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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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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

| | 2005 | 2006 | 2007 | 2005 | | 2006 | | 2007 | | Fourth quarter | | | |
|---|------|------|------|------|-----|------|-----|------|-----|----------------|------|------|------|
| | | | | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | 2005 | 2006 | 2007 |
| Per cent | | | | | | | | | | | | | |
| Real GDP growth | | | | | | | | | | | | | |
| United States | 3.6 | 3.5 | 3.3 | 3.7 | 3.3 | 3.5 | 3.5 | 3.3 | 3.2 | 3.2 | 3.7 | 3.4 | 3.1 |
| Japan | 2.4 | 2.0 | 2.0 | 1.7 | 1.9 | 2.1 | 1.9 | 2.0 | 2.0 | 2.1 | 3.2 | 2.0 | 2.1 |
| Euro area | 1.4 | 2.1 | 2.2 | 2.2 | 1.9 | 2.0 | 2.2 | 2.1 | 2.2 | 2.2 | 1.8 | 2.1 | 2.2 |
| Total OECD | 2.7 | 2.9 | 2.9 | 3.1 | 3.0 | 2.8 | 2.6 | 2.9 | 3.2 | 2.9 | 3.0 | 2.8 | 2.9 |
| Inflation | | | | | | | | | | | | | |
| United States | 2.7 | 2.5 | 2.3 | 2.9 | 2.2 | 2.3 | 2.3 | 2.3 | 2.6 | 2.2 | 2.9 | 2.3 | 2.2 |
| Japan | -1.1 | -0.1 | 0.6 | -0.2 | 0.0 | 0.1 | 0.3 | 0.5 | 0.6 | 0.7 | -1.3 | 0.2 | 0.8 |
| Euro area | 1.8 | 1.7 | 1.9 | 1.9 | 1.5 | 1.5 | 1.5 | 1.8 | 2.0 | 2.1 | 1.9 | 1.6 | 2.0 |
| Total OECD | 2.1 | 1.9 | 1.9 | 1.5 | 1.4 | 2.1 | 2.4 | 2.0 | 1.7 | 1.8 | 1.9 | 2.0 | 1.9 |
| Unemployment rate | | | | | | | | | | | | | |
| United States | 5.1 | 4.8 | 4.7 | 5.0 | 4.9 | 4.9 | 4.8 | 4.8 | 4.7 | 4.7 | 5.0 | 4.8 | 4.7 |
| Japan | 4.4 | 3.9 | 3.5 | 4.3 | 4.1 | 4.0 | 3.9 | 3.8 | 3.7 | 3.5 | 4.3 | 3.8 | 3.3 |
| Euro area | 8.7 | 8.4 | 8.1 | 8.6 | 8.5 | 8.5 | 8.4 | 8.4 | 8.3 | 8.2 | 8.6 | 8.4 | 8.0 |
| Total OECD | 6.5 | 6.3 | 6.0 | 6.4 | 6.3 | 6.3 | 6.2 | 6.2 | 6.1 | 6.1 | 6.4 | 6.2 | 5.9 |
| World trade growth | 7.3 | 9.1 | 9.2 | 9.3 | 8.8 | 8.8 | 8.9 | 9.1 | 9.3 | 9.4 | 8.1 | 8.9 | 9.3 |
| Current account balance | | | | | | | | | | | | | |
| United States | -6.5 | -6.7 | -7.0 | | | | | | | | | | |
| Japan | 3.4 | 3.9 | 4.7 | | | | | | | | | | |
| Euro area | -0.2 | -0.2 | -0.1 | | | | | | | | | | |
| Total OECD | -1.8 | -2.0 | -2.0 | | | | | | | | | | |
| Cyclically-adjusted fiscal balance | | | | | | | | | | | | | |
| United States | -3.6 | -4.2 | -3.9 | | | | | | | | | | |
| Japan | -6.3 | -6.1 | -6.4 | | | | | | | | | | |
| Euro area | -2.2 | -2.1 | -2.0 | | | | | | | | | | |
| Total OECD | -3.1 | -3.3 | -3.2 | | | | | | | | | | |
| Short-term interest rate | | | | | | | | | | | | | |
| United States | 3.5 | 4.8 | 4.9 | 4.2 | 4.6 | 4.9 | 4.9 | 4.9 | 4.9 | 4.9 | 4.2 | 4.9 | 4.9 |
| Japan | 0.0 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.6 | 0.0 | 0.0 | 1.0 |
| Euro area | 2.2 | 2.2 | 2.9 | 2.2 | 2.2 | 2.2 | 2.2 | 2.3 | 2.6 | 2.8 | 2.2 | 2.3 | 3.3 |

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 11 November 2005; in particular 1\$ = 118.00 yen and 0.85 euros;

The cut-off date for other information used in the compilation of the projections is 22 November 2005.

Source: OECD Economic Outlook 78 database.

EDITORIAL

LESS ROBUST THAN MEETS THE EYE?

World growth has been broadening over the past few months. Already strong in North America and most of Asia, economic momentum now looks well established in Japan, and continental Europe is progressively recovering from its latest bout of weakness. The fledgling European expansion has been facilitated by low long-term interest rates, euro depreciation and buoyant export markets, although final domestic demand is still growing below trend.

All in all, global growth has been exceptionally vigorous, fuelling large price increases in oil and commodities markets. These higher prices have acted as an impediment to recovery in those European economies which did not fully participate in the global expansion but as a moderating influence where aggregate demand was already buoyant. In a dynamic but turbulent environment, economic performance has been highly correlated with resilience. This connection was vividly illustrated in the United States, where the economy sailed through devastating hurricanes and disruptions in energy supplies.

One important and reassuring feature of the present situation is that virtually all countries have maintained price stability in the face of the oil price shock, without compromising activity. Higher oil prices have not spilled over into higher wage demands and long-term inflation expectations seem well anchored. As a result, although headline inflation has surged, contagion to non-oil prices has remained minimal.

The absence of second-round effects is epitomised by the behaviour of core inflation – excluding food and energy. In the United States, despite the recent spike in gasoline prices, core inflation has remained stable at around 2%, in a context where there is little slack left in the economy. In contrast, in the euro area core inflation has been trending down over the past four years towards fairly low levels, against the backdrop of persistent slack. As a consequence, headline inflation has only moderately overshoot the ECB's long-term objective. In Japan, where the challenges are quite different, core inflation may reach into positive territory as the recovery broadens to household demand.

Looking further ahead and assuming oil prices do not shoot up again, inflationary pressures should progressively recede. Indeed, core inflation is expected to drift only modestly upward in the United States, as activity expands beyond capacity, and to remain low in the euro area, where persistent economic slack would keep bearing down on prices.

With price stability being maintained, a powerful impetus arising from the Asian and US economies and the responding of oil exporters' higher revenues, the case for a prolonged world expansion, finally extending to convalescent European economies, looks plausible. This is indeed the baseline presented in this *Economic Outlook*. But the risks surrounding such a forecast are substantial. They include a renewed surge in oil prices, ever-worsening current account imbalances and abrupt exchange rate realignments, as well as long-term interest rate back-ups and asset price reversals.

Because they involve financial variables and asset prices, which often behave erratically in the short run, the potential impact and timing of these risks is hard to pin down. As a result, they only feature in forecasting exercises in the form of risk assessments surrounding a central scenario. If they materialise, their consequences for growth and inflation may depend a lot on economies' resilience.

It is worrying in this context that current account imbalances seem set to widen substantially over the next two years, with the US external deficit exceeding 7% of GDP in 2007 while China and Japan move into extremely large surpluses. These imbalances largely reflect inadequate macroeconomic policies, notably large fiscal deficits and tax incentives biased against savings in the United States and "mercantilist" exchange rate management geared towards market-share maximisation in several emerging Asian economies. As stressed in previous *Economic Outlooks*, such a policy configuration contributes to increasing the probability of a disorderly unwinding of current account imbalances, coupled with an evaporating appetite for dollar-denominated assets.

The economic consequences of such a shift in market preferences seem clear: long-term interest rate back-up and falling asset prices, including house prices, in the United States; steep currency appreciation and strong deflationary risks in those areas outside the United States (Japan, euro area) where core inflation is already low and sometimes falling; and, finally, weakening world growth. Given the relentless drift in imbalances, adjusting policies becomes increasingly pressing. It would help ensure world growth is sustainable and does not overly rely on borrowed momentum.

The risks surrounding energy prices are less easy to gauge. On the one hand, oil prices could still be on an upward medium-term path, but on the other hand they may well have overshoot in the short run. On a less speculative note, it seems likely that the full impact of higher oil prices on activity and inflation may take time to materialise. It cannot be excluded for instance that following an extended period of real income losses, wages finally accelerate. As well, the negative consequences for investment of higher and more volatile oil prices may set in only gradually.

Worsening fiscal and current account imbalances present policymakers with clear challenges. Addressing them successfully will require substantial policy adjustments.

In the United States, where aggregate demand is buoyant, there is a clear need for early fiscal retrenchment and tax reform to redress the saving/investment balance in conjunction with the current tightening of monetary policy. In Japan, mounting public spending pressures associated with ageing call for faster fiscal tightening, while monetary policy should keep a very easy stance until the output gap moves squarely into positive territory and deflation is definitively uprooted.

In the euro area, where underlying inflation has been steadily declining and economic slack remains entrenched, monetary tightening should wait until the recovery gathers enough momentum and becomes more resilient, which may take a few more quarters. At the same time, euro area governments should take advantage of buoyant foreign demand and accommodative monetary conditions to push ahead with economic reforms and start restructuring public finances in earnest, at a pace commensurate with the returning momentum of the recovery. Achieving fiscal consolidation, while preserving the recovery, means in particular giving priority to spending cuts over tax increases so that deficit reduction is both growth-friendly and long-lasting.

Looking to the future, enjoying strong and sustained world growth should not be taken for granted. Efforts are needed to nurture this “global public good” through a more open trading system and continued economic reforms. In this respect, a successful completion of the Doha Round and further progress in agricultural reforms would greatly contribute to making world growth more sustainable.

25 November 2005

A handwritten signature in black ink, consisting of the initials 'JP' followed by the name 'Cotis' in a cursive script. A horizontal line is drawn underneath the signature.

Jean-Philippe Cotis
Chief Economist

I. GENERAL ASSESSMENT OF THE MACROECONOMIC SITUATION

Overview

Despite the run-up in energy prices, growth in the OECD area has remained robust, with the expansion broadening again to regions that have experienced weak spells in the past. The US economy has stayed buoyant, the expansion in Japan has spread to domestically-oriented activity and there are signs that a rebound is underway in the euro area, where weak domestic demand has so far been acting as a drag. Labour market outcomes have been positive overall, and underlying inflation has remained subdued.

The expansion is broadening...

The surge in crude oil prices has been compounded by supply-bottlenecks and disruptions, leading to large price increases in other energy markets, particularly for refined products, but there has been little, if any, response of underlying inflation so far and confidence has held up in most countries, albeit with some set-back in the United States.¹ Even so, OECD economies are set to experience further adjustment in demand patterns as energy prices are likely to stay high in the medium term. The latter reflects continued strong energy-intensive demand growth in emerging economies, running up against much reduced spare capacity in oil extraction and refining, with investment lagging.

... notwithstanding higher energy prices

Leading indicators point to sustained momentum in area-wide activity in the near term, with GDP growth outpacing or catching up with potential. Among the factors supporting growth in the near term are capital formation and exports, helped by responding of oil producers' increased revenues, with household spending following suit. Underpinning these growth drivers are continued low long-term interest rates and a stable inflation outlook, safeguarded by a gradual withdrawal of monetary stimulus in line with the strength of activity in individual areas. Growth should remain particularly buoyant in the United States, while Japan looks set to sustain its newfound strength and in the euro area the recovery would finally gather steam (Table I.1).

Activity is poised to gain further momentum...

The present outlook is rather benign, but it is also beset with considerable risks stemming from external and domestic developments.

... but enduring imbalances cast a shadow

- Energy prices could go higher, spill over into inflation and cause a widespread tightening of monetary policy that would act as a brake on the expansion.
- The sizeable current account imbalances could lead to disruptive adjustments. The US external deficit, which is projected to exceed 7% of GDP in 2007, is still being financed at what can only be considered as favourable terms. But this is not likely to last forever. A sudden reduced willingness of foreigners to

1. US consumer confidence was sapped by the devastating effects of hurricanes Katrina and Rita and volatile retail energy prices.

Table I.1. The expansion should continue

| <i>OECD area, unless noted otherwise</i> | | | | | | | | | |
|--|------|------|------|------|------|------|------|------|-----|
| Average | | | | | | 2005 | 2006 | 2007 | |
| 1993-2002 | 2003 | 2004 | 2005 | 2006 | 2007 | q4 | q4 | q4 | |
| Per cent | | | | | | | | | |
| Real GDP growth¹ | 2.7 | 2.0 | 3.3 | 2.7 | 2.9 | 2.9 | 3.0 | 2.8 | 2.9 |
| United States | 3.2 | 2.7 | 4.2 | 3.6 | 3.5 | 3.3 | 3.7 | 3.4 | 3.1 |
| Euro area | 2.0 | 0.8 | 1.8 | 1.4 | 2.1 | 2.2 | 1.8 | 2.1 | 2.2 |
| Japan | 1.0 | 1.4 | 2.7 | 2.4 | 2.0 | 2.0 | 3.2 | 2.0 | 2.1 |
| Output gap² | -0.7 | -1.5 | -0.8 | -0.6 | -0.4 | -0.2 | | | |
| Unemployment rate³ | 6.7 | 6.9 | 6.7 | 6.5 | 6.3 | 6.0 | 6.4 | 6.2 | 5.9 |
| Inflation⁴ | 3.6 | 2.3 | 2.2 | 2.1 | 1.9 | 1.9 | 1.9 | 2.0 | 1.9 |
| Fiscal balance⁵ | -2.4 | -4.0 | -3.6 | -3.2 | -3.2 | -3.1 | | | |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/448121068470>

hold ever larger stocks of US assets could trigger a drop in their prices with adverse consequences for global bond markets.

- If long-term interest rates were to back up abruptly, housing markets, which are quite sensitive to interest rate developments in most countries, could be hit hard, with the ensuing wealth effects depressing consumption.

Monetary policies differ across countries

Beyond the need to take into account long-lasting high energy prices, the response of monetary authorities has to be attuned to the specific macroeconomic situation in their economies. In the United States, where output is near potential and underlying inflation is projected to rise, the authorities should continue to raise interest rates, whereas monetary stimulus should be maintained in the euro area as underlying inflation has been trending down and slack persists. In Japan, any tightening move should wait until the exit from deflation is durably secured.

Fiscal consolidation is urgently needed

Fiscal positions have been deteriorating in many OECD countries while little consolidation seems to be in store, leaving the area-wide deficit at over 3% of GDP over the projection period. Governments should make serious headway towards achieving sustainable public finances. Failure to do so would be very costly as population ageing will increase expenditure pressures. Indeed, in some countries it has already begun to do so. In the United States, fiscal consolidation would also help ease the external imbalance.

The upswing gradually broadens

Global growth is continuing at a solid pace...

World trade is expanding at close to double-digit rates, a pace that in the past has been associated with solid growth of the world economy. The non-OECD economies continue to be important drivers of growth in total world trade, accounting for an estimated share of around one-half of total global volume growth in the first half

of 2005, well above their share in total trade. To some extent this reflects the strong growth in import demand in the Organisation of Petroleum Exporting Countries (OPEC) and other oil producers based on the large oil price windfall gains accrued over the past two years (see below).

Growth patterns among the major world regions continue to be somewhat divergent:

... but diverging across regions

- Growth in the United States had already built up considerable momentum and the temporary hurricane-related losses of activity should be rapidly recovered. Domestic demand and in particular private consumption remains strong, underpinned by strong increases in house prices, while the pace of business investment has been weakening somewhat recently. As employment growth has returned to its trend pace, unemployment has continued to drift down to close to its structural level, and the output gap is gradually evaporating. There has been a noticeable energy-related up-tick in inflation measured by the private consumption expenditure deflator.
- In Japan, activity has become more broadly based, extending beyond the export-dependent sector. In particular, corporate investment has begun to pick up, and private consumption, while still remaining somewhat subdued, has benefited from a progressive shift from mostly part-time to mainly full-time hiring. Waning property price falls have been an additional supportive factor. Headline deflation has been diminishing, but core deflation has been rather steady, albeit at a rate close to zero.²
- There are signs that activity in the euro area is gaining some vigour, with buoyant exports starting to feed through to domestic demand. However, intra-regional developments continue to exhibit strong diversity. Employment has been growing, supported by moderate wage developments and job creation programmes in some of the major economies, and labour market outcomes have been surprisingly good in many countries. That said, area-wide unemployment has remained near 9% and the output gap has widened. While energy prices are being passed on to headline inflation, exceeding the 2% threshold, core inflation has hardly reacted as wage growth remains subdued.
- The expansion in Asia continues to be led by the still-booming Chinese economy, which is playing an increasingly large role in world growth (see Box I.1). It is also underpinned by an upswing in global electronics demand which seems to be gaining momentum. Both factors are more than counteracting the negative effects on growth from high oil prices.

The US economy continues to be buoyant

The expansion in Japan is broadening

In the euro area weak domestic demand is acting as a brake

Emerging Asia, led by China, is maintaining a fast pace

The forces shaping the current economic situation include the heightened tensions in energy markets, growing external imbalances and relatively easy financial conditions. These will be discussed in turn in the following section.

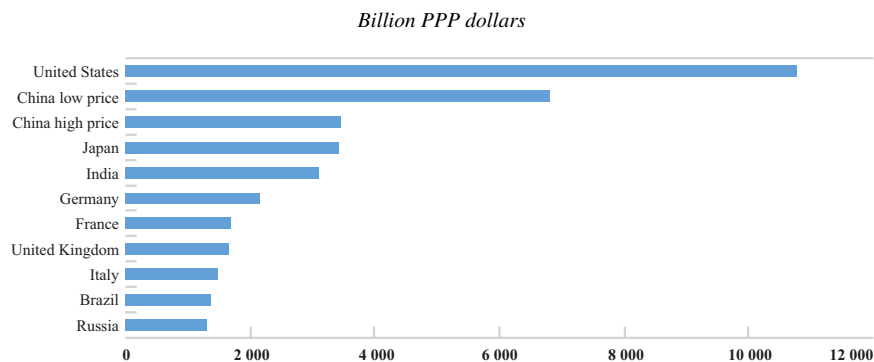
2. Unless stated otherwise, core inflation refers to the price index of Personal Consumer Expenditure (PCE) excluding food and energy for the United States, the Harmonised Index of Consumer Prices (HICP) excluding unprocessed food and energy for the euro area and the Consumer Price Index less energy and fresh food for Japan.

Box I.1. How big is China?

The rapid growth of the Chinese economy has markedly increased its importance to the world economy. This has raised interest in comparing the size of China, measured by GDP, with other economies. The results of such comparisons, however, depend on the method used. In particular the use of market exchange rates and purchasing power parities (PPPs) give different answers and, in the case of China, PPPs calculated by different methods and for different years yield varying results. On the basis of the most recent PPP estimates, the size of the Chinese economy was either twice as large as the Japanese or of similar size (see first figure below).¹ At market exchange rates,

though, the Chinese economy would only be one-third as large. The growth of the world economy, measured at PPP and with a low estimate of Chinese prices, was in the period 1994 to 2004 on average 1.1 percentage points higher than if GDP is aggregated at market exchange rates. This gap falls by about one quarter of a percentage point if China is included at the higher level of estimated comparable prices (see the second figure below). Within the OECD, the use of PPPs barely raises growth (only 0.1 percentage point) due to the more homogenous nature of the economies in this area than in the world as a whole.

The ten largest economies in 2004 measured at purchasing power parities



Source: World Bank, World Development Indicators Online Database and OECD calculations.

Key features and risks of the current situation

Hot energy markets

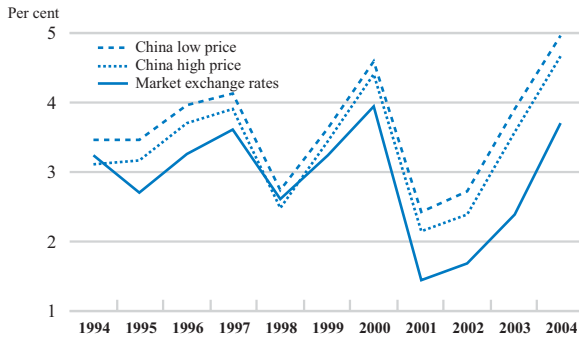
Energy prices have surged on a broad front

Oil prices have risen steeply over the past two years, followed with more or less of a lag by prices of natural gas, gasoline and heating oil (Figure I.1). In the United States, where the economy is already highly oil-intensive, the increase in end-use energy prices has been magnified by supply disruptions in the wake of Hurricanes Katrina and Rita.³ In the process, crude oil prices have reached new historical highs, be it in nominal terms or when deflated by US export prices. Their cumulative run-up

3. Even before Hurricanes Katrina and Rita, the global refining system was already stretched. Indeed, global average refining capacity utilisation reached 87% in 2004, the highest level in three decades, compared with a historical low of 80% in 1981.

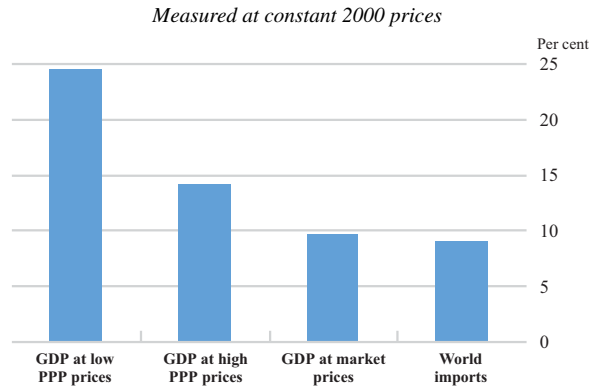
Box I.1. How big is China? (cont.)

The impact of different PPP parities for China on world growth



Source: OECD calculations.

China's share in the growth of world GDP and imports, 1994 to 2004



The best conversion factor to use when the GDP of different countries is aggregated would appear to depend on the purposes for which the data are assembled. A PPP based estimate appears best when the objective is to measure the increase in the availability of a comparable set of goods and services to populations and the movement in relative per capita incomes. However, as a measure of world effective demand, the use of

market exchange rates may be more appropriate, as countries do not purchase foreign goods at PPP exchange rates. Thus, for example, between 1994 and 2004, the share of China in the increase in real world imports was much closer to its share in the increase in real GDP at constant market exchange rates than to its share in the increase in world PPP-based world real GDP (see third figure above).

1. See Ren, R. and K. Chen, "China's GDP in US dollars based on purchasing power parity", World Bank Policy Research Working Paper, No. 1415, 1995 and Zheng, H. and R. Ren, A new benchmark comparison between China and the United States by ICOP Approach, School of Economics and Management, Bei Hang University, mimeo, March 2004, quoted in: Assessing Japan's industrial competitiveness by comparison with China, Korea, Chinese Taipei and the United States, paper presented to an OECD Conference on Productivity Measurement, October 2005. The 2005 OECD Economic Survey of China provides a detailed list of different estimates.

over the past two years matches, in absolute terms, the large shocks observed in earlier decades. At the time of writing, Brent crude prices were fluctuating around \$55, some 40% up since the turn of the year and 100% higher than in mid-2003.

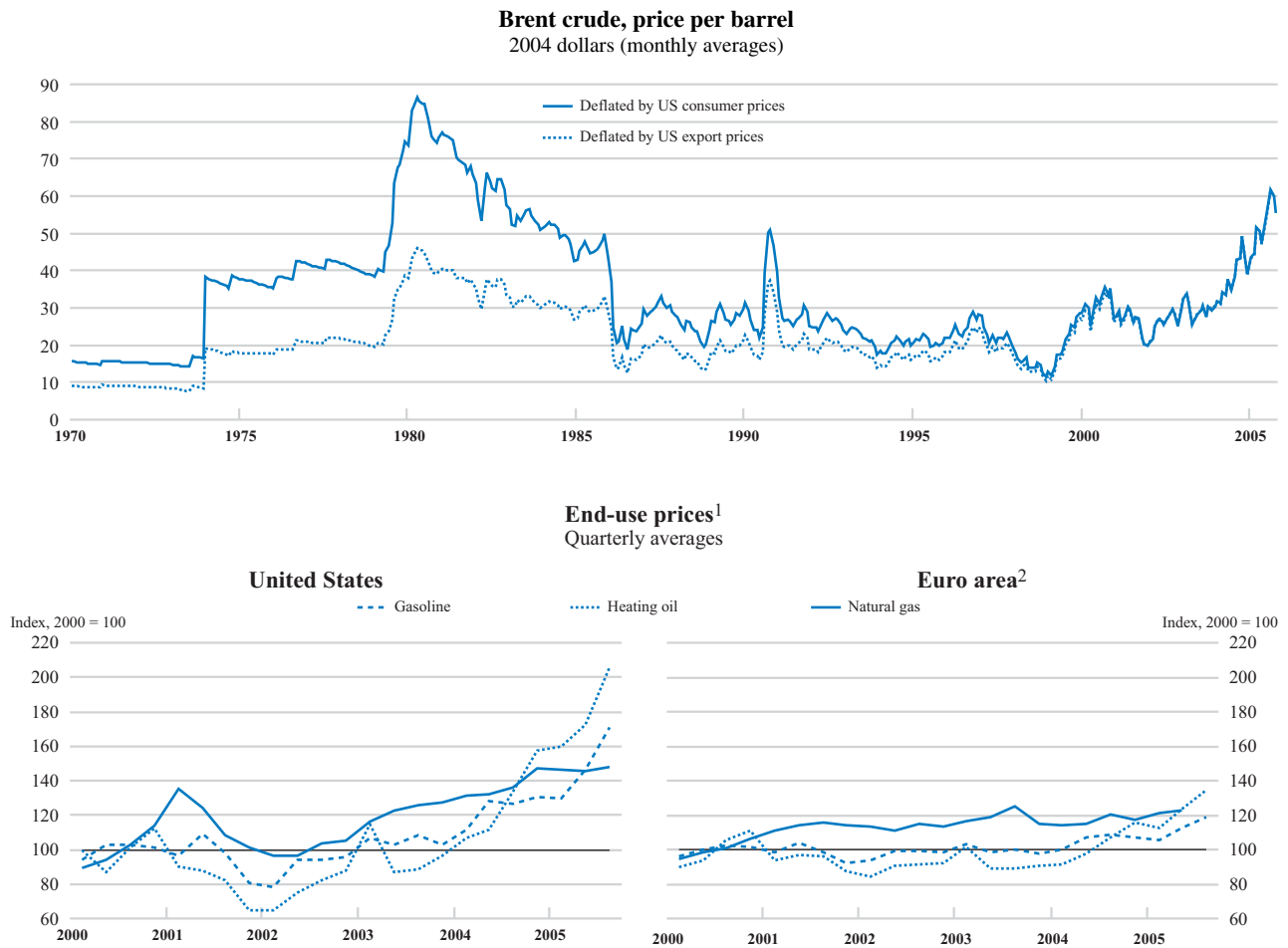
A major factor behind the run-up of oil prices has been an unexpectedly strong rise in demand stemming from fast economic growth in developing countries such as China, India and Brazil that are all intensive energy users,⁴ as well as the United States (Figure I.2). Indeed, oil demand grew about 3 million barrels per day (mb/d) in 2004 (3¼ per cent), approximately 1 mb/d more than initially estimated by most market observers.⁵ Demand growth this year is likely to turn out to be more moderate

Amid strong demand growth...

4. The average *ex post* oil-demand elasticity with respect to GDP over the past fifteen years is 0.4 for the OECD as a whole; 0.7 for the non-OECD economies on average; 0.9 for China and other Asia; and 1.2 for Latin America, respectively.

5. Part of the push on energy prices stems from hedge – and pension – funds seeking higher yielding investment opportunities in commodity markets in a context of low yields in financial markets.

Figure I.1. Energy prices have risen on a board front



1. For the United States, the heating oil price refers to New York harbor No. 2 heating oil spot price FOB.

2. 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 78 database.

in response to higher energy product prices, about half the pace of 2004, but this is still strong from a historical perspective.⁶

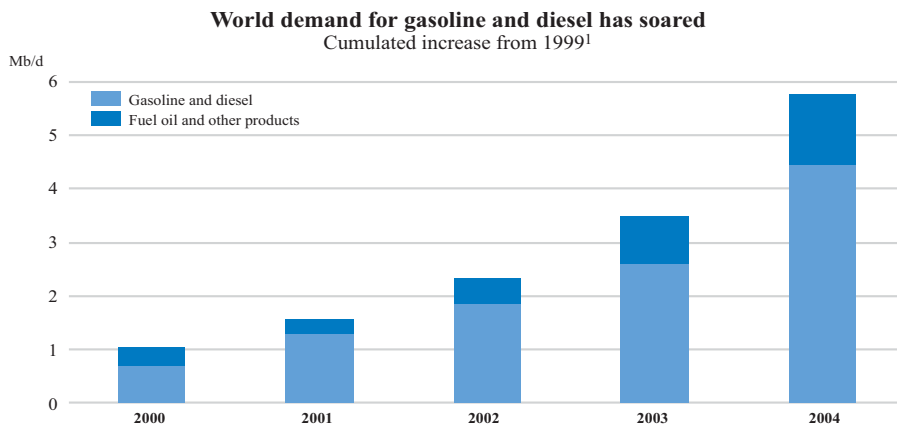
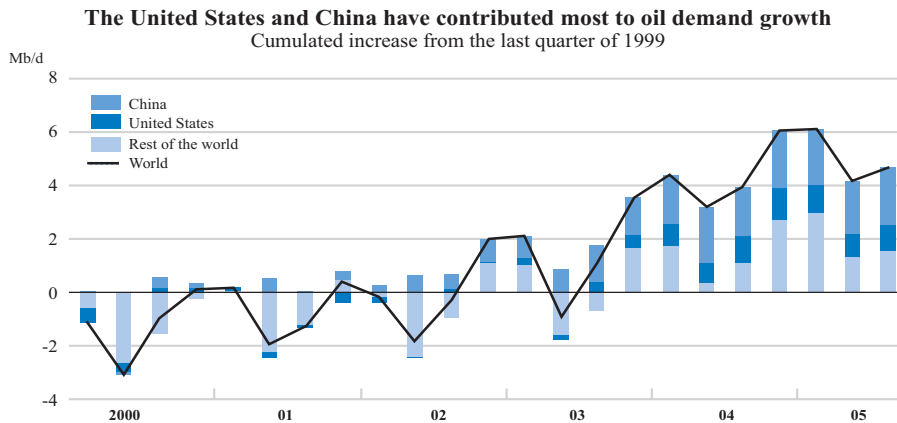
*... supply constraints
have been biting*

The unexpectedly strong rise in oil demand occurred at a time when global spare production capacity had diminished dramatically and tightness was further, but temporarily, exacerbated by the substantial hurricane-related damage to the US oil production and refinery infrastructure in the autumn of 2005 (see Figure I.3).⁷ This

6. Global demand for oil has been affected by a sharp slowdown in apparent oil demand from China. This has been due to vertically-integrated oil producers subsidising their retail outlets, and then boosting wholesale prices charged to independent operators, some of whom have stopped importing or even shut down.

7. Initially, 3% of global oil production and 2% of all gas production capacity was lost, while about 50% of US refinery capacity and 10% of global refinery capacity was temporarily shut in. The incipient supply squeeze was cushioned by the release of strategic petroleum reserves (60 mb) and OPEC's decision to make all its spare oil capacity (2 mb/d) available to the market.

Figure I.2. Oil demand has risen strongly since 2003

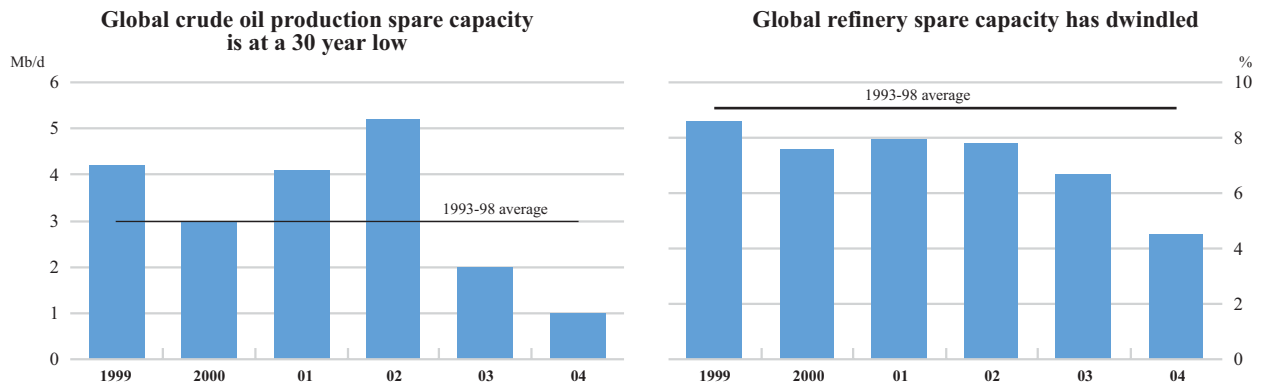


1. Excluding the former Soviet Union.
Source: US Energy Information Administration and BP Statistical Review of World Energy 2005.

partly stems from non-OPEC production coming closer to its short-term capacity and from declining yields in some existing fields (*e.g.* in the North Sea). More fundamentally, however, it is the result of low investment in oil production (and refinery) capacity during the past 25 years of relatively low oil prices and profitability.⁸ Moreover, many oil producing countries have in the past denied foreign oil companies access to their reserves, and the high volatility of prices in recent years has further deterred investment in exploration and extraction facilities.

8. Investment in refining capacity has been low over the past 20 years, mainly reflecting compressed refiner margins. Indeed, from 1993 to 2002, the average return on investment in the refining industry was 5½ per cent, less than half the of 12¾ per cent return investors received on the Standard & Poor industrial average equity index. Moreover, meeting often rapidly changing environmental regulation also acted as a brake on new investments as refiner costs have been soaring in order to cut the level of sulphur and other pollutants in the fuels they produce.

Figure I.3. Supply constraints have become increasingly tight



Source: US Energy Information Administration and BP Statistical Review of World Energy 2005.

**The impact of high oil prices
has been muted so far**

The OECD economy has been surprisingly resilient in the face of the oil shock, which has imparted a terms-of-trade loss to the OECD economy as a whole of about \$350 billion or around 1% of GDP in the two years up to the third quarter of 2005. Model simulations typically point to significant cumulative effects of a sharp rise in oil prices on both output and inflation,⁹ but in the current situation of a demand-driven oil price increase there are several mitigating factors:

**Supply disruptions have
been limited**

- If an oil price hike originates from a disruption in supply, prices will rise until GDP slows by enough to adjust oil demand and, in this case, the shock could well trigger a downturn.¹⁰ If higher oil prices stem from a strong increase in oil demand amid buoyant economic activity, the same equilibrating mechanism will operate. In this situation, however, oil markets will clear at a higher level of activity than before the price increase occurred: *ex post* a positive correlation between growth and oil prices is observed and this may explain the resilience of consumer confidence in this episode, whereas it plummeted at the onset of the “supply-driven” oil crisis in 1979/80. Even so, in economies where activity is subdued, such as the euro area, the oil price hike is somewhat more akin to a supply shock and may have weighed on confidence.

**The inflation response
has been benign**

- The hit to headline inflation has not been passed on to inflation expectations so far because: *i*) the oil intensity of output and consumption in OECD economies today is much lower than in the 1970s; *ii*) the still substantial output gaps in many countries are putting downward pressure on prices; and *iii*) the credibility of low inflation regimes in most OECD countries has been well established (Figure I.4). This has allowed central banks to

9. In the OECD’s INTERLINK model, the simulated effects do not explicitly take into account the adverse effects on confidence. See Brook, A.-M., R. Price, D. Sutherland, N. Westerlund and C. André, “Oil price developments: drivers, economic consequences and policy responses”, *OECD Economics Department Working Papers*, No. 412, 2004.

10. In the long run, price elasticities are higher, implying that prices will overshoot in the short run, and may ease back over the medium to long run.

Figure I.4. The inflation response has been weaker than in the past

Cumulative change in the 12-month inflation rate from the 12-month inflation rate in the month preceding the oil price shock



Note: T indicates the time of the oil shock (see legends).

Core consumer prices exclude food and energy. The harmonised index of consumer prices is used for third oil shock in euro area.

Source: OECD, *Main Economic Indicators*.

maintain an accommodative monetary policy stance, thereby providing support to demand across the OECD area.

- Because the current run-up in oil prices has been more gradual than its predecessors in the 1970s and has been underway for some time, re-sponding of the additional wealth by the oil producing countries stemming from the earlier price increase was already being felt in OECD economies when they were hit

The price hike has been more gradual than its predecessors

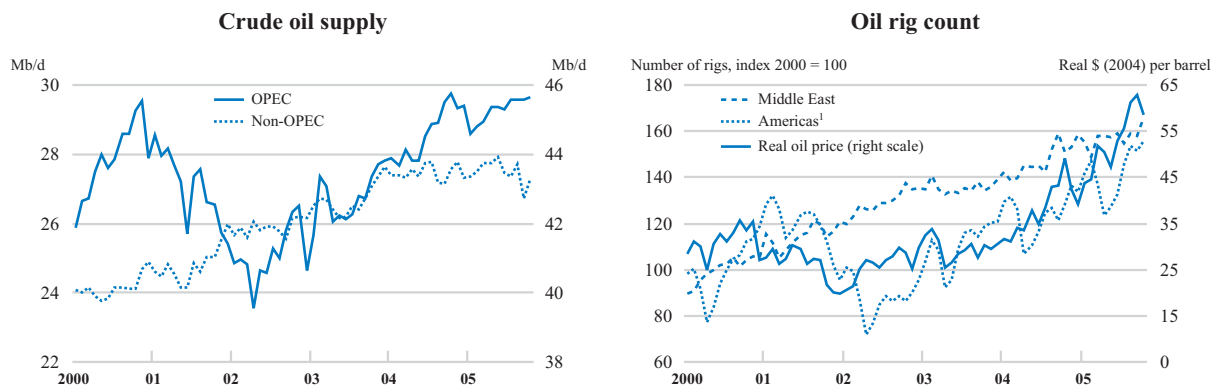
Box I.2. Oil prices look set to stay high over the medium term

While oil prices continue to be volatile, a number of factors are likely to keep them high over the longer term, as indicated by far futures prices. Key considerations are:

- Strong energy-intensive growth of global economic activity looks set to continue over the medium term. The large emerging economies, notably in Asia and Latin America, have now firmly established themselves as major growth poles of the world economy.¹ These economies have lower energy efficiency levels than OECD economies, hence their growing share in world output is raising the energy intensity of the world economy as a whole. Moreover, since they subsidise substantially domestic energy prices,² their oil demand is probably also more inelastic to prices over the next two to three years than it is in more mature economies.

- Over the longer run, demand adjusts as energy-inefficient capital is being scrapped. At the same time, the supply of oil, which is rather inelastic in the short run, does respond to high prices, as suggested by the increase in oil rig counts observed recently, if with a delay (Figure).³ However, it typically takes three to ten years before new supply capacity enters the market, with non-conventional resources being particularly slow to come on stream.⁴ Moreover, many oil producing countries either do not allow foreign investment in their domestic oil sectors or make it costly to enter. Finally, limited spare capacity has tended to make prices even more volatile and this, in turn, tends to further hold back investment in exploration and development activity.

Supply is slow to react to rising oil prices



1. Americas include the United States, Canada and Latin America.

Source: Baker Hughes, International Energy Agency and OECD Economic Outlook 78 database.

by the latest price hike.¹¹ Meanwhile, the part of the oil wealth that has not as yet been re-spent by OPEC countries has been partly recycled in the form of purchases of US government bonds, thereby adding downward pressure on long-term interest rates and supporting activity in OECD economies.

11. Re-spending is broadly on track. This is corroborated by econometric analysis, with a simple error-correction equation estimated over the 1997 to 2004 period, which uses the growth of import values in the Africa and Middle East region as dependent variable, and relating this to export revenues. This equation suggests that between 60 to 65% of extra revenue is spent after two years. The regression equation that was estimated on annual data (t-statistics in parentheses) had the following form:

$$DLM = 0.016 + 0.297 DLM_{-1} + 0.390 (DLX - DLX_{-1}) - 0.267(LM - LX)_{-1}$$

(1.6) (2.4) (6.9) (3.0)

R-bar squared = 0.79; S.E = 0.042 (mean of dependent variable = 0.52)

where DLM and DLX denote the annual change in the log of oil producing countries' import values and export values respectively and LX and LM denote the log of the levels of import and export values. The equation passes all the usual diagnostic tests.

Box I.2. Oil prices look set to stay high over the medium term (cont.)

– In the years ahead, while demand for oil will increasingly be directed towards the high quality “sweet” form of crude which is more easily refined into the products needed to meet growing transportation requirements, the world’s oil supplies will increasingly come from OPEC, which produces oil that is not as easily refined into the products demanded. This in turn will place an additional financial burden on the refining industry, due to the high cost of “retro-fitting” of existing capacity to deal with the lower quality of oil.

Finally, central to future price developments is the extent to which OPEC (or a subset of OPEC countries) will exercise market power – and in particular whether OPEC matches demand

shifts. The stronger global demand and the smaller the flexibility in non-OPEC supply are in the longer run, the greater are OPEC’s incentives to restrict production so as to maximise its net worth.⁵ The likelihood of such strategic behaviour becoming more prominent is heightened by the gradual shift of production from non-OPEC to OPEC (as oil production in the former group of countries may not grow very fast in the future).⁶ Thus, even if oil reserves are adequate to meet demand over the long term, a sluggish OPEC supply response may not only mean continued high price volatility, but also sustained high oil prices for longer than has been the case in previous oil shock episodes though not high enough to call forward an irreversible trend to other non-conventional sources of energy where reserves are at par with those of the Middle East.

1. They also have much higher income elasticities of demand for oil than in the OECD area because they are undergoing rapid industrialisation, have a fast growing middle-class population (inducing rapid growth in demand for transportation), and have more lenient environmental regulation. The energy intensities of these economies – measured as energy consumption per unit of GDP at constant 1995 exchange rates – are at least twice as high as in the OECD area, and econometrically estimated long-run income elasticities are about 1 for developing countries and about ½ for the OECD countries on average (with short-run income elasticities about half of that). See A.-M., Brook, R. Price, D. Sutherland and N. Westerlund, “Oil Price Developments: Drivers, Economic Consequences and Policy Responses”, *OECD Economics Department Working Papers*, No. 412, 2004.
2. For instance, energy subsidies absorb a third of the central government budget in Indonesia.
3. Estimates of long-run non-OPEC price elasticity of supply vary from a 0.1 to 0.6, depending on whether the price change is temporary or permanent, see Brook *et al.* (*op. cit.*).
4. Renewables and non-oil non-renewables become more attractive as the price of oil is perceived to remain high and as technical progress reduces their cost. For example, supply from Canadian tar sands has become less expensive and is on the rise. In total, non-conventional deposits may exceed conventional ones. Indeed, the liquefaction of other fossil fuels, which are in plentiful supply, serves as a backstop technology. As such, it puts an implicit upper bound on the price of oil, although it is impossible to quantify this limit with any precision.
5. Oil is different from ordinary commodities not in the existence of a cartel (OPEC), but in three other ways: it is an exhaustible resource; production is controlled by national governments; and for the majority of oil exporters, oil is the overwhelming source of national income. The fact that oil is an exhaustible resource means that not extracting it is a form of investment that looks attractive when oil prices are high, especially if domestic infrastructure investment has diminishing returns and foreign investment is undesirable, *e.g.* for political reasons.
6. OPEC expects its production capacity grow by 1¼ mb/d, but this is below most projections for oil demand next year. Moreover, the profile for future OPEC production capacity growth suggest average annual increases of about 1 mb/d, falling short of global demand growth that most observers put at around 1½ mb/d.

While so far the OECD economy looks to have skated through the energy-price shock with relative ease, energy prices are expected to stay high in the years ahead (see Box I.2) and further adjustments will be in store. The transfer of purchasing power from households to oil producers will be weighing on domestic demand to the extent saving fails to act as a shock absorber, and will prompt a temporary increase in inflation. The latter may feed into inflation expectations, thus reducing the room for central banks to keep the stance of monetary policy accommodative. Meanwhile, relative price changes may prompt investment in production capacity in the energy sector and affect consumption patterns, thus placing a demand on the adjustment capacity of OECD economies.¹² The lack of predictability of oil prices may also contribute to damp confidence.

But further adjustment is in the pipeline

12. So far most governments have resisted calls to adopt (temporary) tax cuts on energy products which would tend to slow down the necessary adjustments.

External imbalances

Global external imbalances have persisted...

The US external deficit, which currently absorbs the bulk of the aggregate current account surpluses in the world,¹³ is projected to rise further, reaching a record 7% of GDP (1½ per cent of world GDP) in 2007 (see below). This phenomenon has its roots in domestic saving and investment behaviour in the United States and the emerging Asian economies, in particular China.¹⁴

... reflecting saving-investment imbalances in the United States...

The US domestic counterpart of the external deficit is the large saving-investment deficit in the general government accounts, amounting to 5% of GDP,¹⁵ with the saving-investment surplus in the business sector and deficit in the household sector broadly offsetting each other (Figure I.5, upper panel).¹⁶ The excess of business saving over investment is not an exclusive feature of the United States. It reflects the ongoing corporate balance sheet restoration in the wake of the world-wide stock market correction in 2000-01, with rapidly growing profits in the face of what had been sluggish investment. A related factor is the mending of pension fund balance sheets. However, what is specific to the United States is the combination of huge saving-investment deficits in the household and government sectors. This is largely a reflection of, on the one hand, an easy stance of fiscal policy since 2001 and, on the other, the boom in house prices and its ensuing effects on household saving and buoyant residential investment. The forces that are currently driving the saving-investment imbalance in the United States are thus quite distinct from those that were acting in the second half of the 1990s – although capital gains (on stocks in the 1990s and on housing thereafter) have been a key factor all along (which gives rise to measurement issues regarding the true state of household balance sheets in the United States – see Appendix I.1).

... and in emerging Asian economies...

Around two thirds of the increase in the US current account deficit since 1997 (the last time when it was below 3% of GDP) has been counterbalanced by higher external surpluses in emerging Asia (mainly China) and in oil-producing economies (Figure I.5, lower panel).¹⁷ The surplus in China is driven by high saving in both the household and business sectors, with the total saving-to-GDP ratio soaring from a stable 40% up to 2000 to 50% in 2004. This behaviour reflects the limited access of households to credit and concerns over ageing in the absence of an adequate social safety net.¹⁸ In addition, deficient financial markets are inducing local businesses to

13. See *OECD Economic Survey of the United States*, Paris, 2005.

14. Some observers have emphasised the role of excess saving outside the United States as being the main force shaping this constellation of external imbalances (“savings glut”), whereas others have highlighted the role of the sharp drop in national saving in the United States itself (“spending drift”). See Bernanke, B., “The global saving glut and the U.S. current account deficit”, remarks at the Sandridge Lecture, Virginia Association of Economics, Richmond, Virginia, 2005 and Roubini, N. and B. Setser, “Will the Bretton Woods 2 regime unravel soon? The risk of a hard landing in 2005-2006”, paper presented at the symposium of the Federal Reserve Bank of San Francisco and the University of California Berkeley, Revised Bretton Woods system: a new paradigm for Asian development?, San Francisco, February 2005. In fact, both forces have been acting together and are mutually reinforcing.

15. The saving-investment deficit is a different concept than the fiscal deficit. The latter includes net capital transfers as an additional expenditure item, which is not included in the former.

16. The latter feature may be a statistical artefact to the extent that the US tax code discriminates heavily against distributed as opposed to retained profits. This tends to boost observed business saving with a corresponding reduction in household saving.

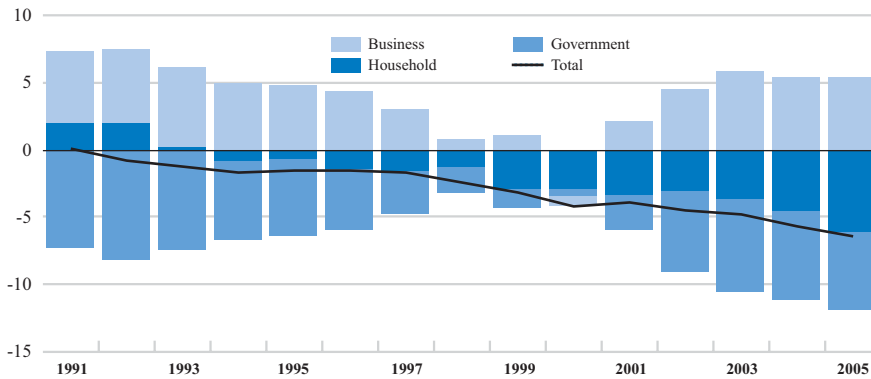
17. The widening current account surpluses in oil exporting economies is associated with the oil price windfall gains and the re-spending of these gains taking place with the usual lag.

18. See *OECD Economic Survey of China*, Paris, 2005.

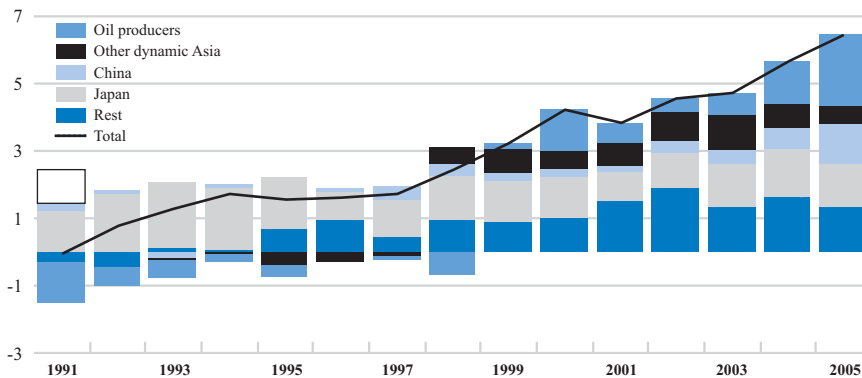
Figure I.5. The US external deficit is widening

Per cent of GDP

What is accounting for it?¹



Who is financing it?²



1. Saving-investment balances by sector. Residential investment is included in the saving-investment balance of the household sector.
 2. US current account deficit and its counterparts in the rest of the world, in % of US GDP.
 Source: OECD Economic Outlook 78 database.

pile up retained earnings, while investment has failed to keep pace with earnings growth due to concerns about excess capacity.

Reflecting these tendencies, the net claims of foreign residents on US assets have been on an exponential path since the early 1990s.¹⁹ A large chunk of these claims have accrued in foreign exchange reserves in emerging Asia, notably China, and also in Japan (reaching around \$2 trillion or approximately 17% of US GDP by the end of 2004). The motivations for maintaining large official dollar assets are somewhat different across these economies. In emerging Asia, including China, it stems mainly from a desire to build up a “war chest” against speculative attacks on their currencies after the painful experience of the Asian crisis. As a result, exchange

... but this may not last forever

19. This trend was only briefly interrupted in 2002-04 when foreign assets held by US residents increased in value as the dollar depreciated against other major currencies.

rates have hardly appreciated, sustaining large current account surpluses and supporting buoyant foreign direct investment inflows and strong export-led growth. In Japan, the accumulation of dollar assets has been a by-product of a policy to smooth exchange rate movements through the purchase of (foreign) securities, which, however, has ceased since early 2004.

Current account imbalances could unravel in a disorderly manner

The present constellation of current account positions depends on the willingness of surplus countries to finance the US external deficit on favourable terms. At some point in the future the existing external imbalances will cease to widen and start to unwind. Adjustment may involve several mechanisms, among which are dollar depreciation, fiscal consolidation in the United States or a cyclical catch-up in the countries where aggregate demand is lagging.²⁰ The tightening of US monetary policy, which has been underway for some time, is likely to have an ambiguous effect on the current account, at least in the near term: on the one hand, demand growth should be damped while, on the other, there will be a tendency for the dollar to appreciate. Adverse confidence effects in financial markets could trigger a steep fall in *ex ante* demand for dollar-denominated assets. As a result, the value of the dollar could depreciate against other OECD currencies, thus markedly weakening output in the regions still highly dependent on export growth such as the euro area. This would imply an inflationary impulse in the United States and would also likely be accompanied by declines in bond and share prices as a combined effect of higher short-term interest rates and increased risk premia. US domestic demand and output would be adversely affected, and higher risk premia in US bond and equity markets could spill over to the euro area and Japan through contagion effects.²¹

Ample liquidity

Financial markets have remained calm so far

To date, financial markets appear to have taken a benign view on the risk of disorderly external adjustment and possible spill-over effects. By various measures, long-term interest rates are unusually low, even if they have edged up recently. Explanations for low long-term interest rates include: *i*) increased monetary policy credibility evident in low and well-anchored inflation expectations; *ii*) strong demand for US government bonds associated with official dollar reserve accumulation in external surplus countries;²² and *iii*) private portfolio shifts due to changed risk perceptions in financial markets reflected in a stronger preference for bonds over equities.

Interest rates have backed up recently...

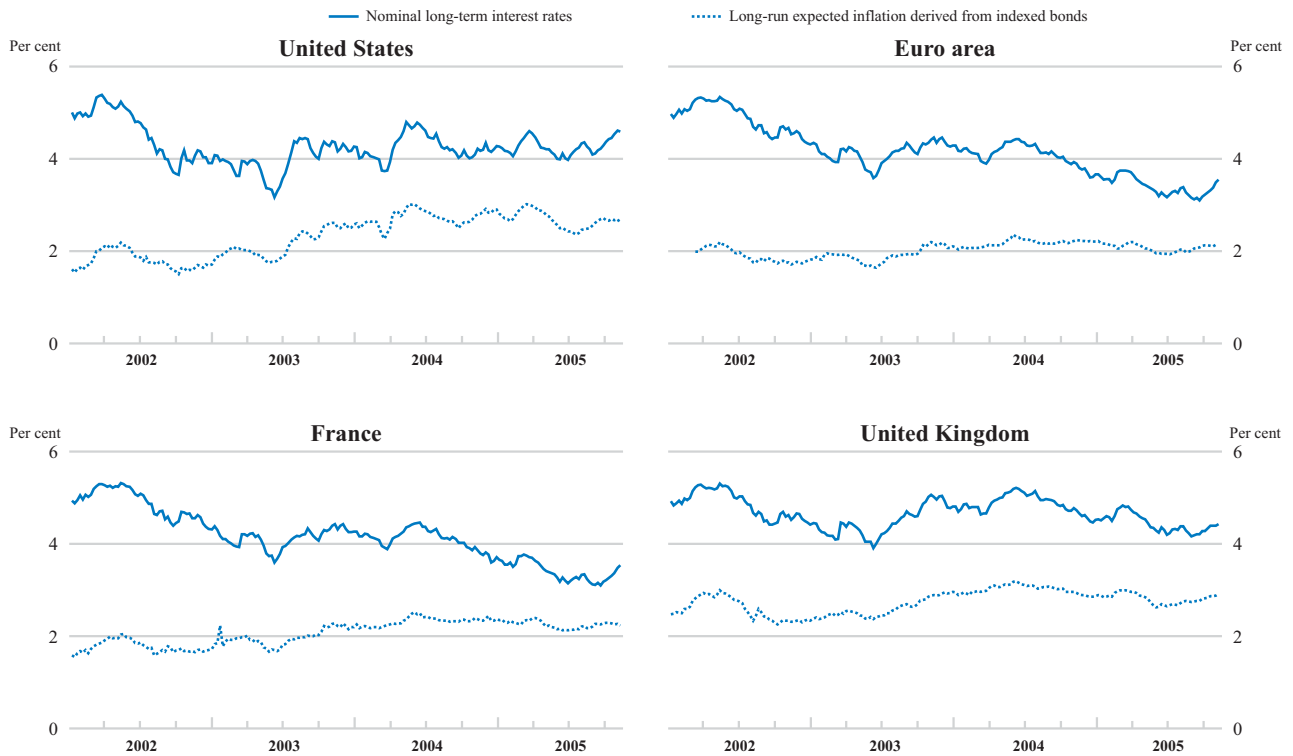
Long-term interest rates have recently risen in many countries, as might be expected in view of the global pick-up in activity and a tightening stance of monetary policy, or expectations thereof (Figure I.6). In the United States, long-term rates have risen from 4 to 4½ per cent since the late summer, while long-term inflation expectations

20. See for estimates of the effect of the cycle and the fiscal position on the current account Kennedy, M. and T. Sløk, "Structural policy reforms and external imbalances", *OECD Economics Department Working Papers*, No. 415, 2005.

21. For such a scenario see "Dollar hard landing scenarios: calibration and simulation" in the *OECD Economic Outlook*, No. 77, June, 2005.

22. In 2004 around three-quarters of foreign official assets in the United States were held in US government securities, of which the bulk was in Treasury securities. A recent econometric study estimates the impact of capital flows (official and private) into the United States on bond yields at around 150 basis points, see Warnock, F.E., and V. Cacadac Warnock, "International capital flows and US interest rates", *Board of Governors of the Federal Reserve System International Finance Discussion Papers*, No. 850, 2005.

Figure I.6. Long-term interest rate are starting to rise in nominal and real terms



Note: Weekly averages.
Source: OECD and Datastream.

continued to hover in a narrow range between 2¼ and 2½ per cent. In the euro area, where long-term inflation expectations seem to be firmly anchored around the European Central Bank’s definition of price stability, nominal long rates have risen from 3¼ to 3½ per cent over the same period.

With bond yields still at historical lows, financial conditions have remained accommodative across the globe. Corporate bond yield spreads against benchmark government issues have remained very narrow. This may be related partially to a search for yield by investors in view of the low returns on government bonds, but corporate fundamentals are also looking strong. Corporate default rates remained at historic lows, owing to massive de-leveraging in recent years, which has helped to ease lending standards across mature markets.²³ Stock markets have been recovering from their 2002-03 lows. However, price-earnings ratios have been relatively stable at levels close to their historic norm and are well below their peaks of the boom in the United States and the euro area. Coupled with market expectations of low future stock price volatility this would seem to indicate that equity risk *premia* remain fairly high, which contrasts with generally low risk *premia* on other risky asset classes such as lower-grade corporate, or emerging market bonds.

... but financial conditions remain supportive...

23. However, this process may now have run its course and leverage is again being raised and mergers and acquisitions activity (including leveraged buy-outs) has picked up.

*... fuelling buoyant credit
growth and soaring
house prices*

Reflecting the relatively easy lending conditions, bank credit has accelerated unabated since 2003 in most mature economies, including the United States and the euro area, driven by the financing of dwelling purchases. This is not surprising in a context of rapidly increasing house prices in most parts of the OECD area, which in turn appear to be largely underpinned by low (mortgage) interest rates as well as a drive towards longer mortgage lending periods and extended facilities for home equity withdrawal. The ongoing upswing in house prices is widespread, largely synchronised across countries and the longest of its kind in the OECD area since 1970.²⁴ Even so, several measures, like the user cost of owner-occupied housing, suggest that house prices are not that much out of line with the fundamentals in most markets. However, this result depends critically on interest rates remaining low. Indeed, in the current low interest rate environment, house prices have become potentially more sensitive to even modest changes in their levels. With overall inflation lower than in previous episodes, a bigger share of the burden of a downward adjustment of real house prices will need to be borne by nominal house price decreases, or else the adjustment will be more drawn-out. In either case, adverse wealth effects are likely to weigh on demand and growth.

A buoyant near-term outlook

*Indicators point to stronger
activity despite high energy
prices...*

While weaker consumer confidence and the loss of purchasing power due to energy prices may depress domestic demand in the near term, exports and capital expenditure seem set to rebound in most OECD economies. After a downward trend that began in January 2004, the OECD composite leading indicator has been pointing to an improving near-term outlook for activity in the OECD area since the summer (Figure I.7). This is broadly corroborated by business surveys and also recent high-frequency hard data which of late have shown strength in both Europe and Japan, while somewhat more mixed data have been surfacing for the United States, though much “distorted” by hurricane effects. This generally positive assessment is also supported by semi-hard indicators on orders and stocks. Consumer confidence has been adversely affected by high energy prices. It plunged in the United States in the aftermath of the hurricanes which sent gasoline prices soaring. In the euro area, rising energy prices have also weighed on consumer sentiment, already depressed by disappointing growth and jobs prospects. Japanese consumer confidence, in contrast, has strengthened in tandem with improved employment prospects.

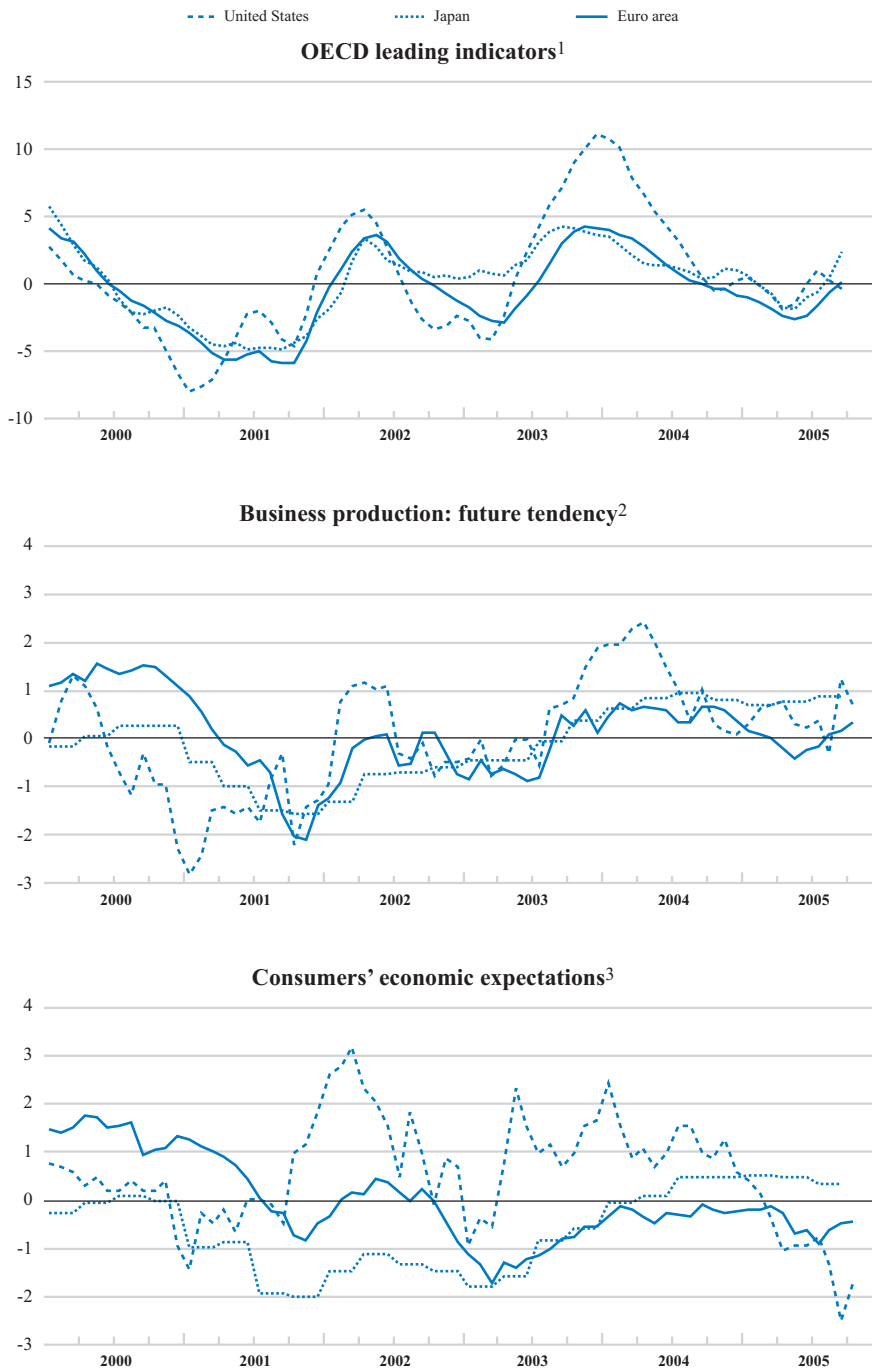
*... with GDP growth outpacing
or catching up with potential*

According to the OECD’s indicator models, which translate high-frequency information into estimates of quarterly GDP growth,²⁵ most of the major economies would be at or just above their trend rates of expansion in the fourth quarter of 2005 and first quarter of 2006 (Table I.2). The models suggest that the United States has roughly sustained its cruising speed of around 3½ per cent annual rate. The euro area would continue its modest pick-up to around 2% in the third quarter and within the

24. For a discussion of these and other issues related to house prices see Chapter III.

25. See Sédillot, F., and N. Pain, “Indicator models for real GDP growth in the major OECD economies”, *OECD Economic Studies*, No. 40, 2005/1.

Figure I.7. **Business confidence is improving**



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. 6 months annualised growth rate.

2. USA: Purchasing manager index, production tendency; Japan: business survey (manufacturing): prospect; Euro area: Business survey (manufacturing): future production tendency.

3. USA: Consumer confidence survey – Expected economic situation; Japan: Consumer Behaviour Survey index; Euro area: Consumer opinion surveys – Expected economic situation sa (future tendency).

Source: OECD, *Main Economic Indicators*.

Table I.2. Growth remains buoyant

*Real GDP growth, per cent, quarter-on-quarter*¹

| | Outcomes | | | | Estimates ² | |
|-------------------|----------|---------|---------|---------------|------------------------|---------------|
| | 2004 Q4 | 2005 Q1 | 2005 Q2 | 2005 Q3 | 2005 Q4 | 2006 Q1 |
| United States | 0.8 | 0.9 | 0.8 | 0.9 | 0.7 (+/- 0.4) | 0.9 (+/- 0.6) |
| Japan | 0.1 | 1.5 | 0.8 | 0.4 | 0.5 (+/- 0.5) | 0.5 (+/- 0.6) |
| Euro area | 0.2 | 0.4 | 0.3 | 0.6 | 0.6 (+/- 0.3) | 0.6 (+/- 0.4) |
| Germany | -0.1 | 0.6 | 0.2 | 0.6 | 0.5 (+/- 0.5) | 0.4 (+/- 0.6) |
| France | 0.6 | 0.3 | 0.1 | 0.7 | 0.6 (+/- 0.4) | 0.5 (+/- 0.5) |
| Italy | -0.4 | -0.5 | 0.7 | 0.3 | 0.4 (+/- 0.4) | 0.3 (+/- 0.4) |
| United Kingdom | 0.5 | 0.3 | 0.5 | 0.4 | 0.5 (+/- 0.3) | 0.6 (+/- 0.3) |
| Canada | 0.5 | 0.5 | 0.8 | 1.0 (+/- 0.1) | 0.9 (+/- 0.5) | .. |
| Major 7 countries | 0.5 | 0.8 | 0.7 | 0.7 | 0.6 (+/- 0.3) | .. |

1. Based on GDP releases and high-frequency indicators. Seasonally and in some cases also working-day adjusted.

2. These estimates are indicative of near-term GDP developments but do not necessarily coincide with the OECD projections. The one-standard-error range associated with the estimates is indicated in parentheses. Typically, OECD projections lie within that range.

Source: OECD Economic Outlook 78 database and OECD calculations.

Statlink: <http://dx.doi.org/10.1787/448121068470>

area France would grow slightly more rapidly than Germany or Italy. In Japan, output would continue to display growth of around 2%.

***Monetary stimulus is reduced,
while the fiscal stance
remains neutral***

Stimulus from monetary policy is being progressively removed in the United States, while policy rates in the euro area and Japan are being kept low until late in the projection period, when they are raised in response to stronger output growth and a firm exit from deflation, respectively (see Box I.3). At the same time, fiscal policy is projected to remain generally neutral in all major economies, making for a broadly stable area-wide general government deficit at around 3¼ per cent over the projection period.

***Long-term interest rates
continue to be low***

Nominal bond yields are projected to rise only modestly over the coming two years in line with current market expectations. The increase is expected to be mainly in real terms as inflation remains in check, but it would be too small to reverse the wealth gains in stock and housing markets accumulated so far. This should help households to cushion, via lower saving, any adverse effects on incomes stemming from high crude oil prices, which are assumed to stay over \$50 per barrel over the projection period.

***OECD economic activity is on
a steady expansion course***

Against this backdrop, activity in the OECD area is projected to grow at a relatively steady 3% rate in both 2006 and 2007. Buoyant domestic demand in the United States and several other English-speaking countries remains a main driver of growth in the area, despite some headwinds in the near term from high energy prices, while in other countries, notably in Europe, exports constitute the major force underpinning activity (Table I.3). Although the United States should see its output gap closed in 2006 that in the euro area – while diminishing – remains significant. In Japan, bearing in mind that a high degree of uncertainty exists about the level of

Box I.3. 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 federal fiscal deficit is expected to remain near its current level of 3% of GDP. Outlays are expected to rise in 2006 due to the prescription-drug programme and hurricane relief. Revenues increase slightly as a share of GDP due to the progressivity of the tax system. The recent unexpected surge in corporate tax collection unwinds a little but is mostly maintained.
- For Japan, the projection takes into account the 2004 pension reform, which increases contributions by individuals and employers, as well as the recent broadening of the direct and indirect tax bases. The partial abolition in 2006 of the income tax cut introduced in 1999 is included in the projection, but not the abolition of the remaining half in 2007, which is currently under discussion. The temporary corporate tax cut on R&D and investment introduced in 2003 is assumed to be terminated at the end of FY 2005.
- In the European Union, the projection for Germany takes into account legislated reductions in subsidies and tax expenditures, the tightening of social transfers and the measures taken to contain the public sector wage bill, as well as the 3% increase in the value-added tax rate, in part offset by a cut in social security contributions, as enshrined in the Coalition Agreement. For France, it is assumed that measures to keep public employment and health care outlays in check will have some success. For Italy, it is assumed that the announced caps on public spending will be broadly adhered to in 2006 and that plans to improve tax collection are realised. For the Netherlands, the transfer of the health insurance system from the private to the public sector has been incorporated. For the United Kingdom, the projection rests on the premise that the government’s nominal expenditures plans are broadly realised, but that

the elasticity of revenue will be somewhat weaker than budgeted.

Policy-controlled interest rates are set in line with the stated objectives of the relevant monetary authorities with respect to inflation and activity:

- In the United States, the Federal Reserve is projected to continue raising interest rates in 25 basis point increments until March 2006, after which the target federal funds rate plateaus at 4¾ per cent. This profile is broadly consistent with current market expectations and little change in long-term bond yields is assumed.
- In the euro area, the main refinancing rate, which has stayed at 2% since June 2003, is assumed to remain unchanged initially and then to increase stepwise by a cumulated 125 basis points from the autumn of 2006 onwards.
- In Japan, the short-term policy interest rate is assumed to remain at zero until the end of 2006 and then to increase incrementally to reach 1% at the end of 2007.

The projections assume unchanged exchange rates from those prevailing on 11 November 2005, at one US dollar equal to ¥ 118.00 and € 0.842 (or equivalently, one euro equals \$1.19). For Turkey, the exchange rate is assumed to depreciate in line with the projected inflation differential *vis-à-vis* the United States.

Oil prices are \$8 higher than just six months ago when the previous *Economic Outlook* was published. As a working hypothesis, the price of Brent crude is assumed to decline linearly from \$58 per barrel on average in the last quarter of 2005 to just over \$51 at the end of 2007. This is broadly in line with the assumption underpinning the OECD’s medium-run baseline scenario that the price of oil will gradually revert towards its long-term equilibrium level, as risk premia and other temporary factors abate. The posited decline is also consistent, by and large, with what recent far-futures quotes have suggested. Commodity price inflation, after a pause in 2005, is assumed to resume, although easing in the latter part of the projection period.

The cut-off date for information used in the projections is 22 November 2005. Details of assumptions for individual countries are provided in Chapter II “Developments in individual OECD countries and selected non-member economies”.

potential output during a period of substantial structural adjustment, the output gap is projected to become positive in 2006, for the first time in a decade.

The United States should continue to record growth rates in the range of 3 to 3½ per cent in the coming two years, with output remaining very close to its potential level. Final domestic demand growth is expected to decelerate gradually in 2006, as the household saving rate edges up, and residential construction grows more slowly than previously. Meanwhile, business investment should pick up amid

Growth should remain solid in the United States

Table I.3. The upswing is broadening

Contributions to GDP growth, per cent of GDP in previous period¹

| | 2004 | 2005 | 2006 | 2007 |
|--------------------------------------|------|------|------|------|
| United States | | | | |
| Final domestic demand | 4.6 | 4.1 | 3.4 | 3.4 |
| <i>of which: Business investment</i> | 1.0 | 0.9 | 0.9 | 0.8 |
| Stockbuilding | 0.3 | -0.3 | 0.2 | 0.1 |
| Net exports | -0.7 | -0.2 | -0.1 | -0.2 |
| GDP | 4.2 | 3.6 | 3.5 | 3.3 |
| Japan | | | | |
| Final domestic demand | 1.7 | 2.0 | 1.3 | 1.4 |
| <i>of which: Business investment</i> | 0.9 | 1.2 | 0.5 | 0.4 |
| Stockbuilding | 0.1 | 0.3 | 0.0 | 0.0 |
| Net exports | 0.8 | 0.0 | 0.6 | 0.6 |
| GDP | 2.7 | 2.4 | 2.0 | 2.0 |
| Euro area | | | | |
| Final domestic demand | 1.5 | 1.5 | 1.8 | 2.1 |
| <i>of which: Business investment</i> | 0.3 | 0.3 | 0.5 | 0.6 |
| Stockbuilding | 0.3 | 0.2 | 0.0 | 0.0 |
| Net exports | 0.0 | -0.2 | 0.2 | 0.1 |
| GDP | 1.8 | 1.4 | 2.1 | 2.2 |
| OECD | | | | |
| Final domestic demand | 3.3 | 2.9 | 2.8 | 2.8 |
| <i>of which: Business investment</i> | 0.7 | 0.7 | 0.7 | 0.7 |
| Stockbuilding | 0.3 | -0.1 | 0.1 | 0.0 |
| Net exports | -0.2 | -0.2 | 0.1 | 0.0 |
| GDP | 3.3 | 2.7 | 2.9 | 2.9 |

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/448121068470>

stronger profits and now healthy balance sheets. Employment growth is projected to resume its pre-hurricane pace and real wages to rise in concert with robust labour productivity growth. High energy prices feed into core inflation in the course of 2006, but with the effect abating, core inflation would return to near 2% in 2007. Costly energy imports and strong growth in non-energy imports together boost the current account deficit to 7 per cent of GDP by 2007 (yet another record) with the main counterpart being the further rising surpluses in Asia and the oil-producing countries (Table I.4).

The United Kingdom and Canada also look buoyant

In the United Kingdom, after a pause in 2005, growth should pick up again, as exports and investment accelerate, offsetting more moderate growth in household consumption. Unemployment is expected to drift up while inflation should fall back to the 2% target in the second half of 2006. Projected growth of the Canadian economy is also solid, spurred by buoyant trade with the United States and favourable terms-of-trade effects associated with the energy price hike, with inflation contained.

In the euro area the recovery finally gathers steam

In the euro area, growth should be sustained around its current pace of 2 to 2¼ per cent in the two years ahead. The output gap – while diminishing – remains negative by the end of the projection period. Exports are projected to continue to lead the recovery, not least since the area is a key supplier of goods and services to oil-producing countries, and pent-up investment demand should start to come through as uncertainty dissipates. Private consumption will pick up from the very low recent rates of growth, but will remain very subdued through 2006 as energy prices eat into

Table I.4. Sustained world trade growth and widening external imbalances

| | 2004 | 2005 | 2006 | 2007 |
|--|------|------|------|------|
| Percentage change over previous period | | | | |
| Goods and services trade volume | | | | |
| World trade ¹ | 10.3 | 7.3 | 9.1 | 9.2 |
| <i>of which:</i> OECD | 8.4 | 5.6 | 7.2 | 7.4 |
| NAFTA | 9.3 | 6.1 | 6.6 | 7.2 |
| OECD Asia-Pacific | 13.1 | 7.5 | 9.5 | 9.3 |
| OECD Europe | 6.7 | 4.8 | 6.9 | 7.1 |
| Non-OECD Asia | 16.8 | 12.1 | 14.3 | 14.0 |
| Other non-OECD | 12.3 | 9.8 | 11.5 | 11.0 |
| OECD exports | 8.1 | 5.4 | 7.7 | 7.8 |
| OECD imports | 8.7 | 5.8 | 6.8 | 7.1 |
| Trade prices² | | | | |
| OECD exports | 8.9 | 3.0 | -2.1 | 1.2 |
| OECD imports | 9.0 | 4.5 | -0.9 | 1.4 |
| Non-OECD exports | 10.8 | 9.9 | 4.8 | 3.2 |
| Non-OECD imports | 8.4 | 6.3 | 2.8 | 3.1 |
| Current account balances | | | | |
| Per cent of GDP | | | | |
| United States | -5.7 | -6.5 | -6.7 | -7.0 |
| Japan | 3.7 | 3.4 | 3.9 | 4.7 |
| Euro area | 0.5 | -0.2 | -0.2 | -0.1 |
| OECD | -1.3 | -1.8 | -2.0 | -2.0 |
| \$ billion | | | | |
| United States | -668 | -806 | -890 | -980 |
| Japan | 172 | 158 | 172 | 215 |
| Euro area | 44 | -17 | -19 | -6 |
| OECD | -420 | -643 | -721 | -755 |
| Non-OECD | 337 | 509 | 565 | 569 |
| World | -84 | -134 | -156 | -186 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/448121068470>

purchasing power. The unemployment rate should decline as the recovery strengthens, but will remain above its structural level and core inflation will remain well below the 2% mark. Due to the energy price pass-through, headline inflation is not likely to fall below the 2% threshold before mid-2006, accompanied by a further modest decline in underlying inflation.²⁶ Intra-area growth differentials tend to diminish somewhat, even though Germany and Italy would continue to display sub-par performances, due to weak consumption in the former country and further substantial losses in export market shares in the latter.

Japan should broadly maintain its 2005 growth momentum, posting output growth of around 2% in 2006 and 2007 with the output gap and core inflation swinging into positive territory in the course of 2006, for the first time in more than a decade. Business investment looks set to remain strong in the near term as compa-

Japan looks set to sustain its newfound strength

26. Core inflation is projected to edge up in 2007 due not least to an assumed increase in the German value added tax, but it would still remain well below the 2% mark. See also Boxes I.3 and I.4.

nies' balance sheets continue to improve and bank credit growth resumes, but the pace may gradually taper off. Household consumption is projected to gain further strength through 2006, helped by better labour market outcomes in the form of a further shift from part-time hiring to full-time employment, and a pick-up in earnings.

Elsewhere prospects are generally positive

The ongoing boom in non-OECD Asia should continue to provide an important impetus to the Australian, Korean and New Zealand economies. In the Nordic countries, private consumption is driven by rising house prices putting downward pressure on household saving rates, while net exports add to activity in Sweden only. The Swiss expansion is set to gain some momentum in 2006-07 in tandem with a recovering euro area economy. In the newly admitted European Union (EU) countries (Czech Republic, Hungary, Slovak Republic and Poland), accession-related momentum remains strong. Oil revenues will be an important driver of the Mexican economy, while in Turkey solid growth is underpinned by strong demand from oil-exporting countries in the Middle East.

Challenges for economic policy

Monetary policy: safeguarding price stability

Central banks are cautious in the face of high energy prices

An important current concern for monetary policy makers is the extent to which the rise in energy prices might spill over into core measures of inflation. Core inflation measures have been subdued, but the "wedge" between headline and core inflation rates has been widening (Figure I.8). The European Central Bank has called for "strong vigilance" and the Bank of Japan is also gradually preparing markets for the ending of its "quantitative easing" policy. Several other central banks, such as those of the United States and Canada, have started to move towards a neutral stance since mid-2004, while the United Kingdom has already completed the tightening cycle and has taken a first step to re-inject stimulus (Figure I.9).

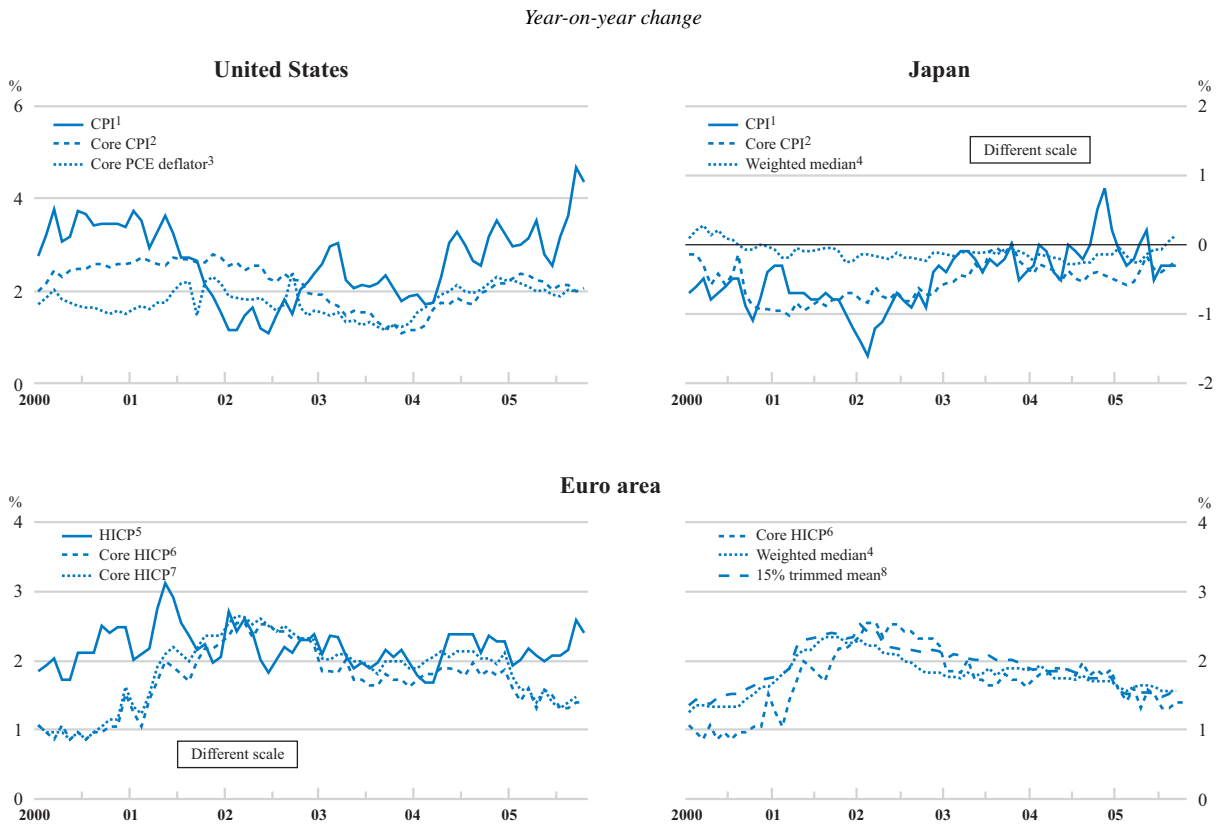
The United States should continue to raise interest rates

In the United States, headline inflation has been rising, with energy prices pushing the total inflation rate, as measured by the price index of personal consumer expenditures (PCE) to over 3%. Even so, core measures of inflation have remained stable at 2% since mid-2004, although they may edge up somewhat in 2006. Additionally, long-term inflation expectations have remained well-anchored, with index-bond measures hovering within a narrow range of 2½ to 3% over the past two years without displaying any clear trend. Wage growth also remains subdued, although it may pick up in 2006 and 2007 as workers seek compensation for high energy prices. Against this backdrop, the Federal Reserve ought to continue to raise the fed funds rate to a neutral or slightly restrictive position.

Monetary stimulus should be maintained in the euro area

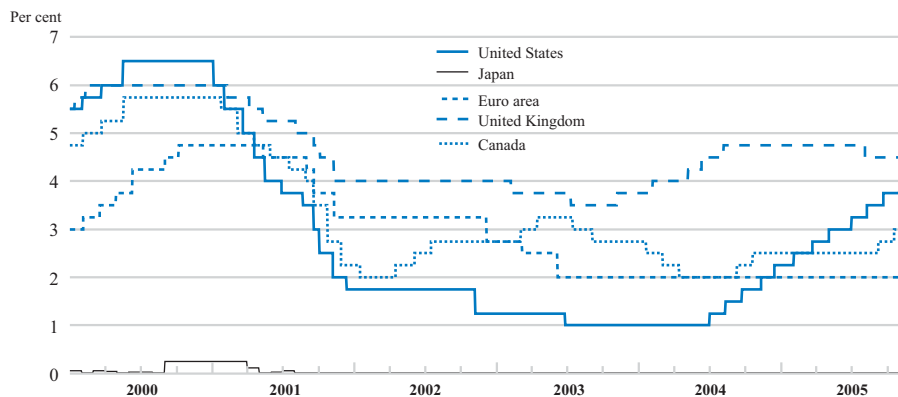
In the euro area, the key policy rate has been kept at 2% since mid-2003, entailing significant monetary policy stimulus, although this has been partly offset by a strong exchange rate. Headline inflation, as measured by the Harmonised Index of Consumer Prices (HICP), has edged up from just over 2% in late-2004 to 2½ per cent in recent months, but core measures of inflation have drifted down from around 2 to 1½ per cent over the same period – with long-term expected inflation rates proxied by indexed bonds remaining well established at close to the 2% mark. Several forces – including a persistent negative output gap and falling real non-oil import prices – are exerting a further negative impact on core inflation rates (see Box I.4). Nevertheless, with a recovery under way and upward pressure on headline inflation, the need for an easing of

Figure I.8. **Headline and core inflation are diverging**



1. Consumer price index.
 2. Overall index excluding food and energy.
 3. Private consumption expenditure deflator excluding food and energy.
 4. The weighted median is, each month, the middle element in the distribution of CPI price changes, that is, the one leaving 50% of the components (in terms of CPI weights) on each side.
 5. Harmonised consumer price index.
 6. HICP excluding energy, food, alcohol and tobacco.
 7. HICP excluding energy and unprocessed food.
 8. The 15% trimmed mean excludes the top and bottom 15% (in terms of CPI weights) of the distribution of price changes of the individual CPI components.
- Source: OECD, *Main Economic Indicators*, US Bureau of Economic Analysis and Statistical Office of the European Communities (Eurostat).

Figure I.9. **Policy rates are moving in different directions**



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

Box I.4. Explaining core inflation

Various measures of core inflation – which eliminate the most volatile price movements such as those of unprocessed food and energy – suggest that underlying inflation has remained well-contained so far in major OECD economies despite the oil price hike (Figure I.8). However, monetary authorities have expressed concern that the oil price hike may eventually feed into inflation expectations, thus reducing the room to maintain, or revert to, an accommodative stance of monetary policy if needed. If the oil price shock does not spill over much into core inflation (or inflation

expectations), the dilemma for monetary policy may be less severe: it could then see through the oil price shock, letting the temporary increase in inflation transfer purchasing power from labour to oil producers.

In order to disentangle the various influences at work, a series of regressions have been run to explain past developments in core inflation in the euro area and the United States. The following relationships were estimated, using quarterly data and ordinary least squares (t-statistics in brackets).

Euro area:

$$PCORE_t = 0.169 + 0.436 PCORE_{t-1} + 0.466 PCORE_{t-2} + 0.103 GAP_{t-1} + 0.134 (PHEAD - PCORE)_{t-3} - 0.010 REER_t$$

(1.2) (3.7) (4.1) (2.3) (1.8) (-1.9)

$\bar{R}^2 = 0.83$, Breusch – Godfrey¹: 0.20, sample: 1992 Q1 – 2005 Q2

United States:

$$PCORE_t = 0.285 + 0.229 PCORE_{t-1} + 0.113 PCORE_{t-2} + 0.194 PCORE_{t-3} + 0.320 PCORE_{t-4} + 0.139 GAP_{t-1} + 0.143 (PHEAD - PCORE)_{t-4} - 0.031 (0.5REER_t + 0.5REER_{t-1})$$

(1.5) (2.2) (1.1) (1.9) (3.0) (2.6) (2.8) (-3.5)

$\bar{R}^2 = 0.77$, Breusch – Godfrey¹: 0.27, sample: 1985 Q1 – 2005 Q2

In both equations *PCORE* is the core inflation rate (excluding energy and food), *GAP* the output gap, *PHEAD* the headline inflation rate and *REER* the rate of change of the real effective exchange rate, while *PHEAD – PCORE*, or the “wedge”, captures the impact of food and energy prices on headline inflation.² Only explanatory variables with significant effects at a 10% level or better were retained.³ Different lag structures were tried out, and the above equations provided the best fit. Their statistical properties are broadly satisfactory.

The results are similar for both economies, although in the euro area the feed-through of past core inflation is quicker, suggesting greater inflation persistence. However, there may have been a shift towards less persistence, with

inflation expectations becoming better anchored, after the introduction of the single currency – even though the sample period is too short to firmly establish this. There is evidence of a spill-over effect of the headline-core wedge on core inflation in both economies. It looks more robust in the United States, but this result could not be replicated when estimating the same equation on alternative measures of core inflation, such as median inflation.⁴ Using import prices of oil and food as (separate) explanatory variables, instead of the headline-core wedge, did not yield any significant results, except for food prices in the US case. No significant effect of the change (as opposed of the level) of the output gap was found, suggesting that “speed-limit” effects on core inflation have been absent during the sample period.

monetary policy has receded. With the upswing projected to become progressively stronger, the European Central Bank would have to gradually withdraw monetary stimulus, but only once the recovery is firmly anchored. Accordingly, based on these projections it is assumed that its key policy rate is raised from the autumn of 2006 onward.

In Japan, tightening should wait until the exit from deflation is secured

The Bank of Japan is committed to continue its quantitative easing policy at least until core inflation (according to the official measure monitored by the Bank of Japan)²⁷ is zero or above for a few months and projected not to fall back into negative territory. These necessary conditions may be met in the fourth quarter of 2005, although this

27. The Japanese measure of core inflation refers to the consumer price index excluding fresh food.

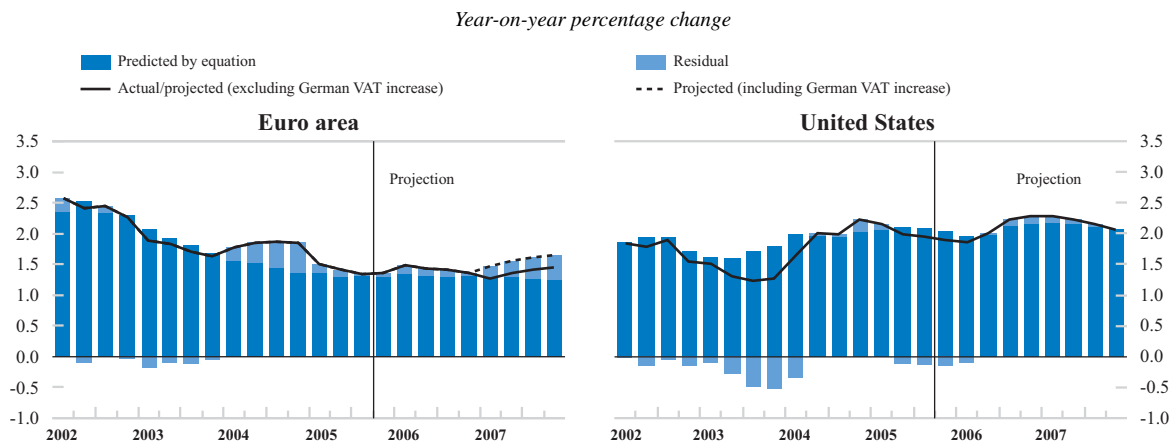
Box I.4. Explaining core inflation (cont.)

By way of illustration, the above two equations were used to compute core inflation in both economies from 2002Q1 to 2007Q4, which encompasses the projection period, as shown in the figure below. It suggests that:⁵

- Core inflation in the euro area would remain low in the two years ahead, as the negative impact from the output gap roughly offsets the impact from spill-over effects from the “wedge”. Past real effective exchange rate appreciation also continues to exert downward pressure, but only marginally. However, the planned

increase in the value-added tax in Germany pushes up euro area-wide core inflation in 2007.

- In the United States, core inflation seems set to be exposed to upward pressure. The impact of the output gap is tapering off while spill-over effects from the “wedge” are tending to push up core inflation, although this effect wanes in 2007. Upward pressure on core inflation from past real effective depreciation is also gradually diminishing.

Core inflation

1. P-value of the Lagrange-Multiplier test for up to second-order serial correlation of the residuals.
2. Definition of variables: *PHEAD* = Price of Consumer Expenditure (PCE) for the United States, Harmonised index of Consumer Prices (HICP) for the euro area; *PCORE* = PCE excluding food and energy for the United States, HICP excluding unprocessed food and energy for the euro area; *GAP* = actual minus potential GDP, in per cent of potential GDP; *REER* = effective exchange rate deflated by the relative unit labour cost in manufacturing. All variables are from the Economic Outlook Database and all variables except for *GAP* are quarter-on-quarter percentage changes (s.a.a.r.).
3. In the US equation the two-quarter lagged dependent variable, while insignificant, was retained to avoid a bumpy lag profile.
4. For an overview of alternative core measures, see “Measuring and assessing underlying inflation”, *OECD Economic Outlook*, No. 77.
5. The projections for the output gap, the real effective exchange rate, headline and core inflation are taken from the Economic Outlook 78 database.

should not prompt an immediate end of the quantitative easing policy. On current projections embodied in this *Economic Outlook*, core inflation – using a narrower definition that excludes energy prices – will not turn positive until mid-2006 and will remain below 1% until 2007. The Bank of Japan should not change its monetary policy until inflation is high enough – such as 1% – to make the risk of renewed deflation negligible.

Fiscal policy: no room for profligacy

In 2005, the cyclically-adjusted fiscal deficit of the OECD area as a whole is estimated to turn out at just over 3% of GDP, which is half a percentage point lower than in 2004.²⁸ However, the bulk of this improvement stems from strong revenue

Underlying fiscal positions are poor and deteriorating

28. The method of cyclically adjusting fiscal balances has been revised since the previous *Economic Outlook*; see Appendix I.2.

Table I.5. Fiscal deficits remain too high

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------------|---------------------------------|------|------|------|------|
| | Per cent of GDP / Potential GDP | | | | |
| United States | | | | | |
| Actual balance | -5.0 | -4.7 | -3.7 | -4.2 | -3.9 |
| Cyclically-adjusted balance | -4.2 | -4.3 | -3.6 | -4.2 | -3.9 |
| Cyclically-adjusted primary balance | -2.4 | -2.5 | -1.7 | -2.1 | -1.7 |
| Japan | | | | | |
| Actual balance | -7.7 | -6.5 | -6.5 | -6.0 | -6.0 |
| Cyclically-adjusted balance | -6.5 | -5.8 | -6.3 | -6.1 | -6.4 |
| Cyclically-adjusted primary balance | -5.2 | -4.2 | -4.6 | -4.2 | -4.1 |
| Euro area | | | | | |
| Actual balance | -3.0 | -2.7 | -2.9 | -2.7 | -2.5 |
| Cyclically-adjusted balance | -2.5 | -2.2 | -2.2 | -2.1 | -2.0 |
| Cyclically-adjusted primary balance | 0.4 | 0.5 | 0.5 | 0.5 | 0.6 |
| OECD ¹ | | | | | |
| Actual balance | -4.0 | -3.6 | -3.2 | -3.2 | -3.1 |
| Cyclically-adjusted balance | -3.6 | -3.4 | -3.1 | -3.3 | -3.2 |
| Cyclically-adjusted primary balance | -1.6 | -1.4 | -1.1 | -1.2 | -1.0 |

Note: Actual balances 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 78 database.

Statlink: <http://dx.doi.org/10.1787/448121068470>

growth in the United States; otherwise little progress in fiscal consolidation has materialised (Table I.5). Six out of the major seven economies continue to post cyclically-adjusted deficits around or well above 3% of GDP – Canada being an exception with a surplus of around 1% of GDP, although even here it has been declining.²⁹ With pressure to raise expenditure building up as populations age, a change in course towards sound public finances is urgently needed (Box I.5).

The structural deficit remains high in the United States

In the United States, the cyclically-adjusted fiscal deficit is estimated to have dropped from 4¼ per cent of GDP in 2004 to 3½ per cent in 2005, as corporate tax revenues turned out surprisingly strong. The surge in corporate taxes is only partly accounted for by strong growth in profits, the expiry of partial expensing and the repatriation of profits earned abroad. This windfall gain has more than offset higher than envisaged military expenditures. Nevertheless, the cyclically-adjusted deficit is expected to edge up to 4¼ per cent of GDP in 2006 before falling back to 3¾ per cent in 2007. Part of this uptick will be temporary, stemming from claims related to the damage inflicted by Hurricanes Katrina and Rita.³⁰ However, in the absence of offsetting actions, high structural deficits are likely to be a long-lasting feature of US public finances. Against this backdrop, it would be helpful if the authorities reintroduced more formal budget rules – akin to the “budget caps” consequent to the Budget Enforcement Act of 1990 that are widely seen to have contributed significantly to fiscal discipline in the 1990s.³¹

29. Cyclically-adjusted deficits in some countries severely underestimate the true underlying fiscal problem to the extent that one-offs and creative accounting operations are not included. Such operations are widespread in the European Union as governments attempt to escape EU fiscal rules. See Koen, V. and P. van den Noord, “Fiscal gimmickry in Europe: one-off measures and creative accounting”, *OECD Economics Department Working Papers*, No. 417, 2005.

30. To date Congress has appropriated \$62 billion (½ per cent of GDP) for hurricane damage relief. Congressional Budget Office projections assume that approximately half of this will be spent in FY 2006, with the remainder spread out over the three subsequent years.

31. This Act formulated caps on spending which, once accepted by the elected officials, were reinforced by requiring any extra spending to be offset by spending cuts without reference to the overall fiscal position.

Box I.5. Fiscal consolidation remains a priority

If the real interest rate exceeds the real rate of growth of the economy, a given ratio of debt to GDP can be sustained only if the budget records a primary surplus (*i.e.* government revenue needs to exceed government non-interest expenditure) that corresponds to the interest-growth differential multiplied by the initial ratio of debt to GDP.¹ In the reverse case the government could run a primary deficit and still sustain its ratio of debt to GDP. With interest rates at historical lows, it may thus look tempting to governments to finance a larger share of their budgets by issuing bonds.

However, this view would be short-sighted and misleading:

- With population ageing pressures building up, a weakening or reversal of fiscal consolidation efforts would be potentially very costly. Over the next half-century, in most OECD countries population ageing will lead to a sharp increase in the ratio of ageing-related public expenditure (pensions, health care, etc.). Moreover, the two main sources of ageing – the decrease in fertility rates and the steady increase in longevity – tend to depress long-run economic growth, especially in countries where pension and

labour market policies discourage private saving and employment of older workers.²

- Extrapolating the current interest-growth differential far into the future would be risky. It is rather unlikely that real interest rates will always be less than the real growth rate of any economy in the long run. Historically the differential between each has tended to be positive, even if there have been episodes where this has not been the case. Indeed, the differential between the real interest and (per capita) GDP growth should in principle converge towards the rate of time preference (or social discount rate), which is normally positive.
- After a hike in (debt-financed) public expenditure, even one that is intended to be temporary, in practice it proves difficult to revert to “baseline” expenditure levels at a later stage, hence prompting tax increases which lead to distortions and a concomitant misallocation of resources. This would be self-defeating as potential economic growth suffers, leading to a wider interest-growth gap and more unfavourable debt dynamics further down the road.

1. For example, for a real interest rate equal to 3%, a real growth rate of the economy of 2% per annum and an initial debt ratio of 60%, the required primary surplus is equal to 0.6% of GDP. The constraint becomes more severe if the government targets a ratio of debt to GDP lower from the current one, but the thrust of the mechanism remains the same.

2. See Oliveira Martins, J., F. Gonand, P. Antolin, C. de la Maisonneuve and Y. Yoo, “The impact of ageing on demand, factor markets and growth”, *OECD Economics Department Working Papers*, No. 420, 2005.

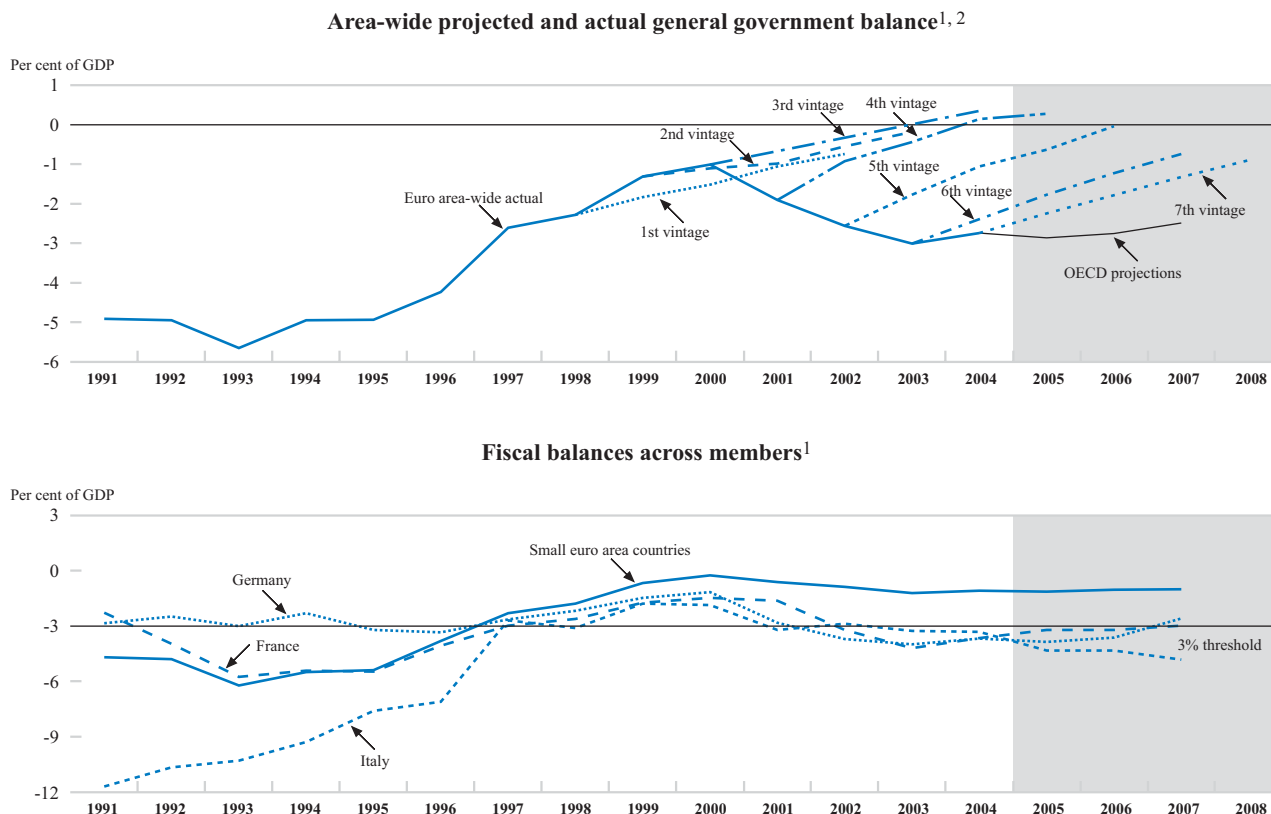
From the outset, the fiscal framework in the euro area was seen as vital to underpin the single currency,³² but, aside from the planned increase in the value-added tax in Germany in 2007, scant fiscal consolidation is currently coming through. The latest vintage of stability programmes, presented in the winter of 2004/05, again pushed back the move towards “close-to-balance or surplus” – to which countries signed up in the Treaty of Amsterdam in 1997 – by yet another year, as has been the pattern all along (Figure I.10, upper panel). The outcome is likely to be considerably worse. Notably the three major countries seem to have been targeting a deficit of 3% of GDP – the threshold above which financial penalties can kick in (Figure I.10, lower panel) – rather than “close to balance or in surplus”. Fiscal policy was thus not made consistent with the longer-term requirements stemming from ageing populations.³³

EU fiscal rules are breached by the larger countries...

32. Initially the framework was designed to address the concern that once exchange rates within the area ceased to exist, growing deficits in one country, rather than being reflected in wider yield spreads, would spill over into area-wide interest rates. However, this concern has gradually been overtaken by longer-term issues related to population ageing.

33. Analytical work reported in the 2004 *OECD Economic Survey of the Euro Area* suggests that a fiscal position being close-to-balance or in surplus (in cyclically-adjusted terms) for most euro area countries should be considered as the bare minimum to achieve sustainable public finances.

Figure I.10. Progress in fiscal consolidation in the euro area is disappointing



1. Excluding UMTS licence proceeds.

2. The various vintages of the Stability Programmes were released over the following periods: 1st 1998/99, 2nd 1999/2000, 3rd 2000/01, 4th 2001/02, 5th 2002/03, 6th 2003/04, 7th 2004/05.

Source: Statistical Office of the European Communities (Eurostat) and OECD Economic Outlook 78 database.

.... while smaller countries are generally performing better

Smaller euro area countries have generally performed better than the three major ones, with the exception of Greece and Portugal. This may reflect the fact that with the advent of the single currency the “political ownership” of the rules shifted towards the smaller countries.³⁴ Moreover, it is easier to keep structural fiscal balances in check if the economy is growing fast. In the period 1999-2005 trend growth was only 1½ per cent per year on average in the three major countries against 3¼ per cent in the smaller countries. The timing of general elections may also play a role: as the election cycles in the largest three countries have been largely coinciding, this is likely to have weakened peer pressure on them.³⁵

Credibility of the EU rules has been weakened

Calls by the major euro area countries to modify the fiscal co-ordination framework were endorsed by the European Council in March 2005. Some of the new provisions in the rules, notably to relax them for countries whose debt situation is satisfactory, are underpinned by an acceptable economic rationale. However, this is

34. See Buti, M., and L. Pench, “Why do large countries flout the Stability Pact? And what can be done about it?”, *Journal of Common Market Studies*, Vol. 42, No. 5, 2004.

35. Buti, M., and P. van den Noord, “Fiscal discretion and elections in the early years of EMU”, *Journal of Common Market Studies*, Vol. 42, No. 4, 2004.

less clear for the newly adopted extended list of “exceptional circumstances” under which a temporary waiver could be granted.³⁶ Moreover, the credibility of the rules may have been weakened by the persistent failure of notably the larger countries to abide by them.

In Japan, there has been no major change in fiscal policy and no supplementary budget is planned for the current fiscal year. In 2005, the primary budget deficit is estimated at 4½ per cent of GDP on a cyclically-adjusted basis and this is projected to hardly change in 2006 and 2007. Some reductions in the primary deficit in 2006 are to be achieved by cutting spending, including public investment, by 3% (the same rate as in fiscal year 2005), and suppressing increases in social security expenditures. However, this is a rather modest step, given that the fiscal deficit is set to remain around 6% of GDP while the ratio of gross public debt to GDP is projected to exceed 160%.

*Fiscal consolidation
is modest in Japan...*

The government’s Medium-Term Economic and Fiscal Perspective sets a target of a primary budget surplus by the early 2010s. This is likely to be the minimum required to stabilise government debt. The credibility of the Perspective would be enhanced if a stronger link to spending and revenue decisions were to be established and effective policy feedback to prevent slippage from the target secured. Further cuts in expenditure, in part through measures to contain increases in ageing-related social security expenditures are urgently needed to achieve fiscal sustainability. In addition, the necessary fiscal consolidation will also require increases in government revenue, which, at 30% of GDP, is among the lowest in the OECD area. To increase revenue, the government should put more emphasis on closing loopholes and streamlining tax relief and allowances so as to broaden the tax base, thus limiting the extent of hikes in tax rates, which have negative effects on trend growth.

*... and stronger efforts
are called for*

36. See for a discussion *OECD Economic Outlook*, No. 77, June, 2005.

Appendix I.1

How internationally comparable are household saving rates?

Household saving rates and their trends show considerable differences across OECD countries. Looking at the system of national accounts (SNA) measures, there is no clear-cut pattern but, as a generalisation, a strong contrast emerges between English-speaking countries (Australia, Canada, New Zealand, the United Kingdom and the United States), which have low saving ratios with a protracted tendency to decline, and continental European and Asian economies which have had high ratios without displaying a uniform trend towards reduction. Before drawing any policy implications from these differences, however, it is necessary to assess whether measured household saving rates are internationally comparable.

Some potential sources of distortion are connected to cross-country differences in institutional settings and economic conditions. In a number of cases, their impact can be assessed by computing adjusted and more comparable saving rate measures, although these still need to be regarded as approximations. In particular:³⁷

- The larger the proportion of services supplied by the state and the larger the amount paid for by direct taxes, the smaller will be disposable income (the denominator) and *ceteris paribus* the greater the saving ratio; but adjusting for such differences has modest effects on relative saving rates outside Scandinavia.
- Consumer durables should, in principle, be treated as depreciating assets but such expenditure is wholly added to consumption in the SNA; adjusting consumption for this raises saving rates by a few percentage points in the United States, United Kingdom and Canada relative to those of Japan and Germany.
- Capital gains taxes are deducted from disposable income in the national accounts even though such gains are not included in income; correcting for this inconsistency would have modest effects on average saving rates but in the late 1990s raises the US saving rate by about one percentage point relative to Japan's.
- The erosion of real household wealth due to inflation has declined over time given the fall in inflation and correcting for this makes the trend fall in some countries' saving rates less pronounced; it does not in general bring them closer together.

Cumulating the effects of these adjustments does not significantly reduce the overall dispersion of net household saving rates, although it does move the United States toward the middle of the distribution among G7 countries based on 1998-2001 averages (see Figure I.11). As this reflects mainly the adjustments for durables and capital gains taxes, part of this effect may be cyclical.

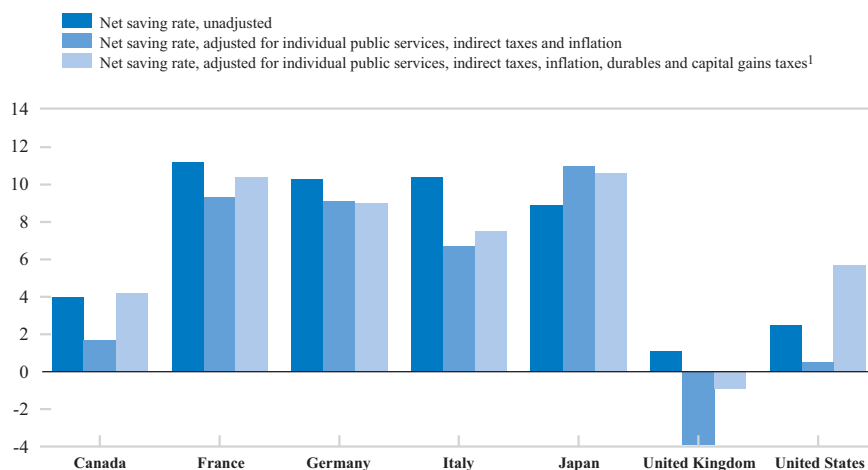
Some other factors that affect saving rate comparability have potentially larger effects on relative levels, but cannot be corrected for in a satisfactory way with the available data. Two important cases are the following:

- Comparisons between countries with different pension systems may be distorted given that in the SNA the net accumulation of assets by funded employer

37. See Boissinot, J. and P. Catte, "Comparing household saving rates across OECD countries", *OECD Economics Department Working Papers* (forthcoming) for additional details on the results discussed in this Appendix.

Figure I.11. Household saving rates

Effects of cumulative adjustments (average 1998-2001)



Note: For details on the calculation of the adjustments, see Boissinot and Catte (2005).

1. The adjustment for capital gains taxes is not included for Canada, France and Germany while the adjustment for durables is not included for Italy. Average 2000-2001 for Germany.

Source: OECD calculations.

schemes is considered part of household saving while the excess of contributions over benefits in social security schemes is not. However, adjusting saving rates by treating all schemes as if they were funded is not feasible with the available data. The alternative of treating all schemes as if they were unfunded, can be implemented but is probably misleading, as it would imply excluding all the net accumulation of retirement wealth from household saving.

- Capital gains and losses are not included in the SNA definition of saving and, taking averages over long time periods, it appears that the relative positions of high- and low-saving countries could be considerably modified and even reversed if saving rates were adjusted for capital gains and losses on equities and real estate. However, these are often so large that they make year-to year changes in saving rates difficult to interpret.

Finally, comparability of saving rates may also be impaired by the imperfect harmonisation of statistics. Although the extent of these problems is difficult to assess in general, there is some evidence that, for example, the methodology for estimating capital depreciation -- used to derive net household saving rates -- may differ across countries.

In sum, simple statistical adjustments cannot eliminate existing differences in saving rates and their trends. Hence such differences can be analysed in terms of the economic determinants of saving. That analysis would also need to address the effects of factors such as capital gains on assets and the structure of pension systems which are likely to be important but cannot be easily quantified through mechanical statistical adjustments. Given the limited availability and uneven quality of the data used such adjustments as can be made to saving rates cannot be seen as providing an internationally consistent alternative to the SNA. Awareness of the distortions involved is, however, necessary for any discussion of international differences in saving behaviour.

Appendix I.2

Revised fiscal elasticities for OECD countries

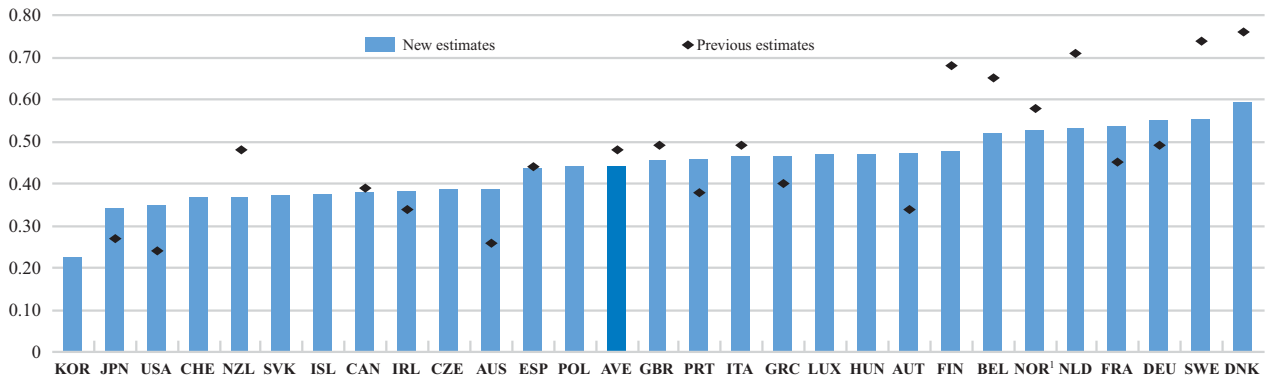
An important tool in the analysis of fiscal policy is the distinction between structural and cyclical components of the budget balance. This appendix describes work undertaken to re-estimate and re-specify the elasticities underlying the Economics Department's calculations of cyclically-adjusted budget balances and reports the main changes in cyclical-adjusted fiscal positions of OECD countries.³⁸

The cyclically-adjustment process has been revised with a view to:

- *Take account of tax reforms introduced since the previous updating exercise.* The previous set of elasticities incorporated 1996 tax law information applied to the 1992 distribution of income. The new estimates use the tax/benefit position of households in 2003 as the reference year for all countries and the income distribution data relate to the years 1999 to 2001.
- *Review the equations linking the tax bases to the output gap.* The previous empirical work has been reviewed with the aim of improving overall cross-country coherence and statistical robustness. In particular, panel estimation techniques have been employed to estimate equations linking tax bases and cyclical indicators.
- *Incorporate a lag structure in the cyclical adjustment process.* The previous OECD methodology did not take into account the lag structure of major revenue components when calculating cyclically-adjusted balances. However, for several reasons (tax collection, rules for carrying losses forward, slow response of wages and salaries to activity), fiscal revenues react with a delay to variation in economic growth. The methodology used is based on correlations between lags of tax proceeds and cyclical indicators and incorporates a certain amount of judgment from country desk officers in the Economics Department.
- *Review the methodology underlying cyclical adjustment of expenditures.* In the previous methodology, three categories of unemployment-related expenditure entered into the calculation. They were subsidised employment, unemployment compensation and early retirement for labour market reasons. Recognising that data coverage and cyclical variation are uneven across time and countries in the cases of subsidised employment and early retirement, the only spending item entering into the current set of calculations is unemployment compensation. Moreover, expenditures are now adjusted according to the ratio between structural and actual unemployment (as opposed to the output gap).
- *Extend the country coverage.* Eight countries have been added to the pre-existing set of 20 countries: the Czech Republic, Hungary, Iceland, Korea, Luxembourg, Poland, the Slovak Republic and Switzerland. Mexico and Turkey have not been included for lack of comparable data.

38. See for a detailed description of the methodology and the revised results across countries Girouard, N. and C. André (2005), "Measuring cyclically-adjusted budget balances for OECD countries", *OECD Economics Department Working Papers* No. 434.

Figure I.12. Cyclical sensitivity of fiscal balances



1. Mainland.

Source: OECD Economic Outlook 76 database and OECD estimates.

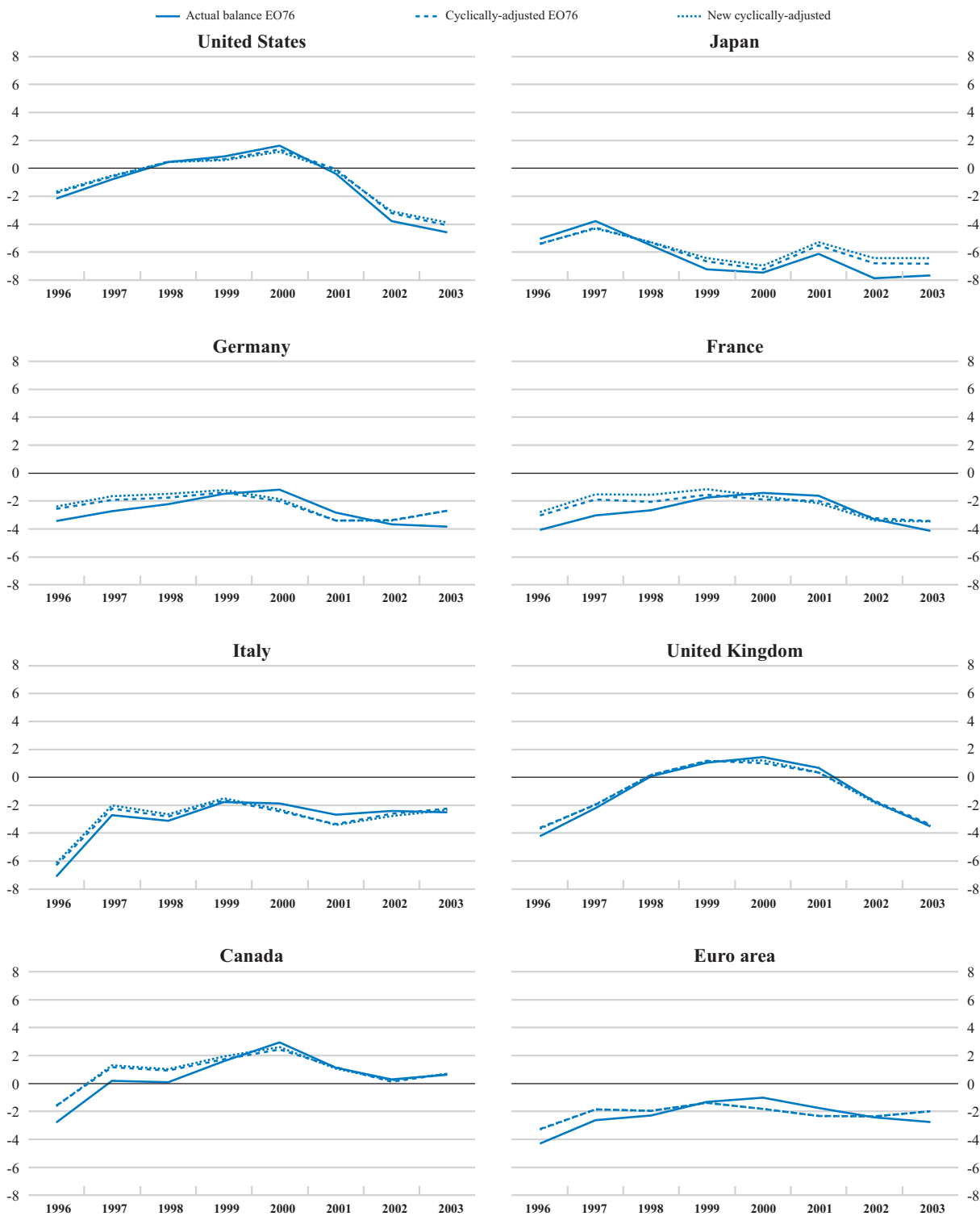
The overall cyclical responsiveness of the budget is broadly consistent with the previous set of estimates.³⁹

- The sensitivity of government net lending to a 1 percentage point change in the output gap remains at around 0.5% of GDP for OECD economies on average (Figure I.12). Significant changes are noticeable across countries. In Denmark, Finland, the Netherlands and Sweden, the lower overall cyclical responsiveness of the budget is mainly explained by the reduced elasticity of current expenditure. In Australia, Austria and Japan, the higher cyclical sensitivity is due, for the most part, to the larger responsiveness of taxes.
- Overall, the effect of the revised set of elasticities and the impact of lags did not modify significantly the cyclically-adjusted position of most OECD economies (Figure I.13). The largest downward revisions for 2003 are for Japan, where the cyclically-adjusted deficit would be smaller by close to ½ per cent of GDP and for Denmark and the Netherlands, where the 2003 cyclically-adjusted balances shift towards deficit by about ½ per cent of GDP.
- Analytical work reported in the 2004 *OECD Economic Survey of the Euro Area* suggests that a fiscal position being close-to-balance or in surplus (in cyclically-adjusted terms) for most euro area countries should be considered as the bare minimum to achieve sustainable public finances. Turning to the eight newly covered countries, deficits seem to have been almost entirely of a structural nature in 2003 in Korea, Hungary, the Slovak Republic and Luxembourg, reflecting output at close to potential levels. In the Czech Republic, Iceland, Poland and Switzerland, 2003 deficits are estimated to have had a more substantial cyclical component. These results are consistent with recent studies published in these countries. However, it should be noted that greater uncertainty attaches to these estimates due to data limitations and the fact that some of these economies are experiencing important structural changes.

39. See OECD *Economic Outlook* No. 66 for a description of the previous update of the OECD's cyclical adjustment method. Detailed results were reported in van den Noord, P., "The Size and Role of Automatic Stabilisers in the 1990s and Beyond", *OECD Economics Department Working Papers*, No. 230, 2000.

Figure I.13. Actual and cyclically-adjusted fiscal balances

Per cent of GDP/potential GDP



Note: Balances exclude one-off revenues from the sale of mobile telephone licences.

Source: OECD Economic Outlook 76 database and OECD estimates.

Figure I.13. Actual and cyclically-adjusted fiscal balances (cont.)

Per cent of GDP/potential GDP



Note: Balances exclude one-off revenues from the sale of mobile telephone licences.
Source: OECD Economic Outlook 76 database and OECD estimates.

Figure I.13. Actual and cyclically-adjusted fiscal balances (cont.)

Per cent of GDP/potential GDP



Note: Balances exclude one-off revenues from the sale of mobile telephone licences.
 Source: OECD Economic Outlook 76 database and OECD estimates.

Figure I.13. Actual and cyclically-adjusted fiscal balances (cont.)

Per cent of GDP/potential GDP



Source: OECD Economic Outlook 76 database and OECD estimates.

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

United States

Output has grown at a solid pace, underpinned by robust productivity growth, buoyant house prices, and fiscal and monetary stimulus. The continuation of several of these factors, together with the economy's inherent momentum, suggests that the recovery will maintain a relatively smooth trajectory – despite damaging hurricanes and large increases in oil prices. There has been little sign so far of increases in energy prices feeding into the general level of wages or non-energy consumer prices. Nevertheless, a moderate acceleration in core prices is expected during the next few quarters.

As the last signs of slack in the economy disappear, the large monetary stimulus delivered in recent years is no longer desirable and is being removed. Short-term interest rates are approaching a neutral position and will need to turn restrictive should increases in energy prices start being built into underlying inflation. The federal government's financial position has improved, thanks to an unexpected increase in revenues. But much of this windfall is being spent on large hurricane and military-related expenditures. This highlights the importance of fiscal discipline in the face of longer-term spending pressures and the risks posed by the large external deficit.

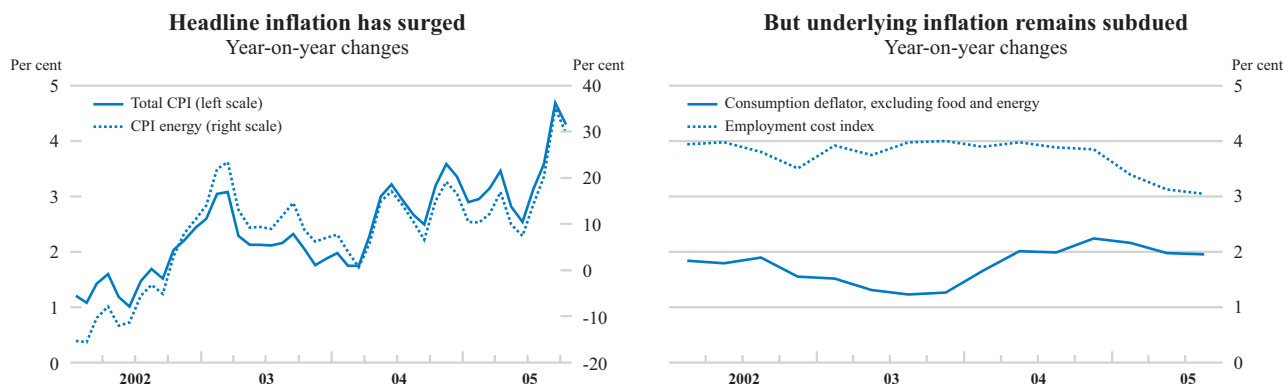
Economic conditions were relatively buoyant in the spring and early summer of 2005. Private demand was brisk, reflecting strong sales of motor vehicles, a continuing housing boom and recovering net exports. Employment grew steadily and quickly. The unemployment rate was falling, dropping to near its equilibrium level.

The economy was growing strongly...

Headline inflation has risen dramatically, by the standard of the past decade, reflecting large increases in oil prices. However, underlying inflation has been well-contained. Indeed, increases in consumer prices, excluding food and energy, have slowed since early 2005. Moreover, overall nominal wages do not seem to be responding to the higher energy prices.¹ This encouraging response may reflect low

... with little reaction to oil prices...

United States



Source: US Bureau of Economic Analysis, US Bureau of Labor Statistics.

1. Although the widely used measure of compensation from the Productivity and Cost report spiked up at the end of 2004, that series is erratic and distorted (as a measure of labour costs) by stock option exercises. Movements in two less volatile series, the Employment Cost Index and Average Hourly Earnings, have remained low.

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

Percentage changes from previous period

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|------|------|------|------|------|
| Employment ¹ | 0.0 | 1.1 | 1.6 | 1.5 | 1.2 |
| Unemployment rate ² | 6.0 | 5.5 | 5.1 | 4.8 | 4.7 |
| Employment cost index | 4.0 | 3.9 | 3.1 | 3.7 | 4.6 |
| Compensation per employee ³ | 3.6 | 4.6 | 5.4 | 4.5 | 5.0 |
| Labour productivity ³ | 2.9 | 3.4 | 2.1 | 2.2 | 2.0 |
| Unit labour cost ³ | 0.6 | 1.2 | 3.2 | 2.2 | 2.9 |
| GDP deflator | 2.0 | 2.6 | 2.7 | 2.5 | 2.3 |
| Consumer price index | 2.3 | 2.7 | 3.4 | 2.8 | 2.5 |
| Core PCE deflator ⁴ | 1.3 | 2.0 | 2.0 | 2.1 | 2.2 |
| Private consumption deflator | 1.9 | 2.6 | 2.8 | 2.4 | 2.1 |
| Real household disposable income | 2.4 | 3.4 | 1.6 | 3.6 | 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 business sector.

4. Price index for personal consumption expenditure excluding food and energy.

Source: OECD Economic Outlook 78 database.

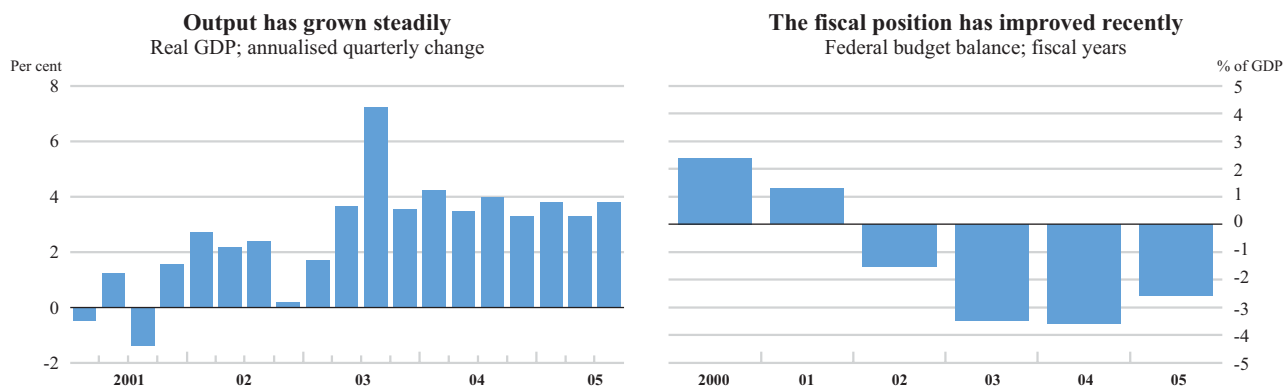
Statlink: <http://dx.doi.org/10.1787/563788335667>

expectations of future inflation, increased market discipline arising from foreign competition, or further reductions in the structural rate of unemployment.

... when the hurricanes hit

The economy was thus in fine form when two large hurricanes hit in late August and early September. The storms stopped much production around New Orleans and the Gulf of Mexico, with oil, natural gas and petroleum products processing and transportation facilities particularly badly affected. Employment fell by about 200 000 (as of mid-September) as a result. Against this, activity is expected to be supported by spending on recovery and reconstruction. The net effect has been estimated to be a reduction in GDP growth of half a percentage point (at an annual rate) in the second half of 2005. But overall activity is expected to return to trend in early 2006 and then be somewhat higher.

United States



Source: OECD Economic Outlook 78 database and US Congressional Budget Office.

United States: Financial indicators

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Household saving ratio ¹ | 2.1 | 1.8 | -0.2 | 0.4 | 0.7 |
| General government financial balance ² | -5.0 | -4.7 | -3.7 | -4.2 | -3.9 |
| Current account balance ² | -4.7 | -5.7 | -6.5 | -6.7 | -7.0 |
| Short-term interest rate ³ | 1.2 | 1.6 | 3.5 | 4.8 | 4.9 |
| Long-term interest rate ⁴ | 4.0 | 4.3 | 4.3 | 4.7 | 4.8 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/563788335667>

With these disruptions having relatively small effects, monetary policy has not changed course. The nominal federal funds rate has continued to be moved up in regular 25 basis-point increments, as previously foreshadowed by the Federal Reserve and as expected by the financial markets. Reflecting this, long term nominal interest rates have been edging up but remain unusually low in real terms. The Federal Reserve has signalled its expectation that short-term interest rates will continue to rise toward a neutral level. Further increases will be necessary if higher energy prices flow through to rising core inflation.

Monetary stimulus is being removed

The news on fiscal policy has been mixed. The federal deficit for fiscal year 2005 came in at 2.6% of GDP, a noticeable improvement relative to both expectations and previous years. The improvement reflected a large increase in revenue, particularly corporate income taxes. This more than offset increased outlays, notably on military operations in Afghanistan and Iraq. The decline in the deficit is not

Government spending is rising

United States: Demand and output

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------|------------------------------|--|------|------|------|------|
| | Current prices \$ billion | Percentage changes, volume (2000 prices) | | | | |
| Private consumption | 7 350.8 | 2.9 | 3.9 | 3.5 | 2.8 | 3.4 |
| Government consumption | 1 616.9 | 3.0 | 2.1 | 1.6 | 1.2 | 0.9 |
| Gross fixed investment | 1 914.5 | 3.3 | 8.4 | 7.2 | 6.4 | 4.5 |
| Public | 344.3 | 2.0 | 2.3 | 3.4 | 7.1 | 4.5 |
| Residential | 503.9 | 8.4 | 10.3 | 7.1 | 3.3 | 0.4 |
| Non-residential | 1 066.3 | 1.3 | 9.4 | 8.3 | 7.9 | 6.7 |
| Final domestic demand | 10 882.1 | 3.0 | 4.4 | 3.9 | 3.3 | 3.2 |
| Stockbuilding ¹ | 11.9 | 0.0 | 0.3 | -0.3 | 0.2 | 0.1 |
| Total domestic demand | 10 894.0 | 3.0 | 4.7 | 3.6 | 3.4 | 3.3 |
| Exports of goods and services | 1 005.9 | 1.8 | 8.4 | 7.1 | 8.3 | 8.5 |
| Imports of goods and services | 1 430.3 | 4.6 | 10.7 | 5.8 | 6.0 | 7.0 |
| Net exports ¹ | - 424.4 | -0.5 | -0.7 | -0.2 | -0.1 | -0.2 |
| GDP at market prices | 10 469.6 | 2.7 | 4.2 | 3.6 | 3.5 | 3.3 |

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

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/563788335667>

United States: External indicators

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------|--------------------|---------|---------|-------|-------|
| | \$ billion | | | | |
| Goods and services exports | 1 045.7 | 1 173.8 | 1 304.1 | 1 442 | 1 593 |
| Goods and services imports | 1 546.5 | 1 797.8 | 2 014.1 | 2 200 | 2 396 |
| Foreign balance | - 500.9 | - 624.0 | - 710.0 | - 758 | - 803 |
| Invisibles, net | - 18.8 | - 44.1 | - 95.7 | - 132 | - 177 |
| Current account balance | - 519.7 | - 668.1 | - 805.7 | - 890 | - 980 |
| | Percentage changes | | | | |
| Goods and services export volumes | 1.8 | 8.4 | 7.1 | 8.3 | 8.5 |
| Goods and services import volumes | 4.6 | 10.7 | 5.8 | 6.0 | 7.0 |
| Export performance ¹ | - 2.5 | - 1.8 | - 0.7 | - 0.2 | 0.2 |
| Terms of trade | - 1.2 | - 1.4 | - 2.0 | - 0.9 | 0.0 |

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/563788335667>

expected to continue. In the projection, the federal deficit fluctuates around 3% of GDP (in national accounts terms). Expenditure rises in 2006 due to the prescription-drug programme. In addition, Congress has recently approved \$62 billion (approximately ½ per cent of GDP) for relief and reconstruction following the hurricanes. Further hurricane-related spending has been proposed and may be forthcoming in the months ahead. There appears to be little appetite within Congress for financing this through offsetting expenditure reductions or tax increases, although the President's 2006 budget made numerous proposals to save \$200 billion over the next ten years from both discretionary and mandatory programmes.

The outlook is favourable...

Real GDP is estimated to be growing at an annualised rate of 3¾ per cent in the second half of 2005, the same rate of growth as in the previous seven quarters. Although the hurricanes and higher oil prices have depressed activity, their effect is expected to be offset by a large turnaround in stockbuilding. Thereafter, this robust rate of growth continues, albeit with a deceleration in 2007. Private consumption remains solid, reflecting large increases in house prices and real personal income. Real incomes, in turn, are supported by strong productivity growth and government transfers related to prescription drugs and hurricane assistance. With the price of new houses well above building costs, residential construction remains strong. Business spending also grows quickly, though moderating somewhat as the investment share of national income rises. Export growth is supported by respending of oil revenues by oil-producers. The current account deficit continues to grow, however, reaching 7% of GDP in 2007. Core inflation is expected to rise in 2006, largely reflecting the one-off effect of the pass-through of higher energy costs. As this effect passes, core inflation slows in the course of 2007, remaining relatively low.

... but could easily come undone

Substantial uncertainty surrounds the effects of the large run-up in oil prices. Overall, the projection implies a more benign response on the part of both output and inflation than in the past. Although that assessment is consistent with the surprising resilience of the US economy to date, it remains to be fully tested. Should energy prices begin to feed substantially into core inflation – in particular, if nominal wage growth were to rise significantly – then large increases in long-term interest rates could occur, slowing economic growth substantially. A back-up in long-term rates could also materialise in the context of an abrupt shift in market sentiment concerning the sustainability of current account imbalances.

Japan

The economy recovered from a pause in the latter half of 2004 with strong growth in the first half of 2005 despite a number of headwinds. The expansion is led by private domestic demand, underpinned by strong corporate profits and a reversal of the declining trend in employment and wages. A number of indicators suggest that the economy has finally completed the post-bubble adjustment, allowing output to grow at a rate of around 2% in 2006-07.

The Bank of Japan's policy of quantitative easing should continue until inflation is high enough to make the risk of renewed deflation negligible. The government should accelerate the pace of fiscal consolidation given the faster than expected GDP growth. A broad structural reform programme is needed to boost potential growth in the context of rapid population ageing. While the enactment of the Japan Post privatisation bills is a welcome step, effective and rapid implementation of the bills is needed to realise the economic benefits of this reform.

After pausing in the second half of 2004, the economy rebounded with 4% output growth in the first half of 2005 despite a sharp deceleration in exports, the oil price hike, the worldwide adjustment in the Information and Communications Technology (ICT) sector and continued cuts in public investment. The expansion is led by business investment, supported by strong corporate profits, and by private consumption, underpinned by rising employment and wages. Business confidence is at its highest level in more than a decade, with the recovery spreading to the non-manufacturing sector as well as to small and medium-sized enterprises. Although industrial production was almost flat in the first half of 2005 due to the adjustment in ICT production, steady growth in the service sector supported overall economic activity. The recovery appears to have continued through the second half of 2005, as indicated by industrial production, machinery orders and consumer confidence, though at a slower pace.

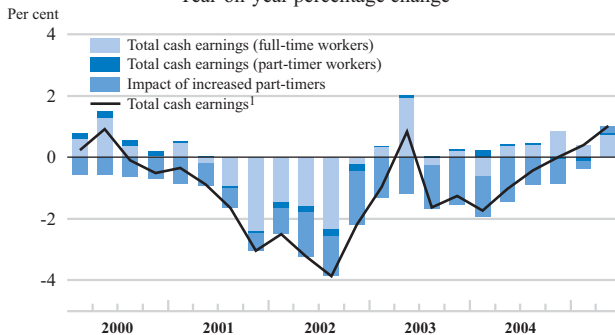
The expansion in the first half of 2005 has become more broad-based...

The broad-based expansion suggests that Japan has finally completed the adjustment brought on by the collapse of the bubble at the beginning of the 1990s. The major banks have achieved the government's target of halving the share of non-performing loans, reducing them from 8.4% of total lending in 2002 to 2.9% in March 2005. Healthier balance sheets contributed to the increase in bank lending (adjusted for special factors) in 2005, the first increase since 1998. Meanwhile, firms

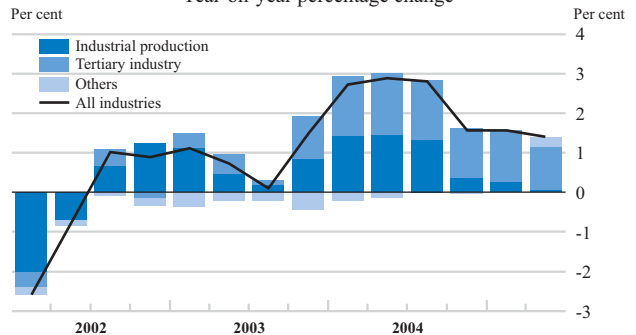
... suggesting that the post-bubble adjustment has been completed...

Japan

Rising regular employment is boosting earnings growth
Year-on-year percentage change



The service sector is supporting economic activity
Year-on-year percentage change



1. All workers, bonus inclusive.

Source: Ministry of Health, Labour and Welfare and Ministry of Economy, Trade and Industry.

Japan: Employment, income and inflation

Percentage changes from previous period

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|------|------|------|------|------|
| Employment | -0.2 | 0.2 | 0.5 | 0.2 | 0.2 |
| Unemployment rate ¹ | 5.3 | 4.7 | 4.4 | 3.9 | 3.5 |
| Compensation of employees | -0.5 | -0.3 | 1.2 | 1.9 | 2.5 |
| Unit labour cost | -1.8 | -2.8 | -1.2 | -0.1 | 0.5 |
| Household disposable income | -0.3 | 0.4 | 1.1 | 1.4 | 2.3 |
| GDP deflator | -1.4 | -1.2 | -1.1 | -0.1 | 0.6 |
| Consumer price index | -0.3 | 0.0 | -0.4 | 0.1 | 0.8 |
| Core consumer price index ² | -0.3 | -0.4 | -0.4 | 0.2 | 0.8 |
| Private consumption deflator | -0.7 | -0.5 | -0.5 | 0.2 | 0.7 |

1. As a percentage of labour force.

2. Consumer price index excluding food and energy.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/547862687827>

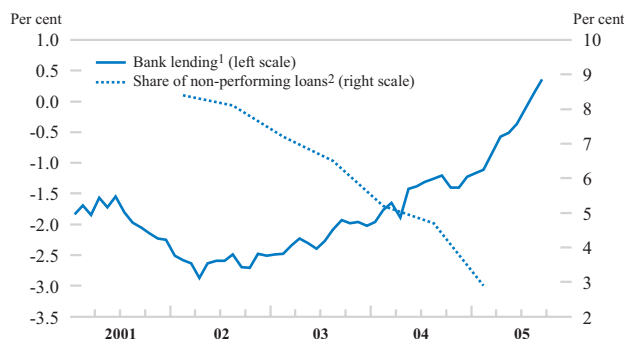
are boosting full-time employment and cutting the number of part-time workers for the first time in a decade. The shift in favour of full-time employment growth is boosting total labour compensation, which turned positive in the first half of 2005 for the first time in five years. Although nation-wide land prices continue to fall, the pace of decline has narrowed to less than 4%, while central Tokyo recorded a positive figure for the first time in 15 years. Deflation has been gradually receding as the year-on-year decline in the core consumer price index (excluding energy products and foods) narrowed to 0.3% in the third quarter.

... while fiscal consolidation continues, though at a slow pace

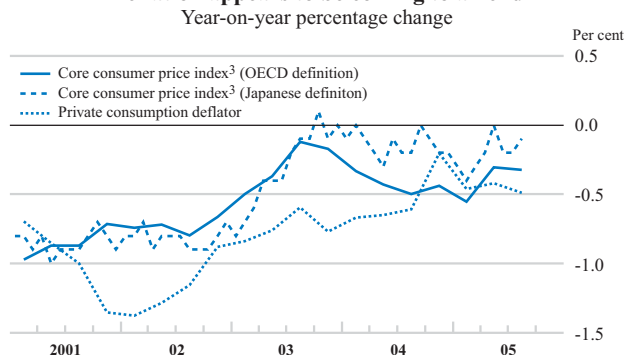
The fiscal stance is expected to be slightly contractionary in 2005-06, with a marginal fall in the cyclically-adjusted budget deficit from 6½ per cent in 2004 (excluding a one-off factor) to 6% in 2006. The government has taken some steps to boost revenues through the annual hike in the pension contribution rate,

Japan

Bank lending growth turns positive



Deflation appears to be coming to an end



1. Bank lending excluding special factors such as loan write-offs. Year-on-year percentage change.

2. For major banks only.

3. Japanese core CPI excludes fresh food only, OECD core CPI excludes food and energy products.

Source: Financial Services Agency, Bank of Japan, Ministry of Internal Affairs and Communications and OECD Economic Outlook database.

Japan: **Financial indicators**

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Household saving ratio ¹ | 7.4 | 6.9 | 6.7 | 6.5 | 6.5 |
| General government financial balance ² | -7.7 | -6.5 | -6.5 | -6.0 | -6.0 |
| Current account balance ² | 3.2 | 3.7 | 3.4 | 3.9 | 4.7 |
| Short-term interest rate ³ | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 |
| Long-term interest rate ⁴ | 1.0 | 1.5 | 1.4 | 1.8 | 2.3 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/547862687827>

measures to broaden the personal income and indirect tax bases and the partial abolition of the temporary personal income tax cut introduced in 1999. However, the revenue increases were not very significant and did not prevent an acceleration of private consumption in the first half of 2005. Interest payments are projected to increase government outlays in 2007 by ½ per cent of GDP due to somewhat higher interest rates and the rising level of public debt. The primary deficit is likely to continue falling from around 5% in 2004 to an estimated 3¾ per cent in 2007. However, the pace of consolidation is too slow to achieve the government's target of a primary budget surplus in the early 2010s. While cuts in public investment are continuing, ageing-related spending is putting upward pressure on government outlays.

Japan: **Demand and output**

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------|------------------------------|--|-------|------|------|------|
| | Current prices ¥ trillion | Percentage changes, volume (2000 prices) | | | | |
| Private consumption | 284.4 | 0.2 | 1.5 | 1.7 | 1.5 | 1.7 |
| Government consumption | 88.0 | 1.2 | 2.7 | 2.0 | 1.4 | 1.4 |
| Gross fixed investment | 120.6 | 0.9 | 1.6 | 3.0 | 1.2 | 1.0 |
| Public ¹ | 30.8 | -10.6 | -10.5 | -7.8 | -4.2 | -3.5 |
| Residential | 18.0 | -1.1 | 2.2 | -1.1 | -0.6 | -1.0 |
| Non-residential | 71.8 | 6.3 | 5.8 | 7.4 | 3.0 | 2.6 |
| Final domestic demand | 492.9 | 0.6 | 1.7 | 2.1 | 1.4 | 1.5 |
| Stockbuilding ² | - 1.1 | 0.2 | 0.1 | 0.3 | 0.0 | 0.0 |
| Total domestic demand | 491.8 | 0.8 | 1.8 | 2.4 | 1.4 | 1.5 |
| Exports of goods and services | 55.8 | 9.1 | 14.4 | 6.5 | 9.8 | 8.9 |
| Imports of goods and services | 49.4 | 3.8 | 8.9 | 7.6 | 6.0 | 5.6 |
| Net exports ² | 6.4 | 0.6 | 0.8 | 0.0 | 0.6 | 0.6 |
| GDP at market prices | 498.2 | 1.4 | 2.7 | 2.4 | 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 78 database.

Statlink: <http://dx.doi.org/10.1787/547862687827>

Japan: External indicators

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------|--------------------|-------|-------|-------|-------|
| | \$ billion | | | | |
| Goods and services exports | 509.0 | 613.1 | 643.9 | 671 | 738 |
| Goods and services imports | 439.7 | 524.1 | 587.1 | 608 | 653 |
| Foreign balance | 69.3 | 89.0 | 56.8 | 62 | 86 |
| Invisibles, net | 67.9 | 82.9 | 101.1 | 109 | 129 |
| Current account balance | 137.2 | 172.0 | 158.0 | 172 | 215 |
| | Percentage changes | | | | |
| Goods and services export volumes | 9.1 | 14.4 | 6.5 | 9.8 | 8.9 |
| Goods and services import volumes | 3.8 | 8.9 | 7.6 | 6.0 | 5.6 |
| Export performance ¹ | 2.1 | 1.6 | - 1.3 | 0.0 | - 1.1 |
| Terms of trade | - 2.6 | - 3.7 | - 5.4 | - 2.9 | - 0.5 |

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/547862687827>

The BOJ is considering the timing of its exit from quantitative easing

The Japanese measure of core inflation, which excludes just fresh food but not energy products, showed only a 0.1% fall in the third quarter and is expected to turn positive around the end of 2005, due in part to higher energy prices. According to this definition of inflation, the necessary conditions set by the Bank of Japan for ending the quantitative easing policy – the year-on-year change in core consumer prices at zero or above for a few months and projected not to fall back into negative territory – could be met in early 2006. Indeed, some of the members of the Monetary Policy Board at the central bank have publicly mentioned the possibility that the quantitative easing policy may end in early 2006, although this does not necessarily imply an immediate hike in the short-term policy rate. However, the narrower measure of the core consumer price index (excluding energy products as well) suggests somewhat more deflation, and furthermore inflation on this narrow measure is projected to be only ½ per cent by the end of 2006. Given the risk that the end of the quantitative easing policy could be accompanied by a sharp rise in long-term interest rates, the change in monetary policy should be pursued more cautiously and only when inflation is at a level sufficiently high – such as 1% – to make the risk of renewed deflation negligible.

Growth is projected to continue through 2007

Despite mild fiscal contraction in 2005-06, the economy is projected to grow by around 2% in the coming two years. The output gap is estimated to close early in 2006, although there is considerable uncertainty about the rate of potential growth and the size of the output gap after an extended period of economic weakness. Further gains in employment, accompanied by higher wages, should support private consumption, while reducing the unemployment rate to around 3½ per cent in 2007. Increased profits in the business sector, combined with the improved health of the banking sector, are expected to sustain business investment, though at a more moderate pace. In addition, the contribution from the external sector is likely to remain positive through 2007, as export growth is expected to pick up with stronger overseas demand. Combined with the rising surplus on investment income, this may increase the current account surplus to 5% of GDP in 2007. There are a number of risks to a sustained expansion, including the possibility of a significant appreciation of the yen and other external factors such as a slowdown of exports due to the impact of higher oil prices on major trading partners. On the domestic side, the possibility of a sharp rise in long-term interest rates in the context of the ending of quantitative easing and growing public debt is a key risk.

Euro area

Activity appears to be picking up after a lull in early 2005. The moderate recovery is expected to continue over the next two years. Business investment should rise as foreign and domestic demand improve, and household consumption should grow in line with disposable incomes. But the recovery is not expected to absorb all the economic slack by the end of 2007. Headline inflation should drop below 2% next year when the impact of the oil price hike wanes.

With the recovery expected to be moderate and any oil-price induced second round effects on wage inflation being uncertain, monetary policy should remain on hold for some more time, with tightening starting in earnest later next year. To ensure the long-term sustainability of public finances, fiscal consolidation needs to get underway as soon as it can safely do so without jeopardising the recovery. Further structural reforms are needed to improve the euro area's medium-term economic performance and its resilience to shocks.

The first half of 2005 was disappointing. Not for the first time, the long-awaited recovery failed to take hold. GDP growth was less than 1½ per cent, clearly below the potential rate. Uncertainty about job prospects and economic reform kept consumers cautious. Growth in disposable income was meagre as wage increases barely kept pace with inflation despite a small improvement in the labour market. The rising cost of petrol and home heating, along with hikes in some government charges, have also dented households' budgets. But a key reason why fledgling recoveries have failed to get off the ground in the past couple of years is that each time conditions have looked ready for a pick-up in corporate investment, another negative shock has hit the economy. Indeed, the fundamental conditions for a significant rise in investment have been in place for some time: corporate balance sheets are strong, firms have ample free cash flow and the cost of borrowing is very low. However, these shocks have raised uncertainty and persuaded firms to "wait and see".

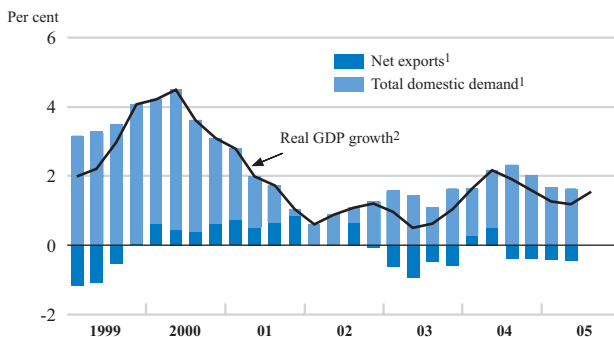
After another aborted recovery...

Most indicators suggest that the second half of 2005 will be better than the first. Business confidence has picked up slightly, export orders have edged up and industrial production is back on a clear, though mild upward trend. These indicators are consistent with the preliminary estimate of GDP for the third quarter, which showed

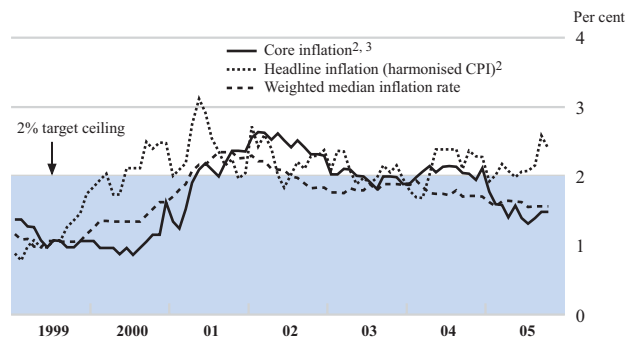
... signs of an upturn are becoming clearer

Euro area

The recovery has resumed



Core inflation is well below 2%



1. Contribution to real GDP growth, in per cent of previous year's GDP.
 2. Year-on-year percentage changes.
 3. Harmonised index of consumer prices excluding energy and unprocessed food.

Source: Statistical Office of the European Communities (Eurostat) and OECD Economic Outlook 78 database.

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

Percentage changes from previous period

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Employment | 0.4 | 1.0 | 1.0 | 1.1 | 1.2 |
| Unemployment rate ¹ | 8.7 | 8.8 | 8.7 | 8.4 | 8.1 |
| Compensation per employee ² | 1.9 | 1.4 | 1.6 | 1.7 | 2.0 |
| Labour productivity ² | 0.5 | 0.9 | 0.5 | 1.0 | 1.0 |
| Unit labour cost ² | 1.4 | 0.5 | 1.1 | 0.7 | 0.9 |
| Household disposable income | 3.0 | 3.4 | 2.9 | 3.1 | 3.5 |
| GDP deflator | 2.0 | 1.8 | 1.8 | 1.7 | 1.9 |
| Harmonised index of consumer prices | 2.1 | 2.1 | 2.2 | 2.1 | 1.6 |
| Core harmonised index of consumer prices ³ | 1.8 | 1.8 | 1.4 | 1.4 | 1.6 |
| Private consumption deflator | 1.9 | 1.9 | 1.9 | 2.1 | 1.7 |

1. As a percentage of labour force.

2. In the business sector.

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

Source: OECD Economic Outlook 78 database.

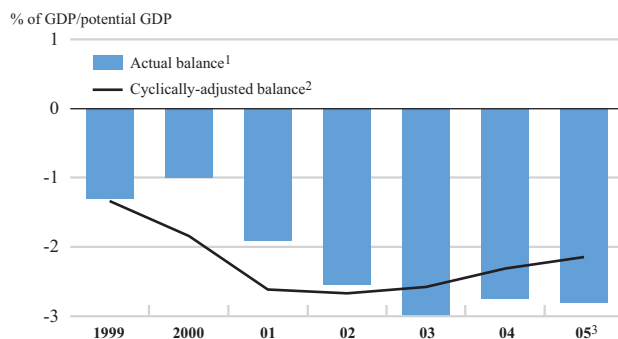
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growth around 2½ per cent at an annual rate. The unemployment situation has also improved, reflecting wage moderation and more rigorous active labour market policies in some countries.

Fiscal policy has been unable to provide support

The substantial easing in fiscal policy early in the decade has left policy-makers with no room for manoeuvre. The changes to the Stability and Growth Pact in March 2005 mean that in certain circumstances countries have more time to bring deficits down under 3% of GDP and towards the medium-term goal of a balanced budget. From a cyclical stabilisation point of view, this has the advantage that fiscal policy does not need to be tightened as aggressively when a country is facing weak activity. Hence, the fiscal stance is likely to remain broadly

Euro area

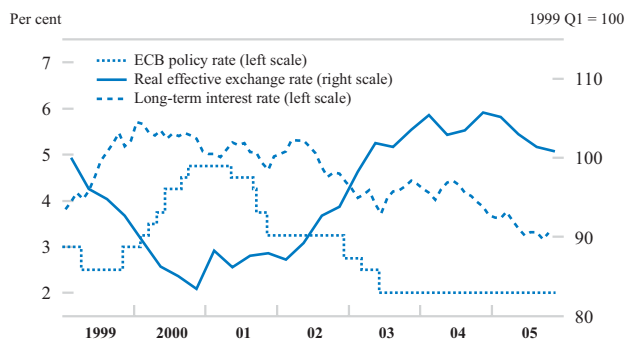
The fiscal deficit is close to the 3% limit

1. Excludes UMTS licence proceeds.

2. Per cent of potential GDP.

3. OECD estimates.

Source: OECD Economic Outlook 78 database.

Interest rates provide some support

Euro area: **Financial indicators**

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Household saving ratio ¹ | 10.6 | 10.7 | 10.5 | 10.4 | 10.5 |
| General government financial balance ² | -3.0 | -2.7 | -2.9 | -2.7 | -2.5 |
| Current account balance ² | 0.3 | 0.5 | -0.2 | -0.2 | -0.1 |
| Short-term interest rate ³ | 2.3 | 2.1 | 2.2 | 2.2 | 2.9 |
| Long-term interest rate ⁴ | 4.1 | 4.1 | 3.4 | 3.7 | 4.1 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/424258724388>

neutral over the projection period with an area-wide deficit just under 3% of GDP, though several countries have deficits at or well above that limit. The absence of a fiscal tightening will help the recovery in the short-term but clearly poses problems for the longer-term sustainability of public finances. Ambitious fiscal consolidation needs to get underway as soon as it can safely do so without jeopardising the recovery.

Economic activity is set to pick up moderately over the projection period. Net exports will make a positive contribution over the next few quarters as growth in world trade accelerates. Private consumption is expected to recover but will be constrained by relatively lacklustre growth in real disposable income. In the business sector, the cost of missed opportunities will eventually exceed the value of the “wait and see” strategy, and firms will begin to carry out their investment plans. A fairly gradual increase in investment is projected but this pent-up demand suggests that, when the recovery does occur, investment could pick-up more quickly than projected here. Overall, however, GDP growth is expected to only slightly exceed the potential rate, so there will still be some spare capacity at the end of 2007.

A modest recovery is projected

 Euro area: **Demand and output**

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------------|-----------------------------|--|------|------|------|------|
| | Current prices € billion | Percentage changes, volume (2001 prices) | | | | |
| Private consumption | 4 134.4 | 1.2 | 1.5 | 1.3 | 1.3 | 1.9 |
| Government consumption | 1 458.4 | 1.7 | 1.2 | 1.2 | 1.8 | 1.5 |
| Gross fixed investment | 1 443.6 | 0.8 | 1.9 | 2.1 | 3.4 | 3.6 |
| Public | 188.4 | 1.7 | -1.3 | 2.1 | 1.9 | 1.7 |
| Residential | 380.8 | 2.1 | 2.5 | 1.2 | 2.0 | 2.0 |
| Non-residential | 874.4 | 0.0 | 2.4 | 2.5 | 4.4 | 4.6 |
| Final domestic demand | 7 036.4 | 1.2 | 1.5 | 1.5 | 1.9 | 2.2 |
| Stockbuilding ¹ | - 14.2 | 0.2 | 0.3 | 0.2 | 0.0 | 0.0 |
| Total domestic demand | 7 022.2 | 1.4 | 1.9 | 1.7 | 1.9 | 2.1 |
| Net exports ¹ | 190.1 | -0.6 | 0.0 | -0.2 | 0.2 | 0.1 |
| GDP at market prices | 7 212.3 | 0.8 | 1.8 | 1.4 | 2.1 | 2.2 |

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/424258724388>

Euro area: **External indicators**

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------|------------|---------|---------|-------|-------|
| | \$ billion | | | | |
| Foreign balance | 186.0 | 199.9 | 138.2 | 119 | 136 |
| Invisibles, net | - 162.1 | - 156.2 | - 155.3 | - 139 | - 142 |
| Current account balance | 23.9 | 43.6 | - 17.0 | - 19 | - 6 |

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/424258724388>

Monetary policy faces different pressures

Against this backdrop, the European Central Bank faces the challenge of assessing the inflationary potential of the supply shock when the economy is operating below potential. While oil prices have pushed headline inflation well above 2%, most measures of core inflation are around 1½ per cent. Abstracting from the oil price shock, the weak labour market and ample spare capacity could be expected to drive core inflation even lower over the next couple of years. However, there is some risk that the spike in energy costs may feed into wages and raise inflation expectations because of the oil-induced surge in headline inflation, real wage rigidities, de facto wage indexation in some countries and inadequate competition in certain sectors. With headline inflation now running significantly above 2%, the probability of this scenario is higher than it was six months ago while the chances of a further weakening in economic activity have receded. With inflation under conflicting pressures, keeping interest rates unchanged until activity has firmed would thus appear appropriate. The risk of significant second-round effects on inflation, while present, is not judged to be high enough to warrant a rise in interest rates in the immediate future. Such action would be warranted only if the oil price shock spills over into ongoing wage and core price inflation in a serious way. Otherwise, rates should remain unchanged until the recovery is locked in and economic slack is closer to being absorbed.

There are risks in both directions

The main risk for price stability is that the oil price shock raises inflation expectations. But there are risks to activity as well. Political developments have tended to slow reform efforts, which may affect confidence and put a brake on the investment bounce-back. On the other hand, housing markets in some countries could continue to boom, supporting consumption and construction. On the external side, global current account imbalances may push up the euro while a sharper than expected increase in long-term interest rates in the United States could spill over to the euro area and nip the investment recovery in the bud.

Germany

Based on strong export growth, output is projected to improve. While weak consumption and construction investment are still weighing on activity, equipment investment has strengthened. As the upswing broadens, GDP is projected to grow slightly above potential, 1¾ per cent (working day adjusted) in both 2006 and 2007. The general government deficit is likely to total 3.9% of GDP in 2005, and remain high in 2006, but then fall to 2.6% in 2007, largely on account of an increase in the value added tax rate.

For economic performance to be raised in a durable way, the new government has to go further in reforming labour and product markets within a coherent framework. Fiscal consolidation needs to be linked to more fundamental spending reform, requiring, inter alia, the untangling of responsibilities across different levels of government, more determined reductions in both subsidies and tax expenditures and continued reform of the social security system.

Economic activity in the first half of 2005 remained weak, with exports having been the sole driver of economic growth while domestic demand stagnated. Recovering exports benefited in particular from strong demand by the new European Union accession countries and the respending of revenues by oil exporting countries. Gains in German competitiveness underpinned solid export growth. However, private consumption contracted as marked increases in energy prices weighed on real disposable incomes and a turn-around on the labour market has not as yet occurred. Construction investment continued its long-term decline. Equipment investment increased, however, suggesting that downward adjustment of capacity has come to an end.

Activity remained subdued in the first half...

GDP growth in the third quarter and forward looking indicators suggest that activity is strengthening. Export expectations improved steadily since the early summer and foreign orders increased significantly. Surveys among enterprises point to investment plans for the second half of the year having been revised upward. Consumer confidence has not yet recovered, however, and retail sales continue to slide.

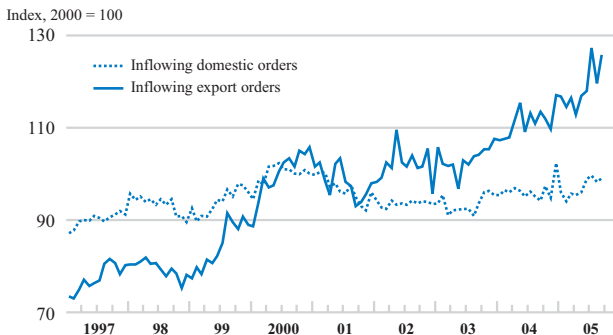
... but is strengthening more recently...

Employment growth resumed in the summer following a decline over the first four months of 2005. However, these gains are largely attributable to subsidised employment schemes. Government-sponsored work provision schemes expanded in the course of the year, as did part-time employment with only very few hours worked, supported by preferential taxation. By contrast, regular employment

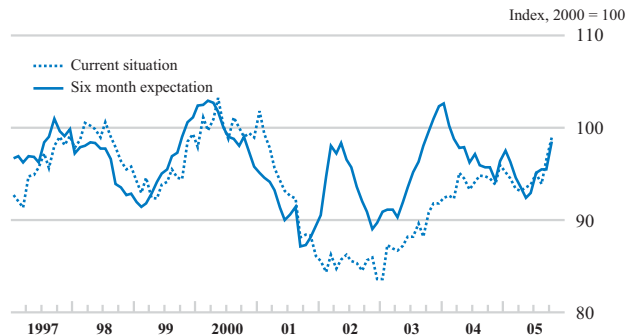
... while the labour market improves only gradually

Germany

Export orders are trending upward¹



Business expectations are improving²



1. Manufacturing, volume.

2. Manufacturing, construction, wholesale and retail trade.

Source: Deutsche Bundesbank; Ifo Institut für Wirtschaftsforschung.

Germany: **Employment, income and inflation**

Percentage changes from previous period

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Employment | -1.0 | 0.4 | 0.2 | 0.7 | 0.9 |
| Unemployment rate ¹ | 8.7 | 9.2 | 9.3 | 9.1 | 8.7 |
| Compensation of employees | 0.2 | 0.3 | -0.1 | 1.0 | 1.8 |
| Unit labour cost | 0.4 | -0.8 | -1.2 | -0.8 | 0.1 |
| Household disposable income | 2.1 | 2.1 | 1.4 | 1.7 | 1.8 |
| GDP deflator | 1.0 | 0.8 | 0.7 | 0.7 | 1.0 |
| Harmonised index of consumer prices | 1.0 | 1.8 | 2.0 | 1.7 | 1.3 |
| Core harmonised index of consumer prices ² | 0.7 | 1.5 | 0.7 | 0.8 | 1.3 |
| Private consumption deflator | 1.5 | 1.4 | 1.6 | 1.7 | 1.3 |

1. As a percentage of labour force.

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/233514735145>

contracts are still declining. However, the situation may become a bit brighter; the unemployment rate (ILO definition), has ceased to drift upwards and short-shift work has been diminishing. Wage settlements in important parts of the economy indicate that wage growth will remain moderate, and working time extensions in some branches contributed to falling unit labour costs.

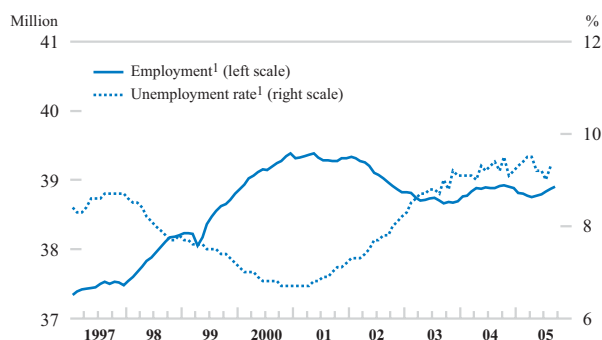
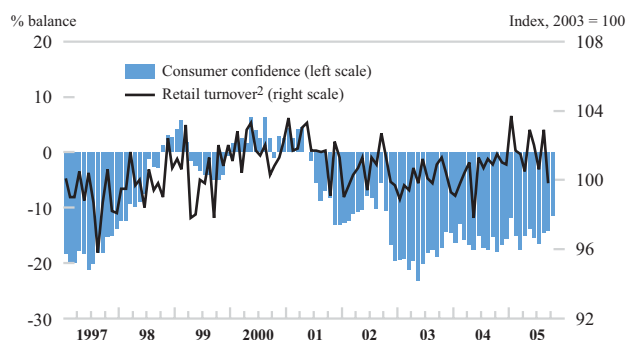
Inflation is set to diminish

Headline inflation (harmonised consumer price index) increased to 2¼ per cent year-on-year in autumn 2005, driven by rising energy prices and a further rise in the tobacco tax. Inflation is set to diminish as the impact of higher oil prices fades. However, in 2007 rising value added taxes are projected to add 0.6 percentage points to the inflation rate, assuming a pass-through rate into prices of roughly one half.

Financial conditions are supportive

Overall, financial conditions appear conducive to supporting growth. Returns from cost cutting and solid export growth have strengthened corporate balance sheets. Stock prices have increased markedly over the past months. Real interest rates remain below average historical levels and banks have ceased tightening credit standards.

Germany

Unemployment stagnates**Consumer confidence is still low**

1. Seasonally adjusted employment, domestic concept of the national accounts. Seasonally adjusted unemployment rate (ILO concept).

2. Excluding motor vehicles and petrol stations; data are provisional from January 2004 onwards.

Source: Deutsche Bundesbank; OECD.

Germany: **Financial indicators**

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Household saving ratio ¹ | 10.3 | 10.5 | 10.6 | 10.6 | 10.5 |
| General government financial balance ² | -4.0 | -3.7 | -3.9 | -3.6 | -2.6 |
| Current account balance ² | 2.2 | 3.8 | 4.1 | 4.6 | 5.2 |
| Short-term interest rate ³ | 2.3 | 2.1 | 2.2 | 2.2 | 2.9 |
| Long-term interest rate ⁴ | 4.1 | 4.0 | 3.4 | 3.7 | 4.0 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/233514735145>

The general government deficit will drop below 3% of GDP in 2007

While consolidation measures were incorporated on the spending side of the general government budget, reform of the unemployment and social assistance systems has not yet produced the envisaged savings, leading to budgetary over-runs of several billion euros, and the final step of legislated income tax reductions has reduced government revenues. Revenues stemming from subsidy repayments by state banks reduce the deficit in 2005. By contrast capitalisation of claims by the Pension Funds of workers of the former Post Office does not reduce the deficit this year and next, following a decision by the Statistics Office of the European Union. Overall, the general government deficit is projected to total 3.9% of GDP in 2005, exceeding the limits of the Stability and Growth Pact for the fourth year in a row. Consolidation measures scheduled for 2006 and 2007 comprise further cuts in

 Germany: **Demand and output**

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------------------------|-----------------------------|--|------|------|------|------|
| | Current prices € billion | Percentage changes, volume (2000 prices) | | | | |
| Private consumption | 1 267.6 | 0.1 | 0.2 | -0.2 | 0.3 | 0.6 |
| Government consumption | 412.3 | 0.1 | -1.6 | -0.3 | 0.1 | 0.1 |
| Gross fixed investment | 394.5 | -0.7 | -1.5 | 0.2 | 2.9 | 3.2 |
| Public | 35.5 | -6.4 | -6.6 | -1.3 | 1.2 | -0.2 |
| Residential | 124.1 | -0.9 | -3.0 | -4.2 | -0.4 | -0.2 |
| Non-residential | 234.8 | 0.2 | 0.0 | 2.8 | 4.7 | 5.2 |
| Final domestic demand | 2 074.3 | 0.0 | -0.5 | -0.1 | 0.7 | 1.0 |
| Stockbuilding ¹ | - 23.7 | 0.6 | 0.5 | 0.4 | 0.0 | 0.0 |
| Total domestic demand | 2 050.7 | 0.6 | 0.1 | 0.3 | 0.7 | 1.0 |
| Exports of goods and services | 768.4 | 2.3 | 8.3 | 6.6 | 7.5 | 7.8 |
| Imports of goods and services | 670.6 | 5.0 | 6.1 | 5.1 | 5.6 | 6.8 |
| Net exports ¹ | 97.8 | -0.7 | 1.0 | 0.8 | 1.1 | 0.8 |
| GDP at market prices | 2 148.5 | -0.2 | 1.1 | 1.1 | 1.8 | 1.7 |
| <i>Memorandum items</i> | | | | | | |
| GDP without working day adjustments | 2 145.1 | -0.2 | 1.6 | 0.9 | 1.6 | 1.6 |
| Investment in machinery and equipment | 177.1 | 0.2 | 1.3 | 5.3 | 5.8 | 6.5 |
| Construction investment | 217.3 | -1.5 | -3.8 | -4.0 | 0.2 | 0.2 |

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.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/233514735145>

Germany: External indicators

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------|--------------------|---------|---------|-------|-------|
| | \$ billion | | | | |
| Goods and services exports | 876.5 | 1 041.1 | 1 115.4 | 1 140 | 1 230 |
| Goods and services imports | 776.7 | 906.7 | 971.7 | 991 | 1 062 |
| Foreign balance | 99.8 | 134.4 | 143.7 | 149 | 168 |
| Invisibles, net | - 46.5 | - 31.0 | - 29.6 | - 23 | - 24 |
| Current account balance | 53.3 | 103.4 | 114.0 | 125 | 144 |
| | Percentage changes | | | | |
| Goods and services export volumes | 2.3 | 8.3 | 6.6 | 7.5 | 7.8 |
| Goods and services import volumes | 5.0 | 6.1 | 5.1 | 5.6 | 6.8 |
| Export performance ¹ | - 2.4 | - 1.1 | 0.1 | - 1.2 | - 0.9 |
| Terms of trade | 1.0 | - 0.2 | - 1.5 | - 1.6 | - 0.2 |

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/233514735145>

government employment and reductions in subsidies and tax expenditures, as well as a tightening in social transfers. Moreover, a value-added tax increase of 3 percentage points in 2007, a third of which is used to lower social charges, is incorporated into these projections. Further policy initiatives affecting the general government budget that are planned by the coalition partners forming the new government have not been taken into consideration in these projections. The deficit will stay above 3½ per cent of GDP in 2006, but then drop to around 2½ per cent in 2007. The structural balance will improve by 0.9 percentage points in 2007, driven by the tax increases.

*The upswing will broaden
in 2006...*

Foreign demand is likely to remain the main force driving the recovery. Exports are projected to accelerate in the second half of 2005 and over the projection period as world trade remains strong. Germany's external sector should particularly benefit from solid demand for investment goods, normally associated with buoyant world trade, and the re-spending of revenues by oil exporting countries. However, with growth impulses from domestic demand still being moderate, GDP growth for 2005 as a whole is projected to total only 1.1% (0.9% without working day adjustment). While employment continues to expand, employment gains over the coming months are likely to remain largely confined to work provision schemes and part-time employment with only few hours worked, while wage growth is expected to remain moderate and transfers are set to grow slowly after 2005. Correspondingly, private consumption will strengthen only gradually in the course of 2006, as labour market uncertainty ceases to weigh on consumer sentiment and inflation is easing. Buoyant exports, rising profits and increasing capacity utilisation will underpin accelerating equipment investment. Construction investment, however, will remain a drag on growth. All in all GDP is projected to grow by 1.8% in 2006 (1.6% without working day adjustment) a quarter of a percentage point above potential. Growth will slightly ease in 2007 as the value-added tax (VAT) increase weighs on household consumption, reducing GDP growth by around ½ per cent.

... but significant risks remain

With resilience of domestic demand to the occurrence of negative shocks still low, the adverse impact of weaker world trade, a stronger euro or further oil market turbulence could be substantial. On the other hand, confidence of investors and consumers would be reinforced if the new government were to develop a broad-based and coherent programme for continued structural reform.

France

The recovery that appears to have gained hold in the second half of the year should continue into 2006. Domestic demand is expected to pick up slightly and exports should recover. Modest employment gains will permit only a small drop in unemployment. Inflation is likely to fall back somewhat as the “second-round” effects of higher energy prices appear to be small. The general government deficit is likely to remain above 3% of GDP.

While the shortfall on the target for reducing the budget deficit may be largely due to low growth, firm measures to reduce it significantly over the next few years remain necessary. Moves to simplify parts of the tax system are welcome; introducing more tax breaks for certain activities unfortunately offsets this, adding to the system’s complexity. Social unrest calls for policies to improve prospects for the excluded. Fundamental labour market reforms, including liberalising regulations that restrict job opportunities for the low-skilled, should be a key component.

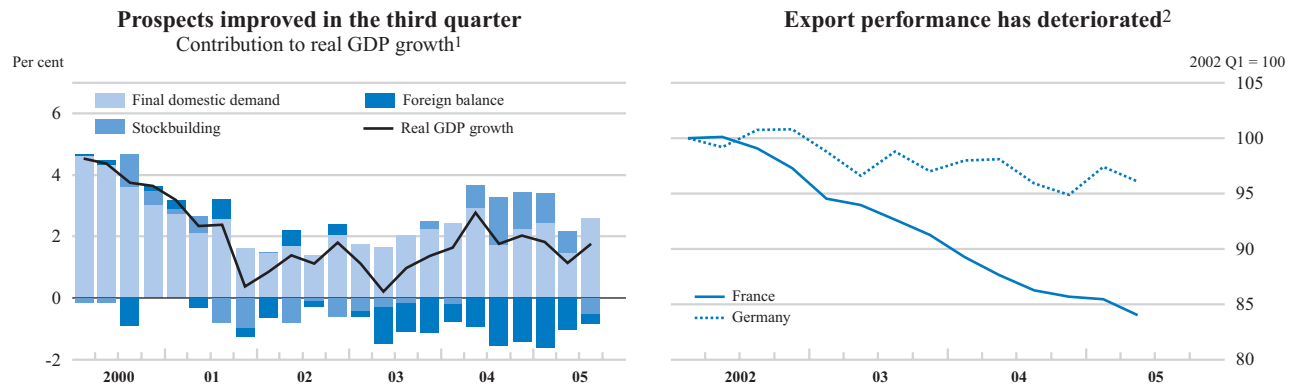
After a decline in GDP growth between mid-2004 and mid-2005, preliminary data for the third quarter of 2005 show a significant rebound. Consumer demand and investment recovered (the latter had fallen in the second quarter) and export volume showed its strongest quarterly increase since 2000, following a long period of weakness. Stockbuilding declined and imports grew strongly, though by less than exports. These figures add weight to the view that a sustained recovery may be under way, though the variability of quarterly movements in GDP over the past two years would argue for caution.

Growth has picked up since mid-year

Total employment was slightly lower in mid-2005 than 3 years earlier. Actions to reduce non-wage labour costs and increase labour market flexibility may have contributed to the beginnings of an improvement in the labour market during the summer, but employment growth in the private sector is still almost imperceptible. Nevertheless, unemployment has fallen back slightly, from more than 10% in early 2005 to 9.8% in September. This is partly due to some tightening in conditions for claiming unemployment benefits and an increase in special employment programmes.

Employment growth has been elusive until now...

France



1. Year-on-year percentage change.

2. A fall in the index indicates a loss in export market share.

Source: OECD, Economic Outlook 78 database.

France: Employment, income and inflation

Percentage changes from previous period

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Employment | 0.0 | -0.1 | 0.2 | 0.6 | 0.9 |
| Unemployment rate ¹ | 9.7 | 10.0 | 10.0 | 9.6 | 9.0 |
| Compensation of employees | 2.5 | 2.9 | 3.3 | 3.6 | 3.7 |
| Unit labour cost | 1.5 | 0.8 | 1.6 | 1.5 | 1.5 |
| Household disposable income | 1.7 | 3.2 | 3.2 | 3.5 | 3.4 |
| GDP deflator | 1.4 | 1.6 | 1.3 | 1.7 | 1.6 |
| Harmonised index of consumer prices | 2.2 | 2.3 | 1.9 | 1.7 | 1.1 |
| Core harmonised index of consumer prices ² | 1.7 | 1.8 | 1.4 | 0.9 | 1.0 |
| Private consumption deflator | 1.1 | 1.5 | 1.4 | 1.6 | 1.1 |

1. As a percentage of labour force.

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/217678087384>

... while inflation has increased slightly

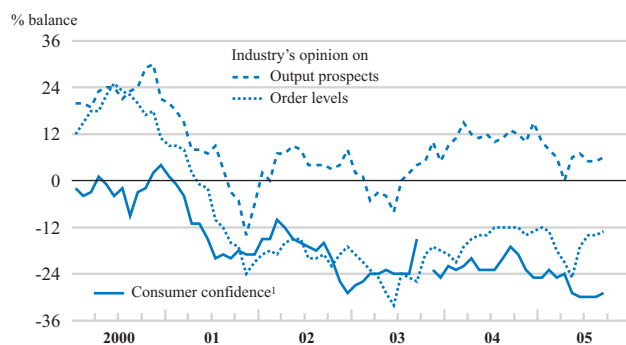
As oil prices continued to rise during the summer, consumer price inflation, which had earlier shown rather little reaction to higher energy prices, stopped declining (year-over-year) and reached 2.2% in September before falling back to 1.8% in October. The underlying rate, which had fallen as low as 0.7% year-on-year during the summer, also picked up but was still only 0.9% in October. Oil prices have less impact in France than in countries with less nuclear generated electricity, and natural gas prices have probably risen less than they would otherwise because changes are subject to government approval. Private-sector wage growth may have crept up slightly from the beginning of the year, despite continued high unemployment, to between 2½ and 3%.

Confidence indicators have not shown much optimism...

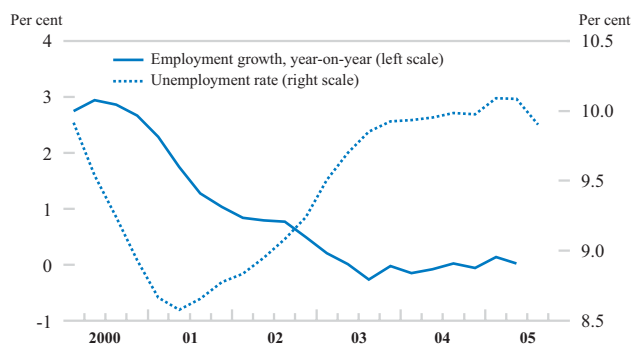
Following a fall in the first quarter of 2005, confidence has remained weak for most of the year. Although business confidence has been improving since May, its level in October was still some way below that of a year earlier. Household

France

Confidence remains low



Employment growth remains elusive



1. Break in series in November 2003.

Source: National Institute for Statistics and Economic Studies (INSEE) and OECD Economic Outlook 78 database.

France: Financial indicators

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Household saving ratio ¹ | 12.4 | 11.8 | 11.6 | 11.4 | 11.5 |
| General government financial balance ² | -4.2 | -3.6 | -3.2 | -3.2 | -3.0 |
| Current account balance ² | 0.4 | -0.4 | -1.6 | -1.4 | -1.1 |
| Short-term interest rate ³ | 2.3 | 2.1 | 2.2 | 2.2 | 2.9 |
| Long-term interest rate ⁴ | 4.1 | 4.1 | 3.4 | 3.7 | 4.1 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/217678087384>

confidence began to respond to better news on the labour market after midsummer, but this may have been as much in reaction to unemployment statistics and announced measures as to direct experience.

Consumer demand has been rather variable over the past year, perhaps partly due to a succession of government measures to encourage consumption, which had slowed after the decline in the saving rate in 2003-04 came to an end. Steadier consumption growth seems likely to be sustained from now on, even without a falling saving rate. Quite strong imports during 2005, despite weak reported domestic demand, suggest a disappointingly weak supply performance. Some tendency for imports to grow significantly faster than domestic demand is common to many countries, but declines in export market share in recent years add to this impression of weakness. Nevertheless, as consumption and, especially, export demand accelerate, supply is expected to respond. The output gap will nevertheless be slow to diminish and is likely to be no smaller in 2007 than it was in 2004. The current account moved into deficit in 2005, driven partly by terms of trade losses, and is unlikely to narrow much over the next two years.

... but GDP should accelerate into 2006

France: Demand and output

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------|----------------|--|------|------|------|------|
| | Current prices | Percentage changes, volume (2000 prices) | | | | |
| | € billion | | | | | |
| Private consumption | 866.5 | 1.6 | 2.3 | 2.1 | 2.1 | 2.2 |
| Government consumption | 362.2 | 2.1 | 2.7 | 1.6 | 2.0 | 1.8 |
| Gross fixed investment | 291.1 | 2.7 | 2.2 | 3.0 | 2.8 | 3.3 |
| Public | 45.4 | 8.6 | 3.0 | 2.5 | 1.2 | 0.9 |
| Residential | 76.1 | 3.8 | 3.2 | 3.2 | 3.1 | 2.9 |
| Non-residential | 169.6 | 0.8 | 1.4 | 3.1 | 3.2 | 4.1 |
| Final domestic demand | 1 519.7 | 1.9 | 2.4 | 2.2 | 2.2 | 2.3 |
| Stockbuilding ¹ | 3.3 | -0.2 | 0.8 | 0.3 | 0.0 | 0.0 |
| Total domestic demand | 1 523.0 | 1.8 | 3.2 | 2.4 | 2.2 | 2.3 |
| Exports of goods and services | 420.9 | -1.7 | 2.1 | 3.7 | 7.2 | 6.8 |
| Imports of goods and services | 393.5 | 1.3 | 6.1 | 6.4 | 7.3 | 7.0 |
| Net exports ¹ | 27.3 | -0.9 | -1.1 | -0.8 | -0.1 | -0.2 |
| GDP at market prices | 1 550.3 | 0.9 | 2.1 | 1.6 | 2.1 | 2.2 |

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/217678087384>

France: External indicators

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------|--------------------|--------|--------|-------|-------|
| | \$ billion | | | | |
| Goods and services exports | 462.4 | 529.7 | 553.6 | 564 | 607 |
| Goods and services imports | 443.6 | 524.1 | 572.4 | 583 | 621 |
| Foreign balance | 18.8 | 5.5 | - 18.8 | - 18 | - 13 |
| Invisibles, net | - 11.0 | - 13.4 | - 14.4 | - 11 | - 11 |
| Current account balance | 7.8 | - 7.9 | - 33.1 | - 29 | - 24 |
| | Percentage changes | | | | |
| Goods and services export volumes | - 1.7 | 2.1 | 3.7 | 7.2 | 6.8 |
| Goods and services import volumes | 1.3 | 6.1 | 6.4 | 7.3 | 7.0 |
| Export performance ¹ | - 6.1 | - 6.3 | - 2.8 | - 1.4 | - 1.8 |
| Terms of trade | 0.4 | 0.8 | - 1.8 | 0.2 | 1.2 |

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/217678087384>

Employment growth should continue

A slight fall in unemployment and suggestions of an upturn in employment in mid-year give hope that an improvement in the labour market is under way. But a major reduction in unemployment will require sustained labour market liberalisation, not just a modest recovery. The strengthening conjuncture and the effect of some recent reforms will nevertheless bring about some employment growth into next year, although the unemployment rate may not fall below 9%.

Unit labour cost increases will remain modest

With unemployment likely to remain above the level where historical experience suggests labour market pressure on wages would emerge, overall unit labour cost growth should remain contained, at perhaps 1½ per cent in both 2006 and 2007. This would allow further profit expansion without much increase in inflation, whose underlying rate may remain around 1%.

The budget deficit remains a problem

The general government deficit for 2005 is likely to remain above 3% of GDP. This is despite tight controls on central government expenditure and signs that health care spending was growing less than expected. It also includes a one-off payment, worth around ½ per cent of GDP, to compensate the state for taking on some pension liabilities from the public electricity utility. The deficit in 2006 is likely to be broadly unchanged, though helped by a further, similar but much smaller, such payment. It will be important to allow the improved revenues that the expanding economy should bring to be used to reduce the deficit rather than increase expenditures, and reform on the revenue side should be directed as much towards improved efficiency and simplification as to cutting tax rates. Tight controls on expenditure by central government will be ineffective if they are circumvented by transfer of responsibilities to other levels of government or by granting tax breaks in place of direct expenditure.

The recovery remains uncertain

Confidence among both consumers and producers is fragile. Although the size of the output gap and the level of unemployment suggest considerable scope for the growth rate to exceed its potential (of about 2%) hesitancy among consumers and investors and the weakness of net exports up to mid-2005 means that a strong recovery is not certain. While increasing import penetration is a common phenomenon, losses in export market share may suggest an underlying competitiveness problem in parts of the economy.

Italy

The recession ended in the spring of 2005. Domestic demand has been stimulated by labour deepening, disinflation, fiscal ease and supportive monetary conditions. Exports have benefited from euro depreciation and recovery elsewhere in the euro area, but imports are also rising markedly. The pass through of higher oil prices will limit the strength of the recovery in 2006, but as these effects dissipate household consumption should support an acceleration of GDP in 2007.

The sustainability of the recovery depends on reversing highly unfavourable trends in international competitiveness and public debt. In particular, real wage growth needs to be better aligned with productivity, while public spending must be restrained sufficiently to lower the tax wedge and restore the primary surplus. Service sectors should be opened to competition to boost productivity.

Following two quarters of negative growth, real GDP rebounded in the second quarter of 2005, thanks to a strong turnaround in domestic demand, notably for consumption and construction. Net exports contributed little to growth but imports and exports both grew at double digit annual rates, the former benefiting from full opening of trade with China and the latter from strongly rising German exports (which use imported goods from Italy as inputs) and some real exchange rate weakening. The recovery of industrial production from its deep 4½-year-long recession continued to gain momentum in the third quarter. The pace of growth is likely to slacken toward year end, however, on account of oil price-induced real income declines and a renewed erosion of international competitiveness.

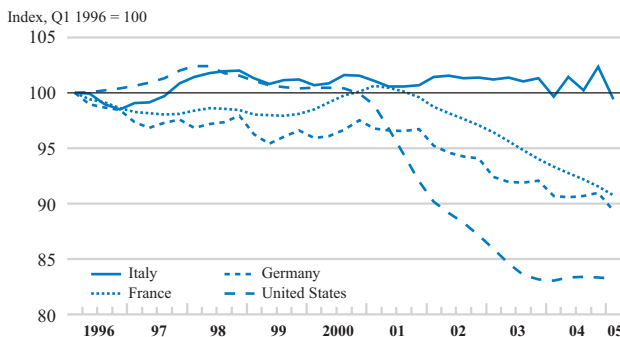
High oil prices and eroding competitiveness are undercutting the recovery

The recent Italian phenomenon of robust employment relative to output growth, including in the exposed sector, has continued unabated thus far in 2005. This reflects continuing immigrant regularisations and full implementation of the last phase of labour market reforms, which has acted to lower separation costs for new workers, thus encouraging the hiring of new entrants. As in previous years, employment growth has been reflected in large part in declining unemployment. The late 2004-early 2005 wage rounds suggest likely real wage growth of nearly 2% in 2005, including the effects of particularly generous awards in the public sector. Together with negative productivity growth, this implies a marked worsening during 2005 in

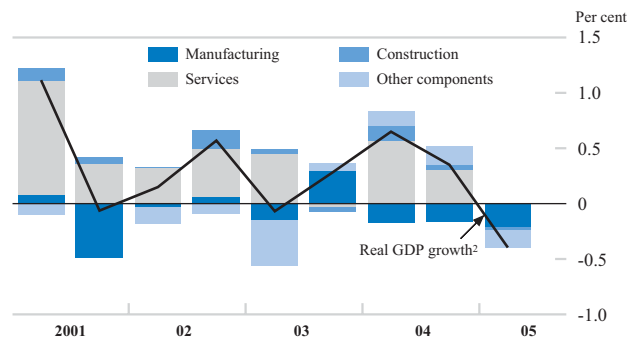
The labour market is tightening

Italy

Employment has not declined in manufacturing



Despite lacklustre manufacturing output¹



1. Contribution to real GDP growth, in per cent of previous semester's GDP.
 2. Semester percentage changes, seasonally and working days adjusted series.
 Source: Datastream, Bureau of Labour Statistics and OECD Economic Outlook 78 database.

Italy: Employment, income and inflation

Percentage changes from previous period

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Employment | 1.0 | 1.5 | 1.1 | 0.7 | 0.6 |
| Unemployment rate ¹ | 8.8 | 8.1 | 7.7 | 7.5 | 7.4 |
| Compensation of employees | 4.3 | 3.4 | 4.9 | 2.5 | 3.3 |
| Unit labour cost | 3.9 | 2.4 | 4.7 | 1.4 | 1.8 |
| Household disposable income | 4.1 | 3.9 | 3.6 | 3.3 | 4.0 |
| GDP deflator | 2.9 | 2.6 | 2.6 | 1.8 | 2.3 |
| Harmonised index of consumer prices | 2.8 | 2.3 | 2.1 | 2.7 | 2.2 |
| Core harmonised index of consumer prices ² | 2.6 | 2.1 | 1.9 | 2.1 | 2.1 |
| Private consumption deflator | 2.5 | 2.2 | 2.0 | 2.6 | 2.1 |

1. As a percentage of labour force.

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

Source: OECD Economic Outlook 78 database.

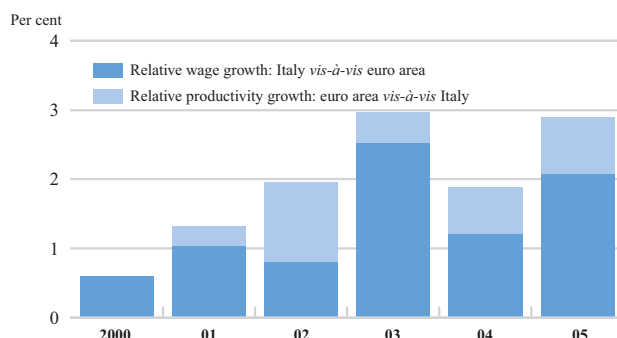
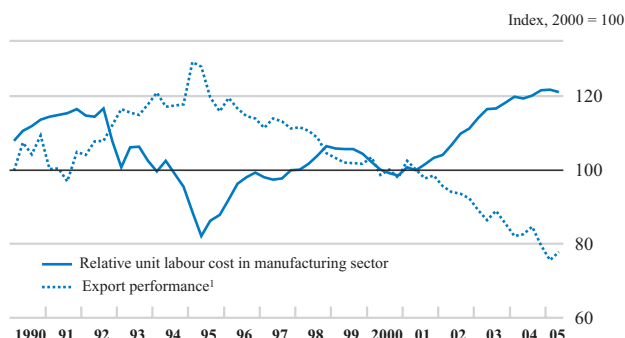
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the already large deterioration in relative unit labour costs.¹ In 2006 and 2007, employment growth is expected to taper off since no new labour market reforms to encourage further labour deepening are in the pipeline. But as the working age population is starting to shrink, labour markets could remain tight.

Inflation is set to rise again

Consumer price inflation fell to below 2% (year-over-year) in the first six months of 2005. This reflected lingering demand softness, booming low-price imports from China, and a temporary muting of the effects of oil price increases via both the energy tariff mechanism and administrative measures. Inflation crept back up to just above 2% during July-September 2005. But a sharper increase is expected in the remaining months of the year and the first half of 2006, with inflation expected to peak at close to 3% in the third quarter of 2006, given the fuller pass through of oil price rises. At the same time, core inflation is expected to reach 2¼ per cent reflecting earlier increases in oil-related production costs and unit labour costs. Once oil

Italy

Unit labour costs are growing faster than in the euro area**This explains some of the loss of competitiveness**

1. Defined as the ratio between export volumes and export markets weighted by Italian trade shares.
Source: Istituto di Studi e Analisi Economica and OECD Economic Outlook 78 database.

1. Over the past decade, Italy has lost nearly 40 per cent of its export market shares and since 2000 manufacturing unit labour costs in Italy have grown nearly 30 per cent faster than in Germany.

Italy: Financial indicators

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Household saving ratio ¹ | 10.7 | 11.5 | 12.1 | 11.8 | 11.8 |
| General government financial balance ^{2,3} | -3.3 | -3.3 | -4.3 | -4.2 | -4.8 |
| Current account balance ² | -1.3 | -0.9 | -1.5 | -1.9 | -2.3 |
| Short-term interest rate ⁴ | 2.3 | 2.1 | 2.2 | 2.2 | 2.9 |
| Long-term interest rate ⁵ | 4.3 | 4.3 | 3.6 | 3.9 | 4.2 |

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. These operations are however included in the financial balance reported to the European Commission for purposes of the excessive deficit procedure.

4. 3-month interbank rate.

5. 10-year government bonds.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/141266503548>

price effects are dissipated, after mid-2006, headline and core inflation should both converge to around the 2% level.

Monetary conditions, already supportive, have eased further in 2005: the exchange rate has depreciated modestly while rising inflation entails declines in both short and long term real interest rates to new historical lows. Both housing investment and indirect wealth effects of rising real house prices (by 40% since 2000) may be acting as a significant channel of monetary policy. Fiscal policy has likewise loosened in 2005 with the structural primary surplus estimated to decline by some ¾ per cent of trend GDP, partly as a result of personal income tax cuts and government spending growth well above the budget guideline of nominal annual growth of 2%.

The policy stance has eased in 2005

Italy: Demand and output

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------------------|-----------------------------|--|------|------|------|------|
| | Current prices € billion | Percentage changes, volume (1995 prices) | | | | |
| Private consumption ¹ | 757.2 | 1.4 | 1.0 | 0.9 | 1.0 | 1.8 |
| Government consumption | 238.9 | 2.3 | 0.6 | 1.2 | 0.0 | 0.6 |
| Gross fixed investment | 249.5 | -1.8 | 1.9 | -0.7 | 3.1 | 2.8 |
| Machinery and equipment | 142.1 | -4.4 | 1.1 | -3.0 | 2.1 | 3.7 |
| Construction | 107.4 | 1.7 | 3.0 | 2.3 | 4.4 | 1.7 |
| Residential | 58.5 | 2.8 | 2.9 | 2.3 | 3.7 | 2.0 |
| Non-residential | 48.9 | 0.3 | 3.1 | 2.2 | 5.2 | 1.4 |
| Final domestic demand | 1 245.6 | 0.9 | 1.1 | 0.6 | 1.2 | 1.8 |
| Stockbuilding ² | 2.1 | 0.4 | -0.3 | 0.4 | 0.0 | 0.0 |
| Total domestic demand | 1 247.7 | 1.3 | 0.8 | 1.1 | 1.2 | 1.8 |
| Exports of goods and services | 340.3 | -1.9 | 3.2 | 0.7 | 6.8 | 4.7 |
| Imports of goods and services | 327.4 | 1.3 | 2.5 | 3.8 | 7.0 | 5.6 |
| Net exports ² | 12.9 | -0.9 | 0.2 | -0.9 | -0.1 | -0.3 |
| GDP at market prices | 1 260.6 | 0.4 | 1.0 | 0.2 | 1.1 | 1.5 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/141266503548>

Italy: External indicators

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------|--------------------|--------|--------|-------|-------|
| | \$ billion | | | | |
| Goods and services exports | 380.2 | 447.5 | 471.3 | 485 | 518 |
| Goods and services imports | 371.4 | 434.0 | 475.3 | 496 | 536 |
| Foreign balance | 8.8 | 13.5 | - 4.0 | - 11 | - 17 |
| Invisibles, net | - 28.5 | - 28.8 | - 21.5 | - 22 | - 23 |
| Current account balance | - 19.7 | - 15.3 | - 25.5 | - 33 | - 40 |
| | Percentage changes | | | | |
| Goods and services export volumes | - 1.9 | 3.2 | 0.7 | 6.8 | 4.7 |
| Goods and services import volumes | 1.3 | 2.5 | 3.8 | 7.0 | 5.6 |
| Export performance ¹ | - 6.8 | - 6.1 | - 6.0 | - 2.1 | - 3.9 |
| Terms of trade | 1.7 | 0.1 | - 0.9 | - 1.1 | - 0.2 |

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/141266503548>

The fiscal situation could worsen further

Following deficits of 3.3% in both 2003 and 2004, the general government deficit increased to over 5% of GDP in the first half of 2005, though the government has committed to limiting the full year deficit to 4.3%. The government's budget proposal for 2006 foresees a reduction in the deficit to 3.8% of GDP, under an agreement with the European Union to bring it back to below 3% by 2007. As amended in late October 2005, the proposed deficit reduction plan amounts to around 1¾ per cent of GDP, the larger part of which is achieved by cuts in personnel expenditures and intermediate consumption at all levels of government, plus enhanced receipts from the fight against tax evasion. Implementing spending cuts and improving the rate of tax recovery by such a magnitude in a single year constitutes a daunting challenge, all the more so as spending traditionally rises prior to national elections, which are scheduled for April 2006. Moreover, the deficit reduction measures are partly offset by ¾ per cent of GDP in increased outlays (including tax expenditures) on social benefits and economic supports. The OECD projections are based on lower nominal GDP growth (by 0.8%) than in the budget proposal, so that even assuming that the savings measures in the proposed budget will largely be effective, the deficit declines only marginally to 4.2% of GDP in 2006. In the absence of significant corrective measures in 2007, the budget deficit could rise to 4¾ per cent of GDP. With these deficits, the public debt ratio is projected to increase in 2005, for the first time in a decade, and reach 110% of GDP by 2006, including the effect of planned privatisation receipts of around 1% of GDP in that year.

Growth remains modest in 2005-06 but may strengthen in 2007

Growth is projected to slow in the next few quarters, reflecting mainly weakening consumption growth as higher inflation bites into real incomes, slowing of government consumption, and cooling of the construction sector. Nonetheless, the oil price shock is cushioned somewhat by a fall in the household savings ratio. Around mid-2006, growth is projected to regain some steam thanks to dissipation of the oil price shock, more dynamic euro area demand, a slower erosion of cost competitiveness, and still supportive monetary conditions (albeit tightening in 2007).

Risks attach to inflation and fiscal policy

Tight labour markets, plus limited scope for real wage gains because of still weak productivity growth, imply the risk of near-term oil-induced consumer price rises becoming entrenched in subsequent wage and price inflation. The rapid rise in debt, and the risk of even greater than projected fiscal slippage, could provoke a market reaction and higher debt service burden.

United Kingdom

Growth has slowed sharply, largely due to weaker consumption related to the ending of the house price boom. But strengthening investment and exports should lift growth from below 2% this year to 2½ per cent in 2006 and 2¾ per cent in 2007.

The government deficit exceeded 3% of GDP in 2004. If fiscal developments disappoint relative to the 2005 Budget projections, beyond what can be explained by weaker-than-expected growth, then the Government will need to take further measures to achieve a decisive reduction in the deficit. With inflation having surprised on the upside and the prospect of a gradual return towards trend growth early next year, there is currently no compelling case for a further cut in interest rates. To raise potential growth a priority is to roll out nationally the reform of the disability scheme, while taking measures over the longer term to improve workforce skills.

Major revisions to national accounts data over the summer, while changing the current level of GDP little, imply that growth has less momentum going forward. Growth in the year to the second quarter of 2005 was revised down to 1.5%, the lowest in more than a decade, compared with an estimated 2.4% at the time of the June *Economic Outlook*. The slowdown in growth since mid-2004 is largely due to weak consumer spending, and coincides closely with the cooling of the housing market. The preliminary estimate for GDP growth in the third quarter is only 0.4%, although this figure is depressed by a large, and possibly temporary, fall in energy extraction. In contrast, output in the service sector, which accounts for nearly three-quarters of GDP, was up 0.6%.

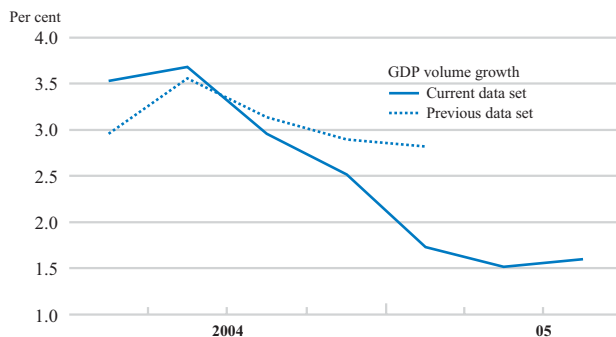
Growth has slowed sharply

Despite the slowdown, inflation has surprised on the upside; as measured by the consumer price index, inflation in October was 2.3% (year-on-year) with the energy component contributing 0.7 percentage point, compared with a low for inflation of 1.1% in September 2004 when energy contributed ¼ percentage point. Some of the other components showing the sharpest rises, such as transportation services, are also linked to energy prices. But another factor has been import prices, which for a number of years have played a strong role in restraining inflation, but are now boosting it; between 2001 and early 2004 import prices of non-oil goods fell by an average of

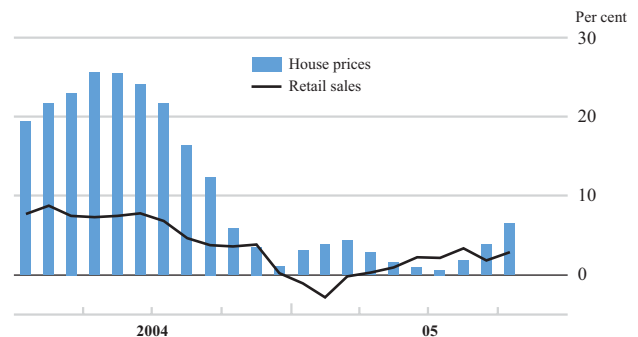
Inflation has been driven up by energy and import prices

United Kingdom

Data revisions imply a sharper slowdown



Retail sales remain weak¹



1. Three month moving average, growth over previous three months at annual rate.

Source: National Statistics, Halifax and Bank of Scotland (HBOS) PLC and Nationwide.

United Kingdom: Employment, income and inflation

Percentage changes from previous period

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Employment | 1.0 | 1.0 | 0.8 | 0.3 | 0.3 |
| Unemployment rate ¹ | 5.0 | 4.7 | 4.8 | 5.1 | 5.6 |
| Compensation of employees | 4.9 | 5.0 | 5.2 | 4.8 | 4.7 |
| Unit labour cost | 2.4 | 1.8 | 3.5 | 2.3 | 2.0 |
| Household disposable income | 4.8 | 3.5 | 4.2 | 4.7 | 4.4 |
| GDP deflator | 2.9 | 2.0 | 2.0 | 1.7 | 1.6 |
| Harmonised index of consumer prices ² | 1.4 | 1.3 | 2.1 | 2.1 | 1.6 |
| Core harmonised index of consumer prices ³ | 1.2 | 1.0 | 1.5 | 1.7 | 1.6 |
| Private consumption deflator | 2.0 | 1.3 | 2.0 | 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 and energy.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/546310707431>

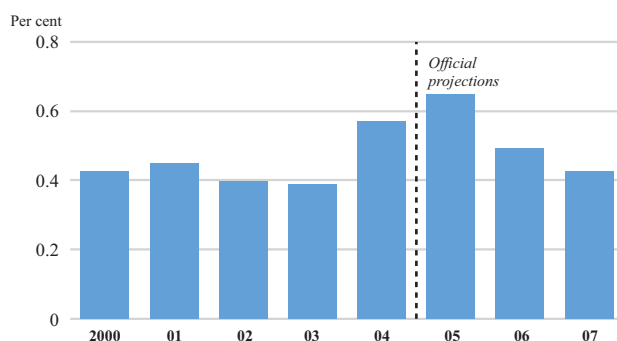
almost 3% per annum, whereas since then they have risen by almost 2%. Only a small part of this change is readily attributable to movements in the exchange rate, suggesting instead a more generalised increase in world trade prices.

But there is no sign of inflationary labour market pressures

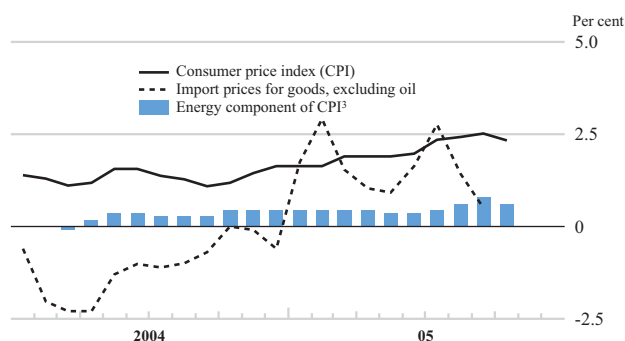
Despite the pick-up in price inflation and the unemployment rate remaining at 4¾ per cent, somewhat below the OECD's estimate of the structural rate, growth of average earnings has moderated slightly since the end of 2004 to about 4%. Increased net immigration, especially from the new EU member countries, has helped to relieve pressures in the labour market. It has also contributed to faster potential growth of the economy; official projections suggest that net immigration will contribute 0.7 percentage point to the growth of the population of working age in 2005.

United Kingdom

Net immigration is boosting labour supply¹



Cost pressures on inflation²



1. In per cent of population of working age.

2. Year-on-year percentage change.

3. Difference between growth of total CPI and CPI excluding energy.

Source: Office for National Statistics and Government Actuary's Department.

United Kingdom: **Financial indicators**

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Household saving ratio ¹ | 5.3 | 4.4 | 5.1 | 5.6 | 6.0 |
| General government financial balance ² | -3.3 | -3.2 | -3.1 | -3.0 | -3.2 |
| Current account balance ² | -1.5 | -2.0 | -1.8 | -2.3 | -2.7 |
| Short-term interest rate ³ | 3.7 | 4.6 | 4.7 | 4.5 | 4.5 |
| Long-term interest rate ⁴ | 4.5 | 4.9 | 4.5 | 4.5 | 4.7 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/546310707431>

The Monetary Policy Committee (MPC) of the Bank of England cut the repo rate in August 2005, following 12 months in which it had been left unchanged. It now faces a difficult decision as to whether to cut further in response to slow growth, despite consumer price inflation having risen above the 2% target. Some slowdown in growth is not unwelcome, given that on various measures of utilisation, including the OECD's output gap, the economy had been operating at close to, or above, capacity throughout much of 2004. The OECD's indicator model implies growth of 0.5% in the fourth quarter which, together with an expected pick-up in export market growth and favourable underlying conditions for investment, suggests that the MPC can afford to wait, while monitoring future output and inflation developments.

The MPC can afford to wait and see

The general government deficit, on a Maastricht basis, was 3.1% of GDP in financial year 2004-05. Over the three years to 2007-08 the planned increase in nominal government spending is around 19%. Receipts are projected by the OECD to increase by a similar magnitude, and significantly greater than the rise in money

On present policies the budget deficit will remain above 3% of GDP

United Kingdom: **Demand and output**

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------|-----------------------------|--|------|------|------|------|
| | Current prices £ billion | Percentage changes, volume (2002 prices) | | | | |
| Private consumption | 693.4 | 2.6 | 3.6 | 1.8 | 1.8 | 2.1 |
| Government consumption | 211.0 | 4.5 | 2.6 | 1.6 | 2.0 | 2.3 |
| Gross fixed investment | 172.6 | 0.0 | 4.9 | 3.1 | 5.4 | 5.2 |
| Public ¹ | 15.5 | 15.9 | 10.9 | 10.4 | 15.9 | 6.6 |
| Residential | 46.9 | -0.1 | 6.1 | 0.1 | 5.3 | 4.9 |
| Non-residential | 110.2 | -2.2 | 3.4 | 3.1 | 3.4 | 5.0 |
| Final domestic demand | 1 076.9 | 2.5 | 3.6 | 2.0 | 2.4 | 2.6 |
| Stockbuilding ² | 3.1 | 0.1 | 0.1 | -0.3 | 0.1 | 0.0 |
| Total domestic demand | 1 080.0 | 2.7 | 3.7 | 1.7 | 2.5 | 2.6 |
| Exports of goods and services | 274.9 | 1.2 | 3.9 | 5.6 | 7.7 | 7.5 |
| Imports of goods and services | 306.5 | 1.8 | 5.9 | 5.2 | 7.4 | 6.8 |
| Net exports ² | - 31.6 | -0.2 | -0.7 | -0.1 | -0.2 | -0.1 |
| GDP at market prices | 1 048.5 | 2.5 | 3.2 | 1.7 | 2.4 | 2.7 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/546310707431>

United Kingdom: External indicators

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------|--------------------|--------|--------|-------|-------|
| | \$ billion | | | | |
| Goods and services exports | 461.2 | 533.6 | 567.9 | 590 | 638 |
| Goods and services imports | 512.0 | 605.1 | 652.3 | 690 | 752 |
| Foreign balance | - 50.8 | - 71.5 | - 84.5 | - 100 | - 114 |
| Invisibles, net | 23.2 | 28.9 | 44.0 | 50 | 53 |
| Current account balance | - 27.6 | - 42.6 | - 40.5 | - 50 | - 61 |
| | Percentage changes | | | | |
| Goods and services export volumes | 1.2 | 3.9 | 5.6 | 7.7 | 7.5 |
| Goods and services import volumes | 1.8 | 5.9 | 5.2 | 7.4 | 6.8 |
| Export performance ¹ | - 3.1 | - 5.2 | - 1.2 | - 0.5 | - 0.8 |
| Terms of trade | 1.1 | - 0.2 | - 1.6 | - 2.0 | - 1.5 |

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/546310707431>

GDP of 12½ per cent because of a combination of fiscal drag, higher oil tax revenue and additional buoyancy in corporate tax revenues. Nevertheless, this implies the deficit is likely to remain broadly unchanged as a share of GDP. In contrast the 2005 budget projection had implied much faster growth in receipts, sufficient to produce a fall in the deficit to 2% of GDP by 2007-08, both because of faster expected growth in nominal GDP and because of even greater buoyancy in the tax-to-GDP ratio.

Growth will become based more on exports and investment

There are signs of a modest recovery in the housing market, but it is unlikely that there will be a return to strong house price growth. The household saving ratio has risen from a four-decade low of 4½ per cent in 2004 to 5% in mid-2005 and may rise to over 6% over the next two years. Beyond an end to the negative growth contribution from stockbuilding, any recovery will therefore depend on a pick-up in exports and/or investment, for which there are several grounds for optimism. First, growth in export markets is expected to rise from around 6% currently to between 8% and 8½ per cent over the next two years, its highest sustained rate of growth since 2000. Second, business investment in the year to mid-2005 was up 4%, its strongest performance in nearly four years. In previous years it was surprisingly weak, possibly explained by the need to replenish company pension schemes. With equity markets continuing to recover and corporate profitability high, there should be a continued pick-up in business investment throughout 2006 and into 2007. Third, the continued growth in government investment is consistent with government spending plans. Finally, new housebuilding in England grew by 7 to 8% recently, the fastest rate since the mid-1990s.

There are negative risks to demand, but some positive risks on supply

The major risks to the outlook are that any pick-up in world trade is delayed and that uncertainties about future demand prospects discourage business investment. There is also a positive risk that potential growth could be stronger than expected due to faster growth in the labour force. This might occur if net immigration remains at current high levels, rather than tailing off as suggested by official projections, and/or if the recently piloted approach to helping those on disability – related benefit back into work can be rolled out nationally with similar success.

Canada

Despite the marked appreciation of the Canadian dollar, the economy has been extremely resilient and is operating near full capacity. Economic activity is expected to grow at rates close to potential in the next two years, with the foreseen slowdown in domestic demand being offset by improving global market prospects. The surge in energy prices is boosting headline inflation temporarily this year above the upper end of the monetary policy target range.

With inflationary pressures emerging, the Bank of Canada started increasing its policy rate in September and will need to continue to bring interest rates to around their neutral level. Given the buoyant macroeconomic outlook, any additional fiscal stimulus should be avoided. By contrast, more attention should be given to preparing the economy to cope with the rising long-term spending pressures coming from the ageing population.

The economy exhibited a more solid economic performance in the second quarter of the year than previously envisaged. Despite a further appreciation of the Canadian dollar, export volumes, which had been restraining activity since 2004, picked up, and merchandise trade data indicate that they continued to do so in the third quarter. This suggests that at least some trade-exposed sectors are well advanced in the process of adjusting to the high level of the currency, one major exception being the automotive sector. Higher exports of goods boosted the current account surplus after three consecutive quarters of declines.

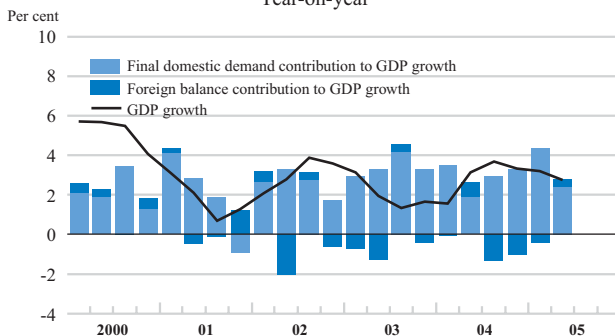
The economy has benefited from the external environment...

Final domestic demand decelerated recently from the rapid growth experienced at the beginning of the year but continued to account for most of the gains in real GDP. Moreover, most fundamentals have remained healthy. High commodity prices have pushed up corporate profits, and capacity utilisation has risen above its long-term average. These factors, together with low import prices, have favoured robust investment increases. Strong labour income and social transfers, low interest rates and climbing net worth have supported private consumption, while the national accounts measure of the household savings ratio has been broadly stable through offsetting influences. Employment gains have continued and unemployment has now fallen to its lowest rate in 30 years. Housing investment rebounded after a pause at the beginning of the year but is showing some signs of easing. After a massive

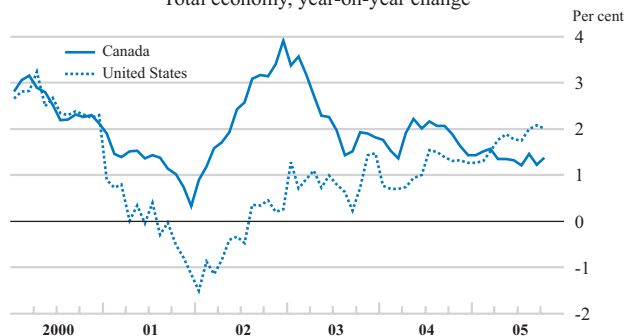
... and domestic demand remains sound...

Canada

Net exports are no longer restraining activity
Year-on-year



Employment growth remains sustained
Total economy, year-on-year change



Source: Statistics Canada; OECD, Economic Outlook 78 database.

Canada: Employment, income and inflation

Percentage changes from previous period

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|------|------|------|------|------|
| Employment | 2.3 | 1.8 | 1.4 | 1.6 | 1.4 |
| Unemployment rate ¹ | 7.6 | 7.2 | 6.8 | 6.6 | 6.6 |
| Compensation of employees | 4.2 | 4.2 | 5.0 | 5.3 | 4.9 |
| Unit labour cost | 2.2 | 1.3 | 1.9 | 2.0 | 1.8 |
| Household disposable income | 3.7 | 3.9 | 3.8 | 4.9 | 4.7 |
| GDP deflator | 3.3 | 3.1 | 2.6 | 2.1 | 1.6 |
| Consumer price index | 2.8 | 1.8 | 2.4 | 2.4 | 1.7 |
| Core consumer price index ² | 2.2 | 1.6 | 1.6 | 1.7 | 1.9 |
| Private consumption deflator | 1.6 | 1.4 | 1.6 | 1.5 | 1.4 |

1. As a percentage of labour force.

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/315030608043>

build-up in the second half of 2004, inventory accumulation has slowed sharply, and the inventory-to-shippments ratio is now close to its long-term average.

... but inflation has been rising

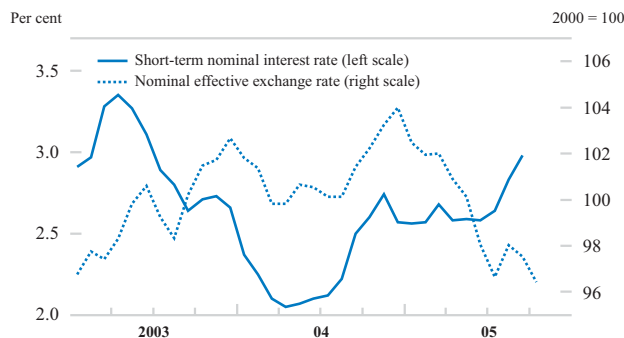
The appreciation of the Canadian dollar has only partially mitigated the effect of rising energy prices on inflation. Consumer price inflation has edged up, with the headline measure exceeding the upper end of the monetary policy target range. More generally, pressures on inflation have strengthened, and inflation expectations have risen, though moderately. Signs of second-round effects have so far been limited, but unit labour costs have been rising steadily in line with increases in hourly compensation and disappointing productivity gains. However, these emerging inflationary pressures are likely to be temporary, as energy and most other commodity prices ease and further capital deepening reduces capacity constraints.

Monetary policy has resumed its tightening cycle...

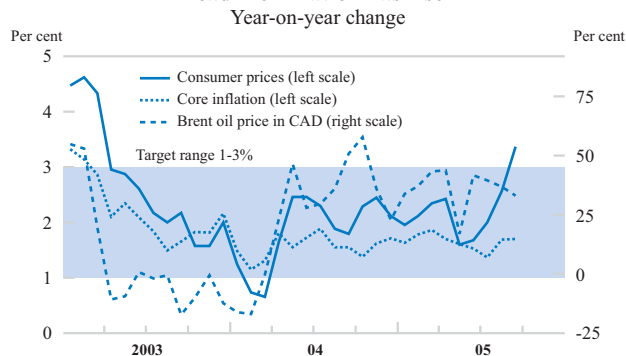
The Bank of Canada resumed its tightening cycle in September and has increased its policy rate by a total of 50 basis points to 3%. It has warned that the remaining monetary stimulus will need to be removed. Nominal short-term interest

Canada

Monetary policy has been tightened



Headline inflation has risen



Source: Statistics Canada; Bank of Canada.

Canada: Financial indicators

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|
| Household saving ratio ¹ | 2.4 | 1.4 | -0.4 | -0.1 | 0.4 |
| General government financial balance ² | 0.0 | 0.7 | 1.3 | 0.9 | 0.6 |
| Current account balance ² | 1.5 | 2.2 | 1.8 | 2.5 | 3.0 |
| Short-term interest rate ³ | 3.0 | 2.3 | 2.8 | 4.1 | 4.3 |
| Long-term interest rate ⁴ | 4.8 | 4.6 | 4.1 | 4.4 | 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 78 database.

Statlink: <http://dx.doi.org/10.1787/315030608043>

rates are projected to increase by 1¼ percentage points by the end of 2007, approaching their neutral level. Long-term interest rates are expected to remain stable over the next two years, resulting in a persistently negative long-term differential with the United States.

Fiscal policy is expected to be somewhat expansionary over the projection period, even without incorporating the package of new measures proposed by the federal government in mid-November. However, both the federal and general governments are expected to remain in surplus. Moreover, new rules on the allocation of any unexpected federal surplus have been proposed to Parliament. Any surplus above the CAD 3 billion contingency reserve would be evenly split between debt retirement, temporary tax cuts and new spending, whereas heretofore the entire surplus was allocated to pay down the public debt. In the context of rising inflationary

... but fiscal policy is adding stimulus

Canada: Demand and output

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------|-------------------------------|--|------|------|------|------|
| | Current prices CAD billion | Percentage changes, volume (1997 prices) | | | | |
| Private consumption | 656.3 | 3.1 | 3.4 | 4.0 | 2.9 | 2.7 |
| Government consumption | 223.9 | 2.9 | 2.7 | 2.9 | 3.2 | 3.0 |
| Gross fixed investment | 225.6 | 5.9 | 6.6 | 5.7 | 2.8 | 2.1 |
| Public ¹ | 29.4 | 4.6 | 5.0 | 2.2 | 1.9 | 1.5 |
| Residential | 66.0 | 6.2 | 8.3 | 3.8 | 1.2 | -0.3 |
| Non-residential | 130.1 | 6.1 | 6.1 | 7.8 | 4.0 | 3.5 |
| Final domestic demand | 1 105.8 | 3.6 | 3.9 | 4.1 | 3.0 | 2.6 |
| Stockbuilding ² | - 2.0 | 0.9 | 0.0 | 0.1 | 0.0 | 0.0 |
| Total domestic demand | 1 103.8 | 4.6 | 3.9 | 4.2 | 2.9 | 2.6 |
| Exports of goods and services | 478.1 | -2.1 | 5.0 | 3.0 | 5.0 | 5.6 |
| Imports of goods and services | 427.7 | 4.1 | 8.1 | 7.2 | 4.3 | 4.5 |
| Net exports ² | 50.4 | -2.4 | -0.9 | -1.3 | 0.4 | 0.6 |
| GDP at market prices | 1 154.2 | 2.0 | 2.9 | 3.0 | 3.2 | 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 nationalized 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 78 database.

Statlink: <http://dx.doi.org/10.1787/315030608043>

Canada: External indicators

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------------|--------------------|--------|--------|-------|-------|
| | \$ billion | | | | |
| Goods and services exports | 329.8 | 379.1 | 421.9 | 455 | 485 |
| Goods and services imports | 296.3 | 337.5 | 381.4 | 404 | 428 |
| Foreign balance | 33.5 | 41.6 | 40.5 | 50 | 57 |
| Invisibles, net | - 20.2 | - 19.6 | - 20.6 | - 20 | - 19 |
| Current account balance | 13.2 | 22.0 | 19.9 | 30 | 38 |
| | Percentage changes | | | | |
| Goods and services export volumes | - 2.1 | 5.0 | 3.0 | 5.0 | 5.6 |
| Goods and services import volumes | 4.1 | 8.1 | 7.2 | 4.3 | 4.5 |
| Export performance ¹ | - 6.6 | - 5.3 | - 3.0 | - 1.6 | - 1.8 |
| Terms of trade | 5.9 | 4.0 | 2.4 | 1.0 | - 0.3 |

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

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/315030608043>

pressures, additional spending or income tax cuts would exacerbate pressures in the economy. From a longer-term perspective, it will be important to remain committed to fiscal prudence and focus on paying down public debt before ageing pressures accumulate.

Activity is expected to expand at rates close to potential

Activity is expected to grow at a solid pace in the next two years, as exports benefit from strengthening external demand. The current account surplus is projected to widen once again. By contrast, the progressive withdrawal of monetary stimulus should curb growth in most components of private domestic demand. Incomes may nonetheless be boosted by terms-of-trade improvements, strengthening private consumption and investment. The impact of oil prices on inflation should be temporary, with the 2005 pick-up in inflation receding gradually to reach the middle range of the monetary target band by 2007. A projected rebound in labour productivity in the business sector, as high rates of business investment lift the capital-labour ratio, would underpin such a slowing of inflation. The unemployment rate should continue its steady decline, though at a slow pace.

Energy price developments remain uncertain

Energy price developments are the main uncertainty surrounding these projections. As a net oil exporter, Canada benefits from sustained high energy prices via terms-of-trade gains, but these could be offset for some time by the negative effect of a slowdown in the US economy. Moreover, rising energy prices could spur a further appreciation of the currency, which would be detrimental to other exports. Second-round effects on core price inflation may also be more pronounced than projected and exacerbate inflationary pressures. On the domestic side, a faster rise in the household savings rate, boosted by higher interest rates, would restrain growth in private consumption. Lastly, the recent slowdown in trend productivity may prove to be more persistent than expected, and stronger employment gains could foster consumer spending.

Australia

Economic activity strengthened in the first half of 2005, primarily driven by business investment. With non-residential investment expected to remain buoyant, the ending of the housing boom to be orderly and gradual, and the drag from net exports diminishing, output is likely to accelerate in 2006 and 2007. This should help to sustain the good labour market performance. Inflation may edge up somewhat in response to surging energy prices.

To preserve price stability, monetary policy needs to remain on guard to prevent higher energy prices from feeding into core inflation. The stabilisation task should be facilitated by the projected steady fiscal surpluses over coming years. Rapid implementation of the planned industrial relations reform would also help as it would promote productivity gains and restrain unit labour cost growth.

Though growth remained a bit below potential in the first half of 2005, reflecting a decline in residential investment and some softening of consumption growth, it nonetheless picked up compared with the preceding half-year, led by investment. Much of the strong performance of non-residential fixed investment in the first half of 2005 owes to high capacity utilisation and corporate profitability, especially in the resources sector. The slowing of private consumption despite solid employment growth and record-low unemployment largely reflects the cooling of the housing market and the associated negative effect on household assets and mortgage equity withdrawals. Accordingly, households now focus on consolidating their balance sheets, which shows in improved savings although the household saving ratio has remained negative. Nevertheless, the recent pick-up in dwelling construction suggests a soft landing from the residential property boom. With the drag of net exports on GDP growth diminishing and the terms of trade improving further, the current account deficit fell from a record of 7.2% of GDP in late 2004 to 5.7% by mid-2005. Employment growth has remained unusually strong so that the unemployment rate fell to around 5% in recent months. A higher labour content of economic growth has been reflected in falling labour productivity which was only partly offset by wage moderation so that unit labour costs accelerated. But despite higher energy prices, both headline and core inflation remained consistent with the Reserve Bank's inflation target, held down by the diminishing effects of the 2003 exchange rate appreciation and below-potential output growth.

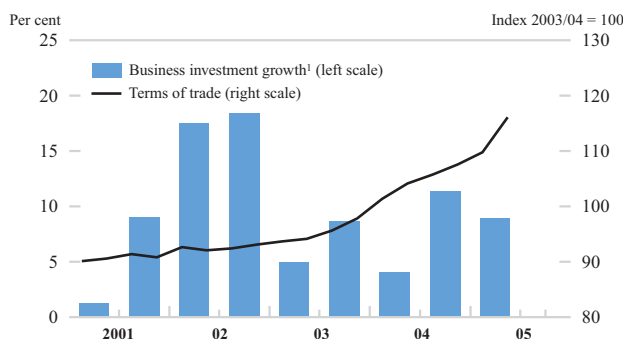
Growth was boosted by brisk business and government investment

The pass-through of recent oil price increases is set to raise headline inflation above the Reserve Bank's 2 to 3% target range over coming quarters. However, core inflation is likely to stay within the inflation target range, reflecting an opening output gap. Accordingly, monetary policy is expected to remain on hold. Tax revenues have been buoyant, both because of strong corporate profits buoyed by high commodity

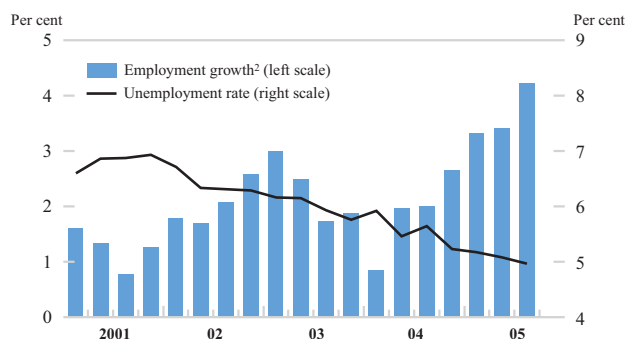
Monetary and fiscal policy remain broadly neutral

Australia

Improving terms of trade have supported business investment



The labour market is performing strongly



1. Percentage change from previous period at annual rates.

2. Year-on-year percentage change.

Source: Reserve Bank of Australia, Monthly Bulletin; OECD, Economic Outlook database 78.

Australia: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------------------------------|------|----------------------------|------|------|------|
| | Current prices AUD billion | | Percentage changes, volume | | | |
| Private consumption | 440.2 | 4.3 | 5.5 | 2.7 | 2.8 | 3.1 |
| Government consumption | 132.0 | 4.0 | 3.3 | 2.9 | 3.3 | 3.1 |
| Gross fixed capital formation | 175.9 | 7.5 | 6.6 | 6.5 | 6.7 | 7.2 |
| Final domestic demand | 748.1 | 5.0 | 5.4 | 3.7 | 3.9 | 4.1 |
| Stockbuilding ¹ | - 1.0 | 1.0 | -0.6 | 0.4 | 0.0 | 0.0 |
| Total domestic demand | 747.1 | 6.0 | 4.8 | 4.0 | 3.8 | 4.1 |
| Exports of goods and services | 152.4 | -2.3 | 4.2 | 4.0 | 6.5 | 8.0 |
| Imports of goods and services | 162.7 | 10.5 | 14.3 | 9.8 | 8.7 | 9.9 |
| Net exports ¹ | - 10.3 | -2.4 | -2.1 | -1.4 | -0.9 | -0.9 |
| Statistical discrepancy ¹ | 0.0 | -0.2 | 0.2 | -0.1 | -0.1 | 0.0 |
| GDP at market prices | 736.8 | 3.5 | 3.0 | 2.6 | 3.2 | 3.6 |
| GDP deflator | - | 2.8 | 3.6 | 4.2 | 3.4 | 2.7 |
| <i>Memorandum items</i> | | | | | | |
| Consumer price index | - | 2.8 | 2.3 | 2.7 | 3.1 | 2.9 |
| Private consumption deflator | - | 1.9 | 1.4 | 1.9 | 2.6 | 2.5 |
| Unemployment rate | - | 6.0 | 5.6 | 5.1 | 5.0 | 5.0 |
| Household saving ratio ² | - | -3.6 | -3.0 | -2.2 | -1.3 | -1.0 |
| General government financial balance ³ | - | 0.8 | 1.0 | 1.0 | 0.9 | 0.9 |
| Current account balance ³ | - | -6.0 | -6.4 | -5.8 | -5.2 | -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 78 database.

Statlink: <http://dx.doi.org/10.1787/025451086276>

prices and because of a large rise in personal income tax collections. This made it possible for the 2005-06 budget to grant substantial personal income tax cuts, business tax relief, increased assistance for families and other social expenditure while keeping a budget surplus. With further budget surpluses projected, net government debt is likely to be eliminated and a stock of net financial assets will build up.

Economic growth is likely to accelerate in 2006 and 2007

The projections are for accelerating growth in 2006 and 2007. Business investment is likely to be underpinned by strained capacity in the face of vigorous export demand, high company profitability, low capital costs and healthy corporate balance sheets. Leading indicators also suggest a stabilisation in residential investment as recovering demand from owner-occupiers in response to easing house prices since late 2003 should more than offset the weakening of investor activity. Given the gradual decline in residential property values and record debt-income ratios, it is projected that households continue improving their balance sheets, though private consumption growth should remain solid. The foreign balance contribution to growth should improve somewhat as the ongoing investment boom makes it possible to take better advantage of buoyant export markets. But because of persistently strong imports, and despite the expected further terms of trade gains, the current account deficit should narrow to only 5¼ per cent in 2006-07. With headline inflation responding rapidly to higher energy prices, core inflation is likely to creep up and is projected to peak around 3% in 2006 before easing again. Additional employment gains are expected to lead to higher workforce participation, keeping unemployment close to the estimated structural rate of 5%.

There are risks on both sides

There is an upside risk in the projection from a faster than projected recovery in residential investment, fuelled by stronger demand from owner-occupiers, and stronger exports. Persistently high oil prices which may depress real incomes worldwide pose a downside risk.

Austria

Growth of GDP is expected to fall to 1.8% in 2005, as the impact of increased oil prices and the slowdown of demand in major export markets more than offset the positive stimulus from deficit-financed tax reductions. With growth gathering pace slowly, reaching 2¼ per cent in 2007, unemployment will remain high by historic standards. The impact of oil prices on inflation will fade by 2007.

The government deficit is projected to decline only modestly by 2007. However, further substantial reductions in government spending will be necessary to lower the relatively high level of government debt in relation to GDP significantly, and make more room for future increases in ageing-related spending.

Economic growth declined at the beginning of the year, as exports stagnated on account of a marked slowdown in world trade, but then activity picked up to some extent, together with exports, in the second quarter. Austria continues to benefit from its relatively strong position in the fast growing markets of south-east Europe and the Commonwealth of Independent States, and Austrian exports of intermediate products have also benefited from the recovery of German exports. However, weak growth in the euro area has continued to damp demand for Austrian exports overall. Domestic demand has remained subdued throughout the first two quarters. Machinery and equipment investment fell markedly, as firms had sought to bring forward their purchases of investment goods ahead of the expiration of tax breaks at the end of 2004. Private consumption growth remained modest, as the recent oil-price rise largely offset the impact of personal income tax reductions on disposable incomes. Although employment growth was strong, it remained insufficient to reduce the unemployment rate, with both immigration and demographic developments contributing to increasing labour supply. Orders in manufacturing continue at low levels, although they have risen recently, and confidence is subdued, suggesting that additional momentum will be limited in the near term.

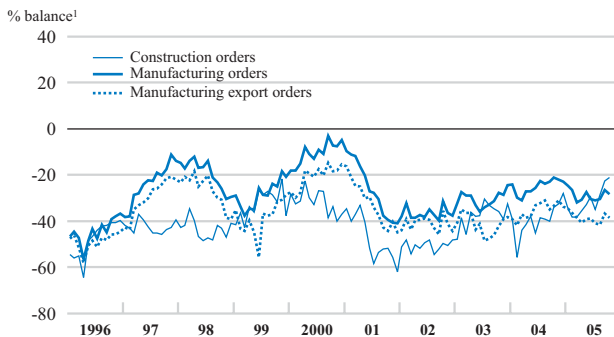
Weakened exports have slowed economic growth

While the fiscal stance is expansionary in 2005 on account of deficit-financed personal income and corporate tax reductions as well as higher outlays for childcare benefits, the government deficit will remain broadly constant in 2006 – considerably removed from the earlier intentions of a balanced budget. Lower subsidy payments to the state-owned railways operator and budgetary savings from administrative reform will be offset by rising spending on active labour market programmes and

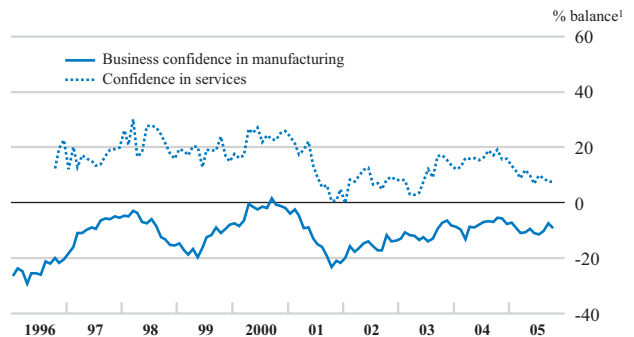
The government deficit will be relatively high

Austria

Orders have increased only recently



Confidence remains subdued



1. Seasonally adjusted balance of positive and negative replies.
Source: OECD, *Main Economic Indicators*.

Austria: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-----------------------------|--|------|------|------|------|
| | Current prices € billion | Percentage changes, volume (2000 prices) | | | | |
| Private consumption | 124.7 | 1.4 | 0.9 | 1.2 | 1.7 | 1.9 |
| Government consumption | 39.7 | 1.9 | 1.0 | 1.1 | 1.2 | 1.3 |
| Gross fixed capital formation | 45.8 | 3.5 | 1.6 | 0.9 | 2.8 | 3.8 |
| Final domestic demand | 210.2 | 2.0 | 1.1 | 1.1 | 1.8 | 2.2 |
| Stockbuilding ¹ | 0.9 | -0.3 | 0.0 | 0.4 | 0.0 | 0.0 |
| Total domestic demand | 211.1 | 1.9 | 1.2 | 1.5 | 1.8 | 2.1 |
| Exports of goods and services | 106.6 | 2.8 | 8.5 | 2.5 | 6.3 | 7.8 |
| Imports of goods and services | 97.0 | 4.5 | 6.0 | 1.8 | 6.0 | 7.8 |
| Net exports ¹ | 9.6 | -0.7 | 1.5 | 0.5 | 0.4 | 0.3 |
| GDP at market prices | 220.7 | 1.4 | 2.4 | 1.8 | 2.1 | 2.3 |
| GDP deflator | – | 1.4 | 2.0 | 2.2 | 1.5 | 1.4 |
| <i>Memorandum items</i> | | | | | | |
| Harmonised index of consumer prices | – | 1.3 | 2.0 | 2.2 | 1.8 | 1.4 |
| Private consumption deflator | – | 1.5 | 1.9 | 2.2 | 1.7 | 1.4 |
| Unemployment rate ² | – | 5.6 | 5.7 | 5.8 | 5.8 | 5.7 |
| Household saving ratio ³ | – | 8.9 | 8.3 | 8.7 | 8.8 | 8.3 |
| General government financial balance ⁴ | – | -1.3 | -1.1 | -2.0 | -2.0 | -1.5 |
| Current account balance ⁴ | – | -0.5 | 0.3 | -0.4 | -0.1 | 0.3 |

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

- Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
- See data annex for details.
- As a percentage of disposable income.
- As a percentage of GDP.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/018340407523>

unemployment benefits, as well as rising research and development outlays. In addition, the corporate tax reductions will have a stronger impact on the budget in 2006, in part on account of one-off effects. Public infrastructure investment projects will boost activity in the construction industry, with most of the related outlays largely recorded outside the government budget. More buoyant tax revenues, ongoing administrative and health care reforms, as well as tighter deficit rules for sub-national governments in the domestic stability pact, are expected to bring about a reduction in the government deficit in 2007. Collective wage settlements for 2006 indicate that nominal wage growth will not accelerate substantially, suggesting that second-round effects of the higher oil prices on inflation will be limited.

Growth will rise slowly, with little change in unemployment

The projected recovery of economic activity in the euro area – the main destination of Austrian exports – will result in exports gaining some further strength over the projection period, while trade with south-east Europe will continue to provide additional impetus. Economic growth will gain momentum gradually, picking up to 2.1% and then 2.3% in 2006 and 2007. Investment will be boosted by rising capacity utilisation, with construction receiving an additional fiscal stimulus. Consumption growth is expected to gain some strength, as the impact of high oil prices on inflation is likely to wane by 2007. Economic growth will however not be sufficient to lower the unemployment rate substantially. The government deficit is projected at 2% of GDP in 2005 and 2006, falling to 1.5% in 2007.

There are risks on both sides

Intensifying trade ties to fast-growing regions could result in a stronger external growth impulse than projected, while lack of further progress in reducing government expenditure could undermine confidence in the durability of recent tax reductions.

Belgium

Developments in oil prices and in export markets have weighed on Belgium's activity but, with these factors becoming more favourable, growth is projected to pick up progressively, reaching 2.3% in 2007. Employment growth is, however, unlikely to be strong enough to reduce the unemployment rate much from the current 8.4%. Headline inflation should fall back almost to the underlying rate of 1.6% by 2007.

Further fiscal consolidation measures, focusing on expenditure restraint, should be implemented to build on progress made in moving public finances towards a sustainable path. Reforms to lower benefit dependence and increase employment rates, especially for older and younger workers, are vital as they reduce the amount of consolidation required for the sustainability of public finances.

Belgium entered a period of weak economic growth in late 2004 and remained mired in this situation throughout the first half of 2005. This slowdown has been largely attributable to weakness in export markets. In addition, consumers' real disposable incomes took a direct hit from the rise in energy prices, resulting in a decline in growth of consumer spending. The increase in energy prices also raised household concerns about the economic outlook, resulting in a sharp fall in consumer confidence from April to September; this decline has since been partially reversed. In contrast to the weakness in exports and consumption, business investment has picked up markedly in the past year. This reflects increased purchases of vessels (with a corresponding boost in imports) and of public sector buildings as well as catching up after very weak investment in 2003-2004, when companies were consolidating their balance sheets. Following a fall in the first half of 2005, business confidence has strengthened in recent months. Current levels of business confidence point to growth returning to the potential rate of around 2%. The unemployment rate has risen to 8.4% in recent months.

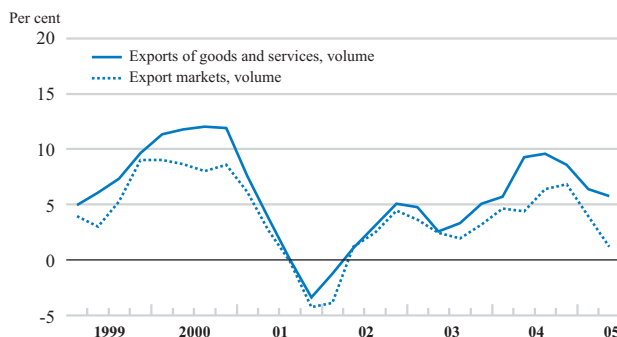
Deteriorating export markets have slowed the economy

Nominal wage increases are now likely to exceed what was initially envisaged in the wage norm agreed by the social partners (hourly wage increases of 4.5% spread over 2005-06) as the so-called "health index", to which most wage agreements are indexed, has shot up to 2.4% (year-on-year) in the third quarter on account of higher non-road fuel energy prices. At the same time, wage moderation in neighbouring countries is turning out to be greater than expected, suggesting that Belgium's cost competitiveness against these countries is likely to continue to erode.

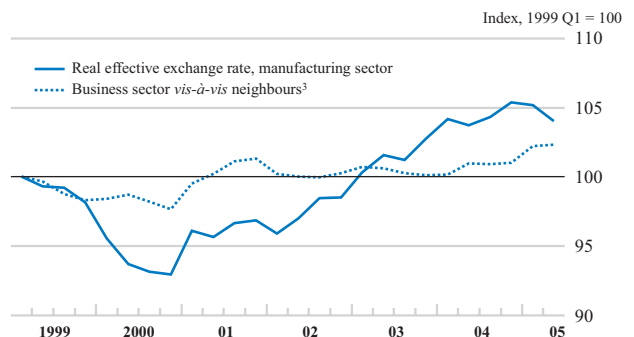
Losses in cost competitiveness are slowing

Belgium

Exports markets have weakened¹



Cost competitiveness has deteriorated²



1. Year-on-year percentage change.

2. Relative unit labour costs.

3. Germany, France and the Netherlands.

Source: OECD Economic Outlook 78 database.

Belgium: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-----------------------------|--|------|------|------|------|
| | Current prices € billion | Percentage changes, volume (2000 prices) | | | | |
| Private consumption | 143.3 | 1.0 | 1.3 | 1.1 | 1.7 | 1.9 |
| Government consumption | 61.0 | 2.6 | 1.9 | 1.0 | 2.2 | 2.2 |
| Gross fixed capital formation | 51.4 | -0.6 | 4.4 | 11.1 | 3.8 | 2.0 |
| Final domestic demand | 255.7 | 1.0 | 2.1 | 3.2 | 2.3 | 2.0 |
| Stockbuilding ¹ | - 0.8 | -0.1 | 0.7 | 0.2 | 0.4 | 0.0 |
| Total domestic demand | 254.9 | 0.9 | 2.8 | 3.4 | 2.6 | 2.0 |
| Exports of goods and services | 221.1 | 2.8 | 5.6 | 1.3 | 3.5 | 6.3 |
| Imports of goods and services | 208.4 | 2.9 | 6.3 | 3.5 | 4.3 | 6.1 |
| Net exports ¹ | 12.7 | 0.0 | -0.3 | -1.8 | -0.6 | 0.2 |
| GDP at market prices | 267.6 | 0.9 | 2.4 | 1.4 | 2.0 | 2.2 |
| GDP deflator | - | 1.7 | 2.3 | 2.0 | 2.0 | 1.8 |
| <i>Memorandum items</i> | | | | | | |
| Harmonised index of consumer prices | - | 1.5 | 1.9 | 2.6 | 2.4 | 1.7 |
| Private consumption deflator | - | 1.6 | 2.5 | 2.5 | 2.6 | 1.7 |
| Unemployment rate | - | 7.9 | 7.9 | 8.4 | 8.5 | 8.4 |
| Household saving ratio ² | - | 12.4 | 10.7 | 10.8 | 10.3 | 10.4 |
| General government financial balance ³ | - | 0.3 | 0.0 | 0.0 | -0.4 | -0.7 |
| Current account balance ³ | - | 4.1 | 3.3 | 1.4 | 0.8 | 1.0 |

Note: 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 78 database.

Statlink: <http://dx.doi.org/10.1787/001142622472>

Fortunately, the euro has stopped appreciating, limiting the overall loss in cost competitiveness. Increases in energy prices have pushed up headline inflation sharply, to 3.1% (year-on-year) in the third quarter; underlying inflation (national consumer price index excluding energy and unprocessed food prices) has remained at 1.7%.

Further fiscal consolidation is needed

The general government budget is estimated to remain in balance in 2005, despite the positive contribution of non-recurring factors being cut in half, to 0.4% of GDP, and a temporary surge in infrastructure investment in 2005-06 ahead of the next municipal elections. The decline in non-recurring contributions is compensated for by falling government debt interest payments. The budget balance is being held in check through expenditure restraint, especially for healthcare, where the expenditure overrun the year before is being corrected. The government aims to maintain the budget in balance in 2006 and to achieve a small surplus in 2007 despite personal income tax cuts amounting to 0.5% of GDP in 2006, ongoing reductions in social security charges and the contribution of non-recurring factors falling from 0.5% of GDP in 2006 to zero in 2007. OECD projections suggest that further consolidation measures will be required to achieve these objectives.

Exports should kick off the recovery

Economic growth is projected to strengthen progressively from the second half of 2005 as export markets recover, notably in Europe, lifting the pace of activity to 2.2% in 2007. Consumer expenditure should pick up as the adverse effects of energy-price increases pass and disposable income is supported by higher employment growth and tax cuts. With an improving demand outlook, business investment should build on the underlying strength evident since late 2004. Headline inflation is projected to fall back almost to the underlying rate of 1.6% by 2007 as the effects of the increases in energy prices pass. The main risks to these projections are that the euro could appreciate in the context of correcting global imbalances, and that recovery in Belgium's main export markets could again be delayed.

Czech Republic

Growth is expected to be 4¾ per cent in 2005, with an exceptionally large contribution from net exports. For 2006 and 2007 the trade component will fall while domestic demand is expected to strengthen and GDP growth is projected to be 4½ per cent. This will bring inflationary pressure and a slight tightening of monetary policy.

Though growth performance has strengthened since the early years of the decade, better progress in improving the business environment and labour-market efficiency would help reduce downside risks. In fiscal policy, even though there are good prospects of fulfilling the Maastricht criteria, further reform to the financing and provision of public services is needed to reduce the risk of unsustainable public finances in the longer term.

Even though export growth slowed considerably in 2005, the contribution of net exports to growth increased because import volume growth slowed even more strongly. The import slowdown in part reflects muted domestic demand, but investment and detailed trade data also suggests that manufacturing activity has broadened and reduced the volume of imported intermediate goods used by producers. Recent monthly data show a pick-up in trade and there was an encouraging increase in domestic-demand growth in the second quarter. In addition, retail sales suggest that consumption is acquiring momentum. While inflation was low in the first half of 2005, partly reflecting falling import prices, it has since increased due to steep rises in transport and administered fuel prices.

Signs of a pick-up in trade and consumption after a slow first half

Though the Maastricht-defined deficit is expected to increase by one percentage point to 4% of GDP in 2005, this is a better outcome than previously expected. The 3% deficit outcome in 2004 had been helped by the inclusion of the reclassification of a state guarantee worth 0.8 percentage points of GDP and at the beginning of 2005 a deficit outturn of at least 4¼ per cent was expected. However, monthly revenue figures over the course of the year have exceeded expectations, notably in excise duty and value-added tax, and the deficit is now expected to be only 4%. Reduction in the government deficit is expected to continue, despite tax cuts in 2006, and the outcome for 2007 is projected to be close to 3¼ per cent.

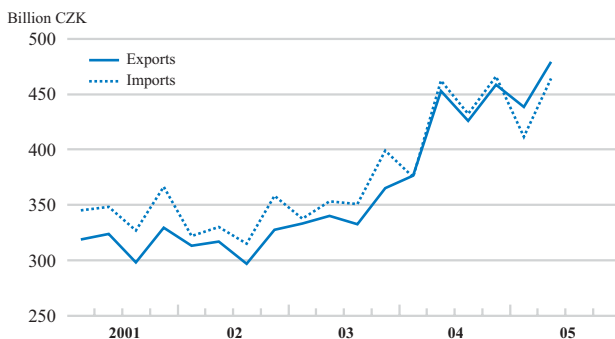
Fiscal balances for 2005 have been surprisingly good

Growth is expected to fall only marginally in 2006 and 2007 with annual outcomes of 4½ per cent. The projection has export growth rising by close to 13% in 2007 as well as increased import growth. The latter not only reflects export trends,

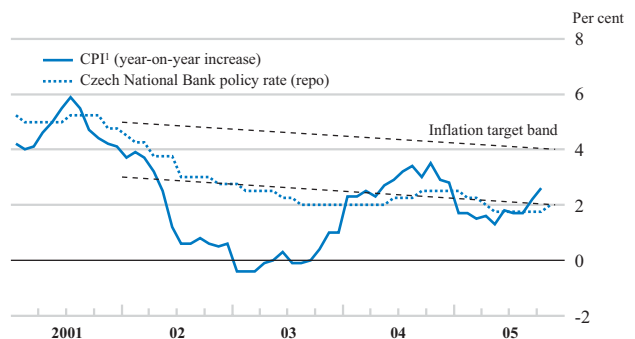
Growth in 2006 and 2007 will remain robust

Czech Republic

Net exports have turned positive



Inflation has picked up



1. Consumer price index.

Source: Czech National Bank; Czech Statistical Office.

Czech Republic: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------------------------------|--|------|------|------|------|
| | Current prices CZK billion | Percentage changes, volume (1995 prices) | | | | |
| Private consumption | 1 234.7 | 4.6 | 2.1 | 2.0 | 3.4 | 4.2 |
| Government consumption | 555.2 | 3.8 | -2.0 | -0.5 | 0.5 | 0.6 |
| Gross fixed capital formation | 643.3 | 4.7 | 7.6 | 3.4 | 6.0 | 6.0 |
| Final domestic demand | 2 433.3 | 4.5 | 2.6 | 1.8 | 3.5 | 3.9 |
| Stockbuilding ¹ | 30.9 | -1.1 | 0.1 | -1.1 | 0.0 | 0.0 |
| Total domestic demand | 2 464.1 | 3.5 | 2.6 | 0.8 | 3.8 | 3.9 |
| Exports of goods and services | 1 485.5 | 7.5 | 21.9 | 8.5 | 11.2 | 12.8 |
| Imports of goods and services | 1 535.0 | 7.9 | 18.4 | 2.9 | 10.4 | 12.3 |
| Net exports ¹ | -49.5 | -1.3 | 0.4 | 5.1 | 0.1 | -0.3 |
| GDP at market prices | 2 414.7 | 3.2 | 4.4 | 4.8 | 4.5 | 4.5 |
| GDP deflator | — | 2.6 | 3.0 | 0.3 | 2.9 | 2.8 |
| <i>Memorandum items</i> | | | | | | |
| Consumer price index | — | -0.1 | 2.8 | 1.9 | 2.8 | 3.0 |
| Private consumption deflator | — | 1.8 | 2.7 | 1.4 | 2.4 | 3.0 |
| Unemployment rate | — | 7.8 | 8.3 | 8.0 | 7.8 | 7.6 |
| General government financial balance ² | — | -12.4 | -3.0 | -4.0 | -3.6 | -3.2 |
| Current account balance ² | — | -6.3 | -5.2 | -4.0 | -2.8 | -2.1 |

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

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

2. As a percentage of GDP.

3. Since the change in methodology in 2004, high-risk state guarantees are classified as capital transfers as soon as they are called for the first time. In 2003, the activation of guarantees issued mainly for the banking sector accounted for about 7.7 percentage points of the deficit.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/133453852348>

but also strengthening private consumption which will be driven in part by cuts in personal-income tax. Demand pressure is expected to bring upward pressure on inflation. In 2006 this will be exacerbated both by continuing effects from the run-up in oil prices and, to some extent, by housing-rent increases due to legislative changes. These temporary effects will have dissipated by the end of 2006 and inflation will average around 3% in 2007. The monetary response to these inflation developments is not expected to be dramatic, in part because they are temporary but also because, despite the increases, inflation looks set to remain comfortably within the Central Bank's target band of 3+/-1%.

Export growth is uncertain and important reforms are stalling

There is a risk that the fall off in export growth in 2005 reflects something more permanent than base-level effects from the previous year. As regards fiscal policy, the 2006 budget spending exceeds ceilings set by the government's medium-term expenditure framework which was set up only in 2004. Though the budgeted spending does not strongly compromise fiscal goals, the apparent disregard for the ceilings has somewhat damaged the credibility of the expenditure framework. Slow progress on long-intended structural reforms means that downside risks in the growth outlook are larger than they would otherwise be and pose a threat to long-term fiscal sustainability. In particular, though some progress has been made recently regarding pensions, taxation and business legislation, reform of the labour code has been lacklustre, welfare reform has been timid and the government is not intending to embark on major reform of public health care before the general elections which are due to take place in June 2006.

Denmark

GDP is projected to grow almost 3% a year before abating somewhat in 2007. Recent house price increases are likely to sustain consumption growth into 2006. Starting with a slight negative output gap, economy-wide wage and price inflation is expected to gather pace towards 2007, with the construction sector already now beginning to show signs of overheating.

Monetary conditions, reinforced by new loan types on the mortgage market, are providing stimulus for the economy and this is likely to continue with shortterm interest rates remaining stable in line with those of the European Central Bank. In this context, the sizeable extra revenues from North Sea oil exploration must be used to reduce public debt, with fiscal policy helping to contain aggregate demand. Measures to raise labour supply should also be considered.

After some years of slow growth, the economy is now back on track with GDP expanding by over 2% year-on-year since second quarter 2004. Unemployment is steadily declining. Most of the expansion comes from private consumption, partly driven by income tax cuts introduced in mid 2004. Simultaneously, constantly falling interest rates and increased use of new mortgage loans with variable interest rates and without repayment of principal have pushed house price inflation to a peak of 18%. The fall in interest rate has been particularly strong recently as the differential vis-à-vis Germany started to decline in late 2004 and even turned negative from May for comparable ten-year bonds, having previously been stable at 0.2-0.3 percentage point for a number of years. Wealth effects from rising house prices have, therefore, added to the robustness of private consumption with the savings ratio falling and consumer confidence even rising in the autumn. Following a 10% loss of market share during 2003 and 2004, export performance improved considerably in the first half of 2005. But because of the high import content of private consumption growth, net exports are not contributing much to GDP growth. So far, wage growth has been modest and CPI inflation, while it has increased from its 2004 trough, remains around 2%.

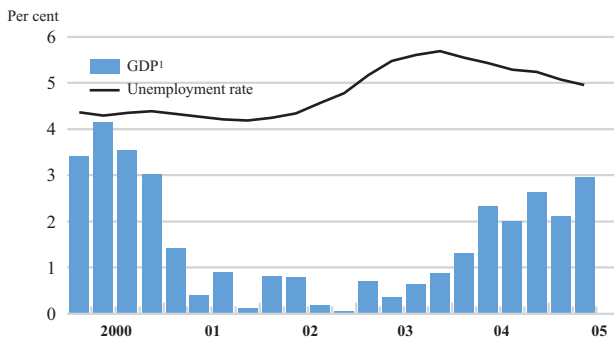
Consumption drives growth as house prices increase rapidly

Surveys indicate that manufacturing capacity utilisation is now somewhat above its historical average. At 12¾ per cent of GDP in 2004, business investment is in the low part of the 12-15% band within which it has moved during the last two decades, and therefore seems set to grow. Following housing investment growth of about 10% in both 2003 and 2004, however, capacity constraints are starting to show in the construction sector. Consequently there is an upper limit to how much total investments

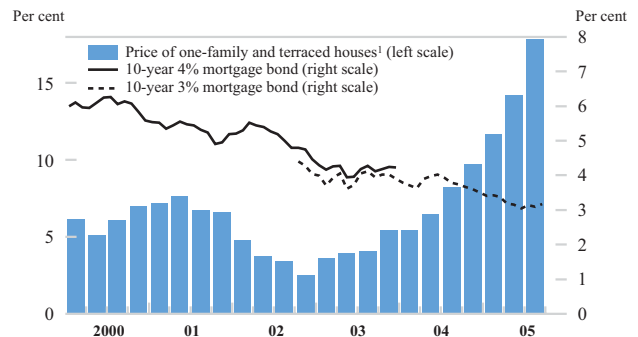
Business investment is set to grow

Denmark

Unemployment is coming down again



House prices soar as interest rates fall



1. Year-on-year percentage change.

Source: Statistics Denmark and the Association of Danish Mortgage Banks.

Denmark: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------------------------------|------|----------------------------|------|------|------|
| | Current prices DKK billion | | Percentage changes, volume | | | |
| Private consumption | 651.4 | 1.4 | 3.8 | 4.4 | 3.0 | 2.1 |
| Government consumption | 359.1 | 0.4 | 2.0 | 1.2 | 0.8 | 0.6 |
| Gross fixed capital formation | 268.5 | 1.6 | 3.3 | 3.5 | 6.1 | 4.3 |
| Final domestic demand | 1 279.1 | 1.1 | 3.2 | 3.3 | 3.0 | 2.2 |
| Stockbuilding ¹ | 3.3 | -0.1 | 0.2 | -0.2 | -0.1 | 0.0 |
| Total domestic demand | 1 282.4 | 1.0 | 3.4 | 3.1 | 2.9 | 2.2 |
| Exports of goods and services | 648.0 | -1.1 | 3.2 | 9.3 | 5.7 | 5.7 |
| Imports of goods and services | 567.8 | -0.6 | 6.5 | 10.2 | 6.4 | 5.7 |
| Net exports ¹ | 80.1 | -0.3 | -1.1 | 0.1 | -0.1 | 0.3 |
| GDP at market prices | 1 362.5 | 0.6 | 2.1 | 3.0 | 2.7 | 2.4 |
| GDP deflator | – | 2.2 | 2.1 | 1.7 | 2.0 | 2.8 |
| <i>Memorandum items</i> | | | | | | |
| Consumer price index | – | 2.1 | 1.2 | 1.8 | 1.7 | 2.4 |
| Private consumption deflator | – | 2.0 | 1.6 | 1.5 | 1.4 | 2.4 |
| Unemployment rate | – | 5.5 | 5.4 | 4.9 | 4.6 | 4.4 |
| Household saving ratio ² | – | 3.6 | 2.9 | 0.8 | 0.5 | 0.4 |
| General government financial balance ³ | – | 0.0 | 1.7 | 2.8 | 2.4 | 1.9 |
| Current account balance ³ | – | 3.3 | 2.5 | 3.0 | 2.2 | 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.

2. As a percentage of disposable income, net of household consumption of fixed capital.

3. As a percentage of GDP.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/125256086218>

can grow, and the housing boom may to some extent damp construction activities associated with business investments.

Higher oil prices boost the fiscal balance

Higher oil prices are affecting the economy in an atypical way. Tax revenues from North Sea oil exploration are 1% of GDP higher in 2005-07 than in 2003, and this will boost the fiscal balance. While the direct effect of higher oil costs will to some extent damp domestic activity, the windmill industry, accounting for 5% of manufacturing employment, could see export orders soar as markets now consider the oil price increase as more durable or indeed permanent.

Growth should continue at a solid pace

GDP is projected to grow by almost 3% this year and next before abating somewhat in 2007. The combination of oil-related consumer-price increases and capacity constraints starting in the construction sector is expected to push up wage growth and spill over into core inflation. But beginning with a slight negative output gap, economy-wide wage and price inflation is expected to gather pace only towards 2007. On the back of wealth effects from recent house price increases, private consumption is projected to continue expanding faster than GDP well into 2006. With fixed investments accelerating, strong domestic demand will push up imports, and net exports are not expected to contribute to GDP growth despite export being projected to advance by over 5% a year. The fiscal balance rises to about 3% of GDP from 2005 as a result of oil revenue and the pension yield tax. A bursting bubble on the housing market is not a likely risk scenario, as most of the historic house price increase can be explained by fundamentals, in particular the low interest rate. However, the housing market is vulnerable to interest rate increases as mortgage loans with variable interest rates have become more common than some years ago.

Finland

Growth is expected to recover from 1¼ per cent in 2005 to average 3% over the next two years, in part reflecting a bounce back from the effects of a labour dispute in the paper industry. Net exports rather than consumption will become increasingly important for driving growth.

Job creation is likely to be less than half that required to hit the government's employment target, while ageing will lead to a declining labour force and pressures to raise social security contributions. This underlines the importance of measures to reduce early retirement and motivate job search as well as to contain public spending pressures so that the overall tax burden can be reduced.

The growth profile is distorted by a labour dispute in the paper industry in the second quarter of 2005 which halted production and reduced exports, as well as by a temporary lull in the first half of 2005 in the electronics industry, which is prone to short production cycles. With the labour dispute now resolved and output and exports from the electronics industry picking up rapidly, GDP growth in the second half of 2005 and into 2006 will recover strongly. Nevertheless the annual growth figure for 2005 may only be about 1¼ per cent, with growth in 2006 being correspondingly boosted to around 3¼ per cent from the depressed 2005 level. Inflation according to the harmonised consumer price index was 0.8% in October, the lowest in the euro area and almost entirely accounted for by higher energy prices. Non-oil import prices, especially for intermediate goods, as well as demand pressures, are likely to push inflation up in the future. However, the central wage agreement which runs to mid-2007, will ensure that any pick-up is not reflected in higher wage inflation and so keep price inflation below 2%.

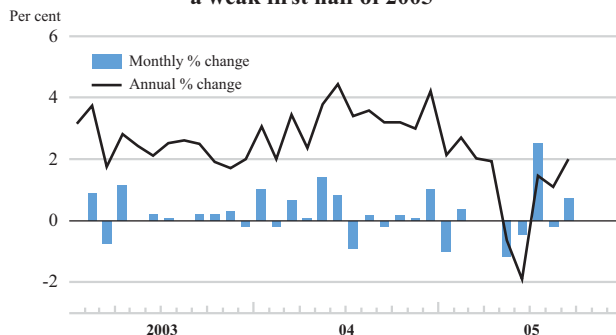
Activity is recovering strongly

Since the global downturn in 2000, the composition of growth has been particularly dependent on public and private consumption, although this pattern is set to change. Finland's export markets will experience their most sustained pick-up since the end of the 1990s, because of the strong penetration of the fastest growing markets in Asia and in Russia. However, reflecting outsourcing of production and increased competition in the electronics industry, losses in export market share, already experienced over recent years, are likely to continue. Business investment has recently been disappointingly weak, particularly in plant and machinery, and is only expected to strengthen gradually, following

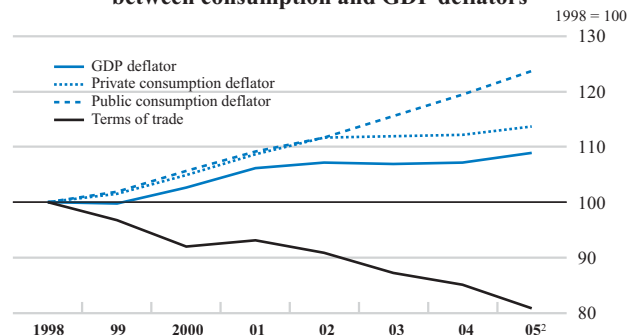
Net exports will drive growth

Finland

GDP is recovering strongly from a weak first half of 2005¹



Declining terms of trade are opening a wedge between consumption and GDP deflators



1. Monthly GDP indicator, seasonally adjusted.

2. First half of 2005 relative to first half of 2004.

Source: Statistics Finland and OECD Economic Outlook 78 database.

Finland: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-----------------------------|--|------|------|------|------|
| | Current prices € billion | Percentage changes, volume (2000 prices) | | | | |
| Private consumption | 72.0 | 4.4 | 2.8 | 3.3 | 2.5 | 1.5 |
| Government consumption | 30.4 | 1.4 | 1.8 | 1.4 | 1.4 | 1.3 |
| Gross fixed capital formation | 26.6 | -1.6 | 4.7 | -1.9 | 1.6 | 2.0 |
| Final domestic demand | 129.0 | 2.4 | 3.0 | 1.8 | 2.0 | 1.6 |
| Stockbuilding ¹ | 0.5 | 0.0 | 0.3 | 0.1 | -0.4 | -0.1 |
| Total domestic demand | 129.6 | 2.4 | 3.3 | 1.9 | 1.6 | 1.5 |
| Exports of goods and services | 54.0 | 1.5 | 5.5 | 5.8 | 6.1 | 6.3 |
| Imports of goods and services | 42.7 | 2.4 | 6.1 | 6.5 | 4.5 | 4.0 |
| Net exports ¹ | 11.2 | -0.2 | 0.3 | 0.3 | 1.2 | 1.5 |
| GDP at market prices | 140.9 | 2.4 | 3.5 | 1.3 | 3.3 | 2.8 |
| GDP deflator | – | -0.3 | 0.3 | 2.1 | 0.9 | 0.9 |
| <i>Memorandum items</i> | | | | | | |
| GDP without working day adjustments | – | 2.4 | 3.6 | .. | .. | .. |
| Harmonised index of consumer prices | – | 1.3 | 0.1 | 0.8 | 1.3 | 1.7 |
| Private consumption deflator | – | 0.2 | 0.2 | 1.3 | 1.5 | 1.7 |
| Unemployment rate | – | 9.0 | 8.9 | 8.6 | 7.9 | 7.3 |
| General government financial balance ² | – | 2.3 | 1.9 | 2.1 | 1.8 | 1.5 |
| Current account balance ² | – | 3.8 | 5.3 | 3.5 | 3.2 | 3.6 |

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.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/540164266138>

the pick-up in exports. On the other hand, growth in real disposable income will be squeezed between modest increases in nominal wages and rising consumer price inflation. While the government has promised tax cuts to support a moderate wage agreement, amounting to about 1% of GDP until 2007, the effect on disposable income will be partly offset by municipal tax hikes and by increased employee pension contributions required to pre-fund pensions given imminent population ageing. Lower growth in real disposable income will lead to a slackening in consumer spending. Given a cyclical recovery in productivity, employment growth may be modest. However, with the labour force falling due to population ageing, even this may be consistent with a drop in the unemployment rate by about 1½ percentage points to around 7¼ per cent in 2007.

The government surplus may slip further

The general government surplus as a share of GDP will be around 2% of GDP in 2005, easily the largest in the euro area, although this is entirely accounted for by the pension funds, whereas the central government and municipalities are in deficit. The surplus is expected to decline over the next two years to around 1½ per cent of GDP. Government revenues as a share of GDP will fall because of the government's promised tax cuts on earned income. There should be some further fall in government debt service and transfer payments as a share of GDP, but this may be offset by a rise in the share of government consumption. Even if government consumption grows less than GDP in volume terms, this will be more than offset by the rise in the government spending deflator exceeding that of the GDP deflator, the latter being affected by declining export prices of electronic goods.

Risks to the outlook

With growth increasingly reliant on net exports rather than consumption, the main risk to the outlook is that the upturn in world trade is weaker than expected. There is also a risk that inflationary pressures could emerge in 2007 following the ending of the wage agreement.

Greece

The economy has slowed during 2005, mainly as the result of a post-Olympic slump in investment activity, though it continued to outpace the euro area average. Output growth is set to weaken further going into 2006, before rebounding to 3½ per cent in 2007 as domestic demand strengthens. Inflation should decelerate to around 3¼ per cent over the next two years, but a large inflation differential vis-à-vis the euro area average will remain. The current account deficit is expected to stay high.

Sustained fiscal consolidation requires a better control of primary spending and decisive reforms in key areas of social spending and public administration. Reducing tax evasion and tax avoidance is likewise critical. Plans for improving the operation of public enterprises are welcome. Further progress in the structural reform agenda would provide a sounder environment for long-term growth.

After reaching 4.7% in 2004, real GDP growth slowed to 3.6% (year-on-year) in the first three quarters of 2005, and for the year as a whole may reach 3.5%. The slowing reflects a sharp decline in investment activity due to the withdrawal of the Olympic Games-related spending stimulus. Private consumption, on the other hand, retained its buoyancy, underpinned by still rapid credit expansion, and the external sector also contributed to growth. Consumer price inflation (HICP) averaged around 3.5% over the first ten months of the year, reflecting mainly high oil prices, and to a lesser extent, an increase in indirect taxes in April 2005. The inflation differential vis-à-vis the euro area has widened, averaging around 2 percentage points in the case of core inflation. The unemployment rate has declined, but is expected to remain high, at around 10½ per cent in 2005, close to the estimated structural rate. The current account deficit has widened, reflecting largely developments in the ships' balance and oil import bill, despite buoyant services receipts.

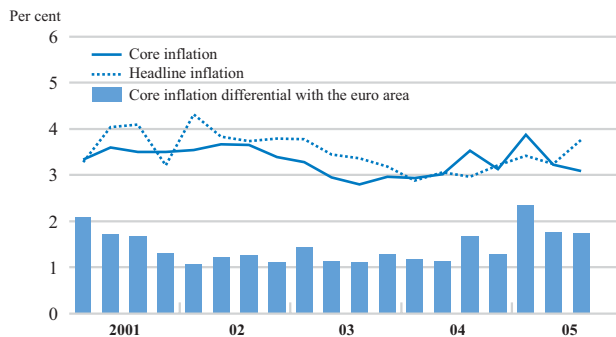
Growth has slowed but remains robust, while the inflation differential has widened

Official estimates indicate a general government deficit of 4.3% of GDP for 2005, down from 6.5% in 2004. This improvement largely reflects a sizeable adjustment of public investment after the end of the Olympic Games and significant restraint in the growth of current primary spending. Tax revenues, on the other hand, fell considerably below initial expectations, despite the recent hike in indirect taxes,

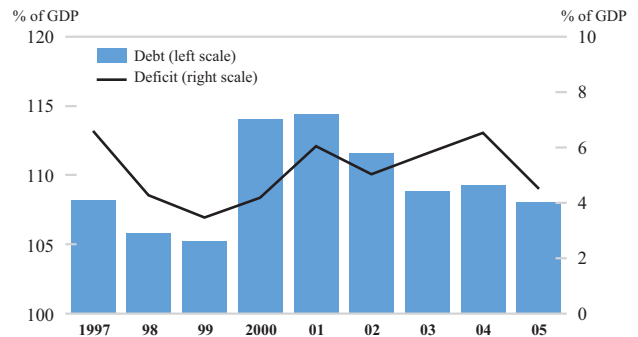
Fiscal consolidation remains a major challenge

Greece

The inflation differential has widened¹



Fiscal imbalances remain large



1. Year-on-year percentage changes. Harmonised index of consumer prices. Core inflation excludes energy, food, alcohol and tobacco.
Source: OECD, Main Economic Indicators and Economic Outlook 78 database.

Greece: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-----------------------------|--|------|------|------|------|
| | Current prices € billion | Percentage changes, volume (1995 prices) | | | | |
| Private consumption | 95.6 | 4.5 | 4.4 | 3.3 | 3.0 | 3.2 |
| Government consumption | 25.1 | -2.1 | 3.9 | 2.9 | 1.3 | 1.2 |
| Gross fixed capital formation ¹ | 33.8 | 13.7 | 5.7 | -0.3 | 4.0 | 4.8 |
| Final domestic demand | 154.5 | 5.7 | 4.6 | 2.3 | 3.0 | 3.4 |
| Stockbuilding ^{2,3} | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 |
| Total domestic demand | 154.6 | 5.7 | 4.6 | 2.5 | 3.0 | 3.4 |
| Exports of goods and services | 29.5 | 1.0 | 11.7 | 7.8 | 8.2 | 8.8 |
| Imports of goods and services | 41.7 | 5.2 | 9.3 | 1.3 | 7.2 | 7.1 |
| Net exports ² | -12.2 | -1.4 | -0.5 | 1.3 | -0.4 | -0.2 |
| GDP at market prices | 142.4 | 4.6 | 4.7 | 3.5 | 3.3 | 3.5 |
| GDP deflator | - | 3.5 | 3.6 | 3.3 | 3.0 | 3.2 |
| <i>Memorandum items</i> | | | | | | |
| Harmonised index of consumer prices | - | 3.4 | 3.0 | 3.6 | 3.4 | 3.0 |
| Private consumption deflator | - | 3.4 | 2.9 | 3.5 | 3.3 | 3.0 |
| Unemployment rate | - | 10.4 | 11.0 | 10.6 | 10.5 | 10.3 |
| General government financial balance ⁴ | - | -5.8 | -6.5 | -4.5 | -3.2 | -3.6 |
| Current account balance ⁵ | - | -7.2 | -6.3 | -7.0 | -6.7 | -6.5 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/524248438477>

probably because of increased tax evasion. The 2006 budget targets a general government deficit of 2.6% of GDP, helped by temporary measures of 0.6% of GDP. On present policies, the OECD projects a general government deficit of 4.5% of GDP in 2005 and 3.2% in 2006 (including the temporary measures). In the absence of further corrective measures, the deficit could deteriorate again to 3.6% of GDP in 2007.

**Activity is expected to rebound
and inflation to gradually
decline**

GDP growth is likely to weaken further going into 2006, bouncing back to 3.5% in 2007, in line with a strengthening in domestic demand. Economic activity in the post-Olympic era, although expanding more slowly, will continue to outpace the euro area average. Investment spending is likely to be supported by the gradual lowering of company tax rates and the implementation of the new investment incentive law, as well as the introduction of the public-private partnership law. Recent initiatives aiming at increasing labour market flexibility and enhancing product market competition should also contribute to growth, by boosting employment. Domestic demand will continue to benefit from favourable financing conditions and low real interest rates. Exports are expected to remain strong, despite the trend deterioration in cost-competitiveness, and imports should also pick up, eroding the positive contribution of the external sector to output growth. A major question mark is whether inflation will come down to around 3%, while the government deficit could also be higher than projected.

Hungary

Output growth of close to 4¼ per cent is expected in 2005, rising to 4½ per cent in 2006 before edging down a little in 2007. While some reduction in the contribution from the external sector is likely, domestic demand is expected to pick up. Inflation is set to fall sharply in the near term, reflecting reductions in indirect taxes but will rise again in 2007, though it will remain on track to meet medium-term targets.

Ensuring fiscal sustainability must be a priority. For 2006 the government aims for a substantial cut in the headline budget deficit but one-off factors, notably plans to take expenditure on motorway construction off budget, suggest that the underlying deficit will increase by about one percentage point of GDP. A fiscal strategy that backs realistic targets with stronger spending discipline is needed to recover credibility and avoid an increase in the risk premium.

The economy has been rebounding briskly from the temporary slowdown in the second half of 2004, with a pick-up in domestic demand reinforcing the stimulatory effect of stronger exports. Strengthening household real incomes, on the back of falling inflation, have reinforced private consumption, while investment has been spurred by large-scale public spending in motorway construction. The driving force behind the dynamism of exports has been strong demand for machinery and equipment coming from other European Union countries, notably the new member countries.

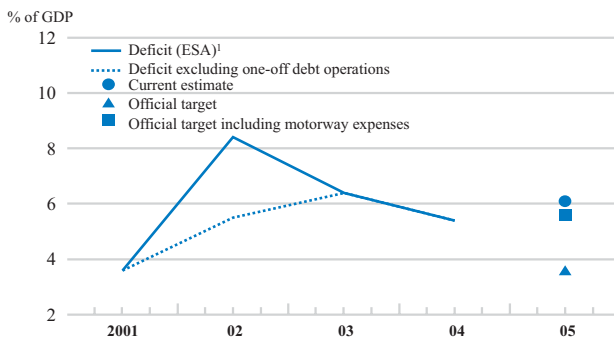
Growth has strengthened

Fiscal policy remains off-track. The 2005 general government deficit is expected to be 6.1%, a slippage of 2.5 percentage points on the government's original plan. Accounting issues are mainly responsible. Most importantly, a plan to take motorway construction worth 1.9% of GDP off-budget via a Public Private Partnership arrangement was not approved by Eurostat. However, there has also been slippage from spending targets, notably health care, and there is some risk that value-added tax (VAT) revenues will be lower than expected. For 2006 the budget deficit target is 4.7% of GDP. However, this figure does not take into account about 0.25 percentage point due to prior commitments on military spending that should be added to the deficit target figure according to Eurostat assessment. The deficit is also brought down by about 1.2 percentage points based on an expectation that a new formulation of the Public Private Partnership for highway construction will be approved. In fact, reflecting the impact of measures to reduce taxes and

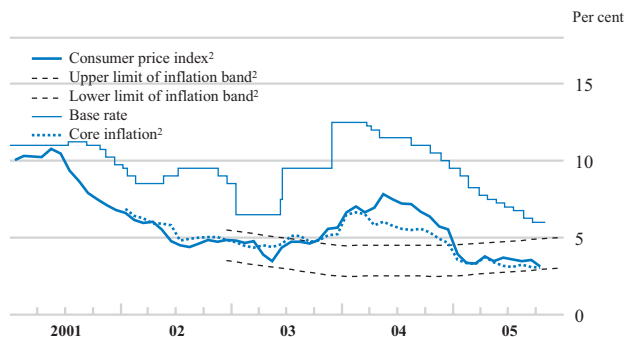
Budget slippage reduces the level of policy co-ordination

Hungary

Fiscal policy remains disappointing



Inflation and interest rates have fallen



1. ESA95 accounts with effect to pension reform neutralised.

2. Year-on-year percentage change.

Source: Eurostat, Ministry of Finance, Central Statistical Office, National Bank of Hungary.

Hungary: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------------------------------|--|------|------|------|------|
| | Current prices HUF billion | Percentage changes, volume (2000 prices) | | | | |
| Private consumption | 9 123.3 | 8.4 | 3.2 | 3.1 | 3.7 | 3.0 |
| Government consumption | 3 954.6 | 6.2 | 1.7 | 2.9 | 1.7 | 1.7 |
| Gross fixed capital formation | 3 916.9 | 2.5 | 8.4 | 7.7 | 6.7 | 6.6 |
| Final domestic demand | 16 994.9 | 6.5 | 4.1 | 4.2 | 4.0 | 3.6 |
| Stockbuilding ¹ | 317.3 | -0.4 | -1.4 | -2.1 | 0.0 | 0.0 |
| Total domestic demand | 17 312.1 | 6.1 | 2.8 | 2.2 | 4.2 | 3.7 |
| Exports of goods and services | 10 848.5 | 7.8 | 16.4 | 10.2 | 11.9 | 12.5 |
| Imports of goods and services | 11 245.4 | 11.1 | 13.2 | 7.7 | 11.2 | 11.7 |
| Net exports ¹ | - 396.9 | -3.0 | 1.6 | 1.8 | 0.3 | 0.5 |
| GDP at market prices | 16 915.3 | 3.4 | 4.6 | 4.2 | 4.5 | 4.3 |
| GDP deflator | — | 6.6 | 4.6 | 2.1 | 1.4 | 2.1 |
| <i>Memorandum items</i> | | | | | | |
| Consumer price index | — | 4.7 | 6.7 | 3.7 | 2.0 | 2.7 |
| Private consumption deflator | — | 4.3 | 4.5 | 3.7 | 2.8 | 2.7 |
| Unemployment rate | — | 5.9 | 6.2 | 7.1 | 7.0 | 6.7 |
| General government financial balance ^{2,3} | — | -6.4 | -5.4 | -6.1 | -5.9 | -5.9 |
| Current account balance ² | — | -8.7 | -8.8 | -8.4 | -8.7 | -8.5 |

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. ESA95 accounts provided by the Ministry of Finance for 2003 and 2004.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/136607730730>

to increase spending that will be offset only partly, the 2006 budget increases the underlying deficit by about one percentage point of GDP. Turning to monetary policy, there have been welcome reductions in the base rate in recent months. However, the lack of credible fiscal discipline is an important factor narrowing the scope for further cuts, even though there continues to be a positive nominal interest rate differential with some other countries in the region. Some VAT-rate reductions scheduled for January 2006 will counter the impact of oil price increases and as a result inflation will decline. However, the temporary impact of these reductions means interest rate cuts on the basis of near term inflation developments should be avoided and policy should be guided by medium-run inflation projections and expectations.

Although an expansion is in sight, growth will become less balanced

For 2006, a strengthening of domestic demand is in sight. The VAT-rate cuts and an increase in the minimum wage are likely to spur private consumption. At the same time, investment momentum will continue with motorway construction playing a key role. Export demand is expected to remain favourable, with continuing market share gains. Import growth will not only reflect export developments but also strengthening domestic demand. All in all, GDP is projected to accelerate to a growth rate of 4½ per cent and to decelerate a little in 2007, with the contribution to growth from the external sector set to diminish in 2006. This, combined with some deterioration of the terms of trade because of the effect of higher oil prices, is expected to lead the current account deficit to worsen before improving somewhat in 2007. As the impact of the VAT cuts fades, inflation is set to re-accelerate in 2007. However wage growth is expected to moderate somewhat as unemployment is falling only slowly. As a result, the pick-up in inflation is not likely to compromise medium-term inflation targets.

The lack of fiscal consolidation threatens macroeconomic stability

The main risk continues to lie in fiscal outcomes. Further slippage on budgetary targets would weaken credibility and increase exchange rate volatility, both of which could force monetary policy to tighten strongly amid speculative swings in the exchange and bond markets.

Iceland

The economy continues to show signs of overheating, as the large-scale aluminium-related investment projects are in full swing and household demand is booming. The external deficit is soaring and inflation exceeds the authorities' upper tolerance limit. The major challenge for policymakers is to ensure an orderly unwinding of the present imbalances and to prevent their recurrence in the future.

Further interest-rate increases are probably required to put inflation on a downward track toward the official target. Avoiding a premature loosening of the fiscal stance would reduce upward pressure on interest rates and help avoid excessive exchange-rate fluctuations, thereby facilitating the stabilisation task of monetary policy.

After reaching 6¼ per cent in 2004, economic growth has remained very robust, picking up again in the second quarter of 2005 as exports showed renewed strength. Domestic demand has continued to accelerate steadily, growing by nearly 12% in the year to the second quarter, with both fixed capital formation and private consumption recording above average rates of growth. Despite the rebound in exports, the current account deficit was 12% of GDP in the second quarter, up from 8½ per cent in 2004 and well above its previous peak in 2000. According to the Central Bank, less than half of this deficit can be explained by the investments in the aluminium and power sectors, which will boost export revenue in the long run. With torrid demand growth, productive capacity has been under strain and unemployment has fallen well below its estimated structural rate of 2¾ per cent. It is therefore not surprising that price and wage pressures have mounted. A major factor behind rising consumer price inflation (measuring 4¼ per cent in November) has been a surge in housing costs related to the boom in the real estate market. Although petrol prices have increased, import prices have had a damping effect on inflation because of the substantial rise in the exchange rate.

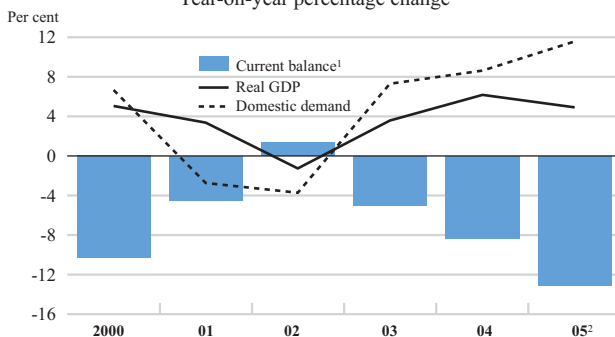
Economic imbalances have become as pronounced as in the late 1990s

With inflation breaching the 4% upper bound of the authorities' tolerance range for a second time, the Central Bank had to submit another report to the Government in September, explaining the reasons for the deviation and the intended policy response. Subsequently, the Bank announced a ¾ percentage point interest-rate

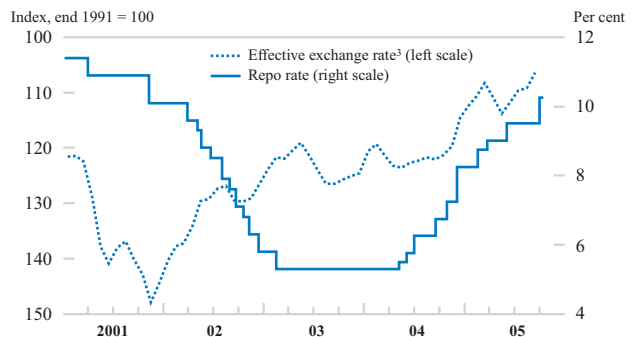
Policy has been tightened less than in the last overheating episodes

Iceland

With soaring growth, the external balance has deteriorated
Year-on-year percentage change



But high interest rates have supported the exchange rate



1. As a percentage of GDP.

2. First half.

3. Inverted scale. A rise therefore indicates an appreciation.

Source: OECD, Economic Outlook No. 78 database, Central Bank of Iceland and Statistics Iceland.

Iceland: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------------------------------|--|------|-------|-------|-------|
| | Current prices ISK billion | Percentage changes, volume (2000 prices) | | | | |
| Private consumption | 429.6 | 5.8 | 6.9 | 12.1 | 5.7 | 2.6 |
| Government consumption | 200.5 | 1.5 | 2.8 | 4.9 | 2.3 | 2.0 |
| Gross fixed capital formation | 138.7 | 20.5 | 21.0 | 24.9 | 7.6 | -5.9 |
| Final domestic demand | 768.8 | 7.4 | 8.7 | 13.3 | 5.4 | 0.3 |
| Stockbuilding ¹ | -0.2 | -0.1 | -0.1 | -0.1 | -0.2 | 0.0 |
| Total domestic demand | 768.6 | 7.3 | 8.7 | 13.2 | 5.3 | 0.4 |
| Exports of goods and services | 305.9 | 1.4 | 8.3 | 5.7 | 7.6 | 8.6 |
| Imports of goods and services | 292.1 | 10.7 | 14.2 | 19.9 | 7.7 | 2.2 |
| Net exports ¹ | 13.8 | -3.3 | -2.4 | -6.1 | -0.8 | 2.2 |
| GDP at market prices | 782.3 | 3.6 | 6.2 | 6.6 | 4.6 | 2.6 |
| GDP deflator | — | 0.1 | 2.8 | 3.9 | 4.2 | 3.4 |
| <i>Memorandum items</i> | | | | | | |
| Consumer price index | — | 2.1 | 3.2 | 3.9 | 4.0 | 3.4 |
| Private consumption deflator | — | 1.2 | 2.9 | 2.1 | 3.4 | 3.1 |
| Unemployment rate | — | 3.4 | 3.1 | 2.5 | 1.9 | 2.2 |
| General government financial balance ² | — | -2.1 | -0.1 | 2.0 | 1.2 | -0.5 |
| Current account balance ² | — | -5.0 | -8.4 | -12.1 | -12.9 | -10.5 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/161332734847>

increase, bringing its policy rate to 10¼ per cent, almost 5 percentage points above the level prevailing in May 2004. Nonetheless, as noted by the Bank, the current monetary stance still falls some way short of being as restrictive as in the previous upswing, although the economy will likely overheat even more this time. Moreover, long-term inflation expectations seem to have become anchored well above the 2½ per cent target, pointing to the need for further interest-rate increases. The fiscal stance has also started tightening, although a rising deficit at the local level prevented general government from achieving financial balance in 2004. With strong growth continuing to boost revenues and drastic cuts in public investment, public finances appear to have moved into substantial surplus in 2005. However, in cyclically-adjusted terms, the surplus is estimated to have fallen short of that realised in the late 1990s. As the Government's tax reduction programme gathers momentum, the fiscal balance is projected to start deteriorating again in 2006 and move into deficit in 2007 when public investment is due to be given a strong boost.

An orderly unwinding of the imbalances will be challenging

Economic growth is projected to slow from 2006 as the major investment projects gear down and household demand is adversely affected by high interest rates. The slowdown is damped by accelerating exports as aluminium production in the new facilities commences. As a result, the current account deficit should narrow rapidly, falling to 8% of GDP at the end of the projection period after peaking at around 14%. Despite a still positive output gap, inflation is expected to ease somewhat as the housing market cools. However, this projection is based on the assumption of constant exchange rates. With the real effective exchange rate at a historically high level, a downward adjustment is certainly possible despite high interest rates. Indeed, given the still high external deficit, an exchange-rate adjustment could be faster than would be compatible with the inflation target. This could keep interest rates high for a longer period than assumed and result in a harder landing of the economy than projected.

Ireland

Output is projected to grow at a steady 5% rate over the entire projection period. Robust household income gains and government spending will be the engines of growth. Net exports are projected to taper off as rising unit labour costs hold back exports. With strong activity exerting inflationary pressures, core inflation is projected to creep up over the projection period.

More intense competition is needed to provide a countervailing force to inflationary pressures in the short-term and boost growth prospects in the long term. The proposal to repeal the Groceries Order (a regulation hampering competition in retail trade) is welcome in this regard, and deregulatory efforts should be broadened to other sheltered sectors starting with the professions and network industries. A tighter fiscal stance would help to contain inflationary pressures and provide a buffer against adverse shocks from the housing market or the exchange rate.

Domestic demand was the main contributor to solid growth in 2005. Rapidly rising disposable income boosted private consumption while spending on social programmes pushed up government consumption. Investment was buoyant with strong construction activity despite a slow-down in residential construction as house prices levelled off, suggesting that the long period of strong house price inflation has probably come to an end. The roll-out of government infrastructure programmes accelerated and, with strong building activity in the business sector, construction expanded significantly, contributing more than a third to the massive 4½ per cent increase in employment during the first half of 2005. The surge in employment was accompanied by an expansion of the labour force, so that the unemployment rate remained stable at 4¼ per cent. The main drivers behind the growing labour supply were immigration and higher participation, each accounting for some 1½ per cent of the working-age population. Strong labour demand underpinned a wage acceleration in 2005.

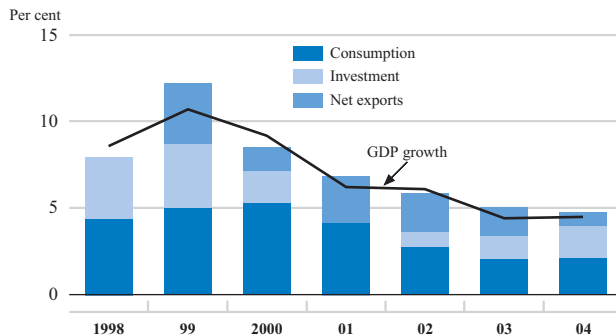
Domestic demand is driving growth

Fiscal policy provides support to activity. After adjusting for a massive one-off payment in 2005 (the reimbursement of several years of charges unduly paid by nursing home patients), on current plans the fiscal stance will ease by ½ per cent of GDP over the projection period. Welfare payments, social services and infrastructure investment are all set to rise rapidly. Another policy-induced factor boosting activity

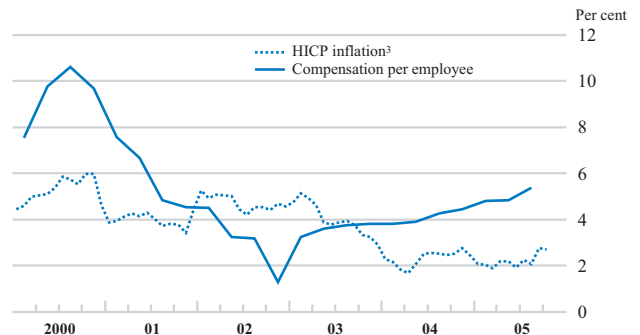
Fiscal and monetary policy are supportive

Ireland

Domestic demand is driving output growth¹



Wage inflation is high²



1. Contribution to GDP growth for all series except GDP itself. Consumption and investment cover both the private and public sector. GDP growth can deviate from the sum of the components shown because of stock building and the statistical discrepancy in the national accounts.

2. Year-on-year percentage change.

3. Harmonised index of consumer prices.

Source: OECD, *Main Economic Indicators* and Economic Outlook 78 database.

Ireland: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-----------------------------|--|------|------|------|------|
| | Current prices € billion | Percentage changes, volume (2003 prices) | | | | |
| Private consumption | 56.4 | 3.8 | 3.3 | 4.4 | 5.1 | 5.8 |
| Government consumption | 22.0 | 2.4 | 3.9 | 3.9 | 5.5 | 5.5 |
| Gross fixed capital formation | 29.0 | 5.6 | 8.0 | 6.7 | 5.3 | 4.9 |
| Final domestic demand | 107.4 | 4.0 | 4.7 | 5.0 | 5.2 | 5.5 |
| Stockbuilding ¹ | 0.6 | 0.5 | -0.3 | 0.0 | 0.0 | 0.0 |
| Total domestic demand | 108.1 | 4.6 | 4.3 | 4.9 | 5.2 | 5.5 |
| Exports of goods and services | 121.8 | 0.7 | 7.0 | 4.9 | 5.4 | 6.2 |
| Imports of goods and services | 99.5 | -1.5 | 7.5 | 4.7 | 5.8 | 7.1 |
| Net exports ¹ | 22.2 | 1.7 | 0.8 | 0.9 | 0.6 | 0.4 |
| GDP at market prices | 130.4 | 4.4 | 4.5 | 5.1 | 5.0 | 5.0 |
| GDP deflator | – | 2.1 | 2.2 | 2.3 | 2.5 | 3.3 |
| <i>Memorandum items</i> | | | | | | |
| Harmonised index of consumer prices | – | 4.0 | 2.3 | 2.3 | 2.5 | 2.6 |
| Private consumption deflator | – | 3.2 | 1.3 | 1.5 | 2.4 | 2.6 |
| Unemployment rate | – | 4.6 | 4.4 | 4.3 | 4.2 | 4.2 |
| General government financial balance ² | – | 0.2 | 1.4 | -0.9 | -0.6 | -0.6 |
| Current account balance ² | – | 0.0 | -0.8 | -1.5 | -1.7 | -1.0 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/771753122071>

is the massive amount of payouts – up to 12½ per cent of gross national income – from subsidised savings accounts, which will mature between May 2006 and April 2007. Most of the funds are likely to be re-invested, but some may end up being spent. At the same time, with short-term nominal interest rates remaining well below Irish inflation, monetary policy will continue to stimulate activity.

Growth will remain strong but become more narrowly based

Robust income growth and increases in public spending are projected to keep output growing at 5% in 2006 and 2007, slightly above its potential rate. Government investment will also support growth as the public infrastructure investment programme accelerates to clear away the backlog of accumulated delays. Under the impetus of negative short-term real interest rates, private capital formation is expected to remain strong, with business investment more than offsetting a fall in housebuilding, which is projected to abate gradually to sustainable levels. The flipside of strong income growth is that real wage growth is likely to outpace productivity growth, thereby slowly eroding the competitiveness of Irish exports. With strong consumption boosting imports at the same time, growth is projected to be progressively driven by domestic demand.

The balance of risks is tilted to the downside

The projection assumes that residential construction activity will drift down to sustainable levels of housebuilding over the medium term as the rate of house price inflation eases off. A key risk to the outlook is that this adjustment may occur more abruptly, with significant adverse consequences on overall investment and employment, while the decline in receipts from stamp duty and capital gains tax would reduce the government's room for fiscal manoeuvre. If house prices were to fall as well, negative wealth effects would undermine consumption and the macroeconomic impact would be even greater. The external side of the economy is also exposed to downside risks: a marked slowdown in the United Kingdom or a bout of euro appreciation against the dollar would hurt Irish exports, two thirds of which are shipped to these countries. On the upside, government spending could rise more quickly as political pressure is mounting to increase spending on childcare and other social services.

Korea

Private consumption is now recovering from the protracted adjustment following the collapse of the household credit bubble in 2002 and exports have begun to pick up. These factors are projected to boost economic growth from 4% in 2005 to around 5% in 2006-07. Underlying inflation is expected to increase to the mid-point of the central bank's 2½ to 3½ per cent target zone in the context of stronger growth and higher energy prices.

Monetary policy should focus on the medium-term inflation target, accompanied by a flexible exchange rate policy. Concerns about rising housing prices in some parts of the country should be addressed through tax measures and policies to increase supply. Further reforms are needed to address the structural causes of weak domestic demand, notably household debt delinquency.

Following the collapse of the household credit bubble in 2002, private consumption declined as the household sector increased its saving rate to reverse the falling trend in its net financial assets. Private consumption growth resumed in the latter half of 2004, boosting employment and keeping the unemployment rate at around 3¾ per cent. Meanwhile, core inflation slowed from nearly 3% in 2004 to 2% in the third quarter of 2005. A second factor boosting growth is a pick-up in exports beginning in mid-2005, led by shipments to China, Korea's largest trading partner, and to other Asian countries. Despite these favourable developments, fixed investment in the business sector has remained relatively sluggish, reflecting the weakness in the small and medium-sized enterprise sector, as well as problems in the labour market and excessive regulations.

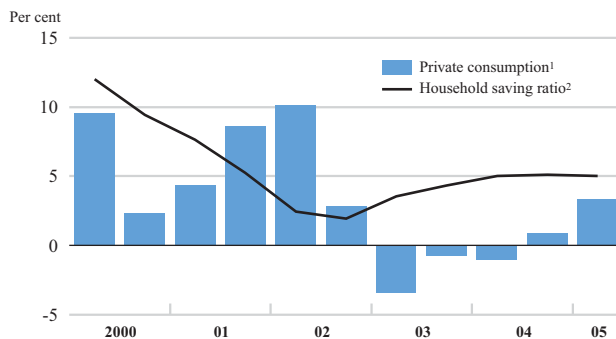
Private consumption and exports are boosting output growth...

Residential investment may be adversely affected by the August 2005 policy package aimed at stabilising real estate prices, in part through discouraging speculation. In addition, the central bank raised the short-term policy interest rate in October 2005 by 25 basis points to 3.5%, despite the deceleration of core inflation. The impact on monetary conditions was partially offset by a slight fall in the effective exchange rate, reversing the 13% increase between mid-2004 and mid-2005. The interest rate hike, the first in three years, is intended in part to induce funds away from the real estate market and towards the financial market. Some sectors, notably small and medium-sized enterprises, which have become increasingly indebted in recent years, and households with debt problems, are likely to be sensitive to higher interest rates.

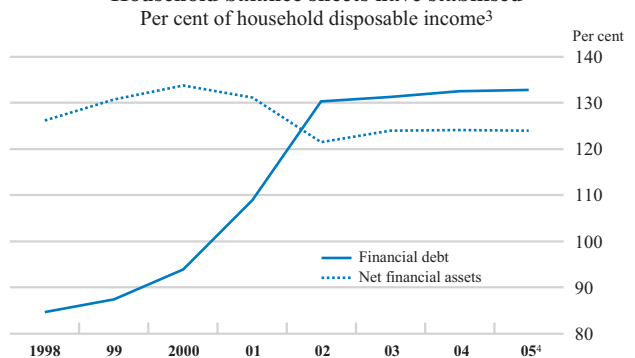
... despite a decline in housing investment

Korea

Private consumption has recovered



Household balance sheets have stabilised



1. Seasonally adjusted annual rate.
2. As share of disposable income. OECD estimates for 2004 and 2005.
3. OECD estimate of disposable income.
4. June 2005.

Source: Bank of Korea.

Korea: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|--------------------------------|------|--|------|------|------|
| | Current prices KRW trillion | | Percentage changes, volume (2000 prices) | | | |
| Private consumption | 381.1 | -1.2 | -0.5 | 3.2 | 4.1 | 3.7 |
| Government consumption | 88.5 | 3.8 | 3.0 | 3.7 | 2.8 | 3.0 |
| Gross fixed capital formation | 199.0 | 4.0 | 1.9 | 2.4 | 3.9 | 4.8 |
| Final domestic demand | 668.6 | 1.0 | 0.7 | 3.0 | 3.9 | 4.0 |
| Stockbuilding ¹ | 0.0 | -0.5 | 0.8 | -0.3 | 0.0 | 0.0 |
| Total domestic demand | 668.6 | 0.5 | 1.6 | 2.6 | 3.9 | 4.0 |
| Exports of goods and services | 241.2 | 15.6 | 19.7 | 9.5 | 13.1 | 13.1 |
| Imports of goods and services | 231.8 | 10.1 | 13.8 | 7.9 | 12.3 | 12.6 |
| Net exports ¹ | 9.4 | 2.5 | 3.4 | 1.5 | 1.6 | 1.6 |
| Statistical discrepancy ¹ | 6.2 | 0.0 | -0.3 | 0.0 | 0.0 | 0.0 |
| GDP at market prices | 684.3 | 3.1 | 4.6 | 3.9 | 5.1 | 5.2 |
| GDP deflator | — | 2.7 | 2.7 | 0.0 | 1.0 | 1.5 |
| <i>Memorandum items</i> | | | | | | |
| Consumer price index | — | 3.5 | 3.6 | 2.8 | 3.3 | 3.4 |
| Private consumption deflator | — | 3.4 | 3.5 | 2.6 | 3.4 | 3.5 |
| Unemployment rate | — | 3.6 | 3.7 | 3.8 | 3.7 | 3.6 |
| Household saving ratio ² | — | 3.9 | 5.1 | 5.3 | 5.3 | 5.4 |
| General government financial balance ³ | — | 0.4 | 0.0 | -0.2 | 0.0 | 0.2 |
| Current account balance ³ | — | 1.9 | 4.1 | 2.1 | 1.6 | 1.5 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/862538232612>

Fiscal policy supported growth in 2005

The impact of fiscal policy appears to be mildly expansionary in 2005, with government spending rising by about 9%. Consequently, the consolidated central government budget deficit (excluding the social security surplus and the cost of financial restructuring) expanded from ½ per cent of GDP in 2004 to around 1% in 2005. Increased public outlays were supplemented by higher spending by state-owned enterprises and private-sector investment in infrastructure in the second half of the year. The medium-term framework objective of a balanced budget by 2009 suggests a slightly contractionary fiscal stance in 2006-07.

Economic growth is projected to strengthen

The continued recovery of private consumption and the pick-up in demand in Korea's export markets are projected to boost economic growth from 4% in 2005 to around 5% in 2006-07. With the capacity utilisation rate in the industrial sector above its historical average, business investment may also make a larger contribution to growth. However, the prospects for a sustained expansion through 2007 could be jeopardised if households opt to increase savings from the current level of around 5% towards the double-digit rates prevailing during the 1990s. A second risk to private consumption is the still large number of individual borrowers delinquent at least three months in their credit payments. Although it has fallen from its 2003 peak of 3.8 million – thanks in part to several government programmes – the number of delinquent borrowers is still estimated at more than 3 million, equivalent to about 10% of the working-age population. More drastic measures to resolve the household debt delinquency problem may limit consumption spending in the short term. Finally, the government's determination to stabilise real estate prices may lead to a contraction in construction activity and a negative wealth effect. On the positive side, the acceleration in exports may be stronger than expected as a result of an upturn in the Information and Communications Technology (ICT) sector, which accounts for about one-third of Korea's exports.

Luxembourg

Output growth slowed sharply during the first half of the year, as high energy prices weighed on private consumption and weaker foreign markets on exports. The economy nonetheless retains considerable momentum, notably in the services sector, and should soon return to a faster pace. The increase in headline inflation has triggered an indexation of salaries, which could lead to second-round effects.

Fiscal automatic stabilisers have been allowed to operate freely during the slowdown and the public deficit has therefore exceeded 2% of GDP. The government should do more to rein in public spending, which has been growing at nearly two-digit rates.

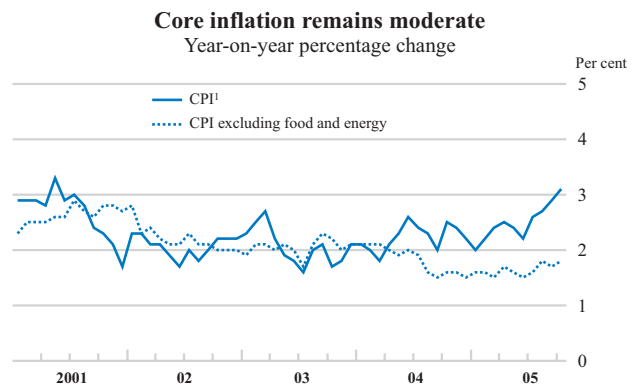
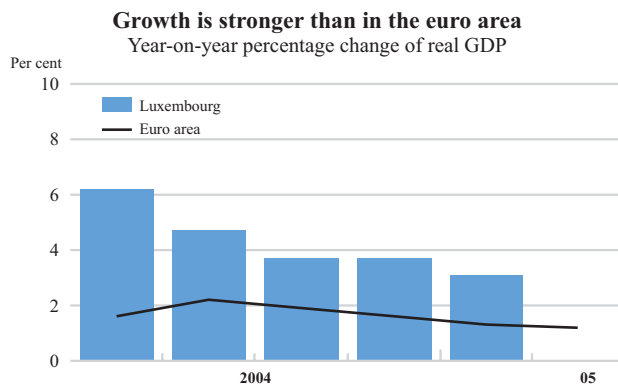
After a temporary acceleration in 2004, the pace of activity slowed in 2005. As in other euro area countries, the surge in energy prices weighed on consumer spending, while the sluggishness of demand in neighbouring countries undermined the expansion of exports. Additionally, the boom in steel exports of past years unwound sharply, with production falling by nearly 20% during the first half. The economy nonetheless retained considerable momentum. In financial services (which represent one-fourth of value-added), activity has benefited from the upward orientation of financial markets and the concomitant increase in management fees and commission incomes. Business services have also been robust, notably the well-established logistics sector. Reflecting these strong trends, total employment has kept on growing at an annual pace of close to 3%. With about three quarters of the new jobs going to cross-border workers, the rate of unemployment of residents has remained broadly stable at 4½ per cent.

The economy has faced headwinds in 2005

Headline consumer price inflation accelerated sharply, reaching 3.1% in October (year-on-year), the fastest pace of increase since July 2001, due to the surge in energy prices as well as increases in excise tax rates. So far, this spike has not translated into higher core inflation, which has remained moderate (1.9% year-on-year); the high level of inflation nonetheless triggered an automatic increase of wage rates and pensions by 2.5% in early-October, rather than early-2006. With higher wage and price increases than in partner countries, the real effective exchange rate is

Higher energy prices have impacted on inflation and wages

Luxembourg



1. Consumer price index, all items.

Source: Central Service for Statistics and Economic Studies (STATEC); Economic Outlook 78 database.

Luxembourg: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-----------------------------|--|------|------|------|------|
| | Current prices € billion | Percentage changes, volume (1995 prices) | | | | |
| Private consumption | 9.7 | 1.2 | 1.1 | 1.2 | 2.5 | 2.4 |
| Government consumption | 4.0 | 5.0 | 6.2 | 4.1 | 3.5 | 3.0 |
| Gross fixed capital formation | 5.0 | -6.1 | 3.8 | 0.3 | 4.5 | 5.5 |
| Final domestic demand | 18.8 | -0.1 | 2.9 | 1.6 | 3.2 | 3.3 |
| Stockbuilding ¹ | 0.0 | 2.2 | 0.9 | 0.7 | -0.2 | 0.0 |
| Total domestic demand | 18.7 | 2.6 | 3.9 | 2.4 | 2.9 | 3.2 |
| Exports of goods and services | 32.8 | 1.7 | 7.7 | 5.5 | 7.1 | 7.4 |
| Imports of goods and services | 28.6 | 1.4 | 7.8 | 5.3 | 7.0 | 7.0 |
| Net exports ¹ | 4.2 | 0.7 | 1.2 | 1.2 | 1.4 | 1.9 |
| GDP at market prices | 22.8 | 2.9 | 4.5 | 3.5 | 3.7 | 4.5 |
| GDP deflator | – | 2.1 | 2.6 | 3.3 | 3.8 | 3.5 |
| <i>Memorandum items</i> | | | | | | |
| Harmonised index of consumer prices | – | 2.5 | 3.2 | 3.9 | 3.2 | 2.0 |
| Private consumption deflator | – | 1.9 | 1.9 | 2.2 | 2.5 | 2.0 |
| Unemployment rate | – | 3.7 | 4.2 | 4.6 | 5.1 | 5.6 |
| General government financial balance ² | – | 0.2 | -0.6 | -2.3 | -2.1 | -1.9 |

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

2. As a percentage of GDP.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/846603504852>

slowly appreciating. Despite this, Luxembourg still records large current account surpluses (8-9% of GDP), thanks to its exports of financial services.

Fiscal policy is expansionary

The slowdown of activity has taken its toll on public finances. After having recorded a deficit of only 0.6% of GDP in 2004, the general government balance has deteriorated in part due to the free play of fiscal automatic stabilisers, but also to the rapid increase in discretionary outlays. The authorities expect that the public deficit will reach 2.3% of GDP in 2005, with a significant social security surplus partly offsetting a sizable central government deficit. The authorities do not envisage achieving a significant reduction in the deficit of the central government in the 2006 budget, but count on the growing surpluses of the social security and local governments to reduce the overall public deficit.

The economy should regain momentum

The temporary headwinds faced at the beginning of the year should give way to a more positive outlook during the next two years. The rebound of confidence in manufacturing industries in the past two months bodes well for the recovery, as does the increase in order books. The strong foreign demand for Luxembourg's financial and business services is expected to contribute considerable momentum. As well, the recent upswing in total employment will provide crucial support to consumer confidence and personal expenditure. Overall, real GDP growth should gradually build up strength and return toward its trend rate – estimated by the OECD as being between 3½ and 4% – followed by a further increase of employment levels. Headline inflation is projected to fall back, after the recent spike, to closer to the underlying trend of roughly 2%, as energy prices stop rising. A risk to this benign outlook is that inflation rises more sharply, mainly due to second-round effects, leading to a loss in international price competitiveness.

Mexico

Following a slowdown in the first half of 2005 due to weaker foreign demand, growth is expected to pick up after mid year, underpinned by the strengthening of export markets, and increased public investment fuelled by high oil revenues. Headline and core inflation rates have come down to the central bank's target and are expected to continue a gradual decline. Employment is growing at a relatively strong pace.

The central bank eased its stance in the second half of 2005. On the fiscal front, the deficit target of 0.2% of GDP in 2005 will be easily met, thanks to higher-than-projected oil revenues. The draft budget for 2006 targets only a moderate consolidation, as lower oil revenues are assumed. A revenue-enhancing tax reform is needed to address spending needs while reducing the vulnerability of public finances to oil price volatility.

The slowdown experienced in early 2005, after less than two years of solid recovery, is expected to be temporary and leading indicators point to some strengthening of domestic demand after mid-year. Employment in the formal sector has recorded relatively strong growth, matching the continued robust growth of the labour supply. The current account deficit has narrowed, reflecting high oil prices and continued high migrant remittances, while net foreign direct investment inflows continued on a large scale. In the course of 2005, the peso appreciated both against the US dollar and in effective terms (trade weighted).

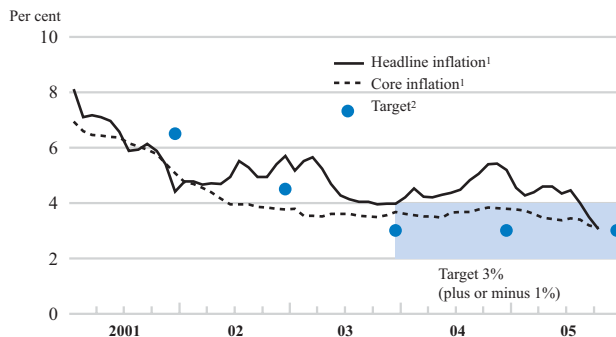
The key driver of growth has shifted from external to domestic demand

Consumer price inflation declined to 3% in October 2005, year-on-year, from 4.5% in January. Core inflation has been declining steadily since the beginning of 2005 and inflation expectations, which also came down, are now within the central bank's target for the consumer price index of 3% with a variability interval of plus or minus 1%. The central bank has been easing the policy stance since August 2005, and short-term interest rates came down to below 9% at end October. The projections are based on the assumption that, after a pause in the first half of 2006 in the run up to the presidential elections, the decline in interest rates will resume, reflecting favourable inflation developments and reduced uncertainties.

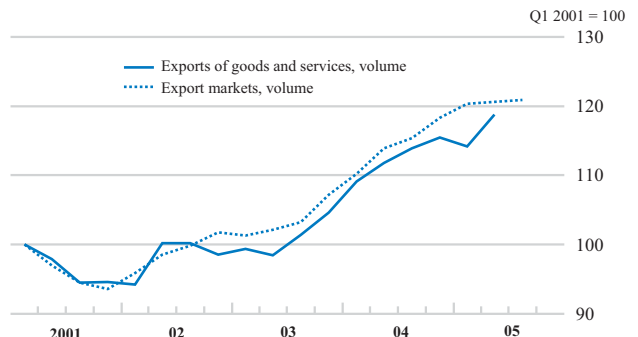
The monetary stance has eased...

Mexico

Inflation declined in the course of 2005



Exports are keeping pace with markets



1. Year-on-year percentage change. Core inflation excludes food and other items with erratic developments.

2. The target is based on the consumer price index headline inflation.

Source: OECD Economic Outlook 78 database; Bank of Mexico.

Mexico: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--------------------------------------|-------------------------------|--|------|------|------|------|
| | Current prices MXN billion | Percentage changes, volume (1993 prices) | | | | |
| Private consumption | 4 326.5 | 2.3 | 5.5 | 4.0 | 4.2 | 4.0 |
| Government consumption | 759.9 | 0.8 | -1.2 | 0.2 | 1.2 | 0.2 |
| Gross fixed capital formation | 1 205.9 | 0.4 | 7.5 | 6.9 | 5.9 | 5.0 |
| Final domestic demand | 6 292.3 | 1.8 | 5.3 | 4.2 | 4.3 | 3.9 |
| Stockbuilding ¹ | 91.7 | -1.0 | -1.1 | -0.2 | 0.1 | 0.0 |
| Total domestic demand | 6 384.0 | 0.7 | 4.1 | 4.0 | 4.4 | 3.8 |
| Exports of goods and services | 1 678.4 | 2.7 | 11.5 | 5.2 | 7.0 | 7.0 |
| Imports of goods and services | 1 794.9 | 0.7 | 10.2 | 7.7 | 7.9 | 7.4 |
| Net exports ¹ | - 116.6 | 0.7 | 0.2 | -1.1 | -0.6 | -0.5 |
| GDP at market prices | 6 267.5 | 1.4 | 4.4 | 3.0 | 3.9 | 3.5 |
| GDP deflator | – | 8.5 | 6.1 | 4.7 | 3.7 | 3.1 |
| <i>Memorandum items</i> | | | | | | |
| Consumer price index | – | 4.5 | 4.7 | 4.0 | 3.5 | 3.3 |
| Private consumption deflator | – | 6.9 | 4.7 | 4.5 | 3.7 | 3.3 |
| Unemployment rate ² | – | 2.5 | 3.0 | 3.6 | 3.4 | 3.4 |
| Current account balance ³ | – | -1.3 | -1.1 | -0.9 | -1.1 | -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 78 database.

Statlink: <http://dx.doi.org/10.1787/037478615584>

**... while fiscal policy settings
remain prudent**

The public sector borrowing requirement (PSBR) is expected to decline to 2.4% of GDP in 2005. Higher oil-related revenues are being used to finance increased spending, mostly investment, and to improve the primary surplus, with a smaller share transferred to the oil stabilisation fund, in compliance with the guidelines for allocating extra revenue. The 2006 draft budget envisages a further decline in the PSBR. A reduction of oil-related revenues is built in the draft budget, roughly consistent with the assumptions underlying the OECD projections.

**The short-term outlook
is favourable...**

Demand will be boosted by the recovery in export growth, higher government spending and sustained expansion of investment and household consumption, the latter being supported by continued high employment growth in the formal sector. Overall, GDP growth should remain around the potential growth rate of 3½ to 4%. The current account deficit is expected to widen somewhat as domestic demand picks up, reaching about 1½ per cent of GDP by 2007, comfortably financed by foreign direct investment.

**... but reforms are needed
to boost longer-term growth**

Mexico's vulnerabilities lie in the dependency of the budget on oil revenue and the deterioration of its competitiveness in the new global environment. The projected expansion will raise average per capita incomes, but not rapidly enough to allow real convergence. Faster growth of living standards will require comprehensive measures to increase productivity and step up potential GDP growth. These should include reforms to the tax system so as to finance development needs on a sustainable basis, as well as reforms to improve the education system, to step up investment and raise efficiency in the electricity industry and to facilitate business operations.

Netherlands

The Dutch economy has gone through a long period of below-trend growth in the past five years. With improving cost competitiveness, stronger export market growth and repaired balance sheets, a recovery is now underway; it is projected to broaden in 2006-07. Headline inflation has increased due to rising energy prices, but core inflation is likely to remain moderate.

In view of the expected expansion, the government should allow automatic fiscal stabilisers to fully operate on the upside. Moreover, measures to further relax strict employment protection legislation (EPL) on regular contracts would increase resilience and reforms aimed at increasing working time over the lifespan would help to strengthen labour supply.

After a long stagnation, there are signs that an economic recovery is underway. Real GDP growth improved in the second quarter, with residential investment and exports rebounding from the low levels at the start of the year. Private consumption, however, continued to provide only a weak stimulus as households' real incomes remained subdued following wage moderation and increases in taxes, pension premia and energy prices. Despite improved profitability, business investment remained stagnant leaving the share of investment to GDP at historically low levels, while employment has continued to contract.

Growth is picking up

Under the impulse of sharply rising energy prices, headline inflation accelerated to 1.7% year-on-year in the third quarter of 2005; nonetheless it remained lower than the euro area average. Higher energy prices have so far not fed into core inflation (the consumer price index excluding energy and unprocessed food prices), which has continued to decelerate thanks to a sharp deceleration of contractual wages to 1% in 2005, down from 3.5% in 2002.

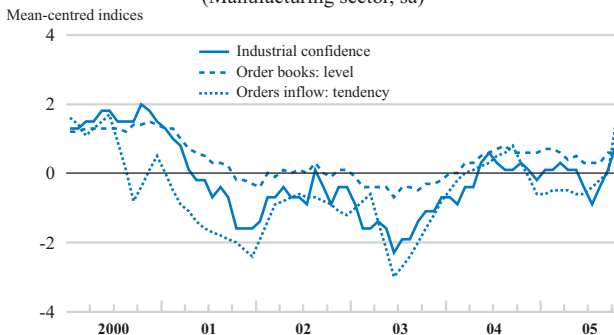
Oil prices have boosted headline but not core inflation

After having been subject to the European Union (EU) excessive deficit procedure, the government has taken consolidation measures both on the expenditure and the revenue sides. This has helped to cut the public deficit to 2.1% of GDP in 2004 and further cutbacks as well as an improved outlook for tax receipts should help to bring the deficit close to 1.6% in 2005. For 2006, by contrast, some degree of fiscal policy loosening is planned through tax cuts and increased outlays, adding up to a

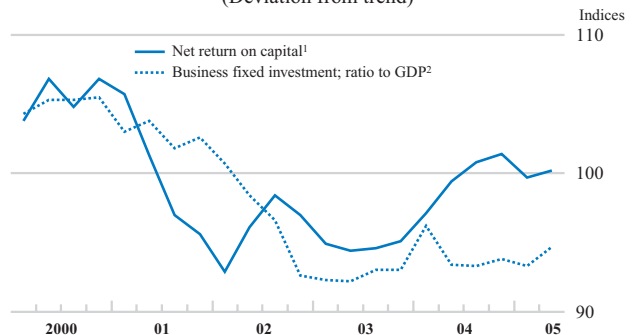
Fiscal policy is set to become more supportive

Netherlands

Industrial confidence and orders are bouncing back
(Manufacturing sector, sa)



Investment is low but profits have improved
(Deviation from trend)



1. Historical trend = 100.

2. Average for 1980-2004 = 100

Source: OECD, *Main Economic Indicators* and European Commission database.

Netherlands: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-----------------------------|------|----------------------------|------|------|------|
| | Current prices € billion | | Percentage changes, volume | | | |
| Private consumption ¹ | 233.0 | -0.7 | 0.0 | 0.2 | -1.7 | 2.0 |
| Government consumption ¹ | 110.2 | 2.4 | 0.0 | -0.6 | 7.3 | 1.5 |
| Gross fixed capital formation | 92.9 | -3.5 | 2.9 | 1.4 | 3.3 | 2.1 |
| Final domestic demand | 436.1 | -0.5 | 0.6 | 0.3 | 1.7 | 1.9 |
| Stockbuilding ² | - 1.3 | 0.2 | 0.2 | -0.4 | -0.1 | 0.0 |
| Total domestic demand | 434.9 | -0.3 | 0.8 | -0.2 | 1.5 | 1.9 |
| Exports of goods and services | 298.4 | 2.0 | 8.5 | 4.3 | 6.1 | 6.4 |
| Imports of goods and services | 268.1 | 2.0 | 7.8 | 3.6 | 5.6 | 6.0 |
| Net exports ² | 30.3 | 0.1 | 0.9 | 0.7 | 0.9 | 0.8 |
| GDP at market prices | 465.2 | -0.1 | 1.7 | 0.7 | 2.2 | 2.5 |
| GDP deflator | – | 2.5 | 0.9 | 1.5 | 2.0 | 1.6 |
| <i>Memorandum items</i> | | | | | | |
| Harmonised index of consumer prices | – | 2.2 | 1.4 | 1.5 | 1.7 | 0.8 |
| Private consumption deflator | – | 2.2 | 1.1 | 1.1 | 1.5 | 1.0 |
| Unemployment rate | – | 4.0 | 4.9 | 6.2 | 5.9 | 5.0 |
| Household saving ratio ³ | – | 5.2 | 7.3 | 6.0 | 7.0 | 7.1 |
| General government financial balance ⁴ | – | -3.2 | -2.1 | -1.6 | -1.8 | -1.5 |
| Current account balance ⁴ | – | 2.8 | 3.3 | 5.8 | 6.8 | 8.0 |

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. 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 78 database.

Statlink: <http://dx.doi.org/10.1787/480377274286>

total of 0.5% of GDP of discretionary stimulus. Based on announced policies, the OECD projects that the budget deficit will rise to 1.8% of GDP in 2006.

*The recovery depends
on exports and domestic
demand*

As world markets continue to grow strongly and the euro area gathers some speed, the economy is expected to benefit increasingly from exports. Improved competitiveness – the results of recent wage moderation and cost cutting – will also help to strengthen the external sector. Moreover, companies have by now repaired their balance sheets and improved their net returns on capital, which has helped to improve their confidence and should strengthen the outlook for business investment. This, in turn, will feed into heightened prospects for employment growth, which is expected to pick up in 2006, helping to boost consumer confidence. Similarly, the factors that weigh on households' real income and spending are projected to dissipate: pension funds no longer need to raise contributions to restore solvency and consumer indebtedness has been curtailed. The rise in energy prices is projected to boost headline inflation in 2006 and to feed somewhat into higher non-energy prices and wages. Core inflation will therefore accelerate – from a low level – thus returning closer to its trend level.

*External risks are
on the downside*

Despite some encouraging signs, the recovery remains fragile. In this context, with the strong reliance on exports, a further appreciation of the euro and an incomplete re-spending of oil revenue by oil-exporting countries represent external risks to the outlook. An early tightening of monetary policy in the euro zone could also weigh on the Dutch recovery.

New Zealand

Activity is projected to slow and capacity constraints to ease, but some imbalances will persist. While rapidly expanding household incomes are likely to temper the effects of higher interest rates on consumer spending, rising wages and other input costs will squeeze business profitability further and curtail investment. Exports should recover as the effects of the exchange rate appreciation wear off and external markets improve. Inflationary pressures will remain important.

Significant monetary tightening has not yet produced a material slowdown in domestic demand growth, and risks of a sharp correction are increasing. The task of bringing the economy back onto a sustainable growth path would be made easier if the government delayed the planned easing in its fiscal stance, thereby allowing a more balanced policy mix for managing current macroeconomic challenges.

Domestic demand remained buoyant in the first half of 2005. Large increases in household real disposable incomes along with wealth effects from surging house prices have sustained private consumption, despite rising interest rates. Government consumption has also been expanding at a rapid pace. But despite only a slight fall in capacity utilisation, business investment is decelerating, reflecting declining profitability and weaker business-sector confidence. Exporters are finally feeling the effects of the higher exchange rate, while falling prices for New Zealand's key commodity exports and rising oil prices together bring to an end the terms-of-trade gains of recent years. Weak export volumes combined with a further upsurge in imports have led to a marked widening in the current account deficit.

Domestic demand has remained strong, but exports have softened...

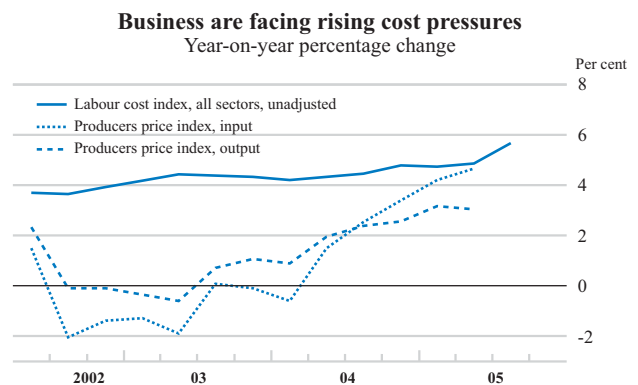
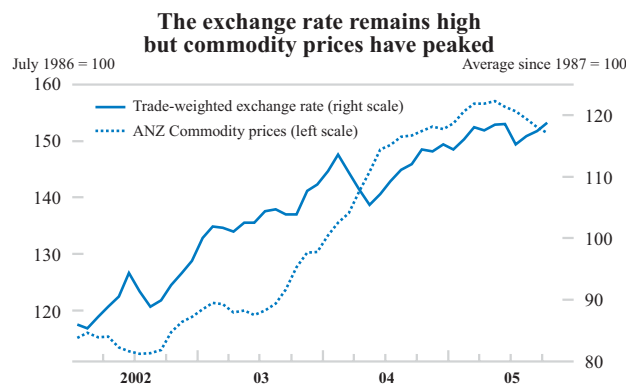
Labour-market constraints persist, even though a remarkable expansion in employment has been largely matched by additions to the labour force: unemployment has now fallen to 3.4%. With many businesses still reporting difficulties in finding skilled and unskilled labour, wages and non-wage labour costs have accelerated. Inflation shows no signs of easing, even after looking through the impact of higher oil prices. Producer output prices have thus far risen more slowly than wages and other input costs, suggesting that further price hikes may be in the pipeline as businesses try to restore margins. Inflation expectations remain close to 3%, the upper limit of the Central Bank's policy target band.

... while prices and wages have accelerated

With excess demand still apparent despite significant monetary tightening, the Reserve Bank raised its official interest rate by a further ¼ percentage point in October. Further monetary tightening may be necessary to bring the economy back onto a more sustainable path. In any case, there is no room for easing monetary policy without risk-

Monetary and fiscal policy are pulling in different directions

New Zealand



Source: Reserve Bank of New Zealand, Statistics New Zealand and ANZ Bank.

New Zealand: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------------------------------|------|----------------------------|------|------|------|
| | Current prices NZD billion | | Percentage changes, volume | | | |
| Private consumption | 75.5 | 5.4 | 6.3 | 4.8 | 3.0 | 2.5 |
| Government consumption | 22.5 | 2.4 | 5.4 | 5.0 | 5.0 | 3.3 |
| Gross fixed capital formation | 26.2 | 11.5 | 13.9 | 6.9 | 1.1 | -1.1 |
| Final domestic demand | 124.3 | 6.1 | 7.8 | 5.3 | 2.9 | 1.9 |
| Stockbuilding ¹ | 1.6 | -0.3 | 0.4 | 0.6 | -0.2 | 0.0 |
| Total domestic demand | 125.9 | 5.8 | 8.1 | 5.2 | 2.8 | 1.8 |
| Exports of goods and services | 42.7 | 2.1 | 5.9 | 0.0 | 7.3 | 8.5 |
| Imports of goods and services | 41.1 | 8.4 | 16.6 | 8.0 | 7.6 | 6.0 |
| Net exports ¹ | 1.5 | -2.0 | -3.1 | -2.4 | -0.3 | 0.5 |
| GDP at market prices | 127.5 | 3.7 | 4.4 | 2.7 | 2.6 | 2.4 |
| GDP deflator | — | 1.8 | 3.7 | 2.5 | 2.5 | 2.0 |
| <i>Memorandum items</i> | | | | | | |
| GDP (production) | — | 3.4 | 4.4 | 2.8 | 2.5 | 2.4 |
| Consumer price index | — | 1.8 | 2.3 | 3.1 | 3.7 | 3.1 |
| Private consumption deflator | — | 0.5 | 0.7 | 1.9 | 2.9 | 2.5 |
| Unemployment rate | — | 4.6 | 3.9 | 3.6 | 3.9 | 4.1 |
| General government financial balance ² | — | 5.3 | 5.5 | 5.3 | 4.6 | 4.3 |
| Current account balance ² | — | -4.5 | -6.6 | -8.7 | -9.1 | -9.0 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/043668355606>

ing higher inflation. Although the overall budget surplus remains substantial, the government's present policy settings imply a pro-cyclical fiscal stimulus in the period ahead. This is counteracting the Bank's efforts to damp domestic demand, resulting in higher interest rates than would be needed under a more neutral fiscal stance.

Activity will slow, but inflation pressures remain high...

GDP is projected to expand more slowly than potential in the coming two years, with excess demand gradually dissipating. But its composition will remain somewhat unbalanced. Private consumption is likely to remain strong, underpinned by swelling household incomes from both wages and income transfers. Government consumption is set to continue on its rapid expansion path. In contrast, business sector investment could be squeezed by the fall-off in profitability due to the combined effects of higher interest rates and continuing high wage rises. Exporters face somewhat brighter prospects as foreign markets expand more rapidly, but only if they are able to keep their costs under control to avoid losing competitiveness. With consumption strength feeding through to imports, the current account deficit could remain very large. Inflation is likely to remain near the top of the target band.

... and the downside risks are considerable

The risks of a sharp slowdown in growth have increased. The squeeze on business sector profitability could be even more pronounced, if there were more significant upward pressure on costs. Alternatively, higher interest rates or a more pronounced correction in house prices could lead households to cut back household spending. And with inflation expectations already high, any signs of second-round effects of higher oil prices would require a further response from the Central Bank. Additional fiscal stimulus beyond that projected would only exacerbate the present imbalances. Finally, foreigners' willingness to finance the large current account deficit could diminish, leading to a sharp fall in the exchange rate and further pressure on inflation.

Norway

Since mid-2003, mainland Norway has experienced a robust cyclical upswing. After booming at nearly 4% in 2005 thanks to strong domestic demand, mainland real GDP growth is projected to slow towards potential in 2006 and ease further in 2007 in response to the withdrawal of monetary stimulus.

With oil revenues surging and pressures for higher public spending rising in 2006, it will become increasingly important to adhere to strict budgetary discipline so as to preserve the credibility of the fiscal rule, following up on declarations of the new government. Gathering inflationary pressures call for a return to a neutral monetary stance.

The Norwegian mainland economy expanded at an annual rate of 3% in the first half of 2005, with no sign of imminent weakening. The upturn is now broadly based, with strong activity in services and in manufacturing alike. Non-oil business investment has recently picked up and the housing market has remained buoyant. Strong private consumption and record high oil investment should bring growth to 3¾ per cent for the year. So far, the recovery has led to an increase in working hours per employee rather than a rise in employment levels. Yet, there are encouraging signs that the Norwegian economy will start creating new jobs. The unemployment rate, still at a relatively high 4½ per cent, should thus begin to turn down soon. Core inflation remains subdued because of low import prices and strong competition pressures. However, some statistical indicators of underlying inflation as well as accelerating domestic prices support the picture of mounting inflationary pressures.

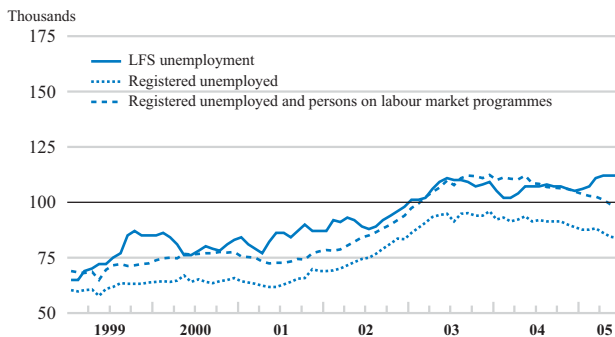
Strong domestic demand is boosting growth

Mainland Norway is showing some signs of mild imbalances. Fuelled by low real interest rates, household credit growth is running at a 12% annual rate and housing price-rent ratios have reached historical highs. The Norges Bank is thus expected to continue a gradual removal of stimulus that started in July 2005 with a cautious hike of a ¼ per cent. Short term interest rates are assumed to rise faster than expected by the market, from a very low level, nonetheless leaving monetary conditions supportive in the near term. On the fiscal side, public spending growth has remained strong up to now despite favourable cyclical developments. However, the budget from the newly elected government implies a stabilisation of the non-oil structural

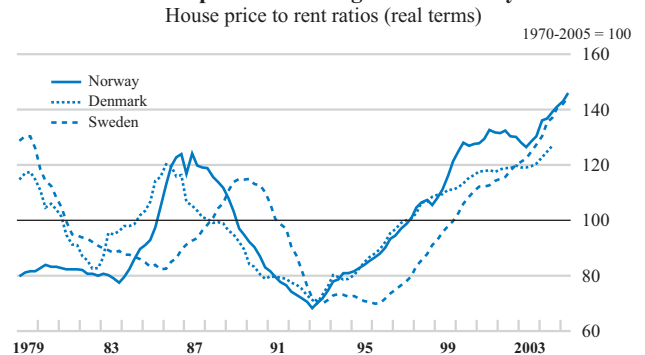
Macro policies are moving towards a neutral stance

Norway

Labour market slack seems to be fading¹



House prices are rising fast in Norway



1. Series are seasonally adjusted.

Source: Statistics Norway, Directorate of Labour and Norges Bank, Statistics Denmark and Statistics Sweden.

Norway: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|----------------|------|--|------|------|------|
| | Current prices | | Percentage changes, volume (2002 prices) | | | |
| | NOK billion | | | | | |
| Private consumption | 680.7 | 3.0 | 4.4 | 3.6 | 3.5 | 2.6 |
| Government consumption | 338.5 | 1.4 | 2.3 | 2.2 | 1.9 | 2.2 |
| Gross fixed capital formation | 274.7 | -2.0 | 9.1 | 10.8 | 7.5 | 2.2 |
| Final domestic demand | 1 293.8 | 1.5 | 4.8 | 4.8 | 4.0 | 2.4 |
| Stockbuilding ¹ | 17.8 | -0.9 | 0.9 | 0.3 | -0.3 | 0.0 |
| Total domestic demand | 1 311.6 | 0.4 | 5.9 | 5.1 | 3.6 | 2.4 |
| Exports of goods and services | 624.4 | 1.6 | 0.9 | -0.9 | 1.7 | 2.2 |
| Imports of goods and services | 416.9 | 2.2 | 9.1 | 5.7 | 5.6 | 4.1 |
| Net exports ¹ | 207.5 | 0.0 | -2.2 | -2.0 | -1.0 | -0.4 |
| GDP at market prices | 1 519.1 | 0.4 | 2.9 | 2.4 | 2.2 | 1.8 |
| GDP deflator | — | 2.4 | 5.0 | 6.8 | 4.5 | 3.5 |
| <i>Memorandum items</i> | | | | | | |
| Mainland GDP at market prices ² | — | 0.7 | 3.5 | 3.7 | 2.8 | 2.5 |
| Consumer price index | — | 2.5 | 0.5 | 1.6 | 2.2 | 2.4 |
| Private consumption deflator | — | 2.6 | 0.7 | 1.2 | 2.3 | 2.2 |
| Unemployment rate | — | 4.5 | 4.5 | 4.6 | 4.1 | 3.8 |
| Household saving ratio ³ | — | 9.9 | 10.2 | 9.3 | 5.7 | 6.3 |
| General government financial balance ⁴ | — | 7.6 | 11.4 | 15.3 | 17.0 | 17.0 |
| Current account balance ⁴ | — | 12.8 | 13.8 | 16.1 | 16.3 | 16.6 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/143247615425>

deficit as a share of mainland GDP in its revised budget for 2006. As a result, the excess spending compared to the fiscal rule is significantly reduced following three years of substantial deviations. The proposed introduction of a dividend tax in 2006 could lead to a fall in household disposable income, which consumers are expected to offset through a lowering of their saving ratio.

The cyclical upturn is expected to continue

Mainland GDP is projected to expand by 2¾ per cent in 2006, close to the potential growth rate, then slow somewhat toward 2½ per cent in 2007. Private consumption and non-oil investment should be the main growth drivers next year. Oil related investments should reach record-high levels in early 2006 leading to strong spillovers in the mainland economy. But business investment projects are expected to slow a bit over the next two years, allowing growth to converge toward its potential rate. The gradual removal of fiscal and monetary stimulus should also limit buoyant domestic demand in 2007. Over the next two years, a slowing productivity per head should translate into the creation of new jobs, pulling the unemployment rate down to slightly below 4%, close to the estimated level of the structural unemployment rate. Because of high profits and fairly good conditions in the exposed sector, which leads the wage round, wages might accelerate somewhat in 2006.

Risk of tensions on the domestic front

The new government has promised higher public spending on education, long term care and municipal infrastructure. There are thus substantial risks of new deviations from the fiscal rule, especially in light of higher oil prices and surging oil revenues. Excessive wage claims could also rise due to a faster than expected fall in unemployment, and fuel inflationary pressures.

Poland

The first half of 2005 saw lower-than-expected economic growth as domestic demand weakened. With electoral uncertainty removed, the future should bring a gradual revival of private consumption and investment activity, while net exports may provide less support to growth. Slow but steady improvement in the labour market should help sustain consumer confidence.

Despite lower economic growth, budget revenues came out above expectations and the general government deficit will be lower than planned. However, reform of public expenditure is still needed in order to ensure medium-term fiscal sustainability. A firm commitment to such reform by the new government might allow earlier relaxation of monetary policy, which has been quite tight recently.

The slowdown in late 2004 proved longer-lived than expected, and economic activity decelerated further in the first half of 2005, with GDP increasing by under 2½ per cent (year-on-year) due to weak domestic demand. Private consumption grew by only 1.6%, despite increases in real wages and in employment. Investment may have been held back by political uncertainty (parliamentary and presidential elections in September and October) and the appreciating exchange rate. The strong zloty did not prevent robust export expansion, however, and net exports contributed significantly to GDP growth. Available data for the third quarter suggest resilient exports but still rather weak domestic demand; industrial production accelerated and consumer and business confidence has held up.

Economic growth disappointed in early 2005

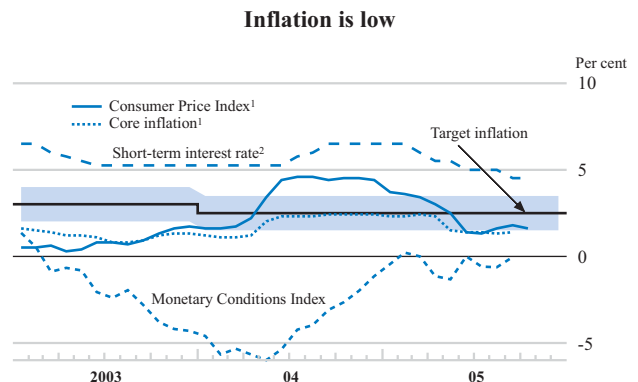
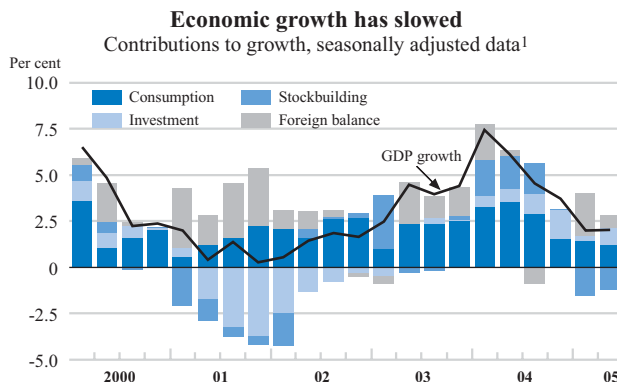
The burst of price inflation after accession to the European Union was promptly followed by increases in central bank interest rates; coupled with the rising exchange rate and the lack of second-round effects in the labour market, these brought inflation down below the floor of the central bank's target band (1½ to 3½ per cent) by June 2005, since when it has fluctuated just above this floor. Price increases are concentrated in the energy-intensive categories, with underlying inflation still very low (1.4% in September) and no wage pressures on the horizon. Policy interest rates followed inflation down, falling 2 points so far in 2005, and OECD projections embody a further half point reduction by the beginning of 2006. Modest gains in employment have continued, and unemployment fell to 17.7% in September, compared with 18.7% a year earlier.

Inflation fell to low levels without significant upward pressures on the horizon

Revised 2004 data show a general government deficit of 3.9% of GDP (on the current Eurostat definition which includes compulsory contributions to private pension

Fiscal reforms are still needed

Poland



1. Percentage change from same period of previous year.

2. National Bank of Poland reference rate.

Source: Central Statistical Office and National Bank of Poland.

Poland: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------------------------------|------|----------------------------|------|------|------|
| | Current prices PLZ billion | | Percentage changes, volume | | | |
| Private consumption | 518.7 | 3.0 | 3.4 | 2.0 | 3.2 | 3.7 |
| Government consumption | 141.2 | 0.4 | 3.5 | 2.2 | 2.0 | 2.0 |
| Gross fixed capital formation | 148.3 | -0.2 | 5.3 | 3.5 | 6.9 | 6.8 |
| Final domestic demand | 808.3 | 2.0 | 3.8 | 2.3 | 3.7 | 4.0 |
| Stockbuilding ¹ | - 1.1 | 0.7 | 1.3 | -0.9 | 0.0 | 0.0 |
| Total domestic demand | 807.2 | 2.7 | 5.0 | 1.5 | 3.8 | 4.1 |
| Exports of goods and services | 231.4 | 14.2 | 10.2 | 9.3 | 12.0 | 10.5 |
| Imports of goods and services | 257.5 | 9.3 | 8.7 | 4.5 | 11.8 | 9.7 |
| Net exports ¹ | - 26.1 | 1.1 | 0.3 | 1.5 | 0.1 | 0.3 |
| GDP at market prices | 781.1 | 3.8 | 5.4 | 3.2 | 3.7 | 4.3 |
| GDP deflator | – | 0.6 | 2.9 | 6.1 | 1.7 | 1.8 |
| <i>Memorandum items</i> | | | | | | |
| Consumer price index | – | 0.7 | 3.4 | 2.2 | 1.9 | 2.1 |
| Private consumption deflator | – | 0.7 | 2.9 | 2.2 | 1.7 | 2.0 |
| Unemployment rate | – | 19.6 | 19.0 | 17.8 | 16.9 | 15.6 |
| General government financial balance ² | – | -4.8 | -3.9 | -3.4 | -3.6 | -3.3 |
| Current account balance ² | – | -2.2 | -4.3 | -1.5 | -0.9 | -0.3 |

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

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

2. As a percentage of GDP.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/010544742805>

schemes in government revenue). Tax revenues have been higher than expected in 2005, so the outcome might therefore be better than expected despite lower economic growth and the fact that a large part of an important fiscal package prepared in 2004 was never implemented. It is not clear what explains the buoyancy of revenues in 2005 and whether it will persist, but there should be room for improvement in the budgetary outlook, depending on the new government's approach to tax cuts and its ability to implement the expenditure-saving measures critical for ensuring longer-term sustainability.

Growth is expected to strengthen gradually

The year 2005 as a whole will see a markedly weaker GDP growth than 2004. But a recovery of private consumption and stronger investment activity should bring about a gradual acceleration of activity during the second half of the year and into 2006. Even so, growth may remain below its potential rate of over 4% until 2007. Sustained by rising employment, moderate real wage increases and pension indexation in 2006, private consumption should regain momentum. Investment will be underpinned by EU co-financing, though still hindered by regulatory and administrative burdens. Both exports and imports are projected to continue rising, but the net exports contribution to GDP growth will be small. Labour productivity will decelerate, but unit labour costs will remain subdued on the back of moderate wage rises. As a result, upside inflation risks are low, allowing the monetary authorities to continue easing.

Public finance and structural reforms remain vital

The new government has yet to announce its detailed economic programme. Continuing to operate with a well-defined monetary policy target should prevent difficulties arising from the probable delay in adoption of the euro, provided a clear vision for fiscal consolidation is established. On the other hand, excessive exchange rate appreciation coupled with too high real interest rates would threaten the pick-up in GDP. Lack of structural reforms in the labour and product markets could also lead to weaker investment and halt the recovery in employment.

Portugal

The Portuguese economy started to recover in the first half of 2005 driven by exports and private consumption. Real GDP growth is expected to gain momentum in 2006 and 2007 but is likely to lag the average growth in the euro area, with the economy still operating well below its potential.

Fiscal consolidation remains the key policy challenge. After a major slippage in 2005 due to strong social expenditure and the cancellation of all one-off measures, the deficit is expected to narrow somewhat over the projection period as a result of higher tax rates, spending freezes and more in-depth reforms on the expenditure side.

After experiencing its second technical recession in less than three years, the Portuguese economy recovered in the first half of 2005. This primarily reflected a jump in private consumption in anticipation of the July value-added tax (VAT) hike and stronger export markets. Most recent short-term indicators point to a somewhat weaker second half. Overall, GDP growth is expected to be below 1% in 2005. Unemployment has continued to rise, reaching 7.4% by mid-year. Inflation has been pushed up both by rising energy costs and by the July increase in the standard VAT rate. The inflation differential with the euro area has again turned positive. Reflecting mainly unfavourable terms of trade, and to a lesser degree a weak export performance, the trade deficit has continued to widen, and the current account deficit is expected to increase by about 2 points, reaching 9.4% of GDP in 2005.

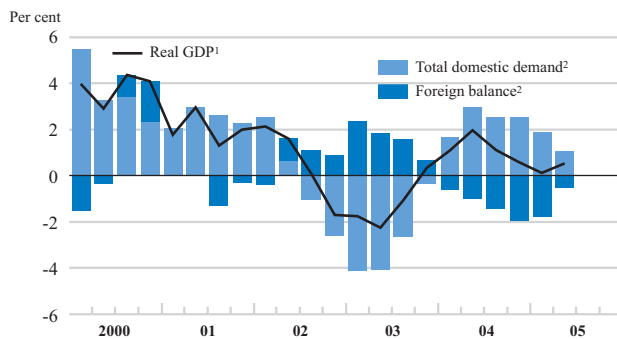
The recovery is still fragile

The fiscal deficit will overshoot the 3% Maastricht limit this year by a sizeable margin, reflecting the cancellation of all planned one-off measures (representing about 2 percentage points of GDP) and stronger-than-initially budgeted expenditure (mainly on pensions and health); these will only be partly offset by the increase in indirect taxes at mid-year and stronger-than-budgeted direct tax revenues resulting from a more efficient tax administration. Overall, the structural deficit may widen by some 2½ points of GDP to 4% of GDP. The budget proposal for 2006 foresees a reduction of the total deficit from 6% to 4.6% of GDP. Most of the adjustment is set to come from the revenue side with an increase in some indirect tax rates, higher direct taxes on higher incomes and for pensioners and further progress in tax administration. On the expenditure side, savings are

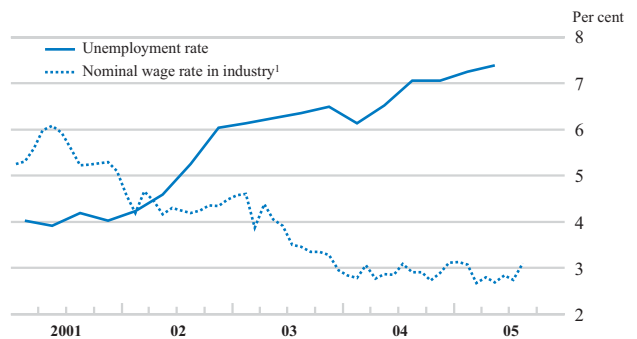
After a major slippage in 2005, fiscal consolidation is set to resume

Portugal

Growth has been driven by domestic demand



Unemployment is rising but wages are sticky



1. Year-on-year percentage changes.

2. Contributions to annual per cent change in real GDP. Percentage points.

Source: OECD Economic Outlook 78 database.

Portugal: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-----------------------------|--|------|------|------|------|
| | Current prices € billion | Percentage changes, volume (2000 prices) | | | | |
| Private consumption | 83.9 | -0.4 | 2.5 | 2.3 | 1.3 | 2.0 |
| Government consumption | 27.1 | 0.3 | 2.4 | 0.8 | -0.8 | 0.1 |
| Gross fixed capital formation | 33.1 | -10.1 | 0.6 | -1.8 | 0.2 | 3.3 |
| Final domestic demand | 144.1 | -2.5 | 2.0 | 1.2 | 0.7 | 1.9 |
| Stockbuilding ¹ | 1.0 | -0.1 | 0.2 | -0.2 | 0.0 | 0.0 |
| Total domestic demand | 145.1 | -2.6 | 2.2 | 0.9 | 0.7 | 1.9 |
| Exports of goods and services | 37.8 | 4.5 | 4.6 | 1.6 | 6.3 | 6.4 |
| Imports of goods and services | 49.1 | -0.7 | 6.7 | 1.8 | 4.4 | 5.5 |
| Net exports ¹ | -11.3 | 1.6 | -1.3 | -0.2 | 0.2 | -0.2 |
| GDP at market prices | 133.8 | -1.2 | 1.2 | 0.8 | 1.0 | 1.8 |
| GDP deflator | — | 2.7 | 2.7 | 1.7 | 2.1 | 1.8 |
| <i>Memorandum items</i> | | | | | | |
| Harmonised index of consumer prices | — | 3.3 | 2.5 | 2.1 | 2.4 | 1.4 |
| Private consumption deflator | — | 3.1 | 2.4 | 2.3 | 2.3 | 1.3 |
| Unemployment rate | — | 6.3 | 6.7 | 7.5 | 7.8 | 7.7 |
| Household saving ratio ² | — | 11.4 | 11.8 | 11.7 | 11.7 | 11.7 |
| General government financial balance ³ | — | -2.9 | -3.0 | -6.0 | -4.9 | -4.6 |
| Current account balance ³ | — | -5.3 | -7.5 | -9.3 | -9.4 | -9.1 |

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

2. As a percentage of disposable income.

3. As a percentage of GDP.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/620066130140>

expected to be achieved through a reduction in public employment and a decrease in real wages (the details on those planned adjustments are still unknown). The budget also foresees further saving resulting from reforms in the health sector (that have already shown some positive impact) and to a lesser degree from the progressive alignment of public pensions on the private regime. Overall, the growth of social spending would slow down from 7% to 5.5%. Assuming that the authorities will not be fully able to achieve the planned reduction in the wage bill and meet the targets for social spending growth, the total deficit is projected by OECD to narrow to 4.9% of GDP in 2006 and, under current policies, to 4.5% of GDP in 2007. This would represent a decline in the structural deficit by 1.2 points of GDP in 2006 but only 0.1 point in 2007. To contain expenditure over the medium term and allow sustained consolidation, faster implementation of the public administration reform and a more fundamental pension reform are necessary.

Growth will gain momentum in 2006 and 2007

Activity is projected to strengthen, driven by stronger export markets. Portugal is nevertheless expected to continue to lose market shares as its price competitiveness further deteriorates. While budget consolidation should not be delayed, its short term impact on aggregate demand might be contractionary. Private consumption is expected to be slightly less buoyant than in recent years, reflecting the effects of tax hikes and the high level of households' indebtedness. Private investment looks set to recover with a lag in 2007. Although narrowing, the negative output gap will still be large at end-2007 and unemployment would not start decreasing until late in 2007. As a result, the inflation differential vis-à-vis the euro area should turn negative once again. The strength of the recovery will largely depend on how the expected upturn in Europe translates into demand for Portuguese exports, which would be helped by greater wage restraint. The main uncertainty in the projections relates to public finances, and in particular the ability to achieve the official target on current expenditure.

Slovak Republic

GDP growth is expected to continue in the 5½ to 6½ per cent range and employment growth is picking up. However, inflation risks are re-emerging and structural unemployment remains very high.

Both monetary and fiscal conditions will need to tighten over the projection horizon, in order to damp inflation risks, further reduce the fiscal deficit, and ensure that the plan to adopt the euro in January 2009 remains credible.

Private consumption growth has remained high, supported by strong real wage growth and a recovery in employment, while growth of gross fixed capital formation has further strengthened. Recent data on retail sales, industrial production and business and consumer confidence suggest that the strong output growth will continue. On the other hand, high imports realted to foreign direct investment (FDI), oil prices, and dividend payments caused the current account deficit to widen to 7.9% of GDP in the second quarter of 2005. Perhaps reflecting the tax and labour market reforms implemented over the past two to three years, employment growth has picked up and the unemployment rate fell to 16.2%, its lowest level since 1999. However, most unemployment is structural and the remaining excess capacity in the economy, as measured by the output gap, is limited.

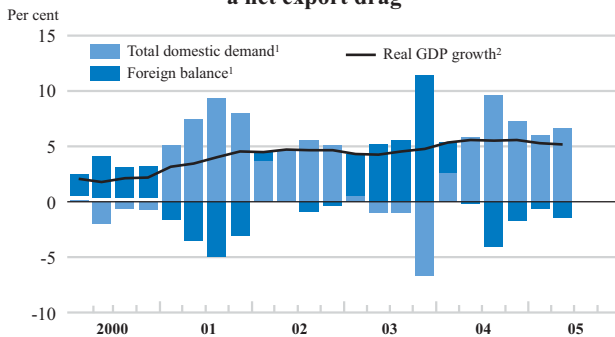
Strong domestic demand continues to underpin robust growth

Both fiscal policy and monetary conditions have recently been stimulatory, given the impact of transfers from the European Union, continued low policy interest rates, and a stable exchange rate. At the same time, however, strong FDI inflows are increasing the production capacity of the economy, and this, together with relatively flexible labour and product markets, has helped to permit high growth without excessive inflation. Indeed, headline consumer price inflation recently reached an all-time low of 2.1%. However, a number of factors, including strong real wage growth, high oil prices, and a large increase in gas prices, are expected to push year-end inflation to around 4% – the top of the inflation target range. If renewed exchange rate appreciation does not occur, tighter monetary policy could be expected next year in order to meet the 2006 and 2007 inflation targets (below 2.5% and 2.0% respectively). Given the Government’s clearly-signalled intention to adopt the euro in January 2009, a renewed tightening in fiscal policy will also be required to meet the Maastricht criterion on government finances by 2007, and this may also help to reduce excess demand in case of over-heating in the domestic economy.

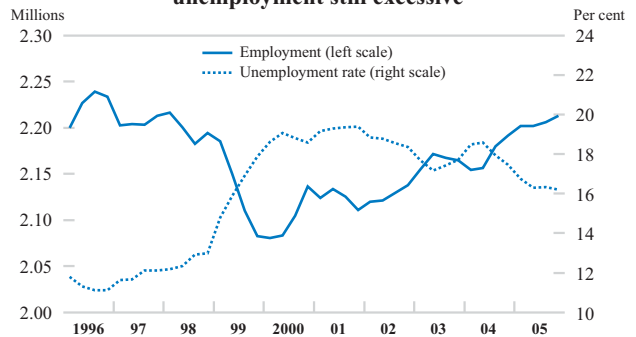
Monetary and fiscal conditions will need to tighten

Slovak Republic

Strong domestic demand has been offsetting a net export drag



Employment situation improving but unemployment still excessive



1. Percentage point, contributions to annual per cent change in real GDP.

2. Year-on-year percentage changes.

Source: OECD, National Accounts.

Slovak Republic: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------------------------------|--|------|------|------|------|
| | Current prices SKK billion | Percentage changes, volume (1995 prices) | | | | |
| Private consumption | 633.6 | -0.6 | 3.5 | 4.9 | 5.6 | 5.1 |
| Government consumption | 220.8 | 2.7 | 1.1 | 1.1 | 3.6 | 1.3 |
| Gross fixed capital formation | 303.5 | -1.5 | 2.5 | 9.5 | 8.8 | 5.2 |
| Final domestic demand | 1 157.8 | -0.2 | 2.8 | 5.3 | 6.1 | 4.4 |
| Stockbuilding ¹ | 18.9 | -1.9 | 3.6 | 0.6 | 0.0 | 0.1 |
| Total domestic demand | 1 176.7 | -2.0 | 6.5 | 5.8 | 5.8 | 4.3 |
| Exports of goods and services | 788.2 | 22.5 | 11.4 | 7.5 | 10.6 | 12.6 |
| Imports of goods and services | 866.3 | 13.6 | 12.7 | 8.1 | 10.9 | 10.9 |
| Net exports ¹ | - 78.1 | 6.5 | -0.8 | -0.4 | -0.2 | 1.9 |
| GDP at market prices | 1 098.7 | 4.5 | 5.5 | 5.3 | 5.6 | 6.2 |
| GDP deflator | — | 4.7 | 4.6 | 2.0 | 2.9 | 2.4 |
| <i>Memorandum items</i> | | | | | | |
| Consumer price index | — | 8.6 | 7.5 | 2.8 | 4.3 | 2.8 |
| Private consumption deflator | — | 7.7 | 6.9 | 4.0 | 3.2 | 3.9 |
| Unemployment rate | — | 17.5 | 18.1 | 16.4 | 15.8 | 15.2 |
| General government financial balance ^{2,3} | — | -3.8 | -3.2 | -4.1 | -4.2 | -3.5 |
| Current account balance ² | — | -0.9 | -3.6 | -6.7 | -6.6 | -2.9 |

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

2. As a percentage of GDP.

3. Deficit definition includes the cost of transferring contributions to the second pillar of the pension system.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/877883366485>

Strong GDP growth and high unemployment to continue...

With low interest rates, a stable exchange rate, and strong business confidence, GDP growth is expected to continue at around 5½ to 6½ per cent per annum, together with strong growth in potential GDP as additional production facilities open. However, the investment needs of the new automobile plants, together with higher oil prices, suggest that the current account deficit will remain large in the short term, before narrowing to around 2-3% of GDP by 2007-08 as new export capacity comes on stream. Since strong FDI flows are expected to continue, this high temporary deficit is not expected to pose any risks. While job creation is also expected to continue, the high unemployment rate will only gradually decrease in the absence of further structural reforms.

... but increasing up-side risks to inflation...

Despite strong growth in potential output, there is probably little remaining spare capacity, as reflected in a pick up in real wage growth, including in low-productivity sectors – perhaps also in response to the recent 6.2% increase in the minimum wage. Much of the increase in nominal wages was associated with high headline inflation in 2004. However, with headline inflation now being boosted by high energy prices, there remains a risk that backward-looking wage setting could jeopardize the achievement of the Maastricht inflation criteria.

... and uncertainty about how much fiscal tightening will be needed

Although the government is expected to continue to cut expenditures over 2006 and 2007, revenues may fall short of expectations if more people than projected by the Ministry of Finance transfer to the funded second pillar of the reformed pension system. Consequently, although the fiscal deficit adjusted for pension reform costs is expected to fall to around 2% of GDP by 2007, the headline deficit could still exceed the Maastricht ceiling of 3%, in which case successful entry to the eurozone would depend on the extent to which allowance is made, under the new Stability and Growth Pact rules, for the costs of the pension reform. Finally, uncertainty about the outcome of the 2007 elections poses risks to the continuity of recent policies.

Spain

Growth should remain strong in 2006 and 2007, close to potential rates (slightly above 3%), driven by buoyant domestic demand and some pick-up in exports following recovery in Europe. Headline inflation is expected to abate somewhat after its recent hike, and core inflation should remain broadly stable, but the differential with the euro area average is likely to persist, further eroding competitiveness.

Moving to a tighter fiscal stance would be desirable to reduce domestic demand pressures and to prepare for the fiscal consequences of ageing. Halting the deterioration in competitiveness will also require making the automatic wage indexation system more flexible. The priority given by the authorities to redirecting government spending to enhance productivity growth is welcome.

Output growth in the third quarter of 2005 reached 3.5% (year-on-year), prolonging the trend of smooth acceleration which started at the beginning of 2004 and pushing up marginally the slightly positive output gap recorded since the beginning of the year. This period of strong growth has been driven by persistently robust increases in consumption and a sharp acceleration in investment. In contrast, the contribution of net exports to growth remained clearly negative, and the current account deficit has continued to widen to unprecedented levels. With the pick-up in employment growth having been sustained by moderate real wage outcomes, the unemployment rate has been on a sharply decreasing trend, falling by about 2½ percentage points since the beginning of 2004 to 8.5% in the third quarter of 2005. Core inflation has remained relatively stable at about 2½ per cent year-on-year in recent months, while headline inflation rose to 3½ per cent in October due to the latest oil price increases. There are no signs of a drop in consumer confidence, but July and August data on domestic sales growth of large companies show some stabilisation after an upward trend since the beginning of the year.

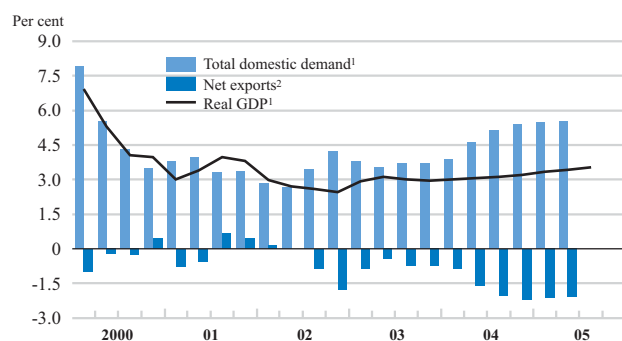
Growth has accelerated due to stronger domestic demand

Monetary conditions remain very relaxed, as euro-area interest rates remain low and Spanish inflation exceeds the euro-area average by about 1 percentage point. Thanks to strong revenues – including from social security contributions of recently regularised immigrants – a slightly positive fiscal balance of about ¼ per cent of GDP is expected for 2005, improving on the small negative figure in 2004. However, abstracting from exceptional expenditures in 2004, this implies a somewhat expansionary fiscal stance in 2005. This stance is likely to be broadly neutral over the projection period, as planned by the authorities. They intend to keep a high priority on productivity-enhancing expenditure through investments in education, R&D and infrastructure, but also to raise social spending, such as minimum pensions.

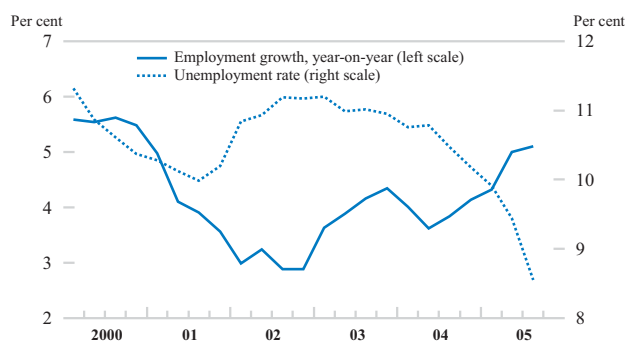
The policy stance remains relaxed

Spain

Net exports are still a drag on activity



Employment growth has picked up again³



1. Year-on-year percentage change.

2. Contribution to GDP growth estimated as the difference between GDP and total domestic demand growth.

3. OECD estimates correcting for break in 2005.

Source: OECD, Economic Outlook 78 database.

Spain: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-----------------------------|--|------|------|------|------|
| | Current prices € billion | Percentage changes, volume (2000 prices) | | | | |
| Private consumption | 424.5 | 2.6 | 4.4 | 4.2 | 3.3 | 3.5 |
| Government consumption | 125.4 | 4.8 | 6.0 | 5.3 | 4.6 | 4.5 |
| Gross fixed capital formation | 191.0 | 5.6 | 4.9 | 6.4 | 5.7 | 5.9 |
| Final domestic demand | 740.9 | 3.7 | 4.8 | 5.0 | 4.2 | 4.4 |
| Stockbuilding ¹ | 2.9 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 |
| Total domestic demand | 743.8 | 3.7 | 4.8 | 5.0 | 4.1 | 4.4 |
| Exports of goods and services | 199.0 | 3.6 | 3.3 | 1.2 | 5.1 | 5.1 |
| Imports of goods and services | 213.9 | 6.0 | 9.3 | 6.3 | 8.1 | 8.2 |
| Net exports ¹ | -14.8 | -0.8 | -1.8 | -1.5 | -1.2 | -1.3 |
| GDP at market prices | 729.0 | 3.0 | 3.1 | 3.4 | 3.2 | 3.3 |
| GDP deflator | – | 4.0 | 4.1 | 3.6 | 3.1 | 3.4 |
| <i>Memorandum items</i> | | | | | | |
| Harmonised index of consumer prices | – | 3.1 | 3.1 | 3.4 | 3.0 | 2.8 |
| Private consumption deflator | – | 2.8 | 3.4 | 3.4 | 3.0 | 2.8 |
| Unemployment rate ² | – | 11.0 | 10.5 | 9.1 | 8.7 | 8.7 |
| Household saving ratio ³ | – | 8.5 | 7.2 | 6.7 | 6.8 | 6.8 |
| General government financial balance ⁴ | – | 0.0 | -0.2 | 0.3 | 0.3 | 0.2 |
| Current account balance ⁴ | – | -3.6 | -5.3 | -7.7 | -8.9 | -9.8 |

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>).

- Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
- 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.
- As a percentage of disposable income. The household saving ratio was estimated by the OECD on the basis of employees' compensation and consumption data from the new national accounts system (base 2000), while other components were taken from the previous system due to their unavailability in the new system.
- As a percentage of GDP.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/002517461403>

Output growth is likely to remain robust

The surge in oil prices is expected to bite into households' real incomes, leading to slower growth in consumption and construction investment up to mid-2006. On the other hand, investment in machinery and equipment should keep expanding due to ample profits and low real interest rates. It could even accelerate from the second half of 2006 as export markets expand more vigorously. For the same reason, the negative contribution of net exports to output growth may moderate somewhat. Overall, GDP growth, which may be close to 3½ per cent in 2005, could be around 3¼ per cent in 2006 and 2007. However, a further widening of the current account deficit – to about 10% of GDP in 2007 – is expected. The unemployment rate is projected to rebound slightly from its third quarter low of 8.5% in line with higher pressures on real wages which might be compensated by slightly faster productivity gains. Core inflation is likely to increase only moderately due to limited spill-over of energy price increases into wages, while headline inflation is expected to fall to below 3% in 2007 from an oil price-related peak of nearly 3½ per cent in 2005.

International and domestic risks seem to offset each other

The main downside risk to the short-term growth projections is from abroad: euro-area countries could fail to raise their domestic demand growth. On the domestic side, the expected deceleration of consumption and construction investment may not materialise if the housing market remains buoyant and underlying inflation picks up (for example, because the wage indexation mechanisms may amplify the effects of the oil price hike), pulling down real interest rates even further. However, should that occur, competitiveness would suffer, with negative implications for the current account and a mounting adjustment problem over the longer term.

Sweden

Despite a slowdown in exports, economic growth remains robust and is being increasingly driven by domestic demand. The expansion should continue with household consumption projected to benefit from an improvement in employment. Investment, and in particular construction, should continue to grow rapidly in response to low interest rates.

The government's plan to improve the labour market situation includes increased public spending for 2006. Inflation remains well below target and the central bank has lowered short term interest rates to historically low levels. Hence, both fiscal and monetary policy are currently expansionary and will have to become more restrictive over the projection period.

Economic activity has gained momentum after a temporary slowdown during the turn of the year of 2004-05. Growth has been mainly driven by domestic demand, supported by the low interest rate environment. The pick-up in household spending also reflected cuts in income and wealth taxes as well as low inflation which supported disposable income. The upswing in investment continued to add to the expansion in 2005, also on account of strong residential investment, which benefited from the rapid increases in house prices as in other Nordic economies. Ongoing growth in the global economy supported exports which grew by 10% in 2004. However, the exceptionally high demand for major Swedish export goods (motor vehicles and telecommunication products) in 2004 has slowed somewhat this year and Sweden has lost market shares. Despite the positive developments in economic activity, total employment declined in 2004. This might be explained by an increase in hours worked due to a decline in sickness leave as well as by continued strong productivity gains. The annual inflation rate remains one of the lowest among European Union countries. This mainly reflects low capacity pressures as well as favourable supply conditions such as the upswing in productivity, increased imports from low-cost countries like China and increased competition in retail markets. In addition, the appreciation of the krona in 2004 kept imported inflation down. On the other hand, higher energy costs have recently put upward pressure on consumer prices.

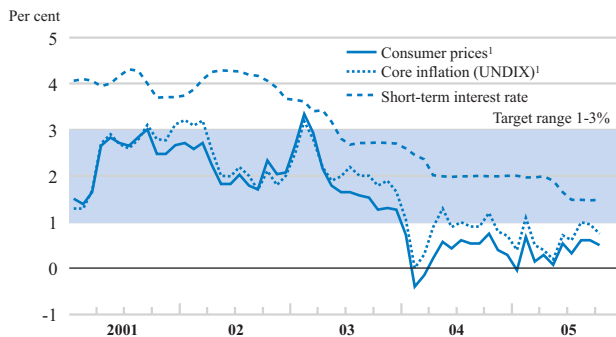
Growth is driven increasingly by domestic demand

Against the background of low inflation and the temporary weakening of the economy at the turn of the year, the central bank lowered its repo rate to 1.5% in June, a level that is below the policy rate set by the European Central Bank. Inflation is expected to rise over the projection horizon as the economy grows above its potential rate and the existing slack is gradually absorbed. Furthermore, productivity growth is expected to slow as the business cycle matures and employment increases. Over the short run, headline inflation is likely to increase on account of higher energy prices and this could

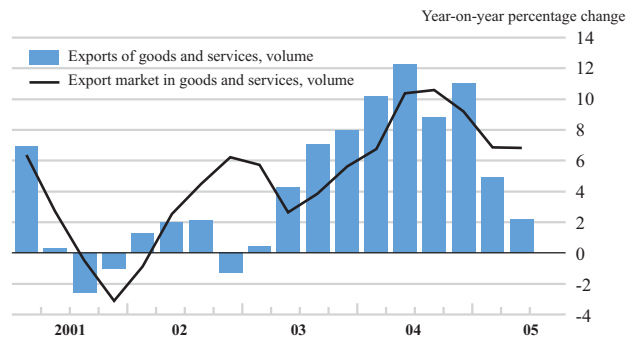
Short-term interest rates will increase gradually

Sweden

Inflation remains low



Exports slow down



1. Year-on-year percentage change.
Source: Statistics Sweden.

Sweden: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------------------------------|----------------------------|------|------|------|------|
| | Current prices SEK billion | Percentage changes, volume | | | | |
| Private consumption | 1 144.4 | 1.5 | 1.8 | 2.3 | 2.9 | 2.4 |
| Government consumption | 657.3 | 0.8 | 0.3 | 0.5 | 1.4 | 0.8 |
| Gross fixed capital formation | 392.1 | -1.5 | 5.5 | 8.2 | 5.3 | 3.8 |
| Final domestic demand | 2 193.8 | 0.8 | 2.0 | 2.9 | 2.9 | 2.2 |
| Stockbuilding ¹ | 1.7 | 0.4 | -0.3 | 0.0 | 0.1 | 0.0 |
| Total domestic demand | 2 195.4 | 1.2 | 1.7 | 2.8 | 3.1 | 2.2 |
| Exports of goods and services | 1 038.3 | 4.9 | 10.6 | 3.9 | 7.6 | 7.8 |
| Imports of goods and services | 880.8 | 4.9 | 7.4 | 3.6 | 6.9 | 6.8 |
| Net exports ¹ | 157.5 | 0.4 | 2.1 | 0.5 | 1.1 | 1.3 |
| GDP at market prices | 2 352.9 | 1.6 | 3.1 | 2.4 | 3.5 | 3.0 |
| GDP deflator | – | 2.0 | 1.3 | 1.3 | 1.8 | 1.5 |
| <i>Memorandum items</i> | | | | | | |
| Consumer price index | – | 1.9 | 0.4 | 0.4 | 1.6 | 2.0 |
| Private consumption deflator | – | 2.3 | 1.2 | 1.0 | 1.9 | 2.2 |
| Unemployment rate ² | – | 4.9 | 5.5 | 5.6 | 4.5 | 4.2 |
| Household saving ratio ³ | – | 8.7 | 8.6 | 10.1 | 9.5 | 9.5 |
| General government financial balance ^{4,5} | – | -0.1 | 1.4 | 1.2 | 0.9 | 1.3 |
| Current account balance ⁴ | – | 7.5 | 8.2 | 7.1 | 6.8 | 6.5 |

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. Based on monthly Labour Force Surveys.

3. As a percentage of disposable income.

4. As a percentage of GDP.

5. Maastricht definition.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/612048658536>

become a more protracted rise insofar as energy prices feed into core inflation. Inflation is likely to move up to the 2% target of the central bank within the next two years and this requires a gradual increase in the repo rate over the projection period.

Fiscal policy is becoming expansionary

In its budget bill for 2006, the government has announced tax and spending measures to boost labour demand. The two-year employment package is designed to create up to 55 000 new jobs and will reduce unemployment, at least over the short run. The expansionary effect of the government's proposals amounts to around 1% of GDP in 2006 and will be supporting economic activity at a time when growth would most likely be healthy anyway. The measures proposed will weaken public finances; the fiscal surplus of 0.9% of GDP in 2006 will be well below the government's target of 2% on average over the cycle.

Employment is likely to improve

Growth in the forecast period is projected to remain robust on account of expansionary policies and ongoing gains in export markets. Reflecting this favourable outlook and the government's focus on job creation, employment is projected to grow significantly in 2006 and 2007 with the unemployment rate falling below 5%. This is likely to support household spending. In addition, private consumption should benefit from increased household wealth due to the recent stock market recovery and, in particular, rapidly rising house prices. As interest rates are projected to rise only gradually, business investment should remain robust. The export sector is expected to develop in line with growth in the main export markets.

Risks of overheating remain

With a stimulative fiscal stance despite strong activity and the emergence of a positive output gap, there are some risks that monetary policy will need to tighten more sharply than projected to avoid an overheating of the economy.

Switzerland

Despite the slowdown in foreign demand in late 2004 and the rise in oil prices in the second half of 2005, the Swiss economy is expected to grow by 1¼ per cent in 2005, which is close to potential. Activity should accelerate in 2006, as the European recovery gathers strength, prompting an improvement on the employment front without generating inflationary pressures.

In the absence of tension on prices, maintaining accommodating monetary conditions in the short term is appropriate until the recovery is firmly established. Control over public expenditure needs to be reinforced, however, particularly in the area of social spending, if sustainable fiscal consolidation is to be ensured. The recent series of measures directed to bolstering competition needs to be pursued in order to stimulate productivity growth.

Following the slight downturn in growth in late 2004, the Swiss economy regained momentum in the first half of 2005. However, activity has grown at only a moderate pace of some 1% annual rate since the start of the year, despite the upturn in exports and improvement in residential investment in the second quarter, because of strong destocking. Recent and leading indicators suggest that the pick-up in production is likely to continue over the coming months. Orders received by industry increased over the summer, as did retail sales. Employment growth remained slow, however, and the unemployment rate has stayed at around 4% for over two years. Despite the rise in energy prices, inflation has remained low, at 1.3% year-on-year in October 2005, while underlying inflation stood at just 0.4%.

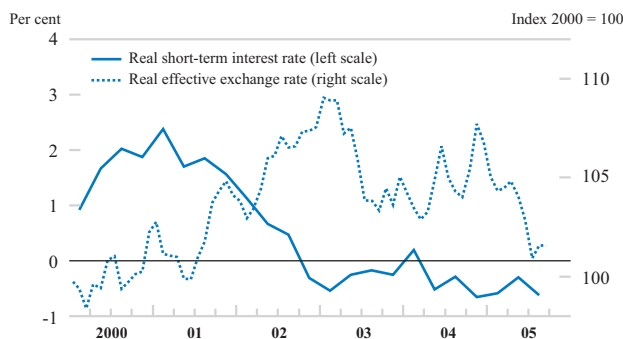
Activity looks set to pick up

Because of the absence of inflationary pressures and sluggishness of economic activity the Swiss National Bank has maintained its expansionary policy. Its main intervention rate, the 3-month Libor, has been at around 0.75% since autumn 2004, and it has been negative in real terms for more than three years. With the Swiss franc stable against the euro of late, more moderate inflation than in Switzerland's main partner countries and the rise in the dollar since end-2004 have brought about a fall in the real effective exchange rate, which has further eased monetary conditions. The

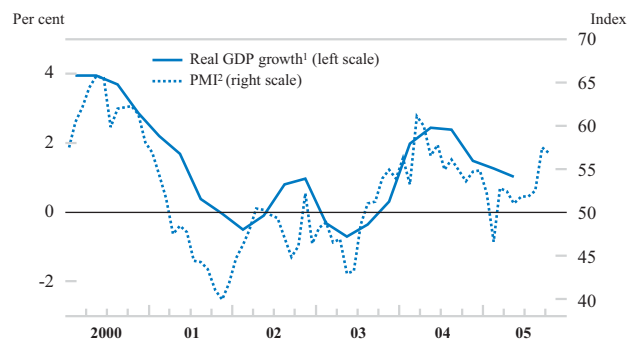
Monetary conditions remain easy

Switzerland

Monetary conditions have remained easy



Activity looks set to pick up



1. Year-on-year change.
2. The Purchasing Managers' Index (PMI) is a forward looking indicator based on the response of 200 managers at Swiss industrial companies about their performance in the current month compared with the prior month. An index below 50 indicates that industrial production is falling.

Source: National Swiss Bank; OECD, *Quarterly National Accounts*.

Switzerland: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------------------------------|--|------|------|------|------|
| | Current prices CHF billion | Percentage changes, volume (2000 prices) | | | | |
| Private consumption | 259.4 | 0.8 | 1.4 | 1.4 | 1.2 | 1.7 |
| Government consumption | 50.4 | 2.2 | 1.4 | 1.0 | 0.2 | 0.5 |
| Gross fixed capital formation | 92.7 | -1.4 | 3.3 | 2.6 | 3.5 | 3.3 |
| Final domestic demand | 402.5 | 0.5 | 1.8 | 1.6 | 1.6 | 1.9 |
| Stockbuilding ¹ | 0.0 | -0.1 | -0.8 | -0.6 | -0.1 | 0.0 |
| Total domestic demand | 402.6 | 0.4 | 1.0 | 1.0 | 1.4 | 1.9 |
| Exports of goods and services | 187.9 | -0.5 | 9.0 | 5.0 | 7.7 | 7.1 |
| Imports of goods and services | 160.1 | 1.2 | 7.5 | 5.2 | 8.2 | 8.1 |
| Net exports ¹ | 27.8 | -0.7 | 1.0 | 0.2 | 0.2 | -0.1 |
| GDP at market prices | 430.4 | -0.3 | 2.1 | 1.2 | 1.7 | 1.8 |
| GDP deflator | – | 1.2 | 0.5 | 0.8 | 1.0 | 0.9 |
| <i>Memorandum items</i> | | | | | | |
| Consumer price index | – | 0.6 | 0.8 | 1.2 | 1.2 | 0.8 |
| Private consumption deflator | – | 0.6 | 1.1 | 1.5 | 1.2 | 0.8 |
| Unemployment rate | – | 4.1 | 4.2 | 4.1 | 3.9 | 3.4 |
| General government financial balance ² | – | -1.5 | -1.4 | -1.6 | -1.2 | -0.8 |
| Current account balance ² | – | 13.3 | 14.6 | 13.2 | 13.5 | 13.6 |

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

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

2. As a percentage of GDP.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/646663753544>

projections assume a gradual rise in short-term rates as of early 2006, once the recovery is more solidly established.

Slight fiscal tightening is expected as of 2006

The general government deficit, in the region of 1.4% of GDP in 2004, is likely to widen in 2005 due to a structural deterioration in the social security accounts. While tight control over spending at the federal level should allow the objective of stabilising the Confederation's deficit at its 2004 level to be met despite the worse-than-expected economic conditions, cantonal deficits are likely to increase somewhat. The social security accounts are also expected to worsen, particularly invalidity insurance. Fiscal policy will become a little more restrictive as of 2006 as a result of tightening up at the federal level. The Confederation's draft 2006 budget and 2007-09 financial plan aim at restoring the structural balance of the federal accounts by 2007 through spending restrictions.

The recovery could gather pace in 2006

Whereas higher oil prices could temporarily weaken demand in late 2005 and early 2006, the persistently accommodative monetary policy and lower real exchange rate should prompt an acceleration of production by spring 2006. Growth could reach 1¾ per cent in 2006 and 2007, as a result of the increased buoyancy of the external environment and investment. This will help employment and private consumption to strengthen as uncertainty about the European recovery fades. The fall in unemployment, which will be clearly significant as of mid-2006, ought not to trigger inflationary pressures, even if the price of oil remains high. With the output gap remaining slightly negative, prices should not rise by more than 1% over the coming two years. However, the upturn could be jeopardized by any further delay in the pick-up in demand in Europe, which would also weigh on the confidence of Swiss households and firms.

Turkey

On the back of further improvements in domestic and international confidence following the opening of accession negotiations with the European Union, GDP growth is expected to remain strong at around 6% in 2006 and 2007.

The rigorous macroeconomic policy framework should be maintained. Growing capital inflows are putting upward pressure on the currency, emphasizing the need for an acceleration of the reforms needed to improve the flexibility and competitiveness of the economy.

GDP growth slowed to 4.5% in the first half of 2005 from 5.7% in the previous half-year, with most spending components remaining strong but household consumption slowing from 10% in 2004 to a more sustainable pace of 4.2% in the first half of 2005. Industrial production has remained robust on the back of strong exports. Non-farm employment rebounded at a rate of 8% in the first half of 2005 but the unemployment rate has fallen only marginally, because of the growing labour force and declining farm employment. The trade and current accounts have worsened considerably in spite of the slowdown in growth, because of higher oil prices and vigorous real import growth which has outstripped export growth. At the end of August the 12-month deficit reached a record high 6.4% of GDP.

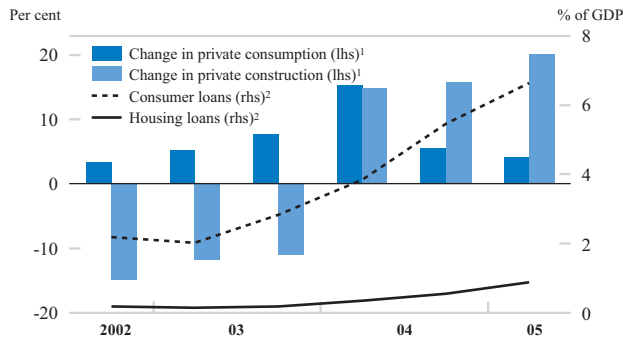
Growth is slowing to a more sustainable pace but the external deficit has increased

Monetary and fiscal policies are likely to meet their targets for 2005. Headline inflation has already fallen to its 8% end-year target by August, in spite of strong increases in oil-dependent items and in services, while core inflation has fallen below 7%. Fiscal performance has also remained on track, with the cumulative primary surplus of the consolidated budget by the end of September indicating that the year-end target should be reached despite a worse-than-budgeted social security deficit. The overall fiscal balance improved even more, thanks to the declining risk premia and interest rates. Against the background of continuing macroeconomic stability and strong growth, the signing of a new three-year Stand-By agreement with the International Monetary Fund in May and, most importantly, the opening of accession negotiations with the European Union in October, domestic and international confidence was further boosted. A long-awaited acceleration of the privatisation programme, which included large sales to foreign investors, further improved investor sentiment. The related “loss” of dividend revenues

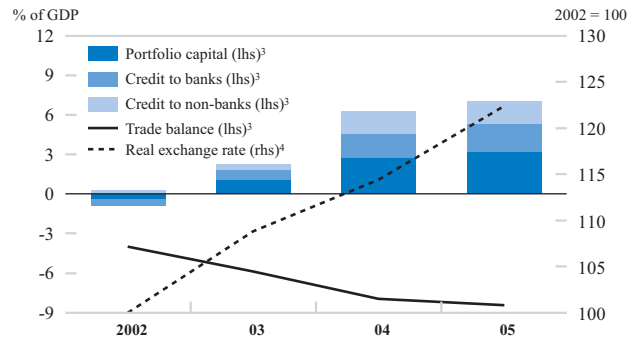
Sound economic policies and the start of the EU accession process are fueling confidence

Turkey

The strong increase in consumer and housing credit



Capital inflows put pressure on competitiveness



1. Year-on-year percentage change, 1987 prices.
 2. Outstanding loans as a percentage of GDP.
 3. Data for 2005 are for the 12 months ending in August.
 4. Real exchange rate on the basis of consumer prices.
- Source: Central bank of Turkey.

Turkey: Demand, output and prices

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--------------------------------------|-------------------------------|--|------|------|------|------|
| | Current prices TRL billion | Percentage changes, volume (1987 prices) | | | | |
| Private consumption | 184.4 | 6.6 | 10.1 | 4.5 | 5.3 | 5.4 |
| Government consumption | 38.7 | -2.4 | 0.5 | 4.5 | 4.5 | 2.0 |
| Gross fixed capital formation | 46.0 | 10.0 | 32.4 | 16.5 | 14.1 | 15.8 |
| Final domestic demand | 269.2 | 6.5 | 14.1 | 7.5 | 7.6 | 8.1 |
| Stockbuilding ¹ | 13.1 | 3.0 | 1.1 | 0.0 | 0.1 | 0.1 |
| Total domestic demand | 282.3 | 9.3 | 14.1 | 6.9 | 7.1 | 7.7 |
| Exports of goods and services | 81.1 | 16.0 | 12.5 | 9.0 | 10.5 | 9.0 |
| Imports of goods and services | 85.2 | 27.1 | 24.7 | 10.7 | 13.0 | 11.5 |
| Net exports ¹ | -4.1 | -3.1 | -4.9 | -1.1 | -1.7 | -1.9 |
| Statistical discrepancy ¹ | -0.6 | 0.0 | -0.1 | -0.3 | 0.2 | 0.2 |
| GDP at market prices | 277.6 | 5.8 | 8.9 | 5.8 | 6.0 | 6.4 |
| GDP deflator | - | 22.5 | 9.9 | 7.6 | 5.9 | 4.3 |
| <i>Memorandum items</i> | | | | | | |
| Consumer price index | - | 25.3 | 10.6 | 8.0 | 6.2 | 4.5 |
| Private consumption deflator | - | 21.8 | 7.9 | 5.5 | 4.6 | 3.9 |
| Unemployment rate | - | 10.3 | 10.1 | 10.0 | 9.7 | 9.3 |
| Current account balance ² | - | -3.4 | -5.1 | -6.2 | -6.6 | -6.7 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/562473133038>

from privatised firms could put some pressure on the fiscal outlook, however, and privatisation revenues should be used for reducing public debt.

Increasing capital inflows pose challenges

Foreign capital inflows have accelerated. In the first seven months of 2005 net foreign direct investment and long-term international loans to the private sector reached \$9.5 billion (3% of GDP), and portfolio inflows have also been very strong at \$7.8 billion (2.6% of GDP). In turn, the effective exchange rate has appreciated by 8% in real terms on a consumer price index basis. This is helping to reduce inflation and interest rates further, and raise real incomes. However, capital inflows are also fuelling some exuberance in credit and real estate markets, and the stronger exchange rate is putting additional adjustment pressures on the business sector. As a result exporters' profit margins have been squeezed. While parts of the business sector have been able to adjust in response to these challenges, others, particularly in import-competing industries, have lost competitiveness. Given that strong capital inflows are likely to persist, the authorities will need to accelerate the pace of structural reforms so as to improve the flexibility and competitiveness of the economy.

The strong central scenario is surrounded by risks

With business confidence strengthening, the slowdown in the first half of 2005 is not projected to persist, and the economy is likely to grow at around 6% in 2006 and 2007. Labour productivity growth will also remain strong. Given the projected increases in the labour force the unemployment rate is likely to remain above 9%. However, this central scenario is surrounded by important risks. The extremely rapid growth of private credit, if it were to be accompanied by a decline in its quality, could generate strains in the banking system. Moreover, the competitiveness of the industrial sector may further deteriorate if the strong pace of real currency appreciation continues; any resulting worsening in the current account may raise the risk of an abrupt adjustment. Turkey is also vulnerable to a rise in international interest rates, and its macroeconomic and political stability is of utmost importance for preserving international confidence and continued capital inflows.

Brazil

Output growth has gained momentum since the second quarter and should pick up further over the near term. Private consumption has been resilient, and investment is on the rise. Both the trade and the external current accounts remain in healthy surpluses, despite the rising demand for imports as a result of the strengthening of the real.

Prudent macroeconomic management needs to continue to anchor expectations. Rapid disinflation has paved the way for on-going monetary easing, and the end-year inflation target is now within reach. Fiscal performance remains strong, benefiting from buoyant revenue, and a further fall in the public debt-to-GDP ratio in 2005-07 would be desirable.

Having experienced vigorous growth in 2004, the economy slowed in the first quarter of 2005 but has recovered since the second quarter. Private consumption has been fuelled by booming consumer credit, falling unemployment and rising real earnings. Following a weak first quarter, investment has subsequently picked up due in part to sustained consumer demand but also to favourable external conditions and stronger fundamentals. Export growth remains vibrant owing both to high commodity prices and, especially, the performance of non-commodity trade. Imports are rising. On the supply side, the expansion of manufacturing has outpaced that of the rest of the economy, with the production of capital goods and consumer durables especially dynamic.

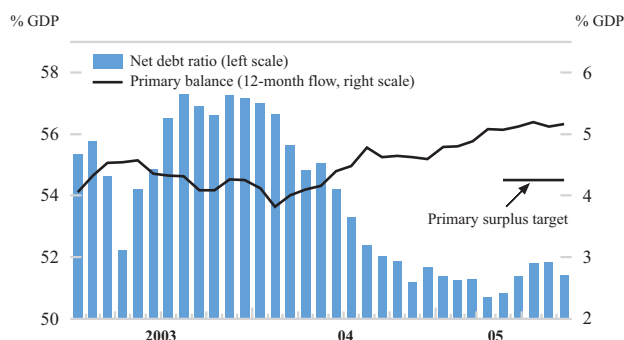
Growth is picking up

The cycle of monetary tightening, which had lasted one year, came to an end in September with a 25 basis-point reduction in the policy interest rate, followed by a further 50 basis-point cut in October to 19%. Wholesale price disinflation has been more pronounced than expected, and inflation expectations are trending down, laying the groundwork for attaining the 4.5% target in 2006. The appreciation of the Brazilian *real* in the course of the year – which owes much to the robust trade surpluses and foreign direct investment inflows, as well as monetary restraint – has tightened monetary conditions further, but the rapid expansion of consumer credit has somewhat mitigated the impact of monetary policy on activity. Benefiting from a supportive international financial environment and historically

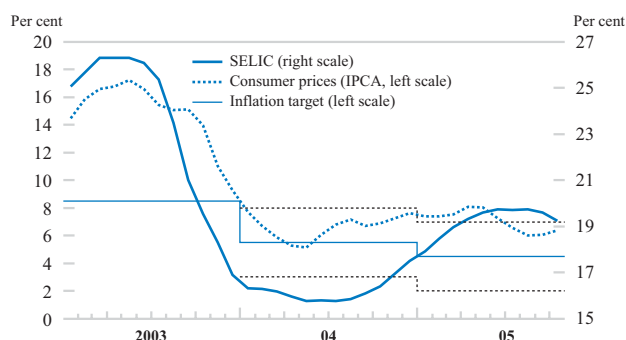
Monetary policy is easing...

Brazil

Fiscal performance remains strong¹



The monetary stance is easing²



1. Refers to the consolidated public sector.

2. The dotted lines are the bands around the central target.

Source: Central bank to Brazil.

Projections for Brazil

| | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|
| Real GDP growth | 4.9 | 3.2 | 3.7 | 3.9 |
| Inflation | 7.6 | 5.5 | 4.7 | 4.5 |
| Fiscal balance (per cent of GDP) | -2.7 | -3.7 | -2.7 | -1.5 |
| Primary fiscal balance (per cent of GDP) | 4.7 | 4.3 | 4.3 | 4.3 |
| Current account balance (\$ billion) | 11.7 | 12.5 | 6.0 | 3.0 |
| Current account balance (per cent of GDP) | 1.9 | 1.6 | 0.7 | 0.3 |

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: Data for 2004 are from national sources. Data for 2005-07 are OECD projections.

Statlink: <http://dx.doi.org/10.1787/174137286304>

low sovereign risk *premia*, reserves are being replenished and future external debt service commitments pre-funded.

... but the fiscal stance could be tightened

The consolidated primary budget surplus is well above the end-year target of 4.25% of GDP, primarily on account of buoyant revenue. It would be advisable to use these above-target savings to retire debt, rather than allowing for a fiscal expansion towards year-end. Public debt management has benefited from favourable financial conditions, and the Treasury has recently issued an international *real*-denominated bond, a significant step toward reducing the public sector's exposure to foreign exchange risk and refinancing costs. Floating-rate debt continues to be replaced by instruments paying fixed coupons, but it still accounts for over one-half of the outstanding debt stock. In support of sustained fiscal consolidation, the draft 2006-08 budget guidelines law proposes the capping of current primary expenditure at the federal level in relation to GDP.

The impetus for structural reform appears to be waning

The new legislation on bankruptcy and public-private partnerships has been a significant step forward in structural reform. Nevertheless, on-going political turbulence due to allegations of wrongdoing in campaign financing against the current administration is disrupting the legislative calendar. Congressional approval is still pending for legislation on the regulatory agencies. The pace of structural reform is unlikely to increase over the coming months.

The near-term prospects remain favourable...

Nevertheless, a combination of strengthening fundamentals and renewed resilience bode well for a pick-up of growth over the medium term. Inflation is likely to remain tame, but an uptick associated with higher energy prices is possible in the near term. Further monetary easing is set to spur growth, together with supportive credit and labour market conditions. Fiscal policy is likely to remain on track. As a result, domestic demand is expected to continue to be the main driver of growth, aided by continued dynamism in investment. The external sector should continue to contribute positively to growth, albeit with declining vigour.

... despite downside risks

There are both domestic and external risks to this predominantly positive outlook. On the domestic front, the main risk is the degree to which supply will expand in line with the strengthening of domestic demand, heading off concerns about inflation. The political calendar, with the presidential election in October 2006, may also add uncertainty to the outlook. On the external front, persistently high oil prices, as well as a reversal in global financial market conditions and its ensuing effect on investors' appetite for emerging market assets, remain the main downside risks.

China

Economic growth in China has remained rapid in 2005 buoyed by a strong contribution from the external sector. During the projection period, output growth may stay above 9% and seems likely to be driven by domestic demand, as fiscal and monetary policies have been eased, moving to a more neutral stance, while the effective exchange rate has appreciated slightly. Nonetheless, the current account surplus, after increasing markedly in 2005, is unlikely to fall relative to GDP and may continue to increase in nominal terms. Inflation is projected to decline to under 4%, when measured by the GDP deflator.

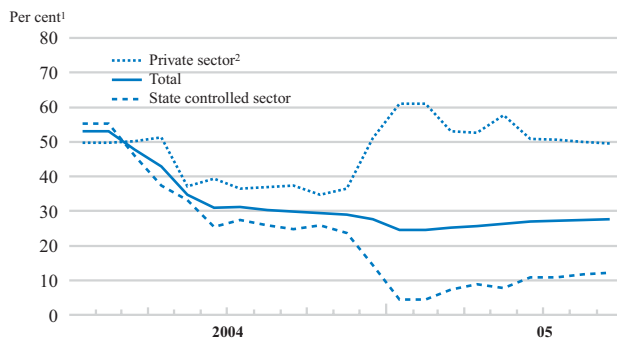
Increasing stress is likely to emerge in the interaction between the authorities' exchange rate and monetary policies, given the continued size of the current account surplus and capital inflows. A further appreciation of the exchange rate would help to resolve these problems and guard against resurgence in inflation. It would also help move economic policy towards the use of market instruments, reducing the need for administrative control of credit and thereby reinforcing the progress that has been made in reforming the banking sector in the past year.

GDP growth has continued at around 9½ per cent in 2005. Private consumption growth has remained strong, especially in rural areas that have benefited from selective tax cuts. Investment has also been buoyant but has changed markedly in its composition. Private sector capital formation has soared following government clarification that outlays in this sector were free from administrative controls. However, the growth of investment by state-controlled industries and in construction projects has slowed markedly. In addition, the pace of inventory accumulation appears to have slackened. These developments slowed the growth of imports. On the other hand, there has been continued strong expansion of exports resulting, in part, from the initial liberalisation of international trade in textiles and clothing. Overall, growth in 2005 has been driven by the movement in the real foreign balance, which is likely to have increased by 3½ percentage points of GDP, bringing the projected current account surplus to \$150 billion (almost 8% of GDP). Inflation, as measured by the GDP deflator, has moderated as agricultural prices have stabilised.

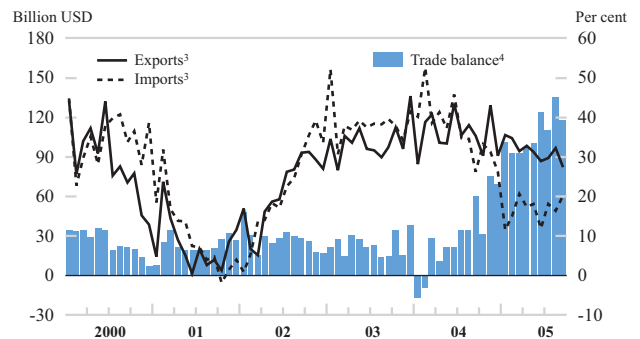
**Rapid growth continues
as foreign balance rises**

China

Private sector investment remains buoyant



Exports have outpaced imports recently



1. Percentage increase year-on-year in the cumulated within-year data.
2. Including collective enterprises.
3. Right axis, year-on-year percentage change in seasonally adjusted dollar values.
4. Left axis, seasonally adjusted annual rate.

Source: CEIC with OECD seasonal adjustment.

Projections for China

| | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|
| Real GDP growth | 9.5 | 9.3 | 9.4 | 9.5 |
| Inflation ¹ | 6.5 | 4.2 | 3.5 | 3.7 |
| Fiscal balance (per cent of GDP) ² | -0.9 | -0.7 | -0.9 | -1.1 |
| Current account balance (\$ billion) | 69 | 148 | 192 | 202 |
| Current account balance (per cent of GDP) | 4.2 | 7.8 | 8.9 | 8.3 |

Note: The figures given for GDP and inflation are percentage changes from the previous year.

1. Inflation refers to the implicit GDP deflator.

2. National accounts basis which includes both on-budgetary and extra-budgetary accounts.

Source: Data for 2004 are from national sources except for the fiscal balance which has been estimated.

Statlink: <http://dx.doi.org/10.1787/686686487755>

Policies become less tight

Fiscal and monetary policies have been eased during 2005, with both moving from a restrictive to a more neutral stance. With a rebound in expenditure, the fiscal deficit seems likely to fall by much less than in 2004. Looking forward, government proposals, both on the revenue and spending side, may widen the deficit again. Monetary policy has become neutral, with the growth of credit now moving in line with nominal GDP. This has mainly been achieved by administrative guidance as short-term and longer-term interest rates have fallen in the past six months, reflecting a greater willingness of the authorities to allow capital inflows to impact on domestic market conditions. By November, short rates had dropped to 1.3%. In 2006 and 2007, while the headwinds from domestic policy may lessen, there may be an offsetting impact from the nearly 8% appreciation in the effective exchange rate that has occurred since March.

Domestic demand increasingly drives growth

Such a policy stance is likely to bring some re-orientation of the sources of growth away from foreign and towards domestic demand during the projection period. Despite the rise in the exchange rate and the brakes imposed on textile imports by a number of economies, China is likely to continue to increase its share of world trade in the projection period, albeit less rapidly than in 2005. With the stance of domestic policy being broadly neutral and real incomes benefiting from lower inflation, some pick up in domestic demand seems likely. Private sector investment may remain buoyant given strong profitability, while construction activity may rebound due to an easing of the restrictions on the conversion of land from agricultural to commercial or residential uses. With internal demand accelerating and a slight exchange rate appreciation, the growth of imports will help to stem the rise in the current account surplus relative to GDP, which increases only slightly over the projection period. At the same time, inflation is likely to remain benign, as food and high-tech import prices fall, though an expected realignment of fuel prices to world market levels may eventually raise inflation.

Monetary policy under stress

The key risk to the projection comes from the interaction between exchange rate policy, monetary policy, and demand growth. Monetary policy is being driven in an expansionary direction by the accumulation of foreign exchange reserves. Over time, the likelihood that administrative controls over bank lending will be bypassed may increase, bringing even faster growth and higher inflation. This risk is accentuated by the absence of exogenous downward pressures on inflation as were present in 2005. The probability of this risk materialising could be reduced by a further relaxation of controls over outward capital controls, but past experience suggests that the impact of such changes might be marginal. A better route would be to allow a further appreciation of the currency. Moreover, such a move might reduce the extent of reliance on the administrative management of credit that is likely to limit the substantial progress that has been made in reforming the banking sector in the past year.

Russian Federation

Despite extremely favourable shifts in the terms of trade, real GDP growth has slowed in 2005 and is set to decelerate gradually over the projection period. This is largely the result of a policy-induced deterioration in the investment climate at a time when capacity constraints were already starting to affect performance.

In these circumstances, mounting pressure for further fiscal easing should be resisted. The cut in the value-added-tax now being considered by the authorities would be particularly ill advised, as it would needlessly stimulate already booming consumption, fuelling inflation and undermining competitiveness. A renewed structural reform effort, underpinned by fiscal discipline, could boost investor confidence and contribute to increasing potential output.

Preliminary official data show real GDP growth slowing from 7.2% in 2004 to 5.9% in the first three quarters of 2005. This was principally the result of a further gradual deceleration in the growth of fixed investment and of a sharp slowdown in export growth. The role of domestic demand in driving growth thus continues to increase. Consumption growth is being sustained by rapidly rising real incomes and by explosive growth in consumer credit, which is estimated to account for around one-third of the growth of private consumption in January-September.

Growth has slowed somewhat in 2005...

On the production side, the slowdown has been widespread, with the growth of manufacturing and resource extraction both decelerating markedly. Construction also slowed but appears to have rebounded strongly in recent months. The slowdown in oil-sector investment in 2004 has been reflected in sluggish growth of oil output and exports. The growth of market services has held up much better, on the back of strongly rising domestic demand, and managerial surveys suggest that service-sector growth continues to be very robust.

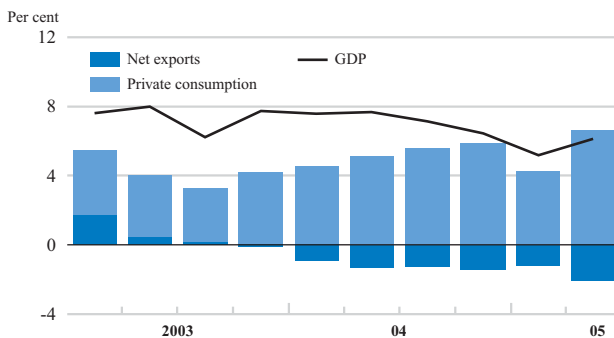
... with services and construction becoming more important recently

Consumer price inflation is certain to exceed the authorities' target range in 2005. Core inflation has been running below the headline measure – which also reflects the impact of sharp increases in regulated prices – but is proving extremely difficult to bring down, given rapid money supply growth on the back of large forex

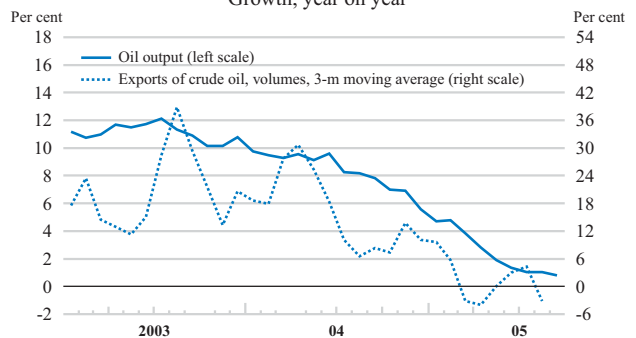
Disinflation is proving difficult given demand-side pressures

Russian Federation

Growth is overwhelmingly consumption-driven



Oil-sector growth has slowed markedly
Growth, year on year



Source: Russian Federal Service for State Statistics.

Projections for the Russian Federation

| | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|
| Real GDP growth | 7.2 | 6.1 | 5.7 | 5.3 |
| Inflation | 11.7 | 11.3 | 10.7 | 10.0 |
| Fiscal balance (per cent of GDP) ¹ | 4.5 | 7.3 | 4.0 | 2.5 |
| Primary fiscal balance (per cent of GDP) ² | 5.6 | 8.3 | 4.8 | 3.2 |
| Current account balance (\$ billion) | 60 | 91 | 81 | 57 |
| Current account balance (per cent of GDP) | 10.3 | 12.3 | 9.2 | 5.5 |

1. Consolidated budget.

2. Federal budget only.

Source: Data for 2004 are from national sources. Data for 2005-07 are OECD estimates and projections.

Statlink: <http://dx.doi.org/10.1787/621347505081>

inflows, wage increases in industry that exceed productivity gains, and fiscal stimulus, particularly the rapid growth in budget-sector wages and pensions.

Fiscal policy is being loosened

Fiscal policy has been relaxed somewhat in 2005, with a further loosening planned for 2006, when further sharp rises in public sector wages and pensions are envisaged. The extent of fiscal easing has so far been limited – this year has seen substantial sterilisation of oil windfalls via early debt repayment and the accumulation of the bulk of surplus revenues in the fiscal stabilisation fund. However, the decision to spend a much larger share of oil windfalls than hitherto comes amid signs that capacity constraints are starting to make themselves felt, so higher fiscal spending will add to inflationary pressures. Given the reduced role for fiscal sterilisation of oil windfalls, the central bank will probably have to tighten monetary policy and accept a faster rate of rouble appreciation if it is to get inflation back on a downward path. The pressure on monetary policy would be reduced if the authorities were to implement the finance ministry's recent proposal to channel surplus revenues derived from natural gas royalties and export duties on gas and petroleum products into the stabilisation fund during periods of high oil prices. This would help reduce inflationary pressures while simultaneously mitigating somewhat the upward pressure on the exchange rate.

Structural reform has stalled and state intervention increased

Structural reform has largely stalled, and there seems at present to be little reason to expect any renewed reform impetus in the near term. In general, implementation of those reforms legislated during 2002-03 continues, albeit at uneven rates, but little has been done about the remaining items on the government's structural agenda. Instead, there has been further movement towards expanding the direct role of the state in "strategic" sectors, including power-generation machines, aviation, oil and finance. Given the Russian state's abysmal record when it comes to owning and operating businesses, this trend hardly bodes well for growth.

Growth will moderate but will remain relatively strong

The economy appears to remain on course for growth of around 6% for the year. Assuming a slight decline in oil prices, supply-side constraints should become more apparent and growth should decelerate over the projection period. This will be partially offset if investment growth picks up somewhat after the sharp slowdown seen in 2004 – 05. Import growth will remain at fairly high levels throughout the projection period, though it should moderate somewhat in 2007 as oil prices weaken, particularly if the authorities adhere to their medium-term fiscal strategy, which envisages a slowdown in expenditure growth in 2007. However, further fiscal easing is entirely possible and would tend to boost domestic demand, import growth and inflation, while undermining the competitiveness of the tradable sector.

III. RECENT HOUSE PRICE DEVELOPMENTS: THE ROLE OF FUNDAMENTALS

Introduction and summary

In the vast majority of OECD economies, house prices in real terms (the ratio of actual house prices to the consumer price index) have been moving up strongly since the mid-1990s (Figure III.1).¹ Because of the important role housing wealth has been playing during the current upswing,² this chapter will look more closely at what is underlying these developments, with a view to shedding some light on whether or not prices are in line with fundamentals.

Real house prices increased unusually rapidly in recent years

The chapter begins by putting the most recent housing price run-ups in the context of the experiences of the past 35 years. It then examines current valuations against a range of benchmarks. It concludes with a review of the links between a possible correction of housing prices and real activity. The highlights from this analysis are as follows:

This chapter examines...

- A number of elements in the current situation are unprecedented: the size and duration of the current real house price increases; the degree to which they have tended to move together across countries; and the extent to which they have disconnected from the business cycle.
- While concerns have been expressed in several quarters about high housing prices, the evidence examined here suggests that overvaluation may only apply to a relatively small number of countries. However, the extent to which these prices look to be fairly valued depends in good part on longer-term interest rates, which exert a dominant influence on mortgage interest rates, remaining at or close to their current low levels.
- If house prices were to adjust downward, possibly in response to an increase in interest rates or for other reasons,³ the historical record suggests that the drops (in real terms) might be large and that the process could be protracted, given the observed stickiness of nominal house prices and the current low rate of inflation. This would have implications for activity and monetary policy.

... several aspects of the current episode which are unique...

... and the role of fundamentals in determining prices

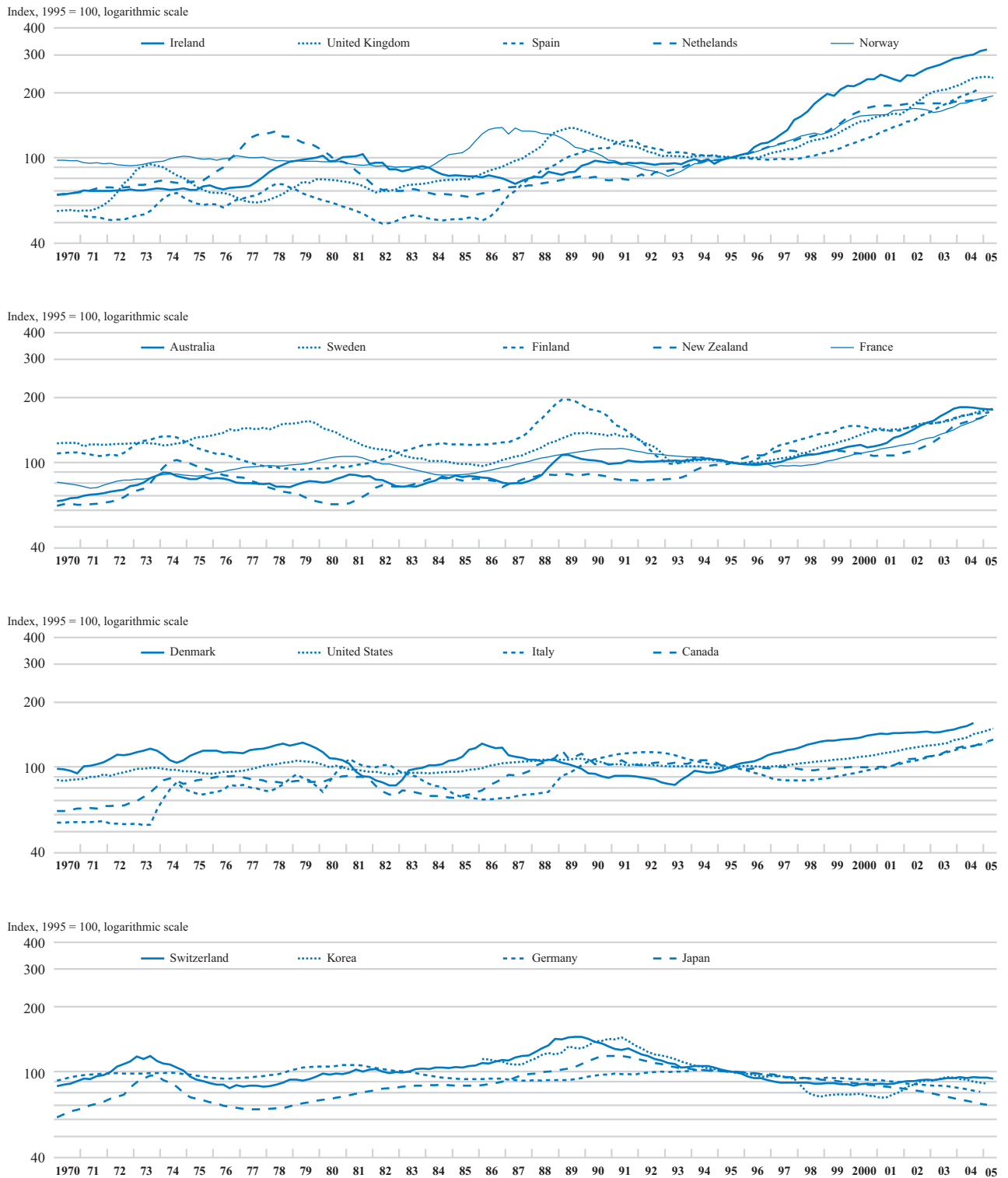
Current low inflation levels could influence any downward adjustment

1. In Figure III.1, real house prices of the 18 OECD countries for which there is information over the period from 1970 to the present are grouped by the extent of the increases and decreases they have experienced since the mid-1990s. The frequency, definitions and quality of the data vary greatly across countries. Data for Korea start only in 1986. The sources for the series used are detailed in Table III.4 in the Appendix.

2. See Catte *et al.* (2004).

3. See Borio and McGuire (2004) who document a tendency for house prices to fall about a year or so after equity prices have peaked and note that once prices fall, the declines tend to take on a life of their own.

Figure III.1. Real house prices have generally been rising
Nominal price deflated by the overall consumer price index



Source: Table III.4 in the Appendix and OECD, *Main Economic Indicators*.

This house price boom is different

The magnitude and duration of house price cycles

Various statistical and other criteria will be used to put the current period of real house price increases into historical perspective. Based on a procedure to date house price cycles,⁴ it appears that, to the extent that there is an “average real-house-price cycle” over the period under consideration, it has lasted about ten years. During the expansion phase of about six years, real house prices have increased on average by around 45%. In the subsequent contraction phase, which lasts around five years, the mean fall in prices has been on the order of 25%. By implication, at least since 1970, real house prices have fluctuated around an upward trend, which is generally attributed to rising demand for housing space linked to increasing per capita income, growing populations, supply factors such as land scarcity and restrictiveness of zoning laws, quality improvement and comparatively low productivity growth in construction.⁵

Up to the mid-1990s, real house price cycles had certain characteristics

To put the current large run-ups in these prices in perspective, the characteristics of what are considered *major* real house price cycles are calculated (Table III.6 in the Appendix). To qualify as a major cycle, the appreciation had to feature a cumulative real price increase equalling or exceeding 15%.⁶ In this context, the current housing price boom differs from the average of past experiences in two important respects.

However, the current increases in prices...

- First, the size of the real price gains during the current upturn is striking. For Australia, Denmark, France, Ireland, the Netherlands, Norway, Sweden, the United Kingdom and the United States, the cumulative increases recorded in the recent episode have far exceeded those of previous upturns. With the exception of Finland, real house prices in the countries experiencing gains are above their previous peaks.
- Second, its duration has surpassed that of similar past episodes of large real price increases for almost all countries. It is at least twice as long in the Netherlands, Norway, Australia, Sweden and the United States.

... has surpassed those of previous episodes...

... and their durations have been longer

The link with the overall business cycle

Comparing an aggregate real house price index with the output gap for the OECD as a whole (Figure III.2),⁷ house-price and business-cycle turning points roughly coincided from 1970 to 2000, although in some upturns prices appear to have lagged changes OECD-wide slack. The current house price boom, however, is strikingly out of step with the business cycle.

Recent house price gains have been both atypically countercyclical...

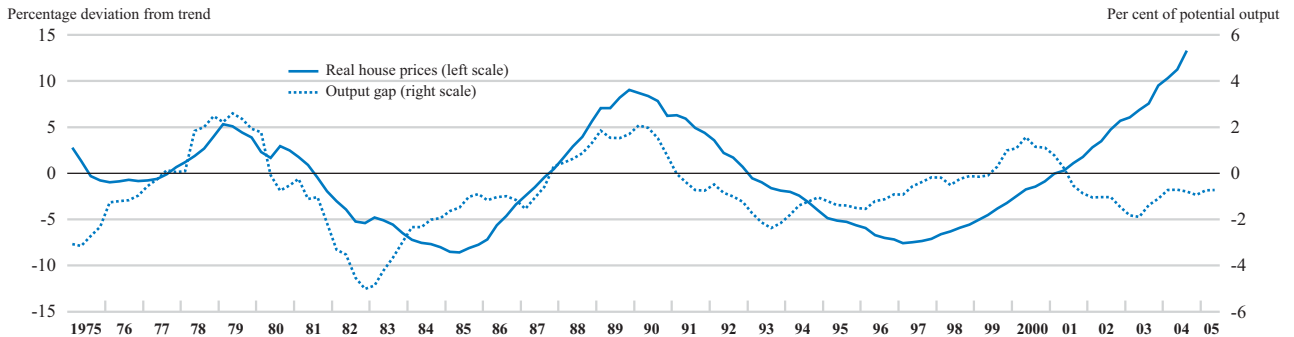
4. In this chapter, the timing of turning points is determined using the Bry and Boschan (1971) cycle-dating procedure, described by Harding (2003). Restrictions were imposed to ensure that the periods of increases and decreases had a minimum length of six quarters so as to avoid spurious cycles. Once the turning points are known, the length of each cycle can be identified. Based on this approach, the main features of the real house price cycles are detailed in Table III.5.

5. See for example Evans and Hartwich (2005) and Helbling (2005).

6. This criterion identified 37 such episodes, corresponding to about two large upswings on average per 35 years for English-speaking and Nordic countries and to 1½ for the continental European countries. Any choice of what is “a large increase” is necessarily *ad hoc*. A similar procedure to that used here, employed by Helbling (2005), identifies boom and bust episodes when a price change exceeded 15%.

7. The aggregate real house price index has been calculated using purchasing power parity-adjusted GDP weights.

Figure III.2. OECD real house prices and the business cycle



Note: Real house prices have been detrended using a linear trend. The OECD aggregate has been computed using GDP weights in 2000 in purchasing power parities.
Source: OECD Economic Outlook 78 database and OECD calculations.

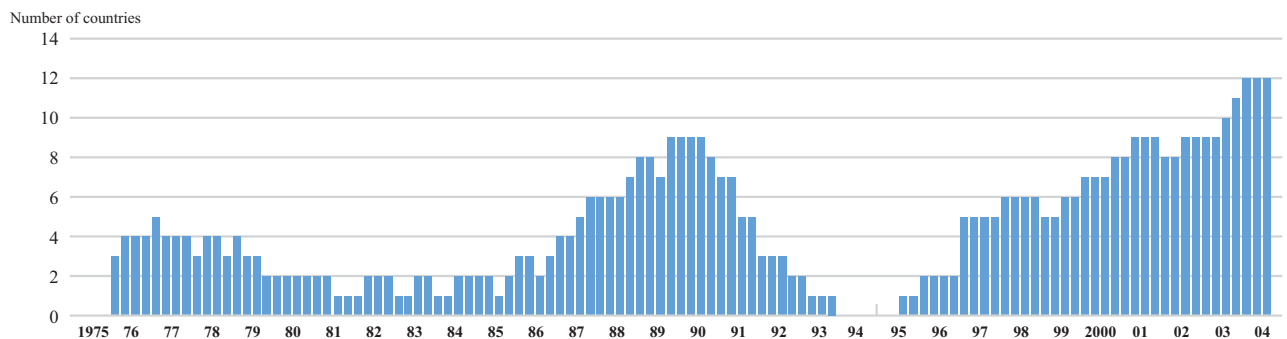
*... and far more common
across countries than before*

The current upswing is also more generalised across OECD countries than in the past.⁸ In particular, a historically high number of countries have been experiencing fairly large increases in house prices since the mid-1990s (Figure III.3).⁹ A combination of generalised low interest rates across OECD economies, coupled with the development of new and innovative financial products, have no doubt played an important role.

*Downward adjustments have
usually been large*

Of the 37 large upturn phases between 1970 and the mid-1990s, 24 ended in downturns in which anywhere from one third to well over 100% of the previous gains in real terms were wiped out. This in turn had negative implications for activity, particularly consumption.

Figure III.3. Cross-country coincidence of real house price increases
Number of countries (out of 17) with over 25% increase in real prices over the previous five years



Source: Table III.4 in the Appendix.

8. Otrok and Terrones (2005) argue that global factors, including low real interest rates and global business cycles, are important determinant of house price cycles.
9. A large price increase is defined as twice the mean annual change (which amounts to 5%) over a five-year period, for a total of a 25% increase. Other criteria, for instance price changes of at least one standard deviation from the mean, show a similar pattern. See for example, Ahearne *et al.* (2005).

House prices and their underlying determinants

Unique and dramatic house price increases are not necessarily evidence of overvaluation. To address this issue, it is necessary to relate these prices to their putative underlying determinants. To this end, evidence from econometric models, affordability indicators and asset-pricing approaches, respectively, is examined below, supplemented by a qualitative discussion of other factors affecting house prices.

Assessing overvaluation requires benchmarks

Evidence from econometric models¹⁰

Econometric models can be used to compute the “fundamental” price, as determined by demand (derived on the basis of factors such as real disposable income, real interest rates and demographic developments) and supply (derived from factors influencing the available housing stock).

Model-based evidence points to overvaluation...

The literature reviewed for this study was confined to recent research (see Table III.7 in the Appendix). It suggests that prices are broadly in line with what were identified as their main determinants in Denmark, Finland, France, the United States and Norway. The findings are mixed for the Netherlands. However, they uniformly point to overvaluation in the United Kingdom, Ireland and Spain.

... in the United Kingdom, Ireland and Spain but not elsewhere

The results from any econometric study, however, can be subject to a number of valid criticisms. For example, it cannot be excluded that the estimated relationship is unstable, possibly because the price elasticities of supply and demand vary over time, due for instance to changes in regulatory conditions, demographic developments and taxes that cannot be adequately taken into account.¹¹ Ongoing structural changes in some economies also may not be captured correctly by such methods. Given the margin of uncertainty, this evidence needs to be complemented by other approaches.

This evidence should be complemented with other approaches

Affordability of housing

One summary measure commonly used to assess housing market conditions is the price-to-income ratio, a gauge of whether or not housing is within reach of the average buyer. If this ratio rises above its long-term average, it could be an indication that prices were overvalued. In that case, prospective buyers would find purchasing a home difficult, which in turn should reduce demand and lead to downward pressure on house prices. Figure III.4 shows the ratio of nominal house prices to per capita disposable income (as well as the ratio of prices to rents, to be discussed next). For almost all the countries shown, the price-to-income ratios in 2005 are substantially above their long-term averages. In the countries with the largest house price increases (Ireland, the Netherlands, Spain and the United Kingdom) as well as in Australia and New Zealand, these ratios exceed their long-term averages by 40% or more. In Canada, Denmark, France and the United States, the run-up has been more moderate but these values still represent historical peaks. The main exception is the

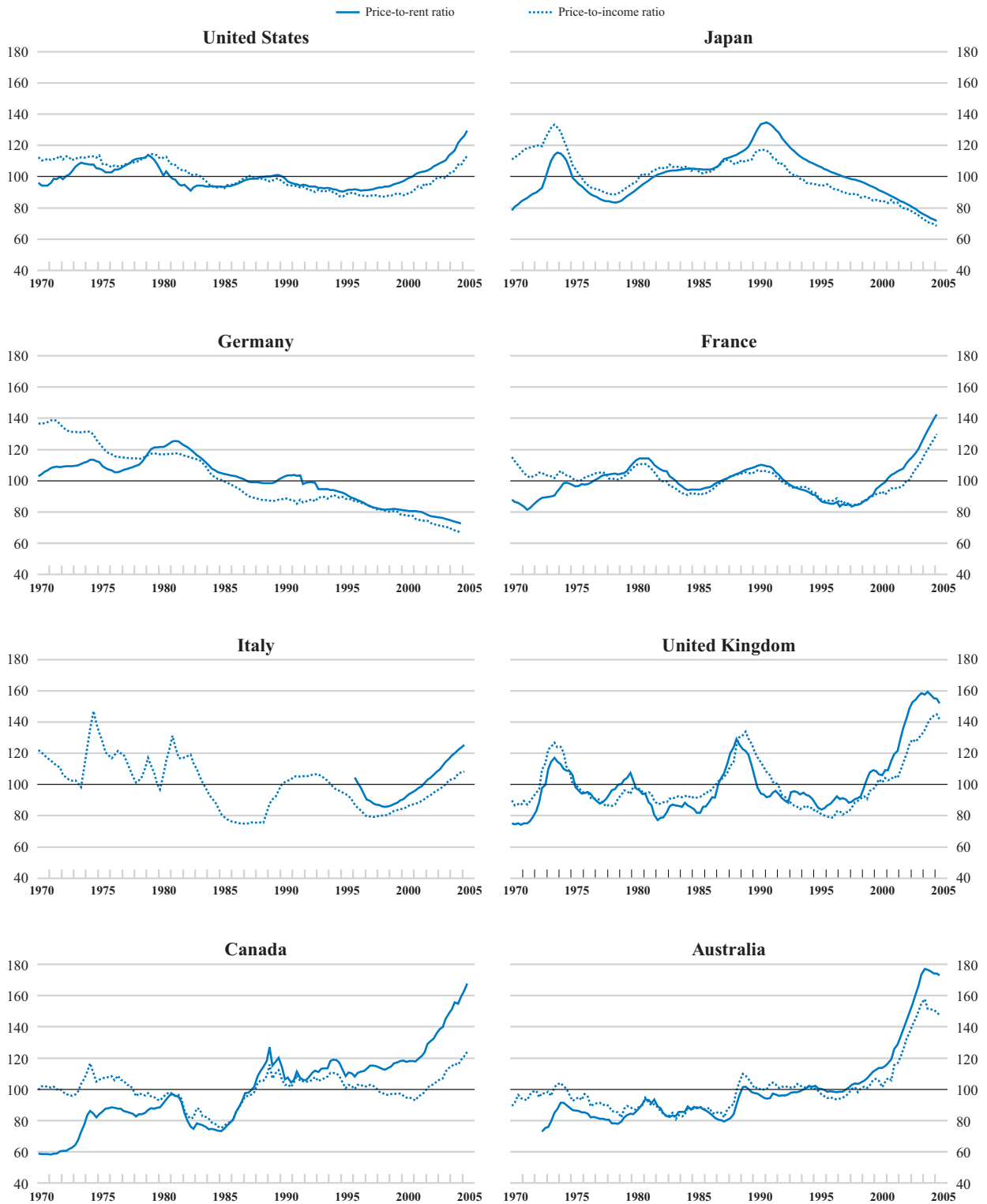
By themselves, affordability indicators point to overvaluation

10. Typically, the specification of these models is a long-run (co-integration) relationship between the house price and these determinants, which is then embedded in an error-correction mechanism. The interpretation of the co-integrating relationship provides an estimate of “equilibrium” or long-term house prices, against which current prices can be evaluated.

11. See for example Gallin (2003) and Gurkaynak (2005) stressing several drawbacks from using an econometric approach for such purposes.

Figure III.4. Price-to-income and price-to-rent ratios

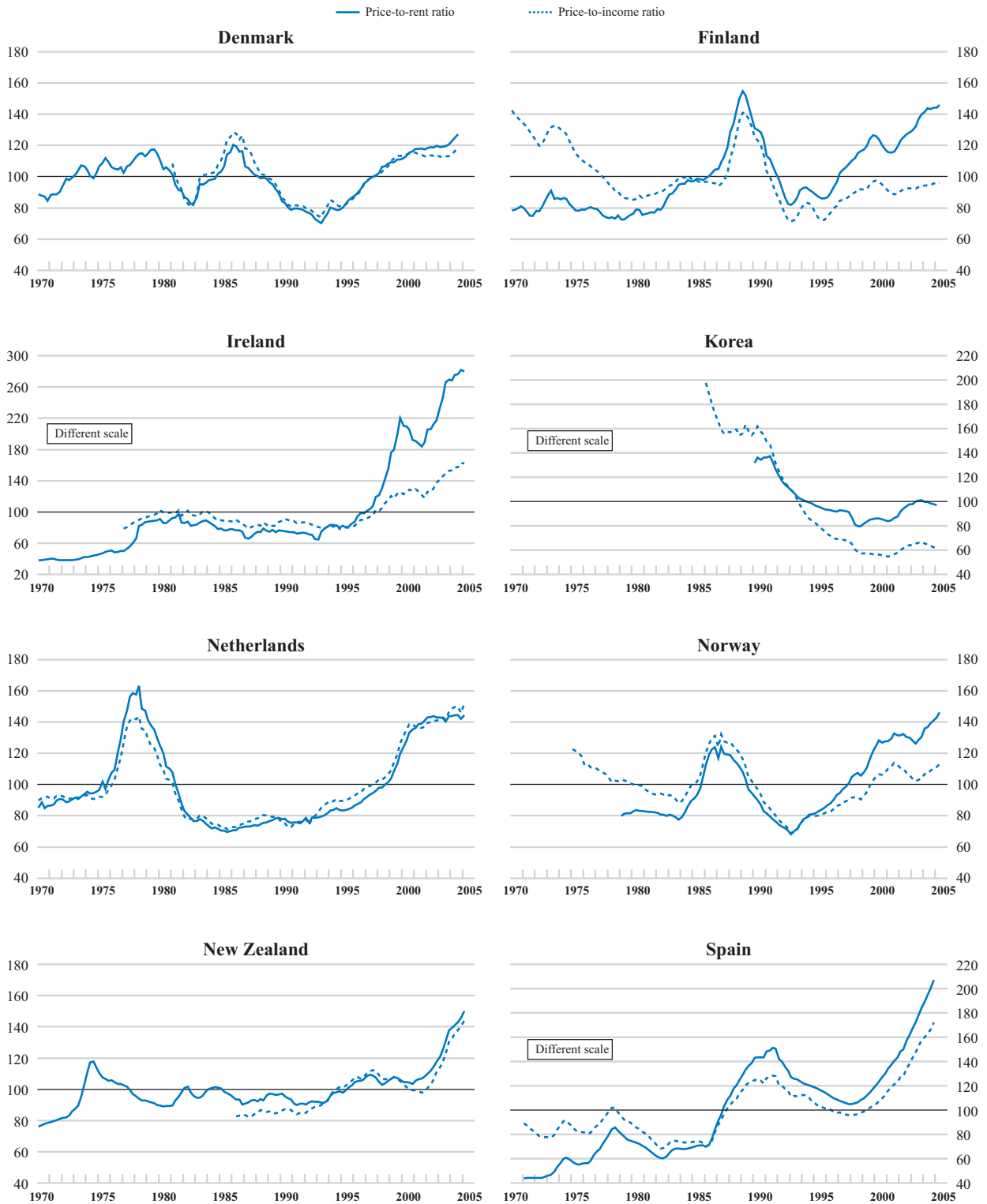
Sample average = 100



Source: Table III.4 in the Appendix; OECD Economic Outlook 78 database for income and OECD, *Main Economic Indicators*.

Figure III.4. Price-to-income and price-to-rent ratios (cont.)

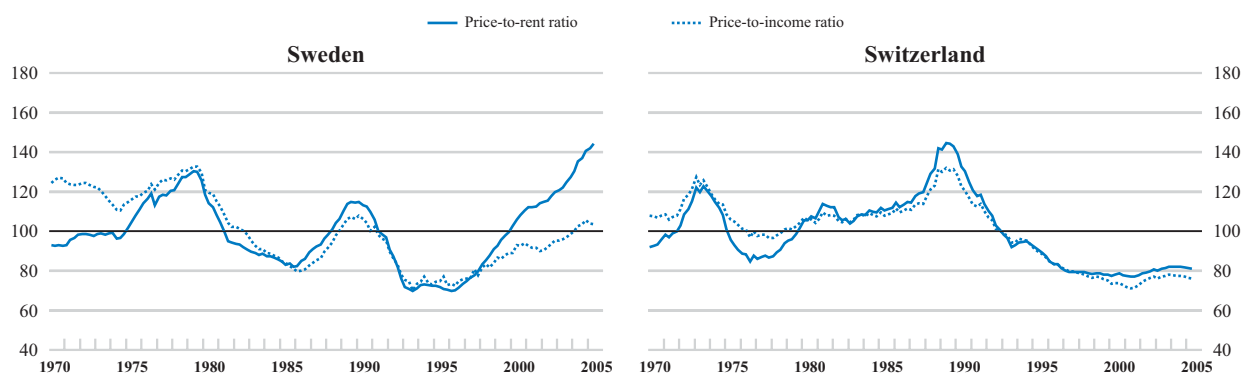
Sample average = 100



Source: Table III.4 in the Appendix, OECD Economic Outlook 78 database and OECD, *Main Economic Indicators*.

Figure III.4. Price-to-income and price-to-rent ratios (cont.)

Sample average = 100



Source: Table III.4 in the Appendix, OECD Economic Outlook 78 database and OECD, *Main Economic Indicators*.

sub-group of countries recording declining or more recently stable house prices (Japan, Germany, Korea and Switzerland) and Finland, where price-to-income ratios are below average historical values.

Taking account of financing costs...

The ratio of prices to household disposable income by itself, however, is not a sufficient metric to evaluate housing affordability. Indeed, house prices do not appear to be linked to income by a stable long-run relationship (see Table III.8 in the Appendix),¹² possibly because the cost of carrying a mortgage has varied over time.

... household debt service burdens have generally been relatively stable...

In Table III.1, an indicator of households' mortgage interest payments is constructed based on actual mortgage debt and a typical published mortgage interest rate. These rough-and-ready measures suggest that while mortgage debt burdens have been rising, the ability to service that debt has either been relatively stable or has improved slightly in Denmark, France, Germany, Ireland, Italy, Spain, Sweden and the United Kingdom since the early 1990s. Similarly benign trends have been reported in the literature for several countries.¹³ The main exceptions are Australia,¹⁴ the Netherlands¹⁵ and

12. In fact, aggregate disposable income is likely not the appropriate denominator. It is an average measure that covers the whole population, whereas house prices are determined in a market where specific groups of sellers and buyers have different and likely higher incomes than the population mean.

13. DeBelle (2004) for instance notes that there is no clear upward trend in the interest service ratio for eight countries. Central bank studies for France and the Nordic countries indicate falling household interest burdens in the recent years (Bank of Finland, 2004, Danmarks Nationalbank, 2005, Norges Bank, 2005, Riksbank, 2004 and Wilhelm, 2005). Similarly, Canada Mortgage and Housing Corporation (2005) reports a falling interest burden, and OECD (2005b) a stable interest burden for the United Kingdom.

14. The Reserve Bank of Australia also reports a rising mortgage-servicing ratio. The large increases in household debt are mostly due to a halving of the mortgage rate and the inflation rate from the 1980s to the 1990s. Other factors that have allowed households and investors to maintain higher levels of debt for longer periods than previously are innovative products following financial deregulation and increased competition among providers of credit (Macfarlane, 2003). See also Australian Bureau of Statistics (2004) and Reserve Bank of Australia (2004).

15. Dutch households have strong incentives to maintain mortgages at high levels given the extremely favourable tax treatment of debt-financed owner-occupied housing. Ter Rele and van Steen (2001) have estimated that the subsidy to housing costs for owner-occupiers rises steeply with income for mortgage financing. Mortgage financing combined with a capital insurance policy is subsidised even more. With such a combination, principal repayments are paid into the insurance policy rather than deducted from the outstanding mortgage. This enables the borrower to maximise mortgage interest deductions by not paying off the debt while at the same time accumulating capital in the insurance policy to pay off the debt when the mortgage term expires. See OECD (2004) for more details.

Table III.1. Households mortgage debt and interest burden

| | Mortgage debt | | | Interest payments | | | Variable interest rates |
|----------------|----------------------------------|-------|-------|-------------------|------|------|-------------------------|
| | % of household disposable income | | | | | | % of all loans |
| | 1992 | 2000 | 2003 | 1992 | 2000 | 2003 | 2002 |
| United States | 58.7 | 65.0 | 77.8 | 4.9 | 5.2 | 4.5 | 33 ¹ |
| Japan | 41.6 | 54.8 | 58.4 | 2.5 | 1.3 | 1.4 | .. |
| Germany | 59.3 | 84.4 | 83.0 | 3.9 | 4.0 | 3.0 | 72 ² |
| France | 28.5 | 35.0 | 39.5 | 1.7 | 1.4 | 1.1 | 20 |
| Italy | 8.4 | 15.1 | 19.8 | 0.7 | 0.8 | 0.7 | 56 |
| Canada | 61.9 | 68.0 | 77.1 | 5.9 | 5.7 | 4.9 | 25 ¹ |
| United Kingdom | 79.4 | 83.1 | 104.6 | 4.4 ¹ | 3.7 | 3.0 | 72 |
| Australia | 52.8 | 83.2 | 119.5 | 4.8 | 6.4 | 7.9 | 73 ¹ |
| Denmark | 118.6 | 171.2 | 188.4 | 10.6 | 9.9 | 8.3 | 15 ² |
| Finland | 56.7 | 65.3 | 71.0 | 7.1 | 2.9 | 1.9 | 97 |
| Ireland | 31.6 | 60.2 | 92.3 | 2.3 | 3.0 | 2.5 | 70 ² |
| Netherlands | 77.6 | 156.9 | 207.7 | 5.0 | 8.4 | 8.2 | 15 |
| New Zealand | 67.0 | 104.8 | 129.0 | 6.9 | 9.3 | 9.4 | .. |
| Spain | 22.8 | 47.8 | 67.4 | 1.6 | 2.2 | 1.7 | 75 |
| Sweden | 98.0 | 94.4 | 97.5 | 5.0 ⁴ | 4.2 | 3.3 | 38 ² |

Note: Interest payments are approximated using mortgage debt, mortgage interest rates and typical loan-to-value ratio.

1. 2004-05.

2. 2003.

3. 1993.

4. 1996.

Source: European Central Bank, European Mortgage Federation, Eurostat, US Federal Reserve, Canadian Imperial Bank of Commerce (CIBC), Clayton Research / Ipsos Reid, Mortgage Choice (Australia), Reserve Bank of New Zealand and Bank of Japan.

Statlink: <http://dx.doi.org/10.1787/274542826507>

New Zealand where the proportion of household income required to pay the interest on mortgages has been trending upward, reflecting the increased size of mortgages.

Perhaps not surprisingly, taking into account the debt-servicing ratio leads to a different assessment of current house prices than do developments in the affordability ratio itself. The general increase in indebtedness, due in part to deregulation in the mortgage markets (see below), has been mostly offset by the decline in borrowing rates and, with the exception of Australia, the Netherlands and New Zealand, households do not seem to devote a greater share of their income to debt service than in the recent past.

... helped by low interest rates that have kept housing affordable

Asset-pricing approach

Another summary measure used to get an indication of over or undervaluation is the price-to-rent ratio (the nominal house price index divided by the rent component of the consumer price index). This measure, which is akin to a price-to-dividend ratio in the stock market, could be interpreted as the cost of owning versus renting a house. When house prices are too high relative to rents, potential buyers find it more advantageous to rent, which should in turn exert downward pressure on house prices. During the recent upswing, this ratio has generally outstripped the affordability

Price-to-rent ratios point to widespread overvaluation...

measure, hitting historical peaks in several countries (Figure III.4).¹⁶ In Ireland and Spain, two countries experiencing very sharp increases in real house prices, the 2005 level of this ratio is more than 100% above its long-term average. In the other countries reporting high real house price increases and in those experiencing more moderate gains, the ratio is 25% to 50% above its long-term average. Where real house prices have been stable or falling, the price-to-rent ratio lies below its long-run average.

... but account has to be taken of the user cost of housing

Like the affordability ratio, this indicator cannot be taken at face value.¹⁷ It has to be assessed against the evolution of the user cost of home ownership, which takes account of the financial returns associated with owner-occupied housing, as well as differences in risk, tax benefits, property taxes, depreciation and maintenance costs, and any anticipated capital gains from owning the house (Box III.1). Equilibrium in the housing market occurs when the expected annual cost of owning a house equals that of renting, while overvaluation is characterised by an actual price-to-rent ratio greater than that calculated with the user cost, suggesting that it is cheaper to rent.

Taking this on board...

Figure III.5 compares the actual price-to-rent ratio with that based on the user cost of housing over the past ten years. For all countries, the two measures have been set equal to 100 in the most recent year when the actual price-to-rent ratio crossed its 35-year average, which by construction means that the long-run average coincides

Box III.1. The user cost of housing

The user cost of housing is calculated following a method proposed by Poterba (1992). In particular:

$$\text{User cost of housing} = P(i^a + \tau + f - \pi) \quad (1)$$

The first component within the bracket, the after-tax nominal mortgage interest rate i^a , is the cost of foregone interest that the homeowner could have earned on an alternative investment. It is adjusted to include the offsetting benefit given by the tax deduction or credit of mortgage interest in countries where this applies (Austria, Denmark, Finland, Germany, Ireland, Italy, the Netherlands, Norway, Spain, Sweden, United Kingdom, United States). This calculation takes into account deduction ceilings or credits and the tax base against which the deduction is applied.¹ τ is the property tax rate on owner-occupied houses, f is the recurring holding costs consisting of depreciation, maintenance and the risk premium on residential property, and π , the expected capital gains (or loss). P is the house price index.

In equilibrium, the expected cost of owning a house should equal the cost of renting and this implies that the user cost can be expressed as:

$$R = P(i^a + \tau + f - \pi) \quad (2)$$

and by rearranging Equation 2,

$$\frac{P}{R} = \frac{1}{i^a + \tau + f - \pi} \quad (3)$$

Equation 3 provides a relationship between the actual price-to-rent ratio and such features of the user cost as interest rates, depreciation, taxes, etc.

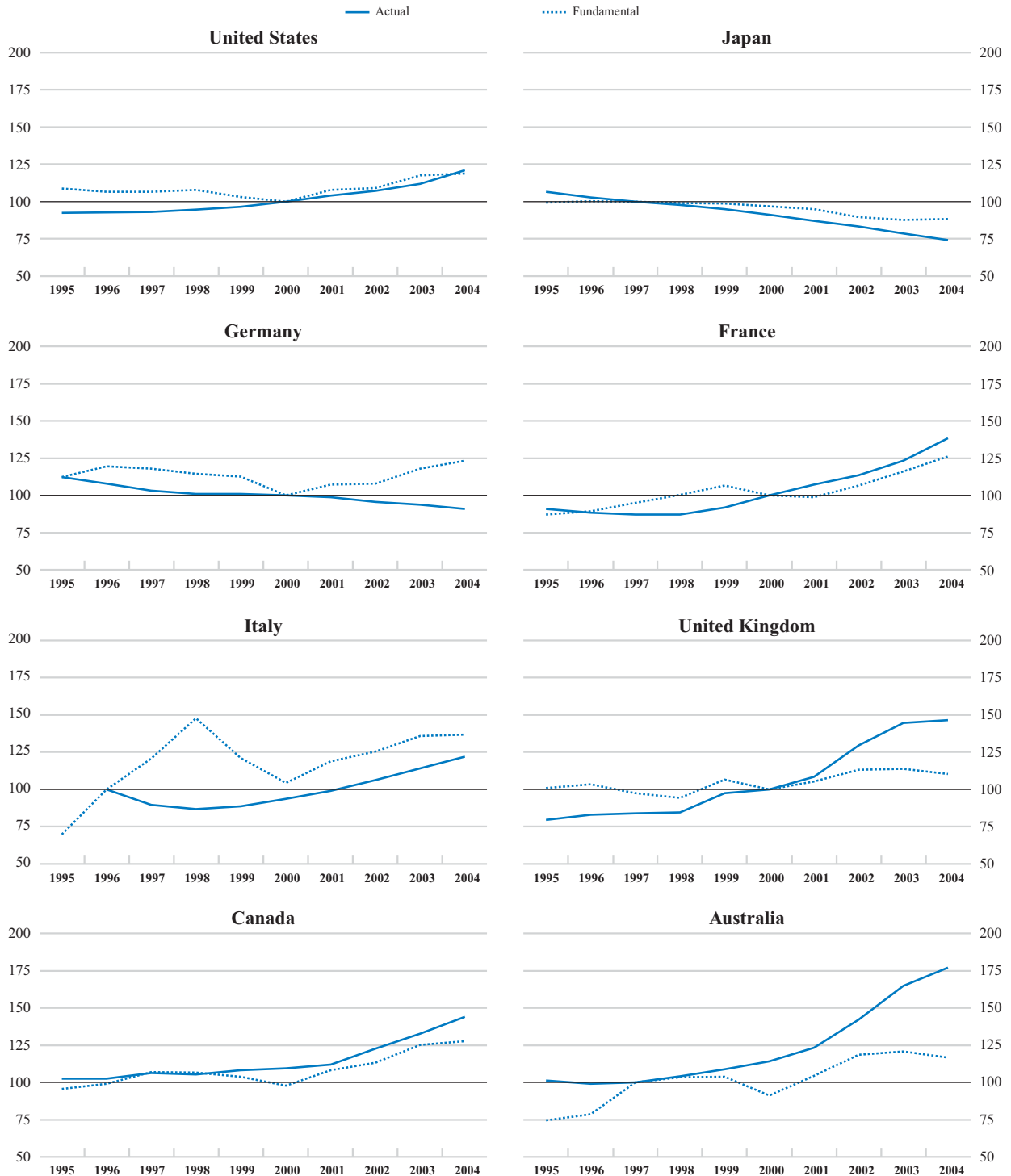
Nominal mortgage interest rates are taken from national sources. Property tax rates are taken from European Central Bank (2003), International Bureau of Fiscal Documentation (1999) and Nagahata *et al.* (2005). The parameter value for f is constant at 4% and the estimation of π as a moving average of consumer price inflation following the method outlined by Poterba (1992).

1. See van den Noord (2005) for further details on the methodology and Cournède (2005) for an application to the euro area.

16. Similar results are obtained by Ayuso and Restoy (2003) for Spain, Barham (2004) for Ireland, Weeken (2004) for the United Kingdom and Gallin (2004), Himmelberg *et al.* (2005) and Quigley and Raphael (2004) for the United States.

17. Statistical evidence reported in Table III.8 of the Appendix also shows that house price-to-rent ratios, like the affordability measures, are not stationary.

Figure III.5. Price-to-rent ratios: actual and fundamental

Long-term average = 100¹

1. For each country, actual and fundamental price-to-rent ratios have been set equal to 100 in the most recent year in which the actual price-to-rent ratio was close to its 35-year average. This procedure does not work well for Germany because of the significant trend decline in the price-to-rent ratio starting in the early 1980s. Consequently, the two series have been arbitrarily set equal to each other in 2000. Choosing an earlier date does not change the results, qualitatively, although the implied degree of undervaluation would be larger.

Source: OECD calculations.

Figure III.5. Price-to-rent ratios: actual and fundamental (cont.)

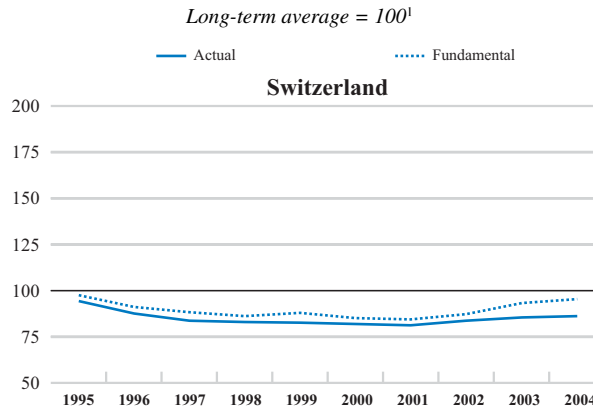
Long-term average = 100¹



1. For each country, actual and fundamental price-to-rent ratios have been set equal to 100 in the most recent year in which the actual price-to-rent ratio was close to its 35-year average.

Source: OECD calculations.

Figure III.5. Price-to-rent ratios: actual and fundamental (cont.)



1. For each country, actual and fundamental price-to-rent ratios have been set equal to 100 in the most recent year in which the actual price-to-rent ratio was close to its 35-year average.

Source: OECD calculations.

with fundamentals.¹⁸ The difference between the two series may be considered as an approximate indicator of overvaluation, albeit with qualifications. In particular, this measure, based on a long-run concept (the desired price-to-rent ratio), ignores expected shorter-run movements in the variables that make up the user cost, which could potentially narrow the gap between the two series.¹⁹ One way to interpret the extent of putative overvaluation is to calculate the difference between the user cost implied by the observed price-to-rent ratio and the one that would align it to its estimated level, based on the fundamentals listed in Box III.1 (see Figure III.5 and Table III.2). This difference is expressed in terms of percentage points. In interpreting this information, it is important to note that the results are sensitive to the choice of a base year as well as to the existing level of interest rates.

- In the countries with high real house price gains (the United Kingdom, Ireland, the Netherlands and Spain) and in Australia (where very high real prices have more recently been edging down) and in Norway, actual price-to-rent ratios were noticeably above their “fundamental” levels in 2004, suggesting overvaluation.
- In France, Canada, Denmark and Sweden, actual and “fundamental” ratios moved in tandem until 2003, but have tended to move apart slightly since. On this score, overvaluation is not very significant in New Zealand.

... overheating is still visible in the high-priced countries

Elsewhere, measured overvaluation is not large...

18. This crude measure of equilibrium partly adjusts for the series' non-stationarity. Another approach would have been to benchmark the series to a point when actual rents were equal to the user cost; however, the user cost series go back only to 1995. This procedure does not work well for Germany because of the significant trend decline in the price-to-rent ratio starting in the early 1980s. For Germany, the two series were therefore arbitrarily set equal to each other in 2000. Choosing an earlier date would imply a larger degree of undervaluation.

19. Short-run dynamics in housing markets can have powerful effects on house prices. Ortalo-Magné and Rady (2005) for example, using a life-cycle model, show that changes in income of credit-constrained homeowners can lead to sharp price movements, especially when homeowners are moving up the property ladder. So can inter-generational transfers of housing wealth.

Table III.2. Sensitivity of fundamental price-to-rent ratios to a change in the housing user cost

| | Estimated over-valuation in 2004 | Change in user cost | Mortgage rate in 2004 |
|----------------|----------------------------------|---------------------|-----------------------|
| | Per cent | Percentage point | Per cent |
| United States | 1.8 | -0.2 | 5.8 |
| Japan | -20.5 | 1.2 | 2.4 |
| Germany | -25.8 | 3.3 | 5.7 |
| France | 9.3 | -0.8 | 5.0 |
| Italy | -10.9 | 0.7 | 4.6 |
| United Kingdom | 32.8 | -2.8 | 6.1 |
| Canada | 13.0 | -1.0 | 6.2 |
| Australia | 51.8 | -2.6 | 7.1 |
| Denmark | 13.1 | -3.1 | 5.2 |
| Finland | -15.6 | 0.9 | 3.4 |
| Ireland | 15.4 | -0.4 | 3.5 |
| Netherlands | 20.4 | -1.9 | 5.1 |
| New Zealand | 7.6 | -0.7 | 8.0 |
| Norway | 18.2 | -1.3 | 4.7 |
| Spain | 13.4 | -0.6 | 3.6 |
| Sweden | 8.0 | -0.7 | 5.3 |
| Switzerland | -9.7 | 1.1 | 3.2 |

Source: European Central Bank, Statistics Canada and national central banks.

Statlink: <http://dx.doi.org/10.1787/274542826507>

... or absent altogether

- In Finland and Italy, the desired price-to-rent ratio has exceeded its actual level in recent years. In the United States, the “fundamental” price-to-rent ratio was above its actual level until 2000, the benchmark year. Since then, the series have moved together and the gap between them has been negligible. On this measure, there does not appear to be much of a case for overvaluation, at least at the national level.

Prices look undervalued in Japan, Germany and Switzerland

- At the other end of the spectrum, undervaluation (indicated by a “fundamental” price-to-rent ratio above the actual value) has increased in Japan (since 1997), Germany (since 2000) and, to a lesser extent, in Switzerland. In Germany and Japan, this reflects previous building excesses.

Other factors affecting house prices

Supply conditions also contribute to sharp house price increases...

House prices can also be affected by other features that are particular to this market. Of note are restrictions on the availability of land for residential housing development that can constrain the responsiveness of supply. These would include tough zoning rules, cumbersome building regulations, slow administrative procedures, all of which would restrict the amount of developable land. However, while the price of housing may be affected, measures like the price-to-rent ratio would not necessarily be, since such factors would presumably raise both prices and rents.

In the United Kingdom, complex and inefficient local zoning regulations and a slow authorisation process are among the reasons for the rigidity of housing supply, underlying both the trend rise of house prices and their high variability.²⁰ In Ireland and the Netherlands²¹ similar factors affect house price dynamics. In Korea, government limitations on urban land supply (Restricted Development Zone) have been important causes of the rapid rise in housing prices.²² Heavy land-use regulations in some US metropolitan areas have been associated with considerably lower levels of new housing construction which have restricted housing supply and thus increased house prices in the regulated municipalities as well as in neighbouring towns (Box III.2).

... in several countries

Box III.2. Regional housing markets in the United States

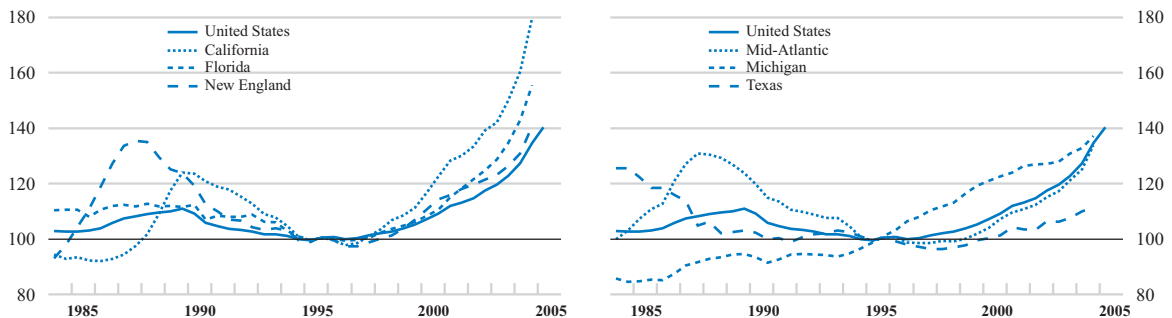
Several studies of US regional housing markets have found that the low supply elasticity of housing units is an important factor behind the recent larger price increases in some urban markets.¹ In particular, house prices are much higher than construction costs throughout parts of the Northeast and the West coast. The studies suggest that recent regional patterns of house price expansion do not just reflect faster growing income and population, but also other factors including building regulations on the size and characteristics of houses. They also report that US homebuilders have faced increasing difficulty in obtaining regulatory approval for the construction of new homes in some states, notably California, Massachusetts, New Hampshire, New Jersey and in Washington, D.C. An additional factor has been the

increased ability of established residents to block new projects.

The effects of these developments have pushed up prices, in several cases by more than rents and this is an indicator of house price overheating in local US housing markets. These show that while some markets behave as the national market, other markets – such as California and Texas – have returns that are much higher or lower respectively than the national average. The local markets where price-to-rent ratios have reached historical peaks are also the ones where the supply constraint on new construction appears to be most binding, making prices there more volatile. They include the San Francisco, Boston and Los Angeles areas.

Regional differences in price-to-rent ratio

Index, 1995 = 100



Source: Office of Federal Housing Oversight for house prices and Bureau of Labor Statistics for rents.

1. Glaeser and Gyourko (2003), Glaeser *et al.* (2005), Krainer, J. and C. Wei (2004), Gyourko, Mayer and Sinai (2004), Capozza *et al.* (2002), McCarthy and Peach (2004) and Mayer and Somerville (2000).

20. See OECD (2004a and 2005a) and Barker (2004).

21. See OECD (2004 and 2006).

22. See Gallent and Kim (2001) and Hannah *et al.* (1993) and OECD (2005).

Demographic developments...

Demographic developments, over and above their influence through real disposable incomes can also raise housing demand, thereby increasing price levels.²³ In particular, high rates of net migration, declines in the average size of households and increases in population shares of cohorts of individuals in their thirties will boost housing demand by increasing the share of the population of household formation age. In several countries (including Ireland, Spain, Australia, the United Kingdom, the Netherlands and Norway) the high shares of such households in the total population since the mid-1990s have been associated with large increases in real house prices (Figure III.6). By contrast, in Germany and Japan, house price declines are associated with a low share of such households in the overall population. As above, these factors should affect both prices and rents, provided that there were no distortions in the rental markets.

... and speculative pressures...

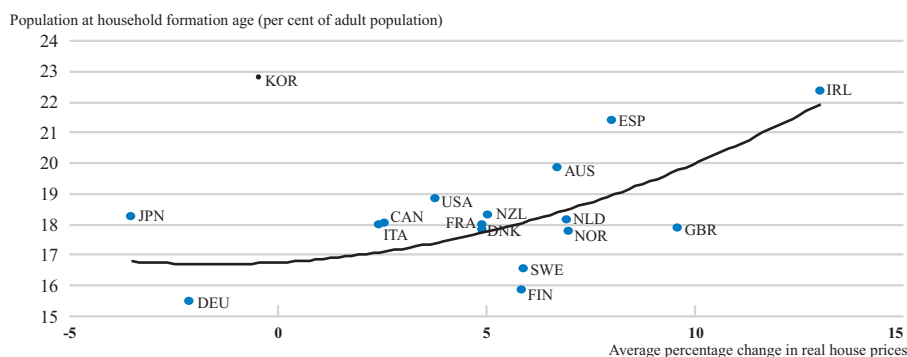
Other factors, however, may just raise the price of housing. Buy-to-let markets, which have grown substantially over the past several years in the countries for which data are available (United States, United Kingdom, Australia and Ireland), are one example. Lower interest rates have increased the return on rental property for investors, enhancing the attractiveness of, and demand for, housing as an investment. Fiscal incentives in some countries have also played a role by providing favourable conditions for those choosing to invest in housing. These markets are, however, dominated by small, first-time investors and their effect on the housing market is not well understood.²⁴

... in Ireland...

- In Ireland, the buy-to-let market, while still representing a small share of private rental dwellings in the overall housing stock, at about 8%, has been growing. New buy-to-let mortgages constituted 20% of all mortgage transactions in 2004 and 30% of the second-hand dwellings sold during the first half of 2004.²⁵

Figure III.6. Population and house prices

1995-2004



Note: Korea is an outlier therefore has not been included into the estimation of the trendline.

Source: Table III.4 in the Appendix and United Nations "World Population Prospects 1950-2050", February 2003.

23. Several studies have looked at the impact of demographic trends on the demand for housing. See Cerny *et al.* (2005) for the United Kingdom; FitzGerald (2005) for Ireland; Kohler and Rossiter (2005) for Australia; and Krainer (2005) for the United States.

24. See for example Scanlon and Whitehead (2005) for a description of the profile and intentions of buy-to-let investors in the United Kingdom.

25. See Koeva and Moreno (2004).

- In the United States, the proportion of sales attributable to such investors has been rising quickly starting in the late 1990s, reaching around 15% of all home purchases in 2004, much higher than the normal 5%. Such buyers are estimated to be about equally concentrated in fast-growing as well as less-active markets.²⁶ ... *the United States...*

- In the United Kingdom, buy-to-let mortgages have grown substantially since they were introduced in the late 1990s, from about 3% of total mortgage lending in 1999 to around 7% in 2004. The levelling-off in this ratio since mid-2004 has coincided with slowing house price appreciation. ... *the United Kingdom...*

Table III.3. Recent mortgage product innovations in selected countries

| | |
|----------------|---|
| United States | Interest-only loans; Flexible mortgages with variable repayments. |
| Germany | New Pfandbriefe Law abolishing penalties for early mortgage pay-offs |
| France | Variable payment mortgages; Lengthening mortgage terms. |
| United Kingdom | Flexible mortgages; Offset mortgages (savings and mortgage held in same/linked accounts, with savings offset against mortgage balance); Base rate trackers. |
| Canada | Shorter-term mortgages, initial fixed-rate period shortened from five years to one year; Skip-a-payment, early mortgage renewal and flexible payment schedules. |
| Australia | Flexible mortgages with variable repayments; Split-purpose loans (splits loan into two sub-accounts, giving tax advantages); Deposit bonds (insurance company guarantees payment of deposit at settlement); Non-conforming loans; Redraw facilities and offset accounts; New providers including mortgage originators and brokers. |
| Denmark | "Interest-adjusted" loans: interest rate set at regular intervals by sale of bonds; Capped-rate loans; BoligXloans: interest adjusted every six months with reference to ten-day average of CIBOR; Interest-only loans. |
| Finland | Lengthening mortgage terms; Introduction of state guarantee for mortgages. |
| Ireland | Lengthening mortgage terms. |
| Netherlands | Savings or equity mortgages: part of payment covers interest, part goes into fixed interest savings account or equity account (confers tax advantages); Interest-only mortgages. |

Source: Scanlon and Whitehead (2004) and Canada Mortgage and Housing Corporation (2005).

Statlink: <http://dx.doi.org/10.1787/274542826507>

26. See Morgan Stanley (2005).

... and Australia could also be contributing to buoyant house prices

- In Australia, the proportion of such investors doubled from around 15% of total mortgage lending in 1992 to about 30% at the end of 2003 and is high in some regional markets (42% in New South Wales and 35% in Victoria), fueling concerns about such high levels of property investment and exposure to a significant downturn in the market.

Innovations in mortgage markets are also playing a role

A particularly important factor has been financial deregulation in mortgage markets, which has significantly reduced borrowing constraints on households. This process started in the 1980s and saw rapid growth of mortgage credit, starting in the second half of that decade, in several countries. Australia, Canada, New Zealand, the Nordic countries, the United Kingdom and the United States all experienced a sharp rise of mortgage lending and large run-ups in house prices in the late 1980s.²⁷ More recent changes in mortgage markets including lending innovations, the adoption of new technologies and the growing use of payment reduction features in mortgages have offered households greater choices and lowered borrowing costs (Table III.3). In several countries, variable rate loans have become more accessible in recent years.²⁸ Some of these instruments offer options allowing households to convert their debt to a fixed rate, thus providing them with a degree of protection against rising rates. In Denmark, the Netherlands and the United States, interest-only mortgage loans have become increasingly available. In Australia, increased competition among credit providers has contributed to the doubling of the number of products provided by lenders. Most other mortgage innovations have taken the form of lengthening terms.

Housing cycles and economic activity

Low inflation could influence how house prices adjust

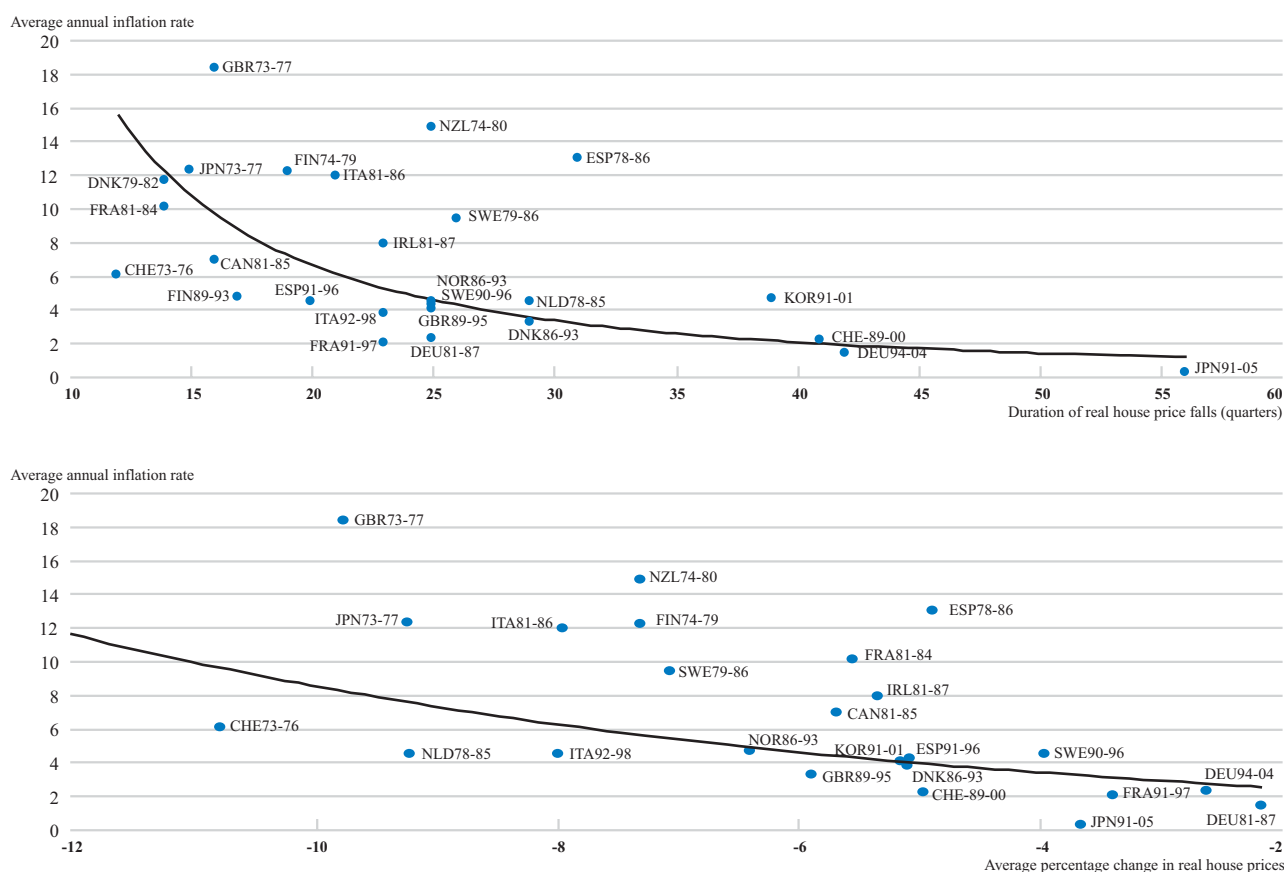
While other housing-market specific factors have had an influence, interest rate developments are likely to play a key role. If these rates were to rise sharply over the coming period – a possibility that is currently treated as a risk in the OECD's projections – house prices would come under downward pressure.²⁹ In that event, the shape and duration of any subsequent downward adjustments are likely to be conditioned by the current low level of inflation. Based on the historical record, declines in real house prices, when they have followed large run-ups, have taken place more slowly (quickly) if increases in the overall price level are small (large). This is illustrated by the negative cross-country correlation observed between the level of inflation and the duration of the house-price-contraction phases, suggesting that it can be quite protracted at very low inflation rates (Figure III.7, upper panel). There is also a tendency for real prices to fall less at low inflation (Figure III.7, lower panel). This feature of the adjustment process stems from the fact that nominal house prices have tended to exhibit downward stickiness. Indeed, housing markets are not as liquid as other asset

27. See Girouard and Blöndal (2001). Ortalo-Magné and Rady (1999) report particularly strong effects of financial deregulation on the cohort of first-time buyers in the United Kingdom.

28. For example, in the United States, the share of adjustable rate mortgages rose from about 15% in 2000-03 to around 33% in 2004-05 according to the Federal Housing Finance Board Monthly Interest Rate Survey.

29. Getting a handle on how much downward pressure would be exerted on house prices from an interest rate increase in isolation is difficult. Based on asset-price models, for example, the effect would be large but such calculations only suggest what would happen to the desired price. In practice, the actual adjustment path would depend also on other factors – demographics, regulation, the share of variable rate mortgages, the ability of households to refinance their mortgages, tax deductibility and the overall economic situation.

Figure III.7. Inflation and real house price adjustment



Source: Table III.4 in the Appendix and OECD Economic Outlook 78 database.

markets, due to high search and transactions costs as well as the heterogeneous nature of the product. In addition, when overall conditions weaken, owners of existing homes tend to withdraw from the market rather than suffer a capital loss, while builders will not develop new properties.

The main channels through which housing cycles affect activity are wealth effects, residential construction and the financial sector. The feed-through from house prices to private consumption occurs either via saving responses to households' perceived wealth or via collateral effects on household borrowing.³⁰ In a number of countries (Australia, Canada, the Netherlands, the United Kingdom and the United States) changes in housing wealth have a significant effect on consumption, exceeding the effect of changes in financial wealth, in part because financial markets provide easy access to mortgage financing and to financial products that facilitate house equity withdrawal. By contrast, in France, Germany, Italy, Japan and Spain, the housing wealth effect appears to be smaller or insignificant. The strength of the aggregate wealth effect also depends on several other factors including homeownership rates, transaction costs, and housing taxes and subsidies.

Housing affects overall activity via wealth effects on consumption...

30. See Catte *et al.* (2004).

... residential construction activity...

House prices also have important effects on private residential investment. Changes in the profitability of housing investment affect the construction sector as well as employment and demand in property-related sectors. Figure III.8 relates housing investment to its profitability and shows a small but significant positive relationship over the 1995 to 2004 period for most countries. These results suggest that additional factors are important in determining construction activity. Specifically, supply constraints in the form of planning restrictions, the availability of land or the competitive conditions in the construction sector may have played a role in restraining the growth of housing investment.

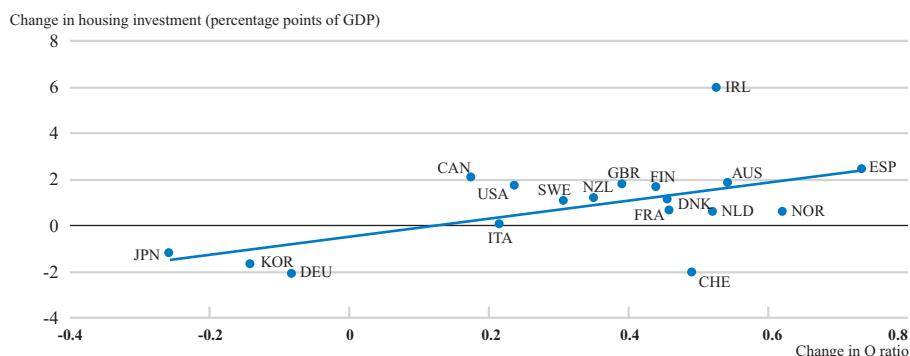
... and financial stability

Sharp downward corrections in asset markets, including in housing markets, can impact the banking sector, which in turn may adversely affect public finances and macroeconomic stability at large.³¹ If financial intermediaries misjudge risks, the potential for credit and asset booms to derail and turn into busts is increased. In this context, the pro-cyclicality of bank provisioning is a concern. Banks may be reluctant to make adequate provision for their loan losses when housing markets are buoyant, and supervisors may be reluctant to suggest it without solid evidence.³² Hence, when a large shock occurs, banks may find themselves with inadequate cushions to absorb the loss, which could affect credit availability.

Views differ on the role of monetary policy

The range of views on how the monetary authorities should respond to asset price developments, including house prices, is broad. Some advocate central banks responding to house (or other asset) prices only to the extent that they contain information about future output growth and inflation, and that, if desired, using alternative policy instruments (taxes and regulations) to stabilise housing cycles.³³ Others advocate that central banks should “lean against the wind” by having a tighter stance than

Figure III.8. Housing investment and the Q ratio
1995-2004



1. The Q ratio is defined as nominal house prices divided by the housing investment deflator.
Source: Table III.4 in the Appendix and OECD Economic Outlook 78 database.

31. See Eschenbach and Schuknecht (2002) and Girouard and Price (2004).

32. See Dobson and Hufbauer (2001).

33. See Bernanke (2002). Under this view, the costs of intervention in the face of rapidly increasing real house prices is judged to outweigh the benefits, in good part because the lags in the transmission mechanism are long and variable. In this regard, a pre-emptive hike in interest rates (over and above what is judged necessary for overall price stability purposes), may well be counterproductive (*i.e.* the effects would kick in when the housing market has already peaked). Moreover, a tighter policy to prick a housing bubble (if one could safely be identified) is also considered potentially damaging for other sectors.

would otherwise be warranted by overall demand conditions in the face of abnormally rapid increases in real house prices, particularly as there might be risks to financial stability, and vice versa.³⁴ In the event of a downturn, the extent to which policy has to respond depends importantly on the size of the shock and ability of the economy to absorb it.³⁵

34. See European Central Bank (2005) and Issing (2003).

35. In the United States, for example, one estimate is that a reversion to the long-run price-to-rent ratio would represent a shock that is about half the size of the US stock market decline in 2000-02, and would likely be easily absorbed (Yellen, 2005). Economies that tend to be resilient to shocks are those that have flexible labour and product markets and well-functioning financial systems. These typically have potential growth rates that are higher than the average of OECD economies.

Appendix

Table III.4. Definition and source for house prices

| | House price definition | Seasonal adjustment | Source |
|----------------|---|---------------------|---|
| United States | Nationwide single family house price index | No | OFHEO, 1975Q1-2005Q2 |
| Japan | Nationwide urban land price index | No | Japan Real Estate Institute, 1990S1-2005S1 |
| Germany | Index for total Germany, total resales | -- | Bundesbank, 1994-2004 |
| France | Indice de prix des logements anciens, France | No | INSEE, 1996Q1-2005Q1 |
| Italy | Media 13 area urbane numeri indice dei prezzi medi di abitazioni, usate | No | Nomisma, 1991S1-2005S1 |
| United Kingdom | Mix-adjusted house price index | No | ODPM, 1968Q2-2005Q2 |
| Canada | Multiple listing series, average price in Canadian dollars | Yes | Ministry of Finance, 1980Q1-2005Q2 |
| Australia | Index of a weighted average of 8 capital cities | No | Australia Bureau of Statistics, 1986Q2-2005Q2 |
| Denmark | Index of one-family house sold | No | Statistics Denmark, 1971Q1-2004Q3 |
| Spain | Precio medio del m2 de la vivienda, mas de un ano de antiguedad | No | Banco de Espana, 1987Q1-2004Q4 |
| Finland | Housing prices in metropolitan area, debt free, price per m2 | No | Bank of Finland, 2000Q1-2005Q2 |
| Ireland | Second hand houses | Yes | Irish Department of Environment 1980Q1-2005Q1 |
| Korea | Nationwide house price index | No | Kookmin Bank, January 86-May 2005 |
| Netherlands | Existing dwellings | No | Nederlandsche Bank, January 76-May 2005 |
| Norway | Nationwide index for dwellings | Yes | Statistics Norway, Table 03860, 1992Q1-2005Q2 |
| New Zealand | Quotable value index for dwellings (new and existing) | No | Reserve Bank, 1979Q4-2005Q1 |
| Sweden | One and two dwelling buildings | No | Statistics Sweden, 1986Q1-2005Q2 |
| Switzerland | Single-family home | No | Swiss National Bank, 1970Q1-2005Q2 |

Note: Quarterly and/or annual data provided by the Bank for International Settlements (based on national sources) have been used in the countries for which the sample period (1970Q1 – 2005Q2) was incomplete.

Source: OECD compilation.

Statlink: <http://dx.doi.org/10.1787/274542826507>

Table III.5. Summary statistics on real house price cycles

| | 1970 Q1 -2005 Q1 | | | | | |
|--------------------|------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------|
| | Number | Average duration (quarters) | Average price change (per cent) | Maximum duration (quarters) | Maximum price change (per cent) | Number of turns > 15% |
| Upturns | | | | | | |
| United States | 3 | 17.0 | 15.3 | 23 | 17.0 | 1 |
| Japan | 2 | 34.5 | 67.0 | 54 | 77.6 | 2 |
| Germany | 3 | 21.3 | 12.1 | 27 | 15.7 | 1 |
| France | 2 | 35.5 | 32.1 | 44 | 33.0 | 2 |
| Italy | 2 | 34.5 | 81.9 | 44 | 98.0 | 2 |
| United Kingdom | 3 | 18.3 | 64.2 | 30 | 99.6 | 3 |
| Canada | 4 | 15.5 | 31.6 | 27 | 66.5 | 2 |
| Australia | 6 | 14.3 | 31.6 | 32 | 84.7 | 3 |
| Denmark | 2 | 25.0 | 44.3 | 37 | 56.5 | 2 |
| Finland | 3 | 25.7 | 61.9 | 40 | 111.8 | 3 |
| Korea ¹ | 2 | 12.5 | 29.0 | 15 | 33.5 | 2 |
| Ireland | 2 | 29.0 | 40.8 | 46 | 53.9 | 2 |
| Netherlands | 1 | 33.0 | 98.4 | 33 | 98.4 | 1 |
| New Zealand | 4 | 15.8 | 37.3 | 22 | 62.7 | 4 |
| Norway | 2 | 14.0 | 33.7 | 16 | 56.3 | 1 |
| Spain | 3 | 15.0 | 63.6 | 23 | 134.8 | 3 |
| Sweden | 2 | 19.0 | 35.8 | 22 | 42.5 | 2 |
| Switzerland | 3 | 28.3 | 40.2 | 53 | 73.5 | 2 |
| Average | 2.7 | 22.7 | 45.6 | 32.7 | 67.6 | 2.1 |
| Downturns | | | | | | |
| United States | 3 | 14.3 | -9.9 | 21 | -13.9 | 0 |
| Japan | 1 | 15.0 | -30.5 | 15 | -30.5 | 1 |
| Germany | 2 | 16.5 | -10.7 | 25 | -15.3 | 1 |
| France | 2 | 18.5 | -18.0 | 23 | -18.1 | 2 |
| Italy | 2 | 22.0 | -30.6 | 23 | -35.3 | 2 |
| United Kingdom | 3 | 16.3 | -25.0 | 25 | -33.7 | 2 |
| Canada | 4 | 13.0 | -13.5 | 17 | -20.9 | 1 |
| Australia | 5 | 10.0 | -10.1 | 19 | -14.7 | 0 |
| Denmark | 2 | 21.5 | -36.2 | 29 | -36.8 | 2 |
| Finland | 3 | 14.0 | -28.4 | 19 | -49.7 | 2 |
| Korea ¹ | 2 | 22.5 | -26.7 | 39 | -47.5 | 1 |
| Ireland | 2 | 16.0 | -15.5 | 23 | -27.1 | 1 |
| Netherlands | 1 | 29.0 | -50.4 | 29 | -50.4 | 1 |
| New Zealand | 4 | 15.0 | -15.1 | 25 | -37.8 | 1 |
| Norway | 3 | 21.3 | -19.8 | 28 | -40.6 | 1 |
| Spain | 3 | 19.3 | -21.6 | 31 | -32.2 | 2 |
| Sweden | 3 | 22.3 | -22.7 | 26 | -37.9 | 2 |
| Switzerland | 2 | 26.5 | -34.8 | 41 | -40.7 | 2 |
| Average | 2.6 | 18.5 | -23.3 | 25.4 | -32.4 | 1.3 |

Note: The minimum length for a phase (upturn or a downturn) has been set to 6 quarters and phases continuing beyond 2005 Q1 are excluded.

1. The period covered for Korea starts in 1986 Q1.

Source: OECD calculations.

Statlink: <http://dx.doi.org/10.1787/274542826507>

Table III.6. Major real house price cycles by country

| | Upturns | Duration (quarters) | Downturns | Duration (quarters) |
|--------------------|------------------------|------------------------|-----------------------|------------------------|
| United States | 1982Q3-1989Q4: +17.0% | 23 | | |
| | 1995Q1-2005Q2: +52.7% | 41 | | |
| Japan | 1970Q1-1973Q4: +56.5% | 15 | 1973Q4-1977Q3: -30.5% | 15 |
| | 1977Q3-1991Q1: +77.6% | 54 | 1991Q1-2005Q1: -40.7% | 56 |
| Germany | 1976Q2-1981Q2: +15.7% | 20 | 1981Q2-1987Q3: -15.3% | 25 |
| | | | 1994Q2-2004Q4: -20.5% | 42 |
| France | 1970Q1-1981Q1: +31.2% | 44 | 1981Q1-1984Q3: -18.1% | 14 |
| | 1984Q3-1991Q2: +33.0% | 27 | 1991Q2-1997Q1: -18.0% | 23 |
| | 1997Q1-2005Q1: +74.3% | 32 | | |
| Italy | 1970Q1-1981Q1: +98.0% | 44 | 1981Q1-1986Q2: -35.3% | 21 |
| | 1986Q2-1992Q3: +65.8% | 25 | 1992Q3-1998Q2: -26.0% | 23 |
| | 1998Q2-2005Q1: +49.6% | 27 | | |
| United Kingdom | 1970Q1-1973Q3: +64.9% | 14 | 1973Q3-1977Q3: -33.7% | 16 |
| | 1977Q3-1980Q1: +28.0% | 11 | | |
| | 1982Q1-1989Q3: +99.6% | 30 | 1989Q3-1995Q4: -27.8% | 25 |
| | 1995Q4-2005Q2: +137.4% | 38 | | |
| Canada | 1970Q1-1976Q4: +46.4% | 27 | 1981Q1-1985Q1: -20.9% | 16 |
| | 1985Q1-1989Q1: +66.5% | 16 | | |
| | 1998Q3-2005Q2: +39.2% | 27 | | |
| Australia | 1970Q1-1974Q1: +36.3% | 16 | | |
| | 1987:1-1989Q1: +35.9% | 8 | | |
| | 1996Q1-2004Q1: +84.7% | 32 | | |
| Denmark | 1970Q1-1979Q2: +32.1% | 37 | 1979Q2-1982Q4: -36.8% | 14 |
| | 1982Q4-1986Q1: +56.5% | 13 | 1986Q1-1993Q2: -35.6% | 29 |
| | 1993Q2-2004Q3: +93.4% | 45 | | |
| Finland | 1970Q1-1974Q2: +23.6% | 10 | 1974Q2-1979Q1: -30.3% | 19 |
| | 1979Q1-1989Q1: +111.8% | 40 | 1989Q1-1993Q2: -49.7% | 17 |
| | 1993Q2-2000Q1: +50.3% | 27 | | |
| | 2001Q3-2005Q2: +23.6% | 15 | | |
| Ireland | 1970Q1-1981Q3: +53.9% | 46 | 1981Q3-1987Q2: -27.1% | 23 |
| | 1987Q2-1990Q2: +27.7% | 12 | | |
| | 1992Q3-2005Q1: +242.7% | 50 | | |
| Korea ¹ | 1987Q3-1991Q2: +33.5% | 15 | 1991Q2-2001Q1: -47.5% | 39 |
| | 2001Q1-2003Q3: +24.5% | 10 | | |
| Netherlands | 1970Q1-1978Q2: +98.4% | 33 | 1978Q2-1985Q3: -50.4% | 29 |
| | 1985Q3-2005Q1: +183.1% | 78 | | |
| New Zealand | 1970Q1-1974Q3: +62.7% | 18 | 1974Q3-1980Q4: -37.8 | 25 |
| | 1980Q4-1984Q2: +32.5% | 14 | | |
| | 1986Q4-1989Q1: +15.1% | 9 | | |
| | 1992Q1-1997Q3: +38.9% | 22 | | |
| | 2000Q4-2005Q1: +56.0% | 17 | | |
| Norway | 1983Q4-1986Q4: +56.3% | 12 | 1986Q4-1993Q1: -40.6% | 25 |
| | 1993Q1-2005Q2: +136.3% | 49 | | |
| Spain | 1970Q1-1974Q3: +27.5% | 14 | | |
| | 1976Q2-1978Q2: +28.6% | 8 | 1978Q2-1986Q1: -32.2% | 31 |
| | 1986Q1-1991Q4: +134.8% | 23 | 1991Q4-1996Q4: -18.3% | 20 |
| | 1996Q4-2004Q4: +114.2% | 32 | | |
| Sweden | 1974Q1-1979Q3: +29.2% | 22 | 1979Q3-1986Q1: -37.9% | 26 |
| | 1986Q1-1990Q1: +42.5% | 16 | 1990Q1-1996Q2: -28.2% | 25 |
| | 1996Q2-2005Q2: +80.1% | 36 | | |
| Switzerland | 1970Q1-1973Q3: +37.7% | 14 | 1973Q3-1976Q3: -29.0% | 12 |
| | 1976Q3-1989Q4: +73.5% | 53 | 1989Q4-2000Q1: -40.7% | 41 |

1. The period covered for Korea starts in 1986 Q1.

Source: OECD calculations.

Statlink: <http://dx.doi.org/10.1787/274542826507>

Table III.7. Review of recent empirical studies on house price determination

| Country and authors | Methodology | Elasticity of real house prices relative to housing stock supply | Elasticity of real house prices relative to real disposable income | Elasticity of real house prices relative to real interest rate | Other variables | Estimated overvaluation | Comments |
|-------------------------------|--|--|--|--|---|--|---|
| United States | | | | | | | |
| Meen (2002) | ECM, 1981Q3-1998Q2 | -7.9 | 2.7 | -1.3 | Real wealth = 0.70 | | High growth in real house prices is not attributable to weak supply response. If the housing stock variable is removed, the income elasticity is biased downward. |
| Schnure (2005) | Panel estimation for regional house prices, short-run specification, 1978-2004 | | 0.2 to 0.3, short-run impact | -0.6 to -1.7, short-run impact | Unemployment = -0.9 to -1.2, labor force = 0.4 to 1.8, short-run impact | No evidence of overvaluation | Increased sensitivity to interest rates since 1990 due to liberalisation of mortgage lending access and higher securitisation. No. obs.:531 to 946. |
| McCarthy and Peach (2004) | Demand and supply equations, Johansen ML estimation, 1981Q1-2003Q3 | -3.2 | 3.2 | | | No overvaluation since the mid-1990s. | OFHEO and constant quality new home price index give the same conclusions. |
| Japan | | | | | | | |
| Nagahata <i>et al.</i> (2004) | Panel cointegration analysis for 47 prefectures, 1976-2001 | | 0.2 to 0.5 | -0.6 to -4.5 | Price expectations = 0.8 to 0.9 | Land prices in Tokyo have bottomed out around 2002 but not in other areas. | Non-performing loan ratios have a significant explanatory power in the short-run. |
| Euro area | | | | | | | |
| Annett (2005) | ECM for eight countries | | 0.7, variable in log differences | -0.01 to -0.02, variables in log differences | Real credit = 0.2 or real money 0.1, variables in log differences | | Real credit and money are important determinants of long-run trends. |
| Annett (2005) | Panel regressions for sub-groups of countries based on common institutional characteristics, short-to medium run equations | | 0.1 to 1.4, short-run impact | -0.01 to -0.03, short-run impact | Real credit = 0.08 to 0.2, real money = 0.4 to 0.6 short-run impact | | Institutional factors help to explain the relationship between credit and house prices. |
| France | | | | | | | |
| Bessone <i>et al.</i> (2005) | Demand and supply equations, Johansen ML estimation, 1986-2004 | -3.6 | 8.3 | | | No evidence of overvaluation in 2004. | House prices for Paris only. |

Table III.7. Review of recent empirical studies on house price determination (cont.)

| Country and authors | Methodology | Elasticity of real house prices relative to housing stock supply | Elasticity of real house prices relative to real disposable income | Elasticity of real house prices relative to real interest rate | Other variables | Estimated overvaluation | Comments |
|------------------------------|--------------------|--|--|--|--|---|---|
| United Kingdom | | | | | | | |
| Meen (2002) | ECM, 1969Q3-1996Q1 | -1.9 | 2.5 | -3.5 | Real wealth = 0.4 | | High growth in real house prices is in part attributable to weak supply response. If the housing stock variable is removed, the income elasticity is biased downward. |
| Hunt and Badia (2005) | ECM, 1972Q4-2004Q4 | | 1.9 in 1999Q4 and 1.5 in 2004Q4 | -6.0 in 1999Q4 | | 34% in 1999Q4 and 60% in 2004Q2 | Improvements in monetary and fiscal policy frameworks have raised sustainable prices beyond what these linear estimation technique can capture, suggesting there is little overvaluation. |
| Australia | | | | | | | |
| Abelson <i>et al.</i> (2005) | ECM, 1975Q1-2003Q1 | -3.6 | 1.7 | -5.4 | CPI = 0.8, unemployment = -0.2, stock index = -0.1 | | The CPI captures the after-tax investment advantages (expected capital gains and tax benefits) |
| Denmark | | | | | | | |
| Wagner (2005) | ECM, 1984Q4-2005Q1 | -2.9 | 2.9 | -7.7 | Demography = 2.9 | 9/10 of the increase since 1993 is explained by fundamentals. | Scarcity of land in the Copenhagen area, temporary effect from the introduction of interest only mortgage loans could also account for the rise in house prices. |
| Finland | | | | | | | |
| Oikarinen (2005) | ECM, 1975Q1-2005Q2 | | 0.8 to 1.3 | -2.2 to -7.5 | Construction costs = 1.1 to 2.3 | No overvaluation in recent years. | Helsinki Metropolitan Area only. Uses a trend variable to capture financial liberalisation. |

Table III.7. Review of recent empirical studies on house price determination (cont.)

| Country and authors | Methodology | Elasticity of real house prices relative to housing stock supply | Elasticity of real house prices relative to real disposable income | Elasticity of real house prices relative to real interest rate | Other variables | Estimated overvaluation | Comments |
|---|--|---|--|---|--|---|---|
| Ireland | | | | | | | |
| OECD Economic Survey (2006) | ECM, 1977Q1-2004Q4 for new and existing houses | -2.0 for new houses, -0.007 for existing houses (time trend relative to pop. 25-44) | 1.8 for new and existing houses | -1.8 for new and existing houses | | 20% since end 2004 for new houses and 10% for existing houses. | The sharp increase in the price of existing house relative to new houses since the mid-1990s may reflect in part relative supply constraints. Short-run income elasticities are high in both equations. |
| McQuinn (2004) | 3 equations system: inverted demand, supply and housing stock, 1980Q1-2002Q4 | -0.5 | 0.1 to 0.2 | -0.005 | net migration = 0.02, mortgages approved = 1.0 | Little deviation from the fundamental price in recent year. | Land costs are an important factor in the recent rise in new house prices. |
| Netherlands | | | | | | | |
| OECD Economic Survey (2004) | ECM, 1970-2002 | -0.5 | 1.9 | -7.1 | | . | High growth in real house prices is mainly attributable to weak supply response. |
| Verbruggen <i>et al.</i> (2005) | ECM, 1980-2003 | -1.4 | 1.3 | -5.9 | | 10% in 2003 | |
| Hofman (2005) | ECM, 1974Q1-2003Q3 | | 1.5 | -9.4 | | No deviation from fundamentals in 2004 | Van Rooij (1999) also failed to find any long-run effects of housing supply. |
| Norway | | | | | | | |
| Jacobsen (2005) | ECM, 1990Q1-2004Q1 | -1.7 | 1.7 | -3.2 | Unemployment = 0.5 | No overvaluation in recent years. | If housing stock is excluded, income elasticity drops to 1.2. |
| Spain | | | | | | | |
| OECD Economic Survey (2004b) | ECM, 1989-2003 | -6.9 to -8.1 | 3.3 to 4.1 | | Population = 12 to 16.9 | | High growth in real house prices is not attributable to weak supply response. |
| Ayuso <i>et al.</i> (2003) and Banca de Espana (2004) | 1978-2002 | | 2.8 | -4.5 (in nominal terms) if the elasticity of income is 1 otherwise insignificant | Stock market return = -0.3 | 8% to 17% in mid-2002, 14% to 19% in 2003 and 24% to 31% in 2004. | |
| Group of countries | | | | | | | |
| Sutton (2002) | VAR model for the US, Australia, Canada, UK, the Netherlands and Ireland, 1970s-2002Q1 | | | Short rates = -0.5 to 1.5, weaker for long-rates, with lowest estimates for the US and the UK and largest for the Netherlands | GNP = 1 to 4 after 3 years, largest in Ireland. Share prices = 1 to 5 after 3 years, largest in the UK | Overvaluation in all countries except Canada over 1995Q1 to 2002Q2, largest in Ireland. | |

Statlink: <http://dx.doi.org/10.1787/274542826507>

Table III.7. Review of recent empirical studies on house price determination (cont.)

| Country and authors | Methodology | Elasticity of real house prices relative to housing stock supply | Elasticity of real house prices relative to real disposable income | Elasticity of real house prices relative to real interest rate | Other variables | Estimated overvaluation | Comments |
|----------------------------|---|--|--|--|---|---|--|
| Tsatsaronis and Zhu (2004) | VAR model for 17 countries, grouped on their mortgage finance structures, 1970-2003 | | Account for less than 10% of total variation in house prices after 5 years | Account for 11% of total variation in house prices after 5 years | Inflation account for 50% of total variation in house prices after 5 years, while bank credit and term spread account each for around 10% | | Mortgage market structures matter for the importance of inflation sensitivity to interest rates and the strength of the bank credit channel. |
| Terrones and Otrok (2004) | Dynamic panel regressions for 18 countries, 1970-2003 | 1.1 | | -1.0 | Population growth = 0.3, housing affordability = -0.1, lagged dependent variable = 0.5 | Between 1997 to 2003, overvaluation by 10% to 20% in Australia, Ireland, Spain and the United Kingdom, by 10% or less in Sweden and the US. | The growth rate of real house prices is very persistent, shows long-run reversion to fundamentals and dependence on economic fundamentals. No. obs. = 524. |

Source: OECD compilation.

Statlink: <http://dx.doi.org/10.1787/274542826507>

Table III.8. Stationarity test for price-to-income and price-to-rent ratios

| | Augmented Dickey-Fuller unit root test | | | |
|----------------|--|-----------------|---------------------|-----------------|
| | Price-to-income ratio | | Price-to-rent ratio | |
| | 1970Q1 - 2004Q4 | 1970Q1 - 2000Q4 | 1970Q1 - 2004Q4 | 1970Q1 - 2000Q4 |
| United States | -1.15 | -0.98 | -0.92 | -2.37 |
| Japan | -1.34 | -2.03 | -2.05 | -2.58 |
| Germany | -1.04 | -1.31 | -0.23 | -0.61 |
| France | -1.71 | -1.85 | -1.33 | -2.89** |
| Italy | -2.37 | -2.13 | .. | .. |
| United Kingdom | -2.43 | -3.51*** | -1.53 | -3.15** |
| Canada | -1.36 | -1.58 | 0.14 | -1.58 |
| Australia | 1.47 | -1.76 | -0.49 | -1.82 |
| Denmark | -1.91 | -1.94 | -1.68 | -2.08 |
| Finland | -3.20 ** | -2.97** | -1.53 | -2.13 |
| Ireland | -0.03 | -2.82* | 0.73 | -1.14 |
| Netherlands | -1.97 | -2.29 | -2.09 | -2.74* |
| New Zealand | -2.25 | -1.81 | -1.12 | -3.61*** |
| Norway | -0.39 | -2.18 | -1.41 | -1.89 |
| Spain | -0.18 | -1.55 | -0.13 | -1.36 |
| Sweden | -2.08 | -1.93 | -2.17 | -2.91** |
| Switzerland | -1.60 | -1.46 | -2.64 * | -2.70* |
| Korea | -0.97 | -0.65 | -3.32** | -1.91 |

Note: *, ** and *** indicate the stationarity at the 10%, 5% and 1% level respectively. The lag structures for the ADF equations are chosen using the Schwarz Information Criterion. The critical values are from MacKinnon (1996). For Denmark, Ireland, Italy, Korea and Norway, the sample is shorter due to data availability.

Source: OECD calculation.

Statlink: <http://dx.doi.org/10.1787/274542826507>

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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 2005 to 2007 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 22 November 2005.

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 | 1.82 | Mexico | 3.30 |
| Austria | 0.84 | Netherlands | 1.66 |
| Belgium | 1.00 | New Zealand | 0.29 |
| Canada | 3.20 | Norway | 0.60 |
| Czech Republic | 0.55 | Poland | 1.46 |
| Denmark | 0.56 | Portugal | 0.68 |
| Finland | 0.49 | Slovak Republic | 0.21 |
| France | 5.78 | Spain | 3.11 |
| Germany | 7.71 | Sweden | 0.88 |
| Greece | 0.65 | Switzerland | 0.80 |
| Hungary | 0.45 | Turkey | 1.69 |
| Iceland | 0.03 | United Kingdom | 5.53 |
| Ireland | 0.40 | United States | 36.00 |
| Italy | 5.30 | Total OECD | 100.00 |
| Japan | 12.12 | <i>Memorandum items:</i> | |
| Korea | 2.82 | Euro area | 27.71 |
| 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 (1959q1-2005q2) | SNA93 (1959q1-2004q2) | SNA93 (1959q1-2004q2) | YES | 2002/2003 |
| Austria | ESA95 (1989q1-2005q2) | ESA95 (1995-2003) | ESA95 (1995-2004) | YES | 2000 |
| Belgium | ESA95 (1970q1-2005q3) | ESA95 (1995-2003) | ESA95 (1970-2004) | NO | 2000 |
| Canada | SNA93 (1955q1-2005q2) | SNA93 (1955q1-2005q2) | SNA93 (1955q1-2005q2) | YES | 1997 |
| Czech Republic | SNA93 (1995q1-2005q2) | SNA93 (1995-2003) | SNA93 (1995-2004) | YES | 1995 |
| Denmark | ESA95 (1990q1-2005q2) | ESA95 (1981-2003) | ESA95 (1990-2004) | YES | 2000 |
| Finland | ESA95 (1975q1-2005q2) | ESA95 (1975-2004) | ESA95 (1975-2004) | NO | 2000 |
| France | ESA95 (1978q1-2005q2) | ESA95 (1978q1-2005q2) | ESA95 (1978-2004) | NO | 2000 |
| Germany ¹ | ESA95 (1991q1-2005q2) | ESA95 (1991-2004) | ESA95 (1991-2004) | YES | 2000 |
| Greece | ESA95 (1960-2004) | .. | ESA95 (1960-2004) | YES | 1995 |
| Hungary | SNA93 (1995q1-2005q2) | SNA93 (1995-2003) | SNA93 (1995-2003) | NO | 2000 |
| Iceland | SNA93 (1970q1-2005q2) | .. | SNA93 (1990-2004) | YES | 2000 |
| Ireland | ESA95 (1997q1-2005q2) | SNA93 (1990-2002) | ESA95 (1985-2004) | YES | 2003 |
| Italy | ESA95 (1980q1-2005q2) | ESA95 (1980-2003) | ESA95 (1980-2004) | NO | 1995 |
| Japan | SNA93 (1993q1-2005q3) ² | SNA93 (1990-2003) | SNA93 (1990-2003) | YES | 2000 |
| Korea | SNA93 (1970q1-2005q3) | SNA93 (1995-2003) | SNA93 (1995-2003) | NO | 2000 |
| Luxembourg | ESA95 (1995q1-2005q1) | .. | ESA95(1990-2004) | YES | 1995 |
| Mexico | SNA93 (1980q1-2005q2) | .. | .. | NO | 1993 |
| Netherlands | ESA95 (2001q1-2005q3) | ESA95 (1980-2003) | ESA95 (1969-2004) | YES | 2001 |
| New Zealand | SNA93 (1987q1-2005q2) | .. | SNA93 (1987-2003) | YES | 1995/96 |
| Norway | SNA93 (1978q1-2005q2) | SNA93 (1978-2004) | SNA93 (1978-2004) | YES | 2002 |
| Poland | SNA93 (1991q1-2005q2) | SNA93 (1991-2003) | SNA93 (1995-2004) | YES | 2000 |
| Portugal | ESA95 (1995q1-2005q2) | ESA95(1995-2003) | ESA95 (1977-2004) | YES | 2000 |
| Slovak Republic | SNA93 (1993-2004) | SNA93 (1994-2004) | SNA93 (1993-2004) | NO | 1995 |
| Spain | ESA95 (1995q1-2005q3) | ESA95 (1995-2003) | ESA95 (1995-2004) | YES | 2000 |
| Sweden | ESA95 (1993q1-2005q2) | ESA95 (1993q1-2004q4) | ESA95 (1993-2004) | YES | 2000 |
| Switzerland | SNA93 (1980q1-2005q2) | SNA93 (1990-2003) | SNA93 (1990-2003) | YES | 2000 |
| Turkey | SNA68 (1987q1-2005q2) | .. | .. | NO | 1987 |
| United Kingdom | ESA95 (1987q1-2005q2) | ESA95 (1987q1-2005q2) | ESA95 (1987q1-2005q2) | YES | 2002 |
| United-States | NIPA (SNA93) (1960q1-2005q3) | NIPA (SNA93) (1960q1-2005q3) | NIPA (SNA93) (1960q1-2005q2) | 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.

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Annex Table 1. **Real GDP**
Percentage change from previous year

| | Average 1981-91 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|-----------------|--------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 2.7 | 2.3 | 3.8 | 4.7 | 3.8 | 4.0 | 3.7 | 5.4 | 4.2 | 3.3 | 2.7 | 3.8 | 3.5 | 3.0 | 2.6 | 3.2 | 3.6 | 3.1 | 3.4 | 3.7 |
| Austria | 2.6 | 2.3 | 0.6 | 2.6 | 2.2 | 2.4 | 2.0 | 3.5 | 3.4 | 3.5 | 0.9 | 1.0 | 1.4 | 2.4 | 1.8 | 2.1 | 2.3 | 1.7 | 2.2 | 2.4 |
| Belgium | 2.2 | 1.3 | -0.7 | 3.3 | 2.3 | 0.8 | 3.7 | 1.9 | 3.1 | 3.7 | 1.2 | 1.5 | 0.9 | 2.4 | 1.4 | 2.0 | 2.2 | 1.2 | 2.1 | 2.4 |
| Canada | 2.2 | 0.9 | 2.3 | 4.8 | 2.8 | 1.6 | 4.2 | 4.1 | 5.5 | 5.2 | 1.8 | 3.1 | 2.0 | 2.9 | 3.0 | 3.2 | 3.1 | 3.1 | 3.2 | 3.1 |
| Czech Republic | .. | .. | .. | 4.2 | 5.9 | 4.2 | -0.7 | -1.1 | 1.2 | 3.9 | 2.6 | 1.5 | 3.2 | 4.4 | 4.8 | 4.5 | 4.5 | .. | .. | .. |
| Denmark | 1.9 | 2.0 | -0.1 | 5.5 | 3.1 | 2.8 | 3.2 | 2.2 | 2.6 | 3.5 | 0.7 | 0.5 | 0.6 | 2.1 | 3.0 | 2.7 | 2.4 | 3.1 | 2.7 | 2.2 |
| Finland | 2.2 | -4.2 | -1.2 | 4.1 | 3.5 | 3.6 | 6.2 | 5.0 | 3.3 | 5.3 | 0.9 | 2.2 | 2.4 | 3.5 | 1.3 | 3.3 | 2.8 | 2.6 | 2.0 | 3.0 |
| France | 2.2 | 1.9 | -0.8 | 1.6 | 2.0 | 1.1 | 2.3 | 3.4 | 3.2 | 4.1 | 2.1 | 1.3 | 0.9 | 2.1 | 1.6 | 2.1 | 2.2 | 1.7 | 2.1 | 2.2 |
| Germany | 4.1 | 1.8 | -0.8 | 2.7 | 2.0 | 1.0 | 1.9 | 1.8 | 1.9 | 3.5 | 1.4 | 0.1 | -0.2 | 1.1 | 1.1 | 1.8 | 1.7 | 1.8 | 1.8 | 1.6 |
| Greece | 1.2 | 0.7 | -1.6 | 2.0 | 2.1 | 2.4 | 3.6 | 3.4 | 3.4 | 4.5 | 4.6 | 3.8 | 4.6 | 4.7 | 3.5 | 3.3 | 3.5 | 3.3 | 3.9 | 4.0 |
| Hungary | .. | .. | .. | 2.9 | 1.5 | 1.3 | 4.6 | 4.9 | 4.2 | 5.2 | 3.8 | 5.1 | 3.4 | 4.6 | 4.2 | 4.5 | 4.3 | .. | .. | .. |
| Iceland | 2.3 | -3.3 | 0.8 | 4.0 | 0.1 | 5.2 | 4.7 | 5.7 | 4.2 | 5.0 | 3.3 | -1.3 | 3.6 | 6.2 | 6.6 | 4.6 | 2.6 | 9.7 | 2.6 | 3.4 |
| Ireland | 3.5 | 3.3 | 2.7 | 5.8 | 9.6 | 8.3 | 10.8 | 8.6 | 10.7 | 9.2 | 6.2 | 6.1 | 4.4 | 4.5 | 5.1 | 5.0 | 5.0 | .. | .. | .. |
| Italy | 2.3 | 0.7 | -0.9 | 2.3 | 3.0 | 1.0 | 2.0 | 1.7 | 1.7 | 3.2 | 1.7 | 0.4 | 0.4 | 1.0 | 0.2 | 1.1 | 1.5 | 0.8 | 1.0 | 1.8 |
| Japan | 4.0 | 1.0 | 0.2 | 1.1 | 2.0 | 3.4 | 1.8 | -1.0 | -0.1 | 2.4 | 0.2 | -0.3 | 1.4 | 2.7 | 2.4 | 2.0 | 2.0 | 3.2 | 2.0 | 2.1 |
| Korea | 9.1 | 5.9 | 6.1 | 8.5 | 9.2 | 7.0 | 4.7 | -6.9 | 9.5 | 8.5 | 3.8 | 7.0 | 3.1 | 4.6 | 3.9 | 5.1 | 5.2 | 4.4 | 5.4 | 5.0 |
| Luxembourg | 5.9 | 1.8 | 4.2 | 3.8 | 1.4 | 3.3 | 8.3 | 6.9 | 7.8 | 9.0 | 1.6 | 2.5 | 2.9 | 4.5 | 3.5 | 3.7 | 4.5 | .. | .. | .. |
| Mexico | 1.5 | 3.5 | 1.9 | 4.5 | -6.2 | 5.1 | 6.8 | 4.9 | 3.9 | 6.6 | -0.2 | 0.8 | 1.4 | 4.4 | 3.0 | 3.9 | 3.5 | 3.2 | 3.3 | 3.6 |
| Netherlands | 2.5 | 1.5 | 0.7 | 2.9 | 3.0 | 3.0 | 3.8 | 4.3 | 4.0 | 3.5 | 1.4 | 0.1 | -0.1 | 1.7 | 0.7 | 2.2 | 2.5 | 0.8 | 2.7 | 2.3 |
| New Zealand | 1.9 | 0.8 | 4.7 | 6.2 | 3.9 | 3.5 | 2.9 | 0.2 | 4.9 | 3.7 | 2.5 | 4.4 | 3.7 | 4.4 | 2.7 | 2.6 | 2.4 | 3.5 | 1.8 | 2.8 |
| Norway | 2.7 | 3.3 | 2.7 | 5.3 | 4.4 | 5.3 | 5.2 | 2.6 | 2.1 | 2.8 | 2.7 | 1.1 | 0.4 | 2.9 | 2.4 | 2.2 | 1.8 | 2.9 | 1.6 | 1.9 |
| Poland | .. | .. | .. | 5.3 | 7.0 | 6.0 | 6.8 | 4.8 | 4.1 | 4.0 | 1.0 | 1.4 | 3.8 | 5.4 | 3.2 | 3.7 | 4.3 | .. | .. | .. |
| Portugal | 3.5 | 1.1 | -2.0 | 1.0 | 4.3 | 3.6 | 4.2 | 4.7 | 3.9 | 3.8 | 2.0 | 0.5 | -1.2 | 1.2 | 0.8 | 1.0 | 1.8 | 1.5 | 1.0 | 2.3 |
| Slovak Republic | .. | .. | .. | 6.2 | 5.8 | 6.1 | 4.6 | 4.2 | 1.5 | 2.0 | 3.8 | 4.6 | 4.5 | 5.5 | 5.3 | 5.6 | 6.2 | .. | .. | .. |
| Spain | 3.2 | 0.9 | -1.0 | 2.4 | 2.8 | 2.4 | 3.9 | 4.5 | 4.7 | 5.0 | 3.5 | 2.7 | 3.0 | 3.1 | 3.4 | 3.2 | 3.3 | 3.3 | 3.3 | 3.2 |
| Sweden | 2.1 | -1.2 | -2.0 | 4.1 | 4.2 | 1.3 | 2.6 | 3.6 | 4.3 | 4.4 | 1.2 | 2.0 | 1.6 | 3.1 | 2.4 | 3.5 | 3.0 | 2.9 | 3.4 | 3.1 |
| Switzerland | 2.0 | 0.0 | -0.3 | 1.1 | 0.4 | 0.5 | 1.9 | 2.8 | 1.3 | 3.6 | 1.0 | 0.3 | -0.3 | 2.1 | 1.2 | 1.7 | 1.8 | .. | .. | .. |
| Turkey | 4.8 | 6.0 | 8.0 | -5.5 | 7.2 | 7.0 | 7.5 | 3.1 | -4.7 | 7.4 | -7.5 | 7.9 | 5.8 | 8.9 | 5.8 | 6.0 | 6.4 | .. | .. | .. |
| United Kingdom | 2.6 | 0.3 | 2.4 | 4.4 | 2.9 | 2.7 | 3.2 | 3.2 | 3.0 | 4.0 | 2.2 | 2.0 | 2.5 | 3.2 | 1.7 | 2.4 | 2.7 | 1.8 | 2.6 | 2.7 |
| United States | 3.0 | 3.3 | 2.7 | 4.0 | 2.5 | 3.7 | 4.5 | 4.2 | 4.4 | 3.7 | 0.8 | 1.6 | 2.7 | 4.2 | 3.6 | 3.5 | 3.3 | 3.7 | 3.4 | 3.1 |
| Euro area | 2.9 | 1.4 | -0.7 | 2.4 | 2.4 | 1.5 | 2.6 | 2.8 | 2.8 | 3.9 | 1.9 | 1.0 | 0.8 | 1.8 | 1.4 | 2.1 | 2.2 | 1.8 | 2.1 | 2.2 |
| Total OECD | 3.1 | 2.2 | 1.5 | 3.3 | 2.6 | 3.1 | 3.6 | 2.8 | 3.3 | 3.9 | 1.1 | 1.5 | 2.0 | 3.3 | 2.7 | 2.9 | 2.9 | 3.0 | 2.8 | 2.9 |

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. 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 78 database.

Annex Table 2. **Nominal GDP**
Percentage change from previous year

| | Average 1981-91 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|-----------------|--------------------|------|------|------|-------|------|------|------|------|------|------|------|------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 9.8 | 3.6 | 5.0 | 5.5 | 5.4 | 6.4 | 5.4 | 5.7 | 4.9 | 7.6 | 6.4 | 6.8 | 6.4 | 6.8 | 6.9 | 6.6 | 6.3 | 7.4 | 6.2 | 6.5 |
| Austria | 6.0 | 5.9 | 3.4 | 5.1 | 4.1 | 3.5 | 2.0 | 3.7 | 4.1 | 5.1 | 2.7 | 2.2 | 2.7 | 4.5 | 4.1 | 3.6 | 3.8 | 3.2 | 3.8 | 3.8 |
| Belgium | 6.3 | 4.8 | 3.3 | 5.5 | 3.6 | 1.4 | 5.0 | 3.8 | 3.8 | 5.5 | 3.0 | 3.3 | 2.6 | 4.7 | 3.5 | 4.1 | 4.0 | 3.1 | 4.9 | 3.4 |
| Canada | 6.6 | 2.2 | 3.8 | 6.0 | 5.1 | 3.3 | 5.5 | 3.7 | 7.4 | 9.6 | 2.9 | 4.2 | 5.4 | 6.1 | 5.6 | 5.4 | 4.7 | 5.9 | 4.6 | 4.8 |
| Czech Republic | .. | .. | .. | 14.0 | 16.8 | 13.2 | 7.5 | 9.9 | 4.0 | 5.3 | 7.7 | 4.3 | 5.8 | 7.6 | 5.1 | 7.5 | 7.5 | .. | .. | .. |
| Denmark | 7.3 | 3.7 | 0.6 | 7.1 | 4.4 | 4.9 | 5.3 | 3.4 | 4.3 | 6.6 | 3.2 | 2.0 | 2.9 | 4.2 | 4.8 | 4.7 | 5.2 | 4.5 | 5.1 | 5.4 |
| Finland | 8.5 | -2.4 | 1.1 | 6.0 | 8.4 | 3.2 | 8.5 | 8.7 | 3.1 | 8.3 | 4.4 | 3.2 | 2.1 | 3.8 | 3.4 | 4.3 | 3.7 | 5.2 | 2.7 | 4.0 |
| France | 7.9 | 3.6 | 0.8 | 3.6 | 3.5 | 2.8 | 3.3 | 4.5 | 3.0 | 5.6 | 3.9 | 3.5 | 2.3 | 3.7 | 3.0 | 3.9 | 3.8 | 3.1 | 3.8 | 3.9 |
| Germany | 6.8 | 6.9 | 2.9 | 5.2 | 3.9 | 1.5 | 2.2 | 2.4 | 2.2 | 2.8 | 2.6 | 1.6 | 0.8 | 1.9 | 1.7 | 2.4 | 2.7 | 2.7 | 2.3 | 2.8 |
| Greece | 20.8 | 15.6 | 12.6 | 13.4 | 12.1 | 9.9 | 10.7 | 8.8 | 6.5 | 8.0 | 8.3 | 8.0 | 8.3 | 8.4 | 7.0 | 6.4 | 6.8 | 5.7 | 6.7 | 6.6 |
| Hungary | .. | .. | .. | 23.0 | 28.6 | 22.8 | 23.9 | 18.1 | 12.9 | 15.6 | 12.7 | 13.9 | 10.3 | 9.5 | 6.3 | 6.0 | 6.6 | .. | .. | .. |
| Iceland | 31.6 | -0.1 | 3.1 | 6.2 | 3.0 | 7.3 | 6.8 | 11.0 | 7.3 | 8.8 | 12.1 | 4.3 | 3.7 | 9.1 | 10.8 | 9.0 | 6.1 | 15.5 | 5.9 | 7.0 |
| Ireland | 9.2 | 6.2 | 8.0 | 7.5 | 13.0 | 10.2 | 15.7 | 16.3 | 15.1 | 15.2 | 12.2 | 11.4 | 6.6 | 6.8 | 7.4 | 7.6 | 8.4 | .. | .. | .. |
| Italy | 12.1 | 5.3 | 3.0 | 5.9 | 8.1 | 6.4 | 4.5 | 4.5 | 3.3 | 5.4 | 4.4 | 3.5 | 3.3 | 3.6 | 2.8 | 2.9 | 3.8 | 4.3 | 1.9 | 4.7 |
| Japan | 6.1 | 2.6 | 0.8 | 1.2 | 1.4 | 2.6 | 2.2 | -1.2 | -1.4 | 0.8 | -1.1 | -1.6 | -0.1 | 1.5 | 1.3 | 1.8 | 2.7 | 1.8 | 2.2 | 2.9 |
| Korea | 16.6 | 13.9 | 12.9 | 17.0 | 17.2 | 12.5 | 9.5 | -1.4 | 9.4 | 9.3 | 7.5 | 10.0 | 5.9 | 7.4 | 3.9 | 6.2 | 6.7 | 3.9 | 7.7 | 5.6 |
| Luxembourg | 9.7 | 5.6 | 10.4 | 7.5 | 3.8 | 5.4 | 11.2 | 9.8 | 10.2 | 13.6 | 3.5 | 3.5 | 5.1 | 7.2 | 6.9 | 7.6 | 8.2 | .. | .. | .. |
| Mexico | 64.5 | 18.6 | 11.6 | 13.3 | 29.3 | 37.5 | 25.7 | 21.0 | 19.5 | 19.5 | 5.7 | 7.8 | 10.0 | 10.7 | 7.8 | 7.8 | 6.7 | 6.0 | 6.6 | 6.8 |
| Netherlands | 4.3 | 3.9 | 2.5 | 5.2 | 5.1 | 4.2 | 5.9 | 6.1 | 5.6 | 7.5 | 6.7 | 3.9 | 2.4 | 2.6 | 2.2 | 4.3 | 4.2 | 2.8 | 4.1 | 4.6 |
| New Zealand | 10.2 | 2.3 | 7.8 | 7.3 | 6.4 | 6.0 | 3.4 | 1.3 | 5.2 | 6.3 | 7.0 | 5.2 | 5.6 | 8.3 | 5.2 | 5.1 | 4.5 | 5.6 | 4.2 | 4.8 |
| Norway | 8.0 | 2.7 | 5.1 | 5.2 | 7.3 | 9.5 | 8.2 | 1.9 | 8.9 | 19.1 | 3.9 | -0.5 | 2.8 | 8.1 | 9.3 | 6.8 | 5.4 | 8.6 | 6.1 | 5.2 |
| Poland | .. | .. | .. | 44.5 | 36.9 | 25.7 | 21.6 | 16.9 | 10.7 | 10.9 | 5.1 | 2.7 | 4.5 | 8.5 | 9.4 | 5.5 | 6.2 | .. | .. | .. |
| Portugal | 20.7 | 12.7 | 5.2 | 8.3 | 7.9 | 6.8 | 8.1 | 8.7 | 7.1 | 6.7 | 6.2 | 4.7 | 1.5 | 3.9 | 2.5 | 3.0 | 3.7 | 2.6 | 3.0 | 4.0 |
| Slovak Republic | .. | .. | .. | 20.5 | 16.3 | 10.7 | 11.6 | 9.6 | 8.0 | 10.7 | 8.1 | 8.8 | 9.3 | 10.3 | 7.3 | 8.6 | 8.8 | .. | .. | .. |
| Spain | 12.3 | 7.7 | 3.5 | 6.4 | 7.8 | 6.0 | 6.3 | 7.1 | 7.5 | 8.7 | 7.9 | 7.2 | 7.1 | 7.3 | 7.2 | 6.4 | 6.8 | 6.5 | 7.1 | 6.6 |
| Sweden | 9.8 | -0.2 | 1.0 | 6.6 | 7.6 | 2.5 | 4.0 | 4.4 | 5.3 | 5.7 | 3.4 | 3.7 | 3.6 | 4.4 | 3.7 | 5.3 | 4.5 | 5.2 | 4.2 | 5.1 |
| Switzerland | 5.7 | 2.2 | 2.1 | 2.6 | 1.2 | 0.5 | 1.7 | 2.5 | 2.0 | 4.4 | 1.7 | 1.9 | 0.9 | 2.6 | 2.0 | 2.7 | 2.8 | .. | .. | .. |
| Turkey | 54.9 | 73.5 | 81.3 | 95.2 | 100.7 | 90.3 | 95.2 | 81.1 | 48.2 | 60.9 | 43.2 | 55.6 | 29.6 | 19.7 | 13.8 | 12.2 | 11.0 | .. | .. | .. |
| United Kingdom | 8.8 | 4.2 | 5.1 | 6.0 | 5.6 | 6.3 | 6.2 | 6.2 | 5.2 | 5.3 | 4.5 | 5.2 | 5.5 | 5.2 | 3.7 | 4.1 | 4.3 | 3.1 | 4.3 | 4.3 |
| United States | 6.7 | 5.7 | 5.0 | 6.2 | 4.6 | 5.7 | 6.2 | 5.3 | 6.0 | 5.9 | 3.2 | 3.4 | 4.8 | 7.0 | 6.4 | 6.1 | 5.6 | 6.7 | 5.8 | 5.5 |
| Euro area | 8.8 | 5.7 | 2.7 | 5.3 | 5.2 | 3.5 | 4.0 | 4.4 | 3.7 | 5.3 | 4.3 | 3.5 | 2.7 | 3.7 | 3.2 | 3.7 | 4.1 | 3.8 | 3.6 | 4.2 |
| Total OECD | 10.6 | 6.8 | 5.4 | 8.2 | 8.0 | 7.6 | 7.5 | 6.1 | 5.8 | 6.9 | 4.2 | 4.2 | 4.3 | 5.6 | 4.8 | 4.9 | 4.9 | 5.0 | 4.9 | 4.8 |

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 78 database.

Annex Table 3. **Real private consumption expenditure**

Percentage change from previous year

| | Average 1981-91 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|-----------------|--------------------|------|------|------|------|------|------|-------|------|------|------|------|------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 2.7 | 2.5 | 1.6 | 3.7 | 4.7 | 3.2 | 4.0 | 4.5 | 4.9 | 3.1 | 2.9 | 3.9 | 4.3 | 5.5 | 2.7 | 2.8 | 3.1 | 2.6 | 3.0 | 3.0 |
| Austria | 2.8 | 3.6 | -0.3 | 3.3 | 0.6 | 0.9 | 2.0 | 1.9 | 2.2 | 3.8 | 1.0 | 0.4 | 1.4 | 0.9 | 1.2 | 1.7 | 1.9 | 1.4 | 1.8 | 1.9 |
| Belgium | 2.2 | 1.7 | -0.3 | 2.4 | 1.0 | 1.1 | 2.0 | 2.6 | 2.0 | 3.6 | 1.2 | 0.8 | 1.0 | 1.3 | 1.1 | 1.7 | 1.9 | 1.8 | 1.6 | 2.2 |
| Canada | 2.4 | 1.5 | 1.8 | 3.0 | 2.1 | 2.6 | 4.6 | 2.8 | 3.8 | 4.0 | 2.3 | 3.7 | 3.1 | 3.4 | 4.0 | 2.9 | 2.7 | 3.8 | 2.9 | 2.6 |
| Czech Republic | .. | .. | .. | 4.5 | 5.9 | 8.8 | 1.3 | -1.5 | 2.1 | 2.9 | 2.6 | 2.8 | 4.6 | 2.1 | 2.0 | 3.4 | 4.2 | .. | .. | .. |
| Denmark | 1.4 | 2.6 | -0.5 | 6.3 | 1.6 | 2.2 | 3.0 | 2.3 | -0.4 | 0.2 | 0.1 | 0.8 | 1.4 | 3.8 | 4.4 | 3.0 | 2.1 | 3.4 | 2.9 | 1.8 |
| Finland | 2.8 | -4.1 | -3.8 | 2.7 | 4.1 | 3.1 | 3.7 | 4.3 | 3.3 | 2.8 | 2.0 | 1.6 | 4.4 | 2.8 | 3.3 | 2.5 | 1.5 | 3.4 | 1.8 | 1.5 |
| France | 2.1 | 0.8 | -0.3 | 0.9 | 1.6 | 1.5 | 0.2 | 3.6 | 3.3 | 3.5 | 2.4 | 2.4 | 1.6 | 2.3 | 2.1 | 2.1 | 2.2 | 1.8 | 2.2 | 2.3 |
| Germany | 4.8 | 2.9 | 0.9 | 2.0 | 2.4 | 1.2 | 1.0 | 1.4 | 2.9 | 2.5 | 1.9 | -0.5 | 0.1 | 0.2 | -0.2 | 0.3 | 0.6 | -0.8 | 0.6 | 0.6 |
| Greece | 2.5 | 2.3 | -0.8 | 1.9 | 2.5 | 2.4 | 2.7 | 3.5 | 2.5 | 2.2 | 2.9 | 3.3 | 4.5 | 4.4 | 3.3 | 3.0 | 3.2 | .. | .. | .. |
| Hungary | .. | .. | .. | 0.2 | -7.1 | -3.6 | 1.9 | 4.8 | 5.6 | 5.4 | 5.8 | 13.0 | 8.4 | 3.2 | 3.1 | 3.7 | 3.0 | .. | .. | .. |
| Iceland | 2.4 | -3.1 | -4.7 | 2.9 | 2.2 | 5.4 | 5.1 | 10.4 | 7.8 | 4.1 | -3.2 | -1.8 | 5.8 | 6.9 | 12.1 | 5.7 | 2.6 | 11.1 | 4.9 | 1.5 |
| Ireland | 1.9 | 2.9 | 2.9 | 4.4 | 3.4 | 6.4 | 7.2 | 7.7 | 8.1 | 8.5 | 9.1 | 5.8 | 3.8 | 3.3 | 4.4 | 5.1 | 5.8 | .. | .. | .. |
| Italy | 2.8 | 1.9 | -3.6 | 1.5 | 1.7 | 1.3 | 3.2 | 3.2 | 2.6 | 2.8 | 0.8 | 0.4 | 1.4 | 1.0 | 0.9 | 1.0 | 1.8 | 1.0 | 1.1 | 2.3 |
| Japan | 3.8 | 2.6 | 1.4 | 2.7 | 1.9 | 2.5 | 0.8 | -0.2 | 0.0 | 0.5 | 1.1 | 0.5 | 0.2 | 1.5 | 1.7 | 1.5 | 1.7 | 2.6 | 1.5 | 1.8 |
| Korea | 8.3 | 6.0 | 6.0 | 8.4 | 9.9 | 6.7 | 3.3 | -13.4 | 11.5 | 8.4 | 4.9 | 7.9 | -1.2 | -0.5 | 3.2 | 4.1 | 3.7 | 4.6 | 3.5 | 3.8 |
| Luxembourg | 3.4 | -2.3 | 2.1 | 4.0 | 1.9 | 4.3 | 3.9 | 6.6 | 2.6 | 4.6 | 5.1 | 3.2 | 1.2 | 1.1 | 1.2 | 2.5 | 2.4 | .. | .. | .. |
| Mexico | 1.8 | 4.7 | 1.5 | 4.6 | -9.5 | 2.2 | 6.5 | 5.4 | 4.3 | 8.2 | 2.5 | 1.6 | 2.3 | 5.5 | 4.0 | 4.2 | 4.0 | 3.8 | 3.9 | 3.9 |
| Netherlands | 1.8 | 0.5 | 0.3 | 1.4 | 2.9 | 4.0 | 3.0 | 4.8 | 4.7 | 3.5 | 1.4 | 0.9 | -0.7 | 0.0 | 0.2 | -1.7 | 2.0 | 1.2 | -1.5 | 1.9 |
| New Zealand | 1.7 | 0.1 | 2.8 | 5.8 | 4.0 | 5.1 | 2.4 | 2.5 | 3.8 | 1.6 | 2.5 | 4.0 | 5.4 | 6.3 | 4.8 | 3.0 | 2.5 | 4.2 | 2.8 | 2.4 |
| Norway | 1.9 | 2.2 | 2.4 | 3.3 | 3.7 | 6.5 | 3.2 | 2.7 | 3.3 | 3.9 | 1.8 | 3.0 | 3.0 | 4.4 | 3.6 | 3.5 | 2.6 | 4.0 | 2.6 | 2.5 |
| Poland | .. | .. | .. | 3.9 | 3.7 | 8.5 | 6.9 | 4.8 | 5.2 | 2.8 | 2.0 | 3.4 | 3.0 | 3.4 | 2.0 | 3.2 | 3.7 | .. | .. | .. |
| Portugal | 3.0 | 4.7 | 1.1 | 1.0 | 0.6 | 3.3 | 3.6 | 5.2 | 5.1 | 3.6 | 1.1 | 1.2 | -0.4 | 2.5 | 2.3 | 1.3 | 2.0 | 1.4 | 1.8 | 2.0 |
| Slovak Republic | .. | .. | .. | 1.0 | 5.4 | 7.9 | 5.5 | 6.5 | 3.2 | -0.8 | 4.7 | 5.5 | -0.6 | 3.5 | 4.9 | 5.6 | 5.1 | .. | .. | .. |
| Spain | 2.8 | 2.2 | -1.9 | 1.1 | 1.7 | 2.3 | 3.2 | 4.8 | 5.3 | 5.0 | 3.2 | 2.9 | 2.6 | 4.4 | 4.2 | 3.3 | 3.5 | 3.1 | 3.4 | 3.5 |
| Sweden | 1.9 | -1.3 | -3.5 | 1.9 | 1.1 | 1.6 | 2.7 | 3.0 | 3.8 | 4.9 | 0.4 | 1.4 | 1.5 | 1.8 | 2.3 | 2.9 | 2.4 | 2.8 | 2.7 | 2.3 |
| Switzerland | 1.8 | 0.4 | -0.6 | 1.0 | 0.7 | 1.0 | 1.5 | 2.4 | 2.3 | 2.4 | 2.0 | 0.0 | 0.8 | 1.4 | 1.4 | 1.2 | 1.7 | .. | .. | .. |
| Turkey | 4.2 | 3.2 | 8.6 | -5.4 | 4.8 | 8.5 | 8.4 | 0.6 | -2.6 | 6.2 | -9.2 | 2.1 | 6.6 | 10.1 | 4.5 | 5.3 | 5.4 | .. | .. | .. |
| United Kingdom | 3.3 | 0.6 | 3.0 | 3.1 | 1.7 | 3.6 | 3.6 | 4.0 | 4.4 | 4.6 | 3.0 | 3.5 | 2.6 | 3.6 | 1.8 | 1.8 | 2.1 | 1.3 | 1.9 | 2.2 |
| United States | 3.4 | 3.3 | 3.3 | 3.7 | 2.7 | 3.4 | 3.8 | 5.0 | 5.1 | 4.7 | 2.5 | 2.7 | 2.9 | 3.9 | 3.5 | 2.8 | 3.4 | 2.9 | 3.2 | 3.4 |
| Euro area | 3.0 | 1.9 | -0.7 | 1.6 | 1.9 | 1.6 | 1.8 | 3.0 | 3.3 | 3.2 | 2.0 | 1.0 | 1.2 | 1.5 | 1.3 | 1.3 | 1.9 | 1.1 | 1.5 | 2.0 |
| Total OECD | 3.2 | 2.6 | 1.8 | 2.9 | 2.1 | 3.0 | 3.0 | 3.0 | 3.8 | 3.9 | 2.1 | 2.2 | 2.0 | 2.9 | 2.6 | 2.3 | 2.7 | 2.4 | 2.5 | 2.8 |

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 Bases" 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 78 database.

Annex Table 4. **Real public consumption expenditure**

Percentage change from previous year

| | Average 1981-91 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|-----------------|--------------------|------|------|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 3.6 | 0.4 | 0.2 | 3.1 | 4.1 | 3.0 | 2.7 | 3.6 | 2.3 | 4.6 | 0.5 | 3.5 | 4.0 | 3.3 | 2.9 | 3.3 | 3.1 | 3.0 | 3.2 | 3.0 |
| Austria | 1.7 | 2.6 | 3.2 | 2.7 | 3.1 | 1.6 | 3.2 | 2.5 | 1.7 | 1.1 | -1.0 | 1.0 | 1.9 | 1.0 | 1.1 | 1.2 | 1.3 | 1.1 | 1.2 | 1.3 |
| Belgium | 1.1 | 1.6 | -0.3 | 1.6 | 1.7 | 2.1 | 0.3 | 1.1 | 3.4 | 2.3 | 2.6 | 2.9 | 2.6 | 1.9 | 1.0 | 2.2 | 2.2 | 2.2 | 1.1 | 2.8 |
| Canada | 2.6 | 1.0 | 0.0 | -1.2 | -0.6 | -1.2 | -1.0 | 3.2 | 2.1 | 3.1 | 3.9 | 2.6 | 2.9 | 2.7 | 2.9 | 3.2 | 3.0 | 3.3 | 3.2 | 2.8 |
| Czech Republic | .. | .. | .. | 1.4 | -4.3 | 1.5 | 1.4 | -1.0 | 5.4 | 0.2 | 3.8 | 4.5 | 3.8 | -2.0 | -0.5 | 0.5 | 0.6 | .. | .. | .. |
| Denmark | 0.7 | 0.9 | 4.2 | 2.2 | 2.4 | 3.6 | 0.7 | 3.5 | 2.4 | 2.3 | 2.2 | 2.2 | 0.4 | 2.0 | 1.2 | 0.8 | 0.6 | 1.3 | 0.8 | 0.5 |
| Finland | 3.0 | -2.5 | -4.2 | 0.8 | 2.0 | 2.8 | 2.7 | 2.1 | 1.5 | 0.1 | 2.4 | 4.3 | 1.4 | 1.8 | 1.4 | 1.4 | 1.3 | 1.6 | 1.2 | 1.4 |
| France | 2.3 | 3.8 | 4.0 | 0.4 | 0.7 | 2.1 | 2.0 | -0.2 | 1.9 | 2.2 | 1.9 | 2.9 | 2.1 | 2.7 | 1.6 | 2.0 | 1.8 | 1.7 | 1.7 | 1.8 |
| Germany | 3.5 | 5.3 | 0.1 | 2.7 | 1.9 | 2.1 | 0.5 | 1.8 | 1.2 | 1.4 | 0.5 | 1.4 | 0.1 | -1.6 | -0.3 | 0.1 | 0.1 | 1.3 | -0.2 | 0.3 |
| Greece | 0.6 | -3.0 | 2.6 | -1.1 | 5.6 | 0.9 | 3.0 | 1.7 | 2.1 | 14.8 | -1.5 | 7.3 | -2.1 | 3.9 | 2.9 | 1.3 | 1.2 | .. | .. | .. |
| Hungary | .. | .. | .. | -7.4 | -6.7 | -2.3 | 3.1 | 1.8 | 1.5 | 1.9 | 6.2 | 6.9 | 6.2 | 1.7 | 2.9 | 1.7 | 1.7 | .. | .. | .. |
| Iceland | 4.6 | -0.7 | 2.3 | 4.0 | 1.8 | 1.2 | 2.5 | 3.4 | 4.9 | 4.4 | 3.1 | 5.1 | 1.5 | 2.8 | 4.9 | 2.3 | 2.0 | 7.3 | 2.2 | 2.0 |
| Ireland | 0.3 | 3.0 | 0.1 | 4.1 | 3.9 | 3.4 | 5.1 | 4.7 | 7.4 | 8.6 | 1.2 | 1.2 | 2.4 | 3.9 | 3.9 | 5.5 | 5.5 | .. | .. | .. |
| Italy | 2.7 | 0.6 | -0.2 | -0.9 | -2.2 | 1.0 | 0.2 | 0.2 | 1.3 | 1.7 | 3.9 | 1.9 | 2.3 | 0.6 | 1.2 | 0.0 | 0.6 | 1.5 | -1.0 | 1.6 |
| Japan | 3.4 | 2.5 | 3.0 | 3.2 | 4.4 | 3.0 | 1.1 | 2.2 | 4.7 | 4.9 | 3.0 | 2.6 | 1.2 | 2.7 | 2.0 | 1.4 | 1.4 | 1.6 | 1.5 | 1.4 |
| Korea | 6.3 | 7.4 | 5.6 | 4.1 | 5.0 | 8.0 | 2.6 | 2.3 | 2.9 | 1.6 | 4.9 | 6.0 | 3.8 | 3.0 | 3.7 | 2.8 | 3.0 | 3.1 | 4.2 | 2.9 |
| Luxembourg | 4.6 | 3.2 | 5.2 | 1.0 | 4.7 | 5.6 | 3.0 | 1.3 | 7.3 | 4.8 | 6.5 | 3.2 | 5.0 | 6.2 | 4.1 | 3.5 | 3.0 | .. | .. | .. |
| Mexico | 2.0 | 1.9 | 2.4 | 2.9 | -1.3 | -0.7 | 2.9 | 2.3 | 4.7 | 2.4 | -2.0 | -0.3 | 0.8 | -1.2 | 0.2 | 1.2 | 0.2 | 1.0 | 1.4 | -0.1 |
| Netherlands | 2.7 | 2.9 | 1.6 | 1.5 | 1.5 | -0.4 | 3.2 | 3.6 | 2.5 | 2.0 | 4.8 | 3.3 | 2.4 | 0.0 | -0.6 | 7.3 | 1.5 | -1.4 | 7.0 | 2.5 |
| New Zealand | 1.4 | 1.1 | 1.3 | 0.8 | 4.8 | 2.3 | 6.6 | 0.0 | 6.4 | -2.7 | 4.5 | 2.8 | 2.4 | 5.4 | 5.0 | 5.0 | 3.3 | 3.9 | 4.4 | 2.7 |
| Norway | 2.8 | 5.6 | 2.7 | 1.5 | 1.5 | 3.1 | 2.5 | 3.3 | 3.2 | 1.3 | 5.8 | 3.7 | 1.4 | 2.3 | 2.2 | 1.9 | 2.2 | 2.7 | 1.7 | 2.4 |
| Poland | .. | .. | .. | 1.2 | 4.8 | 2.3 | 3.3 | 2.0 | 1.9 | 1.3 | 0.6 | 0.4 | 0.4 | 3.5 | 2.2 | 2.0 | 2.0 | .. | .. | .. |
| Portugal | 5.4 | -0.9 | -0.2 | 4.3 | 1.0 | 3.3 | 2.2 | 4.3 | 5.6 | 3.5 | 3.4 | 2.3 | 0.3 | 2.4 | 0.8 | -0.8 | 0.1 | 0.3 | -1.5 | 1.0 |
| Slovak Republic | .. | .. | .. | -10.7 | 3.6 | 17.2 | -5.4 | 12.5 | -7.1 | 1.6 | 4.6 | 4.9 | 2.7 | 1.1 | 1.1 | 3.6 | 1.3 | .. | .. | .. |
| Spain | 5.2 | 3.5 | 2.7 | 0.5 | 2.4 | 1.3 | 2.5 | 3.5 | 4.0 | 5.3 | 3.9 | 4.5 | 4.8 | 6.0 | 5.3 | 4.6 | 4.5 | 6.2 | 4.3 | 4.6 |
| Sweden | 1.8 | 2.1 | 0.1 | -0.8 | -0.4 | 0.5 | -0.8 | 3.4 | 1.7 | -1.2 | 0.9 | 2.3 | 0.8 | 0.3 | 0.5 | 1.4 | 0.8 | 1.2 | 1.2 | 0.7 |
| Switzerland | 3.8 | 1.7 | -0.7 | 2.0 | 1.0 | 0.8 | -0.2 | -0.9 | 0.3 | 2.6 | 4.2 | 1.7 | 2.2 | 1.4 | 1.0 | 0.2 | 0.5 | .. | .. | .. |
| Turkey | 4.9 | 3.6 | 8.6 | -5.5 | 6.8 | 8.6 | 4.1 | 7.8 | 6.5 | 7.1 | -8.5 | 5.4 | -2.4 | 0.5 | 4.5 | 4.5 | 2.0 | .. | .. | .. |
| United Kingdom | 1.1 | 0.7 | -0.7 | 1.0 | 1.4 | 1.1 | -0.5 | 1.1 | 4.0 | 3.7 | 1.7 | 4.4 | 4.5 | 2.6 | 1.6 | 2.0 | 2.3 | 2.3 | 2.0 | 2.3 |
| United States | 2.7 | 0.4 | -0.3 | 0.3 | 0.2 | 0.4 | 1.8 | 1.6 | 3.1 | 1.7 | 3.1 | 4.3 | 3.0 | 2.1 | 1.6 | 1.2 | 0.9 | 1.5 | 1.2 | 0.9 |
| Euro area | 2.8 | 3.1 | 1.3 | 1.3 | 1.1 | 1.7 | 1.4 | 1.4 | 2.0 | 2.3 | 2.1 | 2.5 | 1.7 | 1.2 | 1.2 | 1.8 | 1.5 | 1.8 | 1.4 | 1.8 |
| Total OECD | 2.7 | 1.9 | 1.0 | 1.0 | 1.3 | 1.5 | 1.5 | 1.8 | 3.0 | 2.5 | 2.4 | 3.3 | 2.3 | 1.9 | 1.7 | 1.7 | 1.4 | 1.9 | 1.4 | 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 Bases" 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 78 database.

Annex Table 5. Real total gross fixed capital formation

Percentage change from previous year

| | Average 1981-91 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|-----------------|--------------------|-------|-------|-------|-------|------|------|-------|-------|------|-------|-------|-------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 1.9 | 1.1 | 5.5 | 10.9 | 1.4 | 3.4 | 9.1 | 8.8 | 6.5 | -0.1 | -1.8 | 16.8 | 7.5 | 6.6 | 6.5 | 6.7 | 7.2 | 5.9 | 6.7 | 7.5 |
| Austria | 2.9 | 0.7 | 0.0 | 3.5 | 0.5 | 1.8 | 1.6 | 2.9 | 3.3 | 5.2 | -0.9 | -4.0 | 3.5 | 1.6 | 0.9 | 2.8 | 3.8 | 0.8 | 3.4 | 3.9 |
| Belgium | 3.5 | 0.6 | -1.7 | 0.0 | 3.6 | -0.2 | 8.1 | 3.7 | 4.6 | 3.4 | 0.4 | -2.1 | -0.6 | 4.4 | 11.1 | 3.8 | 2.0 | 11.3 | 3.1 | 2.2 |
| Canada | 1.7 | -2.7 | -2.0 | 7.5 | -2.1 | 4.4 | 15.2 | 2.4 | 7.3 | 4.7 | 4.0 | 1.7 | 5.9 | 6.6 | 5.7 | 2.8 | 2.1 | 4.8 | 2.3 | 1.9 |
| Czech Republic | .. | .. | .. | 10.2 | 19.8 | 7.6 | -3.4 | -1.1 | -3.5 | 4.9 | 5.4 | 3.4 | 4.7 | 7.6 | 3.4 | 6.0 | 6.0 | .. | .. | .. |
| Denmark | 3.8 | -0.1 | -3.9 | 8.4 | 12.0 | 5.9 | 10.2 | 8.2 | 0.0 | 7.4 | -1.4 | 0.4 | 1.6 | 3.3 | 3.5 | 6.1 | 4.3 | 2.9 | 4.9 | 4.1 |
| Finland | 1.2 | -16.5 | -14.8 | -3.6 | 11.3 | 6.0 | 14.0 | 8.7 | 2.5 | 4.3 | 3.7 | -3.1 | -1.6 | 4.7 | -1.9 | 1.6 | 2.0 | -1.8 | 1.8 | 2.1 |
| France | 2.5 | -0.9 | -6.8 | 1.7 | 1.8 | 0.3 | 0.1 | 6.9 | 7.9 | 7.5 | 2.3 | -1.7 | 2.7 | 2.2 | 3.0 | 2.8 | 3.3 | 2.8 | 3.2 | 3.3 |
| Germany | 3.9 | 3.6 | -4.4 | 4.5 | -0.1 | -0.3 | 1.1 | 3.3 | 4.4 | 3.6 | -3.3 | -5.9 | -0.7 | -1.5 | 0.2 | 2.9 | 3.2 | 1.6 | 2.4 | 3.5 |
| Greece | 0.5 | -3.5 | -4.0 | -3.1 | 4.1 | 8.4 | 6.8 | 10.6 | 11.0 | 8.0 | 6.5 | 5.7 | 13.7 | 5.7 | -0.3 | 4.0 | 4.8 | .. | .. | .. |
| Hungary | .. | .. | .. | 12.5 | -4.3 | 6.7 | 9.2 | 13.2 | 5.9 | 7.7 | 5.9 | 9.3 | 2.5 | 8.4 | 7.7 | 6.7 | 6.6 | .. | .. | .. |
| Iceland | 1.0 | -11.1 | -10.7 | 0.6 | -1.1 | 25.7 | 10.0 | 32.6 | -3.8 | 14.6 | -4.9 | -19.6 | 20.5 | 21.0 | 24.9 | 7.6 | -5.9 | 26.8 | -1.5 | -7.4 |
| Ireland | -0.8 | 0.0 | -5.1 | 11.8 | 15.8 | 17.4 | 18.0 | 15.5 | 15.1 | 7.2 | -0.4 | 3.7 | 5.6 | 8.0 | 6.7 | 5.3 | 4.9 | .. | .. | .. |
| Italy | 2.1 | -1.7 | -10.9 | 0.3 | 6.2 | 3.4 | 2.1 | 3.8 | 5.1 | 7.3 | 1.6 | 1.3 | -1.8 | 1.9 | -0.7 | 3.1 | 2.8 | 2.3 | 2.8 | 2.8 |
| Japan | 4.9 | -2.3 | -2.5 | -1.7 | 0.9 | 6.4 | 0.8 | -3.8 | -1.1 | 2.0 | -1.4 | -5.7 | 0.9 | 1.6 | 3.0 | 1.2 | 1.0 | 4.4 | 0.4 | 1.3 |
| Korea | 14.3 | 0.6 | 7.7 | 12.5 | 13.1 | 8.4 | -2.3 | -22.9 | 8.3 | 12.2 | -0.2 | 6.6 | 4.0 | 1.9 | 2.4 | 3.9 | 4.8 | 3.7 | 5.1 | 4.6 |
| Luxembourg | 6.2 | -15.1 | 20.6 | 0.0 | -1.5 | 3.8 | 12.7 | 11.8 | 14.6 | -3.5 | 10.0 | -1.1 | -6.1 | 3.8 | 0.3 | 4.5 | 5.5 | .. | .. | .. |
| Mexico | -1.4 | 10.8 | -2.5 | 8.4 | -29.0 | 16.4 | 21.0 | 10.3 | 7.7 | 11.4 | -5.6 | -0.6 | 0.4 | 7.5 | 6.9 | 5.9 | 5.0 | 6.5 | 4.2 | 5.4 |
| Netherlands | 3.2 | 0.7 | -3.2 | 2.1 | 4.1 | 6.3 | 6.6 | 4.2 | 7.8 | 1.4 | 0.2 | -4.5 | -3.5 | 2.9 | 1.4 | 3.3 | 2.1 | 1.4 | 3.5 | 1.4 |
| New Zealand | 0.8 | 0.2 | 14.5 | 15.3 | 12.2 | 7.8 | 0.6 | -5.4 | 6.7 | 8.7 | -2.3 | 10.1 | 11.5 | 13.9 | 6.9 | 1.1 | -1.1 | 11.8 | -4.6 | 1.3 |
| Norway | -1.3 | -1.1 | 6.5 | 5.3 | 3.9 | 10.3 | 15.5 | 13.1 | -5.6 | -3.6 | -0.7 | -1.0 | -2.0 | 9.1 | 10.8 | 7.5 | 2.2 | 4.6 | 3.3 | 1.9 |
| Poland | .. | .. | .. | 9.2 | 16.6 | 19.7 | 21.7 | 14.2 | 6.8 | 2.7 | -8.8 | -5.8 | -0.2 | 5.3 | 3.5 | 6.9 | 6.8 | .. | .. | .. |
| Portugal | 2.7 | 4.5 | -5.5 | 2.7 | 6.6 | 5.6 | 14.3 | 11.7 | 6.2 | 3.5 | 1.3 | -5.0 | -10.1 | 0.6 | -1.8 | 0.2 | 3.3 | -0.8 | 1.1 | 4.2 |
| Slovak Republic | .. | .. | .. | -2.5 | 0.6 | 29.1 | 15.0 | 11.0 | -19.6 | -7.2 | 13.9 | -0.6 | -1.5 | 2.5 | 9.5 | 8.8 | 5.2 | .. | .. | .. |
| Spain | 5.6 | -4.1 | -8.9 | 1.9 | 7.7 | 2.6 | 5.0 | 11.3 | 10.4 | 6.6 | 4.5 | 3.3 | 5.6 | 4.9 | 6.4 | 5.7 | 5.9 | 4.5 | 6.5 | 5.2 |
| Sweden | 3.5 | -11.3 | -14.6 | 6.6 | 9.9 | 4.5 | -0.3 | 7.8 | 8.2 | 5.6 | -1.0 | -2.6 | -1.5 | 5.5 | 8.2 | 5.3 | 3.8 | 7.0 | 4.4 | 3.6 |
| Switzerland | 3.2 | -7.9 | -2.9 | 6.5 | 4.5 | -1.7 | 2.1 | 6.5 | 1.1 | 4.4 | -3.1 | 0.3 | -1.4 | 3.3 | 2.6 | 3.5 | 3.3 | .. | .. | .. |
| Turkey | 7.3 | 6.4 | 26.4 | -16.0 | 9.1 | 14.1 | 14.8 | -3.9 | -15.7 | 16.9 | -31.5 | -1.1 | 10.0 | 32.4 | 16.5 | 14.1 | 15.8 | .. | .. | .. |
| United Kingdom | 4.4 | -0.9 | 0.3 | 4.7 | 3.1 | 5.5 | 6.7 | 13.0 | 2.1 | 3.5 | 2.4 | 3.0 | 0.0 | 4.9 | 3.1 | 5.4 | 5.2 | 3.7 | 5.4 | 5.3 |
| United States | 2.7 | 4.9 | 6.0 | 7.3 | 5.7 | 8.1 | 8.0 | 9.1 | 8.2 | 6.1 | -1.7 | -3.5 | 3.3 | 8.4 | 7.2 | 6.4 | 4.5 | 6.5 | 6.1 | 3.7 |
| Euro area | 3.2 | -0.1 | -6.3 | 2.5 | 2.7 | 1.5 | 2.8 | 5.5 | 6.3 | 5.3 | 0.5 | -1.9 | 0.8 | 1.9 | 2.1 | 3.4 | 3.6 | 2.7 | 3.6 | 3.5 |
| Total OECD | 3.4 | 1.7 | 0.6 | 4.6 | 3.2 | 6.2 | 6.2 | 5.4 | 5.4 | 5.5 | -1.3 | -1.8 | 2.2 | 5.5 | 4.9 | 4.8 | 4.0 | 5.1 | 4.5 | 3.9 |

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. 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 78 database.

Annex Table 6. **Real gross private non-residential fixed capital formation**

Percentage change from previous year

| | Average 1981-91 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|----------------|--------------------|-------|-------|------|-------|------|------|-------|------|------|-------|-------|------|------|------|------|-------|----------------|------|-------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 3.1 | -2.9 | 2.3 | 10.9 | 6.8 | 9.7 | 7.2 | 7.8 | 5.9 | -2.7 | 0.7 | 15.6 | 9.0 | 7.0 | 10.0 | 9.3 | 9.2 | 7.4 | 9.1 | 9.2 |
| Austria | 4.5 | -3.2 | -2.7 | 1.6 | -2.6 | 3.3 | 10.2 | 7.4 | 5.9 | 10.4 | 3.0 | -4.6 | 6.4 | 2.9 | 1.8 | 3.1 | 4.4 | 1.1 | 4.0 | 4.5 |
| Belgium | 5.9 | -1.4 | -4.6 | -2.3 | 4.4 | 4.1 | 8.1 | 5.6 | 2.7 | 4.3 | 3.6 | -2.8 | -2.0 | 3.3 | 12.9 | 4.2 | 2.5 | 13.5 | 6.1 | -1.5 |
| Canada | 1.6 | -7.8 | -1.4 | 9.4 | 4.8 | 4.4 | 22.6 | 5.3 | 7.2 | 4.7 | 0.2 | -4.9 | 6.1 | 6.1 | 7.8 | 4.0 | 3.5 | 6.6 | 3.7 | 3.5 |
| Denmark | 7.0 | -1.1 | -5.3 | 7.6 | 12.4 | 4.9 | 11.7 | 11.9 | -1.5 | 6.4 | -0.3 | 1.2 | 0.4 | -0.5 | 3.7 | 7.3 | 4.9 | 3.6 | 4.9 | 4.9 |
| Finland | 1.4 | -19.3 | -17.5 | -4.7 | 26.4 | 6.0 | 8.7 | 12.9 | 1.4 | 6.4 | 9.4 | -7.0 | -7.8 | 4.6 | -3.3 | 1.9 | 2.4 | -3.1 | 2.2 | 2.6 |
| France | 3.9 | -0.6 | -8.6 | 0.6 | 3.5 | 0.3 | 1.6 | 9.8 | 8.7 | 8.6 | 3.4 | -3.0 | 0.8 | 1.4 | 3.1 | 3.2 | 4.1 | 2.8 | 3.8 | 4.1 |
| Germany | 3.1 | 0.2 | -8.7 | 1.5 | 1.9 | 0.0 | 3.0 | 5.7 | 5.7 | 7.9 | -2.5 | -6.6 | 0.2 | 0.0 | 2.8 | 4.7 | 5.2 | 2.7 | 4.9 | 5.4 |
| Greece | 0.5 | 0.7 | 1.1 | 0.9 | 2.9 | 14.7 | 5.4 | 12.0 | 16.7 | 9.6 | 8.2 | 7.6 | 14.9 | 6.8 | 3.9 | 5.2 | 5.9 | .. | .. | .. |
| Iceland | 0.4 | -18.4 | -26.7 | 1.8 | 13.4 | 54.7 | 20.0 | 47.9 | -5.6 | 15.1 | -13.3 | -26.6 | 28.6 | 25.9 | 40.6 | 9.7 | -10.8 | 42.9 | -3.0 | -13.8 |
| Ireland | -1.0 | -5.9 | -4.7 | 2.3 | 20.8 | 19.6 | 23.3 | 26.4 | 15.8 | 3.7 | -10.7 | 2.0 | 2.1 | 8.9 | 11.1 | 11.2 | 9.7 | .. | .. | .. |
| Italy | 3.0 | -2.3 | -14.3 | 5.1 | 10.7 | 3.5 | 3.7 | 4.0 | 6.1 | 8.8 | 1.0 | 0.0 | -4.8 | 1.8 | -2.8 | 3.5 | 3.5 | 1.2 | 3.8 | 3.4 |
| Japan | 7.9 | -7.1 | -10.3 | -5.7 | 3.0 | 4.7 | 11.3 | -1.6 | -4.5 | 8.7 | 0.8 | -6.7 | 6.3 | 5.8 | 7.4 | 3.0 | 2.6 | 8.1 | 2.0 | 3.0 |
| Korea | 13.9 | 1.2 | 6.8 | 17.0 | 15.7 | 8.5 | -3.4 | -29.2 | 13.8 | 18.9 | -4.7 | 7.6 | 2.0 | 1.9 | 2.7 | 5.0 | 5.6 | 4.9 | 6.0 | 5.2 |
| Mexico | 1.9 | 22.8 | -5.6 | -0.4 | -38.9 | 45.8 | 34.0 | 18.3 | 8.8 | 10.0 | -4.3 | -3.7 | -3.5 | 7.0 | 6.1 | 5.7 | 5.8 | 6.1 | 5.5 | 6.0 |
| Netherlands | 5.6 | -3.8 | -5.5 | -0.9 | 5.8 | 7.2 | 10.0 | 5.5 | 10.3 | 1.0 | -2.9 | -7.6 | -4.0 | 4.2 | -0.9 | 6.2 | 3.4 | -1.6 | 7.2 | 1.7 |
| New Zealand | 1.4 | 8.2 | 23.1 | 17.0 | 15.0 | 7.3 | -6.8 | -3.7 | 7.1 | 20.4 | -4.1 | 3.3 | 12.4 | 15.9 | 9.7 | 3.5 | 1.3 | 10.2 | 2.2 | 1.0 |
| Norway | -1.5 | -0.7 | 12.7 | 2.6 | 2.0 | 13.6 | 15.8 | 15.3 | -8.7 | -4.1 | -4.2 | -1.5 | -3.6 | 10.8 | 13.9 | 8.1 | 2.0 | 8.5 | 3.1 | 1.8 |
| Spain | 5.8 | -0.8 | -13.7 | 3.7 | 12.4 | 4.8 | 6.5 | 11.4 | 12.4 | 5.9 | 4.9 | 2.3 | 6.3 | 5.6 | 6.5 | 6.2 | 6.3 | 4.8 | 6.4 | 6.3 |
| Sweden | 5.2 | -14.9 | -10.0 | 22.2 | 23.2 | 8.0 | 4.8 | 9.5 | 8.5 | 8.2 | -2.9 | -6.9 | -2.8 | 4.9 | 8.2 | 5.2 | 4.1 | 5.8 | 4.8 | 4.0 |
| Switzerland | .. | -11.1 | -4.3 | 5.1 | 8.4 | 1.3 | 3.2 | 9.7 | 0.8 | 5.0 | -2.0 | 2.1 | -3.8 | 3.4 | 2.9 | 4.1 | 3.9 | .. | .. | .. |
| United Kingdom | 5.2 | -3.8 | -3.7 | 4.8 | 7.8 | 10.5 | 9.9 | 18.5 | 3.5 | 4.5 | 1.5 | 0.3 | -2.2 | 3.4 | 3.1 | 3.4 | 5.0 | 3.1 | 3.9 | 5.7 |
| United States | 2.0 | 3.2 | 8.7 | 9.2 | 10.5 | 9.3 | 12.1 | 11.1 | 9.2 | 8.7 | -4.2 | -9.2 | 1.3 | 9.4 | 8.3 | 7.9 | 6.7 | 6.2 | 8.7 | 5.8 |
| Euro area | 4.1 | -1.4 | -9.6 | 1.8 | 5.1 | 2.3 | 4.9 | 7.6 | 7.5 | 7.3 | 1.0 | -3.0 | 0.0 | 2.4 | 2.5 | 4.4 | 4.6 | 2.9 | 4.8 | 4.5 |
| Total OECD | 3.9 | 0.0 | -1.1 | 4.9 | 6.1 | 7.8 | 10.2 | 7.7 | 6.4 | 8.0 | -1.5 | -5.0 | 1.4 | 6.0 | 6.0 | 5.7 | 5.3 | 5.3 | 5.9 | 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. 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/ecosources-and-methods>). Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 78 database.

Annex Table 7. **Real gross private residential fixed capital formation**

Percentage change from previous year

| | Average 1981-91 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|----------------|--------------------|-------|-------|-------|-------|-------|-------|-------|------|------|-------|------|------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | -0.9 | 11.4 | 12.8 | 12.1 | -7.6 | -10.6 | 15.3 | 14.9 | 5.3 | 3.3 | -10.1 | 24.7 | 6.9 | 5.4 | -1.9 | 0.0 | 1.9 | 1.0 | 0.2 | 2.9 |
| Austria | 0.6 | 11.5 | 4.0 | 7.6 | 9.2 | 2.7 | -1.6 | -4.6 | -0.7 | -4.4 | -6.6 | -5.3 | -4.3 | -0.2 | -2.0 | 1.5 | 1.9 | -0.2 | 1.7 | 2.0 |
| Belgium | 4.2 | 4.9 | 1.8 | 5.5 | 4.3 | -8.5 | 10.1 | -0.3 | 5.0 | 1.0 | -4.4 | -0.7 | 3.7 | 9.1 | 2.8 | 2.0 | 2.0 | 1.8 | 2.0 | 2.0 |
| Canada | 0.9 | 6.9 | -3.8 | 3.9 | -14.9 | 9.7 | 8.2 | -3.6 | 3.6 | 5.2 | 10.5 | 14.3 | 6.2 | 8.3 | 3.8 | 1.2 | -0.3 | 2.8 | 0.1 | -0.5 |
| Denmark | -1.0 | -1.3 | -2.8 | 11.7 | 14.5 | 6.7 | 9.7 | 1.9 | 4.3 | 10.3 | -9.3 | 1.2 | 9.1 | 10.9 | 4.9 | 4.8 | 3.4 | 4.8 | 5.8 | 2.8 |
| Finland | -0.1 | -18.4 | -7.9 | -6.6 | -4.2 | 4.5 | 25.5 | 7.4 | 8.0 | 3.9 | -10.0 | 2.0 | 7.9 | 6.8 | -0.1 | 2.0 | 2.4 | 0.1 | 2.2 | 2.4 |
| France | -0.8 | -3.4 | -5.1 | 4.4 | 2.2 | 0.5 | 1.0 | 3.8 | 7.0 | 2.5 | 1.4 | 1.3 | 3.8 | 3.2 | 3.2 | 3.1 | 2.9 | 2.9 | 3.2 | 2.8 |
| Germany | 7.3 | 9.2 | 4.5 | 12.3 | 0.5 | 0.0 | 0.6 | -0.3 | 1.4 | -1.9 | -5.9 | -5.6 | -0.9 | -3.0 | -4.2 | -0.4 | -0.2 | -2.4 | -1.0 | 0.2 |
| Greece | -0.3 | -15.6 | -10.5 | -11.3 | 2.6 | -1.2 | 6.6 | 8.8 | 3.8 | -4.3 | 4.8 | 8.8 | 7.3 | -0.6 | -0.8 | -1.3 | -0.7 | .. | .. | .. |
| Iceland | 0.5 | -3.4 | -5.2 | 4.1 | -8.7 | 7.1 | -9.3 | 0.9 | 0.6 | 12.8 | 15.4 | 5.0 | 16.2 | 5.7 | 12.2 | 7.9 | 2.5 | 16.5 | 5.1 | 0.7 |
| Ireland | 1.1 | 8.0 | -11.9 | 24.0 | 14.5 | 18.3 | 15.8 | 6.4 | 12.9 | 7.4 | 3.3 | 5.0 | 16.5 | 12.5 | 0.0 | -2.0 | -2.0 | .. | .. | .. |
| Italy | 0.4 | 1.2 | -1.5 | -2.2 | 0.0 | -1.6 | -2.8 | -0.7 | 1.9 | 5.5 | 1.3 | 4.5 | 2.8 | 2.9 | 2.3 | 3.7 | 2.0 | 4.9 | 2.0 | 2.0 |
| Japan | 3.0 | -5.9 | 1.1 | 7.2 | -4.7 | 11.9 | -12.0 | -14.3 | 0.1 | 0.6 | -5.4 | -4.2 | -1.1 | 2.2 | -1.1 | -0.6 | -1.0 | -1.9 | -1.0 | -1.0 |
| Korea | 17.9 | -5.9 | 12.9 | -0.2 | 9.9 | 2.8 | -4.9 | -13.4 | -6.1 | -9.3 | 12.9 | 11.4 | 9.0 | 3.1 | 1.9 | -0.6 | 2.1 | 0.7 | 1.8 | 2.0 |
| Mexico | 2.7 | 2.9 | 5.2 | 4.0 | -7.9 | 2.5 | 4.5 | 3.4 | 2.9 | 6.4 | -10.6 | -5.1 | 4.8 | 12.8 | 3.3 | 6.7 | 5.4 | 3.2 | 2.5 | 6.0 |
| Netherlands | 0.7 | 6.9 | 1.2 | 7.6 | 1.3 | 3.9 | 5.3 | 1.4 | 4.1 | -0.3 | 2.0 | -6.5 | -3.2 | 6.3 | 5.9 | 1.2 | 1.5 | 7.3 | 1.2 | 1.6 |
| New Zealand | 2.3 | 3.8 | 17.1 | 13.1 | 3.3 | 5.9 | 6.7 | -13.4 | 7.9 | 0.4 | -10.5 | 17.8 | 20.3 | 5.0 | -4.8 | -5.9 | -3.2 | -3.1 | -5.0 | -1.3 |
| Norway | -4.2 | -9.2 | -0.8 | 24.5 | 10.6 | 2.9 | 12.1 | 7.8 | 3.0 | 5.6 | 8.2 | -0.6 | -5.3 | 12.3 | 12.9 | 4.1 | 2.8 | 7.2 | 3.6 | 2.4 |
| Spain | 1.6 | -4.6 | -3.2 | -0.1 | 6.9 | 8.8 | 2.8 | 10.0 | 9.5 | 13.8 | 2.2 | 3.8 | 5.6 | 7.6 | 6.4 | 4.8 | 5.3 | 1.4 | 8.4 | 2.0 |
| Sweden | 2.9 | -11.6 | -33.5 | -34.1 | -23.9 | 8.9 | -11.5 | -0.6 | 10.8 | 10.0 | 4.2 | 10.5 | 5.5 | 16.1 | 16.0 | 8.4 | 4.9 | 14.7 | 6.2 | 4.4 |
| Switzerland | .. | -2.5 | 2.5 | 12.3 | -2.0 | -8.7 | -0.1 | 2.8 | -5.5 | -2.7 | -4.0 | -3.7 | 14.4 | 6.3 | 3.3 | 2.8 | 2.5 | .. | .. | .. |
| United Kingdom | 2.3 | 0.9 | 5.0 | 3.0 | -1.6 | 5.1 | 6.6 | 2.8 | -0.8 | 0.5 | 0.6 | 7.1 | -0.1 | 6.1 | 0.1 | 5.3 | 4.9 | 1.7 | 4.5 | 5.1 |
| United States | 2.1 | 13.8 | 8.2 | 9.6 | -3.2 | 8.0 | 1.9 | 7.6 | 6.0 | 0.8 | 0.4 | 4.8 | 8.4 | 10.3 | 7.1 | 3.3 | 0.4 | 8.2 | 1.0 | 0.0 |
| Euro area | 1.7 | 2.4 | 0.1 | 6.4 | 1.7 | 0.7 | 1.4 | 1.5 | 3.8 | 1.8 | -1.7 | -1.0 | 2.1 | 2.5 | 1.2 | 2.0 | 2.0 | 1.3 | 2.3 | 1.5 |
| Total OECD | 2.7 | 5.4 | 3.9 | 7.1 | -2.1 | 5.4 | 0.6 | 1.6 | 3.6 | 1.3 | -0.9 | 2.6 | 4.7 | 6.5 | 3.4 | 2.5 | 1.2 | 3.9 | 1.4 | 1.0 |

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 78 database.

Annex Table 8. Real total domestic demand

Percentage change from previous year

| | Average 1981-91 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|-----------------|--------------------|------|-------|-------|-------|------|------|-------|------|------|-------|------|------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 2.6 | 2.4 | 2.9 | 4.8 | 4.2 | 3.0 | 3.2 | 7.0 | 5.2 | 2.0 | 1.2 | 6.3 | 6.0 | 4.8 | 4.0 | 3.8 | 4.1 | 4.3 | 4.0 | 4.2 |
| Austria | 2.6 | 2.1 | 0.8 | 3.2 | 2.5 | 2.2 | 1.0 | 2.3 | 3.0 | 2.8 | 0.1 | -0.1 | 1.9 | 1.2 | 1.5 | 1.8 | 2.1 | 1.6 | 2.0 | 2.2 |
| Belgium | 2.2 | 1.8 | -0.9 | 2.1 | 2.2 | 0.8 | 2.7 | 2.9 | 2.4 | 3.6 | 0.5 | 0.8 | 0.9 | 2.8 | 3.4 | 2.6 | 2.0 | 4.7 | 1.8 | 2.3 |
| Canada | 2.3 | 0.5 | 1.5 | 3.2 | 1.8 | 1.3 | 6.1 | 2.5 | 4.2 | 4.7 | 1.3 | 3.5 | 4.6 | 3.9 | 4.2 | 2.9 | 2.6 | 3.0 | 2.8 | 2.5 |
| Czech Republic | .. | .. | .. | 6.7 | 8.3 | 7.6 | -0.9 | -1.7 | 1.0 | 4.1 | 3.9 | 3.2 | 3.5 | 2.6 | 0.8 | 3.8 | 3.9 | .. | .. | .. |
| Denmark | 1.6 | 1.9 | -0.9 | 6.8 | 4.5 | 2.5 | 4.7 | 3.7 | -0.6 | 3.2 | 0.0 | 0.9 | 1.0 | 3.4 | 3.1 | 2.9 | 2.2 | 2.6 | 2.7 | 1.9 |
| Finland | 2.2 | -6.0 | -5.7 | 3.7 | 4.3 | 2.1 | 6.1 | 5.4 | 1.5 | 3.5 | 1.8 | 1.5 | 2.4 | 3.3 | 1.9 | 1.6 | 1.5 | 2.8 | 0.9 | 1.6 |
| France | 2.3 | 1.0 | -1.4 | 1.7 | 1.6 | 1.0 | 1.1 | 4.0 | 3.6 | 4.3 | 2.0 | 1.3 | 1.8 | 3.2 | 2.4 | 2.2 | 2.3 | 2.0 | 2.2 | 2.4 |
| Germany | 4.6 | 2.8 | -0.8 | 2.8 | 2.0 | 0.4 | 1.0 | 2.1 | 2.5 | 2.4 | -0.4 | -1.9 | 0.6 | 0.1 | 0.3 | 0.7 | 1.0 | 0.4 | 0.6 | 1.1 |
| Greece | 1.9 | -0.5 | -1.0 | 1.1 | 3.5 | 3.3 | 3.5 | 4.5 | 3.8 | 5.5 | 2.7 | 4.5 | 5.7 | 4.6 | 2.5 | 3.0 | 3.4 | .. | .. | .. |
| Hungary | .. | .. | .. | 2.2 | -4.0 | 0.3 | 4.9 | 8.2 | 5.1 | 4.7 | 1.9 | 7.3 | 6.1 | 2.8 | 2.2 | 4.2 | 3.7 | .. | .. | .. |
| Iceland | 2.5 | -4.3 | -3.4 | 2.2 | 2.2 | 6.7 | 5.3 | 13.1 | 4.4 | 6.6 | -2.8 | -3.8 | 7.3 | 8.7 | 13.2 | 5.3 | 0.4 | 14.1 | 2.7 | -0.6 |
| Ireland | 1.4 | -0.2 | 0.7 | 5.7 | 7.5 | 8.1 | 9.9 | 9.6 | 8.3 | 8.7 | 3.9 | 4.3 | 4.6 | 4.3 | 4.9 | 5.2 | 5.5 | .. | .. | .. |
| Italy | 2.7 | 0.8 | -5.1 | 1.7 | 2.0 | 0.8 | 2.7 | 3.1 | 3.2 | 2.4 | 1.4 | 1.3 | 1.3 | 0.8 | 1.1 | 1.2 | 1.8 | 1.2 | 1.0 | 2.3 |
| Japan | 4.1 | 0.6 | 0.2 | 1.2 | 2.6 | 4.1 | 0.7 | -1.5 | 0.1 | 1.9 | 0.7 | -0.9 | 0.8 | 1.8 | 2.4 | 1.4 | 1.5 | 3.1 | 1.2 | 1.6 |
| Korea | 9.6 | 4.2 | 5.4 | 10.4 | 9.4 | 8.2 | 0.1 | -17.4 | 13.9 | 8.2 | 3.3 | 7.0 | 0.5 | 1.6 | 2.6 | 3.9 | 4.0 | 2.7 | 3.3 | 4.4 |
| Luxembourg | 4.3 | -4.6 | 6.9 | 2.3 | 1.6 | 5.0 | 6.5 | 7.2 | 6.4 | 4.7 | 4.5 | -0.2 | 2.6 | 3.9 | 2.4 | 2.9 | 3.2 | .. | .. | .. |
| Mexico | 0.9 | 5.9 | 1.1 | 5.6 | -14.0 | 5.6 | 9.6 | 6.1 | 4.4 | 8.3 | 0.6 | 0.8 | 0.7 | 4.1 | 4.0 | 4.4 | 3.8 | 3.8 | 3.7 | 3.8 |
| Netherlands | 2.5 | 2.6 | -13.1 | 8.4 | 9.1 | -1.0 | 4.4 | 8.2 | 0.2 | 2.6 | 1.0 | -0.4 | -0.3 | 0.8 | -0.2 | 1.5 | 1.9 | -0.3 | 1.7 | 1.9 |
| New Zealand | 1.4 | 2.0 | 4.8 | 7.1 | 5.4 | 4.7 | 2.4 | 0.1 | 6.0 | 1.8 | 1.9 | 5.3 | 5.8 | 8.1 | 5.2 | 2.8 | 1.8 | 5.7 | 1.3 | 2.2 |
| Norway | 1.5 | 2.2 | 3.2 | 4.3 | 4.8 | 3.9 | 6.6 | 5.7 | 0.4 | 2.4 | 0.8 | 2.1 | 0.4 | 5.9 | 5.1 | 3.6 | 2.4 | 4.0 | 2.5 | 2.3 |
| Poland | .. | .. | .. | 4.1 | 7.2 | 8.5 | 9.8 | 6.2 | 4.9 | 2.8 | -1.5 | 0.9 | 2.7 | 5.0 | 1.5 | 3.8 | 4.1 | .. | .. | .. |
| Portugal | 3.5 | 3.2 | -2.1 | 1.5 | 4.1 | 3.5 | 5.5 | 6.9 | 5.8 | 3.2 | 1.7 | -0.1 | -2.6 | 2.2 | 0.9 | 0.7 | 1.9 | 0.5 | 1.0 | 2.3 |
| Slovak Republic | .. | .. | .. | -4.5 | 9.9 | 18.2 | 3.7 | 7.2 | -6.3 | 0.1 | 7.4 | 4.6 | -2.0 | 6.5 | 5.8 | 5.8 | 4.3 | .. | .. | .. |
| Spain | 3.8 | 0.9 | -2.7 | 1.1 | 3.1 | 2.1 | 3.4 | 6.2 | 6.4 | 5.3 | 3.6 | 3.3 | 3.7 | 4.8 | 5.0 | 4.1 | 4.4 | 4.0 | 4.4 | 4.2 |
| Sweden | 2.1 | -1.8 | -4.4 | 3.1 | 2.3 | 0.8 | 1.2 | 4.3 | 3.4 | 3.7 | -0.3 | 0.6 | 1.2 | 1.7 | 2.8 | 3.1 | 2.2 | 3.0 | 2.6 | 2.1 |
| Switzerland | 2.3 | -2.4 | -0.8 | 2.8 | 1.6 | 0.3 | 0.5 | 4.0 | 0.3 | 2.1 | 2.3 | -0.4 | 0.4 | 1.0 | 1.0 | 1.4 | 1.9 | .. | .. | .. |
| Turkey | 4.6 | 5.6 | 14.2 | -12.5 | 11.4 | 7.6 | 9.0 | 0.6 | -3.7 | 9.8 | -18.5 | 9.3 | 9.3 | 14.1 | 6.9 | 7.1 | 7.7 | .. | .. | .. |
| United Kingdom | 2.9 | 0.9 | 2.1 | 3.4 | 1.7 | 3.0 | 3.4 | 4.9 | 4.1 | 4.1 | 2.8 | 3.2 | 2.7 | 3.7 | 1.7 | 2.5 | 2.6 | 1.5 | 2.7 | 2.7 |
| United States | 3.1 | 3.3 | 3.2 | 4.4 | 2.4 | 3.8 | 4.8 | 5.3 | 5.3 | 4.4 | 0.9 | 2.2 | 3.0 | 4.7 | 3.6 | 3.4 | 3.3 | 3.3 | 3.4 | 3.2 |
| Euro area | 3.1 | 1.4 | -2.0 | 2.2 | 2.2 | 1.2 | 2.1 | 3.5 | 3.5 | 3.3 | 1.2 | 0.4 | 1.4 | 1.9 | 1.7 | 1.9 | 2.1 | 1.7 | 1.8 | 2.3 |
| Total OECD | 3.2 | 2.2 | 1.3 | 3.2 | 2.3 | 3.3 | 3.5 | 3.1 | 4.0 | 4.0 | 0.8 | 1.7 | 2.3 | 3.5 | 2.8 | 2.8 | 2.8 | 2.8 | 2.6 | 2.9 |

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. 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 78 database.

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 1981-91 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|-----------------|--------------------|------|------|------|------|-------|------|------|------|------|------|------|------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 0.2 | -0.1 | 0.7 | -0.5 | -0.3 | 0.5 | 0.4 | -1.0 | -0.7 | 0.6 | 1.1 | -1.9 | -2.4 | -2.1 | -1.4 | -0.9 | -0.9 | -0.9 | -1.0 | -0.8 |
| Austria | 0.2 | -0.5 | 1.4 | -1.4 | 0.0 | -0.1 | 1.3 | 1.0 | 0.2 | 0.8 | 1.1 | 1.0 | -0.7 | 1.5 | 0.5 | 0.4 | 0.3 | 0.5 | 0.3 | 0.3 |
| Belgium | 0.3 | -0.5 | 0.2 | 1.2 | 0.1 | 0.0 | 1.1 | -0.9 | 0.7 | 0.2 | 0.7 | 0.7 | 0.0 | -0.3 | -1.8 | -0.6 | 0.2 | -2.7 | 0.8 | 0.1 |
| Canada | 0.0 | 0.6 | 0.9 | 1.4 | 1.0 | 0.3 | -1.7 | 1.7 | 1.4 | 0.6 | 0.7 | -0.2 | -2.4 | -0.9 | -1.3 | 0.4 | 0.6 | 0.1 | 0.6 | 0.7 |
| Czech Republic | .. | .. | .. | -2.2 | -2.5 | -3.9 | 0.2 | 0.5 | -0.1 | -1.1 | -2.2 | -2.7 | -1.3 | 0.4 | 5.1 | 0.1 | -0.3 | .. | .. | .. |
| Denmark | 0.4 | 0.2 | 0.7 | -0.8 | -1.2 | 0.5 | -1.3 | -1.4 | 3.2 | 0.5 | 0.7 | -0.3 | -0.3 | -1.1 | 0.1 | -0.1 | 0.3 | -0.2 | 0.2 | 0.4 |
| Finland | -0.2 | 2.0 | 3.4 | 0.8 | 0.9 | 0.0 | 1.5 | 0.7 | 1.2 | 2.5 | -0.7 | 1.4 | -0.2 | 0.3 | 0.3 | 1.2 | 1.5 | 2.0 | 1.3 | 1.4 |
| France | 0.0 | 0.9 | 0.6 | -0.1 | 0.3 | 0.1 | 1.2 | -0.5 | -0.4 | -0.1 | 0.1 | 0.0 | -0.9 | -1.1 | -0.8 | -0.1 | -0.2 | -0.3 | -0.2 | -0.2 |
| Germany | .. | -0.9 | 0.0 | 0.0 | 0.0 | 0.6 | 1.0 | -0.3 | -0.6 | 1.1 | 1.8 | 1.9 | -0.7 | 1.0 | 0.8 | 1.1 | 0.8 | 1.1 | 0.7 | 0.5 |
| Greece | -0.7 | 1.3 | -0.6 | 0.9 | -1.6 | -1.1 | -0.1 | -1.6 | -0.8 | -1.7 | 1.7 | -1.1 | -1.4 | -0.5 | 1.3 | -0.4 | -0.2 | .. | .. | .. |
| Hungary | .. | .. | .. | 0.6 | 5.8 | 1.0 | -0.3 | -3.4 | -1.1 | 0.3 | 1.8 | -2.4 | -3.0 | 1.6 | 1.8 | 0.3 | 0.5 | .. | .. | .. |
| Iceland | -0.2 | 1.3 | 4.5 | 2.0 | -1.9 | -1.6 | -0.7 | -7.3 | -0.4 | -2.0 | 6.3 | 2.3 | -3.3 | -2.4 | -6.1 | -0.8 | 2.2 | -2.0 | 0.1 | 5.3 |
| Ireland | 1.0 | 2.7 | 1.4 | 0.8 | 3.1 | 1.0 | 2.0 | -0.1 | 3.5 | 1.4 | 2.7 | 2.2 | 1.7 | 0.8 | 0.9 | 0.6 | 0.4 | .. | .. | .. |
| Italy | -0.2 | -0.1 | 4.4 | 0.6 | 1.0 | 0.2 | -0.6 | -1.2 | -1.4 | 0.8 | 0.3 | -0.8 | -0.9 | 0.2 | -0.9 | -0.1 | -0.3 | 0.0 | 0.0 | -0.6 |
| Japan | 0.1 | 0.4 | 0.1 | -0.2 | -0.5 | -0.4 | 1.0 | 0.4 | -0.2 | 0.5 | -0.6 | 0.6 | 0.6 | 0.8 | 0.0 | 0.6 | 0.6 | 0.6 | 0.7 | 0.4 |
| Korea | -0.6 | 0.7 | 0.7 | -2.4 | -1.5 | -1.8 | 4.2 | 11.3 | -2.9 | 0.3 | 0.5 | -0.2 | 2.5 | 3.4 | 1.5 | 1.6 | 1.6 | 2.1 | 2.0 | 1.2 |
| Luxembourg | 1.0 | 5.7 | 0.1 | 1.7 | 0.8 | -1.1 | 2.5 | 0.5 | 2.0 | 4.5 | -2.0 | 2.5 | 0.7 | 1.2 | 1.2 | 1.4 | 1.9 | .. | .. | .. |
| Mexico | 0.4 | -2.6 | 0.8 | -1.4 | 8.5 | -0.3 | -2.5 | -1.1 | -0.5 | -1.8 | -0.7 | 0.0 | 0.7 | 0.2 | -1.1 | -0.6 | -0.5 | -0.4 | -0.6 | -0.5 |
| Netherlands | 0.4 | 0.2 | 2.2 | 0.7 | -0.3 | 0.4 | 0.2 | -0.2 | -0.1 | 1.1 | -0.3 | 0.5 | 0.1 | 0.9 | 0.7 | 0.9 | 0.8 | -0.1 | 1.5 | 0.5 |
| New Zealand | 0.3 | -1.1 | -0.1 | -0.6 | -1.4 | -1.1 | 0.5 | 0.2 | -1.1 | 2.2 | 0.6 | -1.3 | -2.0 | -3.1 | -2.4 | -0.3 | 0.5 | -0.7 | 0.6 | 0.4 |
| Norway | 1.0 | 1.3 | 0.0 | 1.7 | 0.5 | 1.7 | -0.1 | -2.1 | 1.7 | 0.9 | 1.8 | -0.5 | 0.0 | -2.2 | -2.0 | -1.0 | -0.4 | -0.4 | -0.6 | -0.4 |
| Poland | .. | .. | .. | 0.3 | -0.2 | -3.3 | -2.6 | -1.9 | -1.0 | 0.6 | 2.7 | 0.5 | 1.1 | 0.3 | 1.5 | 0.1 | 0.3 | .. | .. | .. |
| Portugal | -0.2 | -2.2 | 0.2 | -0.6 | -0.1 | -0.2 | -1.7 | -2.7 | -2.5 | 0.2 | 0.1 | 0.7 | 1.6 | -1.3 | -0.2 | 0.2 | -0.2 | 0.4 | -0.2 | -0.2 |
| Slovak Republic | .. | .. | .. | 10.9 | -3.5 | -11.6 | 0.6 | -3.5 | 8.4 | 1.9 | -3.7 | -0.1 | 6.5 | -0.8 | -0.4 | -0.2 | 1.9 | .. | .. | .. |
| Spain | -0.7 | -0.1 | 2.3 | 0.9 | -0.3 | 0.3 | 0.5 | -1.7 | -1.7 | -0.3 | -0.2 | -0.7 | -0.8 | -1.8 | -1.5 | -1.2 | -1.3 | -1.0 | -1.3 | -1.3 |
| Sweden | 0.1 | 0.2 | 2.9 | 0.8 | 1.5 | 0.3 | 1.0 | -0.6 | 1.5 | 0.5 | 1.5 | 1.2 | 0.4 | 2.1 | 0.5 | 1.1 | 1.3 | 0.7 | 1.3 | 2.2 |
| Switzerland | 0.1 | 2.2 | 0.5 | -1.6 | -1.1 | 0.2 | 1.3 | -1.1 | 1.0 | 1.5 | -1.1 | 0.7 | -0.7 | 1.0 | 0.2 | 0.2 | -0.1 | .. | .. | .. |
| Turkey | 0.3 | -0.3 | -6.2 | 8.6 | -4.7 | -0.6 | -1.9 | 2.6 | -0.9 | -3.0 | 12.4 | -0.9 | -3.1 | -4.9 | -1.1 | -1.7 | -1.9 | .. | .. | .. |
| United Kingdom | -0.2 | -0.5 | 0.2 | 0.7 | 0.8 | -0.1 | -0.2 | -1.4 | -0.9 | -0.1 | -0.6 | -1.2 | -0.2 | -0.7 | -0.1 | -0.2 | -0.1 | -0.4 | 0.0 | -0.1 |
| United States | -0.2 | 0.0 | -0.6 | -0.4 | 0.1 | -0.1 | -0.4 | -1.2 | -1.0 | -0.8 | -0.2 | -0.7 | -0.5 | -0.7 | -0.2 | -0.1 | -0.2 | -0.2 | -0.2 | -0.2 |
| Euro area | 0.0 | -0.1 | 1.3 | 0.2 | 0.2 | 0.3 | 0.6 | -0.7 | -0.7 | 0.5 | 0.7 | 0.5 | -0.6 | 0.0 | -0.2 | 0.2 | 0.1 | 0.0 | 0.2 | -0.1 |
| Total OECD | -0.1 | 0.0 | 0.2 | 0.0 | 0.3 | -0.2 | 0.1 | -0.4 | -0.7 | -0.1 | 0.3 | -0.2 | -0.4 | -0.2 | -0.2 | 0.1 | 0.0 | -0.2 | 0.1 | -0.1 |

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. 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 78 database.

Annex Table 10. **Output gaps**
 Deviations of actual GDP from potential GDP as a per cent of potential GDP

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------|------|------|------|------|------|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Australia | -1.0 | -0.5 | -2.5 | -5.7 | -5.6 | -4.1 | -2.0 | -1.4 | -1.1 | -1.0 | 0.8 | 1.4 | 1.2 | 0.6 | 1.3 | 1.3 | 0.7 | -0.2 | -0.7 | -0.7 |
| Austria | -1.2 | 0.0 | 1.5 | 1.9 | 1.1 | -0.9 | -0.7 | -0.7 | -0.3 | 0.1 | 1.2 | 2.1 | 3.1 | 1.6 | 0.0 | -1.2 | -1.2 | -1.7 | -2.0 | -1.9 |
| Belgium | -0.2 | 0.9 | 1.7 | 0.7 | -0.2 | -2.8 | -1.9 | -1.4 | -2.5 | -1.0 | -1.0 | -0.2 | 1.4 | 0.4 | -0.2 | -1.1 | -0.7 | -1.3 | -1.3 | -1.1 |
| Canada | 3.0 | 2.9 | 0.8 | -3.3 | -4.1 | -3.7 | -1.5 | -1.3 | -2.5 | -1.9 | -1.5 | 0.5 | 2.2 | 0.7 | 0.9 | 0.1 | 0.1 | -0.1 | 0.0 | 0.0 |
| Czech Republic | .. | .. | .. | .. | .. | -0.3 | 1.6 | 5.1 | 6.8 | 3.3 | -0.6 | -2.1 | -1.2 | -1.2 | -2.7 | -2.9 | -2.0 | -0.6 | 0.4 | 1.4 |
| Denmark | 0.9 | -0.8 | -1.5 | -2.0 | -1.9 | -3.7 | -0.7 | -0.1 | 0.4 | 1.1 | 0.8 | 0.9 | 2.1 | 0.8 | -0.6 | -1.8 | -1.4 | 0.0 | 1.1 | 2.0 |
| Finland | 4.3 | 6.5 | 3.6 | -4.3 | -9.5 | -11.9 | -9.6 | -7.8 | -5.9 | -2.2 | -0.4 | 0.1 | 2.3 | 0.0 | -0.7 | -0.8 | 0.5 | -0.4 | 0.9 | 1.6 |
| France | -0.9 | 0.7 | 1.5 | 0.6 | 0.7 | -1.7 | -1.7 | -1.5 | -2.4 | -2.3 | -1.3 | -0.4 | 0.9 | 0.6 | -0.3 | -1.3 | -1.2 | -1.4 | -1.3 | -1.0 |
| Germany | 0.5 | 1.7 | 3.9 | 1.9 | 1.5 | -1.8 | -1.2 | -0.7 | -1.2 | -0.8 | -0.5 | -0.2 | 2.0 | 1.9 | 0.2 | -1.5 | -1.6 | -2.1 | -1.9 | -1.7 |
| Greece | -0.4 | 1.7 | -0.1 | 0.7 | -0.6 | -3.9 | -3.9 | -3.6 | -3.6 | -2.6 | -1.5 | -1.0 | 0.1 | 1.0 | 1.1 | 1.7 | 2.3 | 1.9 | 1.3 | 0.8 |
| Hungary | .. | .. | .. | .. | .. | .. | .. | 1.3 | -1.1 | -0.4 | 0.7 | 1.0 | 2.1 | 1.5 | 2.4 | 1.6 | 2.2 | 2.6 | 3.5 | 4.2 |
| Iceland | 2.8 | 0.7 | 0.2 | -1.7 | -6.6 | -6.9 | -4.3 | -5.7 | -2.9 | -1.2 | -0.1 | 0.0 | 0.5 | 0.3 | -3.1 | -2.0 | 0.6 | 2.8 | 2.4 | 2.2 |
| Ireland | -3.1 | -0.9 | 2.7 | -0.6 | -3.1 | -5.7 | -6.2 | -4.3 | -3.5 | -0.7 | 0.1 | 2.9 | 4.4 | 3.7 | 3.1 | 1.8 | 0.8 | 0.6 | 0.6 | 0.5 |
| Italy | 0.1 | 0.7 | 0.2 | -0.5 | -1.4 | -3.7 | -2.7 | -1.3 | -1.7 | -1.0 | -0.7 | -0.3 | 1.3 | 1.6 | 0.7 | -0.1 | -0.3 | -1.2 | -1.3 | -0.9 |
| Japan | 0.3 | 1.7 | 3.7 | 3.7 | 1.9 | 0.1 | -0.4 | -0.2 | 1.5 | 2.1 | -0.3 | -1.8 | -0.7 | -1.9 | -3.4 | -3.0 | -1.5 | -0.4 | 0.3 | 1.1 |
| Luxembourg | 1.2 | 4.7 | 3.6 | 6.0 | 2.1 | 1.0 | -0.1 | -3.5 | -5.0 | -2.1 | -0.7 | 1.4 | 4.5 | 0.7 | -1.2 | -2.3 | -1.5 | -1.7 | -1.7 | -0.7 |
| Netherlands | -0.3 | 1.8 | 3.2 | 2.7 | 1.3 | -0.9 | -0.8 | -0.4 | 0.0 | 1.1 | 2.4 | 3.1 | 3.9 | 2.4 | -0.2 | -2.2 | -2.2 | -3.2 | -2.6 | -1.7 |
| New Zealand | -0.7 | -0.8 | -2.5 | -5.5 | -5.8 | -2.8 | 0.3 | 1.4 | 2.1 | 1.2 | -1.6 | 0.1 | 0.8 | 1.0 | 2.2 | 1.7 | 2.3 | 1.4 | 0.5 | 0.2 |
| Norway ¹ | -1.9 | -5.1 | -5.6 | -5.1 | -4.7 | -3.9 | -2.6 | -1.6 | -0.1 | 1.8 | 3.2 | 3.2 | 2.8 | 2.4 | 1.4 | -0.7 | 0.0 | 0.7 | 0.5 | 0.2 |
| Portugal | -0.6 | 2.5 | 3.2 | 4.3 | 2.2 | -2.5 | -4.0 | -2.2 | -1.0 | 0.3 | 1.9 | 2.6 | 3.3 | 2.4 | 0.3 | -2.7 | -3.0 | -3.5 | -3.8 | -3.3 |
| Spain | 1.5 | 2.9 | 3.6 | 2.9 | 0.5 | -3.3 | -3.7 | -3.9 | -4.7 | -4.0 | -2.5 | -0.9 | 0.6 | 0.9 | 0.2 | 0.0 | -0.1 | 0.1 | 0.2 | 0.3 |
| Sweden | 1.8 | 1.7 | 0.2 | -2.6 | -4.9 | -7.6 | -5.5 | -3.4 | -3.7 | -2.8 | -1.2 | 0.8 | 2.1 | 0.4 | -0.3 | -1.2 | -0.6 | -0.7 | 0.3 | 0.8 |
| Switzerland | 1.0 | 2.9 | 4.3 | 0.9 | -1.0 | -2.3 | -2.1 | -2.6 | -3.0 | -1.9 | -0.1 | -0.5 | 1.3 | 0.9 | -0.2 | -1.8 | -0.9 | -1.0 | -0.7 | -0.2 |
| United Kingdom | 4.4 | 4.2 | 2.2 | -1.7 | -3.5 | -3.3 | -1.3 | -0.9 | -0.9 | -0.4 | -0.1 | -0.1 | 1.0 | 0.5 | -0.1 | -0.1 | 0.5 | -0.5 | -0.7 | -0.4 |
| United States | 0.8 | 1.5 | 0.6 | -2.3 | -1.7 | -1.9 | -1.0 | -1.7 | -1.4 | -0.6 | 0.0 | 1.1 | 1.4 | -1.0 | -2.0 | -2.0 | -0.8 | -0.2 | 0.1 | -0.1 |
| Euro area | 0.2 | 1.6 | 2.4 | 1.2 | 0.4 | -2.5 | -2.1 | -1.5 | -2.0 | -1.4 | -0.6 | 0.0 | 1.7 | 1.4 | 0.2 | -1.0 | -1.0 | -1.5 | -1.3 | -1.1 |
| Total OECD | 0.8 | 1.7 | 1.6 | -0.5 | -0.9 | -2.1 | -1.3 | -1.3 | -1.1 | -0.5 | -0.3 | 0.3 | 1.2 | -0.1 | -1.1 | -1.5 | -0.8 | -0.6 | -0.4 | -0.2 |

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 78 database.

Annex Table 11. **Compensation per employee in the business sector**

Percentage change from previous period

| | Average 1979-1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------|----------------------|------|------|------|------|------|------|------|------|-------|------|------|------|------|------|------|------|------|------|------|
| Australia | 8.5 | 8.1 | 7.6 | 2.8 | 4.3 | 2.6 | 2.3 | 2.7 | 5.6 | 4.0 | 3.6 | 2.8 | 2.7 | 4.2 | 4.0 | 3.1 | 5.6 | 3.9 | 4.2 | 4.4 |
| Austria | 5.5 | 4.6 | 5.2 | 6.1 | 5.7 | 4.4 | 3.5 | 1.7 | 1.3 | 1.7 | 2.6 | 1.6 | 2.2 | 2.1 | 2.4 | 1.9 | 2.4 | 2.3 | 2.5 | 2.6 |
| Canada | 7.4 | 5.4 | 4.5 | 4.8 | 3.6 | 2.3 | 0.4 | 2.3 | 3.0 | 6.1 | 3.1 | 3.2 | 5.2 | 2.3 | 1.1 | 1.8 | 2.5 | 3.7 | 3.5 | 3.2 |
| Czech Republic | .. | .. | .. | .. | .. | .. | .. | .. | 18.1 | 4.3 | 9.5 | 4.5 | 6.4 | 6.9 | 5.2 | 6.6 | 6.1 | 4.5 | 6.7 | 7.2 |
| Denmark | 7.9 | 4.6 | 3.8 | 4.1 | 5.4 | 2.3 | 1.4 | 2.5 | 3.8 | 3.4 | 3.9 | 3.1 | 3.0 | 4.1 | 3.7 | 3.2 | 3.0 | 2.4 | 3.3 | 4.4 |
| Finland | 10.5 | 10.7 | 9.0 | 4.8 | 1.7 | 1.1 | 4.6 | 4.0 | 2.3 | 2.3 | 5.0 | 2.3 | 4.2 | 5.2 | 1.2 | 2.2 | 4.2 | 4.2 | 3.1 | 3.2 |
| France | 9.3 | 4.0 | 3.8 | 3.8 | 3.9 | 1.6 | 0.9 | 1.4 | 1.7 | 1.2 | 0.9 | 2.1 | 2.3 | 2.8 | 3.3 | 2.4 | 3.0 | 3.4 | 3.0 | 3.0 |
| Germany | 4.0 | 2.8 | 4.7 | 5.7 | 10.3 | 3.5 | 3.0 | 3.4 | 1.0 | 0.6 | 0.8 | 0.9 | 2.0 | 1.6 | 1.2 | 1.6 | 0.2 | 0.0 | 0.3 | 0.9 |
| Greece | 18.9 | 22.6 | 16.3 | 16.3 | 12.7 | 8.7 | 11.8 | 11.8 | 11.2 | 11.3 | 4.7 | 6.9 | 5.4 | 5.7 | 7.8 | 4.3 | 3.4 | 5.6 | 5.7 | 5.7 |
| Hungary | .. | .. | .. | .. | .. | .. | .. | 23.6 | 21.5 | 18.7 | 12.4 | 1.8 | 17.0 | 14.8 | 10.1 | 5.8 | 6.9 | 7.2 | 6.5 | 5.2 |
| Iceland | 42.0 | 13.4 | 16.1 | 15.6 | 0.6 | -3.7 | 3.7 | 4.9 | 8.1 | 5.7 | 9.7 | 9.6 | 9.2 | 7.0 | 6.6 | -0.2 | 7.1 | 6.5 | 6.6 | 4.1 |
| Ireland | 11.5 | 6.6 | 1.8 | 3.1 | 7.4 | 4.8 | 1.5 | 2.5 | 1.4 | 6.5 | 4.2 | 4.0 | 9.4 | 5.9 | 3.0 | 3.6 | 4.1 | 5.2 | 5.6 | 5.6 |
| Italy | 13.4 | 8.8 | 8.5 | 9.0 | 6.2 | 5.2 | 3.1 | 4.8 | 4.8 | 3.2 | -0.8 | 2.5 | 2.9 | 3.0 | 2.4 | 3.2 | 2.8 | 3.4 | 2.8 | 2.6 |
| Japan | 4.0 | 3.8 | 4.7 | 4.5 | 0.7 | 0.5 | 1.4 | 1.0 | 0.2 | 1.5 | -0.9 | -1.2 | 0.4 | -1.1 | -1.9 | -0.1 | -0.4 | 0.8 | 1.6 | 2.2 |
| Korea | 15.3 | 10.0 | 16.3 | 16.2 | 11.8 | 12.9 | 12.0 | 15.0 | 12.0 | 4.0 | 4.4 | 2.0 | 3.2 | 6.6 | 4.8 | 7.0 | 3.6 | 4.6 | 5.0 | 4.9 |
| Luxembourg | 5.0 | 8.5 | 3.1 | 5.6 | 6.5 | 5.5 | 4.2 | 0.9 | 1.1 | 1.9 | 2.2 | 4.5 | 5.3 | 4.0 | 3.0 | 1.6 | 4.1 | 3.3 | 3.3 | 3.3 |
| Mexico | .. | .. | .. | .. | 20.6 | 11.4 | 9.9 | 4.8 | 21.2 | 18.7 | 19.5 | 13.5 | 11.5 | 9.3 | 5.2 | 5.0 | 4.7 | 4.8 | 4.3 | 3.9 |
| Netherlands | 2.9 | 0.5 | 2.9 | 4.1 | 4.1 | 2.7 | 1.9 | 0.3 | 1.6 | 2.0 | 3.9 | 3.2 | 4.5 | 5.3 | 4.3 | 3.6 | 3.1 | 1.6 | 0.1 | 1.0 |
| Norway | 8.9 | 4.6 | 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 | 4.1 | 3.9 | 3.0 | 3.9 | 4.2 |
| Poland | .. | .. | .. | .. | .. | .. | .. | .. | 29.8 | 20.9 | 15.0 | 14.7 | 9.8 | 16.1 | 0.4 | -0.7 | 3.2 | 2.6 | 3.6 | 3.4 |
| Portugal | 18.1 | 12.8 | 17.4 | 18.6 | 16.0 | 7.1 | 5.9 | 6.7 | 9.0 | 3.8 | 4.3 | 4.0 | 6.9 | 5.2 | 3.8 | 3.5 | 3.0 | 3.0 | 2.9 | 2.7 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | .. | -0.2 | 5.2 | 15.7 | 11.6 | 8.3 | 15.0 | 5.5 | 7.1 | 4.1 | 9.5 | 6.9 | 5.9 | 5.7 |
| Spain | 12.9 | 7.3 | 10.0 | 10.3 | 10.4 | 8.3 | 4.0 | 3.5 | 5.3 | 2.1 | 2.4 | 2.0 | 2.8 | 4.0 | 3.4 | 3.4 | 3.2 | 3.5 | 3.8 | 3.8 |
| Sweden | 8.6 | 12.3 | 9.7 | 6.3 | 1.7 | 6.4 | 7.1 | 2.4 | 6.5 | 4.5 | 3.7 | 0.8 | 7.6 | 4.5 | 2.5 | 2.4 | 2.9 | 3.4 | 3.6 | 4.0 |
| Switzerland | 4.6 | 4.6 | 5.4 | 6.6 | 4.3 | 3.0 | 3.1 | 2.3 | 0.3 | 3.1 | 0.2 | 2.1 | 2.7 | 3.3 | 1.2 | -0.9 | 1.4 | 1.9 | 1.8 | 1.8 |
| Turkey | .. | 86.2 | 81.9 | 86.1 | 57.7 | 73.0 | 49.8 | 62.5 | 93.8 | 102.4 | 68.2 | 74.1 | 48.9 | 40.6 | 33.4 | 27.2 | 17.9 | 13.0 | 14.7 | 9.1 |
| United Kingdom | 9.7 | 8.3 | 9.6 | 8.6 | 6.6 | 2.7 | 3.2 | 2.7 | 1.7 | 4.1 | 6.8 | 4.7 | 6.1 | 5.1 | 3.6 | 5.2 | 4.5 | 4.0 | 4.4 | 4.5 |
| United States | 6.1 | 3.2 | 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 | 3.6 | 4.6 | 5.4 | 4.5 | 5.0 |
| Euro area | 8.6 | 4.8 | 6.1 | 6.6 | 8.1 | 5.2 | 3.2 | 3.6 | 1.7 | 1.3 | 1.1 | 1.4 | 2.5 | 2.5 | 2.3 | 1.9 | 1.4 | 1.6 | 1.7 | 2.0 |
| Total OECD | 7.2 | 6.1 | 7.2 | 7.0 | 7.4 | 4.7 | 3.7 | 4.1 | 5.2 | 5.5 | 5.1 | 4.4 | 5.5 | 3.6 | 3.0 | 3.2 | 3.2 | 3.6 | 3.5 | 3.7 |

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 78 database.

Annex Table 12. **Labour productivity in the business sector**

Percentage change from previous period

| | Average 1979-1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------|----------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Australia | 1.6 | -0.3 | -0.2 | 1.6 | 3.5 | 4.0 | 1.6 | -0.4 | 2.9 | 3.2 | 4.1 | 2.7 | 0.7 | 1.6 | 1.8 | 1.1 | 1.2 | -1.3 | 0.8 | 1.9 |
| Austria | 2.7 | 2.8 | 2.9 | 2.7 | 2.1 | 1.6 | 3.0 | 2.7 | 2.5 | 2.0 | 2.6 | 2.1 | 2.8 | 0.4 | 1.3 | 1.5 | 3.1 | 1.8 | 1.8 | 1.7 |
| Belgium | 2.4 | 1.8 | 2.0 | 1.2 | 1.4 | -0.2 | 3.7 | 1.8 | 0.4 | 3.0 | 0.2 | 2.0 | 1.9 | -0.5 | 2.3 | 1.0 | 1.9 | 0.8 | 1.6 | 1.5 |
| Canada | 1.0 | 0.5 | -0.4 | -0.3 | 2.4 | 2.1 | 3.0 | 1.0 | 0.5 | 2.0 | 1.6 | 3.2 | 3.2 | 0.7 | 0.9 | -0.3 | 1.3 | 1.8 | 2.0 | 2.0 |
| Czech Republic | .. | .. | .. | .. | .. | .. | .. | .. | 4.2 | -0.8 | -0.2 | 3.7 | 5.3 | 2.8 | 0.4 | 4.5 | 5.2 | 3.8 | 4.1 | 4.3 |
| Denmark | 0.6 | 1.1 | 2.2 | 2.4 | 4.3 | 2.1 | 5.2 | 2.1 | 2.2 | 2.5 | 0.9 | 2.0 | 3.7 | -0.1 | 1.0 | 2.4 | 2.4 | 2.5 | 2.6 | 2.3 |
| Finland | 3.5 | 4.8 | 0.0 | -0.5 | 4.1 | 6.2 | 7.0 | 1.7 | 2.8 | 3.2 | 3.1 | 0.6 | 3.3 | -0.8 | 1.7 | 3.0 | 3.8 | 0.7 | 3.4 | 3.1 |
| France | 2.4 | 2.5 | 2.2 | 1.3 | 3.3 | 0.8 | 1.8 | 1.2 | 0.7 | 2.0 | 2.1 | 1.2 | 1.3 | 0.2 | 0.7 | 1.4 | 2.5 | 1.6 | 1.5 | 1.4 |
| Germany | 1.1 | 2.3 | 2.8 | 2.4 | 3.7 | 0.5 | 3.1 | 1.8 | 1.4 | 2.1 | 0.5 | 0.4 | 1.6 | 0.9 | 0.7 | 0.8 | 0.7 | 1.0 | 1.1 | 0.8 |
| Greece | -0.4 | 3.9 | -1.5 | 6.4 | -0.9 | -2.7 | 0.1 | 1.4 | 3.1 | 4.8 | -0.9 | 3.8 | 5.2 | 5.5 | 4.2 | 3.6 | 1.8 | 2.4 | 2.4 | 2.3 |
| Hungary | .. | .. | .. | .. | .. | .. | .. | -2.3 | 1.4 | 4.8 | 3.0 | 0.6 | 3.5 | 3.7 | 5.3 | 2.2 | 5.2 | 4.7 | 4.6 | 3.9 |
| Iceland | 1.8 | 2.3 | 1.6 | 0.0 | -4.1 | 1.1 | 3.9 | -3.7 | 6.4 | 5.7 | 1.7 | 0.6 | 3.6 | 1.9 | 0.4 | 4.1 | 8.0 | 2.8 | 1.1 | 2.1 |
| Ireland | 3.6 | 7.3 | 4.9 | 2.6 | 3.4 | 1.4 | 2.9 | 5.3 | 4.8 | 7.9 | 0.2 | 4.7 | 4.7 | 3.4 | 4.8 | 2.8 | 1.6 | 1.0 | 2.6 | 2.6 |
| Italy | 2.1 | 3.0 | 1.0 | 0.7 | 1.6 | 2.5 | 3.9 | 3.3 | 0.7 | 1.7 | 0.7 | 1.1 | 1.5 | 0.1 | -1.0 | -0.1 | 0.1 | -0.4 | 0.6 | 1.2 |
| Japan | 2.7 | 3.5 | 3.5 | 1.6 | -0.1 | 0.0 | 1.1 | 1.8 | 3.0 | 0.8 | -0.7 | 0.3 | 2.7 | 0.6 | 0.9 | 1.8 | 3.0 | 2.1 | 1.8 | 1.8 |
| Korea | 5.9 | 2.7 | 6.6 | 6.8 | 4.2 | 5.2 | 5.6 | 6.6 | 5.0 | 3.0 | -1.2 | 8.3 | 4.4 | 1.9 | 4.4 | 3.5 | 2.9 | 2.7 | 4.3 | 4.7 |
| Luxembourg | .. | .. | .. | 4.9 | -0.8 | 2.7 | 1.4 | -1.4 | 0.6 | 5.6 | 2.7 | 3.0 | 2.4 | -4.4 | -0.9 | 1.0 | 2.0 | 0.0 | 1.6 | 2.0 |
| Mexico | .. | .. | .. | .. | -0.2 | -1.9 | 0.9 | -8.1 | 1.3 | 0.3 | 2.2 | 2.9 | 4.8 | -0.3 | -1.9 | 0.2 | 0.2 | 0.9 | 1.1 | 0.9 |
| Netherlands | 0.7 | 2.5 | 1.2 | 0.6 | 0.2 | 0.4 | 2.6 | 0.8 | 0.8 | 0.7 | 1.9 | 1.5 | 1.4 | -0.7 | -0.6 | 0.4 | 3.6 | 1.1 | 1.1 | 1.2 |
| New Zealand | 1.7 | 4.5 | -0.9 | -0.5 | 0.3 | 3.4 | 1.5 | -0.8 | 0.5 | 1.5 | 0.2 | 3.0 | 1.7 | 0.4 | 2.1 | 1.2 | 1.1 | -0.4 | 1.4 | 2.1 |
| Norway | 1.1 | 2.0 | 3.0 | 4.9 | 3.5 | 4.0 | 2.3 | 1.1 | 1.6 | 2.1 | 2.3 | 3.3 | 2.3 | 2.3 | 1.4 | 1.8 | 4.2 | 4.3 | 2.2 | 2.1 |
| Poland | .. | .. | .. | .. | .. | .. | .. | .. | 5.6 | 6.4 | 4.1 | 9.6 | 6.4 | 3.7 | 5.2 | 5.6 | 4.3 | 1.6 | 2.3 | 2.5 |
| Portugal | 2.1 | 4.8 | 1.9 | 1.5 | 0.2 | -0.2 | 1.2 | 5.8 | 3.6 | 2.4 | 2.6 | 3.1 | 1.8 | 0.3 | 0.0 | -1.1 | 0.6 | 0.8 | 0.4 | 1.1 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | .. | -2.7 | 2.7 | 5.0 | 5.1 | 5.8 | 3.9 | 2.6 | 4.8 | 1.9 | 5.3 | 3.4 | 4.8 | 5.4 |
| Spain | 2.6 | 1.4 | 0.0 | 1.6 | 2.8 | 2.1 | 3.2 | 1.0 | 1.6 | 0.2 | 0.0 | 0.0 | -0.1 | 0.4 | 0.4 | 0.6 | 0.6 | 0.7 | 1.0 | 1.2 |
| Sweden | 2.3 | 1.6 | 0.1 | 0.4 | 4.2 | 4.7 | 6.1 | 2.8 | 2.5 | 4.8 | 2.2 | 2.4 | 1.2 | -1.0 | 2.4 | 2.3 | 4.6 | 2.5 | 2.5 | 2.2 |
| Switzerland | 0.5 | 1.8 | 0.7 | -3.0 | 0.2 | 0.7 | 1.8 | 0.5 | 0.5 | 2.1 | 1.7 | 0.1 | 2.5 | -0.6 | -0.1 | -0.1 | 2.0 | 1.4 | 1.4 | 1.3 |
| United Kingdom | 2.4 | -1.1 | -0.1 | 2.1 | 4.6 | 3.4 | 3.7 | 1.3 | 1.5 | 1.1 | 2.2 | 1.7 | 3.1 | 1.5 | 1.3 | 1.9 | 2.7 | 1.1 | 2.4 | 2.7 |
| United States | 1.1 | 1.2 | 0.7 | 0.7 | 3.9 | 0.9 | 1.3 | 0.3 | 2.0 | 2.3 | 2.1 | 2.8 | 2.3 | 1.0 | 3.3 | 2.9 | 3.4 | 2.1 | 2.2 | 2.0 |
| Euro area | 2.0 | 2.7 | 1.8 | 1.6 | 2.7 | 1.2 | 3.0 | 1.9 | 1.0 | 1.8 | 0.7 | 0.7 | 1.4 | 0.3 | 0.4 | 0.5 | 0.9 | 0.5 | 1.0 | 1.0 |
| Total OECD | 1.8 | 1.7 | 1.6 | 1.3 | 2.9 | 1.4 | 1.9 | 1.0 | 1.9 | 2.1 | 1.3 | 2.0 | 2.5 | 0.7 | 1.9 | 1.9 | 2.4 | 1.6 | 1.9 | 1.9 |

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 78 database.

Annex Table 13. Unemployment rates: commonly used definitions

Per cent of labour force

| | 2002 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|---------------------|------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|----------------|------|------|
| | Unemployment thousands | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 637 | 10.4 | 10.7 | 9.4 | 8.3 | 8.2 | 8.3 | 7.8 | 6.9 | 6.3 | 6.8 | 6.4 | 6.0 | 5.6 | 5.1 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Austria | 235 | 4.7 | 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 | 5.8 | 5.7 | 5.8 | 5.8 | 5.7 |
| Belgium | 331 | 7.1 | 8.6 | 9.8 | 9.7 | 9.5 | 9.2 | 9.3 | 8.6 | 6.9 | 6.7 | 7.3 | 7.9 | 7.9 | 8.4 | 8.5 | 8.4 | 8.4 | 8.5 | 8.3 |
| Canada | 1 270 | 11.3 | 11.4 | 10.4 | 9.5 | 9.7 | 9.2 | 8.4 | 7.6 | 6.8 | 7.2 | 7.7 | 7.6 | 7.2 | 6.8 | 6.6 | 6.6 | 6.6 | 6.5 | 6.6 |
| Czech Republic | 374 | .. | 4.3 | 4.3 | 4.1 | 3.9 | 4.8 | 6.5 | 8.8 | 8.9 | 8.2 | 7.3 | 7.8 | 8.3 | 8.0 | 7.8 | 7.6 | .. | .. | .. |
| Denmark | 131 | 8.7 | 9.6 | 7.6 | 6.7 | 6.3 | 5.2 | 4.8 | 4.7 | 4.3 | 4.3 | 4.5 | 5.5 | 5.4 | 4.9 | 4.6 | 4.4 | 4.7 | 4.5 | 4.4 |
| Finland | 237 | 11.7 | 16.4 | 16.6 | 15.4 | 14.6 | 12.7 | 11.4 | 10.3 | 9.8 | 9.1 | 9.1 | 9.0 | 8.9 | 8.6 | 7.9 | 7.3 | 8.4 | 7.6 | 7.2 |
| France | 2 448 | 10.4 | 11.7 | 12.1 | 11.5 | 12.1 | 12.1 | 11.5 | 10.8 | 9.4 | 8.7 | 9.0 | 9.7 | 10.0 | 10.0 | 9.6 | 9.0 | 9.9 | 9.4 | 8.8 |
| Germany | 3 229 | 5.7 | 6.9 | 7.3 | 7.1 | 7.7 | 8.6 | 8.1 | 7.5 | 6.9 | 6.9 | 7.6 | 8.7 | 9.2 | 9.3 | 9.1 | 8.7 | 9.2 | 9.0 | 8.5 |
| Greece | 480 | 8.7 | 9.7 | 9.6 | 9.1 | 9.8 | 9.8 | 11.4 | 12.3 | 11.7 | 11.2 | 10.9 | 10.4 | 11.0 | 10.6 | 10.5 | 10.3 | .. | .. | .. |
| Hungary | 239 | .. | 12.1 | 11.0 | 10.4 | 10.1 | 8.9 | 7.9 | 7.1 | 6.5 | 5.8 | 5.9 | 5.9 | 6.2 | 7.1 | 7.0 | 6.7 | .. | .. | .. |
| Iceland | 5 | 4.3 | 5.3 | 5.3 | 4.7 | 3.7 | 3.9 | 2.7 | 2.0 | 2.3 | 2.3 | 3.3 | 3.4 | 3.1 | 2.5 | 1.9 | 2.2 | 2.4 | 1.7 | 2.5 |
| Ireland | 82 | 15.5 | 16.1 | 15.1 | 12.5 | 12.0 | 10.9 | 7.6 | 5.6 | 4.3 | 3.9 | 4.4 | 4.6 | 4.4 | 4.3 | 4.2 | 4.2 | 4.2 | 4.1 | 4.3 |
| Italy | 2 163 | 8.8 | 10.2 | 11.2 | 11.7 | 11.7 | 11.8 | 11.9 | 11.5 | 10.7 | 9.6 | 9.1 | 8.8 | 8.1 | 7.7 | 7.5 | 7.4 | 7.5 | 7.4 | 7.3 |
| Japan | 3 586 | 2.2 | 2.5 | 2.9 | 3.2 | 3.4 | 3.4 | 4.1 | 4.7 | 4.7 | 5.0 | 5.4 | 5.3 | 4.7 | 4.4 | 3.9 | 3.5 | 4.3 | 3.8 | 3.3 |
| Korea | 752 | 2.5 | 2.9 | 2.5 | 2.1 | 2.0 | 2.6 | 7.0 | 6.5 | 4.4 | 4.0 | 3.3 | 3.6 | 3.7 | 3.8 | 3.7 | 3.6 | 3.7 | 3.8 | 3.4 |
| Luxembourg | 6 | 1.6 | 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 | 5.1 | 5.6 | 4.6 | 5.5 | 5.6 |
| Mexico ¹ | 958 | 3.1 | 3.2 | 3.5 | 5.8 | 4.3 | 3.4 | 2.9 | 2.1 | 2.2 | 2.1 | 2.4 | 2.5 | 3.0 | 3.6 | 3.4 | 3.4 | 3.5 | 3.4 | 3.4 |
| Netherlands | 252 | 5.2 | 6.3 | 7.2 | 6.8 | 6.3 | 5.4 | 4.2 | 3.5 | 3.0 | 2.5 | 2.9 | 4.0 | 4.9 | 6.2 | 5.9 | 5.0 | 6.7 | 5.4 | 4.7 |
| New Zealand | 104 | 10.3 | 9.5 | 8.1 | 6.2 | 6.1 | 6.6 | 7.5 | 6.8 | 6.0 | 5.3 | 5.2 | 4.6 | 3.9 | 3.6 | 3.9 | 4.1 | 3.5 | 4.2 | 4.2 |
| Norway | 93 | 5.9 | 6.0 | 5.4 | 4.9 | 4.8 | 4.0 | 3.2 | 3.2 | 3.4 | 3.6 | 3.9 | 4.5 | 4.5 | 4.6 | 4.1 | 3.8 | 4.7 | 3.8 | 3.8 |
| Poland | 3 431 | .. | 14.0 | 14.4 | 13.3 | 12.3 | 11.2 | 10.6 | 13.9 | 16.1 | 18.2 | 19.9 | 19.6 | 19.0 | 17.8 | 16.9 | 15.6 | .. | .. | .. |
| Portugal | 270 | 14.1 | 5.5 | 6.8 | 7.2 | 7.3 | 6.7 | 5.0 | 4.4 | 4.0 | 4.0 | 5.0 | 6.3 | 6.7 | 7.5 | 7.8 | 7.7 | 7.7 | 7.8 | 7.6 |
| Slovak Republic | 487 | .. | .. | 13.6 | 13.1 | 11.3 | 11.9 | 12.6 | 16.4 | 18.8 | 19.3 | 18.6 | 17.5 | 18.1 | 16.4 | 15.8 | 15.2 | .. | .. | .. |
| Spain ² | 2 078 | 13.5 | 17.2 | 19.1 | 18.7 | 17.5 | 16.3 | 14.6 | 12.2 | 10.8 | 10.1 | 11.0 | 11.0 | 10.5 | 9.1 | 8.7 | 8.7 | 8.5 | 8.7 | 8.7 |
| Sweden | 176 | 5.3 | 8.2 | 8.0 | 7.7 | 8.0 | 8.0 | 6.5 | 5.6 | 4.7 | 4.0 | 4.0 | 4.9 | 5.5 | 5.6 | 4.5 | 4.2 | 4.9 | 4.3 | 4.1 |
| Switzerland | 134 | 2.9 | 3.8 | 3.7 | 3.3 | 3.8 | 4.0 | 3.4 | 2.9 | 2.5 | 2.5 | 3.1 | 4.1 | 4.2 | 4.1 | 3.9 | 3.4 | .. | .. | .. |
| Turkey ³ | 2 464 | 8.3 | 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 | 9.7 | 9.3 | .. | .. | .. |
| United Kingdom | 1 525 | 9.9 | 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 | 5.1 | 5.6 | 4.8 | 5.3 | 5.7 |
| United States | 8 379 | 7.5 | 6.9 | 16.1 | 5.6 | 5.4 | 4.9 | 4.5 | 4.2 | 4.0 | 4.8 | 5.8 | 6.0 | 5.5 | 5.1 | 4.8 | 4.7 | 5.0 | 4.8 | 4.7 |
| Euro area | 11 811 | 8.3 | 9.8 | 10.6 | 10.3 | 10.5 | 10.5 | 10.0 | 9.2 | 8.2 | 7.8 | 8.2 | 8.7 | 8.8 | 8.7 | 8.4 | 8.1 | 8.6 | 8.4 | 8.0 |
| Total OECD | 36 556 | 6.8 | 7.4 | 7.4 | 7.1 | 6.9 | 6.6 | 6.5 | 6.4 | 5.9 | 6.2 | 6.7 | 6.9 | 6.7 | 6.5 | 6.3 | 6.0 | 6.4 | 6.2 | 5.9 |

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 78 database.

Annex Table 14. Standardised unemployment rates

Per cent of civilian labour force

| | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Australia | 7.9 | 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 |
| Austria | .. | .. | .. | .. | .. | .. | .. | 4.0 | 3.8 | 3.9 | 4.3 | 4.4 | 4.5 | 3.9 | 3.6 | 3.6 | 4.2 | 4.3 | 4.8 |
| Belgium | 10.0 | 9.8 | 8.8 | 7.4 | 6.6 | 6.4 | 7.1 | 8.6 | 9.8 | 9.7 | 9.5 | 9.2 | 9.3 | 8.6 | 6.9 | 6.7 | 7.3 | 7.9 | 7.9 |
| Canada | 9.7 | 8.8 | 7.8 | 7.6 | 8.2 | 10.3 | 11.2 | 11.4 | 10.4 | 9.6 | 9.7 | 9.2 | 8.4 | 7.6 | 6.8 | 7.2 | 7.7 | 7.6 | 7.2 |
| 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 |
| Denmark | 5.0 | 5.0 | 5.7 | 6.8 | 7.2 | 7.9 | 8.6 | 9.6 | 7.7 | 6.8 | 6.3 | 5.2 | 4.9 | 4.8 | 4.4 | 4.3 | 4.6 | 5.6 | 5.4 |
| Finland | 6.7 | 4.9 | 4.1 | 3.1 | 3.2 | 6.7 | 11.6 | 16.4 | 16.8 | 15.4 | 14.6 | 12.7 | 11.3 | 10.2 | 9.7 | 9.1 | 9.1 | 9.0 | 9.0 |
| France | 9.8 | 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 |
| Germany ¹ | 6.5 | 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 | 9.5 |
| Greece | 6.6 | 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 |
| Hungary | .. | .. | .. | .. | .. | .. | 9.9 | 12.1 | 11.0 | 10.4 | 9.6 | 9.0 | 8.4 | 6.9 | 6.3 | 5.6 | 5.6 | 5.8 | 6.0 |
| Ireland | 16.8 | 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 | 3.8 | 4.3 | 4.6 | 4.5 |
| Italy | 8.9 | 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 |
| Japan | 2.8 | 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 |
| Korea | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | 4.4 | 4.0 | 3.3 | 3.6 | 3.7 |
| Luxembourg | 2.5 | 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 | 4.8 |
| Netherlands | 7.8 | 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 |
| New Zealand | 4.1 | 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 |
| Norway | 2.0 | 2.1 | 3.2 | 5.4 | 5.8 | 6.0 | 6.6 | 6.6 | 6.0 | 5.5 | 4.8 | 4.0 | 3.2 | 3.2 | 3.4 | 3.6 | 3.9 | 4.5 | 4.4 |
| Poland | .. | .. | .. | .. | .. | .. | .. | 14.0 | 14.4 | 13.3 | 12.3 | 10.9 | 10.2 | 13.4 | 16.4 | 18.5 | 19.8 | 19.2 | 18.8 |
| Portugal | 8.8 | 7.2 | 5.8 | 5.2 | 4.8 | 4.2 | 4.3 | 5.6 | 6.9 | 7.3 | 7.3 | 6.8 | 5.2 | 4.6 | 4.1 | 4.0 | 5.0 | 6.2 | 6.7 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | .. | .. | 13.7 | 13.1 | 11.3 | 11.9 | 12.6 | 16.7 | 18.7 | 19.4 | 18.7 | 17.5 | 18.2 |
| Spain | 17.4 | 16.7 | 15.8 | 13.9 | 13.1 | 13.2 | 14.9 | 18.6 | 19.8 | 18.8 | 18.2 | 17.0 | 15.3 | 12.9 | 11.4 | 10.8 | 11.5 | 11.5 | 10.9 |
| Sweden | 2.7 | 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 |
| United Kingdom | 11.2 | 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 |
| United States | 7.0 | 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 |
| 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 |
| Total OECD | .. | .. | .. | .. | .. | .. | .. | .. | 7.7 | 7.3 | 7.2 | 6.9 | 6.8 | 6.6 | 6.2 | 6.4 | 6.9 | 7.1 | 6.9 |

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 78 database.

Annex Table 15. Labour force, employment and unemployment

| | Millions | | | | | | | | | | | | | | | | | | |
|---|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Labour force | | | | | | | | | | | | | | | | | | | |
| Major seven countries | 308.0 | 312.3 | 322.9 | 324.8 | 325.9 | 328.3 | 330.1 | 332.9 | 337.0 | 339.7 | 342.6 | 347.2 | 349.2 | 351.0 | 353.5 | 355.2 | 357.9 | 360.6 | 363.0 |
| Total of smaller countries ¹ | 132.4 | 134.6 | 138.1 | 140.1 | 167.4 | 173.5 | 176.5 | 178.9 | 182.0 | 184.4 | 186.4 | 188.2 | 190.4 | 193.3 | 194.7 | 198.9 | 202.2 | 205.3 | 208.4 |
| Euro area | 120.9 | 122.4 | 131.9 | 131.8 | 131.7 | 132.5 | 133.0 | 134.0 | 135.3 | 137.2 | 138.8 | 140.8 | 142.3 | 143.9 | 145.4 | 146.9 | 148.2 | 149.4 | 150.8 |
| Total OECD ¹ | 440.4 | 446.9 | 461.1 | 464.8 | 493.2 | 501.8 | 506.6 | 511.8 | 519.0 | 524.1 | 529.0 | 535.4 | 539.6 | 544.3 | 548.2 | 554.1 | 560.1 | 565.9 | 571.3 |
| Employment | | | | | | | | | | | | | | | | | | | |
| Major seven countries | 291.1 | 295.4 | 302.9 | 302.4 | 302.7 | 305.7 | 308.3 | 310.8 | 315.3 | 318.6 | 322.0 | 327.7 | 328.8 | 328.4 | 330.0 | 332.6 | 336.2 | 339.6 | 342.5 |
| Total of smaller countries ¹ | 97.5 | 99.5 | 130.0 | 131.0 | 153.9 | 159.2 | 162.2 | 165.5 | 169.2 | 171.3 | 173.4 | 176.0 | 177.5 | 179.4 | 180.3 | 184.2 | 187.5 | 190.9 | 194.3 |
| Euro area | 111.1 | 113.3 | 122.0 | 120.9 | 118.7 | 118.5 | 119.3 | 119.9 | 121.1 | 123.5 | 126.1 | 129.2 | 131.3 | 132.1 | 132.7 | 133.9 | 135.3 | 136.8 | 138.5 |
| Total OECD ¹ | 388.6 | 394.8 | 432.8 | 433.4 | 456.6 | 464.9 | 470.5 | 476.3 | 484.5 | 489.9 | 495.4 | 503.7 | 506.3 | 507.7 | 510.3 | 516.8 | 523.7 | 530.5 | 536.9 |
| Unemployment | | | | | | | | | | | | | | | | | | | |
| Major seven countries | 16.9 | 16.9 | 20.0 | 22.4 | 23.2 | 22.6 | 21.7 | 22.1 | 21.7 | 21.1 | 20.6 | 19.4 | 20.4 | 22.6 | 23.5 | 22.5 | 21.7 | 21.0 | 20.4 |
| Total of smaller countries ¹ | 6.7 | 6.6 | 8.2 | 9.0 | 13.5 | 14.3 | 14.4 | 13.4 | 12.8 | 13.1 | 13.1 | 12.3 | 12.9 | 14.0 | 14.4 | 14.8 | 14.8 | 14.4 | 14.0 |
| Euro area | 9.8 | 9.1 | 9.9 | 10.9 | 12.9 | 14.0 | 13.8 | 14.1 | 14.2 | 13.7 | 12.7 | 11.6 | 11.1 | 11.8 | 12.7 | 13.0 | 12.9 | 12.6 | 12.3 |
| Total OECD ¹ | 23.7 | 23.5 | 28.2 | 31.4 | 36.7 | 36.9 | 36.1 | 35.5 | 34.5 | 34.2 | 33.6 | 31.7 | 33.2 | 36.6 | 37.9 | 37.3 | 36.5 | 35.5 | 34.5 |

1. The aggregate measures include Mexico as of 1987. 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 78 database.

Annex Table 16. **GDP deflators**

Percentage change from previous year

| | Average 1981-91 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|-----------------|--------------------|------|------|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 6.9 | 1.3 | 1.2 | 0.8 | 1.5 | 2.3 | 1.6 | 0.3 | 0.7 | 4.1 | 3.6 | 2.9 | 2.8 | 3.6 | 4.2 | 3.4 | 2.7 | 4.2 | 2.7 | 2.7 |
| Austria | 3.3 | 3.6 | 2.8 | 2.4 | 1.9 | 1.0 | 0.0 | 0.3 | 0.6 | 1.5 | 1.8 | 1.2 | 1.4 | 2.0 | 2.2 | 1.5 | 1.4 | 1.5 | 1.5 | 1.4 |
| Belgium | 4.0 | 3.4 | 4.0 | 2.1 | 1.2 | 0.6 | 1.2 | 1.8 | 0.7 | 1.7 | 1.8 | 1.8 | 1.7 | 2.3 | 2.0 | 2.0 | 1.8 | 1.8 | 2.7 | 1.0 |
| Canada | 4.3 | 1.3 | 1.4 | 1.1 | 2.3 | 1.6 | 1.2 | -0.4 | 1.7 | 4.1 | 1.1 | 1.0 | 3.3 | 3.1 | 2.6 | 2.1 | 1.6 | 2.7 | 1.4 | 1.6 |
| Czech Republic | .. | .. | .. | 9.4 | 10.2 | 8.7 | 8.3 | 11.2 | 2.8 | 1.4 | 4.9 | 2.8 | 2.6 | 3.0 | 0.3 | 2.9 | 2.8 | .. | .. | .. |
| Denmark | 5.3 | 1.7 | 0.7 | 1.5 | 1.3 | 2.0 | 2.0 | 1.2 | 1.7 | 3.0 | 2.5 | 1.5 | 2.2 | 2.1 | 1.7 | 2.0 | 2.8 | 1.4 | 2.4 | 3.1 |
| Finland | 6.2 | 1.8 | 2.3 | 1.8 | 4.7 | -0.3 | 2.2 | 3.5 | -0.2 | 2.8 | 3.5 | 1.0 | -0.3 | 0.3 | 2.1 | 0.9 | 0.9 | 2.5 | 0.7 | 1.0 |
| France | 5.5 | 1.7 | 1.6 | 2.0 | 1.5 | 1.7 | 1.0 | 1.1 | -0.1 | 1.5 | 1.8 | 2.2 | 1.4 | 1.6 | 1.3 | 1.7 | 1.6 | 1.4 | 1.8 | 1.6 |
| Germany | 2.5 | 5.0 | 3.7 | 2.4 | 1.9 | 0.5 | 0.3 | 0.6 | 0.3 | -0.7 | 1.2 | 1.5 | 1.0 | 0.8 | 0.7 | 0.7 | 1.0 | 0.9 | 0.6 | 1.2 |
| Greece | 19.4 | 14.8 | 14.4 | 11.2 | 9.8 | 7.4 | 6.8 | 5.2 | 3.0 | 3.4 | 3.5 | 4.0 | 3.5 | 3.6 | 3.3 | 3.0 | 3.2 | 2.3 | 2.7 | 2.5 |
| Hungary | .. | .. | .. | 19.5 | 26.7 | 21.2 | 18.4 | 12.6 | 8.4 | 9.9 | 8.6 | 8.4 | 6.6 | 4.6 | 2.1 | 1.4 | 2.1 | .. | .. | .. |
| Iceland | 28.6 | 3.3 | 2.3 | 2.1 | 2.9 | 2.0 | 2.0 | 5.1 | 3.0 | 3.6 | 8.5 | 5.6 | 0.1 | 2.8 | 3.9 | 4.2 | 3.4 | 5.3 | 3.2 | 3.5 |
| Ireland | 5.5 | 2.8 | 5.2 | 1.7 | 3.0 | 1.8 | 4.4 | 7.1 | 4.0 | 5.5 | 5.7 | 5.0 | 2.1 | 2.2 | 2.3 | 2.5 | 3.3 | 1.1 | 4.6 | 2.4 |
| Italy | 9.5 | 4.5 | 3.9 | 3.5 | 5.0 | 5.3 | 2.4 | 2.7 | 1.6 | 2.2 | 2.7 | 3.1 | 2.9 | 2.6 | 2.6 | 1.8 | 2.3 | 3.6 | 0.9 | 2.9 |
| Japan | 2.0 | 1.6 | 0.5 | 0.1 | -0.6 | -0.8 | 0.4 | -0.2 | -1.3 | -1.5 | -1.3 | -1.3 | -1.4 | -1.2 | -1.1 | -0.1 | 0.6 | -1.3 | 0.2 | 0.8 |
| Korea | 6.9 | 7.6 | 6.3 | 7.8 | 7.4 | 5.1 | 4.6 | 5.8 | -0.1 | 0.7 | 3.5 | 2.8 | 2.7 | 2.7 | 0.0 | 1.0 | 1.5 | -0.5 | 2.2 | 0.6 |
| Luxembourg | 3.6 | 3.7 | 6.0 | 3.5 | 2.3 | 2.0 | 2.7 | 2.7 | 2.2 | 4.2 | 1.9 | 1.1 | 2.1 | 2.6 | 3.3 | 3.8 | 3.5 | .. | .. | .. |
| Mexico | 62.2 | 14.5 | 9.5 | 8.5 | 37.9 | 30.7 | 17.7 | 15.4 | 15.1 | 12.1 | 5.9 | 7.0 | 8.5 | 6.1 | 4.7 | 3.7 | 3.1 | 2.7 | 3.2 | 3.1 |
| Netherlands | 1.7 | 2.3 | 1.9 | 2.3 | 2.0 | 1.2 | 2.0 | 1.7 | 1.6 | 3.9 | 5.2 | 3.8 | 2.5 | 0.9 | 1.5 | 2.0 | 1.6 | 1.9 | 1.4 | 2.2 |
| New Zealand | 8.2 | 1.4 | 3.0 | 1.1 | 2.4 | 2.4 | 0.5 | 1.2 | 0.2 | 2.5 | 4.4 | 0.7 | 1.8 | 3.7 | 2.5 | 2.5 | 2.0 | 2.0 | 2.3 | 2.0 |
| Norway | 5.1 | -0.6 | 2.3 | -0.1 | 2.9 | 4.1 | 2.9 | -0.7 | 6.6 | 15.9 | 1.1 | -1.6 | 2.4 | 5.0 | 6.8 | 4.5 | 3.5 | 5.5 | 4.5 | 3.2 |
| Poland | .. | .. | .. | 37.2 | 28.0 | 18.6 | 13.9 | 11.6 | 6.4 | 6.7 | 4.0 | 1.3 | 0.6 | 2.9 | 6.1 | 1.7 | 1.8 | .. | .. | .. |
| Portugal | 16.6 | 11.4 | 7.4 | 7.3 | 3.4 | 3.1 | 3.8 | 3.8 | 3.1 | 2.8 | 4.1 | 4.2 | 2.7 | 2.7 | 1.7 | 2.1 | 1.8 | 1.0 | 2.0 | 1.7 |
| Slovak Republic | .. | .. | .. | 13.4 | 9.9 | 4.3 | 6.7 | 5.2 | 6.5 | 8.5 | 4.2 | 4.0 | 4.7 | 4.6 | 2.0 | 2.9 | 2.4 | .. | .. | .. |
| Spain | 8.9 | 6.7 | 4.5 | 3.9 | 4.9 | 3.5 | 2.4 | 2.5 | 2.6 | 3.5 | 4.2 | 4.4 | 4.0 | 4.1 | 3.6 | 3.1 | 3.4 | 3.1 | 3.6 | 3.4 |
| Sweden | 7.6 | 1.0 | 3.0 | 2.4 | 3.2 | 1.2 | 1.4 | 0.8 | 0.9 | 1.2 | 2.2 | 1.7 | 2.0 | 1.3 | 1.3 | 1.8 | 1.5 | 2.3 | 0.8 | 1.9 |
| Switzerland | 3.7 | 2.2 | 2.4 | 1.6 | 0.8 | -0.1 | -0.1 | -0.3 | 0.6 | 0.8 | 0.6 | 1.6 | 1.2 | 0.5 | 0.8 | 1.0 | 0.9 | .. | .. | .. |
| Turkey | 47.8 | 63.7 | 67.8 | 106.5 | 87.2 | 77.8 | 81.5 | 75.7 | 55.6 | 49.9 | 54.8 | 44.1 | 22.5 | 9.9 | 7.6 | 5.9 | 4.3 | .. | .. | .. |
| United Kingdom | 6.0 | 3.9 | 2.6 | 1.6 | 2.6 | 3.5 | 2.9 | 2.8 | 2.1 | 1.2 | 2.3 | 3.1 | 2.9 | 2.0 | 2.0 | 1.7 | 1.6 | 1.4 | 1.7 | 1.6 |
| United States | 3.6 | 2.3 | 2.3 | 2.1 | 2.0 | 1.9 | 1.7 | 1.1 | 1.4 | 2.2 | 2.4 | 1.7 | 2.0 | 2.6 | 2.7 | 2.5 | 2.3 | 2.9 | 2.3 | 2.2 |
| Euro area | 5.7 | 4.3 | 3.5 | 2.8 | 2.7 | 2.0 | 1.4 | 1.6 | 0.9 | 1.4 | 2.4 | 2.5 | 2.0 | 1.8 | 1.8 | 1.7 | 1.9 | 1.9 | 1.6 | 2.0 |
| Total OECD | 7.3 | 4.4 | 3.9 | 4.7 | 5.3 | 4.4 | 3.7 | 3.2 | 2.5 | 2.8 | 3.0 | 2.6 | 2.3 | 2.2 | 2.1 | 1.9 | 1.9 | 1.9 | 2.0 | 1.9 |

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>).

Source: OECD Economic Outlook 78 database.

Annex Table 17. **Private consumption deflators**

Percentage change from previous year

| | Average 1981-91 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|-----------------|--------------------|------|------|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 7.3 | 2.2 | 2.1 | 1.0 | 2.1 | 1.9 | 1.5 | 1.3 | 1.0 | 3.3 | 3.8 | 2.6 | 1.9 | 1.4 | 1.9 | 2.6 | 2.5 | 2.0 | 2.6 | 2.4 |
| Austria | 3.2 | 3.8 | 3.4 | 2.7 | 2.0 | 3.8 | 0.0 | 0.1 | 0.8 | 2.4 | 1.7 | 1.1 | 1.5 | 1.9 | 2.2 | 1.7 | 1.4 | 2.0 | 1.6 | 1.3 |
| Belgium | 3.7 | 1.9 | 2.5 | 2.3 | 2.1 | 1.0 | 1.5 | 1.3 | 0.2 | 3.6 | 2.3 | 1.3 | 1.6 | 2.5 | 2.5 | 2.6 | 1.7 | 3.0 | 2.1 | 1.5 |
| Canada | 5.1 | 1.7 | 2.3 | 1.1 | 1.3 | 1.6 | 1.6 | 1.2 | 1.7 | 2.2 | 1.8 | 2.0 | 1.6 | 1.4 | 1.6 | 1.5 | 1.4 | 1.7 | 1.3 | 1.4 |
| Czech Republic | .. | .. | .. | 9.6 | 9.2 | 7.4 | 8.6 | 8.7 | 2.6 | 3.0 | 3.5 | 0.7 | 1.8 | 2.7 | 1.4 | 2.4 | 3.0 | .. | .. | .. |
| Denmark | 4.9 | 1.1 | 1.1 | 2.7 | 1.8 | 1.6 | 2.0 | 1.4 | 1.9 | 2.7 | 2.3 | 2.3 | 2.0 | 1.6 | 1.5 | 1.4 | 2.4 | 0.9 | 1.9 | 2.7 |
| Finland | 5.7 | 3.8 | 4.5 | 0.8 | 0.7 | 1.3 | 1.9 | 2.1 | 1.5 | 3.3 | 3.6 | 2.7 | 0.2 | 0.2 | 1.3 | 1.5 | 1.7 | 1.6 | 1.6 | 1.8 |
| France | 5.5 | 2.4 | 2.0 | 1.7 | 1.2 | 1.9 | 1.0 | 0.5 | -0.3 | 2.4 | 1.7 | 1.0 | 1.1 | 1.5 | 1.4 | 1.6 | 1.1 | 1.6 | 1.3 | 1.0 |
| Germany | 1.8 | 4.1 | 3.4 | 2.5 | 1.3 | 0.9 | 1.4 | 0.5 | 0.3 | 0.9 | 1.7 | 1.2 | 1.5 | 1.4 | 1.6 | 1.7 | 1.3 | 2.3 | 0.8 | 1.5 |
| Greece | 18.7 | 15.7 | 14.1 | 11.0 | 9.0 | 8.2 | 5.6 | 4.5 | 2.3 | 3.1 | 3.5 | 3.7 | 3.4 | 2.9 | 3.5 | 3.3 | 3.0 | .. | .. | .. |
| Hungary | .. | .. | .. | 19.4 | 28.5 | 23.0 | 18.0 | 13.7 | 10.2 | 9.1 | 8.1 | 2.8 | 4.3 | 4.5 | 3.7 | 2.8 | 2.7 | .. | .. | .. |
| Iceland | 29.2 | 3.5 | 3.6 | 1.4 | 1.9 | 2.4 | -0.1 | 1.1 | 2.7 | 4.9 | 7.7 | 4.9 | 1.2 | 2.9 | 2.1 | 3.4 | 3.1 | 2.3 | 3.3 | 2.8 |
| Ireland | 5.5 | 3.0 | 2.2 | 2.7 | 2.8 | 2.6 | 2.6 | 4.4 | 3.4 | 5.2 | 0.4 | 3.0 | 3.2 | 1.3 | 1.5 | 2.4 | 2.6 | 2.2 | 2.2 | 2.8 |
| Italy | 8.9 | 5.5 | 5.5 | 4.9 | 6.0 | 4.4 | 2.2 | 2.1 | 2.1 | 2.9 | 2.7 | 3.1 | 2.5 | 2.2 | 2.0 | 2.6 | 2.1 | 2.3 | 2.6 | 1.9 |
| Japan | 2.0 | 1.6 | 1.0 | 0.5 | -0.4 | -0.1 | 1.1 | 0.0 | -0.5 | -0.8 | -1.0 | -1.2 | -0.7 | -0.5 | -0.5 | 0.2 | 0.7 | -0.4 | 0.4 | 0.8 |
| Korea | 5.5 | 8.5 | 7.0 | 9.6 | 6.6 | 6.2 | 6.0 | 6.7 | 3.3 | 4.8 | 4.8 | 2.8 | 3.4 | 3.5 | 2.6 | 3.4 | 3.5 | 2.4 | 3.5 | 3.4 |
| Luxembourg | 4.3 | 4.2 | 4.0 | 2.6 | 2.0 | 1.4 | 1.4 | 1.1 | 1.5 | 2.6 | 3.2 | 2.5 | 1.9 | 1.9 | 2.2 | 2.5 | 2.0 | .. | .. | .. |
| Mexico | 63.5 | 15.4 | 10.1 | 7.6 | 34.0 | 30.7 | 16.5 | 20.5 | 14.0 | 10.4 | 7.2 | 5.3 | 6.9 | 4.7 | 4.5 | 3.7 | 3.3 | 3.8 | 3.5 | 3.2 |
| Netherlands | 2.1 | 3.2 | 2.1 | 2.9 | 1.4 | 1.9 | 2.0 | 1.7 | 1.8 | 3.3 | 4.6 | 3.0 | 2.2 | 1.1 | 1.1 | 1.5 | 1.0 | 0.6 | 0.8 | 2.4 |
| New Zealand | 9.2 | 1.1 | 1.1 | 1.2 | 2.6 | 2.2 | 1.9 | 1.9 | 0.5 | 2.3 | 2.3 | 2.0 | 0.5 | 0.7 | 1.9 | 2.9 | 2.5 | 2.5 | 2.6 | 2.4 |
| Norway | 6.5 | 2.5 | 2.4 | 1.2 | 2.4 | 1.4 | 2.3 | 2.5 | 2.0 | 3.0 | 2.3 | 1.4 | 2.6 | 0.7 | 1.2 | 2.3 | 2.2 | 1.8 | 2.0 | 2.1 |
| Poland | .. | .. | .. | 37.9 | 27.2 | 19.4 | 14.5 | 11.2 | 6.5 | 9.0 | 4.7 | 1.6 | 0.7 | 2.9 | 2.2 | 1.7 | 2.0 | .. | .. | .. |
| Portugal | 16.4 | 9.2 | 6.9 | 5.6 | 4.3 | 3.4 | 2.9 | 2.6 | 2.1 | 3.0 | 3.8 | 3.3 | 3.1 | 2.4 | 2.3 | 2.3 | 1.3 | 2.3 | 1.7 | 1.2 |
| Slovak Republic | .. | .. | .. | 13.4 | 9.2 | 5.0 | 6.0 | 5.8 | 8.6 | 10.8 | 5.9 | 2.5 | 7.7 | 6.9 | 4.0 | 3.2 | 3.9 | .. | .. | .. |
| Spain | 8.4 | 6.6 | 5.3 | 4.9 | 4.8 | 3.2 | 2.7 | 1.9 | 2.3 | 3.7 | 3.4 | 2.9 | 2.8 | 3.4 | 3.4 | 3.0 | 2.8 | 3.7 | 2.9 | 2.8 |
| Sweden | 7.9 | 2.1 | 6.4 | 2.7 | 2.8 | 1.3 | 1.9 | 0.8 | 1.2 | 1.2 | 2.4 | 1.8 | 2.3 | 1.2 | 1.0 | 1.9 | 2.2 | 1.2 | 1.7 | 2.5 |
| Switzerland | 3.4 | 3.8 | 3.1 | 0.5 | 1.6 | 0.6 | 0.7 | -0.4 | 0.4 | 0.6 | 0.4 | 1.7 | 0.6 | 1.1 | 1.5 | 1.2 | 0.8 | .. | .. | .. |
| Turkey | 48.6 | 65.6 | 65.9 | 108.9 | 92.4 | 67.8 | 82.1 | 83.0 | 59.0 | 50.0 | 58.8 | 40.6 | 21.8 | 7.9 | 5.5 | 4.6 | 3.9 | .. | .. | .. |
| United Kingdom | 5.9 | 4.7 | 3.4 | 2.1 | 3.4 | 3.3 | 2.5 | 2.6 | 1.7 | 1.1 | 2.3 | 1.5 | 2.0 | 1.3 | 2.0 | 2.1 | 2.0 | 2.1 | 2.1 | 1.9 |
| United States | 3.9 | 2.9 | 2.3 | 2.1 | 2.1 | 2.2 | 1.7 | 0.9 | 1.7 | 2.5 | 2.1 | 1.4 | 1.9 | 2.6 | 2.8 | 2.4 | 2.1 | 3.0 | 2.0 | 2.0 |
| Euro area | 5.6 | 4.4 | 3.8 | 3.2 | 2.6 | 2.2 | 1.7 | 1.2 | 0.9 | 2.3 | 2.4 | 1.9 | 1.9 | 1.9 | 1.9 | 2.1 | 1.7 | 2.2 | 1.6 | 1.7 |
| Total OECD | 7.4 | 4.9 | 4.2 | 5.0 | 5.2 | 4.5 | 3.9 | 3.4 | 2.7 | 3.2 | 3.1 | 2.1 | 2.1 | 2.0 | 2.1 | 2.1 | 1.9 | 2.2 | 1.8 | 1.9 |

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>).

Source: OECD Economic Outlook 78 database.

Annex Table 18. **Consumer price indices**

Percentage change from previous year

| | Average 1981-91 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|-----------------------------|--------------------|------|------|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 7.5 | 1.0 | 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 | 3.1 | 2.9 | 3.0 | 3.0 | 2.7 |
| Austria | 3.2 | 3.4 | 3.2 | 2.7 | 1.6 | 1.8 | 1.2 | 0.8 | 0.5 | 2.0 | 2.3 | 1.7 | 1.3 | 2.0 | 2.2 | 1.8 | 1.4 | 2.1 | 1.7 | 1.4 |
| Belgium | 4.2 | 2.2 | 2.5 | 2.4 | 1.3 | 1.8 | 1.5 | 0.9 | 1.1 | 2.7 | 2.4 | 1.6 | 1.5 | 1.9 | 2.6 | 2.4 | 1.7 | 2.9 | 2.1 | 1.5 |
| Canada | 5.3 | 1.5 | 1.9 | 0.2 | 2.2 | 1.6 | 1.6 | 1.0 | 1.7 | 2.7 | 2.5 | 2.2 | 2.8 | 1.8 | 2.4 | 2.4 | 1.7 | 3.0 | 1.7 | 1.8 |
| Czech Republic | .. | .. | .. | 10.0 | 9.1 | 8.8 | 8.5 | 10.7 | 2.1 | 3.9 | 4.7 | 2.0 | -0.1 | 2.8 | 1.9 | 2.8 | 3.0 | .. | .. | .. |
| Denmark | 5.0 | 2.1 | 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 | 1.7 | 2.4 | 2.0 | 1.9 | 2.7 |
| Finland | 5.9 | 3.2 | 3.3 | 1.6 | 0.4 | 1.1 | 1.2 | 1.4 | 1.3 | 3.0 | 2.7 | 2.0 | 1.3 | 0.1 | 0.8 | 1.3 | 1.7 | 1.1 | 1.3 | 1.8 |
| France | 5.3 | 2.5 | 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 | 1.7 | 1.1 | 1.9 | 1.3 | 1.0 |
| Germany | .. | 5.1 | 4.4 | 2.7 | 2.7 | 1.2 | 1.5 | 0.6 | 0.6 | 1.4 | 1.9 | 1.3 | 1.0 | 1.8 | 2.0 | 1.7 | 1.3 | 1.6 | 0.7 | 0.0 |
| Greece | 18.5 | 15.9 | 14.4 | 10.9 | 8.9 | 7.9 | 5.4 | 4.5 | 2.1 | 2.9 | 3.7 | 3.9 | 3.4 | 3.0 | 3.6 | 3.4 | 3.0 | .. | .. | .. |
| Hungary | .. | .. | .. | 18.9 | 28.3 | 23.5 | 18.3 | 14.2 | 10.0 | 9.8 | 9.1 | 5.2 | 4.7 | 6.7 | 3.7 | 2.0 | 2.7 | .. | .. | .. |
| Iceland ¹ | 29.2 | 3.9 | 4.0 | 1.6 | 1.7 | 2.3 | 1.8 | 1.7 | 3.2 | 5.1 | 6.4 | 5.2 | 2.1 | 3.2 | 3.9 | 4.0 | 3.4 | 3.8 | 3.7 | 3.2 |
| Ireland | 6.0 | 3.1 | 1.4 | 2.3 | 2.5 | 2.2 | 1.2 | 2.1 | 2.5 | 5.3 | 4.0 | 4.7 | 4.0 | 2.3 | 2.3 | 2.5 | 2.6 | 2.6 | 2.3 | 2.8 |
| Italy | 8.5 | 5.0 | 4.5 | 4.2 | 5.4 | 4.0 | 1.9 | 2.0 | 1.7 | 2.6 | 2.3 | 2.6 | 2.8 | 2.3 | 2.1 | 2.7 | 2.2 | 2.4 | 2.7 | 2.1 |
| Japan | 1.9 | 1.7 | 1.3 | 0.7 | -0.1 | 0.0 | 1.7 | 0.7 | -0.3 | -0.8 | -0.8 | -0.9 | -0.3 | 0.0 | -0.4 | 0.1 | 0.8 | -0.8 | 0.4 | 0.9 |
| Korea | .. | 6.2 | 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 | 3.3 | 3.4 | 2.9 | 3.4 | 3.4 |
| Luxembourg | 4.0 | 3.2 | 3.6 | 2.2 | 1.9 | 1.2 | 1.4 | 1.0 | 1.0 | 3.8 | 2.4 | 2.1 | 2.5 | 3.2 | 3.9 | 3.2 | 2.0 | .. | .. | .. |
| Mexico | 64.4 | 15.5 | 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 | 3.5 | 3.3 | 3.0 | 3.5 | 3.2 |
| Netherlands | 2.1 | 2.8 | 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 | 1.7 | 0.8 | 2.0 | 1.5 | 0.7 |
| New Zealand | 9.4 | 1.0 | 1.3 | 1.7 | 3.8 | 2.3 | 1.2 | 1.3 | -0.1 | 2.6 | 2.6 | 2.7 | 1.8 | 2.3 | 3.1 | 3.7 | 3.1 | 3.4 | 3.5 | 2.9 |
| Norway | 6.6 | 2.3 | 2.3 | 1.4 | 2.4 | 1.2 | 2.6 | 2.3 | 2.3 | 3.1 | 3.0 | 1.3 | 2.5 | 0.5 | 1.6 | 2.2 | 2.4 | 2.1 | 2.3 | 2.2 |
| 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 | 1.9 | 2.1 | .. | .. | .. |
| Portugal | 16.3 | 8.9 | 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 | 2.4 | 1.4 | 2.4 | 1.8 | 1.3 |
| Slovak Republic | .. | .. | .. | 13.4 | 9.8 | 5.8 | 6.1 | 6.7 | 10.6 | 12.0 | 7.3 | 3.1 | 8.6 | 7.5 | 2.8 | 4.3 | 2.8 | .. | .. | .. |
| Spain | 8.5 | 5.9 | 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 | 3.0 | 2.8 | 3.5 | 2.5 | 2.9 |
| Sweden | 7.3 | 2.4 | 4.7 | 2.2 | 2.5 | 0.5 | 0.7 | -0.3 | 0.5 | 0.9 | 2.4 | 2.2 | 1.9 | 0.4 | 0.4 | 1.6 | 2.0 | 0.5 | 2.0 | 1.9 |
| Switzerland | 3.3 | 4.0 | 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 | 1.2 | 0.8 | .. | .. | .. |
| Turkey ² | 47.9 | 70.1 | 66.1 | 105.2 | 89.1 | 80.4 | 85.7 | 84.6 | 64.9 | 54.9 | 54.4 | 45.0 | 25.3 | 10.6 | 8.0 | 6.2 | 4.5 | .. | .. | .. |
| United Kingdom ³ | 5.6 | 4.2 | 2.5 | 2.0 | 2.7 | 2.5 | 1.8 | 1.6 | 1.3 | 0.8 | 1.2 | 1.3 | 1.4 | 1.3 | 2.1 | 2.1 | 1.6 | 2.3 | 1.9 | 1.5 |
| United States ⁴ | 4.1 | 3.0 | 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 | 2.8 | 2.5 | 3.7 | 2.3 | 2.5 |
| Euro area | .. | 4.6 | 4.0 | 3.2 | 3.2 | 2.4 | 1.7 | 1.2 | 1.2 | 2.2 | 2.5 | 2.3 | 2.1 | 2.1 | 2.2 | 2.1 | 1.6 | 2.4 | 1.6 | 1.7 |

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 78 database.

Annex Table 19. Oil and other primary commodity markets

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | |
|--|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|------|------|--|
| Oil market conditions¹ | | | | | | | | | | | | | | | | | | | |
| (in million barrels per day) | | | | | | | | | | | | | | | | | | | |
| Demand | | | | | | | | | | | | | | | | | | | |
| OECD ² | 41.4 | 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 | 49.8 | 50.2 | .. | |
| of which: North America | 20.7 | 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 | 25.9 | .. | |
| Europe ³ | 13.6 | 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 | 15.6 | 15.6 | .. | |
| Pacific | 7.1 | 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 | 8.7 | .. | |
| Non-OECD ⁴ | 24.8 | 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 | 32.7 | 33.6 | 34.8 | .. | |
| Total | 66.3 | 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 | 82.1 | 83.3 | 85.0 | .. | |
| Supply | | | | | | | | | | | | | | | | | | | |
| OECD ² | 19.0 | 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 | 20.4 | 20.4 | .. | |
| OPEC total | 25.1 | 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 | 33.0 | .. | .. | .. | |
| Former USSR | 11.5 | 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 | 12.1 | .. | |
| Other non-OECD ⁴ | 11.4 | 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 | -32.0 | .. | .. | |
| Total | 66.9 | 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 | 83.1 | .. | .. | .. | |
| Trade | | | | | | | | | | | | | | | | | | | |
| OECD net imports ² | 22.7 | 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 | 28.5 | 29.7 | 29.8 | .. | |
| Former USSR net exports | 3.1 | 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 | 8.3 | .. | |
| Other non-OECD net exports ⁴ | 19.6 | 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 | 21.9 | 21.5 | .. | |
| Prices⁵ | | | | | | | | | | | | | | | | | | | |
| Brent crude oil import price (cif, \$ per bl) | 23.7 | 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 | 54.5 | 56.0 | 52.8 | |
| Prices of other primary commodities⁵ | | | | | | | | | | | | | | | | | | | |
| (\$ indices) | | | | | | | | | | | | | | | | | | | |
| Food and tropical beverages | 123 | 116 | 111 | 113 | 155 | 158 | 153 | 167 | 142 | 112 | 100 | 91 | 102 | 109 | 109 | 109 | 109 | 109 | |
| Agricultural raw materials | 125 | 108 | 110 | 105 | 120 | 139 | 119 | 113 | 97 | 94 | 100 | 86 | 85 | 104 | 114 | 121 | 128 | 133 | |
| Minerals, ores and metals | 119 | 105 | 101 | 88 | 102 | 121 | 108 | 110 | 93 | 89 | 100 | 91 | 89 | 102 | 140 | 168 | 183 | 185 | |
| Total | 119 | 111 | 112 | 111 | 129 | 139 | 143 | 139 | 116 | 100 | 100 | 92 | 99 | 111 | 128 | 130 | 141 | 145 | |

1. Based on data published in in various issues of International Energy Agency, Oil Market Report and Annual Statistical Supplement, August 2005.

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 2004 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 2005 to 2007.

Source: OECD Economic Outlook 78 database.

Annex Table 20. Employment rates, participation rates and labour force

| | Employment rates | | | | | | Labour force participation rates | | | | | | Labour force | | | | | |
|-----------------|------------------|---------|-----------------|------|------|------|----------------------------------|---------|-----------------|------|------|------|--------------|---------|--------------------------|------|------|------|
| | Average | Average | 2004 | 2005 | 2006 | 2007 | Average | Average | 2004 | 2005 | 2006 | 2007 | Average | Average | 2004 | 2005 | 2006 | 2007 |
| | 1984-86 | 1994-96 | <i>Per cent</i> | | | | 1984-86 | 1994-96 | <i>Per cent</i> | | | | 1984-93 | 1994-03 | <i>Percentage change</i> | | | |
| Australia | 64.9 | 68.3 | 71.7 | 73.3 | 74.0 | 74.6 | 70.7 | 74.8 | 75.9 | 77.2 | 78.0 | 78.5 | 2.1 | 1.6 | 1.4 | 3.0 | 2.2 | 1.9 |
| Austria | 72.9 | 73.6 | 73.9 | 73.7 | 73.6 | 73.9 | 75.7 | 77.8 | 78.4 | 78.2 | 78.2 | 78.4 | 0.9 | 0.6 | -0.2 | 0.3 | 0.5 | 0.7 |
| Belgium | 55.2 | 57.9 | 61.8 | 62.0 | 62.0 | 62.4 | 61.6 | 64.1 | 67.0 | 67.6 | 67.8 | 68.1 | 0.4 | 0.7 | 0.6 | 1.2 | 0.6 | 0.7 |
| Canada | 66.9 | 68.2 | 73.9 | 74.0 | 74.3 | 74.4 | 74.8 | 75.7 | 79.6 | 79.4 | 79.6 | 79.6 | 1.4 | 1.7 | 1.4 | 1.0 | 1.3 | 1.4 |
| Czech Republic | .. | 69.5 | 64.8 | 65.3 | 65.5 | 65.7 | .. | 72.5 | 70.6 | 71.0 | 71.1 | 71.1 | .. | 0.0 | 0.3 | 0.7 | 0.2 | 0.1 |
| Denmark | 75.1 | 74.6 | 76.9 | 77.4 | 77.8 | 78.0 | 80.4 | 80.0 | 81.2 | 81.4 | 81.5 | 81.7 | 0.6 | 0.3 | -0.1 | 0.3 | 0.3 | 0.3 |
| Finland | 72.4 | 61.1 | 67.5 | 68.2 | 68.4 | 68.6 | 76.5 | 72.4 | 74.1 | 74.6 | 74.3 | 74.0 | -0.3 | 0.6 | -0.2 | 0.9 | -0.3 | -0.3 |
| France | 59.1 | 58.8 | 62.9 | 62.8 | 62.9 | 63.4 | 65.9 | 66.8 | 69.8 | 69.8 | 69.6 | 69.7 | 0.5 | 0.9 | 0.2 | 0.2 | 0.2 | 0.2 |
| Germany | 64.5 | 67.6 | 71.0 | 71.3 | 72.0 | 72.8 | 69.0 | 73.0 | 78.1 | 78.6 | 79.1 | 79.7 | 3.7 | 0.5 | 0.9 | 0.3 | 0.5 | 0.6 |
| Greece | 55.8 | 54.8 | 57.5 | 58.1 | 58.7 | 59.4 | 60.5 | 60.5 | 64.6 | 65.0 | 65.6 | 66.2 | 0.7 | 0.6 | 3.7 | 0.8 | 0.9 | 1.0 |
| Hungary | .. | 51.4 | 55.6 | .. | .. | .. | .. | 57.5 | 59.2 | .. | .. | .. | .. | 0.1 | -0.3 | 1.0 | 0.2 | 0.4 |
| Iceland | 85.3 | 81.7 | 81.1 | 82.8 | 84.0 | 85.0 | 86.8 | 85.6 | 83.6 | 84.9 | 85.7 | 86.9 | 1.2 | 1.2 | -0.8 | 3.4 | 2.8 | 1.0 |
| Ireland | 53.1 | 56.2 | 67.8 | 68.7 | 69.7 | 70.7 | 64.0 | 64.8 | 71.0 | 71.8 | 72.8 | 73.8 | 0.7 | 2.9 | 2.8 | 3.9 | 2.5 | 2.5 |
| Italy | 54.6 | 51.2 | 57.2 | 57.8 | 58.3 | 58.7 | 60.0 | 57.9 | 62.2 | 62.6 | 63.0 | 63.4 | 0.0 | 0.7 | 0.8 | 0.6 | 0.5 | 0.5 |
| Japan | 70.4 | 74.2 | 73.8 | 74.6 | 75.4 | 76.1 | 72.3 | 76.6 | 77.5 | 78.0 | 78.5 | 78.8 | 1.2 | 0.0 | -0.4 | 0.1 | -0.2 | -0.3 |
| Korea | 55.9 | 63.9 | 65.4 | 65.9 | 66.0 | 66.3 | 58.2 | 65.3 | 67.9 | 68.4 | 68.6 | 68.8 | 3.1 | 1.3 | 2.0 | 1.4 | 1.1 | 0.6 |
| Luxembourg | 59.5 | 60.4 | 65.2 | 65.8 | 66.1 | 66.5 | 60.5 | 62.3 | 68.1 | 68.9 | 69.7 | 70.4 | 1.0 | 2.0 | 1.8 | 2.1 | 2.1 | 2.0 |
| Mexico | .. | 56.7 | 58.1 | 58.3 | 58.9 | 59.3 | .. | 59.3 | 59.9 | 60.5 | 60.9 | 61.4 | .. | 2.2 | 4.5 | 2.6 | 2.6 | 2.5 |
| Netherlands | 60.0 | 67.5 | 74.7 | 73.9 | 74.4 | 75.4 | 66.0 | 72.4 | 78.6 | 78.8 | 79.1 | 79.3 | 1.4 | 1.5 | 0.2 | 0.8 | 0.8 | 0.5 |
| New Zealand | 75.6 | 70.3 | 75.0 | .. | .. | .. | 78.8 | 75.4 | 78.0 | .. | .. | .. | 0.5 | 1.7 | 2.6 | 2.7 | 1.5 | 0.8 |
| Norway | 75.8 | 74.0 | 75.7 | 75.3 | 75.4 | 75.4 | 77.8 | 77.9 | 79.2 | 78.9 | 78.6 | 78.4 | 0.5 | 1.1 | 0.3 | 0.5 | 0.4 | 0.6 |
| Poland | .. | 58.0 | 51.6 | 52.2 | 52.7 | 53.6 | .. | 67.0 | 63.7 | 63.4 | 63.4 | 63.6 | .. | -0.1 | 0.5 | -0.1 | 0.3 | 0.3 |
| Portugal | 63.0 | 67.7 | 71.8 | 71.6 | 71.7 | 72.0 | 69.0 | 72.9 | 76.9 | 77.4 | 77.7 | 78.0 | 0.9 | 1.0 | 0.5 | 1.0 | 0.8 | 0.7 |
| Slovak Republic | .. | 60.6 | 56.8 | 57.6 | 58.0 | 58.4 | .. | 69.4 | 69.4 | 68.9 | 68.9 | 68.9 | .. | 0.8 | 1.0 | -0.5 | 0.2 | 0.1 |
| Spain | 46.8 | 48.5 | 62.9 | 64.7 | 65.9 | 67.0 | 56.5 | 59.5 | 70.3 | 71.2 | 72.1 | 73.3 | 1.2 | 2.8 | 3.3 | 3.1 | 3.0 | 3.2 |
| Sweden | 80.1 | 71.7 | 73.5 | 73.6 | 73.8 | 74.2 | 82.5 | 77.9 | 77.8 | 77.9 | 77.3 | 77.4 | 0.0 | 0.5 | 0.2 | 0.8 | -0.4 | 0.6 |
| Switzerland | 78.4 | 83.0 | 83.4 | 82.9 | 82.8 | 83.3 | 79.1 | 86.1 | 87.0 | 86.4 | 86.2 | 86.3 | 2.1 | 0.6 | 0.4 | -0.2 | 0.2 | 0.2 |
| Turkey | 59.2 | 54.1 | 47.7 | 47.7 | 47.6 | 48.3 | 63.9 | 58.4 | 53.0 | 53.1 | 52.7 | 53.2 | 1.4 | 0.8 | 2.7 | 1.9 | 1.8 | 1.9 |
| United Kingdom | 66.3 | 68.7 | 72.2 | 72.2 | 71.8 | 71.7 | 74.7 | 75.3 | 75.8 | 75.8 | 75.7 | 75.9 | 0.3 | 0.6 | 0.7 | 0.8 | 0.6 | 0.7 |
| United States | 67.9 | 71.7 | 70.8 | .. | .. | .. | 73.2 | 76.0 | 75.0 | .. | .. | .. | 1.4 | 1.2 | 0.6 | 1.3 | 1.4 | 1.1 |
| Euro area | 58.3 | 59.4 | 65.1 | 65.6 | 66.1 | 66.8 | 64.4 | 66.4 | 71.4 | 71.8 | 72.2 | 72.7 | 1.4 | 1.0 | 1.1 | 0.9 | 0.8 | 0.9 |
| Total OECD | 63.5 | 65.1 | 66.3 | 65.2 | 65.5 | 66.0 | 68.5 | 70.1 | 71.1 | 70.1 | 70.3 | 70.7 | 2.8 | 1.0 | 1.1 | 1.1 | 1.0 | 1.0 |

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 78 database.

Annex Table 21. **Potential GDP, employment and capital stock**

Percentage change from previous period

| | Potential GDP | | | | | | Employment | | | | | | Capital stock | | | | | |
|-----------------|--------------------|--------------------|------|------|------|------|--------------------|--------------------|------|------|------|------|--------------------|--------------------|------|------|------|------|
| | Average 1984-93 | Average 1994-03 | 2004 | 2005 | 2006 | 2007 | Average 1984-93 | Average 1994-03 | 2004 | 2005 | 2006 | 2007 | Average 1984-93 | Average 1994-03 | 2004 | 2005 | 2006 | 2007 |
| Australia | 3.3 | 3.4 | 3.6 | 3.6 | 3.6 | 3.6 | 1.9 | 2.0 | 1.9 | 3.6 | 2.3 | 1.9 | 3.4 | 3.3 | 3.9 | 3.9 | 4.7 | 5.3 |
| Austria | 2.5 | 2.3 | 2.4 | 2.3 | 2.4 | 2.3 | 0.6 | 0.6 | -0.3 | 0.2 | 0.5 | 0.8 | 4.5 | 4.2 | 4.1 | 3.8 | 3.8 | 3.8 |
| Belgium | 2.2 | 2.0 | 1.9 | 2.0 | 2.1 | 1.9 | 0.7 | 0.9 | 0.7 | 0.7 | 0.5 | 0.8 | 3.2 | 2.8 | 2.5 | 3.0 | 3.1 | 3.0 |
| Canada | 2.3 | 3.2 | 2.9 | 3.1 | 3.1 | 3.1 | 1.4 | 2.1 | 1.8 | 1.4 | 1.6 | 1.4 | 2.5 | 2.7 | 1.7 | 2.4 | 2.7 | 2.8 |
| Czech Republic | .. | .. | .. | .. | .. | .. | .. | -0.4 | -0.3 | 1.0 | 0.4 | 0.3 | .. | .. | .. | .. | .. | .. |
| Denmark | 1.8 | 2.2 | 1.7 | 1.6 | 1.5 | 1.5 | 0.4 | 0.6 | 0.0 | 0.8 | 0.6 | 0.5 | 3.4 | 3.6 | 2.9 | 2.9 | 3.1 | 3.2 |
| Finland | 2.1 | 2.5 | 2.2 | 2.1 | 2.1 | 2.0 | -1.7 | 1.6 | 0.0 | 1.2 | 0.5 | 0.3 | 2.6 | 0.9 | 0.8 | 0.6 | 0.7 | 0.8 |
| France | 1.9 | 2.2 | 1.9 | 1.9 | 2.0 | 1.8 | 0.3 | 1.2 | -0.1 | 0.2 | 0.6 | 0.9 | 4.1 | 3.2 | 2.8 | 2.8 | 2.8 | 2.9 |
| Germany | 4.2 | 1.5 | 1.3 | 1.5 | 1.5 | 1.5 | 3.7 | 0.4 | 0.4 | 0.2 | 0.7 | 0.9 | 4.3 | 1.6 | 0.9 | 0.9 | 1.1 | 1.4 |
| Greece | 1.4 | 3.0 | 4.1 | 3.9 | 4.0 | 3.9 | 0.5 | 0.5 | 2.9 | 1.3 | 1.1 | 1.3 | 2.1 | 4.6 | 7.0 | 6.7 | 6.6 | 6.5 |
| Hungary | .. | 4.0 | 4.0 | 3.8 | 3.6 | 3.6 | .. | 0.7 | -0.6 | -0.1 | 0.4 | 0.7 | .. | .. | .. | .. | .. | .. |
| Iceland | 2.5 | 3.1 | 3.4 | 4.4 | 4.9 | 2.8 | 0.8 | 1.5 | -0.5 | 4.0 | 3.4 | 0.7 | 2.2 | 3.3 | 4.6 | 8.8 | 8.8 | 5.7 |
| Ireland | 4.1 | 7.2 | 5.6 | 5.3 | 4.9 | 5.1 | 0.8 | 4.3 | 3.0 | 4.1 | 2.5 | 2.5 | 2.3 | 4.8 | 4.9 | 1.8 | 6.1 | 6.4 |
| Italy | 2.0 | 1.4 | 1.1 | 1.1 | 1.2 | 1.1 | -0.2 | 1.0 | 1.5 | 1.1 | 0.7 | 0.6 | 3.1 | 2.6 | 2.3 | 2.0 | 2.1 | 2.1 |
| Japan | 3.4 | 1.4 | 1.1 | 1.2 | 1.2 | 1.3 | 1.3 | -0.2 | 0.2 | 0.5 | 0.2 | 0.2 | 6.3 | 3.1 | 3.3 | 3.2 | 3.0 | 3.0 |
| Korea | .. | .. | .. | .. | .. | .. | 3.2 | 1.2 | 1.9 | 1.3 | 1.1 | 0.8 | .. | .. | .. | .. | .. | .. |
| Luxembourg | .. | .. | .. | .. | .. | .. | 0.9 | 1.9 | 1.3 | 1.7 | 1.6 | 1.5 | .. | .. | .. | .. | .. | .. |
| Mexico | .. | .. | .. | .. | .. | .. | 3.6 | 2.3 | 3.9 | 2.0 | 2.7 | 2.5 | .. | .. | .. | .. | .. | .. |
| Netherlands | 2.5 | 2.7 | 1.7 | 1.7 | 1.6 | 1.6 | 1.9 | 1.9 | -0.7 | -0.6 | 1.0 | 1.5 | 2.4 | 2.7 | 2.0 | 1.8 | 2.0 | 2.1 |
| New Zealand | 1.6 | 3.0 | 3.8 | 3.7 | 3.4 | 2.8 | -0.1 | 2.1 | 3.4 | 3.0 | 1.2 | 0.5 | 2.6 | 2.9 | 5.0 | 5.3 | 4.9 | 4.3 |
| Norway | 2.1 | 2.7 | 2.8 | 3.0 | 3.0 | 2.8 | 0.2 | 1.2 | 0.3 | 0.3 | 1.0 | 1.0 | 0.0 | 1.7 | 1.5 | 2.1 | 2.7 | 2.8 |
| Poland | .. | .. | .. | .. | .. | .. | .. | -0.8 | 1.3 | 1.4 | 1.4 | 1.8 | .. | .. | .. | .. | .. | .. |
| Portugal | 2.8 | 2.7 | 1.5 | 1.4 | 1.2 | 1.3 | 1.2 | 1.1 | 0.1 | 0.1 | 0.5 | 0.8 | .. | .. | .. | .. | .. | .. |
| Slovak Republic | .. | .. | .. | .. | .. | .. | .. | 0.1 | 0.3 | 1.6 | 1.0 | 0.8 | .. | .. | .. | .. | .. | .. |
| Spain | 2.8 | 3.2 | 3.2 | 3.2 | 3.1 | 3.2 | 1.1 | 3.9 | 3.9 | 4.8 | 3.5 | 3.2 | 4.2 | 3.8 | 3.3 | 3.5 | 3.6 | 3.9 |
| Sweden | 1.9 | 2.3 | 2.5 | 2.5 | 2.5 | 2.4 | -0.6 | 0.8 | -0.4 | 0.7 | 0.8 | 1.0 | 3.0 | 3.1 | 2.2 | 2.6 | 2.6 | 2.7 |
| Switzerland | 2.1 | 1.2 | 1.2 | 1.2 | 1.4 | 1.4 | 1.8 | 0.6 | 0.2 | -0.1 | 0.4 | 0.7 | 2.7 | 2.7 | 2.5 | 2.6 | 2.7 | 2.8 |
| Turkey | .. | .. | .. | .. | .. | .. | 1.2 | 0.6 | 3.0 | 2.0 | 2.1 | 2.5 | .. | .. | .. | .. | .. | .. |
| United Kingdom | 2.3 | 2.7 | 2.6 | 2.6 | 2.6 | 2.4 | 0.4 | 1.1 | 1.0 | 0.8 | 0.3 | 0.3 | 3.6 | 3.8 | 3.3 | 3.2 | 3.2 | 3.4 |
| United States | 3.0 | 3.2 | 2.9 | 3.1 | 3.2 | 3.4 | 1.5 | 1.3 | 1.1 | 1.8 | 1.7 | 1.2 | 2.5 | 3.0 | 2.0 | 2.5 | 2.8 | 3.0 |
| Euro area | 2.7 | 2.1 | 1.8 | 1.9 | 1.9 | 1.9 | 1.4 | 1.3 | 1.0 | 1.0 | 1.1 | 1.2 | .. | .. | .. | .. | .. | .. |
| Total OECD | 2.9 | 2.6 | 2.3 | 2.4 | 2.5 | 2.5 | 2.8 | 1.1 | 1.3 | 1.3 | 1.3 | 1.2 | 3.5 | 3.0 | 2.4 | 2.6 | 2.8 | 2.9 |

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>).

Source: OECD Economic Outlook 78 database.

Annex Table 22. Structural unemployment, wage shares and unit labor costs

| | Structural unemployment rate | | | | | | Wage shares in the business sector | | | | | | Unit labour costs in the business sector | | | | | |
|-----------------|------------------------------|--------------------|------|------|------|------|------------------------------------|--------------------|------|------|------|------|--|--------------------|------|------|------|------|
| | Average 1984-86 | Average 1994-96 | 2004 | 2005 | 2006 | 2007 | Average 1984-86 | Average 1994-96 | 2004 | 2005 | 2006 | 2007 | Average 1984-93 | Average 1994-03 | 2004 | 2005 | 2006 | 2007 |
| | <i>Per cent</i> | | | | | | <i>Per cent of business GDP</i> | | | | | | <i>Percentage change</i> | | | | | |
| Australia | 5.7 | 6.8 | 5.4 | 5.2 | 5.0 | 5.0 | 44.3 | 44.8 | 45.3 | 45.8 | 46.0 | 46.1 | 4.2 | 1.6 | 4.3 | 5.3 | 3.4 | 2.5 |
| Austria | 3.2 | 4.9 | 4.9 | 4.9 | 4.9 | 4.9 | 55.5 | 52.5 | 52.2 | 51.4 | 51.2 | 51.1 | 2.5 | -0.1 | -0.6 | 0.5 | 0.6 | 0.9 |
| Belgium | 7.5 | 7.4 | 7.2 | 7.2 | 7.2 | 7.2 | 48.0 | 49.1 | 48.2 | 48.1 | 47.8 | 47.5 | 3.2 | 1.1 | 0.2 | 1.7 | 1.0 | 0.9 |
| Canada | 8.1 | 7.9 | 7.3 | 7.3 | 7.1 | 7.0 | 44.7 | 46.4 | 46.7 | 46.4 | 46.1 | 45.9 | 3.8 | 1.6 | 1.2 | 1.9 | 1.5 | 1.2 |
| Czech Republic | .. | .. | .. | .. | .. | .. | .. | 45.0 | 43.0 | 43.5 | 43.4 | 43.5 | .. | 3.9 | 0.9 | 0.7 | 2.5 | 2.8 |
| Denmark | 5.8 | 6.2 | 4.8 | 4.8 | 4.8 | 4.8 | 40.1 | 37.9 | 37.8 | 37.6 | 37.4 | 37.3 | 3.3 | 1.5 | 0.6 | -0.1 | 0.7 | 2.1 |
| Finland | 4.2 | 9.5 | 8.6 | 8.4 | 8.2 | 8.0 | 47.3 | 39.8 | 40.7 | 41.0 | 40.7 | 40.6 | 3.4 | 1.1 | 0.3 | 3.5 | -0.2 | 0.2 |
| France | 8.0 | 10.3 | 9.0 | 8.9 | 8.8 | 8.8 | 47.2 | 41.9 | 41.8 | 41.9 | 41.9 | 42.0 | 1.8 | 0.9 | 0.5 | 1.7 | 1.3 | 1.5 |
| Germany | 5.5 | 6.2 | 7.4 | 7.3 | 7.3 | 7.3 | 52.0 | 50.3 | 50.5 | 49.8 | 49.3 | 49.5 | 2.3 | 0.3 | -0.5 | -1.0 | -0.8 | 0.1 |
| Greece | 6.9 | 9.1 | 10.5 | 10.5 | 10.3 | 10.1 | 53.1 | 45.6 | 41.3 | 41.1 | 41.4 | 41.6 | 14.8 | 4.1 | 1.6 | 3.1 | 3.2 | 3.3 |
| Hungary | .. | .. | .. | .. | .. | .. | .. | 44.9 | 37.6 | 37.8 | 38.1 | 37.9 | .. | 9.3 | 1.6 | 2.4 | 1.8 | 1.3 |
| Iceland | 1.5 | 4.1 | 2.8 | 2.8 | 2.8 | 2.5 | 47.3 | 48.8 | 49.0 | 49.8 | 50.7 | 49.9 | 18.2 | 4.3 | -0.8 | 3.6 | 5.4 | 2.0 |
| Ireland | 13.8 | 11.2 | 5.5 | 5.4 | 5.2 | 5.0 | 56.2 | 48.3 | 38.0 | 38.6 | 38.9 | 38.8 | 1.1 | 0.2 | 2.5 | 4.1 | 3.0 | 2.9 |
| Italy | 7.1 | 9.6 | 9.0 | 8.7 | 8.5 | 8.4 | 53.4 | 48.4 | 47.3 | 47.6 | 48.2 | 47.8 | 5.5 | 2.0 | 2.7 | 3.8 | 2.2 | 1.4 |
| Japan | 2.5 | 3.0 | 3.9 | 3.9 | 3.9 | 3.9 | 64.4 | 59.2 | 54.6 | 54.7 | 54.9 | 54.9 | 0.2 | -1.5 | -3.3 | -1.3 | -0.2 | 0.3 |
| Korea | .. | .. | .. | .. | .. | .. | 71.3 | 70.0 | 62.3 | 63.6 | 63.8 | 63.3 | 6.3 | 2.4 | 0.6 | 1.9 | 0.7 | 0.2 |
| Luxembourg | .. | .. | .. | .. | .. | .. | .. | 47.3 | 47.4 | 47.0 | 46.6 | 45.7 | 5.1 | 1.8 | -1.1 | 0.9 | 1.0 | 1.1 |
| Mexico | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | 13.5 | 11.8 | 4.6 | 3.9 | 3.2 | 3.0 |
| Netherlands | 7.2 | 5.5 | 3.2 | 3.2 | 3.2 | 3.2 | 45.4 | 46.8 | 47.9 | 47.8 | 46.6 | 45.9 | 1.5 | 2.5 | -0.5 | 0.4 | -0.9 | -0.2 |
| New Zealand | 3.7 | 7.2 | 5.3 | 5.0 | 4.8 | 4.7 | .. | 44.3 | 42.3 | 43.4 | 43.5 | 43.7 | 1.7 | 1.3 | 2.1 | 4.9 | 3.1 | 2.3 |
| Norway | 2.4 | 4.4 | 4.1 | 4.1 | 4.1 | 4.1 | 40.8 | 36.1 | 32.8 | 31.2 | 30.8 | 30.8 | 4.0 | 2.5 | -0.3 | -1.2 | 1.6 | 2.1 |
| Poland | .. | .. | .. | .. | .. | .. | .. | 46.0 | 43.1 | 41.2 | 41.2 | 41.1 | .. | 4.5 | -1.1 | 0.9 | 1.3 | 0.9 |
| Portugal | 5.6 | 4.4 | 4.2 | 4.1 | 4.1 | 4.1 | 53.6 | 49.5 | 49.2 | 49.7 | 50.4 | 50.6 | 11.9 | 3.1 | 2.4 | 2.2 | 2.4 | 1.6 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | .. | 36.7 | 36.0 | 36.6 | 36.1 | 35.6 | .. | 4.8 | 3.9 | 3.4 | 1.1 | 0.2 |
| Spain | 11.2 | 12.7 | 10.7 | 10.4 | 10.2 | 10.0 | 48.6 | 47.0 | 45.2 | 44.9 | 44.7 | 44.4 | 7.1 | 2.7 | 2.6 | 2.8 | 2.8 | 2.6 |
| Sweden | 2.4 | 4.8 | 4.7 | 4.7 | 4.7 | 4.7 | 39.7 | 39.6 | 43.0 | 42.9 | 42.9 | 43.3 | 5.3 | 1.7 | -1.6 | 0.9 | 1.1 | 1.7 |
| Switzerland | 0.4 | 2.5 | 2.2 | 2.2 | 2.2 | 2.2 | 50.5 | 53.8 | 54.7 | 54.6 | 54.5 | 54.5 | 4.2 | 0.9 | -0.6 | 0.5 | 0.4 | 0.5 |
| Turkey | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | 69.5 | 54.5 | 11.5 | 9.0 | 10.5 | 5.1 |
| United Kingdom | 8.1 | 7.2 | 5.3 | 5.3 | 5.3 | 5.3 | 51.0 | 52.3 | 54.9 | 55.1 | 55.3 | 55.6 | 4.7 | 2.6 | 1.8 | 2.9 | 2.0 | 1.8 |
| United States | 6.3 | 5.4 | 4.8 | 4.8 | 4.8 | 4.8 | 49.6 | 48.8 | 49.3 | 49.7 | 49.8 | 50.1 | 2.7 | 1.8 | 1.2 | 3.2 | 2.2 | 2.9 |
| Euro area | 7.2 | 8.4 | 8.0 | 7.9 | 7.8 | 7.8 | 51.3 | 48.8 | 47.2 | 46.9 | 46.7 | 46.5 | 3.7 | 1.1 | 0.5 | 1.1 | 0.7 | 0.9 |
| Total OECD | 6.1 | 6.2 | 5.8 | 5.8 | 5.7 | 5.7 | 52.3 | 50.5 | 49.5 | 49.6 | 49.6 | 49.6 | 4.5 | 2.5 | 0.7 | 2.0 | 1.6 | 1.8 |

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>).
Source: OECD Economic Outlook 78 database.

Annex Table 23. **Household saving rates**

Per cent of disposable household income

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Net savings | | | | | | | | | | | | | | | | | | | | |
| Australia | 7.0 | 8.7 | 9.3 | 6.2 | 5.7 | 5.0 | 5.8 | 4.8 | 5.8 | 4.0 | 2.0 | 1.5 | 2.7 | 1.8 | -1.2 | -3.6 | -3.0 | -2.2 | -1.3 | -1.0 |
| Austria | 11.2 | 12.1 | 13.3 | 14.2 | 11.2 | 10.2 | 11.1 | 10.9 | 8.6 | 7.3 | 8.2 | 8.8 | 8.4 | 7.6 | 7.8 | 8.9 | 8.3 | 8.7 | 8.8 | 8.3 |
| Canada | 12.3 | 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 | 2.4 | 1.4 | -0.4 | -0.1 | 0.4 |
| Finland | -0.3 | 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 | 1.6 | 1.5 | 1.6 |
| France | 8.0 | 8.3 | 9.3 | 10.8 | 11.7 | 12.9 | 11.7 | 12.7 | 11.2 | 12.2 | 11.9 | 11.5 | 11.4 | 12.2 | 13.3 | 12.4 | 11.8 | 11.6 | 11.4 | 11.5 |
| Germany | 13.2 | 12.7 | 13.9 | 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 | 10.5 | 10.6 | 10.6 | 10.5 |
| Ireland | 6.2 | 4.3 | 6.1 | 7.2 | 7.2 | 9.7 | 6.0 | 8.5 | 5.8 | 5.9 | 10.8 | 9.1 | 9.6 | 11.0 | 9.9 | 9.6 | 9.9 | 10.9 | 10.8 | 10.7 |
| Italy | 24.0 | 23.7 | 24.0 | 22.9 | 21.4 | 20.8 | 19.2 | 17.9 | 18.9 | 15.4 | 12.2 | 9.8 | 9.2 | 10.1 | 10.5 | 10.7 | 11.5 | 12.1 | 11.8 | 11.8 |
| Japan | 13.5 | 13.6 | 13.9 | 15.0 | 14.2 | 13.7 | 12.6 | 11.9 | 9.8 | 10.0 | 11.0 | 10.7 | 9.5 | 6.6 | 7.2 | 7.4 | 6.9 | 6.7 | 6.5 | 6.5 |
| Korea | 25.2 | 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 | 5.1 | 5.3 | 5.3 | 5.4 |
| Netherlands | 8.7 | 10.7 | 13.0 | 9.2 | 11.6 | 8.8 | 9.7 | 9.8 | 8.4 | 8.7 | 8.2 | 4.8 | 1.8 | 4.6 | 5.2 | 5.2 | 7.3 | 6.0 | 7.0 | 7.1 |
| Norway | -1.2 | 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 | 9.9 | 10.2 | 9.3 | 5.7 | 6.3 |
| Sweden | -3.5 | -3.3 | 1.2 | 4.0 | 8.6 | 11.0 | 11.3 | 8.7 | 7.5 | 5.4 | 3.3 | 2.3 | 3.3 | 8.5 | 9.2 | 8.7 | 8.6 | 10.1 | 9.5 | 9.5 |
| Switzerland | .. | .. | 9.6 | 10.0 | 10.8 | 11.2 | 11.1 | 11.6 | 11.3 | 10.5 | 10.7 | 10.0 | 11.8 | 11.9 | 9.1 | 8.9 | 8.9 | 8.6 | 8.7 | 8.6 |
| United States | 7.3 | 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 | 1.8 | -0.2 | 0.4 | 0.7 |
| Gross savings | | | | | | | | | | | | | | | | | | | | |
| Belgium | 13.3 | 13.1 | 15.4 | 15.5 | 16.6 | 17.8 | 17.7 | 20.5 | 18.3 | 16.8 | 16.0 | 15.1 | 14.4 | 15.4 | 14.6 | 12.4 | 10.7 | 10.8 | 10.3 | 10.4 |
| Denmark | -2.1 | -0.6 | 1.9 | 1.8 | 1.5 | 2.6 | -1.6 | 1.3 | 0.9 | -1.6 | 0.0 | -3.3 | -1.9 | 2.5 | 1.7 | 3.6 | 2.9 | 0.8 | 0.5 | 0.4 |
| Portugal | .. | .. | .. | .. | .. | .. | .. | 13.6 | 11.8 | 10.3 | 9.9 | 8.6 | 10.9 | 11.9 | 11.5 | 11.4 | 11.8 | 11.7 | 11.7 | 11.7 |
| Spain | 8.7 | 8.0 | 10.1 | 11.2 | 9.7 | 12.2 | 9.7 | 12.3 | 12.6 | 11.8 | 10.6 | 9.4 | 8.0 | 7.4 | 8.1 | 8.5 | 7.2 | 6.7 | 6.8 | 6.8 |
| United Kingdom | 4.9 | 6.7 | 8.0 | 10.2 | 11.5 | 10.8 | 9.3 | 10.0 | 9.4 | 9.2 | 6.2 | 4.9 | 5.0 | 6.3 | 4.8 | 5.3 | 4.4 | 5.1 | 5.6 | 6.0 |

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>). 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 78 database.

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 |
|----------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Australia | 19.4 | 21.3 | 22.6 | 21.7 | 18.1 | 16.2 | 17.2 | 18.6 | 17.5 | 17.8 | 18.9 | 19.1 | 18.7 | 19.2 | 19.2 | 19.9 | 19.3 | 19.6 | .. |
| 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 | 23.4 | 23.2 | 24.2 |
| 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 |
| Canada | 18.8 | 20.0 | 20.8 | 20.1 | 17.6 | 14.9 | 13.6 | 14.2 | 16.5 | 18.6 | 19.1 | 19.9 | 19.4 | 21.0 | 23.9 | 22.5 | 21.7 | 22.1 | 23.1 |
| Czech Republic | .. | .. | .. | .. | .. | .. | 28.2 | 28.2 | 27.9 | 28.7 | 26.2 | 24.3 | 26.5 | 24.5 | 23.9 | 23.5 | 21.7 | 21.0 | 22.6 |
| Denmark | 18.0 | 18.3 | 18.8 | 19.2 | 20.3 | 19.5 | 20.0 | 19.1 | 19.3 | 20.4 | 20.5 | 21.4 | 20.7 | 21.7 | 22.6 | 23.5 | 22.5 | 22.8 | 22.2 |
| Finland | 23.6 | 23.5 | 25.9 | 25.9 | 24.6 | 17.0 | 14.3 | 15.3 | 18.7 | 22.0 | 21.0 | 24.3 | 25.6 | 25.5 | 27.7 | 27.3 | 26.6 | 23.1 | 24.3 |
| France | 19.0 | 19.2 | 20.7 | 21.6 | 21.6 | 20.9 | 20.3 | 18.6 | 18.8 | 19.1 | 18.8 | 20.0 | 21.1 | 21.7 | 21.6 | 21.3 | 19.8 | 19.2 | 19.1 |
| Germany | 24.6 | 23.8 | 24.9 | 26.1 | 26.1 | 22.6 | 22.3 | 21.2 | 20.9 | 21.0 | 20.5 | 20.7 | 20.9 | 20.3 | 20.2 | 19.5 | 19.4 | 19.3 | 20.9 |
| Greece | 22.4 | 18.9 | 21.3 | 19.0 | 19.1 | 20.7 | 20.0 | 18.5 | 19.4 | 18.0 | 17.4 | 17.9 | 17.8 | 16.8 | 15.7 | 16.6 | 15.9 | 16.9 | 17.2 |
| Iceland | 19.0 | 17.4 | 17.3 | 17.7 | 17.2 | 16.3 | 16.0 | 18.0 | 18.3 | 17.4 | 17.5 | 18.3 | 17.5 | 15.1 | 13.7 | 17.4 | 19.1 | 15.3 | 14.7 |
| 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 | 25.0 | 23.0 | 21.9 | 23.4 | 23.7 |
| Italy | 22.4 | 21.9 | 21.8 | 21.0 | 20.7 | 19.6 | 18.3 | 19.2 | 19.7 | 21.6 | 21.9 | 21.6 | 21.2 | 20.7 | 20.0 | 20.0 | 19.7 | 18.6 | 19.4 |
| Japan | 32.1 | 32.3 | 33.5 | 33.6 | 33.8 | 34.5 | 33.7 | 32.3 | 30.4 | 29.5 | 29.8 | 30.2 | 29.3 | 28.1 | 27.9 | 26.6 | 25.7 | 26.4 | .. |
| 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 |
| 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 | 17.9 | 18.5 | 19.2 | .. |
| Netherlands | 25.6 | 25.1 | 26.9 | 28.8 | 27.4 | 26.7 | 25.5 | 25.7 | 27.6 | 29.1 | 28.3 | 29.8 | 26.5 | 28.2 | 28.7 | 26.7 | 25.8 | 24.9 | 25.7 |
| New Zealand | 18.9 | 18.0 | 18.6 | 17.8 | 16.2 | 13.0 | 13.9 | 16.6 | 17.3 | 17.2 | 16.2 | 15.8 | 15.3 | 15.0 | 16.7 | 18.7 | 18.3 | 18.4 | .. |
| 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 | 30.4 | 32.4 |
| Portugal | 27.0 | 28.3 | 28.0 | 28.3 | 26.8 | 23.8 | 22.7 | 20.1 | 19.2 | 21.4 | 20.4 | 20.1 | 20.6 | 19.6 | 18.0 | 17.8 | 18.0 | 17.1 | 15.3 |
| Spain | 23.1 | 22.7 | 23.6 | 23.1 | 23.0 | 22.5 | 20.7 | 20.7 | 20.1 | 22.5 | 22.2 | 22.7 | 22.5 | 22.6 | 22.3 | 22.1 | 22.9 | 23.4 | 22.4 |
| 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 | 22.9 | 24.2 |
| 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 | 32.9 | .. |
| 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 | .. |
| United Kingdom | 17.2 | 17.3 | 17.2 | 17.1 | 16.2 | 15.3 | 14.0 | 13.9 | 15.5 | 15.7 | 15.8 | 16.8 | 17.7 | 15.2 | 15.0 | 15.1 | 15.2 | 14.8 | 14.8 |
| 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 | 13.1 | 13.0 |

Note: Based on SNA93 or ESA95 except Turkey that reports on SNA68 basis.

Source: OECD Economic Outlook 78 database.

Annex Table 25. **General government total outlays**

Per cent of nominal GDP

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Australia | 36.3 | 35.5 | 36.2 | 37.9 | 39.7 | 39.8 | 39.4 | 39.2 | 38.0 | 37.0 | 36.9 | 35.8 | 35.7 | 37.5 | 36.4 | 36.1 | 35.9 | 35.7 | 35.5 | 35.5 |
| Austria | 53.2 | 51.7 | 51.5 | 52.4 | 53.0 | 56.0 | 55.6 | 56.0 | 55.5 | 53.0 | 53.5 | 53.2 | 51.4 | 50.8 | 50.7 | 50.6 | 49.9 | 49.5 | 48.6 | 48.2 |
| Belgium | 53.6 | 52.0 | 51.9 | 52.9 | 53.2 | 54.2 | 51.9 | 51.4 | 51.9 | 50.5 | 49.8 | 49.5 | 48.6 | 48.4 | 49.0 | 50.1 | 48.7 | 49.1 | 49.0 | 48.9 |
| Canada | 45.4 | 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 | 41.3 | 40.9 | 39.9 | 39.5 | 39.6 | 40.0 |
| Czech Republic ¹ | .. | .. | .. | .. | .. | .. | .. | 54.4 | 42.8 | 42.4 | 43.8 | 42.9 | 42.1 | 45.0 | 46.9 | 53.5 | 44.6 | 44.2 | 43.0 | 42.4 |
| Denmark | 55.7 | 56.1 | 55.9 | 56.5 | 57.5 | 60.6 | 60.4 | 59.5 | 59.1 | 57.1 | 56.8 | 55.8 | 53.9 | 54.5 | 55.2 | 55.1 | 54.0 | 53.0 | 52.1 | 52.1 |
| Finland | 46.6 | 44.7 | 48.3 | 57.1 | 62.3 | 63.6 | 62.2 | 59.0 | 59.3 | 56.0 | 52.4 | 51.7 | 48.8 | 48.8 | 49.7 | 50.7 | 50.8 | 50.9 | 50.6 | 50.6 |
| France | 49.9 | 48.8 | 49.3 | 50.5 | 51.7 | 54.3 | 54.2 | 54.4 | 54.5 | 53.7 | 52.6 | 52.6 | 51.6 | 51.5 | 52.6 | 53.6 | 53.5 | 53.9 | 53.6 | 53.0 |
| Germany ² | 45.3 | 44.0 | 44.5 | 46.1 | 47.3 | 48.3 | 47.9 | 48.3 | 49.3 | 48.3 | 48.1 | 48.2 | 45.1 | 47.5 | 48.0 | 48.3 | 47.0 | 46.8 | 45.7 | 45.0 |
| Greece | 44.0 | 45.4 | 50.2 | 46.7 | 49.4 | 52.0 | 49.9 | 51.0 | 49.2 | 50.1 | 49.5 | 49.5 | 52.1 | 50.2 | 49.7 | 49.9 | 49.8 | 47.7 | 47.1 | 46.9 |
| Hungary | .. | .. | .. | 57.2 | 60.8 | 60.3 | 63.9 | 56.9 | 53.9 | 51.8 | 51.9 | 49.6 | 47.9 | 48.5 | 52.1 | 49.8 | 49.7 | 50.3 | 48.9 | 48.8 |
| Iceland | 41.9 | 44.4 | 41.7 | 43.0 | 44.0 | 43.8 | 43.7 | 43.0 | 42.6 | 41.5 | 42.1 | 43.1 | 42.7 | 43.8 | 45.8 | 47.7 | 47.3 | 45.0 | 43.5 | 43.2 |
| Ireland | 48.5 | 42.7 | 42.9 | 44.5 | 44.9 | 44.7 | 43.9 | 41.2 | 39.3 | 36.8 | 34.4 | 34.1 | 31.5 | 33.2 | 33.4 | 33.5 | 33.7 | 35.8 | 35.2 | 35.2 |
| Italy | 51.5 | 52.8 | 54.4 | 55.5 | 56.7 | 57.7 | 54.5 | 53.4 | 53.2 | 51.1 | 49.9 | 48.9 | 46.9 | 49.2 | 48.5 | 49.3 | 48.7 | 49.2 | 48.5 | 49.0 |
| Japon ³ | 31.9 | 31.1 | 31.8 | 31.6 | 32.6 | 34.3 | 34.9 | 35.9 | 36.4 | 35.1 | 36.2 | 37.8 | 38.3 | 37.8 | 38.3 | 37.6 | 37.5 | 37.4 | 37.6 | 37.8 |
| Korea | 18.1 | 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 | 30.9 | 30.9 | 30.9 | 31.1 |
| Luxembourg | .. | .. | 43.3 | 44.6 | 46.5 | 45.7 | 44.7 | 45.0 | 45.4 | 43.7 | 42.1 | 41.6 | 38.6 | 39.1 | 43.7 | 45.0 | 45.2 | 46.1 | 45.4 | 44.7 |
| Netherlands ⁴ | 54.3 | 52.3 | 52.5 | 52.6 | 53.5 | 53.7 | 51.4 | 49.3 | 47.6 | 46.3 | 45.3 | 45.0 | 43.4 | 45.4 | 46.2 | 47.1 | 46.6 | 47.7 | 48.1 | 46.6 |
| New Zealand | 52.7 | 52.0 | 53.3 | 51.5 | 49.5 | 46.0 | 43.0 | 41.9 | 41.0 | 41.7 | 41.4 | 40.5 | 39.3 | 37.8 | 37.4 | 36.7 | 36.4 | 37.6 | 38.5 | 39.0 |
| Norway | 52.6 | 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 | 48.9 | 46.7 | 46.1 | 46.3 | 46.5 |
| Poland | .. | .. | .. | .. | .. | .. | .. | 51.3 | 51.2 | 50.2 | 48.5 | 48.1 | 44.9 | 44.7 | 45.6 | 45.8 | 44.7 | 42.8 | 43.0 | 42.4 |
| Portugal | 37.1 | 37.4 | 40.6 | 43.5 | 44.6 | 46.0 | 44.3 | 43.4 | 44.1 | 43.0 | 42.3 | 43.7 | 43.7 | 44.8 | 44.7 | 46.2 | 46.5 | 47.6 | 47.5 | 47.1 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | 51.0 | 46.4 | 52.4 | 49.6 | 45.2 | 47.4 | 50.9 | 43.8 | 43.8 | 39.7 | 40.6 | 40.2 | 39.9 | 39.0 |
| Spain | 40.0 | 41.3 | 42.5 | 43.9 | 44.9 | 48.4 | 46.3 | 44.1 | 42.9 | 41.0 | 40.7 | 39.2 | 38.9 | 38.4 | 38.7 | 38.3 | 38.8 | 38.5 | 38.6 | 38.7 |
| Sweden | 60.1 | 62.1 | 61.9 | 63.3 | 71.8 | 73.0 | 70.9 | 67.7 | 65.3 | 63.0 | 60.7 | 60.3 | 57.4 | 57.0 | 58.4 | 58.7 | 57.3 | 57.2 | 57.1 | 56.3 |
| Switzerland | .. | .. | 30.0 | 31.7 | 33.8 | 34.7 | 34.7 | 34.6 | 35.2 | 35.6 | 36.1 | 34.6 | 33.9 | 34.8 | 35.7 | 36.7 | 36.7 | 36.9 | 36.5 | 36.1 |
| United Kingdom | 41.1 | 40.5 | 42.2 | 44.0 | 46.1 | 46.1 | 45.3 | 45.0 | 43.1 | 41.5 | 40.2 | 39.7 | 37.5 | 41.0 | 41.7 | 43.3 | 43.9 | 44.9 | 45.4 | 45.7 |
| United States ⁵ | 36.2 | 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 | 36.9 | 36.6 |
| Euro area | 47.8 | 47.2 | 48.0 | 49.3 | 50.4 | 52.0 | 50.9 | 50.5 | 50.7 | 49.3 | 48.6 | 48.2 | 46.4 | 47.5 | 47.8 | 48.3 | 47.7 | 47.9 | 47.3 | 46.9 |
| Total OECD | 39.6 | 39.3 | 40.2 | 41.3 | 42.4 | 42.9 | 42.1 | 42.1 | 41.8 | 40.6 | 40.2 | 40.0 | 39.1 | 40.1 | 40.7 | 41.3 | 40.8 | 40.9 | 40.9 | 40.7 |

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>).

- In 1995, data reflect the large privatisation campaign which transferred some public enterprises to private ownership through vouchers distributed to the population, representing some 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.
- The 1995 outlays are net of the debt taken on from the Inherited Debt Funds.
- 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.
- 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.
- These data include outlays net of operating surpluses of public enterprises.

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/538432713145>

Annex Table 26. General government total tax and non-tax receipts

Per cent of nominal GDP

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Australia | 35.5 | 34.9 | 34.5 | 33.6 | 33.3 | 34.0 | 34.6 | 35.3 | 35.8 | 36.5 | 37.6 | 37.9 | 36.7 | 36.4 | 36.6 | 36.9 | 36.9 | 36.7 | 36.4 | 36.4 |
| Austria | 49.7 | 48.7 | 49.0 | 49.5 | 51.0 | 51.6 | 50.7 | 50.3 | 51.5 | 51.2 | 51.1 | 50.9 | 49.8 | 50.7 | 50.0 | 49.3 | 48.8 | 47.5 | 46.6 | 46.6 |
| Belgium | 46.4 | 44.5 | 45.3 | 45.7 | 45.3 | 47.0 | 47.0 | 47.2 | 48.2 | 48.6 | 49.1 | 49.1 | 48.7 | 49.0 | 49.1 | 50.4 | 48.7 | 49.1 | 48.6 | 48.2 |
| Canada | 41.0 | 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 | 41.2 | 40.9 | 40.6 | 40.7 | 40.6 | 40.6 |
| Czech Republic | .. | .. | .. | .. | .. | .. | .. | 41.0 | 39.7 | 40.0 | 38.8 | 39.2 | 38.5 | 39.1 | 40.2 | 41.0 | 41.6 | 40.2 | 39.5 | 39.2 |
| Denmark | 57.4 | 56.3 | 54.6 | 53.6 | 55.0 | 56.8 | 57.2 | 56.7 | 57.2 | 56.6 | 56.8 | 57.2 | 56.2 | 55.7 | 55.5 | 55.1 | 56.8 | 56.9 | 55.4 | 54.1 |
| Finland | 51.8 | 51.5 | 53.7 | 56.1 | 56.8 | 56.4 | 56.6 | 55.1 | 56.3 | 54.7 | 54.0 | 53.9 | 55.9 | 53.9 | 54.0 | 53.1 | 52.7 | 53.1 | 52.4 | 52.1 |
| France | 47.6 | 47.2 | 47.4 | 48.2 | 47.8 | 48.6 | 48.8 | 49.0 | 50.4 | 50.7 | 50.0 | 50.9 | 50.1 | 50.0 | 49.4 | 49.4 | 49.8 | 50.7 | 50.3 | 50.0 |
| Germany | 43.3 | 44.1 | 42.5 | 43.3 | 44.8 | 45.3 | 45.6 | 45.1 | 46.0 | 45.6 | 45.9 | 46.7 | 46.4 | 44.7 | 44.3 | 44.3 | 43.3 | 43.0 | 42.1 | 42.4 |
| Greece | 32.4 | 31.8 | 34.5 | 35.6 | 37.2 | 38.6 | 40.7 | 40.9 | 41.7 | 43.5 | 45.2 | 46.0 | 47.9 | 44.1 | 44.7 | 44.1 | 43.3 | 43.2 | 43.8 | 43.4 |
| Hungary | .. | .. | .. | 54.3 | 53.7 | 53.7 | 52.8 | 49.3 | 48.1 | 44.6 | 43.9 | 44.0 | 44.9 | 44.9 | 43.6 | 43.4 | 44.4 | 44.2 | 43.1 | 43.0 |
| Iceland | 39.9 | 39.9 | 38.5 | 40.1 | 41.2 | 39.4 | 39.0 | 40.1 | 41.0 | 41.5 | 42.6 | 45.5 | 45.2 | 43.9 | 45.0 | 45.6 | 47.3 | 47.0 | 44.7 | 42.7 |
| Ireland | 43.9 | 40.1 | 40.1 | 41.6 | 41.9 | 42.0 | 42.0 | 39.1 | 39.2 | 38.3 | 36.7 | 36.5 | 35.9 | 34.0 | 33.0 | 33.7 | 35.2 | 34.9 | 34.6 | 34.6 |
| Italy | 40.2 | 41.1 | 42.6 | 43.8 | 46.1 | 47.4 | 45.2 | 45.8 | 46.1 | 48.4 | 46.8 | 47.1 | 46.2 | 46.0 | 45.6 | 46.1 | 45.4 | 44.8 | 44.3 | 44.2 |
| Japan ¹ | 33.0 | 32.8 | 33.9 | 33.4 | 33.3 | 32.0 | 31.1 | 31.2 | 31.3 | 31.3 | 30.7 | 30.6 | 30.8 | 31.7 | 30.3 | 30.0 | 31.0 | 30.9 | 31.5 | 31.7 |
| Korea | 21.4 | 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 | 30.9 | 30.7 | 30.9 | 31.3 |
| Luxembourg | .. | .. | 48.1 | 45.5 | 46.1 | 47.2 | 47.5 | 47.6 | 47.7 | 46.7 | 45.5 | 45.1 | 44.6 | 45.2 | 45.8 | 45.2 | 44.6 | 43.8 | 43.3 | 42.8 |
| Netherlands | 50.3 | 47.5 | 47.4 | 50.0 | 49.5 | 51.0 | 48.0 | 45.3 | 45.8 | 45.2 | 44.5 | 45.6 | 45.6 | 45.1 | 44.2 | 43.9 | 44.5 | 46.0 | 46.3 | 45.1 |
| New Zealand | 48.8 | 48.3 | 48.9 | 47.7 | 46.3 | 44.7 | 45.4 | 44.9 | 43.9 | 43.7 | 41.8 | 40.1 | 40.5 | 39.9 | 41.2 | 42.1 | 41.9 | 42.9 | 43.1 | 43.3 |
| Norway | 55.3 | 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 | 56.5 | 58.1 | 61.5 | 63.2 | 63.5 |
| Poland | .. | .. | .. | .. | .. | .. | .. | 47.5 | 46.6 | 45.7 | 44.5 | 44.9 | 42.5 | 40.9 | 42.3 | 40.9 | 40.8 | 39.4 | 39.3 | 39.0 |
| Portugal | 33.5 | 34.4 | 34.2 | 36.2 | 40.0 | 38.3 | 36.9 | 38.1 | 39.5 | 39.6 | 39.3 | 40.9 | 40.8 | 40.6 | 41.8 | 43.3 | 43.5 | 41.6 | 42.6 | 42.5 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | 44.9 | 45.6 | 45.0 | 43.4 | 41.4 | 40.3 | 38.6 | 37.2 | 36.1 | 35.9 | 37.4 | 36.1 | 35.7 | 35.5 |
| Spain | 36.9 | 38.7 | 38.6 | 39.4 | 41.3 | 41.5 | 39.8 | 37.8 | 38.2 | 38.1 | 37.7 | 38.3 | 38.1 | 37.9 | 38.4 | 38.2 | 38.6 | 38.8 | 38.9 | 38.8 |
| Sweden | 63.5 | 65.4 | 65.3 | 63.2 | 62.7 | 61.6 | 61.7 | 60.8 | 62.5 | 62.0 | 62.7 | 62.7 | 62.4 | 59.5 | 57.8 | 58.6 | 58.7 | 58.4 | 58.0 | 57.6 |
| Switzerland | .. | .. | 30.6 | 30.6 | 31.4 | 32.0 | 32.8 | 33.3 | 33.8 | 33.2 | 34.6 | 34.7 | 36.3 | 35.7 | 35.8 | 35.3 | 35.2 | 35.3 | 35.3 | 35.3 |
| United Kingdom | 41.6 | 41.3 | 40.7 | 40.9 | 39.6 | 38.1 | 38.6 | 39.1 | 38.9 | 39.3 | 40.3 | 40.7 | 41.3 | 41.7 | 40.1 | 40.0 | 40.7 | 41.8 | 42.4 | 42.5 |
| United States ² | 32.6 | 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 | 31.8 | 31.7 | 32.8 | 32.7 | 32.7 |
| Euro area | 43.4 | 43.5 | 43.5 | 44.4 | 45.5 | 46.4 | 45.9 | 45.6 | 46.4 | 46.7 | 46.3 | 46.9 | 46.4 | 45.6 | 45.3 | 45.3 | 45.0 | 45.0 | 44.6 | 44.4 |
| Total OECD | 37.1 | 37.2 | 37.3 | 37.6 | 37.8 | 38.0 | 37.9 | 38.2 | 38.7 | 38.9 | 39.0 | 39.2 | 39.4 | 38.8 | 37.5 | 37.2 | 37.3 | 37.8 | 37.7 | 37.6 |

Note: Data refer to the general government sector, which is a consolidation of accounts for central, state and local governments plus social security. Non-tax receipts consist of property income (including dividends and other transfers from public enterprises), fees, charges, sales, fines, capital transfers received by the general government, etc. 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 at least by 0.6 percentage point in 2004.

2. Excludes the operating surpluses of public enterprises.

Source: OECD Economic Outlook 78 database.

Annex Table 27. **General government financial balances**

Surplus (+) or deficit (-) as a per cent of nominal GDP

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|------|------|------|------|-------|------|------|-------|------|------|------|------|
| Australia | -0.9 | -0.6 | -1.7 | -4.3 | -6.4 | -5.8 | -4.8 | -3.9 | -2.2 | -0.4 | 0.7 | 2.1 | 0.9 | -1.1 | 0.3 | 0.8 | 1.0 | 1.0 | 0.9 | 0.9 |
| Austria | -3.4 | -3.1 | -2.5 | -2.9 | -2.0 | -4.4 | -4.8 | -5.7 | -4.0 | -1.8 | -2.4 | -2.3 | -1.6 | 0.0 | -0.6 | -1.3 | -1.1 | -2.0 | -2.0 | -1.5 |
| Belgium | -7.1 | -7.5 | -6.7 | -7.3 | -7.9 | -7.2 | -4.9 | -4.3 | -3.7 | -1.9 | -0.7 | -0.4 | 0.1 | 0.6 | 0.1 | 0.3 | 0.0 | 0.0 | -0.4 | -0.7 |
| Canada | -4.3 | -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 | 0.0 | 0.7 | 1.3 | 0.9 | 0.6 |
| Czech Republic | .. | .. | .. | .. | .. | .. | .. | -13.4 | -3.1 | -2.4 | -5.0 | -3.6 | -3.7 | -5.9 | -6.8 | -12.4 | -3.0 | -4.0 | -3.6 | -3.2 |
| Denmark | 1.7 | 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 | 0.3 | 0.0 | 1.7 | 2.8 | 2.4 | 1.9 |
| Finland | 5.2 | 6.8 | 5.4 | -1.0 | -5.5 | -7.2 | -5.7 | -3.8 | -2.9 | -1.2 | 1.6 | 2.2 | 7.1 | 5.2 | 4.2 | 2.3 | 1.9 | 2.1 | 1.8 | 1.5 |
| France | -2.3 | -1.6 | -1.8 | -2.3 | -3.9 | -5.8 | -5.4 | -5.5 | -4.1 | -3.0 | -2.6 | -1.7 | -1.5 | -1.6 | -3.2 | -4.2 | -3.6 | -3.2 | -3.2 | -3.0 |
| Germany | -2.0 | 0.1 | -2.0 | -2.8 | -2.5 | -3.0 | -2.3 | -3.2 | -3.3 | -2.6 | -2.2 | -1.5 | 1.3 | -2.8 | -3.7 | -4.0 | -3.7 | -3.9 | -3.6 | -2.6 |
| Greece | -11.6 | -13.6 | -15.7 | -11.0 | -12.2 | -13.4 | -9.3 | -10.2 | -7.4 | -6.6 | -4.3 | -3.5 | -4.2 | -6.0 | -5.0 | -5.8 | -6.5 | -4.5 | -3.2 | -3.6 |
| Hungary | .. | .. | .. | -3.0 | -7.2 | -6.6 | -11.1 | -7.6 | -5.9 | -7.2 | -8.0 | -5.6 | -3.0 | -3.6 | -8.4 | -6.4 | -5.4 | -6.1 | -5.9 | -5.9 |
| Iceland | -2.0 | -4.5 | -3.3 | -2.9 | -2.8 | -4.5 | -4.7 | -3.0 | -1.6 | 0.0 | 0.5 | 2.4 | 2.5 | 0.2 | -0.8 | -2.1 | -0.1 | 2.0 | 1.2 | -0.5 |
| Ireland | -4.6 | -2.6 | -2.8 | -2.8 | -2.9 | -2.7 | -1.9 | -2.1 | -0.1 | 1.5 | 2.3 | 2.4 | 4.4 | 0.8 | -0.4 | 0.2 | 1.4 | -0.9 | -0.6 | -0.6 |
| Italy | -11.3 | -11.7 | -11.8 | -11.7 | -10.7 | -10.3 | -9.3 | -7.6 | -7.1 | -2.7 | -3.1 | -1.8 | -0.7 | -3.2 | -2.9 | -3.3 | -3.3 | -4.3 | -4.2 | -4.8 |
| Japan | 1.1 | 1.8 | 2.1 | 1.8 | 0.8 | -2.4 | -3.8 | -4.7 | -5.1 | -3.8 | -5.5 | -7.2 | -7.5 | -6.1 | -7.9 | -7.7 | -6.5 | -6.5 | -6.0 | -6.0 |
| Korea | 3.2 | 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 | 0.0 | -0.2 | 0.0 | 0.2 |
| Luxembourg | .. | .. | 4.8 | 0.9 | -0.5 | 1.6 | 2.8 | 2.6 | 2.2 | 3.0 | 3.3 | 3.5 | 6.1 | 6.1 | 2.1 | 0.2 | -0.6 | -2.3 | -2.1 | -1.9 |
| Netherlands | -4.0 | -4.8 | -5.1 | -2.6 | -4.0 | -2.7 | -3.3 | -4.0 | -1.7 | -1.1 | -0.7 | 0.6 | 2.1 | -0.3 | -2.0 | -3.2 | -2.1 | -1.6 | -1.8 | -1.5 |
| New Zealand | -4.0 | -3.7 | -4.3 | -3.9 | -3.3 | -1.3 | 2.5 | 3.0 | 2.9 | 2.0 | 0.4 | -0.4 | 1.2 | 2.1 | 3.9 | 5.3 | 5.5 | 5.3 | 4.6 | 4.3 |
| Norway | 2.6 | 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 | 7.6 | 11.4 | 15.3 | 17.0 | 17.0 |
| Poland | .. | .. | .. | .. | .. | .. | .. | -3.8 | -4.6 | -4.5 | -3.9 | -3.1 | -2.4 | -3.7 | -3.3 | -4.8 | -3.9 | -3.4 | -3.6 | -3.3 |
| Portugal | -3.6 | -3.0 | -6.4 | -7.3 | -4.6 | -7.8 | -7.4 | -5.3 | -4.6 | -3.4 | -3.0 | -2.8 | -2.9 | -4.3 | -2.8 | -2.9 | -3.0 | -6.0 | -4.9 | -4.6 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | -6.1 | -0.9 | -7.4 | -6.2 | -3.8 | -7.1 | -12.3 | -6.6 | -7.8 | -3.8 | -3.2 | -4.1 | -4.2 | -3.5 |
| Spain | -3.1 | -2.6 | -3.9 | -4.6 | -3.7 | -6.9 | -6.5 | -6.3 | -4.7 | -2.9 | -3.0 | -0.9 | -0.9 | -0.5 | -0.3 | 0.0 | -0.2 | 0.3 | 0.3 | 0.2 |
| Sweden | 3.4 | 3.3 | 3.4 | -0.1 | -9.0 | -11.4 | -9.3 | -6.9 | -2.8 | -1.0 | 1.9 | 2.3 | 5.0 | 2.6 | -0.5 | -0.1 | 1.4 | 1.2 | 0.9 | 1.3 |
| 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 | -1.5 | -1.4 | -1.6 | -1.2 | -0.8 |
| United Kingdom | 0.5 | 0.8 | -1.6 | -3.1 | -6.5 | -7.9 | -6.8 | -5.8 | -4.2 | -2.2 | 0.1 | 1.0 | 3.8 | 0.7 | -1.7 | -3.3 | -3.2 | -3.1 | -3.0 | -3.2 |
| United States | -3.6 | -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 | -5.0 | -4.7 | -3.7 | -4.2 | -3.9 |
| Euro area | -4.3 | -3.7 | -4.5 | -4.9 | -5.0 | -5.7 | -5.0 | -4.9 | -4.2 | -2.6 | -2.3 | -1.3 | 0.0 | -1.9 | -2.5 | -3.0 | -2.7 | -2.9 | -2.7 | -2.5 |
| Total OECD | -2.6 | -2.1 | -2.9 | -3.7 | -4.6 | -4.9 | -4.2 | -3.9 | -3.1 | -1.7 | -1.2 | -0.8 | 0.3 | -1.3 | -3.2 | -4.0 | -3.6 | -3.2 | -3.2 | -3.1 |
| <i>Memorandum items</i> | | | | | | | | | | | | | | | | | | | | |
| General government financial balances excluding social security | | | | | | | | | | | | | | | | | | | | |
| United States | -4.4 | -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 | -6.3 | -6.0 | -5.0 | -5.6 | -5.4 |
| Japan ¹ | -2.0 | -1.4 | -1.4 | -0.9 | -1.7 | -4.6 | -5.7 | -6.6 | -6.8 | -5.6 | -6.9 | -8.3 | -8.0 | -6.1 | -7.7 | -7.8 | -6.2 | -6.1 | -5.6 | -5.6 |

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 (2001), 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. Prior to 1991, when SNA93 was adopted, these data included private pension funds.

Source: OECD Economic Outlook 78 database.

Annex Table 28. **Cyclically-adjusted general government balances**
Surplus (+) or deficit (-) as a per cent of potential GDP

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------|-------|-------|-------|-------|-------|-------|------|-------|------|------|------|------|------|------|------|-------|------|------|------|------|
| Australia | -0.3 | -0.3 | -0.9 | -2.1 | -3.9 | -3.9 | -3.7 | -3.1 | -1.6 | 0.2 | 0.8 | 1.8 | 0.4 | -1.3 | 0.0 | 0.4 | 0.8 | 1.0 | 1.1 | 1.2 |
| Austria | -2.7 | -3.0 | -3.0 | -3.7 | -2.6 | -4.1 | -4.4 | -5.3 | -3.7 | -1.7 | -2.7 | -3.1 | -3.3 | -1.0 | -0.7 | -0.8 | -0.4 | -1.1 | -1.1 | -0.6 |
| Belgium | -6.7 | -7.9 | -7.7 | -7.7 | -7.8 | -5.5 | -3.5 | -3.1 | -2.0 | -1.1 | 0.2 | 0.0 | -0.5 | 0.1 | 0.2 | 1.0 | 0.5 | 0.9 | 0.5 | 0.1 |
| Canada | -5.4 | -5.8 | -6.3 | -7.0 | -7.1 | -6.7 | -5.7 | -4.6 | -1.7 | 1.2 | 0.8 | 1.7 | 2.3 | 0.3 | -0.4 | 0.0 | 0.6 | 1.2 | 0.9 | 0.6 |
| Czech Republic | .. | .. | .. | .. | .. | .. | .. | -16.0 | -5.8 | -3.7 | -4.8 | -2.8 | -3.1 | -5.4 | -5.6 | -11.0 | -2.2 | -3.7 | -3.7 | -3.7 |
| Denmark | 0.9 | 0.4 | -0.6 | -1.9 | -1.4 | -1.7 | -2.2 | -2.6 | -2.0 | -1.1 | -0.6 | 0.9 | 1.3 | 0.2 | 0.3 | 0.9 | 2.6 | 3.1 | 2.0 | 1.0 |
| Finland | 3.7 | 4.3 | 3.5 | 0.8 | -0.5 | -0.6 | -0.2 | 0.4 | 0.3 | 0.1 | 2.0 | 2.2 | 6.3 | 5.1 | 4.5 | 2.7 | 1.8 | 2.3 | 1.4 | 0.7 |
| France | -1.5 | -1.6 | -2.4 | -2.7 | -4.2 | -5.0 | -4.4 | -4.6 | -2.8 | -1.6 | -1.6 | -1.2 | -1.6 | -2.0 | -3.2 | -3.6 | -2.9 | -2.4 | -2.4 | -2.4 |
| Germany | -2.4 | -1.0 | -4.0 | -3.7 | -3.2 | -2.1 | -1.4 | -2.7 | -2.6 | -1.9 | -1.7 | -1.3 | -2.0 | -3.8 | -3.8 | -3.2 | -2.7 | -2.7 | -2.5 | -1.6 |
| Greece | -11.4 | -14.3 | -15.7 | -11.4 | -12.0 | -11.5 | -7.5 | -8.5 | -5.8 | -5.5 | -3.5 | -2.9 | -4.2 | -7.0 | -5.5 | -6.6 | -7.6 | -5.3 | -3.8 | -3.9 |
| Hungary | .. | .. | .. | .. | .. | .. | .. | .. | -5.5 | -7.0 | -8.3 | -6.1 | -3.9 | -4.4 | -9.6 | -7.2 | -6.3 | -7.1 | -7.2 | -7.6 |
| Iceland | -3.3 | -4.8 | -3.3 | -2.4 | -0.6 | -1.8 | -2.9 | -1.0 | -0.4 | 0.6 | 0.6 | 2.3 | 2.3 | 0.0 | 0.0 | -1.1 | 0.0 | 1.2 | 0.2 | -1.4 |
| Ireland | -2.9 | -2.0 | -3.7 | -2.8 | -1.7 | -0.3 | 0.8 | -0.1 | 1.4 | 2.0 | 2.3 | 1.4 | 2.8 | -0.8 | -1.8 | -0.6 | 1.0 | -1.3 | -0.9 | -0.9 |
| Italy | -11.0 | -11.9 | -11.9 | -11.5 | -9.9 | -8.2 | -7.5 | -6.6 | -6.1 | -2.0 | -2.6 | -1.5 | -2.3 | -4.0 | -3.4 | -3.3 | -3.2 | -3.9 | -3.6 | -4.4 |
| Japan ¹ | 1.2 | 1.3 | 1.0 | 0.9 | 0.0 | -2.6 | -3.7 | -4.6 | -5.4 | -4.4 | -5.4 | -6.6 | -7.1 | -5.4 | -6.7 | -6.5 | -5.8 | -6.3 | -6.1 | -6.4 |
| Luxembourg | .. | .. | 3.0 | -1.5 | -1.8 | 1.0 | 2.8 | 3.9 | 4.6 | 4.5 | 3.9 | 3.1 | 4.6 | 5.3 | 2.4 | 1.3 | 0.3 | -1.3 | -1.1 | -1.2 |
| Netherlands | -3.8 | -5.4 | -6.7 | -4.4 | -5.4 | -2.8 | -2.6 | -3.4 | -1.5 | -1.3 | -1.6 | -0.7 | -0.4 | -2.1 | -2.6 | -2.4 | -0.7 | 0.3 | 0.2 | -0.1 |
| New Zealand | -3.6 | -3.1 | -3.1 | -1.3 | -0.8 | 0.0 | 2.4 | 2.5 | 2.1 | 1.6 | 1.0 | -0.4 | 0.9 | 1.6 | 3.1 | 4.7 | 4.5 | 4.6 | 4.3 | 4.1 |
| Norway ² | 0.9 | 0.2 | -1.2 | -3.7 | -5.7 | -5.8 | -4.5 | -1.5 | -1.4 | -1.0 | -2.2 | -1.2 | 0.8 | -0.1 | -2.8 | -4.3 | -3.0 | -3.0 | -3.0 | -3.0 |
| Portugal | -3.3 | -3.7 | -7.5 | -9.0 | -5.5 | -6.6 | -5.5 | -4.1 | -3.9 | -3.3 | -3.7 | -3.7 | -4.6 | -5.3 | -2.9 | -1.5 | -1.5 | -4.0 | -2.8 | -2.7 |
| Spain | -3.3 | -3.7 | -5.4 | -6.0 | -4.2 | -5.5 | -4.3 | -4.1 | -2.3 | -0.7 | -1.4 | -0.3 | -1.4 | -1.0 | -0.4 | -0.1 | -0.2 | 0.0 | 0.0 | -0.2 |
| Sweden | 2.3 | 2.2 | 3.0 | 1.3 | -5.8 | -6.3 | -5.5 | -4.6 | -0.4 | 0.8 | 2.7 | 2.1 | 4.0 | 2.2 | -0.6 | 0.5 | 1.8 | 1.7 | 0.7 | 0.8 |
| Switzerland | .. | .. | -1.3 | -1.5 | -1.9 | -1.6 | -1.0 | -0.3 | -0.2 | -1.5 | -1.2 | 0.3 | 2.1 | 0.7 | 0.4 | -0.5 | -0.6 | -0.8 | -0.5 | -0.4 |
| United Kingdom | -1.1 | -1.0 | -2.8 | -2.7 | -4.9 | -6.3 | -5.9 | -5.3 | -3.8 | -2.0 | 0.1 | 1.1 | 1.1 | 0.4 | -1.7 | -3.3 | -3.4 | -3.0 | -2.7 | -3.0 |
| United States | -3.8 | -3.7 | -4.5 | -4.2 | -5.0 | -4.2 | -3.1 | -2.6 | -1.7 | -0.6 | 0.4 | 0.5 | 1.1 | -0.3 | -3.1 | -4.2 | -4.3 | -3.6 | -4.2 | -3.9 |
| Euro area | -4.4 | -4.4 | -5.7 | -5.5 | -5.2 | -4.4 | -3.9 | -4.2 | -3.2 | -1.9 | -2.0 | -1.3 | -1.8 | -2.6 | -2.6 | -2.5 | -2.2 | -2.2 | -2.1 | -2.0 |
| Total OECD | -3.0 | -3.0 | -3.9 | -3.8 | -4.4 | -4.2 | -3.7 | -3.7 | -2.8 | -1.6 | -1.2 | -0.9 | -0.9 | -1.6 | -3.2 | -3.6 | -3.4 | -3.1 | -3.3 | -3.2 |

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. Includes deferred tax payments on postal savings accounts in 2000, 2001 and 2002. The 2000 outlays include capital transfers to the Deposit Insurance Company.

2. As a percentage of mainland potential GDP. The financial balances shown exclude net revenues from petroleum activities.

Source: OECD Economic Outlook 78 database.

Annex Table 29. **General government primary balances**

Surplus (+) or deficit (-) as a per cent of nominal GDP

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------|------|------|------|------|-------|-------|------|-------|------|------|------|------|-------|------|------|-------|------|------|------|------|
| Australia | 3.0 | 3.3 | 1.7 | -1.1 | -2.7 | -2.7 | -0.6 | 0.2 | 1.2 | 2.4 | 3.0 | 4.3 | 3.0 | 0.8 | 2.0 | 2.4 | 2.5 | 2.5 | 2.3 | 2.2 |
| Austria | -0.8 | -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 | 1.9 | 1.0 | 1.2 | 0.3 | 0.2 | 0.7 |
| Belgium | 2.5 | 3.1 | 4.3 | 3.2 | 2.6 | 3.1 | 4.0 | 4.4 | 4.6 | 5.6 | 6.5 | 6.2 | 6.6 | 6.7 | 5.6 | 5.4 | 4.6 | 4.2 | 3.4 | 3.0 |
| Canada | -0.1 | 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 | 2.0 | 2.2 | 2.7 | 2.3 | 2.0 |
| Czech Republic | .. | .. | .. | .. | .. | .. | .. | -13.3 | -2.6 | -2.1 | -4.6 | -3.2 | -3.3 | -5.7 | -6.3 | -12.1 | -2.6 | -3.6 | -3.1 | -2.6 |
| Denmark | 5.9 | 4.2 | 2.4 | 0.9 | 0.6 | -0.4 | -0.1 | 0.2 | 1.0 | 2.4 | 2.5 | 3.9 | 4.3 | 3.0 | 2.0 | 1.3 | 2.4 | 3.3 | 2.6 | 1.9 |
| Finland | 4.3 | 5.5 | 3.6 | -3.0 | -7.5 | -7.6 | -4.7 | -3.0 | -1.5 | 0.6 | 3.3 | 3.7 | 8.0 | 5.8 | 4.3 | 2.4 | 2.1 | 2.3 | 1.8 | 1.4 |
| France | -0.4 | 0.4 | 0.4 | 0.0 | -1.5 | -3.0 | -2.6 | -2.5 | -1.0 | 0.0 | 0.3 | 0.9 | 1.1 | 1.0 | -0.6 | -1.8 | -1.2 | -0.7 | -0.8 | -0.6 |
| Germany | 0.4 | 2.4 | 0.3 | -0.7 | 0.1 | -0.3 | 0.4 | -0.1 | -0.3 | 0.4 | 0.8 | 1.3 | 4.0 | -0.2 | -1.1 | -1.3 | -1.1 | -1.3 | -1.1 | -0.1 |
| Greece | -4.4 | -6.3 | -5.9 | -1.7 | -1.0 | -1.1 | 4.2 | 2.0 | 4.0 | 2.7 | 4.2 | 4.0 | 3.3 | 0.7 | 0.9 | -0.3 | -1.3 | 0.5 | 1.5 | 0.9 |
| Iceland | -1.3 | -3.7 | -2.0 | -1.7 | -1.8 | -3.1 | -3.4 | -1.3 | 0.0 | 1.3 | 2.0 | 3.8 | 3.6 | 1.3 | -1.0 | -1.4 | 0.4 | 2.3 | 1.5 | -0.2 |
| Ireland | 1.8 | 3.5 | 3.3 | 2.8 | 2.2 | 2.1 | 2.5 | 1.9 | 3.1 | 4.0 | 4.6 | 3.8 | 5.3 | 1.0 | -0.2 | 0.4 | 1.6 | -0.7 | -0.4 | -0.4 |
| Italy | -3.3 | -2.7 | -1.8 | -0.4 | 1.5 | 2.3 | 1.7 | 3.3 | 3.8 | 6.1 | 4.7 | 4.4 | 5.3 | 2.7 | 2.4 | 1.5 | 1.2 | 0.0 | -0.2 | -0.5 |
| Japan | 2.9 | 3.3 | 3.3 | 2.9 | 1.9 | -1.2 | -2.5 | -3.4 | -3.7 | -2.5 | -4.1 | -5.8 | -6.0 | -4.7 | -6.5 | -6.3 | -4.8 | -4.8 | -4.1 | -3.7 |
| Korea | 3.0 | 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 | -0.9 | -1.1 | -1.0 | -0.8 |
| Luxembourg | .. | .. | 2.7 | -1.0 | -2.2 | 0.1 | 1.6 | 1.6 | 1.5 | 2.3 | 2.5 | 2.8 | 5.3 | 4.8 | 1.2 | -0.6 | -1.4 | -3.1 | -2.8 | -2.6 |
| Netherlands | 0.5 | -0.7 | -1.0 | 1.7 | 0.3 | 1.7 | 1.0 | 0.5 | 2.8 | 3.2 | 3.3 | 4.3 | 5.1 | 2.2 | 0.2 | -1.0 | -0.1 | 0.0 | 0.0 | 0.3 |
| New Zealand | -0.6 | 0.0 | -0.1 | -0.7 | -0.5 | 1.2 | 3.9 | 4.4 | 3.7 | 2.6 | 1.1 | -0.1 | 1.6 | 2.2 | 3.7 | 5.1 | 5.1 | 4.8 | 4.0 | 3.5 |
| Norway | -0.8 | -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 | 4.1 | 7.7 | 11.6 | 13.1 | 13.0 |
| Poland | .. | .. | .. | .. | .. | .. | .. | 1.5 | -0.4 | -0.6 | -0.3 | -0.3 | -0.3 | -1.2 | -0.9 | -2.4 | -1.6 | -1.2 | -1.4 | -1.1 |
| Portugal | 2.8 | 3.0 | 1.9 | 1.2 | 3.6 | -0.3 | -1.1 | 0.8 | 0.6 | 0.6 | 0.3 | 0.3 | 0.2 | -1.2 | 0.1 | -0.1 | -0.3 | -3.2 | -1.7 | -1.3 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | -4.9 | -0.1 | -6.5 | -5.0 | -2.4 | -5.7 | -10.0 | -4.2 | -4.9 | -2.4 | -2.5 | -3.4 | -3.4 | -2.8 |
| Spain | -0.4 | 0.2 | -0.9 | -1.3 | -0.1 | -2.3 | -1.9 | -1.5 | 0.2 | 1.5 | 1.0 | 2.4 | 2.1 | 2.2 | 2.1 | 2.1 | 1.7 | 1.9 | 1.8 | 1.6 |
| Sweden | 3.6 | 3.0 | 2.7 | -0.8 | -10.0 | -11.8 | -8.5 | -5.5 | -1.2 | 1.0 | 3.3 | 3.7 | 5.9 | 3.3 | 0.6 | 0.1 | 1.2 | 1.1 | 0.7 | 1.2 |
| 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 | -0.7 | -0.7 | -0.9 | -0.6 | -0.2 |
| United Kingdom | 3.5 | 3.6 | 1.1 | -0.7 | -4.1 | -5.5 | -4.1 | -2.7 | -1.1 | 1.0 | 3.1 | 3.5 | 6.2 | 2.7 | 0.1 | -1.6 | -1.4 | -1.1 | -1.1 | -1.3 |
| United States | -0.5 | 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 | -3.1 | -2.9 | -1.8 | -2.1 | -1.7 |
| Euro area | -0.5 | 0.4 | -0.1 | -0.3 | 0.1 | -0.5 | -0.2 | -0.1 | 0.8 | 1.9 | 1.9 | 2.3 | 3.5 | 1.4 | 0.6 | -0.1 | 0.1 | -0.2 | -0.1 | 0.1 |
| Total OECD | 0.5 | 1.0 | 0.3 | -0.4 | -1.2 | -1.5 | -0.8 | -0.4 | 0.3 | 1.5 | 1.8 | 1.9 | 2.7 | 1.0 | -1.1 | -2.1 | -1.6 | -1.3 | -1.3 | -1.0 |

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 78 database.

Annex Table 30. **Cyclically-adjusted general government primary balances**

Surplus (+) or deficit (-) as a per cent of potential GDP

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------|------|------|------|------|------|------|------|-------|------|------|------|------|------|------|------|-------|------|------|------|------|
| Australia | 3.5 | 3.5 | 2.5 | 0.8 | -0.5 | -0.8 | 0.4 | 0.9 | 1.8 | 3.0 | 3.1 | 4.1 | 2.5 | 0.6 | 1.8 | 2.1 | 2.3 | 2.5 | 2.5 | 2.4 |
| Austria | -0.1 | -0.4 | -0.3 | -0.8 | 0.4 | -0.9 | -1.3 | -2.2 | -0.3 | 1.4 | 0.4 | -0.1 | -0.4 | 1.8 | 1.8 | 1.5 | 1.8 | 1.1 | 1.1 | 1.6 |
| Belgium | 2.9 | 2.8 | 3.5 | 2.8 | 2.6 | 4.5 | 5.3 | 5.4 | 6.1 | 6.4 | 7.4 | 6.6 | 6.0 | 6.2 | 5.8 | 6.1 | 5.1 | 5.0 | 4.3 | 3.8 |
| Canada | -1.1 | -1.1 | -1.1 | -1.9 | -1.9 | -1.6 | -0.6 | 1.0 | 3.5 | 5.8 | 5.5 | 6.0 | 5.4 | 3.3 | 2.2 | 1.9 | 2.2 | 2.6 | 2.3 | 1.9 |
| Czech Republic | .. | .. | .. | .. | .. | .. | .. | -15.9 | -5.2 | -3.4 | -4.4 | -2.3 | -2.8 | -5.1 | -5.2 | -10.7 | -1.8 | -3.3 | -3.2 | -3.2 |
| Denmark | 5.2 | 4.3 | 3.0 | 1.9 | 1.7 | 1.5 | 1.0 | 0.5 | 1.0 | 1.9 | 1.9 | 3.5 | 3.4 | 2.0 | 2.0 | 2.1 | 3.3 | 3.6 | 2.2 | 1.0 |
| Finland | 2.7 | 2.9 | 1.7 | -1.1 | -2.3 | -1.1 | 0.7 | 1.1 | 1.6 | 1.9 | 3.6 | 3.7 | 7.3 | 5.7 | 4.6 | 2.7 | 2.0 | 2.4 | 1.5 | 0.7 |
| France | 0.4 | 0.4 | -0.2 | -0.3 | -1.7 | -2.3 | -1.6 | -1.7 | 0.3 | 1.3 | 1.2 | 1.4 | 0.9 | 0.6 | -0.6 | -1.2 | -0.5 | 0.0 | 0.0 | 0.0 |
| Germany | 0.1 | 1.4 | -1.7 | -1.5 | -0.6 | 0.5 | 1.2 | 0.4 | 0.4 | 1.0 | 1.3 | 1.5 | 0.8 | -1.1 | -1.2 | -0.6 | -0.2 | -0.2 | -0.1 | 0.8 |
| Greece | -4.3 | -6.9 | -5.9 | -1.9 | -0.8 | 0.2 | 5.4 | 3.2 | 5.2 | 3.6 | 4.8 | 4.5 | 3.3 | -0.2 | 0.5 | -1.1 | -2.2 | -0.3 | 1.1 | 0.6 |
| Iceland | -2.5 | -4.1 | -2.1 | -1.2 | 0.3 | -0.6 | -1.6 | 0.6 | 1.2 | 1.9 | 2.1 | 3.7 | 3.4 | 1.1 | -0.1 | -0.5 | 0.4 | 1.5 | 0.6 | -1.0 |
| Ireland | 3.3 | 4.0 | 2.6 | 2.8 | 3.2 | 4.1 | 5.1 | 3.7 | 4.5 | 4.6 | 4.6 | 2.9 | 3.7 | -0.6 | -1.6 | -0.4 | 1.2 | -1.1 | -0.8 | -0.7 |
| Italy | -3.0 | -2.9 | -2.0 | -0.2 | 2.1 | 3.9 | 3.2 | 4.2 | 4.6 | 6.7 | 5.1 | 4.6 | 3.8 | 2.0 | 1.9 | 1.5 | 1.3 | 0.4 | 0.4 | -0.1 |
| Japon ¹ | 3.0 | 2.8 | 2.3 | 2.0 | 1.2 | -1.4 | -2.5 | -3.3 | -4.1 | -3.0 | -4.0 | -5.1 | -5.6 | -4.0 | -5.3 | -5.2 | -4.2 | -4.6 | -4.2 | -4.1 |
| Luxembourg | .. | .. | 0.9 | -3.6 | -3.6 | -0.5 | 1.6 | 2.9 | 3.8 | 3.8 | 3.1 | 2.5 | 3.7 | 4.0 | 1.5 | 0.5 | -0.5 | -2.1 | -1.8 | -1.9 |
| Netherlands | 0.7 | -1.2 | -2.5 | -0.1 | -1.0 | 1.5 | 1.6 | 1.1 | 3.1 | 3.0 | 2.5 | 3.0 | 2.7 | 0.5 | -0.4 | -0.3 | 1.3 | 1.9 | 1.9 | 1.6 |
| New Zealand | -0.3 | 0.5 | 1.0 | 1.6 | 1.9 | 2.4 | 3.8 | 3.9 | 2.9 | 2.1 | 1.7 | -0.1 | 1.3 | 1.7 | 2.9 | 4.5 | 4.2 | 4.1 | 3.6 | 3.3 |
| Norway ² | -2.9 | -3.5 | -5.1 | -7.9 | -9.5 | -9.0 | -7.1 | -4.2 | -4.1 | -3.5 | -4.8 | -4.0 | -2.7 | -4.3 | -7.4 | -8.7 | -7.8 | -7.9 | -8.1 | -8.0 |
| Portugal | 3.0 | 2.3 | 1.0 | -0.2 | 2.9 | 0.7 | 0.6 | 1.8 | 1.2 | 0.8 | -0.3 | -0.6 | -1.4 | -2.1 | 0.1 | 1.2 | 1.2 | -1.4 | 0.3 | 0.4 |
| Spain | -0.5 | -0.8 | -2.3 | -2.6 | -0.5 | -1.1 | 0.1 | 0.5 | 2.3 | 3.4 | 2.4 | 2.9 | 1.6 | 1.8 | 2.0 | 2.1 | 1.7 | 1.7 | 1.5 | 1.3 |
| Sweden | 2.5 | 1.8 | 2.3 | 0.6 | -6.8 | -6.6 | -4.8 | -3.2 | 1.1 | 2.7 | 4.1 | 3.5 | 4.9 | 2.9 | 0.5 | 0.7 | 1.6 | 1.6 | 0.5 | 0.7 |
| Switzerland | .. | .. | -0.9 | -1.0 | -1.3 | -1.1 | -0.3 | 0.5 | 0.5 | -0.7 | -0.4 | 1.2 | 2.7 | 1.4 | 1.2 | 0.3 | 0.1 | -0.1 | 0.1 | 0.2 |
| United Kingdom | 2.1 | 1.9 | 0.0 | -0.4 | -2.6 | -3.9 | -3.3 | -2.3 | -0.7 | 1.2 | 3.2 | 3.6 | 3.5 | 2.4 | 0.0 | -1.5 | -1.6 | -1.1 | -0.8 | -1.0 |
| United States | -0.7 | -0.4 | -1.1 | -0.7 | -1.5 | -0.9 | 0.2 | 0.9 | 1.7 | 2.6 | 3.5 | 3.3 | 3.7 | 2.0 | -1.1 | -2.4 | -2.5 | -1.7 | -2.1 | -1.7 |
| Euro area | -0.5 | -0.3 | -1.2 | -0.8 | -0.1 | 0.6 | 0.8 | 0.6 | 1.7 | 2.5 | 2.2 | 2.3 | 1.7 | 0.8 | 0.5 | 0.4 | 0.5 | 0.5 | 0.5 | 0.6 |
| Total OECD | 0.2 | 0.3 | -0.5 | -0.4 | -0.9 | -0.8 | -0.3 | -0.1 | 0.7 | 1.8 | 2.0 | 1.9 | 1.8 | 0.8 | -0.9 | -1.6 | -1.4 | -1.1 | -1.2 | -1.0 |

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. Includes deferred tax payments on postal savings accounts in 2000, 2001 and 2002. The 2000 outlays include capital transfers to the Deposit Insurance Company.

2. As a percentage of mainland potential GDP. The financial balances shown exclude net revenues from petroleum activities.

Source: OECD Economic Outlook 78 database.

Annex Table 31. General government net debt interest payments

Per cent of nominal GDP

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Australia | 3.8 | 3.9 | 3.5 | 3.1 | 3.7 | 3.2 | 4.2 | 4.1 | 3.4 | 2.8 | 2.3 | 2.2 | 2.1 | 1.9 | 1.8 | 1.6 | 1.5 | 1.4 | 1.4 | 1.3 |
| Austria | 2.7 | 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 | 2.3 | 2.3 | 2.2 | 2.2 | 2.2 |
| Belgium | 9.6 | 10.6 | 11.0 | 10.5 | 10.5 | 10.3 | 8.9 | 8.6 | 8.4 | 7.6 | 7.2 | 6.6 | 6.4 | 6.1 | 5.6 | 5.1 | 4.6 | 4.2 | 3.9 | 3.7 |
| Canada | 4.2 | 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 | 2.0 | 1.6 | 1.4 | 1.4 | 1.4 |
| Czech Republic | .. | .. | .. | .. | .. | .. | .. | 0.1 | 0.5 | 0.3 | 0.4 | 0.5 | 0.3 | 0.3 | 0.4 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 |
| Denmark | 4.2 | 3.9 | 3.7 | 3.8 | 3.1 | 3.4 | 3.2 | 3.1 | 3.0 | 2.9 | 2.5 | 2.5 | 2.1 | 1.9 | 1.7 | 1.3 | 0.7 | 0.5 | 0.1 | 0.0 |
| Finland | -0.9 | -1.3 | -1.8 | -2.0 | -2.0 | -0.5 | 1.0 | 0.8 | 1.4 | 1.8 | 1.6 | 1.5 | 1.0 | 0.6 | 0.1 | 0.0 | 0.2 | 0.2 | 0.1 | 0.0 |
| France | 1.9 | 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 | 2.4 | 2.4 | 2.5 | 2.4 | 2.4 |
| Germany ¹ | 2.5 | 2.3 | 2.2 | 2.2 | 2.6 | 2.7 | 2.7 | 3.1 | 3.0 | 3.0 | 3.0 | 2.8 | 2.7 | 2.6 | 2.6 | 2.6 | 2.5 | 2.5 | 2.5 | 2.5 |
| Greece | 7.2 | 7.3 | 9.8 | 9.4 | 11.2 | 12.2 | 13.5 | 12.1 | 11.5 | 9.3 | 8.5 | 7.5 | 7.5 | 6.7 | 6.0 | 5.5 | 5.2 | 5.0 | 4.8 | 4.5 |
| Iceland | 0.7 | 0.8 | 1.3 | 1.2 | 1.0 | 1.3 | 1.4 | 1.7 | 1.6 | 1.3 | 1.6 | 1.4 | 1.1 | 1.1 | -0.1 | 0.7 | 0.4 | 0.3 | 0.4 | 0.4 |
| Ireland | 6.4 | 6.1 | 6.1 | 5.6 | 5.1 | 4.8 | 4.5 | 3.9 | 3.2 | 2.6 | 2.3 | 1.4 | 0.8 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Italy | 8.0 | 9.0 | 9.9 | 11.3 | 12.2 | 12.6 | 11.0 | 10.9 | 10.9 | 8.8 | 7.8 | 6.2 | 6.0 | 5.9 | 5.3 | 4.8 | 4.5 | 4.3 | 4.1 | 4.3 |
| Japon ² | 1.8 | 1.5 | 1.3 | 1.1 | 1.1 | 1.2 | 1.2 | 1.3 | 1.3 | 1.3 | 1.4 | 1.5 | 1.5 | 1.4 | 1.5 | 1.4 | 1.6 | 1.7 | 1.9 | 2.3 |
| Korea | -0.2 | -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 | -1.0 | -1.0 | -1.0 | -1.0 |
| Luxembourg | .. | .. | -2.0 | -1.9 | -1.8 | -1.4 | -1.1 | -1.0 | -0.8 | -0.7 | -0.8 | -0.6 | -0.8 | -1.2 | -1.0 | -0.8 | -0.8 | -0.8 | -0.7 | -0.7 |
| Netherlands | 4.5 | 4.1 | 4.1 | 4.3 | 4.3 | 4.4 | 4.3 | 4.5 | 4.5 | 4.3 | 4.0 | 3.7 | 3.0 | 2.5 | 2.2 | 2.1 | 2.0 | 1.6 | 1.8 | 1.8 |
| New Zealand | 3.3 | 3.7 | 4.2 | 3.2 | 2.8 | 2.5 | 1.4 | 1.4 | 0.8 | 0.6 | 0.7 | 0.3 | 0.4 | 0.1 | -0.2 | -0.2 | -0.4 | -0.5 | -0.7 | -0.8 |
| Norway | -3.4 | -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 | -3.7 | -3.9 | -3.9 |
| Poland | .. | .. | .. | .. | .. | .. | .. | 5.3 | 4.2 | 3.9 | 3.7 | 2.8 | 2.1 | 2.6 | 2.5 | 2.5 | 2.3 | 2.2 | 2.2 | 2.2 |
| Portugal | 6.4 | 5.9 | 8.3 | 8.5 | 8.2 | 7.5 | 6.4 | 6.0 | 5.2 | 4.1 | 3.3 | 3.1 | 3.1 | 3.1 | 2.9 | 2.9 | 2.7 | 2.8 | 3.2 | 3.3 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | 1.3 | 0.8 | 0.9 | 1.2 | 1.3 | 1.5 | 2.3 | 2.4 | 2.9 | 1.4 | 0.6 | 0.7 | 0.8 | 0.7 |
| Spain | 2.7 | 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 | 1.5 | 1.4 |
| Sweden | 0.2 | -0.3 | -0.7 | -0.7 | -1.0 | -0.4 | 0.8 | 1.4 | 1.6 | 2.0 | 1.4 | 1.4 | 0.8 | 0.7 | 1.1 | 0.2 | -0.2 | -0.1 | -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 | 0.8 | 0.7 | 0.7 | 0.6 | 0.6 |
| United Kingdom | 3.1 | 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 | 1.8 | 2.0 | 1.9 | 1.9 |
| United States | 3.1 | 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 | 1.8 | 1.9 | 2.0 | 2.2 |
| Euro area | 3.9 | 4.1 | 4.4 | 4.7 | 5.0 | 5.1 | 4.8 | 4.9 | 5.0 | 4.5 | 4.2 | 3.6 | 3.5 | 3.3 | 3.1 | 2.9 | 2.8 | 2.7 | 2.6 | 2.6 |
| Total OECD | 3.0 | 3.1 | 3.2 | 3.3 | 3.4 | 3.4 | 3.3 | 3.5 | 3.4 | 3.2 | 3.0 | 2.7 | 2.5 | 2.3 | 2.1 | 2.0 | 1.9 | 1.9 | 2.0 | 2.1 |

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 78 database.

Annex Table 32. General government gross financial liabilities

Per cent of nominal GDP

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Australia | 25.9 | 23.8 | 22.6 | 23.8 | 28.2 | 31.6 | 41.4 | 43.4 | 40.4 | 38.7 | 33.3 | 27.9 | 24.3 | 21.5 | 20.1 | 18.9 | 17.8 | 15.3 | 14.7 | 13.7 |
| Austria | 59.1 | 58.1 | 57.6 | 57.6 | 57.3 | 62.0 | 65.1 | 69.6 | 69.7 | 67.3 | 67.5 | 69.8 | 69.5 | 70.2 | 71.7 | 69.4 | 69.0 | 69.2 | 69.7 | 69.6 |
| Belgium | 125.6 | 122.3 | 126.2 | 127.8 | 136.9 | 140.7 | 137.7 | 135.2 | 133.5 | 127.7 | 122.6 | 119.1 | 113.4 | 111.6 | 108.1 | 103.2 | 98.7 | 98.5 | 95.9 | 93.6 |
| Canada | 70.9 | 72.0 | 74.5 | 82.1 | 89.9 | 96.9 | 98.2 | 100.8 | 100.3 | 96.2 | 93.9 | 91.2 | 82.7 | 82.9 | 80.5 | 75.7 | 72.2 | 69.3 | 64.6 | 60.7 |
| Czech Republic | .. | .. | .. | .. | .. | .. | .. | 19.3 | 18.2 | 17.5 | 18.9 | 25.5 | 26.6 | 36.9 | 38.4 | 46.8 | 44.6 | 42.8 | 42.9 | 42.8 |
| Denmark | 69.5 | 67.8 | 68.5 | 69.4 | 73.4 | 87.7 | 81.4 | 77.6 | 73.9 | 69.8 | 66.6 | 60.8 | 53.7 | 53.3 | 54.1 | 55.5 | 52.8 | 49.7 | 47.1 | 45.2 |
| Finland | 19.0 | 16.7 | 16.5 | 24.9 | 44.7 | 57.8 | 60.3 | 65.1 | 66.0 | 64.3 | 60.8 | 55.5 | 52.9 | 50.9 | 50.4 | 52.0 | 52.5 | 53.3 | 54.9 | 55.2 |
| France | 38.9 | 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 | 66.6 | 71.7 | 74.7 | 76.7 | 77.5 | 78.1 |
| Germany ¹ | 42.3 | 40.9 | 41.5 | 37.9 | 41.0 | 46.3 | 46.7 | 55.8 | 58.9 | 60.4 | 62.2 | 60.8 | 59.9 | 59.3 | 61.6 | 64.6 | 67.9 | 69.9 | 71.4 | 72.4 |
| Greece | 62.7 | 65.7 | 79.6 | 82.2 | 87.8 | 110.1 | 107.9 | 108.7 | 111.3 | 108.2 | 105.8 | 105.2 | 114.0 | 114.4 | 111.6 | 108.8 | 109.3 | 108.1 | 106.1 | 104.2 |
| Hungary | .. | .. | .. | .. | .. | .. | .. | .. | .. | 67.9 | 65.5 | 66.3 | 60.1 | 58.0 | 57.8 | 58.1 | 60.7 | 62.5 | 64.2 | 65.8 |
| Iceland | 31.1 | 36.7 | 36.4 | 38.6 | 46.5 | 53.4 | 56.0 | 59.4 | 56.8 | 54.1 | 48.9 | 44.1 | 41.5 | 47.3 | 43.5 | 41.4 | 36.3 | 32.0 | 30.0 | 30.3 |
| Ireland | 107.1 | 97.9 | 93.2 | 94.6 | 91.6 | 94.2 | 88.7 | 81.2 | 72.8 | 64.0 | 53.0 | 48.1 | 37.9 | 35.3 | 32.0 | 31.1 | 29.4 | 29.9 | 29.8 | 29.5 |
| Italy | .. | .. | .. | .. | .. | .. | .. | 125.5 | 131.3 | 133.3 | 135.0 | 129.5 | 124.9 | 124.5 | 123.5 | 121.4 | 123.0 | 125.4 | 126.8 | 128.6 |
| Japan ² | 74.1 | 70.8 | 68.6 | 64.8 | 68.6 | 74.7 | 79.7 | 87.0 | 93.8 | 100.3 | 112.1 | 125.7 | 134.0 | 142.3 | 149.4 | 154.0 | 156.3 | 158.9 | 160.5 | 161.5 |
| Korea | 9.8 | 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 | 18.6 | 19.6 | 20.3 | 22.0 | 21.0 |
| Luxembourg | .. | .. | 5.4 | 4.6 | 5.5 | 6.8 | 6.3 | 6.7 | 7.2 | 6.8 | 6.3 | 6.0 | 5.5 | 6.7 | 6.8 | 6.7 | 6.6 | 8.6 | 10.2 | 11.4 |
| Netherlands | 84.4 | 85.0 | 84.2 | 85.3 | 89.0 | 93.7 | 83.9 | 87.0 | 86.0 | 81.0 | 79.5 | 71.1 | 63.7 | 59.5 | 60.3 | 61.9 | 62.3 | 63.7 | 64.7 | 65.2 |
| New Zealand | .. | .. | .. | .. | .. | 64.8 | 57.8 | 51.7 | 45.2 | 42.6 | 42.7 | 39.9 | 37.9 | 35.7 | 34.0 | 32.0 | 29.0 | 26.0 | 23.3 | 19.9 |
| Norway | 32.8 | 32.8 | 29.3 | 27.5 | 32.2 | 40.5 | 36.9 | 40.5 | 35.9 | 32.0 | 31.3 | 30.9 | 34.3 | 33.2 | 40.1 | 50.4 | 51.2 | 51.7 | 51.2 | 50.7 |
| Poland | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | 44.4 | 47.6 | 43.6 | 38.3 | 52.0 | 52.1 | 50.2 | 53.3 | 57.0 | 59.9 |
| Portugal | .. | .. | .. | .. | .. | .. | .. | 69.9 | 69.2 | 65.3 | 61.6 | 60.2 | 59.9 | 62.5 | 65.1 | 66.6 | 69.5 | 76.5 | 79.9 | 82.7 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | 41.2 | 52.0 | 58.9 | 58.8 | 51.5 | 49.7 | 53.0 | 56.8 | 60.5 | 63.2 |
| Spain | .. | .. | 47.7 | 49.6 | 51.9 | 65.4 | 64.0 | 68.8 | 75.6 | 74.5 | 74.4 | 68.5 | 65.9 | 61.6 | 59.7 | 54.8 | 52.0 | 49.1 | 46.5 | 44.3 |
| Sweden | 56.1 | 51.0 | 46.8 | 55.5 | 74.0 | 79.0 | 83.5 | 82.2 | 84.7 | 82.9 | 81.7 | 71.8 | 64.4 | 63.4 | 60.3 | 59.8 | 62.5 | 61.5 | 60.9 | 59.9 |
| United Kingdom | 42.8 | 36.9 | 33.0 | 33.6 | 39.8 | 49.6 | 47.8 | 52.7 | 52.5 | 53.2 | 53.7 | 48.7 | 45.7 | 41.1 | 41.3 | 41.9 | 44.2 | 46.8 | 49.1 | 51.0 |
| United States | 64.8 | 65.1 | 66.6 | 71.3 | 73.7 | 75.4 | 74.6 | 74.2 | 73.4 | 70.9 | 67.7 | 64.1 | 58.1 | 58.0 | 60.3 | 63.4 | 64.0 | 63.8 | 64.6 | 65.3 |
| Euro area | 50.3 | 49.4 | 49.6 | 49.0 | 52.9 | 59.9 | 61.7 | 76.1 | 80.1 | 81.2 | 81.9 | 78.4 | 76.1 | 74.8 | 75.6 | 76.6 | 78.1 | 79.3 | 79.7 | 80.0 |
| Total OECD | 57.8 | 56.8 | 56.9 | 58.4 | 62.0 | 66.6 | 67.6 | 72.8 | 74.5 | 74.5 | 74.5 | 73.3 | 70.8 | 71.1 | 73.2 | 75.3 | 76.3 | 76.9 | 77.6 | 78.1 |

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 Greece, Ireland and 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 78 database.

Annex Table 33. **General government net financial liabilities**

Per cent of nominal GDP

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|
| Australia | 15.3 | 11.3 | 10.7 | 11.6 | 16.2 | 22.1 | 26.7 | 27.4 | 21.8 | 21.9 | 16.6 | 15.6 | 9.5 | 5.6 | 4.0 | 2.3 | 0.7 | 0.0 | -0.9 | -1.8 |
| Austria | 36.2 | 35.6 | 35.2 | 35.0 | 36.2 | 40.8 | 43.0 | 47.5 | 46.8 | 45.2 | 44.0 | 44.3 | 43.0 | 43.4 | 44.7 | 42.6 | 44.1 | 44.4 | 44.8 | 44.7 |
| Belgium | 116.5 | 113.4 | 113.1 | 114.3 | 120.7 | 123.2 | 121.4 | 120.8 | 119.6 | 115.2 | 109.7 | 105.6 | 100.1 | 97.4 | 94.8 | 92.0 | 86.5 | 86.3 | 83.7 | 81.5 |
| Canada | 38.0 | 40.9 | 43.3 | 50.0 | 58.5 | 64.4 | 67.4 | 69.3 | 67.5 | 63.5 | 60.8 | 55.1 | 46.6 | 42.8 | 41.0 | 35.3 | 31.1 | 26.4 | 21.7 | 17.7 |
| Czech Republic | .. | .. | .. | .. | .. | .. | .. | -63.5 | -50.6 | -49.0 | -38.0 | -32.0 | -29.4 | -26.8 | -15.6 | -7.3 | -8.4 | -8.4 | -8.3 | -8.4 |
| Denmark | 19.4 | 18.2 | 18.1 | 20.6 | 22.6 | 25.0 | 25.3 | 25.6 | 24.3 | 21.1 | 21.0 | 12.5 | 8.6 | 6.4 | 7.9 | 9.3 | 6.6 | 3.5 | 0.9 | -1.0 |
| Finland ¹ | -29.0 | -33.1 | -35.2 | -33.8 | -24.6 | -16.0 | -16.2 | -4.0 | -6.7 | -7.4 | -14.5 | -50.8 | -31.4 | -32.1 | -32.0 | -40.0 | -47.5 | -48.1 | -47.9 | -47.6 |
| France | 14.7 | 15.3 | 17.1 | 18.5 | 20.0 | 26.8 | 29.7 | 37.5 | 41.8 | 42.2 | 40.5 | 33.6 | 35.1 | 36.7 | 41.7 | 44.1 | 45.3 | 46.5 | 47.4 | 47.9 |
| Germany ² | 22.0 | 20.5 | 21.0 | 19.7 | 24.0 | 27.4 | 28.6 | 38.7 | 41.6 | 42.4 | 45.4 | 44.8 | 41.9 | 43.4 | 47.5 | 50.4 | 54.5 | 58.8 | 62.4 | 64.7 |
| Hungary | .. | .. | .. | .. | .. | .. | .. | .. | .. | 25.3 | 31.7 | 33.4 | 31.0 | 29.5 | 34.2 | 34.4 | 37.7 | 39.6 | 41.3 | 42.9 |
| Iceland | 9.7 | 17.6 | 19.1 | 19.8 | 26.7 | 34.8 | 37.8 | 39.8 | 39.6 | 38.1 | 31.5 | 23.9 | 23.7 | 26.6 | 23.3 | 24.2 | 22.8 | 19.4 | 17.4 | 17.7 |
| Italy | .. | .. | .. | .. | .. | .. | .. | 100.9 | 106.3 | 107.2 | 109.6 | 104.0 | 98.6 | 99.0 | 98.9 | 97.8 | 98.7 | 101.3 | 103.6 | 105.4 |
| Japan ³ | 49.8 | 40.7 | 26.1 | 13.3 | 14.7 | 18.1 | 20.7 | 24.8 | 29.9 | 35.4 | 46.1 | 53.8 | 59.3 | 64.5 | 71.5 | 76.0 | 78.3 | 80.9 | 82.5 | 83.5 |
| Korea | -13.1 | -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 | -28.9 | -30.3 | -32.2 | -33.4 | -34.3 |
| Netherlands | 26.2 | 29.2 | 32.1 | 33.2 | 39.0 | 43.4 | 42.2 | 51.6 | 50.5 | 48.6 | 46.0 | 35.1 | 34.8 | 33.0 | 34.9 | 36.1 | 37.8 | 39.3 | 40.2 | 40.7 |
| New Zealand | .. | .. | .. | .. | .. | 51.4 | 44.7 | 38.4 | 33.1 | 30.4 | 28.4 | 26.0 | 24.0 | 20.8 | 16.6 | 11.4 | 4.9 | -1.1 | -5.1 | -8.6 |
| Norway | -42.7 | -41.9 | -41.7 | -37.9 | -35.6 | -32.4 | -31.0 | -36.5 | -41.6 | -49.5 | -51.9 | -59.1 | -69.6 | -87.3 | -84.5 | -99.2 | -110.8 | -124.3 | -140.8 | -157.8 |
| Poland | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | 5.9 | 12.7 | 12.7 | 11.8 | 16.2 | 15.8 | 13.9 | 17.0 | 20.6 | 23.6 |
| Portugal | .. | .. | .. | .. | .. | .. | .. | 25.4 | 27.6 | 27.5 | 27.2 | 26.1 | 27.4 | 28.8 | 32.4 | 36.1 | 38.9 | 45.9 | 49.4 | 52.2 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | -5.2 | -4.5 | 10.2 | 15.1 | -7.0 | -6.1 | -2.8 | 1.0 | 4.7 | 7.4 |
| Spain | .. | .. | 30.0 | 32.0 | 32.5 | 40.6 | 40.5 | 46.6 | 51.3 | 50.4 | 49.8 | 44.2 | 41.3 | 39.3 | 37.6 | 34.2 | 31.5 | 28.7 | 26.2 | 24.1 |
| Sweden | 0.2 | -5.9 | -7.8 | -4.9 | 4.5 | 10.3 | 20.4 | 25.2 | 25.7 | 23.2 | 20.1 | 9.1 | 1.3 | -3.1 | 2.3 | -2.1 | -4.7 | -5.7 | -6.3 | -7.3 |
| United Kingdom | 20.5 | 15.6 | 14.9 | 15.5 | 22.5 | 32.3 | 33.0 | 38.9 | 40.4 | 42.6 | 43.6 | 39.7 | 36.8 | 33.4 | 34.1 | 34.6 | 36.9 | 39.1 | 41.1 | 43.0 |
| United States | 47.6 | 47.7 | 48.9 | 52.5 | 55.9 | 58.4 | 57.9 | 57.2 | 56.3 | 53.1 | 49.1 | 44.1 | 39.2 | 38.0 | 40.7 | 43.5 | 45.1 | 45.7 | 47.2 | 48.6 |
| Euro area | 23.8 | 23.2 | 25.0 | 25.3 | 28.9 | 34.2 | 35.4 | 52.4 | 56.2 | 56.9 | 57.4 | 52.4 | 50.7 | 51.2 | 53.5 | 54.2 | 55.4 | 57.2 | 58.5 | 59.1 |
| Total OECD | 35.0 | 33.3 | 32.3 | 32.5 | 36.0 | 40.1 | 40.9 | 46.0 | 47.4 | 46.8 | 45.9 | 43.0 | 40.5 | 40.2 | 42.9 | 44.6 | 45.6 | 46.5 | 47.5 | 48.2 |

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 78 database.

Annex Table 34. Short-term interest rates

Per cent, per annum

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|-----------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 10.2 | 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 | 5.7 | 5.7 | 5.7 | 5.7 | 5.7 | 5.7 |
| Austria | 9.5 | 9.5 | 7.0 | 5.1 | 4.6 | 3.4 | 3.5 | 3.6 | 3.0 | | | | | | | | | | | |
| Belgium | 9.4 | 9.4 | 8.2 | 5.7 | 4.8 | 3.2 | 3.4 | 3.6 | 3.0 | | | | | | | | | | | |
| Canada | 9.0 | 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 | 4.1 | 4.3 | 3.3 | 4.3 | 4.3 |
| Czech Republic | .. | .. | 13.1 | 9.1 | 10.9 | 12.0 | 15.9 | 14.3 | 6.9 | 5.4 | 5.2 | 3.5 | 2.3 | 2.4 | 1.9 | 2.3 | 3.3 | 1.8 | 2.8 | 3.5 |
| Denmark | 9.7 | 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 | 2.1 | 2.2 | 2.9 | 2.2 | 2.3 | 3.3 |
| Finland | 13.1 | 13.3 | 7.8 | 5.4 | 5.8 | 3.6 | 3.2 | 3.6 | 3.0 | | | | | | | | | | | |
| France | 9.6 | 10.3 | 8.6 | 5.8 | 6.6 | 3.9 | 3.5 | 3.6 | 3.0 | | | | | | | | | | | |
| Germany | 9.2 | 9.5 | 7.3 | 5.4 | 4.5 | 3.3 | 3.3 | 3.5 | 3.0 | | | | | | | | | | | |
| Greece | 23.3 | 21.7 | 21.3 | 19.3 | 15.5 | 12.8 | 10.4 | 11.6 | 8.9 | 4.4 | 4.3 | | | | | | | | | |
| 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 | 6.8 | 5.8 | 5.5 | 5.3 | 6.0 | 5.3 |
| Iceland | 14.6 | 10.5 | 8.8 | 4.9 | 7.0 | 7.0 | 7.1 | 7.4 | 8.6 | 11.2 | 11.0 | 8.0 | 5.0 | 6.1 | 9.2 | 11.0 | 9.8 | 10.5 | 11.0 | 9.0 |
| Ireland | 10.4 | 14.3 | 9.1 | 5.9 | 6.2 | 5.4 | 6.1 | 5.4 | 3.0 | | | | | | | | | | | |
| Italy | 12.2 | 14.0 | 10.2 | 8.5 | 10.5 | 8.8 | 6.9 | 5.0 | 3.0 | | | | | | | | | | | |
| Japan | 7.4 | 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 | 0.0 | 0.7 | 0.0 | 0.0 | 1.0 |
| Korea | 18.3 | 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 | 3.6 | 4.4 | 5.4 | 3.8 | 4.8 | 5.8 |
| Luxembourg | 9.4 | 9.4 | 8.2 | 5.7 | 4.8 | 3.2 | 3.4 | 3.6 | 3.0 | | | | | | | | | | | |
| Mexico | .. | .. | .. | .. | .. | .. | 22.3 | 27.1 | 24.6 | 17.2 | 13.4 | 8.5 | 7.2 | 7.4 | 9.5 | 8.9 | 7.4 | 9.2 | 8.5 | 7.0 |
| Netherlands | 9.3 | 9.4 | 6.9 | 5.2 | 4.4 | 3.0 | 3.3 | 3.5 | 3.0 | | | | | | | | | | | |
| New Zealand | 10.0 | 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 | 7.6 | 7.6 | 7.3 | 7.6 | 7.6 |
| Norway | 10.6 | 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 | 3.5 | 4.7 | 2.4 | 4.4 | 4.7 |
| 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 | 4.1 | 4.1 | 4.5 | 4.1 | 4.1 |
| Portugal | 17.7 | 16.1 | 12.5 | 11.1 | 9.8 | 7.4 | 5.7 | 4.3 | 3.0 | | | | | | | | | | | |
| Slovak Republic | .. | .. | .. | .. | .. | 11.5 | 20.2 | 18.1 | 14.8 | 8.2 | 7.5 | 7.5 | 5.9 | 4.4 | 2.6 | 2.9 | 3.7 | 2.6 | 3.1 | 4.0 |
| Spain | 13.2 | 13.3 | 11.7 | 8.0 | 9.4 | 7.5 | 5.4 | 4.2 | 3.0 | | | | | | | | | | | |
| Sweden | 11.6 | 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 | 2.4 | 3.4 | 1.5 | 3.0 | 3.5 |
| Switzerland | 8.2 | 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 | 0.7 | 1.4 | 2.0 | 0.7 | 1.8 | 2.0 |
| Turkey | .. | .. | .. | .. | .. | .. | .. | .. | .. | 38.9 | 92.4 | 59.5 | 38.5 | 23.8 | 15.9 | 12.5 | 10.5 | 14.4 | 10.8 | 10.3 |
| United Kingdom | 11.5 | 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 | 4.5 | 4.5 | 4.6 | 4.5 | 4.5 |
| United States | 5.9 | 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 | 4.8 | 4.9 | 4.2 | 4.9 | 4.9 |
| Euro area | 10.5 | 11.2 | 8.6 | 6.3 | 6.4 | 4.8 | 4.2 | 3.9 | 3.0 | 4.4 | 4.3 | 3.3 | 2.3 | 2.1 | 2.2 | 2.2 | 2.9 | 2.2 | 2.3 | 3.3 |

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 78 database.

Annex Table 35. Long-term interest rates

Per cent, per annum

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | Fourth quarter | | |
|-----------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|----------------|------|------|
| | | | | | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 10.7 | 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 | 5.4 | 5.5 | 5.3 | 5.4 | 5.6 |
| Austria | 8.5 | 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 | 3.7 | 4.1 | 3.5 | 3.9 | 4.2 |
| Belgium | 9.3 | 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 | 4.1 | 3.5 | 3.9 | 4.2 |
| Canada | 9.5 | 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 | 4.4 | 4.4 | 4.2 | 4.4 | 4.5 |
| Denmark | 9.3 | 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 | 3.7 | 4.0 | 3.4 | 3.8 | 4.2 |
| Finland | 11.7 | 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 | 3.4 | 3.9 | 4.3 |
| France | 9.0 | 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 | 3.7 | 4.1 | 3.5 | 3.9 | 4.2 |
| Germany | 8.5 | 7.8 | 6.5 | 6.9 | 6.9 | 6.2 | 5.6 | 4.6 | 4.5 | 5.3 | 4.8 | 4.8 | 4.1 | 4.0 | 3.4 | 3.7 | 4.0 | 3.4 | 3.8 | 4.2 |
| Greece | .. | .. | .. | .. | .. | .. | 9.8 | 8.5 | 6.3 | 6.1 | 5.3 | 5.0 | 4.3 | 4.3 | 3.6 | 3.9 | 4.2 | 3.6 | 4.0 | 4.3 |
| 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 | 9.3 | 8.5 | 9.3 | 9.1 | 8.0 |
| Ireland | 9.4 | 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 | 3.4 | 3.8 | 4.1 | 3.5 | 3.9 | 4.2 |
| Italy | 13.3 | 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 | 3.9 | 4.2 | 3.6 | 4.0 | 4.4 |
| Japan | 6.3 | 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 | 2.3 | 1.5 | 2.0 | 2.4 |
| Korea | 16.5 | 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 | 4.5 | 5.7 | 6.9 | 5.0 | 6.2 | 7.4 |
| Luxembourg | .. | .. | .. | 7.2 | 7.2 | 6.3 | 5.6 | 4.7 | 4.7 | 5.5 | 4.9 | 4.7 | 3.3 | 2.8 | 2.5 | 3.3 | 3.6 | 3.0 | 3.4 | 3.7 |
| Mexico | 19.7 | 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 | 9.8 | 9.5 | 8.0 | 10.0 | 9.2 | 7.5 |
| Netherlands | 8.7 | 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 | 3.7 | 4.1 | 3.5 | 3.9 | 4.2 |
| New Zealand | 10.1 | 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 | 6.4 | 6.4 | 6.1 | 6.4 | 6.4 |
| Norway | 10.0 | 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 | 3.8 | 4.6 | 5.0 | 3.9 | 5.0 | 5.0 |
| Portugal | .. | .. | .. | 10.5 | 11.5 | 8.6 | 6.4 | 4.9 | 4.8 | 5.6 | 5.2 | 5.0 | 4.2 | 4.1 | 3.5 | 3.9 | 4.2 | 3.6 | 4.0 | 4.3 |
| Slovak Republic | .. | .. | .. | .. | .. | 9.7 | 9.4 | 21.7 | 16.2 | 9.8 | 8.1 | 6.9 | 5.0 | 5.0 | 3.6 | 3.6 | 4.0 | 3.4 | 3.8 | 4.1 |
| Spain | 12.8 | 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 | 3.7 | 4.1 | 3.5 | 3.9 | 4.2 |
| Sweden | 10.7 | 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 | 3.9 | 4.6 | 3.5 | 4.2 | 4.7 |
| Switzerland | 6.2 | 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 | 2.4 | 2.8 | 2.0 | 2.5 | 2.8 |
| Turkey | .. | .. | .. | .. | .. | .. | .. | .. | .. | 37.7 | 99.6 | 63.5 | 44.1 | 24.9 | 16.2 | 13.0 | 11.0 | 14.5 | 12.1 | 10.3 |
| United Kingdom | 10.1 | 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 | 4.5 | 4.5 | 4.7 | 4.4 | 4.6 | 4.8 |
| United States | 7.9 | 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 | 4.7 | 4.8 | 4.5 | 4.7 | 4.8 |
| Euro area | 10.1 | 9.6 | 7.8 | 8.0 | 8.4 | 7.1 | 6.0 | 4.8 | 4.6 | 5.4 | 5.0 | 4.9 | 4.1 | 4.1 | 3.4 | 3.7 | 4.1 | 3.5 | 3.9 | 4.2 |

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 78 database.

Annex Table 36. Nominal exchange rates (*vis-à-vis* the US dollar)

| | | Average of daily rates | | | | | | | | | | | | | | |
|-----------------|---------------------|------------------------|-------|-------|---------|---------|---------|---------|---------|---------|---------|---------|--|---------|---------|--|
| | Monetary unit | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | Estimates and assumptions ¹ | | | |
| | | | | | | | | | | | | | 2005 | 2006 | 2007 | |
| Australia | <i>Dollar</i> | 1.350 | 1.277 | 1.348 | 1.592 | 1.550 | 1.550 | 1.727 | 1.935 | 1.841 | 1.542 | 1.359 | 1.315 | 1.368 | 1.368 | |
| Austria | <i>Schilling</i> | 10.08 | 10.58 | 12.20 | 12.38 | 12.91 | | | | | | | | | | |
| Belgium | <i>Franc</i> | 29.50 | 30.98 | 35.76 | 36.30 | 37.86 | | | | | | | | | | |
| Canada | <i>Dollar</i> | 1.372 | 1.364 | 1.385 | 1.483 | 1.486 | 1.486 | 1.485 | 1.548 | 1.570 | 1.400 | 1.301 | 1.215 | 1.190 | 1.190 | |
| Czech Republic | <i>Koruny</i> | 26.54 | 27.15 | 31.70 | 32.28 | 34.59 | 34.59 | 38.64 | 38.02 | 32.73 | 28.13 | 25.69 | 24.00 | 24.96 | 24.960 | |
| Denmark | <i>Krone</i> | 5.604 | 5.798 | 6.604 | 6.699 | 6.980 | 6.980 | 8.088 | 8.321 | 7.884 | 6.577 | 5.988 | 6.000 | 6.337 | 6.337 | |
| Finland | <i>Markka</i> | 4.367 | 4.592 | 5.187 | 5.345 | 5.580 | | | | | | | | | | |
| France | <i>Franc</i> | 4.991 | 5.116 | 5.837 | 5.899 | 6.157 | | | | | | | | | | |
| Germany | <i>Deutschemark</i> | 1.433 | 1.505 | 1.734 | 1.759 | 1.836 | | | | | | | | | | |
| Greece | <i>Drachma</i> | 231.6 | 240.7 | 272.9 | 295.3 | 305.7 | | | | | | | | | | |
| Hungary | <i>Forint</i> | 125.7 | 152.6 | 186.6 | 214.3 | 237.1 | 237.1 | 282.3 | 286.5 | 257.9 | 224.3 | 202.6 | 199.7 | 214.5 | 214.5 | |
| Iceland | <i>Krona</i> | 64.77 | 66.69 | 70.97 | 71.17 | 72.43 | 72.43 | 78.84 | 97.67 | 91.59 | 76.69 | 70.19 | 62.68 | 61.70 | 61.70 | |
| Ireland | <i>Pound</i> | 0.624 | 0.625 | 0.660 | 0.703 | 0.739 | | | | | | | | | | |
| Italy | <i>Lira</i> | 1629 | 1543 | 1703 | 1736 | 1817 | | | | | | | | | | |
| Japan | <i>Yen</i> | 94.1 | 108.8 | 121.0 | 130.9 | 113.9 | 113.9 | 107.8 | 121.5 | 125.3 | 115.9 | 108.1 | 110.0 | 118.0 | 118.0 | |
| Korea | <i>Won</i> | 771.4 | 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 | 1 026.4 | 1 044.5 | 1 044.5 | |
| Luxembourg | <i>Franc</i> | 29.50 | 30.98 | 35.76 | 36.30 | 37.86 | | | | | | | | | | |
| Mexico | <i>Peso</i> | 6.421 | 7.601 | 7.924 | 9.153 | 9.553 | 9.553 | 9.453 | 9.344 | 9.660 | 10.790 | 11.281 | 10.896 | 10.670 | 10.670 | |
| Netherlands | <i>Guilder</i> | 1.605 | 1.686 | 1.951 | 1.983 | 2.068 | | | | | | | | | | |
| New Zealand | <i>Dollar</i> | 1.524 | 1.454 | 1.513 | 1.869 | 1.892 | 1.892 | 2.205 | 2.382 | 2.163 | 1.724 | 1.509 | 1.423 | 1.458 | 1.458 | |
| Norway | <i>Krone</i> | 6.337 | 6.457 | 7.072 | 7.545 | 7.797 | 7.797 | 8.797 | 8.993 | 7.986 | 7.078 | 6.739 | 6.428 | 6.616 | 6.616 | |
| Poland | <i>Zloty</i> | 2.425 | 2.695 | 3.277 | 3.492 | 3.964 | 3.964 | 4.346 | 4.097 | 4.082 | 3.888 | 3.651 | 3.255 | 3.440 | 3.440 | |
| Portugal | <i>Escudo</i> | 149.9 | 154.2 | 175.2 | 180.1 | 188.2 | | | | | | | | | | |
| Slovak Republic | <i>Koruna</i> | 29.7 | 30.65 | 33.62 | 35.23 | 41.36 | 41.36 | 46.23 | 48.35 | 45.30 | 36.76 | 32.23 | 31.17 | 33.25 | 33.250 | |
| Spain | <i>Peseta</i> | 124.7 | 126.7 | 146.4 | 149.4 | 156.2 | | | | | | | | | | |
| Sweden | <i>Krona</i> | 7.134 | 6.707 | 7.635 | 7.947 | 8.262 | 8.262 | 9.161 | 10.338 | 9.721 | 8.078 | 7.346 | 7.490 | 8.150 | 8.150 | |
| Switzerland | <i>Franc</i> | 1.182 | 1.236 | 1.450 | 1.450 | 1.503 | 1.503 | 1.688 | 1.687 | 1.557 | 1.345 | 1.243 | 1.246 | 1.311 | 1.311 | |
| Turkey | <i>Lira</i> | 0.046 | 0.081 | 0.152 | 0.260 | 0.419 | 0.419 | 0.624 | 1.228 | 1.512 | 1.503 | 1.426 | 1.342 | 1.372 | 1.399 | |
| United Kingdom | <i>Pound</i> | 0.634 | 0.641 | 0.611 | 0.604 | 0.618 | 0.618 | 0.661 | 0.694 | 0.667 | 0.612 | 0.546 | 0.550 | 0.574 | 0.574 | |
| United States | <i>Dollar</i> | 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 | <i>Euro</i> | .. | .. | .. | .. | .. | 0.938 | 1.085 | 1.117 | 1.061 | 0.885 | 0.805 | 0.805 | 0.852 | 0.852 | |
| | <i>SDR</i> | 0.659 | 0.689 | 0.726 | 0.737 | 0.731 | 0.731 | 0.758 | 0.785 | 0.773 | 0.714 | 0.675 | 0.677 | 0.700 | 0.700 | |

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 11 November 2005, except for Turkey, where exchange rates vary according to official exchange rate policy.

Source: OECD Economic Outlook 78 database.

Annex Table 37. **Effective exchange rates**

Indices 2000 = 100, average of daily rates

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | Estimates and assumptions ¹ | | |
|-----------------|---------|---------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|-------|-------|
| | | | | | | | | | | | | | | 2005 | 2006 | 2007 |
| Australia | 104.8 | 99.5 | 107.2 | 103.9 | 113.9 | 115.4 | 107.4 | 107.6 | 100.0 | 93.7 | 97.2 | 108.6 | 117.2 | 119.9 | 118.5 | 118.6 |
| Austria | 92.5 | 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 | 103.9 | 104.0 |
| Belgium | 95.8 | 97.9 | 102.2 | 107.9 | 106.2 | 102.0 | 104.4 | 104.1 | 100.0 | 101.2 | 103.0 | 108.3 | 110.2 | 109.6 | 108.2 | 108.3 |
| Canada | 112.9 | 107.7 | 102.8 | 102.0 | 103.9 | 104.3 | 99.4 | 99.1 | 100.0 | 97.0 | 95.5 | 105.5 | 112.0 | 119.5 | 123.0 | 123.0 |
| 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 | 125.7 | 125.7 |
| Denmark | 93.8 | 98.2 | 100.5 | 105.7 | 104.7 | 102.3 | 104.9 | 104.2 | 100.0 | 101.8 | 103.3 | 108.1 | 109.5 | 108.7 | 107.9 | 107.9 |
| Finland | 88.3 | 79.5 | 90.1 | 103.6 | 101.1 | 98.9 | 101.7 | 104.7 | 100.0 | 102.1 | 104.3 | 110.3 | 112.4 | 111.6 | 110.1 | 110.2 |
| France | 93.6 | 97.4 | 100.4 | 104.5 | 104.9 | 102.1 | 104.5 | 103.8 | 100.0 | 100.9 | 102.5 | 107.4 | 109.0 | 108.5 | 107.3 | 107.4 |
| Germany | 89.0 | 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 | 108.7 | 108.8 |
| Greece | 129.3 | 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 | 107.3 | 107.3 |
| 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 | 111.3 | 108.5 | 108.6 |
| Iceland | 103.1 | 97.1 | 92.9 | 93.3 | 92.8 | 94.8 | 97.4 | 99.0 | 100.0 | 85.2 | 87.9 | 92.1 | 93.2 | 104.0 | 110.7 | 110.7 |
| Ireland | 113.1 | 107.4 | 109.2 | 111.2 | 114.1 | 113.9 | 110.5 | 107.3 | 100.0 | 101.2 | 103.6 | 112.6 | 115.1 | 114.8 | 112.5 | 112.5 |
| Italy | 115.2 | 99.2 | 99.1 | 91.3 | 100.5 | 101.8 | 104.0 | 103.8 | 100.0 | 101.3 | 103.2 | 108.3 | 110.1 | 109.3 | 108.0 | 108.0 |
| Japan | 60.1 | 74.3 | 86.4 | 92.5 | 80.6 | 77.1 | 80.0 | 91.9 | 100.0 | 92.3 | 88.4 | 91.4 | 95.3 | 92.5 | 87.2 | 87.2 |
| Korea | 119.6 | 117.8 | 119.1 | 119.5 | 121.4 | 112.4 | 81.3 | 93.3 | 100.0 | 92.4 | 95.4 | 94.8 | 94.8 | 105.5 | 106.5 | 106.6 |
| Luxembourg | 98.6 | 99.2 | 102.0 | 105.4 | 104.2 | 102.0 | 103.0 | 102.8 | 100.0 | 100.4 | 101.5 | 105.0 | 106.2 | 105.7 | 104.9 | 104.9 |
| Mexico | 259.3 | 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 | 86.7 | 86.7 |
| Netherlands | 92.7 | 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 | 110.9 | 110.9 |
| New Zealand | 97.4 | 102.0 | 109.4 | 116.9 | 124.3 | 127.3 | 114.3 | 110.3 | 100.0 | 98.7 | 106.8 | 121.6 | 129.7 | 135.6 | 136.7 | 136.7 |
| Norway | 101.1 | 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 | 112.7 | 112.8 |
| 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 | 103.2 | 102.6 | 102.7 |
| Portugal | 106.3 | 102.5 | 101.7 | 104.9 | 104.5 | 103.1 | 103.0 | 102.4 | 100.0 | 100.9 | 102.0 | 104.7 | 105.4 | 105.1 | 104.7 | 104.7 |
| Slovak Republic | .. | 98.2 | 97.1 | 100.4 | 101.3 | 106.0 | 105.9 | 98.3 | 100.0 | 97.6 | 98.0 | 103.5 | 108.0 | 109.9 | 108.1 | 108.2 |
| Spain | 124.2 | 111.0 | 105.7 | 106.0 | 107.1 | 102.8 | 104.0 | 103.1 | 100.0 | 101.1 | 102.5 | 106.3 | 107.5 | 107.0 | 106.0 | 106.0 |
| Sweden | 112.4 | 92.5 | 93.6 | 94.0 | 103.5 | 100.2 | 99.9 | 99.7 | 100.0 | 91.9 | 94.1 | 99.5 | 101.3 | 98.6 | 94.6 | 94.6 |
| Switzerland | 82.9 | 86.8 | 95.6 | 104.0 | 102.7 | 96.9 | 101.0 | 101.8 | 100.0 | 104.0 | 109.3 | 111.1 | 111.5 | 110.7 | 109.9 | 109.9 |
| Turkey | 6 053.0 | 4 239.0 | 1 719.1 | 990.8 | 581.1 | 345.5 | 207.8 | 137.2 | 100.0 | 56.3 | 41.8 | 36.8 | 35.8 | 37.8 | 38.6 | 37.9 |
| United Kingdom | 82.8 | 76.6 | 79.0 | 76.4 | 78.1 | 91.1 | 97.0 | 97.4 | 100.0 | 99.0 | 100.2 | 96.3 | 100.8 | 99.4 | 99.2 | 99.2 |
| United States | 68.3 | 72.7 | 76.9 | 78.5 | 82.9 | 88.8 | 98.0 | 97.6 | 100.0 | 105.3 | 105.8 | 99.6 | 95.1 | 92.9 | 94.9 | 94.9 |
| Euro area | 95.2 | 94.2 | 100.8 | 109.5 | 111.7 | 104.6 | 110.8 | 109.9 | 100.0 | 102.5 | 106.4 | 119.4 | 123.8 | 121.9 | 118.5 | 118.6 |

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 11 November 2005, except for Turkey, where exchange rates vary according to official exchange rate policy.

Source: OECD Economic Outlook 78 database.

Annex Table 38. **Export volumes of goods and services**

National accounts basis, percentage changes from previous year

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Australia | 3.5 | 2.9 | 8.5 | 13.1 | 5.4 | 8.0 | 9.0 | 5.0 | 10.6 | 11.5 | -0.2 | 4.7 | 10.9 | 1.8 | 0.1 | -2.3 | 4.2 | 4.0 | 6.5 | 8.0 |
| Austria | 10.2 | 9.6 | 7.7 | 3.8 | 1.4 | -1.5 | 5.3 | 6.0 | 4.6 | 11.9 | 8.3 | 6.2 | 10.6 | 7.1 | 3.3 | 2.8 | 8.5 | 2.5 | 6.3 | 7.8 |
| Belgium | 10.3 | 8.8 | 4.6 | 2.8 | 2.4 | 0.9 | 9.0 | 4.8 | 2.5 | 6.2 | 5.5 | 5.3 | 8.6 | 1.0 | 1.0 | 2.8 | 5.6 | 1.3 | 3.5 | 6.3 |
| Canada | 8.9 | 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 | 1.0 | -2.1 | 5.0 | 3.0 | 5.0 | 5.6 |
| Czech Republic | .. | .. | .. | .. | .. | .. | 3.9 | 16.7 | 5.5 | 8.4 | 10.5 | 5.5 | 16.5 | 11.5 | 2.1 | 7.5 | 21.9 | 8.5 | 11.2 | 12.8 |
| Denmark | 11.2 | 4.2 | 6.2 | 6.5 | 0.5 | 1.0 | 8.4 | 3.2 | 4.2 | 4.9 | 4.1 | 11.6 | 12.7 | 3.1 | 4.8 | -1.1 | 3.2 | 9.3 | 5.7 | 5.7 |
| Finland | 2.9 | 3.0 | 1.6 | -7.4 | 10.0 | 16.2 | 13.5 | 8.6 | 5.4 | 13.8 | 9.3 | 6.0 | 19.5 | -0.8 | 5.0 | 1.5 | 5.5 | 5.8 | 6.1 | 6.3 |
| France ¹ | 8.7 | 10.6 | 4.9 | 5.5 | 5.4 | -0.5 | 7.7 | 7.8 | 2.7 | 12.3 | 7.5 | 3.9 | 13.8 | 2.6 | 1.5 | -1.7 | 2.1 | 3.7 | 7.2 | 6.8 |
| Germany | 5.5 | 10.3 | 13.2 | 12.9 | -1.9 | -4.8 | 8.1 | 6.6 | 6.2 | 11.8 | 7.4 | 5.6 | 14.2 | 6.8 | 4.3 | 2.3 | 8.3 | 6.6 | 7.5 | 7.8 |
| Greece | -2.1 | 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 | 7.8 | 8.2 | 8.8 |
| Hungary | .. | .. | .. | .. | .. | .. | 13.6 | 48.2 | 12.1 | 22.3 | 17.6 | 12.2 | 22.0 | 8.0 | 3.9 | 7.8 | 16.4 | 10.2 | 11.9 | 12.5 |
| Iceland | -3.6 | 2.9 | 0.0 | -5.9 | -2.0 | 6.5 | 9.5 | -2.3 | 9.9 | 5.3 | 2.1 | 3.9 | 4.3 | 7.4 | 3.9 | 1.4 | 8.3 | 5.7 | 7.6 | 8.6 |
| Ireland | 9.0 | 10.3 | 8.7 | 5.7 | 13.9 | 9.7 | 15.1 | 20.0 | 12.2 | 17.4 | 23.1 | 15.5 | 20.2 | 9.4 | 4.1 | 0.7 | 7.0 | 4.9 | 5.4 | 6.2 |
| Italy | 5.1 | 7.8 | 7.5 | -1.4 | 7.3 | 9.0 | 9.8 | 12.6 | 0.6 | 6.4 | 3.4 | 0.1 | 9.7 | 1.6 | -3.2 | -1.9 | 3.2 | 0.7 | 6.8 | 4.7 |
| Japan | 5.3 | 9.3 | 6.7 | 4.1 | 3.9 | -0.1 | 3.6 | 4.3 | 6.2 | 11.3 | -2.4 | 1.5 | 12.1 | -6.0 | 7.3 | 9.1 | 14.4 | 6.5 | 9.8 | 8.9 |
| Korea | 11.7 | -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 | 19.7 | 9.5 | 13.1 | 13.1 |
| Luxembourg | 11.1 | 12.6 | 5.6 | 9.2 | 2.7 | 4.8 | 7.7 | 4.6 | 5.8 | 14.7 | 14.1 | 14.8 | 17.3 | 1.8 | -0.6 | 1.7 | 7.7 | 5.5 | 7.1 | 7.4 |
| Mexico | 5.8 | 5.7 | 5.3 | 5.1 | 5.0 | 8.1 | 17.8 | 30.2 | 18.2 | 10.7 | 12.1 | 12.4 | 16.4 | -3.8 | 1.6 | 2.7 | 11.5 | 5.2 | 7.0 | 7.0 |
| Netherlands | 8.1 | 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 | 2.0 | 8.5 | 4.3 | 6.1 | 6.4 |
| New Zealand | 6.1 | -1.4 | 4.9 | 10.8 | 3.7 | 4.6 | 10.0 | 3.8 | 3.7 | 3.9 | 1.8 | 8.1 | 7.0 | 2.9 | 6.0 | 2.1 | 5.9 | 0.0 | 7.3 | 8.5 |
| Norway | 6.4 | 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 | 1.6 | 0.9 | -0.9 | 1.7 | 2.2 |
| Poland | .. | .. | .. | .. | .. | .. | 13.1 | 22.9 | 12.0 | 12.2 | 14.3 | -2.6 | 23.2 | 3.1 | 4.8 | 14.2 | 10.2 | 9.3 | 12.0 | 10.5 |
| Portugal | 8.2 | 12.2 | 9.5 | 1.2 | 3.2 | -3.3 | 8.4 | 8.8 | 5.7 | 6.1 | 8.6 | 3.0 | 8.3 | 2.1 | 1.5 | 4.5 | 4.6 | 1.6 | 6.3 | 6.4 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | 14.8 | 4.5 | -1.1 | 17.6 | 12.8 | 5.0 | 13.7 | 6.3 | 5.6 | 22.5 | 11.4 | 7.5 | 10.6 | 12.6 |
| Spain | 3.8 | 1.4 | 4.7 | 8.3 | 7.5 | 7.8 | 16.7 | 9.4 | 10.4 | 14.9 | 8.0 | 7.4 | 10.3 | 4.0 | 1.8 | 3.6 | 3.3 | 1.2 | 5.1 | 5.1 |
| Sweden | 2.8 | 3.2 | 1.8 | -1.9 | 2.2 | 8.3 | 13.9 | 11.3 | 4.2 | 13.3 | 8.4 | 7.9 | 11.2 | 0.8 | 1.0 | 4.9 | 10.6 | 3.9 | 7.6 | 7.8 |
| Switzerland | 6.3 | 6.1 | 2.9 | -1.3 | 3.1 | 1.3 | 1.9 | 0.6 | 3.6 | 11.1 | 4.0 | 6.4 | 12.2 | 0.2 | -0.7 | -0.5 | 9.0 | 5.0 | 7.7 | 7.1 |
| Turkey | 18.4 | -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 | 9.0 | 10.5 | 9.0 |
| United Kingdom | 0.7 | 4.5 | 5.5 | -0.1 | 4.3 | 4.4 | 9.2 | 9.3 | 8.7 | 8.3 | 3.1 | 4.3 | 9.1 | 2.9 | 0.2 | 1.2 | 3.9 | 5.6 | 7.7 | 7.5 |
| United States ¹ | 16.0 | 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 | 1.8 | 8.4 | 7.1 | 8.3 | 8.5 |
| Total OECD | 7.9 | 7.8 | 7.1 | 5.1 | 4.4 | 4.7 | 8.9 | 9.1 | 6.7 | 11.0 | 5.2 | 5.4 | 11.6 | 0.1 | 1.8 | 2.8 | 8.1 | 5.4 | 7.7 | 7.8 |

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 78 database.

Annex Table 39. **Import volumes of goods and services**

National accounts basis, percentage changes from previous year

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------------|------|-------|------|-------|------|-------|-------|-------|------|------|-------|------|------|-------|------|------|------|------|------|------|
| Australia | 17.1 | 20.6 | -4.0 | -2.4 | 7.1 | 4.2 | 14.3 | 7.9 | 8.3 | 10.5 | 6.0 | 9.3 | 7.6 | -4.1 | 11.3 | 10.5 | 14.3 | 9.8 | 8.7 | 9.9 |
| Austria | 10.4 | 9.1 | 7.1 | 5.4 | 2.8 | -5.5 | 9.8 | 5.9 | 4.8 | 8.0 | 5.7 | 5.8 | 9.1 | 4.9 | 1.3 | 4.5 | 6.0 | 1.8 | 6.0 | 7.8 |
| Belgium | 10.7 | 10.0 | 4.8 | 2.8 | 3.1 | 0.5 | 7.4 | 4.8 | 2.6 | 4.9 | 7.0 | 4.5 | 8.6 | 0.2 | 0.2 | 2.9 | 6.3 | 3.5 | 4.3 | 6.1 |
| Canada | 13.5 | 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 | 1.5 | 4.1 | 8.1 | 7.2 | 4.3 | 4.5 |
| Czech Republic | .. | .. | .. | .. | .. | .. | 8.7 | 21.2 | 12.1 | 6.9 | 8.4 | 5.0 | 16.3 | 13.0 | 4.9 | 7.9 | 18.4 | 2.9 | 10.4 | 12.3 |
| Denmark | 8.3 | 4.1 | 1.2 | 3.6 | 0.1 | -1.1 | 12.8 | 7.4 | 3.3 | 9.5 | 8.5 | 3.5 | 13.0 | 1.9 | 6.5 | -0.6 | 6.5 | 10.2 | 6.4 | 5.7 |
| Finland | 9.4 | 9.6 | 0.0 | -13.1 | 0.4 | 2.0 | 12.4 | 6.6 | 6.5 | 10.5 | 8.8 | 3.4 | 15.8 | 1.0 | 2.1 | 2.4 | 6.1 | 6.5 | 4.5 | 4.0 |
| France ¹ | 8.0 | 8.2 | 4.5 | 2.4 | 1.0 | -3.7 | 8.7 | 6.4 | 2.4 | 7.6 | 10.6 | 5.8 | 14.9 | 2.5 | 1.5 | 1.3 | 6.1 | 6.4 | 7.3 | 7.0 |
| Germany | 5.7 | 8.5 | 10.7 | 12.2 | 1.7 | -4.6 | 8.3 | 6.8 | 3.7 | 8.3 | 9.0 | 8.2 | 10.7 | 1.5 | -1.3 | 5.0 | 6.1 | 5.1 | 5.6 | 6.8 |
| Greece | 7.3 | 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 | -2.4 | 5.2 | 9.3 | 1.3 | 7.2 | 7.1 |
| Hungary | .. | .. | .. | .. | .. | .. | 8.8 | 22.3 | 9.4 | 23.1 | 23.8 | 13.3 | 20.2 | 5.3 | 6.8 | 11.1 | 13.2 | 7.7 | 11.2 | 11.7 |
| Iceland | -4.6 | -10.3 | 1.0 | 5.3 | -6.0 | -7.8 | 4.1 | 3.9 | 16.5 | 7.7 | 23.4 | 4.3 | 8.5 | -9.1 | -2.6 | 10.7 | 14.2 | 19.9 | 7.7 | 2.2 |
| Ireland | 4.9 | 13.5 | 5.1 | 2.4 | 8.2 | 7.5 | 15.5 | 16.4 | 12.5 | 16.7 | 27.6 | 12.4 | 21.6 | 7.3 | 1.9 | -1.5 | 7.5 | 4.7 | 5.8 | 7.1 |
| Italy | 5.9 | 8.9 | 11.5 | 2.3 | 7.4 | -10.9 | 8.1 | 9.7 | -0.3 | 10.1 | 8.9 | 5.6 | 7.1 | 0.5 | -0.5 | 1.3 | 2.5 | 3.8 | 7.0 | 5.6 |
| Japan | 18.5 | 16.9 | 7.8 | -1.1 | -0.7 | -1.4 | 7.9 | 13.3 | 12.9 | 0.7 | -6.7 | 3.7 | 8.5 | -0.7 | 1.3 | 3.8 | 8.9 | 7.6 | 6.0 | 5.6 |
| Korea | 13.7 | 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 | 13.8 | 7.9 | 12.3 | 12.6 |
| Luxembourg | 10.5 | 9.1 | 5.0 | 9.1 | -3.1 | 5.2 | 6.7 | 4.2 | 7.6 | 13.9 | 15.3 | 14.6 | 15.4 | 3.7 | -2.6 | 1.4 | 7.8 | 5.3 | 7.0 | 7.0 |
| Mexico | 36.7 | 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 | 10.2 | 7.7 | 7.9 | 7.4 |
| Netherlands | 6.4 | 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 | 2.0 | 7.8 | 3.6 | 5.6 | 6.0 |
| New Zealand | -0.9 | 13.5 | 3.6 | -5.2 | 8.3 | 5.3 | 13.1 | 9.0 | 7.7 | 2.2 | 1.3 | 11.8 | -0.4 | 1.2 | 10.5 | 8.4 | 16.6 | 8.0 | 7.6 | 6.0 |
| Norway | -2.4 | 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 | 2.2 | 9.1 | 5.7 | 5.6 | 4.1 |
| Poland | .. | .. | .. | .. | .. | .. | 11.3 | 24.2 | 28.0 | 21.4 | 18.5 | 1.0 | 15.6 | -5.3 | 2.6 | 9.3 | 8.7 | 4.5 | 11.8 | 9.7 |
| Portugal | 18.0 | 5.9 | 14.5 | 7.2 | 10.7 | -3.3 | 8.8 | 7.4 | 5.2 | 9.9 | 14.3 | 8.7 | 5.3 | 1.3 | -0.5 | -0.7 | 6.7 | 1.8 | 4.4 | 5.5 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | -4.7 | 11.6 | 19.7 | 14.2 | 16.5 | -6.7 | 10.5 | 11.0 | 5.5 | 13.6 | 12.7 | 8.1 | 10.9 | 10.9 |
| Spain | 16.1 | 17.7 | 9.6 | 10.3 | 6.8 | -5.2 | 11.4 | 11.1 | 9.0 | 13.2 | 14.8 | 13.6 | 10.8 | 4.2 | 3.9 | 6.0 | 9.3 | 6.3 | 8.1 | 8.2 |
| Sweden | 4.5 | 7.7 | 0.7 | -4.9 | 1.5 | -2.2 | 12.0 | 7.2 | 3.7 | 12.0 | 11.4 | 4.9 | 11.5 | -2.8 | -1.9 | 4.9 | 7.4 | 3.6 | 6.9 | 6.8 |
| Switzerland | 5.0 | 5.8 | 3.3 | -1.9 | -3.8 | -0.1 | 7.7 | 4.3 | 3.3 | 8.4 | 7.5 | 4.3 | 9.6 | 3.1 | -2.5 | 1.2 | 7.5 | 5.2 | 8.2 | 8.1 |
| Turkey | -4.5 | 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 | 10.7 | 13.0 | 11.5 |
| United Kingdom | 12.8 | 7.4 | 0.5 | -4.5 | 6.8 | 3.3 | 5.8 | 5.6 | 9.7 | 9.7 | 9.3 | 7.9 | 9.0 | 4.8 | 4.5 | 1.8 | 5.9 | 5.2 | 7.4 | 6.8 |
| United States ¹ | 3.9 | 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 | 4.6 | 10.7 | 5.8 | 6.0 | 7.0 |
| Total OECD | 8.8 | 8.8 | 5.8 | 2.5 | 4.1 | 3.0 | 9.5 | 8.3 | 7.5 | 10.0 | 7.5 | 8.5 | 11.8 | -0.3 | 2.4 | 4.1 | 8.7 | 5.8 | 6.8 | 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 78 database.

Annex Table 40. **Export prices of goods and services**

National accounts basis, percentage changes from previous year, national currency terms

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------------|------|------|------|------|------|------|-------|------|------|------|------|-------|------|------|------|------|------|------|------|------|
| Australia | 8.0 | 6.0 | 1.1 | -5.1 | 2.0 | 1.0 | -4.0 | 6.0 | -2.6 | -0.1 | 2.4 | -5.1 | 13.0 | 6.9 | -2.0 | -5.4 | 4.3 | 11.3 | 5.6 | 1.0 |
| Austria | 2.5 | 3.1 | 0.4 | 0.1 | -0.2 | -0.6 | 2.0 | 3.0 | 0.2 | 1.4 | 0.1 | 0.2 | 1.0 | -0.8 | 2.5 | 3.1 | -1.0 | 0.2 | 1.2 | 1.4 |
| Belgium | 3.8 | 6.9 | -1.6 | -0.8 | -0.9 | -1.5 | 1.3 | 1.6 | 1.5 | 4.7 | -1.0 | -0.4 | 9.6 | 2.1 | -0.5 | -2.1 | 2.3 | 6.4 | 3.1 | 1.9 |
| Canada | 0.3 | 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 | -1.9 | -1.4 | 1.7 | 0.9 | 0.6 | 1.0 |
| Czech Republic | .. | .. | .. | .. | .. | .. | 6.8 | 6.4 | 4.7 | 5.6 | 3.9 | 1.1 | 3.2 | -0.4 | -5.5 | -0.4 | 1.8 | -2.3 | 1.7 | 2.0 |
| Denmark | -0.8 | 6.8 | 0.7 | 1.3 | 1.3 | -1.7 | -0.3 | 0.9 | 1.5 | 2.7 | -2.1 | -0.5 | 8.2 | 1.6 | -2.1 | -0.8 | 1.7 | 3.0 | 1.5 | 1.3 |
| Finland | 4.8 | 5.7 | 0.5 | -0.3 | 6.0 | 6.8 | 1.3 | 4.9 | 0.2 | -0.7 | -0.9 | -5.0 | 3.0 | -2.1 | -5.3 | -3.1 | 1.0 | -0.7 | -0.2 | -1.3 |
| France ¹ | 3.2 | 3.6 | -2.2 | -0.7 | -2.0 | -1.5 | 0.1 | 0.2 | 1.5 | 2.1 | -0.8 | -1.3 | 1.8 | -0.3 | -1.8 | -1.2 | 2.1 | 0.9 | 0.6 | 0.8 |
| Germany | 1.7 | 2.5 | -0.2 | 1.0 | 1.0 | 0.1 | 0.8 | 1.2 | -0.5 | 0.9 | -0.9 | -0.9 | 2.5 | 0.4 | -0.2 | -1.5 | -0.2 | 0.6 | 0.6 | 0.2 |
| Greece | 11.9 | 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 | 1.5 | 1.0 | 1.2 |
| Hungary | .. | .. | .. | .. | .. | .. | 18.6 | 33.9 | 19.0 | 15.2 | 12.8 | 4.6 | 9.8 | 2.9 | -4.3 | 0.0 | -1.5 | 0.8 | 2.5 | 1.3 |
| Iceland | 18.3 | 26.3 | 17.6 | 6.9 | -1.3 | 4.8 | 5.9 | 4.8 | -0.2 | 2.4 | 4.9 | 0.0 | 3.8 | 21.5 | -1.6 | -7.1 | 1.3 | -1.8 | 2.7 | 2.0 |
| Ireland | 5.6 | 7.3 | -8.1 | -0.3 | -2.0 | 6.8 | 0.2 | 1.9 | -0.3 | 1.2 | 3.7 | 2.3 | 6.1 | 4.0 | 0.0 | -5.1 | -0.8 | 0.2 | 1.4 | 2.1 |
| Italy | 3.4 | 6.6 | 3.0 | 3.9 | 0.9 | 10.4 | 3.3 | 8.8 | 1.0 | 0.3 | 1.0 | 0.0 | 6.3 | 3.2 | 1.7 | 0.7 | 3.8 | 4.7 | 1.9 | 2.1 |
| Japan | -1.8 | 3.3 | 1.7 | -2.3 | -2.5 | -6.6 | -3.1 | -2.0 | 3.2 | 1.6 | 0.6 | -8.5 | -3.7 | 1.2 | -1.0 | -3.3 | -1.6 | 0.3 | 1.8 | 1.1 |
| Korea | 1.5 | -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 | -8.3 | -1.2 | -2.1 |
| Luxembourg | 2.0 | 4.3 | 0.1 | 1.2 | 1.8 | 5.7 | 3.1 | 1.5 | 1.5 | 4.0 | 2.7 | 2.6 | 8.0 | 2.4 | -2.1 | -1.3 | 5.2 | 4.3 | 4.4 | 4.0 |
| Mexico | 64.5 | 18.9 | 25.2 | 7.6 | 5.2 | 3.3 | 5.9 | 79.6 | 22.8 | 7.1 | 9.4 | 6.6 | 3.5 | -2.5 | 3.3 | 11.3 | 7.3 | 4.6 | 2.9 | 2.0 |
| Netherlands | 0.2 | 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 | -1.0 | 0.4 | 1.8 | 2.6 | 3.6 |
| New Zealand | 2.8 | 9.4 | -0.2 | -2.9 | 5.5 | 2.2 | -2.7 | -0.4 | -2.6 | -2.4 | 5.1 | -0.2 | 14.5 | 7.2 | -7.6 | -7.8 | 0.2 | 1.0 | -0.5 | -0.2 |
| Norway | 0.6 | 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 | 1.7 | 13.1 | 13.1 | 5.6 | 3.6 |
| Poland | .. | .. | .. | .. | .. | .. | 31.7 | 19.6 | 7.6 | 13.9 | 13.2 | 5.9 | 1.7 | 1.3 | 4.8 | 6.2 | 11.6 | -5.5 | 1.7 | 1.5 |
| Portugal | 11.7 | 11.8 | 6.3 | 3.4 | 0.5 | 4.9 | 6.4 | 5.6 | -0.6 | 3.2 | 1.2 | 0.2 | 5.2 | 1.2 | 0.2 | -2.6 | 1.2 | 0.7 | 1.9 | 1.9 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | 10.7 | 8.4 | 4.0 | -0.3 | 2.1 | 5.7 | 12.3 | 5.4 | 0.8 | -3.4 | -2.1 | -0.3 | 0.3 | 0.4 |
| Spain | 4.7 | 6.0 | 0.8 | 1.5 | 2.9 | 5.0 | 4.6 | 5.9 | 1.4 | 3.0 | 0.5 | 0.0 | 7.3 | 1.9 | 0.8 | -0.2 | 2.0 | 2.9 | 2.6 | 2.0 |
| Sweden | 5.1 | 6.5 | 1.8 | 1.6 | -2.8 | 9.1 | 3.8 | 7.2 | -5.0 | 0.2 | -1.1 | -2.1 | 2.9 | 2.2 | -1.3 | -2.0 | -0.2 | 5.2 | 3.1 | -0.5 |
| Switzerland | 2.0 | 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 | 0.8 | 0.3 | 1.3 | 1.0 | 0.8 |
| Turkey | 74.9 | 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 | 4.4 | 5.9 | 2.9 |
| United Kingdom | 0.3 | 8.2 | 4.4 | 1.6 | 1.6 | 8.8 | 1.0 | 3.2 | 1.3 | -4.0 | -3.8 | -0.6 | 2.3 | -0.7 | 0.4 | 1.5 | -0.7 | 1.6 | 0.7 | 0.5 |
| United States ¹ | 5.2 | 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 | 2.1 | 3.5 | 3.7 | 2.1 | 1.8 |
| Total OECD | 4.5 | 4.7 | 1.8 | 0.1 | 1.2 | 0.3 | 2.3 | 5.1 | 1.5 | 1.5 | 0.8 | -1.2 | 3.6 | 1.3 | -0.7 | -0.1 | 1.9 | 2.0 | 1.6 | 1.2 |

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 78 database.

Annex Table 41. **Import prices of goods and services**

National accounts basis, percentage changes from previous year, national currency terms

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------------|------|------|------|------|------|------|-------|------|------|------|------|-------|------|------|------|-------|------|------|------|------|
| Australia | -4.0 | -1.4 | 4.1 | 1.3 | 4.2 | 5.7 | -4.3 | 3.4 | -6.6 | -1.7 | 6.8 | -4.5 | 7.2 | 5.7 | -4.1 | -8.5 | -5.0 | 0.5 | 1.5 | 0.7 |
| Austria | 2.0 | 3.1 | 0.8 | 0.5 | 0.9 | 0.2 | 1.2 | 1.9 | 2.1 | 1.2 | 0.4 | 0.7 | 0.5 | -0.7 | 1.5 | 0.2 | 1.4 | 3.6 | 1.5 | 1.2 |
| Belgium | 2.4 | 5.8 | -1.3 | -1.0 | -2.4 | -2.6 | 1.7 | 1.4 | 2.4 | 5.6 | -1.9 | 0.4 | 11.9 | 2.1 | -1.2 | -2.0 | 2.8 | 6.9 | 3.5 | 1.9 |
| Canada | -2.1 | 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 | -2.1 | -1.4 | -0.3 | 1.2 |
| Czech Republic | .. | .. | .. | .. | .. | .. | 5.5 | 5.8 | 1.8 | 5.2 | -1.9 | 1.6 | 6.1 | -2.6 | -8.4 | -0.6 | 1.7 | -0.8 | 1.0 | 1.9 |
| Denmark | -1.4 | 6.8 | -0.6 | 2.1 | -1.1 | -1.3 | 0.5 | 0.5 | -0.1 | 2.4 | -2.1 | -0.5 | 7.2 | 1.5 | -1.7 | -2.3 | 1.3 | 3.3 | 1.4 | 0.7 |
| Finland | 2.4 | 4.4 | 0.6 | 2.9 | 8.1 | 7.6 | 0.0 | 0.5 | 0.0 | 1.4 | -3.4 | -1.9 | 8.4 | -3.3 | -2.9 | 0.9 | 3.5 | 4.2 | 3.3 | 0.8 |
| France ¹ | 2.5 | 6.8 | -0.9 | 1.0 | -3.2 | -1.8 | -0.6 | 0.2 | 0.7 | 1.3 | -2.2 | -1.2 | 5.9 | -0.9 | -4.3 | -1.6 | 1.3 | 2.8 | 0.4 | -0.4 |
| Germany | 1.8 | 5.3 | -0.9 | 2.3 | -2.1 | -1.8 | -0.1 | -0.3 | 0.2 | 3.1 | -2.4 | -1.4 | 7.7 | 0.5 | -2.2 | -2.5 | 0.0 | 2.1 | 2.2 | 0.3 |
| Greece | 9.2 | 14.7 | 13.7 | 12.3 | 12.3 | 7.4 | 5.6 | 7.5 | 5.0 | 2.8 | 3.8 | 1.7 | 9.3 | 1.8 | 0.9 | 1.4 | 1.1 | 3.1 | 1.5 | 1.1 |
| Hungary | .. | .. | .. | .. | .. | .. | 15.6 | 32.7 | 20.6 | 13.4 | 11.7 | 5.5 | 12.5 | 2.4 | -5.4 | 0.3 | -0.9 | 2.2 | 4.0 | 1.8 |
| Iceland | 19.2 | 31.5 | 19.3 | 3.3 | -0.8 | 9.1 | 5.6 | 3.5 | 3.1 | 0.3 | -0.7 | 0.6 | 6.3 | 21.1 | -2.2 | -3.1 | 2.7 | -1.4 | 2.3 | 0.8 |
| Ireland | 6.4 | 6.2 | -3.7 | 2.4 | -1.2 | 4.5 | 2.4 | 3.8 | -0.6 | 0.7 | 2.8 | 2.6 | 7.3 | 3.7 | -0.9 | -4.1 | -0.5 | 1.6 | 2.0 | 1.9 |
| Italy | 4.8 | 6.9 | -1.8 | 0.5 | 1.1 | 14.8 | 4.8 | 11.1 | -2.9 | 1.4 | -1.3 | 0.2 | 14.2 | 2.6 | 0.2 | -1.0 | 3.7 | 5.7 | 3.1 | 2.3 |
| Japan | -3.9 | 5.6 | 7.3 | -5.1 | -5.1 | -8.3 | -4.5 | -1.7 | 8.8 | 6.3 | -2.8 | -8.5 | 2.2 | 3.8 | -1.2 | -0.8 | 2.2 | 6.0 | 4.8 | 1.7 |
| Korea | -1.8 | -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 | 5.4 | -2.8 | 1.6 | -1.3 |
| Luxembourg | 0.8 | 3.8 | 1.6 | 2.5 | 2.7 | 3.2 | 2.1 | 1.3 | 0.9 | 3.6 | 1.2 | 2.3 | 7.7 | 3.4 | -1.8 | -1.8 | 5.5 | 5.2 | 4.8 | 2.8 |
| Mexico | 68.3 | 14.9 | 16.2 | 9.1 | 4.3 | 3.7 | 5.3 | 95.2 | 21.2 | 3.6 | 12.2 | 3.3 | 0.1 | -2.8 | 2.2 | 12.3 | 8.9 | 1.9 | 3.2 | 2.3 |
| Netherlands | -0.2 | 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 | -1.9 | 1.1 | 1.6 | 3.3 | 3.1 |
| New Zealand | -3.2 | 8.1 | 1.5 | 2.3 | 6.2 | -1.4 | -3.9 | -1.8 | -3.7 | -0.6 | 5.6 | 0.6 | 15.7 | 2.9 | -6.7 | -11.8 | -5.1 | -0.4 | 1.7 | 2.0 |
| Norway | 4.4 | 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 | 1.7 | 5.4 | 1.4 | 0.7 | 0.5 |
| Poland | .. | .. | .. | .. | .. | .. | 27.0 | 18.0 | 10.4 | 15.7 | 10.8 | 7.1 | 7.7 | 1.3 | 5.2 | 6.9 | 10.9 | -5.1 | 2.1 | 1.6 |
| Portugal | 11.7 | 10.6 | 4.1 | 1.0 | -4.2 | 4.4 | 4.3 | 3.9 | 1.6 | 2.8 | -1.3 | -0.4 | 8.3 | 0.2 | -1.9 | -2.3 | 2.0 | 2.8 | 2.6 | 1.1 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | 12.3 | 7.3 | 7.2 | 0.3 | -0.2 | 8.1 | 11.6 | 8.4 | -0.2 | -3.3 | -1.7 | 3.1 | 0.2 | -0.5 |
| Spain | 0.1 | 1.9 | -2.8 | -1.5 | 1.2 | 6.1 | 5.8 | 4.4 | 0.4 | 3.4 | -1.5 | 0.3 | 10.6 | -0.3 | -2.2 | -1.5 | 1.8 | 4.0 | 3.1 | 1.7 |
| Sweden | 4.1 | 5.7 | 3.3 | 0.3 | -2.4 | 13.9 | 4.2 | 5.7 | -4.8 | 1.3 | -0.5 | 1.1 | 4.7 | 4.2 | 0.2 | -2.2 | 0.3 | 7.8 | 5.6 | 1.5 |
| Switzerland | 4.3 | 8.6 | -1.1 | 0.9 | 2.3 | -1.7 | -4.5 | -2.4 | -0.1 | 3.5 | -1.8 | -0.2 | 5.7 | 0.5 | -4.4 | -1.5 | 0.8 | 2.8 | 1.0 | 0.5 |
| Turkey | 79.0 | 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 | 3.8 | 3.8 | 0.5 |
| United Kingdom | -0.9 | 6.5 | 3.3 | 0.3 | 0.0 | 8.6 | 3.0 | 5.9 | 0.1 | -7.1 | -5.8 | -1.1 | 3.1 | -0.1 | -2.3 | 0.4 | -0.5 | 3.3 | 2.7 | 2.1 |
| United States ¹ | 4.8 | 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 | 3.4 | 5.0 | 5.9 | 3.0 | 1.8 |
| Total OECD | 4.2 | 5.0 | 2.4 | 0.1 | 0.8 | -0.1 | 2.5 | 5.5 | 1.7 | 1.4 | -0.6 | -0.8 | 6.1 | 1.0 | -1.5 | 0.0 | 2.4 | 3.5 | 2.6 | 1.4 |

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.

Annex Table 42. **Competitive positions: relative consumer prices**

Indices, 2000 = 100

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Australia | 119.4 | 127.0 | 125.0 | 122.4 | 110.6 | 102.1 | 107.2 | 105.4 | 115.3 | 114.2 | 104.3 | 104.9 | 100.0 | 96.1 | 101.5 | 114.7 | 124.0 | 127.5 |
| Austria | 105.4 | 103.3 | 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 |
| Belgium | 106.3 | 104.1 | 108.3 | 107.2 | 107.9 | 107.8 | 109.5 | 113.1 | 110.4 | 105.0 | 105.7 | 104.2 | 100.0 | 100.8 | 102.0 | 106.6 | 108.2 | 108.2 |
| Canada | 128.9 | 134.4 | 134.0 | 138.0 | 127.5 | 118.8 | 109.2 | 106.9 | 106.9 | 106.2 | 100.2 | 99.4 | 100.0 | 96.9 | 96.0 | 106.7 | 112.4 | 118.9 |
| Czech Republic | .. | .. | .. | .. | .. | 77.3 | 81.1 | 83.9 | 89.3 | 90.9 | 99.5 | 98.1 | 100.0 | 106.7 | 118.7 | 115.8 | 116.4 | 123.3 |
| Denmark | 103.9 | 101.1 | 105.0 | 101.1 | 101.7 | 102.6 | 102.3 | 105.9 | 104.3 | 101.6 | 103.7 | 103.8 | 100.0 | 101.4 | 103.3 | 108.1 | 108.7 | 107.6 |
| Finland | 138.6 | 145.2 | 149.0 | 142.2 | 122.8 | 102.7 | 106.6 | 114.4 | 107.7 | 103.7 | 104.8 | 104.6 | 100.0 | 101.3 | 102.4 | 106.6 | 106.3 | 104.0 |
| France | 109.8 | 106.7 | 110.4 | 106.9 | 108.4 | 109.6 | 109.4 | 111.6 | 110.9 | 106.4 | 107.1 | 104.8 | 100.0 | 99.7 | 101.0 | 105.7 | 107.2 | 106.0 |
| Germany | 107.1 | 103.3 | 106.4 | 105.0 | 109.7 | 113.4 | 114.1 | 118.4 | 113.6 | 108.0 | 109.1 | 106.5 | 100.0 | 99.9 | 100.6 | 105.3 | 106.4 | 104.8 |
| Greece | 91.3 | 91.3 | 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 |
| 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 | 132.2 |
| Iceland | 112.6 | 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 | 99.4 | 101.9 | 116.0 |
| Ireland | 117.4 | 113.9 | 119.0 | 115.1 | 118.8 | 110.1 | 109.8 | 110.8 | 112.6 | 111.2 | 107.8 | 104.3 | 100.0 | 103.6 | 109.1 | 120.0 | 122.4 | 121.9 |
| Italy | 117.5 | 119.3 | 123.9 | 124.6 | 122.5 | 103.4 | 100.6 | 93.3 | 103.3 | 103.7 | 105.1 | 104.1 | 100.0 | 101.1 | 103.1 | 108.6 | 110.2 | 109.0 |
| Japan | 92.1 | 82.6 | 74.9 | 80.7 | 83.1 | 96.4 | 104.0 | 105.8 | 88.5 | 83.5 | 84.3 | 94.5 | 100.0 | 89.5 | 83.9 | 85.0 | 86.1 | 81.2 |
| Korea | 108.2 | 120.5 | 117.7 | 117.2 | 110.2 | 107.1 | 108.3 | 109.6 | 113.5 | 107.0 | 81.6 | 92.9 | 100.0 | 94.6 | 99.6 | 101.1 | 102.7 | 115.3 |
| Luxembourg | 103.1 | 101.4 | 104.6 | 103.6 | 104.6 | 104.5 | 105.7 | 108.3 | 105.8 | 102.6 | 102.9 | 102.2 | 100.0 | 100.6 | 101.9 | 105.5 | 106.8 | 106.6 |
| Mexico | 71.9 | 75.2 | 77.7 | 86.1 | 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 | 94.7 |
| Netherlands | 112.1 | 106.2 | 108.4 | 106.2 | 108.1 | 108.5 | 108.6 | 112.7 | 109.6 | 103.7 | 106.6 | 105.8 | 100.0 | 102.9 | 106.6 | 113.9 | 115.4 | 113.9 |
| New Zealand | 130.9 | 122.6 | 121.0 | 114.8 | 104.0 | 106.5 | 112.2 | 120.2 | 127.4 | 129.8 | 115.9 | 110.3 | 100.0 | 98.9 | 108.2 | 122.9 | 131.5 | 138.5 |
| Norway | 114.6 | 113.8 | 111.9 | 108.1 | 108.1 | 104.0 | 101.3 | 103.7 | 102.4 | 103.7 | 100.9 | 101.4 | 100.0 | 103.8 | 111.9 | 109.9 | 104.8 | 109.1 |
| Poland | .. | .. | .. | .. | .. | 73.5 | 74.3 | 79.3 | 85.1 | 88.0 | 93.5 | 90.8 | 100.0 | 112.8 | 107.7 | 95.4 | 94.4 | 105.0 |
| Portugal | 82.9 | 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 |
| Slovak Republic | .. | .. | .. | .. | .. | 85.2 | 84.3 | 86.2 | 86.0 | 90.9 | 91.9 | 90.7 | 100.0 | 101.2 | 102.4 | 115.4 | 126.3 | 129.1 |
| Spain | 106.9 | 113.2 | 120.0 | 121.5 | 121.0 | 107.9 | 103.0 | 104.5 | 106.2 | 101.5 | 102.3 | 102.1 | 100.0 | 102.0 | 104.4 | 109.1 | 111.1 | 111.8 |
| Sweden | 117.4 | 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 | 94.8 |
| Switzerland | 104.6 | 97.4 | 104.2 | 103.9 | 102.1 | 104.0 | 108.7 | 115.2 | 111.1 | 102.5 | 104.2 | 103.0 | 100.0 | 102.1 | 105.8 | 106.0 | 104.9 | 103.0 |
| Turkey | 71.1 | 76.8 | 85.9 | 87.5 | 84.1 | 90.2 | 66.3 | 71.8 | 72.6 | 77.5 | 85.2 | 89.5 | 100.0 | 81.5 | 88.6 | 96.1 | 100.9 | 114.1 |
| United Kingdom | 87.2 | 86.6 | 89.7 | 91.6 | 88.2 | 78.7 | 79.0 | 76.1 | 77.3 | 90.6 | 97.4 | 97.2 | 100.0 | 98.0 | 98.5 | 95.5 | 100.7 | 99.7 |
| United States | 89.1 | 89.1 | 87.3 | 85.7 | 83.9 | 85.1 | 85.2 | 84.0 | 86.6 | 91.0 | 98.2 | 97.0 | 100.0 | 105.7 | 105.8 | 99.6 | 95.4 | 94.2 |
| Euro area | 122.3 | 117.2 | 128.0 | 124.1 | 128.9 | 121.2 | 120.7 | 125.0 | 123.8 | 112.8 | 115.5 | 111.5 | 100.0 | 101.7 | 105.5 | 117.7 | 121.4 | 119.0 |

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 78 database.

Annex Table 43. **Competitive positions: relative unit labour costs**

Indices, 2000 = 100

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Australia | 180.7 | 184.0 | 168.1 | 150.3 | 131.4 | 115.9 | 117.6 | 113.9 | 118.4 | 119.5 | 106.4 | 105.1 | 100.0 | 93.1 | 98.8 | 112.6 | 126.8 | 133.6 |
| Austria | 154.0 | 145.9 | 144.7 | 142.5 | 145.1 | 146.9 | 135.6 | 134.4 | 137.8 | 125.1 | 111.2 | 108.5 | 100.0 | 96.8 | 96.9 | 99.9 | 93.3 | 96.4 |
| Belgium | 104.6 | 102.6 | 108.6 | 109.2 | 109.5 | 108.6 | 109.2 | 112.5 | 108.0 | 101.1 | 103.4 | 105.7 | 100.0 | 103.1 | 103.1 | 107.3 | 110.5 | 110.5 |
| Canada | 115.5 | 120.8 | 124.4 | 129.3 | 119.7 | 108.2 | 100.8 | 101.6 | 108.3 | 107.3 | 103.0 | 102.0 | 100.0 | 100.5 | 100.3 | 113.1 | 118.8 | 122.4 |
| Czech Republic | .. | .. | .. | .. | .. | 81.8 | 87.8 | 82.7 | 88.7 | 88.1 | 96.5 | 99.0 | 100.0 | 103.7 | 109.7 | 107.6 | 109.0 | 114.4 |
| Denmark | 94.3 | 88.6 | 96.2 | 93.0 | 94.9 | 99.7 | 95.1 | 99.3 | 103.5 | 98.6 | 103.1 | 103.4 | 100.0 | 101.7 | 104.5 | 109.8 | 116.8 | 115.8 |
| Finland | 153.4 | 160.9 | 168.6 | 162.9 | 127.8 | 97.6 | 103.2 | 118.9 | 112.4 | 106.6 | 109.1 | 110.2 | 100.0 | 104.5 | 103.6 | 109.3 | 113.1 | 113.0 |
| France | 129.3 | 124.8 | 131.4 | 126.5 | 124.4 | 126.3 | 124.3 | 122.6 | 122.1 | 113.6 | 108.7 | 105.7 | 100.0 | 98.1 | 98.8 | 107.5 | 110.0 | 108.7 |
| Germany | 94.6 | 91.7 | 93.9 | 92.4 | 99.4 | 102.2 | 103.5 | 113.0 | 109.4 | 103.1 | 106.0 | 105.0 | 100.0 | 98.8 | 100.2 | 103.9 | 102.8 | 97.5 |
| Greece | 94.5 | 100.5 | 105.8 | 98.0 | 94.7 | 88.7 | 92.6 | 100.6 | 103.8 | 107.3 | 102.2 | 104.2 | 100.0 | 100.4 | 103.2 | 108.5 | 116.5 | 118.1 |
| Hungary | .. | .. | .. | .. | .. | 152.1 | 151.4 | 124.3 | 115.4 | 116.3 | 107.0 | 108.4 | 100.0 | 110.5 | 125.7 | 132.5 | 139.5 | 141.3 |
| Iceland | 85.7 | 76.0 | 73.2 | 79.9 | 80.6 | 73.6 | 72.3 | 72.6 | 72.2 | 76.3 | 82.6 | 91.8 | 100.0 | 87.2 | 92.8 | 97.7 | 100.5 | 112.5 |
| Ireland | 220.0 | 207.8 | 219.1 | 208.2 | 201.7 | 185.9 | 176.6 | 158.0 | 154.3 | 131.6 | 127.3 | 116.6 | 100.0 | 99.3 | 94.1 | 102.7 | 110.0 | 111.9 |
| Italy | 103.3 | 103.9 | 110.5 | 114.8 | 113.2 | 103.8 | 99.0 | 85.9 | 96.4 | 98.2 | 103.1 | 105.4 | 100.0 | 101.3 | 107.9 | 117.0 | 121.0 | 124.3 |
| Japan | 70.9 | 64.8 | 60.4 | 66.5 | 73.4 | 87.1 | 95.9 | 96.9 | 82.4 | 78.1 | 84.5 | 96.6 | 100.0 | 92.2 | 83.8 | 83.0 | 83.0 | 77.9 |
| Korea | 103.1 | 120.8 | 118.1 | 121.1 | 113.2 | 111.8 | 117.1 | 129.1 | 139.1 | 125.0 | 87.4 | 93.7 | 100.0 | 92.9 | 97.4 | 95.5 | 96.0 | 108.8 |
| Luxembourg | 118.8 | 112.5 | 116.2 | 111.5 | 114.7 | 113.6 | 112.0 | 113.2 | 108.6 | 105.3 | 105.1 | 101.3 | 100.0 | 102.8 | 102.1 | 100.1 | 98.2 | 96.8 |
| Mexico | 84.5 | 95.0 | 96.8 | 109.6 | 123.4 | 134.2 | 130.8 | 80.2 | 82.2 | 90.2 | 88.7 | 92.2 | 100.0 | 106.5 | 109.5 | 99.7 | 98.2 | 100.9 |
| Netherlands | 109.0 | 101.8 | 103.1 | 102.4 | 105.6 | 105.0 | 101.5 | 105.2 | 102.1 | 99.3 | 103.2 | 104.1 | 100.0 | 103.2 | 107.8 | 117.6 | 120.1 | 118.5 |
| New Zealand | 101.4 | 94.4 | 94.6 | 93.9 | 84.5 | 88.1 | 96.3 | 102.9 | 114.6 | 120.3 | 111.2 | 111.6 | 100.0 | 97.0 | 106.7 | 123.4 | 134.4 | 139.6 |
| Norway | 81.3 | 80.0 | 78.9 | 78.1 | 77.2 | 75.6 | 79.6 | 84.1 | 83.9 | 90.9 | 94.4 | 97.5 | 100.0 | 102.5 | 116.3 | 116.9 | 114.7 | 116.8 |
| Poland | .. | .. | .. | .. | .. | 84.2 | 89.7 | 97.4 | 100.2 | 100.8 | 106.0 | 99.6 | 100.0 | 104.3 | 93.8 | 76.8 | 69.9 | 79.2 |
| Portugal | 87.5 | 95.3 | 89.8 | 92.2 | 101.3 | 92.2 | 95.7 | 100.8 | 92.4 | 94.1 | 95.7 | 98.7 | 100.0 | 103.0 | 105.5 | 109.1 | 111.9 | 110.6 |
| Slovak Republic | .. | .. | .. | .. | .. | 67.3 | 78.4 | 83.6 | 92.0 | 100.3 | 103.1 | 99.4 | 100.0 | 97.3 | 99.0 | 105.7 | 114.9 | 118.1 |
| Spain | 82.3 | 88.8 | 99.1 | 100.7 | 103.6 | 94.3 | 91.5 | 92.3 | 96.8 | 96.3 | 98.7 | 99.2 | 100.0 | 102.8 | 105.7 | 109.3 | 112.3 | 111.9 |
| Sweden | 143.1 | 150.4 | 154.7 | 158.4 | 155.7 | 111.2 | 105.2 | 104.9 | 117.7 | 111.2 | 106.8 | 101.6 | 100.0 | 96.4 | 93.2 | 95.5 | 91.8 | 90.1 |
| Switzerland | 86.9 | 82.1 | 87.7 | 88.9 | 86.6 | 86.2 | 94.7 | 103.4 | 99.7 | 95.4 | 98.1 | 100.1 | 100.0 | 105.7 | 112.5 | 114.4 | 116.8 | 116.2 |
| Turkey | 60.4 | 86.1 | 122.8 | 131.0 | 113.5 | 109.7 | 71.7 | 61.9 | 60.7 | 67.1 | 73.8 | 87.3 | 100.0 | 73.3 | 72.0 | 71.2 | 79.4 | 88.3 |
| United Kingdom | 78.1 | 75.7 | 78.0 | 80.8 | 75.2 | 66.6 | 68.0 | 67.5 | 69.3 | 84.0 | 94.5 | 96.8 | 100.0 | 96.8 | 101.2 | 97.0 | 101.1 | 99.7 |
| United States | 101.9 | 100.8 | 97.5 | 94.2 | 89.4 | 87.5 | 86.9 | 84.0 | 84.3 | 89.0 | 94.8 | 95.4 | 100.0 | 102.4 | 99.6 | 91.9 | 86.3 | 85.8 |
| Euro area | 114.6 | 109.2 | 120.9 | 118.2 | 123.9 | 119.8 | 116.5 | 120.4 | 121.1 | 109.2 | 111.9 | 111.4 | 100.0 | 100.8 | 105.8 | 120.7 | 125.4 | 122.2 |

Note: Competitiveness-weighted relative unit labour costs in the manufacturing sector in dollar terms. Competitiveness weights take into account the structure of competition in both export and import markets of the manufacturing sector of 42 countries. An increase in the index indicates a real effective appreciation and a corresponding deterioration of the competitive position. For details on the method of calculation see Durand, M., C. Madaschi and F. Terribile (1998), "Trends in OECD Countries' International Competitiveness: The Influence of Emerging Market Economies", *OECD Economics Department Working Papers*, No. 195. See also *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

Source: OECD Economic Outlook 78 database.

Annex Table 44. **Export performance for total goods and services**

Percentage changes from previous year

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|-------|-------|------|-------|------|------|------|------|------|------|------|-------|------|------|-------|------|------|------|------|------|
| Australia | -6.5 | -6.8 | 1.6 | 8.3 | 0.1 | 2.7 | -1.1 | -6.2 | 0.8 | 4.1 | 2.6 | -3.0 | -1.4 | 2.4 | -5.4 | -8.7 | -7.6 | -4.2 | -3.3 | -1.8 |
| Austria | 3.7 | 2.0 | 2.3 | 1.8 | 2.7 | -1.0 | -2.4 | -2.4 | -1.0 | 2.0 | 0.6 | -0.2 | -1.2 | 4.5 | 1.3 | -2.7 | -0.5 | -3.8 | -2.0 | -0.8 |
| Belgium | 2.7 | 0.9 | -0.6 | -1.0 | 0.1 | 1.4 | 0.8 | -3.0 | -3.0 | -3.1 | -2.5 | -1.6 | -2.9 | -0.8 | -1.0 | -1.1 | -2.5 | -4.8 | -4.2 | -1.7 |
| Canada | 3.7 | -4.0 | 0.8 | 1.4 | 0.8 | 2.9 | 1.1 | 0.1 | -2.9 | -3.8 | -0.6 | 0.1 | -3.6 | -0.9 | -2.4 | -6.6 | -5.3 | -3.0 | -1.6 | -1.8 |
| Czech Republic | .. | .. | .. | .. | .. | .. | -3.0 | 7.4 | -1.6 | -1.6 | 1.9 | 0.7 | 4.1 | 8.4 | 0.0 | 1.0 | 11.8 | 1.8 | 2.3 | 3.8 |
| Denmark | 4.5 | -3.0 | 1.9 | 4.9 | -1.2 | 0.5 | -0.5 | -4.4 | -2.0 | -4.9 | -3.9 | 5.0 | 1.4 | 2.4 | 3.3 | -5.2 | -4.9 | 3.2 | -1.7 | -1.7 |
| Finland | -4.0 | -3.9 | -0.7 | -7.1 | 14.4 | 14.0 | 4.9 | 0.0 | -1.2 | 3.5 | 3.5 | 0.8 | 6.4 | -2.8 | 1.4 | -4.5 | -4.6 | -1.6 | -3.3 | -2.8 |
| France | 1.0 | 2.6 | -0.5 | 1.4 | 2.3 | -0.7 | 0.1 | -0.2 | -3.3 | 2.4 | 0.3 | -3.1 | 2.8 | 1.0 | -0.9 | -6.1 | -6.3 | -2.8 | -1.4 | -1.8 |
| Germany | -2.1 | 2.5 | 8.7 | 12.2 | -3.5 | -6.0 | -0.3 | -2.0 | -0.5 | 1.6 | 0.3 | -0.6 | 1.9 | 5.1 | 1.2 | -2.4 | -1.1 | 0.1 | -1.2 | -0.9 |
| Greece | -8.0 | -4.4 | -6.5 | 3.4 | 11.9 | -4.6 | -0.1 | -4.4 | -2.9 | 8.9 | -1.6 | 10.8 | 2.2 | -2.4 | -10.6 | -4.1 | 1.6 | 0.5 | -0.7 | 0.1 |
| Hungary | .. | .. | .. | .. | .. | .. | 5.1 | 37.2 | 6.3 | 12.1 | 9.7 | 5.9 | 9.2 | 5.2 | 2.1 | 2.4 | 7.2 | 3.9 | 3.6 | 4.0 |
| Iceland | -11.6 | -5.1 | -4.6 | -7.5 | -4.3 | 6.1 | 0.9 | -9.7 | 2.5 | -3.2 | -4.2 | -2.7 | -5.5 | 6.2 | 1.6 | -2.1 | 0.2 | -0.4 | 0.5 | 1.4 |
| Ireland | 0.6 | 2.2 | 3.7 | 3.3 | 9.8 | 8.5 | 6.2 | 11.0 | 5.2 | 7.3 | 15.2 | 7.5 | 8.1 | 8.2 | 1.4 | -3.0 | -1.3 | -1.2 | -2.1 | -1.4 |
| Italy | -2.3 | 0.2 | 3.0 | -4.4 | 7.4 | 7.6 | 1.8 | 4.0 | -5.7 | -3.1 | -3.2 | -6.1 | -2.2 | -0.2 | -5.9 | -6.8 | -6.1 | -6.0 | -2.1 | -3.9 |
| Japan | -4.1 | 1.5 | -0.2 | -2.8 | -3.7 | -7.5 | -7.6 | -6.4 | -2.4 | 0.7 | -2.4 | -6.8 | -2.2 | -4.4 | 1.7 | 2.1 | 1.6 | -1.3 | 0.0 | -1.1 |
| Korea | 0.9 | -11.6 | -1.2 | 5.6 | 5.9 | 4.9 | 5.5 | 11.9 | 2.1 | 11.1 | 12.5 | 6.8 | 4.8 | -2.3 | 7.2 | 7.0 | 5.8 | 0.5 | 1.9 | 1.7 |
| Luxembourg | 3.2 | 4.4 | 0.5 | 5.8 | 0.4 | 5.3 | -0.8 | -2.8 | 0.7 | 5.1 | 5.1 | 7.7 | 5.5 | 0.2 | -1.8 | -1.6 | 0.1 | -0.1 | 0.1 | 0.1 |
| Mexico | 1.0 | 1.1 | 1.4 | 4.6 | -1.9 | -0.2 | 5.5 | 20.1 | 9.1 | -2.4 | 1.1 | 1.9 | 3.3 | -1.5 | -1.2 | -1.7 | 0.8 | -0.8 | 0.8 | -0.1 |
| Netherlands | 0.1 | -0.6 | -0.2 | 1.5 | -0.5 | 5.6 | 1.4 | 1.2 | -0.7 | -0.1 | -0.2 | -1.5 | 0.1 | 0.2 | -0.7 | -2.0 | 0.6 | -1.6 | -1.2 | -1.2 |
| New Zealand | -5.2 | -11.7 | 1.0 | 8.0 | -1.7 | -0.1 | -1.0 | -5.9 | -5.0 | -4.5 | 0.3 | -0.1 | -4.1 | 4.3 | 0.1 | -4.5 | -5.5 | -7.7 | -1.7 | -0.8 |
| Norway | -2.0 | 3.2 | 4.9 | 5.0 | 1.7 | 2.0 | -0.5 | -2.6 | 3.7 | -2.1 | -7.1 | -3.9 | -6.6 | 3.9 | -3.0 | -1.8 | -6.5 | -6.4 | -5.1 | -4.6 |
| Poland | .. | .. | .. | .. | .. | .. | 5.1 | 13.4 | 6.2 | 3.1 | 7.9 | -7.0 | 9.7 | -0.9 | 1.9 | 7.6 | 0.1 | 1.9 | 2.5 | 1.3 |
| Portugal | -0.2 | 3.2 | 3.6 | -3.6 | -0.6 | -2.0 | 0.0 | 1.0 | -0.2 | -3.6 | -0.9 | -4.6 | -2.2 | -0.1 | -0.5 | 0.5 | -3.2 | -4.3 | -1.4 | -1.4 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | 6.1 | -5.5 | -7.4 | 7.6 | 4.8 | -0.2 | 0.6 | 1.3 | 2.7 | 15.1 | 0.5 | 1.7 | 1.2 | 2.9 |
| Spain | -3.7 | -5.3 | -1.4 | 4.3 | 3.6 | 8.6 | 8.2 | 1.6 | 4.9 | 4.6 | -0.5 | 1.3 | -0.4 | 2.5 | 0.5 | 0.3 | -4.2 | -4.6 | -2.6 | -2.4 |
| Sweden | -3.9 | -3.6 | -2.3 | -3.9 | 0.4 | 6.5 | 5.0 | 2.9 | -2.6 | 2.9 | 1.4 | 2.2 | -0.1 | -0.5 | -2.0 | 0.4 | 1.2 | -3.0 | -0.6 | -0.3 |
| Switzerland | -1.4 | -1.9 | -3.2 | -5.7 | 0.1 | 1.0 | -6.1 | -7.4 | -2.4 | 1.5 | -2.0 | -0.5 | 0.5 | -0.6 | -2.9 | -5.0 | -0.1 | -1.6 | -0.5 | -1.2 |
| Turkey | 11.3 | -6.7 | 0.5 | 2.1 | 16.9 | 7.0 | 8.0 | 0.7 | 15.1 | 9.5 | 6.9 | -12.2 | 6.9 | 3.8 | 6.7 | 9.5 | 1.7 | 0.4 | -0.3 | -1.2 |
| United Kingdom | -5.8 | -3.0 | 0.4 | -3.8 | 1.7 | 2.9 | 0.3 | 0.6 | 2.2 | -1.6 | -4.1 | -2.8 | -2.6 | 1.9 | -2.2 | -3.1 | -5.2 | -1.2 | -0.5 | -0.8 |
| United States | 3.2 | 2.6 | 2.7 | 0.7 | 0.7 | -1.3 | -1.6 | 2.3 | -0.2 | 0.7 | -0.8 | -2.0 | -3.1 | -4.8 | -4.4 | -2.5 | -1.8 | -0.7 | -0.2 | 0.2 |
| Total OECD | -0.6 | 0.0 | 1.8 | 1.4 | 0.6 | -0.6 | -0.4 | 0.4 | -0.6 | 0.6 | -0.3 | -1.7 | -0.5 | -0.2 | -1.1 | -2.1 | -1.8 | -1.6 | -0.8 | -0.8 |
| <i>Memorandum items</i> | | | | | | | | | | | | | | | | | | | | |
| China | .. | .. | .. | 9.4 | 11.6 | 10.2 | 14.2 | -3.9 | 8.4 | 13.9 | 8.5 | 5.7 | 12.7 | 7.3 | 21.3 | 20.4 | 11.0 | 15.7 | 12.6 | 10.9 |
| Dynamic Asia ¹ | .. | .. | .. | 6.2 | 6.3 | 4.4 | 1.8 | 1.2 | -4.4 | -2.0 | -2.0 | -2.0 | -1.4 | -4.8 | 0.8 | -0.1 | 0.0 | -1.1 | -0.5 | -1.3 |
| Other Asia | .. | .. | .. | 9.4 | 4.7 | 4.9 | 0.8 | 2.0 | 0.6 | 4.1 | 6.4 | 2.5 | 3.6 | 8.7 | 2.6 | 0.0 | 1.2 | 7.1 | 4.3 | 4.7 |
| Latin America | .. | .. | .. | .. | 1.5 | 5.3 | -5.3 | -3.6 | -1.0 | -1.5 | 1.1 | -2.9 | -4.7 | 5.5 | 1.2 | 2.6 | -0.7 | 1.1 | -1.0 | -2.7 |
| Africa and Middle-East | .. | .. | .. | .. | 4.1 | 3.4 | -3.6 | -7.7 | -3.1 | -2.1 | 1.1 | -0.5 | -4.3 | 1.0 | -2.4 | 2.8 | -2.0 | -2.1 | -3.6 | -1.2 |
| Central and Eastern Europe ² | .. | .. | .. | -10.9 | -8.3 | 15.5 | -7.8 | -6.5 | -4.3 | -3.7 | -0.2 | 4.7 | -4.4 | 2.0 | 4.2 | 1.7 | -0.4 | -2.7 | -3.1 | -1.6 |

Note: Regional aggregates are calculated inclusive of intra-regional trade. Export performance is the ratio between export volumes and export markets for total goods and services. The calculation of export markets is based on a weighted average of import volumes in each exporting country's markets, with weights based on trade flows in 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 78 database.

Annex Table 45. **Shares in world exports and imports**

Percentage, values for goods and services, national accounts basis

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| A. Exports | | | | | | | | | | | | | | | | | |
| Canada | 3.4 | 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 | 3.3 | 3.2 |
| France | 6.2 | 6.3 | 5.7 | 5.6 | 5.7 | 5.5 | 5.3 | 5.7 | 5.4 | 4.8 | 5.0 | 5.0 | 5.0 | 4.7 | 4.4 | 4.1 | 4.0 |
| Germany | 10.8 | 10.6 | 9.4 | 9.3 | 9.5 | 9.1 | 8.6 | 9.2 | 8.8 | 8.0 | 8.7 | 9.1 | 9.4 | 9.3 | 8.9 | 8.3 | 8.1 |
| Italy | 5.0 | 5.0 | 4.7 | 4.6 | 4.7 | 4.8 | 4.4 | 4.6 | 4.3 | 3.9 | 4.1 | 4.0 | 4.1 | 4.0 | 3.7 | 3.5 | 3.4 |
| Japan | 8.0 | 8.0 | 8.4 | 8.1 | 7.6 | 6.8 | 6.7 | 6.2 | 6.4 | 6.5 | 5.7 | 5.6 | 5.5 | 5.5 | 5.1 | 4.9 | 4.8 |
| United Kingdom | 5.5 | 5.4 | 5.2 | 5.2 | 5.1 | 5.3 | 5.5 | 5.6 | 5.5 | 5.1 | 5.2 | 5.2 | 5.0 | 4.8 | 4.5 | 4.3 | 4.2 |
| United States | 13.7 | 13.6 | 13.8 | 13.5 | 12.8 | 13.0 | 13.8 | 14.0 | 14.0 | 13.9 | 13.5 | 12.5 | 11.3 | 10.5 | 10.4 | 10.5 | 10.4 |
| Other OECD countries | 24.2 | 24.2 | 24.2 | 24.6 | 25.7 | 25.6 | 25.1 | 26.2 | 26.2 | 25.5 | 26.1 | 26.4 | 27.1 | 27.2 | 26.4 | 25.4 | 25.0 |
| Total OECD | 76.7 | 76.6 | 75.0 | 74.7 | 74.5 | 73.6 | 73.0 | 75.2 | 74.5 | 71.9 | 72.2 | 71.5 | 70.9 | 69.4 | 66.8 | 64.4 | 63.1 |
| Non-OECD Asia | 11.5 | 12.4 | 13.7 | 14.5 | 14.9 | 15.3 | 15.8 | 14.8 | 15.2 | 16.3 | 16.0 | 16.8 | 16.9 | 17.6 | 18.7 | 20.6 | 22.1 |
| Latin America | 2.6 | 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 | 3.0 | 3.1 | 3.0 |
| Other non-OECD countries ¹ | 9.2 | 8.4 | 8.5 | 8.0 | 7.8 | 8.3 | 8.2 | 7.2 | 7.6 | 8.9 | 8.8 | 8.9 | 9.5 | 10.2 | 11.6 | 11.9 | 11.8 |
| Total of non-OECD countries | 23.3 | 23.4 | 25.0 | 25.3 | 25.5 | 26.4 | 27.0 | 24.8 | 25.5 | 28.1 | 27.8 | 28.5 | 29.1 | 30.6 | 33.2 | 35.6 | 36.9 |
| B. Imports | | | | | | | | | | | | | | | | | |
| Canada | 3.5 | 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 |
| France | 6.4 | 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 | 4.6 | 4.3 | 4.1 |
| Germany | 10.9 | 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 | 7.7 | 7.2 | 7.0 |
| Italy | 4.9 | 5.1 | 4.0 | 4.0 | 4.0 | 3.9 | 3.8 | 4.1 | 3.9 | 3.7 | 3.8 | 3.9 | 4.0 | 3.9 | 3.8 | 3.6 | 3.5 |
| Japan | 6.6 | 6.2 | 6.4 | 6.4 | 6.5 | 6.6 | 6.1 | 5.2 | 5.4 | 5.6 | 5.3 | 5.0 | 4.8 | 4.7 | 4.7 | 4.4 | 4.3 |
| United Kingdom | 5.7 | 5.7 | 5.4 | 5.4 | 5.2 | 5.4 | 5.6 | 5.9 | 5.9 | 5.5 | 5.6 | 5.8 | 5.5 | 5.4 | 5.2 | 5.0 | 4.9 |
| United States | 14.2 | 14.3 | 15.3 | 15.5 | 14.5 | 14.7 | 15.6 | 16.6 | 17.8 | 18.7 | 18.3 | 17.9 | 16.7 | 16.1 | 16.1 | 16.1 | 15.7 |
| Other OECD countries | 24.1 | 24.2 | 23.7 | 24.1 | 24.7 | 25.0 | 24.5 | 25.3 | 25.4 | 24.8 | 24.9 | 25.3 | 26.1 | 26.3 | 25.8 | 25.0 | 24.6 |
| Total OECD | 76.3 | 75.9 | 73.6 | 73.9 | 73.2 | 72.9 | 72.3 | 74.7 | 75.8 | 74.7 | 74.3 | 73.8 | 73.5 | 72.3 | 70.9 | 68.6 | 66.9 |
| Non-OECD Asia | 11.2 | 12.3 | 14.1 | 14.9 | 15.5 | 15.7 | 15.8 | 13.8 | 14.0 | 15.3 | 14.9 | 15.4 | 15.7 | 16.7 | 17.4 | 18.7 | 19.9 |
| Latin America | 2.2 | 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 | 2.4 | 2.6 | 2.6 |
| Other non-OECD countries ¹ | 10.2 | 9.2 | 9.4 | 8.2 | 8.2 | 8.3 | 8.4 | 8.0 | 7.2 | 7.1 | 7.8 | 8.3 | 8.5 | 8.7 | 9.3 | 10.1 | 10.6 |
| Total of non-OECD countries | 23.7 | 24.1 | 26.4 | 26.1 | 26.8 | 27.1 | 27.7 | 25.3 | 24.2 | 25.3 | 25.7 | 26.2 | 26.5 | 27.7 | 29.1 | 31.4 | 33.1 |

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 78 database.

Annex Table 46. Geographical structure of world trade growth

Average of export and import volumes

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| A. Trade growth by main regions (percentage changes from previous year) | | | | | | | | | | | | | | | | | |
| NAFTA ¹ | 3.2 | 7.2 | 6.5 | 11.1 | 8.3 | 8.9 | 12.8 | 7.9 | 8.9 | 11.5 | -3.8 | 1.1 | 2.8 | 9.3 | 6.1 | 6.6 | 7.2 |
| OECD Europe | 4.1 | 3.2 | 3.2 | 8.5 | 8.2 | 5.4 | 10.1 | 8.3 | 5.8 | 11.7 | 2.7 | 1.5 | 2.7 | 6.7 | 4.8 | 6.9 | 7.1 |
| OECD Asia & Pacific ² | 3.8 | 3.2 | 1.6 | 8.6 | 11.0 | 10.2 | 7.5 | -3.9 | 7.1 | 12.3 | -3.2 | 7.1 | 8.1 | 13.1 | 7.5 | 9.5 | 9.3 |
| Total OECD | 3.8 | 4.3 | 3.9 | 9.2 | 8.7 | 7.1 | 10.5 | 6.4 | 6.9 | 11.7 | -0.1 | 2.1 | 3.4 | 8.4 | 5.6 | 7.2 | 7.4 |
| China | 15.3 | 22.8 | 24.1 | 20.7 | 13.0 | 23.0 | 18.2 | 1.7 | 16.7 | 25.3 | 6.9 | 25.7 | 28.2 | 22.7 | 19.6 | 22.5 | 21.6 |
| Non-OECD Asia excluding China | 12.9 | 12.4 | 12.0 | 13.7 | 14.3 | 6.7 | 8.4 | -5.9 | 5.6 | 15.5 | -4.1 | 6.2 | 6.7 | 14.2 | 8.6 | 10.2 | 9.7 |
| Latin America | 9.1 | 13.5 | 16.0 | 8.7 | 11.0 | 5.2 | 15.0 | 8.2 | -4.8 | 5.9 | 3.9 | -5.3 | 4.8 | 12.0 | 9.5 | 8.1 | 6.3 |
| Other non-OECD countries | -4.9 | -4.5 | 7.2 | -0.1 | -0.1 | 5.1 | 6.0 | 0.2 | 5.5 | 9.1 | 5.8 | 7.0 | 9.4 | 12.4 | 10.0 | 12.5 | 12.3 |
| Non-OECD ³ | 4.1 | 5.7 | 11.3 | 8.3 | 8.8 | 7.4 | 9.3 | -1.6 | 5.4 | 13.5 | 1.1 | 7.7 | 10.7 | 15.0 | 11.2 | 13.2 | 12.8 |
| World | 3.9 | 4.7 | 5.9 | 9.0 | 8.7 | 7.2 | 10.1 | 4.1 | 6.5 | 12.2 | 0.2 | 3.6 | 5.5 | 10.3 | 7.3 | 9.1 | 9.2 |
| B. Contribution to World Trade growth by main regions (percentage points) | | | | | | | | | | | | | | | | | |
| NAFTA ¹ | 0.6 | 1.4 | 1.3 | 2.3 | 1.7 | 1.8 | 2.7 | 1.7 | 2.0 | 2.6 | -0.9 | 0.2 | 0.6 | 1.9 | 1.3 | 1.3 | 1.4 |
| OECD Europe | 1.7 | 1.4 | 1.3 | 3.5 | 3.3 | 2.2 | 4.0 | 3.3 | 2.4 | 4.8 | 1.1 | 0.6 | 1.1 | 2.7 | 1.9 | 2.6 | 2.6 |
| OECD Asia & Pacific ² | 0.4 | 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 | 0.8 | 1.0 | 1.0 |
| Total OECD | 2.8 | 3.1 | 2.8 | 6.6 | 6.2 | 5.1 | 7.5 | 4.6 | 5.1 | 8.6 | -0.1 | 1.5 | 2.5 | 5.9 | 3.9 | 4.9 | 5.0 |
| China | 0.2 | 0.3 | 0.4 | 0.4 | 0.3 | 0.5 | 0.5 | 0.0 | 0.5 | 0.8 | 0.2 | 0.9 | 1.2 | 1.2 | 1.1 | 1.5 | 1.6 |
| Non-OECD Asia excluding China | 1.3 | 1.4 | 1.4 | 1.7 | 1.9 | 0.9 | 1.1 | -0.8 | 0.7 | 1.9 | -0.5 | 0.7 | 0.8 | 1.7 | 1.1 | 1.3 | 1.3 |
| Latin America | 0.2 | 0.4 | 0.5 | 0.3 | 0.4 | 0.2 | 0.5 | 0.3 | -0.2 | 0.2 | 0.1 | -0.2 | 0.1 | 0.3 | 0.3 | 0.2 | 0.2 |
| Other non-OECD countries | -0.6 | -0.5 | 0.8 | 0.0 | 0.0 | 0.5 | 0.5 | 0.0 | 0.5 | 0.7 | 0.5 | 0.6 | 0.8 | 1.1 | 0.9 | 1.2 | 1.2 |
| Non-OECD ³ | 1.1 | 1.5 | 3.1 | 2.4 | 2.5 | 2.1 | 2.6 | -0.4 | 1.4 | 3.6 | 0.3 | 2.1 | 3.0 | 4.4 | 3.4 | 4.2 | 4.2 |
| World | 3.9 | 4.7 | 5.9 | 9.0 | 8.7 | 7.2 | 10.1 | 4.1 | 6.5 | 12.2 | 0.2 | 3.6 | 5.5 | 10.3 | 7.3 | 9.1 | 9.2 |

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 78 database.

Annex Table 47. Trade balances for goods and services

\$ billion, national accounts basis

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Australia | -3.1 | -7.7 | -3.2 | 1.1 | -0.9 | -1.5 | -4.5 | -5.2 | -0.7 | 1.5 | -6.5 | -10.7 | -4.6 | 1.5 | -5.7 | -15.5 | -19.0 | -15.3 | -13.3 | -17.1 |
| Austria | 0.7 | 1.0 | 1.4 | 0.2 | -1.5 | 0.8 | -1.5 | -0.8 | -2.6 | 0.6 | 2.4 | 2.4 | 3.9 | 5.7 | 9.1 | 12.9 | 15.1 | 11.8 | 12.1 | 13.4 |
| Belgium | 3.9 | 4.1 | 4.2 | 4.5 | 6.0 | 7.6 | 10.4 | 12.7 | 10.8 | 11.1 | 10.8 | 10.8 | 7.0 | 8.5 | 11.9 | 14.0 | 13.2 | 6.2 | 2.6 | 3.5 |
| Canada | 3.8 | 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 | 32.1 | 33.5 | 41.6 | 40.5 | 50.3 | 57.2 |
| Czech Republic | .. | .. | .. | .. | .. | -0.3 | -1.0 | -2.4 | -3.7 | -3.1 | -0.7 | -0.7 | -1.7 | -1.5 | -1.6 | -2.0 | -0.3 | 2.8 | 4.3 | 5.5 |
| Denmark | 2.6 | 2.8 | 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 | 12.9 | 12.2 | 12.6 | 12.1 | 13.7 |
| Finland | -1.1 | -2.6 | -2.5 | -1.3 | 0.7 | 3.8 | 5.4 | 9.8 | 9.6 | 9.8 | 11.5 | 10.8 | 10.8 | 10.0 | 10.6 | 10.1 | 10.0 | 7.0 | 5.7 | 6.0 |
| France | -8.7 | -11.4 | -16.6 | -13.1 | 2.6 | 11.7 | 12.3 | 19.2 | 23.2 | 40.4 | 37.7 | 30.4 | 12.9 | 15.4 | 25.9 | 18.8 | 5.5 | -18.8 | -18.4 | -13.3 |
| Germany | 59.5 | 59.2 | 90.8 | -6.4 | -9.3 | -0.9 | 2.7 | 11.8 | 21.9 | 26.9 | 29.7 | 17.9 | 6.9 | 38.4 | 92.9 | 99.8 | 134.4 | 143.7 | 148.8 | 168.0 |
| Greece | -3.7 | -5.3 | -8.3 | -8.6 | -8.2 | -7.6 | -6.3 | -8.6 | -9.9 | -8.9 | -10.2 | -10.7 | -11.9 | -10.0 | -11.5 | -15.9 | -17.5 | -16.1 | -16.4 | -16.8 |
| Hungary | .. | .. | .. | .. | .. | -3.1 | -2.7 | -0.1 | 0.2 | 0.5 | -0.7 | -1.3 | -1.8 | -0.8 | -1.6 | -3.7 | -3.1 | -2.8 | -3.8 | -4.1 |
| Iceland | -0.1 | 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 | -1.7 | -1.9 | -1.5 |
| Ireland | 2.3 | 2.2 | 2.2 | 2.4 | 4.1 | 5.3 | 5.5 | 7.6 | 8.6 | 10.1 | 10.4 | 13.5 | 12.9 | 16.4 | 21.0 | 25.2 | 28.4 | 28.3 | 27.2 | 28.6 |
| Italy | 0.6 | -1.6 | 0.6 | -0.2 | -1.3 | 32.1 | 35.7 | 44.6 | 60.8 | 47.4 | 40.6 | 24.4 | 10.7 | 15.8 | 12.1 | 8.8 | 13.5 | -4.0 | -10.9 | -17.3 |
| Japan | 64.4 | 45.5 | 28.5 | 56.2 | 82.2 | 97.0 | 96.5 | 74.8 | 23.4 | 47.4 | 72.4 | 69.4 | 68.0 | 26.2 | 51.2 | 69.3 | 89.0 | 56.8 | 62.3 | 85.6 |
| Korea | 13.4 | 4.7 | -2.8 | -8.2 | -3.8 | 1.4 | -3.1 | -5.7 | -19.2 | -4.3 | 44.1 | 29.8 | 16.1 | 11.1 | 7.4 | 14.6 | 29.5 | 19.5 | 14.0 | 14.0 |
| Luxembourg | 0.1 | 0.4 | 0.4 | 0.3 | 1.0 | 1.3 | 1.8 | 2.2 | 2.1 | 2.4 | 2.8 | 3.3 | 4.1 | 3.4 | 3.9 | 5.1 | 6.2 | 6.6 | 6.8 | 8.5 |
| Mexico | 2.5 | -0.1 | -2.8 | -9.1 | -18.3 | -15.8 | -20.3 | 7.6 | 6.9 | -0.4 | -9.0 | -7.8 | -11.3 | -14.1 | -12.1 | -10.4 | -12.6 | -13.7 | -18.7 | -22.6 |
| Netherlands | 8.1 | 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 | 37.4 | 44.2 | 49.4 | 50.7 | 59.7 |
| New Zealand | 1.5 | 0.2 | 0.1 | 1.3 | 0.8 | 1.2 | 1.1 | 0.7 | 0.3 | 0.2 | 0.2 | -0.5 | 0.5 | 1.5 | 0.7 | 0.5 | -0.6 | -2.6 | -3.6 | -3.9 |
| Norway | -0.5 | 3.6 | 7.7 | 9.5 | 8.8 | 7.7 | 7.7 | 9.2 | 14.3 | 13.1 | 2.8 | 11.8 | 28.7 | 29.0 | 26.2 | 30.0 | 35.4 | 45.4 | 48.2 | 52.1 |
| Poland | .. | .. | .. | .. | .. | 0.8 | 2.1 | 3.0 | -2.2 | -6.1 | -8.3 | -9.9 | -10.9 | -6.8 | -6.4 | -5.2 | -4.7 | -1.0 | -1.4 | -0.8 |
| Portugal | -4.2 | -3.3 | -4.9 | -6.1 | -7.5 | -6.3 | -6.5 | -7.1 | -7.9 | -8.8 | -10.7 | -12.7 | -12.6 | -11.7 | -10.6 | -10.4 | -13.8 | -15.6 | -15.2 | -15.3 |
| Slovak Republic | .. | .. | .. | .. | .. | -0.6 | 0.9 | 0.5 | -2.2 | -2.0 | -2.4 | -0.9 | -0.5 | -1.7 | -1.7 | -0.5 | -1.1 | -2.6 | -2.9 | -2.2 |
| Spain | -4.2 | -13.0 | -16.8 | -17.1 | -16.3 | -3.1 | 0.2 | 0.1 | 3.2 | 4.8 | -1.5 | -11.4 | -18.2 | -14.9 | -14.1 | -19.8 | -39.4 | -60.3 | -73.6 | -89.1 |
| Sweden | 3.3 | 1.3 | 1.2 | 4.2 | 4.5 | 7.3 | 9.7 | 16.8 | 17.8 | 17.9 | 15.6 | 15.5 | 13.9 | 14.1 | 16.2 | 20.5 | 27.8 | 26.7 | 24.5 | 24.5 |
| Switzerland | 3.5 | 2.0 | 3.4 | 5.6 | 11.1 | 14.4 | 15.0 | 16.4 | 15.7 | 14.7 | 13.4 | 15.1 | 14.3 | 11.3 | 18.0 | 21.5 | 26.6 | 25.6 | 25.6 | 26.5 |
| Turkey | 0.8 | -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 | -22.4 | -25.9 | -28.5 |
| United Kingdom | -30.4 | -34.6 | -25.2 | -10.9 | -13.3 | -9.8 | -7.3 | -5.6 | -5.1 | 1.4 | -13.2 | -25.0 | -29.0 | -38.8 | -47.6 | -50.8 | -71.5 | -84.5 | -99.8 | -114.3 |
| United States | -110.4 | -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 | -500.9 | -624.0 | -710.0 | -757.7 | -803.3 |
| Euro area | 53.3 | 37.0 | 63.2 | -31.6 | -16.2 | 65.0 | 83.5 | 119.4 | 146.4 | 160.9 | 147.7 | 98.6 | 48.7 | 100.2 | 180.0 | 186.0 | 199.9 | 138.2 | 119.5 | 135.8 |
| Total OECD | 4.9 | -34.8 | -7.0 | -9.6 | 24.1 | 98.1 | 99.5 | 157.4 | 118.1 | 148.0 | 103.7 | -50.8 | -213.4 | -181.2 | -161.5 | -208.6 | -293.1 | -488.4 | -568.2 | -583.2 |

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/205481186838>

Annex Table 48. Investment income, net

\$ billion

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Australia | -8.6 | -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 | -11.5 | -14.9 | -20.5 | -23.7 | -22.1 | -21.1 |
| Austria | -0.9 | -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 | -1.9 | -2.3 | -2.1 | -1.9 | -1.9 |
| Belgium ¹ | 2.1 | 4.0 | 4.8 | 5.7 | 6.4 | 6.9 | 7.4 | 7.3 | 6.8 | 6.3 | 6.9 | 6.6 | 6.3 | 4.6 | 4.5 | 6.5 | 5.6 | 6.1 | 6.1 | 6.3 |
| Canada | -17.5 | -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 | -18.7 | -19.9 | -19.2 | -19.6 | -19.4 | -18.1 |
| Czech Republic | .. | .. | .. | .. | .. | -0.1 | 0.0 | -0.1 | -0.7 | -0.8 | -1.1 | -1.4 | -1.4 | -2.2 | -3.6 | -4.3 | -5.4 | -8.5 | -8.9 | -9.5 |
| Denmark | -3.7 | -3.8 | -5.1 | -5.1 | -4.9 | -3.8 | -3.8 | -3.8 | -3.7 | -3.4 | -2.8 | -2.5 | -4.1 | -3.0 | -3.1 | -2.6 | -2.2 | -4.8 | -4.5 | -4.7 |
| Finland | -1.7 | -2.7 | -3.7 | -4.7 | -5.5 | -4.9 | -4.3 | -4.4 | -3.7 | -2.5 | -3.1 | -2.4 | -1.7 | -0.9 | -0.5 | -3.4 | 0.3 | 0.3 | 0.8 | 1.4 |
| France | -1.0 | -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 | 7.1 | 8.2 | 8.1 | 9.2 | 9.5 |
| Germany | 9.4 | 14.3 | 20.5 | 18.0 | 18.3 | 11.6 | 1.5 | -2.7 | 0.8 | -2.4 | -10.4 | -11.7 | -7.5 | -8.4 | -14.3 | -15.4 | -0.4 | 5.2 | 10.5 | 12.6 |
| Greece | -1.8 | -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 | -4.3 | -5.1 | -6.1 | -6.5 | -6.7 |
| Hungary | .. | .. | .. | .. | .. | -1.1 | -1.3 | -1.7 | -2.0 | -2.7 | -3.0 | -2.9 | -2.6 | -2.9 | -3.6 | -4.2 | -6.1 | -6.7 | -6.1 | -6.2 |
| Iceland | -0.2 | -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 | -0.3 | -0.1 | -0.3 | -0.4 |
| Ireland | -3.9 | -4.3 | -5.0 | -4.6 | -5.6 | -5.3 | -5.4 | -7.3 | -8.2 | -9.7 | -10.6 | -13.7 | -13.5 | -16.4 | -22.4 | -24.8 | -29.3 | -31.1 | -31.1 | -31.1 |
| Italy | -5.5 | -7.2 | -14.5 | -17.5 | -21.9 | -17.5 | -16.8 | -15.8 | -15.5 | -10.2 | -11.2 | -11.1 | -11.8 | -10.4 | -14.5 | -20.1 | -18.3 | -19.8 | -17.0 | -18.4 |
| Japan | 21.1 | 22.9 | 22.7 | 26.1 | 35.5 | 41.1 | 40.5 | 44.1 | 53.3 | 58.1 | 54.6 | 58.4 | 60.4 | 69.3 | 66.0 | 71.6 | 86.0 | 97.8 | 105.9 | 126.0 |
| Korea | -1.3 | -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 | 0.7 | 0.5 | 0.7 | 1.0 |
| Luxembourg | .. | .. | .. | .. | .. | .. | .. | 1.6 | 1.3 | 0.5 | 0.2 | -0.5 | -1.3 | -1.6 | -3.3 | -4.6 | -4.1 | -6.5 | -6.5 | -8.0 |
| Mexico | -7.2 | -8.3 | -8.6 | -8.6 | -9.6 | -11.4 | -13.0 | -13.3 | -13.9 | -12.8 | -13.3 | -12.8 | -14.9 | -13.8 | -12.1 | -12.0 | -11.0 | -13.7 | -14.1 | -14.5 |
| Netherlands | 1.2 | 2.9 | -0.6 | 0.4 | -1.0 | 0.9 | 3.6 | 7.3 | 3.5 | 7.0 | -2.7 | 3.5 | -2.2 | -0.2 | 1.9 | -2.1 | -1.5 | -0.5 | 1.8 | 1.9 |
| New Zealand | -2.1 | -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 | -6.1 | -7.5 | -7.3 | -7.4 |
| Norway | -2.0 | -2.5 | -2.7 | -2.7 | -3.4 | -3.3 | -2.2 | -1.8 | -1.9 | -1.6 | -1.3 | -2.0 | -1.8 | -1.1 | 0.2 | 1.3 | 1.6 | 2.5 | 2.3 | 2.3 |
| Poland | .. | .. | .. | .. | .. | .. | -2.6 | -2.0 | -1.1 | -1.1 | -1.2 | -1.0 | -1.5 | -1.4 | -1.9 | -3.6 | -11.4 | -9.8 | -9.5 | -9.1 |
| Portugal | -0.8 | -0.6 | -0.1 | 0.2 | 0.6 | 0.2 | -0.6 | 0.0 | -1.0 | -1.5 | -1.6 | -1.8 | -2.5 | -3.0 | -2.1 | -1.7 | -3.1 | -4.2 | -4.5 | -4.7 |
| 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 | -0.6 | -0.3 | 0.5 |
| Spain | -3.3 | -2.8 | -3.5 | -4.3 | -5.8 | -3.6 | -7.8 | -5.4 | -7.4 | -7.4 | -8.6 | -9.5 | -6.8 | -11.2 | -11.6 | -13.1 | -17.0 | -21.0 | -22.0 | -23.9 |
| Sweden | -1.8 | -2.3 | -4.5 | -6.4 | -10.0 | -8.8 | -5.9 | -5.5 | -6.3 | -4.9 | -3.2 | -2.0 | -1.4 | -1.4 | -1.1 | 3.5 | 4.4 | 2.3 | 1.2 | 1.2 |
| Switzerland | 8.3 | 7.4 | 7.9 | 7.9 | 7.3 | 8.2 | 6.9 | 10.8 | 11.6 | 15.3 | 16.8 | 19.4 | 21.1 | 13.9 | 10.7 | 26.9 | 30.9 | 29.1 | 28.8 | 30.5 |
| Turkey | -2.5 | -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 | -6.9 | -8.4 | -9.0 |
| United Kingdom | 1.3 | -1.2 | -5.1 | -5.9 | 0.2 | -0.3 | 5.1 | 3.3 | 1.2 | 5.3 | 20.4 | -2.4 | 6.9 | 16.4 | 35.8 | 39.5 | 48.6 | 64.2 | 68.7 | 72.9 |
| United States | 18.7 | 19.8 | 28.5 | 24.1 | 24.2 | 25.3 | 17.1 | 20.9 | 22.3 | 12.6 | 4.3 | 13.9 | 21.1 | 25.2 | 10.0 | 46.3 | 30.4 | -5.1 | -33.7 | -70.1 |
| Euro area | -6.1 | 0.5 | -6.7 | -13.6 | -24.3 | -21.4 | -31.5 | -32.1 | -28.4 | -16.1 | -36.0 | -25.2 | -29.0 | -37.8 | -61.8 | -77.7 | -67.0 | -71.6 | -61.0 | -63.1 |
| Total OECD | -3.7 | -3.5 | -10.6 | -19.3 | -18.2 | -10.8 | -29.4 | -26.7 | -15.9 | 2.6 | -8.5 | -6.8 | 9.3 | 16.1 | -2.5 | 40.1 | 47.6 | 17.9 | 12.2 | 1.4 |

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 78 database.

Annex Table 49. **Total transfers, net**
\$ billion

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Australia | 0.0 | 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 | -0.3 | -0.2 | -0.1 |
| Austria | 0.0 | -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 | -2.7 | -2.7 | -2.6 | -2.7 |
| Belgium ¹ | -1.7 | -1.8 | -2.0 | -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 | -7.0 | -6.3 | -5.7 | -6.1 |
| Canada | -0.9 | -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 | 0.6 | 0.1 | 0.2 | -0.3 | 0.1 | 0.1 |
| 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 | 1.0 | 1.2 |
| Denmark | -1.0 | -1.2 | -1.2 | -1.6 | -1.7 | -1.7 | -2.0 | -2.4 | -2.6 | -1.8 | -2.3 | -2.7 | -3.0 | -2.6 | -3.0 | -3.5 | -4.2 | -3.8 | -4.3 | -4.2 |
| Finland | -0.5 | -0.8 | -1.0 | -1.0 | -0.8 | -0.5 | -0.5 | -0.5 | -0.9 | -0.7 | -1.1 | -1.0 | -0.7 | -0.7 | -0.7 | -1.1 | -1.1 | -1.3 | -0.9 | -0.9 |
| France | -6.7 | -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 | -19.4 | -21.8 | -23.7 | -21.0 | -21.0 |
| Germany | -18.7 | -18.5 | -21.9 | -35.4 | -32.6 | -33.2 | -36.7 | -38.7 | -33.9 | -30.5 | -30.3 | -26.7 | -26.2 | -24.6 | -26.5 | -32.5 | -35.3 | -38.5 | -37.5 | -39.9 |
| Greece ² | 3.6 | 4.0 | 4.7 | 6.2 | 6.5 | 6.5 | 6.9 | 8.0 | 8.0 | 8.3 | 7.9 | 4.1 | 3.4 | 3.4 | 3.6 | 4.3 | 4.5 | 3.7 | 3.8 | 3.7 |
| 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 | 0.4 | 0.5 | 0.5 |
| 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 | 1.4 | 1.5 | 2.4 | 2.6 | 2.1 | 1.9 | 1.7 | 1.8 | 2.2 | 2.0 | 1.5 | 1.3 | 0.9 | 0.3 | 0.7 | 0.5 | 0.4 | 0.9 | 1.3 | 1.3 |
| Italy | -2.3 | -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 | -4.9 | -4.7 | -4.3 |
| Japan | -0.8 | -0.8 | -1.2 | -2.1 | -1.0 | -1.3 | -1.5 | -1.9 | -2.3 | -2.2 | -2.2 | -2.7 | -2.4 | -2.0 | -1.4 | -1.9 | -1.9 | -2.5 | -2.2 | -2.2 |
| Korea | 2.3 | 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 | -2.5 | -2.9 | -3.0 | -3.0 |
| Luxembourg | .. | .. | .. | .. | .. | .. | .. | -0.6 | -0.6 | -0.5 | -0.4 | -0.6 | -0.5 | -0.5 | -0.3 | -0.6 | -1.3 | -1.0 | -0.6 | -0.5 |
| Mexico | 2.3 | 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 | 19.0 | 20.2 | 21.8 |
| Netherlands | -1.9 | -1.9 | -2.9 | -4.1 | -4.3 | -4.5 | -5.2 | -6.4 | -6.8 | -6.1 | -7.2 | -6.4 | -6.3 | -6.7 | -6.5 | -7.9 | -9.0 | -10.6 | -11.2 | -11.5 |
| New Zealand | 0.2 | 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 | 0.2 | 0.2 | 0.4 | 0.3 | 0.3 |
| Norway | -1.1 | -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 | -2.7 | -2.7 | -2.9 |
| Poland | .. | .. | .. | .. | .. | .. | 1.3 | 1.0 | 1.7 | 2.0 | 2.9 | 2.2 | 2.4 | 2.9 | 3.3 | 4.2 | 5.7 | 6.0 | 8.0 | 9.0 |
| Portugal ² | 4.3 | 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 | 3.2 | 3.6 | 3.7 |
| 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 | 0.0 | 0.0 |
| Spain | 4.5 | 4.6 | 2.7 | 2.7 | 2.1 | 1.3 | 1.3 | 4.6 | 2.3 | 2.7 | 3.2 | 3.0 | 1.3 | 1.6 | 2.3 | 0.3 | -0.1 | -0.2 | 0.3 | 0.3 |
| Sweden | -0.3 | -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 | -1.9 | -5.1 | -4.6 | -3.8 | -3.8 |
| Switzerland | -1.3 | -1.9 | -2.4 | -2.6 | -3.1 | -3.0 | -3.5 | -4.4 | -4.3 | -4.0 | -4.6 | -5.1 | -4.2 | -5.2 | -5.8 | -5.4 | -6.0 | -7.1 | -6.8 | -6.7 |
| Turkey | 2.2 | 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 | 1.4 | 1.9 | 2.1 |
| United Kingdom | -6.3 | -7.2 | -8.8 | -2.1 | -9.9 | -7.9 | -8.2 | -11.9 | -7.4 | -9.7 | -13.9 | -11.9 | -14.7 | -9.5 | -12.9 | -16.3 | -19.7 | -20.2 | -18.7 | -19.5 |
| United States | -25.3 | -26.2 | -26.7 | 9.9 | -35.1 | -39.8 | -40.3 | -38.2 | -43.1 | -45.2 | -53.3 | -50.6 | -58.8 | -51.9 | -64.0 | -71.2 | -80.9 | -90.0 | -95.0 | -103.0 |
| Euro area | -17.9 | -20.0 | -26.2 | -42.2 | -41.7 | -40.9 | -50.2 | -40.7 | -45.1 | -43.6 | -47.9 | -47.3 | -48.0 | -49.7 | -50.8 | -69.8 | -79.6 | -81.3 | -75.2 | -77.9 |
| Total OECD | -48.1 | -52.3 | -58.9 | -34.7 | -88.1 | -88.3 | -98.4 | -93.8 | -96.3 | -96.4 | -108.8 | -107.3 | -118.5 | -108.0 | -126.5 | -155.0 | -177.8 | -187.6 | -179.9 | -188.3 |

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 78 database.

Annex Table 50. Current account balances

\$ billion

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------|--------|-------|--------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Australia | -11.6 | -17.9 | -15.9 | -11.0 | -11.1 | -9.7 | -17.1 | -19.3 | -15.8 | -12.4 | -18.1 | -22.3 | -15.4 | -8.4 | -17.2 | -30.6 | -39.7 | -39.3 | -36.0 | -38.6 |
| Austria | -0.3 | 0.3 | 1.2 | 0.0 | -0.7 | -1.4 | -3.3 | -6.2 | -5.4 | -6.5 | -5.2 | -6.7 | -5.0 | -3.7 | 0.7 | -1.3 | 0.9 | -1.3 | -0.2 | 1.0 |
| Belgium ¹ | 5.2 | 5.1 | 6.2 | 7.2 | 9.9 | 13.0 | 14.2 | 15.3 | 13.8 | 13.8 | 13.3 | 12.9 | 9.4 | 7.9 | 11.6 | 12.8 | 11.9 | 5.5 | 3.0 | 3.7 |
| Canada | -14.9 | -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 | 13.4 | 13.2 | 22.0 | 19.9 | 30.1 | 38.4 |
| Czech Republic | .. | .. | .. | .. | .. | 0.5 | -0.8 | -1.4 | -4.1 | -3.6 | -1.3 | -1.5 | -2.7 | -3.3 | -4.2 | -5.8 | -5.5 | -4.7 | -3.5 | -2.8 |
| Denmark | -1.6 | -1.7 | 0.6 | 1.2 | 3.2 | 3.9 | 2.3 | 1.2 | 2.7 | 0.7 | -1.6 | 3.1 | 2.3 | 4.9 | 3.8 | 7.0 | 6.0 | 7.8 | 5.7 | 7.1 |
| Finland | -2.8 | -5.7 | -6.9 | -6.9 | -5.2 | -1.2 | 1.1 | 5.4 | 5.0 | 6.6 | 7.4 | 7.6 | 8.9 | 8.8 | 10.1 | 6.1 | 9.8 | 6.7 | 6.1 | 7.0 |
| France | -4.6 | -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 | 7.8 | -7.9 | -33.1 | -29.3 | -24.0 |
| Germany | 50.8 | 55.5 | 50.5 | -23.7 | -22.1 | -19.3 | -30.6 | -29.6 | -13.9 | -9.5 | -15.7 | -26.4 | -31.0 | 3.3 | 46.3 | 53.3 | 103.4 | 114.0 | 125.4 | 144.2 |
| Greece ² | -1.6 | -3.4 | -4.7 | -2.7 | -3.6 | -2.0 | -1.4 | -4.5 | -6.4 | -5.3 | -3.8 | -7.7 | -9.9 | -9.5 | -10.1 | -12.5 | -13.0 | -15.5 | -15.0 | -15.5 |
| Hungary | .. | .. | .. | .. | .. | -3.0 | -3.7 | -1.6 | -1.7 | -2.0 | -3.4 | -3.8 | -4.0 | -3.2 | -4.7 | -7.2 | -8.9 | -9.1 | -9.4 | -9.8 |
| Iceland | -0.2 | -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 | -1.1 | -1.9 | -2.2 | -1.9 |
| Ireland | 0.0 | -0.6 | -0.4 | 0.3 | 0.5 | 1.8 | 1.5 | 1.7 | 2.0 | 1.9 | 0.7 | 0.3 | -0.3 | -0.7 | -1.2 | 0.0 | -1.4 | -2.9 | -3.4 | -2.1 |
| Italy | -7.6 | -11.7 | -16.5 | -23.5 | -28.9 | 7.4 | 12.6 | 24.8 | 39.5 | 33.4 | 22.7 | 8.0 | -5.9 | -0.9 | -9.9 | -19.7 | -15.3 | -25.5 | -32.6 | -40.0 |
| Japan | 78.7 | 66.7 | 46.6 | 72.7 | 108.3 | 130.0 | 130.6 | 114.3 | 64.8 | 96.7 | 119.3 | 115.0 | 119.6 | 88.5 | 112.1 | 137.2 | 172.0 | 158.0 | 171.7 | 215.1 |
| Korea | 14.5 | 5.4 | -2.0 | -8.3 | -3.9 | 1.0 | -3.9 | -8.5 | -23.0 | -8.2 | 40.4 | 24.5 | 12.3 | 8.0 | 5.4 | 11.9 | 27.6 | 16.3 | 12.8 | 13.0 |
| Luxembourg | .. | .. | .. | .. | .. | .. | .. | 2.5 | 2.3 | 1.9 | 1.8 | 1.8 | 2.7 | 1.8 | 2.4 | 1.9 | 3.6 | 1.7 | 2.1 | 2.3 |
| Mexico | -2.4 | -5.8 | -7.5 | -14.7 | -24.4 | -23.4 | -29.7 | -1.6 | -2.5 | -7.7 | -16.0 | -13.9 | -18.6 | -17.6 | -13.5 | -8.5 | -7.4 | -6.6 | -9.3 | -12.0 |
| Netherlands | 7.0 | 9.4 | 8.1 | 7.4 | 6.9 | 13.2 | 17.3 | 25.8 | 21.5 | 25.1 | 13.0 | 15.7 | 7.3 | 9.8 | 12.9 | 15.2 | 20.0 | 35.8 | 41.3 | 51.2 |
| New Zealand | -0.4 | -1.6 | -1.4 | -1.1 | -1.6 | -1.7 | -2.0 | -3.1 | -3.9 | -4.4 | -2.1 | -3.5 | -2.7 | -1.5 | -2.5 | -3.6 | -6.4 | -9.3 | -10.1 | -10.4 |
| Norway | -3.9 | 0.2 | 4.0 | 5.0 | 3.0 | 2.2 | 3.8 | 5.3 | 11.0 | 10.1 | 0.0 | 8.2 | 24.5 | 26.3 | 24.1 | 28.4 | 34.6 | 46.2 | 48.5 | 52.1 |
| Poland | .. | .. | .. | .. | .. | .. | 1.0 | 0.9 | -3.3 | -5.7 | -6.9 | -12.5 | -10.0 | -5.4 | -5.0 | -4.6 | -10.3 | -4.4 | -2.6 | -1.0 |
| Portugal ² | -1.0 | 0.2 | -0.2 | -0.7 | -0.3 | 0.3 | -2.3 | -0.2 | -4.2 | -6.1 | -7.8 | -9.7 | -11.4 | -10.4 | -8.1 | -8.1 | -13.1 | -16.7 | -16.4 | -16.6 |
| 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 | -3.1 | -3.1 | -1.5 |
| Spain | -3.7 | -10.9 | -18.1 | -19.9 | -21.6 | -5.7 | -6.4 | -2.0 | -2.3 | -0.8 | -7.1 | -17.9 | -23.2 | -23.6 | -22.5 | -31.6 | -55.3 | -85.7 | -100.1 | -117.3 |
| Sweden | 0.4 | -1.8 | -4.8 | -3.1 | -7.5 | -2.6 | 2.5 | 8.4 | 9.8 | 10.3 | 9.7 | 10.7 | 9.7 | 9.6 | 12.8 | 22.9 | 28.6 | 25.1 | 23.1 | 23.1 |
| Switzerland | 9.1 | 7.0 | 8.4 | 10.2 | 14.8 | 19.0 | 17.0 | 20.6 | 21.3 | 24.6 | 25.1 | 29.3 | 30.4 | 20.0 | 23.3 | 43.2 | 52.3 | 48.2 | 48.2 | 49.9 |
| Turkey | 1.6 | 0.9 | -2.6 | 0.2 | -1.0 | -6.4 | 2.6 | -2.3 | -2.4 | -2.6 | 2.0 | -1.3 | -9.8 | 3.4 | -1.5 | -8.0 | -15.5 | -22.6 | -26.4 | -29.3 |
| United Kingdom | -35.4 | -43.1 | -39.1 | -19.0 | -22.9 | -17.9 | -10.3 | -14.2 | -11.4 | -3.0 | -6.7 | -39.3 | -36.7 | -31.9 | -24.6 | -27.6 | -42.6 | -40.5 | -49.8 | -60.9 |
| United States | -121.2 | -99.5 | -79.0 | 2.9 | -50.1 | -84.8 | -121.6 | -113.7 | -124.9 | -140.9 | -214.1 | -300.1 | -416.0 | -389.5 | -475.2 | -519.7 | -668.1 | -805.7 | -889.6 | -980.0 |
| Euro area | 41.6 | 33.5 | 9.5 | -68.1 | -60.3 | 15.8 | 10.1 | 44.2 | 72.8 | 91.7 | 58.1 | 19.7 | -40.1 | 3.8 | 45.6 | 23.9 | 43.6 | -17.0 | -19.2 | -5.9 |
| Total OECD | -45.5 | -79.5 | -103.1 | -55.8 | -74.9 | 0.6 | -31.3 | 25.4 | -9.5 | 33.5 | -25.8 | -187.5 | -339.2 | -282.2 | -309.8 | -328.7 | -420.5 | -642.9 | -721.1 | -755.3 |

Note: The balance-of-payments data in this table are based on the concepts and definition of the International Monetary Fund, Fifth Balance of Payments Manual.

1. Including Luxembourg until 1994.

2. Breaks between 1998 and 1999 for Greece and between 1995 and 1996 for Portugal, reflecting change in methodology to the International Monetary Fund, Fifth Balance of Payments Manual (capital transfers from European Union are excluded from the current account).

Source: OECD Economic Outlook 78 database.

Annex Table 51. Current account balances as a percentage of GDP

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------------|------|------|------|------|------|------|------|------|------|------|------|------|-------|------|------|------|------|-------|-------|-------|
| Australia | -4.4 | -6.1 | -5.2 | -3.5 | -3.7 | -3.3 | -5.1 | -5.4 | -3.9 | -3.1 | -5.0 | -5.7 | -4.1 | -2.4 | -4.3 | -6.0 | -6.4 | -5.8 | -5.2 | -5.2 |
| Austria | -0.2 | 0.2 | 0.7 | 0.0 | -0.4 | -0.8 | -1.6 | -2.6 | -2.3 | -3.1 | -2.4 | -3.2 | -2.5 | -1.9 | 0.3 | -0.5 | 0.3 | -0.4 | -0.1 | 0.3 |
| Belgium ¹ | 3.2 | 3.1 | 3.0 | 3.5 | 4.3 | 5.9 | 5.9 | 5.4 | 5.0 | 5.5 | 5.2 | 5.1 | 4.0 | 3.4 | 4.6 | 4.1 | 3.3 | 1.4 | 0.8 | 1.0 |
| Canada | -3.0 | -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 | 1.8 | 1.5 | 2.2 | 1.8 | 2.5 | 3.0 |
| Czech Republic | .. | .. | .. | .. | .. | 1.2 | -1.8 | -2.5 | -6.7 | -6.3 | -2.1 | -2.5 | -4.9 | -5.4 | -5.6 | -6.3 | -5.2 | -4.0 | -2.8 | -2.1 |
| Denmark | -1.4 | -1.5 | 0.4 | 0.9 | 2.1 | 2.8 | 1.5 | 0.7 | 1.4 | 0.4 | -0.9 | 1.7 | 1.4 | 3.0 | 2.2 | 3.3 | 2.5 | 3.0 | 2.2 | 2.7 |
| Finland | -2.6 | -4.9 | -5.0 | -5.4 | -4.7 | -1.4 | 1.1 | 4.1 | 3.9 | 5.4 | 5.6 | 5.9 | 7.4 | 7.2 | 7.6 | 3.8 | 5.3 | 3.5 | 3.2 | 3.6 |
| France | -0.5 | -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 | 0.4 | -0.4 | -1.6 | -1.4 | -1.1 |
| Germany | 4.1 | 4.6 | 2.9 | -1.3 | -1.1 | -1.0 | -1.4 | -1.2 | -0.6 | -0.4 | -0.7 | -1.2 | -1.6 | 0.2 | 2.3 | 2.2 | 3.8 | 4.1 | 4.6 | 5.2 |
| Greece ² | -2.4 | -5.0 | -5.6 | -2.8 | -3.6 | -2.2 | -1.4 | -3.8 | -5.2 | -4.4 | -3.1 | -6.2 | -8.7 | -8.1 | -7.5 | -7.2 | -6.3 | -7.0 | -6.7 | -6.5 |
| Hungary | .. | .. | .. | .. | .. | -7.8 | -8.9 | -3.4 | -3.9 | -4.4 | -7.2 | -7.8 | -8.6 | -6.2 | -7.1 | -8.7 | -8.8 | -8.4 | -8.7 | -8.5 |
| Iceland | -3.6 | -1.9 | -2.1 | -4.0 | -2.4 | 0.7 | 1.9 | 0.8 | -1.8 | -1.7 | -6.9 | -6.9 | -10.4 | -4.5 | 1.4 | -5.0 | -8.4 | -12.1 | -12.9 | -10.5 |
| Ireland | 0.0 | -1.5 | -0.8 | 0.7 | 1.0 | 3.6 | 2.7 | 2.6 | 2.7 | 2.4 | 0.8 | 0.3 | -0.4 | -0.6 | -1.0 | 0.0 | -0.8 | -1.5 | -1.7 | -1.0 |
| Italy | -0.9 | -1.3 | -1.5 | -2.0 | -2.3 | 0.8 | 1.2 | 2.3 | 3.2 | 2.9 | 1.9 | 0.7 | -0.6 | -0.1 | -0.8 | -1.3 | -0.9 | -1.5 | -1.9 | -2.3 |
| Japan | 2.7 | 2.2 | 1.5 | 2.1 | 2.8 | 3.0 | 2.7 | 2.2 | 1.4 | 2.3 | 3.0 | 2.6 | 2.5 | 2.1 | 2.8 | 3.2 | 3.7 | 3.4 | 3.9 | 4.7 |
| Korea | 7.7 | 2.3 | -0.8 | -2.7 | -1.2 | 0.3 | -0.9 | -1.6 | -4.2 | -1.3 | 11.8 | 5.5 | 2.4 | 1.7 | 1.0 | 1.9 | 4.1 | 2.1 | 1.6 | 1.5 |
| Luxembourg | .. | .. | .. | .. | .. | .. | .. | 13.9 | 12.7 | 11.0 | 9.4 | 8.9 | 13.7 | 9.0 | 11.6 | 6.8 | 11.1 | 5.0 | 6.0 | 6.0 |
| Mexico | -1.3 | -2.7 | -2.9 | -4.7 | -6.7 | -5.8 | -7.1 | -0.5 | -0.8 | -1.9 | -3.8 | -2.9 | -3.2 | -2.8 | -2.1 | -1.3 | -1.1 | -0.9 | -1.1 | -1.4 |
| Netherlands | 2.8 | 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 | 2.9 | 2.8 | 3.3 | 5.8 | 6.8 | 8.0 |
| New Zealand | -0.9 | -3.7 | -3.1 | -2.7 | -4.1 | -3.8 | -3.9 | -5.1 | -5.9 | -6.5 | -3.9 | -6.2 | -5.1 | -2.8 | -4.2 | -4.5 | -6.6 | -8.7 | -9.1 | -9.0 |
| Norway | -3.9 | 0.3 | 3.3 | 4.3 | 2.3 | 1.8 | 3.0 | 3.6 | 6.9 | 6.4 | 0.0 | 5.2 | 14.8 | 15.5 | 12.6 | 12.8 | 13.8 | 16.1 | 16.3 | 16.6 |
| Poland | .. | .. | .. | .. | .. | .. | 0.9 | 0.6 | -2.2 | -3.8 | -4.1 | -7.6 | -6.0 | -2.9 | -2.6 | -2.2 | -4.3 | -1.5 | -0.9 | -0.3 |
| Portugal ² | -1.9 | 0.3 | -0.2 | -0.8 | -0.2 | 0.4 | -2.4 | -0.1 | -3.6 | -5.5 | -6.6 | -8.1 | -10.2 | -9.1 | -6.5 | -5.3 | -7.5 | -9.3 | -9.4 | -9.1 |
| Slovak Republic | .. | .. | .. | .. | .. | -4.6 | 4.9 | 2.6 | -9.4 | -8.5 | -8.9 | -4.8 | -3.6 | -8.4 | -8.0 | -0.9 | -3.6 | -6.7 | -6.6 | -2.9 |
| Spain | -1.0 | -2.7 | -3.5 | -3.6 | -3.5 | -1.1 | -1.2 | -0.3 | -0.4 | -0.1 | -1.2 | -2.9 | -4.0 | -3.9 | -3.3 | -3.6 | -5.3 | -7.7 | -8.9 | -9.8 |
| Sweden | 0.2 | -0.9 | -2.0 | -1.2 | -2.8 | -1.3 | 1.2 | 3.4 | 3.6 | 4.2 | 3.9 | 4.3 | 4.1 | 4.4 | 5.3 | 7.5 | 8.2 | 7.1 | 6.8 | 6.5 |
| Switzerland | 4.7 | 3.8 | 3.5 | 4.3 | 5.9 | 7.8 | 6.3 | 6.5 | 7.1 | 9.4 | 9.4 | 11.1 | 12.3 | 8.0 | 8.3 | 13.3 | 14.6 | 13.2 | 13.5 | 13.6 |
| Turkey | 2.1 | 0.9 | -1.7 | 0.2 | -0.6 | -3.5 | 2.7 | -1.6 | -1.3 | -1.3 | 1.2 | -1.0 | -4.9 | 2.4 | -0.9 | -3.4 | -5.1 | -6.2 | -6.6 | -6.7 |
| United Kingdom | -4.2 | -5.1 | -4.0 | -1.8 | -2.1 | -1.9 | -1.0 | -1.3 | -1.0 | -0.2 | -0.5 | -2.7 | -2.6 | -2.2 | -1.6 | -1.5 | -2.0 | -1.8 | -2.3 | -2.7 |
| United States | -2.4 | -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 | -4.7 | -5.7 | -6.5 | -6.7 | -7.0 |
| Euro area | 1.0 | 0.8 | 0.2 | -1.2 | -0.9 | 0.3 | 0.2 | 0.6 | 1.0 | 1.4 | 0.9 | 0.3 | -0.7 | 0.1 | 0.7 | 0.3 | 0.5 | -0.2 | -0.2 | -0.1 |
| Total OECD | -0.3 | -0.5 | -0.6 | -0.3 | -0.4 | 0.0 | -0.1 | 0.1 | 0.0 | 0.1 | -0.1 | -0.7 | -1.3 | -1.1 | -1.2 | -1.1 | -1.3 | -1.8 | -2.0 | -2.0 |

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 78 database.

Annex Table 52. Structure of current account balances of major world regions

| | \$ billion | | | | | | | | | | | | | | | | |
|---|------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| Goods and services trade balance ¹ | | | | | | | | | | | | | | | | | |
| OECD | -10 | 24 | 98 | 100 | 157 | 118 | 148 | 104 | -51 | -213 | -181 | -161 | -209 | -293 | -488 | -568 | -583 |
| Non-OECD of which: | -27 | -34 | -58 | -18 | -57 | -17 | -12 | -12 | 104 | 216 | 150 | 195 | 260 | 339 | 528 | 588 | 595 |
| Non-OECD Asia of which: | 10 | 3 | -15 | -6 | -24 | -10 | 21 | 81 | 91 | 79 | 83 | 116 | 118 | 109 | 172 | 265 | 342 |
| China | 12 | 5 | -12 | 7 | 12 | 18 | 40 | 42 | 31 | 29 | 28 | 37 | 36 | 49 | 128 | 168 | 173 |
| Dynamic Asia ² | 9 | 9 | 9 | 3 | -12 | 0 | 5 | 62 | 79 | 72 | 71 | 90 | 102 | 92 | 72 | 121 | 187 |
| Other Asia | -10 | -12 | -12 | -16 | -24 | -28 | -24 | -23 | -19 | -22 | -16 | -12 | -20 | -32 | -28 | -25 | -17 |
| Latin America | 14 | 3 | -6 | -7 | -19 | -17 | -31 | -45 | -16 | -3 | -10 | 21 | 40 | 58 | 70 | 74 | 74 |
| Africa and Middle-East | -50 | -37 | -34 | -11 | -14 | 8 | 5 | -43 | 6 | 92 | 48 | 31 | 69 | 114 | 195 | 164 | 110 |
| Central and Eastern Europe ³ | -1 | -4 | -3 | 6 | 0 | 2 | -7 | -5 | 23 | 49 | 29 | 26 | 34 | 58 | 92 | 85 | 70 |
| World ⁴ | -37 | -10 | 41 | 81 | 100 | 101 | 136 | 92 | 53 | 3 | -31 | 33 | 51 | 46 | 39 | 20 | 12 |
| Services and private transfers, net | | | | | | | | | | | | | | | | | |
| OECD | -19 | -18 | -11 | -29 | -27 | -16 | 3 | -8 | -7 | 9 | 16 | -3 | 40 | 48 | 18 | 12 | 1 |
| Non-OECD of which: | -33 | -39 | -46 | -44 | -59 | -69 | -77 | -82 | -81 | -91 | -85 | -92 | -103 | -114 | -129 | -139 | -143 |
| Non-OECD Asia of which: | -9 | -10 | -12 | -10 | -20 | -24 | -25 | -27 | -25 | -28 | -26 | -25 | -18 | -16 | -15 | -14 | -11 |
| China | 1 | 0 | -1 | -1 | -12 | -12 | -16 | -17 | -14 | -15 | -19 | -15 | -8 | -4 | 0 | 4 | 9 |
| Dynamic Asia ² | -4 | -4 | -4 | -3 | -2 | -6 | -2 | -4 | -4 | -6 | 0 | -2 | -1 | -4 | -6 | -8 | -12 |
| Other Asia | -6 | -6 | -6 | -6 | -6 | -6 | -7 | -7 | -7 | -7 | -7 | -8 | -9 | -9 | -9 | -9 | -9 |
| Latin America | -23 | -21 | -23 | -24 | -28 | -29 | -36 | -38 | -38 | -39 | -41 | -39 | -43 | -52 | -64 | -73 | -76 |
| Africa and Middle-East | 2 | -2 | -5 | -8 | -6 | -8 | -6 | -3 | -7 | -12 | -10 | -17 | -22 | -23 | -26 | -27 | -27 |
| Central and Eastern Europe ³ | -3 | -6 | -5 | -2 | -4 | -7 | -11 | -14 | -10 | -11 | -9 | -11 | -20 | -22 | -24 | -26 | -29 |
| World ⁴ | -52 | -57 | -56 | -73 | -86 | -85 | -74 | -91 | -88 | -81 | -69 | -94 | -63 | -66 | -111 | -127 | -142 |
| Net transfers, net | | | | | | | | | | | | | | | | | |
| OECD | -35 | -88 | -88 | -98 | -94 | -96 | -96 | -109 | -107 | -119 | -108 | -126 | -155 | -178 | -188 | -180 | -188 |
| Non-OECD of which: | -1 | 33 | 30 | 28 | 29 | 35 | 42 | 35 | 40 | 44 | 49 | 65 | 96 | 112 | 110 | 116 | 117 |
| Non-OECD Asia of which: | 11 | 14 | 13 | 17 | 15 | 19 | 26 | 19 | 22 | 26 | 27 | 37 | 59 | 64 | 58 | 60 | 60 |
| China | 1 | 1 | 1 | 1 | 1 | 2 | 5 | 4 | 5 | 6 | 8 | 13 | 18 | 23 | 20 | 20 | 20 |
| Dynamic Asia ² | 1 | 2 | 1 | 1 | -2 | -2 | -2 | -4 | -4 | -4 | -5 | -5 | 3 | 2 | -1 | 1 | 1 |
| Other Asia | 9 | 11 | 11 | 15 | 16 | 19 | 23 | 19 | 21 | 24 | 23 | 29 | 38 | 39 | 39 | 39 | 39 |
| Latin America | 7 | 8 | 8 | 9 | 11 | 10 | 10 | 11 | 13 | 14 | 16 | 18 | 21 | 23 | 24 | 27 | 28 |
| Africa and Middle-East | -26 | 6 | 3 | -1 | -1 | 1 | 2 | 1 | 0 | -1 | 0 | 3 | 7 | 12 | 15 | 16 | 16 |
| Central and Eastern Europe ³ | 7 | 5 | 5 | 3 | 4 | 4 | 4 | 4 | 5 | 6 | 6 | 8 | 10 | 12 | 13 | 14 | 14 |
| World ⁴ | -35 | -55 | -59 | -71 | -65 | -62 | -54 | -73 | -67 | -74 | -59 | -62 | -59 | -66 | -78 | -63 | -71 |
| Current balance | | | | | | | | | | | | | | | | | |
| OECD | -56 | -75 | 1 | -31 | 25 | -9 | 33 | -26 | -187 | -339 | -282 | -310 | -329 | -420 | -643 | -721 | -755 |
| Non-OECD of which: | -61 | -39 | -74 | -35 | -87 | -51 | -47 | -59 | 63 | 170 | 114 | 168 | 253 | 337 | 509 | 565 | 569 |
| Non-OECD Asia of which: | 12 | 7 | -13 | 2 | -29 | -16 | 22 | 72 | 88 | 76 | 84 | 128 | 158 | 157 | 215 | 311 | 391 |
| China | 13 | 6 | -12 | 8 | 2 | 7 | 30 | 29 | 21 | 21 | 17 | 35 | 46 | 69 | 148 | 192 | 202 |
| Dynamic Asia ² | 6 | 8 | 6 | 1 | -16 | -8 | 0 | 54 | 72 | 61 | 66 | 83 | 104 | 90 | 65 | 114 | 176 |
| Other Asia | -7 | -7 | -7 | -7 | -14 | -15 | -8 | -11 | -5 | -5 | 1 | 9 | 8 | -2 | 2 | 5 | 13 |
| Latin America | -2 | -9 | -22 | -22 | -36 | -36 | -57 | -72 | -41 | -29 | -35 | 0 | 17 | 29 | 30 | 29 | 25 |
| Africa and Middle-East | -73 | -32 | -36 | -21 | -21 | 1 | 1 | -44 | -1 | 79 | 38 | 16 | 54 | 102 | 184 | 153 | 98 |
| Central and Eastern Europe ³ | 3 | -4 | -3 | 6 | -1 | 0 | -13 | -15 | 17 | 43 | 27 | 23 | 24 | 48 | 80 | 73 | 55 |
| World ⁴ | -116 | -114 | -73 | -66 | -62 | -61 | -14 | -85 | -124 | -169 | -168 | -142 | -76 | -84 | -134 | -156 | -186 |

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 78 database.

Annex Table 53. Export market growth in goods and services

Percentage changes from previous year

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------------|------|------|------|------|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Australia | 10.7 | 10.4 | 6.7 | 4.4 | 5.3 | 5.2 | 10.3 | 12.0 | 9.7 | 7.1 | -2.7 | 7.9 | 12.4 | -0.6 | 5.9 | 7.0 | 12.8 | 8.6 | 10.2 | 10.0 |
| Austria | 6.3 | 7.4 | 5.3 | 2.0 | -1.3 | -0.6 | 7.9 | 8.6 | 5.7 | 9.7 | 7.6 | 6.4 | 11.9 | 2.5 | 2.0 | 5.6 | 9.1 | 6.5 | 8.5 | 8.6 |
| Belgium | 7.4 | 7.8 | 5.2 | 3.8 | 2.3 | -0.5 | 8.1 | 8.0 | 5.6 | 9.6 | 8.2 | 7.0 | 11.8 | 1.9 | 2.0 | 3.9 | 8.3 | 6.4 | 8.1 | 8.1 |
| Canada | 5.1 | 5.2 | 3.9 | 0.3 | 6.3 | 7.7 | 11.5 | 8.4 | 8.7 | 12.7 | 9.8 | 10.5 | 12.9 | -2.1 | 3.5 | 4.8 | 10.8 | 6.3 | 6.8 | 7.6 |
| Czech Republic | .. | .. | .. | .. | .. | .. | 7.1 | 8.6 | 7.2 | 10.1 | 8.4 | 4.8 | 11.9 | 2.8 | 2.2 | 6.5 | 9.0 | 6.5 | 8.7 | 8.7 |
| Denmark | 6.4 | 7.4 | 4.2 | 1.5 | 1.7 | 0.5 | 9.0 | 8.0 | 6.4 | 10.3 | 8.3 | 6.3 | 11.1 | 0.7 | 1.5 | 4.4 | 8.5 | 5.9 | 7.5 | 7.5 |
| Finland | 7.2 | 7.2 | 2.3 | -0.3 | -3.8 | 1.9 | 8.3 | 8.6 | 6.7 | 9.9 | 5.6 | 5.2 | 12.3 | 2.1 | 3.6 | 6.3 | 10.5 | 7.5 | 9.8 | 9.4 |
| France | 7.6 | 7.8 | 5.3 | 4.0 | 3.0 | 0.3 | 7.6 | 8.0 | 6.2 | 9.7 | 7.2 | 7.2 | 10.6 | 1.6 | 2.5 | 4.6 | 9.0 | 6.7 | 8.7 | 8.7 |
| Germany | 7.8 | 7.6 | 4.2 | 0.6 | 1.6 | 1.3 | 8.4 | 8.8 | 6.8 | 10.0 | 7.1 | 6.2 | 12.0 | 1.7 | 3.1 | 4.8 | 9.5 | 6.5 | 8.8 | 8.7 |
| Greece | 6.4 | 6.7 | 3.3 | 0.7 | -1.7 | 2.1 | 7.5 | 7.8 | 6.5 | 10.2 | 7.0 | 6.6 | 11.7 | 1.4 | 3.3 | 5.3 | 10.0 | 7.3 | 8.9 | 8.7 |
| Hungary | .. | .. | .. | .. | .. | .. | 8.1 | 8.0 | 5.4 | 9.1 | 7.2 | 5.9 | 11.7 | 2.7 | 1.8 | 5.3 | 8.6 | 6.0 | 7.9 | 8.1 |
| Iceland | 9.1 | 8.4 | 4.8 | 1.7 | 2.4 | 0.4 | 8.5 | 8.2 | 7.2 | 8.8 | 6.7 | 6.8 | 10.3 | 1.2 | 2.2 | 3.6 | 8.1 | 6.1 | 7.1 | 7.1 |
| Ireland | 8.4 | 7.9 | 4.9 | 2.3 | 3.8 | 1.1 | 8.4 | 8.0 | 6.7 | 9.5 | 6.9 | 7.5 | 11.1 | 1.1 | 2.7 | 3.8 | 8.4 | 6.1 | 7.6 | 7.7 |
| Italy | 7.6 | 7.6 | 4.3 | 3.1 | 0.0 | 1.3 | 7.8 | 8.2 | 6.7 | 9.8 | 6.9 | 6.6 | 12.1 | 1.8 | 2.8 | 5.2 | 9.8 | 7.2 | 9.0 | 9.0 |
| Japan | 9.8 | 7.8 | 6.9 | 7.2 | 7.9 | 8.0 | 12.1 | 11.5 | 8.8 | 10.6 | 0.0 | 8.9 | 14.7 | -1.7 | 5.4 | 6.8 | 12.7 | 7.9 | 9.8 | 10.1 |
| Korea | 10.7 | 8.7 | 5.7 | 5.2 | 5.9 | 6.9 | 10.2 | 11.2 | 9.8 | 9.4 | 0.1 | 7.3 | 13.7 | -0.4 | 5.6 | 8.0 | 13.1 | 8.9 | 11.0 | 11.2 |
| Luxembourg | 7.6 | 7.8 | 5.1 | 3.2 | 2.4 | -0.5 | 8.5 | 7.5 | 5.1 | 9.1 | 8.6 | 6.6 | 11.3 | 1.6 | 1.2 | 3.4 | 7.6 | 5.6 | 7.0 | 7.3 |
| Mexico | 4.7 | 4.5 | 3.8 | 0.5 | 7.0 | 8.3 | 11.7 | 8.4 | 8.3 | 13.4 | 10.9 | 10.3 | 12.7 | -2.3 | 2.8 | 4.5 | 10.6 | 6.0 | 6.2 | 7.0 |
| Netherlands | 8.0 | 8.2 | 5.8 | 4.0 | 2.3 | -0.7 | 8.1 | 7.5 | 5.4 | 9.0 | 7.6 | 6.7 | 11.2 | 1.4 | 1.6 | 4.1 | 7.8 | 6.0 | 7.5 | 7.7 |
| New Zealand | 12.0 | 11.6 | 3.8 | 2.6 | 5.5 | 4.7 | 11.2 | 10.3 | 9.2 | 8.8 | 1.5 | 8.1 | 11.6 | -1.3 | 5.9 | 6.8 | 12.1 | 8.3 | 9.1 | 9.4 |
| Norway | 8.5 | 7.5 | 3.5 | 1.1 | 3.0 | 1.2 | 8.9 | 7.7 | 6.3 | 10.0 | 8.3 | 7.0 | 11.4 | 1.1 | 2.2 | 3.4 | 7.9 | 5.9 | 7.1 | 7.1 |
| Poland | .. | .. | .. | .. | .. | .. | 7.6 | 8.4 | 5.5 | 8.9 | 6.0 | 4.7 | 12.3 | 4.1 | 2.8 | 6.2 | 10.1 | 7.2 | 9.3 | 9.1 |
| Portugal | 8.4 | 8.8 | 5.7 | 5.0 | 3.8 | -1.3 | 8.4 | 7.8 | 5.9 | 10.1 | 9.6 | 7.9 | 10.8 | 2.2 | 2.1 | 4.0 | 8.0 | 6.2 | 7.8 | 7.8 |
| Slovak Republic | .. | .. | .. | .. | .. | .. | 8.2 | 10.6 | 6.7 | 9.3 | 7.7 | 5.2 | 13.0 | 4.8 | 2.8 | 6.5 | 10.9 | 5.7 | 9.2 | 9.5 |
| Spain | 7.8 | 7.1 | 6.1 | 3.8 | 3.7 | -0.7 | 7.8 | 7.7 | 5.2 | 9.9 | 8.6 | 6.0 | 10.7 | 1.5 | 1.2 | 3.3 | 7.9 | 6.1 | 7.8 | 7.8 |
| Sweden | 7.0 | 7.1 | 4.1 | 2.1 | 1.8 | 1.7 | 8.5 | 8.1 | 7.0 | 10.1 | 6.9 | 5.6 | 11.2 | 1.3 | 3.1 | 4.5 | 9.2 | 7.1 | 8.3 | 8.1 |
| Switzerland | 7.8 | 8.1 | 6.3 | 4.7 | 3.1 | 0.2 | 8.5 | 8.6 | 6.2 | 9.5 | 6.1 | 7.0 | 11.6 | 0.9 | 2.3 | 4.7 | 9.0 | 6.6 | 8.2 | 8.3 |
| Turkey | 6.4 | 6.9 | 2.1 | 1.6 | -5.0 | 0.6 | 6.7 | 7.2 | 6.0 | 8.8 | 4.8 | 5.9 | 11.5 | 3.5 | 4.1 | 5.9 | 10.6 | 8.6 | 10.9 | 10.3 |
| United Kingdom | 6.9 | 7.8 | 5.0 | 3.9 | 2.6 | 1.4 | 8.9 | 8.6 | 6.4 | 10.0 | 7.5 | 7.2 | 12.1 | 0.9 | 2.5 | 4.4 | 9.6 | 6.9 | 8.2 | 8.4 |
| United States | 12.5 | 8.6 | 6.1 | 5.9 | 6.2 | 4.6 | 10.4 | 7.6 | 8.6 | 11.1 | 3.2 | 6.4 | 12.2 | -0.7 | 2.2 | 4.4 | 10.4 | 7.9 | 8.5 | 8.3 |
| Total OECD | 8.5 | 7.7 | 5.2 | 3.7 | 3.8 | 5.3 | 9.4 | 8.6 | 7.3 | 10.3 | 5.6 | 7.2 | 12.2 | 0.4 | 2.9 | 5.0 | 10.0 | 7.1 | 8.5 | 8.6 |
| <i>Memorandum items</i> | | | | | | | | | | | | | | | | | | | | |
| China | 11.2 | 9.7 | 7.3 | 5.1 | 4.1 | 5.2 | 10.6 | 11.7 | 8.6 | 8.2 | -2.1 | 6.7 | 13.4 | -1.6 | 3.9 | 5.1 | 11.8 | 7.8 | 8.7 | 8.5 |
| Dynamic Asia ¹ | 11.9 | 9.4 | 6.4 | 6.0 | 7.2 | 7.5 | 11.4 | 12.2 | 10.2 | 9.2 | -1.4 | 8.5 | 14.6 | -0.7 | 6.6 | 8.6 | 13.4 | 8.8 | 11.1 | 11.5 |
| Other Asia | 8.7 | 8.3 | 4.8 | 3.9 | 4.2 | 4.2 | 9.3 | 9.7 | 8.5 | 9.1 | 2.6 | 7.9 | 12.3 | 0.0 | 4.8 | 6.3 | 11.6 | 8.2 | 9.8 | 9.9 |
| Latin America | 7.1 | 5.1 | 4.6 | 4.6 | 6.6 | 6.7 | 10.6 | 9.8 | 7.5 | 12.3 | 7.3 | 5.0 | 11.1 | -0.2 | 0.7 | 4.5 | 10.8 | 7.3 | 8.0 | 8.1 |
| Africa and Middle-East | 8.8 | 8.9 | 6.0 | 5.1 | 4.2 | 2.5 | 8.8 | 10.5 | 8.4 | 8.2 | 1.2 | 8.1 | 12.2 | 0.3 | 4.9 | 6.3 | 11.3 | 8.3 | 10.3 | 10.3 |
| Central and Eastern Europe | 6.9 | 6.9 | 0.1 | -4.8 | -13.8 | 3.1 | 6.2 | 9.5 | 7.5 | 9.4 | 2.8 | 2.9 | 14.2 | 4.7 | 6.2 | 9.2 | 13.0 | 9.3 | 12.4 | 11.2 |

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 78 database.

Statlink: <http://dx.doi.org/10.1787/634671772144>

Annex Table 54. **Import penetration**

Goods and services import volume as a percentage of total final expenditure, constant prices

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Australia | 10.4 | 11.9 | 11.3 | 11.1 | 11.5 | 11.6 | 12.6 | 13.0 | 13.5 | 14.3 | 14.3 | 14.9 | 15.5 | 14.7 | 15.5 | 16.4 | 17.9 | 18.9 | 19.7 | 20.7 |
| Austria | 24.1 | 24.9 | 25.4 | 25.9 | 26.0 | 24.7 | 26.1 | 26.8 | 27.5 | 28.4 | 28.9 | 29.5 | 30.6 | 31.3 | 31.4 | 32.2 | 32.9 | 32.9 | 33.8 | 35.0 |
| Belgium | 37.3 | 38.8 | 39.2 | 39.4 | 39.8 | 40.1 | 41.0 | 41.6 | 42.1 | 42.3 | 43.5 | 43.9 | 45.0 | 44.8 | 44.4 | 44.9 | 45.8 | 46.3 | 46.9 | 47.8 |
| Canada | 20.7 | 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 | 26.7 | 27.1 | 28.1 | 29.0 | 29.3 | 29.5 |
| Czech Republic | .. | .. | .. | .. | .. | 31.6 | 32.5 | 35.5 | 37.2 | 39.0 | 41.2 | 42.2 | 45.1 | 47.7 | 48.6 | 49.9 | 53.3 | 52.5 | 54.0 | 55.9 |
| Denmark | 22.0 | 22.7 | 22.7 | 23.1 | 22.8 | 22.6 | 23.8 | 24.5 | 24.6 | 25.7 | 26.9 | 27.1 | 28.9 | 29.1 | 30.3 | 30.0 | 31.0 | 32.5 | 33.3 | 34.0 |
| Finland | 19.0 | 19.5 | 19.8 | 18.7 | 19.4 | 20.1 | 21.3 | 21.6 | 22.3 | 22.8 | 23.3 | 23.5 | 25.1 | 25.1 | 25.0 | 25.1 | 25.6 | 26.4 | 26.7 | 27.0 |
| France | 15.7 | 16.2 | 16.4 | 16.6 | 16.5 | 16.1 | 17.0 | 17.6 | 17.8 | 18.6 | 19.6 | 20.0 | 21.7 | 21.7 | 21.8 | 21.8 | 22.5 | 23.3 | 24.2 | 25.1 |
| Germany | 17.9 | 18.6 | 19.3 | 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 | 26.5 | 27.3 | 28.0 | 29.1 |
| Greece | 16.2 | 17.1 | 18.2 | 18.6 | 18.7 | 19.0 | 18.9 | 20.0 | 20.7 | 22.3 | 23.3 | 25.3 | 27.1 | 25.2 | 24.1 | 24.2 | 25.0 | 24.5 | 25.3 | 25.9 |
| Hungary | .. | .. | .. | .. | .. | 24.8 | 25.9 | 29.6 | 31.2 | 34.8 | 38.7 | 40.7 | 43.9 | 44.3 | 44.7 | 46.5 | 48.4 | 49.3 | 50.8 | 52.5 |
| Iceland | 25.9 | 23.8 | 23.8 | 24.7 | 24.1 | 22.5 | 22.5 | 23.1 | 25.1 | 25.6 | 28.7 | 28.7 | 29.4 | 26.8 | 26.6 | 27.9 | 29.3 | 31.6 | 32.1 | 32.1 |
| Ireland | 27.4 | 28.9 | 28.4 | 28.6 | 29.7 | 30.8 | 32.6 | 33.8 | 34.7 | 35.8 | 39.7 | 40.0 | 42.6 | 42.9 | 41.9 | 40.2 | 41.0 | 40.9 | 41.1 | 41.6 |
| Italy | 15.4 | 16.2 | 17.4 | 17.5 | 18.5 | 16.9 | 17.7 | 18.7 | 18.5 | 19.6 | 20.7 | 21.4 | 22.0 | 21.8 | 21.6 | 21.8 | 22.1 | 22.7 | 23.7 | 24.4 |
| Japan | 6.3 | 6.9 | 7.1 | 6.8 | 6.7 | 6.6 | 7.0 | 7.7 | 8.4 | 8.3 | 7.9 | 8.1 | 8.6 | 8.5 | 8.6 | 8.8 | 9.3 | 9.7 | 10.0 | 10.4 |
| Korea | 17.6 | 19.0 | 19.4 | 20.7 | 20.7 | 20.6 | 22.5 | 24.7 | 25.9 | 25.8 | 22.6 | 25.3 | 27.3 | 25.8 | 27.3 | 28.6 | 30.3 | 31.1 | 32.5 | 34.0 |
| Luxembourg | .. | .. | .. | .. | .. | .. | .. | 49.2 | 50.2 | 51.5 | 53.4 | 54.9 | 56.4 | 56.9 | 55.7 | 55.3 | 56.1 | 56.6 | 57.3 | 57.9 |
| Mexico | 10.4 | 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 | 28.2 | 29.1 | 29.8 | 30.6 |
| Netherlands | 30.4 | 28.9 | 28.9 | 29.7 | 29.5 | 31.9 | 32.1 | 32.5 | 33.6 | 34.7 | 34.9 | 36.2 | 37.7 | 38.1 | 38.1 | 38.6 | 40.0 | 40.7 | 41.5 | 42.3 |
| New Zealand | 17.3 | 19.1 | 19.5 | 19.0 | 20.1 | 20.2 | 21.2 | 22.0 | 22.7 | 22.6 | 22.8 | 23.9 | 23.1 | 22.9 | 24.0 | 24.8 | 26.9 | 27.8 | 28.8 | 29.6 |
| Norway | 20.1 | 20.2 | 20.2 | 19.8 | 19.5 | 19.8 | 19.9 | 20.0 | 20.6 | 21.6 | 22.6 | 21.9 | 21.9 | 21.6 | 21.5 | 21.8 | 22.8 | 23.4 | 24.0 | 24.4 |
| Poland | .. | .. | .. | .. | .. | 14.2 | 15.0 | 17.0 | 19.9 | 21.9 | 24.1 | 23.6 | 25.6 | 24.4 | 24.5 | 25.5 | 26.1 | 26.4 | 27.8 | 28.8 |
| Portugal | 19.7 | 19.6 | 21.2 | 21.7 | 23.2 | 23.0 | 24.4 | 24.9 | 25.2 | 26.2 | 28.0 | 28.9 | 29.2 | 29.0 | 28.8 | 28.9 | 30.0 | 30.2 | 30.9 | 31.7 |
| Slovak Republic | .. | .. | .. | .. | .. | 37.1 | 34.6 | 35.8 | 38.6 | 40.7 | 43.4 | 41.4 | 43.3 | 45.0 | 45.2 | 47.3 | 48.9 | 49.6 | 50.8 | 51.9 |
| Spain | 12.7 | 14.0 | 14.7 | 15.6 | 16.4 | 15.7 | 16.9 | 18.0 | 19.0 | 20.3 | 21.9 | 23.4 | 24.3 | 24.4 | 24.7 | 25.2 | 26.4 | 26.9 | 27.9 | 28.9 |
| Sweden | 21.4 | 22.3 | 22.2 | 21.3 | 21.9 | 21.8 | 23.1 | 23.7 | 24.2 | 25.9 | 27.3 | 27.3 | 28.8 | 27.9 | 27.2 | 27.9 | 28.6 | 28.7 | 29.3 | 30.0 |
| Switzerland | 23.1 | 23.3 | 23.2 | 23.0 | 22.4 | 22.4 | 23.5 | 24.2 | 24.7 | 25.9 | 26.8 | 27.4 | 28.5 | 28.9 | 28.4 | 28.7 | 29.7 | 30.6 | 32.0 | 33.3 |
| Turkey | 14.3 | 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 | 33.3 | 34.8 | 35.9 |
| United Kingdom | 15.7 | 16.4 | 16.3 | 15.9 | 16.7 | 16.8 | 17.1 | 17.5 | 18.4 | 19.4 | 20.3 | 21.0 | 21.8 | 22.2 | 22.6 | 22.5 | 23.0 | 23.6 | 24.5 | 25.2 |
| United States | 7.7 | 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 | 13.1 | 13.8 | 14.0 | 14.3 | 14.8 |
| Total OECD | 12.3 | 12.8 | 13.0 | 12.9 | 13.2 | 13.4 | 14.1 | 14.8 | 15.3 | 16.1 | 16.8 | 17.5 | 18.6 | 18.4 | 18.6 | 18.9 | 19.7 | 20.2 | 20.8 | 21.5 |

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 78 database.

Annex Table 55. **Quarterly demand and output projections**
 Percentage changes from previous period, seasonally adjusted at annual rates, volume

| | 2005 | 2006 | 2007 | 2006 | | 2007 | | | | Fourth quarter ¹ | | | |
|----------------------------|------|------|------|------|------|------|-----|-----|-----|-----------------------------|------|------|------|
| | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 2005 | 2006 | 2007 |
| Private consumption | | | | | | | | | | | | | |
| Canada | 4.0 | 2.9 | 2.7 | 3.0 | 2.8 | 2.8 | 2.7 | 2.6 | 2.5 | 2.5 | 3.8 | 2.9 | 2.6 |
| France | 2.1 | 2.1 | 2.2 | 2.2 | 2.2 | 2.1 | 2.3 | 2.3 | 2.3 | 2.3 | 1.8 | 2.2 | 2.3 |
| Germany | -0.2 | 0.3 | 0.6 | 0.5 | 0.7 | 0.9 | 0.4 | 0.7 | 0.7 | 0.7 | -0.8 | 0.6 | 0.6 |
| Italy | 0.9 | 1.0 | 1.8 | 0.9 | 1.0 | 1.4 | 2.1 | 2.1 | 2.4 | 2.5 | 1.0 | 1.1 | 2.3 |
| Japan | 1.7 | 1.5 | 1.7 | 1.4 | 1.5 | 1.6 | 1.7 | 1.8 | 1.9 | 2.0 | 2.6 | 1.5 | 1.8 |
| United Kingdom | 1.8 | 1.8 | 2.1 | 1.9 | 1.9 | 2.0 | 2.0 | 2.1 | 2.2 | 2.3 | 1.3 | 1.9 | 2.2 |
| United States | 3.5 | 2.8 | 3.4 | 3.1 | 3.3 | 3.4 | 3.4 | 3.4 | 3.4 | 3.5 | 2.9 | 3.2 | 3.4 |
| Euro area | 1.3 | 1.3 | 1.9 | 1.6 | 1.7 | 1.8 | 1.9 | 2.0 | 2.1 | 2.1 | 1.1 | 1.5 | 2.0 |
| Total OECD | 2.6 | 2.3 | 2.7 | 2.5 | 2.6 | 2.6 | 2.8 | 2.7 | 2.7 | 2.8 | 2.4 | 2.5 | 2.8 |
| Public consumption | | | | | | | | | | | | | |
| Canada | 2.9 | 3.2 | 3.0 | 3.2 | 3.2 | 3.2 | 2.8 | 2.8 | 2.8 | 2.8 | 3.3 | 3.2 | 2.8 |
| France | 1.6 | 2.0 | 1.8 | 1.7 | 1.7 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.7 | 1.7 | 1.8 |
| Germany | -0.3 | 0.1 | 0.1 | -0.2 | -0.1 | 0.0 | 0.2 | 0.3 | 0.3 | 0.3 | 1.3 | -0.2 | 0.3 |
| Italy | 1.2 | 0.0 | 0.6 | -1.0 | -1.0 | -1.0 | 1.6 | 1.6 | 1.6 | 1.6 | 1.5 | -1.0 | 1.6 |
| Japan | 2.0 | 1.4 | 1.4 | 1.6 | 1.5 | 1.5 | 1.4 | 1.4 | 1.4 | 1.4 | 1.6 | 1.5 | 1.4 |
| United Kingdom | 1.6 | 2.0 | 2.3 | 1.6 | 2.1 | 2.8 | 2.4 | 2.2 | 2.2 | 2.2 | 2.3 | 2.0 | 2.3 |
| United States | 1.6 | 1.2 | 0.9 | 1.2 | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 | 0.9 | 1.5 | 1.2 | 0.9 |
| Euro area | 1.2 | 1.8 | 1.5 | 0.4 | 0.9 | 1.0 | 1.8 | 1.9 | 1.9 | 1.8 | 1.8 | 1.4 | 1.8 |
| Total OECD | 1.7 | 1.7 | 1.4 | 1.0 | 1.0 | 1.1 | 1.5 | 1.6 | 1.6 | 1.5 | 1.9 | 1.4 | 1.6 |
| Business investment | | | | | | | | | | | | | |
| Canada | 7.8 | 4.0 | 3.5 | 3.6 | 3.6 | 3.6 | 3.5 | 3.5 | 3.5 | 3.5 | 6.6 | 3.7 | 3.5 |
| France | 3.1 | 3.2 | 4.1 | 4.0 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 | 2.8 | 3.8 | 4.1 |
| Germany | 2.8 | 4.7 | 5.2 | 4.5 | 4.7 | 5.4 | 5.1 | 5.3 | 5.5 | 5.6 | 2.7 | 4.9 | 5.4 |
| Italy | -2.8 | 3.5 | 3.5 | 4.3 | 3.6 | 3.5 | 3.4 | 3.4 | 3.4 | 3.5 | 1.2 | 3.8 | 3.4 |
| Japan | 7.4 | 3.0 | 2.6 | 2.0 | 2.0 | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 8.1 | 2.0 | 3.0 |
| United Kingdom | 3.1 | 3.4 | 5.0 | 4.1 | 4.1 | 4.5 | 4.9 | 5.7 | 6.1 | 6.1 | 3.1 | 3.9 | 5.7 |
| United States | 8.3 | 7.9 | 6.7 | 9.2 | 8.0 | 7.3 | 6.7 | 6.1 | 5.5 | 4.8 | 6.2 | 8.7 | 5.8 |
| Euro area | 2.5 | 4.4 | 4.6 | 4.9 | 4.9 | 5.7 | 3.6 | 4.6 | 4.7 | 4.8 | 2.9 | 4.8 | 4.5 |
| Total OECD | 6.0 | 5.6 | 5.2 | 6.2 | 5.7 | 5.7 | 5.0 | 5.1 | 4.9 | 4.7 | 5.3 | 5.9 | 4.9 |
| Total investment | | | | | | | | | | | | | |
| Canada | 5.7 | 2.8 | 2.1 | 2.3 | 2.3 | 2.2 | 2.0 | 2.0 | 1.9 | 1.9 | 4.8 | 2.3 | 1.9 |
| France | 3.0 | 2.8 | 3.3 | 3.4 | 3.2 | 3.2 | 3.2 | 3.2 | 3.3 | 3.3 | 2.8 | 3.2 | 3.3 |
| Germany | 0.2 | 2.9 | 3.2 | 2.0 | 2.5 | 3.2 | 3.1 | 3.4 | 3.7 | 3.9 | 1.6 | 2.4 | 3.5 |
| Italy | -0.7 | 3.1 | 2.8 | 3.0 | 2.7 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.3 | 2.8 | 2.8 |
| Japan | 3.0 | 1.2 | 1.0 | 0.5 | 0.7 | 0.7 | 1.2 | 1.2 | 1.4 | 1.4 | 4.4 | 0.4 | 1.3 |
| United Kingdom | 3.1 | 5.4 | 5.2 | 5.7 | 5.2 | 5.1 | 4.8 | 5.4 | 5.6 | 5.5 | 3.7 | 5.4 | 5.3 |
| United States | 7.2 | 6.4 | 4.5 | 6.4 | 5.8 | 4.9 | 4.3 | 3.9 | 3.5 | 3.2 | 6.5 | 6.1 | 3.7 |
| Euro area | 2.1 | 3.4 | 3.6 | 3.7 | 3.8 | 3.6 | 3.6 | 3.4 | 3.5 | 3.6 | 2.7 | 3.6 | 3.5 |
| Total OECD | 4.9 | 4.8 | 4.1 | 4.5 | 3.3 | 4.2 | 5.0 | 3.9 | 2.8 | 3.8 | 5.1 | 4.5 | 3.9 |

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. 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 78 database.

Annex Table 55. **Quarterly demand and output projections (cont'd)**
 Percentage changes from previous period, seasonally adjusted at annual rates, volume

| | 2005 | 2006 | 2007 | 2006 | | 2007 | | | | Fourth quarter ¹ | | | |
|-------------------------------------|------|------|------|------|-----|------|-----|-----|-----|-----------------------------|------|------|------|
| | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 2005 | 2006 | 2007 |
| Total domestic demand | | | | | | | | | | | | | |
| Canada | 4.2 | 2.9 | 2.6 | 2.8 | 2.8 | 2.7 | 2.6 | 2.5 | 2.4 | 2.5 | 3.0 | 2.8 | 2.5 |
| France | 2.4 | 2.2 | 2.3 | 2.3 | 2.2 | 2.3 | 2.3 | 2.4 | 2.4 | 2.3 | 2.0 | 2.2 | 2.4 |
| Germany | 0.3 | 0.7 | 1.0 | 0.4 | 0.7 | 1.1 | 0.8 | 1.1 | 1.2 | 1.2 | 0.4 | 0.6 | 1.1 |
| Italy | 1.1 | 1.2 | 1.8 | 1.0 | 1.0 | 1.2 | 2.1 | 2.2 | 2.3 | 2.4 | 1.2 | 1.0 | 2.3 |
| Japan | 2.4 | 1.4 | 1.5 | 1.2 | 1.3 | 1.4 | 1.5 | 1.6 | 1.7 | 1.7 | 3.1 | 1.2 | 1.6 |
| United Kingdom | 1.7 | 2.5 | 2.6 | 2.7 | 2.5 | 2.6 | 2.5 | 2.7 | 2.8 | 2.8 | 1.5 | 2.7 | 2.7 |
| United States | 3.6 | 3.4 | 3.3 | 3.5 | 3.5 | 3.4 | 3.3 | 3.2 | 3.2 | 3.1 | 3.3 | 3.4 | 3.2 |
| Euro area | 1.7 | 1.9 | 2.1 | 1.7 | 1.9 | 2.0 | 2.2 | 2.3 | 2.3 | 2.3 | 1.7 | 1.8 | 2.3 |
| Total OECD | 2.8 | 2.8 | 2.8 | 2.5 | 2.4 | 2.7 | 3.2 | 2.9 | 2.6 | 2.9 | 2.8 | 2.6 | 2.9 |
| Export of goods and services | | | | | | | | | | | | | |
| Canada | 3.0 | 5.0 | 5.6 | 4.5 | 5.1 | 5.5 | 5.7 | 5.9 | 6.1 | 6.1 | 4.9 | 5.0 | 6.0 |
| France | 3.7 | 7.2 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 5.5 | 6.7 | 6.8 |
| Germany | 6.6 | 7.5 | 7.8 | 7.0 | 7.5 | 7.7 | 7.9 | 7.9 | 8.0 | 8.0 | 9.0 | 7.2 | 7.9 |
| Italy | 0.7 | 6.8 | 4.7 | 4.1 | 4.5 | 4.5 | 4.9 | 4.9 | 4.9 | 4.9 | 5.2 | 4.3 | 4.9 |
| Japan | 6.5 | 9.8 | 8.9 | 10.0 | 9.0 | 9.0 | 9.0 | 9.0 | 8.0 | 8.0 | 8.0 | 9.5 | 8.5 |
| United Kingdom | 5.6 | 7.7 | 7.5 | 7.6 | 7.4 | 7.6 | 7.2 | 8.0 | 7.5 | 7.5 | 7.1 | 7.3 | 7.6 |
| United States | 7.1 | 8.3 | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | 7.6 | 8.5 | 8.5 |
| Total OECD ² | 5.9 | 8.0 | 8.0 | 7.7 | 7.7 | 7.9 | 8.1 | 8.1 | 8.0 | 8.0 | 7.0 | 7.7 | 8.0 |
| Import of goods and services | | | | | | | | | | | | | |
| Canada | 7.2 | 4.3 | 4.5 | 3.9 | 4.3 | 4.5 | 4.5 | 4.7 | 4.7 | 4.7 | 5.1 | 4.2 | 4.6 |
| France | 6.4 | 7.3 | 7.0 | 7.1 | 7.1 | 7.1 | 7.0 | 7.0 | 7.0 | 7.0 | 6.3 | 7.1 | 7.0 |
| Germany | 5.1 | 5.6 | 6.8 | 4.3 | 5.3 | 6.8 | 7.1 | 7.4 | 7.6 | 7.8 | 5.8 | 5.0 | 7.5 |
| Italy | 3.8 | 7.0 | 5.6 | 4.5 | 4.5 | 4.5 | 6.1 | 6.1 | 6.6 | 6.6 | 6.9 | 4.5 | 6.3 |
| Japan | 7.6 | 6.0 | 5.6 | 4.0 | 5.0 | 5.0 | 6.0 | 6.0 | 6.0 | 6.0 | 7.4 | 4.5 | 6.0 |
| United Kingdom | 5.2 | 7.4 | 6.8 | 6.4 | 6.5 | 6.8 | 6.9 | 6.9 | 6.9 | 7.0 | 5.4 | 6.9 | 6.9 |
| United States | 5.8 | 6.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 3.9 | 7.0 | 7.0 |
| Total OECD ² | 6.0 | 6.7 | 7.0 | 6.1 | 6.4 | 6.7 | 7.2 | 7.3 | 7.3 | 7.3 | 5.5 | 6.4 | 7.3 |
| GDP | | | | | | | | | | | | | |
| Canada | 3.0 | 3.2 | 3.1 | 3.1 | 3.1 | 3.2 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.2 | 3.1 |
| France | 1.6 | 2.1 | 2.2 | 2.1 | 2.1 | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 | 1.7 | 2.1 | 2.2 |
| Germany | 1.1 | 1.8 | 1.7 | 1.7 | 1.9 | 1.9 | 1.5 | 1.6 | 1.7 | 1.7 | 1.8 | 1.8 | 1.6 |
| Italy | 0.2 | 1.1 | 1.5 | 0.9 | 1.0 | 1.2 | 1.7 | 1.8 | 1.8 | 1.8 | 0.8 | 1.0 | 1.8 |
| Japan | 2.4 | 2.0 | 2.0 | 2.1 | 1.9 | 2.0 | 2.0 | 2.1 | 2.1 | 2.1 | 3.2 | 2.0 | 2.1 |
| United Kingdom | 1.7 | 2.4 | 2.7 | 2.9 | 2.6 | 2.7 | 2.5 | 2.9 | 2.8 | 2.8 | 1.8 | 2.6 | 2.7 |
| United States | 3.6 | 3.5 | 3.3 | 3.5 | 3.5 | 3.3 | 3.2 | 3.2 | 3.1 | 3.1 | 3.7 | 3.4 | 3.1 |
| Euro area | 1.4 | 2.1 | 2.2 | 2.0 | 2.2 | 2.1 | 2.2 | 2.2 | 2.3 | 2.2 | 1.8 | 2.1 | 2.2 |
| Total OECD | 2.7 | 2.9 | 2.9 | 2.8 | 2.6 | 2.9 | 3.2 | 2.9 | 2.6 | 2.9 | 3.0 | 2.8 | 2.9 |

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. 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 78 database.

Annex Table 56. **Quarterly price, cost and unemployment projections**
 Percentage changes from previous period, seasonally adjusted at annual rates, volume

| | 2005 | 2006 | 2007 | 2006 | | | 2007 | | | | Fourth quarter ¹ | | |
|---|------|------|------|------|------|------|------|-----|-----|-----|-----------------------------|------|------|
| | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | 2005 | 2006 | 2007 |
| Consumer price index² | | | | | | | | | | | | | |
| Canada | 2.4 | 2.4 | 1.7 | 1.6 | 1.4 | 1.6 | 1.8 | 1.8 | 1.7 | 1.9 | 3.0 | 1.7 | 1.8 |
| France | 1.9 | 1.7 | 1.1 | 1.4 | 1.2 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.9 | 1.3 | 1.0 |
| Germany | 2.0 | 1.7 | 1.3 | 0.8 | 0.6 | 0.8 | 1.9 | 1.7 | 1.4 | 1.2 | 2.4 | 0.8 | 1.5 |
| Italy | 2.1 | 2.7 | 2.2 | 3.4 | 2.5 | 2.1 | 2.0 | 2.1 | 2.1 | 2.1 | 2.4 | 2.6 | 2.0 |
| Japan | -0.4 | 0.1 | 0.8 | 0.4 | 0.5 | 0.7 | 0.8 | 0.9 | 1.0 | 1.1 | -0.8 | 0.4 | 0.9 |
| United Kingdom | 2.1 | 2.1 | 1.6 | 1.9 | 1.8 | 1.7 | 1.5 | 1.5 | 1.5 | 1.5 | 2.3 | 1.9 | 1.5 |
| United States | 3.4 | 2.8 | 2.5 | 2.4 | 2.4 | 2.7 | 2.6 | 2.5 | 2.4 | 2.4 | 3.7 | 2.3 | 2.5 |
| Euro area | 2.2 | 2.1 | 1.6 | 1.8 | 1.5 | 1.4 | 1.8 | 1.7 | 1.6 | 1.6 | 2.4 | 1.6 | 1.7 |
| GDP deflator | | | | | | | | | | | | | |
| Canada | 2.6 | 2.1 | 1.6 | 1.4 | 1.5 | 1.5 | 1.6 | 1.6 | 1.6 | 1.6 | 2.7 | 1.4 | 1.6 |
| France | 1.3 | 1.7 | 1.6 | 1.9 | 1.6 | 1.6 | 1.7 | 1.7 | 1.6 | 1.6 | 1.4 | 1.8 | 1.6 |
| Germany | 0.7 | 0.7 | 1.0 | 0.5 | 0.6 | 0.8 | 1.3 | 1.2 | 1.1 | 1.0 | 0.9 | 0.6 | 1.2 |
| Italy | 2.6 | 1.8 | 2.3 | 0.0 | 0.6 | 2.1 | 2.6 | 3.4 | 3.2 | 2.4 | 3.6 | 0.9 | 2.9 |
| Japan | -1.1 | -0.1 | 0.6 | 0.1 | 0.3 | 0.5 | 0.6 | 0.7 | 0.8 | 1.0 | -1.3 | 0.2 | 0.8 |
| United Kingdom | 2.0 | 1.7 | 1.6 | 1.6 | 1.5 | 1.6 | 1.6 | 1.6 | 1.6 | 1.5 | 1.4 | 1.7 | 1.6 |
| United States | 2.7 | 2.5 | 2.3 | 2.3 | 2.3 | 2.3 | 2.6 | 2.2 | 2.1 | 2.1 | 2.9 | 2.3 | 2.2 |
| Euro area | 1.8 | 1.7 | 1.9 | 1.5 | 1.5 | 1.8 | 2.0 | 2.1 | 2.0 | 1.8 | 1.9 | 1.6 | 2.0 |
| Total OECD | 2.1 | 1.9 | 1.9 | 2.1 | 2.4 | 2.0 | 1.7 | 1.8 | 2.1 | 1.9 | 1.9 | 2.0 | 1.9 |
| Unit labour cost (total economy) | | | | | | | | | | | | | |
| Canada | 1.9 | 2.0 | 1.8 | 1.8 | 1.8 | 1.7 | 1.8 | 1.8 | 1.8 | 1.8 | 2.3 | 1.8 | 1.8 |
| France | 1.6 | 1.5 | 1.5 | 1.4 | 1.6 | 2.1 | 1.5 | 1.2 | 1.2 | 1.4 | 1.6 | 1.7 | 1.3 |
| Germany | -1.2 | -0.8 | 0.1 | -0.6 | -0.5 | -0.4 | 0.5 | 0.3 | 0.4 | 0.6 | -1.4 | -0.4 | 0.4 |
| Italy | 4.7 | 1.4 | 1.8 | -1.1 | -0.3 | 1.1 | 2.5 | 3.0 | 2.9 | 2.5 | 5.7 | -0.2 | 2.7 |
| Japan | -1.2 | -0.1 | 0.5 | 0.1 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | 0.3 | -1.7 | 0.3 | 0.4 |
| United Kingdom | 3.5 | 2.3 | 2.0 | 1.7 | 2.0 | 1.9 | 2.2 | 1.9 | 2.0 | 2.0 | 3.1 | 2.1 | 2.0 |
| United States | 3.1 | 2.4 | 2.8 | 2.7 | 2.6 | 2.7 | 3.1 | 2.7 | 2.7 | 2.6 | 1.9 | 2.8 | 2.8 |
| Euro area | 1.4 | 0.9 | 1.2 | 0.4 | 0.5 | 0.9 | 1.6 | 1.5 | 1.5 | 1.4 | 1.6 | 0.6 | 1.5 |
| Total OECD | 2.1 | 1.7 | 1.9 | 1.9 | 2.2 | 1.9 | 1.7 | 1.8 | 2.1 | 1.8 | 1.5 | 1.9 | 1.8 |
| Per cent of labour force | | | | | | | | | | | | | |
| Unemployment | | | | | | | | | | | | | |
| Canada | 6.8 | 6.6 | 6.6 | 6.6 | 6.5 | 6.5 | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 | 6.5 | 6.6 |
| France | 10.0 | 9.6 | 9.0 | 9.7 | 9.5 | 9.4 | 9.2 | 9.1 | 8.9 | 8.8 | 9.9 | 9.4 | 8.8 |
| Germany | 9.3 | 9.1 | 8.7 | 9.1 | 9.0 | 9.0 | 8.9 | 8.8 | 8.7 | 8.5 | 9.2 | 9.0 | 8.5 |
| Italy | 7.7 | 7.5 | 7.4 | 7.5 | 7.5 | 7.4 | 7.4 | 7.4 | 7.4 | 7.3 | 7.5 | 7.4 | 7.3 |
| Japan | 4.4 | 3.9 | 3.5 | 4.0 | 3.9 | 3.8 | 3.7 | 3.5 | 3.4 | 3.3 | 4.3 | 3.8 | 3.3 |
| United Kingdom | 4.8 | 5.1 | 5.6 | 5.1 | 5.2 | 5.3 | 5.4 | 5.5 | 5.6 | 5.7 | 4.8 | 5.3 | 5.7 |
| United States | 5.1 | 4.8 | 4.7 | 4.9 | 4.8 | 4.8 | 4.7 | 4.7 | 4.7 | 4.7 | 5.0 | 4.8 | 4.7 |
| Euro area | 8.7 | 8.4 | 8.1 | 8.5 | 8.4 | 8.4 | 8.3 | 8.2 | 8.1 | 8.0 | 8.6 | 8.4 | 8.0 |
| Total OECD | 6.5 | 6.3 | 6.0 | 6.3 | 6.2 | 6.2 | 6.1 | 6.1 | 6.0 | 5.9 | 6.4 | 6.2 | 5.9 |

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. 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 78 database.

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

| | 2004 | 2005 | 2006 | 2007 | | 2004 | 2005 | 2006 | 2007 |
|----------------------------|------|------|------|------|----------------------------|------|------|------|------|
| Australia | | | | | Germany¹ | | | | |
| Final domestic demand | 5.4 | 3.8 | 4.1 | 4.4 | Final domestic demand | -0.5 | -0.1 | 0.7 | 0.9 |
| Stockbuilding | -0.6 | 0.4 | 0.0 | 0.0 | Stockbuilding | 0.5 | 0.4 | 0.0 | 0.0 |
| Net exports | -2.1 | -1.4 | -0.9 | -0.9 | Net exports | 1.0 | 0.8 | 1.1 | 0.8 |
| GDP | 3.0 | 2.6 | 3.2 | 3.6 | GDP | 1.1 | 1.1 | 1.8 | 1.7 |
| Austria¹ | | | | | Greece | | | | |
| Final domestic demand | 1.1 | 1.1 | 1.7 | 2.1 | Final domestic demand | 5.1 | 2.6 | 3.3 | 3.7 |
| Stockbuilding | 0.0 | 0.4 | 0.0 | 0.0 | Stockbuilding | 0.0 | 0.2 | 0.0 | 0.0 |
| Net exports | 1.5 | 0.5 | 0.4 | 0.3 | Net exports | -0.5 | 1.3 | -0.4 | -0.2 |
| GDP | 2.4 | 1.8 | 2.1 | 2.3 | GDP | 4.7 | 3.5 | 3.3 | 3.5 |
| Belgium | | | | | Hungary | | | | |
| Final domestic demand | 2.0 | 3.0 | 2.2 | 1.9 | Final domestic demand | 4.4 | 4.5 | 4.3 | 3.8 |
| Stockbuilding | 0.7 | 0.2 | 0.4 | 0.0 | Stockbuilding | -1.4 | -2.1 | 0.0 | 0.0 |
| Net exports | -0.3 | -1.8 | -0.6 | 0.2 | Net exports | 1.6 | 1.8 | 0.3 | 0.5 |
| GDP | 2.4 | 1.4 | 2.0 | 2.2 | GDP | 4.6 | 4.2 | 4.5 | 4.3 |
| Canada¹ | | | | | Iceland | | | | |
| Final domestic demand | 3.8 | 4.0 | 2.9 | 2.6 | Final domestic demand | 8.9 | 13.9 | 6.0 | 0.4 |
| Stockbuilding | 0.0 | 0.1 | 0.0 | 0.0 | Stockbuilding | -0.1 | -0.1 | -0.2 | 0.0 |
| Net exports | -0.9 | -1.3 | 0.4 | 0.6 | Net exports | -2.4 | -6.1 | -0.8 | 2.2 |
| GDP | 2.9 | 3.0 | 3.2 | 3.1 | GDP | 6.2 | 6.6 | 4.6 | 2.6 |
| Czech Republic | | | | | Ireland | | | | |
| Final domestic demand | 2.8 | 1.9 | 3.7 | 4.0 | Final domestic demand | 4.0 | 4.1 | 4.4 | 4.6 |
| Stockbuilding | 0.1 | -1.1 | 0.0 | 0.0 | Stockbuilding | -0.3 | 0.0 | 0.0 | 0.0 |
| Net exports | 0.4 | 5.1 | 0.1 | -0.3 | Net exports | 0.8 | 0.9 | 0.6 | 0.4 |
| GDP | 4.4 | 4.8 | 4.5 | 4.5 | GDP | 4.5 | 5.1 | 5.0 | 5.0 |
| Denmark¹ | | | | | Italy | | | | |
| Final domestic demand | 3.0 | 3.1 | 2.9 | 2.1 | Final domestic demand | 1.1 | 0.6 | 1.2 | 1.8 |
| Stockbuilding | 0.2 | -0.2 | -0.1 | 0.0 | Stockbuilding | -0.3 | 0.4 | 0.0 | 0.0 |
| Net exports | -1.1 | 0.1 | -0.1 | 0.3 | Net exports | 0.2 | -0.9 | -0.1 | -0.3 |
| GDP | 2.1 | 3.0 | 2.7 | 2.4 | GDP | 1.0 | 0.2 | 1.1 | 1.5 |
| Finland | | | | | Japan¹ | | | | |
| Final domestic demand | 2.7 | 1.6 | 1.8 | 1.4 | Final domestic demand | 1.7 | 2.0 | 1.3 | 1.4 |
| Stockbuilding | 0.3 | 0.1 | -0.4 | -0.1 | Stockbuilding | 0.1 | 0.3 | 0.0 | 0.0 |
| Net exports | 0.3 | 0.3 | 1.2 | 1.5 | Net exports | 0.8 | 0.0 | 0.6 | 0.6 |
| GDP | 3.5 | 1.3 | 3.3 | 2.8 | GDP | 2.7 | 2.4 | 2.0 | 2.0 |
| France | | | | | Korea | | | | |
| Final domestic demand | 2.4 | 2.2 | 2.2 | 2.4 | Final domestic demand | 0.7 | 2.7 | 3.5 | 3.5 |
| Stockbuilding | 0.8 | 0.3 | 0.0 | 0.0 | Stockbuilding | 0.8 | -0.3 | 0.0 | 0.0 |
| Net exports | -1.1 | -0.8 | -0.1 | -0.2 | Net exports | 3.4 | 1.5 | 1.6 | 1.6 |
| GDP | 2.1 | 1.6 | 2.1 | 2.2 | GDP | 4.6 | 3.9 | 5.1 | 5.2 |

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 78 database.

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

| | 2004 | 2005 | 2006 | 2007 | | 2004 | 2005 | 2006 | 2007 |
|--------------------------------|------|------|------|------|----------------------------------|------|------|------|------|
| Luxembourg | | | | | Spain¹ | | | | |
| Final domestic demand | 2.4 | 1.3 | 2.6 | 2.6 | Final domestic demand | 5.0 | 5.3 | 4.5 | 4.7 |
| Stockbuilding | 0.9 | 0.7 | -0.2 | 0.0 | Stockbuilding | 0.0 | 0.0 | -0.1 | 0.0 |
| Net exports | 1.2 | 1.2 | 1.4 | 1.9 | Net exports | -1.8 | -1.5 | -1.2 | -1.3 |
| GDP | 4.5 | 3.5 | 3.7 | 4.5 | GDP | 3.1 | 3.4 | 3.2 | 3.3 |
| Mexico | | | | | Sweden | | | | |
| Final domestic demand | 5.3 | 4.3 | 4.4 | 4.0 | Final domestic demand | 1.9 | 2.6 | 2.7 | 2.0 |
| Stockbuilding | -1.1 | -0.2 | 0.1 | 0.0 | Stockbuilding | -0.3 | 0.0 | 0.1 | 0.0 |
| Net exports | 0.2 | -1.1 | -0.6 | -0.5 | Net exports | 2.1 | 0.5 | 1.1 | 1.3 |
| GDP | 4.4 | 3.0 | 3.9 | 3.5 | GDP | 3.1 | 2.4 | 3.5 | 3.0 |
| Netherlands | | | | | Switzerland | | | | |
| Final domestic demand | 0.6 | 0.3 | 1.5 | 1.7 | Final domestic demand | 1.7 | 1.5 | 1.5 | 1.8 |
| Stockbuilding | 0.2 | -0.4 | -0.1 | 0.0 | Stockbuilding | -0.8 | -0.6 | -0.1 | 0.0 |
| Net exports | 0.9 | 0.7 | 0.9 | 0.8 | Net exports | 1.0 | 0.2 | 0.2 | -0.1 |
| GDP | 1.7 | 0.7 | 2.2 | 2.5 | GDP | 2.1 | 1.2 | 1.7 | 1.8 |
| New Zealand¹ | | | | | Turkey | | | | |
| Final domestic demand | 7.8 | 5.5 | 3.1 | 2.0 | Final domestic demand | 12.8 | 7.2 | 7.4 | 8.0 |
| Stockbuilding | 0.4 | 0.6 | -0.2 | 0.0 | Stockbuilding | 1.1 | 0.0 | 0.1 | 0.1 |
| Net exports | -3.1 | -2.4 | -0.3 | 0.5 | Net exports | -4.9 | -1.1 | -1.7 | -1.9 |
| GDP | 4.4 | 2.7 | 2.6 | 2.4 | GDP | 8.9 | 5.8 | 6.0 | 6.4 |
| Norway | | | | | United Kingdom | | | | |
| Final domestic demand | 4.1 | 4.2 | 3.6 | 2.2 | Final domestic demand | 3.7 | 2.0 | 2.5 | 2.7 |
| Stockbuilding | 0.9 | 0.3 | -0.3 | 0.0 | Stockbuilding | 0.1 | -0.3 | 0.1 | 0.0 |
| Net exports | -2.2 | -2.0 | -1.0 | -0.4 | Net exports | -0.7 | -0.1 | -0.2 | -0.1 |
| GDP | 2.9 | 2.4 | 2.2 | 1.8 | GDP | 3.2 | 1.7 | 2.4 | 2.7 |
| Poland | | | | | United States¹ | | | | |
| Final domestic demand | 3.8 | 2.3 | 3.7 | 3.9 | Final domestic demand | 4.6 | 4.1 | 3.4 | 3.4 |
| Stockbuilding | 1.3 | -0.9 | 0.0 | 0.0 | Stockbuilding | 0.3 | -0.3 | 0.2 | 0.1 |
| Net exports | 0.3 | 1.5 | 0.1 | 0.3 | Net exports | -0.7 | -0.2 | -0.1 | -0.2 |
| GDP | 5.4 | 3.2 | 3.7 | 4.3 | GDP | 4.2 | 3.6 | 3.5 | 3.3 |
| Portugal | | | | | Euro area | | | | |
| Final domestic demand | 2.2 | 1.3 | 0.8 | 2.1 | Final domestic demand | 1.5 | 1.5 | 1.8 | 2.1 |
| Stockbuilding | 0.2 | -0.2 | 0.0 | 0.0 | Stockbuilding | 0.3 | 0.2 | 0.0 | 0.0 |
| Net exports | -1.3 | -0.2 | 0.2 | -0.2 | Net exports | 0.0 | -0.2 | 0.2 | 0.1 |
| GDP | 1.2 | 0.8 | 1.0 | 1.8 | GDP | 1.8 | 1.4 | 2.1 | 2.2 |
| Slovak Republic | | | | | Total OECD | | | | |
| Final domestic demand | 2.7 | 5.0 | 5.8 | 4.2 | Final domestic demand | 3.3 | 2.9 | 2.8 | 2.8 |
| Stockbuilding | 3.6 | 0.6 | 0.0 | 0.1 | Stockbuilding | 0.3 | -0.1 | 0.1 | 0.0 |
| Net exports | -0.8 | -0.4 | -0.2 | 1.9 | Net exports | -0.2 | -0.2 | 0.1 | 0.0 |
| GDP | 5.5 | 5.3 | 5.6 | 6.2 | GDP | 3.3 | 2.7 | 2.9 | 2.9 |

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. 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 78 database.

Annex Table 59. **Central government financial balances**
Surplus (+) or deficit (-) as a percentage of nominal GDP

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Canada | -3.9 | -2.0 | 0.7 | 0.8 | 0.9 | 1.9 | 1.1 | 0.8 | 0.1 | 0.6 | 0.5 | 0.4 | 0.3 |
| France ¹ | -4.6 | -3.6 | -2.8 | -2.8 | -2.3 | -2.1 | -2.0 | -3.0 | -3.6 | -2.6 | -2.6 | -2.5 | -2.5 |
| Germany ² | -1.4 | -1.9 | -1.6 | -1.8 | -1.5 | 1.4 | -1.4 | -1.7 | -1.8 | -2.3 | -2.2 | -2.0 | -1.5 |
| Italy | -7.7 | -6.9 | -2.7 | -2.5 | -1.5 | -1.2 | -3.3 | -3.2 | -2.9 | -2.8 | -3.8 | -3.8 | -4.3 |
| Japan ³ | -4.4 | -4.4 | -3.9 | -5.5 | -7.7 | -6.7 | -6.2 | -7.2 | -7.1 | -6.3 | -6.1 | -5.5 | -5.2 |
| United Kingdom | -5.6 | -4.4 | -2.2 | 0.0 | 1.2 | 3.9 | 0.9 | -1.6 | -3.4 | -3.1 | -3.0 | -2.9 | -3.1 |
| United States | -2.7 | -1.9 | -0.6 | 0.5 | 1.1 | 1.9 | 0.4 | -2.6 | -3.9 | -3.9 | -3.0 | -3.3 | -2.8 |
| excluding social security | -3.5 | -2.8 | -1.6 | -0.7 | -0.4 | 0.4 | -1.2 | -4.2 | -5.3 | -5.2 | -4.3 | -4.7 | -4.3 |
| Total of above countries | -3.6 | -3.0 | -1.6 | -1.2 | -1.0 | 0.1 | -1.2 | -3.1 | -3.9 | -3.7 | -3.3 | -3.3 | -3.0 |

Note: Central government financial balances include one-off revenues from the sale of mobile telephone licenses.

1. Data for 2005 include the payment by EDF in respect of the transfer of its pension liabilities to the government.

2. The 1995 deficit would rise by 6.5 percentage points of GDP if it included the debt taken on this year from the Inherited Debt Funds.

3. 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 78 database.

Statlink: <http://dx.doi.org/10.1787/224644165248>

Annex Table 60. **Maastricht definition of general government gross public debt**
As a percentage of nominal GDP

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Austria | 67.9 | 67.7 | 63.8 | 64.3 | 66.5 | 65.8 | 66.1 | 65.8 | 64.4 | 63.6 | 63.9 | 64.4 | 64.3 |
| Belgium | 130.2 | 127.8 | 122.5 | 117.2 | 113.5 | 107.5 | 106.0 | 102.8 | 98.1 | 94.5 | 94.3 | 91.6 | 89.5 |
| Czech Republic | .. | .. | 12.2 | 12.9 | 13.4 | 18.2 | 26.3 | 29.8 | 36.8 | 36.8 | 35.0 | 35.0 | 34.9 |
| Denmark | 72.5 | 69.2 | 65.2 | 60.8 | 57.4 | 51.7 | 47.4 | 47.2 | 44.6 | 42.8 | 39.7 | 37.1 | 35.1 |
| Finland | 56.4 | 56.6 | 53.6 | 48.2 | 46.7 | 44.3 | 43.3 | 42.2 | 45.0 | 45.1 | 45.8 | 47.5 | 47.7 |
| France | 54.0 | 56.3 | 58.5 | 58.6 | 58.0 | 55.9 | 56.1 | 58.1 | 62.7 | 64.8 | 66.9 | 67.7 | 68.3 |
| Germany | 55.5 | 58.4 | 59.5 | 59.9 | 60.3 | 59.3 | 58.7 | 60.2 | 63.7 | 65.7 | 67.7 | 69.2 | 70.2 |
| Greece | 108.7 | 111.3 | 108.2 | 105.8 | 105.2 | 114.0 | 114.4 | 111.6 | 108.8 | 109.3 | 108.1 | 106.1 | 104.2 |
| Hungary | .. | .. | 64.2 | 61.9 | 61.2 | 55.4 | 52.2 | 55.0 | 56.7 | 57.2 | 58.8 | 60.7 | 62.3 |
| Ireland | 81.2 | 72.8 | 64.0 | 53.0 | 48.1 | 37.9 | 35.3 | 32.0 | 31.1 | 29.4 | 29.9 | 29.8 | 29.5 |
| Italy | 124.2 | 123.2 | 120.5 | 116.8 | 115.5 | 111.1 | 110.9 | 108.3 | 106.7 | 106.7 | 108.8 | 110.4 | 112.1 |
| Luxembourg | 6.7 | 7.2 | 6.8 | 6.3 | 6.0 | 5.5 | 6.7 | 6.8 | 6.7 | 6.6 | 8.6 | 10.2 | 11.4 |
| Netherlands | 74.0 | 72.1 | 67.0 | 64.0 | 60.5 | 53.6 | 50.7 | 50.5 | 51.9 | 52.5 | 53.9 | 54.9 | 55.3 |
| Poland | .. | .. | 44.0 | 39.1 | 40.3 | 36.8 | 36.7 | 41.2 | 45.3 | 43.6 | 46.7 | 50.4 | 53.3 |
| Portugal | 62.0 | 60.6 | 56.8 | 52.7 | 52.0 | 51.2 | 53.6 | 56.1 | 57.7 | 59.4 | 66.3 | 69.8 | 72.6 |
| Slovak Republic | .. | 30.6 | 33.1 | 34.0 | 47.2 | 49.9 | 49.4 | 43.8 | 43.1 | 42.6 | 46.4 | 50.1 | 52.8 |
| Spain | 62.5 | 66.7 | 65.3 | 63.2 | 61.6 | 59.2 | 55.6 | 52.7 | 49.1 | 46.6 | 43.7 | 41.1 | 39.0 |
| Sweden | 73.7 | 73.5 | 70.6 | 68.1 | 62.7 | 52.8 | 54.3 | 52.4 | 52.0 | 51.1 | 49.9 | 49.4 | 48.4 |
| United Kingdom | 51.8 | 52.2 | 50.8 | 47.6 | 44.9 | 41.9 | 38.7 | 38.2 | 39.7 | 41.5 | 44.1 | 46.4 | 48.3 |
| Euro area | 73.1 | 75.3 | 73.7 | 72.7 | 71.9 | 69.3 | 68.5 | 68.4 | 69.7 | 70.4 | 71.5 | 72.0 | 72.2 |

Note: For the period 1994-2004, 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 (Eurostat asked for GDP without "allocation" of FISIM (financial intermediation services indirectly measured), while for some EU countries the GDP provided by National Authorities have already been adjusted). The 2005 to 2007 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>).

Source: OECD Economic Outlook 78 database.

Statlink: <http://dx.doi.org/10.1787/472461302504>

Annex Table 61. **Monetary and credit aggregates: recent trends***Annualised percentage change, seasonally adjusted*

| | | Annual change (to 4th quarter) | | | | | Latest twelve months | |
|----------------|-----------------|--------------------------------|------|------|------|------|----------------------|-------------|
| | | 2000 | 2001 | 2002 | 2003 | 2004 | | |
| Canada | M2 | 7.3 | 5.7 | 6.0 | 5.3 | 6.4 | 5.0 | (Sep. 2005) |
| | BL ¹ | 7.4 | 4.8 | 5.2 | 4.6 | 7.7 | 7.7 | (Aug. 2005) |
| Japan | M2+CD | 2.0 | 3.1 | 2.9 | 1.5 | 2.0 | 2.0 | (Sep. 2005) |
| | BL ¹ | 2.5 | -1.4 | -3.1 | -0.5 | 1.4 | 1.4 | (Aug. 2005) |
| United Kingdom | M0 | 6.6 | 7.7 | 6.9 | 7.5 | 5.6 | 5.4 | (Sep. 2005) |
| | M4 | 8.9 | 7.7 | 6.0 | 6.5 | 9.4 | 11.2 | (Sep. 2005) |
| | BL ¹ | 12.8 | 8.4 | 9.3 | 8.6 | 11.3 | 10.1 | (Sep. 2005) |
| United States | M2 | 6.1 | 10.3 | 6.7 | 5.5 | 5.2 | 3.9 | (Sep. 2005) |
| | M3 | 9.2 | 12.8 | 6.5 | 4.8 | 5.8 | 6.6 | (Sep. 2005) |
| | BL ¹ | 12.1 | 2.4 | 5.0 | 5.9 | 10.4 | 11.3 | (Sep. 2005) |
| Euro area | M2 | 4.0 | 8.5 | 6.6 | 6.8 | 6.3 | 9.0 | (Sep. 2005) |
| | M3 | 4.5 | 10.6 | 6.7 | 7.0 | 6.0 | 8.6 | (Sep. 2005) |
| | BL ¹ | 5.9 | 7.2 | 3.8 | 5.6 | 5.8 | 7.6 | (Sep. 2005) |

1. Commercial bank lending.

Source: OECD Economic Outlook 78 database.

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