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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

	2006	2007	2008	2006	2007				2008				Fourth quarter		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2006	2007	2008
	Per cent														
Real GDP growth															
United States	3.3	2.4	2.7	2.4	2.1	2.7	2.8	2.8	2.8	2.6	2.6	2.6	3.0	2.6	2.7
Japan	2.8	2.0	2.0	2.1	1.9	2.1	2.1	2.1	2.0	2.0	1.9	1.9	2.2	2.1	1.9
Euro area	2.6	2.2	2.3	2.3	1.9	2.2	2.3	2.2	2.3	2.4	2.5	2.6	2.9	2.2	2.5
Total OECD	3.2	2.5	2.7	2.4	2.4	2.7	2.8	2.7	2.7	2.7	2.7	2.8	3.0	2.7	2.7
Inflation															
United States	2.9	2.6	2.6	1.7	3.3	2.7	2.7	2.6	2.8	2.4	2.4	2.3	2.5	2.8	2.5
Japan	-1.0	0.2	0.6	0.4	0.2	0.1	0.3	0.4	0.8	0.8	0.9	0.9	-0.4	0.3	0.8
Euro area	1.8	2.0	2.0	1.7	2.4	2.0	2.0	2.2	1.8	2.0	2.0	2.1	1.5	2.1	2.0
Total OECD	2.2	2.2	2.1	1.9	2.3	2.1	2.2	2.3	2.1	2.0	2.1	2.1	2.1	2.2	2.1
Unemployment rate															
United States	4.6	4.8	5.1	4.5	4.7	4.8	4.8	4.9	5.0	5.1	5.1	5.2	4.5	4.9	5.2
Japan	4.2	3.9	3.6	4.2	4.1	3.9	3.8	3.7	3.6	3.6	3.5	3.5	4.2	3.7	3.5
Euro area	7.9	7.4	7.1	7.6	7.6	7.5	7.4	7.3	7.2	7.1	7.0	6.9	7.6	7.3	6.9
Total OECD	6.0	5.8	5.7	5.9	5.9	5.8	5.8	5.8	5.8	5.7	5.7	5.7	5.9	5.8	5.7
World trade growth	9.6	7.7	8.4	7.6	8.0	8.2	8.2	8.3	8.5	8.6	8.6	8.6	8.5	8.2	8.6
Current account balance															
United States	-6.6	-6.5	-6.6												
Japan	3.8	4.5	5.3												
Euro area	-0.3	-0.1	-0.1												
Total OECD	-2.0	-1.9	-1.8												
Cyclically-adjusted fiscal balance															
United States	-2.4	-2.8	-2.9												
Japan	-4.6	-4.2	-4.1												
Euro area	-1.5	-1.1	-1.2												
Total OECD	-2.1	-2.1	-2.2												
Short-term interest rate															
United States	5.2	5.3	5.0	5.3	5.3	5.3	5.3	5.2	5.1	5.1	5.0	4.9	5.3	5.2	4.9
Japan	0.2	0.4	0.9	0.4	0.3	0.3	0.4	0.5	0.7	0.8	0.9	1.2	0.4	0.5	1.2
Euro area	3.1	3.8	4.0	3.5	3.7	3.8	3.8	3.9	4.0	4.1	4.1	4.1	3.5	3.9	4.1

Note: Real GDP growth, inflation (measured by the increase in the GDP deflator) and world trade growth (the arithmetic average of world merchandise import and export volumes) are seasonally and working-day-adjusted annual rates. The "fourth quarter" columns are expressed in year-on-year growth rates where appropriate and in levels otherwise. The unemployment rate is in per cent of the labour force while the current account balance is in per cent of GDP. The cyclically-adjusted fiscal balance is in per cent of potential GDP. Interest rates are for the United States: 3-month eurodollar deposit; Japan: 3-month certificate of deposits; euro area: 3-month interbank rate.

Assumptions underlying the projections include:

- no change in actual and announced fiscal policies;
- unchanged exchange rates as from 13 November 2006; in particular 1$ = 118.10 yen and 0.78 euros;

The cut-off date for other information used in the compilation of the projections is 20 November 2006.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/811148774276*

EDITORIAL
SMOOTH REBALANCING?

Until recently, the OECD area was enjoying a prolonged period of non-inflationary growth despite rising oil and commodity prices. Underlying these favourable trends, persistent wage moderation provided for both price stability and strongly rising profits as well as vigorous job creation in the main OECD regions.

This smooth performance has been somewhat disturbed recently, however. In the United States, signs of inflationary pressures and labour market tensions have recently built up while investment in housing has fallen sharply, following a long boom in residential construction. In the OECD area as a whole, however, there are still few signs of general overheating. Aggregate demand and supply broadly match, in contrast with the previous cyclical peak at the turn of the century when demand pressures were much stronger. While in the United States and Japan aggregate demand may be somewhat above trend, in the euro area substantial slack remains.

Rather than a major slowdown, what the world economy may be facing is a rebalancing of growth across OECD regions. Indeed, recent developments point to an unwinding of cyclical differences, with activity having slowed in the United States and Japan, and gathered speed in Europe. Looking ahead, and given what is seemingly a mild degree of initial excess demand in the United States and Japan, the slowdown in these countries should remain well-contained. In the euro area, recent hard data as well as business and consumer confidence suggest that a solid upswing may be underway. In addition, growth should remain buoyant in China, India, Russia and other emerging economies. All in all, Japan and the euro area would grow slightly above trend over the next two years while US growth would return progressively to potential in the course of 2007, following the recent steep deceleration in activity.

In its initial phase, however, this growth rebalancing would not be strong enough to prevent a mild and short-lived weakening in 2007 in the OECD area. As a matter of fact a variety of factors, including needed fiscal consolidation in Germany and Italy, would weigh down on euro-area activity next year before it accelerates anew.

The projected "soft landing" in the United States implies that history would not repeat itself. In 2000, aggregate demand vastly exceeded potential supply, calling for a strong downward adjustment in activity. Today, the degree of overheating still looks modest despite some tensions in US labour markets, which should recede progressively. In fact, the increase in core inflation witnessed through last summer owed a lot to past hikes in oil and gasoline prices, which have now partly been reversed. Because of its high energy intensity, the American economy has been subjected to a stronger external inflationary shock than the OECD average and this has shown up in both headline and core inflation. Assuming a stabilisation in oil prices around their current levels, a mild economic slowdown may be enough to progressively restore price stability in the United States.

In Japan, the return to price stability is proving longer and less assured than expected. Looking at GDP deflators and consumer price inflation excluding food and energy, deflation is not over yet. Somewhat worryingly, nominal wage growth may be at risk of tapering off after only eighteen months in mildly positive territory. Although strong profits and export markets will continue to underpin Japanese growth, it also relies on at least moderate support from household spending.

In the euro area, activity has finally taken off, following a series of aborted recoveries. The recent fall in oil prices has driven headline inflation back below the 2% threshold and is welcome for growth as well. Notwithstanding the upcoming VAT hike in Germany, which should impart a mild stagflationary shock to the euro area in early 2007, the central scenario for the next two years is one of stable growth, somewhat above potential, and mild inflation, in a context where the shortfall of aggregate demand is being progressively worked off.

But sustainable growth in the OECD does not only hinge on the balance between aggregate demand and supply. It can also be affected by current account imbalances, or, in other words, by imbalances in the distribution of aggregate demand between its domestic and external components.

Clearly, achieving price and output stability requires macroeconomic policies to first balance aggregate supply and demand. But policies to this end find their limits when they generate unsustainable current account imbalances. To balance aggregate demand and supply earlier during this decade, US policy had to offset weakening external demand, resulting in part from anaemic domestic demand in Europe and Japan, by stronger demand at home. Besides an expansionary fiscal stance, accommodating monetary policy boosted domestic demand, not least through higher asset prices and wealth effects, one particularly strong channel of transmission running through housing markets. This housing channel contributed strongly to output stabilisation in the aftermath of the 2001 recession but also to the deterioration of the US current account deficit. Conversely, it now plays an important rebalancing role, both domestically and externally. A cooling housing market should therefore not necessarily be a cause for anxiety.

Although in recent years housing markets have played an important role in supporting economic activity, prices may now have reached unsustainable highs in certain countries (notably the United States, Denmark, France and Spain), at least according to OECD Secretariat estimates. When price corrections set in, housing markets may thus reduce the speed of economic expansion, even though the economy at large is not strongly overheating and macroeconomic policies are only mildly restrictive.

Within bounds, such corrections should not be a cause of concern. However, history suggests that sharp housing corrections can be hard to contain. It is especially so when, as a starting point, the economy is out of kilter, with both over-extended financial markets and clearly overheated product markets. Today, however, this is not the case, implying that a smoother adjustment may be in the offing for the US economy. Recent Australian and UK experience – admittedly helped by favourable circumstances – indeed suggests that for resilient economies landings can be smooth.

In this respect, it is comforting to note that in many countries households seem well prepared to cope with the consequences of a downturn in housing markets, as documented in the special chapter appended to this *Outlook*. Household balance sheets are generally sound and debt-servicing burdens still moderate, although some low-income households may be overstretched.

With housing headwinds already affecting the US economy and at risk of materialising elsewhere, it would help the world economy that domestic and household spending fully revive where they have been lagging behind. This challenge may be progressively met in economies such as Germany and Japan, but the outlook for household spending remains somewhat fragile and these countries' current account surpluses would continue to build up, exceeding 5% of GDP by 2008. The projection also implies that the widening of the Chinese surplus would slow. As a counterpart to these trends, and a novel feature of this *Outlook,* the US current account imbalances would stop worsening, albeit partly owing to the recent fall in energy prices.

Against this backdrop, central banks face different challenges. In the United States, bringing inflation back to around the 2% mark may require maintaining the current restrictive stance for some time. In the euro area, where the recovery is expected to last, moving towards a measure of monetary restraint may be justified as insurance against the risk of inflation pressure down the line. In Japan, further monetary tightening should wait until a fully-fledged exit from deflation finally materialises.

On the fiscal and structural reform front, not enough is being done in large OECD countries. Although governments today seem much less inclined to spend away tax windfalls than in the past, they generally are not taking advantage of the good overall economic outlook to reduce underlying deficits, with the notable exception of Germany. Besides, social security, health system and labour market reforms do not seem to feature high on political agendas, and protectionist pressures seem to be mounting.

Ideally, OECD countries would seek growth-oriented policy mixes, where solid fiscal consolidation and structural reforms elicit in turn more accommodating monetary conditions and stronger investment. Regrettably, however, best practice seems some way off.

24 November 2006

JP Cotis

Jean-Philippe Cotis
Chief Economist

I. GENERAL ASSESSMENT OF THE MACROECONOMIC SITUATION

Overview

Growth has become more uniform throughout the OECD area

Growth rates have become more similar across OECD regions. This is the outcome of the US economy slowing as the housing market corrects, the expansion in Japan continuing and the euro area upswing becoming self-sustained (Table I.1). Continued buoyancy in the emerging-market economies, a drop in oil prices from their recent highs and supportive conditions in financial markets should help to sustain the upswing across the OECD area. The US expansion is projected to gradually regain strength as excess supply in the auto and residential construction sectors is worked off. In the euro area domestic demand should maintain its recent momentum while Japan finally and durably exits from deflation as residual slack is being absorbed.

Long-standing tensions endure, but short-term risks are two-sided

While the projection points to continued robust growth, several long-standing risks remain. Most prominently, global current account imbalances are still large and housing markets look richly priced in a majority of countries. While the US external deficit is still being financed smoothly, the imbalances must revert to a sustainable level at some point. The unwinding could be disorderly and could involve a bout of

Table I.1. **Intra-OECD growth gaps are narrowing**

OECD area, unless noted otherwise

	Average 1994-2003	2004	2005	2006	2007	2008	2006 q4	2007 q4	2008 q4
	Per cent								
Real GDP growth[1]	2.7	3.2	2.7	3.2	2.5	2.7	3.0	2.7	2.7
United States	3.2	3.9	3.2	3.3	2.4	2.7	3.0	2.6	2.7
Euro area	2.2	1.7	1.5	2.6	2.2	2.3	2.9	2.2	2.5
Japan	1.0	2.3	2.7	2.8	2.0	2.0	2.2	2.1	1.9
Output gap[2]	-0.7	-0.9	-0.7	-0.2	-0.2	-0.1			
Unemployment rate[3]	6.6	6.7	6.5	6.0	5.8	5.7	5.9	5.8	5.7
Inflation[4]	3.5	2.4	2.1	2.2	2.2	2.1	2.1	2.2	2.1
Fiscal balance[5]	-2.3	-3.4	-2.7	-2.0	-2.0	-2.0			

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. GDP deflator. Year-on-year increase; last three columns show the increase over a year earlier.
5. Per cent of GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/606325251364*

exchange rate volatility and a global surge in interest rates that puts pressure on asset prices. If so, housing and construction markets would be hard hit. In the United States the slump in residential construction could then deepen and spread to other sectors, while adverse wealth effects stemming from falling real house prices could hit consumption. Real house prices could fall in other countries as well, notably in Europe, and undermine the momentum in household consumption. On the upside, however, the European recovery could develop faster than expected, given that slack is only being worked off very gradually in this projection while healthy profits could buoy investment more strongly.

Monetary policy reflects different cyclical positions across regions

With the major economies at different stages in their expansions, monetary policy settings also differ across regions. In the United States, the monetary stance is slightly restrictive, and some policy relaxation could be envisaged late in 2007 if slack builds up and price pressures ease as projected in this *Economic Outlook*. In the euro area, the withdrawal of monetary policy ease still has further to go, and the projection embodies some moderate additional tightening so as to safeguard inflation close to the 2% mark. Finally, the Bank of Japan has abandoned its zero-interest rate policy this year, and further withdrawals of policy stimulus are envisaged in the projection once a clear exit from deflation has been made.

Fiscal consolidation remains a major priority

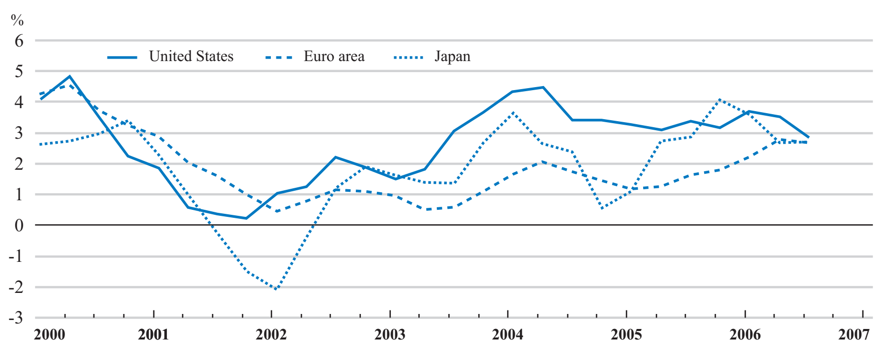
A main policy challenge looms ahead on the fiscal front. Large tax windfalls have emerged in the past two years, but not all of these windfalls may be recurrent, and governments would be ill-advised to treat them as permanent. Now several years into the upswing, not enough fiscal consolidation has been implemented, and what is being put in place has been largely based on increases in revenues. This is a concern in view of the growing pressure on public finances associated with ageing populations. Missing the opportunity of the ongoing expansion to consolidate fiscal positions could prove very costly further down the road.

Passing the baton

Intra-OECD growth gaps have narrowed

Growth differentials within the OECD have narrowed as activity in the United States has decelerated to a rate below potential while in the euro area it accelerated to an above potential rate (Figure I.1). Japan has continued to experience a robust

Figure I.1. **Growth differentials have narrowed**



Source: OECD Economic Outlook 80 database.

upswing. At the same time, world trade is estimated to have expanded at close to double-digit rates in 2006 as a whole, mirroring solid growth in the world economy. The non-OECD economies, especially those in emerging Asia, continued to be a major driver of the expansion.

US growth is moderating, not stalling…

Growth in the United States has fallen due to a sharp correction in residential investment, but all other components of domestic demand remain robust. Residential construction investment fell steeply in the second and third quarters of 2006, as builders moved to work off excess supply in the face of the weakening housing market. This correction is likely to continue into 2007. Private consumption is now expanding somewhat less rapidly than it was in previous years when it was boosted by rapid run-ups in housing prices. At the same time, healthy profit margins have helped maintain robust growth in business investment. The slowing of aggregate activity appears to be broadly in line with historical evidence of similar cyclical corrections. However, it cannot be ruled out that a further unwinding of the supply overhang on the housing market will proceed in a less benign way, in particular if house prices were to fall and undermine consumer spending.

… while that in the euro area is picking up…

In the euro area the economy picked up steeply in the first half of 2006 and continued to grow at a rate slightly above potential in the third quarter. Activity has become more broadly based as domestic demand accelerated markedly. Investment is acting as a major engine of growth, followed by consumption, which is benefiting from a stronger employment performance. Growth differentials across the region have generally narrowed, with almost all euro area economies benefiting from the upswing – an exception is France where growth stalled in the third quarter largely on account of a correction in inventories. Germany is now growing fast following years of anaemia, while activity in Italy has also gained momentum. Most of the smaller member countries are continuing to expand vigorously.

… and the expansion in Japan continues apace

In Japan the expansion continues to be driven by business fixed investment and household consumption underpinned by an improving labour market. Growth moderated in the second quarter of the year, but this was due mainly to declines in stockbuilding and public investment restraint. The dip in private consumption in the third quarter was largely weather-related. Exports rebounded since the middle of the year and corporate profits have been buoying business investment.

Labour markets are relatively buoyant

Employment has generally evolved favourably across the OECD area (Table I.2). While unemployment rates in the major OECD regions are now close to levels normally associated with full employment, wage inflation patterns continue to be dispersed (Table I.3). In the United States, slowing activity is not yet evident in the labour market, with the unemployment rate hitting a new cyclical low of 4.4% in October 2006. Unit labour costs have risen markedly on account of both sizeable wage increases and some slowing of productivity – which came to a virtual standstill. However, the hikes in compensation could well reflect the exercise of stock options rather than increases in labour cost, and may be subject to large revisions. Indeed, the more reliable Employment Cost Index indicates that labour costs remain subdued. In the euro area a pick-up in economic growth is translating into higher employment growth and lower unemployment rates. Wages may be accelerating somewhat, but this is largely matched by a pick-up in productivity growth. In Japan buoyant employment creation pushed the unemployment rate to its lowest level since

Table I.2. **Labour markets are buoyant**

	2001	2002	2003	2004	2005	2006[1]
	Percentage change from previous period					
Employment						
United States	0.0	-0.3	0.9	1.1	1.8	1.6
Japan	-0.5	-1.3	-0.2	0.2	0.4	0.4
Euro area	1.6	0.6	0.4	1.0	1.0	1.0
Labour force						
United States	0.8	0.8	1.1	0.6	1.3	1.0
Japan	-0.2	-0.9	-0.3	-0.4	0.1	-0.2
Euro area	1.1	1.1	1.0	1.1	0.7	0.0
Unemployment rate	Per cent of labour force					
United States	4.8	5.8	6.0	5.5	5.1	4.7
Japan	5.0	5.4	5.3	4.7	4.4	4.1
Euro area	7.7	8.2	8.7	8.9	8.6	8.0

1. First half of 2006 relative to second half of 2005, annualised, except for unemployment rate which is the average of the first half of 2006.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/318205770005*

1998. Although firms are boosting regular employment, wages remain subdued as previously discouraged workers re-enter the labour market and workers' bargaining positions are weak.

Emerging economies are continuing to expand rapidly

Major non-OECD economies have continued to act as a strong pillar of global economic activity, with the notable exception of Brazil, which has not yet fully recovered from a brief cyclical downswing. The expansion in Asia continues to be led by China, whose GDP growth rate has been in the 10 to 11% range over recent quarters. Activity is broad-based on the demand side and matched by an increase in the economy's growth potential resulting from a vigorous expansion of the capital

Table I.3. **Wages are accelerating**

	2001	2002	2003	2004	2005	2006[1]
	Percentage change from previous period					
Labour productivity						
United States	0.9	2.8	2.5	2.8	1.8	2.0
Japan	0.9	1.4	2.0	2.1	2.3	2.6
Euro area	0.3	0.2	0.4	0.8	0.5	2.0
Compensation per employee						
United States	2.8	3.7	3.9	4.5	3.9	7.7
Japan	-1.0	-1.8	-1.5	-1.6	0.6	-0.2
Euro area	2.6	2.6	2.3	1.8	1.3	2.1
Real compensation per employee[2]						
United States	0.4	1.9	1.7	1.6	0.9	4.3
Japan	0.3	-0.2	0.0	-0.4	2.1	0.9
Euro area	0.1	0.0	0.2	-0.1	-0.5	0.4

1. First half of 2006 relative to second half of 2005, annualised.
2. Deflated by the GDP deflator.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/033335015168*

stock. The Indian economy also continued expanding at a brisk pace, with growth in 2006 having been softened only slightly by the negative terms-of-trade shock associated with rising oil prices and some tightening in monetary policy. Growth in Russia rebounded strongly from a weak first quarter, driven by fixed investment and private consumption.

Forces acting and risks

Energy markets have cooled and material prices have levelled off

Energy prices have fallen back

After reaching historical highs in the summer, oil prices witnessed a marked downward correction. In the United States end-use prices for petrol, natural gas and heating oil have also come down from record highs (Figure I.2). At the time of writing, Brent crude prices were fluctuating at around $58 per barrel, only slightly above the level prevailing at the beginning of the year. This price fall may be associated with a drop in the risk premium built into oil prices, as temporary factors that were driving up prices in the first half of the year unwound. Specifically, the following factors are likely to have exercised a major impact on recent price developments:

Tensions and risks look somewhat more benign amid slowing activity

– Geopolitical tensions are perceived to have eased somewhat, the hurricane season in the Gulf of Mexico turned out to be less hostile than a year ago and some supply disruptions appeared to have been less severe than expected. Evidence of slowing activity in the United States has also contributed to an easing of price pressure.

Refinery bottlenecks have eased

– In the United States, moreover, concerns that stricter product specification standards would produce bottlenecks in refinery capacity have ebbed after the summer driving season.

Substitution effects are at work

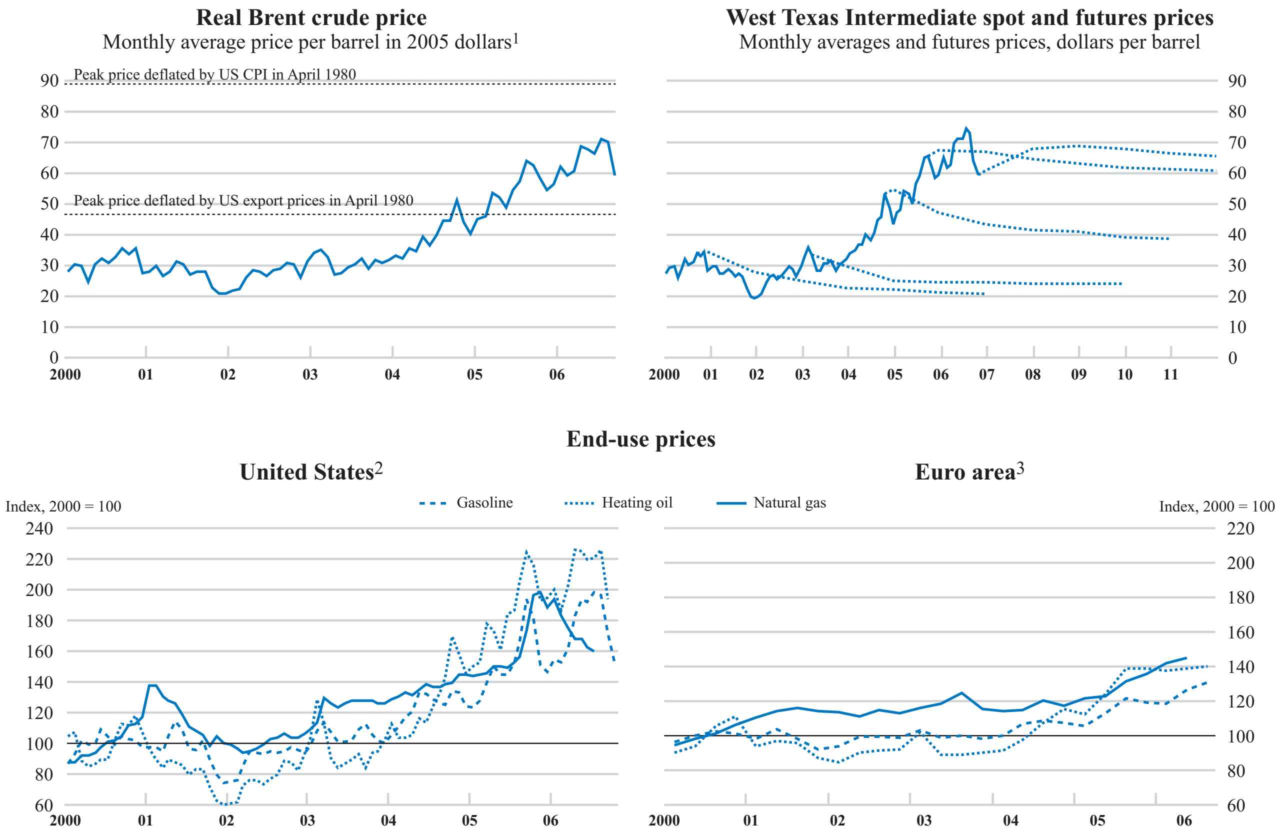
– There are signs that past oil price increases have induced oil consumers to save on oil, including a shift to cheaper energy substitutes. In particular, natural gas has been increasingly utilised as a substitute for heating oil. Indeed, oil demand in the OECD area as a whole might well turn out to have slightly contracted in 2006, while an increase might have been plausible.

But prices are unlikely to fall significantly further

Even so, it appears unlikely that prices will fall in the near term to levels seen several years ago. With the growth of oil consumption being increasingly driven by unabated economic growth in emerging economies, strong advances in global oil demand are likely to continue – not least among those that subsidise fuel consumption.[1] On the supply side, OPEC crude capacity is increasing, partly to replace output lost in Iraq and Venezuela, and rising investment activity is expected to significantly increase non-OPEC supply. However, global spare capacity is expected to remain

1. Household and cooking fuels and electricity are on average the most heavily subsidised. Also, in many non-OECD countries gas prices are set largely independently of international market conditions.

Figure I.2. **Energy markets have cooled**



1. Deflated by the US export price deflator. Deflating by the US consumer price index would show a similar profile.
2. Monthly averages. For the United States, the heating oil price refers to New York harbor No. 2 heating oil spot price FOB.
3. Quarterly averages. Euro area series are estimates based on the countries for which data are available.

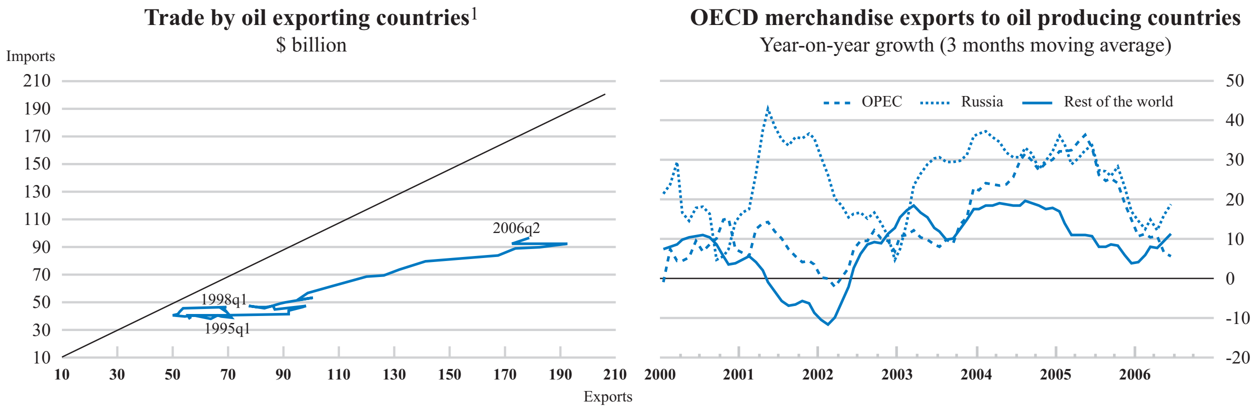
Source: International Energy Agency, US Energy Information Agency, Datastream and OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/238263547030*

low due to limited upstream investment and long time lags between investment decisions and project completion.[2] Consequently, energy prices are likely to continue to be volatile in the face of fluctuations in supply and demand or expectations thereof. Recently, OPEC has announced production cuts to counteract the risk of further declines in oil prices. Reflecting these developments, the futures curve is sloping upwards over 2007 (Figure I.2), while the far-dated futures price stands at about the spot price.[3]

2. Political risks to energy supply also comprise potential regulatory barriers to entrepreneurial activity. In recent years some governments have responded to higher oil prices by shifting resource ownership, project participation and fiscal terms in favour of the state, implying that high oil prices do not necessarily improve the environment for upstream investment.
3. This is at variance with the situation in earlier episodes of high oil prices prior to 2005 where the futures curve sloped downward and the far-dated futures price fell significantly short of the spot price, signalling that markets expected a return to lower energy prices. However, futures prices have proven to be a weak predictor of future spot prices. Since the first half of 2005, at the latest, the far-dated futures price has moved in line with the spot rate, suggesting that it contains little information over that contained in the spot price.

Figure I.3. **Respending of pretrodollars is slow**



Note: Goods, Custom base.

1. Oil exporting countries are defined as those countries whose oil exports (net of any imports of crude oil) both represent a minimum of two thirds of their total exports and are at least equivalent to approximately 1 per cent of world exports of oil. The calculations presently used to determine which countries meet the above criteria are based on 1976-78 averages.

Source: IMF and OECD International Trade Monthly Statistics database.

Respending of petrodollars has slowed

While import demand by oil-exporting countries continues to support world trade growth, respending of oil revenues appears to be slow, as indicated by the import bill of oil-exporting countries having markedly fallen behind their export revenues (Figure I.3, left panel). Indeed, OECD merchandise exports to OPEC have been decelerating since the spring of 2005 up to the first half of 2006 (Figure I.3, right panel). Respending by Russia has been subdued, but firmed in recent months. Current account surpluses of oil exporters have thus been building up, some of which has been feeding into foreign financial assets held by oil reserve funds. This, in turn, is likely to have exercised a positive impact on financial asset market valuations in OECD economies and contributed to holding bond yields low. With the pace of respending having been muted so far, the recent fall in oil prices might turn out to be more expansionary for the OECD economies than usual as oil producers could draw on the financial buffers previously accumulated rather than being forced to cut back on imports.

Some metal prices have also peaked and may fall further

Prices for ores and metals reached record levels in the summer of 2006. Aside from the cyclical upswing in the OECD economies, the strong upward momentum in these prices has been underpinned by rapid growth in demand from emerging market economies in Asia, notably China. However, unlike the situation in energy markets, there is scope for significant price declines for metals over the next couple of years, as reflected by futures prices. Supply in metals markets is set to accelerate as marked increases in exploratory spending in recent years, notably in copper, are likely to translate into significant additions to mining capacity. Also, reductions in smelting capacity in Europe and North America in response to high energy costs are leading to a geographic shift in supply capacity to the Middle East, India and Iceland, where energy is less expensive.[4]

4. The hike in oil prices thus exercised some upward pressure on metal prices. Similarly, agricultural raw materials and food stuffs have also become more expensive in response to the energy price hike. This is true partly because agricultural raw materials are used to generate bio-fuels, and partly because of shifts away from synthetic carbon-based materials to natural substitutes, like rubber.

Financial market conditions remain supportive

Financial markets are buoyant

Although monetary policies have been tightened across the globe, liquidity is still abundant (Appendix I.1) and financial market conditions have remained supportive to date (Figure I.4):

Bond yields have fallen

– After having been on an upward trend since mid-2005, bond yields have fallen back by some 25 to 50 basis points. The fall has been steepest in the United States.

Not too much should be read into yield curve inversion

– The flattening – and in the case of the United States the slight inversion – of the yield curve should not be seen as an indication that a recession is expected by financial market participants. A number of structural factors have contributed to lower the term premium to a point where even small short-term effects on bond yields can lead to an inverted yield curve.[5] One such an effect stems from the anticipation of lower short-term interest rates in the United States in response to a more benign assessment of inflation pressures – in part owing to the reversal in energy prices.

Stock prices are underpinned by strong fundamentals

– Equity markets have continued their upward momentum, with a sell-off last spring proving short-lived. Equity prices have now recovered their losses since the bursting of the dotcom bubble in some markets, but this has been accompanied by large increases in profits; price-to-earnings ratios remain broadly in line with historical averages.

Risk premia built into corporate bond yields are low

– Spreads between corporate and government benchmark bonds have widened somewhat, but high-risk corporate spreads are well below historical averages, underpinned by low default rates. The OECD synthetic indicator of risk premia is also well aligned with the fundamentals (Appendix I.2).

Liquidity remains abundant overall

High asset prices in recent years are linked to low interest rates and abundant global liquidity associated with the build-up of official dollar reserves across the globe (see below). However, these conditions may also lead investors to become less concerned with risk, a possible example being emerging markets bond spreads, which dropped from an average of around 400 basis points in mid-2005 to 200 basis points at present. Were monetary conditions to tighten significantly and liquidity to contract, risk premia might conceivably widen abruptly. Nonetheless, such concerns have not been validated so far and may not be in the near future. Establishing just how much liquidity is outstanding is tricky, but it appears that global liquidity has not yet started to decelerate, let alone contract, and, as gauged by money and credit-based measures, it is still well above historical norms.

The housing engine keeps running in most markets

Residential construction remains buoyant outside the United States

Spurred by historically low mortgage interest rates and, in some cases, rapid population growth as well as strong growth in real per capita income, residential investment has been a major engine of the expansion in several OECD countries in recent years, notably in the United States and Canada but also in several European

5. Such structural factors include better anchored inflation expectations, high *ex ante* saving and foreign reserve accumulation in emerging Asian economies, recycling of petrodollars and portfolio shifts by pension funds towards bonds to meet impending retirement obligations. See: Ahrend, R., P. Catte and R. Price (2006), “Factors behind low long-term interest rates”, *OECD Economics Department Working Papers*, No. 490.

Figure I.4. **Financial conditions remain supportive**

1. 10-year government bonds, monthly averages.
2. Deflated by core inflation (private consumption expenditure deflator excluding food and energy for the United States, consumer price index excluding food and energy for Japan and harmonised index of consumer prices excluding energy and unprocessed food for the euro area).
3. Spread between 10-year government bond yields and 3-month money market rates.
4. United States and euro area: Spread between Merrill Lynch corporate BBB bonds and government bonds based on average yields for 5-7 and 7-10 years. Japan: Spread between corporate Baa and 5-year government bond yields.
5. Wilshire 5000 for the United States, Nikkei 225 for Japan and FTSE Eurotop 100 for the euro area.
6. Bank loans to the non-financial private sector.

Source: US Federal Reserve Board, Bank of Japan, European Central Bank and Datastream.

StatLink: *http://dx.doi.org/10.1787/084636851314*

Figure I.5. **Residential investment and population growth**

Source: OECD Economic Outlook 80 database and OECD Labour Force Statistics database.

StatLink: *http://dx.doi.org/10.1787/667534627673*

countries (France, Spain, Denmark and Ireland, in particular). However, the United States has seen a sharp drop in residential construction activity, acting as a significant drag on economic activity in recent quarters, with buoyant commercial real estate development picking up some of the slack. At current levels of housing starts – about 20% below their peak in 2005 – the excess stock of new housing may take several years to be worked off and residential construction may have further to fall, as appears likely in view of recent declines in construction permits. Of some concern also is that residential construction may also turn down in several other countries where it has been dynamic and where it represents a high share of GDP allowing for population growth – prominent examples being France, Canada and Denmark (Figure I.5). In Canada residential construction has already shown signs of weakness.

Looking ahead, prices may peak in several markets

Real house prices are still increasing in most countries, thus accentuating some of the pressures and tensions that have built up in the past few years. But they have begun decelerating in some countries recently (Table I.4).[6] This may reflect the fact

Table I.4. **Real house prices are decelerating in some markets**

Per cent annual rate of change

	1995-2000	2001	2002	2003	2004	2005	2006[1]
United States	2.3	5.0	5.2	4.5	7.8	9.6	7.3
Japan	-2.6	-3.4	-3.8	-5.2	-6.1	-4.6	-4.4
Germany	-1.6	-1.9	-3.3	-2.0	-3.8	-1.9	-2.0
France	2.1	6.0	6.2	9.4	12.6	13.2	10.9
Italy	-0.9	5.7	6.8	7.3	7.5	5.2	4.4
United Kingdom	8.2	6.8	14.6	14.2	10.4	3.4	2.3
Canada	0.0	2.0	7.7	6.5	7.5	7.6	9.1
Australia	3.5	6.5	15.3	15.0	4.1	-1.1	1.5
Denmark	6.7	3.4	1.3	1.1	7.9	15.6	22.4
Spain	2.6	6.5	12.9	16.4	14.8	10.9	6.9
Finland	7.8	-3.5	8.3	4.5	5.9	5.1	9.8
Ireland	17.6	4.1	5.6	11.4	9.1	9.4	11.7
Netherlands	11.6	5.6	4.3	2.4	2.9	3.3	3.1
Norway	9.3	3.9	3.6	-0.7	9.6	6.6	8.4
New Zealand	1.7	-0.8	6.6	17.3	15.2	11.1	6.7
Sweden	6.3	5.1	4.3	4.2	8.2	8.1	11.5
Switzerland	-2.5	0.9	4.0	2.3	1.5	-0.1	1.8
Euro area[2,3]	1.3	3.3	4.1	5.7	5.8	5.5	4.4
Total of above countries[3]	1.7	3.3	4.5	4.4	5.4	5.7	4.6

1. First half of 2006 relative to first half of 2005.
2. Germany, France, Italy, Spain, Finland, Ireland and the Netherlands.
3. Using 2000 GDP weights.

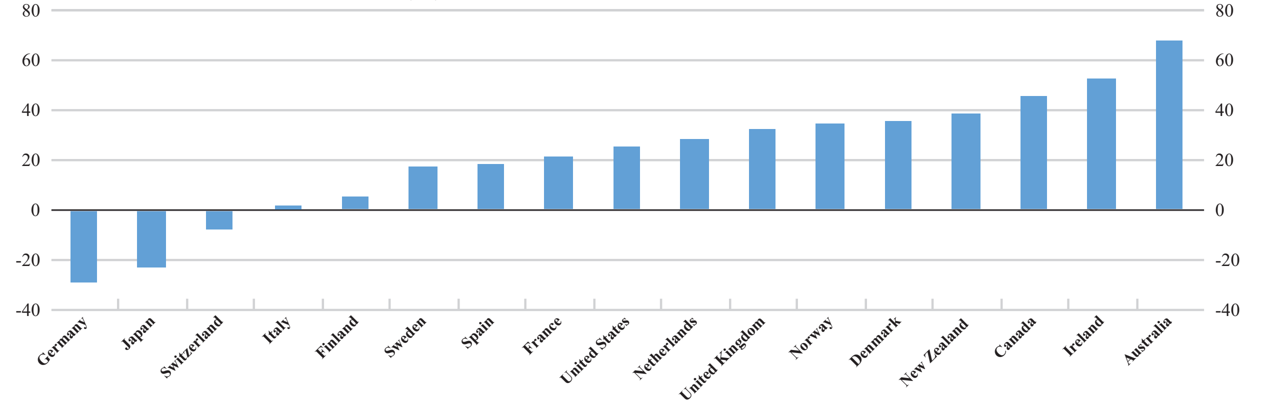
Source: Various national sources, see table A.1 in Girouard, N., M. Kennedy, P. van den Noord and C. André, "Recent house price developments: the role of fundamentals", OECD Economics Department Working Papers, No. 475, 2006.

StatLink: *http://dx.doi.org/10.1787/527182645208*

6. According to some measures home prices are already falling in nominal terms in the United States. While still increasing on a year-on-year basis according to the Office of Federal Housing Enterprise Oversight (OFHEO) purchase-only house price index, the realtor median sales price of existing homes showed a 1.7% year-on-year decline in August for the first time in at least a decade (but the latter index does not take quality change of housing into account).

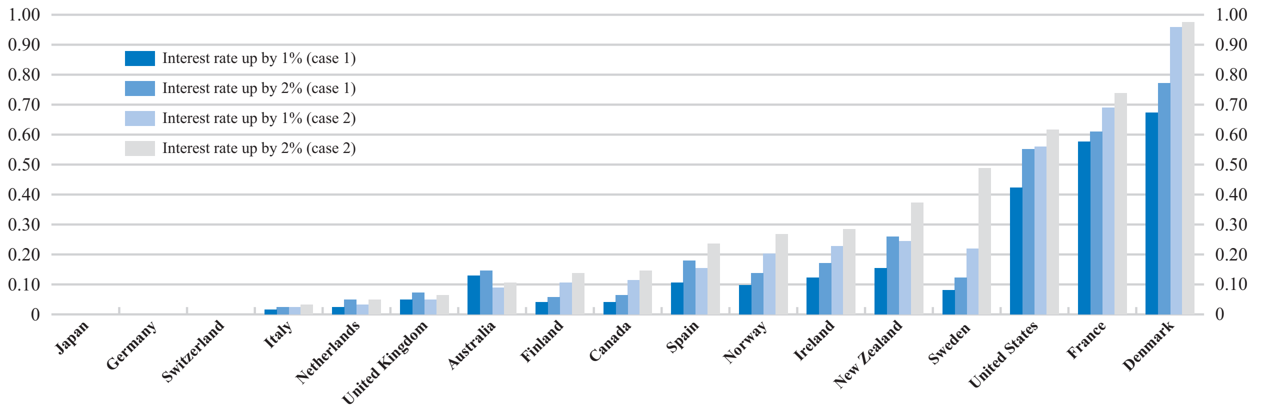
Figure I.6. Assessing housing markets and their impact

Price to rent ratios (%): actual minus fundamental, first half of 2006 or most recent



Note: The fundamental price to rent ratio is set equal to the required rate of return on housing from an asset management point of view. This rate of return is the sum of the after tax representative mortgage interest rate in real terms, the rate of property tax and a depreciation term. For further details see 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.

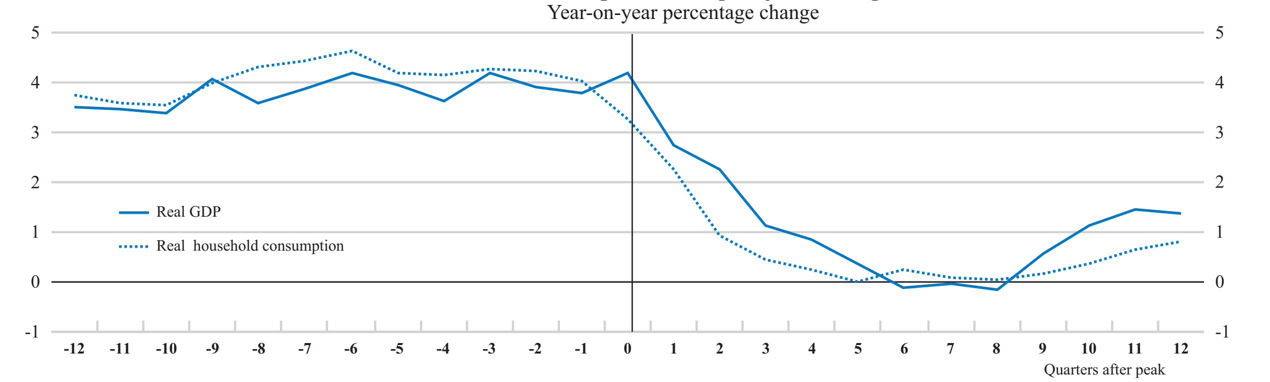
The probability of house prices nearing a peak



Note: Case 1 refers to the situation in which the interest rate shock kicks in at real house prices as observed in the second quarter of 2006. Case 2 assumes that real house prices further increase (or decrease) at the pace observed in the preceding four quarters for another year in each country before the interest rate shock kicks in. To call a peak it is required that real prices fall over a period of at least six quarters after having risen by at least 15% cumulatively over a period of six quarters. For further details see Appendix I.3.

Real GDP and consumption during major housing downturns

Year-on-year percentage change



Note: Average growth during major downturns in housing prices in a selection of 18 OECD countries. Major downturns are defined as price falls exceeding 15% in real terms, cumulatively over a period of at least 6 quarters. (See OECD *Economic Outlook 78*, Table III.6).

Source: OECD Economic Outlook 80 database and OECD calculations.

that real house prices have been growing out of line with financial fundamentals in several markets, notably in some of the English-speaking and Nordic countries (Figure I.6, upper panel).[7] The probability of house prices peaking in real terms this year or next is still rather low, but could quickly exceed 50% if the relevant interest rates were to rise sharply, notably in the United States and France, as well as in Denmark (Figure I.6, middle panel, and Appendix I.3).

Support to consumption from housing markets is likely to fall

A house price downturn, if it occurred, or even just a stabilisation of prices, could affect consumption through reduced housing equity withdrawal and effects on perceived wealth, not least since ratios of household debt to income are at historical highs in several countries (Chapter III). The historical record suggests that in the case of a major housing downturn,[8] spill-over effects may be large, with consumption and GDP growth on average falling from around 4% prior to a housing peak to practically nil after it (Figure I.6, lower panel). A recent case in point was the Dutch experience, where consumption was severely hit by a real house price slowdown in a context where other asset markets also slumped and monetary policy was not available to cushion the downswing (Box I.1). Some comfort may be drawn, however, from the recent experiences in the United Kingdom, Australia and Finland where declines in real house price inflation occurred with seemingly little effect on macroeconomic activity in a context of increased macroeconomic resilience and with the benefit of some special factors.

Global imbalances keep lurking in the background

Global current account imbalances remain large

Global current account imbalances are proving to be very persistent, with the US external deficit estimated to have amounted to over $850 billion (6½ per cent of GDP) in 2006. Meanwhile the geographical composition of the combined external position of surplus countries has seen rapid change. Prior to the run-up in oil prices in 2004-06, the build-up of surpluses was concentrated in the emerging Asian economies. Since 2004, however, a growing share of the US deficit has its counterpart in the oil-producing countries, who are running surpluses estimated at almost half of the US external deficit in 2006 (Figure I.7, left panel).

The US external deficit is still being financed smoothly

The persistence of the US current account deficit without pressure on interest rates appears to reflect a number of factors:

The US net debtor position remains in check…

– Despite a high and hitherto growing external deficit, the US net debtor position has remained virtually unchanged as a proportion of GDP over the past four years. This phenomenon is helped by the comparatively low yield on foreign investments in US assets (mostly government and agency securities). It is also attributable to gains on US holdings of foreign assets, associated with the depreciation of the US dollar against the currencies of recipient countries

7. The computed fundamental price-to-rent ratios are based on the assumption that risk premia on housing remain unchanged over time. In reality these may have been subject to a trend decline due to greater liquidity of housing markets in response to innovations in mortgage markets. If so, the fundamental price-to-rent ratios may be higher, and the gaps with the actual price-to-rent ratios smaller, than currently envisaged. Computing risk premiums is, however, notoriously complex and risk premiums can also undershoot and reverse to historical levels along with interest rates, see Campbell, S.D., A. Morris, J. Gallin and R.F. Martin (2006), "A trend and variance decomposition of the rent-price ratio in housing markets", Federal Reserve Board , *Finance and Economics Discussion Series,* No. 2006-29.
8. A major downturn is defined as a fall in real house prices of at least 15% until the next trough, spanning a period of at least six quarters.

Box I.1. Recent adjustments in housing markets

In recent years, the United Kingdom, Australia, Finland and the Netherlands experienced a significant slowdown in real house prices. Except in the Dutch case, household consumption growth has held up relatively well in the face of these housing market adjustments, and in the Netherlands, the bulk of the slowdown in consumption was not induced by the deceleration in house prices. Moreover, a number of special, country-specific, factors have played a role. Specifically:

- In the United Kingdom, growth in real house prices has slowed considerably since its peak in 2002. The adjustment was driven initially by a fall in housing demand consequent to the stock market slump and subsequently by a tightening of monetary policy. Household consumption has been moving largely in step with real house prices. There was a temporary "disconnect" between the two in 2001-02, when a positive wealth effect stemming from housing (in response to an easing of monetary policy) was offset by a negative wealth effect stemming from the fall in stock prices, but the relationship was quickly restored when the stock market effect petered out. More recently, the easing of restrictions on immigrant workers in 2004 led to a rise in the demand for accommodation, partly offsetting the impact of tighter monetary policy on real house prices.
- In Australia, real house prices sharply decelerated in 2004 in response to a tighter monetary policy, but their level has been broadly stable since. Household consumption was eventually affected, but growth remained relatively robust. A main explanation for the resilience of consumption in the face of flat house prices, but also of housing markets themselves, is the favourable terms-of-trade shock from which the economy has benefited, associated with soaring energy and other commodity prices.
- In Finland, the legacy of the deep housing and financial crisis of the early 1990s still makes many consumers weary of taking on large debt burdens, and mortgage equity withdrawal is minute. As in Australia and the United Kingdom, mortgage interest rates are typically adjustable and as such strongly affected by money market rates. In 2000-01, real house prices responded adversely to the ICT slump, to which the Finnish stock market is strongly exposed. However, as ECB monetary policy was eased in its wake, mortgage service burdens fell and consumption picked up.
- In the Netherlands, both consumption and house prices slumped in 2000-01. Consumption was mainly affected by a drop in real disposable income as pension contributions had to be raised so as to offset capital losses suffered by the occupational pension funds after the stock market bubble had burst. Unlike in the United Kingdom, housing markets did not act as a buffer against the adverse wealth effects stemming from the stock market slump for a variety of reasons: house prices were already overstretched, the closing of tax loopholes made housing a less attractive investment and mortgage equity withdrawals had sometimes been reinvested in stocks during the dotcom bubble, leaving some households with negative net equity positions after the bubble burst.

of US foreign investment, large capital gains on those assets and a high rate of return.[9]

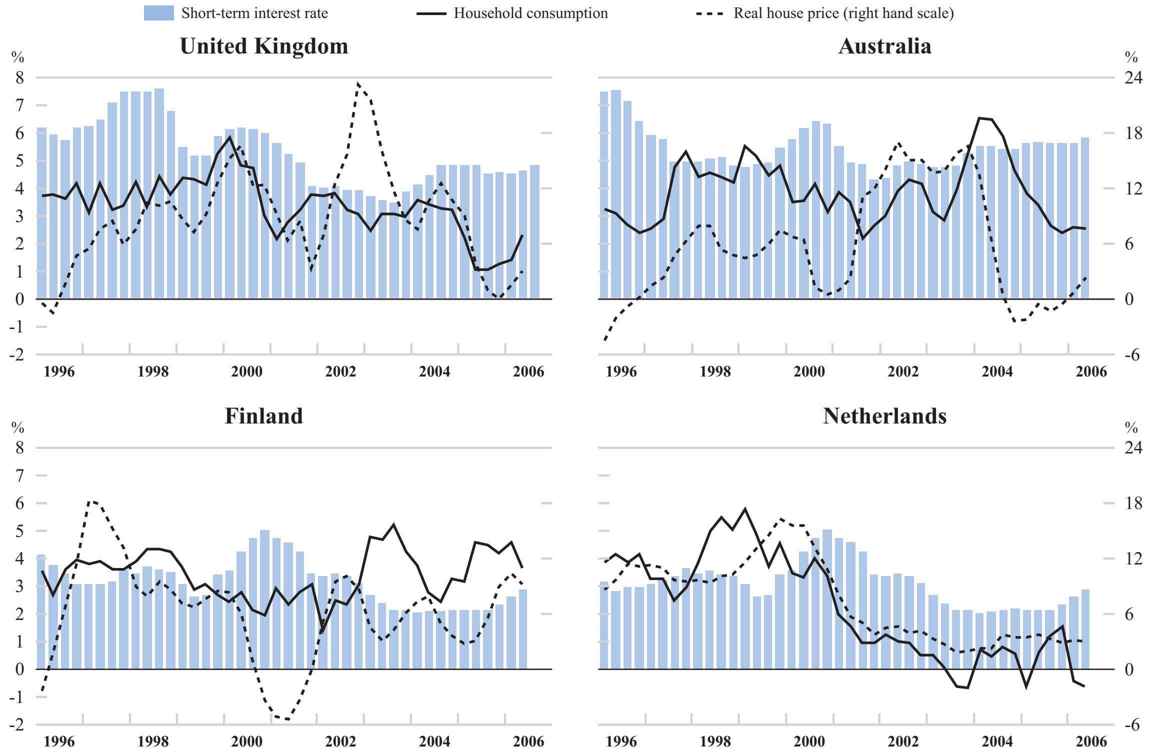
… while global dollar reserves keep growing rapidly

- Reserve accumulation by Asian central banks has provided major support for the dollar and dollar-denominated assets. After the late-1990s Asian crisis, the countries that had been hit by currency stress have been building up "war chests" in the form of foreign exchange reserves against future attacks, while in China official dollar reserves have been boosted by its policy of limiting the appreciation of the exchange rate.[10] More recently, the oil-exporting coun-

9. This reflects the large share of US foreign assets invested in equities. A similar phenomenon can be observed in the United Kingdom, where the yield differential between foreign assets and liabilities is even larger, i.e. enough to offset the trade deficit, partly owing to repatriation of profits of oil companies amid buoyant conditions in oil markets.
10. As noted, the peg is part of the explanation of the Chinese current account surplus, which is being driven by rapid export growth underpinned by strong competitiveness, soaring corporate profits and government revenues. In the absence of an efficient local financial system, high profits have little leverage. Moreover, while the exchange rate peg forces the Chinese monetary authorities to keep interest rates low, it also forces them to keep liquidity spill-over effects in check through open market policies and administrative controls on bank lending.

Box I.1. **Recent adjustments in housing markets** *(cont.)*

Housing adjustment episodes in four countries



Note: Year on year percentage change for household consumption and real house price. In the Netherlands, household consumption is biased downward in 2006 due to a health care reform.

Source: OECD calculations.

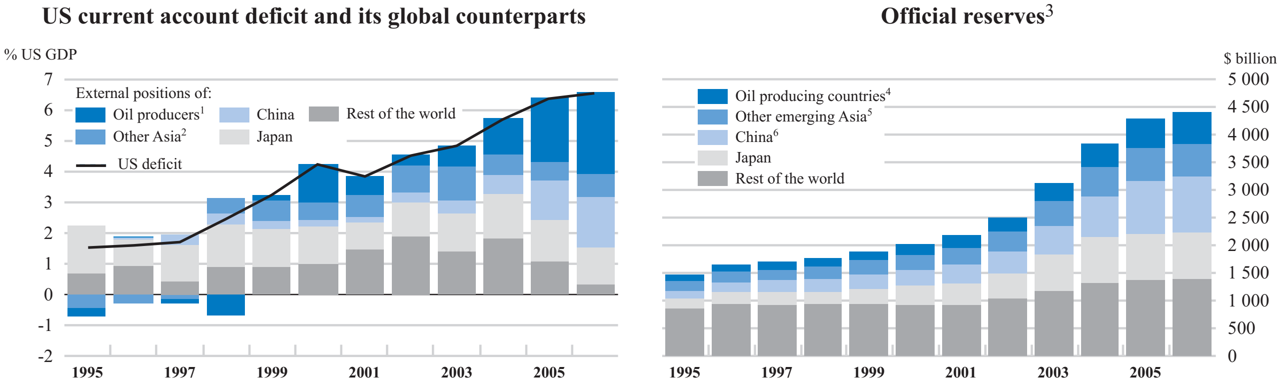
StatLink: *http://dx.doi.org/10.1787/765208051374*

tries have been growing in importance in this regard. All in all, the official purchase of US dollars (even though oil-producing countries invest part of their petrodollars through special purpose vehicles which are not included in official reserves) has continued unabated at an annual rate exceeding $½ trillion (Figure I.7, right panel). While some surplus countries have started to accumulate more of their reserves in other currencies, an estimated two-thirds of the stock of reserves is still held in US dollars.

But the imbalances seem likely to reverse at some point

A reduction of the US current account deficit seems inevitable at some point, and this will likely involve some further adjustment in the dollar exchange rate. However, it is hard to predict when it will occur and what will trigger it. Whatever the trigger, such a development could involve sharp movements not only in exchange rates but also in interest rates, hitting interest-sensitive components of demand (notably housing) and possibly spreading to equity and emerging financial markets. Low risk premiums on most financial assets suggest that a sudden reversal is currently considered as rather remote in financial markets. However, low risk premiums are in part a reflection of abundant liquidity (see above) and could quickly reverse once global imbalances unwind.

Figure I.7. **Current account imbalances are growing and official reserves soaring**



1. Africa and Middle East, Central and Eastern Europe.
2. Non OECD Asia and Oceania, excluding China and the Middle East.
3. End of year except for 2006, end of first quarter.
4. Africa and Middle East, Russia.
5. Chinese Taipei, Singapore and Korea.
6. China, People's Republic and Hong Kong.

Source : OECD Economic Outlook 80 database, International Monetary Fund.

Protectionist sentiments should be resisted

Finally, persistent global imbalances may harden protectionist sentiment, with the stalled Doha process being a reminder of this possibility. This makes it all the more desirable that efforts to liberalise trade and foreign direct investment receive renewed policy impetus.

Steady growth ahead

Major OECD economies enter 2007 with good overall momentum

All considered, the outlook for the OECD area remains favourable, even if very little, or any, support for growth is expected to stem from monetary or fiscal policies (Box I.2). Indeed, in the United States, consumer confidence has been recovering from recent lows, although business expectations retreated somewhat recently (Figure I.8). In the euro area, business expectations remain above their long-term average, while consumer confidence has hit a four-year high. Japanese business sentiment is upbeat, and consumer confidence is still at its highest level since more than a decade. The OECD's indicator models – which translate high-frequency data into point estimates for growth one or two quarters ahead[11] – suggest that in the final quarter of 2006 and in the first quarter of 2007 growth in activity continues to be below potential in the United States and above it in the euro area and – save a dip in the fourth quarter – also in Japan (Table I.5).

The US expansion is projected to resume steadily

Accordingly, growth of the US economy is projected to pick up from its present low. While the slump in residential investment has dragged down GDP growth in the course of 2006, it is not projected to spread to other main areas of activity and to peter

11. See Sédillot, F. and N. Pain, "Indicator models for real GDP growth in the major economies", *OECD Economic Studies*, No. 40, 2005/I.

Box I.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 projections assume that tax cuts that are due to expire are instead extended and that the Alternative Minimum Tax is indexed, while real outlays grow slowly. On the basis of these assumptions the general government deficit is projected to attain near 3% of GDP over the projection period.
- In Japan, fiscal consolidation is taken to be accomplished as announced through spending restraint achieved via further cuts in public investment and a reduction in the number of government employees. In addition, the abolition of the temporary personal income tax cut introduced in 1999 and a hike in the pension contribution rate will raise government revenue in both 2007 and 2008 by about ½ per cent of GDP.
- In the euro area, budgets for 2007 incorporate a small amount of fiscal consolidation in 2007 with the deficit declining from 2¼ per cent of GDP in 2006 to 1¾ per cent, but little further consolidation is assumed for 2008. The 3% value-added tax increase planned for 2007 in Germany has been built into the projection, as well as a set of partially counterbalancing measures, including a cut in social security contributions.

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 thus not to be interpreted as a projection of central bank intentions or market expectations thereof:

- In the United States, the Federal Reserve is assumed to leave the target federal funds rate at 5¼ per cent until the end of 2007. As core inflation subsides and unemployment rises over the projection period, two 25 basis point reductions are assumed to occur, bringing the policy rate to 4¾ per cent by the end of 2008.
- In the euro area, where the economy is projected to gradually build up momentum throughout 2007 and 2008, with the output gap declining, the main refinancing rate is assumed to be raised in two 25 basis-points steps to 3¾ per cent by mid-2007. A further increase to 4% is assumed to occur early in 2008.
- In Japan, the short-term policy interest rate is assumed to remain on hold at ¼ per cent up to the third quarter of 2007. Thereafter it is assumed to be raised at six months intervals in three 25 basis point steps to reach 1% by the end of 2008.

The projections assume unchanged exchange rates from those prevailing on 13 November 2006, at one US dollar equal to ¥ 118.0 and € 0.78 (or equivalently, one euro equals $1.28). For Turkey, the exchange rate is assumed to depreciate in line with the projected inflation differential *vis-à-vis* the United States.

Oil prices have fallen considerably since the previous *Economic Outlook* was published. As a working hypothesis, the price of Brent crude is assumed to remain constant at $60 per barrel on average from the fourth quarter of 2006 to the end of the projection period. Commodity price inflation, after a pause in late 2005, is assumed to resume at a fast pace, notably for metals, but it should ease in the latter part of the projection period in response to increased supplies.

The cut-off date for information used in the projections is 20 November 2006. Details of assumptions for individual countries are provided in Chapter II "Developments in individual OECD countries and selected non-member economies".

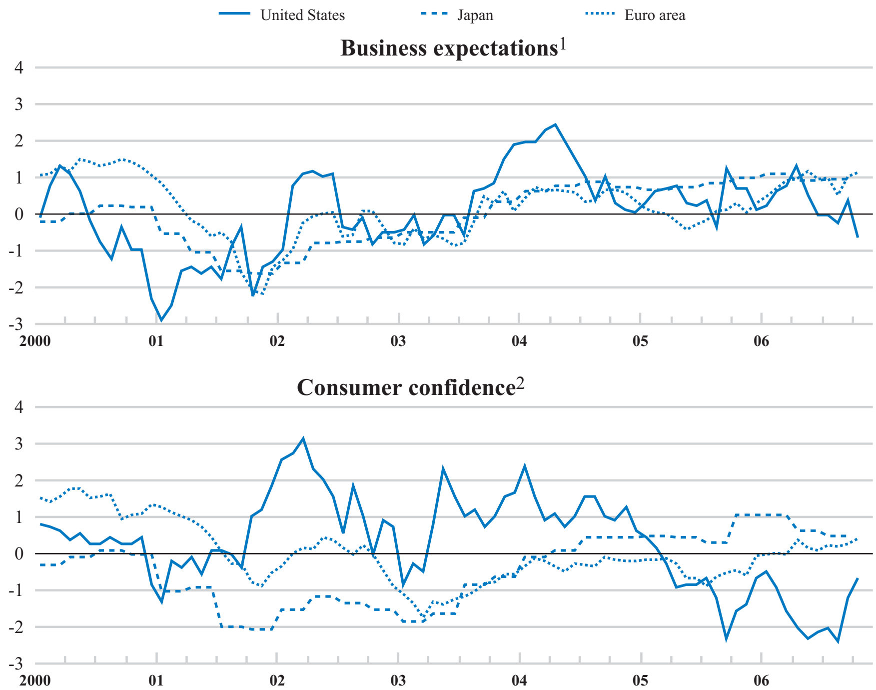
out once housing production has fallen to a more sustainable level (Table I.6). A return to more solid growth is likely to occur in mid-2007, although it would stay slightly below the potential rate over the projection period. Slower demand at home coupled with buoyant markets overseas are helping to stabilise the current account deficit at 6½ per cent of GDP (Table I.7). Employment growth is projected to slow, and the unemployment rate should drift up somewhat. Core inflation[12] should gradually decline as the indirect effects of past increases in energy prices fade away.

Solid growth is sustained in the euro area

In the euro area growth is projected to settle at slightly above the potential rate, with economic slack virtually absorbed by the end of 2008. Stronger domestic demand should underpin the recovery going forward, while external trade should

12. Core inflation defined as increases in the price index for personal consumption expenditure (PCE) excluding food and energy.

Figure I.8. **Confidence generally healthy**



Note: All series have been normalised at the average for the period starting in 1985 and are presented in units of standard deviation. Monthly data, seasonally adjusted except Japan (quarterly, s.a.).

1. USA: Purchasing Managemer Index: Production Tendency (Institute for Supply Management); Japan: Business Survey (manufacturing): Prospect; euro area: Business Survey (manufacturing): Future Production Tendency.
2. USA: Consumer Confidence Survey – Expected Economic Situation; (University of Michigan), Japan: Consumer Confidence Index, euro area: Consumer Opinion Surveys – Expected Economic Situation.

Source: OECD, *Main Economic Indicators.*

continue to stimulate activity. Equipment investment is projected to expand at a solid pace, based on healthy profits and benign financial conditions, despite some tightening of monetary policy. Private consumption growth will dip at the beginning of next year due to the hike in the value-added tax (VAT) in Germany, but resume thereafter, helped by improving labour market conditions and lagged effects from lower energy prices. Unemployment is set to decline despite a return of discouraged workers to the labour market. While wages are likely to firm, the pace of core inflation should remain below 2%.

Growth in Japan will gradually slow to its potential rate…

In Japan, growth is projected to stay close its potential rate at around 2% per annum. Exports remain a pillar of activity, with Asian markets growing briskly, although some slowing is likely to occur, reflecting a projected easing in world trade. Business investment is buoyed by high profits, but is likely to decelerate. Sluggish wage growth and the phasing out of the temporary income tax reduction in 2006-2007 are projected to hold back private consumption in the near term. But wages should eventually pick up, albeit with some delay, while core inflation is projected to move gradually into positive territory.

… as well as in most other OECD countries

Among the remainder of the OECD countries, GDP in the United Kingdom is expected to grow at about its potential rate, underpinned by solid growth in consumer spending and private investment. In Canada activity should reaccelerate quickly to a

Table I.5. Growth remains robust

Real GDP growth, per cent, quarter-on-quarter [1]

	Outcomes				Estimates	
	2005Q4	**2006Q1**	**2006Q2**	**2006Q3**	**2006Q4**	**2007Q1**
United States	0.4	1.4	0.6	0.4	0.4 (+/-0.5)	0.4 (+/-0.5)
Japan	1.0	0.8	0.4	0.5	0.3 (+/-0.5)	0.5 (+/-0.5)
Euro area	0.4	0.8	0.9	0.5	0.7 (+/-0.4)	0.6 (+/-0.4)
Germany	0.3	0.8	1.1	0.6	0.5 (+/-0.5)	0.4 (+/-0.5)
France	0.2	0.5	1.2	0.0	0.5 (+/-0.4)	0.6 (+/-0.4)
Italy	0.0	0.8	0.6	0.3	0.5 (+/-0.4)	0.5 (+/-0.4)
United Kingdom	0.7	0.7	0.7	0.7	0.6 (+/-0.3)	0.6 (+/-0.3)
Canada	0.6	0.9	0.5	0.4 (+/-0.1)	0.8 (+/-0.5)	..
Major 7 countries	0.4	1.0	0.6	0.4	0.4 (+/- 0.4)	0.5 (+/- 0.5)

1. Notes: Based on GDP releases and high-frequency indicators published by November 20 2006. Seasonally and in some cases also working-day adjusted. Aggregations for the G7 use 2000 purchasing power parity weights. Associated ±1 standard error ranges are in parentheses.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/054476423841*

Table I.6. Growth differentials reflect the weak US housing market

Contributions to GDP growth, per cent of GDP in previous period [1]

	2004	**2005**	**2006**	**2007**	**2008**
United States					
Final domestic demand	4.2	3.8	3.1	2.4	2.8
of which: Business investment	0.6	0.7	0.8	0.6	0.5
Residential investment	0.5	0.4	-0.2	-0.7	0.0
Stockbuilding	0.4	-0.3	0.3	0.0	0.0
Net exports	-0.6	-0.2	-0.1	0.0	-0.1
GDP	3.9	3.2	3.3	2.4	2.7
Japan					
Final domestic demand	1.7	2.3	1.8	1.5	1.5
of which: Business investment	0.7	1.1	1.4	0.7	0.5
Residential investment	0.1	0.0	0.0	0.0	0.0
Stockbuilding	-0.2	0.1	0.2	-0.2	0.0
Net exports	0.8	0.2	0.8	0.7	0.5
GDP	2.3	2.7	2.8	2.0	2.0
Euro area					
Final domestic demand	1.4	1.7	2.5	2.2	2.3
of which: Business investment	0.3	0.4	0.7	0.7	0.5
Residential investment	0.1	0.1	0.2	0.1	0.1
Stockbuilding	0.2	0.1	0.0	0.0	0.0
Net exports	0.1	-0.3	0.2	0.1	0.0
GDP	1.7	1.5	2.6	2.2	2.3
OECD					
Final domestic demand	3.1	3.1	3.0	2.5	2.7
of which: Business investment	0.5	0.7	0.9	0.7	0.5
Residential investment	0.3	0.2	0.0	-0.2	0.1
Stockbuilding	0.2	-0.2	0.1	0.0	0.0
Net exports	-0.2	-0.2	0.0	0.1	0.0
GDP	3.2	2.7	3.2	2.6	2.7

1. Chain-linked calculation for stockbuilding and net exports in USA and Japan.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/448503613505*

Table I.7. **Robust world trade and large external imbalances**

	2004	2005	2006	2007	2008
	Percentage change from previous period				
Goods and services trade volume					
World trade[1]	10.8	7.7	9.6	7.7	8.4
of which: OECD	8.6	6.0	8.3	5.9	6.8
NAFTA	9.7	6.2	7.1	4.7	5.7
OECD Asia-Pacific	12.8	6.8	9.0	7.1	8.1
OECD Europe	7.0	5.7	8.8	6.2	7.0
Non-OECD Asia	18.0	12.4	12.7	11.9	12.2
Other non-OECD	12.8	10.0	12.1	11.1	10.6
OECD exports	8.4	5.7	8.7	6.3	7.1
OECD imports	8.8	6.3	8.0	5.5	6.5
Trade prices[2]					
OECD exports	9.0	3.5	3.2	2.8	1.0
OECD imports	9.0	4.8	4.5	2.6	1.0
Non-OECD exports	11.2	10.1	6.3	1.7	2.1
Non-OECD imports	9.2	5.4	3.4	2.3	2.4
Current account balances	Per cent of GDP				
United States	-5.7	-6.4	-6.6	-6.5	-6.6
Japan	3.7	3.7	3.8	4.5	5.3
Euro area	0.8	0.0	-0.3	-0.1	-0.1
OECD	-1.2	-1.7	-2.0	-1.9	-1.8
	$ billion				
United States	-665	-792	-878	-909	-969
Japan	172	168	165	201	239
Euro area	81	2	-31	-15	-7
OECD	-383	-595	-741	-723	-730
Non-OECD	309	532	705	658	655
World	-74	-63	-36	-65	-75

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.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/521573366352*

rate of growth at around potential as a correction in residential construction is bottoming out and exports are recovering. While Australia is benefiting from the buoyant economic expansion in Asia, activity will remain sluggish in New Zealand over most of the projection period due to the past appreciation of the New Zealand dollar. Most Nordic countries continue to grow above the European average, although growth should slow towards potential rates. Strong exports and buoyant domestic demand are projected to sustain activity in the countries that have recently become members of the European Union.

Emerging markets continue to act as a growth engine

While activity in major emerging market economies is set to slow somewhat, it will remain a driver of global economic growth. The Chinese economy is likely to continue growing at an annual rate above 10% over the next two years. The expansion of the Indian economy should ease towards a more sustainable path as policies are tightened. Economic activity in Russia is also likely to moderate, with the large terms-of-trade gains associated with recent oil and gas price increases petering out. By contrast, economic activity should re-accelerate in Brazil, albeit to a still moderate rate.

Challenges for macroeconomic policy

Monetary policy: meeting the challenges to price stability

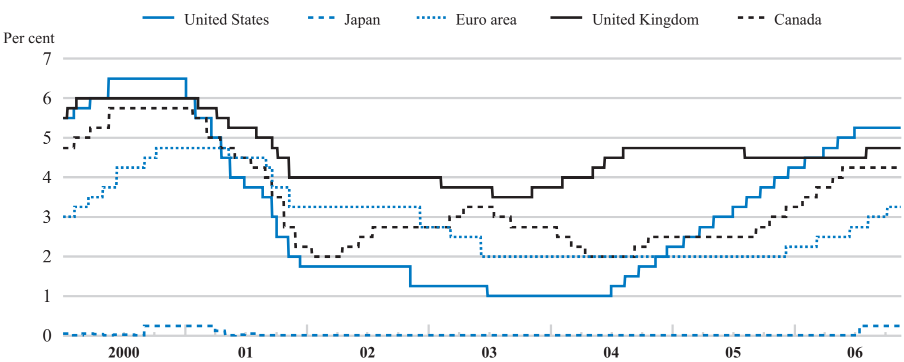
Major economies are at various stages of tightening

Reflecting the differences in cyclical positions, stances and challenges of monetary policies vary across countries (Figure I.9). In the United States, the main policy rate has remained at its current level of 5¼ per cent since the summer. In the euro area, the policy rate has been raised to 3¼ per cent in five ¼ percentage-point increases from late-2005 onwards. In Japan, the zero-interest rate policy was ended and the key policy rate increased to ¼ per cent in July 2006.

A broad range of measures of inflation should be considered

In setting policy the monetary authorities are well-advised to consider a broad range of measures of inflation, not least since the so-called underlying and headline measures sometimes give different messages at this juncture. OECD analysis finds that globalisation forces have tended to impact inflation in various ways (Box I.3). Specifically, globalisation has entailed downward pressure on manufacturing prices stemming from market entry of low-cost emerging economies. This moderating influence on inflation has been more than offset, however, by strong commodity price increases arising from a surge in demand for primary commodities by the emerging economies. These strong and, at times, erratic shifts in import prices have made it more difficult to gauge the underlying momentum of inflation in OECD countries, prompting analysts to increasingly distinguish between standard headline inflation rates and various core inflation measures which aim to abstract from erratic influences. With a range of inflation measures at hand, analysts may get a better sense of the uncertainties surrounding underlying inflation trends in OECD countries. In Japan, for instance, headline inflation has moved into positive territory, and this is also the case for "statistical" measures of underlying inflation, such as median inflation, which tend to exclude goods and services not only with rapidly increasing prices but also those with rapidly falling prices (Figure I.10). But core inflation excluding fresh food and energy has remained negative, perhaps suggesting that deflationary pressures have not yet been completely uprooted in Japan. Similarly, in the United States and the euro area core inflation excluding food and energy has been distinctively more subdued than headline and median inflation in recent years.

Figure I.9. **Policy rates have moved up**



Source: US Federal Reserve Board, Bank of Japan, European Central Bank, Bank of England, Bank of Canada.

StatLink: *http://dx.doi.org/10.1787/870721128821*

Box I.3. How does globalisation influence inflation?

Over the past 25 years inflation has moderated considerably in all OECD countries. This decline has been accompanied by a general reduction in inflation volatility. At the same time, the production of many goods and services has become increasingly internationalised and the level of trade between the OECD and non-OECD economies has risen markedly as a share of OECD GDP. This raises the question of the extent to which the observed changes in the inflation process can be attributed to the increasing integration of non-OECD economies into global goods and services markets.

Initial estimates of the effect of globalisation on inflation were presented in Box 1.5 of the previous issue of the *Economic Outlook*. That work examined the direct impact of cheap imports from emerging markets on consumer price inflation in the United States and the euro area. Subsequent work has taken a broader perspective, allowing for additional indirect effects working through the impact on the pricing behaviour of firms in import-competing industries and the potential offsetting effect of strong output growth in the non-OECD economies on commodity prices.[1]

New consumer price equations have been estimated jointly for 21 OECD countries, as have new reduced-form equations for the real price of oil, metals and three agricultural commodity groups. The consumer price equations use import prices, unit labour costs and the domestic output gap as explanatory variables. The commodity price equations relate real commodity prices to measures of the level and growth of global activity, as well as measures of the share of world trade and world GDP accounted for by non-OECD economies.

Several globalisation-related findings emerge from the analysis. In particular, import prices have become a significantly more important influence on domestic consumer prices since the mid-1990s, coinciding with the growing participation of non-OECD countries in international goods and services trade. The impact of import prices on domestic prices in all countries over the past decade is estimated to be significantly larger than the weight of imported goods and services in domestic demand, suggesting that competition from lower-priced imports has placed pressure on domestic producers in import-competing industries to lower the mark-ups of prices over domestic costs. However, no evidence of a robust significant impact from global output gaps in addition to that embodied in import prices is found.

A scenario analysis is carried out to quantify the impact of two facets of globalisation on consumer price inflation: the growth in commodity prices estimated to have resulted from strong output growth in the non-OECD economies, and a decline in the average rate of non-commodity import price inflation that is estimated to have resulted from higher levels of trade with non-OECD economies. For commodity prices, the estimated equations are used to obtain an alternative path for real commodity prices by raising the rate of output growth in the non-OECD economies from 2000 onwards. The impact of this change builds up over time. After five years, it is estimated to result in a 10% rise in metals prices and a 20% (lower bound) and 40% (upper bound) rise in oil prices, respectively. For the impact that globalisation has had on non-commodity import prices, a fall of 1% in annual inflation is considered as a lower bound and a fall of 2% is considered as an upper bound, consistent with the estimates from a range of studies.

As shown in the Figure below, such changes have almost always led to lower inflation in all the OECD economies considered over the period 2000-05, all else being equal. The impact is found to be larger in the European economies than elsewhere. Yet, even at the peak of the possible range of net effects, the estimated impact on annual consumer price inflation appears to be modest in most countries. The upper bound impact is estimated at 0.2 percentage point on average across the 21 OECD countries included in the sample. However, these calculations take the behaviour of domestic costs as given. To the extent that aspects of globalisation may be helping to restrain labour costs,[2] and also because of the potential feedback of changes in price inflation to wages, it is possible that the implicit net disinflationary impact of globalisation on price inflation is understated in the Figure below. The same holds for inflation expectations, if globalisation has led to a decline in inflation expectations or helped expectations to become better anchored.

1. Pain, N., I. Koske and M. Sollie (2006), “Globalisation and Inflation in the OECD Economies”, *OECD Economics Department Working Papers*, No. 524.
2. See, for example, Dumont, M., G. Rayp and P. Willeme (2006), “Does internationalisation affect union bargaining power? An empirical study for five EU countries”, *Oxford Economic Papers*, Vol. 58.

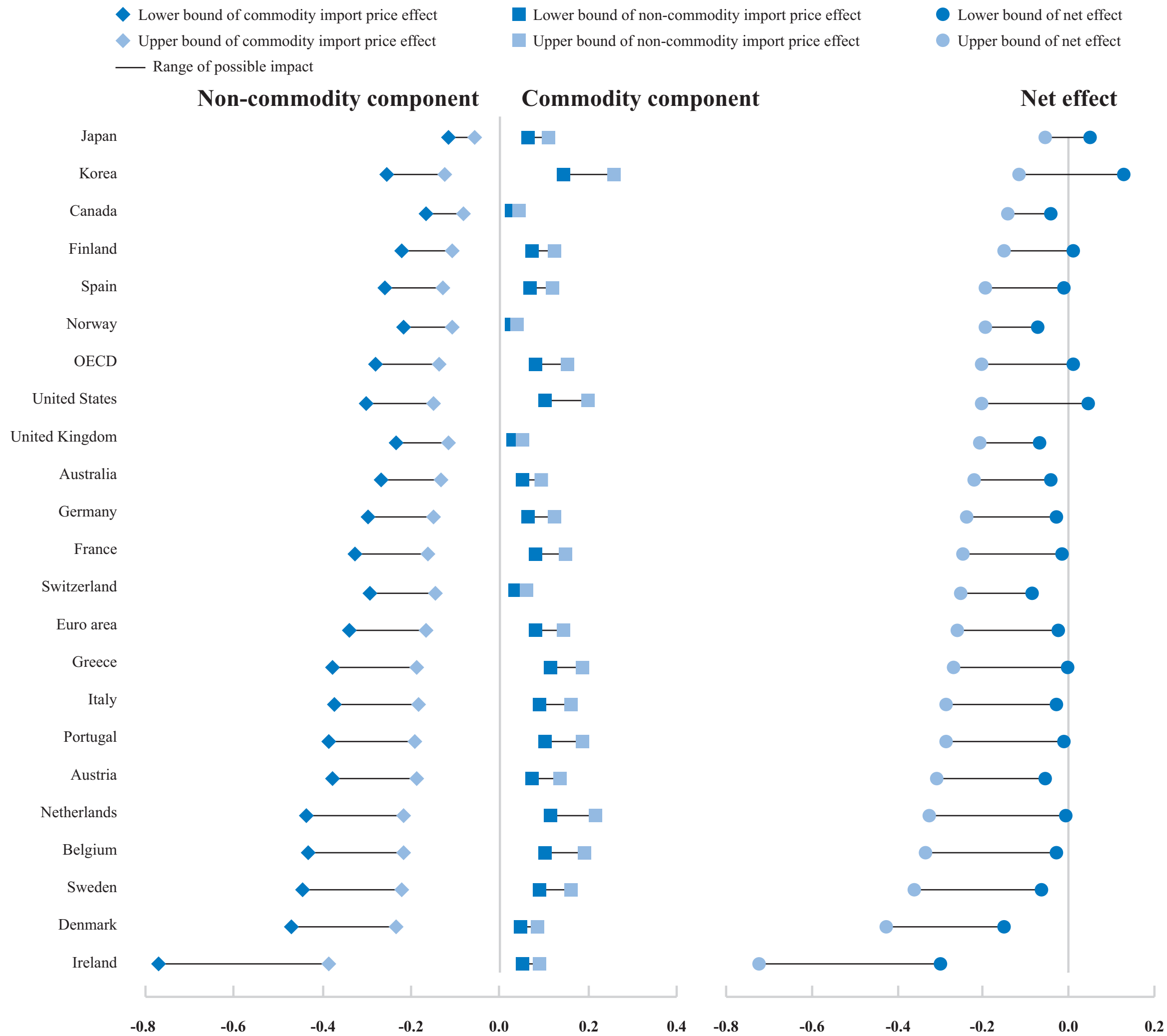
In the United States monetary tightening has run its course

In the United States, core inflation,[13] which features strongly in the conduct of monetary policy, has picked up to 2½ per cent, partly on account of indirect effects from energy prices (Figure I.11, left panel). Core inflation is projected to edge downwards as energy price effects wane and the economy slows to below potential. Headline inflation, which has been strongly influenced by falling energy prices, has

13. Defined as changes in the PCE deflator excluding food and energy, see footnote 12.

Box I.3. How does globalisation influence inflation? *(cont.)*

The impact on consumer price inflation from globalisation effects



Source: Pain, N., I. Koske and M. Sollie (2006), "Globalisation and inflation in the OECD economies", *OECD Economics Department Working Papers*, No. 524.

already dropped (Figure I.10). At a rate of around 2½ *per annum* unit labour costs are projected to rise slightly faster than overall inflation, with the historically high profit margins built up in recent years absorbing the difference. Accordingly, some easing of monetary policy could be envisaged from late-2007 onwards, with the federal funds rate falling towards 4¾ per cent by end-2008. However, if risks of higher inflation outturns materialise in the near term, the need for an initial further tightening of monetary policy cannot be ruled out.

Figure I.10. **Headline and underlying inflation are converging**

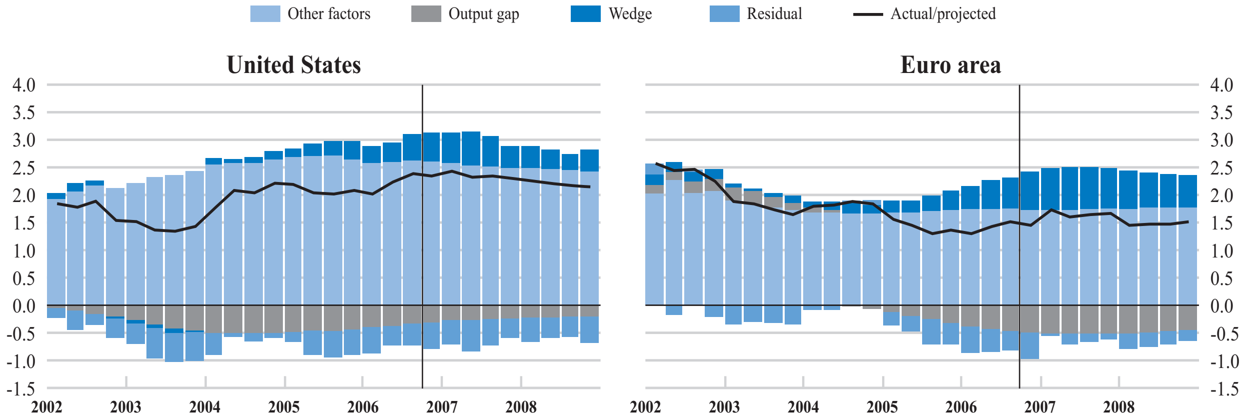
Note: For the euro area, consumer prices refer to the harmonised index of consumer prices (HICP) and core consumer prices refer to the HICP excluding energy and unprocessed food. For the United States, consumer prices refer to the consumer price index (CPI) and core consumer prices refer to the private consumption expenditure (PCE) deflator excluding food and energy. The weighted median is, each month, the middle element in the distribution of consumer price index component changes, that is, the one leaving 50% of the components (in terms of weights of the consumer price index) on each side.

Source: OECD, *Main Economic Indicators* and OECD calculations.

StatLink: *http://dx.doi.org/10.1787/816123212758*

Figure I.11. **Factors shaping core inflation**

Contributions to year-on-year percentage changes in core inflation



Note: The simulation results shown are based on regression equations of the following type:

$$PCORE_t = b_0 + \sum_i b_{1i}\, PCORE_{t-i} + b_2 GAP_{t-1} + \sum_j b_{3j}\,(PHEAD - PCORE)_{t-j} - \sum_k b_{4k}\, REER_{t-k} + \varepsilon_t$$

in which: *PCORE* is the core inflation rate (PCE excluding food and energy in the United States and the *HICP* excluding unprocessed food and energy for the euro area); *PHEAD* is the headline inflation rate (PCE in the United States and HICP in the euro area); GAP is the output gap; and *REER* is the rate of change of the real effective exchange rate. *PHEAD-PCORE*, or the "wedge", captures the impact of food and energy prices on headline inflation. The decomposition into the contributions of the respective explanatory variables, including that of the residual term ε, incorporates their impact via the lagged dependent variable. The impact of the constant term (which could be interpreted as a proxy of long-term inflation expectations) and the real effective exchange rate are combined in the item labelled "other factors". See for further details, Box 1.4 in *OECD Economic Outlook*, No. 78.

Source: OECD Economic Outlook 80 database and OECD calculations.

In the euro area monetary stimulus will have to be withdrawn

In the euro area, the recovery seems now sufficiently robust to justify some additional withdrawal of monetary stimulus to take out insurance against the risk of inflation pressure over the medium term. In this context, inflation is likely to oscillate around 2% over the projection period. Falling energy prices have recently pushed headline inflation below the 2% mark, while most measures of core inflation are in the 1½ to 2% range. But headline and core inflation are projected to converge to 2% in 2007, as lagged effects of slack and the drop in energy prices on core inflation are expected to be more than offset by the increase in the VAT in Germany (Figure I.11, right panel). With the VAT hike dropping out of the year-on-year measures in 2008 and some economic slack remaining over most of the projection period, inflation should not exceed the 2% limit. Even so, with the output gap closing steadily, supply constraints could start to materialise at the end of the projection period.

Japan should guard against premature tightening

In Japan, while headline and median inflation are positive, core inflation excluding fresh food and energy and the year-on-year rate of change of the GDP deflator are still negative. Achieving a clear exit from deflation is taking longer than expected, in part due to the revision of the consumer price index in August 2006 which lowered reported inflation by ½ percentage point. When it ended quantitative easing in March 2006, the Bank of Japan introduced a new framework for the conduct of monetary policy, announcing that "an approximate range between zero and 2% was generally consistent with the distribution of each board member's understanding of price stability". Although subsequent statements have made clear that this should not be interpreted as an inflation target, a range of 0 to 2% does not provide an adequate buffer against deflation in case of negative price shocks. Raising the lower limit of the 0 to 2% range would be helpful in this regard. In any event, the central bank should wait until core inflation excluding fresh food and energy moves clearly into positive territory before taking action.

Fiscal policy: using the windfalls wisely

Tax windfalls dominate the picture

Fiscal positions in most OECD countries are poised to turn out more favourably in 2006 than envisaged in initial budget plans. Accordingly, for the area as a whole the general government deficit is estimated to have fallen from 2¾ per cent of GDP in 2005 to just over 2% in 2006 (Table I.8). Although this experience is shared by a majority of countries, the bulk of the improvement is concentrated in the United States, and around two-thirds of it owes to increases in revenues relative to GDP. This windfall is still largely unexplained, and it is not obvious how much of it is permanent. The cyclically-adjusted deficit – which for the OECD area as a whole has improved from about 2½ per cent of potential GDP in 2005 to 2% in 2006 – treats the above-normal improvement as a shift in the underlying position, but at this juncture it is difficult to quantify the cyclical and structural components of the fiscal windfall. That said, a number of recent developments stand out:

Capital gains are re-bounding

– The proceeds of taxes levied on capital gains have recovered strongly from their lows at the time of the dotcom bust. Provisional computations suggest that the rise in capital gains tax proceeds in 2005-06 largely reflects a return to trend from its cyclical trough in 2002-03 (Box I.4). As a result, the current level of capital gains tax proceeds as a share of GDP may be sustained over the medium run, but any further gains should be considered as transitory.[14]

Table I.8. **Fiscal consolidation is stalling**

	2004	2005	2006	2007	2008
	Per cent of GDP / Potential GDP				
United States					
Actual balance	-4.6	-3.7	-2.3	-2.8	-3.0
Cyclically-adjusted balance	-4.2	-3.6	-2.4	-2.8	-2.9
Cyclically-adjusted primary balance	-2.4	-1.6	-0.3	-0.8	-1.0
Gross financial liabilities	61.6	61.8	60.9	61.8	62.6
Japan					
Actual balance	-6.3	-5.3	-4.6	-4.0	-3.7
Cyclically-adjusted balance	-5.5	-4.8	-4.6	-4.2	-4.1
Cyclically-adjusted primary balance	-4.2	-3.5	-3.2	-2.7	-2.3
Gross financial liabilities	168.1	173.1	176.2	177.6	177.3
Euro area					
Actual balance	-2.8	-2.4	-2.1	-1.5	-1.4
Cyclically-adjusted balance	-2.2	-1.5	-1.5	-1.1	-1.2
Cyclically-adjusted primary balance	0.5	1.0	1.0	1.4	1.3
Gross financial liabilities	76.0	77.3	76.8	75.6	74.5
OECD[1]					
Actual balance	-3.4	-2.7	-2.0	-2.0	-2.0
Cyclically-adjusted balance	-3.3	-2.6	-2.1	-2.1	-2.2
Cyclically-adjusted primary balance	-1.3	-0.7	-0.1	-0.1	-0.2
Gross financial liabilities	75.8	76.9	76.9	77.1	76.9

Note: Actual balances and liabilities are in per cent of nominal GDP. Cyclically-adjusted balances are in per cent of potential GDP. The primary cyclically-adjusted balance is the cyclically-adjusted balance less net debt interest payments
1. Total OECD excludes Mexico and Turkey.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/601564828341*

14. Aside from capital gains tax, stamp duties on housing transactions have also been soaring in some countries due to rising house prices and high turnover on housing markets.

The commodity bonus is kicking in

– The ongoing commodity price boom has affected budget outcomes among several OECD countries that are endowed with important natural resources (most prominently, Canada, Australia, Mexico and Norway).[15] The extent to which these revenues – or their rate of increase – will be sustained over the longer haul depends on a multitude of factors, not all of which are foreseeable with certainty – such as the rate of depletion of natural resources, the investment in exploration as well as development and the prospects for demand and prices.

Wealthy taxpayers seem to be getting wealthier

– There are indications that the process of income (and wealth) distributions becoming more skewed has picked up pace lately – possibly in response to globalisation and a hunt for talent affecting the upper end of the distribution – and this may be interacting with progressive tax systems to produce more than usual increases in revenue.[16] The extent to which this is a transitory effect, a one-off level shift, or a sustained boost to growth in revenues is again largely an open question.

There is now an opportunity for fiscal consolidation

In general, using the tax windfall to relax any ongoing or planned consolidation efforts may prove very costly. Indeed, in countries where public debt remains stuck at high levels as a share of GDP, the longer-term objective of meeting the public finance challenges stemming from population ageing and other medium-run pressures will be compromised. Very little in the way of fiscal consolidation is projected on the basis of existing budget plans, with the cyclically-adjusted primary balance (excluding net interest payments) continuing to be in deficit over the projection period, while in fact a move towards a sizeable and sustained primary surplus is needed.[17] It is desirable that this transition be made during the ongoing upswing and, *a fortiori*, to avoid a pro-cyclical stance of fiscal policy, as happened in the euro area during previous upswings (Figure I.12). It is also desirable that fiscal consolidation rely primarily on reining in public spending, so as to make room for lowering tax burdens in the pursuit of economic efficiency and resilience.

The United States needs to tighten further

In the United States, the federal budget deficit has narrowed substantially, with the deficit of the general government shrinking from 3¾ per cent of GDP in 2005 to 2½ per cent in 2006. As noted, this outcome largely reflects a string of positive

15. Except for Norway, for which "mainland" and "offshore" public accounts are available, the standard method of adjusting fiscal balances treats the associated improvement as a shift in the underlying position. For example, recent calculations suggest that the improvement in the cyclically-adjusted fiscal balance in Australia is overestimated by about 1 per cent of GDP in the period 2001-05 if the terms of trade eventually returns to its long-run historical average. See Turner, D. (2006), "Should measures of fiscal stance be adjusted for terms of trade effects?", *OECD Economics Department Working Papers*, No. 519.
16. For example, in Dew-Becker, I. and R.J. Gordon (2005), "Where did the productivity growth go? Inflation dynamics and the distribution of income", *Brookings Papers on Economic Activity,* 2:2005, it is shown that in the United States over the period 1997-2001 half of the real income gains in the economy as a whole went to the top 10% of the income distribution. There has also been shift in favour of the top of the wealth distribution over this period according to Kennickell, A.B. (2006), "Currents and undercurrents: changes in the distribution of wealth, 1989-2004", Federal Reserve Board, *Finance and Economics Discussion Series*, No. 2006-13. Meanwhile the US tax system has remained rather progressive. Although there has been a dramatic decline in top marginal statutory tax rates, this has mostly affected the upper percentile of the income distribution, with relatively small changes occurring below the top percentile, see Piketty, T. and E. Saez (2006), "How progressive is the US federal tax system? An historical and international perspective", *CEPR Discussion Paper,* No. 5778.
17. Recent OECD computations show that in order for the debt-to-GDP ratio to converge to 60% of GDP by 2050, the cyclically-adjusted primary balance would have to rise from a deficit of 2% to a surplus in the range of 1½ to 3% in the United States, from a deficit of 3¾ per cent to a surplus of around 5% in Japan and from a surplus of 1% to a surplus in the range of 3-4% in the euro area. See OECD (2006), *Economic Survey of the Euro Area* (forthcoming).

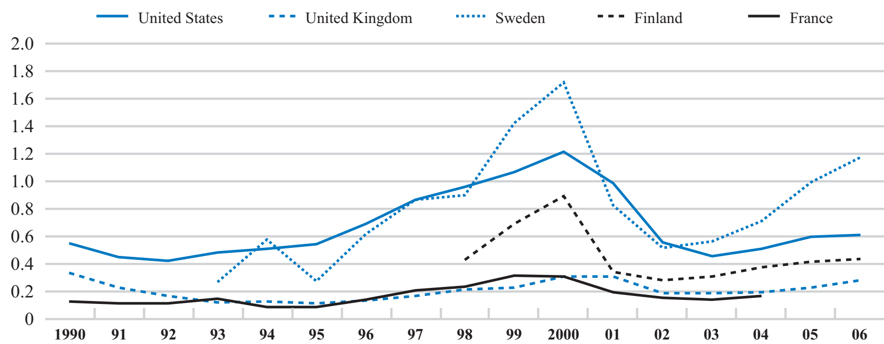
Box I.4. Cyclical fiscal windfalls and the asset cycle

Positive fiscal revenue surprises, which were an important issue at the time of the dotcom bubble in 1999-2000 in several OECD countries, have reappeared. Part of the fiscal revenue windfall can be attributed to a rebound in capital gains tax collections, as is illustrated in the figure below for several countries for which the relevant data are readily available.[1] The level of the proceeds from capital gains tax has so far been less pronounced than in 1999-2000. This may reflect in part that the composition of capital gains has shifted from stock to housing markets. Housing is less of a "tax cow" since principal homes are largely exempt from capital gains tax in most countries. Even so, the change in the tax take from capital gains since the 2002-03 cyclical through has been substantial.

It is important that transitory fluctuations in capital gains tax proceeds be recognised as such. Otherwise the underlying strength of the budget position may be overstated, possibly prompting governments to reduce taxes or defer spending cuts to an extent that may compromise subsequent budget management. The standard OECD method to correct tax proceeds for the impact of the business cycle may underestimate the cyclical component of capital gains tax (since it is lumped together with other personal income tax proceeds which are corrected only for the less-pronounced, overall business cycle). To better take the asset cycle into account, the underlying trend in capital gains revenue has been computed (using a Hodrick-Prescott filter), while all other items on the government account are adjusted in the standard way.[2] The resulting revised evolution of the cyclical component of the budget balance is shown in the figure on the next page. It suggests that the cyclical contribution of capital gains receipts to the overall cyclical component of the budget position is significant in some countries. Moreover, although the de-trending method tends to bias downward the recent contribution, it has rebounded sharply from its trough in the wake of the dotcom slump.

Capital gains receipts

Per cent of GDP



Source: National authorities.

StatLink: *http://dx.doi.org/10.1787/257000702547*

1. In *Australia*, the Taxation Office expects "other taxation revenues from individuals", a somewhat larger component than capital gains tax revenues, to rise by around 8% in both fiscal years 2005-06 and 2006-07. In *Denmark*, tax revenues from the returns on pension fund investments have surpassed their 1999 peak, reaching 1.6% and 2% of GDP in 2004 and 2005, respectively (against 1% of GDP in a "normal" year). In *Finland*, the Ministry of Finance has reported a rise in capital gains revenues by 28%, 14% and 9 % in 2004, 2005 and 2006 respectively. In *France*, the Ministry of Finance reported a pick-up in capital gains tax revenues of 25% in 2004. Data are not yet available for 2005. In *Sweden*, capital gains tax receipts are estimated to be equivalent to 1.2% of GDP, twice their level in 2002. In the *United Kingdom*, the Treasury has estimated that capital gains tax revenue grew by 10%, 20% and 30% in 2004, 2005 and 2006 respectively. Inheritance tax receipts have also been pushed up by higher equity prices since 2004. In the *United States*, the CBO reports that capital gains tax revenues rose by 20% and 25% in 2004 and 2005.
2. See for a description of the methodology: Girouard, N. and R. Price (2004), "Asset Price Cycles, "One-off" Factors and Structural Budget Balances", *OECD Economics Department Working Papers*, No. 391.

Box I.4. Cyclical fiscal windfalls and the asset cycle *(cont.)*

Cyclical component of fiscal balances

Per cent of (potential) GDP

Source: OECD Economic Outlook 80 database and OECD calculations.

StatLink: *http://dx.doi.org/10.1787/124445182187*

Figure I.12. **Fiscal policies over the cycle**

1. Change in the cyclically adjusted primary balance of general government, as a percent of potential GDP. A positive number points to fiscal tightening and a negative one to fiscal easing.
2. Difference between the change in primary balance as a percentage of actual GDP and the change in the cyclically adjusted primary balance as a percentage of potential GDP.
3. Numbers for the cyclically adjusted primary balance are corrected for a temporary reduction in the deficit owing to the transfer of a large pension fund onto the general government balance sheet in the years 2003 to 2007.

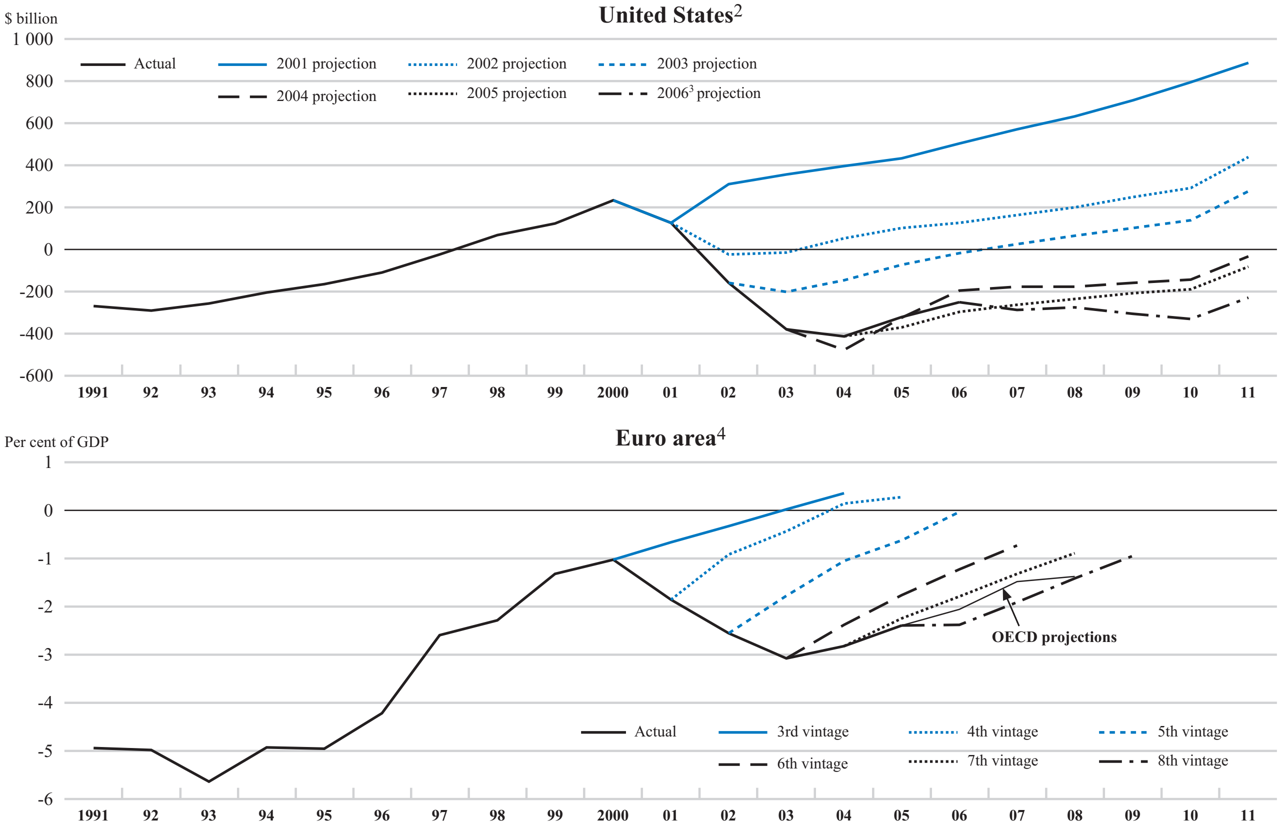
Source: OECD Economic Outlook 80 database.

revenue surprises, in particular buoyant personal and company tax receipts. The 2006 revenue surprise is projected to be locked in for 2007 and 2008 while tax cuts that are due to expire are instead assumed to be extended and the Alternative Minimum Tax to be indexed, while real outlays grow slowly. Over the longer haul, spending pressure is expected to heighten again and reform of entitlement programmes appears desirable. However, like the euro area, the United States has a history of repeated downward revisions of the medium-term projections of the fiscal position, which does not sit comfortably with the need to keep fiscal balances on a sustainable path (Figure I.13).

Euro area countries must keep spending in check

Within the euro area, it is uncertain whether the revamped fiscal rules will induce more prudent fiscal policy than during the previous recovery. In general, plans to meet medium-term objectives are not sufficiently ambitious. The fiscal balance is projected to improve slightly in 2007 (both in headline and cyclically-adjusted terms), which is largely attributable to developments in two countries, Germany and Italy. In Germany, fiscal policy is restrictive in 2007 on account of restraint on public hiring and social transfers and the increase in the VAT. In Italy the fiscal adjustment

Figure I.13. **Fiscal targets keep slipping**



1. Net lending, excluding third generation telephone licence proceeds.
2. US Congressional Budget Office projections for fiscal year federal government fiscal balance.
3. As of August 17th, 2006.
4. The various vintages of the Stability Programmes were released over the following periods: 3rd 2000/01, 4th 2001/02,5th 2002/03, 6th 2003/04, 7th 2004/05 and 8th 2005/06.

Source: US Congressional Budget Office, Statistical Office of the European Communities (Eurostat) and OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/832834583144*

is mainly due to higher taxes, and more efforts are needed to reduce spending.[18] By contrast, in France virtually no change in the underlying fiscal position is projected, with a reduction in the deficit being entirely cyclical. Among the smaller countries, Spain, the Netherlands and Portugal are projected to consolidate their budgets – the latter country in the framework of an austerity programme under the Excessive Deficit Procedure.

Japan should aim for sustainable debt levels

In Japan, fiscal consolidation will continue steadily, with net borrowing as a share of GDP expected to shrink by 1 percentage point (excluding the impact of a one-off factor) to 4% of GDP over the projection period. The projected deficit reduction is based on the phasing out of temporary tax credits on personal income, strong growth in corporate tax revenue, a scheduled hike in pension contributions and continued cuts in public investment. The government is committed to continued spending cuts in the pursuit of the official goal to achieve a "primary budget surplus by 2011". However, such efforts will likely be offset by increases in interest payments: while the primary deficit is projected to fall by 1 percentage point to 2½ per cent of GDP in cyclically-adjusted terms by 2008, the overall cyclically-adjusted deficit would decline by ½ percentage point to 4½ per cent of GDP. Sustained and substantial progress will be required to achieve a primary surplus large enough to stop the rise of the debt-to-GDP ratio in the long run.

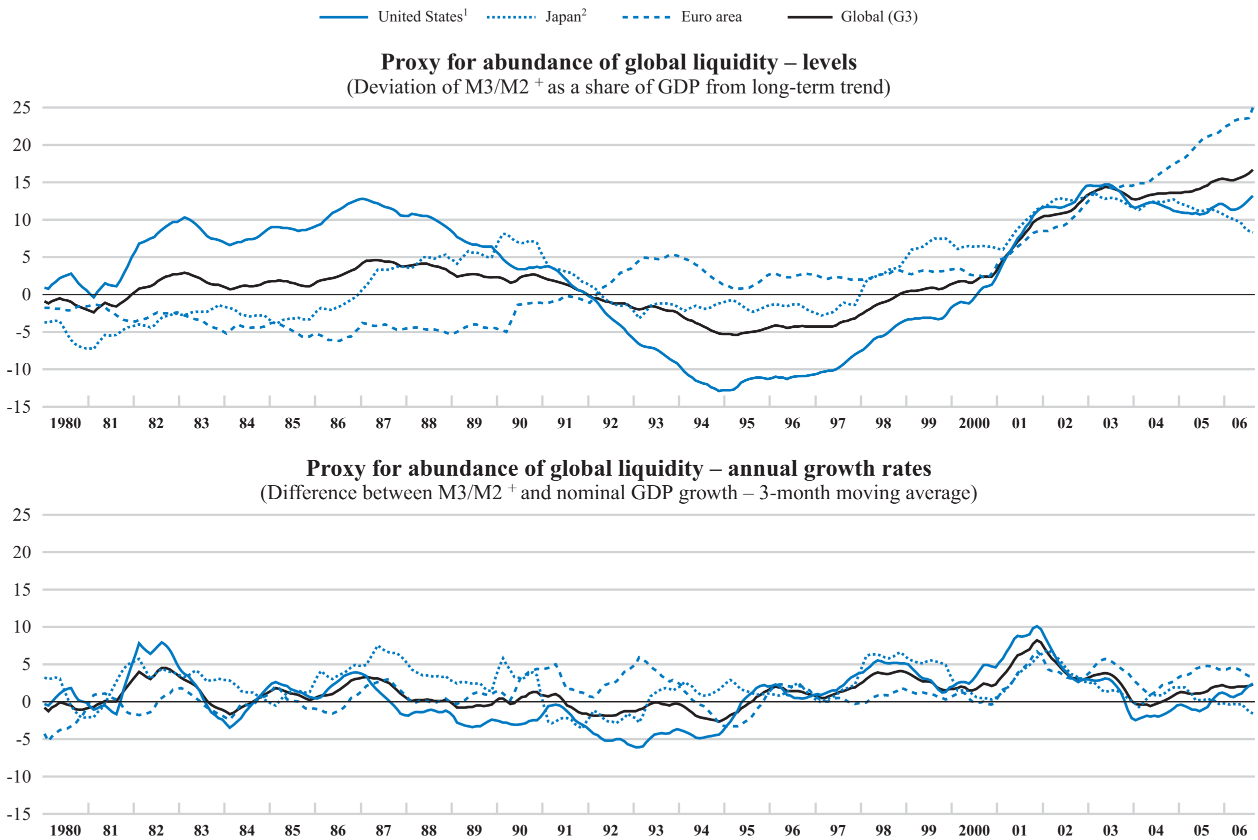
18. In Italy the extent of the reported tightening in 2007 is positively affected by around 1% of GDP by the inclusion in the 2006 deficit of a one-off VAT refund ordered by the European Court of Justice.

Appendix I.1
Gauging liquidity abundance

The term "global liquidity" is a multifaceted and somewhat vague concept, and a number of indicators – based both on money and credit measures – could be seen as useful proxies. The indicators presented below cover the United States, the euro area and Japan.

A set of money-based measures use broad money aggregates (M3 or an enlarged M2), and aim to capture the degree to which either growth or levels are above historical norms (Figure I.14).[19] Specifically, money-based global liquidity growth is defined as M3/M2+ growth exceeding nominal GDP growth, and global

Figure I.14. **Liquidity measures – deviations from historical norms: money-based measures**



1. Starting from March 2006, Unites States M3 growth is replaced by the growth of the following aggregate: M2 + balances in institutional money market mutual funds + non-transaction large-denomination time deposits.
2. For reason of comparability M2 + CD's is used for Japan.
Sources: Datastream, OECD calculations.

StatLink: *http://dx.doi.org/10.1787/538124661482*

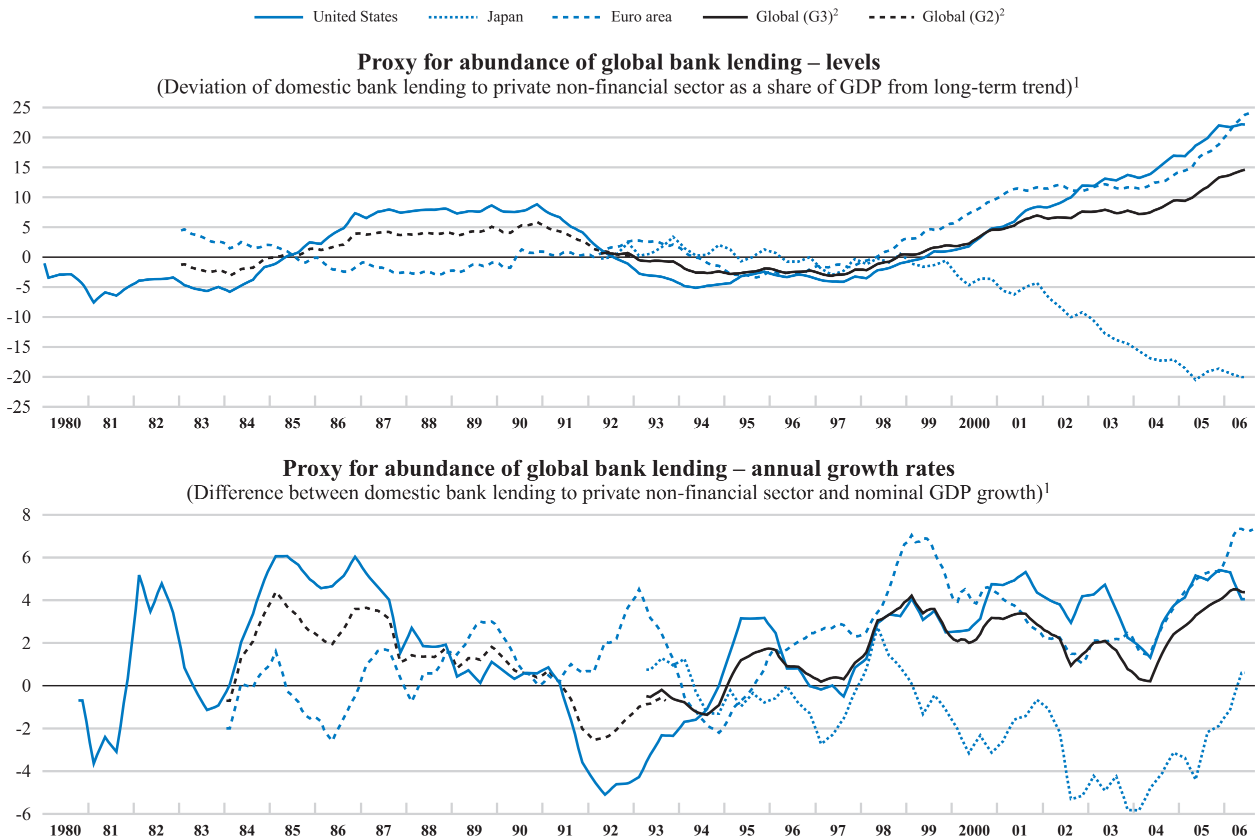
19. For reasons of comparability, M2+CD's is used for Japan. Starting from March 2006, United States M3 growth is replaced by the growth of the following aggregate: M2 + balances in institutional money market mutual funds + non-transaction, large-denomination time deposits.

liquidity levels are calculated as the deviation of the M3/ M2+ to GDP ratio from its long term trend.[20]

As it has been argued that credit-based measures are useful indicators of asset price inflation and long-term inflationary pressures, a set of proxies for global liquidity from a credit-based perspective are calculated (Figure I.15). The first of these is based on domestic bank lending to the private non-financial sector in the three largest economies, and aims to capture – both in growth rates and levels – the part of lending that is above historical norms. As with the money-based indicator, its level is defined as the deviation from the ratio of bank lending to GDP from its long-term trend and its growth as the difference between bank lending and nominal GDP growth.

Global liquidity can also be proxied by real growth of external claims of banks, or by an index that combines domestic and international bank lending with security issuance. These measures, which are not shown here, confirm the presumption arising for money and credit based indicators that global liquidity is abundant and continuing to grow.

Figure I.15. **Liquidity measures – deviations from historical norms: credit-based measures**



1. 3-month moving average.
2. G3 refers to the US, the euro area and Japan. G2 refers to the US and the euro area.
Source: Datastream, OECD calculations.

StatLink: *http://dx.doi.org/10.1787/608021256803*

20. The trend is an estimated linear function of time. It is conceivable that euro-area measures could be biased upward by a structural break that may have occurred with the establishment of the common currency zone, as the associated decrease in interest rates in many participating countries may have resulted in increased demand by its residents for assets included in M3.

Appendix I.2
The OECD synthetic indicator of risk premiums

In order to evaluate whether risk premia are at levels that would be consistent with underlying fundamentals, or whether there are significant misalignments, the OECD uses a procedure that permits the simultaneous assessment of risk premia in corporate, equity and emerging markets.[21] The first step, for both the United States and the euro area, is to calculate the spreads of high-yield and high-grade bonds over benchmark government bonds, as well as the risk premia implied by stock market valuations. A series that covers emerging market bond spreads (over US Treasuries) is added to this sample. Using principal components analysis, a "common factor" is then identified.[22] This common factor captures the shared movements of the above-mentioned spreads (respectively risk premia) and is interpreted as a synthetic indicator of risk as perceived by financial markets.

The second step – using an error correction model – is to evaluate what drives this synthetic indicator of risk. The cyclical position of the world economy, short-term interest rates, liquidity, and expected corporate default rates emerge as the main explanatory variables. More precisely, the error-correction specification used indicates that in the long run the *level* of the synthetic indicator of risk premia is well explained by the cyclical position of the world economy, global real short-term interest rates (or alternatively a measure of global liquidity levels), and levels of global corporate default rates.[23] In the short run *changes* in the synthetic indicator are also driven by changes in the cyclical position of the world economy (as proxied by the OECD Composite Leading Indicator), in liquidity, in expected volatility and in corporate default rates.[24] The actual long-term relationship has the following form:

Synthetic indicator =

–4.0 – 0.32 [–2.4] * OECD cyclical position

+ 0.6 [1.8] * Global real short rates

+ 2.2 [7.6] * Global corporate default rates

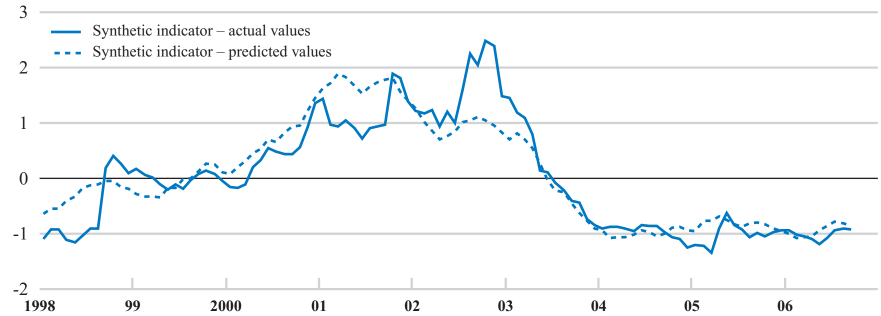
Figures in square brackets are *t* values.

Risk premia tend to fall when the cyclical outlook improves, are positively related to short-term rates and negatively related to liquidity and tend to increase with corporate default rates, either actual or expected (as forecast by Moody's). Currently, risk spreads seem to be fairly well aligned with these fundamentals (Figure I.16). Going forward, however, this assessment hinges critically on the

21. For a more detailed description of the methodology see Sløk, T. and M. Kennedy (2005), "Explaining Risk Premia on Bonds and Equities", *OECD Economic Studies,* No. 40, 2005/1.
22. While the common factor is able to account for a significant part of the shared variation in risk premia of the different assets, the strength of the relation with each of the seven individual risk premia varies: the factor loadings, a measure of the correlation between individual risk premia and the common factor, are particularly high in the case of corporate bond risk premia. This indicates that the common factor of risk premia is more closely linked to developments in corporate bond markets than those in other asset markets.
23. In the econometric analysis, actual default rates are used as a proxy of expected default rates for historic data.
24. The error-correction specification obviously also implies that the deviation of the actual level of the synthetic indicator from its estimated "normal" level (under current fundamentals) contributes to short-term changes that tend to narrow the described gap.

Figure I.16. **Actual and predicted synthetic indicator of risk premia**

Deviation from average (in terms of standard deviations of synthetic indicator)



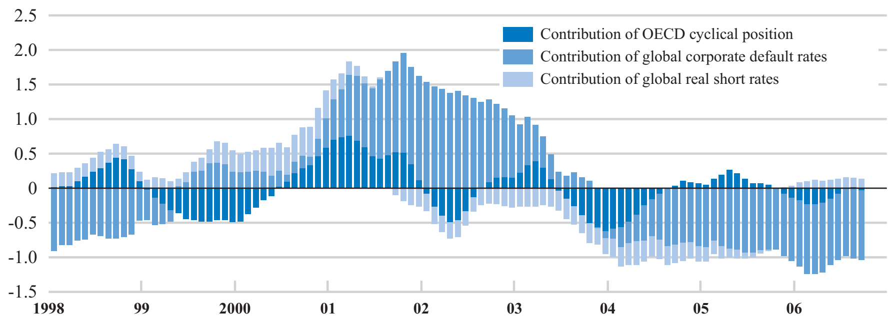
Source: Update to computations in Sløk, T. et M. Kennedy (2005), "Explaining risk premia on bonds and equities", *OECD Economic Studies*, No. 40, 2005/1.

StatLink: *http://dx.doi.org/10.1787/261734634841*

assumptions that default rates will remain low, monetary policy is not dramatically tightened and the expansion continues (Figure I.17). Moreover, the synthetic indicator is intended to summarise risk premia on different asset classes, so a finding that it is aligned with fundamentals does not necessarily mean that risk spreads on any single asset class are well aligned with fundamentals.

Figure I.17. **Contributions to predicted synthetic indicator of risk premia**

Deviation from average (in terms of standard deviations of synthetic indicator)



Source: Update to computations in Sløk, T. et M. Kennedy (2005), "Explaining risk premia on bonds and equities", *OECD Economic Studies*, No. 40, 2005/1.

StatLink: *http://dx.doi.org/10.1787/261734634841*

Appendix I.3
Have real house prices peaked? A probit approach

House prices have been moving up strongly in real terms since the mid-1990s in the majority of OECD countries, with the ongoing upswing the longest of its kind in the OECD area since the 1970s. In some countries, real house prices may be at risk of nearing a peak – in particular if interest rates were to rise significantly. The historical record suggests that the subsequent drops in prices in real terms might be large and that the process could be protracted.

To quantify the probability that a peak is nearing the *OECD Economic Outlook* makes use of a set of probit models that are re-estimated at regular intervals on a restricted set of what are generally agreed to be the main explanatory variables. Aside from interest rates, these include measures of overheating, such as the gap between real house prices and their long-run trend and the rate of change in real house prices in the recent past. This Appendix discusses the main features of the latest set of estimates.[25]

Basic assumptions

Akin to (other) asset markets, housing markets portray a high degree of cyclicality, with downturns occurring if risk factors exceed critical thresholds. Probit modelling can be used to capture such "trigger effects" in aggregate series.[26]

In the probit model presented here, the dependent variable is the probability of a real house price peak occurring in a country in the next four quarters. The dating of peaks in real house prices is thus a crucial ingredient of the analysis. Specifically, to call a peak in any quarter the requirement here is that real prices have risen over a period of at least six quarters and subsequently have fallen over a period of at least six quarters.[27] Only "major" upswings are considered, with the cumulative real price increase from trough to peak to equal at least 15%. While necessarily *ad hoc*, the 15% criterion, which has been employed in earlier studies in this field, serves to avoid local peaks.

Pooled estimation results

The model was estimated on a pooled sample containing 17 OECD countries, comprising the seven major countries, Australia, Denmark, Finland, Ireland, the Netherlands, New Zealand, Norway, Spain, Sweden, and Switzerland.[28] In the final regression three explanatory variables were retained: the nominal long-term interest rate (entered as its inverse), the real house price gap defined as the difference between the logarithm of the real house price index and the log-linear trend of the real house price index, and the two-quarter moving average of the rate of change in real house prices.

All coefficients on the explanatory variables are significant at the 1% level and have the expected sign. Aside from its statistical significance, the rationale for retaining the nominal (as opposed to the real) long-term interest rate is that it is closely

25. For an earlier set of estimates, see Van den Noord, P. (2006), "Are house prices nearing a peak? A probit analysis for 17 OECD countries", *OECD Economics Department Working Papers*, No. 488.
26. This was successfully applied to aggregate series for house prices in a recent study carried out at the Bank for International Settlements (BIS), see Borio, C. and P. McGuire (2004), "Twin peaks in equity and housing prices?", *BIS Quarterly Review*, March. They estimate a probit model on a pool of countries to examine a possible link between peaks in stock markets and housing markets (which is generally confirmed).
27. See Girouard, N., M. Kennedy, P. van den Noord and C. André (2006), "Recent House Price Developments: the Role of Fundamentals", *OECD Economics Department Working Papers*, No. 475.
28. See Girouard *op cit.* (2006), Table A1, for a review of sources and definitions.

related to financing constraints in the short run, such as the proportion of income absorbed by interest payments, the ability to borrow and the willingness to lend.[29] The rationale for including the nominal interest rate *as its inverse* is to mimic the strongly non-linear impact on financing constraints.[30] The other two retained variables are controls for overheating and should be considered together. A strong rate of growth of house prices following a trough would not, by itself, be a sign of overheating. However, if it occurs in conjunction with a large, above-trend gap of house prices, this could be a sign that these markets may indeed be overheated.

Simulations of the probability of house price peaks have been carried out in which interest rates were increased by 100 and 200 basis points relative to the observed rates in the second quarter of 2006. The simulations were run for two cases, one based on the real house prices as observed in the second quarter of 2006, and one based on the real house prices that would result if these prices were to rise for another four quarters at the same rate as that observed in the preceding four quarters. The latter provides a rough and ready estimate of the increase in the exposure to interest rate shocks, assuming that the housing upswing proceeds further. The results are reported in Table I.9.

Table I.9. **Pooled regression model**

Probabilities of real house prices peaking within four quarters

	Current situation[1]	After an increase in interest rates by		After a further increase in real house prices at the same rate as in the preceding four quarters and an increase in interest rates by	
		1%	2%	1%	2%
United States	0.06	0.09	0.13	0.18	0.23
Japan	0.00	0.00	0.00	0.00	0.00
Germany	0.00	0.00	0.00	0.00	0.00
France	0.07	0.15	0.22	0.38 *	0.49 *
Italy	0.01	0.03	0.05	0.04	0.07
United Kingdom	0.05	0.10	0.14	0.09	0.14
Canada	0.05	0.09	0.13	0.22	0.30 *
Australia	0.08	0.11	0.15	0.12	0.15
Denmark	0.28 *	0.43 *	0.54 **	0.92 ***	0.96 ***
Finland	0.02	0.04	0.08	0.14	0.21
Ireland	0.13	0.24	0.33 *	0.45 *	0.56 **
Netherlands	0.02	0.06	0.10	0.06	0.10
New Zealand	0.10	0.14	0.18	0.19	0.24
Norway	0.10	0.19	0.26 *	0.39 *	0.49 *
Spain	0.02	0.05	0.09	0.08	0.13
Sweden	0.08	0.17	0.25 *	0.44 *	0.55 **
Switzerland	0.00	0.00	0.00	0.00	0.01

Note: *, **, *** denote probabilities over 25%, 50% and 75%, respectively

1. Second quarter of 2006

Source: Update to table 4 in Van den Noord, P. (2006), "Are house prices nearing a peak? A probit analysis for 17 OECD countries", OECD Economics Department Working Papers, No. 488.

StatLink: *http://dx.doi.org/10.1787/655827247477*

29. Borio and McGuire (2004) also find that the nominal interest rate is significant. This feature of the housing market is confirmed in a micro probit-study for the United Kingdom by the Bank of England, see May, O. and M. Tudela (2005), "When is mortgage indebtedness a financial burden to British households?", *Bank of England Working Paper*, No. 277.
30. See Himmelberg, C., C. Mayer and T. Sinai (2005), "Assessing high house prices: bubble, fundamentals and misperceptions", *NBER Working Paper Series*, No. 11643.

They suggest that – dependent on the assumptions adopted – Denmark has the greatest risk of nearing a house price peak, followed by Ireland, Sweden and France.

Country-specific models

The fact that the pooled regression model imposes uniformity on the conditional probability responses to the explanatory variables across countries may be considered as a handicap. In theory this can be remedied by estimating the model on a country-by-country basis. However, this comes with other drawbacks, most prominently the fact that the number of observed peaks in each country is small and therefore the robustness of the results questionable. There is also an associated risk of data mining, with the quest for the best fit possibly resulting in a model that attributes large predictive power to a constellation of explanatory factors that more or less accidentally accompanied the few observed peaks. Give these pros and cons, individual country estimates should be seen as complementing the pooled results. The assessment in the main text of this chapter is therefore based on the arithmetic averages of the probabilities computed with the pooled and country-specific models for each country.

There were a few country models where it was not feasible to improve on the specification used in the pooled model (Spain and Switzerland). In all other cases the specification was changed in a number of ways:

- In several cases entering the *inflation rate* as an additional explanatory variable improved the equation significantly (United States, France, Denmark, New Zealand and Sweden). This variable enters the equation with a negative sign, suggesting that the impact of a given nominal interest rate tends to decline as the rate of inflation rises and *vice versa*.

- In a number of cases the equation was improved by entering the *share of residential investment in GDP*, either as its level (Canada, Netherlands) or as its change (Japan, Italy and Finland). The sign is always positive, indicating that an increase in housing supply may contribute to the likelihood that a peak is nearing.

- The change in the *unemployment rate*, which may be interpreted as an indicator of the overall business cycle, proved significant in the equation of Italy. The sign is negative, suggesting that falling unemployment raises the likelihood that house prices are nearing a peak in this country. In one country (Denmark) the unemployment rate appeared as its level, and with a positive sign, indicating that the trend decline in unemployment since the early 1990s has diminished the likelihood of house prices peaking.

- Financial variables that proved significant in a few cases were the change in the household saving ratio (Italy) and the rate of change in the local equity index (Finland and New Zealand).

In some cases the interest rate term needed to be modified. In several cases the short-term interest rate was found to be important, either instead of the long rate (United Kingdom, Ireland), or in addition to it (United States). In one case the real interest rate clearly outperformed the nominal rate (Australia) and in some cases lags proved necessary (Italy, United Kingdom, Canada, the Netherlands, Norway and Australia). In one case the interest rate entirely dropped out of the equation (Finland). In four cases the same happened with regard to the price gap (Italy, Canada, Ireland and the Netherlands) while the rate of change in the real house price was retained in nine cases (France, United Kingdom, Australia, Ireland, Netherlands, New Zealand, Spain, Sweden and Switzerland).

All this suggests a large degree of cross-country heterogeneity, which the pooled model failed to capture. This is confirmed by the *ex post* performance of the country-specific models in predicting housing peaks, which is clearly superior in most cases. Carrying out the same simulation exercise as above, *i.e.* of increases in interest rates by 100 and 200 basis points superimposed on the levels of interest rates observed in the second quarter of 2006, yields findings that broadly correspond to those of the pooled model, with one important exception (Table I.10). Specifically, the United States is now in the highest risk class, together with Denmark and France, with the probabilities rising to 100% dependent on the assumptions. Other countries at risk (although it is lower, in the 25-50% range at its worst) are New Zealand, Sweden and Spain.

Table I.10. **Country-by-country regression models**

Probabilities of real house prices peaking within four quarters

	Current situation[1]	After an increase in interest rates by		After a further increase in real house prices at the same rate as in the preceding four quarters and an increase in interest rates by	
		1%	2%	1%	2%
United States	0.18	0.76 ***	0.97 ***	0.95 ***	1.00 ***
Japan	0.00	0.00	0.00	0.00	0.00
Germany	0.00	0.00	0.00	0.00	0.00
France	0.06	1.00 ***	1.00 ***	1.00 ***	1.00 ***
Italy	0.00	0.00	0.00	0.00	0.00
United Kingdom	0.00	0.00	0.00	0.00	0.00
Canada	0.00	0.00	0.00	0.00	0.00
Australia	0.14	0.14	0.14	0.06	0.06
Denmark	0.09	0.92 ***	1.00 ***	1.00 ***	1.00 ***
Finland	0.00	0.04	0.04	0.07	0.07
Ireland	0.00	0.00	0.00	0.00	0.00
Netherlands	0.00	0.00	0.00	0.00	0.00
New Zealand	0.06	0.18	0.35 *	0.30 *	0.50 **
Norway	0.00	0.00	0.01	0.02	0.05
Spain	0.07	0.16	0.26 *	0.23	0.35 *
Sweden	0.00	0.00	0.00	0.00	0.42 *
Switzerland	0.00	0.00	0.00	0.00	0.00

Note: *, **, *** denote probabilities over 25%, 50% and 75%, respectively

1. Second quarter of 2006

Source: Update to table 6 in Van den Noord, P. (2006), "Are house prices nearing a peak? A probit analysis for 17 OECD countries", OECD Economics Department Working Papers, No. 488.

StatLink: *http://dx.doi.org/10.1787/875216747078*

II. DEVELOPMENT IN INDIVIDUAL OECD COUNTRIES AND SELECTED NON-MEMBER ECONOMIES

United States

Output growth has slowed from the rapid rates of recent years. House-building has declined especially sharply. But with this and other adjustments being localised and temporary, healthy growth in GDP should soon resume. Core inflation has risen, partly reflecting the flow-on of higher energy prices to other goods and services. But assuming energy prices level out, this effect will fade and inflationary pressures should subside.

With core inflation uncomfortably high, monetary policy is now mildly restrictive. There may be scope for reductions in interest rates once core inflation is on a clear downward trajectory. The federal government budget deficit has fallen but it may stay around 2% of GDP over the forecast horizon. In addition, long-term challenges of funding entitlements are becoming steadily more pressing and remain to be addressed.

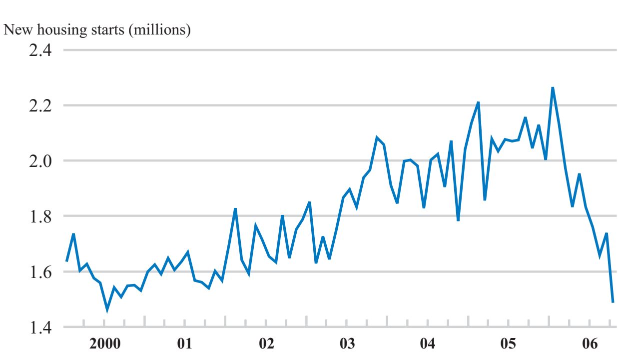
Output growth has slowed…

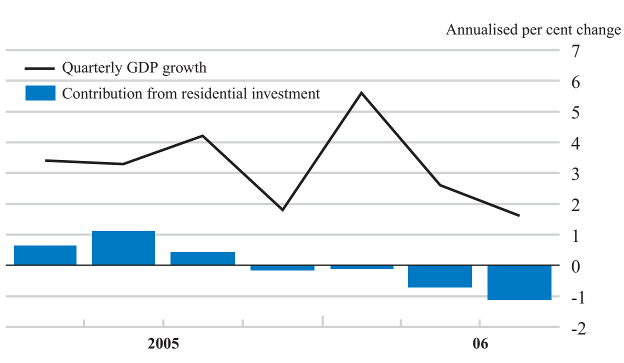
After growing rapidly for several years, real GDP has slowed. Growth fell slightly below potential in the second quarter of 2006 and weakened further in the third quarter. Some slowing was expected, given the dampening effects of higher interest rates, taxes and oil prices, and the unsustainability of previous growth rates. Compounding these have been surprisingly large drops in residential construction and in some measures of motor vehicles production.[1] The falls in home-building and autos can be viewed as inventory corrections, with demand growth slowing and then producers scrambling to clear the resulting stock build-up. The slowing in demand for housing partly reflected higher prices and mortgage rates. In autos, demand has shifted away from domestic vehicles to more fuel-efficient imports. The slowing in overall production has not yet been reflected in the unemployment rate, which fell to a cyclical low of 4.4% in October. A labour market this tight would be expected to exert noticeable upwards pressure on prices.

… while inflation has risen

Meanwhile, core inflation has risen to undesirable levels. Some of this reflects higher energy prices, which are estimated to have indirectly boosted the core inflation

United States





Source: Census Bureau, Bureau of Economic Analysis.

StatLink: *http://dx.doi.org/10.1787/224533160077*

1. Motor vehicles production fell at a 20% annual rate in the third quarter according to Industrial Production estimates but rose at a 26% rate in the national accounts.

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

Percentage changes from previous period

	2004	2005	2006	2007	2008
Employment[1]	1.1	1.4	1.4	0.7	0.4
Unemployment rate[2]	5.5	5.1	4.6	4.8	5.1
Employment cost index	3.8	3.1	2.9	3.8	4.2
Compensation per employee[3]	4.4	3.8	6.8	5.0	5.0
Labour productivity[3]	3.1	2.0	2.1	1.8	2.5
Unit labour cost[3]	1.7	2.2	4.3	3.0	2.4
GDP deflator	2.8	3.0	2.9	2.6	2.6
Consumer price index	2.7	3.4	3.3	2.3	2.3
Core PCE deflator[4]	2.0	2.1	2.3	2.4	2.3
Private consumption deflator	2.6	2.9	2.8	2.2	2.2
Real household disposable income	3.6	1.2	3.4	4.3	3.7

1. Whole economy, for further details see *OECD Economic Outlook* Sources and Methods, *(http://www.oecd.org/eco/sources-and-methods).*
2. As a percentage of labour force.
3. In the private sector.
4. Price index for personal consumption expenditure excluding food and energy.

Source: OECD Economic Outlook 80 database.

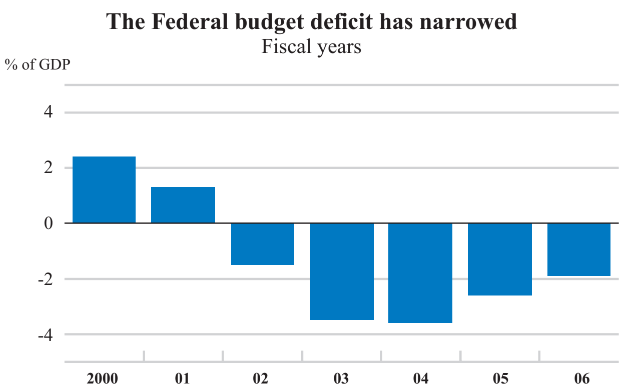
StatLink: *http://dx.doi.org/10.1787/147125146111*

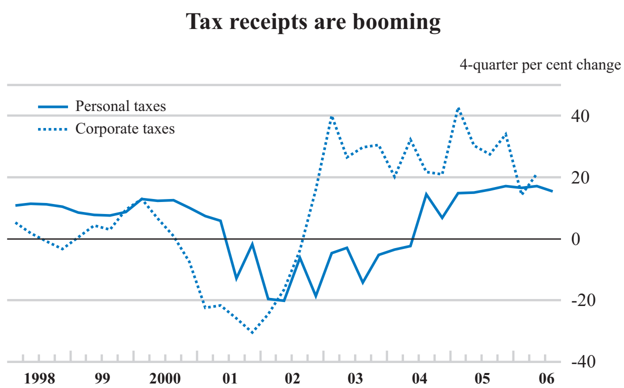
rate by perhaps half a percentage point. Prices for education, medical care and shelter have risen quickly, while prices for motor vehicles and communication have fallen. Furthermore, data revisions mean that inflation over recent years was slightly higher than previously thought. On the positive side, the Employment Cost Index suggests that labour costs remain subdued, though other less-reliable indicators warn of an acceleration.[2]

Monetary policy is mildly restrictive

After rising steadily for two years, the federal funds rate has levelled out at 5¼ per cent. This mildly restrictive stance reflects a core inflation rate that is higher than desired, though perhaps only temporarily so. The direction of further changes in monetary policy will depend on incoming data. If core inflation rises or unemployment falls further, a

United States





Source: US Congressional Budget Office, Bureau of Economic Analysis.

StatLink: *http://dx.doi.org/10.1787/680544137862*

2. The Bureau of Labour Statistics' measures of compensation per hour and unit labour costs have risen sharply. However these data are volatile, subject to large revisions, and influenced by stock option exercises (representing a lagged return to capital, rather than current operating costs).

United States: **Financial indicators**

	2004	2005	2006	2007	2008
Household saving ratio[1]	2.0	-0.4	-0.2	0.9	1.7
General government financial balance[2]	-4.6	-3.7	-2.3	-2.8	-3.0
Current account balance[2]	-5.7	-6.4	-6.6	-6.5	-6.6
Short-term interest rate[3]	1.6	3.5	5.2	5.3	5.0
Long-term interest rate[4]	4.3	4.3	4.8	4.8	4.9

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

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/147125146111*

tightening would be appropriate. Under the slightly more likely scenario of a reduction in core inflation and an increase in unemployment, the federal funds rate should at some point decline. Financial markets seem to expect the federal funds rate to fall to 4½ per cent by early 2008. This may assume a more complacent inflation outlook than this projection. With the expected direction of monetary policy changing from tightening to easing, longer term interest rates have declined. Some of this decline is likely to be reversed if the market's assessment of monetary policy turns out to be too dovish.

The near-term fiscal position has improved

The federal budget deficit narrowed further in fiscal year 2006, to 1.9% of GDP. This met the Administration's objective of halving the deficit (relative to a 2004 baseline) three years ahead of schedule. The decline, like that of the previous year, does not reflect policy measures (which have tended to widen the deficit) so much as an unexpected boom in tax receipts. Corporate taxes and non-withheld personal taxes have risen particularly quickly, though withheld tax receipts have also been strong. Although the increase in revenue cannot yet be adequately explained, contributing factors include strong growth in the income tax base, high capital gains tax realisations and increased income inequality. Assuming that tax revenues grow roughly in line with GDP, the

United States: **Demand and output**

	2003	2004	2005	2006	2007	2008
	Current prices $ billion	Percentage changes, volume (2000 prices)				
Private consumption	7 703.6	3.9	3.5	3.2	3.0	2.8
Government consumption	1 736.5	2.1	0.9	1.6	2.5	2.1
Gross fixed investment	2 005.7	6.1	6.4	3.4	-0.7	2.9
Public	356.0	0.5	1.1	4.5	2.8	2.4
Residential	572.4	9.9	8.6	-4.1	-13.5	-0.2
Non-residential	1 077.4	5.9	6.8	7.6	5.2	4.4
Final domestic demand	11 445.8	4.0	3.6	3.0	2.2	2.7
Stockbuilding[1]	14.3	0.4	-0.3	0.3	0.0	0.0
Total domestic demand	11 460.2	4.4	3.3	3.2	2.2	2.7
Exports of goods and services	1 040.8	9.2	6.8	8.5	6.3	6.9
Imports of goods and services	1 540.2	10.8	6.1	6.3	4.1	5.4
Net exports[1]	- 499.4	-0.6	-0.2	-0.1	0.0	-0.1
GDP at market prices	10 960.8	3.9	3.2	3.3	2.4	2.7

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.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/147125146111*

United States: **External indicators**

	2004	2005	2006	2007	2008
			$ billion		
Goods and services exports	1 178.1	1 303.2	1 462.5	1 592	1 722
Goods and services imports	1 791.4	2 019.9	2 239.2	2 352	2 496
Foreign balance	- 613.2	- 716.7	- 776.7	- 760	- 775
Invisibles, net	- 52.1	- 74.8	- 101.0	- 149	- 194
Current account balance	- 665.3	- 791.5	- 877.6	- 909	- 969
			Percentage changes		
Goods and services export volumes	9.2	6.8	8.5	6.3	6.9
Goods and services import volumes	10.8	6.1	6.3	4.1	5.4
Export performance[1]	- 1.7	- 1.5	- 1.0	- 0.8	- 0.7
Terms of trade	- 1.3	- 2.5	- 0.7	1.5	0.4

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/147125146111*

federal government deficit may remain near 2% of GDP for the next few years. The magnitude of recent forecast errors suggests that longer term projections should be treated cautiously. Nevertheless, very large increases in entitlement spending are likely under current legislation. Scenarios that assume this, together with a stable tax-to-GDP ratio, point to alarming growth in the deficit over the next two decades.

Housing may level out…

Residential investment is likely to continue declining for several more quarters, reflecting the lag from home starts to completions.[3] This may reduce GDP growth by about a percentage point. However, with starts having fallen to levels that could begin to clear the inventory of unsold homes (if sales hold up), a levelling out is in prospect. Furthermore, the decline in home-building does not seem to be spreading. Household consumption and confidence remain strong.

… with solid growth resuming

With adjustments in homebuilding and elsewhere being temporary and localised, overall GDP growth seems set to resume growing near its potential rate, now estimated to be a little under 3%. Growth will be supported by buoyant overseas demand, higher stock prices, lower oil prices and momentum in non-residential construction. Declining house prices, a rise in the saving rate and government spending restraint will provide dampening influences. The labour market is likely to respond to the weakness in activity with a short lag, and the unemployment rate is expected to rise. Strong demand abroad coupled with slower growth at home help to stabilise the current account deficit at about 6½ per cent of GDP. Core inflation is expected to edge down slightly. Upwards pressure from the tight labour market is offset by the fading effects of higher energy prices and low inflationary expectations. The recent increase in core inflation is only partially built into ongoing inflation because, unlike in previous episodes, price and wage setters now expect the Federal Reserve to maintain low inflation.

But there are risks

With an economy very close to balance, and in the absence of large recent shocks – notwithstanding the inventory corrections in housing and autos – it may seem as though there is less uncertainty about this forecast than usual. Nevertheless, there are risks. Current indications are that the recent troubles in home-building and motor vehicles are localised and temporary. However, if this weakness should spread to other sectors of the economy, or develop momentum, then overall prospects would be much bleaker. The forecast assumes that inflationary expectations are insensitive to the recent increase in core inflation. But should historical price-setting patterns re-emerge, core inflation is likely to accelerate and monetary policy would need to tighten.

3. The median single-family house takes five months to build.

Japan

The current economic recovery, the longest in Japan's post-war history, has matured into a self-sustained expansion driven by private domestic demand. The expansion is projected to continue, with growth of about 2% in 2007-08, thanks to buoyant business investment underpinned by record corporate profits and private consumption. Inflation is expected to increase only gradually.

The Bank of Japan should not raise the short-term policy interest rate further until inflation is firmly positive and the risk of renewed deflation becomes negligible. Raising the lower limit of the 0 to 2% understanding of price stability would be appropriate. The government should establish a more detailed medium-term fiscal plan while strengthening the link between the plan and the annual budget process. Further structural reform, including regulatory reform in a broad range of areas, is needed to sustain growth in the face of rapid population ageing.

The domestic demand-led expansion continues…

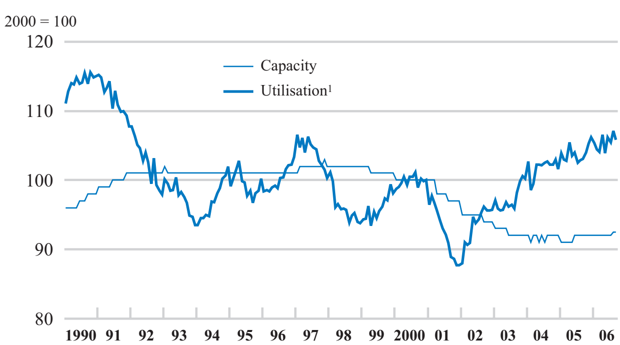
Although output growth slowed in the second quarter of 2006, the underlying pace of economic activity remains firm, as reflected in buoyant business investment and steady gains in private consumption through the first half of 2006. Record high profits in the corporate sector, which have substantially reduced its debt in recent years, have sustained robust growth in investment. In addition, the scrapping of excess capacity has helped to boost the capacity utilisation ratio, thus stimulating capital spending. Private consumption has been supported by a declining household saving rate and a reversal of the falling trend in wages in early 2005, though overall wage growth remains close to zero, reflecting structural shifts in the labour market. Conditions in the labour market are becoming tighter in part due to an accelerating decline in the working-age population, which is only partially offset by an increase in the labour force participation rate. Indeed, the unemployment rate has fallen to nearly 4%, the lowest level since 1998, while the job offer to applicant ratio, at 1.08, is the highest since the early 1990s. Moreover, firms are boosting regular employment for the first time in a decade. Overall, private domestic demand growth is sustaining the expansion at a rate that is above Japan's potential in the face of deep cuts in public investment, which has fallen by 4½ percentage points of GDP over the past decade, with a relatively small contribution from net exports.

… but even so, core inflation remains negative…

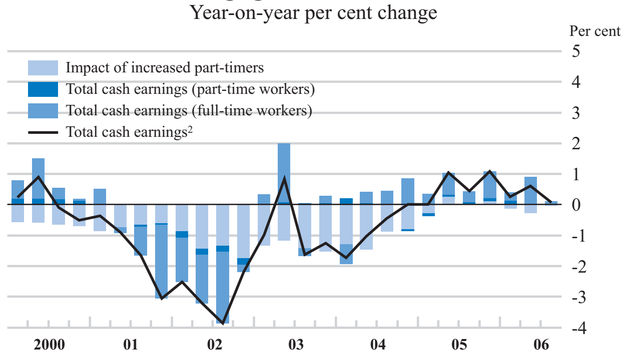
Despite buoyant economic growth, prices continue to fall according to some measures. The revision of the consumer price index in August 2006 resulted in a ½ percentage point decline in the reported rate of inflation. According to the revised data, the Japanese

Japan

Production capacity is expected to increase



Wage growth has stalled
Year-on-year per cent change



1. Seasonally adjusted index.
2. Total cash earnings: all workers, bonus inclusive.
Source: Ministry of Economy, Trade and Industry and Ministry of Health, Labour and Welfare.

StatLink: *http://dx.doi.org/10.1787/652111731381*

Japan: **Employment, income and inflation**

Percentage changes from previous period

	2004	2005	2006	2007	2008
Employment	0.2	0.4	0.3	0.1	0.0
Unemployment rate[1]	4.7	4.4	4.2	3.9	3.6
Compensation of employees	-1.2	1.3	1.8	2.1	2.5
Unit labour cost	-3.4	-1.3	-1.0	0.1	0.5
Household disposable income	0.4	1.1	0.9	1.7	2.4
GDP deflator	-1.2	-1.4	-1.0	0.2	0.6
Consumer price index[2]	0.0	-0.6	0.3	0.3	0.8
Core consumer price index[3]	-0.4	-0.4	-0.4	0.1	0.8
Private consumption deflator	-0.7	-1.0	-0.4	0.4	0.8

1. As a percentage of labour force.
2. Calculated as the sum of the seasonally adjusted quarterly indices for each year. In the Japanese official statistics, annual growth rates are based on the non-seasonally adjusted series, which gives a figure of -0.3% in 2005.
3. Consumer price index excluding food and energy.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/610141062270*

measure of core consumer price index, which excludes only fresh foods, was essentially flat during the first half of 2006 before rising by 0.3% in the third quarter. However, energy prices have put significant upward pressure on prices. Based on the OECD definition of core, which excludes all energy and food products, consumer prices fell by 0.4% (on a year-on-year basis) in the third quarter. In addition, the GDP and private consumption deflators remained in negative territory in the first three quarters of 2006. On the other hand, land prices in the major metropolitan areas rose in 2006 for the first time in 15 years and surveys indicate that consumers' price expectations for 2007 are becoming more positive. Despite these encouraging signs, inflation, as measured by the OECD definition of core, is likely to remain negative in 2006 for the eighth consecutive year.

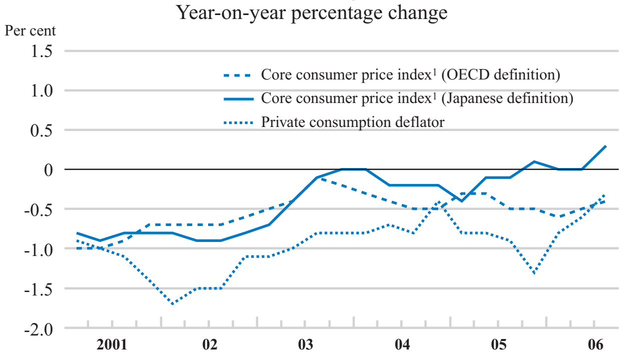
... suggesting that short-term interest rates should remain low

The Bank of Japan ended the quantitative easing policy in March 2006 following several months of increases in the Japanese definition of core consumer price index, although as noted above, this measure significantly overstated the rate of inflation prior to

Japan

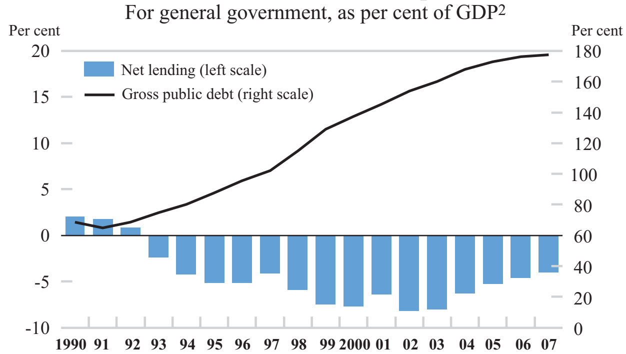
Deflation is coming to an end

Year-on-year percentage change



The fiscal situation in Japan

For general government, as per cent of GDP[2]



1. OECD core CPI excludes food and energy products, Japanese core CPI excludes fresh food only.
2. OECD estimates for 2005, 2006 and 2007.

Source: OECD Economic Outlook 80 database, Ministry of Internal Affairs and Communications and Cabinet Office.

StatLink: *http://dx.doi.org/10.1787/877278303876*

Japan: **Financial indicators**

	2004	2005	2006	2007	2008
Household saving ratio[1]	3.1	2.9	2.9	2.9	2.9
General government financial balance[2]	-6.3	-5.3	-4.6	-4.0	-3.7
Current account balance[2]	3.7	3.7	3.8	4.5	5.3
Short-term interest rate[3]	0.0	0.0	0.2	0.4	0.9
Long-term interest rate[4]	1.5	1.4	1.8	2.1	2.7

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 80 database.

StatLink: *http://dx.doi.org/10.1787/610141062270*

the August 2006 revision. The central bank ended the zero short-term interest rate with a ¼ per cent hike in the policy rate in July. The Monetary Policy Board's view of price stability as 0 to 2% gives little guidance as to the future course of monetary policy. Financial markets expect an additional hike in interest rates before the end of fiscal year (FY) 2006, followed by further increases in FY 2007, even though the consensus forecast for inflation remains below 1% through FY 2007. Given weak inflationary pressures, the Secretariat's projection assumes that interest rates are not increased until the end of 2007.

Although the fiscal stance will be somewhat restrictive…

The fiscal stance is expected to be slightly contractionary in 2006-07. Excluding a one-off factor related to the transfer of pension funds to the government, the cyclically-adjusted budget deficit is projected to fall from 6% in 2005 to 4¼ per cent in

Japan: **Demand and output**

	2003	2004	2005	2006	2007	2008
	Current prices ¥ trillion	Percentage changes, volume (2000 prices)				
Private consumption	281.4	1.9	2.3	1.3	1.4	1.6
Government consumption	88.4	2.0	1.7	0.6	1.1	1.2
Gross fixed investment	112.5	1.1	3.2	4.0	2.1	1.7
Public[1]	27.3	-8.6	-6.0	-9.8	-4.1	-3.0
Residential	17.8	1.9	-0.7	1.0	0.1	0.1
Non-residential	67.4	4.9	7.5	9.2	4.2	3.2
Final domestic demand	482.2	1.8	2.4	1.8	1.5	1.5
Stockbuilding[2]	0.3	-0.2	0.1	0.2	-0.2	0.0
Total domestic demand	482.6	1.5	2.5	2.0	1.3	1.5
Exports of goods and services	58.9	13.9	7.0	10.4	7.2	6.9
Imports of goods and services	50.9	8.5	6.2	5.3	3.1	4.4
Net exports[2]	8.0	0.8	0.2	0.8	0.7	0.5
GDP at market prices	490.5	2.3	2.7	2.8	2.0	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).*

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 80 database.

StatLink: *http://dx.doi.org/10.1787/610141062270*

Japan: **External indicators**

	2004	2005	2006	2007	2008
			$ billion		
Goods and services exports	613.1	652.8	706.6	764	822
Goods and services imports	524.1	589.4	651.1	690	729
Foreign balance	89.0	63.4	55.5	75	93
Invisibles, net	82.6	104.9	109.4	126	145
Current account balance	171.6	168.3	164.9	201	239
			Percentage changes		
Goods and services export volumes	13.9	7.0	10.4	7.2	6.9
Goods and services import volumes	8.5	6.2	5.3	3.1	4.4
Export performance[1]	0.6	- 1.0	0.9	- 0.9	- 2.0
Terms of trade	- 3.7	- 6.0	- 6.5	- 1.8	- 0.6

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/610141062270*

2007. Deficit reduction is being accomplished through the abolition of the temporary personal income tax cut, annual hikes in the pension contribution rate and continued reductions in public investment, as well as an unexpectedly strong increase in corporate tax revenue. The primary budget deficit (excluding the one-off factor) is expected to decline from 5 to 2½ per cent between 2005 and 2007, a pace sufficient to achieve the medium-term target of a primary budget surplus in 2011 set in the government's Integrated Expenditure and Revenue Reform published last July. However, the budget outlook for 2008 is uncertain. Although the Integrated Reform set a target for spending cuts by category (public investment, social security, personnel expenses and other spending) through 2011, the link between this plan and the annual budget process is not clear, given that the plan does not indicate how spending will evolve under different economic assumptions. A more comprehensive medium-term plan that includes both more detailed spending and revenue targets and is also closely linked to the annual budget process would reduce the possibility of a rise in the risk premium. The impact of such a development on the budget would be large, as government debt climbed to an estimated 176% of GDP in 2006.

… the economic expansion is expected to continue through 2008

The expansion is projected to continue through 2008, although the pace may slow to around 2%, closer to Japan's rate of potential growth. Business investment is likely to remain a driving force, given record profits and the high capacity utilisation ratio. Private consumption is expected to be supported by a pick-up in wage growth as the labour market continues to tighten. With the decline in unit labour costs coming to an end, consumer price inflation is projected to increase gradually, reaching 1% in 2008. Net exports are also likely to contribute to growth, while the current account surplus continues to rise to more than 5% of GDP in 2008, assuming unchanged exchange rates. One risk to a continued expansion is a significant appreciation of the yen in the context of expanding global imbalances. In addition, the rise in public debt increases the risk of higher interest rates, which would slow economic activity and exacerbate the fiscal situation. Finally, there is a risk that wage growth will fail to accelerate as expected, given the scope for firms to further increase the proportion of lower-paid non-regular workers. With the household saving rate already around 3%, continued growth in private consumption will be imperilled if household income gains fail to materialise.

Euro area

After several false starts, the economic recovery has taken hold. Activity in the first half of 2006 grew at the fastest pace for some years. Exports and investment have been the main drivers but there are signs that households have started to boost spending as well. Consumption should underpin the recovery going forward, with business and residential investment playing less of a role than they have done recently. Overall, GDP is projected to grow in the 2 to 2½ per cent range through 2007 and 2008.

With the recovery on a surer footing, monetary stimulus should be removed. If the recovery maintains strong momentum, there may be a need to raise interest rates further in 2008 as well. The improvement in the fiscal position is welcome, especially in the countries that had high deficits, but further steps are needed to move towards a sustainable fiscal position. Additional reforms to enhance the single market would improve the euro area's economic performance and its resilience to shocks.

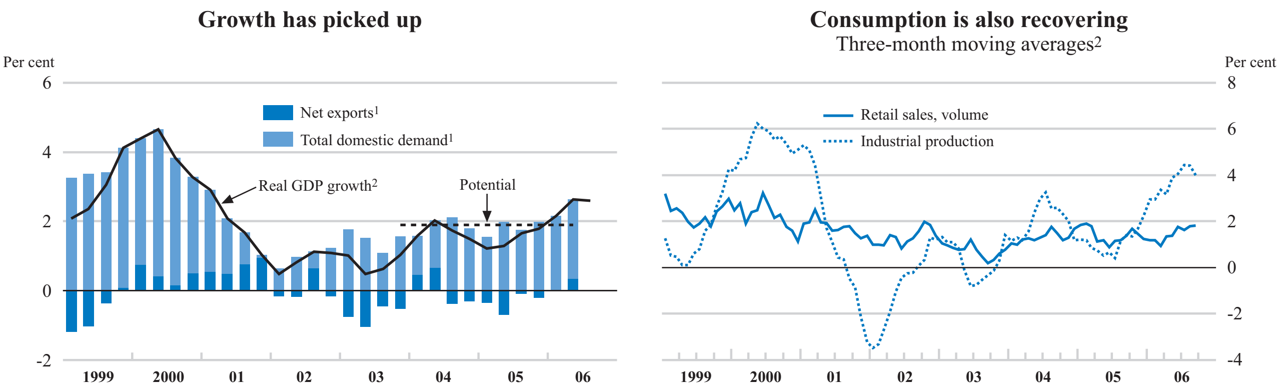
Activity this year has been strong

GDP grew at a 3½ per cent rate in the first half of 2006, more than twice the pace of last year. This was the first time in more than five years that growth has exceeded its potential rate for two quarters in a row. According to initial estimates, activity grew at or slightly above its potential rate in the third quarter as well. The upswing has been widespread, with almost all member states growing at an above-potential pace. The labour market has been improving as well. The pace of job creation picked up towards the end of 2005 and has continued at moderate rates so far this year, driving the unemployment rate below 8% for the first time since 2001. Unlike economic activity, however, the labour market improvement has been more patchy. Job growth has been considerably stronger in the smaller countries, in part-time employment, and in the service sector.

The recovery is broadening and becoming more robust

The initial impetus to the recovery came from exports, especially to Asia and the ten new EU member countries. But the rebound has broadened beyond the export sector, with investment picking up strongly in the first half of the year. The pent-up investment demand that had been put on hold last year due to economic and political uncertainty is now coming on stream. Household consumption has also begun to

Euro area



1. Contribution to real GDP growth, in per cent of previous year's GDP.
2. Year-on-year percentage changes.
Source: Eurostat and OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/411055777366*

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

Percentage changes from previous period

	2004	2005	2006	2007	2008
Employment	1.0	1.0	1.4	1.2	1.2
Unemployment rate[1]	8.9	8.6	7.9	7.4	7.1
Compensation per employee[2]	1.6	1.0	1.8	2.1	2.7
Labour productivity	0.8	0.5	1.2	1.0	1.2
Unit labour cost	1.1	1.0	0.9	1.2	1.6
Household disposable income	3.5	3.4	3.5	3.4	4.0
GDP deflator	1.9	1.9	1.8	2.0	2.0
Harmonised index of consumer prices	2.2	2.2	2.2	1.9	1.8
Core harmonised index of consumer prices[3]	2.1	1.5	1.4	1.9	1.8
Private consumption deflator	2.0	2.0	2.1	1.9	1.8

1. As a percentage of labour force.
2. In the private sector.
3. Harmonised index of consumer prices excluding energy and unprocessed food.

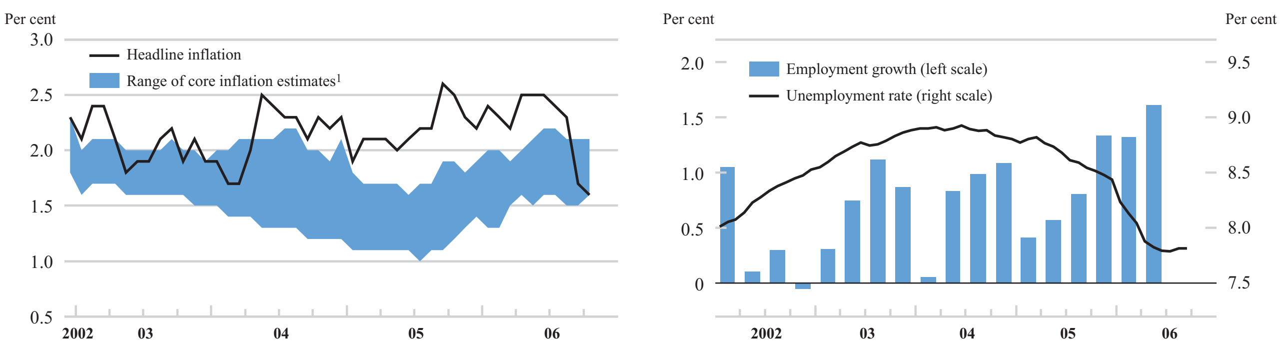
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/308578132726*

recover on the back of improved job prospects and greater confidence in the recovery. Consumption is projected to grow at a modest pace throughout the forecast period. Real disposable incomes will be boosted by the recent decline in energy prices coupled with further increases in employment, although competitive pressures will keep wage growth in check. Consumption in Germany may also be damped by the hike of the value-added tax (VAT) in 2007. Business investment is projected to continue growing at a healthy pace in the short term, but residential investment is expected to slow in response to higher interest rates and a deceleration of house prices. Export demand should continue to stimulate activity although the appreciation of the euro offsets robust foreign demand to some extent. All in all, prospects are for GDP growth in the 2 to 2½ per cent range over the next two years. Consequently, economic slack should be largely gone by the end of 2008.

Euro area

Inflation has fallen back below 2% | **The labour market is improving**



1. Range of mine measures of core inflation.
Source: Eurostat and OECD calculations.

StatLink: *http://dx.doi.org/10.1787/804214347231*

Euro area: **Financial indicators**

	2004	2005	2006	2007	2008
Household saving ratio[1]	10.6	10.5	10.1	10.0	9.9
General government financial balance[2]	-2.8	-2.4	-2.1	-1.5	-1.4
Current account balance[2]	0.8	0.0	-0.3	-0.1	-0.1
Short-term interest rate[3]	2.1	2.2	3.1	3.8	4.0
Long-term interest rate[4]	4.1	3.4	3.8	4.0	4.3

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 80 database.

StatLink: *http://dx.doi.org/10.1787/308578132726*

Monetary stimulus should be removed gradually

With the recovery now well engaged, some additional withdrawal of monetary stimulus seems justified to take out insurance against the risk of inflation pressure over the medium term. In this context, inflation is likely to oscillate around 2% over the projection period. The headline rate of inflation is being buffeted by volatility in world energy markets. The slide in oil and gas prices since the middle of the year has pushed inflation back down to 1.6% in the year to October 2006, substantially below its most recent peak of 2.5% just three months earlier. Inflation expectations have remained well anchored and wage inflation low so far. Looking further ahead, Germany's VAT increase is likely to push inflation temporarily above the European Central Bank's medium-term objective. But with the lagged effects of recent oil price declines and some economic slack remaining over most of the projection period, wage pressures should remain subdued and the inflation rate is likely to return to below the 2% limit. At the same time, the output gap is closing steadily and supply constraints could start to materialise at the end of the projection period.

Euro area: **Demand and output**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (2001 prices)				
Private consumption	4 278.5	1.4	1.4	1.8	1.7	2.3
Government consumption	1 526.2	1.2	1.3	2.2	1.6	1.7
Gross fixed investment	1 498.5	1.8	2.7	4.6	4.2	3.2
Public	195.7	-1.3	1.2	1.9	3.1	3.1
Residential	388.3	2.8	2.8	3.7	2.5	2.0
Non-residential	914.4	2.1	3.0	5.5	5.0	3.7
Final domestic demand	7 303.2	1.4	1.7	2.5	2.2	2.4
Stockbuilding[1]	1.0	0.2	0.1	0.0	0.0	0.0
Total domestic demand	7 304.1	1.6	1.8	2.4	2.2	2.4
Net exports[1]	156.6	0.1	-0.3	0.2	0.1	0.0
GDP at market prices	7 460.8	1.7	1.5	2.6	2.2	2.3

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

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/308578132726*

Euro area: **External indicators**

	2004	2005	2006	2007	2008
			$ billion		
Foreign balance	200.6	148.2	124.6	143	155
Invisibles, net	- 119.8	- 146.2	- 155.8	- 158	- 162
Current account balance	80.7	2.0	- 31.3	- 15	- 7

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/308578132726*

Public finances are benefiting from the cyclical upswing

Government revenues have been higher than expected in many euro area countries. Some of the improvement in public finances is clearly related to the cyclical recovery, although there has been some structural fiscal improvement by several euro area members, especially in the countries that recently were above the 3% deficit limit. This is encouraging, though countries need to go further as public finances in the area as a whole still fall short of what is needed to prepare for ageing-related fiscal pressures. Medium-term budget plans enshrined in the national Stability Programmes are not ambitious enough, as the planned pace of deficit reduction is relatively modest by historical standards. Unless there are further efforts towards fiscal consolidation, it will be some years before the euro area is close to balance or in surplus. For that reason, it is important that any revenue windfalls during the upswing are used to pay down debt. Public finances are too far from a sustainable position to consider expenditure increases or unfunded tax cuts at this time.

Risks are fairly evenly balanced

The risks to output in the short term are evenly balanced. The degree of pent-up investment demand is difficult to gauge, so business investment could increase more than expected. On the other hand, residential investment could slow by more than projected in response to the increase in interest rates over the past year. The impact on consumption of Germany's VAT increase is also uncertain. Longer term, the main risk to economic activity comes from an abrupt appreciation of the euro if global current account imbalances trigger a significant realignment of exchange rates. The risks to inflation are dominated by energy prices in the short term and wage developments over the medium term.

Germany

The economy has entered a sustainable recovery and is projected to grow above potential throughout the projection period, although growth is expected to fall temporarily below 2% in 2007 in the wake of the value-added tax rate increase. The growth impetus is likely to shift from exports and investment to consumption in 2008, as unemployment recedes and real incomes rise. The government deficit is projected to fall to 2¼ per cent of GDP this year and below 1½ per cent in 2007 and 2008.

Further expenditure-based fiscal consolidation would improve sustainability and create more room for the operation of automatic fiscal stabilizers. Placement of the long-term unemployed into jobs needs to improve further, including through more effective assignment of placement responsibilities across levels of government. Strengthening competition in product markets – such as in liberal professions and network industries – would make the economy more resilient and raise growth prospects beyond the cyclical recovery.

Activity has picked up strongly

Economic growth was strong throughout the first three quarters of this year, on the back of vigorous domestic demand. Investment grew strongly, boosted by rising capacity utilisation, although the pick-up in construction activity in the second quarter also reflected temporary factors, in particular weather anomalies. There also was a boost to home construction orders ahead of the phase-out of subsidies at the end of 2005, sustaining residential investment this year. Private household consumption was more subdued, as higher oil prices weighed on real disposable income. Growth of exports to the United States and oil-exporting countries slowed from the high levels early this year, while exports to Asian, euro area and Central Eastern European countries remained vigorous, so that overall foreign demand continued to support the expansion. Manufacturing production grew by 5.6% year-on-year on average in the third quarter, with a significant impulse from the production of durable consumption goods, suggesting that expected advance purchases towards the end of the year, ahead of the value-added tax (VAT) rate increase, are beginning to affect activity.

Expectations point to slower growth in the first half of 2007

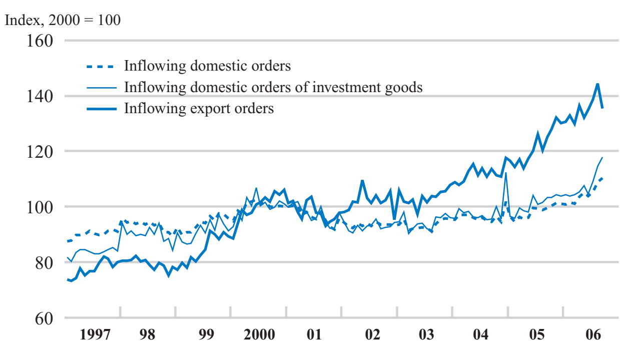
The assessment of current business conditions remains upbeat. Order inflows have been on an upward trend in recent months with order stocks close to record levels. Domestic orders for investment goods rose particularly strongly, suggesting that investment will continue to drive growth in the near future. However business expectations point to a slowdown early next year, notably in manufacturing and construction.

Stronger activity has allowed unemployment to fall

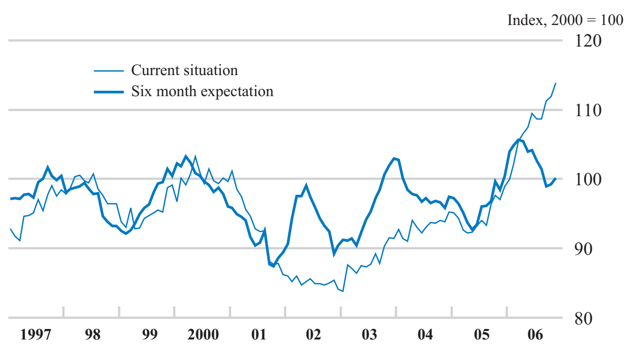
Employment expanded strongly on the back of the pick-up in activity, contributing to a significant fall in the unemployment rate. This decline has been accompanied by a substantial rise in vacancies, suggesting that the reduction has largely been cyclical, while

Germany

Domestic investment orders are buoyant[1]



Business expectations have diminished[2]



1. Manufacturing, volume.
2. Manufacturing, construction, wholesale and retail trade.
Source: Deutsche Bundesbank; Ifo Institut für Wirtschaftsforschung.

StatLink: *http://dx.doi.org/10.1787/171013622868*

Germany: Employment, income and inflation

Percentage changes from previous period

	2004	2005	2006	2007	2008
Employment	0.4	-0.1	0.6	0.6	0.5
Unemployment rate[1]	9.2	9.1	8.0	7.7	7.2
Compensation of employees	0.4	-0.6	1.0	2.1	2.8
Unit labour cost	-0.4	-1.7	-1.5	0.3	0.7
Household disposable income	1.7	1.7	1.9	1.9	2.6
GDP deflator	0.9	0.6	0.7	1.7	1.2
Harmonised index of consumer prices	1.8	1.9	1.7	1.9	1.0
Core harmonised index of consumer prices[2]	1.5	0.6	0.6	1.9	1.0
Private consumption deflator	1.6	1.3	1.5	1.8	1.0

1. As a percentage of labour force.
2. Harmonised index of consumer prices excluding food, energy, alcohol and tobacco.

Source: OECD Economic Outlook 80 database.

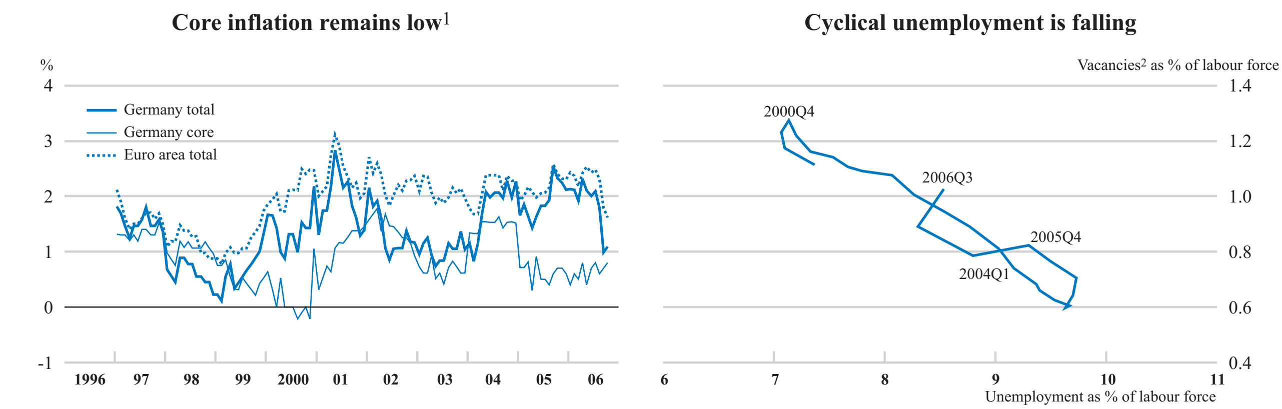
StatLink: *http://dx.doi.org/10.1787/823474857682*

a decline in structural unemployment is not yet apparent and most transitions to employment thus far have been made by the short-term unemployed. One-off effects also played a role, notably the reduction in the duration of unemployment insurance benefits, in force since February 2006, which led to anticipated dismissals in preceding months. Most employment gains are accounted for by private sector employment contracts fully liable to social security contributions, while the growth of small-scale employment with few hours worked and of subsidized jobs for the unemployed has levelled off.

Trend inflation remains low but the higher VAT rate will raise prices

Headline inflation (harmonised consumer price index) fell in the second half of the year, as oil prices reversed earlier increases and the effect of a tobacco tax increase in 2005 ceased to affect annual inflation. Strong economic growth has not given rise to inflationary pressures, the core inflation rate remaining below 1%, indicating that activity is still below potential. The 3 percentage point increase in the standard VAT rate and a rise in the insurance tax are projected to temporarily raise inflation by 1 percentage point, mostly at the beginning of 2007. The fall in unemployment and high profits have

Germany



1. Growth relative to the same month of the previous year, based on the Eurostat harmonised index of consumer prices, core is total excluding energy, food, alcohol and tobacco.
2. Excluding vacancies related to active labour market policies.

Source: Eurostat; Bundesagentur für Arbeit; OECD – *Main Economic Indicators*.

StatLink: *http://dx.doi.org/10.1787/863260383783*

Germany: **Financial indicators**

	2004	2005	2006	2007	2008
Household saving ratio[1]	10.4	10.6	10.5	10.3	10.1
General government financial balance[2]	-3.7	-3.2	-2.3	-1.4	-1.3
Current account balance[2]	3.7	4.2	4.0	4.8	5.2
Short-term interest rate[3]	2.1	2.2	3.1	3.8	4.0
Long-term interest rate[4]	4.0	3.4	3.8	4.0	4.2

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 80 database.

StatLink: *http://dx.doi.org/10.1787/823474857682*

contributed to a modest pick-up in industrial wage growth recently, although unit labour costs continue to decline. The first collective wage settlements for next year suggest wage growth will pick up further, on the back of improved labour market conditions and the impact of the VAT rise on consumer prices.

More restrictive financial conditions are offset by other factors

Continued competitiveness gains in manufacturing have to some extent offset the damping effect of recent increases of short-term interest rates on activity. Banks further eased loan standards and lowered loan interest rate spreads, contributing to a pickup in the volume of bank loans to the manufacturing sector after several years of decline. Profits are high and recent gains in stock market valuations have fully offset declines earlier in the year. While short-term interest rates are projected to rise further, long-term rates are expected to remain relatively low.

Germany: **Demand and output**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	1 283.0	-0.3	0.3	0.8	0.3	1.8
Government consumption	417.2	-1.3	0.6	1.2	0.4	1.5
Gross fixed investment	385.7	-1.4	1.0	5.8	4.3	2.5
Public	33.7	-7.3	-3.8	0.0	5.3	4.0
Residential	122.8	-3.6	-3.9	3.0	1.6	0.8
Non-residential	229.2	0.7	4.2	8.0	5.4	3.1
Final domestic demand	2 085.9	-0.7	0.5	1.8	1.1	1.9
Stockbuilding[1]	- 7.3	0.3	0.2	0.2	0.1	0.0
Total domestic demand	2 078.7	-0.4	0.6	2.0	1.2	1.9
Exports of goods and services	772.7	8.8	7.1	10.4	6.2	7.3
Imports of goods and services	687.0	6.2	6.7	10.0	5.3	7.6
Net exports[1]	85.8	1.2	0.5	0.7	0.7	0.3
GDP at market prices	2 164.4	0.8	1.1	2.6	1.8	2.1
Memorandum items						
GDP without working day adjustments	2 161.6	1.2	0.9	2.4	1.7	2.4
Investment in machinery and equipment	172.2	2.6	6.3	7.4	6.0	4.1
Construction investment	213.5	-4.6	-3.5	4.4	2.7	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.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/823474857682*

Germany: **External indicators**

	2004	2005	2006	2007	2008
			$ billion		
Goods and services exports	1 044.1	1 130.7	1 288.2	1 412	1 524
Goods and services imports	907.9	986.8	1 134.3	1 229	1 324
Foreign balance	136.3	143.9	153.9	182	200
Invisibles, net	- 35.2	- 27.3	- 37.1	- 36	- 35
Current account balance	101.1	116.6	116.8	146	165
			Percentage changes		
Goods and services export volumes	8.8	7.1	10.4	6.2	7.3
Goods and services import volumes	6.2	6.7	10.0	5.3	7.6
Export performance[1]	- 1.0	- 0.1	1.0	- 1.4	- 0.8
Terms of trade	- 0.2	- 0.8	- 1.2	0.3	0.5

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/823474857682*

The general government deficit will fall in 2006 and 2007

The general government deficit is expected to fall substantially in 2006. The recovery of domestic demand, strong profit growth, the pick-up in employment fully liable to social security contributions and the elimination of tax exemptions have boosted tax revenues. Subdued government employee payroll and overall social spending – reflecting, in particular, a freeze on nominal pension adjustments – are contributing further budgetary relief.

The general government deficit is expected to fall further in 2007, mostly on account of the increase in the standard VAT rate by 3 percentage points, which is partially offset by a projected decline in social security payroll contributions by 1¼ percentage points. Tighter means-testing on second-tier unemployment benefits, continued payroll spending moderation and reductions in subsidies will generate further savings.

The budgetary stance will turn broadly neutral in 2008. A reduction in the corporate tax rate and plans to reduce the tax burden on retained profits of non-incorporated companies will more than offset measures to broaden the tax base of business taxation, including the ending of generous investment depreciation allowances. Further budgetary relief will result from the lagged effects of reductions in tax expenditures legislated in earlier years.

Activity is expected to reach potential in 2008

Strong equipment investment and foreign demand are expected to drive economic growth this year and next. The impact of the VAT increase on household consumption will reduce GDP growth by ¼ percentage point in 2007. Construction activity will decelerate and export growth is expected to weaken in the first half of the year, recovering subsequently on the back of world trade expansion. Household consumption is likely to gain momentum in 2008. GDP is projected to grow by 2½ per cent in 2006 and 1¾ per cent in 2007, accelerating to just over 2% in 2008, when the output gap is expected to be closed.

Risks are balanced

The unemployment rate could fall below projected levels if significant progress is made in making the placement of the long-term unemployed into jobs more effective. In this context of reduced uncertainly and given the considerable amount of pent-up demand accumulated over the past few years, household spending could surge more markedly. On the other hand, a stronger impact of the 2007 VAT increase cannot be excluded. A significant appreciation of the euro could undermine the recovery, as could a somewhat more protracted weakening of the US and global economy, which would impact not only on German exports but also on business investment.

France

Economic activity picked up in the second quarter but stalled in the third. It is likely to recover and continue growing slightly faster than potential over the forecast period; the output gap should gradually shrink. Sustained by firmer activity, employment growth should gain strength, and the fall in unemployment should continue, albeit at a slower pace than in 2006. Wage growth is likely to accelerate slightly and inflation to increase, while remaining moderate.

The government deficit is expected to diminish in 2006 as a result of slower public spending increases and substantial increases in tax revenues. The long-term challenge is to reduce the structural deficit and hence restore the sustainability of public finances in order to cope with the pressures of an ageing population. If any far-reaching improvement in the labour market situation is to be achieved, the cost burden on firms must be reduced and made more predictable and wage moderation must continue.

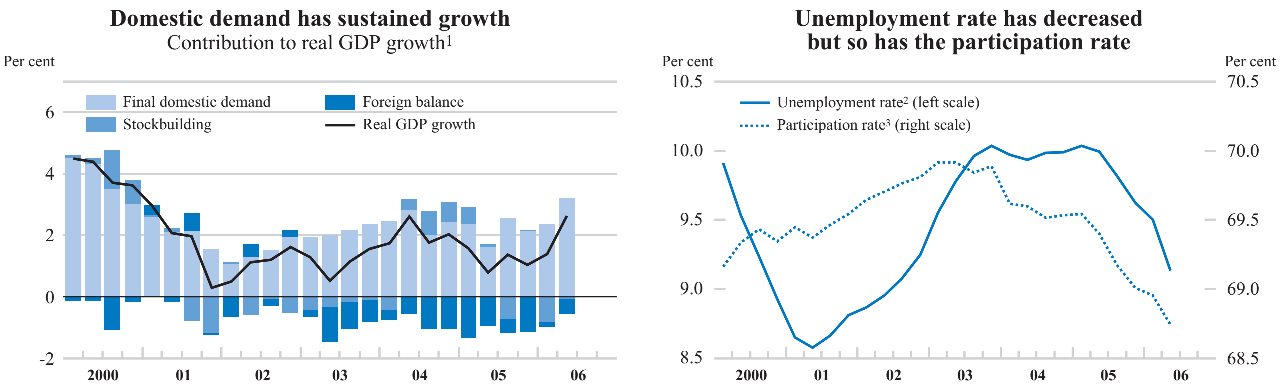
Domestic demand has underpinned growth

After rapid expansion in the second quarter of 2006, GDP did not grow at all in the third, according to the preliminary estimate. Stockbuilding, which partly explained the good result in the second quarter, held down third quarter growth. Sustained by substantial increases in purchasing power in the early part of the year and a continuing decline in the savings rate, household consumption remains an important driver of growth. The strengthening of private investment in the second quarter of 2006, stimulated by the civil engineering sector, continued at a more moderate pace in the third, while public investment fell. Supply-side difficulties seem to be continuing, with the foreign trade position again damping GDP growth. Exports fell in the third quarter while imports continued to increase.

Unemployment is falling, but so is the participation rate

Growth in private-sector employment increased slightly, partly due to sustained rises in temporary employment. Unemployment continued to fall faster in 2006 as a result of growth in both public and private sector employment combined with a sharp (and temporary) drop in the participation rate caused by a wave of early retirement, made possible by the 2003 reform, among workers who had begun their careers at a young age.

France



1. Year-on-year.
2. As a percentage of labour force.
3. As a percentage of working-age population.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/503516878025*

France: Employment, income and inflation

Percentage changes from previous period

	2004	2005	2006	2007	2008
Employment	0.0	0.3	0.7	1.0	1.1
Unemployment rate[1]	10.0	9.9	9.1	8.5	8.2
Compensation of employees	3.3	3.0	3.8	3.8	4.1
Unit labour cost	1.3	1.8	1.7	1.5	1.7
Household disposable income	4.0	3.0	3.8	4.0	3.9
GDP deflator	1.7	1.8	1.8	1.7	1.8
Harmonised index of consumer prices	2.3	1.9	2.0	1.4	1.6
Core harmonised index of consumer prices[2]	1.8	1.5	1.4	1.5	1.7
Private consumption deflator	1.6	1.8	1.5	1.4	1.7

1. As a percentage of labour force.
2. Harmonised index of consumer prices excluding food, energy, alcohol and tobacco.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/481206587286*

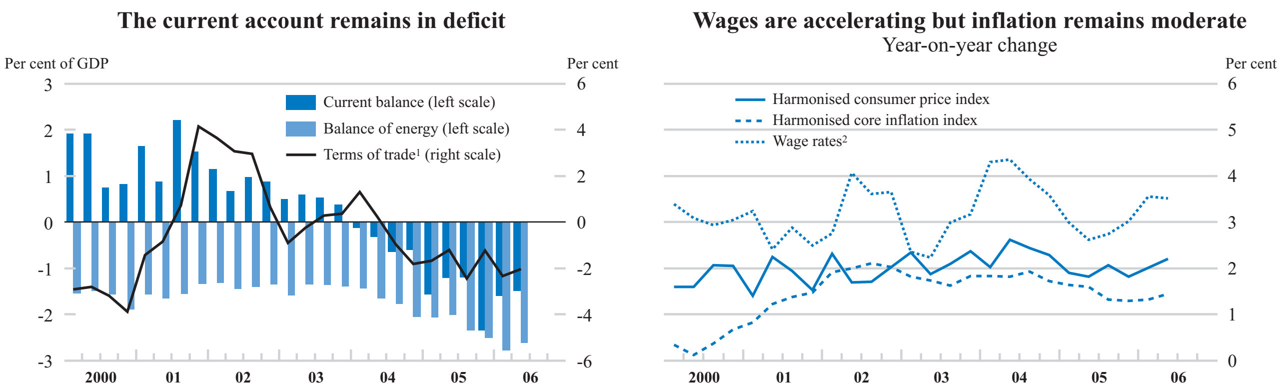
Accelerating wage growth, moderate inflation

Nominal wages accelerated with the improvement on the labour market, partly as a result of high start-of-year bonuses in some sectors. Renewed labour productivity growth in the second quarter temporarily halted the pick-up in unit labour costs, though they may have rebounded in the third quarter. Underlying inflation remained moderate which, combined with falling energy prices, limited overall year-on-year inflation to 1.2% in October. Rebuilding of the supply of new housing available for sale and surveys of property developers suggest that property prices will continue to slow.

The budget deficit fell more than expected

The government deficit has improved more than expected and should run at 2.7% of GDP in 2006. Faster growth has sustained the buoyancy of tax and social security revenues, especially taxes on real estate sales where the market has been

France



1. Year-on-year change.
2. Data for 2006 are estimates.

Source: Ministry of Economy, Finance and Industry; OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/504631461212*

France: **Financial indicators**

	2004	2005	2006	2007	2008
Household saving ratio[1]	12.7	11.8	11.5	11.5	11.2
General government financial balance[2]	-3.7	-2.9	-2.7	-2.5	-2.3
Current account balance[2]	-0.4	-1.6	-1.7	-1.8	-1.8
Short-term interest rate[3]	2.1	2.2	3.1	3.8	4.0
Long-term interest rate[4]	4.1	3.4	3.8	4.0	4.2

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 80 database.

StatLink: *http://dx.doi.org/10.1787/481206587286*

particularly flourishing. Public spending is falling as a proportion of GDP as a result of lower unemployment benefit payments and slower growth in healthcare outlays, though upward pressure is being exerted as the effects of childcare support measures feed through and baby-boomers start retiring. The 2007 budget bill provides for continuing efforts to reduce public employment but does not propose any significant new controls on expenditure. Households will benefit most from the planned tax reforms, the main measures being a change in income tax schedules and an increase in the *prime pour l'emploi* (an income tax credit for low-paid workers).

Confidence indicators have improved

Industrial output slowed in the middle of the year, reflected in stalling third quarter GDP. However, indicators of business confidence, in particular in the manufacturing sector, point to some optimism. Consumer confidence has also improved, though it is still below the long-term average.

France: **Demand and output**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	900.4	2.5	2.1	2.6	2.5	2.6
Government consumption	378.5	2.2	1.1	2.2	1.8	1.9
Gross fixed investment	300.8	2.6	3.7	3.7	3.3	2.9
Public	49.0	2.2	3.9	3.1	2.2	2.2
Residential	80.2	3.3	4.1	2.6	2.1	1.9
Non-residential	171.6	2.4	3.5	4.4	4.2	3.4
Final domestic demand	1 579.7	2.4	2.2	2.7	2.5	2.5
Stockbuilding[1]	1.0	0.3	0.0	-0.3	0.0	0.0
Total domestic demand	1 580.6	2.8	2.1	2.4	2.6	2.5
Exports of goods and services	408.6	3.3	3.2	7.7	5.7	6.3
Imports of goods and services	393.0	6.0	6.4	8.8	6.7	6.6
Net exports[1]	15.6	-0.7	-1.0	-0.4	-0.4	-0.2
GDP at market prices	1 596.2	2.0	1.2	2.1	2.2	2.3

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

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/481206587286*

France: **External indicators**

	2004	2005	2006	2007	2008
			$ billion		
Goods and services exports	528.5	552.8	607.6	660	705
Goods and services imports	523.4	573.1	644.2	704	753
Foreign balance	5.1	- 20.3	- 36.6	- 44	- 48
Invisibles, net	- 13.8	- 12.7	- 0.5	2	3
Current account balance	- 8.7	- 33.1	- 37.1	- 42	- 45
			Percentage changes		
Goods and services export volumes	3.3	3.2	7.7	5.7	6.3
Goods and services import volumes	6.0	6.4	8.8	6.7	6.6
Export performance[1]	- 5.5	- 3.7	- 1.4	- 1.6	- 1.8
Terms of trade	- 0.3	- 1.5	- 1.2	0.3	0.1

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/481206587286*

GDP growth is higher than the long-term trend

Investment increases are likely to continue to outpace GDP growth. As business confidence is buoyant and profits are high, vigorous productive investment should offset the slowdown in residential investment. The other components of domestic demand should be solid. The continuing fall in unemployment and the slight acceleration in real wages are likely to sustain private consumption. Tax cuts should also have a favourable impact on consumption, though households could well take advantage of them to reconstitute some of their savings, causing the savings rate to level off temporarily. In line with domestic demand, sustained growth in imports is likely. Despite persistent competitiveness problems, the resilience of trading partners' imports should ensure that exports remain on a rising path. Nevertheless, foreign trade is likely to continue to restrict activity. Overall, GDP should grow slightly faster than its potential rate.

Labour market regulation is still curbing jobs growth

The rise in employment is likely to continue. However, the high level of investment in a period of moderate employment growth suggests that firms are hesitant to take on new workers, doubtless reflecting a perception of labour legislation as overly restrictive. The negative impact of pension reform on the active population should gradually fade, causing the participation rate to rise again. Conversely, the decline in the unemployment rate is likely to be less steep, though it should fall below its structural level. Under these circumstances wages are likely to accelerate and inflation to show a slight increase.

Long-term budgetary improvement is not yet assured

The budget deficit should continue to fall as a share of GDP, given the relatively fast pace of GDP growth. However, the structural deficit should remain unaffected, since government efforts to reduce public-sector employment may be partly offset by the cost of assisted public employment schemes. Lower unemployment spending is likely to be outweighed by higher spending on families and pensions.

Accelerating wages could undermine growth

A durable recovery is contingent on a sufficient adjustment of wages to trend productivity. Faster wage growth would undermine export competitiveness and could cause the trade deficit to deteriorate further, while also limiting job creation and the fall in unemployment.

Italy

A recovery in 2006 signals an end to 4½ years of near stagnation. The main driving forces have been strong export market growth, easy credit conditions, reform-led employment growth and improving confidence. Growth is likely to slow in 2007 partly due to policy tightening, but rebound by 2008.

The 2007 fiscal consolidation rests for the most part on projected revenue hikes, which might increase work and investment disincentives. Containment of spending pressure is therefore needed, notably in the pension, public employment, local authorities and health areas as indicated in the governmentís own medium term plan. To keep inflation under control, it will be important to fully implement announced product market reforms. More decentralised wage setting could further help to recoup past competitiveness losses.

A welcome recovery

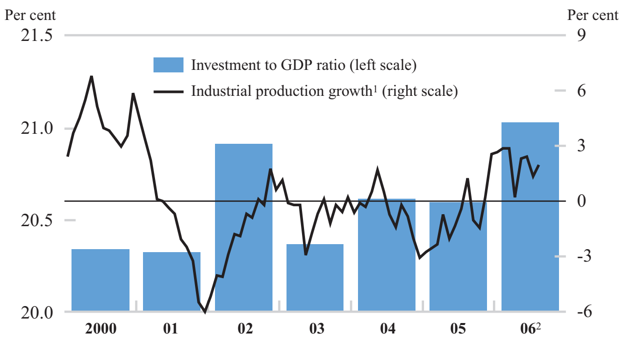
Growth picked up to around a 2% annual rate in the first half of 2006 – by far the strongest outcome since the first half of 2001. Italian exporters apparently took good advantage of robust export market growth with a shift toward higher quality products. Sales of metals and machinery to fast growing non-OECD countries did particularly well. Export strength triggered a recovery of business investment and ended a 4½ year long industrial recession. Sharply falling unemployment and stronger real wage growth translated into recovering household confidence and consumption. The housing market continued its prior good performance into the new year. Indicators such as industrial production, export orders and business confidence suggest ongoing, albeit somewhat slowing, momentum in the second half of 2006, which should end up with average real GDP growth of 1.8%.[4]

Labour utilisation still rising

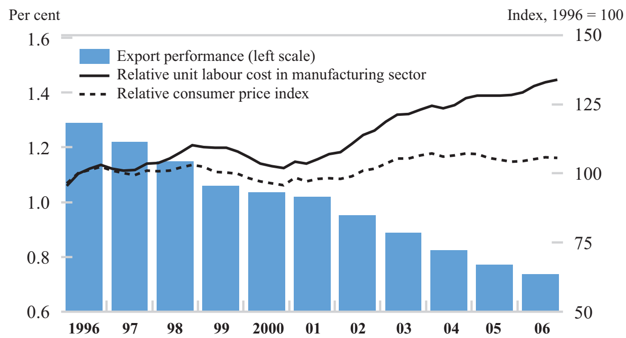
Employment growth again outstripped that of output in the first half of 2006. This reflected a new immigrant amnesty programme (for which all those resident in Italy for at least five years are eligible), rising employment of persons over 50 years of age given phasing in of pension reforms, and continued growth of fixed term contracts among younger workers. The apparent increase in labour intensiveness of production

Italy

Industrial recession has ended



Competitiveness still a concern



1. Year-on-year percentage changes.
2. First half.
Source: OECD Economic Outlook 80 database.

4. The OECD figures are on a working-day-adjusted basis. According to government estimates, excluding this adjustment growth in 2006 would be about 0.1% lower.

Italy: **Employment, income and inflation**

Percentage changes from previous period

	2004	2005	2006	2007	2008
Employment	1.5	0.7	1.7	0.8	1.0
Unemployment rate[1]	8.1	7.8	7.1	6.8	6.5
Compensation of employees	3.4	4.3	5.6	2.4	4.0
Unit labour cost	2.5	4.1	3.7	1.0	2.4
Household disposable income	3.7	1.9	3.8	2.3	4.7
GDP deflator	2.9	2.1	2.0	1.9	2.0
Harmonised index of consumer prices	2.3	2.2	2.2	1.9	2.0
Core harmonised index of consumer prices[2]	2.1	1.9	1.6	1.8	2.0
Private consumption deflator	2.6	2.3	2.6	2.0	2.0

1. As a percentage of labour force.
2. Harmonised index of consumer prices excluding food, energy, alcohol and tobacco.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/158072665801*

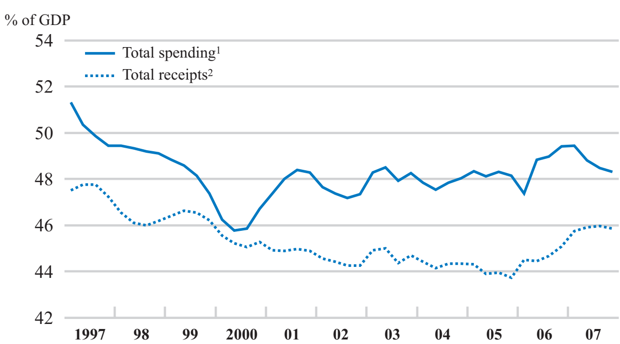
implies a sixth year running of negative or negligible productivity growth, although the jobs growth should contribute positively to household incomes and tax revenues. With labour force participation rates among women and older workers quite low in relation to the OECD averages, this adjustment process could still have some way to run.

Inflation converging?

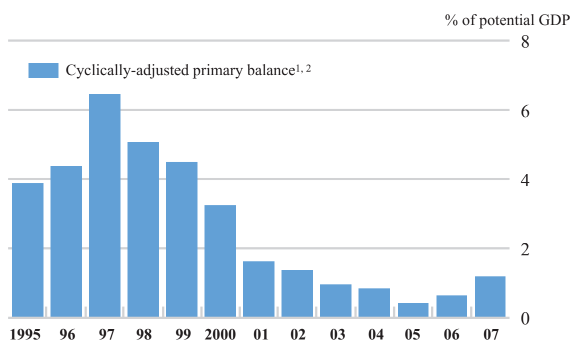
During the first nine months of 2006, Italy's headline inflation rate stayed in line with the euro area average of 2.3%, continuing a convergence process that began around 2004. This may reflect the relatively wide negative output gap and attenuated or slower pass through of past oil price rises, as Italian core inflation remains some ¼ percentage points above the euro area average. Furthermore, relative unit labour costs in the exposed sector continue to climb and are 25% higher than a decade ago. Though productivity measures could be distorted by labour market adjustments, the steady erosion of export market shares over the same period suggests an underlying problem. Also, Italy is one of the rare OECD countries where the labour share in income has continued to rise in the globalising era. A prolonged period of below

Italy

Public spending and taxes rising



Restrictive fiscal stance in 2007



1. Excludes in 2006 EUR 13.4 billion estimated accounting liabilities for VAT refund.
2. Excludes in 2007 EUR 5 billion estimated TFR transfer to government.

Source: OECD Economic Outlook 80 database.

Italy: **Financial indicators**

	2004	2005	2006	2007	2008
Household saving ratio[1]	11.5	10.6	10.2	9.5	10.0
General government financial balance[2,3,4]	-3.5	-4.3	-4.8	-3.2	-3.3
Current account balance[2]	-0.9	-1.6	-2.2	-2.2	-2.6
Short-term interest rate[5]	2.1	2.2	3.1	3.8	4.0
Long-term interest rate[6]	4.3	3.6	4.1	4.3	4.6

1. As a percentage of disposable income.
2. As a percentage of GDP.
3. Excludes the impact of swaps and forward rate transactions on interest payments which amounted to some 0.15 % of GDP by 2005. These operations are however included in the financial balance reported to the European Commission for purposes of the excessive deficit procedure.
4. In 2006 includes a one-off refund of VAT receipts amounting to 0.9% of GDP, following a judgement by the European Court of Justice.
5. 3-month interbank rate.
6. 10-year government bonds.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/158072665801*

average wage and price inflation based on structural adjustments seems necessary in order to stem the continued loss of market shares and eventually reconstitute them.

Unexpectedly buoyant tax revenues in 2006

The government estimates the 2006 deficit at 4.8% of GDP of which around 1% represents a one-off value-added tax (VAT) refund on company cars ordered by the European Court of Justice and accounted as a future liability. The underlying deficit estimate of 3.8% could in fact be undershot given that the cash deficit for the first nine months was already almost 2 percentage points of GDP lower than in the same period of 2005, thanks to an unexpected revenue surge.

Italy: **Demand and output**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption[1]	789.3	0.5	0.1	1.6	1.0	2.0
Government consumption	262.9	0.5	1.2	0.7	0.3	1.3
Gross fixed investment	272.2	1.9	-0.4	3.7	3.9	2.9
Machinery and equipment	147.0	2.9	-1.4	4.8	6.2	4.0
Construction	125.2	0.6	0.8	2.3	1.2	1.5
Residential	52.0	2.5	6.5	3.2	0.9	1.2
Non-residential	73.1	-0.7	-3.4	1.6	1.5	1.8
Final domestic demand	1 324.4	0.8	0.2	1.8	1.5	2.1
Stockbuilding[2]	4.6	-0.1	0.2	-0.6	0.0	0.0
Total domestic demand	1 329.0	0.7	0.4	1.2	1.4	2.1
Exports of goods and services	328.6	2.5	0.7	5.1	3.5	4.4
Imports of goods and services	321.3	1.9	1.8	3.4	3.7	5.8
Net exports[2]	7.3	0.2	-0.3	0.4	-0.1	-0.4
GDP at market prices	1 336.3	0.9	0.1	1.8	1.4	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. Final consumption in the domestic market by households.
2. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/158072665801*

Italy: External indicators

	2004	2005	2006	2007	2008
			$ billion		
Goods and services exports	436.2	464.2	514.7	555	589
Goods and services imports	424.1	465.0	523.5	566	611
Foreign balance	12.1	- 0.8	- 8.8	- 11	- 22
Invisibles, net	- 27.5	- 27.0	- 31.1	- 31	- 31
Current account balance	- 15.4	- 27.8	- 40.0	- 43	- 53
			Percentage changes		
Goods and services export volumes	2.5	0.7	5.1	3.5	4.4
Goods and services import volumes	1.9	1.8	3.4	3.7	5.8
Export performance[1]	- 6.9	- 6.7	- 4.6	- 4.0	- 3.8
Terms of trade	0.0	- 1.9	- 3.1	- 0.1	- 0.3

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/158072665801*

Fiscal adjustment in 2007

The draft 2007 budget targets a reduction in the deficit to 2.8% of GDP. The proposed fiscal adjustment is heavily skewed toward revenue increases rather than spending cuts. Almost one-third of this revenue increase is achieved by a transfer to the government of existing worker contributions to severance funds (TFR), albeit this accounting is pending approval from Eurostat. About half reflects improved tax collections from stepped up anti-evasion measures. Genuine net tax rate increases account for a small part, because income tax hikes are offset by a cut in company value-added taxes. The OECD projections indicate a 3.2% of GDP deficit despite similar GDP growth to that in the budget. The overshoot from the official target reflects mainly an incomplete realisation of anticipated receipts from reduced tax evasion, in light of past experience. All in all, the underlying decline in the structural deficit is modest (½ per cent of GDP). The deficit widens marginally in 2008 while the debt ratio stabilises around 107%.

A benign outlook nonetheless

Growth is projected to fall to 1.4% in 2007, around its trend rate. The tax increases will have a depressive effect on consumption growth and rising interest rates entail a cooling down of the housing market, while business investment decelerates gradually as the cycle matures. Against this, households are likely to engage in income smoothing by reducing savings rates. Exports and employment should benefit from the targeted cuts in company taxes, which will lower labour costs. Real wages are projected to grow in line with the modest productivity gains and pick up pace in 2008 in a context of tightening labour markets. Inflation nonetheless stabilises at just below 2% thanks to the assumed stability of energy prices. Such positive forces should allow a return to above trend growth in 2008.

Risks stem from fiscal policy and global demand

While acknowledging the targeted fiscal effort in 2007, two major rating agencies have downgraded Italian long term debt because of concerns about the lack of structural measures to get public spending and debt under control. The markets will closely monitor the Italian debt because of the recent downgrade, so that any fiscal slippage could have an indirect impact on the country risk premium. Other risks relate to the restrictive impacts of the tax increases on domestic activity, to possible hurdles to final passage of the budget and to the strength of global demand.

United Kingdom

GDP growth is expected to continue at its recent pace of 2½ to 2¾ per cent, supported by buoyant domestic demand. Exceptionally strong labour force growth – driven by high immigration and rising participation – is outstripping employment growth, pushing the unemployment rate up. The resulting labour market slack should help to ensure that the anticipated fourth quarter spike in headline inflation does not push up inflationary pressures, and that headline inflation moves back to the 2% target in 2007.

Spending restraint and achieving value for money in public spending will be the challenge for fiscal policy over the next few years and will be crucial if a decisive reduction of the government deficit is to be achieved. Following recent monetary policy tightening, the case for further increases in interest rates is not compelling. To raise potential growth policy should focus on improving workforce skills and continuing the national roll-out of the reformed disability scheme.

Economic growth remains robust

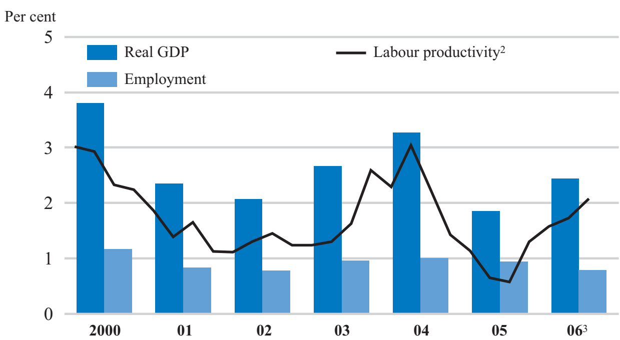
GDP continued to grow steadily through the first half of 2006, with a steady pick-up in investment and a further strengthening in consumption. An accelerating trend in value-added tax (VAT) carousel fraud prior to a sharp correction in July has made the interpretation of export and import data difficult. However, net export figures, which should be largely unaffected by VAT fraud, suggest that the external sector has been a slight drag on growth. After mixed signals earlier in the year, activity in the housing market remains robust, with annual house price inflation in the 5-10% range. The preliminary estimate for GDP growth in the third quarter suggests a further 0.7% expansion, continuing the first-half-year trend of firm growth in both manufacturing and services output.

CPI inflation is rising, but the labour market remains slack

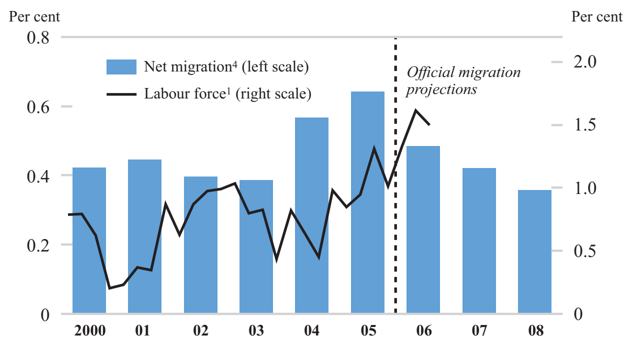
In recent months consumer price inflation has increased above its target level of 2%, pushed up mainly by high domestic gas and electricity prices. Most measures of core inflation are also trending upwards, although at lower levels. Inflation expectations have dropped back from their earlier highs, although they remain above 2%; with the peak in CPI inflation still ahead, expectations remain vulnerable. Nevertheless, there is no evidence so far of high headline inflation having spilled over into wage inflation. In this respect, immigration is likely to have played a major role as it

United Kingdom

GDP and productivity growth have picked up[1]



Net migrant inflows are boosting the labour force



1. Year-on-year percentage change.
2. Measured as real GDP per employed person.
3. Average for first three quarters for GDP and employment.
4. In per cent of working age population.

Source: OECD Economic Outlook 80 database, Office for National Statistics and Government Actuary's Department.

StatLink: *http://dx.doi.org/10.1787/418626502126*

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

Percentage changes from previous period

	2004	2005	2006	2007	2008
Employment	1.0	0.9	0.9	1.1	1.1
Unemployment rate[1]	4.7	4.8	5.5	5.7	5.8
Compensation of employees	5.2	5.6	5.6	5.6	5.4
Unit labour cost	1.8	3.7	2.9	2.9	2.5
Household disposable income	3.4	4.8	3.6	4.8	4.6
GDP deflator	2.6	2.2	2.3	2.5	2.1
Harmonised index of consumer prices[2]	1.3	2.0	2.2	2.0	1.9
Core harmonised index of consumer prices[3]	1.0	1.4	1.2	1.7	1.9
Private consumption deflator	1.7	2.5	2.2	2.1	2.0

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 80 database.

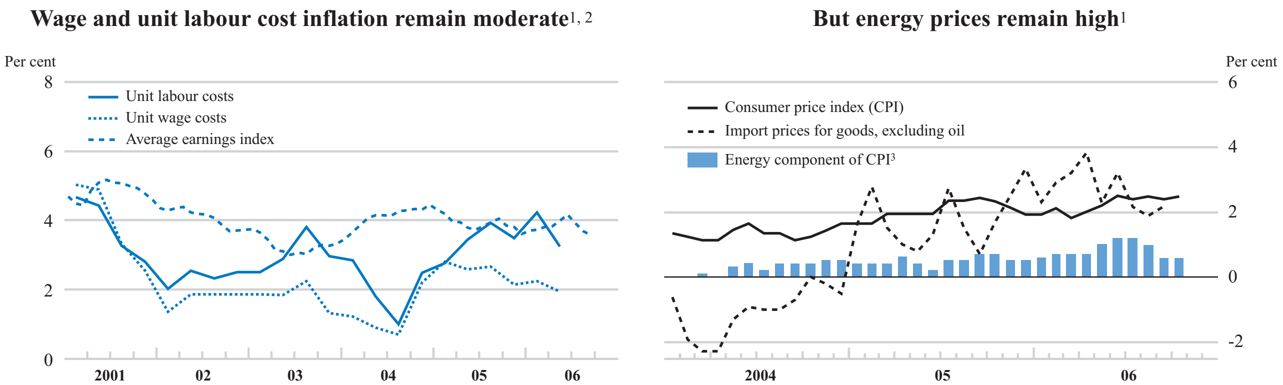
StatLink: *http://dx.doi.org/10.1787/522555346460*

has increased labour market slack. Indeed, the combination of strong immigration and increasing participation among older workers has led labour force growth to outstrip employment growth, causing the unemployment rate to pick up from 4.8% in 2005 to 5.6% by September 2006.

Monetary conditions have tightened

In response to higher inflationary pressures and real economy strength, the Bank of England raised the repo rate from 4.5% to 4.75% in August, reversing the cut of one year earlier, followed by a further increase to 5.0% in November. Together with recent sterling appreciation, this implies a tightening in monetary conditions. These projections assume that the tightening cycle is now complete. As long as headline inflation moderates as projected, the repo rate should then begin to gradually return towards neutral during 2008.

United Kingdom



1. Year-on-year percentage change.
2. The average earnings index covers the private sector, excludes bonus payments and is a three month average. Unit labour costs include pension contributions, whereas unit wage costs do not.
3. Difference between growth of total CPI and CPI excluding energy.

Source: Office for National Statistics.

StatLink: *http://dx.doi.org/10.1787/867646776341*

United Kingdom: **Financial indicators**

	2004	2005	2006	2007	2008
Household saving ratio[1]	3.7	4.9	5.3	5.6	5.7
General government financial balance[2]	-3.3	-3.4	-3.0	-2.7	-2.6
Current account balance[2]	-1.6	-2.2	-2.4	-2.0	-2.1
Short-term interest rate[3]	4.6	4.7	4.8	5.0	4.8
Long-term interest rate[4]	4.9	4.4	4.5	4.7	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 80 database.

StatLink: *http://dx.doi.org/10.1787/522555346460*

The general government deficit is narrowing only slightly

Recent cash data suggest that government revenues have been strong in recent months – broadly in line with budget projections – but that expenditure growth will have to slow considerably over the remainder of the fiscal year if the deficit target is to be achieved. Assuming that the government does succeed in reining-in expenditure growth and that revenue buoyancy continues, the general government deficit is expected to fall slightly below 3% of GDP in 2007. The government expenditure path for the period beyond March 2008 is very uncertain, as the spending envelope will not be announced until the 2007 Comprehensive Spending Review. The OECD projections assume that total spending after March 2008 will be kept constant as a percentage of GDP, whereas the 2006 budget assumed that current outlays as a percentage of GDP would begin to fall. This difference in assumption, together with slightly weaker growth in corporate tax revenues in 2007 and 2008, explains why the OECD projection for the deficit narrows less rapidly than suggested by the 2006 Budget. Recent fiscal outturns suggest that the government may find it difficult to meet its golden rule fiscal objective without additional revenue or expenditure measures, although this also depends in large part on the dating of the business cycle, which is uncertain.

United Kingdom: **Demand and output**

	2003	2004	2005	2006	2007	2008
	Current prices £ billion	Percentage changes, volume (2003 prices)				
Private consumption	724.3	3.4	1.4	2.1	2.1	2.2
Government consumption	232.7	3.2	2.8	2.0	1.3	1.3
Gross fixed investment	178.8	6.0	2.7	5.4	6.2	6.0
Public[1]	18.3	8.3	12.6	11.3	5.4	6.4
Residential	51.2	13.0	-1.6	3.9	7.5	6.5
Non-residential	109.2	2.3	3.2	4.9	5.7	5.7
Final domestic demand	1 135.8	3.7	1.9	2.6	2.6	2.7
Stockbuilding[2]	3.9	0.1	-0.1	0.1	0.0	0.0
Total domestic demand	1 139.7	3.8	1.8	2.7	2.6	2.7
Exports of goods and services	285.4	4.9	7.1	12.8	5.6	9.1
Imports of goods and services	314.8	6.6	6.5	12.1	5.2	8.3
Net exports[2]	- 29.4	-0.6	0.0	-0.2	0.0	0.0
GDP at market prices	1 110.3	3.3	1.9	2.6	2.6	2.8

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 80 database.

StatLink: *http://dx.doi.org/10.1787/522555346460*

United Kingdom: **External indicators**

	2004	2005	2006	2007	2008
			$ billion		
Goods and services exports	547.5	587.8	677.7	740	813
Goods and services imports	611.6	669.9	777.4	850	934
Foreign balance	- 64.1	- 82.2	- 99.7	- 110	- 121
Invisibles, net	28.8	34.4	44.1	57	63
Current account balance	- 35.3	- 47.7	- 55.6	- 52	- 57
			Percentage changes		
Goods and services export volumes	4.9	7.1	12.8	5.6	9.1
Goods and services import volumes	6.6	6.5	12.1	5.2	8.3
Export performance[1]	- 4.6	- 0.3	3.8	- 1.6	1.3
Terms of trade	0.4	- 2.6	- 1.2	- 0.5	- 0.8

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/522555346460*

Strong immigration is likely to continue…

Record high inward migration has been adding to potential growth while fuelling domestic demand. Official government projections suggested that the pace of net inward migration was likely to slow over 2006 and the following years. To date, however, migration inflows have remained strong and projections for the following few years seem conservative, suggesting an upside risk to the growth trajectory. Since strong labour force growth also leads to a higher path for potential output, stronger growth achieved through this channel would not necessarily result in an acceleration of inflation. On the contrary, international as well as UK evidence suggests that immigration can serve to make the labour market as a whole more fluid and wages less sensitive to demand fluctuations.

… boosting domestic demand

Steady growth in consumer spending and a moderate recovery in private investment are projected to support domestic demand, compensating for slower growth in public spending and a negligible contribution from net exports. GDP growth is projected to be around 2¾ per cent per annum, although with strong growth in potential, capacity constraints are not expected to bite. Although employment growth is projected to remain solid, further small increases in the unemployment rate are likely as long as rising domestic participation and immigration continue to expand the labour force. The household saving rate is projected to pick up gradually, due to ongoing concerns about pensions. Consumer price inflation is likely to increase to above 2.5% over the remaining months of 2006, due to further increases in domestic gas and electricity prices, and an increase in tertiary tuition fees. While the tuition fee increase will also boost inflation in the fourth quarters of 2007 and 2008, underlying inflationary pressures are projected to remain moderate.

Risks are to the upside for growth but balanced for inflation

There is greater than usual uncertainty over the outlook for inflation, which could be pushed higher by stronger growth, given the limited margin of spare capacity, or by any pick-up in wage inflation. However, if migrant inflows continue to raise labour market slack, inflation could fall more rapidly back below the 2% target next year. Overall, migration trends suggest an upside risk to GDP growth, whereas the risk for inflation is more balanced.

Canada

Following tighter monetary conditions, terms-of-trade losses and weaker exports, activity has recently eased and the economy is estimated to be operating close to its potential level. Looking forward, it is expected to benefit from some pick-up in external markets while domestic demand decelerates modestly following its recent robust expansion. Inflation pressures are likely to remain limited, as energy prices have fallen from recent peaks and wages may rise only moderately.

In the context of on-target inflation and a modest pick up in activity, the Bank of Canada should keep its policy rate constant so long as no nation-wide labour market pressures come into view. At the same time, fiscal settings at all levels of government need to remain prudent and the federal government should focus on reducing the debt burden before ageing pressures accumulate.

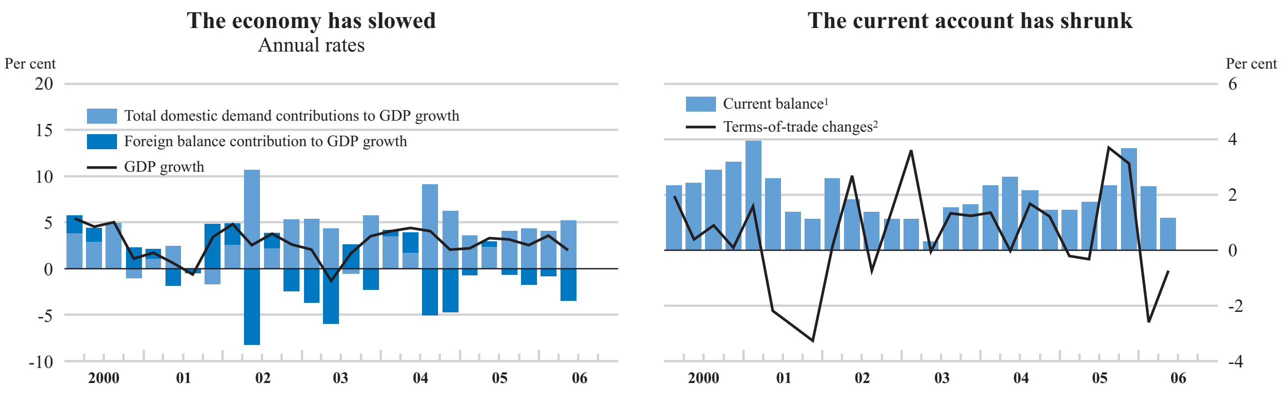
Weak foreign demand has damped activity…

The Canadian economy slowed in the Spring of 2006, after almost two years of strong growth. Similarly, labour markets have softened slightly, although recent data suggest a rebound in job creation. The major drag on activity has continued to be external trade. Indeed, both the past appreciation of the Canadian dollar and moderating US economic growth have affected export volume growth. Import volumes have expanded at a very strong pace, spurred by low import prices and still buoyant final domestic demand. With the appreciation of the Canadian dollar and the recent fall in oil and natural gas prices, the terms of trade deteriorated significantly in 2006, for the first time since 2001. As a result, the current account surplus shrank markedly.

… and domestic demand has been boosted by temporary factors

Domestic demand has been firm, but there are signs of cooling. Non-residential investment has decelerated from the fast rates experienced in 2005. In particular, investment in machinery and equipment has slowed sharply, and manufacturers continue to face increased production costs, vigorous global competition and a strong Canadian dollar. As a result of sluggish activity in the transportation sector and lower oil and coal prices, shipments of Canadians factories have been declining. Residential investment has started to fall, and indicators suggest the sector could weaken further in the near term. Tax cuts, including the July 2006 cut in the federal Goods and Services Tax (GST), as well as special government transfers to households, and earlier house price increases have underpinned strong growth in private consumption.

Canada



1. As a percentage of GDP.
2. Annual percentage rates.
Source: Statistics Canada; OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/236533234026*

Canada: **Employment, income and inflation**

Percentage changes from previous period

	2004	2005	2006	2007	2008
Employment	1.8	1.4	1.8	1.3	1.6
Unemployment rate[1]	7.2	6.8	6.4	6.6	6.5
Compensation of employees	5.0	5.6	5.6	4.6	5.5
Unit labour cost	1.6	2.6	2.8	1.8	2.3
Household disposable income	4.7	4.2	5.8	4.5	5.1
GDP deflator	3.0	3.2	1.9	1.1	1.7
Consumer price index	1.8	2.2	2.1	1.5	2.0
Core consumer price index[2]	1.6	1.6	1.9	2.1	2.0
Private consumption deflator	1.5	1.7	1.4	1.3	1.7

1. As a percentage of labour force.
2. Consumer price index excluding the eight more volatile items.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/140710561623*

Some of the extraordinary transfer receipts have been saved, but, nevertheless, the national accounts measure of the household saving ratio remains low.

Inflation outcomes have been benign

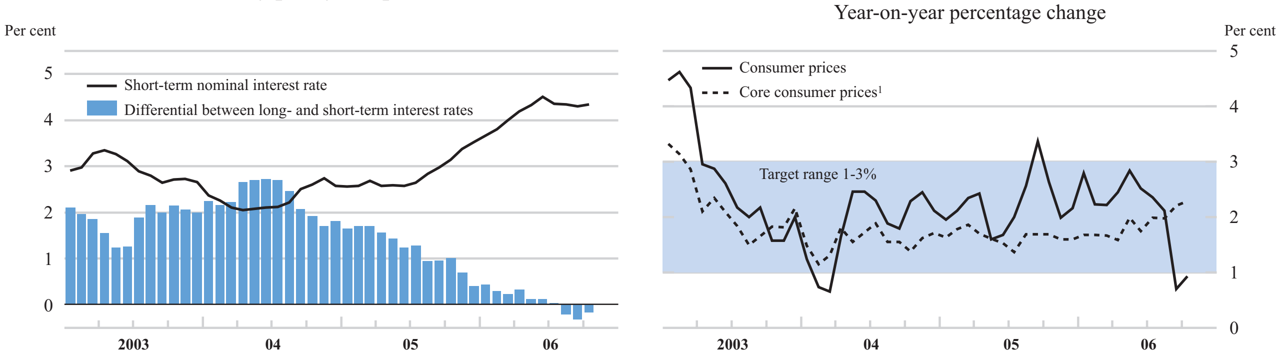
With the fall in energy prices and the GST cut, headline inflation has receded. Core inflation has been fairly stable, close to the monetary policy target range mid-point, suggesting very moderate second-round effects for Canada as a whole. However, energy prices have clearly affected regional dispersion: resource-intensive provinces such as Alberta have experienced significantly higher inflation rates than the nation-wide average reflecting the current tightness of their housing and labour markets. Wage agreements are consistent with subdued inflation while regional wage pressures in some oil-producing provinces may diminish as economic growth in these provinces slows to more sustainable rates. At the same time, hourly productivity developments have again been disappointing, and changes have even turned nega-

Canada

Monetary policy has paused

Inflation remains subdued

Year-on-year percentage change



1. Bank of Canada definition.

Source: Statistics Canada; Bank of Canada.

StatLink: *http://dx.doi.org/10.1787/606818547734*

Canada: **Financial indicators**

	2004	2005	2006	2007	2008
Household saving ratio[1]	2.6	1.2	1.5	1.1	1.3
General government financial balance[2]	0.5	1.4	0.9	0.8	0.8
Current account balance[2]	2.1	2.3	1.1	0.1	0.0
Short-term interest rate[3]	2.3	2.8	4.2	4.3	4.3
Long-term interest rate[4]	4.6	4.1	4.2	4.2	4.4

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 80 database.

StatLink: *http://dx.doi.org/10.1787/140710561623*

tive lately for the first time in two years. This has resulted in some degree of rent-sharing, as real wage growth has been in excess of productivity outcomes, even though unit labour cost increases have remained below output price trends.

The Bank of Canada has paused…

Against this background, the Bank of Canada has kept its target rate unchanged at 4.25% since May 2006. It has indicated that the current level of the target rate is consistent with achieving inflation stability over the medium term. With inflation coming back to the target and a moderate uptake in activity projected, it will be necessary to hold the policy rates constant through the projection period. The long-term interest-rate differential with the United States would remain negative over the next two years, reflecting the more healthy Canadian fiscal and external positions.

Canada: **Demand and output**

	2003	2004	2005	2006	2007	2008
	Current prices CAD billion	Percentage changes, volume (1997 prices)				
Private consumption	686.5	3.3	3.9	3.9	3.4	3.1
Government consumption	239.4	3.0	2.7	3.5	3.3	3.2
Gross fixed investment	237.7	8.0	7.1	6.3	3.4	4.0
Public[1]	29.8	3.4	6.9	6.8	4.8	4.9
Residential	73.1	7.7	3.2	2.8	-1.1	0.1
Non-residential	134.9	9.1	9.4	8.3	5.6	5.9
Final domestic demand	1 163.6	4.2	4.3	4.3	3.4	3.3
Stockbuilding[2]	4.6	0.1	0.4	0.0	0.1	0.0
Total domestic demand	1 168.3	4.3	4.8	4.3	3.5	3.3
Exports of goods and services	461.7	5.2	2.1	1.3	1.7	3.6
Imports of goods and services	416.5	8.2	7.1	5.8	3.7	4.0
Net exports[2]	45.1	-0.8	-1.6	-1.5	-0.7	-0.1
GDP at market prices	1 213.4	3.3	2.9	2.8	2.7	3.1

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. 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 80 database.

StatLink: *http://dx.doi.org/10.1787/140710561623*

Canada: External indicators

	2004	2005	2006	2007	2008
			$ billion		
Goods and services exports	380.6	429.4	460.9	469	492
Goods and services imports	339.5	386.3	431.3	452	475
Foreign balance	41.1	43.1	29.6	18	16
Invisibles, net	- 20.0	- 16.7	- 16.0	- 16	- 16
Current account balance	21.1	26.5	13.6	1	0
			Percentage changes		
Goods and services export volumes	5.2	2.1	1.3	1.7	3.6
Goods and services import volumes	8.2	7.1	5.8	3.7	4.0
Export performance[1]	- 5.2	- 4.1	- 5.4	- 3.1	- 2.4
Terms of trade	4.1	4.0	0.4	- 0.8	0.0

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/140710561623*

... and fiscal policy continues to post robust surpluses

Budgetary surpluses have been healthy, despite the recent shortfall in the federal surplus. Most of the windfall gains have been directed toward reducing the government debt, and the federal government plans to further diminish the federal debt by CAD 3 billion per year. Some CAD 3 billion has also been transferred to provinces for public transit, low-income housing and post-secondary education. Moreover, as foreshadowed in the 2006 federal budget, a number of spending programmes have been cut and personal and corporate income taxes will be reduced. Tax credits will also be granted to some households. At the same time, the closure of the income trust loophole is likely to prevent the erosion of the corporate tax base. Overall, fiscal policy is expected to be largely neutral, with the cyclically-adjusted general government primary surplus declining only very slightly over the projection period.

Activity is expected to pick up

The economy is expected to grow at below-potential rates in the near term. But the slowdown is likely to be short-lived with the economy subsequently growing at a reasonably solid pace. The unemployment rate should come down slightly. A recovery of export demand should be one of the main drivers of the rebound, especially as external markets accelerate and the effects of the past currency appreciation dissipate. On the other hand, smaller household net worth gains, as well as the past increases in interest rates, could curb private consumption growth somewhat. Private investment is also expected to expand at a lower rate than in the past two years. After a temporary dip reflecting the GST cut, headline inflation may stay close to 2%, abstracting from the impact of energy price movements. Productivity growth is expected to edge up gradually but would not keep pace with wage developments. The current account surplus is projected to narrow.

Developments on external markets are the main risks

The main risk to the outlook is that the recent slowdown experienced in the United States, Canada's main trading partner, lasts longer than expected. A further fall in commodity prices, in particular those for oil and gas, could also reduce real income gains and thereby dampen private consumption. On the domestic side, risks are balanced and mostly relate to uncertain developments in productivity and employment. Labour force participation could also grow more slowly than projected, generating further inflationary pressures. Lastly, the recent weakness of the manufacturing sector could also spread out to other sectors of the economy.

Australia

A pick-up in export volumes is likely to bring output growth gradually back up above the trend rate of over 3% by 2008, despite a decline in the terms of trade and a cooling of the business investment boom. Growth will, however, be held back in 2007 by the effect of a drought on the agricultural sector.

Interest rates are close to a level that should ensure inflation returns to the target over the coming year. A modest fiscal surplus should be maintained, as buoyant tax receipts related to the commodities boom will be transitory. Skill shortages have threatened to reduce growth and prompted the recent announcement of a new skills initiative. Constraints on trading water need to be removed so that scarce water moves to higher value uses.

The economy remains close to capacity

GDP growth of just 2% in the year to mid-2006 was well below trend growth of over 3%. However, growth in final domestic demand over this period has exceeded output growth by about 2%. Strong demand has been boosted by income gains resulting from the global boom in mined commodities, in which Australia is a major producer, and which have propelled the terms of trade to a 32-year high. They are now probably close to a peak, and are likely to weaken from here on. Despite recent sub-trend output growth the unemployment rate has edged down to below 5%, its lowest level in 30 years and below estimates of the structural rate, while the share of businesses reporting shortages of labour as a constraint on output has risen to record levels.

Inflation has peaked

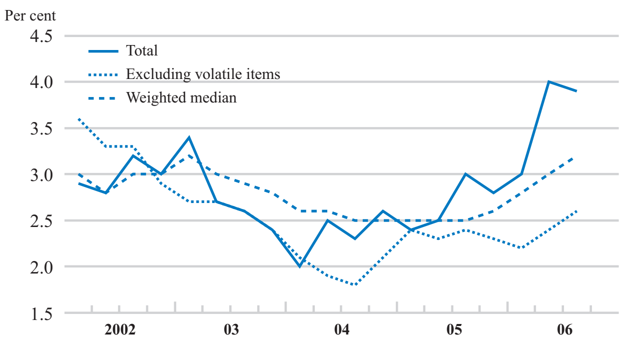
Labour market tightness has led to a pick-up in wage inflation, although not yet to a level which threatens the 2 to 3% inflation target. CPI inflation rose sharply to 4% in the second quarter, only falling slightly to 3.9% in the third quarter, with much of the jump explained by higher petrol prices and a blip in fruit prices caused by cyclone Larry. Excluding these volatile items annual inflation was only 2.6% in the third quarter. However, central-tendency measures of core inflation have been rising steadily and are now running at close to 3 to 3¼ per cent and this prompted the Reserve Bank to raise the policy rate to 6¼ per cent in November, the third rise this year.

The fiscal stance is easing modestly

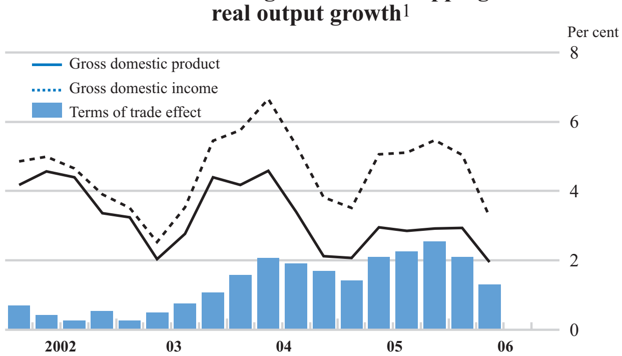
The general government surplus in fiscal year 2005-06 has probably surprised on the upside again, with a surplus of nearly 2½ per cent of GDP, while net government debt has recently been eliminated. Substantial income tax cuts in the May Budget as well as plans for increased spending on infrastructure by the states are likely to see the surplus roughly halve as a share of GDP over the next two years, so imparting a modest fiscal impulse.

Australia

CPI inflation has picked up[1]



Real income growth is outstripping real output growth[1]



1. Year-on-year percentage change.

Source: Reserve Bank of Australia and ABS (2006), Australian National Accounts: National Income, Expenditure and Product (cat. No. 5206.0).

StatLink: *http://dx.doi.org/10.1787/152054381548*

Australia: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices AUD billion	Percentage changes, volume				
Private consumption	476.0	5.9	3.1	2.6	2.4	2.6
Government consumption	146.1	3.8	3.1	2.6	3.3	3.2
Gross fixed capital formation	202.8	7.6	7.1	7.4	6.0	5.0
Final domestic demand	824.8	5.9	4.1	3.8	3.5	3.3
Stockbuilding[1]	7.1	-0.5	0.1	-0.6	-0.2	0.0
Total domestic demand	831.9	5.4	4.2	3.2	3.3	3.4
Exports of goods and services	142.2	4.1	2.1	2.7	4.4	8.8
Imports of goods and services	164.5	15.1	8.2	5.8	6.0	8.0
Net exports[1]	- 22.3	-2.0	-1.3	-0.8	-0.5	-0.2
Statistical discrepancy[1]	0.0	-0.1	-0.1	0.0	0.0	0.0
GDP at market prices	809.6	3.3	2.9	2.6	3.0	3.4
GDP deflator	_	3.5	4.6	4.3	3.6	3.4
Memorandum items						
Consumer price index	_	2.3	2.7	3.7	2.8	2.5
Private consumption deflator	_	1.3	1.9	2.8	2.6	2.7
Unemployment rate	_	5.5	5.1	5.0	5.0	5.1
Household saving ratio[2]	_	-3.4	-2.9	-1.7	-0.8	-1.2
General government financial balance[3]	_	1.6	1.6	2.5	1.9	1.4
Current account balance[3]	_	-6.2	-5.9	-5.5	-5.6	-5.2

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 disposable income.
3. As a percentage of GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/457748476667*

Growth will become more balanced

The pattern of aggregate spending is changing. The boom in business investment, which has grown at double digit rates over the past four calendar years, has slowed markedly since the start of 2006. Recent increases in short-term interest rates as well as higher oil product prices appear to have tempered the pick-up in consumption that was apparent at the beginning of the year. Nevertheless, while the saving rate is likely to rise moderately, this will still be consistent with consumption growth of about 2½ per cent given sustained income growth supported by recent income tax cuts and a strong labour market performance. The slowdown in domestic demand should be offset by a stronger foreign demand contribution to growth. A substantial improvement in the trade balance in recent months suggests that the long-awaited pick-up in resource export volumes, which may have been constrained by inadequate infrastructure, is beginning to materialise. However, drought conditions are likely to hold back agricultural exports in 2007 and restrain growth. A recovery in the agricultural sector, assuming a return to more normal rain patterns should, lead to a pick-up in growth in 2008 to about 3½ per cent, with the economy operating close to capacity. Since the impact of high energy and exceptional fruit prices will fade only gradually, headline inflation may not fall back within the 2-3% target range until mid-2007, but this is entirely consistent with the “thick point” inflation target. Modest interest rate cuts from late 2007 should not jeopardise inflation stabilising around the mid-point of the target.

Risks relate to the commodities cycle and water shortages

There is considerable uncertainty concerning the extent and timing of the eventual downturn in commodity prices and hence the terms of trade which have been a major factor driving demand. A prolongation of the current drought would endanger the pick-up in growth in 2008.

Austria

Driven by strong investment and exports, GDP growth is expected to pick up to above 3% in 2006 before slowing to 2½ per cent in 2007. With the economy still operating somewhat below potential, inflationary pressures are likely to be contained, particularly in light of continued wage restraint.

The fiscal deficit is likely to be below 1½ per cent of GDP in 2006. However, the projected impact of the recent tax cuts imply that avoiding a future deterioration of the general government balance will require additional efforts at fiscal consolidation, notably through expenditure cuts.

Growth has been strong and is accelerating

GDP growth (annualised) rose to 3¼ per cent in mid-2006 and, as a result of stronger employment growth, the unemployment rate has declined to 5½ per cent. A financial scandal surrounding the near-collapse of a trade union-owned bank in April-May 2006 seems to have had few economic repercussions. The acceleration of growth was mainly driven by exports and the recovery of investment. Business surveys indicate a further boosting of confidence in the manufacturing sector, with the recovery becoming more broadly based and spreading to the services sector. On the other hand, consumer confidence remains subdued. Private consumption has remained weak, despite the tax cuts that came into effect at the beginning of 2005.

Further fiscal consolidation measures may be needed

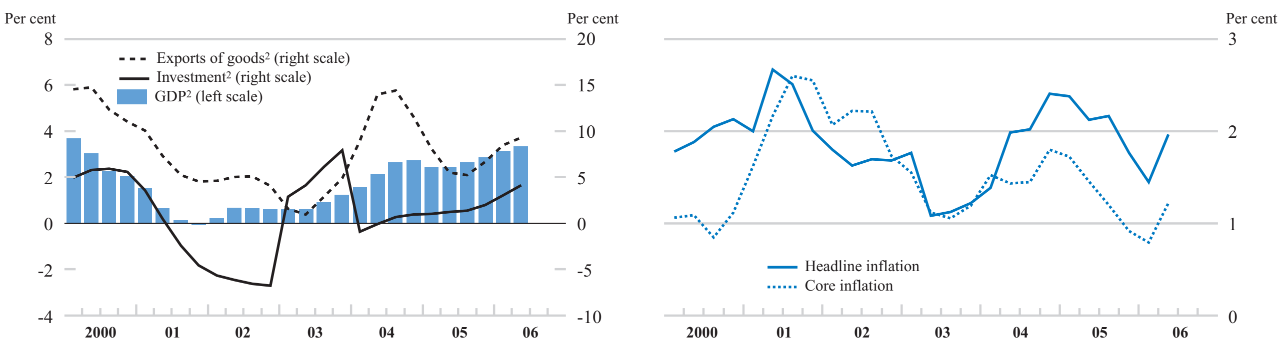
Fiscal policy has been less expansionary than was projected in the 2006 budget. Preliminary data for the first half of 2006 indicate that higher than expected tax revenues (and in particular corporate tax receipts) more than offset higher-than-budgeted general government expenditures. The latter reflected additional government expenditures related to a range of labour market policy measures (such as expansion of vocational training) and the bringing forward of some expenditure plans ahead of the October general election. In light of the recently enacted tax cuts the government may have to implement additional consolidation measures and reduce its spending over the next two years to prevent the deficit from increasing.

Inflationary pressures remain subdued

Inflationary pressures are likely to be contained throughout the forecast period, despite rising capacity utilization. So far there is little evidence of any significant pass-through effects from higher energy prices onto wages. This is consistent with

Austria

Growth is picking up, driven by exports and investment[1] | **But inflationary pressures remained subdued**[1]



1. Year-on-year percentage change.
2. Volume.
Source: OECD Economic Outlook database.

StatLink: *http://dx.doi.org/10.1787/314748746864*

Austria: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	128.2	2.0	1.5	1.8	2.0	2.1
Government consumption	41.4	1.4	1.9	0.9	0.5	0.5
Gross fixed capital formation	48.1	0.1	1.4	4.3	3.5	2.6
Final domestic demand	217.7	1.5	1.6	2.2	2.1	1.9
Stockbuilding[1]	- 0.5	0.3	0.0	0.0	0.0	0.0
Total domestic demand	217.1	1.6	2.0	2.2	2.2	1.9
Exports of goods and services	109.8	9.5	6.9	7.5	6.8	7.4
Imports of goods and services	100.8	8.3	6.1	5.9	6.6	7.0
Net exports[1]	9.0	0.9	0.7	1.2	0.5	0.6
GDP at market prices	226.2	2.3	2.6	3.2	2.5	2.4
GDP deflator	_	1.7	1.5	1.3	1.7	1.9
Memorandum items						
Harmonised index of consumer prices	_	2.0	2.1	1.7	1.8	2.0
Private consumption deflator	_	1.7	1.6	1.7	1.9	2.0
Unemployment rate[2]	_	5.7	5.8	5.5	5.5	5.5
Household saving ratio[3]	_	9.0	9.4	9.7	9.7	9.6
General government financial balance[4]	_	-1.3	-1.6	-1.3	-1.6	-1.5
Current account balance[4]	_	0.2	1.2	2.3	2.6	3.6

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 data annex for details.
3. As a percentage of disposable income.
4. As a percentage of GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/341436586330*

the unemployment rate being above the OECD's estimate of the NAIRU (which is just below 5%, although alternative NAIRU estimates are somewhat higher). Energy and oil prices are likely to fluctuate around their current levels. With continued wage moderation and productivity growth, inflationary pressures are likely to be contained in manufacturing but to be somewhat stronger in the other sectors, in particular in the services sector where productivity growth is lower.

Growth is likely to ease over the next two years with inflation remaining subdued

A slowdown in net exports and government spending is expected to result in a deceleration in activity in 2007 and 2008, offset in part by a rise in private consumption. The former partly reflects the anticipated impact of the value-added tax (VAT) increases planned in Germany for January 2007, which is likely to result in a slowdown in Austrian exports to the euro zone. Some fiscal consolidation, including cuts in government expenditure, is also anticipated if the new government continues with the objective of steadily reducing the budget deficit. Consumer price inflation is expected to remain subdued, with unemployment stable at around 5½ per cent. These projections are subject to more uncertainty than usual since, at the time of writing, a new government had not been formed following the October elections and the economic objectives for the projection period are yet to be formulated.

Belgium

After healthy growth in 2006, economic momentum is expected to slow somewhat during the next two years. Domestic demand is being sustained by higher real incomes and employment increases, but continued export market losses show that the economy is not fully benefiting from the international recovery. Despite the slowdown, economic growth will remain higher than the potential rate (just below 2%) closing the output gap by end-2008. There are already signs that slack is disappearing in some parts of the economy; nevertheless, core inflation is projected to remain subdued while headline inflation falls forwards towards the core rate on the back of lower oil prices.

The fiscal objectives are to generate increasing budget surpluses over the projection period as part of the strategy to pre-fund future ageing related cost. Reaching the 2007 objective, however, relies on the use of one-off fiscal measures and higher indirect taxes. A sustainable path for public finances could be secured by fiscal consolidation through a combination of expenditure restraint and labour market measures to stimulate job creation and increase employment rates – particularly for younger and older workers who both have relatively low labour market participation rates.

The pace of recovery is expected to moderate

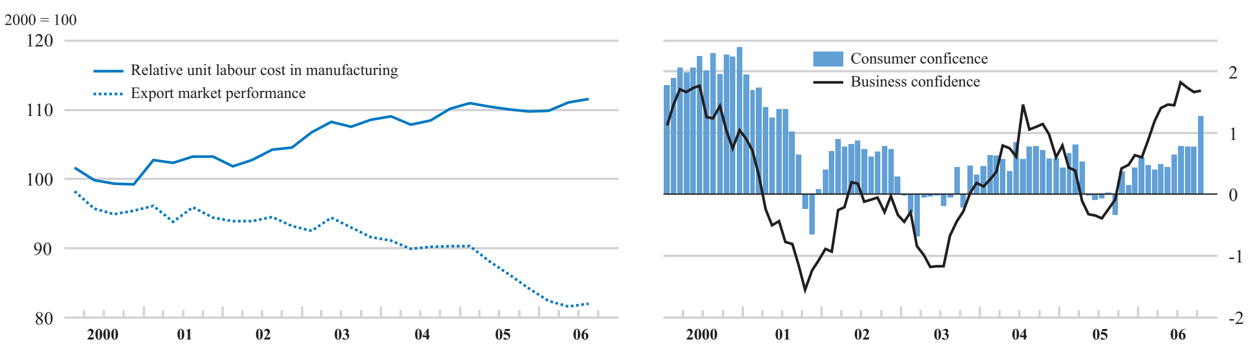
After strong growth in the first half of 2006, the pace of economic recovery is slowing. Exports have not benefited fully from the strong growth in export markets. Moreover, external demand is set to slow in 2007, partly as the result of the German value-added tax (VAT) hike. On the other hand, the momentum of domestic demand should remain strong. Private consumption is being sustained by high consumer confidence and increasing real incomes, arising from employment creation and lower inflation. Business sector investment continues to be buoyant in response to higher capacity utilisation, strong business confidence and still favourable financial conditions. Public infrastructure investments will fall back after having been temporarily boosted ahead of the municipal elections in the autumn of 2006. With parallel increases of both labour demand and supply, the standardised unemployment rate remained stable at around 8.6% before coming down somewhat in the autumn.

Cost competitiveness is deteriorating

Hourly wage increases remain broadly stable around 2½ per cent and more or less in line with the social partners' norm for hourly wage increases during the period 2005-06. The negotiations for the following 2007-08 period are not concluded, but are expected to follow the norm of expected wage developments in the main trading partners, pointing to somewhat lower wage growth, particularly in 2007. Nevertheless, cost competitiveness as measured by unit labour costs in manufacturing has deteriorated as the result of adverse productivity developments and lower *ex-post* wage increases in the main trading partners. Headline inflation is set to come down

Belgium

External competitiveness is deteriorating | **Confidence remains high**[1]



1. The series have been normalised at the average for the period and are presented in units of standard deviation.
Source: OECD Analytical database, *Main Economic Indicators*.

StatLink: *http://dx.doi.org/10.1787/216132005533*

Belgium: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (2004 prices)				
Private consumption	147.0	1.6	0.8	2.4	2.0	2.0
Government consumption	63.2	2.1	-0.6	1.6	2.3	2.2
Gross fixed capital formation	51.9	7.0	5.1	3.1	5.2	3.9
Final domestic demand	262.1	2.8	1.4	2.4	2.8	2.5
Stockbuilding[1]	0.5	0.1	0.6	0.4	0.0	0.0
Total domestic demand	262.6	3.0	2.0	2.7	2.7	2.4
Exports of goods and services	222.0	5.7	3.3	3.1	4.3	5.0
Imports of goods and services	210.0	6.2	4.1	3.0	4.8	5.4
Net exports[1]	12.0	-0.1	-0.4	0.1	-0.3	-0.3
GDP at market prices	274.6	2.7	1.5	2.9	2.3	2.1
GDP deflator	_	2.4	2.1	2.0	1.8	1.7
Memorandum items						
Harmonised index of consumer prices	_	1.9	2.5	2.4	1.7	1.8
Private consumption deflator	_	2.3	3.0	2.3	1.7	1.8
Unemployment rate	_	8.4	8.4	8.6	8.3	8.0
Household saving ratio[2]	_	11.0	10.8	11.5	11.5	11.3
General government financial balance[3]	_	-0.1	0.0	0.0	-0.2	-0.2
Current account balance[3]	_	3.5	2.5	2.0	1.9	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).* Corrected for calendar effects.

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 80 database.

StatLink: *http://dx.doi.org/10.1787/330568066540*

towards the core rate of around 1¾ per cent as a result of lower oil prices, although this effect is partly offset by higher indirect taxes.

Achieving fiscal objectives may require additional public spending restraints

Strict expenditure control and the use of one-off fiscal measures have allowed the general government budget to remain close to balance in 2006. The government is targeting a surplus of 0.3% of GDP in 2007. Reaching this target is facilitated by another 0.2 percentage point decline in the interest charges-to-GDP ratio and the completion of the multi-year tax reform the year before. Moreover, lower levels of governments are expected to run a small but increasing surplus after election-induced spending in 2006. In addition, one-off measures should amount to some 0.4% of GDP. The latter postpone the need for more structural measures to the following year, where the budget objective is a surplus of 0.5% of GDP. On current projections, the objective for 2007 will not be achieved. Moreover, it is unlikely than any further budgetary improvement will materialise in 2008 as no structural measures have been legislated to replace the 2007 one-off measures. Thus, there may be a need for additional measures to secure continued expenditure restraint and to achieve the intended budget surpluses.

Domestic demand should become the main driver of activity

Economic growth is projected to remain above the potential growth rate as domestic demand becomes the main engine of growth. Headline inflation is projected to fall back to the underlying rate of about 1¾ per cent as the effects of lower energy prices fade away and wage increases remain moderate. The main risks to these projections are related to the fiscal outlook, which may require additional fiscal measures to reach the fiscal objectives, with negative effects on disposable income, though with possible offsetting confidence effects. On the upside, export market losses may be lower than projected.

Czech Republic

Growth peaked at the end of 2005 and is expected to level out over the projection period with annual GDP growth averaging 5¼ per cent over 2006-08. While export and investment growth are expected to remain strong and household consumption growth to increase, these will be accompanied by stronger import growth. Headline inflation will be pushed up, largely due to increases in excise duty and price deregulation.

Political stalemate following the general election in June has meant delay in the structural reforms needed for sustainable deficit reduction. No concrete progress is being made in either pensions or healthcare and weaknesses in the Medium-term Expenditure Framework are not being addressed.

GDP growth is coming off the boil

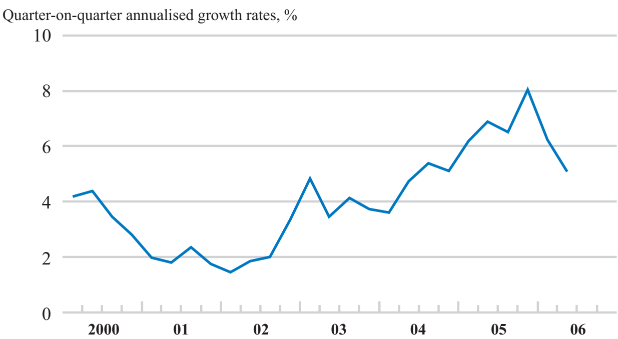
GDP growth eased off in the first half of 2006, but nevertheless remains relatively strong. Economic activity is being powered by a foreign-direct-investment driven expansion in export-oriented manufacturing. Most notably, car production in the first three quarters was 50% higher this year compared with 2005. This trade-driven growth has been feeding through to the domestic economy with rising consumer confidence, higher employment and stronger consumption growth but is also leading to rapid growth in imports. Regulated and fuel price increases, along with a degree of demand pressure, have contributed to inflation being higher than in 2005. Up to October, monthly inflation was around 3% (year-on-year) but it has since dropped off mainly due to developments in the price of natural gas.

Pre-election spending promises have contributed to a delay in euro entry

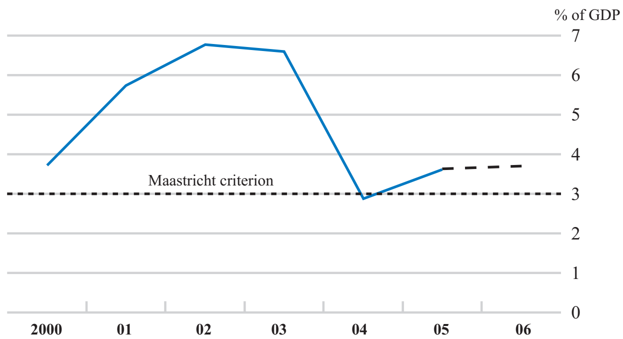
The 2005 general government deficit was announced as 2.6% in spring this year but was revised up to 3.6% in October, chiefly due to the downward revision of value added tax revenues and the upward revision of investment spending. In addition, the government made questionable increases in the spending ceilings of its Medium-term Expenditure Framework in the run up to the general election. Fiscal discipline is also weakened by the Framework's inadequate treatment of windfall revenue and expenditure. The pre-election spending commitments have pushed up deficit projections and the target of joining the euro area by 2010 has been officially abandoned (a new target date has not yet been set). The election failed to deliver a clear majority to coalition groupings headed by either of the main political parties.

Czech Republic

GDP growth has eased off



The consolidation process has stopped[1]



1. OECD estimate for 2006.

Source: OECD Economic Outlook.

StatLink: *http://dx.doi.org/10.1787/030652755241*

Czech Republic: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices CZK billion	Percentage changes, volume (2000 prices)				
Private consumption	1 332.6	2.6	2.3	3.8	4.2	4.5
Government consumption	603.2	-3.2	0.7	-0.6	2.9	0.8
Gross fixed capital formation	687.5	4.7	3.6	6.2	7.2	8.0
Final domestic demand	2 623.3	1.8	2.3	3.4	4.7	4.6
Stockbuilding[1]	12.2	0.9	-0.2	2.1	0.3	0.0
Total domestic demand	2 635.5	2.7	2.1	5.5	4.9	4.5
Exports of goods and services	1 594.9	20.6	10.7	11.9	10.8	11.6
Imports of goods and services	1 653.2	17.8	5.0	11.4	11.1	11.6
Net exports[1]	- 58.4	1.3	4.0	0.5	-0.1	0.2
GDP at market prices	2 577.1	4.2	6.1	6.2	4.8	4.6
GDP deflator	_	3.5	0.9	1.6	3.1	2.7
Memorandum items						
Consumer price index	_	2.8	1.9	2.8	3.4	3.1
Private consumption deflator	_	3.0	1.8	2.8	3.4	3.1
Unemployment rate	_	8.3	8.0	7.3	6.8	6.3
General government financial balance[2]	_	-2.9	-3.6	-3.7	-4.1	-4.3
Current account balance[2]	_	-6.0	-2.1	-2.9	-2.0	-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).*

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 80 database.

StatLink: *http://dx.doi.org/10.1787/815780763868*

The political deadlock has meant delays in structural reforms: a start on pension reform has yet to be made following proposals put forward prior to the election, and progress in healthcare reform remains limited.

Growth will continue to slow but remain robust

Despite the slowdown seen in the quarterly figures, annual growth in 2006 will turn out roughly the same as in 2005, a little over 6%. Real GDP growth is projected at 4.8% in 2007 and slightly lower at 4.6% in 2008. This projected slowdown reflects both a rise in import growth and some slackening of domestic demand growth. Even so, demand pressures will contribute to rising inflation, though to a much smaller degree than the combined effects of increases in excise duty on cigarettes, further deregulation in energy markets and a series of hikes in housing rentals as part of an on-going liberalisation programme. Indeed, headline inflation is expected to peak at close to the upper boundary of the Central Bank's inflation target of 3 ± 1%.

The long-term risks arising from fiscal laxity have increased

The slow progress in structural reforms, the signs of weak budget discipline and the postponement of euro entry have contributed to an increased risk of serious fiscal problems with downside impacts on growth in the longer term.

Denmark

GDP has expanded strongly during 2006 and is now well above potential. With a continuing housing boom and strong external demand, labour shortages have become very clear. Domestic firms are losing market share, and wages have started to accelerate, in particular in the construction sector.

Although short-term interest rates are rising, monetary conditions are still too stimulative, making more critical the need to avoid fiscal slippages in 2007. Efforts to expand labour supply should continue, and measures to cool down aggregate demand should be ready in case wages and prices start overheating.

Expansion is heightening labour shortages

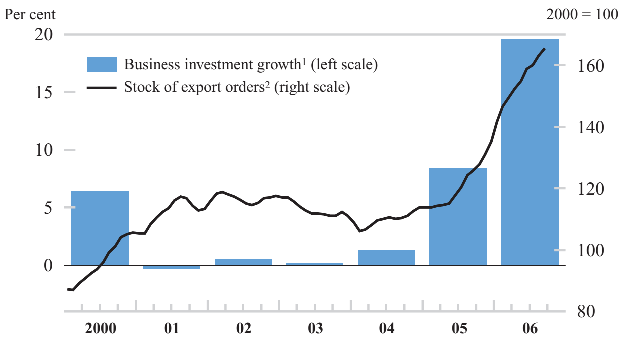
Following GDP growth of 3% in 2005, the economy gained further momentum during 2006. All components of demand are expanding. Private consumption is being driven up by incomes and wealth. Residential investment is expanding at double-digit rates on the back of exceptionally strong house prices increases. Business investments are growing even more rapidly. Export orders have soared during 2006 to a level well above previous historic heights. Nevertheless, net exports are falling because imports are rising even faster than exports. Since early 2005, employment has been increasing steadily at a rate of 1½ per cent, coupled with a slight increase in average hours worked. Unemployment has fallen to the lowest level in three decades, despite increasing labour market participation. In construction, labour shortages are now surpassing their mid-1980s peak, while order books are exceptionally thick and still growing. In both manufacturing and services, there is a clear preponderance of firms expecting still rising demand and employment. In sum, the economy is booming. Consequently, wage and cost pressures are strengthening although, as usual, average earnings only respond with some lag. Consumer price inflation has been fluctuating around 2% since mid 2005.

Despite interest hikes, all demand components are set to continue strong

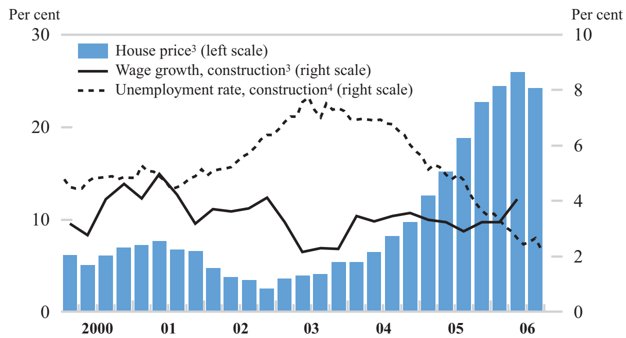
Short-term interest rates have increased considerably over the past year. Some further rises can be expected, although the European Central Bank's policy rate is expected to remain below 4% during 2007. Even with moderate rate increases, household debt servicing costs would go up appreciably as about half of homeowners have some form of flexible rate mortgage, and an associated slight fall in house prices would reinforce the resulting consumption slowdown via wealth effects. Such a scenario could imply some welcome cooling of domestic demand. However, while house prices seem overvalued, a genuine market correction may continue to be delayed by strong employment and earnings growth. In any case, with house prices much above construction costs, residential investment seems likely to continue strongly. Moreover, the gradual withdrawal of monetary stimulus partly reflects a strengthening economy notably

Denmark

Export and business investments soar



Construction wages react to the housing boom



1. First half for 2006.
2. Manufacturing, 3 months moving average, current prices.
3. Year-on-year percentage change.
4. Among persons with unemployment insurance. This tends to be higher than the Labour Force Survey concept used for the aggregate economy.

Source: Statistics Denmark, Association of Danish Mortgage Banks and OECD Analytical database.

StatLink: *http://dx.doi.org/10.1787/580883663228*

Denmark: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices DKK billion	Percentage changes, volume (2000 prices)				
Private consumption	675.6	3.4	4.1	4.4	2.5	2.2
Government consumption	371.1	1.5	1.3	1.1	1.3	1.0
Gross fixed capital formation	276.1	4.5	9.1	11.9	6.0	4.7
Final domestic demand	1 322.9	3.1	4.4	5.1	3.0	2.5
Stockbuilding[1]	0.7	0.2	-0.2	0.1	0.0	0.0
Total domestic demand	1 323.5	3.3	4.1	5.4	3.0	2.5
Exports of goods and services	634.7	2.7	8.4	12.3	7.0	6.1
Imports of goods and services	549.1	6.4	11.8	16.9	7.9	8.0
Net exports[1]	85.6	-1.3	-1.0	-1.5	-0.3	-0.8
GDP at market prices	1 409.2	1.9	3.0	3.5	2.6	1.6
GDP deflator	_	2.2	2.8	2.0	2.3	2.9
Memorandum items						
Consumer price index	_	1.2	1.8	2.0	2.1	2.6
Private consumption deflator	_	1.7	2.0	2.2	2.0	2.6
Unemployment rate[2]	_	5.5	4.8	3.8	3.3	3.3
Household saving ratio[3]	_	1.0	-2.8	-2.2	-1.1	-0.9
General government financial balance[4]	_	1.9	4.6	3.4	3.2	3.2
Current account balance[4]	_	2.3	2.9	1.3	1.8	1.3

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. Based on the Labour Force Survey, being ½-1 percentage point below the claimant-count 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 80 database.

StatLink: *http://dx.doi.org/10.1787/026476753265*

in the northern part of the euro area. With Germany alone accounting for 17% of Danish exports, the overall external environment remains stimulative, and in such a context, business investment would also be sustained.

Fiscal policy is not helping to contain demand

The budget surplus has risen to above 3% of GDP, mainly reflecting buoyant revenues from North Sea oil and gas production and the tax on accrued earnings in pension funds. Both of these revenue sources have little connection with household disposable income. Incorporating these features, official estimates indicate that discretionary fiscal policy added ¼ percentage point to GDP growth in 2006, as public consumption continues to grow in excess of initial targets. For 2007, discretionary fiscal policy will at best be neutral, which is less ambitious than in earlier booms.

GDP growth remains well above potential

With demand growing unabated, GDP is projected to continue expanding strongly during 2007 until still-stronger supply constraints and a loss of competitiveness bring growth below its potential rate from some time in 2008 on. Despite the low level of unemployment, more of the inactive could still be brought into work, and accelerating wages may elicit some more working hours. But growth in domestic demand may continue to outpace supply, leading to rising inflationary pressures, which cannot be completely offset by additional imports. Inflation is projected to approach 3% in 2008.

The risk of overheating is pertinent

The main risk is that the benign wage and cost increases seen to date do not last and that the reaction, when it comes, will be stronger than included in this projection. The resulting loss of competitiveness, weakening of exports and employment could then trigger a genuine correction of house prices so that domestic and foreign demand weakens simultaneously. A severe and perhaps prolonged downturn could follow as a worst-case scenario.

Finland

Economic activity grew rapidly in the first half of 2006. Strong growth this year is partly explained by the rebound from last year's labour dispute in the forestry industry. But underlying growth is also robust, with output expected to expand at close to its trend rate of 3% over the next two years. Unemployment is projected to fall to around 7% by the end of the projection period, which would be the lowest rate since the early 1990s.

To facilitate job creation and alleviate bottlenecks in labour supply due to the ageing of the population, remaining pathways to early retirement should be phased out and greater wage flexibility in the central wage agreements put in place. To avoid a pronounced house price cycle, incentives for municipalities to provide land for house building in fast-growing regions need to be sharpened.

Activity expanded rapidly in the first half of 2006

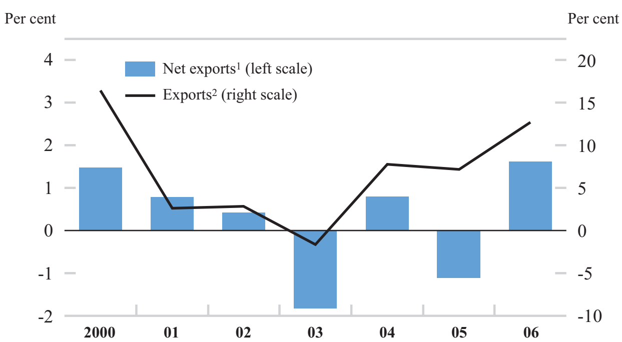
Underlying growth has been relatively strong, boosted recently by a strong contribution from net exports. The pick-up in export growth reflects not only the rebound of forestry exports, but also increased transit exports to Russia and the Baltic States and cruise ship deliveries. Strong export demand has boosted industrial production and investment in equipment and machinery, and residential investment also grew considerably. Despite moderate wage increases private consumption also remained strong, supported by vibrant job creation, tax cuts on earned income and strong borrowing. While job creation slowed somewhat during the spring and summer, rapid growth in the labour force came to a halt at the same time and the unemployment rate fell to 7.9% in October. Despite the booming economy year-on-year harmonised consumer price inflation was only 0.9% in October, the lowest in the euro area.

The government budget remains in surplus

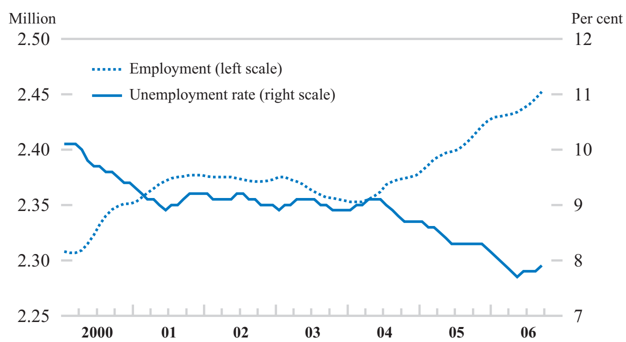
As part of the current tripartite wage agreement that runs until September 2007 the government announced tax cuts on labour income to underpin wage moderation and job creation. Other initiatives to boost employment include a recently introduced package to promote regional and occupational mobility to alleviate bottlenecks in the labour market, and a reduction in the value-added tax on labour-intensive services during 2007-10. The government's goal to create 100 000 jobs between 2003 and

Finland

Net exports are contributing to growth



The labour market is improving



1. Contribution to the growth of GDP in constant prices as a percentage of previous year's GDP. Average of first two quarters for 2006.
2. Year-on-year percentage change. Average of first two quarters for 2006.
Source: Statistics Finland and OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/811586115205*

Finland: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	75.3	3.1	4.1	3.5	2.6	2.5
Government consumption	31.5	1.8	1.5	1.0	0.9	0.9
Gross fixed capital formation	26.5	4.1	3.4	4.2	3.8	3.5
Final domestic demand	133.3	3.0	3.4	3.1	2.5	2.4
Stockbuilding[1,2]	0.1	-0.2	1.0	0.1	0.0	0.0
Total domestic demand	133.5	3.5	4.2	3.5	2.3	2.3
Exports of goods and services	56.3	7.8	7.2	11.3	8.1	7.1
Imports of goods and services	44.1	7.4	12.3	8.3	8.6	7.3
Net exports[1]	12.2	0.8	-1.1	2.0	0.6	0.6
GDP at market prices	146.1	3.3	3.0	5.0	2.8	2.7
GDP deflator	_	0.5	0.8	0.7	1.3	1.6
Memorandum items						
GDP without working day adjustments	_	3.5	2.9	..	..	..
Harmonised index of consumer prices	_	0.1	0.8	1.3	1.4	1.5
Private consumption deflator	_	0.6	0.4	1.1	1.6	1.5
Unemployment rate	_	8.9	8.4	7.8	7.6	7.4
General government financial balance[3]	_	2.1	2.5	2.5	2.4	2.2
Current account balance[3]	_	7.8	5.2	6.8	7.4	7.7

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 80 database.

StatLink: *http://dx.doi.org/10.1787/387534448515*

2007 may be achieved but the medium-term goal of raising the employment rate to 75% remains ambitious. The surplus of the general government account is likely to decline somewhat to just over 2% of GDP over the projection period as a consequence of the announced income tax cuts and the reduced value-added tax, though this is partly compensated by strong corporate tax revenues.

Net exports are contributing to growth.

GDP is projected to grow by 5% in 2006, followed by a pace closer to 3% over the following two years. While remaining vigorous, some slackening in foreign demand is likely to lead to a gradual slowdown in export growth, and a reduced contribution of net exports to output. Construction figures and new housing starts indicate that residential investment is slowing, but investment in machinery and equipment is expected to show considerable strength. Moderate real wage gains coupled with the tax cuts on labour earnings this year and next should support growth in household disposable income and help to maintain buoyant consumption growth, but at a slower pace than in previous years. Inflation pressures continue to be subdued, largely because the current central wage agreement ensures that nominal wage inflation is contained until the end of 2007. The recent turnaround in energy prices also helps.

Rigidities in the labour market may slow job creation

A key risk in the projections is the possibility that effective labour supply becomes a constraint on employment growth, causing upward pressure on wages in the coming wage-bargaining round. This outcome would reflect labour market rigidities that bite even in a market with continued high unemployment and despite an increase in the number of job vacancies.

Greece

The economy grew briskly in 2006 on the back of a strong rebound in investment activity and robust consumption spending. Output growth is expected to continue to grow at around 3¾ per cent over the next two years and unemployment is set to fall further. Headline inflation should decline, as the contribution from oil prices wanes, but remain well above the euro area average. The current account deficit is expected to remain high.

For the first time in many years the authorities may durably bring the deficit below 3% of GDP. However, fiscal objectives should now become more ambitious by aiming for a substantial primary surplus, given the high level of debt and favourable outlook for demand. Moreover, comprehensive reforms of the pension and health care systems are needed to ensure long-run fiscal sustainability.

A recent revision to GDP is not incorporated in this projection

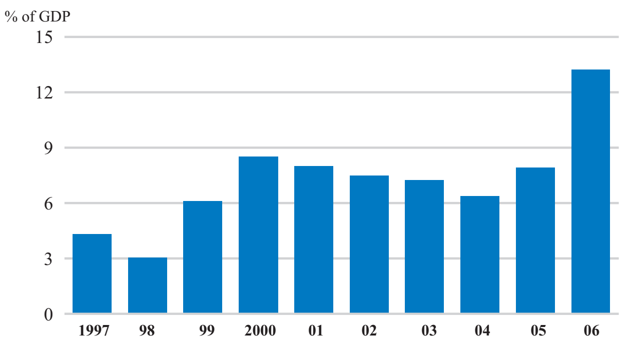
The Greek authorities have recently revised up the level of GDP by 25%. The Greek statistical office has explained that this major revision is the result of improved measurement of the fast-growing services sector, while, contrary to the impression from many press headlines, the contribution from the inclusion of illegal activities was less than 1% of GDP. The revision, which is in the process of being verified by Eurostat, is based on more up-to-date and direct benchmarks, provided by the recent population census and various enterprise survey data. This revision has *not*, however, been incorporated into the projection presented in this *Economic Outlook,* because the revised data set, and in particular the quarterly breakdown, was available only at the time when the projections were being finalised. The revisions mainly affect the level of output and its growth rate between 1995 and 2001; thereafter there is little change to the growth rate of GDP.

Growth has been solid and the current account deficit has widened

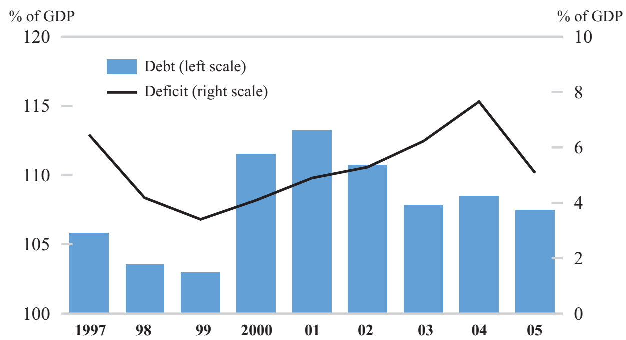
On either basis, real GDP is likely to grow by about 4% in 2006, close to its trend rate. Investment activity recovered due to a sharp rebound in public construction spending from its post-Olympics slump, as well as a strengthening in business and residential investment. The strong increase in residential construction activity reflects a surge in building permits in 2005, prior to the introduction of tax measures in 2006. Consumer spending has remained robust, underpinned by a still rapid credit expansion, rising incomes and employment gains. The contribution of net exports, on the other hand, turned negative, due to a surge in imports. The current account deficit widened considerably to 13% of GDP in the first half of the year from 8% in 2005. The unemployment rate is likely to have declined to around 9½ per cent in 2006, which is still high in international comparison. Consumer price inflation was 3.5% in the third quarter, close to its level in 2005, despite the ending of base effects from an increase in indirect taxes in April 2005. Rising energy prices have fuelled headline inflation, although the latter fell to 3% in October, following the turnaround in energy prices. Core inflation also eased but the differential with the euro area remains at almost one percentage point.

Greece

The current account deficit has widened[1]



Fiscal consolidation has progressed



1. Average of first two quarters for 2006.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/018241377287*

Greece: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (1995 prices)				
Private consumption	105.3	4.7	3.7	3.6	3.5	3.5
Government consumption	25.9	2.8	3.1	2.0	1.8	1.3
Gross fixed capital formation[1]	39.3	5.7	-1.4	7.1	6.1	5.8
Final domestic demand	170.5	4.8	2.1	4.4	4.1	3.9
Stockbuilding[2,3]	0.0	-0.4	0.1	0.1	-0.2	0.0
Total domestic demand	170.5	4.7	2.4	4.7	4.1	4.2
Exports of goods and services	30.5	11.7	2.9	5.4	4.8	6.7
Imports of goods and services	45.4	9.3	-1.2	7.3	5.7	6.8
Net exports[2]	- 14.9	-0.5	1.1	-1.1	-0.8	-0.7
GDP at market prices	155.5	4.7	3.7	4.0	3.8	3.8
GDP deflator	_	3.4	3.7	3.2	3.1	3.1
Memorandum items						
Harmonised index of consumer prices	_	3.0	3.5	3.4	2.9	2.8
Private consumption deflator	_	2.5	3.7	3.3	3.0	2.8
Unemployment rate	_	11.0	10.4	9.6	9.2	8.8
General government financial balance[4]	_	-7.7	-5.1	-2.6	-2.6	-2.6
Current account balance[5]	_	-6.4	-7.9	-10.8	-10.1	-9.7

1. Excluding ships operating overseas.
2. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
3. Including statistical discrepancy.
4. National Account basis, as a percentage of GDP.
5. On settlement basis, as a percentage of GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/501148120226*

Efforts towards fiscal consolidation continue

The most recent official projections, based on the unrevised accounts suggest a general government deficit of 2.6% of GDP for 2006, in line with previous budget projections. If realised, such an outcome would be unprecedented for Greece, where overshooting has been the rule. One-off measures of around 0.4% of GDP contribute to this outcome. The 2007 budget targets a deficit of 2.4% of GDP. The budget embodies reductions in personal income tax, in addition to cuts in the corporate tax rate already announced, the cost of which will be met by a recent package of indirect tax increases and further efforts to reduce tax evasion. OECD projections are that, on present policies, the general government deficit would be below 3%. However, if the tax cuts announced for 2008 were to be implemented, this limit could be breached. In principle the GDP revision, not incorporated in these projections, would reduce the projected deficit-to-GDP ratio this year by around ½ percentage point, as well as the projected gross debt-to-GDP ratio by around 20 percentage points. However, because Eurostat is still seeking clarifications of the data revisions, the evaluation of Greece's fiscal position under the current Excessive Deficit Procedure will be considered on the basis of the fiscal ratios calculated using the old GDP data.

Growth should accelerate, but risks to the outlook remain

Output is expected to continue to grow at around 3¾ per cent over the next two years. While tighter monetary conditions would tend to moderate domestic demand growth, investment should be supported by a number of initiatives including a gradual lowering of company tax rates, a new investment incentives law and legislation covering public-private partnerships. Recent labour and product market reforms should also contribute to growth. Despite a cumulative weakening of price competitiveness, export growth may also remain robust in view of relatively buoyant international demand. A major question is whether the fiscal targets will be achieved and whether inflation will come down to below 3%.

Hungary

For 2006, real GDP is set to grow at a rate near its trend (about 4%). However, weakening domestic demand, due to tight austerity measures, is projected to slow growth in both 2007 and 2008, despite exports continuing to expand strongly.

Given the alarming fiscal imbalance (this year the general government deficit is likely to be over 10% of GDP) the announced frontloading of an austerity package with revenue increases is probably unavoidable. However, for consolidation to break with the Hungarian tradition of missing fiscal targets, permanent expenditure cuts linked to structural reforms are needed.

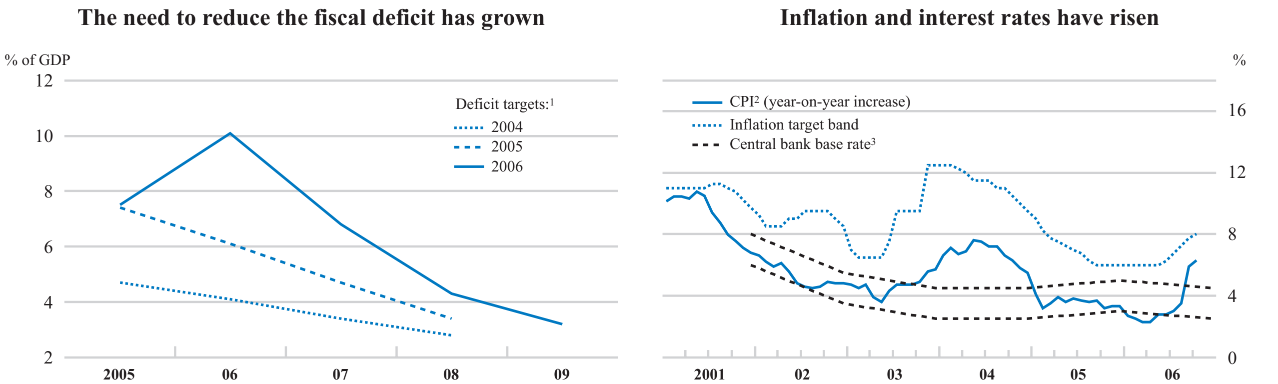
Households are scaling back consumption

In the first half of 2006, activity was under the stimulatory effect of the widening fiscal deficit before the April parliamentary elections. Both domestic consumption and capital investment picked up, adding to the momentum generated by strongly growing exports. However, recent indicators suggest that the fiscal austerity measures announced after the elections have started to bite. Rising inflation, largely due to higher value-added tax (VAT) rates and regulated energy prices, is squeezing household real incomes. Retail indicators point to declining car purchases, and consumer confidence has fallen. By contrast, strong growth in foreign markets continues to make for buoyant export demand and exports should thus be the major element sustaining economic activity.

Budgetary tightening will lower the fiscal deficit

The austerity package announced in June implies a sharp tightening of the fiscal stance, after an easing trend since 2001. Following the elections the authorities announced that the general government deficit for 2006 could reach 11.6% of GDP in the absence of corrective measures, far above the original target of 6.1% (excluding funded pension revenues). Higher-than-expected central and local government expenditures, partly explained by the electoral cycle, were mainly responsible. In addition, the overshoot reflected the effect of expenses not included in the original deficit target. Most prominently, a motorway construction project is now included in the deficit (1.1% of GDP); initially this was planned to be undertaken via a public private partnership and was recorded off-budget. The immediate steps of the austerity package, notably higher VAT rates, social security contributions and regulated prices, are expected to contain the 2006 fiscal deficit to 10.1% of GDP. For 2007, the deficit projected by the OECD is broadly in line with the government target of 6.8% of GDP (again excluding the funded pension revenues). This progress is set to stem from continued use of revenue measures, while spending cuts involve a freeze of public sector wages, as well as cuts in operational outlays and pharmaceutical subsidies. However, the deficit for 2008 is projected at 5.7% of GDP, above the government target by 1.4 percentage points.

Hungary



1. European System of Accounts (ESA) deficit targets as per various issues of the Convergence Programme (December 2004, December 2005 and September 2006 respectively).
2. Consumer price index.
3. Monthly.

Source : Ministry of Finance; European Commission; National Bank of Hungary; OECD, *Main Economic Indicators*.

StatLink: *http://dx.doi.org/10.1787/468700038444*

Hungary: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices HUF billion	Percentage changes, volume (2000 prices)				
Private consumption	10 513.6	3.1	3.9	3.2	-0.7	0.5
Government consumption	4 402.9	1.9	1.9	2.6	-1.9	-3.0
Gross fixed capital formation	4 156.0	7.7	5.6	6.6	2.1	2.8
Final domestic demand	19 072.5	3.9	3.9	3.9	-0.2	0.4
Stockbuilding[1]	601.3	0.4	-2.5	-1.2	0.0	0.0
Total domestic demand	19 673.8	4.3	1.4	2.7	-0.3	0.4
Exports of goods and services	11 496.6	15.7	11.6	14.3	10.5	9.5
Imports of goods and services	12 234.7	14.1	6.8	10.5	7.7	7.2
Net exports[1]	- 738.1	0.4	2.8	2.4	2.0	1.9
GDP at market prices	18 935.7	4.9	4.2	4.0	2.2	3.0
GDP deflator	_	4.3	2.0	3.3	5.0	2.2
Memorandum items						
Consumer price index	_	6.7	3.6	3.9	6.7	4.1
Private consumption deflator	_	4.5	3.6	3.9	6.7	4.1
Unemployment rate	_	6.2	7.3	7.5	7.7	7.6
General government financial balance[2]	_	-5.3	-6.5	-8.7	-5.4	-4.3
General government financial balance after reclassification[2,3]	_	-6.4	-7.8	-10.1	-6.9	-5.7
Current account balance[2]	_	-8.4	-6.7	-7.3	-6.3	-5.6

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. According to a Eurostat decision, by April 2007 defined-contribution funded pension revenues must be reclassified outside the general government sector. The latest notification to Eurostat continues to include such revenues, however elsewhere the Hungarian authorities are already using the reclassified series in communication on fiscal policy.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/465263545535*

This is because only about half of the intended saving measures have been detailed and legislated while the remainder is pending further actions.

Also monetary policy has become more restrictive

The increases in VAT rates and energy prices are already pushing up prices. Indeed, despite some downward pressure from oil prices, annual headline inflation jumped from 3% in July to 5.9% in September and 6.3% in October (year-on-year). The central bank began a series of rate hikes in June, responding to fears that the price surge might destabilise inflation expectations and concerns about currency depreciation. At 8% the base rate is 175 basis points higher than the level at the beginning of the summer.

Activity is expected to decelerate

Real GDP growth is expected to grow near its trend rate of 4% in 2006 but will slow markedly in the projection period, leaving annual growth well below the average of recent years. The tightened policy mix implies that household consumption will be hit particularly strongly. The contribution of foreign demand is expected to increase, thanks to past currency depreciation, low wage growth and robust demand for exports, which should make for continued market share gains. As the impact of the VAT and regulated price increases fade, inflation is set to decline, bringing about some real income gain, which will stimulate private consumption somewhat at the end of the projection period.

Significant domestic risks remain

There is still a serious risk of a breakdown of confidence in fiscal policy. Although markets have reacted positively to the immediate adjustment measures, any signs of slippage from the consolidation plan could well expose Hungary to a sudden reversal in sentiment. Much will depend on the government's determination to carry out necessary structural reforms, most of which involve important public spending cuts.

Iceland

There are increasing signs that a change in foreign investor sentiment early this year and further policy tightening has set in motion an overdue adjustment process. The economy is projected to contract in the next few quarters. Nonetheless, economic imbalances will remain substantial for some time. Thus, the challenge for policymakers will be to ensure that steady progress is made in unwinding them lest renewed financial market nervousness complicates an orderly adjustment.

Further monetary tightening is likely to be needed in the near term both to return inflation to target and anchor expectations there. Fiscal policy should avoid rekindling demand pressures, offsetting the expansionary effect of announced tax cuts by additional spending restraint so long as there is no clear evidence that the economy has cooled down.

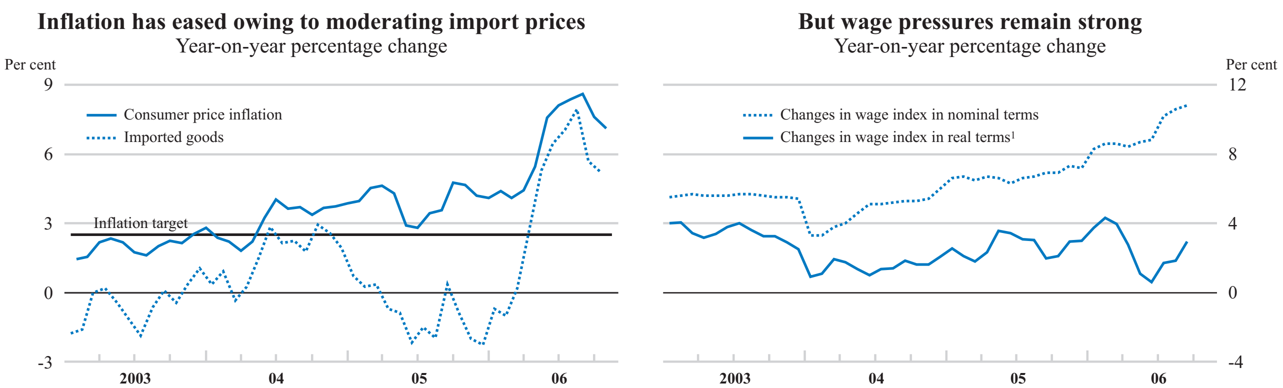
A sharp economic downturn has begun

There are indications that torrid economic growth – 7½ per cent in both 2004 and 2005 – has slowed markedly. New car registrations and debit card usage for retail sales have fallen below their levels recorded a year earlier, and the housing market shows signs of cooling. This turnaround was triggered by a sudden change in the attitude of foreign investors towards Icelandic risk earlier in the year and the resulting decline in lending by commercial banks due to tighter foreign funding. It was reinforced by policy measures aimed at reducing demand pressures. Still, the current account deficit remains large, although trade data suggest that it has declined somewhat after measuring 22% of GDP in the first two quarters of the year. Consumer price inflation that had reached 8½ per cent in August has receded to just over 7% thanks to falling energy prices and a firmer exchange rate in recent months. Core inflation (excluding food and energy) has eased less, also measuring just over 7% recently. This reflects cost pressures in a tight labour market, with adjustments to longer-term contracts in the middle of the year (in response to higher-than-anticipated inflation) pushing annual wage increases into double-digits.

This should allow some of the recent policy tightening to be reversed

The Central Bank has accelerated policy rate increases, raising interest rates even between pre-announced dates last summer. From mid-May to mid-September, the policy rate was lifted by 250 basis points to 14%. The projections assume that getting inflation expectations down to the official 2½ per cent target will require further interest-rate hikes in the near term before the emergence of economic slack allows a gradual easing of the monetary stance. At the end of June, the government took special mea-

Iceland



1. CPI used as deflator.
Source: Statistics Iceland.

Iceland: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices ISK billion	Percentage changes, volume (2000 prices)				
Private consumption	479.7	6.8	12.3	5.0	-2.1	-0.3
Government consumption	213.5	2.9	3.3	3.3	3.1	3.0
Gross fixed capital formation	164.6	27.4	37.6	1.4	-17.2	-12.9
Final domestic demand	857.8	9.8	15.8	5.5	-4.4	-2.3
Stockbuilding[1]	- 1.5	0.1	0.0	0.3	-0.2	-0.2
Total domestic demand	856.4	9.9	15.8	5.9	-4.5	-2.5
Exports of goods and services	288.6	8.4	7.1	-0.3	12.5	11.8
Imports of goods and services	314.3	14.4	28.9	5.2	-4.1	-1.0
Net exports[1]	- 25.8	-2.5	-9.2	-2.4	6.4	5.2
GDP at market prices	830.6	7.7	7.5	3.6	1.0	2.5
GDP deflator	_	2.4	2.9	5.8	3.7	3.1
Memorandum items						
Consumer price index	_	3.2	4.0	6.8	3.7	2.7
Private consumption deflator	_	2.9	2.0	7.7	3.1	2.5
Unemployment rate	_	3.1	2.6	2.8	2.5	3.0
General government financial balance[2]	_	0.5	5.5	4.1	0.4	-1.3
Current account balance[2]	_	-9.9	-16.1	-20.6	-13.9	-7.8

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 80 database.

StatLink: *http://dx.doi.org/10.1787/712270853821*

sures to help bring down inflation, in particular more restrictive lending conditions of the Housing Finance Fund and a postponement of public investment projects. Nonetheless, the general government financial surplus, which reached 5½ per cent in 2005, is likely to start falling this year. Its decline will gather momentum in 2007 because the authorities recently announced that, in addition to further income tax cuts at the beginning of the year, they would reduce indirect taxes on food, restaurant services and a number of other items as from March. By 2008, with the public investment curbs coming to an end, general government finances are projected to move into deficit.

But there are risks associated with still large imbalances

Real GDP is projected to contract in the near term as the aluminium-related investments are gearing down and household demand is curbed by high interest rates. Growth is projected to resume in mid-2007: while investment should continue to decline (assuming that no new projects are launched), exports will be underpinned by increased aluminium production and the boost to purchasing power from the tax cuts is likely to arrest the decline in private consumption. According to official estimates, the tax measures will reduce the Consumer Price Index by 2.7%. Although it remains to be seen to what extent the tax reductions will be passed on, this should temporarily bring inflation back to the official target. After a rebound in inflation, the target is projected to be met again by the end of 2008, under the assumption of unchanged exchange rates. At the same time, while narrowing substantially, the external deficit is expected to remain sizeable by international comparison. It would be even larger if some of the proposed new aluminium-related investment projects go ahead. Against this backdrop, another sharp correction in the exchange rate remains a risk to the outlook, as it would necessitate higher-than-assumed interest rates to achieve the inflation target.

Ireland

The economy is growing rapidly propelled by strong household spending. Activity is projected to keep expanding robustly with a mild slowdown in growth from 5% in 2007 to 4½ per cent in 2008 as the boost that temporary factors are giving to demand fades. Inflation is projected to remain above the euro area average.

Fiscal and regulatory policy should focus on keeping inflation in check. The budget should prioritise spending items that alleviate bottlenecks in the economy, such as investment in human and physical capital, and refrain from fuelling consumption. Boosting competition in network industries, especially in the electricity and natural gas sectors, is becoming a matter of urgency as these sectors contribute disproportionately to inflation.

Growth is strong

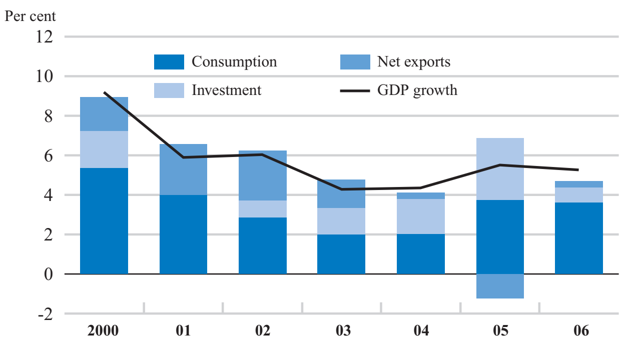
After growing by a robust 5½ per cent in 2005, economic activity has remained strong in 2006. Consumption is the main driver of growth as strong income gains, the pay-out of government-sponsored savings accounts (SSIA) and increases in welfare benefits boost household spending. Continued house price rises have kept supporting buoyant construction activity, which contributed 1.8 percentage points to year-on-year output growth in the first half of 2006. As service providers have performed strongly on external markets, exports have picked up. However, strong consumption has boosted imports, thereby limiting the contribution of net exports to growth.

Inflationary pressures have built up

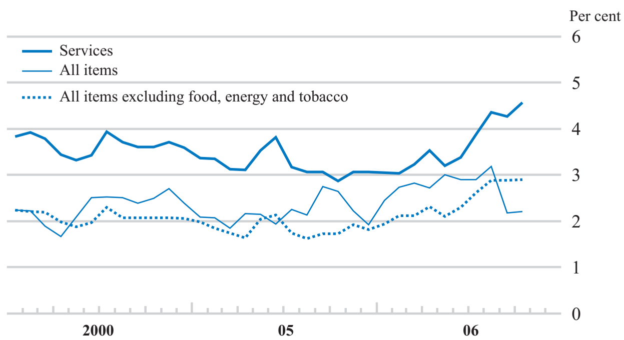
Buoyant domestic demand, the oil price rise and sharp increases in regulated retail prices for gas and electricity have fuelled inflationary pressures. In the third quarter of 2006, consumer price inflation ran at nearly 3% (year-on-year), with a more than 4% rise for services. Including also a housing component, inflation of the services component was considerably higher. While wage inflation was relatively high at an estimated year-on-year rate of 4.4% in the first three quarters of 2006, it shows no sign of accelerating. Ireland is reaping the benefits from opening its labour market to migrants from new EU member states as the large inflow of workers has contributed to moderating wage settlements. Going forward, the *Towards 2016* partnership compact agreed in June 2006 should also help to contain wage inflation albeit at a relatively high level. Ireland is also enjoying low inflation in goods prices partly due to the recent repeal of anti-competitive regulations in the retail trade sector.

Ireland

Domestic demand drives growth[1]



Inflation in services has risen[2]



1. Contribution to GDP growth for all series except GDP itself. GDP growth can deviate from the sum of the components shown because of stock building, chain linking and the statistical discrepancy in the national accounts. Average of first two quarters for 2006.
2. Harmonised consumer price indices, year-on-year percentage change.

Source: Eurostat; OECD, *Main Economic Indicators* and OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/211132711616*

Ireland: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (2004 prices)				
Private consumption	63.0	3.8	6.7	6.3	6.8	5.3
Government consumption	21.0	1.9	4.7	5.0	5.4	5.3
Gross fixed capital formation	31.9	7.5	12.8	4.2	4.8	4.2
Final domestic demand	115.9	4.5	8.1	5.4	5.9	5.0
Stockbuilding[1]	0.7	-0.7	-0.1	0.0	0.0	0.0
Total domestic demand	116.5	3.6	8.0	5.4	5.9	5.0
Exports of goods and services	116.3	7.3	3.9	5.0	6.0	6.0
Imports of goods and services	94.0	8.6	6.5	5.4	7.3	6.8
Net exports[1]	22.3	0.3	-1.2	0.4	-0.2	0.1
GDP at market prices	138.9	4.3	5.5	5.1	5.1	4.5
GDP deflator	_	1.8	3.5	2.8	3.0	3.0
Memorandum items						
Harmonised index of consumer prices	_	2.3	2.2	2.8	2.8	3.0
Private consumption deflator	_	1.4	1.1	2.3	3.1	3.0
Unemployment rate	_	4.4	4.4	4.4	4.4	4.4
General government financial balance[2]	_	1.5	1.1	1.0	0.7	0.7
Current account balance[2]	_	-0.6	-2.6	-1.7	-1.3	-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)*.

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 80 database.

StatLink: *http://dx.doi.org/10.1787/327655147515*

Activity is set to remain robust

The economic expansion is likely to remain robust with some rebalancing of domestic demand away from housebuilding. Monetary conditions are set to remain accommodative with low levels of real interest rates. The fiscal stance is also projected to be supportive. Private consumption is expected to be very strong in 2007 as households continue to draw on the pay-outs from the SSIAs and benefit from the first full year of increased family benefits. Private consumption should slow down in 2008 as the impact of SSIA-related spending fades. Investment is likely to see a rebalancing away from housebuilding, which is projected to fall gradually to more sustainable levels. With more balanced growth and less reliance on construction, productivity is expected to recover, resulting in a moderation of unit labour cost growth. Exports are set to pick up, but not fast enough to offset buoyant import growth. Inflation is projected to remain high but stable as moderating forces from the partnership agreement, immigration and less stringent regulation of retail trade continue to act.

The main risk is that inflationary pressures continue to build up

The main risk is a stronger increase in government current spending than projected, which would fuel inflationary pressures. The induced short-term boost to demand would come at the cost of competitiveness losses and lead to a real exchange rate misalignment that could undermine growth prospects over the medium term. On the other hand, activity is exposed to some downside risks, both from the domestic and external side: a rapid fall in house prices could undermine household confidence and lead to a slump in residential construction while demand for Irish exports could be hurt by a bout of euro appreciation.

Korea

Output growth is expected to ease from 5% in 2006 to around 4½ per cent in 2007-08 as a result of less buoyant domestic demand. The significant appreciation of the won is bringing the current account from surplus into balance, while helping to keep inflation in the central bank's medium-term target zone.

Monetary policy should aim at keeping inflation in the target zone over the medium term, while concern over increases in housing prices should be addressed through tax measures and policies to increase supply. Fiscal policy should focus on the medium-term objective of a balanced budget by 2009. The environment for business investment should be improved through regulatory reform, including greater employment flexibility.

The acceleration in domestic demand has cooled…

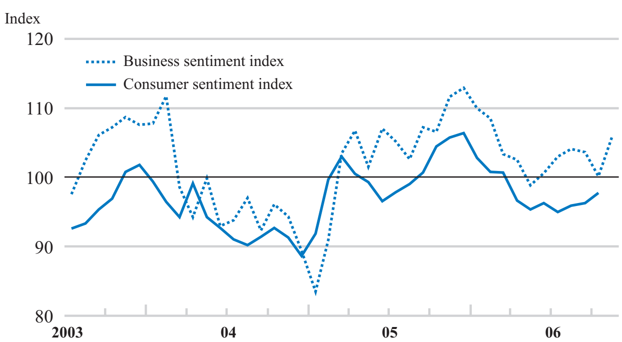
The rebound in private consumption in 2005, which had lifted the economy out of an extended period of sluggish growth, faded in mid-2006, in part due to relatively modest wage increases. Although the unemployment rate has remained low at around 3½ per cent since early 2006, wage growth has been constrained by structural changes in the labour market and low bonus payments as a result of a decline in corporate profits. The profits of exporting firms were squeezed by the significant appreciation of the won in effective terms during 2005 and the first half of 2006, while higher oil prices had a negative impact on domestic demand, given that petroleum imports account for about 5% of GDP. Falling profits and a decline in confidence among firms have slowed business investment. In addition, investment in housing and non-residential construction fell at a 6% annual rate in the first half of 2006. These trends continued the downward trend in total fixed investment, from 30% of GDP in 2002 to 28% in the first half of 2006.

… due to changes in housing policies and interest rate hikes

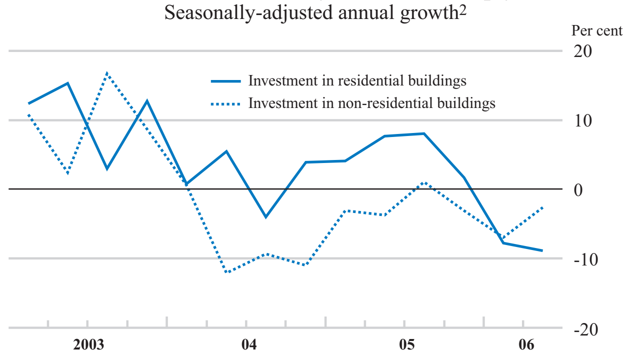
The decline in construction investment is primarily due to the policy packages introduced in August 2005 and March 2006 to calm the real estate market. House prices on a nation-wide basis rose by 4% in 2005 and 6% during the first ten months of 2006, but a double-digit rate of increase in the Kangnam area of Seoul has raised concerns. The policy packages, which focused on discouraging "speculative" demand, have had a negative impact on construction investment. In addition, they limit supply by restricting the re-development of existing apartments in areas where prices are rising. The impact of these measures on construction has been compounded by the tightening of monetary policy. Although the core measure of consumer price inflation has remained below the medium-term target zone of 2.5 to

Korea

Consumer and business confidence has weakened[1]



Construction activity has fallen sharply
Seasonally-adjusted annual growth[2]



1. A sum over 100 indicates optimism about the economic outlook. Both indices are seasonally adjusted.
2. National account basis. Moving average over three quarters. OECD estimate for the third quarter of 2006.

Source: Korea National Statistical Office and the Federation of Korean Industries.

StatLink: *http://dx.doi.org/10.1787/288412846207*

Korea: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices KRW trillion	Percentage changes, volume (2000 prices)				
Private consumption	389.2	-0.3	3.2	4.2	3.8	4.0
Government consumption	96.2	3.7	4.3	5.3	3.8	3.1
Gross fixed capital formation	216.8	2.1	2.3	2.6	3.2	2.8
Final domestic demand	702.2	1.0	3.1	3.9	3.6	3.5
Stockbuilding[1]	5.2	0.5	-0.3	0.2	-0.1	0.0
Total domestic demand	707.4	1.5	2.8	4.1	3.5	3.5
Exports of goods and services	275.0	19.6	8.5	12.9	11.0	12.1
Imports of goods and services	257.7	13.9	6.9	12.7	10.6	11.8
Net exports[1]	17.3	3.3	1.4	1.3	1.3	1.5
GDP at market prices	724.7	4.7	4.0	5.0	4.4	4.6
GDP deflator	_	2.7	-0.4	-0.4	1.0	0.6
Memorandum items						
Consumer price index	_	3.6	2.8	2.5	2.9	3.0
Private consumption deflator	_	3.5	2.5	2.1	2.9	3.0
Unemployment rate	_	3.7	3.7	3.4	3.4	3.4
Household saving ratio[2]	_	6.3	4.3	3.5	3.2	3.3
General government financial balance[3]	_	2.5	2.5	2.2	2.1	2.0
Current account balance[3]	_	4.1	2.1	0.3	0.0	-0.4

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 80 database.

StatLink: *http://dx.doi.org/10.1787/330803133356*

3.5%, the Bank of Korea raised the short-term policy interest rate five times, from 3¼ to 4½ per cent, between October 2005 and August 2006. In contrast to the tightening of monetary conditions, fiscal policy has been broadly neutral.

Growth is projected to slow to around 4½ per cent in 2007-08

The recent decline in oil prices, combined with the stability of the exchange rate since mid-2006, should ease the squeeze on corporate profitability, encourage some pick-up in business investment during 2007 and also allow higher wage increases. Larger household income gains would help boost private consumption. However, the strengthening of domestic demand during 2007 is likely to be offset by weaker exports, which are projected to decelerate in the context of softer growth in world trade and the earlier appreciation of the won. As a result, output growth is projected to slow to around 4½ per cent in 2007-08, roughly consistent with Korea's potential growth rate, with inflation around 3%, the mid-point of the inflation target. Slower export growth and the rising deficit on the service account are likely to bring the current account into balance in 2007 after nine consecutive years of surplus.

Although there are risks to consumption, exports may be stronger

However, there are a number of risks to both domestic demand and exports. A further decline in consumer and business confidence, which could be caused by geopolitical uncertainty in the Korean peninsula, would tend to slow domestic demand. In addition, the substantial hike in interest rates over the past year could restrain private consumption by more than expected. Household debt has risen from 94% of household disposable income in 2000 to 144% by the end of 2005, making consumers more vulnerable to interest rate hikes. On the positive side, Korea's increasing concentration on information and communications technology (ICT) products and close trading links with China may result in a faster-than-expected rise in exports.

Luxembourg

Growth has remained strong for the third year running, reaching a pace of more than 5% in 2006 on the back of strong activity in the financial and business services sector. Exports of financial services have continued to prosper, reflecting the positive sentiment in financial markets. Employment growth has accelerated and become more broad-based. Nevertheless, unemployment continues to rise as most jobs are being filled by cross-border workers, while domestic hires barely keep pace with expanding supply.

To boost job search activity of residents, the access conditions to unemployment benefits should be tightened and unemployment benefit replacement rates gradually reduced after a certain period of benefit receipt. To improve long-term sustainability of public finances, the recent revenue increasing measures should be replaced by expenditure restraint.

The financial sector drives economic growth

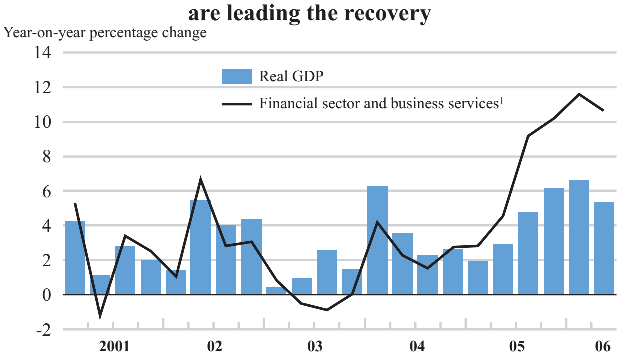
Output growth has been was very dynamic so far in 2006 and is estimated to reach more than 5% for the whole year. This reflects strong activity in the financial services sector (accounting for one-third of the economy) which spilled over to associated activities such as business services. The expansion has been further broadening, with activity in other services sectors like retail trade benefiting from improving consumer confidence. A strong rise in orders in the steel industry has supported industrial production and there are signs that the construction sector is recovering after two year of negative growth. The current account surplus continues to be large thanks to expanding exports of financial services, reflecting increasing activity – and thus commission incomes – in the management and administration of mutual fund assets. Employment growth is starting to feed through into resident employment. Nevertheless, unemployment continues to rise, with mismatches in the labour market increasing.

Strong activity continues to feed wage growth

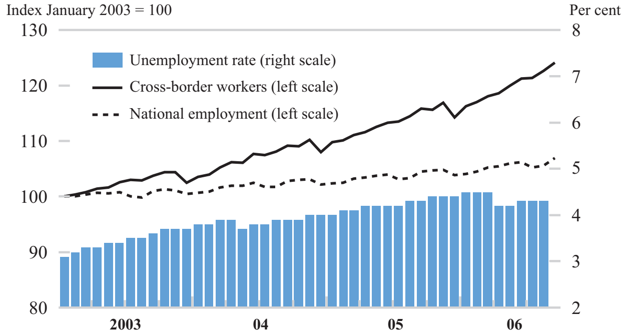
The government has decided to temporarily introduce ceilings in the automatic wage indexation. But the strong growth of activity has nevertheless triggered wage increases of more than 3%. Headline consumer price inflation has decelerated due to falling oil prices, reaching 2.4% in September (year-on-year). At the same time, core inflation has remained stable around 2.1%.

Luxembourg

Financial sector and business services are leading the recovery



Employment gains mostly benefit cross-border workers



1. Value-added at constant prices.

Source: Central Service for Statistics and Economic Studies (STATEC), Central Bank of Luxembourg.

StatLink: *http://dx.doi.org/10.1787/141873874307*

Luxembourg: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	10.5	2.8	3.4	3.4	2.5	2.5
Government consumption	4.2	3.2	4.8	2.3	2.5	2.3
Gross fixed capital formation	5.5	0.5	2.2	1.4	4.1	2.2
Final domestic demand	20.2	2.3	3.4	2.6	2.9	2.4
Stockbuilding[1]	0.1	0.1	1.2	-2.6	0.2	0.0
Total domestic demand	20.3	2.4	4.9	-0.7	3.2	2.4
Exports of goods and services	34.3	10.1	8.0	15.0	9.1	8.3
Imports of goods and services	29.0	10.3	9.3	12.7	9.4	8.5
Net exports[1]	5.3	1.8	0.1	6.4	2.2	2.4
GDP at market prices	25.6	3.6	4.0	5.2	4.3	4.0
GDP deflator	_	1.7	4.7	7.1	3.1	3.9
Memorandum items						
Harmonised index of consumer prices	_	3.2	3.8	3.3	2.0	2.2
Private consumption deflator	_	2.5	3.6	2.7	2.2	2.1
Unemployment rate	_	4.2	4.6	4.6	4.7	5.0
General government financial balance[2]	_	-1.1	-1.0	-1.3	-0.8	-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).*

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 80 database.

StatLink: *http://dx.doi.org/10.1787/050054781006*

Fiscal policy will tighten, especially as from 2007 onwards

In 2006, the change in the indexation mechanism, through its effect on government wages and social allowances, depressed the growth of government expenditures. Although buoyant economic activity supported government revenues, this still left a public finance deficit of 1.3% of GDP. To reverse the fiscal deterioration of recent years and restore a balanced budget by the end of the decade, the government has announced a package of measures which will mainly have an effect from 2007 onwards. Revenues will be supported by higher taxes on gasoline and increases in health care contributions. On the spending side, less government investment is planned and measures to curb the growth of pension expenditure have been implemented. Thus, a reduction in the public deficit is expected over the projection period.

Continued growth, but rising unemployment

Due to the partial suspension of full wage indexation, the short-term effects of the fiscal consolidation and the less favourable external environment, the cycle is expected to have peaked in early 2006 and economic growth to decelerate towards trend over 2007-08. Cross-border workers will continue to be the main beneficiaries of job creation. Employment of residents is expected to pick up but not by enough to prevent further increases in unemployment. Headline inflation will decline somewhat further in the short run, but then back up again from mid-2007 as the input from lower energy prices dissipates. Core inflation will continue at a level higher than in the neighbouring countries. The main risk to these projections concerns the future developments in international financial markets.

Mexico

Output growth is likely to moderate, reflecting weaker public spending and faltering external demand. But private investment and consumption should remain strong, and GDP growth is projected to reach 3½ to 4% in 2007 and 2008. After turning up in the third quarter of 2006, inflation should come down. With the terms of trade deteriorating, the current account deficit should widen gradually.

Monetary policy is expected to ease in early 2007 once inflation has come down. With less growth and lower oil receipts, the environment for fiscal policy will become more difficult, but the fiscal position should not be allowed to weaken. A reform is needed to widen the tax base with a view to reducing distortions and financing essential spending programmes on a stable basis.

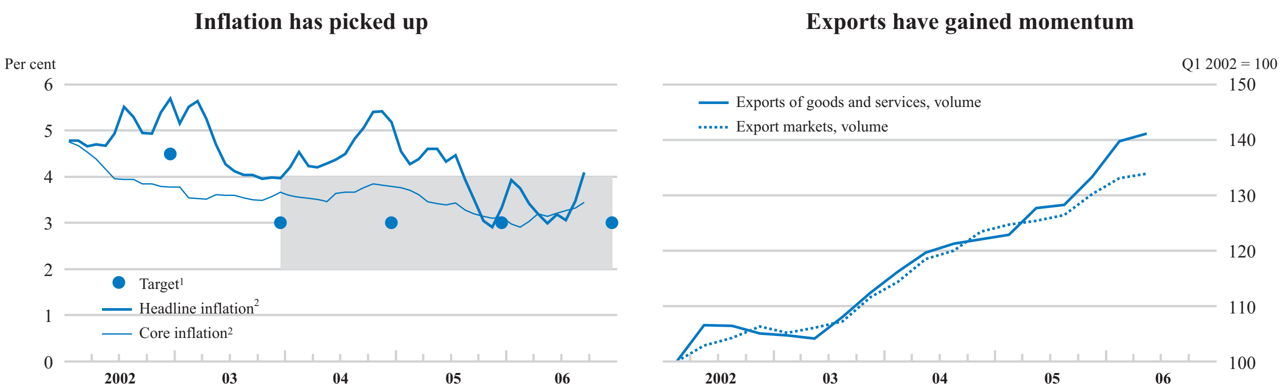
Robust domestic demand underpins economic activity

GDP and formal employment growth was strong in 2005 and 2006. A weakening is expected to occur, as the forces underpinning growth unwind. External demand is slowing, oil prices have fallen and public spending is being restrained. Nevertheless private domestic demand remains robust, spurred by higher employment and continuing increases in bank credit to business and households. The current account deficit should be close to balance in 2006, reflecting high oil revenues and growing migrant remittances. Foreign direct investment (FDI) inflows have continued at the solid levels recorded in the past two years, around $17 billion (2% of GDP). Job creation increased substantially in the formal sector, including in the construction and service sectors, and the unemployment rate edged down to 3½ per cent. There has been some volatility in the peso/dollar exchange rate in 2006, but it has been moderate.

The monetary stance is not expected to be eased in the very short run

Reflecting erratic movements in food prices, headline inflation rose from a low of 3% in May to 4.3% in October 2006 (year-on-year), higher than the central bank's target of 3% and just above its variability interval of plus or minus 1 percentage point. Against this background, the central bank stopped easing its stance as of last May. Core inflation also rose slightly. Inflation expectations have remained stubbornly around 3½ per cent and wage increases in manufacturing have eased to 4.3% (year-on-year). Short-term interest rates declined to 7.2% in October 2006, down from 9% a year earlier, implying a substantial decline in real interest rates. The central bank is expected to wait till 2007, once inflation has come down, to reduce its benchmark rate. The projections are based on

Mexico



1. The target is based on the consumer price index headline inflation.
2. Year-on-year percentage change. Core inflation excludes food and other items with erratic developments.
Source: Bank of Mexico; OECD Economic Outlook dabatase.

StatLink: *http://dx.doi.org/10.1787/802208612632*

Mexico: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices MXN billion	Percentage changes, volume (1993 prices)				
Private consumption	4 736.8	4.1	5.4	4.9	3.9	4.0
Government consumption	855.7	-0.4	0.5	6.6	0.1	0.4
Gross fixed capital formation	1 304.9	7.5	7.6	9.5	5.9	6.6
Final domestic demand	6 897.5	4.3	5.4	6.0	4.0	4.3
Stockbuilding[1]	111.2	0.1	-1.6	-0.6	0.2	0.0
Total domestic demand	7 008.6	4.4	3.8	5.4	4.2	4.3
Exports of goods and services	1 916.8	11.6	6.9	11.1	5.0	6.0
Imports of goods and services	2 030.0	11.6	8.7	12.2	6.3	7.2
Net exports[1]	- 113.3	-0.3	-0.9	-0.9	-0.8	-0.8
GDP at market prices	6 895.4	4.2	3.0	4.7	3.6	3.7
GDP deflator	_	7.4	5.4	6.6	3.8	3.2
Memorandum items						
Consumer price index	_	4.7	4.0	3.6	3.6	3.2
Private consumption deflator	_	6.5	3.3	3.1	3.4	3.2
Unemployment rate[2]	_	3.0	3.5	3.4	3.4	3.4
Current account balance[3]	_	-1.0	-0.6	-0.2	-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 80 database.

StatLink: *http://dx.doi.org/10.1787/418574474115*

the assumption that short-term interest rates will resume their gradual decline as of the 2nd quarter of 2007, reflecting lower inflation and a lower risk premium.

The fiscal stance is tightening

The public sector borrowing requirement (PSBR) is expected to decline to 2% of GDP in 2006. Higher revenue, resulting from oil prices and strong growth, allowed transfers to the oil-stabilisation fund as well as increases in spending, including investment. A reduction of oil-related revenues is built into the draft budget for 2007, based on a substantial oil-price decline, which is roughly consistent with the assumptions underlying the OECD projections. Against this background, the draft budget foresees a further decline in the PSBR to around 1½ per cent of GDP, with public investment growing at a more moderate pace and government consumption remaining almost flat in volume terms.

After a short slowdown, the outlook is for a recovery

As external demand picks up in the course of 2007, solid export growth is expected, albeit at a slightly slower pace than in the past two years. In a context of reduced political uncertainties, business investment is likely to strengthen, and household consumption should be supported by high employment growth. GDP growth is projected to be close to its potential rate of 3½ to 4%. As the terms of trade turn negative, the current account deficit is projected to widen to around 1½ per cent of GDP in 2008, while FDI inflows continue at the solid levels of the past two years.

Risks are evenly balanced

The main risk to the outlook is related to the duration and extent of the slowdown in the United States. Furthermore, given structural weaknesses in the economy, there are uncertainties as to whether the recent improvement in Mexico's export performance can be maintained. The main domestic uncertainty relates to business confidence and the agenda for structural reforms. If reforms to strengthen tax revenue, improve the education system and facilitate business operations are approved, this would boost confidence and sustain high GDP growth.

Netherlands

The economy continues to recover, with GDP growth rising to 3% in 2006. Exports are benefiting from strong world demand and improving competitiveness. Domestic demand is finally picking up as private consumption is underpinned by a stronger labour market. Inflation is low, but core inflation is expected to gradually pick up along with higher wage growth.

The fiscal position has considerably improved but could be further strengthened by phasing out mortgage-interest subsidies, helping to soften strong demand pressures in the housing market. Moreover, further measures should be taken to increase the participation rate of disabled workers, which shows no improvement.

The recovery continues at a steady pace

With all components of GDP recovering strongly, growth has firmed up and reached 3% year-on-year in the first half of 2006. Exports are gradually being supplemented by domestic demand as an additional engine of growth. Rising house prices are underpinning strong housing investment. Business investment is recovering, supported by improved profitability and higher confidence. Private consumption is being supported not only by wealth effects, but also by a stronger labour market.

Lower oil prices have helped to keep headline inflation low

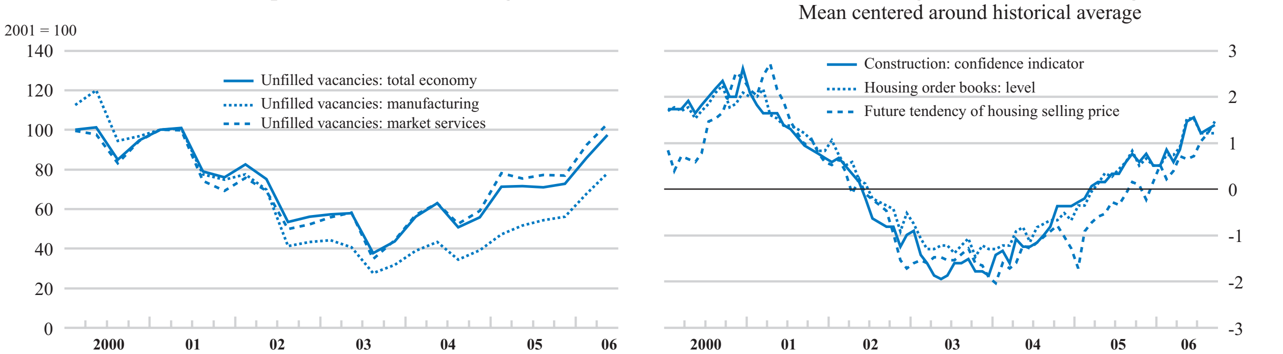
After peaking in mid-2006, consumer price inflation decelerated to 1.1% year-on-year in the third quarter, well below the euro area inflation rate. The reduction in inflation reflects falling oil prices in a context of modest core inflation. The low pressure on prices is expected to persist thanks to subdued growth in negotiated wages as unemployment is still above its natural rate.

Public finances have provided a stimulus

Strong corporate and energy tax revenues and past consolidation measures have brought the deficit down, close to balance in 2006. However, fiscal policy has been eased in relation with the health care reform enacted at the beginning of 2006 because higher expenditures for health care have not been matched by hikes in social security contributions, leading to a deterioration of the structural balance to 0.6% of GDP. To offset these spending increases, expenditure cuts have been incorporated in the budget for 2007. Nevertheless, fiscal policy is expected to loosen further in cyclically adjusted terms by an additional 0.6 percentage point of GDP, not least because of revenue effects of higher natural gas prices becoming less important next year.

Netherlands

Labour market pressures are increasing | **The housing market is recovering**
Mean centered around historical average



Source: Statistics Netherlands, *Main Economic Indicators*.

StatLink: *http://dx.doi.org/10.1787/340335677433*

Netherlands: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption[1]	238.1	0.6	0.7	-0.9	1.2	1.5
Government consumption[1]	116.8	0.1	0.3	8.0	3.6	0.6
Gross fixed capital formation	92.8	-0.8	3.6	4.9	4.6	1.8
Final domestic demand	447.7	0.2	1.2	2.6	2.6	1.3
Stockbuilding[2]	- 0.8	0.4	-0.3	-0.2	-0.2	0.0
Total domestic demand	447.0	0.6	0.9	2.4	2.4	1.3
Exports of goods and services	300.5	8.0	5.5	8.3	7.3	6.7
Imports of goods and services	270.5	6.4	5.1	8.3	6.8	4.9
Net exports[2]	30.0	1.4	0.7	0.6	0.8	1.8
GDP at market prices	476.9	2.0	1.5	3.0	3.1	3.0
GDP deflator	_	0.7	1.7	1.3	0.8	2.0
Memorandum items						
Harmonised index of consumer prices	_	1.4	1.5	1.5	1.0	1.9
Private consumption deflator	_	0.8	1.6	1.5	0.9	1.9
Unemployment rate	_	4.9	5.0	4.9	4.2	3.1
Household saving ratio[3]	_	7.4	6.5	7.0	6.0	4.9
General government financial balance[4]	_	-1.8	-0.3	-0.4	-0.2	-0.1
Current account balance[4]	_	8.9	6.6	7.4	7.7	9.3

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. The introduction of a health care insurance reform in 2006 will cause, in national accounts, a shift of health care spending from private consumption to public consumption.
2. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
3. As a percentage of disposable income, including savings in life insurance and pension schemes.
4. As a percentage of GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/837301045154*

The recovery will continue to broaden

Investment is recovering only gradually, so that its share in GDP is only rising slowly, and this implies a relatively flat trend for potential output of about 1.8%. Actual output will continue to grow above potential, closing the output gap in 2007, and leading to a positive output gap in 2008. The strong labour market should bring unemployment down to below the natural rate in 2008. With rising employment, private consumption will become a more important driver for growth over the forecast horizon. Exports will continue to contribute to the recovery in 2007 with gains in market shares due to moderate wage increases and improving unit labour costs. The assumed stability in oil prices helps to keep the projected inflation low. Nonetheless, wages are likely to pick up towards the end of the projection period, pushing core inflation above headline inflation. The housing market is expected to continue its recovery with house prices expected to rise further and order books close to their peak level in 2000.

Domestic risks are on the upside for 2008

As in the previous cycle, wages have so far reacted only sluggishly to changes in economic conditions, and so has core inflation. But there is a risk that signs of overheating begin to appear towards the end of the projection period. Such a risk would be amplified if – with a general election in November – further fiscal consolidation and the achievement of primary surpluses to prepare for population ageing do not materialise and fiscal policy changes orientation towards higher expenditure growth.

New Zealand

The economy has slowed over the course of the year, serving to eliminate excess demand pressures. The projected pick-up in the pace of activity is likely to be modest, as the shift towards export-led growth is hampered by the exchange rate appreciation since the middle of the year. Nevertheless, moderate real disposable income growth will allow private consumption to gently accelerate. Employment is projected to stabilise, but the rise in the unemployment rate will be attenuated by some labour market withdrawal.

The emerging negative output gap and dissipating inflationary pressures would allow room for significant monetary policy easing next year, which could also induce a currency depreciation and thereby reduce the external imbalance over time. But additional fiscal stimulus, whether in the form of tax cuts or additional spending, would reduce the room for lower interest rates and inhibit the transition to export-led growth. This would make the challenges of macroeconomic stabilisation more difficult at a time when the outlook is subject to considerable risks.

Economic indicators have been mixed…

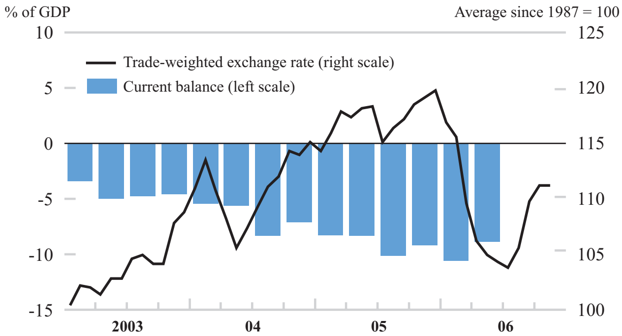
The pace of activity slowed during 2006 although recent indicators present a mixed picture, leaving some uncertainty about whether monetary tightening has been sufficiently effective in cooling the economy and easing imbalances. Improved competitiveness due to the sharp exchange rate fall in the first half of the year was partially reversed as the exchange rate appreciated again. In addition, the terms of trade have declined, and the current account deficit remains around 9% of GDP. Private consumption and investment were sharply curbed in the second quarter, while public consumption continued on a path of strong expansion. The labour market has softened, but the unemployment rate has remained well below its sustainable level. Household incomes have also been boosted by strong wage increases as well as higher transfers as the "Working for Families" package is phased in.

… and inflationary pressures have persisted

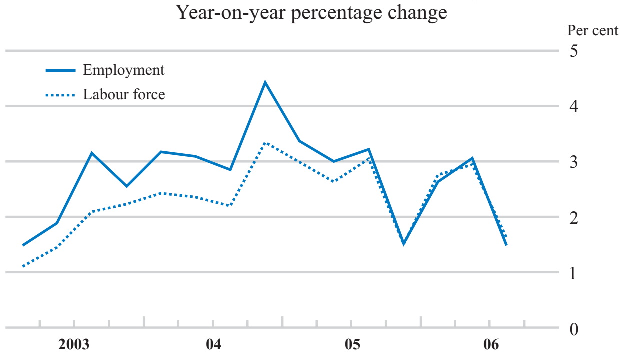
With house prices still rising at a vigorous pace during much of the year and strong competition among banks tempering increases in effective mortgage interest rates, excess demand tensions have dissipated only slowly. Large foreign capital inflows feeding into mortgage financing have not helped. Inflation is currently running higher than the Reserve Bank's target range, and inflation expectations remain at disquieting levels. Consumer price inflation decelerated in the September quarter, helped by a fall in the transport component. But non-tradeables inflation has not yet shown signs of abating.

New Zealand

The exchange rate has risen again



Labour markets have been strong
Year-on-year percentage change



Source: Reserve Bank of New Zealand and OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/716274457636*

New Zealand: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices NZD billion	Percentage changes, volume				
Private consumption	80.3	6.4	4.9	1.7	0.7	1.1
Government consumption	23.6	5.7	4.6	4.8	3.6	3.0
Gross fixed capital formation	30.1	13.4	4.2	-4.2	-2.7	1.4
Final domestic demand	134.0	7.9	4.7	0.9	0.5	1.5
Stockbuilding[1]	1.1	0.3	-0.2	-1.1	-0.1	0.0
Total domestic demand	135.1	8.1	4.5	-0.2	0.4	1.5
Exports of goods and services	40.4	5.4	-0.5	2.4	6.6	8.1
Imports of goods and services	39.5	16.4	6.2	-3.0	3.8	6.3
Net exports[1]	0.9	-3.1	-2.0	1.6	0.8	0.5
GDP at market prices	136.0	4.2	2.1	1.5	1.3	2.0
GDP deflator	_	3.9	2.5	2.0	2.9	1.6
Memorandum items						
GDP (production)	_	4.4	2.2	1.6	1.3	2.0
Consumer price index	_	2.3	3.0	3.6	2.8	2.0
Private consumption deflator	_	0.9	1.7	2.7	2.7	2.0
Unemployment rate	_	3.9	3.7	3.8	4.4	4.6
General government financial balance[2]	_	3.6	4.2	3.5	2.6	2.2
Current account balance[2]	_	-6.6	-9.0	-9.3	-8.4	-8.3

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 80 database.

StatLink: *http://dx.doi.org/10.1787/184704261333*

But there should soon be room to ease monetary policy…

With a significant negative output gap projected to open up despite an expansionary fiscal stance, underlying inflationary pressures should ease, allowing inflation to fall back to within the official target range over the coming quarters. This would provide room for the Reserve Bank to start lowering the official cash rate from early next year and continue loosening monetary policy over the projection period.

… although the upswing will be modest…

A relatively weak and drawn-out recovery is projected. The necessary shift from domestic demand to export-led growth continues to be hampered by the exchange rate appreciation, although buoyant foreign demand will lift sales abroad. Households' incomes are projected to grow more modestly than in the recent past but will nonetheless allow for a gentle pick-up in private consumption. Private-sector employment is projected to shrink, but ongoing public-sector expansion and some withdrawal from the labour market will moderate the rise in the unemployment rate. Investment is projected to recover only slowly, in part reflecting an unusually high degree of uncertainty about near-term prospects.

... and risks abound

The risks to these projections are considerable. Monetary policy judgements are delicately balanced. Any further fiscal easing beyond that already envisaged in these projections, whether through tax cuts or higher public spending, would complicate such judgements. It is also unclear how households might adjust their desired savings as house prices stabilise. A negative supply shock, such as an El Niño-induced drought, could make the transition to a more sustainable growth path more difficult. And a shift in foreign investor sentiment concerning the nation's high and rising net foreign liabilities could induce a period of high financial volatility with uncertain impacts.

Norway

Mainland Norway is booming. Real GDP growth is projected to have reached 3¾ per cent in 2006, and to moderate slightly in 2007 and 2008 reflecting the completion of major oil investment projects, reduced monetary stimulus and slowing household demand. Although the output gap has become increasingly positive, underlying inflation has remained relatively low and below the Norges Bank target.

After more than three years of growth above potential, there are signs of overheating. Rising bottlenecks and increasing risks of wage inflation call for a stricter fiscal policy, a faster return to a neutral monetary stance and new reforms to boost labour supply.

Little slack in the Norwegian economy

The Norwegian economy has grown unabated at a solid rate of 3¾ per cent since mid-2003. The positive output gap has been widening and capacity utilisation is close to historical peaks, though structural changes may have enabled the economy to operate at high levels of utilisation without triggering inflation. Domestic demand has remained buoyant in all sectors, reflecting strong terms of trade gains. Despite housing starts at record levels, the housing market has not shown any sign of weakening. After a five-year-long stagnation, private employment has recently surged, and the unemployment rate rapidly fell below 3½ per cent. At the same time, underlying inflation remains very low, thanks to imported disinflation and active competition on the domestic product market. However, business surveys and recent data indicate that pressures may be building up more rapidly than expected. Even though past central wage negotiations turned out to be moderate, job vacancies at record levels and widespread hiring difficulties could well lead to a brisk acceleration in wage claims.

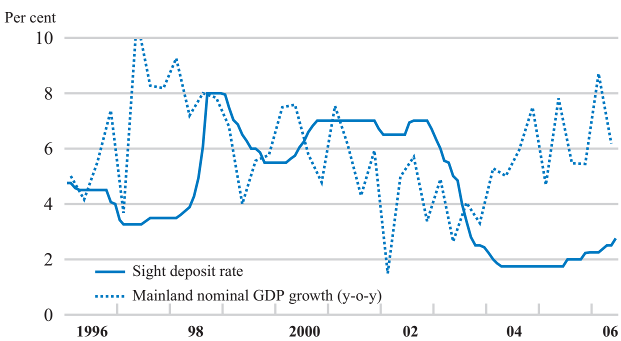
Macroeconomic policies are expansionary

The Norges Bank started to withdraw monetary stimulus in June 2005, in small and not too frequent steps. Still, various measures of real interest rates are low at this stage of the recovery, stimulating domestic demand and credit growth. Because of transmission lags, there is a risk that monetary conditions remain too lax in the near term, feeding the emergence of imbalances in Mainland Norway. Norges Bank projects that the short-term interest rate will return to its neutral level by 2008. The Secretariat assumes a somewhat faster process of normalisation to be completed by mid-2007, so as to respond to overheating risks.

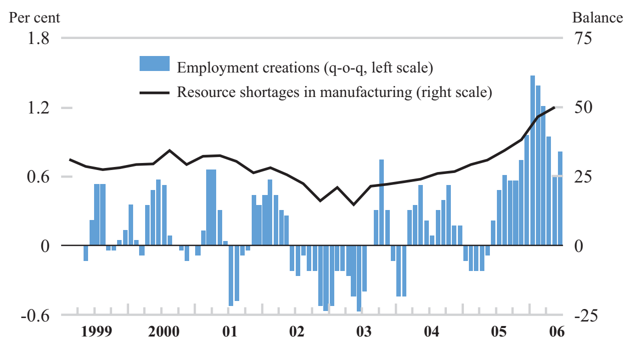
Even though the draft budget for 2007 envisages a return to the fiscal rule, the non-oil structural deficit should nonetheless increase by ¼ per cent of GDP. This reflects higher transfers from the Government Pension Fund (ex Petroleum Fund) financing new public spending, though some restraint stems from moderate increases

Norway

The monetary stance is lax



Labour shortages are rising



Source: Statistics Norway, Norges Bank, Gallup business survey and OECD Economic Outlook 80 database.

Norway: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices NOK billion	Percentage changes, volume (2003 prices)				
Private consumption	720.0	4.7	3.4	3.9	3.2	2.9
Government consumption	354.2	2.2	1.5	2.0	2.7	2.6
Gross fixed capital formation	276.6	8.1	10.9	6.7	6.1	2.6
Final domestic demand	1 350.9	4.8	4.5	4.1	3.8	2.7
Stockbuilding[1]	14.3	1.2	0.2	0.4	0.0	0.0
Total domestic demand	1 365.1	6.1	4.6	4.5	3.7	2.7
Exports of goods and services	637.4	0.6	0.7	1.8	3.4	3.8
Imports of goods and services	425.8	8.9	7.4	7.9	4.9	4.3
Net exports[1]	211.6	-2.2	-1.8	-1.4	0.2	0.6
GDP at market prices	1 576.7	3.1	2.3	2.4	3.2	2.7
GDP deflator	_	5.6	8.4	7.7	2.0	3.8
Memorandum items						
Mainland GDP at market prices[2]	_	3.8	3.7	3.7	3.0	2.6
Consumer price index	_	0.5	1.5	2.2	1.7	2.6
Private consumption deflator	_	0.9	1.2	2.2	2.1	2.6
Unemployment rate	_	4.5	4.6	3.6	3.3	3.4
Household saving ratio[3]	_	9.6	12.4	5.2	5.6	5.9
General government financial balance[4]	_	11.4	16.2	19.3	18.0	18.1
Current account balance[4]	_	13.6	16.6	20.0	20.2	21.5

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. GDP excluding oil and shipping.
3. As a percentage of disposable income.
4. As a percentage of GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/117281522778*

in indirect taxes in 2007. After four years of robust expansion, due to high oil prices, the Fund rose above 100% of Mainland GDP in 2006. A more moderate utilisation of oil revenues, undershooting significantly the 4% expected real return and making up for previous overruns, might be appropriate to cool the overheating economy. New reforms tightening sick leave and disability schemes and boosting hours worked would also be helpful in such a context.

Robust demand ahead

The cyclical upturn is expected to continue in 2007. Mainland real GDP is projected to expand around 3% next year, close to the potential growth rate. Growth should slow somewhat toward 2½ per cent in 2008. The assumed withdrawal of monetary stimulus and the completion of energy-related investments should slacken domestic demand in early 2008. Employment growth would however remain robust. With the unemployment rate below its estimated structural level, wages could drift significantly above 5% over the next two years. This is projected to push up unit labour costs and fuel domestic inflation in 2008.

Rising imbalances in the Mainland economy

The main uncertainty in the outlook is the risk of overheating. Fiscal policy remains slightly expansionary and monetary conditions are likely to remain too lax in the near term because of transmission lags, accentuating imbalances in Mainland Norway. Young and highly indebted households are increasingly vulnerable to a monetary tightening. Because of the fast growing Government Pension Fund, even a strict application of the fiscal rule might over-stimulate the domestic economy. This could fuel domestic inflationary pressures and risks being accompanied by an appreciation of the krone.

Poland

Economic performance has been improving steadily, with growth of 5% combined with low inflation and plunging unemployment. Continuing strength in investment and exports should support robust growth in 2007 and 2008. Job creation is projected to maintain its recent momentum and to make significant further inroads in unemployment. Productivity gains are projected to be moderate, and, with rather faster wage increases, costs may push inflation towards the official target of 2½ per cent.

With a vigorous expansion well established and inflation set to move higher, an expected monetary tightening in 2007 will be appropriate. The projected fiscal outcome for 2006 is encouraging, but budgetary consolidation and rationalisation of expenditure planning need to be pursued further to take full advantage of higher growth.

Growth continued strongly in 2006

Real GDP in the first half of 2006 was 5% above its level a year earlier, with booming industrial production meeting both domestic and export demand. Recent data suggest that output continued to grow substantially in the third quarter. Investment has remained buoyant, after having disappointed several times in recent years. Private consumption is also now expanding as both wages and employment have picked up. Exports slowed somewhat at the beginning of the year but have grown rapidly since then. Rising activity has stimulated imports too; the net external contribution to growth in 2006 will be small.

Unemployment has fallen sharply

Unemployment has fallen rapidly since the end of 2005, not only because employment growth increased, but also due to a falling labour force, partly resulting from early retirements and continued emigration. Wages may have grown nearly 5% in 2006.

Inflation has picked up somewhat

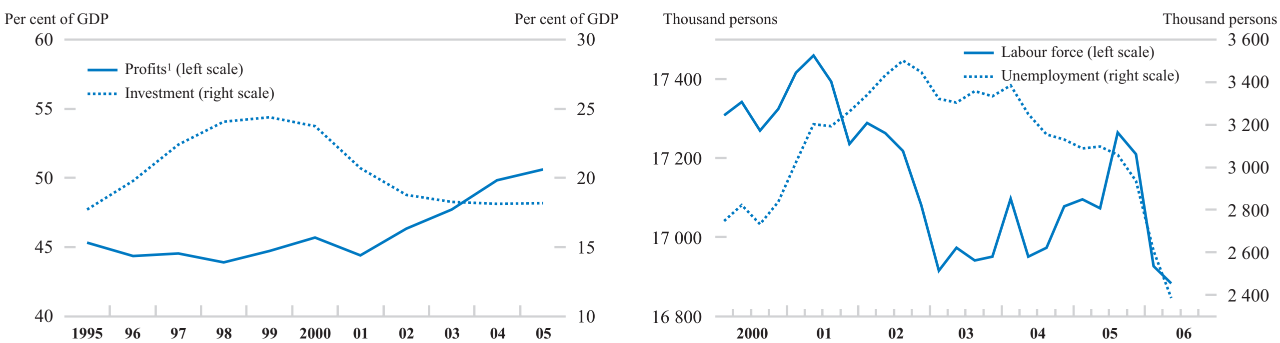
The zloty, which had appreciated since 2004, flattened out this year. Simultaneously consumer price inflation rose somewhat, reaching 1.6% year-on-year in September, back within the central bank's target band (1½ to 3½ per cent), though it fell back in October to 1.2%. Policy interest rates have been unchanged since the cut in February. Because October's drop in inflation is likely to be temporary, these projections embody an increase of ¼ percentage point at the beginning of 2007, followed by two similar increases in late 2007 and early 2008.

The budget deficit fell despite little government action

Recent official projections show the general government deficit falling to 2.1% of GDP in 2006; earlier, a rise had been expected following some relaxation in the budget for 2006 and with a slower growth assumption. This figure is on the current Eurostat definition, which classifies private pension funds inside the general government sector. The deficit with these funds classified in the private sector (as will be the case from 2007) is higher, by about 2% of GDP. Improvements in both 2005 and 2006 appear to be due mainly to buoyant revenues, which now seem more durable than previously

Poland

Rising profits may stimulate investment | **Both unemployment and the labour force have fallen**



1. Defined as GDP minus compensation of employees and half of income from self employment.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/074477547433*

Poland: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices PLZ billion	Percentage changes, volume (2000 prices)				
Private consumption	552.0	4.2	1.9	5.0	4.1	4.1
Government consumption	153.7	3.1	5.3	2.3	3.2	2.4
Gross fixed capital formation	153.8	6.4	6.5	10.1	10.2	8.5
Final domestic demand	859.4	4.4	3.3	5.4	5.1	4.7
Stockbuilding[1]	4.3	1.6	-0.9	-0.6	0.0	0.0
Total domestic demand	863.7	5.9	2.4	4.8	5.2	4.7
Exports of goods and services	280.9	14.0	8.0	15.5	9.5	10.1
Imports of goods and services	302.5	15.2	4.7	14.8	9.8	9.6
Net exports[1]	- 21.6	-0.8	1.1	0.2	-0.2	0.1
GDP at market prices	842.1	5.3	3.5	5.1	5.1	4.8
GDP deflator	_	4.1	2.6	0.6	2.2	2.3
Memorandum items						
Consumer price index	_	3.4	2.2	1.4	1.9	2.3
Private consumption deflator	_	3.0	2.2	1.5	2.2	2.3
Unemployment rate	_	19.0	17.7	14.2	12.6	11.3
General government financial balance[2,3]	_	-3.9	-2.4	-2.2	-1.8	-1.6
General government financial balance after reclassification[2,4]	_	-5.7	-4.3	-4.1	-3.8	-3.6
Current account balance[2]	_	-4.3	-1.7	-2.1	-1.9	-1.5

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 inside the general government sector.
4. From 2007 onwards the defined contribution funded pension scheme, OFE, will be reclassified outside the general government sector (from the social security system within the general government sector). This will become the official series for the general government deficit.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/011826416850*

thought. The current draft state budget for 2007 includes a deficit target for the state budget which, on plausible assumptions for the deficit of other parts of the public sector, could mean a larger general government deficit than projected here. These projections assume, however, that – as in 2006 – additional revenues will not be spent in a pro-cyclical relaxation of fiscal policy. Such prudence is needed because the general government deficit (excluding private pension funds) is likely to remain above 3% of GDP in 2008. The government plans to bring it below this Maastricht ceiling in 2009.

Higher growth should continue through to 2008

GDP is expected to continue to grow at or near 5%, somewhat above potential growth. Investment will be an important driver of activity as the increasing use of EU funds feeds through. The more buoyant labour market and remittances from emigrants should sustain consumption. Exports should remain dynamic, with improving economic conditions in Poland's trading partners; imports are likely to grow equally fast. With unemployment still high, and its fall partly due to retirement, wages may not accelerate much further, allowing moderate unit labour cost increases. Inflation should remain below 2½ per cent into 2008.

Structural reforms are needed

Despite the promising outlook, wage inflation could still threaten the recovery. The government should not grant unwarranted wage increases and must continue to enhance efficiency – and make room for some justified wage increases – by reducing public employment where possible. Though fiscal prospects have improved, the government needs to implement plans to rationalise public finances, improve expenditure planning and find ways to reform taxation, in particular so as to lower the tax wedge, which would further improve labour market performance.

Portugal

Stronger growth in Europe spurred a pickup in exports and GDP growth in 2006. The recovery is expected to gain momentum in 2007 and 2008. The significant output gap and high unemployment should lead to a moderation in wage claims and reduce inflation to the euro area average.

It is imperative that the government achieves its fiscal consolidation goals, which will require strong discipline on the expenditure side. This will contribute to long-term improvement in economic performance. Lifting the level of human capital and increasing competition in the domestic market are also essential for raising productivity and improving Portugal's flexibility to adapt to external shocks.

Growth has picked up, but the recovery is fragile

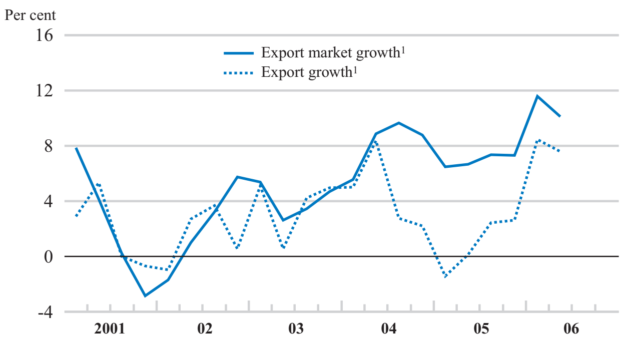
The Portuguese economy grew by only 0.4% in 2005. The expansion strengthened in the course of 2006, driven by a pick up in net exports, but it is not yet entrenched. Continuing a declining trend that began in 2001, private investment (and especially construction) is still contracting and is acting as a significant drag on the economy. This weakness partly reflects the unwinding of the large increase in investment in the run-up to Economic and Monetary Union. Reflecting a considerable output gap, core inflation is declining. Employment growth has improved and the unemployment rate has fallen to 7.4% in September from a peak of 8% in December 2005.

Fiscal consolidation is occurring

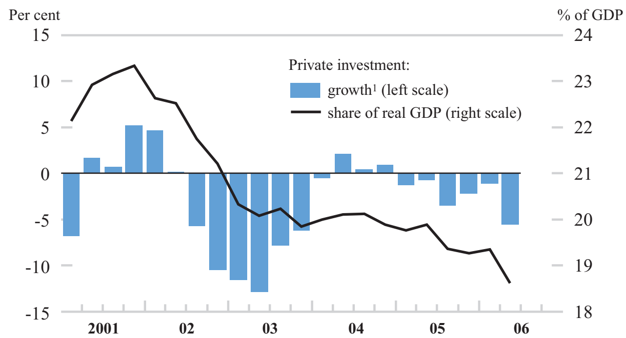
The government is continuing to make progress with its much needed programme to reduce the fiscal deficit. Various measures are boosting revenue in 2006 including an earlier increase in value-added tax and excise taxes (tobacco, fuel), as well as better tax collection. The introduction of a new income tax bracket with a higher maximum rate is also providing a modest amount of extra revenue. On the expenditure side, there has been some progress in reducing the public service wage bill. It fell by 2.8% until October (State wage bill only, year on year) as automatic career progression was frozen and the excessive number of teachers reduced. The government is now implementing its programme for restructuring the public service (PRACE) which should have effects from 2007 onwards. The budget deficit outturn from January to September 2006 suggests that the target for the deficit (4.6% of GDP) is likely to be achieved. Assuming continued discipline in implementing the

Portugal

Export performance has recently picked up



Private investment is weak



1. Year-on-year percentage change.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/235306217244*

Portugal: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	87.9	2.4	2.0	1.0	1.4	1.7
Government consumption	27.6	2.5	1.8	-0.3	-0.3	-0.6
Gross fixed capital formation	31.0	0.9	-2.9	-2.1	2.3	4.2
Final domestic demand	146.4	2.1	0.9	0.1	1.3	1.8
Stockbuilding[1]	0.4	0.2	-0.2	-0.2	0.0	0.0
Total domestic demand	146.8	2.3	0.8	-0.1	1.3	1.8
Exports of goods and services	38.6	4.5	0.9	8.3	5.0	5.7
Imports of goods and services	47.9	6.8	1.8	3.2	3.7	5.2
Net exports[1]	- 9.3	-1.3	-0.5	1.3	0.1	-0.2
GDP at market prices	137.5	1.2	0.4	1.3	1.5	1.7
GDP deflator	_	2.8	2.7	2.0	1.8	1.8
Memorandum items						
Harmonised index of consumer prices	_	2.5	2.1	3.1	2.0	1.8
Private consumption deflator	_	2.6	2.5	3.0	1.9	1.8
Unemployment rate	_	6.7	7.7	7.5	7.4	7.0
Household saving ratio[2]	_	9.4	9.1	9.4	9.5	9.7
General government financial balance[3]	_	-3.2	-6.0	-4.6	-3.7	-3.4
Current account balance[3]	_	-7.3	-9.3	-8.8	-9.2	-9.9

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 disposable income.
3. As a percentage of GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/166004121044*

consolidation programme, the structural fiscal deficit is expected to fall by 1.5% of GDP in 2006, 0.9% in 2007, and 0.3% in 2008.

Export market growth underpins a moderate recovery

Stronger growth in the European Union and other markets has assisted export growth in 2006 and solid export growth is projected to continue. However, export market share losses are still expected, owing to a specialisation in labour intensive products (such as clothing and footwear), in which Portugal no longer has a comparative advantage due to the entry of new competitors in world markets. Now that investment as a share of GDP has fallen back to the levels in the mid-1990s, it is expected to pick up, driven by the export recovery and positive confidence effects from fiscal consolidation. Private consumption is likely to move in line with income growth, while real public consumption is expected to decrease. The sizeable output gap, together with persisting and high unemployment, should lead to more wage moderation and a decline in inflation to the euro area average.

Uncertainties remain

There is some risk that exports respond less than projected to stronger growth in Europe. Wage claims in excess of productivity improvements would worsen cost competitiveness of Portuguese firms in international markets and undermine recent improvements in export performance. However, if the structure of the economy is able to rapidly adapt to changes in world trade, export performance could be more robust. Another key uncertainty is the strength of private investment growth in response to the export recovery and fiscal consolidation. A prerequisite for a durable economic expansion is a turnaround in the downward trend in investment that began in 2000.

Slovak Republic

Net exports are projected to rise markedly as production builds up at new automobile plants, pushing economic growth up to around 8% in 2006 and again in 2007. Unemployment is likely to continue to fall, albeit more slowly than in recent years. Headline inflation should decline to 2¼ per cent by 2008.

Further monetary policy tightening may be needed to ensure that inflation targets are met. Greater fiscal consolidation in 2007 would both help to damp inflationary pressures and create a larger safety margin for respecting the Maastricht fiscal criteria. Labour market reforms are needed to bring the long-term unemployed back into employment.

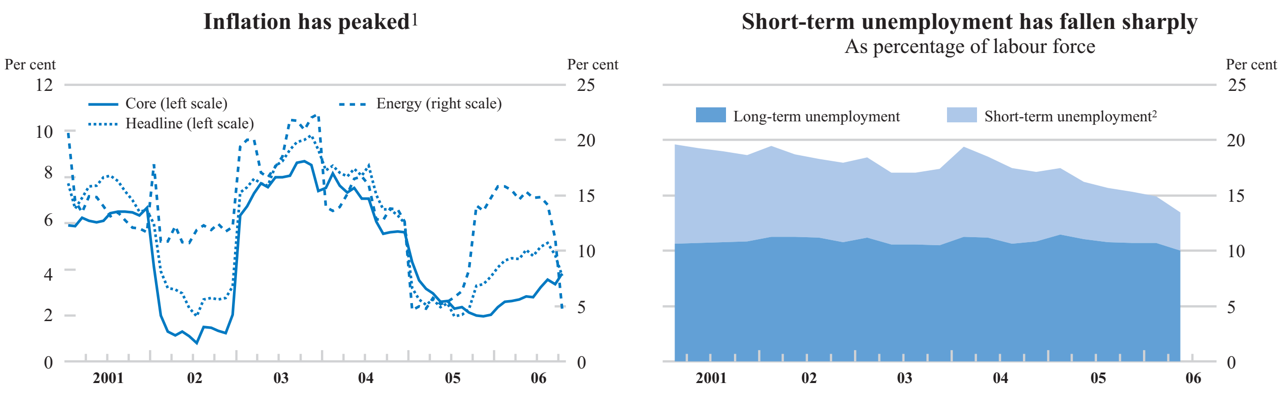
Growth has strengthened, and unemployment has fallen sharply

The strengthening in economic growth since early 2005 accelerated in recent months, taking real GDP growth for the year to the third quarter of 2006 to almost 10%. This performance was underpinned by high growth in private consumption, exports, and investment. Economic sentiment has stabilised in recent months at high levels, pointing to continued solid growth. The output gap is estimated to have turned positive in early 2006. Potential GDP should be boosted by some 4% over 2006-08, mostly in 2007, as production builds at two large new automobile plants; production began at the first in August and is expected to commence at the second in December 2006. Domestic employment growth has continued to rise, reaching 2.3% in the year to the second quarter. With many Slovaks taking jobs in neighbouring countries, national employment grew even faster, driving the unemployment rate (Labour Force Survey) down sharply, to 13.5% in the second quarter. Even so, real wage growth slowed since last year, to around 4% in the second quarter, less than trend productivity growth (about 4½ per cent). Headline inflation reached a peak in August 2006 and has since fallen sharply, to 3.7% in the year to October 2006, as lower fuel prices and telecom discounts took effect. Regulated price increases, which contributed 1½ percentage points to headline inflation, are likely to be lower over the next two years as global energy prices weaken and regulators take a tougher line on margins.

Policies are aimed at entry to the euro area in January 2009

The general government budget deficit is estimated to have increased slightly to 3.7% of GDP in 2006 (of which an estimated 1.1% of GDP relates to pension reform). The government has adopted a budget for 2007 that cuts the deficit to 2.9%

Slovak Republic



1. Year-on-year percentage change.
2. Twelve months or less.
Source: Statistical Office of the Slovak Republic, OECD Analytical database and *Main Economic Indicators*.

StatLink: *http://dx.doi.org/10.1787/517713025763*

Slovak Republic: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices SKK billion	Percentage changes, volume (2000 prices)				
Private consumption	687.6	4.2	7.0	6.2	6.2	5.3
Government consumption	249.1	2.0	-0.6	4.5	2.9	2.0
Gross fixed capital formation	302.8	5.0	17.5	9.5	5.9	6.8
Final domestic demand	1 239.5	3.9	8.1	6.8	5.5	5.1
Stockbuilding[1]	- 4.3	2.3	0.6	0.8	0.0	0.4
Total domestic demand	1 235.2	6.2	8.6	7.4	5.3	5.4
Exports of goods and services	927.7	7.9	13.8	17.1	14.9	9.6
Imports of goods and services	950.3	8.8	16.6	15.7	11.9	9.2
Net exports[1]	- 22.5	-0.9	-2.8	0.5	2.4	0.3
GDP at market prices	1 212.7	5.4	6.0	8.2	8.0	5.7
GDP deflator	_	6.0	2.4	3.3	3.5	3.0
Memorandum items						
Consumer price index	_	7.5	2.7	4.5	2.8	2.2
Private consumption deflator	_	7.4	2.6	4.5	2.8	2.2
Unemployment rate	_	18.1	16.2	13.5	12.2	11.7
General government financial balance[2]	_	-3.0	-3.1	-3.7	-2.7	-2.2
Current account balance[2]	_	-3.5	-8.7	-6.4	-3.9	-3.3

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 80 database.

StatLink: *http://dx.doi.org/10.1787/856217805782*

of GDP, as is required to satisfy the fiscal criteria for euro entry. Consolidation is to be achieved through expenditure restraint: real increases in government wages and in social benefits are to be limited to 3%, and cutbacks in investment expenditures are planned. The central bank expects that HICP inflation will fall to 2.6% by the end of 2007 and 2.1% by the end of 2008, which would likely satisfy the inflation convergence criteria (the government estimates the reference rate for average annual inflation over April 2007-March 2008 to be 2.9%). To this end, the Bank has increased official interest rates by 175 basis points since the beginning of the year, to 4.75%, and further increases may be required. The exchange rate against the euro has appreciated by around 7% over the past year from near the ERM-2 central parity (SKK 38.455/euro) to around SKK 35.7/euro.

Net exports will support growth and slash the current account deficit

Economic growth is projected to remain around 8% in 2007 supported by the production build-up at the new automobile plants and to ease thereafter as this effect passes. Unemployment should continue to decline, albeit more slowly than in recent years as the pool of short-term unemployed shrinks to low levels. Inflation should fall to 2.2% by 2008 supported by weaker energy prices. The general government deficit is projected to fall to 2.2% of GDP by 2008. With the completion of the new automobile plants, which export most of their production, the current account deficit should fall sharply, from 6½ per cent of GDP in 2006 to 3¼ per cent in 2008.

Uncertainty about energy prices is the main risk to the outlook

The main risk to these projections is that energy prices, which have a much greater impact on inflation in Slovakia than in euro area countries, turn out significantly differently than in the central projection. Higher prices would make achieving the Maastricht inflation target extremely difficult, while lower prices would facilitate meeting the target, allowing some relaxation in the stance of monetary policy.

Spain

Output growth, which reached 3.7% in 2006, should moderate somewhat in 2007 and 2008 as monetary conditions tighten and exports are expected to weaken. It will, however, remain robust, pushing the unemployment rate to below 8%. With inflation stabilising at around 3%, the differential with the euro area is unlikely to shrink significantly, implying a further erosion of international competitiveness.

A more restrictive fiscal policy would be useful not only in reducing domestic demand pressures that have fed into inflation but also in preparing for the fiscal consequences of ageing. However, reducing the inflation differential will still require structural reforms that foster competition in sheltered sectors and limit the use of indexation clauses in wage agreements. Lowering the country's energy intensity of production would reduce longer-term vulnerability to oil-price shocks.

Growth remains strong and seems more balanced

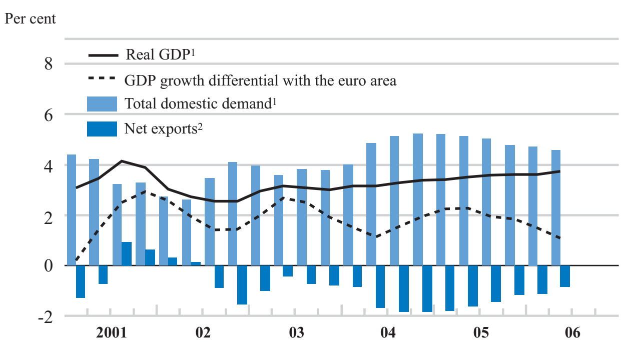
Economic activity has maintained its buoyancy. GDP growth accelerated to 3.8% (year-on-year) in the third quarter of 2006. Benefiting from the European recovery, exports have been gathering steam, while domestic demand has shown some signs of moderation, even though it has continued to grow robustly. The high level of indebtedness and the increase in real interest rates have slightly curbed private consumption and investment, including, to some extent, in the housing sector, where price increases have slowed, and houses take longer to sell. Recent activity indicators, such as car sales, point to a further deceleration of domestic demand, while industrial production and exports have benefited from still buoyant external markets. Overall, the pattern of growth has thus been somewhat better balanced recently. After hovering around 4% for the first half of the year, inflation receded to 2½ per cent in October, following the fall in oil prices, and the differential *vis-à-vis* the euro area decreased to 1 percentage point. Supported by falling real wages, job creation has remained strong, not only absorbing the large number of immigrants and women entering the labour market but also contributing to lowering the unemployment rate to 8¼ per cent by the third quarter of 2006.

The fiscal stance will ease slightly

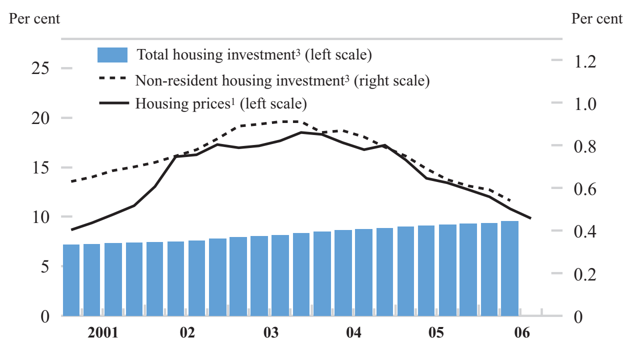
Although monetary conditions remain very relaxed for the Spanish economy, they should continue to become less accommodating, as has happened since early 2006. Sustained robust growth of tax revenues in 2006 should translate into a fiscal surplus of 1.4% of GDP, higher than last year's outcome and substantially above the official target, largely for cyclical reasons. In 2007, the budget, which aims at a surplus of 0.7% of GDP, includes cuts in personal income and corporate taxes amounting to around 0.4% of GDP. As a result, fiscal policy could become slightly expansionary and the surplus will probably shrink, even though it should again exceed the official objective.

Spain

Growth has been more balanced



Housing investment and price increases remain high



1. Year-on-year percentage changes.
2. Contribution to GDP growth.
3. Per cent of GDP.

Source: INE; Bank of Spain; OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/481153057656*

Spain: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	450.7	4.2	4.2	3.4	3.3	3.2
Government consumption	135.9	6.3	4.8	4.0	4.0	3.6
Gross fixed capital formation	212.8	5.0	7.0	6.0	4.9	4.5
Final domestic demand	799.4	4.8	5.1	4.2	3.9	3.7
Stockbuilding[1]	1.7	0.0	0.0	0.1	0.0	0.0
Total domestic demand	801.1	4.8	5.0	4.3	3.9	3.6
Exports of goods and services	206.1	4.1	1.5	6.5	5.2	5.2
Imports of goods and services	224.7	9.6	7.0	8.3	6.6	6.6
Net exports[1]	- 18.5	-1.7	-1.7	-0.9	-0.8	-0.8
GDP at market prices	782.5	3.2	3.5	3.7	3.3	3.1
GDP deflator	_	4.0	4.1	3.7	3.5	3.7
Memorandum items						
Harmonised index of consumer prices	_	3.1	3.4	3.5	2.7	3.2
Private consumption deflator	_	3.5	3.4	3.6	2.8	3.1
Unemployment rate[2]	_	10.5	9.2	8.4	7.8	7.6
Household saving ratio	_	10.4	10.4	10.0	10.1	10.0
General government financial balance[3]	_	-0.2	1.1	1.4	1.2	1.4
Current account balance[3]	_	-5.3	-7.4	-8.8	-9.2	-9.6

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. Pre-2005 labour market data are OECD estimates which were made consistent with posterior data by correcting for the methodological break that took place in 2005.
3. As a percentage of GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/513860142556*

Growth will moderate as demand looses steam

While activity is likely to remain strong, and again substantially above the euro area average, GDP growth is projected to moderate to around 3.3% in 2007 and 3.1% in 2008, still above potential rates. With higher interest rates, private consumption may slow, although only slightly as disposable income is likely to be bolstered by still robust employment increases, the income tax cuts and positive wealth effects. Construction investment should ease as the housing market cools off, although it could be partly offset by still vigorous investment in machinery and equipment, supported by good business financial results and the corporate tax cuts. The foreign balance should maintain its negative, albeit decreasing, contribution to growth, as domestic demand remains strong and competitiveness losses dilute the positive effect of still relatively robust foreign demand. As a result, the already large current account deficit may widen further. Job creation should remain vigorous and productivity gains meagre. The increasing tightness of the labour market could translate into higher real wages. Headline inflation could drop below 3% in 2007 and rebound in 2008 as lower oil prices initially offset increasing but modest pressures on product and labour markets. The inflation differential with the euro area, however, is unlikely to fall below the 1 percentage point level.

The housing sector is still a source of concern

In the short term, the main risk to the projection is that domestic demand, in particular the housing sector, could prove to be more robust than projected. This would, however, increase the probability of a more pronounced correction in the medium term. This could be difficult to overcome *via* greater net exports because of the accumulated losses in competitiveness induced by the long-standing inflation differential.

Sweden

The Swedish economy is growing dynamically, driven in particular by domestic demand. With growth projected to be 4.3% this year and 3.6% next, the output gap will be pushed further into positive territory. Although labour shortages are visible in construction, wage growth is not yet picking up. Underlying inflation remains at very low levels but is expected to rise over the projection period.

Fiscal policy adds some stimulus to an already vibrant economy next year, but monetary policy is becoming less expansionary. To counter the risk of overheating, the central bank should increase policy rates to at least neutral levels and fiscal policy should avoid fuelling the economy.

Domestic demand is strong…

The Swedish economy grew strongly in the first half of this year, at about twice its potential rate of around 2.5%. This primarily reflects strong domestic demand, but exports also remained solid. Private consumption has been supported by the improving labour market situation, income tax cuts and increasing house prices. Growth of house prices accelerated at the end of this past year to double-digit annual rates, also benefiting residential investment. Corporate investment is also contributing strongly to overall growth and business confidence has reached historical highs. New investment in capacity is being fuelled by historically high capacity utilisation.

… but inflation remains at low levels

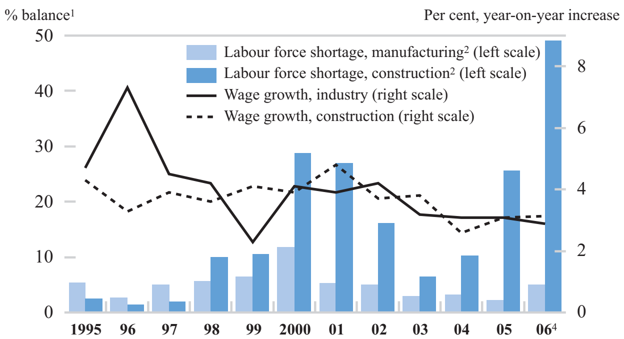
The output gap is estimated to have closed around the turn of 2005 and labour shortages are clearly visible in the construction sector, though not yet in most other parts of the economy. As labour supply has increased significantly, rising employment has not been accompanied by a decline in the unemployment rate. While headline inflation has increased, due to energy prices, measures of underlying inflation remain at very low levels, reflecting both global as well as domestic factors. Low import price growth, due to the rising import share of low-cost countries, is having a damping effect on consumer price inflation. Foreign competition is also reducing domestic wage pressures, while high productivity growth is keeping unit labour costs down.

Interest rates will have to be increased further

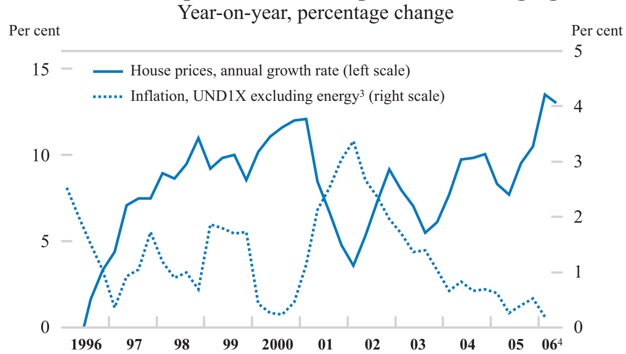
The capacity situation is becoming tight with the risk of wage reactions setting in. And rapid increases of house prices and credit growth are being fuelled by still low financing costs. Currently low inflationary pressures notwithstanding, the central bank is continuing to hike interest rates, also to cool the housing market, and is

Sweden

Low wage growth despite emerging labour shortages



Consumer prices and house prices are diverging
Year-on-year, percentage change



1. Seasonaly adjusted balance of positive and negative replies.
2. Business tendency survey. Share of firms reporting labour shortages as the main obstacle to higher growth.
3. UND1X is defined as CPI excluding interest costs for owner-occupied houses and adjusted for changes in indirect taxes and subsidies.
4. First half.

Source: National Mediation Office, Statistics Sweden and Konjunkturinstitutet.

StatLink: *http://dx.doi.org/10.1787/534130671214*

Sweden: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices SEK billion	Percentage changes, volume (2000 prices)				
Private consumption	1 202.7	1.8	2.4	3.2	3.2	2.9
Government consumption	691.7	0.1	0.7	1.4	1.4	0.8
Gross fixed capital formation	392.8	5.1	8.5	8.5	5.7	4.7
Final domestic demand	2 287.2	1.9	3.0	3.6	3.2	2.7
Stockbuilding[1]	9.9	-0.3	-0.2	-0.4	-0.1	0.0
Total domestic demand	2 297.1	1.5	2.7	3.2	3.1	2.7
Exports of goods and services	1 070.2	10.7	6.6	7.9	7.8	7.5
Imports of goods and services	907.9	6.8	6.6	7.6	8.2	7.8
Net exports[1]	162.3	2.1	0.6	0.7	0.5	0.5
GDP at market prices	2 459.4	3.3	2.7	4.3	3.6	2.9
GDP deflator	_	1.3	1.2	1.3	2.1	2.6
Memorandum items						
Consumer price index	_	0.4	0.5	1.4	2.2	2.5
Private consumption deflator	_	1.3	1.0	1.4	2.5	2.5
Unemployment rate[2]	_	5.5	5.8	5.5	5.3	4.3
Household saving ratio[3]	_	8.5	7.9	7.8	7.1	7.0
General government financial balance[4,5]	_	1.6	2.8	2.9	2.4	2.6
General government financial balance after reclassification[4,6]	_	0.6	1.8			
Current account balance[4]	_	6.9	6.0	7.1	7.5	7.6

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. Based on monthly Labour Force Surveys. The 2005 unemployment rate is based on quarterly statistics and deviates from the annual rate published by Statistics Sweden.
3. As a percentage of disposable income.
4. As a percentage of GDP.
5. Maastricht definition.
6. From 2007 onwards the defined contribution funded pension scheme will be reclassified outside the general government sector (from the social security system within the general government sector). This will become the official series for the general government deficit.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/458011210215*

projected to continue doing so, all the more because fiscal policy will add stimulus to the rapidly growing economy via tax cuts next year.

Strong growth should improve labour market outcomes significantly

Growth in 2006 is projected to reach 4.3% and to ease slightly to 3.6% next year, partly reflecting the increasing impact of higher short-term interest rates on corporate and residential investment. Although consumer spending will also be affected by higher interest rates (for example via the large share of flexible rate mortgage loans), this effect will be compensated by rising incomes due to the improving employment situation and tax cuts for households. The contribution of net exports will decrease along with less dynamic growth of the main trading partners. At the same time, the labour market is likely to improve significantly with continued strong employment growth. The new government's initiatives to draw more long-term unemployed into the labour market will expand the labour force and the unemployment rate is projected to fall towards 4.3% in 2008. Wage growth is projected to rise, lifting the inflation rate above the inflation target towards the end of the projection horizon.

Risk of overheating

At the current juncture, the rapid pace of growth generates some risk of overheating spreading from the construction sector to other parts of the economy.

Switzerland

Economic growth, which should reach about 3% in 2006, is likely to slow in 2007 and 2008 in a context of tighter monetary policy and a slightly less buoyant international environment. GDP will continue to rise more rapidly than potential output however, which should entail a further reduction in unemployment. Inflationary pressures, however, seem likely to remain low.

With the economy still growing strongly, the gradual tightening of monetary policy towards more neutral conditions should continue. Steps will also have to be taken to keep social spending under control and maintain healthy public finances. Recent economic results, though encouraging, must not lead to complacency: potential growth needs to be strengthened, which requires the pursuit of reforms to stimulate competition and boost productivity.

The economic situation remains bright

Growth picked up to 3% in the first half of 2006. The rise in GDP, which has remained more buoyant than in the euro area, was sustained by robust domestic demand, driven by investment in capital goods and continuing dynamic exports, despite a slight dip in the second quarter. Recent and leading indicators suggest that output is likely to have remained strong in the second half of the year. Industry order books were full, the tourist season was successful, and exports rebounded in the third quarter. Consumer confidence has improved, reaching a high level. Households have benefited from improving labour market conditions as the registered unemployment fell to 3.2% in October, and the employment outlook remains bright. With oil prices falling, the rise in consumer prices slowed to 0.3% in October 2006 (year-on-year), half a percentage point lower than the underlying inflation rate.

The tightening of monetary policy has continued

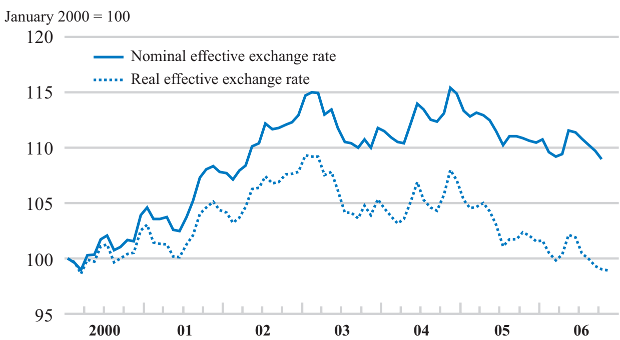
The National Bank has continued to tighten monetary policy gradually. The LIBOR fluctuation margin was increased by a ¼ percentage point in June and September 2006, so that it now fluctuates around 1.75%. The impact of these increases on monetary conditions was cushioned by a fall in the real exchange rate caused by lower inflation in Switzerland than in its main trading partners and a slight fall in the franc against the euro since the start of the year. The projections assume that the current tightening of monetary policy will continue.

Fiscal consolidation has made progress

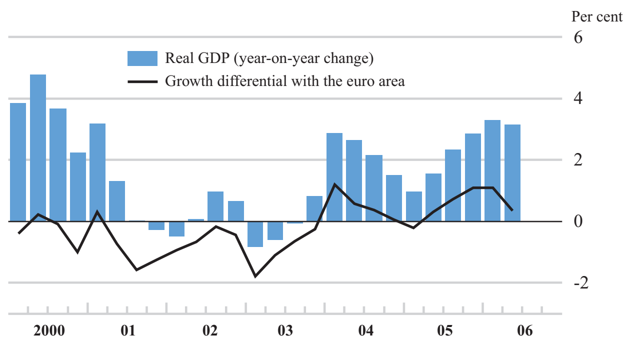
The government budget, which was in deficit by about 0.5% of GDP in 2005, should be in slight surplus in 2006. This is partly due to the completion of the programme to eliminate the federal structural deficit launched in 2003 and to the favourable

Switzerland

International competitiveness has improved



The recovery has been stronger than in the euro area



Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/605052827144*

Switzerland: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices CHF billion	Percentage changes, volume (2000 prices)				
Private consumption	262.7	1.5	1.3	1.8	1.8	1.8
Government consumption	52.1	-0.8	-1.6	-1.8	0.2	0.0
Gross fixed capital formation	89.9	4.5	3.2	5.0	3.8	2.3
Final domestic demand	404.6	1.9	1.4	2.1	2.1	1.7
Stockbuilding[1]	1.1	-0.4	-0.2	0.7	-0.1	0.0
Total domestic demand	405.7	1.5	1.1	2.8	1.9	1.7
Exports of goods and services	188.5	8.4	6.4	8.4	6.0	6.2
Imports of goods and services	159.5	7.4	5.3	8.8	6.1	6.1
Net exports[1]	29.0	0.8	0.8	0.3	0.4	0.4
GDP at market prices	434.8	2.3	1.9	3.0	2.2	2.0
GDP deflator	_	0.6	-0.1	0.9	1.0	1.3
Memorandum items						
Consumer price index	_	0.8	1.2	1.0	0.9	1.2
Private consumption deflator	_	0.9	0.8	1.4	0.9	1.2
Unemployment rate	_	4.2	4.3	3.9	3.6	3.3
General government financial balance[2]	_	-1.1	-0.5	0.2	0.5	0.7
Current account balance[2]	_	13.5	14.9	15.3	16.6	17.9

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 80 database.

StatLink: *http://dx.doi.org/10.1787/253236866341*

economic conditions. Tax revenue has been higher than expected since the start of the year, and the federal budget is likely to show a surplus rather than the targeted deficit of 0.1% of GDP. Social security accounts will stay in deficit, however. Fiscal policy will remain marginally restrictive in 2007-08, since the authorities aim to generate a structural surplus of around 0.2% of GDP at the federal level over the period through tighter control over public spending. These objectives, based on prudent growth assumptions (1.5% in 2007 and 2008), are likely to be met, enabling the government to contain the increase in public debt, despite the exceptional rise in spending expected, for example to finance federal pension funds.

Growth is likely to slow, but risks are balanced

GDP growth is likely to slow to 2¼ per cent in 2007 and 2% in 2008 due to a weaker external environment and a more restrictive macroeconomic policy. However, growth will remain relatively vigorous, sustained by business investment and private consumption, which is likely to be boosted by dynamic job creation, while the economy's competitiveness will also stimulate exports. Unemployment should continue to fall, and inflation will probably remain low, at around 1%. The emergence of slight pressures on capacity, with a small positive output gap, should be offset by lower oil prices and the damping effect of opening the labour market to workers from the European Union. The risks associated with this projection seem balanced. It is possible that the confidence currently felt by households and firms will foster higher domestic demand. However, negative risks also exist, mainly associated with external conditions, such as a less favourable international environment or renewed pressures on the world oil market.

Turkey

The economy was hit hard by the May-June 2006 turmoil in international markets which served to underscore its remaining vulnerabilities, but has recovered rather rapidly. The current account deficit, which will likely reach a historically high level above 8% of GDP in 2006, continues to be financed by growing private debt and foreign direct investment. Strong GDP growth is expected to continue but risks remain.

Maintaining fiscal discipline is crucial while monetary policy credibility needs to be bolstered, in particular by consolidating the independence of the central bank. The transparency and quality of fiscal institutions needs to be strengthened by adopting international accounting standards and multi-year spending targets for general government. Additional structural reforms are required to enhance the competitiveness of the economy, promote the formal sector and rein in the high current account deficit.

Growth remained strong after the turmoil

Real GDP grew strongly at 7% in the first half of 2006, despite the international financial market turmoil in May-June which hit Turkey particularly hard. The currency depreciated by 30% and long-term interest rates increased by more than 8 percentage points. More than half of the exchange-rate loss was recovered by end-October but interest rates have remained high. The immediate impact of the turmoil on economic activity was relatively limited, with private consumption and investment remaining strong in the second quarter. The economy slowed in the third quarter but only to a limited extent according to the available evidence.

Energy prices contributed to the current account deterioration

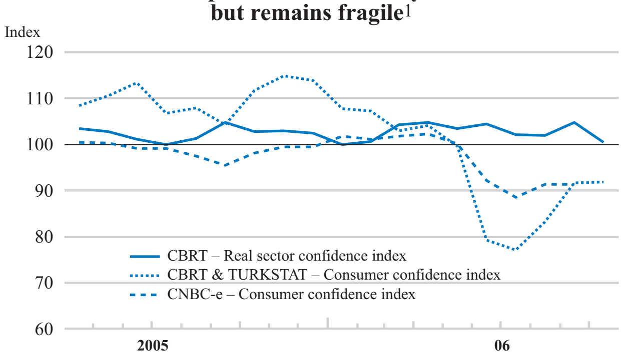
Imports in volume terms increased more rapidly than exports in the first half of the year. Import prices – and notably the price of energy that accounts for 20% of total Turkish imports – grew more rapidly than export prices. Combined with some fall in tourism revenues, the trade and current account deficits reached historically high levels of 10% and 8% of GDP in the first eight months. A correction occurred in the second half of the year as the exchange rate depreciation in May-June stimulated exports and slowed-down imports, while energy prices fell after September. The current account deficit should nevertheless reach beyond 8% of GDP in 2006 but is expected to be financed rather easily with private long-term debt and foreign direct investment.

Employment growth remained weak while inflation rose

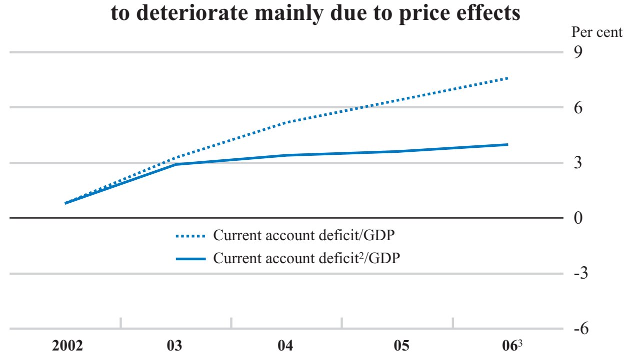
Employment in the second quarter of 2006 was 0.6% higher than a year earlier, with 920 000 new jobs created in industry and services (a spectacular increase of 4% in total employment), while agriculture lost 780 000 workers. As a consequence of these offsetting developments the rate of unemployment stayed high at nearly 9%. Given the slack in the labour market, real wages increased by only 1.3% in the private sector and fell by 2.3% in the public sector. Despite such wage moderation, the sharp disinflation process of the past four years was reversed in 2006. A pick-up in inflation in early spring due to increases in energy, unprocessed food and clothing prices was subsequently compounded with pass-through effects from the exchange rate depreciation. The inflation target of 5 ± 2% for end-2006 will be impossible to reach, and market expectations for 2007

Turkey

Confidence improved after the May-June turmoil but remains fragile[1]



The current account deficit has continued to deteriorate mainly due to price effects



1. Values over 100 (under 100) imply an optimistic (pessimistic) stance of the majority of respondents on the strength of the economy.
2. Current account deficit with import and export prices held constant at their 2002 level.
3. 2006 shows the last 12 months as of June.

Source: Central Bank of Turkey, TURKSTAT, CNBC-e.

StatLink: *http://dx.doi.org/10.1787/524068402534*

Turkey: **Demand, output and prices**

	2003	2004	2005	2006	2007	2008
	Current prices TRL billion	Percentage changes, volume (1987 prices)				
Private consumption	239.6	10.1	8.8	5.2	3.5	5.8
Government consumption	49.0	0.5	2.4	12.6	4.0	2.4
Gross fixed capital formation	55.6	32.4	24.0	11.7	8.1	8.4
Final domestic demand	344.2	14.1	12.1	7.5	4.9	6.4
Stockbuilding[1]	27.4	1.1	-2.5	-0.1	0.6	0.0
Total domestic demand	371.6	14.1	8.8	7.1	5.3	6.0
Exports of goods and services	98.5	12.5	8.5	6.6	8.3	10.2
Imports of goods and services	110.3	24.7	11.5	9.0	8.3	9.2
Net exports[1]	- 11.8	-4.9	-1.7	-1.5	-0.5	-0.1
GDP at market prices	359.8	8.9	7.4	6.1	5.3	6.3
GDP deflator	_	9.9	5.4	13.0	7.7	5.0
Memorandum items						
Consumer price index	_	8.6	8.2	9.6	7.9	5.7
Private consumption deflator	_	7.9	6.1	10.2	7.3	6.0
Unemployment rate	_	10.1	10.0	10.1	9.8	9.5
Current account balance[2]	_	-5.1	-6.4	-8.1	-7.6	-7.0

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 GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/520284155608*

inflation also remain above the Central Bank's target. The Central Bank reacted to the turbulence in financial markets and to the rise in inflation expectations by increasing its policy rate by more than 400 basis points through successive interest rate increases.

Confidence is recovering but remains fragile

Consumer confidence, after taking a hit, started to recover after August, while business confidence had remained stronger. But both remain fragile. Despite the increase in interest rates, consumer loans have continued to expand, though at a decelerating pace towards the end of the year. Macroeconomic policies are likely to remain tight during the projection period, but this will probably impact favourably on activity (as in the previous years), by contributing to domestic and international confidence. The primary fiscal surplus is projected to overshoot the target of 6.5% of GDP in 2006 (even if the precise fiscal stance cannot be monitored according to international standards). The target may then be met in 2007, an election year, provided that the planned spending increases are fully funded by budgeted tax rises and increases in state-owned enterprises' prices – the latter putting some upward pressure on inflation. Monetary policy is likely to remain tight as the Central Bank fights to restore the credibility of its inflation targets for 2007 and 2008.

A number of structural weaknesses remain

A number of institutional and structural weaknesses remain, constituting sources of vulnerability in case of any downturn in international financial markets. General government fiscal accounts should be published according to international standards. It is important to build in expenditure caps within a multi-year budget framework at the general government level. Product and labour market regulations in the formal sector remain among the most rigid in the OECD, and the high degree of informality provides only a partial and non-transparent remedy which hinders the competitiveness of many informal and half-formal firms.

Growth remains robust

Real GDP is projected to rise by nearly 5½ per cent in 2007 and above 6% in 2008. Non-agricultural employment should continue to grow, although aggregate employment may stagnate as a result of continuing exits from agriculture. The current account deficit will decline slightly but remain high. A main downside risk to the projection is international or domestic developments leading to interest- and exchange-rate shocks, as these could reduce growth and increase inflation. Hence, policies to reduce these risks and improve the resilience of the economy against shocks should be a priority.

Brazil

Activity is showing signs of recovery, following a slowing in the second quarter. Private consumption continues to be strong, and investment is likely to bounce back. The trade and current account surpluses remain robust on the back of sustained good export performance. Financial conditions have been benign, even during the pre-election period, buttressed by a continued improvement in external vulnerability indicators.

The policy mix is appropriately becoming more accommodating. Sustained disinflation and the lacklustre GDP readings have prompted continued monetary easing. The exchange rate was under some pressure in May-June but has since then stabilised. Fiscal policy is on track, with the end-period targets expected to be met, despite the ratcheting-up of current expenditure, especially on pensions.

GDP growth slackened in the second quarter but is rebounding

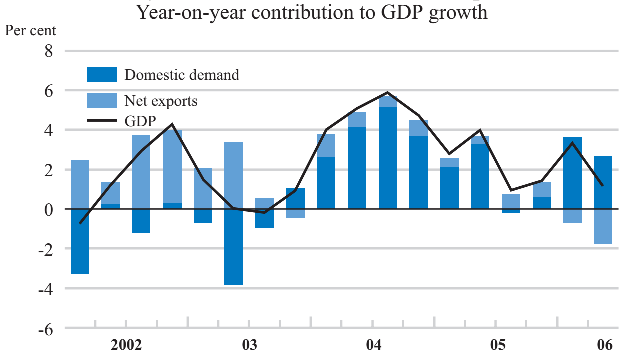
GDP decelerated in the second quarter, following a mild recovery earlier in the year. Private consumption growth has remained strong, on the back of real income gains and credit expansion. But net exports contributed negatively to growth, in spite of robust export performance, pushed by still vigorous growth in the global economy. The trade surplus remains sizeable. Employment continued to grow in the formal sector, although registered unemployment edged upward towards mid-year, primarily on account of rising labour force participation. Confidence indicators now appear to be bottoming out, and industrial production, especially of capital and durable consumption goods, as well as retail sales, are trending upwards, albeit moderately. These developments bode well for a pick-up in activity towards year-end and into 2007.

The inflation backdrop is prompting continued monetary easing

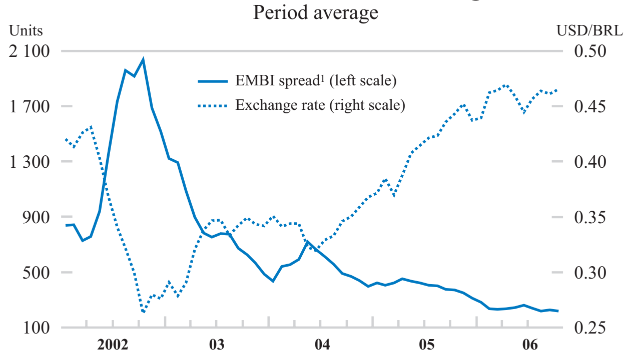
Inflation has been tame at below the mid-point of the target band, allowing for a sustained easing of the monetary stance. Consumer credit continues to expand, albeit at a slowing pace. The *real* has stabilised, following an appreciating trend until May, supported by robust capital inflows and a high – although declining – interest rate differential. The real *ex ante* short-term interest rate is trending downwards but remains high, at close to 10% per year. The central bank continues to accumulate reserves, making the public sector a net external creditor – an achievement that is contributing to making the economy more resilient to adverse external shocks. Sov-

Brazil

Activity lost momentum in the second quarter
Year-on-year contribution to GDP growth



Financial conditions remain benign
Period average



1. Refers to the Brazilian component of the Emerging Market Bond Index.
Source: IBGE and Central Bank of Brazil.

StatLink: *http://dx.doi.org/10.1787/685322557437*

Brazil: **Macroeconomic indicators**

	2005	2006	2007	2008
Real GDP growth	2.3	3.1	3.8	4.0
Inflation (CPI)	5.7	3.0	3.8	3.6
Fiscal balance (per cent of GDP)	-3.1	-2.5	-1.5	-1.0
Primary fiscal balance (per cent of GDP)	4.8	4.3	4.3	4.3
Current account balance (per cent of GDP)	1.8	1.6	0.9	0.4

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).

Source: Figures for 2005 are from national sources. Figures for 2006-08 are OECD projections.

StatLink: *http://dx.doi.org/10.1787/257001776774*

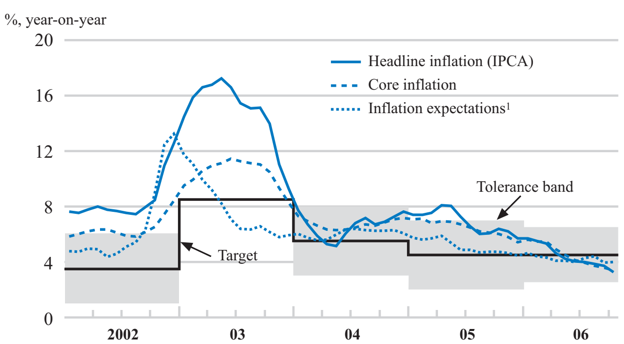
ereign interest spreads remain at historically low levels, despite the global monetary tightening. Inflation expectations are well anchored at below the mid-point of the target for 2007, paving the way for further cuts in the policy interest rate.

Fiscal policy is on track, despite rising expenditure

The end-year consolidated primary surplus target of 4.25% of GDP is set to be met. This is despite a continued deterioration in the quality of fiscal adjustment, which remains reliant on revenue hikes, including those of a non-recurrent nature, to offset the ratcheting-up of current expenditure commitments. Outlays on private-sector pensions now account for about one-third of federal primary spending. The 2007 draft budget law is consistent with maintenance of the primary surplus at its current level for the consolidated public sector, with the central government's target set at 2.45% of GDP. Nevertheless, current spending is projected to continue to rise gradually in real terms, which is worrisome. The 0.1% of GDP reduction in current spending envisaged in the draft Budget Guidelines Law has not been included in the draft budget law, which is unfortunate. A further small increase in the tax-to-GDP ratio is also projected from the record high of nearly 37.5% of GDP in 2005. Options for arresting the rise in current spending, including on pensions – and therefore improve the quality of fiscal adjustment – should feature prominently in the administration's policy agenda.

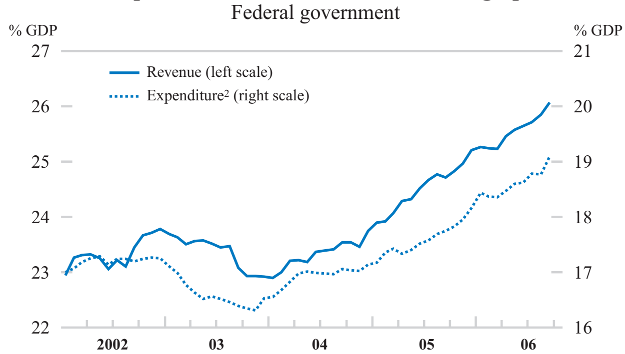
Brazil

Inflation expectations are well anchored



Expenditure and revenue are trending up

Federal government



1. 12 months ahead.
2. Net of intergovernmental transfers.

Source: National Treasury and Central Bank of Brazil.

StatLink: *http://dx.doi.org/10.1787/467764078355*

Brazil: **External indicators**

	2005	2006	2007	2008
	$ billion			
Goods exports	118.3	137.9	150.2	160.9
Goods imports	73.6	91.8	107.5	122.0
Trade balance	44.8	46.1	42.7	38.9
Services, net	- 8.1	- 9.5	- 9.0	- 8.8
Invisibles, net	- 22.4	- 21.1	- 24.8	- 25.6
Current account balance	14.2	15.5	9.0	4.5
	Percentage change			
Goods export volumes	9.3	5.0	4.5	4.0
Goods import volumes	5.4	13.5	12.0	10.0
Terms of trade	0.9	0.9	- 0.2	- 0.2

Source: Figures for 2005 are from national sources. Figures for 2006-08 are OECD projections.

StatLink: *http://dx.doi.org/10.1787/257001776774*

Public debt management has been exemplary

Public debt management continues to aim at reducing debt rollover costs and refinancing risks. The composition of the traded debt is still improving, with a rising share of securities paying fixed interest rates. Exchange-rate risk has been eliminated through the gradual withdrawal of instruments indexed to the exchange rate and the reduction in the public sector's foreign debt. External financial commitments for 2007 have been largely pre-funded. These developments are welcome. Ongoing efforts to reduce the share of floating-rate instruments in the stock of traded debt will contribute to bolstering confidence and reducing financial vulnerability further. Benefiting from the still favourable external financial environment, the Treasury has recently issued another long-dated *real*-denominated bond abroad, which it started to do in 2005, boosting liquidity in this nascent market segment.

The macroeconomic outlook is expected to improve gradually…

The strengthening of economic activity that started in the third quarter is set to gain momentum towards year-end and into 2007 on the back of robust economic fundamentals and further monetary easing. The external accounts remain solid, with resilient export growth, falling indebtedness and rising international reserves. These developments are putting the economy in a good position to withstand any further slowdown in global activity. Investment is likely to pick up, owing to the on-going monetary easing and the improving economic outlook. Domestic demand is poised to continue to be the engine of growth over the forecast period, supported by a further strengthening of the labour market, with gradually falling unemployment and rising real earnings. Inflation is set to remain tame and fiscal policy on track to deliver the targeted primary budget surplus.

… but further reform will be needed to enhance economic performance

The current administration, which was elected in October for a second term in office, should underscore their continued commitment to sound economic policies, while renewing impetus for structural reform so as to enhance Brazil's economic performance. It would be important to make use of the improving macroeconomic conjuncture to make headway in reform areas where progress has so far been difficult. There is broad agreement that further reform will be needed in the fiscal area as a pre-requisite for breaking the spend-and-tax cycle of fiscal adjustment. Steadfast progress in this area will be important for bringing about a swifter and more durable reduction in public indebtedness and consequently real interest rates, ultimately allowing a reduction in the tax burden. Pursuit of the government's so-called "micro agenda" – a set of well thought-out reform items aimed at removing structural obstacles to sustained growth – will be equally important.

The balance of risks continues to be on the downside

The balance of risks to this otherwise favourable outlook remains predominantly on the downside. Risks related to the unwinding of global economic imbalances, slowing activity and reduced appetite for emerging-market assets in general will continue to weigh on the outlook. On the domestic front, however, inflation outcomes may continue to surprise favourably, strengthening the macroeconomic backdrop and allowing a further easing of the monetary stance.

China

After growing very rapidly in the first half of the year, GDP slowed somewhat in the second half as fiscal and monetary policy exerted a dampening impact on activity. Nevertheless, growth in 2006 may still be around 10½ per cent. The moderate slowing is projected to continue in the first half of 2007 as export growth slackens and the impact of policy tightening is felt, but thereafter growth may pick up again, resulting in the economy growing in line with potential of somewhat more than 10% by 2008. Despite imports accelerating and exports slackening, the current account surplus is projected to rise continuously, reaching $285 billion (8.8% of GDP) by 2008. As supply increases in line with demand, inflation will remain subdued at 2% during the projection period.

A combination of further exchange rate appreciation and some relaxation of fiscal policy would help to shift demand from net foreign trade to domestic demand and reduce the external surplus. Tax reforms, such as unifying the corporate tax rate for domestic and foreign companies at a low level and reducing taxation of investment would make the tax system less distorting and help to sustain growth over the longer term.

Output growth has exceeded expectations

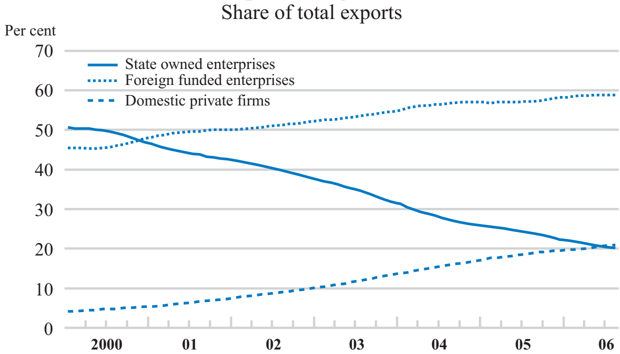
Economic activity accelerated further in 2006, though slowing at the end of the year. In the first three quarters, output was 10.7% higher than a year previously. With investment continuing to rise as a share of real GDP, the growth of the capital stock increased once again, boosting the growth of the economy's capacity to somewhat more than 10%. Employment gains have been particularly strong, with the non-agricultural sector gaining over 40 million jobs in the three years to 2006, yielding productivity gains through the strong, renewed outflow of workers from agriculture. Profits have been extraordinarily strong, especially in the industrial sector, resulting in the labour share of national income falling by almost 10 percentage points between 2003 and 2006. Such a development, together with plans to allow sales of government share holdings of publicly listed companies, helped boost share prices by 60% in the year to October 2006.

Final domestic demand has been buoyant

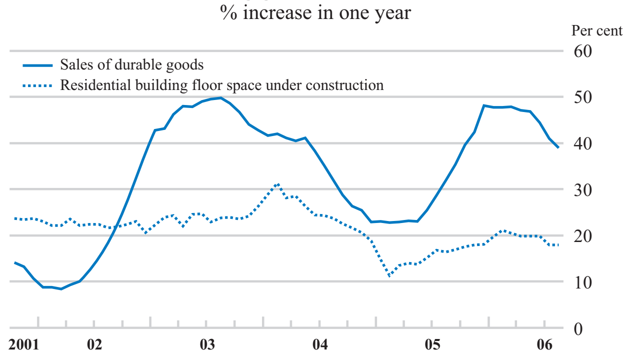
Growth of final domestic demand from consumers and businesses has remained in line with that of GDP. Demand has shifted gradually towards investment, in particular residential construction which has been boosted by continued urbanisation as people move out of agriculture. Sales of durable consumption goods, often complementary with new housing, have also remained very strong. On the other hand, pub-

China

Private sector exports outgrow the state sector
Share of total exports



Residential housing growth boosts sales of durables
% increase in one year



Source: CEIC.

StatLink: *http://dx.doi.org/10.1787/040528365831*

China: Macroeconomic indicators

	2004	2005	2006	2007	2008
Real GDP growth	10.1	10.2	10.6	10.3	10.7
Inflation[1]	6.9	3.8	2.2	1.8	2.0
Consumer price index[2]	3.9	1.8	1.4	1.0	1.1
Fiscal balance (per cent of GDP)[3]	0.0	0.2	1.5	1.0	0.9
Current account balance (per cent of GDP)	3.6	7.2	8.3	8.5	8.8

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 Layspayres fixed base year index (base year 2005).
3. Consolidated budgetary and extrabudgetary accounts on a national accounts basis. Revised in September 2006.

Source: National sources and OECD projections.

StatLink: *http://dx.doi.org/10.1787/867405050680*

lic sector consumption has been falling relative to GDP and the growth of inventories has slackened in 2006.

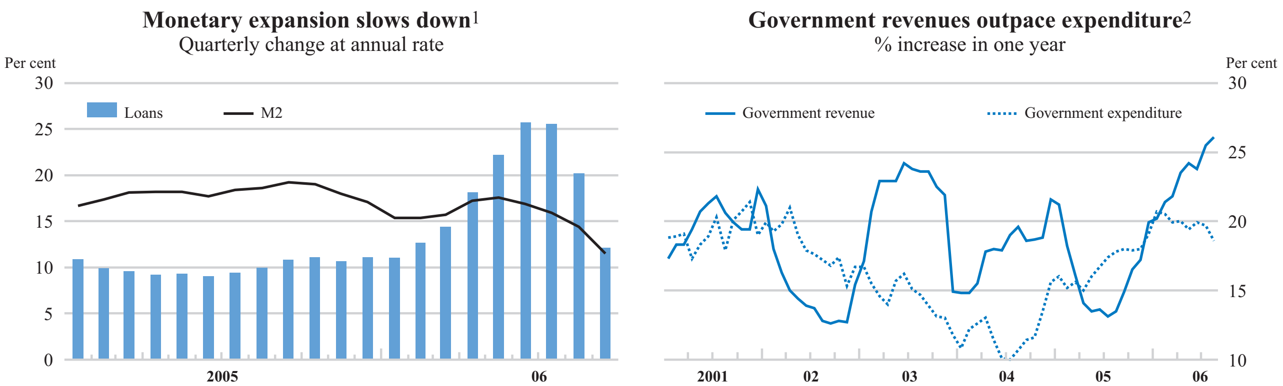
The current account surplus continued to increase

With strong domestic demand, imports of both consumer and capital goods rose faster than in 2005, bringing the growth of imports closer to that of exports, whose value grew by over 20%. Domestic private sector companies are now becoming more export-oriented and their exports are growing faster than those of the foreign-owned companies that have traditionally been the mainstay of Chinese export growth. With exports still slightly outpacing imports, the current account surplus continued to increase and seems likely to reach $210 billion (8.3% of GDP) in 2006.

Inflationary pressures remain subdued

There has been little underlying pressure on inflation in 2006 and the overall consumer price index increased by only 1½ per cent in the first three quarters of 2006. While this represented a slight increase from the low point of inflation in March, all of the increase can be attributed to irregular movements in food prices. The increase in non-food prices was no faster than in the two preceding years – even though administered petroleum product prices were hiked in the spring and are now converging with world prices.

China



1. Quarterly change in a three month moving average (seasonally adjusted annual rate).
2. Annual increase in a 12 month moving average.

Source: CEIC.

StatLink: *http://dx.doi.org/10.1787/263215355611*

China: **External indicators**

	2004	2005	2006	2007	2008
			$ billion		
Goods and services exports	655.8	836.9	1 046.5	1 270	1540.3
Goods and services imports	606.5	712.1	870.1	1 066	1306.0
Foreign balance	49.3	124.8	176.4	205	234.3
Net investment income and transfers	19.4	36.0	34.9	40	50.0
Current account balance	68.7	160.8	211.3	245	284.3
			Percentage changes		
Goods and services export volumes	24.1	23.8	22.0	17.0	18.0
Goods and services import volumes	21.2	13.6	19.0	19.0	19.0
Export performance[1]	10.4	14.8	12.2	8.9	9.4
Terms of trade	- 2.2	- 0.3	- 0.2	0.8	- 0.2

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

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/867405050680*

Government finances may move into surplus

The strength of the economy has resulted in a further improvement in the fiscal position of the central and local government. Overall, government revenues surged in the first eight months of the year, reflecting buoyant personal and corporate tax payments. Expenditures grew only slightly faster than nominal GDP despite some acceleration of social spending. The government budget is likely to move into a small surplus. With the social security surplus increasing and extra-budgetary funds also running a slight surplus, the general government fiscal balance may be as high as 1.5% of GDP in 2006.

Bank lending growth has been reined in

In contrast to the relatively restrictive stance of fiscal policy, monetary policy was expansionary in the first half of 2006. However, policy has been tightened since then, contributing to a slowdown of investment in the second half of the year. Continued sterilisation has been necessary to offset large currency inflows that raised foreign exchange reserves by $122 billion in the first half of 2006 (some 10% of GDP), as only a small appreciation of the currency has been allowed. Despite substantial sterilisation, money growth has outstripped that of nominal GDP and lending surged in the first half of 2006. After two small increases in interest rates, three increases in reserve ratios and heightened policy guidance, a marked slowdown in lending is likely to occur in the second half of the year.

Growth should ease slightly in 2007-08

Looking forward, output growth is likely to slow slightly in 2007. Although reinvested earnings are expected to continue to be a main source of investment financing, control over bank lending should moderate the growth rate enough to stabilise the share of investment in GDP. Still, leading indicators of activity from purchasing managers suggest that underlying demand may remain buoyant so that overall growth should not fall much below potential.

Exports moderate but external surplus rises

The overall strength of demand should support the growth of import volumes at close to their current rate. However, export growth is expected to moderate as China's price competitiveness deteriorates somewhat over the projection period. Despite import volumes growing faster than those of exports, with import prices easing due to falling energy prices, the current account surplus may rise to 8.5% of GDP by 2008. Given the current exchange rate policy, total foreign exchange reserves are likely to rise to well over $1 trillion.

Administrative policy instruments are a source of risks

The rapid pace at which foreign exchange reserves increase poses a risk that excessive liquidity feeds into higher inflation as the authorities continue stabilising the economy mainly through controls on bank lending. These are increasingly inappropriate as the banks become more commercially oriented with three of the four major banks now listed. This risk would be accentuated if the authorities were to pursue expansionary fiscal policies in an attempt to rebalance foreign and domestic demand while continuing to allow only small movements in the exchange rate. A more rapid pace of appreciation of the exchange rate would not only reduce the risk of overheating, but would help diffuse the protectionist sentiments that have grown abroad.

India

The economy grew very rapidly in the first half of fiscal year 2006,[5] expanding by 9%, after rapid growth during the previous year. Some signs of overheating have emerged: inflation has picked up to over 6%, though food prices are in part responsible for this movement, and the current account moved into a deficit of 1.3% of GDP in fiscal year 2005 and is likely to widen somewhat in fiscal year 2006. Agricultural output may weaken slightly bringing growth down to 8% in fiscal year 2006. In 2007 and 2008, the effects of the current tightening in monetary growth should be felt, slowing growth to 7% by the end of the projection period and ensuring that inflation moderates slightly, to around 5%.

At this stage of the business cycle, the authorities need to avoid a pro-cyclical fiscal policy in which unexpected revenue gains are largely absorbed by increased government spending. Cyclical strength of revenues should result in the budget deficit falling below the targets set by the Fiscal Responsibility and Budget Management Act. Monetary policy needs to ensure that broad indicators of inflation stay below 5%, in line with the shared target of the central bank and the government.

The upswing in the economy continues…

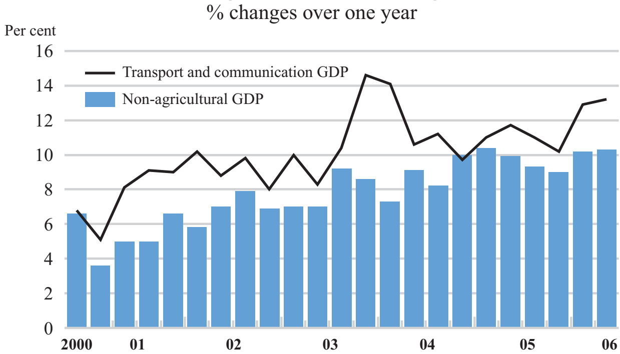
Economic growth picked up in the first half of the fiscal year (FY) 2006, reaching 9%. Strength was evident across a range of industries especially in the manufacturing sector which recorded above average growth. The liberalised telecommunication and air travel sectors were very buoyant but output lagged in the mining and electricity sectors – both dominated by state-owned companies – accentuating problems of excess demand for energy. Production in the capital and durable goods sector were very strong suggesting continued buoyant growth of investment and consumption.

… but inflation is increasing and the current account widening

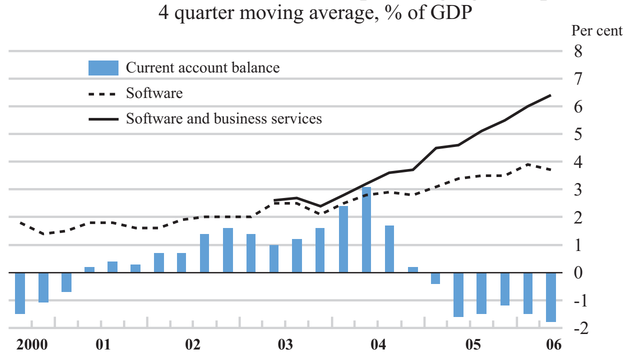
There are some indications of excess demand but these do not appear to be generalised yet. Inflation, as measured by a weighted average of the three consumer price indices was above 6% in August while wholesale prices of manufactured goods also increased two percentage points faster in the year to September 2006 than in 2005. However, much of this acceleration may be due to food products, as the increase in non-food component of the experimental harmonised consumer price

India

Non-agricultural GDP surges
% changes over one year



The current account widens despite surging IT exports
4 quarter moving average, % of GDP



Source: Centre for Monitoring the Indian Economy (CMIE).

StatLink: *http://dx.doi.org/10.1787/753148224235*

5. Fiscal year 2006 runs from April 2006 to March 2007.

India: **Macroeconomic indicators**

	2004	2005	2006	2007	2008
Real GDP growth	8.5	8.5	8.0	7.5	7.0
Inflation[1]	4.2	4.1	5.0	5.5	5.2
Consumer price index[1]	3.2	4.4	6.1	5.8	5.5
Short-term interest rate[3]	5.0	6.0	7.3	7.7	7.7
Long-term interest rate[4]	6.5	7.2	7.7	7.9	7.9
Fiscal balance (per cent of GDP)[5]	-7.7	-7.7	-6.7	-6.3	-6.0
Current account balance (per cent of GDP)	-0.8	-1.3	-1.7	-1.7	-1.8

Note: Data refer to fiscal years starting in April.
1. Percentage change in GDP deflator from previous period
2. Weighted average of the consumer price indices for industrial workers, non-manual employees and agricultural labourers
3. Mumbai three month offered rate.
4. 10 year government bond.
5. Gross fiscal balance for central and state governments, includes net lending.

Source: CMIE and OECD projections.

StatLink: *http://dx.doi.org/10.1787/134313134765*

index (only available to April) remained stable at 4%. Strong demand for imports and higher oil prices moved the current account into a deficit of 1.3% of GDP in the FY 2005. With domestic demand remaining buoyant, the current account deficit widened to 1.7% of GDP in the first quarter of FY 2006, despite exports of software and business services increasing by almost half.

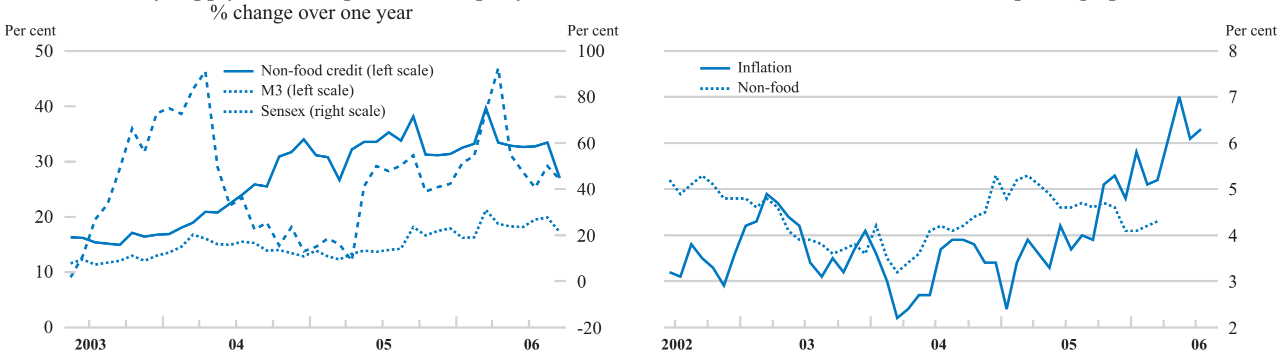
Budgetary restraint under pressure

Fiscal policy has become pro-cyclical in the first half of this fiscal year despite the Fiscal Responsibility and Budget Management Act introduced at both federal and state levels. These laws have the objective of reducing both the union and state government budget deficits to 3% of GDP by FY 2008 without imposing any spending ceilings, hence risking that cyclical revenues are spent during upswings. Indeed, this year, union revenues have been running well ahead of budgeted levels, as a result of strong increases in corporate tax revenues and service tax receipts at the central level,

India

Money supply and asset prices rise rapidly
% change over one year

Overall inflation is picking up



1. Inflation is measured as a weighted average of 3 indices.
Source: CMIE, Reserve Bank of India.

StatLink: *http://dx.doi.org/10.1787/811717614015*

India: **External indicators**

	2004	2005	2006	2007	2008
			$ billion		
Goods and services exports	128.2	165.4	191.0	216.8	246.8
Goods and services imports	150.6	194.7	224.8	253.5	288.0
Foreign balance	-22.4	-29.3	-33.8	-36.7	-41.2
Net investment income	-2.7	-5.0	-5.6	-6.0	-6.5
Transfers	19.7	23.7	24.9	26.2	27.5
Current account balance	-5.4	-10.6	-14.5	-16.6	-20.1
			Percentage changes		
Goods and services export volumes	39.3	24.9	13.7	12.5	13.2
Goods and services import volumes	54.5	19.4	11.1	13.5	13.2
Terms of trade	8.9	-4.6	-2.2	1.5	0.3

Source: National sources and OECD projections.

StatLink: *http://dx.doi.org/10.1787/134313134765*

while states have been benefiting from the introduction of the value-added tax. This cyclical upswing in revenues seems likely to result in a reduction in dis-saving by the central government greater than projected in the budget. Nonetheless, a significant part of the revenue increase may be spent with buoyant outlays on the new welfare programme introduced in rural areas, in which households with income below the poverty line are now entitled to 100 days work on construction projects paid for by the government. Moreover, the proposed grant of government bonds to petroleum companies (amounting to 0.7% of GDP) to compensate them for low regulated petroleum product prices will not be counted as expenditure.

Monetary growth remains high despite interest rate hikes

Three increases in policy determined interest rates this year have raised the reverse repurchase rate to 6%, a four year high. This tightening has not yet reined in the growth of broad money, which grew by 18% in the year to August, (three percentage points above the authorities' target). The growth of credit for non-agricultural purposes, which rose 31% in the same period, is also above target. While policy rates would still appear very low in real terms, bond markets do not expect further durable increases as yields have risen only 50 basis points to 7.6% so far this year. Against such a background, asset prices have been buoyant. Despite considerable volatility, the Mumbai stock index has gained over 40% in the year to October, while residential property prices in the ten most important cities jumped 25% in 2005.

Some moderation in growth seems likely

There is considerable momentum in the Indian economy at the moment that is likely to sustain growth into FY 2006. Fiscal policy is expansionary and monetary policy has not yet slowed the growth of credit. However, agriculture output may not grow as rapidly as in FY 2005 when it recovered from poor rainfall. As a result, GDP growth is expected to slow to 8% in FY 2006. The strength of the economy is likely to lead to a widening of the current account deficit. Looking further forward, some slowdown in the economy is expected as inflationary pressures, notably higher food prices are likely to reduce real income and consumption. This may also lower demand for consumer credit that has been rising rapidly. Farm incomes will rise, in line with higher food prices, but a significant part of this increase may be used to restore savings. At the same time, export growth may ease except in the business services and software area. The Reserve Bank is expected to further raise interest rates at the beginning of 2007. The upward movement of interest rates and the higher risk weighting placed on real estate lending by the central bank should result in a further slowing of activity in 2007, with the economy expanding slightly below its growth potential of 7½ per cent.

But there is a risk of overheating

The current upswing carries a risk that the measured pace at which interest rates are being increased may be insufficient to ensure a slowdown in growth, especially if government spending becomes more buoyant. Consumer price inflation could then move above the 5% rate and faster inflation and increasing risks could put pressure on stock market prices and induce capital outflows. On the other hand, there is the possibility that the underlying growth path of the economy has moved upwards on the back of stronger exports of software and business services despite the slow progress in improving infrastructure.

Russian Federation

Real GDP growth will remain fairly robust, though moderating gradually over the projection period as the impulse from recent terms-of-trade gains diminishes. Growth will continue to be driven mainly by consumption, but investment growth is also expected to be relatively strong. Inflation is likely to decline despite continued rapid money-supply growth, as rising confidence in the rouble contributes to the rapid growth of money demand. However, inflationary pressures are likely to abate only gradually, given the governmentís plans for further spending increases in 2007.

Fiscal discipline remains the key to bringing down inflation while limiting the speed of exchange-rate appreciation. The fiscal easing now underway, which is to continue through 2007, is thus a concern. However, the Finance Ministry's efforts to create a more elaborate, rules-based framework for managing the budget and the Stabilisation Fund should improve the prospects for maintaining fiscal discipline over the longer term.

Growth remains fairly strong, supported by booming consumption

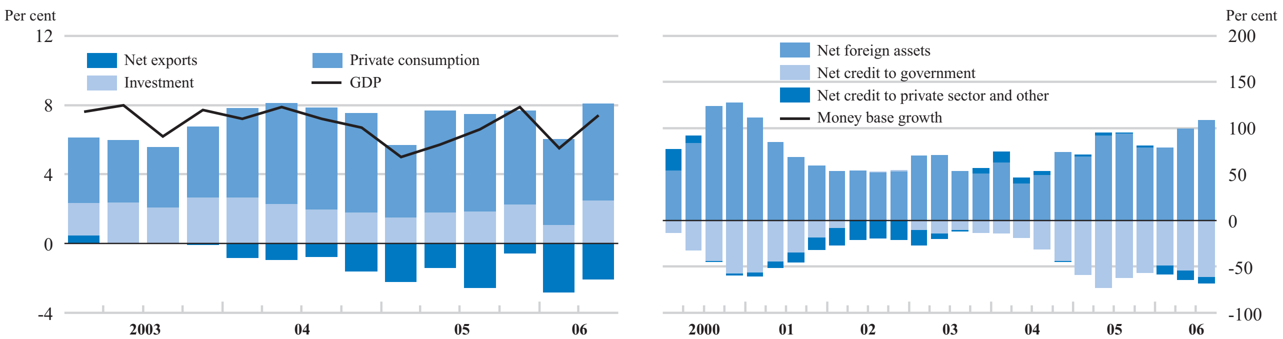
An exceptionally weak first quarter of 2006 was followed by a strong rebound in the second quarter. Household consumption, which continues to grow at double-digit rates, remains the main driver of growth, but the principal factor behind the second-quarter acceleration was fixed investment, which bounced back from the slowdown recorded during a period of severe cold in January-February. After surging in May, investment growth in June – August, though still strong, dropped back to rates typical of 2004-05. The growth of government consumption has also accelerated markedly, albeit from a fairly low level. Most tradable sectors continue to suffer from real exchange-rate appreciation. The manufacturing sector's contribution to growth nevertheless increased in the first half, but this was due chiefly to a booming metals sector – which accounted for almost one-third of the growth of industrial output.

Strong money demand has helped reduce inflation

Inflation has trended downwards in 2006, although core CPI inflation more or less stabilised in the second quarter. While fiscal sterilisation still captures a large share of export windfalls, it has been insufficient to prevent the rapid accumulation of official foreign-exchange reserves from feeding through into accelerating money-supply growth. Russia has recently managed to combine rapid M2 growth with falling inflation, thanks chiefly to faster growth of money demand.

Russian Federation

Growth is overwhelmingly consumption-driven | **Fiscal sterilisation contrains money-supply growth**[1]



1. Year-on-year percentage change.
Source: Federal Service for State Statistics, Central Bank of Russia and OECD calculations.

StatLink: *http://dx.doi.org/10.1787/016873113878*

Russian Federation: **Macroeconomic indicators**

	2005	2006	2007	2008
Real GDP growth	6.4	6.8	6.0	5.5
Inflation	10.9	9.0	8.5	7.2
Fiscal balance (per cent of GDP)[1]	7.6	6.7	4.6	3.3
Primary fiscal balance (per cent of GDP)[2]	8.5	7.4	5.2	3.8
Current account balance (per cent of GDP)	10.9	10.7	7.1	4.5

1. Consolidated budget.
2. Federal budget only.

Source: Data for 2005 are from national sources. Data for 2006-08 are OECD estimates and projections.

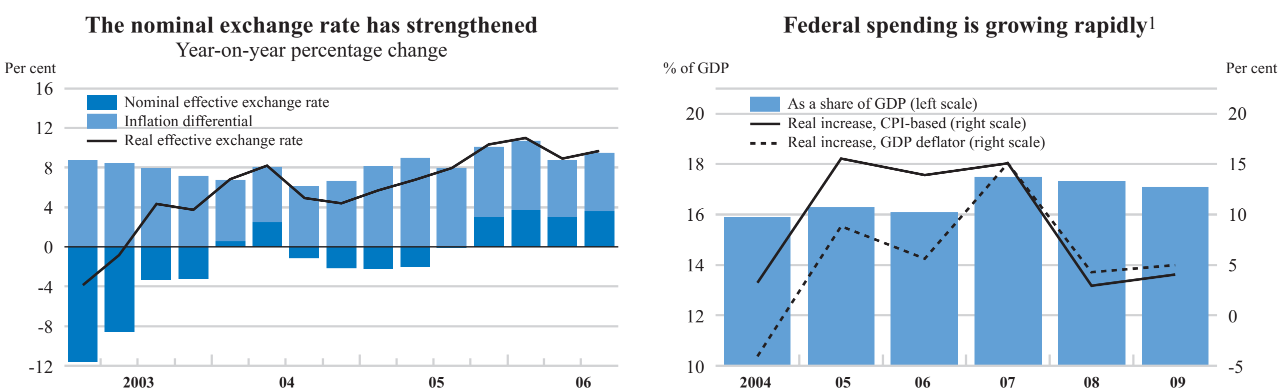
StatLink: *http://dx.doi.org/10.1787/155160527500*

This, however, is related in part to the on-going de-dollarisation of the economy, and it is not clear that future money-supply growth will be so easily absorbed. Indeed, mounting inflationary pressures have prompted the central bank to allow the nominal effective exchange rate to appreciate since late 2005. This may have helped contain inflation, but real appreciation accelerated to around 10% on a yearly basis.

Pro-cyclical fiscal easing continues…

Russia continues to run large fiscal surpluses, owing to very high commodity prices, but the non-oil fiscal deficit has continued to grow. The scale of recent fiscal easing is masked to some extent by terms-of-trade changes. The federal expenditure-to-GDP ratio has risen only slightly in recent years, but this largely reflects the very rapid growth of the GDP deflator as a result of rising prices for Russian exports. Deflating expenditures by the CPI shows that real federal spending has been rising at around 15% per year. A degree of fiscal loosening is probably unavoidable, given political pressure for increased spending and the continuing flood of windfall revenues into the government's coffers. However, such rapid spending increases, in an economy where growth in many sectors appears to be increasingly supply-constrained, tends to reinforce inflation and exchange-rate pressures, and to undermine competitiveness.

Russian Federation



1. Data for 2006-09 are government estimates and projections.

Source: MERT, Central Bank of Russia and OECD calculations.

StatLink: *http://dx.doi.org/10.1787/258011544307*

Russian Federation: **External indicators**

	2004	2005	2006	2007	2008
			$ billion		
Goods and services exports	203.5	268.1	338.8	360.2	384.5
Goods and services imports	131.1	164.7	209.3	252.5	296.5
Foreign balance	72.4	103.4	129.5	107.7	88.0
Invisibles, net	-13.8	-19.9	-24.8	-28.1	-33.5
Current account balance	58.6	83.2	104.7	79.6	54.5
			Percentage changes		
Goods and services export volumes	11.8	6.3	6.5	6.2	6.2
Goods and services import volumes	22.0	17.3	21.0	17.0	15.5
Terms of trade	14.8	15.8	13.0	-2.9	-1.1

Source: National sources and OECD projections.

StatLink: *http://dx.doi.org/10.1787/155160527500*

… but planned reforms could put policy on a sounder long-term basis

Fiscal loosening notwithstanding, the scale of fiscal sterilisation in 2006 has been substantial: Russia has paid off $22 billion in foreign debt early and accumulated a very large share of oil windfalls in the Stabilisation Fund, which is now being invested abroad. Moreover, the government has been working on changes to the legislative framework governing the Fund that could, if adopted, make it easier to sustain fiscal discipline over the longer term. The government intends to use part of the Fund for long-term investment with a view to generating income, while keeping a sum equivalent to perhaps 7 to 10% of GDP in highly liquid form in order to insure the budget against an oil-price drop. The Finance Ministry is also working on plans to reorient fiscal policy around an assessment of the non-oil fiscal balance.

Structural policy in some spheres is inconsistent

The pace of structural reform remains relatively lacklustre, but this year has seen some steps forward, including the adoption of a much-improved competition law and a number of changes to the system of oil-sector taxation that should make investment more attractive.

- The effect of the competition law will depend on effective implementation and enforcement. This cannot be taken for granted, given that state-owned companies continue to exploit regulatory and political leverage for commercial advantage.
- The new system of oil-sector taxation is an improvement on its predecessor. While still some way from being the kind of system Russia will ultimately need, it is probably about as sophisticated as would be feasible at present. However, reform of the law on the subsoil, which was intended to remove numerous disincentives to investment, has stalled, and the steady expansion of state ownership and intervention in the hydrocarbons sector continues.

Thus, the positive changes undertaken by some state bodies risk being counteracted to some extent by the actions of others.

Growth is set to moderate over the projection period

Real GDP growth is projected at 6.8% for 2006, as the positive terms-of-trade shock continues to fuel domestic demand. The terms-of-trade gains this year are likely to be almost as large as those observed in 2004-2005, but this impulse will peter out in 2007-08. Fiscal easing in 2007 will help to sustain consumption growth. Investment growth may remain steady at around 10 to 11%, in the absence of substantial improvements in the investment climate. Growth is thus expected to moderate over the projection period but to remain relatively strong, driven by consumption on the expenditure side and a booming services sector on the production side. The main downside risks stem from the "Dutch disease' pressures on tradable sectors generated by fiscal easing and consequent real rouble appreciation.

Inflation is likely to continue to fall, albeit gradually

Inflation is expected to continue its gradual descent on the back of continued robust growth of money demand. A rapidly shrinking current account surplus should substantially reduce pressures for M2 growth, and this will be only partly offset by rising capital inflows, driven in the first instance by corporate borrowing abroad. A pronounced easing of fiscal policy is planned for next year, but the government's medium-term fiscal plan envisages a slowdown in spending growth thereafter. Assuming that oil prices stabilise and that the government keeps to its medium-term plan, disinflation will become somewhat easier in 2008.

III. HAS THE RISE IN DEBT MADE HOUSEHOLDS MORE VULNERABLE?

Introduction and summary

Increased household debt levels may have raised vulnerability

Over the past decade, household debt has risen to record levels in a number of OECD countries. The large size of these debt run-ups, coupled with, in several instances, changes in the characteristics of some of the relevant instruments, are estimated to have raised the sensitivity of the household sector to changes in interest rates, asset prices and incomes.[1] In this sense, the household sector may have become more vulnerable to adverse shifts in these variables.

This chapter examines the issue of vulnerability and finds that:

This chapter begins by reviewing, for a number of OECD economies, macroeconomic developments in household balance sheets and incomes over the past two decades. It then examines micro-level information to provide a more recent cross-sectional snapshot of the household sector. The purpose to this chapter is to assess household financial vulnerability. Following the plan of the chapter, the main findings are:

Favourable demand and supply developments have driven up debt

– The rise in household debt, in particular mortgages, to historical levels in a number of countries has been driven by a combination of favourable financial conditions and buoyant housing markets. There have been, as well, a number of supply-side innovations in credit markets that have eased the access to credit for lower-income borrowers and reduced financial constraints for first-time homebuyers.

Balance sheets appear sound but leverage has risen

– While debt, particularly mortgages, has risen sharply, so has total household net wealth, reflecting mostly the sharp appreciation of property values and an increase in homeownership rates as well as, after 2001 the recovery in equity markets. This large stock of assets provides households with a financial cushion against a negative shock. That said, households in a number of countries have leveraged balance sheets and the sensitivity to house-price and interest rate developments has likely increased.

To date, households seem able to service higher debt loads

– The fraction of disposable income devoted to servicing debt (interest and principal payments) has also been moving up. Part of this rise, however, is compositional, reflecting increasing homeownership rates, driven by improved access to credit markets for first-time purchasers who tend to have higher debt and lower income levels. Despite these developments, however, mortgage-delinquency rates have been trending down over the past decade.

1. See, for example, Debelle (2004).

Evidence from surveys does not show noticeable signs of vulnerability

– Household surveys in various countries that identify debt holdings by age and income group provide a complementary perspective on the issue of vulnerability. Studies using such micro data suggest that most of the debt is held by households better able to manage it. In particular, the major part of debt is held by higher-income households, who also spend a smaller proportion of their disposable income servicing debts. Lower-income households, with less ability to service debt, do not hold that much and, as such, the spill-over effects from this group to the rest of the economy are perhaps not large.

However, risks remain because sensitivity to shocks has risen

Whether the situation remains benign or not depends on what happens to interest rates, asset values (particularly house prices) and incomes. In the event of adverse developments in these variables consumption and the wider economy would be affected. Looking, for instance, at the implications of a sharp and unanticipated rise in interest rates, higher debt levels would imply that a larger proportion of income would be devoted to debt servicing, the size of which would depend importantly on the maturity structure and characteristics of the debt. The resulting reduced capacity to service debt could also adversely affect households' access to credit and accordingly their ability to smooth consumption. Balance sheets would tend to deteriorate and households would be expected to increase saving.[2] As well, the deterioration in balance sheets could further affect access to credit. There could also be negative feedback effects through worsening income.

The debt run-ups: broad trends and some underlying causes

Total household debt has reached record levels in several countries…

Looking at a group of 15 OECD countries for which data are available, total household borrowing, as a proportion of GDP, has increased considerably over the past two decades (Figure III.1, upper panel).[3] However, the process has not been uniform across countries and, in 2005, debt levels ranged from below 40% of GDP in Italy to above 100% in the United Kingdom, the Netherlands and Denmark.

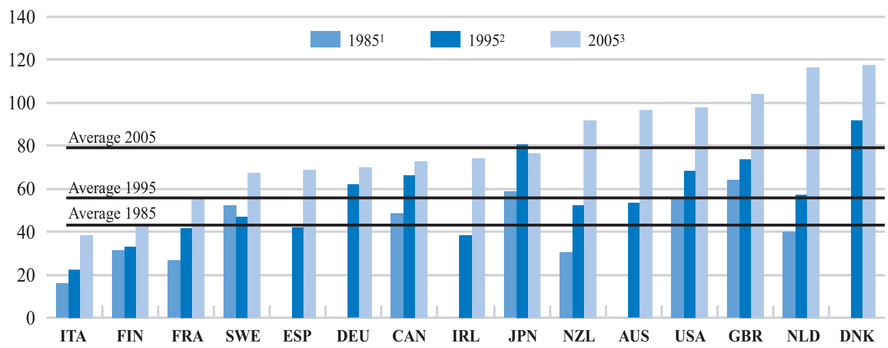
… with mortgages accounting for the bulk of the increases…

The share of mortgage debt has been rising over time, accounting for approximately two thirds of total household debt in most countries by 2005 (Figure III.1, lower panel). Similarly, credit card debt, which is a substantially smaller portion of household liabilities, has risen rapidly and spread to a wider range of social groups (for instance, in the United States, the United Kingdom and Australia) but accounted only for less than 5% of total household debt.[4] In Korea, in contrast, the share of credit card debt has been declining from the high levels reached at the peak of the boom-and-bust credit card cycle in 2002.[5]

2. Estimates presented in Girouard *et al.* (2006) point to significant effects of changes in net wealth on household saving rates in a large number of countries.
3. The data are not strictly comparable across countries due to different statistical definitions of the household sector. For example, in some countries, unincorporated businesses and non-profit institutions serving households are included in the household sector data, whereas in others they are not. See the Statistical Annex for further details.
4. See Reserve Bank of Australia (2006); Bucks *et al.* (2006) for the United States; and Del-Rio and Young (2005) for the United Kingdom.
5. For more details, see OECD (2005).

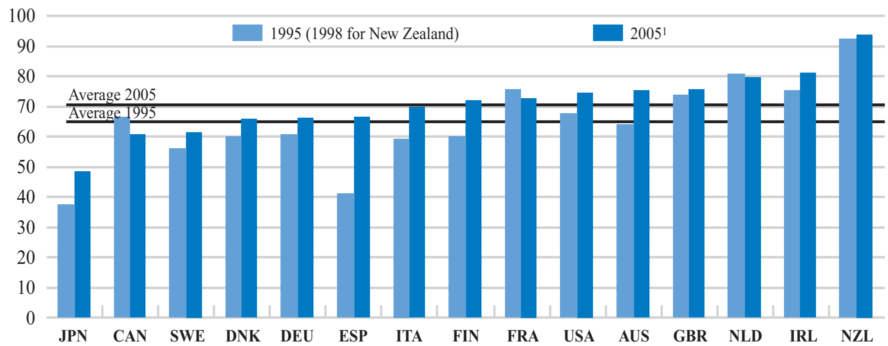
Figure III.1. **Trends in household debt**

Household debt as a percentage of GDP



1. 1987 for the United Kingdom.
2. 1999 for Ireland.
3. 2004 for Japan, Denmark and Spain.

Mortgage debt as a percentage of households debt



1. 2004 for Japan, Denmark and Spain.
Source: See statistical annex.

StatLink: *http://dx.doi.org/10.1787/001027070461*

... driven in part by financial liberalisation and innovations

Underlying these debt trends have been buoyant housing markets and favourable financing conditions. These developments have been reinforced in several countries by financial liberalisation and innovation,[6] which have facilitated the access to credit of borrowers who were previously denied it and relaxed financing constraints on first-time homebuyers. One result is that homeownership rates have increased. Transactions and search costs have also been lowered[7] and borrowing against existing collateral (mortgage equity withdrawal) has become cheaper and more readily available. These, as well as, other reforms have allowed existing borrowers to expand their balance sheets, in the process, raising their net worth. In the wake of these changes, several countries with initially lower debt ratios have seen stronger debt growth compared with those with initially higher debt ratios. This has been particularly noticeable in Australia, the Netherlands, New Zealand and Spain. For a number of new European Union Member countries, one

6. See Girouard *et al.* (2006) for a cross-country overview of financial innovations in mortgage markets.
7. See Klyuev and Mills (2006), Reserve Bank of Australia (2006) and Danmarks Nationalbank (2006).

study suggests that the convergence in living standards towards that of the European Union average has also contributed to this rapid credit expansion.[8] Another important factor was the convergence of interest rates towards the comparatively low German levels with the creation of the single currency.

Macroeconomic measures of vulnerability

Assessing the health of household balance sheets

While debt has increased so has net wealth…

Household debt, expressed as a ratio of disposable income, has increased rapidly in most of the countries under study (Japan and Germany excepted). At the same time, there have also been important developments on the asset side of household balance sheets, and net wealth (total wealth less liabilities) has risen significantly (Table III.1). By 2005, net wealth had grown to a level of about seven times disposable income in several countries. The recovery in equity prices since the bursting of the dotcom bubble in 2000-01 provided a boost to household wealth, but the gains for the most part have been due to a rise in the non-financial wealth component (Figure III.2, upper panel), fuelled by large house-price increases. Such

Table III.1. **Household debt and net wealth**

Per cent of annual disposable income

	Debt				Net wealth			
	1995	2000	2005		1995	2000	2005	
United States	93	107	135		510	575	573	
Japan	130	136	132	*	736	750	725	*
Germany	97	111	107		541	575	578	*
France	66	78	89		461	547	752	
Italy	32	46	59		702	820	936	*
United Kingdom	106	118	159		569	750	790	
Canada	103	114	126		370	527	640	
Australia	83	120	173		514	567	734	
Denmark	188	236	260	*	357	524	562	*
Finland	64	66	89		202	302	319	
Ireland		81	141			618	775	
Netherlands	113	175	246		369	528	515	
New Zealand	96	125	181		472	445	670	
Spain	59	83	107	*	540	646	935	*
Sweden	90	107	134		262	387	436	

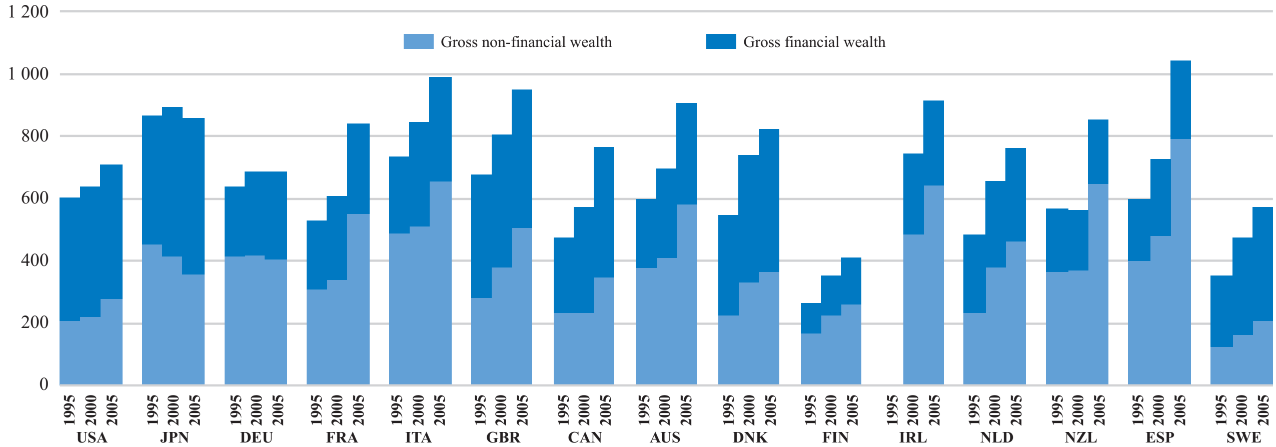
Note: * for year 2004 instead of 2005. Debt refers to total liabilities outstanding at the end of the period. Net wealth is defined as non-financial and financial assets minus liabilities.
Source: See statistical annex.

StatLink: *http://dx.doi.org/10.1787/727415536867*

8. See Coricelli *et al.* (2006).

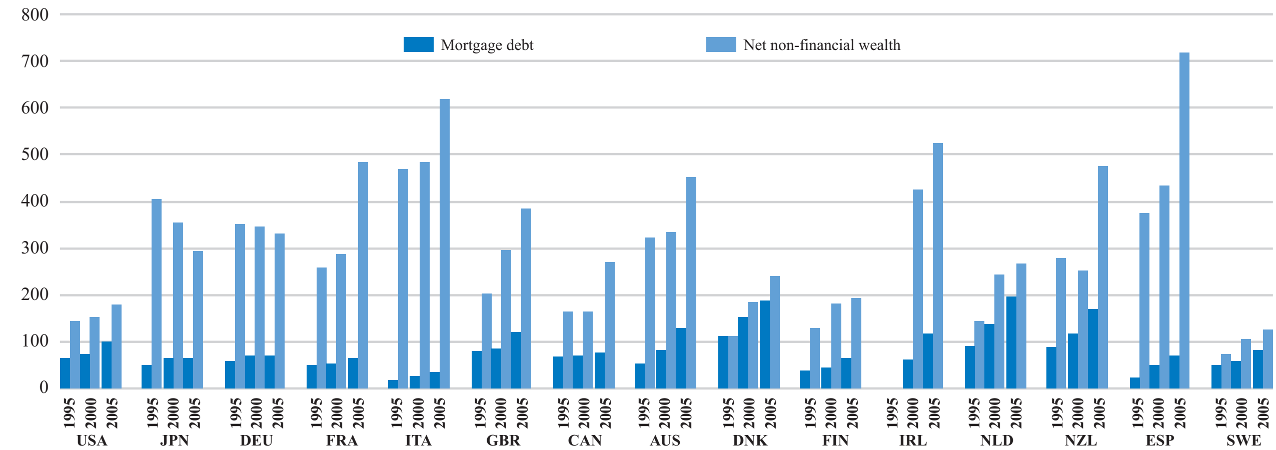
Figure III.2. **Household wealth**

Gross wealth and its components
Per cent of disposable income



Note: The latest data for Japan, Germany, Italy, Denmark and Spain are for 2004.

Net non-financial wealth and mortgage debt
Per cent of disposable income



Note: The latest data for Japan, Germany, Italy and Spain are for 2004. Net non-financial wealth is defined as non-financial wealth minus mortgage debt.
Source: See statistical annex.

StatLink: *http://dx.doi.org/10.1787/733288737585*

rises have been particularly pronounced in New Zealand and Spain. By contrast, in Germany and Japan, where declines in house prices have occurred, a notable increase in the share of housing assets in household portfolios was not recorded. In these economies, household gross wealth peaked earlier in the 1990s and has since stabilised.

… improving collateral positions

The lower panel of Figure III.2 shows that the increase in mortgage debt has, for the most part, been accompanied by gains in net non-financial wealth. The collateral position of households has accordingly improved in the majority of countries since the early 1990s, with Japan and Germany being exceptions. While part of the rise in assets may be illiquid, their large size provides households with a cushion that can be used to fund consumption or service debt, should they be hit by an adverse shock. Empirical evidence for several countries including the United States, the United Kingdom, Canada, Australia and New Zealand, all of which have fairly flexible mortgage markets, has shown that households with high housing wealth are better able to smooth consumption in the face of shocks.[9]

Leverage has also risen, exposing balance sheets to risk

The balance sheet positions of households are not, however, without risks. While in most countries, household net wealth positions look healthy, in several, leverage, defined as the ratio of debt-to-net assets, has been trending upward, raising vulnerability to asset-price declines (Figure III.3).[10] There are a number of motivating factors behind these developments. For example, households have borrowed (either directly or through mortgage equity withdrawals) to finance pension and other asset acquisitions, some of which receive favourable tax treatment.[11] However, leverage has also been driven by buoyant housing markets, which has encouraged buyers to take out large mortgages on expectations of capital gains. For a number of countries, these price gains have been realised, and leveraged positions have increased only moderately. Nonetheless, even for these economies, given high levels of mortgage debt, leverage positions remain sensitive to changes in interest rates and asset prices (particularly house prices).

Evaluating households' debt-servicing capacity

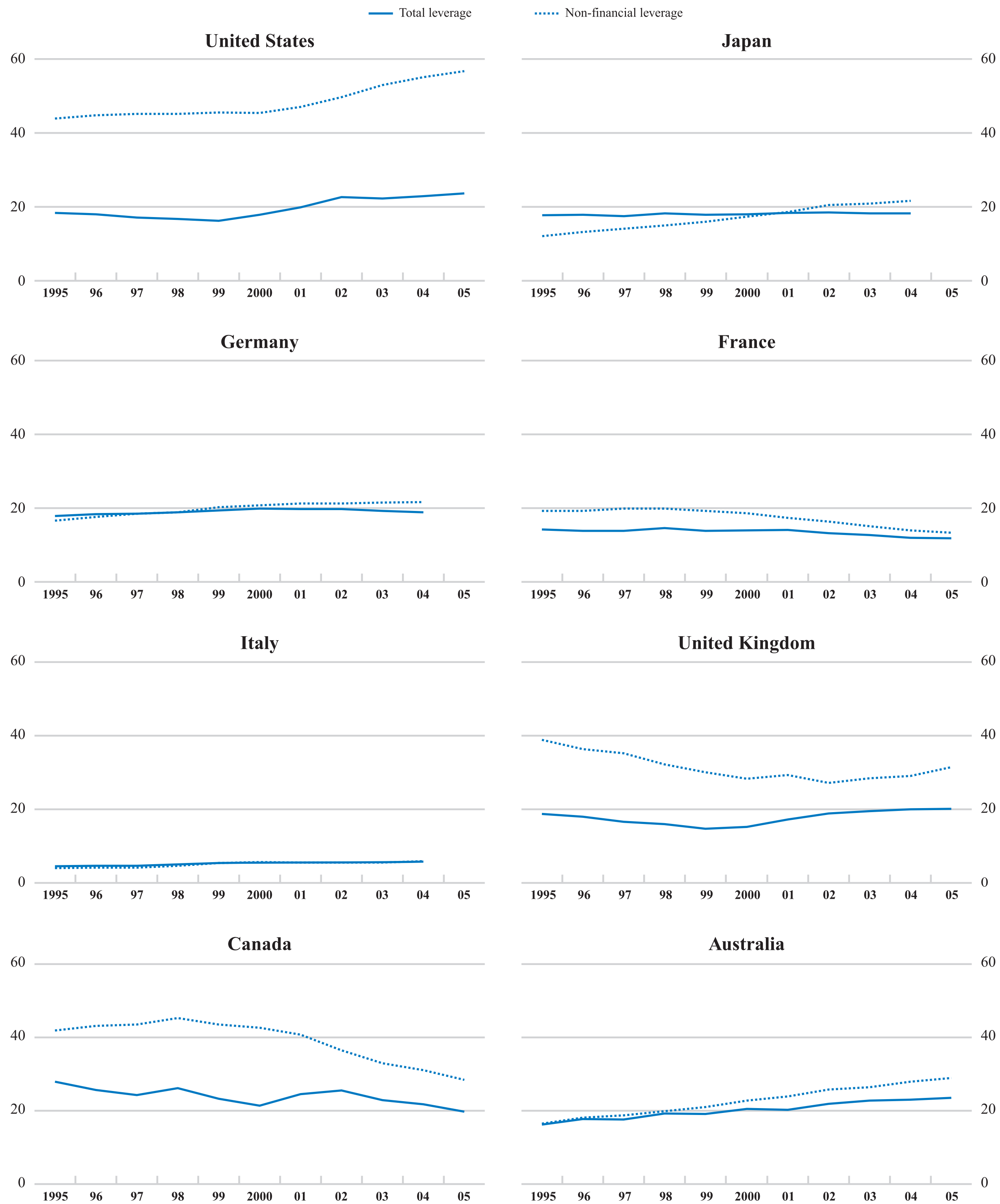
Vulnerability depends on the capacity to service debt

A sharp rise in interest rates or a negative hit to incomes, in addition to any effect it would have on net wealth positions, would push up debt-service ratios – the fraction of disposable income devoted to debt repayment. The speed and extent of any rise in repayments would be related to the characteristics of the debt (most importantly, its maturity and composition between fixed and variable rate instruments). A rise in debt-service burdens could constrain households' access to credit, affecting their ability to smooth consumption in response to shocks. Two measures of debt-servicing capacity are examined here: one based on interest payments only and another that takes account of interest payments and principal repayments (Figure III.4).[12, 13] The interest-and-principal measure is more comprehensive and more likely to provide a better picture of how households are faring but it is available for only a limited number of countries.[14]

9. See for instance Beaumont (2005), Lustig and Van Nieuwerburgh (2004) and Hiebert (2006).
10. Cross-country comparisons of household wealth are difficult to make because of institutional differences, *inter alia*, the sizeable amount of wealth held in the form of pension assets and family trusts outside household balance sheets. See Briggs (2006) for example in the case of New Zealand.
11. See Catte *et al.* (2004), which summarises the different tax regimes affecting residential property prices.
12. Data on debt-servicing burdens are not strictly comparable across countries. Variations in estimates are based on different assumptions relating to the average maturity of households' loans, the structure of debt in terms of mortgage loans and other loans and the interest paid on different kinds of household loans.
13. Debt-service ratios for homeowners and renters are distributed differently across loan types. Mortgages are the dominant component of homeowners' debt, whereas credit cards, auto and student loans are the major components of renters' debt. As a result, changes in mortgage interest rates will affect the debt-service ratio only of homeowners, whereas changes in consumer loan interest rates will disproportionately affect the debt-service ratio of renters. In the United States, the debt-service ratio for renters is substantially higher than that for homeowners because of the greater share of income devoted to rent and consumer debt payments, see Bucks *et al.* (2006).
14. Households facing debt service burden of over one third of their income and total debt-service costs (including student loans, autos loans and credit card payments) in excess of 40% of their income can be categorised as risky borrowers, see for instance Alexander (2006) and ECB (2005).

Figure III.3. **Households leverage ratios**

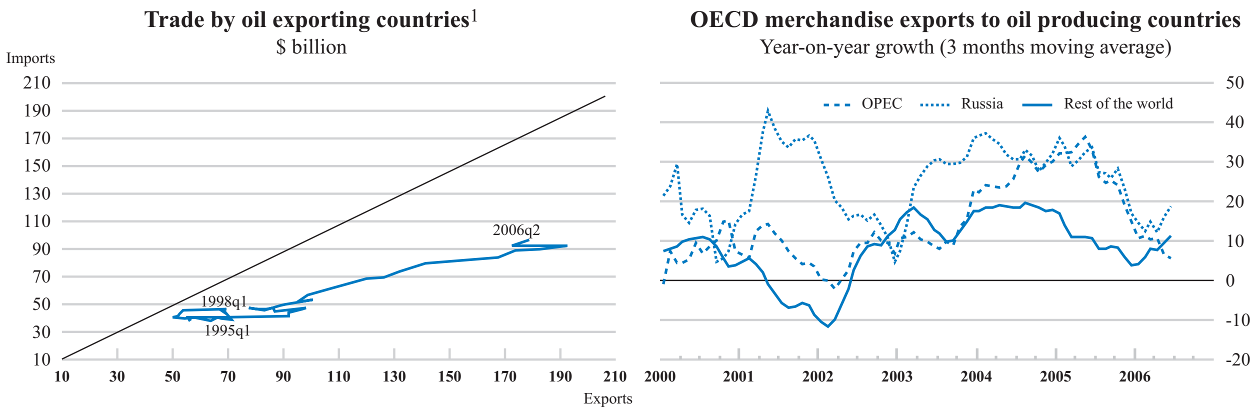
Liabilities as a percentage of net wealth



Note: Total leverage is defined as total liabilities divided by net wealth and non-financial leverage as mortgage debt divided by net non-financial wealth.
Source: See statistical annex.

StatLink: http://dx.doi.org/10.1787/845230580240

Figure I.3. **Responding of pretrodollars is slow**



Note: Goods, Custom base.

1. Oil exporting countries are defined as those countries whose oil exports (net of any imports of crude oil) both represent a minimum of two thirds of their total exports and are at least equivalent to approximately 1 per cent of world exports of oil. The calculations presently used to determine which countries meet the above criteria are based on 1976-78 averages.

Source: IMF and OECD International Trade Monthly Statistics database.

Respending of petrodollars has slowed

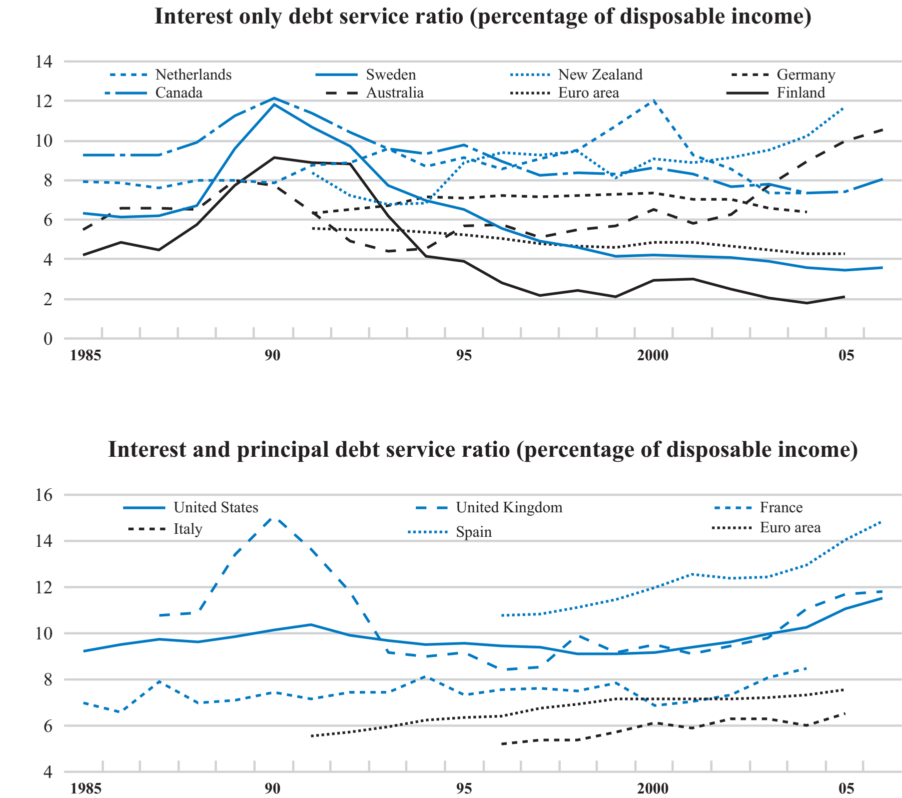
While import demand by oil-exporting countries continues to support world trade growth, respending of oil revenues appears to be slow, as indicated by the import bill of oil-exporting countries having markedly fallen behind their export revenues (Figure I.3, left panel). Indeed, OECD merchandise exports to OPEC have been decelerating since the spring of 2005 up to the first half of 2006 (Figure I.3, right panel). Respending by Russia has been subdued, but firmed in recent months. Current account surpluses of oil exporters have thus been building up, some of which has been feeding into foreign financial assets held by oil reserve funds. This, in turn, is likely to have exercised a positive impact on financial asset market valuations in OECD economies and contributed to holding bond yields low. With the pace of respending having been muted so far, the recent fall in oil prices might turn out to be more expansionary for the OECD economies than usual as oil producers could draw on the financial buffers previously accumulated rather than being forced to cut back on imports.

Some metal prices have also peaked and may fall further

Prices for ores and metals reached record levels in the summer of 2006. Aside from the cyclical upswing in the OECD economies, the strong upward momentum in these prices has been underpinned by rapid growth in demand from emerging market economies in Asia, notably China. However, unlike the situation in energy markets, there is scope for significant price declines for metals over the next couple of years, as reflected by futures prices. Supply in metals markets is set to accelerate as marked increases in exploratory spending in recent years, notably in copper, are likely to translate into significant additions to mining capacity. Also, reductions in smelting capacity in Europe and North America in response to high energy costs are leading to a geographic shift in supply capacity to the Middle East, India and Iceland, where energy is less expensive.[4]

4. The hike in oil prices thus exercised some upward pressure on metal prices. Similarly, agricultural raw materials and food stuffs have also become more expensive in response to the energy price hike. This is true partly because agricultural raw materials are used to generate bio-fuels, and partly because of shifts away from synthetic carbon-based materials to natural substitutes, like rubber.

Figure III.4. **Household debt service burdens**



Note: Data for the United States and France refer to mortgage debt and for other countries to total household debt.
Source: National central banks and European Central Bank.

StatLink: *http://dx.doi.org/10.1787/628136356518*

Debt-servicing burdens have edged up recently in a number of countries

The interest-service burdens have been relatively stable since peaking in the late 1980s and early 1990s (the exception is the Netherlands), with the general increase in indebtedness having been mostly offset by declines in borrowing costs (Figure III.4, upper panel). However, more recently, in Australia and New Zealand, the interest-burden ratio has risen rapidly, reaching respectively 8½ and 12% of disposable income in 2005. The more comprehensive measure of the debt-service burden has increased for all of the countries for which data are available (Figure III.4, lower panel). In the United States, the United Kingdom, France and Italy, the debt-service ratio has recently started to rise slightly while in Spain, this ratio has been increasing continuously over the past decade.[15]

The debt increases reflect new entrants to the housing market…

Several factors are affecting trends in the aggregate debt-service ratio. First, the composition of the pool of homeowners has been changing. Over the 1990s, homeownership has risen, in part because of new mortgage products facilitating housing acquisition by borrowers with limited funds for a down payment. These new homeowners, who would have previously been renters, have entered the homeowner market with high debt levels relative to their income and this has been a contributing factor to the

15. A broader measure, produced by the US Federal Reserve Board, takes account of additional obligations like automobile lease payments, housing rents, insurance and property taxes to calculate a financial obligations ratio. This measure has been rising steadily over the past two decades and now stands just over 19% of disposable income, compared with just over 11% for mortgages.

rise in the aggregate debt-service measure.[16] Second, loan maturities have increased in a number of countries and this has brought down annual amortisation.

… as well as mortgage equity withdrawal and refinancing

The third factor affecting households debt service burden is housing equity withdrawal and re-financing. These vehicles have allowed homeowners to take advantage of lower interest rates to reduce their monthly payments and, in several countries, to extract some of the built-up equity in their homes.[17] Mortgage refinancing at lower rates clearly reduces debt service burden, even if most of the proceeds are spent. On the other hand, the housing equity withdrawal effect is ambiguous. It increases household debt service burden, even if most of the proceeds are reinvested. But if the proceeds are used to payoff debt with higher interest rates, the debt service burden will decrease. In the United States and the United Kingdom, these two effects seem to have been partly offsetting. Some of the equity extracted has been used to pay down more expensive consumer debt or to make purchases that would otherwise have been financed by more expensive and less tax-favoured credit. At the same time, a number of homeowners have also taken advantage of house price inflation to increase their borrowing by re-mortgaging.

Variable-rate debt has been rising but risks may be limited

Another development that has implications for vulnerability is the changing composition of debt away from fixed rate and towards more flexible instruments. These newer types of loans come in several forms, including instruments with rates that move with market interest rates, products that allow borrowers to pay only interest instead of the conventional interest-plus-principal or to pay less interest than is accrued (negative amortisation loans that lead to rising loan principal balances), as well as loans with various combinations of initially reduced rates and rapid reset conditions. These instruments have the effect of lowering initial monthly payments but at the expense of incurring the risk of larger payments later should mortgage rates be readjusted upward. However, the flexibility of mortgage markets in several countries has allowed households to switch to fixed-rate instruments very rapidly and with little cost. For example, the United Kingdom, which has traditionally been regarded as a variable rate country, is reporting a higher proportion of initial fixed rate mortgage loans than variable rate loans since mid-2005.[18] The contracting of mortgage loans with adjustable rates has been generally more prevalent in the United Kingdom, Italy, Australia, Finland, Ireland and Spain than in the other countries (Figure III.5, upper panel).

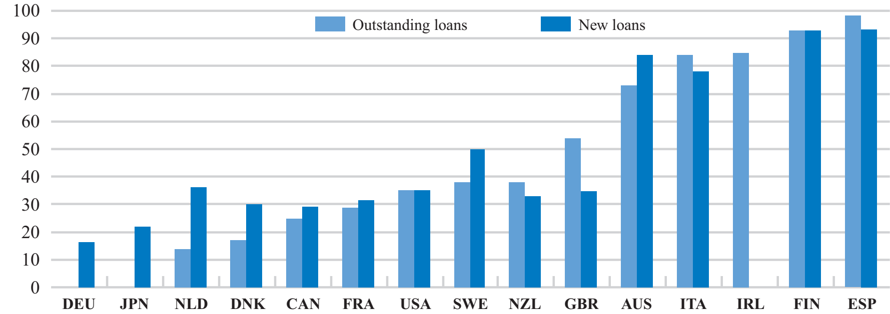
So far household have been able to handle increased debt loads…

To date, there have been few signs at the aggregate level that households are having trouble meeting payment obligations. A commonly used indicator of debt-repayment ability, the delinquency rate,[19] shows that arrears on housing loans held by banks have been trending down, or have remained quite low relative to the average of the past decade (Figure III.5, lower panel). Indeed, the downward trend in delinquencies has

16. In the United States, the increase in homeownership during the 1990s was concentrated among households with limited funds for a down payment; see Dynan *et al.* (2003) and Bucks *et al.* (2006).
17. See for instance Greenspan and Kennedy (2005), Klyuev and Mills (2006), Schwartz *et al.* (2006) and Riksbank (2005b) for a discussion of the effects of mortgage-equity withdrawal on consumption.
18. For a comprehensive review of the different types of mortgage interest rates in Europe, see European Mortgage Federation (2006).
19. The standard definition of credit delinquency is loans that are in repayment default for at least three months. The main difference across countries is how these loans are defined, *i.e.* how long it takes before the loan can be judged as non-recoverable and hence can be written off as a loss for the credit institution. The timing of this process depends on national regulation. In France and Italy, the time before a loan can be written off is particularly long, thus the same loan can be counted as non-performing for several years while in other countries it will be considered as non-performing for no more than six months. This partly accounts for the fact that in France and Italy the stock of delinquency loans as a proportion of the total loans' stock is larger, see Moody's (2003).

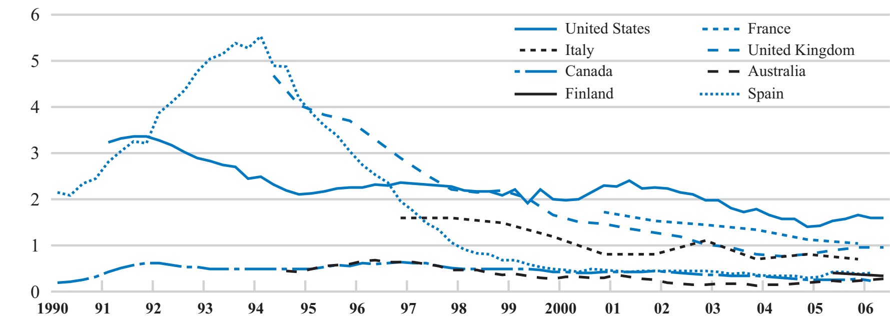
Figure III.5. **Adjustable rate loans and vulnerability**

Share of adjustable-rate in housing loans
Per cent



Note: Latest year for which data are available. For further detail, see statistical annex.

Mortgage delinquency rates
Percentage of outstanding amount of loans



Note: Loans refer to mortgages for all countries except Finland and Italy where they include all loans to the households sector. For Italy, they refer to new bad debts during the year as a percentage of outstanding loans.
Source: See statistical annex.

StatLink: *http://dx.doi.org/10.1787/583344008077*

reflected growing credit availability, falling interest rates and longer maturities. However, lags in the response of arrears to increasing debt ratios may be significant.[20]

… but borrowers with non-conventional loans have been stretched

The relaxation of credit standards and the growing use of payments reduction features in mortgages have, however, increased credit risk in mortgage markets.[21] Several banks and other private financial institutions have recently specialised in offering "affordable" loan products. These non-conventional housing loans are likely to appeal more to consumers with low credit ratings who may find it difficult to obtain finance from traditional sources. These mortgages are often used to consolidate existing (secured and unsecured) debts. In Australia and in the United States, for instance, a much higher proportion of non-conventional borrowers (compared with those who use more conventional instruments) are behind schedule on their loan repayments.[22]

20. In the literature, there is no agreement about which financial indicator is the most important predictor of households' delinquency, see, for example, Rinaldi and Sanchis-Arellano (2006); Duygan and Grant (2006); Diaz-Serrano (2004); and May and Tedula (2005).
21. See Frankel (2006).
22. In Australia, nearly 4% of the value of securitised non-conventional loans was in arrears, compared to only 0.2% of both other securitised and bank's housing loans, see Reserve Bank of Australia (2005). In the United States, the delinquency rate for sub-prime mortgages is estimated to be around seven times that of prime mortgages.

Evidence from micro data

Micro data can identify problems missed in macro measures

Aggregate measures of household debt only provide information about the position of the household sector as a whole or some notional average household. As such, these indicators mask important disparities in financial conditions across different segments of the population due to the substantial heterogeneity among households. In this respect, analysis using micro data indicators can potentially help identify pockets of fragility within the sector. This section summarises the results of various studies that have used household-level surveys for particular countries to analyse the financial position of the sector. [23]

Household indebtedness by age and income group[24]

The share of indebted households varies across countries

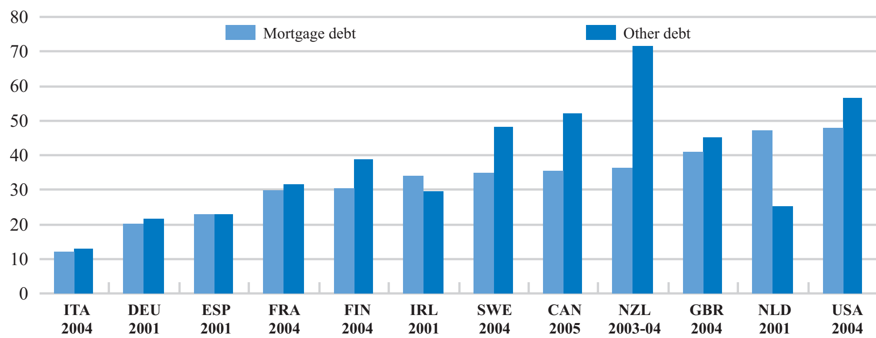
The share of households with mortgage and non-housing debt varies greatly across countries (Figure III.6), with Italy and Germany at one extreme and the Netherlands and the United States at the other. Repeated cross-sectional analyses report that, since the late 1990s, the fraction of household with debt has increased slightly in the United States and in the Nordic countries, while it has remained roughly unchanged in Canada and the United Kingdom. Such analysis is not available for the other countries studied here.

Within countries, debt is concentrated among the young and middle-aged

Debt-holding patterns are generally consistent with predictions from the life-cycle theory of consumer behaviour. The percentage of indebted households peaks among young households (less than 35 years of age) or households in the middle-age groups (Figure III.7, upper panel). Within these age groups, the percentage of indebted households often exceeds 70%. Debt holding declines sharply for those aged over 65, especially in the United Kingdom, Germany, Italy, Finland and Spain.

Figure III.6. **Proportion of households holding debt**

Per cent



Note: Some households may be holding both categories of debt.
Source: See statistical annex.

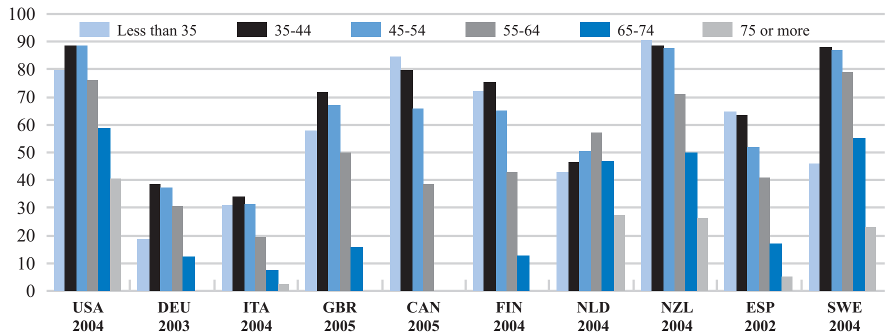
StatLink: *http://dx.doi.org/10.1787/166342525404*

23. While the methodologies may differ, the results of these studies may provide complementary information on vulnerability to that obtained from macro measures. The Statistical Annex reports the sources of the different household surveys.
24. Empirical analysis of the determinants of household debt using aggregate and cross section data include Magri (2002) for Italy; Barnes and Young (2003) for the United States; Tudela and Young (2005) for the United Kingdom; Bank of Ireland (2005); Herrala (2006) for Finland; Zochowski and Zajaczkowski (2006) for Poland and Crook and Hochguertel (2006) for several OECD countries.

Figure III.7. **Debt holding patterns**

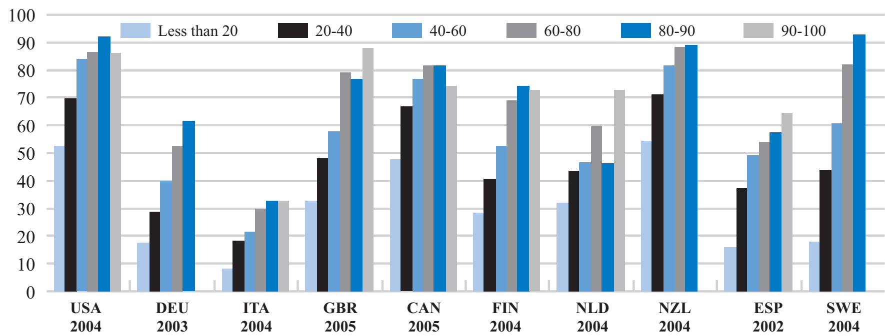
Percentage of indebted households

By age



Note: For Germany, the United Kingdom and Finland, the last age group is 65 or more. For Canada, the groups are less than 35, 35-49, 50-64 and 65 or more.

By percentile of income



Note: For Germany, New Zealand and Sweden, the last group is 80-100.
Source: See statistical annex.

The share of indebted households tends to increase with income

The lower panel of Figure III.7 shows that borrowing has been mostly undertaken by households with the highest incomes. In the United States, the United Kingdom, Canada, Finland, New Zealand and Sweden, the proportion of indebted households in the upper income group exceeds 80%. The share of indebted households in the lower income group is nonetheless high in the United States, Canada and New Zealand, relative to other countries. For the countries for which a time perspective is available, the share of indebted households in the lowest income groups has increased the most since the end of the 1980s, reflecting the effect of the liberalisation of credit markets on the group of households which previously were most subject to credit rationing.

Median debt has followed a hump-shaped pattern

Table III.2 shows the median value of debt holdings[25] for those individuals with debt according to their age (as a percentage of per capita income).[26] The median value of debt peaks for households in the 35 to 44 age category for almost all of the

25. The median value of the debt is equal to the value that comes mid-way in the debt distribution. This measure is less sensitive to the extremes of the distribution and therefore provides a better picture of the typical household's debt than the average debt.
26. Due to the lack of availability of data on income distribution, the median debt has been normalised by household disposable income at national level divided by population.

Table III.2. Distribution of the household median debt

Percent of overall per capita income [1]

	Median debt by age					
	Less than 35	**35-44**	**45-54**	**55-64**	**65-74**	**75 or more**
United States (2004)	114	295	281	162	85	52
Italy (2004)	95	95	76	51	32	46
Netherlands (2004)	720	741	538	453	360	405
New Zealand (2004)	126	342	281	68	7	3
Spain (2002)	300	219	137	105	57	92
Sweden (2004)	269	417	374	361	211	124
					65 or more	
Germany (2003)	610	626	612	518	337	
United Kingdom (2005)	81	375	226	103	34	
Finland (2004)	100	316	182	88	55	
		35-49	**50-64**	**65 or more**		
Canada (2005)	257	277	119	36		

	Median debt by income percentile					
	Less than 20	**20-40**	**40-60**	**60-80**	**80-90**	**90-100**
United States (2004)	24	54	151	316	460	707
Italy (2004)	44	57	51	76	101	171
United Kingdom (2005)	38	30	113	264	263	780
Canada (2005)	26	92	256	348	416	537
Finland (2004)	34	96	210	312	292	350
Netherlands (2004)	208	542	528	640	686	686
Spain (2002)	93	107	166	207	213	384
					80-100	
Germany (2003)	430	430	496	613	1 017	
New Zealand (2004)	27	39	153	284	549	
Sweden (2004)	99	107	176	311	622	

1. Household disposable income at national level divided by population.

Source: See statistical annex.

StatLink: *http://dx.doi.org/10.1787/577682427763*

countries under review, reflecting the larger number of first-time homebuyers in this group.[27] Median debt in the middle age group (aged 45 to 54) has also been relatively high, and the fact that the number of households in this group has recently risen may help to explain the aggregate increase in debt. The median debt falls steadily through middle age before dropping off more sharply for those aged over 65; the fall in median debt for this category is essentially related to paying down mortgages.

Most debt is held by higher-income households

The median value of debt holdings rises across income groups, reflecting considerable borrowing to fund assets by high-income earners. Households in the top income percentiles account for the largest part of the aggregate debt. In contrast, households in the bottom one make up a very small share of aggregate debt.

27. The share of the population at household formation age (24 to 44 year old) has increased rapidly since the mid-1990s in the United States, the United Kingdom, Australia, Ireland, Netherlands and Spain.

Debt-servicing burdens by age and income group

The distribution of the debt-service ratio varies

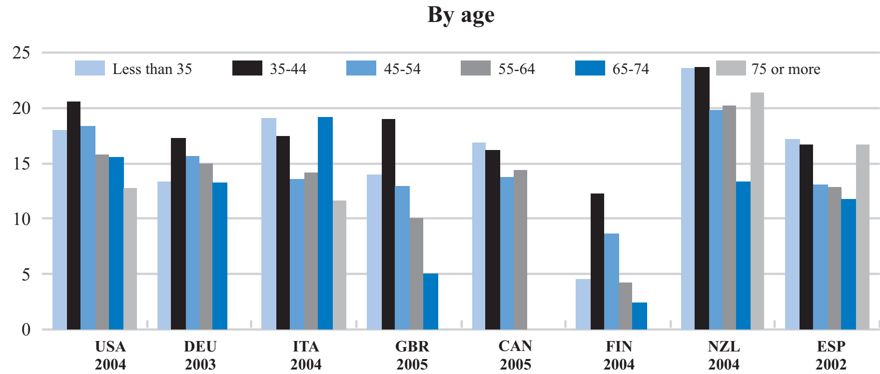
In order to further assess the macroeconomic risks implied by the debt-servicing burden, it is instructive to consider different income and age categories. For example, for lower-income households, income and interest rate shocks may imply greater financial duress as they tend to have lower saving ratios and will probably also have less collateral or financial reserves. Their share in the total distribution could matter for macroeconomic outcomes.[28]

First time buyers tend to have less ability to service debt…

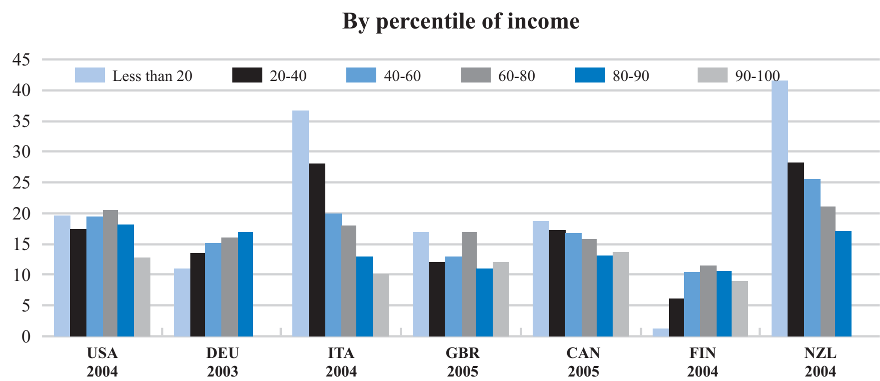
Figure III.8, upper panel shows that the median debt-service ratio has been highest in the younger age groups (less than 35 and 35 to 44), likely reflecting that these households are first-time homebuyers. However, middle-age households (45 to 54), who also hold a large share of debt (Table III.2), have a lower debt-service burden. Overall, for all the countries under review, households have recently devoted less than a quarter of their income to debt servicing. For the United States, for which there is information, the debt-service ratio distribution seems to have

Figure III.8. Distribution of debt service burden of indebted households

Per cent of disposable income



Note: For Germany, the United Kingdom and Finland, the last age group is 65 or more. For Canada, the groups are less than 35, 35-49, 50-64 and 65 or more.



Note: For Germany and New Zealand the last group is 80-100.
Source: See statistical annex.

28. See for example, Herrala and Kauko (2006) who used Finnish household micro data to estimate the effect of interest rate changes (and other shocks) on household distress and bank loan losses.

drifted up slightly for most age groups over the past decade, consistent with the trend in the aggregate data.[29] While recent micro data for France are not available, the 2000 debt service ratio per income deciles indicated a burden roughly similar to the US profile.[30]

… while high-income groups have more

The median debt-service burden indicator suggests that indebted households in the highest income groups are better able to service their debt (Figure III.8, lower panel). They have median interest-to-income ratios close to 15% for most of the countries under review. The main exception is Finland, where the highest income households have much higher debt service burden than the lowest, but they still enjoy an interest to income ratio of less than 10%, *i.e*. much lower than in any other country. In Italy and New Zealand, the debt servicing ability at the bottom income groups is extremely weak; however, these households have not taken on much debt.

29. See Doms and Motika (2006).
30. See Bourdin (2006).

Statistical annex

This statistical annex details the macro and micro data sources used for this study. There are three main differences between macro and micro data on the household sector's assets and liabilities:

– First, unincorporated businesses and non-profit institutions are included only in the macro data.

– Second, the level of detail between the two sources differs (for example, as concerns the treatment of managed accounts such as trusts and estate investment funds).

– Finally, the valuation methods for various assets and liabilities differ.

Sources for the macroeconomic data

Household assets and liabilities

Data for household assets and total liabilities (amounts outstanding at the end of the period) are based on the UN System of National Accounts 1993 (SNA 93) and, more specifically, for European Union countries, on the corresponding European System of Accounts 1995 (ESA 95). Households include non-profit institutions serving households. Households also include self-employed persons and sole proprietors, except in the United States. Net wealth is defined as non-financial and financial assets minus liabilities.

Non-financial assets consist mainly of dwellings and land. For Germany, Italy and the United States, data also include durable goods. For Canada, France, Japan, the United Kingdom and the United States, data also include non-residential buildings and fixed assets of unincorporated enterprises and of non-profit institutions serving households, although coverage and valuation methods may differ. For Denmark, housing wealth has been estimated using the stock of dwellings at constant prices and house price data from Statistics Denmark. For Sweden, housing wealth data are from the Bank of Sweden. Net non-financial wealth is defined as financial assets minus mortgages.

Financial assets comprise currency and deposits; securities other than shares, loans, shares and other equity; insurance technical reserves; and other accounts receivable/payable. Not included are assets with regard to social security pension insurance schemes. Equities comprise shares and other equity, including quoted, unquoted and mutual fund shares. Net financial wealth is defined as financial assets minus financial liabilities excluding mortgages.

The sources for these data are:

Australia: Australian National Accounts, Financial Accounts.

Canada: Statistics Canada, Bank of Canada.

Denmark: Statistics Denmark.

Finland: Bank of Finland.

France: INSEE, *Rapport sur les comptes de la nation*; Banque de France.

Germany: Deutsche Bundesbank, *Monthly Report* and *Financial accounts for Germany 1991 to 2005*, Special Statistical Publication, 2006.

Ireland: Central Bank and Financial Services Authority of Ireland, *Quarterly Bulletin*, No. 3, 2006.

Italy: Banca d'Italia, Supplements to the Statistical Bulletin; Financial Accounts of OECD countries.

Japan: Cabinet Office, Government of Japan, Annual Report on National Accounts.

New Zealand: Reserve Bank of New Zealand.

United Kingdom: Office for National Statistics, United Kingdom, National Accounts and Financial Statistics.

United States: Federal Reserve Statistics Release, Flow of Funds Accounts of the United States.

Spain: Bank of Spain.

Sweden: Bank of Sweden and Statistics Sweden.

Mortgage debt data for non G-7 countries have been estimated using various national sources and are not necessarily fully consistent with SNA 93 and ESA 95. For Australia, mortgages refer to outstanding loans to households for housing by type of lending institution in the Financial Accounts of the Australian National Accounts. For Denmark, mortgages are from Statistics Denmark and refer to lending of mortgage banks by sector. For Finland, mortgage data are from the Bank of Finland. For Ireland, data are from the Central Bank and Financial Services Authority of Ireland *Quarterly Bulletin* No. 3, (see Kelly, 2006). For New Zealand, data are from the Reserve Bank of New Zealand. For Spain, data are from the Bank of Spain and for Sweden, from Statistics Sweden.

GDP and disposable income

GDP and household disposable income are taken from the OECD Economic Outlook 80 database.

Share of adjustable rate loans in housing loans

The 2005 data for the *share of new loans* in housing loans are defined as loans with a duration of one year or less. For most European countries, the data are from European Mortgage Federation (2006). For France, the data are from Gouteroux (2006). For Italy, data are from the Bank of Italy. For Finland, they are from the Bank of Finland. For Japan and Canada, they refer to the Bank of International Settlements (BIS) (2006) and correspond to adjustable rate loans with a duration up to five years. For New Zealand, data are from the Reserve Bank of New Zealand. For Australia, the data come from the Reserve Bank of Australia. For Ireland, data are from the Central Bank and Financial Services Authority of Ireland.

The data for the *share of outstanding loans* are defined as loans with a duration of one year or less. They are taken from Girouard *et al.* (2005) for Australia, Canada and France. For most European countries, the data are from European Mortgage Federation (2006). For Japan, data are from the BIS (2006). Other, country-specific sources are: Bank of Italy (2006), Bank of Finland and the Reserve Bank of New Zealand.

Sources for mortgage delinquency rates

Australia: Bank on-balance sheet housing loan arrears 90+ days, Reserve Bank of Australia.

Canada: Residential mortgage loans in arrears three months or more, Canadian Bankers' Association and Statistics Canada.

France: "Part des encours douteux, Enquête auprès des principaux établissements distributeurs de prêts à l'habitat", Banque de France.

Finland: Non-performing assets of households, Bank of Finland.

Italy: New bad debts during the year as a percentage of outstanding loans, Bank of Italy.

Spain: Household non-performing loans (for house purchase), Bank of Spain.

United Kingdom: Mortgage arrears for more than three months, Council of Mortgage Lenders.

United States: Delinquency rate on single-family residential mortgages, booked in domestic offices; all commercial banks (seasonally adjusted), Federal Reserve Board.

Sources for the proportion of households holding debt

The "other debt" category is generally defined as unsecured debt in the form of personal loan, overdraft, credit card, store card, student loan, social fund loan and other loan.

Spain and Ireland: ECB (2005).

Canada: The data, provided by the Bank of Canada, are based on the *Canadian Financial Monitor* (CFM)*,* a survey conducted by Ipsos Reid Canada. Data are for 2005. For more detail, see Faruqui (2006).

France: Banque de France (2005).

Finland: Bank of Finland (2006).

Germany: Federal Statistical Office.

Italy: Banca d'Italia (2006b).

United States: Bucks *et al.* (2006).

United Kingdom: May *et al*. (2004).

Sweden: Bank of Sweden.

New Zealand: Treasury of New Zealand. For information, the proportion of households holding "other debt" excluding student loans is 69.4% and the proportion of households holding "other debt" excluding credit cards is 48.3%.

Sources for the micro data

Australia: No micro data were provided for the study. There are, however, two household micro surveys which are of interest, the Household Expenditure Survey (HES) conducted by the Australian Bureau of Statistics and the Survey of Household and Income and Labour Dynamics (HILDA), which is administered by the Melbourne Institute. The aggregate results from the HES are available at:

www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6530.0Main+Features12003-04%20 (Reissue)?OpenDocument.

The information on HILDA is available at:

http://melbourneinstitute.com/hilda/.

For more detail, see Kohler *et al.* (2004).

Canada: The data, provided by the Bank of Canada, are based on the *Canadian Financial Monitor* (CFM)*,* a survey conducted by Ipsos Reid Canada. Data are for 2005. For more detail, see Faruqui (2006).

Denmark: No micro data were provided for the study. However, households' indebtedness is discussed in Danmarks Nationalbank (2006).

European Union countries: The European Central Bank (ECB) provided some data from the 2001 European Community Household Panel database. They are reported in part in ECB (2005).

Finland: Data for 2004 are from the Bank of Finland (2006).

France: No micro data were available for the study. However, the Banque de France has produced several studies on household indebtedness, see for instance Banque de France (2005) and Boutiller *et al.* (2005). See also the work from the Commissions du surendettement at:

www.banque-france.fr/fr/instit/services/page3a.htm.

Selected micro data are reported for 2005 in Mouillart (2006).

Germany: The data, provided by the Federal Statistical Office, are based on the Income and Expenditure Survey 2003. For more details, see Bartzsch and Stöss (2006).

Italy: The data, provided by the Bank of Italy, are based on the 2004 Survey of Household Income and Wealth (SHIW), Banca d'Italia (2006a and b). For details on the previous surveys, see *www.bancaditalia.it/statistiche*.

Netherlands: The data, provided by the Nederlandsche Bank, are based on preliminary results of the 2004 regular Dutch DNB Household Survey (DHS). For details see Van Els *et al.* (2003) and De Nederlandsche Bank (2005).

New Zealand: The data, provided by the Treasury of New Zealand, are based on the survey SoFIE for 2004, see *www.stats.govt.nz/additional-information/survey-of-family-income-employment/default.htm*.

Spain: The data, provided by the Bank of Spain, are based on the 2002 Survey of Household Finances (EFF). For more detail see Barcelo (2006), Banco de Espana (2005), Bover *et al*. (2005) and Bover (2004).

Sweden: The data were provided by the Bank of Sweden and Statistics Sweden. An analytical exposé of the Bank of Sweden uses of micro data can be found in Johansson and Persson (2006).

United Kingdom: The data were provided by the Bank of England and are based on 2005 NMG Research survey and on the Bank's calculations. For more information, see Barwell *et al.* (2006). For details on the 2004 survey, see May *et al.* (2004).

United States: The data are from the Federal Reserve Bank and are based on the 2004 Survey of Consumer Finances. They are reported in Bucks *et al.* (2006). For references to earlier surveys, see Aizcorbe *et al.* (2003).

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Oil price developments: drivers, economic consequences and policy responses
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Policy influences on foreign direct investment

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Fiscal sustainability: the contribution of fiscal rules
Increasing employment: the role of later retirement
Product market competition and economic performance
Inflation persistence in the euro area

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 2006 to 2008 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 2000 GDP weights expressed in 2000 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 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 series of the euro area (*www.oecd.org/pdf/M00017000/M00017861.pdf*).

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 20 November 2006.

Country classification

	OECD
Seven major OECD countries	Canada, France, Germany, Italy, Japan, United Kingdom and United States.
Euro area	Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal 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	1.87	Mexico	3.29
Austria	0.84	Netherlands	1.66
Belgium	1.00	New Zealand	0.29
Canada	3.20	Norway	0.60
Czech Republic	0.56	Poland	1.50
Denmark	0.56	Portugal	0.69
Finland	0.50	Slovak Republic	0.21
France	5.78	Spain	3.11
Germany	7.70	Sweden	0.88
Greece	0.67	Switzerland	0.80
Hungary	0.46	Turkey	1.68
Iceland	0.03	United Kingdom	5.52
Ireland	0.40	United States	36.00
Italy	5.41	Total OECD	100.00
Japan	11.86	*Memorandum items:*	
Korea	2.82	Euro area	27.84
Luxembourg	0.08		

Note: Based on 2000 GDP and purchasing power parities (PPPs).

Irrevocable euro conversion rates

National currency unit per euro

Austria	13.7603	Ireland	0.787564
Belgium	40.3399	Italy	1 936.27
Finland	5.94573	Luxembourg	40.3399
France	6.55957	Netherlands	2.20371
Germany	1.95583	Portugal	200.482
Greece	340.750	Spain	166.386

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 (1959q3-2006q2)	SNA93 (1959q3-2006q2)	SNA93 (1959q3-2006q2)	YES	2004/2005
Austria	ESA95 (1988q1-2006q2)	ESA95 (1995-2004)	ESA95 (1976-2005)	YES	2000
Belgium	ESA95 (1995q1-2006q2)	ESA95 (1995-2005)	ESA95 (1970-2005)	YES	2004
Canada	SNA93 (1961q1-2006q2)	SNA93 (1961q1-2006q2)	SNA93 (1961q1-2006q1)	YES	1997
Czech Republic	SNA93 (1995q1-2006q2)	SNA93 (1995-2005)	SNA93 (1995-2005)	YES	2000
Denmark	ESA95 (1990q1-2006q2)	ESA95 (1990-2004)	ESA95 (1990-2005)	YES	2000
Finland	ESA95 (1975q1-2006q2)	ESA95 (1975-2005)	ESA95 (1975-2005)	NO	2000
France	ESA95 (1978q1-2006q2)	ESA95 (1978q1-2006q2)	ESA95 (1978-2005)	NO	2000
Germany[1]	ESA95 (1991q1-2006q2)	ESA95 (1991-2005)	ESA95 (1991-2005)	YES	2000
Greece	ESA95 (1960-2005)	..	ESA95 (2000-2005)	YES	1995
Hungary	SNA93 (2000q1-2006q2)	SNA93 (1995-2003)	SNA93 (2000-2005)	NO	2000
Iceland	SNA93 (1997q1-2006q2)	..	SNA93 (1993-2005)	YES	2000
Ireland	ESA95 (1997q1-2006q2)	SNA93 (1995-2003)	ESA95 (1990-2005)	YES	2004
Italy	ESA95 (1980q1-2006q2)	ESA95 (1999-2004)	ESA95 (1980-2005)	YES	2000
Japan	SNA93 (1994q1-2006q3)	SNA93 (1980-2004)	SNA93 (1980-2004)	YES	2000
Korea	SNA93 (1970q1-2006q3)	SNA93 (1975-2004)	SNA93 (1975-2004)	NO	2000
Luxembourg	ESA95 (1995q1-2006q2)	..	ESA95(1990-2005)	YES	2000
Mexico	SNA93 (1980q1-2006q2)	..	..	NO	1993
Netherlands	ESA95 (2001q1-2006q2)	ESA95 (1995-2005)	ESA95 (1995-2005)	YES	2001
New Zealand	SNA93 (1987q2-2006q2)	..	SNA93 (1987-2004)	YES	1995/96
Norway	SNA93 (1978q1-2006q2)	SNA93 (1978-2005)	SNA93 (1978-2005)	YES	2003
Poland	SNA93 (1995q1-2006q2)	SNA93 (1995-2003)	SNA93 (1999-2005)	YES	2000
Portugal	ESA95 (1995q1-2006q2)	ESA95(2000-2002)	ESA95 (1999-2005)	YES	2000
Slovak Republic	SNA93 (1993q1-2006q2)	SNA93 (1994-2005)	SNA93 (1993-2005)	NO	2000
Spain	ESA95 (1995q1-2006q2)	ESA95 (2000-2004)	ESA95 (2000-2005)	YES	2000
Sweden	ESA95 (1993q1-2006q2)	ESA95 (2000q1-2006q2)	ESA95 (1993-2005)	YES	2000
Switzerland	SNA93 (1980q1-2006q2)	SNA93 (1990-2004)	SNA93 (1990-2004)	YES	2000
Turkey	SNA68 (1987q1-2006q2)	..	..	NO	1987
United Kingdom	ESA95 (1987q1-2006q2)	ESA95 (1987q1-2006q2)	ESA95 (1987q1-2006q2)	YES	2003
United-States	NIPA (SNA93) (1960q1-2006q3)	NIPA (SNA93) (1960q1-2006q3)	NIPA (SNA93) (1960q1-2006q2)	YES	2000

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.

Annex Tables

Demand and Output

Wages, Costs, Unemployment and Inflation

Key supply-side data

Saving

Fiscal Balances and Public Indebtedness

Interest Rates and Exchange Rates

External Trade and Payments

Other Background Data

Annex Table 1. **Real GDP**

Percentage change from previous year

	Average 1982-92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	Fourth quarter 2007	Fourth quarter 2008
Australia	3.0	4.0	5.0	4.0	4.0	3.8	5.2	4.4	3.4	2.4	3.9	3.3	3.3	2.9	2.6	3.0	3.4	2.8	2.7	3.9
Austria	2.6	0.4	2.4	2.6	2.6	2.2	3.7	3.7	2.8	0.6	0.5	0.8	2.3	2.6	3.2	2.5	2.4	3.1	2.3	2.6
Belgium	2.3	-1.0	3.2	2.4	1.1	3.5	1.7	3.3	3.9	0.7	1.4	1.0	2.7	1.5	2.9	2.3	2.1	2.9	2.1	2.0
Canada	2.6	2.3	4.8	2.8	1.6	4.2	4.1	5.5	5.2	1.8	2.9	1.8	3.3	2.9	2.8	2.7	3.1	2.5	3.0	3.2
Czech Republic	..	..	2.6	5.9	4.2	-0.7	-0.8	1.3	3.7	2.5	1.9	3.6	4.2	6.1	6.2	4.8	4.6	5.3	4.7	4.6
Denmark	2.1	-0.1	5.5	3.1	2.8	3.2	2.2	2.6	3.5	0.7	0.5	0.7	1.9	3.0	3.5	2.6	1.6	3.6	2.2	1.4
Finland	1.6	-1.0	3.6	4.0	3.6	6.1	5.2	3.9	5.3	2.5	1.6	1.9	3.3	3.0	5.0	2.8	2.7	3.9	3.4	2.4
France	2.3	-0.8	1.5	1.8	1.0	2.1	3.3	3.0	4.0	1.8	1.1	1.1	2.0	1.2	2.1	2.2	2.3	2.2	2.4	2.3
Germany	3.0	-0.8	2.7	2.0	1.0	1.9	1.8	1.9	3.5	1.4	0.0	-0.2	0.8	1.1	2.6	1.8	2.1	3.0	1.5	2.3
Greece	1.3	-1.6	2.0	2.1	2.4	3.6	3.4	3.4	4.5	5.1	3.8	4.8	4.7	3.7	4.0	3.8	3.8	3.9	4.4	4.2
Hungary	..	..	2.9	1.5	1.3	4.6	4.9	4.2	5.2	4.1	4.3	4.1	4.9	4.2	4.0	2.2	3.0	3.4	1.9	3.7
Iceland	1.7	1.3	3.6	0.1	4.8	4.9	5.8	4.0	4.4	3.6	-0.3	2.7	7.7	7.5	3.6	1.0	2.5	4.3	0.1	3.8
Ireland	3.6	2.7	5.8	9.6	8.3	11.7	8.6	10.7	9.2	5.9	6.0	4.3	4.3	5.5	5.1	5.1	4.5	5.0	4.5	4.5
Italy	2.5	-0.9	2.3	2.9	0.6	2.0	1.3	1.9	3.8	1.7	0.3	0.1	0.9	0.1	1.8	1.4	1.6	2.2	1.2	1.8
Japan	3.8	0.2	1.1	1.9	2.6	1.4	-1.8	-0.2	2.9	0.4	0.1	1.8	2.3	2.7	2.8	2.0	2.0	2.2	2.1	1.9
Korea	8.9	6.1	8.5	9.2	7.0	4.7	-6.9	9.5	8.5	3.8	7.0	3.1	4.7	4.0	5.0	4.4	4.6	3.9	4.8	4.5
Luxembourg	6.0	4.2	3.8	1.4	1.9	5.9	6.5	8.4	8.4	2.5	3.8	1.3	3.6	4.0	5.2	4.3	4.0	..	..	..
Mexico	1.9	1.9	4.5	-6.2	5.1	6.8	4.9	3.9	6.6	-0.2	0.8	1.4	4.2	3.0	4.7	3.6	3.7	4.3	3.8	3.6
Netherlands	2.8	0.7	2.9	3.0	3.0	3.8	4.3	4.0	3.5	1.4	0.1	0.3	2.0	1.5	3.0	3.1	3.0	3.4	2.7	3.5
New Zealand	1.5	4.7	6.2	4.2	3.4	3.0	0.7	4.7	3.8	2.5	4.7	3.7	4.2	2.1	1.5	1.3	2.0	1.4	1.7	2.1
Norway	3.0	2.7	5.3	4.4	5.3	5.2	2.6	2.1	2.8	2.7	1.1	1.1	3.1	2.3	2.4	3.2	2.7	2.9	3.0	2.6
Poland	..	..	5.3	7.0	6.2	7.1	5.0	4.5	4.2	1.1	1.4	3.8	5.3	3.5	5.1	5.1	4.8	..	..	..
Portugal	3.4	-2.0	1.0	4.3	3.6	4.2	4.8	3.9	3.9	2.0	0.8	-1.1	1.2	0.4	1.3	1.5	1.7	1.4	1.9	1.5
Slovak Republic	..	..	6.2	5.8	8.0	5.7	3.7	0.3	0.7	3.2	4.1	4.2	5.4	6.0	8.2	8.0	5.7	9.3	6.2	5.9
Spain	3.2	-1.0	2.4	2.8	2.4	3.9	4.5	4.7	5.0	3.6	2.7	3.0	3.2	3.5	3.7	3.3	3.1	3.7	3.2	3.0
Sweden	1.9	-2.0	3.8	4.1	1.4	2.5	3.6	4.3	4.4	1.2	2.0	1.8	3.3	2.7	4.3	3.6	2.9	4.2	3.7	2.3
Switzerland	2.1	-0.2	1.1	0.4	0.5	1.9	2.8	1.3	3.6	1.0	0.3	-0.2	2.3	1.9	3.0	2.2	2.0	2.8	2.0	1.9
Turkey	5.1	8.0	-5.5	7.2	7.0	7.5	3.1	-4.7	7.4	-7.5	7.9	5.8	8.9	7.4	6.1	5.3	6.3	..	..	..
United Kingdom	2.5	2.3	4.3	2.9	2.8	3.0	3.3	3.0	3.8	2.4	2.1	2.7	3.3	1.9	2.6	2.6	2.8	2.7	2.6	2.9
United States	3.5	2.7	4.0	2.5	3.7	4.5	4.2	4.4	3.7	0.8	1.6	2.5	3.9	3.2	3.3	2.4	2.7	3.0	2.6	2.7
Euro area	2.7	-0.7	2.4	2.4	1.4	2.6	2.7	2.9	3.9	1.9	0.9	0.8	1.7	1.5	2.6	2.2	2.3	2.9	2.2	2.5
Total OECD	3.3	1.5	3.3	2.5	3.0	3.6	2.7	3.3	4.0	1.2	1.6	2.0	3.2	2.7	3.2	2.5	2.7	3.0	2.7	2.7

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account 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).*

These numbers are working-day adjusted and hence may differ from the basis used for official projections. The differences are particularly marked for certain countries -- see the notes to the "Demand and Output" table in the country notes for Germany and Italy.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/111526286755*

Annex Table 2. **Nominal GDP**

Percentage change from previous year

	Average 1982-92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	2007	2008
Australia	9.0	5.3	5.9	5.5	6.4	5.4	5.4	5.0	7.7	6.2	6.9	6.4	6.9	7.7	7.0	6.6	7.0	6.3	6.5	7.2
Austria	5.9	3.3	4.8	4.5	3.4	2.1	3.7	4.0	5.3	2.6	2.2	2.4	4.0	4.2	4.6	4.2	4.4	4.5	4.1	4.6
Belgium	6.0	3.0	5.4	3.6	1.7	4.6	3.8	3.7	5.9	2.7	3.3	2.6	5.2	3.6	5.0	4.2	3.8	5.0	3.9	3.7
Canada	6.3	3.8	6.0	5.1	3.3	5.5	3.7	7.4	9.6	2.9	4.0	5.2	6.4	6.2	4.7	3.9	4.9	2.4	4.9	5.0
Czech Republic	..	..	13.9	16.8	14.8	7.6	10.2	4.2	5.2	7.4	4.8	4.6	7.9	7.1	7.9	8.0	7.5	7.6	8.1	7.2
Denmark	6.3	0.6	7.1	4.4	4.9	5.3	3.4	4.3	6.6	3.2	2.8	2.7	4.1	5.9	5.5	5.0	4.5	6.2	4.8	4.4
Finland	7.0	0.8	5.2	8.9	3.2	8.6	8.8	4.7	7.9	5.7	2.9	1.5	3.9	3.8	5.7	4.0	4.3	4.8	4.9	4.1
France	6.8	0.9	3.5	3.5	2.8	3.3	4.5	3.0	5.6	3.8	3.5	3.0	3.8	3.1	3.9	3.9	4.2	3.6	4.6	3.9
Germany	5.8	2.9	5.2	3.9	1.5	2.2	2.4	2.2	2.8	2.6	1.4	0.8	1.6	1.7	3.3	3.5	3.3	3.9	3.3	3.6
Greece	19.8	12.6	13.4	12.1	9.9	10.7	8.8	6.5	8.0	7.0	7.8	8.4	8.3	7.5	7.3	7.0	7.1	7.1	7.5	7.4
Hungary	..	..	23.0	27.4	22.8	23.9	18.1	12.9	15.6	12.9	12.6	10.1	9.4	6.3	7.4	7.3	5.4	8.4	6.2	5.5
Iceland	26.3	3.2	6.3	3.1	7.4	8.0	11.1	7.3	8.2	12.5	5.3	3.2	10.2	10.6	9.6	4.7	5.7	10.4	3.2	6.7
Ireland	8.1	8.0	7.5	13.0	10.6	15.8	16.3	15.1	15.4	11.7	11.3	6.9	6.3	9.2	8.0	8.2	7.7	7.5	7.7	7.7
Italy	10.9	3.0	5.9	8.0	5.8	4.6	3.9	3.2	5.9	4.8	3.7	3.2	3.8	2.2	3.9	3.3	3.7	3.7	3.2	3.7
Japan	5.9	0.8	0.5	1.4	1.9	1.9	-1.8	-1.5	1.2	-0.9	-1.4	0.2	1.1	1.3	1.8	2.2	2.7	1.8	2.3	2.8
Korea	16.5	12.9	17.0	17.2	12.5	9.5	-1.4	9.4	9.3	7.5	10.0	5.9	7.5	3.5	4.5	5.5	5.2	3.8	5.7	5.0
Luxembourg	9.0	10.4	7.5	3.8	4.5	4.0	6.1	14.2	10.6	2.6	6.7	6.3	5.4	8.9	12.7	7.5	8.1	..	..	..
Mexico	59.4	10.7	13.3	29.3	37.5	25.7	21.0	19.5	19.5	5.7	7.8	10.0	11.9	8.6	11.7	7.5	7.0	10.5	6.9	7.0
Netherlands	4.3	2.5	5.2	5.1	4.2	5.9	6.1	5.6	7.5	6.7	3.9	2.5	2.7	3.2	4.3	4.0	5.0	4.0	4.1	6.0
New Zealand	9.1	7.7	7.4	6.5	6.0	3.4	1.6	5.1	6.4	6.8	5.7	5.2	8.2	4.7	3.6	4.2	3.6	4.3	3.6	3.7
Norway	7.1	5.1	5.2	7.3	9.5	8.2	1.9	8.9	19.1	3.9	-0.5	3.8	8.9	10.9	10.3	5.3	6.7	7.1	6.5	6.7
Poland	..	..	44.5	36.9	25.3	22.0	16.6	10.9	11.8	4.6	3.7	4.2	9.6	6.2	5.8	7.4	7.3	..	..	..
Portugal	19.6	5.2	8.3	7.9	6.3	8.2	8.7	7.3	7.1	5.8	4.7	1.5	4.0	3.0	3.3	3.4	3.5	2.8	3.7	3.3
Slovak Republic	..	..	20.5	16.3	11.9	10.6	9.0	7.9	10.5	8.4	8.9	9.1	11.8	8.5	11.8	11.8	8.8	13.2	10.4	8.4
Spain	11.6	3.5	6.4	7.8	6.0	6.3	7.1	7.5	8.7	8.0	7.1	7.3	7.4	7.8	7.5	7.0	6.8	7.2	6.8	6.8
Sweden	8.8	0.8	6.7	7.6	2.3	4.1	4.3	5.5	5.8	3.2	3.6	3.7	4.6	3.9	5.7	5.8	5.6	5.3	6.2	5.1
Switzerland	5.4	2.1	2.6	1.2	0.5	1.8	2.5	2.0	4.4	1.7	1.9	1.0	2.9	1.9	3.9	3.2	3.3	3.9	3.4	3.2
Turkey	59.1	81.3	95.2	100.7	90.3	95.2	81.1	48.2	60.9	43.2	55.6	29.6	19.7	13.2	19.9	13.4	11.6	..	..	..
United Kingdom	8.2	5.0	6.0	5.7	6.3	6.0	6.1	5.3	5.1	4.6	5.2	5.9	6.0	4.1	4.9	5.2	4.9	5.1	4.7	5.0
United States	6.9	5.0	6.2	4.6	5.7	6.2	5.3	6.0	5.9	3.2	3.4	4.7	6.9	6.3	6.3	5.0	5.4	5.6	5.5	5.2
Euro area	7.9	2.7	5.2	5.2	3.4	4.0	4.4	3.8	5.4	4.4	3.5	2.9	3.7	3.3	4.4	4.2	4.4	4.4	4.3	4.5
Total OECD	10.3	5.4	8.1	8.0	7.5	7.5	6.0	5.8	7.0	4.2	4.2	4.4	5.6	4.9	5.5	4.8	4.9	5.1	4.9	4.9

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 Account 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).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/456254138180*

Annex Table 3. **Real private consumption expenditure**

Percentage change from previous year

	Average 1982-92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	Fourth quarter 2007	Fourth quarter 2008
Australia	2.6	1.4	3.7	4.9	2.9	3.9	4.4	5.0	3.6	3.1	3.9	3.8	5.9	3.1	2.6	2.4	2.6	2.7	2.5	2.6
Austria	2.9	-0.3	3.0	0.6	1.2	1.9	1.8	2.3	3.8	1.1	-0.1	1.3	2.0	1.5	1.8	2.0	2.1	1.8	2.1	2.0
Belgium	2.1	-1.3	1.6	0.9	1.3	1.9	2.7	2.2	4.0	0.8	0.7	1.0	1.6	0.8	2.4	2.0	2.0	2.3	2.0	2.0
Canada	2.8	1.8	3.0	2.1	2.6	4.6	2.8	3.8	4.0	2.3	3.6	3.0	3.3	3.9	3.9	3.4	3.1	4.0	3.3	2.9
Czech Republic	..	..	5.3	5.9	8.9	2.2	-0.8	2.7	1.3	2.2	2.2	6.0	2.6	2.3	3.8	4.2	4.5	4.2	4.4	4.5
Denmark	1.8	-0.5	6.3	1.6	2.2	3.0	2.3	-0.4	0.2	0.1	1.5	1.6	3.4	4.1	4.4	2.5	2.2	4.7	2.3	2.1
Finland	2.0	-3.4	2.5	4.2	3.4	3.7	4.2	3.1	2.3	2.8	2.3	4.7	3.1	4.1	3.5	2.6	2.5	2.8	2.7	2.4
France	1.9	-0.4	0.9	1.6	1.4	0.2	3.6	3.3	3.5	2.5	2.4	2.2	2.5	2.1	2.6	2.5	2.6	2.6	2.6	2.6
Germany	3.0	0.9	2.0	2.3	1.2	1.0	1.4	2.9	2.5	1.9	-0.8	-0.1	-0.3	0.3	0.8	0.3	1.8	1.4	0.6	2.2
Greece	2.4	-0.8	1.9	2.5	2.4	2.7	3.5	2.5	2.2	3.5	3.6	4.5	4.7	3.7	3.6	3.5	3.5	..	..	..
Hungary	..	..	0.2	-7.1	-3.5	1.9	4.9	5.6	5.4	6.2	10.5	8.4	3.1	3.9	3.2	-0.7	0.5	2.5	-2.1	2.3
Iceland	1.6	-4.6	2.9	2.2	5.7	6.3	10.2	7.9	4.2	-2.9	-1.6	6.1	6.8	12.3	5.0	-2.1	-0.3	0.9	-2.0	0.5
Ireland	3.0	2.9	4.4	3.4	6.6	7.5	7.2	8.3	8.6	5.5	3.9	3.3	3.8	6.7	6.3	6.8	5.3	6.6	7.0	4.8
Italy	2.8	-3.1	1.6	1.5	1.0	3.2	3.4	2.6	2.4	0.7	0.2	1.0	0.5	0.1	1.6	1.0	2.0	1.6	1.3	2.3
Japan	3.6	1.4	2.7	1.8	2.3	0.8	-0.8	1.1	1.1	1.4	1.1	0.6	1.9	2.3	1.3	1.4	1.6	0.4	1.7	1.6
Korea	8.2	6.0	8.4	9.9	6.7	3.3	-13.4	11.5	8.4	4.9	7.9	-1.2	-0.3	3.2	4.2	3.8	4.0	3.8	4.0	3.7
Luxembourg	3.1	2.1	4.0	1.9	3.0	3.8	5.7	3.6	5.0	3.4	6.1	2.1	2.8	3.4	3.4	2.5	2.5	..	..	..
Mexico	2.3	1.5	4.6	-9.5	2.2	6.5	5.4	4.3	8.2	2.5	1.6	2.2	4.1	5.4	4.9	3.9	4.0	4.1	4.1	4.0
Netherlands	2.0	0.3	1.4	2.9	4.0	3.0	4.8	4.7	3.5	1.4	0.9	-0.2	0.6	0.7	-0.9	1.2	1.5	-1.4	1.8	1.3
New Zealand	1.6	2.7	5.9	4.3	5.0	2.4	2.6	3.8	1.7	2.2	4.4	5.7	6.4	4.9	1.7	0.7	1.1	0.8	0.9	1.2
Norway	2.1	2.4	3.3	3.7	6.5	3.2	2.7	3.3	3.9	1.8	3.0	2.9	4.7	3.4	3.9	3.2	2.9	4.5	3.0	2.8
Poland	..	..	3.9	3.7	8.8	7.2	5.0	5.7	3.0	2.1	3.3	1.9	4.2	1.9	5.0	4.1	4.1	..	..	..
Portugal	3.2	1.2	1.0	0.6	3.4	3.6	5.3	5.2	3.7	1.3	1.3	0.1	2.4	2.0	1.0	1.4	1.7	1.6	1.4	1.8
Slovak Republic	..	..	1.0	5.4	9.3	7.3	4.8	1.1	0.9	5.2	5.2	0.2	4.2	7.0	6.2	6.2	5.3	6.1	6.1	4.9
Spain	3.1	-1.9	1.1	1.7	2.3	3.2	4.8	5.3	5.0	3.4	2.8	2.8	4.2	4.2	3.4	3.3	3.2	3.0	3.3	3.1
Sweden	1.6	-3.5	1.8	0.9	1.7	2.5	3.0	3.8	5.0	0.4	1.5	1.8	1.8	2.4	3.2	3.2	2.9	3.1	3.4	2.5
Switzerland	1.8	-0.6	1.0	0.7	1.0	1.5	2.4	2.3	2.3	2.0	0.0	0.8	1.5	1.3	1.8	1.8	1.8	1.5	1.8	1.8
Turkey	3.8	8.6	-5.4	4.8	8.5	8.4	0.6	-2.6	6.2	-9.2	2.1	6.6	10.1	8.8	5.2	3.5	5.8	..	..	..
United Kingdom	3.2	3.0	3.0	1.8	3.8	3.5	3.9	4.5	4.6	3.0	3.5	2.9	3.4	1.4	2.1	2.1	2.2	2.1	2.2	2.2
United States	3.6	3.3	3.7	2.7	3.4	3.8	5.0	5.1	4.7	2.5	2.7	2.8	3.9	3.5	3.2	3.0	2.8	3.5	2.8	2.8
Euro area	2.6	-0.7	1.6	1.9	1.6	1.8	3.0	3.3	3.1	2.0	0.9	1.2	1.4	1.4	1.8	1.7	2.3	1.9	1.9	2.4
Total OECD	3.3	1.8	2.9	2.1	3.0	3.0	2.9	4.0	3.9	2.1	2.2	2.0	2.9	2.8	2.7	2.5	2.6	2.6	2.6	2.6

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account 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).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/142045430476*

Annex Table 4. **Real public consumption expenditure**

Percentage change from previous year

	Average 1982-92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	2007	2008
Australia	3.8	0.6	3.5	4.2	3.3	2.9	3.4	3.2	4.3	1.7	3.0	3.7	3.8	3.1	2.6	3.3	3.2	2.5	3.2	3.2
Austria	1.7	3.2	2.9	2.9	2.6	2.5	2.3	1.8	0.9	-1.0	1.6	1.3	1.4	1.9	0.9	0.5	0.5	0.4	0.6	0.4
Belgium	1.3	-0.2	1.4	1.5	1.6	0.4	0.9	3.3	2.9	2.4	2.9	2.2	2.1	-0.6	1.6	2.3	2.2	2.1	2.6	2.0
Canada	2.5	0.0	-1.2	-0.6	-1.2	-1.0	3.2	2.1	3.1	3.9	2.5	3.5	3.0	2.7	3.5	3.3	3.2	3.4	3.2	3.2
Czech Republic	..	..	-2.3	-4.3	1.5	3.0	-1.6	3.7	0.7	3.6	6.7	7.1	-3.2	0.7	-0.6	2.9	0.8	2.0	1.8	0.6
Denmark	0.5	4.2	2.2	2.4	3.6	0.7	3.5	2.4	2.3	2.2	2.1	0.2	1.5	1.3	1.1	1.3	1.0	1.1	0.9	1.0
Finland	2.3	-4.3	0.1	1.9	2.7	2.8	1.7	1.3	0.3	1.3	2.6	1.6	1.8	1.5	1.0	0.9	0.9	2.0	-0.4	1.4
France	2.6	3.4	0.3	0.0	2.0	1.3	-0.6	1.4	2.0	1.1	1.9	2.0	2.2	1.1	2.2	1.8	1.9	2.5	1.8	2.0
Germany	1.4	0.1	2.7	1.9	2.1	0.5	1.8	1.2	1.4	0.5	1.5	0.4	-1.3	0.6	1.2	0.4	1.5	1.2	1.0	1.7
Greece	0.5	2.6	-1.1	5.6	0.9	3.0	1.7	2.1	14.8	-0.9	7.4	-2.0	2.8	3.1	2.0	1.8	1.3	..	..	..
Hungary	..	..	-7.4	-5.7	-2.3	3.1	1.8	1.5	1.9	2.4	6.0	5.4	1.9	1.9	2.6	-1.9	-3.0	1.9	-2.8	-3.2
Iceland	4.0	2.5	4.0	1.7	1.0	2.6	3.6	4.9	4.3	3.1	5.1	1.6	2.9	3.3	3.3	3.1	3.0	4.1	3.2	3.0
Ireland	0.3	0.1	4.1	3.9	3.4	5.0	5.6	6.6	8.2	9.2	6.6	3.1	1.9	4.7	5.0	5.4	5.3	6.3	5.1	5.4
Italy	2.5	-1.5	-1.7	-3.3	0.4	0.1	0.4	1.3	2.3	3.6	2.1	2.0	0.5	1.2	0.7	0.3	1.3	0.8	0.0	2.0
Japan	3.2	3.0	3.2	3.9	2.9	0.8	1.8	4.1	4.3	3.0	2.4	2.3	2.0	1.7	0.6	1.1	1.2	0.7	1.2	1.2
Korea	6.8	5.6	4.1	5.0	8.0	2.6	2.3	2.9	1.6	4.9	6.0	3.8	3.7	4.3	5.3	3.8	3.1	5.2	4.0	2.7
Luxembourg	4.8	5.2	1.0	4.7	6.5	3.2	1.6	8.3	4.7	6.1	4.2	4.4	3.2	4.8	2.3	2.5	2.3	..	..	..
Mexico	2.1	2.4	2.9	-1.3	-0.7	2.9	2.3	4.7	2.4	-2.0	-0.3	0.8	-0.4	0.5	6.6	0.1	0.4	3.9	1.3	0.2
Netherlands	2.8	1.6	1.5	1.5	-0.4	3.2	3.6	2.5	2.0	4.8	3.3	2.9	0.1	0.3	8.0	3.6	0.6	8.1	1.4	0.0
New Zealand	1.5	0.9	1.0	4.5	2.4	6.8	-0.4	6.7	-2.4	3.8	2.1	2.4	5.7	4.6	4.8	3.6	3.0	4.3	3.0	3.0
Norway	3.1	2.7	1.5	1.5	3.1	2.5	3.3	3.2	1.3	5.8	3.7	1.3	2.2	1.5	2.0	2.7	2.6	2.5	2.6	2.6
Poland	..	..	1.2	4.8	2.2	3.1	1.9	2.5	2.1	2.7	1.3	4.9	3.1	5.3	2.3	3.2	2.4	..	..	..
Portugal	4.9	-0.2	4.3	1.0	3.3	2.2	4.3	5.6	3.5	3.3	2.6	0.3	2.5	1.8	-0.3	-0.3	-0.6	-0.6	-0.2	-0.8
Slovak Republic	..	..	-10.7	3.6	11.1	0.2	6.0	-7.4	3.6	5.2	5.2	3.9	2.0	-0.6	4.5	2.9	2.0	3.2	4.1	1.4
Spain	5.1	2.7	0.5	2.4	1.3	2.5	3.5	4.0	5.3	3.9	4.5	4.8	6.3	4.8	4.0	4.0	3.6	3.3	3.6	3.6
Sweden	1.9	0.1	-0.8	-0.4	0.6	-0.8	3.5	1.7	-1.2	0.9	2.3	0.7	0.1	0.7	1.4	1.4	0.8	1.4	1.2	0.5
Switzerland	3.8	-0.7	2.0	1.0	0.9	-0.1	-0.9	0.3	2.6	4.2	1.7	2.6	-0.8	-1.6	-1.8	0.2	0.0	-1.1	0.0	0.0
Turkey	6.5	8.6	-5.5	6.8	8.6	4.1	7.8	6.5	7.1	-8.5	5.4	-2.4	0.5	2.4	12.6	4.0	2.4	..	..	..
United Kingdom	1.1	-0.7	1.0	1.3	0.7	-0.5	1.1	3.7	3.1	2.4	3.5	3.5	3.2	2.8	2.0	1.3	1.3	1.7	1.2	1.3
United States	2.5	-0.3	0.3	0.2	0.4	1.8	1.6	3.1	1.7	3.1	4.3	2.5	2.1	0.9	1.6	2.5	2.1	2.2	2.7	1.9
Euro area	2.3	0.9	1.0	0.7	1.6	1.2	1.2	1.8	2.4	2.0	2.3	1.8	1.2	1.3	2.2	1.6	1.7	2.3	1.4	1.9
Total OECD	2.7	0.9	1.0	1.2	1.5	1.4	1.8	2.9	2.5	2.4	3.2	2.3	1.9	1.5	2.2	2.0	1.8	2.3	2.1	1.7

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account 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).* Working-day adjusted -- see note to Table on Real GDP.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/255271142034*

Annex Table 5. **Real total gross fixed capital formation**

Percentage change from previous year

	Average 1982-92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	Fourth quarter 2007	Fourth quarter 2008
Australia	2.1	5.2	10.9	1.3	4.0	9.5	7.7	5.9	-1.3	-3.5	16.6	7.8	7.6	7.1	7.4	6.0	5.0	5.4	5.4	4.9
Austria	3.6	2.1	2.9	0.8	1.8	1.7	2.8	3.3	5.6	-0.8	-6.3	5.2	0.1	1.4	4.3	3.5	2.6	5.0	2.8	2.5
Belgium	4.0	-2.5	0.4	3.4	0.3	8.6	2.9	5.2	3.6	0.0	-1.5	-0.7	7.0	5.1	3.1	5.2	3.9	5.5	6.2	3.4
Canada	2.7	-2.0	7.5	-2.1	4.4	15.2	2.4	7.3	4.7	4.0	1.6	6.5	8.0	7.1	6.3	3.4	4.0	4.5	3.7	4.1
Czech Republic	..	..	17.3	19.8	7.6	-5.7	-0.9	-3.3	5.1	6.6	5.1	0.4	4.7	3.6	6.2	7.2	8.0	6.8	8.0	8.0
Denmark	4.0	-3.9	8.4	12.0	5.9	10.2	8.2	0.0	7.4	-1.4	0.1	2.0	4.5	9.1	11.9	6.0	4.7	8.7	5.1	4.4
Finland	-0.7	-15.7	-2.5	14.7	5.4	13.8	11.2	2.3	6.3	4.1	-2.8	4.0	4.1	3.4	4.2	3.8	3.5	3.2	4.4	3.2
France	2.5	-6.8	1.7	1.7	0.3	0.1	6.9	7.9	7.5	2.3	-1.7	2.3	2.6	3.7	3.7	3.3	2.9	3.4	3.0	2.8
Germany	3.9	-4.4	4.6	0.1	-0.6	0.7	3.8	4.5	3.8	-3.5	-6.3	-0.7	-1.4	1.0	5.8	4.3	2.5	6.4	3.0	2.2
Greece	0.5	-4.0	-3.1	4.1	8.4	6.8	10.6	11.0	8.0	6.5	5.7	13.7	5.7	-1.4	7.1	6.1	5.8	..	..	..
Hungary	..	..	12.5	-4.3	6.7	9.2	13.2	5.9	7.7	5.1	10.1	2.1	7.7	5.6	6.6	2.1	2.8	7.4	0.9	3.7
Iceland	-0.2	-9.8	-0.2	-1.7	25.0	9.3	32.5	-5.1	12.0	-4.1	-15.8	13.4	27.4	37.6	1.4	-17.2	-12.9	-13.8	-20.6	-4.6
Ireland	-0.4	-5.1	11.8	15.8	17.3	18.0	15.1	14.9	7.2	-0.4	3.5	5.7	7.5	12.8	4.2	4.8	4.2	..	..	..
Italy	2.7	-11.5	0.7	7.1	1.6	1.8	4.0	3.5	6.7	2.3	4.0	-1.5	1.9	-0.4	3.7	3.9	2.9	5.4	3.4	2.7
Japan	4.8	-2.6	-1.6	0.9	4.7	-1.1	-6.5	-0.7	1.2	-0.9	-5.0	0.3	1.1	3.2	4.0	2.1	1.7	4.2	1.9	1.6
Korea	13.1	7.7	12.5	13.1	8.4	-2.3	-22.9	8.3	12.2	-0.2	6.6	4.0	2.1	2.3	2.6	3.2	2.8	2.2	3.1	2.4
Luxembourg	4.6	20.6	0.0	-1.5	4.9	10.4	6.1	22.0	-4.7	8.8	4.7	1.9	0.5	2.2	1.4	4.1	2.2	..	..	..
Mexico	1.4	-2.5	8.4	-29.0	16.4	21.0	10.3	7.7	11.4	-5.6	-0.6	0.4	7.5	7.6	9.5	5.9	6.6	6.5	6.7	6.6
Netherlands	3.6	-3.2	2.1	4.1	6.3	6.6	4.2	7.8	1.4	0.2	-4.5	-1.5	-0.8	3.6	4.9	4.6	1.8	8.0	2.7	1.7
New Zealand	-0.7	14.5	14.9	12.4	7.2	1.2	-3.4	6.7	8.6	-0.9	10.3	10.2	13.4	4.2	-4.2	-2.7	1.4	-8.1	0.1	1.9
Norway	-1.5	6.5	5.3	3.9	10.3	15.5	13.1	-5.6	-3.6	-0.7	-1.0	0.2	8.1	10.9	6.7	6.1	2.6	0.5	3.4	2.3
Poland	..	..	9.2	16.6	19.7	21.8	14.0	6.6	2.7	-9.7	-6.3	-0.1	6.4	6.5	10.1	10.2	8.5	..	..	..
Portugal	3.0	-5.5	2.7	6.6	5.6	14.3	11.7	6.2	3.5	1.0	-3.5	-10.0	0.9	-2.9	-2.1	2.3	4.2	-0.2	3.5	4.5
Slovak Republic	..	..	-2.5	0.6	30.1	14.0	9.4	-15.7	-9.6	12.9	0.3	-2.3	5.0	17.5	9.5	5.9	6.8	9.3	2.0	8.5
Spain	5.1	-8.9	1.9	7.7	2.6	5.0	11.3	10.4	6.6	4.8	3.4	5.9	5.0	7.0	6.0	4.9	4.5	5.3	4.7	4.5
Sweden	2.2	-14.6	6.6	9.9	4.5	-0.3	7.8	8.2	5.7	-1.0	-2.6	1.1	5.1	8.5	8.5	5.7	4.7	7.7	5.5	4.3
Switzerland	2.8	-2.9	6.5	4.4	-1.7	2.0	6.5	1.2	4.3	-3.1	0.3	-1.4	4.5	3.2	5.0	3.8	2.3	7.0	2.5	2.1
Turkey	8.6	26.4	-16.0	9.1	14.1	14.8	-3.9	-15.7	16.9	-31.5	-1.1	10.0	32.4	24.0	11.7	8.1	8.4	..	..	..
United Kingdom	3.7	-0.2	4.5	2.9	5.3	6.5	14.0	2.8	2.7	2.5	3.7	0.4	6.0	2.7	5.4	6.2	6.0	5.7	6.5	5.9
United States	3.8	6.0	7.3	5.7	8.1	8.0	9.1	8.2	6.1	-1.7	-3.5	3.2	6.1	6.4	3.4	-0.7	2.9	0.8	1.0	3.2
Euro area	3.2	-6.4	2.6	2.9	1.2	2.6	5.6	6.1	5.3	0.6	-1.5	1.1	1.8	2.7	4.6	4.2	3.2	5.2	3.5	3.2
Total OECD	3.9	0.6	4.8	3.2	5.9	5.9	5.1	5.4	5.3	-1.2	-1.6	2.2	4.8	5.1	4.7	2.5	3.4	3.5	2.9	3.5

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account 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).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/447284358417*

Annex Table 6. **Real gross private non-residential fixed capital formation**

Percentage change from previous year

	Average 1982-92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	Fourth quarter 2007	Fourth quarter 2008
Australia	2.2	1.6	11.0	7.1	10.9	7.7	6.6	5.6	-4.2	-1.3	14.7	10.5	9.5	11.9	11.5	6.5	5.4	6.2	6.0	5.1
Austria	5.2	-0.1	1.0	-1.5	3.0	10.3	6.5	6.4	11.4	3.1	-7.9	9.2	0.7	1.4	3.4	2.7	2.3	3.5	2.4	2.1
Belgium	5.7	-5.8	-1.7	4.1	4.9	8.9	4.4	3.4	4.5	3.1	-1.9	-2.3	6.6	4.8	4.4	5.9	4.2	10.3	5.0	3.9
Canada	2.0	-1.4	9.4	4.8	4.4	22.6	5.3	7.2	4.7	0.2	-4.1	7.0	9.1	9.4	8.3	5.6	5.9	6.5	5.7	5.9
Denmark	6.1	-6.0	7.5	12.5	5.1	11.7	11.8	-1.6	6.4	-0.3	0.6	0.2	1.3	8.5	16.7	6.5	5.5	11.5	5.7	5.4
Finland	-0.3	-18.9	-3.6	32.7	4.3	9.1	15.7	-0.2	10.2	10.2	-6.8	0.5	2.5	6.0	3.3	4.3	3.9	3.2	4.0	3.9
France	3.8	-8.6	0.7	3.4	0.3	1.6	9.9	8.7	8.5	3.4	-3.1	1.3	2.4	3.5	4.4	4.2	3.4	4.1	3.7	3.3
Germany	4.0	-8.6	1.5	2.1	-0.3	2.7	6.1	5.8	8.0	-2.6	-7.1	0.0	0.7	4.2	8.0	5.4	3.1	8.2	4.2	2.5
Greece	1.1	0.8	0.9	3.3	14.2	5.8	11.8	16.0	10.2	7.9	6.3	15.3	7.0	0.8	6.2	5.8	6.0	..	..	..
Iceland	-0.9	-23.4	-0.1	9.6	49.2	17.7	46.4	-7.4	11.1	-11.6	-20.0	21.4	32.6	60.5	2.0	-24.0	-21.9	-16.5	-30.0	-10.9
Ireland	-0.3	-5.5	7.8	18.5	18.5	21.0	21.1	15.3	3.8	-10.1	2.9	-0.2	7.6	23.6	6.6	11.9	9.9	..	..	..
Italy	3.4	-14.2	5.0	11.4	0.8	2.9	4.5	3.7	8.0	2.1	5.3	-3.6	1.7	-3.1	4.5	5.4	3.6	8.0	4.4	3.4
Japan	7.0	-10.3	-5.7	3.1	1.8	6.6	-5.2	-4.3	7.9	1.3	-5.3	5.9	4.9	7.5	9.2	4.2	3.2	10.4	3.1	3.1
Korea	13.3	6.8	17.0	15.7	8.5	-3.4	-29.2	13.8	18.9	-4.7	7.6	2.1	1.9	0.2	3.6	4.5	3.0	4.4	3.8	2.4
Netherlands	5.0	-5.0	-0.3	5.5	7.0	9.8	5.3	10.1	1.0	-2.9	-7.6	-1.0	-2.3	2.7	4.6	5.0	0.1	10.0	1.5	0.0
New Zealand	0.5	22.4	16.3	15.5	6.5	-6.0	-1.1	6.8	19.6	-1.8	-2.6	15.0	14.5	7.2	-7.5	-6.5	0.5	-11.5	-3.0	1.9
Norway	-1.9	12.4	3.3	2.3	13.3	15.7	15.2	-8.5	-4.0	-4.0	-1.5	-2.8	8.3	12.7	4.4	7.3	2.5	-0.6	3.3	2.1
Spain	6.3	-13.8	3.8	12.6	5.0	6.4	11.4	12.5	8.9	5.3	2.4	6.7	4.4	7.4	6.7	5.1	4.9	7.2	4.2	5.1
Sweden	2.7	-11.6	17.9	20.8	8.0	4.4	9.3	8.5	8.2	-2.9	-7.1	1.2	3.9	8.9	8.7	6.2	5.2	7.7	6.1	4.7
Switzerland	..	-4.3	5.1	8.5	1.3	3.1	9.7	0.9	4.8	-2.1	2.1	-4.2	5.4	3.7	6.8	5.0	3.1	..	..	..
United Kingdom	4.4	-3.7	4.8	7.8	10.5	9.8	20.1	4.0	4.5	1.3	1.2	-2.2	2.3	3.2	4.9	5.7	5.7	6.2	5.9	5.7
United States	2.7	8.7	9.2	10.5	9.3	12.1	11.1	9.2	8.7	-4.2	-9.2	1.0	5.9	6.8	7.6	5.2	4.4	7.8	4.7	4.4
Euro area	4.0	-9.6	1.8	5.5	1.8	4.6	7.7	7.1	7.6	1.2	-2.1	0.7	2.1	3.0	5.5	5.0	3.7	6.8	3.8	3.8
Total OECD	4.1	-1.1	5.1	7.9	5.9	8.6	6.7	6.2	7.9	-1.2	-4.6	1.8	4.5	5.6	7.0	5.1	4.1	7.5	4.3	4.1

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. Some countries, 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. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex. 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 Table on Real GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/130431020332*

Annex Table 7. **Real gross private residential fixed capital formation**

Percentage change from previous year

	Average 1982-92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	Fourth quarter 2007	Fourth quarter 2008
Australia	1.6	12.7	11.7	-8.0	-9.4	16.4	11.5	5.7	1.4	-10.7	25.4	5.2	3.0	-3.2	-1.8	4.1	3.2	2.2	3.2	3.1
Austria	1.7	5.5	7.2	9.1	2.7	-1.6	-3.1	-1.9	-4.6	-6.5	-5.4	-4.0	-0.3	1.1	4.1	3.1	2.2	4.0	2.6	2.1
Belgium	6.5	1.8	5.5	4.3	-8.6	10.0	-0.3	4.9	1.2	-4.4	-0.8	3.6	9.0	3.5	4.2	5.2	3.5	5.7	4.2	3.0
Canada	3.6	-3.8	3.9	-14.9	9.7	8.2	-3.6	3.6	5.2	10.5	14.1	6.0	7.7	3.2	2.8	-1.1	0.1	0.9	-0.4	0.4
Denmark	-0.3	-2.8	11.7	14.5	6.7	9.7	1.9	4.3	10.3	-9.3	0.8	11.5	10.5	12.5	9.1	6.1	3.6	8.6	4.7	2.9
Finland	-2.5	-8.9	-6.1	-2.9	6.6	22.8	8.7	9.7	4.2	-9.7	1.2	10.0	7.5	5.6	7.4	3.8	3.8	3.1	6.9	2.6
France	-0.5	-5.1	4.4	2.2	0.5	1.0	3.7	7.0	2.5	1.4	1.3	2.1	3.3	4.1	2.6	2.1	1.9	2.1	2.0	1.9
Germany	4.7	4.6	12.5	0.9	-0.5	-0.1	0.5	1.6	-1.6	-6.1	-6.2	-0.8	-3.6	-3.9	3.0	1.6	0.8	2.6	0.3	1.1
Greece	-1.5	-10.5	-11.3	2.6	-1.2	6.6	8.8	3.8	-4.3	4.8	8.8	7.3	-0.6	-1.4	12.6	8.2	5.6	..	..	..
Iceland	-0.8	-5.2	4.1	-8.7	7.1	-9.3	1.0	0.6	12.7	12.1	12.4	3.9	14.1	11.9	5.6	-1.9	-0.9	-5.9	-2.5	0.2
Ireland	2.4	-11.9	24.0	14.5	18.3	15.9	6.4	12.9	7.4	3.3	5.5	20.3	12.2	12.2	3.0	-1.5	-2.0	..	..	..
Italy	1.1	-2.1	-1.8	0.6	-1.9	-2.6	-1.2	1.1	3.8	1.0	0.6	2.3	2.5	6.5	3.2	0.9	1.2	1.6	1.1	1.2
Japan	2.5	1.1	7.2	-4.8	11.8	-12.0	-14.2	0.1	0.9	-5.2	-4.1	-0.9	1.9	-0.7	1.0	0.1	0.1	-1.0	0.6	0.0
Korea	14.6	12.9	-0.2	9.9	2.8	-4.9	-13.4	-6.1	-9.3	12.9	11.4	9.0	4.7	4.0	-3.5	-1.5	1.7	-7.8	0.9	2.0
Netherlands	1.9	1.2	7.6	1.3	3.9	5.3	1.4	4.1	-0.3	2.0	-6.5	-3.7	6.5	5.3	6.6	5.2	4.1	8.6	4.4	4.1
New Zealand	1.9	17.4	13.0	3.5	5.2	6.8	-12.8	7.5	0.4	-11.5	19.8	20.0	4.3	-4.2	-7.4	-0.7	0.0	-8.7	1.2	0.0
Norway	-5.6	-0.8	24.5	10.6	2.9	12.1	7.8	3.0	5.6	8.2	-0.6	2.0	12.3	14.5	6.2	3.1	2.0	4.4	2.9	1.6
Spain	1.3	-3.9	0.1	7.4	8.7	3.4	10.0	9.7	8.6	2.2	3.7	5.7	11.3	6.5	4.4	4.0	3.5	0.6	5.7	2.5
Sweden	1.9	-33.5	-34.1	-23.9	8.9	-11.5	-0.6	10.8	10.0	4.2	10.5	5.4	18.2	16.9	10.3	6.9	5.3	7.8	6.1	4.9
Switzerland	..	2.5	12.3	-2.2	-8.5	-0.1	2.8	-5.5	-2.7	-4.0	-3.7	14.4	7.1	4.7	1.0	1.6	0.2	..	..	..
United Kingdom	2.0	3.0	1.2	-11.9	5.3	6.8	4.0	1.7	0.6	0.3	6.9	0.7	13.0	-1.6	3.9	7.5	6.5	4.3	6.5	6.8
United States	5.5	8.2	9.6	-3.2	8.0	1.9	7.6	6.0	0.8	0.4	4.8	8.4	9.9	8.6	-4.1	-13.5	-0.2	-12.5	-7.6	1.2
Euro area	1.8	0.0	6.7	2.0	0.5	1.2	1.9	3.8	1.2	-1.9	-1.8	1.9	2.8	2.8	3.7	2.5	2.0	2.5	2.5	1.8
Total OECD	3.9	3.7	7.2	-2.4	5.5	0.5	1.6	3.9	1.0	-0.5	2.7	4.7	6.7	4.5	0.0	-4.1	1.1	-4.2	-1.6	1.6

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account 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).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/128573400542*

Annex Table 8. **Real total domestic demand**

Percentage change from previous year

	Average 1982-92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	2007	2008
Australia	2.7	2.8	5.0	4.2	3.2	3.5	6.4	5.2	2.0	1.0	6.2	5.9	5.4	4.2	3.2	3.3	3.4	2.6	3.4	3.3
Austria	2.8	2.2	2.0	2.0	2.2	1.2	2.5	3.1	2.1	-0.2	-0.6	1.3	1.6	2.0	2.2	2.2	1.9	2.5	2.0	1.9
Belgium	2.6	-0.9	2.6	2.3	0.7	2.7	2.6	2.5	4.1	0.0	0.8	0.9	3.0	2.0	2.7	2.7	2.4	1.7	3.2	2.1
Canada	3.0	1.5	3.2	1.8	1.3	6.1	2.5	4.2	4.7	1.3	3.3	4.6	4.3	4.8	4.3	3.5	3.3	4.1	3.3	3.2
Czech Republic	..	..	6.3	8.2	7.8	-1.0	-1.3	1.1	3.8	3.7	3.8	4.2	2.7	2.1	5.5	4.9	4.5	6.0	4.6	4.5
Denmark	1.8	-0.9	6.8	4.5	2.5	4.7	3.7	-0.6	3.2	0.0	1.7	0.6	3.3	4.1	5.4	3.0	2.5	5.0	2.7	2.4
Finland	1.3	-5.2	3.2	5.0	2.1	6.0	5.4	1.6	3.6	2.1	1.4	3.8	3.5	4.2	3.5	2.3	2.3	3.3	2.4	2.3
France	2.2	-1.5	1.7	1.5	0.9	0.9	3.9	3.5	4.5	1.7	1.2	1.9	2.8	2.1	2.4	2.6	2.5	2.5	2.5	2.5
Germany	3.1	-0.8	2.8	2.0	0.4	0.9	2.2	2.6	2.4	-0.4	-2.0	0.7	-0.4	0.6	2.0	1.2	1.9	2.2	1.1	2.1
Greece	1.7	-1.0	1.1	3.5	3.3	3.5	4.5	3.8	5.5	3.2	4.7	5.6	4.7	2.4	4.7	4.1	4.2	..	..	..
Hungary	..	..	1.7	-4.9	0.3	4.9	8.2	5.1	4.7	2.2	6.3	6.2	4.3	1.4	2.7	-0.3	0.4	3.3	-1.5	1.6
Iceland	1.6	-3.4	2.2	1.9	6.9	5.6	13.3	4.2	6.0	-2.4	-2.8	6.1	9.9	15.8	5.9	-4.5	-2.5	0.3	-5.6	-0.1
Ireland	1.8	1.2	5.5	6.8	8.1	9.8	9.2	8.6	8.7	3.6	4.3	4.4	3.6	8.0	5.4	5.9	5.0	5.1	5.5	4.9
Italy	2.9	-4.6	1.7	1.9	0.3	3.0	3.0	3.1	2.9	1.6	1.3	0.9	0.7	0.4	1.2	1.4	2.1	1.6	1.5	2.3
Japan	3.9	0.2	1.3	2.5	3.1	0.3	-2.2	-0.1	2.5	1.2	-0.6	1.2	1.5	2.5	2.0	1.3	1.5	1.6	1.6	1.5
Korea	9.3	5.0	10.2	9.9	8.1	0.4	-17.2	13.2	8.5	3.5	7.4	0.6	1.5	2.8	4.1	3.5	3.5	3.8	3.8	3.1
Luxembourg	3.8	4.8	1.7	1.2	4.7	6.0	6.3	8.0	4.5	4.5	2.5	3.7	2.4	4.9	-0.7	3.2	2.4	..	..	..
Mexico	2.3	1.1	5.6	-14.0	5.6	9.6	6.0	4.4	8.4	0.5	0.9	0.7	4.4	3.8	5.4	4.2	4.3	4.6	4.4	4.3
Netherlands	2.6	-1.8	2.4	3.6	2.9	3.9	4.8	4.3	2.7	1.8	-0.4	0.4	0.6	0.9	2.4	2.4	1.3	2.1	1.9	1.0
New Zealand	1.0	6.2	6.7	6.0	4.4	2.6	0.4	5.8	1.6	1.8	5.6	5.6	8.1	4.5	-0.2	0.4	1.5	0.0	1.2	1.7
Norway	1.4	3.2	4.1	4.6	4.4	6.6	5.7	0.4	2.3	0.8	2.0	1.5	6.1	4.6	4.5	3.7	2.7	4.2	2.9	2.6
Poland	..	..	4.1	7.3	8.6	10.1	6.4	5.2	3.1	-1.4	1.1	2.7	5.9	2.4	4.8	5.2	4.7	..	..	..
Portugal	3.6	-2.1	1.5	4.1	3.6	5.5	6.9	5.8	3.3	1.7	0.0	-2.2	2.3	0.8	-0.1	1.3	1.8	0.8	1.5	1.9
Slovak Republic	..	..	-3.6	9.6	17.0	6.2	4.7	-5.9	0.4	8.0	4.1	-1.3	6.2	8.6	7.4	5.3	5.4	5.6	6.5	5.1
Spain	3.8	-2.7	1.1	3.1	2.1	3.4	6.2	6.4	5.3	3.8	3.2	3.8	4.8	5.0	4.3	3.9	3.6	3.8	3.7	3.6
Sweden	1.9	-4.9	3.2	2.2	0.9	1.2	4.3	3.4	3.8	-0.2	0.8	1.7	1.5	2.7	3.2	3.1	2.7	3.3	3.2	2.3
Switzerland	2.2	-0.8	2.8	1.6	0.2	0.5	4.0	0.3	2.1	2.3	-0.5	0.4	1.5	1.1	2.8	1.9	1.7	2.4	1.8	1.6
Turkey	5.0	14.2	-12.5	11.4	7.6	9.0	0.6	-3.7	9.8	-18.5	9.3	9.3	14.1	8.8	7.1	5.3	6.0	..	..	..
United Kingdom	2.8	1.9	3.3	1.8	3.0	3.3	5.0	4.2	3.9	2.9	3.2	2.7	3.8	1.8	2.7	2.6	2.7	2.7	2.7	2.7
United States	3.6	3.2	4.4	2.4	3.8	4.8	5.3	5.3	4.4	0.9	2.2	2.8	4.4	3.3	3.2	2.2	2.7	2.8	2.5	2.7
Euro area	2.8	-1.9	2.2	2.2	1.1	2.1	3.5	3.5	3.5	1.2	0.4	1.5	1.6	1.8	2.4	2.2	2.4	2.4	2.2	2.5
Total OECD	3.4	1.3	3.2	2.2	3.1	3.5	3.1	3.9	4.1	0.9	1.7	2.3	3.3	2.9	3.1	2.4	2.7	2.7	2.6	2.6

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account 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).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/087537425216*

Annex Table 9. **Foreign balance contributions to changes in real GDP**

As a per cent of real GDP in the previous period, seasonally adjusted at annual rates

	Average 1982-92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	Fourth quarter 2007	Fourth quarter 2008
Australia	0.3	0.8	-0.3	-0.2	0.6	0.6	-1.0	-0.4	0.8	1.2	-1.8	-2.2	-2.0	-1.3	-0.8	-0.5	-0.2	-0.5	-0.9	0.4
Austria	-0.2	-1.5	0.5	0.3	0.1	1.5	1.1	0.4	0.6	1.0	1.4	-0.6	0.9	0.7	1.2	0.5	0.6	0.4	0.4	1.0
Belgium	-0.1	-0.1	0.9	0.4	0.6	0.7	-0.5	0.8	0.0	0.8	0.6	0.2	-0.1	-0.4	0.1	-0.3	-0.3	0.8	-0.7	-0.1
Canada	-0.3	0.9	1.4	1.0	0.3	-1.7	1.7	1.4	0.6	0.7	-0.1	-2.6	-0.8	-1.6	-1.5	-0.7	-0.1	-0.4	-0.2	0.0
Czech Republic	..	..	-3.9	-2.7	-3.9	0.4	0.6	0.1	0.1	-1.4	-2.0	-0.6	1.3	4.0	0.5	-0.1	0.2	0.0	0.2	0.2
Denmark	0.2	0.7	-0.8	-1.2	0.5	-1.3	-1.4	3.2	0.5	0.7	-1.1	0.1	-1.3	-1.0	-1.5	-0.3	-0.8	-0.1	-0.9	-0.9
Finland	-0.1	3.6	0.6	0.5	0.1	1.4	0.9	3.0	1.5	0.8	0.4	-1.8	0.8	-1.1	2.0	0.6	0.6	-1.0	0.7	0.2
France	0.1	0.7	-0.1	0.3	0.1	1.2	-0.5	-0.4	-0.4	0.2	-0.1	-0.7	-0.7	-1.0	-0.4	-0.4	-0.2	-0.4	-0.1	-0.3
Germany	0.3	0.0	0.0	0.0	0.6	0.9	-0.3	-0.6	1.1	1.8	2.0	-0.8	1.2	0.5	0.7	0.7	0.3	0.7	0.3	0.3
Greece	-0.4	-0.6	0.9	-1.6	-1.1	-0.1	-1.6	-0.8	-1.7	1.7	-1.4	-1.2	-0.5	1.1	-1.1	-0.8	-0.7	..	..	..
Hungary	..	..	0.9	6.9	1.2	-0.2	-3.0	-0.8	0.6	1.8	-2.2	-2.1	0.4	2.8	2.4	2.0	1.9	1.3	2.4	1.3
Iceland	0.2	4.3	1.9	-1.9	-1.7	-0.8	-7.4	-0.4	-1.9	6.2	2.5	-3.3	-2.5	-9.2	-2.4	6.4	5.2	5.9	6.6	2.8
Ireland	1.9	1.9	1.4	4.1	1.4	2.6	-0.1	4.1	1.7	2.5	2.5	1.4	0.3	-1.2	0.4	-0.2	0.1	0.3	0.0	0.0
Italy	-0.3	3.7	0.6	1.0	0.3	-0.9	-1.5	-1.1	0.9	0.2	-1.0	-0.8	0.2	-0.3	0.4	-0.1	-0.4	0.0	-0.3	-0.5
Japan	0.0	0.1	-0.2	-0.5	-0.5	1.1	0.4	-0.2	0.5	-0.8	0.7	0.6	0.8	0.2	0.8	0.7	0.5	1.0	0.6	0.4
Korea	-0.7	0.7	-2.4	-1.5	-1.8	4.2	11.3	-2.9	0.3	0.5	-0.2	2.5	3.3	1.4	1.3	1.3	1.5	0.9	0.8	1.8
Luxembourg	2.5	0.4	2.2	1.2	-1.7	1.2	1.3	1.7	4.8	-1.1	1.7	-1.6	1.8	0.1	6.4	2.2	2.4	..	..	..
Mexico	-0.5	0.8	-1.4	8.5	-0.3	-2.5	-1.1	-0.6	-1.9	-0.6	-0.1	0.7	-0.3	-0.9	-0.9	-0.8	-0.8	-0.6	-0.7	-0.8
Netherlands	0.3	2.5	0.7	-0.3	0.4	0.2	-0.2	-0.1	1.0	-0.3	0.5	-0.1	1.4	0.7	0.6	0.8	1.8	0.2	0.8	3.4
New Zealand	0.3	-0.1	-0.7	-1.3	-1.0	0.5	0.1	-1.2	2.2	0.5	-0.9	-1.9	-3.1	-2.0	1.6	0.8	0.5	-0.3	0.5	0.2
Norway	1.7	-0.3	1.4	0.0	1.1	-0.8	-2.6	1.7	0.7	2.1	-0.6	-0.2	-2.2	-1.8	-1.4	0.2	0.6	-0.2	0.6	0.5
Poland	..	..	0.5	0.2	-3.1	-2.3	-1.7	-1.0	0.9	2.6	0.5	1.1	-0.8	1.1	0.2	-0.2	0.1	..	..	..
Portugal	-0.3	0.2	-0.6	-0.1	-0.2	-1.6	-2.6	-2.5	0.3	0.2	0.7	1.3	-1.3	-0.5	1.3	0.1	-0.2	-0.1	0.1	-0.5
Slovak Republic	..	..	10.1	-3.4	-9.0	-0.9	-1.5	6.8	0.3	-5.0	-0.3	5.5	-0.9	-2.8	0.5	2.4	0.3	8.5	-0.3	0.6
Spain	-1.1	2.3	0.9	-0.3	0.3	0.5	-1.7	-1.7	-0.4	-0.2	-0.6	-0.8	-1.7	-1.7	-0.9	-0.8	-0.8	-0.7	-0.7	-0.8
Sweden	0.0	2.8	0.9	1.7	0.5	1.2	-0.4	1.5	0.7	1.4	1.2	0.0	2.1	0.6	0.7	0.5	0.5	0.9	0.8	-0.1
Switzerland	0.1	0.5	-1.5	-1.2	0.2	1.3	-1.1	1.0	1.5	-1.2	0.7	-0.6	0.8	0.8	0.3	0.4	0.4	0.5	0.4	0.4
Turkey	-0.2	-6.2	8.6	-4.7	-0.6	-1.9	2.6	-0.9	-3.0	12.4	-0.9	-3.1	-4.9	-1.7	-1.5	-0.5	-0.1	..	..	..
United Kingdom	-0.2	0.2	0.7	0.9	0.0	-0.2	-1.4	-1.0	-0.1	-0.5	-1.1	-0.1	-0.6	0.0	-0.2	0.0	0.0	0.2	-0.2	0.1
United States	-0.1	-0.6	-0.4	0.1	-0.1	-0.4	-1.2	-1.0	-0.8	-0.2	-0.7	-0.4	-0.6	-0.2	-0.1	0.0	-0.1	0.3	0.0	-0.3
Euro area	-0.1	1.2	0.2	0.2	0.3	0.5	-0.7	-0.6	0.5	0.7	0.5	-0.7	0.1	-0.3	0.2	0.1	0.0	-0.1	-0.1	0.1
Total OECD	-0.1	0.2	0.0	0.3	-0.1	0.1	-0.4	-0.6	-0.1	0.3	-0.2	-0.4	-0.2	-0.2	0.0	0.1	0.0	0.2	0.0	0.0

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account 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)*. Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/127616770752*

Annex Table 10. **Output gaps**

Deviations of actual GDP from potential GDP as a per cent of potential GDP

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	0.4	-1.4	-5.1	-5.5	-4.3	-2.5	-1.9	-1.6	-1.3	0.3	1.1	1.0	-0.2	0.3	0.2	0.0	-0.4	-1.0	-1.1	-0.7
Austria	-0.6	0.8	1.5	1.0	-1.1	-1.0	-0.6	-0.2	-0.2	1.1	2.3	2.6	0.6	-1.4	-3.0	-3.2	-2.7	-1.8	-1.5	-1.2
Belgium	0.1	1.2	0.7	0.2	-2.7	-1.7	-1.4	-2.2	-0.9	-1.3	-0.4	1.3	0.0	-0.8	-1.8	-1.2	-1.7	-0.7	-0.3	-0.1
Canada	3.1	1.2	-2.9	-4.1	-4.2	-2.3	-2.3	-3.7	-2.8	-1.9	0.4	2.5	1.3	1.3	0.2	0.5	0.4	0.1	-0.2	0.0
Czech Republic	..	..	..	..	..	..	..	..	..	1.6	0.1	0.6	0.0	-1.5	-1.9	-2.0	-0.5	0.6	0.5	0.5
Denmark	-0.7	-0.8	-1.2	-1.1	-3.3	-0.6	-0.2	0.0	0.6	0.2	0.2	1.6	0.4	-1.0	-1.9	-1.7	-0.4	1.5	2.7	2.9
Finland	6.0	3.8	-4.1	-9.4	-12.0	-10.5	-8.7	-7.0	-3.6	-1.4	-0.3	1.9	1.3	-0.2	-1.2	-0.7	-0.8	1.2	1.0	1.0
France	0.7	1.6	1.0	1.1	-1.4	-1.6	-1.7	-2.7	-2.7	-1.8	-1.1	0.6	0.3	-0.6	-1.5	-1.4	-2.0	-1.9	-1.6	-1.3
Germany	1.7	3.9	1.6	1.5	-1.7	-1.0	-0.5	-1.1	-1.0	-0.7	-0.4	1.9	1.9	0.3	-1.3	-1.8	-2.2	-1.1	-0.9	-0.4
Greece	1.9	0.3	1.2	0.0	-3.4	-3.5	-3.5	-3.5	-2.6	-2.0	-2.0	-1.2	0.1	0.0	0.9	1.7	1.5	1.5	1.3	1.3
Hungary	..	..	..	..	5.1	4.5	2.5	0.4	1.4	2.6	2.8	3.6	3.1	2.8	2.5	2.9	2.9	2.7	1.0	0.2
Iceland	-0.1	-0.9	-2.6	-7.0	-6.5	-4.1	-5.3	-2.7	-0.8	0.7	0.4	0.4	0.7	-1.8	-1.9	1.7	4.2	1.1	-1.9	-1.7
Ireland	-0.9	3.1	0.0	-2.3	-4.9	-5.6	-3.8	-3.2	0.1	0.6	3.5	5.2	4.3	3.6	2.2	1.2	1.2	0.8	0.7	0.6
Italy	1.2	0.8	0.1	-1.0	-3.4	-2.6	-1.1	-1.8	-1.1	-1.1	-0.5	1.8	2.1	1.1	0.0	-0.3	-1.5	-1.0	-0.9	-0.5
Japan	1.5	3.7	4.3	2.9	1.0	0.4	0.6	1.7	1.8	-1.2	-2.5	-0.9	-1.8	-3.0	-2.8	-2.1	-1.0	0.3	0.7	1.1
Luxembourg	4.8	3.8	6.4	2.6	1.8	0.9	-2.1	-4.6	-3.5	-2.1	0.8	3.5	0.9	0.3	-2.4	-2.7	-2.7	-1.4	-0.9	-0.7
Netherlands	1.3	2.8	2.4	1.0	-1.4	-1.5	-1.3	-1.1	-0.1	1.3	2.2	3.1	1.7	-0.9	-2.6	-2.7	-3.1	-2.1	-0.8	0.5
New Zealand	-0.4	-1.7	-4.8	-5.8	-3.2	-0.3	0.8	1.7	0.7	-2.1	-0.4	0.1	0.1	1.4	1.4	2.4	1.5	0.1	-1.2	-1.7
Norway[1]	-4.9	-5.5	-5.0	-4.6	-3.8	-2.5	-1.6	-0.2	1.6	3.0	3.1	2.7	2.3	1.1	-0.1	0.7	1.4	2.0	2.0	1.3
Portugal	1.9	3.0	4.3	2.4	-2.6	-4.4	-3.1	-2.4	-1.2	0.6	1.9	3.3	2.8	1.3	-1.9	-2.2	-3.4	-3.8	-3.9	-3.7
Spain	2.9	3.5	2.9	0.9	-2.6	-2.7	-2.7	-3.4	-2.8	-1.7	-0.8	0.3	0.5	-0.2	-0.8	-0.9	-0.7	-0.3	0.2	0.6
Sweden	2.0	0.7	-2.0	-4.3	-7.4	-5.8	-4.0	-4.3	-3.5	-2.0	-0.1	1.6	0.0	-0.6	-1.4	-0.8	-0.5	0.9	1.6	1.8
Switzerland	3.1	4.5	1.0	-0.8	-2.1	-2.0	-2.5	-3.0	-1.9	-0.2	-0.8	0.9	0.4	-0.8	-2.6	-1.9	-1.4	-0.1	0.4	0.6
United Kingdom	3.2	1.7	-1.9	-3.6	-3.5	-1.8	-1.4	-1.3	-1.0	-0.4	-0.3	0.8	0.5	-0.1	0.0	0.6	-0.3	-0.5	-0.6	-0.3
United States	2.0	1.1	-1.9	-1.6	-2.2	-1.5	-2.2	-1.9	-0.9	-0.1	1.1	1.8	-0.4	-1.5	-1.7	-0.6	-0.1	0.4	-0.1	-0.2
Euro area	1.5	2.5	1.4	0.6	-2.3	-1.9	-1.4	-2.0	-1.5	-0.9	-0.3	1.5	1.3	0.1	-1.1	-1.3	-1.8	-1.2	-0.9	-0.5
Total OECD	1.8	1.8	-0.2	-0.7	-2.0	-1.5	-1.5	-1.5	-0.8	-0.5	0.1	1.3	0.1	-0.9	-1.4	-0.9	-0.7	-0.2	-0.2	-0.1

Note: Potential output for all countries except Portugal is calculated using the "production function method" described in Giorno et al, "Potential Output, Output Gaps, and Structural Budget Balances", *OECD Economic Studies,* No. 24, 1995/I. Using this methodology, two broad changes have been made to the calculation of potential output since the last *OECD Economic Outlook.* First, the "smoothing parameters" applied in the calculations have been standardised across the OECD countries. Second, as was previously the case for the major seven economies only, the calculations now incorporate trend working hours for other Member economies also, excepting Austria and Portugal where the data span is insufficient. Potential output for Portugal is calculated using a Hodrick-Prescott filter of actual output. See also *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* Working-day adjusted -- see note to Table on Real GDP.

1. Mainland Norway.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/678847687728*

Annex Table 11. **Compensation per employee in the private sector**

Percentage change from previous period

	Average 1979-1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	8.4	7.5	2.7	4.4	2.6	2.2	2.8	5.2	4.0	3.1	2.7	2.7	4.3	3.3	2.9	5.6	3.7	5.9	5.2	4.6
Austria	5.3	5.2	6.1	5.7	4.4	3.5	1.7	1.3	1.7	2.6	1.6	2.2	2.1	2.6	1.9	2.4	1.6	2.5	2.9	3.0
Belgium	7.3	6.9	6.1	4.8	4.0	3.7	1.9	1.2	3.2	1.1	3.7	1.8	3.7	3.4	1.3	2.1	1.9	2.6	2.2	2.5
Canada	7.2	4.4	5.0	3.6	2.3	0.5	2.4	3.0	6.1	3.0	3.2	4.9	2.2	1.0	2.2	3.8	4.8	3.2	3.2	3.8
Czech Republic	..	..	..	..	..	16.3	20.4	16.4	8.5	9.8	7.2	7.0	7.4	6.4	8.4	6.4	4.3	6.1	6.8	6.5
Denmark	7.4	4.8	4.1	5.4	2.3	1.4	2.5	3.8	3.4	3.9	3.1	3.0	4.1	3.6	3.7	1.6	3.1	3.2	4.3	5.2
Finland	10.3	9.0	4.8	1.7	1.1	4.6	4.2	2.3	2.4	5.0	2.4	4.3	5.3	1.2	2.0	4.2	2.5	2.5	2.9	3.5
France	8.4	5.5	3.7	3.7	2.1	1.1	1.4	1.4	1.4	1.4	1.9	2.3	2.3	3.4	2.9	3.8	2.6	3.2	2.8	3.1
Germany	3.6	4.6	5.6	10.3	3.5	3.0	3.4	1.0	0.6	0.8	0.9	2.0	1.6	1.2	1.6	0.3	0.0	0.6	1.6	2.4
Greece	19.0	16.3	16.3	12.7	8.7	11.8	11.8	11.3	11.3	4.7	6.8	5.5	5.7	7.7	4.0	3.8	5.4	5.8	5.9	5.9
Hungary	..	..	..	..	..	..	24.3	21.5	18.7	12.4	1.7	15.6	14.9	9.4	6.6	10.4	6.5	6.5	6.8	4.1
Iceland	38.3	15.0	16.2	0.6	-3.7	3.7	4.9	5.1	3.9	9.7	8.7	10.4	5.1	8.9	-2.2	9.0	10.9	8.4	6.9	4.8
Ireland	10.7	1.2	3.1	7.4	4.8	1.4	2.6	4.2	4.0	3.5	4.5	8.3	6.3	3.3	4.7	5.0	4.4	4.5	4.6	4.6
Italy	12.6	7.8	7.2	5.8	4.3	4.4	5.1	4.5	3.6	-1.0	1.9	1.9	2.2	2.1	1.8	3.0	2.1	3.3	1.7	2.8
Japan	3.8	4.7	4.5	0.7	0.5	1.4	1.0	-0.2	1.1	-1.2	-1.6	0.1	-1.2	-2.0	-1.2	-1.3	0.8	0.6	1.5	2.2
Korea	13.5	16.3	16.2	11.8	12.9	12.0	15.0	12.0	4.0	4.4	2.1	3.2	6.6	4.8	7.0	4.2	2.6	4.0	5.0	5.5
Luxembourg	5.4	3.1	5.6	6.5	5.5	4.1	0.9	1.1	1.8	2.5	4.3	5.3	4.0	3.0	1.5	2.2	3.0	2.9	2.8	2.6
Mexico	..	..	..	20.6	11.4	9.9	4.8	21.2	17.8	17.8	13.5	11.5	9.3	5.2	5.0	4.7	4.8	4.3	4.2	4.1
Netherlands	2.6	2.9	4.0	4.1	2.7	1.9	0.3	1.5	2.3	3.4	3.4	4.4	5.0	4.4	3.3	3.1	0.7	0.6	1.9	1.8
Norway	9.0	4.0	6.4	4.4	2.7	3.1	3.2	2.6	2.5	7.6	6.2	4.7	7.2	3.2	3.3	4.3	3.8	4.0	5.0	5.1
Poland	..	..	..	..	..	..	..	29.1	20.1	14.7	12.6	10.4	9.4	0.7	0.5	0.7	3.4	4.5	5.0	5.4
Portugal	17.4	17.4	18.7	16.2	7.2	6.0	6.8	9.5	3.8	4.3	4.0	6.9	5.2	3.8	3.2	3.3	3.3	2.6	2.2	2.2
Slovak Republic	..	..	..	..	..	..	3.2	5.8	17.0	13.1	6.8	14.3	5.1	8.4	7.4	8.8	8.7	6.2	7.4	6.5
Spain	11.0	10.0	10.3	10.4	8.3	4.0	3.5	4.9	3.5	1.6	1.7	2.8	4.0	3.4	3.7	2.9	2.6	3.0	3.5	3.7
Sweden	8.9	9.7	6.3	1.7	6.4	6.8	2.4	7.3	5.4	3.2	1.2	7.2	4.6	2.5	2.4	3.8	4.0	2.6	2.9	4.2
Switzerland	4.6	5.4	6.6	4.3	3.0	3.1	2.3	0.3	3.1	0.2	2.1	2.7	3.1	1.4	-0.8	-0.6	1.3	1.9	1.9	2.2
United Kingdom	8.9	9.8	7.4	4.9	2.3	3.4	2.6	2.2	4.1	7.2	4.6	5.8	4.8	2.8	4.6	4.2	4.6	4.7	4.5	4.3
United States	5.5	4.6	4.0	6.2	2.0	1.8	2.3	3.0	4.0	5.4	4.5	6.7	2.6	3.3	3.3	4.4	3.8	6.8	5.0	5.0
Euro area	7.6	6.5	6.6	8.1	5.3	3.3	3.7	1.7	1.4	1.0	1.6	2.5	2.6	2.4	2.1	1.6	1.0	1.8	2.1	2.7
Total OECD	6.6	6.0	5.0	6.4	3.5	2.9	3.2	3.7	3.8	3.9	3.2	4.7	2.9	2.4	2.6	2.8	2.7	4.1	3.6	3.9

Note: The business sector is in the OECD terminology defined as total economy less the public sector. Hence business sector employees are defined as total employees less public sector employees. See also *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/418601620828*

Annex Table 12. **Labour productivity for the total economy**

Percentage change from previous period

	Average 1979-1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	0.9	-0.3	1.1	3.0	3.5	1.9	-0.3	2.7	2.9	3.4	2.7	0.7	1.1	1.9	1.1	1.3	-0.3	1.0	1.8	2.4
Austria	2.0	2.0	2.2	1.7	1.2	2.3	2.7	2.2	1.4	2.4	2.2	1.7	0.1	0.6	1.0	2.6	2.3	2.4	1.9	1.8
Belgium	2.1	2.0	1.5	1.7	-0.3	3.6	1.7	0.8	3.1	0.2	2.0	1.9	-0.7	1.6	1.0	2.1	0.5	1.9	1.2	1.3
Canada	1.0	-0.5	-0.4	1.9	1.8	2.7	1.0	0.7	2.1	1.6	2.9	2.7	0.6	0.5	-0.5	1.5	1.5	0.9	1.4	1.5
Czech Republic	..	..	..	..	..	1.3	5.2	3.2	-0.9	0.8	4.9	3.8	2.0	1.3	5.0	4.1	5.3	5.1	3.7	3.6
Denmark	1.5	2.0	1.9	3.1	1.4	3.8	2.1	1.8	2.0	0.7	1.6	3.1	-0.1	0.5	2.2	1.9	2.2	1.8	1.6	1.5
Finland	2.7	0.6	-0.6	3.4	5.3	5.1	2.2	2.2	2.8	3.2	1.3	3.0	1.1	0.6	1.8	2.9	1.6	3.7	2.3	2.4
France	2.0	1.9	1.1	2.3	0.5	1.4	0.9	0.7	1.6	1.7	1.0	1.3	0.0	0.5	1.0	2.0	0.7	1.3	1.2	1.3
Germany	1.0	2.3	2.3	3.4	0.5	2.8	1.7	1.3	2.0	0.6	0.5	1.6	0.9	0.6	0.8	0.4	1.2	2.0	1.2	1.6
Greece	-0.3	-1.3	5.6	-0.8	-2.4	0.1	1.2	2.8	4.2	-0.7	3.4	4.6	5.4	3.7	3.4	1.7	2.3	2.5	2.3	2.3
Hungary	..	..	..	..	..	..	5.1	1.8	4.4	3.1	0.7	3.9	3.8	4.3	2.8	5.6	4.3	3.7	2.4	2.7
Iceland	1.1	1.1	-0.2	-3.4	1.5	2.8	-2.9	4.8	4.9	1.6	0.3	2.4	1.9	1.2	2.6	8.2	4.1	-2.1	-0.8	2.2
Ireland	3.4	3.9	2.2	2.8	1.2	2.4	4.5	4.5	5.8	0.0	4.2	4.3	2.8	4.2	2.2	1.2	0.9	0.9	2.4	2.1
Italy	2.0	0.4	-0.3	1.4	1.8	4.0	3.1	0.0	1.6	0.3	0.8	1.8	-0.4	-1.2	-1.4	0.5	-0.1	0.2	0.6	0.6
Japan	2.6	3.2	1.4	-0.1	0.0	1.0	1.8	2.1	0.3	-1.1	0.6	3.2	0.9	1.4	2.0	2.1	2.3	2.5	1.9	2.0
Korea	4.9	6.0	6.1	3.9	4.9	5.2	6.1	4.7	2.9	-0.9	7.6	4.0	1.8	4.1	3.2	2.8	2.6	3.6	3.6	3.8
Luxembourg	3.1	1.1	4.3	-0.7	2.4	1.2	-1.2	-0.7	2.6	2.1	3.2	1.7	-3.0	0.6	-0.5	1.1	0.7	1.3	0.7	1.0
Mexico	..	..	..	0.0	-1.6	0.9	-7.6	1.5	0.6	2.2	2.8	4.7	-0.3	-1.6	0.2	0.2	3.7	2.5	1.0	1.2
Netherlands	1.0	1.0	0.5	0.1	0.3	2.2	0.7	0.5	0.5	0.3	0.1	0.3	-1.2	-0.4	0.8	2.9	1.5	1.9	1.5	1.1
New Zealand	1.8	-0.6	-0.1	0.4	3.1	1.5	-0.2	0.7	1.5	0.4	2.8	1.6	0.4	1.8	1.4	1.0	-0.5	-0.6	1.7	2.0
Norway	1.9	3.0	4.7	3.6	2.7	3.7	2.1	2.7	2.2	0.2	1.7	2.4	2.3	0.7	1.9	2.8	1.6	-0.3	2.2	2.3
Poland	..	..	..	..	..	7.0	6.0	5.0	5.6	3.8	8.8	5.8	3.4	4.5	5.1	4.0	1.2	2.2	3.0	3.1
Portugal	1.9	1.7	1.4	0.2	0.0	1.1	4.9	3.1	2.3	2.2	2.5	1.6	0.2	0.1	-0.7	1.1	0.2	0.3	0.6	0.8
Slovak Republic	..	..	..	..	..	..	4.0	5.6	7.1	4.1	3.1	2.6	2.6	4.7	2.3	5.8	4.6	5.9	5.9	4.6
Spain	2.3	0.0	1.4	2.4	1.9	2.9	0.9	1.0	0.3	0.1	0.1	0.0	0.4	0.4	0.6	0.6	0.4	0.7	0.7	0.7
Sweden	1.5	0.1	0.4	3.4	3.4	4.8	2.5	2.2	3.9	2.0	2.2	2.0	-0.7	1.8	2.2	3.8	2.4	2.6	2.0	1.4
Switzerland	0.5	0.6	-2.6	0.4	0.6	1.7	0.3	0.5	1.9	1.4	0.5	2.5	-0.6	-0.1	0.0	2.0	1.8	2.3	1.3	1.3
Turkey	2.5	7.4	-2.9	5.1	13.5	-12.4	4.2	4.0	7.5	0.4	-5.8	9.6	-7.3	8.8	6.8	5.8	6.2	5.7	3.3	4.2
United Kingdom	1.7	0.3	1.3	2.7	3.2	3.5	1.7	1.8	1.2	2.3	1.6	2.6	1.5	1.3	1.7	2.2	0.9	1.7	1.5	1.6
United States	1.2	0.4	0.6	3.3	0.7	1.0	0.2	1.8	2.1	1.9	2.4	1.9	0.9	2.8	2.5	2.8	1.8	1.9	1.7	2.3
Euro area	1.7	1.5	1.5	2.3	1.1	2.6	1.7	0.8	1.6	0.7	0.7	1.4	0.3	0.2	0.4	0.8	0.5	1.2	1.0	1.2
Total OECD	1.7	1.3	0.9	2.4	1.3	1.7	1.1	1.7	1.8	1.2	1.8	2.4	0.6	1.7	1.7	2.1	1.6	1.9	1.6	1.9

Note: See also *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/103476247356*

Annex Table 13. **Unemployment rates: commonly used definitions**

Per cent of labour force

	2003 Unemployment thousands	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	Fourth quarter 2007	Fourth quarter 2008
Australia	611	10.6	9.4	8.2	8.2	8.2	7.7	6.9	6.3	6.8	6.4	6.0	5.5	5.1	5.0	5.0	5.1	4.9	5.0	5.2
Austria	243	5.4	5.3	5.3	5.6	5.6	5.7	5.2	4.6	4.7	5.4	5.6	5.7	5.8	5.5	5.5	5.5	5.4	5.6	5.6
Belgium	374	8.6	9.8	9.7	9.5	9.2	9.3	8.5	6.9	6.6	7.5	8.2	8.4	8.4	8.6	8.3	8.0	8.6	8.1	7.8
Canada	1 288	11.4	10.4	9.5	9.6	9.1	8.3	7.6	6.8	7.2	7.6	7.6	7.2	6.8	6.4	6.6	6.5	6.5	6.6	6.4
Czech Republic	400	4.4	4.3	4.1	3.9	4.8	6.5	8.8	8.8	8.2	7.3	7.8	8.3	8.0	7.3	6.8	6.3	7.1	6.6	6.2
Denmark	155	9.6	7.6	6.7	6.3	5.2	4.8	5.0	4.3	4.4	4.5	5.3	5.5	4.8	3.8	3.3	3.3	3.5	3.2	3.3
Finland	234	17.6	17.9	16.7	15.9	12.7	11.4	10.3	9.8	9.2	9.1	9.1	8.9	8.4	7.8	7.6	7.4	7.8	7.5	7.3
France	2 692	11.7	12.1	11.5	12.1	12.1	11.5	10.8	9.4	8.7	9.0	9.8	10.0	9.9	9.1	8.5	8.2	8.8	8.4	8.2
Germany	3 713	6.9	7.3	7.1	7.7	8.6	8.1	7.5	6.8	6.9	7.6	8.7	9.2	9.1	8.0	7.7	7.2	7.8	7.5	7.0
Greece	460	9.7	9.6	9.1	9.8	9.8	11.4	12.3	11.7	11.2	10.9	10.4	11.0	10.4	9.6	9.2	8.8	..	..	..
Hungary	245	12.1	11.0	10.4	10.1	8.9	7.9	7.1	6.5	5.8	5.9	5.9	6.2	7.3	7.5	7.7	7.6	7.6	7.7	7.6
Iceland	5	5.3	5.3	4.7	3.7	3.9	2.7	2.0	2.3	2.3	3.3	3.4	3.1	2.6	2.8	2.5	3.0	2.2	2.8	3.1
Ireland	88	16.1	15.1	12.5	12.0	10.9	7.6	5.6	4.3	3.9	4.4	4.6	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4
Italy	2 044	9.9	10.8	11.3	11.3	11.4	11.5	11.1	10.2	9.2	8.7	8.6	8.1	7.8	7.1	6.8	6.5	6.9	6.7	6.4
Japan	3 502	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	4.2	3.9	3.6	4.2	3.7	3.5
Korea	818	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	3.4	3.4	3.4	3.4	3.4	3.4
Luxembourg	8	2.1	2.7	3.0	3.3	3.6	3.1	2.9	2.6	2.5	2.9	3.7	4.2	4.6	4.6	4.7	5.0	5.4	4.4	5.3
Mexico[1]	1 034	3.2	3.5	5.8	4.3	3.4	2.9	2.1	2.2	2.1	2.4	2.5	3.0	3.5	3.4	3.4	3.4	3.4	3.4	3.4
Netherlands	349	6.3	7.2	6.8	6.3	5.4	4.2	3.5	3.0	2.5	2.9	4.1	4.9	5.0	4.9	4.2	3.1	4.7	3.9	2.5
New Zealand	95	9.5	8.1	6.2	6.1	6.6	7.5	6.8	6.0	5.3	5.2	4.6	3.9	3.7	3.8	4.4	4.6	4.1	4.5	4.5
Norway	106	6.0	5.4	4.9	4.8	4.0	3.2	3.2	3.4	3.5	3.9	4.5	4.5	4.6	3.6	3.3	3.4	3.3	3.3	3.4
Poland	3 329	14.0	14.4	13.3	12.3	11.2	10.6	14.0	16.1	18.2	19.9	19.6	19.0	17.7	14.2	12.6	11.3	..	..	..
Portugal	342	5.5	6.8	7.2	7.3	6.7	5.0	4.4	4.0	4.0	5.0	6.3	6.7	7.7	7.5	7.4	7.0	7.7	7.2	6.9
Slovak Republic	459	..	13.7	13.1	11.3	11.9	12.6	16.4	18.8	19.3	18.6	17.5	18.1	16.2	13.5	12.2	11.7	13.0	11.9	11.5
Spain[2]	2 161	17.2	19.1	18.7	17.5	16.3	14.6	12.2	10.8	10.1	11.0	11.0	10.5	9.2	8.4	7.8	7.6	7.9	7.8	7.4
Sweden	218	8.2	8.0	7.7	8.0	8.0	6.5	5.6	4.7	4.0	4.0	4.9	5.5	5.8	5.5	5.3	4.3	5.2	5.1	4.0
Switzerland	176	3.8	3.7	3.3	3.8	4.0	3.4	2.9	2.5	2.5	3.1	4.1	4.2	4.3	3.9	3.6	3.3	3.7	3.5	3.2
Turkey[3]	2 494	8.7	8.4	7.5	6.5	6.7	6.7	7.5	6.3	8.2	10.1	10.3	10.1	10.0	10.1	9.8	9.5	..	..	..
United Kingdom	1 486	10.4	9.5	8.6	8.1	7.0	6.2	6.0	5.5	5.1	5.2	5.0	4.7	4.8	5.5	5.7	5.8	5.6	5.8	5.9
United States	8 773	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.8	5.8	6.0	5.5	5.1	4.6	4.8	5.1	4.5	4.9	5.2
Euro area	12 708	9.8	10.5	10.3	10.5	10.4	9.9	9.1	8.2	7.7	8.2	8.7	8.9	8.6	7.9	7.4	7.1	7.6	7.3	6.9
Total OECD	37 899	7.4	7.3	7.1	6.9	6.6	6.5	6.3	5.9	6.1	6.7	6.9	6.7	6.5	6.0	5.8	5.7	5.9	5.8	5.7

Note: Labour market data are subject to differences in definitions across countries and to many series breaks, though the latter are often of a minor nature. For information about definitions, sources, data coverage, break 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. Data not comparable with previous issues of the *OECD Economic Outlook*; see *OECD Economic Outlook* Sources and Methods.
2. Spanish data on unemployment are revised since 1976 using the methodology to be applied by the LFS as from 2002. Revisions are OECD calculations based on information from INE in Spain.
3. The figures incorporate important revisions to Turkish data; see *OECD Economic Outlook* Sources and Methods.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/303405452675*

Annex Table 14. **Standardised unemployment rates**

Per cent of civilian labour force

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Australia	7.9	7.0	6.0	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	6.1	5.5	5.1
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
Belgium	9.8	8.8	7.4	6.6	6.4	7.1	8.6	9.8	9.7	9.5	9.2	9.3	8.5	6.9	6.6	7.5	8.2	8.4	8.4
Canada	8.8	7.8	7.5	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
Czech Republic	..	..	..	..	..	..	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
Denmark	5.0	5.7	6.8	7.2	7.9	8.6	9.6	7.7	6.8	6.3	5.2	4.9	5.1	4.3	4.5	4.6	5.4	5.5	4.8
Finland	4.9	4.1	3.1	3.2	6.6	11.7	16.4	16.9	15.2	14.6	12.7	11.3	10.2	9.7	9.1	9.1	9.0	8.9	8.4
France	9.9	9.4	8.9	8.5	9.0	9.9	11.1	11.7	11.1	11.6	11.5	11.1	10.5	9.1	8.4	8.9	9.5	9.6	9.9
Germany[1]	6.3	6.2	5.6	4.8	4.2	6.4	7.7	8.3	8.0	8.5	9.2	8.8	7.9	7.2	7.4	8.2	9.1	9.6	9.6
Greece	6.6	6.9	6.7	6.3	6.9	7.8	8.6	8.9	9.1	9.7	9.6	11.1	12.0	11.3	10.8	10.3	9.7	10.5	9.8
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
Ireland	16.6	16.2	14.7	13.4	14.7	15.4	15.6	14.3	12.3	11.7	9.9	7.5	5.7	4.3	4.0	4.5	4.7	4.5	4.4
Italy	9.6	9.7	9.7	8.9	8.5	8.8	9.8	10.6	11.2	11.2	11.2	11.3	11.0	10.1	9.1	8.6	8.4	8.0	7.7
Japan	2.8	2.5	2.3	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
Korea	..	..	2.6	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
Luxembourg	2.5	2.0	1.8	1.6	1.6	2.1	2.6	3.2	2.9	2.9	2.7	2.7	2.4	2.3	2.1	2.8	3.7	5.1	4.5
Netherlands	7.7	7.2	6.6	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
New Zealand	4.1	5.6	7.1	7.8	10.3	10.4	9.5	8.1	6.3	6.1	6.6	7.4	6.8	6.0	5.3	5.2	4.6	3.9	3.7
Norway	2.1	3.2	5.4	5.8	6.0	6.5	6.6	6.0	5.4	4.8	4.0	3.2	3.2	3.4	3.6	3.9	4.5	4.4	4.6
Poland	..	..	..	..	..	..	14.0	14.4	13.3	12.3	10.9	10.2	13.4	16.1	18.2	19.9	19.6	19.0	17.7
Portugal	7.2	5.8	5.2	4.8	4.2	4.3	5.6	6.9	7.3	7.3	6.8	5.1	4.5	4.0	4.0	5.0	6.2	6.7	7.6
Slovak Republic	..	..	..	..	..	..	..	13.7	13.1	11.3	11.9	12.6	16.3	18.8	19.3	18.7	17.6	18.2	16.3
Spain	16.8	15.8	13.9	13.0	13.0	14.7	18.3	19.5	18.4	17.8	16.7	15.0	12.5	11.1	10.3	11.1	11.1	10.6	9.2
Sweden	2.2	1.8	1.5	1.7	3.1	5.6	9.0	9.4	8.8	9.6	9.9	8.2	6.7	5.6	4.9	4.9	5.6	6.4	..
Switzerland	..	..	..	..	1.9	3.0	3.9	3.9	3.5	3.9	4.2	3.6	3.0	2.7	2.6	3.2	4.2	4.4	4.5
United Kingdom	10.3	8.5	7.1	6.9	8.6	9.7	10.2	9.3	8.5	7.9	6.8	6.1	5.9	5.4	5.0	5.1	4.9	4.7	4.8
United States	6.2	5.5	5.3	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
Euro area	..	..	..	..	7.9	8.6	10.1	10.7	10.5	10.7	10.6	10.1	9.2	8.2	7.9	8.3	8.7	8.9	8.6
Total OECD	..	6.7	6.2	6.1	6.8	7.4	7.8	7.7	7.3	7.2	6.9	6.9	6.7	6.2	6.4	6.9	7.1	6.9	6.6

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. All series are benchmarked to labour-force-survey-based estimates. In countries with annual surveys, monthly estimates are obtained by interpolation/extrapolation and by incorporating trends in administrative data, where available. The annual figures are then calculated by averaging the monthly estimates (for both unemployed and the labour force). For countries with monthly or quarterly surveys, the annual estimates are obtained by averaging the monthly or quarterly estimates, respectively. For several countries, the adjustment procedure used is similar to that of the Bureau of Labor Statistics, U.S. Department of Labor. For EU countries, the procedures are similar to those used in deriving the Comparable Unemployment Rates (CURs) of the Statistical Office of the European Communities. Minor differences may appear mainly because of various methods of calculating and applying adjustment factors, and because EU estimates are based on the civilian labour force. See technical notes in OECD Quarterly Labour Force Statistics.

1. Prior to 1993 data refers to Western Germany.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/740460435606*

Annex Table 15. **Labour force, employment and unemployment**

Millions

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Labour force																			
Major seven countries	312.4	322.9	324.8	325.8	328.3	330.0	332.8	336.9	339.6	342.5	347.1	349.1	350.9	353.5	355.2	357.7	360.4	363.0	365.4
Total of smaller countries[1]	106.1	138.2	140.1	167.4	173.5	176.6	178.9	182.0	184.4	186.4	188.2	190.4	193.3	194.7	198.9	201.0	203.4	206.2	209.0
Euro area	122.6	131.9	131.8	131.6	132.4	132.9	133.9	135.2	137.1	138.7	140.7	142.3	143.9	145.4	146.9	147.9	148.8	150.0	151.2
Total OECD[1]	418.5	461.1	464.9	493.2	501.8	506.5	511.7	518.9	524.0	529.0	535.3	539.5	544.2	548.2	554.1	558.7	563.8	569.3	574.4
Employment																			
Major seven countries	295.1	302.6	302.4	302.7	305.7	308.3	310.9	315.3	318.6	322.1	327.7	328.8	328.4	330.0	332.7	336.1	340.2	342.9	345.2
Total of smaller countries[1]	99.4	129.9	131.0	153.9	159.2	162.2	165.5	169.2	171.3	173.4	176.0	177.5	179.4	180.3	184.1	186.4	189.8	193.2	196.3
Euro area	113.4	122.0	120.9	118.7	118.5	119.2	119.9	121.1	123.5	126.1	129.3	131.3	132.1	132.7	133.9	135.2	137.2	138.8	140.5
Total OECD[1]	394.5	432.6	433.4	456.6	464.9	470.5	476.3	484.6	489.9	495.4	503.7	506.4	507.8	510.3	516.8	522.4	530.0	536.1	541.6
Unemployment																			
Major seven countries	17.3	20.3	22.4	23.1	22.5	21.6	22.0	21.6	21.0	20.5	19.3	20.3	22.5	23.5	22.6	21.6	20.2	20.1	20.2
Total of smaller countries[1]	6.6	8.2	9.1	13.6	14.3	14.4	13.4	12.8	13.1	13.1	12.2	12.9	14.0	14.4	14.8	14.6	13.6	13.1	12.6
Euro area	9.2	9.9	10.9	12.9	14.0	13.7	14.0	14.1	13.5	12.6	11.5	11.0	11.7	12.7	13.0	12.7	11.7	11.2	10.7
Total OECD[1]	24.0	28.5	31.4	36.6	36.9	36.0	35.4	34.4	34.1	33.5	31.6	33.1	36.5	37.9	37.3	36.2	33.8	33.2	32.9

1. The aggregate measures include Mexico as of 1991. There is a potential bias in the aggregates thereafter because of the limited coverage of the Mexican National Survey of Urban Employment.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/172821000271*

Annex Table 16. **GDP deflators**

Percentage change from previous year

	Average 1982-92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	2007	2008
Australia	5.8	1.3	0.9	1.5	2.2	1.5	0.2	0.6	4.2	3.7	2.9	3.0	3.5	4.6	4.3	3.6	3.4	3.4	3.7	3.2
Austria	3.2	2.9	2.4	1.9	0.8	-0.1	0.0	0.3	2.5	2.1	1.7	1.5	1.7	1.5	1.3	1.7	1.9	1.4	1.8	2.0
Belgium	3.6	4.0	2.1	1.2	0.5	1.1	2.1	0.3	1.9	2.0	1.9	1.6	2.4	2.1	2.0	1.8	1.7	2.1	1.8	1.7
Canada	3.6	1.4	1.1	2.3	1.6	1.2	-0.4	1.7	4.1	1.1	1.1	3.4	3.0	3.2	1.9	1.1	1.7	-0.2	1.8	1.7
Czech Republic	..	..	11.0	10.2	10.2	8.4	11.1	2.8	1.5	4.9	2.8	0.9	3.5	0.9	1.6	3.1	2.7	2.2	3.3	2.5
Denmark	4.1	0.7	1.5	1.3	2.0	2.0	1.2	1.7	3.0	2.5	2.3	1.9	2.2	2.8	2.0	2.3	2.9	2.5	2.5	2.9
Finland	5.3	1.8	1.5	4.7	-0.3	2.3	3.4	0.8	2.5	3.1	1.3	-0.4	0.5	0.8	0.7	1.3	1.6	0.8	1.4	1.7
France	4.4	1.7	2.0	1.7	1.7	1.1	1.2	0.0	1.5	2.0	2.4	1.8	1.7	1.8	1.8	1.7	1.8	1.4	2.2	1.6
Germany	2.7	3.7	2.4	1.9	0.5	0.3	0.6	0.3	-0.7	1.2	1.4	1.0	0.9	0.6	0.7	1.7	1.2	0.9	1.7	1.3
Greece	18.2	14.4	11.2	9.8	7.4	6.8	5.2	3.0	3.4	1.8	3.8	3.5	3.4	3.7	3.2	3.1	3.1	3.1	2.9	3.1
Hungary	..	..	19.5	25.6	21.2	18.5	12.6	8.4	9.9	8.4	7.9	5.7	4.3	2.0	3.3	5.0	2.2	..	..	..
Iceland	24.1	1.8	2.6	3.0	2.5	2.9	5.0	3.2	3.6	8.6	5.6	0.5	2.4	2.9	5.8	3.7	3.1	5.9	3.0	2.7
Ireland	4.3	5.2	1.7	3.0	2.2	3.6	7.1	4.0	5.6	5.5	5.0	2.5	1.8	3.5	2.8	3.0	3.0	2.4	3.1	3.0
Italy	8.1	3.9	3.6	5.0	5.2	2.5	2.6	1.3	2.0	3.0	3.4	3.1	2.9	2.1	2.0	1.9	2.0	1.4	1.9	1.9
Japan	2.0	0.5	-0.6	-0.5	-0.7	0.5	-0.1	-1.3	-1.7	-1.2	-1.6	-1.6	-1.2	-1.4	-1.0	0.2	0.6	-0.4	0.3	0.8
Korea	7.0	6.3	7.8	7.4	5.1	4.6	5.8	-0.1	0.7	3.5	2.8	2.7	2.7	-0.4	-0.4	1.0	0.6	-0.1	0.8	0.5
Luxembourg	2.9	6.0	3.5	2.3	2.6	-1.9	-0.4	5.3	2.0	0.1	2.7	4.9	1.7	4.7	7.1	3.1	3.9	..	..	..
Mexico	56.5	8.6	8.5	37.9	30.7	17.7	15.4	15.1	12.1	5.9	7.0	8.6	7.4	5.4	6.6	3.8	3.2	5.9	3.0	3.2
Netherlands	1.4	1.9	2.3	2.0	1.2	2.0	1.7	1.6	3.9	5.2	3.8	2.2	0.7	1.7	1.3	0.8	2.0	0.5	1.3	2.4
New Zealand	7.5	2.8	1.1	2.3	2.5	0.5	0.9	0.3	2.5	4.2	1.0	1.5	3.9	2.5	2.0	2.9	1.6	2.9	1.8	1.6
Norway	4.0	2.3	-0.1	2.9	4.1	2.9	-0.7	6.6	15.9	1.1	-1.6	2.6	5.6	8.4	7.7	2.0	3.8	4.0	3.4	4.0
Poland	..	..	37.2	28.0	17.9	13.9	11.1	6.1	7.3	3.5	2.2	0.4	4.1	2.6	0.6	2.2	2.3	..	..	..
Portugal	15.6	7.4	7.3	3.4	2.6	3.8	3.7	3.3	3.0	3.7	3.9	2.7	2.8	2.7	2.0	1.8	1.8	1.3	1.8	1.8
Slovak Republic	..	..	13.4	9.9	3.5	4.6	5.1	7.5	9.7	5.0	4.6	4.7	6.0	2.4	3.3	3.5	3.0	3.6	4.0	2.3
Spain	8.2	4.5	3.9	4.9	3.5	2.4	2.5	2.6	3.5	4.2	4.3	4.1	4.0	4.1	3.7	3.5	3.7	3.4	3.5	3.8
Sweden	6.8	2.8	2.8	3.4	1.0	1.6	0.7	1.1	1.3	2.0	1.6	1.9	1.3	1.2	1.3	2.1	2.6	1.1	2.3	2.7
Switzerland	3.3	2.4	1.5	0.8	-0.1	-0.1	-0.3	0.6	0.8	0.6	1.6	1.2	0.6	-0.1	0.9	1.0	1.3	1.2	1.4	1.3
Turkey	51.5	67.8	106.5	87.2	77.8	81.5	75.7	55.6	49.9	54.8	44.1	22.5	9.9	5.4	13.0	7.7	5.0	..	..	..
United Kingdom	5.6	2.7	1.6	2.7	3.5	2.9	2.7	2.2	1.3	2.2	3.1	3.1	2.6	2.2	2.3	2.5	2.1	2.4	2.1	2.1
United States	3.3	2.3	2.1	2.0	1.9	1.7	1.1	1.4	2.2	2.4	1.7	2.1	2.8	3.0	2.9	2.6	2.6	2.5	2.8	2.5
Euro area	5.1	3.5	2.8	2.8	2.0	1.4	1.6	0.9	1.4	2.4	2.6	2.1	1.9	1.9	1.8	2.0	2.0	1.5	2.1	2.0
Total OECD	6.8	3.9	4.7	5.3	4.4	3.8	3.2	2.5	2.8	3.0	2.6	2.3	2.4	2.1	2.2	2.2	2.1	2.1	2.2	2.1

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 Account 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).*

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/887228006316*

Annex Table 17. **Private consumption deflators**

Percentage change from previous year

	Average 1982-92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	Fourth quarter 2007	Fourth quarter 2008
Australia	6.5	2.2	1.0	2.2	2.1	1.6	1.4	0.8	2.9	3.7	2.7	1.9	1.3	1.9	2.8	2.6	2.7	2.4	3.0	2.5
Austria	2.8	3.4	2.7	2.1	1.9	1.4	0.4	0.8	2.4	1.8	1.3	1.6	1.7	1.6	1.7	1.9	2.0	1.8	1.9	2.1
Belgium	3.6	3.2	2.8	2.1	1.0	1.6	1.2	0.0	3.3	2.5	1.3	1.6	2.3	3.0	2.3	1.7	1.8	2.2	1.6	1.9
Canada	4.3	2.3	1.1	1.3	1.6	1.6	1.2	1.7	2.2	1.8	2.0	1.7	1.5	1.7	1.4	1.3	1.7	1.1	1.7	1.7
Czech Republic	..	..	10.7	9.2	7.7	9.0	8.9	1.9	3.2	3.9	1.2	-0.4	3.0	1.8	2.8	3.4	3.1	2.9	3.5	2.9
Denmark	3.8	1.1	2.7	1.8	1.6	2.0	1.4	1.9	2.7	2.3	1.7	2.0	1.7	2.0	2.2	2.0	2.6	1.7	2.4	2.7
Finland	5.2	4.1	0.2	0.9	1.0	1.9	2.3	1.5	4.1	2.8	2.1	-0.3	0.6	0.4	1.1	1.6	1.5	2.5	0.8	1.9
France	4.5	2.0	1.7	1.2	1.9	1.0	0.5	-0.3	2.4	1.7	0.9	1.7	1.6	1.8	1.5	1.4	1.7	1.3	1.6	1.7
Germany	2.2	3.4	2.5	1.3	0.9	1.4	0.5	0.3	0.9	1.8	1.2	1.5	1.6	1.3	1.5	1.8	1.0	1.0	1.8	1.1
Greece	18.1	14.1	11.0	9.0	8.2	5.6	4.5	2.3	3.1	2.1	2.5	2.8	2.5	3.7	3.3	3.0	2.8	..	..	..
Hungary	..	..	19.8	26.9	22.9	18.0	13.6	10.2	9.1	8.1	3.9	4.0	4.5	3.6	3.9	6.7	4.1	..	..	..
Iceland	24.3	3.7	1.6	2.2	2.5	0.8	1.4	2.8	5.0	7.8	4.8	1.1	2.9	2.0	7.7	3.1	2.5	9.7	1.5	2.6
Ireland	4.4	2.2	2.7	2.8	2.5	2.5	4.0	3.2	4.7	4.0	5.0	3.8	1.4	1.1	2.3	3.1	3.0	2.7	3.1	3.0
Italy	7.7	5.4	5.1	6.0	4.1	2.3	1.8	1.8	3.4	2.6	2.9	2.8	2.6	2.3	2.6	2.0	2.0	2.6	1.8	2.0
Japan	1.8	1.0	-1.5	-0.2	0.0	1.3	0.1	-0.6	-1.1	-1.1	-1.4	-0.9	-0.7	-1.0	-0.4	0.4	0.8	0.1	0.5	0.8
Korea	5.8	7.0	9.6	6.6	6.2	6.0	6.7	3.3	4.8	4.8	2.8	3.4	3.5	2.5	2.1	2.9	3.0	2.2	2.9	3.0
Luxembourg	3.7	4.0	2.6	2.0	1.3	1.4	1.7	2.5	4.0	2.0	0.3	2.3	2.5	3.6	2.7	2.2	2.1	..	..	..
Mexico	58.0	7.9	7.6	34.0	30.7	16.5	20.5	14.0	10.4	7.2	5.3	7.1	6.5	3.3	3.1	3.4	3.2	3.5	3.1	3.2
Netherlands	1.9	2.1	2.9	1.4	1.9	2.0	1.7	1.8	3.3	4.6	3.0	2.4	0.8	1.6	1.5	0.9	1.9	0.7	1.3	2.2
New Zealand	7.8	1.1	1.3	2.4	2.3	1.8	2.0	0.5	2.3	2.2	2.0	0.3	0.9	1.7	2.7	2.7	2.0	3.1	2.4	1.7
Norway	5.7	2.4	1.2	2.4	1.4	2.3	2.5	2.0	3.0	2.3	1.4	2.8	0.9	1.2	2.2	2.1	2.6	2.1	2.1	2.8
Poland	..	..	37.9	27.2	18.7	14.6	10.6	6.1	10.0	3.8	3.3	0.4	3.0	2.2	1.5	2.2	2.3	..	..	..
Portugal	15.2	6.8	5.6	4.3	2.9	2.9	2.3	2.2	3.4	3.4	3.0	2.8	2.6	2.5	3.0	1.9	1.8	2.3	1.8	1.8
Slovak Republic	..	..	13.4	9.2	4.7	4.4	6.1	9.9	8.9	5.6	3.3	6.6	7.4	2.6	4.5	2.8	2.2	3.9	2.7	2.0
Spain	7.7	5.3	4.9	4.8	3.2	2.7	1.9	2.3	3.7	3.4	2.8	3.1	3.5	3.4	3.6	2.8	3.1	3.3	3.0	3.1
Sweden	7.0	5.9	2.8	3.0	1.0	1.6	0.6	1.4	1.2	2.1	1.7	1.8	1.3	1.0	1.4	2.5	2.5	1.8	2.5	2.5
Switzerland	3.2	3.1	0.5	1.6	0.6	0.7	-0.4	0.3	0.6	0.4	1.7	0.5	0.9	0.8	1.4	0.9	1.2	1.1	1.2	1.3
Turkey	52.5	65.9	108.9	92.4	67.8	82.1	83.0	59.0	50.0	58.8	40.6	21.8	7.9	6.1	10.2	7.3	6.0	..	..	..
United Kingdom	5.6	3.4	2.1	3.3	3.3	2.5	2.6	1.7	1.1	2.3	1.6	1.9	1.7	2.5	2.2	2.1	2.0	2.0	2.0	2.0
United States	3.7	2.3	2.1	2.1	2.2	1.7	0.9	1.7	2.5	2.1	1.4	2.0	2.6	2.9	2.8	2.2	2.2	1.9	2.7	2.1
Euro area	4.9	3.9	3.2	2.6	2.1	1.8	1.1	0.9	2.4	2.4	1.8	2.1	2.0	2.0	2.1	1.9	1.8	1.8	1.9	1.9
Total OECD	7.0	4.1	4.8	5.3	4.4	4.0	3.4	2.7	3.2	3.1	2.1	2.2	2.2	2.1	2.2	2.0	2.0	1.9	2.2	2.0

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 Account 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).*

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/162628455356*

Annex Table 18. **Consumer price indices**

Percentage change from previous year

	Average 1982-92	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter		
																		2006	2007	2008
Australia	6.4	1.8	1.9	4.6	2.6	0.3	0.9	1.5	4.5	4.4	3.0	2.8	2.3	2.7	3.7	2.8	2.5	3.8	2.7	2.3
Austria	3.0	3.2	2.7	1.6	1.8	1.2	0.8	0.5	2.0	2.3	1.7	1.3	2.0	2.1	1.7	1.8	2.0	1.7	1.9	2.1
Belgium	3.6	2.5	2.4	1.3	1.8	1.5	0.9	1.1	2.7	2.4	1.6	1.5	1.9	2.5	2.4	1.7	1.8	2.2	1.6	1.9
Canada	4.3	1.9	0.2	2.2	1.6	1.6	1.0	1.7	2.7	2.5	2.2	2.8	1.8	2.2	2.1	1.5	2.0	1.6	2.0	2.0
Czech Republic	..	..	10.0	9.1	8.8	8.5	10.7	2.1	3.9	4.7	1.8	0.1	2.8	1.9	2.8	3.4	3.1	2.5	3.8	2.8
Denmark	4.2	1.3	2.0	2.1	2.1	2.2	1.8	2.5	2.9	2.4	2.4	2.1	1.2	1.8	2.0	2.1	2.6	2.1	2.4	2.7
Finland	5.3	3.3	1.6	0.4	1.1	1.2	1.3	1.3	2.9	2.7	2.0	1.3	0.1	0.8	1.3	1.4	1.5	1.1	1.6	1.5
France	4.4	2.2	1.7	1.8	2.1	1.3	0.7	0.6	1.8	1.8	1.9	2.2	2.3	1.9	2.0	1.4	1.6	1.7	1.6	1.6
Germany	..	..	..	..	1.2	1.5	0.6	0.6	1.4	1.9	1.4	1.0	1.8	1.9	1.7	1.9	1.0	1.2	1.9	1.1
Greece	18.0	14.4	10.9	8.9	7.9	5.4	4.5	2.1	2.9	3.7	3.9	3.4	3.0	3.5	3.4	2.9	2.8	3.5	2.6	2.8
Hungary	..	..	18.9	28.3	23.5	18.3	14.2	10.0	9.8	9.1	5.2	4.7	6.7	3.6	3.9	6.7	4.1	6.3	5.6	3.4
Iceland[1]	24.5	4.0	1.6	1.7	2.3	1.8	1.7	3.2	5.1	6.4	5.2	2.1	3.2	4.0	6.8	3.7	2.7	7.7	2.0	2.6
Ireland	4.7	1.4	2.3	2.5	2.2	1.3	2.1	2.5	5.3	4.0	4.7	4.0	2.3	2.2	2.8	2.8	3.0	2.8	2.8	3.0
Italy	7.4	4.5	4.2	5.4	4.0	1.9	2.0	1.7	2.6	2.3	2.6	2.8	2.3	2.2	2.2	1.9	2.0	2.0	1.8	2.0
Japan	1.8	1.3	0.7	-0.1	0.0	1.7	0.7	-0.3	-0.5	-0.8	-0.9	-0.3	0.0	-0.6	0.3	0.3	0.8	0.6	0.4	0.9
Korea	5.1	4.8	6.3	4.5	4.9	4.4	7.5	0.8	2.3	4.1	2.8	3.5	3.6	2.8	2.5	2.9	3.0	2.7	2.9	3.0
Luxembourg	3.3	3.6	2.2	1.2	1.2	1.4	1.0	1.0	3.8	2.4	2.1	2.5	3.2	3.8	3.3	2.0	2.2	2.7	1.8	2.3
Mexico	59.3	9.8	7.0	35.0	34.4	20.6	15.9	16.6	9.5	6.4	5.0	4.5	4.7	4.0	3.6	3.6	3.2	3.9	3.1	3.2
Netherlands	1.8	1.6	2.1	1.4	1.4	1.9	1.8	2.0	2.3	5.1	3.9	2.2	1.4	1.5	1.5	1.0	1.9	1.1	1.3	2.2
New Zealand	7.9	1.3	1.7	3.8	2.3	1.2	1.3	-0.1	2.6	2.6	2.7	1.8	2.3	3.0	3.6	2.8	2.0	3.5	2.4	1.7
Norway	5.7	2.3	1.4	2.4	1.2	2.6	2.3	2.3	3.1	3.0	1.3	2.5	0.5	1.5	2.2	1.7	2.6	2.0	2.0	2.7
Poland	..	..	33.0	28.0	19.8	14.9	11.6	7.2	9.9	5.4	1.9	0.7	3.4	2.2	1.4	1.9	2.3	1.6	2.0	2.4
Portugal	14.9	5.9	5.0	4.0	2.9	1.9	2.2	2.2	2.8	4.4	3.7	3.3	2.5	2.1	3.1	2.0	1.8	2.7	1.8	1.8
Slovak Republic	..	..	13.4	9.8	5.8	6.1	6.7	10.6	12.0	7.3	3.1	8.6	7.5	2.7	4.5	2.8	2.2	4.0	1.9	2.3
Spain	7.6	4.9	4.6	4.6	3.6	1.9	1.8	2.2	3.5	2.8	3.6	3.1	3.1	3.4	3.5	2.7	3.2	2.7	3.2	3.3
Sweden	6.7	4.7	2.2	2.5	0.5	0.7	-0.3	0.5	0.9	2.4	2.2	1.9	0.4	0.5	1.4	2.2	2.5	1.6	2.2	2.7
Switzerland	3.2	3.3	0.9	1.8	0.8	0.5	0.0	0.8	1.6	1.0	0.6	0.6	0.8	1.2	1.0	0.9	1.2	0.4	1.2	1.3
Turkey[2]	52.0	66.1	105.2	89.1	80.4	85.7	84.6	64.9	54.9	54.4	45.0	25.3	8.6	8.2	9.6	7.9	5.7	10.0	6.1	5.6
United Kingdom[3]	5.2	2.5	2.0	2.7	2.5	1.8	1.6	1.3	0.8	1.2	1.3	1.4	1.3	2.0	2.2	2.0	1.9	2.5	1.8	1.9
United States[4]	3.8	3.0	2.6	2.8	2.9	2.3	1.5	2.2	3.4	2.8	1.6	2.3	2.7	3.4	3.3	2.3	2.3	2.0	2.9	2.1
Euro area	..	3.4	2.8	2.5	2.3	1.7	1.2	1.1	2.1	2.4	2.3	2.1	2.2	2.2	2.2	1.9	1.8	1.8	1.9	1.9

Note: Consumer price index. 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. Until 1981: Istanbul index (154 items); from 1982, Turkish index.
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 80 database.

StatLink: *http://dx.doi.org/10.1787/021225342447*

Annex Table 19. **Oil and other primary commodity markets**

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Oil market conditions[1]																		
(in million barrels per day)																		
Demand																		
OECD[2]	41.8	42.9	43.2	44.4	44.8	45.9	46.7	46.9	47.8	47.9	47.9	48.0	48.9	49.5	49.6	49.4	49.7	..
of which: North America	20.5	20.8	21.1	21.7	21.6	22.2	22.7	23.1	23.8	24.1	24.0	24.1	24.6	25.3	25.5	25.4	25.8	..
Europe[3]	14.0	14.2	14.2	14.3	14.6	14.9	15.0	15.3	15.2	15.1	15.3	15.2	15.5	15.6	15.5	15.5	15.5	..
Pacific	7.4	7.9	7.9	8.4	8.6	8.8	9.0	8.5	8.8	8.7	8.7	8.6	8.8	8.5	8.6	8.5	8.5	..
Non-OECD[4]	25.2	24.7	24.8	24.3	25.2	26.0	27.0	27.5	28.2	28.7	29.4	29.9	30.9	33.1	34.0	35.1	36.2	..
Total	67.0	67.6	67.9	68.7	70.0	71.9	73.7	74.4	76.0	76.6	77.3	77.9	79.7	82.6	83.6	84.5	85.9	..
Supply																		
OECD[2]	19.5	19.8	20.0	20.8	21.1	21.7	22.1	21.9	21.4	21.9	21.8	21.8	21.6	21.3	20.3	20.1	20.4	..
OPEC total	25.3	26.5	26.9	27.6	27.9	28.7	30.2	31.0	29.6	30.9	30.4	28.8	30.7	32.8	34.2	..	..	..
Former USSR	10.4	8.9	7.9	7.2	7.1	7.1	7.2	7.3	7.5	7.9	8.6	9.4	10.3	11.2	11.6	12.0	12.6	..
Other non-OECD[4]	11.6	12.1	12.6	13.4	14.5	15.0	15.4	15.7	16.0	16.2	16.4	16.9	17.1	17.6	18.3	..	..	..
Total	66.8	67.2	67.5	69.1	70.6	72.5	74.9	75.9	74.5	76.9	77.2	76.9	79.7	82.9	84.5	..	..	..
Trade																		
OECD net imports[2]	22.3	23.1	23.4	23.8	23.4	24.2	25.0	25.3	25.6	26.2	26.4	25.9	27.5	28.4	29.5	29.8	29.3	..
Former USSR net exports	2.2	2.0	2.0	2.7	2.8	3.1	3.4	3.6	3.9	4.3	4.9	5.9	6.7	7.5	7.8	8.1	8.6	..
Other non-OECD net exports[4]	20.1	21.1	21.4	21.0	20.6	21.1	21.5	21.8	21.7	21.9	21.5	20.0	20.8	21.0	21.7	21.6	20.6	..
Prices[5]																		
Brent crude oil import price (cif, $ per bl)	20.0	19.3	17.0	15.8	17.0	20.7	19.1	12.7	17.9	28.4	24.5	25.0	28.8	38.2	54.4	65.2	60.0	60.0
Prices of other primary commodities[5]																		
($ indices)																		
Food and tropical beverages	111	109	113	146	151	156	159	133	108	100	93	104	112	125	126	135	135	142
Agricultural raw materials	116	114	99	120	141	118	113	97	94	100	86	85	104	114	115	129	136	142
Minerals, ores and metals	103	99	87	103	122	108	110	93	89	100	91	89	102	140	172	247	253	232
Total[6]	112	111	109	128	139	143	139	116	100	100	92	99	111	128	127	144	147	150

1. Based on data published in in varoius issues of International Energy Agency, Oil Market Report and Annual Statistical Supplement, August 2006.
2. Excluding Czech Republic, Hungary, Korea, Mexico and Poland.
3. European Union countries and Iceland, Norway, Switzerland and Turkey.
4. Including Czech Republic, Hungary, Korea, Mexico and Poland.
5. Indices through 2005 are based on data compiled by International Energy Agency for oil and by Hamburg Institute for Economic Research for the prices of other primary commodities; OECD estimates and projections for 2006 to 2008.
6. OECD calculations. The total price index for non-energy primary commodities is a weighted average of the individual HWWA non-oil commodities indices with the weights drawn from the commodities' share in total non-energy commodities world trade.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/380565156412*

Annex Table 20. **Employment rates, participation rates and labour force**

	Employment rates						Labour force participation rates						Labour force					
	Average 1985-87	Average 1995-97	2005	2006	2007	2008	Average 1985-87	Average 1995-97	2005	2006	2007	2008	Average 1985-94	Average 1995-04	2005	2006	2007	2008
	Per cent						*Per cent*						*Percentage change*					
Australia	65.7	69.0	73.2	73.5	73.5	73.3	71.4	75.1	77.1	77.3	77.3	77.3	2.0	1.4	2.8	1.5	1.1	1.1
Austria	73.0	73.8	73.8	74.1	74.3	74.6	76.0	78.1	78.4	78.4	78.6	79.0	0.8	0.6	0.4	0.5	0.6	0.7
Belgium	56.0	58.6	62.0	62.4	62.8	63.1	62.2	64.8	67.7	68.3	68.5	68.5	0.5	0.7	0.9	1.3	0.7	0.4
Canada	68.2	68.6	73.9	74.3	74.3	74.4	75.5	75.7	79.2	79.4	79.5	79.6	1.3	1.8	0.9	1.5	1.4	1.5
Czech Republic	..	69.4	65.4	66.1	66.5	67.2	..	72.5	71.1	71.3	71.4	71.8	..	0.0	1.0	0.7	0.5	0.5
Denmark	76.7	75.1	77.1	78.3	79.0	79.0	81.1	79.9	81.0	81.4	81.7	81.7	0.4	0.3	0.0	0.7	0.4	0.1
Finland	72.4	61.5	68.4	69.1	69.3	69.4	76.4	72.5	74.6	74.9	74.9	74.9	-0.5	0.5	1.1	0.6	0.2	0.1
France	58.9	59.1	62.4	62.5	62.8	63.1	65.8	67.0	69.3	68.7	68.6	68.8	0.5	1.0	0.2	-0.2	0.4	0.8
Germany	65.7	67.5	71.1	71.7	72.3	72.9	70.0	73.2	78.2	78.0	78.3	78.5	1.0	0.6	-0.2	-0.6	0.2	0.1
Greece	55.7	54.7	58.2	58.9	59.7	60.5	60.2	60.4	64.9	65.2	65.7	66.3	0.8	1.0	0.6	0.7	0.9	0.9
Hungary	..	51.1	55.6	..	..	..	..	56.6	60.0	..	..	..	..	0.3	1.2	0.5	0.1	0.2
Iceland	87.8	81.8	82.4	83.7	83.6	83.2	89.1	85.3	84.6	86.2	85.8	85.8	1.0	0.9	2.8	6.0	1.5	0.9
Ireland	53.0	57.5	69.3	70.4	70.7	71.0	63.9	65.1	72.5	73.6	74.0	74.3	0.8	3.0	4.6	4.3	2.6	2.4
Italy	54.4	51.3	57.7	58.7	59.3	60.0	60.2	57.9	62.6	63.2	63.7	64.1	-0.1	0.8	0.4	1.0	0.4	0.7
Japan	70.3	74.6	74.6	75.4	76.1	76.7	72.2	77.2	78.0	78.7	79.1	79.5	1.2	0.0	0.1	0.0	-0.2	-0.3
Korea	57.0	64.4	65.9	66.4	66.6	66.7	59.1	65.9	68.5	68.8	69.0	69.1	3.0	1.3	1.4	1.0	0.8	0.7
Luxembourg	59.7	60.5	65.9	66.6	67.3	67.8	60.7	62.5	69.1	69.9	70.6	71.3	1.1	2.1	2.3	2.0	1.9	1.8
Mexico	..	57.3	56.5	56.7	57.1	57.6	..	60.0	58.6	58.7	59.1	59.6	..	2.2	-0.2	2.1	2.5	2.5
Netherlands	60.6	69.0	74.0	74.4	75.4	76.8	66.0	73.5	77.9	78.2	78.7	79.2	1.6	1.3	0.1	0.8	0.9	0.8
New Zealand	75.8	71.1	76.2	..	..	..	78.9	75.9	79.1	..	..	..	0.5	1.7	2.5	2.3	0.2	0.2
Norway	77.2	75.5	75.4	76.8	76.9	76.5	79.0	79.1	79.1	79.7	79.5	79.2	0.4	1.0	0.7	1.7	0.6	0.6
Poland	..	58.3	52.6	53.9	54.7	55.6	..	66.5	63.9	62.8	62.6	62.6	..	0.0	0.8	-1.4	0.2	0.3
Portugal	63.4	68.0	71.6	72.2	72.8	73.4	69.1	73.1	77.5	78.0	78.6	78.9	1.0	1.1	1.2	0.8	0.8	0.5
Slovak Republic	..	60.9	57.6	59.7	60.9	61.6	..	69.3	68.7	69.0	69.4	69.8	..	0.8	-0.3	0.9	0.8	0.5
Spain	47.0	49.6	64.7	66.4	67.6	68.6	56.8	60.2	71.3	72.4	73.3	74.2	1.3	3.0	3.2	3.3	2.6	2.4
Sweden	80.8	71.5	73.8	74.1	74.6	75.4	82.9	77.6	78.3	78.4	78.8	78.8	-0.3	0.4	1.3	1.2	1.3	0.5
Switzerland	79.7	82.8	82.6	82.6	82.9	83.2	80.3	86.0	86.3	86.0	86.0	86.0	1.8	0.7	0.2	0.3	0.5	0.4
Turkey	58.5	53.8	47.6	47.2	47.3	47.6	63.3	57.7	53.0	52.5	52.4	52.5	2.1	0.9	1.1	0.4	1.5	1.7
United Kingdom	66.8	69.4	72.3	72.2	72.5	73.0	75.1	75.3	76.0	76.4	76.9	77.5	0.2	0.6	1.0	1.6	1.4	1.3
United States	68.8	71.9	71.2	..	..	..	73.8	76.0	75.1	..	..	..	1.4	1.2	1.3	1.4	1.2	1.0
Euro area	58.6	59.7	65.5	66.2	66.8	67.4	64.7	66.7	71.6	71.8	72.2	72.5	0.7	1.1	0.7	0.6	0.8	0.8
Total OECD	63.9	65.4	66.5	65.4	65.8	66.3	68.8	70.3	71.1	70.0	70.2	70.5	1.3	1.0	0.8	0.9	1.0	0.9

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 in the labour force participation rate is defined as all persons of the age 15 to 64 years (16 to 65 years for Spain). This definition does not correspond to the commonly-used working age population concepts for the United States (16 years and above), Hungary and New Zealand (15 years and above). 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 80 database.

StatLink: *http://dx.doi.org/10.1787/700587478354*

Annex Table 21. **Potential GDP, employment and capital stock**

Percentage change from previous period

	Potential GDP						Employment						Capital stock[1]					
	Average 1985-94	Average 1995-04	2005	2006	2007	2008	Average 1985-94	Average 1995-04	2005	2006	2007	2008	Average 1985-94	Average 1995-04	2005	2006	2007	2008
Australia	3.2	3.5	3.4	3.2	3.0	3.0	1.8	1.7	3.3	1.6	1.2	1.0	3.2	4.1	4.0	3.8	3.7	3.7
Austria	2.3	2.4	2.1	2.2	2.2	2.0	0.6	0.5	0.3	0.8	0.6	0.6	3.3	3.0	2.7	2.7	2.7	2.7
Belgium	2.2	2.2	2.0	1.9	1.9	1.9	0.6	0.8	0.8	1.1	1.1	0.7	3.2	2.5	1.9	1.9	1.9	2.0
Canada	2.4	3.1	3.0	3.0	3.0	2.9	1.3	2.0	1.4	1.8	1.3	1.6	4.9	4.6	4.3	4.2	4.3	4.3
Czech Republic	..	..	4.5	5.0	5.0	4.6	..	-0.5	1.4	1.4	1.0	1.0	..	..	..	..	..	..
Denmark	1.9	2.2	1.6	1.5	1.5	1.5	0.3	0.5	0.7	1.7	1.0	0.1	3.3	4.1	3.8	3.8	3.7	3.7
Finland	2.2	2.7	3.0	3.0	2.9	2.7	-2.0	1.5	1.5	1.3	0.4	0.3	2.7	0.5	0.0	0.0	0.0	0.0
France	1.9	2.1	1.9	1.9	1.9	2.0	0.3	1.1	0.3	0.7	1.0	1.1	3.5	3.3	3.2	3.2	3.2	3.2
Germany	2.2	1.5	1.5	1.5	1.6	1.6	1.1	0.4	-0.1	0.6	0.6	0.5	3.0	2.2	1.6	1.6	1.6	1.6
Greece	1.6	3.4	3.8	4.0	4.0	3.8	0.6	0.8	1.3	1.5	1.4	1.5	2.3	5.1	5.9	6.0	6.0	5.7
Hungary	..	4.1	4.2	4.2	4.0	3.9	..	0.8	0.0	0.3	-0.1	0.3	..	..	..	..	..	..
Iceland	2.1	3.3	5.0	6.8	4.0	2.3	0.5	1.1	3.3	5.8	1.8	0.4	..	..	..	..	..	..
Ireland	4.6	7.0	5.5	5.5	5.1	4.7	1.1	4.1	4.7	4.2	2.6	2.4	2.1	7.1	5.9	5.8	5.7	4.9
Italy	2.1	1.3	1.3	1.3	1.3	1.3	-0.4	1.2	0.7	1.7	0.8	1.0	3.2	3.6	3.7	3.6	3.6	3.4
Japan	3.0	1.3	1.6	1.5	1.6	1.7	1.2	-0.2	0.4	0.3	0.1	0.0	4.8	2.6	2.5	2.6	2.6	2.7
Korea	..	..	..	..	..	..	3.2	1.1	1.3	1.3	0.8	0.7	..	..	..	..	..	..
Luxembourg	5.6	4.8	4.0	3.7	3.8	3.8	1.0	1.9	1.8	2.0	1.7	1.6	..	..	..	..	..	..
Mexico	..	..	..	..	..	..	..	2.5	-0.7	2.2	2.5	2.5	..	..	..	..	..	..
Netherlands	2.7	2.6	2.0	2.0	1.8	1.6	1.8	1.6	0.0	0.9	1.6	1.9	2.8	2.8	2.5	2.5	2.5	2.5
New Zealand	1.7	3.1	3.1	3.0	2.6	2.5	0.0	1.9	2.8	2.2	-0.4	0.0	2.7	3.8	3.9	3.9	3.9	3.9
Norway	2.1	2.7	3.0	3.1	3.0	3.2	0.1	1.0	0.6	2.8	1.0	0.5	..	..	..	..	..	..
Poland	..	..	..	..	..	..	..	-0.8	2.3	2.9	2.0	1.7	..	..	..	..	..	..
Portugal	2.9	2.5	1.7	1.7	1.6	1.5	1.3	1.2	0.1	1.0	1.0	0.9	3.2	4.6	3.8	3.9	4.0	4.0
Slovak Republic	..	..	..	..	..	..	..	0.1	2.1	4.2	2.3	1.1	..	..	..	..	..	..
Spain	3.0	3.5	3.3	3.2	2.9	2.7	1.2	4.1	4.8	4.2	3.2	2.7	4.9	5.5	5.1	5.1	5.1	5.1
Sweden	1.9	2.3	2.4	2.9	3.0	2.7	-0.9	0.6	1.0	1.5	1.5	1.5	3.7	3.3	2.7	2.8	2.8	2.9
Switzerland	2.0	1.4	1.5	1.6	1.8	1.8	1.5	0.6	0.1	0.7	0.8	0.7	..	..	..	..	..	..
Turkey	..	..	..	..	..	..	1.9	0.6	1.1	0.4	1.9	2.0	..	..	..	..	..	..
United Kingdom	2.3	2.7	2.8	2.8	2.7	2.5	0.4	1.1	0.9	0.9	1.1	1.1	4.0	3.9	3.5	3.5	3.5	3.5
United States	3.0	3.1	2.7	2.8	2.8	2.9	1.6	1.2	1.8	1.8	1.0	0.7	4.2	4.8	3.9	3.9	3.9	3.9
Euro area	2.2	2.1	2.0	2.0	2.0	1.9	0.6	1.3	1.0	1.4	1.2	1.2	..	..	..	..	..	..
Total OECD	2.7	2.5	2.3	2.4	2.4	2.4	1.3	1.0	1.1	1.4	1.2	1.0	4.0	3.9	3.4	3.4	3.4	3.4

Note: Potential output is estimated using a Cobb-Douglas production function approach. For information about definitions, sources and data coverage, see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Smooth value, total economy less housing.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/334402234614*

Annex Table 22. **Structural unemployment and unit labor costs**

	Structural unemployment rate									Unit labour costs[1]								
	Average 1982-84	Average 1992-94	2002	2003	2004	2005	2006	2007	2008	Average 1982-91	Average 1992-01	2002	2003	2004	2005	2006	2007	2008
	Per cent									*Percentage change*								
Australia	5.6	6.7	5.8	5.6	5.4	5.2	5.0	5.0	5.0	5.1	1.6	1.2	2.3	3.0	4.2	4.9	3.3	2.1
Austria	2.7	4.8	4.9	4.9	4.9	4.9	4.9	4.9	4.9	3.1	0.7	1.3	1.3	-0.2	0.3	0.4	0.9	1.1
Belgium	7.1	7.2	7.1	7.2	7.2	7.2	7.2	7.2	7.2	3.1	1.8	2.4	0.7	0.1	1.9	0.9	1.1	1.2
Canada	7.6	8.3	7.3	7.3	7.2	7.1	7.0	6.9	6.8	3.8	0.8	1.1	2.8	1.6	2.6	2.8	1.8	2.3
Czech Republic	..	..	..	..	..	..	..	..	..	..	6.9	5.0	2.4	2.2	0.5	0.7	2.4	2.3
Denmark	5.7	7.0	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.4	1.7	3.0	1.9	0.4	0.8	1.3	2.4	3.3
Finland	3.9	8.0	8.7	8.6	8.6	8.4	8.2	8.0	8.0	6.6	0.4	1.2	0.7	1.1	1.6	-0.6	1.5	1.8
France	7.2	10.1	9.2	9.1	9.0	8.9	8.8	8.8	8.8	3.7	1.4	3.0	1.8	1.3	1.8	1.7	1.5	1.7
Germany	4.6	6.0	7.4	7.4	7.4	7.3	7.3	7.2	7.1	1.9	0.6	0.7	0.5	-0.4	-1.7	-1.5	0.3	0.7
Greece	5.4	8.4	10.6	10.5	10.5	10.5	10.3	10.1	10.0	18.0	7.8	4.5	1.8	7.7	2.0	2.8	3.1	3.2
Hungary	..	..	..	..	..	..	..	..	..	..	12.6	8.7	6.8	2.2	2.9	3.4	4.1	0.6
Iceland	1.3	3.5	2.8	2.8	2.8	2.8	2.8	2.8	2.8	27.1	4.2	9.0	0.8	0.0	5.6	10.6	7.7	2.8
Ireland	11.0	13.3	5.9	5.7	5.5	5.4	5.2	5.0	5.0	3.4	2.0	1.2	3.5	4.6	4.5	5.0	2.5	2.6
Italy	6.1	8.5	9.2	9.1	8.9	8.7	8.5	8.3	8.2	7.6	1.8	4.2	3.8	2.5	4.1	3.7	1.0	2.4
Japan	2.2	2.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	1.6	-0.3	-2.6	-3.2	-3.4	-1.3	-1.0	0.1	0.5
Korea	..	..	..	..	..	..	..	..	..	8.9	3.9	1.7	5.4	2.8	0.9	1.2	1.7	1.8
Luxembourg	..	..	..	..	..	..	..	..	..	1.9	2.4	3.0	2.7	1.6	2.5	1.9	1.9	1.6
Mexico	..	..	..	..	..	..	..	..	..	57.7	14.8	6.3	4.9	4.8	3.2	2.3	2.9	2.7
Netherlands	6.5	6.2	3.5	3.3	3.2	3.2	3.2	3.2	3.2	0.5	2.1	4.9	2.6	-0.2	-0.7	-1.0	0.4	0.3
New Zealand	3.5	7.7	5.7	5.4	5.0	4.7	4.5	4.4	4.4	2.2	1.4	1.7	3.1	2.7	6.1	6.1	2.2	1.2
Norway	2.5	4.5	4.0	4.1	4.1	4.1	4.1	4.1	4.1	4.6	2.7	3.3	1.5	1.6	2.3	3.5	2.7	3.2
Poland	..	..	..	..	..	..	..	..	..	..	12.9	-2.3	-1.9	-1.3	4.0	2.9	1.9	2.5
Portugal	6.2	4.3	4.1	4.1	4.6	4.8	4.8	4.8	4.8	15.0	3.8	4.3	4.0	3.5	4.2	3.2	2.0	2.1
Slovak Republic	..	..	..	..	..	..	..	..	..	..	5.3	4.0	4.4	0.7	0.5	0.3	1.3	1.8
Spain	10.9	14.2	10.7	10.2	9.9	9.5	9.1	8.7	8.5	8.2	3.2	3.3	3.4	2.6	2.5	2.5	3.1	3.2
Sweden	2.3	4.0	4.7	4.7	4.7	5.0	5.1	5.1	5.1	7.0	2.0	1.2	1.1	-0.2	1.4	0.0	1.1	2.6
Switzerland	0.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	3.7	0.9	2.2	0.4	-1.9	-0.5	-0.3	0.9	1.2
Turkey	..	..	..	..	..	..	..	..	..	57.0	70.0	33.6	21.8	10.6	6.7	2.7	2.6	-1.2
United Kingdom	6.6	7.6	5.5	5.4	5.3	5.3	5.3	5.3	5.3	5.8	2.4	2.0	2.3	1.8	3.7	2.9	2.9	2.5
United States	6.3	5.6	4.8	4.8	4.8	4.8	4.8	4.8	4.8	3.0	2.1	0.9	1.1	1.7	2.2	4.3	3.0	2.4
Euro area	6.4	8.3	8.1	8.0	7.9	7.8	7.7	7.6	7.5	4.5	1.6	2.4	1.8	1.1	1.0	0.9	1.2	1.6
Total OECD	5.7	6.3	5.9	5.8	5.8	5.7	5.7	5.6	5.6	6.7	3.5	1.8	1.5	1.1	1.6	2.3	2.0	1.9

Note: The structural unemployment rate corresponds to "NAIRU". 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 80 database.

StatLink: *http://dx.doi.org/10.1787/648674317887*

Annex Table 23. **Household saving rates**

Per cent of disposable household income

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net savings																				
Australia	7.9	8.5	5.0	5.4	5.8	7.2	6.7	7.2	4.6	1.9	1.5	2.8	1.7	-0.9	-3.1	-3.4	-2.9	-1.7	-0.8	-1.2
Austria	8.9	10.3	12.2	10.9	11.2	11.2	10.9	8.6	7.3	8.2	8.8	8.4	7.5	7.7	8.6	9.0	9.4	9.7	9.7	9.6
Canada	13.0	13.0	13.3	13.0	11.9	9.5	9.2	7.0	4.9	4.9	4.0	4.7	5.2	3.5	2.8	2.6	1.2	1.5	1.1	1.3
Czech Republic	..	..	..	..	9.4	6.4	10.0	6.1	6.0	4.1	3.4	3.3	2.2	3.0	2.4	0.2	0.5	1.2	1.7	1.8
Finland	0.0	3.6	8.9	11.8	8.8	2.0	4.7	0.4	2.2	0.4	1.5	-1.3	-1.2	-0.3	0.6	2.7	-0.4	-1.5	-1.3	-1.1
France	8.8	9.5	10.6	11.6	12.3	11.7	12.9	11.9	12.9	12.5	12.2	12.0	12.7	13.9	12.8	12.7	11.8	11.5	11.5	11.2
Germany	12.5	13.7	12.9	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	10.6	10.5	10.3	10.1
Italy	24.1	24.5	23.4	21.9	21.1	19.4	18.5	19.4	15.7	12.4	9.7	8.9	10.4	10.8	11.2	11.5	10.6	10.2	9.5	10.0
Japan	13.6	13.9	15.0	14.2	13.7	12.6	11.9	10.6	10.4	11.6	10.4	8.3	5.0	4.8	3.9	3.1	2.9	2.9	2.9	2.9
Korea	23.6	22.5	24.6	23.4	21.8	20.7	17.5	17.5	16.1	24.9	17.5	10.7	6.4	2.2	3.9	6.3	4.3	3.5	3.2	3.3
Netherlands	12.2	14.5	10.8	13.1	10.4	11.2	11.3	10.1	11.4	10.8	8.1	6.6	9.7	8.7	7.6	7.4	6.5	7.0	6.0	4.9
Norway	1.1	2.2	2.9	5.0	6.1	5.2	4.6	2.2	2.8	5.8	5.5	5.2	4.1	8.8	9.5	9.6	12.4	5.2	5.6	5.9
Sweden	-1.2	3.2	5.4	9.6	11.8	11.8	9.1	7.8	5.8	3.6	2.1	3.2	8.4	9.1	9.0	8.5	7.9	7.8	7.1	7.0
Switzerland	..	9.6	10.0	10.7	11.2	11.1	11.6	11.3	10.5	10.7	10.0	11.8	11.9	9.1	9.1	8.5	8.1	7.8	7.9	7.9
United States	7.1	7.0	7.3	7.7	5.8	4.8	4.6	4.0	3.6	4.3	2.4	2.3	1.8	2.4	2.1	2.0	-0.4	-0.2	0.9	1.7
Gross savings																				
Belgium	10.7	13.1	13.2	14.4	15.6	15.5	18.9	17.5	16.3	15.6	15.8	14.0	14.7	14.1	12.4	11.0	10.8	11.5	11.5	11.3
Denmark	-0.5	1.9	1.8	1.5	2.6	-1.6	1.3	0.9	-1.6	0.0	-3.3	-1.9	3.7	4.1	4.3	1.0	-2.8	-2.2	-1.1	-0.9
Poland	..	..	..	18.2	16.7	16.3	18.2	14.2	14.0	14.3	12.9	10.7	12.1	8.4	7.8	6.7	6.8	7.4	7.8	7.6
Portugal	..	..	..	..	..	..	14.7	12.5	10.2	9.4	7.5	10.0	10.9	10.5	10.2	9.4	9.1	9.4	9.5	9.7
Spain	10.2	12.3	13.4	11.9	14.4	11.9	16.4	16.6	15.8	14.0	12.4	11.2	10.9	11.2	11.4	10.4	10.4	10.0	10.1	10.0
United Kingdom	6.7	8.0	10.3	11.7	10.7	9.3	10.2	9.4	9.5	7.0	5.3	5.1	6.4	5.0	4.9	3.7	4.9	5.3	5.6	5.7

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 Account 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 are reporting household saving on a net basis (i.e. excluding consumption of fixed capital by households and unincorporated businesses). In most countries the households saving include saving by non-profit institutions (in some cases referred to as personal saving). Other countries (Czech Republic, Finland, France, Japan and New Zealand) report saving of households only.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/684322834313*

Annex Table 24. **Gross national saving**

Per cent of nominal GDP

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Australia	21.1	22.7	23.8	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	21.0
Austria	21.4	21.9	23.4	23.7	23.9	23.5	22.3	21.6	21.2	20.8	20.6	21.3	22.2	22.2	22.4	22.2	23.3	23.2	23.3	23.9
Belgium	18.6	19.5	22.1	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	23.5	23.7
Canada	18.5	19.7	20.5	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	21.3	22.8	23.6
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	21.2	23.4
Denmark	17.9	18.2	18.7	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	22.9	22.5	23.8
Finland	24.2	23.8	26.0	25.7	24.0	16.5	13.9	14.9	18.1	21.7	20.8	24.1	25.4	26.7	28.5	29.1	28.3	24.4	26.2	25.0
France	19.3	19.0	20.2	20.8	20.6	19.9	19.8	18.4	18.8	19.2	18.8	20.0	21.1	21.7	21.6	21.3	19.8	19.1	18.8	18.1
Germany	24.3	23.6	24.7	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	21.0	21.4
Greece	20.5	17.5	19.5	17.5	17.6	18.9	18.4	17.0	17.8	16.6	16.1	16.6	16.5	15.6	14.6	14.2	13.9	15.2	15.7	14.6
Iceland	19.1	17.4	17.4	17.5	16.9	16.0	15.7	17.6	17.9	17.1	17.2	17.9	17.1	14.6	12.7	16.7	19.3	14.8	13.2	12.3
Ireland	13.3	14.4	14.5	14.8	17.8	17.4	15.4	17.5	17.8	20.4	22.0	23.9	25.6	24.6	25.2	23.1	22.0	24.2	23.9	24.5
Italy	22.1	21.8	21.8	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	19.8
Japan	31.6	31.9	33.0	33.2	33.4	34.1	33.4	32.1	30.3	29.5	29.8	30.1	29.7	28.4	27.5	26.0	25.3	25.6	25.5	..
Korea	34.6	38.4	40.6	37.7	37.7	37.7	36.9	36.8	36.3	36.2	35.3	35.4	37.2	35.0	33.6	31.6	31.2	32.6	34.8	32.8
Mexico	19.1	24.5	21.3	20.3	20.3	18.7	16.6	15.1	14.8	19.3	22.4	24.0	20.5	20.6	20.6	18.0	18.6	19.2	21.0	..
Netherlands	24.1	23.7	25.4	27.0	25.8	25.2	24.3	24.4	26.0	27.2	26.7	28.1	25.2	27.1	28.4	26.7	25.8	25.4	27.9	26.5
New Zealand	19.5	18.7	19.1	18.3	16.9	13.8	14.6	17.2	18.0	18.0	16.9	16.5	16.1	15.9	17.1	19.1	18.6	18.8	16.9	..
Norway	25.4	25.6	25.0	26.0	25.7	24.7	23.7	23.8	24.8	26.4	28.4	30.1	27.3	29.1	36.5	35.0	32.0	31.4	33.5	37.3
Poland	..	..	..	..	..	4.0	4.0	4.2	5.6	6.0	5.7	6.4	7.7	6.6	5.7	4.4	2.5	2.9	2.6	3.8
Portugal	25.5	26.7	26.4	26.7	25.3	22.5	21.4	18.9	18.2	20.2	19.4	19.3	19.9	18.9	16.9	16.8	17.0	16.3	15.1	12.8
Slovak Republic	..	..	..	..	..	..	..	23.6	26.2	26.6	24.3	24.9	24.1	24.0	23.7	22.5	21.7	22.5	23.5	21.3
Spain	22.2	21.9	22.7	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	22.1
Sweden	21.2	21.5	22.2	22.9	21.4	18.4	15.5	13.9	17.5	20.5	20.1	20.4	21.1	21.5	22.4	22.1	21.9	23.0	22.8	23.0
Switzerland	31.4	31.1	33.2	34.0	33.7	31.6	29.1	30.0	29.6	29.9	29.4	31.3	32.3	33.1	35.0	31.8	29.0	33.2	33.8	36.1
Turkey	23.9	24.3	28.9	26.4	21.5	17.7	18.5	18.7	18.9	20.1	22.6	21.6	20.6	13.7	15.2	12.6	18.7	18.9	20.3	19.3
United Kingdom	17.2	17.3	17.2	17.0	16.1	15.2	14.1	14.0	15.5	15.8	15.9	16.9	17.8	15.5	14.9	15.1	15.3	15.1	15.3	14.9
United States	15.5	15.7	16.9	16.3	15.3	15.3	14.2	13.8	14.6	15.5	16.1	17.3	18.0	17.8	17.7	16.1	13.9	12.9	12.8	12.5

Note: Based on SNA93 or ESA95 except Turkey that reports on SNA68 basis.

Source: National accounts of OECD countries database.

StatLink: *http://dx.doi.org/10.1787/225501506381*

Annex Table 25. **General government total outlays**

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	34.9	35.7	37.6	38.9	38.6	38.3	38.3	37.0	36.1	36.1	35.1	34.8	36.8	35.4	35.1	35.1	34.9	34.0	34.0	34.1
Austria	51.7	51.5	52.4	53.1	56.0	55.8	56.0	55.5	53.0	53.5	53.2	51.4	50.8	50.7	51.1	50.4	49.9	49.1	49.1	49.0
Belgium	52.2	52.2	53.4	53.6	54.7	52.4	51.9	52.3	51.0	50.3	50.1	49.0	49.1	49.9	51.1	49.4	49.8	49.0	48.7	48.6
Canada	45.8	48.8	52.3	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	39.5	39.6	39.6
Czech Republic[1]	..	..	..	..	..	..	54.0	42.4	43.2	43.1	42.2	41.7	44.2	46.2	47.1	44.1	43.6	42.9	43.1	43.2
Denmark	56.0	55.9	56.5	57.5	60.6	60.4	59.5	59.1	57.1	56.8	55.8	53.9	54.5	54.9	55.0	54.7	52.8	51.8	50.9	50.4
Finland	44.4	48.0	56.7	62.2	64.8	63.8	61.5	60.1	56.2	52.5	51.5	48.3	47.8	48.8	50.0	50.4	50.1	48.9	48.7	48.3
France	48.6	49.4	50.7	51.9	54.4	54.2	54.4	54.5	53.7	52.6	52.6	51.6	51.5	52.6	53.3	53.3	53.9	53.8	53.5	53.3
Germany[2]	43.1	43.6	46.1	47.3	48.3	47.9	48.3	49.3	48.3	48.1	48.2	45.1	47.5	48.0	48.4	47.3	46.8	45.9	45.1	44.8
Greece	44.5	49.2	45.8	48.5	51.0	49.0	50.1	48.3	49.3	48.6	48.6	51.2	49.8	49.2	49.2	49.8	46.7	45.6	45.5	45.4
Hungary	..	..	55.3	59.2	58.8	62.4	55.4	52.1	50.0	51.6	48.7	46.6	47.4	51.1	49.1	48.7	49.9	50.5	48.9	47.3
Iceland	43.5	41.5	42.8	43.8	43.6	43.4	42.7	42.2	40.7	41.3	42.2	42.1	42.9	44.5	46.5	45.6	43.4	43.3	44.6	45.0
Ireland	42.9	43.1	44.7	45.1	44.9	44.2	41.3	39.2	36.7	34.5	34.0	31.6	33.4	33.6	33.5	34.0	34.1	34.6	34.9	35.0
Italy[3]	51.5	52.9	54.0	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	48.2	49.6	48.8	48.9
Japan[4]	31.1	31.8	31.6	32.6	34.3	35.6	36.5	36.9	36.0	37.3	38.8	39.2	38.7	39.0	38.5	37.3	37.0	36.3	36.2	36.3
Korea	19.2	20.0	20.9	22.0	21.6	21.0	20.8	21.7	22.4	24.7	23.9	23.9	25.0	24.8	30.9	28.1	29.1	29.8	29.8	29.9
Luxembourg	..	37.7	38.4	40.0	39.8	38.9	39.7	41.1	40.7	41.1	39.2	37.6	38.1	41.4	42.3	43.1	43.2	43.0	42.8	42.4
Netherlands[5]	52.7	52.9	53.0	53.9	54.1	51.8	50.0	48.2	46.8	45.9	45.6	44.0	45.4	46.2	47.1	46.3	45.5	46.7	45.9	45.4
New Zealand	52.2	53.2	50.2	49.4	45.6	42.9	42.0	41.1	41.7	40.9	40.5	39.6	38.4	38.6	38.9	37.8	38.2	40.0	40.7	41.2
Norway	52.2	54.0	54.9	56.2	55.1	54.1	51.5	49.0	47.2	49.6	48.1	42.7	44.3	47.5	48.5	45.9	42.8	41.8	42.0	42.2
Poland	..	..	..	..	..	..	47.7	51.0	46.4	44.3	42.7	41.0	43.7	44.2	44.6	42.5	42.7	42.8	42.1	41.3
Portugal	37.3	40.3	43.2	44.3	45.8	44.0	43.1	44.0	42.9	42.2	43.2	43.1	44.4	44.3	45.8	46.7	47.7	47.5	46.9	46.5
Slovak Republic	..	..	..	..	..	53.0	47.0	52.1	49.0	45.3	47.2	51.7	43.3	43.3	39.4	38.9	37.1	35.7	34.1	33.3
Spain	41.4	42.6	44.0	45.1	48.6	46.4	44.2	43.0	41.0	40.8	39.3	39.0	38.5	38.7	38.2	38.7	38.2	38.0	37.8	37.6
Sweden	61.5	61.3	62.7	71.1	72.4	70.3	67.1	64.8	62.5	60.3	59.8	56.8	56.5	57.9	58.2	56.7	56.3	55.9	54.8	53.7
Switzerland	..	30.0	31.7	33.8	34.7	34.7	34.5	35.2	35.6	36.1	34.6	33.9	34.8	35.7	36.7	36.3	36.2	35.5	35.4	35.2
United Kingdom	40.8	42.4	44.1	46.0	46.1	45.4	44.9	43.1	41.6	40.4	39.8	37.5	40.9	42.0	43.6	43.8	44.9	45.3	45.3	45.3
United States[6]	36.1	37.1	37.8	38.5	38.0	37.0	37.0	36.5	35.4	34.7	34.3	34.2	35.3	36.3	36.7	36.4	36.6	36.5	36.9	36.8
Euro area	46.5	47.5	49.0	50.2	51.9	50.7	50.5	50.6	49.3	48.5	48.2	46.3	47.3	47.7	48.2	47.7	47.5	47.4	46.9	46.6
Total OECD	39.2	40.1	41.3	42.4	42.9	42.1	42.1	41.8	40.6	40.3	40.0	39.1	40.2	40.8	41.3	40.7	40.7	40.6	40.5	40.4

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. One-off revenues from the sale of mobile telephone licenses are recorded as negative capital outlays for countries listed in the note to Table 27. See *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. In 1995, data reflect the large privatisation campaign which transferred some public enterprises to private ownership through vouchers distributed to the population, representing 9.8 percentage points of GDP. In 2003, the activation of State guarantees, mainly for the banking sector, accounts for 6.4 per cent of total outlays.
2. The 1995 outlays are net of the debt taken on from the Inherited Debt Funds.
3. The 2006 outlays include a one-off refund of VAT receipts amounting to 0.9 percentage points of GDP.
4. The 1998 outlays would be 5.3 percentage points of GDP higher if it included central government's assumption of the debt of the Japan Railway Settlement Corporation and the National Forest Special Account. The 2000 outlays include capital transfers to the Deposit Insurance Company.
5. The 1995 outlays would be 4.9 percentage points of GDP higher if capital transfers to a housing agency offering rentals to low income people were taken into account.
6. These data include outlays net of operating surpluses of public enterprises.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/386460612460*

Annex Table 26. **General government total tax and non-tax receipts**

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	34.0	33.6	33.1	32.8	33.4	33.7	34.4	34.9	35.6	36.8	37.1	35.7	36.0	36.2	36.7	36.7	36.5	36.5	35.9	35.5
Austria	48.6	48.9	49.5	51.1	51.6	50.9	50.3	51.5	51.1	51.1	50.9	49.7	50.7	50.0	49.3	49.1	48.3	47.8	47.5	47.5
Belgium	44.7	45.5	46.1	45.6	47.4	47.4	47.6	48.5	49.0	49.4	49.6	49.1	49.6	49.8	51.1	49.3	49.8	49.0	48.5	48.4
Canada	41.2	43.0	43.9	44.2	43.5	43.0	43.2	43.8	44.5	44.9	44.3	44.1	42.6	41.1	40.8	40.5	40.7	40.5	40.4	40.3
Czech Republic	..	..	..	..	..	..	40.5	39.1	39.4	38.1	38.5	38.0	38.5	39.4	40.5	41.2	40.0	39.2	39.0	38.9
Denmark	56.2	54.6	53.6	55.0	56.8	57.2	56.7	57.2	56.6	56.8	57.2	56.2	55.7	55.1	54.9	56.7	57.4	55.2	54.0	53.6
Finland	51.2	53.4	55.8	56.8	56.5	57.1	55.4	56.6	55.0	54.2	53.2	55.2	52.7	52.9	52.4	52.5	52.5	51.4	51.1	50.6
France	46.9	47.1	47.9	47.5	48.5	48.7	49.0	50.4	50.7	50.0	50.9	50.1	50.0	49.4	49.1	49.6	50.9	51.1	51.0	50.9
Germany	43.2	41.7	43.3	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	43.5	43.7	43.5
Greece	31.2	33.8	35.0	36.5	37.9	40.0	40.2	41.0	42.8	44.4	45.2	47.1	44.9	43.9	43.0	42.1	41.6	42.9	42.9	42.8
Hungary	..	..	52.2	51.9	52.1	51.0	47.6	46.0	42.5	43.1	43.3	43.6	43.9	42.9	42.8	43.5	43.4	41.8	43.4	43.0
Iceland	39.1	38.3	39.9	41.0	39.1	38.7	39.7	40.6	40.7	41.8	44.6	44.5	43.1	43.7	44.6	46.1	48.9	47.5	45.0	43.6
Ireland	40.2	40.3	41.8	42.1	42.2	42.2	39.3	39.2	38.4	36.8	36.6	36.2	34.2	33.2	33.9	35.5	35.2	35.6	35.6	35.6
Italy	40.1	41.5	42.6	45.0	46.3	44.4	45.1	45.5	47.6	46.2	46.5	45.3	44.9	44.4	44.7	44.3	44.0	44.9	45.6	45.6
Japan[1]	32.8	33.9	33.4	33.3	32.0	31.4	31.4	31.8	31.9	31.4	31.3	31.5	32.3	30.9	30.5	31.0	31.8	31.7	32.2	32.5
Korea	22.3	23.1	22.7	23.4	23.9	23.8	24.6	25.1	25.6	26.4	26.6	29.3	29.6	30.2	31.3	30.6	31.6	31.9	31.8	31.9
Luxembourg	..	42.0	39.1	39.8	41.2	41.4	42.1	42.3	44.3	44.4	42.6	43.6	44.2	43.5	42.5	42.1	42.2	41.7	42.0	42.0
Netherlands	47.9	47.8	50.5	49.9	51.4	48.5	45.7	46.3	45.5	44.9	46.0	46.0	45.1	44.2	43.9	44.5	45.2	46.3	45.7	45.3
New Zealand	48.7	48.7	46.7	46.3	45.2	46.0	44.9	43.9	43.4	41.0	40.3	41.2	40.6	41.6	42.9	41.4	42.5	43.4	43.3	43.3
Norway	54.0	56.2	55.0	54.4	53.7	54.4	54.9	55.6	55.0	53.1	54.3	58.2	57.9	56.8	56.0	57.3	58.9	61.1	60.1	60.3
Poland	..	..	..	..	..	..	43.3	46.1	41.7	40.0	40.8	39.6	40.0	41.0	39.9	38.6	40.3	40.6	40.3	39.7
Portugal	34.3	34.0	36.0	39.8	38.1	36.6	37.9	39.4	39.5	39.2	40.5	40.2	40.1	41.4	42.9	43.5	41.7	42.8	43.2	43.1
Slovak Republic	..	..	..	..	..	46.1	45.2	43.5	42.3	40.5	40.8	39.8	36.8	35.7	35.6	35.9	33.9	32.0	31.4	31.1
Spain	38.7	38.7	39.5	41.4	41.7	39.9	37.9	38.3	38.2	37.8	38.3	38.1	38.0	38.4	38.2	38.5	39.3	39.4	39.1	39.0
Sweden	64.8	64.7	62.6	62.1	61.1	61.1	60.2	62.1	61.5	62.2	62.1	61.8	59.1	57.5	58.0	58.3	59.1	58.8	57.2	56.3
Switzerland	..	30.6	30.6	31.4	32.0	32.8	33.3	33.8	33.2	34.6	34.6	36.3	35.7	35.8	35.4	35.2	35.7	35.7	35.8	35.9
United Kingdom	41.5	40.6	40.9	39.6	38.2	38.7	39.1	39.0	39.5	40.4	41.0	41.5	41.8	40.2	40.2	40.5	41.5	42.3	42.7	42.8
United States[2]	32.9	32.8	32.9	32.8	33.0	33.4	33.8	34.3	34.6	35.1	35.2	35.8	34.9	32.5	31.9	31.9	32.9	34.2	34.1	33.8
Euro area	42.9	43.0	44.1	45.2	46.2	45.8	45.5	46.4	46.7	46.3	46.8	46.3	45.5	45.1	45.1	44.9	45.1	45.4	45.4	45.3
Total OECD	37.0	37.1	37.5	37.8	37.9	37.9	38.1	38.7	38.9	39.0	39.2	39.4	38.9	37.6	37.3	37.3	38.0	38.6	38.5	38.4

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 tranfers received by the general government, etc. See *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Includes deferred tax payments on postal savings accounts in 2000, 2001 and 2002. In 2002 corporate pension funds were authorised to transfer back to the government the basic part of their employees' pension scheme. This resulted in a capital transfer to the government which reduced the general government financial deficit by 0.1 percentage point of GDP in 2003 and 1.2 percentage point in 2004. Further transfers are assumed for 2005 and 2006 worth 1.0 and 0.2 percentage point of GDP respectively.
2. Excludes the operating surpluses of public enterprises.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/857282884676*

Annex Table 27. **General government financial balances**

Surplus (+) or deficit (-) as a 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	-0.9	-2.1	-4.4	-6.0	-5.2	-4.5	-3.9	-2.2	-0.5	0.6	2.0	0.9	-0.8	0.8	1.6	1.6	1.6	2.5	1.9	1.4
Austria	-3.1	-2.5	-2.9	-2.0	-4.4	-4.9	-5.7	-4.0	-1.8	-2.4	-2.3	-1.6	-0.1	-0.7	-1.8	-1.3	-1.6	-1.3	-1.6	-1.5
Belgium[1]	-7.5	-6.7	-7.3	-8.0	-7.3	-5.0	-4.4	-3.8	-2.1	-0.8	-0.5	0.0	0.5	0.0	0.0	-0.1	0.0	0.0	-0.2	-0.2
Canada	-4.6	-5.8	-8.4	-9.1	-8.7	-6.7	-5.3	-2.8	0.2	0.1	1.6	2.9	0.7	-0.1	-0.4	0.5	1.4	0.9	0.8	0.8
Czech Republic	..	..	..	..	..	..	-13.4	-3.3	-3.8	-5.0	-3.7	-3.7	-5.7	-6.8	-6.6	-2.9	-3.6	-3.7	-4.1	-4.3
Denmark	0.3	-1.3	-2.9	-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	4.6	3.4	3.2	3.2
Finland	6.8	5.4	-1.0	-5.5	-8.3	-6.7	-6.2	-3.5	-1.2	1.7	1.6	6.9	5.0	4.1	2.3	2.1	2.5	2.5	2.4	2.2
France	-1.7	-2.3	-2.8	-4.4	-5.9	-5.5	-5.5	-4.1	-3.0	-2.6	-1.7	-1.5	-1.6	-3.2	-4.2	-3.7	-2.9	-2.7	-2.5	-2.3
Germany	0.1	-1.9	-2.8	-2.5	-3.0	-2.3	-3.2	-3.3	-2.6	-2.2	-1.5	1.3	-2.8	-3.6	-4.0	-3.7	-3.2	-2.3	-1.4	-1.3
Greece	-13.3	-15.4	-10.8	-12.0	-13.1	-9.1	-9.9	-7.3	-6.5	-4.2	-3.4	-4.1	-4.9	-5.3	-6.2	-7.7	-5.1	-2.6	-2.6	-2.6
Hungary	..	..	-3.1	-7.3	-6.8	-11.4	-7.8	-6.1	-7.5	-8.5	-5.3	-3.0	-3.5	-8.2	-6.3	-5.3	-6.5	-8.7	-5.4	-4.3
Iceland	-4.4	-3.3	-2.9	-2.8	-4.5	-4.7	-2.9	-1.6	0.0	0.5	2.3	2.4	0.2	-0.8	-2.0	0.5	5.5	4.1	0.4	-1.3
Ireland	-2.7	-2.8	-2.8	-2.9	-2.7	-2.0	-2.0	0.0	1.6	2.2	2.6	4.6	0.8	-0.4	0.4	1.5	1.1	1.0	0.7	0.7
Italy	-11.4	-11.4	-11.4	-10.4	-10.1	-9.1	-7.4	-7.0	-2.7	-3.1	-1.8	-0.9	-3.1	-3.0	-3.5	-3.5	-4.3	-4.8	-3.2	-3.3
Japan	1.8	2.1	1.8	0.8	-2.4	-4.2	-5.1	-5.1	-4.1	-5.9	-7.5	-7.7	-6.4	-8.2	-8.0	-6.3	-5.3	-4.6	-4.0	-3.7
Korea	3.1	3.1	1.7	1.4	2.2	2.9	3.8	3.4	3.3	1.6	2.7	5.4	4.6	5.4	0.4	2.5	2.5	2.2	2.1	2.0
Luxembourg	..	4.3	0.7	-0.2	1.5	2.5	2.4	1.2	3.7	3.4	3.4	6.0	6.1	2.1	0.3	-1.1	-1.0	-1.3	-0.8	-0.4
Netherlands	-4.8	-5.1	-2.5	-4.0	-2.7	-3.3	-4.3	-2.0	-1.3	-0.9	0.4	2.0	-0.3	-2.0	-3.1	-1.8	-0.3	-0.4	-0.2	-0.1
New Zealand	-3.4	-4.6	-3.5	-3.1	-0.4	3.1	2.9	2.8	1.6	0.1	-0.2	1.6	2.2	3.1	3.9	3.6	4.2	3.5	2.6	2.2
Norway	1.8	2.2	0.1	-1.9	-1.4	0.3	3.4	6.5	7.7	3.6	6.2	15.6	13.6	9.3	7.5	11.4	16.2	19.3	18.0	18.1
Poland	..	..	..	..	..	..	-4.4	-4.9	-4.6	-4.3	-1.8	-1.5	-3.7	-3.2	-4.7	-3.9	-2.4	-2.2	-1.8	-1.6
Portugal	-3.0	-6.3	-7.2	-4.5	-7.7	-7.4	-5.2	-4.5	-3.4	-3.0	-2.7	-3.0	-4.3	-2.9	-3.0	-3.2	-6.0	-4.6	-3.7	-3.4
Slovak Republic	..	..	..	..	..	-6.8	-1.8	-8.6	-6.7	-4.8	-6.4	-11.8	-6.5	-7.7	-3.7	-3.0	-3.1	-3.7	-2.7	-2.2
Spain	-2.6	-3.9	-4.6	-3.7	-6.9	-6.5	-6.3	-4.6	-2.9	-3.0	-0.9	-0.9	-0.5	-0.3	0.0	-0.2	1.1	1.4	1.2	1.4
Sweden	3.3	3.4	-0.1	-8.9	-11.3	-9.2	-6.9	-2.8	-1.0	1.9	2.3	5.0	2.6	-0.5	-0.2	1.6	2.8	2.9	2.4	2.6
Switzerland	..	0.6	-1.1	-2.4	-2.7	-1.9	-1.2	-1.4	-2.4	-1.5	0.0	2.4	0.9	0.1	-1.3	-1.1	-0.5	0.2	0.5	0.7
United Kingdom	0.7	-1.8	-3.2	-6.4	-7.9	-6.8	-5.8	-4.1	-2.1	0.1	1.2	4.0	0.9	-1.7	-3.4	-3.3	-3.4	-3.0	-2.7	-2.6
United States	-3.2	-4.2	-4.9	-5.8	-4.9	-3.6	-3.1	-2.2	-0.8	0.4	0.9	1.6	-0.4	-3.8	-4.8	-4.6	-3.7	-2.3	-2.8	-3.0
Euro area	-3.6	-4.6	-5.0	-5.0	-5.7	-4.9	-5.0	-4.2	-2.6	-2.3	-1.3	0.0	-1.8	-2.6	-3.1	-2.8	-2.4	-2.1	-1.5	-1.4
Total OECD	-2.1	-3.0	-3.7	-4.6	-4.9	-4.2	-4.0	-3.1	-1.7	-1.3	-0.8	0.3	-1.3	-3.2	-4.0	-3.4	-2.7	-2.0	-2.0	-2.0
Memorandum items																				
General government financial balances excluding social security																				
United States	-4.2	-5.3	-5.8	-6.6	-5.6	-4.4	-3.9	-3.1	-1.9	-0.8	-0.6	0.1	-2.0	-5.4	-6.2	-5.9	-5.0	-3.7	-4.2	-4.5
Japan[2]	-1.4	-1.4	-0.9	-1.7	-4.6	-6.2	-7.0	-6.9	-5.8	-7.2	-8.5	-8.2	-6.5	-7.9	-8.1	-6.6	-5.4	-4.3	-3.6	-3.5

Note: Financial balances include one-off revenues from the sale of the mobile telephone licenses. These revenues are substantial in a number of countries including Australia (2000-2001), Austria (2000), Belgium (2001), Denmark (2001), France (2001-2002), Germany (2000), Greece (2001), Ireland (2002), Italy (2000), Netherlands (2000), New Zealand (2000), Portugal (2000), Spain (2000) and the United Kingdom (2000). As data are on a national account basis, the government financial balance 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)*.

1. The data for 2005 do not include the assumption by the government of the debt of the railway company SNCB amounting to 2.5 percentage points of GDP.
2. Prior to 1991, when SNA93 was adopted, these data included private pension funds.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/450070436351*

Annex Table 28. **Cyclically-adjusted general government balances**

Surplus (+) or deficit (-) as a per cent of potential GDP

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	-0.9	-1.6	-2.6	-3.7	-3.3	-3.3	-3.0	-1.4	0.2	0.9	1.8	0.4	-0.8	0.8	1.6	1.6	1.7	2.8	2.2	1.6
Austria	-2.7	-2.7	-3.5	-2.5	-4.0	-4.3	-5.3	-3.8	-1.7	-2.6	-3.1	-3.2	-0.7	-0.2	-0.5	0.2	-0.2	-0.3	-0.8	-0.9
Belgium	-7.5	-7.5	-7.8	-8.1	-5.6	-3.6	-3.2	-2.3	-1.2	0.2	0.0	-0.6	0.2	0.4	1.1	0.8	1.1	0.7	0.2	0.1
Canada	-5.8	-6.5	-7.2	-7.1	-6.5	-5.4	-4.2	-1.3	1.5	1.0	1.7	2.2	0.1	-0.5	-0.5	0.4	1.2	0.8	0.8	0.7
Czech Republic	..	..	..	..	..	..	..	..	..	..	-3.8	-3.9	-5.7	-6.2	-5.8	-2.1	-3.4	-4.0	-4.3	-4.6
Denmark	0.5	-0.8	-2.2	-1.8	-2.0	-2.3	-2.5	-1.8	-0.8	-0.3	1.3	1.6	0.5	0.4	0.9	3.0	5.0	2.7	1.6	1.4
Finland	5.0	4.0	1.0	-0.4	-1.5	-0.6	-1.2	0.4	0.7	2.4	1.8	6.4	4.5	4.2	2.8	2.4	2.7	2.1	1.9	1.8
France	-1.8	-3.0	-3.4	-4.8	-5.3	-4.5	-4.5	-2.6	-1.4	-1.4	-0.9	-1.5	-1.9	-3.1	-3.5	-2.9	-1.9	-1.8	-1.8	-1.8
Germany	-0.8	-3.8	-3.6	-3.2	-2.2	-1.5	-2.7	-2.6	-1.9	-1.6	-1.2	-2.0	-3.8	-3.8	-3.3	-2.7	-2.0	-1.7	-0.9	-1.1
Greece	-14.1	-15.5	-11.3	-11.9	-11.5	-7.5	-8.4	-5.8	-5.3	-3.3	-2.4	-3.5	-5.4	-5.3	-6.6	-8.4	-5.7	-3.3	-3.2	-3.2
Hungary	..	..	..	..	-9.6	-13.8	-9.1	-6.4	-8.1	-9.7	-6.6	-4.5	-4.9	-9.7	-7.5	-6.5	-7.7	-9.8	-5.8	-4.3
Iceland	-4.4	-2.9	-2.0	-0.5	-2.0	-3.0	-1.1	-0.5	0.4	0.3	2.1	2.3	-0.1	-0.3	-1.2	0.2	4.3	3.5	0.8	-0.7
Ireland	-2.1	-3.8	-3.1	-2.1	-0.7	0.5	-0.2	1.4	2.0	2.0	1.4	2.8	-1.0	-2.0	-0.6	0.9	0.5	0.6	0.3	0.4
Italy[1]	-11.9	-11.9	-11.5	-9.9	-8.2	-7.4	-6.5	-6.0	-1.9	-2.4	-1.4	-2.7	-4.2	-3.7	-3.7	-3.4	-3.6	-4.3	-2.8	-3.1
Japan[2]	1.4	1.0	0.7	-0.2	-2.9	-4.4	-5.3	-5.6	-4.6	-5.5	-6.5	-7.2	-5.7	-7.0	-6.9	-5.5	-4.8	-4.6	-4.2	-4.1
Luxembourg	..	2.7	-1.6	-1.6	0.6	2.1	3.0	3.0	5.4	4.5	3.4	4.9	5.4	1.9	1.1	0.2	0.4	-0.4	-0.1	0.1
Netherlands	-5.1	-6.5	-4.2	-5.2	-2.6	-2.4	-3.4	-1.2	-1.1	-1.4	-0.6	-0.1	-1.8	-2.3	-2.1	-0.3	1.4	1.1	0.7	-0.1
New Zealand	-3.0	-3.7	-1.3	-0.5	0.9	3.3	2.5	2.1	1.3	0.8	-0.1	1.5	2.0	2.6	3.3	2.6	3.5	3.3	3.0	2.8
Norway[3]	0.1	-1.2	-3.8	-5.7	-5.8	-4.6	-1.5	-1.3	-0.9	-2.2	-1.1	0.9	-0.1	-2.7	-4.5	-2.5	-0.2	0.4	-0.2	-0.1
Portugal	-3.6	-7.4	-8.9	-5.4	-6.6	-5.4	-3.7	-3.3	-2.6	-3.1	-3.4	-4.7	-5.5	-3.3	-1.9	-2.1	-4.2	-2.7	-1.8	-1.5
Spain	-3.8	-5.4	-6.0	-4.3	-5.9	-4.8	-4.7	-3.1	-1.5	-2.0	-0.5	-1.3	-0.8	-0.2	0.3	0.3	1.3	1.4	1.1	1.1
Sweden	2.0	2.8	1.0	-6.1	-6.3	-5.3	-4.3	-0.1	1.1	3.1	2.5	4.2	2.4	-0.3	0.5	2.1	3.2	2.6	1.7	1.6
Switzerland	..	-1.4	-1.5	-1.9	-1.6	-1.1	-0.3	-0.2	-1.4	-1.2	0.4	2.3	0.9	0.6	0.0	0.0	0.5	0.7	0.8	0.9
United Kingdom	-0.7	-2.7	-2.7	-4.9	-6.2	-5.7	-5.1	-3.5	-1.7	0.3	1.3	1.4	0.6	-1.8	-3.4	-3.5	-3.4	-2.7	-2.4	-2.4
United States	-3.9	-4.7	-4.4	-5.0	-4.1	-3.0	-2.4	-1.5	-0.5	0.5	0.5	1.0	-0.5	-3.3	-4.2	-4.2	-3.6	-2.4	-2.8	-2.9
Euro area	-4.4	-5.7	-5.6	-5.3	-4.5	-4.0	-4.2	-3.2	-1.8	-1.8	-1.2	-1.8	-2.5	-2.6	-2.5	-2.2	-1.5	-1.5	-1.1	-1.2
Total OECD	-3.0	-4.0	-4.0	-4.5	-4.3	-3.8	-3.6	-2.7	-1.5	-1.1	-0.9	-0.9	-1.7	-3.2	-3.6	-3.3	-2.6	-2.1	-2.1	-2.2

Note: Cyclically-adjusted balances exclude one-off revenues from the sale of mobile telephone licenses for those countries listed in the note to Table 27. For 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. In 2006 includes a one-off refund of VAT receipts amounting to 0.9 percentage points of GDP.
2. Includes deferred tax payments on postal savings accounts in 2000, 2001 and 2002. The 2000 outlays include capital transfers to the Deposit Insurance Company.
3. As a percentage of mainland potential GDP. The financial balances shown exclude net revenues from petroleum activities.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/015328625457*

Annex Table 29. **General government primary balances**

Surplus (+) or deficit (-) as a 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	3.1	1.6	-1.2	-2.6	-2.5	-0.7	0.0	1.1	2.2	2.8	4.1	2.8	1.0	2.4	3.1	3.0	2.9	3.6	3.0	2.4
Austria	-0.5	0.1	-0.1	0.9	-1.2	-1.8	-2.6	-0.7	1.3	0.6	0.6	1.2	2.7	1.8	0.6	0.9	0.5	0.7	0.4	0.4
Belgium	3.2	4.4	3.3	2.4	3.0	3.8	4.1	4.3	5.3	6.3	6.1	6.4	6.7	5.4	5.1	4.5	4.2	3.8	3.4	3.3
Canada	0.0	-0.7	-3.1	-3.8	-3.4	-1.5	0.4	2.5	5.0	4.9	5.9	6.0	3.6	2.5	1.5	2.1	2.5	2.0	1.7	1.5
Czech Republic	..	..	..	..	..	..	-13.5	-2.9	-3.5	-4.6	-3.3	-3.7	-5.8	-6.7	-6.4	-2.5	-3.2	-3.2	-3.5	-3.7
Denmark	5.0	3.3	1.8	1.5	0.6	0.8	1.1	1.8	3.1	3.4	4.6	5.0	3.6	2.5	2.0	3.7	6.0	4.8	4.3	4.1
Finland	5.4	3.5	-3.0	-7.5	-8.7	-5.7	-5.4	-2.1	0.6	3.3	3.1	7.9	5.6	4.2	2.4	2.1	2.6	2.6	2.4	2.1
France	0.3	-0.1	-0.5	-1.9	-3.2	-2.6	-2.5	-1.0	0.0	0.3	0.9	1.1	1.0	-0.6	-1.7	-1.2	-0.5	-0.3	-0.1	0.0
Germany	2.3	0.3	-0.9	-0.1	-0.5	0.2	-0.3	-0.4	0.2	0.8	1.3	4.0	-0.3	-1.2	-1.5	-1.3	-0.9	0.0	0.9	1.0
Greece	-6.2	-5.7	-1.6	-1.0	-1.1	4.2	2.0	4.0	2.7	4.2	4.0	3.2	1.7	0.4	-1.0	-2.7	-0.7	1.3	1.2	0.9
Iceland	-3.8	-2.2	-1.9	-1.9	-3.3	-3.5	-1.5	-0.2	1.1	1.8	3.5	3.3	1.0	-1.1	-1.6	0.7	5.2	3.9	0.2	-1.4
Ireland	3.5	3.3	2.8	2.2	2.1	2.5	2.0	3.1	4.2	4.6	4.0	5.4	0.9	-0.3	0.5	1.5	1.0	0.8	0.5	0.5
Italy	-2.9	-2.0	-0.6	1.2	2.0	1.4	3.1	3.6	5.8	4.5	4.1	4.9	2.6	2.0	1.0	0.8	-0.1	-0.6	1.1	1.2
Japan	3.3	3.3	2.9	1.9	-1.2	-3.0	-3.8	-3.8	-2.7	-4.4	-6.0	-6.2	-4.9	-6.7	-6.6	-4.9	-3.9	-3.2	-2.5	-1.9
Korea	2.7	2.6	1.2	0.8	1.8	2.4	3.3	2.7	2.4	0.6	1.8	4.4	3.8	4.5	-0.5	1.6	1.6	1.2	1.2	1.1
Luxembourg	..	2.5	-1.0	-1.7	0.2	1.5	1.5	0.5	2.9	2.5	2.7	5.2	4.9	1.2	-0.6	-1.9	-1.8	-2.0	-1.5	-1.0
Netherlands	-0.9	-1.2	1.6	0.2	1.5	0.8	0.1	2.4	2.8	3.0	4.0	5.0	2.2	0.2	-1.1	0.1	1.4	1.0	1.3	1.3
New Zealand	0.4	-0.4	-0.7	-0.2	1.9	4.3	4.3	3.5	2.2	0.7	0.0	2.1	2.1	3.1	3.8	3.3	3.7	2.8	1.9	1.4
Norway	-1.6	-1.3	-3.6	-5.3	-4.2	-1.9	1.1	4.3	5.7	1.4	3.9	13.0	10.4	5.7	4.0	7.7	12.2	15.4	14.2	14.3
Poland	..	..	..	..	..	..	0.7	-0.7	-0.8	-0.6	0.4	0.8	-1.1	-1.6	-2.7	-2.2	-1.0	-0.7	-0.4	-0.1
Portugal	2.8	1.8	1.1	3.6	-0.4	-1.2	0.7	0.6	0.6	0.3	0.3	0.1	-1.3	0.0	-0.2	-0.5	-3.3	-1.5	-0.6	-0.3
Slovak Republic	..	..	..	..	..	-5.7	-1.2	-7.9	-5.4	-3.3	-5.0	-9.9	-4.3	-4.9	-2.5	-2.5	-3.3	-3.6	-2.4	-1.9
Spain	0.2	-0.9	-1.3	0.0	-2.3	-1.9	-1.5	0.2	1.5	1.0	2.4	2.1	2.2	2.1	2.0	1.7	2.6	2.8	2.6	2.8
Sweden	2.9	2.6	-0.8	-10.0	-11.8	-8.5	-5.5	-1.2	0.8	3.2	3.6	5.8	3.2	0.5	-0.1	1.4	2.4	2.3	2.2	2.4
Switzerland	..	1.0	-0.7	-1.8	-2.1	-1.3	-0.5	-0.6	-1.6	-0.7	0.9	2.9	1.5	0.9	-0.6	-0.5	0.0	0.6	1.0	1.3
United Kingdom	3.4	0.9	-0.9	-4.1	-5.4	-4.1	-2.7	-1.1	1.1	3.1	3.7	6.4	2.9	0.0	-1.6	-1.5	-1.4	-1.1	-0.8	-0.7
United States	0.1	-0.8	-1.3	-2.2	-1.5	-0.2	0.4	1.2	2.4	3.5	3.6	4.1	1.9	-1.7	-2.9	-2.7	-1.6	-0.2	-0.8	-1.1
Euro area	0.3	-0.3	-0.5	-0.2	-0.7	-0.3	-0.2	0.6	1.8	1.8	2.2	3.4	1.4	0.5	-0.2	-0.1	0.2	0.4	1.0	1.1
Total OECD	1.0	0.2	-0.5	-1.2	-1.6	-0.9	-0.5	0.3	1.5	1.7	1.9	2.7	1.0	-1.1	-2.1	-1.6	-0.9	-0.2	-0.1	-0.1

Note: The primary balance excludes the impact of net interest payments on the financial balance. For more details see footnotes to Annex Tables 27 and 31 and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods)* .

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/135200224570*

Annex Table 30. **Cyclically-adjusted general government primary balances**

Surplus (+) or deficit (-) as a per cent of potential GDP

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	3.2	2.0	0.5	-0.5	-0.7	0.5	0.8	1.8	2.9	3.0	3.9	2.4	1.0	2.5	3.1	3.0	3.0	3.9	3.3	2.7
Austria	-0.2	-0.1	-0.7	0.5	-0.9	-1.2	-2.2	-0.4	1.4	0.4	-0.2	-0.3	2.0	2.2	1.8	2.4	1.9	1.7	1.2	1.1
Belgium	3.2	3.7	2.9	2.3	4.4	5.0	5.2	5.7	6.1	7.2	6.5	5.9	6.4	5.9	6.1	5.3	5.2	4.5	3.8	3.6
Canada	-1.1	-1.3	-2.0	-2.0	-1.4	-0.3	1.4	3.9	6.1	5.7	6.0	5.4	3.1	2.1	1.4	2.0	2.4	1.9	1.7	1.5
Czech Republic	..	..	..	..	..	..	..	..	..	..	-3.3	-3.9	-5.8	-6.1	-5.6	-1.8	-3.0	-3.5	-3.7	-4.0
Denmark	5.2	3.7	2.4	2.2	2.2	1.7	1.4	1.9	2.8	3.1	4.5	4.3	2.9	2.7	2.9	4.7	6.4	4.2	2.7	2.4
Finland	3.5	2.0	-0.9	-2.2	-1.9	0.3	-0.5	1.7	2.5	4.1	3.3	7.4	5.1	4.3	2.9	2.5	2.8	2.1	1.9	1.6
France	0.2	-0.8	-1.0	-2.3	-2.6	-1.7	-1.6	0.4	1.5	1.4	1.7	1.1	0.7	-0.5	-1.1	-0.4	0.5	0.6	0.6	0.5
Germany	1.5	-1.5	-1.6	-0.8	0.2	1.0	0.2	0.3	1.0	1.3	1.5	0.8	-1.2	-1.3	-0.8	-0.3	0.3	0.6	1.4	1.2
Greece	-6.8	-5.9	-2.0	-0.9	0.1	5.3	3.1	5.1	3.6	4.9	4.8	3.8	1.2	0.4	-1.4	-3.3	-1.3	0.7	0.6	0.3
Iceland	-3.9	-1.9	-1.1	0.3	-0.9	-1.8	0.3	0.8	1.5	1.6	3.2	3.2	0.8	-0.6	-0.8	0.4	4.0	3.3	0.6	-0.8
Ireland	4.0	2.5	2.5	3.0	3.9	4.8	3.6	4.4	4.5	4.4	2.9	3.7	-0.9	-1.9	-0.4	0.9	0.5	0.4	0.2	0.2
Italy[1]	-3.2	-2.3	-0.7	1.5	3.4	2.9	3.9	4.4	6.5	5.1	4.5	3.2	1.6	1.4	0.9	0.8	0.4	-0.1	1.4	1.3
Japan[2]	2.9	2.3	1.9	0.9	-1.7	-3.1	-3.9	-4.2	-3.2	-4.1	-5.1	-5.7	-4.3	-5.6	-5.5	-4.2	-3.5	-3.2	-2.7	-2.3
Luxembourg	..	0.8	-3.3	-3.2	-0.6	1.1	2.1	2.3	4.8	3.7	2.8	4.0	4.1	1.0	0.3	-0.6	-0.3	-1.1	-0.8	-0.5
Netherlands	-1.2	-2.5	0.0	-1.0	1.5	1.7	0.9	3.1	3.1	2.6	3.1	2.9	0.8	-0.1	-0.1	1.6	3.1	2.6	2.1	1.3
New Zealand	0.9	0.4	1.4	2.2	3.2	4.5	3.9	2.8	1.9	1.5	0.1	1.9	2.0	2.5	3.2	2.3	3.0	2.7	2.3	2.1
Norway[3]	-3.6	-5.2	-7.9	-9.5	-9.0	-7.1	-4.2	-4.0	-3.5	-4.7	-4.0	-2.7	-4.2	-7.3	-8.9	-7.2	-5.5	-5.2	-5.5	-5.5
Portugal	2.3	1.0	-0.2	2.8	0.6	0.6	2.0	1.7	1.3	0.2	-0.3	-1.5	-2.4	-0.4	0.8	0.6	-1.6	0.3	1.2	1.4
Spain	-0.9	-2.3	-2.6	-0.7	-1.4	-0.4	-0.1	1.7	2.7	1.8	2.7	1.7	1.9	2.2	2.4	2.1	2.9	2.9	2.5	2.4
Sweden	1.6	2.0	0.2	-7.1	-6.7	-4.6	-3.0	1.3	2.9	4.3	3.7	5.0	3.0	0.6	0.6	1.9	2.8	2.0	1.5	1.5
Switzerland	..	-1.0	-1.1	-1.3	-1.1	-0.4	0.4	0.5	-0.7	-0.4	1.3	2.8	1.5	1.4	0.6	0.6	1.0	1.1	1.3	1.4
United Kingdom	2.1	0.0	-0.4	-2.6	-3.8	-3.1	-2.0	-0.5	1.5	3.3	3.8	3.8	2.7	0.0	-1.6	-1.8	-1.4	-0.8	-0.5	-0.5
United States	-0.5	-1.3	-0.9	-1.6	-0.8	0.3	1.0	1.8	2.7	3.6	3.3	3.6	1.8	-1.2	-2.3	-2.4	-1.6	-0.3	-0.8	-1.0
Euro area	-0.3	-1.4	-1.1	-0.4	0.4	0.6	0.4	1.6	2.5	2.2	2.4	1.7	0.8	0.4	0.3	0.5	1.0	1.0	1.4	1.3
Total OECD	0.3	-0.6	-0.6	-1.0	-0.8	-0.4	-0.1	0.8	1.8	2.1	1.9	1.7	0.7	-1.0	-1.6	-1.3	-0.7	-0.1	-0.1	-0.2

Note: The cyclically-adjusted primary balance excludes the impact of net interest payments on the cyclically adjusted balance. For 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. In 2006 includes a one-off refund of VAT receipts amounting to 0.9 percentage point of GDP.
2. Includes deferred tax payments on postal savings accounts in 2000, 2001 and 2002. The 2000 outlays include capital transfers to the Deposit Insurance Company.
3. As a percentage of mainland potential GDP. The financial balances shown exclude net revenues from petroleum activities.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/173350456262*

Annex Table 31. **General government net debt interest payments**

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	4.0	3.7	3.2	3.4	2.7	3.8	3.9	3.3	2.7	2.1	2.1	2.0	1.8	1.7	1.5	1.4	1.3	1.1	1.1	1.1
Austria	2.6	2.6	2.8	2.9	3.1	3.1	3.2	3.4	3.1	3.0	2.9	2.8	2.8	2.5	2.4	2.2	2.1	2.0	2.0	2.0
Belgium	10.7	11.1	10.7	10.4	10.3	8.8	8.5	8.1	7.4	7.1	6.6	6.4	6.1	5.5	5.1	4.6	4.2	3.8	3.6	3.5
Canada	4.6	5.2	5.3	5.3	5.3	5.2	5.7	5.3	4.8	4.8	4.3	3.1	2.9	2.6	1.9	1.6	1.1	1.0	0.9	0.8
Czech Republic	..	..	..	..	..	..	0.0	0.4	0.3	0.4	0.4	0.0	-0.1	0.0	0.2	0.3	0.4	0.5	0.6	0.6
Denmark	4.7	4.5	4.7	4.0	4.3	4.0	3.9	3.7	3.6	3.4	3.2	2.7	2.4	2.3	2.1	1.8	1.4	1.5	1.1	0.9
Finland	-1.4	-1.9	-2.0	-2.0	-0.4	1.0	0.8	1.4	1.9	1.6	1.5	1.0	0.6	0.1	0.0	0.1	0.1	0.0	-0.1	-0.1
France	2.0	2.2	2.3	2.5	2.7	2.8	3.0	3.1	3.0	2.9	2.6	2.5	2.6	2.6	2.5	2.5	2.5	2.5	2.4	2.3
Germany[1]	2.3	2.2	2.0	2.4	2.5	2.5	2.9	2.9	2.9	2.9	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3
Greece	7.1	9.6	9.2	11.0	12.0	13.2	11.9	11.3	9.1	8.4	7.4	7.3	6.6	5.7	5.2	5.0	4.4	4.0	3.7	3.5
Iceland	0.6	1.1	1.0	0.9	1.1	1.2	1.5	1.4	1.1	1.3	1.2	0.9	0.9	-0.3	0.4	0.2	-0.3	-0.2	-0.2	-0.1
Ireland	6.2	6.1	5.6	5.1	4.8	4.5	3.9	3.1	2.6	2.3	1.4	0.8	0.1	0.1	0.2	0.1	0.0	-0.1	-0.1	-0.1
Italy	8.6	9.5	10.8	11.6	12.0	10.5	10.5	10.5	8.5	7.6	5.9	5.8	5.7	5.0	4.6	4.3	4.1	4.2	4.3	4.5
Japan[2]	1.5	1.3	1.1	1.1	1.2	1.2	1.3	1.3	1.3	1.5	1.5	1.5	1.4	1.5	1.4	1.3	1.3	1.3	1.5	1.8
Korea	-0.4	-0.5	-0.6	-0.6	-0.4	-0.4	-0.5	-0.7	-0.8	-1.1	-0.9	-1.1	-0.8	-0.9	-0.9	-0.9	-1.0	-0.9	-0.9	-0.9
Luxembourg	..	-1.8	-1.7	-1.6	-1.2	-1.0	-0.9	-0.7	-0.7	-0.8	-0.7	-0.8	-1.2	-0.9	-0.8	-0.8	-0.8	-0.7	-0.7	-0.6
Netherlands	3.9	3.9	4.1	4.2	4.2	4.1	4.3	4.3	4.1	4.0	3.6	3.0	2.5	2.2	2.0	2.0	1.7	1.5	1.4	1.4
New Zealand	3.9	4.1	2.9	2.9	2.3	1.2	1.4	0.7	0.6	0.7	0.2	0.4	0.0	0.0	-0.1	-0.3	-0.5	-0.6	-0.7	-0.8
Norway	-3.4	-3.5	-3.7	-3.4	-2.8	-2.2	-2.3	-2.2	-2.1	-2.1	-2.3	-2.6	-3.1	-3.6	-3.5	-3.7	-3.9	-3.9	-3.8	-3.8
Poland	..	..	..	..	..	..	5.1	4.2	3.8	3.7	2.3	2.3	2.5	1.6	2.0	1.7	1.5	1.5	1.4	1.5
Portugal	5.8	8.1	8.3	8.1	7.3	6.2	5.9	5.1	4.0	3.3	3.0	3.1	3.0	2.9	2.8	2.7	2.7	3.1	3.1	3.0
Slovak Republic	..	..	..	..	..	1.1	0.6	0.7	1.3	1.5	1.5	1.9	2.2	2.8	1.3	0.5	-0.2	0.1	0.3	0.2
Spain	2.8	3.0	3.3	3.6	4.6	4.5	4.8	4.9	4.3	3.9	3.3	3.0	2.7	2.4	2.1	1.8	1.6	1.4	1.4	1.4
Sweden	-0.4	-0.8	-0.8	-1.0	-0.4	0.7	1.4	1.5	1.8	1.3	1.2	0.8	0.6	1.0	0.1	-0.2	-0.4	-0.6	-0.2	-0.1
Switzerland	..	0.4	0.4	0.6	0.6	0.7	0.8	0.7	0.8	0.8	0.9	0.5	0.7	0.8	0.7	0.6	0.5	0.5	0.5	0.6
United Kingdom	2.8	2.7	2.4	2.4	2.5	2.7	3.1	3.1	3.2	3.0	2.5	2.4	2.0	1.8	1.8	1.7	2.0	1.9	1.9	1.9
United States	3.3	3.4	3.6	3.5	3.4	3.4	3.6	3.4	3.2	3.1	2.7	2.5	2.3	2.1	1.9	1.9	2.0	2.1	2.1	2.0
Euro area	4.0	4.3	4.5	4.9	5.0	4.7	4.7	4.9	4.4	4.1	3.6	3.4	3.3	3.0	2.8	2.7	2.6	2.5	2.5	2.5
Total OECD	3.1	3.2	3.3	3.4	3.4	3.3	3.5	3.4	3.2	3.0	2.6	2.5	2.3	2.1	1.9	1.9	1.9	1.9	1.9	1.8

Note: In the case of Ireland and New Zealand where net interest payments are not available, net property income paid is used as a proxy. For Denmark, net interest payments include dividends received. See *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Includes interest payments on the debt of the Inherited Debt Funds from 1995 onwards.
2. Includes interest payments on the debt of the Japan Railway Settlement Corporation and the National Forest Special Account from 1998 onwards.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/823375748244*

Annex Table 32. **General government gross financial liabilities**

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	23.1	21.9	23.2	27.4	30.7	40.1	41.9	39.1	37.4	32.3	28.0	25.0	22.1	20.1	18.8	17.2	16.9	15.0	13.1	11.7
Austria	57.7	57.2	57.2	57.0	61.7	64.9	69.2	69.6	66.0	67.4	70.0	69.6	70.5	71.8	69.8	69.4	69.6	69.1	68.9	68.8
Belgium	122.1	125.9	127.5	136.7	140.8	137.9	135.4	133.2	128.1	122.9	119.6	113.4	111.6	108.1	103.4	98.5	95.0	91.2	88.3	85.7
Canada	72.2	75.2	82.3	90.2	96.3	98.0	101.6	101.7	96.3	95.2	91.4	82.1	82.1	80.6	76.5	72.1	70.8	68.0	66.3	64.1
Czech Republic	..	..	..	..	..	..	..	..	..	..	..	..	..	33.1	40.6	39.8	37.5	39.3	41.3	43.5
Denmark	65.5	66.4	67.2	71.1	85.0	78.9	80.0	77.2	72.7	69.0	63.2	56.3	53.8	54.5	53.4	49.9	41.4	39.7	37.9	36.2
Finland	16.5	16.3	24.6	44.6	57.8	60.8	65.3	66.2	64.5	60.9	54.7	52.3	49.7	49.3	51.2	51.6	48.3	48.2	49.3	49.6
France	38.9	38.6	39.7	43.9	51.0	60.2	62.6	66.3	68.4	69.9	66.5	65.2	63.8	66.8	71.0	73.3	76.1	75.3	74.6	73.4
Germany[1]	39.8	40.4	37.8	40.9	46.2	46.6	55.7	58.9	60.4	62.2	61.5	60.4	59.7	62.1	65.4	68.8	71.1	71.3	69.9	69.3
Greece	..	..	..	..	..	..	111.9	114.0	110.0	107.4	111.2	127.2	131.2	129.5	126.1	127.3	124.2	120.6	117.7	114.8
Hungary	..	..	78.3	80.2	90.9	90.6	88.2	76.0	66.5	64.5	65.3	59.0	58.1	58.9	59.0	62.1	64.5	68.8	69.2	69.6
Iceland	36.4	36.2	38.4	46.2	53.1	55.6	58.9	56.3	53.1	47.9	43.2	40.9	46.4	42.3	40.5	35.0	26.6	24.5	26.1	29.6
Ireland	..	..	..	..	..	..	..	..	..	61.4	50.7	40.7	37.9	35.9	34.7	33.5	32.5	32.5	32.4	32.4
Italy	..	..	..	..	..	..	121.8	128.1	129.7	132.0	125.7	121.0	120.1	119.0	116.9	117.5	120.4	120.8	121.0	121.2
Japan[2]	70.8	68.6	64.8	68.6	74.7	80.2	87.7	95.3	102.3	114.9	128.9	137.1	145.2	154.0	160.2	168.1	173.1	176.2	177.6	177.3
Korea	8.9	7.8	6.7	6.4	5.6	5.2	5.5	5.9	7.5	13.1	15.6	16.3	17.4	16.6	18.4	22.6	24.9	27.9	31.9	33.9
Luxembourg	..	4.7	4.1	4.8	6.0	5.5	5.8	6.3	6.4	6.2	5.6	5.3	6.5	6.5	6.3	6.6	6.0	6.6	7.1	6.7
Netherlands	85.0	84.2	85.3	89.0	93.7	83.8	86.8	85.7	80.9	79.3	70.9	63.7	59.4	60.3	61.4	61.9	61.4	59.4	57.3	55.3
New Zealand	..	..	..	..	..	57.4	51.3	44.9	42.3	42.2	39.6	37.4	35.4	33.6	31.7	29.1	28.2	29.8	29.2	29.2
Norway	32.9	29.4	27.6	32.3	40.6	37.0	40.6	36.6	32.1	31.1	31.3	34.3	33.2	40.5	49.9	53.6	50.6	48.1	44.8	39.4
Poland	..	..	..	..	..	..	51.6	51.4	48.3	43.8	46.6	42.4	37.4	50.3	50.8	49.8	50.6	51.7	52.5	52.9
Portugal	..	..	..	..	..	..	68.8	68.4	64.6	64.9	60.9	60.2	61.6	65.0	66.4	68.4	72.8	74.3	75.1	75.5
Slovak Republic	..	..	..	..	..	..	38.5	37.0	38.6	40.7	51.5	58.7	58.8	51.5	49.8	47.5	41.9	38.4	35.1	32.0
Spain	..	47.7	49.6	51.9	65.5	64.1	68.8	75.6	74.5	74.3	68.4	66.2	61.6	59.8	54.7	52.7	50.1	46.8	44.0	41.3
Sweden	50.9	46.7	55.4	73.9	79.0	83.3	82.0	84.4	82.5	81.3	71.3	63.9	62.9	59.8	59.3	58.9	59.5	56.0	52.4	48.7
Switzerland	32.8	31.3	33.5	38.7	43.2	45.8	47.9	50.5	52.6	55.6	52.6	53.3	52.2	57.7	57.4	58.6	54.7	54.2	53.9	53.4
United Kingdom	36.8	33.1	33.5	39.5	49.3	47.5	52.4	52.2	53.0	53.6	48.5	45.7	41.0	41.3	41.8	43.7	46.7	47.9	49.0	50.2
United States	61.4	63.0	67.7	70.2	71.9	71.1	70.7	70.0	67.6	64.5	61.0	55.2	55.2	57.5	60.8	61.6	61.8	60.9	61.8	62.6
Euro area	46.9	46.5	46.2	49.2	55.4	58.5	72.1	77.3	79.4	79.9	78.2	75.1	73.8	74.1	75.1	76.0	77.3	76.8	75.6	74.5
Total OECD	54.3	54.2	55.9	59.3	63.7	65.2	70.1	72.2	72.5	73.0	72.4	69.6	69.8	71.9	74.2	75.8	76.9	76.9	77.1	76.9

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. General government financial liabilities for Luxembourg follow the definition of debt applied under the Maastricht Treaty rather than the ESA95/SNA93 methodology. Maastricht debt for European Union countries is shown in Annex Table 60. For more details see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Includes the debt of the Inherited Debt Fund from 1995 onwards.
2. Includes the debt of the Japan Railway Settlement Corporation and the National Forest Special Account from 1998 onwards.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/025038710144*

Annex Table 33. **General government net financial liabilities**

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	10.9	10.4	11.3	15.7	21.5	25.8	26.5	21.0	21.2	16.1	15.0	8.8	6.4	4.4	2.7	0.7	-0.8	-2.8	-4.7	-6.0
Austria	34.1	33.7	33.6	34.7	39.1	41.3	45.5	47.3	43.2	41.5	42.1	39.9	40.7	42.2	40.9	42.4	42.3	41.8	41.6	41.4
Belgium	106.4	107.4	108.5	113.6	115.5	114.9	115.1	115.7	111.4	107.3	102.9	97.1	94.6	92.8	90.1	84.2	80.7	76.8	74.0	71.4
Canada	41.1	43.7	50.5	59.1	64.2	67.9	70.7	70.0	64.7	60.8	55.8	46.2	43.7	42.6	38.5	34.4	30.2	27.6	25.5	23.2
Czech Republic	..	..	..	..	..	..	..	..	..	..	..	..	..	-15.9	-7.2	-4.3	-1.9	2.8	7.5	12.1
Denmark	22.7	22.5	25.7	28.1	31.1	31.5	36.0	36.2	33.8	34.9	29.2	24.5	18.9	18.0	17.1	12.1	8.8	6.9	5.2	3.4
Finland[1]	-32.7	-34.9	-33.5	-24.6	-16.0	-16.3	-4.0	-6.7	-7.5	-14.5	-50.1	-31.1	-31.5	-31.4	-39.5	-45.8	-57.4	-60.6	-63.8	-66.4
France	15.3	17.2	18.5	20.0	26.8	29.7	37.5	41.8	42.3	40.5	33.6	35.1	36.7	41.8	44.2	44.3	43.7	43.0	42.1	41.0
Germany[2]	19.9	20.5	10.3	16.6	20.0	20.9	32.3	35.1	34.7	38.4	37.2	36.3	38.6	42.7	45.3	49.3	51.5	51.9	51.3	50.7
Greece	..	..	..	..	..	..	93.5	93.3	86.9	81.9	78.8	99.4	104.3	104.5	97.4	95.9	90.4	86.9	83.8	80.8
Hungary	..	..	-59.1	-47.5	-19.6	2.9	24.1	25.1	24.8	31.3	33.0	30.5	30.1	34.1	34.2	37.4	39.8	43.9	44.6	44.9
Iceland	17.5	19.0	19.7	26.5	34.6	37.6	39.5	39.3	37.3	30.9	23.4	23.4	26.1	22.6	23.6	22.1	10.8	8.5	10.4	13.7
Ireland	..	..	..	..	..	..	..	..	..	42.9	28.1	17.3	13.8	14.9	12.3	9.6	7.0	4.9	3.2	1.7
Italy	..	..	..	..	..	..	98.1	103.7	104.0	107.1	100.6	95.7	95.8	95.5	92.9	92.8	95.1	95.4	95.7	95.8
Japan[3]	40.7	26.1	13.3	14.7	18.1	20.8	25.0	29.4	35.1	46.6	54.1	60.4	66.1	72.8	77.3	82.2	86.4	89.5	91.6	93.0
Korea	-15.5	-16.5	-15.3	-14.7	-15.5	-16.1	-17.4	-19.0	-21.5	-23.1	-23.9	-27.0	-30.0	-31.8	-30.0	-29.8	-30.3	-30.2	-29.9	-27.8
Netherlands	29.2	32.1	33.2	39.0	43.4	43.1	52.4	51.3	48.9	47.3	36.4	34.8	33.0	34.9	36.2	37.6	35.7	33.7	31.6	29.3
New Zealand	..	..	..	..	..	44.4	38.1	32.8	30.2	28.1	25.8	23.7	20.6	16.4	11.2	5.2	-1.0	-3.5	-3.9	-4.0
Norway	-40.6	-40.4	-36.7	-34.5	-31.4	-30.0	-35.3	-39.9	-48.3	-51.6	-58.5	-68.6	-86.6	-83.2	-98.0	-107.3	-126.7	-149.3	-163.9	-172.7
Poland	..	..	..	..	..	..	-15.0	-5.7	0.3	6.3	13.4	12.7	12.2	16.2	16.2	14.0	15.2	16.6	17.2	17.7
Portugal	..	..	..	..	..	..	25.1	27.3	27.2	32.9	29.6	29.9	30.5	34.6	37.4	41.2	44.5	46.6	47.7	48.4
Slovak Republic	..	..	..	..	..	..	-27.9	-17.3	-9.9	-5.2	-4.4	10.4	15.6	-6.4	-5.5	-2.1	-8.0	-11.7	-15.2	-18.5
Spain	..	31.3	33.4	34.3	42.5	42.3	48.1	52.6	51.8	50.9	45.1	42.8	40.4	38.9	35.5	33.3	29.9	26.7	24.0	21.3
Sweden	-6.1	-8.0	-5.1	4.6	10.6	20.9	25.9	25.9	23.3	20.1	9.3	1.4	-3.1	2.3	-2.1	-5.7	-12.8	-15.0	-16.6	-18.3
Switzerland	..	..	..	..	..	..	..	..	..	..	24.5	20.4	20.8	23.8	24.6	25.5	21.4	21.0	20.6	20.1
United Kingdom	15.3	14.6	15.2	22.2	32.0	32.7	38.5	40.6	42.8	44.3	39.6	36.4	33.1	33.8	34.3	36.5	40.0	41.7	42.9	44.0
United States	44.1	45.2	48.9	52.4	54.9	54.5	53.7	52.9	49.8	45.9	41.0	36.2	35.2	37.9	40.9	42.7	43.5	42.8	43.6	44.4
Euro area	22.1	23.4	21.8	23.7	28.6	30.9	46.9	52.4	53.8	54.1	51.1	48.3	48.6	50.5	51.6	52.0	52.1	51.3	50.2	49.0
Total OECD	31.4	30.4	29.6	32.7	36.7	38.1	42.6	44.6	44.4	44.3	41.8	39.0	38.8	41.0	42.8	44.0	44.7	44.4	44.6	44.6

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 in respect of their employee pension plans may be different (see note to Annex Table 32). Second, a 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. From 1995 onwards housing corporation shares are no longer classified as financial assets.
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 80 database.

StatLink: *http://dx.doi.org/10.1787/350403382485*

Annex Table 34. **Short-term interest rates**

Per cent, per annum

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter		
																		2006	2007	2008
Australia	6.5	5.2	5.7	7.7	7.2	5.4	5.0	5.0	6.2	4.9	4.7	4.9	5.5	5.6	6.0	6.3	5.9	6.5	6.1	5.6
Austria	9.5	7.0	5.1	4.6	3.4	3.5	3.6													
Belgium	9.4	8.2	5.7	4.8	3.2	3.4	3.6													
Canada	6.7	5.0	5.5	7.1	4.5	3.6	5.1	4.9	5.7	4.0	2.6	3.0	2.3	2.8	4.2	4.3	4.3	4.3	4.3	4.3
Czech Republic	..	13.1	9.1	10.9	12.0	16.0	14.3	6.9	5.4	5.2	3.5	2.3	2.4	2.0	2.3	3.3	3.7	2.6	3.7	3.7
Denmark	11.0	10.4	6.1	6.1	3.9	3.7	4.1	3.3	4.9	4.6	3.5	2.4	2.1	2.2	3.1	3.8	4.1	3.5	3.9	4.1
Finland	13.3	7.8	5.4	5.8	3.6	3.2	3.6													
France	10.3	8.6	5.8	6.6	3.9	3.5	3.6													
Germany	9.5	7.3	5.4	4.5	3.3	3.3	3.5													
Greece	21.7	21.3	19.3	15.5	12.8	10.4	11.6	8.9	4.4											
Hungary	..	17.2	26.9	32.0	24.0	20.1	18.0	14.7	11.0	10.8	8.9	8.2	11.3	7.0	6.8	7.6	7.3	7.8	7.3	7.3
Iceland	10.5	8.8	4.9	7.0	7.0	7.1	7.5	9.3	11.2	12.0	9.0	5.3	6.3	9.4	12.4	12.9	8.6	14.2	11.0	7.5
Ireland	14.3	9.1	5.9	6.2	5.4	6.1	5.4													
Italy	14.0	10.2	8.5	10.5	8.8	6.9	5.0													
Japan	4.5	3.0	2.2	1.2	0.6	0.6	0.7	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.2	0.4	0.9	0.4	0.5	1.2
Korea	16.4	13.0	13.3	14.1	12.7	13.4	15.2	6.8	7.1	5.3	4.8	4.3	3.8	3.7	4.5	5.0	4.7	4.8	5.0	4.7
Luxembourg	9.4	8.2	5.7	4.8	3.2	3.4	3.6													
Mexico	15.9	15.5	14.6	48.2	32.9	21.3	26.2	22.4	16.2	12.2	7.5	6.5	7.1	9.3	7.3	6.7	6.2	7.2	6.4	6.2
Netherlands	9.4	6.9	5.2	4.4	3.0	3.3	3.5													
New Zealand	6.7	6.3	6.7	9.0	9.3	7.7	7.3	4.8	6.5	5.7	5.7	5.4	6.1	7.1	7.5	6.5	5.5	7.5	5.8	5.3
Norway	11.8	7.3	5.9	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	5.6	3.6	5.6	5.6
Poland	..	34.9	31.8	27.7	21.3	23.1	19.9	14.7	18.9	15.7	8.8	5.7	6.2	5.2	4.2	4.5	4.9	4.2	4.7	4.9
Portugal	16.1	12.5	11.1	9.8	7.4	5.7	4.3													
Slovak Republic	..	..	..	..	11.5	20.2	18.1	14.8	8.2	7.5	7.5	5.9	4.4	2.6	4.1	5.0	4.4	4.8	4.9	4.2
Spain	13.3	11.7	8.0	9.4	7.5	5.4	4.2													
Sweden	12.9	8.4	7.4	8.7	5.8	4.1	4.2	3.1	4.0	4.0	4.1	3.0	2.1	1.7	2.3	3.9	4.7	2.7	4.6	4.6
Switzerland	7.9	4.9	4.2	2.9	2.0	1.6	1.5	1.4	3.2	2.9	1.1	0.3	0.5	0.8	1.6	2.4	3.0	2.0	2.8	3.0
Turkey	..	..	..	..	..	..	..	..	38.9	92.4	59.5	38.5	23.8	15.6	18.3	19.8	16.8	22.1	18.8	15.5
United Kingdom	9.6	5.9	5.5	6.7	6.0	6.8	7.3	5.4	6.1	5.0	4.0	3.7	4.6	4.7	4.8	5.0	4.8	5.0	5.0	4.8
United States	3.8	3.2	4.7	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	5.0	5.3	5.2	4.9
Euro area	11.2	8.6	6.3	6.5	4.8	4.3	3.9	3.0	4.4	4.3	3.3	2.3	2.1	2.2	3.1	3.8	4.0	3.5	3.9	4.1

Note: Three-month money market rates where available, or rates on proximately similar financial instruments. 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) since their short term interest rates are equal to the euro area rate.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/207453674142*

Annex Table 35. **Long-term interest rates**

Per cent, per annum

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Fourth quarter 2006	Fourth quarter 2007	Fourth quarter 2008
Australia	9.2	7.3	9.0	9.2	8.2	6.9	5.5	6.1	6.3	5.6	5.8	5.4	5.6	5.3	5.7	5.8	5.5	5.8	5.7	5.5
Austria	8.1	6.7	7.0	7.1	6.3	5.7	4.7	4.7	5.6	5.1	5.0	4.2	4.2	3.4	3.8	4.0	4.3	3.9	4.1	4.4
Belgium	8.7	7.2	7.7	7.4	6.3	5.6	4.7	4.7	5.6	5.1	4.9	4.1	4.1	3.4	3.8	4.0	4.3	3.9	4.1	4.4
Canada	8.1	7.2	8.4	8.2	7.2	6.1	5.3	5.5	5.9	5.5	5.3	4.8	4.6	4.1	4.2	4.2	4.4	4.1	4.3	4.5
Czech Republic	..	..	..	..	..	..	..	..	..	6.3	4.9	4.1	4.8	3.5	3.9	4.6	5.0	4.1	4.9	5.0
Denmark	9.0	7.3	7.8	8.3	7.2	6.3	5.0	4.9	5.7	5.1	5.1	4.3	4.3	3.4	3.8	3.9	4.2	3.7	4.0	4.3
Finland	12.0	8.8	9.0	8.8	7.1	6.0	4.8	4.7	5.5	5.0	5.0	4.1	4.1	3.4	3.8	4.1	4.3	3.9	4.2	4.4
France	8.6	6.8	7.2	7.5	6.3	5.6	4.6	4.6	5.4	4.9	4.9	4.1	4.1	3.4	3.8	4.0	4.2	3.8	4.1	4.3
Germany	7.9	6.5	6.9	6.9	6.2	5.7	4.6	4.5	5.3	4.8	4.8	4.1	4.0	3.4	3.8	4.0	4.2	3.8	4.1	4.3
Greece	..	..	..	..	..	9.8	8.5	6.3	6.1	5.3	5.1	4.3	4.3	3.6	4.1	4.1	4.4	4.0	4.2	4.5
Iceland	13.1	13.4	7.0	9.7	9.2	8.7	7.7	8.5	11.2	10.4	8.0	6.7	7.5	9.0	12.4	12.5	10.1	13.6	11.6	9.0
Ireland	9.3	7.6	8.0	8.2	7.2	6.3	4.7	4.8	5.5	5.0	5.0	4.1	4.1	3.3	3.8	4.0	4.3	3.9	4.1	4.4
Italy	13.3	11.2	10.5	12.2	9.4	6.9	4.9	4.7	5.6	5.2	5.0	4.3	4.3	3.6	4.1	4.3	4.6	4.2	4.4	4.7
Japan	5.3	4.3	4.4	3.4	3.1	2.4	1.5	1.7	1.7	1.3	1.3	1.0	1.5	1.4	1.8	2.1	2.7	1.7	2.4	3.0
Korea	15.1	12.1	12.3	12.4	10.9	11.7	12.8	8.7	8.5	6.7	6.5	5.0	4.5	4.7	5.1	5.3	5.3	5.0	5.6	5.2
Luxembourg	..	..	7.2	7.2	6.3	5.6	4.7	4.7	5.5	4.9	4.7	3.3	2.8	2.4	3.2	3.5	3.8	3.4	3.6	3.9
Mexico	16.1	15.6	13.8	39.9	34.4	22.4	24.8	24.1	16.9	13.8	8.5	7.4	7.7	9.3	7.6	7.2	6.7	7.6	6.9	6.7
Netherlands	8.1	6.4	6.9	6.9	6.2	5.6	4.6	4.6	5.4	5.0	4.9	4.1	4.1	3.4	3.8	4.0	4.3	3.8	4.1	4.4
New Zealand	8.4	6.9	7.6	7.8	7.9	7.2	6.3	6.4	6.9	6.4	6.5	5.9	6.1	5.9	5.8	5.5	5.5	5.8	5.5	5.5
Norway	9.6	6.9	7.4	7.4	6.8	5.9	5.4	5.5	6.2	6.2	6.4	5.0	4.4	3.7	4.1	5.5	6.0	4.4	5.9	6.0
Portugal	..	..	10.5	11.5	8.6	6.4	4.9	4.8	5.6	5.2	5.0	4.2	4.1	3.4	3.9	4.1	4.4	4.0	4.2	4.5
Slovak Republic	..	..	..	..	9.7	9.4	21.7	16.2	9.8	8.1	6.9	5.0	5.0	3.5	4.6	4.9	4.4	4.9	4.5	4.4
Spain	11.7	10.2	10.0	11.3	8.7	6.4	4.8	4.7	5.5	5.1	5.0	4.1	4.1	3.4	3.8	4.0	4.2	3.8	4.1	4.3
Sweden	10.0	8.5	9.5	10.2	8.0	6.6	5.0	5.0	5.4	5.1	5.3	4.6	4.4	3.4	3.8	4.5	4.9	3.9	4.9	4.9
Switzerland	6.4	4.6	5.0	4.5	4.0	3.4	3.0	3.0	3.9	3.4	3.2	2.7	2.7	2.1	2.6	2.9	3.2	2.6	3.1	3.2
Turkey	..	..	..	..	..	..	..	..	37.7	99.6	63.5	44.1	24.9	16.2	17.9	18.9	16.2	20.9	18.0	15.0
United Kingdom	9.1	7.5	8.2	8.2	7.8	7.1	5.5	5.1	5.3	4.9	4.9	4.5	4.9	4.4	4.5	4.7	4.8	4.6	4.7	4.9
United States	7.0	5.9	7.1	6.6	6.4	6.4	5.3	5.6	6.0	5.0	4.6	4.0	4.3	4.3	4.8	4.8	4.9	4.7	4.8	5.0
Euro area	9.7	7.8	8.0	8.4	7.1	6.0	4.8	4.7	5.4	5.0	4.9	4.1	4.1	3.4	3.8	4.0	4.3	3.9	4.1	4.4

Note: 10-year benchmark government bond yields where available or yield on proximately similar financial instruments (for Korea a 5-year bond is used). See also *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/203366306372*

Annex Table 36. **Nominal exchange rates (*vis-à-vis* the US dollar)**

Average of daily rates

	Monetary unit	1996	1997	1998	1999	1999	2000	2001	2002	2003	2004	2005	Estimates and assumptions[1]		
													2006	2007	2008
Australia	*Dollar*	1.277	1.348	1.592	1.550	1.550	1.727	1.935	1.841	1.542	1.359	1.313	1.332	1.313	1.313
Austria	*Schilling*	10.58	12.20	12.38	12.91										
Belgium	*Franc*	30.98	35.76	36.30	37.86										
Canada	*Dollar*	1.364	1.385	1.483	1.486	1.486	1.485	1.548	1.570	1.400	1.301	1.212	1.133	1.138	1.138
Czech Republic	*Koruny*	27.15	31.70	32.28	34.59	34.59	38.64	38.02	32.73	28.13	25.69	23.95	22.67	21.92	21.923
Denmark	*Krone*	5.798	6.604	6.699	6.980	6.980	8.088	8.321	7.884	6.577	5.988	5.996	5.961	5.824	5.824
Finland	*Markka*	4.592	5.187	5.345	5.580										
France	*Franc*	5.116	5.837	5.899	6.156										
Germany	*Deutschemark*	1.505	1.734	1.759	1.836										
Greece	*Drachma*	240.7	272.9	295.3	319.8										
Hungary	*Forint*	152.6	186.6	214.3	237.1	237.1	282.3	286.5	257.9	224.3	202.6	199.5	211.5	202.8	202.8
Iceland	*Krona*	66.69	70.97	71.17	72.43	72.43	78.84	97.67	91.59	76.69	70.19	62.88	69.68	68.09	68.09
Ireland	*Pound*	0.625	0.660	0.703	0.739										
Italy	*Lira*	1543	1703	1736	1817										
Japan	*Yen*	108.8	121.0	130.9	113.9	113.9	107.8	121.5	125.3	115.9	108.1	110.1	116.5	118.1	118.1
Korea	*Won*	804.4	950.5	1 400.5	1 186.7	1 186.7	1 130.6	1 290.4	1 251.0	1 191.0	1 145.2	1 024.2	952.6	935.0	935.0
Luxembourg	*Franc*	30.98	35.76	36.30	37.86										
Mexico	*Peso*	7.601	7.924	9.153	9.553	9.553	9.453	9.344	9.660	10.790	11.281	10.890	10.907	10.924	10.924
Netherlands	*Guilder*	1.686	1.951	1.983	2.068										
New Zealand	*Dollar*	1.454	1.513	1.869	1.892	1.892	2.205	2.382	2.163	1.724	1.509	1.421	1.549	1.518	1.518
Norway	*Krone*	6.457	7.072	7.545	7.797	7.797	8.797	8.993	7.986	7.078	6.739	6.441	6.437	6.419	6.419
Poland	*Zloty*	2.695	3.277	3.492	3.964	3.964	4.346	4.097	4.082	3.888	3.651	3.234	3.114	2.987	2.987
Portugal	*Escudo*	154.2	175.2	180.1	188.2										
Slovak Republic	*Koruna*	30.7	33.62	35.23	41.36	41.36	46.23	48.35	45.30	36.76	32.23	31.04	29.83	28.15	28.152
Spain	*Peseta*	126.7	146.4	149.4	156.2										
Sweden	*Krona*	6.707	7.635	7.947	8.262	8.262	9.161	10.338	9.721	8.078	7.346	7.472	7.400	7.102	7.102
Switzerland	*Franc*	1.236	1.450	1.450	1.503	1.503	1.688	1.687	1.557	1.345	1.243	1.246	1.257	1.245	1.245
Turkey	*Lira*	0.081	0.152	0.260	0.419	0.419	0.624	1.228	1.512	1.503	1.426	1.341	1.433	1.507	1.572
United Kingdom	*Pound*	0.641	0.611	0.604	0.618	0.618	0.661	0.694	0.667	0.612	0.546	0.550	0.545	0.526	0.526
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	1.085	1.117	1.061	0.885	0.805	0.805	0.799	0.781	0.781
	SDR	0.689	0.726	0.737	0.731	0.731	0.758	0.785	0.773	0.714	0.675	0.677	0.681	0.673	0.673

Note: No rate are shown for individual euro area countries after 1999.

1. On the technical assumption that exchange rates remain at their levels of 13 November 2006, except for Turkey, where the exchange rate develops according to the inflation differential vis-à-vis the United States.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/744527346020*

Annex Table 37. **Effective exchange rates**

Indices 2000 = 100, average of daily rates

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Estimates and assumptions[1] 2006	2007	2008
Australia	99.5	107.2	103.9	113.9	115.4	107.4	107.6	100.0	93.7	97.2	108.6	117.1	120.0	118.0	118.5	118.5
Austria	95.6	97.8	102.5	101.5	99.6	101.6	102.3	100.0	100.4	101.0	104.4	105.5	104.7	104.8	105.1	105.3
Belgium	97.9	102.2	107.9	106.2	102.0	104.4	104.1	100.0	101.2	103.0	108.3	110.2	109.7	109.8	110.3	110.4
Canada	107.7	102.8	102.0	103.9	104.3	99.4	99.1	100.0	97.0	95.5	105.5	112.0	119.8	127.9	126.9	126.9
Czech Republic	94.7	98.1	98.8	100.4	97.4	99.1	98.7	100.0	105.0	117.0	116.7	117.0	124.3	130.4	132.0	132.1
Denmark	98.2	100.5	105.7	104.7	102.3	104.9	104.2	100.0	101.8	103.3	108.1	109.5	108.6	108.5	109.0	109.1
Finland	79.5	90.1	103.6	101.1	98.9	101.7	104.7	100.0	102.1	104.2	110.3	112.4	111.5	111.3	111.9	111.9
France	97.4	100.4	104.5	104.9	102.1	104.5	103.8	100.0	100.9	102.5	107.4	109.0	108.4	108.5	108.9	109.0
Germany	93.9	98.5	106.0	104.5	100.9	104.6	104.5	100.0	101.2	103.1	109.4	111.6	110.3	110.3	110.9	111.2
Greece	120.5	115.1	113.8	111.9	109.9	106.6	107.0	100.0	101.0	102.8	107.8	109.5	108.5	108.5	109.0	109.1
Hungary	214.4	192.8	153.0	130.3	120.7	109.3	105.4	100.0	101.9	108.9	108.3	110.4	111.1	103.7	106.0	106.1
Iceland	97.1	92.9	93.3	92.8	94.8	97.4	99.0	100.0	85.2	87.9	92.0	93.1	103.5	93.2	93.3	93.4
Ireland	107.4	109.2	111.2	114.1	113.9	110.5	107.3	100.0	101.2	103.6	112.6	115.1	114.9	115.0	115.6	115.7
Italy	99.2	99.1	91.3	100.5	101.8	104.0	103.8	100.0	101.3	103.2	108.3	110.1	109.2	109.3	109.8	110.0
Japan	74.4	86.4	92.5	80.6	77.1	80.0	91.9	100.0	92.3	88.4	91.5	95.3	92.4	85.4	83.3	83.3
Korea	117.8	119.1	119.5	121.4	112.4	81.3	93.3	100.0	92.4	95.4	94.8	94.8	105.6	114.0	115.6	115.6
Luxembourg	99.2	102.0	105.4	104.3	102.0	103.0	102.8	100.0	100.4	101.5	104.9	106.1	105.5	105.5	105.8	105.9
Mexico	272.4	263.8	138.6	117.7	115.5	102.6	97.9	100.0	102.8	99.7	87.1	81.9	84.3	83.8	83.4	83.4
Netherlands	97.2	101.8	108.8	107.3	102.1	105.7	105.4	100.0	101.4	103.7	110.8	113.4	112.7	112.5	113.1	113.2
New Zealand	102.0	109.4	116.9	124.3	127.3	114.3	110.3	100.0	98.7	106.8	121.5	129.7	135.8	125.0	126.2	126.3
Norway	100.0	100.8	104.5	104.6	105.6	102.4	102.2	100.0	103.3	112.1	109.7	106.0	110.6	110.0	108.1	108.1
Poland	170.5	139.2	122.7	114.4	106.3	104.0	97.0	100.0	110.2	105.4	94.8	92.7	103.6	106.8	109.0	109.1
Portugal	102.5	101.7	104.9	104.5	103.1	103.0	102.4	100.0	100.9	102.0	104.8	105.5	104.9	104.9	104.8	104.8
Slovak Republic	98.2	97.1	100.4	101.3	106.0	105.9	98.3	100.0	97.6	98.0	103.6	108.0	110.1	113.1	117.0	117.1
Spain	111.0	105.7	106.0	107.1	102.8	104.0	103.1	100.0	101.1	102.5	106.3	107.5	106.9	107.0	107.3	107.4
Sweden	92.5	93.6	94.0	103.5	100.2	99.9	99.7	100.0	91.9	94.1	99.5	101.3	98.7	99.0	101.3	101.4
Switzerland	86.8	95.6	104.0	102.7	96.9	101.0	101.8	100.0	104.0	109.3	111.1	111.5	110.6	108.9	107.9	107.9
Turkey	4239.0	1719.1	990.8	581.1	345.5	207.8	137.2	100.0	56.3	41.8	36.8	35.9	37.7	35.2	32.7	31.3
United Kingdom	76.6	79.0	76.4	78.1	91.1	97.0	97.4	100.0	99.0	100.2	96.3	100.8	99.3	99.7	101.8	101.8
United States	72.7	76.9	78.5	82.9	88.8	98.0	97.6	100.0	105.3	105.8	99.6	95.1	92.6	91.1	90.3	90.4
Euro area	94.2	100.8	109.5	111.7	104.6	110.8	109.9	100.0	102.5	106.4	119.3	123.8	121.8	121.8	123.1	123.5

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 13 November 2006, except for Turkey, where the exchange rate develops according to the inflation differential vis-à-vis the United States.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/825621707765*

Annex Table 38. **Export volumes of goods and services**

National accounts basis, percentage changes from previous year

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	2.9	8.4	13.2	5.5	8.2	9.2	5.0	10.6	11.5	0.0	5.2	10.8	2.3	0.1	-2.3	4.1	2.1	2.7	4.4	8.8
Austria	9.7	7.6	4.0	1.3	-1.5	5.3	5.9	4.7	11.8	8.4	6.2	10.5	7.1	3.7	2.6	9.5	6.9	7.5	6.8	7.4
Belgium	8.2	4.6	3.1	3.7	-0.4	8.3	5.0	2.9	6.0	5.9	5.1	8.7	0.8	0.8	2.9	5.7	3.3	3.1	4.3	5.0
Canada	1.0	4.7	1.8	7.2	10.8	12.7	8.5	5.6	8.3	9.1	10.7	8.9	-3.0	1.2	-2.4	5.2	2.1	1.3	1.7	3.6
Czech Republic	..	..	..	..	..	0.2	16.7	5.7	8.3	10.4	4.9	18.0	10.9	1.9	7.2	20.6	10.7	11.9	10.8	11.6
Denmark	4.7	6.7	6.5	0.5	1.0	8.4	3.2	4.2	4.9	4.1	11.6	12.7	3.1	4.1	-1.2	2.7	8.4	12.3	7.0	6.1
Finland	2.6	2.0	-7.3	9.7	16.6	13.3	8.2	5.9	14.1	9.5	11.3	16.4	2.6	2.8	-1.7	7.8	7.2	11.3	8.1	7.1
France[1]	10.6	4.6	5.7	5.4	-0.3	7.9	7.8	2.8	12.5	7.7	4.0	12.9	2.7	1.3	-1.1	3.3	3.2	7.7	5.7	6.3
Germany	10.7	12.4	11.1	-2.0	-4.8	8.1	6.6	6.2	11.8	7.5	5.6	14.1	6.8	4.3	2.3	8.8	7.1	10.4	6.2	7.3
Greece	2.0	-3.5	4.1	10.0	-2.6	7.4	3.0	3.5	20.0	5.3	18.1	14.1	-1.0	-7.7	1.0	11.7	2.9	5.4	4.8	6.7
Hungary	..	..	..	..	..	13.7	36.4	12.1	22.3	17.6	12.2	22.0	8.1	3.9	6.2	15.7	11.6	14.3	10.5	9.5
Iceland	2.9	0.0	-5.9	-2.0	6.5	9.3	-2.3	9.9	5.6	2.5	3.9	4.3	7.4	3.8	1.6	8.4	7.1	-0.3	12.5	11.8
Ireland	10.3	8.7	5.7	13.9	9.7	15.1	20.0	12.5	17.6	23.1	15.5	20.2	8.8	4.6	0.4	7.3	3.9	5.0	6.0	6.0
Italy	9.2	6.3	-2.1	6.0	8.9	10.2	12.7	-0.3	3.9	0.7	-1.8	9.6	0.3	-4.0	-2.2	2.5	0.7	5.1	3.5	4.4
Japan	9.3	6.7	4.1	3.9	-0.1	3.6	4.3	6.2	11.3	-2.4	1.5	12.2	-6.7	7.6	9.0	13.9	7.0	10.4	7.2	6.9
Korea	-4.0	4.5	11.1	12.2	12.2	16.3	24.4	12.2	21.6	12.7	14.6	19.1	-2.7	13.3	15.6	19.6	8.5	12.9	11.0	12.1
Luxembourg	12.6	5.6	9.2	2.7	4.8	7.7	4.6	2.3	11.4	11.2	14.2	12.6	4.5	2.1	3.5	10.1	8.0	15.0	9.1	8.3
Mexico	5.7	5.3	5.1	5.0	8.1	17.8	30.2	18.2	10.7	12.2	12.3	16.3	-3.6	1.4	2.7	11.6	6.9	11.1	5.0	6.0
Netherlands	7.5	5.6	5.6	1.8	4.8	9.7	8.8	4.6	8.8	7.4	5.1	11.3	1.6	0.9	1.5	8.0	5.5	8.3	7.3	6.7
New Zealand	-1.0	4.8	10.6	3.8	4.8	9.9	3.8	3.8	3.9	1.5	7.9	7.0	3.4	6.3	2.6	5.4	-0.5	2.4	6.6	8.1
Norway	11.0	8.6	6.1	4.7	3.2	8.4	4.9	10.2	7.7	0.6	2.8	4.0	5.0	-0.8	0.2	0.6	0.7	1.8	3.4	3.8
Poland	..	..	..	..	..	13.1	22.9	12.0	12.2	14.4	-2.5	23.2	3.1	4.8	14.2	14.0	8.0	15.5	9.5	10.1
Portugal	12.2	9.5	1.2	3.2	-3.3	8.4	8.8	5.7	6.1	8.5	3.0	8.4	1.8	1.5	3.7	4.5	0.9	8.3	5.0	5.7
Slovak Republic	..	..	..	..	..	14.8	4.5	0.5	10.0	16.4	12.2	8.9	6.8	4.7	15.9	7.9	13.8	17.1	14.9	9.6
Spain	1.4	4.7	8.3	7.5	7.8	16.7	9.4	10.3	15.0	8.0	7.5	10.2	4.2	2.0	3.7	4.1	1.5	6.5	5.2	5.2
Sweden	3.2	1.8	-1.9	2.2	8.3	13.8	11.4	4.5	13.2	8.5	7.7	11.3	0.8	0.9	4.4	10.7	6.6	7.9	7.8	7.5
Switzerland	6.1	2.8	-1.3	3.1	1.3	1.9	0.5	3.6	11.1	3.9	6.5	12.2	0.2	-0.7	-0.4	8.4	6.4	8.4	6.0	6.2
Turkey	-0.3	2.6	3.7	11.0	7.7	15.2	8.0	22.0	19.1	12.0	-7.0	19.2	7.4	11.1	16.0	12.5	8.5	6.6	8.3	10.2
United Kingdom	4.5	5.5	-0.1	4.4	4.4	9.2	9.5	8.9	8.2	3.0	3.8	9.1	2.9	1.0	1.7	4.9	7.1	12.8	5.6	9.1
United States[1]	11.5	9.0	6.6	6.9	3.2	8.7	10.1	8.4	11.9	2.4	4.3	8.7	-5.4	-2.3	1.3	9.2	6.8	8.5	6.3	6.9
Total OECD	7.9	6.9	4.8	4.4	2.9	8.9	9.1	6.6	10.8	5.1	5.3	11.5	0.1	1.8	2.6	8.4	5.7	8.7	6.3	7.1

Note: Regional aggregates are calculated inclusive of intra-regional trade as the sum of volumes expressed in 2000 US$.

1. Volume data use hedonic price deflators for certain components.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/258783546463*

Annex Table 39. **Import volumes of goods and services**

National accounts basis, percentage changes from previous year

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	20.6	-4.0	-2.4	7.1	4.2	14.2	8.1	8.2	10.3	6.5	8.8	7.5	-4.3	11.1	10.4	15.1	8.2	5.8	6.0	8.0
Austria	9.4	7.3	4.8	2.1	2.9	3.5	5.0	4.3	7.4	5.7	5.4	9.6	5.1	0.8	4.3	8.3	6.1	5.9	6.6	7.0
Belgium	9.7	4.9	2.9	4.1	-0.4	7.3	4.7	2.1	5.3	7.1	4.4	9.2	-0.1	0.2	2.8	6.2	4.1	3.0	4.8	5.4
Canada	5.9	2.0	2.5	4.7	7.4	8.0	5.7	5.1	14.2	5.1	7.8	8.1	-5.1	1.7	4.5	8.2	7.1	5.8	3.7	4.0
Czech Republic	..	..	..	..	..	7.8	21.2	12.2	6.7	8.3	4.5	17.4	12.5	4.9	8.0	17.8	5.0	11.4	11.1	11.6
Denmark	5.0	2.3	3.6	0.1	-1.1	12.8	7.4	3.3	9.5	8.5	3.5	13.0	1.9	7.5	-1.7	6.4	11.8	16.9	7.9	8.0
Finland	9.1	-0.7	-13.4	0.4	1.6	12.9	7.6	6.4	11.6	8.2	3.6	16.4	1.0	2.5	3.3	7.4	12.3	8.3	8.6	7.3
France[1]	8.2	4.6	2.3	1.0	-3.7	8.8	6.4	2.2	7.6	10.8	5.8	15.1	2.2	1.6	1.5	6.0	6.4	8.8	6.7	6.6
Germany	9.0	11.8	10.9	1.7	-4.6	8.3	6.8	3.7	8.3	9.0	8.3	10.7	1.5	-1.4	5.3	6.2	6.7	10.0	5.3	7.6
Greece	10.5	8.4	5.8	1.1	0.6	1.5	8.9	7.0	14.2	9.2	15.0	15.1	-5.2	-1.4	4.5	9.3	-1.2	7.3	5.7	6.8
Hungary	..	..	..	..	..	8.8	15.1	9.4	23.1	23.8	13.3	20.2	5.3	6.8	9.3	14.1	6.8	10.5	7.7	7.2
Iceland	-10.3	1.0	5.3	-6.0	-7.5	3.8	3.6	16.5	8.0	23.4	4.4	8.6	-9.1	-2.6	10.8	14.4	28.9	5.2	-4.1	-1.0
Ireland	13.5	5.1	2.4	8.2	7.5	15.5	16.4	12.5	16.7	27.6	12.4	21.6	7.2	2.5	-1.4	8.6	6.5	5.4	7.3	6.8
Italy	9.4	9.0	2.2	5.9	-11.5	8.5	9.6	-1.9	9.2	8.1	2.9	6.4	-0.3	-0.5	1.0	1.9	1.8	3.4	3.7	5.8
Japan	16.9	7.8	-1.1	-0.7	-1.4	7.9	13.3	13.1	0.7	-6.7	3.7	8.5	0.9	0.9	3.9	8.5	6.2	5.3	3.1	4.4
Korea	17.5	13.8	18.6	5.4	6.0	21.3	23.0	14.3	3.5	-21.8	27.8	20.1	-4.2	15.2	10.1	13.9	6.9	12.7	10.6	11.8
Luxembourg	9.1	5.0	9.1	-3.1	5.2	6.7	4.2	4.9	12.6	11.8	14.8	10.5	6.0	1.0	5.5	10.3	9.3	12.7	9.4	8.5
Mexico	18.0	19.7	15.2	19.6	1.9	21.3	-15.0	22.9	22.7	16.6	14.1	21.5	-1.6	1.5	0.7	11.6	8.7	12.2	6.3	7.2
Netherlands	7.7	3.8	4.9	1.5	0.3	9.4	10.5	4.4	9.5	8.5	5.8	10.5	2.2	0.3	1.8	6.4	5.1	8.3	6.8	4.9
New Zealand	14.4	3.6	-5.2	8.3	5.4	13.1	8.7	7.6	2.1	1.3	12.1	-0.4	2.0	9.6	8.6	16.4	6.2	-3.0	3.8	6.3
Norway	2.2	2.5	0.5	1.6	4.9	5.8	5.7	8.8	12.4	8.5	-1.8	2.7	0.9	0.7	1.1	8.9	7.4	7.9	4.9	4.3
Poland	..	..	..	..	..	11.3	24.2	28.0	21.4	18.6	1.0	15.5	-5.3	2.7	9.3	15.2	4.7	14.8	9.8	9.6
Portugal	5.9	14.5	7.2	10.7	-3.3	8.8	7.4	5.2	9.8	14.2	8.6	5.3	0.9	-0.7	-0.4	6.8	1.8	3.2	3.7	5.2
Slovak Republic	..	..	..	..	..	-4.7	11.6	17.3	10.2	16.5	0.4	8.2	13.5	4.6	7.6	8.8	16.6	15.7	11.9	9.2
Spain	17.7	9.6	10.3	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	7.0	8.3	6.6	6.6
Sweden	7.7	0.7	-4.9	1.5	-2.2	12.3	7.4	3.9	11.9	11.3	4.9	11.4	-2.6	-1.9	5.1	6.8	6.6	7.6	8.2	7.8
Switzerland	5.8	3.2	-1.9	-3.8	-0.1	7.7	4.3	3.2	8.3	7.5	4.3	9.6	3.2	-2.6	1.0	7.4	5.3	8.8	6.1	6.1
Turkey	6.9	33.0	-5.2	10.9	35.8	-21.9	29.6	20.5	22.4	2.3	-3.7	25.4	-24.8	15.8	27.1	24.7	11.5	9.0	8.3	9.2
United Kingdom	7.4	0.5	-4.5	6.8	3.3	5.8	5.6	9.8	9.8	9.2	7.9	9.0	4.8	4.8	2.0	6.6	6.5	12.1	5.2	8.3
United States[1]	4.4	3.6	-0.6	6.9	8.7	11.9	8.0	8.7	13.6	11.6	11.5	13.1	-2.7	3.4	4.1	10.8	6.1	6.3	4.1	5.4
Total OECD	8.8	5.9	2.4	4.1	1.2	9.5	8.2	7.4	9.9	7.4	8.3	11.8	-0.2	2.4	4.0	8.8	6.3	8.0	5.5	6.5

Note: Regional aggregates are calculated inclusive of intra-regional trade as the sum of volumes expressed in 2000 US$.

1. Volume data use hedonic price deflators for certain components.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/447846483161*

Annex Table 40. **Export prices of goods and services**

National accounts basis, percentage changes from previous year, national currency terms

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	5.9	1.1	-5.2	2.0	0.9	-4.0	5.9	-2.5	-0.2	2.2	-5.5	13.3	6.7	-2.0	-5.3	4.3	12.7	11.4	0.8	0.6
Austria	2.5	1.0	0.6	0.0	0.3	1.1	1.9	1.1	1.2	0.4	0.6	1.4	0.7	0.2	-0.4	1.0	2.7	2.3	1.7	1.3
Belgium	7.3	-1.7	-0.6	-1.1	-1.3	1.3	1.6	1.6	4.4	-1.1	-0.3	9.7	2.1	-0.5	-2.3	2.7	3.7	4.7	1.1	1.4
Canada	2.1	-0.7	-3.6	2.9	4.4	5.9	6.4	0.6	0.2	-0.3	1.1	6.2	1.3	-1.8	-1.3	1.9	2.9	-0.9	0.7	1.1
Czech Republic	..	..	..	..	..	5.2	6.4	4.9	5.6	3.9	1.1	3.2	-0.4	-5.5	0.1	2.5	-2.2	-1.2	1.9	2.0
Denmark	6.3	0.5	1.3	1.3	-1.7	-0.3	0.9	1.5	2.7	-2.1	-0.5	8.2	1.6	-1.3	-1.0	1.8	4.8	1.7	2.2	2.3
Finland	6.7	0.0	0.3	4.1	6.3	1.5	5.3	-0.2	-1.0	-1.1	-5.2	4.0	-1.7	-2.6	-1.3	0.2	1.0	2.1	0.7	-0.7
France[1]	3.6	-2.0	-0.8	-2.0	-1.6	0.0	0.2	1.4	1.9	-1.0	-1.4	2.5	-0.3	-1.8	-1.7	0.7	1.4	1.3	0.6	0.4
Germany	2.5	0.1	1.4	1.0	0.1	0.8	1.2	-0.5	0.9	-0.9	-0.9	2.5	0.4	-0.2	-1.7	-0.1	1.1	2.4	0.9	0.6
Greece	13.9	15.9	14.0	10.1	9.1	8.6	8.7	5.6	3.6	4.1	1.9	8.0	1.3	2.4	2.2	3.2	4.3	3.1	1.9	2.2
Hungary	..	..	..	..	..	18.5	11.2	19.0	15.2	12.8	4.5	9.8	3.0	-4.0	0.1	-1.0	-0.4	6.5	3.9	1.9
Iceland	26.3	16.9	6.9	-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	19.1	7.1	2.0
Ireland	7.3	-8.1	-0.3	-2.0	6.8	0.2	1.9	-0.3	1.2	3.7	2.3	6.1	4.6	-0.4	-4.9	-0.7	1.6	1.9	1.7	1.5
Italy	6.6	3.1	3.9	0.7	10.4	3.4	8.2	1.7	2.9	2.8	2.1	7.2	4.5	2.6	0.9	4.2	5.7	4.7	1.9	1.7
Japan	3.3	1.7	-2.3	-2.5	-6.6	-3.1	-2.0	3.2	1.6	0.6	-8.5	-3.7	2.0	-1.3	-3.3	-1.2	1.4	3.7	2.2	0.6
Korea	-0.6	4.8	2.7	2.5	0.4	1.1	2.0	-3.1	4.7	24.7	-19.3	-4.2	2.4	-9.4	-1.4	4.3	-7.9	-6.4	-1.7	-2.2
Luxembourg	4.3	0.1	1.2	1.8	5.7	3.1	1.5	6.8	1.6	0.6	5.3	9.8	-4.0	-0.5	-1.4	6.1	8.2	9.2	2.8	2.6
Mexico	17.1	26.7	5.0	2.3	0.9	5.9	79.6	22.8	7.1	9.4	6.6	3.4	-2.3	3.5	11.0	6.6	2.8	6.5	2.9	1.9
Netherlands	4.0	-0.8	0.1	-2.0	-2.1	0.5	0.9	0.5	2.7	-1.4	-0.7	8.2	1.5	-1.8	-0.8	0.4	2.9	3.0	1.1	1.9
New Zealand	9.1	-0.3	-2.8	5.5	2.1	-2.6	-0.5	-2.5	-2.4	4.9	-0.1	14.3	7.2	-7.5	-8.0	0.3	1.0	6.8	-0.8	-1.4
Norway	10.7	3.0	-1.2	-7.0	2.0	-2.7	1.9	6.9	2.0	-7.9	10.7	35.7	-3.2	-9.7	1.8	14.3	16.9	12.2	0.4	3.5
Poland	..	..	..	..	..	31.7	19.6	7.6	14.0	13.1	5.8	1.8	1.3	4.7	6.2	8.3	-2.6	-0.1	2.6	2.0
Portugal	11.8	6.3	3.4	0.5	4.9	6.4	5.6	-0.9	3.4	1.6	0.3	5.3	0.8	-0.1	-1.8	1.2	2.3	3.6	1.9	1.4
Slovak Republic	..	..	..	..	..	10.7	8.4	2.4	6.5	-1.0	-1.1	17.3	4.9	1.6	1.5	1.8	-1.9	3.7	-0.8	1.0
Spain	6.0	0.8	1.5	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	2.7	2.5	2.5
Sweden	6.5	1.8	1.6	-2.8	8.9	3.7	6.8	-5.2	0.5	-1.6	-1.9	2.7	2.1	-1.4	-1.7	-0.2	3.0	2.9	1.7	1.1
Switzerland	5.9	0.5	3.3	1.6	1.7	0.0	-0.1	-0.8	0.7	-0.4	-0.7	2.1	0.2	-0.8	0.7	0.6	-0.2	1.4	1.2	1.2
Turkey	53.2	38.2	61.0	62.5	59.9	164.8	73.0	69.0	87.0	60.1	52.1	39.9	86.9	21.4	4.7	12.2	-1.0	13.4	8.4	4.5
United Kingdom	8.2	4.4	1.6	1.6	8.8	1.0	3.2	1.3	-4.0	-3.7	-0.4	2.3	-0.8	0.2	1.5	-0.2	1.1	1.2	-0.1	0.7
United States[1]	1.7	0.7	1.3	-0.4	0.0	1.1	2.3	-1.3	-1.7	-2.3	-0.6	1.7	-0.4	-0.4	2.2	3.7	3.6	3.5	2.4	1.2
Total OECD	4.8	1.9	1.1	0.5	1.7	2.4	4.9	1.6	1.6	0.9	-1.1	3.8	1.4	-0.8	-0.1	2.0	2.4	2.8	1.4	1.1

Note: Regional aggregates are calculated inclusive of intra-regional trade. They are calculated as the geometric averages of prices weighted by trade volumes expressed in 2000 US$.

1. Certain components are estimated on a hedonic basis.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/184051802800*

Annex Table 41. **Import prices of goods and services**

National accounts basis, percentage changes from previous year, national currency terms

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	-1.4	4.1	1.3	4.2	5.7	-4.3	3.4	-6.6	-1.7	6.8	-4.6	7.5	5.8	-4.1	-8.5	-5.0	0.8	5.6	1.2	0.6
Austria	3.1	0.5	1.1	0.6	0.7	1.2	1.0	2.3	1.8	0.3	0.6	2.8	0.6	-0.8	-0.7	1.2	3.3	3.1	1.8	0.6
Belgium	6.4	-1.4	-0.7	-2.8	-2.8	1.8	1.7	2.4	5.5	-1.6	0.2	11.4	2.4	-1.3	-2.0	2.9	4.8	4.8	1.0	1.4
Canada	0.2	1.4	-1.6	4.4	6.4	6.6	3.4	-1.1	0.8	3.7	-0.2	2.1	3.0	0.6	-6.9	-2.2	-1.0	-1.3	1.5	1.1
Czech Republic	..	..	..	..	..	2.6	5.8	1.8	5.3	-1.8	1.7	6.1	-2.7	-8.4	-0.4	2.0	-0.5	-0.1	1.2	2.0
Denmark	5.3	-0.9	2.1	-1.1	-1.3	0.5	0.5	-0.1	2.4	-2.1	-0.5	7.2	1.5	-2.5	-1.8	1.2	3.0	2.7	1.5	1.8
Finland	4.9	1.3	3.2	8.1	8.0	-0.5	0.2	0.1	0.5	-2.7	-2.1	7.3	-3.0	-3.4	0.1	2.6	4.4	3.2	0.6	-0.6
France[1]	6.8	-0.9	1.0	-3.2	-1.8	-0.5	0.2	0.7	1.3	-2.2	-1.2	5.9	-0.9	-4.3	-1.6	1.0	2.9	2.5	0.3	0.3
Germany	5.2	-1.3	2.8	-2.1	-1.8	-0.1	-0.3	0.2	3.1	-2.4	-1.4	7.7	0.5	-2.2	-2.6	0.1	1.9	3.7	0.6	0.1
Greece	14.7	13.7	12.3	12.3	7.4	5.6	7.5	5.0	2.8	3.8	1.7	9.3	4.2	-0.5	0.2	0.8	2.7	3.9	1.1	1.3
Hungary	..	..	..	..	..	15.6	14.6	20.7	13.4	11.7	5.5	12.4	2.4	-5.4	0.3	-1.0	1.1	9.6	4.1	2.1
Iceland	31.5	19.3	3.4	-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	-5.3	19.4	5.5	1.0
Ireland	6.2	-3.7	2.4	-1.2	4.5	2.4	3.8	-0.5	0.8	2.8	2.6	7.3	3.8	-1.5	-4.3	-0.1	1.7	2.7	1.1	0.5
Italy	6.9	-0.5	0.0	1.7	15.4	4.8	11.4	-1.8	2.3	-0.8	2.5	15.4	3.4	0.4	-0.9	4.2	7.7	8.0	2.0	2.0
Japan	5.6	7.3	-5.1	-5.1	-8.3	-4.5	-1.7	8.6	6.3	-2.8	-8.5	2.1	2.1	-0.8	-0.9	2.6	7.9	10.9	4.1	1.2
Korea	-5.7	7.1	1.9	3.5	0.3	1.1	4.2	3.0	11.4	27.2	-16.8	5.9	5.8	-8.9	1.0	5.5	-2.5	-2.4	-0.6	-0.7
Luxembourg	3.8	1.6	2.5	2.7	3.2	2.1	1.3	6.4	5.2	1.7	3.0	12.3	-3.2	-2.2	-4.3	7.3	8.0	7.1	2.1	3.3
Mexico	16.8	18.4	10.0	4.9	-0.3	5.3	95.2	21.2	3.6	12.2	3.3	0.1	-2.8	2.2	12.3	7.6	-0.4	4.3	4.2	1.7
Netherlands	4.6	-1.3	0.3	-1.1	-2.1	0.1	0.2	1.2	2.2	-1.5	0.5	8.3	0.5	-2.9	-0.9	0.9	3.1	4.5	1.7	1.7
New Zealand	7.6	1.4	2.3	6.3	-1.6	-3.8	-1.8	-3.7	-0.4	5.7	0.7	15.4	2.2	-5.9	-11.6	-4.7	0.2	10.1	-0.3	0.5
Norway	7.0	1.2	-0.4	-1.8	1.5	0.9	0.8	1.0	0.3	1.4	-1.1	6.6	0.3	-5.3	1.0	5.6	1.6	1.2	2.0	1.3
Poland	..	..	..	..	..	27.0	18.0	10.4	15.7	10.9	7.1	7.8	1.3	5.4	6.7	4.8	-3.7	1.6	2.4	2.0
Portugal	10.6	4.1	1.0	-4.2	4.4	4.3	3.9	1.5	2.6	-1.4	-0.7	8.5	0.3	-1.7	-2.1	2.0	3.9	4.2	1.6	1.7
Slovak Republic	..	..	..	..	..	12.3	7.3	9.4	3.6	-0.2	0.3	14.1	6.0	0.7	1.7	2.1	-1.6	3.5	-1.6	0.2
Spain	1.9	-2.8	-1.5	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	3.8	4.0	1.5	1.7
Sweden	5.7	3.3	0.3	-2.4	13.5	3.4	4.8	-4.6	0.7	-1.2	1.0	4.6	4.1	0.1	-2.2	0.3	5.4	3.4	1.5	1.6
Switzerland	8.6	-1.1	0.9	2.3	-1.8	-4.5	-2.4	-0.1	3.5	-1.8	-0.2	5.7	0.6	-4.4	-1.6	0.9	2.9	2.2	1.2	1.1
Turkey	66.7	28.4	60.2	63.1	48.9	163.3	85.0	80.4	74.1	62.5	48.2	50.6	89.2	31.7	1.9	8.5	-0.6	14.9	5.6	2.9
United Kingdom	6.5	3.3	0.3	0.0	8.6	3.0	5.9	0.1	-7.1	-5.7	-1.1	3.1	-0.2	-2.2	0.4	-0.6	3.8	2.5	0.4	1.5
United States[1]	2.2	2.8	-0.4	0.1	-0.9	0.9	2.7	-1.8	-3.6	-5.4	0.6	4.2	-2.5	-1.2	3.5	5.0	6.3	4.3	0.9	0.7
Total OECD	5.0	2.5	0.9	0.3	1.4	2.5	5.5	1.8	1.5	-0.5	-0.7	6.2	1.0	-1.5	0.0	2.4	3.8	4.1	1.4	1.0

Note: Regional aggregates are calculated inclusive of intra-regional trade. They are calculated as the geometric averages of prices weighted by trade volumes expressed in 2000 US$.
1. Certain components are estimated on a hedonic basis.
Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/182771417878*

Annex Table 42. **Competitive positions: relative consumer prices**

Indices, 2000 = 100

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Australia	126.9	124.9	122.3	110.5	102.1	107.1	105.3	115.2	114.1	104.3	104.8	100.0	96.1	101.4	114.7	124.0	127.7	127.2
Austria	103.2	105.5	103.8	105.3	106.5	106.7	109.7	107.2	103.5	103.8	102.7	100.0	100.2	100.5	103.2	104.0	103.3	102.6
Belgium	104.1	108.3	107.1	107.9	107.8	109.4	113.1	110.4	104.9	105.7	104.2	100.0	100.8	102.0	106.6	108.2	108.2	107.7
Canada	134.3	134.0	137.9	127.5	118.8	109.1	106.8	106.9	106.2	100.2	99.4	100.0	96.9	96.0	106.7	112.5	119.3	126.2
Czech Republic	..	..	..	..	77.2	81.1	83.9	89.3	90.9	99.5	98.1	100.0	106.7	118.5	115.8	116.5	123.3	129.8
Denmark	101.0	105.0	101.0	101.7	102.6	102.2	105.9	104.3	101.6	103.7	103.8	100.0	101.4	103.3	108.1	108.7	107.4	107.0
Finland	145.2	149.0	142.2	122.8	102.7	106.6	114.4	107.7	103.6	104.8	104.6	100.0	101.3	102.4	106.6	106.3	103.5	102.4
France	106.7	110.3	106.9	108.4	109.5	109.4	111.6	110.9	106.4	107.1	104.8	100.0	99.7	101.0	105.7	107.2	105.9	105.3
Germany	103.3	106.4	105.0	109.6	113.3	114.0	118.3	113.6	108.0	109.1	106.5	100.0	99.9	100.6	105.3	106.5	104.8	104.0
Greece	91.2	95.8	97.1	99.7	100.4	101.2	104.4	107.3	108.0	106.5	106.9	100.0	100.9	103.6	109.6	111.8	112.1	113.0
Hungary	..	..	..	..	95.9	93.6	88.9	89.8	95.3	95.9	98.7	100.0	108.2	119.1	121.6	129.5	131.9	125.5
Iceland	105.5	102.6	104.8	104.7	98.6	92.3	90.9	90.3	91.7	93.9	96.5	100.0	88.7	94.8	99.3	101.8	115.4	108.5
Ireland	113.9	119.1	115.2	118.8	110.1	109.8	110.8	112.6	111.2	107.8	104.3	100.0	103.6	109.1	119.9	122.4	122.1	123.9
Italy	119.3	123.9	124.6	122.5	103.4	100.5	93.3	103.3	103.7	105.1	104.1	100.0	101.1	103.2	108.7	110.2	108.9	108.6
Japan	82.5	74.8	80.7	83.0	96.3	104.0	105.7	88.4	83.5	84.3	94.5	100.0	89.5	83.9	85.0	86.2	81.2	73.4
Korea	120.4	117.7	117.2	110.2	107.0	108.2	109.5	113.4	107.0	81.5	92.9	100.0	94.6	99.6	101.1	102.7	115.5	125.3
Luxembourg	101.7	104.8	103.9	104.8	104.8	106.0	108.6	106.0	102.8	103.0	102.2	100.0	100.6	101.9	105.5	106.8	106.4	106.6
Mexico	75.2	77.7	86.0	93.3	99.7	95.3	64.5	72.1	83.4	84.2	92.1	100.0	106.5	106.7	95.3	91.5	95.0	94.9
Netherlands	106.2	108.4	106.2	108.1	108.5	108.6	112.7	109.6	103.7	106.5	105.8	100.0	102.9	106.6	113.9	115.4	113.7	112.3
New Zealand	122.5	120.9	114.7	104.0	106.4	112.1	120.1	127.4	129.7	115.9	110.3	100.0	98.9	108.1	122.9	131.4	138.7	128.8
Norway	113.7	111.9	108.1	108.0	104.0	101.3	103.7	102.4	103.6	100.9	101.4	100.0	103.8	111.9	109.9	104.8	109.0	108.7
Poland	..	..	..	..	73.5	74.3	79.3	85.1	88.0	93.4	90.8	100.0	112.8	107.7	95.4	94.4	105.3	107.6
Portugal	85.2	89.8	95.5	104.0	100.9	99.3	102.8	102.7	101.4	102.1	102.2	100.0	102.5	104.7	108.4	109.1	108.3	108.8
Slovak Republic	..	..	..	..	85.2	84.3	86.2	86.0	90.9	91.9	90.7	100.0	101.2	102.5	115.5	126.4	129.3	135.5
Spain	113.1	120.0	121.5	121.0	107.8	103.0	104.4	106.1	101.5	102.3	102.1	100.0	102.0	104.4	109.1	111.1	111.8	113.3
Sweden	119.5	124.0	129.9	130.0	106.8	105.3	104.4	112.4	106.7	103.6	101.6	100.0	91.6	93.9	99.1	99.2	95.0	94.3
Switzerland	97.4	104.1	103.9	102.1	104.0	108.7	115.2	111.0	102.5	104.2	103.0	100.0	102.1	105.8	106.0	104.9	102.8	100.0
Turkey	76.7	85.9	87.5	84.1	90.2	66.2	71.8	72.6	77.5	85.1	89.5	100.0	81.5	88.6	96.1	100.9	114.1	114.6
United Kingdom	86.6	89.7	91.6	88.2	78.6	78.9	76.0	77.3	90.6	97.3	97.2	100.0	98.0	98.5	95.5	100.7	99.7	100.9
United States	89.0	87.2	85.6	83.8	85.0	85.2	83.9	86.5	91.0	98.2	96.9	100.0	105.7	105.8	99.6	95.4	93.9	93.3
Euro area	117.3	128.0	124.1	128.9	121.2	120.7	124.9	123.7	112.8	115.4	111.4	100.0	101.7	105.4	117.7	121.4	119.0	118.3

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 80 database.

StatLink: *http://dx.doi.org/10.1787/575831077743*

Annex Table 43. **Competitive positions: relative unit labour costs**

Indices, 2000 = 100

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Australia	185.3	169.4	151.8	133.1	117.2	118.6	114.6	119.0	120.0	106.9	105.3	100.0	92.8	98.8	112.1	125.6	134.7	134.7
Austria	146.3	145.1	142.7	145.7	147.5	136.2	134.9	138.5	125.5	111.4	108.5	100.0	96.9	96.9	99.8	92.6	92.2	91.5
Belgium	100.6	106.6	107.1	107.9	107.0	107.6	110.9	106.8	99.6	101.9	105.1	100.0	102.9	103.3	107.8	108.9	110.3	111.1
Canada	121.2	124.7	129.7	120.1	108.6	101.1	101.9	108.6	107.5	103.2	101.7	100.0	100.2	101.9	115.8	122.0	129.9	138.3
Czech Republic	..	..	..	..	81.9	88.0	82.9	88.6	88.2	96.6	99.1	100.0	103.9	118.3	116.1	117.2	124.1	129.8
Denmark	88.2	95.8	92.5	95.0	99.7	95.1	99.3	103.5	98.5	103.0	103.3	100.0	101.8	104.7	109.8	116.6	117.7	119.1
Finland	160.0	167.6	161.8	127.6	97.4	103.1	118.8	112.3	106.5	108.9	110.1	100.0	104.5	104.0	109.4	113.3	113.5	111.4
France	124.6	131.1	126.1	124.7	126.6	124.6	122.9	122.4	113.7	108.7	105.7	100.0	98.2	99.0	107.5	110.0	110.2	110.5
Germany	91.5	93.5	92.4	99.8	102.6	103.9	113.4	109.9	103.3	106.1	104.9	100.0	98.9	100.0	104.1	104.1	98.3	94.4
Greece	100.3	105.5	97.7	94.8	88.7	92.7	100.7	103.9	107.3	102.1	104.1	100.0	100.5	103.5	108.7	116.2	119.1	122.6
Hungary	..	..	..	..	135.5	131.0	108.2	98.5	103.0	99.2	104.9	100.0	109.5	124.8	125.0	131.1	129.4	124.0
Iceland	75.4	72.0	79.2	80.5	73.5	72.2	72.5	72.1	76.2	82.5	91.7	100.0	87.2	92.9	97.6	100.2	116.4	112.8
Ireland	203.6	214.7	204.0	202.0	186.3	176.8	158.1	154.5	131.6	127.1	116.5	100.0	99.3	94.4	102.6	110.0	109.5	109.1
Italy	103.8	110.4	114.7	113.6	104.2	99.3	86.2	96.6	98.4	103.1	105.3	100.0	101.4	108.2	117.0	120.8	123.9	127.3
Japan	67.6	63.0	69.3	76.5	90.6	99.8	100.9	85.5	80.4	85.9	97.0	100.0	91.9	84.4	83.2	82.4	78.3	69.4
Korea	121.1	118.5	122.1	115.6	114.3	119.1	130.8	140.7	126.2	87.8	93.6	100.0	92.7	97.8	95.6	98.9	107.1	107.5
Luxembourg	112.7	116.5	111.7	115.2	114.0	112.4	113.6	109.0	105.6	105.3	101.4	100.0	102.8	102.2	99.9	98.2	91.2	87.7
Mexico	95.0	96.8	109.6	123.5	134.3	130.9	80.3	82.2	90.2	88.8	92.2	100.0	106.5	109.9	99.1	98.0	103.5	103.8
Netherlands	105.6	106.9	106.1	110.1	109.5	105.8	109.6	105.5	104.0	107.3	106.6	100.0	102.5	107.2	116.2	118.5	116.6	114.8
New Zealand	90.3	87.6	79.9	73.6	79.7	93.4	104.1	115.9	119.1	104.2	106.0	100.0	100.7	117.2	138.2	155.6	161.7	146.5
Norway	79.6	78.5	77.7	77.2	75.6	79.6	84.2	84.0	90.9	94.4	97.4	100.0	102.6	116.5	116.8	114.5	117.8	119.5
Poland	..	..	..	..	84.2	89.7	97.6	100.4	100.9	105.9	99.5	100.0	104.3	93.8	76.7	69.6	78.3	78.0
Portugal	94.9	89.4	91.8	101.3	92.2	95.8	100.8	92.4	94.1	95.7	98.7	100.0	103.5	106.2	109.7	112.5	112.9	113.7
Slovak Republic	..	..	..	..	67.3	78.5	83.6	92.3	100.4	103.1	99.3	100.0	97.4	98.0	104.7	113.6	118.4	123.3
Spain	88.7	98.9	100.5	103.8	94.6	91.7	92.5	97.0	96.4	98.7	99.2	100.0	102.8	105.9	109.3	112.1	112.4	113.2
Sweden	151.0	155.3	158.9	157.0	112.2	105.7	105.1	118.0	111.2	106.5	101.3	100.0	96.3	93.3	96.2	91.7	88.8	88.9
Switzerland	81.9	87.5	88.6	86.7	86.3	94.8	103.5	99.8	95.4	98.0	100.0	100.0	105.7	112.7	114.3	114.2	113.0	110.6
Turkey	85.9	122.4	130.6	113.6	109.7	71.7	61.9	60.8	67.1	73.6	87.2	100.0	73.4	72.2	71.3	79.3	87.8	83.6
United Kingdom	80.1	82.5	85.3	74.9	66.1	67.8	67.4	69.1	83.9	94.6	96.8	100.0	96.9	100.9	96.6	101.1	101.4	103.0
United States	101.5	98.1	94.8	90.1	88.1	87.5	84.6	84.8	89.4	95.0	95.4	100.0	102.4	99.1	92.4	85.7	82.5	81.6
Euro area	109.0	120.6	118.1	125.4	121.2	117.9	121.8	122.5	110.2	112.4	111.6	100.0	100.7	105.9	120.7	125.4	122.9	121.5

Note: Competitiveness-weighted relative unit labour costs in the manufactoring 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 80 database.

StatLink: *http://dx.doi.org/10.1787/683626541373*

Annex Table 44. **Export performance for total goods and services**

Percentage changes from previous year

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	-6.9	1.9	8.8	0.2	2.7	-1.2	-6.1	0.9	4.1	2.8	-2.6	-1.2	2.7	-5.5	-8.7	-8.3	-5.9	-5.6	-3.7	-0.4
Austria	1.9	2.1	2.5	2.7	-0.8	-2.4	-2.2	-0.8	2.0	0.7	0.0	-1.1	4.5	1.7	-2.6	0.4	-0.4	-2.5	-0.7	-1.0
Belgium	0.2	-0.6	-0.3	1.4	0.0	0.2	-2.7	-2.4	-3.2	-2.1	-1.6	-2.5	-1.0	-1.2	-1.1	-2.7	-3.6	-6.0	-2.7	-2.7
Canada	-4.1	0.8	1.6	0.8	2.9	1.1	0.1	-2.9	-3.8	-0.6	0.2	-3.6	-0.9	-2.2	-6.5	-5.2	-4.1	-5.4	-3.1	-2.4
Czech Republic	..	..	..	..	..	-6.1	7.6	-1.2	-1.4	1.8	-0.3	5.7	7.7	-0.1	1.4	10.4	2.2	0.7	2.5	2.6
Denmark	-2.6	2.4	5.2	-1.1	0.5	-0.5	-4.5	-2.0	-4.9	-3.9	5.1	1.4	2.4	2.6	-5.3	-5.5	1.2	3.1	0.2	-1.3
Finland	-4.4	-0.4	-6.7	14.2	14.4	4.7	-0.3	-0.8	3.8	3.6	6.0	3.7	0.4	-0.7	-7.2	-2.5	-1.1	0.3	-0.7	-2.1
France	2.4	-0.7	2.0	2.4	-0.5	0.2	-0.2	-3.0	2.6	0.6	-2.8	2.2	1.1	-1.1	-5.4	-5.5	-3.7	-1.4	-1.6	-1.8
Germany	2.8	8.1	10.6	-3.4	-6.4	0.1	-1.8	-0.3	1.7	0.4	-0.4	1.9	5.0	1.2	-2.2	-1.0	-0.1	1.0	-1.4	-0.8
Greece	-4.6	-6.5	3.7	12.1	-4.6	-0.1	-4.3	-2.8	8.9	-1.7	11.1	2.3	-2.4	-10.5	-3.8	1.5	-4.5	-4.0	-2.5	-1.6
Hungary	..	..	..	..	..	5.8	26.6	6.5	12.2	9.7	6.2	9.3	5.2	2.2	1.0	6.5	3.9	3.9	2.9	1.0
Iceland	-5.2	-4.7	-7.3	-4.3	6.2	0.7	-9.7	2.5	-2.9	-3.9	-2.6	-5.5	6.0	1.5	-1.8	0.3	0.4	-8.5	6.3	4.5
Ireland	2.1	3.7	3.5	9.8	8.6	6.2	11.0	5.5	7.4	15.3	7.6	8.1	7.6	1.9	-3.2	-1.2	-2.6	-3.7	-0.2	-1.4
Italy	1.3	1.6	-4.7	6.0	7.2	2.4	4.2	-6.6	-5.4	-5.8	-7.8	-2.3	-1.5	-6.6	-6.9	-6.9	-6.7	-4.6	-4.0	-3.8
Japan	1.3	0.0	-2.5	-3.7	-7.5	-7.6	-6.5	-2.3	0.7	-2.4	-6.8	-2.1	-5.0	1.9	2.1	0.6	-1.0	0.9	-0.9	-2.0
Korea	-11.8	-1.0	6.0	5.9	4.9	5.5	11.9	2.1	11.1	12.5	6.8	5.0	-2.5	7.2	7.1	5.1	-0.4	2.5	1.6	1.9
Luxembourg	4.3	0.3	6.1	0.3	5.3	-0.7	-2.8	-2.5	2.0	2.4	7.4	1.1	2.9	0.8	0.2	2.3	1.5	5.9	2.6	1.2
Mexico	0.9	1.3	4.8	-1.9	-0.1	5.5	20.1	9.1	-2.4	1.2	1.9	3.2	-1.3	-1.4	-1.3	0.8	0.4	4.1	0.6	0.5
Netherlands	-0.8	-0.4	1.9	-0.5	5.6	1.5	1.2	-0.6	-0.1	-0.2	-1.3	0.1	0.2	-0.7	-2.5	-0.1	-1.2	-0.7	0.7	-1.0
New Zealand	-11.4	1.2	8.2	-1.7	0.0	-1.3	-5.9	-4.9	-4.5	-0.1	-0.2	-3.9	4.8	0.3	-3.9	-6.6	-8.0	-5.6	-0.6	-0.3
Norway	3.1	4.8	5.2	1.7	2.0	-0.5	-2.7	3.8	-2.1	-7.1	-3.8	-6.6	3.9	-3.1	-3.1	-6.9	-5.9	-6.9	-2.9	-3.3
Poland	..	..	..	..	..	5.2	13.7	6.2	3.1	7.8	-6.7	9.8	-1.0	2.0	8.0	3.7	-0.4	3.6	0.7	0.6
Portugal	3.0	3.5	-3.3	-0.5	-2.0	0.0	1.0	0.0	-3.6	-0.9	-4.4	-2.2	-0.4	-0.5	-0.3	-3.4	-5.7	-0.7	-1.5	-1.6
Slovak Republic	..	..	..	..	..	6.7	-5.1	-5.7	0.7	8.1	7.1	-3.7	2.0	1.9	9.1	-2.9	6.4	5.6	5.6	0.2
Spain	-5.6	-1.4	4.7	3.7	8.8	8.2	1.5	5.1	4.8	-0.4	1.6	-0.4	2.8	0.7	0.4	-3.6	-4.9	-2.3	-1.3	-2.2
Sweden	-3.8	-2.3	-3.6	0.4	6.6	4.9	3.0	-2.2	2.7	1.5	2.2	0.1	-0.5	-2.1	0.1	1.1	-1.2	-1.9	0.4	-0.5
Switzerland	-2.1	-3.3	-5.3	0.2	0.9	-5.9	-7.4	-2.2	1.5	-2.0	-0.3	0.5	-0.6	-2.9	-4.9	-0.9	-0.8	-0.7	-0.9	-1.6
Turkey	-6.8	0.4	2.4	17.0	7.0	8.0	0.9	15.1	9.5	6.8	-12.0	7.0	3.7	7.1	10.0	1.6	-0.3	-4.3	-1.1	0.2
United Kingdom	-3.1	0.4	-3.4	1.8	2.9	0.3	0.8	2.5	-1.6	-4.2	-3.2	-2.6	2.0	-1.4	-2.4	-4.6	-0.3	3.8	-1.6	1.3
United States	2.2	2.6	1.2	0.6	-1.2	-1.6	2.2	-0.2	0.8	-0.7	-1.9	-3.1	-4.8	-4.5	-3.1	-1.7	-1.5	-1.0	-0.8	-0.7
Total OECD	0.0	1.6	1.5	0.6	-0.1	-0.3	0.4	-0.6	0.5	-0.4	-1.6	-0.6	-0.3	-1.1	-2.1	-1.8	-1.7	-0.5	-0.9	-0.9
Memorandum items																				
China	..	..	9.8	11.6	10.1	14.2	-4.0	8.4	13.9	8.5	5.7	12.9	7.1	21.3	20.4	10.4	14.8	12.5	9.2	9.4
Dynamic Asia [1]	..	..	6.6	6.3	4.3	1.7	1.3	-4.3	-2.2	-2.3	-2.1	-1.4	-5.1	0.7	0.2	0.1	-0.3	-1.8	-1.3	-2.5
Other Asia	..	..	7.9	0.9	10.4	1.6	1.5	0.3	4.2	10.8	0.6	2.8	3.3	5.8	6.8	3.7	6.5	5.4	5.0	4.6
Latin America	..	..	-1.7	2.2	6.2	-2.9	-4.1	-0.8	-3.3	0.2	-2.0	-4.9	3.9	2.0	2.8	0.4	1.0	-1.9	-0.6	-2.0
Africa and Middle-East	..	..	-4.4	4.1	3.3	-3.7	-7.7	-2.9	-2.1	1.0	-0.4	-4.1	1.0	-3.4	2.3	-2.7	-2.9	-0.3	-0.8	-0.7
Central and Eastern Europe [2]	..	..	-10.9	-8.3	15.5	-7.8	-6.5	-2.1	-3.7	-2.7	3.6	-0.6	1.2	3.1	1.9	0.3	-2.6	-2.6	-0.4	0.4

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 2000.

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

2. Data prior to 1996 are OECD estimates.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/604473035217*

Annex Table 45. **Shares in world exports and imports**

Percentage, values for goods and services, national accounts basis

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
A. Exports																	
Canada	3.4	3.6	3.6	3.5	3.5	3.6	3.7	4.0	4.2	4.1	3.8	3.5	3.4	3.4	3.2	2.9	2.8
France	6.3	5.7	5.6	5.7	5.5	5.3	5.7	5.4	4.8	5.0	4.9	5.0	4.7	4.3	4.2	4.1	4.0
Germany	10.6	9.4	9.3	9.6	9.1	8.6	9.2	8.8	8.0	8.7	9.1	9.4	9.3	8.9	8.8	8.8	8.6
Italy	4.9	4.6	4.5	4.6	4.7	4.4	4.5	4.1	3.8	4.0	3.9	4.0	3.9	3.6	3.5	3.4	3.3
Japan	8.0	8.4	8.1	7.6	6.8	6.7	6.2	6.4	6.5	5.7	5.6	5.5	5.4	5.1	4.8	4.7	4.6
United Kingdom	5.4	5.2	5.2	5.1	5.3	5.5	5.6	5.5	5.1	5.2	5.2	5.0	4.9	4.6	4.6	4.6	4.6
United States	13.6	13.8	13.5	12.8	13.0	13.8	14.0	14.0	13.9	13.5	12.5	11.2	10.4	10.2	10.0	9.9	9.7
Other OECD countries	24.4	24.4	24.7	25.7	25.7	25.1	26.3	26.2	25.5	26.2	26.5	27.1	27.1	26.4	26.0	26.1	25.9
Total OECD	76.7	75.0	74.7	74.5	73.6	73.0	75.1	74.5	71.9	72.2	71.5	70.6	69.0	66.5	65.2	64.6	63.6
Non-OECD Asia	12.4	13.7	14.5	14.9	15.3	15.8	14.8	15.2	16.3	16.0	16.8	17.1	17.8	18.7	19.1	20.1	21.1
Latin America	2.6	2.8	2.8	2.8	2.8	3.0	2.9	2.8	2.9	2.9	2.7	2.7	2.8	3.1	3.2	3.2	3.1
Other non-OECD countries[1]	8.3	8.5	7.9	7.8	8.3	8.2	7.2	7.6	8.9	8.9	8.9	9.6	10.3	11.6	12.4	12.1	12.2
Total of non-OECD countries	23.3	25.0	25.3	25.5	26.4	27.0	24.9	25.5	28.1	27.8	28.5	29.4	31.0	33.5	34.8	35.4	36.4
B. Imports																	
Canada	3.4	3.6	3.5	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	2.7
France	6.3	5.5	5.5	5.4	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
Germany	10.8	9.5	9.4	9.5	8.9	8.4	8.8	8.7	8.0	8.1	7.9	8.4	8.1	7.8	7.8	7.7	7.5
Italy	5.0	3.9	3.9	4.0	3.8	3.8	4.0	3.8	3.6	3.8	3.8	3.9	3.8	3.7	3.6	3.5	3.5
Japan	6.2	6.4	6.4	6.5	6.6	6.1	5.2	5.4	5.6	5.3	4.9	4.8	4.7	4.6	4.5	4.3	4.1
United Kingdom	5.7	5.4	5.4	5.2	5.4	5.6	5.9	5.9	5.5	5.6	5.8	5.6	5.4	5.3	5.4	5.3	5.3
United States	14.3	15.3	15.5	14.5	14.7	15.6	16.6	17.8	18.7	18.3	17.9	16.6	16.0	15.9	15.5	14.7	14.2
Other OECD countries	24.4	23.9	24.2	24.7	25.0	24.5	25.4	25.4	24.8	24.9	25.3	26.1	26.1	25.7	25.7	25.8	25.5
Total OECD	76.0	73.6	73.9	73.2	72.9	72.3	74.6	75.7	74.6	74.3	73.8	73.4	71.8	70.6	69.8	68.5	67.1
Non-OECD Asia	12.3	14.1	14.9	15.5	15.7	15.8	13.8	14.0	15.2	14.8	15.5	15.8	17.0	17.5	17.6	18.3	19.3
Latin America	2.5	2.9	3.0	3.1	3.1	3.5	3.6	3.0	2.9	3.0	2.5	2.3	2.3	2.5	2.7	2.7	2.7
Other non-OECD countries[1]	9.2	9.4	8.2	8.1	8.3	8.4	8.0	7.3	7.2	7.9	8.3	8.6	8.9	9.4	9.9	10.4	10.9
Total of non-OECD countries	24.0	26.4	26.1	26.8	27.1	27.7	25.4	24.3	25.4	25.7	26.2	26.6	28.2	29.4	30.2	31.5	32.9

Note: Regional aggregates are calculated inclusive of intra-regional trade.

1. Central and Eastern Europe data prior to 1995 are OECD estimates.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/736115776137*

Annex Table 46. **Geographical structure of world trade growth**

Average of export and import volumes

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
A. Trade growth by main regions	percentage changes from previous year																
NAFTA[1]	7.2	6.5	11.1	8.3	8.9	12.8	7.9	8.9	11.5	-3.8	1.1	2.4	9.7	6.2	7.1	4.7	5.7
OECD Europe	3.1	0.0	8.4	8.2	5.2	9.9	8.1	5.7	11.5	2.7	1.5	2.6	7.0	5.7	8.8	6.2	7.0
OECD Asia & Pacific[2]	3.3	1.6	8.6	11.0	10.3	7.5	-3.9	7.1	12.3	-2.9	7.1	8.1	12.8	6.8	9.0	7.1	8.1
Total OECD	4.2	2.0	9.2	8.7	7.0	10.4	6.3	6.8	11.6	-0.1	2.1	3.3	8.6	6.0	8.3	5.9	6.8
Non-OECD Asia	13.6	14.0	14.9	13.9	8.9	9.9	-4.4	7.6	17.0	-2.3	11.2	13.0	18.0	12.4	12.7	11.9	12.2
Latin America	14.5	15.4	10.0	11.9	5.9	13.7	7.2	-4.8	6.7	2.8	-4.5	4.5	14.0	12.3	10.1	7.7	5.7
Other non-OECD countries[3]	-4.2	7.0	0.0	1.4	5.6	6.1	0.0	5.1	9.7	5.8	5.6	8.5	12.5	9.3	12.7	12.2	12.1
Non-OECD[3]	5.9	11.4	8.7	9.3	7.5	9.1	-1.7	5.3	13.5	0.7	7.7	10.8	16.0	11.5	12.4	11.6	11.6
World	4.7	4.6	9.1	8.9	7.2	10.0	4.0	6.4	12.1	0.1	3.6	5.4	10.8	7.7	9.6	7.7	8.4
B. Contribution to World Trade growth by main regions	percentage points																
NAFTA[1]	1.4	1.3	2.2	1.7	1.8	2.7	1.7	2.0	2.6	-0.8	0.2	0.5	2.0	1.3	1.4	0.9	1.1
OECD Europe	1.3	0.0	3.4	3.3	2.1	3.9	3.2	2.3	4.7	1.1	0.6	1.1	2.8	2.2	3.3	2.3	2.6
OECD Asia & Pacific[2]	0.4	0.2	0.9	1.1	1.1	0.8	-0.4	0.7	1.2	-0.3	0.7	0.8	1.3	0.7	0.9	0.7	0.8
Total OECD	3.1	1.5	6.6	6.2	5.0	7.4	4.5	5.0	8.6	0.0	1.6	2.4	6.1	4.2	5.7	4.0	4.5
Non-OECD Asia	1.7	1.9	2.2	2.1	1.4	1.6	-0.7	1.1	2.6	-0.4	1.7	2.1	3.2	2.3	2.5	2.4	2.6
Latin America	0.4	0.4	0.3	0.4	0.2	0.4	0.2	-0.2	0.2	0.1	-0.1	0.1	0.4	0.3	0.3	0.2	0.2
Other non-OECD countries[3]	-0.5	0.7	0.0	0.1	0.5	0.5	0.0	0.4	0.8	0.5	0.5	0.7	1.1	0.8	1.2	1.1	1.2
Non-OECD[3]	1.6	3.1	2.5	2.6	2.1	2.6	-0.5	1.4	3.6	0.2	2.1	3.0	4.7	3.5	4.0	3.8	3.9
World	4.7	4.6	9.1	8.9	7.2	10.0	4.0	6.4	12.1	0.1	3.6	5.4	10.8	7.7	9.6	7.7	8.4

Note: Regional aggregates are calculated inclusive of intra-regional trade as the sum of volumes expressed in 2000 $.

1. Canada, Mexico and United States.
2. Australia, Japan, Korea and New Zealand.
3. Central and Eastern Europe data prior to 1996 are OECD estimates.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/721231776227*

Annex Table 47. **Trade balances for goods and services**

$ billion, national accounts basis

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	-7.7	-3.2	1.1	-0.9	-1.4	-4.3	-5.1	-0.5	1.6	-6.7	-10.6	-4.5	2.0	-4.9	-14.6	-18.8	-14.2	-12.0	-16.3	-16.4
Austria	0.9	1.6	0.9	0.1	-3.1	-2.2	-1.1	-1.8	1.1	3.4	4.1	3.5	5.5	9.6	10.2	13.6	15.1	18.1	20.3	24.1
Belgium	3.9	3.9	4.2	6.5	7.9	9.7	12.1	12.0	10.7	10.2	10.7	7.3	8.4	11.7	13.6	14.7	10.5	11.1	10.5	9.4
Canada	0.2	0.8	-3.4	-2.2	0.0	6.7	18.9	24.7	12.6	12.3	24.2	41.6	41.2	32.4	32.2	41.1	43.1	29.6	17.6	16.3
Czech Republic	..	..	..	..	0.0	-1.1	-2.4	-3.6	-3.0	-0.7	-0.7	-1.7	-1.5	-1.6	-2.1	-0.6	2.4	2.1	3.0	3.4
Denmark	2.9	6.3	7.5	9.4	9.4	8.1	7.4	9.1	6.3	3.7	8.8	9.6	10.7	10.2	13.0	12.0	12.2	7.1	7.7	6.3
Finland	-2.0	-1.9	-0.6	0.9	4.0	5.6	9.9	9.6	9.9	11.5	13.0	12.4	13.3	14.5	13.8	15.2	11.0	13.9	15.1	15.7
France	-11.3	-17.1	-13.2	2.6	11.8	12.2	18.9	23.6	40.6	37.6	30.4	12.1	16.0	25.5	17.6	5.1	-20.3	-36.6	-44.1	-48.2
Germany	56.8	60.2	-6.2	-9.2	-0.9	2.7	11.9	22.0	26.9	29.8	18.0	6.9	38.4	93.4	97.4	136.3	143.9	153.9	182.4	200.0
Greece	-5.7	-8.7	-9.1	-8.7	-8.0	-6.7	-9.2	-10.5	-9.6	-10.9	-11.0	-12.5	-11.6	-13.1	-16.9	-18.6	-16.3	-19.6	-21.5	-22.9
Hungary	..	..	..	..	-3.0	-2.4	0.0	0.2	0.5	-0.6	-1.3	-1.7	-0.7	-1.4	-3.3	-3.2	-1.5	-1.3	0.8	3.0
Iceland	0.1	0.1	-0.1	0.0	0.2	0.3	0.3	0.0	0.0	-0.4	-0.4	-0.6	-0.1	0.1	-0.3	-0.7	-2.0	-2.6	-1.6	-0.6
Ireland	2.1	2.1	2.3	4.0	5.2	5.3	7.5	8.5	10.1	10.4	13.5	13.0	16.4	21.0	25.2	27.3	25.5	25.8	27.4	30.0
Italy	-0.1	2.2	1.3	-1.3	31.3	35.7	42.7	59.0	46.0	37.3	22.4	10.5	15.3	11.6	8.5	12.1	-0.8	-8.8	-11.2	-21.6
Japan	45.5	28.5	56.2	82.2	97.0	96.5	74.8	23.4	47.4	72.3	69.4	68.0	26.2	51.2	69.2	89.0	63.4	55.5	74.5	93.3
Korea	4.7	-2.8	-8.2	-3.9	1.4	-3.1	-5.7	-19.2	-4.5	44.2	29.8	16.1	11.1	7.5	14.6	28.9	19.8	7.5	5.3	-0.2
Luxembourg	1.4	1.7	1.7	2.5	2.8	3.6	4.4	4.2	3.2	3.2	4.1	4.3	3.6	4.5	6.0	7.0	7.8	12.3	14.4	15.3
Mexico	2.3	-0.4	-8.4	-19.9	-15.8	-20.3	7.6	6.9	-0.4	-8.9	-7.8	-11.6	-13.8	-11.8	-10.5	-13.9	-12.3	-11.4	-19.8	-24.4
Netherlands	7.5	12.7	13.7	13.4	20.3	23.8	27.8	26.7	25.2	24.2	20.0	22.1	23.2	28.8	33.9	43.8	48.5	47.7	51.9	66.4
New Zealand	0.2	0.1	1.3	0.7	1.2	1.1	0.7	0.3	0.3	0.2	-0.6	0.4	1.5	0.8	0.5	-0.7	-2.6	-1.9	-1.3	-1.5
Norway	3.6	7.7	9.5	8.8	7.7	7.7	9.2	14.3	13.1	2.8	11.8	28.8	29.0	26.2	30.0	36.1	50.8	62.4	62.0	68.4
Poland	..	..	..	..	0.8	2.1	3.0	-2.2	-6.1	-8.3	-9.9	-11.0	-7.0	-6.8	-5.5	-4.9	-1.0	-2.8	-3.2	-2.8
Portugal	-3.4	-5.1	-6.3	-7.7	-6.4	-6.7	-7.3	-8.2	-9.0	-10.6	-12.4	-12.3	-11.6	-10.6	-10.5	-14.2	-16.3	-15.1	-15.3	-16.2
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	-2.4	-2.3	-0.8	-0.2
Spain	-13.1	-16.9	-17.2	-16.4	-3.2	0.1	0.0	3.3	4.9	-1.4	-11.3	-18.2	-15.4	-14.6	-21.0	-41.9	-60.4	-78.0	-87.4	-97.3
Sweden	0.3	0.1	3.2	3.5	6.6	9.1	16.3	17.0	17.8	15.6	15.6	14.2	14.3	16.3	20.2	28.6	27.6	30.6	34.7	36.2
Switzerland	1.8	3.2	5.5	10.9	14.3	14.9	16.2	15.5	14.6	13.2	14.9	14.1	10.9	17.7	21.6	26.3	24.8	24.9	26.9	29.2
Turkey	-1.6	-6.4	-4.1	-4.7	-10.2	0.5	-7.3	-11.4	-11.0	-7.4	-6.3	-14.9	3.1	-2.7	-8.0	-17.5	-23.8	-32.0	-31.6	-30.9
United Kingdom	-34.6	-25.2	-10.9	-13.1	-9.5	-7.1	-4.8	-3.8	2.9	-11.9	-25.0	-29.2	-38.6	-46.5	-48.3	-64.1	-82.2	-99.7	-109.5	-120.5
United States	-88.2	-78.0	-27.5	-33.3	-65.0	-93.6	-91.4	-96.3	-101.6	-160.0	-260.5	-379.5	-367.0	-424.4	-499.4	-613.2	-716.7	-776.7	-760.0	-774.7
Euro area	37.0	34.7	-28.3	-13.3	61.7	83.2	117.5	148.3	160.0	144.6	101.5	48.9	101.3	182.3	177.9	200.6	148.2	124.6	142.5	154.8
Total OECD	-33.4	-34.3	-6.7	24.4	94.6	99.2	155.6	120.4	148.3	101.5	-48.1	-213.5	-179.1	-157.0	-213.4	-276.3	-466.5	-598.3	-569.1	-561.4

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/145040856247*

Annex Table 48. **Investment income, net**

$ billion

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	-10.4	-13.2	-12.2	-10.1	-8.1	-12.4	-14.0	-15.2	-13.8	-11.4	-11.6	-10.8	-9.9	-11.4	-14.8	-20.8	-27.6	-27.7	-27.1	-26.4
Austria	-0.9	-0.9	-1.4	-1.4	-1.5	-1.7	-2.4	-0.9	-1.5	-2.0	-2.9	-2.5	-3.1	-1.6	-1.2	-2.2	-1.7	-2.0	-2.0	-2.1
Belgium[1]	4.0	4.8	5.7	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	5.3	7.2	7.8	8.0
Canada	-20.5	-19.4	-17.4	-17.5	-20.8	-18.9	-22.7	-21.5	-20.9	-20.0	-22.6	-22.3	-25.4	-19.3	-21.2	-19.1	-15.5	-15.0	-15.0	-15.0
Czech Republic	..	..	..	..	-0.1	0.0	-0.1	-0.7	-0.8	-1.1	-1.3	-1.4	-2.2	-3.5	-4.3	-6.1	-6.0	-6.7	-7.6	-8.2
Denmark	-3.8	-5.1	-5.1	-4.9	-3.8	-3.8	-3.8	-3.7	-3.4	-2.8	-2.6	-3.6	-3.6	-2.7	-2.6	-2.1	-1.0	-0.1	0.7	0.7
Finland	-2.7	-3.7	-4.7	-5.4	-4.9	-4.4	-4.4	-3.7	-2.4	-3.1	-2.0	-1.7	-1.0	-0.6	-2.6	0.1	0.5	0.9	2.3	3.2
France	-0.3	-1.6	-3.3	-6.0	-6.6	-6.0	-8.4	-1.9	7.1	8.7	19.0	15.5	14.6	4.0	7.2	12.1	16.0	22.2	24.1	26.4
Germany	14.8	15.3	18.0	18.2	11.5	1.4	-2.8	0.8	-2.7	-10.8	-12.4	-8.9	-9.9	-17.6	-17.9	0.2	11.2	9.8	13.3	16.8
Greece	-1.9	-2.0	-2.0	-2.4	-1.7	-1.5	-1.9	-2.1	-1.7	-1.6	-0.7	-0.9	-1.8	-2.0	-4.5	-5.4	-7.0	-9.3	-11.3	-12.0
Hungary	..	..	..	..	-1.5	-1.6	-1.7	-2.0	-2.7	-3.0	-2.9	-2.6	-2.9	-3.6	-4.2	-6.1	-6.8	-7.6	-9.4	-11.1
Iceland	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	0.0	-0.2	-0.6	-0.6	-0.6	-0.7	-0.7
Ireland	-4.3	-5.0	-4.6	-5.6	-5.3	-5.4	-7.3	-8.2	-9.6	-10.5	-13.7	-13.5	-16.4	-22.4	-24.9	-28.0	-30.3	-29.0	-30.1	-30.7
Italy	-7.2	-14.6	-17.5	-22.0	-17.4	-16.9	-15.8	-15.4	-10.1	-11.0	-11.1	-11.9	-10.4	-14.6	-20.4	-18.6	-17.2	-18.4	-18.9	-18.7
Japan	22.9	22.7	26.0	35.5	41.0	40.5	44.1	53.3	58.1	54.7	58.4	60.4	69.3	65.9	71.5	85.9	102.8	114.2	126.9	146.5
Korea	-0.6	-0.1	-0.2	-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	-1.3	-1.1	-0.6	0.8
Luxembourg	..	..	..	..	..	..	1.6	1.3	0.5	0.2	-0.5	-1.3	-1.6	-3.1	-4.4	-4.2	-6.3	-9.8	-8.1	-8.8
Mexico	-8.3	-8.6	-8.6	-9.6	-11.4	-13.0	-13.3	-13.9	-12.8	-13.3	-12.8	-15.0	-13.8	-12.6	-12.3	-10.2	-12.8	-14.0	-15.6	-17.3
Netherlands	2.9	-0.6	0.4	-1.0	0.9	3.6	7.3	3.5	7.0	-2.7	3.5	-2.3	-0.2	0.0	0.9	14.9	-1.9	11.7	14.3	14.3
New Zealand	-1.9	-1.6	-2.5	-2.5	-2.9	-3.4	-4.0	-4.7	-4.9	-2.6	-3.1	-3.4	-3.1	-3.3	-4.2	-5.9	-7.6	-8.3	-8.5	-8.6
Norway	-2.6	-2.7	-2.7	-3.4	-3.3	-2.2	-1.9	-1.9	-1.7	-1.2	-1.9	-1.6	-1.2	0.5	1.9	1.1	1.3	6.3	11.2	14.1
Poland	..	..	..	..	..	-2.6	-2.0	-1.1	-1.1	-1.2	-1.0	-1.5	-1.4	-1.9	-3.6	-11.5	-11.2	-11.6	-11.8	-11.8
Portugal	-0.6	-0.1	0.2	0.6	0.2	-0.6	0.0	-1.0	-1.5	-1.6	-1.8	-2.5	-3.4	-2.7	-2.3	-3.0	-3.9	-5.8	-7.2	-8.2
Slovak Republic	..	..	..	..	0.0	-0.1	0.0	0.0	-0.1	-0.2	-0.3	-0.4	-0.3	-0.5	-0.1	-0.4	-2.0	-1.9	-3.0	-3.8
Spain	-2.8	-3.5	-4.3	-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	-21.5	-23.1	-28.1	-32.6
Sweden	-2.3	-4.5	-6.4	-10.0	-8.7	-5.9	-5.5	-6.3	-4.9	-3.2	-2.0	-1.4	-1.4	-1.8	3.9	-0.5	-0.7	-0.7	-0.5	0.3
Switzerland	7.4	7.9	7.9	7.4	8.2	6.9	10.7	11.6	15.3	17.0	19.5	21.4	14.1	11.0	27.1	28.0	37.1	39.5	45.5	50.7
Turkey	-2.3	-2.5	-2.7	-2.6	-2.7	-3.3	-3.2	-2.9	-3.0	-3.0	-3.5	-4.0	-5.0	-4.6	-5.6	-5.5	-5.7	-7.2	-7.8	-8.2
United Kingdom	-1.2	-5.1	-5.9	0.2	-0.3	5.1	3.4	0.8	5.4	20.4	2.1	6.9	16.8	35.5	40.3	48.9	54.7	66.7	85.8	93.8
United States	19.8	28.5	24.1	24.2	25.3	17.1	20.9	22.3	12.6	4.3	13.9	21.1	25.1	12.2	36.6	27.6	11.3	-22.7	-66.4	-107.3
Euro area	1.1	-12.0	-13.5	-24.4	-21.4	-31.7	-32.3	-28.4	-16.1	-36.2	-25.4	-30.6	-39.8	-67.8	-75.4	-43.4	-56.8	-45.5	-43.8	-44.5
Total OECD	-3.0	-15.9	-19.3	-18.3	-11.2	-29.9	-26.8	-16.3	2.5	-8.5	-2.7	8.6	13.8	-7.5	33.3	60.4	51.8	56.2	52.4	44.2

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 80 database.

StatLink: *http://dx.doi.org/10.1787/635563887651*

Annex Table 49. **Total transfers, net**

$ billion

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	0.2	0.4	0.1	-0.1	-0.1	-0.2	-0.1	0.1	0.0	-0.3	0.0	0.0	0.0	-0.1	-0.2	-0.3	-0.4	-0.3	-0.3	-0.3
Austria	-0.1	0.0	-0.1	-1.0	-1.0	-1.1	-1.7	-1.8	-1.7	-1.9	-2.0	-1.3	-1.2	-1.8	-2.3	-2.8	-2.6	-3.5	-3.8	-3.7
Belgium[1]	-1.8	-2.1	-2.1	-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	-6.4	-6.9	-7.3	-7.3
Canada	-1.0	-0.8	-1.1	-0.9	-0.6	-0.3	-0.1	0.5	0.5	0.6	0.5	0.8	1.0	0.0	-0.3	-0.3	-0.4	-0.2	-0.4	-0.4
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	0.9	0.5	1.4	1.4
Denmark	-1.2	-1.2	-1.6	-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	-4.1	-3.7	-3.7
Finland	-0.7	-1.0	-1.0	-0.8	-0.4	-0.5	-0.4	-0.9	-0.7	-1.0	-1.0	-0.7	-0.7	-0.7	-1.1	-1.1	-1.5	-0.8	-1.0	-1.0
France	-7.7	-9.8	-9.3	-11.1	-8.2	-11.5	-5.9	-7.4	-12.9	-12.1	-13.0	-13.9	-14.8	-14.4	-19.3	-21.7	-27.0	-27.9	-29.4	-30.6
Germany	-17.0	-14.8	-35.4	-32.6	-33.2	-36.8	-38.8	-33.9	-30.3	-30.1	-26.4	-25.8	-24.0	-25.8	-31.8	-35.0	-35.9	-32.2	-35.8	-38.4
Greece[2]	4.0	4.7	6.2	6.5	6.5	6.9	8.0	8.0	8.3	7.9	3.9	3.3	3.4	3.6	4.3	4.5	3.9	4.9	5.8	6.0
Hungary	..	..	..	..	0.8	0.9	0.2	0.0	0.2	0.2	0.4	0.4	0.4	0.5	0.7	0.3	0.2	0.2	0.2	0.2
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	0.0	0.0	0.0	0.0	0.0
Ireland	1.5	2.4	2.6	2.1	1.9	1.7	1.8	2.2	2.0	1.5	1.2	0.9	0.2	0.6	0.5	0.5	0.7	0.8	0.8	0.8
Italy	-3.9	-4.0	-7.6	-7.8	-7.3	-7.2	-4.2	-6.6	-4.2	-7.4	-5.4	-4.3	-5.8	-5.5	-8.1	-9.6	-10.1	-12.6	-12.5	-12.5
Japan	-3.0	-4.5	-11.1	-3.8	-5.2	-6.2	-7.8	-9.0	-8.8	-8.8	-12.1	-9.7	-7.9	-4.9	-7.4	-7.9	-8.3	-10.9	-10.0	-10.1
Korea	1.1	1.1	0.8	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	-3.5	-4.0	-3.8
Luxembourg	..	..	..	..	..	..	-0.6	-0.6	-0.5	-0.4	-0.6	-0.5	-0.5	-0.3	-0.6	-1.0	-0.9	-0.7	-0.4	-0.4
Mexico	2.5	4.0	3.0	3.4	3.6	3.8	4.0	4.5	5.2	6.0	6.3	7.0	9.3	10.3	13.9	17.0	20.5	23.8	26.3	28.3
Netherlands	-1.9	-2.9	-4.1	-4.3	-4.5	-5.2	-6.4	-6.8	-6.1	-7.2	-6.4	-6.2	-6.7	-6.5	-7.0	-7.9	-10.4	-10.6	-11.9	-11.9
New Zealand	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.6	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.4	0.4	0.3	0.3
Norway	-1.1	-1.5	-1.5	-1.8	-1.4	-1.7	-2.1	-1.5	-1.4	-1.5	-1.4	-1.4	-1.6	-2.3	-3.0	-2.6	-3.2	-3.4	-3.6	-3.6
Poland	..	..	..	..	..	1.3	1.0	1.7	2.0	2.9	2.2	2.4	2.9	3.3	4.2	5.5	6.9	7.7	8.8	9.5
Portugal[2]	4.6	5.5	6.0	7.8	6.7	5.4	7.2	4.4	3.8	4.1	3.9	3.4	3.4	2.8	3.3	3.5	2.7	3.4	3.3	3.1
Slovak Republic	..	..	..	..	0.1	0.1	0.1	0.2	0.2	0.4	0.2	0.1	0.2	0.2	0.2	0.1	0.0	0.4	1.0	1.3
Spain	4.6	2.7	2.7	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	-3.9	-4.3	-5.2	-5.7
Sweden	-0.4	-0.5	-0.5	-1.4	-1.2	-1.2	-2.6	-1.9	-2.4	-2.5	-2.7	-2.5	-2.5	-2.9	-2.1	-4.7	-4.7	-3.3	-2.7	-2.7
Switzerland	-1.9	-2.4	-2.6	-3.0	-3.0	-3.5	-4.4	-4.3	-4.1	-4.6	-5.2	-4.2	-5.2	-5.8	-5.4	-6.0	-9.0	-8.3	-8.4	-8.8
Turkey	3.5	4.5	5.1	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	1.5	1.7	1.7
United Kingdom	-7.2	-8.8	-2.1	-9.9	-7.9	-8.2	-11.9	-7.4	-9.7	-13.9	-12.2	-15.1	-9.7	-13.6	-16.5	-20.1	-22.2	-25.7	-28.4	-30.3
United States	-26.2	-26.7	9.9	-35.1	-39.8	-40.3	-38.1	-43.0	-45.1	-53.2	-50.4	-58.6	-51.3	-63.6	-69.2	-81.6	-86.1	-81.7	-86.5	-90.5
Euro area	-18.5	-19.2	-42.2	-41.7	-40.9	-50.3	-40.4	-44.3	-43.1	-47.7	-47.2	-47.4	-49.5	-50.1	-69.1	-77.3	-91.3	-90.5	-97.5	-101.8
Total OECD	-53.0	-55.3	-43.7	-90.9	-92.1	-103.1	-99.3	-102.1	-102.4	-115.1	-116.9	-125.5	-113.3	-129.8	-159.0	-183.3	-201.8	-197.4	-206.0	-213.5

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 80 database.

StatLink: *http://dx.doi.org/10.1787/417854280864*

Annex Table 50. **Current account balances**

$ billion

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	-17.9	-15.9	-11.0	-11.1	-9.7	-17.1	-19.3	-15.7	-12.2	-18.4	-22.2	-15.3	-7.8	-16.4	-29.5	-39.8	-42.2	-40.9	-45.3	-44.7
Austria	0.3	1.3	0.1	-0.7	-1.4	-3.3	-6.2	-5.4	-6.5	-5.2	-6.7	-5.0	-3.7	0.7	-0.5	0.4	3.7	7.3	8.9	12.7
Belgium[1]	5.2	6.1	7.2	9.9	13.0	14.2	15.3	13.8	13.8	13.3	12.9	9.4	7.9	11.6	12.9	12.6	9.3	7.7	7.9	6.9
Canada	-21.8	-19.8	-22.4	-21.1	-21.7	-13.0	-4.4	3.4	-8.2	-7.7	1.7	19.7	16.3	12.6	10.2	21.1	26.5	13.6	1.3	0.0
Czech Republic	..	..	..	..	0.4	-0.8	-1.4	-4.1	-3.6	-1.3	-1.5	-2.7	-3.3	-4.2	-5.7	-6.5	-2.6	-4.0	-3.2	-3.4
Denmark	-1.7	0.6	1.2	3.2	3.9	2.3	1.2	2.7	0.7	-1.5	3.4	2.5	4.2	5.0	7.3	5.8	7.5	3.5	5.3	3.9
Finland	-5.8	-7.0	-6.8	-5.1	-1.1	1.0	5.4	5.1	6.8	7.3	8.1	10.6	12.1	13.8	10.7	14.7	10.3	14.2	16.2	17.7
France	-4.6	-9.8	-5.7	4.8	9.6	7.4	11.0	20.8	37.2	38.9	42.0	18.2	21.0	13.3	9.0	-8.7	-33.1	-37.1	-41.8	-44.8
Germany	52.8	33.2	-23.9	-22.1	-19.7	-31.0	-29.6	-13.8	-10.0	-17.0	-27.8	-33.9	0.5	41.4	47.9	101.1	116.6	116.8	146.3	164.8
Greece[2]	-3.4	-4.7	-2.7	-3.7	-2.0	-1.4	-4.6	-6.5	-5.3	-3.8	-7.4	-9.8	-9.5	-10.1	-12.7	-13.3	-17.8	-26.3	-26.9	-27.8
Hungary	..	..	..	..	-3.1	-3.5	-1.6	-1.7	-2.0	-3.4	-3.8	-4.0	-3.2	-4.7	-6.7	-8.6	-7.5	-8.2	-7.8	-7.4
Iceland	-0.1	-0.1	-0.3	-0.2	0.0	0.1	0.1	-0.1	-0.1	-0.6	-0.6	-0.9	-0.4	0.1	-0.5	-1.3	-2.6	-3.3	-2.4	-1.4
Ireland	-0.6	-0.5	0.3	0.5	1.8	1.5	1.7	2.1	2.0	0.7	0.2	-0.3	-0.7	-1.2	0.1	-1.0	-5.2	-3.6	-3.1	-1.1
Italy	-11.2	-16.8	-24.2	-30.2	8.0	12.5	25.1	39.2	33.7	22.9	8.2	-5.7	-0.7	-9.8	-19.6	-15.4	-27.8	-40.0	-42.6	-52.8
Japan	66.7	46.6	72.7	108.3	130.0	130.6	114.3	65.1	97.4	119.9	115.7	118.7	88.7	112.4	137.1	171.6	168.3	164.9	200.5	238.7
Korea	5.4	-2.0	-8.4	-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	16.6	2.2	0.1	-3.7
Luxembourg	..	..	..	..	..	..	2.5	2.3	1.9	1.8	1.8	2.7	1.8	2.6	2.2	4.0	4.3	4.5	5.8	6.1
Mexico	-5.8	-7.5	-14.7	-24.4	-23.4	-29.7	-1.6	-2.5	-7.7	-16.0	-13.9	-18.7	-17.7	-14.0	-8.8	-6.6	-4.6	-1.5	-9.1	-13.4
Netherlands	9.4	8.1	7.4	6.9	13.2	17.3	25.8	21.5	25.0	13.0	15.7	7.3	9.8	11.0	29.6	54.3	41.5	48.9	54.3	68.8
New Zealand	-1.6	-1.4	-1.2	-1.7	-1.7	-2.0	-3.0	-3.9	-4.3	-2.1	-3.5	-2.7	-1.4	-2.4	-3.5	-6.5	-9.7	-9.6	-9.2	-9.4
Norway	0.2	4.0	5.0	3.0	2.2	3.8	5.2	10.9	10.0	0.0	8.4	24.8	26.1	24.4	28.9	34.7	49.0	65.4	69.6	78.9
Poland	..	..	..	..	..	1.0	0.9	-3.3	-5.7	-6.9	-12.5	-10.0	-5.4	-5.0	-4.6	-10.7	-5.1	-7.0	-7.2	-6.2
Portugal[2]	0.2	-0.2	-0.7	-0.3	0.3	-2.3	-0.2	-5.0	-6.7	-8.5	-10.4	-11.7	-11.4	-10.0	-9.2	-12.9	-17.0	-16.7	-18.5	-20.7
Slovak Republic	..	..	..	..	-0.6	0.8	0.5	-2.0	-1.8	-2.0	-1.0	-0.7	-1.7	-1.9	-0.3	-1.4	-4.1	-3.5	-2.5	-2.3
Spain	-10.9	-18.1	-19.9	-21.6	-5.6	-6.5	-1.7	-1.4	-0.6	-7.2	-17.9	-23.0	-24.0	-22.5	-31.1	-54.9	-82.8	-107.0	-122.0	-136.9
Sweden	-1.8	-4.8	-3.1	-7.5	-2.6	2.5	8.4	9.8	10.3	9.7	10.7	9.4	8.5	9.8	22.6	24.0	21.6	27.0	31.4	33.7
Switzerland	6.9	8.5	10.3	14.9	19.0	17.1	20.7	21.3	24.7	25.1	29.4	30.9	20.0	23.6	43.3	48.7	54.3	57.6	65.1	72.6
Turkey	0.9	-2.6	0.3	-1.0	-6.4	2.6	-2.3	-2.4	-2.6	2.0	-1.3	-9.8	3.3	-1.4	-7.9	-15.4	-23.1	-32.8	-33.2	-33.0
United Kingdom	-43.1	-39.1	-19.0	-22.7	-17.7	-10.1	-13.4	-10.5	-1.4	-5.3	-35.2	-37.4	-31.5	-24.7	-24.5	-35.3	-47.7	-55.6	-52.1	-57.1
United States	-99.5	-79.0	2.9	-50.1	-84.8	-121.6	-113.6	-124.8	-140.4	-213.5	-299.8	-415.2	-389.0	-472.4	-527.5	-665.3	-791.5	-877.6	-909.5	-969.0
Euro area	31.4	-8.2	-69.0	-61.6	16.0	9.5	44.6	72.6	91.3	56.1	18.6	-41.3	3.1	40.9	39.1	80.7	2.0	-31.3	-15.3	-7.0
Total OECD	-81.8	-120.7	-56.6	-76.1	0.7	-31.6	26.7	-8.2	36.0	-25.5	-182.9	-340.3	-283.1	-312.9	-319.2	-382.6	-595.1	-741.2	-723.4	-730.2

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 80 database.

StatLink: *http://dx.doi.org/10.1787/523013258860*

Annex Table 51. **Current account balances as a percentage of GDP**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	-5.9	-5.0	-3.4	-3.6	-3.2	-4.9	-5.2	-3.7	-2.9	-4.9	-5.5	-3.9	-2.1	-3.9	-5.6	-6.2	-5.9	-5.5	-5.6	-5.2
Austria	0.2	0.8	0.1	-0.4	-0.8	-1.6	-2.6	-2.3	-3.1	-2.4	-3.2	-2.5	-1.9	0.3	-0.2	0.2	1.2	2.3	2.6	3.6
Belgium[1]	3.2	3.0	3.5	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	2.5	2.0	1.9	1.6
Canada	-3.9	-3.4	-3.7	-3.6	-3.9	-2.3	-0.8	0.5	-1.3	-1.2	0.3	2.7	2.3	1.7	1.2	2.1	2.3	1.1	0.1	0.0
Czech Republic	..	..	..	..	1.2	-1.8	-2.5	-6.6	-6.2	-2.1	-2.4	-4.8	-5.3	-5.5	-6.2	-6.0	-2.1	-2.9	-2.0	-2.0
Denmark	-1.5	0.4	0.9	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	2.9	1.3	1.8	1.3
Finland	-4.9	-5.0	-5.3	-4.6	-1.3	1.1	4.1	4.0	5.6	5.6	6.2	8.7	9.6	10.2	6.5	7.8	5.2	6.8	7.3	7.6
France	-0.5	-0.8	-0.4	0.4	0.8	0.5	0.7	1.3	2.6	2.6	2.9	1.3	1.6	0.9	0.5	-0.4	-1.6	-1.7	-1.8	-1.8
Germany	4.6	3.0	-1.3	-1.1	-1.0	-1.4	-1.2	-0.6	-0.4	-0.8	-1.3	-1.8	0.0	2.0	1.9	3.7	4.2	4.0	4.8	5.2
Greece[2]	-4.9	-5.5	-2.8	-3.5	-2.1	-1.4	-3.8	-5.1	-4.3	-3.0	-6.1	-8.5	-8.0	-7.5	-7.2	-6.4	-7.9	-10.8	-10.1	-9.7
Hungary	..	..	..	..	-7.8	-8.1	-3.3	-3.8	-4.3	-7.0	-7.6	-8.4	-6.0	-6.9	-7.9	-8.4	-6.7	-7.3	-6.3	-5.6
Iceland	-1.9	-2.1	-4.0	-2.4	0.7	1.9	0.7	-1.8	-1.7	-6.7	-6.8	-10.2	-4.4	1.6	-4.8	-9.9	-16.1	-20.6	-13.9	-7.8
Ireland	-1.5	-0.8	0.7	1.0	3.7	2.7	2.6	2.8	2.5	0.8	0.2	-0.4	-0.7	-1.0	0.0	-0.6	-2.6	-1.7	-1.3	-0.4
Italy	-1.2	-1.5	-2.0	-2.4	0.8	1.2	2.2	3.1	2.8	1.9	0.7	-0.5	-0.1	-0.8	-1.3	-0.9	-1.6	-2.2	-2.2	-2.6
Japan	2.2	1.5	2.1	2.8	3.0	2.8	2.2	1.4	2.3	3.1	2.7	2.6	2.2	2.9	3.2	3.7	3.7	3.8	4.5	5.3
Korea	2.3	-0.8	-2.7	-1.2	0.2	-0.9	-1.7	-4.2	-1.3	11.8	5.5	2.4	1.7	1.0	1.9	4.1	2.1	0.3	0.0	-0.4
Luxembourg	..	..	..	..	..	..	12.1	11.2	10.4	9.2	8.4	13.2	8.8	11.6	7.5	11.8	11.8	10.8	12.8	12.4
Mexico	-2.6	-2.8	-4.6	-6.7	-5.8	-7.1	-0.5	-0.8	-1.9	-3.8	-2.9	-3.2	-2.8	-2.2	-1.4	-1.0	-0.6	-0.2	-1.0	-1.4
Netherlands	3.8	2.6	2.3	2.0	3.9	4.8	6.0	5.0	6.4	3.2	3.8	1.9	2.4	2.5	5.4	8.9	6.6	7.4	7.7	9.3
New Zealand	-3.8	-3.2	-2.8	-4.2	-3.9	-3.9	-5.0	-5.8	-6.4	-3.9	-6.2	-5.1	-2.8	-4.0	-4.5	-6.6	-9.0	-9.3	-8.4	-8.3
Norway	0.2	3.3	4.3	2.3	1.8	3.0	3.5	6.9	6.3	0.0	5.3	15.0	15.4	12.8	13.0	13.6	16.6	20.0	20.2	21.5
Poland	..	..	..	..	..	0.9	0.6	-2.1	-3.7	-4.0	-7.4	-5.8	-2.8	-2.5	-2.1	-4.3	-1.7	-2.1	-1.9	-1.5
Portugal[2]	0.3	-0.2	-0.8	-0.2	0.4	-2.3	-0.1	-4.3	-6.0	-7.1	-8.6	-10.4	-9.8	-7.8	-5.9	-7.3	-9.3	-8.8	-9.2	-9.9
Slovak Republic	..	..	..	..	-4.6	4.8	2.6	-9.2	-8.3	-8.8	-4.8	-3.6	-8.3	-7.9	-0.9	-3.5	-8.7	-6.4	-3.9	-3.3
Spain	-2.7	-3.5	-3.6	-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	-8.8	-9.2	-9.6
Sweden	-0.9	-2.0	-1.2	-2.8	-1.3	1.1	3.3	3.6	4.1	3.9	4.2	3.9	3.8	4.1	7.4	6.9	6.0	7.1	7.5	7.6
Switzerland	3.7	3.6	4.3	5.9	7.8	6.4	6.6	7.1	9.4	9.4	11.1	12.5	8.0	8.4	13.4	13.5	14.9	15.3	16.6	17.9
Turkey	0.8	-1.7	0.1	-0.6	-3.6	2.7	-1.6	-1.3	-1.4	1.2	-1.0	-4.9	2.4	-0.8	-3.3	-5.1	-6.4	-8.1	-7.6	-7.0
United Kingdom	-5.1	-4.0	-1.8	-2.1	-1.8	-1.0	-1.2	-0.9	-0.1	-0.4	-2.4	-2.6	-2.2	-1.6	-1.3	-1.6	-2.2	-2.4	-2.0	-2.1
United States	-1.8	-1.4	0.0	-0.8	-1.3	-1.7	-1.5	-1.6	-1.7	-2.4	-3.2	-4.2	-3.8	-4.5	-4.8	-5.7	-6.4	-6.6	-6.5	-6.6
Euro area	0.7	-0.2	-1.2	-1.0	0.3	0.2	0.6	1.0	1.4	0.8	0.3	-0.7	0.0	0.6	0.5	0.8	0.0	-0.3	-0.1	-0.1
Total OECD	-0.5	-0.7	-0.3	-0.4	0.0	-0.1	0.1	0.0	0.2	-0.1	-0.7	-1.3	-1.1	-1.2	-1.1	-1.2	-1.7	-2.0	-1.9	-1.8

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 80 database.

StatLink: *http://dx.doi.org/10.1787/218173783128*

Annex Table 52. **Structure of current account balances of major world regions**

$ billion

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Goods and services trade balance[1]																	
OECD	24	95	99	156	120	148	102	-48	-213	-179	-157	-213	-276	-467	-598	-569	-561
Non-OECD *of which:*	-31	-56	-24	-58	-17	-13	-12	100	217	148	192	271	328	539	716	663	650
Non-OECD Asia *of which:*	3	-15	-8	-25	-11	20	82	88	82	84	115	126	103	172	241	295	324
China	5	-12	7	12	18	40	42	31	29	28	37	36	49	125	176	205	234
Dynamic Asia[2]	9	9	3	-12	0	5	62	79	72	71	91	103	93	98	120	147	144
Other Asia	-11	-12	-18	-25	-28	-25	-21	-22	-19	-15	-13	-12	-38	-51	-56	-57	-54
Latin America	3	-6	-7	-19	-17	-31	-45	-16	-3	-10	22	42	58	75	87	82	78
Africa and Middle-East	-37	-34	-11	-14	8	5	-43	6	92	48	32	72	114	215	302	224	190
Central and Eastern Europe[3]	-1	-1	2	0	2	-7	-7	21	47	26	24	31	53	78	87	62	58
World[4]	-7	39	75	97	103	135	89	52	4	-31	35	58	52	73	118	94	89
Investment income, net																	
OECD	-18	-11	-30	-27	-16	3	-9	-3	9	14	-8	33	60	52	56	52	44
Non-OECD *of which:*	-38	-45	-44	-59	-69	-77	-82	-80	-91	-85	-98	-112	-132	-137	-155	-157	-157
Non-OECD Asia *of which:*	-9	-11	-9	-20	-25	-25	-27	-25	-29	-27	-28	-19	-18	-10	-13	-14	-14
China	0	-1	-1	-12	-12	-16	-17	-14	-15	-19	-15	-8	-4	11	7	10	15
Dynamic Asia[2]	-4	-4	-3	-2	-6	-2	-4	-4	-6	0	-5	-2	-6	-9	-7	-12	-16
Other Asia	-6	-6	-6	-6	-6	-7	-7	-6	-9	-8	-8	-9	-9	-11	-12	-12	-13
Latin America	-21	-23	-24	-28	-29	-36	-38	-38	-39	-40	-40	-46	-57	-63	-72	-69	-68
Africa and Middle-East	-2	-5	-8	-6	-8	-6	-3	-7	-12	-10	-21	-28	-34	-33	-34	-33	-29
Central and Eastern Europe[3]	-6	-6	-2	-5	-7	-11	-14	-10	-11	-8	-10	-19	-24	-31	-36	-41	-47
World[4]	-57	-57	-74	-85	-85	-74	-90	-83	-82	-71	-106	-79	-72	-85	-98	-104	-113
Net transfers, net																	
OECD	-91	-92	-103	-99	-102	-102	-115	-117	-125	-113	-130	-159	-183	-202	-197	-206	-213
Non-OECD *of which:*	34	30	28	30	36	40	37	42	45	54	68	97	112	129	144	152	162
Non-OECD Asia *of which:*	14	14	18	15	20	24	19	23	25	30	39	58	63	72	82	84	89
China	1	1	1	1	2	5	4	5	6	8	13	18	23	25	28	30	35
Dynamic Asia[2]	2	1	1	-2	-2	-2	-4	-4	-4	-5	-5	3	2	2	4	4	4
Other Asia	11	12	16	16	21	21	19	22	23	27	31	37	38	45	50	50	50
Latin America	8	8	9	11	10	10	11	13	14	16	18	21	24	28	31	33	35
Africa and Middle-East	6	3	-1	-1	1	2	1	0	-1	0	3	6	10	12	12	13	14
Central and Eastern Europe[3]	5	5	3	4	4	4	5	6	7	8	9	11	15	17	19	22	24
World[4]	-57	-62	-75	-70	-66	-62	-78	-75	-81	-59	-61	-62	-71	-73	-54	-54	-52
Current balance																	
OECD	-76	1	-32	27	-8	36	-26	-183	-340	-283	-313	-319	-383	-595	-741	-723	-730
Non-OECD *of which:*	-57	-84	-9	-87	-50	-50	-57	61	171	117	162	256	309	532	705	658	655
Non-OECD Asia *of which:*	8	-12	0	-29	-15	19	74	86	77	87	125	165	149	234	310	365	399
China	6	-12	8	2	7	30	29	21	21	17	35	46	69	161	211	245	284
Dynamic Asia[2]	8	6	1	-16	-8	0	54	72	61	66	80	104	89	91	117	139	132
Other Asia	-6	-6	-8	-14	-14	-11	-9	-6	-4	4	10	15	-9	-17	-18	-19	-17
Latin America	-9	-22	-22	-36	-36	-57	-72	-41	-28	-34	0	17	26	40	45	46	45
Africa and Middle-East	-32	-36	-21	-21	1	1	-44	-1	79	38	15	51	90	194	280	204	175
Central and Eastern Europe[3]	-23	-14	33	-1	0	-13	-15	17	42	26	22	23	44	63	70	43	35
World[4]	-133	-83	-41	-61	-58	-14	-83	-122	-169	-166	-150	-63	-74	-63	-36	-65	-75

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. Data prior to 1995 are OECD estimates.
4. 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 80 database.

StatLink: *http://dx.doi.org/10.1787/457880020474*

Annex Table 53. **Export market growth in goods and services**

Percentage changes from previous year

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	10.5	6.4	4.0	5.3	5.3	10.5	11.9	9.6	7.1	-2.7	7.9	12.2	-0.4	5.9	7.0	13.5	8.5	8.9	8.4	9.2
Austria	7.6	5.5	1.4	-1.4	-0.7	7.9	8.3	5.5	9.6	7.6	6.2	11.8	2.5	1.9	5.4	9.1	7.4	10.3	7.5	8.5
Belgium	8.0	5.3	3.4	2.2	-0.4	8.2	8.0	5.4	9.5	8.2	6.9	11.5	1.9	2.1	4.0	8.6	7.2	9.7	7.2	7.8
Canada	5.3	3.9	0.2	6.3	7.7	11.5	8.4	8.7	12.6	9.8	10.5	12.9	-2.0	3.5	4.4	10.9	6.5	7.1	4.9	6.1
Czech Republic	..	..	..	..	..	6.7	8.4	7.0	9.8	8.4	5.2	11.6	3.0	2.0	5.8	9.3	8.3	11.1	8.1	8.7
Denmark	7.6	4.3	1.2	1.6	0.5	9.0	8.0	6.3	10.3	8.3	6.2	11.1	0.7	1.5	4.3	8.7	7.1	8.9	6.8	7.5
Finland	7.4	2.4	-0.6	-4.0	2.0	8.3	8.5	6.7	10.0	5.7	5.0	12.2	2.1	3.6	5.9	10.6	8.4	11.0	8.8	9.3
France	8.0	5.3	3.6	3.0	0.2	7.6	8.0	6.0	9.7	7.1	6.9	10.5	1.6	2.4	4.5	9.3	7.2	9.3	7.4	8.2
Germany	7.7	4.0	0.5	1.5	1.7	8.0	8.6	6.5	9.9	7.1	6.0	12.0	1.7	3.1	4.6	9.8	7.2	9.4	7.7	8.1
Greece	6.8	3.3	0.4	-1.9	2.1	7.5	7.6	6.4	10.2	7.0	6.4	11.6	1.4	3.2	5.0	10.0	7.8	9.8	7.5	8.4
Hungary	..	..	..	..	..	7.5	7.8	5.3	9.0	7.2	5.7	11.7	2.7	1.7	5.1	8.7	7.3	10.0	7.4	8.3
Iceland	8.6	4.9	1.5	2.4	0.3	8.6	8.2	7.2	8.8	6.6	6.7	10.3	1.3	2.2	3.5	8.1	6.7	9.0	5.9	7.1
Ireland	8.0	4.9	2.1	3.7	1.0	8.4	8.0	6.6	9.4	6.8	7.3	11.1	1.1	2.7	3.8	8.6	6.7	9.0	6.2	7.5
Italy	7.8	4.5	2.7	0.0	1.5	7.7	8.1	6.7	9.9	6.9	6.6	12.1	1.8	2.7	5.1	10.1	7.8	10.1	7.9	8.5
Japan	8.0	6.7	6.8	7.9	8.0	12.1	11.5	8.7	10.6	0.0	8.9	14.6	-1.8	5.5	6.8	13.2	8.1	9.4	8.3	9.1
Korea	8.9	5.5	4.8	5.9	6.9	10.3	11.2	9.8	9.4	0.1	7.3	13.5	-0.3	5.6	7.9	13.8	9.0	10.2	9.2	9.9
Luxembourg	8.0	5.2	2.9	2.4	-0.5	8.5	7.5	4.9	9.2	8.5	6.4	11.3	1.5	1.3	3.3	7.6	6.4	8.7	6.3	7.0
Mexico	4.7	3.9	0.3	7.0	8.2	11.7	8.4	8.4	13.4	10.8	10.3	12.7	-2.4	2.9	4.1	10.7	6.4	6.7	4.4	5.5
Netherlands	8.4	5.9	3.6	2.4	-0.7	8.0	7.5	5.2	9.0	7.6	6.5	11.2	1.4	1.6	4.1	8.1	6.8	9.0	6.6	7.7
New Zealand	11.7	3.6	2.2	5.5	4.8	11.3	10.3	9.1	8.8	1.6	8.1	11.4	-1.3	5.9	6.8	13.0	8.2	8.4	7.2	8.4
Norway	7.6	3.6	0.9	3.0	1.1	9.0	7.8	6.3	10.1	8.3	6.9	11.4	1.1	2.4	3.4	8.0	7.0	9.4	6.4	7.3
Poland	..	..	..	..	..	7.5	8.1	5.5	8.9	6.1	4.5	12.2	4.1	2.7	5.8	9.9	8.4	11.5	8.8	9.4
Portugal	9.0	5.8	4.6	3.8	-1.3	8.4	7.8	5.7	10.1	9.5	7.8	10.8	2.2	2.0	4.0	8.2	7.0	9.1	6.6	7.4
Slovak Republic	..	..	..	..	..	7.5	10.2	6.6	9.3	7.7	4.7	13.1	4.8	2.7	6.2	11.2	7.0	10.8	8.8	9.4
Spain	7.5	6.1	3.4	3.6	-0.9	7.8	7.7	5.0	9.8	8.5	5.7	10.7	1.4	1.2	3.2	8.1	6.7	9.0	6.6	7.6
Sweden	7.3	4.2	1.8	1.7	1.6	8.5	8.1	6.8	10.2	6.9	5.4	11.2	1.3	3.1	4.2	9.5	8.0	10.0	7.4	8.0
Switzerland	8.3	6.3	4.2	2.9	0.4	8.4	8.5	6.0	9.4	6.1	6.7	11.5	0.8	2.2	4.7	9.3	7.2	9.1	7.0	7.9
Turkey	7.1	2.1	1.3	-5.2	0.7	6.6	7.0	6.0	8.8	4.9	5.6	11.4	3.5	3.8	5.4	10.7	8.8	11.3	9.5	10.0
United Kingdom	7.9	5.0	3.5	2.6	1.4	8.9	8.6	6.2	10.0	7.5	7.1	12.0	0.9	2.5	4.2	9.9	7.4	8.6	7.3	7.7
United States	9.1	6.2	5.3	6.2	4.5	10.4	7.7	8.6	11.1	3.2	6.4	12.3	-0.6	2.3	4.5	11.0	8.4	9.5	7.2	7.7
Total OECD	8.0	5.2	3.3	3.7	3.0	9.3	8.6	7.2	10.3	5.5	7.1	12.2	0.4	3.0	4.8	10.4	7.6	9.3	7.3	8.0
Memorandum items																				
China	9.9	7.1	4.8	4.1	5.3	10.7	11.6	8.6	8.2	-2.0	6.7	13.2	-1.4	4.0	5.0	12.4	7.9	8.4	7.2	7.8
Dynamic Asia [1]	9.5	6.1	5.6	7.3	7.7	11.6	12.1	10.1	9.2	-1.4	8.5	14.4	-0.6	6.7	8.6	14.1	8.9	10.2	9.4	10.2
Other Asia	8.4	4.7	3.4	4.2	4.3	9.4	9.6	8.3	9.1	2.6	7.8	12.1	0.0	4.8	6.1	12.3	8.3	9.5	8.1	9.0
Latin America	6.1	5.1	3.4	6.7	6.3	10.6	10.2	7.6	12.2	7.2	4.8	11.4	-0.2	0.8	4.2	11.3	8.3	9.0	6.7	7.0
Africa and Middle-East	9.0	5.7	4.6	4.1	2.5	9.0	10.5	8.2	8.2	1.2	8.0	11.9	0.3	4.9	6.2	12.1	8.3	9.7	8.6	9.3
Central and Eastern Europe	7.0	0.0	-5.1	-14.0	3.1	6.1	9.0	7.5	9.5	3.1	2.5	14.0	4.8	6.0	8.5	13.0	10.1	13.3	11.3	11.3

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 2000.

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

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/187114207883*

Annex Table 54. **Import penetration**

Goods and services import volume as a percentage of total final expenditure, constant prices

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	11.2	10.7	10.5	11.0	11.0	11.9	12.4	12.8	13.5	13.7	14.2	14.7	13.9	14.7	15.5	17.0	17.7	18.2	18.6	19.3
Austria	24.9	25.4	25.7	25.7	26.5	26.5	27.0	27.5	28.3	28.7	29.2	30.4	31.2	31.3	32.0	33.2	34.1	34.6	35.6	36.6
Belgium	37.4	37.7	38.0	38.6	38.8	39.6	40.1	40.3	40.8	42.0	42.3	43.5	43.3	43.0	43.4	44.2	44.9	44.9	45.5	46.3
Canada	21.2	21.5	22.3	22.9	23.7	24.3	24.8	25.5	27.3	27.5	27.9	28.5	27.0	26.8	27.3	28.3	29.1	29.8	30.0	30.2
Czech Republic	..	..	..	..	27.7	28.6	31.3	32.8	34.3	36.3	37.0	40.0	42.2	43.0	44.1	47.4	47.2	48.6	50.2	52.1
Denmark	22.6	22.7	23.1	22.8	22.6	23.8	24.5	24.6	25.7	26.9	27.1	28.9	29.1	30.5	30.0	31.0	32.8	35.6	36.8	38.3
Finland	19.7	19.7	18.5	19.2	19.7	21.1	21.5	22.2	22.9	23.2	23.1	25.0	24.7	24.9	25.2	25.8	27.5	28.1	29.2	30.2
France	16.1	16.3	16.5	16.4	16.0	16.9	17.6	17.7	18.5	19.6	20.0	21.7	21.7	21.8	21.9	22.5	23.4	24.6	25.4	26.2
Germany	20.1	21.1	18.9	18.9	18.3	19.1	19.9	20.3	21.3	22.5	23.6	24.8	24.9	24.6	25.6	26.6	27.7	29.2	29.9	31.0
Greece	17.1	18.2	18.6	18.7	19.0	19.0	20.0	20.7	22.3	23.3	25.3	27.2	25.2	24.2	24.1	24.9	24.0	24.6	25.0	25.5
Hungary	..	..	..	..	25.0	26.1	28.9	30.5	34.1	37.8	39.8	43.1	43.4	44.0	45.3	47.4	47.8	48.8	50.0	51.0
Iceland	23.5	23.5	24.4	23.9	22.4	22.4	23.0	24.8	25.3	28.3	28.3	29.1	26.5	26.1	27.6	28.8	32.6	33.3	32.3	31.5
Ireland	29.6	29.2	29.2	30.0	30.9	32.5	33.7	34.4	35.4	39.0	39.1	41.6	41.9	41.1	39.6	40.8	41.0	41.1	41.6	42.1
Italy	16.5	17.4	17.5	18.3	16.6	17.5	18.4	18.0	19.1	20.1	20.3	20.7	20.4	20.3	20.4	20.6	20.9	21.1	21.5	22.2
Japan	6.9	7.1	6.8	6.7	6.6	7.0	7.7	8.5	8.4	8.0	8.3	8.7	8.8	8.8	9.0	9.5	9.8	10.0	10.1	10.3
Korea	18.9	19.5	20.8	20.7	20.7	22.6	24.8	26.0	25.8	22.6	25.4	27.4	25.8	27.2	28.6	30.3	30.9	32.4	33.7	35.2
Luxembourg	..	..	..	..	..	..	50.7	51.5	53.1	54.4	55.8	56.3	57.2	56.5	57.5	59.2	60.5	62.0	63.2	64.2
Mexico	11.7	13.1	14.2	16.1	16.1	18.2	16.8	19.1	21.3	23.1	24.8	27.4	27.1	27.2	27.1	28.4	29.6	31.0	31.6	32.3
Netherlands	30.5	30.4	30.9	30.9	30.8	32.1	33.6	33.9	35.1	36.0	36.4	37.9	38.1	38.1	38.5	39.5	40.4	41.7	42.6	43.0
New Zealand	19.1	19.6	18.8	20.2	20.2	21.2	21.9	22.6	22.4	22.5	23.8	23.0	23.0	23.8	24.6	26.7	27.4	26.5	27.1	27.9
Norway	19.9	20.0	19.5	19.3	19.6	19.6	19.8	20.3	21.4	22.3	21.6	21.6	21.3	21.3	21.3	22.2	23.1	24.0	24.4	24.6
Poland	..	..	..	..	14.4	15.1	17.1	20.0	21.7	23.8	23.2	25.1	23.8	24.0	25.0	26.7	26.9	28.6	29.5	30.5
Portugal	19.5	21.1	21.5	23.1	22.9	24.2	24.8	25.0	26.0	27.7	28.6	28.9	28.7	28.4	28.5	29.6	29.9	30.3	30.8	31.5
Slovak Republic	..	..	..	..	36.0	33.5	34.7	36.6	37.6	40.4	40.4	42.1	44.4	44.6	45.4	46.2	48.5	50.2	51.1	51.9
Spain	14.0	14.7	15.6	16.4	15.7	16.9	18.0	19.0	20.3	21.9	23.3	24.3	24.5	24.7	25.3	26.5	27.1	28.0	28.7	29.4
Sweden	22.0	21.9	21.3	21.8	21.7	23.1	23.7	24.1	25.8	27.2	27.3	28.6	27.8	27.1	27.7	28.4	29.0	29.8	30.8	31.8
Switzerland	23.4	23.3	23.1	22.4	22.4	23.6	24.3	24.8	25.9	26.8	27.4	28.6	29.0	28.4	28.6	29.7	30.4	31.5	32.3	33.2
Turkey	15.1	17.8	16.8	17.6	21.1	18.0	21.0	23.0	25.4	25.2	25.4	28.5	24.5	25.8	29.5	32.3	33.2	33.8	34.5	35.1
United Kingdom	16.0	15.9	15.5	16.3	16.4	16.7	17.1	18.0	19.0	19.8	20.6	21.4	21.8	22.2	22.1	22.6	23.4	25.1	25.5	26.5
United States	7.8	7.9	7.9	8.1	8.5	9.1	9.6	10.0	10.7	11.4	12.1	13.1	12.7	12.9	13.0	13.8	14.1	14.5	14.7	15.0
Total OECD	12.9	13.2	13.1	13.3	13.4	14.1	14.8	15.4	16.2	16.8	17.6	18.6	18.4	18.6	18.9	19.8	20.3	21.1	21.6	22.2

Note: Regional aggregate is calculated inclusive of intra-regional trade as the sum of import volumes expressed in 2000 $ divided by the sum of total final expenditure expressed in 2000 $.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/510730402872*

Annex Table 55. **Quarterly demand and output projections**

Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2006	2007	2008	2006	2007				2008		Fourth quarter[1]		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	2006	2007	2008
Private consumption													
Canada	3.9	3.4	3.1	3.3	3.3	3.3	3.3	3.2	3.0	3.0	4.0	3.3	2.9
France	2.6	2.5	2.6	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Germany	0.8	0.3	1.8	1.5	-2.1	1.5	1.3	1.6	1.8	2.0	1.4	0.6	2.2
Italy	1.6	1.0	2.0	1.2	0.4	1.0	1.6	2.0	2.1	2.2	1.6	1.3	2.3
Japan	1.3	1.4	1.6	3.0	2.0	1.6	1.6	1.6	1.6	1.6	0.4	1.7	1.6
United Kingdom	2.1	2.1	2.2	1.6	2.1	2.2	2.3	2.3	2.2	2.2	2.1	2.2	2.2
United States	3.2	3.0	2.8	3.6	3.0	2.8	2.8	2.8	2.8	2.8	3.5	2.8	2.8
Euro area	1.8	1.7	2.3	2.0	1.0	2.1	2.1	2.2	2.3	2.4	1.9	1.9	2.4
Total OECD	2.7	2.5	2.6	2.8	2.4	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Public consumption													
Canada	3.5	3.3	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.4	3.2	3.2
France	2.2	1.8	1.9	1.8	1.7	1.7	1.8	1.8	2.0	2.0	2.5	1.8	2.0
Germany	1.2	0.4	1.5	0.0	0.5	1.0	1.2	1.3	1.5	1.7	1.2	1.0	1.7
Italy	0.7	0.3	1.3	0.8	0.0	0.0	0.0	0.0	2.0	2.0	0.8	0.0	2.0
Japan	0.6	1.1	1.2	1.5	1.2	1.2	1.2	1.2	1.2	1.2	0.7	1.2	1.2
United Kingdom	2.0	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.4	1.2	1.7	1.2	1.3
United States	1.6	2.5	2.1	2.6	3.0	3.0	2.6	2.2	1.8	1.8	2.2	2.7	1.9
Euro area	2.2	1.6	1.7	1.8	1.3	1.4	1.5	1.5	1.8	1.9	2.3	1.4	1.9
Total OECD	2.2	2.0	1.8	1.8	2.2	2.2	2.0	1.9	1.7	1.7	2.3	2.1	1.7
Business investment													
Canada	8.3	5.6	5.9	5.4	5.5	5.7	5.8	5.9	5.9	5.9	6.5	5.7	5.9
France	4.4	4.2	3.4	4.1	3.9	3.6	3.6	3.5	3.4	3.3	4.1	3.7	3.3
Germany	8.0	5.4	3.1	5.5	3.5	4.0	4.7	4.8	1.5	2.1	8.2	4.2	2.5
Italy	4.5	5.4	3.6	7.4	5.2	4.6	4.3	3.6	3.3	3.4	8.0	4.4	3.4
Japan	9.2	4.2	3.2	0.0	3.0	3.0	3.3	3.3	3.2	3.2	10.4	3.1	3.1
United Kingdom	4.9	5.7	5.7	4.9	6.1	5.7	6.1	5.5	5.7	5.7	6.2	5.9	5.7
United States	7.6	5.2	4.4	4.7	5.0	4.7	4.7	4.4	4.4	4.4	7.8	4.7	4.4
Euro area	5.5	5.0	3.7	6.6	4.2	3.6	3.7	3.8	3.2	3.6	6.8	3.8	3.8
Total OECD	7.0	5.1	4.1	4.8	4.5	4.2	4.3	4.2	3.9	4.0	7.5	4.3	4.1
Total investment													
Canada	6.3	3.4	4.0	3.2	3.4	3.6	3.9	4.0	4.0	4.0	4.5	3.7	4.1
France	3.7	3.3	2.9	3.3	3.1	3.0	3.0	2.9	2.9	2.8	3.4	3.0	2.8
Germany	5.8	4.3	2.5	4.2	2.4	2.8	3.3	3.5	1.4	1.9	6.4	3.0	2.2
Italy	3.7	3.9	2.9	4.9	3.9	3.5	3.3	2.9	2.7	2.7	5.4	3.4	2.7
Japan	4.0	2.1	1.7	1.8	2.5	1.6	1.8	1.7	1.7	1.7	4.2	1.9	1.6
United Kingdom	5.4	6.2	6.0	6.0	6.8	6.4	6.6	6.1	5.7	6.0	5.7	6.5	5.9
United States	3.4	-0.7	2.9	-3.3	-2.7	1.5	2.3	2.9	2.9	3.1	0.8	1.0	3.2
Euro area	4.6	4.2	3.2	4.7	3.8	3.3	3.3	3.4	2.8	3.1	5.2	3.5	3.2
Total OECD	4.7	2.5	3.4	1.5	1.7	3.1	3.4	3.5	3.2	3.4	3.5	2.9	3.5

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account 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).*

1. Year-on -year growth rates in per cent.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/340357762722*

Annex Table 55. **Quarterly demand and output projections** ***(cont'd)***

Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2006	2007	2008	2006 Q4	2007 Q1	Q2	Q3	Q4	2008 Q1	Q2	Fourth quarter[1] 2006	2007	2008
Total domestic demand													
Canada	4.3	3.5	3.3	3.2	3.3	3.3	3.4	3.4	3.3	3.3	4.1	3.3	3.2
France	2.4	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Germany	2.0	1.2	1.9	1.5	-0.7	1.6	1.7	1.9	1.7	1.9	2.2	1.1	2.1
Italy	1.2	1.4	2.1	1.9	1.1	1.3	1.7	1.8	2.2	2.3	1.6	1.5	2.3
Japan	2.0	1.3	1.5	1.2	1.6	1.5	1.6	1.6	1.5	1.5	1.6	1.6	1.5
United Kingdom	2.7	2.6	2.7	2.2	2.7	2.7	2.8	2.7	2.7	2.7	2.7	2.7	2.7
United States	3.2	2.2	2.7	2.0	1.9	2.6	2.7	2.7	2.7	2.7	2.8	2.5	2.7
Euro area	2.4	2.2	2.4	2.5	1.7	2.3	2.3	2.4	2.4	2.4	2.4	2.2	2.5
Total OECD	3.1	2.4	2.7	2.1	2.2	2.7	2.7	2.7	2.6	2.6	2.7	2.6	2.6
Export of goods and services													
Canada	1.3	1.7	3.6	0.6	1.4	2.0	2.3	3.4	3.8	4.2	-0.3	2.3	4.1
France	7.7	5.7	6.3	5.3	5.7	6.1	6.1	6.6	6.3	6.2	7.3	6.1	6.2
Germany	10.4	6.2	7.3	6.8	6.1	6.2	6.5	7.3	7.5	7.6	9.2	6.5	7.6
Italy	5.1	3.5	4.4	4.1	5.1	3.4	3.9	4.1	4.4	4.8	4.5	4.1	4.7
Japan	10.4	7.2	6.9	8.0	6.0	7.0	7.0	7.0	7.0	7.0	8.2	6.7	6.7
United Kingdom	12.8	5.6	9.1	10.8	13.0	12.1	10.7	9.5	8.2	8.5	6.1	11.3	8.5
United States	8.5	6.3	6.9	4.0	7.0	7.0	7.0	7.0	7.0	7.0	7.6	7.0	6.7
Total OECD[2]	8.8	6.3	7.0	6.0	6.8	6.8	6.7	6.8	7.1	7.3	7.6	6.8	7.2
Import of goods and services													
Canada	5.8	3.7	4.0	1.8	2.4	3.0	3.2	4.1	4.1	4.5	4.3	3.2	4.3
France	8.8	6.7	6.6	6.3	6.3	6.3	6.3	6.5	6.7	6.7	7.8	6.3	6.7
Germany	10.0	5.3	7.6	6.0	4.0	6.5	6.9	7.6	7.7	7.8	7.7	6.2	7.9
Italy	3.4	3.7	5.8	4.1	5.1	4.3	4.9	5.2	6.1	6.4	2.9	4.9	6.3
Japan	5.3	3.1	4.4	2.0	4.0	4.0	4.0	4.0	4.5	4.5	4.1	4.0	4.7
United Kingdom	12.1	5.2	8.3	9.1	12.1	11.7	10.4	9.1	7.1	7.4	5.9	10.8	7.4
United States	6.3	4.1	5.4	1.0	4.0	5.0	5.0	5.0	5.0	6.0	4.8	4.7	5.7
Total OECD[2]	7.5	5.1	6.2	4.2	5.4	5.9	5.9	6.0	6.0	6.5	5.9	5.8	6.4
GDP													
Canada	2.8	2.7	3.1	2.8	2.9	3.0	3.1	3.1	3.2	3.2	2.5	3.0	3.2
France	2.1	2.2	2.3	2.1	2.3	2.4	2.4	2.4	2.3	2.2	2.2	2.4	2.3
Germany	2.6	1.8	2.1	2.1	0.5	1.8	1.8	2.1	1.9	2.2	3.0	1.5	2.3
Italy	1.8	1.4	1.6	1.9	1.1	1.1	1.3	1.5	1.7	1.8	2.2	1.2	1.8
Japan	2.8	2.0	2.0	2.1	1.9	2.1	2.1	2.1	2.0	2.0	2.2	2.1	1.9
United Kingdom	2.6	2.6	2.8	2.5	2.6	2.5	2.6	2.7	2.8	2.8	2.7	2.6	2.9
United States	3.3	2.4	2.7	2.4	2.1	2.7	2.8	2.8	2.8	2.6	3.0	2.6	2.7
Euro area	2.6	2.2	2.3	2.3	1.9	2.2	2.3	2.2	2.3	2.4	2.9	2.2	2.5
Total OECD	3.2	2.5	2.7	2.4	2.4	2.7	2.8	2.7	2.7	2.7	3.0	2.7	2.7

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account 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).*

1. Year-on -year growth rates in per cent.
2. Includes intra-regional trade.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/340357762722*

Annex Table 56. **Quarterly price, cost and unemployment projections**

Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2006	2007	2008	2006	2007				2008		Fourth quarter[1]		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	2006	2007	2008
Consumer price index[2]													
Canada	2.1	1.5	2.0	-0.4	2.0	2.0	2.0	2.0	2.0	2.0	1.6	2.0	2.0
France	2.0	1.4	1.6	0.4	1.5	1.6	1.6	1.6	1.6	1.6	1.7	1.6	1.6
Germany	1.7	1.9	1.0	0.7	4.5	1.1	0.9	1.0	1.0	1.1	1.2	1.9	1.1
Italy	2.2	1.9	2.0	1.5	1.7	1.8	1.8	1.9	2.0	2.0	2.0	1.8	2.0
Japan	0.3	0.3	0.8	0.3	0.3	0.2	0.4	0.7	0.8	0.9	0.6	0.4	0.9
United Kingdom	2.2	2.0	1.9	2.4	1.6	1.6	1.6	2.4	1.6	1.8	2.5	1.8	1.9
United States	3.3	2.3	2.3	-1.9	3.6	3.0	2.7	2.4	2.3	2.2	2.0	2.9	2.1
Euro area	2.2	1.9	1.8	1.0	2.6	1.7	1.7	1.7	1.8	1.8	1.8	1.9	1.9
GDP deflator													
Canada	1.9	1.1	1.7	-0.7	2.0	1.8	1.7	1.7	1.7	1.7	-0.2	1.8	1.7
France	1.8	1.7	1.8	0.8	2.2	2.2	2.2	2.2	1.7	1.6	1.4	2.2	1.6
Germany	0.7	1.7	1.2	0.9	3.7	1.1	1.0	1.1	1.2	1.3	0.9	1.7	1.3
Italy	2.0	1.9	2.0	2.0	1.3	1.9	2.1	2.3	1.9	1.9	1.4	1.9	1.9
Japan	-1.0	0.2	0.6	0.4	0.2	0.1	0.3	0.4	0.8	0.8	-0.4	0.3	0.8
United Kingdom	2.3	2.5	2.1	3.4	2.0	2.0	2.2	2.0	2.2	2.0	2.4	2.1	2.1
United States	2.9	2.6	2.6	1.7	3.3	2.7	2.7	2.6	2.8	2.4	2.5	2.8	2.5
Euro area	1.8	2.0	2.0	1.7	2.4	2.0	2.0	2.2	1.8	2.0	1.5	2.1	2.0
Total OECD	2.2	2.2	2.1	1.9	2.3	2.1	2.2	2.3	2.1	2.0	2.1	2.2	2.1
Unit labour cost (total economy)													
Canada	2.8	1.8	2.3	1.3	2.2	2.2	2.2	2.2	2.4	2.4	2.0	2.2	2.3
France	1.7	1.5	1.7	1.2	2.1	1.6	1.7	1.6	1.9	1.5	1.2	1.7	1.8
Germany	-1.5	0.3	0.7	-0.3	0.6	-0.2	0.4	0.6	1.0	0.9	-0.6	0.4	0.8
Italy	3.7	1.0	2.4	-0.9	-0.8	0.1	1.1	2.2	3.0	2.9	1.8	0.7	2.7
Japan	-1.0	0.1	0.5	-3.5	1.8	2.0	2.0	1.9	-0.8	-0.1	-1.8	1.9	-0.3
United Kingdom	2.9	2.9	2.5	1.8	3.5	4.3	4.2	3.2	1.9	2.0	2.0	3.8	1.8
United States	4.3	3.0	2.4	3.3	3.3	2.4	2.4	2.3	2.3	2.4	4.4	2.6	2.4
Euro area	0.9	1.2	1.6	0.6	1.1	1.2	1.2	1.7	1.8	1.8	0.8	1.3	1.7
Total OECD	2.3	2.0	1.9	1.6	2.3	2.0	2.0	2.1	1.7	1.8	2.2	2.1	1.7
	Per cent of labour force												
Unemployment													
Canada	6.4	6.6	6.5	6.5	6.6	6.6	6.6	6.6	6.5	6.5	6.5	6.6	6.4
France	9.1	8.5	8.2	8.8	8.7	8.5	8.5	8.4	8.3	8.3	8.8	8.4	8.2
Germany	8.0	7.7	7.2	7.8	7.8	7.7	7.6	7.5	7.4	7.3	7.8	7.5	7.0
Italy	7.1	6.8	6.5	6.9	6.9	6.8	6.8	6.7	6.6	6.5	6.9	6.7	6.4
Japan	4.2	3.9	3.6	4.2	4.1	3.9	3.8	3.7	3.6	3.6	4.2	3.7	3.5
United Kingdom	5.5	5.7	5.8	5.6	5.6	5.6	5.8	5.8	5.7	5.8	5.6	5.8	5.9
United States	4.6	4.8	5.1	4.5	4.7	4.8	4.8	4.9	5.0	5.1	4.5	4.9	5.2
Euro area	7.9	7.4	7.1	7.6	7.6	7.5	7.4	7.3	7.2	7.1	7.6	7.3	6.9
Total OECD	6.0	5.8	5.7	5.9	5.9	5.8	5.8	5.8	5.8	5.7	5.9	5.8	5.7

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account 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).*

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 80 database.

StatLink: *http://dx.doi.org/10.1787/737213101654*

Annex Table 57. **Contributions to changes in real GDP in OECD countries**

As a per cent of real GDP in the previous period, seasonally adjusted at annual rates

	2005	2006	2007	2008		2005	2006	2007	2008
Australia					**Germany**[1]				
Final domestic demand	4.2	4.0	3.7	3.5	Final domestic demand	0.5	1.7	1.0	1.8
Stockbuilding	0.1	-0.6	-0.2	0.0	Stockbuilding	0.2	0.2	0.1	0.0
Net exports	-1.3	-0.8	-0.5	-0.2	Net exports	0.5	0.7	0.7	0.3
GDP	2.9	2.6	3.0	3.4	GDP	1.1	2.6	1.8	2.1
Austria[1]					**Greece**				
Final domestic demand	1.5	2.1	1.9	1.8	Final domestic demand	2.5	5.1	4.7	4.6
Stockbuilding	0.0	0.0	0.0	0.0	Stockbuilding	0.1	0.1	-0.2	0.0
Net exports	0.7	1.2	0.5	0.6	Net exports	1.1	-1.1	-0.8	-0.7
GDP	2.6	3.2	2.5	2.4	GDP	3.7	4.0	3.8	3.8
Belgium[1]					**Hungary**				
Final domestic demand	1.3	2.2	2.6	2.3	Final domestic demand	4.0	4.0	-0.2	0.4
Stockbuilding	0.6	0.4	0.0	0.0	Stockbuilding	-2.5	-1.2	0.0	0.0
Net exports	-0.4	0.1	-0.3	-0.3	Net exports	2.8	2.4	2.0	1.9
GDP	1.5	2.9	2.3	2.1	GDP	4.2	4.0	2.2	3.0
Canada[1]					**Iceland**[1]				
Final domestic demand	4.2	4.3	3.4	3.3	Final domestic demand	16.4	6.2	-5.0	-2.5
Stockbuilding	0.4	0.0	0.1	0.0	Stockbuilding	0.0	0.3	-0.2	-0.2
Net exports	-1.6	-1.5	-0.7	-0.1	Net exports	-9.2	-2.4	6.4	5.2
GDP	2.9	2.8	2.7	3.1	GDP	7.5	3.6	1.0	2.5
Czech Republic[1]					**Ireland**[1]				
Final domestic demand	2.4	3.4	4.6	4.5	Final domestic demand	6.9	4.7	5.2	4.4
Stockbuilding	-0.2	2.1	0.3	0.0	Stockbuilding	-0.1	0.0	0.0	0.0
Net exports	4.0	0.5	-0.1	0.2	Net exports	-1.2	0.4	-0.2	0.1
GDP	6.1	6.2	4.8	4.6	GDP	5.5	5.1	5.1	4.5
Denmark[1]					**Italy**[1]				
Final domestic demand	4.1	4.9	3.0	2.5	Final domestic demand	0.2	1.8	1.5	2.1
Stockbuilding	-0.2	0.1	0.0	0.0	Stockbuilding	0.2	-0.6	0.0	0.0
Net exports	-1.0	-1.5	-0.3	-0.8	Net exports	-0.3	0.4	-0.1	-0.4
GDP	3.0	3.5	2.6	1.6	GDP	0.1	1.8	1.4	1.6
Finland					**Japan**[1]				
Final domestic demand	3.1	2.8	2.2	2.1	Final domestic demand	2.3	1.8	1.5	1.5
Stockbuilding	0.8	0.4	-0.2	0.0	Stockbuilding	0.1	0.2	-0.2	0.0
Net exports	-1.1	2.0	0.6	0.6	Net exports	0.2	0.8	0.7	0.5
GDP	3.0	5.0	2.8	2.7	GDP	2.7	2.8	2.0	2.0
France					**Korea**				
Final domestic demand	2.2	2.8	2.6	2.6	Final domestic demand	2.8	3.5	3.2	3.1
Stockbuilding	0.0	-0.3	0.0	0.0	Stockbuilding	-0.3	0.2	-0.1	0.0
Net exports	-1.0	-0.4	-0.4	-0.2	Net exports	1.4	1.3	1.3	1.5
GDP	1.2	2.1	2.2	2.3	GDP	4.0	5.0	4.4	4.6

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account 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).* Totals may not add up due to rounding and/or statistical discrepancy.

1. Chain-linked calculations for stockbuilding and net exports.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/285264763675*

Annex Table 57. **Contributions to changes in real GDP in OECD countries *(cont'd)***

As a per cent of real GDP in the previous period

	2005	2006	2007	2008		2005	2006	2007	2008
Luxembourg[1]					**Spain**[1]				
Final domestic demand	2.7	2.1	2.2	1.8	Final domestic demand	5.4	4.6	4.2	4.0
Stockbuilding	1.2	-2.6	0.2	0.0	Stockbuilding	0.0	0.1	0.0	0.0
Net exports	0.1	6.4	2.2	2.4	Net exports	-1.7	-0.9	-0.8	-0.8
GDP	4.0	5.2	4.3	4.0	GDP	3.5	3.7	3.3	3.1
Mexico					**Sweden**[1]				
Final domestic demand	5.4	6.2	4.2	4.5	Final domestic demand	2.7	3.3	2.8	2.4
Stockbuilding	-1.6	-0.6	0.2	0.0	Stockbuilding	-0.2	-0.4	-0.1	0.0
Net exports	-0.9	-0.9	-0.8	-0.8	Net exports	0.6	0.7	0.5	0.5
GDP	3.0	4.7	3.6	3.7	GDP	2.7	4.3	3.6	2.9
Netherlands[1]					**Switzerland**				
Final domestic demand	1.1	2.4	2.4	1.2	Final domestic demand	1.3	2.0	1.9	1.6
Stockbuilding	-0.3	-0.2	-0.2	0.0	Stockbuilding	-0.2	0.7	-0.1	0.0
Net exports	0.7	0.6	0.8	1.8	Net exports	0.8	0.3	0.4	0.4
GDP	1.5	3.0	3.1	3.0	GDP	1.9	3.0	2.2	2.0
New Zealand[1]					**Turkey**				
Final domestic demand	4.8	0.9	0.5	1.6	Final domestic demand	11.6	7.5	4.9	6.4
Stockbuilding	-0.2	-1.1	-0.1	0.0	Stockbuilding	-2.5	-0.1	0.6	0.0
Net exports	-2.0	1.6	0.8	0.5	Net exports	-1.7	-1.5	-0.5	-0.1
GDP	2.1	1.5	1.3	2.0	GDP	7.4	6.1	5.3	6.3
Norway[1]					**United Kingdom**				
Final domestic demand	3.9	3.6	3.4	2.5	Final domestic demand	1.9	2.7	2.7	2.8
Stockbuilding	0.2	0.4	0.0	0.0	Stockbuilding	-0.1	0.1	0.0	0.0
Net exports	-1.8	-1.4	0.2	0.6	Net exports	0.0	-0.2	0.0	0.0
GDP	2.3	2.4	3.2	2.7	GDP	1.9	2.6	2.6	2.8
Poland[1]					**United States**[1]				
Final domestic demand	3.3	5.4	5.2	4.7	Final domestic demand	3.8	3.1	2.4	2.8
Stockbuilding	-0.9	-0.6	0.0	0.0	Stockbuilding	-0.3	0.3	0.0	0.0
Net exports	1.1	0.2	-0.2	0.1	Net exports	-0.2	-0.1	0.0	-0.1
GDP	3.5	5.1	5.1	4.8	GDP	3.2	3.3	2.4	2.7
Portugal					**Euro area**				
Final domestic demand	1.0	0.1	1.4	1.9	Final domestic demand	1.7	2.5	2.2	2.3
Stockbuilding	-0.2	-0.2	0.0	0.0	Stockbuilding	0.1	0.0	0.0	0.0
Net exports	-0.5	1.3	0.1	-0.2	Net exports	-0.3	0.2	0.1	0.0
GDP	0.4	1.3	1.5	1.7	GDP	1.5	2.6	2.2	2.3
Slovak Republic					**Total OECD**				
Final domestic demand	8.2	7.0	5.6	5.1	Final domestic demand	3.1	3.0	2.5	2.7
Stockbuilding	0.6	0.8	0.0	0.4	Stockbuilding	-0.2	0.1	0.0	0.0
Net exports	-2.8	0.5	2.4	0.3	Net exports	-0.2	0.0	0.1	0.0
GDP	6.0	8.2	8.0	5.7	GDP	2.7	3.2	2.6	2.7

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. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account 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).* Totals may not add up due to rounding and/or statistical discrepancy.

1. Chain-linked calculations for stockbuilding and net exports.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/672457181653*

Annex Table 58. **Household wealth and indebtedness**[1]

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Canada												
Net wealth	475.1	476.5	493.3	501.2	498.4	507.0	502.2	503.2	513.1	513.6	515.6	520.7
Net financial wealth	210.5	219.0	232.4	237.3	233.7	239.1	240.1	235.5	231.9	223.7	217.7	215.8
Non-financial assets	264.5	257.6	260.9	263.9	264.7	267.9	262.0	267.7	281.3	289.9	297.9	304.9
Financial assets	313.6	322.4	339.3	346.9	345.6	353.2	352.7	349.6	348.9	343.9	340.5	342.0
of which: Equities	61.3	60.5	66.8	74.1	79.5	81.1	84.3	84.2	84.0	81.0	81.6	82.2
Liabilities	103.1	103.4	106.8	109.6	112.0	114.1	112.6	114.1	117.1	120.2	122.8	126.1
of which: Mortgages	68.5	68.8	70.8	71.6	71.8	71.8	69.6	69.6	71.2	73.1	74.4	76.4
France												
Net wealth	472.1	461.4	477.8	487.3	494.9	545.6	546.6	551.3	571.4	623.2	679.9	752.4
Net financial wealth	158.8	154.0	168.4	180.9	185.8	212.1	206.0	188.7	183.4	189.7	190.2	203.1
Non-financial assets	313.3	307.4	309.4	306.4	309.1	333.5	340.6	362.6	388.0	433.5	489.7	549.3
Financial assets	239.5	219.6	234.7	248.3	258.3	287.5	282.8	266.7	259.0	269.3	272.0	292.0
of which: Equities	90.6	53.3	58.8	60.9	67.6	87.0	83.9	70.2	63.5	70.0	71.2	81.7
Liabilities	80.7	65.6	66.3	67.4	72.5	75.4	76.7	78.0	75.6	79.5	81.8	88.9
of which: Long-term loans	51.2	49.6	50.1	50.7	51.4	53.8	53.4	53.6	54.5	57.0	60.3	64.8
Germany												
Net wealth	530.4	541.0	551.7	563.9	575.6	584.3	576.4	563.7	567.0	575.0	576.9	..
Net financial wealth	124.8	129.7	135.8	146.6	154.4	164.1	158.5	157.7	153.4	166.4	174.8	184.3
Non-financial assets	405.6	411.3	415.9	417.3	421.2	420.2	416.1	404.5	412.3	407.7	402.9	..
Financial assets	217.8	226.5	237.1	251.3	263.4	277.8	272.5	269.1	265.1	277.2	284.1	291.8
of which: Equities	39.0	41.2	45.4	54.7	61.8	74.3	74.3	70.4	56.6	62.4	63.7	69.2
Liabilities	93.0	96.8	101.3	104.7	109.0	113.7	114.1	111.3	111.7	110.8	109.3	107.5
of which: Mortgages	55.6	58.7	62.3	65.1	67.1	71.0	71.6	71.2	72.3	72.2	71.7	71.2
Italy												
Net wealth	713.7	703.2	703.6	751.8	777.7	812.7	821.7	821.7	859.6	898.8	949.4	..
Net financial wealth	225.8	213.9	220.6	246.2	273.0	307.6	310.3	290.2	279.4	277.0	281.0	294.1
Non-financial assets	487.9	488.5	482.0	504.5	503.7	503.0	510.1	529.8	578.4	616.8	655.4	..
Financial assets	257.9	245.5	253.1	281.2	311.8	351.1	355.4	335.8	327.1	327.1	334.9	352.7
of which: Equities	33.2	37.6	36.1	49.0	63.1	95.5	98.4	82.9	75.9	71.1	74.3	86.7
Liabilities	32.1	31.6	32.5	35.1	38.7	43.5	45.1	45.6	47.7	50.1	53.9	58.6
of which: Medium and long-term loans	15.3	18.7	18.9	20.2	22.3	25.7	27.1	27.7	29.9	32.4	36.4	41.0
Japan												
Net wealth	746.6	735.8	746.6	736.6	725.6	749.3	750.3	745.8	725.0	730.6	724.9	..
Net financial wealth	272.3	281.2	290.9	292.5	295.2	326.1	335.9	341.4	341.0	360.4	367.3	..
Non-financial assets	474.3	454.6	455.7	444.1	430.4	423.2	414.5	404.4	384.0	370.2	357.6	..
Financial assets	396.9	411.4	424.0	420.9	427.8	459.5	471.1	477.8	475.1	493.9	499.2	..
of which: Equities	46.8	45.9	40.3	28.9	27.0	45.6	41.7	32.0	29.8	42.2	47.8	..
Liabilities	124.6	130.2	133.2	128.4	132.6	133.4	135.2	136.4	134.1	133.5	131.8	..
of which: Mortgages[2]	46.8	49.6	53.8	55.5	56.0	58.9	61.4	63.4	66.0	63.1	63.9	..
United Kingdom												
Net wealth	558.0	568.7	583.1	633.0	670.9	755.8	750.1	688.6	692.6	727.3	768.0	790.3
Net financial wealth	260.0	288.5	292.1	337.9	349.1	405.0	372.3	308.7	250.5	255.7	258.6	286.3
Non-financial assets	298.0	280.1	291.0	295.1	321.8	350.9	377.8	379.9	442.1	471.6	509.4	503.9
Financial assets	367.5	394.8	396.7	442.7	456.4	515.9	486.5	426.8	380.6	397.1	411.7	445.3
of which: Equities	72.0	78.3	78.0	93.5	93.3	123.0	112.6	79.3	58.0	61.9	66.1	76.2
Liabilities	107.5	106.3	104.5	104.8	107.3	110.9	114.2	118.1	130.2	141.4	153.1	159.0
of which: Mortgages	79.9	78.3	77.6	76.7	78.2	80.9	83.2	86.0	94.4	104.4	114.4	120.3
United States												
Net wealth	482.4	509.6	529.9	564.0	581.1	628.5	575.1	539.3	495.8	538.8	552.8	573.4
Net financial wealth	273.7	302.0	323.3	357.5	371.8	411.5	355.4	312.0	259.1	290.8	293.1	294.3
Non-financial assets	208.7	207.6	206.6	206.5	209.3	216.9	219.7	227.3	236.7	248.1	259.7	279.1
Financial assets	365.3	395.4	418.4	453.7	468.9	513.0	458.2	419.0	371.1	410.9	419.8	429.4
of which: Equities	85.1	105.1	119.5	146.2	157.1	190.9	151.4	121.7	88.8	108.4	109.1	108.0
Liabilities	91.6	93.5	95.1	96.2	97.2	101.5	102.8	107.0	112.0	120.1	126.7	135.1
of which: Mortgages	63.6	63.2	63.8	64.3	65.0	67.9	68.6	72.7	78.6	85.9	92.3	101.0

1. Assets and liabilities are amounts outstanding at the end of the period, in per cent of nominal disposable income. Vertical lines between columns indicate breaks in the series due to changes in the definitions or accounting systems. Figures after the most recent breaks in the series are based on the UN System of National Accounts 1993 (SNA 93) and, more specifically, for European Union countries, on the corresponding European System of Accounts 1995 (ESA 95).
   Households include non-profit institutions serving households. Net wealth is defined as non-financial and financial assets minus liabilities; net financial wealth is financial assets minus liabilities. Non-financial assets consist mainly of dwellings and land. For Canada, Germany, Italy and the United States, data also include durable goods. For Canada, France, Japan, the United Kingdom and the United States, data also include non-residential buildings and fixed assets of unincorporated enterprises and of non-profit institutions serving households, although coverage and valuation methods may differ. Financial assets comprise currency and deposits, securities other than shares, loans, shares and other equity, insurance technical reserves; and other accounts receivable/payable. Not included are assets with regard to social security pension insurance schemes. Equities comprise shares and other equity, including quoted, unquoted and mutual fund shares. See also *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*
2. Fiscal year data.

Sources: Canada: Statistics Canada; France: INSEE; Germany: Deutsche Bundesbank; Italy: Banca d'Italia; Japan: Economic Planning Agency; United Kingdom: Office for National Statistics; United States: Federal Reserve.

StatLink: *http://dx.doi.org/10.1787/635638062063*

Annex Table 59. **Central government financial balances**

Surplus (+) or deficit (-) as a percentage of nominal GDP

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Canada	-1.9	0.7	0.8	0.9	1.9	1.1	0.8	0.0	0.4	0.1	0.5	0.4	0.4
France	-3.6	-2.8	-2.8	-2.3	-2.1	-2.0	-3.0	-3.6	-2.6	-2.6	-2.2	-2.3	-2.1
Germany	-1.9	-1.6	-1.8	-1.5	1.4	-1.4	-1.7	-1.8	-2.3	-2.2	-1.7	-1.1	-1.0
Italy	-6.9	-2.7	-2.5	-1.5	-1.2	-3.3	-3.2	-2.9	-2.8	-3.5	-4.0	-2.5	-2.6
Japan[1]	-4.1	-3.5	-5.3	-7.4	-6.4	-6.0	-6.9	-6.8	-5.4	-5.0	-4.3	-3.4	-3.3
United Kingdom	-4.3	-2.1	0.1	1.3	4.2	1.0	-1.8	-3.5	-3.2	-2.7	-3.0	-2.7	-2.6
United States	-1.9	-0.6	0.5	1.1	1.9	0.4	-2.6	-3.8	-3.7	-2.9	-1.6	-1.9	-2.0
excluding social security	-2.8	-1.6	-0.7	-0.4	0.4	-1.2	-4.2	-5.2	-5.0	-4.3	-2.9	-3.3	-3.5
Total of above countries	1.0	-2.9	-1.5	-1.1	-0.9	0.2	-1.2	-3.0	-3.8	-3.4	-3.0	-2.3	-2.1

Note: Central government financial balances include one-off revenues from the sale of mobile telephone licenses.

1. Data are only available for fiscal years beginning April 1 of the year shown. The 1998 deficit would rise by 5.3 percentage points of GDP if it included the central government's assumption of the debt of the Japan Railway Settlement Corporation and the National Forest Special Account.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/422767352767*

Annex Table 60. **Maastricht definition of general government gross public debt**

As a percentage of nominal GDP

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Austria	67.7	63.7	64.3	66.5	65.7	66.1	65.7	64.6	64.0	63.4	62.9	62.7	62.5
Belgium[1]	127.5	122.6	117.3	113.7	107.3	106.0	103.3	98.6	94.5	93.0	89.2	86.3	83.7
Czech Republic	..	12.0	12.6	13.1	17.9	25.9	28.5	30.1	30.7	30.3	32.2	34.2	36.4
Denmark	69.2	65.2	60.8	57.4	51.7	47.4	46.8	44.4	42.6	35.9	34.1	32.3	30.6
Finland	56.8	53.8	48.3	46.0	43.8	42.3	41.3	44.3	44.3	41.3	41.3	42.3	42.6
France	56.3	58.5	58.6	58.0	55.9	56.1	58.2	62.3	64.5	66.7	65.8	65.1	63.9
Germany	58.4	59.5	59.8	60.3	59.2	58.7	60.2	63.8	66.0	68.0	68.2	66.8	66.2
Greece	108.9	105.8	103.5	103.0	111.6	113.2	110.7	107.8	108.5	107.5	103.9	100.9	98.0
Hungary	..	62.5	60.2	59.6	53.9	50.7	54.0	55.8	56.3	57.7	62.0	62.5	62.8
Ireland	72.8	64.0	53.0	48.1	37.8	35.4	32.2	31.2	29.7	27.4	27.4	27.4	27.4
Italy	120.6	117.9	114.8	113.7	108.8	108.2	105.6	104.2	104.0	106.6	106.9	107.2	107.3
Luxembourg	6.3	6.4	6.2	5.6	5.3	6.5	6.5	6.3	6.6	6.0	6.6	7.1	6.7
Netherlands	72.1	67.0	64.0	60.5	53.6	50.7	50.5	52.0	52.6	52.7	50.6	48.6	46.5
Poland	..	43.0	38.3	39.4	35.8	35.9	39.8	43.9	41.8	42.0	45.5	45.2	42.2
Portugal	59.9	56.1	52.2	51.4	50.4	52.9	55.5	57.0	58.6	64.0	65.6	66.4	66.8
Slovak Republic	29.8	32.6	33.6	46.7	49.5	48.9	43.3	42.7	41.6	34.5	30.9	27.7	24.6
Spain	66.7	65.3	63.2	61.6	59.2	55.6	52.5	48.7	46.2	43.1	39.8	37.0	34.3
Sweden	73.0	70.0	67.6	62.2	52.3	53.8	52.0	51.8	50.5	50.4	47.0	43.4	39.7
United Kingdom	52.1	50.8	47.6	44.9	41.9	38.6	38.1	39.5	41.1	43.0	44.2	45.4	46.5
Euro area	74.9	73.3	72.4	71.6	69.0	68.2	68.1	69.3	70.0	70.8	69.9	68.6	67.5

Note: For the period before 2006, 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 2006 to 2008 debt ratios are in line with the OECD projections for general government gross financial liabilities and GDP. See *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Includes the assumption of debt for the Railways Company SNCB by the government from 2005 onwards (representing 1.7 percentage point of GDP in 2005).

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/422767352767*

Annex Table 61. **Monetary and credit aggregates: recent trends**

Annualised percentage change, seasonally adjusted

		Annual change (to 4th quarter)					Latest twelve months	
		2001	2002	2003	2004	2005		
Canada	M2	5.8	6.1	5.4	6.4	5.1	8.6	(Oct 2006)
	BL[1]	5.0	5.0	4.5	7.7	8.8	7.9	(Sept 2006)
Japan	M2+CD	3.1	2.9	1.5	2.0	2.0	0.7	(Oct 2006)
	BL[1]	-1.4	-3.1	-0.5	1.4	1.0	-0.2	(Oct 2006)
United Kingdom	M2	9.5	8.4	10.1	9.1	8.9	7.9	(Sept 2006)
	M4	7.7	6.0	6.5	9.3	11.8	14.1	(Sept 2006)
	BL[1]	8.4	9.3	8.7	11.3	9.4	13.2	(Oct 2006)
United States	M2	10.2	6.6	5.6	5.3	4.0	4.8	(Oct 2006)
	BL[1]	2.5	5.0	6.0	10.3	11.7	11.3	(Oct 2006)
Euro area	M2	8.5	6.5	6.8	6.3	8.8	8.2	(Oct 2006)
	M3	10.6	6.7	7.0	6.0	8.2	8.5	(Oct 2006)
	BL[1]	7.2	3.8	5.6	5.8	9.1	9.3	(Sept 2006)

1. Commercial bank lending.

Source: OECD Economic Outlook 80 database.

StatLink: *http://dx.doi.org/10.1787/688154714257*

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