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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	2006			2007				Fourth quarter		
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	2005	2006	2007
							Per cent						
Real GDP growth													
United States	3.5	3.6	3.1	4.0	3.4	3.2	3.0	3.0	3.0	2.9	3.2	3.9	3.0
Japan	2.7	2.8	2.2	2.7	2.4	2.5	2.1	2.1	2.2	2.0	4.3	2.2	2.1
Euro area	1.4	2.2	2.1	2.2	2.3	2.2	1.7	2.3	2.4	2.4	1.8	2.3	2.2
Total OECD	2.8	3.1	2.9	3.3	3.0	2.9	2.7	2.9	3.0	2.9	3.0	3.1	2.9
Inflation													
United States	2.8	3.0	2.3	3.0	2.0	2.2	2.2	2.3	2.3	2.2	3.1	2.6	2.3
Japan	-1.3	-0.6	0.5	0.4	0.4	0.4	0.6	0.6	0.7	0.7	-1.7	0.1	0.6
Euro area	1.7	1.6	2.0	1.4	1.6	1.5	2.5	2.1	2.1	2.0	1.9	1.3	2.2
Total OECD	2.0	2.2	2.0	2.1	1.8	1.9	1.9	2.0	2.0	2.1	2.0	1.9	2.0
Unemployment rate													
United States	5.1	4.7	4.7	4.7	4.6	4.7	4.7	4.7	4.7	4.8	5.0	4.7	4.8
Japan	4.4	4.0	3.5	4.1	3.9	3.8	3.6	3.5	3.4	3.3	4.5	3.8	3.3
Euro area	8.6	8.2	7.9	8.2	8.1	8.2	8.1	8.0	7.9	7.8	8.4	8.2	7.8
Total OECD	6.5	6.2	6.0	6.2	6.1	6.1	6.1	6.0	6.0	5.9	6.4	6.1	5.9
World trade growth	7.5	9.3	9.1	7.8	8.5	8.9	9.3	9.4	9.5	9.5	8.3	8.9	9.4
Current account balance													
United States	-6.4	-7.2	-7.6										
Japan	3.6	4.3	5.5										
Euro area	-0.2	-0.4	-0.3										
Total OECD	-1.9	-2.1	-2.1										
Cyclically-adjusted fiscal balance													
United States	-3.7	-3.7	-3.9										
Japan	-4.9	-5.3	-5.2										
Euro area	-1.6	-1.6	-1.5										
Total OECD	-2.7	-2.8	-2.8										
Short-term interest rate													
United States	3.5	5.1	5.1	5.0	5.2	5.3	5.3	5.1	5.1	5.0	4.3	5.3	5.0
Japan	0.0	0.1	0.7	0.1	0.1	0.1	0.3	0.6	0.9	1.1	0.0	0.1	1.1
Euro area	2.2	2.7	3.4	2.6	2.7	2.9	3.2	3.4	3.5	3.7	2.3	2.9	3.7

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 4 May 2006; in particular 1$ = 113.50 yen and 0.79 euro.

The cut-off date for other information used in the compilation of the projections is 17 May 2006.

Source: OECD Economic Outlook 79 database.

EDITORIAL
STILL BUOYANT OVERALL, BUT VULNERABLE

Since we published our last *Outlook*, the world economy has once more confirmed its ability to withstand shocks and maintain momentum. Asia has forged ahead, with China enjoying double-digit expansion and India growing very rapidly as well. After years of deflationary weakness, Japan has embarked on a new path, with personal consumption and labour income joining exports and business investment as the main drivers of growth. In the United States, hurricanes had a damaging but only transient impact on activity, which was already bouncing back early in 2006. In Continental Europe, activity weakened again late last year, partly reacting to rising oil prices, but accelerated in early 2006.

Looking forward, business and consumer surveys suggest growth prospects across the OECD may be converging in the very near term. The euro area would grow slightly above trend over the next few months, as would Japan and the United States. After several aborted upswings, the likelihood of a broader-based recovery, extending to consumer demand, now taking hold in Germany, is at its highest level since the late 1990s. Indeed, business surveys now suggest that confidence in domestic demand-driven sectors such as construction and retail trade is well above average, while it is progressively building up in services.

Later in the year cyclical developments are likely to diverge, however. In the United States, past monetary tightening has created the conditions for a soft landing, while in Europe above-trend growth would allow for a very gradual resorption of economic slack. In a context where uncertainty prevails about the political feasibility and scope of economic reforms, the recovery of investment in Europe would remain rather subdued, while the upswing in consumer demand will be somewhat dented by a sizeable VAT hike in Germany. By end-2007, economic slack will have been more than eliminated in Japan and North America but ample excess supply would still persist in Europe, continuing to exert disinflationary pressure.

In this scenario, based on oil prices stabilising around $70 per barrel, inflation prospects would remain relatively benign. Inflation in Japan would reach 1% early next year and stabilise thereafter, while euro area inflation – abstracting from the German VAT hike – would ease to below the 2% threshold at approximately the same horizon. In the United States, however, where inflation peaked at a much higher level late last year, disinflation would take a bit longer.

If anything, the risks surrounding this scenario have increased as regards current account imbalances, long-term interest rates and house prices, while the inflation and activity outlook could be significantly affected by abrupt changes in oil and commodity prices.

In recent years, current account imbalances have tended to widen. This has been the case in Europe's single currency area, where, in 2007, Germany's surplus would approach 4½ per cent of GDP and Spain's deficit 10%. More obviously, it has been the case globally, with current account surpluses in China and Japan headed for 5½ to 6% of GDP in 2007, while the US deficit would exceed 7½ per cent.

It has been said time and again that such imbalances are unsustainable in the long run and may not only reflect the free movement of capital towards the best investment opportunities worldwide, but also to a large extent underlying failures in the area of fiscal, structural and exchange rate policies. A brutal unfolding of such imbalances would hurt the world economy, with perhaps the largest output losses concentrated in the least "resilient" regions, not least the euro area. The stronger if somewhat belated commitment from the international community to put in place policies to reduce the risk and cost of an abrupt unwinding of current account imbalances is therefore welcome. As documented in this *Economic Outlook*, it is unclear, however, whether the needed changes in domestic policies required to avert worst-case scenarios would come into place in the foreseeable future.

The risks posed by high and in places inflated house prices to financial and economic stability should not be overlooked either, although the recent cooling off in the UK and Australian housing markets suggests that they may be manageable from a macroeconomic perspective with good chances for a soft landing. Nonetheless, real house prices have recently kept growing rapidly, or even accelerated in many countries, while the ongoing upswing was already the largest of its kind since the 1970s. The risk of housing being overpriced may rise as long-term interest rates move up. Econometric analysis reported in this *Outlook* suggests that, should house prices continue to rise in 2006 at the speed they did last year and long-run rates to increase as they have in recent months, several large countries (United States, France, Spain) would be at risk of a downturn in house prices.

OECD countries may also have to grapple with the complex consequences of globalisation on "imported inflation". On the one hand, the integration in international trade of low-cost manufacturing economies such as China has undoubtedly had a welcome disinflationary influence, evaluated here at 0.3 percentage point a year for the euro area over the past five years and at 0.1 percentage point for the United States. On the other hand, the possibility that globalisation has not just brought about a level shift in oil and commodity prices, but rather a prolonged upward trend, is now becoming less of an intellectual curiosity and more of a practical concern for policymakers. Indeed, experience over the past three years suggests that commodity price pressures may significantly outweigh the disinflationary influence of low-cost manufacturing imports. This may be even more so going forward if protectionist pressures were to intensify.

Uncertainties about the underlying forces driving the recent increases in oil and commodity prices may complicate the task of central bankers since there is a risk that we may be facing a more permanent inflation shock rather than an ephemeral blip and that earlier rises may not yet have been fully passed through to the retail level.

For economies already close to full employment, such as the United States, the possibility of a prolonged imported inflation shock, coupled with an upward drift in inflation expectations, may tilt the balance towards further tightening. For the euro area, where wages and unit labour costs are increasing slowly, the starting point is one where slack is substantial and thus a source of falling inflation. At the same time, if commodity price pressures persist and as evidence builds up that the recovery is firming, the need for monetary tightening should become clearer. Its actual pace, however, should be conditional on unambiguous signs that economic slack is shrinking, which hard data is not as yet confirming.

On the fiscal front, little action has been witnessed for some time now, even though the pressures associated with ageing populations are building up. So are those stemming from health and long-term care spending, documented in detail in this *Outlook*'s special chapter, which are only partly linked to ageing and in some cases are even larger than pension-related pressures. Fiscal consolidation is urgent not just to restore public finance sustainability but also to recover, ahead of the next downswing, the room for manoeuvre that was squandered at the peak of the previous cycle when, in a number of Continental European countries, fiscal authorities exacerbated the upswing by both cutting taxes and increasing spending. In theory, fiscal policy is supposed to help mitigate the vagaries of the business cycle and smooth the tax burden across generations. It is also supposed to reallocate resources in a way that increases the well-being of societies. Alas, in many countries fiscal policy is doing exactly the opposite. Because it often exacerbates problems instead of alleviating them, fiscal policy increasingly turns out to be a problem rather than a useful instrument. Regaining control in the good times is thus urgently needed.

19 May 2006

JP Cotis

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Chief Economist

I. GENERAL ASSESSMENT OF THE MACROECONOMIC SITUATION

Overview

The global expansion is continuing…

Against a backdrop of continued global buoyancy, the ongoing expansion of the OECD economy is entering its fifth year. Notwithstanding headwinds from high and volatile energy prices, it is projected to continue and even broaden this year and next, helped by supportive financial market conditions in a context of contained inflation. The US economy should decelerate marginally, with growth settling around its potential rate. In Europe, where the cycle has been lagging, the pace of activity is expected to gradually pick up. China is expanding rapidly and Japan's economy, which has now fully recovered, remains vigorous (Table I.1).

… amid tensions and risks

Risks and tensions persist and accordingly some of the factors that have underpinned growth may cease to do so further out. Current account imbalances have reached unprecedented heights. Although they have not entailed any major disruptions to date, it seems unlikely that these imbalances would continue indefinitely without prompting market-driven adjustment, which could turn unpleasant. Energy prices have risen to high levels in a context of strong demand, limited spare capacity and geopolitical risks and could be driven up substantially further by supply

Table I.1. **The expansion should continue**

OECD area, unless noted otherwise

	Average 1993-2002	2003	2004	2005	2006	2007	2005 q4	2006 q4	2007 q4
	Per cent								
Real GDP growth[1]	2.7	2.0	3.3	2.8	3.1	2.9	3.0	3.1	2.9
United States	3.2	2.7	4.2	3.5	3.6	3.1	3.2	3.9	3.0
Euro area	2.0	0.7	1.8	1.4	2.2	2.1	1.8	2.3	2.2
Japan	0.9	1.8	2.3	2.7	2.8	2.2	4.3	2.2	2.1
Output gap[2]	-0.8	-1.5	-0.8	-0.7	-0.2	0.0			
Unemployment rate[3]	6.7	6.9	6.7	6.5	6.2	6.0	6.4	6.1	5.9
Inflation[4]	3.6	2.3	2.3	2.0	2.2	2.0	2.0	1.9	2.0
Fiscal balance[5]	-2.4	-4.0	-3.5	-2.7	-2.6	-2.6			

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 79 database.

StatLink: *http://dx.doi.org/10.1787/353443541633*

disruptions. Long-term interest rates have already increased from their previous, unusually low, level and if they were to rise significantly further, stalling or falling house prices would be one channel through which activity could slow. On the other hand, high levels of corporate profitability across the OECD area may entail favourable surprises for capital formation, employment and growth.

Monetary policy stimulus is being withdrawn

Despite the pressures stemming from higher energy prices, inflation and particularly inflation expectations are generally low and should remain fairly subdued. This reflects in part the improvements in central bank credibility in recent years but it is also to some extent a benefit of globalisation. Against this backdrop, monetary policy stimulus has been removed in the United States. So far core inflation has remained broadly in check. But with limited if any economic slack left as well as inflation expectations starting to drift upwards, a moderately restrictive policy stance may be warranted, subject to the incoming data. In Japan, deflation seems to be waning at long last, but only gradually so, despite vigorous growth. In these conditions, there is no need for interest rates to turn positive in the near term and the eventual move towards a neutral policy stance can take place at a measured pace. In the euro area, core inflation remains subdued and headline inflation is not much above the 2% mark. Going forward, further removal of monetary accommodation should be based on tangible signs that slack is shrinking and that underlying inflation pressures are mounting.

Fiscal consolidation is called for in most countries

On the fiscal front, consolidation generally remains an overarching imperative, and advantage should be taken of the cyclical upturn to step up its pace. Indeed, the general government deficit in the OECD countries as a group was still close to 3% of GDP in 2005, and on current policies it is not projected to improve much over the near term despite favourable cyclical conditions. This would call for serious adjustment efforts even in the absence of the fiscal pressures associated with ageing populations, which continue to build up despite the pension and health care reforms implemented over the past few years.

The expansion is strengthening

Intra-OECD growth differentials are narrowing

Growth in the OECD area has continued apace, with buoyant global trade spurred, not least by dynamism in Asia. While the final quarter of 2005 disappointed in a number of OECD economies, the start of 2006 has been characterised by a strong rebound, both in trade and activity. Each of the major OECD economies has been contributing, and somewhat less unevenly than in the past (Figure I.1). One striking feature of the ongoing expansion in most major economies has been the strong rise in profit margins associated with muted real wage developments (Table I.2). Even so, the recovery of investment has been at best normal and in some cases modest, but this may reflect that capital formation has become structurally more "high-powered", *i.e.* it is producing more output per unit of capital (Box I.1).[1]

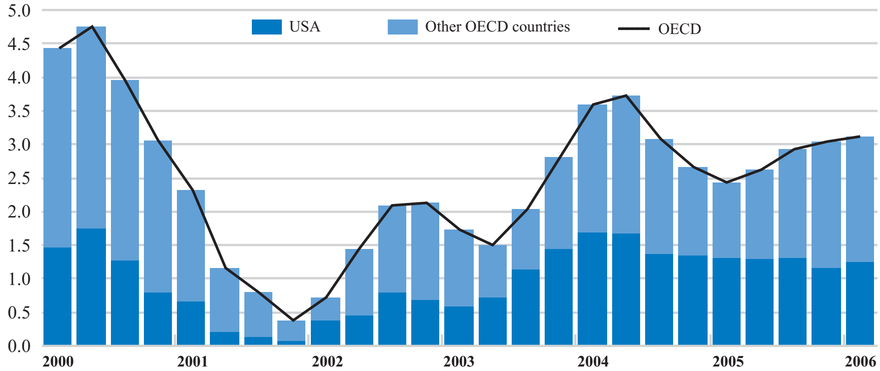
Labour markets are recovering across the board

Employment has continued to grow at an annual rate of around 1% in the OECD area as a whole, with the rate of increase in the United States being nearer to 2%, in Japan below 1%, and in the euro area just above it. Over the current cycle as a whole, employment growth has been stronger in the euro area than in the United States. This reflects the

1. See Appendix I.1.

Figure I.1. **The expansion has recently become less lopsided**

Real GDP growth and contributions, year-on-year, per cent and percentage points



Note: The US contribution to total OECD growth is calculated as the US growth rate times the US weight in total OECD GDP. The remainder represents the contribution by the other OECD countries in total OECD growth. Data for 2006 are OECD estimates.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/362047558656*

relatively limited deterioration in employment in the euro area in the wake of the 2000-01 slowdown (Table I.3). Although there has also been employment creation during the ongoing upturn, this has been concentrated in a few countries, most prominently in Spain (which accounts for more than half of the pick up) and Italy, while Germany and France recorded a near-stagnation.[2] The flipside of this development has been a rise in relative unit labour costs in Spain and Italy, where international competitiveness has deteriorated, and a fall in Germany, where competitiveness improved.

Table I.2. **Real wages lag productivity**

	2000	2001	2002	2003	2004	2005
	Percentage change from previous period					
Labour productivity						
United States	2.3	1.0	3.3	2.9	3.4	2.3
Japan	3.4	0.8	1.4	2.2	2.4	2.4
Euro area	1.6	0.3	0.4	0.4	0.9	0.6
Compensation per employee						
United States	6.7	2.6	3.3	3.6	4.7	5.2
Japan	0.1	-1.2	-2.0	-1.3	-1.3	0.8
Euro area	2.4	2.6	2.4	1.9	1.4	1.2
Real compensation per employee[1]						
United States	4.7	0.2	2.3	1.8	2.2	2.4
Japan	1.7	0.3	-0.5	-0.1	0.0	2.6
Euro area	0.9	-0.2	0.0	0.2	-0.1	-0.1

Note: Business sector
1. Deflated by the GDP deflator.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/805182086215*

2. In both Spain and Italy, special factors such as the regularisation of immigrant workers contribute to the employment gains. In Italy, the recorded productivity growth is probably biased downward (and changes in unit labour cost biased upward) since prior to regularisation irregular work was already counted in GDP but not in employment.

Box I.1. **How weak has business investment been in this cycle?**

A feature of the current recovery and expansion has been the weakness in business investment. Compared with past cyclical experiences, this has been particularly noticeable in the United States, but elsewhere as well. In order to better understand these more recent developments, it is helpful to put them in the context of trends in such spending over the past 20 years.

In nominal terms, the ratio of investment spending to GDP has been trending down since the early 1980s in the three major economies and in this sense, recent developments are not unusual (Figure, left panel). Part of this trend, however, is due to the decline in the price of capital, particularly information and communications technology (ICT) goods. Reflecting this, the national accounts price deflator for total investment has fallen substantially in the United States, as well as in the United Kingdom and Canada. This relative price effect has been much less in Japan and the euro area, in part because ICT goods make up a smaller share of total investment spending in these economies.

There are, however, differences in the way national accountants measure prices of ICT investment which makes cross-country comparisons potentially more difficult. In the United States, hedonic prices indexes are used to capture improvements in the quality of capital goods. The most notable example is for computers, where their prices are adjusted to reflect the fact that their processing power has risen dramatically over time. While all countries attempt to adjust for quality changes, only a limited number use the hedonic method. An approximate way to make the data more comparable is to use ICT price indexes for the other economies "harmonised" to the US benchmark.[1] For the euro area and Japan, investment ratios constructed in this way show only marginal differences compared with those using the various national investment deflators. The differences between economies then, appear to be due to the composition of capital spending rather than to how prices are measured.

The above measures are gross investment and likely provide a distorted picture of the rate at which various economies are adding to their capital stocks, particularly in cases where the composition of capital has shifted significantly towards goods that have a short economic service life and therefore a high depreciation rate (such as ICT). While in principle net investment is the more appropriate measure, in practice it is not easy to construct constant-price net non-residential investment ratios from the available national accounts data.[2] There are as well other conceptual problems. For instance, certain business outlays (research and development, training of employees) are treated as expenditures. To the extent that this spending results in higher future output it is more akin to investment and a case can be made for treating it as such.[3]

Another limitation of investment ratios as a gauge of the rate at which productive capital is expanding is that they do not reflect scrapping and that they apply the same weight to all categories of capital goods regardless of their efficiency. This shortcoming, however, can be addressed by creating proxy measures for the volume of output or services provided by each type of capital.[4] Based on OECD estimates, the volume of non-residential capital services has been growing faster than output in most of the major economies (the United States being an exception) since the early 1980s until 2003, the last year for which estimates are available (Figure, right panel). All of this suggests that the rate at which productive capacity has been growing has not slowed.

1. The "harmonised" ICT prices calculated by the OECD are based on US price indices following, Colecchia, A. and P. Schreyer, "ICT investment and economic growth in the 1990s: is the United States a unique case? A comparative study of nine OECD economies", *OECD STI Working Paper Series*, No. 7, 2001. Essentially, the ICT component of an economy's deflator is made to grow at the same rate as that of the US ICT component, adjusted for overall inflation. The sub-indexes are then re-aggregated using the country-specific weights.
2. The available national accounts data on consumption of fixed capital (CFC) have several limitations. First, the methods for estimating CFC are not fully harmonised across countries. Second, only a few countries provide data that allow the construction of CFC for non-residential capital. And third, deflating CFC measures would require detailed data on the vintage of existing capital.
3. For estimates of US investment spending that take account of such features, see Corrado, C., C. Halten and D. Sichel, "Measuring capital and technology: an expanded framework", *Federal Reserve Board of Governors Working Paper*, 2004-65.
4. See Schreyer, P., P-E. Bignon and J. Dupont, "OECD capital services estimates: methodology and a first set of results", *OECD Statistics Working Paper Series*, No. 6, 2003, for a description of the methodology used to derive the estimates shown.

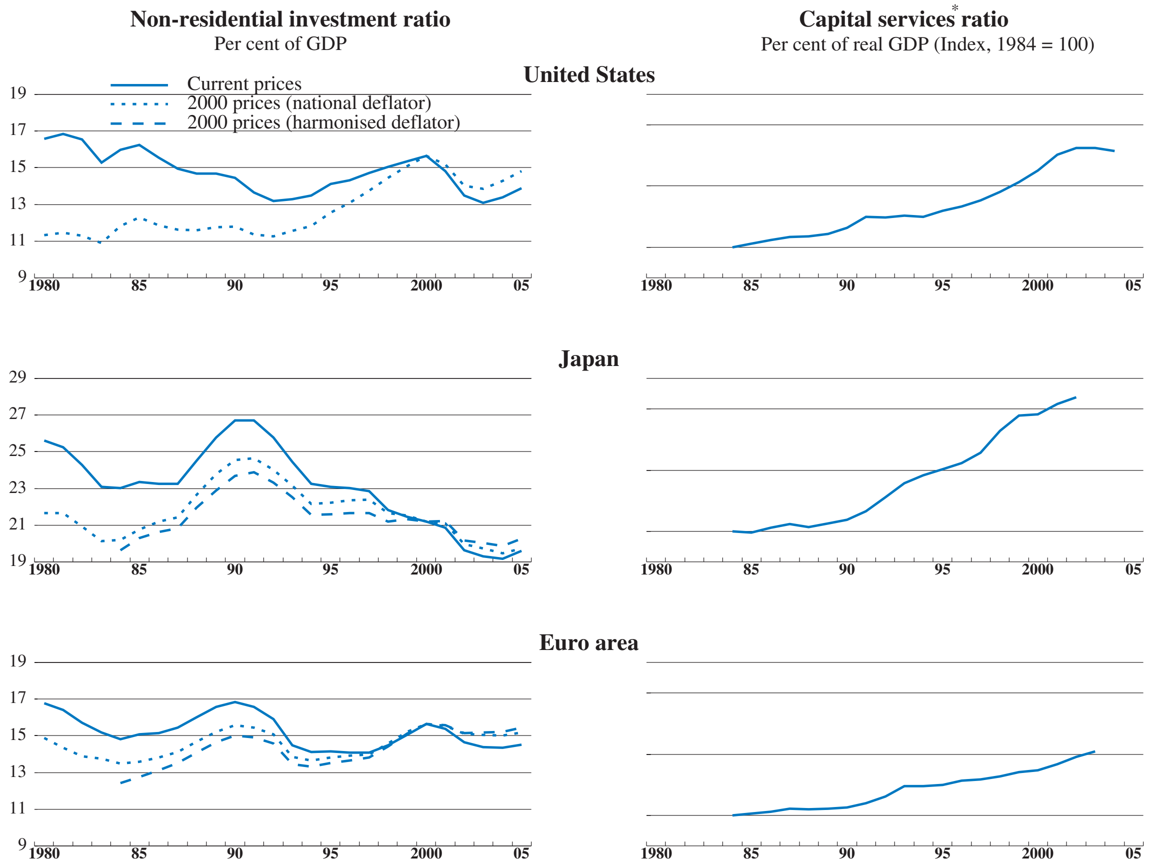
United States: testing capacity limits

The US economy is continuing to expand at a healthy pace, having weathered quite well a series of shocks, including the devastating hurricanes that hit late this past summer and the ensuing rapid rise in gasoline prices. Profitability is high, business confidence strong, job creation robust and unemployment has come down to close to its structural level. Meanwhile, real wage growth has been lagging productivity gains. In fact, the vast majority of wage earners have seen less than average real wage growth, which potentially

Box I.1. How weak has business investment been in this cycle? *(cont.)*

Returning to the current weakness in investment, if it does not represent a declining long-term trend, then it is likely due to the strength (or lack thereof) of demand. In point of fact, this recovery has had more in common with that of the 1990s, which was also thought of as sub-par compared with earlier cyclical rebounds. At the same time, non-residential investment spending has tended to move in line with the recovery in output, which has been relatively subdued.

Non-residential investment and capital services



Note: Constant price investment ratios are calculated as the ratio of non-residential fixed investment to GDP, both measured at 2000 chain-linked prices. Results should be regarded as indicative, as chain-linked series are not stricly comparable. Data for 2004 and 2005 are partly estimated.
For details on the methodology used to derive estimates of capital services see Schreyer *et al.* (2003).
* For non-residential investment.

StatLink: *http://dx.doi.org/10.1787/228555536706*

holds down consumption.[3] However, wealth gains in housing and stock markets are supporting household expenditure, although the rise in interest rates may have begun to damp housing demand and consumer durable spending.

3. The upshot is that the income distribution of US wage earners is becoming more skewed. See for evidence Dew-Becker, I. and R.J. Gordon, "Where did the productivity growth go?", *CEPR Discussion Paper Series*, No. 5419, December 2005, who find that only the top 10% of the income distribution have enjoyed a growth rate of real wages equal to or above the average rate of economy-wide productivity growth in the period 1997-2001.

Table I.3. **Labour markets are recovering**

	2000	2001	2002	2003	2004	2005
	Percentage change from previous period					
Employment						
United States	2.5	0.0	-0.3	0.9	1.1	1.8
Japan	-0.2	-0.5	-1.3	-0.2	0.2	0.4
Euro area	2.5	1.6	0.6	0.4	0.9	0.9
Labour force						
United States	2.3	0.8	0.8	1.1	0.6	1.3
Japan	-0.2	-0.2	-0.9	-0.3	-0.4	0.1
Euro area	1.4	1.1	1.1	1.0	1.1	0.6
Unemployment rate	Per cent of labour force					
United States	4.0	4.8	5.8	6.0	5.5	5.1
Japan	4.7	5.0	5.4	5.3	4.7	4.4
Euro area	8.1	7.7	8.2	8.7	8.9	8.6

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/703431873102*

Japan: the expansion continues to gain traction

Having overcome a number of its post-bubble problems – including a reduction in non-performing loans in the banking sector – and buoyed by the vigour of the expansion throughout much of Asia and the earlier depreciation of the yen in effective terms, Japan is enjoying a broad-based expansion. The upswing was initially driven by exports and business fixed investment, but household spending, including residential investment, has gained momentum, supported by an improving labour market, with both nominal wages and regular employment growing. In fact, growth of total labour compensation has become positive for the first time in five years, partly reflecting that the trend to irregular employment (a group that tends to be significantly less well paid) has reversed. The corporate sector adjustment has gone far in reducing the capital overhang and capital spending is on the increase again. Output has been growing faster than potential and unemployment is declining. In the Bank of Japan's March Tankan survey, firms reported capacity shortages for the first time since 1991 and the balance of firms reporting a lack of qualified labour reached a 14-year high.

Euro area: growing again, but still vulnerable

Following a spell of weakness in the latter part of 2005, notably in the three major countries, activity in the euro area appears to have gathered strength so far in 2006 as business and consumer confidence improved. The buoyancy of the external environment has been evident in rising exports, but so far household consumption has failed to provide further growth impetus as household saving stayed high. There are some striking growth divergences across the area, with Germany lagging and the expansion showing comparative vigour in France and most of the smaller countries. Unemployment has declined over the past year but remains comparatively high.

Emerging economies are expanding fast

The contribution of non-OECD countries to global economic growth has been on a sharply rising trend, and they now account for one fourth of it.China is growing particularly fast, driven mainly by exports and investment. Growth in India has also been rapid, underpinned by low interest rates and a booming stock market. However, the weight of India in world trade is comparatively small.

But tensions keep building

Oil prices remain high and volatile

Oil prices have touched all time highs…

Oil prices have been volatile in the first months of 2006, and since mid-April, the Brent crude spot price has been hovering around $68 to $75 per barrel – $20 to $25 above long-term futures observed only four months ago (Figure I.2). This reflects a number of developments, notably:

… due to geopolitical concerns…

– Geopolitical concerns about supply security, against the backdrop of the growing political unrest in Nigeria that has cut off a quarter of the country's exports, the continuing inability of Iraq to bring its oil exports back to pre-war levels and the risk of cuts in oil supplies related to the situation in Iran.[4]

… and slow supply responses

– There are also concerns that oil-producing countries are not investing enough in exploration and extraction activities. Moreover, the time lag between investment decisions and new production coming on stream is long while the yields of many conventional oil fields outside OPEC are declining. As a result, crude oil supply may slow over the medium term unless very substantial upstream investments are forthcoming.

Refining capacity constraints are also biting

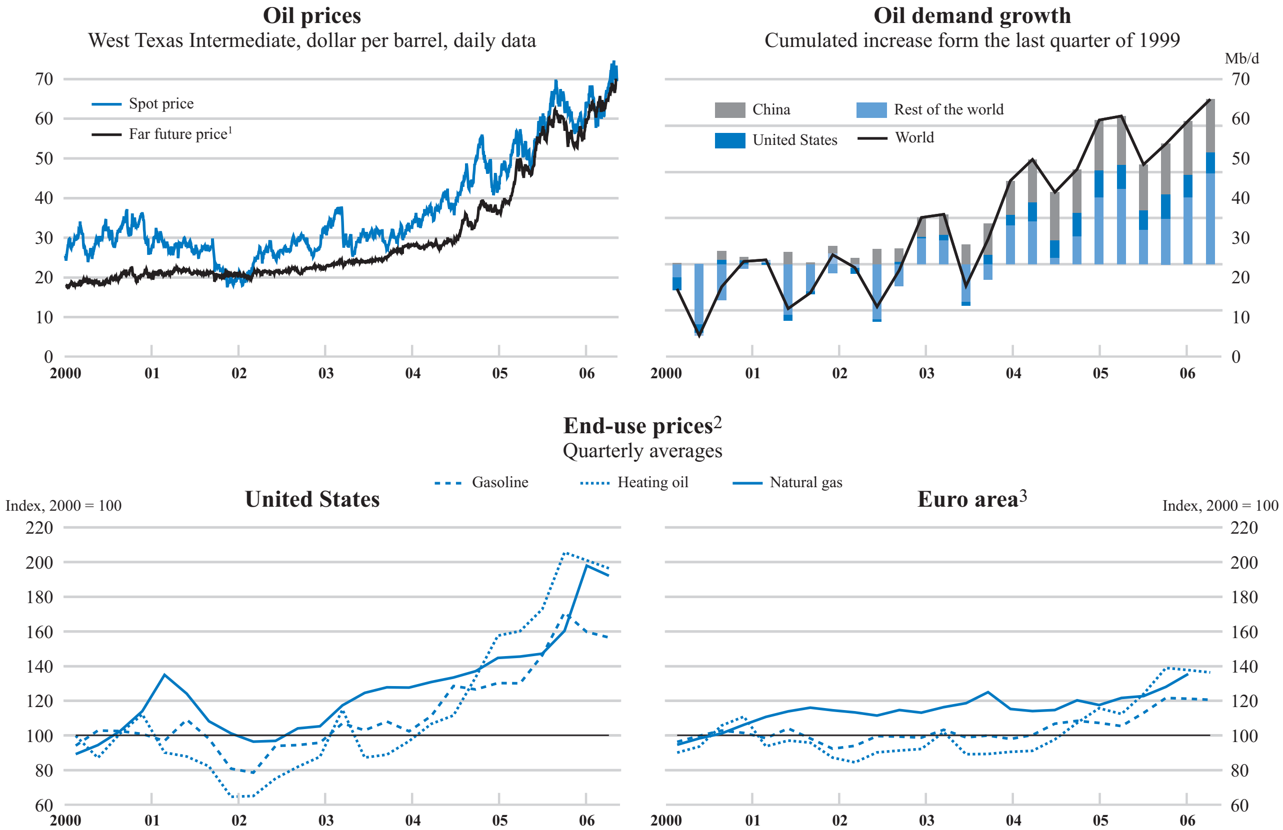
In downstream activities, such as refining, margins are widening which should normally provide an incentive to ease bottlenecks. However, the barriers to refinery construction are high in most parts of the world. In addition, the US refining industry may be facing difficulties producing the required quality of petrol in view of recently enacted stricter environmental legislation. As well, there are worries about the vulnerability of the industry to hurricane-related damage and the lack of strategic petrol reserves. Accordingly, both refiner margins and the price spread between higher quality "sweet" and lower quality "sour" forms of crude have been widening again.

Oil prices may stay high…

These market disturbances may well persist for quite some time, raising the precautionary demand for oil, which comes on top of demand pressure stemming from rapid growth in the United States and the emerging Asian economies, in particular China.[5] Also judging by far-futures prices, high oil prices, close to their current levels, are expected to be a long-lasting phenomenon even if they are bound to fluctuate substantially.[6] To the extent high oil prices originate from disruptions in supply, or fears thereof reflected in higher risk premia, they may be somewhat more akin to the

4. Iran produces just under 4 million barrels per day (mbd) and exports 2½ mbd, while Nigerian oil exports are about 2¾ mbd. World spare capacity is just above 2 mbd, and hence the ability to offset any production disruptions in these countries is limited. There is also a risk of supply disruptions in Venezuela.
5. According to current estimates, oil consumption in China is projected to grow from around 6½ mbd in 2004 to 8½ mbd in 2010, representing around one-fifth of growth in oil demand in the world as a whole over this period, see Congressional Budget Office, *China's growing demand for oil and its impact on US petroleum markets*, Washington DC, April 2006. So far, China has kept control of end-use energy prices, which has tended to support high energy demand.
6. While global activity growth in 2006 should be roughly on a par with 2004, oil demand is expected to increase at half the pace registered in 2004 due to the damping impact of high oil prices. However, world spare oil production capacity is unlikely to increase significantly during 2006 and 2007 even with slowing demand growth, as increases in supply are likely to be limited.

Figure I.2. **Energy markets are hot**



1. Far futures prices refer to the New York Merchandise Exchange contract on light crude with the farthest maturity (6 to 7 years).
2. For the United States, the heating oil prices refers to New York harbor No. 2 heating oil spot price FOB.
3. 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 79 database.

StatLink: *http://dx.doi.org/10.1787/440453853845*

supply shocks in the mid and late 1970s, which in the past have triggered slowdowns in economic activity.[7]

… imparting a terms-of-trade loss on oil-consuming countries

The terms-of-trade loss for the OECD economy as a whole arising from the 2½ fold increase of oil prices since 2002 up to the first four months of 2006 is estimated to amount to 1¼ per cent of GDP, more than one quarter of which is accruing to Russia and the bulk of the remainder to the African and Middle East Region. The associated reduction in real income in the OECD, and the drag on demand it entails, is thus approaching magnitudes observed in past oil-price shocks.[8]

7. If higher oil prices stem from a strong increase in oil demand amid buoyant economic activity, oil markets will clear at a higher level of activity than before the price increase occurred. However, if an oil price is the result of a disruption in supply, prices will rise until a combination of substitution effects and slower economic activity is sufficient to adjust oil demand.
8. The terms of trade losses are estimated at 2% of OECD GDP in 1973-75 and 3% in 1979-80.

There are offsets…

The real income transferred to oil-producing countries will either be respent in oil-importing countries or recycled in financial markets abroad, thus providing stimulus to activity by, respectively, increased foreign demand or by exerting a downward impact on bond yields, with associated positive impacts on stock market valuations and other asset prices in oil-consuming economies.[9]

… but respending may be slower than previously…

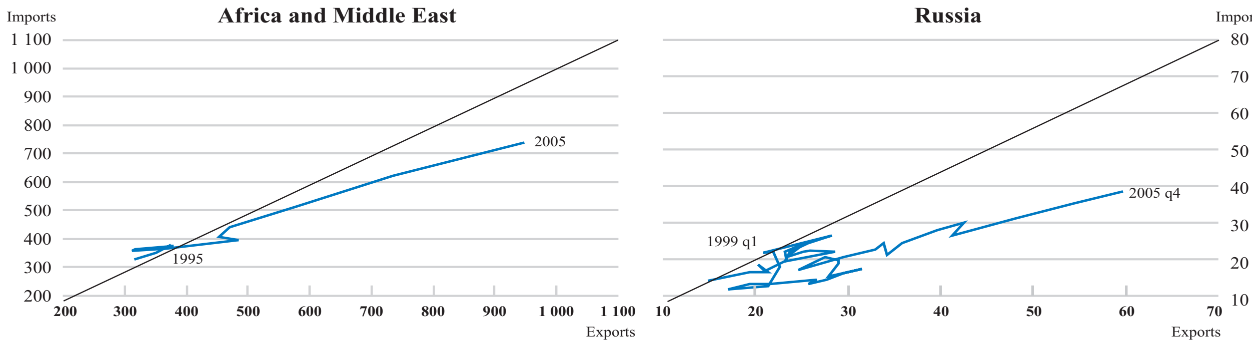
However, the pattern of respending seems to be different in the current oil-price cycle from that in previous ones. In earlier cycles oil prices spiked and respending effects kicked in fairly rapidly but, with the current oil price shock, effects seem to be more drawn-out. Plotting oil export revenues against the import bill in oil producing regions in this cycle seems to indicate that respending is slow to respond, but it may be assumed to accelerate over time as the oil price settles at its current level (Figure I.3). Even so, there is some evidence that respending may have become inherently slower than during the oil shocks in the 1970s and 1980s, with several oil-producing countries preferring to place the accrued revenues in stabilisation funds in an effort to smooth their impact on the economy.[10]

… and asset markets are more exposed to recycling of "petrodollars"

The energy windfall that is not being respent is recycled, which, as noted, is likely to have been exerting a downward impact on bond yields and a positive impact on stock market valuations in OECD economies. This is quite different from the situation in the 1970s when the oil price shocks led to higher inflation expectations and increased bond yields which tended to overwhelm any recycling effects. The nature of the recycling of petrodollars is also different from the patterns observed in previous episodes of high oil prices, with a shift away from investment in bank deposits to tradeable assets.[11] As well, the currency composi-

Figure I.3. **Imports of oil producers lag exports**

£ billion



Note: Data for Russia are quarterly but annual for Africa and Middle East.
Source: Central Bank of Russia and OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/871175201664*

9. To the extent the accumulation of foreign assets is not sterilised (*i.e.* boosts liquidity) in oil producing countries, the windfalls may also fuel local stock and real estate markets, which in turn could be instrumental in accelerating respending effects abroad.
10. One way to gauge the speed of respending is to look at the development of the gap between exports and imports in an error-correction framework. For the African and Middle East region, this suggests that in the period 1977-95 70% of extra export revenue was respent after two years, compared to 62% in the period 1996-2005. While an economically meaningful difference, it is, however, not statistically significant.
11. See for further details: Bank for International Settlements, *Quarterly Review*, March 2006.

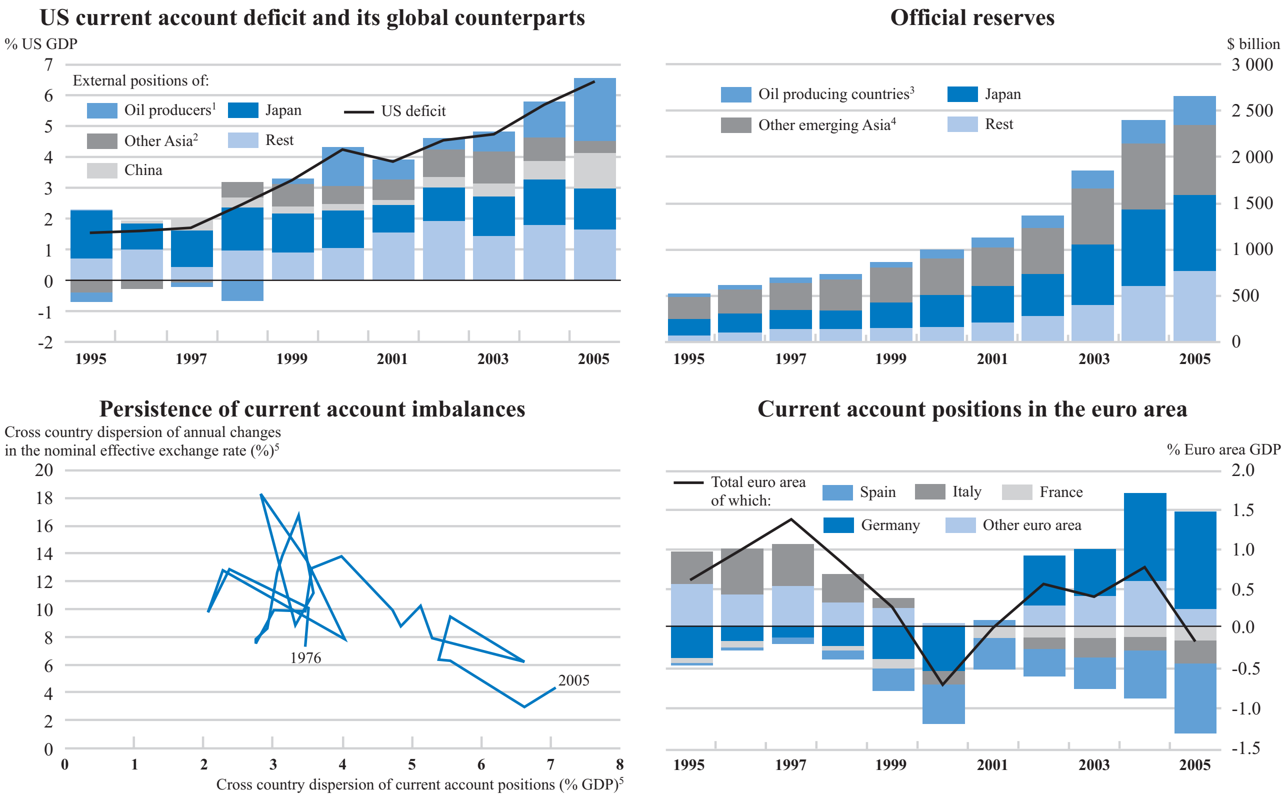
tion has changed from dollar to euro deposits, although this pattern was partially reversed in the course of 2005 as the interest rate differential in favour of the dollar widened. The upshot is that financial markets have become rather exposed to changes in the portfolio behaviour of oil-producing countries.

Global imbalances continue to become more acute

External imbalances have widened

Another striking feature of macroeconomic developments in the present cycle has been the unabated widening of the current account deficit in the United States, which in 2005 attained almost 6½ per cent of GDP (Figure I.4, upper-left panel). The increase in the US current account deficit since 2001, when it stood at 3.8% of GDP, is matched by the increase in the current account surpluses of the oil-producing countries – which came on top of an already sizeable current account surplus in the emerging Asian economies (including China) and Japan. Reflecting these surpluses, and the associated currency market interventions aimed at maintaining exchange rates stable against the US dollar, official exchange reserves across the globe have

Figure I.4. **Current account imbalances are growing and official reserves soaring**



1. Africa and Middle East, Central and Eastern Europe.
2. Non-OECD Asia and Oceania, excluding China and the Middle East.
3. Russia, Mexico, Algeria, Norway, Australia.
4. Chinese Taipei; India (from 1997); Hong Kong, China; Indonesia; Malaysia; Singapore and Thailand (from 1988).
5. Standard deviation from the arithmetic mean for all OECD countries. The panel is based on all OECD countries including the countries that have entered the euro area. Removing the individual euro area countries from the panel does not materially change the depicted relationship.

Source: OECD Economic Outlook 79 database, International Monetary Fund and European Central Bank.

StatLink: *http://dx.doi.org/10.1787/048357066556*

been growing from some $500 billion in 1995 to $4 trillion in 2005. Of this, 40% is held by two countries, Japan and China (Figure I.4, upper-right panel).[12]

They reflect some underlying forces, including…

These developments can be explained by a confluence of factors which at some point are likely to unwind. Aside from the increasingly important role of the oil-exporting countries as major contributors to the global divergence of current account positions, these include the following:

… Asia emerging as a capital exporter…

- The emerging Asian economies, which have ample growth potential, have lacked the capacity to either generate sufficient domestic consumption or to transmit their domestic saving to domestic investment. As a result, they have run huge trade surpluses, and with an official policy to maintain quasi-fixed exchange rates, they have also experienced massive inflows of foreign exchange.

… low saving in the United States…

- In the United States, the demand for foreign capital is the counterpart of a shortage of savings relative to investment, with the saving-investment deficit in the household and public sectors by far out-sizing the surplus in the business sector. This largely reflects a combination of low interest rates, tax cuts and buoyant housing markets since the onset of the 2000-01 downturn.[13]

… and slow potential growth in the euro area and Japan

- Meanwhile, the growth potential of other mature economies with rapidly ageing populations, such as the euro area and Japan, has declined. As a result, capital flows from the emerging Asian economies have tended to favour the United States. This has helped to finance the US current account deficit at relatively favourable terms.

An unwinding is likely to occur at some point

An eventual reversal of these tendencies is likely, even if it is not immediately obvious what would trigger it and when it would occur.[14] The ongoing widening of current account imbalances has been sustained far longer and with much smaller exchange rate responses than would have been judged plausible even a decade ago, perhaps because exchange rates have generally become less responsive (Figure I.4, lower-left panel).[15] As noted, so far the United States has attracted the capital needed to finance its current account deficit with relative ease. But it has also moved from being a major international creditor to a net external liability position amounting to slightly over 20% of GDP, and the current US external deficit is approximately twice the level that would be consistent with a stable net foreign liability position. The accumulation of dollar reserves among the surplus countries thus entails growing risks and costs for them and their willingness to hold dollar assets on their balance sheets may diminish. In addition, the US deficit is becoming a pretext for protectionist pressures. If this were to prompt surplus countries to reduce their official US dollar reserves or raise expectations thereof, support for the US dollar could wane.

12. European Central Bank, "The accumulation of foreign reserves", *Occasional Paper Series*, No. 43, February 2006.
13. This is quite different from the situation prior to the downturn when capital inflows were attracted by a buoyant and – as it appeared – overvalued stock market.
14. See Caballero, R.J., E. Farhri and P.O. Gourinchas, "An equilibrium of "global imbalances" and low interest rates", *NBER Working Paper Series*, No. 11996.
15. This is partly explained by the adoption of stability-oriented foreign exchange rate regimes in the emerging Asian economies in the wake of the 1998 Asian crisis. More fundamentally, it may also be interpreted as evidence that the integration and liberalisation of financial markets has facilitated the smooth financing of current account deficits and led to a lessening of the effect known as the "Feldstein-Horioka puzzle", which means that the correlation between national saving and investment has diminished.

It may be a relatively orderly process as…

A case can be made that a correction of the US current account deficit, once it occurs, could be orderly and gradual:

… balance sheet effects could act as a buffer…

– *First*, the bulk of US international financial liabilities are denominated in dollars, which means that their burden to the US economy does not rise with depreciation. By contrast, US external assets are largely denominated in foreign currency, which means that they benefit from positive valuation adjustments if the dollar depreciates. As a result, smaller dollar depreciation may be required to achieve sustainability than would be the case if adjustment operated solely through the trade account.

… official reserve policies are less likely to show abrupt reversals…

– *Second*, official dollar purchases by central banks in emerging Asia, which have played a large role over the past few years even though more recently they have slowed down, are less likely than private flows to undergo rapid reversals and this could add an element of stability to any adjustment process.

… and US capital markets are bound to remain attractive

– *Third*, the dollar exchange rate risk may be deemed low as the US currency does not appear to be overvalued in purchasing power parity terms. Moreover, the dollar's position as an international reserve currency as well as the attractiveness of the comparatively liquid US asset markets make it less vulnerable to confidence crises.

But the risk of an abrupt and costly unwinding remains…

Even so, most observers agree that eventually a current account rebalancing looks increasingly unavoidable, that the correction will involve an adjustment in the trade balance and that the dollar depreciation needed to achieve this could be large (of the order of one-third to one-half). Once it occurs, a reversal of external balances may be accompanied by an increase in risk premiums and a reversal of private capital flows – not least since the global tightening stance of monetary policies (see below) renders the "carry trade" less profitable.[16] There is also broad consensus that adjustment would need to induce a sharp slowdown in US domestic demand and that this would have adverse spill over effects on other economies both through the trade and asset revaluation channels.[17]

… with adverse effects on the euro area in particular

The euro area may be particularly hard hit, not least since rigidities in labour and services markets inhibit a smooth reallocation of resources from tradable to non-tradable industries. Moreover, inside the euro area, some countries will be more affected than others, and intra-area adjustment mechanisms could prove to be drawn-out as countries lack the exchange rate and interest rate adjustment channels. This is exemplified by the already apparent persistence of current account imbalances within the euro area, with the external accounts in a few countries moving steadily towards deficit due to enduring losses in competitiveness, notably Italy, Spain, Greece and Portugal, while others record persistent surpluses (Figure I.4, lower-right panel). These divergences appear to persist longer than was envisaged when the single currency was created.

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16. Cross-country research tends to yield only scant evidence that exchange rate adjustment would trigger a sharp rise in bond yields, see for example: Gagnon, J.E., "Currency crashes and bond yields in industrial countries", Board of Governors of the Federal Reserve System, *International Finance Discussion Papers*, No. 837, 2005. However, samples are typically dominated by smaller countries who borrow in foreign currency and therefore carry the exchange rate risk. With the US current account deficit having entered uncharted territory, the historical cross-country record may not be a very reliable guide – not least since foreign investors in US assets bear the brunt of the exchange rate risk.
17. For such a scenario see "Dollar hard landing scenarios: calibration and simulation", Appendix I.2 in *OECD Economic Outlook,* No. 77, June 2005.

Financial conditions may start to tighten

Financial conditions are still favourable

At the current juncture, financial conditions across the globe are still favourable and acting as an engine of the cyclical upswing. Real long-term interest rates are low by historical standards even if nominal bond yields have responded significantly to the pick-up in short-term interest rates associated with tighter monetary policies or expectations thereof in major economies (Figure I.5). This has helped to sustain continued buoyancy in housing markets, with the upswing in real house prices now the longest of its kind since the 1970s. Despite some bounce-back, corporate bond spreads have remained low. Equity markets, which have risen fairly steadily since early 2003, made further gains in 2006 while valuations, as measured by price-earnings ratios, are within historical norms. Even so, credit growth has been slowing in the United States in response to the rise in interest rates. But it has picked up briskly in the euro area – driven both by buoyant conditions in housing and mortgage markets and demand for corporate credit – and has re-entered positive territory in Japan.

… but long-term bond yields could rise more than projected

However, the possible unwinding of the favourable financial conditions in a context of current account adjustment would have significance for current short-term prospects and risks. Concerning the low level of real bond yields there are some longer-run fundamentals at work impinging on term premiums (Box I.2). These influences may persist for some time, but a sharp back-up of interest rates cannot be ruled out, notably if concerns over the sustainability of global current account imbalances and public finances began to affect bond markets. In the current projections (see below), bond yields are assumed to rise only gradually further this year and next in all the major regions of the OECD, but the risks are skewed to the upside.

… which would hit housing markets…

A rise in bond yields could be particularly severe for housing markets, which have been an engine of household demand in many countries. On some measures, house prices are not that much out of line with the fundamentals in most markets. However, as discussed in the previous *Economic Outlook*, the extent to which real house prices look to be fairly valued depends critically on longer-term interest rates remaining at or close to their current low levels.[18] Countries where housing markets are at risk of peaking even at current or only moderately higher interest rates are the United States, France, Spain, Ireland, New Zealand, Denmark and Sweden (Box I.3).[19]

… and possibly also the corporate sector

The corporate sector would also be hit. Corporate bond rates have risen modestly, but remain low over almost all classes of long-term bonds and spreads relative to public debt are still well below 1998-2003 averages both in the United States and the euro area. Risk premiums on emerging market debt also continue to be relatively low. The fact that risk premiums have edged up recently is not surprising: they tend to rise when liquidity becomes less abundant or short-term interest rates increase.[20] However, while current risk spreads seem to be relatively well aligned with fundamentals such as a

18. See "Recent house price development: the role of fundamentals", Chapter III in *OECD Economic Outlook,* No. 78, December 2005.
19. In cases where buoyant housing markets have contributed to macroeconomic imbalances and tensions, a peak followed by a "soft landing" may in fact be a salutary development. However, a "hard landing" cannot be ruled out.
20. See Sløk, T. and M. Kennedy, "Explaining risk premia on bonds and equities", *OECD Economic Studies*, No. 40, 2005/I.

Box I.2. Why are bond yields so low?

The generalised low levels of nominal (and real) long-term interest rates in the major economies since 2002, despite rapid energy price increases and large and persistent fiscal deficits, have been all the more remarkable in the face of either an actual or expected tightening of the stance of monetary policy. As a result, yield curves flattened and became slightly inverted in some cases – at least for a while. This, rather than being a harbinger of a recession,[1] or an expectation that policy rates will be significantly different from current levels in the future,[2] seems to be due to a marked drop in the "term premium" – the extra amount of yield investors extract as compensation for the risk of capital losses on longer-term bonds.[3]

Regarding the term premium, its decline, based on measures of the longer-term premium, has been pronounced in US yields, where the process of normalising the stance of monetary policy is far advanced (see Figure), but is also evident in the euro area and Japan. Several reasons for this have been advanced:

- Inflation expectations, based on various proxies (both at shorter- and longer-term horizons), seem to be better anchored. This likely reflects improved monetary policy credibility, which has reduced uncertainty about the future path of policy rates, leading to lower term premiums.
- Reinforcing this credibility effect, inflation itself has not only stayed low over the past few years but has also shown resistance to external shocks, most recently to the large oil-price hikes. This low inflation environment owes something to increased globalisation (see Box 5, below).

A number of other factors appear to be keeping longer-term interest rates low and this has had the effect of lowering observed risk premiums.

- A case can be made that the "neutral" real policy rate has fallen.[4] If so, it would imply that longer-term interest rates would also be lower compared with past experience.
- In globalised financial markets, the balance between world ex ante saving and investment (net saving) will play a role. For industrialised economies, particularly the United States, aggregate domestic net dissaving appears to have been more than offset by high ex ante net saving from emerging-market economies (notably those in Asia and, more recently, developing oil-exporting countries). The upward shift in emerging-market net saving seems to have been driven in some cases by a combination of concerns over the adequacy of social security systems in their economies as populations age and a correction from previous domestic over-investment.
- At the same time, emerging market economies, particularly those in Asia, have also been accumulating foreign exchange reserves, notably in the form of US Treasury bonds. Some of this accumulation is the direct result of policies to maintain exchange rates relatively fixed, although the bulk of the purchases of foreign assets in China is in fact of private origin and prompted by a lack of financial investment opportunities at home in the absence of a well-developed financial system. More recently the recycling of oil revenues from OPEC and other oil producing economies has also been a factor.

1. While the flattening of the yield curve has at times past been a fairly reliable forward indicator of recessions, this does not appear to be the case at this time, at least in the United States, where the curve has flattened most, in part because the level of the Fed funds rate is not particularly high (see Wright, J.H., "The yield curve and predicting recessions", *Federal Reserve Board of Governors Working Paper*, 2006-7).
2. Although this is a possibility, it is not reflected in the views of most forecasters nor is it implied in the term structure of short-term interest rates.
3. See Ahrend, R., P. Catte and R. Price, "Factors behind low long-term interest rates", *OECD Economics Department Working Papers*, forthcoming, 2006 and references cited therein.
4. See "Where does the "neutral" interest rate lie?", Box I.4, *OECD Economic Outlook*, No.76, December 2004.

favourable cyclical outlook and (actual and expected) default rates, this assessment hinges critically on the assumption that expected default rates are not too optimistic and that the outlook remains favourable overall, which cannot be taken for granted.

There are upside risks as well

Increased profitability could spill over into higher investment

Corporate profitability across the OECD area is high and while to date anecdotal evidence has suggested that firms have been using part of their improved cash flow to rebuild balance sheets damaged during the previous downturn, this process may be completed or close to it. Accordingly, investment could gain more momentum than projected in this *Economic Outlook*.

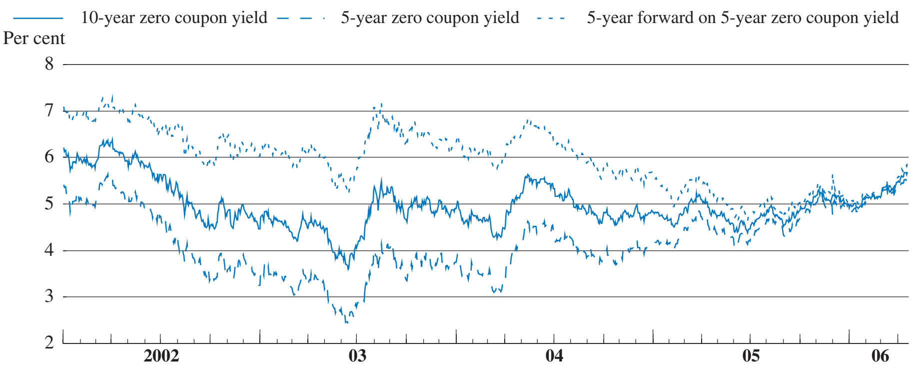
Box I.2. **Why are bond yields so low?** *(cont.)*

– Finally, portfolio shifts may also have been a contributing factor. Pension funds and firms that have defined benefit plans may be shifting their portfolios toward debt in order to meet actual and impending retirement obligations but at this juncture this seems to be more of an issue in the United Kingdom.

While each of these explanations has undoubtedly influenced the term premium and the level of yields, it is difficult to rank their relative importance. However, something can be said about which of these features may be more long-lasting, a factor important to the outlook, particularly now as long-term interest rates seem to be edging up. In this regard, it appears that the hard-won credibility of monetary policy should endure. While eventually the effects of globalisation on the price level and inflation will come to an end, that event is far from being imminent.

On the other hand, there is an element of uncertainty surrounding the durability of some of other factors thought to be playing a role. High *ex ante* net saving on the part of developing and oil-producing countries will run its course, once the objectives motivating them are met, although that may not be anytime soon. While no major change in the exchange rate policies of Asian economies, notably China, are foreseen in the near term, the pace of reserve accumulation could slow over the medium term because of concerns about domestic inflation or international pressure to reduce current account surpluses. There could also be portfolio shifts by non-resident holders of US treasury bonds into equity which could put upward pressure on interest rates.

Some evidence of falling US term premia



Note: The various yields are derived from cash, swaps and future rates and their level may differ from those derived from government bond yields.
Source: Datastream.

StatLink: *http://dx.doi.org/10.1787/334662283428*

Finally, tensions in energy markets could ease, or alternatively the pace of respending from oil producing economies could accelerate, adding an additional source of strength to activity. Any and all of these would have positive effects on employment, although in economies close to or at full employment, there would be upward pressure on inflation, with associated implications for monetary policy.

Oil prices could ease or the spending of petrodollars could increase

Figure I.5. **Financial conditions are still easy**

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

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

StatLink: *http://dx.doi.org/10.1787/734471368602*

A still benign outlook

Most high-frequency indicators are favourable

All in all, the outlook for the OECD area is relatively buoyant. Indeed, high-frequency forward-looking indicators of economic activity generally point to a comparatively rapid expansion in the near term. In particular, business confidence indicators are now well above their long-term averages, although the picture given by consumer confidence indicators is more mixed (Figure I.6). Even in the euro area, which has built up a track record of "false starts" and where forward looking survey evidence has tended to be overly optimistic in recent years, signs of near term strength now seem more solid and broad based, with manufacturing output expectations and new orders strong in all large euro area economies. Meanwhile, consumer confidence indicators have moved somewhat above their long term averages in the euro area and well above them in Japan. In contrast, in the United States consumer confidence failed to recover fully from the sharp losses in the wake of the hurricanes and the ensuing spike in gasoline prices and recently turned down again.

Growth has been strong in the first half of 2006

According to recent data releases and the OECD's indicator models – which translate high frequency data into point estimates for growth one or two quarters ahead[21] – the major seven economies as a group are growing at an annual rate of around 3% in the first two quarters of 2006 (Table I.4). This implies a strong rebound from the soft readings in the final quarter of 2005 - notably in the United States and the euro area.[22] The US acceleration is particularly healthy, with estimated growth in the first two quarters in the 4 to 5% range. Among the major euro area countries, growth is estimated to have also picked up significantly in France and Italy, with Germany lagging behind.[23] Japan experienced an easing from its exceptionally strong fourth quarter outturn for 2005, with growth estimated above 2% in the first two quarters of this year.

The expansion looks to be sustained overall

Growth in the major seven economies is projected to ease off slightly, to just above 2½ per cent, in the remainder of 2006 and in 2007, but in the OECD area as a whole it remains close to 3% as most small economies should enjoy strong momentum. World trade remains a main driver of growth while macroeconomic policies turn slightly restrictive (Table I.5, Box I.4). Domestic demand slows a little over the projection period but remains relatively robust in the United States and in Japan, while it progressively becomes a more powerful factor behind the expansion in the euro area (Table I.6):

The US economy is poised for a soft landing

– In the United States, GDP is projected to grow at slightly less than its potential rate of 3¼ per cent per annum from mid-2006 onwards. This implies a modest slowdown from the strong first two quarters of this year, prompted by higher energy prices and interest rates. The latter are reflected in a rebound in household saving associated with a gradual unwinding of wealth effects and mortgage equity withdrawals as real house price increases wane. Although the balance of trade in goods and services is projected to become slightly less negative, net factor income outflows increase strongly with the continuing

21. See Sédillot, F. and N. Pain, "Indicator models for real GDP growth in the major OECD economies", *OECD Economic Studies*, No. 40, 2005/I.
22. The strength in the first quarter of 2006 reflects a reversal of several special factors in the final quarter of 2005. In the United States these included erratic automobile sales due to rebates coming off, volatility in defence spending and weather-related problems in consumption and housing.
23. The point estimates are corrected for any forecasting biases measured by the forecast error over the preceding four quarters.

Box I.3. Are house prices nearing a peak?

House prices have been moving up strongly in real terms since the mid-1990s in the majority of OECD countries, with the ongoing upswing the longest of its kind in the OECD area since the 1970s (Table). Various indicators suggest that house prices are not that much out of line with the fundamentals in most markets.[1] However, the extent to which real house prices look to be fairly valued depends critically on interest rates remaining at or close to their current historical lows. If interest rates were to rise significantly, real house prices may be at risk of nearing a peak. The historical record suggests that the subsequent drops in prices in real terms might be large and that the process could be protracted.

Development in real house prices

Average annual percentage rate of change

	1970-1990	1990-1995	1995-2000	2000-2005
United States	1.0	-1.1	2.3	6.4
Japan	3.0	-2.9	-2.6	-4.6
Germany	0.2	0.8	-1.6	-2.8
France	1.9	-2.7	2.1	9.4
Italy	3.5	-1.8	-0.9	6.6
United Kingdom	4.0	-4.4	8.1	9.9
Canada	2.6	-1.0	0.0	5.9
Australia	2.0	-0.2	3.5	7.7
Denmark	-0.3	1.8	6.7	5.5
Finland	2.2	-10.2	7.8	3.8
Ireland	1.7	1.0	17.6	7.8
Netherlands	0.8	4.6	10.8	2.6
New Zealand	1.6	2.8	1.7	9.8
Norway	0.3	-0.6	9.3	4.5
Spain	3.9	-1.6	2.6	12.2
Sweden	0.5	-5.8	6.3	6.0
Switzerland	2.2	-6.0	-2.7	1.5
Average	1.8	-1.6	4.2	5.4
Excluding Germany and Japan	1.9	-1.7	5.0	6.6

Source : Update of series reported in Girouard, N., M. Kennedy, P. van den Noord and C. André, "Recent house price developments: the role of fundamentals", OECD Economics Department Working Papers, No. 475, 2006.

StatLink: *http://dx.doi.org/10.1787/065634854020*

Real house prices have peaked so far in the current cycle in only two countries, Finland in 2000Q1 and Australia in 2004Q1, while they have slowed down considerably in two other countries, the United Kingdom and the Netherlands. However, in most countries real prices have kept growing at a rapid pace or even accelerated. To quantify the probability that a peak is nearing in the current situation a probit model was estimated for the period 1970-2005 on a restricted set of what are generally agreed to be the main explanatory variables. Aside from interest rates, these include measures of overheating, such as the gap between real house prices and their long-run trend and the rate of change in real house

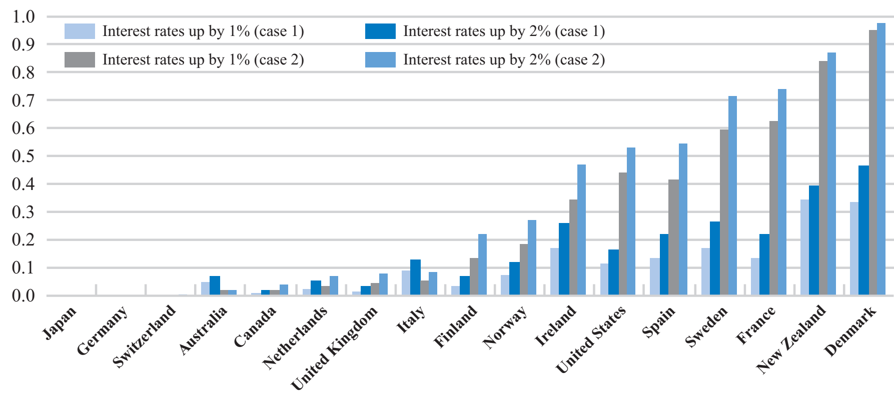
1. Girouard, N., M. Kennedy, P. van den Noord and C. André, "Recent house price developments: the role of fundamentals", *OECD Economics Department Working Papers*, No. 475, 2006.

Box I.3. Are house prices nearing a peak? *(cont.)*

prices in the recent past.[2] The dependent variable takes on a value of one in the four quarters leading to and including the peak in real house prices, otherwise it is zero. Subsequently, simulations were carried out in which interest rates were assumed to increase by 100 or 200 basis points. The results are reported for two cases: one in which real house prices were kept at their most recently observed levels (case 1) and one in which real prices were assumed to rise (or fall) further for another year at the same pace as in 2005 (case 2). The latter case serves to illustrate the increasing vulnerability of housing markets to interest rate shocks at current price trends.

The main findings are the following (Figure).[3] Housing markets in most countries would be resilient against a 1 or 2 percentage points hike in long-term interest rates if it kicked in at current real house price levels, except for Denmark and New Zealand where the probability of a downturn in real house prices would be around 40%. Obviously real house prices would be affected by such an interest rate shock in other countries as well, but the likelihood of a genuine downturn would be limited. However, the picture changes considerably if real prices are assumed to increase for another year at their observed 2005 pace in each country. In that situation, an increase in interest rates would raise the probabilities of a peak nearing to 50% or more also in the United States, France, Ireland, Spain and Sweden.

The probability of real house prices nearing a peak



Note: Case 1 refers to the situation in which the interest rate shock kicks in at current real house prices. Case 2 assumes that real house prices further increase (or decrease) at the pace observed in 2005 for another year before the interest rate shock kicks in. To call a peak it is required that real prices fall over a period of a least six quarters after having risen by at least 15% cumulatively over a period of six quarters.

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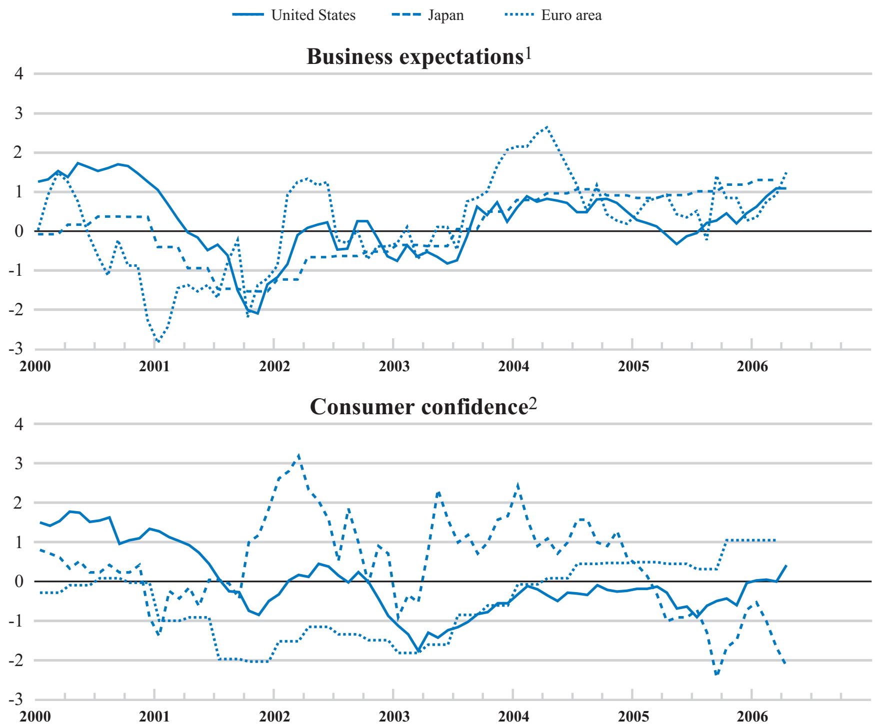
2. Although originally designed for micro applications, probit modelling can also be used to capture "trigger effects" in aggregate series, with the probability of a peak nearing tilted from low to high beyond a certain threshold, as is sometimes observed in asset markets. See for further details, Van den Noord, P., "Are house prices nearing a peak? A probit analysis for 17 OECD countries", *OECD Economics Department Working Papers*, No. 488. A probit model was earlier applied on aggregate house price series with reasonable success in a study carried out at the Bank for International Settlements (BIS), see: Borio, C. and P. McGuire, "Twin peaks in equity and house prices?", *BIS Quarterly Review*, March 2004.
3. The simulations reported here are based on a version of the model estimated on a panel comprising all 17 countries. Models for the individual countries were also estimated and portray broadly similar results in most cases. The probabilities were computed on the basis of information up to and including the fourth quarter of 2005.

Figure I.6. **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. USA: Purchasing Managemer Index: Production Tendency (Institute for Supply Management); Japan: Business Survey (manufacturing): Prospect; Euro area: Business Survey (manufacturing): Future Production Tendency.
2. USA: Consumer Confidence Survey – Expected Economic Situation; (University of Michigan), Japan: Consumer Behaviour Survey index, Euro area: Consumer Opinion Surveys – Expected Economic Situation.

Source: OECD Main Economic Indicators.

StatLink: *http://dx.doi.org/10.1787/208716337466*

accumulation of net foreign liabilities. As a result, the current account deficit widens to almost 8% of GDP by the end of the projection period.[24] Unemployment is projected to stay below its estimated structural rate, prompting a pick-up in wage growth. However, this is assumed to be largely absorbed in profit margins, thus helping to keep inflation subdued.

In the euro area a moderate recovery is on the cards

– The euro area is finally poised for a more selfsustained recovery, with growth projected at around 2¼ per cent per annum through this year and next, slightly exceeding potential. Private investment is set to strengthen amid high profits, while private consumption should only gradually follow suit as employment growth picks up. The hike in the value-added tax in Germany may provide a temporary setback to growth of consumption demand at the beginning of 2007, but the effect will be mitigated as households may save less than they otherwise would have done.[25] As has been the pattern all along

24. The huge difference in levels of imports and exports implies that exports would have to grow significantly faster than imports before net exports would begin to add to output growth.
25. A cut in social security contributions corresponding to one-third of the VAT increase and a string of subsidy programmes for energy conservation and home renovation may provide some additional support to consumption.

Table I.4. Strong GDP growth in the first two quarters of 2006

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

	Outcomes				Estimates[2]	
	2005 Q1	**2005 Q2**	**2005 Q3**	**2005 Q4**	**2006 Q1**	**2006 Q2**
United States	0.9	0.8	1.0	0.4	1.2	0.9 (+/- 0.5)
Japan	1.4	1.3	0.2	1.1	0.5	0.6 (+/- 0.5)
Euro area	0.3	0.4	0.7	0.3	0.6	0.7 (+/- 0.3)
Germany	0.6	0.4	0.6	0.0	0.4	0.5 (+/- 0.5)
France	0.1	0.0	0.6	0.3	0.5	0.7 (+/- 0.4)
Italy	-0.4	0.6	0.3	0.0	0.6	0.6 (+/- 0.4)
United Kingdom	0.2	0.5	0.6	0.6	0.6	0.6 (+/- 0.3)
Canada	0.5	0.9	0.9	0.6	0.8 (+/- 0.1)	0.9 (+/- 0.4)
Major 7 countries	0.7	0.8	0.7	0.5	0.8 (+/- 0.01)	0.7 (+/- 0.3)

1. Based on GDP releases and high-frequency indicators published by 19 May 2006. 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 79 database and OECD calculations.

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since the inception of the single currency, Germany and Italy are projected to grow more slowly than the area average, growth in France should be about average and the smaller countries generally outperform the larger ones. Inflation remains moderate overall, even if the increase in indirect taxes in Germany pushes up somewhat a still subdued core inflation over the projection horizon.

The expansion continues in Japan

– In Japan, output is projected to continue to grow at about 2¼ per cent per annum over the projection period, as exports continue to benefit from the upswing in the emerging Asian economies and the weaker currency. Meanwhile, business investment is buoyed by strong profit growth while wage and employment gains, including for higher-paid regular workers, boost household consumption – notwithstanding a moderately negative impact on real disposable incomes stemming from fiscal tightening. With the output gap probably moving into positive territory (the massive structural adjustments that have taken place in recent years make it hard to assess its size) most price indexes are projected to be on an upward trend from mid-2006 onwards.

Developments elsewhere are generally positive…

Economic developments elsewhere – both within the OECD area and beyond – are generally positive:

… including in the United Kingdom and Canada…

– Growth in the United Kingdom is projected to gather momentum, as investment picks up and consumption is buoyed by a modest recovery in housing markets. Benefiting from large positive terms-of-trade shocks over recent years, growth in Canada, Australia, Norway and Mexico is expected to be solid, having led in some cases (as in Australia and Norway) to restrictive monetary policy measures to contain inflation.

Table I.5. **Strong world trade growth and widening external imbalances**

	2004	2005	2006	2007
	Percentage change from previous period			
Goods and services trade volume				
World trade[1]	10.4	7.5	9.3	9.1
of which: OECD	8.5	5.8	7.4	7.2
NAFTA	9.4	6.4	7.1	6.9
OECD Asia-Pacific	12.8	6.8	8.3	8.3
OECD Europe	6.9	5.1	7.3	7.0
Non-OECD Asia	16.8	12.4	14.2	13.7
Other non-OECD	12.2	9.8	11.9	12.0
OECD exports	8.1	5.5	7.6	7.6
OECD imports	8.8	6.0	7.2	6.8
Trade prices[2]				
OECD exports	9.0	3.5	3.1	2.1
OECD imports	9.0	4.8	3.8	2.5
Non-OECD exports	10.9	9.5	7.2	3.9
Non-OECD imports	8.6	6.1	4.5	3.2
Current account balances	Per cent of GDP			
United States	-5.7	-6.4	-7.2	-7.6
Japan	3.7	3.6	4.3	5.5
Euro area	0.8	-0.2	-0.4	-0.3
OECD	-1.2	-1.8	-2.1	-2.1
	$ billion			
United States	-668	-805	-965	-1069
Japan	172	166	195	256
Euro area	74	-15	-42	-37
OECD	-398	-646	-769	-814
Non-OECD	320	468	565	570
World	-78	-178	-204	-244

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 79 database.

StatLink: *http://dx.doi.org/10.1787/586254268451*

... most smaller European countries...

– Among the remainder of the OECD countries, those that have recently become members of the European Union (EU) – Poland, the Czech Republic, Hungary and the Slovak Republic – continue to advance rapidly, helped by fast-growing exports to other parts of the European Union and buoyant capital formation led by foreign investors. The Nordic EU countries – Denmark, Finland and Sweden – should also be growing rapidly in the context of favourable macroeconomic policy settings and, in some cases, booming housing markets. Switzerland is expected to see growth that is high by historical standards, and Turkey should experience a soft landing, barring a shock to confidence. However, the economies of Iceland and New Zealand are expected to slow substantially during 2006 and into 2007, not least since recent pressures on the exchange rates have limited the scope for monetary policy stimulus.

... and the emerging market economies

– The large emerging market economies are expected to remain important growth poles for the global economy. China will continue to grow at double-digit rates, benefiting from highly competitive labour – although this advantage is beginning to be eroded by rapidly growing average earnings.

Box I.4. 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 unexpected surge in tax receipts seems to have continued into fiscal year 2006, offsetting higher spending on prescription drugs, defence and hurricane relief. The recently proposed budget includes proposals to extend tax cuts that were due to expire over the forthcoming years, relief for the Alternative Minimum Tax for a further year, and large increases in defence spending. On this basis, the general government deficit is expected to remain broadly stable at around 3¾ per cent of GDP over the projection period.
- In Japan, the cyclically-adjusted budget deficit is expected to be reduced from around 6% of GDP in 2005 (excluding a one-off factor) to 5% in 2007. Fiscal consolidation is to be accomplished through spending restraint achieved *via* further cuts in public investment and a reduction in the number of central government employees. In addition, the abolition of the temporary personal income tax cut introduced in 1999 and the scheduled hike in the pension contribution rate will raise government revenue in both 2006 and 2007 by about ½ per cent of GDP.
- In the euro area, fiscal policies are assumed to be consistent with national stability programmes. In most cases this means a small amount of fiscal consolidation in 2006 and 2007. The 3% value-added tax increase planned for 2007 in Germany has been built into the projection, as well as a set of partially counterbalancing measures, including a cut in social security contributions.

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

- In the United States, the Federal Reserve is assumed to raise interest rates by another 25 basis points, after which the target federal funds rate stabilises at 5¼ per cent. As inflation remains subdued and the economy slows over the projection period, a 25 basis point reduction is assumed to occur in the second quarter of 2007.
- In the euro area, the main refinancing rate, which was raised by 25 basis points in early 2006 to 2½ per cent is assumed to remain unchanged initially and then to increase stepwise by a cumulated 125 basis points.
- 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% by the end of 2007.

The projections assume unchanged exchange rates from those prevailing on 4 May 2006, at one US dollar equal to ¥ 113.50 and 0.79 (or equivalently, one euro equals $1.26). For Turkey, the exchange rate is assumed to depreciate in line with the projected inflation differential *vis-à-vis* the United States.

Oil prices have risen considerably since the previous *Economic Outlook* was published. As a working hypothesis, the price of Brent crude is assumed to remain constant at $70 per barrel on average from the second quarter of 2006 to the end of the projection period. Commodity price inflation, after a pause in late 2005, is assumed to resume at a fast pace, notably for metals, but it should ease in the latter part of the projection period in response to increased supplies.

The cut-off date for information used in the projections is 17 May 2006. Details of assumptions for individual countries are provided in Chapter II "Developments in individual OECD and selected non-member economies".

Challenges for macroeconomic policy

Policy should take out insurance against heightened risks

Monetary policy has weathered the inflation impulses stemming from tensions in energy markets rather well so far, and is projected to continue to do so. On the fiscal front much is left to be done: achieving stated sustainability objectives is necessary, not only in its own right, but also to heighten the resilience of OECD economies in the event of further adverse shocks.

Table I.6. The upswing is broadening

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

	2004	2005	2006	2007
United States				
Final domestic demand	4.6	4.1	3.9	3.2
of which: Business investment	1.0	1.0	1.0	0.8
Stockbuilding	0.3	-0.3	0.1	0.1
Net exports	-0.7	-0.3	-0.4	-0.2
GDP	4.2	3.5	3.6	3.1
Japan				
Final domestic demand	1.7	2.3	1.6	1.4
of which: Business investment	0.7	1.1	0.6	0.5
Stockbuilding	-0.2	0.2	0.0	0.0
Net exports	0.8	0.2	1.1	0.9
GDP	2.3	2.7	2.8	2.2
Euro area				
Final domestic demand	1.5	1.6	2.0	2.0
of which: Business investment	0.3	0.3	0.5	0.6
Stockbuilding	0.4	0.1	0.2	0.0
Net exports	0.0	-0.3	0.0	0.1
GDP	1.8	1.4	2.2	2.1
OECD				
Final domestic demand	3.3	3.2	3.1	2.8
of which: Business investment	0.7	0.8	0.8	0.7
Stockbuilding	0.3	-0.2	0.1	0.0
Net exports	-0.3	-0.2	-0.1	0.1
GDP	3.3	2.8	3.1	2.9

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/766054632436*

Monetary policy: more bang for the buck

Monetary policy stimulus is gradually being withdrawn

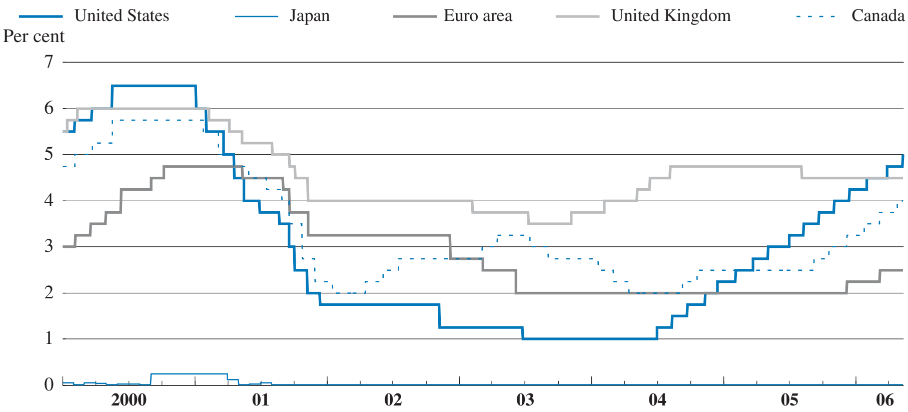
The majority of central banks in the OECD area are at various stages of gradually bringing to a close the episode of monetary ease (Figure I.7). This is motivated by the continued – or in some cases renewed – strength of economic growth, buoyant credit aggregates and, in Japan, heightened confidence that deflation has come to an end. While monetary tightening has been less forceful so far in this upturn than at a similar stage in previous cycles, inflation has remained comparatively subdued despite the energy price hike.[26]

Inflation is increasingly globally determined

There is indeed growing evidence that the inflation process has gone through profound changes over the past decade or so – including more stable inflation expectations, lower pass-through from adverse price shocks onto consumer prices and wages and a lower sensitivity of inflation to local capacity constraints. One manifestation of this is the declining correlation between changes in inflation and output gaps in major economies (Figure I.8). These developments to some extent reflect improvements in monetary policy frameworks, but globalisation has undoubtedly

26. In fact, in the United Kingdom policy rates have already peaked at levels that in previous comparable episodes would not have been considered as indicating a particularly tight stance of monetary policy.

Figure I.7. **Most policy rates are moving up**



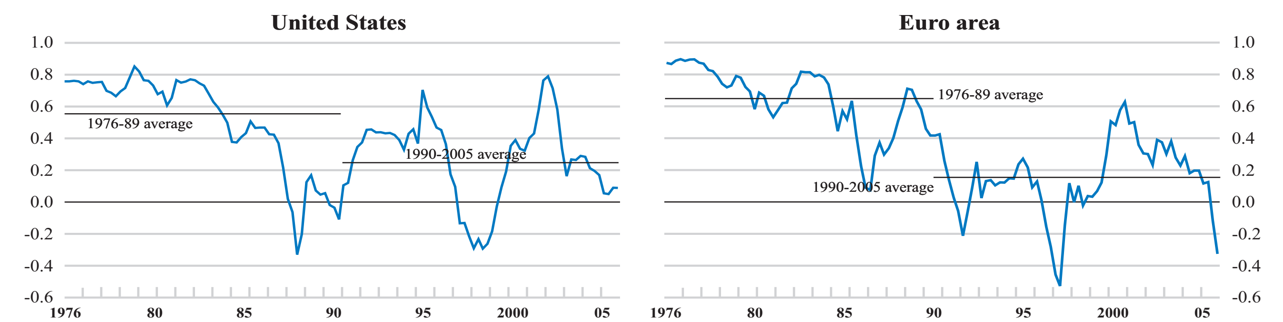
Source: US Federal Reserve Board, Bank of Japan, European Central Bank, Bank of England, Bank of Canada.

StatLink: *http://dx.doi.org/10.1787/082167086300*

also contributed.[27] The "mechanical" impact of trade with the emerging Asian economies on inflation in major developed countries appears to have been of the order of –0.1 to –0.3 percentage point per annum in the United States and the euro area, respectively (Box I.5). In addition, there is evidence of significantly larger "indirect" disinflation effects in product and labour markets stemming from heightened international competition.[28] There is also some evidence that, owing to the integration of the

Figure I.8. **The link between local demand pressure and inflation is weaking**

Correlation between changes in inflation and output gaps



Note: The inflation rate is measured as the year-on-year change in the consumer price index for the United States and in the private consumption deflator for the euro area.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/505367682668*

27. In fact, globalisation may have been a major factor inducing the adoption of low inflation objectives (see for this argument Rogoff, K., *Globalization and global disinflation*, paper presented at the Federal Reserve Bank of Kansas conference on "Monetary policy and uncertainty: adapting to a changing economy", Jackson Hole, 2003).
28. The issues are broad ranging and the literature is rapidly expanding, see for a recent overview "How has globalisation affected inflation", Chapter II, *IMF World Economic Outlook*, April 2006. For example, there is empirical evidence that growing international trade has had an impact on union bargaining power in EU countries, which may help explain why the profit share in GDP there has been on an upward trend, see: Dumont, M., G. Rayp and P. Willemé, "Does internationalization affect union bargaining power? An empirical study for five EU countries", *Oxford Economic Papers*, Vol. 58, 2005.

Box I.5. How does globalisation affect inflation?

The increasing importance of cheap imports from emerging economies is having an effect on the inflation rates of the mature OECD economies. This box reports empirical work to estimate this effect for the United States and the euro area. The emerging economies considered here are China and other Dynamic Asia, the latter including Chinese Taipei, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Within a simple accounting framework subdividing the global economy into a mature and an emerging part, the impact of cheap imports from the latter on inflation in the former can be broken down into three subcomponents: *i)* the impact of increased import shares for a given constellation of relative producer prices in the mature and emerging economies (the import penetration effect); *ii)* the impact of changes in the constellation of these prices for given import shares (the imported disinflation effect); and *iii)* a fall in producer prices in the mature economy due to global competition forces (the competition effect):

$$\frac{\Delta P^M}{P^M_{t-1}} = \Delta S\left(\frac{C^E_t - C^M_t}{C^M_t}\right) + S_{t-1}\left(\frac{\Delta C^E}{C^E_{t-1}} - \frac{\Delta C^M}{C^M_{t-1}}\right) + \frac{\Delta C^M}{C^M_{t-1}}$$

in which P^M is the deflator of domestic demand in the mature economy, S is the share of imports from the emerging economy in domestic demand of the mature economy, C^E is the price of imports from the emerging economy, C^M is the price of domestic output in the mature economy and Δ represents the first difference of a variable. All variables are expressed in the currency of the mature economy (hence variations in C^E reflect exchange rate movements as well cost developments in the emerging economy).[1]

The computations reported here focus exclusively on the disinflationary effects of import penetration and imported inflation effects.

The first table below shows the development of the shares of imports from the emerging economies in the total US and euro area domestic demand, the "S" term above, as well as the relevant price differentials, the $(C^E - C^M)/C^M$ term above. The import shares of China have been on a steep upward trend (they have quadrupled in 15 years), but a similar tendency is not discernible for the other dynamic Asian countries. Apparently, especially in the United States, the increasing import share of China has been partly at the expense of the import share of other dynamic Asia. The price differentials rely on estimates available for 1995, which have been updated on the basis of export price series for China and dynamic Asia embedded in the OECD Economics Department's Analytical Database.[2]

The results are reported in the second table below. During the 1996 to 2000 period, imports from China mechanically deducted 0.1 percentage points from annual inflation in the United States, whereas there was no discernible effect in the euro area. In the first half of the present decade the negative contribution of imports from China to inflation is estimated to have jumped to 0.2 percentage point in the euro area whereas the contribution was unchanged in the United States. While generally smaller, a similar pattern can be inferred for the contributions from imports from dynamic Asia on inflation. The overall effect in the first half of the present decade is estimated to amount to about –0.3 percentage point in the euro area as opposed to –0.1 percentage point in the United States.

1. The equation is the result of taking the first derivative of the Cobb-Douglas-type relationship *log* P^M *= S log* C^E *+ (1-S) log* C^M.
2. K. Motohashi, *Assessing Japan's industrial competitiveness by international productivity level comparison with China, Korea, Taiwan and United States*, Research Institute of Economy, Trade and Industry, Tokyo, 2005.

world economy, global gaps are becoming more important as a determinant of local inflation.[29] At the same time, strong global growth tends to exacerbate pressure in energy and raw materials markets. The upshot is that monetary authorities should remain vigilant with respect to these external sources of inflation.

29. For example, regression analysis for a panel of euro area countries comprising the local and the area-wide output gap as explanatory variables for different estimation periods suggests that the former has become less significant and the latter more significant over time. Similar results for a broader set of countries are reported in Borio, C. and A. Filardo, *Globalisation and inflation: new cross-country evidence of the global determinants of inflation*, Bank for International Settlements, 2006.

Box I.5. How does globalisation affect inflation? *(cont.)*

Computing the mechanical globalisation impact on inflation: basic assumptions

	Imports from China		Imports from other dynamic Asia	
	Share in total domestic demand of destination economy (per cent)[1]	Price-level differential against destination economy (per cent)[2]	Share in total domestic demand of destination economy (per cent)[1]	Price-level differential against destination economy (per cent)[2]
United States				
1991-1995	0.50	-57	1.18	-35
1996-2000	0.85	-56	1.31	-39
2001-2005	1.48	-60	1.02	-47
Euro area				
1991-1995	0.43	-53	0.86	-32
1996-2000	0.64	-46	1.03	-25
2001-2005	1.28	-49	1.02	-31

1. Equivalent to S in the identity.
2. Equivalent to the term $(C^E - C^M)/C^M$ in the identity.
Source: OECD calculations.

StatLink: *http://dx.doi.org/10.1787/750222763137*

Computing the mechanical globalisation impact on inflation: results

Percentage points

	A. Imports from China			B. Imports from other dynamic Asia			Total A + B
	Import penetration effect[1]	Imported inflation effect[2]	Total effect	Import penetration effect[1]	Imported inflation effect[2]	Total effect	
United States							
1991-1995	-0.04	0.02	-0.02	-0.02	0.01	-0.01	-0.03
1996-2000	-0.04	-0.04	-0.09	0.00	-0.04	-0.04	-0.12
2001-2005	-0.12	0.00	-0.11	0.03	-0.03	0.00	-0.11
Euro area							
1991-1995	-0.03	0.01	-0.02	-0.01	0.00	-0.01	-0.03
1996-2000	-0.02	0.02	0.00	0.00	0.05	0.05	0.05
2001-2005	-0.13	-0.06	-0.19	-0.02	-0.07	-0.09	-0.28

1. Equivalent to the term $\Delta S\,[(C^E - C^{M)}/C^M]$ in the identity.
2. Equivalent to the term $S_{-1}(\Delta C^E/C^E_{-1} - \Delta C^M/C^M_{-1})$ in the identity.
Source: OECD calculations.

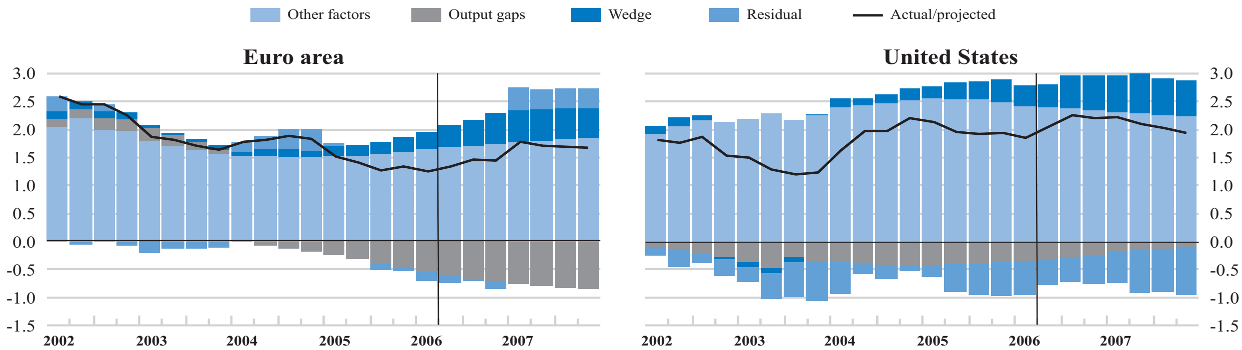
StatLink: *http://dx.doi.org/10.1787/667122033870*

The United States may need some further tightening

In the United States increases in the price index for core personal consumption expenditure (PCE) are expected to edge up in 2006 to 2¼ per cent in part due to spill-over effects from increases in energy prices, but as these effects abate, it is set to dip below 2% in 2007 (Figure I.9). Headline inflation rates at higher frequencies are showing a tendency to converge to underlying inflation measures (Figure I.10). However, with limited, if any, slack left there may be a case for further tightening in 2006, subject to incoming data.

Figure I.9. **Factors shaping core inflation**

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



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

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

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

Source: OECD Economic Outlook 79 database and OECD calculations.

StatLink: *http://dx.doi.org/10.1787/276631500434*

Monetary policy should stay supportive in the euro area

In the euro area, headline inflation has stayed above the 2% mark, reflecting repeated increases in oil prices, but with the output gap still negative and the past increases in retail energy prices gradually dropping out of the data, it should move towards the 1½ to 2% range – although most smaller and buoyant euro area countries report higher rates of inflation. Higher frequency measures suggest that headline inflation has indeed already started to come down from above the 2% mark (Figure I.10). As in the United States, statistical measures of underlying inflation, such as median and trimmed mean inflation, have shown a modest pick-up since mid-2005, but remain well below headline rates on a year-on-year basis – and this is also true for inflation excluding food and energy (Figure I.9). Wage growth is also still very subdued, and zero in real terms, although there are significant divergences within the euro area on this count as well, with hourly compensation of employees and unit labour cost falling in Germany, and rising at around 2% and 4% respectively in France and Italy.[30] With inflation projected to fall below the 2% threshold and the output gap to close only beyond the projection period, monetary stimulus can be removed gradually, as evidence builds up that slack is indeed shrinking.

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

In Japan, both headline inflation and the official measure of core inflation monitored by the central bank (which excludes fresh food only) rose to 0.5% in January (excluding energy as well, the core price index rose to only 0.1%). Other indicators of underlying consumer price inflation – such as median and trimmed-mean inflation have also moved into positive territory in the past few

30. So-called "second round effects" of energy prices via wages appear to be virtually absent except in a few countries where labour markets are tight or indexation mechanisms still exist, see European Commission, "The impact of higher oil prices on inflation", *Quarterly report on the euro area*, Vol. 4, No. 4, 2005.

Figure I.10. Headline and underlying inflation are converging

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

Source: OECD Main economic indicators and OECD calculations.

StatLink: *http://dx.doi.org/10.1787/422675246378*

months, and the most recent consensus expectations are that headline rates will stabilise at around current levels this year and next. Japan may thus be at long last exiting deflation. Accordingly, in March 2006, the Bank of Japan ended its policy of quantitative easing, which was introduced in 2001.[31] The Bank announced that an inflation rate of between 0 to 2% is consistent with price stability in the medium term, although this is not seen as an inflation-targeting approach. However, aiming for a 0 to 2% range may be risky insofar as a negative price shock hitting when inflation is near the lower bound of the range could push the economy back into deflation. Moreover, insofar as the range reflects the historical inflation record – which includes episodes of deflation – it may be biased downward. Because of this, the lower limit of the range should be raised. However, even if the range is accepted as an operational rule, the exit from zero-interest rates should begin only when inflation is sufficiently high so as to make the risk of renewed deflation negligible.

Fiscal policy: much left to do

Fiscal stress is mounting with ageing

On the basis of budgetary measures that have been implemented or enacted so far, limited progress with fiscal consolidation is foreseen in the OECD area as a whole (Table I.7). This is particularly disappointing in view of the strength of the current upswing, and against the background both of the adverse effect of ageing on public finances and of the likelihood of strong pressures continuing in the health and long-term care areas (see Chapter III for details).[32] These factors underscore the need for budget restraint now, including across the broad spectrum of entitlements, in order to ensure a better outcome in the medium term.[33]

The upswing is no pretext for fiscal easing

Against this backdrop, it is important that temporary revenue gains in economic upswings not be used as pretexts for permanent tax cuts and spending increases that exacerbate inflationary pressures and create a legacy of high "structural" budget deficits that only become apparent during subsequent downswings. Notably in the euro area countries, the present configuration of budget deficits reflects the unfortunate experience with upturns during the late 1990s, when fiscal policies precisely followed such short-sighted tactics (Box I.6).[34] This legacy of hidden deficits increased the pressure to retrench during the post-2000 years at a time when activity was already weak. In other OECD countries, including the United States and Japan, fiscal

31. Under this approach, the Bank of Japan targeted banks' current account balances, while keeping short-term interest rates at zero. This policy had a positive impact on the economy by promoting financial-sector stability and thus helping to keep long-term interest rates low. Indeed, nominal long-term rates have averaged less than 1½ per cent during the five years of quantitative easing despite large government budget deficits and rising debt. To achieve the quantitative easing policy, the Bank of Japan has been purchasing a large quantity of government bonds, amounting to about a quarter of the government budget deficit. The Bank has started to mop up surplus liquidity which it expects to have completed within a few months after ending the quantitative easing policy in March 2006.
32. In this context it is important to note that the ageing shock can only in part be considered transitory, *i.e.* to the extent that it stems from the ageing of the baby-boom generation. There is also a permanent shock related to the secular increase in longevity, which can only be properly addressed by adjusting the entitlement parameters built into social expenditure programmes.
33. See Appendix I.2 for a discussion of the medium-term reference scenario.
34. These tendencies may have been exacerbated by the timing of general elections, which largely coincided in that period, see 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. 5, 2004. The picture looks worse if one-off measures and creative accounting are taken into account, see Koen, V. and P. van den Noord, "Fiscal gimmickry in Europe: one-off measures and creative accounting", in Wierts, P., S. Deroose, E. Flores and A. Turrini (eds.), *Fiscal Policy Surveillance in Europe*, Palgrave Macmillan, 2006.

Table I.7. **Not enough fiscal consolidation**

	2003	2004	2005	2006	2007
	Per cent of GDP / Potential GDP				
United States					
Actual balance	-5.0	-4.7	-3.8	-3.6	-3.7
Cyclically-adjusted balance	-4.2	-4.4	-3.7	-3.7	-3.9
Cyclically-adjusted primary balance	-2.4	-2.6	-1.8	-1.8	-1.9
Japan					
Actual balance	-8.0	-6.3	-5.2	-5.2	-4.7
Cyclically-adjusted balance	-7.0	-5.6	-4.9	-5.3	-5.2
Cyclically-adjusted primary balance	-5.6	-4.3	-3.5	-3.7	-3.4
Euro area					
Actual balance	-3.1	-2.8	-2.4	-2.3	-2.1
Cyclically-adjusted balance	-2.6	-2.3	-1.6	-1.6	-1.5
Cyclically-adjusted primary balance	0.3	0.4	1.0	0.9	1.0
OECD[1]					
Actual balance	-4.0	-3.5	-2.7	-2.6	-2.6
Cyclically-adjusted balance	-3.7	-3.3	-2.7	-2.8	-2.8
Cyclically-adjusted primary balance	-1.7	-1.4	-0.8	-0.9	-0.9

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 79 database.

StatLink: *http://dx.doi.org/10.1787/724101801511*

policies have supported activity in the downturn, but in the process budget deficits reached high levels that leave an unsustainable legacy for the future.

The United States deficit is stuck at just below 4% of GDP

Looking at fiscal developments in greater detail, in the United States, the general government deficit is projected to remain stuck near its 2005 level of around 3¾ per cent of GDP over the projection period as strong revenue growth is offset by extra spending on prescription drugs, the continued high costs of military intervention in Iraq and hurricane relief. The fiscal prospects for the medium and long term have been revised several times, mostly due to policy decisions to lower taxes and boost spending (Figure I.11). In fact, those prospects are likely to be worse than suggested by the current official projections to the extent the latter assume that the tax cuts enacted in 2001 expire as originally planned at the end of 2008 and 2010.[35] Against this backdrop, it would be helpful if the authorities reintroduced formal budget rules in the pursuit of sustainable public finances. Moreover, to sustain (and likely enhance) long-term growth and facilitate the inevitable adjustment in the current account that the United States is likely to face in the years ahead, changes in the tax system would be needed. Removing some well-known anti-savings biases in the tax code – such as the income tax-deductibility of mortgage interest payments – and moving more generally towards a consumption tax would be particularly helpful.

35. Decisions to maintain the tax cuts and to reduce the incidence of the alternative minimum tax could mean federal deficits would change little for the rest of the decade. See Auerbach, A.J., W.G. Gale and P.R. Orszag, "New estimates of the budget outlook: plus ça change, plus c'est la même chose", The Brookings Institution, *Issues in Economic Policy*, No. 3, February 2006, who also note that dealing with these problems eventually "will require spending cuts or tax increases that are far beyond the scale of anything currently considered politically palatable".

Box I.6. How has fiscal policy contributed to stabilising cyclical fluctuations?

It is possible to identify some basic stylised facts with respect to the way that discretionary fiscal policies interact with the business cycle by looking at simple contemporaneous correlations between changes in the cyclically-adjusted primary budget balances and changes in output gaps.[1] Calculated on annual data since 1980, such correlations indicate that discretionary fiscal stance seems to move pro-cyclically in euro-area countries and counter-cyclically in Nordic countries, as well as in other non-euro-area OECD economies, as shown in the table below.

The stance of fiscal policy over the cycle

	Euro area countries[1]		Nordic countries[2]		Other OECD countries[3]	
	Pro- or counter-cyclical	Correlation coefficient[4]	Pro- or counter-cyclical	Correlation coefficient[4]	Pro- or counter-cyclical	Correlation coefficient[4]
Expenditure	neutral	0.08	counter	-0.29	neutral	-0.04
Revenue	pro	-0.22	counter	0.26	counter	0.18
Balance	pro	-0.23	counter	0.40	counter	0.17

1. Excluding Finland.
2. Denmark, Finland, Norway and Sweden.
3. United States, Japan, United Kingdom, Canada, Australia, Korea, New Zealand and Switzerland.
4. Contemporaneous correlation between changes in the cyclically-adjusted primary expenditure, primary revenue or primary balance and the output gap over the period 1981-2004 (1991-2004). If the correlation is not significant the predominant stance is labelled "neutral".

StatLink: *http://dx.doi.org/10.1787/033305138055*

Discretionary fiscal policy is widely seen as an unwieldy stabilisation instrument, both because of implementation lags and because political pressures often stand in the way of it being moved symmetrically over the course of the cycle. The emphasis has thus conventionally been placed on automatic stabilisers. However, the stylised facts seem to belie the *a priori* view that strong automatic stabilisers, which are associated with large public sectors, should be associated with a smaller need for discretionary fiscal impulses. In practice, it appears that countries with large public sectors have often supplemented automatic stabilisers with sizeable discretionary actions.

A variety of reasons may cause fiscal policies to act pro-cyclically. Discretionary action may reflect an excessive focus by the fiscal authorities on stabilising the unadjusted fiscal balance over the cycle.[2] Or if one-off increases in the cyclically-adjusted revenue base are misinterpreted as structural, they may lead to offsetting adjustments in tax rates and (sometimes) expenditures. Expansionary fiscal policies during a cyclical upswing increase the likelihood that corrective measures will need to be taken in more difficult times, with pro-cyclical effects. And if a pro-cyclical fiscal policy during upswings is not offset by an equal degree of pro-cyclicality during downswings, a deficit bias will result. By separately identifying the responses of structural fiscal balances to positive and negative changes in the output gap it is possible to test for such a bias. Patterns of behaviour differ in that respect, both over time and between countries, but empirical analysis does throw up evidence of such a bias in euro area countries in the 1998-2000 upswing and the subsequent downturn, as shown in the table below.

1. Correlation coefficients for individual countries are not statistically significant in several cases, which is not surprising, given the small sample size and the fact that cyclical considerations are not the only ones driving changes in fiscal stance. However, correlations calculated pooling observations for groups of countries are highly significant in most cases, as shown in the table. These correlation coefficients cannot be interpreted as behavioural relationships (reaction functions) because they are affected by simultaneity bias. In particular, to the extent a tighter fiscal stance negatively affects current output, the degree of counter-cyclicality may be underestimated.
2. In theory, such a statistical result could also be due to problems with the cyclical adjustment procedure. Over-adjustment would lead to the adjusted series being pro-cyclical.

Box I.6. How has fiscal policy contributed to stabilise cyclical fluctuations? *(cont.)*

One possible influence on the direction and size of discretionary fiscal action may lie in political pressure to reduce tax rates during periods of buoyant revenues.However, patterns of behaviour again differ. In euro-area countries, the behaviour of cyclically-adjusted primary revenue has tended to be pro-cyclical and has generally not been offset by counter-cyclical expenditure changes. In Nordic OECD countries, counter-cyclical movements in cyclically-adjusted primary expenditure have tended to be reinforced by counter-cyclical revenue changes, whereas in other OECD countries the counter-cyclicality of fiscal policy tends to stem exclusively from counter-cyclical revenues.

Euro area countries: the stance of fiscal policy in upturns and downturns

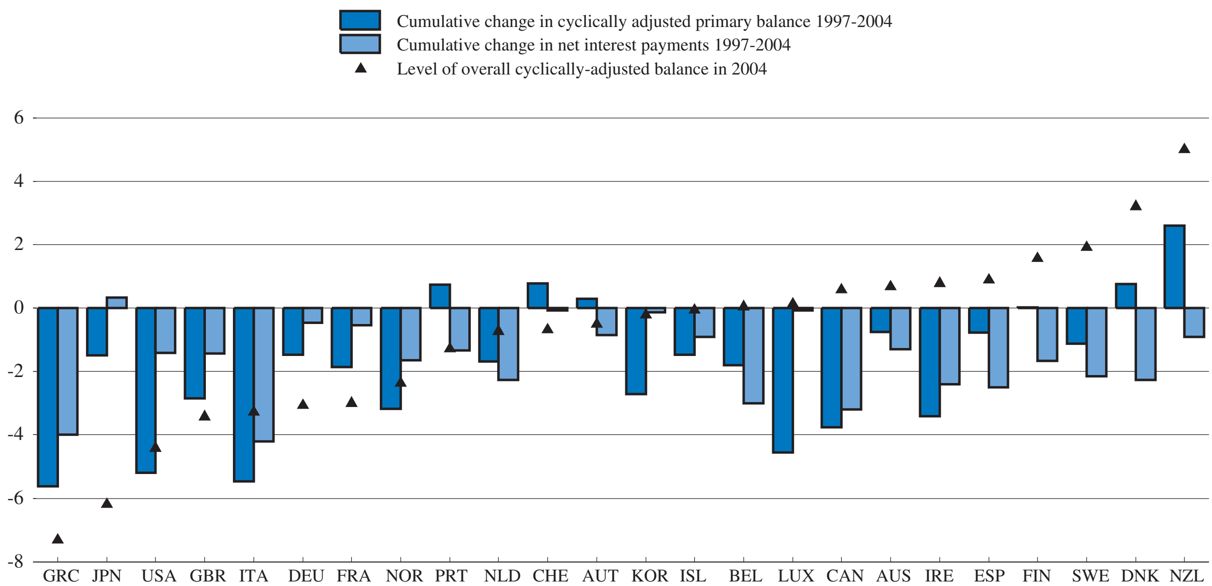
	1981-2004		1992-1997		1998-2004	
Primary fiscal balance						
upturns	-0.22 **	pro	0.06	neutral	-0.37 **	pro
downturns	-0.23 ***	pro	-0.27 **	pro	0.16	neutral

Note: Semi-elasticity of changes in the cyclically-adjusted primary balance with respect to change in the output gap; *, ** and *** denote significance at the 10, 5 or 1% levels, respectively.

StatLink: *http://dx.doi.org/10.1787/743472676185*

Movements in interest payments on government debt may also influence discretionary fiscal stance – albeit gradually – insofar as there is evidence that over a run of years primary balances tend to deteriorate as interest payments decline (Figure). Looking at the period between 1997 and 2004, the cumulative change in the cyclically-adjusted primary balance tended to have the same sign as, and often similar magnitude to, the cumulative change in interest payments and to roughly correlate with the end-of-period level of the overall cyclically-adjusted deficit.

Cumulative change in interest payments and cyclically adjusted primary balances 1997-2004



Source: OECD.

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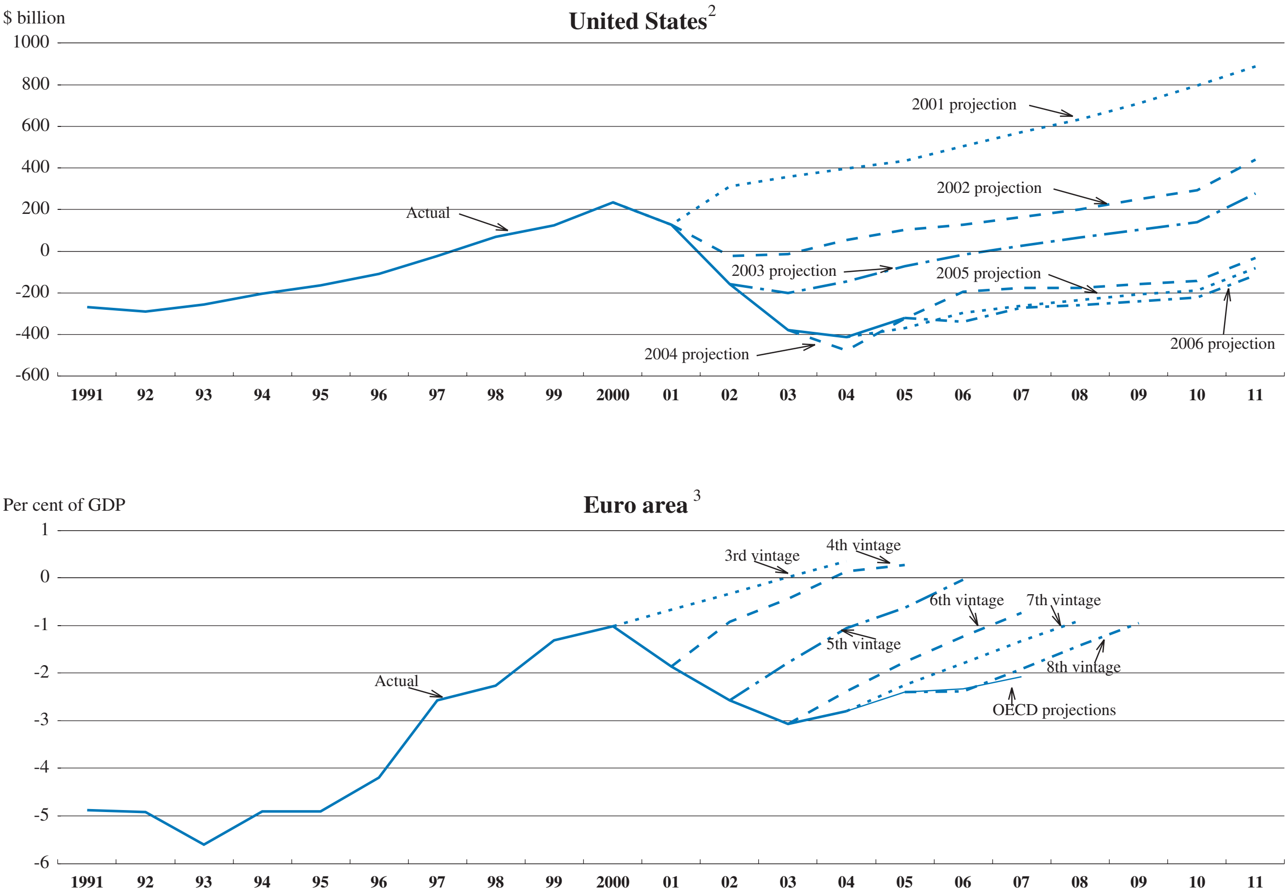
Figure I.11. **Fiscal targets keep moving**

General government fiscal balance [1]



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

Source: US Congressional Budget Office, Statistical Office of the European Communities (Eurostat) and OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/578384081306*

Fiscal positions in the euro area should be improved as well

In the euro area the latest vintage of Stability programmes, presented in the winter of 2005/06, again pushed back the move towards "close-to balance or in surplus" – to which countries signed up under the Stability and Growth Pact – by another year, as has been the pattern all along (Figure I.11). The projections embodied in this Economic Outlook look slightly worse than those on which the Stability programmes are built, which has also been a recurrent pattern.

Notably the larger countries should step up their efforts

Among the major euro-area countries, Germany is projected to finally respect the 3% of GDP deficit ceiling enshrined in the Pact by 2007 while France undershot the 3% mark in 2005 for the first time since 2001 and is projected to remain below this level. In Germany this is underpinned by a decision that schedules cuts in spending to be supplemented by a 3 point increase in the standard value-added tax rate in 2007. In France it is based on expenditure restraint concerning public employment in combination with cyclical windfalls. However, in both cases further efforts are needed to restore sustainable public finances. In Italy, the fiscal deficit – both nominal and in cyclically-adjusted terms – is projected to remain well above the 3% of GDP mark over the projection period, which is of concern in view of the high and rising ratio of gross debt to GDP. Fiscal consolidation should thus remain a top priority among the larger euro area countries. As the experience in several smaller euro area countries has shown, making headway with structural reform will help to speed up the process, even if political incentives may work against it.

Japan should aim to put its debt burden on a downward trend

In Japan, the cyclically-adjusted deficit is projected to fall from 6% of GDP in 2005 to just below 5% by 2007, owing to the partial abolition of the temporary personal income tax cut introduced in 1999, the scheduled hike in the pension contribution rate and continued reductions in public investment. The official fiscal objective is to achieve a "primary budget surplus by the early 2010s".[36] However, the favourable conjunctural situation gives scope to pursue the more ambitious goal of achieving a primary budget surplus large enough to put the ratio of public debt to GDP on a downward trajectory. This could be achieved by raising more government revenues, based on a broadening of the base of personal and corporate income taxes and an increase of the consumption tax rate. A more detailed medium-term plan to include binding targets for government spending would also be helpful. As the recovery now looks to become more firmly established, such a programme should be implemented sooner rather than later.

36. On current plans the primary surplus is set to decline by 1 percentage point of GDP on average per year in the period 2003-07, to reach about 3% by the end of the period.

Appendix I.1
Revised OECD supply-side estimates: a capital services approach

In common with other national and international projections and assessments, the *OECD Economic Outlook* makes frequent use of estimates of potential output and output gaps in its short and medium-term analyses as:

- A guide to the current and future cyclical position of the economy and associated inflationary pressures.
- A means of judging the cyclically-adjusted or underlying stance of fiscal and budgetary policies over time.
- A guide to comparative productivity and growth performance, and the influence of underlying structural determinants, policy influences and requirements.
- A benchmark for projecting economic potential and growth beyond the short term on the basis of alternative supply-side assumptions.

Nonetheless, since economic potential is an unobservable, such estimates are necessarily imprecise and therefore need to be used with caution and in conjunction with other relevant indicators.

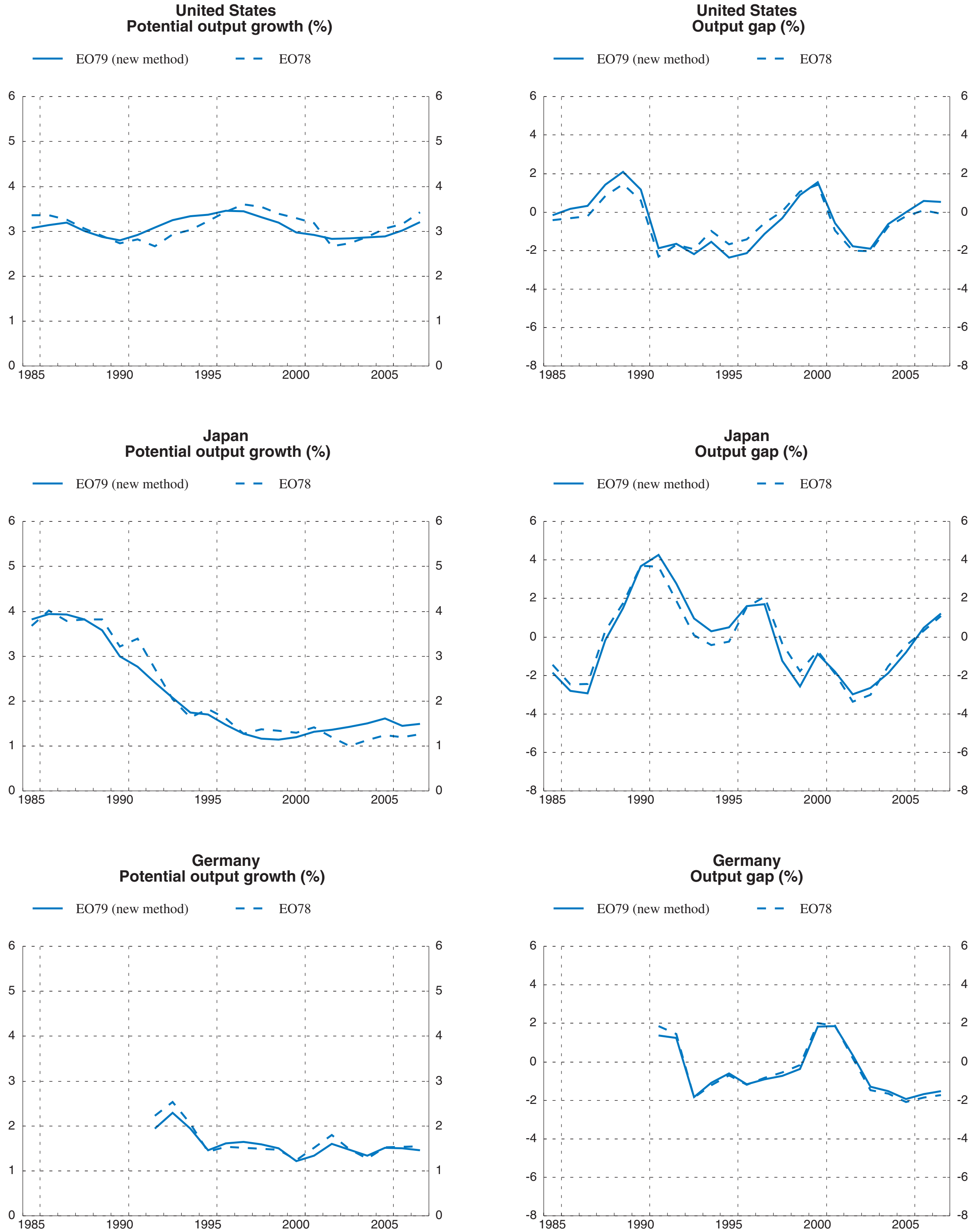
Since the previous projection exercise, the OECD Economics Department has taken the opportunity to review and revise its methods for estimating potential GDP.[37] The revised method is broadly similar to the business production function approach in previous use,[38] with the following important differences:

- The method now makes specific use of new OECD estimates of capital services which take better account of the flow of productive use of different non-residential capital assets with differing age efficiency profiles.[39] In particular, these estimates take explicit account of the relative marginal products of different types of capital goods and thereby provide a better guide to the input of capital in production than the former national accounts capital stock estimates.
- The new estimates are based on a total economy as opposed to a business sector approach, reflecting both the coverage of available capital services data and a current lack of consistent business sector data from member country sources.

The overall results for the nineteen countries for which capital services data are available are reported in Figure I.12 below along with some selected comparisons with former estimates based on *Economic Outlook,* No. 78. Table I.8, in addition

37. A more detailed account of the revised methods for estimating potential and output gaps, and their use in medium-term assessment is given by Beffy, P.-O., P. Ollivaud, P. Richardson and F. Sédillot, "Revised OECD methods for supply side and medium-term assessments: a capital services approach", *OECD Economics Department Working Papers,* No. 482.
38. General background to the development of the former business sector methods is given by Giorno, C., P. Richardson, D. Roseveare and P. van den Noord, "Estimating potential output, output gaps and structural budget balances", *OECD Economic Department Working Papers,* No. 152, 1995.
39. A general background to the OECD capital services estimates and the methodologies involved are given by Schreyer, P., "Capital stocks, capital service and multi-factor productivity measures", *OECD Economic Studies*, No. 37, 2003/2, Dean, E. and M. Hopper, "The BLS productivity measurement program", Bureau of Labour Statistics, February 1998 and by Timmer, M., G. Ypma and B. van Ark, "IT in the European Union: Driving productivity divergence?", *GGDC Research Memorandum GD-67*, October 2003.

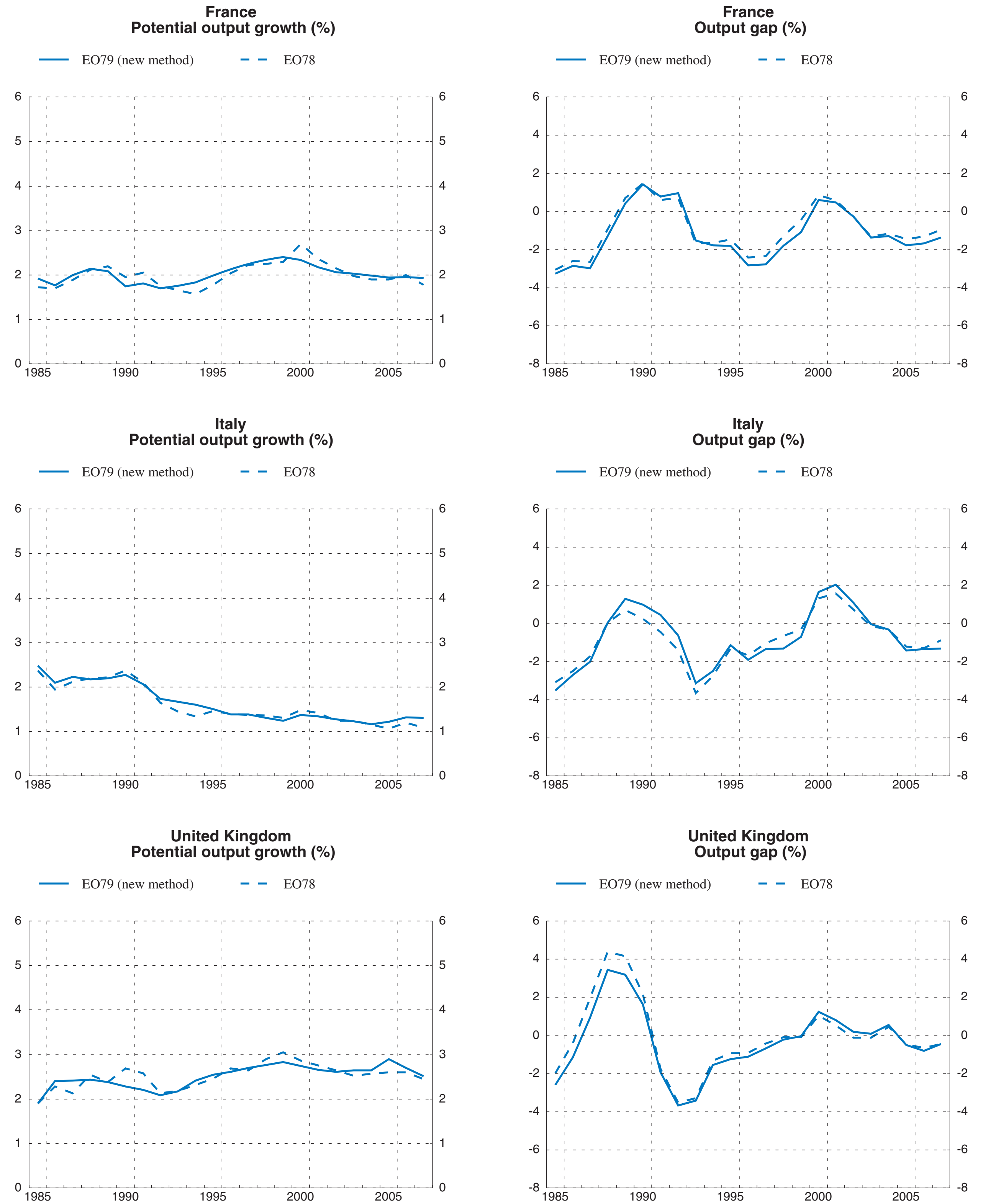
Figure I.12. **Total economy potential and output gaps**



Note: EO79 and EO78 refer to the present and previous *Economic Outlook*, respectively. Scales differ in some cases.

StatLink: *http://dx.doi.org/10.1787/357881402145*

Figure I.12. **Total economy potential and output gaps** *(cont.)*



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StatLink: *http://dx.doi.org/10.1787/357881402145*

Figure I.12. **Total economy potential and output gaps** *(cont.)*

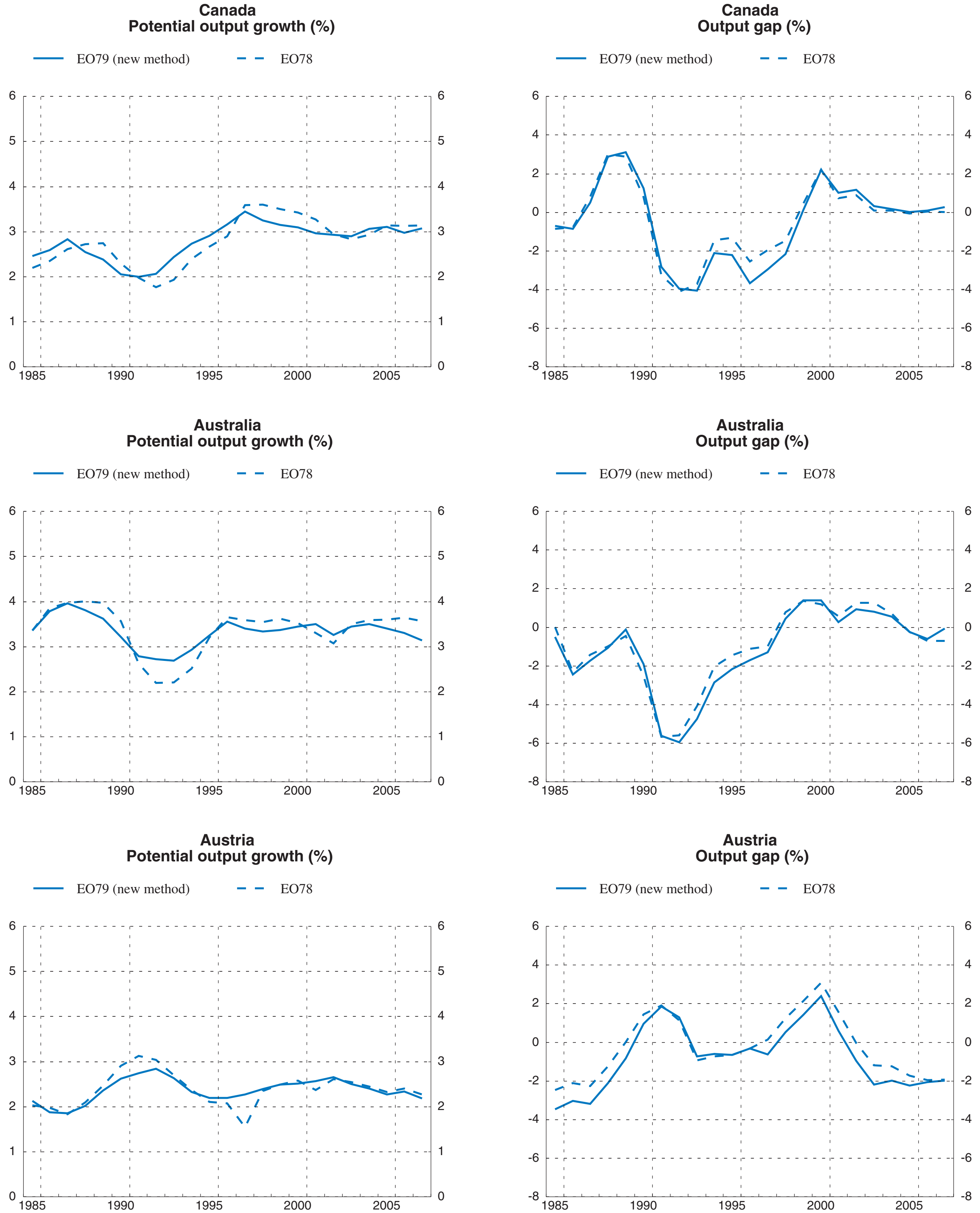

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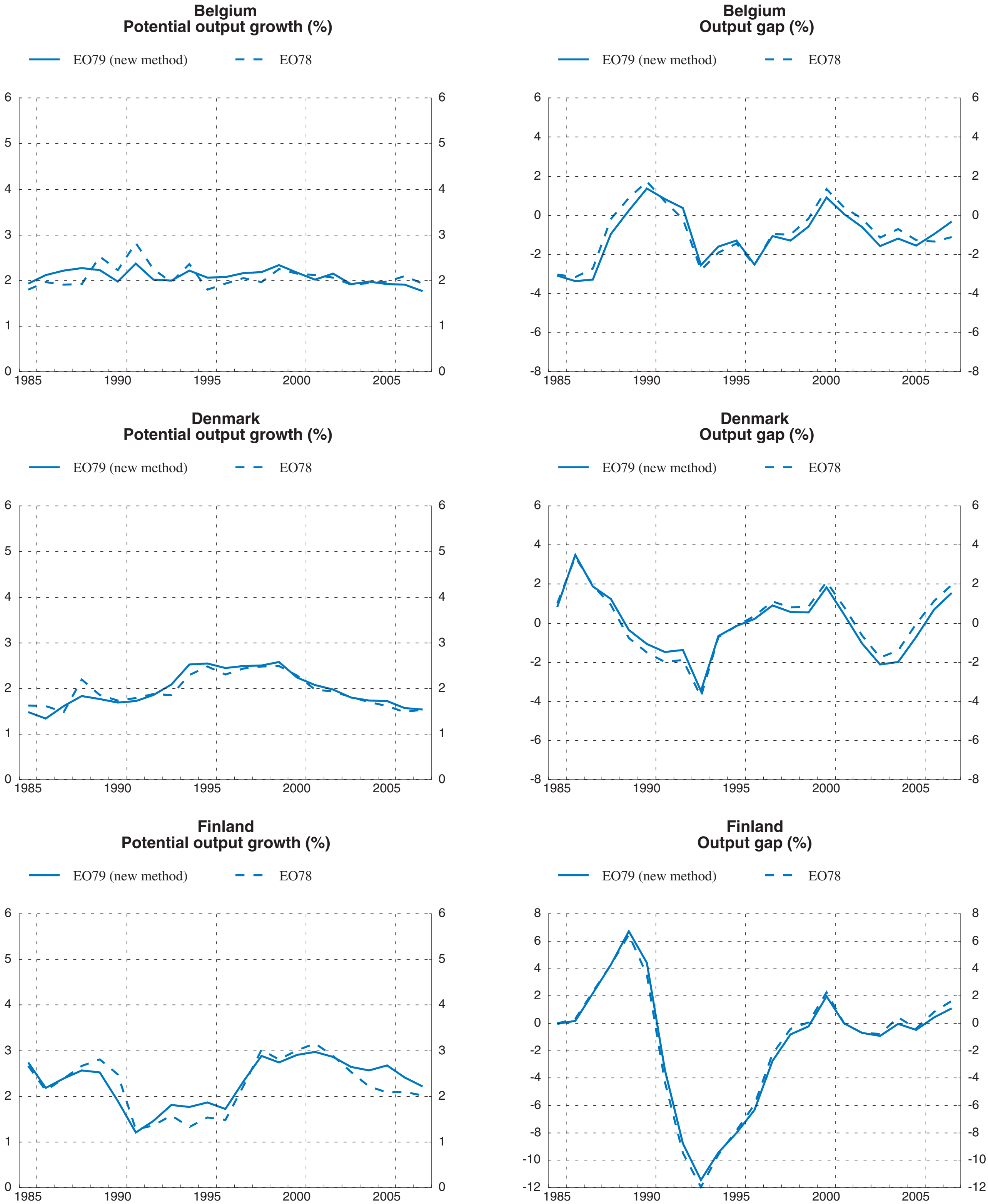
Figure I.12. Total economy potential and output gaps *(cont.)*



Note: EO79 and EO78 refer to the present and previous *Economic Outlook*, respectively. Scales differ in some cases.

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Figure I.12. **Total economy potential and output gaps** *(cont.)*

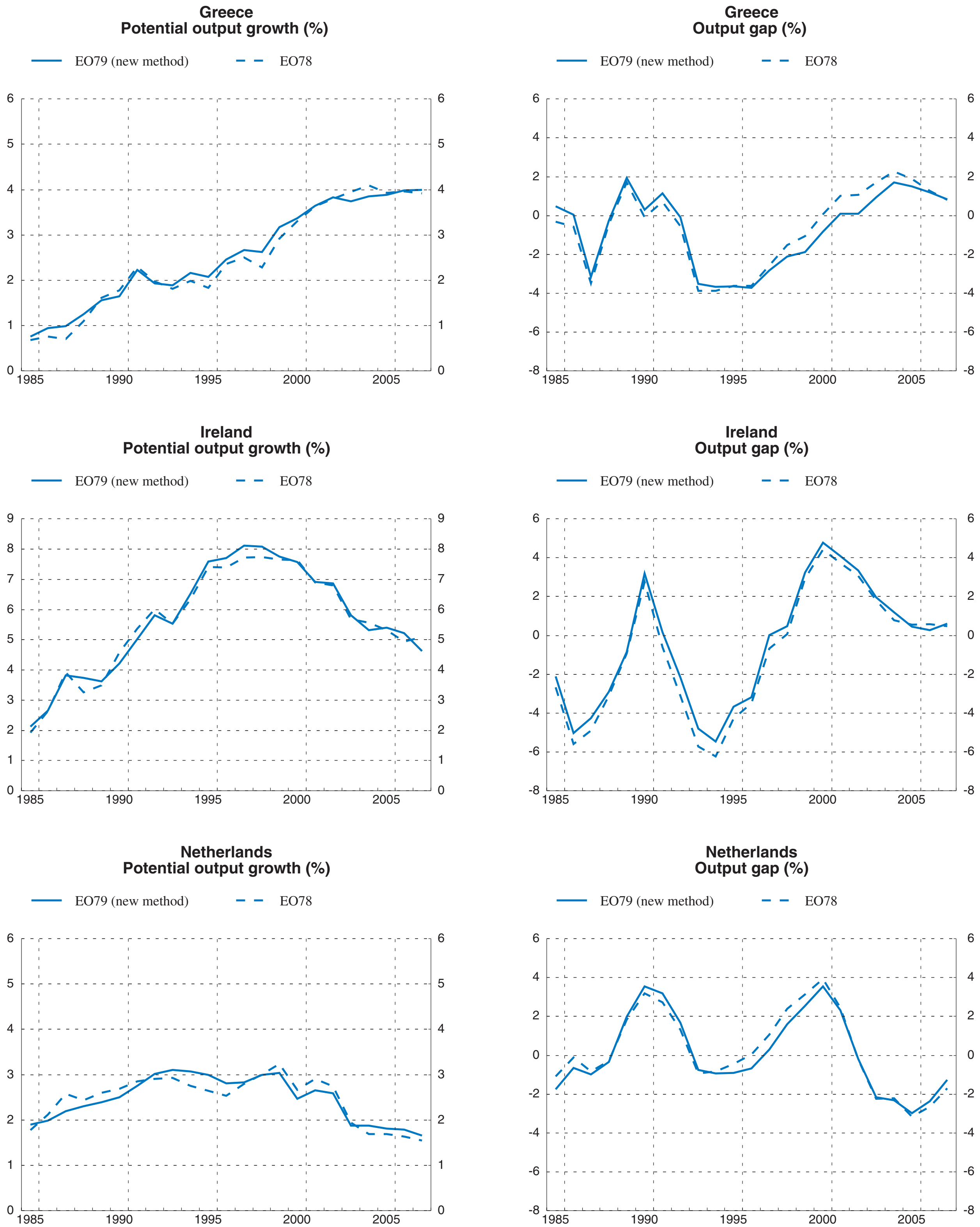

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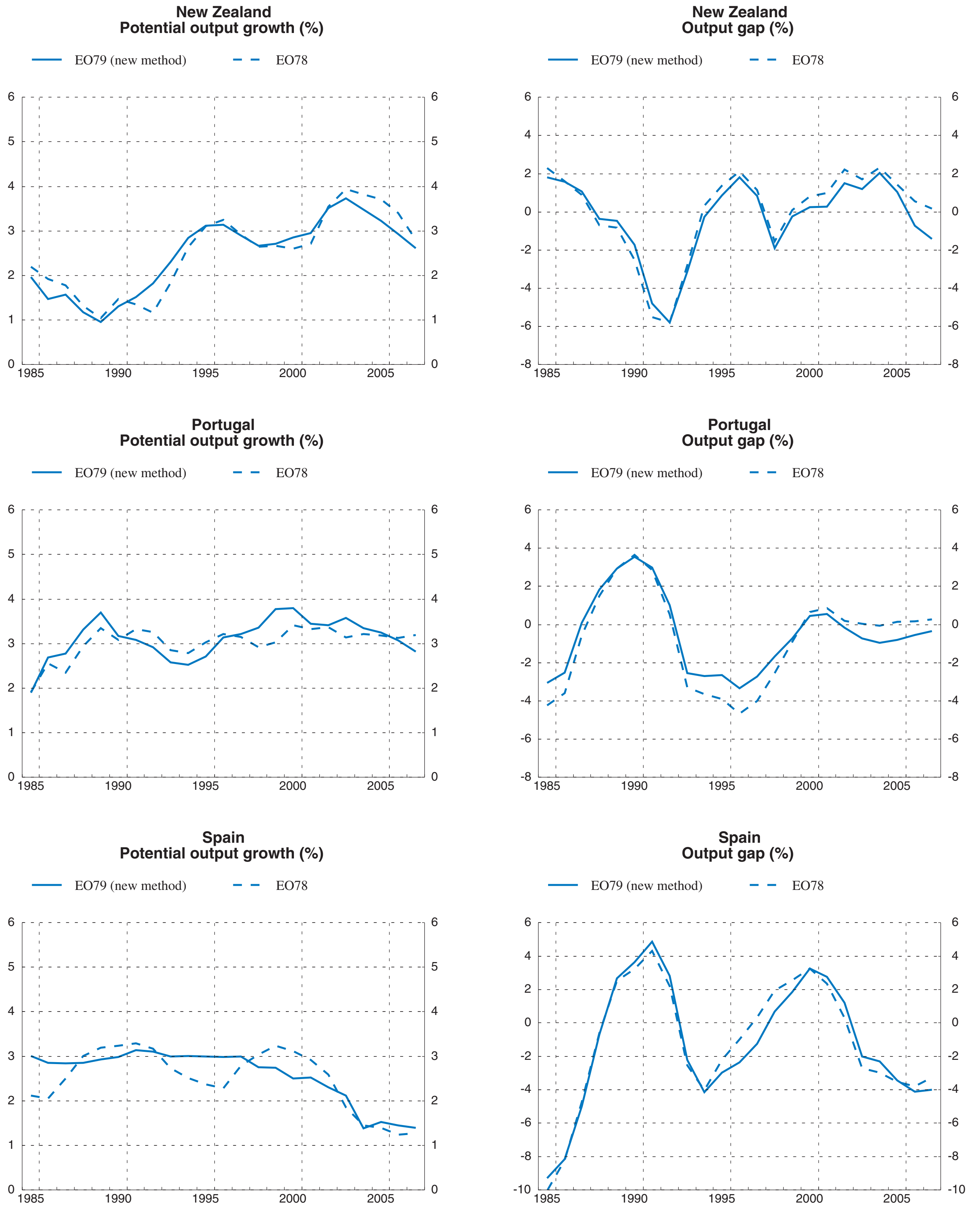
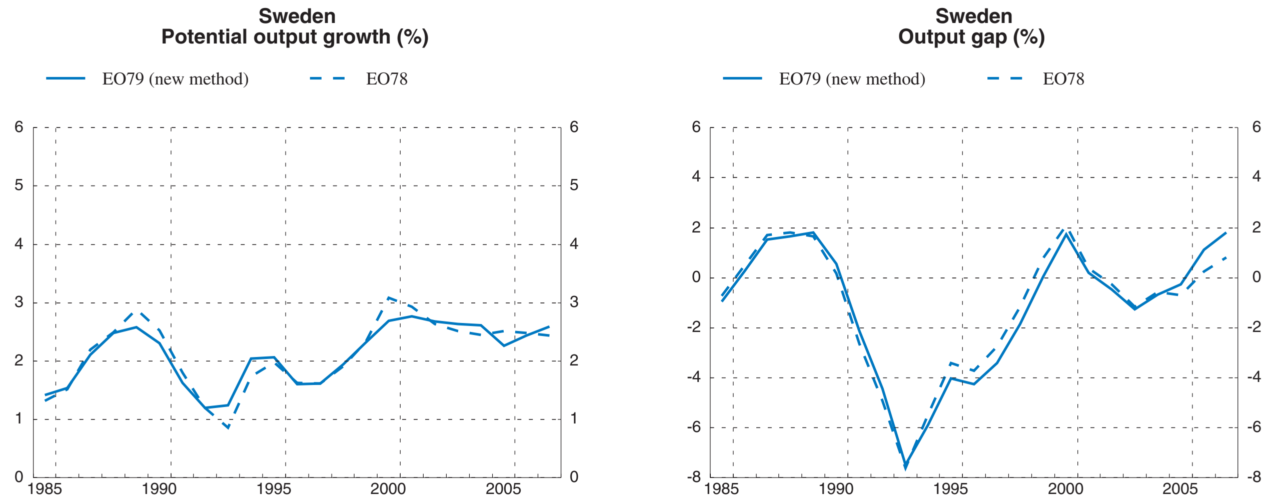
Figure I.12. **Total economy potential and output gaps** *(cont.)*



Note: EO79 and EO78 refer to the present and previous *Economic Outlook*, respectively. Scales differ in some cases.

StatLink: *http://dx.doi.org/10.1787/357881402145*

Figure I.12. Total economy potential and output gaps *(cont.)*



Note: EO79 and EO78 refer to the present and previous *Economic Outlook*, respectively. Scales differ in some cases.

StatLink: *http://dx.doi.org/10.1787/357881402145*

Table I.8. Trend growth decomposition with revised method

(Average growth rates 2000 to 2005)

	Trend growth	Trend employment growth	Trend labour productivity	Contribution from		
				Trend hours	Capital deepening	Trend MFP
United States	2.9	0.7	2.1	-0.2	1.1	1.1
Japan	1.4	-0.1	1.5	-0.3	0.6	1.1
Germany	1.4	0.2	1.2	-0.3	0.6	0.8
France	2.1	0.9	1.2	-0.5	0.6	1.1
Italy	1.3	0.5	0.8	-0.1	1.0	0.0
United Kingdom	2.7	0.8	1.9	-0.3	0.8	1.3
Canada	3.0	1.6	1.3	-0.1	0.8	0.6
Australia	3.4	1.8	1.6	-0.2	0.7	1.1
Austria	2.5	0.8	1.7	-	0.5	1.1
Belgium	2.0	0.7	1.3	-0.2	0.7	0.7
Denmark	1.9	0.1	1.8	0.2	1.2	0.5
Spain	3.5	3.1	0.4	-0.1	0.9	-0.3
Finland	2.8	0.8	2.0	-0.1	-0.1	2.2
Greece	3.7	0.9	2.8	0.0	1.6	1.4
Ireland	6.3	3.3	2.9	-0.7	0.8	2.9
Netherlands	2.2	1.1	1.1	0.0	0.4	0.6
New Zealand	3.3	2.2	1.1	0.0	0.9	0.4
Portugal	2.1	0.8	1.2	-	0.7	0.4
Sweden	2.6	0.4	2.2	0.0	0.6	1.4

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/161734087652*

provides a decomposition of estimated trend GDP growth over the recent past, into key components. Broadly speaking the method is seen to provide smoother estimates of potential (reflecting in part a smoothing of the capital input). For many countries, the average growth of trend GDP is reduced somewhat, particularly in the early part of the current decade, reflecting in part a deceleration of capital services growth at the end of the recent IT bubble. Although there are a number of differences compared with the *Economic Outlook,* No. 78 based measures (which also reflect more recent data changes), these are not particularly large averaged over the period since 2000. Differences in output gap estimates reflect revisions to both potential estimates and actual GDP, which in some cases cumulate over time.

Appendix I.2
The medium-term reference scenario

Area-wide potential growth is expected to ease

The medium-term reference scenario (Tables I.9 to I.11), which goes to 2012, is a supply-side[40] driven extension of the current short-term projections based on the assumptions described in Box I.7.[41] It serves as a benchmark for the analysis of some of the tensions discussed in the main text such as global imbalances and persistent public deficits. Growth in output for any country beyond 2008 is assumed to reflect the growth of potential output and a closing of the output gap. Over the period, growth in potential for the OECD area as a whole is expected to slow to just below 2½ per cent per annum, reflecting an expected slowing in working age population growth and trend participation rates, partially offset by small increases in trend labour productivity.

Inflation remains low, but fiscal deficits persist in the major economies

Since the output gap for the OECD area as a whole is expected to be close to zero in 2007, GDP is projected to grow broadly in line with potential over the medium term, although trend developments within the region differ quite significantly, as discussed below. Area-wide unemployment is assumed to fall gradually to an underlying structural rate of about 5¾ per cent of the labour force by 2012. With oil prices unchanged over the period at $70 per barrel, inflation remains stable at around 1¾ per cent per annum, given also the absence of any significant excess demand pressures at the area-wide level. The fiscal balances for the area as a whole remain negative at around 2¾ per cent of GDP, reflecting continuing large structural deficits in the major economies.

Real growth is widely dispersed: robust in the United States…

Potential output growth for the United States is projected to remain at slightly above 3% per annum over the medium term, with small declines in productivity and working age population broadly offset by favourable trends in labour force participation. With output slightly above potential in 2007, GDP is projected to slow moderately over the period to an annual rate of 3% in 2012. Inflation declines to around 1½ per cent per annum, as the effects of higher oil prices abate and also given the moderating effects of higher real interest rates. In the absence of fiscal consolidation, the general government deficit remains substantial, rising to close to 4% of GDP in 2012, translating into a continuing deterioration in public debt, with gross general government financial liabilities rising to around 70% of GDP over the same period.

… but more modest in Europe

Potential output growth in the euro area, at around 1¾ per cent per annum, is much lower than in the United States, reflecting less favourable trends in working-age population and labour productivity. With output significantly below potential in 2007, GDP is projected to grow faster than potential, by an average 2% per annum over the period. Unemployment falls to a structural rate of 7½ per cent, with inflation declining to around 1½ per cent per annum, as the oil shock passes out of the system and given a starting point of significant excess supply in 2007. The fiscal deficit for the euro area as a whole shrinks from around 2% of GDP in 2007 to 1½ per cent of

40. The supply side assumptions are derived consistently with the methods described in Appendix I.1, "Revised OECD supply side estimates: a capital services approach".
41. A detailed account of the framework used in producing the OECD medium-term projections is given by Beffy, P-O., P. Ollivaud, P. Richardson and F. Sedillot, "Revised OECD methods for supply-side and medium-term assessments: a capital services approach", *OECD Economics Department Working Papers,* No. 482.

Table I.9. Medium-term reference scenario summary

Per cent

	Real GDP growth	Inflation rate[1]		Unemployment rate[2]		Current balance[3]		Long-term interest rate	
	2008-2012	2007	2012	2007	2012	2007	2012	2007	2012
Australia	2.9	2.5	2.5	4.7	5.0	-5.3	-3.5	5.7	5.6
Austria	2.4	1.8	1.5	5.9	4.9	1.8	1.7	4.3	4.5
Belgium	1.9	1.7	1.5	7.7	7.2	1.4	1.2	4.3	4.5
Canada	2.6	1.6	1.9	6.2	6.9	3.3	4.3	4.6	4.7
Czech Republic	3.8	3.7	1.9	7.5	8.5	-0.9	0.6	3.9	5.1
Denmark	1.1	2.6	1.5	3.9	4.8	2.5	2.4	4.4	4.5
Finland	1.5	1.7	1.6	7.7	8.0	2.0	0.0	4.3	4.5
France	2.1	1.2	1.5	9.2	8.8	-2.3	-1.4	4.3	4.5
Germany	2.0	2.1	1.5	8.1	7.3	4.6	4.6	4.2	4.5
Greece	3.1	3.1	1.5	9.7	9.7	-7.6	-6.5	4.4	4.5
Hungary	3.0	2.9	2.7	7.1	4.9	-7.3	-6.1	6.9	5.8
Iceland	2.4	4.2	2.7	2.2	2.8	-10.4	-6.4	10.5	6.2
Ireland	3.6	3.0	1.6	4.4	5.0	-0.5	0.2	4.3	4.5
Italy	1.4	2.2	1.6	7.6	8.1	-2.2	-2.0	4.6	4.6
Japan	1.2	0.7	0.8	3.5	3.8	5.5	6.0	2.3	3.2
Korea	4.3	3.2	2.4	3.5	3.5	0.2	-3.6	6.5	5.3
Luxembourg	4.0	2.0	1.5	5.2	2.9	9.7	9.9	3.8	4.5
Mexico	4.1	3.3	3.1	3.3	2.4	-1.1	-1.0	6.9	6.6
Netherlands	2.1	1.3	1.7	3.4	3.2	10.1	9.1	4.3	4.5
New Zealand	2.7	2.8	1.9	4.9	4.4	-8.6	-8.0	5.8	5.6
Norway	2.5[4]	2.6	2.4	3.8	4.1	23.1	24.9	4.8	4.8
Poland	4.5	1.7	2.3	15.7	15.0	-1.7	-2.1	4.3	4.9
Portugal	2.0	1.9	1.5	7.7	4.8	-9.7	-9.0	4.4	4.5
Slovak Republic	5.5	2.2	1.5	14.7	13.0	-7.0	-4.7	4.4	4.6
Spain	2.5	2.9	2.0	8.6	8.1	-9.8	-9.6	4.2	4.5
Sweden	1.8	2.3	1.9	4.2	5.1	6.7	5.4	4.2	5.2
Switzerland	1.6	1.2	1.1	3.5	2.3	14.2	20.9	3.0	2.8
Turkey	7.2	3.6	4.5	10.4	8.0	-7.0	-6.3	12.9	8.9
United Kingdom	2.5	2.1	1.9	5.2	5.3	-2.9	-2.9	4.8	4.9
United States	3.0	2.2	1.5	4.7	4.8	-7.6	-7.9	5.2	5.1
Euro area	2.1	2.0	1.6	7.9	7.5	-0.3	-0.2	4.3	4.5
Total OECD	2.6	2.0[5]	1.6[5]	6.0	5.7	-2.1	-2.2	4.6[5]	4.8[5]

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

1. Percentage change from the previous period in the private consumption deflator.
2. Per cent of labour force.
3. Per cent of nominal GDP.
4. Including oil-sector.
5. Excluding Turkey.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/225674878056*

GDP by 2012, but with much of this reduction due to the cyclical contribution from above-potential growth as opposed to structural consolidation. Thus, on present policy settings, significant structural deficits persist in France, Italy, Greece and Portugal and to a lesser extent Germany. With the exception of the United Kingdom and a number of new member states, whose structural deficits also remain substantial over the period, the fiscal positions of most of other countries within the European Union move steadily towards balance or remain in surplus.

Table I.10. Fiscal trends in the medium-term reference scenario

As a percentage of nominal GDP

	Financial balances[1]		Net financial liabilities[2]		Gross financial liabilities[3]		Gross public debt (Maastricht definition)[4]	
	2007	2012	2007	2012	2007	2012	2007	2012
Australia	0.5	0.4	-2	-3	14	8	..	..
Austria	-1.5	-0.6	42	39	69	62	63	56
Belgium	-1.0	-0.8	78	71	91	81	86	76
Canada	1.8	1.6	15	4	58	38	..	..
Czech Republic	-3.5	-3.0	3	16	39	43	..	..
Denmark	3.8	2.6	0	-15	36	16	28	9
Finland	1.9	1.5	-61	-62	50	36	42	28
France	-2.6	-1.9	43	46	75	73	66	64
Germany	-2.2	-1.0	61	57	71	66	69	64
Greece	-3.3	-3.7	90	87	121	110	103	93
Hungary	-5.8	-4.8	42	47	66	65	..	..
Iceland	-0.1	-0.7	9	9	24	21	..	..
Ireland	-0.5	-0.8	9	9	31	26	28	23
Italy	-4.6	-4.5	101	109	123	128	108	113
Japan	-4.7	-6.4	92	112	177	190	..	..
Korea	2.8	2.4	-30	-34	32	12	..	..
Luxembourg	-1.2	-0.1	10	8	10	8	..	..
Netherlands	-0.1	0.5	37	30	62	51	52	41
New Zealand	4.0	4.7	-3	-22	25	0	..	..
Norway	18.5	13.4	-161	-192	49	25	..	..
Poland	-2.6	-2.6	21	25	57	50	..	..
Portugal	-4.5	-2.5	51	58	77	79	68	71
Slovak Republic	-1.8	-1.1	-19	-36	32	1	..	..
Spain	0.9	1.1	26	15	45	30	38	23
Sweden	2.2	1.2	-23	-27	49	33	40	25
Switzerland	0.2	0.5	20	16	54	45	..	..
United Kingdom	-3.2	-2.9	46	51	53	56	49	53
United States	-3.7	-3.9	48	56	65	69	..	..
Euro area	-2.1	-1.5	56	54	78	72	70	66
Total of above OECD countries	-2.6	-2.7	48	52	79	78		

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

1. General government fiscal surplus (+) or deficit (-) as a percentage of GDP.
2. Includes all financial liabilities minus financial assets, as defined by the System of National Accounts (where data availability permits) and covers the general government sector, which is a consolidation of central government, state and local government and the social security sector.
3. Includes all financial liabilities, as defined by the System of National Accounts (where data availability permits) and covers the general government sector, which is a consolidation of central government, state and local government and the social security sector.
4. Debt ratios are based on debt figures for 2002, provided by Eurostat, and GDP figures from national authorities, projected forward in line with the OECD projections for GDP and general government financial liabilities.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/330252604746*

For Japan growth slows in line with potential

Potential output growth in Japan is projected to decline somewhat over the period, from around 1½ per cent in 2007 to below 1¼ per cent by 2012, reflecting the effects of population ageing which more than offset projected increases in trend labour productivity, taking place against a background of capital deepening. With Japan operating somewhat above potential in 2007, GDP growth is projected to slow

Table I.11. Growth in total economy potential output and its components

Annual averages, percentage points

	Output gap	Potential GDP growth		Potential labour productivity growth (output per employee)		Potential employment growth		Components of potential employment[1]: *Trend participation rate*		*Working age population*		*Structural unemployment*[2]	
	2007	2003-2007	2008-2012	2003-2007	2008-2012	2003-2007	2008-2012	2003-2007	2008-2012	2003-2007	2008-2012	2003-2007	2008-2012
Australia	-0.1	3.4	2.9	1.7	2.1	1.6	0.8	0.1	0.0	1.3	0.8	0.2	0.0
Austria	-2.0	2.3	2.0	1.6	1.7	0.7	0.3	0.1	0.1	0.6	0.2	0.0	0.0
Belgium	-0.2	1.9	1.8	1.3	1.7	0.6	0.1	0.3	0.0	0.4	0.1	0.0	0.0
Canada	0.3	3.0	2.5	1.4	1.9	1.6	0.6	0.3	0.0	1.2	0.7	0.1	0.0
Denmark	1.5	1.7	1.4	1.7	1.6	0.0	-0.2	-0.1	-0.1	0.1	-0.1	0.0	0.0
Finland	1.1	2.5	1.7	2.2	2.3	0.3	-0.6	0.0	-0.3	0.2	-0.3	0.2	0.0
France	-1.4	2.0	1.8	1.4	1.8	0.6	0.0	0.0	0.0	0.5	0.0	0.1	0.0
Germany	-1.5	1.5	1.7	1.2	1.6	0.2	0.1	0.5	0.2	-0.3	-0.1	0.0	0.0
Greece	0.8	3.9	3.3	3.0	2.9	0.8	0.3	0.6	0.4	0.2	-0.1	0.1	0.0
Iceland	1.2	3.6	2.6	2.7	1.8	0.9	0.8	0.0	0.0	0.9	0.8	0.0	0.0
Ireland	0.6	5.3	3.7	2.2	2.0	3.0	1.6	0.7	0.4	2.0	1.2	0.2	0.0
Italy	-1.3	1.3	1.1	0.8	1.3	0.4	-0.2	0.4	0.2	-0.1	-0.4	0.2	0.0
Japan	1.2	1.5	1.4	1.8	2.2	-0.3	-0.7	0.2	0.2	-0.5	-0.9	0.0	0.0
Netherlands	-1.3	1.8	1.8	1.2	1.5	0.6	0.3	0.2	0.2	0.4	0.1	0.0	0.0
New Zealand	-1.4	3.2	2.4	1.1	1.7	2.0	0.7	0.3	0.0	1.4	0.6	0.3	0.0
Norway[3]	1.0	2.9	2.6	2.1	2.1	0.9	0.4	0.0	0.0	0.9	0.4	0.0	0.0
Spain	-0.3	3.2	2.5	0.4	1.2	2.8	1.3	0.8	0.2	1.7	1.0	0.4	0.1
Sweden	1.8	2.5	2.2	2.2	2.2	0.3	0.0	-0.1	-0.1	0.6	0.0	-0.1	0.0
Switzerland	0.1	1.5	1.7	0.7	1.4	0.8	0.3	0.1	0.2	0.7	0.0	0.0	0.0
United Kingdom	-0.4	2.7	2.4	1.9	2.1	0.8	0.3	0.0	0.0	0.7	0.3	0.0	0.0
United States	0.5	3.0	3.1	2.3	2.1	0.7	1.0	-0.5	-0.1	1.2	1.1	0.0	0.0
Euro area	-1.2	1.9	1.8	1.2	1.6	0.8	0.1	0.6	0.2	0.3	0.1	0.1	0.0
Total of above OECD countries	0.0	2.4	2.4	1.7	1.9	0.7	0.4	0.1	0.0	0.8	0.6	0.0	0.0

1. Percentage point contributions to potential employment growth.
2. Estimates of the structural rate of unemployment are based on the concepts and methods described in "Revised OECD measures of structural unemployment", *Economic Outlook,* No. 68, 2000.
3. Excluding oil-sector.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/880716678411*

over the medium term to below 1% per annum by 2012, with consumer price inflation remaining in positive territory, at around ¾ per cent, over most of the period. The public deficit in Japan is projected to deteriorate substantially over the medium term, from 4¾ per cent of GDP in 2007 to around 6½ per cent of GDP in 2012, pushing gross public sector liabilities to around 190% of GDP by 2012. This deterioration is largely structural, arising from an increase in ageing-related expenditures, despite some annual increases in social security contributions assumed to take place over the period.

Box I.7. Assumptions underlying the medium-term reference scenario

The medium-term reference scenario is conditional on the following stylised assumptions for the period beyond the short-term projection horizon:

– Gaps between actual and potential output are eliminated by 2012 in all OECD countries.

– Unemployment returns to its estimated structural rate (the NAIRU) in all OECD countries by 2012.[1]

– Commodity prices remain unchanged in real terms, apart from oil prices which are assumed to remain unchanged at $70 per barrel (Brent crude).

– Exchange rates remain unchanged in nominal terms.

– Monetary policies are directed at keeping inflation low, or bringing inflation in line with medium-term objectives.

– Fiscal policies are assumed to remain broadly unchanged (with the cyclically-adjusted primary budget deficit/surplus held approximately constant from one year to the next),[2] subject to Secretariat assessment of specific influences implicit in currently legislated tax and expenditure measures.

The main purpose of the medium-term reference scenario is to provide a basis for comparisons with other scenarios based on alternative assumptions and to provide insights on the possible build-up or unwinding of specific imbalances and tensions in the world economy over the medium term. The reference scenario does not embody a specific view about the nature or timing of future cyclical events.

1. The concept and measurement of structural unemployment rates are discussed in more detail in Chapter V, "Revised OECD measures of structural unemployment", *OECD Economic Outlook* No. 68, December 2000.
2. This implicitly assumes that the authorities take measures to offset underlying changes in primary structural balances.

World trade remains robust, but current accounts fail to adjust

Against a background of fairly robust area-wide growth, world trade is projected to grow steadily at around 9% per annum over the medium term. Such a rate is slightly above the historical average of the 1990s, consistent with the assumption of continuing robust growth in China and Dynamic Asia. For the OECD area as a whole, the current account deficit remains relatively stable, at around 2% of GDP, but with broadly unchanged nominal exchange rates and in the absence of major changes in potential growth, trade openness or savings behaviour, there is little adjustment in regional imbalances. For the euro area, the current account remains close to balance. The US current account deficit is projected to persists, rising to almost 8% per cent of GDP by 2012, reflecting persistent public dissaving and little further adjustment in private-sector saving. This movement is partly offset by continuing large surpluses for Japan, rising to 6% of GDP, and moderately rising surpluses for a number of smaller countries.

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

United States

The economy continues to perform impressively. Output has grown strongly, the unemployment rate has fallen and core inflation has been relatively stable. All this has been achieved despite high oil prices and damaging hurricanes. Solid economic growth seems set to continue, albeit at a slightly slower pace. The projected moderation in growth reflects a lagged response to higher oil prices, higher interest rates and a cooling of the housing market.

The stance of monetary policy, currently near neutral, needs to tighten slightly to keep the economy in balance. The federal government budget deficit seems likely to settle around 3% of GDP as higher spending on prescription drugs, defence and hurricane relief is offset by surprisingly strong revenue growth. Little progress has been made so far on reform of taxation, entitlements or other longstanding fiscal problems.

Output growth has been strong…

Recent quarterly GDP data have been choppy, reflecting the effects of hurricanes and swings in some volatile components like motor vehicles. But smoothing through this, underlying economic growth appears to have been strong – somewhat above the economy's potential growth rate. The expansion has been relatively broad-based, being spread across most major spending categories. The unemployment rate has fallen steadily, and now lies near the lower end of estimates of full employment.

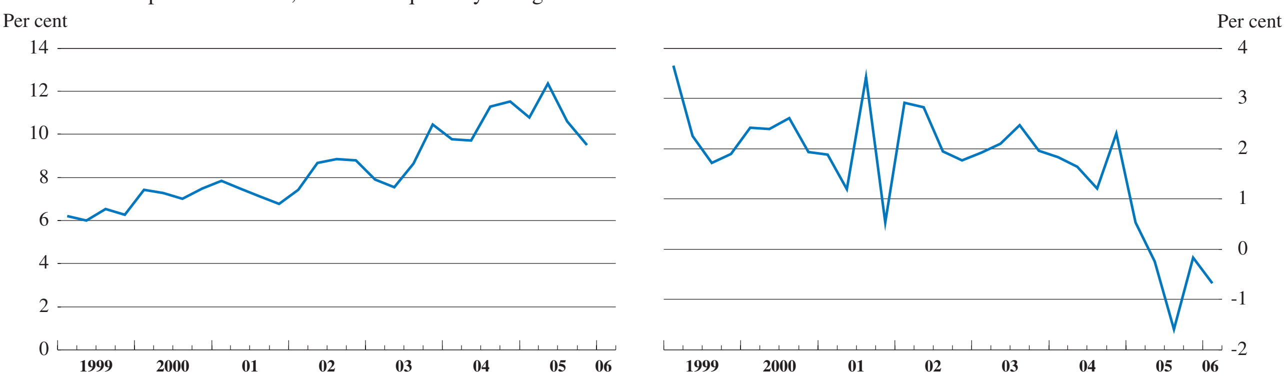
… while inflation outcomes have been benign

Most measures of core inflation have been fairly flat. This is despite a substantial boost from energy prices, which have been flowing on to other prices. For example, there have been sizeable price increases for public transportation, hotel accommodation and energy-intensive materials. It is estimated that higher energy prices have indirectly boosted the core inflation rate by perhaps half a percentage

United States

House prices have boomed
Repeat sales index; annualised quarterly change

This has depressed the household saving rate



Source: Office of Federal Housing Enterprise Oversight and OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/015040040882*

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

Percentage changes from previous period

	2003	2004	2005	2006	2007
Employment[1]	0.0	1.1	1.4	1.5	1.0
Unemployment rate[2]	6.0	5.5	5.1	4.7	4.7
Employment cost index	3.8	3.8	3.1	3.2	4.0
Compensation per employee[3]	3.6	4.7	5.2	4.5	5.0
Labour productivity[3]	2.9	3.4	2.3	2.4	2.3
Unit labour cost[3]	0.6	1.2	2.9	2.1	2.6
GDP deflator	2.0	2.6	2.8	3.0	2.3
Consumer price index	2.3	2.7	3.4	3.3	2.4
Core PCE deflator[4]	1.3	2.0	2.0	2.1	2.1
Private consumption deflator	1.9	2.6	2.8	2.9	2.2
Real household disposable income	2.4	3.4	1.4	3.5	4.4

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 79 database.

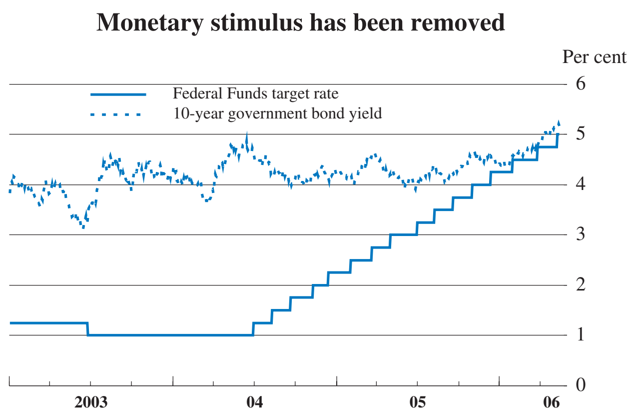
StatLink: *http://dx.doi.org/10.1787/118447583466*

point. This contribution seems to have been largely offset by other factors. In particular, nominal wage growth has fallen well short of increases in prices and productivity for several years, driving the wage share of national income to a low level. This unusual moderation of wages appears to be an international phenomenon.

Output has been supported by rising house prices

The strength of the economic expansion is the more remarkable given that high oil prices and hurricanes probably detracted substantially from output (perhaps by 1½ per cent in 2005). Growth has been supported by strong increases in productivity, which is estimated to boost aggregate demand by slightly more than one-for-one. Furthermore, household wealth, especially in housing, has risen strongly, boosting consumption. Increased housing wealth explains a substantial part of the decline in the household saving rate, which recently dropped below zero. Prices for new homes have far outstripped

United States



Source: OECD Economic Outlook 79 database and Datastream.

StatLink: *http://dx.doi.org/10.1787/700714336841*

United States: **Financial indicators**

	2003	2004	2005	2006	2007
Household saving ratio[1]	2.1	1.8	-0.4	-0.5	0.5
General government financial balance[2]	-5.0	-4.7	-3.8	-3.6	-3.7
Current account balance[2]	-4.7	-5.7	-6.4	-7.2	-7.6
Short-term interest rate[3]	1.2	1.6	3.5	5.1	5.1
Long-term interest rate[4]	4.0	4.3	4.3	5.0	5.2

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 79 database.

StatLink: *http://dx.doi.org/10.1787/118447583466*

growth in construction costs, boosting residential investment. To a substantial extent, the increase in house prices can be explained by low mortgage rates, increases in population and rising incomes. However, some of the increase remains unexplained.

Monetary policy is being tightened

With resource utilisation rising and inflation remaining well contained, the Federal Reserve Board has withdrawn monetary stimulus at a gradual pace. Although many observers had earlier expected the tightening to cease when the federal funds reached its neutral level, monetary policy is now turning restrictive. With labour markets becoming tight and oil prices adding to inflationary pressures, a light "tap on the brakes" seems necessary to keep the economy in balance. Partly in anticipation of this, long term interest rates have risen. The total increase in bond yields (about half a percentage point since late last year) appears to be substantially greater than can be accounted for by revised expectations of either policy or inflation, suggesting that the earlier contraction of term premia has been partly reversed. Consistent with this, other countries have also seen sizeable increases in yields.

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	3.6	3.3
Government consumption	1 616.9	3.0	2.1	1.5	1.8	1.0
Gross fixed investment	1 914.5	3.3	8.4	7.2	5.4	3.9
Public	344.3	2.0	2.3	3.0	1.3	3.1
Residential	503.9	8.4	10.3	7.1	2.3	-0.3
Non-residential	1 066.3	1.3	9.4	8.6	8.4	6.5
Final domestic demand	10 882.2	3.0	4.4	3.9	3.7	3.1
Stockbuilding[1]	11.9	0.0	0.3	-0.3	0.1	0.1
Total domestic demand	10 894.0	3.0	4.7	3.6	3.8	3.2
Exports of goods and services	1 005.9	1.8	8.4	6.9	7.7	8.3
Imports of goods and services	1 430.3	4.6	10.7	6.3	7.3	6.7
Net exports[1]	- 424.4	-0.5	-0.7	-0.3	-0.4	-0.2
GDP at market prices	10 469.6	2.7	4.2	3.5	3.6	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. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/118447583466*

United States: **External indicators**

	2003	2004	2005	2006	2007
			$ billion		
Goods and services exports	1 045.7	1 173.8	1 301.2	1 445	1 592
Goods and services imports	1 546.5	1 797.8	2 027.7	2 276	2 479
Foreign balance	- 500.9	- 624.0	- 726.5	- 830	- 887
Invisibles, net	- 18.8	- 44.1	- 78.4	- 134	- 182
Current account balance	- 519.7	- 668.1	- 804.9	- 965	-1 069
			Percentage changes		
Goods and services export volumes	1.8	8.4	6.9	7.7	8.3
Goods and services import volumes	4.6	10.7	6.3	7.3	6.7
Export performance[1]	- 2.5	- 2.0	- 0.9	- 1.0	- 0.1
Terms of trade	- 1.2	- 1.4	- 2.2	- 1.4	- 0.4

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/118447583466*

Fiscal imbalances remain

The federal deficit narrowed considerably in fiscal year 2005, to 2.6% of GDP, reflecting an unexpected surge in tax receipts. The general government deficit fell to 3.8% of GDP in 2005 (calendar year, national accounts basis). The surge in tax receipts has continued into fiscal year 2006, and is expected to more than offset higher spending on prescription drugs, defence and hurricane relief. The President's recently proposed budget was broadly in line with expectations and revisions being considered by Congress seem likely to be modest. Noteworthy features include proposals to extend tax cuts that were due to expire over forthcoming years, relief for the Alternative Minimum Tax for a further year, and large increases in defence spending. Notable for their absence were substantial reforms of taxation or social security, though both had been the subject of Administration-guided debates.

Output growth is projected to slow slightly…

Real GDP is expected to grow at about a 4½ per cent rate in the first half of 2006. Thereafter it slows to about 3%, slightly below the estimated growth rate of potential. The slowdown reflects a lagged response to higher oil prices, higher short-term and (especially) long-term interest rates, and the waning of house price increases and other factors that have propelled demand. The unemployment rate is expected to fall somewhat further, before levelling off and rising slightly, in response to the slowdown in output growth. The general government deficit remains around 3¾ per cent of GDP. The current account deficit continues to grow, reaching 7½ per cent of GDP in 2007. Core inflation (measured by the consumption deflator) is expected to increase slightly during 2006, reflecting lagged indirect energy effects. As these pass, core inflation drops below 2%. In 2007, inflation is projected to have a downward trajectory while unemployment is rising, permitting a slight relaxation of monetary policy.

… but other outcomes are possible

This projection is the midpoint of a range of possible outcomes. In another plausible scenario, some of the recent strength in the economy is assumed to persist through 2006. This would drive the unemployment rate down further and call for an extra tightening of monetary policy. Another possibility is that low growth in unit labour costs and a correction of the high profit share exert more downwards pressure on inflation. House prices might also be considered to be a risk to the forecast – given their importance for recent developments, and the difficulty in explaining their movements. However, the inertia in house price movements and the lag with which they affect consumption, suggest that this may be more an issue for the medium term than for the immediate horizon.

Japan

Japan has achieved a sustained expansion as the economy has largely overcome its post-bubble problems. Robust output growth is projected to continue through 2007, at a rate of between 2 and 3%, thanks to strong domestic demand underpinned by rising corporate profits and a reversal of the declining trend in employment and wages. The strength and duration of the upturn is expected to reduce the unemployment rate to around 3½ per cent and bring a definitive end to deflation, with the underlying inflation rate approaching 1% by the end of the 2007.

The Bank of Japan should keep its short-term policy interest rate at zero until inflation is sufficiently high so as to make the risk of renewed deflation negligible. The lower limit of the 0 to 2% inflation range that was announced by the Bank in March 2006 should be increased. The medium-term fiscal plan should aim at a primary budget surplus large enough to stabilise the public debt-to-GDP ratio by the early 2010s, based on a more detailed package of spending and tax measures. Ensuring rising living standards in the face of accelerated population ageing requires effective regulatory reform to ensure strong competition and measures to improve the national innovation system.

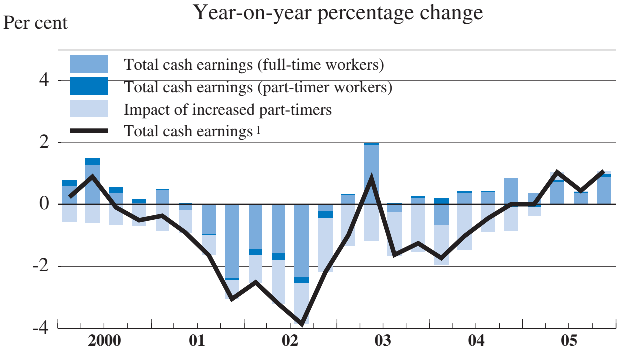
Buoyant domestic demand boosted output growth in 2005…

The current expansion, which began in 2002, is on track to become the longest in Japan's post-war era at the end of 2006. While the upturn was initially led by exports, domestic demand took over as the key force driving output in 2005. Business investment has remained buoyant for the third consecutive year, reflecting high profitability and rising capacity utilisation rates. The improvement in the corporate sector also led to an increase in regular employment in 2005 for the first time in a decade. Such employment gains have helped push wage growth into positive territory, as regular workers are paid more than twice as much per hour as non-regular workers. Rising labour earnings, in turn, have sustained private consumption growth. Strong domestic demand was accompanied by an acceleration in export growth beginning in mid-2005, driven by strong demand from China and the weakening of the yen, which has fallen 11% in trade-weighted terms since the end of 2004. By early 2006, the unemployment rate had dropped to around 4% while the job offer to applicant ratio exceeded unity for the first time in a decade. These positive developments have boosted household and business confidence to their highest levels since 1991.

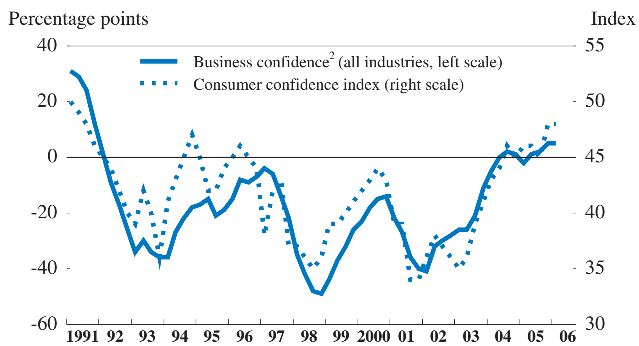
Japan

Earnings have been rising over the past year

Year-on-year percentage change



Household and business confidence are improving



1. All workers, bonus inclusive.
2. From the Tankan Survey.There is a statistical break between the third quarter and the fourth quarter of 2003.
Source: Ministry of Health, Labour and Welfare, Cabinet Office and Bank of Japan.

StatLink: *http://dx.doi.org/10.1787/737630866424*

Japan: Employment, income and inflation

Percentage changes from previous period

	2003	2004	2005	2006	2007
Employment	-0.2	0.2	0.4	0.4	0.3
Unemployment rate[1]	5.3	4.7	4.4	4.0	3.5
Compensation of employees	-1.5	-1.2	1.3	2.0	2.5
Unit labour cost	-3.2	-3.4	-1.4	-0.8	0.3
Household disposable income	-1.2	0.4	0.8	1.6	2.3
GDP deflator	-1.6	-1.2	-1.3	-0.6	0.5
Consumer price index	-0.3	0.0	-0.3	0.7	0.8
Core consumer price index[2]	-0.3	-0.4	-0.3	0.4	0.8
Private consumption deflator	-0.9	-0.7	-0.8	-0.1	0.7

1. As a percentage of labour force.
2. Consumer price index excluding food and energy.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/016157040634*

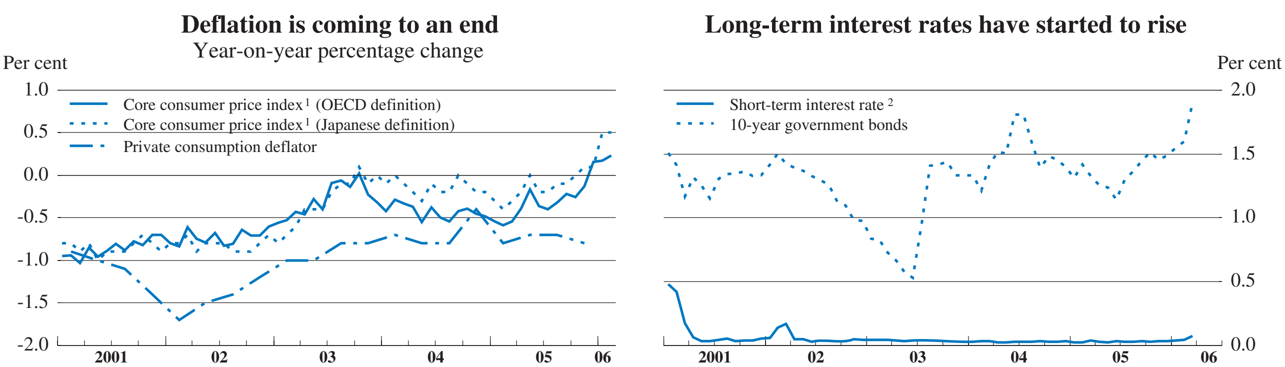
… helping to push inflation into positive territory

Deflation has faded gradually during this expansion. The average price of commercial land in the three major metropolitan areas increased in 2005 for the first time in 15 years, while the decline in the nationwide average narrowed from 5.0 to 2.8%. As for consumer prices, the core measure (which excludes only fresh food) rose by 0.5% in January and February, marking the fourth straight monthly rise on a year-on-year basis. However, the increase was more modest, at 0.2%, when all food and energy items are excluded, and the private consumption and GDP deflators declined 0.8% and 1.6% respectively in the last quarter of 2005, on a year-on-year basis, suggesting that some deflationary pressure remains.

Monetary conditions remain easy after the end of quantitative easing

With the year-on-year change in the core consumer price turning positive, in March 2006 the Bank of Japan ended the quantitative easing policy that had been introduced in 2001 and returned to an interest rate based monetary policy. The transition includes an unwinding of the large build-up in the monetary base – from 13% of

Japan



1. The OECD index excludes food and energy products. The Japanese core CPI only excludes fresh food.
2. 90 to 120-day certificates of deposits.
Source: OECD Economic Outlook 79 database, Ministry of Internal Affairs and Communications and Cabinet Office.

StatLink: *http://dx.doi.org/10.1787/372327002181*

Japan: **Financial indicators**

	2003	2004	2005	2006	2007
Household saving ratio[1]	3.9	3.1	2.4	2.4	2.4
General government financial balance[2]	-8.0	-6.3	-5.2	-5.2	-4.7
Current account balance[2]	3.2	3.7	3.6	4.3	5.5
Short-term interest rate[3]	0.0	0.0	0.0	0.1	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 79 database.

StatLink: *http://dx.doi.org/10.1787/016157040634*

GDP in 2001 to 22% in 2005 – over the space of several months. The Bank intends to keep short-term interest rates close to zero for the time being. With real short-term rates still negative and the significant decline in the yen, monetary conditions are easy at present. The Bank also promised to continue purchasing long-term government bonds at an unchanged rate of 1.2 trillion yen per month to maintain financial market stability. Nevertheless, the yield on ten-year government bonds rose from 1.6 to 2.0% in the month following the end of quantitative easing. The Monetary Policy Board announced in March 2006 that the 0 to 2% range is its view of price stability. However, the Bank is under no obligation to maintain inflation in this zone, which may be revised on an annual basis. The projection assumes an end to zero interest rates in the first half of 2007.

Japan: **Demand and output**

	2002	2003	2004	2005	2006	2007
	Current prices ¥ trillion	Percentage changes, volume (2000 prices)				
Private consumption	282.4	0.6	1.9	2.2	1.7	1.6
Government consumption	88.2	2.3	2.0	1.7	0.8	0.9
Gross fixed investment	114.0	0.3	1.1	3.3	2.3	1.3
Public[1]	30.7	-10.8	-8.6	-6.0	-4.1	-4.0
Residential	18.0	-0.9	1.9	-0.7	3.4	0.7
Non-residential	65.4	5.9	4.9	7.8	4.1	3.1
Final domestic demand	484.6	0.8	1.8	2.4	1.7	1.4
Stockbuilding[2]	- 1.4	0.3	-0.2	0.2	0.0	0.0
Total domestic demand	483.2	1.2	1.5	2.6	1.7	1.4
Exports of goods and services	55.8	9.0	13.9	6.9	12.3	9.0
Imports of goods and services	49.4	3.9	8.5	6.2	4.9	4.2
Net exports[2]	6.4	0.6	0.8	0.2	1.1	0.9
GDP at market prices	489.6	1.8	2.3	2.7	2.8	2.2

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

1. 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 79 database.

StatLink: *http://dx.doi.org/10.1787/016157040634*

Japan: External indicators

	2003	2004	2005	2006	2007
			$ billion		
Goods and services exports	508.9	613.1	652.2	725	803
Goods and services imports	439.7	524.1	589.3	647	688
Foreign balance	69.2	89.0	63.0	77	115
Invisibles, net	67.9	82.6	102.9	118	141
Current account balance	137.1	171.6	165.8	195	256
			Percentage changes		
Goods and services export volumes	9.0	13.9	6.9	12.3	9.0
Goods and services import volumes	3.9	8.5	6.2	4.9	4.2
Export performance[1]	2.0	1.1	- 1.2	2.1	- 0.7
Terms of trade	- 2.4	- 3.7	- 6.0	- 5.5	- 0.4

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/016157040634*

Although the fiscal policy stance will be somewhat restrictive in 2006-07…

The fiscal stance is expected to be contractionary, reducing the cyclically-adjusted budget deficit from around 6% in 2005 (excluding a one-off factor related to the transfer of pension funds to the government) to 5% in 2007. Fiscal consolidation is to be accomplished through spending restraint achieved through further cuts in public investment and a reduction in the number of central government employees. In addition, the abolition of the temporary personal income tax cut introduced in 1999 and the scheduled hike in the pension contribution rate will raise government revenue in both 2006 and 2007 by about ½ per cent of GDP. A similar increase in government revenue in 2005 did not prevent an acceleration of private consumption, thanks in part to a decline in the saving rate. Meanwhile, the primary budget deficit (excluding the one-off factor) is projected to decline from 4½ to 3¼ per cent of GDP between 2005 and 2007, a pace that would achieve the government's medium-term target of primary budget surplus in the early 2010s. However, stabilising the government debt ratio would likely require a larger primary surplus that may be around ½ to 1½ per cent of GDP.

… growth is projected to continue through 2007

Despite the planned fiscal consolidation, the economy is projected to grow at a rate in the 2 to 2½ per cent range through 2007, with the large carryover from the final quarter of 2005 boosting the growth rate in 2006 to close to 3%. Improving labour market conditions are likely to raise wage gains, enabling private consumption to continue growing at around 1½ per cent despite the higher tax burden. Unit labour costs are expected to continue falling through 2006, limiting the extent of the pick-up in inflation. Strong corporate profits, combined with the reversal of the declining trend in bank lending, should help sustain business investment spending. In addition, the contribution from the external sector is likely to remain positive through 2007. Combined with the rising net inflows of investment income, the current account surplus is expected to surpass 5% of GDP by 2007. There are a number of risks to the expansion that may be heightened during the transition away from the quantitative easing policy, including a significant increase in the yen and in long-term interest rates, which would also exacerbate the fiscal situation. In addition, a rise in the household saving rate from its exceptionally low level of around 2½ per cent in 2005 would slow private consumption growth.

Euro area

Activity is gathering pace, especially in export-oriented manufacturing industries, and business surveys suggest that activity will be robust in the first half of 2006. However, the recovery has yet to feed through to household consumption. This may well occur soon, underpinned by employment growth and a moderate pick-up in wages. Overall, growth should average about 2¼ per cent through 2006-07. Were it not for Germany's value-added-tax increase, inflation would be below 2% next year.

With persistent oil price pressures and as evidence builds up that the recovery is firming, the need for monetary tightening should become clear. Its actual pace should be conditional, however, on unambiguous signs that economic slack is shrinking. Governments need to make greater efforts towards fiscal consolidation throughout the current economic upswing. Further reforms to enhance the Single market, including for services, would improve the euro area's economic performance and its resilience to shocks.

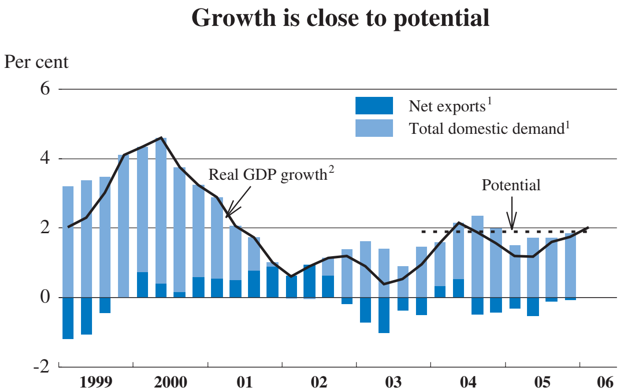
The mild economic recovery continues

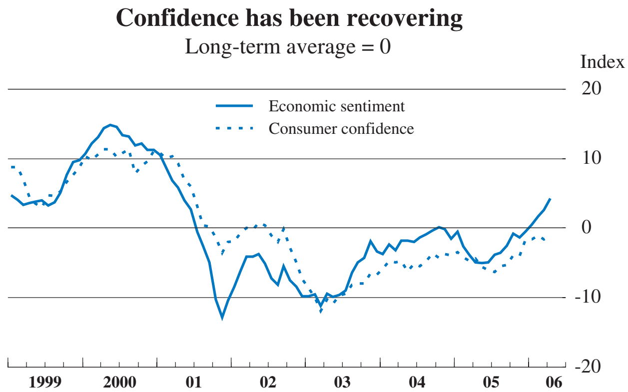
Economic activity gathered pace in the second half of 2005, growing at close to its potential rate of around 2%. Export growth was strong through much of 2005. While it sagged slightly in late autumn, export orders picked up again from November and the buoyancy of external demand has continued through early 2006. As a result, business confidence has surged and is now at levels not seen since the previous cyclical upswing. The improvement in sentiment is most notable in export-oriented industries, especially in those countries that have improved their relative cost competitiveness over the past few years. However, uncertainty about job prospects and economic reform has kept consumers more cautious. Furthermore, growth in disposable income has been meagre as wage increases have barely kept pace with inflation despite some improvement in the labour market. The rising cost of petrol and home heating has also dented households' budgets.

Confidence in the outlook has improved markedly

Business surveys suggest that the first half of 2006 will be strong by recent standards. According to the flash estimate, GDP growth was slightly above trend in the first quarter and it is likely to remain above in the second quarter as well. Export orders are strong, business investment is picking up, and the manufacturing sector in

Euro area





1. Contribution to real GDP growth, in per cent of previous year's GDP.
2. Year-on-year percentage changes.
Source: Statistical Office of the European Communities (Eurostat) and OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/056673681245*

Euro area: Employment, income and inflation

Percentage changes from previous period

	2003	2004	2005	2006	2007
Employment	0.4	0.9	0.9	1.1	1.0
Unemployment rate[1]	8.7	8.9	8.6	8.2	7.9
Compensation per employee[2]	1.9	1.4	1.2	1.6	2.0
Labour productivity[2]	0.4	0.9	0.6	1.2	1.2
Unit labour cost[2]	1.6	0.5	0.7	0.4	0.8
Household disposable income	3.0	3.5	2.7	3.0	3.6
GDP deflator	2.0	1.9	1.7	1.6	2.0
Harmonised index of consumer prices	2.0	2.1	2.2	2.1	2.0
Core harmonised index of consumer prices[3]	2.0	2.1	1.5	1.4	1.9
Private consumption deflator	1.9	1.9	1.9	1.9	2.0

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

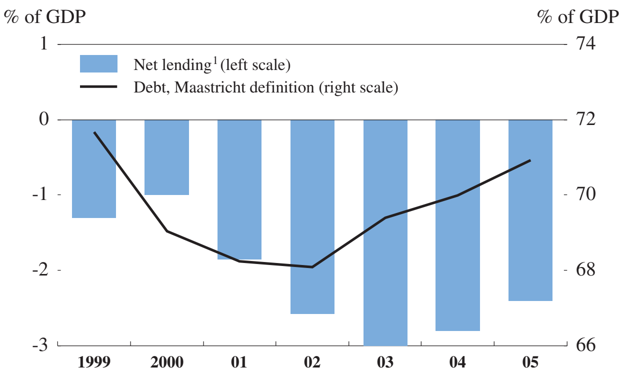
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/072766086507*

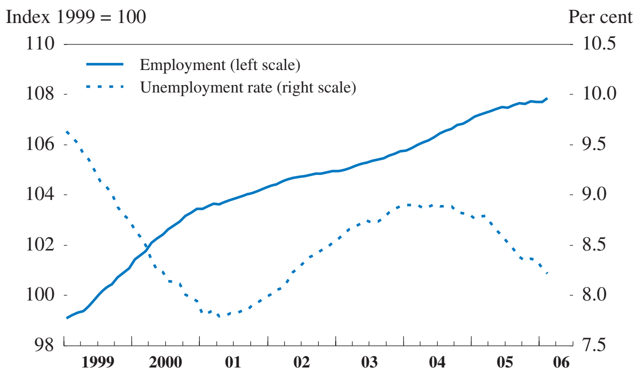
particular should continue to do well. This should pave the way for a classic export-led recovery: stronger external demand should lead to a pick-up in business investment and, later, in employment; improved job prospects and higher disposable incomes should boost consumption, and that should support growth in the more domestically oriented sectors of the economy such as the service sector. The first link in this chain – a rise in corporate investment – is already in place. The second link, an improvement in the labour market, has also begun to take shape. Job growth should gather momentum soon, as firms report that they are more willing to take on new staff than they have been for quite some time. Consumer confidence has also improved, albeit by less than that of firms. This is significant because the failure of

Euro area

Government debt has risen again



The labour market is improving



1. Excludes UMTS licence proceeds.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/513730170886*

Euro area: **Financial indicators**

	2003	2004	2005	2006	2007
Household saving ratio[1]	11.0	10.9	10.5	10.3	10.2
General government financial balance[2]	-3.1	-2.8	-2.4	-2.3	-2.1
Current account balance[2]	0.4	0.8	-0.2	-0.4	-0.3
Short-term interest rate[3]	2.3	2.1	2.2	2.7	3.4
Long-term interest rate[4]	4.1	4.1	3.4	4.0	4.3

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/072766086507*

household demand to ignite has been one of the main reasons why recent incipient recoveries have quickly faded away. Even so, the improvement in consumption is expected to be fairly mild because competitive pressures will keep wage growth in check, and consumption in Germany may be damped by the hike of the value added tax (VAT) in 2007. All in all, prospects are for GDP growth in the 2 to 2½ per cent range over the next two years. While this is a clear improvement on recent performance, it will not be enough to substantially reduce current levels of economic slack.

At this early stage of the upswing, monetary tightening should proceed cautiously

With a recovery underway, monetary policy stimulus will need to be progressively removed. The question is when and at what pace, and that depends largely on the balance of risks to output and inflation. Although the inflation rate has been slightly above the central bank's target for some time, it is likely to fall back below 2% by the middle of this year. On the other hand, last year's energy price shock is beginning to work its way through the production chain, and some measures of core inflation have picked up over recent months. Overall, the increase has been small and there are no signs that the oil shock is putting pressure on wages. While the VAT hike in Germany may push headline inflation slightly above 2% next year, this is a large

Euro area: **Demand and output**

	2002	2003	2004	2005	2006	2007
	Current prices € billion	Percentage changes, volume (2001 prices)				
Private consumption	4 140.1	1.1	1.4	1.3	1.5	1.7
Government consumption	1 467.4	1.7	1.2	1.5	1.9	1.4
Gross fixed investment	1 466.4	0.8	1.9	2.5	3.5	3.7
Public	188.3	1.7	-1.0	0.7	1.9	2.2
Residential	371.7	2.4	3.1	3.1	2.9	1.7
Non-residential	906.3	0.0	2.0	2.6	4.1	4.8
Final domestic demand	7 074.0	1.2	1.5	1.6	2.0	2.1
Stockbuilding[1]	- 14.6	0.2	0.4	0.1	0.2	0.0
Total domestic demand	7 059.4	1.4	1.9	1.7	2.2	2.1
Net exports[1]	190.5	-0.6	0.0	-0.3	0.0	0.1
GDP at market prices	7 249.9	0.7	1.8	1.4	2.2	2.1

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/072766086507*

Euro area: External indicators

	2003	2004	2005	2006	2007
			$ billion		
Foreign balance	183.5	198.0	140.7	121	133
Invisibles, net	- 148.5	- 123.7	- 155.7	- 163	- 170
Current account balance	35.0	74.3	- 15.0	- 42	- 37

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/072766086507*

and one-off shift in the price level and as such is unlikely to lead to ongoing inflationary pressures. In such circumstances, the best response for the monetary authorities would be to look through the blip and focus on inflation in 2008 and beyond. Finally, house price inflation has picked up in most euro area countries, but in most cases it remains well below the level that would be ringing alarm bells for policy-makers concerned about asset price bubbles. On balance, the risk of inflation being significantly above 2% (abstracting from the German VAT effect) over the next two to three years is low barring further large increases in oil prices. On the other hand, there is still some risk that the recovery may falter if it does not flow through to employment and household incomes. Given these risks, the removal of monetary stimulus should depend on unambiguous signs that economic slack is shrinking in a sustainable manner. In this projection, short-run policy rates are assumed to rise by 125 basis points starting once it is confirmed by hard data that enough momentum has been kept over the second quarter.

Public finances need to improve more quickly

There has been some improvement in the fiscal situation in the past year, reflecting one-off factors and positive revenue surprises. But it has not been sufficient to reduce the high debt-to-GDP ratio. A heavy debt burden is the opposite of what Europe needs to prepare for ageing-related fiscal pressures, and of what the Stability and Growth Pact sets out to achieve. Moreover, there is little fiscal improvement in the pipeline despite the pick-up in economic activity. Most countries are doing the bare minimum of budgetary consolidation required under the Pact, and in some cases the improvement is back-loaded to the later years and depends on vague or unspecified policies such as "general expenditure restraint". In an improving economic environment, greater consolidation efforts need to be made: otherwise European countries risk repeating the mistakes they made in the early 2000s in not bringing down the deficit during the good times.

Risks are large but evenly balanced

The main risk to price stability is that the energy price shock and various indirect tax increases may raise inflation expectations and lead to a rise in wage inflation. Balancing this, however, is the possibility that the economic slack is exerting an even stronger countervailing influence on wage formation and unit labour costs growth. The degree of pent-up investment demand is difficult to gauge, so business investment could increase more than expected. Housing investment may also rise more strongly in some countries if the pace of house price growth continues. On the external side, a disruptive reaction to global current-account imbalances could lead to a simultaneous rise in the euro and an increase in long-term interest rates throughout the OECD. Such a combination could nip the euro area recovery in the bud.

Germany

With exports growing strongly, and investment and consumption firming, economic activity is projected to strengthen in 2006. The investment pickup reflects improved profits and higher capacity utilisation while consumption should eventually respond to a gradual improvement in labour market conditions. GDP is projected to grow by 1¾ per cent (working day adjusted), slightly above potential, this year and 1½ per cent next year. The general government deficit is likely to remain slightly above 3% of GDP this year, before falling to 2¼ per cent in 2007, as revenues are boosted by an increase in the value added tax.

New structural reform measures have been legislated or are being prepared, notably cuts in tax expenditures, measures to reduce bureaucracy and some simplification in federal fiscal relations. These need to be embedded within a coherent policy framework, involving further reform in labour and product markets. Fiscal consolidation should be linked to public sector reform in areas such as the system of intergovernmental revenue allocation and the social security system.

Weak domestic demand is still weighing on activity…

The economy grew by 0.9% in 2005 (1.1% working day adjusted). Exports remained buoyant, underpinned by strong external demand for investment goods and gains in German competitiveness, while domestic demand continued to be weak. Household consumption contracted in the fourth quarter, as poor labour market conditions and rising consumer prices weighed on real disposable incomes. However, domestic demand appears to be firming. Equipment investment continued on a modest path of recovery, and construction investment moved into positive territory in the second half of 2005, although to some extent this reflects the bringing forward of residential investment in response to the anticipated scrapping of subsidies for home construction.

… but there are signs that the recovery is broadening…

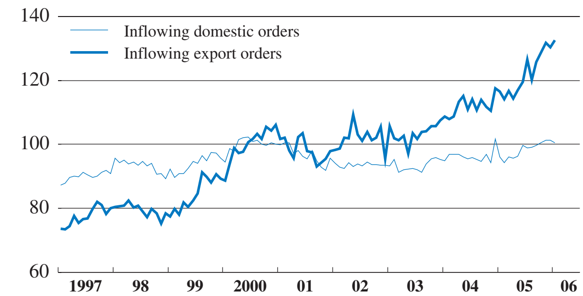
Forward-looking indicators suggest that activity is strengthening. Incoming foreign industrial orders have increased markedly in recent months reflecting buoyant demand for investment goods abroad. Building permissions are drifting up since the second half of 2005. The business climate index has reached the highest level since the early 1990s, following steep improvements in both the assessment of the current situation and business expectations across sectors, including construction and trade. Export expectations are buoyant and production plans have been revised upward.

… and a turn-around in the labour market is occurring

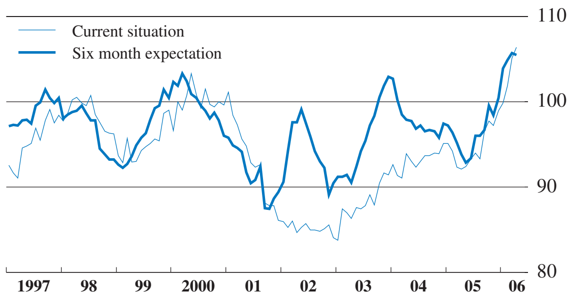
Employment continued to decline in the first quarter of 2006, largely on account of unusually harsh weather conditions. Also, separations appear to have been brought forward towards the turn of the year in anticipation of a tightening of eligibility conditions for unemployment benefits for older employees that became effective in February 2006. A turning point on the labour market might soon be reached, how-

Germany

Export orders are buoyant[1]



Business expectations are high[2]



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

StatLink: *http://dx.doi.org/10.1787/616402228317*

Germany: **Employment, income and inflation**

Percentage changes from previous period

	2003	2004	2005	2006	2007
Employment	-1.0	0.4	-0.2	0.2	0.7
Unemployment rate[1]	8.7	9.2	9.1	8.5	8.1
Compensation of employees	0.2	0.3	-0.5	0.8	1.4
Unit labour cost	0.4	-0.8	-1.5	-0.9	-0.3
Household disposable income	2.1	2.1	1.4	1.6	2.3
GDP deflator	1.0	0.8	0.5	0.5	1.5
Harmonised index of consumer prices	1.0	1.8	1.9	1.6	2.1
Core harmonised index of consumer prices[2]	0.7	1.5	0.6	0.6	2.1
Private consumption deflator	1.5	1.4	1.3	1.4	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 79 database.

StatLink: *http://dx.doi.org/10.1787/654083548470*

ever. Regular employment appears to be stabilising and short shift work has been diminishing. While the current wage round has not yet been completed, wage growth is set to remain modest, with unit labour costs continuing to decline, contributing to a further improvement in external competitiveness.

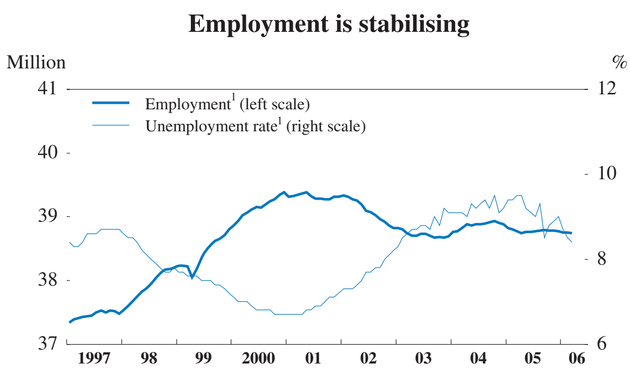
Inflation will ease this year

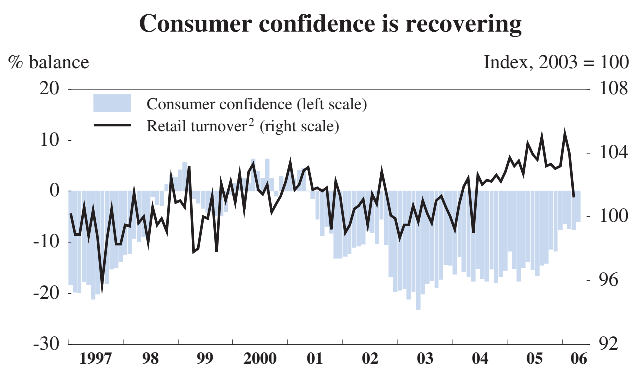
Headline inflation (harmonised consumer price index) stood at 2% in the first quarter of 2006, a quarter of a percentage point higher than a year earlier, mainly due to higher energy prices. With the output gap remaining significantly negative and unit labour costs falling, inflation is set to ease in 2006. In 2007 a scheduled 3 percentage points increase in the standard value added tax rate (VAT) and a rise in the insurance tax are projected to add 1 percentage point to the inflation rate, assuming a pass-through rate into prices of roughly two thirds.

Financial conditions remain conducive to growth

Financial conditions are supporting higher growth. Returns from corporate cost cutting and solid export growth have strengthened corporate balance sheets and increased profits. Stock prices have continued to rise over the last months. While real

Germany





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 provsisional from January 2005 onwards.
Source: Deutsche Bundesbank; OECD Main Economic Indicators.

StatLink: *http://dx.doi.org/10.1787/887053023635*

Germany: **Financial indicators**

	2003	2004	2005	2006	2007
Household saving ratio[1]	10.3	10.5	10.7	10.5	10.2
General government financial balance[2]	-4.0	-3.7	-3.3	-3.1	-2.2
Current account balance[2]	1.9	3.7	4.1	4.0	4.6
Short-term interest rate[3]	2.3	2.1	2.2	2.7	3.4
Long-term interest rate[4]	4.1	4.0	3.4	3.9	4.2

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/654083548470*

interest rates have risen, they remain below average historical levels. The volume of loans to enterprises has expanded recently, after two years of stagnation, and banks have eased their credit standards.

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

The general government deficit fell further to 3.3% of GDP in 2005, with the structural deficit dropping by 0.5 percentage points. Consolidation efforts on the spending side of the budget account for most of the deficit reduction, while revenues were boosted by one-off credit repayments and the introduction of a new road charge. Fiscal projections for this year and next incorporate a policy package which combines further consolidation measures with expansionary initiatives that aim to stimulate the economy

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	0.6	0.6
Government consumption	412.3	0.1	-1.6	0.1	0.5	0.6
Gross fixed investment	394.5	-0.7	-1.5	0.2	2.9	3.4
Public	35.5	-6.4	-6.6	-5.2	1.9	1.9
Residential	124.1	-0.9	-3.0	-2.9	1.1	1.3
Non-residential	234.8	0.2	0.0	2.6	3.9	4.6
Final domestic demand	2 074.3	0.0	-0.5	0.2	1.0	1.1
Stockbuilding[1]	- 23.7	0.6	0.5	0.3	0.4	0.0
Total domestic demand	2 050.7	0.6	0.1	0.5	1.5	1.0
Exports of goods and services	768.4	2.3	8.3	6.6	8.5	7.3
Imports of goods and services	670.6	5.0	6.1	5.5	8.7	6.5
Net exports[1]	97.8	-0.7	1.0	0.7	0.4	0.6
GDP at market prices	2 148.5	-0.2	1.1	1.1	1.8	1.6
Memorandum items						
GDP without working day adjustments	2 145.1	-0.2	1.6	0.9	1.6	1.5
Investment in machinery and equipment	177.1	0.2	1.3	4.0	4.7	5.4
Construction investment	217.3	-1.5	-3.8	-2.9	1.3	1.6

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

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/654083548470*

Germany: **External indicators**

	2003	2004	2005	2006	2007
			$ billion		
Goods and services exports	876.5	1 041.1	1 116.4	1 235	1 356
Goods and services imports	776.7	906.7	977.3	1 099	1 199
Foreign balance	99.8	134.4	139.1	136	157
Invisibles, net	- 51.8	- 33.6	- 23.2	- 21	- 20
Current account balance	48.0	100.8	115.9	115	137
			Percentage changes		
Goods and services export volumes	2.3	8.3	6.6	8.5	7.3
Goods and services import volumes	5.0	6.1	5.5	8.7	6.5
Export performance[1]	- 2.4	- 1.3	- 0.3	- 0.3	- 1.3
Terms of trade	1.0	- 0.2	- 1.5	- 1.4	- 0.1

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/654083548470*

and raise growth prospects. Payroll spending for civil servants is being reduced further, unemployment related transfers are being more tightly controlled, and tax expenditures and subsidies for regional development are being cut. The 2007 VAT increase is expected to generate additional revenues of 1% of GDP, one third of which will be used to reduce social charges. Expansionary measures include *inter alia* higher depreciation rates for investment, subsidies for energy-saving residential construction and renovation work in private households, and higher investment in infrastructure. On balance, the structural deficit falls only slightly in 2006, by 0.1% of GDP, taking into account that earlier one-off revenues are no longer available. In 2007, the reduction in the structural deficit should be almost ¾ per cent of GDP, with the general government deficit projected to drop to 2¼ per cent.

Growth will firm in 2006…

Strong foreign demand is likely to remain the main force driving growth this year and will also remain a significant factor in 2007. Equipment investment is projected to strengthen, reflecting improved profits, increasing capacity utilisation and favourable financial conditions. Equipment investment also benefits from the temporary increase in depreciation rates this year and next. Construction investment will only rise slowly, as the temporary boost in residential construction associated with the termination of subsidies fades out. Household consumption is likely to gain momentum in 2006, although employment will strengthen only gradually and growth in real disposable incomes will remain subdued. However, consumption is likely to be brought forward this year in anticipation of the VAT increase, and the soccer world championship is likely to provide an additional boost in the middle of 2006. 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 is likely to decelerate somewhat in 2007 as the VAT increase weighs on household consumption, reducing GDP growth by ¼ percentage point.

… but significant risks remain

With resilience of domestic demand to negative shocks still low, the adverse impact of the tax hike could be larger than projected if substantial reductions in social charges cannot be implemented. Further hikes in oil prices would also constitute a downside risk to domestic demand. On the other hand, the confidence of investors and consumers would be reinforced if the new government implemented a broad-based and coherent programme for continued structural reform.

France

Modest economic growth in 2005 reflected a continuing weakness in export performance. The second-half recovery continued into 2006 and is likely to be maintained. Inflation should remain around 2% or lower, though some pick-up in the underlying rate is expected. The outlook for employment remains poor, even though the unemployment rate should decline slowly.

The general government budget deficit shrank substantially in 2005, partly reflecting a special one-off factor. Going forward, the challenge is to step up the pace of underlying fiscal adjustment and restore public finance sustainability in the face of the pressures stemming from population ageing. Labour market reform made progress last year with the introduction of a new contract for small firms but stalled more recently on opposition to the proposed new contract for workers under 26. Over the longer run, minimising the uncertainty surrounding separation costs for employers and moving towards a single labour contract would help reduce the social exclusion and insecurity associated with labour market segmentation.

Growth has been held back by weak net exports

Final domestic demand accelerated in the second half of 2005. Both private and public consumption contributed, and investment continued to grow faster than total demand, despite already being at a relatively high level. GDP failed to match this demand growth as imports rose even faster and some demand was met from stocks. Export growth has been erratic but has generally been substantially below growth in French export markets for several years. The continuing rise in house prices does not appear to have affected the household saving rate very much, and recent strong growth in planning permissions suggests housing investment will remain strong.

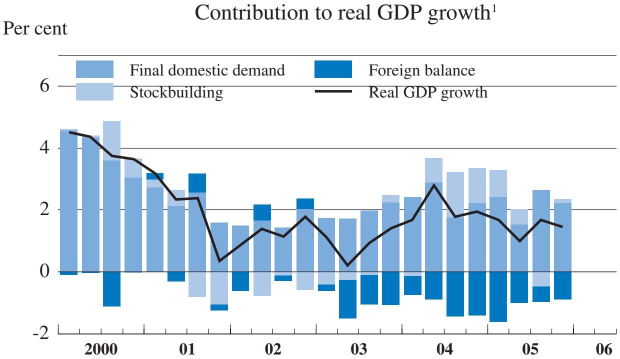
Employment is sluggish, real wages are rising, but inflation is still low

Private sector employment has continued to grow slowly. Despite this sluggish growth and unemployment at 9.5% in March, only a little over half a point below a year earlier, nominal business-sector wages are growing at about 3%, somewhat faster than a year ago. Combined with weak productivity growth, this led to a slight acceleration in unit labour costs in 2005. Even so, overall price inflation (as measured by the GDP deflator) has slowed slightly from an already moderate level, thanks in part to a decline in profit margins. Consumer price inflation has also remained low, despite worsening terms of trade. Having oscillated between about 1½

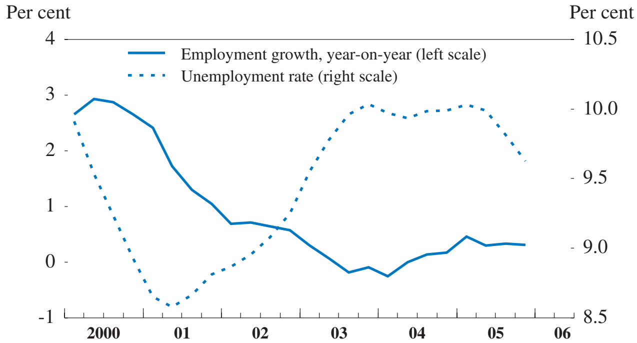
France

External performance is hampering growth

Contribution to real GDP growth[1]



Employment growth remains elusive



1. Year-on-year.
Source: OECD, Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/273841583635*

France: Employment, income and inflation

Percentage changes from previous period

	2003	2004	2005	2006	2007
Employment	0.0	0.0	0.4	0.4	0.5
Unemployment rate[1]	9.8	10.0	9.9	9.5	9.2
Compensation of employees	2.5	2.9	3.3	3.5	3.5
Unit labour cost	1.5	0.8	1.8	1.4	1.2
Household disposable income	1.7	3.1	3.0	3.7	3.3
GDP deflator	1.4	1.6	1.3	1.6	1.6
Harmonised index of consumer prices	2.2	2.3	1.9	1.7	1.4
Core harmonised index of consumer prices[2]	1.7	1.8	1.5	1.4	1.3
Private consumption deflator	1.1	1.5	1.2	1.2	1.2

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/838165063184*

and 2% during 2005, the 12-month increase in consumer prices was just under 2% in early 2006, though prices excluding energy and fresh food grew only half as fast.

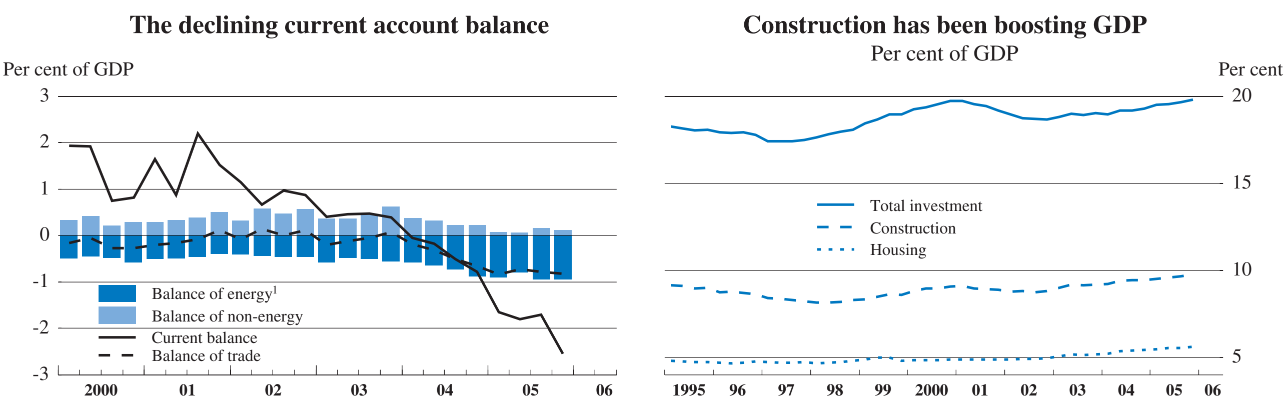
The budget deficit fell more than expected

Despite disappointing output growth, the budget deficit improved more than had been expected, and by somewhat more than the contribution from a one-off payment, worth around 0.5% of GDP, to compensate the State for taking on some pension liabilities from the public electricity company (électricité de France). As a result, the budget deficit fell below 3% of GDP for the first time since 2001. However, both total public expenditure and receipts increased as a share of GDP, reaching their highest levels since the 1990s. Personal income tax and indirect tax receipts increased particularly strongly.

Confidence indicators have picked up…

Business confidence indicators improved gradually in the second half of 2005 and more rapidly at the end of the year and into 2006, with consumer confidence also showing a small jump early this year. But this upturn is still short of what would be

France



1. Mineral fuels, lubricants and related materials.

Source: OECD, International trade statistics; Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/611382468488*

France: **Financial indicators**

	2003	2004	2005	2006	2007
Household saving ratio[1]	12.4	11.8	11.6	11.7	11.7
General government financial balance[2]	-4.2	-3.7	-2.9	-2.9	-2.6
Current account balance[2]	0.4	-0.4	-1.9	-2.6	-2.3
Short-term interest rate[3]	2.3	2.1	2.2	2.7	3.4
Long-term interest rate[4]	4.1	4.1	3.4	4.0	4.3

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/838165063184*

needed to conclude that sustained confidence has returned, and levels of optimism have now only returned to broadly where they were in mid-2004. On the consumer side they are nevertheless consistent with indicators of sustained spending in the first quarter of this year, which looks likely to continue through the year, supported by growth in wages and employment.

… but do not presage much of a pickup in the growth of GDP

Since investment is already historically high as a share of GDP, it is unlikely to grow much faster than output in the future. Other components of domestic demand may not accelerate very much either, as the household saving rate is expected to remain fairly stable, and public expenditure is constrained by the need to reduce the deficit. Export growth is still expected to increase to about 7%, despite recent poor performance relative to import growth in partner countries, so that overall demand should accelerate. Recent supply-side weakness seems likely to persist, so that this will not take output growth much above 2%. Instead, in addition to a trend increase

France: **Demand and output**

	2002	2003	2004	2005	2006	2007
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	866.6	1.6	2.2	2.1	2.3	2.3
Government consumption	362.2	2.1	2.7	1.5	1.9	1.6
Gross fixed investment	291.1	2.7	2.1	3.4	3.3	3.3
Public	45.4	8.6	3.0	2.5	1.4	0.9
Residential	76.1	3.8	3.2	3.2	3.0	2.9
Non-residential	169.6	0.8	1.4	3.8	3.9	4.1
Final domestic demand	1 519.8	1.9	2.3	2.2	2.4	2.3
Stockbuilding[1]	3.1	-0.1	0.8	0.2	0.2	0.0
Total domestic demand	1 522.9	1.8	3.1	2.4	2.5	2.3
Exports of goods and services	420.9	-1.8	2.2	3.2	6.7	7.2
Imports of goods and services	393.4	1.3	6.1	6.5	7.9	7.0
Net exports[1]	27.5	-0.9	-1.1	-1.0	-0.5	-0.1
GDP at market prices	1 550.4	0.9	2.1	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 79 database.

StatLink: *http://dx.doi.org/10.1787/838165063184*

France: **External indicators**

	2003	2004	2005	2006	2007
			$ billion		
Goods and services exports	462.3	529.3	551.4	580	627
Goods and services imports	443.7	524.3	574.7	612	655
Foreign balance	18.6	5.0	- 23.2	- 32	- 28
Invisibles, net	- 10.8	- 12.9	- 17.1	- 23	- 23
Current account balance	7.8	- 7.9	- 40.4	- 55	- 51
			Percentage changes		
Goods and services export volumes	- 1.8	2.2	3.2	6.7	7.2
Goods and services import volumes	1.3	6.1	6.5	7.9	7.0
Export performance[1]	- 6.1	- 6.3	- 3.4	- 2.1	- 1.5
Terms of trade	0.4	0.6	- 1.9	0.0	0.8

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/838165063184*

in import penetration common to most countries, imports will be further boosted by the buoyancy of overall demand.

Weak job creation may be partly due to rigidities in labour legislation

The high level of investment in a period of low employment growth and apparent excess capacity suggests that firms are either reluctant or unable to hire sufficient new workers to meet expected increases in demand and may be compensating by increasing the capital stock. One reason for this may be labour legislation that makes it difficult and expensive for firms to adjust their labour force to changing circumstances.

Fiscal consolidation is not yet secured

Despite the improvement in 2005, the budget deficit is not yet on a clearly sustained downward path, and the ratio of public debt to GDP is still rising. The government's medium-term stability programme for 2007-09 calls for very low spending growth in 2007, including cuts in real terms for central government and zero real growth for local and regional government. Even abstracting from the electoral timetable (parliamentary and presidential elections are due in spring 2007), it will be difficult to meet these targets without more specific legislative changes.

The recovery remains dependent on improved external performance

Recent losses in export market share and increasing import penetration suggest an underlying competitiveness problem in parts of the economy. Sustained recovery is partly dependent on improving this situation. The government is seeking to encourage more rapid growth of domestic spending, for example by changing regulations to allow households to take out consumer loans backed by the increasing value of their homes on the same terms as mortgages. But without reforms in labour and product markets, the risk is that much of this extra demand will be met by foreign suppliers.

Italy

After stalling in late 2005, the economy now appears to be back on a recovery track. Average annual growth over the next two years is expected to be in the range of 1¼ to 1½ per cent, helped by buoyant world demand and the lagged impact of easy monetary conditions. The negative output gap will contribute to a moderating inflation rate. With employment rising by only about ½ per cent per year, there should be some recovery of productivity, in turn accentuating disinflation and facilitating export growth.

Without bold structural reforms by the new government to raise the economy ís low supply potential and reverse its huge cost disadvantage – notably via more services competition and wage flexibility – sub par growth is likely to persist. Reforms that reduce public spending on a permanent basis at all levels of government would increase the credibility of fiscal policy.

Cyclical turnaround in early 2006

The recovery, which had started in the second and third quarters of 2005, came to a halt in the fourth quarter as manufacturing activity, especially in the exposed sector, again faltered. Growth for the year was essentially zero. But there have been clear signs of a rebound in the first two quarters of 2006. Industrial production has been recovering, order books and business confidence have been strengthening, and inventories are judged well below desired levels. Statistical models predict that output will grow at an annual rate of about 2 per cent in the first half of 2006.

Employment is slowing

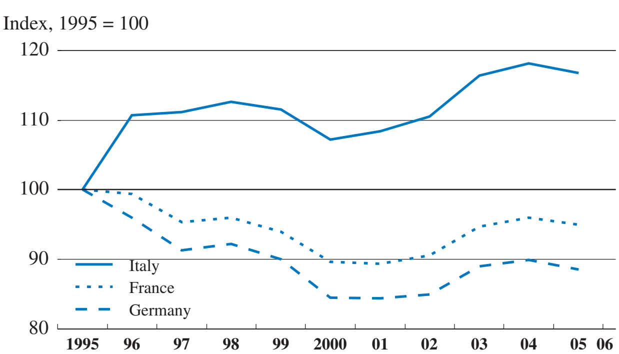
Employment measured in full time equivalent labour units fell in 2005, and productivity growth remained in positive territory for the second year in a row (on newly revised national accounts data). The overall number of registered jobs, on the other hand, continued to rise and the rate of unemployment declined further to 7.7% by end year, well below both the euro area average and the estimated structural rate for Italy. The large gap between total hours worked and labour force employment data reflects still rising part time and intermittent work. This has been facilitated by labour contract reforms of recent years, as well as continuing immigrant regularisations, but it should narrow as such special factors fade. Productivity should continue to recover as the bidding into employment of many lower skilled workers likewise attenuates.

Inflation is moderating

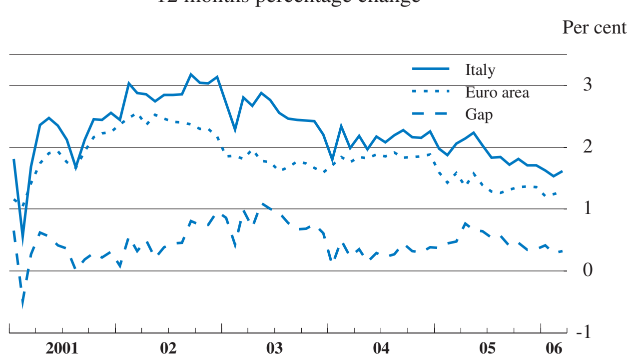
Headline consumer price inflation declined again in 2005, despite the oil price shock, and for the first time ever fell to below the euro area average. This is attributable

Italy

The real exchange rate has lost ground[1]



The core inflation gap is still positive[2]
12 months percentage change



1. Using consumer price index as deflator.
2. Harmonised overall index excluding energy and food.
Source: Statistical Office of the European Communities (Eurostat).

StatLink: *http://dx.doi.org/10.1787/335403652637*

Italy: **Employment, income and inflation**

Percentage changes from previous period

	2003	2004	2005	2006	2007
Employment	1.0	1.5	0.7	0.6	0.4
Unemployment rate[1]	8.6	8.1	7.8	7.7	7.6
Compensation of employees	3.9	3.4	4.3	2.2	3.1
Unit labour cost	3.8	2.5	4.2	0.8	1.7
Household disposable income	3.9	3.9	1.9	2.8	3.6
GDP deflator	3.1	2.9	2.1	1.4	2.2
Harmonised index of consumer prices	2.8	2.3	2.2	2.4	2.1
Core harmonised index of consumer prices[2]	2.6	2.1	1.9	1.9	2.1
Private consumption deflator	2.8	2.6	2.3	2.4	2.2

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

Source: OECD Economic Outlook 79 database.

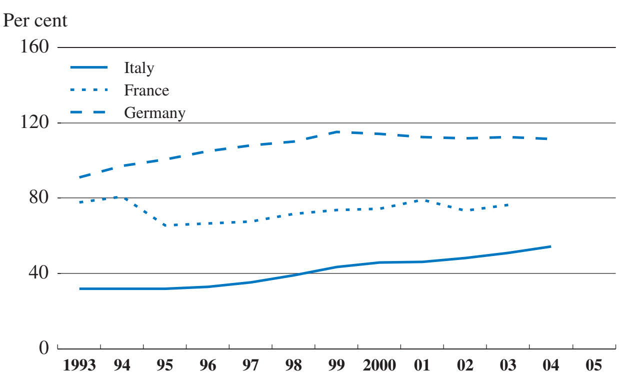
StatLink: *http://dx.doi.org/10.1787/321623622080*

to several factors: *i)* the extent of pass-through of the oil shock into final energy prices has been more limited than among many euro area partners and during past episodes in Italy; *ii)* food prices have been falling since late 2004; *iii)* core inflation has been declining in tandem with such factors as falling prices for telecommunications and sharp growth of cheap Chinese imports. However, it is too early to declare Italy's convergence to the euro area inflation rate. Price pressures have been contained in part by administrative measures. Core inflation remains above the euro area average, as the underlying trends of unit labour cost and services price growth are relatively high. Furthermore, Italian producers have been increasing prices more avidly in foreign markets, where demand is more dynamic, than in domestic markets. But with a specialisation in traditional, price-sensitive goods, Italy's export market shares have in consequence fallen by some 40% in volume terms over the past decade, which compares with only moderate losses in France and marked gains in Germany.

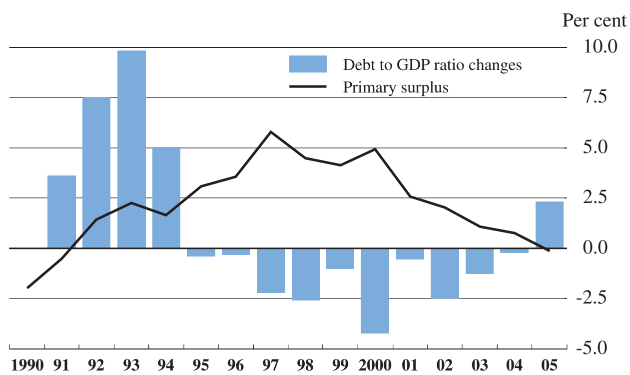
Italy

Household debt has risen[1]

Percentage of disposable income



Public debt reduction has stopped



1. Liabilities at the end of period.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/776348652625*

Italy: **Financial indicators**

	2003	2004	2005	2006	2007
Household saving ratio[1]	9.9	10.1	9.5	8.9	9.1
General government financial balance[2,3,4]	-3.5	-3.5	-4.3	-4.2	-4.6
Current account balance[2]	-1.3	-0.9	-1.6	-2.1	-2.2
Short-term interest rate[5]	2.3	2.1	2.2	2.7	3.4
Long-term interest rate[6]	4.3	4.3	3.6	4.2	4.6

1. As a percentage of disposable income.
2. As a percentage of GDP.
3. Excludes the impact of swaps and forward rate transactions on interest payments. These operations are however included in the financial balance reported to the European Commission for purposes of the excessive deficit procedure.
4. The deficit of ANAS, the state road agency (around 0.2 per cent of GDP) is included in the projections, pending a decision by the statistical agencies.
5. 3-month interbank rate.
6. 10-year government bonds.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/321623622080*

Monetary stimulus is being withdrawn slowly…

Monetary conditions are likely to be less supportive over the next two years, as gradual tightening by the European Central Bank is projected to continue, with the long term real interest rate also rising from 1½ per cent at end 2005 to 2½ per cent by end 2007. Households may be more vulnerable to these developments than in the past: during the long period of monetary ease their gross indebtedness grew significantly as house prices rose and there was an upsurge in housing investments. Financing terms for business investment will eventually tighten, though for the moment credit is ample.

Italy: **Demand and output**

	2002	2003	2004	2005	2006	2007
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption[1]	760.7	1.0	0.5	0.1	1.1	1.1
Government consumption	248.8	2.0	0.5	1.2	-0.3	0.6
Gross fixed investment	270.9	-1.5	1.9	-0.4	2.9	3.1
Machinery and equipment	151.5	-3.9	2.9	-1.4	3.2	4.2
Construction	119.4	1.5	0.6	0.8	2.6	1.9
Residential	49.4	2.3	2.5	6.5	2.7	1.2
Non-residential	70.0	0.9	-0.7	-3.4	2.5	2.4
Final domestic demand	1 280.4	0.6	0.8	0.2	1.2	1.4
Stockbuilding[2]	2.4	0.3	-0.1	0.2	0.3	0.0
Total domestic demand	1 282.8	0.9	0.7	0.4	1.5	1.4
Exports of goods and services	333.3	-2.2	2.5	0.7	4.9	5.3
Imports of goods and services	320.9	1.0	1.9	1.8	5.2	5.5
Net exports[2]	12.4	-0.8	0.2	-0.3	-0.1	-0.1
GDP at market prices	1 295.3	0.1	0.9	0.1	1.4	1.3

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

1. 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 79 database.

StatLink: *http://dx.doi.org/10.1787/321623622080*

Italy: **External indicators**

	2003	2004	2005	2006	2007
			$ billion		
Goods and services exports	371.9	436.2	464.2	505	550
Goods and services imports	363.3	424.1	465.0	514	564
Foreign balance	8.5	12.1	- 0.8	- 9	- 14
Invisibles, net	- 28.2	- 27.9	- 26.8	- 29	- 29
Current account balance	- 19.6	- 15.8	- 27.6	- 38	- 43
			Percentage changes		
Goods and services export volumes	- 2.2	2.5	0.7	4.9	5.3
Goods and services import volumes	1.0	1.9	1.8	5.2	5.5
Export performance[1]	- 7.1	- 6.8	- 6.3	- 4.3	- 3.4
Terms of trade	1.7	0.0	- 1.9	- 1.3	- 0.6

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/321623622080*

… and fiscal stimulus more abruptly

The fiscal stance is set to tighten somewhat in 2006, after an easing trend since 1998. In line with European Union commitments to bring the deficit below 3% of GDP next year, the 2006 budget targets a deficit of 3.8% (Maastricht basis), down from the 4.1% outcome in 2005. Tightening measures in the budget, to a large extent spending cuts, amount to an ambitious 2% of GDP, and they are only partly offset by ½ per cent of GDP in expansionary measures, despite this having been an election year. The use of one-off measures continues to decline. The OECD projection assumes that only about three quarters of the announced savings measures will be successfully implemented, given regular slippages in the past and delays already apparent in some necessary procedures. Hence, the general government deficit to GDP ratio merely stabilises in 2006 at around last year's level. In 2007, a rebound of primary spending is largely offset by improved tax collections as structural measures established by the current budget bear fruit, though public debt service is projected to rise by 0.3% of GDP. Without further measures, the deficit and debt can be expected to keep rising.

Projected growth around potential

Growth should fall back to the estimated rate of potential in the second half 2006 and throughout 2007, leaving yearly average growth significantly higher than the average of the past four years, but well below the euro area average. The contribution of foreign demand should improve thanks to robust export market growth combined with moderating market share losses, reflecting a less rapid deterioration in price competitiveness. Private consumption is supported by a boost to real incomes from disinflation, though the savings rate rises somewhat along with the real interest rate. Private investment is stimulated as usual by accelerating exports, though tighter money and tailing off of the housing boom will temper this dynamic. Inflation continues to edge down with the dissipation of oil price effects, a still substantial negative output gap, and recovering productivity.

Significant risks

The new government has announced its intention to address Italy's urgent reform needs, but political risks seem especially high. It may be difficult to undertake reforms given the thin parliamentary margins and fragmented nature of the ruling coalition. In such a case, there could be adverse repercussions on market confidence, public finances and growth. Inflation could still surprise on the upside, even if growth does not, given still tight labour markets and latent oil price effects.

United Kingdom

Following the slowdown in activity in the first half of 2005, signs of a pick-up in momentum are emerging, and a strengthening in private consumption and investment is expected to take GDP growth to around 2½ per cent in 2006 and 3% in 2007. Headline inflation is projected to move slightly higher in the short term, in response to the recent spike in domestic gas prices; beyond that it should fall back below the 2% target, converging towards the rate of core inflation.

Given the recent pick-up in inflation expectations, and the risk of spill-over of higher energy prices into core inflation, the OECD projections assume that policy interest rates remain unchanged. The general government deficit has now exceeded 3% of GDP for three years in a row, and is expected to narrow only very gradually over the forecast horizon; measures to achieve a more decisive reduction in the deficit may thus be required. Reforming the disability benefit scheme and improving workforce skills should remain priorities in order to raise potential growth.

Current activity suggests growth is on an even keel

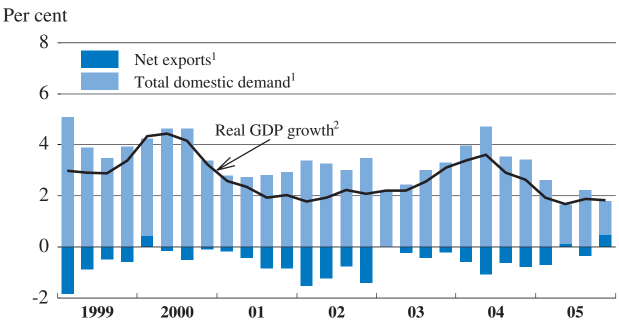
A significant slowdown in domestic demand, associated with a cooling in the housing market, reduced GDP growth to only 1.8% in 2005. There remains some uncertainty about the strength of the housing market, with the most up-to-date but less reliable indicators (those from the main mortgage lenders) pointing to a renewed pick-up in house prices while official measures, including personal sector borrowing for housing, suggest that the market remains less buoyant. Based on official measures, the annual pace of house price inflation has averaged just above the growth in average earnings. Some signs of a re-acceleration in consumption were evident in the second half of 2005, although these have been followed by weak retail sales in the first quarter of 2006. On the other hand, recent survey data suggest that a pick-up is likely in the pace of business investment and manufacturing output. With stronger exports and a slight slowdown in import growth, the contribution of net exports to GDP growth turned positive in the fourth quarter of 2005.

But inflation expectations have risen

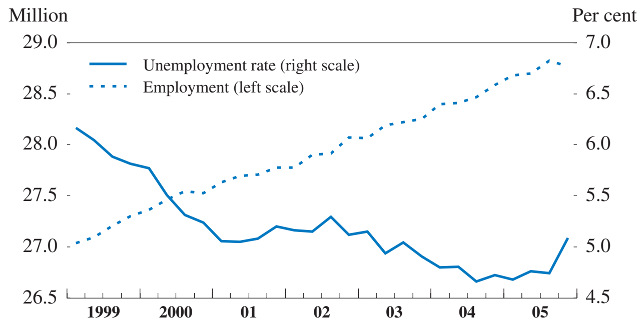
Consumer price inflation in March was just below its target level of 2%, while core inflation remained close to 1½ per cent. Most of the gap between the two is explained by high energy price inflation, with recent sharp increases in domestic gas prices likely to widen the wedge further in the short term. Heightened public awareness of energy price rises may be behind the recent increase in surveyed inflation expectations of the general

United Kingdom

Domestic demand has been weak



The unemployment rate has picked up



1. Contribution to the growth of GDP in constant prices as a percentage of previous year's GDP.
2. Year-on-year percentage change.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/473058463543*

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

Percentage changes from previous period

	2003	2004	2005	2006	2007
Employment	1.0	1.0	1.0	0.3	0.8
Unemployment rate[1]	5.0	4.7	4.8	5.3	5.2
Compensation of employees	4.9	5.1	5.5	5.1	5.5
Unit labour cost	2.4	1.9	3.6	2.7	2.5
Household disposable income	4.8	3.4	4.1	4.6	5.2
GDP deflator	2.9	2.1	2.0	2.1	1.6
Harmonised index of consumer prices[2]	1.4	1.3	2.0	2.2	1.7
Core harmonised index of consumer prices[3]	1.2	1.0	1.4	1.7	1.7
Private consumption deflator	2.0	1.4	2.0	2.2	2.1

1. As a percentage of labour force.
2. The HICP is known as the Consumer Price Index in the United Kingdom.
3. Harmonised index of consumer prices excluding food, energy, alcohol and tobacco.

Source: OECD Economic Outlook 79 database.

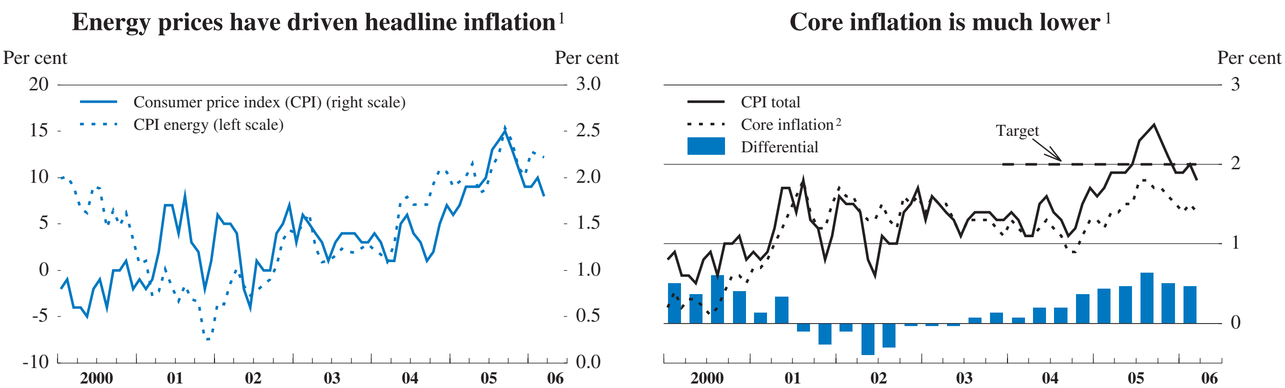
StatLink: *http://dx.doi.org/10.1787/202802200430*

public from 2.2% in November to 2.6% in February, raising concerns about the possibility of spill-over into higher nominal wage inflation. To date, however, average earnings growth has remained moderate, in response to the recent slowing in employment growth and increasing slack in the labour market; the unemployment rate rose to 5.1% in the fourth quarter of 2005 from 4.7% a year earlier. Net immigration from the new EU countries has helped to restrain upward pressures on labour costs.

Budget deficits are likely to remain high

Over the past few years, fiscal policy has moved from a significantly expansionary to a slightly contractionary stance. Nevertheless, the general government deficit, on a Maastricht basis, continues to exceed 3% of GDP and only a very gradual narrowing in the cyclically-adjusted deficit is expected by the OECD, so additional reve-

United Kingdom



1. Year-on-year percentage change.
2. CPI excluding unprocessed food and energy.

Source: National Statistics.

StatLink: *http://dx.doi.org/10.1787/060764220261*

United Kingdom: **Financial indicators**

	2003	2004	2005	2006	2007
Household saving ratio[1]	5.4	4.3	5.0	5.4	5.9
General government financial balance[2]	-3.3	-3.3	-3.2	-3.4	-3.2
Current account balance[2]	-1.4	-2.0	-2.6	-2.4	-2.9
Short-term interest rate[3]	3.7	4.6	4.7	4.5	4.6
Long-term interest rate[4]	4.5	4.9	4.4	4.5	4.8

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/202802200430*

nue or expenditure measures would be needed to reduce the deficit more quickly. In comparison, the official budget projections suggest that the deficit will narrow more rapidly, thanks to faster growth in corporate tax revenues than projected by the OECD. The government also estimates the cyclically-adjusted current budget deficit to be smaller than that of the OECD due to a larger output gap estimate. Whether or not the government meets the golden rule fiscal objective depends heavily on output gap estimates as well as on the dating of the business cycle, both of which are uncertain and vulnerable to data revisions. In the medium to longer-term, ageing-related spending pressures may point to the need for further fiscal consolidation combined with structural changes to the pension/benefit system.

And monetary policy should remain neutral…

The Bank of England has maintained the repo rate at 4½ per cent since lowering it by 25 basis points in August 2005. With monetary conditions probably close to neutral with respect to domestic demand at present, and only a small negative output

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	3.5	1.7	2.1	2.4
Government consumption	211.0	4.5	3.1	2.9	2.5	2.1
Gross fixed investment	172.6	0.0	5.1	3.2	3.1	5.2
Public[1]	15.5	15.9	13.1	14.2	7.8	7.3
Residential	46.9	-0.1	6.2	1.5	1.6	3.1
Non-residential	110.2	-2.2	3.3	2.0	2.9	5.7
Final domestic demand	1 076.9	2.5	3.7	2.2	2.4	2.8
Stockbuilding[2]	3.1	0.1	0.1	-0.3	0.0	0.0
Total domestic demand	1 080.0	2.7	3.8	1.9	2.4	2.8
Exports of goods and services	274.9	1.2	4.6	5.6	7.3	7.8
Imports of goods and services	306.5	1.8	6.7	5.3	6.7	6.9
Net exports[2]	- 31.6	-0.2	-0.8	-0.1	-0.1	0.0
GDP at market prices	1 048.5	2.5	3.1	1.8	2.4	2.9

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 79 database.

StatLink: *http://dx.doi.org/10.1787/202802200430*

United Kingdom: **External indicators**

	2003	2004	2005	2006	2007
			$ billion		
Goods and services exports	461.2	538.7	574.3	635	704
Goods and services imports	512.0	610.2	659.5	729	814
Foreign balance	- 50.8	- 71.6	- 85.1	- 94	- 110
Invisibles, net	24.6	28.4	27.7	38	39
Current account balance	- 26.3	- 43.1	- 57.4	- 56	- 71
			Percentage changes		
Goods and services export volumes	1.2	4.6	5.6	7.3	7.8
Goods and services import volumes	1.8	6.7	5.3	6.7	6.9
Export performance[1]	- 3.1	- 4.5	- 1.4	- 1.5	- 0.7
Terms of trade	1.1	0.0	- 1.7	- 0.5	- 1.5

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/202802200430*

gap, the Bank can afford to keep interest rates unchanged while waiting to see whether underlying inflation maintains its recent moderate path, or picks up as a result of higher wage inflation and spill-over from higher energy prices. Non-oil import prices have also contributed positively to inflation over the recent period and it is unclear to what extent this trend will be maintained.

… to permit the recovery to continue

Continued modest housing market activity should provide some boost to private consumption growth and business investment, gradually narrowing the extent of excess capacity. By historical standards, however, the business investment cycle is expected to be relatively moderate, despite strong corporate profitability, due to uncertainty over energy prices, and increasing employer contributions to funded pension schemes. The projected strong growth in government investment is consistent with government spending plans. With the contribution from net exports expected to remain negligible, the pick-up of domestic demand is projected to underpin a strengthening in GDP growth to around 2½ per cent in 2006 and 3% in 2007. Although eventually narrowing, a small degree of excess capacity persists throughout the forecast horizon, and only moderate growth in employment is expected, with the unemployment rate likely to increase slightly further before beginning to fall back in 2007. While consumer price inflation is likely to increase from 2% in February to around 2¼ to 2½ per cent in the short term, it should drift down again subsequently.

Risks are balanced for growth but to the downside for inflation

The uncertainties surrounding the strength of the housing market and the business investment cycle suggest a roughly balanced risk profile for GDP growth. With respect to the inflation projections, however, there are several downside risks that could cause inflation to drop more rapidly below the target: First, import price inflation could fall back more quickly than projected. Second, net immigration might remain at its current high level, boosting the labour force and further damping inflationary pressures. Finally, the spill-over from energy prices into wage pressures may not eventuate.

Canada

The Canadian economy slowed at the end of last year but has since rebounded and is still operating close to full capacity. It is expected to grow at rates above potential over the projection period, driving unemployment further below its estimated structural rate. Nevertheless, headline inflation is likely to decelerate significantly in the second half of 2006, reflecting a cut in the federal Goods and Services Tax, but should steadily move up to the upper limit of the monetary policy target range next year.

In the context of rising inflationary pressures and buoyant economic growth, the Bank of Canada should continue with its tightening cycle. At the same time, fiscal settings at all levels of government should remain prudent and the federal government should focus on reducing the debt burden before ageing pressures accumulate.

The economy has momentarily eased…

Weaker inventory growth led to a deceleration in activity at the end of last year, but final domestic demand remained buoyant. De-stocking resulted in the third consecutive quarterly decline in the non-farm stock-to-sales ratio, which remained below its historical average. At the same time, housing investment eased to its lowest year-over-year rate of increase since 1999. In addition, since the beginning of 2006, export volumes appear to have fallen in response to the rapid appreciation of the Canadian dollar. On the other hand, soaring energy prices have delivered income gains *via* substantial terms-of-trade improvements, while interest payments on foreign debt have dropped. As a result, the already large current account surplus has been on an upward trend through 2005.

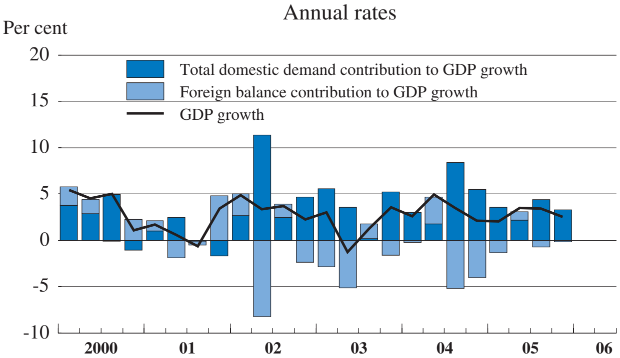
… but most fundamentals remain sound

Strong corporate profits, together with low import prices and still high capacity utilisation, have underpinned high growth in non-residential investment, with a rapid expansion of imported machinery and equipment. High commodity prices have also favoured robust expansion of facilities to bring greater production on stream, especially from oil sands in Alberta. Sizeable increases in labour income and social transfers have supported private consumption, to some extent offsetting the impact of rising interest rates. Household spending has also been boosted by growing household net worth, driven upward by house price increases. The national accounts measure of the household savings ratio is still at an extremely low level, although it has

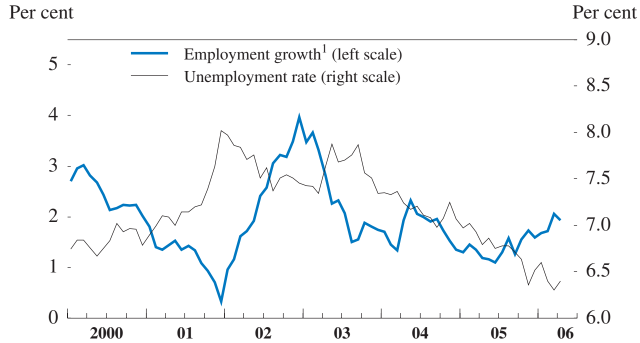
Canada

Domestic demand continues to be robust

Annual rates



Employment growth remains buoyant



1. Year-on-year.
Source: Statistics Canada; OECD, Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/222314461387*

Canada: Employment, income and inflation

Percentage changes from previous period

	2003	2004	2005	2006	2007
Employment	2.4	1.8	1.4	1.7	1.6
Unemployment rate[1]	7.6	7.2	6.8	6.4	6.2
Compensation of employees	4.2	4.2	5.4	6.1	6.3
Unit labour cost	2.2	1.3	2.4	3.0	3.0
Household disposable income	3.7	3.9	4.0	5.3	5.8
GDP deflator	3.3	3.1	3.1	3.1	1.9
Consumer price index	2.8	1.8	2.2	2.0	2.3
Core consumer price index[2]	2.2	1.6	1.6	1.8	2.3
Private consumption deflator	1.6	1.4	1.6	1.2	1.6

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

Source: OECD Economic Outlook 79 database.

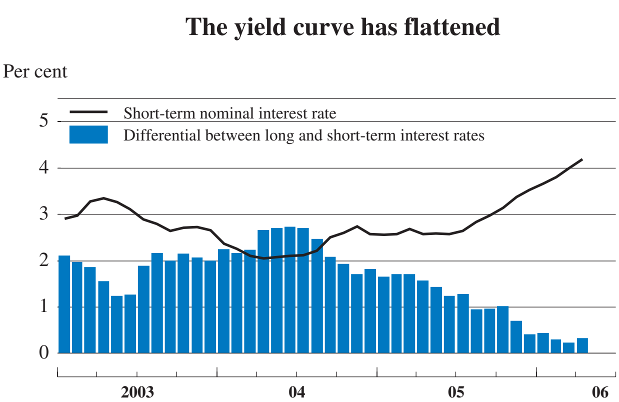
StatLink: *http://dx.doi.org/10.1787/287803038025*

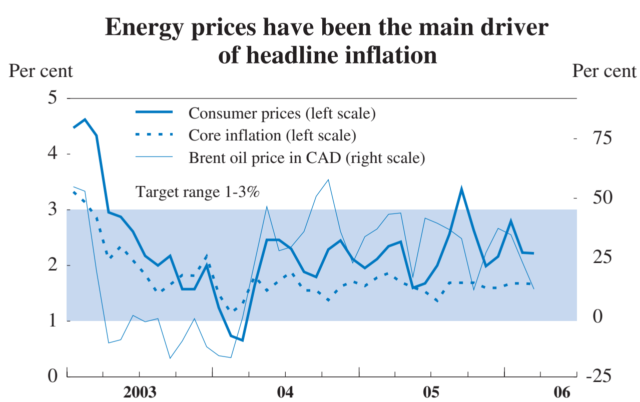
edged up slightly. Labour markets have also performed well. Employment gains have continued, and the unemployment rate has remained close to its three-decade record low. Internal migration has risen, as workers respond to shifts in regional labour demand. Economy-wide hourly labour productivity growth has picked up from a relatively low level. Productivity has grown markedly in the manufacturing sector, suggesting the latter is well advanced in its restructuring in response to the currency appreciation.

Inflationary pressures are creeping up

Core and headline inflation have remained within the monetary policy target range, as the appreciation of the Canadian dollar has thus far offset the effect of the marked rise in energy prices. Although wage agreements and hourly average earnings have so far been consistent with subdued inflation, pressures have been particularly marked in some regional markets. Moreover, unit labour costs have accelerated

Canada





Source: Statistics Canada; Bank of Canada.

StatLink: *http://dx.doi.org/10.1787/758703081624*

Canada: **Financial indicators**

	2003	2004	2005	2006	2007
Household saving ratio[1]	2.4	1.4	-0.2	0.5	1.0
General government financial balance[2]	0.0	0.7	1.7	2.2	1.8
Current account balance[2]	1.5	2.2	2.2	3.3	3.3
Short-term interest rate[3]	3.0	2.3	2.8	4.1	4.7
Long-term interest rate[4]	4.8	4.6	4.1	4.5	4.6

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 79 database.

StatLink: *http://dx.doi.org/10.1787/287803038025*

steadily as productivity growth has not kept pace with wage increases. Consistent with these developments, inflation expectations point to future inflation rates in the upper band of the monetary policy target range.

The Bank of Canada has continued raising its policy rate…

The Bank of Canada has continued its tightening cycle, initiated in September 2005, gradually moving its policy rate up to 4%. With incipient excess demand and rising inflation pressures, any remaining monetary stimulus will need to be removed. But that is unlikely to suffice. Nominal short-term interest rates are projected to increase gradually so as to exceed neutral rates in 2007. Long-term rates could rise accordingly, although moderately, as international factors are expected to continue to exert downward pressures on bond yields. The long-term interest rate differential

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	3.3	3.6
Government consumption	223.9	2.9	2.7	2.8	3.5	2.9
Gross fixed investment	225.6	5.9	6.6	6.6	6.1	3.7
Public[1]	29.4	4.6	5.0	4.2	5.2	2.8
Residential	66.0	6.2	8.3	3.3	1.0	-0.5
Non-residential	130.1	6.1	6.1	9.1	9.3	6.2
Final domestic demand	1 105.8	3.6	3.9	4.3	3.9	3.5
Stockbuilding[2]	- 2.0	0.9	0.0	0.2	0.1	0.0
Total domestic demand	1 103.8	4.6	3.9	4.5	4.0	3.4
Exports of goods and services	478.1	-2.1	5.0	2.3	2.9	4.3
Imports of goods and services	427.7	4.1	8.1	7.0	5.3	5.0
Net exports[2]	50.4	-2.4	-0.9	-1.5	-0.7	0.0
GDP at market prices	1 154.2	2.0	2.9	2.9	3.1	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. Excluding nationalised industries and public corporations.
2. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/287803038025*

Canada: **External indicators**

	2003	2004	2005	2006	2007
			$ billion		
Goods and services exports	329.8	379.1	428.3	482	511
Goods and services imports	296.3	337.5	383.2	420	447
Foreign balance	33.5	41.6	45.0	62	64
Invisibles, net	- 20.2	- 19.6	- 19.8	- 19	- 18
Current account balance	13.2	22.0	25.2	43	46
			Percentage changes		
Goods and services export volumes	- 2.1	5.0	2.3	2.9	4.3
Goods and services import volumes	4.1	8.1	7.0	5.3	5.0
Export performance[1]	- 6.6	- 5.3	- 4.1	- 4.6	- 2.7
Terms of trade	5.9	4.0	3.9	5.2	0.2

1. Ratio between export volume and export market of total goods and services.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/287803038025*

with the United States should remain negative over the projection period, reflecting the healthy Canadian fiscal and external positions.

… but fiscal policy is adding some moderate stimulus

In its 2006 budget, the federal Government announced a cut in the federal Goods and Services Tax (GST) from 7% to 6%, effective in July 2006, as well as a new Universal Child Care Benefit of CAD 1200 per year for each family with children under six years old. Personal income and corporate taxes will also be reduced and new spending directed to defence, security and agriculture. At the provincial level, additional spending has been oriented toward health, education and infrastructure, and some corporate taxes have been cut. In this context, fiscal policy is expected to be modestly expansionary over the projection period. With a comfortable budgetary surplus, especially at the federal level, pressures have mounted to increase public expenditure. However, it will be important to allocate any unexpected federal budgetary surplus to pay down the debt to help the economy to cope with the long-term challenges of population ageing and rising health spending.

Activity is expected to expand at rates above potential

The economy is expected to grow at a solid pace in 2006 and 2007, as exports benefit from strengthening external markets and domestic demand remains strong. Private consumption will be boosted by the cut in indirect tax this year, and gains in both private consumption and investment should continue to be robust, spurred in part by past terms-of-trade improvements. The federal GST cut should result in a dip in headline inflation, although some of the cut will also be absorbed by a rise in profit margins. As the positive output gap builds up, inflation should gradually edge up toward the upper range of the monetary target band by 2007, attenuated by the progressive rise in interest rates. The unemployment rate should continue to decline, though at a slower pace than in the past two years. The current account surplus is projected to remain broadly stable.

The main risk is a slowdown in the United States

The main downward risk to the outlook would be a slowdown in its main trading partner, the United States, stemming from either rising energy prices or market adjustments to global imbalances. On the domestic side, a faster rise in the household savings rate, spurred by higher interest rates, could restrain further growth in private consumption.

Australia

Following a weak second half of 2005, due to a subdued export performance and weak dwelling investment, economic activity is now strengthening again. With business investment remaining buoyant and export volumes eventually picking up, output is likely to accelerate in 2006 and 2007 to about 3 and 3½ per cent, respectively.

The recent monetary tightening should be sufficient to counter emerging inflationary pressures. Despite tax windfalls related to the commodities boom, the general government surplus is expected to fall slightly. Any further unexpected windfalls through 2006-07 should be allowed to accumulate in higher surpluses rather than add to demand. The effectiveness of the welfare-to-work programme in raising labour force participation would be greatly enhanced if it was applied to the stock of beneficiaries rather than just new claimants.

The global commodities boom is a driving force

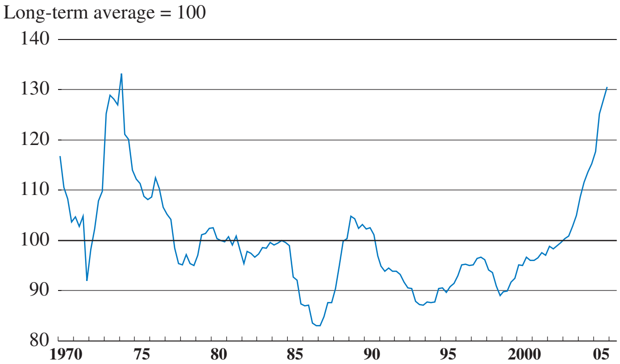
Currently, the main driving force of economic activity is the global boom in minerals in which Australia is a major producer; the terms of trade are at a 32-year high and business investment, especially in mining and associated infrastructure, is continuing to grow at double digit rates. The rising terms of trade is also reflected in a large differential between growth in real GDP and real gross domestic income; in the year to the final quarter of 2005 the former was 2.7%, whereas the latter was 5.2%. The commodity price boom gained momentum just as consumers' expenditure slowed following the cooling of the housing market at the end of 2003, although consumption has still been growing at annualised rates of 2½ to 3%. The main disappointment has been the modest growth of export volumes, particularly given rapidly expanding Asian markets. However, survey measures of capacity utilisation have risen close to historical peaks and the unemployment rate has stabilised at around 5% since the end of 2004, its lowest level since the mid-1970s and close to estimates of the structural rate.

The recent monetary tightening should contain inflation

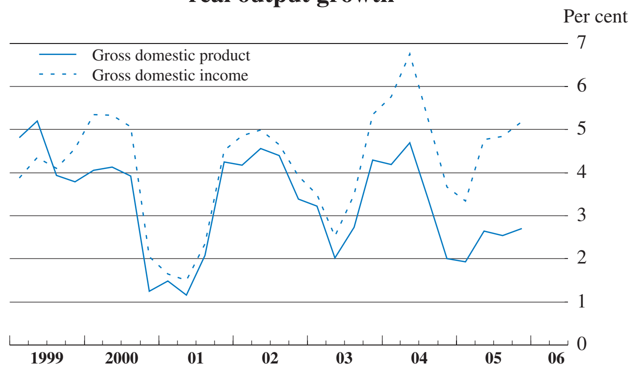
Strengthening commodity prices are no longer driving up the effective exchange rate, which peaked in early 2004, partly because interest rates elsewhere have been closing the gap with Australian rates. A consequence has been a pick-up in non-oil import prices, following a period in which the strengthening of the exchange rate had been pushing them down. Consumer price inflation reached the upper limit of the Reserve Bank's 2 to 3% inflation target in March. While this partly reflects the pass-through from rising oil prices, weighted median and trimmed mean measures of core inflation also moved into the upper half of the target range. This, together with the strength of the global economy and its likely impact on real income and spending, as well as a pick-up in household credit growth, prompted the Reserve Bank to raise the policy rate to 5.75% in May, the first move in 14 months.

Australia

The terms of trade is close to historical highs



Real income growth is outstripping real output growth[1]



1. Year-on-year percentage change.

Source: ABS(2006), Australian National Accounts: National Income, Expenditure and Product (cat. No. 5206.0); OECD, Economic Outlook database 79.

StatLink: *http://dx.doi.org/10.1787/876338658265*

Australia: **Demand, output and prices**

	2002	2003	2004	2005	2006	2007
	Current prices AUD billion	Percentage changes, volume				
Private consumption	450.1	3.8	5.8	3.1	3.1	2.6
Government consumption	136.5	3.7	3.7	3.3	3.2	3.2
Gross fixed capital formation	183.5	8.0	7.8	6.8	8.0	7.1
Final domestic demand	770.1	4.8	5.9	4.1	4.3	3.9
Stockbuilding[1]	- 0.4	1.1	-0.5	0.1	-0.2	0.0
Total domestic demand	769.8	5.9	5.3	4.2	4.1	3.9
Exports of goods and services	153.8	-2.3	4.1	2.0	1.7	9.2
Imports of goods and services	162.7	10.4	15.0	8.5	6.3	9.5
Net exports[1]	- 8.9	-2.3	-2.2	-1.4	-1.1	-0.6
Statistical discrepancy[1]	0.0	-0.3	0.0	-0.3	0.0	0.0
GDP at market prices	760.9	3.3	3.2	2.6	2.9	3.7
GDP deflator	_	3.0	3.5	4.5	4.2	2.8
Memorandum items						
Consumer price index	_	2.8	2.3	2.7	3.0	2.6
Private consumption deflator	_	1.9	1.3	1.7	2.5	2.5
Unemployment rate	_	6.0	5.6	5.0	4.7	4.7
Household saving ratio[2]	_	-3.1	-3.2	-2.6	-1.7	-1.2
General government financial balance[3]	_	0.8	1.3	1.5	0.9	0.5
Current account balance[3]	_	-5.6	-6.3	-5.9	-5.5	-5.3

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 disposable income.
3. As a percentage of GDP.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/434358443281*

Fiscal surpluses should be sustained

Despite unexpected windfall tax revenues, mostly related to the commodities boom, the general government surplus, on an accrual-basis consolidated across all levels of government, is expected to fall from 1.6% of GDP in fiscal year 2004-05 to 0.5% of GDP in 2006-07, thereby adding modestly to demand. The May federal budget included measures to: cut the top rates of personal income tax and widen tax brackets to benefit low- and middle income earners; introduce a more favourable and simplified tax treatment of superannuation; and increase spending on road and rail infrastructure.

Economic growth will accelerate in 2006 and 2007

Output should accelerate in 2006 and 2007. Recent indicators of consumer activity suggest consumption will strengthen in the first half of 2006. However the rate rise should dampen the recent pick-up in household credit and ensure consumption growth remains consistent with a gradual increase in the saving ratio. Business investment will be underpinned by tight capacity in commodity sectors and strong corporate profitability more generally. The additional capacity should allow higher resource-based exports and, provided there is no renewed appreciation of the exchange rate, there should be a recovery in non-resource exports. With the terms of trade rising further during 2006 and export volumes picking up, the current account deficit may fall to just over 5% of GDP, down from a record high of 6¼ per cent in 2004. While higher oil prices may see headline inflation remaining near the upper limit of the target range during mid-2006, core measures should settle nearer the mid-point, obviating any need for further rate rises.

Risks relate to the timing of the commodities cycle

The major uncertainty concerns the timing and extent of the eventual downturn in commodity prices. The continuing strength of China and its seemingly insatiable demand for hard commodities may mean that the upswing is more vigorous, in which case windfall fiscal gains over this period should be allowed to accumulate in higher surpluses and further monetary tightening may be needed.

Austria

GDP growth is expected to reach 2.5% in 2006 before slowing slightly to 2.2% in 2007, with the main support stemming from a strengthening of exports. Higher employment growth will be accompanied by increasing labour force participation and continuing immigration inflows so that unemployment will nevertheless remain high by historical standards.

The fiscal deficit will increase in 2006 reflecting the full impact of recent tax reforms and increases in spending. To achieve the planned deficit reduction in 2007, the envisaged public administration reform should be fully implemented.

Exports drive the recovery

Average annual GDP growth was 2% in 2005, accelerating throughout the year and reaching 3.2% in the final quarter. Industrial production rebounded and signs of strength persisted in the early months of 2006. Exports are the driving force of the recovery, with firms benefiting from their traditionally strong position in the fast growing markets of central and eastern Europe. Tourism exports are also benefiting from the long winter of good snow conditions and the Mozart year 2006. Investment grew at a moderate rate of 1.7% in 2005 but accelerated throughout the final quarters, while private consumption remained relatively weak.

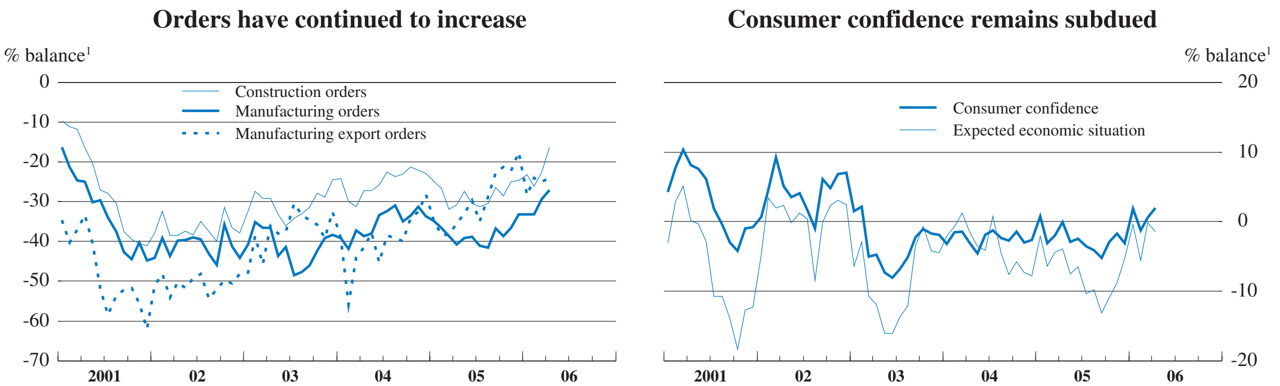
A turnaround in employment but unemployment remains high

Employment increased by a modest 0.3% in 2005 – the first net improvement after three years of decline – with the increase in dependent employment more than compensating the relative decline in self-employment. However, with continuing immigration inflows from the new European Union (EU) members and higher participation of older workers, labour supply increased more than demand, and unemployment continued to increase. Concurrently, job vacancies have continued to increase, suggesting some mismatch between the quality of labour supply and demand. The harmonised rate of headline inflation rose to 2.1% in 2005, with the main upward pressure stemming from rising oil prices, housing rents and service prices. Inflation decelerated towards the end of the year and did not spill-over to wages; the new wage settlements for 2006, as approved in autumn 2005, remained below expected productivity gains.

Expansionary fiscal policy in 2006 will be followed by fiscal tightening in 2007

The medium-term fiscal strategy is to reduce the overall tax burden to below 40% of GDP by 2008, to re-direct spending to growth-enhancing areas such as research and development (R&D), education and active labour market programmes, and at the same time to balance the budget over the cycle. The timing of measures to

Austria



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

StatLink: *http://dx.doi.org/10.1787/536783118023*

Austria: **Demand, output and prices**

	2002	2003	2004	2005	2006	2007
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	124.9	1.4	1.0	1.4	1.8	1.9
Government consumption	39.7	1.9	1.0	1.3	1.3	1.3
Gross fixed capital formation	46.2	2.9	1.9	1.7	2.8	3.6
Final domestic demand	210.8	1.8	1.2	1.4	2.0	2.1
Stockbuilding[1]	0.3	-0.4	-0.1	-0.1	0.0	0.0
Total domestic demand	211.1	1.8	1.3	1.3	1.7	2.1
Exports of goods and services	107.3	2.8	8.6	4.1	6.3	6.7
Imports of goods and services	97.5	4.5	6.4	2.8	5.3	6.9
Net exports[1]	9.7	-0.7	1.3	0.8	0.8	0.3
GDP at market prices	220.8	1.2	2.6	2.0	2.5	2.2
GDP deflator	_	1.4	1.9	2.1	1.7	1.8
Memorandum items						
Harmonised index of consumer prices	_	1.3	2.0	2.1	1.8	1.7
Private consumption deflator	_	1.5	1.7	1.9	2.1	1.8
Unemployment rate[2]	_	5.6	5.7	5.9	5.8	5.9
Household saving ratio[3]	_	8.6	9.0	9.5	9.9	9.7
General government financial balance[4]	_	-1.7	-1.2	-1.6	-1.9	-1.5
Current account balance[4]	_	-0.2	0.1	1.2	1.9	1.8

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

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/183106042553*

achieve these multiple objectives suggests that the structural budget deficit will rise in 2006 (by some 0.3% of GDP), but then fall back by a similar amount in 2007. The actual fiscal deficit is expected to increase to 1.9% of GDP in 2006 and (assuming full implementation of the announced administrative reform) to decline to 1.5% in 2007. Progress to achieving balance over the cycle is thus quite slow.

Private consumption remains sluggish

The acceleration of exports is expected to further boost investment in export oriented sectors. But consumption will remain subdued and household savings rates are expected to remain high. The cautious mood of households is mainly caused by the weakness of the labour market and, possibly, households' perceived need to continue to save more for their retirement. At the same time, private housing demand shows the first signs of strengthening after several years of slowdown**.**

Growth will accelerate but unemployment will remain high

GDP growth should accelerate to 2.5% in 2006 and – with temporary factors fading – decline slightly in 2007. Despite further increases in employment, the unemployment rate is expected to remain high during the projection period as labour supply increases strongly. Inflation is projected to decline to 1.8% this year and to 1.7% in 2007. Downside risks arise from uncertainties concerning the pace of the European recovery and oil price developments. On the upside, a faster recovery in consumer confidence would improve domestic demand and lift growth.

Belgium

The economic slowdown came to an end in mid-2005 and activity appears ready to accelerate in 2006, thanks to the impetus coming from export market growth. In addition, consumer expenditure will benefit from the introduction of tax cuts and improved labour market trends. Even though real GDP growth will rise above potential (of nearly 2%), the output gap will remain negative by the end of 2007. Thus, core inflation is projected to remain subdued, with headline inflation falling back as energy prices stabilise.

Further fiscal consolidation through expenditure restraint is required to secure a sustainable path for public finances and continued government debt reduction. The amount of required consolidation can be reduced by implementing labour market measures that stimulate job creation and increase employment rates, which are low by international standards, particularly for older workers and among the younger generations.

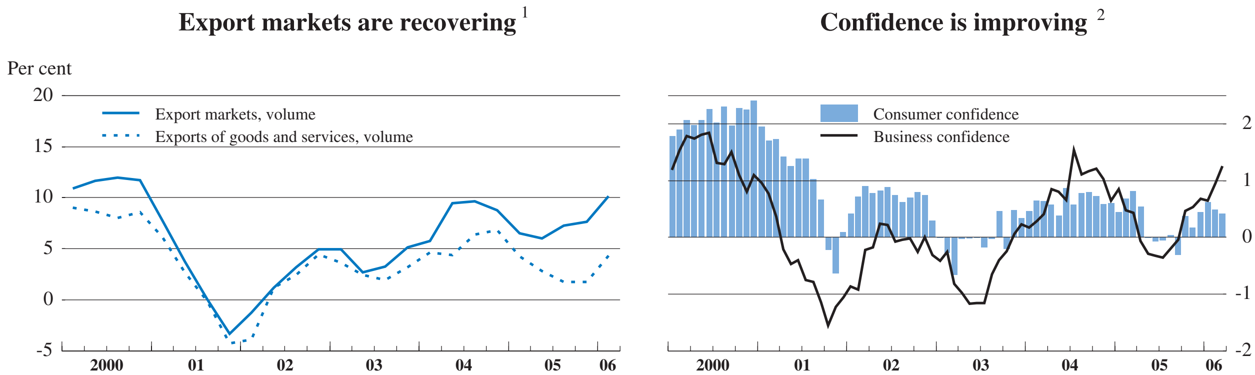
The economy is reviving, thanks to strong exports

The rebound of the economy started in mid-2005 and is being sustained by higher exports, which benefit from the recovery in world trade. Private consumption is also picking up as real disposable incomes are boosted by higher employment and lower inflation. Business sector investment remains strong in response to rising capacity utilisation and favourable financial conditions. The revival in business and consumer confidence points to a broadening of the recovery. In addition, infrastructure investments are being temporarily boosted ahead of the municipal elections in the autumn. The standardised unemployment rate has come down at the beginning of 2006 to about 8%, after fluctuating around 8½ per cent during the preceding year.

Cost competitiveness is deteriorating

Hourly wages increased by 2¼ per cent in 2005, partly as the result of indexation. The social partners' norm for hourly wage increases of 4½ per cent over the two years implies similar rises in 2006. The norm is based on the expected wage developments in the main trading partners. Nevertheless, cost competitiveness has deteriorated in recent years as *ex-post* wage developments in those countries have been lower. Underlying inflation declined during the first quarter of 2006, allowing annual headline inflation to come down to less than 2% despite continued high increases in energy prices.

Belgium



1. Year-on-year percentage change.
2. The series have been normalised at the average for the period and are presented in units of standard deviation.
Source: OECD Economic Outlook 79 database and OECD, *Main Economic Indicators*.

StatLink: *http://dx.doi.org/10.1787/656488128202*

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	1.3	1.9	2.0
Government consumption	60.2	2.6	1.9	1.9	2.2	2.3
Gross fixed capital formation	51.4	-0.6	4.4	8.4	1.1	4.2
Final domestic demand	254.9	1.0	2.1	2.9	1.8	2.5
Stockbuilding[1]	0.0	-0.1	0.7	-0.3	0.2	0.0
Total domestic demand	254.9	0.9	2.8	2.5	2.0	2.5
Exports of goods and services	221.1	2.8	5.6	2.6	5.4	5.8
Imports of goods and services	208.4	2.9	6.3	3.8	5.0	6.1
Net exports[1]	12.7	0.0	-0.3	-0.9	0.6	0.0
GDP at market prices	267.6	0.9	2.4	1.5	2.5	2.4
GDP deflator	_	1.7	2.3	2.2	1.7	1.8
Memorandum items						
Harmonised index of consumer prices	_	1.5	1.9	2.5	2.2	1.9
Private consumption deflator	_	1.6	2.5	2.8	2.2	1.9
Unemployment rate	_	8.2	8.4	8.4	8.0	7.7
Household saving ratio[2]	_	12.4	11.0	11.2	11.4	11.5
General government financial balance[3]	_	0.0	-0.1	-0.1	-0.4	-1.0
Current account balance[3]	_	4.3	3.4	1.7	1.4	1.3

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 79 database.

StatLink: *http://dx.doi.org/10.1787/450160626752*

Public expenditure restraint is required

Strict control of expenditures should allow the general government budget to remain close to balance in 2006, despite the surge in local government infrastructure investments and further cuts in personal income taxes and social contributions, amounting to about ½ per cent of GDP. The government targets a small budget surplus in 2007. Achieving this is facilitated by declining government debt interest payments, but hampered by the absence of non-recurring factors and some relaxation of budget norms at the lower levels of government. Thus, there is a need for additional measures to secure continued expenditure restraint to achieve the budget objective and maintain the downward trend in government debt.

Domestic demand should become the main driver of activity

Economic growth is projected to strengthen further in 2006, principally on the back of a further improvement in the external environment. In 2007, private consumption should have acquired sufficient momentum to support the recovery, thanks to real disposable income growth. Business investment should also accelerate in response to the strength of the economy. Headline inflation is projected to fall back towards the underlying rate of about 1¾ per cent as the effects of higher energy prices fade out. The main risks to these projections are related to the external side, both with respect to the strength of export markets and to competitiveness.

Czech Republic

Real GDP growth reached 6% in 2005, with a very large contribution from net exports, and is projected to fall to 5¾ and 4¾ per cent in 2006 and 2007 respectively. While private consumption growth is expected to strengthen and exports to remain buoyant, this effect will be outweighed by accelerating imports. Higher consumption growth will add to inflationary pressures, along with increases in indirect taxation and regulated prices.

The government deficit has come in below 3% for two years running but is expected to increase in 2006 and 2007. Adjustments to the budgeting system are needed to ensure appropriate treatment of windfall revenues in the Medium Term Spending Framework and changes are required to the rules on carry over spending. In addition, more progress on pension and health care reform is necessary to put government balances on a more sustainable track over the longer term.

GDP growth in 2005 was the highest for many years

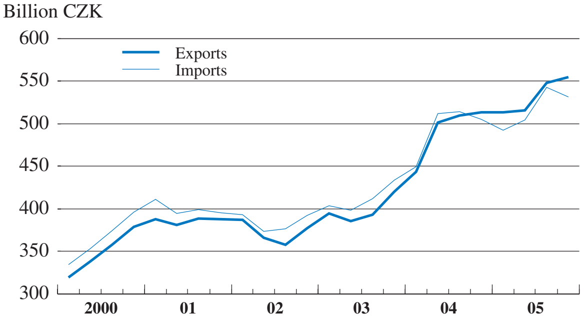
The Czech economy has been experiencing a trade-driven upswing since mid-2003 and year-on-year growth in the fourth quarter of 2005 was 6.7% (seasonally adjusted). Export growth peaked in 2004, and was much lower in 2005. However, this was more than offset by a fall-off in import growth. Indeed, the trade balance in goods and services became positive over the year and the current account deficit fell to 2.6% of GDP, though trade figures for the first quarter of 2006 show imports bouncing back. The upswing in economic activity has been boosting the labour market but because of the continued prevalence of the long-term unemployed, reductions in the unemployment rate have been relatively small. Inflation has risen from the low levels reached in the first half of 2005 reflecting a combination of fuel and regulated price increases. So far in 2006, monthly inflation figures have been flat, at just below 3%, year-on-year.

The 2005 deficit reflects positive revenue surprises and deferred spending

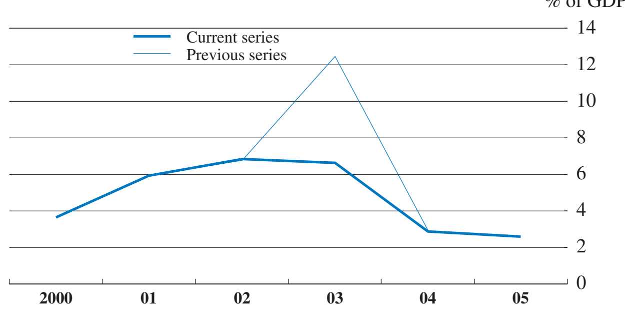
The general government deficit turned out at 2.6% on an accrual basis in 2005 down from 2.9% in 2004 and a much higher deficit of 6.7% in 2003. However, the recent outcomes are partly the result of revenue surprises, particularly in corporate tax revenues and excise duty on diesel fuel. The strong revenue gains have been used as justification for raising the spending ceilings for 2006 in the government's Medium Term Expenditure Framework, notably to accommodate increased social

Czech Republic

Trade continues to expand



The Maastrict-defined general government deficit has fallen [1]



1. The Maastrict-defined deficit uses accrual-based ESA95 methodology. In the current series, a decision by Eurostat removed a large guarantee item from the 2003 deficit.

Source: Statistical Office of the European Communities (Eurostat) and OECD, *Quarterly National Accounts*.

StatLink: *http://dx.doi.org/10.1787/352822086425*

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

	2002	2003	2004	2005	2006	2007
	Current prices CZK billion	Percentage changes, volume (1995 prices)				
Private consumption	1 233.9	4.6	3.3	2.6	3.3	4.2
Government consumption	555.2	3.8	-2.7	0.8	1.0	0.5
Gross fixed capital formation	643.3	4.7	5.3	3.7	4.2	5.2
Final domestic demand	2 432.4	4.5	2.5	2.5	3.0	3.6
Stockbuilding[1]	29.8	-0.9	0.7	-1.0	0.3	0.0
Total domestic demand	2 462.2	3.5	3.1	1.5	3.3	3.6
Exports of goods and services	1 487.5	7.5	20.9	11.2	11.1	9.8
Imports of goods and services	1 535.5	7.9	18.1	4.9	7.9	8.5
Net exports[1]	- 48.0	-0.4	1.4	4.5	2.5	1.2
GDP at market prices	2 414.2	3.2	4.7	6.0	5.7	4.7
GDP deflator	_	2.6	3.4	0.0	1.3	3.4
Memorandum items						
Consumer price index	_	-0.1	2.8	1.9	2.9	3.7
Private consumption deflator	_	1.8	2.2	1.0	2.9	3.7
Unemployment rate	_	7.8	8.3	8.0	7.7	7.5
General government financial balance[2]	_	-6.7	-2.9	-2.6	-3.3	-3.5
Current account balance[2]	_	-6.3	-6.0	-2.1	-1.7	-0.9

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

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/105848671507*

spending. Though the Framework has undoubtedly helped fiscal discipline, the raising of the ceiling suggests that additional rules are needed to deal with revenue and expenditure windfalls. More liberal carry-over rules have reduced end-of-year spending by line ministries but are also making overall control of the budget more difficult. Limited progress on public-spending reform is adding to concerns about the potential for sustained fiscal consolidation: a final decision on pension reform is yet to be taken, major reform to the healthcare system is yet to get off the ground and general economies in public spending have been limited.

Growth in 2006 and 2007 will be lower, but nevertheless robust

Growth is projected to moderate somewhat in 2006 and 2007 with outcomes of 5¾ per cent and 4¾ per cent respectively. Exports are anticipated to advance by about 10%, the same pace as 2005, while imports are set to rise substantially. Household consumption growth is projected to rise by about 1½ percentage points to over 4% in 2007, reflecting both wage developments and cuts in personal income tax. Along with upcoming increases in regulated prices, this will put upward pressure on inflation, which is expected to average 3.7% in 2007. A phase of tightening monetary policy is anticipated beginning in the third quarter of this year.

The main source of uncertainty lies in trade developments

The combined volume of exports and imports is now equivalent to more than twice the volume of GDP in the Czech Republic and there are substantial fluctuations in growth rates. The large increases in exports at the time of entry to the European Union are now widely believed to mark a positive structural shift but it is not clear whether this shift will mean continuation of a positive trade balance.

Denmark

GDP is already above potential, but growth is set to continue at 3% in 2006 and 2½ per cent in 2007, with all demand components growing solidly. However, with capacity constraints already visible and wage and price inflation set to pick up in due course, domestic firms are likely to lose market share.

Expansionary monetary conditions are currently adding stimulus to the already buoyant economy. Hence, fiscal policy should be tighter and it is urgent to increase labour supply both by strengthening work incentives and by making it easier for foreigners to enter sectors like construction.

The expansion is strong and broadly based

The economy accelerated strongly in the summer of 2005, with GDP increasing by 3% for the year as a whole – much faster than estimated potential GDP growth of 1½ to 2%. The expansion has become broadly based with buoyant consumption and residential construction being re-enforced by growing business investments and exports, as order books have filled up rapidly since mid 2005. However, with strong domestic demand, imports have grown more briskly than exports. Housing investment expanded by 13% in 2005 on the back of exceptionally strong house prices increases. The output gap is estimated to have closed in late 2005, and labour shortages are appearing, notably in construction. So far, wage growth has been modest, and while consumer price inflation has increased from its 2004 trough, it has not gone much above 2%. In a recent survey, however, 44% of firms reported rising wage pressures *versus* only 2% reporting declining wage pressures.

Monetary conditions are excessively stimulative

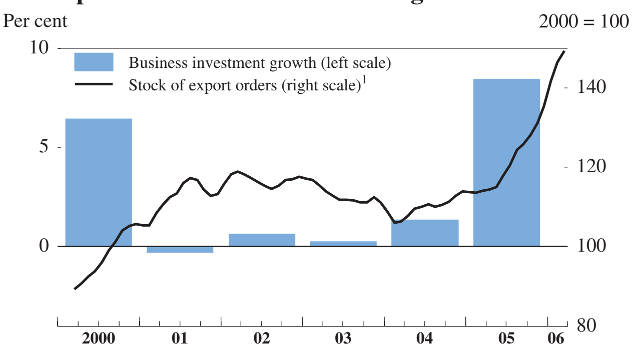
With continued slack in the euro area, monetary conditions received *via* the fixed exchange rate regime will add excessive stimulus. At 2½ per cent, short-term interest rates are currently well below estimates of a neutral rate. Over the projection period, short rates should be expected to rise gradually in line with the European Central Bank's policy rate, reaching 3¾ per cent at the end of 2007. Nevertheless, with an increasing positive output gap and growing wage and inflationary pressures, the difference between actual interest rates and those appropriate for domestic stabilisation is likely to remain.

Capacity constraints lead to loss of market share

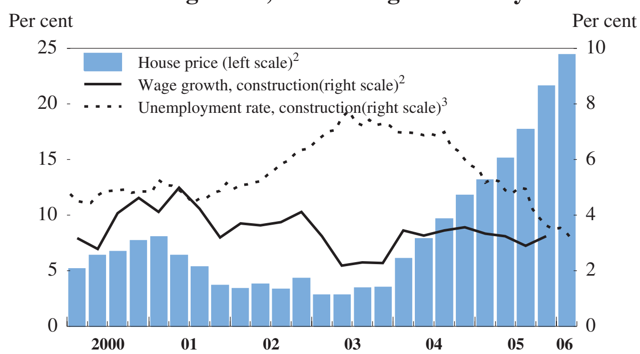
Capacity constraints are likely to limit the ability of domestic firms to meet growing demand in both home and export markets, as it has been the case in periods like the mid 1990s when the business cycle was desynchronised from that of the country's trad-

Denmark

Export and business investments gain momentum



Housing boom, but no wage reaction yet



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

StatLink: *http://dx.doi.org/10.1787/456308554210*

Denmark: **Demand, output and prices**

	2002	2003	2004	2005	2006	2007
	Current prices DKK billion	Percentage changes, volume (2000 prices)				
Private consumption	652.3	1.6	3.4	3.8	2.3	2.7
Government consumption	360.2	0.2	1.5	1.3	1.3	0.8
Gross fixed capital formation	270.8	2.0	4.5	9.0	8.7	5.8
Final domestic demand	1 283.3	1.3	3.1	4.2	3.4	2.9
Stockbuilding[1]	9.3	-0.6	0.2	-0.1	0.1	0.0
Total domestic demand	1 292.6	0.6	3.3	4.0	3.4	2.9
Exports of goods and services	648.9	-1.2	2.7	7.9	6.2	4.9
Imports of goods and services	568.7	-1.7	6.4	10.8	8.1	6.1
Net exports[1]	80.1	0.1	-1.3	-0.8	-0.5	-0.4
GDP at market prices	1 372.7	0.7	1.9	3.1	3.0	2.4
GDP deflator	_	1.9	2.2	2.6	2.0	2.9
Memorandum items						
Consumer price index	_	2.1	1.2	1.8	1.7	2.6
Private consumption deflator	_	2.0	1.7	2.0	2.0	2.6
Unemployment rate[2]	_	5.3	5.5	4.8	4.2	3.9
Household saving ratio[3]	_	3.3	3.0	-0.8	-1.0	-1.8
General government financial balance[4]	_	-0.1	1.7	4.0	3.3	3.8
Current account balance[4]	_	3.2	2.3	3.2	2.7	2.5

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

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. Based on the Labour Force Survey, being ½-1 percentage point below the claimant-count unemployment rate.
3. As a percentage of disposable income, net of household consumption of fixed capital.
4. As a percentage of GDP.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/356118422342*

ing partners. With an output gap moving from -2% of GDP in 2004 to a projected +1½ per cent of GDP in 2007, while growth abroad is around potential, negative net exports are likely to continue even though external demand is strong. The aggregate effect of the trade boycott following newspaper cartoons of the prophet Muhammad, is likely to be negligible, as only 2% of Danish exports go to the Middle East.

GDP growth remains well above potential

GDP is projected to continue growing at 3% in 2006 before slowing to around 2½ per cent in 2007. Consequently, private sector employment is set to expand and unemployment to fall further below its structural level. Wage and price inflation is expected to pick up, although with a lag. Imports should be growing somewhat faster than exports, and the trade balance should deteriorate. If oil prices remain at their current high level, revenues from corporate taxation of North Sea oil exploration will continue to boost the fiscal balance with the surplus remaining not far below the 2005 record of 4% of GDP. The effect of fiscal policy on economic activity is estimated to be broadly neutral, although tightening would be warranted.

House prices could pose risks

Gradually rising short- and long-term interest rates will help dampen the housing boom. A soft landing is still the central scenario, but if house prices continue going up at the exceptional pace seen lately, then a subsequent downward correction cannot be excluded. However, continued growth in employment and earnings should cushion household spending even if wealth effects from house price increases dissipate or reverse modestly. Large-scale mortgage equity withdrawals during 2005 are waiting to be spent. Meanwhile, even if falling a bit, house prices are so much above construction costs that residential investment should remain attractive.

Finland

Activity rebounded in the second half of 2005 after the labour dispute in the forestry industry was resolved. Growth is expected to pick up to an average of around 3% this year and next, driven by household consumption and exports. Wage and price inflation will remain moderate, despite a positive output gap, because of the moderate central wage agreement in place until the end of 2007.

Employment growth picked up strongly raising the probability that the government will reach its goal of increasing employment by 100 000 between 2003 and 2007, but it is less likely that the medium-term target of increasing the employment rate to 75% in 2011 will be reached. Achieving this target is important to mitigate the shock to both living standards and fiscal sustainability from rapid ageing. Further reforms to early retirement schemes and unemployment benefits are needed. Measures are required to raise productivity in the sheltered sectors of the economy.

Activity strengthened in the second half of 2005

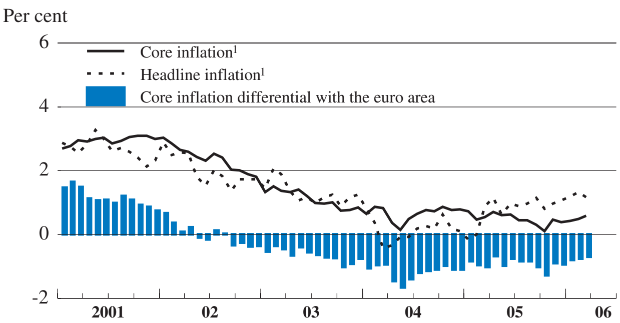
Activity strengthened towards the end of 2005 and GDP growth of 2.2% was recorded for the year as a whole. The growth profile during 2005 was distorted by a lock-out in the forestry industry in the first half of the year, which reduced exports, as well as by a temporary slowdown in the electronics industry. Income tax cuts were offset by increases in municipal taxes and employee pension contributions which damped growth in household disposable income. However strong consumer confidence, employment gains and an increase in borrowing helped maintain consumption growth and household saving turned negative. Strong exports during 2005 were more than counterbalanced by strong imports with net exports acting as a drag on output. Employment growth picked up surprisingly strongly during the past year with most new jobs created in private services and construction though the number of industrial jobs also increased for the first time in a number of years. At the same time the labour force increased as older workers remained in the labour force longer, which dampened the decline in unemployment; the unemployment rate fell to 8.4%. Harmonised consumer price inflation was only 1.2% in March 2006, the lowest in the euro area and was accounted for mainly by higher fuel prices.

The government surplus may deteriorate

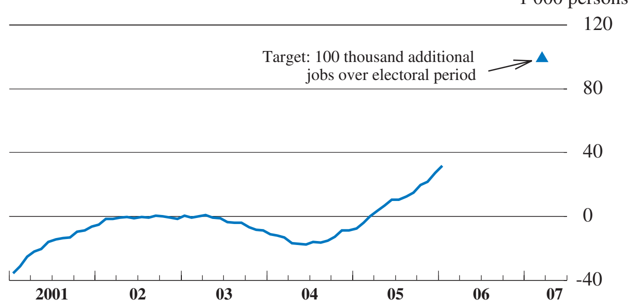
In the 2004 tripartite wage agreement the government announced a series of income tax cuts amounting to 1% of GDP over the coming three years to underpin wage moderation and support employment. The swift increase in employment

Finland

Inflation is the lowest in the euro area



Recent progress towards the employment target
Change in employment relative to March 2003[2, 3]



1. Year-on-year percentage changes. Harmonised index of consumer prices. Core inflation excludes energy, food, alcohol and tobacco.
2. Employment is measured as the average over previous 12 months to eliminate seasonal effects.
3. The last general election was in March 2003 and the election period is a maximum of 4 years.
Source: Statistics Finland and OECD, *Main Economic Indicators.*

StatLink: *http://dx.doi.org/10.1787/525003178360*

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	3.8	3.2	2.6
Government consumption	30.5	1.6	1.7	1.4	1.4	1.4
Gross fixed capital formation	26.6	-1.6	4.8	1.8	3.6	2.8
Final domestic demand	129.0	2.5	3.0	2.9	2.9	2.4
Stockbuilding[1,2]	0.5	0.4	0.5	0.1	-0.2	-0.1
Total domestic demand	129.6	2.4	3.3	3.4	2.2	2.3
Exports of goods and services	54.0	1.5	5.5	7.1	7.5	5.9
Imports of goods and services	42.7	2.6	6.1	10.2	6.5	5.2
Net exports[1]	11.2	-0.2	0.3	-0.4	1.0	0.8
GDP at market prices	140.9	2.4	3.5	2.2	3.4	2.8
GDP deflator	_	-0.3	0.3	1.6	0.5	0.9
Memorandum items						
GDP without working day adjustments	_	2.4	3.6	2.1	..	..
Harmonised index of consumer prices	_	1.3	0.1	0.8	1.0	1.4
Private consumption deflator	_	0.2	0.2	1.1	1.4	1.7
Unemployment rate	_	9.1	8.9	8.4	7.9	7.7
General government financial balance[3]	_	2.3	1.9	2.4	2.2	1.9
Current account balance[3]	_	4.3	5.0	2.7	2.3	2.0

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. Including statistical discrepancy.
3. As a percentage of GDP.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/582476654241*

during 2005 implies that the goal of the government to raise employment by 100 000 between 2003 and 2007 could be reached but the medium-term target of raising the employment rate to 75% remains ambitious. Government net lending is likely to deteriorate slightly as a consequence of the tax cuts together with the abolition of wealth tax in 2006. Nevertheless, the general government balance should remain in a comfortable surplus, which is mostly accounted for by the surplus of the pension funds.

Household consumption and net exports contribute to growth

Recent strong economic activity seems set to continue this year and the momentum is likely to be maintained in 2007, resulting in GDP growth averaging just above 3%, well above potential output growth. Net exports should start again to contribute to GDP growth, as paper and wood exports recover along with increases in transport equipment exports and transit exports of electronics to Russia. Nevertheless, reflecting increased competition and outsourcing of production in the electronics industry, there is a continued loss in export market share. Imports will remain strong reflecting transit imports from new EU-member countries. Business investment, particularly in machinery and investment, may only pick up gradually while strong residential investment is set to continue. Buoyant household consumption growth will be supported by tax cuts on earned income, although the savings rate should recover to some extent. Rising import prices and a positive output gap will push inflation up. However, the central wage agreement which runs until September 2007 will ensure that any pick-up in inflation is not reflected in higher nominal wage inflation and so help to cap price inflation.

Labour shortages may create pressures after 2007

There is a risk that current signs of labour supply shortages in certain sectors, such as construction, together with increasing job mis-match, will create wage pressures when the present wage agreement ends in 2007.

Greece

Activity slowed in 2005, as the waning of the Olympics-related stimulus and, to a lesser extent, higher oil prices weighed on domestic demand. The positive growth differential with the euro area, however, remained substantial. GDP growth should continue at around 3¾ per cent over the next two years, helped by a rebound in investment activity. Although inflation is set to diminish to around 3% by 2007, it will continue to exceed the euro area average – a trend that will at some point undermine competitiveness if it is not reversed.

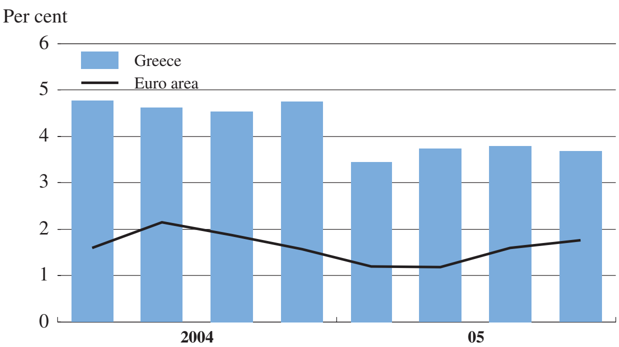
Wide-ranging reforms of the pension and health care systems are needed to ensure the sustainability of the public finances. Recent measures to improve the operation of public enterprises are welcome. The rigorous implementation of the National Reform Programme, which sets as priorities restoring sound public finances, improving the business environment and boosting productivity and employment, would create room for continued strong growth.

Output growth remains robust, and inflation is relatively high

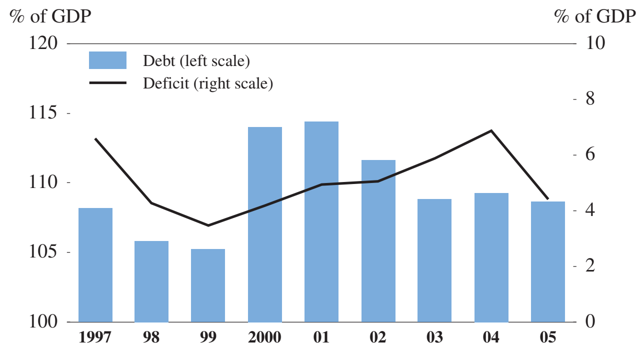
Real GDP grew by 3.7% in 2005, after expanding by nearly 5% in the previous year. The slowing mainly reflects a sharp decline in public investment spending in the post-Olympics period. Gross fixed capital formation fell by around 1½ per cent in 2005, after an annual average growth of around 8% over the previous five years. Consumption growth also weakened, but remained buoyant on the back of still rapid credit expansion. Net exports have also added to output growth, after several years of negative contribution, as import growth faltered following a surge in 2004. Higher oil prices, and to a lesser extent an increase in indirect taxes in April 2005, lifted harmonised consumer price inflation to 3.5% for the year as a whole. Core inflation, on the other hand, benefited from subdued unit labour cost growth and diminishing domestic demand pressures. The core inflation differential *vis-à-vis* the euro area averaged approximately 2 percentage points in 2005, but the gap narrowed significantly in early 2006. Unemployment declined to around 10½ per cent in 2005, but is still among the highest in international comparison. The current account deficit has widened, mainly as a result of a burgeoning trade deficit (largely due to a significantly higher oil bill), which has only been partially offset by a small increase in the services surplus.

Greece

Growth remains stronger than in the euro area[1]



Fiscal consolidation is underway



1. Year-on-year percentage change in real GDP.
Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/402315380373*

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	3.8	3.5	3.5
Government consumption	25.1	-2.1	3.9	3.0	1.5	1.5
Gross fixed capital formation[1]	33.8	13.7	5.7	-1.4	4.1	4.6
Final domestic demand	154.5	5.7	4.6	2.4	3.4	3.5
Stockbuilding[2,3]	0.0	0.0	0.0	0.0	0.0	0.0
Total domestic demand	154.6	5.7	4.6	2.4	3.4	3.4
Exports of goods and services	29.5	1.0	11.7	3.1	7.9	8.2
Imports of goods and services	41.7	5.2	9.3	-1.2	5.9	6.3
Net exports[2]	- 12.2	-1.4	-0.5	1.1	-0.1	-0.1
GDP at market prices	142.4	4.6	4.7	3.7	3.7	3.6
GDP deflator	_	3.5	3.6	3.4	3.5	3.4
Memorandum items						
Harmonised index of consumer prices	_	3.4	3.0	3.5	3.3	3.0
Private consumption deflator	_	3.4	2.9	3.7	3.4	3.1
Unemployment rate	_	10.4	11.0	10.4	10.0	9.7
General government financial balance[4]	_	-5.9	-6.9	-4.4	-3.0	-3.3
Current account balance[5]	_	-7.3	-6.4	-8.0	-7.8	-7.6

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 79 database.

StatLink: *http://dx.doi.org/10.1787/040648726172*

Fiscal consolidation is underway

The fiscal position improved significantly in 2005 with the general government deficit shrinking by 2½ percentage points of GDP to 4.5%. This reduction was achieved despite a considerable under-performance of tax revenues, and was due mainly to a sizeable fall in public investment outlays after the Olympic Games, accompanied by restraint in the growth of primary expenditure. The latest Stability Programme targets a deficit of 2.6% of GDP in 2006 being gradually reduced to below 2% by 2008. The deficit reduction in 2006 is helped by one-off measures worth 0.6% of GDP. On present policies, the OECD's projection is for a general government deficit of 3% of GDP in 2006 and 3.3% in 2007.

Activity should remain robust, but there are both internal and external risks

Real output is projected to grow by around 3¾ per cent over the next two years, thus outpacing the euro area average by a substantial margin. A rebound in investment activity from post-Olympic lows is expected to sustain domestic demand, compensating for a likely deceleration in consumption as a result of fiscal retrenchment. Low interest rates, and a number of investment-boosting initiatives, including a gradual lowering of corporate tax rates, a recent law providing fiscal incentives for private investment projects, and legislation covering public-private partnerships should support domestic activity over the projection period. Exports are set to increase in line with export markets, despite some further deterioration in cost-competitiveness, but import growth should also pick up in line with strengthening domestic demand, turning the growth contribution of the foreign balance slightly negative. On the domestic side two major uncertainties are whether inflation will ease to around 3%, and whether the projected improvement in the fiscal position will be realised. The main risks on the external side include developments in oil prices and the resilience of global growth.

Hungary

Sustained by strong exports and domestic demand, real GDP growth is expected to strengthen somewhat further this year, and remain close to 4½ per cent in 2007. However, employment has disappointed and the unemployment rate is not projected to fall below 7% despite moderate wage inflation.

The new government should set more realistic fiscal targets and implement them rigorously. Otherwise there is a risk of financial turbulence that could prove costly for the economy. A stronger commitment to fiscal consolidation would not only reduce short-term risks but also help growth prospects over the longer term.

Domestic investment and exports are boosting output growth

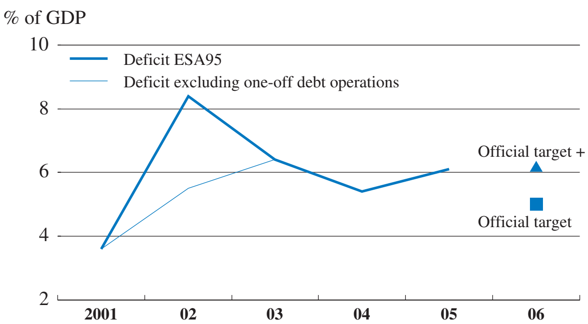
Output growth of about 4¼ per cent in 2005 was underpinned by gains in export growth on the back of a recovery of activity in export markets. Forward looking indicators point to even stronger growth in the short term, driven by buoyant exports and domestic demand. Brisk trade with other European Union (EU) countries is also visible in the robust growth of industrial production and has been helped by depreciation in the effective exchange rate since November 2005. Strong retail sales point to a revival of private consumption, even though the high weight of tradable products in the retail sales index also suggests robust imports. Investment is strong, with the pick up in motorway construction playing a major role. The current pace of GDP growth is not overheating the labour market; indeed, wage inflation has moderated and the unemployment rate has risen to above 7½ per cent.

Despite decelerating inflation, the room for monetary easing has narrowed somewhat

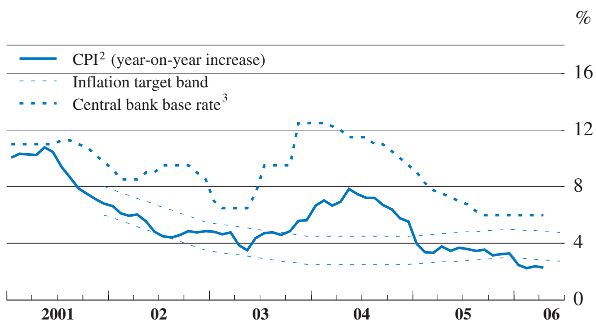
The downward trend of consumer price inflation from a high of 7½ per cent in mid-2004 has gathered pace due to reduction in value added tax (VAT), which has offset the combined impacts of oil price increases and forint depreciation. Headline inflation fell from 3.3% in December 2005, to 2.7% in January 2006 and subsequently to 2.3% in April. Lower than expected inflationary outcomes in services and signs that private sector wages have adjusted to the low inflation environment are making the central bank confident that its end-of-2006 inflation target of 3.5% (±1 percentage point) will be met. However, there has been downward pressure on the exchange rate, driven by some decline in the spread between forint-denominated debt and debt in euro area and US markets. Overall, the scope for further reductions

Hungary

Fiscal policy remains disappointing[1]



Inflation and interest rates have fallen



1. ESA95 accounts with effect of pension reform neutralised. Official target + is the official target including motorway expenses.
2. Consumer price index.
3. Monthly.
Source: Central Statistical Office; Eurostat; Ministry of Finance; National Bank of Hungary; OECD, *Main Economic Indicators*.

StatLink: *http://dx.doi.org/10.1787/031327243540*

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	2.4	4.0	3.4
Government consumption	3 954.6	6.2	1.7	-0.3	2.3	1.4
Gross fixed capital formation	3 916.9	2.5	8.4	6.6	7.1	7.0
Final domestic demand	16 994.9	6.5	4.1	2.8	4.4	3.9
Stockbuilding[1]	317.3	-0.3	-1.4	-2.8	-0.3	-0.1
Total domestic demand	17 312.1	6.2	2.8	0.2	4.3	4.0
Exports of goods and services	10 848.5	7.8	16.4	10.6	12.3	12.1
Imports of goods and services	11 245.4	11.1	13.2	5.8	11.9	11.7
Net exports[1]	- 396.9	-3.0	1.7	4.0	0.3	0.3
GDP at market prices	16 915.3	3.4	4.5	4.3	4.6	4.4
GDP deflator	_	6.6	4.8	2.5	1.5	2.8
Memorandum items						
Consumer price index	_	4.7	6.7	3.6	2.1	2.9
Private consumption deflator	_	4.3	4.5	5.4	2.3	2.9
Unemployment rate	_	5.9	6.2	7.3	7.2	7.1
General government financial balance[2]	_	-6.4	-5.4	-6.1	-5.8	-5.8
Current account balance[2]	_	-8.7	-8.6	-7.3	-7.7	-7.3

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/772526364051*

in the base rate has narrowed, even though there continues to be a positive nominal interest rate differential with most countries in the region.

The fiscal balance is weak

The lack of credible fiscal discipline is an important threat. The general government deficit for 2005 came in at 6.1% of GDP meeting the revised September target but substantially overshooting the initial 3.6% target. Although 2 percentage points of the slippage were due to accounting issues, most of the remaining part reflected overspending. For 2006, the budget deficit target is 5% of GDP taking into account the one-off effects of prior commitments on military spending (0.3% percentage points). However, a planned public-private partnership arrangement for highway construction worth 1.2 percentage points of GDP is not included in the target deficit. This suggests that the combined impact of the budget and the increase in public-private infrastructure investment is slightly expansionary.

Growth is expected to strengthen

Investment activity is expected to continue growing, helped by the realisation of plans for major public infrastructure projects. All in all, real GDP growth is projected to accelerate this year, remaining strong in 2007. Despite faster export growth, the current account deficit is not expected to fall by the end of the projection period due to stronger import growth. As the impact of the VAT cuts fades, inflation is set to increase from the second quarter of 2006. However, wage inflation is projected to remain moderate on the back of slowly falling unemployment and medium-term inflation targets will continue to be met.

Avoiding a hard landing requires prompt fiscal tightening

The main risk is a further loss of credibility in fiscal policy. The general government deficit is high by international standards and another large slippage from the budgetary target could well expose Hungary to a sudden change in foreign investors' appetite for its debt. Much will depend on the market's assessment of the fiscal stance of the new government.

Iceland

Very strong growth over the past two years has led to serious overheating, as evidenced by inflation well above the official target and a soaring current account deficit. With financial markets increasingly focusing on tensions and imbalances in the economy, the currency has dropped abruptly and the Central Bank has accelerated interest rate hikes to fend off ensuing inflation pressures.

Further substantial interest rate increases are needed to put inflation on a downward track toward the official target. Although government finances are in surplus, the expansionary effect of income tax cuts this year and next should be offset by spending restraint – in particular on public sector wages – until there are clear signs that inflation subsides.

Capacity pressures have kindled inflation

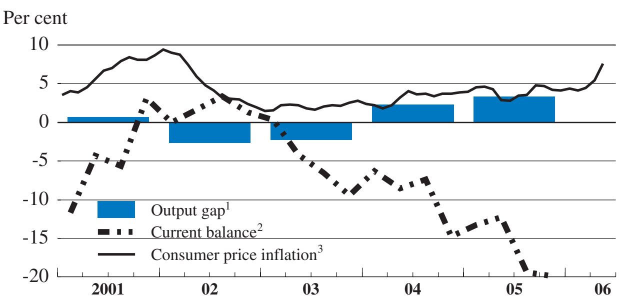
The economy expanded by 5½ per cent in 2005, driven by a 12% increase in private consumption and a 35% rise in gross fixed capital formation due both to large aluminium-related projects and strong residential investment. Growth in domestic demand of 15% was in part met by massive import growth (almost 30%). Revised data show that this followed upon economic growth of 8¼ per cent in 2004. This implies that significant capacity pressures emerged earlier and are more pronounced than assumed previously. With unemployment well below its estimated structural rate of 2¾ per cent, twelve-month wage growth has edged up to 8½ per cent. Together with substantial increases in housing costs, this has pushed inflation above the Central Bank's 4% upper tolerance limit. In May, 12-month consumer price inflation reached 7½ per cent. While house prices have decelerated somewhat, import prices have ceased to damp inflation.This reflects a swift reversal of the marked currency appreciation of the past two years, starting in late February when rating agencies and market analysts began to draw attention to Iceland's large current account deficit (16.5% of GDP in 2005) and growing external debt.

While monetary tightening has accelerated, the fiscal stance is easing

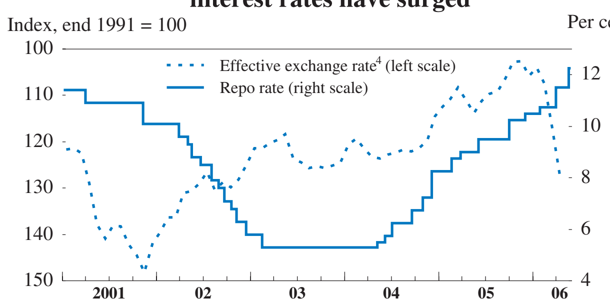
The latest rise by 75 basis points decided in mid-May lifted the Central Bank's policy rate to 12¼ per cent. In contrast to the preceding gradual increases, the more recent policy tightening had a significant effect on bond yields. However, it did not immediately arrest the decline in the exchange rate, and medium-term inflation expectations (as measured by the differential between non-indexed and indexed bond yields) have edged up to over 4%, outside the Bank's inflation tolerance band. This indicates that, markets do not seem to believe that current and projected interest rates will be high enough to attain the official inflation objective. The Bank has stated that

Iceland

Economic imbalances have increased



The exchange rate has plunged and interest rates have surged



1. As a per cent of potential GDP.
2. As a per cent of GDP.
3. Year-on-year percentage change.
4. Inverted scale. A rise therefore indicates an appreciation.
Source: OECD, Economic Outlook No. 79 database, Central Bank of Iceland and Statistics Iceland.

StatLink: *http://dx.doi.org/10.1787/723606744322*

Iceland: **Demand, output and prices**

	2002	2003	2004	2005	2006	2007
	Current prices ISK billion	Percentage changes, volume (2000 prices)				
Private consumption	445.6	5.9	7.2	11.9	5.3	0.8
Government consumption	202.1	1.6	2.9	3.2	2.5	3.0
Gross fixed capital formation	139.3	16.2	29.1	34.8	10.9	-14.7
Final domestic demand	787.0	6.6	10.3	14.9	6.1	-2.7
Stockbuilding[1]	- 0.2	-0.2	0.1	0.0	-0.1	0.0
Total domestic demand	786.9	6.4	10.4	14.9	6.0	-2.7
Exports of goods and services	305.6	1.6	8.4	3.5	8.9	10.0
Imports of goods and services	292.9	10.8	14.4	28.4	13.1	-2.3
Net exports[1]	12.7	-3.3	-2.5	-10.2	-3.1	4.5
GDP at market prices	799.6	3.0	8.2	5.6	4.1	1.4
GDP deflator	_	0.5	2.3	2.9	4.2	4.3
Memorandum items						
Consumer price index	_	2.1	3.2	4.0	5.6	5.3
Private consumption deflator	_	1.1	2.9	1.9	4.0	4.2
Unemployment rate	_	3.4	3.1	2.6	2.1	2.2
General government financial balance[2]	_	-2.0	0.3	3.2	2.0	-0.1
Current account balance[2]	_	-5.0	-9.3	-16.5	-15.4	-10.4

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

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/372603302186*

it will keep raising interest rates until it is convinced that a sufficient degree of tightening has been achieved to channel inflation and inflation expectations back toward its 2½ per cent target, even if this were to provoke a temporary contraction of the economy. On the fiscal front, the policy tightening in 2004-05 will be largely reversed this year and next. The general government financial balance had moved to a surplus of 3¼ per cent of GDP in 2005, helped by booming tax receipts. This surplus is expected to disappear by 2007 due mainly to substantial income and wealth tax cuts.

The outlook has deteriorated and risks have increased

The economic expansion is projected to slow down markedly in the period ahead as the aluminium-related investments near completion and household demand is adversely affected by high interest rates. The downturn is damped by the tax cuts and accelerating exports as aluminium production in the new facilities commences and the lower exchange rate improves Iceland's competitive position. Nonetheless, the current account deficit is projected to drop below the 10% of GDP mark only towards the end of the projection period. Inflation is expected to rise in the near term before edging down to 4% as the effects of house price increases moderate and capacity pressures diminish. The major risk to the outlook remains a harder landing of the economy associated with a sharp further correction in the exchange rate – which is assumed to remain constant – in the face of a still sizeable current account deficit, necessitating higher-than-assumed interest rates to put inflation on a downward track. Apart from the direct inflationary effect of the weaker currency through import prices, trade unions may demand a wage adjustment when multi-year agreements are reviewed this autumn. The timing of further proposed major investments in the aluminium and power sectors is also crucial to the adjustment process. Should some of them be launched immediately after the current ones are completed next year, this could have a significant effect on inflation expectations and complicate the stabilisation task of monetary policy.

Ireland

Despite a marked slowdown in exports, growth was strong in 2005 as government consumption and investment picked up. With private consumption firming, domestic demand is projected to continue to underpin rapid economic growth at 5% in 2006 and 2007.

The current pattern of real wage increases in excess of productivity growth could compromise future economic performance and entails inflationary risks. It is important that wage settlements in the current bargaining round reflect productivity developments. Rolling back anti-competitive regulation in services should be a priority as it would spur productivity growth and restrain inflation.

Growth is rapid but lopsided

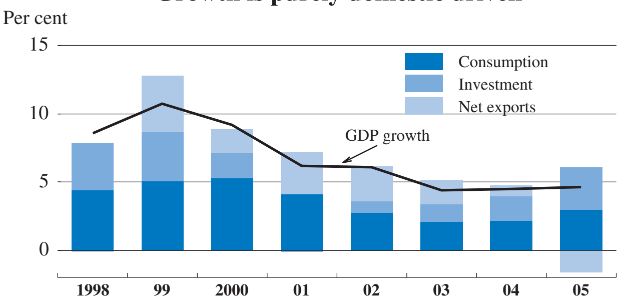
Driven by domestic demand, economic activity remained robust in 2005 with GDP expanding by 4.6%. Under the impetus of continued rises in property prices, construction kept growing and contributed 1.7 percentage points to overall output growth last year. Industrial production remained relatively weak. The shift in activity towards the construction and service sectors means that productivity growth has been unusually slow – output per worker did not grow at all last year. Buoyant demand for labour has been matched by strong inward migration and increased participation, with the unemployment rate remaining stable at around 4½ per cent. Even if the expansion of the labour force has boosted the economy's productive capacity, output remains above potential. The external side has been weak: exports slowed down markedly while domestic demand fuelled import growth, implying that net exports were a drag on growth.

Price pressures are building up, eroding competitiveness

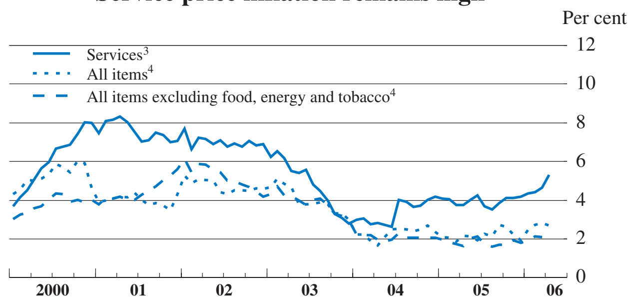
Robust income growth provides strong support to activity while monetary conditions remain very accommodative. Sustained increases in household income have translated into higher private consumption and accelerating retail sales. Despite oil price hikes and strong consumption, consumer price inflation has remained broadly in check. However, it is above the euro area average and price pressures are building as wages keep growing markedly even though productivity has stalled. These pressures are apparent in service price inflation, which reached 5.3% in April 2006. The wage-productivity disconnect implies that unit labour costs will keep increasing, slowly eroding the competitiveness of Irish exports. As interest rates are determined by

Ireland

Growth is purely domestic driven [1]



Service price inflation remains high [2]



1. Contribution to GDP growth for all series except GDP itself. GDP growth can deviate from the sum of the components shown because of stock building, chain linking and the statistical discrepancy in the national accounts.
2. Year-on-year percentage change.
3. National consumer price index.
4. Harmonised index of consumer prices.

Source: OECD, *Main Economic Indicators* and Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/715236735337*

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	3.3	5.1	5.8
Government consumption	22.0	2.4	3.9	9.2	5.3	5.3
Gross fixed capital formation	29.0	5.6	8.0	13.1	5.9	5.0
Final domestic demand	107.4	4.0	4.7	7.4	5.4	5.5
Stockbuilding[1]	0.8	0.5	-0.3	-0.5	0.0	0.1
Total domestic demand	108.2	4.6	4.3	6.8	5.4	5.5
Exports of goods and services	121.8	0.7	7.0	1.8	6.4	6.3
Imports of goods and services	99.5	-1.5	7.5	4.6	7.2	7.3
Net exports[1]	22.2	1.8	0.8	-1.6	0.3	0.2
GDP at market prices	130.4	4.4	4.5	4.6	5.0	5.0
GDP deflator	_	2.1	2.2	3.1	3.2	3.4
Memorandum items						
Harmonised index of consumer prices	_	4.0	2.3	2.2	2.5	3.0
Private consumption deflator	_	3.2	1.3	2.0	2.6	3.0
Unemployment rate	_	4.6	4.4	4.4	4.4	4.4
General government financial balance[2]	_	0.2	1.6	1.0	-0.3	-0.5
Current account balance[2]	_	0.0	-0.8	-1.9	-1.0	-0.5

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

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/265477551241*

the much weaker cyclical conditions of the whole euro area, short-term interest rates are close to zero in real terms and have no moderating effect on activity in Ireland.

Growth is expected to remain strong but unbalanced

Under the continued impulse of domestic demand, output is projected to grow above potential at 5% this year and in 2007. Consumption is set to be strong, fuelled by robust income growth combined with the pay-out of government-sponsored savings accounts (SSIAs) which will mature from May 2006 to April 2007. While most of this should be reinvested, some will be spent. The windfall will also give some temporary support to residential construction. Thereafter construction output is projected to adjust gently to more sustainable levels. Government investment is poised to be another strong component of domestic demand as the authorities step up investment programmes to address infrastructure gaps. As government current spending is planned to remain strong and the tax ratio is projected to fall in 2006-07, the fiscal stance is set to loosen, thus adding extra stimulus to the economy. As a result, inflation will creep up while unit labour costs keep rising. The deteriorating competitiveness of Irish products implies that net exports will contribute very little to growth in 2006 and 2007.

There are risks on both sides

The projections assume an unchanged exchange rate, but euro appreciation against the dollar, to which the Irish economy is more exposed than the other euro area countries, could bring net exports into negative territory and dent growth. On the other hand, if house prices keep booming rather than levelling off as projected, residential construction and private consumption could give a further boost to domestic demand. Potential increases in government spending prior to the election in 2007 could be another source of stimulus to the economy.

Korea

A further recovery in domestic demand, led by private consumption, is projected to boost economic growth to around 5% in 2006-07. Export growth is also picking up, led by exports to China, despite the significant appreciation of the won during the past 18 months. The stronger currency will help contain inflation within the central bank's medium-term target zone.

Monetary policy should focus on the medium-term inflation target, while concerns about rising housing prices in some regions should be addressed through tax measures and policies to increase supply. With domestic demand accelerating, fiscal policy should aim at the medium-term objective of a balanced budget by 2009. Regulatory reform, including greater labour market flexibility, is needed to improve the environment for business investment.

The recovery of domestic demand is driven by private consumption

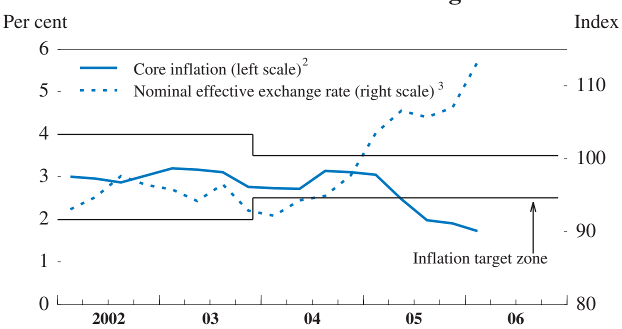
Private consumption increased in 2005 for the first time since the collapse of the consumer credit bubble in 2002, indicating that the negative impact of household debt problems is fading. Indeed, total credit to households increased by 10% in 2005, helping consumer spending to outpace income gains. Wage growth has been constrained by a decline in corporate profits, which has also slowed the rebound in business investment despite an acceleration in export growth since mid-2005. Corporate profits have been adversely affected by the terms of trade loss resulting from rising energy prices and falling semiconductor prices, as well as by the appreciation of the won. By the first quarter of 2006, the won had risen by 17% in trade-weighted terms from its level in the final quarter of 2004, helping to slow underlying inflation to below 2% (year-on-year) since mid-2005.

Monetary conditions have tightened considerably

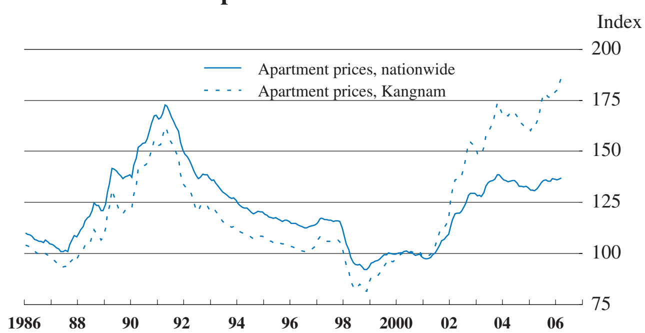
Although inflation is below the medium-term target of 2.5 to 3.5%, the Bank of Korea raised the short-term policy interest rate three times, from 3¼ to 4%, between October 2005 and February 2006. Combined with the appreciation of the currency, monetary conditions have thus tightened considerably. The interest rate hikes were a pre-emptive move to curb inflation and stabilise real estate prices. Although nation-wide housing prices increased by only 5.9% during 2005, the 13.5% rise in the Kangnam area of Seoul created concern, prompting new policy packages in August 2005 and March 2006 to slow the upward trend in housing prices. Given the emphasis on discouraging speculation, these packages are likely to have a negative impact on residential investment. Mean-

Korea

Inflation has fallen below the target zone[1]



Nationwide house prices remain stable in real terms[4]



1. In 2004, the Bank of Korea changed the target to a medium-term objective of 2.5 to 3.5.
2. Year-on-year percentage changes.
3. Calculated vis-à-vis 41 trading partners, 2000 = 100.
4. 2000 = 100. Deflated by the CPI.

Source: Bank of Korea; Kookmin Bank; OECD Economic Outlook database.

StatLink: *http://dx.doi.org/10.1787/061305237328*

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	-0.3	3.2	4.2	4.3
Government consumption	88.5	3.8	3.7	4.3	4.9	4.0
Gross fixed capital formation	199.0	4.0	2.1	2.3	3.3	3.8
Final domestic demand	668.6	1.0	1.0	3.1	4.0	4.1
Stockbuilding[1]	6.2	-0.4	0.5	-0.3	0.4	0.0
Total domestic demand	674.8	0.6	1.5	2.8	4.5	4.1
Exports of goods and services	241.2	15.6	19.6	8.5	9.0	11.1
Imports of goods and services	231.8	10.1	13.9	6.9	8.3	10.1
Net exports[1]	9.4	2.5	3.3	1.4	1.2	1.6
GDP at market prices	684.3	3.1	4.7	4.0	5.2	5.3
GDP deflator	_	2.7	2.7	-0.4	1.0	1.0
Memorandum items						
Consumer price index	_	3.5	3.6	2.8	2.5	3.2
Private consumption deflator	_	3.4	3.5	2.5	2.6	3.2
Unemployment rate	_	3.6	3.7	3.7	3.6	3.5
Household saving ratio[2]	_	3.9	4.7	4.3	4.3	4.2
General government financial balance[3]	_	0.4	2.5	2.7	2.7	2.8
Current account balance[3]	_	1.9	4.1	2.1	0.7	0.2

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 79 database.

StatLink: *http://dx.doi.org/10.1787/857511428324*

while, the fiscal stance is moving toward neutral in line with the medium-term target of a balance in the consolidated central government budget (excluding the social security surplus and the cost of financial restructuring) by 2009. The pace of government spending growth is projected to slow from 7.6% in 2005 to 6.5% in 2006, helping to reduce the budget deficit slightly from 0.8% of GDP in 2005.

Economic growth of around 5% is projected through 2007

The pick-up in domestic demand is projected to continue, resulting in a stronger and more balanced expansion of around 5% in both 2006 and 2007. The projected pick-up in consumption outlays depends on faster household income gains, which are likely to be realised as the unemployment rate declines further to 3½ per cent. Faster domestic demand growth is likely to push underlying inflation towards the midpoint of the central bank's target, assuming that the exchange rate stabilises, while bringing the current account close to balance by 2007. A key risk to a sustained expansion is a slowdown in private consumption, which faces headwinds from terms of trade losses, and perhaps as well from higher interest rates following the run-up in household debt, which stabilised at around 130% of disposable income as from 2002, up from 90% in 2000. There is a risk that the household sector may reverse the 2005 decline in its saving rate, which is now around 4%, compared to an average of 20% in the 1990s. Moreover, a continued squeeze on corporate profits, resulting from another marked deterioration in the terms of trade or further appreciation of the won, would weaken investment and limit wage increases. Finally, positive wealth effects resulting from rising house prices and the 54% increase in equity prices over the past year could be weaker, and perhaps even negative, given the impact of the real estate stabilisation programmes. On the upside, Korea's comparative advantage in Information and Communications Technology products and close trading links with China may result in a faster-than-expected rise in exports.

Luxembourg

Economic activity has been growing near its trend rate during the past two years (about 4%). This has been helped by rising exports of financial services, reflecting improved confidence in financial markets. With growth broadening to other sectors, including business services, employment gains have been substantial. Nominal wages, underlying inflation and headline inflation are all growing faster than in neighbouring countries.

The budget deficit increased to 1.9% of GDP in 2005. The authorities are determined to restore budget balance by the end of the legislature (in 2009). The focus should be on the reduction of the rapid growth of public expenditure, including social benefits. Fiscal consolidation would be helped by measures to moderate the levels of income replacement benefits, which would also strengthen residents' work incentives.

Economic growth remains strong

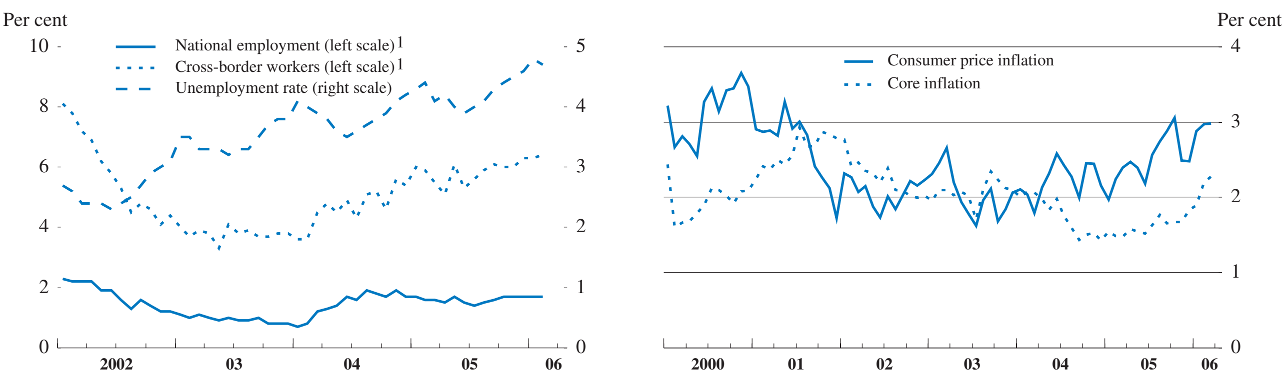
Output growth was robust in 2005, with real GDP estimated to have expanded at close to its trend rate of 4%. Activity was especially strong in the financial services sector, in particular in mutual fund management and administration, reflecting the improved confidence of international asset holders. A noticeable development is that the financial services sector was apparently unaffected by the recent introduction of the European Union (EU) savings directive. Exports of financial services have helped to keep the current account surplus stable at a high level, despite the negative effects of weak export market growth in other EU countries and the sharp rise in energy prices. Employment gains have been robust especially in financial institutions, but also in associated activities such as business services. However, some 70% of new jobs are being filled by cross-border workers so that unemployment among residents rose to 5%, reflecting mismatches in the labour market.

Core inflation is rising

Wage growth increased to over 3%, reflecting both the strong labour market and the automatic indexation of wages triggered by high headline inflation. Despite the postponement of the mid-2006 automatic increase of wages to the end of the year, the rise in core inflation is set to continue as the outlook for employment remains robust over the projection period.

Luxembourg

Employment gains benefit cross-border workers **Inflation is rising**[1]



1. Year-on-year percentage change.
Source: Central Service for Statistics and Economic Studies (STATEC).

StatLink: *http://dx.doi.org/10.1787/802661111555*

Luxembourg: **Demand, output and prices**

	2002	2003	2004	2005	2006	2007
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	10.1	2.4	2.6	2.3	2.8	2.3
Government consumption	3.9	4.5	3.0	2.5	3.4	3.1
Gross fixed capital formation	5.3	2.6	1.5	2.2	4.2	3.0
Final domestic demand	19.3	2.9	2.4	2.3	3.3	2.6
Stockbuilding[1]	- 0.1	0.5	-0.2	1.0	0.0	0.0
Total domestic demand	19.2	3.5	2.1	3.6	3.3	2.6
Exports of goods and services	33.8	3.7	10.1	8.9	9.3	8.1
Imports of goods and services	29.0	4.9	9.8	9.4	9.4	7.7
Net exports[1]	4.9	-0.8	2.6	1.2	1.9	2.5
GDP at market prices	24.0	2.0	4.2	4.0	4.5	4.5
GDP deflator	_	4.8	1.0	4.2	4.1	1.9
Memorandum items						
Harmonised index of consumer prices	_	2.5	3.2	3.8	3.5	2.8
Private consumption deflator	_	2.2	2.4	2.8	3.0	2.0
Unemployment rate	_	3.7	4.2	4.6	5.1	5.2
General government financial balance[2]	_	0.2	-1.1	-1.9	-1.7	-1.2

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

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/417664708272*

Fiscal policy is being tightened in the medium-term

The government has recently re-affirmed its commitment to reverse the fiscal deterioration of recent years and re-achieve a balanced budget by the end of the current legislature (in 2009). Fiscal adjustment is intended to be achieved on the expenditure side of the budget, through a moderation of salary increases, employment growth and new public investment. Less consolidation is expected to come from the revenue side of the budget, even though some taxes will be raised. Reflecting these measures, the budget deficit is projected to decline by ½ percentage point in 2007. As the impact of these measures will start to be felt in next year's budget, less consolidation is projected for 2006.

Continued growth, but rising unemployment

The economic expansion should continue close to present rates, reflecting an ongoing impulse from exports, and become more broad-based towards the end of the projection period as domestic demand picks up. The stimulus from public spending is assumed to diminish as the authorities implement measures to gradually reduce the budget deficit. Non-residents remain the main beneficiaries of the projected employment gains in the private sector, reflecting skill mismatches and high reservation wages, and the number of unemployed residents could thus exceed 5% of the labour force in 2007. Core inflation is set to continue to trend upwards as higher energy prices further feed into wages. Nevertheless, headline inflation will ease at the end of the projection period as energy prices are assumed to stabilise. The main risk surrounding these projections concerns developments in financial markets given the economy's large dependence on the mutual fund industry.

Mexico

The broad-based expansion is expected to continue, with GDP growth around 4% in both 2006 and 2007 and employment in the formal sector expanding. Inflation is set to be on target and the current account deficit should remain close to 1% of GDP.

In the context of uncertainty related to the 2006 elections, the government's prudent macroeconomic policy has reduced the economy's vulnerability to shocks. Faster growth of living standards requires a tax reform to finance development needs on a stable and predictable basis, while reducing distortions. Measures are also needed to improve the education system and the functioning of the labour market and to increase competition.

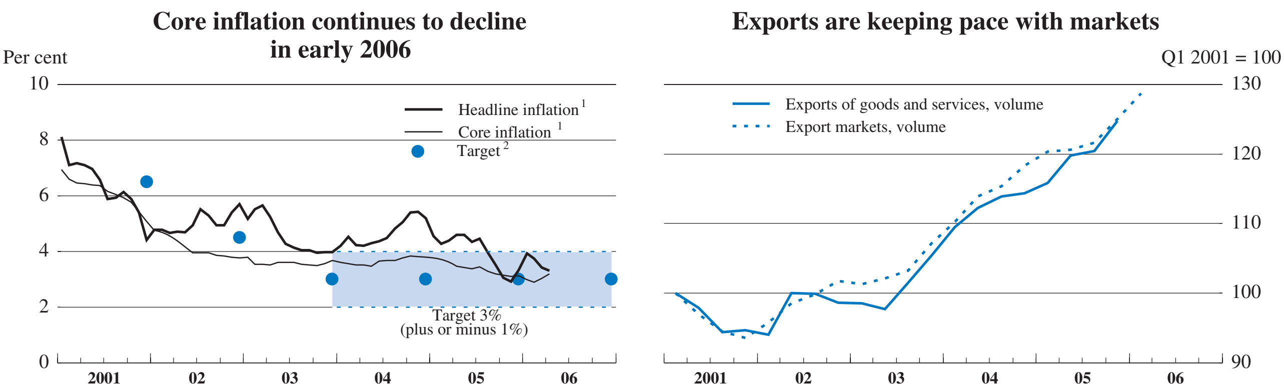
The expansion has become more broad-based

GDP growth gained momentum in the course of 2005 and employment in the formal sector picked up. A sharp acceleration in private consumption and investment after mid-2005 boosted growth, while bank credit recovered. Exports grew rapidly in the latter part of 2005 and early 2006, driven by the auto sector, but imports also boomed. The current account deficit came down to ¾ per cent of GDP in 2005, reflecting terms of trade gains from oil price increases and continued high migrant remittances. Strong employment growth in the formal sector, notably in services, helped bring the open unemployment rate down to 3½ per cent at the end of 2005. However, it is a poor indicator of labour market slack due to the absence of unemployment insurance and the existence of a large informal labour market. The peso appreciated against the dollar (and also in effective terms) during 2005 and into 2006, though with increased volatility more recently.

After some easing, the monetary stance is set to be neutral…

Consumer price inflation, after rising in January 2006 due to higher food and gasoline prices, moderated to 3.3% in April, year-on-year, close to the central bank's target of 3% and within its variability interval of plus or minus 1 percentage point. Core inflation has come down steadily, to around 3% in the first quarter of 2006. But inflation expectations for 2006 remain close to headline inflation, and contractual wages have been growing by around 4%. The Bank of Mexico lowered its short-term policy rate by 25 basis points at the end of March. Short-term interest rates declined, reaching 7.4% in April, down from 10% a year earlier. The projections are based on the assumption that short-term interest rates will resume their decline at the start of 2007, reflecting reduced inflation and less uncertainty after the elections.

Mexico



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: Bank of Mexico; OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/057727583162*

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	2.2	4.1	5.4	4.8	4.1
Government consumption	759.9	0.8	-0.4	0.5	2.0	0.1
Gross fixed capital formation	1 205.9	0.4	7.5	7.6	6.3	6.2
Final domestic demand	6 292.3	1.7	4.3	5.4	4.9	4.2
Stockbuilding[1]	89.0	-1.0	0.1	-1.6	-0.2	0.0
Total domestic demand	6 381.3	0.7	4.4	3.8	4.7	4.2
Exports of goods and services	1 681.1	2.7	11.6	6.9	8.8	7.4
Imports of goods and services	1 794.9	0.7	11.6	8.7	9.9	8.0
Net exports[1]	- 113.9	0.7	-0.3	-0.9	-0.8	-0.6
GDP at market prices	6 267.5	1.4	4.2	3.0	4.1	3.7
GDP deflator	_	8.6	7.4	5.4	5.4	3.1
Memorandum items						
Consumer price index	_	4.5	4.7	4.0	3.7	3.0
Private consumption deflator	_	7.1	6.5	3.3	3.4	3.3
Unemployment rate[2]	_	2.5	3.0	3.5	3.3	3.3
Current account balance[3]	_	-1.3	-1.1	-0.8	-0.7	-1.1

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 79 database.

StatLink: *http://dx.doi.org/10.1787/600403601133*

… while fiscal policy remains prudent

The budget deficit was on target in 2005, near balance, in a context of higher-than-budgeted oil and tax revenue. In line with the rules in place to distribute oil revenue windfalls, extra revenue was allocated: first, to finance public investment, including by the state oil company (PEMEX) and by sub-national governments; second, to improve the public sector balance; and third, to build up the oil-stabilisation fund. The broader public sector borrowing requirement (PSBR) also came down in 2005. While a reduction in oil-related revenues is assumed, the 2006 budget foresees a further decline in the PSBR to around 1½ per cent of GDP. Based on the oil price assumption underlying OECD projections, oil revenue windfalls are expected in 2006. Some of these will be spent, in line with the rules, providing some fiscal stimulus.

The short-term outlook is favourable

Export growth is expected to remain strong in 2006, although competition from China will probably continue to limit somewhat Mexico's export performance. In a context of reduced uncertainties, business investment is expected to strengthen in 2007, and household consumption should be supported by continued high employment growth. GDP growth is likely to remain around its potential rate (3½ to 4%). The current account deficit is expected to shrink somewhat in 2006, reflecting terms-of-trade gains, while foreign direct investment continues on a large scale.

There are negative and positive risks

There are risks related to foreign demand and the deterioration of Mexico's competitiveness in the new global environment, while uncertainties related to the national elections in 2006 could delay investment plans. On the other hand, positive confidence effects stemming from Mexico's macroeconomic stability could allow for a stronger rebound in activity. However stronger activity could not be sustained unless potential growth is raised, which requires structural reforms to strengthen tax revenue, improve the education system and the functioning of the labour market and to increase competition.

Netherlands

Economic growth continues to accelerate in the first half of 2006. Export growth is being pulled along by improved competitiveness and fast-growing export markets. Business investment is benefiting from buoyant corporate profits. The recovery should broaden as private consumption gains strength on the back of higher employment, reaching 2.8% next year. Inflation is low, but should move towards the euro area level by the end of 2007.

The fiscal position has improved considerably in the last two years and is set to remain balanced in cyclically-adjusted terms in 2006-07. However, in view of the large unfunded pension liabilities falling due in the long term, efforts should be undertaken to achieve larger structural surpluses.

Growth has picked up…

The economic recovery is gaining speed. Real GDP is growing above potential in the first half of 2006, mainly driven by stronger exports and business investment, the latter benefiting from improving profits and a rapid replacement cycle in information and communication technology equipment. Despite high energy prices, private consumption is increasingly contributing to the recovery and consumer confidence is improving, thanks to the improvement of labour market trends and the recent dissipation of uncertainty regarding the impact of the health care reform on social security contributions. Reflecting the improved economic situation, the unemployment rate has declined since the last quarter of 2005.

… while prices and wages have decelerated further

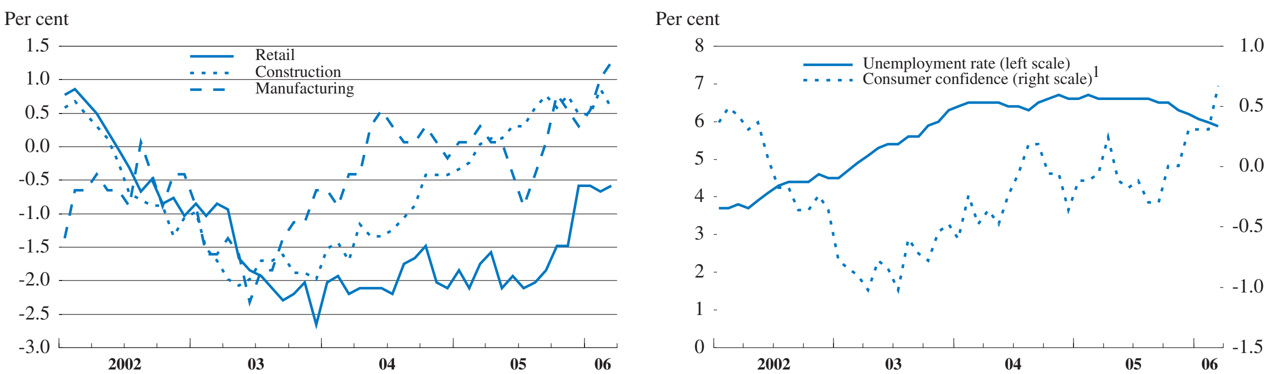
Even though the economy is recovering, a significant negative output gap remains, so that wage growth has been very moderate, with contractual wages rising less than 1% in 2005. This has contributed to bringing down core consumer price inflation to ¾ per cent in 2005. The latter has been instrumental in preventing headline inflation from rising above 2 per cent in 2005 despite rising energy prices.

The fiscal position is balanced

Strong company tax revenues and the government's consolidation measures (mainly on the expenditure side, such as lower social expenditure) have brought the budget deficit to ¼ per cent of GDP in 2005. Based on announced policies, some fiscal deterioration is expected for 2006, with the budget deficit reaching ½ per cent of

Netherlands

Business confidence continues to rise | **Consumer confidence boosted by falling unemployment**



1. Mean-centered, seasonally adjusted.
Source: OECD, *Main Economic Indicators*.

StatLink: *http://dx.doi.org/10.1787/773413750260*

Netherlands: **Demand, output and prices**

	2002	2003	2004	2005	2006	2007
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption[1]	233.0	-0.7	0.0	0.3	-2.6	1.2
Government consumption[1]	110.2	2.4	0.0	0.5	8.5	1.5
Gross fixed capital formation	92.9	-3.5	2.9	2.2	3.0	3.1
Final domestic demand	436.2	-0.5	0.6	0.8	1.5	1.7
Stockbuilding[2]	- 1.3	0.2	0.2	-0.5	0.0	0.0
Total domestic demand	434.9	-0.3	0.8	0.2	1.5	1.7
Exports of goods and services	298.5	2.0	8.5	5.9	7.3	7.5
Imports of goods and services	268.1	2.0	7.8	5.1	6.6	6.7
Net exports[2]	30.3	0.1	0.9	0.9	1.0	1.3
GDP at market prices	465.2	-0.1	1.7	1.1	2.4	2.8
GDP deflator	_	2.5	0.9	1.6	1.7	1.3
Memorandum items						
Harmonised index of consumer prices	_	2.2	1.4	1.5	1.7	1.8
Private consumption deflator	_	2.2	1.1	1.7	-0.2	1.3
Unemployment rate	_	4.1	4.9	5.0	4.1	3.4
Household saving ratio[3]	_	8.5	8.4	5.7	6.3	5.5
General government financial balance[4]	_	-3.2	-2.1	-0.3	-0.5	-0.1
Current account balance[4]	_	5.5	8.9	6.4	9.5	10.1

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. 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 79 database.

StatLink: *http://dx.doi.org/10.1787/723037037533*

GDP, as incentives for companies to pay taxes in advance are removed, while at the same time excess tax payments from 2005 will be reimbursed in the course of the year. With growth exceeding its potential rate, however, the general government deficit will move close to balance in 2007, while the cyclically-adjusted fiscal position is projected to remain unchanged.

The recovery is set to broaden

GDP growth should continue to benefit from strong export performance, thanks to faster growth in export markets and better price competitiveness. Business investment is expected to pick up, reflecting improved order books and stronger profits. Employment growth should continue to strengthen, reducing the unemployment rate to 3.4 per cent by end-2007. Together with improved consumer confidence, this should strengthen private consumption further. With the output gap narrowing, consumer price inflation and wage growth are expected to pick up towards the end of the projection period.

External risks are on the downside

On the external side, the main risk is that international trade grows less robustly than expected. The main risk to domestic demand is that a further rise in oil prices may weigh on private consumption.

New Zealand

Activity is projected to pick up gradually as the economy responds to the sizeable exchange rate depreciation by switching to tradeables production. But the lower exchange rate along with fiscal stimulus will slow the dissipation of inflationary pressures as output falls below potential. Investment is projected to fall further before levelling out, while employment is expected to remain flat and unemployment to rise.

Significant monetary easing from the second half of this year onwards should underpin the recovery, although the economy will still have spare capacity at the end of the projection period. Judgements around the timing and speed of interest rate cuts may be difficult: easing either too early or too late could carry significant costs.

Output has faltered while consumption has sustained demand

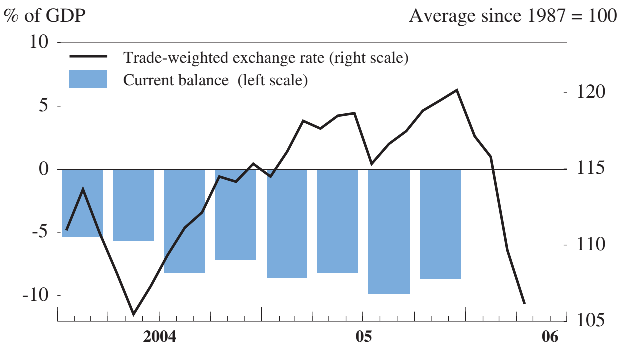
The economy is currently going through a sharp correction to redress the macroeconomic imbalances that have developed. Output stalled in the last quarter of 2005 as rising cost pressures and declining profits induced businesses to adjust production, reduce inventories and scale back fixed investment. Tradeables were suffering from the effects of the previously high level of the New Zealand dollar, and the prices of export commodities declined from their lofty levels. The current account deficit widened to 8.9% of GDP in the December quarter, despite a large fall in import volumes. Since then, the exchange rate has depreciated sharply, shedding 10% in value over the course of the first quarter, improving prospects for exporters. This has helped to lift business confidence slightly, although it still remains subdued. While government consumption (excluding military expenditures) continues to expand rapidly, household consumption growth is slowing, although spending through the rest of the year will be underpinned by increased transfers in the Working for Families package and the elimination of interest on student loans. These are offsetting, at least partially, the household income effects that would be associated with weaker production. Labour market indicators are mixed. Labour shortages have eased, and unemployment jumped in the March quarter to 3.9%. Nonetheless, employment continued to expand.

Inflationary pressures are delaying monetary policy easing

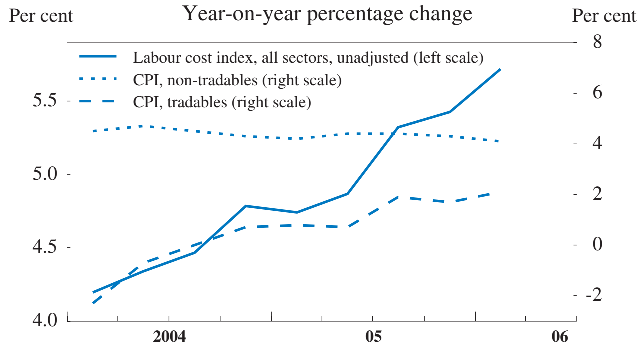
Recent high wage growth and higher import prices make it difficult for businesses to restore profitability without lifting prices. Indeed, consumer price inflation accelerated to 3.3% in the 12 months to March 2006, even though this does not yet incorporate much pass-through from the recent currency depreciation. House prices are also continuing to rise, although at a decelerating rate, and houses are taking longer to sell.

New Zealand

The exchange rate has fallen sharply



Wage and price pressures are still strong



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

StatLink: *http://dx.doi.org/10.1787/355545316816*

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

	2002	2003	2004	2005	2006	2007
	Current prices NZD billion	Percentage changes, volume				
Private consumption	75.7	5.5	6.5	4.6	1.1	1.1
Government consumption	22.6	1.9	5.7	5.3	5.4	3.3
Gross fixed capital formation	27.6	11.4	13.2	4.3	-3.9	-2.7
Final domestic demand	125.9	6.1	7.9	4.7	0.7	0.7
Stockbuilding[1]	1.4	-0.3	0.4	-0.3	-1.8	0.0
Total domestic demand	127.3	5.8	8.2	4.3	-1.1	0.7
Exports of goods and services	42.8	2.8	5.6	-0.3	7.3	9.2
Imports of goods and services	41.2	8.5	16.6	6.4	0.1	4.9
Net exports[1]	1.6	-1.8	-3.2	-2.0	2.0	1.2
GDP at market prices	129.0	3.9	4.3	1.9	1.3	1.9
GDP deflator	_	1.7	3.7	2.5	1.9	2.3
Memorandum items						
GDP (production)	_	3.4	4.3	2.2	1.1	1.9
Consumer price index	_	1.8	2.3	3.0	3.5	2.9
Private consumption deflator	_	0.4	1.0	1.5	3.0	2.8
Unemployment rate	_	4.6	3.9	3.7	4.3	4.9
General government financial balance[2]	_	6.3	5.9	5.8	4.6	4.0
Current account balance[2]	_	-4.3	-6.6	-8.8	-9.4	-8.6

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

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 79 database.

StatLink: *http://dx.doi.org/10.1787/187582665263*

Inflation expectations have fallen slightly from their peak, but they are still hovering close to 3%, the upper level of the Reserve Bank's policy target band. Given the inflationary steam still evident in the economy, the Reserve Bank raised the official cash rate to 7.25% in December and has kept rates on hold since then. Weak activity in the first half of 2006 is likely to eliminate any remaining excess demand, but inflationary pressures still in the pipeline will make it difficult to cut rates before the second half of the year, at the earliest. However, with a negative output gap, significant projected monetary easing will bring the economy back towards potential output.

The recovery will be export-oriented

After a subdued first half of this year, economic activity is projected to gradually pick up pace, with a shift from domestic demand to export-led growth. This will also help to rein in the current account deficit. Households' consumption growth will be relatively modest as they adjust to higher mortgage interest rates and more stable house prices, as well as weaker job prospects. Employment is projected to remain fairly flat while unemployment rises, attenuating wage gains. But private investment is projected to continue to fall for several quarters before stabilising next year. With moderate GDP increases and a negative output gap next year, inflationary tensions are expected to dissipate before the end of the projection period.

The timing of monetary easing is the main risk

The main risk to the projection is the timing of monetary policy decisions. Easing too early would allow second-round effects from the exchange rate depreciation to become embedded in inflation expectations, while easing too late could incur unnecessary losses in output and employment. A further complication is uncertainty around how households might adjust their spending and saving patterns as house prices stabilise.

Norway

Mainland Norway has been growing above potential for almost three years. Growth is projected to slow to 3¼ per cent in 2006 and decline somewhat further in 2007 in response to a slowing in petroleum sector investment. With the output gap nonetheless remaining positive, inflationary pressures are likely to build up.

In the current period of robust growth and fast rising oil export receipts, a tighter fiscal stance is required. This should lead to a lesser utilisation of oil revenues by the government, in line with the symmetry requirement of the fiscal rule. Barring adverse variation in the exchange rate, a rapidly disappearing slack calls for a return to a more neutral monetary stance.

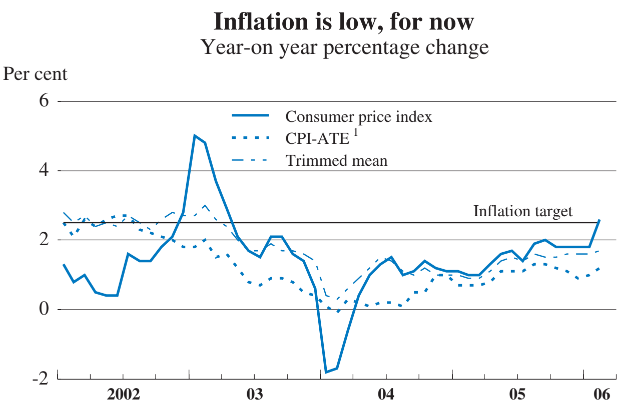
Domestic demand is now supported by investment

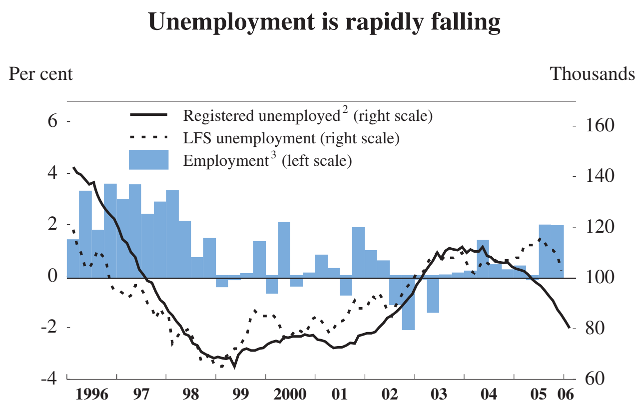
The mainland Norwegian economy grew by 3.7% in 2005. Capacity utilisation has been rising fast, notably in the construction and manufacturing sectors. Household demand has remained solid. The upturn in mainland business investment now seems entrenched. Fixed investment in the petroleum sector increased sharply in late 2005, resulting in growing demand for goods and services produced by the mainland economy. Employment recovered briskly in the fall and pushed the unemployment rate down to 4.2% in early 2006, despite a rapidly growing labour force. So far, core inflation remains extremely low, because of weak import prices and strong competitive pressures. Yet, rapidly disappearing economic slack and rising wage claims will increasingly raise the risks of mounting inflationary pressures.

Macro policies are turning cautiously neutral

Mainland Norway is still showing some signs of mild imbalances. Real interest rates are low and household credit growth keeps accelerating. The Norges Bank has continued to proceed with small and not too frequent interest rate increases, leading to a slow removal of monetary stimulus. Despite past interest rate increases, monetary conditions are likely to remain supportive in the near term. Public spending growth slowed in 2005, reflecting a substantial decline in defence spending, but reduction in tax rates provided a slightly expansionary stance. In 2006, new public spending and transfers to local governments are intended to be financed by raising indirect taxes. Following the former coalition's plan, marginal tax rates on high wage income will be cut and a dividend tax reintroduced. The new government confirmed

Norway





1. CPI adjusted for tax changes and outstanding factors, excluding energy products.
2. Including persons on labour market programmes.
3. Quarter-on-quarter percentage changes at annual rates.
Source: Statistics Norway, Directorate of Labour and Norges Bank.

StatLink: *http://dx.doi.org/10.1787/284535172122*

Norway: **Demand, output and prices**

	2002	2003	2004	2005	2006	2007
	Current prices NOK billion	Percentage changes, volume (2003 prices)				
Private consumption	680.7	2.9	4.7	3.8	3.6	2.9
Government consumption	338.5	1.3	2.2	1.4	2.0	2.3
Gross fixed capital formation	274.7	0.2	8.1	10.8	13.5	2.6
Final domestic demand	1 293.8	1.9	4.8	4.7	5.5	2.7
Stockbuilding[1]	17.8	-0.3	1.2	0.0	-1.0	0.0
Total domestic demand	1 311.6	1.5	6.1	4.6	4.1	2.7
Exports of goods and services	624.4	0.2	0.6	0.5	1.6	2.0
Imports of goods and services	416.9	1.1	8.9	6.7	6.6	3.1
Net exports[1]	207.5	-0.2	-2.2	-1.7	-1.1	0.1
GDP at market prices	1 519.1	1.1	3.1	2.3	2.5	2.2
GDP deflator	_	2.6	5.6	8.5	8.2	3.4
Memorandum items						
Mainland GDP at market prices[2]	_	1.4	3.8	3.7	3.3	2.6
Consumer price index	_	2.5	0.5	1.5	2.2	2.6
Private consumption deflator	_	2.8	0.9	1.2	2.3	2.6
Unemployment rate	_	4.5	4.5	4.6	4.0	3.8
Household saving ratio[3]	_	9.5	9.6	11.8	6.3	5.9
General government financial balance[4]	_	7.5	11.7	15.8	18.5	18.5
Current account balance[4]	_	13.0	13.6	16.8	22.0	23.1

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

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. GDP excluding oil and shipping.
3. As a percentage of disposable income.
4. As a percentage of GDP.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/477426833115*

the objective of a stabilisation of the non-oil structural deficit as a share of mainland GDP for 2006, reducing the deviation from the fiscal rule after three years of substantial overshoots.

Robust and broadly based growth ahead

Mainland GDP is projected to expand at 3¼ per cent in 2006, still above potential. Oil related investments should reach record levels in mid-2006, supporting business activity in the mainland economy. Because of the gradual removal of fiscal and monetary stimulus and the completion of outstanding projects related to petroleum production, growth should slow to somewhat below 2¾ per cent in 2007, close to the potential rate. Domestic demand, however, is likely to remain solid. In this context, employment creation in the business sector should remain firm over the next two years, with the unemployment rate falling rapidly to below the estimated structural level. Together, with easy monetary conditions, this should underpin robust private consumption. With record-high profitability and some labour shortages in manufacturing, the spring round of this leading sector could send a signal of wage acceleration.

Rising risks on the domestic front

The strength of global growth and developments in oil and commodity prices will still have a considerable influence on the Norwegian economy. On the domestic front, as the upturn seems entrenched, the main source of uncertainty comes from the ability of macro policies to steer the currently buoyant activity back to its potential and to limit inflationary pressures.

Poland

Driven by domestic demand, economic activity should gain strength in 2006 and 2007. Employment is projected to continue to grow and unemployment to fall. Productivity growth may also recover somewhat but not to the rates achieved earlier in the decade. Inflation is likely to increase but remain below the central bank's target of 2½ per cent.

With low inflation expected until 2007, monetary policy could be eased further. Despite a narrowing of the budget deficit in 2005, fiscal consolidation remains a key challenge. Structural reforms are needed to contain social spending, to enhance productivity gains and to ensure that they will be coupled with strong economic growth.

Growth was robust in late 2005

Economic activity accelerated in the second half of 2005, with real GDP increasing at a 4.2% rate (year-on-year); data for the first quarter of 2006 suggest that industrial production continued to grow strongly. Investment, partly stimulated by European Union (EU) funds, was an important driver of demand after a disappointing performance in early 2005. With the zloty continuing to appreciate up to February 2006, export growth has moderated and imports have accelerated; net exports have thus contributed less to growth than at the beginning of 2005. Despite lower GDP growth in 2005 than in 2004, employment accelerated and unemployment continued to fall. As a result, labour productivity growth fell significantly. Wage gains picked up at the end of 2005, underpinning consumption and household confidence.

Monetary conditions have relaxed

With the zloty appreciation and despite accelerating wages, inflation fell to 0.4% (year-on-year) in March and has been below the floor of the central bank's target band (1½ to 3½ per cent) since September 2005. Core inflation has also been very low. Policy interest rates followed inflation down and were cut in January and again in February of this year by 0.25 percentage point each time. The projections embody a further ¼ point cut in mid-2006 and a modest rise in 2007 as growth continues and rates rise elsewhere in Europe.

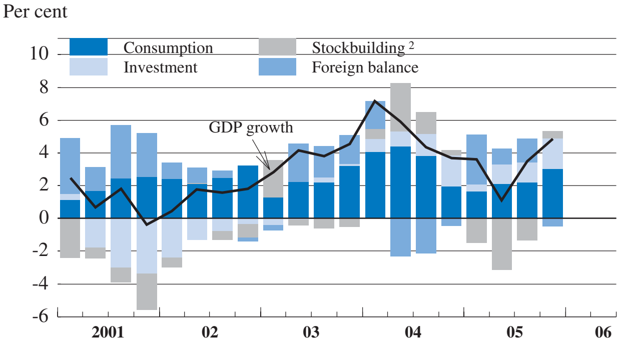
Fiscal consolidation remains a challenge

The general government deficit is estimated to have shrunk from 3.9% in 2004 to 2.5% of GDP in 2005. This is on the current Eurostat definition which classifies private pension funds inside the general government sector. The underlying deficit, with private pension funds classified in the private sector, as will be the case from 2007, is higher (4.4% of GDP in 2005). The improvement in 2005 was achieved even though expenditure as a share of GDP increased, pushed by the contribution to the EU budget and government consumption. Revenues increased even more, partly because of a one-off shift of value-added tax revenues from 2004 to 2005. In 2006, on unchanged policies, continued

Poland

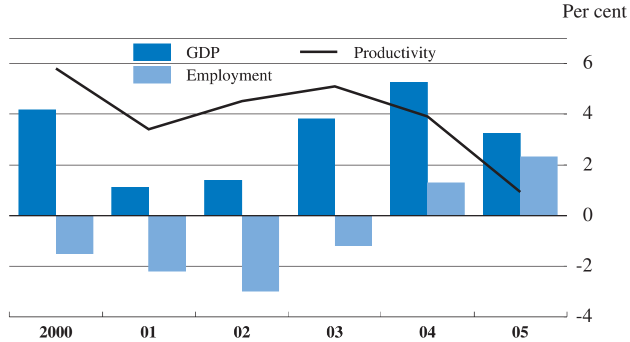
Domestic demand is boosting growth

Contributions to growth[1]



Productivity gains have slowed

Annual growth rate



1. Percentage change from same period of previous year.
2. Including statistical discrepancy.
Source: OECD Economic Outlook79 database.

StatLink: *http://dx.doi.org/10.1787/304182030031*

Poland: **Demand, output and prices**

	2002	2003	2004	2005	2006	2007
	Current prices PLZ billion	Percentage changes, volume (2000 prices)				
Private consumption	539.5	1.9	3.9	2.1	3.0	3.7
Government consumption	145.4	4.9	4.2	4.2	3.8	3.8
Gross fixed capital formation	151.5	-0.1	6.3	6.2	9.0	8.5
Final domestic demand	836.4	2.1	4.4	3.2	4.2	4.6
Stockbuilding[1]	- 0.9	0.6	1.6	-1.1	0.1	0.0
Total domestic demand	835.6	2.7	5.8	2.1	4.4	4.6
Exports of goods and services	231.5	14.2	14.0	8.1	9.0	9.2
Imports of goods and services	259.2	9.3	15.2	4.9	8.7	9.1
Net exports[1]	- 27.7	1.1	-0.8	1.1	0.1	0.0
GDP at market prices	807.9	3.8	5.3	3.3	4.4	4.6
GDP deflator	_	0.4	4.0	2.8	1.5	1.8
Memorandum items						
Consumer price index	_	0.7	3.4	2.2	1.0	1.7
Private consumption deflator	_	0.4	3.1	2.0	1.2	1.7
Unemployment rate	_	19.6	19.0	17.7	16.8	15.7
General government financial balance[2,3]	_	-4.7	-3.9	-2.5	-2.8	-2.6
Current account balance[2]	_	-2.1	-4.2	-1.5	-1.6	-1.7

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

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. As a percentage of GDP.
3. With private pension funds (OFE) classified inside the general government sector. If OFE were classified outside the general government sector, as will be the case at the time of the spring 2007 Eurostat notification, the general government balance would be as follows: -6.3 in 2003, -5.6 in 2004, -4.4 in 2005, -4.7 in 2006 and -4.5 in 2007.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/444865100158*

strong expenditure growth and less buoyant revenue would lead to an increase in the deficit. It could then fall slightly in 2007 as growth continues and the labour market improves. The authorities intend to cut taxes and social security contributions but they have not announced how such cuts will be financed without raising the deficit.

The recovery should gain strength

Activity should accelerate this year. Investment will be an important driver of growth as the increasing use of EU funds feeds through into new projects. As investment picks up, employment should continue to rise and consumption to strengthen. More dynamic domestic demand will boost imports. Despite a high zloty, strong export growth should continue, stimulated by improving economic outcomes in Poland's trading partners, although net exports are expected to make a smaller contribution to GDP expansion. Productivity is projected to recover slightly. With unemployment still high, although falling, wages are not likely to grow too strongly. Unit labour costs could therefore decelerate somewhat. While inflation may increase a little, it should remain low.

The government should avoid pushing up wage inflation

If productivity gains remain low, wage inflation could threaten the recovery. Wage rises announced for the public health-care sector may spill over into private-sector negotiations; the government should not grant such increases in other sectors where they are less justified. Meanwhile, despite low inflation, it is difficult for the central bank to relax monetary policy significantly while doubts remain about fiscal prospects. The government should implement plans to rationalise public finances. While the intended tax cuts would improve labour market performance by lowering the tax wedge, it is important that the means are found [within the budget] to fund the cuts as well as the announced public sector wage increases.

Portugal

The Portuguese economy grew by only 0.3% in 2005. With buoyant export markets, a recovery in exports and GDP is expected in 2006 and growth should reach 1½ per cent in 2007. The large negative output gap should allow a decline in price inflation towards the euro area average; and high unemployment is projected to lead to moderation in wage growth, which will help to improve Portugal's competitiveness.

The high level of the fiscal deficit means that it is crucial to sustain on-going consolidation efforts. Besides tax increases and current measures to control the public sector wage bill in the short term, decisive action should continue to better control primary spending. Further efforts to raise Portugal's human capital, modernise the economy and increase competition are essential for a return to sustained economic growth.

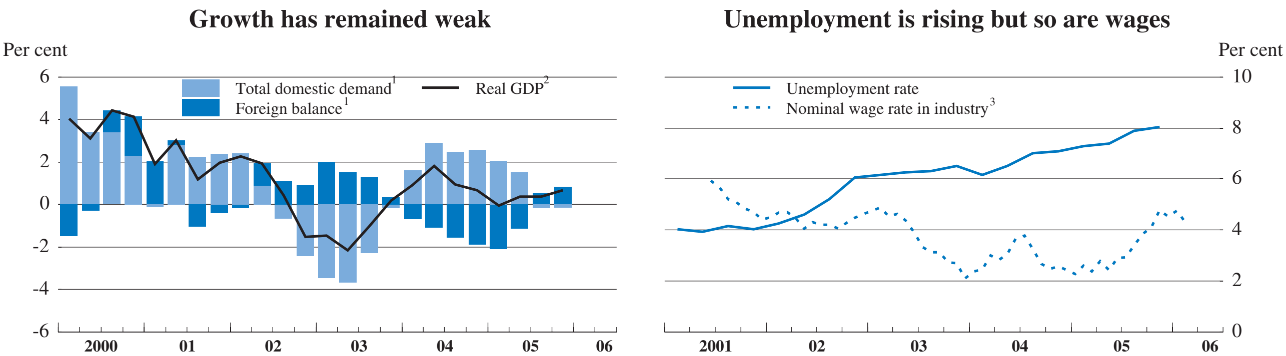
Growth is weak and economic imbalances are pronounced

The Portuguese economy grew by only 0.3% in 2005. Investment fell and the investment-to-GDP ratio is now back at levels seen prior to the boom that occurred in the run up to adopting the euro. The unemployment rate rose to 8%, but real wages increased faster than productivity, suggesting that real wage adjustments have become more difficult in the current low inflation environment. However, core inflation continued to decline. With marked export market share losses, the net export contribution to growth remained negative and the terms of trade deteriorated, resulting in a current account deficit of over 9% of GDP.

Fiscal consolidation remains a challenge

The removal of one-off measures and strong upward pressure on public spending led to a further increase in the fiscal deficit in 2005 to 6% of GDP. The government has embarked on a fiscal consolidation programme under the European Commission's excessive deficit procedure, aimed at attaining a budget deficit below 3% of GDP by 2008. On the revenue side, the value-added tax (VAT) rate was increased in July 2005 and a new higher income tax rate (coming in at a very high income level by Portuguese standards) has been created. On the spending side, an increase in the minimum retirement age for state employees from 60 to 65 (in line with the private sector) as well as a reduction in public servant numbers and a limit on public sector wage increases have been announced. More in-depth reforms are being implemented to limit future spending growth and improve government efficiency. Government consumption is expected to grow at a rate well below the long-run average and to decline as a share of GDP. With tax increases and better revenue collection, total revenue should increase as a share of GDP. The deficit is

Portugal



1. Contributions to annual per cent change in real GDP. Percentage points.
2. Year-on-year percentage changes.
3. Moving average over 6 months, year-on-year percentage changes.
Source: National Institute of Statistics (INE); OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/235156280380*

Portugal: **Demand, output and prices**

	2002	2003	2004	2005	2006	2007
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	85.4	0.1	2.4	2.0	1.2	1.9
Government consumption	27.1	0.3	2.0	1.7	0.2	-0.4
Gross fixed capital formation	33.8	-10.0	0.9	-2.9	-0.7	2.8
Final domestic demand	146.4	-2.2	2.0	0.9	0.6	1.7
Stockbuilding[1]	0.3	0.0	0.2	-0.2	-0.1	0.0
Total domestic demand	146.7	-2.2	2.2	0.7	0.5	1.7
Exports of goods and services	37.9	3.7	4.5	0.9	4.0	5.6
Imports of goods and services	49.1	-0.4	6.8	1.8	2.7	5.0
Net exports[1]	- 11.3	1.3	-1.3	-0.5	0.1	-0.3
GDP at market prices	135.4	-1.1	1.1	0.3	0.7	1.5
GDP deflator	_	2.7	2.8	2.7	2.8	1.8
Memorandum items						
Harmonised index of consumer prices	_	3.3	2.5	2.1	2.7	2.1
Private consumption deflator	_	2.8	2.6	2.6	2.6	2.0
Unemployment rate	_	6.3	6.7	7.7	7.9	7.7
Household saving ratio[2]	_	10.8	10.1	9.9	9.6	9.6
General government financial balance[3]	_	-3.0	-3.2	-6.0	-5.0	-4.5
Current account balance[3]	_	-5.2	-7.4	-9.3	-9.6	-9.7

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 disposable income.
3. As a percentage of GDP.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/863402501060*

projected by the OECD to decline to 4½ per cent of GDP by 2007 under current policies, the structural fiscal deficit being cut by 1.3% of GDP in 2006 and 0.3% of GDP in 2007.

Export market growth underpins a modest recovery in 2006 and 2007

The pick-up in export market growth and improved competitiveness are expected to boost exports and underpin a mild recovery. The negative output gap should drive further moderation in inflation towards the euro area average. The economy is projected to pick up again slowly in the course of 2006, with growth strengthening and broadening in 2007, so that the output gap starts closing from the beginning of 2007. However, export market share losses are likely to continue, owing to deteriorating competitiveness as a result of past increases in relative unit labour costs, and a trade specialisation where Portugal faces strong competition from Asia and new European Union members. Private consumption growth is projected to move in tandem with moderate household real income growth. The export recovery and positive confidence effects from fiscal consolidation are expected to provide a stimulus to investment with a lag. After stagnating in 2005, private employment should increase again as GDP recovers. Nevertheless, the unemployment rate is likely to remain around 8% through 2006, and only start to decline during 2007. In these circumstances, wage growth is projected to start moderating in 2006, helping to improve competitiveness.

There are both domestic and international risks

On the external side, Portugal's recovery hinges on the strength of external demand growth, particularly in the euro area. The main domestic risks to the short-term outlook are a weaker-than-projected fiscal consolidation and excessive wage claims, which would aggravate Portugal's losses in competitiveness and further damage its export performance.

Slovak Republic

Economic growth is expected to remain strong, reaching more than 6% per year in 2006 and 2007, with some shifting of the stimulus from domestic to external demand. While strong growth is projected to generate employment gains, unemployment is likely to remain relatively high.

Further tightening of monetary policy is likely be necessary to ensure that the inflation target is met in 2007, while further labour market reforms would improve the capacity of the economy to generate more employment without raising inflation. Greater fiscal consolidation would help damping inflation while reducing the risk of deteriorating competitiveness.

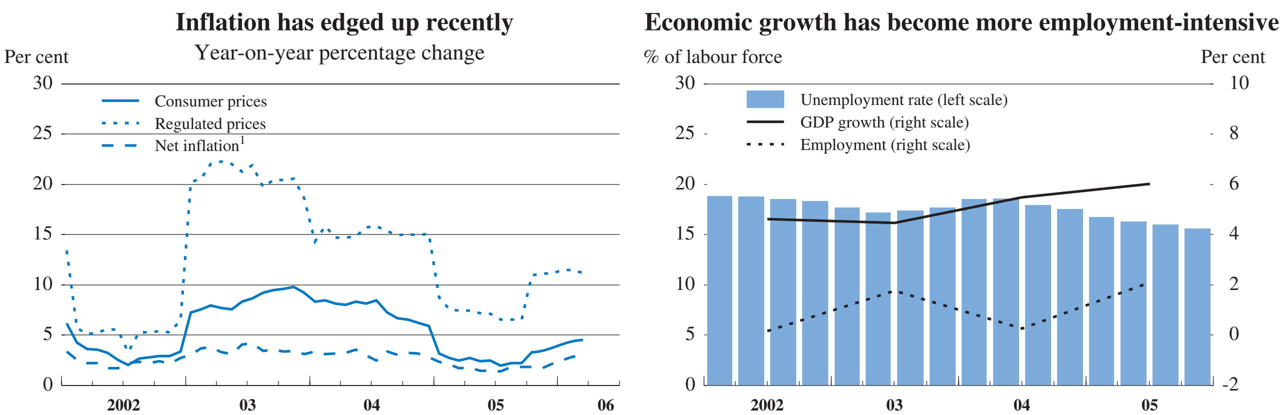
Vigorous domestic demand has lifted growth

Economic growth continued to pick up in the second half of 2005. Strong employment and wage growth raised household disposable income, boosting private consumption, while investment benefited from foreign direct investment inflows, notably in automobile manufacturing, despite some slow-down over the year as a whole. Notwithstanding ongoing gains of export market shares, strong import growth on the back of vigorous domestic demand as well as the rising cost of fuel imports contributed to an increase in the current account deficit, as did rising profits of foreign enterprises operating in Slovakia. Consumer prices began to accelerate towards the end of 2005, mostly driven by increases in regulated prices, mainly energy prices. However, signs have emerged that higher costs are also being transmitted to the prices of other goods and services, mostly non-tradable services supplied by the private sector.

While monetary policy is already tightening, fiscal consolidation is deferred

Responding to the widening of inflationary pressures, the Central Bank raised policy interest rates by 0.5 percentage points in February. Nonetheless, strong output growth is likely to make capacity constraints more binding. Further interest rate increases are therefore likely to be necessary to ensure that inflationary pressures are contained. While the more restrictive monetary policy stance will damp demand growth, fiscal policy is likely to be broadly neutral this year. Government spending growth is strong in some areas, such as education and judiciary personnel, and is largely financed by buoyant tax revenue growth. Nonetheless, the deficit is expected to fall on account of a one-off decline in government spending in 2006 related to a

Slovak Republic



1. Consumer prices excluding regulated prices, food prices and the effects of changes in indirect taxes.
Source: National Bank of Slovakia and OECD, *National Accounts*.

StatLink: *http://dx.doi.org/10.1787/840785736616*

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	5.8	4.9	4.9
Government consumption	220.8	2.7	1.1	2.0	3.3	2.6
Gross fixed capital formation	303.5	-1.5	2.5	12.4	9.5	8.0
Final domestic demand	1 157.8	-0.2	2.8	6.7	5.8	5.3
Stockbuilding[1]	18.9	-1.9	3.6	-0.2	1.6	0.0
Total domestic demand	1 176.7	-2.0	6.5	6.3	7.3	5.1
Exports of goods and services	788.2	22.5	11.4	10.9	16.6	13.1
Imports of goods and services	866.3	13.6	12.7	11.2	17.7	12.1
Net exports[1]	- 78.1	6.5	-0.8	-0.2	-0.9	1.3
GDP at market prices	1 098.7	4.5	5.5	6.0	6.3	6.3
GDP deflator	_	4.7	4.6	2.5	2.1	2.2
Memorandum items						
Consumer price index	_	8.6	7.5	2.7	3.6	2.2
Private consumption deflator	_	7.7	6.9	3.2	2.9	2.2
Unemployment rate	_	17.5	18.1	16.2	15.4	14.7
General government financial balance[2,3]	_	-3.8	-3.1	-2.9	-2.3	-1.8
Current account balance[2]	_	-0.9	-3.5	-9.2	-9.0	-7.0

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. As a percentage of GDP.
3. Deficit definition excludes the cost of transferring contributions to the second pillar of the pension system. Including the cost, the the financial balance would amount to 3.5% of GDP in 2005, 3.6% of GDP in 2006 and 3.2% of GDP in 2007

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/575385204083*

debt-write off in 2005, benefiting Iraq, Sudan and Syria. At the same time, the fiscal cost of the transfer of pension contributions to the new 2nd pillar funded pension scheme, introduced in 2005, is expected to rise, although this cost is not yet taken into account in the government deficit. Increased budgetary transfers from the European Union are likely to boost public investment in 2007, without, however, affecting the budget balance. At the same time, continued strong growth in tax revenues and ongoing reductions in government employment may help reduce the deficit.

Strong growth will induce some reduction in unemployment

Economic growth is expected to rise above 6% in 2006 and 2007. While a temporary slowdown of automobile production is likely to somewhat damp export growth in the first half of 2006, new production facilities coming on stream later in the year as well as improving economic prospects in major export markets, notably in the euro area, should result in a positive contribution of net exports to growth, helping to narrow the current account deficit in 2007. Vigorous activity and recent labour market reforms are expected to continue supporting job creation, helping to reduce unemployment, though it will remain high in international comparison. Inflation is expected to rise to about 3½ % this year on average, falling to 2¼ % in 2007. The general government deficit is expected to reach 2.3% of GDP this year, and then fall to 1.8% of GDP in 2007.

Risks to the outlook appear balanced

Further monetary policy tightening might dent competitiveness, lowering the growth contribution of net exports. On the other hand, increasing economic integration with the other European Union countries may boost growth prospects beyond projected levels. The fiscal costs of the transition to the funded pension scheme may turn out to be higher than anticipated, which may require more substantial fiscal consolidation efforts than projected to ensure the planned entry into the euro area in 2009.

Spain

Driven by strong domestic demand, output growth reached 3.4% in 2005 and once again outpaced the European Union average. The dynamism of activity should moderate somewhat in 2006 and 2007, even though growth will remain robust at a level slightly above potential rates. In the absence of further oil price hikes, inflation could decelerate, but the differential with the euro area is likely to persist, further weighing on competitiveness.

A tighter fiscal policy is desirable not only to moderate domestic demand pressures, but also to prepare for the fiscal consequences of ageing. Overcoming the inflation differential will require fostering competition, in particular in the retail distribution sector, and correcting current deficiencies in the wage-bargaining system. Reducing the segmentation of the labour market would also contribute to enhancing productivity performance, which remains poor.

Growth has been strong, driven by domestic factors

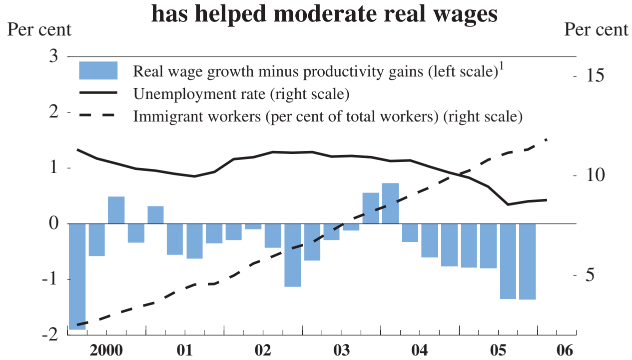
GDP growth, which reached 3.5% (year-on-year) in the first quarter of 2006, was fuelled by a strong increase in domestic demand associated with relaxed monetary conditions, the exceptional regularisation process of immigrants (affecting more than 550 000 workers in 2005) and still buoyant activity in the construction industry. Net exports continued to be a drag on the economy, leading to a record annual current account deficit of 7.4% of GDP. Competitiveness has suffered because of the protracted large inflation differential with the rest of the euro area, which had picked up to 1.5 percentage points by April 2006, with headline and core inflation at 3.9% and 3.1% year-on-year, respectively. This reflects strong demand pressures concentrated in the non-tradable sector, inertial effects and the more harmful consequences of energy price increases on Spain's inflation due to its higher dependency on oil and gas. Increases in the number of immigrants and the participation rates of women have helped job creation to remain strong and wage increases moderate. The unemployment rate has decreased by more than a full percentage point in a year, reaching 9.1% in the first quarter of 2006, although productivity gains have remained meagre. While activity has remained quite buoyant thus far in 2006, recent indicators point to some slowdown in domestic demand, as suggested by the deceleration in housing prices and the moderation of private consumption as seen in the decrease in car sales in the last few months.

The fiscal stance is likely to become slightly expansionary

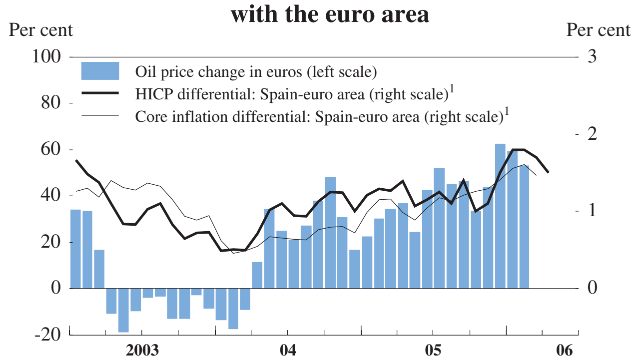
Budget outcomes improved markedly in 2005, both for cyclical and structural reasons. The fiscal surplus of 1.1% of GDP was much larger than the initial objective of a 0.1% surplus, in part due to a robust increase in tax revenues. The persistent dynamism of tax revenues at the beginning of this year suggests that the target surplus of 0.9% of GDP for 2006 could again be exceeded. In 2007, the announced tax reductions, amounting to a total of 0.4% of GDP, are likely to induce a small fall in the structural balance. Overall, the fiscal stance, which was restrictive in 2005, is projected to

Spain

As unemployment has fallen, immigration has helped moderate real wages



Oil prices are feeding into the inflation differential with the euro area



1. Differential of year-on-year percentage changes.
Source: Instituto Nacional de Estadística, Encuesta de Población Activa. OECD, *Main Economic Indicators*.

StatLink: *http://dx.doi.org/10.1787/276300281373*

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	4.4	3.8	3.5
Government consumption	125.4	4.8	6.0	4.5	4.1	3.7
Gross fixed capital formation	191.0	5.5	4.9	7.2	6.3	5.0
Final domestic demand	740.9	3.7	4.8	5.1	4.5	3.9
Stockbuilding[1]	2.9	0.0	0.0	0.0	0.0	0.0
Total domestic demand	743.8	3.7	4.8	5.1	4.5	3.9
Exports of goods and services	199.0	3.6	3.3	1.0	3.6	4.8
Imports of goods and services	213.9	6.0	9.3	7.1	7.4	7.3
Net exports[1]	- 14.8	-0.8	-1.8	-1.9	-1.4	-1.1
GDP at market prices	729.0	3.0	3.1	3.4	3.3	3.0
GDP deflator	_	4.0	4.1	4.4	3.7	3.6
Memorandum items						
Harmonised index of consumer prices	_	3.1	3.1	3.4	3.6	2.7
Private consumption deflator	_	2.8	3.4	3.5	3.4	2.9
Unemployment rate[2]	_	11.0	10.5	9.2	8.7	8.6
Household saving ratio	_	12.0	11.1	10.4	10.3	10.4
General government financial balance[3]	_	0.0	-0.2	1.1	1.1	0.9
Current account balance[3]	_	-3.6	-5.3	-7.4	-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).*

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. Pre-2005 labour market data are OECD estimates which were made consistent with posterior data by correcting for the methodological break that took place in 2005.
3. As a percentage of GDP.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/743800884500*

become neutral in 2006 and slightly expansionary in 2007. On the other hand, monetary conditions are likely to become progressively less accommodating, as interest rates in the euro area are expected to continue to increase.

Growth will moderate as demand cools down

A progressive rise in real interest rates into positive territory, coupled with the high level of household indebtedness and the end of the presumably positive confidence effect on immigrants following the regularisation process, should lead to a slow-down of private consumption and residential investment growth in 2006 and 2007. The implied weakening of domestic demand will be only partially buffered by the continuing growth in business investment, sustained by a high level of profits, while net exports are expected to remain a drag on activity. With the inflation differential likely to persist, further eroding international competitiveness, Spain's growth advantage over its European Union partners may shrink. Overall, the increase in real GDP is expected to edge down to around 3¼ per cent in 2006 and 3% in 2007. With growth slightly above potential, the unemployment rate is expected to edge down marginally, while inflation will likely decrease to around 3% in the absence of additional increases in the oil price, given the small negative output gap.

Oil and real estate prices pose risks

Several risks surround these projections. On the external front, a new increase in the oil price would undoubtedly have more harmful effects on inflation than in other European countries because of the strong dependence of the economy on oil, thereby further weakening competitiveness. On the other hand, in the absence of further moderation of real estate prices, the deceleration of domestic demand could be more limited than envisaged in the short run, adding further pressure on inflation; this would however reinforce the risks of a stronger adjustment in the medium term.

Sweden

Economic growth in Sweden remains dynamic with domestic demand increasingly complementing net exports. With growth accelerating in 2006 to close to 4%, the output gap turns positive. At the same time, inflation remains very low despite the cyclical upswing, partly reflecting productivity gains but probably also factors related to global competition.

Fiscal policy will add stimulus to an already vibrant economy in 2006. An expansionary monetary policy is fuelling the boom in investment and is also driving increases in property prices. Over the projection period, the central bank should increase policy rates to at least neutral levels and the fiscal stimulus should be withdrawn.

Domestic demand has been strong…

Growth in the Swedish economy remained solid in 2005 and continues to outperform the euro area. This reflects robust domestic demand, which contributed most to a healthy GDP growth of 2¾ per cent. Recent data suggest a continuation of this trend in 2006 with industrial output growing solidly, increasing orders and consumer confidence rising to a five-year high. Along with lower taxes and gradual improvements in the labour market, continued house price increases are likely to have been a driver of household spending. Benefiting from low interest rates, real estate prices again grew by close to 10%, thereby allowing households to take out additional mortgages (mortgage equity withdrawal). Stimulated by house price increases, residential investment surged ahead at an annual rate of 17%, following similar growth in 2004. The growth of business investment which at 8½ per cent has been the highest in eight years, also benefited from the favourable financing conditions along with a bright profit outlook for firms. Net exports contributed less to growth than in the previous year as the fourth quarter was particularly weak.

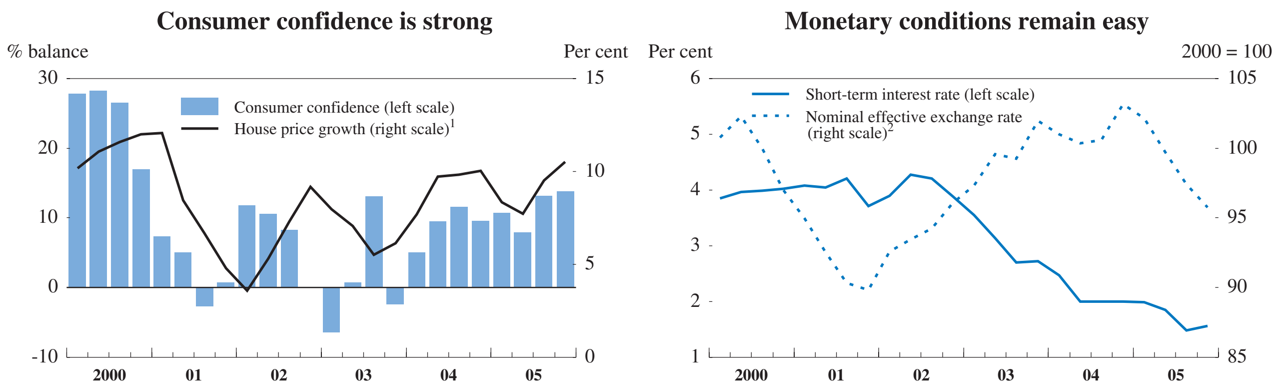
… while inflation remains at low levels

With growth rates above the economy's long-run potential for the past two years, the output gap is now closing. However, consumer price inflation in 2005 has remained surprisingly low (below one per cent) and was the lowest among European countries. Several factors might play a role such as higher productivity growth, increased competition in the retail sector as well as lagged effects on import prices from the appreciation of the exchange rate until 2004. Moreover, the relationship between domestic economic developments and inflation seems to have become weaker over time. This might be due to "globalisation effects" such as imports of goods from low-cost countries and growing international competition.

Monetary policy has to be tightened as fiscal policy becomes expansionary

Monetary policy has remained expansionary throughout 2005 with interest rates at historically low levels. In addition, the exchange rate depreciated, adding stimulus to the external side of the economy. At the beginning of 2006, however, the central bank embarked on a tightening cycle. This should bring policy rates back to at least

Sweden



1. Year-on-year percentage change.
2. An increase represents an appreciation of the Swedish krona.
Source: Statistics Sweden; National Institute of Economic Research and OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/623327358535*

Sweden: **Demand, output and prices**

	2002	2003	2004	2005	2006	2007
	Current prices SEK billion	Percentage changes, volume (2000 prices)				
Private consumption	1 160.7	1.8	1.8	2.4	3.2	2.7
Government consumption	658.2	0.7	0.1	1.1	1.6	0.9
Gross fixed capital formation	392.1	1.1	5.1	8.3	5.8	4.2
Final domestic demand	2 210.9	1.3	1.9	3.1	3.2	2.5
Stockbuilding[1]	1.7	0.3	-0.3	-0.2	-0.3	0.0
Total domestic demand	2 212.6	1.7	1.5	2.8	2.9	2.5
Exports of goods and services	1 043.0	4.4	10.7	6.6	8.9	7.7
Imports of goods and services	883.9	5.1	6.9	6.8	8.6	6.8
Net exports[1]	159.0	0.0	2.1	0.5	0.8	1.0
GDP at market prices	2 371.6	1.8	3.2	2.7	3.9	3.3
GDP deflator	_	1.9	1.3	1.2	1.6	1.9
Memorandum items						
Consumer price index	_	1.9	0.4	0.5	1.0	2.1
Private consumption deflator	_	1.8	1.3	1.0	1.7	2.3
Unemployment rate[2]	_	4.9	5.5	5.8	4.8	4.2
Household saving ratio[3]	_	9.0	8.5	7.9	7.0	6.9
General government financial balance[4,5]	_	-0.2	1.6	2.7	1.7	2.2
Current account balance[4]	_	7.4	6.8	6.1	6.7	6.7

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. Based on monthly Labour Force Surveys. The 2005 unemployment rate is based on quarterly statistics and deviates from the annual rate published by Statistics Sweden.
3. As a percentage of disposable income.
4. As a percentage of GDP.
5. Maastricht definition.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/628507183487*

neutral levels over the forecast period as the slack in the economy disappears and inflation rises towards the central bank's target. In contrast to monetary policy, fiscal policy was restrictive in 2005, also reflecting lower expenditures related to sickness absence. In 2006, however, the government is implementing an expansionary fiscal package. Besides tax cuts, this comprises an increase in labour market programmes, including heavily subsidised "bonus jobs" for long-term unemployed. As these fiscal plans coincide with the economic upswing and could aggravate potential supply bottlenecks, the stimulus is not well-timed and will need to be clawed back over time.

Buoyant growth in 2006 should improve labour market outcomes

Growth is projected to accelerate to around 4% in 2006, before easing a little in 2007. Tax cuts and further improvements in the labour market are likely to stimulate consumer spending. While business investment will remain strong, residential investment is forecast to decline towards its long-run trend as house price increases are damped by rising interest rates. With solid growth in the main export markets and improved competitiveness, external demand will continue to contribute to activity. Over the forecast period, unemployment is expected to fall below its estimated structural level of around 5% and, with capacity utilisation increasing, inflation is projected to pick up.

Risk of overheating

The rapid acceleration of growth in combination with the fiscal stimulus raises the risk of overheating. Labour shortages are so far only reported in construction. But monetary policy should be vigilant to potential wage pressures spilling over to other sectors. In this case inflation could rise rapidly, as it did in mid-2000 when inflation increased from equally low levels to close to 3% one year later, and hence require more monetary tightening than currently projected.

Switzerland

GDP, which rose by 1.9% in 2005, should accelerate in 2006 thanks to the impulse provided by the European recovery. Despite some easing in 2007, growth will probably remain fairly robust and above potential. This cyclical improvement should help reduce unemployment in a context of low inflation pressures.

With activity firming, the gradual tightening of monetary policy towards more neutral conditions is appropriate. The improved economic situation and the fiscal outturn should not, however, lead to a relaxation of efforts to control public spending, especially in the social sector, nor of the reform process in product markets aimed at strengthening potential growth, which remains weak.

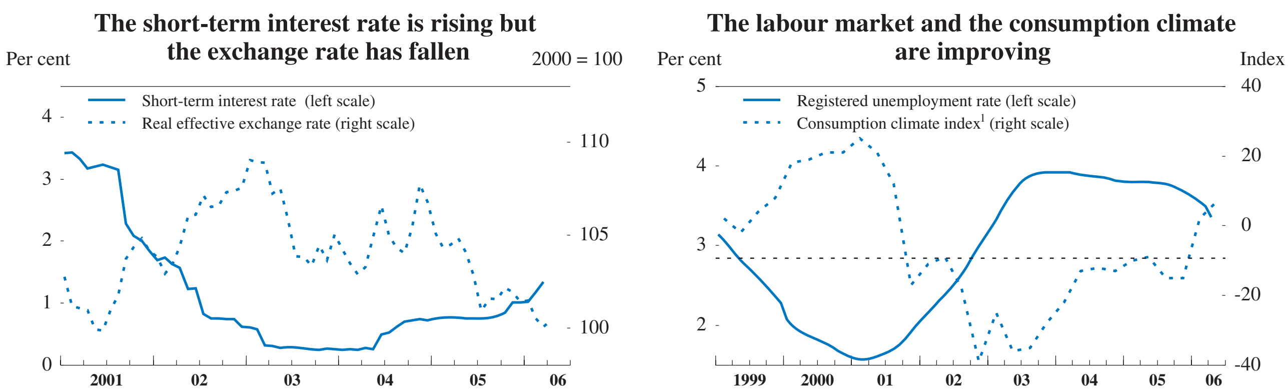
The recovery is soundly based

The recovery, which began in early 2005, is soundly based thanks to the relatively brisk increase in private consumption, investment and exports. GDP growth, which reached 2.1% (annualised) in Q4 2005, benefited most sectors, including industry, which enjoyed a pick-up in the fourth quarter after a difficult start to the year. This expansion should continue over the coming quarters, with export growth remaining buoyant in early 2006 and industrial orders up in Q4 together with building permits. The consumer climate index has also been above its long-term average since the beginning of 2006 for the first time since 2001. Job creation picked up in late 2005, and the registered unemployment rate fell slightly to 3.4% in April 2006. Despite the rise in energy prices, inflation remained low at 1.1% (year-on-year in April 2006), while underlying inflation was only 0.5%.

Monetary conditions are gradually being tightened

With the economy strengthening, the Swiss National Bank reduced the expansionary stance of monetary policy by raising its lending rates by ¼ point in both December 2005 and March 2006, leading the three-month interest rate (LIBOR) to fluctuate around 1.25%. The effect of these increases on monetary conditions was, however, partly offset by the slight fall in the real effective exchange rate. OECD projections point to a further monetary tightening towards more neutral conditions so as to prevent any manifestation of pressures on production capacity.

Switzerland



1. The climate improves when the index increases. The horizontal line is the long-term average of the index.
Source: State Secretariat for Economic Affairs; OECD, *Main Economic Indicators* and Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/803280821553*

Switzerland: **Demand, output and prices**

	2002	2003	2004	2005	2006	2007
	Current prices CHF billion	Percentage changes, volume (2000 prices)				
Private consumption	259.3	0.8	1.4	1.6	1.8	1.6
Government consumption	50.4	2.2	1.4	1.3	0.5	0.5
Gross fixed capital formation	92.8	-1.3	3.3	3.1	4.1	3.1
Final domestic demand	402.6	0.5	1.8	1.9	2.2	1.8
Stockbuilding[1]	0.5	-0.1	-0.8	0.1	0.0	0.0
Total domestic demand	403.0	0.4	1.0	2.0	2.2	1.7
Exports of goods and services	188.0	-0.5	8.9	4.5	7.3	7.1
Imports of goods and services	160.5	1.3	7.4	5.3	7.7	7.6
Net exports[1]	27.5	-0.7	1.0	-0.1	0.2	0.1
GDP at market prices	430.5	-0.3	2.1	1.9	2.4	1.8
GDP deflator	_	1.2	0.5	0.6	0.8	1.3
Memorandum items						
Consumer price index	_	0.6	0.8	1.2	1.1	0.8
Private consumption deflator	_	0.6	1.1	1.7	1.4	1.2
Unemployment rate	_	4.1	4.2	4.3	3.9	3.5
General government financial balance[2]	_	-1.5	-1.1	-0.5	-0.2	0.2
Current account balance[2]	_	13.4	14.0	12.5	13.3	14.2

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

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/631742401542*

Fiscal consolidation is continuing

The budget deficit, which may have reached about ½ per cent of GDP in 2005, *i.e.* more than ½ point below its 2004 level, was substantially lower than the official target for both cyclical and structural reasons. The rise in tax-revenues was stronger than expected at all levels of government, and expenditure was kept under tight control, especially at the federal level. In line with government plans, efforts to contain federal spending will continue in 2006 and 2007 to ensure that the Confederation's budget is in structural balance. The pressure on social spending is likely to persist, however, particularly in the area of invalidity insurance. Overall, fiscal policy will probably remain marginally restrictive over the projection period.

The expansion should continue

Accelerating foreign demand and a macroeconomic policy stance which remains relatively easy will help to sustain activity in 2006. Domestic demand should be underpinned by the rise in employment and the increase in investment intentions, while exports will also be stimulated by favourable competitiveness. GDP growth could exceed 2¼ per cent in 2006 but is likely to slow to 1¾ per cent in 2007 as the tightening of monetary policy curbs domestic demand. Continued growth at above the potential rate will help to reduce unemployment over the coming two years, but with an output gap close to zero, inflation will probably remain at around 1% in 2006 and 2007, once the impact of the oil price rise has dissipated. The risks surrounding this projection seem broadly balanced. A sharper pick-up in activity cannot be ruled out in the short term, against a background of European recovery and increased confidence on the domestic front. However, the recovery could also be weaker if the geopolitical situation deteriorates and oil market pressures intensify, which would have damaging consequences for inflation and growth.

Turkey

Strong activity in the private sector continues to boost the economy and GDP growth is expected to remain above 6% in 2006 and 2007. While the public deficit is projected to shrink further, the current account deficit is likely to stay at historically high levels.

To maintain growth on a sustainable path, domestic and international confidence must be preserved. Policies should ensure the credibility of macroeconomic policy institutions; make sure that the regulatory framework can cope with potential financial risks; and improve enterprises' competitiveness by accelerating the programme of microeconomic reforms.

GDP grew strongly and the external deficit widened

Strong private business investment and consumption spurred GDP growth, which accelerated to 7.4% in 2005. With export growth slowing and being outpaced by high import growth, net exports acted as a drag on output. The energy bill increased sharply (by 1.9% of GDP) and the current account deficit widened to 6.3% of GDP. As foreign direct investment and other long-term credit, but also short-term portfolio inflows increased rapidly, overall capital inflows were more than sufficient to fund the deficit. The exchange rate appreciated by 14% in real terms through 2005, despite a large accumulation of reserves by the Central Bank. Upward pressure on the currency continued in the early months of 2006 before slowing in March in response to a less benign international environment and some concerns about the robustness of the ongoing reform agenda.

Employment increased but unemployment remains high

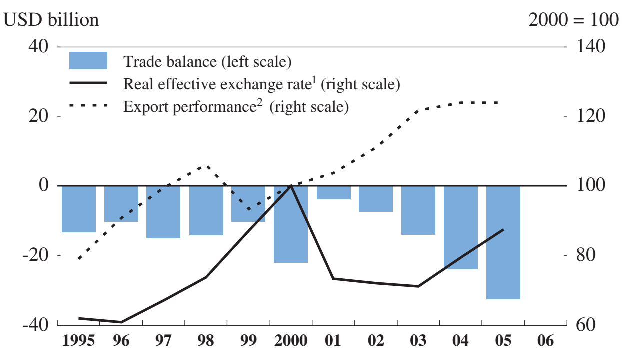
Despite strong growth, disinflation continued in 2005, falling below 8% by the end of the year. Explicit inflation-targeting was introduced in January 2006 with targets of 5% for end-2006 and 4% for end-2007. In the first four months of 2006 headline inflation was close to the upper edge of the target path and this pressure could persist for longer than previously expected, notably as a result of further adjustments in administered energy prices. Employment grew by a yearly average of 1.1% in 2005 amid major structural changes; non-farm employment increased strongly (by 8%) while reported agricultural employment declined sharply (by more than 12%). The unemployment rate was above 10% at the end of 2005 and real wage growth remained subdued at 2%.

Fiscal and monetary conditions remain broadly stable

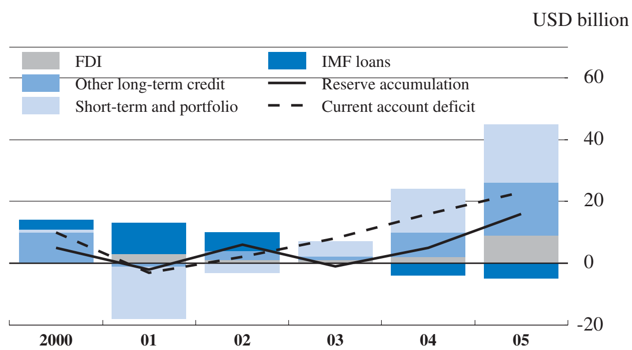
The fiscal target of a primary surplus of 6.5% of GDP was almost achieved in 2005 according to information published so far, and the same target was set for 2006. With actual growth higher than potential this implied a slight loosening of the fiscal stance (as measured by the cyclically adjusted primary balance) during 2005. Some

Turkey

Export performance has come under strain



Capital inflows have remained strong



1. On a unit labour cost basis.
2. Ratio of exports to export market growth.
Source: Central Bank of Turkey.

StatLink: *http://dx.doi.org/10.1787/381676547015*

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	8.8	6.7	4.8
Government consumption	38.7	-2.4	0.5	2.4	2.5	2.5
Gross fixed capital formation	46.0	10.0	32.4	24.0	15.0	13.5
Final domestic demand	269.2	6.5	14.1	12.1	8.7	7.2
Stockbuilding[1]	12.5	3.0	1.1	-2.5	0.0	0.0
Total domestic demand	281.7	9.3	14.1	8.8	8.3	6.9
Exports of goods and services	81.1	16.0	12.5	8.5	10.4	10.8
Imports of goods and services	85.2	27.1	24.7	11.5	14.2	11.2
Net exports[1]	- 4.1	-3.1	-4.9	-1.7	-2.4	-1.0
GDP at market prices	277.6	5.8	8.9	7.4	6.1	6.4
GDP deflator	_	22.5	9.9	5.4	5.1	3.8
Memorandum items						
Consumer price index	_	25.3	8.6	8.2	8.1	5.3
Private consumption deflator	_	21.8	7.9	6.1	3.6	3.6
Unemployment rate	_	10.3	10.1	10.0	10.2	10.4
Current account balance[2]	_	-3.4	-5.2	-6.3	-6.6	-7.0

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/722804540115*

policy initiatives in early 2006 (the reduction of the value-added tax on textile products from 18% to 8%, and significant wage increases granted to some categories of civil servants) imply additional budgetary costs but the government has promised to fully offset these with other measures. The social security deficit exceeded the target level in the first quarter of 2006, highlighting another ongoing fiscal risk despite the newly adopted social security law. Several large privatisations are being completed, with total proceeds amounting to 5% of GDP in 2005 to be used for public debt reduction. Monetary conditions should remain tight, with the exchange-rate assumed to remain strong and the Central Bank reducing policy interest rates only gradually.

Confidence remains high but is vulnerable to risks

Despite competitiveness strains in business sectors which are affected by currency appreciation and increased competition from lower wage countries, business and consumer confidence remain high. Whereas a deceleration is expected in consumer loans and credit card financing (which funded most of the increase in private consumption in 2005), domestic and international funding for creditworthy enterprises should continue as long as confidence remains strong. Thus financial market regulators have to ensure that the banking system's exposure to exchange-rate and credit risk (including *via* their debtors' exposure) remains manageable. Further structural reforms are also needed to back the business sector's capacity to cope with growing pressures on its competitiveness.

Growth will remain strong with significant downside and upside risks

GDP growth is expected to remain above 6% during the projection period, with the current account deficit and unemployment rates staying at high levels. Downside risks would arise both from additional exchange rate appreciation (the projection is based on the technical assumption of a constant real exchange rate), which would further damage competitiveness, and from a weakening in financial market confidence which could prompt a sharp exchange rate depreciation and push interest rates up. If, on the other hand, the authorities demonstrate their full commitment to continue macroeconomic and microeconomic reform, domestic and international confidence could strengthen further leading to higher growth and employment than currently projected.

Brazil

Economic growth disappointed in 2005, but recovery is now under way, underpinned by resilient private consumption and strong net exports. Investment is set to bounce back. Disinflation is on-going. External vulnerability indicators have improved markedly, and the trade and current account balances continue to post robust surpluses.

The policy mix remains tilted towards monetary restraint, despite the steady decline in interest rates. The consolidated primary budget surplus target is likely to be met, but the fiscal stance will become expansionary in 2006. There is growing concern that further reform is needed to arrest the increase in current expenditure commitments.

Growth weakened in 2005, but the recovery is underway

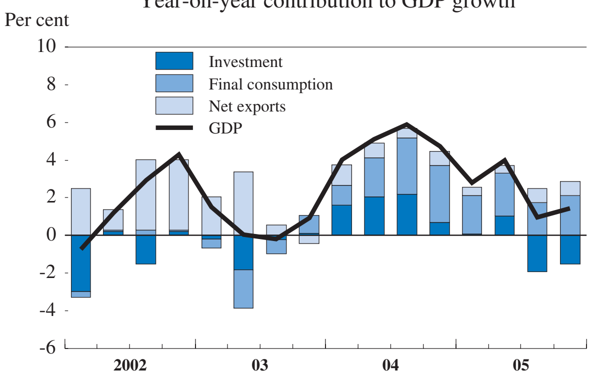
Economic growth of 2.3% in 2005 was slower than expected and at odds with the performance of most emerging markets. Activity slowed down considerably in the third quarter, reflecting a contraction in private investment and in agricultural output, due to adverse weather conditions. But plentiful credit and improving labour market conditions sustained private consumption. Economic activity picked up towards year-end and into 2006. Net exports contributed positively to growth, despite surging imports, particularly of capital goods and intermediate inputs, driven by the recovery later in the year and a stronger currency. Given the composition of Brazil's foreign trade, the global commodity price boom has not resulted in a discernible improvement in the terms of trade. Nevertheless, the turnaround in confidence indicators, industrial production and retail sales in the first quarter of 2006, as well as the rebound in private investment, suggest that a broad-based recovery is now gathering momentum.

Monetary conditions remain tight, despite the policy easing

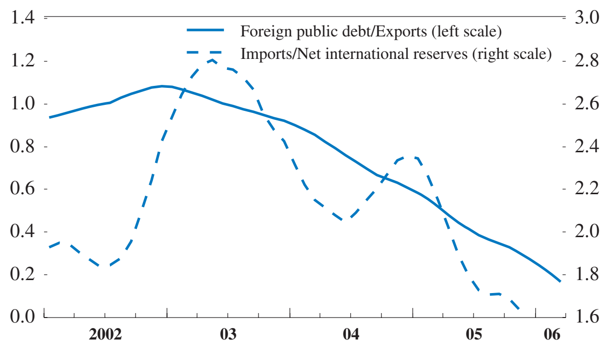
Monetary conditions remain tight, despite the gradual cuts in the policy interest rate totalling 400 basis points since September 2005 and the vigorous, albeit slowing, expansion in consumer credit. The currency has appreciated by about 10% since the outset of the monetary easing cycle, buttressed by a sizeable interest rate differential, despite the global monetary tightening, and on the back of a robust current account surplus and strong capital inflows, including foreign direct investment. Consonant with these developments, inflation expectations are now

Brazil

The economy is bouncing back
Year-on-year contribution to GDP growth



External vulnerability is subsiding[1]



1. 6-month moving averages.
Source: Instituto Brasileiro de Geografia e Estatística and Central Bank of Brazil.

StatLink: *http://dx.doi.org/10.1787/883680565156*

Brazil: **Macroeconomic indicators**

	2004	2005	2006	2007
Real GDP growth	4.9	2.3	3.8	4.0
Inflation (CPI)	7.6	5.7	4.5	4.5
Fiscal balance (per cent of GDP)	-2.5	-3.1	-2.5	-1.8
Primary fiscal balance (per cent of GDP)	4.6	4.8	4.3	4.3
Current account balance (per cent of GDP)	1.9	1.8	1.0	0.6

Note: Real GDP growth and inflation are defined in percentage change from the previous period. Inflation refers to the end-year consumer price index (IPCA).
Source: Figures for 2004-05 are from national sources. Figures for 2006-07 are OECD projections.

StatLink: *http://dx.doi.org/10.1787/134266115754*

well-anchored around the end-year central target of 4.5%. Wholesale price disinflation has been particularly sharp.

External vulnerability indicators have improved

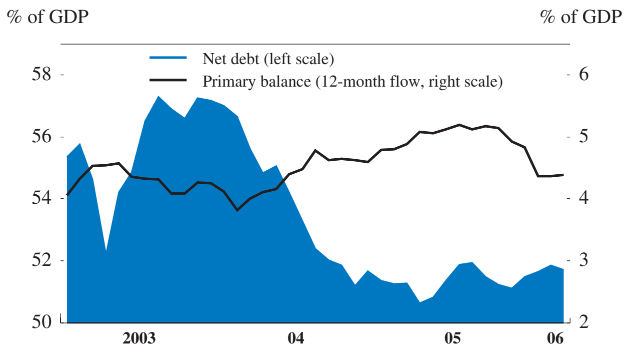
The central bank continues to accumulate international reserves, and is repaying foreign debt, including through the buyback of the remaining stock of Brady bonds and the early repayment of liabilities to the International Monetary Fund and the Paris Club. The public debt's exposure to exchange rate risk has been eliminated, making debt management considerably more resilient to volatility in asset prices. These developments are welcome, and Brazil's sovereign debt has recently been upgraded by one of the major credit rating agencies. Spreads have come down to their lowest level ever, boding well for the recovery of private investment, but they remain somewhat above the emerging market average.

Fiscal policy continues to post robust primary surpluses…

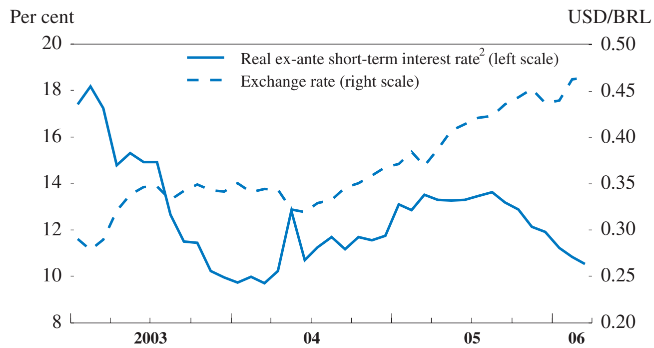
Fiscal policy remains guided by debt sustainability considerations, but failed to deliver a further appreciable reduction in the public debt-to-GDP ratio in 2005 relative to 2004. The monetary tightening that took place until September 2005 is the main culprit, despite the maintenance of an above-target consolidated primary budget surplus. But there are structural impediments to further expenditure restraint, including the ratchet-

Brazil

Fiscal performance remains strong[1]



Monetary conditions are still tight



1. Refers to the consolidated public sector.
2. Defined as the difference between the 360-day Pre-DI swap rate and 12-month-ahead expected inflation.
Source: Central Bank of Brazil.

StatLink: *http://dx.doi.org/10.1787/366478438552*

Brazil: **External indicators**

	2004	2005	2006	2007
	USD billions			
Goods exports	96.5	118.3	128.5	136.7
Goods imports	62.8	73.6	85.0	96.7
Trade balance	33.6	44.8	43.5	40.0
Services, net	- 4.7	- 8.1	- 9.3	- 8.9
Invisibles, net	- 17.3	- 22.4	- 24.2	- 25.1
Current account balance	11.7	14.2	10.0	6.0
	Percentage change			
Goods export volumes	19.2	9.3	6.0	4.0
Goods import volumes	18.1	5.4	12.8	11.0
Terms of trade	0.6	0.9	0.0	- 0.2

Source: Figures for 2004-05 are from national sources. Figures for 2006-07 are OECD projections.

StatLink: *http://dx.doi.org/10.1787/134266115754*

ing-up of spending on pensions over the years. Revenue performance remains strong, and the tax-to-GDP ratio continues to trend upward, reaching about 38% of GDP in 2005, a historical high. Public debt management is expected to benefit from the recently announced tax relief for non-resident investment in the domestic government bond market, which is likely to facilitate the lengthening of maturities and the increase in the share of fixed-rate instruments in the traded debt stock, a process that is under way.

… but is becoming expansionary…

A fiscal expansion is expected this year. The accumulation of primary budget surpluses has so far been less frontloaded than usual, partly on account of the constraints imposed by the fiscal rule on expenditure execution in the two quarters prior to elections. Also, new expenditure pressures are emerging, including from a sizeable real increase in the minimum wage, which will add to the fiscal impulse.

… constraining the pace of monetary easing

The fiscal expansion, together with buoyant credit, will continue to constrain monetary easing to ensure that the policy mix does not become unwarrantedly expansionary over the projection period. The main objective of monetary policy should therefore be to ensure that inflation expectations remain well anchored around the end-period central target and to guard against demand-side pressures that might arise in the course of the policy easing cycle. The magnitude of the swings in Brazil's monetary stance since 2003 calls for continued assessment of the monetary transmission mechanism's speed of adjustment and lag structure – a challenge that has been acknowledged by the authorities.

Further structural fiscal reform is therefore needed

The end-year primary surplus target is expected to be met in 2006 – but unlikely to be exceeded, as in previous years – and maintained in 2007. But Brazil will need to face the challenge of arresting the rise of current spending commitments in pursuit of higher-quality fiscal consolidation. There is widespread recognition that further reform is a pre-requisite for breaking the spend-and-tax cycle of fiscal adjustment, so as to bring about a faster reduction in public indebtedness and real interest rates, and ultimately in the tax burden.

Prospects are good for a broad-based recovery in 2006

Growth is already rebounding on the back of robust consumer spending and a recovery in private investment. The expansion in consumer credit is likely to benefit from further monetary easing, although rising household indebtedness could begin to put a brake on further credit growth. Investment is expected to recover in earnest owing to the compression of sovereign spreads, as well as continued monetary easing and credit creation, including for residential construction. These developments augur well for further improvements in the labour market, with steadily falling unemployment and rising real earnings. The trade and current account surpluses are likely to shrink over the projection period. Export performance is expected to remain strong, but the external sector is unlikely to contribute positively to growth due to the recovery-driven pick-up in imports.

The balance of risks continues to be on the downside

The balance of risks to the outlook remains on the downside. Credit conditions are still favourable for emerging-market economies, and Brazil is poised to continue to weather well the expected moderately paced withdrawal of global liquidity. Nevertheless, risks related to the unwinding of global economic imbalances will continue to weigh on the outlook. In addition, on the domestic front, political noise in the run-up to the presidential election in October 2006 may add uncertainty to the outlook. It will therefore be advisable for the authorities to underscore their continued commitment to sound economic policies.

China

The economy has continued to grow very rapidly, with GDP expanding by close to 10% in 2005. Demand is being sustained by further increases in exports and investment, underpinned by strong corporate profitability. Consumer price inflation declined to 2%, as increases in world oil prices were not passed on to users. Import growth slackened, bringing a marked increase in the current account surplus to over 6% of GDP. With fiscal and monetary policies close to neutral, and only a modest appreciation of the currency, robust growth of about 10% should continue. In this context, the current account surplus may decline only slightly relative to GDP.

The new budget puts great emphasis on improving public services in rural areas, yet the expenditure implications appear to be relatively modest and the fiscal deficit remains low. More shares of state-owned listed companies can now be traded, improving the functioning of the capital market, but there is a need for more private companies to be allowed to list. Greater use should be made of interest rates to stabilise demand and to reduce the reliance on non-market quantitative lending controls, and this will require freer movement of the exchange rate.

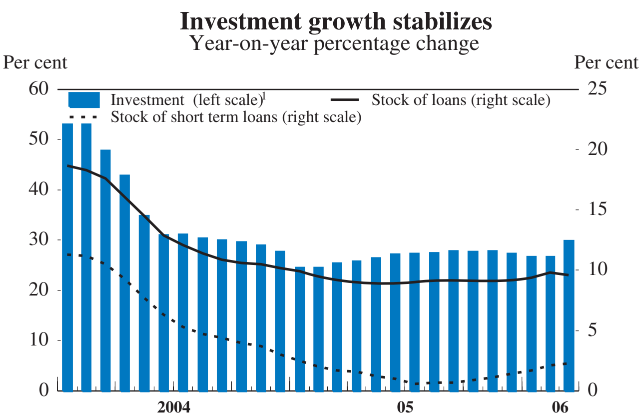
Robust output growth has been revised further upwards

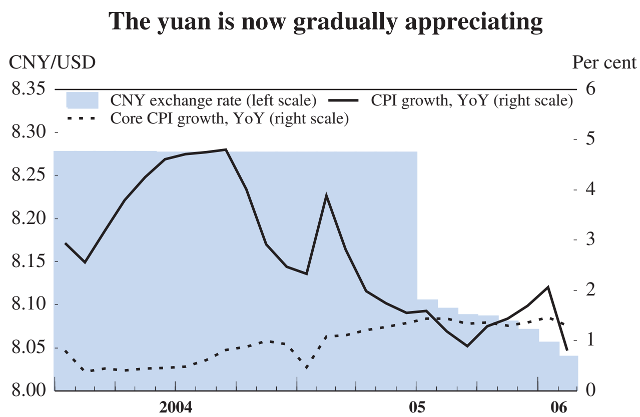
The economy maintained a rapid growth rate of about 10% in 2005. Such a pace is in line with new estimates of the growth of potential output, in the wake of the upward revision of over 5 percentage points to real GDP over a 12 year period (and the 17% upward revision to the level of nominal GDP) following the economic census. Nearly all of the previously undiscovered value-added came from the tertiary sector. Nevertheless, the industrial sector remains unusually large for an emerging economy.

Investment continues to fuel domestic demand

Consumer demand has been strong, resulting from household income growth of 10% in urban areas (supported by rising wages), and slightly more in rural areas, where taxes and fees were reduced. Passenger car sales rose by over 20%, with sales from Japanese, Korean and French companies particularly strong. Investment outlays continued at a rapid but stable rate, consistent with high average corporate profitability, despite rising losses in petroleum refining. Private investment has dominated overall investment growth, following the liberalisation of the investment regime in 2004 that removed *ex ante* controls on private investments.

China





1. Based on cumulated within-year data.

Source: China National Bureau of Statistics, China Banking Regulatory Commission and OECD estimates.

StatLink: *http://dx.doi.org/10.1787/016526074110*

China: Macroeconomic indicators

	2003	2004	2005	2006	2007
Real GDP growth	10.0	10.1	9.9	9.7	9.5
Inflation[1]	2.6	6.9	3.8	3.4	3.5
Fiscal balance (per cent of GDP)[2]	-1.9	-0.9	-0.7	-1.1	-1.2
Current account balance (per cent of GDP)	2.8	3.6	6.3	5.9	5.8

Note: The figures given for GDP and inflation are percentage changes from the previous year.
1. Percentage change in GDP deflator from previous period
2. Consolidated budgetary and extrabudgetary accounts.
Source: National sources and OECD projections.

StatLink: *http://dx.doi.org/10.1787/074615885426*

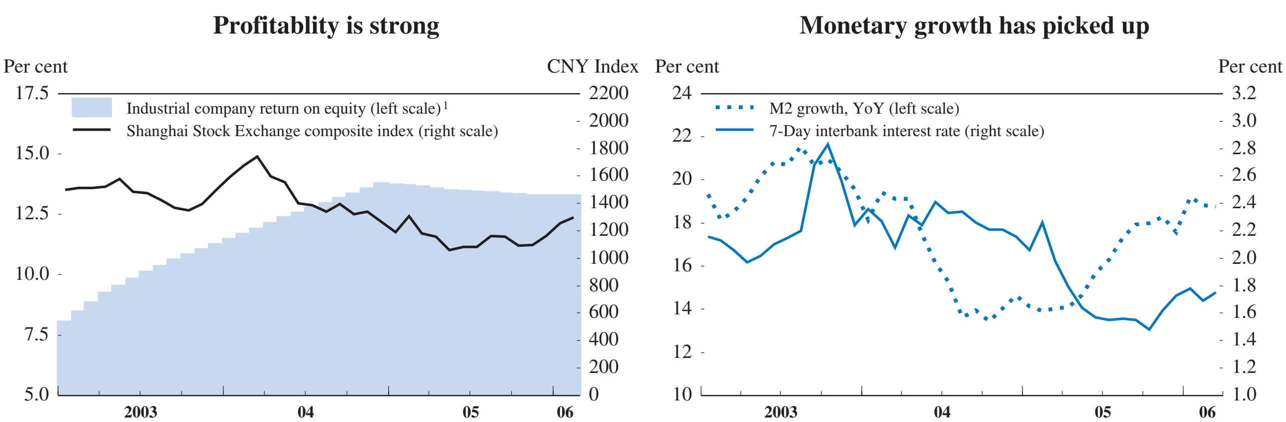
The current account surplus rose sharply

Import volumes picked up in late 2005, reversing an earlier slowdown that may have been related to an inventory correction. At the same time, exports also eased, most noticeably in the textile sector, where a large volume of orders had been filled earlier in the year to avoid new import quotas in the United States and European Union. The current account surplus (relative to GDP), appears to have peaked in the third quarter of 2005, at close to 7% of GDP and to have declined somewhat thereafter, resulting in an average surplus for the year of 6.3% of GDP, almost double that of the previous year.

Inflation remains benign, with large off-budget subsidies

The 4% appreciation in the effective exchange rate of the currency over the past year, ongoing controls over oil product prices and a normalisation of food prices have resulted in consumer price inflation moving back to near the core rate of about 2%. However, preventing oil prices from following the global market has come at a substantial cost – about 1½ per cent of GDP – most of which has lowered state-controlled oil company profits. An initiative to broadly deregulate both oil and other energy prices, planned for early this year, has been delayed. The 3-5% price increase for oil products in March maintained a gap of more than 25% with the world market that has only been partially closed by subsequent increases. Moreover, future

China



1. Ratio of profits to net equity, for reporting industrial companies, annualised rate, 12-month moving average.
Source: China National Bureau of Statistics, People's Bank of China.

StatLink: *http://dx.doi.org/10.1787/157513280841*

China: **External indicators**

	2003	2004	2005	2006	2007
			$ billion		
Goods and services exports	485.0	655.8	839.6	1 036	1 277
Goods and services imports	448.9	606.5	719.0	906	1 138
Foreign balance	36.1	49.3	120.6	129	138
Invisibles, net	9.8	19.4	19.6	23	29
Current account balance	45.9	68.7	140.2	152	167

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/074615885426*

increases seem likely to be accompanied by selective subsidisation of fuel for farmers and taxi drivers that will dampen the impact of removing the current gap.

The consolidated fiscal deficit may increase moderately

New spending plans announced as part of the 2006-2011 Five Year Plan imply an increase in farm subsidies and fiscal transfers from the central government to rural areas, along with a greater focus on education and health programmes. Yet the overall increase in the budgetary envelope to fund these programmes may be limited, as initial funding commitments appear to be modest. Even with the doubling of the minimum threshold for personal income taxes, revenues should continue to grow at near their recent rapid pace, keeping the fiscal deficit close to 1% of GDP on a national accounts basis.

With lending held back administratively

Monetary authorities have continued to use window guidance to banks as the primary tool for restraining credit growth, and this has been broadly successful in stabilising the pace of lending growth. However, the authorities did raise interest rates fractionally at the end of April. Meanwhile, there have been some indications of progress in improving credit evaluation by banks as well as an ongoing shift toward longer loan maturities. However, rapid monetary growth coupled with lower growth of loans has led to abundant liquidity in the inter-bank market and has pushed down short term interest rates to below the inflation rate, helping reduce the pressure on the exchange rate but moving the authorities yet further from their goal of using market instruments to stabilise the economy. Following the revaluation of the currency last July, the authorities allowed a very modest further appreciation against the dollar in the second half of the year and let this upward trend increase, to an annual rate of 2%, in the first quarter of 2006. The introduction of new risk management instruments, notably a foreign exchange futures market, suggests that preparations are underway to allow more flexibility in the exchange rate.

Share price reforms may induce a stock market recovery

Reforms of the capital markets have moved quite rapidly over the past year, providing a welcome development for domestic stock prices. Over 500 listed companies, representing nearly half of the domestic stock market capitalisation, propose to convert their non-tradable shares into ones that can be sold publicly. Most plans have been approved, promising a stronger market for control among the largest domestic companies, and may eventually pave the way for improved access by private companies to public equity financing.

Robust growth should continue

The neutral policy environment should allow rapid growth of domestic demand to continue during the projection period, with investment continuing to rise relative to output, so further boosting the growth of potential output. The pace of overall growth is likely to remain rapid, with only a slight slackening. as the impact of the small appreciation of the effective exchange rate is felt, resulting in only a very modest decline in the current account surplus as a share of GDP despite a further increase in nominal terms. Inflationary pressures should remain moderate, and depend primarily on the rate at which regulated oil product prices are allowed to move up to world market levels.

There are both external and domestic risks

Risks to the forecast stem from two areas, although they are not enormous in quantitative terms. First, there is a risk of increased protectionism aimed at Chinese exports, as the country becomes the second largest exporter in the world. Secondly, there is some risk that abundant liquidity domestically may result in an over-expansion of the real estate sector. Investment yields are falling as the increase in property prices outstrips that of rentals. There are already some areas of concern, with a flattening of prices, most notably in Shanghai, bringing a slowdown in transaction volumes.

India

The economy has experienced extremely rapid growth in demand over the three years to 2005 that is to a certain extent cyclical. While GDP growth picked up to 8½ per cent over this period, supply has not been able to match demand, despite impressive increases in investment. As a result, the current account deficit has widened to around 3% of GDP, though inflation has remained below 5%. Some slowing of output growth seems likely in 2006 and 2007 as the impact of higher interest rates, tighter fiscal policy and a possible unwinding of petroleum products subsidies is felt.

The government has continued a policy of gradual reform of product markets with further unilateral reductions in tariffs, reductions in the preferences given to small companies and the beginnings of a rationalization of indirect taxation by moving towards the introduction of national value-added tax. Further progress in the area of energy policies (both for electricity and petroleum), privatization and labour market reform will be needed to sustain longer-term growth.

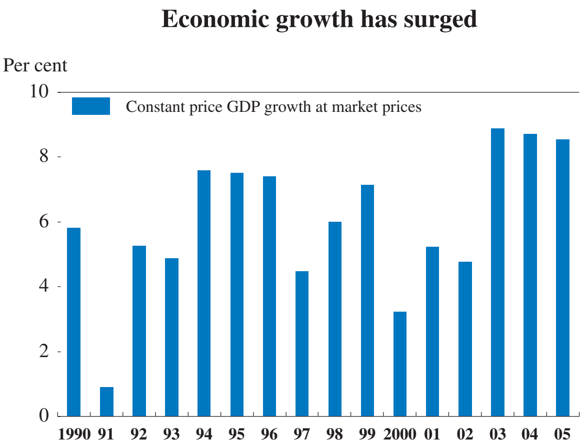
A pronounced upswing in the economy…

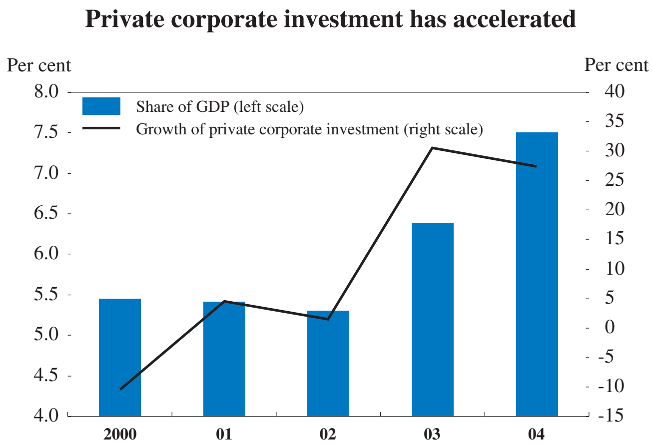
The economy has benefited from a strong cyclical upswing since 2003, triggered by the return to normal rainfall and consequent rise in agricultural output and incomes. When measured at constant market prices, output growth averaged 8.4% in the three years to March 2006. Private consumption growth has been buoyant but exports too have been strong, with growth evident in a number of manufacturing sectors and not just sales of information technology services. With final demand robust, investment has surged, especially in the private corporate sector (whose fixed capital formation is nonetheless still low). Overall, total demand rose 12% in Fiscal Year (FY) 2004 and possibly by more than 9% in FY 2005.

… has led to high imports, with inflation only checked by oil subsidies

Despite the expansion in capacity, domestic supply has not been able to match the increase in demand, growing some 2.5 percentage points slower than demand in the past three years, with the balance being met by a surge in imports. In addition, the terms-of-trade worsened as a result of rising oil prices, and consequently the current account balance fell by almost 5 percentage points of GDP between FY 2003 and FY 2005, bringing a slowdown in the pace of reserve accumulation. The growth in imports may have also helped to lessen the pressure on domestic resources and inflation. Indeed, wholesale prices of manufactured products decelerated during FY 2005

India





Source: Central Statistical Organisation National Accounts Press release.

StatLink: *http://dx.doi.org/10.1787/823046210572*

India: **Macroeconomic indicators**

	2003	2004	2005	2006	2007
Real GDP growth	8.3	8.5	8.5	7.5	7.1
Inflation[1]	4.1	4.2	4.2	4.8	4.3
Fiscal balance (per cent of GDP)[2]	-8.5	-8.4	-7.7	-7.2	-6.8
Current account balance (per cent of GDP)	2.3	-0.8	-3.0	-2.9	-2.9

Note: Data refer to fiscal years starting in April.
1. Percentage change in GDP deflator from previous period
2. Gross fiscal balance for central and state governments, includes net lending.
Source: National sources and OECD projections.

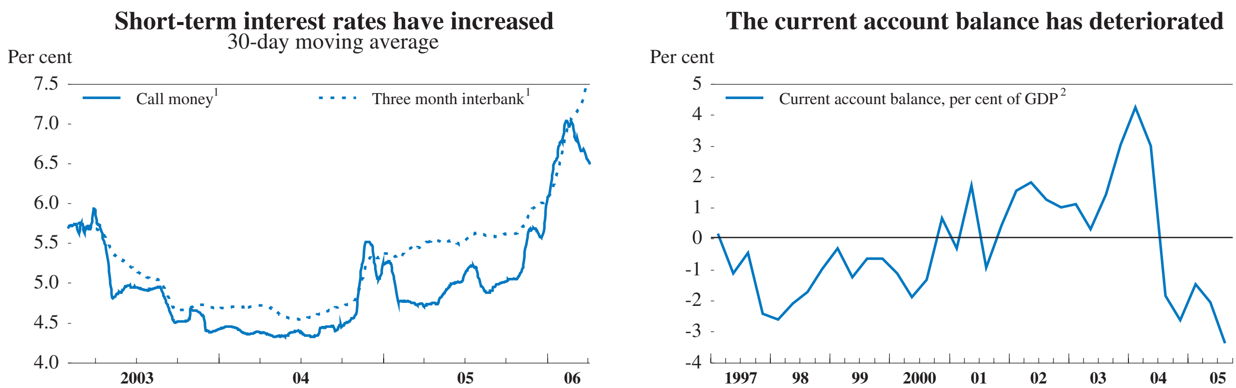
StatLink: *http://dx.doi.org/10.1787/208676848626*

while consumer price inflation, after picking up significantly during 2005, started to ease at the beginning of 2006. However, the full impact of world oil prices has not yet been felt, as the government has not allowed the predominately state-owned petroleum companies to raise prices in line with those on world markets. The government estimated that, by February 2006, these restrictions were lowering oil company profits by an amount equivalent to 1.1% of GDP. In addition, government revenue has also suffered from a reduction in taxes and duties on crude and refined petroleum products.

Monetary policy has been tightened

Faced with a rapid increase in domestic demand, and with money and credit growing at above its target rates, the central bank initiated a tightening of policy during 2005. The key official short term rates were raised twice during 2005 and again at the beginning of 2006, by 25 basis points on each occasion, to 6.25%. Market rates, both for call and three month money increased by more than official rates during this period as the authorities underestimated the demand for credit but this movement was reversed when more liquidity was supplied to the market in April. At the same time, the central bank has attempted to slow the growth of credit to the real estate market by raising the risk weighting of lending to this sector in an attempt to guard against the re-emergence of bad loans which have been markedly reduced, falling from 4.4% in 2003 to just 2% of advances (when measured net of provisions) by end 2005.

India



1. Both interest rates are measured on a bid basis.
2. Data for the last two quarters are OECD estimates.
Sources: Mumbai Stock Exchange, Central Statistical Organisation and Centre for Monitoring Indian Economy (CMIE).

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India: **External indicators**

	2003	2004	2005	2006	2007
			$ billion		
Goods and services exports	93.2	128.2	159.7	193.9	227.4
Goods and services imports	96.7	150.6	200.5	238.2	277.2
Foreign balance	-3.6	-22.4	-40.8	-44.3	-49.8
Net investment income	-4.5	-3.8	-6.1	-6.6	-7.2
Transfers	22.2	20.8	23.4	25.4	27.7
Current account balance	14.1	-5.4	-23.6	-25.5	-29.2

Source: National sources and OECD projections.

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Fiscal policy is also becoming more restrictive

The Fiscal Responsibility and Budget Management Act of 2004 requires that the central government reduce its fiscal deficit to 3% of GDP by FY 2008 and balance its current revenue and expenditure by the same date. There was limited progress in reducing these gaps in 2004, the first year the law applied, in part because the five-yearly review of revenue-sharing between the central and state governments resulted in a greater share of central government revenue being transferred to states. However, very strong revenue growth and subdued expenditure increases have brought central government finances back on track in FY 2005. State governments have also managed to reduce deficits, with the result that the combined central and state government fiscal deficit is projected to drop from 8.5% to 6.8% of GDP between 2003 and 2007, bringing a drop in the combined total of central and state government debt, relative to GDP, of 4 percentage points between 2003 and 2007.

Tax reform may help boost longer term growth prospects

Some progress has been made in reforming the structure of the tax system. In 2005, all but 5 states replaced sales and excise taxes by a coordinated value-added tax and a further three are now planning to introduce the tax, leaving only two states using a sales tax. In 2006, the central government took steps to effectively widen the scope of its value-added tax (which currently covers only manufactured goods) by increasing the number of sectors subject to the service tax and by lowering customs duties but increasing the uniform countervailing duty that acts as a proxy for value-added tax on imports.

In the short-term some slowdown in growth seems likely

During the projection period, the tighter stance of both monetary and fiscal policy is projected to slow economic growth. In the corporate sector, lower availability of finance and higher interest rates seem likely to reduce investment growth while the upswing in inventories may also end. However, private consumption growth may only slacken marginally as income growth remains high. At the same time the economy continues its integration into the world economy helped by further tariff reductions. Overall, output growth is projected to slacken from 8.5% in 2005 to 7% in 2007. Such a decrease in growth should keep the inflation rate anchored below 5% while the current account deficit may stabilize at around 3% of GDP.

Petroleum subsidies may be unsustainable

A risk to prices and real incomes is the possibility that the current high level of off-budget subsidies for petroleum product prices will be unsustainable, as already some state-owned companies are running at a loss thereby limiting their ability to borrow to cover losses and to invest in new refining and distribution capacity. Aligning domestic prices on world market prices is likely to reduce consumer demand and may also remove some of the temporary advantage gained through the implicit subsidy to exports. Proposals have been tabled to reduce these subsidies but the timetable for the reform is still uncertain.

Russian Federation

Real GDP growth is projected at 6.2% in 2006 and 5.7% in 2007. This gradual moderating of growth rates will primarily reflect emerging capacity constraints. Consumption growth will remain robust, sustained by high revenues from commodity exports and further improvements in the terms of trade. While the stabilisation fund is likely to capture – and thus neutralise – the bulk of windfall revenues, a significant share of commodity windfalls will still feed into domestic demand. Disinflation will therefore remain difficult.

Maintaining fiscal discipline will be critical if the authorities are to rein in inflation while limiting the speed of exchangerate appreciation. The recent decision to put off consideration of a large cut in indirect taxation until 2009 is thus a welcome development. However, more needs to be done to strengthen the legislative framework governing the stabilisation fund and to insulate not only the budget but the economy as a whole from fluctuations in commodity prices.

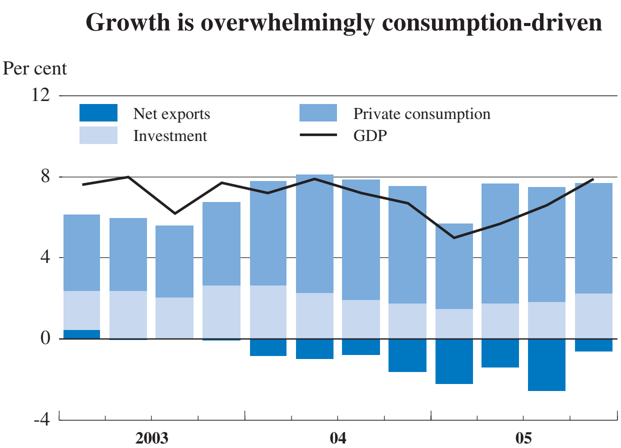
Growth remains fairly strong, supported by booming consumption

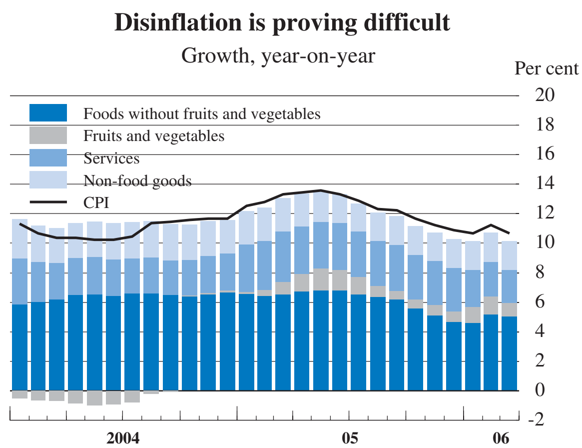
Real GDP growth accelerated from the second quarter of 2005, bouncing back strongly from the slowdown that began in mid-2004. Strikingly, although household consumption remained the principal driver of growth throughout the year, the exceptionally sharp acceleration recorded in the fourth quarter reflected a surge in export growth, driven mainly by oil products and some metals. Fixed investment responded to the renewed pick-up in activity, but remained below what would probably be needed to sustain high growth rates in the absence of improving terms of trade. Capacity constraints are increasingly making themselves felt in many sectors of industry, and skills shortages are becoming more widespread on the labour market. Preliminary data on output and investment in January-February 2006 show a marked deceleration. This was at least partly the product of record cold weather during late January and early February, and managerial surveys point to a rebound in industrial output in the near term.

The authorities' aversion to rouble appreciation is impeding disinflation

Consumer price inflation fell to 10.9% in 2005, below the level of 2004 but well above the authorities' target range. Lower inflation owed less to effective monetary policy than to the decision to restrain the growth of regulated utilities tariffs and the imposition of a price freeze on petrol in September. Monetary policy remains con-

Russian Federation





Source: Russian Federal Service for State Statistics, Central Bank of Russia, Economic Expert Group and OECD calculations.

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Russian Federation: **Macroeconomic indicators**

	2004	2005	2006	2007
Real GDP growth	7.2	6.4	6.2	5.7
Inflation	11.7	10.9	10.5	10.0
Fiscal balance (per cent of GDP)[1]	4.5	7.4	6.5	5.0
Primary fiscal balance (per cent of GDP)[2]	5.6	8.4	7.3	5.7
Current account balance (per cent of GDP)	9.9	11.1	11.5	7.9

1. Consolidated budget.
2. Federal budget only.

Source: Data for 2004-05 are from national sources. Data for 2006-07 are OECD estimates and projections.

StatLink: *http://dx.doi.org/10.1787/171726220183*

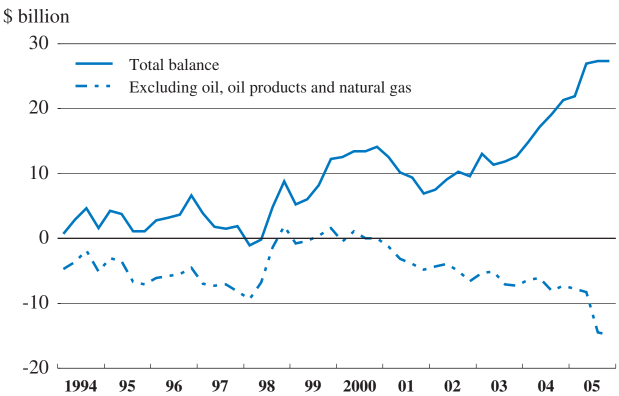
strained by the weakness of the credit channel and the authorities' determination to limit nominal exchange-rate appreciation despite the intense upward pressure on the rouble resulting from Russia's ballooning external surpluses. Consumer prices increased by 5% in the first quarter alone. With the trade and current account surpluses set to widen further, money supply growth is again likely to overshoot the central bank's projections.

Fiscal discipline is ever more important – and more difficult

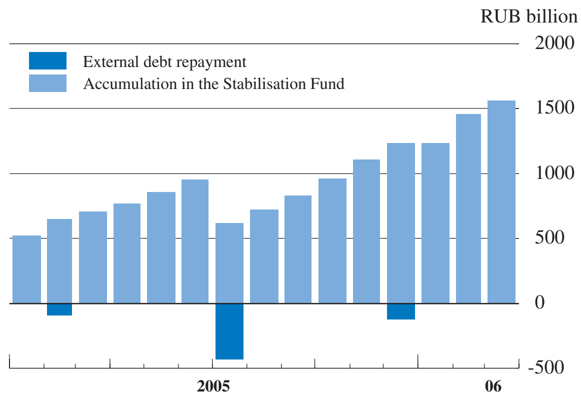
Given the central bank's limited room for manoeuvre, fiscal policy has a crucial role to play if the authorities are to bring down inflation while limiting the pace of rouble appreciation. To the extent that the Stabilisation Fund can capture, and thus "neutralise", windfall income, the authorities can mitigate exchange-rate pressures without stimulating faster money-supply growth. In 2005, the scale of fiscal sterilisation increased dramatically in absolute terms, but it failed to keep pace with the flood of windfall revenues into the country. With fuel and metals prices expected to remain high, the demands on fiscal policy will be all the greater this year. The non-oil fiscal balance deteriorated significantly in 2005, owing chiefly to a cut in social taxes and increases in public-sector wages and pensions. It

Russian Federation

The non-fuel trade deficit is widening fast



The Stabilisation Fund is growing rapidly



Source: Central Bank of Russia, Institute for the economy in transition.

StatLink: *http://dx.doi.org/10.1787/867747578785*

Russian Federation: **External indicators**

	2003	2004	2005	2006	2007
			$ billion		
Goods and services exports	152.2	203.5	268.1	338	372
Goods and services imports	103.2	131.1	164.6	211	259
Foreign balance	49.0	72.4	103.6	128	114
Invisibles, net	- 13.6	- 13.8	- 19.3	- 23	- 27
Current account balance	35.4	58.6	84.2	106	87
			Percentage changes		
Goods and services export volumes	12.5	11.8	6.3	6.0	6.0
Goods and services import volumes	17.7	22.0	17.3	19.5	17.5
Terms of trade	7.7	14.8	15.8	10.9	0.0

Source: National sources and OECD projections.

StatLink: *http://dx.doi.org/10.1787/171726220183*

will grow further this year as a result of spending increases in the 2006 budget. Moreover, there is mounting pressure for even greater tax cuts or spending increases, financed by greater spending of windfall revenues. So far, the government has done fairly well in resisting such pressure – the decision to put off consideration of a large cut in the rate of value-added tax rate until 2009 was particularly welcome – but fiscal slippage nevertheless continues.

Progress on structural reform is mixed

While work continues on some important, market-oriented structural reforms in a number of areas, such as banking and financial market reform, most major structural reforms have stalled. The launch of a number of "priority national projects" in fields such as health, housing and education, was supposed to jump-start structural reforms in these areas, underpinned by substantial new resources. However, the projects seem to involve large spending increases but relatively little reform. While it is difficult to deny that the social sphere has suffered from under-funding, money without reform will achieve little, and there is a risk that a major reform opportunity will here be lost. In many fields there simply appears to be a degree of policy paralysis: inter-departmental conflict has so far prevented the government from addressing even some of the more straightforward commitments made in last year's presidential message to the Federal Assembly – including the clarification of legal restrictions on foreign investment in "strategic" sectors and enterprises. While this debate rumbles on, the expansion of the state into an ever wider array of such "strategic" sectors continues. Even in "non-strategic" sectors, there is a trend towards increasing public investment and state intervention.

Growth will moderate despite improving terms of trade

Growth is set to moderate over the projection period, despite continued high oil prices. Household consumption will remain the principal growth driver but will weaken as income growth slows in 2007. There is likely to be some pick-up in minerals sectors, but the growth of manufacturing is set to slow, as rouble appreciation continues to squeeze its competitiveness. In 2005, a substantial cut in payroll taxes brought some relief from these pressures, but this will not be repeated in 2006. The recent sharp deterioration in the non-fuel trade balance provides an indirect indication of the difficulties confronting non-fuel tradables producers. Import volumes are expected to continue growing at annual rates of 15 to 20%, driven by both rising domestic consumption and imports of investment goods. Overall, supply-side constraints will become increasingly apparent over the projection period, as investment rates remain relatively low, and the scope for "easy" growth *via* increases in capacity utilisation is now limited.

Inflation will decline only slowly, if at all over 2006-07

The authorities are virtually certain to miss their 8.5% inflation target for 2006. High oil prices will ensure sustained upward pressure on the exchange rate, and since the authorities are determined to limit nominal rouble appreciation, real exchange-rate adjustment will take place mainly *via* inflation. Given the monetary authorities' pursuit of both inflation and exchange-rate goals and the weakness of the credit channel, fiscal policy remains the key to disinflation. However, pressure for further tax cuts or spending increases will strengthen if growth appears to flag. Demands for fiscal easing will intensify in any case as the 2007/08 election cycle approaches. There is thus likely to be limited progress on disinflation over the projection period.

III. FUTURE BUDGET PRESSURES ARISING FROM SPENDING ON HEALTH AND LONG-TERM CARE

Public health and long-term care spending is set to rise…

Public spending on health and long-term care is likely to put considerable pressure on government budgets in the future. Such spending has already risen over the past three decades, accelerating since the turn of the century to reach almost 7% of GDP for OECD countries on average in 2005.[1] OECD projections suggest that in the absence of policy action, the average spending share could almost double by 2050, albeit with considerable variation across individual countries. This chapter presents the projections, highlighting the many uncertainties – related both to policy and to the underlying drivers of spending – but also what seems like more robust conclusions.

… driven by a multitude of different factors…

Spending pressures arise from a number of different factors. Population ageing is one of these, but it may not contribute as much as sometimes thought. Higher incomes will also boost the demand for quality care but, again, perhaps less than sometimes argued. An important factor boosting demand will be the discovery of new medical techniques and treatments. In some countries, female labour-force participation is likely to rise significantly, reducing the scope for informal care and boosting demand for public provision. Finally, and notwithstanding efficiency gains due to better technology, it is likely that prices of health and long-term care will rise faster than the general price level.

… and with an important role for policies

The OECD projections embody assumptions in all these fields. Two main scenarios are distinguished (Table III.1):

– In the absence of policy action to break with past trends, average public health and long term care spending could reach almost 13% of GDP by 2050 (the "cost pressure" scenario).

– In a "cost containment" scenario, that embodies the assumed effects of policies curbing expenditure growth, average spending would still increase by 3½ percentage points to reach some 10% of GDP by 2050.

Cross-country differences in spending increases are large

Striking differences emerge across OECD countries (Figure III.1). In the cost-containment scenario, a group of countries stands out with increases of health and long-term care spending at or above 4% of GDP, over the period 2005-50. It includes countries (namely Korea, Mexico, Ireland, Italy, Japan, Slovak Republic and Spain) that combine rapid ageing with strong projected growth of some non-demographic factors, such as a substantial shift from family-provided (informal) to publicly-provided (formal) long-term care. In contrast, Sweden is in the lowest range, with an increase below 2% of GDP. This country is in a mature phase of its ageing process and already spends a relatively high share of GDP on health and long-term care.

1. This chapter deals with public spending only. Private spending added another 2% of GDP on average to expenditure on health and long-term care in 2005.

Table III.1. **Summary projections of public health and long-term care spending**

In % of GDP

	Health care			Long term care			Total		
		2050			2050			2050	
	2005 [1]	Cost-pressure	Cost-containment	2005 [1]	Cost-pressure	Cost-containment	2005 [1]	Cost-pressure	Cost-containment
Australia	5.6	9.7	7.9	0.9	2.9	2.0	6.5	12.6	9.9
Austria	3.8	7.6	5.7	1.3	3.3	2.5	5.1	10.9	8.2
Belgium	5.7	9.0	7.2	1.5	3.4	2.6	7.2	12.4	9.8
Canada	6.2	10.2	8.4	1.2	3.2	2.4	7.3	13.5	10.8
Czech Republic	7.0	11.2	9.4	0.4	2.0	1.3	7.4	13.2	10.7
Denmark	5.3	8.8	7.0	2.6	4.1	3.3	7.9	12.9	10.3
Finland	3.4	7.0	5.2	2.9	5.2	4.2	6.2	12.2	9.3
France	7.0	10.6	8.7	1.1	2.8	2.0	8.1	13.4	10.8
Germany	7.8	11.4	9.6	1.0	2.9	2.2	8.8	14.3	11.8
Greece	4.9	8.7	6.9	0.2	2.8	2.0	5.0	11.6	8.9
Hungary	6.7	10.3	8.5	0.3	2.4	1.0	7.0	12.6	9.5
Iceland	6.8	10.7	8.9	2.9	4.4	3.4	9.6	15.2	12.3
Ireland	5.9	10.0	8.2	0.7	4.6	3.2	6.7	14.5	11.3
Italy	6.0	9.7	7.9	0.6	3.5	2.8	6.6	13.2	10.7
Japan	6.0	10.3	8.5	0.9	3.1	2.4	6.9	13.4	10.9
Korea	3.0	7.8	6.0	0.3	4.1	3.1	3.3	11.9	9.1
Luxembourg	6.1	9.9	8.0	0.7	3.8	2.6	6.8	13.7	10.6
Mexico	3.0	7.5	5.7	0.1	4.2	3.0	3.1	11.7	8.7
Netherlands	5.1	8.9	7.0	1.7	3.7	2.9	6.8	12.5	9.9
New Zealand	6.0	10.1	8.3	0.5	2.4	1.7	6.4	12.6	10.0
Norway	7.3	10.7	8.9	2.6	4.3	3.5	9.9	15.0	12.4
Poland	4.4	8.5	6.7	0.5	3.7	1.8	4.9	12.2	8.5
Portugal	6.7	10.9	9.1	0.2	2.2	1.3	6.9	13.1	10.4
Slovak Republic	5.1	9.7	7.9	0.3	2.6	1.5	5.4	12.3	9.4
Spain	5.5	9.6	7.8	0.2	2.6	1.9	5.6	12.1	9.6
Sweden	5.3	8.5	6.7	3.3	4.3	3.4	8.6	12.9	10.1
Switzerland	6.2	9.6	7.8	1.2	2.6	1.9	7.4	12.3	9.7
Turkey	5.9	9.9	8.1	0.1	1.8	0.8	6.0	11.7	8.9
United Kingdom	6.1	9.7	7.9	1.1	3.0	2.1	7.2	12.7	10.0
United States	6.3	9.7	7.9	0.9	2.7	1.8	7.2	12.4	9.7
OECD average [2]	***5.7***	***9.6***	***7.7***	***1.1***	***3.3***	***2.4***	***6.7***	***12.8***	***10.1***

Note: For a description of the scenarios see text.

1. OECD estimates.
2. Unweighted average.

Source: OECD calculations.

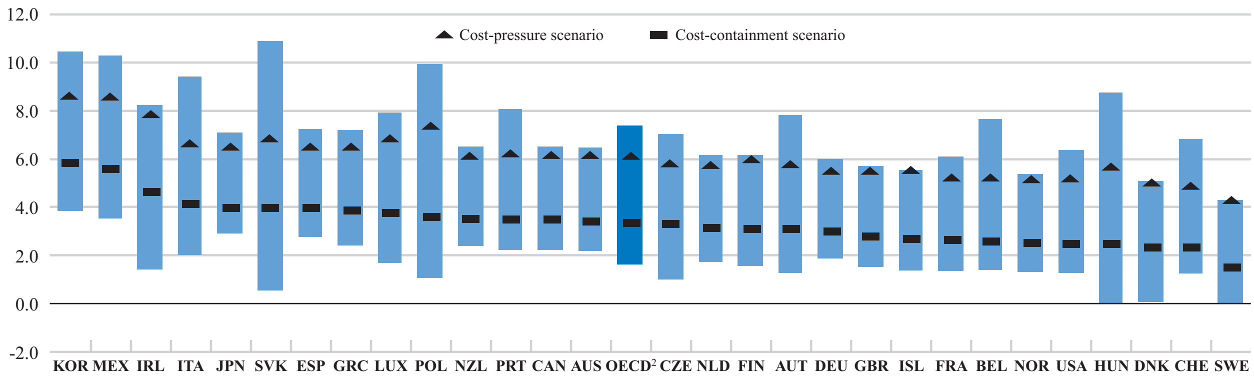
StatLink: *http://dx.doi.org/10.1787/111672745588*

The projections appear to be relatively robust

The hierarchy of spending increases across countries stays broadly unchanged through a series of sensitivity tests concerning the main drivers mentioned above (Figure III.1). Furthermore, for virtually all countries and alternative scenarios spending outcomes lie within a range that is only slightly wider than the range between the two main scenarios described above. This suggests a certain degree of robustness of the results. The remainder of the text discusses the projections in greater detail, with an emphasis on the role that the various assumptions play in gen-

Figure III.1. **Total increase in health and long-term care spending by country, 2005-2050[1]**

In percentage points of PIB



1. The vertical bars correspond to the range of the alternative scenarios, including sensitivity analysis. Countries are ranked by the increase of expenditures between 2005 and 2050 in the cost-containment scenario. Turkey was not included because data limitations made it impossible to calculate one of the scenarios.
2. OECD average excluding Turkey.

Source: OECD calculations.

StatLink: *http://dx.doi.org/10.1787/885302076708*

erating the results. The projections for spending on health and long-term care are based on population and economic projections as described in Box III.1 and Table III.2.[2]

Box III.1. Exogenous assumptions underlying the projections

The projections require a set of exogenous assumptions, as follows (see OECD, 2006 for further details):

- Population projections (*N*). The population projections were gathered by the OECD Directorate on Employment, Labour and Social Affairs, directly from national sources. Projected gains in life expectancy per decade were derived from these national population projections. To derive annual mortality rates, the five-year national projections were linearly interpolated. Using these annual data, the mortality rate by cohort and year was derived (see Gonand, 2005). Given that the underlying assumptions on fertility and life expectancy are not necessarily uniform across countries, a population maquette was used to test the sensitivity of the results to uniform longevity assumptions for a selected group of countries.
- Labour force projections (*L/N*) rely on previous OECD work (Burniaux *et al.*, 2003). These projections are constructed in the basis of a, so-called, cohort approach. They correspond to a baseline scenario, *i.e.* the impact of current policies is assumed to influence labour participation over the next decades, but no additional assumptions are made concerning future policy changes.
- Labour productivity (*Y/L*) growth is assumed to converge linearly from the initial rate (1995-2003) to 1.75% per year by 2030 in all countries, except former transition countries and Mexico where it converges only by 2050.

The projected GDP per capita is directly derived from the above exogenous variables using the relation: $Y/N = Y/L \times L/N$. This simple framework is not supposed to capture in the best way productivity differentials across countries, but to isolate, as far as possible, the effect of ageing and other demographic factors on the projections.

The results of this calculation are provided in Table III.2. It can be seen that, without substantial increases in labour productivity, ageing will represent a substantial drag on growth, on average a reduction of 1% *per annum* of GDP growth for the period 2025-2050 compared with 2005-2025. For further discussion on the impact of ageing on growth the interested reader can refer to Oliveira Martins *et al.* (2005).

2. For a discussion of the national demographic projections used in this study and their underlying assumptions see Oliveira Martins *et al.* (2005).

Table III.2. **Decomposition of projected GDP per capita**

Average annual percentage changes

	Labour utilisation[1]	Labour productivity[2]	GDP per capita	*Memo item* : GDP	Labour utilisation[1]	Labour productivity[2]	GDP per capita	*Memo item* : GDP
	2005-2025				2025-2050			
Australia	-0.2	2.2	2.0	*2.8*	-0.3	1.8	1.4	*1.8*
Austria	-0.5	2.0	1.6	*1.8*	-0.4	1.8	1.4	*1.2*
Belgium	-0.2	1.9	1.6	*1.8*	-0.2	1.8	1.5	*1.6*
Canada	-0.3	2.0	1.7	*2.3*	-0.2	1.8	1.6	*1.7*
Czech Republic	-0.4	1.5	1.1	*1.1*	-0.8	1.7	0.9	*0.6*
Denmark	-0.4	2.0	1.6	*1.6*	-0.1	1.8	1.6	*1.5*
Finland	-0.6	2.6	2.0	*2.1*	-0.1	1.8	1.7	*1.4*
France	-0.5	1.8	1.3	*1.5*	-0.3	1.8	1.5	*1.5*
Germany	-0.2	1.5	1.3	*1.2*	-0.2	1.8	1.5	*1.1*
Greece	0.3	2.0	2.3	*2.1*	-0.5	1.8	1.3	*0.9*
Hungary	-0.6	2.9	2.3	*2.3*	-0.7	2.1	1.4	*1.0*
Iceland	0.0	2.5	2.5	*3.1*	-0.2	1.8	1.6	*1.8*
Ireland	0.2	3.5	3.7	*4.4*	-0.2	1.8	1.5	*1.8*
Italy	-0.1	1.5	1.4	*1.3*	-0.5	1.8	1.2	*0.7*
Japan	-0.3	1.5	1.1	*0.9*	-0.3	1.8	1.4	*0.7*
Korea	-0.6	2.4	1.7	*1.9*	-0.4	1.8	1.3	*0.6*
Luxembourg	-0.1	3.2	3.0	*4.2*	-0.3	1.8	1.4	*2.3*
Mexico	0.8	2.6	3.5	*4.5*	0.1	2.0	2.1	*2.4*
Netherlands	-0.2	1.8	1.6	*1.9*	0.0	1.8	1.7	*1.7*
New Zealand	-0.3	1.8	1.5	*2.1*	-0.3	1.8	1.4	*1.6*
Norway	-0.1	1.9	1.8	*2.3*	-0.1	1.8	1.6	*2.0*
Poland	-0.4	3.7	3.4	*3.2*	-0.8	2.4	1.6	*0.7*
Portugal	-0.1	2.2	2.1	*2.1*	-0.5	1.8	1.3	*0.9*
Slovak Republic	-0.6	2.4	1.8	*1.9*	-1.0	1.9	0.9	*0.5*
Spain	-0.2	1.6	1.4	*1.7*	-0.4	1.8	1.3	*1.1*
Sweden	-0.6	2.3	1.7	*2.2*	0.0	1.8	1.7	*2.0*
Switzerland	-0.1	1.7	1.5	*1.6*	-0.2	1.8	1.6	*1.4*
Turkey	-0.3	2.4	2.0	*3.0*	-0.4	1.8	1.3	*1.7*
United Kingdom	-0.3	2.1	1.8	*2.1*	-0.1	1.8	1.6	*1.7*
United States	-0.3	2.1	1.7	*2.6*	-0.1	1.8	1.7	*2.4*
Average	-0.2	2.2	1.9	*2.3*	-0.3	1.8	1.5	*1.4*

1. Ratio of labour force to total population.
2. Labour productivity growth converges to 1.75% per year by 2030 except for former transition countries and Mexico which are assumed to converge by 2050.

Source: OECD calculations.

StatLink: *http://dx.doi.org/10.1787/627145782418*

Ageing gives a boost to spending

The effects of ageing on health care costs are cushioned by offsetting factors…

Ageing is associated with a rising share of older age groups in the population which will tend to put upward pressure on spending because health costs rise with age. However, the average cost per individual in older age groups could also fall over time for two reasons:

– Longevity gains could be translated into additional years of good health ("healthy ageing"). This is the assumption adopted in the present projections.

It may be seen as a compromise between two opposed views. On the one hand, rising longevity could imply that individuals spend a longer period in ill health towards the end of their lives, kept alive by (expensive) medical treatment. On the other hand, general improvements in health status could increasingly keep people in good health right until the later and later time of death. Current observations in a number of OECD countries are consistent with the "healthy ageing" hypothesis.

– Major health costs come at the end of life ("death related" costs). Insofar as rising longevity means more people leaving an age group not by dying but by living into the next age group, the average costs of the age group in question would fall. This assumption is also built into the current set of projections. In these, age-specific health spending is adjusted to take into account the distinction between health-care spending on those who survive into a higher age group and on those who die.

… and therefore give only a modest boost to spending…

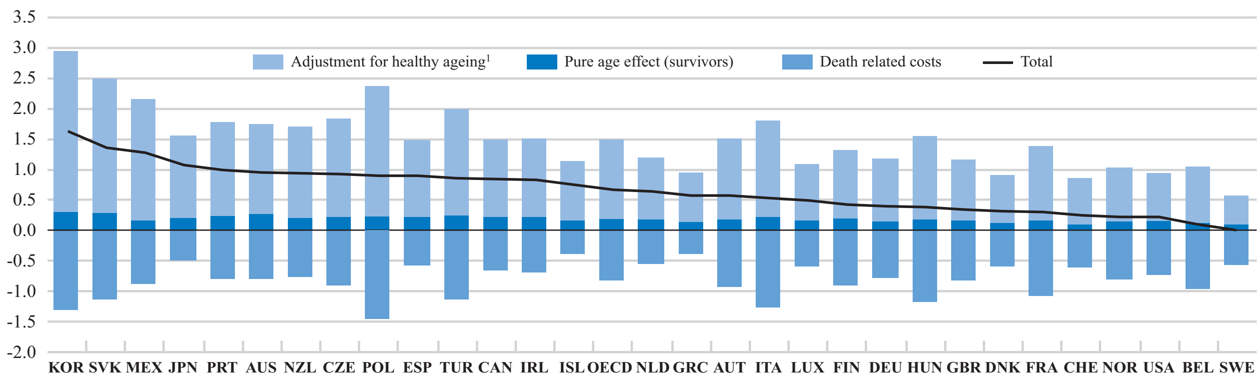
Accounting for these offsetting effects, the net impact of demographic change on health care spending is limited; on average for OECD countries it corresponds to an increase of 0.7% of GDP over the period 2005-50 (Figure III.2). While each individual effect goes in the same direction across all countries, their magnitudes differ significantly. Countries where demographic change is expected to be particularly dramatic, such as Korea, the Slovak Republic and Poland, would have particularly large direct effects of ageing but also very large offsetting influences.

… while the effect is stronger for long-term care

For long-term care, there may be less of an offset to the direct ageing effect than for health care. The limited available evidence suggests that the prevalence of dependency (*i.e.* the inability to perform one or several activities of daily living) rises exponentially with age, reaching very high levels for people at a high age.[3] In these conditions it might not be realistic to expect the prevalence of dependency to shift

Figure III.2. **Demography effects on health care spending**

Increase in percentage points of GDP, 2005-2050



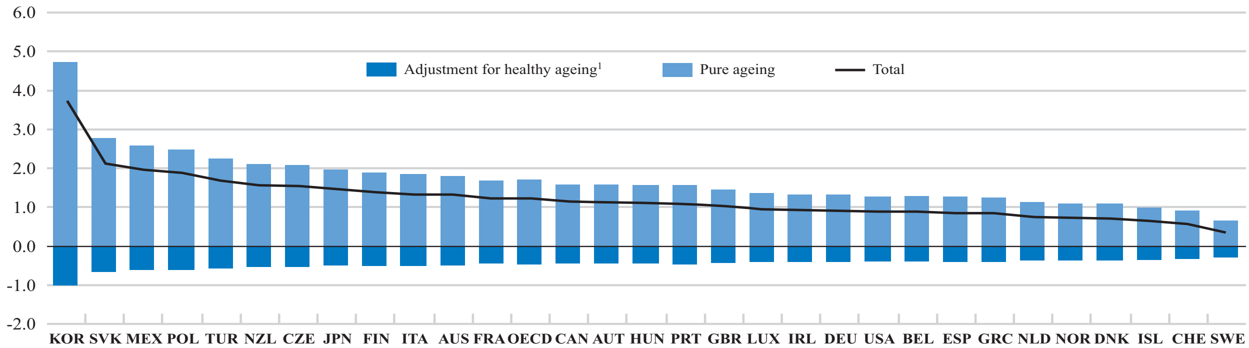
1. This adjustment implies that longevity gains are translated into additional years in good health.
Source: OECD calculations.

StatLink: *http://dx.doi.org/10.1787/223562801633*

3. Scattered evidence from four OECD countries (Comas-Herrera and Wittenberg, 2003) suggests that in the 85-89-year old age group, around 30% of persons could be in need of long-term care. This dependency ratio goes up to nearly 70% for those above 95.

Figure III.3. **Demography effects on long-term care spending**

Increase in percentage points of GDP, 2005-2050



1. For long-term care, the "healthy ageing" adjustment corresponds to only half of the longevity gains.
Source: OECD calculations.

StatLink: *http://dx.doi.org/10.1787/405572135327*

pari passu with increasing longevity. Hence, the projections embody the less sanguine (but ultimately arbitrary) assumption that only half of the longevity gains translate into a reduction in dependency. On this assumption, the net demographic effect on long-term care spending over the period 2005-50 is an average increase of 1.2% of GDP – both in absolute and relative terms much larger than for health care (Figure III.3).

Less informal care may push up demand for formal care

Higher female participation could reduce informal care…

In countries with low female labour force participation, women often provide informal care within families. Increased female labour force participation, spurred by improved education levels and policy reforms to overcome obstacles to female participation, can therefore reduce the supply of informal care and increase demand for institutionalised provision of care. Indeed, econometric estimates suggest that public spending per dependent person is significantly associated with labour force participation among persons in the age group 50-64 years.

… leading to more pressure for public spending

Based on these estimates, and the trends in participation rates that lie behind the GDP projections (see Box III.1 above), the effects of reduced provision of informal care on public spending are included in the spending projections.[4] The increased demand for formal care could push up public spending on long-term care by close to or above 1% of GDP over the period 2005-2050 in some countries (Ireland, Greece, and Mexico). In an alternative scenario, where participation rates in the 50-64 years age group increases to at least 70% in all countries, the corresponding average spending increase over the 2005-50 period is 1.7% of GDP.[5] Other factors potentially boosting the demand for formal care – such as the reduced size of households – are not taken into account in the scenarios.

4. As an order of magnitude, in 2003 average costs of institutional care per dependent person in the United States ranged between $40.000 and $75.000 per year. See Taleyson (2003).
5. However, higher participation rates are likely to have positive effects on public budgets which, depending on how they come about, may more than offset the effect via long-term care spending.

Health care spending will rise with income

Health spending could rise broadly in line with GDP…

Historically, spending on health care has risen faster than GDP and this has been the case even if adjusting for demographic change. There are a number of candidates to explain this development – not least effects of technology and relative prices which are discussed below. Another potential explanation is an increasing preference for health as income rises (*i.e.* health as a "superior" good) but the empirical evidence on this explanation is mixed. Indeed, data for individuals do not point to a strong relationship between income and health expenditure. And a number of methodological objections have been raised against macroeconomic studies suggesting that health is a superior good. Against that background, the current projections are based on the assumption that, everything else unchanged, health spending tends to grow in line with GDP.[6] This implies that projected health care spending as a share of GDP is independent of economic growth.

… whereas higher growth could reduce spending on long-term care as a share of GDP

Very limited information is available that permits an empirical assessment of the sensitivity of long-term care to income. *A priori*, however, long-term care may be seen more as a necessity than health care and therefore less sensitive to income. Based on this argument, and in the absence of empirical information on the sensitivity, the current projections embody the assumption that long-term care spending does not depend on income levels and therefore tends to fall as a share of GDP as economies grow. Under the growth assumptions presented in Box 1, this effect amounts to an average reduction in spending by about 0.6% of GDP over the period 2005-50. This assumption probably leads to a bias in the projections in the direction of underestimating spending pressures.

Technology, rising prices and the role of policies

Technological developments could boost spending…

Technological developments and relative price changes are inter-linked and could be major drivers of health and long-term care spending going forward.[7] The contribution of technology is a net effect of different influences. The advent of new treatments may increase demand for health care. Indeed, "healthy ageing" does not arise only from improvements in lifestyle, but also from advances in medical treatment/technology.[8] At the same time, some technological developments may be cost-saving and can lead to lower prices of particular treatments. The extent to which that will be reflected in lower spending depends, however, on the extent to which demand responds positively to lower prices; little information is available on this.

… as could rising relative prices…

While technological developments may lower prices of some health products and services, prices of health and long-term care as traditionally measured have generally tended to increase relative to the general price level.[9] This is because a large

6. Pooled cross-country/time-series econometric evidence at the macroeconomic level suggests that the addition of time-trends to estimations of health spending on GDP/capita leads to elasticity estimates at or below unity (see OECD (2006), Annex 2B for details). Assuming a one-to-one relation between health expenditure growth and income growth is also consistent with the fact that, over the long run, the share of health expenditure in GDP cannot grow without limit.
7. See early work by Fuchs (1972) and Mushkin and Landefeld (1979). More recently, there has been a renewal of interest in the effect of technology and prices, see Newhouse (1992), KPMG Consulting (2001), Wanless (2001) and Productivity Commission (2005a and b).
8. See Sheehan (2002) and Cutler (2001) on improvements in lifestyle, and Jacobzone (2003) on the impact of technology.
9. If prices of health care were appropriately adjusted for quality improvements, this might not be true. The counterpart to a falling relative price would in that case have been a much faster rise in the volume of health services.

part of the output produced in these sectors consists of personal services with only limited scope for productivity growth in line with that in the rest of the economy. If wages in these sectors rise in line with wages elsewhere, their relative prices will then rise faster. This tendency for rising relative prices, often referred to as the "cost disease", is probably most acute in long-term care, which consists of particularly labour intensive activities.[10] The effect of relative price changes on overall spending will then depend on the extent to which higher prices lead to lower demand. To the extent long-term care is seen as a necessity, as argued earlier, the price sensitivity may be correspondingly low.

… and these effects are built into the "cost pressure" scenario…

In practice, little is known about the historical effects of technology and relative prices and, by implication, uncertainty is large as concerns the future impacts. In the projections, these effects were dealt with differently in the cases of health care and long-term care.

- For health care, technology and relative prices were seen as the drivers of historical spending growth over and above what can be explained by demographic changes and income. The cost pressure scenario then embodies the assumption that technology and relative prices will continue to act as they did historically. Between 1981 and 2002, public health spending grew in real terms by 3.6% per year on average across OECD countries. With average income growth of 2.3% and an estimated demographic contribution of 0.3 percentage points, the contribution from technology and relative prices is therefore estimated at 1 percentage point per year. Hence, over the projection period health spending in the cost pressure scenario grows 1 percentage point faster than implied by income and demographic influences on account of technology and relative price effects. The impact is to raise spending by 3.2% of GDP over the 2005-50 period.
- For long-term care, the cost pressure scenario embodies the assumption that the relative price of long-term care increases in line with average productivity growth in the economy. This amounts to assuming no productivity growth in the sector and, in the absence of any offsetting demand effect, implies an increase of 1.5% of GDP over the period 2005-50.

… but less so in the "cost containment" scenario

These effects are best viewed as prolonging past trends and the corresponding cost pressure scenario may therefore be interpreted as a business-as-usual scenario, where policies are no more effective in controlling costs than they have been historically. The "cost containment" scenario, by contrast, embodies more effective, but unspecified, policy action that partly checks the above-mentioned tendencies for spending growth. More specifically:

- In the case of health care, the autonomous spending drift associated with technology and relative prices would gradually disappear so that by 2050 growth of health spending is determined only by income and demographic effects. Nonetheless, over the period 2005-50 technology and relative prices would still contribute 1.4 percentage points to the increase in health spending as a share of GDP.

10. See Baumol (1967) and (1993). A "full Baumol effect" would mean that there are no productivity gains in long-term care and wages evolve in line with aggregate labour productivity in the economy (a proxy for future wage increases). Assuming that demand for long-term care is rather insensitive to prices, the share of long-term care expenditures in GDP would then increase steadily over time.

– For long-term care, the relative price is assumed to rise by only half of economy-wide productivity growth. In this case, the effect is to push up spending by 0.6% of GDP over the period 2005-50.

Balance of risks and implications for policy

The projections may be optimistic…

As mentioned earlier, the projections appear to be relatively robust to changes in individual assumptions. However, combinations of changed assumptions that all go in the same direction could significantly alter the results. It may be easier to see such a confluence of risks materialising in the direction of higher spending. Candidates include an extension of the pre-death period of ill health as longevity increases, increased dependency due to obesity trends, higher than expected costs induced by technical progress in medical treatment and higher demand for long-term care in response to growing incomes, possibly because more people would demand higher quality care.

… but even if they are not, the policy challenges are big…

Even if these upside risks do not materialise, the spending projections point to important policy challenges. These challenges are reinforced by the evidence that macroeconomic cost-containment policies, which had some success in repressing spending trends over the 1980s and 1990s (see appendix), have their limits. For instance, it is difficult to contain wages and, at the same time, attract young and skilled workers into the system. Similarly, controlling prices is not easy when technical progress is permanently creating new products and treatments. As well, price controls may not be desirable insofar as they undermine the development of new and better medical treatments. And overall constraints on supply have resulted in unpopular waiting lists. More generally, it is difficult to determine the appropriate supply of health and long-term care services without market signals – but at the same time, health and long-term care are areas where market failures are rife.

… and the answers are only vaguely known

In these circumstances it is difficult to provide policy guidance beyond attempting to remedy market failures and, when this is feasible, allow scope for market mechanisms to work. Indeed, giving policy advice is further complicated by the wide diversity of institutions across countries. Going forward, one of the main spending drivers is likely to remain new and improved health care technology. Indeed, it would be undesirable to choke off technological development that enhances individual welfare – but the balance between costs and benefits of new treatments will need to be considered continuously. Another main driver of spending is demographic change and here there is little that governments can do. By contrast, to the extent that policies can stimulate efficiency in delivering health and long-term care, the tendency for relative prices to rise in this area could be curtailed. This will require policy settings focussed on improved cost efficiency at the microeconomic level. Finally, an element in the policy challenge will be to consider the respective roles of public and private provision and financing. Health and long-term care are likely to remain first-order policy issues for the foreseeable future.

Appendix
Cost containment policies in OECD countries: An overview

Faced with unsustainable growth in health care spending over the 1960s and 1970s, governments initially aimed at containing it through various kinds of macroeconomic restrictions. These policies often created allocative problems of their own. Wage and price controls had negative consequences on the supply of health care while top-down spending constraints also discouraged providers to increase output or to enhance productivity.

More recently the focus turned to more efficient provision of care. Nonetheless, while spending growth has slowed considerably over the past two decades, studies using statistical tests of the impact of budgetary caps or other policies to limit spending provide little evidence of a strong impact. In some cases, the reduction of health care costs has been achieved by transferring spending to other areas, such as long-term care. Supporting this view is the fact that countries that have been most effective at controlling health care spending are also the ones where long-term care expenditures have increased most rapidly.[11]

Macroeconomic cost-containment initiatives

Wage controls have been used in public integrated systems in both the hospital and the ambulatory sector where health care personnel are paid on a salary basis (Denmark (hospitals), Finland, Ireland (hospitals), Spain, Sweden and the United Kingdom (hospitals)). Such policies were part of a broader public-sector restraint, rather than specific to the health sector.

Price controls have been widely used, particularly in areas where governments set prices administratively or have oversight on prices agreed between health-care purchasers and providers. A number of countries have set fees directly (*e.g.* Australia, Belgium, France, Japan, Luxembourg and Canada). In others, prices have been automatically adjusted to offset volume overrun so as not to exceed a fixed budget ceiling (*e.g.* Germany (ambulatory care), Austria (hospital care), Hungary (outpatient care), and recent reforms in Belgium). Administrative price-setting has probably been most widespread for pharmaceutical drugs.

Limits in most countries on entry to medical schools are an important factor affecting the growth of the number of medical professionals. The number of new doctors per capita has slowed as a result. There have also been reductions in support staff (Canada, Sweden). Policies to restrain supply have actually led to supply shortages in, for example, Canada, the United Kingdom and Denmark, and waiting lists are a common feature across OECD countries. In countries like Finland, France and Korea, upward pressure on wages has been observed.

Hospital supply policies have encouraged a reduction in the number of beds per capita and concentrated acute care in larger hospital units so as to achieve economies of scale and scope. Nonetheless, the level of acute-care beds per capita remains relatively high in some countries (such as Austria, the Czech Republic, Germany, Hungary and the Slovak Republic).

11. This Appendix is largely based on Docteur and Oxley (2003).

Budgetary caps or controls have been a widely used instrument for controlling expenditure. In general, policies to control and reshape supply and to cap spending in the hospital sector appear to have been more successful at controlling expenditure than for ambulatory care or pharmaceutical drugs. Spending control through budgetary caps also appears to have been most successful in countries such as Denmark, Ireland, New Zealand and the United Kingdom where integrated models of health-care financing and supply are (or were) the rule and in mainly single-payer countries, such as Canada, where health-care budgets are generally explicitly set through the budget process.

Cost sharing has been an increasingly common feature over the 1980s and, particularly, the 1990s. Greater cost-sharing has mainly affected pharmaceuticals, while patient payments for inpatient and doctors visits have been less widespread (Sweden, Italy, France). This is presumably connected to the higher price elasticity for pharmaceutical drugs than for ambulatory and, particularly, for hospital care.

Improving cost efficiency at the micro level

Ambulatory care is of key importance to the overall efficiency and effectiveness of health-care systems. It is usually the place where contact between patient and health-care personnel is first established, and ambulatory care is generally less expensive than hospital care. The gate-keeping role of general practitioners has been encouraged in some countries (United Kingdom, New Zealand, Norway, United States and France). In Eastern European countries, the ambulatory sector has been shifted from the public sector to private practitioners in the course of the 1990s, and, in some cases, they are now paid on a capitation basis.

Hospital-sector reforms concern first and foremost the separation of purchasers and providers within public integrated systems. Purchasers/funders of health care are responsible to the budgetary authorities for cost control and to patients for the quality and accessibility of care. A significant number of countries with integrated systems have now moved in this direction (Australia, United Kingdom, New Zealand, Sweden, Italy, Portugal and, more recently, Greece). More active purchasing has also occurred in countries with public contract models (Germany, Belgium). The role of purchasers has been enhanced in the United States. The contracting out of selected activities has increased, where these can be provided more cheaply externally. Finally, a limited number of countries (the United States, the United Kingdom, Sweden, the Czech Republic and New Zealand) have experimented with greater competition among hospitals as a means of inducing improvement in efficiency, quality and responsiveness.

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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 17 May 2006.

Country classification

	OECD
Seven major OECD countries	Canada, France, Germany, Italy, Japan, United Kingdom and United States.
Euro area	Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.
	Non-OECD
Africa and the Middle East	Africa and the following countries (Middle East): Bahrain, Cyprus, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates and Yemen.
Dynamic Asian Economies (DAEs)	Chinese Taipei; Hong Kong, China; Indonesia; Malaysia; the Philippines; Singapore and Thailand.
Other Asia	Non-OECD Asia and Oceania, excluding China, the DAEs and the Middle East.
Latin America	Central and South America.
Central and Eastern Europe	Albania, Bulgaria, Romania, the Newly Independent States of the former Soviet Union, and the Baltic States.

Weighting scheme for aggregate measures

Per cent

Australia	1.87	Mexico	3.30
Austria	0.84	Netherlands	1.66
Belgium	1.00	New Zealand	0.29
Canada	3.20	Norway	0.60
Czech Republic	0.55	Poland	1.50
Denmark	0.56	Portugal	0.69
Finland	0.49	Slovak Republic	0.21
France	5.78	Spain	3.11
Germany	7.70	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	36.02
Italy	5.41	Total OECD	100.00
Japan	11.87	*Memorandum items:*	
Korea	2.82	Euro area	27.82
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 (1959q1-2005q4)	SNA93 (1959q1-2004q4)	SNA93 (1959q1-2004q2)	YES	2002/2003
Austria	ESA95 (1989q1-2005q4)	ESA95 (1995-2004)	ESA95 (1995-2005)	YES	2000
Belgium	ESA95 (1970q1-2006q1)	ESA95 (1995-2004)	ESA95 (1970-2005)	NO	2000
Canada	SNA93 (1961q1-2005q4)	SNA93 (1961q1-2005q4)	SNA93 (1961q1-2005q3)	YES	1997
Czech Republic	SNA93 (1995q1-2005q4)	SNA93 (1995-2004)	SNA93 (2002-2005)	YES	1995
Denmark	ESA95 (1990q1-2005q4)	ESA95 (1990-2003)	ESA95 (1990-2005)	YES	2000
Finland	ESA95 (1995q1-2005q4)	ESA95 (1975-2005)	ESA95 (1995-2005)	NO	2000
France	ESA95 (1978q1-2005q4)	ESA95 (1978q1-2005q4)	ESA95 (1995-2005)	NO	2000
Germany[1]	ESA95 (1991q1-2005q4)	ESA95 (1991-2005)	ESA95 (1991-2005)	YES	2000
Greece	ESA95 (1960-2005)	..	ESA95 (2000-2005)	YES	1995
Hungary	SNA93 (2000q1-2005q4)	SNA93 (1995-2003)	SNA93 (1999-2005)	NO	2000
Iceland	SNA93 (1997q1-2005q4)	..	SNA93 (1993-2005)	YES	2000
Ireland	ESA95 (1997q1-2005q4)	SNA93 (1995-2003)	ESA95 (1990-2005)	YES	2003
Italy	ESA95 (1980q1-2005q4)	ESA95 (1980-2003)	ESA95 (1995-2005)	YES	2000
Japan	SNA93 (1994q1-2005q4)2	SNA93 (1980-2004)	SNA93 (1980-2004)	YES	2000
Korea	SNA93 (1970q1-2006q1)	SNA93 (1975-2003)	SNA93 (1975-2004)	NO	2000
Luxembourg	ESA95 (1995q1-2005q4)	..	ESA95(1990-2005)	YES	2000
Mexico	SNA93 (1980q1-2005q4)	..	..	NO	1993
Netherlands	ESA95 (2001q1-2005q4)	ESA95 (2001-2004)	ESA95 (2001-2005)	YES	2001
New Zealand	SNA93 (1987q2-2005q4)	..	SNA93 (1987-2001)	YES	1995/96
Norway	SNA93 (1978q1-2005q4)	SNA93 (1978-2005)	SNA93 (1978-2005)	YES	2003
Poland	SNA93 (1995q1-2005q4)	SNA93 (1995-2003)	SNA93 (1999-2005)	YES	2000
Portugal	ESA95 (1995q1-2005q4)	ESA95(2000-2002)	ESA95 (1999-2005)	YES	2000
Slovak Republic	SNA93 (1993q1-2005q4)	SNA93 (1994-2005)	SNA93 (1993-2005)	NO	1995
Spain	ESA95 (1995q1-2005q4)	ESA95 (2000-2004)	ESA95 (2000-2005)	YES	2000
Sweden	ESA95 (1993q1-2005q4)	ESA95 (1993q1-2005q4)	ESA95 (1993-2005)	YES	2000
Switzerland	SNA93 (1980q1-2005q4)	SNA93 (1990-2003)	SNA93 (1990-2003)	YES	2000
Turkey	SNA68 (1987q1-2005q4)	..	..	NO	1987
United Kingdom	ESA95 (1987q1-2005q4)	ESA95 (1987q1-2005q4)	ESA95 (1987q1-2005q4)	YES	2002
United-States	NIPA (SNA93) (1960q1-2006q1)	NIPA (SNA93) (1960q1-2006q1)	NIPA (SNA93) (1960q1-2005q4)	YES	2000

Note: SNA: System of National Accounts. ESA: European Standardised Accounts. NIPA: National Income and Product Accounts. GFS: Government Financial Statistics. The numbers in brackets indicate the starting year for the time series and the latest available historical data included in this Outlook database.

1. Data prior to 1991 refer to the new SNA93/ESA95 accounts for western Germany data.

Annex Tables

External Trade and Payments

Other Background Data

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	2.4	4.0	5.0	4.0	4.0	3.8	5.2	4.3	3.4	2.4	3.9	3.3	3.2	2.6	2.9	3.7	2.9	3.5	3.6
Austria	2.6	2.3	0.6	2.5	2.2	2.5	1.9	3.6	3.4	3.5	0.8	1.1	1.2	2.6	2.0	2.5	2.2	1.9	2.5	2.1
Belgium	2.2	1.5	-1.0	3.2	2.4	0.8	3.7	1.9	3.1	3.7	1.2	1.5	0.9	2.4	1.5	2.5	2.4	1.5	2.6	2.5
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	2.9	3.1	3.3	2.9	3.1	3.3
Czech Republic	..	..	..	2.6	5.9	4.2	-0.7	-1.1	1.2	3.9	2.6	1.5	3.2	4.7	6.0	5.7	4.7	6.7	5.1	4.4
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	0.7	1.9	3.1	3.0	2.4	3.4	3.0	1.9
Finland	2.2	-4.2	-1.2	4.1	3.5	3.6	6.2	4.9	3.4	5.2	1.0	2.1	2.4	3.5	2.2	3.4	2.8	2.9	2.8	2.6
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	1.4	2.1	2.2	1.5	2.2	2.4
Germany	2.8	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	1.6	1.6	2.3	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	3.7	3.7	3.6	3.7	4.3	3.7
Hungary	..	..	..	2.9	1.5	1.3	4.6	4.9	4.2	5.2	4.5	3.8	3.4	4.5	4.3	4.6	4.4	4.2	4.8	4.4
Iceland	2.3	-3.1	1.7	3.8	0.4	5.0	5.3	6.5	4.3	4.1	3.8	-1.0	3.0	8.2	5.6	4.1	1.4	3.8	3.7	0.9
Ireland	3.5	3.3	2.7	5.8	9.6	8.3	11.7	8.6	10.7	9.2	6.2	6.1	4.4	4.5	4.6	5.0	5.0	5.1	4.7	5.2
Italy	2.5	0.6	-0.9	2.3	2.9	0.6	2.0	1.3	1.9	3.8	1.7	0.3	0.1	0.9	0.1	1.4	1.3	0.5	1.6	1.3
Japan	4.0	1.0	0.2	1.1	1.9	2.6	1.4	-1.8	-0.2	2.9	0.4	0.1	1.8	2.3	2.7	2.8	2.2	4.3	2.2	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	4.7	4.0	5.2	5.3	5.3	4.3	6.1
Luxembourg	5.9	1.8	4.2	3.8	1.4	1.9	5.9	6.5	8.4	8.4	2.5	3.6	2.0	4.2	4.0	4.5	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	4.2	3.0	4.1	3.7	2.7	3.8	3.9
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	1.1	2.4	2.8	2.1	2.0	3.1
New Zealand	1.8	0.9	4.7	6.2	4.2	3.4	3.0	0.7	4.7	3.8	2.8	4.3	3.9	4.3	1.9	1.3	1.9	1.8	1.4	2.3
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	1.1	3.1	2.3	2.5	2.2	2.4	2.7	1.8
Poland	..	..	..	5.3	7.0	6.2	7.1	5.0	4.5	4.2	1.1	1.4	3.8	5.3	3.3	4.4	4.6	..	..	..
Portugal	3.5	1.1	-2.0	1.0	4.3	3.6	4.2	4.8	3.9	3.9	2.0	0.8	-1.1	1.1	0.3	0.7	1.5	0.7	1.3	1.7
Slovak Republic	..	..	..	6.2	5.8	6.1	4.6	4.2	1.5	2.0	3.8	4.6	4.5	5.5	6.0	6.3	6.3	6.7	6.0	6.4
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	3.3	3.0	3.5	3.1	3.0
Sweden	2.1	-1.2	-2.0	3.8	4.1	1.4	2.5	3.6	4.3	4.4	1.2	2.0	1.8	3.2	2.7	3.9	3.3	2.9	4.2	2.9
Switzerland	1.9	0.0	-0.2	1.1	0.4	0.5	1.9	2.8	1.3	3.6	1.0	0.3	-0.3	2.1	1.9	2.4	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	7.4	6.1	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	3.1	1.8	2.4	2.9	1.8	2.5	3.2
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	3.5	3.6	3.1	3.2	3.9	3.0
Euro area	2.5	1.4	-0.7	2.4	2.4	1.4	2.6	2.7	2.9	4.0	1.9	1.0	0.7	1.8	1.4	2.2	2.1	1.8	2.3	2.2
Total OECD	3.1	2.2	1.5	3.3	2.5	3.0	3.6	2.7	3.3	4.0	1.2	1.6	2.0	3.3	2.8	3.1	2.9	3.0	3.1	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 79 database.

StatLink: *http://dx.doi.org/10.1787/555066436131*

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	9.7	3.7	5.3	5.9	5.5	6.4	5.4	5.4	5.0	7.7	6.2	6.9	6.4	6.9	7.2	7.2	6.6	7.9	6.8	6.6
Austria	6.0	5.9	3.4	5.0	4.2	3.5	2.0	3.8	4.0	5.2	2.6	2.2	2.6	4.6	4.1	4.3	4.1	3.9	3.7	4.7
Belgium	6.3	5.0	3.0	5.4	3.6	1.4	5.0	3.8	3.8	5.5	3.0	3.3	2.6	4.7	3.8	4.3	4.2	3.7	4.4	4.3
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	6.1	6.2	5.2	7.1	4.8	5.5
Czech Republic	..	..	..	13.9	16.8	13.2	7.5	9.9	4.0	5.3	7.7	4.3	5.8	8.3	5.9	7.2	8.3	5.9	7.7	8.5
Denmark	7.3	3.7	0.6	7.1	4.4	4.9	5.3	3.4	4.3	6.6	3.2	2.8	2.7	4.1	5.7	5.1	5.4	4.6	5.9	5.2
Finland	8.5	-2.4	1.1	6.0	8.4	3.3	8.5	8.6	3.1	8.3	4.3	3.2	2.2	3.8	3.9	3.9	3.8	4.5	3.5	3.6
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	2.7	3.7	3.9	2.8	3.9	4.0
Germany	5.7	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	1.6	2.2	3.2	2.1	2.9	3.2
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	7.2	7.3	7.2	6.7	6.3	7.8
Hungary	..	..	..	23.0	27.4	22.8	23.9	18.1	12.9	15.6	12.9	12.8	10.3	9.5	7.0	6.2	7.3	7.1	5.7	8.4
Iceland	31.7	-0.2	3.2	6.3	3.1	7.3	8.0	11.1	7.6	7.9	12.8	4.5	3.5	10.7	8.6	8.4	5.7	7.3	8.5	4.8
Ireland	9.2	6.2	8.0	7.5	13.0	10.6	15.8	16.3	15.1	15.2	12.2	11.4	6.6	6.8	7.9	8.4	8.5	9.0	7.7	8.7
Italy	12.1	5.1	3.0	5.9	8.0	5.8	4.6	3.9	3.2	5.9	4.8	3.7	3.2	3.8	2.2	2.8	3.5	3.5	1.6	4.4
Japan	6.1	2.6	0.8	0.5	1.4	1.9	1.9	-1.8	-1.5	1.2	-0.9	-1.4	0.2	1.1	1.4	2.1	2.8	2.5	2.4	2.8
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	7.5	3.5	6.3	6.3	4.7	5.9	6.4
Luxembourg	9.7	5.6	10.4	7.5	3.8	4.5	4.0	6.1	14.2	10.6	2.6	6.4	6.9	5.3	8.4	8.8	6.5	..	..	..
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	11.9	8.6	9.7	6.9	8.1	7.1	7.2
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	2.7	4.2	4.1	3.7	3.8	4.4
New Zealand	10.3	2.3	7.7	7.4	6.5	6.0	3.4	1.6	5.1	6.4	7.1	5.2	5.7	8.2	4.5	3.3	4.3	3.7	3.8	4.1
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	3.8	8.9	11.0	10.9	5.7	11.3	9.5	5.1
Poland	..	..	..	44.5	36.9	25.3	22.0	16.6	10.9	11.8	4.6	3.7	4.2	9.5	6.2	6.0	6.5	..	..	..
Portugal	20.7	12.7	5.2	8.3	7.9	6.3	8.2	8.7	7.3	7.1	5.8	4.7	1.5	3.9	3.1	3.6	3.4	3.5	3.2	3.5
Slovak Republic	..	..	..	20.5	16.3	10.7	11.6	9.6	8.0	10.7	8.1	8.8	9.3	10.3	8.6	8.5	8.7	8.6	8.5	8.5
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	8.0	7.2	6.8	8.1	6.6	6.8
Sweden	9.8	-0.2	0.8	6.7	7.6	2.3	4.1	4.3	5.5	5.8	3.2	3.6	3.7	4.6	3.9	5.6	5.3	4.8	5.9	5.5
Switzerland	5.7	2.2	2.1	2.6	1.2	0.5	1.8	2.5	2.0	4.4	1.7	1.9	0.9	2.6	2.5	3.2	3.2	2.9	3.5	3.0
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	13.2	11.6	10.4	..	..	..
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	5.3	3.8	4.5	4.5	3.5	4.2	4.8
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	6.7	5.5	6.4	6.6	5.3
Euro area	8.4	5.7	2.7	5.3	5.2	3.4	4.0	4.3	3.7	5.4	4.4	3.5	2.7	3.7	3.2	3.8	4.2	3.7	3.6	4.4
Total OECD	10.5	6.8	5.4	8.1	8.0	7.5	7.5	6.0	5.8	7.0	4.2	4.2	4.3	5.6	4.8	5.4	4.9	5.2	5.1	5.0

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).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/726377743242*

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	Fourth quarter 2006	Fourth quarter 2007
Australia	2.8	2.3	1.5	3.7	4.9	2.9	3.9	4.4	5.0	3.6	3.1	3.9	3.8	5.8	3.1	3.1	2.6	2.8	3.0	2.5
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	1.0	1.4	1.8	1.9	1.5	2.0	1.8
Belgium	2.1	2.2	-1.3	1.6	0.9	1.1	2.0	2.6	2.0	3.6	1.2	0.8	1.0	1.3	1.3	1.9	2.0	1.9	1.8	2.1
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	3.3	3.6	3.8	3.6	3.6
Czech Republic	..	..	..	5.3	5.9	8.9	1.3	-1.5	2.1	2.9	2.6	2.8	4.6	3.3	2.6	3.3	4.2	2.6	3.9	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	1.5	1.6	3.4	3.8	2.3	2.7	1.6	3.1	2.5
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	3.8	3.2	2.6	3.8	2.9	2.5
France	2.1	0.8	-0.3	0.9	1.6	1.5	0.2	3.6	3.3	3.5	2.5	2.4	1.6	2.2	2.1	2.3	2.3	1.9	2.3	2.4
Germany	2.6	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	0.6	0.6	-0.7	1.4	0.8
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	3.8	3.5	3.5	..	..	..
Hungary	..	..	..	0.2	-7.1	-3.6	1.9	4.8	5.6	5.4	6.1	10.6	8.4	3.2	2.4	4.0	3.4	2.4	4.9	2.4
Iceland	2.4	-3.2	-4.6	2.7	2.2	5.5	6.2	10.1	7.9	4.2	-3.0	-1.6	5.9	7.2	11.9	5.3	0.8	10.7	3.6	-0.6
Ireland	1.9	2.9	2.9	4.4	3.4	6.6	7.5	7.7	8.1	8.5	9.1	5.8	3.8	3.3	3.3	5.1	5.8	3.8	5.6	5.8
Italy	2.7	1.6	-3.1	1.6	1.5	1.0	3.2	3.4	2.6	2.4	0.7	0.2	1.0	0.5	0.1	1.1	1.1	0.2	1.5	0.9
Japan	3.8	2.6	1.4	2.7	1.8	2.3	0.8	-0.8	1.1	1.1	1.4	1.1	0.6	1.9	2.2	1.7	1.6	3.5	1.2	1.7
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	-0.3	3.2	4.2	4.3	4.1	3.8	4.8
Luxembourg	3.4	-2.3	2.1	4.0	1.9	2.5	3.8	5.7	3.6	5.1	3.3	6.0	2.4	2.6	2.3	2.8	2.3	..	..	..
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	2.2	4.1	5.4	4.8	4.1	5.3	4.1	4.1
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	0.3	-2.6	1.2	1.1	-2.7	1.2
New Zealand	1.6	0.1	2.7	5.9	4.3	5.0	2.4	2.6	3.8	1.7	2.6	4.1	5.5	6.5	4.6	1.1	1.1	3.8	0.7	1.5
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	2.9	4.7	3.8	3.6	2.9	3.1	4.0	2.4
Poland	..	..	..	3.9	3.7	8.8	7.2	5.0	5.7	3.0	2.1	3.3	1.9	3.9	2.1	3.0	3.7	..	..	..
Portugal	3.0	4.7	1.1	1.0	0.6	3.4	3.6	5.3	5.2	3.7	1.3	1.3	0.1	2.4	2.0	1.2	1.9	1.1	2.0	1.8
Slovak Republic	..	..	..	1.0	5.4	7.9	5.5	6.5	3.2	-0.8	4.7	5.5	-0.6	3.5	5.8	4.9	4.9	5.8	4.7	4.9
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	4.4	3.8	3.5	4.0	3.3	3.5
Sweden	1.9	-1.3	-3.5	1.8	0.9	1.7	2.5	3.0	3.8	5.0	0.4	1.5	1.8	1.8	2.4	3.2	2.7	2.9	2.9	2.3
Switzerland	1.8	0.4	-0.6	1.0	0.7	1.0	1.5	2.4	2.3	2.3	2.0	0.0	0.8	1.4	1.6	1.8	1.6	1.8	1.9	1.5
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	8.8	6.7	4.8	..	..	..
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	3.5	1.7	2.1	2.4	1.5	2.1	2.6
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	3.6	3.3	2.9	4.0	3.2
Euro area	2.5	1.9	-0.7	1.6	1.9	1.6	1.8	3.0	3.3	3.2	2.0	1.0	1.1	1.4	1.3	1.5	1.7	1.1	1.8	1.8
Total OECD	3.2	2.6	1.8	2.9	2.1	3.0	3.0	2.9	4.0	3.9	2.1	2.3	2.0	2.9	2.8	2.8	2.7	2.8	2.8	2.7

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence there are breaks in many national series. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/556163464168*

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	Fourth quarter 2006	Fourth quarter 2007
Australia	3.8	0.5	0.6	3.5	4.2	3.3	2.9	3.4	3.1	4.3	1.7	3.1	3.7	3.7	3.3	3.2	3.2	4.2	1.8	3.2
Austria	1.7	2.6	3.2	2.7	3.1	1.6	3.2	2.5	1.8	1.1	-1.0	1.0	1.9	1.0	1.3	1.3	1.3	1.5	1.2	1.3
Belgium	1.1	1.5	-0.2	1.4	1.5	2.1	0.3	1.1	3.4	2.3	2.6	2.9	2.6	1.9	1.9	2.2	2.3	2.7	1.7	2.6
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	2.8	3.5	2.9	3.4	3.2	2.8
Czech Republic	..	..	..	-2.3	-4.3	1.5	1.4	-1.0	5.4	0.2	3.8	4.5	3.8	-2.7	0.8	1.0	0.5	1.4	1.3	0.0
Denmark	0.7	0.9	4.2	2.2	2.4	3.6	0.7	3.5	2.4	2.3	2.2	2.1	0.2	1.5	1.3	1.3	0.8	2.1	0.6	0.8
Finland	3.0	-2.5	-4.2	0.8	2.0	2.8	2.8	2.0	1.5	0.1	2.3	4.3	1.6	1.7	1.4	1.4	1.4	1.2	1.8	1.1
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	1.5	1.9	1.6	1.8	1.5	1.7
Germany	1.4	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	0.1	0.5	0.6	0.8	1.5	0.5
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	3.0	1.5	1.5	..	..	..
Hungary	..	..	..	-7.4	-5.7	-2.3	3.1	1.8	1.5	1.9	3.1	5.8	6.2	1.7	-0.3	2.3	1.4	-0.6	3.9	0.3
Iceland	4.6	-0.6	2.5	4.0	1.7	1.0	2.6	3.6	4.9	4.3	3.1	5.1	1.6	2.9	3.2	2.5	3.0	3.7	3.4	3.0
Ireland	0.3	3.0	0.1	4.1	3.9	3.4	5.0	4.7	7.4	8.6	1.2	1.2	2.4	3.9	9.2	5.3	5.3	8.9	6.2	5.0
Italy	2.7	1.0	-1.5	-1.7	-3.3	0.4	0.1	0.4	1.3	2.3	3.6	2.1	2.0	0.5	1.2	-0.3	0.6	1.4	-1.0	1.7
Japan	3.4	2.5	3.0	3.2	3.9	2.9	0.8	1.8	4.1	4.3	3.0	2.4	2.3	2.0	1.7	0.8	0.9	1.7	0.5	1.1
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	3.7	4.3	4.9	4.0	4.9	4.9	4.0
Luxembourg	4.6	3.2	5.2	1.0	4.7	6.5	3.2	1.6	8.3	4.7	6.1	4.5	4.5	3.0	2.5	3.4	3.1	..	..	..
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	-0.4	0.5	2.0	0.1	2.3	0.5	0.2
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	0.5	8.5	1.5	1.7	7.0	2.5
New Zealand	1.4	1.2	0.9	1.0	4.5	2.4	6.8	-0.4	6.7	-2.4	4.3	2.5	1.9	5.7	5.3	5.4	3.3	5.1	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	1.3	2.2	1.4	2.0	2.3	0.8	2.6	2.3
Poland	..	..	..	1.2	4.8	2.2	3.1	1.9	2.5	2.1	2.7	1.3	4.9	4.2	4.2	3.8	3.8	..	..	..
Portugal	5.4	-0.9	-0.2	4.3	1.0	3.3	2.2	4.3	5.6	3.5	3.3	2.6	0.3	2.0	1.7	0.2	-0.4	1.3	-0.3	-0.4
Slovak Republic	..	..	..	-10.7	3.6	17.2	-5.4	12.5	-7.1	1.6	4.6	4.9	2.7	1.1	2.0	3.3	2.6	3.4	2.3	2.7
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	4.5	4.1	3.7	4.6	2.9	3.7
Sweden	1.8	2.1	0.1	-0.8	-0.4	0.6	-0.9	3.5	1.7	-1.2	0.9	2.3	0.7	0.1	1.1	1.6	0.9	1.9	1.4	0.7
Switzerland	3.8	1.7	-0.7	2.0	1.0	0.9	-0.1	-0.9	0.3	2.6	4.2	1.7	2.2	1.4	1.3	0.5	0.5	0.9	1.1	0.3
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	2.4	2.5	2.5	..	..	..
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	3.1	2.9	2.5	2.1	4.3	1.2	2.4
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	1.5	1.8	1.0	1.3	2.0	1.0
Euro area	2.3	3.1	1.0	1.1	0.9	1.6	1.4	1.4	2.0	2.4	2.1	2.5	1.7	1.2	1.5	1.9	1.4	1.9	1.7	1.7
Total OECD	2.7	1.9	1.0	1.0	1.2	1.5	1.4	1.8	3.0	2.5	2.4	3.3	2.5	1.9	1.8	2.0	1.4	2.0	1.7	1.6

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence, there are breaks in many national series. Moreover, some countries are using chain-weighted price indices to calculate real GDP and expenditures components. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/032574622478*

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	Fourth quarter 2006	Fourth quarter 2007
Australia	1.6	1.2	5.3	11.1	1.4	4.4	9.7	7.2	5.9	-0.8	-3.4	16.4	8.0	7.8	6.8	8.0	7.1	7.9	7.4	6.7
Austria	2.9	1.0	0.2	3.2	0.7	1.6	1.7	2.9	3.4	4.8	-0.8	-3.5	2.9	1.9	1.7	2.8	3.6	1.9	2.9	3.8
Belgium	3.6	1.1	-2.5	0.4	3.4	-0.2	8.1	3.7	4.6	3.4	0.4	-2.1	-0.6	4.4	8.4	1.1	4.2	3.2	6.6	3.0
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	6.6	6.1	3.7	7.3	4.5	3.6
Czech Republic	..	..	..	17.3	19.8	7.6	-3.4	-1.1	-3.5	4.9	5.4	3.4	4.7	5.3	3.7	4.2	5.2	4.0	4.4	5.7
Denmark	3.8	-0.1	-3.9	8.4	12.0	5.9	10.2	8.2	0.0	7.4	-1.4	0.1	2.0	4.5	9.0	8.7	5.8	12.4	5.1	5.3
Finland	1.2	-16.5	-14.8	-3.6	11.3	6.1	13.9	8.7	2.6	4.2	3.8	-3.2	-1.6	4.8	1.8	3.6	2.8	2.5	3.2	2.7
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	2.1	3.4	3.3	3.3	3.7	3.2	3.3
Germany	2.6	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	3.4	1.7	3.2	2.7
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	-1.4	4.1	4.6	..	..	..
Hungary	..	..	..	12.5	-4.3	6.7	9.2	13.2	5.9	7.7	5.9	9.3	2.5	8.4	6.6	7.1	7.0	3.2	19.8	2.5
Iceland	0.9	-10.3	-9.4	-0.4	-2.3	23.9	10.8	32.6	-3.9	10.4	-2.9	-18.9	16.2	29.1	34.8	10.9	-14.7	36.0	-7.6	-17.3
Ireland	-0.8	0.0	-5.1	11.8	15.8	17.4	18.1	15.0	14.8	7.2	-0.4	3.7	5.6	8.0	13.1	5.9	5.0	..	..	..
Italy	2.5	-1.6	-11.5	0.7	7.1	1.6	1.8	4.0	3.5	6.7	2.3	4.0	-1.5	1.9	-0.4	2.9	3.1	-0.1	4.9	2.4
Japan	4.9	-2.3	-2.6	-1.6	0.9	4.7	-1.1	-6.5	-0.7	1.2	-0.9	-5.0	0.3	1.1	3.3	2.3	1.3	4.3	2.3	0.6
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	2.1	2.3	3.3	3.8	4.7	3.2	3.4
Luxembourg	6.2	-15.1	20.6	0.0	-1.5	4.9	10.4	6.1	22.0	-4.7	8.8	2.7	2.6	1.5	2.2	4.2	3.0	..	..	..
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	7.6	6.3	6.2	8.5	3.2	7.8
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	2.2	3.0	3.1	1.4	3.6	2.6
New Zealand	0.5	0.9	14.5	14.9	12.4	7.2	1.2	-3.4	6.7	8.8	-1.4	10.2	11.4	13.2	4.3	-3.9	-2.7	6.9	-8.3	0.8
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	0.2	8.1	10.8	13.5	2.6	9.8	3.0	1.3
Poland	..	..	..	9.2	16.6	19.7	21.8	14.0	6.6	2.7	-9.7	-6.3	-0.1	6.3	6.2	9.0	8.5	..	..	..
Portugal	2.7	4.5	-5.5	2.7	6.6	5.6	14.3	11.7	6.2	3.5	1.0	-3.5	-10.0	0.9	-2.9	-0.7	2.8	-3.3	1.6	3.7
Slovak Republic	..	..	..	-2.5	0.6	29.1	15.0	11.0	-19.6	-7.2	13.9	-0.6	-1.5	2.5	12.4	9.5	8.0	15.6	7.4	8.6
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	5.5	4.9	7.2	6.3	5.0	6.8	5.6	4.8
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	1.1	5.1	8.3	5.8	4.2	6.1	5.7	3.4
Switzerland	3.2	-8.0	-2.9	6.5	4.4	-1.7	2.0	6.5	1.2	4.3	-3.1	0.3	-1.3	3.3	3.1	4.1	3.1	4.4	4.6	2.8
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	24.0	15.0	13.5	..	..	..
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	5.1	3.2	3.1	5.2	3.1	3.8	5.7
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	5.4	3.9	6.4	4.7	3.8
Euro area	2.7	-0.1	-6.4	2.6	2.8	1.3	2.8	5.5	6.0	5.2	0.6	-1.4	0.8	1.9	2.5	3.5	3.7	2.9	3.9	3.3
Total OECD	3.3	1.7	0.6	4.7	3.2	5.9	6.0	5.1	5.4	5.3	-1.2	-1.6	2.2	5.5	5.3	4.7	4.0	5.6	4.3	3.8

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 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 79 database.

StatLink: *http://dx.doi.org/10.1787/142823671218*

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	Fourth quarter 2006	Fourth quarter 2007
Australia	2.7	-2.9	1.8	11.3	7.1	11.1	8.0	6.1	5.6	-3.3	-1.2	14.4	10.7	9.7	11.8	12.4	8.3	13.3	9.2	7.7
Austria	4.6	-2.8	-2.6	1.3	-1.8	2.7	10.4	7.2	6.1	10.1	3.2	-4.1	6.0	3.1	2.1	2.9	4.2	1.5	3.4	4.4
Belgium	5.9	-0.7	-5.8	-1.7	4.1	4.1	8.1	5.6	2.7	4.3	3.6	-2.8	-2.0	3.3	9.4	1.4	4.7	2.6	10.9	0.0
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	9.1	9.3	6.2	10.7	7.4	5.9
Denmark	7.0	-1.5	-6.0	7.5	12.5	5.1	11.7	11.8	-1.6	6.4	-0.3	0.6	0.2	1.3	8.4	10.5	6.0	14.5	4.7	5.7
Finland	1.4	-19.3	-17.5	-4.7	26.4	6.0	8.8	12.9	1.4	6.3	9.4	-7.1	-7.7	4.6	2.5	3.7	3.0	2.7	3.6	2.8
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	3.8	3.9	4.1	4.3	3.8	4.1
Germany	2.9	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	2.6	3.9	4.6	3.1	3.8	4.3
Greece	0.5	0.7	1.1	0.9	2.9	14.7	5.4	12.0	16.7	9.6	8.2	6.5	15.1	7.0	1.5	4.6	5.3	..	..	..
Iceland	0.4	-16.2	-22.6	-0.5	8.2	46.8	20.3	46.5	-5.6	8.8	-9.8	-25.1	26.0	34.4	57.2	12.0	-23.7	58.4	-12.0	-28.8
Ireland	-0.7	-2.5	-5.5	7.8	18.4	18.7	21.0	21.0	15.0	4.4	-8.9	-10.9	-10.0	-7.1	26.6	8.2	11.2	..	..	..
Italy	3.2	-2.7	-14.2	5.0	11.4	0.8	2.9	4.5	3.7	8.0	2.1	5.3	-3.6	1.8	-3.1	3.4	4.1	-2.7	7.0	3.0
Japan	7.9	-7.1	-10.3	-5.7	3.1	1.8	6.6	-5.2	-4.3	7.9	1.3	-5.3	5.9	4.9	7.8	4.1	3.1	7.5	4.4	2.0
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	2.1	1.6	1.6	4.2	5.0	4.8	4.9	4.2
Mexico	1.9	22.8	-5.6	-0.4	-38.9	45.8	33.1	18.3	8.8	10.0	-4.3	-3.7	-3.5	7.0	9.2	6.5	8.1	13.7	2.1	9.7
Netherlands	5.1	-3.0	-5.0	-0.3	5.5	7.0	9.8	5.3	10.1	1.0	-2.9	-7.6	-4.0	4.1	1.4	5.3	5.3	-0.6	6.6	4.1
New Zealand	0.7	9.0	22.4	16.3	15.5	6.5	-6.0	-1.1	6.7	19.9	-2.5	2.6	11.8	12.5	7.3	-3.3	-2.4	6.5	-5.5	-0.5
Norway	-1.7	-1.0	12.4	3.3	2.3	13.3	15.7	15.2	-8.5	-4.0	-4.0	-1.5	-2.8	8.3	12.1	15.7	4.2	11.3	5.1	2.5
Spain	5.8	-0.7	-13.8	3.8	12.6	4.9	6.6	11.4	12.5	8.9	4.9	2.3	6.2	4.9	6.5	6.7	6.4	4.8	7.2	6.0
Sweden	4.8	-14.6	-11.6	17.9	20.8	8.0	4.4	9.3	8.5	8.2	-2.9	-7.1	1.2	3.9	8.6	5.8	4.7	5.8	5.7	4.0
Switzerland	..	-11.1	-4.3	5.1	8.4	1.3	3.1	9.7	0.9	4.8	-2.1	2.1	-3.7	4.0	3.7	4.9	3.8	..	..	..
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	3.3	2.0	2.9	5.7	1.3	4.9	5.6
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	8.6	8.4	6.5	6.8	8.6	6.1
Euro area	3.6	-1.5	-9.7	1.8	5.4	1.8	4.7	7.6	7.0	7.5	1.2	-2.1	0.0	2.0	2.6	4.1	4.8	2.4	5.3	4.2
Total OECD	3.8	-0.1	-1.1	4.9	6.2	7.3	9.5	7.2	6.3	7.9	-1.4	-4.6	1.4	5.8	6.3	6.2	5.5	5.8	6.4	5.0

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. Some countries, United States, Canada and France use hedonic price indices to deflate current-price values of investment in certain information and communication technology products such as computers. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex. National account data do not always have a sectoral breakdown of investment expenditures, and for some countries data are estimated by the OECD. See also *OECD Economic Outlook* Sources and Methods, *(http://www.oecd.org/eco/sources-and-methods).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/555816828228*

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	11.1	12.7	11.7	-8.0	-9.4	16.4	11.5	5.7	1.4	-10.7	25.4	5.2	3.1	-3.1	-1.1	3.5	-2.1	1.9	3.7
Austria	0.5	11.4	4.0	7.6	9.2	2.7	-1.6	-4.6	-0.7	-4.4	-6.6	-5.3	-4.3	-0.3	-0.8	2.6	1.9	2.3	1.2	2.4
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	3.2	2.9	1.5	3.0	2.3	1.0
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	3.3	1.0	-0.5	2.0	-0.3	-0.1
Denmark	-1.0	-1.3	-2.8	11.7	14.5	6.7	9.7	1.9	4.3	10.3	-9.3	0.8	11.5	10.5	12.7	7.5	6.6	13.6	7.8	5.5
Finland	-0.1	-18.4	-7.9	-6.6	-4.2	4.7	25.2	7.6	8.1	3.7	-9.9	1.9	7.8	7.0	4.6	6.3	3.7	7.9	3.9	3.6
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	3.0	2.9	2.8	3.2	2.8
Germany	3.7	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	-2.9	1.1	1.3	0.5	0.5	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	-1.4	1.0	1.5	..	..	..
Iceland	0.5	-3.4	-5.2	4.1	-8.7	7.1	-9.3	1.0	0.6	12.7	12.1	12.4	3.9	13.8	10.4	17.4	2.6	12.2	7.2	0.5
Ireland	1.1	8.0	-11.9	24.0	14.5	18.3	15.9	6.4	12.9	7.4	3.3	16.9	29.2	24.2	8.0	2.5	-2.0	..	..	..
Italy	0.4	1.1	-2.1	-1.8	0.6	-1.9	-2.6	-1.2	1.1	3.8	1.0	0.6	2.3	2.5	6.5	2.7	1.2	6.1	1.7	1.0
Japan	3.0	-5.9	1.1	7.2	-4.8	11.8	-12.0	-14.2	0.1	0.9	-5.2	-4.1	-0.9	1.9	-0.7	3.4	0.7	0.4	2.0	0.5
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	4.7	4.0	1.3	1.2	7.3	-1.5	1.7
Mexico	2.7	2.9	5.2	4.0	-7.9	2.5	6.1	3.7	3.1	6.5	-10.4	-5.1	4.5	13.9	10.8	8.2	5.0	16.6	-1.0	8.0
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	2.0	2.1	7.0	2.2	2.0
New Zealand	2.2	3.8	17.4	13.0	3.5	5.2	6.8	-12.8	7.5	0.4	-11.1	20.1	20.9	4.3	-4.2	-4.0	-2.0	-1.4	-5.0	-0.2
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	2.0	12.3	14.5	8.3	2.8	9.3	6.7	2.1
Spain	1.6	-4.2	-3.9	0.1	7.4	9.1	3.0	10.0	9.7	8.6	2.2	3.7	5.7	9.4	9.7	5.6	1.7	12.2	1.9	1.9
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	5.4	18.2	16.9	9.7	4.7	14.9	5.8	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	3.8	3.0	2.4	1.2	..	..	..
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	6.2	1.5	1.6	3.1	0.0	2.8	3.2
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	2.3	-0.3	7.6	-0.1	0.0
Euro area	1.3	2.4	-0.1	6.7	1.9	0.7	1.5	1.5	3.7	1.1	-1.8	-1.3	2.4	3.1	3.1	2.9	1.7	4.9	1.3	1.5
Total OECD	2.3	5.4	3.9	7.2	-2.1	5.4	0.7	1.6	3.6	1.1	-0.9	2.6	4.8	6.7	4.5	2.7	1.0	5.4	0.8	1.2

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).* Working-day adjusted -- see note to Table on Real GDP.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/346121550455*

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	2.2	2.9	5.0	4.3	3.2	3.5	6.3	5.2	2.2	1.0	6.2	5.9	5.3	4.2	4.1	3.9	4.6	4.1	3.7
Austria	2.6	2.1	0.9	3.1	2.5	2.2	1.0	2.3	3.0	2.8	0.1	-0.1	1.8	1.3	1.3	1.7	2.1	1.1	2.1	2.1
Belgium	2.2	1.8	-0.9	2.4	2.1	0.8	2.7	2.9	2.4	3.6	0.5	0.8	0.9	2.8	2.5	2.0	2.5	3.6	1.8	2.4
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	4.5	4.0	3.4	3.5	4.0	3.4
Czech Republic	..	..	..	..	8.1	7.7	-1.0	-1.7	0.9	4.1	3.9	3.3	3.5	3.1	1.5	3.3	3.6	2.7	3.4	3.7
Denmark	1.7	1.9	-0.9	6.8	4.5	2.5	4.7	3.7	-0.6	3.2	0.0	1.7	0.6	3.3	4.0	3.4	2.9	4.3	2.9	2.7
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	3.4	2.2	2.3	1.2	4.7	2.2
France	2.3	1.0	-1.4	1.7	1.6	1.0	1.1	4.0	3.6	4.4	2.0	1.3	1.8	3.1	2.4	2.5	2.3	2.3	2.4	2.4
Germany	2.5	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	0.5	1.5	1.0	0.8	1.6	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	2.4	3.4	3.4	..	..	..
Hungary	..	..	..	1.4	-5.1	0.1	4.7	7.9	5.0	4.8	2.4	5.9	6.2	2.8	0.2	4.3	4.0	-0.4	8.4	2.2
Iceland	2.4	-4.3	-3.6	2.0	2.0	7.1	6.1	13.3	4.5	5.7	-2.2	-3.5	6.4	10.4	14.9	6.0	-2.7	14.3	0.8	-3.9
Ireland	1.5	0.3	1.1	5.5	6.8	8.0	9.7	9.3	8.6	8.7	4.2	4.4	4.6	4.3	6.8	5.4	5.5	7.1	4.0	6.0
Italy	2.9	0.6	-4.6	1.7	1.9	0.3	3.0	3.0	3.1	2.9	1.6	1.3	0.9	0.7	0.4	1.5	1.4	0.5	1.7	1.4
Japan	4.1	0.6	0.2	1.3	2.5	3.1	0.3	-2.2	-0.1	2.5	1.2	-0.6	1.2	1.5	2.6	1.7	1.4	3.6	1.3	1.3
Korea	9.5	4.7	5.0	10.2	9.9	8.1	0.4	-17.2	13.2	8.5	3.5	7.4	0.6	1.5	2.8	4.5	4.1	2.5	4.4	4.2
Luxembourg	4.5	-5.3	4.8	1.7	1.1	4.5	6.0	6.3	8.0	4.5	4.5	2.1	3.5	2.1	3.6	3.3	2.6	..	..	..
Mexico	0.9	5.9	1.1	5.6	-14.0	5.6	9.6	6.0	4.4	8.4	0.5	0.9	0.7	4.4	3.8	4.7	4.2	3.5	3.8	4.5
Netherlands	2.4	1.3	-1.8	2.4	3.6	2.9	3.9	4.8	4.3	2.7	1.8	-0.4	-0.3	0.8	0.2	1.5	1.7	0.6	1.1	1.9
New Zealand	1.4	-0.2	6.2	6.7	6.0	4.4	2.6	0.4	5.8	1.6	2.0	5.3	5.8	8.2	4.3	-1.1	0.7	1.9	-0.6	1.6
Norway	1.5	2.1	3.2	4.1	4.6	4.4	6.6	5.7	0.4	2.3	0.8	2.0	1.5	6.1	4.6	4.1	2.7	4.0	3.4	2.1
Poland	..	..	..	4.1	7.3	8.7	10.1	6.4	5.2	3.1	-1.4	1.0	2.7	5.8	2.1	4.4	4.6	..	..	..
Portugal	3.5	3.1	-2.1	1.5	4.1	3.6	5.5	6.9	5.8	3.3	1.7	0.0	-2.2	2.2	0.7	0.5	1.7	-0.1	1.5	1.8
Slovak Republic	..	..	..	-4.5	9.9	18.2	3.7	7.2	-6.3	0.1	7.4	4.6	-2.0	6.5	6.3	7.3	5.1	9.5	4.8	5.3
Spain	3.8	0.8	-2.7	1.1	3.1	2.1	3.4	6.2	6.4	5.3	3.6	3.3	3.7	4.8	5.1	4.5	3.9	4.8	3.9	3.9
Sweden	2.1	-1.4	-4.9	3.2	2.2	0.9	1.1	4.3	3.4	3.8	-0.2	0.8	1.7	1.5	2.8	2.9	2.5	2.5	3.0	2.0
Switzerland	2.3	-2.3	-0.8	2.8	1.6	0.2	0.5	4.0	0.3	2.1	2.3	-0.5	0.4	1.0	2.0	2.2	1.7	3.5	1.6	1.7
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	8.8	8.3	6.9	..	..	..
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	3.8	1.9	2.4	2.8	1.3	2.5	3.1
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	3.8	3.2	3.2	3.9	3.1
Euro area	2.6	1.4	-2.0	2.2	2.2	1.1	2.1	3.5	3.5	3.5	1.3	0.5	1.4	1.9	1.7	2.2	2.1	1.9	2.1	2.1
Total OECD	3.1	2.2	1.3	3.2	2.3	3.1	3.5	3.1	4.0	4.1	0.9	1.8	2.4	3.5	2.9	3.1	2.8	3.0	3.0	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 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 79 database.

StatLink: *http://dx.doi.org/10.1787/645607651148*

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	Fourth quarter 2006	Fourth quarter 2007
Australia	0.2	-0.1	0.7	-0.4	-0.3	0.5	0.4	-1.1	-0.6	0.6	1.2	-1.8	-2.3	-2.2	-1.4	-1.1	-0.6	-1.9	-0.8	-0.4
Austria	0.2	-0.5	1.4	-1.4	0.0	-0.1	1.3	1.0	0.3	0.8	1.1	1.0	-0.7	1.3	0.8	0.8	0.3	0.7	0.3	0.2
Belgium	0.3	-0.2	-0.1	0.8	0.3	0.0	1.1	-0.9	0.7	0.2	0.7	0.7	0.0	-0.3	-0.9	0.6	0.0	1.3	0.0	0.2
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	-1.5	-0.7	0.0	-0.2	-0.1	0.2
Czech Republic	..	..	-1.7	-3.9	-2.7	-3.9	0.3	0.6	0.1	0.1	-1.4	-2.0	-0.4	1.4	4.5	2.5	1.2	8.2	1.3	0.7
Denmark	0.4	0.2	0.7	-0.8	-1.2	0.5	-1.3	-1.4	3.2	0.5	0.7	-1.1	0.1	-1.3	-0.8	-0.5	-0.4	-5.7	-0.2	-0.8
Finland	-0.2	2.0	3.4	0.8	0.9	0.0	1.5	0.7	1.2	2.4	-0.6	1.4	-0.2	0.3	-0.4	1.0	0.8	-3.7	0.9	0.7
France	0.0	0.8	0.7	-0.1	0.3	0.1	1.2	-0.5	-0.4	-0.3	0.1	0.0	-0.9	-1.1	-1.0	-0.5	-0.1	-1.7	-0.2	0.0
Germany	0.6	-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	0.7	0.4	0.6	-0.9	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	1.1	-0.1	-0.1	..	..	..
Hungary	..	..	-8.9	0.7	5.5	1.0	-0.4	-3.4	-1.1	0.2	1.9	-2.2	-3.0	1.7	4.0	0.3	0.3	17.6	-1.6	3.0
Iceland	-0.3	1.3	4.3	1.9	-1.9	-1.7	-0.8	-6.7	-0.4	-1.9	6.2	2.5	-3.3	-2.5	-10.2	-3.1	4.5	-7.0	4.2	6.1
Ireland	1.8	3.7	1.9	1.4	4.1	1.4	2.6	-0.1	4.1	1.7	3.0	2.5	1.8	0.8	-1.6	0.3	0.2	-2.8	0.3	0.0
Italy	-0.2	0.0	3.7	0.6	1.0	0.3	-0.9	-1.5	-1.1	0.9	0.2	-1.0	-0.8	0.2	-0.3	-0.1	-0.1	-0.1	0.0	-0.2
Japan	0.1	0.4	0.1	-0.2	-0.5	-0.5	1.1	0.4	-0.2	0.5	-0.8	0.7	0.6	0.8	0.2	1.1	0.9	2.5	0.9	0.7
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	3.3	1.4	1.2	1.6	4.5	0.5	2.5
Luxembourg	1.5	5.5	0.4	2.2	1.2	-1.6	1.2	1.3	1.7	4.8	-1.1	1.9	-0.8	2.6	1.2	1.9	2.5	..	..	..
Mexico	0.4	-2.6	0.8	-1.4	8.5	-0.3	-2.5	-1.1	-0.6	-1.9	-0.6	-0.1	0.7	-0.3	-0.9	-0.8	-0.6	-1.4	-0.4	-0.8
Netherlands	0.6	0.2	2.5	0.7	-0.3	0.4	0.2	-0.2	-0.1	1.0	-0.3	0.5	0.1	0.9	0.9	1.0	1.3	1.3	1.3	1.3
New Zealand	0.2	-1.1	-0.1	-0.7	-1.3	-1.0	0.5	0.1	-1.2	2.2	0.5	-0.9	-1.8	-3.2	-2.0	2.0	1.2	6.9	1.7	0.5
Norway	1.3	1.4	-0.3	1.4	0.0	1.1	-0.8	-2.6	1.7	0.7	2.1	-0.6	-0.2	-2.2	-1.7	-1.1	0.1	-3.6	0.1	0.2
Poland	..	..	-2.0	0.5	0.2	-3.1	-2.3	-1.7	-1.0	0.9	2.6	0.5	1.1	-0.8	1.1	0.1	0.0	..	..	..
Portugal	-0.1	-2.2	0.2	-0.6	-0.1	-0.2	-1.6	-2.6	-2.5	0.3	0.2	0.7	1.3	-1.3	-0.5	0.1	-0.3	-0.4	-0.3	-0.3
Slovak Republic	..	..	..	10.9	-3.5	-11.6	0.6	-3.5	8.4	1.9	-3.7	-0.1	6.5	-0.8	-0.2	-0.9	1.3	-2.9	1.4	1.0
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	-1.9	-1.4	-1.1	-2.3	-1.1	-1.2
Sweden	0.2	0.2	2.8	0.9	1.7	0.5	1.2	-0.4	1.5	0.6	1.5	1.2	0.0	2.1	0.5	0.8	1.0	-1.8	2.0	2.0
Switzerland	0.0	2.2	0.5	-1.5	-1.2	0.2	1.3	-1.1	1.0	1.5	-1.2	0.7	-0.7	1.0	-0.1	0.2	0.1	-2.6	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	-1.7	-2.4	-1.0	..	..	..
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	-0.8	-0.1	-0.1	0.0	1.2	0.0	0.0
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	-0.3	-0.4	-0.2	-1.4	-0.3	-0.3
Euro area	0.1	0.0	1.3	0.2	0.2	0.3	0.5	-0.7	-0.6	0.5	0.7	0.5	-0.6	0.0	-0.3	0.0	0.1	-1.1	0.1	0.1
Total OECD	-0.1	0.0	0.2	0.0	0.3	-0.1	0.1	-0.4	-0.6	-0.1	0.3	-0.2	-0.4	-0.3	-0.2	-0.1	0.1	-0.4	0.0	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 79 database.

StatLink: *http://dx.doi.org/10.1787/477033453356*

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	-1.1	-0.1	-1.9	-5.6	-5.9	-4.8	-2.8	-2.2	-1.7	-1.3	0.5	1.4	1.4	0.3	0.9	0.8	0.5	-0.2	-0.6	-0.1
Austria	-2.1	-0.8	1.0	1.8	1.3	-0.7	-0.6	-0.6	-0.3	-0.6	0.5	1.4	2.4	0.6	-1.0	-2.2	-2.0	-2.2	-2.0	-2.0
Belgium	-1.0	0.2	1.4	0.8	0.4	-2.6	-1.6	-1.3	-2.5	-1.1	-1.3	-0.6	0.9	0.1	-0.6	-1.6	-1.2	-1.6	-0.9	-0.3
Canada	2.9	3.1	1.2	-2.8	-4.0	-4.0	-2.1	-2.2	-3.7	-2.9	-2.1	0.1	2.2	1.0	1.2	0.3	0.2	0.0	0.1	0.3
Czech Republic	..	..	..	..	..	-1.7	-1.2	2.6	4.9	2.1	-1.3	-2.5	-1.3	-1.3	-2.8	-3.1	-2.4	-0.6	0.9	1.3
Denmark	1.3	-0.4	-1.1	-1.5	-1.4	-3.5	-0.7	-0.1	0.2	0.9	0.6	0.6	1.8	0.5	-1.0	-2.1	-2.0	-0.7	0.7	1.5
Finland	4.3	6.7	4.4	-3.4	-8.8	-11.4	-9.5	-8.0	-6.3	-2.8	-0.8	-0.2	2.0	0.0	-0.7	-0.9	0.0	-0.5	0.5	1.1
France	-1.3	0.4	1.4	0.8	1.0	-1.5	-1.8	-1.8	-2.8	-2.8	-1.8	-1.1	0.6	0.5	-0.3	-1.4	-1.3	-1.8	-1.7	-1.4
Germany	0.5	1.7	3.9	1.4	1.3	-1.8	-1.1	-0.6	-1.2	-0.9	-0.7	-0.4	1.8	1.9	0.4	-1.3	-1.5	-1.9	-1.7	-1.5
Greece	-0.3	1.9	0.3	1.1	-0.1	-3.5	-3.7	-3.6	-3.7	-2.8	-2.1	-1.9	-0.8	0.1	0.1	0.9	1.7	1.5	1.2	0.8
Hungary	..	..	..	..	..	3.0	2.3	0.4	-1.6	-0.6	0.5	0.7	1.5	1.4	0.6	-0.4	-0.4	-0.3	0.3	0.8
Iceland	2.6	0.4	-0.2	-2.3	-7.1	-6.7	-4.4	-5.6	-3.1	-1.1	0.9	0.8	0.3	0.6	-2.7	-2.3	2.3	3.3	2.5	1.2
Ireland	-2.9	-0.8	3.2	0.2	-2.2	-4.8	-5.5	-3.7	-3.2	0.0	0.5	3.2	4.8	4.1	3.3	2.0	1.2	0.5	0.3	0.6
Italy	0.0	1.3	1.0	0.5	-0.6	-3.1	-2.5	-1.1	-1.9	-1.3	-1.3	-0.7	1.6	2.0	1.1	0.0	-0.3	-1.4	-1.3	-1.3
Japan	-0.2	1.5	3.7	4.3	2.8	1.0	0.3	0.5	1.6	1.7	-1.2	-2.6	-0.9	-1.8	-3.0	-2.7	-1.9	-0.8	0.5	1.2
Luxembourg	1.2	4.7	3.6	6.0	2.1	1.0	-0.1	-3.5	-5.0	-2.1	-0.7	1.3	4.3	0.5	-1.6	-2.7	-2.1	-1.7	-1.2	-0.6
Netherlands	-0.3	2.0	3.6	3.2	1.7	-0.7	-0.9	-0.9	-0.7	0.3	1.6	2.6	3.6	2.3	-0.2	-2.2	-2.3	-3.0	-2.4	-1.3
New Zealand	-0.4	-0.5	-1.7	-4.8	-5.8	-3.1	-0.3	0.9	1.8	0.8	-1.9	-0.2	0.2	0.3	1.5	1.2	2.0	1.0	-0.7	-1.4
Norway[1]	-1.6	-4.9	-5.5	-5.0	-4.6	-3.8	-2.5	-1.6	-0.2	1.6	3.0	3.1	2.6	2.1	0.9	-0.4	0.5	1.2	1.5	1.0
Portugal	-0.7	2.7	3.6	4.9	2.8	-2.2	-4.2	-3.0	-2.4	-1.2	0.7	1.9	3.3	2.8	1.2	-2.0	-2.3	-3.4	-4.1	-4.0
Spain	1.8	2.9	3.5	3.0	1.0	-2.6	-2.7	-2.6	-3.3	-2.7	-1.7	-0.7	0.5	0.6	-0.2	-0.7	-1.0	-0.8	-0.5	-0.3
Sweden	1.6	1.8	0.5	-2.1	-4.4	-7.5	-5.9	-4.0	-4.3	-3.4	-1.9	0.0	1.7	0.2	-0.5	-1.3	-0.7	-0.3	1.1	1.8
Switzerland	1.1	3.0	4.4	0.9	-1.0	-2.3	-2.2	-2.6	-3.1	-2.0	-0.2	-0.7	1.1	0.8	-0.2	-1.9	-1.3	-1.0	-0.1	0.1
United Kingdom	3.4	3.2	1.6	-1.9	-3.7	-3.4	-1.5	-1.2	-1.1	-0.7	-0.2	0.0	1.2	0.8	0.2	0.1	0.6	-0.5	-0.8	-0.4
United States	1.4	2.1	1.2	-1.9	-1.6	-2.2	-1.5	-2.4	-2.1	-1.1	-0.3	0.9	1.6	-0.6	-1.8	-1.9	-0.6	0.0	0.6	0.5
Euro area	0.2	1.6	2.6	1.3	0.6	-2.2	-1.9	-1.4	-2.0	-1.5	-1.0	-0.3	1.5	1.4	0.2	-1.0	-1.1	-1.6	-1.4	-1.2
Total OECD	0.9	1.9	1.9	-0.2	-0.7	-2.0	-1.5	-1.6	-1.5	-0.9	-0.7	0.0	1.2	0.1	-1.0	-1.5	-0.8	-0.7	-0.2	0.0

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 79 database.

StatLink: *http://dx.doi.org/10.1787/001834586383*

Annex Table 11. **Compensation per employee in the business sector**

Percentage change from previous period

	Average 1978-1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Australia	8.5	7.9	7.5	2.7	4.4	2.6	2.2	2.8	5.2	4.0	3.1	2.7	2.7	4.3	3.3	2.9	5.6	3.9	5.1	5.0
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	2.7	2.3	2.5	2.6
Belgium	6.2	5.2	6.9	6.1	4.8	4.0	3.7	2.8	1.2	3.2	1.1	3.7	1.8	3.7	3.5	1.5	2.1	1.9	2.2	2.3
Canada	7.4	5.5	4.3	4.9	3.5	2.2	0.4	2.3	2.8	6.0	3.0	3.3	5.5	2.4	1.0	1.8	2.6	4.4	4.8	4.9
Czech Republic	..	..	..	..	..	..	16.2	18.9	16.4	10.9	9.3	4.3	5.1	6.5	7.8	6.1	6.8	4.6	6.6	6.9
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	3.5	2.9	2.7	2.0	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	4.0	3.2	3.1
France	9.3	4.0	3.8	3.8	3.9	1.6	0.9	1.4	1.7	1.3	0.8	2.0	2.3	2.7	3.4	2.3	3.2	3.0	3.1	3.3
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	0.2	0.7	0.8
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	3.8	5.1	6.1	6.0
Hungary	..	..	..	..	..	..	..	24.3	21.5	18.7	12.4	1.8	17.1	14.8	10.1	5.9	7.7	7.2	5.3	5.0
Iceland	42.0	13.4	16.1	15.6	0.6	-3.7	3.7	4.9	8.1	5.6	9.7	9.0	10.3	5.9	8.0	-0.7	8.8	6.6	7.8	6.9
Ireland	11.9	6.7	1.2	3.1	7.4	4.8	1.4	2.6	2.7	7.1	2.4	4.0	8.7	5.6	3.2	4.6	3.4	3.9	4.6	4.9
Italy	13.4	8.8	8.5	9.0	6.2	5.1	3.6	4.9	4.9	3.2	-0.9	2.6	1.9	3.1	2.5	3.2	3.4	2.8	2.8	2.7
Japan	4.0	3.8	4.7	4.5	0.7	0.5	1.4	1.0	-0.2	1.1	-1.2	-1.6	0.1	-1.2	-2.0	-1.3	-1.3	0.8	1.4	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	2.1	3.2	6.6	4.8	7.0	4.4	4.4	5.3	5.6
Luxembourg	..	8.5	3.1	5.6	6.5	5.5	4.1	0.9	1.1	1.8	2.5	4.3	5.3	4.0	3.0	1.5	2.0	3.0	3.2	3.0
Mexico	..	..	..	..	20.6	11.4	9.9	4.8	21.2	17.5	17.8	13.5	11.5	9.3	5.2	5.0	4.7	4.8	4.3	4.2
Netherlands	2.9	0.5	2.9	4.0	4.1	2.7	1.9	0.3	1.6	2.0	3.9	3.2	4.5	4.8	4.4	3.7	3.1	2.2	0.1	1.7
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	3.1	4.5	3.3	4.1	4.4
Poland	..	..	..	..	..	..	..	..	31.0	20.9	15.0	14.0	10.5	13.4	0.4	-0.7	2.3	2.9	2.8	3.6
Portugal	18.2	13.0	17.4	18.7	16.2	7.2	6.0	6.8	9.0	3.8	4.3	4.0	6.9	5.2	3.8	3.2	3.3	3.3	2.6	2.2
Slovak Republic	..	..	..	..	..	..	..	-0.2	5.2	15.7	11.6	8.3	15.0	5.5	7.1	4.1	10.9	10.0	7.2	6.5
Spain	12.9	7.3	10.0	10.3	10.4	8.3	4.0	3.5	5.3	3.1	1.6	1.7	2.8	4.0	3.4	3.4	3.2	2.5	3.2	3.4
Sweden	8.6	12.3	9.7	6.3	1.7	6.5	7.2	2.4	6.5	4.5	3.7	0.8	7.6	4.5	2.5	2.4	4.3	4.2	3.5	3.9
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	3.1	1.4	-0.9	2.2	2.3	2.2	2.1
United Kingdom	9.7	8.9	9.8	7.4	4.9	2.7	3.2	2.7	1.7	4.1	6.8	4.7	6.0	5.1	3.6	5.2	3.6	4.0	5.0	4.7
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	4.7	5.2	4.5	5.0
Euro area	8.6	4.8	6.1	6.6	8.2	5.3	3.3	3.8	1.6	1.4	1.0	1.4	2.4	2.6	2.4	1.9	1.4	1.2	1.6	2.0
Total OECD	7.2	4.6	5.8	5.5	6.5	3.5	3.0	3.3	3.7	3.8	3.8	3.1	4.7	3.0	2.4	2.6	2.9	3.3	3.3	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 79 database.

StatLink: *http://dx.doi.org/10.1787/047071104180*

Annex Table 12. **Labour productivity for the total economy**

Percentage change from previous period

	Average 1978-1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Australia	1.3	-0.1	-0.2	1.0	3.1	3.6	1.8	-0.2	2.6	3.0	3.4	2.6	0.8	1.1	1.9	1.0	1.3	-0.9	1.0	2.4
Austria	2.3	2.2	2.5	2.3	1.8	1.3	2.4	2.3	2.2	1.2	2.4	1.9	2.5	0.3	1.2	1.2	2.9	1.7	1.9	1.6
Belgium	2.0	1.9	2.0	1.5	1.7	-0.3	3.7	1.7	0.4	3.2	0.4	1.8	1.7	-0.3	1.6	1.0	1.8	0.6	1.6	1.5
Canada	0.9	0.4	-0.5	-0.4	1.9	1.8	2.7	1.0	0.7	2.1	1.6	2.9	2.7	0.6	0.6	-0.3	1.1	1.5	1.3	1.6
Czech Republic	..	..	..	..	..	..	1.3	5.0	4.0	-0.1	0.2	3.5	4.7	2.4	0.5	3.9	5.0	4.5	5.0	4.4
Denmark	0.4	0.8	1.7	1.9	3.1	1.4	3.8	2.1	1.8	2.0	0.7	1.6	3.1	-0.1	0.5	1.9	1.8	2.4	2.3	1.9
Finland	2.8	4.0	0.2	-0.8	3.1	5.1	5.6	1.5	2.2	2.8	2.9	0.8	2.9	-0.5	1.2	2.5	3.2	1.6	2.4	1.9
France	1.9	2.2	1.9	1.0	2.5	0.5	1.4	1.1	0.7	1.9	1.8	1.1	1.4	0.3	0.6	1.0	2.0	1.2	1.7	1.7
Germany	1.0	2.0	2.5	2.3	3.3	0.5	2.8	1.7	1.3	2.0	0.6	0.5	1.5	0.9	0.7	0.8	0.7	1.3	1.5	0.9
Greece	-0.4	3.4	-1.3	5.6	-0.8	-2.4	0.1	1.2	2.8	4.2	-0.7	3.4	4.6	5.0	3.7	3.2	1.7	2.3	2.3	2.3
Hungary	..	..	..	..	..	..	..	3.4	1.9	4.3	2.9	1.0	3.5	4.1	3.7	2.1	5.0	4.3	3.7	3.6
Iceland	1.3	1.9	1.1	0.0	-3.1	1.9	3.0	-2.7	5.0	5.3	2.3	0.6	2.1	2.1	0.4	2.9	8.7	2.3	1.4	0.7
Ireland	2.8	5.8	3.9	2.2	2.8	1.2	2.4	4.5	4.2	7.8	0.2	4.3	4.2	3.0	4.2	2.5	1.5	0.0	2.1	2.5
Italy	1.8	3.2	1.0	0.7	1.3	2.3	3.4	2.9	0.3	1.5	0.4	1.3	1.9	-0.1	-0.9	-0.5	0.8	0.5	1.1	1.0
Japan	2.6	3.3	3.2	1.4	-0.1	0.0	1.0	1.8	2.1	0.3	-1.1	0.6	3.2	0.9	1.4	2.0	2.1	2.3	2.4	1.9
Korea	5.2	2.5	6.0	6.1	3.9	4.9	5.2	6.1	4.7	2.9	-0.9	7.6	4.0	1.8	4.1	3.2	2.8	2.6	3.9	4.2
Luxembourg	2.6	6.1	1.1	4.3	-0.7	2.4	1.2	-1.2	-0.7	2.6	2.1	3.2	1.7	-3.0	0.4	0.1	1.7	0.8	1.2	1.3
Mexico	..	..	..	..	0.0	-1.6	0.9	-7.6	1.5	0.6	2.2	2.8	4.7	-0.3	-1.6	0.2	0.2	3.7	1.8	1.2
Netherlands	0.6	2.1	1.0	0.5	0.1	0.3	2.2	0.7	0.7	0.6	1.7	1.3	1.2	-0.6	-0.4	0.5	3.2	1.5	1.1	1.2
New Zealand	1.6	3.9	-0.6	-0.1	0.4	3.1	1.5	-0.2	0.7	1.5	0.4	2.8	1.7	0.4	1.8	1.1	0.9	-0.5	0.6	1.9
Norway	1.9	4.1	3.0	4.7	3.6	2.7	3.7	2.1	2.7	2.2	0.2	1.7	2.4	2.3	0.7	1.9	2.8	1.7	0.8	1.3
Poland	..	..	..	..	..	..	7.0	6.0	5.0	5.6	3.8	8.8	5.8	3.4	4.5	5.1	3.9	0.9	2.0	2.1
Portugal	1.9	4.1	1.7	1.4	0.2	0.0	1.1	4.9	3.1	2.3	2.2	2.5	1.6	0.2	0.1	-0.7	1.0	0.2	0.2	0.6
Slovak Republic	..	..	..	..	..	..	..	4.0	2.4	5.5	4.6	4.6	3.5	2.7	4.5	2.6	5.2	3.8	4.3	5.0
Spain	2.3	1.2	0.0	1.4	2.4	1.9	2.9	0.9	1.2	0.1	0.2	0.1	0.0	0.3	0.3	0.4	0.5	0.3	0.5	0.8
Sweden	1.6	1.3	0.1	0.4	3.4	3.4	4.7	2.6	2.3	3.8	2.1	2.1	1.9	-0.6	1.8	2.1	3.7	2.2	2.7	2.2
Switzerland	0.4	1.8	0.6	-2.6	0.4	0.6	1.7	0.3	0.5	1.9	1.4	0.5	2.5	-0.6	-0.1	-0.1	1.8	1.7	1.4	0.8
Turkey	2.5	-2.2	7.4	-2.9	5.1	13.5	-12.4	4.2	4.0	7.5	0.4	-5.8	9.6	-7.3	8.8	6.8	5.8	6.2	4.3	4.4
United Kingdom	1.9	-0.4	0.3	1.3	2.7	3.4	3.6	1.6	1.8	1.3	2.2	1.7	2.8	1.4	1.2	1.6	2.1	0.8	2.0	2.1
United States	1.1	1.1	0.4	0.6	3.3	0.7	1.0	0.2	1.8	2.1	1.9	2.4	1.9	0.9	2.8	2.7	3.1	2.1	2.1	2.1
Euro area	1.7	2.3	1.6	1.4	2.3	1.1	2.6	1.7	0.8	1.6	0.7	0.7	1.5	0.3	0.3	0.3	0.9	0.5	1.1	1.1
Total OECD	1.7	1.6	1.4	1.1	2.4	1.3	1.7	1.1	1.7	1.9	1.1	1.8	2.4	0.7	1.7	1.8	2.2	1.7	1.9	1.9

Note: See also *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/381736702581*

Annex Table 13. **Unemployment rates: commonly used definitions**

Per cent of labour force

	2002 Unemployment thousands	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Fourth quarter 2005	Fourth quarter 2006	Fourth quarter 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	5.0	4.7	4.7	5.0	4.6	4.8
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	5.9	5.8	5.9	5.9	5.8	6.0
Belgium	341	7.1	8.6	9.8	9.7	9.5	9.2	9.3	8.5	6.9	6.6	7.5	8.2	8.4	8.4	8.0	7.7	8.4	7.9	7.6
Canada	1 266	11.2	11.4	10.4	9.5	9.6	9.1	8.3	7.6	6.8	7.2	7.6	7.6	7.2	6.8	6.4	6.2	6.5	6.4	6.1
Czech Republic	374	..	4.4	4.3	4.1	3.9	4.8	6.5	8.8	8.8	8.2	7.3	7.8	8.3	8.0	7.7	7.5	7.8	7.6	7.5
Denmark	132	8.7	9.6	7.6	6.7	6.3	5.2	4.8	5.0	4.3	4.4	4.5	5.3	5.5	4.8	4.2	3.9	4.4	4.1	3.8
Finland	237	13.0	17.6	17.9	16.7	15.9	12.7	11.4	10.3	9.8	9.2	9.1	9.1	8.9	8.4	7.9	7.7	8.3	7.8	7.6
France	2 452	10.4	11.7	12.1	11.5	12.1	12.1	11.5	10.8	9.4	8.7	9.0	9.8	10.0	9.9	9.5	9.2	9.6	9.3	9.2
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	9.1	8.5	8.1	9.0	8.4	8.0
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	10.4	10.0	9.7	..	..	..
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	7.3	7.2	7.1	7.6	7.0	7.2
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	2.6	2.1	2.2	2.7	1.9	2.4
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	4.4	4.4	4.4	4.4	4.4	4.3
Italy	2 071	8.8	9.9	10.9	11.3	11.3	11.4	11.5	11.1	10.2	9.2	8.7	8.6	8.1	7.8	7.7	7.6	7.8	7.7	7.5
Japan	3 586	2.2	2.5	2.9	3.1	3.4	3.4	4.1	4.7	4.7	5.0	5.4	5.3	4.7	4.4	4.0	3.5	4.5	3.8	3.3
Korea	752	2.5	2.9	2.5	2.1	2.0	2.6	7.0	6.6	4.4	4.0	3.3	3.6	3.7	3.7	3.6	3.5	3.6	3.7	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	5.2	4.8	4.9	5.3
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	3.5	3.3	3.3	3.5	3.3	3.3
Netherlands	252	4.9	6.0	6.9	6.5	6.0	5.1	4.0	3.3	2.8	2.4	2.9	4.1	4.9	5.0	4.1	3.4	4.9	3.6	3.4
New Zealand	104	10.3	9.5	8.1	6.2	6.1	6.6	7.5	6.8	5.9	5.3	5.2	4.6	3.9	3.7	4.3	4.9	3.6	4.6	5.1
Norway	93	5.9	6.0	5.4	4.9	4.8	4.0	3.2	3.2	3.4	3.5	3.9	4.5	4.5	4.6	4.0	3.8	4.5	3.8	3.8
Poland	3 431	..	14.0	14.4	13.3	12.3	11.2	10.6	14.0	16.1	18.2	19.9	19.6	19.0	17.7	16.8	15.7	..	..	..
Portugal	270	4.1	5.5	6.8	7.2	7.3	6.7	5.0	4.4	4.0	4.0	5.0	6.3	6.7	7.7	7.9	7.7	8.0	7.9	7.6
Slovak Republic	487	..	..	13.7	13.1	11.3	11.9	12.6	16.4	18.8	19.3	18.6	17.5	18.1	16.2	15.4	14.7	15.6	15.2	14.3
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	9.2	8.7	8.6	8.7	8.7	8.6
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	5.8	4.8	4.2	5.7	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	4.3	3.9	3.5	4.3	3.7	3.3
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	10.2	10.4	..	..	..
United Kingdom	1 525	10.0	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	5.3	5.2	5.1	5.3	5.2
United States	8 377	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.8	5.8	6.0	5.5	5.1	4.7	4.7	5.0	4.7	4.8
Euro area	11 733	8.3	9.8	10.5	10.3	10.5	10.4	9.9	9.1	8.1	7.7	8.2	8.7	8.9	8.6	8.2	7.9	8.4	8.2	7.8
Total OECD	36 473	6.8	7.4	7.3	7.1	6.9	6.6	6.5	6.3	5.9	6.1	6.7	6.9	6.7	6.5	6.2	6.0	6.4	6.1	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 79 database.

StatLink: *http://dx.doi.org/10.1787/663664165255*

Annex Table 14. **Standardised unemployment rates**

Per cent of civilian labour force

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Australia	7.9	7.0	6.0	6.7	9.3	10.5	10.6	9.5	8.2	8.2	8.3	7.7	6.9	6.3	6.8	6.4	6.1	5.5	5.1
Austria	..	..	..	..	..	..	4.0	3.8	3.9	4.3	4.4	4.5	3.9	3.6	3.6	4.2	4.3	4.9	5.2
Belgium	9.8	8.8	7.4	6.6	6.4	7.1	8.6	9.8	9.7	9.5	9.2	9.3	8.5	6.9	6.6	7.5	8.2	8.4	8.4
Canada	8.8	7.8	7.5	8.1	10.3	11.2	11.4	10.4	9.5	9.6	9.1	8.3	7.6	6.8	7.2	7.7	7.6	7.2	6.8
Czech Republic	..	..	..	..	..	..	4.4	4.3	4.1	3.9	4.8	6.4	8.6	8.7	8.0	7.3	7.8	8.3	7.9
Denmark	5.0	5.7	6.8	7.2	7.9	8.6	9.6	7.7	6.8	6.3	5.2	4.9	5.1	4.3	4.5	4.6	5.4	5.5	4.8
Finland	4.9	4.1	3.1	3.2	6.6	11.7	16.4	16.8	15.2	14.6	12.7	11.3	10.2	9.7	9.1	9.1	9.0	8.9	8.4
France	9.9	9.4	8.9	8.5	9.0	9.9	11.1	11.7	11.1	11.6	11.5	11.1	10.5	9.1	8.4	8.9	9.5	9.6	9.5
Germany[1]	6.3	6.2	5.6	4.8	4.2	6.4	7.7	8.3	8.0	8.5	9.2	8.8	7.9	7.2	7.4	8.2	9.1	9.5	9.5
Greece	6.6	6.9	6.7	6.3	6.9	7.8	8.6	8.9	9.1	9.7	9.6	11.1	12.0	11.3	10.8	10.3	9.7	10.5	9.8
Hungary	..	..	..	..	..	9.9	12.1	11.0	10.4	9.6	9.0	8.4	6.9	6.4	5.7	5.8	5.9	6.1	7.2
Ireland	16.6	16.2	14.7	13.4	14.7	15.4	15.6	14.3	12.3	11.7	9.9	7.5	5.7	4.3	4.0	4.5	4.7	4.5	4.3
Italy	9.6	9.7	9.7	8.9	8.5	8.8	9.8	10.6	11.2	11.2	11.2	11.3	11.0	10.1	9.1	8.6	8.4	8.0	7.7
Japan	2.8	2.5	2.3	2.1	2.1	2.2	2.5	2.9	3.1	3.4	3.4	4.1	4.7	4.7	5.0	5.4	5.3	4.7	4.4
Korea	..	..	2.6	2.4	2.4	2.5	2.9	2.5	2.1	2.0	2.6	7.0	6.6	4.4	4.0	3.3	3.6	3.7	3.7
Luxembourg	2.5	2.0	1.8	1.6	1.6	2.1	2.6	3.2	2.9	2.9	2.7	2.7	2.4	2.3	2.1	2.8	3.7	5.1	4.5
Netherlands	7.7	7.2	6.6	5.9	5.5	5.3	6.2	6.8	6.6	6.0	4.9	3.8	3.2	2.8	2.2	2.8	3.7	4.6	4.7
New Zealand	4.1	5.6	7.1	7.8	10.3	10.4	9.5	8.1	6.3	6.1	6.6	7.4	6.8	6.0	5.3	5.2	4.6	3.9	3.7
Norway	2.1	3.2	5.4	5.8	6.0	6.5	6.6	6.0	5.4	4.8	4.0	3.2	3.2	3.4	3.6	3.9	4.5	4.4	4.6
Poland	..	..	..	..	..	..	14.0	14.4	13.3	12.3	10.9	10.2	13.4	16.1	18.2	19.9	19.6	19.0	17.7
Portugal	7.2	5.8	5.2	4.8	4.2	4.3	5.6	6.9	7.3	7.3	6.8	5.1	4.5	4.0	4.0	5.0	6.2	6.7	7.6
Slovak Republic	..	..	..	..	..	..	..	13.7	13.1	11.3	11.9	12.6	16.3	18.8	19.3	18.7	17.6	18.2	16.3
Spain	16.8	15.8	13.9	13.0	13.0	14.7	18.3	19.5	18.4	17.8	16.7	15.0	12.5	11.1	10.3	11.1	11.1	10.6	9.2
Sweden	2.2	1.8	1.5	1.7	3.1	5.6	9.0	9.4	8.8	9.6	9.9	8.2	6.7	5.6	4.9	4.9	5.6	6.4	..
Switzerland	..	..	..	..	1.9	3.0	3.9	3.9	3.5	3.9	4.2	3.6	3.0	2.7	2.6	3.2	4.2	4.4	4.5
United Kingdom	10.3	8.5	7.1	6.9	8.6	9.7	10.2	9.3	8.5	7.9	6.8	6.1	5.9	5.4	5.0	5.1	4.9	4.7	4.7
United States	6.2	5.5	5.3	5.6	6.8	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.7	5.8	6.0	5.5	5.1
Euro area	..	..	..	..	7.9	8.6	10.1	10.7	10.5	10.7	10.6	10.1	9.2	8.2	7.9	8.3	8.7	8.9	8.6
Total OECD	..	6.7	6.2	6.1	6.8	7.4	7.8	7.7	7.3	7.2	6.9	6.9	6.7	6.2	6.4	6.9	7.1	6.9	6.6

Note: In so far as possible, the data have been adjusted to ensure comparability over time and to conform to the guidelines of the International Labour Office. All series are benchmarked to labour-force-survey-based estimates. In countries with annual surveys, monthly estimates are obtained by interpolation/extrapolation and by incorporating trends in administrative data, where available. The annual figures are then calculated by averaging the monthly estimates (for both unemployed and the labour force). For countries with monthly or quarterly surveys, the annual estimates are obtained by averaging the monthly or quarterly estimates, respectively. For several countries, the adjustment procedure used is similar to that of the Bureau of Labor Statistics, U.S. Department of Labor. For EU countries, the procedures are similar to those used in deriving the Comparable Unemployment Rates (CURs) of the Statistical Office of the European Communities. Minor differences may appear mainly because of various methods of calculating and applying adjustment factors, and because EU estimates are based on the civilian labour force. See technical notes in OECD Quarterly Labour Force Statistics.

1. Prior to 1993 data refers to Western Germany.

Source: OECD Main Economic Indicators.

StatLink: *http://dx.doi.org/10.1787/848120365362*

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	325.8	328.3	330.0	332.8	336.9	339.6	342.6	347.1	349.1	350.9	353.5	355.2	357.7	359.9	362.0
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	200.9	204.1	207.3
Euro area	120.9	122.4	131.9	131.8	131.6	132.4	132.9	133.9	135.2	137.1	138.7	140.7	142.3	143.9	145.3	146.9	147.8	148.8	149.9
Total OECD[1]	440.4	446.9	461.1	464.8	493.2	501.8	506.5	511.7	518.9	524.0	529.0	535.3	539.5	544.2	548.2	554.1	558.6	564.0	569.3
Employment																			
Major seven countries	290.7	294.9	302.6	302.4	302.7	305.7	308.3	310.9	315.4	318.6	322.1	327.7	328.8	328.4	330.0	332.6	336.1	339.3	341.9
Total of smaller countries[1]	97.5	99.4	130.0	131.0	153.8	159.2	162.2	165.5	169.2	171.3	173.3	176.0	177.5	179.4	180.3	184.1	186.3	189.9	193.2
Euro area	111.1	113.3	122.0	120.9	118.7	118.5	119.2	119.9	121.1	123.5	126.1	129.3	131.3	132.1	132.6	133.9	135.1	136.6	138.0
Total OECD[1]	388.2	394.4	432.6	433.4	456.6	464.9	470.5	476.4	484.6	489.9	495.4	503.7	506.4	507.8	510.3	516.7	522.4	529.2	535.1
Unemployment																			
Major seven countries	17.4	17.3	20.3	22.4	23.1	22.5	21.6	22.0	21.6	21.0	20.5	19.3	20.3	22.5	23.5	22.6	21.6	20.6	20.1
Total of smaller countries[1]	6.8	6.6	8.2	9.0	13.5	14.3	14.4	13.4	12.8	13.1	13.1	12.2	12.9	14.0	14.4	14.8	14.6	14.2	14.1
Euro area	9.9	9.2	9.9	10.9	12.9	13.9	13.7	14.0	14.1	13.5	12.6	11.5	11.0	11.7	12.7	13.0	12.7	12.2	11.9
Total OECD[1]	24.1	24.0	28.5	31.4	36.6	36.8	36.0	35.3	34.4	34.1	33.5	31.6	33.1	36.5	37.9	37.3	36.3	34.8	34.1

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 79 database.

StatLink: *http://dx.doi.org/10.1787/778237368804*

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	0.9	1.5	2.2	1.5	0.2	0.6	4.1	3.7	2.9	3.0	3.5	4.5	4.2	2.8	4.9	3.2	2.8
Austria	3.3	3.5	2.7	2.5	2.0	0.9	0.0	0.2	0.6	1.7	1.8	1.2	1.4	1.9	2.1	1.7	1.8	1.9	1.2	2.5
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	2.2	1.7	1.8	2.2	1.8	1.8
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	3.1	3.1	1.9	4.0	1.6	2.1
Czech Republic	..	..	..	11.0	10.2	8.7	8.3	11.2	2.8	1.4	4.9	2.8	2.6	3.4	0.0	1.3	3.4	-0.8	2.5	3.9
Denmark	5.3	1.7	0.7	1.5	1.3	2.0	2.0	1.2	1.7	3.0	2.5	2.3	1.9	2.2	2.6	2.0	2.9	1.1	2.9	3.2
Finland	6.2	1.8	2.3	1.8	4.7	-0.3	2.2	3.5	-0.3	3.0	3.3	1.0	-0.3	0.3	1.6	0.5	0.9	1.6	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	1.6	1.6	1.3	1.7	1.6
Germany	2.8	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	0.5	0.5	1.5	0.5	0.6	1.6
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	3.4	3.5	3.4	2.9	1.9	3.9
Hungary	..	..	..	19.5	25.6	21.2	18.5	12.6	8.4	9.9	8.1	8.7	6.6	4.8	2.5	1.5	2.8	..	..	..
Iceland	28.7	3.1	1.5	2.3	2.7	2.2	2.6	4.2	3.2	3.6	8.6	5.6	0.5	2.3	2.9	4.2	4.3	3.4	4.6	3.8
Ireland	5.5	2.8	5.2	1.7	3.0	2.2	3.6	7.1	4.0	5.5	5.7	5.0	2.1	2.2	3.1	3.2	3.4	3.8	2.9	3.3
Italy	9.4	4.4	3.9	3.6	5.0	5.2	2.5	2.6	1.3	2.0	3.0	3.4	3.1	2.9	2.1	1.4	2.2	3.0	0.0	3.0
Japan	2.0	1.6	0.5	-0.6	-0.5	-0.7	0.5	-0.1	-1.3	-1.7	-1.2	-1.6	-1.6	-1.2	-1.3	-0.6	0.5	-1.7	0.1	0.6
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	-0.4	1.0	1.0	-0.6	1.6	0.2
Luxembourg	3.6	3.7	6.0	3.5	2.3	2.6	-1.9	-0.4	5.3	2.0	0.1	2.7	4.8	1.0	4.2	4.1	1.9	..	..	..
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	8.6	7.4	5.4	5.4	3.1	5.3	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	1.6	1.7	1.3	1.6	1.8	1.2
New Zealand	8.4	1.3	2.8	1.1	2.3	2.5	0.5	0.9	0.3	2.5	4.2	0.8	1.7	3.7	2.5	1.9	2.3	1.9	2.4	1.8
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	2.6	5.6	8.5	8.2	3.4	8.7	6.6	3.2
Poland	..	..	..	37.2	28.0	17.9	13.9	11.1	6.1	7.3	3.5	2.2	0.4	4.0	2.8	1.5	1.8	..	..	..
Portugal	16.6	11.4	7.4	7.3	3.4	2.6	3.8	3.7	3.3	3.0	3.7	3.9	2.7	2.8	2.7	2.8	1.8	2.8	1.8	1.8
Slovak Republic	..	..	..	13.4	9.9	4.3	6.7	5.2	6.5	8.5	4.2	4.0	4.7	4.6	2.5	2.1	2.2	1.8	2.4	2.0
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	4.4	3.7	3.6	4.4	3.4	3.7
Sweden	7.6	1.0	2.8	2.8	3.4	1.0	1.6	0.7	1.1	1.3	2.0	1.6	1.9	1.3	1.2	1.6	1.9	1.8	1.6	2.6
Switzerland	3.7	2.2	2.4	1.5	0.8	-0.1	-0.1	-0.3	0.6	0.8	0.6	1.6	1.2	0.5	0.6	0.8	1.3	0.1	1.5	1.2
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	5.4	5.1	3.8	..	..	..
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	2.1	2.0	2.1	1.6	1.7	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	2.8	3.0	2.3	3.1	2.6	2.3
Euro area	5.7	4.2	3.5	2.8	2.7	2.0	1.4	1.6	0.9	1.4	2.4	2.6	2.0	1.9	1.7	1.6	2.0	1.9	1.3	2.2
Total OECD	7.2	4.4	3.9	4.7	5.3	4.4	3.8	3.2	2.4	2.8	3.0	2.6	2.3	2.3	2.0	2.2	2.0	2.0	1.9	2.0

Note: The adoption of new national account systems, SNA93 or ESA95, has been proceeding at an uneven pace among OECD member countries, both with respect to variables and the time period covered. As a consequence there are breaks in many national series. See Table "National Account Reporting Systems and Base-years" at the beginning of the Statistical Annex and *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 79 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	Fourth quarter 2006	Fourth quarter 2007
Australia	7.3	2.3	2.2	0.9	2.2	2.1	1.6	1.4	0.8	2.9	3.6	2.7	1.9	1.3	1.7	2.5	2.5	1.9	2.6	2.4
Austria	3.2	3.8	3.4	2.7	2.1	1.9	1.4	0.4	0.8	2.7	1.6	1.0	1.5	1.7	1.9	2.1	1.8	1.9	2.2	1.6
Belgium	4.1	2.4	3.2	2.8	2.1	1.0	1.5	1.3	0.2	3.6	2.3	1.3	1.6	2.5	2.8	2.2	1.9	2.6	2.3	1.7
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	1.2	1.6	1.5	1.1	1.9
Czech Republic	..	..	..	10.7	9.2	7.4	8.6	8.7	2.6	3.0	3.5	0.7	1.8	2.2	1.0	2.9	3.7	1.5	2.9	4.0
Denmark	4.9	1.1	1.1	2.7	1.8	1.6	2.0	1.4	1.9	2.7	2.3	1.7	2.0	1.7	2.0	2.0	2.6	2.2	2.1	2.9
Finland	5.7	3.8	4.5	0.8	0.7	1.2	2.0	2.1	1.4	3.4	3.6	2.7	0.2	0.2	1.1	1.4	1.7	0.6	2.4	1.3
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	1.2	1.2	1.2	1.1	1.2	1.2
Germany	2.3	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	1.3	1.4	2.1	1.8	0.9	2.0
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	3.7	3.4	3.1	..	..	..
Hungary	..	..	..	19.7	27.0	22.9	18.0	13.6	10.2	9.1	7.9	3.0	4.3	4.5	5.4	2.3	2.9	..	..	..
Iceland	29.1	3.4	3.6	1.6	2.1	2.6	0.9	1.4	2.8	5.0	7.7	4.8	1.1	2.9	1.9	4.0	4.2	1.7	5.0	3.4
Ireland	5.5	3.0	2.2	2.7	2.8	2.5	2.5	4.4	3.4	5.2	0.4	3.0	3.2	1.3	2.0	2.6	3.0	2.5	2.9	2.9
Italy	8.9	5.1	5.4	5.1	6.0	4.1	2.3	1.8	1.8	3.4	2.6	2.9	2.8	2.6	2.3	2.4	2.2	2.5	2.4	2.0
Japan	2.0	1.6	1.0	-1.5	-0.2	0.0	1.3	0.1	-0.6	-1.1	-1.1	-1.4	-0.9	-0.7	-0.8	-0.1	0.7	-0.9	0.4	0.7
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	2.5	2.6	3.2	2.2	2.8	3.1
Luxembourg	4.3	4.2	4.0	2.6	2.0	1.8	1.4	1.7	2.5	4.0	2.0	0.7	2.2	2.4	2.8	3.0	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	7.1	6.5	3.3	3.4	3.3	2.2	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	1.7	-0.2	1.3	2.1	-0.6	1.3
New Zealand	9.2	1.0	1.1	1.3	2.4	2.3	1.8	2.0	0.5	2.3	2.3	1.8	0.4	1.0	1.5	3.0	2.8	1.7	3.6	2.3
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	2.8	0.9	1.2	2.3	2.6	1.4	1.9	3.0
Poland	..	..	..	37.9	27.2	18.7	14.6	10.6	6.1	10.0	3.8	3.3	0.4	3.1	2.0	1.2	1.7	..	..	..
Portugal	16.4	9.2	6.9	5.6	4.3	2.9	2.9	2.3	2.2	3.4	3.4	3.0	2.8	2.6	2.6	2.6	2.0	2.8	1.9	2.0
Slovak Republic	..	..	..	13.4	9.2	5.0	6.0	5.8	8.6	10.8	5.9	2.5	7.7	6.9	3.2	2.9	2.2	3.0	2.4	2.0
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	3.5	3.4	2.9	3.8	3.3	2.8
Sweden	7.9	2.1	5.9	2.8	3.0	1.0	1.6	0.6	1.4	1.2	2.1	1.7	1.8	1.3	1.0	1.7	2.3	1.5	1.6	2.7
Switzerland	3.4	3.8	3.1	0.5	1.6	0.6	0.7	-0.4	0.3	0.6	0.4	1.7	0.6	1.1	1.7	1.4	1.2	1.7	1.3	1.1
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	6.1	3.6	3.6	..	..	..
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	1.4	2.0	2.2	2.1	2.0	2.4	2.0
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	2.9	2.2	3.0	2.6	2.0
Euro area	5.6	4.4	3.9	3.2	2.6	2.1	1.8	1.1	0.9	2.4	2.3	1.9	1.9	1.9	1.9	1.9	2.0	2.1	1.6	1.9
Total OECD	7.3	4.9	4.2	4.8	5.3	4.4	4.0	3.4	2.7	3.2	3.1	2.1	2.1	2.1	2.0	2.1	2.0	2.0	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 79 database.

StatLink: *http://dx.doi.org/10.1787/465488675277*

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	3.0	2.6	2.8	2.9	2.6
Austria	..	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	2.1	1.8	1.7	1.7	1.8	1.4
Belgium	..	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	2.5	2.2	1.9	2.6	1.9	1.7
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	2.2	2.0	2.3	2.3	2.0	2.5
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	2.9	3.7	2.4	2.9	4.0
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	2.6	2.1	2.0	2.9
Finland	..	3.2	3.3	1.6	0.4	1.1	1.2	1.3	1.3	2.9	2.7	2.0	1.3	0.1	0.8	1.0	1.4	0.9	1.2	1.5
France	..	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	1.4	1.6	1.4	1.3
Germany	..	..	..	..	..	1.2	1.5	0.6	0.6	1.4	1.9	1.4	1.0	1.8	1.9	1.6	2.1	2.2	0.8	1.6
Greece	..	..	..	..	..	7.9	5.4	4.5	2.1	2.9	3.7	3.9	3.4	3.0	3.5	3.3	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	3.6	2.1	2.9	3.3	2.6	2.9
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	4.0	5.6	5.3	4.3	6.1	4.2
Ireland	..	..	..	..	..	2.2	1.3	2.1	2.5	5.3	4.0	4.7	4.0	2.3	2.2	2.5	3.0	2.7	2.4	3.2
Italy	..	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	2.2	2.4	2.1	2.2	2.3	1.9
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	-0.3	0.7	0.8	-0.6	1.0	0.9
Korea	5.2	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	2.5	3.2	2.5	2.8	3.1
Luxembourg	..	..	..	..	..	1.2	1.4	1.0	1.0	3.8	2.4	2.1	2.5	3.2	3.8	3.5	2.8	..	..	..
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	3.7	3.0	3.1	3.4	3.2
Netherlands	..	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	1.8	1.8	1.3	1.7
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	3.0	3.5	2.9	3.2	3.5	2.4
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	1.5	2.2	2.6	1.8	2.4	2.6
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	1.0	1.7	..	..	..
Portugal	..	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	2.7	2.1	2.7	1.9	2.0
Slovak Republic	..	..	..	13.4	9.8	5.8	6.1	6.7	10.6	12.0	7.3	3.1	8.6	7.5	2.7	3.6	2.2	3.4	2.3	2.0
Spain	..	..	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	3.6	2.7	3.5	3.2	2.7
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	0.5	1.0	2.1	0.7	1.4	2.4
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	1.1	0.8	1.1	0.8	0.7
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	8.6	8.2	8.1	5.3	..	..	..
United Kingdom[3]	..	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	2.0	2.2	1.7	2.1	2.2	1.6
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	3.3	2.4	3.7	2.8	2.2
Euro area	..	..	..	..	..	2.3	1.7	1.2	1.1	2.1	2.4	2.3	2.1	2.2	2.2	2.1	2.0	2.3	1.8	1.9

Note: Consumer price index. For the euro area countries, the euro area aggregate and the United Kingdom: harmonised index of consumer prices (HICP).

1. Excluding rent, but including imputed rent.
2. Until 1981: Istanbul index (154 items); from 1982, Turkish index.
3. Known as the CPI in the United Kingdom.
4. The methodology for calculating the Consumer Price Index has changed considerably over the past years, lowering measured inflation substantially.

Source: OECD Economic Outlook 79 database.

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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 conditions[1]																		
(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	49.7	49.9	..
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	25.4	25.6	..
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	8.6	..
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	33.1	34.0	35.0	..
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	82.6	83.7	84.9	..
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	20.3	20.2	..
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	32.8	33.9	..	..
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	18.2	..	..
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	82.9	84.1	..	..
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	28.4	29.6	29.7	..
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	8.2	..
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	21.7	21.5	..
Prices[5]																		
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	54.4	68.0	70.0
Prices of other primary commodities[5]																		
($ indices)																		
Food and tropical beverages	120	114	113	115	145	150	156	159	133	108	100	93	104	112	125	126	132	137
Agricultural raw materials	125	108	110	105	120	139	119	113	97	94	100	86	85	104	114	115	120	128
Minerals, ores and metals	119	105	101	88	102	121	108	110	93	89	100	91	89	102	140	172	195	206
Total	119	111	112	111	129	139	143	139	116	100	100	92	99	111	128	127	135	141

1. Based on data published in in varoius 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 2005 are based on data compiled by International Energy Agency for oil and by Hamburg Institute for Economic Research for the prices of other primary commodities; OECD estimates and projections for 2006 and 2007.

Source: OECD Economic Outlook 79 database.

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Annex Table 20. **Employment rates, participation rates and labour force**

	Employment rates						Labour force participation rates						Labour force					
	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
	Per cent						*Per cent*						*Percentage change*					
Australia	64.9	68.3	71.7	73.2	73.8	73.8	70.7	74.8	75.9	77.1	77.4	77.5	2.1	1.6	1.4	2.9	1.6	1.2
Austria	72.9	73.6	73.9	73.8	73.8	74.0	75.7	77.8	78.4	78.4	78.4	78.6	0.9	0.6	-0.2	0.5	0.6	0.7
Belgium	55.7	58.3	61.7	62.1	62.4	62.8	62.1	64.6	67.4	67.8	67.8	68.1	0.4	0.6	0.8	1.0	0.5	0.6
Canada	66.9	68.3	73.8	73.9	74.3	74.6	74.8	75.8	79.6	79.2	79.4	79.5	1.4	1.7	1.3	0.9	1.3	1.4
Czech Republic	..	69.5	64.7	65.4	65.7	65.9	..	72.5	70.6	71.1	71.2	71.2	..	0.0	0.3	1.0	0.4	0.1
Denmark	75.1	74.6	77.0	77.3	77.8	78.1	80.4	80.0	81.4	81.2	81.2	81.2	0.6	0.3	0.2	0.0	0.0	0.2
Finland	72.4	60.2	67.5	68.4	69.3	69.5	76.5	72.4	74.1	74.6	75.2	75.3	-0.3	0.6	-0.2	1.1	0.9	0.3
France	59.1	58.8	62.6	62.5	62.4	62.7	65.9	66.8	69.6	69.3	69.0	69.0	0.5	1.0	0.2	0.2	0.0	0.2
Germany	64.5	67.6	71.0	71.0	71.4	72.0	69.0	73.0	78.1	78.2	78.0	78.4	0.6	0.5	0.9	-0.3	-0.5	0.3
Greece	55.8	54.8	57.5	58.2	58.8	59.5	60.5	60.5	64.6	64.9	65.4	65.9	0.7	0.6	3.7	0.6	0.8	0.9
Hungary	..	51.4	55.5	55.6	..	..	..	57.5	59.2	60.0	..	..	..	0.1	-0.3	1.2	0.8	0.6
Iceland	85.3	81.7	81.1	82.4	83.8	84.9	86.8	85.6	83.6	84.6	85.7	86.8	1.2	1.2	-0.8	2.8	2.1	0.7
Ireland	53.1	56.2	67.8	69.3	69.7	70.1	64.0	64.8	71.0	72.5	72.8	73.3	0.7	2.9	2.8	4.6	2.9	2.4
Italy	54.6	51.2	57.2	57.7	58.1	58.5	60.0	57.7	62.3	62.6	63.0	63.3	0.0	0.7	1.0	0.4	0.6	0.3
Japan	70.4	74.2	73.8	74.4	75.3	76.2	72.3	76.6	77.5	77.9	78.5	78.9	1.2	0.0	-0.4	0.1	0.0	-0.3
Korea	55.9	63.9	65.4	65.9	66.4	66.7	58.2	65.3	67.9	68.5	68.9	69.1	3.1	1.3	2.0	1.4	1.2	0.9
Luxembourg	59.5	60.4	65.2	65.7	66.3	67.1	60.5	62.3	68.1	68.9	69.8	70.7	1.0	2.0	1.8	2.3	2.4	2.3
Mexico	..	56.7	58.1	56.5	56.7	57.2	..	59.3	59.9	58.5	58.7	59.1	..	2.2	4.5	-0.2	2.1	2.5
Netherlands	60.0	67.4	73.9	73.3	74.0	74.9	65.7	72.1	77.7	77.1	77.2	77.5	1.5	1.6	-0.5	-0.3	0.5	0.5
New Zealand	75.6	70.3	75.0	76.2	..	..	78.8	75.4	78.0	79.1	..	..	0.5	1.7	2.6	2.6	1.2	0.7
Norway	75.8	74.0	75.7	75.4	76.0	76.1	77.8	77.9	79.2	79.1	79.1	79.0	0.5	1.1	0.3	0.7	1.0	0.8
Poland	..	58.0	51.6	52.6	53.6	54.6	..	67.0	63.7	63.9	64.4	64.8	..	-0.1	0.5	0.8	1.1	1.1
Portugal	63.0	67.7	71.8	71.6	71.9	72.5	69.0	72.9	76.9	77.5	78.1	78.6	0.9	1.0	0.5	1.2	0.8	0.7
Slovak Republic	..	60.6	56.8	57.9	58.8	59.5	..	69.4	69.4	69.0	69.5	69.8	..	0.8	1.0	-0.3	1.0	0.5
Spain	46.8	48.5	62.9	64.7	66.3	67.4	56.5	59.5	70.3	71.3	72.7	73.8	1.2	2.8	3.3	3.2	3.6	3.0
Sweden	80.1	71.7	73.5	73.8	74.5	75.0	82.5	77.9	77.8	78.3	78.3	78.3	0.0	0.5	0.2	1.3	0.5	0.5
Switzerland	78.4	83.0	83.1	82.6	82.9	83.5	79.1	86.1	86.8	86.4	86.3	86.5	2.1	0.6	0.5	0.2	0.6	0.5
Turkey	59.2	54.1	47.9	47.6	47.7	47.8	63.9	58.4	53.2	53.0	53.1	53.4	1.4	0.8	2.7	1.1	1.9	2.1
United Kingdom	66.1	68.7	72.3	72.2	72.0	72.2	74.7	75.3	75.9	75.9	76.0	76.2	0.3	0.6	0.7	1.0	0.8	0.7
United States	67.9	71.7	70.9	71.2	..	..	73.2	76.0	75.0	75.1	..	..	1.4	1.2	0.6	1.3	1.2	1.0
Euro area	58.3	59.4	65.0	65.4	65.9	66.4	64.4	66.4	71.4	71.6	71.8	72.2	0.4	1.0	1.1	0.6	0.6	0.8
Total OECD	63.5	65.1	66.3	66.5	65.3	65.8	68.5	70.1	71.1	71.1	70.0	70.3	1.3	1.0	1.1	0.8	1.0	0.9

Note: Employment rates are calculated as the ratio of total employment to the population of working age. The working age population concept used here and in the labour force participation rate is defined as all persons of the age 15 to 64 years (16 to 65 years for Spain). This definition does not correspond to the commonly-used working age population concepts for the United States (16 years and above), Hungary and New Zealand (15 years and above). Hence for these countries no projections are available. For information about sources and definitions, see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*
Source: OECD Economic Outlook 79 database.

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Annex Table 21. **Potential GDP, employment and capital stock**

Percentage change from previous period

	Potential GDP						Employment						Capital stock[1]					
	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	3.5	3.4	3.3	3.1	1.9	2.0	1.9	3.5	2.0	1.2	3.2	3.9	4.0	3.9	3.9	3.8
Austria	2.3	2.4	2.4	2.3	2.3	2.2	0.6	0.6	-0.3	0.3	0.6	0.6	3.7	3.5	3.1	3.1	3.1	3.1
Belgium	2.1	2.1	2.0	1.9	1.9	1.8	0.7	0.8	0.6	0.9	0.9	0.9	3.5	3.5	3.1	3.1	3.2	3.3
Canada	2.4	3.1	3.1	3.1	3.0	3.1	1.4	2.0	1.8	1.4	1.7	1.6	4.8	4.7	4.3	4.3	4.4	4.5
Czech Republic	..	..	..	..	..	..	..	-0.4	-0.3	1.4	0.7	0.3	..	..	..	..	..	..
Denmark	1.7	2.3	1.7	1.7	1.6	1.5	0.4	0.6	0.0	0.6	0.7	0.5	3.1	4.0	4.0	4.0	4.0	4.0
Finland	2.1	2.5	2.6	2.7	2.4	2.2	-1.9	1.8	0.0	1.5	1.5	0.5	2.9	0.9	0.6	0.6	0.6	0.6
France	1.9	2.2	2.0	1.9	2.0	1.9	0.3	1.2	0.0	0.4	0.4	0.5	3.5	2.9	2.7	2.7	2.7	2.7
Germany	1.1	1.5	1.3	1.5	1.5	1.5	0.6	0.4	0.4	-0.2	0.2	0.7	3.2	2.5	1.9	1.9	1.9	1.9
Greece	1.5	3.1	3.9	3.9	4.0	4.0	0.5	0.5	2.9	1.3	1.3	1.3	2.3	4.8	5.9	6.1	6.1	6.1
Hungary	..	4.0	4.5	4.2	3.9	3.9	..	0.7	-0.6	0.0	0.9	0.7	..	..	..	..	..	..
Iceland	2.5	3.2	3.4	4.6	4.9	2.6	0.8	1.5	-0.5	3.3	2.6	0.7	..	..	..	..	..	..
Ireland	4.1	7.4	5.3	5.4	5.2	4.6	0.8	4.3	3.0	4.7	2.9	2.4	1.9	6.5	4.5	3.6	3.4	3.3
Italy	2.1	1.3	1.2	1.2	1.3	1.3	-0.2	1.0	1.5	0.7	0.6	0.4	3.3	3.4	3.5	3.5	3.5	3.5
Japan	3.3	1.3	1.5	1.6	1.4	1.5	1.3	-0.2	0.2	0.4	0.4	0.3	5.4	3.2	2.5	2.6	2.7	2.7
Korea	..	..	..	..	..	..	3.2	1.2	1.9	1.3	1.3	1.0	..	..	..	..	..	..
Luxembourg	..	..	..	..	..	..	0.9	1.9	1.3	1.8	2.0	2.2	..	..	..	..	..	..
Mexico	..	..	..	..	..	..	..	2.3	3.9	-0.7	2.3	2.5	..	..	..	..	..	..
Netherlands	2.5	2.7	1.9	1.8	1.8	1.7	1.9	1.9	-1.4	-0.4	1.5	1.3	2.7	2.9	2.6	2.6	2.7	2.8
New Zealand	1.6	3.1	3.5	3.2	2.9	2.6	-0.1	2.1	3.4	2.8	0.6	0.0	2.7	3.8	4.3	4.3	4.3	4.3
Norway	2.1	2.7	2.9	3.0	3.0	3.1	0.2	1.2	0.3	0.6	1.6	1.0	..	..	..	..	..	..
Poland	..	..	..	..	..	..	..	-0.8	1.3	2.3	2.3	2.4	..	..	..	..	..	..
Portugal	3.0	2.7	1.4	1.5	1.4	1.4	1.2	1.1	0.1	0.1	0.5	0.9	2.8	4.6	3.5	3.4	3.4	3.4
Slovak Republic	..	..	..	..	..	..	..	0.3	0.3	2.1	1.9	1.3	..	..	..	..	..	..
Spain	2.9	3.4	3.3	3.3	3.1	2.8	1.1	3.9	3.9	4.8	4.1	3.1	4.7	5.5	5.2	5.1	5.1	5.1
Sweden	1.8	2.3	2.6	2.3	2.4	2.6	-0.6	0.8	-0.4	1.0	1.6	1.1	3.6	3.5	2.9	3.0	3.1	3.2
Switzerland	2.1	1.3	1.5	1.5	1.5	1.6	1.8	0.6	0.3	0.1	0.9	1.0	..	..	..	..	..	..
Turkey	..	..	..	..	..	..	1.2	0.6	3.0	1.1	1.8	1.9	..	..	..	..	..	..
United Kingdom	2.3	2.7	2.6	2.9	2.7	2.5	0.5	1.1	1.0	1.0	0.3	0.8	3.9	4.0	3.7	3.7	3.7	3.7
United States	3.0	3.1	2.9	2.9	3.0	3.2	1.5	1.3	1.1	1.8	1.6	1.0	4.2	4.9	4.1	4.1	4.1	4.1
Euro area	1.1	2.1	1.9	2.0	2.0	1.9	0.3	1.3	0.9	0.9	1.1	1.0	..	..	..	..	..	..
Total OECD	2.4	2.5	2.4	2.4	2.4	2.5	1.3	1.0	1.3	1.1	1.3	1.1	4.1	..	3.5	3.5	3.5	3.5

Note: Potential output is estimated using a Cobb-Douglas production function approach. For information about definitions, sources and data coverage, see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Smooth value, total economy less housing.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/028818444675*

Annex Table 22. **Structural unemployment, wage shares and unit labor costs**

	Structural unemployment rate						Wage shares in the business sector						Unit labour costs[1]					
	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
	Per cent						*Per cent of business GDP*						*Percentage change*					
Australia	5.7	6.8	5.4	5.2	5.0	5.0	46.7	46.7	46.6	46.9	47.0	47.1	4.2	2.0	3.0	4.5	3.7	2.3
Austria	3.2	4.9	4.9	4.9	4.9	4.9	55.5	52.5	52.3	51.6	51.1	50.8	3.3	0.3	-0.1	1.4	1.2	0.8
Belgium	7.5	7.4	7.2	7.2	7.2	7.2	48.1	49.1	47.8	47.2	46.8	46.2	3.0	1.6	0.5	1.9	0.7	0.8
Canada	8.1	7.9	7.2	7.1	7.0	6.9	44.7	46.3	46.7	46.5	46.5	46.8	3.5	1.4	1.3	2.4	3.0	3.0
Czech Republic	..	..	..	..	..	..	..	42.5	43.1	43.5	43.6	43.3	..	6.2	1.7	1.7	1.6	2.2
Denmark	5.8	6.2	4.8	4.8	4.8	4.8	40.1	37.9	37.6	37.0	36.8	36.8	3.5	2.3	1.5	0.1	0.8	2.3
Finland	4.2	9.5	8.6	8.4	8.2	8.0	47.3	39.8	40.7	41.0	41.2	41.4	4.3	1.6	1.0	2.3	1.0	1.5
France	8.0	10.3	9.0	8.9	8.8	8.8	47.2	41.9	41.9	42.4	42.4	42.4	2.8	1.5	0.8	1.8	1.4	1.2
Germany	5.5	6.2	7.4	7.3	7.3	7.3	52.0	50.3	50.5	49.9	49.4	49.4	1.4	0.4	-0.8	-1.5	-0.9	-0.3
Greece	6.9	9.1	10.5	10.5	10.3	10.1	53.1	45.6	41.1	40.7	41.0	41.1	16.2	5.8	7.8	3.5	3.6	3.7
Hungary	..	..	..	..	..	..	..	44.8	37.3	37.4	37.4	37.1	..	11.5	0.5	3.1	1.7	1.4
Iceland	1.5 |	4.1	2.8	2.8	2.8	2.8	46.3	48.2	48.3	49.7	50.6	51.0	18.0 |	5.9	-0.6	4.5	5.7	6.1
Ireland	13.8	11.2	5.5	5.4	5.2	5.0	55.3	48.7	37.8	37.8	37.4	37.1	2.8	1.8	2.3	5.4	3.0	2.5
Italy	6.8	9.2	8.9	8.7	8.5	8.3	51.7	46.7	45.3	45.3	45.8	45.6	6.1	2.4	2.5	4.2	0.8	1.7
Japan	2.5	3.0	3.9	3.9	3.9	3.9	64.4	59.6	53.3	53.6	53.6	53.6	1.4	-1.2	-3.4	-1.4	-0.8	0.3
Korea	..	..	..	..	..	..	71.3	70.0	62.4	63.8	64.2	64.4	8.8	3.1	3.6	2.6	1.4	1.3
Luxembourg	..	..	..	..	..	..	..	41.5	44.0	43.2	42.1	42.1	2.5	2.3	1.0	2.2	2.0	1.7
Mexico	..	..	..	..	..	..	..	..	..	..	..	..	48.3	13.1	4.8	3.2	3.1	2.7
Netherlands	7.2	5.5	3.2	3.2	3.2	3.2	45.7	47.1	48.0	47.8	46.4	46.0	1.6	2.8	-0.2	0.5	-0.6	0.5
New Zealand	3.8	7.2	5.0	4.7	4.5	4.4	45.9	44.5	42.4	43.5	44.0	43.6	1.6	1.9	2.7	5.8	4.3	1.9
Norway	2.4	4.4	4.1	4.1	4.1	4.1	40.8	36.1	32.2	30.4	29.2	29.2	3.7	3.3	1.6	2.3	3.7	3.6
Poland	..	..	..	..	..	..	..	46.2	40.9	41.2	41.4	41.6	..	9.9	-0.1	3.9	3.4	2.4
Portugal	5.6	4.4	4.6	4.8	4.8	4.8	57.4	53.5	52.3	52.9	53.2	53.4	13.0	3.7	3.8	4.0	2.6	2.2
Slovak Republic	..	..	..	..	..	..	..	36.7	36.4	39.1	39.6	39.5	..	4.7	2.1	2.7	3.2	1.5
Spain	13.3	14.7	9.9	9.5	9.1	8.7	48.6	47.0	45.2	44.4	43.9	43.4	7.9	3.3	2.9	2.6	3.1	2.9
Sweden	2.4	4.8	4.7	5.0	5.1	5.1	39.3	39.2	43.1	43.7	43.2	43.3	5.7	2.1	-0.2	1.4	0.8	1.7
Switzerland	0.4	2.5	2.2	2.2	2.2	2.2	50.4	53.8	55.3	55.3	55.4	55.5	3.7	1.0	0.9	0.7	0.9	1.5
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	64.2	60.1	10.6	8.3	3.7	1.5
United Kingdom	8.1	7.2	5.3	5.3	5.3	5.3	51.1	52.3	54.2	54.5	54.7	55.2	5.4	2.9	1.9	3.6	2.7	2.5
United States	6.3	5.4	4.8	4.8	4.8	4.8	49.6	48.8	49.3	49.5	49.4	49.8	2.9	2.1	1.5	2.9	2.3	2.6
Euro area	7.2	8.6	7.9	7.8	7.7	7.6	51.3	48.6	47.0	46.6	46.3	46.1	2.2	1.6	0.8	1.3	0.7	1.1
Total OECD	6.1	6.3	5.8	5.7	5.7	5.7	52.3	50.5	49.2	49.3	49.2	49.3	5.5	3.1	1.1	2.1	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).*

1. Total economy.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/433743418357*

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	6.4	7.9	8.5	5.0	5.4	5.8	7.2	6.7	7.2	4.6	1.9	1.5	2.8	1.7	-0.9	-3.1	-3.2	-2.6	-1.7	-1.2
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	7.5	7.7	8.6	9.0	9.5	9.9	9.7
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	-0.2	0.5	1.0
Czech Republic	..	..	..	..	..	8.4	5.8	9.0	6.0	8.1	6.9	5.5	3.6	2.7	4.8	3.4	2.2	3.3	4.0	2.7
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	-0.5	0.1	1.1
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	11.7	11.7
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	10.7	10.5	10.2
Italy	23.7	23.5	23.8	22.7	21.2	20.5	18.9	17.7	18.7	15.2	11.9	9.4	8.4	9.4	9.9	9.9	10.1	9.5	8.9	9.1
Japan	13.5	13.6	13.9	15.0	14.2	13.7	12.6	11.9	10.6	10.4	11.6	10.4	8.3	5.0	4.8	3.9	3.1	2.4	2.4	2.4
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	4.7	4.3	4.3	4.2
Netherlands	13.6	15.5	17.7	14.0	16.3	13.7	14.5	14.6	13.2	13.6	13.1	9.8	7.0	9.7	8.7	8.5	8.4	5.7	6.3	5.5
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	9.5	9.6	11.8	6.3	5.9
Sweden	-1.8	-1.2	3.2	5.4	9.6	11.8	11.8	9.1	7.8	5.8	3.6	2.1	3.2	8.4	9.1	9.0	8.5	7.9	7.0	6.9
Switzerland	..	..	9.6	10.0	10.7	11.2	11.1	11.6	11.3	10.5	10.7	10.0	11.8	11.9	9.1	8.9	9.3	8.8	8.7	8.9
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	-0.4	-0.5	0.5
Gross savings																				
Belgium	11.0	10.7	13.1	13.2	14.4	15.6	15.5	18.9	17.5	16.3	15.6	15.8	14.0	14.7	14.1	12.4	11.0	11.2	11.4	11.5
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	1.6	3.3	3.0	-0.8	-1.0	-1.8
Portugal	..	..	..	..	..	..	..	14.4	12.5	10.7	9.6	7.6	10.0	10.9	10.5	10.8	10.1	9.9	9.6	9.6
Spain	12.7	12.0	14.0	15.1	13.7	16.0	13.6	16.4	16.6	15.8	14.0	12.4	11.2	11.2	11.4	12.0	11.1	10.4	10.3	10.4
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	5.4	4.3	5.0	5.4	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. 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 79 database.

StatLink: *http://dx.doi.org/10.1787/575640006122*

Annex Table 24. **Gross national saving**

Per cent of nominal GDP

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Australia	22.9	24.1	22.8	18.6	16.2	18.0	19.6	18.5	18.7	19.8	19.9	19.2	20.1	19.5	20.3	20.0	20.4	19.8	..
Austria	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	24.5
Belgium	19.5	22.1	23.3	23.6	22.7	23.2	24.3	25.5	25.4	24.5	25.9	25.6	26.3	26.0	24.6	24.2	23.6	23.5	23.7
Canada	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	18.3	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	22.9	22.9	22.5	23.8
Finland	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	23.9
France	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	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	21.1
Greece	17.5	19.5	17.5	17.6	18.9	18.4	17.0	17.8	16.6	16.1	16.6	16.5	15.6	14.6	14.2	13.9	15.2	15.7	14.6
Iceland	17.4	17.4	17.5	16.9	16.1	15.7	17.6	18.0	17.1	17.2	17.9	17.2	14.9	12.7	16.9	19.0	14.8	14.1	12.1
Ireland	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	21.8	21.8	21.1	20.8	20.0	19.1	19.7	19.9	22.0	22.2	22.2	21.6	21.1	20.6	20.9	20.8	19.8	20.3	19.8
Japan	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	38.4	40.6	37.7	37.7	37.7	36.9	36.8	36.3	36.2	35.3	35.4	37.2	35.0	33.6	31.6	31.2	32.6	34.8	32.8
Mexico	24.5	21.3	20.3	20.3	18.7	16.6	15.1	14.8	19.3	22.4	24.0	20.5	20.6	20.6	18.0	18.6	19.2	21.0	..
Netherlands	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	26.8
New Zealand	18.7	19.1	18.3	16.9	13.8	14.6	17.2	18.0	18.0	16.9	16.5	16.1	15.9	17.1	19.1	18.6	18.8	16.9	..
Norway	25.6	25.0	26.0	25.7	24.7	23.7	23.8	24.8	26.4	28.4	30.1	27.3	29.1	36.5	35.0	32.0	31.4	33.5	37.1
Portugal	26.7	26.4	26.7	25.3	22.5	21.4	18.9	18.2	20.2	19.4	19.3	19.9	18.9	16.9	16.8	17.0	16.3	15.1	12.8
Spain	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	22.3
Sweden	21.5	22.2	22.9	21.4	18.4	15.5	13.9	17.5	20.5	20.1	20.4	21.1	21.5	22.4	22.1	21.9	23.0	22.8	22.9
Switzerland	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	24.3	28.9	26.4	21.5	17.7	18.5	18.7	18.9	20.1	22.6	21.6	20.6	13.7	15.2	12.6	18.7	18.9	20.3	..
United Kingdom	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	14.2
United States	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: National accounts of OECD countries database.

StatLink: *http://dx.doi.org/10.1787/172217327636*

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	35.4	34.6	35.2	37.3	39.0	39.0	38.4	38.2	37.0	36.0	36.0	35.0	34.8	37.0	35.9	35.8	35.1	34.9	34.8	35.3
Austria	53.2	51.7	51.5	52.4	53.0	56.0	55.6	56.0	55.5	53.0	53.4	53.2	51.4	50.8	50.7	51.0	50.1	49.6	48.6	47.7
Belgium	53.7	52.2	52.2	53.4	53.6	54.7	52.4	51.9	52.4	51.0	50.2	50.0	49.1	49.1	49.8	51.1	49.6	50.1	50.1	49.9
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	39.3	38.9	39.1
Czech Republic[1]	..	..	..	..	..	..	..	53.9	42.6	42.4	43.7	42.8	42.0	44.8	47.1	47.5	44.3	43.9	43.9	43.7
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	54.9	54.9	54.8	53.0	51.7	50.8
Finland	46.6	44.8	48.3	57.1	62.3	63.6	62.3	59.0	59.3	56.0	52.4	51.8	48.8	48.8	49.8	50.9	51.2	50.8	50.5	50.5
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	53.7	54.4	54.5	53.9
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	46.1	45.1
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	52.2	50.3	49.3	49.4	49.2	46.7	46.0	45.8
Hungary	..	..	..	56.2	60.2	59.9	63.4	56.4	53.0	50.8	52.5	49.5	47.4	48.1	52.0	49.8	49.4	50.5	49.3	49.2
Iceland	41.0	43.3	41.5	42.8	43.8	43.6	43.4	42.8	42.3	40.7	41.3	42.2	42.1	42.9	44.8	46.7	45.5	44.5	43.7	44.0
Ireland	48.7	42.9	43.1	44.7	45.1	44.9	44.2	41.4	39.3	36.8	34.4	34.1	31.6	33.2	33.4	33.4	33.7	34.6	34.8	35.1
Italy	51.0	52.1	53.5	54.6	55.7	56.7	53.5	52.5	52.5	50.2	49.3	48.2	46.1	48.0	47.4	48.2	47.8	48.2	47.8	48.1
Japan[3]	31.9	31.1	31.8	31.6	32.6	34.3	35.6	36.5	36.9	36.0	37.3	38.8	39.2	38.7	39.0	38.5	37.3	36.9	36.7	36.5
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	28.1	28.1	28.2	28.2
Luxembourg	..	..	37.7	38.4	40.0	39.8	38.9	39.8	41.2	40.7	41.2	39.3	37.7	38.2	41.4	42.1	43.2	43.3	41.7	41.2
Netherlands[4]	55.2	53.0	53.1	53.0	53.9	54.1	51.7	49.7	47.8	46.5	45.6	45.4	43.7	45.4	46.2	47.1	46.6	45.7	46.5	45.6
New Zealand	55.1	55.3	49.6	50.5	49.2	46.1	44.8	43.5	43.2	41.6	42.6	41.6	40.4	39.1	39.7	39.0	39.2	40.6	42.0	42.1
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	48.5	45.9	42.9	41.8	41.8
Poland	..	..	..	..	..	..	..	47.7	51.0	46.4	44.3	42.7	41.0	43.7	44.2	44.6	42.5	42.8	43.3	43.5
Portugal	36.6	36.8	40.0	42.8	43.9	45.4	43.7	42.8	43.7	42.6	41.9	43.2	43.1	44.4	44.3	45.9	46.4	47.8	47.2	47.4
Slovak Republic	..	..	..	..	..	..	51.0	46.4	52.4	49.6	45.2	47.4	50.9	43.8	43.8	39.8	39.8	37.7	36.5	35.7
Spain	40.1	41.4	42.6	44.0	45.1	48.6	46.4	44.2	43.0	41.0	40.8	39.3	39.0	38.5	38.7	38.3	38.8	38.2	38.2	38.3
Sweden	59.5	61.5	61.3	62.7	71.1	72.4	70.3	67.1	64.8	62.5	60.3	59.8	56.8	56.5	57.9	58.2	56.7	56.4	56.7	55.5
Switzerland	..	..	30.0	31.7	33.8	34.7	34.7	34.5	35.2	35.6	36.1	34.6	33.9	34.8	35.7	36.7	36.6	36.4	36.1	35.9
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	40.9	41.7	43.3	44.0	45.1	45.6	45.9
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	36.6	36.7
Euro area	47.7	47.2	48.1	49.1	50.3	51.9	50.7	50.4	50.6	49.2	48.5	48.2	46.3	47.4	47.7	48.2	47.7	47.7	47.3	46.8
Total OECD	39.6	39.3	40.2	41.3	42.4	42.9	42.1	42.1	41.8	40.6	40.3	40.0	39.2	40.2	40.8	41.3	40.7	40.7	40.6	40.5

Note: Data refer to the general government sector, which is a consolidation of accounts for the central, state and local governments plus social security. Total outlays are defined as current outlays plus capital outlays. One-off revenues from the sale of mobile telephone licenses are recorded as negative capital outlays for countries listed in the note to Table 27. See *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. In 1995, data reflect the large privatisation campaign which transferred some public enterprises to private ownership through vouchers distributed to the population, representing 9.8 percentage points of GDP. In 2003, the activation of State guarantees, mainly for the banking sector, accounts for 6.4 per cent of total outlays.
2. The 1995 outlays are net of the debt taken on from the Inherited Debt Funds.
3. The 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.
4. 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.
5. These data include outlays net of operating surpluses of public enterprises.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/634675346858*

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	34.5	34.0	33.5	33.1	32.8	33.4	33.8	34.4	34.9	35.6	36.7	37.1	35.7	36.0	36.1	36.6	36.4	36.4	35.7	35.8
Austria	49.8	48.7	48.9	49.5	51.0	51.6	50.8	50.3	51.4	51.2	51.0	50.9	49.7	50.7	50.0	49.3	48.8	47.9	46.7	46.2
Belgium	46.6	44.7	45.5	46.1	45.6	47.4	47.4	47.5	48.6	48.9	49.4	49.5	49.2	49.6	49.8	51.2	49.5	50.0	49.6	49.0
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	41.0	41.2	40.9
Czech Republic	..	..	..	..	..	..	..	40.5	39.6	39.9	38.7	39.2	38.3	38.9	40.2	40.9	41.4	41.3	40.6	40.2
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	55.1	54.8	56.5	56.9	55.0	54.6
Finland	51.8	51.6	53.7	56.1	56.9	56.4	56.6	55.2	56.3	54.7	54.1	53.9	55.9	54.0	54.1	53.2	53.1	53.2	52.7	52.3
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	50.0	51.4	51.4	51.2
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	43.5	43.1	43.0
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	48.0	45.3	44.3	43.5	42.3	42.2	43.0	42.5
Hungary	..	..	..	53.1	52.7	53.0	51.8	48.4	46.8	43.2	43.8	44.1	44.4	44.6	43.6	43.4	44.0	44.4	43.5	43.4
Iceland	39.1	38.9	38.2	39.9	41.0	39.2	38.8	39.8	40.7	40.7	41.8	44.5	44.6	43.1	44.0	44.7	45.8	47.7	45.8	43.8
Ireland	44.1	40.2	40.3	41.8	42.1	42.2	42.2	39.3	39.2	38.3	36.7	36.5	36.0	34.0	33.0	33.6	35.2	35.6	34.5	34.5
Italy	39.9	40.7	42.0	43.2	45.3	46.7	44.4	45.1	45.5	47.6	46.2	46.5	45.3	44.9	44.4	44.7	44.3	44.0	43.5	43.6
Japan[1]	33.0	32.8	33.9	33.4	33.3	32.0	31.4	31.4	31.8	31.9	31.4	31.3	31.5	32.3	30.9	30.5	31.0	31.7	31.5	31.8
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	30.6	30.9	30.9	31.0
Luxembourg	..	..	42.0	39.1	39.8	41.2	41.4	42.1	42.3	44.3	44.4	42.6	43.5	44.1	43.4	42.2	42.1	41.4	40.0	40.0
Netherlands	50.7	47.9	47.8	50.5	49.9	51.5	48.5	45.8	46.3	45.6	45.0	46.1	46.0	45.1	44.2	43.9	44.5	45.4	46.0	45.4
New Zealand	51.5	50.6	46.1	47.4	48.7	49.4	47.9	46.5	44.9	41.7	42.3	43.4	42.8	43.6	44.6	45.3	45.1	46.5	46.6	46.1
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	56.0	57.6	58.6	60.3	60.3
Poland	..	..	..	..	..	..	..	43.3	46.1	41.7	40.0	40.8	39.6	40.0	41.0	39.9	38.6	40.3	40.5	40.8
Portugal	33.0	33.9	33.7	35.6	39.4	37.7	36.3	37.6	39.1	39.2	38.9	40.5	40.2	40.1	41.4	42.9	43.2	41.8	42.3	42.9
Slovak Republic	..	..	..	..	..	..	44.9	45.6	45.0	43.4	41.4	40.3	38.6	37.2	36.1	36.0	36.7	34.7	34.2	33.9
Spain	36.9	38.7	38.7	39.5	41.4	41.7	39.9	37.9	38.3	38.2	37.8	38.3	38.1	38.0	38.4	38.3	38.7	39.3	39.4	39.3
Sweden	62.8	64.8	64.7	62.6	62.1	61.1	61.1	60.2	62.1	61.5	62.2	62.1	61.8	59.1	57.5	58.0	58.3	59.1	58.4	57.7
Switzerland	..	..	30.6	30.6	31.4	32.0	32.8	33.3	33.8	33.2	34.6	34.6	36.3	35.7	35.8	35.3	35.5	35.9	36.0	36.0
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	41.6	40.0	40.0	40.6	41.9	42.2	42.6
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	33.1	32.9
Euro area	43.4	43.5	43.6	44.3	45.3	46.3	45.8	45.5	46.4	46.7	46.3	46.9	46.3	45.5	45.1	45.2	44.9	45.3	45.0	44.8
Total OECD	37.1	37.2	37.3	37.6	37.8	38.0	37.9	38.1	38.7	38.9	39.0	39.2	39.4	38.9	37.6	37.3	37.2	38.0	38.0	37.9

Note: Data refer to the general government sector, which is a consolidation of accounts for central, state and local governments plus social security. Non-tax receipts consist of property income (including dividends and other transfers from public enterprises), fees, charges, sales, fines, capital tranfers received by the general government, etc. See *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Includes deferred tax payments on postal savings accounts in 2000, 2001 and 2002. In 2002 corporate pension funds were authorised to transfer back to the government the basic part of their employees' pension scheme. This resulted in a capital transfer to the government which reduced the general government financial deficit by 0.1 percentage point of GDP in 2003 and 1.2 percentage point in 2004. Further transfers are assumed for 2005 and 2006 worth 1.0 and 0.2 percentage point of GDP respectively.
2. Excludes the operating surpluses of public enterprises.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/537223776683*

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	-4.1	-6.2	-5.7	-4.7	-3.7	-2.1	-0.4	0.7	2.0	0.9	-1.0	0.3	0.8	1.3	1.5	0.9	0.5
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	-0.1	-0.7	-1.7	-1.2	-1.6	-1.9	-1.5
Belgium	-7.1	-7.5	-6.7	-7.3	-8.0	-7.3	-5.0	-4.4	-3.8	-2.1	-0.8	-0.5	0.0	0.6	-0.1	0.0	-0.1	-0.1	-0.4	-1.0
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	1.7	2.2	1.8
Czech Republic	..	..	..	..	..	..	..	-13.4	-3.1	-2.4	-5.0	-3.6	-3.7	-5.9	-6.9	-6.7	-2.9	-2.6	-3.3	-3.5
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	0.2	-0.1	1.7	4.0	3.3	3.8
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	2.4	2.2	1.9
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	-3.7	-2.9	-2.9	-2.6
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	-3.3	-3.1	-2.2
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	-4.9	-5.0	-5.9	-6.9	-4.4	-3.0	-3.3
Hungary	..	..	..	-3.1	-7.5	-6.9	-11.6	-8.0	-6.2	-7.6	-8.7	-5.5	-3.0	-3.5	-8.4	-6.4	-5.4	-6.1	-5.8	-5.8
Iceland	-2.0	-4.4	-3.3	-2.9	-2.8	-4.5	-4.7	-3.0	-1.6	0.0	0.5	2.3	2.4	0.2	-0.8	-2.0	0.3	3.2	2.0	-0.1
Ireland	-4.7	-2.7	-2.8	-2.8	-2.9	-2.7	-2.0	-2.1	-0.1	1.5	2.3	2.4	4.4	0.8	-0.4	0.2	1.6	1.0	-0.3	-0.5
Italy	-11.1	-11.4	-11.5	-11.4	-10.4	-10.0	-9.1	-7.4	-7.0	-2.7	-3.1	-1.8	-0.9	-3.1	-3.0	-3.5	-3.5	-4.3	-4.2	-4.6
Japan	1.1	1.8	2.1	1.8	0.8	-2.4	-4.2	-5.1	-5.1	-4.1	-5.9	-7.5	-7.7	-6.4	-8.2	-8.0	-6.3	-5.2	-5.2	-4.7
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	2.5	2.7	2.7	2.8
Luxembourg	..	..	4.3	0.7	-0.2	1.5	2.5	2.3	1.1	3.5	3.2	3.3	5.9	5.9	2.0	0.2	-1.1	-1.9	-1.7	-1.2
Netherlands	-4.4	-5.1	-5.2	-2.6	-3.9	-2.6	-3.3	-3.9	-1.5	-0.8	-0.6	0.7	2.3	-0.3	-2.0	-3.2	-2.1	-0.3	-0.5	-0.1
New Zealand	-3.6	-4.7	-3.5	-3.1	-0.4	3.3	3.1	3.0	1.7	0.1	-0.3	1.8	2.5	4.5	4.9	6.3	5.9	5.8	4.6	4.0
Norway	2.6	1.8	2.2	0.1	-1.9	-1.4	0.3	3.4	6.5	7.8	3.5	6.2	15.6	13.6	9.3	7.5	11.7	15.8	18.5	18.5
Poland	..	..	..	..	..	..	..	-4.4	-4.9	-4.6	-4.3	-1.8	-1.5	-3.7	-3.2	-4.7	-3.9	-2.5	-2.8	-2.6
Portugal	-3.6	-2.9	-6.3	-7.2	-4.5	-7.7	-7.3	-5.2	-4.5	-3.4	-3.0	-2.7	-3.0	-4.3	-2.9	-3.0	-3.2	-6.0	-5.0	-4.5
Slovak Republic	..	..	..	..	..	..	-6.1	-0.9	-7.4	-6.2	-3.8	-7.1	-12.3	-6.6	-7.8	-3.8	-3.1	-2.9	-2.3	-1.8
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	1.1	1.1	0.9
Sweden	3.3	3.3	3.4	-0.1	-8.9	-11.3	-9.2	-6.9	-2.8	-1.0	1.9	2.3	5.0	2.6	-0.5	-0.2	1.6	2.7	1.7	2.2
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	-1.1	-0.5	-0.2	0.2
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	-3.3	-3.2	-3.4	-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	-3.8	-3.6	-3.7
Euro area	-4.3	-3.7	-4.5	-4.9	-4.9	-5.6	-4.9	-4.9	-4.2	-2.6	-2.3	-1.3	0.0	-1.8	-2.6	-3.1	-2.8	-2.4	-2.3	-2.1
Total OECD	-2.6	-2.1	-2.9	-3.7	-4.6	-4.9	-4.2	-4.0	-3.1	-1.7	-1.3	-0.8	0.3	-1.3	-3.2	-4.0	-3.5	-2.7	-2.6	-2.6
Memorandum items																				
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	-5.2	-4.9	-5.1
Japan[1]	-2.0	-1.4	-1.4	-0.9	-1.7	-4.6	-6.2	-7.0	-6.9	-5.8	-7.2	-8.5	-8.2	-6.5	-7.9	-8.1	-6.6	-5.3	-4.9	-4.3

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 79 database.

StatLink: *http://dx.doi.org/10.1787/580813418256*

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	-0.4	-1.0	-2.1	-3.7	-3.5	-3.3	-2.8	-1.3	0.3	0.9	1.8	0.3	-1.2	0.1	0.6	1.2	1.5	1.0	0.5
Austria	-2.3	-2.6	-2.8	-3.6	-2.6	-4.1	-4.4	-5.4	-3.7	-1.5	-2.4	-2.8	-3.0	-0.7	-0.4	-0.7	-0.2	-0.5	-0.8	-0.5
Belgium	-6.3	-7.5	-7.5	-7.9	-8.2	-5.7	-3.7	-3.2	-2.1	-1.2	0.2	0.1	-0.4	0.2	0.3	1.0	0.8	1.0	0.2	-0.7
Canada	-5.3	-5.9	-6.5	-7.2	-7.1	-6.6	-5.4	-4.3	-1.3	1.5	1.1	1.8	2.3	0.2	-0.5	-0.1	0.6	1.7	2.1	1.6
Czech Republic	..	..	..	..	..	..	..	-14.8	-5.0	-3.3	-4.5	-2.6	-3.1	-5.4	-5.7	-5.3	-1.9	-2.4	-3.6	-4.0
Denmark	0.8	0.2	-0.8	-2.1	-1.6	-1.9	-2.3	-2.6	-1.9	-1.0	-0.5	1.1	1.4	0.4	0.4	0.9	2.9	4.5	3.0	3.0
Finland	3.7	4.7	3.8	0.7	-0.7	-0.7	-0.2	0.6	0.6	0.3	2.2	2.3	6.4	5.1	4.5	2.7	2.0	2.6	2.0	1.4
France	-1.4	-1.5	-2.4	-2.7	-4.3	-5.1	-4.3	-4.5	-2.6	-1.4	-1.4	-0.9	-1.5	-2.0	-3.2	-3.6	-2.9	-2.0	-2.1	-1.9
Germany	-2.4	-1.0	-4.0	-3.5	-3.1	-2.1	-1.5	-2.7	-2.6	-1.9	-1.6	-1.2	-1.9	-3.7	-3.9	-3.3	-2.7	-2.2	-2.1	-1.4
Greece	-11.5	-14.4	-15.9	-11.5	-12.2	-11.7	-7.6	-8.5	-5.8	-5.3	-3.3	-2.5	-3.7	-5.4	-5.1	-6.3	-7.6	-5.1	-3.5	-3.7
Hungary	..	..	..	..	..	-8.7	-12.9	-8.3	-5.5	-7.3	-8.9	-5.8	-3.7	-4.2	-8.8	-6.3	-5.2	-5.9	-5.8	-6.0
Iceland	-3.1	-4.6	-3.2	-2.2	-0.4	-1.9	-2.9	-1.0	-0.3	0.5	0.3	2.0	2.3	-0.1	-0.1	-1.0	-0.1	2.1	1.0	-0.7
Ireland	-3.0	-2.1	-3.9	-3.1	-2.1	-0.7	0.5	-0.3	1.3	1.8	2.1	1.3	2.7	-0.9	-1.9	-0.7	1.0	0.7	-0.5	-0.8
Italy	-10.7	-11.9	-12.0	-11.7	-10.1	-8.4	-7.5	-6.5	-5.9	-1.8	-2.3	-1.3	-2.6	-4.1	-3.7	-3.6	-3.4	-3.7	-3.6	-3.9
Japan[1]	1.3	1.4	1.0	0.8	-0.2	-2.8	-4.3	-5.2	-5.6	-4.6	-5.5	-6.5	-7.2	-5.7	-7.0	-7.0	-5.6	-4.9	-5.3	-5.2
Luxembourg	..	..	2.7	-1.4	-1.4	0.9	2.4	3.4	3.2	5.0	3.8	3.0	4.5	5.2	2.4	1.4	0.0	-0.9	-0.9	-0.7
Netherlands	-4.2	-5.8	-7.1	-4.8	-5.6	-2.9	-2.6	-3.3	-1.0	-0.8	-1.2	-0.5	-0.1	-2.0	-2.6	-2.4	-0.6	1.3	0.9	0.6
New Zealand	-3.3	-4.2	-2.6	-0.8	2.2	4.7	3.3	2.6	0.9	-0.3	0.5	1.9	2.3	4.3	4.3	5.8	5.0	5.3	4.8	4.6
Norway[2]	0.7	0.1	-1.2	-3.8	-5.7	-5.8	-4.6	-1.5	-1.3	-0.8	-2.2	-1.1	0.9	0.0	-2.7	-4.4	-2.0	-1.5	-1.5	-1.5
Portugal	-3.2	-3.7	-7.6	-9.1	-5.6	-6.6	-5.4	-3.8	-3.3	-2.7	-3.2	-3.4	-4.6	-5.5	-3.3	-1.9	-2.0	-4.1	-2.8	-2.5
Spain	-3.6	-3.8	-5.4	-6.0	-4.4	-5.9	-4.9	-4.8	-3.1	-1.5	-2.1	-0.6	-1.3	-0.8	-0.3	0.3	0.3	1.3	1.3	1.1
Sweden	2.4	2.1	2.8	1.0	-6.0	-6.3	-5.3	-4.3	-0.1	1.1	3.0	2.4	4.2	2.4	-0.4	0.5	2.1	2.9	1.2	1.2
Switzerland	..	..	-1.3	-1.5	-1.9	-1.6	-1.0	-0.3	-0.2	-1.4	-1.2	0.4	2.2	0.7	0.4	-0.4	-0.1	0.3	0.4	0.5
United Kingdom	-0.7	-0.6	-2.5	-2.6	-4.9	-6.3	-5.8	-5.2	-3.6	-1.8	0.2	1.1	1.1	0.3	-1.8	-3.4	-3.6	-3.1	-3.1	-3.0
United States	-4.0	-3.9	-4.7	-4.4	-5.0	-4.1	-3.0	-2.4	-1.5	-0.4	0.5	0.6	1.1	-0.4	-3.2	-4.2	-4.4	-3.7	-3.7	-3.9
Euro area	-4.4	-4.4	-5.8	-5.5	-5.2	-4.5	-3.9	-4.2	-3.2	-1.8	-1.8	-1.1	-1.8	-2.5	-2.7	-2.6	-2.3	-1.6	-1.6	-1.5
Total OECD	-3.0	-3.0	-4.0	-3.9	-4.4	-4.3	-3.8	-3.6	-2.7	-1.4	-1.1	-0.8	-0.8	-1.7	-3.2	-3.7	-3.3	-2.7	-2.8	-2.8

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 79 database.

StatLink: *http://dx.doi.org/10.1787/235156233777*

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	3.2	3.4	2.0	-0.9	-2.8	-3.0	-0.8	0.2	1.1	2.3	2.8	4.1	2.8	0.8	1.9	2.3	2.7	2.8	2.2	1.8
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	1.8	0.7	1.0	0.5	0.2	0.6
Belgium	2.3	3.2	4.4	3.3	2.4	3.0	3.8	4.1	4.3	5.3	6.3	6.0	6.4	6.7	5.4	5.2	4.6	4.3	3.7	2.9
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	2.8	2.6	2.0
Czech Republic	..	..	..	..	..	..	..	-13.3	-2.6	-2.1	-4.6	-3.2	-3.3	-5.7	-6.9	-6.5	-2.5	-2.2	-2.8	-3.0
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	1.9	1.2	2.4	4.5	3.6	3.9
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	2.6	2.1	1.7
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	-1.7	-1.2	-0.5	-0.5	-0.3
Germany	0.4	2.4	0.3	-0.9	-0.1	-0.5	0.2	-0.3	-0.4	0.2	0.8	1.3	4.0	-0.3	-1.2	-1.5	-1.2	-0.9	-0.6	0.2
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	1.7	0.7	-0.7	-1.9	0.1	1.2	0.7
Iceland	-1.4	-3.8	-2.2	-1.9	-1.9	-3.3	-3.5	-1.5	-0.2	1.1	1.8	3.5	3.4	1.0	-1.1	-1.6	0.5	3.6	2.5	0.4
Ireland	1.8	3.5	3.3	2.8	2.2	2.1	2.5	1.9	3.0	4.0	4.6	3.8	5.2	0.9	-0.3	0.4	1.7	1.1	0.1	-0.2
Italy	-3.4	-2.8	-2.0	-0.5	1.4	2.2	1.6	3.1	3.6	5.8	4.5	4.1	4.9	2.6	2.0	1.1	0.8	-0.1	-0.2	-0.2
Japan	2.9	3.3	3.3	2.9	1.9	-1.2	-3.0	-3.8	-3.8	-2.7	-4.4	-6.0	-6.2	-4.9	-6.7	-6.6	-4.9	-3.9	-3.7	-3.0
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	1.6	1.9	2.0	2.2
Luxembourg	..	..	2.5	-1.0	-1.7	0.2	1.5	1.4	0.4	2.8	2.4	2.6	5.1	4.7	1.0	-0.7	-2.0	-2.7	-2.4	-2.0
Netherlands	-0.1	-1.1	-1.3	1.6	0.3	1.6	0.9	0.5	2.9	3.3	3.3	4.2	5.2	2.2	0.2	-1.0	-0.1	1.5	1.1	1.4
New Zealand	0.5	-0.5	-0.7	-0.2	2.1	4.7	4.6	3.7	2.3	0.8	0.0	2.2	2.5	4.3	4.7	6.0	5.5	5.3	3.9	3.3
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	4.0	8.0	11.9	14.4	14.4
Poland	..	..	..	..	..	..	..	0.8	-0.6	-0.6	-0.4	0.8	0.8	-1.3	-0.9	-2.4	-1.7	-0.5	-0.9	-0.9
Portugal	2.7	2.9	1.9	1.1	3.6	-0.3	-1.1	0.7	0.6	0.6	0.3	0.3	0.1	-1.3	0.0	-0.2	-0.5	-3.3	-1.9	-1.4
Slovak Republic	..	..	..	..	..	..	-4.9	-0.1	-6.5	-5.0	-2.4	-5.7	-10.0	-4.2	-5.0	-2.5	-2.6	-3.1	-2.4	-1.8
Spain	-0.4	0.2	-0.9	-1.3	0.0	-2.3	-1.9	-1.5	0.2	1.5	1.0	2.4	2.1	2.2	2.1	2.1	1.7	2.7	2.6	2.3
Sweden	3.5	2.9	2.6	-0.8	-10.0	-11.8	-8.5	-5.5	-1.2	0.8	3.2	3.6	5.8	3.2	0.5	-0.1	1.4	2.3	1.1	1.7
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	-0.4	0.1	0.4	0.7
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	-1.5	-1.3	-1.4	-1.2
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	-1.9	-1.6	-1.7
Euro area	-0.5	0.4	-0.1	-0.3	0.0	-0.6	-0.2	-0.2	0.7	1.8	1.8	2.3	3.4	1.4	0.5	-0.2	-0.1	0.2	0.2	0.5
Total OECD	0.5	1.0	0.3	-0.4	-1.2	-1.5	-0.9	-0.5	0.3	1.5	1.7	1.9	2.7	1.0	-1.1	-2.1	-1.6	-0.9	-0.8	-0.7

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 79 database.

StatLink: *http://dx.doi.org/10.1787/458785823384*

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	3.8	3.6	2.6	0.9	-0.5	-1.0	0.4	1.0	1.9	2.9	3.0	3.9	2.3	0.6	1.8	2.1	2.6	2.8	2.3	1.8
Austria	0.3	-0.1	-0.1	-0.8	0.4	-1.0	-1.4	-2.2	-0.4	1.6	0.7	0.2	-0.1	2.1	2.1	1.6	2.0	1.6	1.2	1.5
Belgium	3.0	3.2	3.7	2.9	2.2	4.3	5.0	5.1	5.8	6.2	7.2	6.6	6.0	6.4	5.8	6.1	5.4	5.2	4.3	3.2
Canada	-1.0	-1.1	-1.3	-2.1	-2.0	-1.5	-0.4	1.3	3.9	6.2	5.8	6.1	5.5	3.2	2.1	1.8	2.2	2.8	2.5	1.9
Czech Republic	..	..	..	..	..	..	..	-14.7	-4.5	-2.9	-4.1	-2.2	-2.8	-5.1	-5.7	-5.1	-1.6	-2.0	-3.2	-3.5
Denmark	5.1	4.1	2.8	1.7	1.4	1.4	0.9	0.5	1.1	2.0	2.0	3.7	3.5	2.3	2.1	2.2	3.6	5.1	3.3	3.1
Finland	2.7	3.3	1.9	-1.2	-2.5	-1.2	0.7	1.3	1.9	2.1	3.8	3.8	7.4	5.7	4.6	2.8	2.2	2.7	1.9	1.2
France	0.5	0.5	-0.2	-0.4	-1.8	-2.4	-1.6	-1.5	0.4	1.5	1.5	1.7	1.1	0.6	-0.6	-1.1	-0.5	0.5	0.4	0.4
Germany	0.1	1.4	-1.7	-1.5	-0.7	0.3	1.0	0.2	0.3	1.0	1.3	1.5	0.8	-1.1	-1.4	-0.7	-0.3	0.2	0.2	1.0
Greece	-4.3	-7.0	-6.0	-2.1	-1.0	0.1	5.4	3.2	5.3	3.7	5.0	4.8	3.7	1.2	0.7	-1.1	-2.5	-0.5	0.7	0.3
Iceland	-2.5	-4.0	-2.1	-1.2	0.4	-0.8	-1.7	0.4	1.0	1.6	1.6	3.1	3.2	0.8	-0.4	-0.7	0.1	2.5	1.5	-0.2
Ireland	3.2	4.0	2.5	2.5	2.9	3.8	4.7	3.4	4.3	4.4	4.4	2.8	3.6	-0.8	-1.8	-0.5	1.1	0.8	-0.1	-0.5
Italy	-3.0	-3.2	-2.4	-0.7	1.6	3.5	3.0	3.9	4.4	6.6	5.2	4.6	3.3	1.7	1.4	0.9	0.8	0.4	0.4	0.4
Japan[1]	3.1	2.9	2.3	1.9	0.9	-1.6	-3.1	-3.9	-4.2	-3.2	-4.1	-5.1	-5.7	-4.3	-5.6	-5.6	-4.3	-3.5	-3.7	-3.4
Luxembourg	..	..	0.9	-3.2	-3.0	-0.3	1.5	2.6	2.5	4.3	2.9	2.3	3.6	4.0	1.5	0.5	-0.8	-1.7	-1.6	-1.4
Netherlands	0.1	-1.8	-3.0	-0.5	-1.3	1.3	1.5	1.1	3.4	3.4	2.8	3.2	3.0	0.5	-0.4	-0.3	1.3	3.0	2.4	2.1
New Zealand	0.8	0.0	0.1	1.9	4.5	6.0	4.8	3.3	1.5	0.4	0.7	2.3	2.2	4.1	4.1	5.5	4.6	4.7	4.2	3.9
Norway[2]	-3.0	-3.6	-5.2	-7.9	-9.5	-9.0	-7.1	-4.2	-4.0	-3.4	-4.7	-3.9	-2.6	-4.2	-7.2	-8.8	-6.7	-6.8	-7.4	-7.3
Portugal	3.0	2.3	0.9	-0.4	2.7	0.5	0.6	2.0	1.7	1.3	0.1	-0.3	-1.5	-2.4	-0.3	0.8	0.6	-1.6	0.1	0.5
Spain	-0.8	-0.9	-2.3	-2.6	-0.7	-1.4	-0.5	-0.1	1.7	2.7	1.8	2.7	1.7	1.9	2.1	2.4	2.1	2.9	2.8	2.5
Sweden	2.5	1.7	2.0	0.3	-7.0	-6.7	-4.6	-3.0	1.3	2.9	4.3	3.7	5.0	2.9	0.6	0.5	1.8	2.6	0.5	0.7
Switzerland	..	..	-0.9	-1.0	-1.3	-1.1	-0.3	0.5	0.6	-0.6	-0.4	1.2	2.7	1.4	1.2	0.3	0.6	0.9	0.9	1.0
United Kingdom	2.5	2.3	0.3	-0.3	-2.6	-3.9	-3.2	-2.1	-0.6	1.3	3.2	3.6	3.5	2.3	-0.1	-1.6	-1.8	-1.2	-1.1	-1.0
United States	-0.9	-0.6	-1.3	-0.9	-1.6	-0.8	0.3	1.1	1.9	2.8	3.6	3.3	3.6	1.9	-1.2	-2.4	-2.6	-1.8	-1.8	-1.9
Euro area	-0.5	-0.3	-1.3	-0.9	-0.3	0.4	0.7	0.5	1.6	2.5	2.3	2.4	1.7	0.8	0.3	0.3	0.4	1.0	0.9	1.0
Total OECD	0.1	0.3	-0.6	-0.5	-1.0	-0.8	-0.3	-0.1	0.8	1.8	2.1	2.0	1.8	0.7	-1.0	-1.7	-1.4	-0.8	-0.9	-0.9

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 79 database.

StatLink: *http://dx.doi.org/10.1787/228331583207*

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	4.1	4.0	3.7	3.2	3.4	2.7	3.8	3.9	3.3	2.7	2.1	2.1	2.0	1.8	1.7	1.5	1.4	1.3	1.3	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	2.4	2.2	2.1	2.0	2.1
Belgium	9.4	10.7	11.0	10.6	10.4	10.3	8.8	8.5	8.1	7.4	7.1	6.5	6.4	6.1	5.5	5.2	4.7	4.3	4.1	3.9
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	1.1	0.4	0.3
Czech Republic	..	..	..	..	..	..	..	0.1	0.5	0.3	0.4	0.5	0.3	0.3	0.0	0.2	0.3	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	0.3	0.1
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	0.1	0.0	-0.2
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	2.5	2.5	2.5	2.5	2.4
Germany[1]	2.5	2.3	2.2	2.0	2.4	2.5	2.5	2.9	2.9	2.9	2.9	2.7	2.7	2.6	2.5	2.5	2.4	2.4	2.4	2.4
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	5.7	5.2	5.0	4.5	4.2	3.9
Iceland	0.6	0.6	1.1	1.0	0.9	1.1	1.2	1.5	1.4	1.1	1.3	1.2	0.9	0.9	-0.3	0.4	0.2	0.3	0.5	0.5
Ireland	6.4	6.2	6.1	5.6	5.1	4.8	4.5	3.9	3.1	2.6	2.3	1.4	0.8	0.1	0.1	0.2	0.2	0.1	0.4	0.4
Italy	7.7	8.6	9.5	10.9	11.8	12.3	10.7	10.5	10.5	8.5	7.6	5.9	5.8	5.7	5.0	4.6	4.3	4.1	4.1	4.4
Japan[2]	1.8	1.5	1.3	1.1	1.1	1.2	1.2	1.3	1.3	1.3	1.5	1.5	1.5	1.4	1.5	1.4	1.3	1.3	1.5	1.8
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	-0.9	-0.9	-0.7	-0.6
Luxembourg	..	..	-1.8	-1.7	-1.6	-1.2	-1.0	-0.9	-0.7	-0.7	-0.8	-0.7	-0.8	-1.2	-0.9	-0.9	-0.8	-0.8	-0.8	-0.7
Netherlands	4.3	3.9	3.9	4.1	4.2	4.2	4.1	4.4	4.4	4.2	3.9	3.6	2.9	2.5	2.2	2.1	2.0	1.8	1.6	1.5
New Zealand	4.1	4.3	2.8	2.9	2.5	1.3	1.5	0.7	0.6	0.7	0.2	0.4	0.0	-0.2	-0.2	-0.3	-0.3	-0.5	-0.7	-0.7
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	-3.9	-4.1	-4.1
Poland	..	..	..	..	..	..	..	5.3	4.3	4.0	3.9	2.6	2.3	2.4	2.3	2.3	2.1	2.0	1.9	1.8
Portugal	6.3	5.8	8.2	8.3	8.1	7.4	6.3	5.9	5.1	4.0	3.3	3.0	3.1	3.0	2.9	2.8	2.7	2.7	3.1	3.1
Slovak Republic	..	..	..	..	..	..	1.3	0.8	0.9	1.2	1.3	1.5	2.3	2.4	2.8	1.3	0.5	-0.2	-0.1	0.0
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	0.1	-0.4	-0.8	-0.8	-1.0	-0.4	0.7	1.4	1.5	1.8	1.3	1.2	0.8	0.6	1.0	0.1	-0.2	-0.4	-0.6	-0.5
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	0.6	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	1.9	2.0	2.0
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	2.0
Euro area	3.9	4.1	4.4	4.5	4.9	5.0	4.7	4.7	4.9	4.4	4.1	3.6	3.4	3.3	3.0	2.9	2.7	2.6	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	2.6	2.4	2.3	2.1	1.9	1.8	1.8	1.8	1.9

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 79 database.

StatLink: *http://dx.doi.org/10.1787/281803070856*

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	25.1	23.0	21.9	23.2	27.4	30.7	40.1	41.9	39.1	37.4	32.3	27.0	23.5	20.9	19.4	18.3	17.2	14.4	13.3	12.7
Austria	59.1	58.1	57.5	57.6	57.3	62.0	65.1	69.6	69.7	67.3	67.4	69.8	69.5	70.3	71.6	69.5	68.9	69.0	69.2	69.3
Belgium	125.4	122.4	126.1	127.7	136.5	140.7	137.8	135.2	133.5	127.7	122.6	119.1	113.4	111.6	108.1	103.2	98.7	98.3	94.6	90.7
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	62.5	57.5
Czech Republic	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	40.8	40.0	37.2	38.1	38.6
Denmark	71.6	69.8	70.6	71.5	75.6	90.4	83.9	80.0	77.2	72.7	69.0	63.2	56.3	53.8	54.5	52.8	49.4	43.0	39.6	35.5
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	48.6	48.8	49.9
France	38.9	38.9	38.6	39.7	43.9	51.0	60.2	62.6	66.3	68.4	69.9	66.2	65.0	63.6	66.7	71.0	73.4	76.5	75.9	75.1
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	69.6	71.3	71.1
Greece	..	..	..	..	..	..	..	114.4	116.6	112.4	109.8	113.7	128.1	131.5	130.5	127.3	128.3	126.0	123.4	120.6
Hungary	..	..	..	..	..	..	..	..	..	67.8	65.7	66.5	60.1	59.1	59.8	59.8	62.7	64.3	65.0	65.8
Iceland	30.7	36.2	36.2	38.4	46.3	53.2	55.7	59.0	56.4	53.1	48.0	43.2	41.0	46.4	42.6	40.6	35.0	27.0	24.1	23.6
Ireland	..	..	..	..	..	..	..	..	..	..	61.4	50.1	42.6	38.5	36.1	34.5	33.0	31.8	31.7	31.7
Italy	..	..	..	..	..	..	..	121.9	128.3	130.2	132.5	126.7	121.6	121.1	120.0	117.9	119.4	121.4	122.3	123.4
Japan[2]	74.1	70.8	68.6	64.8	68.6	74.7	80.2	87.7	95.3	102.3	114.9	128.9	137.1	145.2	154.0	160.2	168.1	172.1	175.2	177.3
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	18.4	22.6	24.8	28.1	31.6
Luxembourg	..	..	4.7	4.1	4.8	6.0	5.5	5.8	6.3	6.4	6.2	5.6	5.3	6.5	6.5	6.3	6.6	6.0	9.0	10.2
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	62.8	62.6	62.1
New Zealand	..	..	..	..	..	..	57.4	51.3	44.9	42.3	42.2	39.6	37.4	35.3	33.7	31.6	28.6	26.5	26.1	24.9
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	49.9	52.5	53.9	53.5	49.5
Poland	..	..	..	..	..	..	..	..	..	..	43.8	46.6	42.4	37.4	50.3	50.8	49.9	50.7	55.1	56.6
Portugal	..	..	..	..	..	..	..	68.8	68.4	64.6	64.9	60.9	60.0	61.5	64.9	66.2	68.4	72.3	74.6	76.7
Slovak Republic	..	..	..	..	..	..	..	39.2	38.0	39.2	41.2	52.0	59.1	59.4	52.1	50.2	48.6	42.9	37.3	32.3
Spain	..	..	47.7	49.6	51.9	65.4	64.0	68.9	75.6	74.5	74.5	68.5	66.0	61.8	59.9	55.1	53.3	50.4	47.6	45.5
Sweden	56.0	50.9	46.7	55.4	73.9	79.0	83.3	82.0	84.4	82.5	81.3	71.3	63.9	62.9	59.8	59.3	58.9	59.3	54.4	49.4
Switzerland	35.2	32.8	31.3	33.5	38.7	43.2	45.8	47.9	50.5	52.6	55.6	52.6	53.3	52.2	57.7	57.4	58.6	54.3	54.2	53.6
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	44.1	47.2	50.3	52.8
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	64.1	64.1	64.7
Euro area	49.3	48.4	48.4	46.2	49.3	55.4	58.5	72.2	77.4	79.5	80.1	78.3	75.1	73.8	74.1	75.2	76.1	77.5	77.5	77.0
Total OECD	57.3	56.2	56.3	57.2	60.6	65.0	66.4	71.7	73.9	74.2	74.3	73.6	70.8	70.9	73.1	75.2	76.8	77.7	78.1	78.4

Note: Gross debt data are not always comparable across countries due to different definitions or treatment of debt components. Notably, they include the funded portion of government employee pension liabilities for some OECD countries, including Australia and the United States. The debt position of these countries is thus overstated relative to countries that have large unfunded liabilities for such pensions which according to ESA95/SNA93 are not counted in the debt figures, but rather as a memorandum item to the debt. General government financial liabilities for Luxembourg follow the definition of debt applied under the Maastricht Treaty rather than the ESA95/SNA93 methodology. Maastricht debt for European Union countries is shown in Annex Table 60. For more details see *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

1. Includes the debt of the Inherited Debt Fund from 1995 onwards.
2. Includes the debt of the Japan Railway Settlement Corporation and the National Forest Special Account from 1998 onwards.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/680884015515*

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	14.8	10.9	10.4	11.3	15.7	21.5	25.8	26.5	21.0	21.2	16.1	15.1	9.2	5.4	3.8	2.3	0.7	-0.5	-1.9	-2.4
Austria	36.2	35.6	35.2	35.0	36.2	40.8	43.0	47.5	46.8	45.2	41.6	42.1	39.9	40.5	41.9	40.3	41.7	41.9	42.1	42.1
Belgium	116.4	113.4	113.1	114.2	120.4	123.2	121.5	120.8	119.6	115.2	109.7	105.6	100.1	97.4	94.8	92.0	86.5	86.1	82.4	78.5
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	26.3	20.0	14.9
Czech Republic	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	-7.4	-4.3	-3.9	-0.4	3.1
Denmark	27.3	25.6	25.4	28.9	31.7	35.1	35.5	36.0	36.2	33.8	34.9	29.2	24.5	18.9	18.0	17.1	12.1	7.5	3.8	-0.2
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	-32.2	-32.1	-40.1	-47.5	-59.6	-61.1	-60.7
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	41.8	44.2	44.4	44.0	43.4	42.5
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	58.4	60.2	60.5
Greece	..	..	..	..	..	..	..	95.5	95.4	88.9	83.7	80.6	99.8	105.5	106.3	99.6	97.9	95.7	93.3	90.4
Hungary	..	..	..	..	..	..	..	..	..	25.2	31.9	33.5	31.0	30.5	36.1	36.1	39.2	40.6	41.5	42.0
Iceland	9.1	17.4	19.0	19.7	26.5	34.6	37.6	39.5	39.4	37.4	30.9	23.4	23.4	26.1	22.8	23.7	21.8	12.2	9.3	9.0
Ireland	..	..	..	..	..	..	..	..	..	..	45.3	30.0	22.1	17.8	18.0	15.0	12.0	10.0	9.5	9.2
Italy	..	..	..	..	..	..	..	98.3	104.1	104.9	108.1	102.2	96.6	97.3	97.1	96.2	97.7	98.6	100.1	101.3
Japan[3]	49.8	40.7	26.1	13.3	14.7	18.1	20.8	25.0	29.4	35.1	46.6	54.1	60.4	66.1	72.8	77.3	82.2	86.3	89.7	92.0
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	-30.0	-29.8	-30.4	-30.3	-30.3
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	38.1	38.0	37.4
New Zealand	..	..	..	..	..	..	44.4	38.1	32.8	30.2	28.1	25.8	23.7	20.5	16.4	11.2	4.8	-0.1	-1.9	-3.1
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	-98.3	-111.2	-124.3	-146.3	-161.4
Poland	..	..	..	..	..	..	..	..	..	..	6.3	13.4	12.7	12.2	16.2	16.2	14.0	15.3	19.9	21.2
Portugal	..	..	..	..	..	..	..	25.1	27.3	27.2	32.9	29.6	28.8	29.4	33.6	36.3	40.3	45.1	48.5	51.4
Slovak Republic	..	..	..	..	..	..	..	-28.3	-17.8	-10.1	-5.2	-4.5	10.5	15.7	-6.5	-5.5	-2.2	-8.2	-13.7	-18.7
Spain	..	..	30.0	32.0	32.5	40.7	40.5	46.6	51.3	50.4	49.8	44.2	41.7	40.1	38.6	35.0	33.6	30.8	28.3	26.2
Sweden	0.2	-6.1	-8.0	-5.1	4.6	10.6	20.9	25.9	25.9	23.3	20.1	9.3	1.4	-3.0	2.3	-2.0	-5.7	-12.4	-17.6	-22.7
Switzerland	..	..	..	..	..	..	..	..	..	..	..	24.5	20.4	20.8	23.8	24.6	25.4	21.0	20.8	20.3
United Kingdom	20.5	15.6	14.9	15.5	22.5	32.3	33.0	38.9	41.1	43.1	44.4	39.9	36.8	33.4	34.1	34.7	36.9	40.6	43.4	45.9
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	45.8	46.5	47.8
Euro area	23.8	23.2	25.0	24.3	27.1	32.0	34.3	49.5	54.7	56.4	56.6	53.6	50.5	50.5	52.3	53.6	54.3	55.2	55.3	55.0
Total OECD	35.0	33.3	32.3	32.2	35.6	39.5	40.7	45.8	47.5	47.2	46.4	43.7	40.8	40.5	42.9	44.3	45.5	46.4	46.9	47.4

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 79 database.

StatLink: *http://dx.doi.org/10.1787/786386648100*

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	5.6	5.8	5.9	5.6	5.9	5.9
Austria	9.5	9.5	7.0	5.1	4.6	3.4	3.5	3.6												
Belgium	9.4	9.4	8.2	5.7	4.8	3.2	3.4	3.6												
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	4.7	3.3	4.3	4.8
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	2.0	2.5	3.6	2.1	3.1	3.8
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	2.2	2.7	3.5	2.3	2.9	3.7
Finland	13.1	13.3	7.8	5.4	5.8	3.6	3.2	3.6												
France	9.6	10.3	8.6	5.8	6.6	3.9	3.5	3.6												
Germany	9.2	9.5	7.3	5.4	4.5	3.3	3.3	3.5												
Greece	23.3	21.7	21.3	19.3	15.5	12.8	10.4	11.6	8.9	4.4										
Hungary	..	..	17.2	26.9	32.0	24.0	20.1	18.0	14.7	11.0	10.8	8.9	8.2	11.3	7.0	6.2	6.5	6.0	6.4	6.5
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	9.0	12.6	10.5	9.5	12.5	9.0
Ireland	10.4	14.3	9.1	5.9	6.2	5.4	6.1	5.4												
Italy	12.2	14.0	10.2	8.5	10.5	8.8	6.9	5.0												
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	0.1	0.7	0.0	0.1	1.1
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	3.7	4.4	4.9	4.0	4.5	5.1
Luxembourg	9.4	9.4	8.2	5.7	4.8	3.2	3.4	3.6												
Mexico	19.8	15.9	15.5	14.6	48.2	32.9	21.3	26.2	22.4	16.2	12.2	7.5	6.5	7.1	9.3	7.5	6.7	8.6	7.5	6.5
Netherlands	9.3	9.4	6.9	5.2	4.4	3.0	3.3	3.5												
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	7.4	6.0	7.5	7.1	5.6
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	3.1	4.4	2.5	3.7	4.6
Poland	..	..	34.9	31.8	27.7	21.3	23.1	19.9	14.7	18.9	15.7	8.8	5.7	6.2	5.2	4.1	4.3	4.6	4.0	4.5
Portugal	17.7	16.1	12.5	11.1	9.8	7.4	5.7	4.3												
Slovak Republic	..	..	..	..	..	11.5	20.2	18.1	14.8	8.2	7.5	7.5	5.9	4.4	2.6	3.7	4.1	2.8	4.1	4.1
Spain	13.2	13.3	11.7	8.0	9.4	7.5	5.4	4.2												
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	3.9	1.6	3.0	4.5
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	0.8	1.6	2.2	1.0	2.1	2.2
Turkey	..	..	..	..	..	..	..	..	..	38.9	92.4	59.5	38.5	23.8	15.6	14.0	12.8	14.5	13.6	12.6
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	4.6	4.6	4.6	4.6
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	5.1	5.1	4.3	5.3	5.0
Euro area	10.6	11.2	8.6	6.3	6.5	4.8	4.3	3.9	3.0	4.4	4.3	3.3	2.3	2.1	2.2	2.7	3.4	2.3	2.9	3.7

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 79 database.

StatLink: *http://dx.doi.org/10.1787/157052064225*

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	5.6	5.7	5.4	5.7	5.7
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	4.0	4.3	3.4	4.2	4.4
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	4.0	4.3	3.4	4.2	4.4
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	4.5	4.6	4.1	4.6	4.7
Czech Republic	..	..	..	..	..	..	..	..	..	..	6.3	4.9	4.1	4.8	3.5	3.6	3.9	3.6	3.7	4.0
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	4.0	4.4	3.3	4.2	4.4
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	4.0	4.3	3.3	4.2	4.4
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	4.0	4.3	3.4	4.2	4.4
Germany	8.5	7.9	6.5	6.9	6.9	6.2	5.7	4.6	4.5	5.3	4.8	4.8	4.1	4.0	3.4	3.9	4.2	3.3	4.1	4.3
Greece	..	..	..	..	..	..	9.8	8.5	6.3	6.1	5.3	5.0	4.3	4.3	3.6	4.1	4.4	3.6	4.3	4.5
Iceland	..	13.1	13.4	7.0	9.7	9.2	8.7	7.7	8.5	11.2	10.4	8.0	6.7	7.5	9.0	10.3	9.2	9.5	10.1	8.7
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	3.3	4.0	4.3	3.3	4.2	4.4
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	4.2	4.6	3.6	4.4	4.7
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	4.7	5.7	6.5	5.4	6.0	6.9
Luxembourg	..	..	..	7.2	7.2	6.3	5.6	4.7	4.7	5.5	4.9	4.7	3.3	2.8	2.4	3.4	3.8	2.6	3.7	3.9
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	9.3	7.6	6.9	8.4	7.6	6.7
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	3.9	4.3	3.4	4.2	4.4
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	5.8	5.8	5.9	5.8	5.8
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	3.7	4.2	4.8	3.8	4.5	4.8
Portugal	..	..	..	10.5	11.5	8.6	6.4	4.9	4.8	5.6	5.2	5.0	4.2	4.1	3.4	4.1	4.4	3.5	4.3	4.5
Slovak Republic	..	..	..	..	..	9.7	9.4	21.7	15.9	8.6	8.1	6.9	5.0	5.0	3.5	4.2	4.4	3.5	4.4	4.4
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	3.9	4.2	3.4	4.1	4.3
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	3.5	4.2	3.3	3.6	4.6
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	2.7	3.0	2.1	2.9	3.0
Turkey	..	..	..	..	..	..	..	..	..	37.7	99.6	63.5	44.1	24.9	16.2	14.0	12.9	14.3	13.7	12.7
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	4.4	4.5	4.8	4.3	4.7	4.9
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	5.0	5.2	4.5	5.2	5.2
Euro area	10.2	9.7	7.8	8.0	8.4	7.1	6.0	4.8	4.7	5.4	5.0	4.9	4.1	4.1	3.4	4.0	4.3	3.4	4.2	4.4

Note: 10-year benchmark government bond yields where available or yield on proximately similar financial instruments (for Korea a 5-year bond is used). See also *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/045283131433*

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	*Dollar*	1.3	1.3	1.3	1.6	1.5	1.5	1.7	1.9	1.8	1.5	1.4	1.3	1.3	1.3
Austria	*Schilling*	10.1	10.6	12.2	12.4	12.9									
Belgium	*Franc*	29.5	31.0	35.8	36.3	37.9									
Canada	*Dollar*	1.4	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.6	1.4	1.3	1.2	1.1	1.1
Czech Republic	*Koruny*	26.5	27.1	31.7	32.3	34.6	34.6	38.6	38.0	32.7	28.1	25.7	24.0	22.8	22.3
Denmark	*Krone*	5.6	5.8	6.6	6.7	7.0	7.0	8.1	8.3	7.9	6.6	6.0	6.0	6.0	5.9
Finland	*Markka*	4.4	4.6	5.2	5.3	5.6									
France	*Franc*	5.0	5.1	5.8	5.9	6.2									
Germany	*Deutschemark*	1.4	1.5	1.7	1.8	1.8									
Greece	*Drachma*	231.6	240.7	272.9	295.3	305.7									
Hungary	*Forint*	125.7	152.6	186.6	214.3	237.1	237.1	282.3	286.5	257.9	224.3	202.6	199.5	207.8	205.3
Iceland	*Krona*	64.8	66.7	71.0	71.2	72.4	72.4	78.8	97.7	91.6	76.7	70.2	62.9	70.7	72.2
Ireland	*Pound*	0.6	0.6	0.7	0.7	0.7									
Italy	*Lira*	1629.0	1543.0	1702.8	1736.4	1817.3									
Japan	*Yen*	94.1	108.8	121.0	130.9	113.9	113.9	107.8	121.5	125.3	115.9	108.1	110.1	114.6	113.5
Korea	*Won*	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	1 024.2	947.1	940.0
Luxembourg	*Franc*	29.5	31.0	35.8	36.3	37.9									
Mexico	*Peso*	6.4	7.6	7.9	9.2	9.6	9.6	9.5	9.3	9.7	10.8	11.3	10.9	10.9	11.0
Netherlands	*Guilder*	1.6	1.7	2.0	2.0	2.1									
New Zealand	*Dollar*	1.5	1.5	1.5	1.9	1.9	1.9	2.2	2.4	2.2	1.7	1.5	1.4	1.5	1.6
Norway	*Krone*	6.3	6.5	7.1	7.5	7.8	7.8	8.8	9.0	8.0	7.1	6.7	6.4	6.3	6.1
Poland	*Zloty*	2.4	2.7	3.3	3.5	4.0	4.0	4.3	4.1	4.1	3.9	3.7	3.2	3.1	3.0
Portugal	*Escudo*	149.9	154.2	175.2	180.1	188.2									
Slovak Republic	*Koruna*	29.7	30.7	33.6	35.2	41.4	41.4	46.2	48.3	45.3	36.8	32.2	31.0	29.9	29.4
Spain	*Peseta*	124.7	126.7	146.4	149.4	156.2									
Sweden	*Krona*	7.1	6.7	7.6	7.9	8.3	8.3	9.2	10.3	9.7	8.1	7.3	7.5	7.5	7.3
Switzerland	*Franc*	1.2	1.2	1.5	1.4	1.5	1.5	1.7	1.7	1.6	1.3	1.2	1.2	1.2	1.2
Turkey	*Lira*	0.0	0.1	0.2	0.3	0.4	0.4	0.6	1.2	1.5	1.5	1.4	1.3	1.3	1.4
United Kingdom	*Pound*	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.5	0.6	0.5	0.5
United States	*Dollar*	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Euro area	*Euro*	..	..	..	..	..	0.9	1.1	1.1	1.1	0.9	0.8	0.8	0.8	0.8
	SDR	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7

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 4 May 2006, except for Turkey, where exchange rates vary according to official exchange rate policy.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/534227688865*

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	120.1	119.2	120.0
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	104.8	105.1
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	109.7	109.6	110.0
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	119.8	129.1	130.5
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	124.4	130.0	130.5
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	108.4	108.6
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	111.7	111.2	111.6
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	108.2	108.4
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	110.4	110.2	110.7
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	108.2	108.5
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	111.2	105.8	105.5
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	103.6	91.9	88.3
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	114.9	114.8	115.3
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	109.2	109.6
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	92.4	86.8	87.1
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	105.7	114.2	114.1
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	105.6	105.8
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	83.9	83.0
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	112.8	112.5	113.0
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	135.8	124.4	122.4
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	110.3	112.4	113.6
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	103.8	108.6	109.1
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	105.0	105.0	105.1
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	110.2	112.9	113.1
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	106.9	107.2
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	98.7	98.0	98.3
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	109.7	110.1
Turkey	6053.0	4239.0	1719.1	990.8	581.1	345.5	207.8	137.2	100.0	56.3	41.8	36.8	35.8	37.8	37.8	36.5
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	99.3	98.8	99.4
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	92.7	90.6	89.7
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	122.0	121.7	122.7

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 4 May 2006, except for Turkey, where exchange rates vary to keep the real exchange rate constant.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/228657885262*

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	3.6	2.9	8.4	13.2	5.5	8.2	9.2	5.1	10.6	11.5	0.0	5.2	10.9	2.3	0.1	-2.3	4.1	2.0	1.7	9.2
Austria	10.2	9.6	7.7	3.8	1.4	-1.5	5.3	6.0	4.6	11.8	8.3	6.2	10.6	7.1	3.3	2.8	8.6	4.1	6.3	6.7
Belgium	9.6	8.2	4.6	3.1	3.7	-0.4	8.3	5.0	2.5	6.2	5.5	5.3	8.6	1.0	1.0	2.8	5.6	2.6	5.4	5.8
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	2.3	2.9	4.3
Czech Republic	..	..	..	..	..	..	0.2	16.7	5.7	8.2	10.4	5.0	17.8	11.2	2.0	7.5	20.9	11.2	11.1	9.8
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	4.1	-1.2	2.7	7.9	6.2	4.9
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	7.1	7.5	5.9
France[1]	8.4	10.5	4.7	5.6	5.3	-0.3	7.8	7.8	2.8	12.5	7.7	3.9	13.0	2.6	1.5	-1.8	2.2	3.2	6.7	7.2
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	8.5	7.3
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	3.1	7.9	8.2
Hungary	..	..	..	..	..	..	13.7	36.4	12.1	22.3	17.6	12.2	22.0	8.0	3.9	7.8	16.4	10.6	12.3	12.1
Iceland	-3.6	2.9	0.0	-5.9	-2.0	6.5	9.3	-2.3	9.9	5.6	4.6	3.9	4.3	7.4	3.8	1.6	8.4	3.5	8.9	10.0
Ireland	9.0	10.3	8.7	5.7	13.9	9.7	15.1	20.0	12.5	17.6	23.1	15.5	20.2	9.4	4.1	0.7	7.0	1.8	6.4	6.3
Italy	5.6	9.2	6.3	-2.1	6.0	8.9	10.2	12.7	-0.3	3.9	0.7	-1.8	9.6	0.3	-4.0	-2.2	2.5	0.7	4.9	5.3
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	12.2	-6.7	7.6	9.0	13.9	6.9	12.3	9.0
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	19.6	8.5	9.0	11.1
Luxembourg	11.1	12.6	5.6	9.2	2.7	4.8	7.7	4.6	2.2	11.4	11.2	14.2	12.6	4.5	2.8	3.7	10.1	8.9	9.3	8.1
Mexico	5.8	5.7	5.3	5.1	5.0	8.1	17.8	30.2	18.2	10.7	12.2	12.3	16.3	-3.6	1.4	2.7	11.6	6.9	8.8	7.4
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	5.9	7.3	7.5
New Zealand	4.1	-1.0	4.8	10.6	3.8	4.8	9.9	3.8	3.8	3.9	1.5	7.9	7.0	3.4	6.3	2.8	5.6	-0.3	7.3	9.2
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	0.2	0.6	0.5	1.6	2.0
Poland	..	..	..	..	..	..	13.1	22.9	12.0	12.2	14.4	-2.5	23.2	3.1	4.8	14.2	14.0	8.1	9.0	9.2
Portugal	8.2	12.2	9.5	1.2	3.2	-3.3	8.4	8.8	5.7	6.1	8.5	3.0	8.4	1.8	1.5	3.7	4.5	0.9	4.0	5.6
Slovak Republic	..	..	..	..	..	..	14.8	4.5	-1.1	17.6	12.8	5.0	13.7	6.3	5.6	22.5	11.4	10.9	16.6	13.1
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	1.0	3.6	4.8
Sweden	2.8	3.2	1.8	-1.9	2.2	8.3	13.8	11.4	4.5	13.1	8.5	7.7	11.3	0.8	0.9	4.4	10.7	6.6	8.9	7.7
Switzerland	6.2	6.1	2.8	-1.3	3.1	1.3	1.9	0.5	3.6	11.1	3.9	6.5	12.2	0.2	-0.7	-0.5	8.9	4.5	7.3	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	8.5	10.4	10.8
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	4.6	5.6	7.3	7.8
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	6.9	7.7	8.3
Total OECD	7.8	7.8	7.0	5.0	4.4	2.9	8.9	9.1	6.6	10.8	5.1	5.3	11.6	0.0	1.8	2.7	8.1	5.5	7.6	7.6

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 79 database.

StatLink: *http://dx.doi.org/10.1787/038256804008*

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	14.2	8.1	8.2	10.3	6.5	8.9	7.5	-4.3	11.1	10.4	15.0	8.5	6.3	9.5
Austria	10.4	9.2	7.1	5.4	2.7	-5.4	9.8	5.9	4.8	8.0	5.7	5.8	9.1	4.9	1.3	4.5	6.4	2.8	5.3	6.9
Belgium	10.4	9.7	4.9	2.9	4.1	-0.4	7.3	4.7	2.6	4.9	7.0	4.5	8.6	0.2	0.2	2.9	6.3	3.8	5.0	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	7.0	5.3	5.0
Czech Republic	..	..	..	..	..	..	7.8	21.2	12.2	6.8	8.4	4.6	17.3	12.8	4.8	7.9	18.1	4.9	7.9	8.5
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	7.5	-1.7	6.4	10.8	8.1	6.1
Finland	9.4	9.6	0.0	-13.1	0.4	2.0	12.4	6.6	6.4	10.7	8.6	3.4	16.0	0.8	2.1	2.6	6.1	10.2	6.5	5.2
France[1]	8.0	8.2	4.5	2.4	1.0	-3.7	8.7	6.4	2.4	7.6	10.6	5.9	14.9	2.4	1.5	1.3	6.1	6.5	7.9	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	5.5	8.7	6.5
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	-1.2	5.9	6.3
Hungary	..	..	..	..	..	..	8.8	15.1	9.4	23.1	23.8	13.3	20.2	5.2	6.6	11.1	13.2	5.8	11.9	11.7
Iceland	-4.6	-10.3	1.0	5.3	-6.0	-7.5	3.8	3.6	16.5	8.0	23.5	4.4	8.6	-9.1	-2.6	10.8	14.4	28.4	13.1	-2.3
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	4.6	7.2	7.3
Italy	6.3	9.4	9.0	2.2	5.9	-11.5	8.5	9.6	-1.9	9.2	8.1	2.9	6.4	-0.3	-0.5	1.0	1.9	1.8	5.2	5.5
Japan	18.5	16.9	7.8	-1.1	-0.7	-1.4	7.9	13.3	13.1	0.7	-6.7	3.7	8.5	0.9	0.9	3.9	8.5	6.2	4.9	4.2
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	13.9	6.9	8.3	10.1
Luxembourg	10.5	9.1	5.0	9.1	-3.1	5.2	6.7	4.2	4.6	12.6	11.8	14.8	10.5	6.0	1.8	4.9	9.8	9.4	9.4	7.7
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	11.6	8.7	9.9	8.0
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	5.1	6.6	6.7
New Zealand	-0.8	14.4	3.6	-5.2	8.3	5.4	13.1	8.7	7.6	2.1	1.3	12.1	-0.4	2.0	9.6	8.5	16.6	6.4	0.1	4.9
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	1.1	8.9	6.7	6.6	3.1
Poland	..	..	..	..	..	..	11.3	24.2	28.0	21.4	18.6	1.0	15.5	-5.3	2.7	9.3	15.2	4.9	8.7	9.1
Portugal	18.0	5.9	14.5	7.2	10.7	-3.3	8.8	7.4	5.2	9.8	14.2	8.6	5.3	0.9	-0.7	-0.4	6.8	1.8	2.7	5.0
Slovak Republic	..	..	..	..	..	..	-4.7	11.6	19.7	14.2	16.5	-6.7	10.5	11.0	5.5	13.6	12.7	11.2	17.7	12.1
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	7.1	7.4	7.3
Sweden	4.5	7.7	0.7	-4.9	1.5	-2.2	12.4	7.4	3.8	11.9	11.3	4.9	11.6	-2.8	-1.9	5.1	6.9	6.8	8.6	6.8
Switzerland	5.0	5.8	3.2	-1.9	-3.8	-0.1	7.7	4.3	3.2	8.3	7.5	4.3	9.6	3.2	-2.6	1.3	7.4	5.3	7.7	7.6
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	11.5	14.2	11.2
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	6.7	5.3	6.7	6.9
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	6.3	7.3	6.7
Total OECD	8.8	8.8	5.7	2.5	4.1	1.1	9.6	8.2	7.4	9.9	7.4	8.3	11.7	-0.2	2.4	4.1	8.8	6.0	7.2	6.8

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 79 database.

StatLink: *http://dx.doi.org/10.1787/888367817784*

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	7.9	5.9	1.1	-5.2	2.0	0.9	-4.0	5.9	-2.5	-0.2	2.2	-5.5	13.3	6.8	-2.0	-5.3	4.2	12.3	11.2	0.1
Austria	2.5	2.5	0.9	0.6	0.0	0.3	1.1	1.9	1.1	1.2	0.4	0.6	1.4	0.7	0.5	-0.3	1.0	1.6	1.5	1.2
Belgium	3.8	7.3	-1.7	-0.6	-1.1	-1.3	1.3	1.6	1.5	4.7	-1.0	-0.4	9.6	2.1	-0.5	-2.1	2.3	5.6	3.2	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	2.8	1.4	0.3
Czech Republic	..	..	..	..	..	..	5.2	6.4	4.7	5.6	3.9	1.1	3.3	-0.4	-5.5	-0.4	2.1	-2.6	-0.6	1.9
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	-1.3	-1.0	1.8	5.4	2.6	1.5
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	-0.8	-0.2	-0.5
France[1]	3.4	3.6	-2.0	-0.8	-1.9	-1.6	0.0	0.3	1.4	1.9	-1.0	-1.3	2.5	-0.3	-1.7	-1.2	1.9	1.0	1.4	0.7
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	0.7	1.3	0.7
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	3.2	2.9	1.6
Hungary	..	..	..	..	..	..	18.5	11.2	19.0	15.2	12.8	4.5	9.8	2.9	-4.3	0.0	-1.4	-0.6	2.8	2.2
Iceland	18.2	26.3	17.0	6.9	-1.3	4.8	6.2	4.8	-0.2	2.1	2.4	0.0	3.8	21.5	-1.7	-7.1	1.3	-4.3	6.7	5.7
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	1.1	2.9	1.6
Italy	3.3	6.6	3.1	3.9	0.7	10.4	3.4	8.2	1.7	2.9	2.8	2.1	7.2	4.5	2.6	0.9	4.2	5.7	3.0	1.8
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	2.0	-1.3	-3.3	-1.2	1.4	3.0	0.6
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	-7.9	0.7	-2.6
Luxembourg	2.0	4.3	0.1	1.2	1.8	5.7	3.1	1.5	6.9	1.6	0.6	5.3	9.8	-4.0	-0.6	-1.5	5.6	5.9	6.2	2.4
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	3.4	-2.3	3.5	11.0	6.6	2.8	2.3	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	2.9	3.5	1.1
New Zealand	4.8	9.1	-0.4	-2.8	5.6	2.0	-2.6	-0.5	-2.5	-2.4	4.9	-0.1	14.3	7.2	-7.5	-8.0	0.3	1.1	4.9	2.6
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	1.8	14.3	17.1	14.7	2.4
Poland	..	..	..	..	..	..	31.7	19.6	7.6	14.0	13.1	5.8	1.8	1.3	4.7	6.2	8.3	-3.2	-0.5	2.0
Portugal	11.7	11.8	6.3	3.4	0.5	4.9	6.4	5.6	-0.9	3.4	1.6	0.3	5.3	0.8	-0.1	-1.8	1.2	2.2	3.2	1.7
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	0.1	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	4.9	4.3	2.0
Sweden	5.1	6.5	1.8	1.6	-2.8	8.9	3.7	6.7	-5.2	0.5	-1.6	-1.8	2.7	2.1	-1.4	-1.7	-0.2	3.0	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	1.6	1.7	1.0
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	-1.0	0.7	2.7
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	-0.4	1.8	2.8	1.1
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	3.1	1.7
Total OECD	4.6	4.8	1.8	1.1	0.6	1.7	2.3	4.9	1.6	1.6	0.9	-1.1	3.8	1.4	-0.7	-0.1	2.0	2.4	2.7	1.1

Note: Regional aggregates are calculated inclusive of intra-regional trade. They are calculated as the geometric averages of prices weighted by trade volumes expressed in 2000 US$.

1. Certain components are estimated on a hedonic basis.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/440355636100*

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	6.9	-4.6	7.5	5.7	-4.1	-8.5	-5.0	0.5	3.4	0.4
Austria	2.0	3.1	0.5	1.1	0.6	0.7	1.2	1.0	2.3	1.8	0.3	0.6	2.8	0.6	-1.2	-0.7	1.2	2.8	2.5	1.6
Belgium	2.2	6.4	-1.4	-0.7	-2.8	-2.8	1.8	1.7	2.4	5.6	-1.9	0.4	11.9	2.1	-1.2	-2.1	2.8	6.4	4.1	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	-1.1	-3.6	0.0
Czech Republic	..	..	..	..	..	..	2.6	5.8	1.8	5.2	-1.9	1.6	6.2	-2.7	-8.4	-0.6	1.8	-0.4	1.2	1.8
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	-2.5	-1.8	1.2	3.9	3.4	0.9
Finland	2.4	4.4	0.6	2.9	8.1	7.6	0.0	0.5	0.1	1.3	-3.2	-1.9	8.2	-3.1	-2.9	0.8	3.5	2.2	2.3	1.8
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	3.0	1.5	-0.1
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	2.2	2.8	0.8
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	3.2	1.2	0.4
Hungary	..	..	..	..	..	..	15.6	14.6	20.7	13.4	11.7	5.5	12.4	2.4	-5.4	0.2	-0.9	1.1	4.3	2.2
Iceland	19.2	31.5	19.3	3.3	-0.7	8.7	5.9	3.7	3.1	0.1	-0.7	0.6	6.3	21.1	-2.3	-3.1	2.6	-5.3	2.4	3.9
Ireland	6.4	6.2	-3.7	2.4	-1.2	4.5	2.4	3.8	-0.5	0.8	2.8	2.6	7.3	3.7	-0.9	-4.1	-0.5	0.7	2.7	1.3
Italy	4.6	6.9	-0.5	0.0	1.7	15.4	4.8	11.4	-1.8	2.3	-0.8	2.5	15.4	3.4	0.4	-0.9	4.2	7.7	4.3	2.4
Japan	-3.9	5.6	7.3	-5.1	-5.1	-8.3	-4.5	-1.7	8.6	6.3	-2.8	-8.5	2.1	2.1	-0.8	-0.9	2.6	7.9	9.0	1.0
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	5.5	-2.5	5.0	-0.6
Luxembourg	0.8	3.8	1.6	2.5	2.7	3.2	2.1	1.3	6.6	5.2	1.7	3.0	12.3	-3.2	-2.2	-4.3	7.5	6.0	5.2	2.6
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	7.6	-0.4	0.4	2.5
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	2.8	2.0	2.0
New Zealand	-3.9	7.6	1.4	2.3	6.3	-1.6	-3.8	-1.8	-3.7	-0.4	5.7	0.7	15.4	2.2	-5.9	-11.6	-4.7	0.2	12.1	4.6
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	1.0	5.6	1.4	2.1	0.2
Poland	..	..	..	..	..	..	27.0	18.0	10.4	15.7	10.9	7.1	7.8	1.3	5.4	6.7	4.8	-4.4	0.4	3.0
Portugal	11.7	10.6	4.1	1.0	-4.2	4.4	4.3	3.9	1.5	2.6	-1.4	-0.7	8.5	0.3	-1.7	-2.1	2.0	3.7	3.8	1.5
Slovak Republic	..	..	..	..	..	..	12.3	7.3	7.2	0.3	-0.2	8.1	11.6	8.4	-0.2	-3.3	-1.7	2.0	0.5	-0.1
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	4.1	4.1	1.6
Sweden	4.1	5.7	3.3	0.3	-2.4	13.5	3.3	4.8	-4.5	0.7	-1.2	1.0	4.4	4.3	0.1	-2.2	0.2	5.3	3.8	2.1
Switzerland	4.3	8.6	-1.1	0.9	2.3	-1.8	-4.5	-2.4	-0.1	3.5	-1.8	-0.2	5.7	0.6	-4.4	-1.5	0.8	3.6	2.8	0.9
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	-0.6	-1.2	2.5
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	-0.4	3.5	3.4	2.7
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	6.1	4.6	2.1
Total OECD	4.2	4.9	2.5	0.8	0.3	1.5	2.5	5.5	1.8	1.5	-0.6	-0.6	6.2	0.9	-1.5	0.0	2.4	3.8	3.4	1.5

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 79 database.

StatLink: *http://dx.doi.org/10.1787/838380284442*

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	119.5	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	127.7
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	107.1	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	129.0	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	119.3
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	106.8	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	107.2	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	91.4	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	132.1
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	115.5
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	122.0
Italy	117.6	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	108.7	110.2	109.0
Japan	92.4	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	81.1
Korea	105.3	120.5	117.7	117.2	110.2	107.1	108.3	109.5	113.5	107.0	81.6	92.9	100.0	94.6	99.6	101.1	102.7	115.4
Luxembourg	103.3	101.6	104.7	103.7	104.7	104.6	105.9	108.4	105.8	102.6	102.9	102.2	100.0	100.6	101.9	105.5	106.9	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	95.0
Netherlands	112.2	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	113.8
New Zealand	131.0	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	138.7
Norway	114.7	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	108.8
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	105.5
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	108.4
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	129.5
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	111.9
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	95.0
Switzerland	104.6	97.4	104.1	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	102.9
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	114.3
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	89.2	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	94.0
Euro area	122.4	117.2	128.0	124.0	128.9	121.2	120.7	125.1	123.8	112.8	115.5	111.5	100.0	101.7	105.5	117.7	121.4	119.2

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 79 database.

StatLink: *http://dx.doi.org/10.1787/844411210582*

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	182.0	185.5	169.4	151.4	132.4	116.8	118.5	114.7	119.1	120.1	106.7	105.1	100.0	93.0	99.3	112.6	126.5	134.8
Austria	154.7	146.6	145.4	143.2	145.8	147.7	136.3	135.1	138.6	125.7	111.6	108.6	100.0	96.9	96.8	99.8	92.9	93.3
Belgium	103.3	101.4	107.4	107.9	108.2	107.3	108.0	111.2	107.0	100.0	102.3	105.3	100.0	102.8	103.2	107.6	108.9	109.4
Canada	115.8	121.1	124.7	129.6	119.9	108.4	101.0	101.8	108.5	107.4	103.1	102.0	100.0	100.5	100.7	111.4	117.3	121.8
Czech Republic	..	..	..	..	..	81.9	88.1	82.9	88.6	88.3	96.7	99.2	100.0	103.9	118.1	116.1	117.6	123.9
Denmark	94.4	88.8	96.4	93.2	95.1	99.9	95.3	99.5	103.7	98.8	103.2	103.5	100.0	101.7	104.6	109.7	116.7	116.3
Finland	153.4	160.9	168.5	162.8	127.8	97.5	103.3	119.0	112.4	106.7	109.1	110.2	100.0	104.5	103.9	109.4	113.3	113.9
France	129.8	125.3	131.9	127.0	124.9	126.8	124.8	123.1	122.5	113.9	108.9	105.8	100.0	98.2	98.9	107.4	110.0	109.9
Germany	95.1	92.3	94.4	93.0	100.0	102.7	104.1	113.6	110.0	103.6	106.4	105.1	100.0	98.8	100.2	103.7	102.7	97.5
Greece	94.8	100.8	106.0	98.3	94.9	88.9	92.9	100.9	104.0	107.6	102.3	104.2	100.0	100.5	103.4	108.6	116.5	118.9
Hungary	..	..	..	..	..	135.6	131.2	108.3	98.6	103.1	99.4	105.0	100.0	109.5	124.6	125.0	131.5	128.9
Iceland	85.7	76.0	73.2	80.0	80.5	73.6	72.3	72.6	72.2	76.3	82.6	91.8	100.0	87.2	92.8	97.4	100.3	112.3
Ireland	220.2	208.0	219.3	208.4	201.9	186.1	176.7	158.1	154.5	131.8	127.4	116.6	100.0	99.3	94.2	102.4	109.8	108.7
Italy	103.8	104.3	111.0	115.4	113.7	104.3	99.4	86.3	96.7	98.6	103.3	105.4	100.0	101.3	108.0	116.9	120.8	123.5
Japan	74.0	67.6	63.0	69.3	76.5	90.7	99.8	101.0	85.6	80.5	86.0	97.0	100.0	92.0	84.5	83.1	82.4	77.4
Korea	104.6	122.6	119.8	122.9	114.9	113.3	118.8	131.0	140.8	126.3	87.9	93.7	100.0	92.8	97.9	95.6	95.5	105.3
Luxembourg	119.3	113.0	116.7	112.0	115.2	114.0	112.4	113.7	109.0	105.7	105.4	101.4	100.0	102.8	102.2	99.9	98.3	97.4
Mexico	84.6	95.1	96.9	109.7	123.5	134.3	130.9	80.3	82.2	90.2	88.8	92.2	100.0	106.5	109.9	98.3	97.1	100.7
Netherlands	109.4	102.3	103.6	102.8	106.1	105.5	102.0	105.6	102.5	99.7	103.5	104.1	100.0	103.2	108.0	117.5	120.0	119.1
New Zealand	101.7	94.8	94.9	94.3	84.8	88.4	96.6	103.4	114.8	120.6	111.3	111.6	100.0	96.7	105.4	119.7	127.7	131.0
Norway	81.4	80.2	79.0	78.2	77.3	75.7	79.7	84.3	84.1	91.1	94.6	97.6	100.0	102.6	116.4	116.7	114.6	116.9
Poland	..	..	..	..	..	84.4	89.9	97.7	100.5	101.1	106.1	99.6	100.0	104.3	93.7	76.7	69.7	78.3
Portugal	87.7	95.5	89.9	92.3	101.4	92.3	95.9	100.9	92.5	94.3	95.8	98.8	100.0	103.0	105.5	109.0	111.9	110.9
Slovak Republic	..	..	..	..	..	67.4	78.6	83.7	92.4	100.5	103.1	99.4	100.0	97.4	97.9	104.6	113.8	118.4
Spain	82.6	89.1	99.4	101.1	103.9	94.6	91.8	92.7	97.0	96.6	98.9	99.3	100.0	102.8	105.8	109.3	112.3	112.3
Sweden	144.5	151.9	156.2	160.0	157.2	112.3	105.9	105.3	118.1	111.5	106.8	101.4	100.0	96.3	93.2	96.1	91.7	90.6
Switzerland	87.0	82.2	87.8	89.0	86.8	86.3	94.9	103.6	99.8	95.5	98.1	100.1	100.0	105.7	112.6	114.2	117.6	117.4
Turkey	60.5	86.2	122.9	131.2	113.7	109.8	71.8	62.0	60.8	67.2	73.8	87.3	100.0	73.3	72.2	71.2	79.4	87.6
United Kingdom	78.4	76.0	78.3	81.1	75.4	66.8	68.3	67.7	69.5	84.2	94.6	96.8	100.0	96.8	101.4	96.9	100.8	100.0
United States	102.7	101.6	98.2	95.0	90.1	88.2	87.5	84.6	84.8	89.4	95.0	95.4	100.0	102.4	99.4	94.0	87.4	86.2
Euro area	115.4	110.0	121.7	119.1	124.8	120.7	117.5	121.5	122.1	109.8	112.2	111.5	100.0	100.8	106.0	120.5	124.8	122.2

Note: Competitiveness-weighted relative unit labour costs in the manufactoring sector in dollar terms. Competitiveness weights take into account the structure of competition in both export and import markets of the manufacturing sector of 42 countries. An increase in the index indicates a real effective appreciation and a corresponding deterioration of the competitive position. For details on the method of calculation see Durand, M., C. Madaschi and F. Terribile (1998), "Trends in OECD Countries' International Competitiveness: The Influence of Emerging Market Economies", *OECD Economics Department Working Papers,* No. 195. See also *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/246340057810*

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	-6.4	-6.8	1.6	8.4	0.2	2.9	-1.0	-6.2	0.8	4.1	2.8	-2.5	-1.4	2.6	-5.2	-8.7	-7.7	-6.0	-7.1	-0.5
Austria	3.6	2.0	2.5	1.9	2.8	-0.8	-2.4	-2.1	-0.9	2.0	0.6	0.1	-1.1	4.5	1.4	-2.6	-0.5	-2.5	-2.9	-1.8
Belgium	2.1	0.3	-0.5	-0.7	1.5	0.1	0.2	-2.8	-2.8	-3.1	-2.4	-1.5	-2.7	-0.9	-1.0	-1.2	-2.6	-4.0	-3.1	-2.1
Canada	3.6	-4.0	0.8	1.4	0.8	2.9	1.1	0.1	-2.9	-3.8	-0.6	0.2	-3.6	-1.0	-2.4	-6.6	-5.3	-4.1	-4.6	-2.7
Czech Republic	..	..	..	..	..	..	-6.5	7.6	-1.4	-1.7	1.8	0.4	5.4	8.1	-0.1	1.1	10.5	3.8	0.8	0.7
Denmark	4.5	-3.0	2.0	4.9	-1.1	0.6	-0.6	-4.4	-2.0	-4.9	-3.9	5.1	1.4	2.4	2.7	-5.3	-5.4	1.2	-2.0	-2.4
Finland	-4.0	-3.9	-0.6	-7.1	14.5	14.1	4.8	0.1	-1.3	3.5	3.4	1.0	6.5	-2.9	1.5	-4.3	-4.6	-0.8	-2.5	-3.4
France	0.7	2.5	-0.4	1.6	2.3	-0.4	0.1	-0.2	-3.1	2.6	0.6	-2.8	2.2	1.0	-0.8	-6.1	-6.3	-3.4	-2.1	-1.5
Germany	-2.1	2.5	8.9	12.2	-3.4	-5.9	-0.3	-1.9	-0.4	1.7	0.4	-0.4	2.0	5.0	1.2	-2.4	-1.3	-0.3	-0.3	-1.3
Greece	-8.1	-4.5	-6.4	3.5	12.1	-4.5	-0.2	-4.3	-2.8	8.9	-1.7	11.1	2.3	-2.4	-10.5	-4.0	1.6	-4.0	-1.5	-0.7
Hungary	..	..	..	..	..	..	5.2	26.5	6.4	12.1	9.7	6.2	9.3	5.1	2.2	2.4	7.1	3.8	3.0	3.6
Iceland	-11.6	-5.1	-4.5	-7.5	-4.3	6.2	0.7	-9.7	2.5	-2.9	-1.9	-2.6	-5.5	6.0	1.5	-1.8	0.2	-2.6	1.3	2.9
Ireland	0.6	2.2	3.8	3.3	9.8	8.7	6.2	11.0	5.5	7.5	15.3	7.6	8.2	8.2	1.5	-3.0	-1.4	-4.2	-1.5	-1.2
Italy	-1.8	1.5	1.8	-5.1	6.0	7.4	2.2	4.2	-6.6	-5.5	-5.8	-7.8	-2.3	-1.5	-6.5	-7.1	-6.8	-6.3	-4.3	-3.4
Japan	-4.1	1.5	-0.1	-2.8	-3.6	-7.5	-7.6	-6.4	-2.4	0.7	-2.4	-6.7	-2.2	-5.1	2.1	2.0	1.1	-1.2	2.1	-0.7
Korea	0.9	-11.6	-1.1	5.6	6.0	5.0	5.5	11.9	2.1	11.1	12.5	6.9	4.8	-2.6	7.4	7.0	5.7	-0.5	-2.0	0.0
Luxembourg	3.2	4.4	0.6	5.8	0.3	5.4	-0.8	-2.7	-2.7	2.1	2.4	7.4	1.2	2.8	1.6	0.3	2.3	2.7	1.4	0.7
Mexico	1.0	1.1	1.4	4.6	-1.9	-0.2	5.5	20.1	9.1	-2.4	1.2	1.8	3.2	-1.3	-1.3	-1.7	0.9	0.3	1.3	0.6
Netherlands	0.2	-0.6	-0.1	1.5	-0.5	5.8	1.4	1.2	-0.6	-0.1	-0.2	-1.3	0.2	0.2	-0.6	-2.0	0.5	-0.3	-0.9	-0.1
New Zealand	-7.0	-11.3	1.1	7.8	-1.6	0.1	-1.2	-6.0	-4.9	-4.5	-0.1	-0.1	-4.1	4.7	0.6	-3.8	-6.0	-7.8	-1.2	0.1
Norway	-2.0	3.2	5.0	5.0	1.7	2.0	-0.5	-2.6	3.7	-2.1	-7.1	-3.8	-6.6	3.9	-3.0	-3.0	-6.9	-5.6	-5.7	-4.9
Poland	..	..	..	..	..	..	5.1	13.7	6.1	3.0	7.8	-6.6	9.8	-1.0	2.0	7.8	3.6	0.4	-1.2	-0.1
Portugal	-0.2	3.2	3.7	-3.6	-0.5	-1.9	0.0	1.0	-0.1	-3.5	-0.9	-4.4	-2.1	-0.4	-0.5	-0.3	-3.3	-5.3	-3.9	-2.0
Slovak Republic	..	..	..	..	..	..	6.2	-5.2	-7.3	7.6	4.8	0.2	0.6	1.4	2.8	15.2	0.3	4.3	6.8	3.9
Spain	-3.7	-5.4	-1.1	4.3	3.8	8.8	8.2	1.6	5.1	4.7	-0.4	1.6	-0.3	2.6	0.6	0.3	-4.3	-4.9	-4.3	-2.8
Sweden	-3.9	-3.6	-2.1	-3.9	0.4	6.6	4.9	3.1	-2.2	2.8	1.5	2.2	0.1	-0.5	-2.1	0.1	1.2	-0.8	0.0	-0.3
Switzerland	-1.5	-1.9	-3.1	-5.7	0.2	1.2	-6.1	-7.4	-2.3	1.5	-2.0	-0.2	0.6	-0.6	-2.8	-5.0	-0.1	-2.1	-1.4	-1.1
Turkey	11.2	-6.7	0.6	2.2	17.0	7.1	8.0	0.9	15.0	9.5	6.8	-12.0	7.0	3.7	7.1	9.6	1.8	0.0	-0.9	-0.1
United Kingdom	-5.8	-3.0	0.5	-3.8	1.7	3.0	0.3	0.6	2.3	-1.5	-4.0	-2.7	-2.6	1.9	-2.1	-3.1	-4.5	-1.4	-1.5	-0.7
United States	3.2	2.6	2.8	0.7	0.7	-1.3	-1.6	2.4	-0.2	0.7	-0.8	-1.9	-3.1	-4.9	-4.3	-2.5	-2.0	-0.9	-1.0	-0.1
Total OECD	-0.6	0.1	1.8	1.3	0.7	0.0	-0.4	0.5	-0.6	0.5	-0.4	-1.6	-0.5	-0.4	-1.0	-2.1	-1.8	-1.7	-1.3	-0.9
Memorandum items																				
China	..	..	..	9.4	11.7	10.2	14.2	-3.9	8.4	13.9	8.5	5.7	12.7	7.0	21.5	20.4	11.1	15.0	11.5	11.2
Dynamic Asia [1]	..	..	..	6.2	6.3	4.5	1.8	1.2	-4.4	-2.0	-2.0	-1.9	-1.4	-5.0	0.9	-0.1	0.1	-1.4	-0.6	-1.3
Other Asia	..	..	..	9.4	4.7	5.0	0.7	2.0	0.6	4.1	6.4	2.6	3.6	8.5	2.9	0.0	1.3	6.4	3.6	2.8
Latin America	..	..	..	-4.4	1.5	5.3	-5.3	-3.6	-1.0	-1.5	1.1	-2.8	-4.7	5.4	1.3	2.6	-0.7	1.0	-0.9	-1.7
Africa and Middle-East	..	..	..	-4.8	4.1	3.5	-3.6	-7.7	-3.0	-2.0	1.1	-0.4	-4.3	0.9	-2.5	2.5	-2.3	-1.7	-2.7	-1.3
Central and Eastern Europe [2]	..	..	..	-10.9	-8.3	15.5	-7.8	-6.5	-2.2	-3.7	-2.7	3.7	-0.7	1.2	3.2	1.5	0.5	-1.9	-3.8	-2.1

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 79 database.

StatLink: *http://dx.doi.org/10.1787/172253064235*

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	3.6	3.4	3.4	3.4	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	4.0	3.9
Germany	10.8	10.6	9.4	9.3	9.6	9.1	8.6	9.2	8.8	8.0	8.7	9.1	9.4	9.3	8.8	8.6	8.4
Italy	4.9	4.9	4.6	4.5	4.6	4.7	4.4	4.5	4.1	3.8	4.0	3.9	4.0	3.9	3.7	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	5.2	5.0	5.0
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	4.6	4.4	4.4
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	10.3	10.1	9.9
Other OECD countries	24.3	24.4	24.4	24.7	25.7	25.7	25.1	26.3	26.2	25.5	26.2	26.5	27.1	27.2	26.6	26.2	25.8
Total OECD	76.8	76.6	75.0	74.7	74.5	73.6	73.0	75.1	74.5	71.9	72.2	71.5	70.8	69.3	66.9	65.2	64.0
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	18.5	19.3	20.4
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	3.0	3.0
Other non-OECD countries[1]	9.1	8.3	8.5	7.9	7.8	8.3	8.2	7.2	7.6	8.9	8.9	8.9	9.6	10.2	11.6	12.5	12.7
Total of non-OECD countries	23.2	23.4	25.0	25.3	25.5	26.4	27.0	24.9	25.5	28.1	27.8	28.5	29.2	30.7	33.1	34.8	36.0
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	2.9	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	7.8	7.7	7.5
Italy	4.9	5.0	3.9	3.9	4.0	3.8	3.8	4.0	3.8	3.6	3.8	3.8	3.9	3.8	3.7	3.6	3.5
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	4.5	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	5.5	5.2	5.1	5.1
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	15.9	15.4
Other OECD countries	24.2	24.3	23.9	24.2	24.7	25.0	24.5	25.4	25.4	24.8	24.9	25.4	26.1	26.3	25.8	25.5	25.1
Total OECD	76.3	75.9	73.6	73.9	73.2	72.9	72.3	74.6	75.7	74.6	74.2	73.8	73.5	72.2	70.9	69.4	67.8
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	15.8	16.7	17.4	18.2	19.2
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	2.5	2.5
Other non-OECD countries[1]	10.2	9.2	9.4	8.2	8.2	8.3	8.4	8.0	7.3	7.2	7.9	8.3	8.5	8.8	9.3	9.9	10.5
Total of non-OECD countries	23.7	24.1	26.4	26.1	26.8	27.1	27.7	25.4	24.3	25.4	25.8	26.2	26.5	27.8	29.1	30.6	32.2

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 79 database.

StatLink: *http://dx.doi.org/10.1787/468560276218*

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	9.4	6.4	7.1	6.9
OECD Europe	4.0	3.2	-0.1	8.5	8.2	5.2	9.9	8.1	5.6	11.6	2.6	1.5	2.6	6.9	5.1	7.3	7.0
OECD Asia & Pacific[2]	3.8	3.3	1.6	8.6	11.0	10.3	7.5	-3.9	7.1	12.3	-2.9	7.1	8.1	12.8	6.8	8.3	8.3
Total OECD	3.8	4.2	2.0	9.2	8.7	7.0	10.4	6.2	6.8	11.6	-0.1	2.1	3.4	8.5	5.8	7.4	7.2
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	19.4	21.7	21.2
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	9.2	10.3	9.6
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	9.9	9.1	7.2
Other non-OECD countries[3]	-4.6	-4.2	7.0	0.0	1.4	5.6	6.1	0.0	5.1	9.7	5.8	6.0	9.1	12.2	9.8	12.7	13.4
Non-OECD[3]	4.3	5.9	11.2	8.4	9.3	7.5	9.3	-1.6	5.2	13.7	1.1	7.4	10.6	14.9	11.4	13.3	13.1
World	3.9	4.7	4.5	9.0	8.8	7.2	10.1	4.0	6.4	12.2	0.2	3.5	5.4	10.4	7.5	9.3	9.1
B. Contribution to World Trade growth by main regions									percentage points								
NAFTA[1]	0.6	1.4	1.3	2.2	1.7	1.8	2.7	1.7	2.0	2.6	-0.8	0.2	0.6	1.9	1.3	1.4	1.4
OECD Europe	1.7	1.3	0.0	3.5	3.4	2.1	3.9	3.2	2.3	4.7	1.1	0.6	1.1	2.7	2.0	2.8	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	0.7	0.9	0.9
Total OECD	2.8	3.1	1.4	6.6	6.2	5.0	7.4	4.5	5.0	8.6	-0.1	1.5	2.5	6.0	4.0	5.1	4.8
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	1.4	1.5
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	1.2	1.3	1.2
Latin America	0.2	0.4	0.5	0.3	0.3	0.2	0.5	0.3	-0.2	0.2	0.1	-0.2	0.1	0.3	0.3	0.3	0.2
Other non-OECD countries[3]	-0.6	-0.5	0.7	0.0	0.1	0.5	0.5	0.0	0.4	0.8	0.5	0.5	0.8	1.1	0.9	1.2	1.3
Non-OECD[3]	1.2	1.6	3.0	2.4	2.6	2.1	2.6	-0.5	1.4	3.6	0.3	2.0	3.0	4.4	3.5	4.2	4.3
World	3.9	4.7	4.5	9.0	8.8	7.2	10.1	4.0	6.4	12.2	0.2	3.5	5.4	10.4	7.5	9.3	9.1

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 79 database.

StatLink: *http://dx.doi.org/10.1787/515334174380*

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	-1.4	-4.3	-5.1	-0.5	1.6	-6.7	-10.6	-4.5	2.0	-4.9	-14.6	-18.9	-14.8	-12.0	-14.3
Austria	0.8	0.8	1.6	0.4	-0.8	1.5	-1.3	-0.8	-1.9	0.6	2.8	3.3	3.1	5.2	9.2	9.8	14.3	15.4	16.7	17.4
Belgium	4.6	4.3	4.3	4.7	7.0	8.3	10.3	12.7	10.8	11.1	10.8	10.8	7.0	8.5	11.9	14.0	13.2	8.6	7.8	7.4
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	45.0	62.2	64.0
Czech Republic	..	..	..	..	..	0.0	-1.0	-2.4	-3.6	-3.1	-0.7	-0.7	-1.7	-1.5	-1.5	-2.0	-0.5	2.6	4.2	6.2
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	13.0	12.0	12.3	10.2	10.1
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	6.8	6.1	5.1
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	26.1	18.6	5.0	-23.2	-31.5	-27.8
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	139.1	135.9	156.6
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	-15.9	-15.4	-15.0
Hungary	..	..	..	..	..	-3.1	-2.5	-0.1	0.1	0.4	-0.8	-1.4	-1.9	-0.8	-1.6	-3.7	-3.1	-1.5	-2.5	-2.6
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	-2.1	-2.2	-1.4
Ireland	2.2	2.1	2.1	2.3	4.0	5.2	5.3	7.5	8.5	10.1	10.4	13.5	12.9	16.4	21.0	25.2	28.4	26.2	27.9	29.6
Italy	0.8	-0.1	2.2	1.3	-1.3	31.3	35.7	42.7	59.0	46.0	37.3	22.4	10.5	15.3	11.6	8.5	12.1	-0.8	-9.0	-14.0
Japan	64.4	45.5	28.5	56.2	82.2	97.0	96.5	74.8	23.4	47.4	72.3	69.4	68.0	26.2	51.2	69.2	89.0	63.0	77.3	114.6
Korea	13.4	4.7	-2.8	-8.2	-3.9	1.4	-3.1	-5.7	-19.2	-4.5	44.2	29.8	16.1	11.1	7.5	14.6	28.9	19.8	10.1	6.1
Luxembourg	1.0	1.4	1.7	1.7	2.5	2.8	3.6	4.4	4.2	3.2	3.2	4.1	4.3	3.6	4.5	6.2	7.3	8.1	10.0	11.3
Mexico	2.5	-0.1	-2.8	-9.1	-18.3	-15.8	-20.3	7.6	6.9	-0.4	-8.9	-7.8	-11.6	-13.8	-11.8	-10.5	-13.9	-12.3	-11.6	-15.9
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	44.1	51.2	66.4	72.8
New Zealand	1.5	0.2	0.1	1.3	0.7	1.2	1.1	0.7	0.3	0.3	0.2	-0.6	0.4	1.5	0.8	0.6	-0.7	-2.5	-2.5	-1.9
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	28.8	29.0	26.2	30.0	36.1	51.5	68.2	74.0
Poland	..	..	..	..	..	0.8	2.1	3.0	-2.2	-6.1	-8.3	-9.9	-11.0	-7.0	-6.8	-5.5	-4.9	-0.9	-2.0	-3.5
Portugal	-4.3	-3.4	-5.1	-6.3	-7.7	-6.4	-6.7	-7.3	-8.2	-9.0	-10.6	-12.4	-12.3	-11.6	-10.6	-10.5	-14.2	-16.2	-17.0	-18.0
Slovak Republic	..	..	..	..	..	-0.5	0.9	0.5	-2.2	-2.0	-2.4	-0.9	-0.5	-1.7	-1.7	-0.5	-1.1	-2.0	-3.1	-2.8
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	-14.0	-19.7	-39.3	-58.7	-77.0	-92.2
Sweden	2.4	0.3	0.1	3.2	3.5	6.6	9.1	16.3	17.0	17.8	15.6	15.6	14.2	14.3	16.3	20.2	28.6	27.5	30.3	32.1
Switzerland	3.4	1.8	3.2	5.5	10.9	14.3	14.9	16.2	15.5	14.6	13.2	14.9	14.1	10.9	17.8	21.2	26.3	23.9	23.6	25.4
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	-23.8	-28.8	-32.4
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	-71.6	-85.1	-93.9	-110.1
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	-726.5	-830.5	-887.3
Euro area	55.0	39.4	66.1	-28.6	-13.3	67.0	85.1	119.3	147.0	160.2	145.3	98.5	48.1	99.6	180.5	183.5	198.0	140.7	120.9	133.2
Total OECD	5.5	-33.6	-5.4	-7.8	25.7	99.7	100.9	156.7	117.9	147.0	100.8	-51.1	-214.2	-181.1	-160.4	-211.1	-296.3	-485.5	-581.8	-606.3

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/745636174866*

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	-21.0	-26.8	-29.2	-28.8
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	-1.2	-2.2	-1.7	-2.0	-2.0
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	7.0	5.6	7.0	7.4	8.3
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	-18.9	-18.1	-17.1
Czech Republic	..	..	..	..	..	-0.1	0.0	-0.1	-0.7	-0.8	-1.1	-1.3	-1.4	-2.2	-3.5	-4.3	-6.1	-6.0	-7.5	-9.2
Denmark	-3.7	-3.8	-5.1	-5.1	-4.9	-3.8	-3.8	-3.8	-3.7	-3.4	-2.8	-2.6	-4.1	-3.0	-3.1	-2.6	-2.3	-1.3	0.0	0.0
Finland	-1.7	-2.7	-3.7	-4.7	-5.4	-4.9	-4.4	-4.4	-3.6	-2.4	-3.1	-2.0	-1.7	-1.0	-0.6	-2.6	0.1	-0.4	-0.1	0.5
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	7.7	3.9	4.0
Germany	9.4	14.3	20.5	18.0	18.2	11.5	1.4	-2.8	0.7	-2.8	-10.8	-12.3	-8.9	-9.8	-17.6	-17.8	0.0	11.1	14.5	17.5
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	-4.5	-5.4	-7.0	-8.2	-9.7
Hungary	..	..	..	..	..	-1.5	-1.6	-1.7	-2.0	-2.7	-3.0	-2.9	-2.6	-2.9	-3.6	-4.2	-6.1	-6.9	-6.6	-6.8
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	-0.5	-0.5	-0.2	-0.2
Ireland	-3.9	-4.3	-5.0	-4.6	-5.6	-5.2	-5.4	-7.3	-8.2	-9.7	-10.5	-13.7	-13.5	-16.4	-22.4	-24.8	-29.3	-29.8	-30.0	-30.5
Italy	-5.5	-7.2	-14.6	-17.5	-22.0	-17.4	-16.9	-15.8	-15.4	-10.1	-11.0	-11.1	-11.9	-10.4	-14.6	-20.4	-18.5	-17.1	-17.5	-17.8
Japan	21.0	22.9	22.7	26.0	35.5	41.0	40.5	44.1	53.3	58.1	54.7	58.4	60.4	69.3	65.9	71.5	85.9	102.8	118.7	142.9
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	1.1	-1.3	-2.4	-2.2
Luxembourg	..	..	..	..	..	..	..	1.6	1.3	0.5	0.2	-0.5	-1.3	-1.6	-3.3	-4.6	-4.1	-6.2	-7.5	-8.8
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	-15.0	-13.8	-12.1	-12.1	-10.8	-13.4	-15.8	-17.6
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	-2.3	-0.2	0.0	0.9	14.9	-0.4	8.6	9.0
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	-7.7	-7.3	-7.3
Norway	-2.0	-2.6	-2.7	-2.7	-3.4	-3.3	-2.2	-1.9	-1.9	-1.7	-1.2	-1.9	-1.6	-1.2	0.5	1.9	1.1	1.1	9.7	14.3
Poland	..	..	..	..	..	..	-2.6	-2.0	-1.1	-1.1	-1.2	-1.0	-1.5	-1.4	-1.9	-3.6	-11.5	-10.5	-10.3	-10.0
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	-3.9	-4.9	-5.2
Slovak Republic	..	..	..	..	..	0.0	-0.1	0.0	0.0	-0.1	-0.2	-0.3	-0.4	-0.3	-0.5	-0.1	-0.4	-2.1	-1.6	-1.8
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	-15.1	-21.5	-27.2	-33.1
Sweden	-1.8	-2.3	-4.5	-6.4	-10.0	-8.7	-5.9	-5.5	-6.3	-4.9	-3.2	-2.0	-1.4	-1.4	-1.8	3.9	-0.5	-0.7	0.4	0.3
Switzerland	8.3	7.4	7.9	7.9	7.4	8.2	6.9	10.7	11.6	15.3	17.0	19.5	21.4	14.1	11.0	27.2	29.3	27.0	32.2	36.7
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	-5.6	-5.7	-6.0	-6.5
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	40.8	48.5	50.3	61.7	63.9
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	1.6	-31.4	-71.3
Euro area	-6.1	0.5	-6.8	-13.5	-24.4	-21.4	-31.7	-32.3	-28.4	-16.3	-36.2	-25.5	-30.5	-39.3	-67.3	-75.8	-48.9	-62.3	-63.1	-67.8
Total OECD	-3.8	-3.5	-10.7	-19.3	-18.3	-11.2	-29.9	-26.9	-16.0	2.4	-8.6	-7.1	8.3	14.5	-8.2	44.5	57.3	18.7	23.2	11.6

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 79 database.

StatLink: *http://dx.doi.org/10.1787/300120081316*

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	-0.4	-0.4	-0.3
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	-2.8	-2.6	-3.5	-3.8
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	-6.3	-6.7	-6.5	-7.1	-7.7
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	-0.2	-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	1.1	1.8
Denmark	-1.0	-1.2	-1.2	-1.6	-1.7	-1.7	-2.0	-2.4	-2.6	-1.8	-2.3	-2.9	-3.2	-2.6	-3.0	-3.7	-4.6	-3.7	-3.3	-3.3
Finland	-0.5	-0.7	-1.0	-1.0	-0.8	-0.4	-0.5	-0.4	-0.9	-0.7	-1.0	-1.0	-0.7	-0.7	-0.7	-1.1	-1.1	-1.5	-0.9	-0.9
France	-6.7	-7.7	-9.8	-9.3	-11.1	-8.2	-11.5	-5.9	-7.4	-13.1	-11.9	-12.7	-14.1	-15.1	-14.4	-19.5	-21.2	-26.4	-30.1	-30.2
Germany	-18.7	-18.5	-21.9	-35.4	-32.6	-33.3	-36.7	-38.7	-33.9	-30.5	-30.3	-26.4	-25.8	-24.0	-25.8	-31.8	-35.0	-36.0	-37.5	-38.7
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	3.9	4.8	4.7
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	0.3	0.7	0.7
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	2.3	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	0.7	0.7	0.7
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	-9.5	-9.9	-11.3	-11.1
Japan	-3.2	-3.0	-4.5	-11.1	-3.8	-5.2	-6.2	-7.8	-9.0	-8.8	-8.8	-12.1	-9.7	-7.9	-4.9	-7.4	-7.9	-8.3	-9.1	-9.6
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	-2.4	-2.5	-3.0	-3.5
Luxembourg	..	..	..	..	..	..	..	-0.6	-0.6	-0.5	-0.4	-0.6	-0.5	-0.5	-0.3	-0.6	-1.3	-1.4	-1.2	-1.2
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	20.5	23.5	25.5
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	-6.2	-6.7	-6.5	-7.0	-7.9	-10.1	-12.0	-12.6
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	0.5	0.4	0.4
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	-3.1	-3.7	-4.0
Poland	..	..	..	..	..	..	1.3	1.0	1.7	2.0	2.9	2.2	2.4	2.9	3.3	4.2	5.7	7.0	7.5	8.0
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	2.7	3.0	3.1
Slovak Republic	..	..	..	..	..	0.1	0.1	0.1	0.2	0.2	0.4	0.2	0.1	0.2	0.2	0.2	0.1	0.0	0.0	0.5
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	1.4	1.6	2.3	0.2	0.0	-4.1	-4.4	-4.7
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	-2.1	-4.7	-4.7	-4.4	-4.5
Switzerland	-1.3	-1.9	-2.4	-2.6	-3.0	-3.0	-3.5	-4.4	-4.3	-4.1	-4.6	-5.2	-4.2	-5.2	-5.8	-5.4	-6.0	-6.1	-6.4	-6.6
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	1.5	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	-20.1	-22.6	-24.0	-25.2
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	-82.9	-105.3	-113.3
Euro area	-17.9	-20.0	-26.2	-42.2	-41.7	-40.9	-50.2	-40.6	-45.1	-43.8	-47.7	-46.7	-47.7	-49.3	-50.2	-68.5	-77.2	-91.1	-99.6	-102.5
Total OECD	-50.5	-54.5	-62.3	-43.7	-90.9	-92.2	-103.1	-99.6	-103.0	-103.2	-115.2	-116.3	-125.8	-113.5	-129.4	-159.6	-181.9	-195.0	-224.1	-233.9

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 79 database.

StatLink: *http://dx.doi.org/10.1787/544458246166*

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	-15.7	-12.2	-18.4	-22.2	-15.3	-7.9	-16.4	-29.6	-40.2	-42.0	-41.6	-43.3
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	-0.5	0.4	3.6	6.1	6.2
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	11.7	13.3	12.2	6.5	5.3	5.2
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	25.2	43.2	46.1
Czech Republic	..	..	..	..	..	0.4	-0.8	-1.4	-4.1	-3.6	-1.3	-1.5	-2.7	-3.3	-4.2	-5.7	-6.5	-2.6	-2.4	-1.3
Denmark	-1.6	-1.7	0.6	1.2	3.2	3.9	2.3	1.2	2.7	0.7	-1.5	3.4	2.2	5.1	4.3	7.0	5.6	8.3	7.3	7.2
Finland	-2.7	-5.8	-7.0	-6.8	-5.1	-1.1	1.1	5.4	5.1	6.8	7.3	8.1	9.1	8.7	10.0	7.1	9.3	5.2	4.5	4.1
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	-40.4	-55.0	-51.2
Germany	50.8	55.5	50.5	-24.0	-22.0	-19.4	-30.8	-29.5	-13.7	-10.0	-16.9	-27.8	-33.8	0.6	41.5	48.0	100.8	115.9	114.6	137.1
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	-12.7	-13.3	-17.8	-18.7	-20.0
Hungary	..	..	..	..	..	-3.1	-3.5	-1.6	-1.7	-2.0	-3.4	-3.8	-4.0	-3.2	-4.7	-7.2	-8.6	-8.0	-8.6	-8.9
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	-1.2	-2.6	-2.4	-1.6
Ireland	0.0	-0.6	-0.5	0.4	0.5	1.8	1.5	1.7	2.0	1.9	0.7	0.3	-0.3	-0.7	-1.2	0.0	-1.5	-3.8	-2.3	-1.2
Italy	-7.0	-11.2	-16.8	-24.2	-30.2	8.0	12.5	25.1	39.2	33.7	22.9	8.2	-5.7	-0.7	-9.8	-19.6	-15.8	-27.6	-37.8	-42.9
Japan	78.7	66.7	46.6	72.7	108.3	130.0	130.6	114.3	65.1	97.4	119.9	115.7	118.7	88.7	112.4	137.1	171.6	165.8	195.0	256.1
Korea	14.5	5.4	-2.0	-8.4	-4.1	0.8	-4.0	-8.7	-23.1	-8.3	40.4	24.5	12.3	8.0	5.4	11.9	28.2	16.6	6.1	1.9
Luxembourg	..	..	..	..	..	..	..	2.5	2.3	1.9	1.8	1.8	2.7	1.8	2.4	1.9	3.6	3.4	4.1	4.2
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	-8.6	-7.2	-5.7	-5.9	-10.0
Netherlands	7.0	9.4	8.1	7.4	6.9	13.2	17.3	25.8	21.5	25.0	13.0	15.7	7.3	9.8	11.0	29.6	54.3	39.9	62.4	69.9
New Zealand	-0.4	-1.6	-1.4	-1.2	-1.7	-1.7	-2.0	-3.0	-3.9	-4.3	-2.1	-3.5	-2.7	-1.4	-2.4	-3.4	-6.5	-9.6	-9.6	-9.1
Norway	-3.9	0.2	4.0	5.0	3.0	2.2	3.8	5.2	10.9	10.0	0.0	8.4	24.8	26.1	24.4	28.9	34.7	49.5	74.2	84.4
Poland	..	..	..	..	..	..	1.0	0.9	-3.3	-5.7	-6.9	-12.5	-10.0	-5.4	-5.0	-4.6	-10.5	-4.4	-5.3	-6.3
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	-17.0	-18.3	-19.5
Slovak Republic	..	..	..	..	..	-0.6	0.8	0.5	-2.0	-1.8	-2.0	-1.0	-0.7	-1.7	-1.9	-0.3	-1.4	-4.2	-4.6	-4.0
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	-22.6	-31.7	-54.8	-83.1	-107.5	-128.8
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	9.4	8.5	9.8	22.6	24.0	21.7	25.4	27.0
Switzerland	9.0	6.9	8.5	10.3	14.9	19.0	17.1	20.7	21.3	24.7	25.1	29.4	30.9	20.0	23.6	43.4	50.4	46.1	50.3	56.3
Turkey	1.6	0.9	-2.6	0.3	-1.0	-6.4	2.6	-2.3	-2.4	-2.7	2.0	-1.3	-9.8	3.4	-1.5	-8.0	-15.6	-22.8	-27.1	-30.9
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	-26.3	-43.1	-57.4	-56.2	-71.4
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	-804.9	-964.8	######
Euro area	42.2	34.0	9.0	-69.1	-61.5	16.3	9.8	44.5	72.7	91.7	57.0	19.1	-42.6	1.2	38.9	35.0	74.3	-15.0	-42.4	-36.8
Total OECD	-45.0	-79.2	-103.5	-56.7	-76.2	0.7	-31.4	25.6	-9.2	34.2	-26.6	-186.8	-342.2	-284.9	-317.2	-314.9	-398.3	-646.1	-769.4	-813.7

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 79 database.

StatLink: *http://dx.doi.org/10.1787/204683264158*

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	-4.3	-5.9	-5.0	-3.4	-3.6	-3.2	-4.9	-5.2	-3.7	-2.9	-4.9	-5.5	-3.9	-2.1	-4.0	-5.6	-6.3	-5.9	-5.5	-5.3
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	-0.2	0.1	1.2	1.9	1.8
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	4.3	3.4	1.7	1.4	1.3
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	2.2	3.3	3.3
Czech Republic	..	..	..	..	..	1.2	-1.8	-2.5	-6.7	-6.3	-2.1	-2.5	-4.9	-5.4	-5.7	-6.3	-6.0	-2.1	-1.7	-0.9
Denmark	-1.4	-1.5	0.4	0.9	2.1	2.8	1.5	0.7	1.4	0.4	-0.9	1.9	1.4	3.1	2.5	3.2	2.3	3.2	2.7	2.5
Finland	-2.5	-5.0	-5.1	-5.4	-4.6	-1.3	1.1	4.1	4.0	5.5	5.6	6.3	7.5	7.1	7.5	4.3	5.0	2.7	2.3	2.0
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	-1.9	-2.6	-2.3
Germany	4.1	4.6	2.9	-1.3	-1.1	-1.0	-1.4	-1.2	-0.6	-0.4	-0.8	-1.3	-1.8	0.0	2.0	1.9	3.7	4.2	4.0	4.6
Greece[2]	-2.4	-5.0	-5.6	-2.8	-3.6	-2.2	-1.4	-3.9	-5.2	-4.4	-3.1	-6.2	-8.7	-8.1	-7.5	-7.3	-6.4	-8.0	-7.8	-7.6
Hungary	..	..	..	..	..	-7.9	-8.3	-3.4	-3.9	-4.4	-7.1	-7.8	-8.5	-6.1	-7.0	-8.7	-8.6	-7.3	-7.7	-7.3
Iceland	-3.5	-1.9	-2.1	-4.0	-2.4	0.7	1.9	0.7	-1.8	-1.7	-6.8	-6.8	-10.2	-4.4	1.6	-5.0	-9.3	-16.5	-15.4	-10.4
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	-1.9	-1.0	-0.5
Italy	-0.8	-1.2	-1.5	-2.0	-2.4	0.8	1.2	2.2	3.1	2.8	1.9	0.7	-0.5	-0.1	-0.8	-1.3	-0.9	-1.6	-2.1	-2.2
Japan	2.7	2.2	1.5	2.1	2.8	3.0	2.8	2.2	1.4	2.3	3.1	2.7	2.6	2.2	2.9	3.2	3.7	3.6	4.3	5.5
Korea	7.7	2.3	-0.8	-2.7	-1.2	0.2	-0.9	-1.7	-4.2	-1.3	11.8	5.5	2.4	1.7	1.0	1.9	4.1	2.1	0.7	0.2
Luxembourg	..	..	..	..	..	..	..	12.1	11.2	10.4	9.2	8.4	13.2	8.8	11.0	6.4	10.5	9.3	10.4	9.7
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	-0.8	-0.7	-1.1
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	2.5	5.5	8.9	6.4	9.5	10.1
New Zealand	-0.9	-3.8	-3.2	-2.8	-4.2	-3.9	-3.9	-5.0	-5.8	-6.4	-3.9	-6.2	-5.2	-2.8	-4.0	-4.3	-6.6	-8.8	-9.4	-8.6
Norway	-3.9	0.2	3.3	4.3	2.3	1.8	3.0	3.5	6.9	6.3	0.0	5.3	15.0	15.4	12.8	13.0	13.6	16.8	22.0	23.1
Poland	..	..	..	..	..	..	0.9	0.6	-2.1	-3.7	-4.0	-7.4	-5.8	-2.8	-2.5	-2.1	-4.2	-1.5	-1.6	-1.7
Portugal[2]	-1.9	0.3	-0.2	-0.8	-0.2	0.4	-2.3	-0.1	-3.6	-5.4	-6.6	-8.0	-10.1	-9.0	-6.4	-5.2	-7.4	-9.3	-9.6	-9.7
Slovak Republic	..	..	..	..	..	-4.6	4.9	2.7	-9.4	-8.5	-8.9	-4.8	-3.6	-8.4	-8.0	-0.9	-3.5	-9.2	-9.0	-7.0
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	-7.4	-8.9	-9.8
Sweden	0.2	-0.9	-2.0	-1.2	-2.8	-1.3	1.1	3.3	3.6	4.1	3.9	4.2	3.9	3.8	4.1	7.4	6.8	6.1	6.7	6.7
Switzerland	4.7	3.7	3.6	4.3	5.9	7.8	6.4	6.6	7.1	9.4	9.4	11.1	12.5	8.0	8.4	13.4	14.0	12.5	13.3	14.2
Turkey	2.1	0.8	-1.7	0.1	-0.6	-3.6	2.7	-1.6	-1.3	-1.4	1.2	-1.0	-4.9	2.4	-0.8	-3.4	-5.2	-6.3	-6.6	-7.0
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	-1.4	-2.0	-2.6	-2.4	-2.9
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	-6.4	-7.2	-7.6
Euro area	1.0	0.8	0.2	-1.2	-1.0	0.3	0.2	0.6	1.0	1.4	0.8	0.3	-0.7	0.0	0.6	0.4	0.8	-0.2	-0.4	-0.3
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	-1.2	-1.8	-2.1	-2.1

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 79 database.

StatLink: *http://dx.doi.org/10.1787/047181588064*

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	-8	26	100	101	157	118	147	101	-51	-214	-181	-160	-211	-296	-485	-582	-606
Non-OECD *of which:*	-26	-32	-56	-22	-57	-17	-13	-14	102	214	147	193	258	336	504	600	603
Non-OECD Asia *of which:*	10	3	-15	-6	-24	-10	21	81	91	79	83	116	118	109	144	156	189
China	12	5	-12	7	12	18	40	42	31	29	28	37	36	49	121	129	138
Dynamic Asia[2]	9	9	9	3	-12	0	5	62	79	72	71	90	102	92	72	88	119
Other Asia	-10	-12	-12	-16	-24	-28	-24	-23	-19	-22	-16	-12	-20	-32	-48	-61	-68
Latin America	14	3	-6	-7	-19	-17	-31	-45	-16	-3	-10	21	40	58	69	73	75
Africa and Middle-East	-50	-37	-34	-11	-14	8	5	-43	6	92	48	32	70	116	213	281	256
Central and Eastern Europe[3]	0	-1	-1	2	0	2	-7	-7	21	47	26	24	31	53	78	90	82
World[4]	-34	-6	44	78	100	101	135	87	51	0	-34	33	46	39	19	18	-4
Services and private transfers, net																	
OECD	-19	-18	-11	-30	-27	-16	2	-9	-7	8	14	-8	44	57	19	23	12
Non-OECD *of which:*	-33	-39	-46	-44	-59	-69	-77	-82	-81	-90	-84	-91	-104	-119	-139	-144	-144
Non-OECD Asia *of which:*	-9	-10	-12	-10	-20	-24	-25	-27	-25	-28	-26	-25	-18	-16	-15	-11	-3
China	1	0	-1	-1	-12	-12	-16	-17	-14	-15	-19	-15	-8	-4	0	4	10
Dynamic Asia[2]	-4	-4	-4	-3	-2	-6	-2	-4	-4	-6	0	-2	-1	-4	-6	-5	-5
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	-72	-75
Africa and Middle-East	2	-2	-5	-8	-6	-8	-6	-3	-7	-12	-10	-17	-23	-27	-28	-26	-27
Central and Eastern Europe[3]	-3	-6	-6	-2	-5	-7	-11	-14	-10	-11	-8	-10	-19	-23	-32	-35	-40
World[4]	-52	-57	-57	-74	-86	-85	-74	-91	-88	-82	-70	-100	-60	-61	-120	-121	-133
Net transfers, net																	
OECD	-44	-91	-92	-103	-100	-103	-103	-115	-116	-126	-113	-129	-160	-182	-195	-224	-234
Non-OECD *of which:*	-1	33	30	28	29	35	42	36	41	45	50	64	91	103	103	109	111
Non-OECD Asia *of which:*	11	14	13	17	15	19	26	19	22	26	27	37	59	64	58	59	59
China	1	1	1	1	1	2	5	4	5	6	8	13	18	23	20	19	19
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	1	0	1	3	3	4
Central and Eastern Europe[3]	7	5	5	3	4	4	4	5	6	7	8	9	11	14	17	20	21
World[4]	-44	-57	-63	-75	-71	-68	-61	-79	-75	-81	-63	-65	-69	-79	-92	-115	-122
Current balance																	
OECD	-57	-76	1	-31	26	-9	34	-27	-187	-342	-285	-317	-315	-398	-646	-769	-814
Non-OECD *of which:*	-49	-58	-85	-8	-87	-51	-47	-59	63	170	113	166	245	320	468	565	570
Non-OECD Asia *of which:*	12	7	-13	2	-29	-16	22	72	88	76	84	128	158	157	187	204	245
China	13	6	-12	8	2	7	30	29	21	21	17	35	46	69	140	152	167
Dynamic Asia[2]	6	8	6	1	-16	-8	0	54	72	61	66	83	104	90	65	84	115
Other Asia	-7	-7	-7	-7	-14	-15	-8	-11	-5	-5	1	9	8	-2	-18	-32	-37
Latin America	-2	-9	-22	-22	-36	-36	-57	-72	-41	-29	-35	0	17	29	29	29	28
Africa and Middle-East	-73	-32	-36	-21	-21	1	1	-44	-1	79	38	16	47	90	188	257	233
Central and Eastern Europe[3]	15	-23	-14	33	-1	0	-13	-15	17	42	26	22	23	44	64	75	64
World[4]	-105	-134	-84	-39	-62	-60	-13	-86	-124	-173	-172	-151	-70	-78	-178	-204	-244

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 79 database.

StatLink: *http://dx.doi.org/10.1787/571063888776*

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	10.5	6.7	4.4	5.2	5.2	10.3	12.0	9.7	7.1	-2.7	7.8	12.5	-0.3	5.6	7.0	12.7	8.6	9.5	9.7
Austria	6.4	7.5	5.1	1.9	-1.4	-0.7	7.9	8.3	5.6	9.6	7.6	6.1	11.8	2.5	1.9	5.6	9.1	6.8	9.5	8.6
Belgium	7.4	7.8	5.1	3.8	2.2	-0.5	8.1	8.0	5.5	9.5	8.1	6.9	11.6	1.9	2.0	4.0	8.4	6.9	8.8	8.2
Canada	5.1	5.2	3.8	0.3	6.3	7.7	11.5	8.4	8.7	12.7	9.8	10.5	12.9	-2.0	3.4	4.8	10.8	6.7	7.8	7.2
Czech Republic	..	..	..	..	..	..	7.1	8.5	7.2	10.2	8.5	4.6	11.8	2.8	2.1	6.4	9.4	7.1	10.2	9.0
Denmark	6.4	7.4	4.1	1.5	1.6	0.4	9.0	8.0	6.3	10.3	8.3	6.2	11.1	0.7	1.4	4.4	8.6	6.7	8.4	7.4
Finland	7.2	7.2	2.2	-0.3	-4.0	1.9	8.3	8.4	6.8	10.0	5.7	5.0	12.2	2.2	3.5	6.1	10.5	8.0	10.3	9.6
France	7.6	7.9	5.1	4.0	2.9	0.1	7.7	8.0	6.0	9.6	7.1	6.9	10.5	1.6	2.4	4.7	9.0	6.8	9.1	8.8
Germany	7.8	7.6	4.0	0.6	1.5	1.1	8.4	8.7	6.6	10.0	7.1	6.0	11.9	1.7	3.0	4.8	9.7	6.8	8.8	8.7
Greece	6.4	6.7	3.1	0.6	-1.9	2.0	7.5	7.6	6.5	10.2	7.0	6.4	11.5	1.4	3.1	5.2	10.0	7.5	9.5	9.0
Hungary	..	..	..	..	..	..	8.1	7.9	5.4	9.1	7.2	5.6	11.6	2.7	1.7	5.2	8.7	6.5	9.0	8.2
Iceland	9.1	8.5	4.7	1.7	2.4	0.3	8.6	8.2	7.2	8.8	6.6	6.7	10.3	1.3	2.2	3.5	8.2	6.3	7.5	6.9
Ireland	8.4	7.9	4.7	2.3	3.7	1.0	8.4	8.0	6.6	9.4	6.8	7.3	11.1	1.1	2.6	3.8	8.5	6.3	8.0	7.6
Italy	7.6	7.6	4.3	3.1	0.0	1.3	7.8	8.1	6.7	9.9	6.9	6.5	12.1	1.9	2.6	5.2	9.9	7.4	9.6	9.1
Japan	9.8	7.8	6.8	7.1	7.9	8.0	12.1	11.5	8.7	10.6	0.0	8.9	14.7	-1.7	5.4	6.8	12.7	8.2	10.0	9.9
Korea	10.7	8.7	5.6	5.2	5.9	6.9	10.2	11.1	9.9	9.4	0.1	7.3	13.7	-0.2	5.4	8.0	13.1	9.1	11.3	11.1
Luxembourg	7.6	7.8	5.0	3.2	2.4	-0.6	8.5	7.5	5.0	9.1	8.5	6.4	11.2	1.6	1.2	3.4	7.7	6.0	7.8	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	6.5	7.4	6.7
Netherlands	7.9	8.2	5.7	4.0	2.4	-0.9	8.1	7.4	5.2	8.9	7.6	6.5	11.1	1.4	1.6	4.1	7.9	6.2	8.3	7.7
New Zealand	12.0	11.6	3.8	2.6	5.5	4.7	11.2	10.3	9.2	8.8	1.6	8.0	11.6	-1.2	5.7	6.8	12.3	8.2	8.6	9.1
Norway	8.5	7.5	3.4	1.1	3.0	1.1	9.0	7.7	6.3	10.0	8.3	6.9	11.3	1.1	2.3	3.4	8.1	6.6	7.7	7.2
Poland	..	..	..	..	..	..	7.6	8.1	5.5	9.0	6.1	4.4	12.2	4.1	2.7	6.0	10.0	7.7	10.3	9.3
Portugal	8.4	8.8	5.6	4.9	3.8	-1.4	8.4	7.8	5.8	10.0	9.5	7.8	10.7	2.2	2.0	4.0	8.1	6.5	8.2	7.7
Slovak Republic	..	..	..	..	..	..	8.1	10.2	6.7	9.3	7.7	4.8	13.1	4.8	2.7	6.3	11.1	6.3	9.2	8.9
Spain	7.9	7.2	5.9	3.8	3.6	-0.9	7.8	7.7	5.0	9.8	8.5	5.7	10.6	1.5	1.2	3.3	7.9	6.1	8.3	7.8
Sweden	7.0	7.1	4.0	2.1	1.7	1.6	8.5	8.1	6.9	10.1	6.9	5.4	11.2	1.3	3.1	4.3	9.3	7.5	8.8	8.1
Switzerland	7.8	8.1	6.1	4.6	2.9	0.1	8.6	8.5	6.0	9.4	6.1	6.7	11.5	0.9	2.2	4.7	9.1	6.8	8.8	8.3
Turkey	6.5	6.9	2.0	1.5	-5.2	0.6	6.7	7.1	6.0	8.8	4.9	5.6	11.4	3.6	3.8	5.8	10.5	8.5	11.3	11.0
United Kingdom	6.9	7.8	4.9	3.8	2.6	1.3	8.9	8.6	6.3	10.0	7.5	7.1	12.0	1.0	2.4	4.4	9.5	7.1	8.9	8.5
United States	12.5	8.7	6.0	5.9	6.2	4.5	10.4	7.6	8.6	11.1	3.2	6.4	12.2	-0.6	2.1	4.4	10.6	7.9	8.8	8.4
Total OECD	8.5	7.7	5.1	3.6	3.7	2.8	9.4	8.6	7.3	10.3	5.5	7.0	12.1	0.4	2.9	5.0	10.1	7.3	9.0	8.6
Memorandum items																				
China	11.2	9.7	7.2	5.1	4.1	5.2	10.6	11.7	8.7	8.2	-2.0	6.6	13.4	-1.3	3.8	5.1	11.7	7.9	8.7	8.4
Dynamic Asia [1]	11.8	9.4	6.4	6.0	7.2	7.5	11.4	12.2	10.2	9.2	-1.4	8.4	14.6	-0.5	6.5	8.6	13.4	9.1	11.2	11.2
Other Asia	8.7	8.3	4.8	3.9	4.1	4.1	9.3	9.7	8.4	9.1	2.6	7.8	12.3	0.1	4.6	6.3	11.5	8.4	10.1	9.9
Latin America	7.1	5.1	4.5	4.5	6.6	6.6	10.6	9.8	7.4	12.3	7.3	4.9	11.1	-0.1	0.6	4.5	10.8	7.6	8.8	8.1
Africa and Middle-East	8.8	9.0	5.8	5.1	4.1	2.3	8.9	10.5	8.3	8.1	1.1	7.9	12.2	0.4	4.7	6.4	11.2	8.3	10.2	10.2
Central and Eastern Europe	6.9	6.9	-0.1	-4.9	-14.0	2.9	6.2	9.0	7.6	9.5	3.1	2.4	14.0	4.8	5.9	8.9	13.0	9.7	12.7	12.0

Note: Regional aggregates are calculated inclusive of intra-regional trade. The calculation of export markets is based on a weighted average of import volumes in each exporting country's market, with weights based on goods and services trade flows in 2000.

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

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/034220407821*

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	10.2	11.6	11.0	10.8	11.3	11.4	12.3	12.7	13.2	14.0	14.1	14.6	15.2	14.4	15.2	16.0	17.5	18.3	18.7	19.6
Austria	24.1	24.9	25.4	25.9	26.0	24.6	26.1	26.9	27.5	28.4	28.9	29.5	30.5	31.3	31.4	32.2	33.0	33.2	33.8	34.8
Belgium	37.4	38.8	39.2	39.4	40.0	40.2	41.1	41.6	42.1	42.3	43.5	43.9	45.0	44.8	44.4	44.9	45.8	46.4	47.0	47.9
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	29.4	29.8
Czech Republic	..	..	..	..	..	31.3	32.4	35.5	37.2	39.0	41.3	42.2	45.4	48.0	48.9	50.3	54.0	53.7	54.3	55.4
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	30.5	30.0	31.0	32.6	33.8	34.6
Finland	19.0	19.5	19.8	18.7	19.4	20.1	21.3	21.6	22.3	22.8	23.3	23.4	25.1	25.1	25.0	25.1	25.6	27.0	27.6	28.1
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	23.4	24.4	25.2
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	27.4	28.7	29.7
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	24.1	24.5	24.9
Hungary	..	..	..	..	..	25.3	26.5	29.3	31.0	34.6	38.5	40.6	43.8	44.0	44.7	46.5	48.4	48.8	50.5	52.2
Iceland	25.7	23.7	23.6	24.6	24.0	22.5	22.5	23.1	25.0	25.4	28.3	28.3	29.2	26.5	26.2	27.6	28.8	32.9	34.9	34.0
Ireland	28.9	30.5	30.0	30.0	30.8	31.7	33.4	34.6	35.3	36.4	40.1	40.2	42.7	42.9	41.9	40.2	41.0	41.1	41.6	42.1
Italy	15.7	16.5	17.4	17.5	18.3	16.6	17.5	18.4	18.0	19.1	20.1	20.3	20.7	20.4	20.3	20.4	20.6	20.9	21.5	22.2
Japan	6.3	6.9	7.1	6.8	6.7	6.6	7.0	7.7	8.5	8.4	8.0	8.3	8.7	8.8	8.8	9.0	9.5	9.8	9.9	10.1
Korea	17.4	18.9	19.5	20.8	20.7	20.7	22.6	24.8	26.0	25.8	22.6	25.4	27.4	25.8	27.2	28.6	30.3	30.9	31.5	32.5
Luxembourg	..	..	..	..	..	..	..	50.7	51.5	53.1	54.4	55.8	56.3	57.2	56.7	57.4	58.8	60.1	61.3	62.1
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	28.4	29.6	30.7	31.6
Netherlands	29.9	30.5	30.4	30.9	30.9	30.8	32.1	33.6	33.9	35.1	36.0	36.4	37.9	38.1	38.1	38.6	40.1	41.1	42.1	43.0
New Zealand	17.2	19.1	19.6	18.8	20.2	20.2	21.2	21.9	22.6	22.4	22.5	23.8	23.0	23.0	23.8	24.6	26.7	27.5	27.3	27.9
Norway	19.7	19.9	20.0	19.5	19.3	19.6	19.6	19.8	20.3	21.4	22.3	21.6	21.6	21.3	21.3	21.3	22.2	23.0	23.7	23.9
Poland	..	..	..	..	..	14.4	15.1	17.1	20.0	21.7	23.8	23.2	25.1	23.8	24.1	25.0	26.7	27.0	27.8	28.6
Portugal	19.6	19.5	21.1	21.5	23.1	22.9	24.2	24.8	25.0	26.0	27.7	28.6	28.9	28.7	28.4	28.5	29.7	30.0	30.4	31.1
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	50.1	52.7	54.0
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	27.1	27.9	28.8
Sweden	21.2	22.0	21.9	21.3	21.7	21.7	23.1	23.7	24.1	25.8	27.2	27.2	28.6	27.8	27.0	27.7	28.4	29.1	30.1	30.8
Switzerland	23.2	23.4	23.3	23.1	22.4	22.4	23.6	24.3	24.8	25.9	26.8	27.4	28.6	29.0	28.4	28.7	29.8	30.5	31.6	32.8
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	33.2	34.8	35.8
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	23.1	23.7	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	14.1	14.5	15.0
Total OECD	12.3	12.8	13.1	13.1	13.3	13.4	14.1	14.8	15.4	16.2	16.9	17.6	18.6	18.4	18.6	18.9	19.7	20.2	20.9	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 79 database.

StatLink: *http://dx.doi.org/10.1787/677872152047*

Annex Table 55. **Quarterly demand and output projections**

Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2005	2006	2007	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	Fourth quarter[1] 2005	Fourth quarter[1] 2006	Fourth quarter[1] 2007
Private consumption													
Canada	4.0	3.3	3.6	3.4	3.7	3.6	3.6	3.6	3.5	3.5	3.8	3.6	3.6
France	2.1	2.3	2.3	2.2	2.2	2.3	2.3	2.3	2.4	2.4	1.9	2.3	2.4
Germany	0.2	0.6	0.6	1.6	1.6	1.3	-2.5	1.7	1.9	2.1	-0.7	1.4	0.8
Italy	0.1	1.1	1.1	1.6	1.6	1.2	0.8	0.8	0.9	0.9	0.2	1.5	0.9
Japan	2.2	1.7	1.6	1.2	1.6	1.6	1.7	1.7	1.7	1.7	3.5	1.2	1.7
United Kingdom	1.7	2.1	2.4	2.5	2.2	2.2	2.4	2.5	2.7	2.8	1.5	2.1	2.6
United States	3.5	3.6	3.3	3.7	3.5	3.4	3.2	3.2	3.2	3.1	2.9	4.0	3.2
Euro area	1.3	1.5	1.7	1.9	2.1	1.9	0.8	2.0	2.1	2.2	1.1	1.8	1.8
Total OECD	2.8	2.8	2.7	2.8	2.8	2.8	2.4	2.7	2.8	2.7	2.8	2.8	2.7
Public consumption													
Canada	2.8	3.5	2.9	3.2	3.2	2.8	2.8	2.8	2.8	2.8	3.4	3.2	2.8
France	1.5	1.9	1.6	1.5	1.5	1.5	1.7	1.7	1.7	1.7	1.8	1.5	1.7
Germany	0.1	0.5	0.6	0.7	0.8	1.0	0.2	0.3	0.7	0.7	0.8	1.5	0.5
Italy	1.2	-0.3	0.6	-1.0	-1.0	-1.0	1.2	1.7	1.8	1.9	1.4	-1.0	1.7
Japan	1.7	0.8	0.9	0.5	0.5	0.5	1.0	1.0	1.2	1.2	1.7	0.5	1.1
United Kingdom	2.9	2.5	2.1	0.8	1.8	1.8	2.0	2.4	2.6	2.6	4.3	1.2	2.4
United States	1.5	1.8	1.0	0.8	1.4	1.1	1.0	1.0	1.0	1.0	1.3	2.0	1.0
Euro area	1.5	1.9	1.4	0.6	1.1	1.2	1.6	1.7	1.8	1.8	1.9	1.7	1.7
Total OECD	1.8	2.0	1.4	0.9	1.3	1.2	1.5	1.6	1.6	1.6	2.0	1.7	1.6
Business investment													
Canada	9.1	9.3	6.2	7.0	6.6	6.6	5.9	5.9	5.8	5.8	10.7	7.4	5.9
France	3.8	3.9	4.1	4.0	4.1	4.1	4.1	4.1	4.1	4.1	4.3	3.8	4.1
Germany	2.6	3.9	4.6	7.8	5.9	4.8	3.5	4.2	4.5	4.8	3.1	3.8	4.3
Italy	-3.1	3.4	4.1	8.0	6.0	5.2	3.3	2.9	2.8	2.8	-2.7	7.0	3.0
Japan	7.8	4.1	3.1	4.5	5.0	5.0	2.0	2.0	2.0	2.0	7.5	4.4	2.0
United Kingdom	2.0	2.9	5.7	5.3	5.7	5.7	5.7	5.7	5.5	5.5	1.3	4.9	5.6
United States	8.6	8.4	6.5	4.7	9.0	6.6	6.3	6.0	6.0	6.0	6.8	8.6	6.1
Euro area	2.6	4.1	4.8	6.5	5.6	5.9	3.8	4.3	4.4	4.4	2.4	5.3	4.2
Total OECD	6.3	6.2	5.5	5.4	7.0	6.1	5.0	5.0	5.0	5.0	5.8	6.4	5.0
Total investment													
Canada	6.6	6.1	3.7	4.6	3.5	3.6	3.7	3.6	3.6	3.6	7.3	4.5	3.6
France	3.4	3.3	3.3	3.4	3.2	3.2	3.3	3.3	3.3	3.3	3.7	3.2	3.3
Germany	0.2	2.9	3.4	8.6	4.9	3.7	2.1	2.6	3.0	3.2	1.7	3.2	2.7
Italy	-0.4	2.9	3.1	5.5	4.2	3.8	2.6	2.4	2.3	2.3	-0.1	4.9	2.4
Japan	3.3	2.3	1.3	2.4	2.6	2.6	0.6	0.6	0.6	0.7	4.3	2.3	0.6
United Kingdom	3.2	3.1	5.2	4.3	4.4	4.3	5.3	6.5	5.4	5.6	3.1	3.8	5.7
United States	7.2	5.4	3.9	2.2	4.6	4.2	3.9	3.8	3.8	3.8	6.4	4.7	3.8
Euro area	2.5	3.5	3.7	5.5	4.4	3.7	3.4	3.2	3.3	3.3	2.9	3.9	3.3
Total OECD	5.3	4.7	4.0	3.9	4.4	4.1	3.9	3.8	3.8	3.8	5.6	4.3	3.8

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 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 79 database.

StatLink: *http://dx.doi.org/10.1787/811705127856*

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	4.5	4.0	3.4	3.6	3.5	3.4	3.4	3.4	3.4	3.4	3.5	4.0	3.4
France	2.4	2.5	2.3	2.2	2.2	2.2	2.3	2.3	2.4	2.4	2.3	2.4	2.4
Germany	0.5	1.5	1.0	2.3	1.9	1.6	-1.1	1.6	1.9	2.0	0.8	1.6	1.1
Italy	0.4	1.5	1.4	1.9	1.6	1.3	1.3	1.3	1.4	1.4	0.5	1.7	1.4
Japan	2.6	1.7	1.4	1.4	1.6	1.6	1.3	1.3	1.4	1.4	3.6	1.3	1.3
United Kingdom	1.9	2.4	2.8	2.4	2.5	2.5	2.8	3.1	3.1	3.2	1.3	2.5	3.1
United States	3.6	3.8	3.2	3.3	3.5	3.3	3.1	3.1	3.1	3.0	3.2	3.9	3.1
Euro area	1.7	2.2	2.1	2.2	2.3	2.1	1.5	2.2	2.3	2.3	1.9	2.1	2.1
Total OECD	2.9	3.1	2.8	2.9	3.0	2.8	2.6	2.8	2.8	2.8	3.0	3.0	2.8
Export of goods and services													
Canada	2.3	2.9	4.3	2.2	3.2	4.1	4.7	4.9	5.1	5.1	4.9	1.5	4.9
France	3.2	6.7	7.2	6.8	6.8	7.0	7.2	7.4	7.5	7.5	4.7	6.8	7.4
Germany	6.6	8.5	7.3	2.1	5.0	7.5	8.0	8.2	8.3	8.4	8.8	7.5	8.2
Italy	0.7	4.9	5.3	4.1	4.1	6.1	5.5	5.4	5.4	5.3	1.3	6.1	5.4
Japan	6.9	12.3	9.0	13.0	8.0	9.0	9.0	9.0	9.0	8.0	10.2	10.5	8.7
United Kingdom	5.6	7.3	7.8	8.2	7.4	7.8	7.8	7.8	7.8	7.8	7.4	7.1	7.8
United States	6.9	7.7	8.3	7.0	8.0	8.0	8.5	8.5	8.5	8.5	6.4	8.8	8.5
Total OECD[2]	5.9	7.8	7.8	6.8	6.8	7.5	8.2	8.3	8.3	8.2	6.7	7.7	8.2
Import of goods and services													
Canada	7.0	5.3	5.0	4.1	4.5	4.9	5.3	5.3	5.3	5.3	6.4	3.9	5.3
France	6.5	7.9	7.0	7.1	7.1	7.1	7.0	7.0	7.0	6.9	7.5	7.1	7.0
Germany	5.5	8.7	6.5	1.4	4.2	6.5	6.5	8.1	8.1	8.2	7.5	6.4	7.7
Italy	1.8	5.2	5.5	5.5	5.3	6.1	5.2	5.3	5.6	5.7	1.3	6.5	5.4
Japan	6.2	4.9	4.2	3.8	3.5	3.9	4.5	4.5	4.5	4.5	4.6	4.8	4.5
United Kingdom	5.3	6.7	6.9	7.8	6.6	6.8	6.9	7.0	7.0	7.0	4.8	6.6	7.0
United States	6.3	7.3	6.7	1.5	7.0	7.0	7.0	7.0	7.0	7.0	5.3	7.0	7.0
Total OECD[2]	6.1	7.1	6.6	3.7	5.9	6.5	7.0	7.1	7.2	7.1	5.8	6.4	7.1
GDP													
Canada	2.9	3.1	3.3	2.9	3.1	3.2	3.3	3.4	3.4	3.4	2.9	3.1	3.3
France	1.4	2.1	2.2	2.0	2.0	2.1	2.3	2.4	2.4	2.5	1.5	2.2	2.4
Germany	1.1	1.8	1.6	2.6	2.4	2.3	-0.2	1.9	2.3	2.4	1.6	2.3	1.6
Italy	0.1	1.4	1.3	1.5	1.3	1.3	1.3	1.3	1.3	1.3	0.5	1.6	1.3
Japan	2.7	2.8	2.2	2.7	2.4	2.5	2.1	2.1	2.2	2.0	4.3	2.2	2.1
United Kingdom	1.8	2.4	2.9	2.4	2.5	2.6	2.9	3.2	3.2	3.3	1.8	2.5	3.2
United States	3.5	3.6	3.1	4.0	3.4	3.2	3.0	3.0	3.0	2.9	3.2	3.9	3.0
Euro area	1.4	2.2	2.1	2.2	2.3	2.2	1.7	2.3	2.4	2.4	1.8	2.3	2.2
Total OECD	2.8	3.1	2.9	3.3	3.0	2.9	2.7	2.9	3.0	2.9	3.0	3.1	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 79 database.

StatLink: *http://dx.doi.org/10.1787/811705127856*

Annex Table 56. **Quarterly price, cost and unemployment projections**

Percentage changes from previous period, seasonally adjusted at annual rates, volume

	2005	2006	2007	2006 Q2	Q3	Q4	2007 Q1	Q2	Q3	Q4	Fourth quarter[1] 2005	2006	2007
Consumer price index[2]													
Canada	2.2	2.0	2.3	2.2	1.5	2.2	2.4	2.4	2.5	2.6	2.3	2.0	2.5
France	1.9	1.7	1.4	1.7	1.5	1.4	1.2	1.7	1.2	1.4	1.8	1.6	1.4
Germany	1.9	1.6	2.1	1.2	1.2	1.2	5.0	1.1	1.0	0.9	2.2	0.9	2.0
Italy	2.2	2.4	2.1	3.9	2.4	2.1	1.9	1.9	1.9	1.9	2.4	2.4	1.9
Japan	-0.3	0.7	0.8	0.6	0.6	0.7	0.8	0.9	1.0	1.1	-0.6	1.0	0.9
United Kingdom	2.0	2.2	1.7	2.8	1.8	1.6	1.5	1.6	1.7	1.7	2.1	2.2	1.6
United States	3.4	3.3	2.4	4.4	2.2	2.4	2.4	2.2	2.1	2.0	3.7	2.8	2.2
Euro area	2.2	2.1	2.0	2.3	1.9	1.7	2.7	1.8	1.6	1.6	2.3	1.8	1.9
GDP deflator													
Canada	3.1	3.1	1.9	2.0	1.2	1.7	2.1	2.1	2.1	2.1	4.0	1.6	2.1
France	1.3	1.6	1.6	1.7	1.8	1.6	1.6	1.6	1.6	1.6	1.3	1.7	1.6
Germany	0.5	0.5	1.5	0.7	0.8	1.0	3.3	1.0	1.0	1.0	0.5	0.6	1.6
Italy	2.1	1.4	2.2	0.1	1.1	1.1	2.5	3.4	3.3	2.8	3.0	0.0	3.0
Japan	-1.3	-0.6	0.5	0.4	0.4	0.4	0.6	0.6	0.7	0.7	-1.7	0.1	0.6
United Kingdom	2.0	2.1	1.6	1.6	1.5	1.6	1.6	1.6	1.6	1.6	1.7	1.7	1.6
United States	2.8	3.0	2.3	3.0	2.0	2.2	2.2	2.3	2.3	2.2	3.1	2.6	2.3
Euro area	1.7	1.6	2.0	1.4	1.6	1.5	2.5	2.1	2.1	2.0	1.9	1.3	2.2
Total OECD	2.0	2.2	2.0	2.1	1.8	1.9	1.9	2.0	2.0	2.1	2.0	1.9	2.0
Unit labour cost (total economy)													
Canada	2.4	3.0	3.0	2.5	2.3	2.9	3.0	3.3	3.3	3.3	3.3	2.6	3.2
France	1.8	1.4	1.2	1.1	1.3	1.5	1.3	1.1	1.0	1.0	2.1	1.2	1.1
Germany	-1.5	-0.9	-0.3	-0.5	0.0	0.2	0.7	-1.2	-1.1	-1.1	-2.2	0.0	-0.7
Italy	4.2	0.8	1.7	-1.7	-0.5	0.9	2.5	3.1	2.9	2.3	5.7	-1.8	2.7
Japan	-1.4	-0.8	0.3	-0.9	-0.3	-0.1	0.9	0.5	0.4	0.5	-2.3	-0.2	0.6
United Kingdom	3.6	2.7	2.5	3.4	3.4	3.3	2.5	1.8	1.9	1.7	2.9	3.3	2.0
United States	2.9	2.3	2.6	2.3	2.5	2.5	2.9	2.6	2.5	2.6	2.0	2.3	2.6
Euro area	1.3	0.7	1.1	0.6	0.9	1.3	1.3	0.9	0.9	0.9	1.3	0.6	1.0
Total OECD	2.1	1.6	1.8	1.3	1.6	1.8	2.1	1.8	1.7	1.7	1.6	1.5	1.8
	Per cent of labour force												
Unemployment													
Canada	6.8	6.4	6.2	6.4	6.4	6.4	6.3	6.3	6.2	6.1	6.5	6.4	6.1
France	9.9	9.5	9.2	9.6	9.5	9.3	9.3	9.2	9.2	9.2	9.6	9.3	9.2
Germany	9.1	8.5	8.1	8.5	8.4	8.4	8.2	8.2	8.1	8.0	9.0	8.4	8.0
Italy	7.8	7.7	7.6	7.7	7.7	7.7	7.7	7.6	7.6	7.5	7.8	7.7	7.5
Japan	4.4	4.0	3.5	4.1	3.9	3.8	3.6	3.5	3.4	3.3	4.5	3.8	3.3
United Kingdom	4.8	5.3	5.2	5.3	5.3	5.3	5.3	5.2	5.2	5.2	5.1	5.3	5.2
United States	5.1	4.7	4.7	4.7	4.6	4.7	4.7	4.7	4.7	4.8	5.0	4.7	4.8
Euro area	8.6	8.2	7.9	8.2	8.1	8.2	8.1	8.0	7.9	7.8	8.4	8.2	7.8
Total OECD	6.5	6.2	6.0	6.2	6.1	6.1	6.1	6.0	6.0	5.9	6.4	6.1	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 79 database.

StatLink: *http://dx.doi.org/10.1787/802014804237*

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
Australia				
Final domestic demand	5.9	4.2	4.5	4.2
Stockbuilding	-0.5	0.1	-0.2	0.0
Net exports	-2.2	-1.4	-1.1	-0.6
GDP	3.2	2.6	2.9	3.7
Austria[1]				
Final domestic demand	1.1	1.4	1.8	2.0
Stockbuilding	-0.1	-0.1	0.0	0.0
Net exports	1.3	0.8	0.8	0.3
GDP	2.6	2.0	2.5	2.2
Belgium				
Final domestic demand	2.0	2.8	1.7	2.4
Stockbuilding	0.7	-0.3	0.2	0.0
Net exports	-0.3	-0.9	0.6	0.0
GDP	2.4	1.5	2.5	2.4
Canada[1]				
Final domestic demand	3.8	4.2	3.9	3.4
Stockbuilding	0.0	0.2	0.1	0.0
Net exports	-0.9	-1.5	-0.7	0.0
GDP	2.9	2.9	3.1	3.3
Czech Republic[1]				
Final domestic demand	2.7	2.7	3.1	3.7
Stockbuilding	0.7	-1.0	0.3	0.0
Net exports	1.4	4.5	2.5	1.2
GDP	4.7	6.0	5.7	4.7
Denmark[1]				
Final domestic demand	2.9	4.0	3.3	2.8
Stockbuilding	0.2	-0.1	0.1	0.0
Net exports	-1.3	-0.8	-0.5	-0.4
GDP	1.9	3.1	3.0	2.4
Finland				
Final domestic demand	2.7	2.6	2.6	2.2
Stockbuilding	0.3	0.5	-0.6	-0.1
Net exports	0.3	-0.4	1.0	0.8
GDP	3.5	2.2	3.4	2.8
France				
Final domestic demand	2.3	2.2	2.4	2.4
Stockbuilding	0.8	0.2	0.2	0.0
Net exports	-1.1	-1.0	-0.5	-0.1
GDP	2.1	1.4	2.1	2.2
Germany[1]				
Final domestic demand	-0.5	0.2	1.0	1.0
Stockbuilding	0.5	0.3	0.4	0.0
Net exports	1.0	0.7	0.4	0.6
GDP	1.1	1.1	1.8	1.6
Greece				
Final domestic demand	5.1	2.6	3.7	3.8
Stockbuilding	0.0	0.0	0.0	0.0
Net exports	-0.5	1.1	-0.1	-0.1
GDP	4.7	3.7	3.7	3.6
Hungary				
Final domestic demand	4.4	3.0	4.6	4.1
Stockbuilding	-1.4	-2.8	-0.3	-0.1
Net exports	1.7	4.0	0.3	0.3
GDP	4.5	4.3	4.6	4.4
Iceland[1]				
Final domestic demand	10.5	15.5	6.9	-3.1
Stockbuilding	0.1	0.0	-0.1	0.0
Net exports	-2.5	-10.2	-3.1	4.5
GDP	8.2	5.6	4.1	1.4
Ireland[1]				
Final domestic demand	4.0	6.2	4.6	4.7
Stockbuilding	-0.3	-0.5	0.0	0.1
Net exports	0.8	-1.6	0.3	0.2
GDP	4.5	4.6	5.0	5.0
Italy[1]				
Final domestic demand	0.8	0.2	1.2	1.4
Stockbuilding	-0.1	0.2	0.3	0.0
Net exports	0.2	-0.3	-0.1	-0.1
GDP	0.9	0.1	1.4	1.3
Japan[1]				
Final domestic demand	1.7	2.3	1.6	1.4
Stockbuilding	-0.2	0.2	0.0	0.0
Net exports	0.8	0.2	1.1	0.9
GDP	2.3	2.7	2.8	2.2
Korea				
Final domestic demand	0.9	2.8	3.6	3.7
Stockbuilding	0.5	-0.3	0.4	0.0
Net exports	3.3	1.4	1.2	1.6
GDP	4.7	4.0	5.2	5.3

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 79 database.

StatLink: *http://dx.doi.org/10.1787/025827376677*

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[1]					**Spain**[1]				
Final domestic demand	1.9	1.8	2.6	2.0	Final domestic demand	5.0	5.4	4.9	4.3
Stockbuilding	-0.2	1.0	0.0	0.0	Stockbuilding	0.0	0.0	0.0	0.0
Net exports	2.6	1.2	1.9	2.5	Net exports	-1.8	-1.9	-1.4	-1.1
GDP	4.2	4.0	4.5	4.5	GDP	3.1	3.4	3.3	3.0
Mexico					**Sweden**[1]				
Final domestic demand	4.3	5.4	5.0	4.3	Final domestic demand	1.7	2.8	2.9	2.2
Stockbuilding	0.1	-1.6	-0.2	0.0	Stockbuilding	-0.3	-0.2	-0.3	0.0
Net exports	-0.3	-0.9	-0.8	-0.6	Net exports	2.1	0.5	0.8	1.0
GDP	4.2	3.0	4.1	3.7	GDP	3.2	2.7	3.9	3.3
Netherlands[1]					**Switzerland**				
Final domestic demand	0.6	0.7	1.4	1.5	Final domestic demand	1.7	1.8	2.0	1.7
Stockbuilding	0.2	-0.5	0.0	0.0	Stockbuilding	-0.8	0.1	0.0	0.0
Net exports	0.9	0.9	1.0	1.3	Net exports	1.0	-0.1	0.2	0.1
GDP	1.7	1.1	2.4	2.8	GDP	2.1	1.9	2.4	1.8
New Zealand[1]					**Turkey**				
Final domestic demand	7.9	4.8	0.7	0.7	Final domestic demand	12.8	11.6	8.7	7.4
Stockbuilding	0.4	-0.3	-1.8	0.0	Stockbuilding	1.1	-2.5	0.0	0.0
Net exports	-3.2	-2.0	2.0	1.2	Net exports	-4.9	-1.7	-2.4	-1.0
GDP	4.3	1.9	1.3	1.9	GDP	8.9	7.4	6.1	6.4
Norway[1]					**United Kingdom**				
Final domestic demand	4.1	4.1	4.9	2.5	Final domestic demand	3.8	2.3	2.5	2.9
Stockbuilding	1.2	0.0	-1.0	0.0	Stockbuilding	0.1	-0.3	0.0	0.0
Net exports	-2.2	-1.7	-1.1	0.1	Net exports	-0.8	-0.1	-0.1	0.0
GDP	3.1	2.3	2.5	2.2	GDP	3.1	1.8	2.4	2.9
Poland[1]					**United States**[1]				
Final domestic demand	4.4	3.3	4.3	4.7	Final domestic demand	4.6	4.1	3.9	3.2
Stockbuilding	1.6	-1.1	0.1	0.0	Stockbuilding	0.3	-0.3	0.1	0.1
Net exports	-0.8	1.1	0.1	0.0	Net exports	-0.7	-0.3	-0.4	-0.2
GDP	5.3	3.3	4.4	4.6	GDP	4.2	3.5	3.6	3.1
Portugal					**Euro area**				
Final domestic demand	2.2	1.0	0.7	1.8	Final domestic demand	1.5	1.6	2.0	2.0
Stockbuilding	0.2	-0.2	-0.1	0.0	Stockbuilding	0.4	0.1	0.2	0.0
Net exports	-1.3	-0.5	0.1	-0.3	Net exports	0.0	-0.3	0.0	0.1
GDP	1.1	0.3	0.7	1.5	GDP	1.8	1.4	2.2	2.1
Slovak Republic					**Total OECD**				
Final domestic demand	2.7	6.4	5.6	5.1	Final domestic demand	3.3	3.2	3.1	2.8
Stockbuilding	3.6	-0.2	1.6	0.0	Stockbuilding	0.3	-0.2	0.1	0.0
Net exports	-0.8	-0.2	-0.9	1.3	Net exports	-0.3	-0.2	-0.1	0.1
GDP	5.5	6.0	6.3	6.3	GDP	3.3	2.8	3.1	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 79 database.

StatLink: *http://dx.doi.org/10.1787/025827376677*

Annex Table 58. **Household wealth and indebtedness**[1]

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Canada												
Net wealth	477.3	481.3	497.7	509.2	514.5	514.2	509.0	508.9	520.4	518.6	518.3	520.4
Net financial wealth	212.8	223.8	236.8	245.2	249.5	246.0	246.7	241.1	238.9	227.8	218.0	212.8
Non-financial assets	264.5	257.6	260.9	264.0	265.0	268.1	262.2	267.8	281.5	290.8	300.3	307.6
Financial assets	315.9	327.2	343.6	354.8	361.5	360.1	359.4	355.6	356.4	348.4	342.0	340.4
of which: Equities	61.3	63.2	71.2	80.6	88.3	89.4	90.3	91.4	90.2	88.1	85.8	86.8
Liabilities	103.1	103.4	106.8	109.6	112.0	114.0	112.6	114.6	117.5	120.7	124.0	127.6
of which: Mortgages	68.5	68.8	70.8	71.6	71.8	71.8	69.6	69.6	71.0	72.9	74.6	76.8
France												
Net wealth	471.8	462.5	481.8	491.3	498.2	549.6	550.3	555.0	575.3	633.3	696.9	771.1
Net financial wealth	158.7	154.4	169.8	182.4	187.1	213.7	207.4	190.0	184.7	192.8	194.9	208.2
Non-financial assets	313.1	308.1	312.0	309.0	311.1	335.9	342.9	365.1	390.6	440.5	502.0	562.9
Financial assets	239.4	220.2	236.6	250.3	260.0	289.6	284.7	268.5	260.8	273.6	278.8	299.3
of which: Equities	90.5	53.4	59.2	61.4	68.1	87.6	84.5	70.6	63.9	71.1	73.0	83.7
Liabilities	80.7	65.7	66.8	68.0	73.0	75.9	77.3	78.5	76.1	80.8	83.9	91.1
of which: Long-term loans	51.2	49.7	50.5	51.2	51.5	53.9	53.5	53.8	54.9	58.1	..	..
Germany												
Net wealth	530.4	541.0	551.7	563.9	575.6	584.3	576.4	563.7	565.6	572.4	572.2	..
Net financial wealth	124.8	129.7	135.8	146.6	154.4	164.1	160.3	159.2	154.3	166.6	172.6	..
Non-financial assets	405.6	411.3	415.9	417.3	421.2	420.2	416.1	404.5	411.3	405.8	399.6	..
Financial assets	217.8	226.5	237.1	251.3	263.4	277.8	274.4	270.6	265.7	276.9	280.8	..
of which: Equities	39.0	41.2	45.4	54.7	61.8	74.3	74.4	69.5	56.3	60.5	59.9	..
Liabilities	93.0	96.8	101.3	104.7	109.0	113.7	114.1	111.3	111.4	110.2	108.2	..
of which: Mortgages	55.6	58.7	62.3	65.1	67.1	71.0	71.6	71.2	72.0	71.9	71.1	..
Italy												
Net wealth	724.5	716.6	715.6	763.0	789.3	822.2	834.3	836.2	874.2	910.5	960.6	..
Net financial wealth	229.2	218.7	225.4	250.9	278.1	313.3	316.4	297.1	286.0	285.7	297.5	..
Non-financial assets	495.3	497.9	490.2	512.0	511.2	508.9	517.9	539.1	588.2	624.8	663.1	..
Financial assets	261.8	250.9	258.3	286.3	317.2	357.1	362.5	343.6	334.6	337.0	352.2	..
of which: Equities	33.7	38.3	36.7	49.7	64.0	97.3	100.9	85.6	78.3	76.0	85.6	..
Liabilities	32.6	32.1	32.9	35.4	39.1	43.7	46.1	46.5	48.6	51.3	54.7	..
of which: Medium and long-term loans	15.5	19.1	19.2	20.5	22.6	26.0	27.5	28.2	30.4	32.9	36.8	..
Japan												
Net wealth	746.6	735.8	746.6	736.6	725.6	749.3	750.3	745.8	725.0	730.6	724.9	..
Net financial wealth	272.3	281.2	290.9	292.5	295.2	326.1	335.9	341.4	341.0	360.4	367.3	..
Non-financial assets	474.3	454.6	455.7	444.1	430.4	423.2	414.5	404.4	384.0	370.2	357.6	..
Financial assets	396.9	411.4	424.0	420.9	427.8	459.5	471.1	477.8	475.1	493.9	499.2	..
of which: Equities	46.8	45.9	40.3	28.9	27.0	45.6	41.7	32.0	29.8	42.2	47.8	..
Liabilities	124.6	130.2	133.2	128.4	132.6	133.4	135.2	136.4	134.1	133.5	131.8	..
of which: Mortgages[2]	46.8	49.6	53.8	55.5	56.0	58.9	61.4	63.4	66.0	63.1	63.9	..
United Kingdom												
Net wealth	543.9	555.9	568.1	618.5	660.8	743.8	737.0	677.4	680.1	713.0	755.0	..
Net financial wealth	257.1	285.6	289.1	335.8	348.3	402.0	368.9	306.8	247.5	252.9	257.7	..
Non-financial assets	286.8	270.2	279.1	282.7	312.5	341.8	368.2	370.5	432.6	460.0	497.3	..
Financial assets	364.7	392.3	393.1	440.3	455.9	512.7	482.5	424.6	377.5	393.6	412.8	..
of which: Equities	70.2	76.2	75.8	91.9	91.7	120.3	110.2	78.1	55.4	60.2	65.1	..
Liabilities	107.5	106.6	104.0	104.5	107.5	110.7	113.7	117.7	130.0	140.7	155.1	..
of which: Mortgages	79.5	78.1	77.2	76.6	78.5	80.8	82.8	85.7	94.3	103.8	113.6	..
United States												
Net wealth	481.0	511.7	531.2	566.4	583.3	629.1	578.2	543.6	499.0	540.2	556.9	576.5
Net financial wealth	274.4	303.8	325.0	359.5	373.7	412.7	358.6	316.2	263.7	294.9	296.5	293.7
Non-financial assets	206.6	208.0	206.2	206.9	209.6	216.4	219.5	227.4	235.3	245.3	260.3	282.8
Financial assets	366.1	397.2	420.0	455.6	470.8	513.9	460.8	421.8	373.6	412.4	420.4	425.6
of which: Equities	85.1	105.2	119.8	146.7	157.8	191.5	154.7	127.6	95.7	115.1	116.9	113.9
Liabilities	91.6	93.5	95.1	96.2	97.0	101.2	102.2	105.6	109.9	117.6	123.9	131.8
of which: Mortgages	63.5	63.2	63.8	64.2	64.8	67.5	68.0	71.6	76.6	83.7	89.7	98.2

1. Assets and liabilities are amounts outstanding at the end of the period, in per cent of nominal disposable income. Vertical lines between columns indicate breaks in the series due to changes in the definitions or accounting systems. Figures after the most recent breaks in the series are based on the UN System of National Accounts 1993 (SNA 93) and, more specifically, for European Union countries, on the corresponding European System of Accounts 1995 (ESA 95).
Households include non-profit institutions serving households. Net wealth is defined as non-financial and financial assets minus liabilities; net financial wealth is financial assets minus liabilities. Non-financial assets consist mainly of dwellings and land. For Canada, Germany, Italy and the United States, data also include durable goods. For Canada, France, Japan, the United Kingdom and the United States, data also include non-residential buildings and fixed assets of unincorporated enterprises and of non-profit institutions serving households, although coverage and valuation methods may differ. Financial assets comprise currency and deposits, securities other than shares, loans, shares and other equity, insurance technical reserves; and other accounts receivable/payable. Not included are assets with regard to social security pension insurance schemes. Equities comprise shares and other equity, including quoted, unquoted and mutual fund shares. See also *OECD Economic Outlook* Sources and Methods *(http://www.oecd.org/eco/sources-and-methods).*

2. Fiscal year data.

Sources: Canada: Statistics Canada; France: INSEE; Germany: Deutsche Bundesbank; Italy: Banca d'Italia; Japan: Economic Planning Agency; United Kingdom: Office for National Statistics; United States: Federal Reserve.

StatLink: *http://dx.doi.org/10.1787/503020107188*

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	-3.6	-1.9	0.7	0.8	0.9	1.9	1.1	0.8	0.1	0.6	0.4	1.0	0.5
France	-4.6	-3.6	-2.8	-2.8	-2.3	-2.1	-2.0	-3.0	-3.6	-2.6	-2.6	-2.2	-2.1
Germany[1]	-1.4	-1.9	-1.6	-1.8	-1.5	1.4	-1.4	-1.7	-1.8	-2.3	-2.2	-1.9	-1.4
Italy	-7.7	-6.9	-2.7	-2.5	-1.5	-1.2	-3.3	-3.2	-2.9	-2.8	-3.5	-3.5	-3.8
Japan[2]	-4.4	-4.1	-3.5	-5.3	-7.4	-6.4	-6.0	-6.9	-6.8	-5.4	-5.0	-4.4	-3.7
United Kingdom	-5.6	-4.4	-2.2	0.1	1.2	3.9	0.9	-1.7	-3.5	-3.2	-3.3	-3.5	-3.3
United States	-2.7	-1.9	-0.6	0.5	1.1	1.9	0.4	-2.6	-3.9	-3.9	-3.0	-2.9	-2.9
excluding social security	-3.5	-2.8	-1.6	-0.7	-0.4	0.4	-1.2	-4.2	-5.3	-5.2	-4.4	-4.2	-4.3
Total of above countries	-3.6	-2.9	-1.5	-1.1	-1.0	0.2	-1.2	-3.0	-3.8	-3.5	-3.1	-2.9	-2.8

Note: Central government financial balances include one-off revenues from the sale of mobile telephone licenses.

1. 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.
2. 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 79 database.

StatLink: *http://dx.doi.org/10.1787/170558530316*

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	64.2	66.5	65.7	66.1	65.9	64.5	63.6	62.9	63.1	63.2
Belgium	130.2	127.8	122.5	117.2	113.5	107.5	106.0	103.2	98.5	94.9	93.3	89.5	85.6
Czech Republic	..	..	12.2	12.9	13.4	18.2	26.3	29.1	30.3	30.9	30.8	31.6	32.2
Denmark	72.5	69.2	65.2	60.8	57.4	51.7	47.4	46.8	44.4	42.6	35.9	32.4	28.4
Finland	56.4	56.6	53.6	48.2	46.7	44.3	43.3	42.2	45.0	45.0	41.1	41.4	42.5
France	54.0	56.3	58.5	58.6	58.0	55.9	56.1	58.2	62.7	65.0	67.3	66.8	65.9
Germany	55.5	58.4	59.5	59.9	60.3	59.3	58.7	60.2	63.7	65.7	67.8	69.5	69.3
Greece	108.7	111.3	108.2	105.8	105.2	114.0	114.4	111.6	108.8	109.3	108.7	106.2	103.3
Hungary	..	..	63.8	61.4	60.8	55.0	51.7	55.0	56.7	57.1	58.2	59.0	59.7
Ireland	81.5	72.8	64.0	53.0	48.1	37.9	35.3	32.1	31.1	29.5	27.6	27.5	27.5
Italy	121.0	120.6	117.9	114.8	113.7	108.8	108.2	105.5	104.2	103.9	106.3	107.4	108.4
Luxembourg	5.8	6.3	6.4	6.2	5.6	5.3	6.5	6.5	6.3	6.6	6.0	9.0	10.2
Netherlands	74.0	72.1	67.0	64.0	60.5	53.6	50.7	50.5	51.9	52.6	52.9	52.8	52.3
Poland	..	..	43.0	38.3	39.4	35.8	35.9	39.8	43.9	41.9	42.0	45.5	45.6
Portugal	61.0	59.9	56.1	52.2	51.4	50.4	52.9	55.5	57.0	58.7	63.9	66.3	68.3
Slovak Republic	..	30.6	33.1	34.0	47.2	49.9	49.4	43.8	43.1	42.6	35.2	29.7	24.7
Spain	62.5	66.7	65.3	63.2	61.6	59.2	55.6	52.5	48.9	46.4	43.2	40.5	38.3
Sweden	73.0	73.0	70.0	67.6	62.2	52.3	53.8	52.0	51.8	50.5	50.3	45.4	40.3
United Kingdom	51.8	52.2	50.8	47.6	44.9	41.9	38.7	38.2	39.7	41.5	43.5	46.6	49.1
Euro area	72.7	75.0	73.4	72.5	71.7	69.0	68.2	68.1	69.4	70.0	70.9	70.8	70.2

Note: For the period before 2006, gross debt figures are provided by Eurostat, the Statistical Office of the European Communities, unless more recent data are available, while GDP figures are provided by National Authorities.This explains why these ratios can differ significantly from the ones published by Eurostat. The 2006 to 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 79 database.

StatLink: *http://dx.doi.org/10.1787/802337584614*

Annex Table 61. **Monetary and credit aggregates: recent trends**

Annualised percentage change, seasonally adjusted

		Annual change (to 4th quarter)					Latest twelve months	
		2001	2002	2003	2004	2005		
Canada	M2	5.8	6.1	5.3	6.4	5.1	5.5	(Apr. 2006)
	BL[1]	5.0	5.0	4.5	7.7	8.4	8.0	(Mar. 2006)
Japan	M2+CD	3.1	2.9	1.5	2.0	2.0	1.7	(Apr. 2006)
	BL[1]	-1.4	-3.1	-0.5	1.4	1.0	0.9	(Apr. 2006)
United Kingdom	M0	7.4	7.1	7.6	5.5	5.2	6.7	(Mar. 2006)
	M4	7.7	6.0	6.5	9.4	11.8	12.2	(Mar. 2006)
	BL[1]	8.4	9.3	8.7	11.3	9.5	10.6	(Mar. 2006)
United States	M2	10.3	6.7	5.5	5.2	3.9	4.9	(Apr. 2006)
	BL[1]	2.4	5.0	5.9	10.4	11.5	10.9	(Apr. 2006)
Euro area	M2	8.5	6.6	6.8	6.4	8.7	9.3	(Apr. 2006)
	M3	10.6	6.7	7.0	5.9	8.2	8.5	(Apr. 2006)
	BL[1]	7.2	3.8	5.6	5.8	9.1	10.2	(Mar. 2006)

1. Commercial bank lending.

Source: OECD Economic Outlook 79 database.

StatLink: *http://dx.doi.org/10.1787/232073830672*

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- Which role could policies play in containing future spending pressures?

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