to the population of working age. The working age population concept used here and for the labour force participation rate is defined as all persons of the age 15 to 64 years (16 to 64 years for Spain). This definition does not correspond to the commonly-used working age population concepts for Mexico (15 years and above), the United States and New Zealand (16 years and above) and Sweden (15-74). Hence for these countries no projections are available. For information about sources and definitions, see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/754885013635>

Annex Table 21. **Potential GDP, employment and capital stock**

Percentage change from previous period

	Potential GDP						Employment						Capital stock ¹					
	Average 1988-97	Average 1998-07	2008	2009	2010	2011	Average 1988-97	Average 1998-07	2008	2009	2010	2011	Average 1988-97	Average 1998-07	2008	2009	2010	2011
Australia	3.2	3.5	4.0	3.7	3.2	3.2	1.5	2.3	2.0	0.2	0.1	1.5	2.9	5.4	6.9	5.2	4.7	4.7
Austria	2.4	2.3	2.2	1.8	1.7	1.8	0.8	0.8	2.2	0.0	-0.6	0.3	2.8	2.5	1.2	0.4	0.4	0.7
Belgium	2.2	2.0	2.5	2.4	2.1	1.7	0.4	1.1	1.9	-0.4	-1.1	0.1	3.3	2.8	4.0	3.0	2.5	2.7
Canada	2.5	2.9	2.2	1.8	1.7	1.9	0.8	2.1	1.5	-1.6	0.8	1.8	4.6	4.9	4.7	2.5	2.8	3.0
Czech Republic	..	3.3	3.8	3.2	3.4	3.7	..	0.2	1.6	-1.8	-1.8	-0.1	..	..	..	..	..	..
Denmark	2.1	1.7	1.6	1.1	0.6	0.7	0.1	0.7	0.9	-2.9	-1.8	0.9	3.4	3.8	3.2	1.7	1.3	1.5
Finland	1.8	3.1	3.4	2.2	0.7	0.8	-1.3	1.3	1.6	-3.0	-2.8	0.2	2.4	2.4	2.4	-2.0	-2.5	-1.6
France	1.9	2.0	1.7	1.8	1.5	1.4	0.2	1.0	1.4	-0.5	-0.3	0.3	2.7	3.5	3.5	2.2	2.1	2.3
Germany	2.2	1.2	1.2	0.9	0.8	0.8	0.5	0.5	1.4	-0.1	-1.5	-0.4	2.8	2.0	2.1	0.4	0.6	0.7
Greece	1.9	3.9	4.0	3.0	2.1	2.3	0.6	1.3	1.1	-1.2	-0.9	0.3	2.6	5.3	4.7	2.0	0.9	1.5
Hungary	..	3.4	1.7	1.4	2.0	2.4	..	0.7	-1.2	-2.0	-0.2	1.0	..	..	..	..	..	..
Iceland	1.7	4.4	3.4	-0.2	0.6	1.1	0.2	2.0	0.7	-5.4	1.0	1.8	..	..	..	..	..	..
Ireland	5.9	6.1	2.1	-0.9	-1.7	-0.8	2.5	3.7	-0.5	-8.2	-4.5	-0.7	2.8	7.1	3.8	-1.2	-2.9	-2.4
Italy	1.9	1.2	1.1	0.4	0.2	0.4	-0.4	1.4	0.8	-0.9	-0.4	-0.3	3.0	3.1	2.1	0.2	0.2	0.6
Japan	2.4	0.9	0.5	0.2	0.5	0.8	1.0	-0.2	-0.4	-1.8	-0.9	0.0	4.4	1.8	0.3	-1.2	-1.1	-0.6
Korea	..	..	..	..	..	..	2.6	1.8	0.6	-0.5	0.9	1.3	..	..	..	..	..	..
Luxembourg	5.2	4.3	3.7	2.5	1.7	2.3	0.9	2.1	3.2	0.6	-0.9	0.5	..	..	..	..	..	..
Mexico	..	2.7	2.0	2.2	2.2	2.4	..	1.8	2.3	-1.2	0.5	2.4	..	..	..	..	..	..
Netherlands	2.9	2.3	2.3	1.8	1.2	1.3	2.0	1.2	1.4	-1.0	-1.6	-0.3	3.1	2.9	3.4	1.5	1.3	1.4
New Zealand	2.3	3.2	2.0	1.4	1.3	1.5	1.2	2.5	0.6	-1.1	-1.1	0.6	3.4	5.0	3.2	1.3	2.1	3.0
Norway	2.3	3.1	4.1	2.7	2.1	2.2	0.4	0.9	3.3	-0.6	-0.4	1.2	0.2	0.3	1.4	-0.3	-0.3	0.8
Poland	..	3.7	5.1	4.8	3.9	3.2	..	-0.1	3.7	0.3	-1.4	0.0	..	..	..	..	..	..
Portugal	3.2	1.8	0.9	0.5	0.3	0.4	0.9	0.7	0.6	-2.4	-1.2	0.2	3.8	3.4	1.3	0.0	0.1	0.3
Slovak Republic	..	4.6	4.8	4.8	5.1	4.0	..	0.8	3.2	-2.3	-1.1	0.2	..	..	..	..	..	..
Spain	2.9	3.6	2.3	0.8	0.5	0.8	1.0	4.2	-0.5	-6.8	-1.8	0.2	5.0	5.8	4.3	2.0	3.0	1.2
Sweden	1.8	2.8	3.0	2.2	1.3	1.1	-1.2	1.2	1.2	-2.3	-2.6	0.4	3.5	3.9	4.4	1.2	0.4	0.8
Switzerland	1.5	1.8	2.6	2.4	2.1	2.0	0.7	0.9	1.7	-0.2	-0.8	0.3	3.8	3.0	3.2	2.4	2.2	2.2
Turkey	..	..	..	..	..	..	1.9	0.6	2.1	-1.3	0.8	1.8	..	..	..	..	..	..
United Kingdom	2.4	2.7	2.3	1.7	1.2	1.4	0.2	1.0	0.8	-2.1	-2.3	-0.6	4.4	4.7	4.4	2.1	1.4	1.6
United States	3.1	2.8	2.3	1.7	1.4	1.6	1.3	1.2	-0.5	-3.6	-0.5	1.7	4.2	4.5	3.9	1.4	1.4	2.0
Euro area	2.2	2.0	1.7	1.2	0.9	1.0	0.6	1.4	1.0	-1.6	-1.1	-0.1	..	..	..	..	..	..
Total OECD	2.7	2.4	2.0	1.5	1.3	1.4	1.1	1.1	0.7	-2.0	-0.6	0.9	3.9	3.8	3.2	1.2	1.1	1.4

Note: Estimates of potential output are based on a production function approach outlined in Befy et al. (2006), "New OECD methods for supply-side and medium term assessments: a new capital services approach", *OECD Economics Department Working Papers*, No 482. Revisions to this method are discussed in Chapter 4 of *OECD Economic Outlook 85*, "Beyond the crisis: medium-term challenges relating to potential output, employment and fiscal positions".

1. Total economy less housing.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/755004645773>


Annex Table 22. Structural unemployment and unit labor costs

	Structural unemployment rate										Unit labour costs ¹									
	Average 1985-87	Average 1995-97	2005	2006	2007	2008	2009	2010	2011	Average 1985-94	Average 1995-04	2005	2006	2007	2008	2009	2010	2011		
	<i>Per cent</i>										<i>Percentage change</i>									
Australia	7.5	7.6	5.3	5.2	5.1	5.1	5.1	5.2	5.3	4.1	2.0	4.7	4.5	3.8	5.2	1.4	1.5	1.7		
Austria	3.6	5.0	5.2	5.2	5.2	5.2	5.3	5.4	5.5	3.3	0.0	0.7	1.3	1.6	3.3	5.9	-0.2	-0.6		
Belgium	7.8	8.2	8.0	8.0	7.9	7.9	7.9	8.0	8.2	2.7	1.4	1.5	1.8	2.9	4.3	3.0	-1.4	-0.1		
Canada	8.9	8.4	6.8	6.6	6.5	6.5	6.6	6.6	6.7	2.9	1.7	2.7	4.0	3.0	4.4	2.5	-0.1	0.7		
Czech Republic	..	..	..	..	..	..	..	..	..	..	5.1	0.5	0.9	3.1	5.1	3.8	-1.7	0.9
Denmark	6.2	6.1	4.6	4.5	4.4	4.3	4.3	4.4	4.4	2.8	2.4	2.4	2.4	4.1	7.1	5.5	-0.8	1.8		
Finland	4.6	11.9	7.9	7.8	7.5	7.4	7.4	7.6	7.8	3.1	1.2	2.3	-0.3	1.7	5.7	6.7	-1.7	-0.2		
France	8.3	9.9	8.6	8.5	8.3	8.2	8.2	8.4	8.5	2.2	1.5	1.7	1.8	1.9	2.9	2.5	-0.7	0.0		
Germany	6.1	7.7	8.7	8.6	8.4	8.2	8.2	8.2	8.5	2.6	0.1	-1.5	-1.7	0.1	2.7	4.3	-2.4	-1.2		
Greece	6.2	8.6	9.3	9.1	8.9	8.9	9.1	9.4	9.5	15.0	5.4	2.7	1.4	4.0	3.8	4.9	3.6	3.0		
Hungary	..	..	..	..	..	..	..	..	..	..	10.7	4.3	2.6	6.0	4.8	6.3	1.4	2.8
Iceland	1.5	4.1	2.8	2.8	2.8	2.8	3.0	3.2	3.3	13.6	5.1	4.7	12.4	6.1	6.9	3.9	4.5	2.5		
Ireland	15.3	10.9	4.8	4.7	4.7	4.9	6.0	7.3	7.9	2.3	2.6	5.7	4.3	1.3	5.2	-2.9	-3.5	-1.1		
Italy	8.2	9.6	6.9	6.6	6.3	6.4	6.7	7.0	7.2	5.1	2.5	3.9	2.5	2.2	4.8	5.2	-0.5	0.0		
Japan	2.6	3.4	4.2	4.1	4.1	4.1	4.1	4.2	4.2	1.5	-1.6	-1.1	0.0	-1.9	1.4	1.3	-2.3	-1.2		
Korea	..	..	..	..	..	..	..	..	..	9.1	2.7	3.2	0.7	1.7	2.7	3.0	1.5	3.5
Luxembourg	..	..	..	..	..	..	..	..	..	2.5	2.0	2.3	1.7	1.8	7.1	5.6	-0.6	-0.1
Mexico	..	..	..	..	..	..	..	..	..	42.5	12.8	4.1	2.8	2.4	5.3	10.7	-1.6	2.1
Netherlands	7.2	5.5	3.7	3.6	3.6	3.5	3.6	3.8	4.0	1.3	2.6	-0.6	0.7	2.2	3.2	6.3	0.0	-0.5		
New Zealand	4.9	6.9	4.3	4.1	4.0	4.0	4.1	4.3	4.3	1.5	2.1	4.3	5.0	2.7	5.5	4.0	0.4	0.4		
Norway	3.0	4.4	3.8	3.6	3.3	3.3	3.3	3.4	3.4	3.2	3.1	3.1	6.7	7.0	6.7	4.8	2.5	2.4		
Poland	..	12.7	18.0	16.9	14.7	12.3	10.6	9.9	10.1	..	6.1	1.6	0.6	4.0	7.6	4.1	-1.1	0.2		
Portugal	7.0	6.2	6.7	6.8	6.9	6.9	7.0	7.3	7.5	11.1	3.6	3.9	1.8	1.3	4.2	3.7	-1.1	0.0		
Slovak Republic	..	..	..	..	..	..	..	..	..	..	4.7	3.5	1.5	0.4	4.5	4.6	-3.2	0.5
Spain	12.8	13.8	9.7	9.1	8.9	9.5	11.1	12.6	13.1	7.3	3.2	3.7	3.7	4.1	4.4	1.4	0.7	0.3		
Sweden	4.1	7.9	7.3	7.2	7.2	7.1	7.0	7.1	7.2	5.1	1.9	0.1	-0.7	4.7	3.2	4.1	-3.4	-0.2		
Switzerland	1.1	3.1	3.7	3.7	3.7	3.7	3.7	3.8	4.0	3.4	0.5	1.1	0.6	1.6	3.0	3.7	-0.7	-1.0		
Turkey	..	..	..	..	..	..	..	..	..	66.6	53.3	5.6	9.1	8.2	12.5	11.3	2.4	2.0
United Kingdom	10.0	7.8	5.3	5.3	5.3	5.4	5.5	5.7	5.9	4.7	2.8	2.6	1.6	2.8	2.6	3.9	-2.1	-2.0		
United States	6.6	5.6	5.0	5.0	4.9	4.9	5.0	5.1	5.1	2.7	2.0	2.1	3.1	3.0	1.8	-1.1	-0.1	1.5		
Euro area	7.9	9.0	8.0	7.8	7.6	7.6	8.0	8.3	8.6	0.8	1.4	1.2	1.0	1.7	3.6	3.8	-0.9	-0.3		
Total OECD	6.2	6.7	6.1	6.0	5.9	5.8	5.9	6.1	6.2	7.4	3.2	1.8	2.1	2.2	3.1	2.1	-0.6	0.6		

Note: The structural unemployment rate corresponds to "NAIRU" and is estimated on the basis of the methods outlined in Richardson et al (2000). "The concept, policy use and measurement of structural unemployment", *OECD Economics Department Working Papers*, No 250. The most recent updates of the OECD's estimates are described in Gianella et al (2008) "What drives the NAIRU? Evidence from a panel of OECD countries", *OECD Economics Department Working Papers*, No. 649. Details on the methods used to project the NAIRUs can be found in the technical note "Adjustments to the OECD method of projecting the NAIRU" (<http://www.oecd.org/dataoecd/56/9/43098869.pdf>). For more information about sources and definitions, see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Total economy.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/755036237735>

Annex Table 23. **Household saving rates**
Per cent of disposable household income

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net savings																				
Australia	5.1	5.3	6.9	6.4	7.0	4.5	1.8	1.9	1.8	2.0	-2.3	-3.1	-2.5	-0.8	1.4	2.1	2.1	2.5	0.8	1.0
Austria	11.8	12.1	12.1	11.8	9.3	7.7	8.5	9.8	9.2	8.0	8.0	9.1	9.3	9.7	10.8	11.3	12.0	14.2	14.7	14.5
Belgium	13.9	15.1	14.8	16.4	14.3	13.2	12.7	13.1	12.3	13.7	12.9	12.2	10.8	10.0	10.9	11.2	11.5	12.7	12.2	12.0
Canada	13.0	11.9	9.5	9.2	7.0	4.9	4.9	4.0	4.7	5.2	3.5	2.6	3.2	2.1	3.5	2.5	3.7	4.3	3.3	3.0
Czech Republic	..	6.4	1.2	10.0	6.1	6.0	4.1	3.4	3.3	2.2	3.0	2.4	0.5	3.2	4.8	6.3	5.8	4.1	4.4	3.8
Denmark	1.7	2.4	-1.6	1.3	0.9	-1.6	0.0	-3.3	-1.9	3.7	4.1	4.1	0.7	-1.5	0.4	-1.0	-0.3	8.1	9.0	8.1
Finland	10.2	7.8	1.3	4.1	0.3	1.5	0.4	1.7	-1.7	-0.7	0.2	1.2	2.3	0.3	-1.8	-1.6	-0.9	4.9	5.3	4.3
France	11.4	12.3	11.6	12.8	11.9	12.8	12.4	12.1	11.9	12.7	13.9	12.6	12.6	11.7	11.6	12.2	11.8	13.5	13.7	13.7
Germany	12.7	12.1	11.4	11.0	10.5	10.1	10.1	9.5	9.2	9.4	9.9	10.3	10.4	10.5	10.5	10.8	11.2	11.7	12.3	12.2
Hungary	..	..	..	14.4	15.6	14.2	13.5	9.9	8.9	8.5	6.4	4.3	6.8	6.1	7.5	4.6	3.0	2.9	3.8	4.3
Ireland	..	..	..	..	..	..	..	..	..	..	5.4	5.4	8.3	5.6	3.8	2.7	6.4	12.3	11.3	10.1
Italy	20.2	19.5	18.1	17.0	17.9	15.1	11.4	10.2	8.4	10.5	11.2	10.3	10.2	9.9	9.1	8.2	8.6	10.7	10.5	10.5
Japan	14.6	14.2	13.3	12.6	10.5	10.3	11.3	10.0	8.6	5.0	4.9	3.9	3.5	3.9	3.8	3.3	2.7	2.8	2.6	3.6
Korea	23.1	21.3	19.9	16.0	16.3	14.5	23.2	15.9	9.3	5.2	0.4	5.2	9.2	7.2	5.2	2.9	2.8	3.9	3.0	3.2
Netherlands	16.1	14.1	13.9	14.0	12.4	13.0	12.0	8.9	6.7	9.5	8.4	7.5	7.3	6.3	6.0	8.1	6.8	10.1	10.0	9.9
Norway	5.3	6.4	5.4	4.8	2.6	3.0	5.7	4.7	4.3	3.1	8.2	8.9	7.2	10.1	0.1	0.4	2.0	3.3	2.0	2.0
Poland	..	..	..	14.6	11.7	11.7	12.1	11.0	10.2	12.0	8.2	7.6	7.7	7.4	6.2	6.5	7.4	7.9	8.3	7.2
Slovak Republic	..	..	..	5.4	8.4	8.8	7.5	6.8	6.7	4.1	4.0	1.6	0.5	1.6	1.1	3.2	3.3	4.7	6.1	6.0
Sweden	9.7	11.2	9.8	9.5	7.3	4.9	4.0	3.6	4.8	9.3	9.1	9.0	7.7	6.8	7.8	9.1	12.1	14.5	14.3	12.9
Switzerland	13.1	13.0	12.4	12.7	10.9	10.7	10.7	10.8	11.7	11.9	10.7	9.4	9.0	10.1	11.4	12.7	13.3	14.3	13.0	12.7
United States	7.3	5.8	5.2	5.2	4.9	4.6	5.3	3.1	2.9	2.7	3.5	3.5	3.4	1.4	2.4	1.7	2.7	3.9	4.0	4.0
Gross savings																				
Portugal	..	..	..	13.1	11.9	10.8	10.5	9.8	10.2	10.9	10.6	10.5	9.7	9.2	8.1	6.1	6.4	9.6	8.9	8.8
Spain	13.2	15.5	13.1	17.5	17.4	16.0	14.4	12.7	11.1	11.1	11.4	12.0	11.3	11.3	11.1	10.0	13.4	17.8	17.9	17.9
United Kingdom	11.7	10.8	9.3	10.3	9.4	9.6	7.4	5.2	4.7	6.0	4.8	5.1	3.7	3.9	2.9	2.2	1.7	5.3	5.8	5.5

Note: The adoption of new national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. See table "National Accounts Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>). Countries differ in the way household disposable income is reported (in particular whether private pension benefits less pension contributions are included in disposable income or not), but the calculation of household saving is adjusted for this difference. Most countries report household saving on a net basis (i.e. excluding consumption of fixed capital by households and unincorporated businesses). In most countries household saving includes saving by non-profit institutions (in some cases referred to as personal saving). Other countries (Czech Republic, Finland, France and Japan) report saving of households only.

Source: OECD Economic Outlook 86 database.

Annex Table 24. **Gross national saving**
Per cent of nominal GDP

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	22.8	18.6	16.2	18.0	19.6	18.5	18.7	19.9	20.1	19.4	20.3	19.7	20.4	20.1	20.7	20.1	21.6	21.8	22.5	..
Austria	23.5	23.8	23.5	22.7	21.9	21.8	22.2	22.1	22.7	23.3	23.1	23.6	23.0	24.8	24.5	25.0	24.7	25.4	26.1	26.4
Belgium	23.3	23.6	22.7	23.2	24.3	25.5	25.4	24.5	25.9	25.6	26.3	26.0	24.6	24.2	23.6	24.0	23.7	24.6	25.0	22.4
Canada	19.8	17.3	14.7	13.4	14.0	16.2	18.3	18.8	19.6	19.1	20.7	23.6	22.2	21.2	21.4	23.0	23.8	24.4	23.7	..
Czech Republic	..	..	..	28.6	28.7	28.4	29.0	27.0	24.4	26.3	24.6	24.8	24.2	22.4	20.7	22.0	23.9	24.3	25.0	21.8
Denmark	19.1	20.3	19.5	20.0	19.1	19.3	20.4	20.5	21.4	20.7	21.7	22.6	23.5	22.9	23.1	23.4	25.2	25.2	23.6	24.1
Finland	25.8	24.0	16.5	13.9	15.0	18.2	21.9	20.9	24.2	25.4	26.8	28.7	29.3	28.2	25.0	26.4	25.4	26.6	27.1	24.6
France	20.7	20.8	20.2	19.6	18.3	18.7	19.1	18.7	19.9	21.0	21.8	21.6	21.3	19.8	19.1	19.0	18.5	19.3	19.9	18.9
Germany	25.7	25.3	22.6	22.3	21.2	20.9	21.0	20.5	20.7	20.9	20.3	20.2	19.5	19.4	19.5	22.0	22.1	24.3	26.3	25.8
Greece	11.0	10.7	10.7	10.9	10.9	11.0	11.3	11.4	11.2	11.3	11.3	11.3	11.8	9.6	12.2	12.4	9.3	8.9	7.6	7.1
Iceland	17.5	16.9	16.0	15.7	17.6	17.9	17.1	17.2	17.9	17.4	15.0	13.1	17.0	19.7	15.0	13.6	12.2	9.8	12.4	-10.5
Ireland	14.8	17.8	17.4	15.4	17.5	17.8	20.4	21.7	23.4	25.0	23.9	23.9	21.9	20.7	23.1	23.6	23.6	24.6	21.6	16.9
Italy	21.1	20.8	20.0	19.1	19.7	19.9	22.0	22.2	22.2	21.6	21.1	20.6	20.9	20.8	19.8	20.3	19.5	19.6	20.0	18.2
Japan	33.0	33.2	33.9	33.2	31.9	30.1	29.3	29.7	29.8	28.8	27.2	27.5	25.8	25.2	25.4	25.8	26.8	26.9	27.0	..
Korea	37.1	37.1	37.1	36.3	36.2	35.7	35.5	34.6	34.7	36.5	34.3	32.9	31.0	30.4	31.8	34.0	32.0	30.8	30.8	30.9
Mexico	23.3	23.7	21.5	18.6	16.5	16.0	21.1	25.7	28.2	23.3	23.6	23.8	20.1	20.9	21.7	23.8	23.5	25.7	25.1	..
Netherlands	27.1	26.0	25.6	24.8	25.0	26.1	27.2	26.7	28.1	25.2	27.1	28.4	26.7	25.8	25.4	27.6	26.5	29.0	28.2	24.7
New Zealand	18.3	16.8	13.8	14.6	17.2	18.0	17.9	16.9	16.5	16.1	15.9	17.1	19.2	18.8	18.8	18.0	15.9	15.2	15.8	..
Norway	25.6	25.2	24.0	23.1	23.3	24.2	25.9	27.9	29.6	26.3	28.5	35.4	35.1	31.5	30.5	32.7	37.4	39.2	39.0	42.0
Poland	..	..	4.0	4.0	4.2	5.6	6.0	5.7	6.4	7.7	6.6	6.1	4.8	2.9	3.3	2.8	5.1	5.3	7.1	..
Portugal	26.8	25.4	22.5	21.5	19.0	18.2	20.2	19.5	19.3	19.8	18.9	17.0	16.7	16.7	16.4	15.3	12.8	11.7	12.4	10.2
Slovak Republic	..	..	..	..	23.8	26.4	26.8	24.6	25.1	24.2	24.1	23.5	22.4	21.7	18.3	19.7	20.2	20.4	22.8	22.0
Spain	22.2	22.2	21.6	20.0	20.0	19.5	21.7	21.5	22.2	22.4	22.4	22.3	22.0	22.9	23.4	22.4	22.0	21.9	21.1	20.0
Sweden	26.2	24.2	20.3	16.6	14.3	17.8	20.9	20.4	20.7	21.5	21.8	22.8	22.6	22.3	23.4	23.1	23.4	26.8	28.7	28.0
Switzerland	..	33.1	31.1	28.6	29.7	29.3	29.6	28.8	30.8	32.0	32.9	34.7	31.4	29.0	33.1	32.9	36.0	35.5	31.2	..
United Kingdom	17.3	16.4	15.4	14.3	14.0	15.7	15.9	16.1	17.1	18.0	15.7	15.0	15.4	15.3	15.1	15.0	14.6	14.2	15.5	15.1
United States	16.0	14.9	15.0	13.9	13.7	14.9	16.0	16.7	18.0	18.5	17.9	17.8	16.2	14.3	13.5	14.1	14.6	15.8	14.0	12.1

Note: Based on SNA93 or ESA95.

Source: National accounts of OECD countries database.

Annex Table 25. **General government total outlays**

Per cent of nominal GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	38.3	37.8	38.3	38.2	37.2	36.3	35.2	34.8	35.2	35.9	35.4	34.6	35.1	34.8	34.5	34.2	34.3	37.5	36.6	36.1
Austria	53.5	56.3	56.1	56.2	56.1	53.7	54.0	53.7	52.2	51.6	51.0	51.5	54.1	50.1	49.7	48.8	48.9	52.7	52.7	52.8
Belgium	53.8	54.9	52.6	52.1	52.6	51.2	50.4	50.2	49.2	49.2	49.8	51.1	49.5	52.2	48.5	48.4	50.1	54.0	54.1	54.0
Canada	53.3	52.2	49.7	48.5	46.6	44.3	44.8	42.7	41.1	42.0	41.2	41.2	39.9	39.3	39.4	39.1	39.7	43.6	43.5	42.9
Czech Republic	..	..	..	54.0	42.4	43.2	43.1	42.3	41.6	44.1	46.2	47.1	44.8	44.7	43.1	41.7	42.1	45.7	45.9	45.4
Denmark	57.0	60.1	60.0	59.1	58.7	56.4	56.0	55.1	53.3	53.9	54.2	54.7	54.3	52.5	51.3	50.7	51.5	57.7	59.2	58.4
Finland	61.9	64.6	63.7	61.4	59.8	56.3	52.6	51.6	48.3	47.9	49.0	50.1	50.2	50.3	48.6	47.4	49.0	56.2	58.4	58.1
France	52.0	55.0	54.2	54.4	54.5	54.1	52.7	52.6	51.6	51.6	52.6	53.2	53.3	53.4	52.7	52.3	52.7	55.5	55.4	54.8
Germany	47.3	48.3	47.9	54.8	49.3	48.3	48.1	48.2	45.1	47.5	48.0	48.4	47.3	46.9	45.3	43.6	43.8	47.7	48.4	47.6
Greece	44.2	46.5	44.7	45.7	44.1	45.0	44.4	44.4	46.7	45.3	45.1	44.7	45.4	43.8	42.9	44.4	48.3	51.3	49.9	50.1
Hungary	59.5	59.0	63.2	55.3	50.4	49.4	50.5	48.7	46.9	47.2	51.1	49.4	48.6	50.1	52.0	49.8	49.2	51.5	50.3	48.8
Iceland	40.5	40.4	39.9	42.7	42.2	40.7	41.3	42.0	41.9	42.6	44.3	45.6	44.1	42.2	41.7	42.5	57.8	55.9	52.1	49.2
Ireland	44.8	44.6	43.9	41.1	39.1	36.7	34.5	34.1	31.3	33.2	33.5	33.2	33.5	33.7	34.2	36.2	42.0	45.0	46.5	45.8
Italy	55.4	56.4	53.5	52.5	52.5	50.2	49.3	48.2	46.1	48.0	47.4	48.3	47.8	48.1	48.7	47.9	48.7	51.7	51.2	50.6
Japan	32.7	34.5	35.0	36.0	36.7	35.7	42.5	38.6	39.0	38.6	38.8	38.4	37.0	38.4	36.2	36.0	37.1	41.6	41.1	42.2
Korea	20.9	20.6	20.0	19.8	20.6	21.3	23.5	22.7	22.4	23.9	23.6	28.9	26.1	26.6	27.7	28.7	30.0	33.8	31.3	30.9
Luxembourg	40.0	39.8	39.0	39.7	41.1	40.7	41.0	39.2	37.6	38.1	41.5	41.8	42.5	41.5	38.3	36.2	37.7	43.2	43.2	41.8
Netherlands	55.7	55.7	53.5	56.4	49.4	47.5	46.7	46.0	44.2	45.4	46.2	47.1	46.1	44.8	45.5	45.5	45.9	50.3	51.6	51.1
New Zealand	49.4	45.5	43.1	42.2	41.1	41.7	41.5	41.2	39.2	38.6	37.6	38.5	38.0	39.1	40.1	40.2	41.1	42.4	43.3	43.7
Norway	55.7	54.6	53.7	50.9	48.5	46.9	49.2	47.7	42.3	44.2	47.1	48.3	45.6	42.3	40.6	41.0	40.0	44.4	44.7	44.1
Poland	..	..	..	47.7	51.0	46.4	44.3	42.7	41.1	43.8	44.2	44.6	42.6	43.4	43.9	42.2	43.3	43.8	44.0	42.1
Portugal	44.5	46.1	44.3	43.4	44.1	43.2	42.8	43.2	43.1	44.4	44.3	45.5	46.5	47.6	46.3	45.8	46.0	51.6	51.1	51.3
Slovak Republic	..	..	56.2	48.6	53.7	49.0	45.8	48.1	52.2	44.5	45.0	40.1	37.6	38.0	36.9	34.4	34.7	39.0	38.9	37.4
Spain	45.4	49.0	46.7	44.4	43.2	41.6	41.1	39.9	39.1	38.6	38.9	38.4	38.9	38.4	38.4	39.2	41.1	46.3	47.2	46.6
Sweden	69.8	70.9	68.4	65.3	62.9	60.7	58.5	60.2	57.0	61.2	55.8	56.0	54.4	54.0	52.9	51.3	51.8	56.2	56.0	55.2
Switzerland	34.2	35.1	35.2	35.0	35.3	35.5	35.8	34.3	35.1	34.8	36.2	36.4	35.9	35.3	33.5	32.2	32.0	33.9	34.2	34.0
United Kingdom	45.2	45.3	44.6	44.1	42.2	40.6	39.5	38.8	36.6	39.9	40.9	42.4	43.1	44.1	44.1	44.1	47.5	52.1	53.4	53.2
United States ¹	38.6	38.1	37.1	37.1	36.6	35.4	34.6	34.2	33.9	35.0	35.9	36.3	36.0	36.2	36.0	36.8	38.8	41.5	41.5	40.9
Euro area	50.6	52.3	51.0	53.2	50.7	49.4	48.6	48.2	46.3	47.3	47.6	48.0	47.6	47.4	46.6	46.0	46.9	50.7	51.0	50.4
Total OECD	42.3	42.8	41.9	42.7	41.6	40.4	40.6	39.7	38.7	39.8	40.3	40.8	40.2	40.5	39.9	39.9	41.4	44.8	44.8	44.4

Note: Data refer to the general government sector, which is a consolidation of accounts for the central, state and local governments plus social security. Total outlays are defined as current outlays plus capital outlays. For more details, see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. These data include outlays net of operating surpluses of public enterprises.

Source: OECD Economic Outlook 86 database.

Annex Table 26. **General government total tax and non-tax receipts**

Per cent of nominal GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	32.8	33.4	33.8	34.5	34.9	35.6	36.8	36.9	36.1	35.8	36.7	36.4	36.3	36.5	36.4	36.0	35.3	33.5	33.1	33.5
Austria	51.5	51.9	51.2	50.4	51.9	51.7	51.5	51.3	50.3	51.4	50.1	50.0	49.6	48.4	47.9	48.2	48.4	48.4	47.2	47.1
Belgium	45.6	47.4	47.4	47.6	48.5	49.0	49.4	49.5	49.1	49.5	49.7	50.9	49.1	49.3	48.7	48.2	48.9	48.2	48.4	48.8
Canada	44.2	43.5	43.0	43.2	43.8	44.5	44.9	44.3	44.1	42.6	41.1	41.1	40.7	40.8	41.0	40.7	39.8	38.8	38.3	38.4
Czech Republic	..	..	..	40.5	39.1	39.4	38.1	38.5	37.9	38.5	39.4	40.5	41.9	41.1	40.5	41.1	40.0	40.0	40.2	40.3
Denmark	54.5	56.3	56.7	56.2	56.7	55.9	56.0	56.5	55.5	55.0	54.5	54.6	56.1	57.5	56.3	55.1	55.0	55.3	53.8	54.4
Finland	56.5	56.3	56.9	55.2	56.3	55.0	54.2	53.2	55.2	52.9	53.1	52.6	52.4	52.9	52.5	52.6	53.4	53.9	53.6	52.9
France	47.4	48.5	48.7	48.9	50.4	50.8	50.1	50.8	50.1	50.0	49.4	49.1	49.6	50.5	50.3	49.6	49.3	47.3	46.7	46.8
Germany	44.8	45.3	45.6	45.1	46.0	45.7	45.9	46.7	46.4	44.7	44.4	44.4	43.5	43.6	43.7	43.8	43.8	44.5	43.1	42.9
Greece	33.3	34.6	36.5	36.7	37.4	39.1	40.6	41.3	43.0	40.9	40.3	39.0	38.0	38.5	39.7	40.4	40.6	38.7	40.1	40.1
Hungary	51.3	51.4	50.4	46.6	45.8	43.4	42.6	43.3	43.9	43.1	42.2	42.2	42.2	42.2	42.6	44.8	45.5	47.2	46.2	45.2
Iceland	37.7	35.9	35.3	39.8	40.6	40.7	40.9	43.2	43.6	41.9	41.7	42.8	44.1	47.1	48.0	47.9	44.3	40.2	42.0	43.4
Ireland	41.9	41.9	41.9	39.1	39.0	38.1	36.8	36.7	36.1	34.2	33.2	33.6	34.9	35.4	37.2	36.5	34.9	32.8	34.3	34.3
Italy	45.0	46.3	44.4	45.1	45.5	47.6	46.2	46.5	45.3	44.9	44.4	44.7	44.2	43.8	45.3	46.4	46.0	46.2	45.8	45.5
Japan	33.3	32.0	31.2	31.2	31.6	31.7	31.3	31.2	31.4	32.2	30.8	30.5	30.9	31.7	34.5	33.5	34.4	34.2	32.9	32.7
Korea	22.3	22.9	22.8	23.6	24.0	24.5	25.2	25.4	27.9	28.3	28.7	29.4	28.8	30.0	31.7	33.3	33.3	31.9	31.7	32.0
Luxembourg	39.8	41.2	41.4	42.1	42.3	44.3	44.4	42.6	43.6	44.2	43.6	42.2	41.5	41.5	39.7	39.9	40.2	40.8	38.9	38.2
Netherlands	51.5	52.9	50.0	47.2	47.5	46.3	45.8	46.4	46.1	45.1	44.1	43.9	44.3	44.5	46.1	45.7	46.6	45.9	45.7	45.7
New Zealand	46.4	45.3	46.0	45.0	43.9	43.2	41.9	41.2	41.1	40.4	41.4	42.5	42.1	44.2	46.1	45.2	44.2	41.2	40.0	39.8
Norway	53.9	53.2	54.0	54.2	54.8	54.5	52.5	53.7	57.7	57.5	56.3	55.5	56.7	57.3	59.1	58.7	58.8	54.0	54.6	54.9
Poland	..	..	..	43.3	46.1	41.8	40.1	40.4	38.1	38.6	39.2	38.4	36.9	39.4	40.2	40.3	39.6	37.4	36.2	35.3
Portugal	40.4	38.6	37.1	38.4	39.7	39.7	39.4	40.5	40.2	40.1	41.4	42.5	43.1	41.6	42.3	43.2	43.2	44.9	43.5	43.5
Slovak Republic	..	..	47.3	45.2	43.8	42.6	40.5	40.7	39.9	38.0	36.8	37.4	35.3	35.2	33.4	32.5	32.4	33.1	32.6	32.4
Spain	41.4	41.7	40.0	38.0	38.4	38.2	37.8	38.4	38.1	38.0	38.4	38.2	38.5	39.4	40.4	41.1	37.0	36.8	38.8	38.9
Sweden	60.9	59.8	59.4	58.0	59.6	59.0	59.7	61.4	60.7	62.9	54.3	54.8	55.0	56.0	55.3	55.1	54.3	54.2	52.9	53.2
Switzerland	31.1	31.6	32.4	33.0	33.5	32.7	33.8	33.8	35.2	34.7	35.0	34.6	34.2	34.6	34.3	33.9	33.6	33.1	33.0	32.7
United Kingdom	38.7	37.3	37.8	38.2	38.0	38.4	39.4	39.8	40.3	40.6	39.0	38.7	39.6	40.8	41.4	41.4	42.2	39.5	40.1	40.7
United States ¹	32.8	33.0	33.4	33.8	34.3	34.6	34.9	34.9	35.4	34.4	31.9	31.3	31.6	33.0	33.8	34.0	32.3	30.3	30.8	31.5
Euro area	45.8	46.5	46.0	45.6	46.4	46.7	46.2	46.7	46.2	45.4	45.0	44.9	44.6	44.8	45.3	45.4	44.9	44.6	44.2	44.2
Total OECD	37.7	37.8	37.7	37.9	38.5	38.6	38.7	38.8	39.0	38.4	37.0	36.8	36.8	37.7	38.6	38.6	37.9	36.7	36.6	36.8

Note: Data refer to the general government sector, which is a consolidation of accounts for central, state and local governments plus social security. Non-tax receipts consist of property income (including dividends and other transfers from public enterprises), fees, charges, sales, fines, capital transfers received by the general government, etc. For more details, see *OECD Economic Outlook* Sources and Methods (<http://www.oecd.org/eco/sources-and-methods>).

1. Excludes the operating surpluses of public enterprises.

Source: OECD Economic Outlook 86 database.

Annex Table 27. **General government financial balances**
Surplus (+) or deficit (-) as a per cent of nominal GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	-5.5	-4.4	-4.5	-3.7	-2.4	-0.7	1.6	2.0	0.9	-0.1	1.3	1.8	1.2	1.7	1.9	1.8	1.0	-4.0	-3.5	-2.6
Austria	-2.0	-4.4	-4.9	-5.9	-4.1	-2.0	-2.5	-2.4	-1.9	-0.2	-0.9	-1.6	-4.5	-1.7	-1.7	-0.7	-0.5	-4.3	-5.5	-5.8
Belgium	-8.2	-7.5	-5.2	-4.5	-4.0	-2.3	-1.0	-0.7	-0.1	0.4	-0.2	-0.2	-0.4	-2.8	0.2	-0.2	-1.2	-5.7	-5.6	-5.2
Canada	-9.1	-8.7	-6.7	-5.3	-2.8	0.2	0.1	1.6	2.9	0.7	-0.1	-0.1	0.9	1.5	1.6	1.6	0.1	-4.8	-5.2	-4.5
Czech Republic	..	..	..	-13.4	-3.3	-3.8	-5.0	-3.7	-3.7	-5.6	-6.8	-6.6	-2.9	-3.6	-2.6	-0.7	-2.0	-5.7	-5.6	-5.0
Denmark	-2.6	-3.8	-3.3	-2.9	-1.9	-0.5	0.0	1.4	2.3	1.2	0.2	-0.1	1.9	5.0	5.0	4.5	3.4	-2.5	-5.4	-4.0
Finland	-5.4	-8.3	-6.7	-6.2	-3.5	-1.3	1.6	1.6	6.9	5.0	4.1	2.4	2.2	2.6	3.9	5.2	4.4	-2.3	-4.8	-5.2
France	-4.5	-6.4	-5.5	-5.5	-4.0	-3.3	-2.6	-1.8	-1.5	-1.6	-3.2	-4.1	-3.6	-3.0	-2.3	-2.7	-3.4	-8.2	-8.6	-8.0
Germany	-2.5	-3.0	-2.3	-9.7	-3.3	-2.6	-2.2	-1.5	1.3	-2.8	-3.6	-4.0	-3.8	-3.3	-1.6	0.2	0.0	-3.2	-5.3	-4.6
Greece	-10.9	-11.9	-8.3	-9.1	-6.6	-5.9	-3.8	-3.1	-3.7	-4.4	-4.8	-5.7	-7.4	-5.3	-3.2	-4.0	-7.8	-12.7	-9.8	-10.0
Hungary	-8.2	-7.6	-12.8	-8.7	-4.6	-6.1	-7.9	-5.4	-3.0	-4.1	-8.9	-7.2	-6.4	-7.9	-9.4	-5.0	-3.7	-4.3	-4.1	-3.6
Iceland	-2.8	-4.5	-4.7	-3.0	-1.6	0.0	-0.4	1.1	1.7	-0.7	-2.6	-2.8	0.0	4.9	6.3	5.4	-13.6	-15.7	-10.1	-5.8
Ireland	-2.9	-2.7	-2.0	-2.0	-0.1	1.4	2.3	2.6	4.8	0.9	-0.3	0.4	1.4	1.7	3.0	0.2	-7.2	-12.2	-12.2	-11.6
Italy	-10.4	-10.1	-9.1	-7.4	-7.0	-2.7	-3.1	-1.8	-0.9	-3.1	-3.0	-3.5	-3.6	-4.4	-3.3	-1.5	-2.7	-5.5	-5.4	-5.1
Japan	0.6	-2.5	-3.8	-4.7	-5.1	-4.0	-11.2	-7.4	-7.6	-6.3	-8.0	-7.9	-6.2	-6.7	-1.6	-2.5	-2.7	-7.4	-8.2	-9.4
Korea	1.4	2.2	2.9	3.8	3.4	3.3	1.6	2.7	5.4	4.3	5.1	0.5	2.7	3.4	3.9	4.7	3.3	-1.8	0.4	1.1
Luxembourg	-0.2	1.5	2.5	2.4	1.2	3.7	3.4	3.4	6.0	6.1	2.1	0.5	-1.1	0.0	1.3	3.7	2.5	-2.3	-4.3	-3.6
Netherlands	-4.2	-2.8	-3.5	-9.2	-1.9	-1.2	-0.9	0.4	2.0	-0.3	-2.1	-3.2	-1.8	-0.3	0.5	0.2	0.7	-4.5	-5.9	-5.3
New Zealand	-3.0	-0.3	2.9	2.8	2.8	1.4	0.4	0.0	1.9	1.8	3.8	4.0	4.1	5.2	5.9	5.0	3.1	-1.2	-3.3	-3.9
Norway	-1.9	-1.4	0.3	3.2	6.3	7.6	3.3	6.0	15.4	13.3	9.2	7.3	11.1	15.1	18.5	17.7	18.8	9.6	9.9	10.8
Poland	..	..	..	-4.4	-4.9	-4.6	-4.3	-2.3	-3.0	-5.1	-5.0	-6.3	-5.7	-4.1	-3.6	-1.9	-3.7	-6.4	-7.8	-6.8
Portugal	-4.2	-7.5	-7.2	-5.0	-4.5	-3.5	-3.4	-2.8	-3.0	-4.3	-2.9	-3.0	-3.4	-6.1	-3.9	-2.7	-2.8	-6.7	-7.6	-7.8
Slovak Republic	..	..	-8.8	-3.4	-9.9	-6.3	-5.3	-7.4	-12.3	-6.5	-8.2	-2.8	-2.4	-2.8	-3.5	-1.9	-2.3	-5.9	-6.3	-5.0
Spain	-4.0	-7.3	-6.8	-6.5	-4.9	-3.4	-3.2	-1.4	-1.0	-0.7	-0.5	-0.2	-0.4	1.0	2.0	1.9	-4.1	-9.6	-8.5	-7.7
Sweden	-8.9	-11.2	-9.1	-7.3	-3.3	-1.6	1.2	1.2	3.7	1.7	-1.4	-1.2	0.6	2.0	2.4	3.8	2.5	-2.0	-3.0	-2.0
Switzerland	-3.1	-3.5	-2.8	-2.0	-1.8	-2.8	-1.9	-0.5	0.1	-0.1	-1.2	-1.7	-1.8	-0.7	0.8	1.6	1.6	-0.7	-1.3	-1.3
United Kingdom	-6.5	-8.0	-6.8	-5.8	-4.2	-2.2	-0.1	0.9	3.7	0.6	-2.0	-3.7	-3.6	-3.3	-2.7	-2.7	-5.3	-12.6	-13.3	-12.5
United States	-5.9	-5.1	-3.7	-3.3	-2.3	-0.9	0.3	0.7	1.5	-0.6	-4.0	-5.0	-4.4	-3.3	-2.2	-2.8	-6.5	-11.2	-10.7	-9.4
Euro area	-4.7	-5.8	-5.0	-7.6	-4.3	-2.7	-2.3	-1.4	-0.1	-1.9	-2.6	-3.1	-3.0	-2.6	-1.3	-0.6	-2.0	-6.1	-6.7	-6.2
Total OECD	-4.6	-5.0	-4.2	-4.8	-3.1	-1.7	-1.9	-0.8	0.2	-1.3	-3.3	-4.1	-3.4	-2.7	-1.3	-1.3	-3.5	-8.2	-8.3	-7.6
Memorandum items																				
General government financial balances excluding social security																				
United States	-6.7	-5.8	-4.5	-4.1	-3.2	-1.9	-0.9	-0.7	-0.1	-2.2	-5.5	-6.3	-5.8	-4.6	-3.6	-4.2	-7.7	-12.2	-11.6	-10.4
Japan	-1.9	-4.7	-5.8	-6.7	-6.9	-5.8	-12.5	-8.5	-8.2	-6.5	-7.9	-8.0	-6.6	-7.0	-1.7	-2.4	-2.3	-6.6	-7.1	-8.4

Note: Financial balances include one-off factors, such as those resulting from the sale of the mobile telephone licenses, but exclude financial transactions, such as public capital injections into private banks. As data are on a national accounts basis (SNA93/ESA95), the government financial balances may differ from the numbers reported to the European Commission under the Excessive Deficit Procedure for some EU countries. For more details, see footnotes to Annex Tables 25 and 26 and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Source: OECD Economic Outlook 86 database.

Annex Table 28. **General government cyclically-adjusted balances**

Surplus (+) or deficit (-) as a per cent of potential GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	-4.1	-3.4	-4.1	-3.5	-2.1	-0.4	1.6	1.7	0.4	-0.2	1.3	1.7	1.0	1.5	1.8	1.7	1.2	-2.5	-1.7	-0.9
Austria	-2.5	-3.9	-3.9	-5.0	-3.3	-1.2	-2.2	-2.8	-3.1	-0.5	-0.6	-0.7	-3.5	-1.0	-1.8	-1.4	-1.4	-3.2	-3.2	-3.4
Belgium	-8.6	-6.1	-4.1	-3.7	-2.8	-1.9	-0.4	-0.8	-1.2	-0.3	-0.1	0.3	-0.6	-3.2	-0.4	-1.1	-1.5	-3.0	-2.1	-1.7
Canada	-6.9	-6.5	-5.6	-4.6	-1.7	1.0	0.6	1.5	2.2	0.3	-0.4	-0.2	0.7	1.2	1.1	1.0	0.0	-3.2	-3.3	-3.1
Czech Republic	..	..	..	..	..	..	..	-2.8	-3.4	-5.2	-5.9	-5.7	-2.4	-3.9	-4.0	-2.8	-3.7	-4.3	-3.6	-2.8
Denmark	-1.2	-1.6	-2.2	-2.6	-1.9	-1.0	-0.5	1.0	1.3	0.2	0.1	0.5	2.4	4.9	4.0	3.1	2.8	0.2	-1.8	-1.1
Finland	-1.5	-3.4	-3.0	-3.5	-1.4	-0.5	1.6	1.4	6.3	4.7	4.4	3.1	2.5	2.7	3.2	4.2	4.1	1.2	-0.5	-1.5
France	-4.9	-5.7	-4.7	-5.0	-3.3	-2.5	-2.3	-1.9	-2.2	-2.4	-3.4	-3.9	-3.5	-3.0	-2.7	-3.5	-4.0	-6.7	-6.6	-6.1
Germany	-2.9	-2.2	-1.8	-9.4	-2.8	-2.1	-1.8	-1.2	-1.7	-3.3	-3.5	-3.3	-2.9	-2.5	-1.8	-0.8	-1.1	-2.1	-3.8	-3.6
Greece	-10.9	-10.5	-7.0	-7.8	-5.6	-5.1	-3.3	-2.4	-3.2	-4.5	-4.3	-6.0	-7.9	-5.2	-3.6	-4.5	-7.5	-10.4	-6.4	-6.3
Hungary	..	-7.4	-12.1	-7.4	-2.5	-4.1	-6.4	-4.2	-2.2	-3.4	-8.4	-6.9	-6.7	-8.5	-10.6	-5.8	-4.0	-1.3	0.6	0.8
Iceland	-1.0	-2.6	-3.7	-1.8	-1.1	-0.2	-1.1	0.4	1.2	-1.1	-2.3	-2.2	-0.3	3.5	5.3	4.5	-14.0	-13.1	-6.3	-2.4
Ireland	-2.2	-0.9	0.1	-0.9	0.6	1.2	1.8	1.6	3.4	-0.1	-1.3	-0.1	1.0	0.9	2.0	-1.4	-7.1	-8.9	-8.3	-8.4
Italy	-10.0	-8.3	-7.5	-6.6	-6.1	-2.0	-2.3	-0.9	-2.0	-3.5	-3.0	-3.0	-3.1	-4.0	-3.6	-2.2	-2.6	-2.8	-2.5	-2.7
Japan	-0.2	-2.7	-3.7	-4.6	-5.4	-4.5	-10.6	-6.4	-7.2	-5.6	-7.1	-7.1	-5.9	-6.8	-2.1	-3.5	-3.5	-6.3	-7.2	-8.9
Luxembourg	-1.8	0.5	1.9	2.9	3.1	5.7	4.8	3.6	4.8	5.2	1.4	0.7	-0.7	-0.1	0.7	2.1	1.6	-0.5	-2.1	-1.9
Netherlands	-4.5	-2.2	-2.4	-8.3	-1.2	-1.1	-1.2	-0.4	-0.1	-1.7	-2.6	-2.4	-0.7	0.6	0.7	-0.6	-0.5	-3.8	-3.5	-3.0
New Zealand	-0.9	0.5	2.6	2.2	2.2	1.3	1.3	0.4	2.0	1.9	3.4	3.5	3.4	4.6	5.8	4.6	3.5	0.6	-1.4	-2.5
Norway ¹	-7.3	-7.2	-5.6	-2.1	-1.7	-0.8	-1.8	-0.3	1.7	0.5	-2.0	-4.1	-2.3	-1.0	1.1	3.1	1.6	-3.4	-4.5	-4.4
Poland	..	..	..	..	-4.3	-4.9	-4.5	-2.5	-3.3	-4.6	-4.0	-5.5	-5.8	-4.3	-4.6	-3.5	-5.3	-6.8	-7.6	-6.6
Portugal	-5.9	-7.1	-5.9	-4.2	-3.9	-3.3	-4.0	-3.7	-4.8	-5.6	-3.5	-2.4	-3.0	-5.4	-3.7	-2.8	-2.6	-4.9	-5.9	-6.6
Spain	-4.3	-5.9	-4.8	-4.6	-3.0	-2.0	-2.5	-1.5	-2.0	-1.5	-0.8	-0.2	-0.2	1.0	1.9	1.6	-3.5	-6.8	-4.9	-4.2
Sweden	-7.5	-7.7	-6.8	-6.4	-2.1	-0.6	1.6	0.8	2.8	1.5	-1.5	-1.0	0.2	1.3	0.9	2.3	2.5	1.5	0.2	0.4
Switzerland	-2.9	-2.8	-2.1	-1.2	-0.9	-2.2	-1.8	-0.4	-0.5	-0.5	-1.1	-0.9	-1.1	-0.4	0.5	0.8	1.0	-0.1	-0.1	-0.1
United Kingdom	-5.2	-6.6	-6.2	-5.6	-4.1	-2.3	-0.3	0.7	0.9	0.4	-2.0	-3.8	-4.0	-3.7	-3.3	-3.5	-5.4	-9.9	-9.8	-9.3
United States	-5.1	-4.4	-3.4	-2.9	-2.0	-0.9	0.1	0.2	0.8	-0.7	-3.6	-4.5	-4.4	-3.5	-2.6	-3.2	-6.2	-9.3	-8.8	-8.0
Euro area	-4.8	-4.5	-4.1	-7.0	-3.5	-2.3	-2.1	-1.4	-1.8	-2.4	-2.5	-2.5	-2.6	-2.3	-1.8	-1.5	-2.3	-3.8	-4.4	-4.3
Total OECD	-4.4	-4.4	-4.0	-4.6	-3.0	-1.8	-2.0	-1.1	-1.0	-1.8	-3.3	-3.8	-3.6	-3.2	-2.0	-2.3	-4.0	-6.5	-6.7	-6.4

Note: Cyclically-adjusted balances exclude one-off revenues from the sale of mobile telephone licenses. For more details on the methodology used for estimating the cyclical component of government balances, see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. As a percentage of mainland potential GDP. The financial balances shown are adjusted to exclude net revenues from petroleum activities.

Source: OECD Economic Outlook 86 database.

Annex Table 29. **General government underlying balances**
Surplus (+) or deficit (-) as a per cent of potential GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	-3.9	-3.3	-4.1	-3.4	-2.1	-0.5	1.4	1.5	0.3	0.2	1.4	1.4	1.0	1.5	1.9	1.8	1.3	-2.4	-1.9	-1.1
Austria	-2.6	-3.9	-4.1	-5.4	-3.6	-1.4	-2.0	-3.0	-3.1	-0.5	-0.8	-1.0	-0.4	-1.2	-1.9	-1.5	-1.7	-3.3	-3.5	-3.6
Belgium	-8.6	-5.9	-4.1	-3.8	-2.7	-1.6	-0.1	-0.6	-1.0	-0.4	-0.3	-1.1	-1.1	-1.0	-0.7	-1.1	-1.6	-3.1	-2.1	-1.7
Canada	-6.9	-6.6	-5.7	-4.6	-1.8	0.8	0.5	1.2	2.1	0.2	-0.4	-0.2	0.8	1.3	1.3	1.1	0.0	-3.1	-3.3	-3.1
Czech Republic	..	..	..	..	..	..	..	-4.1	-4.9	-3.9	-4.1	-4.9	-2.4	-3.5	-4.3	-3.4	-4.2	-4.2	-3.0	-2.0
Denmark	-1.0	-1.4	-1.9	-2.4	-1.7	-0.8	-0.2	1.1	1.3	0.3	0.0	0.5	2.0	4.6	3.6	2.8	3.0	0.5	-1.5	-0.8
Finland	-1.9	-2.8	-2.1	-1.5	-0.8	-1.1	1.1	1.4	5.9	4.5	4.1	2.8	2.3	2.6	3.0	4.2	4.1	1.3	-0.4	-1.3
France	-4.8	-5.3	-4.5	-4.4	-3.3	-2.9	-2.2	-1.7	-2.3	-2.3	-3.5	-4.1	-3.7	-3.6	-2.8	-3.5	-3.8	-6.5	-6.4	-5.9
Germany	-3.5	-2.9	-2.6	-3.6	-3.5	-2.7	-2.2	-1.6	-1.8	-3.1	-3.4	-3.0	-2.8	-2.3	-1.8	-0.9	-1.0	-2.0	-3.7	-3.5
Greece	-9.8	-8.9	-7.9	-8.5	-6.3	-5.3	-3.5	-1.7	-4.1	-4.0	-4.1	-6.0	-7.2	-5.4	-5.1	-5.1	-6.3	-10.2	-6.7	-6.5
Hungary	..	-9.1	-12.6	-3.7	-2.0	-3.5	-4.5	-4.7	-2.4	-3.4	-7.0	-7.3	-7.6	-9.2	-10.9	-5.8	-4.2	-1.3	0.7	1.0
Iceland	-1.1	-3.0	-3.4	-2.1	-1.1	-0.3	-1.7	-0.2	0.7	-1.6	-3.0	-2.8	-1.1	2.6	4.2	3.2	-2.2	-14.7	-8.0	-4.3
Ireland	-2.5	-1.3	0.5	-0.8	0.5	0.9	1.5	3.0	3.3	0.1	-1.3	-0.2	1.0	0.8	1.6	-1.7	-6.6	-8.6	-8.3	-8.4
Italy	-11.6	-8.6	-7.5	-6.0	-5.9	-2.6	-2.5	-0.8	-2.0	-3.2	-2.6	-3.9	-3.5	-3.9	-2.4	-2.0	-2.6	-2.7	-2.5	-2.9
Japan	-0.6	-2.9	-4.1	-4.9	-5.5	-4.9	-5.4	-6.7	-6.8	-6.2	-7.2	-6.8	-6.9	-5.5	-4.0	-3.9	-4.7	-6.5	-7.0	-8.2
Luxembourg	-1.4	0.5	2.1	3.0	3.1	5.6	4.6	3.5	4.8	3.6	1.5	0.8	-0.3	0.2	1.2	2.1	1.6	-0.5	-2.0	-1.9
Netherlands	-5.2	-2.9	-3.1	-3.7	-2.3	-1.6	-1.7	-0.8	-0.3	-1.4	-2.5	-2.3	-0.9	0.3	0.3	-0.8	-0.4	-3.6	-3.2	-2.7
New Zealand	-2.1	-0.3	2.0	2.0	2.2	1.4	1.3	0.5	2.1	2.0	3.6	3.7	3.5	4.7	5.9	4.8	3.6	0.7	-1.3	-2.4
Norway ¹	-7.1	-7.1	-5.3	-1.9	-1.8	-1.0	-2.1	-0.4	2.3	0.4	-1.9	-4.0	-2.3	-1.0	1.1	3.1	1.9	-3.7	-4.7	-4.4
Poland	..	..	..	..	-4.0	-5.0	-4.3	-2.8	-3.5	-4.5	-3.9	-4.9	-5.7	-4.4	-4.7	-3.7	-5.3	-6.8	-7.6	-6.6
Portugal	-5.9	-7.1	-6.2	-4.3	-3.9	-3.4	-3.2	-3.3	-4.2	-5.3	-4.8	-4.9	-4.6	-5.0	-3.2	-2.0	-2.5	-5.5	-5.6	-6.3
Spain	-4.7	-4.8	-4.5	-4.7	-3.6	-2.3	-2.4	-1.5	-1.6	-1.4	-0.7	-0.4	0.0	0.7	1.6	1.6	-2.7	-6.6	-5.3	-4.7
Sweden	-4.3	-6.0	-6.5	-6.4	-2.6	-0.6	0.4	0.7	2.5	1.3	-1.5	-1.0	0.1	1.5	1.1	2.4	2.5	1.4	0.2	0.4
Switzerland	-2.9	-2.9	-2.3	-1.5	-1.3	-2.6	-1.7	-0.9	0.8	-0.1	-0.4	-1.0	-1.2	-0.6	0.3	0.8	0.9	-0.1	-0.1	-0.1
United Kingdom	-5.0	-6.3	-6.1	-5.2	-3.9	-2.2	-0.4	0.5	0.6	0.3	-2.2	-3.9	-4.2	-4.2	-3.5	-3.9	-5.4	-9.0	-9.4	-9.2
United States	-5.1	-4.4	-3.3	-3.0	-2.1	-1.0	0.0	0.1	0.7	-0.9	-3.7	-4.5	-4.4	-3.5	-2.8	-3.3	-6.0	-8.8	-8.8	-8.0
Euro area	-5.4	-4.5	-4.3	-4.5	-3.8	-2.7	-2.3	-1.4	-1.8	-2.2	-2.5	-2.8	-2.6	-2.4	-1.7	-1.5	-2.1	-3.7	-4.4	-4.3
Total OECD	-4.6	-4.4	-4.1	-3.9	-3.1	-2.1	-1.4	-1.2	-1.0	-1.8	-3.3	-3.9	-3.8	-3.0	-2.4	-2.5	-4.0	-6.3	-6.6	-6.3

Note: The underlying balances are adjusted for the cycle and for one-offs. For more details, see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. As a percentage of mainland potential GDP. The financial balances shown are adjusted to exclude net revenues from petroleum activities.

Source: OECD Economic Outlook 86 database.

Annex Table 30. **General government underlying primary balances**
 Surplus (+) or deficit (-) as a per cent of potential GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	-0.9	-0.9	-0.5	0.3	0.9	2.0	3.4	3.4	2.0	1.8	3.0	2.8	2.3	2.7	2.9	2.9	2.5	-1.1	-0.7	0.1
Austria	0.3	-0.9	-1.2	-2.2	-0.2	1.7	1.1	-0.1	-0.3	2.2	1.7	1.3	1.8	1.0	0.2	0.6	0.4	-1.2	-0.9	-0.9
Belgium	1.7	4.0	4.6	4.5	5.1	5.7	6.9	5.9	5.5	5.7	5.1	3.9	3.5	3.1	3.2	2.6	2.0	0.4	1.3	1.7
Canada	-1.8	-1.5	-0.6	1.0	3.4	5.5	5.2	5.5	5.3	3.2	2.2	1.7	2.4	2.4	1.9	1.7	0.2	-2.4	-2.7	-2.5
Czech Republic	..	..	..	..	..	..	..	-3.6	-4.8	-3.6	-3.7	-4.4	-1.8	-2.8	-3.6	-2.7	-3.5	-3.2	-1.9	-0.7
Denmark	2.5	2.3	1.6	1.1	1.5	2.2	2.4	3.5	3.5	2.1	1.7	1.9	3.2	5.5	4.2	3.2	3.0	0.5	-1.4	-0.8
Finland	-3.8	-3.2	-1.2	-0.8	0.6	0.6	2.7	2.8	6.9	5.0	4.1	2.7	2.2	2.4	2.6	3.6	3.4	0.8	-0.9	-1.8
France	-2.3	-2.6	-1.6	-1.5	-0.2	0.2	0.8	1.1	0.4	0.4	-0.8	-1.6	-1.1	-1.1	-0.4	-0.9	-1.2	-3.7	-3.8	-3.2
Germany	-1.1	-0.4	-0.1	-0.7	-0.6	0.1	0.8	1.1	0.9	-0.6	-0.9	-0.5	-0.4	0.1	0.6	1.6	1.3	0.3	-1.2	-0.9
Greece	0.3	1.7	3.8	2.0	3.7	2.9	4.1	5.0	2.5	2.0	1.1	-1.3	-2.6	-1.0	-0.9	-0.9	-2.0	-6.0	-2.3	-2.2
Hungary	..	-5.4	-6.8	4.2	5.0	3.3	1.3	1.0	2.1	0.4	-3.5	-3.6	-3.6	-5.3	-7.1	-2.0	-0.5	2.3	4.2	4.3
Iceland	0.0	-1.6	-1.9	-0.7	0.2	0.8	-0.6	0.8	1.4	-1.0	-2.7	-2.2	-0.8	2.2	3.4	2.2	-2.7	-6.5	-0.4	2.6
Ireland	3.2	3.9	5.3	3.5	4.1	4.0	4.3	5.0	4.8	1.1	-0.3	0.8	1.9	1.7	2.5	-1.0	-6.9	-8.2	-7.0	-6.1
Italy	0.0	3.2	2.8	4.6	4.7	6.0	5.2	5.4	4.1	2.9	2.8	1.0	1.1	0.6	2.1	2.8	2.2	1.9	2.2	1.9
Japan	0.6	-1.7	-2.9	-3.6	-4.1	-3.6	-4.0	-5.3	-5.3	-4.8	-5.9	-5.5	-5.8	-4.7	-3.3	-3.3	-3.9	-5.6	-5.9	-6.8
Luxembourg	-3.8	-1.5	0.6	1.7	2.0	4.7	3.6	2.6	3.6	2.2	0.5	-0.1	-1.0	-0.5	0.4	1.5	1.0	-1.1	-2.6	-2.5
Netherlands	-0.8	1.4	1.0	0.7	2.1	2.6	2.3	2.9	2.7	1.1	-0.3	-0.3	1.0	2.1	1.9	0.9	1.2	-1.9	-1.4	-0.9
New Zealand	0.6	2.0	3.3	3.4	2.9	2.2	2.0	0.7	2.5	1.9	3.6	3.6	3.1	4.0	4.2	3.7	2.5	-0.2	-2.1	-2.8
Norway ¹	-10.7	-10.2	-7.6	-4.0	-3.9	-2.9	-3.5	-2.3	-0.2	-2.2	-4.8	-6.7	-5.2	-3.9	-2.1	-1.3	-3.5	-7.0	-7.8	-7.4
Poland	..	..	..	..	0.1	-1.2	-0.6	-0.5	-0.9	-1.8	-1.8	-2.6	-3.2	-2.2	-2.7	-1.6	-3.3	-4.7	-5.3	-4.1
Portugal	2.2	0.0	-0.3	1.3	1.0	0.5	0.1	-0.2	-1.0	-2.2	-1.9	-2.1	-1.9	-2.4	-0.5	0.9	0.5	-2.8	-2.7	-2.9
Spain	-1.2	-0.5	-0.3	-0.2	1.0	1.9	1.4	1.7	1.4	1.3	1.6	1.7	1.8	2.2	2.9	2.7	-1.7	-5.6	-4.3	-3.7
Sweden	-3.6	-4.8	-4.6	-4.1	0.2	2.4	3.1	3.2	4.7	3.0	0.6	0.3	1.1	2.5	1.9	3.2	3.0	1.4	-0.3	0.0
Switzerland	-2.3	-2.2	-1.6	-0.7	-0.6	-1.8	-0.7	0.2	1.8	0.8	0.6	0.0	-0.2	0.4	1.0	1.4	1.4	0.3	0.4	0.4
United Kingdom	-2.7	-4.0	-3.5	-2.2	-0.8	0.9	2.6	3.0	3.0	2.3	-0.4	-2.1	-2.5	-2.3	-1.7	-1.9	-3.4	-6.8	-6.7	-5.8
United States	-1.6	-1.0	0.0	0.5	1.3	2.2	3.1	2.9	3.2	1.3	-1.7	-2.7	-2.7	-1.6	-1.0	-1.4	-4.3	-7.3	-7.0	-5.7
Euro area	-0.7	0.3	0.2	0.3	1.0	1.7	1.9	2.2	1.7	1.2	0.7	0.1	0.2	0.3	0.9	1.1	0.5	-1.1	-1.7	-1.5
Total OECD	-1.2	-1.0	-0.7	-0.3	0.4	1.3	1.7	1.6	1.6	0.6	-1.2	-1.9	-1.8	-1.2	-0.6	-0.6	-2.2	-4.6	-4.7	-4.1

Note: Adjusted for the cycle and for one-offs, and excludes the impact of net interest payments. For more details, see *OECD Economic Outlook* Sources and Methods (<http://www.oecd.org/eco/sources-and-methods>).

1. As a percentage of mainland potential GDP. The financial balances shown are adjusted to exclude net revenues from petroleum activities.

Source: OECD Economic Outlook 86 database.

Annex Table 31. **General government net debt interest payments**

Per cent of nominal GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	3.1	2.5	3.6	3.7	3.1	2.5	2.0	1.9	1.7	1.6	1.6	1.4	1.3	1.1	1.0	1.1	1.2	1.3	1.3	1.3
Austria	2.8	3.1	2.9	3.3	3.4	3.2	3.1	2.9	2.8	2.7	2.5	2.4	2.2	2.2	2.2	2.0	2.0	2.2	2.7	2.8
Belgium	10.3	10.1	8.8	8.4	8.0	7.3	7.0	6.5	6.3	6.1	5.4	5.0	4.6	4.1	3.8	3.7	3.6	3.6	3.6	3.6
Canada	5.3	5.3	5.2	5.7	5.3	4.8	4.8	4.3	3.1	2.9	2.6	1.8	1.6	1.0	0.7	0.6	0.2	0.8	0.6	0.6
Czech Republic	..	..	..	0.3	0.5	0.4	0.5	0.5	0.2	0.4	0.3	0.5	0.7	0.7	0.7	0.7	0.7	1.0	1.2	1.3
Denmark	3.6	3.9	3.6	3.5	3.2	2.9	2.6	2.4	2.1	1.8	1.7	1.5	1.2	0.9	0.6	0.4	0.0	0.0	0.1	0.1
Finland	-2.0	-0.4	1.0	0.8	1.4	1.8	1.6	1.4	0.9	0.5	0.0	-0.1	-0.1	-0.2	-0.4	-0.6	-0.7	-0.5	-0.5	-0.5
France	2.5	2.8	2.9	3.0	3.2	3.1	3.0	2.8	2.7	2.7	2.7	2.6	2.6	2.5	2.4	2.5	2.6	2.9	2.7	2.9
Germany	2.4	2.5	2.5	2.9	2.9	2.9	2.9	2.7	2.7	2.6	2.5	2.6	2.5	2.4	2.4	2.4	2.3	2.3	2.5	2.7
Greece	10.0	11.0	12.1	10.9	10.3	8.3	7.6	6.8	6.7	6.0	5.2	4.7	4.6	4.4	4.2	4.2	4.3	4.5	4.7	4.7
Hungary	4.0	3.7	5.9	8.1	7.4	7.2	5.9	5.9	4.6	3.9	3.6	3.7	4.0	3.9	3.7	3.7	3.7	3.9	3.9	3.7
Iceland	1.1	1.4	1.5	1.5	1.4	1.1	1.0	0.9	0.7	0.5	0.3	0.6	0.3	-0.4	-0.7	-0.9	-0.5	8.8	8.4	7.5
Ireland	5.8	5.4	5.0	4.4	3.7	3.1	2.8	1.9	1.5	1.0	0.9	1.0	0.9	0.8	0.8	0.7	-0.3	0.5	1.3	2.4
Italy	11.7	12.1	10.6	10.7	10.8	8.8	7.8	6.4	6.1	6.0	5.4	5.0	4.7	4.5	4.5	4.7	4.9	4.9	4.9	5.0
Japan	1.2	1.2	1.2	1.3	1.3	1.3	1.5	1.5	1.5	1.4	1.4	1.3	1.2	0.8	0.6	0.6	0.8	0.9	1.1	1.5
Korea	-0.6	-0.5	-0.5	-0.6	-0.7	-0.9	-1.2	-1.0	-1.2	-0.9	-0.9	-0.8	-1.0	-1.0	-1.2	-1.5	-1.5	-1.2	-1.1	-1.1
Luxembourg	-2.3	-1.9	-1.6	-1.4	-1.1	-1.0	-1.0	-0.9	-1.2	-1.3	-1.1	-0.9	-0.7	-0.6	-0.7	-0.6	-0.6	-0.6	-0.6	-0.6
Netherlands	4.4	4.4	4.2	4.4	4.4	4.2	4.0	3.6	2.9	2.4	2.2	2.0	1.9	1.8	1.6	1.6	1.5	1.8	1.9	1.9
New Zealand	2.9	2.3	1.2	1.4	0.7	0.9	0.7	0.2	0.4	0.0	0.0	-0.1	-0.4	-0.6	-1.7	-1.0	-1.2	-0.9	-0.8	-0.4
Norway	-3.1	-2.6	-2.0	-1.7	-1.7	-1.5	-1.2	-1.6	-1.8	-2.0	-2.3	-2.2	-2.2	-2.1	-2.3	-3.2	-3.8	-2.6	-2.4	-2.3
Poland	..	..	..	5.1	4.2	3.8	3.7	2.4	2.5	2.7	2.1	2.4	2.5	2.2	2.0	2.0	2.0	2.1	2.3	2.5
Portugal	7.9	7.2	6.1	5.8	5.0	3.9	3.2	3.0	3.1	3.0	2.9	2.8	2.7	2.6	2.8	2.9	3.0	2.8	3.0	3.4
Slovak Republic	..	..	1.1	0.6	0.7	1.2	1.5	1.5	1.9	2.2	2.8	1.2	0.5	-0.2	-0.1	-0.1	0.0	-0.1	0.2	0.4
Spain	3.4	4.5	4.4	4.7	4.7	4.2	3.8	3.3	2.9	2.6	2.4	2.1	1.8	1.6	1.3	1.1	1.0	1.1	1.1	1.1
Sweden	0.7	1.2	2.1	2.4	2.8	3.1	2.6	2.5	2.2	1.8	2.1	1.3	1.0	1.0	0.8	0.7	0.5	0.0	-0.5	-0.5
Switzerland	0.6	0.7	0.8	0.8	0.8	0.9	0.9	1.1	1.0	0.9	1.0	1.0	1.0	0.9	0.7	0.6	0.5	0.5	0.5	0.5
United Kingdom	2.4	2.4	2.6	3.1	3.1	3.2	3.0	2.5	2.4	2.0	1.7	1.7	1.7	1.9	1.8	2.0	2.0	2.4	2.8	3.5
United States	3.5	3.4	3.4	3.5	3.4	3.2	3.1	2.7	2.5	2.2	2.0	1.8	1.8	1.8	1.8	1.9	1.8	1.6	1.9	2.3
Euro area	4.6	4.9	4.7	4.9	4.9	4.4	4.2	3.7	3.5	3.3	3.1	2.9	2.8	2.7	2.6	2.6	2.6	2.7	2.8	2.9
Total OECD	3.3	3.3	3.3	3.5	3.4	3.2	3.0	2.7	2.5	2.3	2.1	2.0	1.8	1.8	1.7	1.7	1.7	1.7	1.9	2.2

Note: In the case of Ireland and New Zealand where data on net interest payments are not available, net property income paid is used as a proxy. For Denmark, net interest payments include dividends received. For further information, see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Source: OECD Economic Outlook 86 database.

Annex Table 32. **General government gross financial liabilities**
Per cent of nominal GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	27.8	31.1	40.6	42.5	39.6	37.9	32.7	28.4	25.4	22.5	20.5	19.0	17.2	16.9	16.2	15.3	14.3	15.9	20.3	23.4
Austria	57.5	62.0	65.3	69.5	70.3	66.7	68.5	71.2	71.1	72.1	73.2	71.3	70.8	70.8	66.4	62.2	66.2	72.9	77.9	82.5
Belgium ¹	136.6	140.8	137.8	135.4	133.4	128.0	123.2	119.6	113.8	112.0	108.4	103.4	98.5	95.9	91.6	88.1	93.5	101.2	105.2	108.5
Canada	90.2	96.3	98.0	101.6	101.7	96.3	95.2	91.4	82.1	82.7	80.6	76.6	72.6	71.6	69.5	65.0	69.7	82.8	85.7	88.9
Czech Republic	..	..	..	..	..	..	..	..	..	..	33.1	34.9	34.8	34.9	34.6	38.0	40.7	46.5	53.1	59.9
Denmark	71.1	85.0	78.9	79.3	76.6	72.1	69.7	64.1	57.1	55.0	55.4	53.6	50.1	42.4	38.3	31.6	39.8	45.3	48.8	52.9
Finland	44.3	57.6	60.8	65.2	66.0	64.6	60.9	54.7	52.3	49.9	49.5	51.4	51.5	48.5	45.2	41.5	40.7	43.7	52.3	61.9
France	43.9	51.0	60.2	62.7	66.3	68.8	70.3	66.8	65.6	64.3	67.3	71.4	73.9	75.7	70.9	69.9	75.7	84.5	92.5	99.2
Germany ²	40.9	46.2	46.5	55.7	58.8	60.3	62.2	61.5	60.4	59.7	62.1	65.3	68.7	71.1	69.2	65.3	68.8	77.4	82.0	85.5
Greece	..	..	..	101.1	103.1	100.0	97.7	101.1	114.9	117.7	117.2	112.0	114.2	114.5	107.9	103.9	102.6	114.9	123.3	130.2
Hungary	81.3	92.2	92.0	88.6	75.8	66.4	64.4	66.5	60.9	59.7	60.7	61.7	65.0	68.8	72.1	72.2	77.0	85.2	89.9	91.2
Iceland	..	..	..	..	..	..	77.3	73.6	72.9	75.0	72.0	71.0	64.5	52.6	57.5	53.6	96.3	117.6	142.5	145.8
Ireland	..	..	..	..	..	..	62.2	51.3	40.2	37.4	35.2	34.1	32.7	32.7	28.8	28.3	48.5	65.8	81.3	92.5
Italy	106.9	116.2	120.9	122.5	128.9	130.3	132.0	125.8	121.0	120.2	119.4	116.8	117.3	119.9	117.1	112.5	114.4	123.6	127.0	129.7
Japan ³	67.6	73.9	79.0	86.2	93.8	100.5	113.2	127.0	135.4	143.7	152.3	158.0	165.5	175.3	172.1	167.1	172.1	189.3	197.2	204.3
Korea	6.1	5.4	5.0	5.2	5.6	7.2	12.6	15.0	15.7	16.6	15.8	17.4	21.3	23.1	26.1	25.7	26.8	33.2	36.8	40.7
Luxembourg	..	..	..	9.5	10.1	10.2	11.2	10.0	9.2	8.2	8.4	7.9	8.6	7.6	11.3	10.9	16.3	18.2	25.0	31.3
Netherlands	91.9	96.5	86.7	89.6	88.1	82.2	80.8	71.6	63.9	59.4	60.3	61.9	62.2	61.1	54.9	52.1	65.8	71.4	77.1	81.6
New Zealand	..	..	57.4	51.3	44.9	42.3	42.2	39.6	37.4	35.4	33.5	31.4	28.6	27.4	27.0	26.2	25.3	27.0	31.0	35.6
Norway	32.4	40.8	37.3	40.9	36.6	32.1	30.3	31.0	34.2	33.0	40.6	50.2	52.7	49.1	60.5	58.4	56.0	59.9	59.0	61.2
Poland	..	..	..	51.6	51.4	48.3	43.8	46.6	45.4	43.8	55.0	55.3	54.6	54.7	55.1	51.7	54.0	58.1	62.8	66.2
Portugal	..	..	..	68.8	68.4	67.4	65.2	62.1	62.0	63.3	66.5	68.0	70.6	74.0	73.1	71.1	75.2	83.8	90.9	97.2
Slovak Republic	..	..	..	38.2	37.7	39.0	41.1	53.5	57.5	57.0	50.1	48.2	46.9	38.4	33.8	32.2	30.8	36.7	43.0	47.7
Spain	52.1	65.5	64.3	69.3	76.0	75.0	75.3	69.4	66.5	61.9	60.3	55.3	53.4	50.6	46.2	42.1	47.0	59.3	67.5	74.3
Sweden	73.3	78.2	82.5	81.0	84.4	83.2	82.5	73.7	64.7	63.3	60.8	60.0	60.1	60.7	53.6	47.9	47.1	52.7	55.2	58.3
Switzerland	38.4	42.9	45.5	47.7	50.1	52.1	54.9	51.9	52.5	51.3	57.2	57.0	57.9	56.4	50.3	47.2	44.0	44.4	45.0	45.3
United Kingdom	39.0	48.7	46.8	51.6	51.2	52.0	52.5	47.4	45.1	40.4	40.8	41.2	43.5	46.1	45.9	46.9	56.8	71.0	83.1	94.1
United States	70.2	71.8	71.0	70.6	69.8	67.3	64.1	60.4	54.4	54.4	56.7	60.1	61.1	61.3	60.8	61.8	70.0	83.9	92.4	99.5
Euro area	60.6	65.9	69.1	72.3	77.3	79.4	80.0	78.2	75.1	73.7	74.1	75.0	75.8	76.8	74.4	70.9	73.2	81.8	88.3	93.2
Total OECD	62.3	66.4	67.7	69.6	71.5	71.6	72.0	71.2	68.3	68.5	70.5	72.6	74.3	75.9	74.6	73.1	78.4	90.0	97.4	103.5

Note: Gross debt data are not always comparable across countries due to different definitions or treatment of debt components. Notably, they include the funded portion of government employee pension liabilities for some OECD countries, including Australia and the United States. The debt position of these countries is thus overstated relative to countries that have large unfunded liabilities for such pensions which according to ESA95/SNA93 are not counted in the debt figures, but rather as a memorandum item to the debt. Maastricht debt for European Union countries is shown in Annex Table 62.


For more details, see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Includes the debt of the Belgium National Railways Company (SNCB) from 2005 onwards.

2. Includes the debt of the Inherited Debt Fund from 1995 onwards.

3. Includes the debt of the Japan Railway Settlement Corporation and the National Forest Special Account from 1998 onwards.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/755472802750>

Annex Table 33. **General government net financial liabilities**


Per cent of nominal GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	15.7	21.3	25.7	26.3	20.9	21.1	16.0	14.9	8.8	6.3	4.4	2.6	0.6	-0.9	-4.5	-6.6	-7.3	-5.7	-1.3	1.8
Austria	29.6	33.2	35.1	38.6	40.4	36.6	36.8	35.8	34.9	35.6	37.1	36.1	38.0	37.9	33.5	30.7	32.7	38.1	42.9	47.3
Belgium ¹	113.2	115.1	114.5	114.6	115.5	110.9	107.8	103.1	97.6	95.1	93.3	90.4	84.0	82.0	77.3	73.4	74.1	81.3	85.4	88.6
Canada	59.1	64.2	67.9	70.7	70.0	64.7	60.8	55.8	46.2	44.3	42.6	38.7	35.2	31.0	26.2	23.1	22.4	28.6	32.6	35.7
Czech Republic	..	..	..	..	..	..	..	..	..	..	-15.9	-7.2	-9.4	-10.7	-9.9	-8.3	-5.9	-0.3	5.3	10.1
Denmark	28.1	31.1	31.5	36.0	36.2	33.8	36.3	30.6	25.7	21.9	20.4	17.7	12.1	8.6	1.7	-4.1	-6.1	-3.9	1.6	5.5
Finland ²	-24.5	-15.9	-16.3	-4.0	-6.7	-7.5	-14.5	-50.1	-31.1	-31.6	-31.5	-39.7	-45.9	-57.9	-67.6	-71.1	-51.1	-52.1	-46.4	-39.5
France	20.0	26.8	29.7	37.5	41.8	42.3	40.6	33.5	35.1	36.7	41.8	44.2	45.3	43.2	37.2	34.0	44.3	53.1	60.7	67.3
Germany ³	15.1	18.5	19.3	30.3	33.2	33.0	36.7	35.2	34.4	36.7	40.8	43.5	47.5	49.8	47.9	42.9	45.0	50.2	54.7	58.1
Greece	..	..	..	81.0	81.4	76.8	72.6	70.2	88.7	92.9	94.7	87.2	87.7	85.3	77.7	70.4	73.9	86.1	94.6	101.2
Hungary	-47.5	-19.4	3.3	24.4	25.2	24.8	31.5	33.7	32.3	32.0	36.6	37.5	41.5	46.2	51.6	52.7	51.9	58.8	62.1	62.7
Iceland	..	..	..	..	..	..	42.6	35.9	37.5	29.2	28.5	30.7	27.7	13.6	7.9	-1.1	19.9	35.4	43.9	47.4
Ireland	..	..	..	..	..	..	42.5	27.6	16.7	13.0	14.0	11.6	9.0	6.5	1.2	-0.3	11.4	24.9	38.0	49.0
Italy	93.2	100.5	104.5	99.0	104.5	104.7	107.1	100.7	95.7	95.8	95.7	92.7	92.5	93.7	90.6	87.1	89.6	97.4	100.8	103.4
Japan ⁴	13.8	17.1	19.6	23.8	29.2	34.8	46.2	53.8	60.4	66.3	72.6	76.5	82.7	84.6	84.3	80.4	84.4	96.5	104.6	112.7
Korea	-14.1	-14.8	-15.4	-16.7	-18.3	-20.7	-22.1	-23.0	-25.9	-28.7	-30.2	-28.3	-28.1	-31.9	-33.0	-35.8	-37.4	-34.5	-33.4	-32.6
Luxembourg	..	..	..	-37.8	-41.0	-41.6	-46.8	-47.8	-50.7	-58.2	-55.5	-56.7	-52.2	-48.6	-44.4	-44.2	-44.5	-44.6	-38.1	-32.1
Netherlands	41.0	45.5	44.6	54.1	52.8	49.7	48.2	36.7	34.9	33.0	34.9	36.2	37.6	35.0	31.6	28.0	25.2	30.9	36.5	40.9
New Zealand	..	..	44.4	38.0	32.8	30.2	28.1	25.8	23.7	21.4	17.1	11.1	4.9	-1.5	-8.2	-13.4	-16.2	-14.7	-10.9	-6.4
Norway	-35.1	-32.0	-30.6	-36.1	-41.1	-48.5	-52.1	-57.5	-67.4	-85.1	-80.6	-95.0	-104.4	-122.4	-136.3	-142.2	-124.6	-140.4	-143.6	-146.0
Poland	..	..	..	-15.0	-5.7	0.3	6.3	13.4	15.5	18.5	22.1	22.7	20.8	23.5	22.4	17.0	20.3	25.7	32.4	37.5
Portugal	..	..	..	25.1	27.3	32.1	33.3	30.9	28.5	30.5	34.6	37.2	42.1	45.0	44.0	44.1	47.8	55.6	62.6	68.8
Slovak Republic	..	..	..	-30.7	-18.2	-12.1	-3.7	1.2	12.4	10.8	1.7	1.8	6.9	5.0	6.5	-0.8	1.2	7.2	13.3	17.5
Spain	35.2	43.5	46.4	51.6	55.5	54.2	53.7	47.7	44.2	41.5	40.3	36.8	34.6	30.2	24.0	18.7	22.8	33.2	41.6	48.9
Sweden	4.6	10.5	20.7	25.6	26.6	24.7	22.1	12.5	5.5	-2.4	4.0	-0.1	-3.1	-8.3	-20.0	-25.0	-18.2	-16.7	-13.1	-10.5
Switzerland	..	..	..	..	..	..	..	12.6	11.4	10.9	15.7	15.9	17.7	16.7	13.5	11.0	9.0	9.9	11.0	12.0
United Kingdom	6.7	17.4	19.7	26.3	27.9	30.6	32.6	29.0	26.8	23.2	23.7	23.9	25.9	27.1	27.7	28.8	33.1	46.9	59.0	69.9
United States	52.4	54.8	54.3	53.7	51.8	48.8	45.0	40.3	35.5	34.8	37.4	40.7	42.3	42.7	41.8	42.3	47.2	56.4	65.2	72.2
Euro area	36.9	40.6	42.9	46.2	51.4	52.9	53.2	50.0	47.1	47.4	49.3	50.3	50.8	50.7	47.5	43.3	44.8	51.7	57.9	62.9
Total OECD	35.7	39.3	40.7	41.6	43.1	42.9	42.8	40.2	37.5	37.4	39.4	41.2	42.5	42.5	40.7	38.8	41.9	50.2	57.6	63.7

Note: Net debt measures are not always comparable across countries due to different definitions or treatment of debt (and asset) components. First, the treatment of government liabilities with respect to their employee pension plans may be different (see note to Annex Table 32). Second, the range of items included as general government assets differs across countries. For example, equity holdings are excluded from government assets in some countries whereas foreign exchange, gold and SDR holdings are considered as assets in the United States and the United Kingdom. For details, see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Includes the debt of the Belgium National Railways Company (SNCB) from 2005 onwards.
2. From 1995 onwards housing corporation shares are no longer classified as financial assets.
3. Includes the debt of the Inherited Debt Fund from 1995 onwards.
4. Includes the debt of the Japan Railway Settlement Corporation and the National Forest Special Account from 1998 onwards.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/755488556738>

Annex Table 34. **Short-term interest rates**
Per cent, per annum

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	7.7	7.2	5.4	5.0	5.0	6.2	4.9	4.7	4.9	5.5	5.6	6.0	6.7	7.0	3.4	4.4	5.4	3.6	5.1	5.5
Austria	4.6	3.4	3.5	3.6																
Belgium	4.8	3.2	3.4	3.6																
Canada	7.0	4.5	3.6	5.1	4.9	5.7	4.0	2.6	3.0	2.4	2.8	4.1	4.6	3.5	0.8	0.5	1.7	0.5	0.6	2.4
Czech Republic	10.9	12.0	16.0	14.3	6.9	5.4	5.2	3.5	2.3	2.4	2.0	2.3	3.1	4.0	2.2	1.9	2.4	1.8	2.1	2.6
Denmark	6.1	3.9	3.7	4.1	3.3	4.9	4.6	3.5	2.4	2.1	2.2	3.1	4.3	4.9	1.9	1.3	2.4	1.3	1.5	2.7
Finland	5.8	3.6	3.2	3.6																
France	6.6	3.9	3.5	3.6																
Germany	4.5	3.3	3.3	3.5																
Greece	15.5	12.8	10.4	11.6	8.9	6.1														
Hungary	32.0	24.0	20.1	18.0	14.7	11.0	10.8	8.9	8.2	11.3	7.0	6.9	7.6	8.9	8.6	6.4	7.5	7.0	6.0	8.0
Iceland	7.0	7.0	7.1	7.5	9.3	11.2	12.0	9.0	5.3	6.3	9.4	12.4	14.3	15.8	11.1	7.6	6.4	8.0	7.2	6.0
Ireland	6.2	5.4	6.1	5.4																
Italy	10.5	8.8	6.9	5.0																
Japan	1.2	0.6	0.6	0.7	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.2	0.7	0.7	0.5	0.3	0.2	0.4	0.2	0.2
Korea	14.1	12.6	13.4	15.2	6.8	7.1	5.3	4.8	4.3	3.8	3.6	4.5	5.2	5.5	2.6	3.5	4.7	2.7	3.8	5.1
Luxembourg	4.8	3.2	3.4	3.6																
Mexico	48.2	32.9	21.3	26.2	22.4	16.2	12.2	7.4	6.5	7.1	9.3	7.3	7.4	7.9	5.5	4.9	5.8	4.5	5.5	6.0
Netherlands	4.4	3.0	3.3	3.5																
New Zealand	9.0	9.3	7.7	7.3	4.8	6.5	5.7	5.7	5.4	6.1	7.1	7.5	8.3	8.0	3.0	2.8	4.3	2.7	3.1	5.1
Norway	5.5	4.9	3.7	5.8	6.5	6.7	7.2	6.9	4.1	2.0	2.2	3.1	5.0	6.2	2.5	2.9	4.0	2.2	3.3	4.4
Poland	27.7	21.3	23.1	19.9	14.7	18.9	15.7	8.8	5.7	6.2	5.2	4.2	4.8	6.3	4.3	4.2	4.2	4.2	4.2	4.2
Portugal	9.8	7.4	5.7	4.3																
Slovak Republic	8.4	12.0	22.4	21.1	15.7	8.6	7.8	7.8	6.2	4.7	2.9	4.3	4.3	4.2						
Spain	9.4	7.5	5.4	4.2																
Sweden	8.7	5.8	4.1	4.2	3.1	4.0	4.0	4.1	3.0	2.1	1.7	2.3	3.6	3.9	0.4	0.3	1.6	0.1	0.5	2.5
Switzerland	2.9	2.0	1.6	1.5	1.4	3.2	2.9	1.1	0.3	0.5	0.8	1.6	2.6	2.5	0.4	0.3	1.2	0.3	0.3	1.4
Turkey	..	..	..	..	..	38.9	92.4	59.5	38.5	23.8	15.6	17.9	18.3	18.9	10.9	7.4	6.9	7.9	7.2	6.9
United Kingdom	6.7	6.0	6.8	7.3	5.4	6.1	5.0	4.0	3.7	4.6	4.7	4.8	6.0	5.5	1.2	0.6	1.4	0.6	0.6	2.1
United States	6.0	5.4	5.7	5.5	5.4	6.5	3.7	1.8	1.2	1.6	3.5	5.2	5.3	3.2	0.9	0.3	1.8	0.3	0.6	2.6
Euro area	6.8	5.1	4.4	4.0	3.0	4.4	4.3	3.3	2.3	2.1	2.2	3.1	4.3	4.6	1.2	0.8	1.9	0.7	1.0	2.3

Note: Three-month money market rates where available, or rates on similar financial instruments. For further information, see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>). Individual euro area countries are not shown after 1998 (2000 for Greece and 2008 for the Slovak Republic) since their short term interest rates are equal to the euro area rate.

Source: OECD Economic Outlook 86 database.

Annex Table 35. Long-term interest rates

Per cent, per annum

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Fourth quarter		
																		2009	2010	2011
Australia	9.2	8.2	7.0	5.5	6.0	6.3	5.6	5.8	5.4	5.6	5.3	5.6	6.0	5.8	5.0	5.4	5.9	5.2	5.6	6.1
Austria	7.1	6.3	5.7	4.7	4.7	5.6	5.1	5.0	4.2	4.2	3.4	3.8	4.3	4.3	3.8	4.0	4.5	3.7	4.2	4.7
Belgium	7.4	6.3	5.6	4.7	4.7	5.6	5.1	4.9	4.1	4.1	3.4	3.8	4.3	4.4	3.8	4.0	4.5	3.6	4.2	4.7
Canada	8.2	7.2	6.1	5.3	5.5	5.9	5.5	5.3	4.8	4.6	4.1	4.2	4.3	3.6	3.3	3.9	4.3	3.5	4.2	4.7
Czech Republic	..	..	..	..	..	..	6.3	4.9	4.1	4.8	3.5	3.8	4.3	4.6	4.9	4.5	4.8	4.4	4.5	4.8
Denmark	8.3	7.2	6.3	5.0	4.9	5.7	5.1	5.1	4.3	4.3	3.4	3.8	4.3	4.3	3.6	4.0	4.1	3.7	4.1	4.1
Finland	8.8	7.1	6.0	4.8	4.7	5.5	5.0	5.0	4.1	4.1	3.4	3.8	4.3	4.3	3.7	3.9	4.5	3.5	4.1	4.7
France	7.5	6.3	5.6	4.6	4.6	5.4	4.9	4.9	4.1	4.1	3.4	3.8	4.3	4.2	3.7	4.0	4.7	3.6	4.3	4.9
Germany	6.9	6.2	5.7	4.6	4.5	5.3	4.8	4.8	4.1	4.0	3.4	3.8	4.2	4.0	3.3	3.7	4.4	3.3	4.0	4.6
Greece	..	..	9.8	8.5	6.3	6.1	5.3	5.1	4.3	4.3	3.6	4.1	4.5	4.8	5.2	5.5	6.1	4.9	5.7	6.3
Hungary	..	..	..	..	..	8.6	7.9	7.1	6.8	8.3	6.6	7.1	6.7	8.2	9.2	6.8	7.7	7.9	6.4	8.4
Iceland	9.7	9.2	8.7	7.7	8.5	11.2	10.4	8.0	6.7	7.5	7.7	9.3	9.8	11.1	8.1	7.7	7.3	7.9	7.6	7.2
Ireland	8.2	7.2	6.3	4.7	4.8	5.5	5.0	5.0	4.1	4.1	3.3	3.8	4.3	4.6	5.2	4.7	5.1	4.6	4.9	5.2
Italy	12.2	9.4	6.9	4.9	4.7	5.6	5.2	5.0	4.3	4.3	3.6	4.0	4.5	4.7	4.3	4.3	4.9	4.0	4.5	5.1
Japan	3.4	3.1	2.4	1.5	1.7	1.7	1.3	1.3	1.0	1.5	1.4	1.7	1.7	1.5	1.4	1.8	2.5	1.4	2.0	2.7
Korea	12.4	10.9	11.7	12.8	8.7	8.5	6.9	6.6	5.0	4.7	5.0	5.2	5.4	5.6	5.2	5.7	6.0	5.5	5.8	6.2
Luxembourg	7.2	6.3	5.6	4.7	4.7	5.5	4.9	4.7	3.3	2.8	2.4	3.3	4.4	4.7	3.8	4.1	4.7	3.8	4.3	4.9
Mexico	39.9	34.4	22.4	24.8	24.1	16.9	13.8	8.5	7.4	7.7	9.3	7.5	7.6	8.1	6.0	6.2	6.7	5.5	6.5	7.0
Netherlands	6.9	6.2	5.6	4.6	4.6	5.4	5.0	4.9	4.1	4.1	3.4	3.8	4.3	4.2	3.7	3.9	4.5	3.5	4.1	4.7
New Zealand	7.8	7.9	7.2	6.3	6.4	6.9	6.4	6.5	5.9	6.1	5.9	5.8	6.3	6.1	5.4	6.1	6.7	5.7	6.4	6.9
Norway	7.4	6.8	5.9	5.4	5.5	6.2	6.2	6.4	5.0	4.4	3.7	4.1	4.8	4.5	4.1	4.8	5.2	4.3	5.0	5.2
Portugal	11.5	8.6	6.4	4.9	4.8	5.6	5.2	5.0	4.2	4.1	3.4	3.9	4.4	4.5	4.2	4.2	4.7	3.9	4.4	4.9
Slovak Republic	..	9.7	9.4	21.7	16.2	9.8	8.0	6.9	5.0	5.0	3.5	4.4	4.5	4.7	4.8	4.8	5.2	4.8	5.0	5.4
Spain	11.3	8.7	6.4	4.8	4.7	5.5	5.1	5.0	4.1	4.1	3.4	3.8	4.3	4.4	4.0	4.2	4.8	3.9	4.4	5.0
Sweden	10.2	8.0	6.6	5.0	5.0	5.4	5.1	5.3	4.6	4.4	3.4	3.7	4.2	3.9	3.3	3.9	4.5	3.6	4.3	4.5
Switzerland	4.5	4.0	3.4	3.0	3.0	3.9	3.4	3.2	2.7	2.7	2.1	2.5	2.9	2.9	2.3	2.6	3.3	2.3	2.9	3.5
Turkey	..	..	..	..	..	37.7	99.6	63.5	44.1	24.9	16.2	18.0	18.3	19.2	11.9	8.9	8.4	9.4	8.6	8.4
United Kingdom	8.2	7.8	7.1	5.6	5.1	5.3	4.9	4.9	4.5	4.9	4.4	4.5	5.0	4.6	3.6	4.1	4.8	3.7	4.4	5.0
United States	6.6	6.4	6.4	5.3	5.6	6.0	5.0	4.6	4.0	4.3	4.3	4.8	4.6	3.7	3.3	4.0	4.7	3.5	4.3	4.9
Euro area	8.4	7.1	6.0	4.8	4.7	5.5	5.0	4.9	4.1	4.1	3.4	3.8	4.3	4.3	3.8	4.1	4.7	3.7	4.3	4.9

Note: 10-year benchmark government bond yields where available or yield on similar financial instruments (for Korea a 5-year bond is used). For further information, see also *OECD Economic Outlook*

Sources and Methods (<http://www.oecd.org/eco/sources-and-methods>).

Source: OECD Economic Outlook 86 database.

Annex Table 36. Nominal exchange rates (*vis-à-vis* the US dollar)

Average of daily rates

Country	Monetary unit	1999	Average of daily rates											Estimates and assumptions ¹	
			1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	Dollar	1.550	1.550	1.727	1.935	1.841	1.542	1.359	1.313	1.328	1.195	1.198	1.281	1.092	1.092
Austria	Schilling	12.91													
Belgium	Franc	37.86													
Canada	Dollar	1.486	1.486	1.485	1.548	1.570	1.400	1.301	1.212	1.134	1.074	1.068	1.143	1.066	1.066
Czech Republic	Koruny	34.59	34.59	38.64	38.02	32.73	28.13	25.69	23.95	22.59	20.29	17.08	19.02	17.45	17.453
Denmark	Krone	6.980	6.980	8.088	8.321	7.884	6.577	5.988	5.996	5.943	5.443	5.099	5.352	5.005	5.005
Finland	Markka	5.580													
France	Franc	6.156													
Germany	Deutschemark	1.836													
Greece	Drachma	319.8	319.8												
Hungary	Forint	237.1	237.1	282.3	286.5	257.9	224.3	202.6	199.5	210.4	183.6	172.5	201.3	180.3	180.3
Iceland	Krona	72.43	72.43	78.84	97.67	91.59	76.69	70.19	62.88	69.90	64.07	88.00	123.24	122.21	122.21
Ireland	Pound	0.739													
Italy	Lira	1817													
Japan	Yen	113.9	113.9	107.8	121.5	125.3	115.9	108.1	110.1	116.4	117.8	103.4	94.0	92.1	92.1
Korea	Won	1 186.7	1 186.7	1 130.6	1 290.4	1 251.0	1 191.0	1 145.2	1 024.2	951.8	929.5	1 100.9	1 277.8	1 180.4	1 180.4
Luxembourg	Franc	37.86													
Mexico	Peso	9.553	9.553	9.453	9.344	9.660	10.790	11.281	10.890	10.903	10.929	11.153	13.538	13.188	13.188
Netherlands	Guilder	2.068													
New Zealand	Dollar	1.892	1.892	2.205	2.382	2.163	1.724	1.509	1.421	1.542	1.361	1.425	1.591	1.334	1.334
Norway	Krone	7.797	7.797	8.797	8.993	7.986	7.078	6.739	6.441	6.415	5.858	5.648	6.275	5.620	5.620
Poland	Zloty	3.964	3.964	4.346	4.097	4.082	3.888	3.651	3.234	3.103	2.765	2.410	3.119	2.818	2.818
Portugal	Escudo	188.2													
Slovak Republic	Koruna	1.373	1.373	1.535	1.605	1.504	1.220	1.070	1.030	0.984	0.819	0.709			
Spain	Peseta	156.2													
Sweden	Krona	8.262	8.262	9.161	10.338	9.721	8.078	7.346	7.472	7.373	6.758	6.597	7.622	6.857	6.857
Switzerland	Franc	1.503	1.503	1.688	1.687	1.557	1.345	1.243	1.246	1.253	1.200	1.084	1.086	1.019	1.019
Turkey	Lira	0.419	0.419	0.624	1.228	1.512	1.503	1.426	1.341	1.430	1.300	1.299	1.543	1.468	1.468
United Kingdom	Pound	0.618	0.618	0.661	0.694	0.667	0.612	0.546	0.550	0.543	0.500	0.546	0.642	0.613	0.613
United States	Dollar	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Euro area	Euro	0.939	0.939	1.085	1.117	1.061	0.885	0.805	0.805	0.797	0.730	0.684	0.719	0.672	0.672
	SDR	0.731	0.731	0.758	0.785	0.773	0.714	0.675	0.677	0.680	0.653	0.633	0.649	0.627	0.627

1. On the technical assumption that exchange rates remain at their levels of 26 October 2009.

Source: OECD Economic Outlook 86 database.

Annex Table 37. **Effective exchange rates**
Indices 2005 = 100, average of daily rates

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Estimates and assumptions ¹	
															2010	2011
Australia	94.9	96.0	89.3	89.6	83.3	78.1	81.1	90.5	97.5	100.0	98.6	104.9	102.8	98.4	109.9	109.9
Austria	97.3	94.8	96.7	97.3	95.2	95.7	96.4	99.7	100.7	100.0	100.1	100.8	101.3	102.4	102.8	102.8
Belgium	96.6	92.4	94.8	94.5	90.7	91.9	93.8	98.7	100.5	100.0	100.2	101.6	103.7	104.7	105.8	105.8
Canada	86.9	87.1	82.9	82.7	83.5	81.0	79.8	88.1	93.5	100.0	106.6	111.4	110.8	104.8	110.7	110.7
Czech Republic	102.9	78.4	79.6	79.3	80.4	84.4	94.1	93.8	94.1	100.0	105.0	107.3	119.7	114.9	117.1	117.1
Denmark	96.4	94.0	96.5	95.9	92.0	93.7	95.1	99.6	100.9	100.0	99.9	101.1	103.2	105.8	106.1	106.1
Finland	90.2	88.3	91.2	93.9	89.8	91.7	93.7	98.9	100.8	100.0	99.9	101.6	103.7	106.1	106.7	106.7
France	96.7	93.8	96.2	95.6	92.0	93.0	94.6	99.1	100.5	100.0	100.1	101.4	103.2	104.0	105.0	105.0
Germany	94.9	91.2	94.5	94.5	90.5	91.7	93.5	99.2	101.1	100.0	100.1	101.5	103.0	104.7	105.7	105.7
Greece	103.0	101.2	98.0	98.4	91.9	92.8	94.7	99.3	100.9	100.0	100.0	101.2	103.1	104.1	105.0	105.0
Hungary	120.1	108.7	98.4	94.9	90.0	91.8	98.1	97.5	99.4	100.0	93.7	99.1	99.4	90.9	95.0	95.0
Iceland	89.2	91.4	93.9	95.4	96.4	82.2	84.9	89.0	89.9	100.0	89.7	90.7	65.8	47.8	45.4	45.4
Ireland	98.7	98.7	96.0	93.3	86.9	88.0	90.2	98.0	100.2	100.0	100.2	102.6	108.0	110.3	112.6	112.6
Italy	92.0	92.9	94.9	94.8	91.3	92.6	94.6	99.2	100.8	100.0	100.1	101.4	102.9	104.1	105.0	105.0
Japan	87.9	83.7	86.6	99.6	108.3	100.0	95.9	99.1	103.1	100.0	92.6	87.5	97.8	110.9	109.7	109.7
Korea	115.7	106.6	76.9	88.3	94.7	87.5	90.6	89.9	89.8	100.0	107.8	106.9	86.3	73.5	77.2	77.2
Luxembourg	100.0	97.0	97.8	97.6	94.8	95.2	96.3	99.5	100.6	100.0	100.2	101.6	102.8	102.3	103.4	103.4
Mexico	139.7	136.9	121.6	116.1	118.6	122.0	118.5	103.4	97.2	100.0	99.3	97.3	94.7	78.7	79.3	79.3
Netherlands	95.3	90.5	93.7	93.5	88.6	89.9	92.1	98.4	100.7	100.0	100.1	102.0	104.0	104.9	106.3	106.3
New Zealand	91.8	93.8	84.1	81.2	73.6	72.6	78.7	89.5	95.5	100.0	92.4	98.9	92.5	85.6	94.7	94.7
Norway	94.8	95.4	92.5	92.3	90.4	93.3	101.4	99.2	95.8	100.0	99.5	101.0	100.9	98.0	102.3	102.3
Poland	111.5	102.1	100.1	93.5	96.4	106.2	101.7	91.4	89.5	100.0	103.1	106.7	116.2	95.4	98.8	98.8
Portugal	99.6	98.2	98.1	97.5	95.2	96.1	97.2	99.8	100.5	100.0	100.0	100.8	101.9	102.8	103.4	103.4
Slovak Republic	62.7	96.7	96.1	89.2	90.8	88.6	89.0	94.1	98.1	100.0	103.1	113.6	122.5	131.2	131.1	131.1
Spain	98.8	94.7	96.2	95.6	92.6	93.8	95.5	99.4	100.6	100.0	100.2	101.2	102.9	104.0	104.8	104.8
Sweden	104.6	101.1	101.0	100.8	101.1	93.0	95.4	100.8	102.6	100.0	100.4	101.5	99.6	91.8	95.8	95.8
Switzerland	92.4	87.0	91.3	92.0	90.3	94.0	98.9	100.5	100.8	100.0	98.6	96.1	101.7	107.4	108.4	108.4
Turkey	1 536	909	548.5	362.5	264.0	148.7	110.7	97.5	95.0	100.0	93.2	95.2	91.2	81.5	80.9	80.9
United Kingdom	78.6	91.3	97.4	97.8	100.4	99.5	101.0	97.0	101.5	100.0	100.6	102.4	89.5	79.4	78.7	78.7
United States	89.4	95.6	105.6	105.3	107.9	113.7	114.4	107.6	102.6	100.0	98.3	94.0	90.7	96.0	91.9	91.9
Euro area	91.2	85.4	90.5	89.8	81.8	83.9	87.4	97.9	101.6	100.0	100.2	103.3	107.0	109.9	112.2	112.2

Note: For details on the method of calculation, see the section on exchange rates and competitiveness indicators in *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. On the technical assumption that exchange rates remain at their levels of 26 October 2009.

Source: OECD Economic Outlook 86 database.

Annex Table 38. **Export volumes of goods and services**

National accounts basis, percentage changes from previous year

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	5.5	8.4	9.1	4.9	10.7	12.0	0.1	4.4	10.1	2.2	0.2	-1.6	4.6	2.4	3.3	3.2	3.8	2.3	6.3	8.1
Austria	1.3	-1.8	6.0	6.8	4.1	12.4	8.4	6.4	13.1	6.3	3.6	1.8	9.9	7.6	7.7	9.3	0.7	-14.1	4.5	7.5
Belgium	3.7	-0.4	8.3	5.0	3.5	10.2	4.8	4.3	11.9	1.1	2.7	0.8	6.4	4.8	5.0	4.4	1.4	-12.7	2.5	5.2
Canada	7.2	10.8	12.7	8.5	5.6	8.3	9.1	10.7	8.9	-3.0	1.2	-2.3	5.0	1.9	0.8	1.1	-4.7	-14.0	5.2	5.4
Czech Republic	..	..	0.2	16.7	5.7	8.4	10.5	4.8	17.8	11.1	1.9	7.2	20.0	11.9	16.4	15.0	6.0	-13.6	3.8	6.4
Denmark	0.5	1.0	8.4	3.1	4.2	4.9	4.1	11.6	12.7	3.1	4.1	-1.0	2.8	8.0	9.1	2.2	2.2	-9.7	1.8	4.4
Finland	9.5	16.4	13.5	8.6	5.8	14.0	9.3	11.1	17.3	2.1	2.7	-1.6	8.6	7.0	11.9	8.1	7.5	-26.5	3.7	6.5
France ¹	5.8	0.5	8.3	8.3	3.4	13.1	8.4	4.3	13.0	2.5	1.4	-1.2	3.7	3.4	5.0	2.5	-0.6	-11.0	4.7	6.4
Germany	-2.0	-4.8	8.1	6.6	6.2	11.8	7.4	5.6	14.1	6.8	4.3	2.4	9.3	8.0	13.4	7.8	2.4	-14.4	7.2	8.1
Greece	10.0	-2.6	7.4	3.0	3.5	20.0	5.3	18.1	14.1	0.0	-8.4	2.9	17.4	2.4	5.3	5.8	4.0	-15.0	0.3	6.6
Hungary	..	..	13.7	36.4	11.1	20.9	16.5	11.1	19.7	8.1	3.9	6.2	15.0	11.3	18.6	16.2	5.6	-11.2	6.0	7.0
Iceland	-2.0	6.5	9.3	-2.3	9.9	5.6	2.5	4.0	4.2	7.4	3.8	1.6	8.4	7.5	-4.6	17.7	7.1	0.8	1.9	3.1
Ireland	13.9	9.7	15.1	20.0	12.5	17.6	23.1	15.6	20.2	8.7	5.2	0.5	7.5	5.2	5.1	8.6	-1.0	-2.2	1.1	2.4
Italy	6.4	8.7	10.6	12.7	0.6	5.7	1.7	-0.6	13.0	2.2	-2.8	-1.5	3.6	2.0	6.5	4.0	-3.7	-20.3	1.4	3.5
Japan	4.4	0.4	3.9	4.2	5.9	11.1	-2.7	1.9	12.7	-6.9	7.5	9.2	13.9	7.0	9.7	8.4	1.8	-25.1	10.8	6.2
Korea	12.2	12.2	16.3	24.4	12.2	21.6	12.7	14.6	19.1	-3.4	12.1	14.5	19.7	7.8	11.4	12.6	5.7	-0.1	13.4	12.9
Luxembourg	2.7	4.8	7.7	4.6	2.3	11.4	11.2	14.3	12.6	4.5	2.0	6.8	11.1	4.5	13.3	8.8	1.5	-10.9	1.9	5.5
Mexico	5.0	8.1	17.7	30.2	18.2	10.6	12.3	12.3	16.3	-3.5	1.4	2.7	11.5	6.7	11.0	5.6	1.5	-19.2	7.8	10.2
Netherlands	2.9	4.0	8.7	9.2	4.4	10.9	6.8	8.7	13.5	1.9	0.9	1.5	7.9	6.0	7.3	6.7	2.7	-8.9	4.6	6.4
New Zealand	3.8	4.8	9.9	3.8	3.8	3.9	1.5	7.9	7.0	3.3	6.4	2.3	6.2	-0.5	1.7	3.9	-1.3	-1.1	1.4	4.4
Norway	4.8	3.1	8.4	5.0	10.0	7.8	0.7	2.8	3.2	4.3	-0.3	-0.2	1.1	1.1	0.0	2.5	1.4	-7.8	-0.4	2.6
Poland	..	..	13.1	22.9	12.8	12.2	14.4	-2.4	23.1	3.1	4.8	14.2	14.0	7.9	14.6	9.1	7.0	-10.4	1.4	5.9
Portugal	3.2	-3.3	8.4	8.8	5.7	6.1	8.5	3.0	8.4	1.8	1.5	3.9	4.0	2.0	8.7	7.8	-0.5	-14.7	1.7	3.2
Slovak Republic	..	..	14.8	4.5	-1.4	10.0	21.0	12.2	8.9	6.8	5.4	15.9	7.4	10.0	21.0	13.8	3.2	-19.6	5.2	11.6
Spain	7.5	7.8	16.7	9.4	10.3	15.0	8.0	7.5	10.2	4.2	2.0	3.7	4.2	2.5	6.7	6.6	-1.0	-13.5	5.5	7.8
Sweden	2.0	8.3	13.6	11.0	4.3	13.3	8.7	7.3	11.6	0.8	1.1	3.9	11.0	6.9	8.6	6.0	1.6	-13.1	3.2	6.5
Switzerland	3.3	1.4	1.9	0.6	3.7	11.2	4.3	6.5	12.5	0.5	-0.1	-0.5	7.9	7.8	10.0	9.5	2.9	-12.5	3.4	6.2
Turkey	11.0	7.7	15.2	8.0	22.0	19.1	12.0	-10.7	16.0	3.9	6.9	6.9	11.2	7.9	6.6	7.3	2.3	-7.5	4.5	8.8
United Kingdom	4.2	4.5	9.2	9.4	8.8	8.1	3.1	3.7	9.1	3.0	1.0	1.8	5.0	7.9	11.3	-2.8	1.0	-10.6	4.4	6.9
United States ¹	6.9	3.3	8.7	10.1	8.3	11.9	2.3	4.4	8.6	-5.6	-2.0	1.6	9.5	6.7	9.0	8.7	5.4	-10.8	6.8	7.8
Total OECD	4.4	3.0	9.1	9.1	6.6	11.1	5.4	5.5	12.0	0.6	1.8	2.3	8.3	5.9	8.8	6.3	2.0	-12.8	5.7	7.1

Note: Regional aggregates are calculated inclusive of intra-regional trade as the sum of volumes expressed in 2005 \$.

1. Volume data use hedonic price deflators for certain components.

Source: OECD Economic Outlook 86 database.

Annex Table 39. **Import volumes of goods and services**
National accounts basis, percentage changes from previous year

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	7.2	4.3	14.2	8.1	8.1	10.4	6.5	8.9	7.5	-4.2	10.9	10.7	15.3	8.4	7.3	12.1	11.1	-10.2	6.1	8.3
Austria	1.1	-3.3	8.6	6.5	4.1	7.7	5.2	5.2	10.1	5.2	0.5	4.0	9.4	7.1	5.5	6.7	-1.8	-9.6	5.1	7.8
Belgium	4.1	-0.4	7.3	4.7	3.6	9.3	5.6	2.6	12.4	0.0	0.9	0.8	6.2	6.5	4.7	4.4	2.7	-12.0	2.7	5.3
Canada	4.7	7.4	8.1	5.7	5.1	14.2	5.1	7.8	8.1	-5.1	1.7	4.1	8.0	7.1	4.7	5.8	0.8	-13.3	11.4	5.7
Czech Republic	..	..	7.8	21.2	12.2	6.9	8.4	4.4	17.4	12.7	4.8	8.0	17.3	5.2	14.8	14.2	4.6	-15.3	1.5	5.9
Denmark	0.1	-1.1	12.8	7.2	3.3	9.5	8.5	3.5	13.0	1.9	7.5	-1.6	7.7	11.1	13.9	2.8	3.4	-13.0	2.0	5.4
Finland	0.5	1.3	13.0	7.8	6.5	11.4	8.2	3.6	18.7	2.2	3.2	3.0	7.2	11.8	7.8	6.5	6.9	-25.2	0.3	6.4
France ¹	1.5	-3.1	8.7	7.3	1.9	8.1	11.6	6.3	15.5	2.3	1.6	1.3	6.4	6.3	5.9	5.4	0.6	-10.0	2.9	6.3
Germany	1.7	-4.5	8.3	6.8	3.7	8.3	9.0	8.3	10.7	1.5	-1.4	5.3	6.5	6.9	12.2	5.0	3.9	-8.2	5.1	6.4
Greece	1.1	0.6	1.5	8.9	7.0	14.2	9.2	15.0	15.1	1.2	-1.3	3.0	5.2	-0.3	9.1	7.1	0.2	-19.0	-3.7	4.7
Hungary	..	..	8.8	15.1	9.1	22.3	22.9	12.3	18.0	5.3	6.8	9.3	13.7	7.0	14.8	13.3	5.7	-18.1	3.0	5.6
Iceland	-6.0	-7.5	3.8	3.6	16.5	8.0	23.4	4.4	8.6	-9.1	-2.6	10.7	14.5	29.3	10.4	-0.7	-18.3	-28.6	-4.4	3.1
Ireland	8.2	7.5	15.5	16.4	12.9	16.6	27.5	12.4	21.7	7.1	2.7	-1.6	8.5	8.3	6.6	5.7	-2.0	-7.7	-0.6	1.2
Italy	6.5	-11.6	8.7	9.7	-1.2	9.8	8.6	4.7	10.7	1.4	0.2	1.6	3.3	2.7	6.2	3.3	-4.5	-15.8	1.0	3.3
Japan	-1.1	-1.3	8.2	14.2	13.4	0.5	-6.8	3.6	9.2	0.6	0.9	3.9	8.1	5.8	4.2	1.5	0.9	-14.7	5.9	6.9
Korea	5.4	6.0	21.3	23.0	14.3	3.5	-21.8	27.8	20.1	-4.9	14.4	11.1	11.7	7.6	11.3	11.7	3.7	-8.2	15.1	12.5
Luxembourg	-3.1	5.2	6.7	4.2	5.4	12.5	11.8	14.7	10.7	5.8	0.8	6.9	11.9	4.0	12.9	8.3	3.5	-13.3	1.7	5.6
Mexico	19.9	1.9	21.2	-15.1	22.7	22.7	16.8	13.9	21.6	-1.5	1.4	0.7	10.7	8.4	12.7	6.9	4.6	-23.1	4.8	8.2
Netherlands	2.9	0.4	9.0	10.2	5.3	11.9	9.0	9.3	12.2	2.5	0.3	1.8	5.7	5.4	8.8	5.1	3.7	-9.1	4.3	6.2
New Zealand	8.3	5.4	13.1	8.7	7.6	2.1	1.3	12.1	-0.4	2.0	9.6	8.4	15.9	5.4	-2.6	8.9	2.0	-16.8	9.0	9.6
Norway	1.7	4.8	5.8	5.8	8.8	12.5	8.8	-1.6	2.0	1.7	1.0	1.4	8.8	8.7	8.4	7.5	4.4	-11.5	4.3	5.4
Poland	..	..	11.3	24.2	27.2	21.1	18.7	1.6	15.5	-5.3	2.8	9.6	15.7	4.7	17.4	13.5	8.1	-15.3	1.0	6.0
Portugal	10.7	-3.3	8.8	7.4	5.2	9.8	14.2	8.6	5.3	0.9	-0.7	-0.8	6.7	3.5	5.1	6.1	2.7	-14.4	1.0	2.1
Slovak Republic	..	..	-4.7	11.6	17.3	10.2	19.1	0.4	8.2	13.5	4.4	7.4	8.3	12.4	17.7	8.9	3.3	-20.4	3.2	10.7
Spain	6.8	-5.2	11.4	11.1	8.8	13.3	14.8	13.7	10.8	4.5	3.7	6.2	9.6	7.7	10.2	8.0	-4.9	-20.1	-0.4	5.4
Sweden	1.4	-1.9	12.7	7.1	3.5	12.2	11.2	5.1	11.5	-1.7	-1.3	3.8	6.9	6.7	8.7	9.6	3.1	-15.4	2.6	6.0
Switzerland	-3.3	-0.1	7.7	4.0	4.0	8.1	7.4	4.1	10.3	2.3	-1.1	1.3	7.3	6.6	6.5	6.0	0.4	-8.2	2.1	6.3
Turkey	10.9	35.8	-21.9	29.6	20.5	22.4	2.3	-3.7	21.8	-24.8	20.9	23.5	20.8	12.2	6.9	10.7	-3.8	-19.2	8.7	12.8
United Kingdom	6.8	3.3	5.9	5.5	9.7	9.7	9.3	7.9	8.9	4.8	4.9	2.2	6.9	7.1	8.8	-0.7	-0.8	-13.3	0.9	5.0
United States ¹	7.0	8.6	11.9	8.0	8.7	13.5	11.7	11.5	13.0	-2.8	3.4	4.4	11.0	6.1	6.1	2.0	-3.2	-14.8	6.2	8.1
Total OECD	4.1	1.0	9.4	8.4	7.3	10.2	7.8	8.4	12.1	0.1	2.4	3.9	8.7	6.5	8.0	4.7	0.5	-13.3	4.6	6.7

Note: Regional aggregates are calculated inclusive of intra-regional trade as the sum of volumes expressed in 2005 \$.

1. Volume data use hedonic price deflators for certain components.

Source: OECD Economic Outlook 86 database.

Annex Table 40. **Export prices of goods and services**

National accounts basis, percentage changes from previous year, national currency terms

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	2.0	0.9	-3.9	6.1	-2.5	-0.2	2.4	-4.3	13.3	6.7	-1.8	-5.4	3.9	12.4	12.1	0.7	22.8	-12.4	-9.3	2.4
Austria	-0.1	0.2	1.3	1.6	0.6	0.9	0.1	0.4	1.6	0.6	0.3	-0.4	1.1	1.7	2.5	1.7	2.6	-1.8	-0.1	0.5
Belgium	-1.1	-1.3	1.3	1.6	-1.5	1.2	-1.0	-0.1	5.5	1.4	-0.7	-1.3	2.0	4.1	2.7	2.2	4.2	-4.9	0.5	0.6
Canada	2.9	4.4	5.9	6.4	0.6	0.2	-0.3	1.1	6.2	1.3	-1.9	-1.3	2.2	2.8	0.2	0.9	10.4	-10.1	-1.1	0.3
Czech Republic	..	..	5.2	6.4	4.8	5.6	4.0	1.1	3.2	-0.3	-5.5	0.1	2.7	-2.2	-1.3	-0.1	-5.6	1.7	-0.2	1.7
Denmark	1.3	-1.7	-0.3	1.0	1.5	2.7	-2.1	-0.5	8.2	1.6	-1.3	-1.1	1.9	5.4	2.5	2.1	5.4	-8.8	0.3	1.3
Finland	4.3	6.5	1.3	4.8	-0.1	-1.0	-1.0	-5.0	3.2	-1.3	-2.5	-1.3	-0.4	1.0	2.7	0.5	-1.4	-5.8	-2.7	0.4
France ¹	-2.2	-2.2	-0.4	-0.5	0.9	1.3	-1.5	-1.6	2.4	-0.3	-1.7	-1.8	0.6	2.1	2.5	1.4	2.9	-3.6	0.1	0.7
Germany	1.0	0.1	0.8	1.2	-0.5	0.9	-0.9	-0.9	2.5	0.4	-0.2	-1.7	0.0	0.7	1.3	0.5	0.6	-3.0	-0.4	-0.3
Greece	10.1	9.1	8.6	8.7	5.6	3.6	4.1	1.9	8.0	3.9	2.4	1.6	2.3	2.9	3.3	2.3	3.8	2.9	3.5	0.1
Hungary	..	..	18.5	45.5	19.3	15.8	13.2	4.9	10.3	3.0	-4.0	0.1	-1.1	-0.3	6.5	-4.0	1.0	2.0	-3.1	0.7
Iceland	-1.3	4.8	6.2	4.8	-0.2	2.1	4.5	0.0	3.8	21.5	-1.7	-7.1	1.3	-4.5	21.3	2.2	35.5	15.3	12.1	3.5
Ireland	-2.0	6.8	0.2	1.9	-0.3	1.2	2.8	2.3	6.2	4.6	-0.4	-5.0	-0.6	0.7	1.2	0.2	0.0	1.1	-0.2	0.8
Italy	0.7	10.4	3.4	8.2	0.3	1.3	1.4	0.7	4.4	2.3	1.4	0.4	2.6	4.0	4.6	4.0	5.0	-0.7	-0.9	0.7
Japan	-2.9	-7.1	-3.4	-1.9	3.5	1.8	0.9	-8.8	-4.1	2.2	-1.2	-3.4	-1.2	1.4	3.7	2.5	-4.3	-12.7	-1.5	0.0
Korea	2.5	0.4	1.1	2.0	-3.1	4.7	24.7	-19.3	-4.2	3.6	-8.5	-0.7	4.1	-6.7	-4.7	0.7	25.2	1.9	-1.0	-1.4
Luxembourg	1.8	5.7	3.1	1.5	6.6	1.8	0.5	5.3	9.6	-4.1	-0.1	-1.7	6.2	8.2	7.9	5.8	0.7	-4.8	2.3	2.2
Mexico	5.2	3.3	5.9	79.5	23.0	7.2	9.3	6.6	3.4	-2.3	3.3	11.2	6.7	3.0	4.4	3.1	6.7	15.1	4.6	3.8
Netherlands	-1.9	-2.5	0.6	0.7	0.8	2.5	-2.0	-1.2	6.0	0.9	-1.8	-0.8	0.6	3.4	2.6	1.3	4.7	-6.1	-0.1	0.5
New Zealand	5.5	2.1	-2.6	-0.5	-2.5	-2.4	4.9	-0.1	14.3	7.2	-7.2	-7.3	-0.1	1.2	6.9	1.2	15.1	-6.5	-5.0	1.2
Norway	-7.0	2.1	-2.8	1.8	6.9	2.0	-7.9	10.7	36.7	-2.2	-10.2	2.1	12.9	17.3	15.4	1.4	16.0	-11.7	4.1	2.6
Poland	..	..	31.7	19.6	6.8	14.1	13.1	5.7	1.9	1.3	4.7	6.2	8.3	-2.5	2.3	2.7	-0.9	12.5	1.9	1.3
Portugal	0.5	4.9	6.4	5.6	-0.9	3.4	1.6	0.3	5.3	0.8	-0.1	-1.4	1.5	1.9	4.2	2.8	3.2	-3.8	1.0	0.7
Slovak Republic	..	..	10.7	8.4	4.3	6.5	-4.8	-1.1	17.3	4.9	1.0	1.5	1.8	1.6	2.2	0.5	1.4	-7.1	-1.9	0.8
Spain	2.9	5.0	4.6	5.9	1.4	3.0	0.5	0.0	7.3	1.8	0.7	-0.2	1.6	4.3	4.1	2.5	3.0	-1.8	0.4	0.3
Sweden	-2.6	8.7	3.5	6.9	-4.9	0.2	-1.6	-1.5	2.4	2.5	-1.4	-1.8	-0.5	2.6	3.1	1.8	4.5	0.6	2.0	2.3
Switzerland	0.8	2.0	-0.4	-0.3	-1.1	0.7	-0.3	-0.8	2.9	0.3	-2.4	0.5	0.5	0.8	3.0	3.8	1.4	-0.8	-0.4	-0.6
Turkey	62.5	59.9	164.8	73.0	69.0	87.0	60.1	52.0	42.0	89.4	25.4	10.7	13.3	-0.2	13.7	2.1	18.0	0.4	2.6	2.9
United Kingdom	0.7	9.1	1.2	3.3	1.6	-4.1	-4.7	0.3	1.9	-0.4	0.3	1.7	-0.5	0.9	2.7	1.2	12.6	2.0	1.0	0.8
United States ¹	-0.4	0.0	1.1	2.3	-1.3	-1.7	-2.3	-0.6	1.8	-0.4	-0.4	2.2	3.5	3.6	3.4	3.5	4.9	-5.8	0.9	0.4
Total OECD	0.7	2.2	2.9	5.3	1.7	1.8	1.0	-0.9	3.8	1.7	-0.7	-0.1	1.8	2.3	2.9	1.9	4.9	-3.6	0.0	0.5

Note: Regional aggregates are calculated inclusive of intra-regional trade. They are calculated as the geometric averages of prices weighted by 2005 trade volumes expressed in \$.

1. Certain components are estimated on a hedonic basis.

Source: OECD Economic Outlook 86 database.

Annex Table 41. **Import prices of goods and services**

National accounts basis, percentage changes from previous year, national currency terms

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	4.2	5.7	-4.3	3.4	-6.5	-1.6	6.8	-4.5	7.5	5.7	-3.9	-8.6	-5.0	0.7	4.2	-3.8	7.9	-0.6	-7.2	0.2
Austria	0.5	0.9	1.2	1.4	2.3	1.8	0.3	0.5	2.9	0.5	-1.1	-0.6	1.3	2.7	3.3	2.0	4.0	-3.9	-0.1	0.1
Belgium	-2.8	-2.8	1.8	1.7	-0.6	1.5	-1.8	1.1	7.7	1.3	-1.8	-1.2	3.0	4.2	3.6	1.9	6.6	-7.4	-0.3	0.6
Canada	4.4	6.4	6.6	3.4	-1.1	0.8	3.7	-0.2	2.1	3.0	0.6	-6.5	-2.2	-0.7	-0.6	-2.2	5.5	-0.4	-5.3	-0.1
Czech Republic	..	..	2.6	5.8	1.7	5.2	-1.7	1.6	6.1	-2.6	-8.4	-0.4	1.3	-0.5	-0.1	-1.2	-3.8	-0.3	0.1	1.8
Denmark	-1.1	-1.3	0.5	0.5	-0.1	2.4	-2.1	-0.5	7.2	1.5	-2.5	-2.0	0.7	3.3	2.7	3.3	4.0	-6.7	1.5	0.5
Finland	7.7	8.2	-0.5	0.1	0.3	0.4	-2.8	-2.1	7.4	-2.8	-3.0	0.1	2.1	4.5	6.0	2.1	1.8	-7.0	-1.5	1.0
France ¹	-3.8	-2.2	-0.4	-0.5	0.8	0.6	-2.8	-1.7	5.5	-0.9	-4.2	-1.6	1.3	3.2	3.2	0.7	4.0	-6.5	1.8	0.7
Germany	-2.1	-1.8	-0.1	-0.3	0.2	3.1	-2.4	-1.4	7.7	0.5	-2.2	-2.6	0.2	2.2	2.6	0.1	1.4	-5.0	1.6	0.4
Greece	12.3	7.4	5.6	7.5	5.0	2.8	3.8	1.7	9.3	3.0	0.8	-0.3	2.0	3.6	3.8	2.4	4.3	0.4	1.6	1.0
Hungary	..	..	15.6	41.1	20.7	13.7	12.1	5.6	12.9	2.4	-5.4	0.3	-1.0	1.3	8.0	-4.3	1.7	5.7	2.1	3.7
Iceland	-0.7	8.7	5.9	3.7	3.1	0.0	-0.7	0.6	6.3	21.1	-2.3	-3.1	2.6	-5.4	17.3	2.1	44.3	30.0	10.7	3.1
Ireland	-1.2	4.5	2.4	3.8	-0.5	0.8	2.6	2.6	7.5	3.9	-1.4	-4.0	0.1	1.8	2.2	2.7	1.3	0.6	0.3	0.5
Italy	1.7	15.4	4.8	11.4	-2.6	1.7	-1.6	0.7	11.2	1.4	-0.3	-1.3	2.7	6.3	7.7	2.6	6.9	-6.6	-1.1	0.7
Japan	-4.7	-8.4	-4.7	-2.5	8.4	6.5	-2.7	-8.5	1.5	2.4	-0.9	-0.8	2.9	8.3	11.4	7.4	5.8	-22.4	2.2	0.0
Korea	3.5	0.3	1.1	4.2	3.0	11.4	27.2	-16.8	5.9	6.4	-8.6	0.2	7.0	-3.2	-1.2	1.4	35.6	1.8	2.4	-0.7
Luxembourg	2.7	3.2	2.1	1.3	4.8	6.2	1.6	3.0	11.3	-2.5	-1.0	-5.8	6.6	8.7	5.4	6.0	-1.7	-4.3	2.1	1.0
Mexico	4.0	3.7	5.1	95.1	21.4	3.6	12.0	3.7	0.1	-2.8	2.0	12.5	8.4	0.3	1.8	2.9	5.7	17.6	4.2	3.8
Netherlands	-1.4	-2.4	0.3	0.3	0.7	1.5	-2.4	-0.9	5.8	-0.4	-2.9	-0.9	1.4	2.7	3.0	1.7	4.5	-6.0	0.5	0.5
New Zealand	6.3	-1.6	-3.8	-1.8	-3.7	-0.4	5.7	0.7	15.4	2.2	-5.9	-11.4	-4.3	1.0	10.0	-4.8	13.1	2.1	-5.4	0.6
Norway	-1.8	1.6	0.7	0.6	0.8	0.3	1.2	-1.1	7.5	-0.1	-5.0	1.1	4.8	1.5	3.1	3.1	3.4	-0.7	-2.1	-0.1
Poland	..	..	27.0	18.0	11.0	16.0	10.8	6.5	7.9	1.3	5.4	6.7	4.9	-3.5	2.4	1.2	0.8	10.1	3.0	1.1
Portugal	-4.2	4.4	4.3	3.9	1.5	2.6	-1.4	-0.7	8.5	0.3	-1.7	-1.8	2.2	3.2	4.0	1.5	4.9	-6.1	3.0	0.6
Slovak Republic	..	..	12.3	7.3	9.4	3.6	-2.4	0.3	14.1	6.0	1.0	1.9	2.1	1.7	3.6	1.6	3.0	-5.9	-2.0	-0.3
Spain	1.2	6.1	5.8	4.4	0.4	3.4	-1.5	0.3	10.6	-0.2	-2.0	-1.5	2.2	3.7	3.8	2.0	4.7	-6.4	1.6	0.2
Sweden	-2.2	13.7	3.2	4.7	-4.1	0.5	-1.1	1.1	4.3	3.7	0.1	-2.0	0.7	4.9	3.2	-0.2	4.2	0.4	1.8	2.6
Switzerland	1.9	-1.4	-4.5	-2.6	-0.4	3.8	-1.6	-0.1	5.8	0.5	-5.9	-1.4	1.2	3.3	3.9	4.0	2.0	-5.8	-0.4	-0.6
Turkey	63.1	48.9	163.3	85.0	80.4	74.1	62.5	47.9	56.7	93.4	22.1	7.1	10.8	0.2	19.0	0.1	20.8	-1.6	1.6	2.1
United Kingdom	0.0	8.6	3.0	5.9	0.1	-7.0	-5.7	-1.1	3.1	-0.2	-2.2	0.4	-0.7	3.8	3.2	0.0	11.2	4.5	2.2	1.1
United States ¹	0.1	-0.8	0.9	2.7	-1.7	-3.5	-5.4	0.6	4.3	-2.4	-1.1	3.5	4.8	6.2	4.1	3.7	10.7	-11.3	3.0	1.0
Total OECD	0.5	2.0	2.9	5.6	1.8	1.6	-0.3	-0.7	6.2	1.1	-1.6	0.0	2.3	3.6	4.1	1.9	7.2	-5.7	1.3	0.7

Note: Regional aggregates are calculated inclusive of intra-regional trade. They are calculated as the geometric averages of prices weighted by 2005 trade volumes expressed in \$.

1. Certain components are estimated on a hedonic basis.

Source: OECD Economic Outlook 86 database.

Annex Table 42. **Competitive positions: relative consumer prices**
Indices, 2005 = 100

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	86.0	79.4	83.4	82.0	89.7	88.8	81.2	81.7	78.1	75.1	79.4	89.7	97.1	100.0	99.9	106.0	104.0	101.1
Austria	101.4	102.6	102.8	105.7	103.3	99.6	99.8	98.7	96.3	96.5	96.9	99.6	100.5	100.0	99.4	99.7	99.9	100.6
Belgium	98.4	98.3	99.8	103.3	100.7	95.5	96.4	95.1	91.4	92.3	93.7	98.1	99.8	100.0	99.7	100.4	103.3	103.4
Canada	106.8	99.5	91.4	89.5	89.5	88.8	83.8	83.2	83.7	81.1	80.4	89.4	94.3	100.0	105.6	109.7	107.5	102.0
Czech Republic	..	62.4	65.5	67.7	72.1	73.3	80.3	79.2	80.8	86.2	95.8	93.7	94.3	100.0	105.5	108.3	123.9	118.9
Denmark	93.6	94.4	94.1	97.5	96.1	93.6	95.8	95.8	92.5	93.9	95.7	100.4	101.0	100.0	99.7	100.2	101.8	105.0
Finland	117.3	98.0	101.7	109.3	102.9	99.2	100.8	100.7	96.4	97.7	98.8	102.8	102.6	100.0	99.0	100.2	102.0	103.3
France	101.2	102.2	102.1	104.2	103.6	99.2	100.1	98.0	93.6	93.5	94.9	99.5	101.0	100.0	99.6	99.9	100.7	100.9
Germany	104.2	107.7	108.4	112.5	108.0	102.5	103.7	101.3	95.2	95.2	96.1	100.6	101.9	100.0	99.3	100.4	100.3	101.3
Greece	88.1	88.7	89.4	92.3	94.9	95.6	94.1	94.6	88.5	89.4	92.0	97.4	99.6	100.0	100.9	102.5	104.7	105.9
Hungary	..	72.4	70.6	67.1	67.7	72.0	72.4	74.5	75.6	81.8	90.1	92.0	98.0	100.0	95.3	106.2	108.8	102.9
Iceland	89.0	83.7	78.4	77.4	76.8	78.5	80.5	82.8	86.0	76.4	81.7	85.9	88.1	100.0	93.7	97.5	76.4	62.3
Ireland	94.1	87.0	86.9	87.9	89.3	88.5	86.5	83.8	80.7	83.9	88.5	97.6	100.0	100.0	101.8	106.9	112.8	109.0
Italy	111.2	93.9	91.3	84.8	93.8	94.1	95.5	94.7	91.1	92.3	94.4	99.5	101.1	100.0	99.9	100.4	101.3	102.4
Japan	102.8	119.1	128.6	130.9	109.4	102.9	103.6	116.3	123.1	110.2	103.4	104.6	106.2	100.0	90.5	83.0	89.6	99.9
Korea	96.0	93.2	94.3	95.4	98.8	92.7	70.4	80.3	86.5	81.9	86.3	87.6	89.0	100.0	108.2	107.4	87.1	76.3
Luxembourg	98.9	98.8	100.0	102.4	99.9	96.3	96.3	95.6	93.6	94.3	95.5	99.0	100.2	100.0	100.9	102.3	103.2	103.0
Mexico	98.0	104.7	100.1	67.8	75.7	87.5	88.4	96.7	105.1	112.1	112.5	100.4	96.4	100.0	100.0	99.1	97.5	85.3
Netherlands	94.1	94.3	94.5	98.1	95.4	90.1	92.8	92.2	87.3	89.9	93.4	99.9	101.4	100.0	99.0	99.8	100.2	101.4
New Zealand	74.8	76.5	80.7	86.4	91.7	93.2	83.1	79.1	71.8	71.0	77.8	88.4	94.6	100.0	93.2	99.7	93.2	87.7
Norway	98.1	94.3	91.9	94.1	93.0	94.0	91.7	92.2	91.1	94.7	102.1	100.5	96.0	100.0	99.9	99.7	99.7	98.3
Poland	..	69.1	69.9	74.6	80.1	82.8	88.2	85.7	94.5	106.6	101.8	90.3	89.4	100.0	102.2	105.6	115.2	97.4
Portugal	95.2	92.3	90.9	94.1	94.0	92.8	93.6	93.7	91.8	94.1	96.3	99.9	100.7	100.0	100.6	101.2	101.2	100.5
Slovak Republic	..	66.0	65.3	66.8	66.7	70.3	70.8	69.9	77.1	78.1	79.1	89.1	97.6	100.0	105.4	116.1	125.7	135.2
Spain	106.7	95.0	90.8	92.1	93.6	89.3	90.3	90.2	88.2	90.3	92.7	97.3	99.3	100.0	101.5	103.0	105.1	104.9
Sweden	135.2	111.0	109.4	108.6	116.9	111.0	108.1	106.1	104.6	96.0	98.5	104.1	104.3	100.0	99.5	100.5	98.1	89.2
Switzerland	97.9	99.7	104.3	110.6	106.6	98.2	100.5	99.3	96.5	98.8	102.6	102.8	101.9	100.0	97.4	93.2	97.2	101.1
Turkey	77.9	83.5	61.3	66.5	67.2	71.6	79.0	83.1	92.9	75.8	82.6	87.0	89.9	100.0	99.6	107.9	109.4	102.3
United Kingdom	98.3	88.4	88.3	84.5	85.9	98.9	104.5	104.1	104.9	102.3	102.8	98.0	101.7	100.0	100.6	102.1	89.0	80.3
United States	88.8	90.0	90.1	88.8	91.6	96.2	103.8	102.6	106.0	112.2	112.5	105.9	101.5	100.0	99.3	95.1	91.6	95.7
Euro area	106.6	100.5	100.1	103.9	102.6	93.4	95.8	92.5	83.4	85.0	88.3	98.7	102.1	100.0	99.6	101.8	103.8	105.1

Note: Competitiveness-weighted relative consumer prices in dollar terms. Competitiveness weights take into account the structure of competition in both export and import markets of the manufacturing sector of 42 countries. An increase in the index indicates a real effective appreciation and a corresponding deterioration of the competitive position. For details on the method of calculation see Durand, M., C. Madaschi and F. Terribile (1998), "Trends in OECD Countries' International Competitiveness: The Influence of Emerging Market Economies", *OECD Economics Department Working Papers*, No. 195. See also *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Source: OECD Economic Outlook 86 database.

Annex Table 43. **Competitive positions: relative unit labour costs**

Indices, 2005 = 100

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Australia	71.9	65.0	68.4	72.1	80.1	80.9	74.1	78.3	73.3	67.7	71.2	81.9	92.0	100.0	101.1	108.6	107.3	104.4
Austria	108.9	110.0	110.5	107.8	102.4	99.6	101.2	100.1	94.7	94.2	95.0	98.6	100.0	100.0	97.9	97.6	96.9	98.6
Belgium	97.5	98.8	102.2	104.5	100.0	92.6	93.5	94.6	89.8	91.9	93.9	99.1	100.0	100.0	100.6	102.5	104.1	105.6
Canada	83.7	75.7	70.7	72.6	76.0	75.8	71.7	71.3	68.4	69.3	71.1	81.7	91.0	100.0	107.7	114.3	115.1	107.1
Czech Republic	..	70.3	68.4	67.8	73.8	74.5	83.5	76.8	75.5	85.4	96.8	100.9	98.5	100.0	101.3	101.9	113.7	111.3
Denmark	80.2	82.0	79.7	83.5	84.9	82.3	85.7	86.4	83.6	85.6	89.2	95.4	98.0	100.0	101.8	105.5	111.0	112.7
Finland	135.4	103.8	107.9	127.2	118.8	112.2	113.3	113.5	101.7	101.0	98.8	101.1	101.4	100.0	94.8	89.9	90.6	97.3
France	112.2	111.8	112.5	114.4	113.8	106.8	104.3	101.3	95.7	94.6	96.0	98.6	101.1	100.0	101.4	103.4	103.8	101.0
Germany	101.1	105.6	105.8	115.6	113.7	104.8	107.6	107.5	101.2	100.0	101.8	106.2	105.8	100.0	95.9	93.6	91.1	92.4
Greece	96.2	105.2	107.8	113.1	115.8	124.0	119.0	115.5	107.7	104.9	126.1	127.1	120.1	100.0	100.0	105.2	107.4	107.8
Hungary	..	116.8	104.4	94.6	87.4	86.1	80.1	77.3	79.9	86.4	92.8	90.2	96.9	100.0	92.3	98.0	102.4	97.2
Iceland	67.5	61.5	60.0	60.9	60.7	64.1	70.0	77.7	84.3	73.8	78.3	82.6	85.3	100.0	97.4	104.3	77.8	56.2
Ireland	138.9	131.0	129.5	122.6	122.1	116.1	105.1	97.5	89.8	87.0	82.1	90.7	94.4	100.0	97.7	94.4	100.0	94.8
Italy	96.5	80.1	76.0	69.1	78.4	81.2	82.1	83.3	79.2	80.6	84.3	93.7	98.4	100.0	101.1	103.7	108.9	120.0
Japan	114.3	133.9	151.9	151.0	123.7	117.8	121.5	138.8	143.5	130.1	121.5	114.2	111.0	100.0	87.8	78.9	84.6	91.9
Korea	105.1	100.9	103.4	114.7	124.2	109.7	76.2	80.0	85.2	80.1	84.7	84.0	87.0	100.0	104.5	101.4	75.9	66.2
Luxembourg	94.8	90.8	91.1	100.5	98.9	93.7	90.0	86.4	85.6	90.4	91.2	94.2	95.5	100.0	110.8	110.8	118.8	133.9
Mexico	85.1	92.4	89.6	55.7	59.0	70.1	72.0	82.3	95.4	106.2	111.6	99.9	96.5	100.0	100.5	98.7	94.5	77.5
Netherlands	98.9	97.1	94.7	97.5	94.3	91.5	95.1	94.7	88.2	89.9	93.5	101.3	102.8	100.0	99.0	100.4	103.0	106.0
New Zealand	61.7	62.2	68.0	71.8	78.3	81.2	73.5	70.5	62.2	63.8	69.5	80.6	89.1	100.0	96.1	105.1	99.7	89.5
Norway	70.6	69.0	71.9	76.4	75.8	80.1	79.7	86.4	88.4	91.4	101.8	96.7	93.2	100.0	108.8	115.1	116.0	111.8
Poland	..	98.5	104.5	111.2	118.4	122.2	129.4	123.5	126.7	131.2	115.3	94.2	88.8	100.0	97.2	96.7	102.1	83.4
Portugal	95.3	91.9	91.8	94.2	91.1	89.7	92.5	94.6	93.1	93.3	95.0	96.6	98.3	100.0	101.5	98.9	98.2	97.1
Slovak Republic	..	71.7	86.4	93.8	98.0	117.4	107.1	99.2	116.1	103.7	103.8	104.0	100.2	100.0	104.6	108.5	124.7	132.0
Spain	97.4	89.9	85.8	86.4	88.4	86.5	86.9	85.2	84.5	85.7	88.0	93.6	97.2	100.0	102.4	104.9	110.4	111.1
Sweden	189.5	138.9	129.7	124.6	141.0	131.7	124.2	115.2	115.9	111.5	107.8	110.1	105.9	100.0	94.6	99.0	100.0	99.2
Turkey	126.1	117.4	81.8	69.8	68.2	76.8	83.8	108.1	116.3	88.1	89.5	87.2	90.3	100.0	96.8	102.5	103.2	93.6
United Kingdom	78.8	73.1	74.1	70.3	70.6	84.5	96.1	97.7	100.3	98.0	101.4	97.7	102.7	100.0	102.9	107.4	93.9	85.0
United States	116.1	115.9	114.3	108.5	109.6	113.6	121.4	120.2	126.1	128.1	122.3	114.3	104.5	100.0	97.6	91.6	87.0	95.5
Euro area	107.7	100.3	99.2	105.3	106.0	95.7	97.2	95.6	84.8	84.4	88.8	100.0	103.7	100.0	98.5	99.4	102.1	106.6

Note: Competitiveness-weighted relative unit labour costs in the manufacturing sector in dollar terms. Competitiveness weights take into account the structure of competition in both export and import markets of the manufacturing sector of 42 countries. An increase in the index indicates a real effective appreciation and a corresponding deterioration of the competitive position. For details on the method of calculation see Durand, M., C. Madaschi and F. Terribile (1998), "Trends in OECD Countries' International Competitiveness: The Influence of Emerging Market Economies", *OECD Economics Department Working Papers*, No. 195. See also *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Source: OECD Economic Outlook 86 database.


Annex Table 44. **Export performance for total goods and services**
Percentage changes from previous year

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	-0.2	2.8	-1.6	-6.9	0.7	5.3	1.7	-2.0	-1.8	2.0	-5.6	-9.1	-7.8	-6.2	-5.2	-3.9	-0.6	15.5	-1.5	-0.6
Austria	2.3	-0.8	-1.8	-1.6	-1.2	2.5	0.4	0.5	0.8	3.7	1.6	-3.6	0.5	-0.1	-3.2	1.4	-2.9	-0.3	-0.4	0.6
Belgium	1.1	0.0	0.0	-3.1	-1.9	0.2	-3.8	-2.5	-0.2	-0.7	0.8	-3.2	-1.9	-2.2	-4.1	-1.5	-1.2	-0.9	-1.4	-1.3
Canada	0.6	3.2	1.1	0.3	-3.0	-3.8	-0.9	0.2	-3.6	-0.9	-2.2	-6.6	-5.5	-4.4	-5.7	-1.9	-3.1	0.3	-0.9	-2.5
Czech Republic	..	..	-6.3	7.4	-0.8	-1.4	0.7	-0.7	5.4	7.8	0.2	1.7	10.3	3.7	4.1	6.9	2.4	0.4	-0.6	-0.7
Denmark	-1.5	0.4	-0.6	-4.9	-2.1	-5.0	-3.9	5.3	1.2	2.1	2.3	-5.2	-5.7	0.4	-0.3	-4.3	-0.6	4.2	-2.4	-2.1
Finland	16.5	14.6	5.0	-0.2	-0.3	3.6	2.9	6.8	4.0	-0.6	-0.9	-7.5	-2.3	-1.9	0.4	-1.9	2.3	-12.0	-2.2	-0.9
France	2.6	0.6	0.5	0.1	-2.6	2.5	1.0	-1.7	1.4	0.8	-1.2	-5.7	-5.1	-3.9	-4.0	-4.0	-3.4	1.8	0.8	-0.1
Germany	-3.5	-5.8	-0.1	-2.2	-0.4	1.3	-0.2	-0.2	1.3	4.8	1.1	-2.3	-0.6	0.4	3.8	0.3	0.0	-0.5	2.8	1.1
Greece	9.5	-4.5	1.3	-5.1	-2.5	8.3	-0.8	13.7	2.2	-1.3	-11.3	-2.5	5.8	-6.0	-4.1	-2.9	-1.0	-2.4	-4.0	-0.5
Hungary	..	..	5.9	25.4	5.0	10.6	8.4	5.6	6.5	4.8	1.5	0.4	4.9	3.0	6.6	7.2	1.7	4.6	0.9	-0.1
Iceland	-3.9	6.6	0.7	-9.5	3.2	-3.9	-5.7	-3.0	-6.4	5.2	1.3	-2.0	0.1	0.3	-12.9	11.8	5.2	15.6	-1.7	-3.0
Ireland	9.4	8.9	6.1	11.4	5.7	7.0	14.1	7.9	7.8	7.4	2.6	-3.1	-0.9	-1.6	-2.9	4.0	-2.1	11.9	-2.6	-3.8
Italy	6.6	7.3	2.9	3.9	-5.5	-4.1	-5.3	-6.0	0.5	0.1	-5.6	-6.4	-6.0	-5.8	-3.2	-3.8	-7.1	-7.7	-3.0	-3.3
Japan	-3.4	-7.2	-7.2	-6.9	-2.7	1.1	-3.9	-5.0	-1.8	-5.9	1.1	0.7	-0.2	-1.6	0.0	0.7	-1.3	-15.8	2.3	-2.4
Korea	5.9	5.0	5.6	11.4	2.1	11.3	10.5	8.1	4.5	-3.9	5.4	4.3	4.6	-1.7	0.8	4.0	1.4	11.4	4.9	3.6
Luxembourg	-0.2	7.0	-0.7	-3.0	-2.2	1.8	2.7	7.7	0.7	2.7	0.9	3.3	3.4	-2.1	4.3	3.3	-0.1	1.3	-1.5	-0.6
Mexico	-2.1	0.0	5.5	19.9	9.1	-2.3	1.4	2.0	3.3	-1.2	-1.5	-1.7	0.4	0.0	4.0	2.5	3.6	-5.6	1.6	2.0
Netherlands	0.5	4.7	0.5	1.2	-1.0	1.0	-1.1	2.5	1.3	0.3	-1.0	-2.5	-0.6	-1.3	-2.0	0.4	0.1	4.0	0.6	0.0
New Zealand	-1.8	0.1	-1.2	-6.0	-4.6	-4.3	-1.2	1.0	-4.0	4.3	0.6	-4.7	-5.8	-8.5	-6.7	-3.5	-6.5	12.1	-4.8	-3.5
Norway	1.3	2.1	-0.4	-2.7	3.5	-2.3	-7.2	-3.8	-7.6	2.8	-2.7	-3.5	-6.7	-5.9	-8.3	-2.1	-0.3	5.7	-4.1	-3.5
Poland	..	..	5.1	13.1	7.3	2.5	6.1	-7.2	9.5	-0.3	2.4	8.1	4.0	-0.2	2.7	0.5	2.8	5.8	-3.7	-1.0
Portugal	-0.8	-2.1	0.0	0.5	-0.3	-4.2	-1.0	-4.1	-2.9	-0.6	-0.8	-0.3	-4.4	-5.2	-0.5	1.1	-1.6	-1.5	-0.9	-2.8
Slovak Republic	..	..	6.2	-5.2	-7.4	0.0	11.2	6.1	-3.8	3.1	2.9	9.4	-3.0	2.8	8.3	4.3	-0.5	-6.0	1.0	4.7
Spain	3.4	8.2	8.1	1.4	4.7	4.2	-0.9	1.8	-1.1	2.4	0.5	0.5	-3.8	-4.3	-1.9	0.4	-3.6	-1.5	1.9	1.5
Sweden	0.5	6.3	4.7	2.6	-2.3	2.6	1.1	2.3	0.2	-0.7	-1.9	-0.2	1.2	-1.4	-1.0	-0.6	-1.8	0.6	-1.1	-0.3
Switzerland	0.2	1.7	-6.2	-7.7	-2.0	1.5	-2.7	-0.1	0.5	-0.8	-2.4	-5.2	-1.3	0.1	0.4	2.9	0.1	-0.2	-1.2	-0.7
Turkey	14.3	8.3	8.2	0.2	15.7	8.5	5.2	-14.7	3.7	0.6	3.3	1.4	0.9	-0.7	-3.6	-1.9	-2.9	7.8	0.1	1.8
United Kingdom	1.2	3.0	0.2	0.4	2.1	-2.1	-4.6	-2.8	-3.1	2.0	-1.6	-2.5	-4.4	0.1	2.3	-9.1	-1.8	1.8	0.1	0.2
United States	0.5	-1.1	-1.5	2.3	-0.2	0.5	-2.2	-1.3	-3.4	-5.2	-4.2	-3.0	-1.1	-1.8	-0.2	1.0	1.1	2.6	0.1	0.4
Total OECD	0.8	0.5	0.0	0.3	-0.4	0.6	-1.2	-0.9	-0.4	-0.2	-1.2	-2.7	-1.8	-1.8	-0.5	-0.6	-0.9	0.1	0.4	-0.1
<i>Memorandum items</i>																				
China	13.4	5.3	17.8	-3.5	8.6	13.2	4.5	6.5	12.9	6.7	21.2	19.4	10.8	14.5	14.2	12.7	5.7	0.5	5.3	5.4
Dynamic Asia ¹	4.3	3.4	1.0	-0.2	-2.8	-0.9	-0.5	-2.9	2.7	-3.5	0.1	0.0	0.7	0.4	-0.3	0.3	-1.9	-2.8	-1.4	-1.4
Other Asia	6.2	6.4	5.0	8.0	3.1	-3.8	1.6	7.9	1.1	6.7	5.9	3.2	7.7	7.5	9.1	-2.0	6.8	2.7	1.1	2.1
Latin America	2.0	6.3	-3.0	-4.3	-0.8	-3.6	0.2	-1.6	-4.5	3.9	2.1	2.2	0.8	0.5	-3.9	-2.0	-1.3	4.3	-1.4	0.0
Africa and Middle-East	3.8	3.3	-3.6	-6.6	-3.6	-0.1	-1.2	-5.3	-0.7	1.3	-2.7	3.0	-1.8	-4.0	-4.5	-1.4	0.1	6.7	-4.6	-2.3
Central & Eastern Europe	..	..	..	..	-0.2	-3.8	-2.2	1.0	-1.3	3.2	4.9	2.3	-0.1	-0.6	-3.1	-3.7	-1.4	1.6	1.9	1.6

Note: Regional aggregates are calculated inclusive of intra-regional trade. Export performance is the ratio between export volumes and export markets for total goods and services. The calculation of export markets is based on a weighted average of import volumes in each exporting country's markets, with weights based on trade flows in 2005.

1. Dynamic Asia includes Chinese Taipei; Hong Kong, China; Indonesia; Malaysia; Philippines; Singapore and Thailand.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/755764156706>

Annex Table 45. **Shares in world exports and imports**
 Percentage, values for goods and services, national accounts basis

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
A. Exports																	
Canada	3.5	3.5	3.6	3.7	4.0	4.2	4.1	3.8	3.5	3.4	3.3	3.1	2.9	2.7	2.5	2.5	2.4
France	5.6	5.5	5.3	5.7	5.4	4.8	4.9	4.9	4.9	4.7	4.3	4.1	4.0	3.8	4.0	4.0	3.9
Germany	9.5	9.1	8.6	9.2	8.8	8.0	8.6	9.0	9.4	9.3	8.9	9.0	9.1	8.8	8.9	9.0	8.9
Italy	4.6	4.7	4.3	4.5	4.1	3.8	4.0	3.9	4.0	3.9	3.6	3.5	3.6	3.4	3.2	3.1	3.0
Japan	7.6	6.8	6.7	6.2	6.4	6.5	5.7	5.6	5.5	5.4	5.1	4.7	4.5	4.3	4.0	4.0	3.9
United Kingdom	5.2	5.4	5.6	5.7	5.5	5.2	5.2	5.2	5.1	4.9	4.7	4.7	4.3	4.0	3.9	3.8	3.8
United States	12.8	13.0	13.7	14.0	14.0	13.8	13.4	12.5	11.2	10.4	10.1	9.9	9.6	9.3	10.0	9.6	9.6
Other OECD countries	25.6	25.5	25.0	26.2	26.3	25.5	26.2	26.5	27.1	27.1	26.4	26.0	26.5	26.3	27.2	27.3	27.2
Total OECD	74.4	73.4	72.7	75.0	74.5	71.8	72.2	71.5	70.6	69.1	66.4	65.1	64.4	62.5	63.7	63.4	62.7
Non-OECD Asia	14.8	15.3	16.0	14.9	15.1	16.3	16.1	16.8	17.1	17.7	18.4	19.0	19.4	19.5	20.3	20.0	20.6
Latin America	2.8	2.8	3.0	2.9	2.7	2.9	2.9	2.8	2.7	2.9	3.1	3.3	3.3	3.4	3.6	3.6	3.6
Other non-OECD countries	8.0	8.5	8.3	7.2	7.7	9.0	8.9	9.0	9.6	10.4	12.0	12.6	12.9	14.6	12.4	13.1	13.1
Total of non-OECD countries	25.6	26.6	27.3	25.0	25.5	28.2	27.8	28.5	29.4	30.9	33.6	34.9	35.6	37.5	36.3	36.6	37.3
B. Imports																	
Canada	3.2	3.2	3.5	3.6	3.7	3.7	3.5	3.4	3.2	3.0	3.0	3.0	2.8	2.6	2.7	2.7	2.6
France	5.5	5.2	4.8	5.2	5.0	4.7	4.7	4.7	4.8	4.7	4.5	4.4	4.4	4.3	4.4	4.4	4.3
Germany	9.5	8.9	8.3	8.8	8.7	8.0	8.1	7.9	8.4	8.1	7.8	8.0	7.9	7.8	8.2	8.4	8.3
Italy	4.0	3.8	3.8	4.0	3.8	3.6	3.7	3.8	3.9	3.8	3.6	3.7	3.7	3.5	3.3	3.2	3.1
Japan	6.5	6.6	6.1	5.2	5.4	5.6	5.3	4.9	4.7	4.7	4.6	4.5	4.2	4.4	4.1	4.0	4.0
United Kingdom	5.3	5.4	5.6	5.9	5.9	5.5	5.6	5.8	5.6	5.5	5.3	5.3	5.0	4.4	4.3	4.1	4.0
United States	14.5	14.7	15.5	16.5	17.8	18.7	18.2	17.9	16.7	16.0	15.9	15.4	14.1	13.1	12.7	12.4	12.5
Other OECD countries	24.7	25.0	24.4	25.3	25.5	24.8	25.0	25.4	26.1	26.2	25.8	25.8	26.5	26.4	26.0	26.2	26.0
Total OECD	73.1	72.8	71.9	74.4	75.7	74.6	74.3	73.8	73.5	72.0	70.7	69.9	68.4	66.5	65.8	65.6	64.8
Non-OECD Asia	15.4	15.6	16.0	13.8	13.9	15.2	14.8	15.4	15.7	16.7	17.1	17.3	17.4	17.9	18.7	19.2	19.9
Latin America	3.1	3.1	3.5	3.6	3.0	3.0	3.0	2.5	2.3	2.4	2.6	2.7	3.0	3.3	3.4	3.3	3.3
Other non-OECD countries	8.3	8.5	8.6	8.2	7.4	7.2	7.9	8.3	8.6	8.9	9.7	10.1	11.2	12.4	12.1	11.9	12.0
Total of non-OECD countries	26.9	27.2	28.1	25.6	24.3	25.4	25.7	26.2	26.5	28.0	29.3	30.1	31.6	33.5	34.2	34.4	35.2

Note: Regional aggregates are calculated inclusive of intra-regional trade.

Source: OECD Economic Outlook 86 database.

Annex Table 46. **Geographical structure of world trade growth**
Average of export and import volumes

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Percentage changes from previous year																	
A. Trade growth by main regions																	
NAFTA ¹	8.3	8.7	12.7	7.9	9.0	11.4	-3.8	1.2	2.6	9.7	6.1	6.9	4.6	0.3	-14.1	6.7	7.7
OECD Europe	8.4	5.5	10.6	8.2	6.0	12.3	2.9	1.7	2.5	7.2	6.2	9.1	5.4	1.2	-12.6	3.5	6.1
OECD Asia & Pacific ²	11.3	10.4	7.2	-4.1	7.3	12.5	-2.9	6.6	7.8	12.2	6.5	7.9	7.6	3.2	-13.0	10.0	9.0
Total OECD	8.7	7.0	10.7	6.6	6.9	12.1	0.4	2.1	3.1	8.5	6.2	8.4	5.5	1.2	-13.0	5.2	6.9
Non-OECD Asia	14.6	9.6	8.7	-1.7	5.2	18.8	-0.6	11.7	14.9	19.3	13.5	14.3	10.9	5.8	-11.0	9.9	10.2
Latin America	11.6	5.9	13.5	7.2	-4.5	7.8	3.1	-3.8	4.6	14.1	12.3	9.6	11.7	7.5	-10.7	5.1	9.1
Other non-OECD countries	5.7	5.2	8.2	0.9	0.6	12.0	4.7	5.8	9.4	12.2	8.6	8.9	11.4	8.1	-12.2	4.5	7.2
Non-OECD	10.8	7.5	9.0	0.3	2.2	14.9	1.7	7.7	11.8	16.2	11.6	12.0	11.1	6.7	-11.4	7.6	9.1
World	9.3	7.1	10.2	4.8	5.7	12.8	0.7	3.6	5.5	10.7	7.9	9.5	7.3	3.0	-12.5	6.0	7.7
Percentage points																	
B. Contribution to World Trade growth by main regions																	
NAFTA ¹	1.6	1.6	2.4	1.5	1.8	2.3	-0.8	0.2	0.5	1.8	1.1	1.2	0.8	0.0	-2.4	1.1	1.3
OECD Europe	3.7	2.4	4.6	3.6	2.7	5.6	1.3	0.8	1.1	3.2	2.6	3.8	2.3	0.5	-5.1	1.4	2.4
OECD Asia & Pacific ²	1.0	1.0	0.7	-0.4	0.6	1.1	-0.2	0.5	0.7	1.1	0.6	0.7	0.7	0.3	-1.1	0.9	0.8
Total OECD	6.3	5.0	7.7	4.7	5.1	9.0	0.3	1.6	2.3	6.0	4.3	5.7	3.7	0.8	-8.5	3.4	4.5
Non-OECD Asia	1.9	1.3	1.2	-0.2	0.7	2.4	-0.1	1.6	2.1	3.0	2.3	2.5	2.0	1.1	-2.2	2.0	2.1
Latin America	0.4	0.2	0.4	0.2	-0.1	0.2	0.1	-0.1	0.1	0.4	0.3	0.3	0.3	0.2	-0.3	0.2	0.3
Other non-OECD countries	0.6	0.6	0.9	0.1	0.1	1.2	0.5	0.6	1.0	1.3	0.9	1.0	1.2	0.9	-1.4	0.5	0.8
Non-OECD	3.0	2.1	2.5	0.1	0.6	3.8	0.5	2.0	3.2	4.7	3.5	3.8	3.6	2.2	-3.9	2.7	3.2
World	9.3	7.1	10.2	4.8	5.7	12.8	0.7	3.6	5.5	10.7	7.9	9.5	7.3	3.0	-12.5	6.0	7.7

Note: Regional aggregates are calculated inclusive of intra-regional trade as the sum of volumes expressed in 2005 \$.

1. Canada, Mexico and United States.

2. Australia, Japan, Korea and New Zealand.

Source: OECD Economic Outlook 86 database.

Annex Table 47. Trade balances for goods and services

\$ billion, national accounts basis

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	-0.9	-1.4	-4.3	-5.1	-0.4	2.0	-6.2	-9.6	-3.9	2.5	-4.3	-13.5	-17.5	-12.8	-8.7	-17.6	-8.4	-6.4	-10.7	-6.9
Austria	-1.4	-0.7	-2.3	-2.4	-4.0	-1.1	1.3	2.3	3.5	4.7	9.4	9.1	11.6	11.9	15.3	22.9	27.8	16.9	17.8	19.5
Belgium	5.7	7.0	8.7	10.9	8.9	9.4	9.8	10.7	6.4	8.6	14.5	17.0	18.2	15.0	14.6	17.6	5.1	10.3	13.5	13.9
Canada	-2.2	0.0	6.7	18.9	24.7	12.6	12.3	24.2	41.6	41.2	32.4	32.5	42.7	42.5	32.2	27.3	25.3	-25.8	-34.6	-35.5
Czech Republic	..	0.0	-1.1	-2.4	-3.6	-3.0	-0.7	-0.7	-1.7	-1.5	-1.6	-2.1	0.1	3.9	5.0	8.9	9.9	12.6	16.6	18.4
Denmark	9.4	9.4	8.1	7.4	9.1	6.3	3.7	8.8	9.6	10.7	10.2	13.3	11.9	12.7	8.3	6.7	7.9	8.2	6.9	7.0
Finland	0.9	4.0	5.6	9.8	9.4	9.8	11.5	13.1	11.6	12.0	12.7	11.6	13.1	8.6	10.4	12.2	10.9	6.7	8.9	9.1
France	2.8	12.1	12.4	17.9	23.3	40.9	37.8	30.9	12.7	15.1	25.1	17.2	2.9	-17.9	-29.8	-49.5	-72.4	-45.1	-50.8	-53.3
Germany	-9.3	-0.9	2.7	11.8	22.0	27.0	29.6	18.0	7.0	38.4	93.4	98.2	137.9	147.0	167.4	237.9	228.7	119.9	136.8	161.5
Greece	-11.6	-10.7	-9.3	-12.4	-14.1	-13.1	-14.7	-15.0	-17.0	-17.2	-20.1	-23.9	-22.7	-22.3	-28.0	-34.5	-35.9	-22.8	-19.8	-20.2
Hungary	..	-3.1	-2.7	0.0	0.3	0.5	-0.7	-1.3	-1.7	-0.6	-1.4	-3.3	-3.4	-2.0	-0.8	2.2	1.5	5.5	3.9	2.3
Iceland	0.0	0.2	0.3	0.3	0.0	0.0	-0.4	-0.4	-0.6	-0.1	0.1	-0.3	-0.8	-2.0	-3.0	-2.2	-0.7	0.9	1.5	1.6
Ireland	4.3	5.5	5.7	7.9	8.9	10.6	10.4	13.5	12.9	16.3	21.3	25.4	27.8	24.0	22.1	26.6	27.4	37.3	42.1	46.1
Italy	-1.4	31.4	36.1	43.2	58.5	46.3	37.1	22.1	10.5	15.3	11.6	9.0	11.4	-0.9	-15.0	-5.1	-11.8	-5.6	-3.1	-2.0
Japan	82.2	96.9	96.5	74.8	23.4	47.4	72.4	69.4	68.0	26.1	51.2	69.3	89.0	63.3	54.5	73.3	6.4	-2.4	3.5	-1.0
Korea	-4.1	1.1	-3.5	-6.1	-19.5	-5.0	43.1	28.9	15.3	11.4	8.4	14.7	29.9	22.8	13.3	15.8	-11.7	25.9	6.9	5.4
Luxembourg	2.5	2.8	3.5	4.3	4.3	3.2	3.1	4.1	4.4	3.5	4.3	7.0	8.5	9.6	13.5	17.1	19.1	16.8	19.0	21.3
Mexico	-18.3	-15.8	-20.1	7.8	7.2	0.0	-8.5	-7.6	-11.3	-13.7	-11.4	-10.1	-13.2	-12.3	-11.6	-15.8	-23.4	-11.0	-3.7	1.3
Netherlands	12.7	17.7	19.8	23.8	22.1	21.9	18.9	17.4	21.3	23.2	28.8	33.9	45.1	54.5	52.4	67.4	73.1	60.0	65.1	70.6
New Zealand	0.7	1.2	1.1	0.7	0.3	0.3	0.2	-0.6	0.4	1.5	0.8	0.7	-0.4	-2.2	-1.8	-1.5	-2.4	0.9	-1.5	-3.4
Norway	8.7	7.6	7.6	9.2	14.3	13.0	2.8	11.6	28.7	28.9	25.8	29.2	35.1	49.6	60.7	62.5	88.9	56.6	66.8	70.2
Poland	..	0.8	2.1	3.0	-2.2	-6.1	-8.3	-9.9	-11.0	-7.0	-6.9	-5.8	-5.9	-2.2	-6.2	-12.3	-21.5	-2.9	-4.9	-5.0
Portugal	-7.7	-6.4	-6.7	-7.3	-8.2	-9.0	-10.6	-12.4	-12.3	-11.6	-10.6	-10.3	-14.0	-16.4	-16.0	-16.9	-23.4	-16.4	-19.1	-18.8
Slovak Republic	..	-0.6	0.8	0.4	-2.3	-2.1	-2.4	-0.9	-0.5	-1.7	-1.8	-0.6	-1.1	-2.2	-2.1	-0.8	-2.3	-1.8	-0.7	0.5
Spain	-16.4	-3.2	0.1	0.0	3.3	5.0	-1.4	-11.3	-18.2	-15.4	-14.7	-21.1	-41.8	-59.5	-79.0	-98.1	-94.7	-25.5	-10.6	-1.7
Sweden	5.0	7.6	9.9	17.5	18.4	18.9	16.8	16.6	15.4	15.2	16.9	21.3	29.1	28.4	32.2	35.2	36.0	31.9	38.4	42.2
Switzerland	10.9	14.4	14.6	16.1	14.7	14.1	13.1	14.9	14.6	12.6	18.4	21.4	25.1	25.0	32.4	44.8	56.1	49.1	56.5	59.5
Turkey	0.2	-4.8	6.1	-0.1	-3.1	-1.1	2.7	0.8	-8.0	7.7	3.8	-3.1	-10.4	-16.9	-26.0	-33.9	-33.7	-2.2	-6.9	-12.9
United Kingdom	-11.8	-7.4	-4.5	-1.4	1.0	7.3	-11.3	-21.9	-27.2	-34.6	-42.2	-42.7	-59.5	-77.7	-76.7	-90.1	-70.3	-48.5	-37.1	-28.8
United States	-32.9	-64.4	-92.7	-90.7	-96.3	-101.4	-161.8	-262.1	-382.1	-371.0	-427.2	-504.1	-618.7	-722.7	-769.3	-713.8	-707.8	-378.6	-440.1	-495.9
Euro area	-18.9	57.9	77.2	108.1	132.2	148.8	130.4	92.3	42.3	91.1	173.8	172.7	196.8	151.3	125.7	197.0	151.6	150.7	199.1	246.6
Total OECD	28.0	100.3	101.4	158.1	120.6	154.5	99.6	-47.0	-211.9	-180.3	-153.9	-210.2	-270.5	-451.8	-540.4	-413.7	-496.4	-135.4	-139.6	-134.9

Source: OECD Economic Outlook 86 database.

Annex Table 48. Investment income, net
\$ billion

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	-10.1	-8.1	-12.4	-14.0	-15.2	-13.8	-11.4	-11.6	-10.8	-9.9	-11.5	-14.9	-21.4	-27.6	-30.9	-39.9	-39.3	-36.2	-41.3	-42.1
Austria	-1.8	-1.4	-1.6	-2.0	-0.6	-1.3	-1.8	-2.8	-2.3	-3.0	-1.5	-1.1	-1.2	-2.0	-1.9	-2.3	-2.8	-1.8	-1.9	-2.0
Belgium ¹	6.4	6.9	7.4	7.3	6.8	6.3	6.9	6.7	6.3	4.6	4.5	6.5	5.7	5.4	5.0	7.3	6.5	4.4	3.9	4.1
Canada	-17.5	-20.8	-18.9	-22.7	-21.5	-20.9	-20.0	-22.6	-22.3	-25.4	-19.3	-21.3	-18.6	-18.9	-12.2	-10.2	-14.1	-11.3	-13.6	-13.8
Czech Republic	..	-0.1	0.0	-0.1	-0.7	-0.8	-1.1	-1.3	-1.4	-2.1	-3.5	-4.2	-6.0	-6.0	-8.0	-12.5	-16.9	-13.8	-14.7	-17.0
Denmark	-4.9	-3.8	-3.8	-3.8	-3.7	-3.4	-2.8	-2.6	-3.6	-3.6	-2.7	-2.6	-2.2	1.6	2.8	1.7	3.9	6.6	6.8	7.0
Finland	-5.5	-4.9	-4.4	-4.4	-3.7	-2.5	-3.1	-2.4	-1.8	-0.9	-0.5	-2.8	0.1	0.2	0.9	-1.9	-1.6	-3.6	-4.2	-4.1
France	-6.4	-7.0	-6.2	-8.4	-1.9	7.1	8.7	22.8	19.5	19.5	8.7	14.9	22.5	29.5	37.1	40.4	36.3	27.8	31.8	32.5
Germany	18.2	11.5	1.4	-2.8	0.8	-2.7	-10.8	-12.4	-8.9	-10.0	-17.4	-17.3	24.9	30.3	58.0	70.7	66.6	52.2	60.5	73.4
Greece	-2.4	-1.6	-1.4	-1.8	-2.1	-1.7	-1.6	-0.7	-0.9	-1.8	-2.0	-4.5	-5.4	-7.0	-9.1	-12.7	-15.6	-14.8	-16.9	-18.4
Hungary	..	-1.5	-1.6	-1.7	-2.0	-2.7	-3.0	-2.9	-2.6	-2.9	-3.6	-4.2	-5.4	-6.3	-7.0	-10.4	-11.2	-7.6	-8.3	-7.9
Iceland	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	0.0	-0.2	-0.6	-0.6	-1.2	-1.1	-5.6	-1.7	-1.7	-1.8
Ireland	-5.6	-5.3	-5.4	-7.3	-8.2	-9.6	-10.5	-13.7	-13.5	-16.4	-22.5	-25.0	-28.1	-31.0	-30.3	-37.0	-42.1	-41.1	-44.8	-44.8
Italy	-21.9	-17.4	-16.9	-15.8	-15.5	-10.2	-11.3	-11.1	-11.9	-10.5	-14.5	-20.2	-18.6	-17.4	-16.8	-27.5	-42.8	-29.2	-26.5	-26.5
Japan	35.6	40.7	40.6	44.2	53.3	58.1	54.8	58.0	60.6	69.3	66.0	71.8	86.2	103.4	118.2	139.0	153.4	132.9	137.8	144.6
Korea	-0.4	-0.4	-0.5	-1.3	-1.8	-2.5	-5.6	-5.2	-2.4	-1.2	0.4	0.3	1.1	-1.6	0.5	1.0	5.1	5.6	6.2	6.1
Luxembourg	..	..	..	1.6	1.3	0.5	0.2	-0.5	-1.3	-1.6	-3.4	-4.0	-4.3	-6.7	-11.0	-15.6	-17.8	-16.4	-18.9	-20.2
Mexico	-9.6	-11.4	-13.0	-13.3	-14.0	-12.8	-13.4	-12.9	-15.1	-14.0	-12.9	-12.4	-10.8	-14.8	-18.3	-18.3	-16.7	-14.5	-14.6	-15.2
Netherlands	-1.0	0.8	3.6	7.2	3.5	7.0	-2.7	3.5	-2.3	-0.2	0.1	1.4	11.5	4.0	16.8	8.1	-14.4	-7.8	-6.4	-6.6
New Zealand	-2.5	-2.9	-3.4	-4.0	-4.7	-4.9	-2.6	-3.1	-3.4	-3.1	-3.2	-4.2	-5.8	-7.3	-7.9	-9.4	-9.8	-4.8	-5.7	-6.5
Norway	-3.5	-3.3	-2.2	-1.9	-1.9	-1.7	-1.5	-1.2	-2.5	0.3	0.2	1.3	0.2	1.3	-0.7	2.7	3.0	15.2	22.4	22.2
Poland	..	..	-2.6	-2.0	-1.1	-1.1	-1.2	-1.0	-0.7	-0.6	-1.1	-2.5	-8.2	-6.7	-9.7	-16.4	-14.2	-13.2	-16.0	-19.9
Portugal	0.7	0.3	-0.5	0.2	-0.9	-1.3	-1.5	-1.6	-2.4	-3.5	-3.0	-2.6	-3.7	-4.8	-7.9	-9.5	-11.5	-9.7	-10.9	-12.8
Slovak Republic	..	0.0	-0.1	0.0	0.0	-0.1	-0.2	-0.3	-0.4	-0.3	-0.5	-1.8	-2.2	-2.0	-2.5	-3.3	-3.3	-1.6	-1.8	-2.8
Spain	-5.8	-3.6	-7.8	-5.4	-7.5	-7.4	-8.6	-9.5	-6.9	-11.3	-11.6	-11.7	-15.1	-21.3	-26.2	-41.4	-49.5	-46.8	-46.4	-44.5
Sweden	-10.0	-8.7	-5.9	-5.5	-6.3	-4.9	-3.2	-2.0	-1.4	-1.4	-1.8	3.9	-0.4	3.1	7.4	11.0	-0.6	2.9	0.7	1.0
Switzerland	6.4	7.4	6.0	9.8	10.7	14.2	15.2	17.8	19.2	11.8	9.4	24.3	25.3	33.8	33.6	7.2	-35.9	0.9	3.2	4.5
Turkey	-2.6	-2.7	-3.3	-3.2	-2.9	-3.0	-3.0	-3.5	-4.0	-5.0	-4.6	-5.6	-5.6	-5.9	-6.7	-7.1	-8.0	-8.5	-8.3	-8.4
United Kingdom	-1.8	-3.8	2.0	-1.4	-3.8	0.5	19.6	-1.7	3.0	13.6	27.6	28.7	32.8	40.0	17.5	42.0	53.3	16.5	8.0	8.1
United States	24.2	25.3	17.1	20.9	22.3	12.6	4.3	13.9	21.1	31.7	27.4	45.3	67.2	72.4	48.1	90.8	118.2	64.9	60.0	60.0
Euro area	-25.1	-21.7	-31.8	-31.7	-28.0	-16.2	-36.1	-22.0	-26.7	-35.2	-63.4	-68.2	-13.9	-22.9	12.1	-24.9	-91.9	-88.5	-82.7	-72.8
Total OECD	-21.9	-16.2	-33.8	-31.8	-21.5	-3.5	-11.2	-4.0	6.7	21.9	3.5	35.6	114.1	137.2	137.6	145.2	72.7	45.4	38.3	48.1

Note: The classification of non-factor services and investment income is affected by the change in reporting system to the International Monetary Fund, Fifth Balance of Payments Manual.

1. Including Luxembourg until 1994.

Source: OECD Economic Outlook 86 database.

Annex Table 49. Total transfers, net
\$ billion

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	-0.1	-0.1	-0.2	-0.1	0.1	0.0	-0.3	0.0	0.0	0.1	0.0	-0.1	-0.2	-0.4	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4
Austria	-1.9	-1.7	-1.8	-1.8	-2.0	-2.0	-1.9	-2.1	-1.7	-1.7	-1.6	-1.8	-1.7	-1.8	-1.7	-1.7	-2.5	-2.3	-2.2	-1.8
Belgium ¹	-2.5	-2.6	-3.3	-4.2	-4.1	-3.7	-4.3	-4.6	-3.9	-4.1	-4.4	-6.4	-6.5	-6.3	-6.6	-6.4	-8.2	-8.5	-9.9	-9.9
Canada	-0.9	-0.6	-0.3	-0.1	0.5	0.5	0.6	0.5	0.8	1.0	0.0	-0.2	-0.5	-1.2	-1.3	-1.8	-1.0	-1.8	-2.3	-2.3
Czech Republic	..	0.1	0.1	0.6	0.4	0.4	0.5	0.6	0.4	0.5	0.9	0.6	0.2	0.3	-0.6	-1.4	-0.6	-0.1	0.2	0.3
Denmark	-1.7	-1.7	-2.0	-2.4	-2.6	-1.8	-2.3	-2.9	-3.0	-2.6	-2.6	-3.7	-4.6	-4.2	-4.8	-5.3	-5.7	-6.4	-6.1	-6.2
Finland	-0.8	-0.4	-0.5	-0.5	-0.9	-0.7	-1.0	-1.0	-0.7	-0.7	-0.7	-1.1	-1.1	-1.5	-1.7	-1.9	-2.3	-1.5	-2.4	-2.6
France	-11.5	-8.1	-10.6	-5.9	-7.4	-13.1	-12.2	-13.2	-14.0	-14.8	-14.2	-19.2	-21.8	-27.3	-27.5	-31.2	-35.6	-34.2	-38.7	-40.2
Germany	-32.5	-33.1	-36.2	-38.8	-34.0	-30.5	-30.3	-26.6	-25.9	-24.1	-25.9	-32.0	-34.6	-36.0	-34.1	-43.4	-48.3	-38.0	-37.2	-37.2
Greece ²	6.5	6.5	6.9	8.0	8.0	8.3	7.9	3.9	3.3	3.5	3.6	4.3	4.5	3.9	4.3	2.2	4.1	4.1	4.1	4.1
Hungary	..	0.2	0.2	0.2	0.0	0.2	0.2	0.4	0.4	0.4	0.5	0.7	-0.2	-0.4	-0.4	-0.7	-1.0	0.3	1.2	1.2
Iceland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
Ireland	2.1	1.9	1.7	1.8	2.2	2.0	1.5	1.2	0.9	0.2	0.6	0.4	0.4	0.3	-0.7	-1.4	-1.7	-2.5	-2.3	-2.8
Italy	-7.8	-7.3	-7.2	-4.2	-6.6	-4.2	-7.4	-5.4	-4.3	-5.8	-5.5	-8.1	-10.3	-12.3	-16.7	-19.7	-23.1	-17.0	-18.1	-18.1
Japan	-3.9	-5.3	-6.1	-7.8	-9.3	-8.8	-8.8	-10.8	-9.8	-8.1	-5.6	-7.7	-8.0	-7.3	-10.6	-11.6	-13.2	-14.5	-15.9	-15.9
Korea	1.1	1.2	1.3	0.2	0.0	0.7	3.4	1.9	0.6	-0.4	-1.6	-2.9	-2.4	-2.5	-4.1	-3.5	-0.8	1.3	-1.0	-1.0
Luxembourg	..	..	..	-0.6	-0.6	-0.5	-0.4	-0.6	-0.5	-0.5	-0.3	-0.6	-1.1	-1.2	-1.2	-2.2	-2.7	-1.3	-1.1	-1.1
Mexico	3.4	3.6	3.8	4.0	4.4	5.2	6.0	6.3	7.1	9.2	10.3	15.5	18.7	22.2	26.0	26.3	25.5	22.0	22.2	23.4
Netherlands	-4.4	-4.5	-5.3	-6.4	-6.8	-6.1	-7.1	-6.4	-6.3	-6.8	-6.6	-7.2	-10.4	-11.7	-10.3	-9.9	-13.0	5.4	10.1	10.1
New Zealand	0.2	0.2	0.3	0.3	0.6	0.3	0.3	0.2	0.2	0.2	0.1	0.2	0.1	0.2	0.5	0.5	0.8	0.6	0.7	0.7
Norway	-0.1	0.3	-1.7	-2.1	-1.5	-1.4	-1.5	-1.4	-1.3	-1.6	-2.2	-2.9	-2.5	-2.6	-2.3	-3.0	-3.5	-3.9	-4.3	-4.3
Poland	..	..	1.3	1.0	1.7	2.0	2.9	2.2	1.3	1.5	2.0	2.5	3.7	5.0	6.6	8.5	8.3	8.2	9.3	11.7
Portugal ²	7.9	6.8	5.4	7.3	4.4	3.8	4.0	3.8	3.4	3.4	2.8	3.3	3.5	2.8	3.2	3.6	3.6	3.2	3.1	3.0
Slovak Republic	..	0.1	0.1	0.1	0.2	0.2	0.4	0.2	0.1	0.2	0.2	0.2	0.2	0.0	-0.1	-0.4	-1.3	-0.8	-0.9	-1.1
Spain	2.1	1.3	1.2	4.8	3.2	3.0	3.2	3.0	1.6	1.3	2.4	-0.6	-0.1	-4.2	-8.2	-9.7	-13.4	-10.8	-10.4	-9.9
Sweden	-1.4	-1.2	-1.2	-2.6	-1.9	-2.4	-2.5	-2.7	-2.5	-2.5	-2.9	-2.4	-4.7	-4.6	-5.0	-4.8	-5.9	-2.0	-0.8	-0.8
Switzerland	-3.1	-3.0	-3.5	-4.4	-4.3	-4.0	-4.6	-5.3	-4.5	-5.5	-5.9	-5.6	-6.5	-11.0	-9.3	-9.4	-12.7	-12.2	-11.3	-10.7
Turkey	3.9	3.7	3.0	4.4	4.1	4.5	5.5	4.9	4.8	3.0	2.4	1.0	1.1	1.5	1.9	2.2	2.0	1.8	2.2	2.4
United Kingdom	-9.3	-7.6	-7.9	-11.6	-7.1	-9.4	-13.6	-11.8	-14.7	-9.4	-13.3	-16.1	-18.8	-21.5	-21.9	-27.2	-25.6	-25.9	-27.7	-27.7
United States	-35.1	-39.8	-40.3	-38.1	-43.0	-45.1	-53.2	-50.4	-58.6	-51.3	-64.9	-71.8	-88.4	-105.8	-91.3	-116.0	-128.4	-127.8	-133.4	-137.4
Euro area	-42.9	-41.0	-49.4	-40.3	-44.4	-43.6	-47.6	-47.5	-47.8	-49.9	-49.6	-68.8	-78.9	-95.3	-101.2	-122.2	-144.3	-104.2	-106.0	-107.6
Total OECD	-90.1	-91.1	-102.7	-98.8	-102.4	-102.7	-115.1	-115.9	-126.9	-115.4	-132.4	-161.6	-191.9	-227.7	-218.0	-269.5	-306.5	-264.9	-273.5	-274.7

1. Including Luxembourg until 1994.

2. Breaks between 1998 and 1999 for Greece and between 1995 and 1996 for Portugal, reflecting change in methodology to the International Monetary Fund, Fifth Balance of Payments Manual (capital transfers from European Union are excluded from the current account).

Source: OECD Economic Outlook 86 database.

Annex Table 50. **Current account balances**

\$ billion

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	-11.1	-9.6	-16.9	-19.3	-15.5	-11.8	-17.8	-21.3	-14.7	-7.4	-15.7	-28.4	-39.2	-40.8	-40.0	-57.8	-47.9	-40.9	-51.0	-48.1
Austria	-4.6	-3.9	-5.9	-7.0	-6.8	-5.1	-3.4	-3.5	-1.3	-1.5	5.6	4.4	6.4	6.6	9.2	13.1	13.4	7.4	9.1	11.0
Belgium ¹	9.9	13.0	14.2	15.3	13.8	13.8	13.3	12.9	9.4	7.9	11.7	12.9	12.6	9.9	8.1	9.7	-12.7	-3.7	-3.1	-2.5
Canada	-21.1	-21.7	-13.0	-4.4	3.4	-8.2	-7.7	1.7	19.7	16.3	12.6	10.6	22.9	21.6	17.9	14.3	9.2	-39.8	-51.5	-52.6
Czech Republic	..	0.4	-0.8	-1.4	-4.1	-3.6	-1.3	-1.4	-2.6	-3.2	-4.1	-5.6	-5.5	-1.6	-3.6	-5.4	-6.4	-1.8	0.6	0.8
Denmark	3.2	3.9	2.3	1.2	2.7	0.7	-1.5	3.4	2.5	4.2	5.0	7.3	5.7	11.1	8.2	4.7	7.5	7.6	7.0	7.3
Finland	-5.2	-1.2	1.1	5.4	5.0	6.7	7.4	7.6	9.7	10.9	12.1	8.3	12.5	7.5	9.6	9.1	7.6	2.1	2.3	2.4
France	4.0	9.4	8.2	11.0	20.8	37.2	38.9	45.6	22.3	26.4	19.2	15.6	11.6	-9.1	-11.1	-26.5	-65.1	-55.0	-60.3	-63.6
Germany	-22.0	-19.4	-30.5	-29.5	-13.8	-10.1	-17.1	-28.2	-34.0	0.2	41.0	47.8	126.8	141.6	189.9	265.5	244.5	133.7	161.7	199.3
Greece ²	-3.6	-1.9	-1.4	-4.5	-6.4	-5.3	-3.8	-7.4	-9.8	-9.5	-10.1	-12.8	-13.3	-17.8	-29.8	-44.8	-51.2	-37.1	-36.2	-38.1
Hungary	..	-3.7	-4.2	-1.6	-1.7	-2.0	-3.4	-3.7	-4.1	-3.2	-4.6	-6.6	-8.3	-8.0	-8.5	-9.5	-10.9	-2.0	-2.5	-3.8
Iceland	-0.2	0.0	0.1	0.1	-0.1	-0.1	-0.6	-0.6	-0.9	-0.4	0.2	-0.5	-1.3	-2.6	-4.2	-3.2	-6.3	-1.0	-0.2	-0.2
Ireland	0.5	1.8	1.5	1.7	2.1	1.9	0.7	0.2	-0.3	-0.7	-1.3	-0.1	-1.2	-7.0	-7.9	-13.6	-14.8	-6.3	-4.6	-1.5
Italy	-29.0	7.5	12.7	24.9	39.5	33.4	22.7	8.0	-5.9	-0.8	-9.8	-19.7	-16.6	-30.1	-48.2	-52.2	-77.1	-57.2	-53.6	-52.5
Japan	108.3	130.0	130.6	114.3	65.8	96.6	119.7	115.7	118.1	89.0	112.6	136.2	171.6	166.0	171.5	212.8	157.4	125.9	145.5	147.9
Korea	-4.1	0.8	-4.0	-8.7	-23.1	-8.3	40.4	24.5	12.3	8.0	5.4	11.9	28.2	15.0	5.4	5.9	-6.4	37.3	11.7	10.0
Luxembourg	..	..	..	2.5	2.3	1.9	1.8	1.8	2.7	1.8	2.3	2.4	4.1	4.1	4.4	5.0	3.2	0.9	0.9	1.8
Mexico	-24.4	-23.4	-29.6	-1.5	-2.6	-7.6	-16.1	-13.9	-18.5	-17.9	-14.1	-7.1	-5.2	-4.8	-4.1	-8.4	-15.7	0.0	9.4	15.0
Netherlands	6.5	13.1	17.4	26.1	21.2	24.9	13.0	15.7	7.7	9.5	11.4	30.0	46.3	46.8	63.8	67.1	42.6	50.2	61.8	67.1
New Zealand	-1.7	-1.7	-2.0	-3.0	-3.9	-4.3	-2.1	-3.5	-2.7	-1.4	-2.3	-3.4	-6.2	-9.2	-9.1	-10.4	-11.4	-3.1	-6.2	-9.0
Norway	4.6	3.8	3.7	5.3	10.9	10.0	-0.3	9.0	24.8	27.7	23.9	27.7	32.8	48.4	58.2	62.0	88.5	68.3	84.2	87.4
Poland	..	..	1.0	0.9	-3.3	-5.7	-6.9	-12.5	-10.3	-5.9	-5.5	-5.5	-10.1	-3.7	-9.4	-20.3	-26.9	-7.3	-11.5	-13.2
Portugal ²	-0.3	0.3	-2.3	-0.2	-4.9	-6.6	-8.4	-10.3	-11.6	-11.5	-10.3	-9.6	-13.6	-17.6	-19.5	-21.2	-29.6	-22.0	-26.3	-28.0
Slovak Republic	..	-0.5	0.8	0.5	-2.0	-1.8	-2.0	-1.0	-0.7	-1.7	-1.9	-1.9	-3.3	-4.0	-4.4	-4.0	-6.2	-3.3	-3.0	-2.9
Spain	-21.6	-5.6	-6.5	-1.7	-1.5	-0.6	-7.2	-17.9	-23.0	-24.0	-22.5	-31.1	-54.9	-83.1	-111.1	-144.8	-154.0	-77.8	-59.1	-47.7
Sweden	-7.5	-2.6	2.5	8.4	9.8	10.3	9.7	10.7	9.4	8.5	9.8	22.2	24.0	25.0	33.8	40.1	30.3	32.0	38.0	42.1
Switzerland	14.7	18.9	16.8	20.6	21.3	24.7	25.0	29.0	30.2	20.9	25.0	43.6	48.8	52.2	59.8	43.4	11.4	43.3	54.3	59.2
Turkey	-1.0	-6.4	2.6	-2.3	-2.4	-2.7	2.0	-0.9	-10.0	3.8	-0.7	-7.6	-14.6	-22.1	-32.1	-38.3	-41.5	-12.0	-19.9	-25.8
United Kingdom	-23.0	-18.7	-10.4	-14.3	-9.8	-1.6	-5.3	-35.4	-38.9	-30.4	-27.9	-30.0	-45.6	-59.2	-81.1	-75.3	-42.7	-57.8	-56.8	-48.5
United States	-50.1	-84.8	-121.6	-113.6	-124.8	-140.7	-215.1	-301.6	-417.4	-384.7	-459.1	-521.5	-631.1	-748.7	-803.5	-726.6	-706.1	-434.0	-506.2	-565.5
Euro area	-65.4	12.5	9.2	44.6	69.4	90.4	55.9	23.6	-34.7	7.0	47.3	46.3	117.5	47.9	53.0	62.3	-99.5	-68.0	-10.5	44.8
Total OECD	-78.7	-2.3	-33.5	25.3	-8.1	35.9	-25.5	-177.6	-338.2	-270.0	-293.3	-310.7	-315.9	-514.3	-588.4	-509.4	-717.3	-353.2	-365.9	-352.3

Note: The balance-of-payments data in this table are based on the concepts and definition of the International Monetary Fund, Fifth Balance of Payments Manual.

1. Including Luxembourg until 1994.

2. Breaks between 1998 and 1999 for Greece and between 1995 and 1996 for Portugal, reflecting change in methodology to the International Monetary Fund, Fifth Balance of Payments Manual (capital transfers from European Union are excluded from the current account).

Source: OECD Economic Outlook 86 database.

Annex Table 51. Current account balances as a percentage of GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	-3.5	-3.1	-4.8	-5.2	-3.7	-2.9	-4.8	-5.3	-3.7	-2.0	-3.8	-5.4	-6.1	-5.7	-5.3	-6.3	-4.6	-4.2	-4.5	-4.0
Austria	-2.4	-2.1	-2.9	-2.9	-2.9	-2.5	-1.6	-1.6	-0.7	-0.8	2.7	1.8	2.2	2.2	2.8	3.5	3.2	1.9	2.2	2.6
Belgium ¹	4.2	5.8	5.9	5.4	5.0	5.5	5.2	5.1	4.0	3.4	4.6	4.1	3.5	2.6	2.0	2.2	-2.5	-0.8	-0.6	-0.5
Canada	-3.6	-3.9	-2.3	-0.8	0.5	-1.3	-1.2	0.3	2.7	2.3	1.7	1.2	2.3	1.9	1.4	1.0	0.5	-2.9	-3.4	-3.4
Czech Republic	..	1.2	-1.8	-2.4	-6.6	-6.2	-2.0	-2.3	-4.6	-5.2	-5.4	-6.1	-5.1	-1.3	-2.5	-3.1	-3.0	-1.0	0.3	0.3
Denmark	2.1	2.8	1.5	0.7	1.4	0.4	-0.9	1.9	1.6	2.6	2.9	3.4	2.3	4.3	3.0	1.5	2.2	2.5	2.1	2.1
Finland	-4.7	-1.4	1.1	4.1	3.9	5.4	5.6	5.8	8.0	8.7	8.9	5.0	6.6	3.8	4.6	3.7	2.8	0.8	0.9	0.9
France	0.3	0.7	0.6	0.7	1.3	2.6	2.6	3.1	1.7	2.0	1.3	0.9	0.6	-0.4	-0.5	-1.0	-2.3	-2.1	-2.1	-2.1
Germany	-1.1	-1.0	-1.4	-1.2	-0.6	-0.5	-0.8	-1.3	-1.8	0.0	2.0	1.9	4.6	5.1	6.5	7.9	6.6	4.0	4.5	5.4
Greece ²	-3.2	-1.9	-1.2	-3.4	-4.6	-3.9	-2.8	-5.6	-7.8	-7.3	-6.8	-6.5	-5.8	-7.3	-11.3	-14.4	-14.6	-11.1	-10.0	-10.1
Hungary	..	-9.4	-9.9	-3.3	-3.8	-4.3	-6.9	-7.5	-8.8	-6.1	-6.8	-7.9	-8.1	-7.3	-7.5	-6.8	-7.1	-1.6	-1.8	-2.6
Iceland	-2.4	0.7	1.9	0.7	-1.8	-1.7	-6.7	-6.7	-10.1	-4.2	1.6	-4.6	-9.6	-16.0	-25.0	-15.4	-40.4	-8.1	-1.6	-1.6
Ireland	1.0	3.6	2.7	2.6	2.8	2.4	0.8	0.2	-0.4	-0.7	-1.0	0.0	-0.6	-3.5	-3.6	-5.2	-5.4	-2.8	-2.0	-0.6
Italy	-2.3	0.8	1.2	2.2	3.1	2.8	1.9	0.7	-0.6	-0.1	-0.8	-1.3	-1.0	-1.7	-2.6	-2.5	-3.4	-2.7	-2.3	-2.2
Japan	2.8	3.0	2.7	2.2	1.4	2.3	3.1	2.6	2.5	2.2	2.9	3.2	3.7	3.6	3.9	4.9	3.2	2.5	2.8	2.8
Korea	-1.2	0.2	-0.9	-1.6	-4.0	-1.3	11.3	5.3	2.3	1.6	0.9	1.8	3.9	1.8	0.6	0.6	-0.6	4.6	1.3	1.0
Luxembourg	..	..	..	12.2	11.2	10.4	9.2	8.4	13.2	8.8	10.5	8.1	11.9	11.0	10.3	9.7	5.5	1.9	1.5	2.9
Mexico	-6.1	-5.3	-6.4	-0.4	-0.7	-1.7	-3.5	-2.6	-2.9	-2.6	-2.0	-1.0	-0.7	-0.6	-0.4	-0.8	-1.5	0.0	1.0	1.4
Netherlands	1.9	4.0	4.9	6.2	5.0	6.4	3.2	3.8	2.0	2.4	2.6	5.5	7.6	7.3	9.4	8.6	4.8	6.3	7.2	7.7
New Zealand	-4.2	-3.9	-3.9	-5.0	-5.8	-6.4	-3.9	-6.2	-5.1	-2.8	-3.9	-4.3	-6.3	-8.4	-8.6	-8.1	-8.8	-2.7	-4.4	-6.0
Norway	3.5	3.2	3.0	3.6	6.8	6.3	-0.2	5.7	14.8	16.2	12.4	12.3	12.7	16.1	17.3	15.9	19.4	17.4	18.6	18.1
Poland	..	..	0.9	0.6	-2.1	-3.7	-4.0	-7.5	-6.0	-3.1	-2.8	-2.5	-4.0	-1.2	-2.7	-4.7	-5.1	-1.7	-2.3	-2.5
Portugal ²	-0.2	0.4	-2.3	-0.1	-4.2	-5.9	-7.0	-8.5	-10.2	-9.9	-8.1	-6.1	-7.6	-9.5	-10.0	-9.4	-12.1	-9.7	-10.7	-11.1
Slovak Republic	..	-3.9	4.9	2.6	-9.3	-8.5	-8.9	-4.8	-3.5	-8.3	-7.9	-5.9	-7.8	-8.5	-7.8	-5.3	-6.5	-3.8	-3.1	-2.8
Spain	-3.5	-1.1	-1.2	-0.3	-0.2	-0.1	-1.2	-2.9	-4.0	-3.9	-3.3	-3.5	-5.3	-7.4	-9.0	-10.0	-9.6	-5.3	-3.8	-3.0
Sweden	-2.8	-1.3	1.1	3.3	3.5	4.1	3.8	4.2	3.8	3.8	4.0	7.1	6.7	6.8	8.6	8.8	6.2	7.8	8.2	8.6
Switzerland	5.8	7.7	6.2	6.5	7.0	9.3	9.2	10.8	12.1	8.2	8.8	13.4	13.4	14.0	15.3	10.0	2.3	8.7	10.2	10.9
Turkey	-0.4	-2.6	2.0	-1.2	-1.0	-1.0	0.9	-0.6	-3.7	2.0	-0.4	-2.5	-3.7	-4.6	-6.1	-5.9	-5.5	-1.9	-2.8	-3.3
United Kingdom	-2.1	-1.9	-1.0	-1.2	-0.8	-0.1	-0.4	-2.4	-2.6	-2.1	-1.7	-1.6	-2.1	-2.6	-3.3	-2.7	-1.6	-2.6	-2.4	-2.0
United States	-0.8	-1.3	-1.7	-1.5	-1.6	-1.7	-2.4	-3.2	-4.2	-3.7	-4.3	-4.7	-5.3	-5.9	-6.0	-5.2	-4.9	-3.0	-3.4	-3.7
Euro area	-1.0	0.2	0.2	0.6	0.9	1.4	0.8	0.3	-0.6	0.1	0.7	0.5	1.2	0.5	0.5	0.5	-0.8	-0.6	-0.1	0.3
Total OECD	-0.4	0.0	-0.2	0.1	0.0	0.1	-0.1	-0.7	-1.3	-1.0	-1.1	-1.0	-0.9	-1.4	-1.6	-1.2	-1.6	-0.9	-0.8	-0.8

1. Including Luxembourg until 1994.

2. Breaks between 1998 and 1999 for Greece and between 1995 and 1996 for Portugal, reflecting change in methodology to the International Monetary Fund, Fifth Balance of Payments Manual (capital transfers from European Union are excluded from the current account).

Source: OECD Economic Outlook 86 database.

Annex Table 52. Structure of current account balances of major world regions

\$ billion

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Goods and services trade balance¹																	
OECD	158	121	154	100	-47	-212	-180	-154	-210	-271	-452	-540	-414	-496	-135	-140	-135
Non-OECD of which:	-57	-11	-15	-22	103	232	154	197	284	346	587	798	821	913	415	492	534
China	12	18	40	42	31	29	28	37	36	49	125	209	307	349	238	210	247
Dynamic Asia ²	-13	3	4	59	76	77	70	88	118	92	109	142	174	140	144	87	91
Other Asia	-21	-25	-21	-19	-13	-13	-8	-6	-12	-23	-38	-44	-61	-108	-81	-100	-116
Latin America	-19	-17	-31	-45	-16	-3	-10	22	42	60	76	91	63	39	36	56	57
Africa and Middle-East	-16	8	0	-52	4	96	48	33	70	115	234	306	282	384	58	230	251
Central and Eastern Europe	0	3	-7	-7	21	47	26	24	30	52	80	93	55	109	20	9	4
World ³	101	110	140	77	55	20	-26	44	74	76	135	257	407	416	280	352	399
Investment income, net																	
OECD	-32	-22	-3	-11	-4	7	22	3	36	114	137	138	145	73	45	38	48
Non-OECD of which:	-56	-66	-75	-81	-86	-98	-93	-100	-106	-132	-150	-163	-167	-211	-215	-222	-224
China	-12	-12	-16	-17	-14	-15	-19	-15	-8	-4	11	12	26	31	31	35	41
Dynamic Asia ²	-2	-6	-4	-4	-10	-13	-7	-11	-6	-16	-23	-18	-23	-18	-9	-10	-10
Other Asia	-6	-6	-7	-7	-6	-8	-8	-8	-9	-9	-13	-14	-14	-13	-18	-20	-21
Latin America	-28	-29	-36	-38	-38	-39	-41	-40	-45	-57	-64	-75	-77	-89	-93	-94	-94
Africa and Middle-East	-4	-6	-3	-1	-7	-12	-10	-15	-20	-24	-28	-16	-16	-30	-36	-40	-44
Central and Eastern Europe	-4	-7	-11	-14	-10	-11	-7	-10	-18	-22	-33	-52	-63	-93	-90	-93	-96
World ³	-88	-87	-79	-92	-90	-91	-71	-96	-71	-18	-13	-25	-22	-139	-170	-183	-176
Net transfers, net																	
OECD	-99	-102	-103	-115	-116	-127	-115	-132	-162	-192	-228	-218	-270	-307	-265	-273	-275
Non-OECD of which:	29	35	40	36	46	49	59	74	96	112	142	178	205	237	220	237	251
China	1	2	5	4	5	6	8	13	18	23	25	29	39	46	29	32	35
Dynamic Asia ²	-2	-2	-4	-4	1	0	0	1	2	1	7	9	10	11	12	12	12
Other Asia	16	19	23	19	21	24	26	30	37	37	45	54	67	82	85	94	99
Latin America	11	10	10	11	13	13	16	18	21	24	29	36	38	39	42	44	46
Africa and Middle-East	-1	1	2	1	0	-1	0	2	6	11	19	30	31	31	29	30	31
Central and Eastern Europe	4	4	4	5	6	7	8	9	11	15	17	19	21	29	23	25	27
World ³	-70	-68	-62	-79	-70	-77	-57	-58	-66	-80	-86	-40	-64	-70	-45	-37	-24
Current balance																	
OECD	25	-8	36	-25	-178	-338	-270	-293	-311	-316	-514	-588	-509	-717	-353	-366	-352
Non-OECD of which:	-87	-45	-53	-70	56	176	113	167	270	320	570	798	842	909	377	449	503
China	2	7	30	29	21	21	17	35	46	69	161	250	372	426	298	276	324
Dynamic Asia ²	-17	-5	-4	50	66	64	63	77	114	77	94	133	160	133	146	89	93
Other Asia	-14	-16	-9	-11	-4	-6	2	11	12	-1	-15	-18	-24	-68	-56	-84	-96
Latin America	-36	-36	-57	-72	-41	-29	-34	0	18	28	41	52	24	-12	-15	7	9
Africa and Middle-East	-21	4	-1	-52	-3	83	38	20	57	103	224	320	297	385	51	219	238
Central and Eastern Europe	-1	0	-13	-15	17	42	26	23	23	45	65	61	12	45	-47	-59	-66
World ³	-62	-54	-17	-96	-121	-162	-157	-127	-41	4	55	210	333	191	24	83	150


Note: Historical data for the OECD area are aggregates of reported balance-of-payments data of each individual country. Because of various statistical problems as well as a large number of non-reporters among non-OECD countries, trade and current account balances estimated on the basis of these countries' own balance-of-payments records may differ from corresponding estimates shown in this table.

1. National-accounts basis for OECD countries and balance-of-payments basis for the non-OECD regions.

2. Dynamic Asia includes Chinese Taipei; Hong Kong, China; Indonesia; Malaysia; Philippines; Singapore and Thailand.

3. Reflects statistical errors and asymmetries. Given the very large gross flows of world balance-of-payments transactions, statistical errors and asymmetries easily give rise to world totals (balances) that are significantly different from zero.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/756012523740>

Annex Table 53. **Export market growth in goods and services**

Percentage changes from previous year

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	5.6	5.4	10.9	12.7	9.9	6.3	-1.6	6.5	12.2	0.2	6.1	8.3	13.4	9.1	9.0	7.3	4.5	-11.5	7.9	8.8
Austria	-1.0	-1.0	7.9	8.6	5.4	9.6	7.9	5.9	12.2	2.5	2.0	5.6	9.3	7.7	11.2	7.8	3.6	-13.8	4.9	6.9
Belgium	2.6	-0.4	8.3	8.4	5.4	9.9	8.9	7.0	12.1	1.9	1.9	4.1	8.5	7.3	9.5	6.1	2.6	-11.9	3.9	6.5
Canada	6.6	7.4	11.5	8.1	8.8	12.7	10.2	10.4	13.0	-2.1	3.4	4.7	11.1	6.6	6.9	3.1	-1.6	-14.3	6.1	8.1
Czech Republic	..	..	6.9	8.6	6.6	10.0	9.7	5.6	11.7	3.1	1.8	5.4	8.8	7.9	11.8	7.5	3.5	-14.0	4.4	7.1
Denmark	2.0	0.6	9.1	8.4	6.4	10.4	8.3	5.9	11.4	1.1	1.8	4.5	9.0	7.6	9.4	6.8	2.9	-13.3	4.3	6.6
Finland	-6.0	1.6	8.1	8.8	6.1	10.1	6.2	4.1	12.8	2.7	3.7	6.4	11.1	9.0	11.4	10.2	5.0	-16.5	6.1	7.5
France	3.1	-0.1	7.7	8.3	6.2	10.2	7.3	6.2	11.4	1.6	2.6	4.7	9.3	7.6	9.4	6.8	2.9	-12.5	3.8	6.6
Germany	1.6	1.1	8.2	9.0	6.6	10.4	7.6	5.8	12.6	1.9	3.2	4.8	10.0	7.6	9.2	7.4	2.4	-14.0	4.3	6.9
Greece	0.5	2.0	6.0	8.5	6.2	10.8	6.1	3.9	11.7	1.3	3.3	5.5	11.0	8.9	9.8	9.0	5.0	-12.9	4.6	7.2
Hungary	..	..	7.4	8.8	5.8	9.4	7.5	5.2	12.4	3.1	2.3	5.7	9.7	8.0	11.3	8.4	3.8	-15.1	5.1	7.1
Iceland	2.0	0.0	8.5	8.0	6.5	10.0	8.6	7.2	11.3	2.1	2.4	3.7	8.4	7.2	9.6	5.3	1.8	-12.8	3.6	6.2
Ireland	4.1	0.7	8.5	7.6	6.4	9.9	7.8	7.1	11.6	1.3	2.6	3.7	8.5	6.8	8.2	4.4	1.1	-12.5	3.8	6.4
Italy	-0.2	1.3	7.5	8.5	6.5	10.2	7.4	5.7	12.4	2.1	2.9	5.3	10.2	8.2	10.0	8.2	3.7	-13.6	4.5	7.1
Japan	8.0	8.2	12.0	11.9	8.8	9.9	1.2	7.3	14.8	-1.1	6.3	8.5	14.1	8.7	9.7	7.6	3.1	-11.1	8.3	8.8
Korea	6.0	6.8	10.1	11.6	9.9	9.3	2.0	6.0	14.0	0.5	6.4	9.7	14.5	9.6	10.5	8.2	4.3	-10.3	8.1	9.0
Luxembourg	2.9	-2.1	8.4	7.8	4.6	9.5	8.3	6.1	11.8	1.7	1.1	3.3	7.4	6.7	8.6	5.3	1.6	-12.0	3.5	6.1
Mexico	7.2	8.2	11.6	8.6	8.4	13.3	10.8	10.1	12.7	-2.3	2.9	4.5	11.1	6.6	6.7	3.1	-1.9	-14.4	6.2	8.0
Netherlands	2.4	-0.7	8.1	7.9	5.4	9.7	8.0	6.1	12.0	1.6	1.9	4.2	8.5	7.3	9.4	6.2	2.6	-12.4	3.9	6.4
New Zealand	5.7	4.7	11.1	10.4	8.8	8.6	2.8	6.8	11.5	-0.9	5.8	7.4	12.7	8.8	8.9	7.6	5.5	-11.7	6.5	8.1
Norway	3.5	1.0	8.9	7.9	6.3	10.3	8.5	6.9	11.7	1.5	2.5	3.5	8.3	7.4	9.0	4.7	1.7	-12.8	3.8	6.3
Poland	..	..	7.5	8.6	5.1	9.5	7.8	5.1	12.4	3.4	2.3	5.6	9.6	8.2	11.6	8.6	4.1	-15.3	5.2	7.0
Portugal	4.1	-1.2	8.4	8.3	6.0	10.8	9.7	7.3	11.6	2.4	2.3	4.2	8.7	7.6	9.3	6.6	1.1	-13.3	2.7	6.2
Slovak Republic	..	..	8.1	10.3	6.5	10.0	8.8	5.7	13.2	3.6	2.4	6.0	10.7	7.0	11.7	9.1	3.7	-14.5	4.1	6.6
Spain	4.0	-0.4	8.0	7.9	5.4	10.3	9.0	5.6	11.5	1.7	1.5	3.2	8.3	7.2	8.8	6.2	2.8	-12.2	3.5	6.2
Sweden	1.5	1.8	8.5	8.2	6.7	10.5	7.5	4.9	11.4	1.5	3.1	4.1	9.6	8.5	9.7	6.7	3.5	-13.7	4.4	6.8
Switzerland	3.1	-0.3	8.7	8.9	5.8	9.6	7.2	6.6	11.9	1.3	2.3	5.0	9.3	7.6	9.6	6.5	2.8	-12.4	4.7	6.9
Turkey	-2.9	-0.5	6.4	7.7	5.4	9.8	6.4	4.7	11.8	3.3	3.5	5.4	10.2	8.6	10.7	9.3	5.3	-14.1	4.4	6.8
United Kingdom	3.0	1.5	8.9	9.0	6.5	10.5	8.1	6.7	12.6	1.0	2.7	4.4	9.9	7.8	8.7	6.9	2.8	-12.2	4.3	6.7
United States	6.4	4.5	10.3	7.7	8.6	11.4	4.6	5.7	12.4	-0.4	2.3	4.7	10.8	8.6	9.2	7.7	4.2	-13.1	6.6	7.4
Total OECD	3.6	2.4	9.1	8.8	7.1	10.4	6.7	6.4	12.5	0.9	3.0	5.2	10.4	7.9	9.3	6.9	2.9	-12.9	5.3	7.2
<i>Memorandum items</i>																				
China	4.3	5.5	10.7	11.3	8.1	8.7	1.7	5.8	13.3	-1.2	4.1	5.9	12.2	8.0	8.5	6.3	2.8	-14.0	6.7	7.8
Dynamic Asia ¹	7.8	7.8	11.6	13.0	10.0	8.3	-0.1	6.7	14.6	-0.1	7.2	10.0	14.8	9.4	10.3	7.8	4.0	-9.9	8.7	9.1
Other Asia	5.0	4.2	9.1	10.2	8.0	9.1	3.5	6.0	12.3	0.2	4.8	6.8	12.2	9.0	9.4	7.3	4.6	-11.3	5.9	7.9
Latin America	7.0	6.3	10.6	10.4	7.6	12.6	7.1	4.4	12.0	0.1	1.0	4.9	11.7	8.9	9.5	7.9	3.5	-12.9	6.0	8.2
Africa and Middle-East	4.5	2.5	8.8	11.0	8.2	8.5	2.1	6.7	12.5	0.2	4.6	6.5	11.3	8.3	8.9	7.3	3.6	-11.2	6.1	7.9
Central & Eastern Europe	-8.0	1.9	6.4	10.2	6.4	10.1	5.5	3.5	14.0	3.1	4.9	7.7	12.0	9.4	12.2	11.1	5.3	-17.7	6.6	8.0

Note: Regional aggregates are calculated inclusive of intra-regional trade. The calculation of export markets is based on a weighted average of import volumes in each exporting country's market, with weights based on goods and services trade flows in 2005.

1. Dynamic Asia includes Chinese Taipei; Hong Kong, China; Indonesia; Malaysia; Philippines; Singapore and Thailand.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/756038744583>

Annex Table 54. Import penetration

Goods and services import volume as a percentage of total final expenditure, constant prices

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	10.5	10.6	11.4	11.8	12.2	12.8	13.0	13.5	13.9	13.2	13.9	14.7	16.1	16.8	17.5	18.6	19.8	17.8	18.3	19.0
Austria	25.5	24.5	25.7	26.4	26.9	27.7	28.1	28.5	30.1	30.7	30.4	31.1	32.5	33.4	33.8	34.6	33.7	32.5	33.4	34.6
Belgium	36.4	36.5	37.3	37.6	38.2	39.4	40.2	40.1	42.0	41.8	41.7	41.7	42.4	43.5	44.0	44.3	44.8	42.4	42.9	43.8
Canada	23.1	24.0	24.6	25.1	25.8	27.6	27.8	28.2	28.8	27.3	27.1	27.5	28.5	29.4	29.8	30.5	30.6	28.1	30.1	30.7
Czech Republic	..	27.7	28.6	31.3	32.8	34.3	36.3	37.0	40.0	42.3	43.0	44.1	47.3	47.0	49.0	51.1	51.6	48.0	47.9	48.8
Denmark	22.8	22.6	23.8	24.5	24.6	25.7	26.9	27.0	28.8	29.1	30.5	30.1	31.2	33.0	35.3	35.5	36.6	34.3	34.5	35.3
Finland	19.5	19.8	21.2	21.6	22.3	22.9	23.2	23.0	25.4	25.4	25.8	26.1	26.6	28.3	28.8	29.2	30.3	25.9	25.7	26.5
France	16.2	15.9	16.7	17.4	17.5	18.3	19.5	19.9	21.7	21.8	21.8	21.9	22.6	23.3	24.0	24.5	24.6	23.0	23.3	24.1
Germany	18.9	18.3	19.1	19.9	20.3	21.3	22.5	23.6	24.8	24.9	24.6	25.6	26.7	27.9	29.6	30.1	30.7	30.0	30.7	31.7
Greece	18.9	19.3	19.2	20.2	21.0	22.7	23.7	25.8	27.7	27.1	26.2	25.7	25.8	25.1	26.0	26.5	26.2	22.5	22.0	22.5
Hungary	..	25.9	27.0	30.0	31.6	35.1	38.7	40.5	43.4	43.7	44.3	45.5	47.8	48.7	51.6	55.0	56.5	52.9	53.9	54.6
Iceland	23.9	22.3	22.3	22.9	24.8	25.3	28.1	28.2	29.0	26.3	25.8	27.3	28.6	32.5	33.8	32.4	27.8	23.0	22.6	22.7
Ireland	30.3	31.1	32.8	34.1	34.9	35.9	39.6	39.7	42.0	42.3	41.4	39.9	40.9	41.4	41.8	41.6	42.0	42.0	42.3	42.4
Italy	17.3	15.6	16.5	17.4	17.1	18.1	19.2	19.7	20.8	20.7	20.7	20.9	21.2	21.6	22.2	22.5	21.9	19.9	19.9	20.2
Japan	6.6	6.5	6.9	7.7	8.4	8.3	8.0	8.2	8.7	8.7	8.8	9.0	9.4	9.7	9.9	9.8	10.0	9.1	9.4	9.8
Korea	18.5	18.3	19.9	21.8	22.8	22.6	19.8	22.1	23.9	22.4	23.5	24.9	26.1	26.8	27.9	29.1	29.4	27.8	29.7	31.2
Luxembourg	..	..	..	50.5	51.5	53.1	54.4	55.8	56.4	57.1	56.3	57.6	59.5	59.2	60.9	61.3	62.2	59.5	59.2	59.8
Mexico	12.2	12.2	13.9	12.7	14.5	16.3	17.9	19.3	21.4	21.2	21.3	21.1	22.2	23.1	24.3	24.9	25.5	22.3	22.6	23.3
Netherlands	30.9	30.8	32.0	33.4	33.8	35.3	36.4	37.4	39.2	39.3	39.4	39.8	40.6	41.4	42.8	43.1	43.6	42.3	43.2	44.2
New Zealand	20.3	20.2	21.2	21.9	22.6	22.4	22.6	23.8	23.0	23.0	23.8	24.5	26.5	27.1	26.0	27.2	27.9	23.9	25.2	26.5
Norway	17.4	17.7	17.8	18.0	18.5	19.4	20.3	19.7	19.6	19.5	19.4	19.5	20.2	21.1	22.1	22.8	23.2	21.4	21.9	22.2
Poland	..	14.2	15.0	16.9	19.5	21.6	23.7	23.2	25.1	23.9	24.1	25.1	26.9	27.1	29.1	30.3	31.0	27.1	26.7	27.2
Portugal	23.1	22.9	24.2	24.8	25.0	26.0	27.7	28.6	28.9	28.7	28.4	28.4	29.4	29.9	30.7	31.6	32.2	29.4	29.5	29.6
Slovak Republic	..	35.4	33.1	34.3	36.5	37.5	40.5	40.6	42.2	44.5	44.4	45.0	45.8	47.1	49.3	48.9	48.2	43.7	44.0	45.6
Spain	16.4	15.7	16.9	18.0	19.0	20.3	21.9	23.3	24.3	24.5	24.7	25.3	26.4	27.2	28.5	29.4	28.1	24.3	24.3	25.1
Sweden	21.9	21.9	23.3	23.9	24.2	25.9	27.3	27.4	28.7	28.1	27.4	27.8	28.4	29.0	29.8	31.2	32.0	29.5	29.6	30.2
Switzerland	22.7	22.7	23.8	24.4	25.1	26.2	27.1	27.6	28.9	29.1	28.8	29.1	30.1	30.9	31.5	32.0	31.7	30.3	30.5	31.5
Turkey	11.5	13.8	11.8	13.9	15.2	16.9	16.8	16.7	18.7	15.4	17.2	19.7	21.3	21.9	22.0	23.0	22.1	19.5	20.2	21.4
United Kingdom	15.9	16.1	16.4	16.7	17.7	18.6	19.4	20.0	20.8	21.2	21.6	21.5	22.1	23.0	24.0	23.4	23.1	21.4	21.4	21.8
United States	8.0	8.4	9.0	9.4	9.8	10.6	11.2	11.9	12.7	12.3	12.5	12.7	13.5	13.8	14.2	14.2	13.8	12.2	12.6	13.2
Total OECD	13.3	13.4	14.1	14.7	15.3	16.1	16.8	17.4	18.5	18.3	18.5	18.8	19.6	20.2	21.0	21.3	21.3	19.6	20.0	20.6

Note: Regional aggregate is calculated inclusive of intra-regional trade as the sum of import volumes expressed in 2005 \$ divided by the sum of total final expenditure expressed in 2005 \$.

Source: OECD Economic Outlook 86 database.

Annex Table 55. Quarterly demand and output projections

Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2009	2010	2011	2009				2010				2011				Fourth quarter ¹		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Q1	Q2	Q3	2009	2010	2011
Private consumption																		
Canada	-0.1	2.3	3.0	2.1	2.2	2.4	2.6	2.8	3.0	3.2	3.4	3.6	1.2	2.5	3.3			
France	0.6	0.3	1.5	0.0	0.0	0.2	0.8	1.6	1.6	1.8	1.9	2.1	0.5	0.7	1.8			
Germany	0.8	-0.5	0.6	-1.2	-1.4	-0.6	0.3	0.6	0.8	0.9	0.9	0.9	1.0	-0.3	0.9			
Italy	-1.9	0.7	1.1	0.1	0.6	1.5	1.1	1.1	1.1	1.1	1.2	1.2	-1.0	1.1	1.1			
Japan	-0.7	1.2	1.2	0.8	0.5	0.9	0.9	0.9	1.2	1.4	1.7	1.9	0.7	0.8	1.5			
United Kingdom	-3.0	-0.2	2.0	0.8	-2.5	1.4	1.6	1.8	2.0	2.2	2.4	2.6	-2.1	0.6	2.3			
United States	-0.6	1.3	2.4	0.4	1.0	1.3	2.0	2.2	2.4	2.7	2.9	3.1	0.9	1.6	2.8			
Euro area	-1.0	0.0	1.1	-0.5	-0.4	0.2	0.6	1.0	1.2	1.3	1.4	1.5	-0.7	0.4	1.3			
Total OECD	-1.1	1.0	2.0	0.3	0.5	1.1	1.6	1.8	2.0	2.3	2.4	2.6	0.1	1.3	2.3			
Public consumption																		
Canada	2.5	2.7	2.0	3.0	2.5	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.9	2.2	2.0			
France	1.5	1.3	0.8	2.0	0.6	0.6	0.8	0.8	0.8	0.8	0.8	0.8	1.8	0.7	0.8			
Germany	2.3	1.5	1.5	1.4	1.4	1.4	1.4	1.5	1.6	1.4	1.4	1.4	2.3	1.4	1.5			
Italy	1.7	0.7	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.0	0.2	0.2			
Japan	1.1	2.3	2.4	3.3	2.7	2.4	2.4	2.3	2.4	2.4	2.3	2.4	1.1	2.5	2.4			
United Kingdom	2.8	3.3	0.6	6.1	3.2	1.6	0.8	0.6	0.4	0.4	0.4	0.4	3.7	1.6	0.4			
United States	2.0	1.8	0.4	2.6	1.6	1.2	1.2	0.5	0.2	0.2	0.2	0.2	1.8	1.1	0.2			
Euro area	2.3	1.1	0.8	1.1	0.7	0.6	0.6	0.7	0.9	0.8	0.8	0.9	2.1	0.7	0.9			
Total OECD	2.2	1.6	1.0	2.1	1.5	1.3	1.2	1.0	1.0	1.0	1.0	1.0	2.0	1.2	1.0			
Business investment																		
Canada	-13.4	3.9	5.9	5.0	4.0	4.5	5.0	5.5	6.0	6.2	6.5	7.0	-9.6	4.7	6.4			
France	-6.8	0.8	4.7	0.0	1.5	2.3	2.8	3.2	4.9	5.7	6.6	7.4	-5.0	2.5	6.1			
Germany	-14.1	-0.1	4.6	-1.3	-1.0	-0.1	1.1	3.8	5.0	5.8	7.4	7.4	-12.3	0.9	6.4			
Italy	-19.3	1.5	5.4	2.2	4.4	5.0	5.1	5.3	5.3	5.5	5.7	6.1	-13.3	5.0	5.6			
Japan	-18.0	2.1	5.9	-1.7	3.2	4.5	5.2	6.1	6.1	6.1	6.1	6.1	-11.0	4.7	6.1			
United Kingdom	-19.5	-6.6	3.8	-3.9	-2.0	-1.0	0.0	2.0	4.0	6.0	7.0	8.2	-23.1	-0.3	6.3			
United States	-17.8	0.2	8.4	-2.0	0.0	1.0	7.0	8.0	9.0	9.5	10.0	11.0	-14.9	3.9	9.9			
Euro area	-13.2	-0.5	4.4	-1.3	0.3	1.2	2.4	3.6	4.7	5.4	6.2	6.8	-10.8	1.9	5.7			
Total OECD	-15.4	0.0	6.3	-1.6	0.6	1.6	4.6	5.8	6.7	7.2	7.7	8.4	-12.6	3.1	7.5			
Total investment																		
Canada	-8.7	4.4	4.5	5.2	4.0	4.1	4.2	4.4	4.5	4.6	4.8	5.2	-4.2	4.2	4.8			
France	-6.8	-0.3	3.1	-0.1	0.5	1.3	1.8	2.1	3.3	4.0	4.4	4.8	-5.1	1.4	4.1			
Germany	-8.7	1.3	1.3	0.3	1.0	1.4	2.1	2.4	-2.5	1.8	4.3	4.5	-6.7	1.7	2.0			
Italy	-12.6	0.6	4.0	1.3	2.0	1.9	2.4	3.0	4.8	5.0	4.8	4.5	-7.9	2.3	4.8			
Japan	-12.8	-0.8	4.4	-3.2	-1.9	2.5	3.6	4.7	4.7	4.8	4.8	4.7	-9.5	2.2	4.7			
United Kingdom	-16.1	-5.2	2.6	-4.9	-2.2	-1.0	-0.1	1.5	2.7	4.0	4.7	5.4	-17.1	-0.5	4.2			
United States	-14.3	2.1	7.8	0.2	1.6	2.2	6.9	7.5	8.2	8.6	9.1	9.8	-10.5	4.5	8.9			
Euro area	-10.6	-1.0	2.3	-1.6	-0.3	0.4	1.3	2.0	1.6	3.1	4.2	4.6	-8.5	0.8	3.4			
Total OECD	-12.1	0.6	5.3	-0.7	0.7	1.8	4.2	5.0	5.3	6.0	6.6	7.0	-9.2	2.9	6.2			

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Account Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Year-on-year growth rates in per cent.

Source: OECD Economic Outlook 86 database.

Annex Table 55. **Quarterly demand and output projections (cont'd)**
 Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2009	2010	2011	2009				2010				2011				Fourth quarter ¹		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Q1	Q2	Q3	2009	2010	2011
Total domestic demand																		
Canada	-2.8	3.8	3.2	4.6	4.3	3.6	2.8	3.0	3.1	3.2	3.4	3.6	-0.3	3.4	3.3			
France	-2.2	1.0	1.8	1.4	1.6	1.9	1.0	1.5	1.8	2.0	2.1	2.3	-1.6	1.5	2.1			
Germany	-1.5	0.4	0.9	0.3	0.3	0.2	0.9	1.1	0.3	1.2	1.6	1.7	-1.4	0.6	1.2			
Italy	-3.6	1.0	1.5	0.3	1.3	1.4	1.1	1.2	1.6	1.7	1.6	1.6	-1.9	1.3	1.6			
Japan	-3.4	1.1	2.1	0.9	0.6	1.4	1.8	2.0	2.1	2.3	2.4	2.5	-2.0	1.4	2.3			
United Kingdom	-5.5	0.3	1.8	1.9	0.6	1.1	1.2	1.5	1.8	2.1	2.3	2.5	-3.7	1.1	2.2			
United States	-3.4	2.5	3.0	3.0	2.6	2.6	2.6	2.7	2.9	3.2	3.4	3.7	-1.1	2.6	3.3			
Euro area	-3.1	0.2	1.2	0.3	0.5	0.7	0.7	1.1	1.1	1.5	1.8	1.9	-2.5	0.7	1.6			
Total OECD	-3.7	1.7	2.4	1.9	1.7	1.9	2.0	2.2	2.4	2.7	2.9	3.1	-1.8	1.9	2.8			
Export of goods and services																		
Canada	-14.0	5.2	5.4	6.4	5.4	4.8	5.2	5.3	5.3	5.5	5.8	6.0	-8.4	5.2	5.6			
France	-11.0	4.7	6.4	3.6	2.8	4.7	5.7	6.6	6.6	6.6	7.0	7.0	-3.9	4.9	6.8			
Germany	-14.4	7.2	8.1	4.1	6.1	6.6	7.4	7.9	8.2	8.7	8.7	8.7	-6.2	7.0	8.6			
Italy	-20.3	1.4	3.5	1.6	1.8	2.8	3.3	3.2	3.6	3.6	4.0	3.9	-14.0	2.8	3.8			
Japan	-25.1	10.8	6.2	12.5	5.8	5.9	6.0	6.1	6.2	6.3	6.4	6.5	-8.6	5.9	6.3			
United Kingdom	-10.6	4.4	6.9	4.5	4.9	6.1	6.6	6.8	7.0	7.0	7.2	7.2	-6.8	6.1	7.1			
United States	-10.8	6.8	7.8	6.0	6.0	6.5	7.5	7.5	7.5	8.5	8.5	8.5	-4.9	6.9	8.2			
Total OECD ²	-12.8	6.4	7.3	5.9	5.5	6.1	6.8	7.1	7.2	7.7	7.9	7.9	-5.4	6.4	7.7			
Import of goods and services																		
Canada	-13.3	11.4	5.7	12.0	11.0	8.2	5.5	5.5	5.3	5.5	5.7	6.0	-3.2	7.5	5.6			
France	-10.0	2.9	6.3	3.2	3.2	5.7	4.1	6.6	6.6	6.6	7.0	7.0	-7.4	4.9	6.8			
Germany	-8.2	5.1	6.4	3.0	4.7	5.0	5.5	6.1	6.5	6.8	7.0	7.0	-4.7	5.3	6.8			
Italy	-15.8	1.0	3.3	0.0	1.6	2.8	3.6	3.2	3.2	3.2	3.2	3.2	-11.5	2.8	3.2			
Japan	-14.7	5.9	6.9	9.0	5.0	6.1	6.4	6.7	6.9	7.2	7.4	7.5	-13.0	6.0	7.2			
United Kingdom	-13.3	0.9	5.0	3.1	1.1	1.2	4.2	4.8	5.1	5.6	6.2	6.3	-9.1	2.8	5.8			
United States	-14.8	6.2	8.1	7.0	6.0	6.0	7.0	7.5	8.0	9.0	9.2	9.5	-9.3	6.6	8.9			
Total OECD ²	-13.9	5.2	7.2	5.7	5.1	5.5	6.2	6.8	7.2	7.7	8.0	8.2	-8.6	5.9	7.8			
GDP																		
Canada	-2.7	2.0	3.0	2.9	2.6	2.5	2.7	2.8	3.1	3.2	3.3	3.5	-1.7	2.7	3.3			
France	-2.3	1.4	1.7	1.4	1.4	1.6	1.3	1.5	1.6	1.9	2.0	2.3	-0.5	1.4	2.0			
Germany	-4.9	1.4	1.9	0.8	1.0	1.0	1.8	2.1	1.3	2.2	2.6	2.7	-2.2	1.5	2.2			
Italy	-4.8	1.1	1.5	0.7	1.2	1.4	1.0	1.2	1.7	1.7	1.8	1.7	-2.5	1.2	1.7			
Japan	-5.3	1.8	2.0	1.3	0.8	1.4	1.7	1.9	2.0	2.2	2.3	2.4	-1.1	1.4	2.2			
United Kingdom	-4.7	1.2	2.2	2.2	1.5	2.4	1.8	2.0	2.2	2.4	2.6	2.7	-2.9	1.9	2.5			
United States	-2.5	2.5	2.8	2.7	2.5	2.5	2.5	2.6	2.7	2.9	3.2	3.4	-0.3	2.5	3.0			
Euro area	-4.0	0.9	1.7	0.6	0.8	1.0	1.3	1.5	1.5	2.0	2.2	2.4	-2.1	1.2	2.0			
Total OECD	-3.5	1.9	2.5	1.9	1.8	2.0	2.1	2.3	2.5	2.7	2.9	3.1	-1.0	2.1	2.8			

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Account Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Year-on-year growth rates in per cent.

2. Includes intra-regional trade.

Source: OECD Economic Outlook 86 database.

Annex Table 56. **Quarterly price, cost and unemployment projections**
 Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2009	2010	2011	2009	2010				2011				Fourth quarter ¹		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2009	2010	2011
Consumer price index²															
Canada	0.4	1.3	1.0	1.5	1.4	1.2	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.2	1.0
France	0.1	1.0	0.6	2.2	1.4	0.6	0.6	0.6	0.6	0.6	0.7	0.8	0.3	0.8	0.7
Germany	0.2	1.0	0.8	1.6	1.2	0.9	0.8	0.8	0.8	0.8	0.9	1.0	0.3	0.9	0.9
Italy	0.7	0.9	0.8	1.2	1.1	1.0	1.0	0.9	0.8	0.7	0.8	0.8	0.3	1.0	0.8
Japan	-1.2	-0.9	-0.5	-0.5	-0.5	-1.7	-0.5	-0.4	-0.4	-0.3	-0.3	-0.2	-1.6	-0.8	-0.3
United Kingdom	2.1	1.7	0.5	1.9	2.7	0.7	0.5	0.4	0.4	0.5	0.7	0.8	1.7	1.0	0.6
United States	-0.4	1.7	1.3	1.9	1.3	1.2	1.2	1.2	1.3	1.3	1.4	1.4	1.1	1.3	1.4
Euro area	0.2	0.9	0.7	1.6	1.2	0.8	0.8	0.7	0.7	0.7	0.7	0.8	0.2	0.9	0.7
GDP deflator															
Canada	-1.9	2.3	1.4	2.6	2.2	1.9	1.6	1.4	1.3	1.3	1.3	1.4	0.3	1.8	1.3
France	1.0	0.5	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.8	0.9	0.4	0.6	0.8
Germany	0.9	0.2	0.3	-1.1	0.8	0.4	0.6	0.6	0.3	0.2	0.1	0.1	0.0	0.6	0.2
Italy	2.5	1.0	1.0	1.4	1.1	0.9	0.8	0.9	0.9	1.0	1.2	1.2	1.6	0.9	1.1
Japan	0.0	-1.7	-0.8	-1.1	-1.0	-1.0	-0.9	-0.8	-0.8	-0.7	-0.6	-0.5	-2.0	-0.9	-0.6
United Kingdom	1.1	1.5	0.6	1.7	2.3	0.8	0.4	0.4	0.6	0.6	0.7	0.7	0.8	1.0	0.7
United States	1.3	0.9	1.0	1.1	0.9	0.9	0.9	0.9	1.0	1.1	1.2	1.2	0.9	0.9	1.1
Euro area	1.0	0.5	0.7	0.3	0.8	0.6	0.7	0.7	0.7	0.6	0.7	0.7	0.2	0.7	0.7
Total OECD	1.3	0.8	1.1	1.2	1.0	0.7	0.9	1.2	1.1	1.0	1.2	1.5	0.7	0.9	1.2
Unit labour cost (total economy)															
Canada	2.5	-0.1	0.7	-1.0	-0.4	0.3	0.6	0.7	0.7	0.9	0.9	0.9	0.6	0.3	0.8
France	2.5	-0.7	0.0	-1.3	-0.5	-0.5	-0.1	-0.2	0.1	0.2	0.2	0.0	0.1	-0.3	0.1
Germany	4.3	-2.4	-1.2	-2.1	-0.8	-2.2	-2.1	-1.4	-0.4	-1.1	-1.1	-1.2	0.2	-1.6	-1.0
Italy	5.2	-0.5	0.0	-0.1	-0.7	-0.8	0.3	-0.1	-0.3	0.1	0.5	0.5	2.4	-0.3	0.2
Japan	1.3	-2.3	-1.2	-1.7	-0.3	-1.2	-1.2	-1.2	-1.1	-1.2	-1.2	-1.4	-2.8	-1.0	-1.2
United Kingdom	3.9	-2.1	-2.0	-3.3	-2.1	-2.9	-2.0	-2.2	-2.1	-1.8	-1.7	-1.6	2.0	-2.3	-1.8
United States	-1.1	-0.1	1.5	-1.0	1.2	1.0	1.3	1.5	1.6	1.6	1.7	1.8	-3.3	1.3	1.7
Euro area	3.8	-0.9	-0.3	-1.3	-0.5	-0.7	-0.5	-0.5	-0.1	-0.2	-0.2	-0.2	0.9	-0.6	-0.2
Total OECD	2.1	-0.6	0.6	-1.2	0.3	0.1	0.4	0.5	0.6	0.6	0.7	0.8	-1.1	0.3	0.7
Unemployment															
Per cent of labour force															
Canada	8.3	8.7	8.1	8.8	8.8	8.8	8.7	8.6	8.4	8.2	8.0	7.7			
France	9.1	9.9	10.1	9.5	9.7	9.9	10.0	10.1	10.2	10.1	10.1	10.0			
Germany	7.6	9.2	9.7	7.9	8.4	9.0	9.5	9.7	9.7	9.8	9.7	9.7			
Italy	7.6	8.5	8.7	8.0	8.2	8.4	8.6	8.8	8.8	8.8	8.7	8.6			
Japan	5.2	5.6	5.4	5.7	5.6	5.6	5.5	5.5	5.5	5.5	5.4	5.4			
United Kingdom	8.0	9.3	9.5	8.8	9.1	9.3	9.4	9.5	9.5	9.5	9.4	9.4			
United States	9.2	9.9	9.1	10.0	10.1	10.0	9.9	9.7	9.5	9.3	9.0	8.7			
Euro area	9.4	10.6	10.8	9.9	10.2	10.5	10.8	10.9	10.9	10.9	10.8	10.7			
Total OECD	8.2	9.0	8.8	8.8	8.9	9.1	9.1	9.1	9.0	8.8	8.7	8.6			

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Account Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Year-on-year growth rates in per cent.

2. For the United Kingdom, the euro area countries and the euro area aggregate, the Harmonised Index of Consumer Prices (HICP) is used.

Source: OECD Economic Outlook 86 database.

Annex Table 57. Contributions to changes in real GDP in OECD countries

	2008	2009	2010	2011		2008	2009	2010	2011
Australia					Germany				
Final domestic demand	4.8	0.3	2.1	3.7	Final domestic demand	0.9	-0.8	0.2	0.9
Stockbuilding	-0.6	-0.7	0.4	0.0	Stockbuilding	0.5	-0.6	0.1	0.0
Net exports	-1.7	3.0	0.0	-0.1	Net exports	-0.5	-3.4	1.0	1.0
GDP	2.3	0.8	2.4	3.5	GDP	1.0	-4.9	1.4	1.9
Austria					Greece				
Final domestic demand	0.7	-0.9	0.8	1.9	Final domestic demand	0.1	-2.6	-1.6	1.6
Stockbuilding	0.1	-0.2	0.1	0.0	Stockbuilding	0.4	-1.3	-0.3	0.0
Net exports	1.4	-3.3	-0.1	0.2	Net exports	0.9	3.1	1.1	0.0
GDP	1.9	-3.8	0.9	2.2	GDP	2.0	-1.1	-0.7	1.6
Belgium					Hungary				
Final domestic demand	2.1	-1.3	0.4	1.6	Final domestic demand	-0.4	-5.7	-3.1	1.8
Stockbuilding	-0.2	-0.9	0.3	0.0	Stockbuilding	1.0	-8.0	0.3	0.0
Net exports	-1.0	-0.7	-0.1	0.0	Net exports	0.0	5.5	2.5	1.3
GDP	0.8	-3.1	0.8	1.7	GDP	0.6	-6.9	-1.0	3.1
Canada					Iceland				
Final domestic demand	2.7	-1.7	3.0	3.4	Final domestic demand	-9.1	-20.2	-3.9	2.1
Stockbuilding	-0.2	-1.1	1.0	0.0	Stockbuilding	-0.4	0.5	-0.7	0.0
Net exports	-1.9	-0.5	-2.0	-0.2	Net exports	10.8	13.9	2.9	0.3
GDP	0.4	-2.7	2.0	3.0	GDP	1.3	-7.0	-2.1	2.6
Czech Republic					Ireland				
Final domestic demand	1.7	-0.7	-0.4	2.0	Final domestic demand	-4.1	-10.2	-4.2	-0.4
Stockbuilding	-0.5	-4.3	0.7	0.1	Stockbuilding	0.1	-1.0	0.7	0.0
Net exports	1.4	0.6	1.7	0.8	Net exports	0.6	3.8	1.5	1.3
GDP	2.6	-4.4	2.0	2.8	GDP	-3.0	-7.5	-2.3	1.0
Denmark					Italy				
Final domestic demand	-0.8	-4.5	0.4	2.2	Final domestic demand	-1.0	-3.4	0.7	1.5
Stockbuilding	0.2	-1.3	0.9	0.0	Stockbuilding	-0.3	-0.2	0.3	0.0
Net exports	-0.5	1.6	0.0	-0.4	Net exports	0.2	-1.2	0.1	0.1
GDP	-1.2	-4.5	1.3	1.8	GDP	-1.0	-4.8	1.1	1.5
Finland					Japan				
Final domestic demand	1.2	-3.4	-0.6	1.9	Final domestic demand	-0.7	-3.0	1.0	2.0
Stockbuilding	-0.6	-1.6	0.5	0.1	Stockbuilding	-0.2	-0.2	0.1	0.0
Net exports	1.0	-3.4	1.5	0.7	Net exports	0.2	-1.8	0.6	-0.1
GDP	0.8	-6.9	0.4	2.4	GDP	-0.7	-5.3	1.8	2.0
France					Korea				
Final domestic demand	0.9	-0.8	0.4	1.7	Final domestic demand	0.6	0.5	2.9	3.6
Stockbuilding	-0.3	-1.5	0.6	0.1	Stockbuilding	0.7	-5.0	1.6	0.0
Net exports	-0.3	0.0	0.4	-0.1	Net exports	0.9	4.4	-0.4	0.3
GDP	0.3	-2.3	1.4	1.7	GDP	2.2	0.1	4.4	4.2

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Account Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Chain-linked calculations for stockbuilding and net exports except Australia, Finland and Greece.

Source: OECD Economic Outlook 86 database.

Annex Table 57. Contributions to changes in real GDP in OECD countries (*cont'd*)

	2008	2009	2010	2011		2008	2009	2010	2011
Luxembourg					Spain				
Final domestic demand	1.8	-2.0	0.4	1.9	Final domestic demand	-0.7	-6.6	-1.7	0.4
Stockbuilding	0.5	-1.6	1.4	0.0	Stockbuilding	0.1	0.0	0.0	0.0
Net exports	-2.4	-0.2	0.9	1.7	Net exports	1.4	2.9	1.4	0.6
GDP	0.0	-3.9	2.4	3.4	GDP	0.9	-3.6	-0.3	0.9
Mexico					Sweden				
Final domestic demand	2.3	-8.0	1.3	3.5	Final domestic demand	0.6	-3.4	0.7	2.2
Stockbuilding	0.1	-2.1	0.7	0.0	Stockbuilding	-0.5	-1.4	0.6	0.0
Net exports	-1.0	2.1	0.7	0.4	Net exports	-0.5	0.1	0.5	0.7
GDP	1.4	-8.0	2.7	3.9	GDP	-0.4	-4.7	2.0	3.0
Netherlands					Switzerland				
Final domestic demand	2.1	-2.8	0.1	1.4	Final domestic demand	1.0	0.3	1.1	1.3
Stockbuilding	0.3	-1.0	0.0	0.0	Stockbuilding	-0.7	1.2	-1.1	0.0
Net exports	-0.4	-0.6	0.5	0.6	Net exports	1.4	-3.4	0.8	0.5
GDP	2.0	-4.3	0.7	2.0	GDP	1.8	-1.9	0.9	1.9
New Zealand					Turkey				
Final domestic demand	-0.6	-2.9	3.4	4.4	Final domestic demand	-0.9	-6.4	2.9	5.6
Stockbuilding	0.0	-0.7	0.6	0.0	Stockbuilding	0.3	-2.8	2.5	0.0
Net exports	-0.9	5.3	-2.1	-1.5	Net exports	1.5	3.6	-1.0	-1.0
GDP	-1.1	-0.7	1.5	2.7	GDP	0.9	-6.5	3.7	4.6
Norway					United Kingdom				
Final domestic demand	2.1	0.3	2.6	3.5	Final domestic demand	0.7	-4.2	-0.2	1.8
Stockbuilding	0.7	-1.6	0.0	0.0	Stockbuilding	-0.4	-1.5	0.5	0.0
Net exports	-0.7	-0.5	-1.3	-0.3	Net exports	0.5	1.1	0.9	0.4
GDP	2.1	-1.4	1.3	3.2	GDP	0.6	-4.7	1.2	2.2
Poland					United States				
Final domestic demand	6.8	2.0	1.6	3.2	Final domestic demand	-0.4	-2.7	1.5	3.0
Stockbuilding	-1.1	-2.3	1.1	0.0	Stockbuilding	-0.4	-0.7	1.1	0.1
Net exports	-0.7	2.6	0.1	-0.1	Net exports	1.2	1.2	-0.1	-0.3
GDP	5.0	1.4	2.5	3.1	GDP	0.4	-2.5	2.5	2.8
Portugal					Euro area				
Final domestic demand	1.1	-3.5	0.6	1.3	Final domestic demand	0.4	-2.4	0.0	1.3
Stockbuilding	0.3	-0.7	0.1	0.0	Stockbuilding	0.1	-0.6	0.2	0.0
Net exports	-1.4	1.5	0.1	0.2	Net exports	0.0	-0.9	0.7	0.5
GDP	0.0	-2.8	0.8	1.5	GDP	0.5	-4.0	0.9	1.7
Slovak Republic					Total OECD				
Final domestic demand	5.7	-2.8	-0.1	3.5	Final domestic demand	0.3	-2.8	1.1	2.4
Stockbuilding	0.5	-3.6	0.9	0.0	Stockbuilding	-0.2	-1.2	0.7	0.0
Net exports	-0.2	1.2	1.2	0.5	Net exports	0.4	0.5	0.2	0.0
GDP	6.4	-5.8	2.0	4.2	GDP	0.6	-3.5	1.9	2.5

Note: The adoption of national account systems SNA93 or ESA95 has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, most countries have shifted to chain-weighted price indices to calculate real GDP and expenditures components. For further information, see table "National Account Reporting Systems, base years and latest data updates" at the beginning of the Statistical Annex and *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Chain-linked calculations for stockbuilding and net exports except Mexico, Portugal and the euro area.

Source: OECD Economic Outlook 86 database.

Annex Table 59. **House prices**
Percentage change from previous year

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Nominal																	
United States	2.6	2.1	2.3	2.9	3.7	3.5	5.1	4.8	6.6	7.7	6.4	6.3	9.5	11.4	7.3	1.9	-2.7
Japan	-3.9	-4.3	-2.4	-1.6	-1.9	-1.4	-1.6	-3.2	-3.7	-4.1	-4.6	-5.4	-6.1	-4.8	-3.0	-1.0	-1.6
Germany				1.0	-0.9	-1.8	-1.9	1.9	0.0	0.0	-2.8	-1.0	-1.9	-2.0	0.0	1.0	0.0
France					-0.6	0.1	1.9	7.1	8.8	7.9	8.3	11.7	15.2	15.3	12.1	6.6	1.3
Italy	6.2	0.2	-2.9	0.8	-3.3	-4.6	2.1	5.6	8.3	8.2	9.6	10.3	9.9	7.5	6.4	5.2	1.7
United Kingdom	-4.0	-1.7	2.6	0.7	3.7	8.8	11.5	10.9	14.9	8.1	16.1	15.7	11.9	5.5	6.3	10.9	-0.9
Canada	1.1	1.9	3.3	-4.5	0.2	2.5	-1.5	3.8	3.7	4.7	9.9	9.0	9.9	9.9	11.3	10.8	-1.1
Australia	1.6	2.6	3.6	1.2	0.8	4.0	7.4	7.2	8.3	11.2	18.8	18.2	6.5	1.5	7.8	11.3	4.4
Denmark	-1.6	-1.0	12.2	7.6	10.7	11.5	9.0	6.7	6.5	5.8	3.6	3.2	8.9	17.6	21.6	4.6	-4.5
Spain	-0.7	-0.3	1.5	3.5	2.6	4.2	4.9	7.0	7.5	9.5	16.9	20.0	18.3	14.6	10.0	5.5	0.2
Finland									5.8	-0.9	10.5	5.9	6.1	5.5	7.0	6.9	0.5
Ireland	1.9	2.0	4.8	6.3	15.0	20.0	31.0	21.7	16.5	8.2	10.7	15.9	11.6	11.8	13.5	1.0	-8.8
Korea	-6.5	-3.5	-1.6	-0.1	1.0	2.7	-9.2	-1.3	1.8	4.0	16.6	9.1	1.1	0.8	6.1	9.0	4.0
Netherlands	8.4	8.2	12.3	6.9	10.8	12.0	10.9	16.3	18.2	11.1	6.5	3.6	4.3	3.8	4.6	4.2	2.9
Norway	-5.1	1.0	13.2	7.2	9.2	11.8	11.1	11.2	15.7	7.0	4.9	1.7	10.1	8.2	13.7	12.6	-1.1
New Zealand	0.7	4.1	13.7	9.3	10.3	6.1	-1.7	2.1	-0.4	1.8	9.5	19.4	17.8	14.5	10.5	10.9	-4.4
Sweden	-9.4	-11.0	4.6	0.3	0.8	6.6	9.5	9.4	11.2	7.9	6.3	6.6	9.3	9.0	12.2	10.4	3.2
Switzerland	-4.4	-5.2	-0.1	-3.9	-5.3	-3.5	-0.9	-0.1	0.9	1.9	4.6	3.0	2.4	1.1	2.5	2.1	2.6
Real																	
United States	-0.5	-0.9	-0.2	0.1	0.7	1.2	3.5	2.6	3.1	4.7	4.8	3.9	6.6	7.7	4.0	-0.9	-6.3
Japan	-5.5	-5.5	-3.0	-1.5	-1.9	-3.0	-2.3	-2.8	-3.2	-3.4	-3.8	-5.2	-6.1	-4.3	-3.3	-1.1	-2.9
Germany				-0.7	-2.1	-3.3	-2.4	1.2	-1.4	-1.9	-4.1	-2.0	-3.6	-3.8	-1.8	-1.2	-2.7
France					-2.6	-1.2	1.3	6.5	6.8	6.0	6.2	9.4	12.6	13.1	10.0	4.9	-1.8
Italy	1.2	-4.1	-6.8	-4.4	-7.0	-6.4	0.1	3.8	5.5	5.7	6.8	7.3	7.5	5.2	4.1	3.1	-1.7
United Kingdom	-7.9	-4.2	0.7	-2.0	1.1	6.9	9.7	9.4	14.1	6.8	14.7	14.2	10.4	3.4	3.8	8.4	-4.3
Canada	-0.4	0.1	3.1	-6.5	-1.4	0.9	-2.5	2.1	1.0	2.1	7.5	6.1	7.9	7.6	9.1	8.5	-3.4
Australia	0.6	0.8	1.7	-3.3	-1.8	3.7	6.4	5.7	3.7	6.5	15.3	15.0	4.1	-1.1	4.1	8.8	0.1
Denmark	-3.5	-1.9	10.3	5.4	8.4	9.4	7.6	4.6	3.7	3.5	1.2	1.2	8.0	15.6	19.4	2.9	-7.8
Spain	-6.2	-4.9	-2.9	-1.0	-0.9	2.3	3.1	4.7	3.9	6.5	12.9	16.4	14.8	10.8	6.3	2.6	-3.7
Finland									2.8	-3.5	8.3	4.5	5.9	4.7	5.7	5.2	-3.3
Ireland	-1.2	0.6	2.3	3.6	12.6	18.5	28.2	18.8	10.7	4.1	5.6	11.4	9.1	9.4	10.5	-1.7	-11.6
Korea	-12.0	-7.9	-7.4	-4.4	-3.8	-1.7	-15.5	-2.1	-0.5	-0.1	13.6	5.3	-2.4	-1.9	3.8	6.4	-0.6
Netherlands	5.4	6.5	10.0	5.5	9.2	9.9	9.0	14.0	15.5	5.7	2.5	1.3	2.8	2.3	2.9	2.6	0.7
Norway	-7.3	-1.3	11.7	4.6	7.9	9.0	8.7	8.6	12.2	3.9	3.6	-0.7	9.6	6.6	11.1	11.8	-4.7
New Zealand	-0.3	2.8	11.7	5.4	7.8	4.9	-3.0	2.3	-2.9	-0.8	6.6	17.3	15.2	11.1	6.9	8.3	-8.0
Sweden	-10.6	-15.1	1.6	-2.3	0.0	4.7	8.4	8.8	9.8	5.1	4.3	4.2	8.2	8.1	10.6	8.6	-0.1
Switzerland	-8.1	-8.2	-0.9	-5.6	-6.1	-4.0	-0.9	-0.9	-0.6	0.9	4.0	2.3	1.5	-0.1	1.4	1.3	0.2

Source: Various national sources and Nomisma, see table A.1 in Girouard, N., M. Kennedy, P. van den Noord and C. André, "Recent house price developments: the role of fundamentals", *OECD Economics Department Working Papers*, No. 475, 2006.

Annex Table 61. **Central government financial balances**

Surplus (+) or deficit (-) as a percentage of nominal GDP

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Canada	-4.6	-3.9	-2.0	0.7	0.8	0.9	1.9	1.1	0.8	0.3	0.8	0.1	0.8	1.0	0.2
France	-4.6	-4.5	-3.6	-3.1	-2.8	-2.4	-2.1	-2.1	-3.1	-3.6	-2.6	-2.6	-2.1	-2.3	-2.9
Germany ¹	-1.1	-7.9	-1.9	-1.6	-1.8	-1.5	1.4	-1.3	-1.7	-1.8	-2.4	-2.1	-1.5	-0.8	-0.6
Italy	-8.9	-7.5	-6.8	-2.6	-2.5	-1.5	-1.2	-3.1	-3.1	-3.0	-3.0	-4.0	-2.6	-2.3	-2.6
Japan ²	-4.0	-4.1	-4.1	-3.5	-10.6	-7.3	-6.4	-5.9	-6.7	-6.7	-5.2	-6.2	-1.0	-2.6	-2.8
United Kingdom ³	-6.6	-5.5	-4.1	-2.0	0.2	1.1	3.9	0.9	-1.8	-3.4	-3.1	-3.0	-2.6	-2.6	-4.7
United States	-3.2	-2.8	-2.0	-0.6	0.5	1.0	1.9	0.3	-2.6	-3.8	-3.6	-2.8	-1.8	-2.2	-5.4
less social security	-4.1	-3.6	-2.9	-1.7	-0.7	-0.4	0.3	-1.3	-4.2	-5.2	-4.9	-4.1	-3.3	-3.5	-6.7
Total of above countries	-3.9	-4.2	-2.9	-1.5	-1.9	-0.9	0.2	-1.1	-3.0	-3.7	-3.4	-3.2	-1.7	-2.0	-3.9


Note: Central government financial balances include one-off revenues from the sale of mobile telephone licenses.

1. In 1995, this includes the central government's assumption of the debt of the Inherited Debt Fund.

2. Data for central government financial balances are only available for fiscal years beginning April 1 of the year shown. The 1998 deficit includes the central government's assumption of the debt of the Japan Railway Settlement Corporation and the National Forest Special Account which represent some 5.3 percentage points of GDP. Estimation for 2008.

3. The data for 2000 and onwards reflect Eurostat's decision concerning the recording of one-off revenues from the sale of the mobile telephone licenses.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/756284484242>

Annex Table 62. **Maastricht definition of general government gross public debt**

As a percentage of nominal GDP


	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Austria	64.4	64.8	67.2	66.6	67.1	66.5	65.6	64.9	64.0	62.3	59.5	62.7	69.3	74.2	78.8
Belgium ¹	122.3	117.0	113.5	107.6	106.3	103.3	98.4	94.2	92.1	88.0	84.2	90.0	97.6	101.7	104.9
Czech Republic	13.1	15.0	16.4	18.5	25.1	28.5	30.1	30.4	29.7	29.4	28.9	29.9	35.7	42.2	49.0
Denmark	65.2	60.8	57.4	51.5	48.7	48.3	45.8	43.8	37.1	31.3	26.8	33.5	38.8	42.3	46.4
Finland	53.8	48.2	45.6	43.8	42.4	41.4	44.5	44.2	41.8	39.3	35.2	34.1	37.0	45.6	55.1
France	59.3	59.4	58.8	57.3	56.9	58.8	62.9	65.0	66.4	63.6	63.8	67.5	76.2	84.2	90.8
Germany	59.6	60.4	61.0	59.7	58.7	60.2	63.7	65.9	68.1	67.6	64.9	66.0	74.4	79.1	82.5
Greece	96.6	94.5	94.0	103.4	103.7	101.7	97.4	98.6	100.0	97.1	95.6	99.2	111.5	119.9	126.8
Hungary	62.0	59.9	59.8	55.0	52.0	55.6	58.4	59.1	61.8	65.6	65.9	72.9	81.1	85.7	87.0
Ireland	64.3	53.6	48.5	37.8	35.6	32.2	31.0	29.6	27.6	25.0	25.1	44.1	61.3	76.7	87.9
Italy	118.0	115.0	113.9	109.1	108.8	105.7	104.3	103.9	105.8	106.4	103.5	105.8	114.8	118.3	120.9
Luxembourg	7.4	7.1	6.4	6.2	6.3	6.3	6.1	6.3	6.1	6.6	6.6	13.5	15.3	22.1	28.5
Netherlands	68.2	65.7	61.1	53.8	50.7	50.5	52.0	52.4	51.8	47.4	45.5	58.2	63.8	69.4	73.9
Poland	42.9	38.9	39.6	36.8	37.6	42.2	47.1	45.7	47.1	47.7	45.0	47.2	52.2	56.4	59.2
Portugal	56.1	52.1	51.4	50.5	52.9	55.6	56.9	58.3	63.6	64.7	63.6	66.3	74.9	82.0	88.2
Slovak Republic	33.8	34.5	47.8	50.3	48.9	43.4	42.4	41.4	34.2	30.4	29.4	27.6	33.5	39.8	44.4
Spain	66.1	64.1	62.3	59.3	55.5	52.5	48.7	46.2	43.0	39.6	36.1	39.7	52.0	60.1	66.9
Sweden	71.0	69.1	64.8	53.6	54.4	52.6	52.3	51.2	51.0	45.9	40.5	38.0	43.4	45.8	48.8
United Kingdom	49.8	46.7	43.7	41.0	37.7	37.5	38.7	40.6	42.2	43.2	44.2	52.0	66.1	78.2	89.2
Euro area	73.3	72.6	71.7	69.1	68.0	67.8	68.9	69.4	70.0	68.1	65.9	69.4	78.7	84.8	89.7

Note: For the period before 2009, gross debt figures are provided by Eurostat, the Statistical Office of the European Communities, unless more recent data are available, while GDP figures are provided by national authorities. This explains why these ratios can differ significantly from the ones published by Eurostat.

The 2009 to 2011 debt ratios are in line with the OECD projections for general government gross financial liabilities and GDP. For further information, see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Includes the debt of the Belgium National Railways Company (SNCB) from 2005 onwards.

Source: OECD Economic Outlook 86 database.

StatLink  <http://dx.doi.org/10.1787/756306007731>

Annex Table 63. **Monetary and credit aggregates: recent trends**
Annualised percentage change, seasonally adjusted

		Annual change (to 4th quarter)					Latest twelve months	
		2004	2005	2006	2007	2008		
Canada	M2	5.9	5.6	8.9	6.4	12.4	13.6	(Sep 2009)
	BL ¹	8.2	8.6	7.7	9.9	7.2	4.1	(Aug 2009)
Japan	M2	2.0	1.9	0.6	2.0	1.8	3.0	(Sep 2009)
	BL ¹	1.4	1.0	-0.2	-0.9	3.4	4.9	(Aug 2009)
United Kingdom	M2	9.1	9.0	8.1	7.5	5.1	3.6	(Sep 2009)
	M4	10.3	11.6	13.1	13.2	17.1	10.1	(Sep 2009)
	BL ¹	10.5	8.8	12.6	12.5	14.3	12.3	(Sep 2009)
United States	M2	5.3	4.0	5.2	5.9	8.3	6.7	(Sep 2009)
	BL ¹	10.4	11.8	12.0	11.2	8.5	-8.0	(Oct 2009)
Euro area	M2	6.3	8.9	8.8	11.3	9.7	3.6	(Sep 2009)
	M3	6.0	8.3	9.0	12.3	9.0	1.8	(Sep 2009)
	BL ¹	5.8	9.0	7.7	11.1	8.8	5.4	(Sep 2009)

1. Commercial bank credit.

Source: OECD Main Economic Indicators; US Federal Reserve Board; Bank of Japan; European Central Bank; Bank of England; Statistics Canada.

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